

# Academic Affairs Fiscal Contacts Meeting

April 19, 2011

## Funding Streams Initiative

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# General Announcements

- ▶ June 30, 2011 Carry Forward Balance Report
  - Will likely request detailed information from departments for balances in core funds (general funds, student fee funds, indirect cost recovery funds)
  - Request for information will go out in August

# General Announcements

- ▶ Possible Change in Allocations for Faculty Startup & Retention
  - Proposal to allocate funds each year based on actual expenditures
  - Funds would be transferred directly to departments
  - Transfer would likely occur as part of fiscal closing, after June preliminary ledger
  - Change is being proposed to reduce fund balances at the department level
  - Would begin with hires and retentions effective July 1, 2011 and later

# General Announcements

- ▶ Transfer of differential income
  - We will soon be emailing a summary of the revenues that appear to be subject to PPM 300-40 “Guidelines for Recharge and Other Income Producing Activities” (<http://adminrecords.ucsd.edu/ppm/docs/300-40.html>). Included in the summary will be an estimate of the differential income that should have been collected, assuming a 45% differential income rate, compared with the actual amount of differential income reported for the 2009/10 fiscal year and for the first six months of the 2010/11.
  - Campus is now monitoring the revenues to ensure compliance with PPM 300-40 with the expectation that you will record and transfer your differential income to the appropriate department and Vice Chancellor accounts before the end of the fiscal year. We will be assisting departments with differential income calculations and transferring funds to the appropriate accounts after the preliminary year end ledger has posted.

# Funding Streams Initiative

- » Overview
- Campus Impacts
- Comments and Questions

# Overview of Initiative

- ▶ UCOP is changing funding allocation methodologies to campuses for state funds, student fee funds, and indirect cost recovery funds
  - Beginning 11/12, most campus-generated funds will be retained or returned to the source campus
  - Funding for undergraduate financial aid will continue to have cross-campus support
  - Funding for graduate financial aid will not have cross-campus support

# Overview of Initiative (cont.)

- ▶ UCOP central operations will be funded through an assessment to all campuses
  - Assessment will be based on all expenditures in all fund sources
  - A single assessment rate will be used for all fund sources
  - Assessment will be paid by a specified share of general funds, plus other fund sources designated by the individual campus

# Overview of Initiative (cont.)

- ▶ Transition will be revenue neutral in 11/12
  - Funding received by campuses from UCOP because of the change in allocation methodologies will be approximately equal to the total campus assessment
  - In future years, the distribution of the assessment will depend on the variation of the growth in expenditures

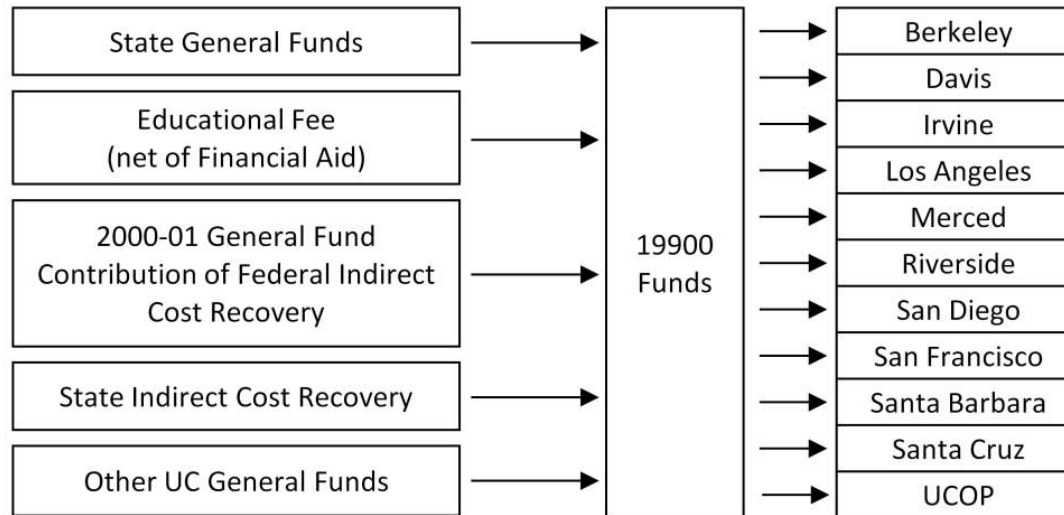


# UC Funding Allocations – Some History

- ▶ Centralized budget control for some revenue streams
- ▶ Some non-State sources of revenues were considered offsets to the state budget
- ▶ Use of incremental budgeting
- ▶ Pooling of funds into 19900
- ▶ RESULT: Cross-subsidization within a campus and system-wide

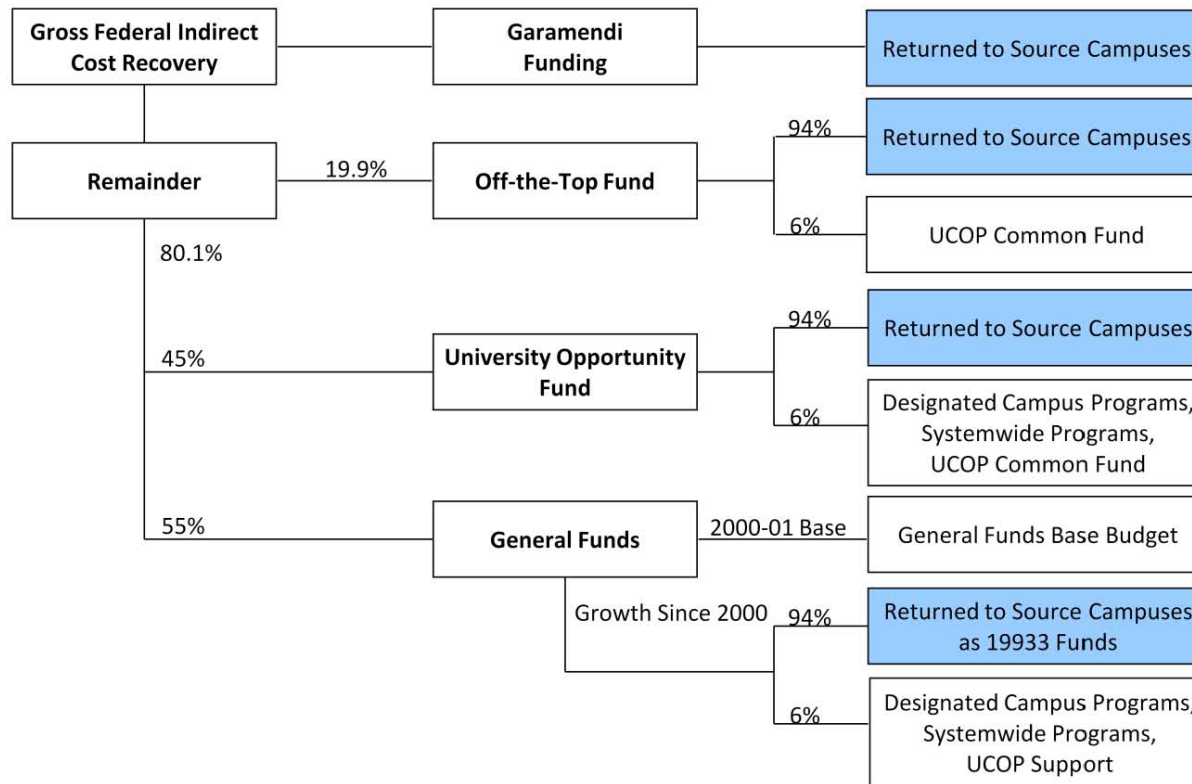
# Pooling and Distribution of General Funds

**Display 1: Pooling and Distribution of General Funds**



# Distribution of Federal Indirect Cost Recovery

Display 2: Distribution of Federal Indirect Cost Recovery (2000-2010)



# Summary of Changes for 11 / 12

	Estimated Amount
Redistribution of general funds (fund swap)	\$0 net change
Redistribution of indirect cost recovery funds	\$11 M
Return of Med Ctr assessment	\$2 M
Assessment cost	(\$44 M)
General funds allocation to offset assessment cost	\$30 M
Net funding change in 11 / 12	\$0 M

# Redistributing the General Fund

- ▶ Total 19900A to be swapped out: \$192 M

- Education Fee: \$155 M
- Application Fee: \$3 M
- Federal UC General Fund: \$30 M
- State C&G ICR: \$1 M
- STIP on General Fund: \$1 M
- Patent Income: \$2 M

- ▶ No net change to campus, only a change in fund sources

# UCSD General Fund Budget

	Permanent Budget
Academic Salaries & Benefits	\$250 M
Staff Salaries, Benefits, Non-salary	\$222 M
<b>Total 19900A Budget</b>	<b>\$472 M</b>
19900A Fund Swap	(\$192 M)
<b>Adjusted 19900A Budget</b>	<b>\$280 M</b>
Additional Funds to Offset Assessment	\$30 M
11 / 12 Budget Reduction	(\$60 M)

# Campus Impacts – Budget

- ▶ Changes in fund sources of operating budgets in all VC areas
  - Additional discussion of how to distribute fund sources
- ▶ Potential impact to central benefits pool
  - Create new pools for new fund sources (e.g., ed fee)
  - Pro-rate benefits pool to new fund sources
  - Elimination of central benefits pool
- ▶ Potential reconsideration of campus allocation methodologies

# Departmental Impacts – Budget

- ▶ Departments may have multiple fund sources for their permanent operating budget
  - General funds (19900A)
  - Education fee funds (20095A)
  - Non-resident tuition (19942A)
  - Indirect cost recovery (19933A, 69750A, 07427A, 05397A)
- ▶ Additional complexity and workload in managing multiple funds



# Future Impacts – Campus Budget

- ▶ Reduction in reliance on state general funds
  - Little or no funding for salary or benefit increases
  - Potential additional budget reductions
- ▶ Increased reliance on student fee funds and indirect cost recovery funds for operations

# Timing of Budget Changes

- ▶ Permanent budget changes will occur in 11/12, with budget allocated in central orgs
- ▶ For departments and other campus units, most permanent budget changes should occur by 7/1/12

# UCOP Assessment – Issues

- ▶ Amount of assessments for campuses is still under discussion
- ▶ Assessment is to provide funding for
  - UCOP administration
  - UCOP–managed academic programs
  - Systemwide initiatives and ongoing commitments
  - Multi–campus research programs and institutes
  - Division of Agriculture and Natural Resources
- ▶ Assessment to provide funding level of \$305 M for UCOP
- ▶ Current estimate is 1.64% of expenditures (\$44 M to UCSD)

# UCOP Assessment – Issues

- ▶ Assessment is based on expenditures in all fund sources, but not all fund sources can be charged
  - Contracts and grants
  - Gifts
- ▶ Campus has to determine how the assessment will be distributed
  - By VC area?
  - By organization code?

# Questions/Issues

- ▶ What are your concerns?