

# THE UNIVERSITY BUDGET: Process and Issues

Institutional Research Staff Conference  
January 2008

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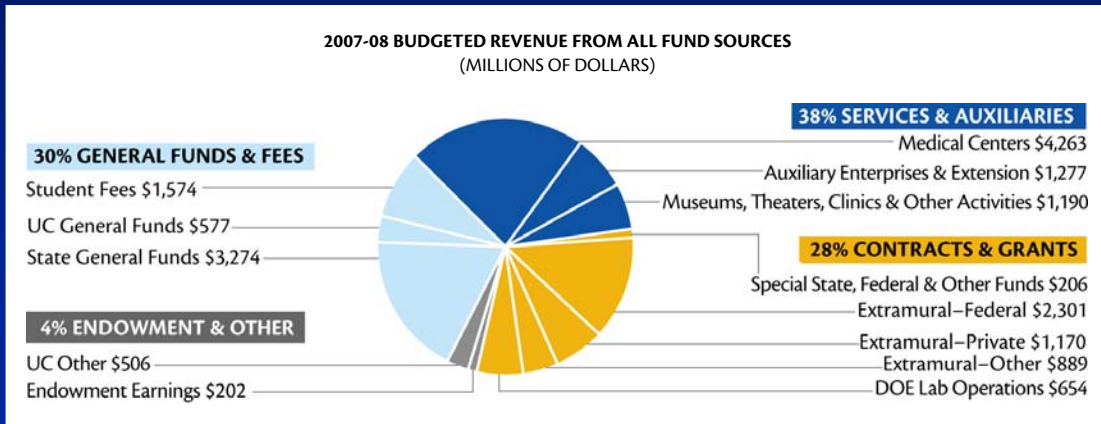


## Today's Discussion

- Systemwide Budget Context
- Budget Process
- Flow of Funds
- Marginal Cost of Instruction
- Enrollment Targets and Growth
- Special Topics

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# Budget Context: Sources of Revenue



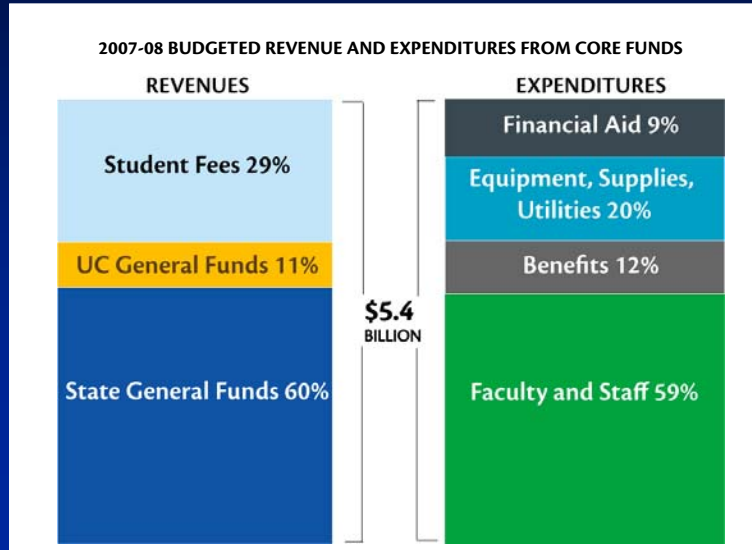
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## “Core” Fund Sources

- State General Funds \$3.2 billion
- UC General Funds \$575 million
  - Nonresident Tuition
  - Indirect Cost Recovery
- Student Fees \$1.5 billion
  - Registration Fee
  - Educational Fee
  - Professional School Fees

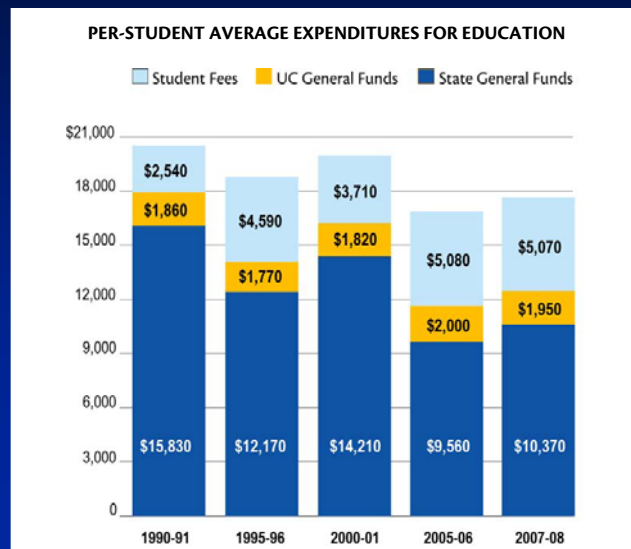
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# Expenditure of Core Funds



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# Core Funding per Student



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# UCOP Budget Office Responsibilities

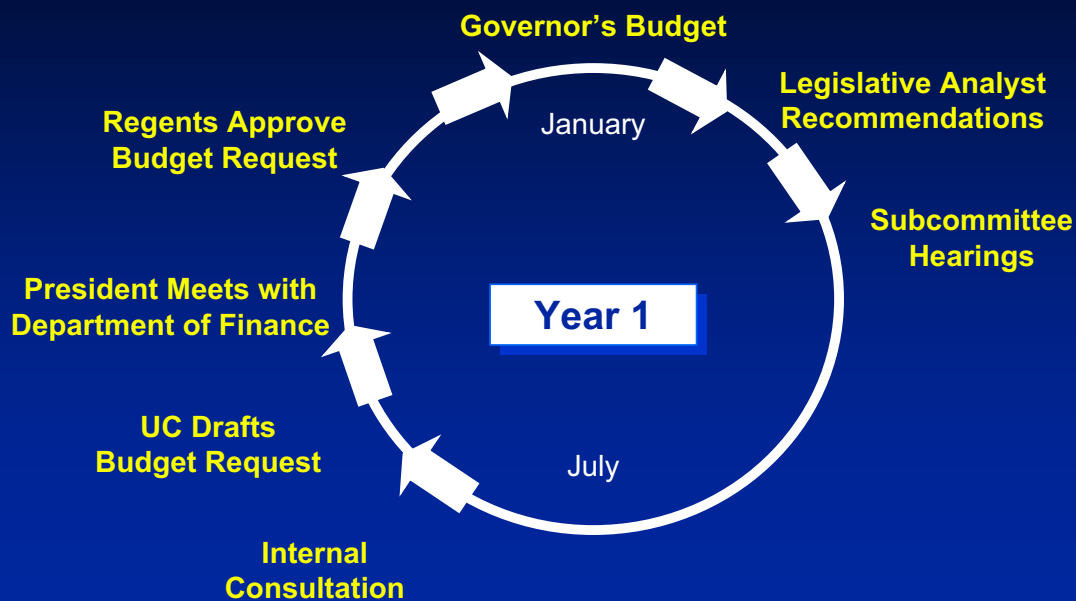
Budget Development

Budget Negotiation

Budget Management

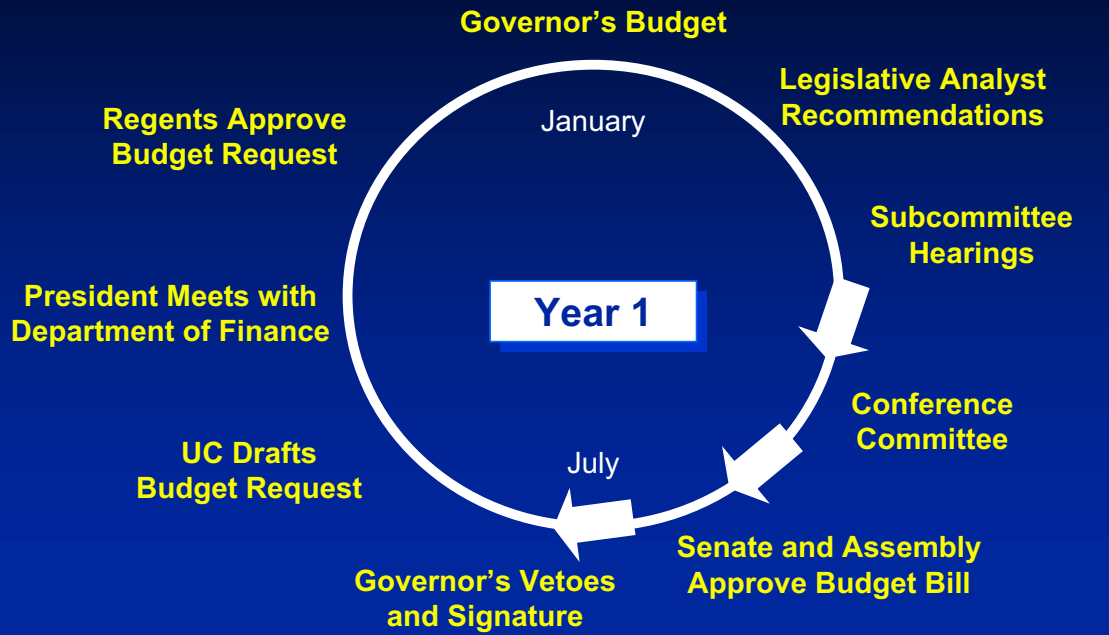
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## Budget Development

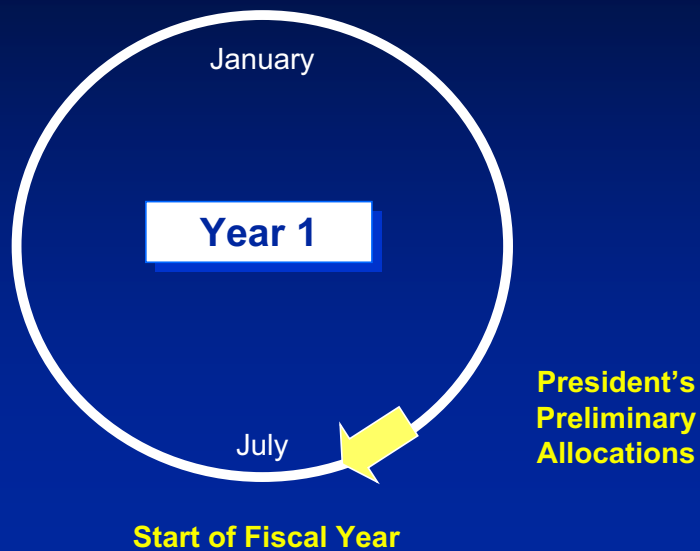


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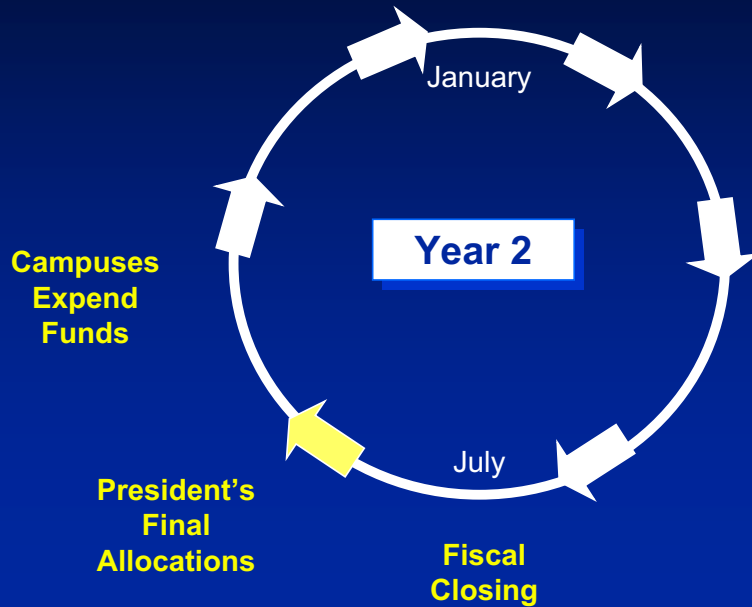
# Budget Negotiation



# Budget Management



# Budget Management



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# Budget Management



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# The Higher Education Compact

- Signed in May 2004
- Plan for State funding through 2010-11
- Base budget increases
- Additional increases for core academic support
- Enrollment growth of 2.5%
- Established a floor, not a ceiling
- UC required to report progress on key outcomes

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# Legislative Reports

- Current Enrollment
- Use of Summer Term
- Long-Range Enrollment
- Entry-Level Writing
- Faculty Instructional Activity
- Academic Prep Programs
- Lottery Funds
- Academic Salaries
- Institutional Aid
- Science and Math Initiative
- PRIME Expansion
- UC Mexico Facility
- Classroom Utilization
- Instructional Research Space

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# Flow of Funds: Sources of New Revenue

- State General Funds
  - Base budget increases
  - Enrollment growth
  - New initiatives
- UC General Funds
  - Nonresident tuition increases
  - Nonresident enrollment growth
  - Growth in research overhead
- Student Fees
  - Enrollment growth
  - Fee increases

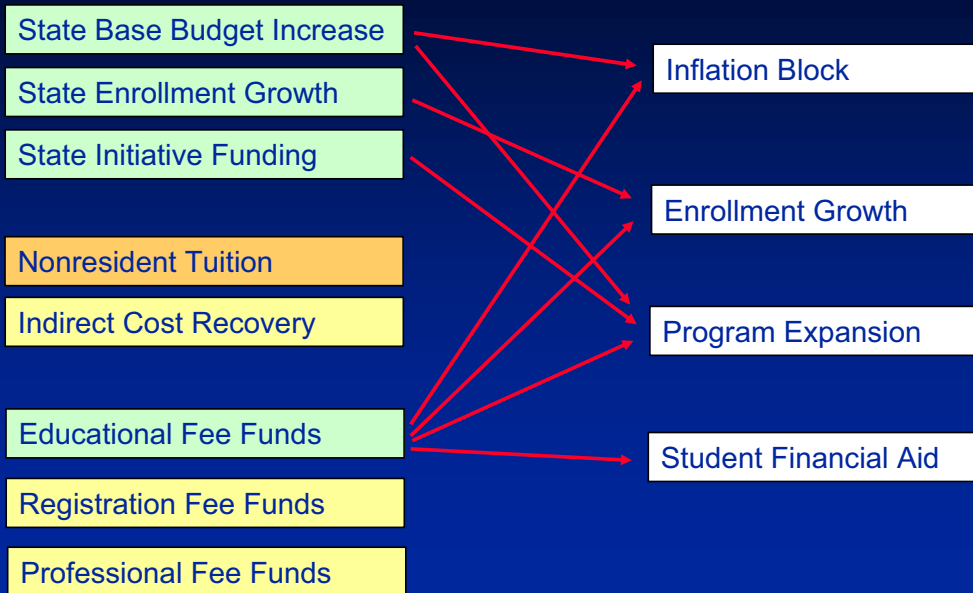
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# Flow of Funds: Expenditure of New Funds

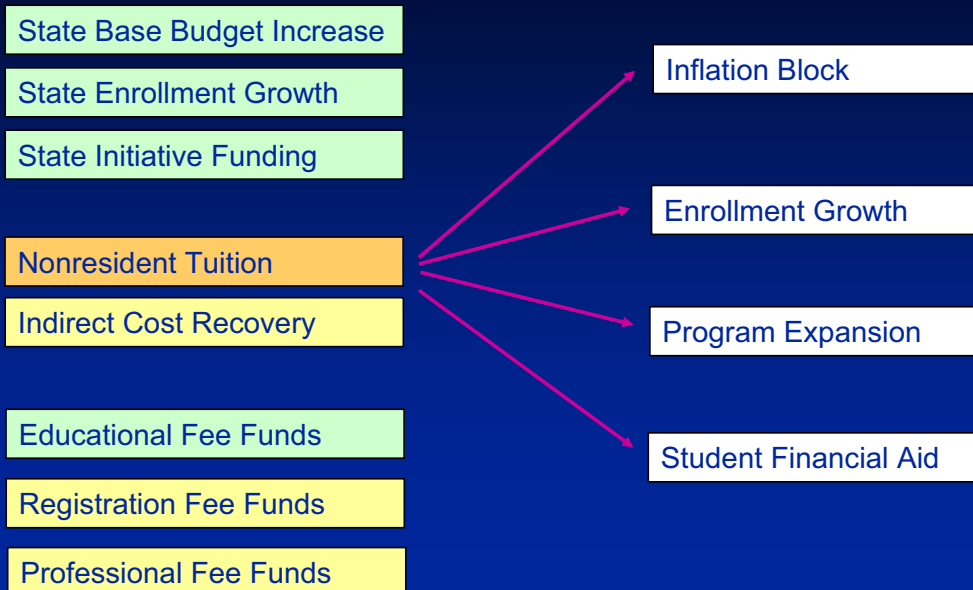
- “Inflation Block”
  - Faculty salary increases
  - Staff salary increases
  - Benefit cost increases
  - Non-salary price increases
- Enrollment Growth
  - New faculty and TAs
  - Other support and services
  - Maintenance of new space
  - Financial aid
- Program Expansion
  - Instructional budgets
  - Academic support
  - Student mental health
  - Other initiatives
- Student Financial Support
  - Return-to-Aid
  - Additional graduate support

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# Flow of Funds



# Flow of Funds



# President's Allocations

- Preliminary allocations to Chancellors in April
- Final allocations in August (or later) after State budget is signed
- Designates funding amounts for various programs and initiatives
- Chancellors maintain a great deal of discretion

# Marginal Cost of Instruction

- State support for enrollment growth per FTE student
- Faculty: average salary and benefits at 18.7:1 SFR
- Teaching assistant salaries
- Instructional support and equipment
- Libraries, academic support, administration, student services, maintenance of new space
- Adjusted for fee revenue and financial aid

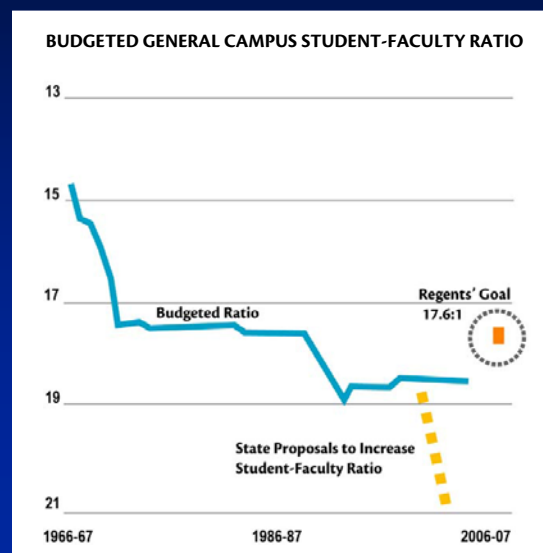
# Marginal Cost of Instruction

- Represents an “average” for all levels of students
- Equivalent funding for summer
- Supplemental funding for health sciences
- Based on prior year budget
- Dueling methodologies
- Not provided for nonresident students

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# Student-Faculty Ratio Cuts

- Over the years, State budget cuts have deteriorated the student-faculty ratio.
- State cuts totaling \$70 million targeted at the student-faculty ratio were instead taken as unallocated reductions.
- Over the last three years, the University has restored a total of \$30 million.



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# Counting Students

- 1 FTE undergraduate = 45 quarter units
- 1 FTE graduate = 36 quarter units
- “Conversion ratios” used to project enrollment
  - Based on prior year actual FTE : headcount ratios
  - Capped at 1.0 for each group
  - No FTE for advanced doctoral students after 9 quarters
- 120% excess units rule

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# Budgeted Enrollment Targets

- Systemwide target based on agreement with State
- Campus targets based on long-range planning with adjustments
- Targets needed for budget estimation and allocations
  - Enrollment
  - Fee Revenue
  - Financial Aid
  - Faculty Positions

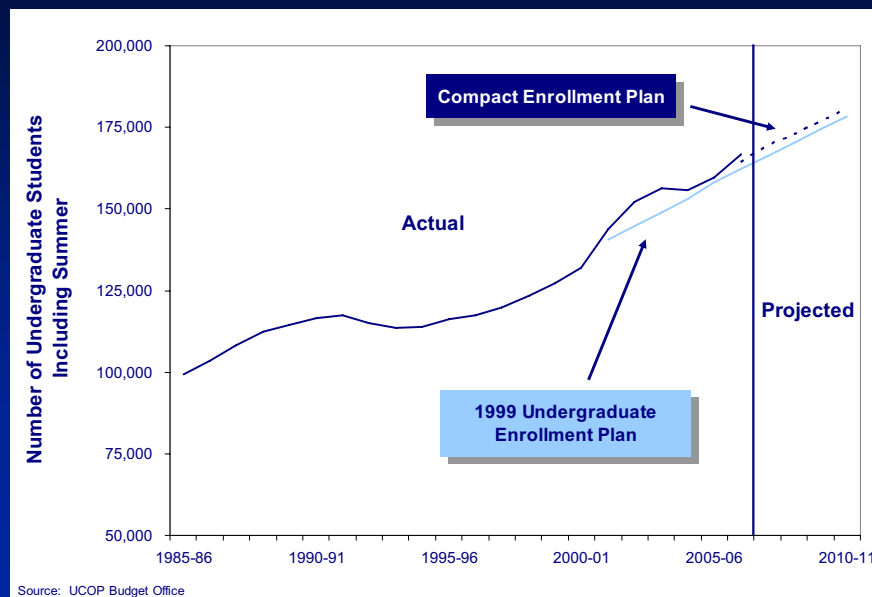
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# Historical Positions on Enrollment

- Master Plan:
  - 12.5% of high school class
  - 2:1 freshman-transfer ratio
  - State workforce needs
- UC Position: continued growth, improved transfer path, increase proportion of graduate students
- Campuses: LRDPs versus aspirations
- Legislature: undergraduate opportunity, summer
- Legislative Analyst: modest growth, summer

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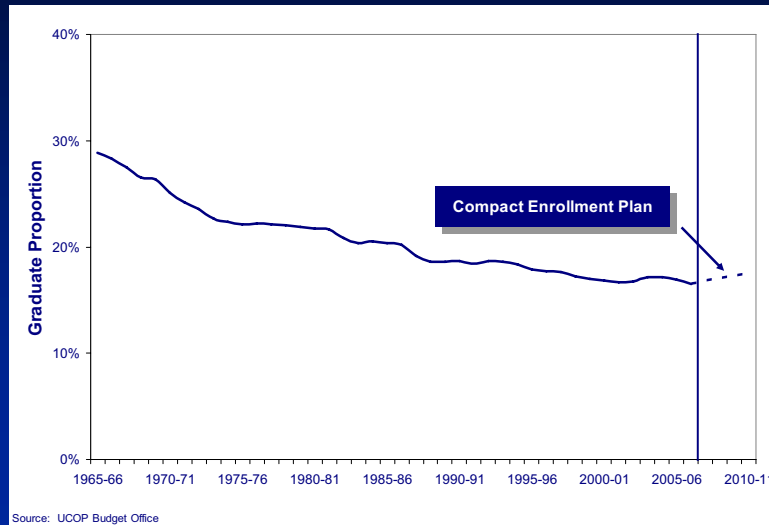
# Undergraduate Enrollment Growth



Source: UCOP Budget Office

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# Decline in Proportion Graduate



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# Over-enrollment Policy

- Student Fees
  - Campuses are allocated fee funds for all over-enrollment.
  - Campuses lose fee funds for all under-enrollment.
- State Marginal Cost
  - State withdraws funds for under-enrollment beyond 5% of growth target.
  - Campuses lose funds for under-enrollment beyond 1% of target.
  - Campus may receive some funds for over-enrollment beyond 1% of target.
- *Change is coming.*

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# Nonresident Problem

- The State funds only State-supported students.
- Campuses did not have nonresident targets.
  - No one was responsible for shortfalls.
- Nonresident tuition was returned to OP and allocated as part of the inflation block and programs.
  - Campuses didn't necessarily get funds they generated.
- Shortfalls in enrollment and tuition revenue produced a \$20 million budget deficit.

# New Nonresident Procedures

- Campuses assigned nonresident enrollment targets.
- Campuses will keep nonresident tuition revenue.
  - Campuses will be responsible for shortfalls.
  - Campuses will keep new funds.
  - Campuses must fund instructional costs for nonresidents.

# Other Special Cases

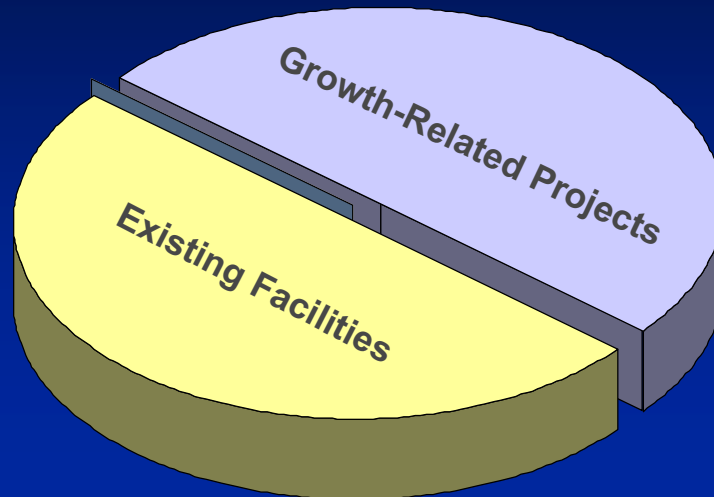
- Professional Schools
  - State budget reductions recognized higher salaries earned by graduates of professional programs.
  - Schools now retain revenue from professional fee increases.
  - Regents' scrutiny of fee levels.
- Self-supporting Programs
  - Fee revenue must cover all program costs.
  - Which programs should be State supported and which not?
  - Do we have an obligation to provide access?
- Education Abroad Program
  - How should this program be funded?

# Capital Outlay

- Past priorities:
  - New facilities to support new faculty generated by enrollment growth
  - Seismic upgrades
- Future priorities:
  - Facilities renewal
  - Continuing seismic upgrades

# Capital Outlay Funding Needs

UC needs more than \$1 billion per year through 2012



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## Resources

- **Regents' Budgets**
  - <http://www.ucop.edu/budget/pubs.html>
  
- **Higher Education Compact and Reports**
  - <http://budget.ucop.edu/hecompact.html>
  
- **Enrollment Issues Handbook**
  - <http://www.ucop.edu/planning/enrollmenthandbook2007.pdf>

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