

The 2023-24 Budget:

College of the Law, San Francisco

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SUMMARY

The Governor’s budget proposes to increase base General Fund support for the University of California College of the Law, San Francisco (UC Law SF) by \$2.2 million (12 percent) in 2023-24. After accounting for other revenue increases (primarily from student tuition revenue), UC Law SF’s total ongoing core budget would increase by \$5.8 million (7.7 percent). We recommend the Legislature consider the base General Fund augmentation of 12 percent an upper bound. The proposed percentage increase is the largest among the education segments. The school’s associated expenditure plan also includes augmentations for new hiring, innovation, and operating expenses and equipment (OE&E)—items that could be revisited if the state’s General Fund condition worsened. Additionally, we recommend the Legislature reject the Governor’s proposal to provide one-time funding for the school’s Urban Alchemy program. Given campus safety is part of the school’s core operations, we recommend program costs be covered using the school’s core ongoing funding.

Introduction

This brief analyzes the Governor’s budget proposals for UC Law SF. The brief first provides background on the law school. It then describes the Governor’s budget proposals and the school’s budget plan. The brief concludes by providing three associated recommendations.

Background

UC Law San Francisco Is a Public Law School. UC Law SF, formerly Hastings College of the Law, is affiliated with UC but has its own governing board (known as the Board of Directors). Of the school’s more than 1,000 students, approximately 95 percent are enrolled in the Juris Doctor (JD) program (the most common degree students pursue to enter the legal field). The school also offers three master’s programs, one of which is a joint Health Policy and Law program with UC San Francisco (UCSF).

Tuition Revenue Is Law School’s Largest Fund Source. UC Law SF received a total of \$123 million in ongoing funding in 2022-23 (excluding state funding provided for lease revenue debt payments). As **Figure 1** on the next page shows, this funding came from “core” and “noncore” sources. Of the school’s core funding, just over 70 percent comes from student tuition revenue and one-quarter comes

from state General Fund. Remaining core funding comes from investment income, scholarly publication income, fee revenue, and the State Lottery Fund. Beyond core funding, UC Law SF receives noncore funding from certain self-supporting auxiliary programs (including its housing and parking programs). In addition, the school receives noncore funding from private donations as well as external grants and contracts.

Employee Compensation Is School’s Largest Expense. Core funds support UC Law SF’s core operations, including faculty and staff compensation. The school also uses core funds to provide merit-based student financial aid. UC Law SF currently spends around 30 percent of the tuition revenue it generates from each JD cohort on financial aid.

State Often Provides the School With General Fund Base Increases. Each year, the law school faces pressure to cover cost increases associated with employee compensation, OE&E, student financial aid, and enrollment growth, among other factors. Over the past decade, the primary way the school has covered its core operating cost increases is through state General Fund base augmentations. (The school also receives state General Fund adjustments for its lease revenue bond

debt service and, in certain years, specific program initiatives.) As **Figure 2** shows, the size of UC Law SF’s base adjustments has varied since 2015-16. Average annual growth in the school’s General Fund support during this period (excluding 2020-21) was 11 percent.

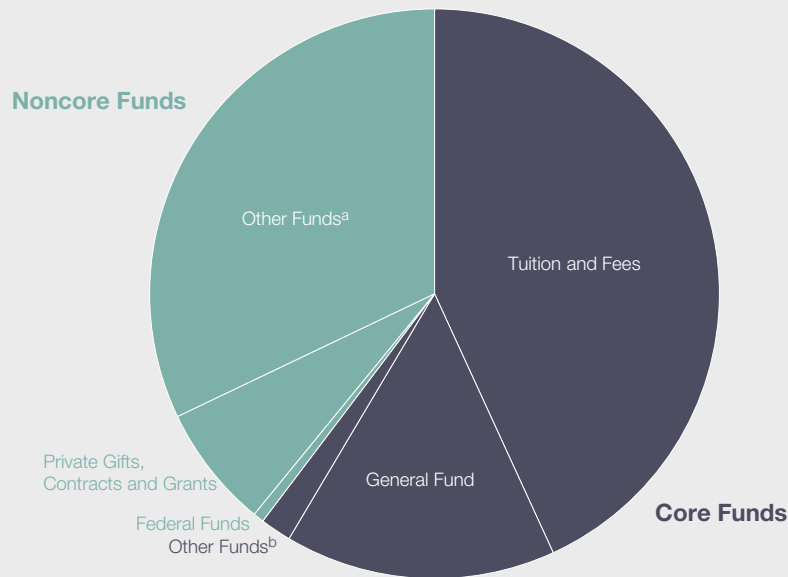
UC Law SF Recently Increased Tuition Charges. From 2012-13 through 2021-22, UC Law SF held enrollment fees flat at \$43,486 for resident students. For the 2022-23 academic year, the UC Law SF Board of Directors increased tuition charges for resident students by 3 percent to \$44,791. The board also increased supplemental tuition charges for nonresident students. After holding the supplemental tuition charge flat at \$6,000 from 2012-13 through 2021-22, the board increased the supplemental charge by 7 percent to \$6,420 in 2022-23.

Student Enrollment Has Grown the Past Two Years. After hovering at approximately 950 full-time equivalent (FTE) students from 2016-17 through 2020-21, the school grew its enrollment notably in 2021-22. That year, it enrolled 155 additional FTE students, with its total enrollment reaching 1,099 students. The bulk of the growth (144 FTE students) was in the school’s JD program, with the remaining growth in its master’s programs. In 2022-23, the school is continuing to experience higher-than-typical growth, with total enrollment estimated to reach 1,175 FTE students. The bulk of the growth (57 FTE students) continues to be in the school’s JD program, with master’s programs growing by 19 FTE students. Though still relatively small programs, the school’s master’s programs doubled in size from 2020-21 through 2022-23. This is partly attributable to the addition of the new Master of Science in Health Policy and Law program launched in 2022-23.

School Is Responsible for Campus Safety. UC Law SF is located in downtown San Francisco between the Civic Center and the Tenderloin District. Over the years, the school has faced public safety issues. It has contracted with the UCSF police department for campus patrols and responses to security issues. The school also has used UCSF Public Safety Ambassadors, who lack police powers, to staff its buildings and security posts and report issues as appropriate to police personnel. The school has paid for these contract costs using its ongoing core funds. In August 2020, the Urban Alchemy program was piloted by UC Law SF to further promote campus safety. This program relies less heavily on traditional methods of policing in favor of sidewalk safety services (including interrupting public drug usage, noise disturbances, and public urination and defecation).

Figure 1

University of California College of the Law, San Francisco Receives Funding From Many Sources
\$123 Million in 2022-23



^a Includes auxiliary enterprises, program fees, and endowment payouts.

^b Includes income from scholarly publications, investment income, overhead and internal transfers, fee revenue, and the State Lottery Fund.

Figure 2

State Has Provided Law School With Base Augmentations in Most Years

(Dollars in Millions)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Base General Fund adjustment	\$1.0	\$1.0	\$1.1	\$1.1	\$1.4	-\$0.5	\$2.1	\$2.0
Percent change in General Fund	11.0%	10.0%	9.0%	9.0%	10.0%	-4.0%	14.0%	12.0%
Percent change in ongoing core funds	1.9	1.9	1.9	1.9	2.5	-0.9	3.5	3.0

The school has been using \$1.4 million annually of its ongoing core funds redirected from the UCSF contract for the Urban Alchemy program. The school has supplemented this funding with \$3 million one-time General Fund that the state provided in 2021-22, to be spent evenly over three years (through 2023-24). The program prioritizes employing individuals who were formerly incarcerated or homeless.

McAllister Tower Renovation Project

Continues. Built in 1929 and purchased by the law school in 1978, the McAllister Tower has served as the school’s main student housing facility. In 2017, the school adopted a seismic safety policy. Under this policy, the McAllister Tower was deemed in need of seismic safety upgrades. The cost of the associated renovation project is currently estimated at \$230 million. The 2022-23 Budget Act provided UC Law SF with \$90 million one-time General Fund to cover approximately 40 percent of the project cost. UC Law SF indicates that the remaining project costs will be split between conventional debt-financing (\$103 million) and the historic tax credit equity program (\$37 million), which is a federal program focused on the rehabilitation of certified historic buildings. The renovated building will add five beds, bringing the total number of beds to 272. The renovation project is scheduled to begin construction in January 2024.

Governor’s Proposals

Governor Has Two Budget Proposals for UC Law SF.

First, the Governor’s budget includes an ongoing General Fund base augmentation of \$2.2 million (12 percent) to “support College of the Law costs” in 2023-24. Second, the Governor’s budget includes \$3 million one-time General Fund for the campus’ Urban Alchemy program, with the funds available for expenditure over the next three years (through 2025-26).

School’s Budget Plan

UC Law SF Is Planning to Increase Student Tuition Charges in 2023-24.

Resident tuition is scheduled to increase by \$2,240 (5 percent), reaching \$47,031 in 2023-24. The nonresident supplemental tuition charge is also scheduled to increase for the second consecutive year. It is set to grow by \$514 (8 percent), reaching \$6,934 in 2023-24.

UC Law SF Anticipates Enrolling More Students in 2023-24.

The school is planning for continued enrollment growth in both its JD and master’s programs. Compared to the past two years, however, the school is planning for lower levels of growth. UC Law SF anticipates growing JD enrollment slightly—by 17 FTE students (1.5 percent) in 2023-24. It anticipates growing enrollment in its master’s programs by 7 FTE students (13 percent). Most of this growth is expected to come from the Health Policy and Law program.

UC Law SF’s Core Funding Per Student Is Increasing.

In addition to the Governor’s proposed \$2.2 million General Fund increase, the school expects to generate an additional \$3.6 million in tuition revenue as a result of planned tuition increases and enrollment growth. Altogether, the school expects its core funding to increase \$5.7 million (7.7 percent). As Figure 3 on the next page shows, on a per-student basis, the school’s core funding increases by nearly \$3,500 (5.6 percent).

UC Law SF Is Budgeting for Several Cost Increases.

As Figure 4 on the next page shows, UC Law SF is planning for several cost increases in 2023-24. Its largest planned cost increase is for lease payments on a new multiuse facility (198 McAllister). UC Law SF also plans to fund a total of six new positions—one new ladder-rank professor, two existing vacant ladder-rank professors, one long-term contract professor, and two lecturers. The next largest planned expense is for student financial aid.

Figure 3

School's Core Funding Increases Notably

Ongoing Core Funds (Dollars in Millions, Except Per-Student Amounts)

	2021-22 Actual	2022-23 Revised	2023-24 Proposed	Change From 2022-23	
				Amount	Percent
Core Funds					
Student tuition and fees	\$48.1	\$52.7	\$56.3	\$3.6	6.8%
Base General Fund support ^a	16.8	18.8	21.0	2.2	11.5
Other ^b	1.9	2.2	2.1	—	-2.1
Totals	\$66.8	\$73.7	\$79.4	\$5.8	7.7%
Full-time equivalent students	1,101	1,175	1,199	24	2.1%
Core funding per student	\$60,679	\$62,706	\$66,203	\$3,497	5.6

^a Excludes ongoing support for lease revenue bond debt service and one-time funds.

^b Includes income from scholarly publications, investment income, overhead and internal transfers, fee revenue, and the State Lottery Fund.

Figure 4

School's Spending Plan Supports Several Increases

Core Spending Increases, 2023-24 (In Thousands)

Spending Component	Amount
198 McAllister lease payments ^a	\$2,088
Faculty hiring	1,225
Student financial aid	1,189
Salary pool increase (3 percent)	1,006
Innovation ^b	327
Operating expenses and equipment	241
Benefit cost increases	98
Health Policy and Law master's program	44
Other adjustments ^c	-460
Total	\$5,758

^a In addition to the McAllister Tower renovation, the school recently constructed a new, adjacent, multiuse facility at 198 McAllister Street. The school is incurring new lease payments for that building, which it plans to cover using core funds.

^b Reflects funding the school plan's to use for developing new activities and expanding existing activities in further of its strategic plan.

^c Certain operating costs will be reduced during the renovation of the 100 McAllister building.

Beyond these expenses, UC Law SF intends to increase to its overall employee salary pool by 3 percent as well as cover employee benefit cost increases. UC Law SF also has identified funding for innovation. This funding will be directed to develop and enhance certain activities, such as the development of internet redundancy services.

School Is Requesting Additional One-Time Funding Relating to Name Change.

The state provided UC Law SF \$885,000 one-time General Fund in 2022-23 for expenses relating to the school's name change. The school indicates that it intends to seek additional one-time state funding of up to \$2 million to complete name change and rebranding activities.

Recommendations

Recommend Treating Proposed Base Increase as an Upper Bound.

We recommend the Legislature treat the Governor's proposed \$2.2 million (12 percent) base General Fund increase for the school as an upper bound. Throughout the education budget—across K-12 education, the community colleges, and the public universities—the Governor has proposed relatively high base increases, with UC Law SF receiving the largest percentage increase. For all of these segments, we recommend the Legislature treat the base increases proposed in January as upper bounds. From within its budget plan for 2023-24, UC Law SF can accommodate several core cost increases, including new hiring and salary increases, as well as cost increases for OE&E and activities relating to innovation. Were state revenues to weaken over the coming months, the Legislature could consider downward adjustments at that time. If the base increase for the school were to be reduced, the school could adjust its spending in various ways, including, for example, by revisiting its allotments for OE&E and innovation.

Recommend UC Law SF Fund Campus Safety Program From Core Budget. The Urban Alchemy program seeks to achieve an important goal of promoting and maintaining campus safety. Given campus safety is a key part on the school's ongoing operations, it is unclear why the school is not funding all program costs from its core operating budget. Relying on one-time state support for key ongoing operations is poor budgetary practice. We recommend the school, as it has done in the past, use its ongoing core funds for campus safety costs. To accommodate the cost of the Urban Alchemy program, UC Law SF indicates it might need to raise tuition. The school has raised its tuition charges in 2022-23 and 2023-24. If that additional revenue is insufficient to cover the school's operating costs, including campus safety, UC Law SF could consider additional tuition increases in the out-years. In the meantime, the school has \$1 million remaining from the *2021-22 Budget Act* that can be spent during 2023-24 for the Urban Alchemy program.

A Couple of Options Exist for Covering Remaining Name Change Costs. As of January 2023, the school has incurred \$1.8 million in costs associated with its name change. Specifically, it has spent a total of \$890,000 on external contracts with several firms to implement needed changes relating to its internet domain and other re-branding efforts. It also has incurred legal costs totaling \$867,000. (Some of these legal costs ultimately might be covered through the school's insurance policy.) Given these costs exceed the state's one-time appropriation of \$885,000, the school has had to cover excess costs to date using campus reserves. Beyond costs already incurred, the school has identified additional outstanding physical signage costs totaling \$1.4 million. The state could provide the school with additional General Fund for these costs, but campus reserves are available to cover such costs. We estimate the school's reserve currently equates to nearly five months of expenditures. Even for a small agency (which benefits from higher reserve levels), this is a relatively sizeable reserve.

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This report was prepared by Ian Klein, and reviewed by Jennifer Pacella and Anthony Simbol. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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