



UNIVERSITY OF CALIFORNIA

Update on the 2008-09 and 2009-10 UC Budgets, Preliminary Discussion of the 2010-11 UC Budget, and Proposed 2009-10 Mid-year and 2010-11 Student Fee Increases

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Vice President for Budget and Capital Resources
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UC Budget Issues and Recommendations

- Overview on State Fiscal Condition
- Update on the 2008-09 and 2009-10 UC Budgets
- Preliminary Discussion of the 2010-11 UC Budget
- Proposed 2009-10 Mid-year and 2010-11 Student Fee Increases and Financial Aid

State Budget Actions

<u>Process</u>	<u>Budget Gap</u>
• January State Budget <ul style="list-style-type: none">– Initial Budget Gap	\$42.0 B
• February Special Session <ul style="list-style-type: none">– \$6 B May Election failed voter approval	\$36.0 B
• May Revise <ul style="list-style-type: none">– State Budget Gap increases	\$24.0 B
• Enacted State Budget <ul style="list-style-type: none">– Budget Solutions	\$60.0 B

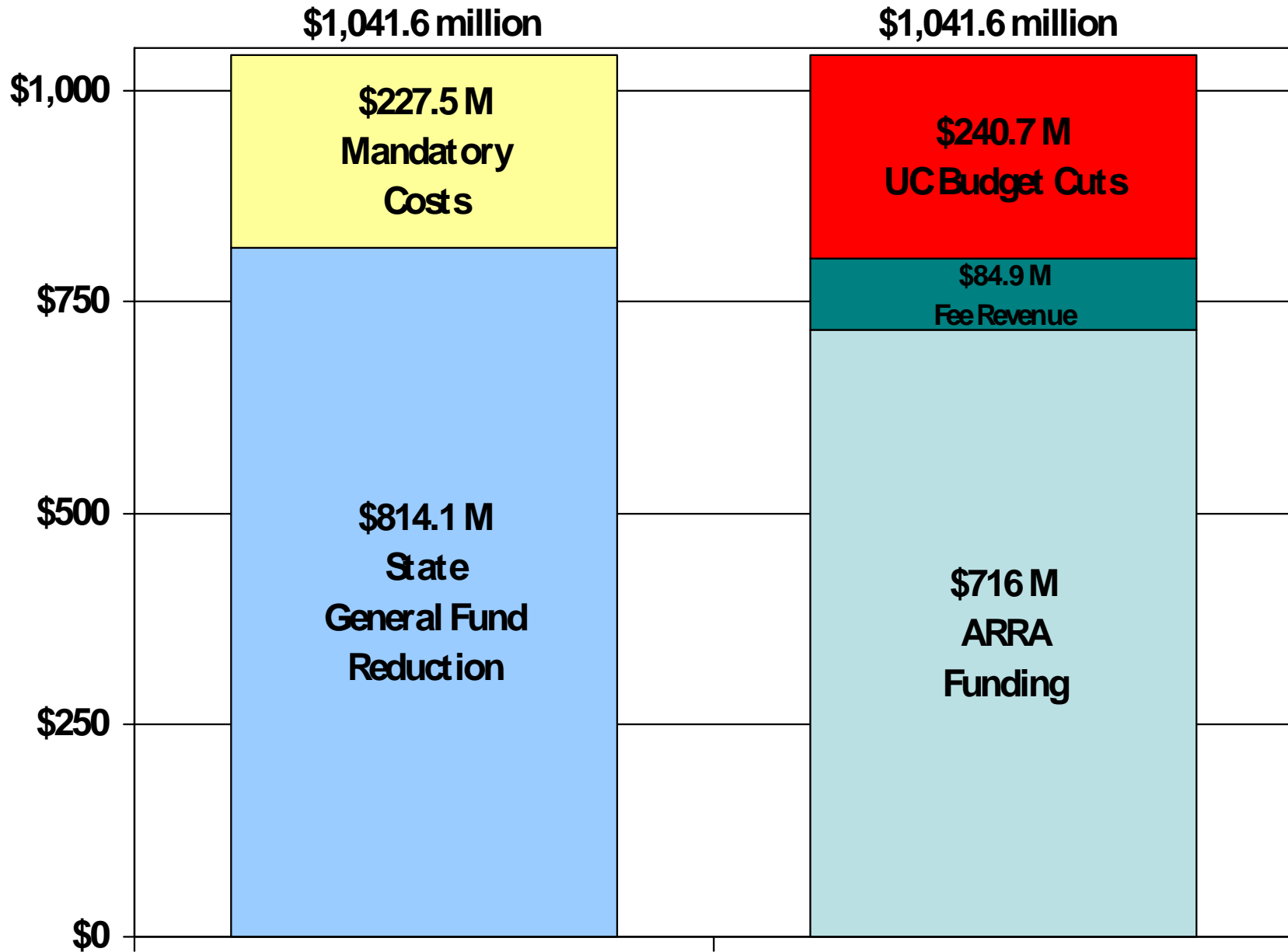
State Fiscal Condition and Future Budget Gap

• Budget Cuts	\$31.0 B
• Taxes	\$12.6 B
• Federal Stimulus (ARRA)	\$ 8.0 B
• Other	\$ 8.4 B
• Total	\$60.0 B
• 2010-11 Budget Gap	\$7 to \$8 B

2008-09 UC Budget Actions

• September 2008 Budget Act		\$3,250.3 B
• 2008 Budget Act (One-Time)	(\$33.1 M)	\$3,217.2 B
• Special Session (Ongoing)	(\$65.5 M)	\$3,151.7 B
• May 14, Revise (One-time)	(\$510.0 M)	\$2,641.7 B
• May 26, Reduction (One-time)	(\$207.5 M)	\$2,434.2 B
• Final Budget Act Adjustment (Ongoing)	<u>\$2.0 M</u>	\$2,436.2 B
• Total	(\$814.1 M)	

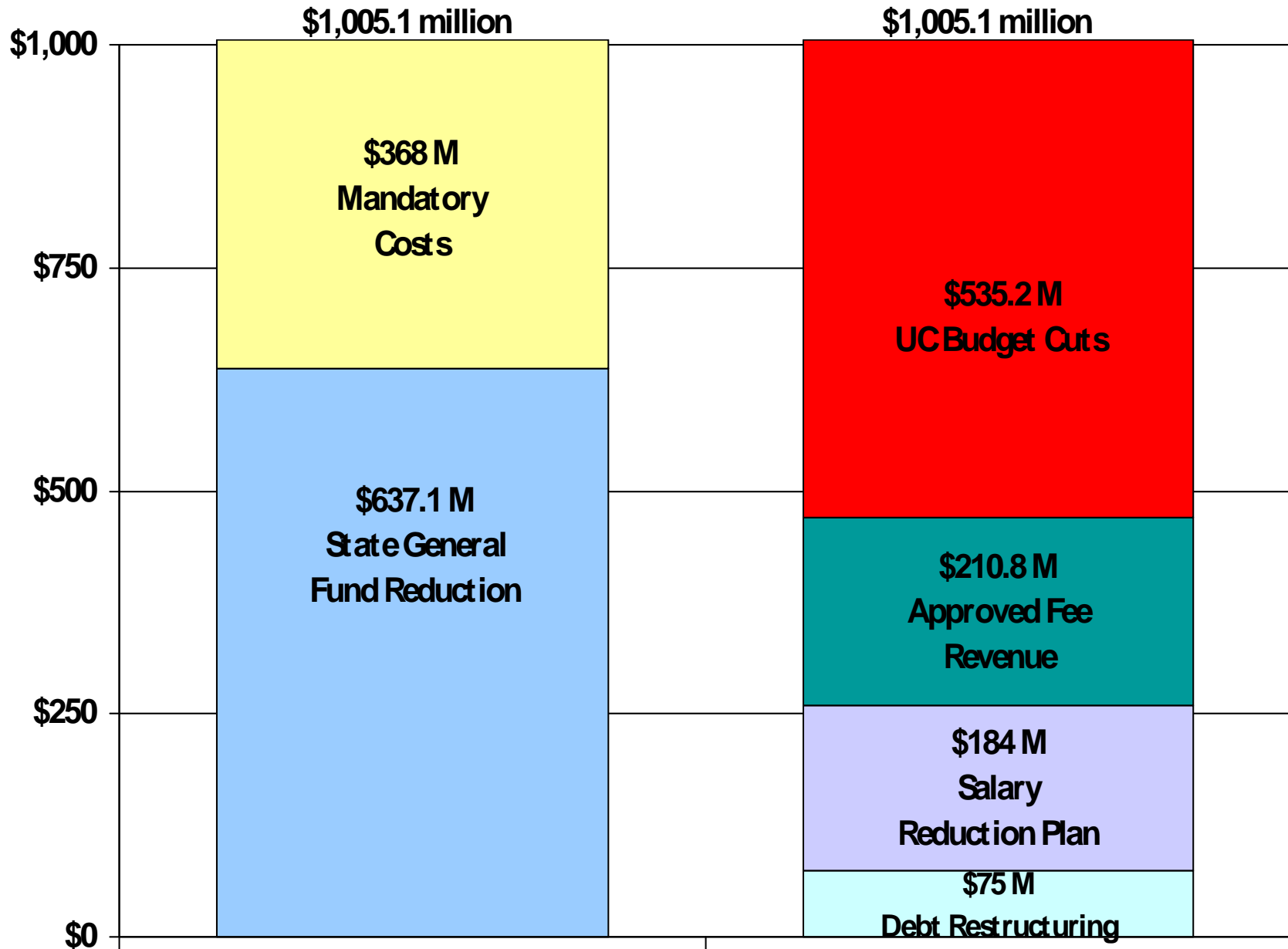
2008-09 UC Budget



2009-10 UC Budget Actions

• January 10, Governor's Budget		\$3,250.3 B
• Special Session (Ongoing Cut)	(\$65.5 M)	\$3,184.8 B
• Special Session (Trigger, One-Time)	(\$50.0 M)	\$3,134.8 B
• Special Session (Veto, One-Time)	(\$255.0 M)	\$2,879.8 B
• May 14, Revise (Unallocated)	(\$50.0 M)	\$2,829.8 B
• May 14, Revise (Academic Preparation)	(\$31.3 M)	\$2,798.5 B
• May 26, Budget Reduction	(\$167.5 M)	\$2,631.0 B
• Conference Committee Action	<u>(\$17.8 M)</u>	\$2,613.2 B
• Total	(\$637.1 M)	

2009-10 UC Budget



2010-11 UC Budget and Future Funding Issues

- Restoration of One-Time Cuts \$305.0 M
- Enrollment Reduction (\$22.6 M)
- Salary Reduction Plan \$184.0 M
- UC Retirement Plan \$108.9 M
- Other New Mandatory Costs \$129.4 M

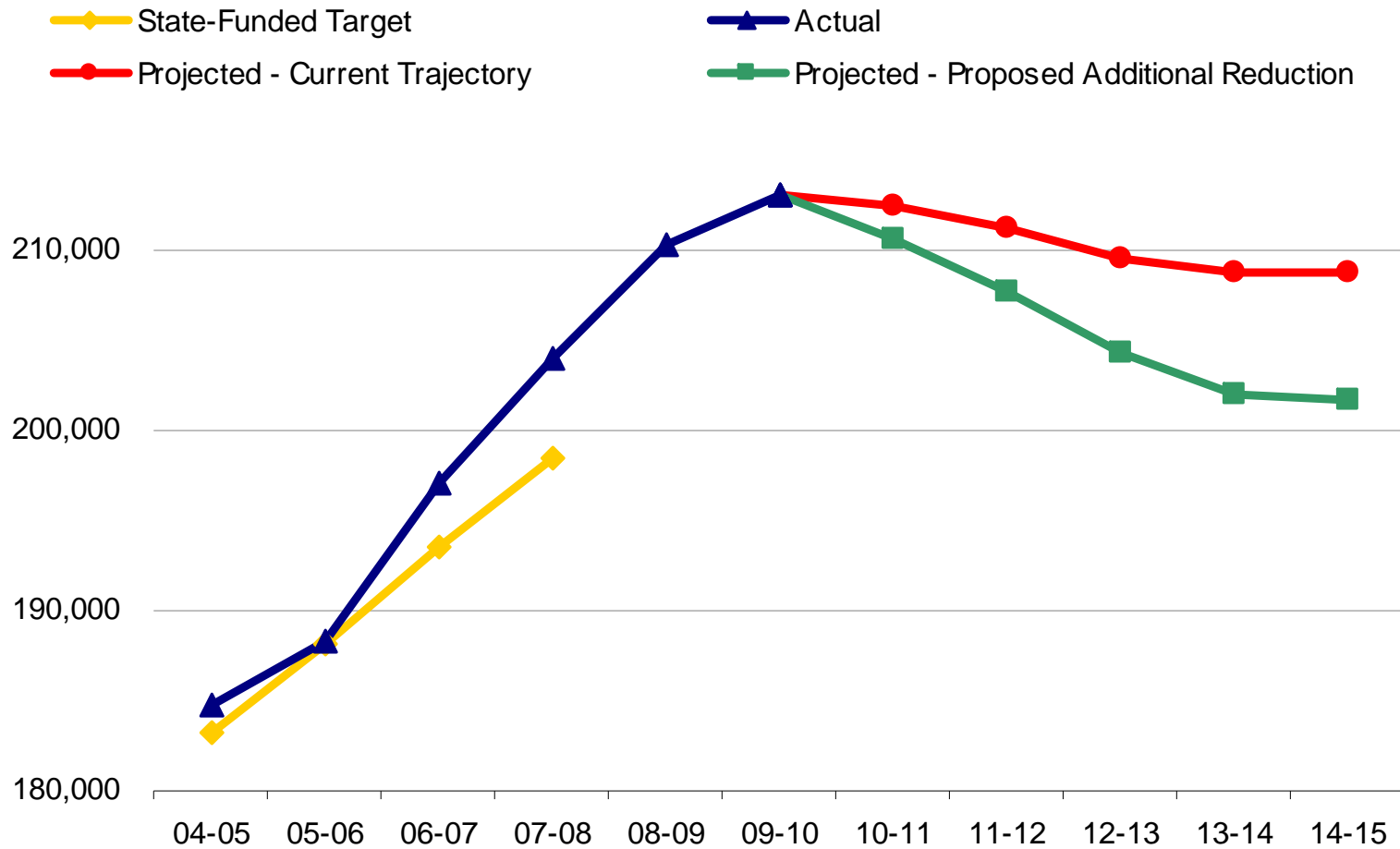
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• Subtotal	(\$637.1 M)	

State-Funded Enrollment

- In 2008-09, UC was over-enrolled by 11,700 students
- Four-year plan to reduce total enrollments by 8,000 – 10,000 students
- For 2009-10, first-time freshmen were reduced by 2,300 to slow enrollment growth and CCC transfers increased by 500
- Even so, projected over-enrollment will still grow to nearly 14,000 students in 2009-10
- 2010-11 recommendation:
 - Reduce first-time freshman by another 2,300
 - Increase CCC transfers by another 250

State-Funded Enrollment



Salary Reduction Plan

- Approved by the Regents in July
- Implemented September 1, 2009
- In effect until August 31, 2010
- Recognized statewide for thoughtful protection of lower paid employees
- Will generate savings of \$184 million in 2009-10

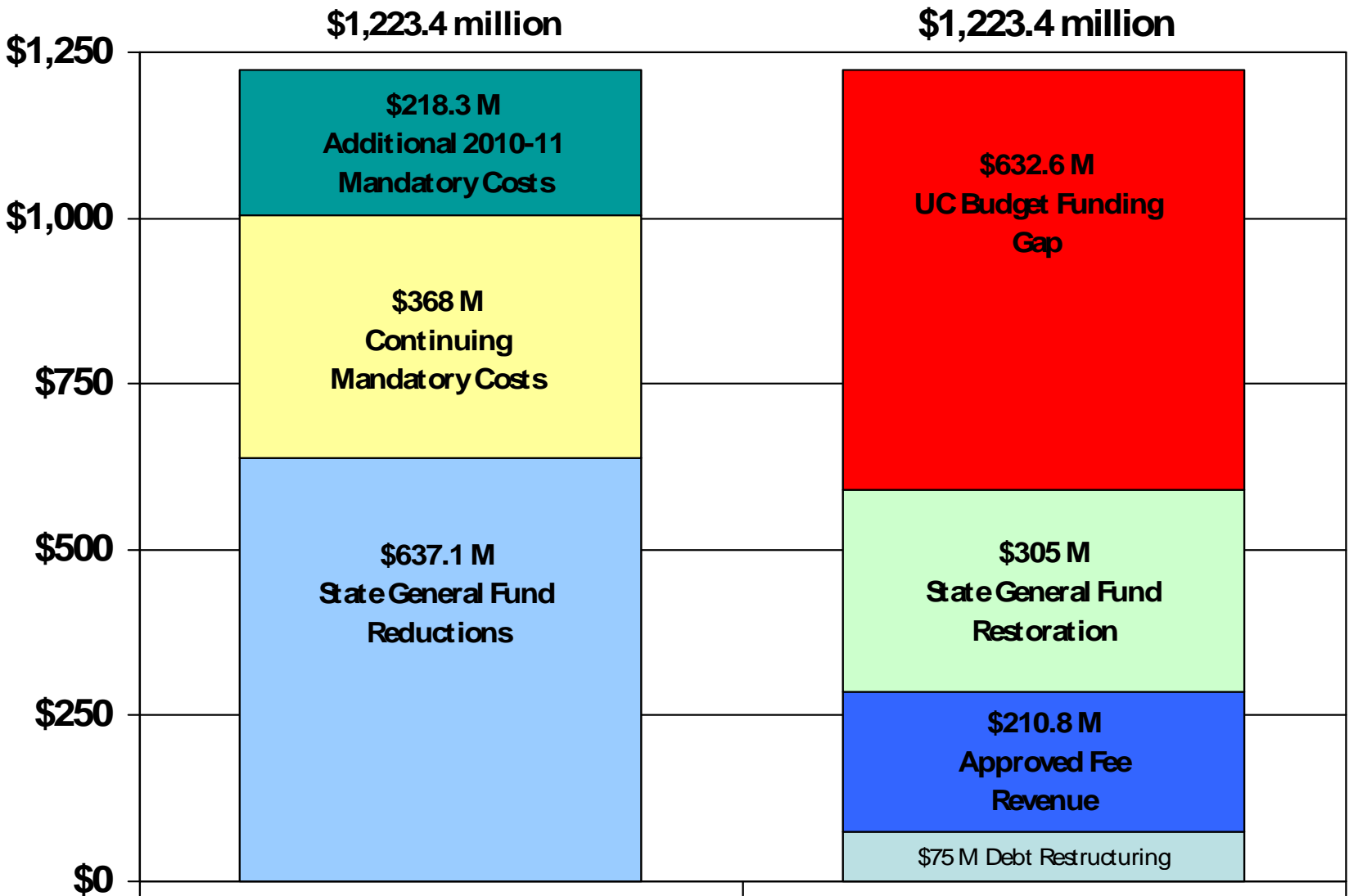
UC Retirement Plan

- In January, Governor included \$20 million in 2009-10 state budget proposal, subsequently eliminated in the Special Session
- In February, Regents approved April 15, 2010 implementation date
- Annualized 2010-11 State share: \$96 million
- Total core funds cost to UC: \$108.9 million

Campus Mandatory Costs

- Academic Merit Increases \$29.5 M
- Employee Health Benefits \$34.1 M
- Retiree Health Benefits \$10.0 M
- Purchased Utilities \$13.0 M
- Non-salary Price Increases \$24.6 M

2010-11 UC Potential Budget Reductions and Funding Issues



Addressing the Budget Gap

- 2010-11 UC Budget Gap \$632.6 M
- Equivalent to:
 - Eliminating State support for 2 medium-sized campuses
 - Reducing enrollment by 57,500 students
 - Closing UC libraries and public service programs
 - Terminating 8,300 employees
 - Eliminating all core-funded student financial aid

UC Administrative Efficiencies and Other Actions

- Strategic Sourcing \$154.0 M
- UCOP Restructuring \$62.2 M
- Energy Savings Program \$18.0 M
- Other Actions:
 - Senior management salary freeze
 - 5% senior administrator pay reductions on July 1, 2009
 - Cancellation or deferral of bonus and many incentive programs
 - Suspension of staff merit awards
 - Restrictions on hiring, travel, and purchasing

Campus Budget Actions

- Greater impact on administrative versus academic programs
- Administrative restructuring and consolidations
- Positions eliminated, hiring deferred, and layoffs
- Service reductions
- Increasingly using “one-time” campus reserves
- Class sections reduced or eliminated, class sizes increased

Campus Budget Actions

	2008-09 (Actual)	2009-10 (Projected)
Instructional Budget Reductions	\$56.4 M	\$139.2 M
Employee Layoffs	884	1,006 additional
Positions Eliminated	1,951	1,919 additional
Deferred Hiring	633	951 additional

“Unrestricted” Net Assets

- UC does not have billions of dollars in uncommitted funds that it can use to make up for massive reductions in state support.
- UC’s June 2008 financial statements reference \$5.3 billion in "unrestricted net assets" — terminology required to be used under GASB requirements.
- The definition of “unrestricted” must be used for any funds that are not subject to *externally* imposed restrictions. “Unrestricted assets” does not mean uncommitted assets.
- Funds are kept in over 76,000 funds and accounts that each individual campus controls for very specific uses including:
 - endowments
 - capital project funding
 - medical centers
 - operating funds to support academic programs and research initiatives on a multiple-year basis
 - liening funds for authorized equipment purchases and services that have not been expended by the end of the fiscal year

“Unrestricted” Net Assets

- The next issuance of our audited financial statements summarizing our financial condition as of June 30, 2009 will show a substantial drop in our unrestricted net assets to an amount *below* \$4 billion.
- Some of this drop is attributable to the growth in our unfunded retiree health care obligations and investment losses.
- The financial statements will show a decrease in operating cash balances at our campuses. These accounts are used by campuses to meet a variety of expenses throughout the year for core instructional needs.
- The substantial budget cuts from the State – including those in the middle-and-end of the 2008-09 fiscal year – hit our campus programs so late that all available funds had to be tapped to help bridge over to the current fiscal year.

Preview of Unrestricted Net Assets for FY 2008-09

Total to be reported: Below \$4 billion, down from \$5.3 billion

Highlights:*

• Capital Projects	\$ 946 M
• Medical Centers	\$ 512 M
• Endowment Income/FFEs	\$1,199 M
• Debt Service Funds	\$ 35 M
• Misc. Student Fee & Auxiliary Payments	\$ 699 M

* amounts are approximates

2009-10 Mid-Year and 2010-11 Student Fee Recommendations

- Mid-Year Student Fees
- 2010-11 Student Fees
- Financial Aid Opportunities

Mid-Year Student Fee Increases

	Current Fee	Proposed Increase*	Proposed Fee
Undergraduate	\$7,778	\$585	\$8,373
Graduate Academic	\$8,736	\$654	\$9,390
Graduate Professional	\$7,722	\$579	\$8,301

*Annualized fee increases would be \$1,170, \$1,308, and \$1,158 for resident undergraduates, graduate academics and graduate professional students, respectively.

	Total Revenue	Student Financial Aid	Net Revenue
2009-10	\$117.3 M	\$42.2 M	\$75.1 M

*During 2010-11, annualized fee increases would generate \$253.8 million in total revenue, of which \$91.0 million would be set aside for financial aid, providing \$162.8 million in net revenue to help address budget issues.

2010-11 Proposed Fee Increases

	2009-10 Fees	Proposed Increase	Proposed 2010-11 Fee
<u>Mandatory Fees:</u>			
Undergraduate	\$8,948	\$1,344	\$10,302
Graduate Academic	\$10,044	\$1,506	\$11,550
Graduate Professional	\$8,880	\$1,332	\$10,212
Undergraduate Business / Engineering Fee	\$0	\$900	\$900
Professional Degree Fees	\$4,000 - \$26,283	\$200 - \$5,174	\$4,200 - \$30,979

2010-11 New Fee Revenue

	Total Revenue	Student Financial Aid	Net Revenue
Mandatory Fees	\$291.7 M	\$104.6 M	\$187.1 M
Undergraduate Business / Engineering Fee	\$14.9 M	\$4.9 M	\$10.0 M
Professional Degree Fees	\$27.2 M	\$9.0 M	\$18.2 M

Financial Aid for UC Undergraduates

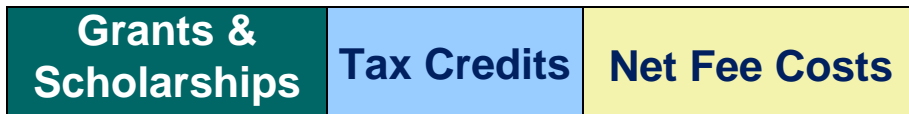
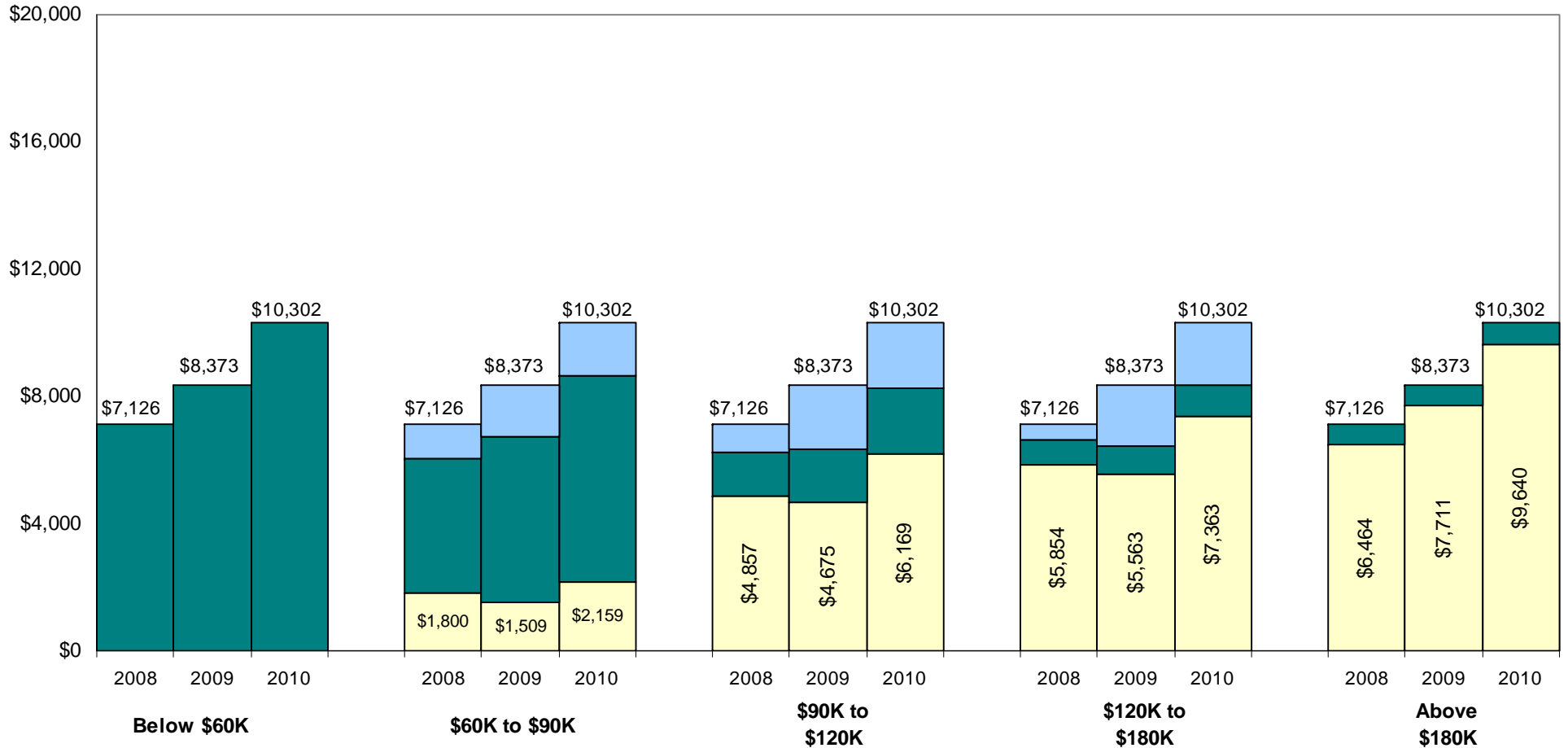
- Financial aid and tax credits provided more than \$1.7 billion to UC undergraduates in 2008-09
- 55% of undergraduates received \$1 billion in grants and scholarships with an average award of \$11,100
- One-third of undergraduates are low-income, Pell Grant recipients, more than any other comparable research university

Financial Aid Enhancements: 2009-10

- Augmentations to Cal Grants and UC grants to cover fee increases of lower-income students
- Pell Grant expansion raising maximum award by \$619, from \$4,731 to \$5,350
- Tuition tax credit expansion raising maximum credit and raising income ceiling
- Introduction of Blue and Gold Opportunity Plan ensuring systemwide fees coverage

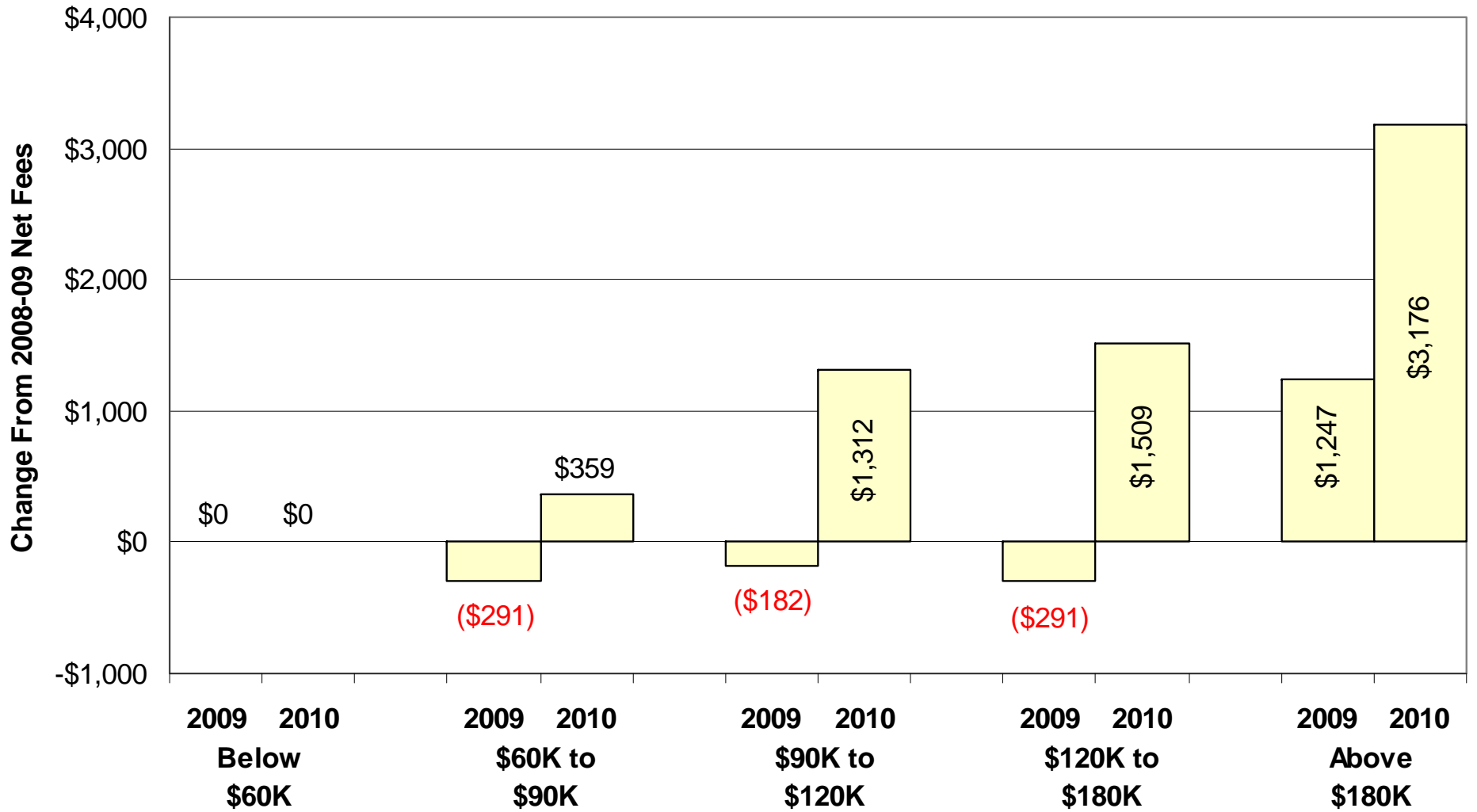
Estimated Financial Aid and Systemwide Fees

Average Per Undergraduate by Parent Income, 2008-09 through 2010-11



Estimated Change in Undergraduate Net Fee Costs

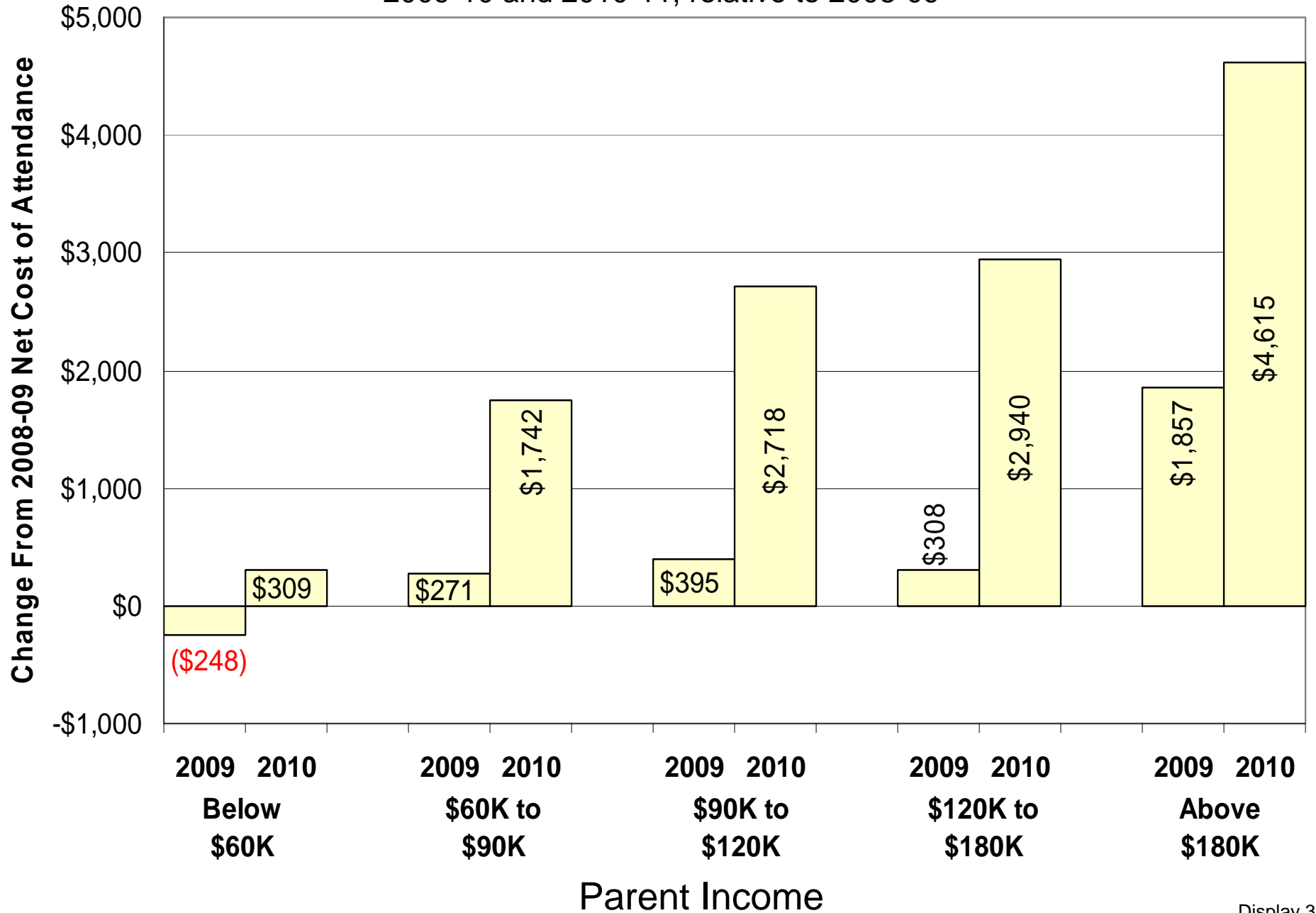
2009-10 and 2010-11, relative to 2008-09



Parent Income

Estimated Change in Net Cost of Attendance

2009-10 and 2010-11, relative to 2008-09



Proposed Student Fee Revenue

- 2009-10 Mid-year Fee (Annualized) \$162.8 M
- 2010-11 Fee Recommendation \$215.3 M
- Total \$378.1 M

2010-11 UC Potential Budget Reductions and Funding Issues

