

UNIVERSITY OF CALIFORNIA

Budget Update

Patrick J. Lenz
Vice President for Budget and Capital Resources
January 19, 2011

Governor's 2011-12 Budget Gap

\$26.4 billion

- 2010-11 State Budget Reserve \$1.3B
- No additional Federal Funds -\$3.6 B
- Erosion of 2010-11 Solutions -\$1.7 B
- 2010-11 Revenue Decline -\$3.1 B
- Proposition 22, Transfers -\$1.6 B
- Workload Adjustments -\$2.1 B
- Sunset of Temporary Taxes -\$7.2 B
- Expiring ARRA Funding -\$4.0 B
- 2010-11 One-Time Solutions -\$3.4 B
- Rebuild Budget Reserve -\$1.0 B

Governor's Proposed Budget Solutions

• Expenditure Reductions	\$12.5 B
• Revenues	\$12.0 B
• Other	<u>\$1.9 B</u>
• Total	\$26.4 B

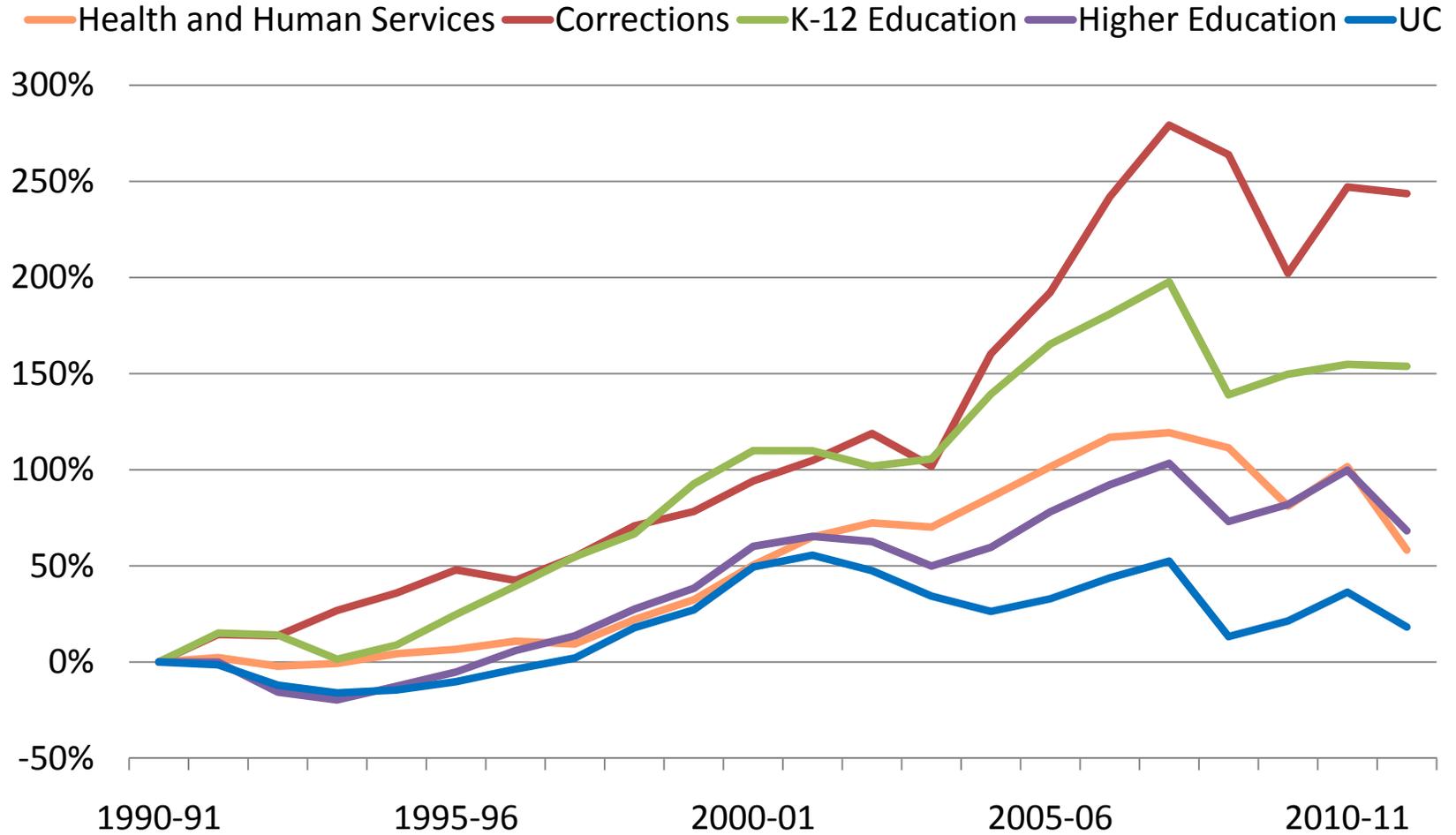
Changes in General Fund by Agency

- Health and Human Services -21.5 %
- Legislative/Judicial/Executive Branches -20.8 %
- Environmental Protection -16.0 %
- Higher Education (UC: -16.4 %) -15.8 %
- K-12 Education -0.4 %
- Corrections and Rehabilitation -1.0 %
- Natural Resources 1.7 %
- State and Consumer Services 1.9 %
- Business/Transportation/Housing 36.3 %

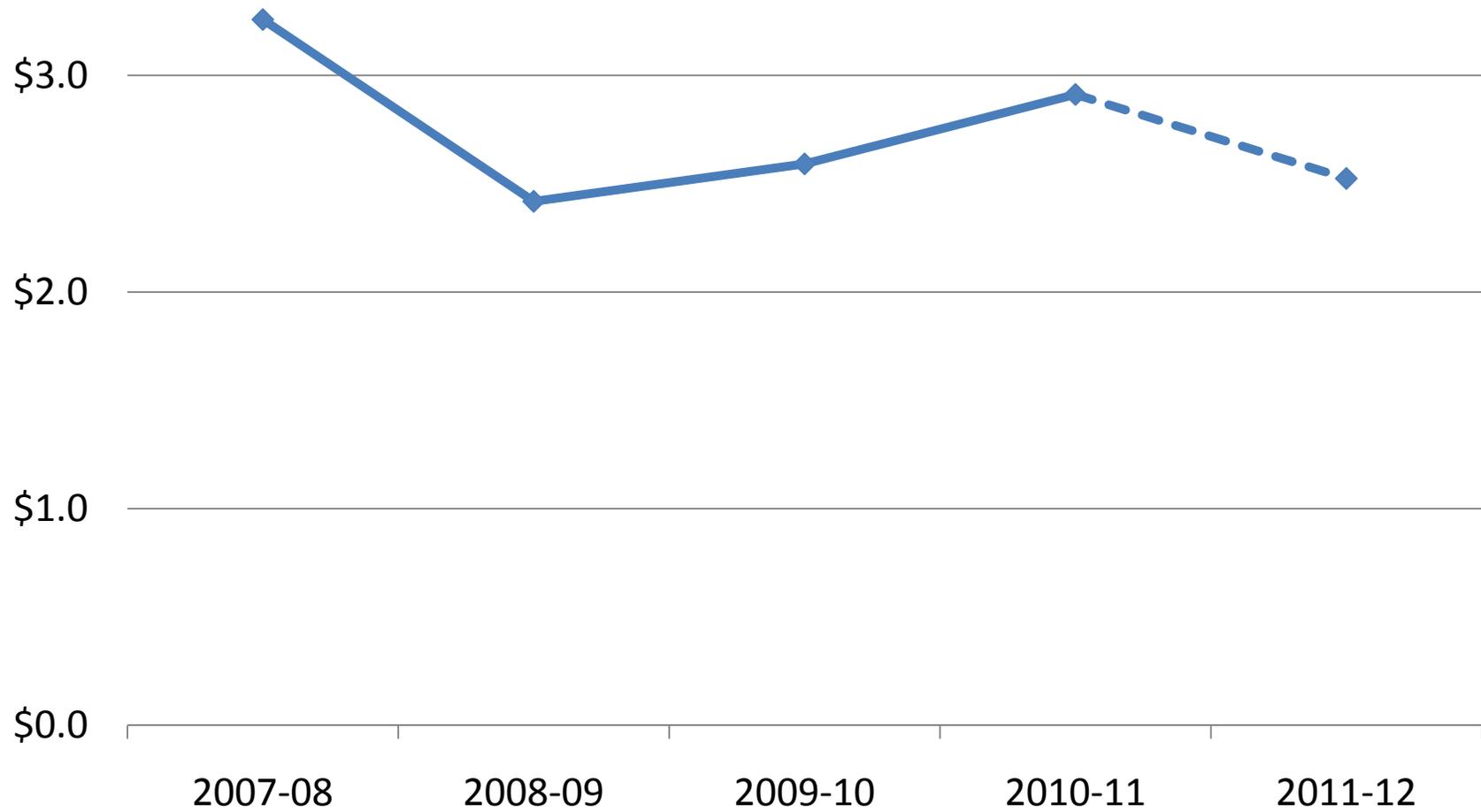
Major 2011-12 Budget Reductions

- Medi-Cal \$1.7 B
- Welfare-to-Work \$1.5 B
- Universities \$1.0 B
- Developmental Services \$750 M
- State Operations/Compensation \$580 M
- California Community Colleges \$400 M

Growth in State General Fund



State Support for UC



Dollars in billions.

Shift in State-Local Relationship

- Realignment of \$10 billion in services
- First phase:
 - \$5.9 billion transfer of programs from State to county level
 - Funded by maintaining 1% sales tax and 0.5% vehicle license fee

Revenue Proposals

- Extension of current tax rates for 5 years, subject to voter approval:
 - 0.25% Personal Income Tax surcharge
 - Reduced Dependent Exemption Credit
 - 6% State Sales Tax
 - 1.15% Vehicle License Fee
- Change methodology for corporate taxes
- Eliminate tax benefits of enterprise zones

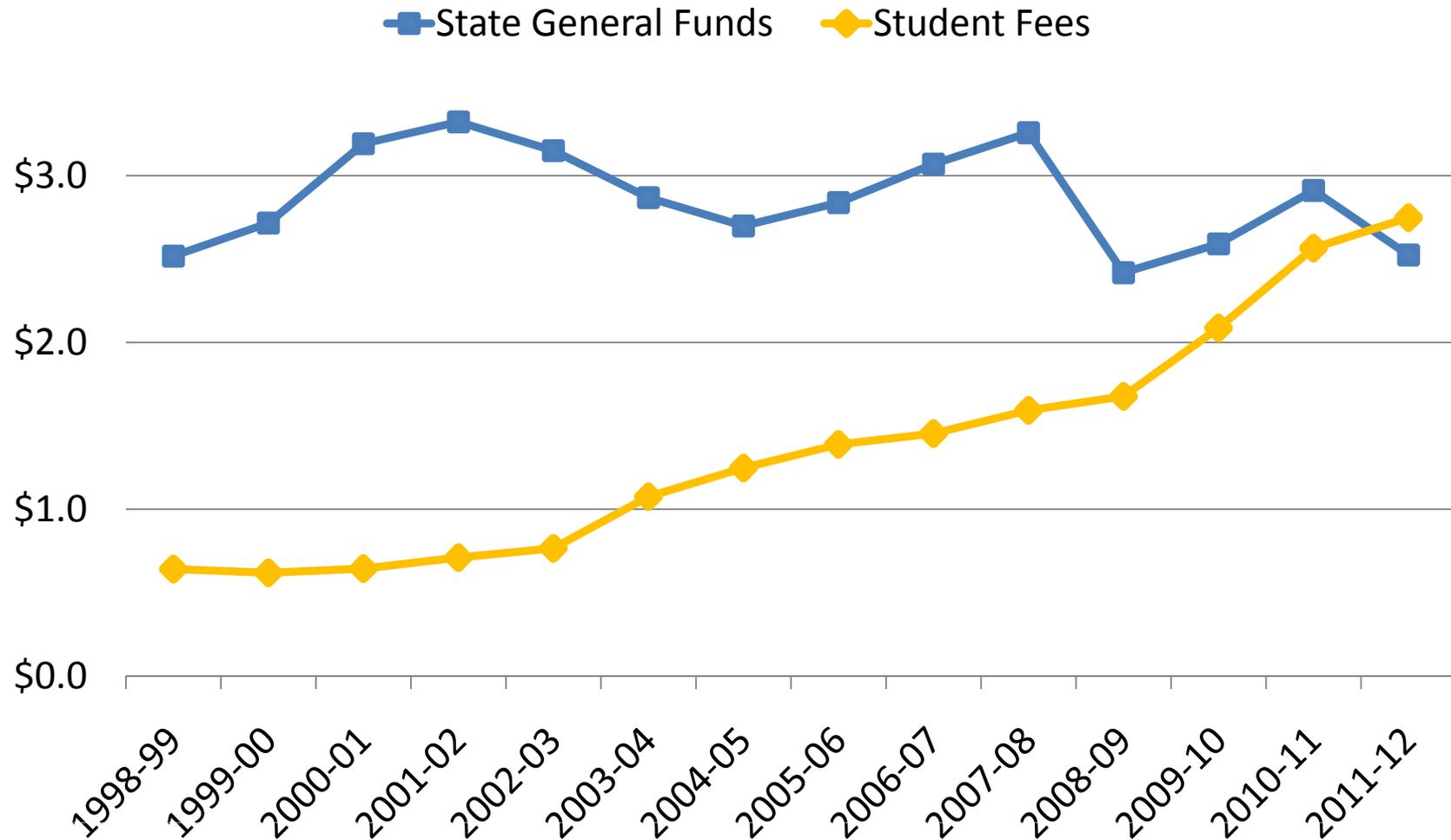
Accelerated Timeline

- Full Senate and Assembly Budget Committee Hearings – January 13
- Adoption of budget by March
- Special election in June

2011-12 Proposed UC Budget

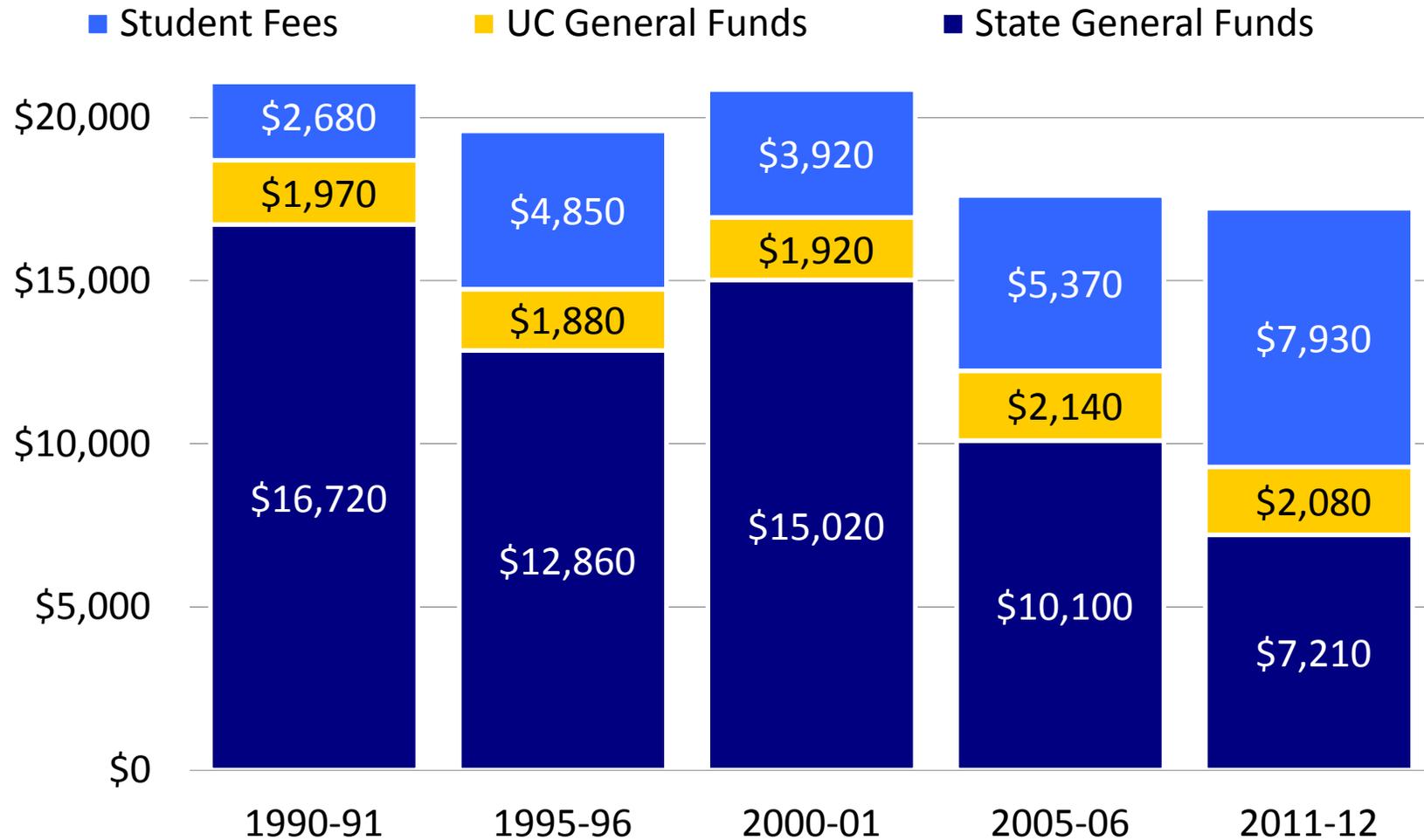
• Loss of ARRA funds	-\$106.0 M
• Restored State Funds	\$106.0 M
• Annuitant Health Benefits	\$7.1 M
• Debt Service Adjustments	-\$1.7 M
• Undesignated Reduction	<u>-\$500.0 M</u>
• Net Impact	-\$494.6 M

State Funds and Student Fees



Dollars in billions. Fee revenue figures include financial aid, but exclude nonresident tuition.

Expenditures per Student



All figures in 2010-11 dollars. Fee revenue figures exclude financial aid.

1998-99 versus 2011-12

- Program Expansion:
 - Enrollment has grown by 73,000 students and opening of a new campus
 - New programs to increase the number of doctors, nurses, and science/math teachers to meet state workforce needs
 - Growth in State priorities in research and public service, including Cal-ISIs and SAPEP programs
- Inflation /Cost Increases:
 - Faculty salaries at competitor institutions have risen by more than 49%
 - Health benefit costs have risen 250%
 - UCRP employer contributions have risen to 7% of payroll
 - Costs of instructional equipment, library materials and utilities have also risen significantly

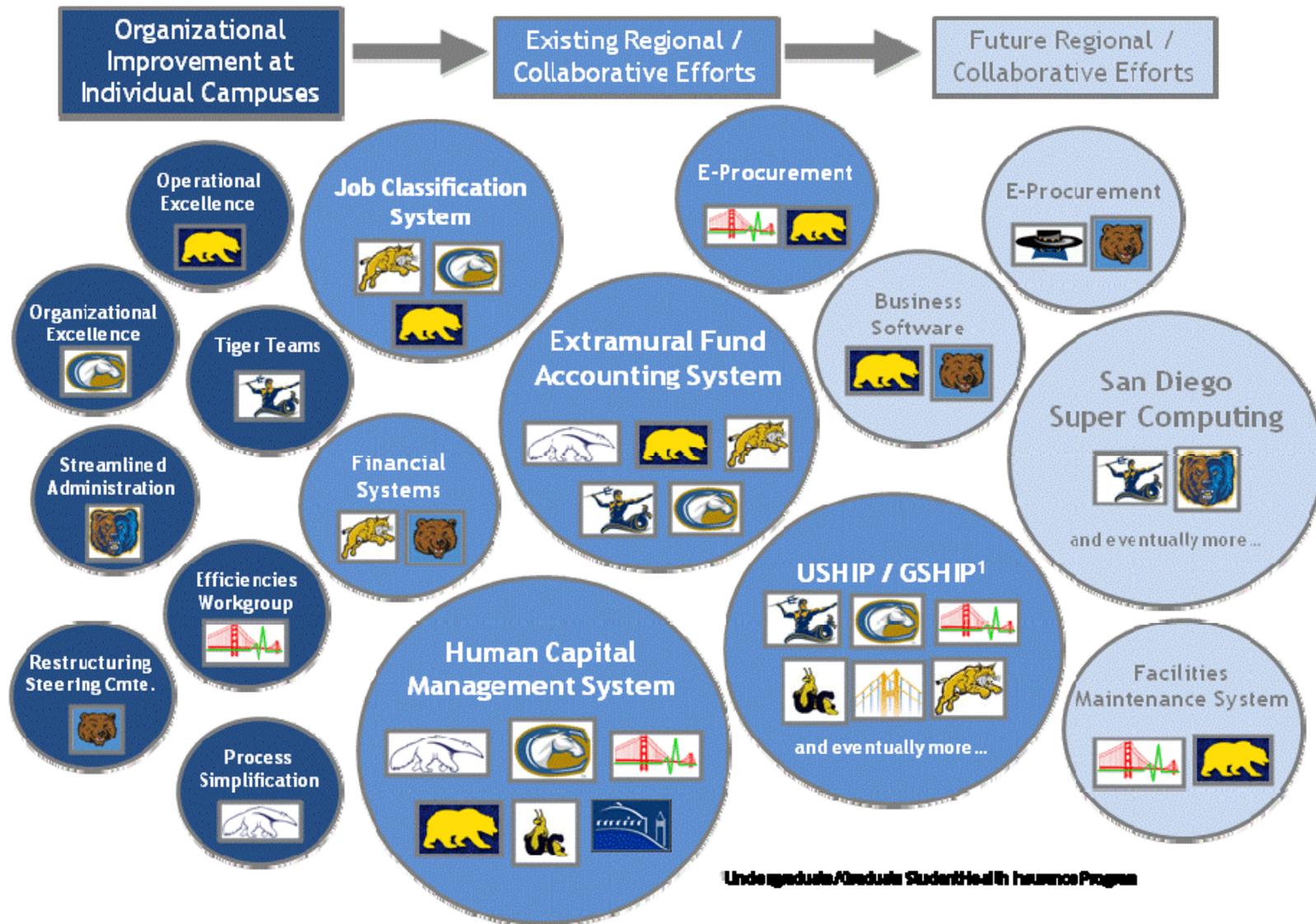
What does \$500 million represent?

- 16.4% reduction in State support from 2010-11
- Total State support for the UCLA campus
- Combined State support for the UCSF, UCSB, & UCSC campuses
- One-third of core-funded academic salaries
- Nearly half of UC financial aid
- Nearly 80% of student services funding
- Tuition from 22,000 additional nonresidents, reducing current CA resident students by 50,000

How to achieve \$100 million in savings

- Lay off 1,000 employees
- Defer 775 faculty hires indefinitely
- Reduce UC fee-funded financial aid by 12%
- Reduce enrollment by 10,000 California residents
- Replace 4,400 California residents with nonresidents
- Eliminate research and public service earmarks and augmentations
- Increase student fees an additional 6.25%
- Restructure debt service (one-time savings)

Campus and Regional Efforts Already Underway



Working Smarter Communications Strategy

Communications strategy is designed to maintain the flow of information so that it is consistent and uninterrupted with the Coordinator responsible for communicating milestones

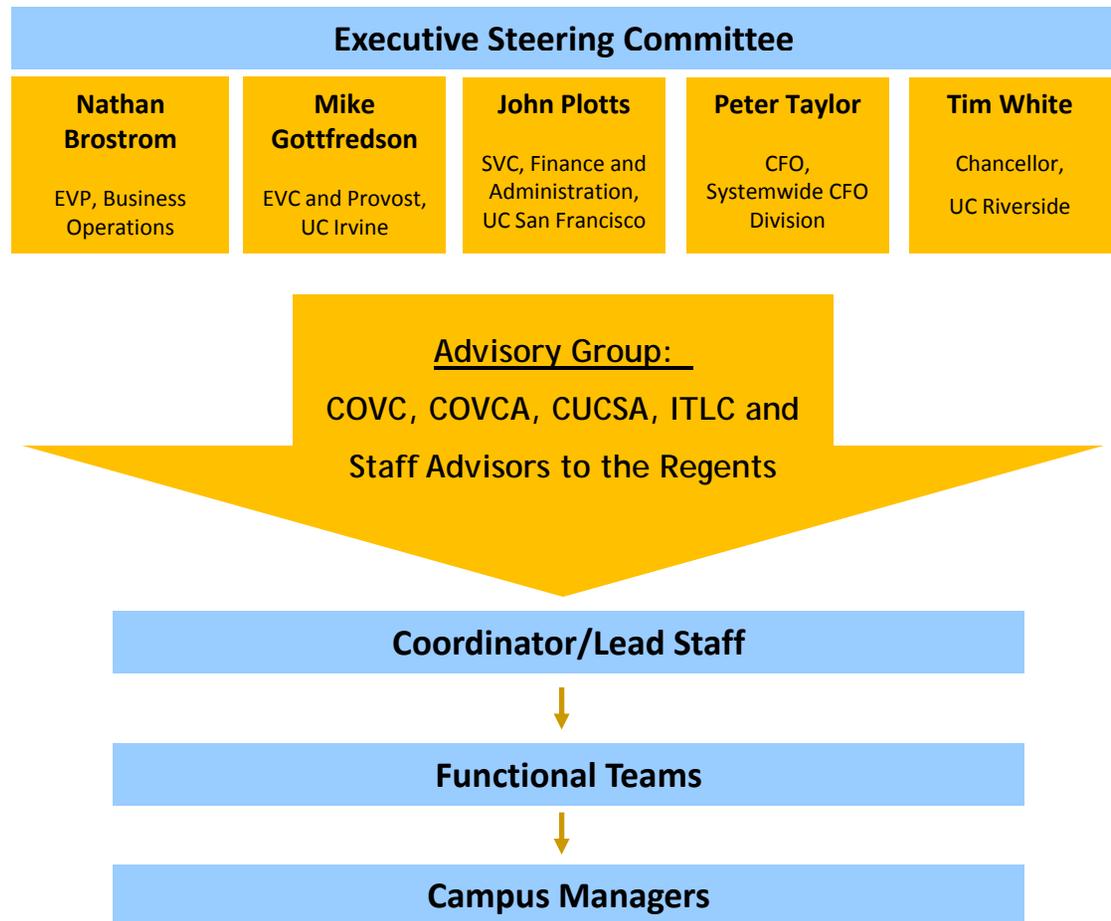
- ◆ The War Room
- ◆ Website
- ◆ SharePoint
- ◆ Digital Signage (Security desk)
- ◆ Semi-Annual updates
- ◆ Regents Meetings

Working Smarter Priority Initiatives		
<p>Climate Solutions</p> <p>Coordinator: Wendell Brase, Vice Chancellor UCI</p>	<p>e-Sourcing</p> <p>Coordinator: Haggai Hisgilov, Executive Director, Procurement Services</p>	<p>UCSHIP</p> <p>Coordinator: Mike Baptista, Executive Director HR – Benefits and Programs</p>
<p>PPS Initiative</p> <p>Coordinator: Sam Morabito, Vice Chancellor, UCLA</p>	<p>Working Smarter</p> 	<p>CIP Process Redesign</p> <p>Coordinator: Deborah Wylie, Associate Vice President, Budget and Capital Resources</p>
<p>Regional Data Centers</p> <p>Coordinator: Chuck Rowley, Chief Information Officer, UCR</p>	<p>applyUC</p> <p>Coordinator: David Ernst, Chief Information Officer</p>	<p>Risk Services Redesign</p> <p>Coordinator: Grace Crickette, Chief Risk Officer</p>
<p>Campus Connexions</p> <p>Coordinator: Grace Crickette, Chief Risk Officer</p>	<p>Library Efficiencies</p> <p>Coordinator: Gene Lucas, Executive Vice Chancellor, UCSB</p>	<p>Admin Relief</p> <p>Coordinator: Matt Perry, Director, IMPAC</p>
<p>Indirect Cost Recovery</p> <p>Coordinator: Christophe Lecuyer, Project Manager, Office of Research and Graduate Studies</p>	<p>Liquidity Management</p> <p>Coordinator: Marie Berggren, CIO and Maria Anguiano, CFO Division</p>	<p>UC Strategic Initiatives</p> <p>Coordinator: Lisa Baird, Associate Director, CFO Division</p>

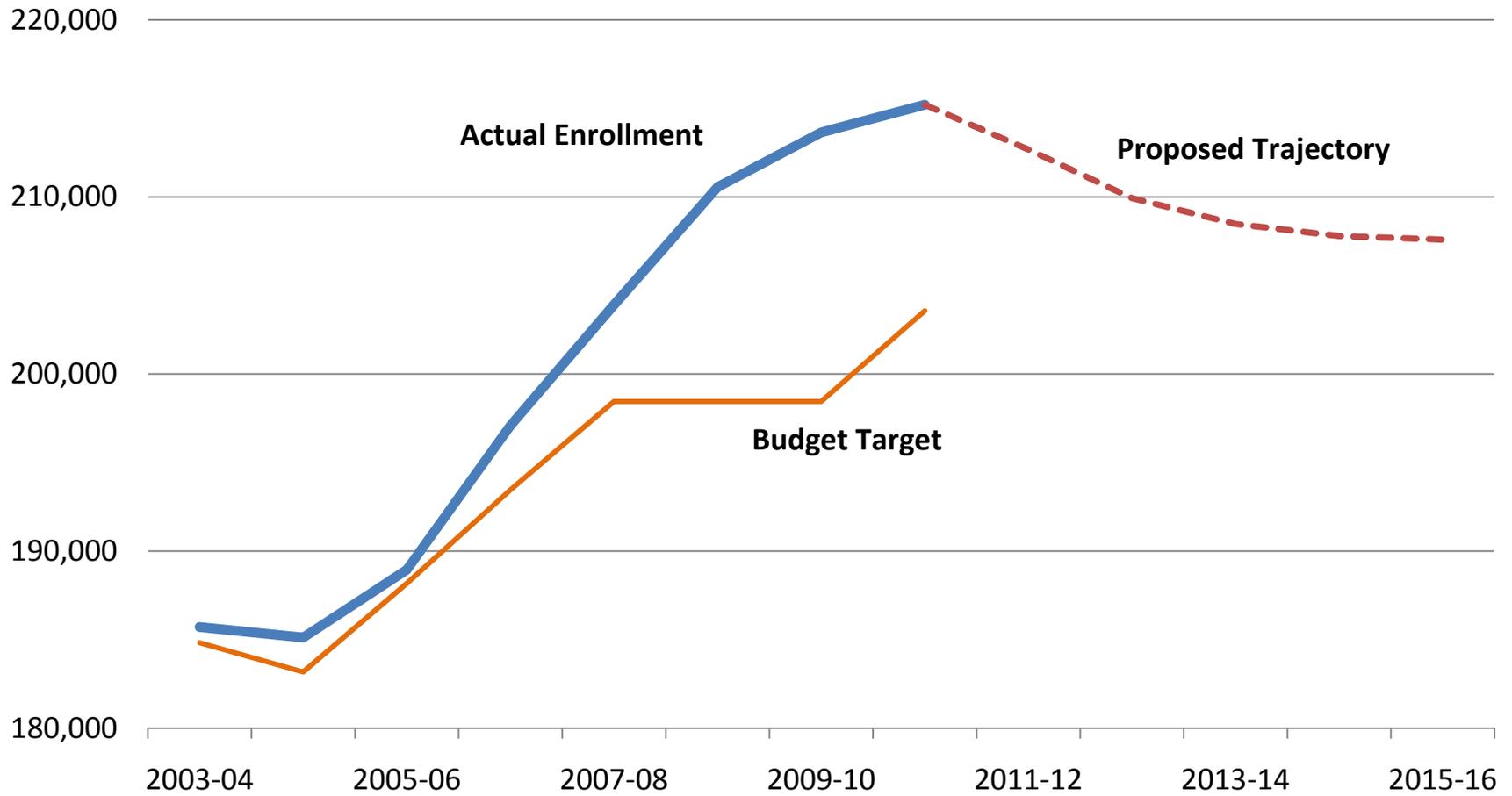
Working Smarter Governance Structure

Project organization strategy will ensure engagement of key stakeholders

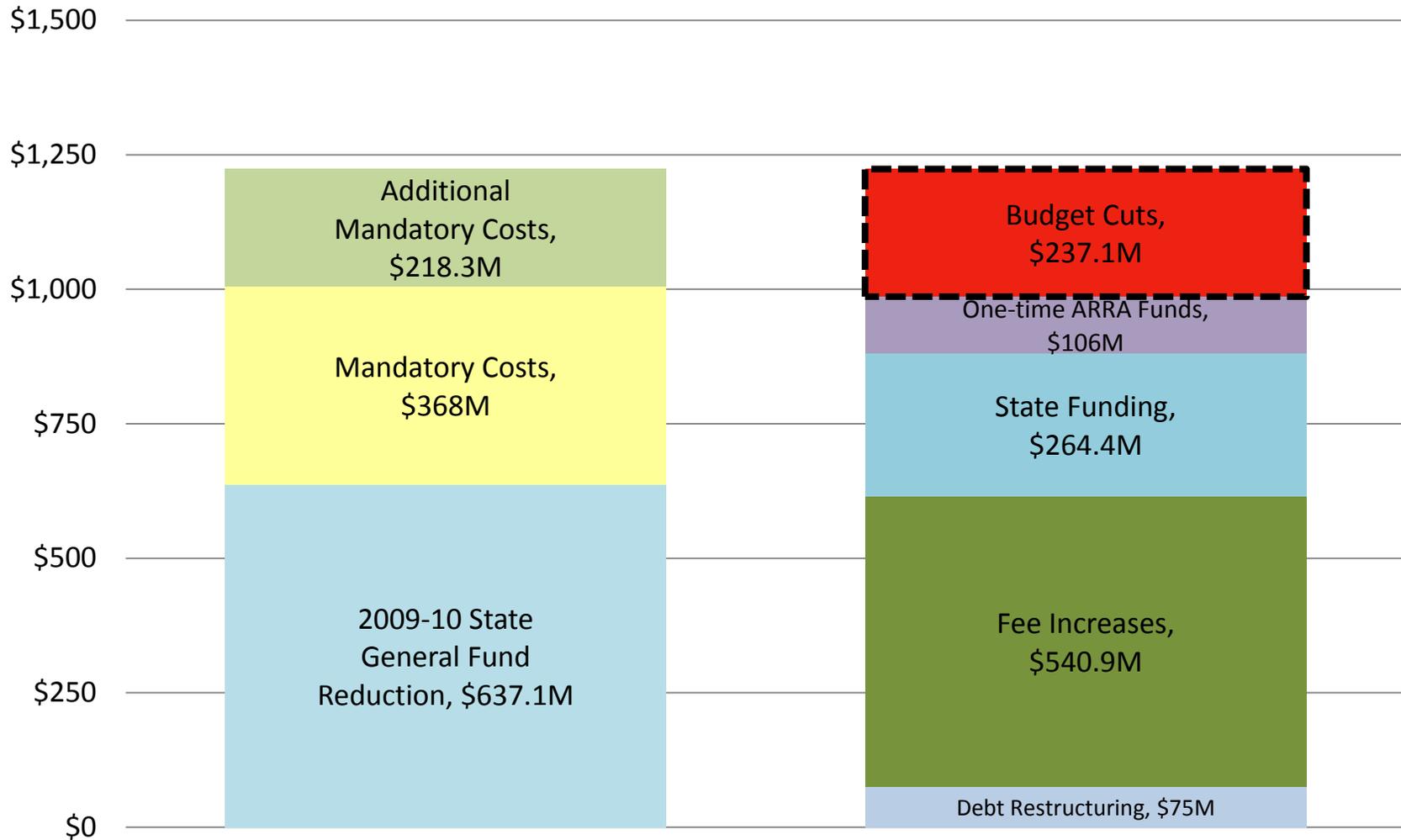
- ◆ In February 2011, the Executive Steering Committee will convene an “all hands” meeting in Oakland
- ◆ Work plans, schedules, and milestones will be finalized
- ◆ Coordinators will have overall responsibility for implementation



Constraining Enrollments

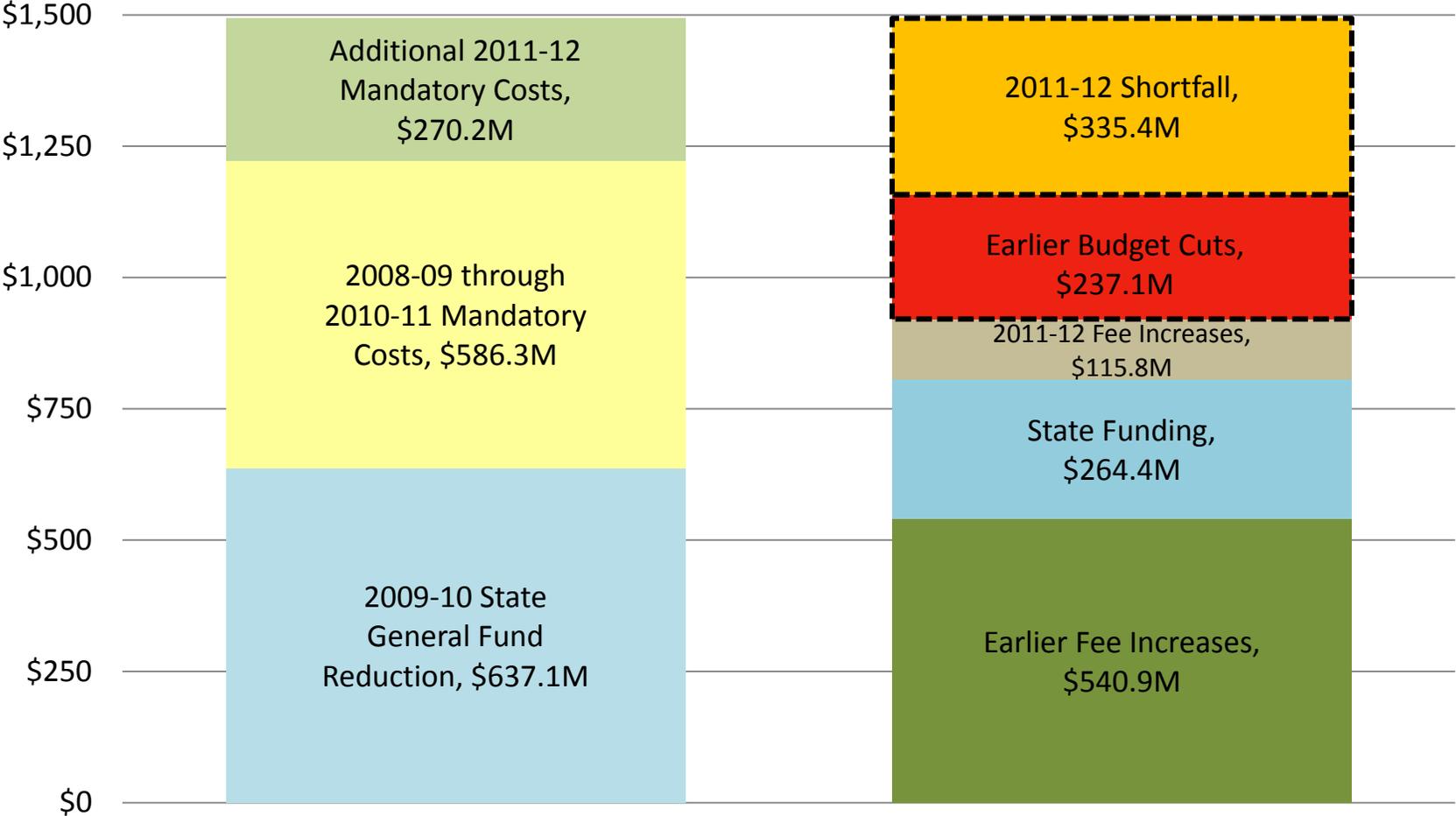


2010-11 UC Budget



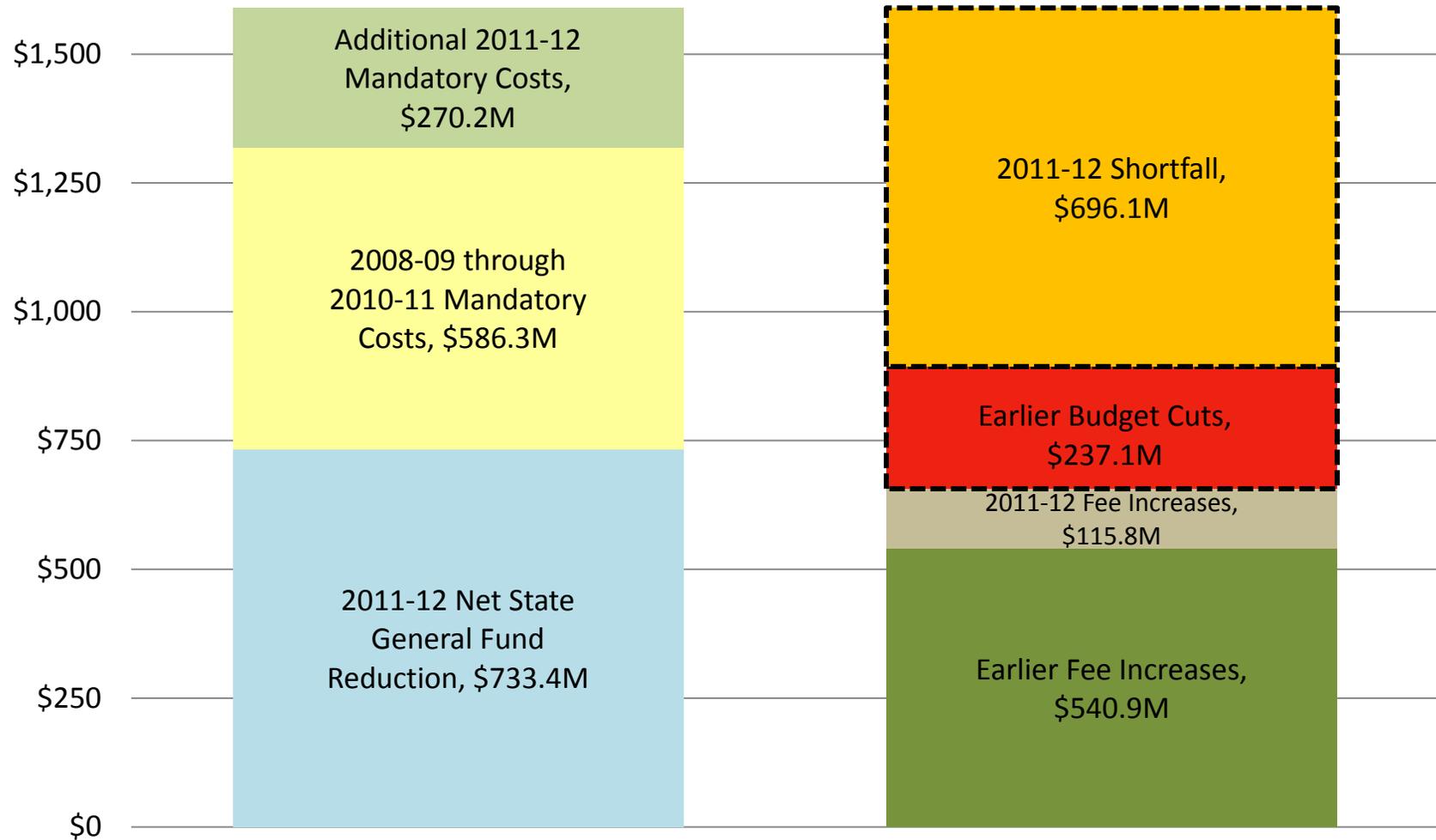
Dollars in millions.

2011-12 UC Budget Gap - November



Dollars in millions.

2011-12 UC Budget Gap - January



Dollars in millions.

State Capital Budget

- UC requested \$786.6 million for seismic/life-safety improvements, infrastructure and building renewal, and program needs
- Governors' proposal includes \$54.6 million to complete existing state projects and fund UC Irvine, Business Unit II building
- UC and CSU will jointly pursue additional funding for capital facilities

Overall Budget Issues for UC

- Success of Governor's tax extension initiative
- Advocacy efforts, negotiations with Sacramento
- Long-term UC fiscal stability
- Reducing administration, cost of instruction
- Enrollment, student fees, financial aid
- UC Retirement Plan contributions
- Other mandatory costs
- State-funded capital facility projects

Process Going Forward

- All chancellors and OP and ANR leadership have been asked to identify specific solutions
- All programs and activities subject to review
- Key principles:
 - preservation of core mission
 - balance among access, affordability and quality
 - maintaining status as a public institution
- President will submit proposals to the Regents at the March meeting