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June 4, 2013

Conference Committee

Dear Members:

Re: Conference Committee Item, 6440

On behalf of the University of California, I would like to thank you for your support of the 2013-14 UC budget in your deliberations before the full Senate and Assembly budget committees. In the coming days you must balance the availability of State General Fund resources against multiple budget priorities and I offer the services of the University of California for any assistance we may provide the committee in your efforts to send the Governor a timely and balanced budget.

I particularly want to thank Senator Marty Block and Assembly Member Susan Bonilla, along with their budget subcommittee colleagues, for their due diligence and support of the many issues they reviewed and approved in their individual budget subcommittees. The multi-year funding proposed by the Governor, the performance outcome measures, and the online technology budget recommendations were just a few of the complex issues before the budget subcommittees. UC appreciates their extensive review and the collaborative work of their staff on these significant new budget proposals.

There are two "non-conference" issues where the University is requesting your support for reconsideration.

# **Debt Restructuring**

The Governor's multi-year funding plan for UC, adopted by both the Senate and the Assembly, includes a provision to transfer State lease revenue bond debt to the University, which the University would then refinance to garner at least \$80 million in annual savings for ten years. Both the Assembly and the Senate, however, rejected the debt restructuring component of the proposal.

The Governor's multi-year funding plan addresses the critical need for fiscal stability that will ensure no student tuition increase in the 2013-14 fiscal year. The debt restructuring component is key to the University's ability to forego a tuition increase

Conference Committee June 4, 2013 Page 2

in 2013-14. The University acknowledges the roles improving efficiencies and reducing costs play in the solution to the University's budget constraints. In fact, the Governor's plan is based on an assumption that UC continues to make progress to achieve greater efficiencies, through our Working Smarter Initiative, strategic sourcing of purchase agreements, and other cost saving measures. Efficiencies are. however, needed to help address past budget cuts and cannot mitigate the impact of no tuition increase in the coming year. The debt restructuring component is critical to the success of this plan. Since both houses of the Legislature have rejected the Governor's debt restructuring proposal, this issue is not in conference. Because this issue is critical to the University's ability to avoid a tuition increase in 2013-14, we are requesting your reconsideration and approval of the debt restructuring budget proposal.

### AFSCME \$4.8 million budget request

The Senate and Assembly budget committees approved a request by American Federation of State, County, and Municipal Employees (AFSCME) to "redirect" \$4.8 million out of the \$125.1 million 2013-14 UC base budget in the event UC is able to reach a Memorandum of Understanding (MOU) with AFSCME Service Unit (SX). UC is opposed to this redirection for a variety of reasons, including the fact that AFSCME has not presented any collective bargaining "demand request" for this funding and no one can explain the purpose of this \$4.8 million. In addition, no other UC labor organization is requesting their collective bargaining issues be managed through the State budget process, nor would UC support such an action. This action was adopted without any public discussion on its merits or an opportunity for UC to state our concerns and opposition to this action. We are requesting reconsideration and rejecting the redirection of \$4.8 million in the UC budget for this purpose.

There are three issues in conference that I would like to point out for your consideration.

### Item 6440-301-0668, Page 50, Issue 100

The Assembly approved \$45.1 million for the UC Merced Classroom and Academic Building (CAOB) to be funded out of lease-revenue bonds, while the Senate took no action on this issue. Both houses of the Legislature approved \$4.8 million to fund the preliminary plans and working drawings for the UC Merced CAOB in the 2012-13 State budget. UC Merced will enroll more than 6,000 students this fall and current students are taking classes six days a week, often from 8: a.m. to 10 p.m. The campus is clearly in need of additional classroom facilities to meet its current enrollment demand. In addition, the campus acts as the referral campus for the University system, the campus where eligible students who are not offered a place

Conference Committee June 4, 2013 Page 3

at another campus are guaranteed access to a University education. Without this facility, UC Merced will have to freeze enrollment and deny access to students at a time when UC is being asked to take more low-income students and California Community College transfers. Moreover, this campus serves a greater percentage of Pell Grant students and first generation Californians than any other UC campus; we are requesting the Assembly version and approval of the \$45.1 million for the UC Merced, Classroom and Academic Building.

## Item 6440-001-0001, Page 51, Issue 417

The Senate approved Trailer Bill Language (TBL) on performance outcome measures consistent with the Governor's budget recommendations this spring. The Assembly approved TBL that would defer the development of performance outcome measures until such time that the Legislature's budget and policy committee staff can convene discussions with the University of California, the Department of Finance, and the Legislative Analyst's Office. The University of California is strongly committed to accountability and welcomes the opportunity for these discussions to develop performance outcome measures that reflect the overall State General Fund budget realities and are consistent with the student population we serve. We are requesting approval of the Assembly budget bill language to defer the implementation of performance outcome measures to the policy committees.

#### Issue 6440-001-0001, Page 52 Issue 415

The Senate and Assembly approved the Governor's \$10 million budget recommendation for expanding online education courses at UC. Both houses adopted different versions of Budget Bill Language (BBL) regarding the review and approval process by the Joint Legislative Budget Committee. UC is willing to submit an expenditure plan for the development of additional online courses and a report next spring on the progress of implementing the Governor's budget proposal. We have concerns, however, with both versions of the BBL at this time and will be providing your staff, the DOF, and the LAO with compromise language that will meet the legislative intent to review UC's expenditure plan and report on the implementation of the \$10 million budget recommendation. We are requesting the approval of Conference Compromise BBL regarding the implementation of the \$10 million to expand UC online courses.

My staff and I look forward to working with you in the next few weeks to arrive at a budget for the State of California that demonstrates to its citizens that the State and the University are moving forward on course to preserve access to the high-quality education, at an affordable price, they have come to expect from the University of California.

Conference Committee June 4, 2013 Page 4

The collective support of the Governor and the Legislature to provide fiscal stability and re-invest in the University of California is sincerely appreciated by our students, faculty and staff, and the UC Regents.

With best wishes, I am,

Sincerely yours,

Mark G, Yudof

**President** 

cc: Provost Aimée Dorr

**Executive Vice President Nathan Brostrom** 

Senior Vice President Dan Dooley

Associate Vice President Steve Juarez