

6440 UNIVERSITY OF CALIFORNIA

ISSUE 1: UC BUDGET PACKAGE

Governor's Proposals. The Governor's Budget provides UC with a \$92.1 million General Fund increase to campuses to support operations.

The May Revision proposes the following changes to the UC budget:

- \$100 million one-time General Fund for deferred maintenance
- Budget bill language authorizing the Director of Finance to reduce the UC budget if the Board of Regents approves a tuition increase, with the reduction reflecting the State's increased financial aid costs due to the tuition increase. The reduced amount would be moved to the California Student Aid Commission budget.
- A reduction of about \$8.6 million from the UC Office of the President budget item and an increase of the same amount in the campus item to reflect the agreement made per the 2017 Budget Act to support enrollment growth
- \$55 million one-time General Fund to support mental health graduate medical education
- \$1.2 million one-time General Fund to support anti-bias training at UC and CSU campuses
- \$1 million General Fund to support the Institute for Global Cooperation and Conflict at UC San Diego.
- Budget bill language allowing UC to assess campuses for up to \$15.3 million to support increased costs related to the UC Path project
- The May Revision also assumes UC will receive \$50 million General Fund in the current year per the 2017 Budget Act

UC Request. UC has made the following request for additional funding from the Legislature:

UC Request	Cost
Buy out of proposed tuition/fee increases and court case fee	\$70 Million
Increased funding to support overenrollment	\$25 Million
2018-19 Enrollment Growth (500 undergrads, 500 graduate students)	\$10 Million
Infrastructure Needs	\$35 Million (one-time)
Total	\$105 Million ongoing, \$35 Million one-time

Staff Recommendations. UC and its students have made a convincing case this year that funding beyond the Governor's proposal is needed to meet increasing costs, address overcrowding on some campuses, support additional enrollment growth for the 2018-19 academic year, and address infrastructure needs.

The recommended actions below address UC's concerns and also address the following issues:

- **Continues enrollment growth.** UC has added more than 11,000 California undergraduate slots in the last three years, yet demand continues to increase. The recommended action would allow 2,500 more California undergraduates a spot at a UC campus in the 2019-20 academic year, in addition to supporting 2,000 more undergraduates and 500 more graduate students in the 2018-19 year per the agreement in the 2017 Budget Act. While some UC campuses are at capacity or even overcrowded, others have indicated a desire to grow.
- **Supports campuses with overenrollment issues and states legislative intent that the Office of the President consider sending surplus funds to address this problem.** During the recent enrollment boom, UC has enrolled about 2,600 more students than state-budgeted enrollment targets supported. Students and campuses have complained about underfunding and overcrowding this year. In the meantime, the Office of the President is conducting a major review and reform of its budget, and there appear to be resources that could be used to address campus over-enrollment issues. Per recommendations made by the State Auditor, UC must complete work by next April that includes identifying funds that could be moved from the Office of the President to campuses. The Subcommittee action provides \$12.5 million in new General Fund to address campus over-enrollment and includes legislative intent language stating that the Office of the President use its resources to address over-enrollment as well.
- **Increases oversight and transparency regarding UC and the Office of the President.** The 2017 Budget Act developed a process to ensure UC compliance with audit requirements by withholding \$50 million of UC's base budget until UC completed audit activities that were due in April 2017. The Subcommittee action would continue this process, as UC has significant audit activities due in April 2019 as well. Additionally, the Subcommittee action creates a new reporting requirement for UC to provide annual updates on Office of the President programs and systemwide initiatives, which has never been required before and was a notable problem identified by the audit. Finally, the Subcommittee is responding to concerns about pay equity for UC's service workers by requiring more transparency around employee compensation and benefits.

- ***Supports research and other programs addressing some of the state's most pressing problems.*** The Subcommittee this year has received several requests to create or expand research programs, including:
 - Opioid research. State funding would allow research into non-opioid pain management and the development of non-opioid pain medications. Additionally, state funding could help the state access \$500 million in federal funds available for this type of research.
 - Valley Fever research. Valley Fever is a disease of the lung caused by a fungus found in the soil. Agricultural communities are particularly vulnerable to Valley Fever outbreaks. More than 7,000 cases were reported in 2017, and UC has several campuses involved in researching this problem. State funding would allow further research into this issue.
 - Sugar research. Significant research into the impacts of sugary drinks has led to key changes in U.S. dietary guidelines. There has been far less research, however, into the impacts of sugar in solid food. Funding could be used to conduct a study into whether sugar in liquid form causes more detrimental health effects than sugar in solid food.
 - Gun research. The 2016 Budget Act provided one-time funding to help launch the University of California Firearm Violence Research Center. The center was founded in part due to the lack of federal funding for gun research. The center's initial projects are providing foundational information on the distribution of and risks for firearm violence in California and the consequences of exposure to firearm violence. Additional work is examining the effectiveness of several current and potential interventions. An additional \$2 million in one-time funding could help the center hire temporary staff and carry out further research.
 - Aggie Square. UC Davis recently announced plans to develop Aggie Square on the campus of UC Davis Medical Center in Sacramento. Aggie Square could include incubator or accelerator space, collaborative space for research, and academic programs, including undergraduate programs that would allow for more enrollment growth. About \$2.8 million in one-time funding would assist the campus' effort to plan the new project.
 - Medical School Postbaccalaureate Program. Since 1986, UC medical schools have operated postbaccalaureate programs that typically support underrepresented minority students seeking to enter medical school. Ongoing funding would support an expansion of this program.

Addresses UC's unfunded pension liability. UC reports an \$11 billion unfunded liability in the UC Retirement Plan (UCRP). In previous budgets, the State has used Proposition 2 funding to address this issue, providing UC with nearly \$500 million over a three-year period. The Subcommittee action would provide \$120 million in Proposition 2 funding, but only on the condition that UC drop efforts to steer represented employees

into a defined contribution system, which will further undermine UCRP by reducing paying members.

Continues support for student hunger and basic needs issues. The 2017 Budget Act provided all three campuses with one-time funding to create "Hunger-Free Campuses" by opening free food pantries, supporting students in applying for federal food aid through the CalFresh program, and creating programs that allow students to donate unused funding from student meal plans. The funding helped spur significant action at many campuses to address growing food and housing insecurity among needy students: all UC and CSU campuses, and 92 community colleges, now have food pantries; all CSU campuses have a student basic needs task force and 8 UC campuses have a basic needs center; and more than 5,000 UC and CSU students were entered into the CalFresh program. The Subcommittee action supports an expansion of this work and requires campuses to report on their activities and outcomes in supporting low-income students. In addition, the Subcommittee action would create a working group of higher education, county and Department of Social Services representatives to develop strategies to improve coordination and ensure students receive benefits they are entitled to.

Continues support for equal employment opportunity activities. The 2016 and 2017 Budget Acts provided funding to both UC and CSU to conduct equal employment opportunity activities. UC has distributed funding to specific departments at campuses that were interested in these activities and were engaged in significant faculty hiring. UC reports to the Legislature have indicated the funding has helped widen the applicant pool. The Subcommittee action continues this important work.

Staff notes that Subcommittee No. 4 on State Administration will take action on the Administration's deferred maintenance May Revision proposal.

Staff Recommendation: Approve the following UC Budget Package:

- 1. Approve Governor's Budget proposal to increase UC funding by \$92.1 million General Fund.**
- 2. Increase UC ongoing funding by \$117.5 million General Fund above the Governor's Budget.**
- 3. Include budget bill language stating that UC will enroll 2,000 new California undergraduates and 500 new graduate students in the 2018-19 academic year, and 2,500 new California students in the 2019-20 academic year. Should UC fail to achieve these enrollment targets, funding will be reduced by \$10,000 per student below these targets.**
- 4. Include placeholder budget bill language stating that \$12.5 million General Fund is available to campuses to support over-enrollment and the following language: "It is the intent of the Legislature that by May 1, 2019 the UC shall review expenditures and distribute existing resources to support currently enrolled students in order to provide adequate resources to ensure student success. Funds identified shall be made available to address resident undergraduate enrollment that exceeded the enrollment provisions specified in the Budget Acts of 2015, 2016, and 2017."**
- 5. Approve the May Revision proposal to reduce the Office of the President budget by \$8.6 million and move the same funding to the campus appropriation to support 2018-19 enrollment growth.**
- 6. Approve the May Revision proposal to include budget bill language allowing the Director of Finance to reduce funding for UC if the UC Board of Regents approve a tuition increase for the 2018-19 academic year.**
- 7. Approve budget bill language stating that \$50 million General Fund will be withheld from UC until UC provides evidence to the Department of Finance by May 1, 2019 that it has completed actions by April 2019 directed by the California State Auditor in its audit report regarding the University of California Office of the President.**
- 8. Approve the May Revision proposal to amend the UC Path item to allow a supplemental campus assessment of no more than \$15.3 million upon approval by the Director of Finance and the Joint Legislative Budget Committee. Add language stating that campuses shall only use state funding to support the portion of this additional funding that benefits state-funded programs and activities.**
- 9. Provide \$120 million one-time Proposition 2 funding to support UC's unfunded pension liability. Approve budget bill language stating that this funding shall only be available if UC rescinds the defined contribution pension option for represented workers.**
- 10. Approve placeholder trailer bill language requiring UC to annually report on systemwide programs and initiatives, including costs, sources of revenue, activities and outcomes.**
- 11. Approve placeholder trailer bill language requiring UC to post employee data, including an employee's work classification, demographic information, total**

compensation, and total hours worked in a year, without publishing the employee's name. This data would include UC employees and contractors working under a service contract.

12. Provide \$5 million one-time General Fund to support campus-based activities related to student hunger and basic needs. Adopt placeholder trailer bill language requiring campuses to collect input and outcomes data to receive funding and requiring UC to report to the Legislature by Jan. 1, 2019 on uses of this funding and outcomes. Also adopt placeholder trailer bill language creating a working group of higher education, county and state representatives to develop strategies to improve coordination and ensure students receive benefits they are entitled to.

13. Provide \$2 million one-time General Fund to support equal employment opportunity practices. Adopt budget bill language stating the funding should be distributed to selected departments on campuses seeking to create or expand equal employment opportunity programs and require a report to the Legislature by Dec. 1, 2017 that describes the proposed uses of these funds and includes the number of ladder-rank faculty, disaggregated by race, ethnicity, and gender.

14. Provide \$2.8 M one-time General Fund for UC Davis Aggie Square satellite campus planning.

15. Provide \$3 M one-time General Fund for Valley Fever research.

16. Provide \$10 M one-time General Fund for opioid research.

17. Provide \$7.5 million one-time General Fund for sugar research.

18. Provide \$2 million one-time General Fund for gun research.

19. Provide \$600,000 General Fund to support the Medical School Postbaccalaureate Program.

20. Approve the May Revision proposal providing \$1.2 million one-time General Fund for anti-bias training.

21. Approve the May Revision proposal providing \$1 million General Fund for the Institute on Global Conflict and Cooperation.
