

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	<u>(\$362.5 million)</u>
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	<u>\$150.0 million</u>
	\$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)
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Financial Aid

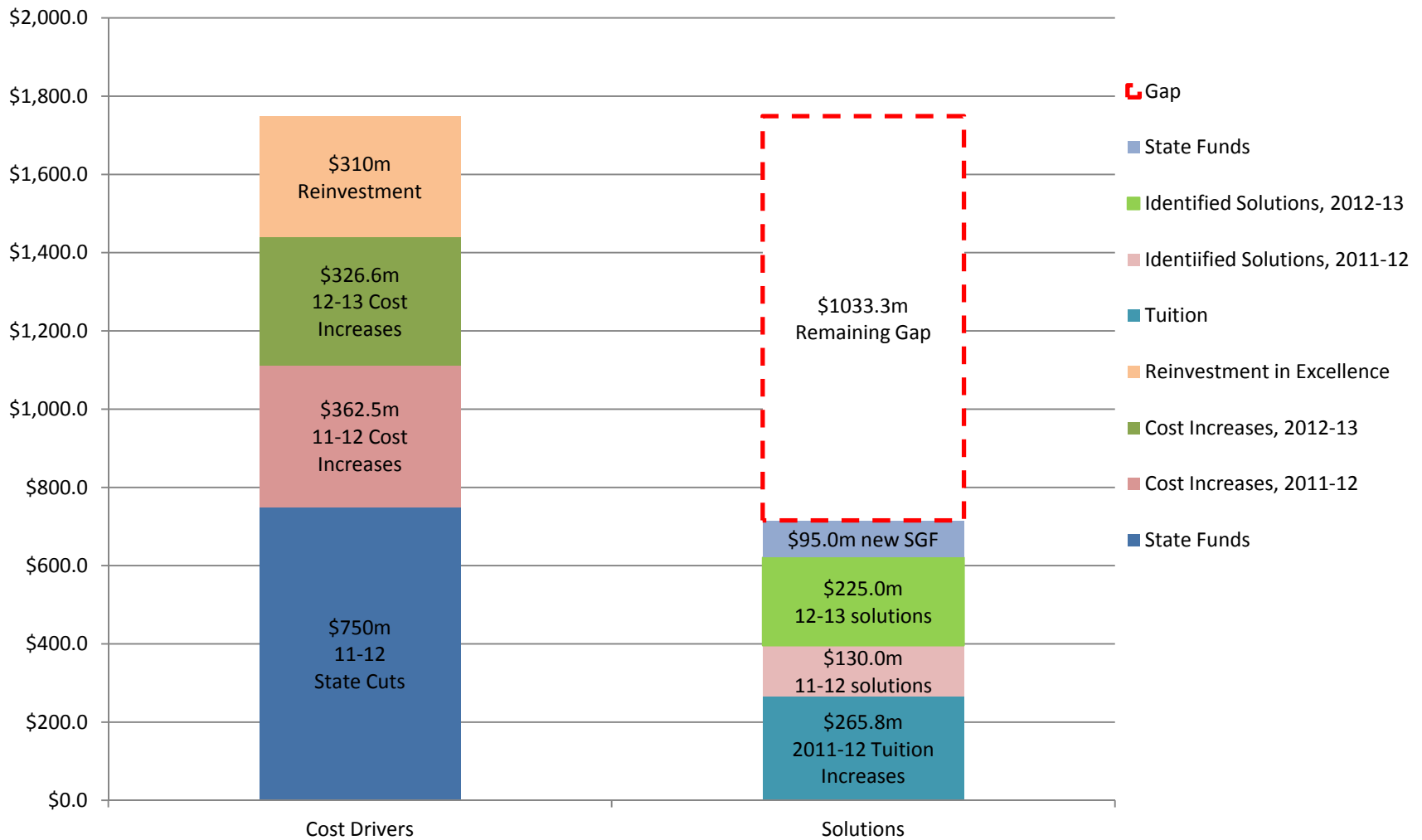
• Mandatory Tuition and Fee Increases	TBD
• Professional Degree Supplemental Tuition Increases	TBD
TOTAL INCREASE IN EXPENDITURES	411.6
• ADDITIONAL PERMANENT MID-YEAR CUT	100.0
• <i>NEW STATE FUNDING (PROPOSED IN GOV'S BUDGET)</i>	<i>(95.0)</i>
FUNDING NEED	416.6
• Percentage Increase in Expenditures (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