

UNIVERSITY OF CALIFORNIA ANNUAL ACCOUNTABILITY REPORT

PART III. Universitywide Indicators with Campus Comparisons

Section 12. Budget, Finance and Development

Goals

The University seeks to develop stable and growing sources of revenues, including a strong investment from the state, and to utilize these revenues in a strategic and cost-effective manner. These goals are critical; achieving them enables the University to maintain the quality of its teaching, research and public service activities, meet the state's workforce and other needs, and remain accessible to all eligible California students independent of their financial means.

The University leverages billions of dollars in state, federal and private funding to promote discovery of new knowledge and fuel economic growth. Major financial strengths include a diverse source of revenues, including those from the state of California, student fees, federally sponsored grants and contracts, medical centers, private support and self-supporting enterprises.

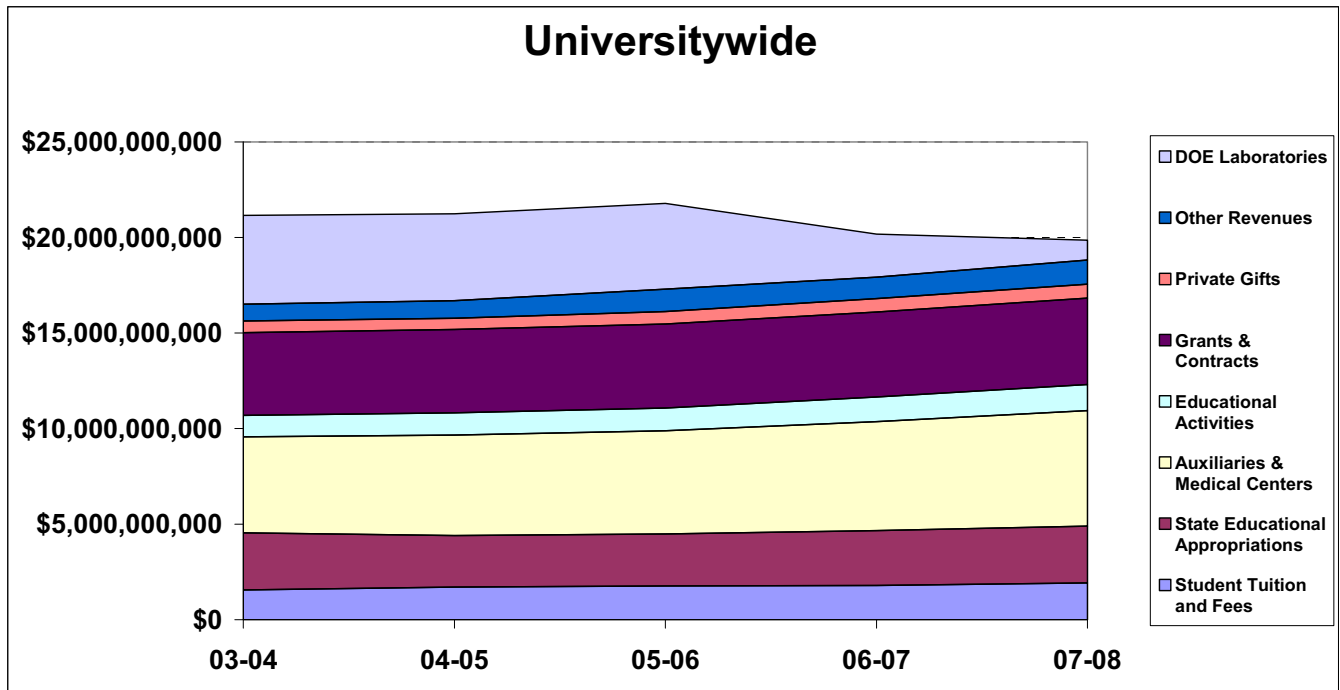
Private support underscores the continued confidence among donors in the quality of the University's programs and the importance of its mission.

Measures

Total revenue and expenditure data presented here come primarily from the University's Corporate Financial Reporting System (CFR), which supports the University's audited financial statements. Also provided are estimated per-student average educational expenditures. Additional information about the University's budget may be found at: www.ucop.edu/budget/pubs.html.

The development data cover trends in private support at UC and its comparison institutions, donor restrictions on support and endowment per student. The Treasurer of the Regents prepares an Annual Report on Endowment Investment that comprises Regents and campus foundation endowment funds; see www.ucop.edu/treasurer/foundation/foundation.pdf. More detailed information about private support will be forthcoming in the *Annual Accountability Sub-Report on University Private Support*, which will be presented to the Regents in January 2010.

Indicator 12.1
Revenue by Source, 2003-04 to 2007-08

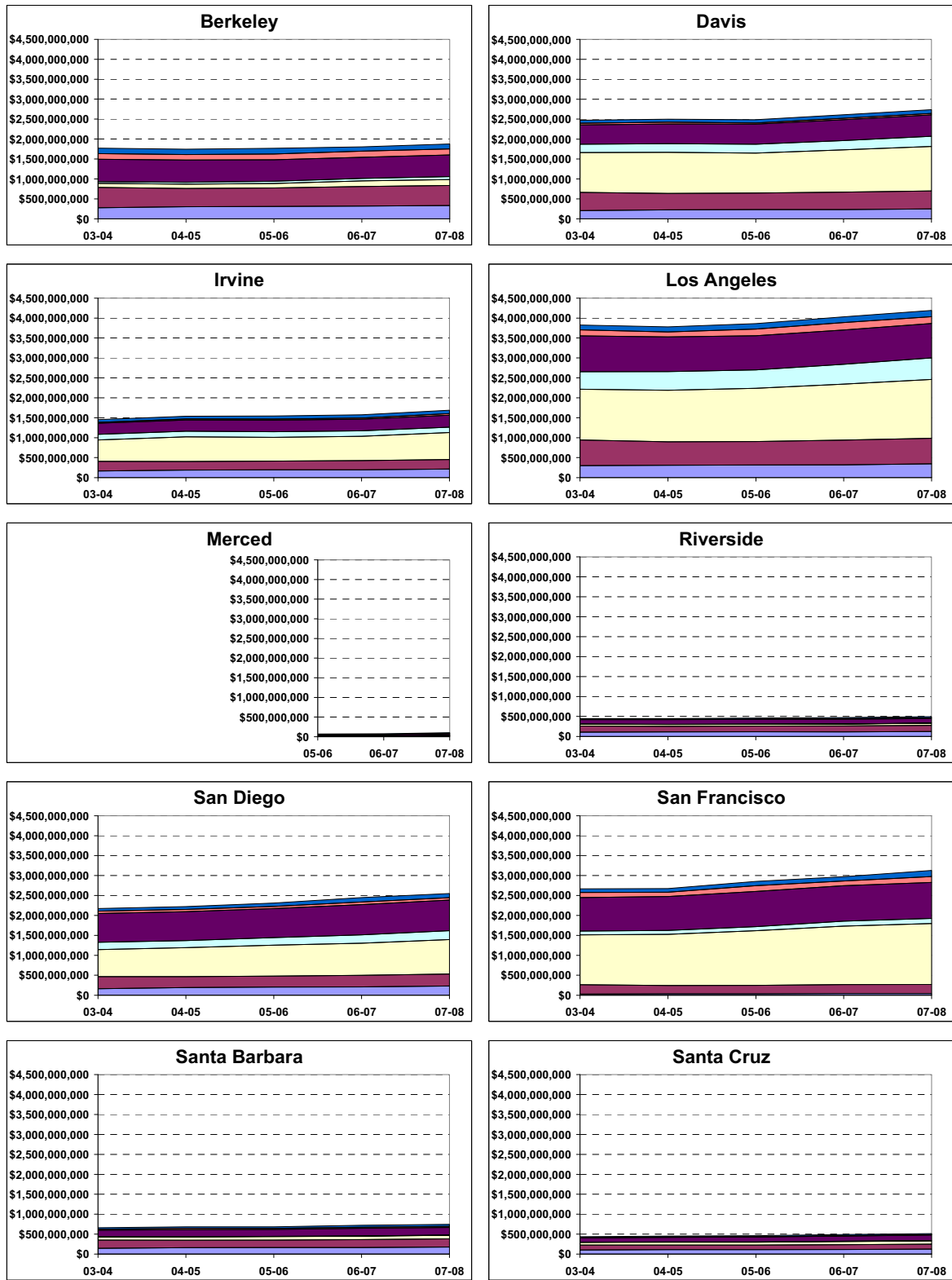


Source: UC Budget and Capital Resources.

- University revenue consists of funds from a variety of sources. State support remains most crucial, representing a critical investment making it possible to attract funds from other sources, such as federal research grants and private gifts.
- In 2007-08, 28 percent of University revenue was generated from contracts and grants, including the DOE laboratories. Another 30 percent was generated from medical center operations and auxiliary enterprises, while state appropriations and student fees generated 25 percent of total revenue.

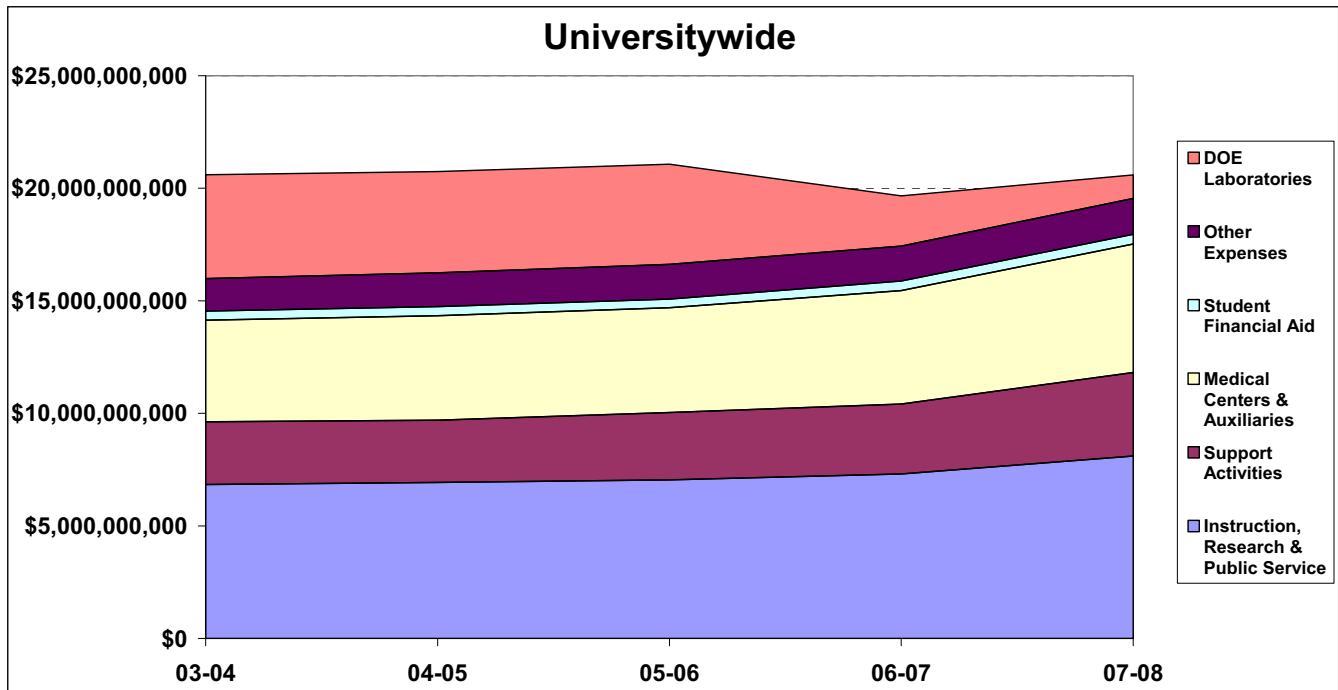
Note: Figures are in inflation-adjusted constant 2007-08 dollars. Because of accounting changes, comparable data prior to 2003-04 are not available.

12.1 (continued) Revenue by Source, 2003-04 to 2007-08



Note: The Davis, Irvine, Los Angeles, San Diego and San Francisco campuses operate medical schools and teaching hospitals, which are a source of additional funding and help these campuses attract additional contract and grant revenue.

Indicator 12.2
Expenditures by Function, 2003-04 to 2007-08

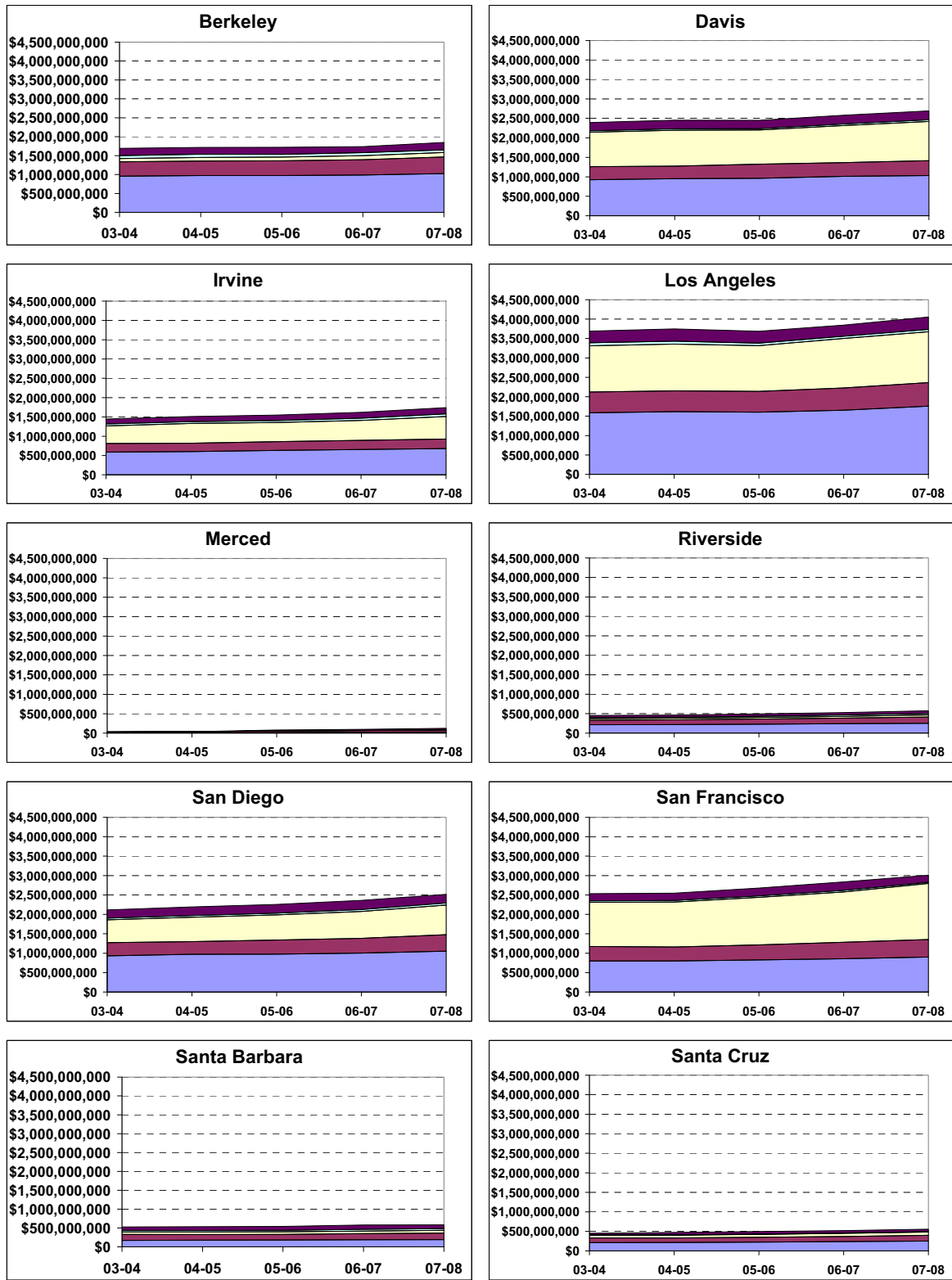


Source: UC Budget and Capital Resources.

- The University’s core mission activities – instruction, research and public service – accounted for 39 percent of total expenditures during 2007-08.
- More than half of the University’s instructional expenditures are funded from state support.
- Support activities, including libraries, other academic support, student services, administration and operation and maintenance of plants, were 18 percent of total expenditures.
- The medical centers and auxiliary enterprises, which are self-supporting, accounted for 28 percent of expenditures, while student financial aid was 2 percent of the total.

Note: Figures are in inflation-adjusted constant 2007-08 dollars. Medical centers include UC’s hospitals and other patient care activities. Auxiliaries include operations such as food service, parking and student housing. Other expenses include interest, depreciation and other miscellaneous expenses. DOE Laboratories are expenditures associated with the University’s Department of Energy Laboratories. Beginning in 2007-08, changes in accounting rules for reporting retiree health benefits resulted in a significant increase in the University’s reported expenditures.

12.2 (continued) Expenditures by Function, 2003-04 to 2007-08

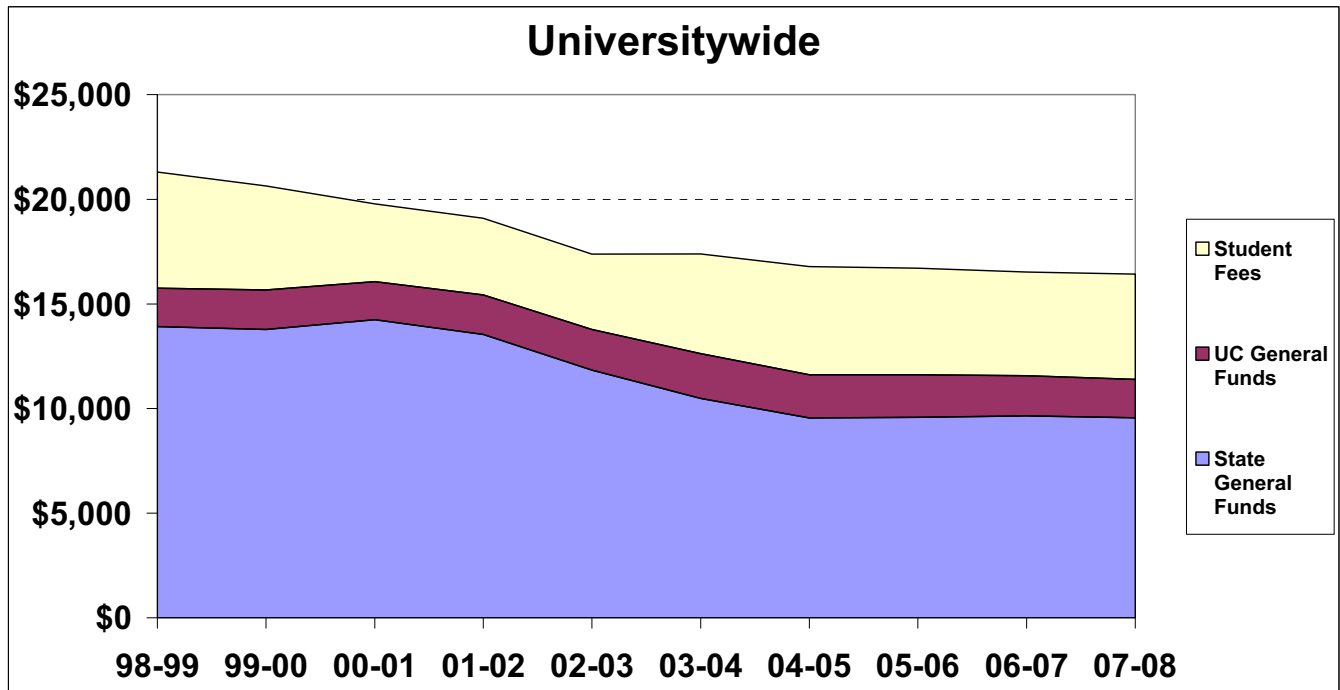


Note: The Davis, Irvine, Los Angeles, San Diego and San Francisco campuses operate medical schools and teaching hospitals, which help these campuses attract additional contract and grant revenues and generate corresponding expenditures.

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Indicator 12.3

Per-Student Average Expenditures for Education, 1998-99 to 2007-08



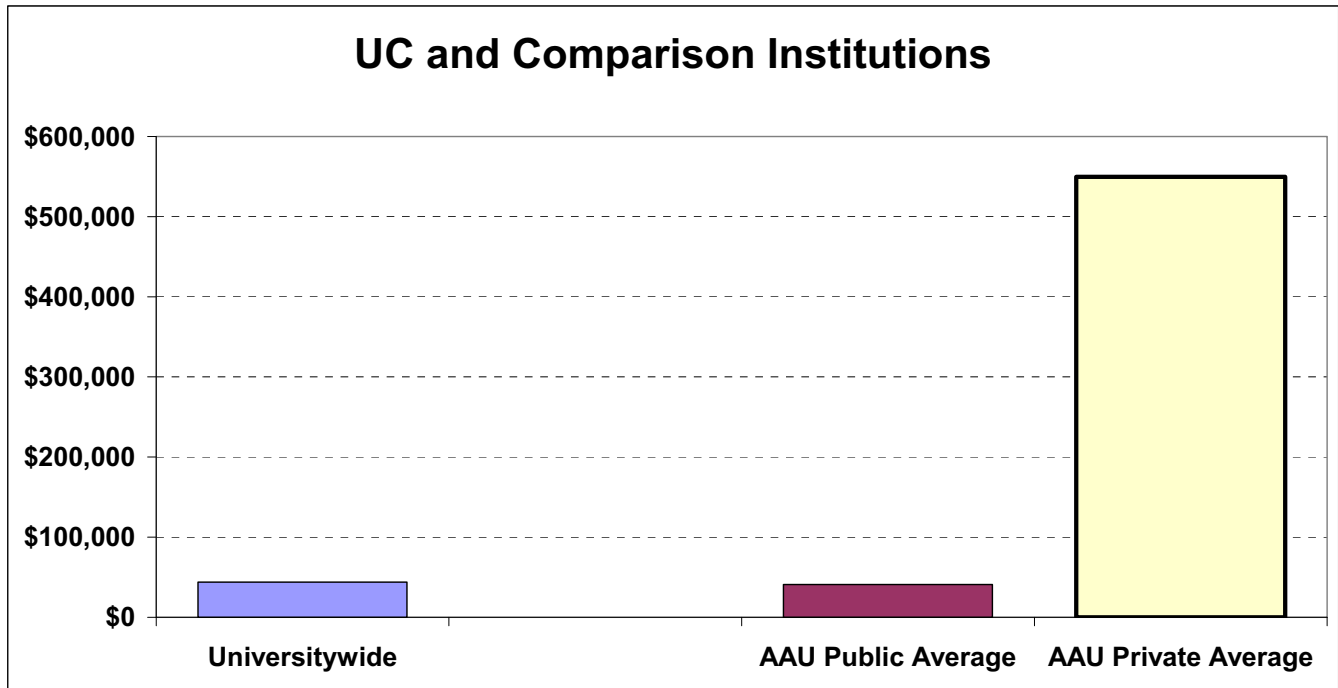
Source: UC Budget and Capital Resources.

- Since 1998, average inflation-adjusted expenditures for educating UC students have declined 23 percent.
- Throughout UC's history, the state subsidy has been the largest component of educational spending, providing a critical base of permanent support. However, since 1998, the state's share of expenditures has fallen 31 percent.
- Over the nine-year period shown above, the student share of total educational expenditures, net of financial aid, rose from 26 to 31 percent. Since 1990 the student share, net of financial aid, has more than doubled, from 13 to 31 percent.
- The University has struggled to meet the challenges presented by this substantial decline in state funding. Certain elements of the educational, research, and public service functions have been steadily eroded in order to preserve the core missions of the University. It is unrealistic to assume that cuts of this magnitude sustained over time will not undermine the University, the California economy, and individual students' chances for educational advancement.

Note: Figures are in constant inflation-adjusted 2007-08 dollars. Figures exclude health science instruction.

Indicator 12.4

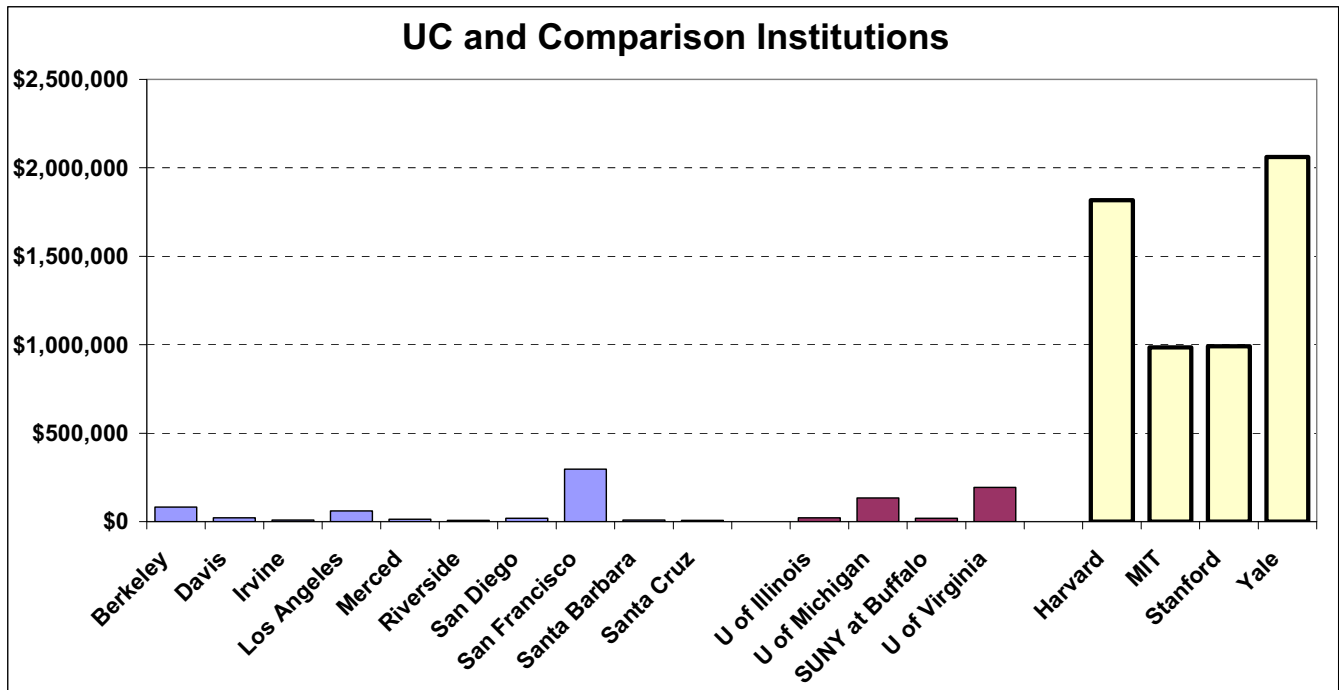
Endowment Funds per Student – UC and Comparison Institutions, 2007-08



Source: Council on Aid to Education Data Miner.

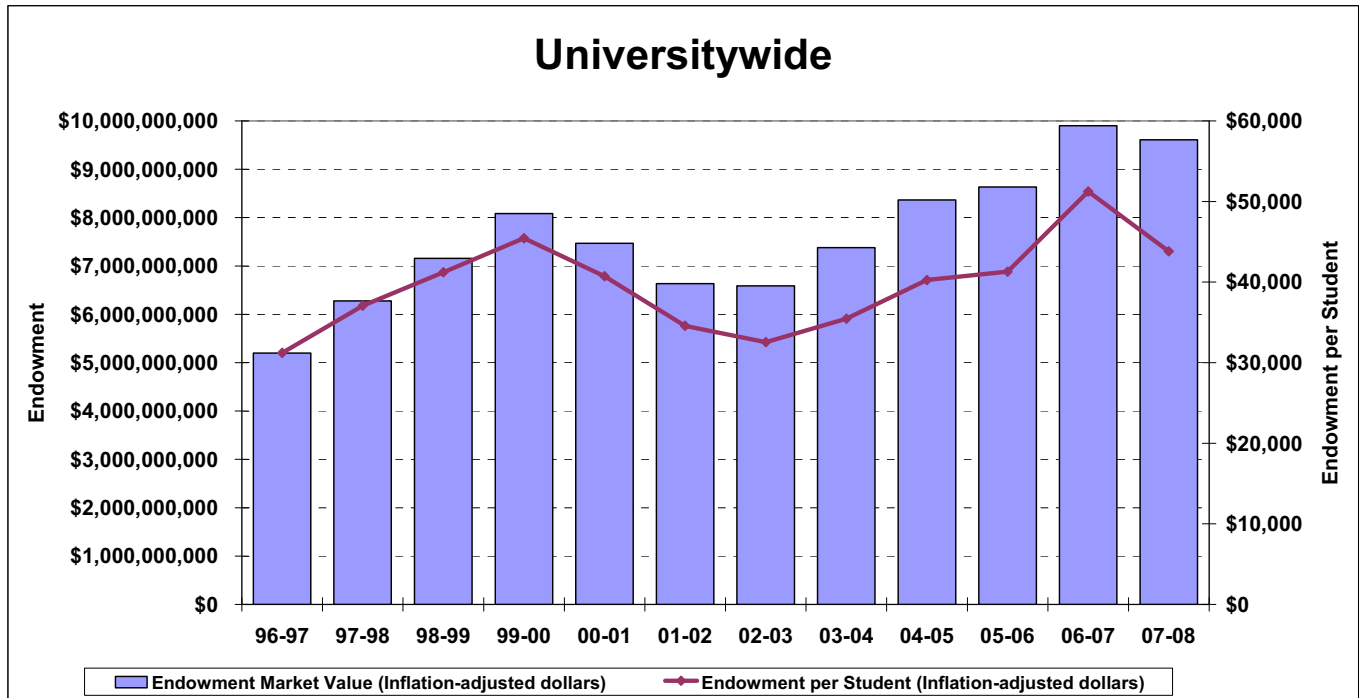
- An institution's endowment represents money or property that has been donated over the years, usually with the stipulation that it be invested with only the returns on the investment being spent. This allows the donation to have a much greater impact over a longer period of time than if it were spent all at once.
- The total value of an institution's investments is referred to as the institution's endowment. The payout rate refers to how much is spent annually. UC's payout rate is set annually by Regents' Policy.
- As of June 30, 2008, the Regents and the campus foundations together held approximately \$9.6 billion in endowment funds for the University of California, resulting in approximately \$45,000 in endowment funds per student on a systemwide basis.
- The elite private schools have sought gifts for endowment for generations and educate far fewer students, resulting in significantly greater number of endowment dollars per student.
- Public schools such as UC have relied on state support in the same way that private schools have relied on endowments. However, in the past 20 years the endowments at UC's private comparison institutions have grown substantially while UC's state support has failed to keep pace.

12.4 (continued) Endowment Funds per Student – UC and Comparison Institutions, 2007-08



Indicator 12.5

Total Endowment and Endowment Funds per Student, 1996-97 to 2007-08

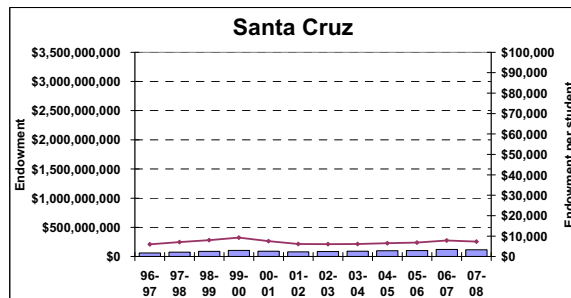
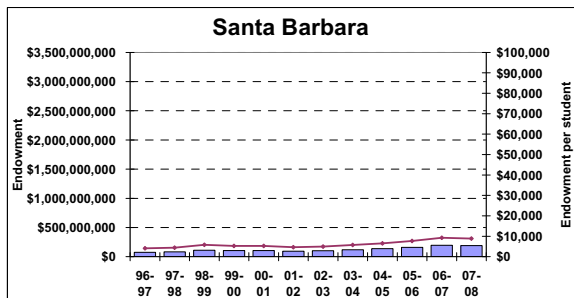
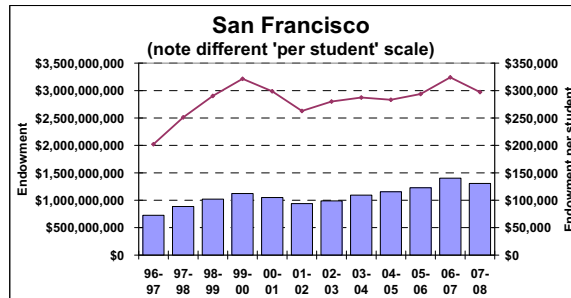
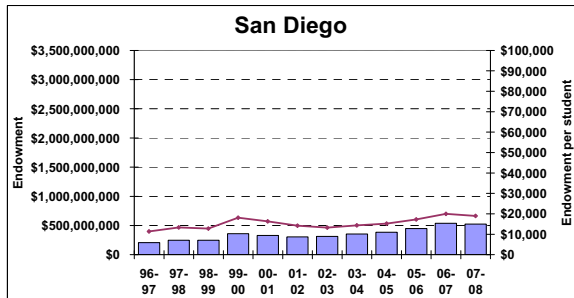
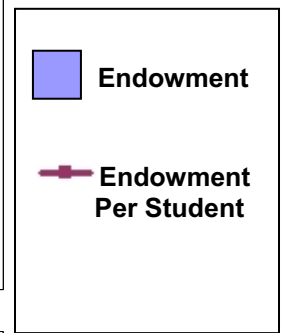
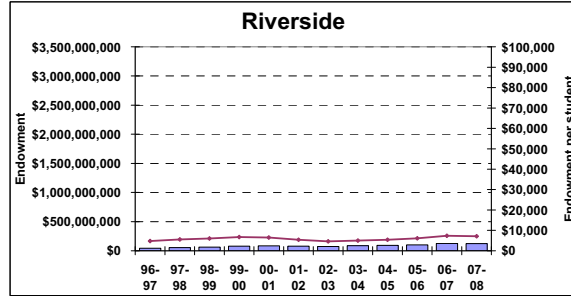
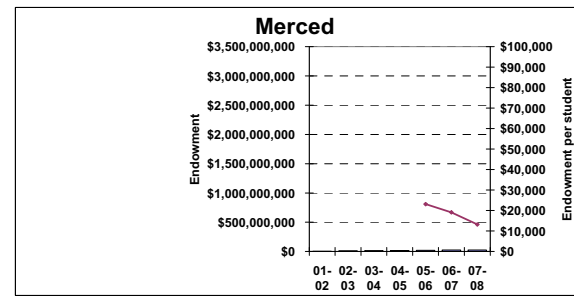
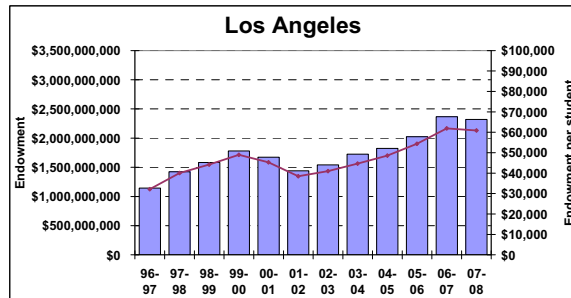
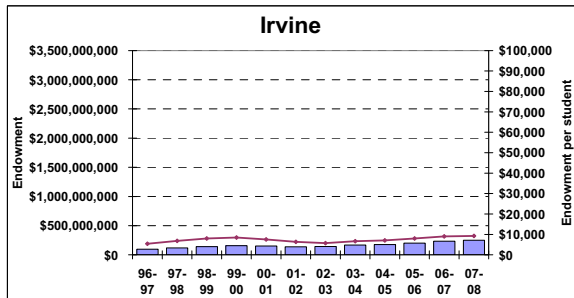
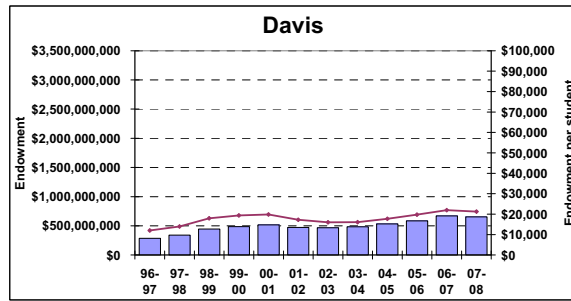
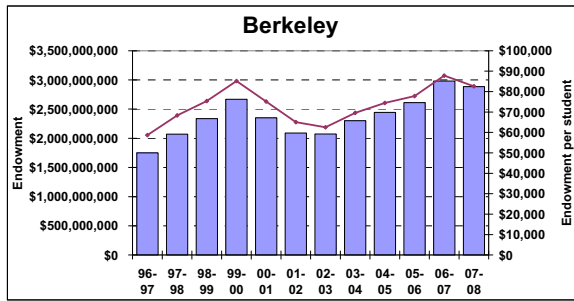


Source: UCOP Institutional Advancement Office.

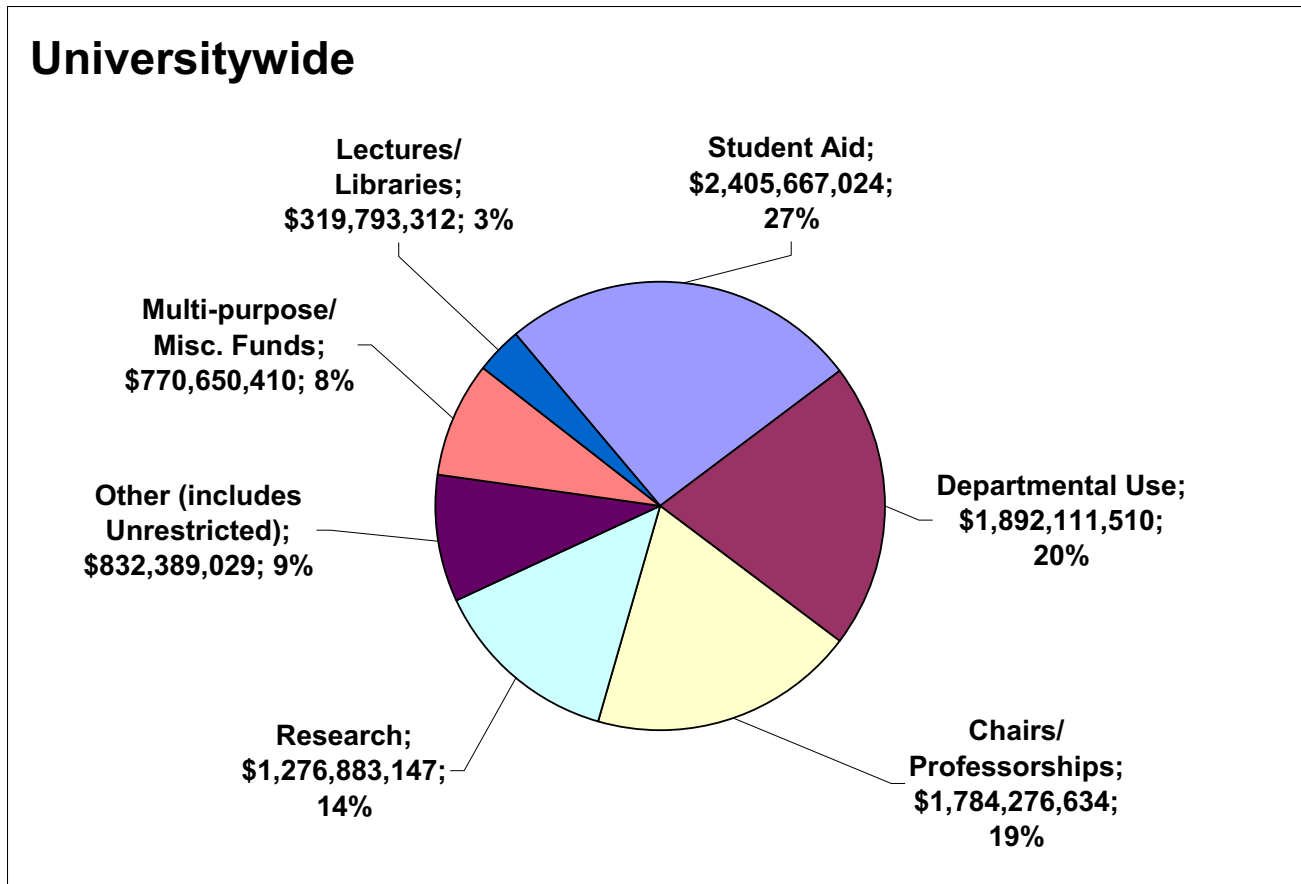
- UC endowments, along with those of all public and private institutions, have declined substantially since June 30, 2008 when the data shown above were compiled.
- The Regents' endowment spending policy uses average returns over a 60-month period when calculating the payout so that beneficiaries are not substantially affected by a single year's market decline. This policy has the desired effect of smoothing the payout for beneficiaries during the coming year, although a sustained market decline would significantly reduce payout amounts.
- About 20 percent of UC's endowment payout is directed for specific departments, 14 percent for research, 20 percent for instruction (including endowed chairs and professorships) and 25 percent for student financial support.
- Chair endowments have grown significantly; 30 percent of UC's 1,370 endowed chairs have been established in the last four years.

Note: Figures are in constant inflation-adjusted 2007-08 dollars.

12.5 (continued) Total Endowment and Endowment Funds per Student, 1996-97 to 2007-08



Indicator 12.6
UC Endowment Restrictions, 2008



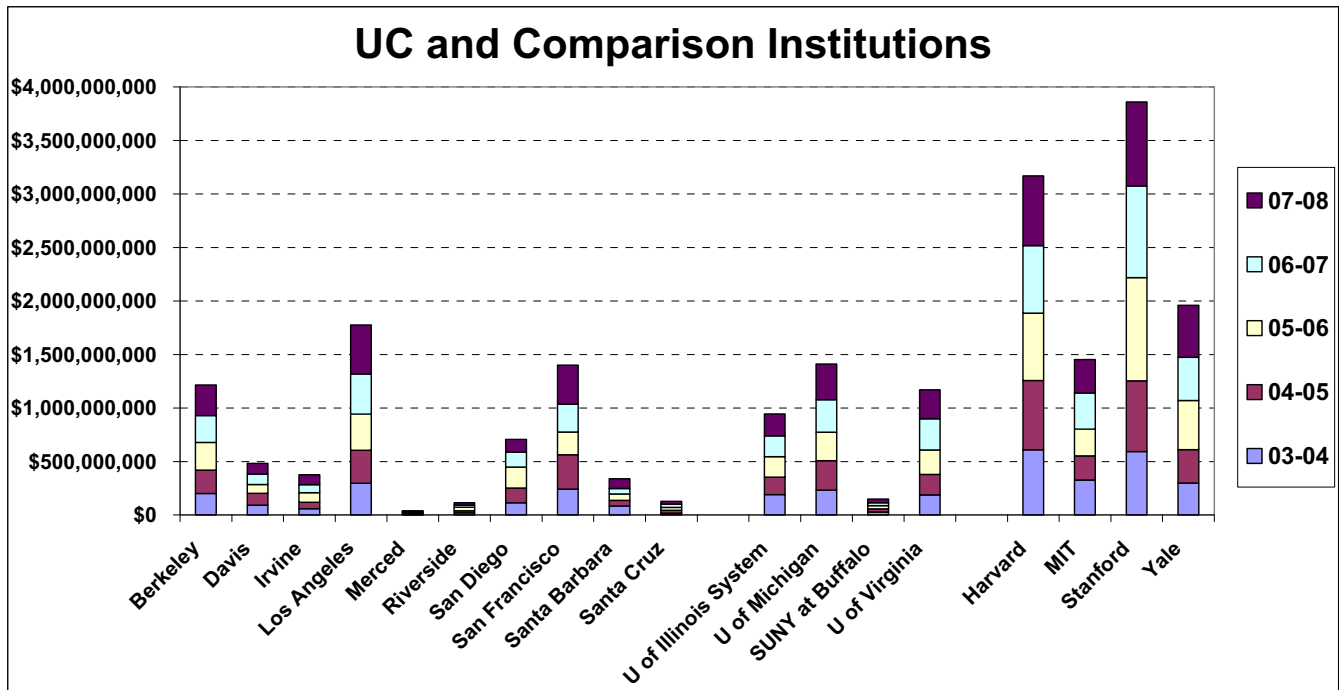
Source: UCOP Institutional Advancement Office.

- About 98 percent of UC's endowment funds have restrictions placed upon them by the donor. For example, 27 percent of UC's total endowment dollars are restricted to student aid.
- In 2007-08, UC received \$376 million in new endowment gifts.
- In 2007-08, payouts of about \$350 million from UC's endowments provided support to UC campus programs. For example, over \$90 million was distributed to students from privately funded scholarships.

Note: Figures are endowment values as of June 30, 2008. In addition to the funds listed above, UC manages an additional \$400 million in general endowment pool assets for a total endowment portfolio of about \$9.6 billion as of June 30, 2008.

Indicator 12.7

Total Gifts – UC and Comparison Institutions, 2003-04 to 2007-08

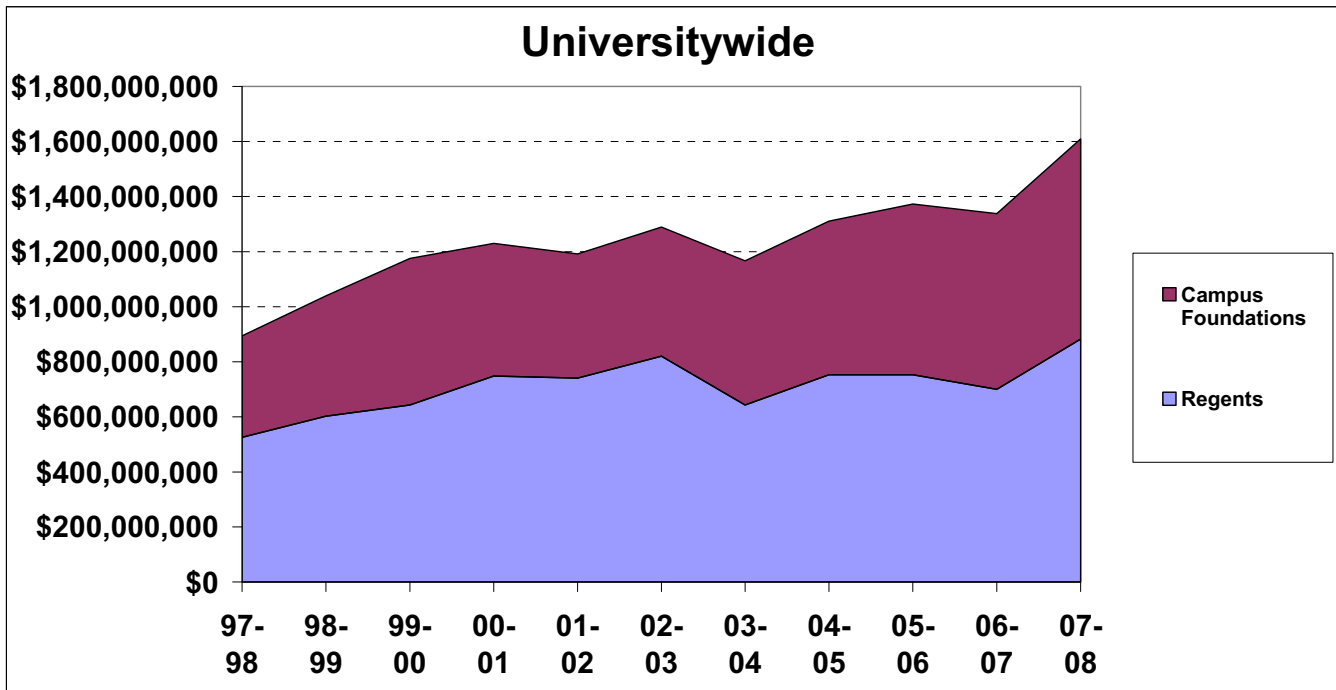


Source: Council on Aid to Education Data Miner.

- These data demonstrate the value of fundraising campaigns. In 2000-01, Berkeley completed a \$1.3 billion campaign. In 2004-05, Los Angeles completed a \$3 billion campaign and UCSF completed a \$1.6 billion campaign. In 2006-07, San Diego completed a \$1 billion campaign.
- One of the goals of every campaign is to set a higher base level of support for the campus in the years following the campaign.
- Gift volume at UC is influenced by the age of the campus, the size of the surrounding community and the number of health science programs, which attract almost half of all private support.
- Campus development programs are at different states of maturity.

Note: The University of Illinois does not report separately for its campuses. Figures are in constant inflation-adjusted 2007-08 dollars.

Indicator 12.8
Total Annual Private Support, 1997-98 to 2007-08



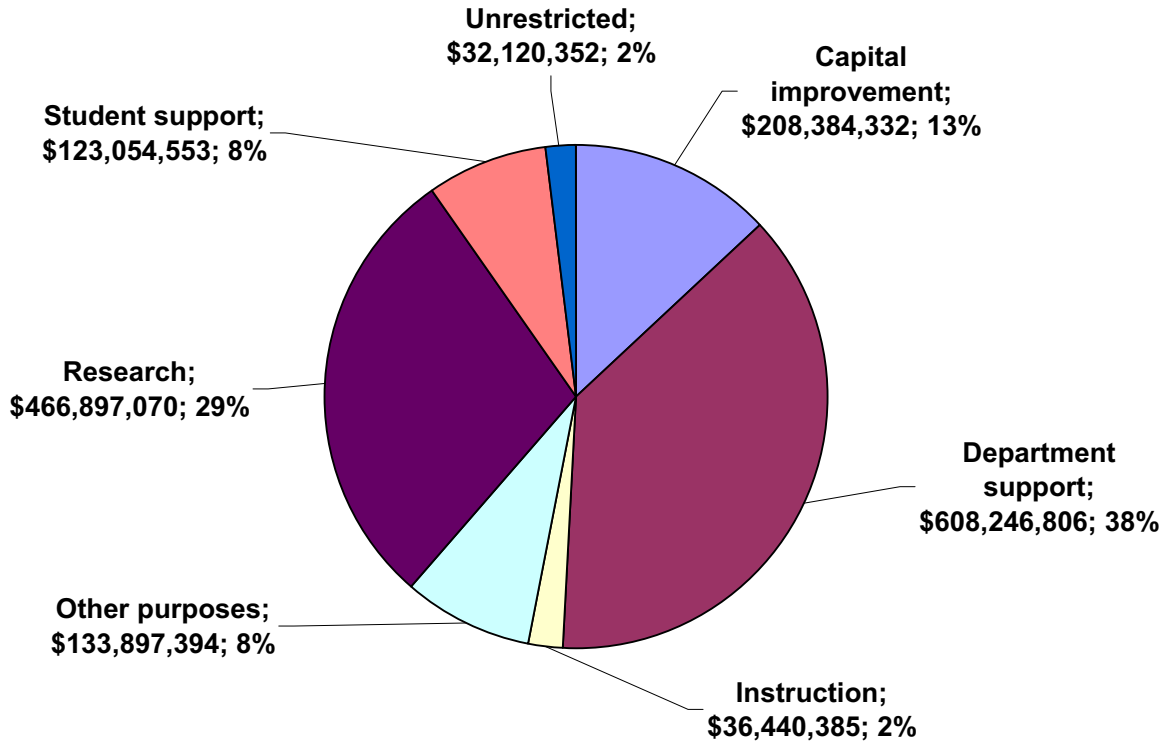
Source: UCOP Institutional Advancement Office.

- Campus foundations are the fundraising arm of the University and operate under University policy. The first two were developed at Berkeley and UCLA beginning in the 1940s when their campus alumni associations began to raise funds for scholarships.
- In the 1960s, the missions of these two campus foundations were broadened to seek private support for all campus-related activities, and foundations subsequently were established at all campuses.
- Campus foundations may hold and invest endowments as well as funds functioning as endowments; gift funds and endowment payout must be transferred to the Regents for expenditures.
- As campus foundations have developed and matured, the balance of gifts, particularly for endowment, has been shifting from the Regents to the foundations.

Note: Figures are in constant inflation-adjusted 2007-08 dollars.

**Indicator 12.9
New Gifts, 2007-08**

Universitywide



Source: UCOP Institutional Advancement Office.

- In 2007-08, UC received approximately \$1.6 billion in new gifts. About 77 percent of that went to support current needs and 23 percent was designated to go into UC's endowment.
- Approximately 98 percent of gifts UC received in 2008 had donor restrictions; only 2 percent did not. In contrast, Harvard and Stanford received 8.9 and 4.6 percent in unrestricted gifts, respectively, according to the 2008 Voluntary Support of Education Survey. The limited amount of unrestricted gift support that UC receives may be influenced by donors' preference to give to specific programs that may not be supported by state funds.
- The percentage of gifts devoted to the different areas (research, capital improvements, etc.) varies from year to year. However, the percentages reflected in the chart above are typical.
- Roughly half of all gift support received by the system is directed to the health sciences.