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November 22, 2016

Director Michael Cohen
Department of Finance
915 L Street
Sacramento, California 95814

The Honorable Mark Leno
Chair, Joint Legislative Budget Committee
1020 N Street, Room 553
Sacramento, California 95814

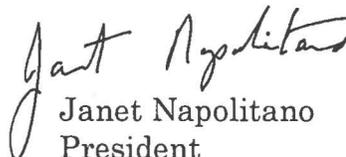
Dear Director Cohen and Senator Leno:

Pursuant to Item 6440-001-0001, Provision 3(a), of the 2016 Budget Act (SB 826, Chapter 23, Statutes of 2016), I am transmitting the University of California's *Three-Year Financial Sustainability Plan*, which was approved by the Board of Regents at their November meeting.

The Budget Act of 2016 calls upon the University to develop a sustainability plan and associated projections and goals for the years 2017-18, 2018-19, and 2019-20, based upon the long-term funding framework endorsed by The Regents in May 2015.

If you have any questions regarding this report, Interim Associate Vice President David Alcocer would be pleased to speak with you. He can be reached by telephone at (510) 987-9113, or by email at David.Alcocer@ucop.edu.

Yours very truly,


Janet Napolitano
President

Enclosure

cc: Senate Budget and Fiscal Review Committee
The Honorable Marty Block, Chair
Senate Budget and Fiscal Review Subcommittee #1
(Attn: Ms. Anita Lee)
(Attn: Ms. Cheryl Black)
The Honorable Kevin McCarty, Chair

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Assembly Budget Subcommittee #2

(Attn: Mr. Mark Martin)

(Attn: Ms. Katie Koerber)

Ms. Peggy Collins, Joint Legislative Budget Committee

Mr. Danny Alvarez, Secretary of the Senate

Ms. Tina McGee, Legislative Analyst's Office

Ms. Amy Leach, Office of the Chief Clerk of the Assembly

Mr. Jim Lasky, Legislative Counsel Bureau

Mr. E. Dotson Wilson, Chief Clerk of the Assembly

Mr. Jeff Bell, Department of Finance

Mr. Christian Osmena, Department of Finance

Ms. Maritza Urquiza, Department of Finance

Ms. Tina McGee, Legislative Analyst's Office

Mr. Mac Taylor, Legislative Analyst's Office

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Provost and Executive Vice President Aimée Dorr

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Deputy to the Chief Financial Officer Kieran Flaherty

Executive Director Jenny Kao

Manager Bruce Kennedy

University of California Three-Year Financial Sustainability Plan

Introduction

The University of California has maintained a remarkable track record of access, affordability, and excellence during periods of both economic growth and crisis. This success is attributable to a historically strong and robust partnership between the State and the University.

- Despite shifting economic circumstances and competing priorities, the State of California continues to provide substantial support to the University's core budget. Combined with the State's commitment to the Cal Grant program and the Middle Class Scholarship program, State support remains critical to the University's ability to serve California resident students.
- The University has continuously sought to serve more students while maintaining and enhancing the quality of instruction that it delivers at a lower overall cost per student. Examples of these cost-saving efforts include employing alternative instructional delivery models, streamlining paths to graduation, achieving administrative efficiencies, optimizing the University's investment of financial assets, and the management of our debt portfolio.
- The University's financial aid programs, together with State and Federal programs, ensure that over one-half of California resident undergraduates have their systemwide tuition and fees fully covered by gift aid.

The University is determined to sustain this tradition of providing a world-class education to an increasingly diverse and talented cross-section of California students.

Context for the University's Sustainability Plan

The Budget Act of 2016 calls upon the University to develop a sustainability plan and associated projections and goals for the years 2017-18, 2018-19, and 2019-20, based upon the long-term funding framework developed by the Governor and UC and endorsed by the Regents.

Financial sustainability at the University means having sufficient resources to support all three goals of access, affordability, and excellence. The long-term funding framework, together with funding provided in the Budget Acts of 2015 and 2016 for enrollment growth as well as other University resources, represents an integrated strategy to support all three goals. This strategy has enabled campuses to hire faculty members, to expand academic support services, and to provide other critical services associated with enrolling more California resident students. The University has built its three-year financial sustainability plan on the assumption that State support consistent with the current framework, State funding for further enrollment growth, and other University resources are available in future years.

The University has developed a sustainability plan that incorporates both the funding and the expected 2017-18 enrollment growth reflected in the Budget Act of 2016 while also sustaining expanded access in future years. The University's plan also includes modest growth in graduate student enrollment, consistent with UC's role as the primary research enterprise for the State and recognizing the essential contributions that graduate students make to undergraduate education. The University's plan reflects continued efforts to maximize operational efficiencies and to control costs as well as sufficient funding to support the University's commitment to providing the high-quality education students seek from UC.

SECTION A. FINANCIAL PLAN

In developing its long-range financial plan, the University has looked carefully at the basic cost drivers of the institution and the resources available to cover those costs.

Expenditure Assumptions of UC's Financial Plan

The University's plan includes projected expenditures based on the following baseline expenditure assumptions:

- an increase of 2,500 California resident undergraduate students in each of the three years of the plan;
- graduate enrollment growth of 900 students in 2017-18, 700 in 2018-19, and 700 in 2019-20 to support undergraduate enrollment growth and to maintain the University's ability to meet the State's need for both a highly skilled workforce and cutting-edge research;
- employer contributions to the University's retirement system at the current level, which is 14% of compensation over the three-year period;
- average annual increases in health benefit costs for active employees and retirees of 4% during the period covered by the plan;
- non-salary price increases of 2.5% in each of the next three years;
- funding for the Faculty Merit Program, which is based on a rigorous peer review of each faculty member every two to three years to ensure that UC retains the best faculty for teaching and research, and which remains a cornerstone of UC's compensation program to recruit and retain high-quality faculty;
- compensation increases that reflect existing collective bargaining agreements and an average increase of 3% each year for non-represented faculty and staff, which will help keep UC salaries from slipping further behind those of UC's principal competitor institutions as identified in the most recent UC compensation studies;
- funding to meet a portion of the University's deferred maintenance needs, which represent a growing life-safety and economic risk to the institution due to the deterioration of UC's aging buildings and supporting infrastructure;
- funding to support a modest capital program, consistent with the provisions set forth in AB 94 trailer bill language, to allow the Merced campus to continue to grow and to address critical capital needs at the other campuses; and
- annual investments in the academic program, including improving the student-faculty ratio; funding for startup packages for new faculty, which is a major obstacle for many campuses seeking to hire new faculty; augmenting graduate student support to ensure that the level of support offered by UC is sufficient to attract top graduate students; and enhancing undergraduate instructional support including instructional technology, libraries, instructional equipment replacement, and building maintenance.

Projections of Available Resources

The University's plan includes the following revenue projections, which reflect elements from the funding framework, the Budget Act of 2016, and the State's historic practice of supporting expanded access at UC for California resident students:

- an annual 4% base budget adjustment in State funding;
- \$18.5 million in State funding in 2016-17 to support an additional 2,500 California resident undergraduate students in 2017-18 compared to 2015-16 levels, consistent with the Budget Act of 2016;

- \$25 million in State funding for enrollment growth of 2,500 undergraduate students in each of the next two years (2018-19 and 2019-20);
- \$9 million in State funding for graduate enrollment growth of 900 students in 2017-18, along with comparable marginal cost support for growth of 700 graduate students in 2018-19 and 2019-20;
- annual increases of 5% in the Student Services Fee, with one-half of the revenue (net of aid) to be set aside for enhanced student mental health services; and
- annual increases of 5% in undergraduate Nonresident Supplemental Tuition, coupled with reduced growth in the University's nonresident undergraduate population each year.

The University's plan assumes additional resources from a combination of revenues, asset management strategies, and cost-saving efforts to include some or all of the following:

- Under the plan, funding from the University Student Aid Program (USAP) formerly awarded to financially needy nonresident undergraduate students will continue to be redirected to help support enrollment growth. (This change would not affect nonresident students who began to attend UC prior to this change, which first took effect in 2016-17.)
- Increases in philanthropic giving will remain part of the University's overall plan. While the University has been successful in increasing philanthropic giving, the vast majority of gifts to the University are restricted and not available to enhance the core operating budget. Achieving this goal will require the University not only to continue to increase existing levels of philanthropic support, but also to develop models that increase the fungibility of these funds.
- In recent years, the University's strategic sourcing initiative, also known as procurement reform, has delivered substantial cost savings (much of which accrues to non-core funds). The financial plan assumes additional permanent core fund savings from this systemwide initiative.
- The plan also assumes that the University will secure additional funding for operating budget purposes from liquidity management strategies, ensuring that the investment of financial assets is yielding as much as possible within the bounds of the University's prudent investment policies.
- Under the long-term funding framework, the University may consider an adjustment to Tuition beginning in 2017-18 pegged generally to economic indicators that reflect cost increases in the broader economy, a portion of which would be used to augment the University's undergraduate and graduate financial aid resources (i.e., 33% of new Tuition revenue from undergraduate students and students in professional degree programs, and 50% of new Tuition revenue associated with graduate academic students, would be set aside for financial aid).

The plan does not include projected increases in Professional Degree Supplemental Tuition (PDST). Any increase in PDST revenue resulting from enrollment growth in programs that charge PDST and/or from increases in PDST levels would cover cost increases associated with those programs and hence would not affect other aspects of the University's budget plan.

Other Efforts to Improve Student Access and Outcomes

Under the framework, the University committed to a number of key reforms that have the potential, over time, to improve student success, to expand the University's capacity to serve students, and to reduce elements of the University's cost structure. These include, but are not limited to, the following:

- an enhanced commitment to the transfer function, reflected in both enrollment goals and efforts to clarify and streamline the transfer function;

- innovations to support student progress and improve time-to-degree, such as reviewing the number of undergraduate upper division major units required for graduation across the system, identifying three-year degree pathways, and piloting alternative pricing models in summer sessions;
- continued development of online undergraduate courses, with funding priority for bottleneck courses;
- supporting the innovative use of data to identify students at risk, to explore different methods for assessing costs of instruction, and to support student learning; and
- developing new options for benefits under the University of California Retirement Plan (UCRP) for future hires that incorporate the pensionable salary cap reflected in State's Public Employee Pension Reform Act (PEPRA) for defined benefit plans.

Collectively, these far-reaching reforms represent a University-wide effort to rethink key elements of the educational and support services provided by the University to students and how those services may be delivered more effectively. Through the work of the faculty, campuses, and Office of the President staff, the University has made substantial progress on these initiatives.

Projections of Available Resources and Expenditures in 2017-18, 2018-19, and 2019-20

	<u>Cumulative Change from 2016-17 Base (\$M)</u>		
	University's Plan		
	2017-18	2018-19	2019-20
Revenue			
State General Funds	\$158	\$327	\$502
Tuition/Fees (Enrollment + 5% Student Svc. Fee incr.)	68	132	196
Redirection of Nonresident Aid	14	24	31
Nonresident Suppl. Tuition	71	140	207
Other Resources	70	140	228
Deferred Maintenance (One-time)	35	35	35
Enrollment Pre-Funding (One-time)	19	32	32
Total	\$434	\$830	\$1,231
Expenditures			
Employee & Retiree Benefits (incl. UCRP & health)	\$45	\$93	\$142
Academic Merit Program	32	64	96
Compensation	112	227	345
Non-Salary Price Increases	27	55	84
Enrollment Growth	80	156	232
Deferred Maintenance and Capital Program	65	90	115
Financial Aid	23	44	66
Academic Quality	50	100	150
Total	\$434	\$830	\$1,231

Source: UC Budget Office

SECTION B. ENROLLMENT PLAN

B.1 ENROLLMENT

Under the University’s plan, UC will be able to enroll substantially more California resident undergraduates over the next 3 years.

Under the University’s plan, the enrollment of California undergraduates would grow by 2,500 California undergraduates each year. By 2019-20 – the last year included in the plan – UC will enroll over 13,000 more California resident undergraduates than it did in 2014-15.

Graduate and professional student enrollment, essential for California’s economy and societal needs and to support the additional undergraduates who would be enrolled under the University’s plan, would grow by 900 students in 2017-18 and by 700 students in subsequent years, for a total growth of 2,300 between 2016-17 and 2019-20.

In contrast, enrollment growth among nonresident undergraduates would steadily decline throughout this period.

Enrollment Projections Under the University’s Plan

FTE Enrollment	2015-16	2016-17	University's Plan		
			2017-18	2018-19	2019-20
CA res UG	174,121	181,164	183,664	186,164	188,664
Nonresident UG	29,233	32,271	33,271	34,071	34,671
Graduate/ Prof	44,417	45,502	46,402	47,102	47,802
% Nonresident UG (excludes summer)	15.5%	16.3%	16.5%	16.6%	16.7%

Note: 2016-17 are estimates. Figures are FTE and include summer, except for the nonresident calculation.

B.2 ENROLLMENT — UPPER DIVISION CCC TRANSFERS

Under the University’s plan, the number of transfer students will increase.

Supporting California Community College transfers is fundamental to the University’s mission. From 2008-09 through 2011-12, UC increased both the proportion and the number of new transfer students enrolled. This trend had reversed in recent years due to lack of funding for new enrollment as well as declining transfer applicants—which reflect enrollment reductions at the community college level during the state’s economic crisis. Increased applications from transfer applications (which may be partly attributable to substantial new funding directed to the California Community Colleges in recent years), coupled with the University’s overall plan for enrollment growth, should result in greater numbers of transfer students.

In recognition of the importance of providing access for CCC students to the UC system, President Napolitano launched a transfer initiative to identify ways to broaden access, ease the transfer pathways, and improve educational outcomes for transfer students. Under the University’s plan, which allows for increased enrollment of new California students, UC would be able to make progress on these goals.

Upper-division transfer students enrolled annually from the California Community Colleges (CCC)

Academic Year FTE	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	University's Plan		
							2017-18	2018-19	2019-20
Number	34,041	33,807	33,615	34,086	34,197	35,837	36,449	37,033	37,589
% of all undergrads (FTE)	19.8%	19.4%	18.9%	18.5%	18.1%	18.1%	18.1%	18.1%	18.1%

Note: 2016-17 are estimates. Excludes the summer term. Source: UC Corporate Student System. Upper-division CCC transfer students are those who enter UC from a California Community College with junior or senior standing. Postbaccalaureate teaching credential students are not counted as undergraduates.

B.3 ENROLLMENT — LOW-INCOME UNDERGRADUATES

Under the University's plan, UC's commitment to access for low-income students will be undiminished, although enrollment of low-income Pell-eligible students may decline slightly as a result of changes in the economy.

The University's track record for enrolling low-income students is unmatched by other research universities and is a strong engine for social mobility and economic equity in the state. Growth in Pell grant recipients over the past decade at UC reflects a combination of admission policies that seek out highly talented students from disadvantaged backgrounds, a robust financial aid program which keeps UC financially accessible for low-income students, the poor economy (which lowered families' income and hence made more students eligible for Pell grants), and changes to the federal Pell program that expanded eligibility to more students.

Trends in the number of Pell-eligible students can reflect both changes in the economy and changes to Pell program requirements. As a result, change in the enrollment of Pell grant recipients *over time* is an imperfect measure of accessibility for low-income students. For example, UC projects that the proportion of Pell-eligible students will decline slightly at UC (and nationally) in the coming years. This change is due in part to the ongoing economic recovery, which should result in higher family incomes generally. This is good news and does not reflect any reduction in the University's financial accessibility for students from low-income families.

Enrollment of Undergraduate Pell Grant Recipients

Academic Year FTE	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	University's Plan		
							2017-18	2018-19	2019-20
Number	71,565	73,147	74,984	76,183	75,608	78,735	79,957	81,165	82,359
% of all undergrads (FTE)	42%	42%	42%	41%	40%	40%	40%	40%	40%

Note: 2016-17 are estimates. Excludes the summer term. Source: UC Corporate Student System.

B.4 ENROLLMENT — UNDERREPRESENTED MINORITY UNDERGRADUATES

Under the University's plan, UC will be able to enroll more California resident undergraduates, who are more likely to come from underrepresented groups. This enrollment growth will provide greater opportunities for populations like Latino students, who are growing rapidly in number and whose levels of academic preparation are also rising.

Undergraduate students from underrepresented minority groups (African American, Latino, and American Indian) have been steadily increasing in numbers and in share at UC. Under the University's plan, UC will be able to increase access for California students and hence enroll a higher number of students from underrepresented minority backgrounds.

Enrollment of Underrepresented Minority Undergraduate Students

Academic Year FTE	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	University's Plan		
							2017-18	2018-19	2018-19
Number	40,552	43,100	45,702	49,089	50,532	52,605	53,534	54,290	55,040
% of all undergrads (FTE)	24%	25%	26%	27%	27%	27%	27%	27%	27%

Note: 2016-17 are estimates. Excludes the summer term. Source: UC Corporate Student System.

SECTION C. PERFORMANCE METRICS

Introduction

The text and tables on the following pages display the outcomes the University projects would be associated with the financial and enrollment assumptions reflected in the University’s plan. Most of these metrics move very slowly. For example, degree completions associated with enrollment growth generally will not be reflected until after two years for transfer entrants, and after four years for new freshmen. Similarly, program enhancements designed to increase graduation rates cannot show immediate results because the cohorts that benefit from these programs are often early in their student careers. In some cases, it is even possible that indicators will move in the opposite direction for several years after a positive change is implemented because earlier cohorts will continue to exhibit outcomes based on conditions that existed in previous years.

The University carefully tracks graduation rates and degree completions and works at all levels to produce improvements in these metrics.

C.1 STUDENT SUCCESS — FRESHMAN AND TRANSFER GRADUATION RATES

Graduation rates for both freshman and transfer entrants at UC have been rising steadily in recent years. UC expects the rate of increase to slow because several campuses have reached rates that leave little room for dramatic improvements, and the improvements that will be achieved will come more slowly. In addition, as noted earlier, most of the students who will graduate during this three-year period are already enrolled and recent improvements in the academic programs on the campuses will have a limited effect on their graduate rate or time-to-degree.

Nonetheless, UC’s campuses continue to aggressively pursue new ideas and programs to improve student success. As a result of these efforts, UC projects that four-year graduation rates for freshman entrants and two-year graduation rates for transfer entrants for both Pell and non-Pell students will increase by about 1% per year.

In comparing graduation rates below for Pell grant recipients and non-Pell recipients, note that while freshman four-year and transfer two-year rates show differences between Pell and non-Pell students, these gaps largely disappear when comparing six-year (freshman) and four-year (transfer) rates. Put another way, Pell-eligible students graduate at roughly the same rate as non-Pell students, but their average time-to-degree is longer. These differences are associated with family education levels and high school preparation levels that are lower for Pell grant recipients, on average, than they are for students without Pell grants. Six-year freshman graduation rates and four-year transfer graduation rates are not included in the performance metrics requested for this report but can be found online at accountability.universityofcalifornia.edu/2016/.

Graduation Rates

Entering cohort	University's Plan									
	F'07	F'08	F'09	F'10	F'11	F'12	F'13	F'14	F'15	
4 yr grad rate, freshman entrants	60%	61%	63%	62%	64%	65%	66%	67%	68%	
4 yr grad rate, Pell freshman entrants	52%	54%	57%	56%	58%	59%	60%	61%	62%	
Entering cohort	F'09	F'10	F'11	F'12	F'13	F'14	F'15	F'16	F'17	
2 yr grad rate, Up Div CCC transfer entrants	54%	55%	55%	56%	55%	56%	57%	58%	59%	
2 yr grad rate, Pell Up Div CCC transfer entr	47%	48%	51%	52%	51%	52%	53%	54%	55%	

Graduation rates include UC-intercampus transfers. Students who graduate in the summer term are included with the prior year. Low-income Pell students are those who received a Pell grant during their time at UC.

C.2 STUDENT SUCCESS — DEGREE COMPLETIONS

Differences completions are expected to increase steadily.

Degree completions have risen steadily at UC, particularly among undergraduates from low-income households. Degree completions are influenced by changes in both the total number of students enrolled and completion rates. As with graduation rates, degree completions are lagging indicators that will not show dramatic change during the three-year horizon of this plan.

Degree Completions

	University's Plan									
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	
Freshman entrants	32,778	32,608	31,866	33,123	34,519	35,761	36,552	36,909	39,756	
Up Div CCC transfer entrants	14,191	14,717	14,651	14,745	14,866	14,820	15,672	16,387	16,396	
STEM freshman entrants	12,403	12,921	12,496	14,558	15,737	16,303	16,664	16,827	18,125	
STEM Up Div CCC transfer entrants	3,724	3,961	3,831	4,482	4,766	4,751	5,024	5,254	5,257	
Pell recipients	21,634	23,154	21,469	23,999	24,660	25,239	26,076	26,628	28,017	
STEM Pell recipients	6,874	7,578	7,027	8,775	9,284	9,503	9,817	10,025	10,549	
Graduate (excludes self-supporting)	14,290	14,579	14,322	13,976	14,497	14,768	15,038	15,309	15,580	
STEM Graduate (excl self-supporting)	7,694	7,950	8,012	8,167	8,620	8,781	8,942	9,103	9,264	

2016-17 is an estimate. Source: UC Corporate Student System. Graduate degrees exclude self-supporting programs.

C.3 ADDITIONAL METRICS — FIRST-YEAR UNITS

About half of new students take 45 units or more in their first year at UC and we do not anticipate changes in this metric.

In fall 2014, 52% of freshman entrants and 43% of transfer entrants took 45 units or more their first year. UC analysis of this indicator shows that whether or not a student has completed 45 units at the end of his or her first year is a poor predictor of eventual graduation or time-to-degree. Many students are eventually awarded units for courses taken elsewhere that have not yet been recorded at this point or earn units in later years through summer enrollment or by enrolling in a greater number of units during the academic year.

Percentage of undergraduates who take 45 units in their first year at UC

	F'14	F'15	F'16	University's Plan		
				F'17	F'18	F'19
% of freshmen completing 45 qtr units	52%	52%	52%	52%	52%	52%
% of UD CCC transfers completing 45 qtr units	43%	43%	43%	43%	43%	43%

Source: UC Corporate Student System. Transferred units are not included. Semester units (Berkeley and Merced) are converted to quarter equivalents at the rate of 1 semester unit=1.5 quarter units. Includes the trailing summer term.

C.4 ADDITIONAL METRICS — UNITS AT GRADUATION

Efforts to review major requirements may, over time, reduce UC students' total units at graduation.

A UC bachelor's degree requires a minimum of 180 quarter units (120 semester units). Transfer students use units transferred from community college to complete their degree requirements. Students pursuing majors with high unit requirements (such as engineering/computer science) and those pursuing multiple majors graduate with higher units, on average, than those in other majors.

As noted earlier, the University is engaged in a systemwide effort to review the major unit requirements for its most popular undergraduate majors with the goal of streamlining those requirements where possible.

Average number of UC quarter units at degree completion

	2014-15	2015-16	2016-17	2017-18		
				2018-19	2019-20	
Freshman entrants	183	183	183	183	183	183
Upper-div CCC entrants	95	95	95	95	95	95

Source: UC Corporate Student System. Only UC units are shown. AP/IB/transferred units are not included. Semester units (Berkeley and Merced) are converted to quarter equivalents at the rate of 1 semester unit=1.5 quarter units.

C.5 ADDITIONAL METRICS — CORE FUND EXPENDITURES PER DEGREE AWARDED

Dividing total funding by degrees awarded does not result in a useful metric.

In its March 2016 Performance Indicators Report, the University described its concerns with using a ratio of total funding to degrees awarded as an indicator of institutional performance. Such a ratio is a poor indicator of either productivity or quality. Core funds support the tripartite mission of the University and include significant funding for non-instructional uses, specifically research and public service. In addition, over \$330 million of core funds were used to cover lease revenue and General Obligation bond debt service in 2015-16 and were not available for operating funds. Core funds also represent the primary fund source for student financial aid, which is effectively a pass-through to students. Also, such a measure cannot distinguish between reduced expenditures attributable to cost-cutting measures that should be applauded (e.g., operational efficiencies) and cost reductions that can reflect a genuine erosion of quality (e.g., a higher student-faculty ratio).

The University fully supports the goals of transparency and accountability in higher education. The University's *Annual Accountability Report*, for example, contains dozens of indicators that collectively provide insight into virtually every aspect of the University's mission – including student access, affordability, and success; undergraduate and graduate enrollment trends; faculty and staff demographics; student learning outcomes; research activities; and health sciences and services (along with many others). The most recent edition of the report is available at accountability.universityofcalifornia.edu/2016/.

Estimated Total Core Funds Expenditures (\$M) and Degrees Awarded

	University's Plan		
	2017-18	2018-19	2019-20
State General Funds	\$3,418	\$3,587	\$3,763
Tuition and Fees	3,523	3,664	3,810
NRST	1,106	1,178	1,250
Other Core Funds	378	389	401
Total Core Funds	\$8,425	\$8,819	\$9,223
Degree Completions	68,648	70,054	73,181

Source: UC Budget Office

C.6 ADDITIONAL METRICS — CORE FUNDS FOR UNDERGRADUATE DEGREES AWARDED

Estimates of core fund support for undergraduate education are now available.

In its *Expenditures for Undergraduate and Graduate Instruction and Research Activities* report, published in September 2016, the University reported on its methodology for allocating core fund expenditures for education between undergraduate and graduate instruction. For purposes of this sustainability plan, figures in that report have been adjusted to reflect projected changes in core funds and enrollment. Estimated core funds for undergraduate education are shown below, along with projected undergraduate degrees awarded, for the years 2017-18 through 2019-20. Expenditure figures are in millions of dollars.

Estimated Total Core Funds Expenditures for Undergraduate Instruction (\$M) and Undergraduate Degrees Awarded

	University's Plan		
	2017-18	2018-19	2019-20
State General Funds	\$1,604	\$1,681	\$1,762
Tuition and Fees	\$1,652	\$1,718	\$1,784
NRST	\$519	\$552	\$585
Other Core Funds	\$177	\$183	\$188
Total Core Funds	\$3,952	\$4,134	\$4,319
Undergraduate Degree Completions	53,610	54,745	57,601

Source: UC Budget Office

APPENDIX 1

Provision 3 of Item 6440-001-0001 of the Budget Act of 2016 states the following:

2. (a) The Regents of the University of California shall approve a plan that includes at least all of the following:

(1) Projections of available resources in the 2017–18, 2018–19, and 2019–20 fiscal years. In projecting General Fund appropriations and student tuition and fee revenues, the university shall assume the availability of resources consistent with the framework for long-term funding endorsed by the Regents in May 2015.

(2) Projections of specific expenditures in the 2017–18, 2018–19, and 2019–20 fiscal years and descriptions of any changes to current operations necessary to ensure that expenditures in each of those years are not greater than the available resources projected for each of those years pursuant to paragraph (1).

(3) Projections of resident and nonresident enrollment in the 2017–18, 2018–19, and 2019–20 academic years, assuming implementation of any changes described in paragraph (2).

4) The university’s goals for each of the measures listed in subdivision (b) of Section 92675 of the Education Code for the 2017–18, 2018–19, and 2019–20 academic years, assuming implementation of any changes described in paragraph (2) and an explanation of how these goals comply with the intent of the Legislature that the goals be challenging and quantifiable, address achievement gaps for underrepresented populations, and align the educational attainment of California’s adult population to the workforce and economic needs of the state.

(b) The plan approved pursuant to subdivision (a) shall be submitted no later than November 30 to the Director of Finance, the chairpersons of the committees in each house of the Legislature that consider the State Budget, the chairpersons of the budget subcommittees in each house of the Legislature that consider appropriations for the University of California, the chairpersons of the committees in each house of the Legislature that consider appropriations, and the chairpersons of the policy committees in each house of the Legislature with jurisdiction over bills relating to the university.

California Education Code, Title 3, Division 9, Part 57, Chapter 6, Article 7.7, Section 92675: Reporting of Performance Measures

(a) For purposes of this section, the following terms are defined as follows:

(1) The “four-year graduation rate” means the percentage of a cohort that entered the university as freshmen that successfully graduated within four years.

(2) The “two-year transfer graduation rate” means the percentage of a cohort that entered the university as junior-level transfer students from the California Community Colleges that successfully graduated within two years.

(3) “Low-income students” means students who receive a Pell Grant at any time during their matriculation at the institution.

(b) Commencing with the 2013-14 academic year, the University of California shall report, by March 1 of each year, on the following performance measures for the preceding academic year, to inform budget and policy decisions and promote the effective and efficient use of available resources:

- (1) The number of transfer students enrolled annually from the California Community Colleges, and the percentage of transfer students as a proportion of the total undergraduate student population.
- (2) The number of low-income students enrolled annually and the percentage of low-income students as a proportion of the total student population.
- (3) The systemwide four-year graduation rates for each cohort of students and, separately, for each cohort of low-income students.
- (4) The systemwide two-year transfer graduation rates for each cohort of students and, separately, for each cohort of low-income students.
- (5) The number of degree completions annually, in total and for the following categories:
 - (A) Freshman entrants.
 - (B) Transfer students.
 - (C) Graduate students.
 - (D) Low-income students.
- (6) The percentage of first-year undergraduates who have earned sufficient course credits by the end of their first year of enrollment to indicate they will complete a degree in four years.
- (7) For all students, the total amount of funds received from all sources identified in subdivision (c) of Section 92670 for the year, divided by the number of degrees awarded that same year.
- (8) For undergraduate students, the total amount of funds received from the sources identified in subdivision (c) of Section 92670 for the year expended for undergraduate education, divided by the number of undergraduate degrees awarded that same year.
- (9) The average number of course credits accumulated by students at the time they complete their degrees, disaggregated by freshman entrants and transfers.
- (10) (A) The number of degree completions in science, technology, engineering, and mathematics (STEM) fields, disaggregated by undergraduate students, graduate students, and low-income students.
(B) For purposes of subparagraph (A), "STEM fields" include, but are not necessarily limited to, all of the following: computer and information sciences, engineering and engineering technologies, biological and biomedical sciences, mathematics and statistics, physical sciences, and science technologies.