Summary

Current process and treatment:
- Under the current process, campuses record Educational Fee revenue in fund 20095 and return all Educational Fee funds to UCOP.
- The financial aid portion of Educational Fee revenue is budgeted and expended as 20095 funds.
- Expenditure budgets for the non-financial aid portion of this revenue are recorded as 19900, and at year-end, campuses transfer a pro-rated amount of expenditures to 20095.

Future (changes only) process and treatment:
- Campuses will retain Educational Fee revenue locally.
- Campuses will budget all Educational Fee revenue in fund number 20095, based on projected revenue.
- Campuses will reduce budgeted revenue in general funds by an offsetting amount specified by UCOP. The proposed amount is approximately $159.4 M, about 34% of the permanent general funds budget.
- Campuses have a choice between budgeting and expending revenue on fund 20095 or continuing to expend on general fund and pro-rate expenditures at year-end.

Current Funds Flow

 Increases in Educational Fee revenue are derived in two ways: through student enrollment growth and through increases in the level of the Educational Fee.
- A portion of revenue from both sources is set aside for student financial aid. The amounts currently set aside are 33% of the undergraduate Educational Fee, 50% of the graduate academic Educational Fee, and 33% of the professional school fee. These funds are then allocated to campuses for student financial aid according to principles associated with the University’s undergraduate and graduate financial aid programs.
- The remaining Educational Fee revenue derived from enrollment growth is allocated to the source campuses in proportion to the number of new FTE students enrolled at the campus.
- The remaining amount of Educational Fee revenue derived from increases in the fee level is allocated according to the priorities approved by the Regents in the annual budget, including augmentations to the General Funds budgets and special initiatives.

Local Resource Allocation Process

Current allocation of revenue and budget:

Revenue
- Revenue is collected by the campus and is transferred to UCOP during year-end fiscal closing process.
- Funding for student financial aid is returned to campus by UCOP in fund 20095.

Budget
- The portion of Educational Fee revenue set aside for student financial aid is allocated permanently as fund 20095. UCOP provides the incremental campus allocation. The Campus Budget Office adjusts the permanent budget for student financial aid allocations.
- The remaining Educational Fee revenue is allocated permanently to campus by UCOP as general funds for enrollment growth, salary increases, and general price increase on an incremental basis. Incremental permanent funding is received from UCOP as part of the annual resource allocations. The Campus Budget Committee approves the methodologies for allocating enrollment growth funds to vice chancellor areas and other campus units. The Campus Budget Office manages the funding received for salary and benefits.

- UCOP will sometimes allocate funding on a one-time basis for student enrollment that is above the established budget targets. The Campus Budget Office makes recommendations to the Campus Budget Committee regarding allocation of these funds. The Chancellor makes the final decision regarding allocation of these funds.

- Expenditures
  - At the end of each fiscal year, General Accounting prorates expenditures according to guidelines provided by UCOP, reducing the general funds expenditures and recording expenditures on fund 20095.

Central Campus Processes

Annual revenue estimates for budgeting purposes. Campuses are supposed to permanently budget projected increases in revenue.

- Establish permanent budget based on projected total revenue. Attachment 1 shows projected fee revenue for five years. The 10/11 Educational Fee revenue for budgeted student FTE, excluding fees for EAP students (294 students, $2.7 M in revenue), is approximately $244.2 M:
  - $159.4 M for the non-financial aid portion of fees (swapped from 19900A),
  - $83.3 M for student financial aid (currently budgeted), and
  - $1.5 M for the Kashmiri assessment portion of fees (so that campuses can cover the assessment costs).

- UCOP will continue to provide the campuses with the budget targets for student financial aid.
- CBO is responsible for recording permanent increases and decreases on an annual basis.

Known or Potential Issues Identified

- Need to determine what office is responsible for annually reconciling permanent budget to actual receipts.
  - Options: Campus Budget Office, General Accounting
- Additional guidance from UCOP is needed regarding the payment of fee revenue to UCOP for EAP students.
- Additional guidance from UCOP is needed regarding payment of the annual Kashmiri assessment.
- Campuses must decide between directly expending all funds in 20095 or continuing to transfer a pro-ration of expenditures to the fund at year-end.

Recommendation

The campus should budget and expend all Educational Fee revenue in fund 20095.

PROS:
- Creates more transparency for the campus community and the public regarding the revenue and use of fee funds.
- Reduces use of artificial pro-ration of expenditures in fund 20095.

CONS:
- Requires additional decisions regarding how the funds would be budgeted throughout the campus.
- These decisions would likely require the creation of additional IFOPs to manage the different fund source.
- Changing 19900 to 20095 eliminates reimbursement from central benefits pool – options:
  - Add 20095 to programming for reimbursement from benefits pool
  - Transfer some portion (funded rate?) to swapped budgets
  - Decentralize entire benefits pool


## PROJECTIONS OF EDUCATIONAL FEE REVENUE

### SAN DIEGO

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Projected Educational Fee Revenue</strong></td>
<td>$244,240,068</td>
<td>$262,002,816</td>
<td>$275,035,856</td>
<td>$288,714,096</td>
<td>$303,063,344</td>
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<tr>
<td><strong>Student Financial Aid</strong></td>
<td>$83,278,893</td>
<td>$89,534,983</td>
<td>$94,151,642</td>
<td>$98,996,849</td>
<td>$104,079,746</td>
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<tr>
<td><strong>Kashmiri Adjustment</strong></td>
<td>$1,548,480</td>
<td>$1,548,480</td>
<td>$1,548,480</td>
<td>$1,548,480</td>
<td>$1,548,480</td>
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<tr>
<td><strong>Campus Support</strong></td>
<td>$159,412,695</td>
<td>$170,919,353</td>
<td>$179,335,734</td>
<td>$188,168,767</td>
<td>$197,435,118</td>
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</tbody>
</table>

\[ \text{Net Increase in Campus Support} = \text{Projected Revenue} - \text{Financial Aid} - \text{Kashmiri} \]

### Notes:

1. 10/11 revenue projections were provided by UCOP and are based on budgeted student FTE, excluding EAP student FTE.
2. Fees are projected to increase by 8% for 2011-12, and 5% per year for 2012-13 through 2014-15.
3. Projections are not discounted for various fee waiver programs.
4. Projections do not include revenue due to over-enrollment.
5. Student financial aid increases assume a 33% return-to-aid for undergraduates and professional students and assume a 50% return-to-aid for graduate academic students.
6. Kashmiri adjustment is $60 per student per year.
7. 10/11 support budget base of $159.4 M is included in general funds permanent budget. To be swapped for educational fee fund in 11/12.

### 2010-11 Projected Educational Fee Revenue by Subcampus Where Student Is Enrolled

<table>
<thead>
<tr>
<th>Subcampus</th>
<th>2010-11</th>
</tr>
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<tbody>
<tr>
<td>Academic Affairs</td>
<td>$232,854,852</td>
</tr>
<tr>
<td>Health Sciences</td>
<td>$9,181,104</td>
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<tr>
<td>Marine Sciences</td>
<td>$2,204,112</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>$244,240,068</td>
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</tbody>
</table>


FSIWG - Educational Fee Revenue Projections 3/21/11