



UC budget and student fees

The University of California is facing unprecedented budget challenges for fiscal years 2009-10 and 2010-11. In 2009-10, UC has a funding gap of more than \$1 billion. In 2010-11, the funding gap is expected to grow to \$1.2 billion.

Given the ongoing decline in state budget support, the UC Board of Regents will discuss at its Sept. 16-17 meeting both a possible 2009-10 mid-year student fee increase and a 2010-11 fee increase. The Regents will not take action at this meeting but will consider action at a subsequent meeting.

The university has taken a number of actions to cut costs and to address the funding gap, including implementation of systemwide furloughs, salary reductions, layoffs, downsizing of administrative offices, reductions of travel and other purchases, campus cost reduction programs as well as a previously approved fee increase for fall 2009 of \$662 for resident undergraduates.

The university recognizes that additional fee increases for students would be painful and is taking steps to minimize the impact on students and families. However, without additional revenue, the university's academic quality will suffer. The university is eliminating courses, increasing class size, and dismantling programs – all of which will eventually erode the value of a UC degree and are already severely constraining UC's ability to attract and retain faculty.

Financial challenges

UC's \$1 billion 2009-10 budget gap consists of a \$637.1 million reduction in state general fund revenue and \$368 million in unfunded mandatory costs, including enrollment growth, health and retirement benefits and other inflationary costs.

UC has taken steps to address the funding gap: a 12-month employee furlough/salary reduction plan starting Sept. 1 to save \$184 million; debt restructuring to save \$75 million; the already approved fee increase to raise \$210.8 million.

Members of UC's senior management group, including the president, agreed to reduce their salaries by 5 percent starting July 1, 2009. These reductions increased to 9 to 10 percent under the furlough program, and a systemwide salary freeze has been imposed on them.

Downsizing and restructuring of the UC Office of the President has saved more than \$60 million and additional savings are expected.

Certain bonus and incentive programs have been cancelled or deferred, the staff merit program was eliminated and travel and other purchases have been significantly curtailed.

Those measures still leave UC with a funding shortfall of \$535.2 million, an amount the campuses must absorb.

Campus cost-cutting measures have included: a \$137 million reduction in the instructional budget; layoffs of approximately 1,900 employees; elimination of 3,900 positions; and deferred hiring of 1,600 positions.

In 2010-11, UC's estimated budget gap will increase to \$1.2 billion. Even with a partial restoration of state funds, the budget shortfall will rise to \$632.6 million.

Proposed fee levels

Proposed 2009-10 mid-year fee increase:

- \$585 for resident undergraduates
- Between \$579 and \$654 for resident graduate students

(When annualized, the fee increase for resident undergraduate students would be \$1,170 and the increase for resident graduate students would range from \$1,158 to \$1,308.)

Proposed 2010-11 fee increase:

- \$1,344 for resident undergraduates
- Between \$1,332 and \$1,506 for resident graduate students

Differential fees:

- UC is exploring differential fees in 2010-11 for upper-division undergraduates in business and engineering of \$900, in recognition of the higher costs associated with these programs. However, various issues would need to be addressed, including impacts on access, affordability and diversity.

	FY2009-2010	FY2010-11
UNDERGRADUATE	Approved fee increase: \$662 Current fee: \$7,788 Proposed mid-year fee increase: \$585 Proposed fee: \$8,373	Proposed fee increase: \$1,344 Proposed fee: \$10,302, includes the full annualized 09-10 increase of \$1,170 although students would only pay half in 09-10
GRADUATE	Approved fee increase: \$654 to \$750 Current fee: \$7,722 to \$8,736 Proposed mid-year fee increase: \$579 to \$654 Proposed fee: \$8,301 to \$9,390	Proposed fee increase: \$1,332 to \$1,506 Proposed fee: \$10,212 to \$11,550

Financial aid to mitigate fee increases

Consistent with UC practice, 33 percent of the revenue generated from fee increases is set aside for undergraduate financial aid, with 50 and 33 percent of fee increases set aside for aid for graduate academic and professional school students respectively. UC’s Blue and Gold Opportunity Plan ensures that mandatory fees are fully covered for financially needy resident undergraduates whose family income is \$60,000 or below. UC is considering raising the income ceiling to \$70,000.

UC projects that, on average, students with family incomes below \$180,000 will experience financial aid increases, either through gift aid or expanded tax credits, to cover the full amount of the fee increases already approved for 2009-10, along with the proposed 2009-10 mid-year increase.

For 2010-11, nearly half of all UC students — including more than 93 percent of UC’s need-based aid recipients — would have 100 percent of the proposed fee increase covered by a combination of Cal Grants and UC Grants. Students who qualify for these grants typically have parent incomes up to \$60,000 to \$70,000 per year.

If their parents’ income falls below \$120,000, students with financial need will have half of the proposed 2010-11 fee increase covered.

Middle-income families will continue to benefit from expanded federal higher education tax credit eligibility in 2010.