

# University of California 2017-18 Budget Plan and Proposal for Tuition and Financial Aid

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# Executive Summary

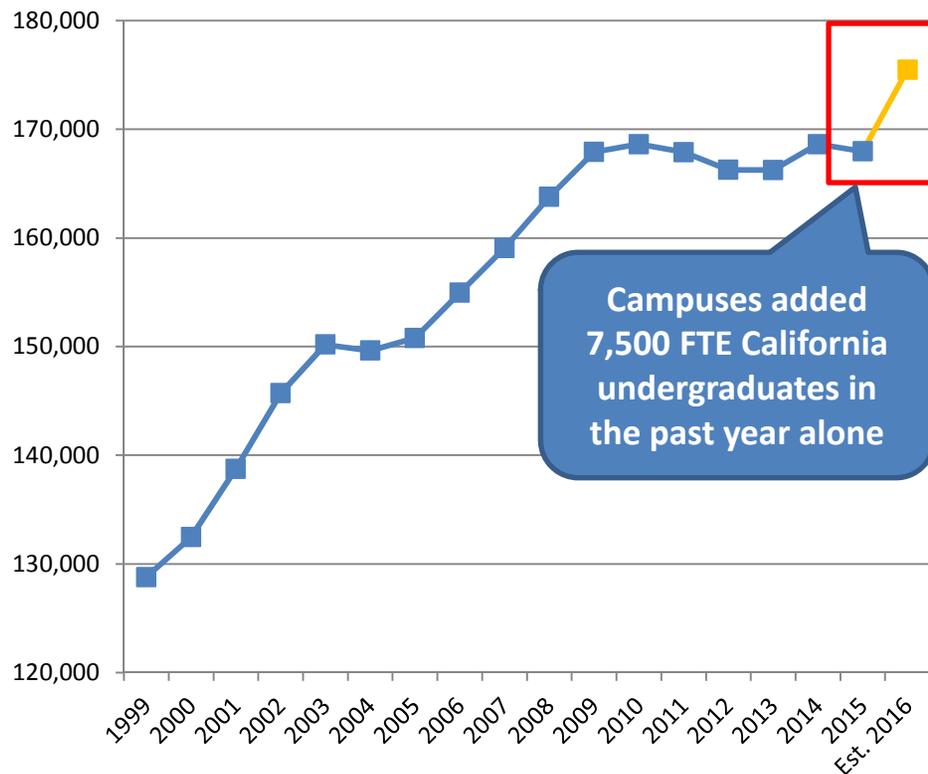
- The University's 2017-18 budget plan represents an integrated strategy for addressing the most pressing needs of the University and its students, with a focus on:
  - *increasing access* for California undergraduates
  - providing *additional student financial aid*
  - supporting expanded student *mental health services*
  - *improving the student-faculty ratio* by investing in the educational experience
  - addressing urgent *infrastructure needs*
  - acknowledging other mandatory costs including *employee and retiree health benefits*
- The plan exemplifies our commitment to affordability and would:
  - increase financial aid by approximately \$50M
  - fully cover the proposed tuition adjustment for 2/3<sup>rds</sup> of CA undergrads
  - provide 100,000 undergrads with additional aid that could be used for rent, food, books, and other expenses

# Agenda

- Challenges and Opportunities for the 2017-2018 Budget
- 2017-2018 Budget Plan
- Tuition, Financial Aid and Affordability

# *Increasing access* for California undergraduates remains a top priority, but requires resources

California resident enrollment has grown substantially...

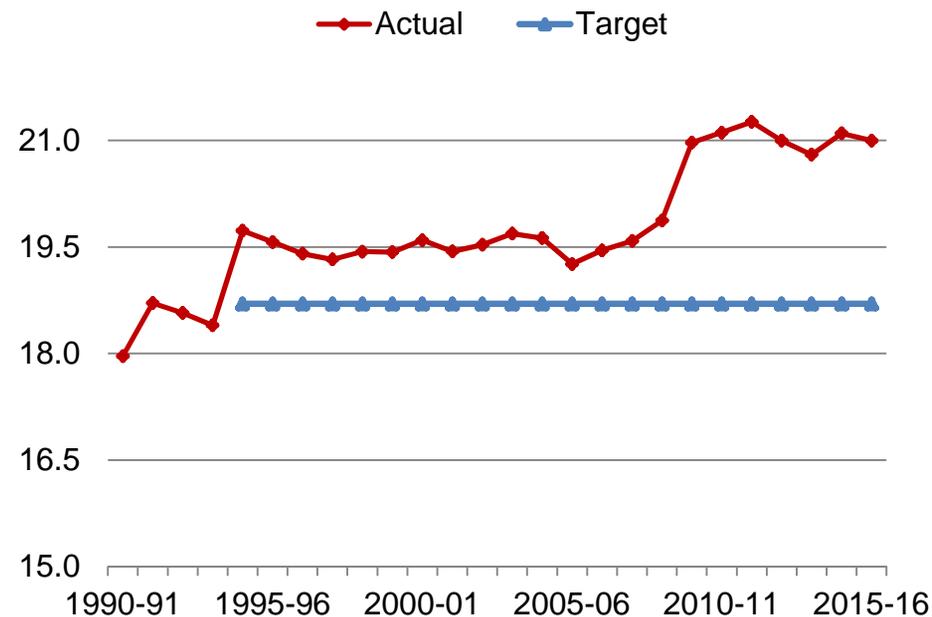


...which has impacted all students and resulted in the need for:

- **Additional student financial aid**
- **Expanded student mental health services**
- **Investment in the educational experience:**
  - **Student-faculty ratio**
  - **Graduate student support**
  - **Undergraduate instructional support**
- **Extensive capital investment** including deferred maintenance and capital improvements

# Rapid enrollment growth has started to impact the overall *educational experience*

Student-Faculty Ratio is high compared to past decades



Potential challenges for students include:

- Larger class sizes
- Insufficient course offerings
- Bottlenecks to majors and other requirements

# We must continue to address our *capital needs* and long-term liabilities

## Deferred Maintenance

- **State eligible deferred maintenance backlog now exceeds \$3B** and represents a substantial and growing risk to the University

## Capital Improvements

- **Capital Financial Plan calls for \$5.6B in capital needs to support enrollment growth over 6 years**

## UC Retirement Plan

- **Overall UCRP liability grew to \$15B in June 2016**

## Employee & Retiree Health Benefits

- **UC has an unfunded liability for retiree health estimated to be \$21B as of June 2016**

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# 17-18 Expenditure Plan:

## Continuing growth of undergrad and grad students

- 2,500 California resident undergraduates
  - Planned growth at every campus
  - Ambitious transfer goals
- 900 Graduate students
  - Educators/mentors for undergraduates
  - Perform groundbreaking research
  - Help meet State workforce need  
(including talent pool for new faculty)

## 17-18 Expenditure Plan: Investing to support student success

- \$50 million to hire faculty, upgrade education technology, improve graduate student support, and other priorities
  - Campuses planning additional faculty hires
  - Also adding advisors, counselors, and tutors
- \$4.6M for expanded access to student mental health services

# 17-18 Expenditure Plan: Addressing critical capital needs

- \$50M for deferred maintenance projects
- \$15M for capital program (AB 94 process)
  - Enrollment growth
  - Seismic safety
  - Merced 2020 and other projects

# 17-18 Expenditure Plan: Meeting mandatory and high-priority costs

- UCRP contributions
- Employee/retiree health
- Represented and nonrepresented faculty and staff compensation
- Non-salary price increases

## 17-18 Revenue Plan:

### State support consistent with the funding framework

- Included in Governor's budget:
  - 4% base budget adjustment
  - Funding for California undergraduate enrollment growth in 2017-18
  - \$169M in Proposition 2 funding for UCRP
- Additional requests from UC:
  - \$35M in one-time deferred maintenance funding
  - \$9M to support graduate enrollment in 2017-18
  - Funding for 2018-19 enrollment growth

## 17-18 Revenue Plan:

UC campuses continue to leverage alternative revenues and reduce administrative costs

- Asset management
- Systemwide contracts
- Fiat Lux (risk captive)
- Philanthropy
- Nonresident Financial Aid

## 17-18 Revenue Plan:

Tuition adjustment will support enrollment growth, financial aid, and improved student outcomes

- Adjustments to systemwide charges
  - Tuition \$282, Student Services Fee \$54
  - 1/3 of new undergraduate revenue will be used for aid for CA students
- Cal Grants, Middle Class Scholarship awards will also increase under current terms of programs
  - Fully cover proposed adjustment for 2/3 of CA undergrads
- Undergraduate Nonresident Supplemental Tuition adjustment (\$1,332)

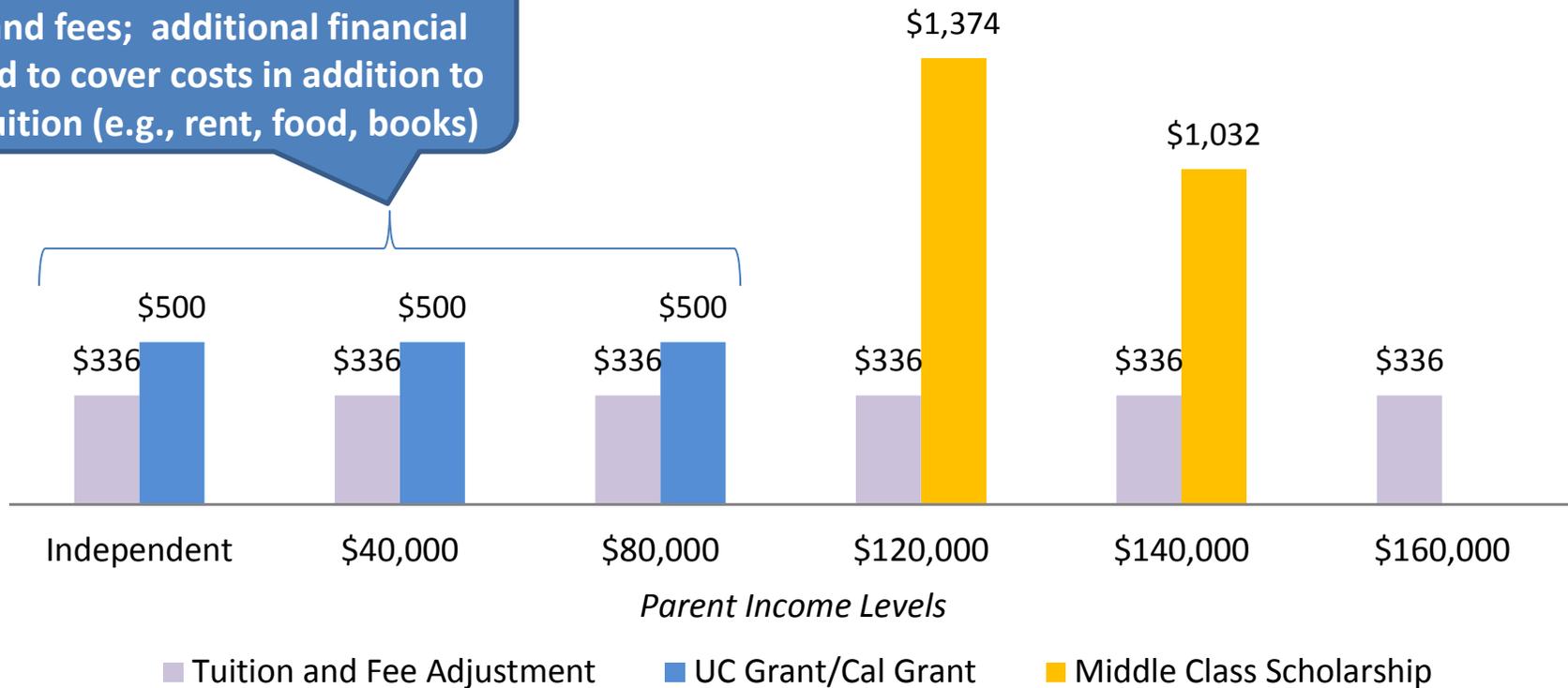
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# For two-thirds of CA resident students, aid will rise by more than the tuition adjustment

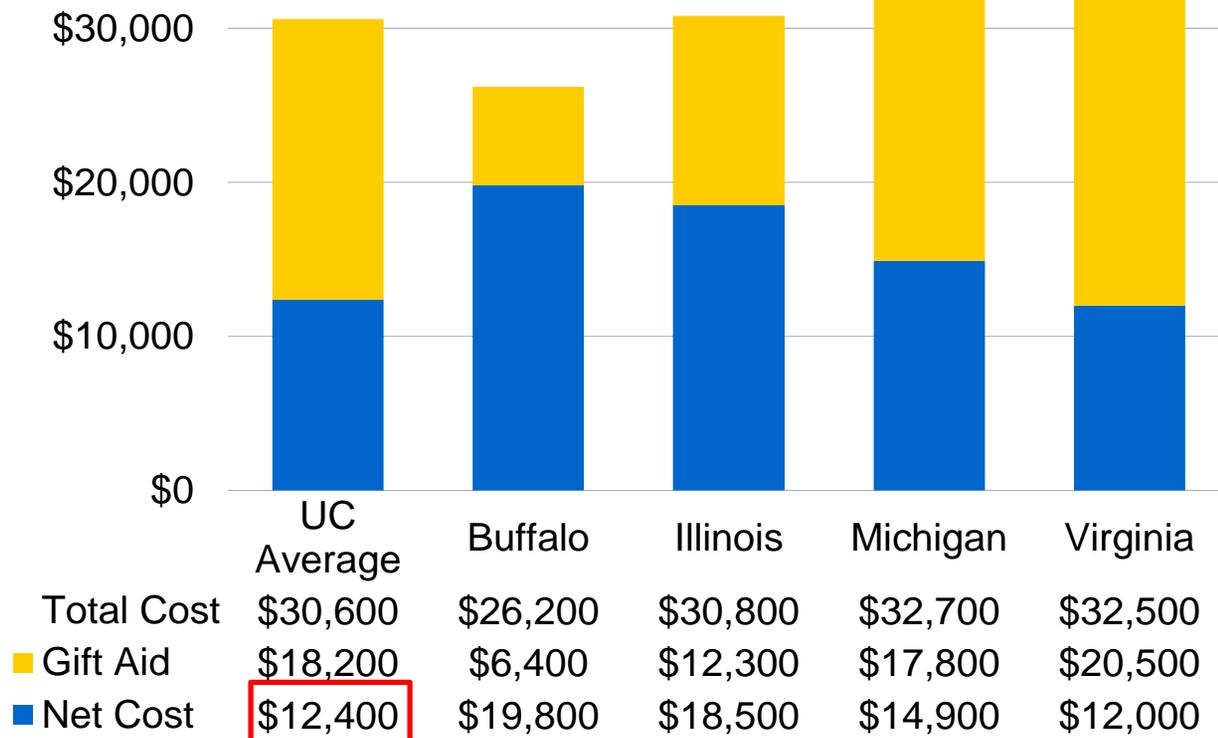
## Changes in Financial Aid with the Proposed Tuition and Fee Adjustment (California Residents)

Financial aid covers all tuition and fees; additional financial aid to cover costs in addition to tuition (e.g., rent, food, books)



~\$50M in *additional financial aid* will ensure UC total cost of attendance remains affordable

Net cost of attendance for Undergraduate Aid Recipients compares favorably with public comparison institutions



**Financial aid will be used to:**

- Fully cover the proposed **tuition adjustment** for 2/3 of CA undergrads
- Provide **100,000 undergrads** with **additional aid** that could be used for **rent, food, books, and other expenses**

# Appendix

# 2017-18 Budget Plan for Core Funds (Dollars in Millions)

## PROPOSED INCREASES IN REVENUE

### *Cost Savings/Alternative Revenues*

Asset Management	\$	3.0
Systemwide Contracts	\$	7.8
Fiat Lux / Risk Captive	\$	5.0
Philanthropy	\$	10.0
Reallocation from Nonresident Aid	\$	14.0
Subtotal	\$	39.8

### *State General Funds*

CA Undergraduate Enrollment Growth	\$	18.5
Graduate Enrollment Growth	\$	9.0
4% Base Budget Increase	\$	131.2
Subtotal	\$	158.7

### *Fees*

Student Services Fee Adjustment (\$54)	\$	9.2
Tuition Adjustment (\$282)	\$	48.0
Enrollment Growth - Tuition & SSF	\$	36.2
Revenue for Financial Aid	\$	49.3
Subtotal	\$	142.6

### *UC General Funds*

Nonresident Tuition Adjustment (\$1,332)	\$	42.1
Nonresident Enrollment Growth	\$	28.6
Subtotal	\$	70.7

### *One-Time Resources*

Deferred Maintenance (to be requested)	\$	35.0
Prior Year Enrollment Funding	\$	18.5

**TOTAL INCREASE IN REVENUE**      **\$ 465.2**

## PROPOSED INCREASES IN EXPENDITURES

*Enrollment Growth Marginal Cost*      \$ 79.9

### *Mandatory Costs*

Retirement Contributions	\$	18.3
Employee Health Benefits	\$	19.0
Annuitant Health Benefits	\$	8.1
Contractually Committed Compensation	\$	29.9
Faculty Merit Program	\$	32.0
Non-Salary Price Increases	\$	27.3
Subtotal	\$	134.6

*Student Success & Academic Excellence*      \$ 50.0

*Student Mental Health Resources*      \$ 4.6

### *High-Priority Costs*

Compensation	\$	81.8
Deferred Maintenance	\$	50.0
High-Priority Capital Needs	\$	15.0
Subtotal	\$	146.8

### *Financial Aid*

Return-to-aid	\$	49.3
Subtotal	\$	49.3

**TOTAL INCREASE IN EXPENDITURES**      **\$ 465.2**