Update on the Proposed Governor’s Budget for 2015-16

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The Governor’s Budget Reflects a Strengthening State Economy

Total State Expenditures
$164.7 billion

- State General Fund $113.3 billion*
- Special Funds $45.5 billion
- Bond Funds $5.9 billion

* Increase of 6.1% over 2014-15 State General Fund budget
Overview of 2015-16 Governor's Budget:
General Fund Expenditures by Agency
(Dollars in Millions)

- K-12 Education: $47,173 (41.6%)
- Corrections and Rehabilitation: $10,160 (9.0%)
- Health and Human Services: $31,929 (28.2%)
- Natural Resources: $2,561 (2.3%)
- Other: $7,412 (6.5%)
- Higher Education: $14,063 (12.4%)

Display 3
Overview of 2015-16 Governor’s Budget: Education Funding

Increases in:

• K-12 Education $1.9 billion
• Community Colleges $600 million
• California State University $128 million*
• University of California $119 million
• Student Aid Commission $312 million**

* Includes funding for debt restructuring
** Includes funding for Middle Income Scholarship Program
Governor’s Budget Proposal for UC

• Base budget adjustment of 4%, or $119.5 million, with funding contingent on:
  – Regental action to ensure no increase in tuition, NRST, or PDST
  – Nonresident enrollment remains at 2014-15 levels
  – Concrete actions in response to recommendations coming out of advisory committee

• Submittal of sustainability plan in November 2015

• $25 million in one-time deferred maintenance funding, not dependent on achieving any level of funding
The Governor’s Budget proposal would effectively limit UC core funding to the equivalent of a 1.7% increase.

Half of UC’s budget has no identified source of funds to support mandatory and high priority cost increases.

After years of severe budget cuts, the Governor’s budget proposal will require UC campuses to make further cuts in order to meet basic obligations.
UC’s 2015-16 Budget Plan
Revenue Assumptions - $459 million

- State funding $119.5 million
- Tuition and fees $127.9 million
- PDSTs $8.7 million
- Tuition for financial aid $72.9 million
- UC General Funds (NRST) $50.0 million
- Alternative Revenues $80.0 million

$459.0 million
UC’s 2015-16 Budget Plan
Expenditure Assumptions - $459 million

- Mandatory Costs $125.4 million
- High Priority Costs $178.7 million
- Academic Quality $60.0 million
- CA Enrollment Growth $22.0 million
- Financial Aid $72.9 million

Total $459.0 million
Current Legislative Proposals: SB 15 (Block/de Leon)

• Would provide $340 million to UC and CSU in 2015-16
• UC’s share would be $125 million
  – $82 million from our own NRST increase, and
  – $43 million from repurposed MCSP funding and increased State General Funds
• Holds tuition and PDSTs at current levels
• Raises NRST by $4,000 (17.5%)
• Calls for 5,000 new resident undergraduates in 2015-16
Current Legislative Proposals: SB 15 (Block/de Leon)

• Targets:
  – $50 million for new enrollment (none for currently unfunded students)
  – $25 million for additional class offerings and
  – $50 million for increasing student services aimed at improving timely graduation rates

• Eliminates the Middle Class Scholarship Program
  – UC’s middle class families would lose $100 million by 2017-18 when MCSP would be fully phased in
Current Legislative Proposals: Speaker Atkins’ Plan

- Holds tuition at current levels
- Increases NRST by $5,000 (about 22%) in 2015-16
- Provides $50 million of State funding above 4% base budget adjustment proposed in Governor’s plan
- Increases California enrollment by 2,000 a year (10,000 over 5 years), with growth at all campuses
- New funding to be used for enrollment growth and to expand student services to reduce time to graduation
- Caps nonresident enrollment at 2014-15 levels
Current Legislative Proposals: Speaker Atkins’ Plan

• Proposes pension reforms for new UC employees contained in the Public Employees’ Pension Reform Act of 2013

• Proposes increases in amount of teaching required of faculty and limits increases in executive compensation

• Increases Cal Grants to lessen the financial burden of higher education on lower income families

• Accelerates implementation of the Middle Class Scholarship Program to cut fees for middle income families by more than 20% in 2015-16
Other Opportunities: Proposition 39 and AB 32

- Proposition 39 - Possible allocation of funds for energy efficiency programs
- AB 32 - Cap and Trade Revenues
  - State auction revenue will likely be significantly higher than what is in the Governor’s budget - $2 billion versus $1 billion
  - 40 percent of funds will be distributed through legislative appropriations
  - UC’s climate neutrality initiative proposes programs with goals similar to programs receiving funds in 2014-15 under AB 32
Other Opportunities: Proposition 2

- Augments State’s Rainy Day Fund
  - Will end budget year at $2.8 billion

- Pays back previous borrowings and unfunded liabilities
  - Loans from Special Funds
  - Settling up Prop 98 requirements

- UC liabilities — UCRP and retiree health — are listed as liabilities but receive no funding