COMMISSION ON THE FUTURE
Fiscal Challenges and Strategies
March 2010
2010-11 Budget Reductions and Funding Issues

- $218.3 M Additional 2010-11 Mandatory Costs
- $368 M Continuing Mandatory Costs
- $637.1 M State General Fund Reductions
- $237 M UC Budget Funding Gap
- $65.4 M Additional State Funds
- $305 M State General Fund Restoration
- $330.1 M 2009-10 Mid-year and 2010-11 Fee Increases
- $210.8 M Approved Fee Increases
- $75 M Debt Restructuring
Crossroads on Funding

State support has already declined 54% over 19 years.

Per-Student Average Expenditures for Education from Student Fees and General Funds (2009-10 Dollars)

Student fee amounts are net of financial aid.
• Furloughs/Salary Reductions (2009-10)
• Debt Restructuring (2009-10 and 2010-11)
• Strategic Sourcing
• UCOP Restructuring
• Energy Savings Program
• 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

<table>
<thead>
<tr>
<th></th>
<th>2008-09 (Actual)</th>
<th>2009-10 (Projected)</th>
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<tbody>
<tr>
<td>Instructional Budget Reductions</td>
<td>$56 M</td>
<td>$139 M</td>
</tr>
<tr>
<td>Employee Layoffs</td>
<td>&gt; 850</td>
<td>&gt; 1,000</td>
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<tr>
<td>Positions Eliminated</td>
<td>&gt; 1,950</td>
<td>&gt; 1,900</td>
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<tr>
<td>Deferred Hiring</td>
<td>&gt; 600</td>
<td>&gt; 950</td>
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Challenges for UC

How to Maintain Quality and Access in the Face of Declines in State Funding and Subsequent Increases in Student Fees

Obligations:
• Compensation
• Restart of Retirement Contributions
• Employee Benefits
• Non-salary Items
• Bargaining Unit Contracts

Regents’ Priorities:
• Enrollment Growth
• Educational Quality
• Faculty and Staff Salary Gaps
• Graduate Support
• Capital Renewal and Deferred Maintenance
• Financial Aid
Total Costs to Meet Obligations and Regental Priorities

Assumes no additional revenue increases after 2010-11

Dollars in billions.
Cost Drivers: Total Increases in 2019-20

$6
$5
$4
$3
$2
$1
$0

Cost Drivers

- Educational Quality
- Deferred Maintenance
- Academic Support
- Information Technology
- Graduate Student support

$2.5B
3% Inflation

$700 M
Quality Initiatives

$500 M
Faculty & Staff Salary Lag

$900 M
Annuitant Health

$700 M
Retirement Contributions

Dollars in billions.
Potential Strategies to Address Funding Gap

- Funding mix
- Enrollment levels
- Enrollment mix
- Administrative efficiencies
- Student-faculty ratio
- Post employment benefit restructuring

- Faculty mix
- Educational delivery
- Financial aid policy
- Research cost recovery
- Private partnerships
Total Obligations and Priority Costs Relative to Modest Funding Increases

Total Costs with State Augmentations of 4% and Yearly Fee Increases of 4% Beginning in 2011-12

Gap: $2.9B
Gap: $2.3B
Gap: $1.3B

Estimated Costs
Estimated Income

Cost Drivers & Revenue Options: Total Increases in 2019-20

Cost Drivers

- $700 M Quality Initiatives
- $500 M Faculty & Staff Salary Lag
- $900 M Annuity Health
- $700 M Retirement Contributions
- $2.5 B 3% Inflation

Revenue Options

- $80 M Private Gifts
- $300 M Efficiencies
- $500 M State Funding for Retirement
- $300 M Research Cost Recovery
- Increment if Increase Fees 15% through 2013-14, then 7% *
- $800 M 4% Annual Fee Increases *
- $1.2 B State Funding Increases @ 4% per Year
- $300 M 2010-11 Fee Increases

Dollars in billions. * Net of return to aid