The Governor’s Budget Reflects a Growing State Economy

Total State Expenditures
$154.9 billion

- State General Fund $106.8 billion*
- Special Funds $44.0 billion
- Bond Funds $4.2 billion

* Increase of 8.5% over 2013-14 State General Fund budget
Overview of 2014-15 Governor’s Budget: General Fund Revenue Sources

Sales and Use Tax ($24,071) 22.7%
Other ($1,280) 1.2%
Corporation Tax ($8,682) 8.2%
Insurance Tax ($2,297) 2.1%
Personal Income Tax ($69,764) 65.8%

Excludes $1,591 transfer to Rainy Day Fund.
Overview of 2014-15 Governor’s Budget: General Fund Expenditures by Agency

- **K-12 Education** ($45,251) 42.4%
- **Higher Education** ($12,377) 11.6%
- **Natural Resources** ($2,175) 2.0%
- **Health** ($21,815) 20.4%
- **Human Services** ($6,978) 6.5%
- **Other** ($8,637) 8.1%
- **Corrections and Rehabilitation** ($9,560) 9.0%
Overview of 2014-15 Governor’s Budget: General Fund Expenditures for Higher Education

- University of California: ($2,986.7) 20.6%
- California State University: ($2,966.3) 20.5%
- Community Colleges: ($7,233.6) 49.9%
- Other Higher Education: ($1,308.4) 9.0%
Governor’s Budget Priorities

- State Budget Reserve: $2.3 billion
- K-12, CCC Budget Deferrals*: $6.2 billion
- Retire State’s ERB’s*: $1.6 billion
- Repay Special Fund loans*: $1.6 billion
- Cap and Trade Expenditures**: $850 million
- Deferred Maintenance*: $815 million
- State Water Issues**: $618 million

* One-Time Funding  
** Special Funds
Increase in Education Funding
State General Funds

- K-12 Education $3.7 billion (10%)
- Community Colleges $395 million (10%)
- Ca. State University $177 million (6%)*
- University of California $142 million (5%)
- Student Aid Commission $222 million (13%)**

* Includes funding for debt restructuring
** Includes funding for new Middle Income Scholarship Program
LAO Comments:

- Revenues could rise a few billion dollars more by May Revise
- Governor’s Budget:
  - Increases size of state budget reserve
  - Addresses state’s key retirement liabilities
Governor’s Budget Proposal for UC

• Base budget adjustment of 5%, or $142.2 million
• $50 million for competitive innovative awards to incentivize UC, CSU and CCCs to increase degree completion and other performance measures
• No other funding adjustments for UC
• UC is committed to no general tuition increase in 2014-15, as requested by Governor
Governor’s Budget Proposal Does Not Cover UC’s 2014-15 Mandatory Costs

• With no tuition increase, fully one-half of UC’s budget has no identified source of funds to support mandatory cost increases.

• After years of severe budget cuts, the University is essentially being asked to make further cutbacks in order to meet basic obligations.
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base budget, General Funds</td>
<td>$146.2 million</td>
</tr>
<tr>
<td>Additional, General Funds</td>
<td>$120.9 million</td>
</tr>
<tr>
<td>UC General Funds</td>
<td>$26.0 million</td>
</tr>
<tr>
<td>Alternative Revenues</td>
<td>$90.0 million</td>
</tr>
<tr>
<td>Category</td>
<td>Amount</td>
</tr>
<tr>
<td>---------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>Mandatory Costs</td>
<td>$168.1 million</td>
</tr>
<tr>
<td>High-Priority Costs</td>
<td>$165.0 million</td>
</tr>
<tr>
<td>Academic Quality</td>
<td>$  50.0 million</td>
</tr>
</tbody>
</table>
State’s Surplus - Opportunity for More Funds in 2014-15?

Additional ongoing funding could be used for:

- State share of 2014-15 UCRP costs ($64.1 million)
- 1% enrollment growth ($21.8 million)
- Reinvestment in academic quality
State’s Surplus - Opportunity for More Funds in 2014-15?

“One-time” funding could be used for:

- Paydown of UCRP Liability ($150 million)
- Capital Facilities
  - Seismic Upgrades
  - Enrollment Growth
- Deferred Maintenance ($50 million)
- Instructional Equipment ($35 million)
- Faculty Start-up Packages ($30 million)
- Library Materials ($35 million)