THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

As follow-up to last week’s Board of Regents meeting, I enclose Vice President Lenz’s presentation on the Governor’s proposed 2010-11 State budget and UC budget issues.

With best wishes, I am,

Sincerely yours,

Mark G. Yudof
President

Enclosure

cc: Chancellors
UC is not just an institution of higher learning. Here, research aims higher. Service reaches higher.

A higher level of excellence calls for a higher commitment.

UNIVERSITY OF CALIFORNIA
2010-11 State Budget Overview and 2010-11 UC Budget Issues
Patrick J. Lenz
Vice President for Budget and Capital Resources
January 20, 2010

State Budget Overview and UC Budget Issues

- Overview of 2010-11 Governor’s Budget
- 2010-11 UC Budget Issues
Overview of 2010-11 Governor’s Budget

State General Fund Revenue

- 2009-10 State General Fund $88.1 B
- 2010-11 State General Fund $89.3 B
- State General Fund Growth $ 1.2 B 1.4%

Overview of 2010-11 Governor’s Budget

State General Fund Expenditures

- 2009-10 State General Fund $86.1 B
- 2010-11 State General Fund $82.9 B
- State General Fund Growth ($ 3.2 B) -3.7 %
Overview of 2010-11 Governor's Budget

- State General Fund Budget Gap $19.9 B
  - 2009-10 Fiscal Year Shortfall $6.6 B
  - 2010-11 Fiscal Year Shortfall $12.3 B
  - State General Fund Reserve $1.0 B
- What Contributed to the State Budget Gap?
  - Revenue Decline $3.4 B
  - Federal & State Court Litigation $4.9 B
  - Erosion of Budget Solutions $2.3 B
  - Population and Caseload Growth $1.4 B

Overview of 2010-11 Governor's Budget

Closing the Budget Gap

- Expenditure Reductions (43%) $ 8.5 B
- Federal Funds (35%) $ 6.9 B
- Alternative Funding (20%) $ 3.9 B
- Fund Shifts/Other Rev. (3%) $ 0.6 B
- Closing the Budget Gap (100 %) $19.9 B
Overview of 2010-11 Governor’s Budget

Budget Process

- January 10 – Governor Declares Fiscal Emergency/ Calls Special Session
- January 13 – Assembly Budget Committee Overview Hearing
- January 14 – Senate Budget Committee Overview Hearing
- Mid-February – LAO Analysis on State Budget
- Early March – Budget Subcommittees Hold Hearings

2010-11 UC Regents Funding Request

- Restoration of One-Time Cuts $305.0 M
- State Obligation to UCRP and Annuitant Health Benefits $109.8 M
- Unfunded Enrollment (14,000 FTE) $155.8 M
- Re-Investment, Academic Excellence $332.1 M
- Health Sciences Initiatives $10.4 M
- Total $913.1 M
2010-11 UC Budget Issues

- Governor Proposes Constitutional Amendment – State of the State Address
- Year-Over-Year Change
  - 2009-10 State General Funds $2.6 B
  - 2010-11 State General Funds $3.0 B
  - Overall General Fund Increase $370 M

2010-11 UC Budget Issues

- Funding Proposals:
  - Restoring 2009-10 Budget Cut $305.0 M
  - Enrollment Funding* $51.3 M
  - Health Annuitant Benefits $14.1 M
  - Total General Fund Support Increase $370.4 M
- Other Issues:
  - UCRP – Budget Trailer Bill Language
  - Capital Facilities – No 2010 Bond Measure, Alternative Funding Option
  - Cal Grants
    - Entitlement Awards Fully Funded*
    - No New Funding for Competitive Award

* Relies on approval of California’s request for federal funds
2010-11 UC Potential Budget Reductions and Funding Issues

UC Unfunded Enrollment

- In 2009-10, UC is over-enrolled by 14,000 students at a cost of $155.8 million (current estimates = more than 15,000)
- Multi-year plan to reduce total enrollments by 8,000 – 10,000 students
- For 2009-10, first-time freshmen reduced by 2,300 and CCC transfers increased by 500
- 2010-11 Regents Budget recommendation:
  - Request funding for 14,000 FTE
  - If no State funding for enrollment request, reduce first-time freshman by another 2,300
  - Increase CCC transfers by another 250
UC Unfunded Enrollment

- 2010-11 Budget provides $51.3 million to fund 5,121 Full-Time Equivalent Students (FTES)
- Growth funding is predicated on receipt of federal funds
- Assumes $64 million in fee revenue to fund 6,400 FTES
- Reduces unfunded enrollment by 11,521 FTES

State-Funded Enrollment

- [Graph showing enrollment trends from 2004-05 to 2013-14]
UC 2010-11 State-Funded Capital Budget Request

- Infrastructure/building renewal (51%) $325.0 M
- Seismic/life-safety (28%) $173.5 M
- Enrollment growth (17%) $106.0 M
- New program initiatives (4%) $27.0 M
Total $631.5 M

Funding requires a new General Obligation bond measure in November 2010 (SB 271-Ducheney, AB 220-Brownley)

Overview of 2010 Governor’s Budget

Impact of Failure to Achieve Governor’s Federal Fund Budget Solutions

- Eliminate CalWorks $1.0 B
- Reduce Medi-Cal Eligibility $532 M
- Cut State Employee Salaries (5%) $508 M
- Eliminate IHSS $495 M
- Shift County Savings $325 M
- Eliminate Inmate Rehab Program $280 M
Overview of 2010 Governor’s Budget

Impact of Failure to Achieve Governor’s Federal Fund Budget Solutions (cont’d)

- Eliminate Healthy Families Program $126 M
- Eliminate Prop. 99 programs $115 M
- Eliminate UC/CSU Enrollment Growth $112 M
- Freeze Eligibility, Cal Grants $ 79 M
- Eliminate Foster Youth Housing $ 36 M