Academic Planning and Budget
July 2022

Briefing Paper: UCLA's Cost-Savings Program, Five-Year General Funds Forecast, and Financial Plan

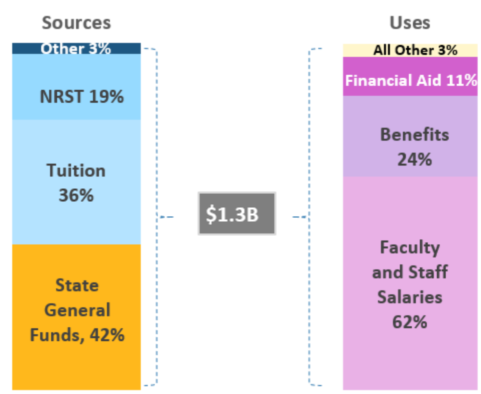
INTRODUCTION

As noted in previous discussions with campus stakeholders, UCLA is in the midst of a predicted five-year budget stretch where known cost increases are exceeding revenue growth. The purpose of this briefing paper, given this backdrop, is to provide context about UCLA's General Funds budget, describe provisions of the 2022-23 State budget, and explore why – even with two consecutive years of positive base budget adjustments from the State – UCLA's savings program continues to be essential to its financial health. Ideally, this paper will help to facilitate robust discussions about UCLA's savings program and the conditions that set the stage for it.

FUNDING FOR UCLA'S CORE ACADEMIC MISSION

General Funds are the primary source of support for UCLA's core academic activities and central services. The main components of UCLA's General Funds are permanent (ongoing) State funding, base Tuition and fees, and Nonresident Supplemental Tuition (NRST). UCLA's General Fund expenditures are primarily personnel-based. Totaling $1.3 billion in 2021-22, 86% of UCLA's General Fund supports salaries and benefits for faculty and staff. See Figure 1 below for details.

Figure 1: Sources and Uses from UCLA's General Funds, 2021-22



STATE SUPPORT FOR THE UNIVERSITY OVER TIME

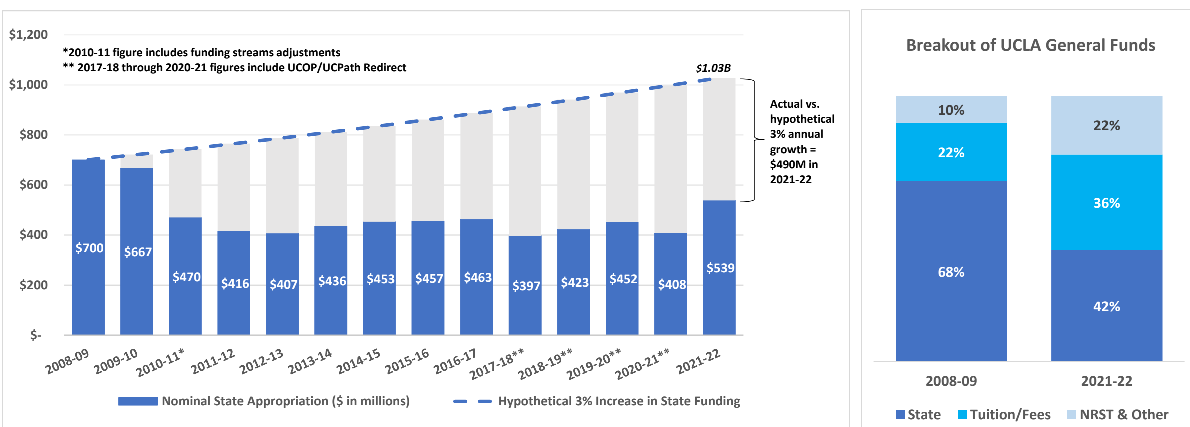
Historically, State General Funds (SGF) have served as the *primary source* of permanent funding for the University of California's core missions (teaching, research, and public service), as well as the administrative and support services needed to advance them. In recent decades, however, SGF has become *one core revenue stream among others*, including base Tuition, NRST, and efforts to reduce costs. Indeed, as a percentage of the University of California's core fund operating budget – which includes revenues from State General Funds, UC General Funds (mostly NRST), and student tuition and fees – State support declined from 87% in 1980-81 to 39% in 2020-21. Student tuition and fees, by contrast, grew from less than 10% of UC's core funds in 1980-81 to 57% in 2020-21. Even when State support for the University of California (UC) has increased during times of fiscal stability, those increases have not been enough to restore prior funding levels and keep pace with enrollment growth, resulting in greater systemwide reliance on tuition and fees to support students, faculty, and staff.

State Support for UCLA since 2008-09

UCLA has not been insulated against the consequences of UC's past State funding shortfalls. For example, whereas UCLA's undergraduate and graduate full-time equivalent (FTE) enrollments increased by 14% between 2008-09 and 2021-22, State support for the campus *decreased* by 49% on a per-student (FTE) basis during this time period, fostering increased campus reliance on student fee revenues. Even though enrollments and systemwide charge[1] levels have both increased since 2008-09, UCLA's *total General Funds* have nonetheless decreased by 20% since 2008-09 (on a per-student basis).

As shown on the right side of Figure 2 below, the State provided UCLA with 68% of its total General Funds in 2008-09. This figure has since dropped to 42% (also shown in Figure 1), with base Tuition and NRST growing in prominence as a proportion of General Funds over time. Also shown in Figure 2 is UCLA's nominal State appropriations between 2008-09 and 2021-22. The blue dotted line denotes how those figures would have changed had permanent State support for the campus increased steadily by 3% each year starting in 2008-09 (essentially remaining flat in constant dollars). Under this counterfactual, UCLA would have received $5.8 billion more from the State over the past 13 years, helping to reduce the campus's unavoidable reliance on non-State fund sources today.

Figure 2: UCLA Historical State Funding and Percentages of Total UCLA General Funds (GF)



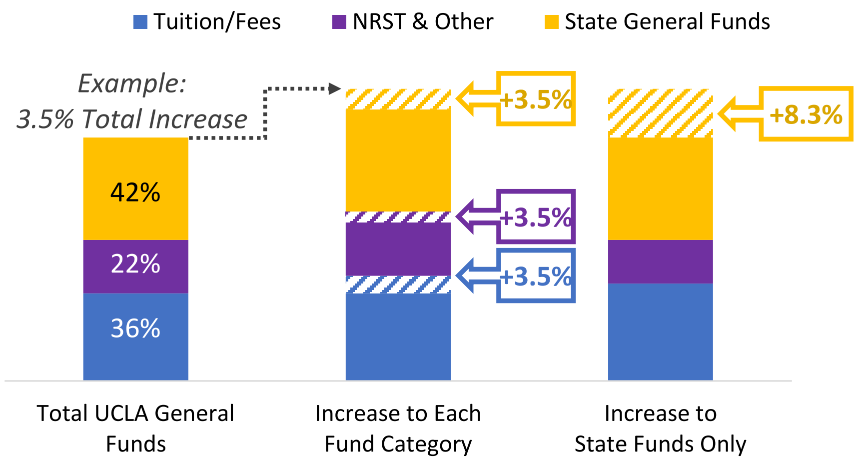
When State funding represented a large majority of UCLA's General Funds, a 3.5% increase in State support was nearly equivalent to a 3.5% increase in UCLA's *entire* General Funds budget. Today, given the growing importance of base Tuition and NRST to cover cost increases, a 3.5% increase in State support—which, as mentioned, represents 42% of UCLA's total General Funds—provides only a 1.5% increase in total General Funds. Holding all other fund sources flat, State support would need to increase by 8.3% to achieve an overall increase of 3.5% in UCLA's General Funds.

This phenomenon is illustrated by Figure 3 below. UCLA's General Fund sources very rarely grow in lockstep, let alone by the same proportion as UCLA's annual cost increases. This reality helps to explain why tuition freezes[2] and State funding shortfalls, particularly since 2008-09, have contributed to campus

[1] "Systemwide charges" refer to base Tuition, NRST, and the Student Services Fee.
[2] Tuition remained frozen from 2012-13 through 2016-17 and from 2018-19 through 2021-22 (after a 2.5% increase in 2017-18).

budget constraints and the erosion of key metrics, such as the student-to-faculty ratio (this ratio has increased by 15% at UCLA since 2010-11).

Figure 3: Achieving a 3.5% Increase in Total General Funds



(Figures not drawn to scale.)

The 2022-23 State budget, described in detail below, represents good news for the University insofar as it increases UC's ongoing State support. Dampening this good news, however, is a long history of shortfalls in permanent State support for UC, particularly on a per-student basis, and a substantial change in the overall composition of UC's core funds (wherein student fees now play a prominent role). This history also sets into relief UCLA's current structural deficits and cost-savings program.

2022-23 STATE BUDGET

On January 10, 2022, Governor Gavin Newsom announced a five-year funding agreement (or "Compact") with the University of California. The proposed Compact provides annual 5% base budget increases for UC through 2026-27, in exchange for commitments to expand student access, equity, and affordability. In particular, the Compact includes expectations of progress on a number of shared goals, including annual 1% enrollment growth of undergraduates, closing graduation gaps and creating pathways to debt-free education by 2030, and increasing online education offerings.[3]

On June 30, 2022, Governor Newsom signed Assembly Bill (AB) 178, which – together with Senate Bill (SB) 154 – constitutes the 2022-23 State budget. (The Governor had previously signed SB 154, the Budget Act of 2022, on June 27, 2022.) These two bills provide $5.1 billion for UC, including a 5% base budget increase – consistent with the amount proposed in the Compact announced in January – and various other ongoing and temporary funds. For purposes of this briefing paper, UC's State General Fund

[3] The expectations of the January 2022 Compact align well with the multi-year framework adopted by the UC Board of Regents in early 2019 known as "UC 2030: Advancing the California Dream" or "UC 2030." UC 2030 is a collective effort by UC leadership (the President, Chancellors, and Board of Regents) to address inequities and strengthen California's future by investing in the next generation of UC graduates, faculty, and research. Specifically, this framework seeks to achieve the following goals by 2030: to produce over 200,000 additional degrees (on top of the one million undergraduate and graduate degrees currently projected); to raise the undergraduate four-year graduation rate to 76% and the six-year graduation rate to 90%; to eliminate gaps in timely graduation and graduate degree attainment for Pell recipients, first-generation students, and underrepresented groups; and to invest in the next generation of faculty and research by adding 1,100 ladder-rank faculty.

(SGF) appropriation from the 2022-23 State budget falls into two categories: 1) UC's base budget increase, and 2) other State funds.

UC's Ongoing Base Budget Increase from the 2022-23 State Budget

Because the University is a *people-driven* institution, UC's 5% permanent base budget adjustment – alongside University resources amounting to roughly $83 million in 2022-23[4] – primarily supports *people-related* costs. These costs include policy-covered faculty and staff compensation, UC's faculty merit program, contractually committed compensation, and health benefits. Sustained and predictable base budget increases, like those noted in the Compact, allow the University to better cover campus cost increases in salaries and other mandatory expenditures.

Based on UC's portion of the final State budget, President Michael Drake approved a 2022-23 systemwide salary program that includes a general 4.5% base salary increase for policy-covered staff, and a 4% increase for academic appointees (a Special Salary Equity Program for faculty is also included).[5] Generally, these systemwide salary programs for faculty and staff entail base salary increases closer to 3%. UC's base funding increase for operations will be critical to covering mandatory compensation increases at UCLA in 2022-23. It will also be *insufficient*, by itself, to cover the full scope of UCLA's incremental salary and benefit costs for a number of reasons. First, the approved compensation increases are higher-than-usual. Second, as mentioned above, State funds are not the only component of UCLA's General Funds, and the role of State support in the overall composition of UCLA's General Funds has decreased substantially over time. Third, and as described in more detail in the "2022-23 State Budget Implications for UCLA" section below, recent modifications to the State funding allocation framework (i.e., rebenching) will likely reduce UCLA's portion of UC's base budget increase in 2022-23 and future years.

Other Funds from the 2022-23 State Budget

Like UCLA's portion of UC's base budget increase, other funds provided by the State in 2022-23 will not be sufficient to address both UCLA's structural deficits and its cost increases. In particular, although these "other State funds" are key to advancing systemwide goals, they also come with new offsetting expenditures. More details about these "other funds" from the 2022-23 State budget, separated by ongoing and one-time status, can be found below.

Other Ongoing Funds

The 2022-23 State budget provides ongoing funding, in addition to UC's base budget adjustment, related to California resident undergraduate enrollment growth. Specifically, the final budget includes $16.3 million to support 1,500 students currently enrolled above previously-funded targets, $51.5 million to support enrollment of 4,730 additional students between 2021-22 and 2023-24, and $31 million to reduce nonresident undergraduate enrollment by 902 students and replace those students with California undergraduates at the UCLA, Berkeley, and San Diego campuses. This $31 million provision is

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[4] University resources allocated to sustaining core operations include procurement savings, enrollment of an additional 200 nonresident undergraduates at UC campuses currently below their nonresident caps; tuition, NRST, and Student Services Fee adjustments (net of aid); and a proposed reduction to the UC Retirement Plan (UCRP) employer contribution rate of 1% (from 15% to 14%), in light of positive trends in UCRP's funded status.

[5] Salary increases for union-represented employees are governed by the relevant collective bargaining agreements.

part of a five-year plan to reduce the percentage of nonresident students at these campuses to 18% of total undergraduate enrollment (an expectation outlined in the Budget Act of 2021).

The State budget also provides ongoing funds to promote student access, equity-based success, and affordability. In particular, the budget appropriates $22.5 million in ongoing funding to expand Student Academic Preparation and Educational Partnerships (SAPEP) programs, which work with high school and community college students to better prepare them for a four-year university education. The State budget also provides new ongoing support for students who are current-or-former foster youths, carceral-system impacted students, and undocumented students.

Additional ongoing funds appropriated specifically to UCLA in the 2022-23 State Budget include $3 million for the UCLA Labor Center and $75,000 for the UCLA Anderson School of Management. The $75,000 is meant to support the Anderson School in its efforts to incorporate climate change-related economic impacts by region into its annual forecasting model for California. (The Anderson School received additional one-time support for this endeavor as well, as described in more detail below.)

One-Time Funds

In addition to these ongoing funds, the 2022-23 State budget provides UC with $754.1 million in new, one-time funds. These funds include a total of $263.1 million in one-time operating funds – including the Regents' request for $100 million for climate resiliency research seed and matching grants. This funding will leverage UC's intellectual, logistical, and physical assets to help the State achieve goals of climate resiliency. It represents the largest single direct allocation for the University's research from the State.

UC's total one-time operating fund support in 2022-23 also includes the following set-asides for UCLA specifically:

- $15 million for UCLA's Latino Policy and Politics Institute (UCLA LPPI) to support policy research, leadership programs, and civic engagement with a Latina lens through the Latina Futures, 2050 Lab;[6]
- $5 million to support the Ralph J. Bunche Center for African American Studies;
- $5 million for UCLA, UC Berkeley, and UC Davis to study plant-based meat;
- $1.25 million to support UCLA's Hollywood Diversity Report; and
- $304,000 to support the UCLA Anderson School of Management as it includes climate-related impacts in its annual state-level economic report (the UCLA Anderson Forecast).[7]

In addition, the 2022-23 State budget provides UC with one-time capital outlay funds, including $125.5 million for energy efficiency, seismic mitigation, and deferred maintenance projects; $165.5 million for various capital projects at UC Berkeley, UC Riverside, and UC Merced; and $200 million specifically for UCLA to begin work on an immunotherapy research facility that will seek to identify cures for complex diseases.[8]

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[6] UCLA LPPI will build on the foundation laid by the California Latino Legislative Caucus's Unseen Latinas Initiative, created by the Legislature to address the continued and growing inequality Latinas experience in education, economic outcomes, and career and leadership opportunities. For additional information, see the following press release: https://latino.ucla.edu/wp-content/uploads/2022/07/Californias-budget-provides-15-million-for-UCLA-to-create-the-Latina-Futures-2050-project.pdf.

[7] To be clear, $304,000 are appropriated for the Anderson School on a one-time basis and available until June 30, 2024, and $75,000 are appropriated on an ongoing basis.

[8] This $200 million is the first of three planned installments that would sum to $500 million by 2024-25 if appropriated in total.

Lastly, beyond the $5.1 billion appropriation for UC, the 2022-23 State budget allocates $389 million in one-time funds for specific affordable student housing projects through the Higher Education Student Housing Grant. Of this one-time appropriation, UCLA will receive $35 million.

The funding appropriated by the 2022-23 State budget builds upon the advancements made by the 2021-22 State budget, which provided much-needed resources for UC in the wake of the economic downturn resulting from COVID-19. The final 2021-22 State budget restored the cut of $302 million that the University sustained in 2020-21. It also reflected an increase of 7.6% to UC's base budget over 2019-20 levels.

2022-23 State Budget Implications for UCLA

Despite two consecutive years of growth in State funding for UC (in 2021-22 and 2022-23), UCLA's savings program remains necessary to balance its General Funds budget, manage uncertainty, and support new investments. UCLA will receive a portion of UC's 5% base budget increase from the State in 2022-23, after accounting for rebenching,[9] along with a portion of the other funds provided by the State (though, as mentioned, these funds are largely restricted for various purposes).

In addition, with UC's multi-year Tuition Stability Plan (cohort-based tuition) taking effect in fall 2022, one incoming cohort of undergraduates will be assessed increases in base Tuition and NRST in 2022-23. The Tuition Stability Plan also includes an inflation-based increase in base Tuition for all graduate students (as opposed to just one cohort) in 2022-23. These funds will certainly help to bolster UCLA's General Fund. Absent efforts to reduce costs, however, proposed State support and projected cohort-based tuition revenues by themselves will fall short of covering the campus's mandatory General Fund expenses, let alone its current deficits.

FIVE-YEAR GENERAL FUNDS FORECAST AND FINANCIAL PLAN

Figure 4, shown below, presents a full summary of UCLA's five-year forecast for General Funds and financial plan to address estimated deficits. **Academic Planning and Budget (APB) has updated its forecast and financial plan for recent developments, but the bottom line has not shifted materially: as of 2021-22, known cost increases are exceeding UCLA's revenue growth, and General Fund deficits are projected to continue through 2025-26.** Recent developments on the revenue side include higher anticipated State funding levels, per the multi-year Compact. APB also anticipates cohort-based tuition rate increases, as the approved annual increases are indexed to real inflation (not to exceed 5% in any

[9] Rebenching is the University's strategy for allocating SGF across campuses so as to avoid disparities in State funding per student. The University began implementing this strategy in 2012-13 with the goal of achieving equivalent weighted per-student funding from eligible SGF by 2017-18. One of the principles behind rebenching is that students in the same enrollment categories (and therefore assigned the same weights) should be funded at the same level across the system. Under this framework, campuses that enroll larger graduate student populations, especially in the health sciences, receive more unweighted funding relative to campuses with lower graduate enrollments. On a *weighted* basis, however, all campuses receive the same State funding level per student. In an effort to ensure that no campus falls more than 5% below the systemwide *unweighted* per-student State funding average, UCOP began supplementing enrollment funding for Riverside, Santa Barbara, and Santa Cruz in 2021-22. This supplementation will continue for three years total, at which point the unweighted per-student funding average of each of these campuses will reach 95% of the systemwide average. This modification creates the equivalent of an additional set-aside of new, ongoing SGF support, thereby decreasing the amount of funding available for the enrollment-based component of rebenching. Under this modified approach, UCLA's base budget adjustment in 2021-22 was $3.9 million lower than it would have been under the former approach. It is not yet known how this modified approach to rebenching will affect UCLA's portion of UC's base budget increase in 2022-23.

given year). Recent developments on the expense side include salary increases for policy-covered faculty and staff in fiscal year 2022-23; a new represented staff contract for lecturers; and a temporary two-year reduction in the employer pension contribution rate (approved by the Regents in November 2021).

Figure 4 shows slow revenue growth in large part because a substantial share of UCLA's General Fund is derived from base Tuition and NRST, and the full effects of cohort-based tuition will not be felt until the phase-in period is complete in 2026-27. Rows 2 through 5 chart projected changes in General Fund revenue, including an assumed full State buyout of mandated nonresident enrollment reductions. This assumption constitutes the best-case scenario. The pandemic has only had a minor impact on UCLA's revenues: UCLA's $54.6 million cut in State funding in 2020-21 was restored in 2021-22, along with a 4% base budget increase. Over two years, however, these appropriations equate to a less-than-inflationary adjustment. Cohort-based tuition was also delayed by a year due to the pandemic. Overall, UCLA's General Fund revenues are projected to grow by an average annual rate of 2.6% over the next five years, assuming compound growth.

On the expense side, the forecast below shows a higher rate of cost increases (relative to revenue increases). As mentioned, 86% of UCLA's General Fund supports salaries and benefits, with faculty salaries constituting the largest share. Faculty salaries typically increase between 4% and 5% each year when accounting for range adjustments, merits, and promotions. In addition to faculty cost increases, the forecast scenario includes normal annual increases for staff, benefits for faculty and staff, and represented staff agreements. The pandemic has not had an adverse impact in the forecast for ongoing expenditures, as its associated costs are mainly one-time in nature. Overall, UCLA's General Fund expenses are projected to grow by an average annual rate of 3.6% over the next five years, assuming compound growth.

The spread between the compound annual average growth rate of revenue (2.6%) and expenditures (3.6%) results in a cumulative gap to solve of $85 million by the end of 2025-26. UCLA must be proactive in addressing our budget deficits, as these choices become more difficult when action is deferred. As shown in Figure 4, fiscal year 2022-23 will begin with a General Fund deficit of $37.6 million. For this reason, our gap-closing program must start on July 1, 2022. This program includes unit savings targets to be realized over four years, central actions to diversify revenue, and limited funding to invest in budget priorities. These priorities include growing graduate student support and addressing deferred maintenance needs for UCLA's facilities, as well as providing some central funding to support the annual budget process. Each year, these investments will be transparent and focus substantially on academic needs and priorities. Under this five-year plan, each academic organization's General Funds budget will grow even after factoring in the savings plan targets. Most will grow by greater than 10% over this five-year period. For the savings component, the target for Administrative units is 8%; for Academic units, the savings target is 4%. By spreading the reductions over multiple years, units can be more strategic in how targets are achieved – including through new revenues and shifting expenses off General Funds.

To summarize, UCLA's five-year financial plan represents a balanced funding strategy that incorporates moderate annual increases in State support; student tuition and fees, consistent with the Tuition Stability Plan; and contributions from UCLA's own efforts to operate more efficiently.

Looking past this five-year horizon, even after cohort-based tuition fully matures in 2026, UCLA's best-case scenario will be for State appropriations and systemwide charges (base Tuition and NRST) to increase annually by the rate of inflation. Absent additional, nontraditional sources of funding, budget pressures will persist because UCLA's annual personnel cost increases typically exceed the rate of normal inflation. This phenomenon is due to faculty merits and promotions, represented staff increases, and established long-term trends in health and pension costs. Modest growth in UCLA's General Funds would also be insufficient to support UCLA's high-priority *new investments*, which include hiring additional staff and ladder faculty, growing graduate student support, and addressing deferred maintenance needs for campus facilities. The Bruin Budget Model, which will take effect on an as-yet-undetermined date after the 2022-23 fiscal year, is designed specifically to help the campus adapt to these longer-term challenges by better aligning core operating revenues with expenditures, providing transparent incentives for units to pursue nontraditional revenue growth opportunities, and by creating more central funds for strategic investment.

Figure 4: Five-Year General Funds Forecast and Financial Plan

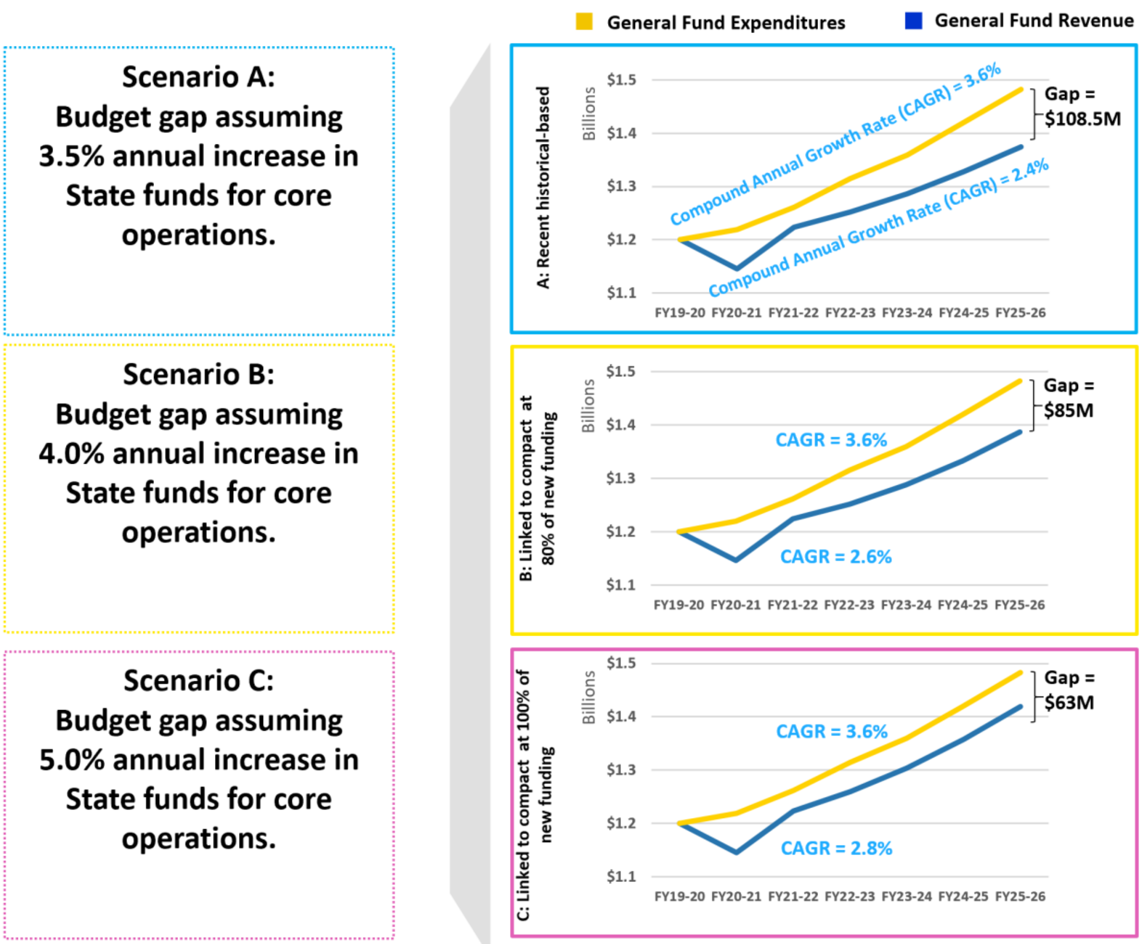
ref		FY 21&22	FY 2023	FY 2024	FY 2025	FY 2026
1	**Gap to be Closed - Start of Period**	**-**	**(37.6)**	**(60.6)**	**(66.6)**	**(78.9)**
	Revenue Changes					
	Changes in State General Funds					
2	Funds for core operations	23.7	20.8	21.6	22.3	23.1
3	Funds to offset lost NRST income		10.0	11.2	12.1	13.3
	Changes in Tuition and NRST					
4	Cohort tuition increases, net of aid		10.1	16.7	26.1	33.3
5	Loss of NRST to reach 18% enrollment target		(10.0)	(11.2)	(12.1)	(13.3)
6	**Total Revenue Changes**	**23.7**	**30.9**	**38.3**	**48.4**	**56.4**
	Expense Changes					
	Changes in mandatory financial aid					
7	Increases from cohort tuition increases	-	3.9	6.0	8.8	9.0
	Changes in salaries and benefits					
8	Increases for policy-covered staff	38.5	35.5	29.0	30.2	31.4
9	Increase for represented staff	6.2	6.6	4.9	4.5	4.6
10	Increases in benefit costs	16.6	15.9	12.7	12.9	13.0
11	Adjustments to employer pension contribution		(8.0)	(8.3)	4.3	4.5
12	**Total Expense Changes**	**61.3**	**53.9**	**44.3**	**60.7**	**62.5**
13	**Gap to be Closed - End of Period**	**(37.6)**	**(60.6)**	**(66.6)**	**(78.9)**	**(85.0)**
		1 **Admin Savings:** Target = 2% per year for 4 years starting in 2021-22	2 **Academic Savings:** Target = 1% per year for 4 years starting in 2021-22		3 **Central Actions:** Higher draws on investment income and renegotiated ICR rate	4 **Budget Priorities:** Campus diversity & new faculty
	Gap-closing Program					
1	Savings administrative units	-	12.9	12.9	12.9	12.9
2	Savings academic units	-	11.7	11.7	11.7	11.7
3	Central actions	-	5.0	5.0	8.3	8.3
4	Budget priorities	-	(10.0)	(10.0)	(10.0)	(10.0)
	Total Gap-closing Program - Annual	**-**	**19.6**	**19.6**	**22.9**	**22.9**
	Total Gap-closing Program - Cumulative	**-**	**19.6**	**39.2**	**62.1**	**85.0**

GENERAL FUND PLANNING SCENARIOS

State funding for UC can be difficult to predict, given historical volatility (even when Compacts are in place). Tuition and fee revenues, by contrast, are currently fairly simple to predict, due to the recent approval of a multi-year Tuition Stability Plan. UCLA can also fairly accurately predict future personnel-related cost increases. For these reasons, the campus is well-positioned to project General Fund expenditures and a portion of General Fund revenues (from tuition and fees) over time. Figure 5 below shows three possible State funding scenarios (A, B, and C) between 2022-23 and 2025-26.

Scenarios A, B, and C progressively free up more State support for personnel-related costs over time. Scenario A applies a 3.5% annual growth rate to base budget support from the State between 2022-23 and 2025-26 (approximately equivalent to the compound annual growth rate, or CAGR, of State support for UC over the past five years). It also incorporates assumptions about future cohort-based tuition rate increases (consistent with the Tuition Stability Plan), and assumes flat enrollment.

Figure 5: Projected Gaps in General Fund Support under Three State Funding Scenarios



Scenarios B and C apply the same assumptions about tuition and enrollment as Scenario A, but modify State support. Specifically, Scenario B assumes that the latest multi-year Compact with Governor Newsom will result in annual 4% base budget increases for UC, or that 80% of the target growth under the multi-year Compact (5%) will be available for personnel-related expenses. Scenario C is the most generous, as it assumes 5% annual base budget increases from the State for personnel costs. UCLA's budget savings program uses the middle case of State funding assumptions (Scenario B). Even under Scenario C, however, projected General Fund expenditures are still projected to exceed General Fund revenues through 2025-26. In fact, the spread of cumulative deficits ranges from $63 million to $109 million under these different assumptions, underscoring the need to take budget action under *any probable State budget outcome.*

Scenarios A, B, and C provide examples of State funding projections grounded in reasonable assumptions. They do not, however, account for future funding decisions outside of UCLA's control (or ability to predict) that might erode future State support for the campus, regardless of the prevailing State funding scenario. For example, the campus might face the following: 1) deliverables required by the State that go unfunded; 2) modifications to rebenching that reduce UCLA's share of future State appropriations; and/or 3) the discontinuance of State buyouts of mandated reductions in nonresident undergraduate enrollment (the first such buyout is included in the 2022-23 State Budget). Compounding these uncertainties is the possibility that, should the State continue to buy out mandated reductions in nonresidents, those future funds might not flow directly back to UCLA, but rather to every UC campus through the rebenching process, effectively hamstringing UCLA's capacity to generate sufficient General Funds.[10]

These additional uncertainties highlight the need to act now, as opposed to assuming that the budget scenario will improve absent purposeful interventions. If UCLA is in a position to lessen its savings targets, campus leadership will do so, just as it has responded to shifting circumstances and needs during the pandemic. APB does not anticipate that savings targets will change, given the realities of UCLA's funding scenario, but by spreading these targets over four years, the campus is well-positioned to adjust them as needed in future years.

ENROLLMENT UPDATE

According to the 2021 Budget Act, the Legislature intends to reduce the number of nonresident undergraduate students at Berkeley, UCLA, and San Diego such that "nonresident undergraduate enrollment at each campus comprises no more than 18 percent of total undergraduate enrollment by the 2026-27 academic year."[11] To phase in this reduction, the State called for each of the three campuses to reduce their nonresident enrollments by 300 in 2022-23 and replace them with an equivalent number of additional California resident undergraduates. UCLA's initial enrollment plan for 2022-23 reduced nonresident undergraduates by 277 (relative to 2021-22) and increased California resident undergraduates by 821 (exceeding the California resident growth target of 300 by over 500 students).

The UC Office of the President asked UCLA to modify this plan in order to reduce nonresidents by at least 300. The campus has since agreed to reduce nonresident enrollments by an additional 150 in 2022-23 (for a total of 427). This plan will bring UCLA's nonresident percentage down to 21.7% (according to *Regents Policy 2109*, UCLA's current nonresident enrollment cap is 22.6%).

Going forward, UCLA will continue to assess alternatives to reducing nonresidents further. Such reductions could be destabilizing to the General Funds budget in the long term. Alternatives include

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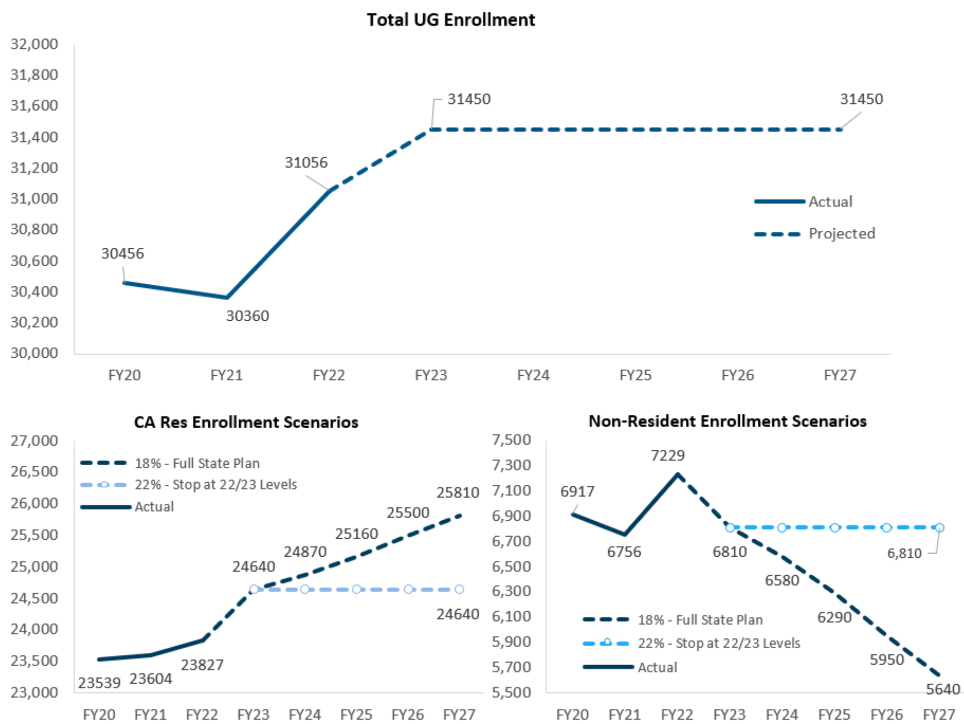
[10] Discussions are currently underway at the UC Office of the President as to whether future State funding buyouts of mandated nonresident undergraduate reductions at UCLA, Berkeley, and San Diego would flow through rebenching or function as set-asides to support these three campuses only.

[11] California Budget Act of 2021. Provision 43 of section 6440-001-0001. https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220AB128.

admitting more California residents by better utilizing Summer, thereby satisfying the State's desire to expand access for Californians without further reducing nonresidents.[12] As of now, UCLA's budget planning assumes no negative impact from nonresident reductions (as in, it assumes State support will offset foregone NRST revenue from mandated nonresident reductions). Similarly, campus budget plans assume that any California resident enrollment growth will be budget neutral (as in, any new revenue from enrollment growth will have offsetting expenses).

Figure 6 below shows how future California resident and nonresident undergraduate enrollment levels would vary if UCLA reduced its nonresident percentage to 18% by 2026-27 (per the State's expressed intent), as opposed to holding steady at approximately 22% (the 2022-23 level, which grows California residents by more than the State's plan). As Figure 6 shows, either scenario results in total undergraduate enrollment of 31,450 starting in 2022-23.

Figure 6: Undergraduate Enrollment Scenarios



CONCLUSION

The exhibits and narrative of this paper were created to support campus-level discussions of UCLA's current budget situation and to reemphasize the need for its savings program. APB is committed to updating this General Funds forecast and financial plan each year with new information and actual results (including 2022-23 actuals, which are not yet reflected in Figure 4). Questions about this document should be directed to APB.

[12] These growth strategies would need to be deemed acceptable by the State. As of now UCOP is reporting that the intent is only to fund nonresident reductions.