Governor’s Budget Proposal:
10% Reduction in All State Operations

- State revenues are $3.3 billion below budget for 2007-08.
- The State is facing a two-year projected deficit of $14.5 billion by 2008-09.
- In response, the Governor has proposed mid-year reductions for nearly every State agency – but not UC.
- In his 2008-09 budget proposal issued last week, the Governor requested 10% reductions across the board.
- The Governor has also proposed a constitutional amendment to reform the state budget process.
Revenue Increases Requested in November Regents’ Budget

- State General Funds
  - 4% base budget adjustment $123.2 million
  - Additional 1% for core needs 30.1 million
  - Enrollment growth (5,408 FTE) 62.8 million
  - Research initiative 10.0 million
  - Educational Imperative initiative 5.0 million

- UC General Funds 20.0 million

- Student Fee Revenue
  - Enrollment growth 39.3 million
  - Professional Fee increases 16.6 million

- Additional State Funds or Equivalent Increase in Student Fees 70.5 million

- Total $378.2 million
Spending Plan Proposed in November Regents’ Budget

- Faculty and staff compensation increases (5%) $168.8 million
- Accelerated faculty salary increases 20.0 million
- Enrollment growth 102.1 million
- Core academic support 30.8 million
- Graduate student support 10.0 million
- Restoration of instructional budgets 10.0 million
- Student mental health services 8.0 million
- Non-salary budget cost increases (2.25%) 25.0 million
- Professional school programs 16.6 million
- Educational Imperative initiative 5.0 million
- Research initiative 10.0 million
- Total $406.3 million
Governor’s Proposed State Revenue for UC:

- **Compact Funding:** $223.3 million
  - 4% base budget adjustment
  - Additional 1% for core needs
  - Funding for enrollment growth

- **Not Included:** -$85.5 million
  - Research and public service initiatives
  - Additional funding to avoid fee increases

- **Budget Balancing Reduction:** -$331.9 million
  - 10% reduction
    ($3.319 billion State General Funds x 10%)
10% Reduction: Governor’s Policy Expectations

- Governor expects at least $32.3 million (10% of the cut) will be taken from campus and OP administration.

- Remainder of the cut is unallocated to allow flexibility and minimize impact to core instructional programs.

- Governor anticipates Regents will address reduction through a combination of:
  - Fee increases,
  - Limitations on enrollment levels, and
  - Efficiencies and reductions to other existing programs, including research, student services, academic support, and public service programs.
**Impact of Governor’s Proposal**

- **Compact Funding:**  
  - 4% base budget adjustment  
  - Additional 1% for core needs  
  - Funding for enrollment growth  
  $223.3 million

- **Not Included:**  
  - Research and public service initiatives  
  - Additional funding to avoid fee increases  
  -$85.5 million

- **Budget Balancing Reduction:**  
  - 10% across-the-board reduction  
  ($3.319 billion State General Funds x 10%)  
  -$331.9 million

**Budget Gap**  
$417.4 million
Three Prong Approach to Budget Gap

- Program reductions
- Student fee increases
- Additional administrative efficiencies
Option: Eliminate New Initiatives

- Core academic support $30.8 million
- Graduate student support 10.0 million
- Restoration of instructional budgets 10.0 million
- Student mental health services 8.0 million
- Educational Imperative initiative 5.0 million
- Research initiative 10.0 million

Cost avoidance $73.8 million

Remaining budget gap $343.6 million
Option: Eliminate Compensation and Non-salary Cost Increases

- 5% faculty and staff compensation increases (salaries and health benefits) $168.8 million
- Accelerated faculty salary plan 20.0 million
- Non-salary cost increases 25.0 million
- Continuation costs for prior year increases (32.4 million)
- Academic merit increases (27.5 million)

Cost avoidance $153.9 million

Remaining budget gap $189.7 million
Option: Halt Enrollment Growth

- Enrollment growth $92.4 million
  (includes State share and fee revenue)
- Lost fee revenue (37.6 million)

Cost avoidance $54.8 million

Remaining budget gap $134.9 million
Option: Increase Student Fees

- 7% Educational Fee and 10% Registration Fee $70.3 million
  (anticipated as part of November Regents’ Budget)
- Additional 3% Educational Fee 25.3 million
- Cal Grants funds set aside by Governor

New revenue (net of financial aid) $95.6 million

Remaining budget gap $39.3 million
Administrative Savings

- The November budget proposal was balanced through a plan to identify at least $28.1 million in administrative savings, primarily from the Office of the President.

- An additional $40 million in savings will be needed, for a total of at least $68.1 million – this component will come from primarily from campus budgets.

Remaining budget gap $0
Areas of Concern

- Enrollment growth (5,000 FTE) $54.8 million
- Faculty and staff compensation increases of 5% (salaries and health benefits) $108.8 million
- Accelerated faculty salary plan $20.0 million
- Non-salary cost increases $25.0 million
- Graduate student support $10.0 million
- Student mental health services $8.0 million
- 7% Educational Fee and 10% Registration Fee $70.3 million
- Extra 3% Educational Fee increase $25.3 million
Additional Ongoing Efforts

- A focus on new and expanded programs may not be sufficient or appropriate to fully address the budget gap.

- In addition, we are reviewing existing non-core programs in the University’s base budget to identify other areas that could help address the gap.

- Regular consultation:
  - Regents’ Finance Committee
  - Weekly calls with Council of Chancellors
  - Budget task force of campus leaders (chancellors, EVCs, budget officers)
  - Academic Senate
  - Students
State-funded Capital Budget Proposal

- New bond funding of $395 million annually over a five-year period is proposed for UC as part of a comprehensive education bond program.

- This represents a $50 million per year increase over the Compact.

- The new bond measures will require voter approval.

- For 2008-09, the actual capital budget proposed is $388.3 million in bond funding for UC.
**The Road Ahead**

<table>
<thead>
<tr>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 10:</td>
<td>Mid-February:</td>
<td>Legislative hearings</td>
<td>Regents meet</td>
<td>Mid-May:</td>
<td>Conference Committee</td>
<td>Regents meet</td>
</tr>
<tr>
<td>Governor's</td>
<td>LAO analysis released</td>
<td></td>
<td></td>
<td>May revise</td>
<td></td>
<td></td>
</tr>
<tr>
<td>budget</td>
<td></td>
<td></td>
<td>Regents meet</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>released</td>
<td></td>
<td></td>
<td>Preliminary campus budget</td>
<td>Regents meet</td>
<td>Campuses implement budget plan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>allocations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Campuses admit graduate students</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>UG admission letters mailed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>May 1:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Freshmen</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>commit to UC</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>