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

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January 22, 2015
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%)
- Higher Education: $14,063 (12.4%)
- Natural Resources: $2,561 (2.3%)
- Health and Human Services: $31,929 (28.2%)
- Corrections and Rehabilitation: $10,160 (9.0%)
- Other: $7,412 (6.5%)

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-12 Education</td>
<td>$1.9 billion</td>
</tr>
<tr>
<td>Community Colleges</td>
<td>$600 million</td>
</tr>
<tr>
<td>California State University</td>
<td>$128 million*</td>
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<tr>
<td>University of California</td>
<td>$119 million</td>
</tr>
<tr>
<td>Student Aid Commission</td>
<td>$312 million**</td>
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</tbody>
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* 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
Governor’s Budget Proposal Does Not Cover UC’s 2015-16 Mandatory Costs

- 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

**Total Revenue Assumptions**: $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