CAMPUS OPERATING BUDGET
and
Capital Budget Overview

May 16, 2013
Operating Budget Process

Instructor:

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(858) 534-0502
Operating Budget Process
Session Outline

- Introduction
- UC Budget
  - Process Timeline
  - Context/State Impact
  - Budget Planning: 2013/14
- UCSD Campus Operating Budget
  - Process
  - Revenues and Expenditures
  - Campus Allocations
  - Planning
- UCSD Capital Planning
- Closing Comments
Campus “Budget Line”

https://budgetline.ucsd.edu/
UC Budget

Process Timeline
Context/ State Impact
Budget Planning 2013/14
UC Budget Process Timeline

2012

- Consultation/Visits to Campuses
- Submittal of Regents Budget Tables by Campuses to OP
- Regents Budget Submittal & Approval
- State Department of Finance Review

2013

- Governor's Budget
- Legislative Analyst Review / Re
- Legislative Hearings UC Preliminary Allocations
- Legislature Presents, Governor Blue Lines & Signs Budget
- New 2013/14 Budget Act
- Planning in Progress For Fiscal 2014/15
- Implement Campus Allocations

UCSD Campus Budget Process Typically March - August
2013/14 Governor’s Proposed Budget
General Fund Summary
(Dollars in Millions)

- In 2011, the state faced $20 billion in expected annual gaps.
- Two years later, California is on a more stable fiscal footing due to tough spending cuts and temporary revenues provided by Proposition 30.
- The state’s budget is projected to remain balanced for the foreseeable future.

<table>
<thead>
<tr>
<th></th>
<th>2012/13</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Year Balance</td>
<td>($1,615)</td>
<td>$785</td>
</tr>
<tr>
<td>Revenues and Transfers</td>
<td>$95,394</td>
<td>$98,501</td>
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<tr>
<td>Total Resources Available</td>
<td>$93,779</td>
<td>$99,286</td>
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<tr>
<td>Total Expenditures</td>
<td>$92,994</td>
<td>$97,650</td>
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<tr>
<td>Fund Balance</td>
<td>$785</td>
<td>$1,636</td>
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<tr>
<td>Reserve for Liquidation of Ecumbrances</td>
<td>$618</td>
<td>$618</td>
</tr>
<tr>
<td>Special Fund for Economic Uncertainties</td>
<td>$167</td>
<td>$1,018</td>
</tr>
</tbody>
</table>

Source: 2013/14 Governor’s Budget Summary
State and UC Budget

- Decline in State funding precedes 2008 crisis
- Since 1990 State per student expenditures have dropped 60%
- Over this same period, UC per student expenditures have declined 19%
- In the last decade, UC has experienced 7 years of cuts
- Today, UC relies on the same absolute level of funding as in 1997/98, even though it:
  - Educates 73,000 more students
  - Operates one additional campus
  - Offers many new programs
State Funds and Student Fees

*(Dollars in Billions)*

**Note:** Fee revenue figures include financial aid, but exclude nonresident tuition.

**Source:** UC Budget Presentation to Board of Regents, January 2011.
Since 1990-91, average inflation-adjusted expenditures for educating UC students declined 25%.

The State share of expenditures has declined by more than 65%.

The student share, net of financial aid, has increased by a factor of 3.

Source: UCOP 2013/14 UC Budget for Current Operations
UC & Campus Response
Since 2007/08-10/11

- Over 3,618 layoffs; 3,700 positions unfilled or eliminated
- ~$155M saved from programs consolidated/eliminated
- Academic & administrative units assigned cuts ranging 6-35%
- Enrollment Reduction by 8,000 – 10,000 over four years
- Salary Reduction Plan (2009/10)
- Student Fee Increases & Return to Student Aid
- Continue to pursue goal of achieving $500M in positive fiscal impacts through operational excellence

Other UC Actions:
- Enterprise Risk Management (ERM)
- Liquidity Management
- UC Equipment Maintenance Insurance Program (UCEMIP)
- Statewide Energy Partnership Program
- Purchase Card Program
UC 2012/13 Sources of Funds
Total Operating Budget: $24.1 Billion
(Dollars in Millions)

State Funding = 38% of Core Funds, 9.9% of All Funds

25.8% Core Funds
- Student Fees, $2,981
- UC General Funds, $848
- State General Funds, $2,378

1.7% Other Sources
- Other, $406

7.4% Private Support
- Regent's Endowments, $217
- Private Gifts, Contracts and Grants, $1,616

48.5% Sales, Services & Auxiliaries
- Medical Centers, $6,791
- Auxiliaries & Extension, $1,609
- Clinics & Other Activities, $2,890
- Extramural Activities, $387

16.4% Government Contracts & Grants
- Federal Appropriations & Extramural, $2,766
- State Special & Extramural, $379

Source: UC 2013/14 Budget for Current Operations
Governor Proposed 2013/14
UC State General Fund

- For 2013/14, UC requested:
  - $291M from State
  - Tuition/Fee increases of 6% (PDST, up to 35%) = $185M

- 2012/13 UC State General Fund $2,377M
  - Governor Proposed Budget 2013/14:
    - 2012/13 Tuition/Fee Buy-out 125M
    - Base budget adjustment – 5% (2012/13) 125M
    - Lease purchase revenue bonds 10M
    - Annuitant Health Benefits 6M

  2013/14 UC Operating Total $2,644M
  Transfer of GO bond debt service to UC Base 202M
  Total Proposed UC State General Fund $2,846M

*As recommended in the 2013/14 Governor’s Proposed Budget*
Governor’s January Budget proposes increases for UC in each of next three years:
- 5% in 2014/15
- 4% in 2015/16
- 4% in 2016/17

Not enough to address base mandatory compensation costs on UC State general funds.

Governor not supportive of Tuition & Fee increases.

UC has agreed to NO Tuition & Fee increase in 2013/14, working with DOF on out years.

UC has not made final decision on PDST increases. Proposal went to Regents in March for discussion -- vote in July.

*As recommended in the 2013/14 Governor’s Proposed Budget*
Higher Education Long-Term Funding Plan
UC/CSU Proposal to State

- **Fiscal Stability, Predictability in State Funding**
  - 6% base budget growth
  - Base funding for UCRP
  - Block grant funding, fiscal flexibility
  - Timely implementation of critical UC capital projects
  - UC Merced capital funding

- **Affordability**
  - Modest, predictable, and affordable tuition increases
  - Lessen the pressure for burdensome student loans/debt

- **Student Success**
  - Improve graduation rates, time of completion, transfer students, teaching workload
  - For CCC’s improve successful credit and basic skills course completion
UCSD Campus Operating Budget

Revenues & Expenditures
Budget Process
Campus Allocations
Planning
49% of our revenues are from UCSD Medical Center and Federal Government.

2012/13 UCSD Projected Revenues
Including Medical Center
($Millions)
Total Revenue = $3.44 Billion
Revenues and Expenditures

Operating Expenditures by Major Program
Actual 2008/09 vs. Projected 2012/13

All Funds

2008/09 $2.5 Billion

- UCSD Medical Center 28%
- Research 24%
- Academic Support 8%
- Institutional Support 4%
- Student Services 3%
- Student Financial Aid 5%
- Public Service 1%
- Auxiliaries 4%
- OMP 3%
- Instruction 19%

2012/13 $3.3 Billion

- UCSD Medical Center 29%
- Research 24%
- Academic Support 8%
- Institutional Support 3%
- Student Services 2%
- Student Financial Aid 8%
- Public Service 1%
- Auxiliaries 4%
- OMP 2%
- Instruction 19%

Expenditure by Program - millions

<table>
<thead>
<tr>
<th>Program</th>
<th>2008/09</th>
<th>2012/13</th>
<th>% Change</th>
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<tbody>
<tr>
<td>Instruction</td>
<td>$475</td>
<td>$635</td>
<td>33.6%</td>
</tr>
<tr>
<td>Research</td>
<td>$610</td>
<td>$779</td>
<td>27.6%</td>
</tr>
<tr>
<td>Public Service</td>
<td>$17</td>
<td>$23</td>
<td>35.3%</td>
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<tr>
<td>Academic Support</td>
<td>$201</td>
<td>$268</td>
<td>33.3%</td>
</tr>
<tr>
<td>Student Services</td>
<td>$62</td>
<td>$85</td>
<td>36.4%</td>
</tr>
<tr>
<td>Student Financial Support</td>
<td>$143</td>
<td>$257</td>
<td>79.7%</td>
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<tr>
<td>Institutional Support</td>
<td>$110</td>
<td>$100</td>
<td>-9.5%</td>
</tr>
<tr>
<td>Operations, Maintenance Plant</td>
<td>$69</td>
<td>$69</td>
<td>0.0%</td>
</tr>
<tr>
<td>Auxiliaries</td>
<td>$111</td>
<td>$124</td>
<td>11.7%</td>
</tr>
<tr>
<td>Medical Center</td>
<td>$693</td>
<td>$866</td>
<td>39.4%</td>
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<tr>
<td>Total</td>
<td>$2,482</td>
<td>$3,305</td>
<td>32.6%</td>
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</table>
Core Funds
“Sources”

- **General Funds**
  - State General Educational Appropriation
  - UC General Funds (*Federal/State ICR contributions, App fee, IP, STIP*)

- **Tuition and Fee Funds**
  - Educational Tuition Funds
  - Student Services Fee Funds (*formerly “Registration Fee Funds”*)
  - Non-resident Supplemental Tuition Funds
  - Professional Degree Supplemental Tuition Funds

- **Overhead – Research Indirect Cost Recovery**
  - Off-the-Top Funds
  - Opportunity Funds
  - Educational Funds

- **Overhead – Auxiliary & other Self-Supporting Activity**
  - Administrative overhead Funds
  - Differential Income overhead Funds
Revenues and Expenditures

Operating Expenditures by Major Program
Actual 2008/09 vs. Projected 2012/13

Core Funds

2008/09
$633.3 Million

2012/13
$814 Million

<table>
<thead>
<tr>
<th>Expenditure by Program - million</th>
<th>Core Funds</th>
<th>All Funds</th>
<th>Core as % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>$287</td>
<td>$473</td>
<td>50.4%</td>
</tr>
<tr>
<td>Research</td>
<td>51</td>
<td>610</td>
<td>8.4%</td>
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<tr>
<td>Public Service</td>
<td>5</td>
<td>17</td>
<td>29.4%</td>
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<tr>
<td>Academic Support</td>
<td>64</td>
<td>201</td>
<td>31.8%</td>
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<td>Student Services</td>
<td>28</td>
<td>62</td>
<td>45.2%</td>
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<td>Student Financial Support</td>
<td>70</td>
<td>143</td>
<td>49.0%</td>
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<tr>
<td>Institutional Support</td>
<td>92</td>
<td>110</td>
<td>83.8%</td>
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<tr>
<td>Operations, Maintenance Plant</td>
<td>56</td>
<td>69</td>
<td>81.2%</td>
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<tr>
<td>Auxillaries</td>
<td>5</td>
<td>111</td>
<td>0.5%</td>
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<tr>
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<td>9</td>
<td>693</td>
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<tr>
<td>Total</td>
<td>$653</td>
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<tr>
<td>Instruction</td>
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<td>$635</td>
<td>52.8%</td>
</tr>
<tr>
<td>Research</td>
<td>55</td>
<td>779</td>
<td>7.1%</td>
</tr>
<tr>
<td>Public Service</td>
<td>7</td>
<td>23</td>
<td>30.4%</td>
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<tr>
<td>Academic Support</td>
<td>85</td>
<td>268</td>
<td>31.7%</td>
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<tr>
<td>Student Services</td>
<td>34</td>
<td>85</td>
<td>40.2%</td>
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<tr>
<td>Student Financial Support</td>
<td>130</td>
<td>257</td>
<td>50.6%</td>
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<tr>
<td>Institutional Support</td>
<td>90</td>
<td>100</td>
<td>50.4%</td>
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<tr>
<td>Operations, Maintenance Plant</td>
<td>69</td>
<td>69</td>
<td>100.0%</td>
</tr>
<tr>
<td>Auxillaries</td>
<td>2</td>
<td>124</td>
<td>1.6%</td>
</tr>
<tr>
<td>Medical Center</td>
<td>7</td>
<td>566</td>
<td>0.7%</td>
</tr>
<tr>
<td>Total</td>
<td>$814</td>
<td>$3,305</td>
<td>24.6%</td>
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State Budget Impact
UC San Diego

State Budget's Multi-Year Cut and Underfunding Impact to UCSD ($ Millions)

<table>
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<tr>
<td>State Budget Reductions (1,2)</td>
<td>$ -</td>
<td>$ (12.0)</td>
<td>$ (20.0)</td>
<td>$ (64.2)</td>
<td>$ (20.0)</td>
<td>$ -</td>
<td>$ (71.4)</td>
<td>$ -</td>
<td>$ (12.8)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ (124.2)</td>
<td>12.9</td>
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<tr>
<td>Mandatory Cost Increases (3)</td>
<td>(12.1)</td>
<td>-</td>
<td>(14.4)</td>
<td>-</td>
<td>(24.1)</td>
<td>-</td>
<td>(27.6)</td>
<td>-</td>
<td>(29.2)</td>
<td>(25.3)</td>
<td>-</td>
<td>(132.7)</td>
<td>28.0</td>
</tr>
<tr>
<td>Total State Funding Shortfall</td>
<td>$ (12.1)</td>
<td>$ (12.0)</td>
<td>$ (34.4)</td>
<td>$ (64.2)</td>
<td>$ (44.1)</td>
<td>$ -</td>
<td>$ (99.0)</td>
<td>$ -</td>
<td>$ (29.1)</td>
<td>$ -</td>
<td>$ 2.7</td>
<td>(216.0)</td>
<td>40.9</td>
</tr>
</tbody>
</table>

1 2013/14 based on Governor’s proposed January budget for UC; UCSD receiving available funds via re-benching model.
2 In 2007/08, UCSD’s State Education Appropriation was $301M.
3 State’s share of mandatory costs for General Fund, Student Service Fee funded personnel that were not funded (including health benefits, faculty merits, bargaining unit negotiations, UCRP; does not include state share of over-enrollment, utility inflation costs).

Tuition and fee income used to address state budget shortfalls.

- Since 2008/09, the State Permanent Budget Shortfall is $216M
- From 2008/09 thru 2013/14, cumulative State budget shortfalls impact the campus by $858M
  - Tuition/Fee Revenue has offset shortfall by $359M
State Budget Impact
UCSD Budget Response

- **2008/09:** One-time $12 million mid-year reduction on VC Unit base budgets.

- **2009/10:** Maintained multi-year approach and responded with a multi-pronged plan:
  - A permanent $20 million base budget reduction on VC budgets
  - Approximately $25 million in one-time salary savings resulting from Regents approved furlough plan
  - One-time internal financing of approximately $43 million

- **2010/11:** Addressed remaining $20 million base budget reduction on VC budgets

- **2011/12:** Addressed $70.5 million in budget cuts as follows:
  - $27.6 million in budget reductions allocated to campus operating units
  - $25 million in reductions offset by campus resources
  - $18 million offset through tuition increases approved by Regents, July 2011
Key Campuswide Meetings & Committees

- Meetings
  - Chancellor’s Council of Vice Chancellor’s (COVC)
  - Senate-Administrative Council

- Committees
  - Campus Budget Committee
  - Capital Outlay and Space Advisory Committee
  - Academic Program Review Committee
  - Student Services Fee Committee
Campus Budget Committee

- Chancellor
- Eight Vice Chancellors, including Executive Vice Chancellor
- Five members of the Academic Senate
- One Staff member
- One Graduate Student
- One Undergraduate Student
Campus Budget Committee

- Advises the Chancellor on the annual allocation of ‘core funds’
- Allocations are made at the Vice Chancellor Unit level
- Budget review process focuses on campus programs that have a significant impact on campus operations
- Special program initiatives and priority requests may be put forward for funding consideration
- Regular consultation with Financial Officers, Campus Leadership and ad hoc groups
- Process review, every 5-7 years or as needed
Campus Budget Office (CBO) Responsibilities
Incentives and Transparency

- Incentives are in place and flow instructional funds to VCs with enrollment; and flow research support funds to VCs based on research growth and primary cost drivers (i.e., facilities, energy).
- Available sources of core funds are in annual allocations package along with proposed use; using approved allocation methodologies.
- Options for budget reductions and funding new initiatives are vetted.
- In current budgetary climate: declining state support, funding streams initiative, maturing campus – See opportunities to Improve.
Opportunities to Improve Incentives and Transparency

- Increase transparency by distinguishing between state and student tuition support
- Improve personnel cost incentives, accountability and transparency by decentralizing compensation funds
- Acknowledge need for simplification of allocations
- Allocation methodologies that use common and easily available data sources
- Increase opportunity for more deliberate strategic investments process - - source
- Others…
2013/14 UCSD Budget Framework

- Approach to 2013/14 Budget likely similar to current year, allowing time for conclusion of Strategic Planning Process
- Establish baseline expenditure budget
  - Based on 2012/13 expenditure authority
  - Understand differences between 2012/13 expenditure authority and unit’s projected expenditure
- Provide additional authority & resources for mandatory costs, priority programs
- Identify new priority investments in alignment with strategic planning discussions, as limited funds allow
- Review with Chancellor
- Establish new 2013/14 expenditure authority
- Monitor total funds and carryforward balances as part of annual budget process.
2013/14 UCSD Budget Process and Planning Assumptions

- Highest priority to academic enterprise
- Propose the following:
  - No core baseline reductions
  - Mandatory costs funded by campus
    - Compensation cost increases (incl. UCRP)
    - OP Assessment
    - Garamendi-type facility cost obligations
    - Need based SFA
- Propose to continue strategic priority investments
  - Faculty Recruitment and Retention
  - Graduate Student Support
  - Technology (Instruction, RCI, eRap, UCPath)
  - Academic Initiatives: (Qbio, Energy, Design, Education)
State General, UC General, Student Fee Funds, and Overhead

- Enrollment Growth (Workload)
- Compensation Increase Funds
- General Price Increase – if available
- Operation and Maintenance of Plant (O&MP)
- Other
Enrollment Growth

Fund Sources:
- State General Funds & Related Student Tuition and Fee Income

Fund Uses:
- Additional faculty, and teaching assistants
- Instructional and administrative staff
- General instructional and institutional support, libraries and student services
Sources of Funding

I. State General Funds (1)

II. Student Tuition Income (2) (Educational Fee)

III. Student Services Fee Income (Registration Fee)

Distribution of Funding

- Campus Reserves: 15%
- Instruction and Institutional Support: 85%
  - Instruction: 70% (General Campus & Libraries)
  - Institutional Support: 30%
    - First Priority – Student Affairs (3)
    - Remaining funds are distributed to VC units impacted by enrollment based on share of Core Permanent Budget, excluding Student Affairs

(1) State General Fund allocation provided via the per-student Marginal Cost of Instruction funding formula. No State General Fund revenue for enrollment growth was provided in 2011/12
(2) Student Tuition income is net of student financial aid.
(3) Student Affairs is guaranteed an amount of General Funds necessary to maintain 100% of the per-student funding level provided to the unit in the prior three years, inclusive of Student Services Fee (Registration Fee) Income.
Sources of Funding

I. Nonresident Supplemental Tuition\(^{(1)}\)

II. Student Tuition Income
   (Educational Fee)

III. Student Services Fee Income
    (Registration Fee)\(^{(2)}\)

Distribution of Funding

Priority Funding

1. VCAA – 68\(^{(3)}\) of Nonresident Fee and Nonresident Tuition (General Campus)

2. VCSA – Costs to market/recruit and retain NR students per VCSA’s request

3. O&MP – 11.5% of average MCI at $10k per student ($1,150/student)

4. Mandatory Cost Increases (Iblock) – 5% of Nonresident Supplemental Tuition

Remaining Income

Distributed to VC’s based on last 3 year average from standard EWAM, not including VCAA

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\(^{(1)}\) Nonresident Supplemental Tuition are net of AB540 exemptions and net of graduate students advanced to candidacy

\(^{(2)}\) Student Tuition income and Student Services Fee Income are net of student financial aid and net of CalVet waivers

\(^{(3)}\) VCAA allocation is slightly diluted to 66.5% when Student Services Fee Income is included in the total sources of funding
Compensation Increase Funds

- Primary sources of funding are State, UC general, and Student Tuition and Fee funds.

- Primary uses are for personnel compensation costs on Core Funds. Costs generally include: salary increases for the academic merit program, collective bargaining, and policy-covered staff; cost of health & welfare; inflation retirement contributions; other general employee benefit costs.

- As State funds have declined, a growing portion of this cost is covered by UC general and Tuition funds.
Operation and Maintenance of Plant (OMP)

Funds support:

- Plant Administration
- Building Maintenance
- Janitorial Services
- Purchased Utilities
- Utility Operations
- Refuse Disposal
Resourcing Research Support - Indirect Cost Recovery
Facilities & Administration (F&A) Costs

Sources

- Contract & Grant funds provide for both direct and indirect costs. Sources include Federal, Private & Local (State & Clinical Trials)

- The indirect cost recovery is a negotiated percentage (55% rate) charged to sponsored research. It’s based on actual historical expenses in two broad categories:
  - Facilities
    - Building Depreciation – 5%
    - Building Interest – 4.1%
    - Equipment Depreciation – 2.7%
    - Operation and Maintenance of Plant – 14.1%
    - Library – 2.6%
  - Administration
    - General – 5.5%
    - Departmental – 16.2%
    - Sponsored Projects – 4%
    - Student Services – .3%
Campus Allocations
ICR: Flow of Federal F&A Cost Recovery

Federal Overhead Cost recovery
Garamendi Allocation:

Balance after Garamendi allocation:

80.1% Balance

55%

UC General Fund 44.1%

45%

Opportunity Fund 36.0%

19.9% Off-the-Top Fund

Garamendi Research Facilities

Up to 100% of the Federal Recovery associated with a Garamendi Facility (up to the annual amount of operating costs and debt service) goes directly back to the campus.
Campus Priorities

Recent Campus Priorities have included:

- Academic and Research Programs
  - Rady School of Management
  - Skaggs School of Pharmacy and Pharmaceutical Sciences
  - Scripps Institution of Oceanography
  - Graduate Student Support

- Deferred Maintenance

- Information Systems

- Early Childhood Education Center
Revenue & Cost Pressures

- State Funding Reductions
- Shortfalls Related to Unfunded Enrollments
- Decrease in STIP Investments
- Declining Endowment Values
- Slowing Growth in Federal and State Research Funding
- Unfunded Mandatory Costs for Health Benefits
- Collective Bargaining
- Restart UCRP Contributions
- Faculty Recruitment/Retention
- Escalating Costs from Utilities and Deferred Maintenance
- Aging Campus Infrastructure
- Graduate Student Support
General Guiding Principles

The following general principles guide and serve as the foundation for UCSD’s budget process and planning framework:

- Priority is given to academic programs, with adequate support to administrative functions to effectively manage the enterprise
- Maximum funding authority is delegated to the Vice Chancellors along with the responsibility to follow all applicable policies
- Allocation methodologies should be clear, logical and consistent from year-to-year to provide some level of stability and facilitate VC planning
- The budget process should be more transparent and align incentives and accountability
- Allocation by consensus, with the Chancellor making final decisions
UC San Diego
Campus Collaborations

Joint Senate – Administration Task Force on Budget Recommendations

- Enhance Revenues
  - Aggressively Enhance New Revenue Streams
  - Engage with Alumni/Faculty and Increase Philanthropy
  - Implement Tiger Team Recommendations – Self Supporting, Non-Resident, IT
  - Promote Technology Transfer
  - Incentivize the Generation of New ICR

- Enhance Process
  - Review Local Use of Student Fees
  - Non-Incremental Budget Processes
  - Support Key Infrastructure Initiatives

- Increase Budget Transparency of all VC Areas
UCSD Campus Collaborations

Tiger Teams – 2011/12

- Campus IT-Services and Initiatives:
  - Identify opportunities for consolidating & restructuring IT services

- Enrollment Planning Committee:
  - Evaluates strategies that will best achieve recommended enrollment targets; advise on support programs what will promote retention and student satisfaction; and analyze any related budgetary implications.

- Strategic International Outreach Workgroup
  - Seeks to expand international student enrollment, alumni outreach, and philanthropy through effective recruitment and retention programs, faculty engagement, alumni engagement and private support fund-raising efforts.
Tiger Teams – 2011/12 (continued)

- Budget Review Workgroup (BRWG)
  - Review current Budget Process and allocation policies, with goal of:
    o Enhancing budget transparency and
    o Better aligning incentives and accountability
  - Review and recommend alternate allocation model, specifically for major funding components:
    o Indirect Cost Recovery – Research and ASSA
    o Enrollment Funds – Student Instruction workload
    o Compensation Program – Decentralizing Benefits Pool
  - Assess and Implement Funding Streams Initiative, including:
    o Assess impact, and recommend options for adjustments to budgets and allocations
    o Develop and recommend options for an equitable distribution of annual OP assessment across UCSD’s broad funds base
Objectives:
- UCOP’s annual budget to be more transparent.
- Campuses retain all revenues generated on campus

UCOP will be funded with a systemwide assessment
- Based on campus prior years’ “total expenses” at a rate of ~ 1.60%
- Supports a $277.7 million budget for UC “central operations”:
  - OP Administration / OP Programs
  - MRUs / ANR / Systemwide Initiatives and Ongoing Commitments (BCR)
  - Excludes recharged/assessment OP activities (i.e., Benefits Administration, Asset Management Information Resources & Communication).
- Rate will be reviewed every few years.
Funding Streams Initiative (FSI)
Simplify and Clarify UC’s Funding Flows

- Effective 2011/12, most revenue, including student tuition income and research indirect cost recoveries, to remain at source campuses instead of being pooled together and differentially reallocated by OP.
- State general fund is handled separately as part of ‘Rebenching’ effort.
- Funding held to support UC budget of $278M is returned to campuses; and replaced by a “Systemwide Assessment” on “All funds”
- UCSD received $34M for OP; taxed at $41M = Non-neutrality: $6.9M
- Last year, campus funded full cost centrally, including $6.9M non-neutral component.
- Effective current year, assessment distributed to campus VC units. Cost on ‘Core funded program’ continues to be fully funded. Units have discretion on how to fund the non-core cost component.
- Future tax will increase / decrease as Budget needs change.
Funding Streams Initiative (FSI)
After Two Years – Principles being Revisited

Principles under consideration:

- Current model: all OP operations and services regarded as a “common good” that should be shared equally among the campuses and medical centers. Distributed on share of all annual expenditures.

- Alternative: “fee for service” in which campuses and medical centers would only support those operations and services from which they benefit.

- Hybrid methodology: acknowledges both the “common good” and the increasing trend to providing services that can and should be supported by fees imposed on the campuses and medical centers based on usage. Hybrid model considers mix of drivers like expenditures, personnel and enrollment.
UCPath / HRIS

- New System – People Soft (Oracle)
- System-wide Service Center (UC Riverside)
- UCSD in Wave II of implementation *(Projected Implementation : January 2015)*
- Campus expects increase in OP tax to pay for the development and implementation of UCPath
- Much work by many:
  - Develop and implement new processes
  - Write new system interfaces
  - Learn new Oracle system
  - Learn how to relate to new Central Service Center
  - [http://blink.ucsd.edu/sponsor/ucpath/](http://blink.ucsd.edu/sponsor/ucpath/)
UCPath / HRIS

Timeline

- Original Wave 1 “go-live” of July 1, 2013; now delayed until July 1, 2014
- Original Wave 2 “go-live” of April 1, 2014; now delayed to January 1, 2015
- Original Wave 3 “go-live” of July 1, 2015….

Impacted systems and business processes

- Major information systems affected
  - General Ledger
  - Permanent Staffing
  - Employee Database
  - Data Warehouse
  - Time and Attendance
  - Identify and Access Management
  - Other downstream shadow systems

- Business Processes
  - Bi-weekly payroll: converted staff eligible for overtime under the Fair Labor Standards Act effective January 19, 2013
  - Composite Benefits Rate – advantages:
    - Increased efficiency and easier budgeting
    - Reduce the need for customization and programming to the PeopleSoft system
    - Single negotiation UC system with the Division of Cost Allocation
    - Consistent application across UC system
  - Factored Leave Accrual
  - Common Chart of Accounts
UCPath / HRIS

- **UC System Cost for Implementation**
  - Revised estimate now $169M over 3 years; up from original estimate of $151M
  - Total amount amortized over 7 years > $188M
  - Annual ongoing operations of ~ $70M

- **UCSD Cost**
  - UCSD share of implementation debt ~ $26.5M annually through FY 2019/20
  - Current estimated cost of implementation during 3-year period is $20.3M, includes:
    - UCOP reimbursing the campus for $3.3M
    - $2.5M was set aside in the FY 2011/12 Resources Allocation Package
    - $4.7M funded as “in-kind” by existing staffing levels
    - Remainder funded by campus resources
Composite Benefit Rates

- Composite benefit rates will transition to a single benefit rate for each employee group

- **Key Benefits:**
  - Streamline the record keeping process for employer paid benefits
  - Create consistency for charges of benefits to all funding sources
  - Simplify the budgeting process
  - Reduce variances between the budgeted and projected benefit charges
  - Simplify the cost transfer process

- **Timing:**
  - Implemented as individual campuses “go live” with UC Path
Redistribution of State General Funds
UC Rebenching Initiative

- Rebenching Budget Committee recommended a more transparent and equitable method for allocating funds
- Rebenching Goal: all campuses receive an equal amount of funding based on a weighted per-student average
- Funding to be allocated based on the following weights:
  - UG, Postbac, Grad Prof, Grad Masters = 1.0
  - Grad Doctoral = 2.5
  - Health Sciences students = 5.0
  (except HS UG = 1.0 and HS Grad Doctoral = 2.5)
Redistribution of State General Funds
UC Rebenching Initiative

- Include: CA-resident UG students, both CA-resident and non-resident graduate students
- Exclude: Non-resident undergrads
- Budgeted enrollments only
- Potential Penalty for under-enrollment in resident UG
- Growth funding to campuses under 12% academic doctoral (ratio of General Campus Ph.D. to total UG)
- Effective with 2012/13 and continue for 6 years
  - Only partly implemented this year due to cost pressures and need to address deferred $100M trigger cut
  - Five campuses with lowest per-student allocation received funding
Redistribution of State General Funds
UC Rebenching Initiative

*Date of Rebenching Model: State General Fund Base Year 2011/12

Source: UCOP Rebenching Budget Committee Report, June 25 2012
Next Steps

- Monitor State and UC Budget
- Continue Promoting Financial Health
  - Increase, Diversify & Optimize Resource
  - Monitor campus expenditures in line with resources
  - All Funds, Multi-year Approach
- Other Initiatives
  - Composite Benefit Rates
  - Common Chart of Accounts
- Maintain Campus Collaborations
  - Happy to visit and update your Departments
Capital Budget Planning

Mission:

- Plays a key role in the development of capital projects for UCSD including facility construction and renovation, and utility infrastructure.
- Coordinates and facilitates the capital process on the campus
- Serves as the main conduit for communications with the Office of the President for initial Regental and Presidential project approval
- Is responsible for space program development and justification, along with funding analysis.

Key Contacts:

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Restructuring of lease revenue bonds (LRB) provides opportunity to fund capital projects in more efficient, timely manner
  - UC will retain savings if debt service reduced below 2011/12 level and gain flexibility in constructing buildings

General obligation bond will not shift to UC, though debt service will be included in UC’s base for calculating base budget adjustment
  - UC will continue to participate in future general obligation bond initiatives

Increase each year could be used to finance a regular and predictable capital outlay program
State 2013/14 Capital Outlay Objectives

- Total UC State capital proposal for 2013/14 is $788.5 million
- Over half supports new construction

Capital Outlay Objectives

- Includes projects previously proposed but not included in State Budgets for past four years

Source: UC 2013/14 Budget for Current Operations
Capital Planning Website
http://capital.ucsd.edu/
Capital Improvements Campus Map

Closing Comments
Backup
2013/14 UC Proposed Budget

PROPOSED INCREASES IN EXPENDITURES

Enrollment Growth and Instructional Programs
1% Enrollment Costs (including 675 FTE students at UC Merced) $22,4
Professional School Programs 13.3
UC Riverside Medical School 15.0
Subtotal $50.7

Compensation and Non-Salary Items
Retirement Contributions $77.2
Employee Health Benefits 11.4
Annuity Health Benefits 6.4
Academic Merit Increases 30.0
Compensation Increases 100.2
Continuation Costs of 2012-13 Mid-Year
Compensation Increase 37.2
Non-salary Price Increases 23.7
Deferred Maintenance 25.0
Subtotal $311.1

Repayment of 2012-13 STIP Borrowing $60.0
Subtotal $60.0

Reinvestment in Quality (first year of a multi-year plan)
Reduce Student-Faculty Ratio $40.0
Support Start-up Costs for New Faculty 20.0
Reduce Faculty Salary Gap 25.0
Reduce Staff Salary Gap 20.0
Increase Graduate Student Support 15.0
Enhance Undergraduate Instructional Support 35.0
Subtotal $155.0

Financial Aid
Tuition Increase $34.2
Student Services Fee Increase 3.0
Professional Degree Supplemental Tuition Increases 7.5
Alternative Revenue for Financial Aid 20.0
Subtotal $64.7

TOTAL INCREASE IN EXPENDITURES $641.5

PROPOSED INCREASES IN REVENUE

State General Funds
2012-13 Tuition and Fee Buy-out $125.4
6% Base Budget Adjustment 150.2
UC Riverside Medical School 15.0
Subtotal $290.6

Student Tuition and Fees
Tuition Increase (6%) $150.3
Student Services Fee Increase (6%) 13.4
Professional Degree Supplemental Tuition Increases (0% to 35%) 20.8
Subtotal $184.5

UC General Funds
Nonresident Supplemental Tuition (related to new enrollment) $23.0
Indirect Cost Recovery 3.4
Subtotal $26.4

Alternative Revenues to Fund Reinvestment in Quality
Debt Restructuring $80.0
Asset Management (STIP to TRIP) 20.0
Systemwide Contracts 20.0
Subtotal $120.0

Alternative Revenues for Financial Aid
Other Sources $20.0
Subtotal $20.0

TOTAL INCREASE IN REVENUE $641.5

Source: UC Budget for Current Operations 2013-14: Summary Detail
Campus Allocations
Distribution of Enrollment Growth Funds

State General Funds based on 18.7:1 student: faculty ratio

15% Off-the-Top to Campus Reserve

Remaining State General Funds and Educational Fee Income + Remaining Registration Fee Income

70% of State General Funds & Tuition are allocated to Academic Affairs (inclusive of the Libraries)

30% State General Funds & Tuition Income:
  a) Student Affairs(1)
  b) Remaining fund to Campus units impacted by enrollment growth

100% of Registration Fee Income is allocated to Student Affairs

(1) SA is given priority as it is directly impacted by student growth. In addition to receiving 100% of the Reg. Fee Income, General Funds and Ed. Fee Income are also provided to SA based on the prior-three-year average per-student funding.