

**\*Revised\***

**Additions shown by underscoring; deletions shown by strikethrough**

**F2**

**Office of the President**

**TO MEMBERS OF THE COMMITTEE ON FINANCE:**

**ACTION ITEM**

*For Meeting of July 18, 2012*

**RESOLUTION TO ENDORSE THE STATE'S ACTIONS RELATING TO THE UNIVERSITY OF CALIFORNIA'S 2012-13 BUDGET, NO INCREASE IN MANDATORY SYSTEMWIDE STUDENT CHARGES IN 2012-13, AND THE SCHOOLS AND LOCAL PUBLIC SAFETY PROTECTION ACT OF 2012 ON THE NOVEMBER BALLOT**

**RECOMMENDATION**

The President recommends that the Committee on Finance recommend that the Regents adopt the *Resolution to Endorse the State's Actions Relating to the University of California's 2012-13 Budget, No Increase in Mandatory Systemwide Student Charges in 2012-13, and The Schools and Local Public Safety Protection Act of 2012 on the November Ballot*, as shown in Attachment 1.

**BACKGROUND**

As noted in item F1, *Update on the University's 2012-13 Budget and Long Term Budget Model*, the 2012-13 State budget for UC includes an augmentation of \$105.9 million, including nearly \$89.1 million for employer contributions to the UC retirement system, \$5.2 million for annuitant health benefits, and \$11.6 million for lease revenue bond debt service payments.

The budget package adopted by the Governor and the Legislature also includes a provision calling for UC to receive another \$125.4 million in 2013-14 if the Governor's revenue-raising initiative, *The Schools and Local Public Safety Protection Act of 2012* (Attorney General reference number 12-0009), on the November ballot is enacted *and* if the University does not increase mandatory systemwide ~~tuition and fee increases~~ student charges for 2012-13. Mandatory systemwide student charges consist of Tuition and the Student Services Fee. It is clear the Governor and the Legislature have an interest in curbing the rapid rise in tuition and fees experienced by students and their parents during this fiscal crisis. While these tuition and fee increases have been regrettable, they have been necessary in order to address a little more than one-third of the University's budget gap since this most recent fiscal crisis started in 2008-09. The remainder of the budget gap is being addressed through aggressive actions to implement efficiencies, avoid costs, consolidate and eliminate programs, and raise new revenue. Over 180 programs have been eliminated or consolidated with others for an estimated savings of \$116

million. At least 4,200 staff have been laid off and more than 9,500 faculty and staff positions have been left unfilled or eliminated.<sup>1</sup>

Given the State's \$15.7 billion budget gap, the augmentations in the 2012-13 State budget are welcome news for the University and an indication of the priority being placed by the State on maintaining funding for UC. The University is very grateful to the Governor and the Legislature for their support, and particularly on behalf of UC students and their parents, the University thanks the Governor and the Legislature for their efforts to keep tuition and fees from rising again in 2012-13. This was a major victory for the University and students, who advocated strongly for this outcome, and it again demonstrates the high priority the Governor and the Legislature have placed on UC in 2012-13.

Until now, the combined effects of the State's ongoing structural deficit and the "great recession" have crippled California's ability to address pressing financial needs of the State, including those of the University of California. The ongoing State structural deficit has led to draconian reductions in State funding levels to the University for the last four years. It is in this context that the Governor has proposed a revenue-raising initiative for the November ballot. The measure, *The Schools and Local Public Safety Protection Act of 2012* (Attorney General reference no. 12-0009), amends the California State Constitution to increase the personal income tax on annual earnings over \$250,000 for seven years, increases sales and use tax by a quarter-cent for four years, and allocates these temporary tax revenues with 89 percent going to K-12 schools and 11 percent going to community colleges. The initiative also guarantees ongoing revenues to local governments for realigned programs.

However, in the event that the Governor's revenue-raising initiative on the November ballot is not approved by the voters, the University will lose the \$125.4 million tuition increase buyout funding and will be slated to receive an additional \$250 million cut.

Even if there were no trigger provision tied to the passage of the initiative, the stakes for UC are very high in terms of the State's ability to address its continuing fiscal problems. While the initiative does not directly dedicate new revenues generated by tax increases to higher education (except for the community colleges), these revenues are necessary to balance the Governor's proposed budget for 2012-13. Further, its passage would help to address the State's structural deficit, free up much-needed State General Fund revenues, and increase the likelihood that the State would, in future years, meet its obligation to funding the University.

Senior representatives of the Governor's administration have stated their intention to conclude a multi-year funding agreement with UC and the California State University which would provide steady increases of six percent per year to the University's base budget for four years, beginning in 2013-14 through 2016-17. This, along with tuition and fee increases of no more than six percent per year, will provide UC with a solid foundation to help meet its minimum obligations with respect to UC Retirement Plan employer contributions, compensation agreements, health benefit costs, non-salary price increases, and other heretofore unfunded cost increases.

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<sup>1</sup> There may be some overlap in these numbers.

This framework, if supported by the Legislature, holds the promise of financial stability and secures the University's ability to plan for the future as opposed to reacting to continuous cuts of State support. It continues the tradition of specifying minimum funding levels critical to ensuring the continuation of programs that are fundamental to the character of this great public research university. More importantly, it is an acknowledgement by the State of California that it will again become a reliable partner with the University of California.

However, stable and consistent State funding for UC cannot be achieved without a stable fiscal situation for the State. The Governor has indicated that a multi-year funding framework is contingent on the passage of his November ballot initiative.

Responding to this larger view of the effects of California's budget constraints on the University, the Academic Senate used its most formal process of communication to submit a Memorial to the President for transmission to the Regents requesting the Regents to support "specific measures that will increase state revenues and specific measures that will prioritize funding for public higher education" (Attachment 2).

Should the Board of Regents act in July to endorse the Governor and Legislature's proposal that there be no tuition increase in 2012-13 on condition that the Governor's initiative is successful, and the Governor's initiative fails to be enacted, then the Board of Regents will revisit this decision. If the initiative fails in November, UC will receive another \$250 million budget cut and the funding for the 2012-13 tuition increase buyout would no longer be available, creating another \$125.4 million gap, for a total shortfall of \$375.4 million. This would bring the total funding cut by the State in a two-year period to \$1 billion, an overwhelming amount in a very short time period. Therefore, it may be necessary to consider a mid-year tuition increase of 20.3 percent effective January 1, 2013, as described in item F1. If that were to occur, mandatory systemwide tuition and fees would rise from \$12,192 in 2011-12 to \$14,670 in 2012-13.

The importance of regaining stability and providing campuses with an ability to plan cannot be overstated. After years of extreme volatility, with proposals to cut UC's budget changing two and three times during a budget year, campuses and UC's students are desperate for predictability and reasonable budget outcomes. Endorsement of the budget package for 2012-13, no tuition and fee increase for 2012-13, and the Governor's revenue initiative hold the highest promise in four years for achieving this goal.

(Attachments)

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**Additions shown by underscoring; deletions shown by strikethrough**

**RESOLUTION TO ENDORSE THE STATE'S ACTIONS RELATING TO  
THE UNIVERSITY OF CALIFORNIA'S 2012-13 BUDGET, NO INCREASE  
IN MANDATORY SYSTEMWIDE STUDENT CHARGES IN 2012-13, AND  
THE SCHOOLS AND LOCAL PUBLIC SAFETY PROTECTION ACT OF 2012  
ON THE NOVEMBER BALLOT**

**WHEREAS**, the State of California has experienced a prolonged period of financial difficulty in which nearly \$900 million has been reduced from the University of California budget and funding for an additional \$1.2 billion in mandatory cost increases has not been provided;

**WHEREAS**, the University of California has responded to the loss of State funding by aggressively implementing efficiencies, eliminating redundancies, trimming support services throughout administration, reconfiguring business practices, employing new operational excellence models, and raising more funds from the private sector;

**WHEREAS**, the University has been forced to increase mandatory systemwide tuition and fees by 84 percent since the fiscal crisis began in 2008-09, which has covered only a little more than one-third percent of the total budget gap experienced by the University during this fiscal crisis;

**WHEREAS**, despite the need to close a \$15.7 billion budget gap, the State of California provided UC with augmentations totaling \$105.9 million in 2012-13 and included no further cuts to the University's base budget, after four years of University State budget turmoil;

**WHEREAS**, the State of California has had a long tradition of striving to maintain accessibility, affordability, and quality in its public higher education institutions;

**WHEREAS**, the University is grateful to the Governor and the Legislature for establishing the University as a State priority by including a provision in the 2012-13 State budget to provide the University with \$125.4 million in the 2013-14 budget if The Schools and Local Public Safety Protection Act of 2012 (Attorney General reference number 12-0009) is approved by the voters at the November 6, 2012 election and enacted, and the University of California maintains the 2011-12 mandatory systemwide tuition and fee level for the 2012-13 academic year;

**WHEREAS**, The Schools and Local Public Safety Protection Act of 2012 initiative would temporarily increase the personal income tax on the State's wealthiest taxpayers for seven years and increase the sales tax by one-quarter of one percent for four years to generate an estimated \$8.5 billion annually;

**WHEREAS**, the State General Funds freed up for discretionary State programs by this measure that otherwise would be needed to Fund Proposition 98 and local public safety will allow the State to help address its ongoing structural deficit;

~~**WHEREAS**, the University of California is in the discretionary part of the State's budget and stands to benefit by the increase in discretionary State General Funds if The Schools and Local Public Safety Protection Act of 2012 passes;~~

**WHEREAS**, the 2012-13 budget plan for the University of California adopted by the Legislature and signed by the Governor is conditioned on passage of The Schools and Local Public Safety Protection Act of 2012;

**WHEREAS**, if the Governor's initiative fails passage in November, the University of California budget will be reduced by another \$250 million and the \$125.4 million backfill for no 2012-13 tuition increase will be lost, for a total budget gap of \$375.4 million;

**WHEREAS**, the Academic Senate has voted 3,149 to 224 to send to the President for transmission to the Regents a Memorial University of California Assembly of the Academic Senate approved a Memorial calling on The Regents to support specific measures that will increase State revenues and/or prioritize funding for public higher education, and the Academic Council and the University of California Student Association have subsequently voted to urge the Board of Regents to endorse the Governor's revenue-raising initiative;

**WHEREAS**, the ability of the University of California to ensure the high-quality education that Californians have come to expect will be jeopardized if the State is unable to adequately fund UC's core mission;

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Regents undertakes the following actions:

- ~~1. Endorses the 2012-13 budget plan for the University adopted by the Legislature and signed by the Governor;~~
- ~~2. Directs that no increase in mandatory systemwide student charges in 2012-13 become effective unless The Schools and Local Public Safety Protection Act of 2012 fails to pass in November of 2012; and~~
- ~~3. Endorses and recommends passage of The Schools and Local Public Safety Protection Act of 2012.~~
1. Endorses the 2012-13 budget plan for the University of California adopted by the Legislature and signed by the Governor and passage of The Schools and Local Public Safety Protection Act of 2012; and
2. Directs that no increase in mandatory systemwide student charges in 2012-13 become effective unless The Schools and Local Public Safety Protection Act of 2012 fails to pass in November 2012 or the University otherwise does not receive the funding as approved in the 2012-13 State budget.

## UNIVERSITY OF CALIFORNIA, ACADEMIC SENATE

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SANTA BARBARA • SANTA CRUZ

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April 30, 2012

PRESIDENT MARK G. YUDOF

**Re: Senate Memorial Voting Results**

Dear Mark,

As you will recall, at its February 15, 2012 meeting, the Assembly of the Academic Senate voted in favor of initiating a Memorial to The Regents in accordance with [Academic Senate Bylaw 90](#) requesting that they authorize public advocacy “in support of specific measures that will increase state revenues and specific measures that will prioritize funding for public higher education.” The ballot on the following page was soon thereafter submitted to a mail vote of all Academic Senate members. Balloting concluded on April 20.

At the April 25 meeting of the Academic Council, I announced that the Academic Senate Faculty had voted overwhelmingly in favor of the Proposed Memorial. Of the 3404 members who voted, 93% voted in favor of the Memorial. Therefore, as directed by Academic Senate Bylaw 90, and in accordance with [Standing Order of the Regents 105.2e](#), I am forwarding to you for submission to the Regents the Memorial along with a tabulation of the votes cast.

Sincerely,

A handwritten signature in blue ink that appears to read "Bob".

Robert M. Anderson

Cc: Executive Vice President Dooley  
Chairs of Senate Divisions  
Chairs of Senate Committees  
Members of the Assembly  
Executive Director Winnacker

Encl.



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University of California  
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March 2, 2012

## MEMBERS OF THE ACADEMIC SENATE

Dear Colleagues:

The Academic Senate is conducting a systemwide mail ballot vote on a proposed Memorial to the Regents of the University of California asking the Regents to endorse ballot measures and or legislation that increase revenues to the state and prioritize funding for higher education.

Disposition of this proposed Memorial is determined by a simple majority of those Senate members voting. **PLEASE VOTE.**

Enclosed you will find a ballot and associated written materials that will allow you to participate in this vote. The following materials are included:

1. Background information on the issue and the Memorial
2. Argument for and against the Memorial
3. The Memorial ballot

For divisions that conduct the vote electronically, the electronic ballot must be cast and verified by **the date and time specified on the electronic ballot**. Similarly, for divisions that conduct the vote by mail, the paper ballot, properly marked, signed and sealed must be received in your divisional Academic Senate Office **by the date and time specified on your ballot**.

Sincerely,

Handwritten signature of Robert Anderson in cursive.

Robert Anderson, Chair  
Academic Senate

Handwritten signature of Jean Olson in cursive.

Jean Olson, Secretary/Parliamentarian  
Assembly of the Academic Senate

**PROPOSED MEMORIAL TO THE REGENTS  
INCREASED STATE SUPPORT FOR THE UNIVERSITY**

**DESCRIPTION**

Senate Bylaw 90.B. authorizes the Assembly to initiate “Memorials to the Regents on matters of Universitywide concern to be submitted to The Regents through the President . . .” The Memorial would request the Regents to endorse specific ballot measures or legislation that would increase revenue to the state and/or prioritize state allocation of funds to the University.

A vote in favor is a vote to send the “Memorial to the Regents” to the President and ask him to transmit the Memorial to the Regents. A vote against is a vote to not send the “Memorial to the Regents” to the President.

**PROCEDURAL HISTORY**

At a meeting on February 1, 2012, the Academic Council approved (14 in favor, 1 against) a motion to ask the Assembly to initiate a Memorial to the Regents that would request the Regents to endorse ballot measures or legislation that would increase revenue to the state and/or prioritize state investment in the University.

The proposal was placed on the agenda for the Assembly’s February 15 meeting as Item VII.B.2 and included in the Call to Meeting, together with the proposed text and arguments for and against, as required by Bylaw 90.B. Substitute language, which was circulated to the members of the Assembly prior to the meeting and posted on the Senate website as an accompaniment to the Call to Meeting, was proposed and adopted as an amendment. After debate and further amendments, the Assembly voted (47 in favor, 12 against) to distribute a ballot to all Senate faculty members in accordance with the procedures stipulated in Senate Bylaws 90 and 95.



## **MEMORIAL TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA**

WHEREAS the series of budget cuts that began at the onset of the Great Recession has reduced total state funding to the University of California by 25% since 2008-09, continuing the two decade long trend of defunding higher education by the State;

WHEREAS diminishing support for the University is directly related to falling State revenues and the decreasing fraction of the State's budget allocated to higher education;

WHEREAS during this period California undergraduate resident students have suffered an 80% increase in tuition and are for the first time paying a higher proportion of the cost of their education than that supported by the State;

WHEREAS the university system provides intrinsic critical public benefit to all Californians by offering education to all qualified California residents;

WHEREAS increasingly damaging budgets have produced a downward spiral that threatens the survival of the University as the leading public university in the world as it experiences higher student-faculty ratios, larger class sizes, reduced depth and breadth in course offerings, staff layoffs, and lack of investment in infrastructure;

WHEREAS the faculty are prepared to advocate publicly, consistently, and forcefully for the future of the University,

**THEREFORE BE IT RESOLVED**

That the faculty of the Academic Senate call on The Regents of the University to support specific ballot measures and legislation that will increase state revenues and/or specific ballot measures and legislation that will prioritize funding for public higher education.

## ARGUMENT IN FAVOR OF MEMORIAL TO THE REGENTS

The University's current fiscal situation is dire as a result of drastic declines in state investment. Despite an increase of over 50% in student enrollment since 1990-91, state support has increased by only \$140 million, just over 5%, in non-inflation adjusted dollars. In adjusted dollars, state support per student has dropped from \$16,720 per student in 1990-91 to \$6,770 per student in 2011-12. UC's total expenditure per student has declined 19% over that same period from \$21,370 in 1990-91 to \$17,390 in 2011-12; fee increases have only partially offset the loss in state funding. At the same time, the student share of the cost has nearly quadrupled: in 1990-91, students paid 13% of the cost of their education; in 2011-12, students paid 49% of the cost of their education.

To preserve access for low-income students in the face of rapidly rising fees, UC has dedicated a third of the tuition it receives to financial aid. In other words, one-third of tuition revenue supports accessibility rather than providing instruction. Without a reliable revenue stream from the state, the University will necessarily come to rely increasingly on payments by those who can afford them, thereby reducing its ability to serve all academically qualified California students regardless of their financial resources.

The state's two-decade withdrawal of support from the University has been the result, above all, of a series of sharp declines in state revenue, accompanied by increased spending in other areas, notably prisons. Unless the state is able to project sustainable and consistent increases in revenues, and prioritize higher education in its funding decisions, it will not be able to provide the funding needed to maintain UC as the greatest public university system in the world. The political deadlock in the legislature makes it impossible to enact revenue enhancing measures through the normal legislative process and forces advocates for such measures to resort to ballot propositions.

Most Assembly members who argued against submitting the proposed Memorial expressed concern that it might not garner enough votes to be a strong statement. These individuals did not advocate that Senate members vote against the Memorial.

By asking the Regents to support ballot measures or legislation to increase state revenue and prioritize investment in the University, the Senate will signal that it does not accept the view that loss of state support is inevitable.

By law and University policy, only the Regents may take a position on behalf of the University in support of a specific ballot measure. (*See* <http://www.ucop.edu/state/advocacy/ballotguidelines.html>.) When faculty and members of the public campaign as individual citizens in support of revenue enhancing ballot measures, their message that such a measure is essential for the University will gain credibility and force if they are able to point to a statement by the Regents that a specified ballot measure would benefit the University.

Moreover, calling on the Regents to endorse measures to enhance state revenues and to prioritize higher education will place the Senate on record in solidarity with current and

future students in seeking solutions to California's and the University's budget crisis.

### **ARGUMENT AGAINST MEMORIAL TO THE REGENTS**

The priority of the faculty is the teaching, research and service missions of the University of California, not political advocacy.

Although faculty do not give up their rights as private citizens to campaign for political causes, they should not attempt to involve the University in their private efforts. The political environment is in rapid flux, and it would be a mistake for the Regents to bind themselves to support any one among several potentially competing revenue enhancement measures.

There is no guarantee that any measure placed on the ballot will be constructed in a way that benefits the University. Proposals reportedly under consideration do not appear to provide adequate guarantees of long-term funding for the University.

The constraints on University advocacy in support of a ballot measure (<http://www.ucop.edu/state/advocacy/ballotguidelines.html>) are so severe that there is little to gain from Regental support of a ballot measure.

## Memorial To The Regents - Voting Results

Division	Yes votes	No Votes	Invalid Ballots	Total Number of Valid Votes
Berkeley	370	37	15	407 <i>"Invalid" ballots were blank</i>
Davis	400	35	0	435
Irvine	476	24	0	500
Los Angeles	50	5	0	55
Merced	55	2	0	57
Riverside	295	18	3	313
San Diego	490	46	13	536
San Francisco	204	18	0	222
Santa Barbara	431	19	0	450
Santa Cruz	378	20	0	398
<b>TOTAL</b>	<b>3149</b>	<b>224</b>	<b>31</b>	<b>3373</b>
<b>Percents</b>	<b>93%</b>	<b>7%</b>	<b>0.01%</b>	<b>100%</b>