



UNIVERSITY OF CALIFORNIA
2008-09 BUDGET FOR CURRENT OPERATIONS
DISCUSSION OF GOVERNOR'S BUDGET PROPOSAL

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Governor's Budget Proposal: 10% Reduction in All State Operations

- State revenues are \$3.3 billion below budget for 2007-08.
- The State is facing a two-year projected deficit of \$14.5 billion by 2008-09.
- In response, the Governor has proposed mid-year reductions for nearly every State agency – but not UC.
- In his 2008-09 budget proposal issued last week, the Governor requested 10% reductions across the board.
- The Governor has also proposed a constitutional amendment to reform the state budget process.

Revenue Increases Requested in November Regents' Budget

- State General Funds
 - 4% base budget adjustment \$123.2 million
 - Additional 1% for core needs 30.1 million
 - Enrollment growth (5,408 FTE) 62.8 million
 - Research initiative 10.0 million
 - Educational Imperative initiative 5.0 million
- UC General Funds 20.0 million
- Student Fee Revenue
 - Enrollment growth 39.3 million
 - Professional Fee increases 16.6 million
- Additional State Funds or
Equivalent Increase in Student Fees 70.5 million
- Total \$378.2 million

Spending Plan Proposed in November Regents' Budget

- Faculty and staff compensation increases (5%) \$168.8 million
- Accelerated faculty salary increases 20.0 million
- Enrollment growth 102.1 million
- Core academic support 30.8 million
- Graduate student support 10.0 million
- Restoration of instructional budgets 10.0 million
- Student mental health services 8.0 million
- Non-salary budget cost increases (2.25%) 25.0 million
- Professional school programs 16.6 million
- Educational Imperative initiative 5.0 million
- Research initiative 10.0 million
- Total \$406.3 million

Governor's Proposed State Revenue for UC:

- Compact Funding: \$223.3 million
 - 4% base budget adjustment
 - Additional 1% for core needs
 - Funding for enrollment growth
- Not Included: -\$85.5 million
 - Research and public service initiatives
 - Additional funding to avoid fee increases
- Budget Balancing Reduction: -\$331.9 million
 - 10% reduction
(\$3.319 billion State General Funds x 10%)

10% Reduction: Governor's Policy Expectations

- Governor expects at least \$32.3 million (10% of the cut) will be taken from campus and OP administration.
- Remainder of the cut is unallocated to allow flexibility and minimize impact to core instructional programs.
- Governor anticipates Regents will address reduction through a combination of:
 - Fee increases,
 - Limitations on enrollment levels, and
 - Efficiencies and reductions to other existing programs, including research, student services, academic support, and public service programs.

Impact of Governor's Proposal

- Compact Funding: \$223.3 million
 - 4% base budget adjustment
 - Additional 1% for core needs
 - Funding for enrollment growth
- Not Included:
 - Research and public service initiatives
 - Additional funding to avoid fee increases
- Budget Balancing Reduction:
 - 10% across-the-board reduction
($\$3.319 \text{ billion State General Funds} \times 10\%$)

Budget Gap



-\$85.5 million

-\$331.9 million

-\$417.4 million

Three Prong Approach to Budget Gap

- Program reductions
- Student fee increases
- Additional administrative efficiencies

Option: Eliminate New Initiatives

- Core academic support \$30.8 million
- Graduate student support 10.0 million
- Restoration of instructional budgets 10.0 million
- Student mental health services 8.0 million
- Educational Imperative initiative 5.0 million
- Research initiative 10.0 million

Cost avoidance

\$73.8 million

Remaining budget gap

\$343.6 million

Option: Eliminate Compensation and Non-salary Cost Increases

- 5% faculty and staff compensation increases (salaries and health benefits) \$168.8 million
- Accelerated faculty salary plan 20.0 million
- Non-salary cost increases 25.0 million
- Continuation costs for prior year increases (32.4 million)
- Academic merit increases (27.5 million)

Cost avoidance \$153.9 million

Remaining budget gap \$189.7 million

Option: Halt Enrollment Growth

- Enrollment growth \$92.4 million
(includes State share and fee revenue)
- Lost fee revenue (37.6 million)

Cost avoidance \$54.8 million

Remaining budget gap \$134.9 million

Option: Increase Student Fees

- 7% Educational Fee and 10% Registration Fee \$70.3 million
(anticipated as part of November Regents' Budget)
- Additional 3% Educational Fee 25.3 million
- Cal Grants funds set aside by Governor

New revenue (net of financial aid) \$95.6 million

Remaining budget gap \$39.3 million

Administrative Savings

- The November budget proposal was balanced through a plan to identify *at least* \$28.1 million in administrative savings, primarily from the Office of the President.
- An additional \$40 million in savings will be needed, for a total of at least \$68.1 million – this component will come from primarily from campus budgets.

Remaining budget gap

\$0

Areas of Concern

- Enrollment growth (5,000 FTE) \$54.8 million
- Faculty and staff compensation increases of 5% (salaries and health benefits) \$108.8 million
- Accelerated faculty salary plan \$20.0 million
- Non-salary cost increases \$25.0 million
- Graduate student support \$10.0 million
- Student mental health services \$8.0 million

- 7% Educational Fee and 10% Registration Fee \$70.3 million
- Extra 3% Educational Fee increase \$25.3 million

Additional Ongoing Efforts

- A focus on new and expanded programs may not be sufficient or appropriate to fully address the budget gap.
- In addition, we are reviewing existing non-core programs in the University's base budget to identify other areas that could help address the gap.
- Regular consultation:
 - Regents' Finance Committee
 - Weekly calls with Council of Chancellors
 - Budget task force of campus leaders (chancellors, EVCs, budget officers)
 - Academic Senate
 - Students

State-funded Capital Budget Proposal

- New bond funding of \$395 million annually over a five-year period is proposed for UC as part of a comprehensive education bond program.
- This represents a \$50 million per year increase over the Compact.
- The new bond measures will require voter approval.
- For 2008-09, the actual capital budget proposed is \$388.3 million in bond funding for UC.

The Road Ahead

