

# Overview of UC Expenditures

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LEGISLATIVE ANALYST'S OFFICE

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Assembly Budget Subcommittee No. 2  
On Education Finance  
Hon. Kevin McCarty, Chair





## University Operations

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- The state's 1960 Master Plan for Higher Education designated the University of California (UC) as the state's research university.
- The university's core mission is undergraduate, graduate, and professional education; research; and public service.
- The state historically has focused more heavily on eight core operational areas at UC: (1) instruction, (2) research, (3) public service, (4) academic support, (5) student services, (6) institutional support, (7) maintenance, and (8) financial aid.
- The state historically has focused less on a few other operational areas, including teaching hospitals, federal energy laboratories, and auxiliary programs (such as student housing).



## University Fund Sources

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- UC's funding primarily comes from (1) the state General Fund, (2) student tuition payments, (3) federal contracts and grants, (4) private donations, and (5) revenue from sales and services (including medical center revenue).
  
- A subset of funds historically has been designated as "core funding." This primarily includes state General Fund and student tuition. It also includes application and other fees, a portion of overhead on federal grants, and a portion of patent royalty income.
  
- Core funds are interchangeable, meaning the university can use them for the same purposes. Some other funds also are interchangeable, such as unrestricted private donations. Other funds are restricted, such as most federal grant funding.



## University Expenditures

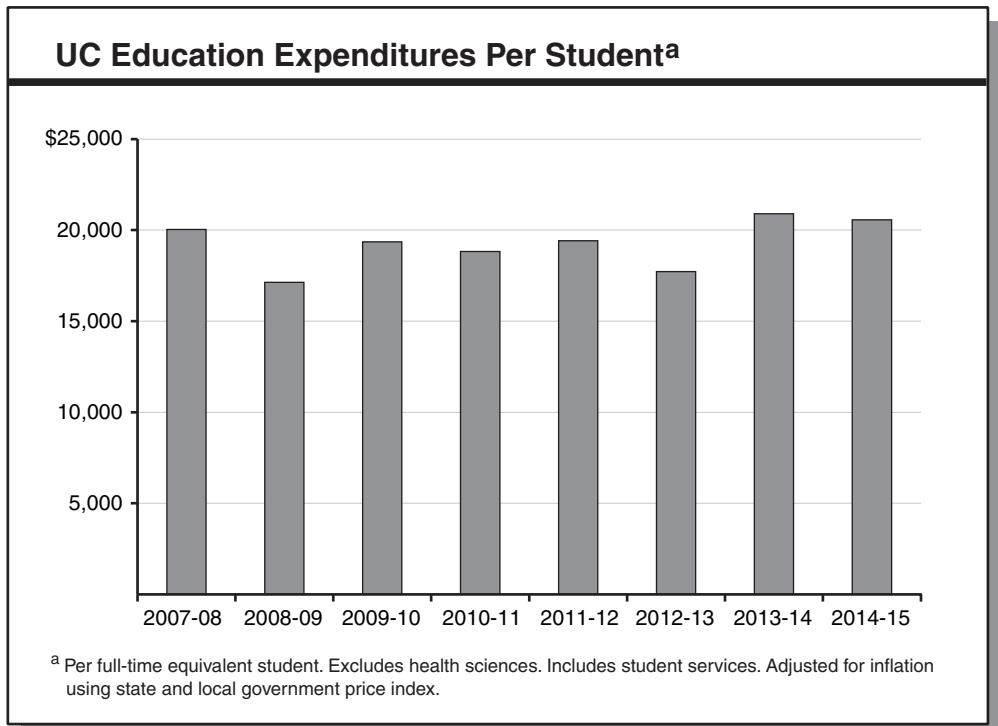
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- Expenditures can be tracked (1) using a single fund source or a combination of fund sources; (2) on a per-student basis or in the aggregate; (3) in actual dollars or inflation-adjusted dollars; and (4) for all program areas or a subset of programs. Each decision can have major implications on the conclusions drawn.
  
- The years selected for tracking also can affect the conclusions drawn. In recent years, the Legislature has expressed interest in comparing current funding to 2007-08 levels to highlight the effects of the most recent recession.



## Education Expenditures

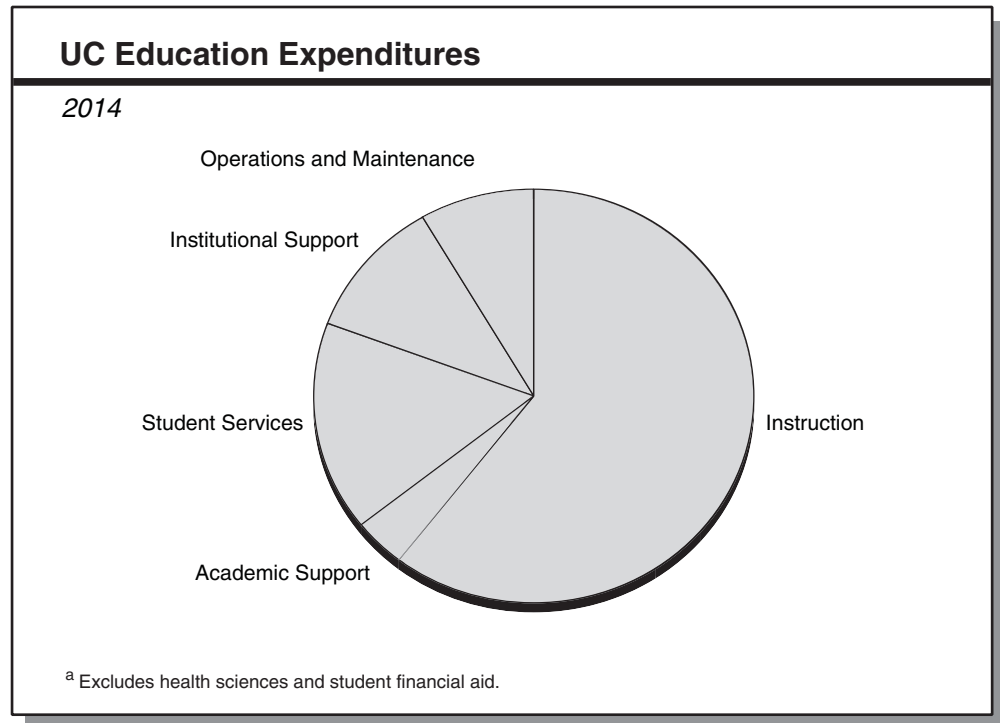
- Below, we track per-student education spending from all fund sources from 2007-08, adjusted for inflation. (We exclude health sciences spending because educational expenditures in this area tend to be much higher than other areas.)



- Per-student education spending dropped during some years of the most recent recession but has recovered. Compared to 2007-08, per-student education spending in 2014-15 is up 2.6 percent (after adjusting for inflation).
- During this time, UC has come to rely slightly more on noncore funds (such as philanthropy) to support its educational program.

## Education Expenditures

(Continued)



- Most education spending (60 percent) relates to direct instruction, including faculty compensation and instructional equipment. The share of education spending going to instruction has not changed notably since 2007-08.
- Major factors affecting instructional expenditures include (1) faculty salaries and benefits and (2) faculty teaching workload. (All core faculty expenditures count toward instruction even though faculty spend significant time conducting research.)
- The second largest area of education spending is student services (16 percent). This area has grown slightly (3 percent) since 2007-08. This area includes social and cultural activities, counseling, and student health services.