The Governor identifies an overall budget gap of $15.7 billion, which is $6.5 billion higher than the assumptions in his January state budget. The May Revise includes proposals to further reduce health and social services and increases trigger cuts in the event the Governor’s revenue-raising initiative on the November ballot does not pass. The Governor largely protected education and higher education, recommending only minor changes to those budgets despite the size of the budget gap.

For UC, the Governor proposes to reduce the $90 million proposed in January for UCRP to $52 million with an indication that the Administration will propose another $38 million in the 2013-14 state budget to fully fund this item over two years. The $52 million is comparable to the amount the state will provide CSU for its retirement benefits in 2012-13. In addition, the $200 million mid-year trigger reduction proposed for implementation if the revenue initiative on the November ballot fails will now be $250 million for UC (and CSU). There are no additional cuts proposed to UC’s budget.

The Governor will continue to support deleting the earmarks in the budget bill and other changes in the budget designed to provide UC with more flexibility. The administration also will continue to support a multi-year funding agreement, but addressing this in the legislature is likely to wait until after the 2012-13 budget process is completed.

In the case of Cal Grants, the Administration is making two major new proposals. The first changes the threshold associated with two metrics higher education institutions will be required to meet to have their students qualify for Cal Grants, reducing the "cohort default rate" from 30 to 15 percent and adding a requirement for maintaining a graduation rate of 30 percent. Any higher education entity that doesn't meet either standard will be ineligible for the Cal Grant program at an anticipated cost savings of $43 million. This proposal is not likely to impact UC. The second recommendation would make changes for new students seeking Cal Grants in 2013-14 by aligning award levels with the Pell Grant methodology for determining need. Currently, Cal Grants provide full coverage of tuition and fees regardless of which institution a student attends and regardless of the level of need (although there is a cap on the amount provided to students who attend private institutions). The Governor is assuming a $43 million savings in 2013-14 and a total $250 million savings over a 4 year period related to this proposal.

The University is extremely grateful to the Governor for his continued support and the signal this budget sends that higher education is a high priority.

May 14, 2012