UNIVERSITY OF CALIFORNIA
2008-09 BUDGET FOR CURRENT OPERATIONS
UPDATE AND DISCUSSION
Wyatt R. Hume, Provost and Executive Vice President
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March 19, 2008
Governor’s Budget Proposals

- Governor proposed $141 billion state budget, with a $2.8 billion reserve.

- State is $3.3 billion below budget for 2007-08, and faces a projected deficit of $14.5 billion in 2008-09.

- Governor declared fiscal emergency under Proposition 58 and proposed mid-year reductions for nearly every State agency.

- Governor proposed 10% across the board budget reductions to address the state General Fund deficit.

- The Governor has also proposed a constitutional amendment to reform the state budget process.
Legislative Special Session Actions

• Addressed 2007-08 budget shortfall of $3.3 billion with $4.3 billion in budget solutions, leaving a General Fund reserve of $1 billion.

• Mid-year reductions result in $7 billion of budget solutions for the 2008-09 fiscal year.

• Significant reductions in K-12 education and health and welfare programs.

• UC hospitals and physicians lose $14 million as a result of the 10% reduction to Medi-Cal provider rates.
LAO Recommendations – Overall Budget

- Identifies a $16 billion structural deficit
- An alternative approach, 5-year budget plan
- Targeted vs. across-the-board budget reductions
- Realignment of state funded programs
- Suspension of the Prop. 98 guarantee by $800 million vs. $4 billion
- Additional revenue through selective tax credits or exemptions, but no general tax increase
- No additional borrowing or debt
LAO Recommendations – UC Support

- Enrollment growth – 1.8% (3,650 students)
- Student Fees – 10% increase
- Financial Aid – 19% return-to-aid, rather than 33%
- $49.5 million for non-discretionary price increases (utilities, equipment, supplies)
- No employee cost-of-living adjustment (COLA)
LAO Recommendations – UC Capital

- Complete existing projects before state commits to future projects; new projects fully funded in proposed 2008 facilities bond

- $795 million designated in 2008 bond vs. $790 million in Governor’s budget or $690 million in AB 100 (Mullin)

- Report to Legislature on future “non-state” capital facility projects
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
Spending Plan Proposed in November Regents’ Budget

- Student mental health services: 8.0 million
- Enrollment growth: 102.1 million
- Faculty and staff compensation increases: 168.8 million
- Accelerated faculty salary increases: 20.0 million
- Graduate student support: 10.0 million
- Core academic support: 30.8 million
- Restoration of instructional budgets: 10.0 million
- Non-salary budget cost increases: 25.0 million
- Educational Imperative initiative: 5.0 million
- Research initiative: 10.0 million
Higher Education Advocacy

- Collaborative UC, CSU, and CCC effort
- Communication among the leadership of the UC, CSU, and CCC
- Common message on funding priorities
- Joint advocacy and communications activities
- Letter organized by the Lieutenant Governor
Gov. Arnold Schwarzenegger has proposed a 2008-09 state budget with across-the-board spending cuts, including at the University of California, to close a multibillion-dollar deficit. The proposed cuts for public higher education—which follow significant cuts earlier this decade—would be detrimental to our students, economy and California's future.

Graduating California’s future

With more than 1 million UC graduates in the state, California has one of the best-trained work forces in the world. From teachers to technology executives, UC alumni are making a difference in the workplace.

Training California’s work force

UC educates students in more than 150 fields, preparing tomorrow’s leaders from the boardroom to the classroom. See video of UCLA success stories—student athletes who become doctors, teachers, writers and more.

Latest budget news

- UC to offer admission to all eligible undergraduates for 2008-09; state budget challenge deepens for university
- Regents review options for closing budget gap

Resources

- UC’s budget message
- UC’s impact: key points
- Printable budget fact sheet
- Letter from Garamendi, education leaders: Invest in education
- President Dynes video message
- Presentation to Regents on governor’s proposed 2008-09 budget 1.pdf
Consultation Process

- Budget Task Force of campus leadership
- Council of Chancellors
- Council of Executive Vice Chancellors
- Vice Chancellors for Planning and Budget
- Academic Senate
- UC Student Association
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Other Efforts

- OP restructuring and savings
- Intercampus administrative efficiencies
- Strategic savings and revenue enhancements
- Evaluation of research priorities
- No student fee action until May
Cuts of this magnitude are potentially devastating to the University and the State

- Cuts of the magnitude may mean:
  - Eligible students are turned away
  - Reductions in campus services to students
  - Larger class sizes and a reduction in offerings
  - Less efficiency at higher cost to students
  - Harm to the research enterprise and a weakened ability to leverage research funding
  - Employee workforce reductions and pay freezes
  - Other cuts to UC programs serving the state
  - Less investment in California’s economic engine