State Budget

• California’s budget problem persists
• State and UC have dealt with large budget shortfall since 2007
• UC must reaffirm State support
  – Funding for Higher Education is an investment in California; UC is part of the solution to economic crisis
2011/12 State Budget

• State Budget Act addresses budget gap of over $26 billion
• Makes some progress on state’s structural budget deficit
• Assumes $4 billion in revenues, and includes ‘reduction triggers’ if revenues are not achieved
2011/12 State Budget
University of California

• Total Undesignated Reduction: -$650 million
• No funding for enrollment, retirement contributions, or other mandatory costs
• Sum of cuts and unfunded costs > -$1 billion gap
• Limits on discretion to assign cuts
• Funding for two capital projects: $45.7 million
  Includes the following for UCSD:
  – $5.7 million for SIO Research Support Facilities
  – $947,000 for the second equipment phase – Structural and Materials Engineering Building

• Potential Mid-Year Trigger: -$100 million
**2011/12 State Budget**

**UC Budget Gap**

- **Mandatory Costs, $362.5M**
- **State Support Reduction, $650M**
- **Proposed Additional 9.6% Tuition Increase, $150M**
- **November 2010 8% Tuition Increase, $115.8M**

Shortfall, $746.7M

- Annualized Revenue Impact
2011/12 State Budget
UCSD

- Total undesignated reduction: -$70.5 million
- In addition, unfunded mandatory costs for salary, health and welfare benefits, retirement contributions equate to -$27.6 million
- Projected budget shortfall: -$98.1 million
  - Campus is distributing $27.5 million of this budget gap to Vice Chancellor operating budgets
  - Balance is offset with other campus resources and income from student fee increase
# Multi-Year State Budget Impact

## UCSD

### Table: Multi-Year State Budget Impact

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<tr>
<td><strong>State Budget Reductions</strong>&lt;sup&gt;(1,2)&lt;/sup&gt;</td>
<td>$ -</td>
<td>$ 12.0</td>
<td>$ 20.0</td>
<td>$ 64.2</td>
<td>$ 20.0</td>
<td>$ -</td>
<td>$ 70.5</td>
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<tr>
<td><strong>Mandatory Cost Increases</strong>&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>12.1</td>
<td></td>
<td>14.4</td>
<td></td>
<td>24.1</td>
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<td>27.6</td>
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<tr>
<td><strong>Total State Funding Shortfall</strong></td>
<td>$ 12.1</td>
<td>$ 12.0</td>
<td>$ 34.4</td>
<td>$ 64.2</td>
<td>$ 44.1</td>
<td>$ -</td>
<td>$ 98.1</td>
<td>$ -</td>
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<tr>
<td><strong>Fee Increase Income</strong>&lt;sup&gt;(4)&lt;/sup&gt;</td>
<td>$(7.7)</td>
<td></td>
<td>$(13.5)</td>
<td></td>
<td>$(21.0)</td>
<td>$(22.2)</td>
<td>$(42.3)</td>
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<tr>
<td><strong>Net State Funding Gap</strong></td>
<td>$ 4.4</td>
<td>$ 12.0</td>
<td>$ 20.9</td>
<td>$ 64.2</td>
<td>$ 23.1</td>
<td>$(22.2)</td>
<td>$ 55.8</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 104.2</td>
<td></td>
<td>$ 110.5</td>
<td></td>
<td>$ 188.7</td>
<td></td>
<td></td>
<td>$ 110.5</td>
</tr>
</tbody>
</table>

1. UCSD share of State budget cuts directed to UC, per annual State Budget Act.
2. In 2007/08, UCSD's State Education Appropriation was $301M, eroding 36.7% by 2011/12.
3. State’s share of mandatory costs that were not funded (including health benefits, faculty merits, bargaining unit negotiations, UCRP; does not include state share of over-enrollment, utility inflation costs).
4. Student Fee Income used to address annual State Funding Gap, including income in 2011/12 from the 9.6% fee increase used to fully offset UCSD’s share of the additional $150M state cut.
UCSD Sources of Revenues
$2.93 Billion

- Federal Government: 23%
- Teaching Hospitals: 29%
- Educational Activities: 9%
- Private Gifts, C&G: 9%
- Tuition & Fees: 11%
- State Government: 4%
- State Educational Appropriations: 8%
- Other Sources: 2%
- Local Government: 0%
- Auxiliaries: 5%

52% of our revenues are from Teaching Hospitals and Federal Government.

Data Source: UCSD Detailed Financial Schedules
Tuition & Fees + State Appropriations revenues are declining as total % of campus revenues:
- 2007/08  = 22.3%
- 2008/09  = 19.6%
- 2009/10  = 17.5%

UCSD Revenues Trend
$ Million

Data Source: UCSD Detailed Financial Schedules
University of California, San Diego
Historical Trend of State Educational Appropriations vs. Gross Tuition & Fees
As a Percent of Total Current Funds Revenues

(1) As of 2001/02, Tuition & Fees are reported net of scholarship allowance. For consistency, the graph shows only gross Tuition & Fees not reduced by scholarship allowance.

Data Source: UCSD Detailed Financial Schedules
UCSD Operating Expenditures
$2.55 Billion

Core’ mission (instruction, research & public service) are 47% of campus expenditures.

Expenditures by Program*
- Teaching Hospital: $721M
- Research: $664M
- Instruction: $472M
- Academic Support: $165M
- Auxiliary Enterprises: $108M
- Institutional Support: $103M
- Student Financial Aid: $94M
- Student Services: $67M
- O&MP: $65M
- Libraries: $31M
- University Extension, Public Service: $60M

Expenditures by Vice Chancellor*
- Health Sciences: $769M
- Medical Center: $721M
- Academic Affairs: $600M
- Marine Sciences: $149M
- Resource Management & Planning: $131M
- External & Business Affairs: $118M
- Student Affairs: $108M
- Chancellor, Academic Senate: $8M

*Expenditure amounts may vary from the UCSD Detailed Financial Schedules due to classification or year-end adjustments.

Data Source: Financial Ledger Data Model
UCSD Operating Expenditures
Core Funds = $663 Million

% Program
- Instruction 42%
- Research 8%
- Student Financial Aid 14%
- Institutional Support 12%
- O&MP 9%
- Academic Support 5%
- Teaching Hospital, University Extension, Auxiliary Enterprises 1%
- Public Service 1%
- Libraries 4%
- Student Services 4%

% Vice Chancellor
- Academic Affairs 49%
- Health Sciences 14%
- Marine Sciences 4%
- Resource Management & Planning 11%
- Chancellor, Medical Center, Academic Senate 2%
- External & Business Affairs 6%
- Student Affairs 14%
- % VC includes funding for both OMP and Financial Aid

Data Source: Financial Ledger Data Model
‘Core’ mission (instruction, research & public service) expenditures increased past two years by 13.9%; compared to a 1% decrease in academic and institutional support.
UCSD Budget Response

• Multi-year and multi-pronged strategic approach
• Continue to invest where possible
• Aggressive pursuit of alternate sources of revenues
  – Increase non-resident enrollment and income
  – Improved overhead recovery on outside sales and service
  – Expand self-supporting programs
  – Build and strengthen philanthropic relationships
  – Establish and expand partnerships
• Continue cost saving and cost avoidance initiatives
  – Expand efficiency and streamlining of operations
  – Restructure and consolidate where feasible
• Use of temporary bridging strategies to mitigate and allow time to plan
  – Debt restructuring programs
  – Use of carry-forward fund balances
• Shift personnel salaries onto non-state funds where feasible and appropriate
UCSD Budget Response

- Consistent with guiding principle, campus budget reductions targeted larger cuts to Administrative and Student Service units

- Strategic priority investments
  - Faculty Recruitment and Retention
  - Graduate Student Support
  - Technology and Infrastructure
  - Employee Compensation
UC Budget Outlook

• Core expenses will continue to increase, with pace accelerated by UCRP contributions
• UC needs steady and predictable revenue growth to address budget shortfalls and meet our future financial needs
• UC must reaffirm State support
• UC must secure other stable and predictable revenue streams
UCSD Budget Outlook

• Like UC, budgetary outlook at UCSD remains a challenge
  − Employee Compensation costs alone are projected at ~$27M/yr for next three years

• Irrespective of state investment, UCSD must secure its future

• In this budgetary context, the campus must prepare for Funding Streams Initiative
  − This initiative is both a challenge and an opportunity
Initiative changes how UC allocates funds across the system
This new funding model is in effect 2011/12 fiscal year
All campus-generated revenues will be retained at the source campus
Current UC policies and practices which ‘pooled’ and differentially allocated share of Educational Fee, Application fee, Research Indirect Cost Recovery, STIPs, and other misc. revenues will be discontinued
Campus funds used to fund the OP Central Budget will be returned to campuses
OP will be funded via a single flat % rate assessed on campus annual expenditures, across all fund sources — 2011/12 charge =1.6% of 2009/10
UC goals for UG-USAP will be maintained via modest fund redistribution to achieve equal loan/work levels across system
UCSD Budget Outlook
Funding Streams Initiative Impact

• Expected to be revenue neutral – ‘is $6.8M short of neutrality’
• General fund cost increases for mandatory compensation costs, space maintenance and other inflationary needs will not be funded by OP
• Various ‘pooled’ funds sources previously administered allocated by OP as 19900 General Fund will be ‘decoupled’, resulting in changes to fund source of VC operating budgets
• Added transparency in source and use of core funds
• Campus incentive to generate and retain revenues
• Added complexity in managing multiple funds
• Potential impacts on centrally administered funds: salary and benefits – and future campus allocations to VC operating budgets
Closing Comments

• Challenging Budgetary Outlook
• Must maintain firm course in generating additional revenues, reducing costs and operating more efficiently
• Continue campus interactions
• Monitor State and UC Budgets
Appendix
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.