

Report on University Extension EVC Kliger to Academic Senate

November 2007

UC Santa Cruz is taking aggressive steps to bring University Extension (UNEX) into financial solvency and to ensure ongoing accountability.

UNEX, which provides academic programs in continuing education, saw its enrollments plummet from over 50,000 to 18,000 in the span of five years as it was buffeted by the dot.com bust – and the fact that nearly 80% of the portfolio of UNEX at the time was dependent upon the executive education of these industries.

With an annual deficit that exceeded \$4 million in the last fiscal year (2006-7) and a cumulative debt of \$30M, UNEX has taken the following steps:

- Elimination of programs that do not contribute toward the overall costs,
- Reorganization of units and restructuring of the reporting lines,
- Redirection of the marketing strategy towards attracting new students,
- A commitment to increase the online offerings, and
- An in-depth analysis of staffing needs and other expenses to identify reductions.

In the 2007-8 academic year, criteria for continuance include the following:

- Reduction of the annual deficit by \$1M from last year (to \$3.4M)
- Increase in enrollment by 10% or more.

The long term resolution of the situation will depend on revitalization of the major programs to reflect the current and future needs of students, utilization of new models for delivery of instruction including on-line and corporate setting, and significant improvement in the interaction of UNEX with the main campus and with the Silicon Valley Center. It is the expectation that, even with successful reversal of the deficit trajectory, the cumulative debt will increase for several years. Consolidation strategies, in the event that resolution is not possible, would require transfer of the debt to the campus for repayment from operating expenses.

UNEX should be a vital player in the expansion of UCSC interests in the Silicon Valley. Its current offerings span Engineering and Technology, Education, Scientific Illustration, Business and Management and Applied/Natural Sciences. Its English Language program brings high school and university students from throughout the world for intensive language training and also hosts Fulbright Scholars and our UCSC graduate students. Through Corporate Training, UNEX provides access to many of the leading and emerging industrial powers of the Silicon Valley. A financially viable unit could be an important component of the UCSC presence in the greater Santa Clara Valley.

***Cabinet/Senate Executive Committee Meeting
10-30-07***

Report on University Extension

I. Annual UNEX deficits for every year from 2001-02 to 2006-07, and the cumulative UNEX debt at the end of 2006-07:

<small>Fiscal Year Ended</small>	2002	2003	2004	2005	2006	2007
Annual	(\$4,738,172)	(\$3,414,038)	(\$5,804,825)	(\$5,373,289)	(\$4,008,685)	(\$4,434,634)
Cum.	(\$5,949,126)	(\$9,363,164)	(\$15,167,989)	(\$20,541,278)	(\$24,549,963)	(\$29,013,832)

II. The amount paid in interest on this debt in 2006-07 was \$1.1M

III. The source of funds used to pay the interest was the UNEX operating budget, which then contributes to the annual and cumulative deficit.

IV. October 2007 Report to Academic Senate attached.

UNEX Pro Forma 2007-2017																							
	BUDGET																						
	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Revenue	\$10,790	\$11,869	\$13,056	\$13,709	\$14,394	\$15,114	\$15,870	\$16,664	\$17,497	\$18,372	\$19,291	\$20,256	\$21,269	\$22,332	\$23,449	\$24,621	\$25,852	\$27,145	\$28,502	\$29,927	\$31,423	\$32,994	\$34,644
Expense (excluding leases & STIP)	\$10,342	\$10,868	\$11,431	\$11,774	\$12,127	\$12,491	\$12,866	\$13,252	\$13,650	\$14,060	\$14,482	\$14,916	\$15,363	\$15,824	\$16,299	\$16,788	\$17,292	\$17,811	\$18,345	\$18,895	\$19,462	\$20,046	\$20,647
Lease expense	\$2,616	\$2,341	\$1,591	\$1,639	\$1,688	\$1,739	\$1,791	\$1,845	\$1,900	\$1,957	\$2,016	\$2,076	\$2,138	\$2,202	\$2,268	\$2,336	\$2,406	\$2,478	\$2,552	\$2,629	\$2,708	\$2,789	\$2,873
STIP	\$1,220	\$1,396	\$1,514	\$1,578	\$1,633	\$1,678	\$1,712	\$1,734	\$1,741	\$1,732	\$1,705	\$1,658	\$1,589	\$1,496	\$1,375	\$1,224	\$1,040	\$820	\$561	\$258			
Surplus / (Deficit)	(\$3,388)	(\$2,736)	(\$1,480)	(\$1,282)	(\$1,054)	(\$794)	(\$499)	(\$167)	\$206	\$623	\$1,088	\$1,606	\$2,179	\$2,810	\$3,507	\$4,273	\$5,114	\$6,036	\$7,044	\$8,145	\$9,253	\$10,159	\$11,124
Cumulative Deficit	(\$29,084)																						
Deficit Reduction / (Increase)	(\$3,388)	(\$2,736)	(\$1,480)	(\$1,282)	(\$1,054)	(\$794)	(\$499)	(\$167)	\$206	\$623	\$1,088	\$1,606	\$2,179	\$2,810	\$3,507	\$4,273	\$5,114	\$6,036	\$7,044	\$8,145	\$9,253	\$10,159	\$11,124
Net Cumulative Deficit	(\$32,472)	(\$35,208)	(\$36,688)	(\$37,970)	(\$39,024)	(\$39,818)	(\$40,317)	(\$40,484)	(\$40,278)	(\$39,655)	(\$38,567)	(\$36,961)	(\$34,782)	(\$31,972)	(\$28,465)	(\$24,192)	(\$19,078)	(\$13,042)	(\$5,998)	\$2,147	\$11,400	\$21,559	\$32,683
Assumptions																							
Revenue Increase FY 08-09 & FY 09-10	10%																						
Revenue Increase pass-through to the bottom line	80%																						
Annual revenue increase	5.0% After FY 2009-10																						
Annual expense increase	3.0% After FY 2009-10																						
Lease decrease beginning FY 09-10	34.0%																						
Close Sunnyvale building in FY 08-09	\$343 Savings from FY 07-08																						
Expense includes STIP paid	4.3% 4.3% rate as of August 2007																						