UC Budget Issues and Recommendations

• Approval of the 2010-11 UC Budget
• Overview on State Fiscal Condition
2009-10 UC Budget

Projected Expenditures from All Fund Sources: $20.1 billion (dollars in millions)
2009-10 UC Core Funding

- State General Funds: $2,636.2 M
- UC General Funds: $626.4 M
- Student Fees*: $2,003.4 M
- Total: $5,266.0 M

* Includes $100.2 million generated during 2009-10 from proposed mid-year fee increases.
2010-11 UC Core Funds

Requested or Projected Increases

- State General Funds $913.1 M
- UC General Funds $33.1 M
- Student Fees $435.4 M
- Total $1,381.6 M
2010-11 UC Potential Budget Reductions and Funding Issues

- **$637.1 M** State General Fund Reductions
- **$218.3 M** Additional 2010-11 Mandatory Costs
- **$368 M** Continuing Mandatory Costs
- **$302.5 M** UC Budget Funding Gap
- **$305 M** State General Fund Restoration
- **$330.1 M** 2009-10 Mid-year and 2010-11 Fee Increases
- **$210.8 M** Approved Fee Increases
- **$75 M Debt Restructuring**
Magnitude of the UC Budget Gap

- 2010-11 UC Budget Gap $607.5 M
- Equivalent to:
  - Eliminating State support for 2 medium-sized campuses
  - Reducing enrollment by 57,500 students
  - Closing UC libraries and public service programs
  - Terminating 8,300 employees
  - Eliminating all core-funded student financial aid
UC Administrative Efficiencies and Other Actions

- Furloughs/Salary Reductions (2009-10) $184.0 M
- Debt Restructuring (2009-10 and 2010-11) $150.0 M
- Strategic Sourcing $154.0 M
- UCOP Restructuring $62.2 M
- Energy Savings Program $18.0 M
- Other Actions:
  - Senior management salary freeze
  - 5% senior administrator pay reductions on July 1, 2009
  - Cancellation or deferral of bonus and many incentive programs
  - Suspension of staff merit awards
  - Restrictions on hiring, travel, and purchasing
Campus Budget Actions

• Greater impact on administrative versus academic programs
• Administrative restructuring and consolidations
• Positions eliminated, hiring deferred, and layoffs
• Service reductions
• Increasingly using “one-time” campus reserves
• Class sections reduced or eliminated, class sizes increased
# Campus Budget Actions

<table>
<thead>
<tr>
<th>Action</th>
<th>2008-09 (Actual)</th>
<th>2009-10 (Projected)</th>
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</thead>
<tbody>
<tr>
<td>Instructional Budget Reductions</td>
<td>$56.4 M</td>
<td>$139.2 M</td>
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<tr>
<td>Employee Layoffs</td>
<td>884</td>
<td>1,006 additional</td>
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<tr>
<td>Positions Eliminated</td>
<td>1,951</td>
<td>1,919 additional</td>
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<tr>
<td>Deferred Hiring</td>
<td>633</td>
<td>951 additional</td>
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</table>
2010-11 State Funding Request

• Restoration of One-Time Cuts $305.0 M
• State Obligation to UCRP and Annuitant Health Benefits $109.8 M
• Unfunded Enrollment (14,000 FTE) $155.8 M
• Re-Investment, Academic Excellence $332.1 M
• Health Sciences Initiatives $10.4 M
• Total $913.1 M
Restoration of One-time Cuts: $305 Million

2009-10 Budget Actions

- Special Session (Ongoing Cut) ($65.5 M)
- Special Session (Trigger, One-Time) ($50.0 M)
- Special Session (Veto, One-Time) ($255.0 M)
- May 14, Revise (Unallocated) ($50.0 M)
- May 14, Revise (Academic Preparation) ($31.3 M)
- May 26, Budget Reduction ($167.5 M)
- Conference Committee Action ($17.8 M)
- Subtotal ($637.1 M)
UC Retirement Plan, Annuitant Health Benefits $108.9 Million

- February 2009, Regents approved April 15, 2010 implementation date for UCRP

- 2010-11 State share: $95.7 M
- Annuitant Health Benefits $14.1 M
Unfunded Enrollment
$155.8 Million

• In 2008-09, UC was over-enrolled by 11,700 students
• Multi-year plan to reduce total enrollments by 8,000 – 10,000 students
• For 2009-10, first-time freshmen were reduced by 2,300 to slow enrollment growth and CCC transfers increased by 500
• Even so, projected over-enrollment will still grow to more than 14,000 students in 2009-10 at a cost of $155.8 million
• 2010-11 recommendation:
  – Request funding for 14,000 FTE
  – Reduce first-time freshman by another 2,300
  – Increase CCC transfers by another 250
State-Funded Enrollment

- State-Funded Target
- Actual
- Projected - Current Trajectory
- Projected - Proposed Additional Reduction

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>State-Funded Target</th>
<th>Current Trajectory</th>
<th>Proposed Additional Reduction</th>
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<td>04-05</td>
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Reinvestment in Academic Excellence
$332.1 Million

- Restoring instructional budgets
- Graduate Student Support
- Address faculty retention issues
- Return to faculty hiring
- Restore some class offerings and reduce class sizes
- Restore services for students and library hours
2010-11 UC Potential Budget Reductions and Funding Issues

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UC Budget Funding Gap: $0
UC 2010-11 State-Funded Capital Budget Request – $631.5 Million

- Renewal/modernization & infrastructure (51%) $325 M
- Seismic/life-safety (28%) $173.5 M
- Enrollment Growth (17%) $106 M
- New Program Initiatives (4%) $27 M

Funding requires a new General Obligation bond measure in November 2010 (SB 271-Ducheny, AB 220-Brownley)
2009-10 State Budget Actions

<table>
<thead>
<tr>
<th>Process</th>
<th>Budget Gap</th>
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<tbody>
<tr>
<td>January State Budget</td>
<td>$42.0 B</td>
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<tr>
<td>– Initial Budget Gap</td>
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<td>February Special Session</td>
<td>$36.0 B</td>
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<td>– $6 B May Election failed voter approval</td>
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<tr>
<td>May Revise</td>
<td>$24.0 B</td>
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<td>– State Budget Gap increases</td>
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<tr>
<td>Enacted State Budget</td>
<td>$60.0 B</td>
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<tr>
<td>– Budget Solutions</td>
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</table>
State Fiscal Condition and Future Budget Gap

- Budget Cuts: $31.0 B
- Taxes: $12.6 B
- Federal Stimulus (ARRA): $8.0 B
- Other: $8.4 B
- Total: $60.0 B
- 2010-11 Budget Gap: $7 to $8 B
October Monthly Cash Report

Major State Revenue Sources

• Personal Income Tax ($1.2 billion)
• Sales and Used Tax ($302 million)
• Corporation Tax ($61 million)
• Vehicle License Fee ($77 million)
• State’s unemployment 12.2 percent