FUNDING STREAMS OVERVIEW

Funds Flow and Impact on Campus Budget Process

The Office of the President (OP)’s Funding Streams Initiative (FSI) changes how the University allocates funds across the system (refer to President Yudof Letter - Appendix I). This initiative realigns the way funds flow within the University and the way the OP and systemwide programs are funded.

Historically, the OP central operations and systemwide programs\(^1\) budget was primarily funded with a variety of funds retained from campus Core Funds\(^2\) and Common Fund assessments on Medical Center, Auxiliary, & Health Sciences Compensation Plan (HSCP) expenditures. More specifically under FSI:

- The source campus retains all revenue it generates, and all former Common Fund assessments by OP are eliminated. Thus funds will no longer flow to OP for subsequent redistribution among OP and/or other campuses.
- The OP central operations and various systemwide programs are now funded through a broad-based flat assessment charged to each campus, which began this 2011/12 fiscal year. This OP Assessment is calculated as a percentage of over-all campus expenditures.

Although implementation of FSI was originally intended to be financially neutral in year one of its implementation, it is not. The final Funding Streams calculations included a “non-neutrality” provision to recognize that the funds returned to the campuses are less than the cost of the new assessment. This non-neutrality effectively resulted in another budget cut for each campus, and in the short term for 2011/12 only, will be largely offset by the additional funding available to the campus from the newly retained revenues. The new OP Assessment, and potential upside from aggressive pursuit of new revenues that the campus expects to generate, needs to be incorporated locally into the campus budget planning process.

The OP Budget is to be Funded via a Broad-Based Assessment

With all funds now fully flowing to the campuses, instead of as previously partially retained by OP for central and systemwide support, the campuses are instead recharged a broad-based flat assessment on all campus funds. The assessment rate for the initial 2011/12 implementation is 1.6%. The assessment is based on total net operating expenditures\(^3\) from all fund sources two years prior. Therefore, fiscal year 2009/10 expenditures drive the 2011/12 campus assessment.

The university has provided campuses with broad discretion in funding the OP Assessment. While the assessment liability is calculated based on total net expenditures, such an assessment would be an unallowable direct charge on restricted funds such as contract and grant funds or restricted gifts.

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\(^1\) The OP budget includes Administration, UC Programs, MRUs, ANR, and other UC wide initiatives such as UCPath. It excludes directly recharged services for Benefits Administration, Asset Management, Risk Management, etc.
\(^2\) Core Funds consist primarily of State General Funds, other State Appropriations, Indirect Cost Recovery / Overhead Funds, systemwide mandatory Student Fees, and other misc. UC General Funds.
\(^3\) As reporting in campus public detailed financial statements, and which is already net of plant and scholarship allowance funding.
Therefore, the campuses must use other funds to cover the assessment; President Yudof’s letter explicitly states that the many fund sources that campuses may use to cover this liability include student tuition & fees, research indirect cost recovery, auxiliary, sales & service revenues and other sources.

**UC SAN DIEGO – FUNDING STREAMS IMPLEMENTATION**

**OP Assessment Funding for 2011/12**
The first year of the Funding Streams Initiative implementation is this fiscal year 2011/12. San Diego’s OP Assessment this year is the equivalent to 1.6% of total 2009/10 current fund expenditures, or $40.9 million. This equates to 14.7% of the total OP Assessment amount that is needed to fund their $277 million budget. The campus also received $34.1 million in new funds – funds that had been previously assessed and retained by OP.

As previously agreed, the campus is taking an interim, centralized approach to addressing its Funding Streams liability for 2011/12. For the current year only, the $34.1 million of the OP Assessment will be funded by the funds returned and now retained by the campus. The remaining $6.8 million of the liability – the non-neutrality portion of the assessment – is being funded largely by the additional revenues available to the campus. This approach is outlined below:

<table>
<thead>
<tr>
<th>UCSD’s share of the OP Assessment</th>
<th>2009/10 Current Fund Expenditures of $2.553 billion x 1.6%</th>
<th>$40.9 million</th>
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</thead>
<tbody>
<tr>
<td><strong>Funding UCSD’s 2011/12 OP Assessment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds returned to the campus by OP (previously retained by OP)</td>
<td>$32.0 million</td>
<td></td>
</tr>
<tr>
<td>Common Fund tax on Med Center, Aux, HSCP (based on 2009/10 data)</td>
<td>2.1 million</td>
<td></td>
</tr>
<tr>
<td>Campus Funds (UCSD’s share of $51.4 OP non-neutral shortfall)</td>
<td>6.8 million</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$40.9 million</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Distributing the OP Assessment Beginning in 2012/13**
For 2012/13, the OP Assessment is still unknown. However, for planning purposes, we use an estimate of ~$43.7 million, based on 1.6% of San Diego’s $2.73 billion in 2010/11 operating expenditures. The actual assessment rate charged by OP will vary from year-to-year dependent on the total OP budgetary need and the level of total expenditure base of all 10 UC campuses. OP budget is now being reviewed by a UC wide Executive Budget Committee prior to it going before Regents for formal approval.

The flat percentage “pass-thru” distribution of this broad-based assessment to campus expenditures is typically described as 1.6%. However, as a campus, we will make several adjustments to the expenditure totals used by OP that result in a slightly higher assessment recharge rate of 1.62%. These adjustments include the standard exclusions for non-VC operating expenditures related to student financial aid and purchased utilities.

VC Units will be responsible for covering their share of the OP Assessment liability as generated by their expenditures. Units will have wide discretion on the funding sources they ultimately use to cover their share of these expenditures. Table 1a and 1b on the following page shows the calculations for the estimated 2012/13 OP Assessment that will be recharged to each VC Unit. To assist with your internal management of this assessment, the supporting detailed 2010/11 expenditures for each VC Units by division are shown in Appendix II.
### Table 1a

2010/11 Current Fund Expenditures  
*Expenditure Base for 2012/13 OP Assessment to Campus*

($ in thousands)

<table>
<thead>
<tr>
<th>Unit</th>
<th>General &amp; Tuition Funds</th>
<th>Contract &amp; Grant Funds</th>
<th>Other Core Funds</th>
<th>Non-Core Funds</th>
<th>Total</th>
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<tbody>
<tr>
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<td>Health Sciences</td>
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<td>848,986</td>
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<tr>
<td>Marine Sciences</td>
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<td>101,885</td>
<td>524</td>
<td>19,626</td>
<td>145,669</td>
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<td></td>
<td>786,846</td>
<td>793,053</td>
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<td>42,441</td>
<td>84,971</td>
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<td>External &amp; Business Affairs</td>
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<td>Resource Mgt &amp; Planning</td>
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<td>633</td>
<td>43,664</td>
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<td>9</td>
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<td>Chancellor's Orgs</td>
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<td>275</td>
<td>6,895</td>
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**OP Assessment Recharge Base**  
$446,321  $786,771  $56,465  $1,411,730  $2,701,288

**Eliminated Expenditures**  
Student Financial Aid  $212,144  
Purchased Utilities  23,656  
Campuswide / Year-End Adjustments  (206,114)

**UCSD Expenditures per 2010/11 Campus Financial Schedule B**  
$2,730,973

### Table 1b

2012/13 Campus Distribution of OP Assessment Recharge  
*1.618% of 2010/11 Current Fund Expenditures*

($ in thousands)

<table>
<thead>
<tr>
<th>Unit</th>
<th>General &amp; Tuition Funds</th>
<th>Contract &amp; Grant Funds</th>
<th>Other Core Funds</th>
<th>Non-Core Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td>$4,515</td>
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<td>$9,610</td>
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<td>13,734</td>
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<tr>
<td>Marine Sciences</td>
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<td>12,729</td>
<td>12,830</td>
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<td>1,375</td>
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<tr>
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<td>39</td>
<td>1,310</td>
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</tr>
<tr>
<td>Resource Mgt &amp; Planning</td>
<td>649</td>
<td>189</td>
<td>10</td>
<td>706</td>
<td>1,555</td>
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<td>75</td>
<td>32</td>
<td></td>
<td>4</td>
<td>112</td>
</tr>
</tbody>
</table>

**OP Assessment Recharge**  
$7,220  $12,728  $913  $22,838  $43,700

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4 State General Fund expenditures, plus Tuition (Ed Fee) and other UCGF funds spent as 19900 General Funds  
5 Contract & Grant (C&G) direct expenditures, and spending of ICR funds generated from C&G overhead recovery  
6 State Appropriations, other systemwide mandatory Student Fees, and other Overhead Funds  
7 [http://www.ucop.edu/corpacct/finschd/1011/ad-combined.pdf](http://www.ucop.edu/corpacct/finschd/1011/ad-combined.pdf)
While VC Units are fully responsible for covering their share of the annual OP Assessment, for the 2012/13 base distribution year they will also receive additional funding, from the funds returned by OP to the campus. The distribution of these funds will be based on one of the following options (Models are attached in Appendix III):

1. PERMANENT: Allocate the entire $32 million in returned General and Research ICR funds to VC Units in accordance with existing allocation methodologies. The specific OP Common Fund assessments on Medical Center, Auxiliary, & Health Sciences Compensation Plan are eliminated and replaced by their campus share of annual liability as calculated in Tables 1a & 1b on prior page.

2. PERMANENT: Allocate ~$21 million in returned General and Research ICR funds to VC Units, enough to fully offset their actual 2012/13 share of liability stemming from Core Instruction & Research Expenditures. As with option #1 above, the $2 million Common Fund assessment is eliminated and replaced by their campus share of annual liability as calculated in Tables 1a & 1b on prior page.
   a. Allocate the remaining $11 million to VC unit based on the permanent Core Base Budget as net new funds to be used by VCs to mitigate cuts, fund priorities or new initiatives.
   b. Allocate the remaining $11 million at campus level to offset anticipated 2012/13 budget gap.
   c. Allocate the remaining $11 million centrally, and use strategically:
      i. **Permanent** needs such as: RCI, Deferred Maintenance, OMP…
      ii. **One-time temporary** uses such as: Transition/Bridge impact of OP Assessment on Self-Supporting Activity – for example, $1M Auxiliaries and $5M for Medical Center/Medical Group Capital/Facility reserve, etc.

Moving forward, VC Units are expected to manage their overall share of OP Assessment as determined each year in the overall budget process. As previously noted, the OP Assessment to the campus and the subsequent shares to VC Units will shift with changes in annual expenditures across units. Because the assessment methodology is simple and transparent in its use of public financial statement expenditures from two years prior to assessment, units will be able to estimate their share of liability in advance of each year and thus facilitate their own internal budget planning.
President Yudof’s Letter Approving the Implementation of the Funding Streams Model.

UNIVERSITY OF CALIFORNIA

September 12, 2011

CHANCELLORS

Dear Colleagues:

Following lengthy consultation with campus leadership, in December, the Office of the President (UCOP) distributed a proposal, known as the Funding Streams Initiative, to make comprehensive changes in the way funds flow within the University and in the way UCOP is funded. We have received and reviewed comments from campuses, student organizations, and the Academic Senate, and the proposal has been discussed with The Regents. The proposal has been met largely with favorable responses.

At this time, I am writing to tell you that the Funding Streams Initiative is approved, albeit with some changes from the original proposal. I know that your campus budget and accounting staffs have been working closely with my office on implementation for 2011-12, and I want to thank you for their cooperation and patience during a difficult transition.

The major components of the new Funding Streams Initiative are:

Retaining Funds at Source Campuses

In order to simplify University financial activity, improve transparency, and incentivize campuses to maximize revenue, beginning in 2011-12, all campus-generated funds will be retained by or returned to the source campus. The following current policies and practices that redistribute funds to the Office of the President and/or other campuses are eliminated or changed as follows:

- Each location will retain all tuition and fee funds generated from its own students, when necessary to maintain a common loan/work expectation for undergraduates across the system.
- Each location will retain all indirect cost recovery funds generated from its own contract and grant activity.
- All patent revenues, net of payments to joint holders and inventors, will be allocated to source locations.
- All Short-Term Investment Pool earnings, regardless of fund source, will be transferred to source locations.
- Each campus will retain its own graduate application fee revenue. Undergraduate application fee revenue will be distributed proportionately to the number of applications received by each campus.
Chancellors  
September 12, 2011  
Page 2

- Existing assessments on medical center expenditures, auxiliary enterprise expenditures, and medical compensation plans that support UCOP administration through the Office of the President Common Fund will be eliminated.

Systemwide Assessment

In order to support central operations (defined as UCOP administration and central services, UCOP-managed academic programs, systemwide initiatives and ongoing commitments, multi-campus research programs and initiatives, and the Division of Agriculture and Natural Resources Cooperative Extension), the University will establish a broad-based flat assessment on campus funds. The assessment will replace the funding for central operations previously provided by General Funds, Opportunity Funds, Off-the-Top Funds, Educational Funds, and the Common Fund taxes on medical center, health sciences compensation plan, and auxiliary enterprise expenditures. The assessment will not replace funding for central operations and programs derived from State Specific Funds, State Special Funds, contracts and grants, and systemwide endowments.

The total amount of the assessment will be based on a regular review of the budget for central operations. The campus distribution will be based on total current operating expenditures from all fund sources during the most recently completed year.

I am authorizing broad discretion to campuses in identifying the fund sources from which the systemwide assessment will be paid. While certain federal, State and private contract and grant funds will likely not be available to cover assessment charges, campuses may use student tuition and fees, research indirect cost recovery, sales and service revenues, and other sources. While decisions will be made locally, I encourage Chancellors to consult with students about the use of tuition and fee funds, particularly campus-based fees voted on by students. We will ask The Regents in November to make all such tuition and fee funds eligible for payment of the systemwide assessment, but decisions to do so must be carefully considered.

Undergraduate Financial Aid

As an exception to the overarching principle that source campuses will retain all funds generated by the campus, redistribution of some funds will continue as a means to support the systemwide goals of the Education Financing Model (EFM) for undergraduate student financial aid. A key feature of the EFM, which I heartily endorse, is the goal to use fee funds to equalize the expected student contribution level from employment and/or loans across the system, such that each individual undergraduate student would face the same net costs regardless of which campus the student chooses to attend. Maintenance of the EFM goal will be managed through the use of State Specific Funds and, if necessary, tuition or other funds.
Graduate Financial Aid

Because the distribution of graduate University Student Aid Program (USAP) funds has been based on the systemwide goal of offsetting campus cost increases rather than addressing student need, the cross-subsidization of financial aid at the graduate level is eliminated going forward. Instead, each campus will retain the total amount of tuition and fee revenue generated by its graduate students and, each year, campuses will be directed to allocate a specific share of tuition and fee revenues to graduate student support and fee remissions.

General Fund Cost Increases and Future State Funding Augmentations and Reductions

As described, for many years it has been the University’s policy to pool State General Funds, UC General Funds, and Tuition (formerly Educational Fee) increase revenues available to support cost increases for salaries, benefits, and non-salary items and to allocate funds to campuses on the basis of General Funds budgets. During many years, the University has been assigned undesignated cuts in State funding, and student fees have been increased to help the University address these cuts as well as unavoidable cost increases, with both cuts and new fee revenue distributed on the same General Funds budget basis. Due to variation in the size of General Funds budgets relative to student populations, some tuition revenue was transferred among campuses. Under the new model, because campuses will retain tuition revenues, this transfer will no longer occur and campuses with high budgets relative to the number of students will need to identify other solutions to inadequate State support. The problem is particularly acute for the San Francisco campus, which has no undergraduate population and, therefore, generates a relatively low amount of tuition and fee revenue relative to its total budget.

The Funding Streams Initiative proposal distributed in December suggested that any future undesignated State funding augmentations be allocated on the basis of State General Funds and Tuition (net of financial aid). Nonresident Supplemental Tuition, Professional Degree Supplemental Tuition, federal indirect cost recovery, and other UC General Funds would be excluded from the distribution, based on the view that campuses should generate cost increase revenues from these fund sources and should not be rewarded with additional State funding as a result of increasing these non-State revenue sources.

The proposal further suggested that any future undesignated reductions in State funding be allocated on the basis of State General Funds, Tuition, Nonresident Supplemental Tuition, and Professional Degree Supplemental Tuition (net of financial aid). Increases in Nonresident Supplemental Tuition and Professional Degree Supplemental Tuition revenue would be included in order to more appropriately recognize campus capacity to cope with State funding reductions. I have concluded that this discrepancy between the proposed distribution of undesignated augmentations and the proposed distribution of undesignated reductions would inappropriately penalize campuses that are successful in realizing new revenues from nonresident supplemental tuition and professional degree supplemental tuition.
President Yudof’s Letter (continued)

Chancellors
September 12, 2011
Page 4

As you know, as a follow-up to the Funding Streams Initiative, a working group of UCOP and campus leadership is reviewing the level of resources available to each campus on a per student basis. The outcome of this work will likely mean that there will be further changes in the way future undesignated augmentations and reductions are distributed.

For the time being, I am modifying the Funding Streams Initiative such that both undesignated augmentations and undesignated reductions will be distributed on the basis of State General Fund and Tuition budgets (net of financial aid). This decision will influence the methodology used to distribute the reductions in State funding for 2011-12.

Implementation

Implementation is being handled by UCOP Budget and Capital Resources and Financial Management units. Representatives from these offices have been working with the appropriate staff on your campuses to achieve the goals of the initiative.

I very much appreciate your patience on this project. I believe the outcome of the Funding Streams Initiative will enhance transparency and will help set the ten campuses on a path toward continued excellence in the coming years.

With best wishes, I am,

Sincerely yours,

Mark G. Yudof
President

cc: Provost Pitts
Executive Vice President Brostrom
Executive Vice President Taylor
Senior Vice President Stobo
Vice President Lenz
Vice President Beckwith
Vice President Sakaki
Vice Provost Carlson
Vice Provost Greenstein
Vice Provost Rumberger
Associate Vice President Obley
Executive Vice Chancellors
Vice Chancellors for Planning and Budget
Campus Budget Directors
### 2010/11 Current Fund Expenditures - by VC Division

**Expenditure Base for 2012/13 OP Assessment to Campus**

($ in thousands)

<table>
<thead>
<tr>
<th>Unit &amp; Division</th>
<th>General &amp; Tuition Funds</th>
<th>Contract &amp; Grant Funds</th>
<th>Other Core Funds</th>
<th>Non-Core</th>
<th>Total</th>
<th>Share of OP Assessment @ 1.62%</th>
</tr>
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<tbody>
<tr>
<td><strong>Academic Affairs</strong></td>
<td></td>
<td></td>
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<tr>
<td>ACADEMIC COMPUTING SVS</td>
<td>$279,070</td>
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<td>$16,883</td>
<td>$70,092</td>
<td>$594,036</td>
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<td>3,400</td>
<td>13,034</td>
<td>2,159</td>
<td>4,145</td>
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<td>695</td>
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<td>1,309</td>
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<td>$23,633</td>
<td>$101,885</td>
<td>$524</td>
<td>$19,626</td>
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<td>11,337</td>
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<td>INSTR DEPT-THE SIO DEPT</td>
<td>5,990</td>
<td>175</td>
<td>15</td>
<td>1,189</td>
<td>7,369</td>
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<td>1,190</td>
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<td>1,904</td>
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<td>32,740</td>
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<td>926</td>
<td>13,537</td>
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<td>UC INSTITUTES-SIO</td>
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<td>VCMS-RESEARCH SECTIONS</td>
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<td>194</td>
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<td>$793,053</td>
<td>$793,053</td>
<td>$12,830</td>
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<td>ASSOC DIR HOSPITAL AND CLIN</td>
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<td>ASSOCIATE DIR OF MED CENTER</td>
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<tr>
<td>DIRECTOR'S OFFICE</td>
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<td>THORNTON HOSPITAL</td>
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</tbody>
</table>

Appendix II
### 2010/11 Current Fund Expenditures - by VC Division

*Expenditure Base for 2012/13 OP Assessment to Campus*

(Continued)

($ in thousands)

<table>
<thead>
<tr>
<th>Unit &amp; Division</th>
<th>General &amp; Tuition Funds</th>
<th>Contract &amp; Grant Funds</th>
<th>Other Core Funds</th>
<th>Non-Core</th>
<th>Total</th>
<th>Share of OP Assessment @ 1.62%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Student Affairs</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>ADMISSIONS &amp; ENROLL SVCS</td>
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<td>$9,143</td>
<td>$20,835</td>
<td>$42,441</td>
<td>$84,971</td>
<td>$1,375</td>
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<td>1,028</td>
<td>495</td>
<td>9,816</td>
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<td>EXPERIENTIAL LEARNING</td>
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<td>896</td>
<td>4,233</td>
<td>1,729</td>
<td>7,813</td>
<td>126</td>
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<td>INTERCOLLEGiate ATHLETICS</td>
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<td>1,104</td>
<td>6,069</td>
<td>7,178</td>
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<td>SPORTS FACILITIES &amp; PROGRAMS</td>
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<td>7,695</td>
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<td>201</td>
<td>9,546</td>
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<td>STUDENT LIFE</td>
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<td>97</td>
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<td>STDT POLICIES &amp; JUDICIAL AFFAIRS</td>
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<td>2</td>
<td>1</td>
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<td><strong>External &amp; Business Affairs</strong></td>
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<td>ASST VC-ADMIN COMP &amp; TELECOM</td>
<td>$27,254</td>
<td>$20,028</td>
<td>$2,395</td>
<td>$80,971</td>
<td>$130,648</td>
<td>$2,114</td>
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<td>CONTROLLER/AVC BFS</td>
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<td>(1,996)</td>
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<td>6,275</td>
<td>11,351</td>
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<td>17,639</td>
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<tr>
<td>HOUSING AND DINING SERVICES</td>
<td>602</td>
<td>71,073</td>
<td>11,322</td>
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<td>71,675</td>
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<td>5,920</td>
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<td>19</td>
<td>557</td>
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<td>VICE CHAN BUSINESS AFFAIRS</td>
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<td>125</td>
<td>40</td>
<td>(2,900)</td>
<td>(881)</td>
<td>(14)</td>
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<td><strong>Resource Mgt &amp; Planning</strong></td>
<td>$40,098</td>
<td>$11,711</td>
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<td>$43,664</td>
<td>$96,105</td>
<td>$1,555</td>
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<td>AUXILIARY &amp; PLANT SERVICES</td>
<td>27,164</td>
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<td>633</td>
<td>39,635</td>
<td>70,850</td>
<td>1,146</td>
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<td>3,091</td>
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<td>FACIL DESIGN &amp; CONST MGT</td>
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<td>(8)</td>
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<td></td>
<td></td>
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<td>825</td>
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<td>13</td>
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<tr>
<td>VC-RESOURCE MGT &amp; PLANNING</td>
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<td>1,543</td>
<td>(603)</td>
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<td>8,351</td>
<td>135</td>
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<td>VCRMP - UNALLOCATED</td>
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<td>244</td>
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<td>VCRMP SPECIAL PROJECTS</td>
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<td>$925</td>
<td>$15</td>
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<td>12</td>
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<td>66</td>
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<td></td>
<td>117</td>
<td>2</td>
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<tr>
<td>ACADEMIC SENATE/COR/TRAV/HS</td>
<td>11</td>
<td>20</td>
<td></td>
<td></td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>ACADEMIC SENATE/COR/TRAV/MS</td>
<td>13</td>
<td>9</td>
<td></td>
<td></td>
<td>23</td>
<td></td>
</tr>
<tr>
<td><strong>Chancellor's Orgs</strong></td>
<td>$4,631</td>
<td>$1,988</td>
<td>$275</td>
<td>$6,895</td>
<td>$112</td>
<td></td>
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<tr>
<td>AFFIRMATIVE ACTION PROGRAM</td>
<td>4</td>
<td>11</td>
<td></td>
<td></td>
<td>15</td>
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<tr>
<td>CHANCELLOR'S OFFICE</td>
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<td>145</td>
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<td>3,267</td>
<td>53</td>
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<td>COMM, PUBL, SPEC EVENTS</td>
<td>1,773</td>
<td>1,833</td>
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<td>3,613</td>
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<tr>
<td><strong>Grand Total</strong></td>
<td>$446,321</td>
<td>$786,771</td>
<td>$56,465</td>
<td>$1,411,730</td>
<td>$2,701,288</td>
<td>$43,700</td>
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</tbody>
</table>
### Funding Streams Initiative – OP Assessment

**SUMMARY:** Net Impact of OP Assessment & Distribution of New Funding  
(amounts in thousands)

<table>
<thead>
<tr>
<th>Unit</th>
<th>2012/13 OP Assessment of $43.7M</th>
<th>Funding Option 1</th>
<th>Funding Option 2a</th>
<th>Funding Option 2b/c</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Funds  Non-Core OP</td>
<td>Funding Allocation</td>
<td>Net Impact Net Impact</td>
<td>Funding Allocation Net Impact</td>
</tr>
<tr>
<td></td>
<td>Assessment Assessment Assessment</td>
<td>Incr/(Decr)</td>
<td>Incr/(Decr)</td>
<td>Incr/(Decr)</td>
</tr>
<tr>
<td>Academic Affairs</td>
<td>(8,476) (1,134) (9,610)</td>
<td>15,886</td>
<td>6,276</td>
<td>14,530</td>
</tr>
<tr>
<td>Health Sciences</td>
<td>(7,784) (5,950) (13,734)</td>
<td>5,602</td>
<td>(8,132)</td>
<td>9,467</td>
</tr>
<tr>
<td>Marine Sciences</td>
<td>(2,039) (318) (2,357)</td>
<td>2,092</td>
<td>(265)</td>
<td>2,701</td>
</tr>
<tr>
<td>Medical Center</td>
<td>(100) (12,729) (12,830)</td>
<td>2,239</td>
<td>(10,590)</td>
<td>2,128</td>
</tr>
<tr>
<td>Student Affairs</td>
<td>(688) (687) (1,375)</td>
<td>540</td>
<td>(834)</td>
<td>1,327</td>
</tr>
<tr>
<td>External &amp; Business Affairs</td>
<td>(804) (1,310) (2,114)</td>
<td>2,738</td>
<td>625</td>
<td>1,702</td>
</tr>
<tr>
<td>Resource Mgt &amp; Planning</td>
<td>(848) (706) (1,555)</td>
<td>3,773</td>
<td>2,218</td>
<td>1,869</td>
</tr>
<tr>
<td>Academic Senate</td>
<td>(15) () (15)</td>
<td>239</td>
<td>224</td>
<td>64</td>
</tr>
<tr>
<td>Chancellor's Orgs</td>
<td>(107) (4) (112)</td>
<td>584</td>
<td>473</td>
<td>263</td>
</tr>
<tr>
<td>Campus Reserve/Priorities</td>
<td>- -</td>
<td>357</td>
<td>357</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(20,862) (22,838) (43,700)</td>
<td><strong>34,051</strong></td>
<td><strong>(9,649)</strong></td>
<td><strong>34,051</strong></td>
</tr>
</tbody>
</table>

**OP Assessment:**  
*Proposed:* Consistent with OP methodology, all annual VC operating expenditures (adjusted for non-VC operating costs like SFA and Utilities) share in OP assessment liability. The % of expenditures will fluctuate annually. Est. for 2012/13 = 1.62% of 2010/11 or 2-prior year expenditures.

**Funding Scenarios:** (see next page for detail calculations)

**Option 1**  
The ~$32 million of General Funds & ICR funds returned by OP July 1, 2011 is allocated in accordance with existing methodologies.  
The specific OP Common Fund taxes on Self-Supporting Units are eliminated, returning ~$2 million to the Medical Center, Health Sciences Compensation Plan, and Auxiliary units.

**Option 2 - all**  
A portion (~$21 million) of General Funds & ICR funds returned by OP is allocated to fully fund the initial OP Assessment levied on Core Funds. The specific OP Common Fund tax on Self-Supporting Units is eliminated, returning ~$2 million to the Medical Center, Health Sciences Compensation Plan, and Auxiliary units.

2a The remaining ~$11 million of Returned Funds is allocated to VCs per the Permanent Core Base Budget, net of standard exclusions.

2b The remaining ~$11 million of Returned Funds is held centrally & used to offset the 2012/13 permanent budget gap.

2c The remaining ~$11 million of Returned Funds is held centrally & used to fund strategic needs, priorities, new initiatives as determined annually.

(1) Core Funds Assessment is charged on all Core Instructional & Research expenditures - includes spending of State Funds; Mandatory Student Fee funds; all Contract,
### Distribution Option 1

<table>
<thead>
<tr>
<th></th>
<th>Allocate Returned General Funds (1)</th>
<th>Allocate Returned ICR Funds (2)</th>
<th>Elim Comm Fund Tax</th>
<th>Total New Funds</th>
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<tbody>
<tr>
<td>Academic Affairs</td>
<td>63.8% 13,246</td>
<td>23.7% 2,640</td>
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<td>15,886</td>
</tr>
<tr>
<td>Health Sciences</td>
<td>11.0% 2,278</td>
<td>29.6% 3,303</td>
<td>22</td>
<td>5,602</td>
</tr>
<tr>
<td>Marine Sciences</td>
<td>6.3% 1,304</td>
<td>7.0% 786</td>
<td>2</td>
<td>2,092</td>
</tr>
<tr>
<td>Medical Center</td>
<td>1.7% 350</td>
<td>0.0% -</td>
<td>1,890</td>
<td>2,239</td>
</tr>
<tr>
<td>Student Affairs</td>
<td>2.6% 540</td>
<td>0.0% -</td>
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<td>540</td>
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<tr>
<td>External &amp; Bus Affairs</td>
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<td>14.0% 1,563</td>
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<td>Resource Mgt &amp; Planning</td>
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<td>17.8% 1,986</td>
<td>66</td>
<td>3,773</td>
</tr>
<tr>
<td>Academic Senate</td>
<td>0.2% 38</td>
<td>1.8% 201</td>
<td></td>
<td>239</td>
</tr>
<tr>
<td>Chancellor's Orgs</td>
<td>1.3% 262</td>
<td>2.9% 323</td>
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<td>Campus Reserve</td>
<td>3.2% 357</td>
<td>3.2% 357</td>
<td></td>
<td>357</td>
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<tr>
<td><strong>New Funds Distribution</strong></td>
<td><strong>100% 20,771</strong></td>
<td><strong>100% 11,159</strong></td>
<td>2,121</td>
<td>34,051</td>
</tr>
</tbody>
</table>

(1) Allocate General Funds per % of June 2011 State Funds Permanent Core Budget Base. FSI effective July 1, 2011.
(2) Allocate ICR per 2011/12 ICR Model which distributes 2010/11 Recovery. FSI effective July 1, 2011.

### Distribution Option 2a

<table>
<thead>
<tr>
<th></th>
<th>Cover OP Assessment on Core Funds (1)</th>
<th>Balance of Returned Funds (2)</th>
<th>Elim Comm Fund Tax</th>
<th>Total New Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td>40.6% 8,476</td>
<td>54.7% 6,054</td>
<td></td>
<td>14,530</td>
</tr>
<tr>
<td>Health Sciences</td>
<td>37.3% 7,784</td>
<td>15.0% 1,661</td>
<td>22</td>
<td>9,467</td>
</tr>
<tr>
<td>Marine Sciences</td>
<td>9.8% 2,039</td>
<td>6.0% 661</td>
<td>2</td>
<td>2,701</td>
</tr>
<tr>
<td>Medical Center</td>
<td>0.5% 100</td>
<td>1.2% 138</td>
<td>1,890</td>
<td>2,128</td>
</tr>
<tr>
<td>Student Affairs</td>
<td>3.3% 688</td>
<td>5.8% 639</td>
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<td>1,327</td>
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<td>External &amp; Bus Affairs</td>
<td>3.9% 804</td>
<td>6.8% 757</td>
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<td>1,702</td>
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<td>Resource Mgt &amp; Planning</td>
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<td>8.6% 955</td>
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<tr>
<td>Academic Senate</td>
<td>0.1% 15</td>
<td>0.4% 49</td>
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<td>64</td>
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<tr>
<td>Chancellor's Orgs</td>
<td>0.5% 107</td>
<td>1.4% 156</td>
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<td>263</td>
</tr>
<tr>
<td><strong>New Funds Distribution</strong></td>
<td><strong>100% 20,862</strong></td>
<td><strong>100% 11,068</strong></td>
<td>2,121</td>
<td>34,051</td>
</tr>
</tbody>
</table>

(1) Allocate enough returned funds to cover OP Assessment on Core Expenditures
(2) Allocate remaining returned funds as a % of June 2011 Permanent Core Budget Base

### Distribution Option 2b/c

<table>
<thead>
<tr>
<th></th>
<th>Cover OP Assessment on Core Funds (1)</th>
<th>Balance of Returned Funds (2)</th>
<th>Elim Comm Fund Tax</th>
<th>Total New Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td>40.6% 8,476</td>
<td>-</td>
<td>8,476</td>
<td></td>
</tr>
<tr>
<td>Health Sciences</td>
<td>37.3% 7,784</td>
<td>-</td>
<td>7,806</td>
<td></td>
</tr>
<tr>
<td>Marine Sciences</td>
<td>9.8% 2,039</td>
<td>-</td>
<td>2,041</td>
<td></td>
</tr>
<tr>
<td>Medical Center</td>
<td>0.5% 100</td>
<td>-</td>
<td>1,990</td>
<td></td>
</tr>
<tr>
<td>Student Affairs</td>
<td>3.3% 688</td>
<td>-</td>
<td>689</td>
<td></td>
</tr>
<tr>
<td>External &amp; Bus Affairs</td>
<td>3.9% 804</td>
<td>-</td>
<td>945</td>
<td></td>
</tr>
<tr>
<td>Resource Mgt &amp; Planning</td>
<td>4.1% 848</td>
<td>-</td>
<td>914</td>
<td></td>
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<tr>
<td>Academic Senate</td>
<td>0.1% 15</td>
<td>-</td>
<td>15</td>
<td></td>
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<tr>
<td>Chancellor's Orgs</td>
<td>0.5% 107</td>
<td>-</td>
<td>107</td>
<td></td>
</tr>
<tr>
<td>Campus Priorities</td>
<td>100% 11,068</td>
<td>100% 11,068</td>
<td>11,068</td>
<td></td>
</tr>
<tr>
<td><strong>New Funds Distribution</strong></td>
<td><strong>100% 20,862</strong></td>
<td><strong>100% 11,068</strong></td>
<td>2,121</td>
<td>34,051</td>
</tr>
</tbody>
</table>

(1) Allocate enough returned funds to cover OP Assessment on Core Expenditures
(2) (a) Retain remaining returned funds centrally to partially offset 2012/13 Perm Budget cuts
(2) (b) Retain remaining returned funds centrally to use for Campus Priorities

* Core Perm Budget Base includes:
  - State Funds: 19XXX (except for 19933A & 19942A), Other State Funds: 18XXX
  - Tuition & Fee Funds: 20000A, 20095A, 20290A, 2022XA & 19942A
  - ICR Funds: 05397A, 07427A, 19933A & 69750A