

**Office of the President**

**TO MEMBERS OF THE COMMITTEE ON FINANCE:**

**DISCUSSION ITEM**

*For Meeting of July 20, 2016*

**CAMPUS OVERVIEW, MERCED CAMPUS**

**BACKGROUND**

UC Merced opened in 2005 with 878 students. Today, the campus is home to 6,237 undergraduate and 448 graduate students. All graduate students are in academic rather than professional degree programs. For the undergraduate population, 67 percent are first-generation students and 61 percent are Pell grant recipients (compared to 42 percent and 40 percent systemwide). Since 2010, UC Merced has been designated a Hispanic Serving Institution<sup>1</sup> (HSI). In 2016, after just one decade of existence, UC Merced received the second-highest Carnegie classification for American research universities (R2) as a “doctoral-granting university with higher research activity.”

Forty-one percent of Merced’s bachelor degrees and 83 percent of its graduate degrees are in science, technology, engineering and math (STEM) fields.

UC Merced has 3,026 faculty and staff, including 1,795 part-time and student employees.

UC Merced Chancellor Leland and Vice Chancellor for Budget and Finance Daniel Feitelberg will present this item. The presenters will provide a campus overview of financial data, student performance, and campus diversity.

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<sup>1</sup> To be designated a HSI institution, at least 25 percent of undergraduate enrollments must be Hispanic.

**FINANCIAL DATA**

Campus financial results for the last three fiscal years, estimates for the current year, and projections for the next four years are as follows:

<i>(in millions of dollars)</i>	2013 <sup>1</sup> (Actual)	2014 <sup>1</sup> (Actual)	2015 <sup>1</sup> (Actual)	2016 <sup>2</sup> (Estimated)
Revenues	\$210.8	\$228.8	\$256.5	\$276.6
Expenses	(217.9)	(237.0)	(282.2)	(286.8)
<b>Income (loss)</b>	<b>(\$7.1)</b>	<b>(\$8.2)</b>	<b>(\$25.7)</b>	<b>(\$10.2)</b>

<i>(in millions of dollars)</i>	2017 <sup>2</sup> (Projected)	2018 <sup>2</sup> (Projected)	2019 <sup>2</sup> (Projected)	2020 <sup>2</sup> (Projected)
Revenues	\$310.1	\$338.2	\$383.7	\$419.6
Expenses	(317.7)	(333.3)	(370.2)	(413.4)
<b>Income (loss)</b>	<b>(\$7.6)</b>	<b>\$4.9</b>	<b>\$13.5</b>	<b>\$6.2</b>

Revenue annual increase assumptions:	Expense annual increase assumptions:
<ul style="list-style-type: none"> <li>• State General Funds: +4%</li> <li>• Student Services Fee: +5%</li> <li>• Tuition: +2.5% beginning in 2017-18</li> <li>• Nonresident Supplemental Tuition: +8% in 2016-17, then +5% thereafter.</li> <li>• Student Financial Aid: Return to Aid resident undergraduate, graduate, and summer session rates of 33%, 50%, and 25% respectively.</li> <li>• Student Enrollments: Mirrors long-range enrollment plan, assuming completion of 2020 Project.</li> </ul>	<ul style="list-style-type: none"> <li>• Salaries (including faculty and collective bargaining units): +3%</li> <li>• Academic faculty merits: +1.7%</li> <li>• Health benefits: +4%</li> <li>• Instruction Cost, Academic &amp; Institutional Support: Scales with hires to achieve target long-term ratios. Includes inflation growth.</li> <li>• Target Long-Term Ratios: Student to Faculty 20.0x and Staff to Faculty 2.25x.</li> <li>• Grants &amp; Research: Scales with hires. Includes inflation growth.</li> <li>• Employer's pension contribution: 14% of payroll</li> <li>• OPEB assessment: 3.29% in 2016-17, then 3.51% thereafter</li> <li>• Inflation: +2.5%</li> </ul>

The past few years of operations reflect the fact that the campus has set the stage for the next phase of growth. In fiscal year 2014, the Merced Corridor was established through a Memorandum of Understanding between the campus and the Office of the President to help guide the investments necessary for the 2020 Project. In fiscal year 2015, the campus made significant investments in people and technology in preparation for the 2020 Project. In that year, the campus increased revenue in contracts, grants, auxiliaries and gifts and investment income by approximately 10 percent while increasing investments in instruction and research. Two new buildings, one for Science and Engineering and the other for Housing, also opened that year.

The campus currently has positive cash flows and expects positive cash flows in all years going forward. Projections show that on an accrual basis the campus is planning to manage its growth so that it remains income positive as well as cash flow positive. The projections for UC Merced were developed based on a comprehensive long-range financial model developed over the past twenty-four months. The model includes a number of assumptions, including future growth in tuition and inflation, as well as future operating and capital costs.

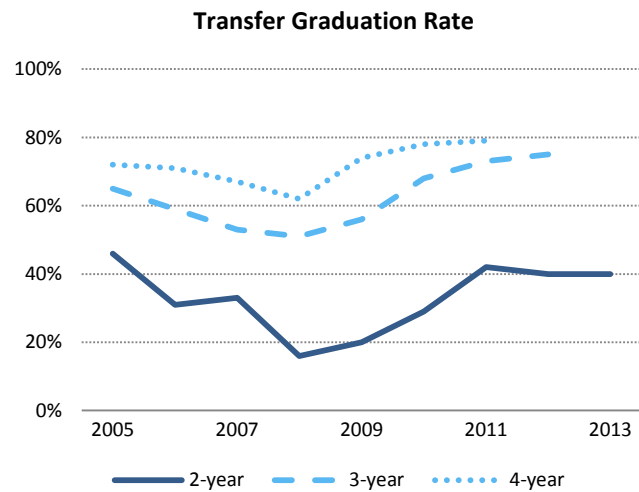
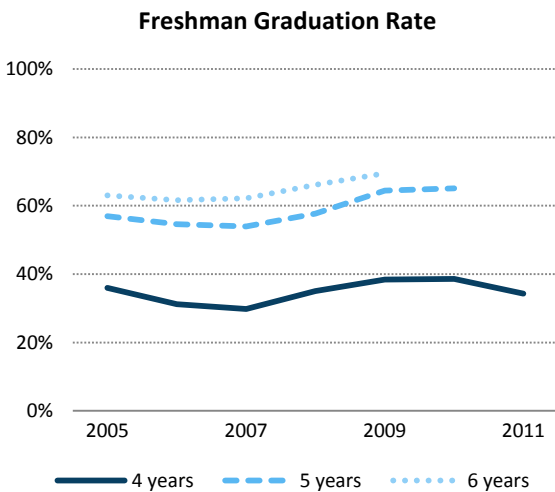
The campus currently receives 70 percent of its revenues from tuition and state general fund appropriations. To diversify its revenue streams, the campus is focusing on continued growth in grants, contracts, and philanthropy and also building new programs to diversify revenue streams. Continued growth of revenue streams is critical to campus operations going forward.

Cost will be controlled through fiscal discipline by strategically managing the campus's staff to faculty ratio, which is already the lowest in the system. Due to its demographic profile, the success of UC Merced's student population requires more expensive, "high touch" support services. UC Merced is challenged to expand external, non-state industry and philanthropic support without the resources to invest in the talent needed to do so.

To achieve its plans, UC Merced needs resources specifically targeted to the academic success of low income, first-generation and historically underrepresented student populations. Pursuit of funding mechanisms to quickly expand critical initiatives would contribute to the campuses ability to succeed in its endeavors.

### STUDENT PERFORMANCE

The two charts below provide four-, five-, and six-year freshman and two-, three-, and four-year transfer graduation rates for UC Merced.



Since 2005, UC Merced's four-year graduation rate for freshman entrants has fluctuated between 30 and 40 percent. The most recent five- and six-year freshman graduation rates are 65 percent (2010 cohort) and 69 percent (2009 cohort). When graduation at non-UC institutions is included, the six-year freshman graduation rate increases to 71 percent for UC Merced.

UC Merced's freshman graduation rate is comparable to the national<sup>2</sup> four-year average at 39 percent and ten points higher than the national six-year rate (59 percent). By ethnicity, UC Merced has a higher six-year freshman graduation rate for African Americans (62 percent compared to 41 percent) and for Chicano/Latino(a)s (68 percent compared to 53 percent).

UC Merced's freshman graduation rates are below system averages of 64 percent at year four and 85 percent at year six and the average elapsed time-to-degree for UC Merced is around 4.4 years, compared to 4.1 for the UC system. In addition, the first-year retention rate—which is an early indicator of undergraduate outcomes and in effect sets a ceiling for future graduation rates—is 84 percent for UC Merced, compared to 80 percent nationally and 93 percent for the UC system.

For transfer entrants, UC Merced's two-year graduation rate is 40 percent (2013 cohort) and the most recent three-year (2012 cohort) and four-year (2011 cohort) rates are 75 percent and 79 percent. In comparison, UC's two-year, three-year, and four-year graduation rates for transfer entrants are 55 percent, 83 percent, and 88 percent respectively. For UC Merced, transfer time-to-degree has decreased from 3.3 years for the fall 2005 cohort to 2.9 years for the fall 2008 cohort, compared to a decrease from 2.4 to 2.3 years for the UC system over the same period.

UC Merced's transfer first-year retention rate has gone from 85 percent for the fall 2006 cohort up to 93 percent for the fall 2013 cohort and is now at 89 percent for the fall 2014 cohort, compared to the UC system average of 93 percent for the fall 2014 cohort.

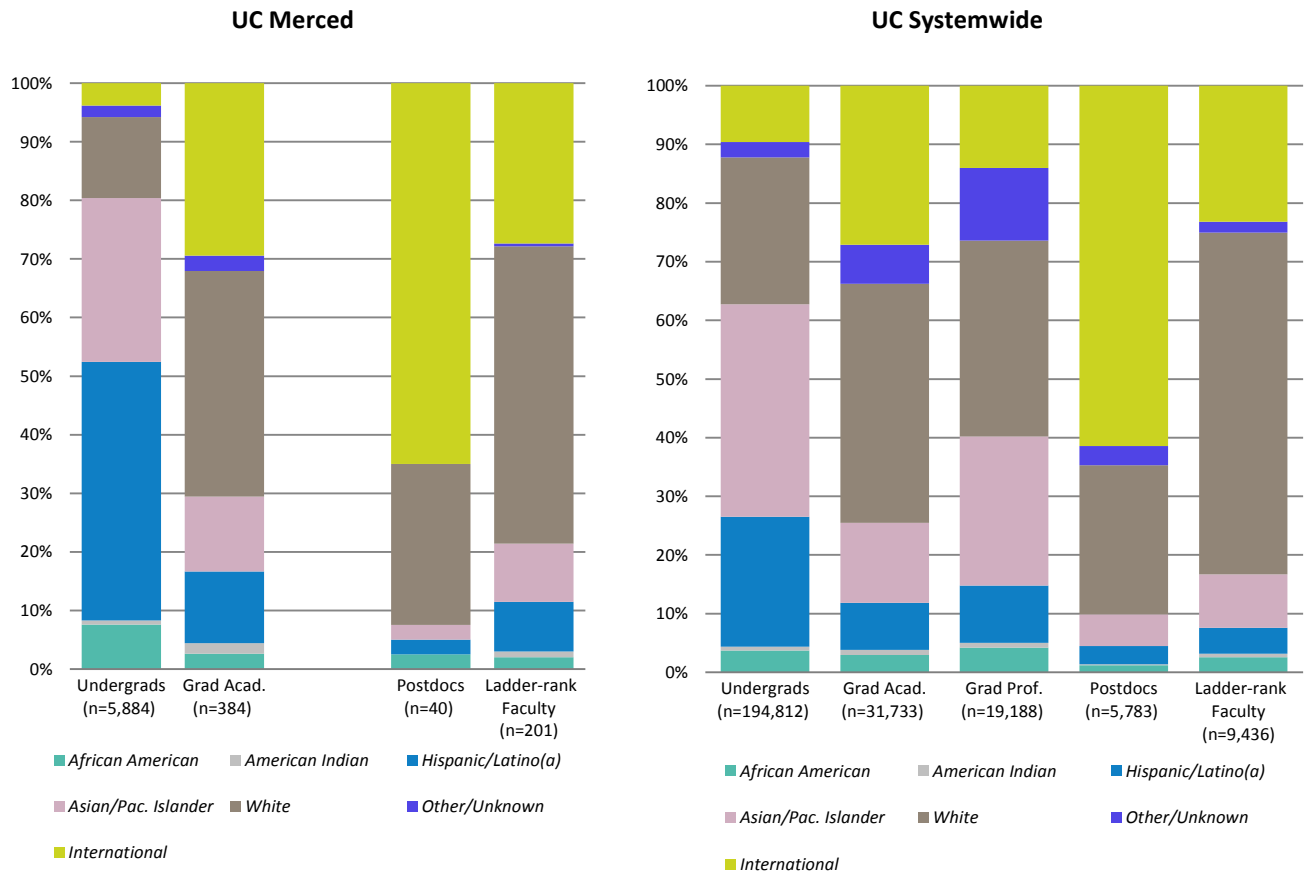
During the presentation to the Regents, UC Merced's Chancellor will share campus efforts to advance degree completion and time-to-degree, including its summer support in lieu of summer Pell grants, online partnerships, and academic advising efforts.

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<sup>2</sup> National graduation rates are for four-year postsecondary institutions (public, nonprofit and for-profit).

DIVERSITY

The two charts below provide fall 2015 racial/ethnic diversity for UC Merced and the UC system for undergraduate, graduate academic, and graduate professional students, postdoctoral scholars, and ladder-rank faculty.<sup>3</sup>



At UC Merced, most groups were more racially/ethnically diverse in fall 2014 than they were for the UC system, with 52.4 percent underrepresented minority<sup>4</sup> (URM) undergraduates at UC Merced compared to 26.5 percent for the UC system, 16.7 percent URM graduate students compared to 11.9 percent for the system, five percent URM postdoctoral scholars compared to 4.5 percent for the system, and 12.9 percent URM ladder-rank faculty compared to 7.2 percent for the system.

For UC Merced, underrepresented minorities are increasing among new freshmen, transfers, and graduate academic students:

- 26 point increase in new URM freshmen (32 percent for fall 2005 to 58 percent for fall 2015)

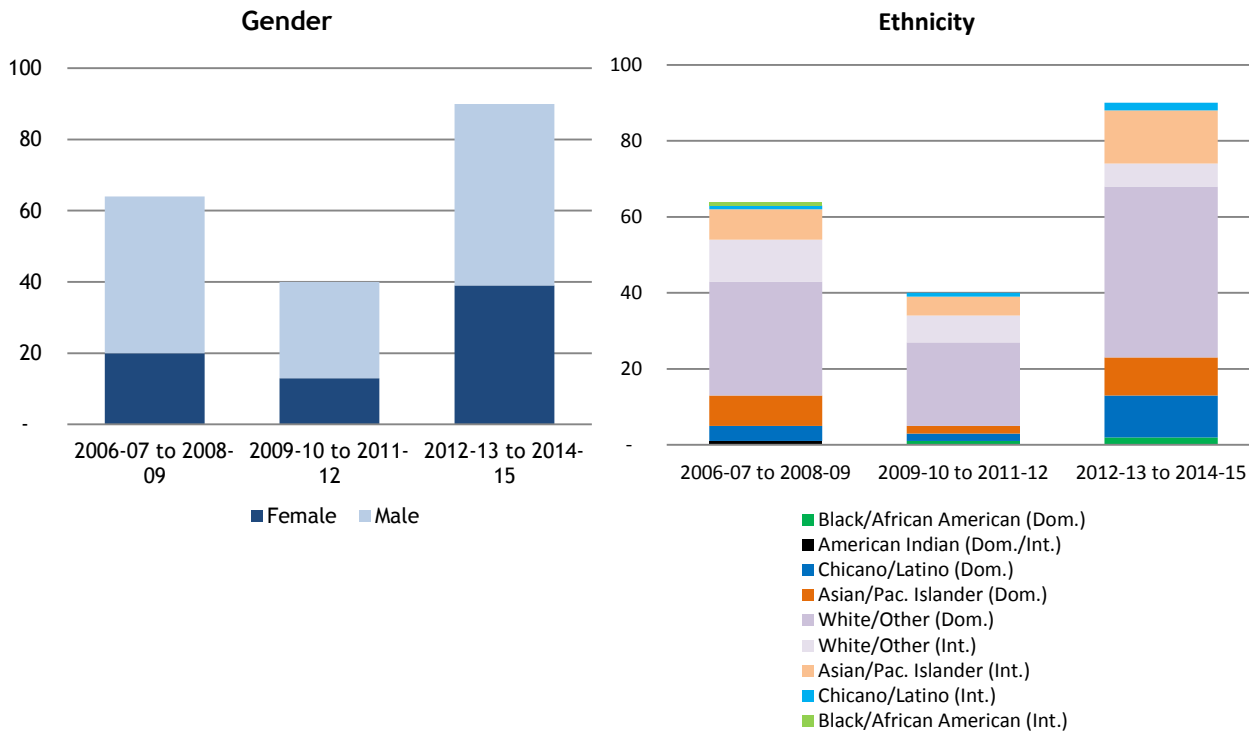
<sup>3</sup> In these charts, International includes non-citizens who also self-identify as black/African American, Latino(a)/Hispanic, and American Indian and in some cases may be undocumented students.

<sup>4</sup> Underrepresented minorities include African American, American Indian, and Chicano/Latino(a)s.

- 17 point increase in new URM transfers (28 percent for fall 2005 to 45 percent for fall 2015)
- ten point increase in new URM graduate academic students (14 percent for fall 2006 to 24 percent for fall 2015).

For UC Merced, the number of new female graduate academic students increased from 24 in fall 2005 to 138 in fall 2015, while the percent of new female graduate academic students has decreased from 48 percent to 39 percent over the same period.

Trend information for faculty hiring is presented in three-year groupings to smooth out possible variations due to small numbers of faculty hires in one year. For UC Merced, the percent of new female faculty hired has increased from 31 percent (20 women) in 2006-07 to 2008-09 to 43 percent (39 women) from 2012-13 to 2014-15. The number of new URM hires has increased from five in 2006-07 to 2008-09 to 13 in 2012-13 to 2014-15, and increased proportionally from eight percent to 14 percent over the same period.



During the presentation to the Regents, UC Merced’s Chancellor will share campus efforts to advance campus diversity, including its recruitment and retention efforts, cultural centers, and support for undocumented students and foster youth.