

The Annual State Budget Process

The process for acquiring State funds is based on analysis, consultation, and negotiation in a political context. Four major phases occur before funds can be allocated to the campuses:

1. Preparation and Approval of The Regents' Budget

The University's Vice President for Budget consults with internal groups to discuss likely funding issues and to establish the University's budget priorities. The primary groups consulted include Chancellors, Vice Chancellors, Vice Presidents, the Academic Senate (Academic Council and University Committee on Planning and Budget—UCPB), the Executive Budget Committee, and student groups. Consultation is ongoing throughout the year, although some discussions are coordinated with certain events, such as the publication of the Governor's Budget in January.

Consultation is iterative and positions evolve as more is known about the funding climate and the potential revenues.

A major consideration in developing the Regents' Budget is the outcome of the "current year" budget act, signed on or about July 1. Agreements made during one year's budget process help set the stage for the coming year's priorities.

Campuses also provide pertinent data to develop an analytical basis for proposed funding increases (e.g., estimates of projected enrollments and the addition of new space).

The Regents review the Budget at their October meeting, and are asked to approve the expenditure plan in November.

2. Preparation and Publication of the Governor's Budget

The Governor prepares the budget for the State of California. The University President and Vice President for Budget participate in conversations with the Governor and Department of Finance (DOF) in the months preceding January publication of the Governor's budget to discuss University priorities for funding.

The Governor's Budget is transmitted to the Legislature in January, starting the Legislative process (see below). The Regents may choose to modify UC's proposed expenditure plan based on the Governor's Budget, or may be asked to take specific actions (e.g., approval of fees). In May, when revised revenue forecasts are available, the Governor issues a revised budget plan (the "May Revise") consistent with updated estimates of revenue.

The Governor's Budget is important. It sets the basic premises for Legislative discussion, and experience has shown that the University is more likely to receive funding if its proposals are included in the budget proposed by the Governor. Also because California's Governor has line-item veto authority at the end of the budget process, it is important to acquire the Governor's support.

3. Legislative Budget Process

The introduction of the Governor's Budget to the Legislature starts a six-month Legislative budget process, with a constitutional requirement that a Budget Act be in place by June 30.

- Major components of the Legislative budget process are:

Introduction of the Budget as a bill in both houses of the Legislature

- An "Analysis of the Budget Bill of the State of California" prepared by the Legislative Analyst's Office (LAO) in February. The LAO recommendations provide the principal agenda for budget hearings.
- Hearings in the Assembly and Senate budget subcommittees. The University makes many appearances before subcommittees explaining its position and responding to issues that are raised.
- Subcommittees review and take action on the revised revenue forecasts and budget proposals in the May Revise, which may alter the direction of the budget hearings if, for example, it appears that tax revenues will differ significantly from the estimates on which the Governor's Budget was based.
- Budget actions that are different in the two houses are resolved by the Joint Legislative Budget Committee conference committee).

When completed, the Budget includes appropriations, i.e., the level of funding, and Budget Bill language, which stipulates the conditions of spending the funds. In addition, the conference committee approves Supplemental Language, which is not part of the Budget Bill itself, but which is a statement of the Legislature's intent about how some of the funds should be spent. Recent examples of supplemental language include expectations of annual reporting on the University's progress toward meeting specified goals, such as increasing the amount of time faculty spend teaching, or increasing the number of primary care physicians being educated. Finally, there are budget trailer bills, which include the statutory changes that are necessary to implement the budget. In a recent example, changes were made to the governance structure of the Subject Matter Projects.

4. Signing the Budget

The California constitution requires the Budget to be passed by the Legislature and sent to the Governor no later than June 15. Once the Budget is passed by a majority vote in each house, the Governor can reduce or veto ("blue pencil") specific items, although a two-thirds vote of the Legislature could restore these cuts. The Governor is not permitted to increase funding or to add items.

The University's role in the Legislative process requires intensive involvement: presenting and making understood the University's priorities; responding to requests for supporting information; strategizing during the inevitable Legislative conflicts arising from competing priorities in order to obtain the best outcome for the University. The process is strictly coordinated through the Office of the President because speaking with one voice preserves the University's long-term credibility and effectiveness.