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Overview of Major Budget Issues for UC and CSU

LEGISLATIVE ANALYST'S OFFICE

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State's Overall Fiscal Outlook

- Governor's 2007-08 Budget Would End With a Deficit.*** We estimate that if the Governor's budget were fully adopted, the state would end 2007-08 with a \$726 million year-end deficit. This is based on our lower estimate of revenues and higher estimate of expenditures for the current and budget years.
- Structural Shortfalls Would Persist.*** The state's annual operating deficit would expand in 2008-09 under the Governor's budget, and remain significant thereafter. Specifically, the state would face shortfalls of \$3.4 billion in 2008-09, \$2.5 billion in 2009-10, and \$1.4 billion in 2010-11.
- State Faces Major Risks and Pressures.*** The state faces a number of risks and pressures beyond those that we accounted for in our fiscal projections. Such risks include (1) potential legal issues with Proposition 98 rebenching, (2) court cases related to CalWORKs and prison health care, and (3) pressures related to state retiree health care costs.
- UC and CSU Support Would Increase at a Higher Rate Than Total State Spending.*** The Governor's budget proposes \$103.1 billion in General Fund support for various state programs. Although this would increase overall General Fund spending by about 1 percent from the current-year level, UC and CSU would increase by about 6 percent.



Governor's 2007-08 Budget Proposal for UC and CSU

(Dollars in Millions)

	2006-07	2007-08	Change	Percent
UC				
General Fund	\$3,078.0	\$3,270.1	\$192.1	6.2%
Fees	1,998.0	2,151.0	153.0	7.7
Subtotals	(\$5,076.0)	(\$5,421.1)	(\$345.0)	(6.8%)
All other funds	\$13,252.8	\$13,738.3	\$485.5	3.7%
Totals	\$18,328.8	\$19,159.3	\$830.6	4.5%
CSU				
General Fund	\$2,811.4	\$2,976.3	\$165.0	5.9%
Fees	1,243.4	1,366.4	123.0	9.9
Subtotals	(\$4,054.8)	(\$4,342.7)	(\$287.9)	(7.1%)
All other funds	2,631.9	2,433.2	-198.7	-7.5
Totals	\$6,686.7	\$6,775.9	\$89.2	1.3%

- For UC, the Governor proposes General Fund spending of about \$3.3 billion. This is an increase of \$192 million, or 6.2 percent, from the revised 2006-07 budget.
- For CSU, the Governor proposes General Fund spending of about \$3 billion. This is an increase of \$165 million, or 5.9 percent, from the revised 2006-07 budget.



Proposed Major General Fund Changes



UC—\$192 Million Augmentation

- **Base Budget Increase.** Provides a 4 percent General Fund base increase of \$117 million. (A proposed 7 percent student fee increase would provide an additional \$105 million in unrestricted revenue.)
- **Enrollment Growth.** Provides \$54.4 million for 2.6 percent enrollment growth.
- **Research Initiatives.** Provides \$20 million for new and expanded research programs.
- **Reductions.** Includes a \$19.3 million reduction to outreach programs and a \$6 million reduction to UC's labor research institute.



CSU—\$165 Million Augmentation

- **Base Budget Increase.** Provides a 4 percent General Fund base increase of \$109 million. (A proposed 10 percent student fee increase would provide an additional \$98 million in unrestricted revenue.)
- **Enrollment Growth.** Provides \$65.5 million for 2.5 percent enrollment growth.
- **Reductions.** Includes a \$7 million reduction to CSU's outreach programs.



Key Budgetary Choices for UC and CSU



What New Costs Should the Budget Accommodate?

- Given the state's fiscal situation, we believe that the first priority for budget increases should be to maintain existing services, which typically require enrollment growth and inflationary adjustments.
- After addressing these base issues, the Legislature can determine whether to approve or reject proposals for program expansions or new programs based on its priorities.



How Should Costs Be Covered?

- After making decisions about the total budget for each university segment, the Legislature then has to decide how these costs are to be covered by a combination of state General Fund support and student fee revenue.
- The key decision is in regards to the share of total costs that students (and their families) should bear.



UC and CSU Reporting Requirements in the 2006-07 Budget Package

Report	Due Date	Received
University of California		
Student academic preparation expenditure plan	September 1, 2006	August 25, 2006
Capital outlay identified savings (2004 bond act)	November 1, 2006	November 1, 2006
Capital outlay project expenditures	December 1, 2006	December 8, 2006
Employee salary increases	January 15, 2007	March 26, 2007
Capital outlay actual savings	March 1, 2007	March 23, 2007
Executive compensation annual report	March 1, 2007	March 20, 2007
Enrollment levels	March 15, 2007	March 20, 2007
PRIME-LC implementation and funding	March 15, 2007	March 23, 2007
UC-Mexico research facility	March 15, 2007	Overdue
Math and Science Initiative	April 1, 2007	
Update on comprehensive review of Office of the President	April 1, 2007	
Student academic preparation outcomes and effectiveness	April 1, 2007	
Nursing enrollment	May 1, 2007	
Final report on comprehensive review of the Office of the President	July 1, 2007	
California State University		
Capital outlay identified savings (2004 bond act)	November 1, 2006	Overdue
Capital outlay actual saving	March 1, 2007	Overdue
Enrollment levels (preliminary report)	March 15, 2007	March 15, 2007
Student academic preparation programs	March 15, 2007	March 15, 2007
Math and Science Initiative	April 1, 2007	
Enrollment levels (final report)	May 1, 2007	
Nursing enrollment	May 1, 2007	