The California State Auditor released the following report today:

University of California

Although the University Maintains Extensive Financial Records, It Should Provide Additional Information to Improve Public Understanding of Its Operations

BACKGROUND
Providing higher education to over 230,000 students at its 10 campuses, the University of California (university) is administered by a 25-member independent governing board—the Regents of the University of California (regents)—and led by a president. The university’s Office of the President is the systemwide headquarters of the university and its many responsibilities include managing the university’s fiscal and business operations, while a chancellor at each campus manages campus operations. Funding for the university comes from both public and private sources. Public funding includes government appropriations and contracts, student-paid tuition and fees, and revenues generated by auxiliary enterprises—noninstructional programs within the university that operate like commercial businesses and offer goods or services for sale such as student housing, dining, and parking.

KEY FINDINGS
Our review of the university’s information related to public funds, student tuition and fees, and auxiliary enterprises that is centrally contained at the Office of the President revealed the following:

- Revenues increased each year during the five fiscal years we examined, with the exception of a one-year decline during fiscal year 2008–09 because of a decrease in funding from the State.
  - The largest increases—tuition and fee revenue—were due to higher enrollment levels and tuition rates. Tuition rates rose four times during the five-year period, and the number of enrolled students grew by 13 percent.
  - The growth in tuition and fee revenue and temporary funding from the federal American Recovery and Reinvestment Act of 2009 partially offset the reduction in state funding in fiscal year 2008–09.

- Excluding retirement benefits, most of the university’s types of expenses increased gradually over the same five-year period with expenses for teaching hospitals and for student aid growing by the largest percentages of any category.

- Although the Office of the President distributes funding from certain revenue sources, it gives campuses a large degree of autonomy over spending decisions.

- The university’s budgeting process results in higher-than-average amounts budgeted per student for certain campuses while other campuses received much lower levels per student—the four campuses with a higher-than-average proportion of students from underrepresented racial or ethnic groups all received less than average amounts of funding per student.

- Although the university maintains extensive financial information, which it publishes in its annual campus financial schedules, it could improve transparency by providing additional financial information and providing it more consistently.

- The university inappropriately designated $23 million in student funding to pay for two capital projects on the Los Angeles campus.

KEY RECOMMENDATIONS
We make several recommendations to the university regarding its budgeting process to address the variations in per-student funding of its campuses including that it continue to reexamine the base budget to campuses and implement changes that consider other factors. Further, we recommend that the university take additional steps to increase the transparency of its detailed financial information and its budget process, update its budget manual by including relevant formulas and methodologies, and make such information available on its Web site.