

# *Our UC San Diego Budget*



Presenter: Matt Xavier

Monday December 12, 2016

# *Our UC San Diego Budget – Presentation Outline*

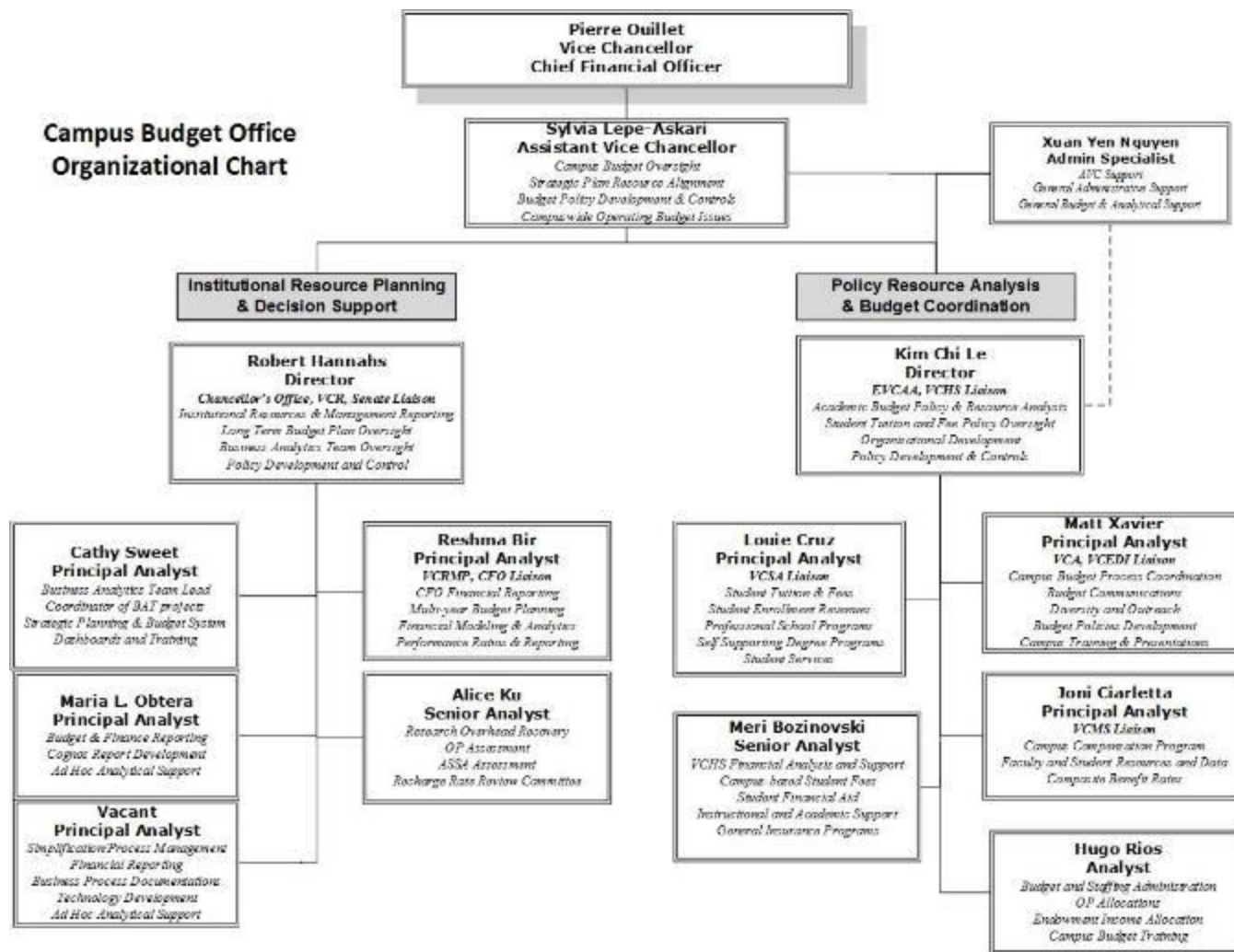
- I. Campus Budget Office
- II. UC Annual Budget Process
- III. San Diego Campus Operating Budget
- IV. SOFI updates
- VI. Questions

# Campus Budget Office - *Our Mission Statement*

To provide professional financial resource management services and make a positive difference in sustaining the university's excellence and the lives of those we touch. We foster a safe and respectful environment that supports diversity, individual growth, and opportunity. We bring this to life through:

- Dedicated advocacy for maximizing campus resources
- Responsible stewardship
- Customer education
- Collaboration and innovative planning and analysis
- Policy development
- Efficient use of technology
- Innovative, creative, and relevant solutions

# Campus Budget Office - Staff



January 2017

Our campus will continue to grow-

103,000 applications were submitted to attend

\$212 M in Fundraising

\$1.1 B in R&D Expenditures (NSF ranks us fifth in the nation)

11.8 M assignable square footage in 800 buildings (research, clinical, office, housing)

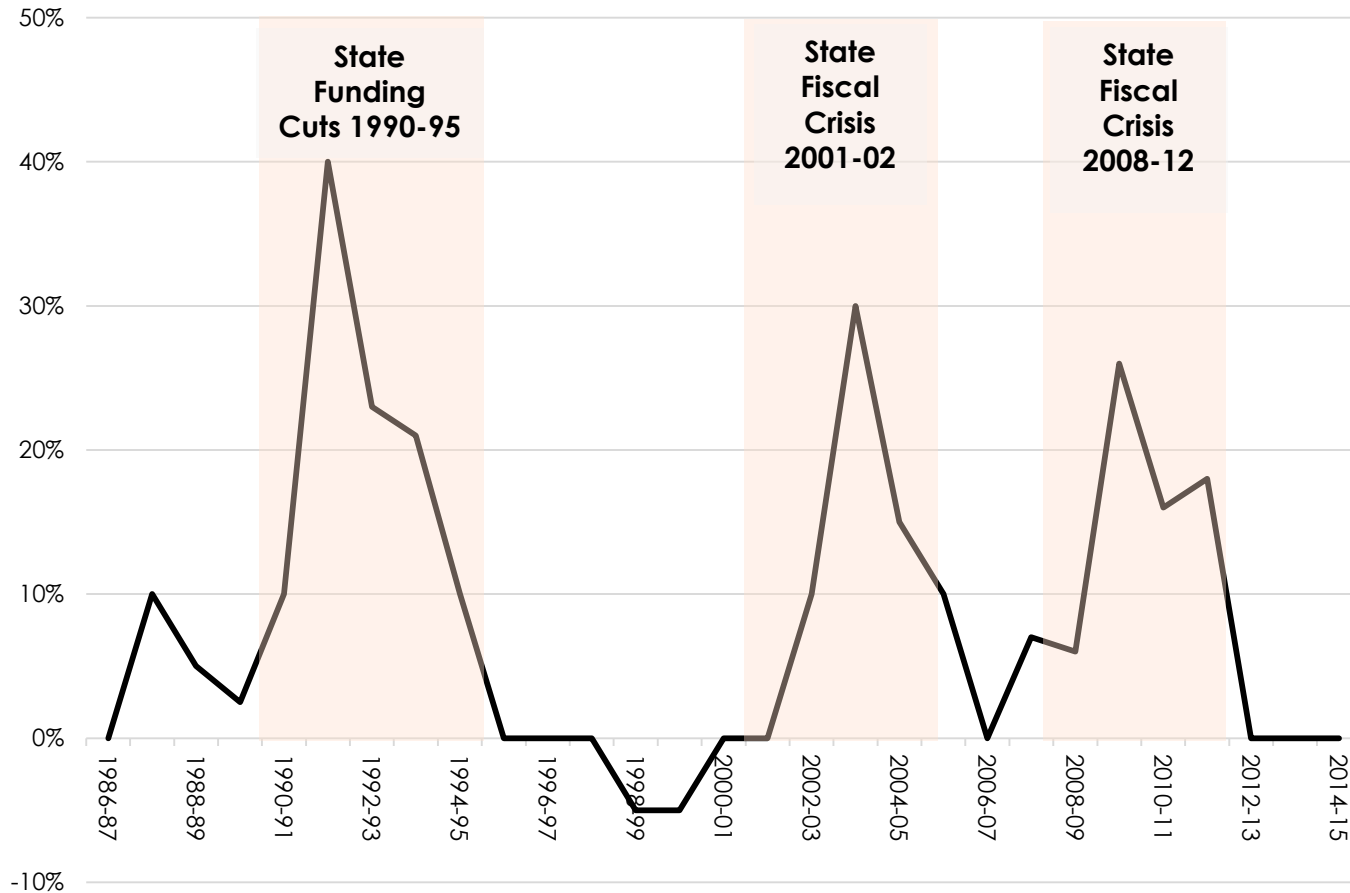
35,816 students (Fall 2016 headcount)

0.05 core funded Staff FTE per student (best in UC)

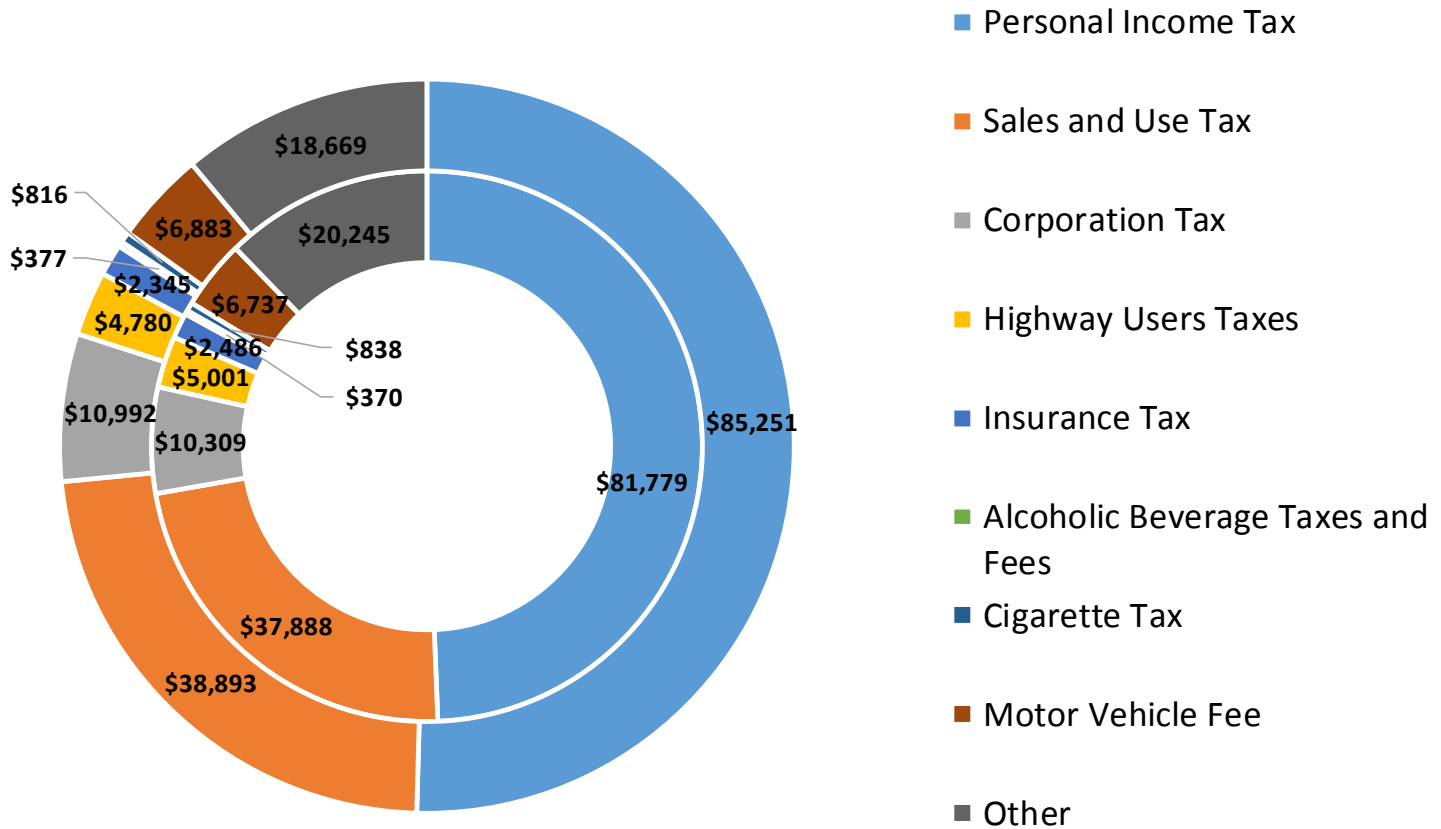
# UC Budget Process Timeline for FY 2017/18

Agent	August	September	October	November	December	January	February	March	April	May	June	July	August
<b>UC San Diego</b>	Submittal of Regents Budget Tables to OP				Pre-Planning for Operating Budget Process			UC San Diego Operating Budget Process				Allocation letters sent to VCs	Implement Allocations
<b>UCOP</b> (Budget and Governmental Relations)		OP Develops Budget Proposal		OP presents UC Budget to Regents			Monitor Governor's Budget & Campus Visits	Testify at Legislative Hearings/Monitor May Revise				Develop and disseminate Campus Allocations	
<b>Regents</b>				CFO Budget presentation to Regents/Review		Regents Approve Budget							
<b>State</b> (State Senate, Assembly, DOF, LAO)						Department of Finance Reviews Proposal	Legislative Analyst's review	Legislative Hearings UC Preliminary Allocations DOF develops revenue projections			Legislature must pass Budget bill by June 15th		
<b>Governor</b>						Governor's budget complied	Discussions over and changes made to proposed budget		May revise Legislature presents Governor blue lines, signed by June 30			New 2017/18 Budget Act enacted	

# Year-to-year Changes in UC's Mandatory Charges Over the Past Thirty Years (Not Adjusted for Inflation)



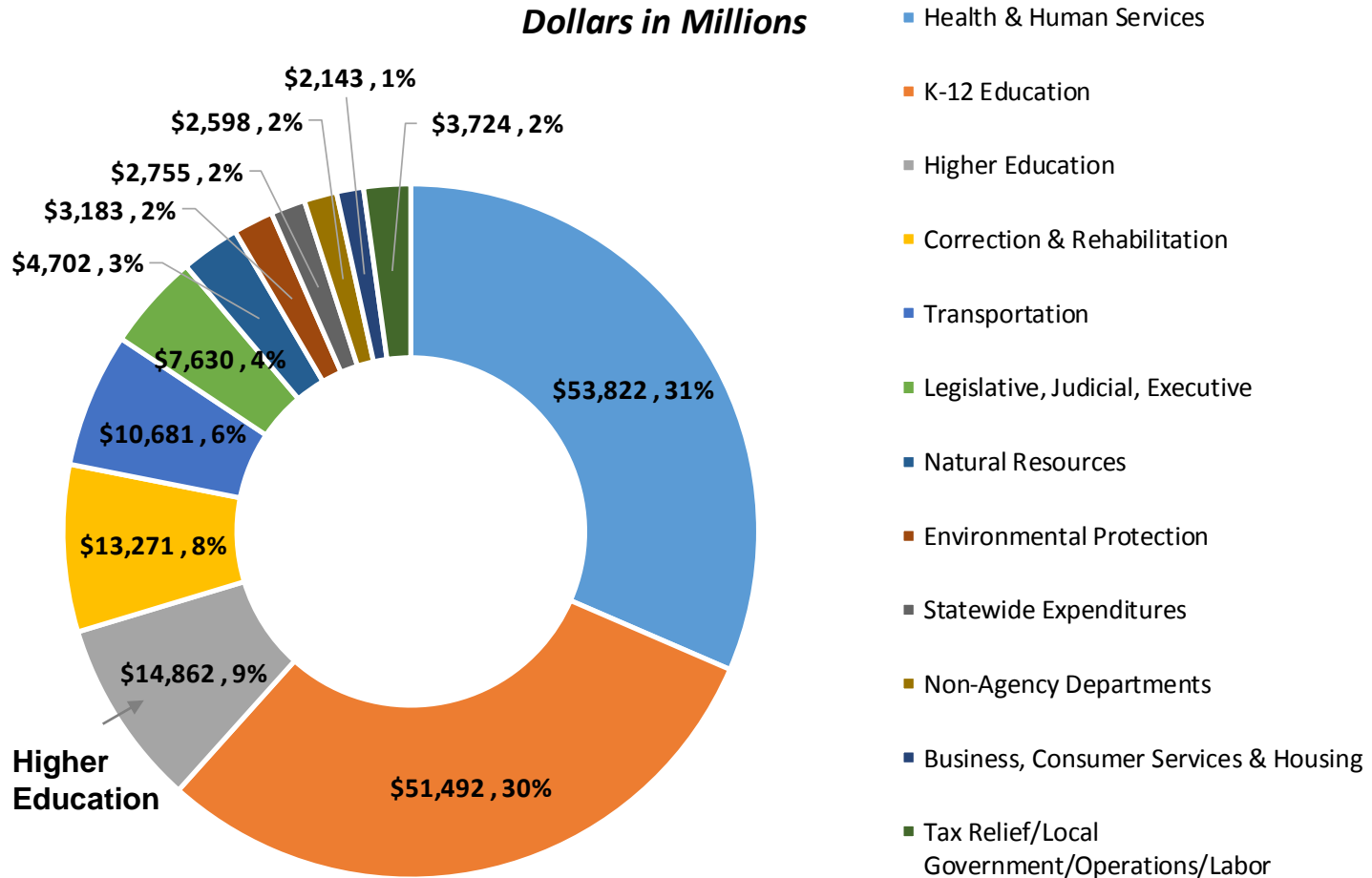
## State of California Budget - Revenue Sources FY 2015-16 (inner ring) and FY 2016-17 (outer ring) *Dollars in Millions*





# State of California Budget - Expenditures FY 2016-17

*Dollars in Millions*



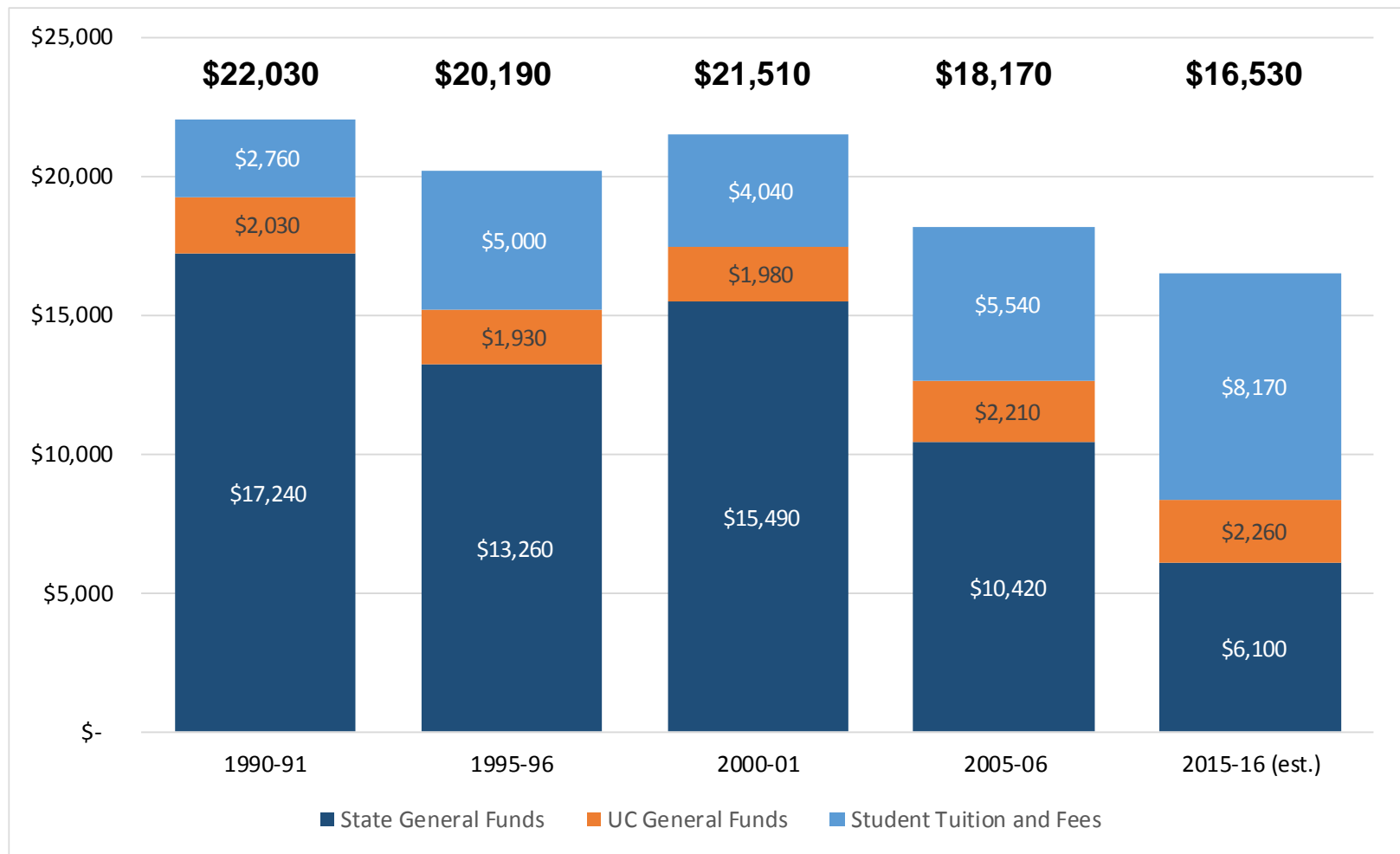
# The Ant and the Grasshopper

The moral of the story is:

It is best to prepare for winter because winter always comes, and some winters may be worse than others.

There is a time for work and a time for play,  
So always Save for a Rainy Day.

# Per-Student Average Expenditures for Education (2015-16 Dollars)

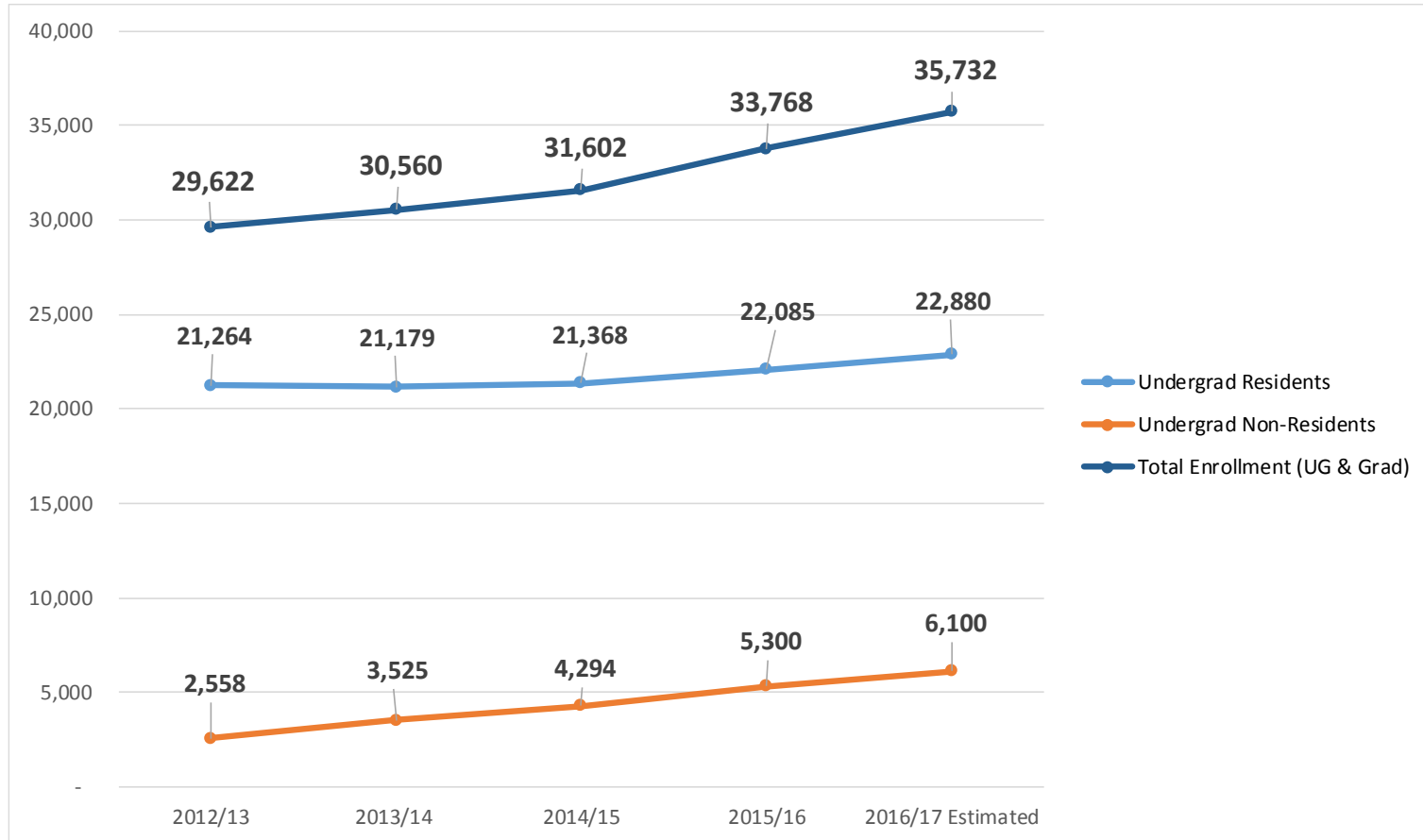


# UC San Diego FTE Enrollments by Type by Year

Actual FTE by Student Type*	2012/13	2013/14	2014/15	2015/16	2016/17 Estimated
Undergrad Residents	21,264	21,179	21,368	22,085	22,880
Undergrad Non-Residents	2,558	3,525	4,294	5,300	6,100
GC Graduate	3,706	3,752	3,833	4,187	4,532
GC Professional Programs	348	330	328	349	325
Health Sciences	991	989	1,015	1,020	1,055
Health Sciences Residents	755	785	764	827	840
<b>Total Enrollment (UG &amp; Grad)</b>	<b>29,622</b>	<b>30,560</b>	<b>31,602</b>	<b>33,768</b>	<b>35,732</b>

\* Actual for all years except 2016/17. Source: Estimated Enrollment for 2016/17 from Enrollment Table 1 submitted to UCOP in November 2016. All enrollments include summer.

# UC San Diego FTE Enrollments by Type by Year



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# REVENUE OPPORTUNITIES

Priorities	Opportunities	Potential
Non-resident UG	Long term plan to maintain NR UG at 15/16 intake level.	Upside potential of ~ \$100M over 2016/17. Some risk given current legislative discussions.
Masters students	Long term plan to drive growth in Masters students, including 1 new self supporting program set to begin in Fall 2016 and 2 more in the pipeline	\$20M gross, \$4M net after revenue sharing 80/20
Extension	UG Transfer credits College Prep for International students Other Advanced Education opportunities and high profile events	Up to \$10M gross, consider Dividend back to Academic Enterprise like Auxiliaries and Health System. Will help stabilize EVC budget for Faculty Recruitment needs
Research/ICR	Sustain and grow research volume by incentivizing large center grants and negotiating higher overhead rates	Value of each 1% ~\$3.8M
Auxiliaries	Recent bonds refinancing already captured and further contribution from planned growth	\$5M through administrative overhead assessment and dividends
Real Property/Asset Management	Thoughtfully monetize campus land by capture private sector revenue streams in a way that is synergistic with the academic mission. Examples: faculty and staff housing, industry presence, research science park, hotel, retail. Areas of study include east campus, science research park, Hillcrest, SIO, West Torrey Pines Road	
Fundraising	Continue to Invest for a multi year campaign	\$2B in gifts and pledges
Health System	Health System profitable growth to repay operating loan and continue to grow the Health Sciences research enterprise	

# UC Budget 2016/17

## ***Governor's Final 2016/17 Budget provides the following for UC:***

- \$125M or 4% base budget increase for second of four year agreement
- \$35M for deferred maintenance
- \$25M to enroll 5k more CA Res. UG students by 2016/17
- \$18.5M to enroll 2.5K more CA Res. UG students by 2017/18
- \$436M over 3 years for UC's unfunded pension liability, \$96M for 2015/16 and \$171M in 2016/17 with balance in following year
- \$4M for UC Scout, a full-service online learning platform that offers innovative interactive online courses for middle and high school students

## ***Final 2016/17 Budget DOES NOT provide the following:***

- The \$6M requested for growth of 600 more graduate students, among few other items
- \$25M from the state's cap-and-trade program to support energy efficiency

## ***Consistent with the Budget Framework, the University's Budget also includes:***

- No Resident Tuition increase
- 5% Student Services Fee increase to pay for enhanced student mental health services and other critical student services
- 8% Non-Resident Supplemental Tuition increase



# TOTAL FUNDS BUDGET

2016/17

## Revenues

### Core Operating revenues

- State appropriation
- Resident Tuition
- Non-resident Tuition
- Other fees
- Research overhead
- Other income (patents, investment income)

### Auxiliary revenues

- Housing, parking, extension

### Health System + Clinics

### Contracts and Grants

### Endowment and Private Gifts<sup>2</sup>

**Total \$4.7 Billion<sup>1</sup>**

**Operating Budget  
\$1.2 Billion**

**\$215 M**

**\$1.7 Billion**

**\$1 Billion**

**\$115 M**

## Expenditures

### Core Operating expenses

- Faculty
- Instructional support
- Student Services
- Financial Aid
- Buildings & Utilities
- Administrative infrastructure
- Public Service

### Auxiliary services

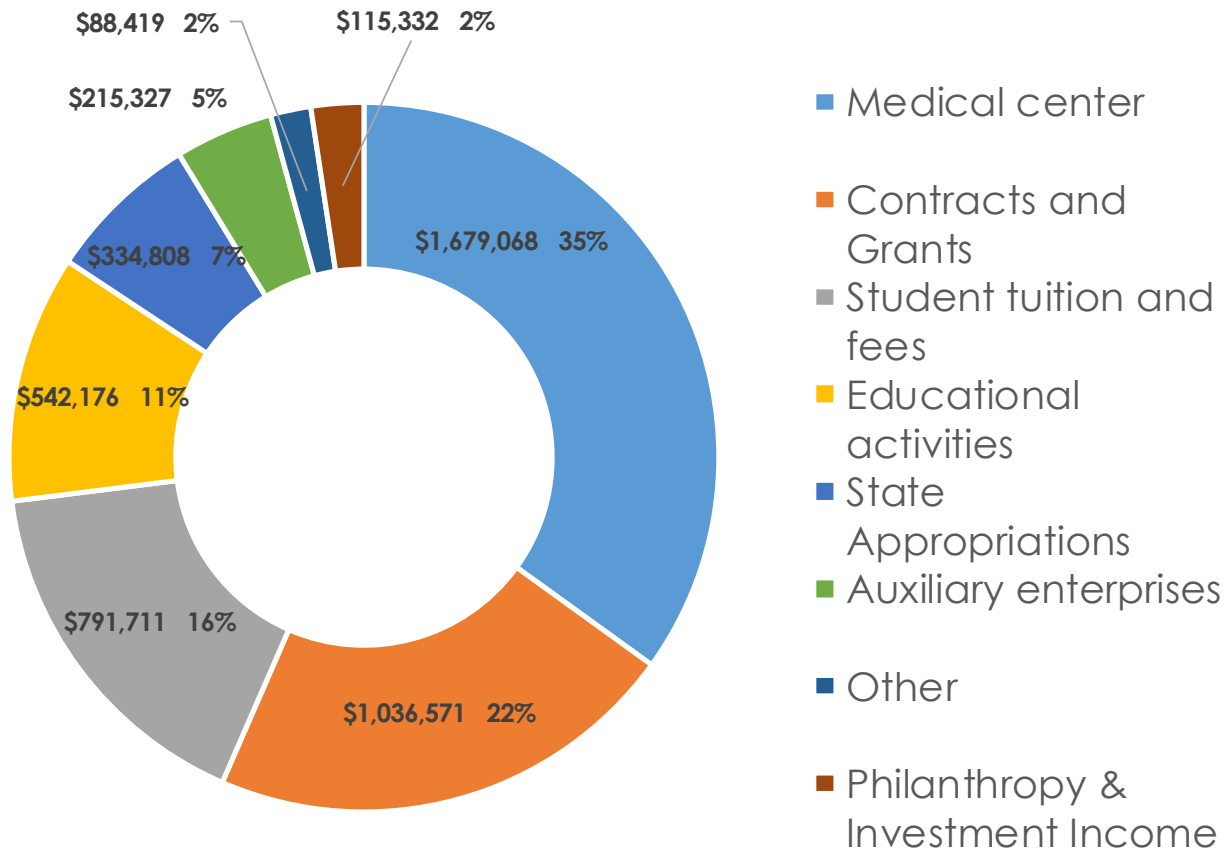
- Housing, parking, extension

### Patient Care

### Sponsored projects

### Endowment and Gift spend

# Projected Revenue by Type, All Funds 2016/17



# CORE OPERATING REVENUES

Source <i>in Millions</i>	15/16 Recurring	15/16 One-time	16/17 Recurring	16/17 One-time	Comments
State	\$309.2	\$16.8	\$321.5	\$16.8	Assumes 4% base adjustment
Tuition & Fees	584.7	-	628.6	-	Based on Governor's May Revise fee assumptions, UCSD's portion of the 5000 additional undergraduates included in 2015 Budget Act, and internal CBO/IRO enrollment projections.
<i>UG Resident</i>	258.9		270.2		• Tuition - no increases through 16/17, tied to inflation (2%) starting in 17/18
<i>UG Non-Res</i>	195.8		219.0		• SSF - 5% increase
<i>Grad PhDs</i>	49.1		54.4		• NRST – for UG only, 8% increase in 2016/17, then 5% increase in 2017/18 forward; Grad no increase
<i>Masters</i>	45.4		47.6		• PDST - 5% increase for Rady MBA and GPS; 3% increase for SOM & SSPPS
<i>Professional</i>	35.3		37.4		
Indirect Cost Recovery	207.8	-	208.3	-	Growth has been flat for the last several years, however the proposed FY17 budgets for two of UCSD's largest federal funders are: 7% for NIH, and 3% for NSF which could translate to an increase in ICR a few years down the road
Patent Income	5.9	-	6.0	-	Represents the net revenue available to the campus after inventor royalties and overhead expenses are paid
UC Misc General Funds	8.5		8.7		Includes application fees, library fines, late registration fees, etc.
Auxiliary Contributions	27.1	-	27.4	-	Administrative Overhead, Differential Income, and new Auxiliary Contributions
Fundraising Resources	3.5	-	5.0	-	Increased funding for additional development officers
<b>TOTAL</b>	<b>\$1,146.8</b>	<b>\$16.8</b>	<b>\$1,205.5</b>	<b>\$16.8</b>	

# OPERATING BUDGET

By Unit <i>in Millions</i>	15/16 Recurring	15/16 One-time	16/17 Recurring	16/17 One-time	Comments
<b>Academic Affairs</b>	\$495.2	\$ (12.3)	\$506.4	\$ 1.6	Additional \$4.0M for faculty FTE for support of student growth, \$400K for career milestone recognition, support for college and departmental academic advising, learning commons, research support, 15/16 one time amount due to one time reserve recapture
<i>Core Teaching Infrastructure</i>	254.4		254.5		
<i>Variable Research Support</i>	30.6		27.8		
<i>Ladder-rank Faculty Salaries</i>	157.0		170.4		
<i>Ladder-rank Faculty Start-up</i>	28.0		28.0		
<i>Graduate Student GSEGEI</i>	11.3		11.7		
<i>Self Supporting Masters Funding</i>	13.9		13.9		
<b>Academic Senate</b>	2.8	-	3.1	-	
<b>Health Sciences</b>	139.2	21.5	143.5	8.7	Transformational faculty recruitments and start-up funds, 5.5% increase for LRF faculty salaries, reflects new ICR revenue sharing model. <b>ACTRI debt service impact (\$7.9M) will decrease base operating budget of \$143.5M to \$135.6M</b>
<i>Core Teaching Infrastructure</i>	15.8		14.3		
<i>Variable Research Support</i>	61.3		64.7		
<i>Ladder-rank Faculty Salaries</i>	47.5		50.1		
<i>Ladder-rank Faculty Start-up</i>	12.0		12.0		
<i>Graduate Student GSEGEI</i>	0.6		0.3		
<i>Self Supporting Masters Funding</i>	2.0		2.1		
<b>Marine Sciences</b>	47.2	0.9	48.1	3.3	5.5% increase for LRF faculty salaries, Vessel Research Study, SIO Match, Continuing-New and Joint Faculty hires (\$560K and \$2.6M one time) and 2nd year of Understanding and Protecting the Planet (\$100K one time)
<i>Core Teaching Infrastructure</i>	18.1		17.8		
<i>Variable Research Support</i>	12.0		12.2		
<i>Ladder-rank Faculty Salaries</i>	13.3		14.0		
<i>Ladder-rank Faculty Start-up</i>	2.0		2.4		
<i>Graduate Student GSEGEI</i>	0.8		0.7		
<i>Self Supporting Masters Funding</i>	1.0		1.0		
<b>Equity, Diversity &amp; Inclusion</b>	3.8	0.1	3.8	0.1	
<b>Research Affairs</b>	\$25.0	\$14.6	\$25.2	\$9.8	Frontiers of Innovation Scholars Program, ePD Phase 3 Year 1 funding, Innovation Pipeline Development

# OPERATING BUDGET – cont'd.

By Unit <i>in Millions</i>	15/16 Recurring	15/16 One-time	16/17 Recurring	16/17 One-time	Comments
Student Affairs	\$31.1	\$ (7.1)	\$32.7	\$1.0	Retention & Success includes success coaches, Appeals Coordinator, Financial Aid management software, Recruitment & Yield and International student support
Advancement	35.5	0.9	35.5	5.0	Additional frontline development officers to build fundraising capability
Resource Management & Planning	118.8	0.1	120.6	1.1	Staffing requests: Campus Planning units, EH&S , unit FO, Existing and on going Lifeguard Agreement with the City and funding for ADA
<i>Facilities Management</i>	43.1		44.7		
<i>RMP Operating Units</i>	24.6		24.8		
<i>Purchased Utilities</i>	37.1		37.1		
<i>Cyclical Maintenance</i>	14.0		14.0		
Chief Financial Officer	52.5	4.0	54.3	4.3	\$1.5M for UCPath implementation, Staffing: HR 3 positions, BFS PMO/ Analyst OSI Sr. Analyst, Real Estate Prin Analyst, ITS Systems Engineer, SPOC on boarding system , ITS infrastructure and Cybersecurity
Other Operating Organizations	16.9	(1.2)	17.8	0.2	OPHD additional FTE and program startup costs, additional FTE for BO, UCOP mandates CARE advocacy Office. OEC additional FTE
Financial Aid	107.4	-	115.6	-	Return to aid funds associated with enrollment growth and some fee increases
Debt Service	24.8	-	27.8	-	TP Court Acquisition
Campus Managed Accounts	26.9	26.3	59.3	36.1	Major components include: Funding for campus compensation program (\$32M), Insurance and legal (\$6M), and liens for various items lik Masters growth initiative and capital projects
<i>Compensation Program</i>	-		32.2		
<i>Insurance &amp; Legal</i>	5.4		6.0		
<i>OP Assessment</i>	2.5		3.2		
<i>Capital/Other</i>	19.0	26.3	17.9	36.1	
Campus Reserve inc. Contingency	19.6	-	11.6	-	Includes \$10M recurring for future multi year commitments
<b>Grand Total</b>	<b>\$1,146.8</b>	<b>\$47.8</b>	<b>\$1,205.5</b>	<b>\$71.7</b>	

# 5-YEAR LRBP (Core Funds)

Revenues (in millions)	2016/17	2017/18	2018/19	2019/20	2020/21	Notes
State Appropriations	\$ 321.5	\$ 334.2	\$ 347.5	\$ 361.3	\$ 375.6	Based on 4% year agreement with Governor Brown
Tuition & Fees	628.6	682.5	732.8	775.9	803.0	Based on Governor's May Revise fee assumptions, UCSD's portion of the 5000 additional undergraduates included in 2015 Budget Act, and internal CBO/IRO enrollment projections.
UG Resident	270.2	285.6	299.1	308.5	315.5	<ul style="list-style-type: none"> <li>• Tuition - no increases through 16/17, pegged to inflation (2%) starting in 17/18</li> <li>• SSF - 5% increase</li> <li>• NRST – for UG only, 8% increase in 2016/17, then 5% increase in 2017/18 forward; Grad no increase</li> <li>• PDST - 5% increase for Rady MBA and GPS; 3% increase for SOM, SSPPS</li> </ul>
UG Non-Res	219.0	250.7	281.2	308.3	321.2	
Grad PhDs	54.4	56.3	58.4	60.5	62.7	
Masters	47.6	50.7	53.1	55.6	58.4	
Professional	37.4	39.2	40.9	43.0	45.2	
Indirect Cost Recovery	208.3	210.0	213.9	220.5	229.0	Short term projection based on three years
Other Core Revenues	47.1	48.6	52.1	55.5	57.1	Auxiliary Dividends, Endowment Cost Recovery, UC General Funds (Investment income not included)
	\$ 1,205.5	\$ 1,275.4	\$ 1,346.3	\$ 1,413.3	\$ 1,464.8	
<b>Planned Expenditure Budgets</b>						
Base plus allocation increases	\$ 1,203.9	\$ 1,271.9	\$ 1,343.9	\$ 1,415.2	\$ 1,477.2	Includes existing base budgets plus forecasted compensation increase, student financial aid based on enrollment and fee levels, OP assessment, facilities financing and program increases
Operating Surplus/(Deficit)	\$ 1.6	\$ 3.4	\$ 2.4	(1.9)	(12.4)	

# UC Proposed Budget 2017/18

## *UC's 2017/18 Proposed Budget to be approved by Regents in Jan. 2017:*

- 4% base budget increase for third of four year agreement
- \$18.5M to enroll 2.5K more CA Res. UG students by 2017/18 (\$7,400 per FTE)
- \$170M for second year of three year plan for UC's unfunded pension liability
- \$9M graduate students growth of 900 FTE
- \$35M for deferred maintenance
- 5% Student Services Fee increase to pay for enhanced student mental health services and other critical student services
- 5% Non-Resident Supplemental Tuition increase (UG only)
- ~2.5% Tuition increase (translates to \$280 per student)

Items that could arise out of budget discussion:

- Special initiatives, \$ from the state's cap-and-trade program to support energy efficiency, capital funds

# Opportunities

- On-going improvement of 4-year graduation rate: multi-prong collaborative approach from the top
- Revenue diversification: non-resident enrollment supporting infrastructure for all; investment income; future growth largely in Masters and non-degree programs
- Fundraising: about to launch \$2B campaign for academic programs and infrastructure
- Continuous improvement: financial streamlining, IT integration, administrative simplification
- Innovation & entrepreneurship: reinventing technology transfer, streamlined licensing, access to venture capital
- Regional integration: \$2B Light Rail Transit to downtown and Mexico, building Living and Learning Community of 25,000 residents, downtown Extension, Cross-border partnerships



# Challenges and campus strategies

## Challenges

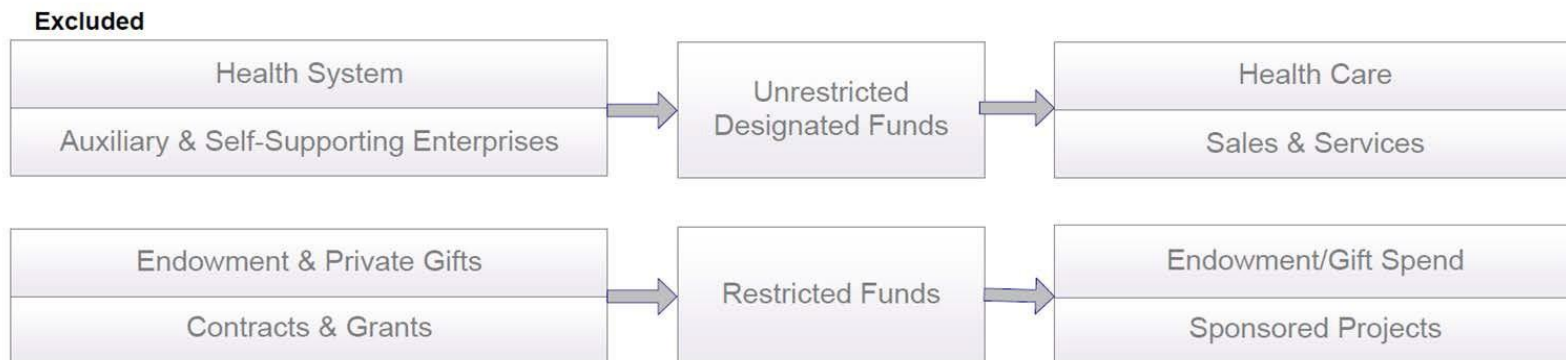
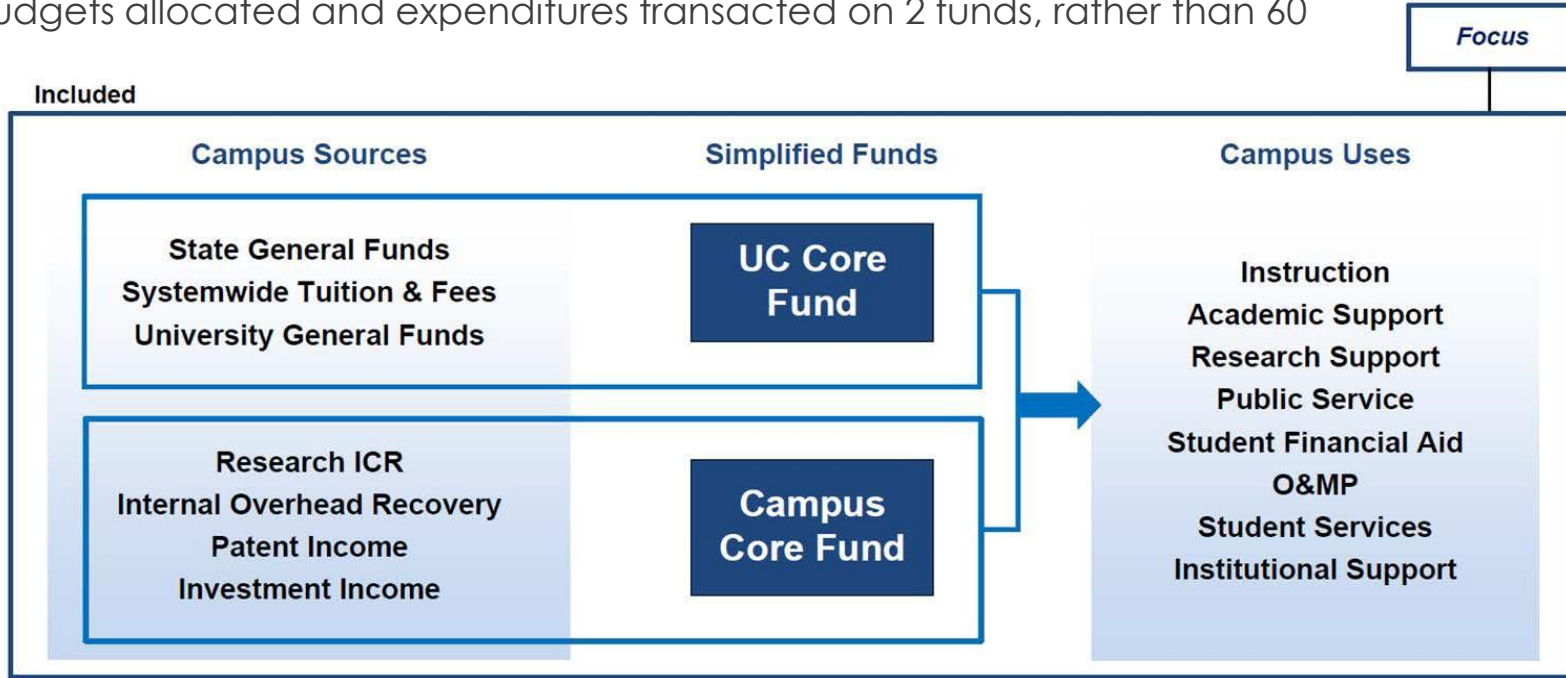
- Infrastructure to support enrollment growth (faculty, student services, labs, classrooms) and address deferred maintenance
- High Faculty : Student ratio
- Cybersecurity
- High cost of living impacting recruitment and retention

## Campus strategies

- Administration/Senate collaboration on key issues (e.g., student success, revenue diversification, cybersecurity)
- Non-resident supplemental tuition re-invested in infrastructure for all
- Mixed use development: student housing, classrooms, amenities, retail; faculty housing in the near future
- Operational excellence: FTE control, IT investments
- Growth strategies: academic (Masters, non-degree programs), clinical (affiliations, partnerships)

# Simplified Operating Funds Initiative

- ❖ Budgets allocated and expenditures transacted on 2 funds, rather than 60



# SOFI update

SOFI designed to consolidate over 60 Core fund numbers into just two: UC Core and Campus Core.

SOFI implementation effective July 1, 2016

Department have to

- spend down legacy funds deadline is now March 31 2017

- replace default indexes for Express cards

- exchanging re-appropriation balances of source funds

Progress Report – Office of the President requirements

On-line query tool development in progress for external information queries

Reference link - <http://blink.ucsd.edu/finance/budget/sofi/index.html>

# SOFI update

## Cessation of Legacy Fund Activity

On July 1, 2017, it is expected the campus will be conducting its unrestricted core operations on SOFI funds only. To realize this objective, **the target date for ending expenditure and budget activity on legacy funds is March 31, 2017**.

Actions that must happen in order to cease budget and spending activities include: Exchange legacy fund carryforward balances that cannot be spent in FY 2016/17 for SOFI funds.

End-date all payroll distribution lines currently on legacy funds and create a SOFI-funded distribution.

Replace, and/or inactivate, all legacy indexes with a SOFI index. *Important: For legacy indexes used in payroll, use an early inactivation date to prevent future charges but allow retroactivity. A future date for inactivation of these indexes will be communicated once audit reports indicate an acceptable threshold for potential re-work.*

Notify/change all business systems with a replacement SOFI index (ex., Mail Services, Marketplace, Express Card, Bookstore, Fleet, Maximo, Imprints, Subawards, Storehouse, Recharges, Parking, etc.).

Beginning in January 2017, monthly reports will be distributed to assist in identifying and monitoring legacy fund activity and curtailment. ITS will also be consulted on developing a potential easy query in FinancialLink for department users to quickly isolate legacy fund activity.

# SOFI update

## Payroll Default Indexes

Many departments have payroll default indexes that contain the department prefix followed by four zeros (XXX0000) and is associated with a legacy fund. The decision was made last year not try to convert payroll default indexes until after SOFI go-live. The activity is temporary and should be cleared off within the month of any charges occurring, so there is little impact.

Because of the programming involved, it is very likely that the legacy fund will simply be changed on existing department payroll defaults. A final cutover date will be determined in collaboration with the Payroll and General Accounting offices and communicated at a future date.

# SOFI update

## **STIP Errors**

In cases where departments are requested to provide alternative funding for net negative STIP, General Accounting has agreed to accept a SOFI index. Any requirement for ensuring these expenses are not attributed to State General Funds will be handled in the SOFI proration.

## **ILTFs (Interlocation Transfer of Funds)**

The Campus Budget Office and General Accounting are working on an exchange function to facilitate the transfer of unrestricted core funds (any fund that falls within SOFI) both to and from campus. Instructions will be posted on the CBO website once finalized.

## **Legacy Fund Carryforward Balances**

Budget transfers between funds are still prohibited. In order to exchange legacy funds for SOFI funds, they must be swapped with a VC central resource office or with the Campus Budget Office. The former is preferred, however, the CBO will be flexible with this type of transaction.

# Closing

One of the best universities in the world that is growing and is well positioned to grow well into the future with the strategic plan as our guide.

The budget process is complex and ever changing with many players involved - we have to keep our eye on the ball and must be vigilant as we plan for chance of an "upcoming" winter."

What makes us great is our professional, dedicated staff who actually do the work and execute the plan.

Stay optimistic/Stay informed - Blink Presence, UCOP news Clips, attend upcoming budget and/or staffing class as well as the Budget Process (more in depth) class date TBA.

Thank you!

# Questions?