

UC Santa Cruz Core Funds Quarterly Report Overview

As of December 31, 2025 (Q2)

UC Santa Cruz's total [2025-26 operating budget](#) was just over \$1 billion. The following report provides an overview of how Core Funds, which comprise about 56% of the total budget, performed (actuals) in comparison to the budget. A key component of this report is tracking the university's progress to address the recurring deficit.

Core Funds Revenue

Revenue is on track and estimated to exceed the recurring budget by \$44 million, with total core funds revenue of \$617 million. While revenue is projected to outperform the recurring budget this year, it is important to note that most of the additional revenue was from one-time sources/actions, such as realized gains from the sale of investments and one-time state allocations, that are not recurring and therefore do not improve the financial picture in the future.

A summary of projected budget-to-actuals performance by revenue category is as follows:

- **State General Funds:** Increased revenue reflects one-time allocations and interlocation transfers of funds, plus a small net change in final annual allocation
- **Tuition (net of scholarly allowance adjustment):** Net tuition is estimated about \$4 million above budget due to current year projected enrollment about 3% higher than the enrollment target used in budget planning.
- **Non Resident Supplemental Tuition (NRST):** NRST revenue is projected about \$2 million less than budgeted given non-resident projected enrollment is lower than the enrollment target used in budget planning.
- **Core Student Fees:** As with tuition, Core Student Fees trending slightly above budget due to higher than anticipated overall enrollment.
- **Indirect Cost Recovery:** Indirect cost recovery is trending down 10% - 15% this year.
- **Lottery Funds:** Lottery revenue as anticipated.
- **Other Core Unrestricted:** Significant one-time interest income, primarily \$24 million in estimated realized gains from a planned spring UC Blue and Gold Pool (BGP) withdrawal to support campus cash needs.
- **State Claims:** Reflect earmarked one-time state general fund allocations that are handled via reimbursement. The majority of this year's activity is associated with our state climate initiatives funding.

Core Funds Expenditures

Core funds actual expenditures include a combination of recurring spending and one-time spending activity, predominantly against budgeted carryforward funds. In 2025-26, spending of \$698 million is expected - worth highlighting, if this trend holds through year end, this would be slightly below 2024-25 spending of \$701 million. Continuing inflationary cost pressures of ~4% per year are projected to have been neutralized through reductions implemented this year. This is a positive indication of progress, although spending continues to significantly outpace revenue and continuing spend down of carryforward further exacerbates cash flow challenges.

A summary of projected budget-to-actuals performance by account category is as follows:

- **Salary and Benefits:** For the year, estimated total salary and benefit spending of \$519 million would result in current budget savings of almost \$10 million, and a \$17 million decrease from 2024-25 spending of \$536 million.
- **Supplies, Equip, & Other Expenses:** This category reflects the bulk of non-personnel and carryforward spending. Spending is currently projected to be 13% lower than last year.
- **Student Aid:** Spending was up significantly in the first six months of the year, with projected total spending for the year of \$163 million, 27% higher than last year. The spending increase is a combination of tuition related return-to-aid increases, graduate student support, strategic deans awards investments to support non-resident enrollment growth, and a considerable spend down of carryforward from the prior year to provide for a greater portion of unmet student need.
- **Scholarly Allowance Adjustment:** This reflects an accounting adjustment as this category has a corresponding offset on the revenue side to net down tuition revenue.
- **Recharge and Internal Assessment:** Recharge and Internal Assessment activity reflects internal cost recovery that is accounted for as negative expenses. Current year activity is trending higher than anticipated.

Core Funds Deficit

As of Q2, with projected revenue of \$617 million and projected spending of \$698 million, the deficit this year would be \$81 million. This is right on track with the 2025-26 \$79 million recurring deficit. This year (and last) the spenddown of one-time carryforward balances has largely been covered by one-time revenue sources, primarily interest income from realized gains associated with UC Blue and Gold Pool (BGP) withdrawals to support campus cash needs. With depleting balances in investment funds, this will likely not be a viable offset in future years, which could result in in-year operating deficits larger than the recurring deficit. This will need to be closely monitored.

The \$81 million deficit would compound on the existing negative core funds balance with non-core fund balances continuing to help to bridge the gap. The campus will work to restore the non-core fund balances after the core funds deficit is closed.

UC Santa Cruz Core Funds Quarterly Projection - Q2

Period: July 1, 2025 - December 31, 2025

(in millions)

By Account Type	Recurring Budget	Projected Budget Adjustments*	Projected Total Budget	Projected Actuals
Revenue (Sources)				
State and UC General	272.5	9.8	282.3	282.3
Tuition (net of scholarly allowance)	162.9	5.0	167.9	167.4
Non Resident Suppl Tuition	51.8	(1.7)	50.1	50.1
Core Student Fees	27.2	0.4	27.6	27.6
Indirect Cost Recovery	36.8	(4.1)	32.7	32.7
Lottery Funds	2.3	-	2.3	2.3
Other Core Unrestricted	19.0	24.0	42.9	42.9
State Claims	-	14.0	14.0	11.3
Total Revenue	572.4	47.3	619.8	616.6
Expenditures (Uses)				
Salaries	358.0	15.2	373.2	368.9
Benefits	153.4	2.4	155.8	150.5
Supplies, Equip & Other Expenses	154.6	(60.4)	94.2	160.9
Student Aid	124.4	33.9	158.3	163.5
Scholarly Allowance Adj	(102.2)	-	(102.2)	(102.2)
Less Recharge and Internal Assessment	(36.3)	(1.1)	(37.2)	(43.8)
Total Expenditures (Uses)	651.9	(9.9)	642.2	697.7
Net Surplus / (Deficit)	(79.4)	57.2	(22.4)	(81.1)

*Budget Adjustments include Carryforward and in year budget adjustments

Projection Assumptions:

Revenue projections based upon budget and manually adjusted for known or anticipated variation from budget.

Payroll projections from UCPath system snapshot dated 1/8/2026 for all anticipated expense activity through 6/30/26

Non-payroll expense projections based on actuals through Q2 projected according to historical 3 year average spending rate at the unit level.