

UC San Diego

Campus Budget Office



Budget Planning Update

Academic and Business Administrators

March 5, 2013

Budget Planning Updates

- State and UC Budget
- UCSD Budget and Planning
 - Sources & Uses
 - Budget Planning Process for 2013/14
 - Assumptions & Outlook
- Select Topics
 - Funding Streams
 - Re-Benchmarking State General Fund
 - UCPath

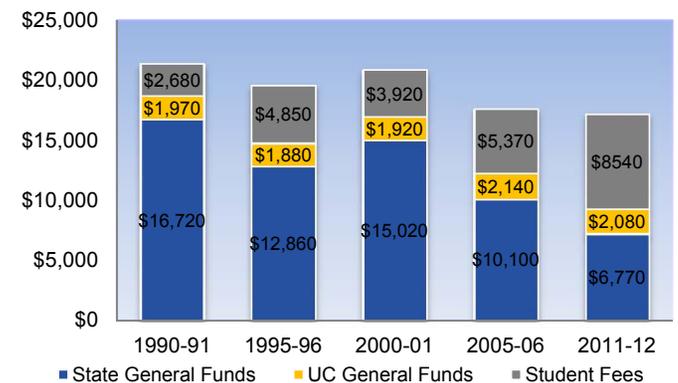


State and UC Budget



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 and UC Proposed Budget

- 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.
- Proposed 2013/14 UC State General Fund \$2.377 B
 - 2012/13 Tuition/Fee Buy-out 125M
 - Base budget adjustment – 5% 125M
 - Lease purchase revenue bonds 10M
 - Annuitant Health Benefits 6.4 M

UC Operating Total \$2.644 B

Transfer of GO bond debt service to UC Base 201.7M

Total Proposed UC State General Fund \$2.846 B



State and UC 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 to Regents if March for discussion, and May or June for Vote.



UCSD Budget and Planning



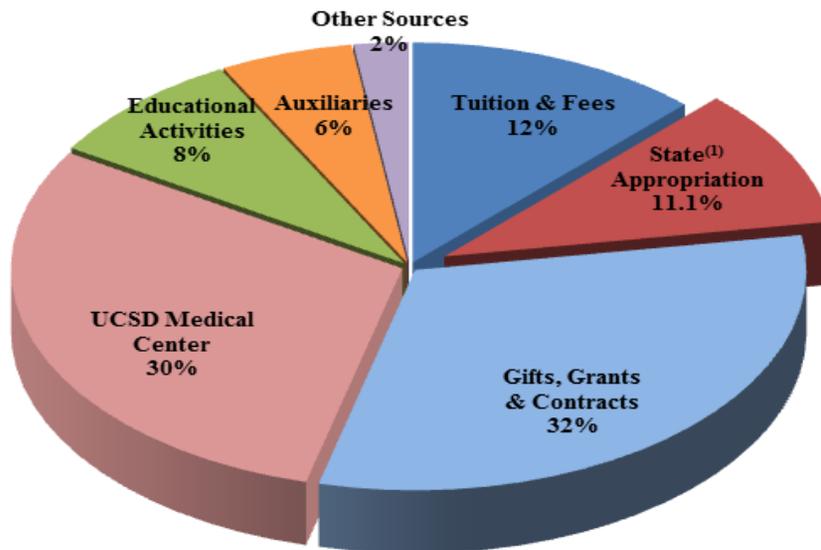
UCSD Budget and Planning

- State General - Educational Appropriation (*6.5% of all funds*)
- Core Funds (*25% of all funds*)
 - State General Funds
 - Student Tuition & Fees (Educational, Student Services, Non-Resident, Professional Differential)
 - Overhead – Research Indirect Cost Recovery (ICR)
 - Overhead – Auxiliary and Self-Supporting Activities
 - Other Misc. UC General Funds
- All Funds
 - Core Funds + all Other Funds (Federal, State & other sponsored research, Private gifts, sales & services of hospitals, clinic and auxiliary enterprises)

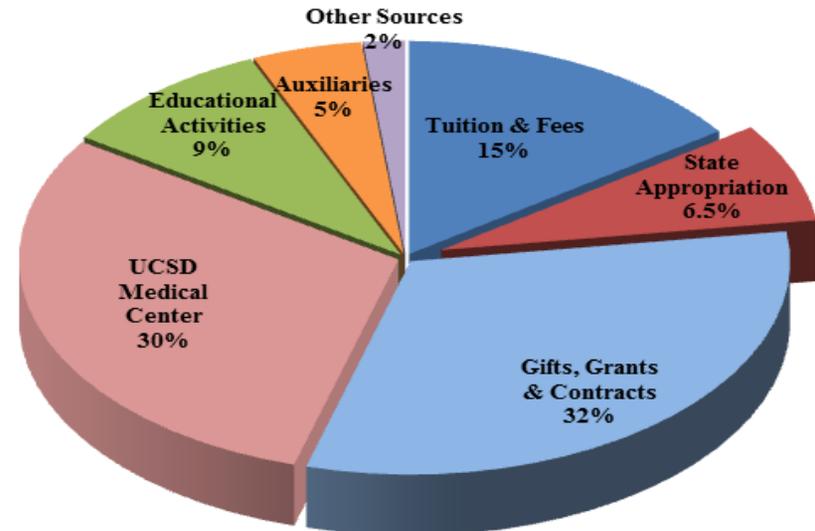


Gross Revenues by Source
Actual 2008/09 vs. Projected 2012/13
All Funds

2008/09
\$2.7 Billion



2012/13
\$3.6 Billion



Revenues By Source - millions

State Appropriation ⁽¹⁾	\$	300
Other specific appropriations		31
Gifts, Grants, & Contracts		850
Medical Center		806
Tuition and Fees		330
Educational Activities		228
Auxiliaries		149
Other Sources		61
Adjusted Total	\$	<u>2,755</u>

Revenues By Source - millions

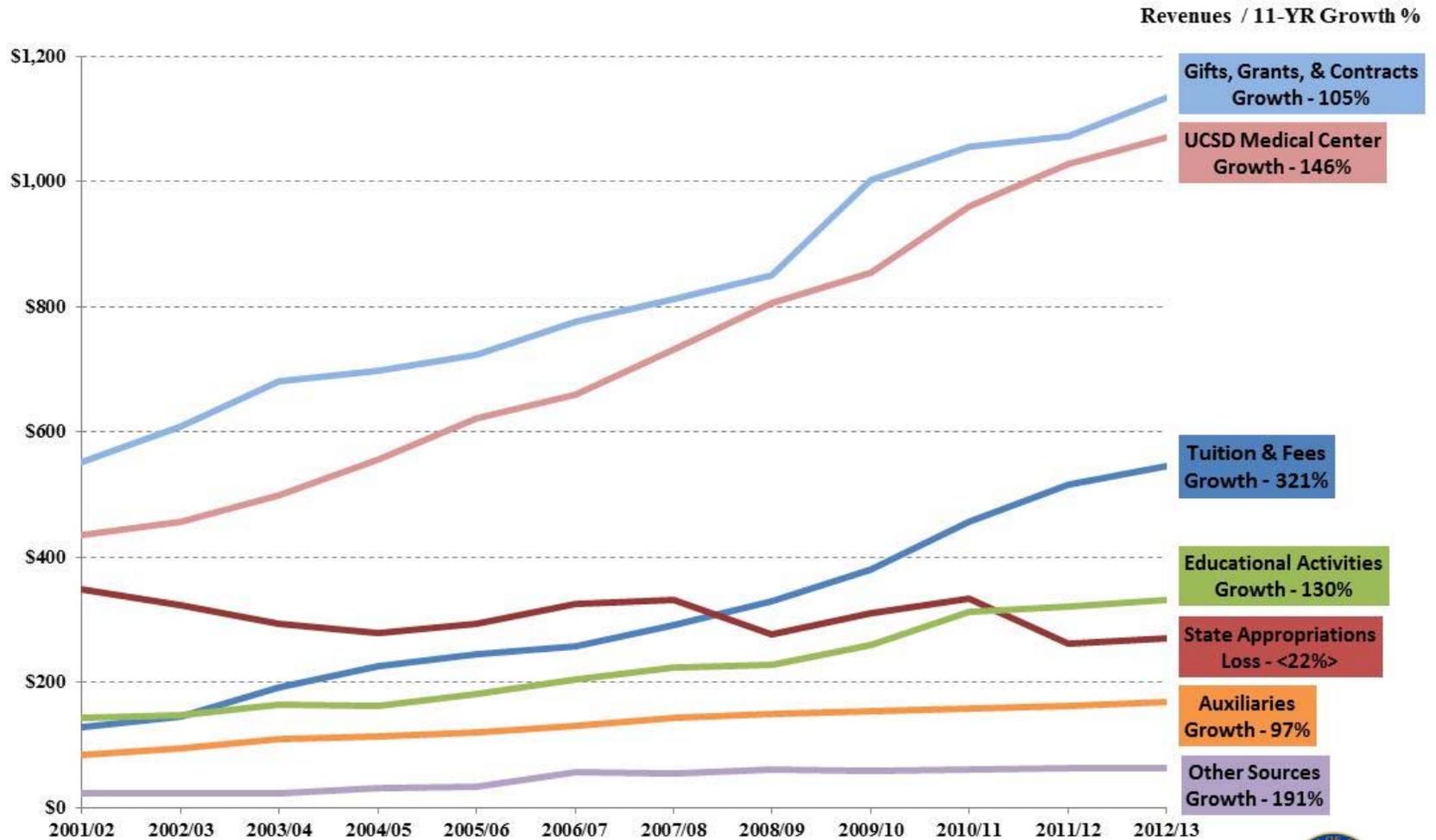
			% Change
State Appropriations	\$	232	-22.7%
Other specific appropriations		39	25.8%
Gifts, Grants, & Contracts		1,135	33.5%
Medical Center		1,070	32.8%
Tuition and Fees		545	65.2%
Educational Activities		331	45.2%
Auxiliaries		168	12.8%
Other Sources		64	4.9%
Total	\$	<u>3,584</u>	<u>30.1%</u>

(1) The State Educational Appropriation in 2008/09 and 2009/10 includes a \$55.5M adjustment due to delayed recognition of State-ARRA funding relief. For budgetary purposes, the amounts are adjusted to remove the timing effect of this transaction delay.



Financial Performance: By Source of Revenue

Actual 2001/02 - 2010/11 & Projections thru 2012/13
(\$ Millions)



Data Source: UC Financial Schedules



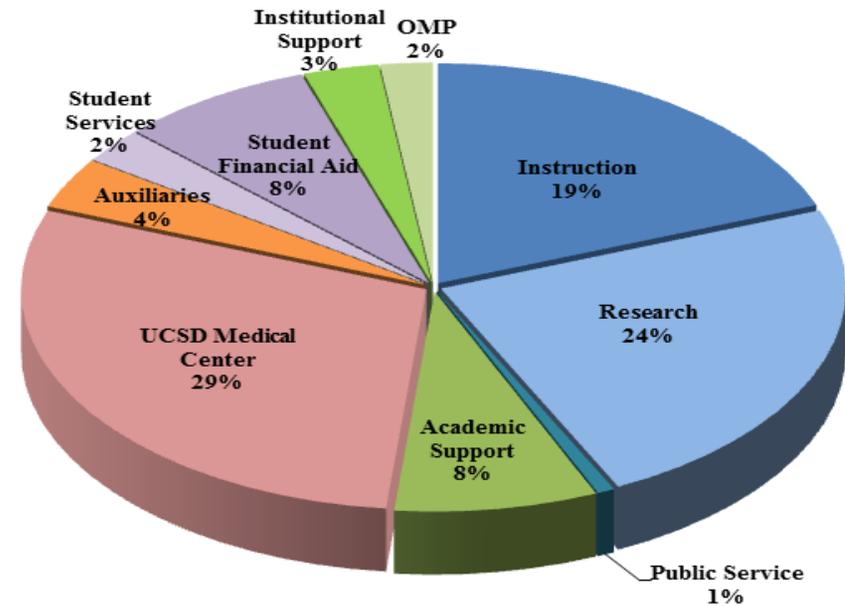
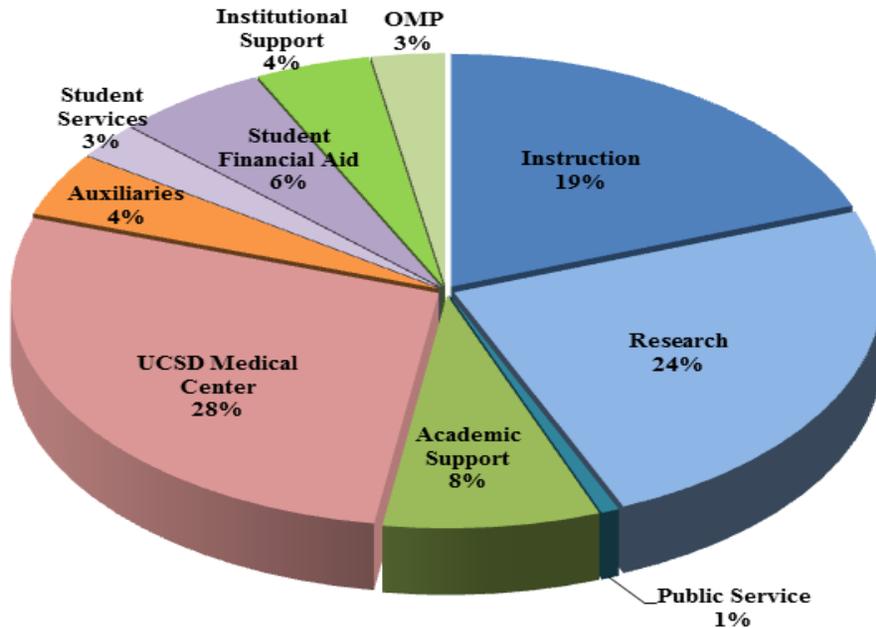
Operating Expenditures by Major Program

Actual 2008/09 vs. Projected 2012/13

All Funds

2008/09
\$2.5 Billion

2012/13
\$3.3 Billion



Expenditure by Program - millions

Instruction	\$	475
Research		610
Public Service		17
Academic Support		201
Student Services		62
Student Financial Support		143
Institutional Support		110
Operations, Maintenance Plant		69
Auxiliaries		111
Medical Center		693
Total	\$	2,492

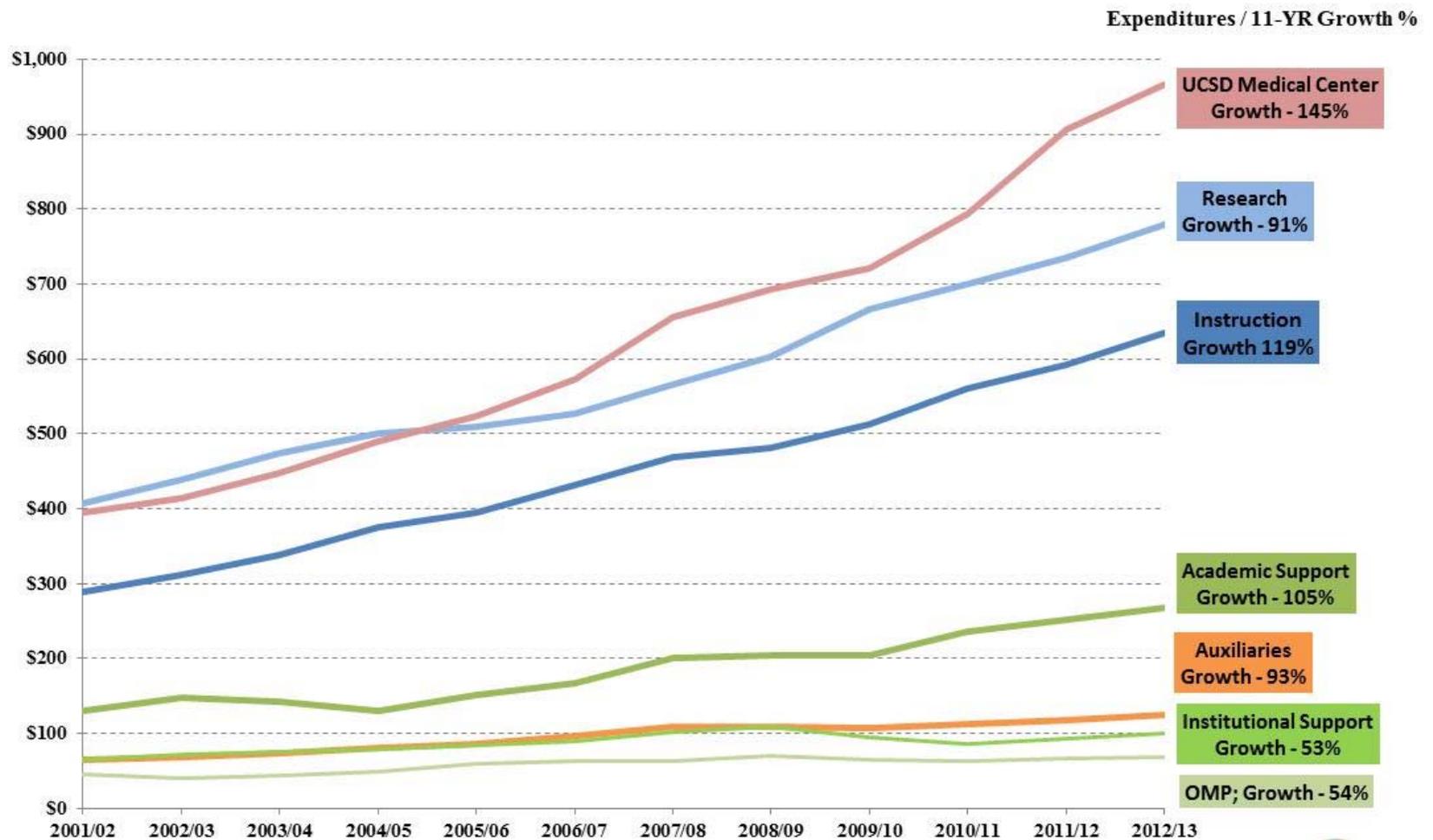
Expenditure by Program - millions

Program	Amount	% Change
Instruction	\$ 635	33.6%
Research	779	27.6%
Public Service	23	35.3%
Academic Support	268	33.3%
Student Services	85	36.4%
Student Financial Support	257	79.7%
Institutional Support	100	-9.5%
Operations, Maintenance Plant	69	0.0%
Auxiliaries	124	11.7%
Medical Center	966	39.4%
Total	\$ 3,305	32.6%



Financial Performance: By Program Expenditures

Actual 2001/02 - 2010/11 & Projections thru 2012/13
(\$ Millions)



Data Source: UC Financial Schedules

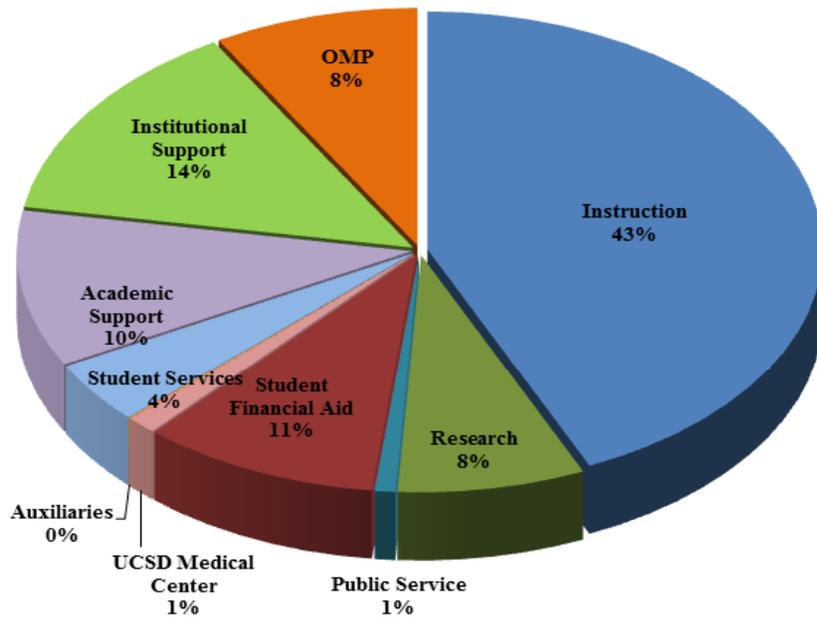


Operating Expenditures by Major Program

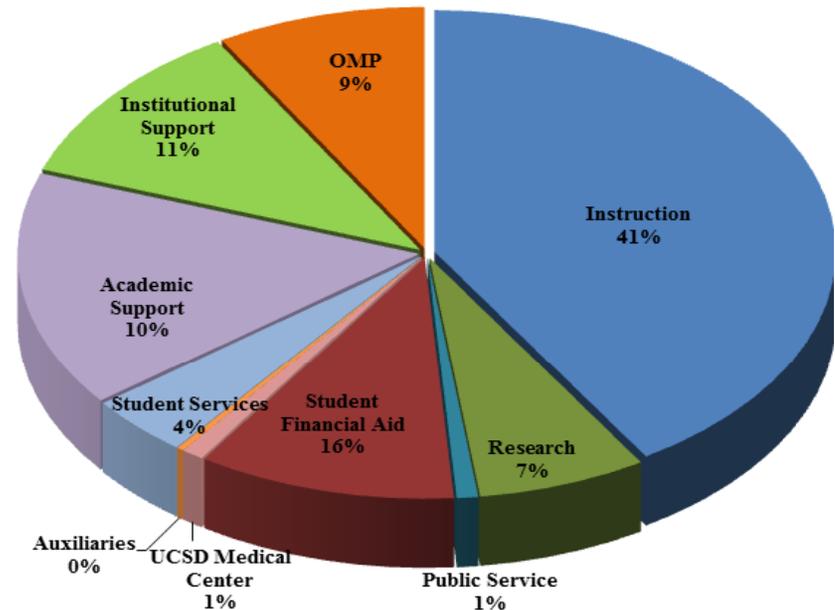
Actual 2008/09 vs. Projected 2012/13

Core Funds

2008/09
\$633.3 Million



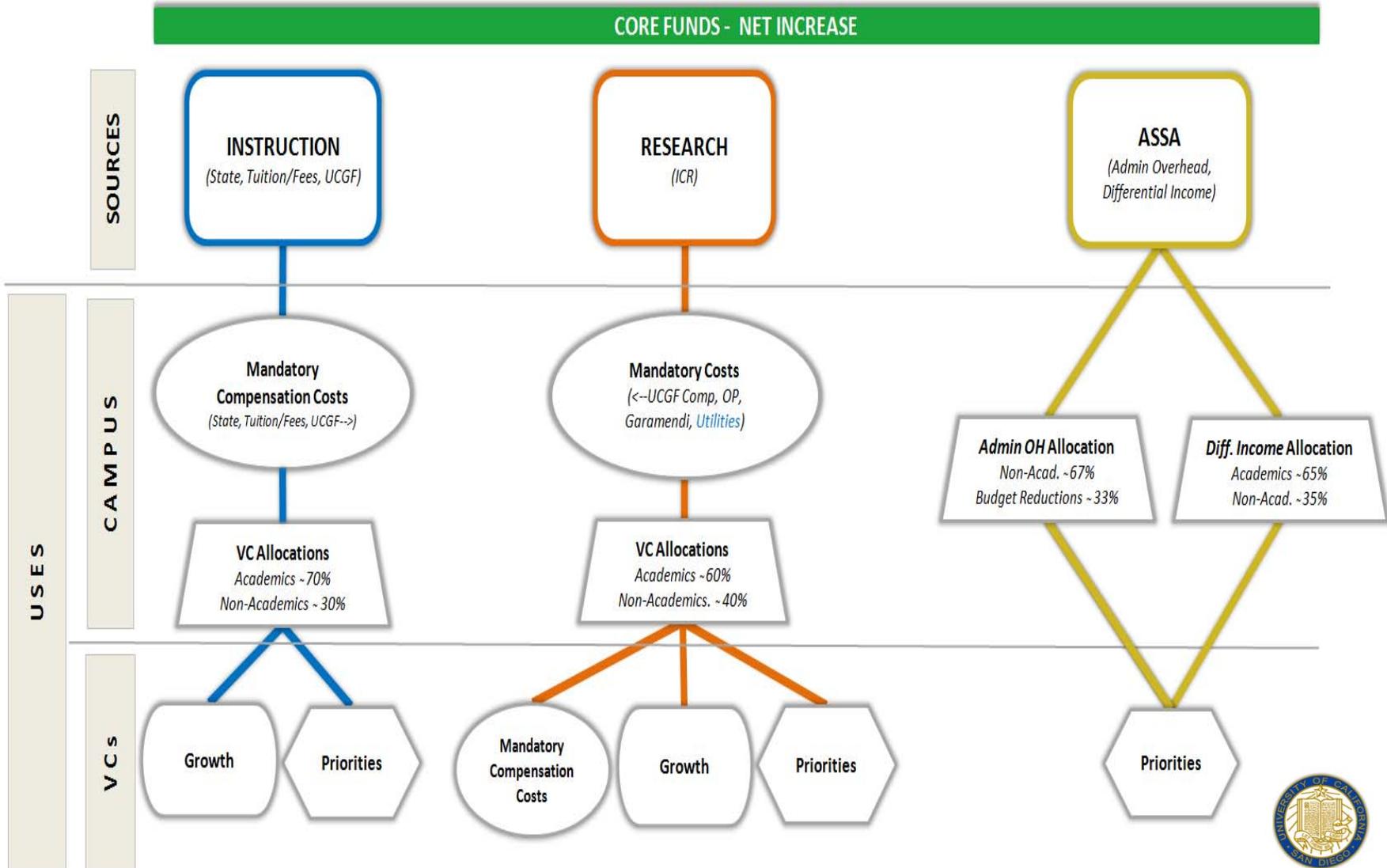
2012/13
\$814 Million



<u>Expenditure by Program - million:</u>	<u>Core Funds</u>	<u>All Funds</u>	<u>Core as % of Total</u>
Instruction	\$ 287	\$ 475	60.4%
Research	51	610	8.4%
Public Service	5	17	29.4%
Academic Support	64	201	31.8%
Student Services	28	62	45.2%
Student Financial Support	70	143	49.0%
Institutional Support	92	110	83.6%
Operations, Maintenance Plant	56	69	81.2%
Auxiliaries	1	111	0.5%
Medical Center	9	693	1.3%
Total	\$ 663	\$ 2,492	26.6%

<u>Expenditure by Program - millions:</u>	<u>Core Funds</u>	<u>All Funds</u>	<u>Core as % of Total</u>
Instruction	\$ 335	\$ 635	52.8%
Research	55	779	7.1%
Public Service	7	23	30.4%
Academic Support	85	268	31.7%
Student Services	34	85	40.2%
Student Financial Support	130	257	50.6%
Institutional Support	90	100	90.4%
Operations, Maintenance Plant	69	69	100.0%
Auxiliaries	2	124	1.6%
Medical Center	7	966	0.7%
Total	\$ 814	\$ 3,305	24.6%

UCSD Budget Former Revenue Budget Model



UCSD Budget Incentives and Transparency

- Incentives have been in place for instructional funds flow to VC units impacted by enrollment growth; and research support funds flow to units with research overhead growth
- Available sources of core funds reflected in annual allocations along with proposed use; using approved allocation methodologies to facilitate planning
- Options for budget reductions and funding new initiatives are shared and discussed
- In current budgetary climate and challenging outlook: limited state support, federal sequestration, funding streams initiative, maturing campus – Seeking opportunities to Improve and be More Strategic at campus level
- In current transition as campus develops Strategic Plan



State Budget Impact UC San Diego

	2008/09		2009/10		2010/11		2011/12		2012/13 est.		2013/14 proj.		Total Perm
	Perm	1-time	Perm	1-time	Perm	1-time	Perm	1-time	Perm	1-time	Perm	1-time	
State Budget Reductions ^(1,2)	\$ -	\$ (12.0)	\$ (20.0)	\$ (64.2)	\$ (20.0)	\$ -	\$ (71.4)	\$ -	\$ (12.8)		\$ -		\$ (124.2)
State Base 'Budget' Funding									12.9		28.0		40.9
Mandatory Cost Increases ⁽³⁾	(12.1)	-	(14.4)	-	(24.1)	-	(27.6)	-	(29.2)		(25.3)		(132.7)
Total State Funding Shortfall	\$ (12.1)	\$ (12.0)	\$ (34.4)	\$ (64.2)	\$ (44.1)	\$ -	\$ (99.0)	\$ -	\$ (29.1)	\$ -	\$ 2.7	\$ -	\$ (216.0)

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).

- Since 2008/09, the State Permanent Budget Shortfall is \$216M
- From 2008/09 thru 2013/14, cumulative State budget shortfalls impact the campus by \$850M
 - Tuition/Fee Revenue increases have offset shortfall by \$359M



2013/14 UCSD Budget Process and Planning Assumptions

- Consistent with budget guiding principle, past campus reductions targeted larger cuts to Non-Academic units
- Highest priority to academic enterprise
- Approach to 2013/14 Budget likely similar to current year, allowing time for conclusion of Strategic Planning Process.
- Proposing 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



2013/14 UCSD Budget Process and Planning Assumptions

- Proposing the following:
 - Continue strategic priority investments
 - Faculty Recruitment and Retention
 - Graduate Student Support
 - Technology (Instruction, RCI, eRap, UCPath)
 - Academic Initiatives: (QBio, Energy, Design, Education)
- New priority investments in alignment with institutional goals, as limited funds allow.
- Monitoring of total funds and carryforward balances will continue as part of annual budget process.
- OPEB Rate for 2013/14 projected to be 2.8% and 2014/15 3.6%

	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15*	FY 15/16*	FY 16/17*
Cumulative Increase								
Employer	4.00%	4.00%	7.70%	10.63%	12.65%	15.00%	16.80%	19.10%
Employee	2.00%	2.00%	3.50%	5.00%	6.50%	6.50%	6.50%	6.50%
TOTAL	6.00%	6.00%	11.20%	15.63%	19.15%	21.50%	23.30%	25.60%

*Prospective rates *not* yet approved set by Regents.



Select Topics



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.

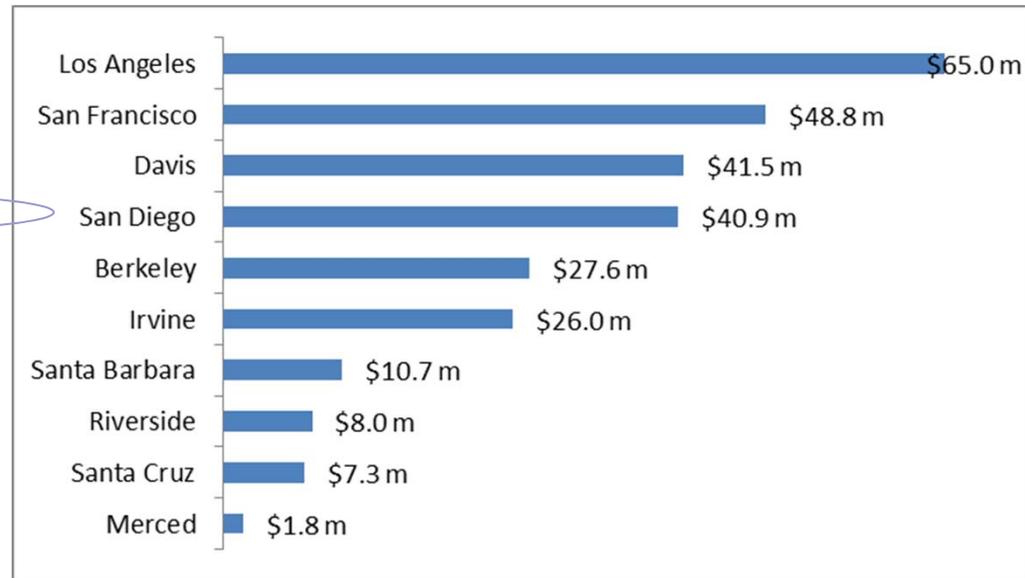


Funding Streams Initiative (FSI) UCSD's Share of 2011/12 FSI Assessment

Portion of UCSD Tax:

Share of Systemwide Assessment

Los Angeles	\$ 64,978,000	23%
San Francisco	48,829,000	18%
Davis	41,479,000	15%
San Diego	40,932,000	15%
Berkeley	27,579,000	10%
Irvine	26,033,000	9%
Santa Barbara	10,715,000	4%
Riverside	8,015,000	3%
Santa Cruz	7,336,000	3%
Merced	1,801,000	1%
	<u>\$ 277,697,000</u>	



Campus share based on annual expenditures on All funds. Campuses with Medical Centers carry a larger share of cost. UCOP expenditures include OP Administration, OP administered programs including central support for campus undergraduate programs, MRUs, systemwide initiatives, priorities like CALLSIs, specialty activities such as the Division for Agriculture and Natural Research, etc. Initiatives like UCPATH, CoA, and others may be included in this assessment.



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.



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)



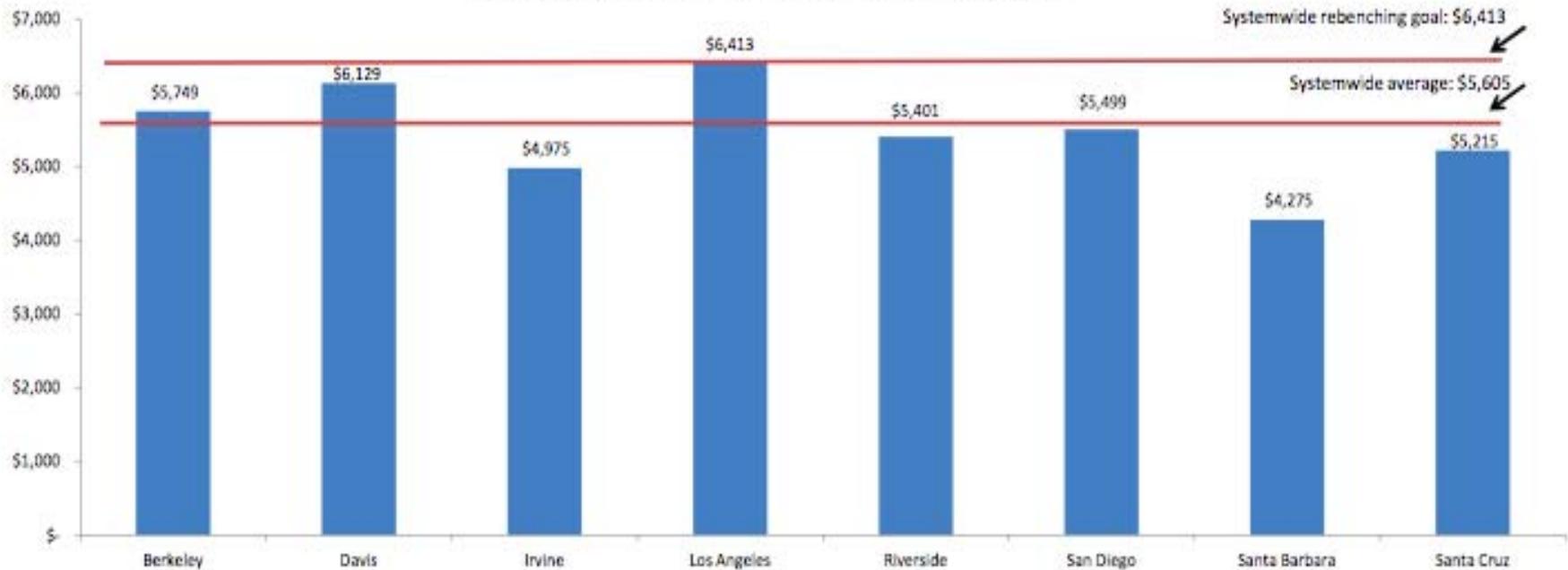
Redistribution of State General Funds UC Rebenching Initiative

- 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

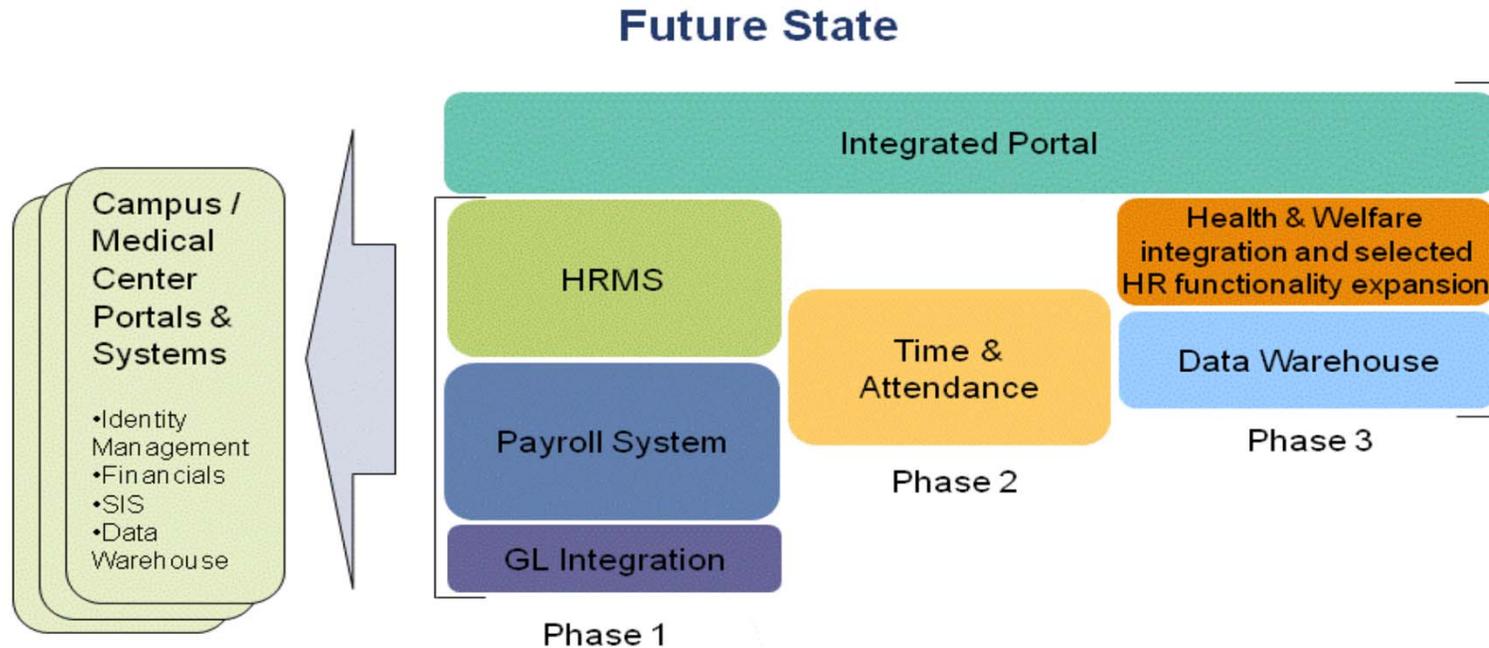
Appendix B:
Rebenching Model Results: dollars per "weighted" student



These values are State General Funds per "weighted" student based on the formula in the rebenching model. The values are not related to the actual costs or expenditures for instruction since the model only accounts for a portion of one revenue source. It does not take into account other State General Funds, other revenue sources, actual expenditures, budget cuts, or over-enrollment.



UCPath / HRIS



- Single UC-wide HRMS with consolidated and consistent jobs, positions, org hierarchy
- Single UC-wide payroll system with consolidated pay cycles/schedules/earnings/deductions
- General Ledger integration with campus and medical center FAUs
- Systemwide Time & Attendance solution
- End-to-end integration with Health & Welfare administration
- Expanded HR functionality and capabilities TBD
- UC-wide HR and payroll data warehouse



UCPath / HRIS

- New System – People Soft (Oracle)
- System-wide Service Center (UC Riverside)
- UCSD in Wave II of implementation
 - 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 but date TBD later this year
 - Original Wave 3 “go-live” of October 1, 2014; now delayed but date TBD later this year.
- Expect cost flow to campuses via increase in OP tax to pay for the development, implementation and ongoing operation 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/>



UCPath / HRIS

- **UC System Estimated Cost for Implementation**
 - Revised estimate now \$169M over 3 years; up from original estimate of \$151M
 - Total amount amortized over 7 years = \$188M (*inc. interest cost*)
 - Annual ongoing operations of ~ \$70M

- **UCSD Preliminary Estimates**
 - UCSD estimated share of annual cost \$11M-\$15M, starting 2014/15 through FY 2019/20
 - Current estimated cost of implementation during 3-year period is \$9M
 - UCOP reimbursing the campus for \$2M
 - \$2.5M was set aside in the FY 2011/12 Resources Allocation Package
 - Remainder to be funded by campus resources



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



Questions



Revenue Classifications

Receipts are reported by “uniform classification categories” which were developed by the National Association of College and University Business Officers (NACUBO) for all higher education budgetary and financial reporting systems.

- **Tuition & Fees** – mandatory registration and educational fees for resident and non-resident students, as well as professional school fees, campus-based student fees, extension and summer session fees.
- **Federal Government** – federal contracts and grants for research and student aid programs. Specific examples include Department of Health & Human Services and National Science Foundation for research, and Pell grants for student aid program.
- **State Government** – state general appropriation to support core campus operations as well as funds associated with specific state research and student aid. Specific examples include state general funds, state capital lease-purchase funds, California Student Aid Commission revenue, and California Department of Transportation contracts.
- **Local Government** – contracts and grants with local governments. Specific examples include county funding for the Preuss School average-daily-attendance and funding for the County Immunization Program.
- **Private Gifts, Grants, & Contracts** – individual gifts or contracts from non-governmental agencies for specified purposes. Examples include clinical drug trial revenue, grants from private entities, current & endowed gifts, and funds received by the campus from the UC San Diego Foundation.
- **Sales & Services of Educational Activities** – sales of products or services to organizations outside the university in connection with training students. Some examples include medical school clinical compensation plan, Birch Aquarium, DHS Smoker’s Helpline services, and campus laboratory and machine shop external sales & services.
- **Sales & Services of Auxiliary Enterprises** – self-supporting operations as required by UC. Some examples include student housing and dining services, bookstore, parking, summer sports camps and day-care center revenue.
- **Sales & Services of Teaching Hospitals** – user fees for services provided at the Medical Centers.
- **Other Sources** – receipts that do not naturally fall into one of the other major classifications. Some examples include property rental, royalties on patents, and sales of surplus equipment.



Expenditure Classifications

Expenditures are reported by “uniform classification categories” which were developed by the National Association of College and University Business Officers (NACUBO) for all higher education budgetary and financial reporting systems.

- **Instruction** – academic departments' classroom instruction and departmental research operations; also includes extension and summer session.
- **Research** – organized research, including institutes, research centers, and individual or project research, such as the Cancer Center and the Supercomputer Center.
- **Public Service** – community services such as lectures, art, work-study programs, and community health service projects.
- **Academic Support** – libraries, audio-visual services, academic computing support, course and curriculum development. Includes academic departmental admin. and medical school clinical compensation & practice plans.
- **Teaching Hospital** – operating costs related to the UCSD Medical Center and Thornton Hospital.
- **Student Services** – social and cultural activities, counseling and career guidance, student admissions and records, student health services and financial aid administration.
- **Institutional Support** – central executive-level activities, fiscal operations, human resources, contracts and grants, administrative computing, procurement, security, and community relations.
- **Operation and Maintenance of Plant** – buildings and grounds maintenance, janitorial, plant, and refuse disposal services, major repairs and alterations.
- **Student Financial Aid** – direct student aid expenditures excluding administrative costs.
- **Auxiliary Enterprises** – self-supporting operations such as housing and dining services, the bookstore and parking.

