

2025-26 May Revision Budget Proposal: University of California Funding

STATE BUDGET CONTEXT

California's budget deficit has grown by \$12 billion since the January budget introduction due to lower than anticipated revenues and higher than expected program costs. The January budget introduction was crafted to address a \$28.6 billion budget shortfall, in part through an anticipated \$16.5 billion in new revenues. Because those revenues have not materialized and the budget shortfall has grown, Gov. Gavin Newsom proposed additional state cuts to programs, revenue generation strategies, and internal borrowing.

The Governor's May Revision of the state budget – also known as the May Revise – includes:

- \$321.9 billion in State expenditures (a decrease of \$300 million in overall state expenditures from the January budget proposal)
 - \$226.4 billion are State General Funds
 - \$88.9 billion are special funds
 - \$6.5 billion are bond funds
- \$7.1 billion in state reserves to be used to cover budget shortfalls

In addition to the increased budget shortfall for 2025-26, the state's Legislative Analyst's Office is projecting a \$21 billion shortfall for the 2026-27 fiscal year.

MAY REVISE: UC IMPACT

Gov. Newsom proposed to reduce the 8 percent cut to UC that was included in his January budget proposal to 3 percent. This is a significant improvement and a testament to the Governor's strong support for the University's mission and our students, particularly during a challenging budget year.

Overall, the Governor's May Revise:

- Provides over \$4.85 billion in State General Funds to the University of California
- Proposes to reduce the University's funding by \$129.7 million on an ongoing basis, rather than the previously proposed \$396.6 million reduction.
- Because of additional changes included in the May Revise, the University's actual funding will be essentially flat compared to the previous year, with a net \$8.3 million less in State General Funds available for 2025-26.
- Defers the University's Compact funding from 2025-26 to 2026-27.

OTHER HIGHLIGHTS

- **Nonresident enrollment:** The budget compact established between UC and the Governor in 2022 requires that UC Berkeley, UCLA, and UC San Diego replace undergraduate nonresident students with California undergraduates until those campuses' undergraduate nonresident levels reach 18 percent or less. All three campuses have exceeded these replacement targets every year since the compact was signed. In recognition of this, the May Revise includes language that would allow these overages to be counted toward campuses' 2025-26 nonresident replacement targets.
- **Student housing:** In the 2023-24 fiscal year, UC received State General Funds to cover bond debt financing for affordable student housing projects. These funds allowed the University to pay for five student housing projects that will offer a combined 2,388 new beds to UC students. The University was able to sell the bonds at a competitive rate, which resulted in savings from the original appropriation. The Governor's May Revise approves using these savings for an additional affordable student housing project at UC Davis. However, the May Revise also withdrew \$3.6 million in bond savings from the University, rather than allowing those funds to be used for new student housing projects on other campuses.
- **Capital Outlay:** As part of the 2025-26 UC Budget for Current Operations, the Board of Regents requested \$1.36 billion in one-time State General Funds for capital outlay. Due to the state budget shortfall, this request is not being considered. UC is now advocating to be included in two separate pending bond measures on housing – AB 736 (Wicks) and SB 417 (Cabaldon) – and one higher education facilities bond – AB 48 (Alvarez). If passed by the Legislature, these bond measures are expected to be on the ballot in 2026.
- **Research support:** The University is also supporting SB 829 (Wiener), which would create a new California Institute for Scientific Research Fund that could assist the University's researchers if/when federal funds are decreased.
- **One-time funds:** The Governor's May Revise provides \$1.8 million in one-time State General Funds for the First Star program, which provides college preparation support to foster youth with the goal of increasing their college-going rates.

UC ADVOCACY EFFORTS

UC staff, faculty, students, and alumni are some of our best advocates! **Join us in speaking out on behalf of UC in Sacramento and Washington, D.C. through the [UC Advocacy Network](#).** We make it quick and easy to contact your elected officials about issues of importance to you and to the university.