



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

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The Governor's Budget Reflects a Strengthening State Economy

Total State Expenditures
\$164.7 billion

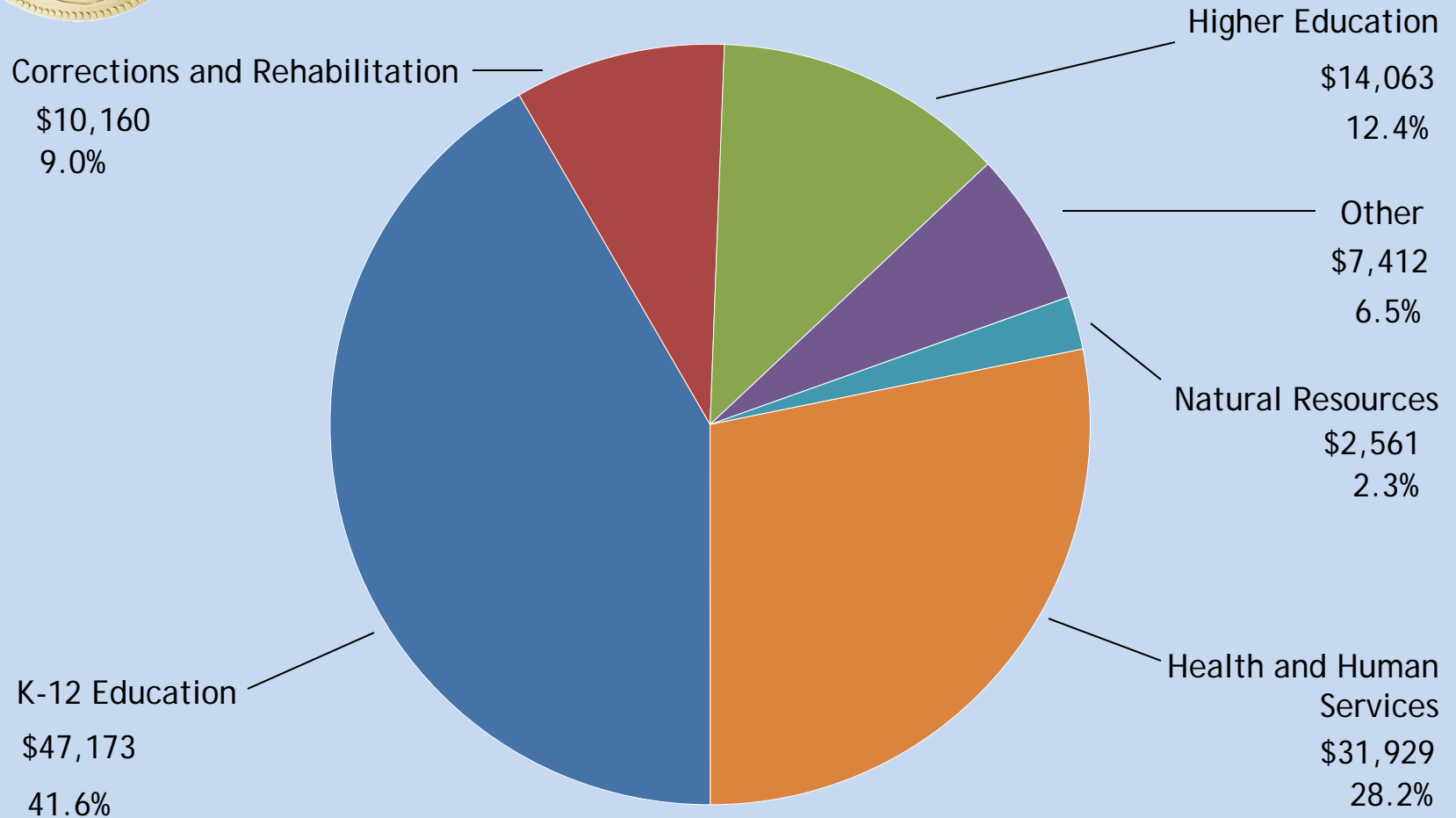
- State General Fund \$113.3 billion*
- Special Funds \$ 45.5 billion
- Bond Funds \$ 5.9 billion

* 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)





Overview of 2015-16 Governor's Budget: Education Funding

Increases in:

- K-12 Education \$1.9 billion
- Community Colleges \$600 million
- California State University \$128 million*
- University of California \$119 million
- Student Aid Commission \$312 million**

* 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	<u>\$80.0 million</u>
	\$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	<u>\$ 72.9 million</u>
	\$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

