University of California
Board of Regents Presentation

2012-13 State Budget Overview
and UC Budget Update

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California Fiscal Outlook

• LAO’s November Budget Shortfall  $12.8 billion
  • 2011-12 Fiscal Year - $3 billion
  • 2012-13 Fiscal Year - $9.8 billion

• Governor’s January Budget Shortfall  $9.2 billion
  • 2011-12 Fiscal Year - $4.1 billion
  • 2012-13 Fiscal Year - $5.1 billion
Governor’s 2012-13 State Budget Expenditures

• State General Funds $92.6 billion
• Special Funds $39.8 billion
• Bond Expenditures $ 5.0 billion
• Federal Funds $ 73.0 billion

Proposal Assumes:
• State General Fund Reserve $ 1.1 billion
• Nov. 2012 Revenue Initiative $ 6.9 billion
• 2012-13 Mid-Year Budget Trigger $ 5.4 billion
Governor’s 2012-13 Budget
Cost Savings and Alternative Revenue Assumptions

- CalWORKs, subsidized child care $1.4 billion
- Defer 4-Cal provider payments $682 million
- Proposition 98 adjustments $544 million
- Cap and Trade Program auction revenues $500 million
- Change Cal Grant awards and eligibility $302 million
- Eliminate domestic and related IHSS services $164 million
- Reduce Medi-Cal costs $160 million
- Defer payments – local mandates $100 million
- Reduce Healthy Families Program rates $ 64 million
- Reduce program costs, implement fund shifts $ 77 million
UC’s 2011-12 Budget Challenge

2011-12 UC Budget (July) $2.37 billion
2011-12 UC Budget (December) $2.27 billion*

Cuts and mandatory costs:
– 2011-12 State General Fund reduction ($750.0 million)
– Campus mandatory costs ($362.5 million)
  2011-12 Shortfall ($1,112.5 million)

Partially offset by:
– 8% tuition increase approved Nov. 2010 $115.8 million
– 9.6% tuition increase approved July 2011 $150.0 million
  $265.8 million

Remaining 2011-12 Funding Gap
To Be Addressed by Other Solutions ($846.7 million)

*Mid-Year “Budget Trigger” reduction of $100 million proposed as permanent reduction to the UC budget.
2012-13 UC Budget

• 2012-13 State General Fund $2.57 billion
  – General Obligation Bond debt service $196.8 million
  – State’s obligation to UCRP $90.0 million
  – Increase in UC’s LRB debt service $10.2 million
  – Annuitant health benefits $5.2 million
  – Shifting Subject Matter Project funding to State Department of Education ($5.0 million)

• 2012-13 mid-year budget trigger reduction if Governor Brown’s revenue initiative fails ($200 million)
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Approved 2012-13 Expenditure Plan (Revised)
(with additional $100 million cut and proposed new State funding)

**Enrollment**
- Enrollment Growth and Instructional Programs $36.6 million

**Compensation and Non-salary Items**
- Academic Merit Increases 30.0
- Other Compensation Increases 97.6
- Employee Health Benefits 22.8
- Non-salary Cost Increases 21.8
- Deferred Maintenance 25.0

**Post-employment Benefits**
- UCRP Contributions 87.6
- Retiree Health Programs 5.2

**Savings and Restorations**
- Efficiencies and Other Savings (100.0)
- Alternative Revenue Sources (125.0)
- Reinvestment in Excellence 310.0
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Approved 2012-13 Expenditure Plan (Revised)
(with additional $100 million cut and proposed new State funding)

Financial Aid

- Mandatory Tuition and Fee Increases TBD
- Professional Degree Supplemental Tuition Increases TBD

TOTAL INCREASE IN EXPENDITURES 411.6

- ADDITIONAL PERMANENT MID-YEAR CUT 100.0
- NEW STATE FUNDING (PROPOSED IN GOV’s BUDGET) (95.0)

FUNDING NEED 416.6

- Percentage Increase in Expenditures (1) 0.08

(1) Calculated as a percentage of core funds net of financial aid.
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2010-12 to 2012-13 Budget Gap: $1.033 billion

(Funding of Approved Expenditure Plan and $407 million in Efficiency Savings and Alternative Revenues)
State-Funded Capital Facility Projects

• No General Obligation or Lease Revenue Bond projects proposed in 2012-13 State budget

• Restructuring of lease revenue bonds provides opportunity to fund capital projects in more efficient, timely manner

• Previous “State-funded” projects now subject to new review and approval process
Higher Education
Long-Term Funding Plan

- Fiscal Stability, Predictability in State Funding
  - 4 percent base budget growth
  - Base funding for UCRP
  - Block grant funding, fiscal flexibility
  - Timely implementation of critical UC capital projects
  - UC Merced capital funding

- Affordability
  - Modest, predictable, and affordable tuition increases
  - Lessens the pressure for burdensome student loans/debt

- Student Success
  - Improve graduation rates, time to completion, transfer students, teaching workload
  - For CCC’s improve successful credit and basic skills course completion
Student Aid Commission
Cal Grants

• Lower award amount to $4,000 for students attending private, for-profit schools
• Lower award amount to CSU level for students attending independent, non-profit schools
• Raise Cal Grant GPA’s – Cal Grant A’s 3.0 to 3.25, B’s 2.0 to 2.75, and CCC transfers 2.4 to 2.75
• Phase out student Loan Assumption Programs for Teachers and Nurses
• Offset Cal Grant costs with federal TANF reimbursements
Governor’s November 2012 Revenue Initiative

- Increase temporarily by 0.5 percent the current sales tax
- Increase temporarily the tax rates on highest income Californians
- Proposal to generate $6.9 billion in new State General Fund revenue
- Despite new revenue assumptions, the Governor is proposing $4.2 billion in 2012-13 budget cuts
- If tax initiative fails, Governor proposes $5.4 billion in mid-year budget “trigger” reductions