

The 2021-22 Budget: UC Division of Agriculture and Natural Resources

FEBRUARY 2021

In this post, we analyze the Governor's proposals relating to base funding for the Division of Agriculture and Natural Resources (ANR) at the University of California (UC). We first provide background on ANR's operations and budget. Next, we describe the Governor's ANR proposals and the additional ANR funding included in the February early action package. We then offer our assessment of the proposals and make associated recommendations.

Background

ANR Focuses on Research and Outreach.

UC's ANR division oversees various programs focused on agriculture, natural resources, and related topics. Its leadership is located at the UC Office of the President (UCOP) in Oakland. Its core staff of scientists, researchers, and outreach coordinators are located across three campuses (Berkeley, Davis, and Riverside) as well as numerous off-campus centers and sites. Its core programs include Agricultural Experiment Stations, which oversees federally and state-funded research at UC's three ANR campuses, and Cooperative Extension, which oversees numerous state and local outreach initiatives to farmers and other community stakeholders. We provide a more detailed overview of ANR's staffing and operations in our previous publication, [The 2020-21 Budget: Higher Education Analysis](#).

Funding Model for ANR Division Changed Several Times Over Past Decade. Though ANR relies on state funding to support its core operations, the state and UC's approach to budgeting for ANR costs has changed notably over the years. Below, we describe three ways ANR has been funded.

- ***Direct Allocation From UCOP.*** Historically, the state has not earmarked funds specifically for ANR but instead has given UC flexibility to determine the division's level of support. Prior to 2012, UCOP allocated a portion of the university's General Fund support directly to ANR to support the division's core operations.
- ***Campus Assessment.*** In 2012, UC undertook a series of changes to the way it allocated funds to its campuses and divisions, including ANR. Under the new funding model, UC allocated all state General Fund to campuses and charged campuses back an assessment to support central services and programs (UCOP; ANR; and UCPath, the university's systemwide payroll and human resources program). UC implemented this change to give campuses more flexibility and control over their budgets and operations.
- ***State Line Item.*** In 2017-18, the state altered this funding arrangement by directly budgeting General Fund for UC's central services (including ANR) in the annual budget act. The state established this line item in response to a report from the California State Auditor that raised concerns over UCOP's budget transparency. Since establishing this line item, the annual budget act has prohibited UC from assessing fees on campuses to support UCOP or ANR. (This prohibition also initially extended to UCPath, but since 2018-19, the state has allowed campus assessments to supplement UCPath's General Fund support.)

State Enacted Base Reduction to ANR Division in 2020-21. The state's 2020-21 budget package reduced UC's base General Fund support for central services and campuses. For ANR specifically, the state reduced base General Fund support by \$9.2 million (12.7 percent) from the

2019-20 level. As a percent of operations, ANR's reduction was comparable to UCOP's reduction and larger than the reduction for campuses (7.7 percent). (While UCPath also received a General Fund reduction in 2020-21, the state authorized an increase in campus assessments, such that total support for UCPath increased in 2020-21.)

ANR Reports Budget Shortfall in 2020-21.

Given the magnitude of the General Fund reduction to ANR in 2020-21, UC estimates the division has a budget shortfall. In response to our information request, ANR staff estimated the shortfall to be \$13.1 million. To address this shortfall, ANR took several measures to limit spending. Most notably, ANR suspended plans to fill some vacant positions (including those resulting from retirements). Staff also notes plans to identify further operational efficiencies and secure additional outside fund sources (such as philanthropy and federal and state grants). Any ANR deficit in 2020-21 will be funded out of UCOP's reserves.

Proposal

In January, Governor Proposed Partial Restoration Using Mix of Funds. In January, the Governor proposed 3 percent General Fund augmentations to UC's central services and campuses. Much like for UCOP and campuses, ANR's base augmentation—\$1.9 million—would partially restore ANR's base budget to its 2019-20 level. To restore the remaining \$7.3 million

reduction to ANR, the Governor's budget proposed authorizing UC to charge campuses new assessments. The proposal gave UC flexibility to determine how to charge campuses to yield the proposed amount of ANR support. (In addition to this base support, the Governor's January budget provides ANR \$2 million one-time General Fund as part of a package of proposals aimed at addressing wildfire issues. We describe this proposal in our handout, [The 2021-22 Budget: Wildfire Resilience Package.](#))

February Budget Agreement Provides More State Funding for ANR. On February 17, legislative leadership announced a new budget agreement with the administration affecting numerous areas of the budget. For UC, the agreement entails full restoration of the 2020-21 base reductions, including full restoration of \$9.2 million General Fund for ANR. Legislative staff indicate that the 3 percent base General Fund increase the Governor proposed in January, as well as the Governor's campus assessment proposal, are still open issues.

ANR Spending Plan Contains Various Cost Increases. In February, UC sent our office its preliminary 2021-22 spending plan for ANR. The spending plan is not connected to the funding level proposed in either the Governor's budget or February budget agreement, instead reflecting an independent cost pressure analysis conducted by ANR staff. **Figure 1** shows ANR's spending the past two years, along with its spending plan for 2021-22. The key elements of the 2021-22 plan

Figure 1

Higher Proposed Spending for ANR Division
(Dollars in Millions)

	2019-20 Actual	2020-21 Estimated	2021-22 Proposed	Change From 2020-21	
				Amount	Percent
Core Spending	\$73.0	\$76.5	\$79.2	\$2.7	3.5%
Employee Salaries					
Faculty	\$27.1	\$28.6	\$30.5	\$1.9	6.6%
Nonrepresented staff	14.9	14.9	14.9	—	—
Represented staff	2.9	3.0	3.2	0.2	6.7
Pensions and Health Care Benefits	\$19.8	\$20.7	\$21.7	\$1.0	4.8%
Operating Expenses and Equipment	\$8.3	\$9.3^a	\$8.9	-\$0.4	-4.3%

^aAccording to UC, much of the increase from the prior year reflects extraordinary one-time costs related to the pandemic.

ANR = Agriculture and Natural Resources.

include general salary and merit increases for faculty, merit increases for represented staff, and employee benefit increases.

Assessment

Various Factors to Consider When Weighing ANR's Budget Plans. The state has only recently started to earmark funds for ANR, such that it has no established practice for determining ANR's funding levels. While focusing on ANR's underlying cost pressures is a reasonable place to start, the Legislature likely will want to assess these pressures in the light of the state's overall fiscal outlook. Some of ANR's spending areas likely are high priority. For example, ANR will have to pay its share of benefit costs. Other spending areas, such as salary increases for academic employees, are more discretionary in nature. The Legislature may want to give particular attention to ANR's proposed growth in salaries, which are notably higher than most measures of inflation.

Proposed Campus Assessments Raise Concerns. In light of the February budget agreement, the Legislature might view the proposed campus assessments as no longer warranted.

Even were the Legislature to desire more funding for ANR beyond restoration, we think there is little policy basis to generate this funding by charging campuses new assessments. Unlike UCPath, which provides administrative services directly to every UC campus, much of ANR's activities occur off campus at various centers and community sites.

Recommendations

Revisit Base Funding for ANR in May. We recommend the Legislature revisit base funding for ANR in May. At that time, the Legislature will get updated state revenue estimates and be in a better position to assess the state's ongoing budget capacity. In light of that updated information, the Legislature then could revisit the size of the proposed base increase for ANR.

Reject Proposed Campus Assessments. We recommend the Legislature reject the administration's January proposal to authorize new campus assessments to support ANR. Instead of instituting new campus assessments, we think the state could fund essential ANR cost increases directly using General Fund support.

LAO Publications

This report was prepared by Jason Constantouros, and reviewed by Jennifer Pacella and Anthony Simbol. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.