

Office of the President

TO MEMBERS OF THE COMMITTEE ON FINANCE:

ACTION ITEM

For Meeting of July 17, 2013

BUDGET FOR OFFICE OF THE PRESIDENT FOR FISCAL YEAR 2013-14

RECOMMENDATION

The President recommends that the Committee on Finance recommend to the Regents that the University of California Office of the President fiscal year 2013-14 budget, as shown in Attachment 1, be approved.

EXECUTIVE SUMMARY

Implementation of the fiscal year 2013-14 budget for the Office of the President requires the following action by the Regents:

- Approval of a fiscal year 2013-14 total expenditure plan for the Office of the President. The expenditure plan for fiscal year 2013-14 totals \$587.3 million – a **4.7 percent** increase from the adjusted fiscal year 2012-13 base.

The increase in proposed expenditures is attributable to a variety of factors. Increases in restricted funding reflect growth in, among others, health sciences, treasury, and patent revenue (which flow to the campuses). Unrestricted fund increases are almost entirely attributable to proposed investments in systemwide initiatives designed to save money for campuses and the system over time. These include the UCPath centralized payroll system (\$15.5 million) and the P200 initiative to improve and sustain systemwide procurement (\$3.5 million).

The fiscal year 2013-14 budget also makes several adjustments to further adhere to principles established in the design of the now three-year-old funding streams model. These proposed adjustments include (1) a shift of seismic and deferred maintenance debt service into campus budgets; (2) converting a total of \$3.76 million in recharges for the advanced services network provided by the Corporation for Education Network Initiatives in California (CENIC) and for various procurement services into the central administration budget, thus eliminating costly and burdensome administrative costs both for the Office of the President and the campuses; and (3) changing the budget distribution between core administration, central services, and systemwide programs and initiatives to more accurately reflect the nature of Office of the President activities.

As a result of the net increase in the Office of the President budget, the assessment imposed on campus expenditures will increase by \$20.7 million – a 7.5 percent increase. However, the full impact on campuses is much higher as a result of a decision to move \$14.2 million in systemwide debt service from a central budget line item into campus allocations calculated on the basis of benefits received (see above). Therefore, the actual increase to campuses will be nearly \$35 million, a 12.8 percent increase. This is on top of the campuses' own mandatory cost increases, including for local investments in UCPath.

There are additional impacts to the campuses. One is the growing uncertainty around the future costs of systemwide initiatives, such as UCPath, making it difficult for campuses to do long-range budget planning. Another is the timing of the Office of the President budget, which is finalized so late in the fiscal year that the campuses cannot plan for changes in the assessment rate. Therefore, the Office of the President will develop a multi-year planning budget for fiscal year 2014-15 to be presented to the campuses no later than March 2014. An annual budget will continue to be presented to the Regents for approval.

BACKGROUND

- For the second year in a row, the Office of the President – like the rest of the University of California system – faces steep mandatory cost increases for employee salary and benefits (\$8.5 million), which it proposes to cover entirely through budget reductions.
- The overall unrestricted portion of the fiscal year 2013-14 Office of the President budget is proposed to grow by \$18.9 million (six percent). As noted above, the increase is attributable almost entirely to proposed investments in systemwide initiatives designed to save money for campuses in the long run.
- The Office of the President is also proposing to absorb other mandatory budget increases for the Keck Telescope (\$543,000); to maintain the existing personnel payroll system until UCPath is fully operational (\$1.5 million); and, at the direction of the Council of Chancellors, to increase investments in the California Institutes for Science and Innovation (\$3.5 million).
- At the urging of the Executive Budget Committee, comprised of campus Executive Vice Chancellors and Vice Chancellors of Planning and Budget, the Office of the President is also proposing to increase the budget for the Office of the General Counsel by \$1.26 million as part of its strategy to reduce escalating outside legal costs.
- The Office of the President budget proposes \$4.8 million in discretionary augmentations to fund new information technology initiatives (\$1.6 million) after a one-year freeze in IT spending, to allow for an independent review of IT functions, budget, and future needs; \$1.74 million to fund new California Digital Library initiatives; and \$1 million to fund the UC-HBCU initiative to increase systemwide graduate student enrollment from Historically Black Colleges and Universities (HBCU).

- To reduce the amount assessed to the campuses to fund central administrative operations and programs, the Office of the President proposes to maximize the use of other available unrestricted fund sources by more than \$30 million. The total campus assessment amount will rise from \$274.2 million to \$294 million, for an assessment rate of 1.46 percent.
- The Office of the President continues to draw down its own carryforwards and reserves in a responsible manner and to fund, on behalf of the campuses, systemwide or campus-based programs and other systemwide obligations. The total expended over the last two fiscal years for these purposes approaches \$125 million, an amount that otherwise would have been largely shouldered by the campuses.

(Attachment)

FY 2013-14 BUDGET SUMMARY OFFICE OF THE PRESIDENT	TOTAL BUDGET			UNRESTRICTED BUDGET			
	TOTAL FY 2012-13	CHANGE	TOTAL FY 2013-14	TOTAL FY 2012-13	CHANGE	% CHANGE	TOTAL FY 2013-14
GENERAL ADMINISTRATION	\$ 137,047,609	\$ 18,821,638	\$ 155,869,247	\$ 93,765,779	\$ 5,893,205	52%	\$ 99,658,984
OP Core Administration	73,557,410	6,500,772	80,058,182	54,307,331	273,090	1%	54,580,421
Academic Affairs	19,076,116	(162,475)	18,913,641	18,980,496	(251,869)	-1%	18,728,627
Finance	5,714,627	(287,562)	5,427,065	3,051,326	(400,000)	-13%	2,651,326
Business Operations	27,355,536	(1,315,989)	26,039,547	16,466,172	605,681	4%	17,071,853
President's Exec. Office	2,598,656	12,969	2,611,625	2,316,781	-	0%	2,316,781
Health Sciences	3,040,515	5,942,274	8,982,789	3,040,515	120,478	4%	3,160,993
External Relations	11,806,893	2,235,975	14,042,868	10,452,041	198,800	2%	10,650,841
Lab Management	3,965,067	75,580	4,040,647	-	-	-	-
Academic Senate	1,826,779	(4,536)	1,822,243	1,792,341	-	0%	1,792,341
Regents Officers	41,918,245	3,937,461	45,855,706	18,891,460	627,174	3%	19,518,634
General Counsel	11,885,626	848,949	12,734,575	10,169,800	760,574	7%	10,930,374
Secretary/COS	3,302,597	7,000	3,309,597	3,297,597	7,000	0%	3,304,597
Ethics & Compliance	5,429,106	(136,208)	5,292,898	5,424,063	(140,400)	-3%	5,283,663
Chief Investment Officer	21,300,916	3,217,720	24,518,636	-	-	-	-
Centrally Funded	16,488,067	7,708,195	24,196,262	15,517,539	4,313,195	28%	19,830,734
<i>Debt service, rent, business processing, undistributed benefits and other</i>							
Systemwide Institutional Support	3,257,108	679,746	3,936,854	3,257,108	679,746	21%	3,936,854
CENTRAL SERVICES	203,888,357	10,947,140	214,835,497	80,142,109	9,111,381	11%	89,253,490
ACADEMIC AFFAIRS							
Admissions/Enrollment Services	12,002,128	(4,169,500)	7,832,628	11,023,528	(4,155,000)	-38%	6,868,528
Financial Aid Services	2,006,831	-	2,006,831	2,006,831	-	0%	2,006,831
Technology Transfer	45,168,586	840,882	46,009,468	2,310,092	(180,538)	-8%	2,129,554
Other Academic Initiatives	800,000	-	800,000	800,000	-	0%	800,000
BUSINESS OPERATIONS							
Compensation, Retirement, Benefits	36,938,508	349,479	37,287,987	4,685,854	(150,000)	-3%	4,535,854
Information Technology Services	12,390,661	6,931,103	19,321,764	9,776,520	4,545,244	46%	14,321,764
Systemwide Budget/Facilities	6,560,329	427,068	6,987,397	6,229,586	106,910	2%	6,336,496
CHIEF FINANCIAL OFFICER							
Banking, Tax, Accounting, Audit and BOI	11,752,924	98,647	11,851,571	6,233,571	174,880	3%	6,408,451
External Financing	890,093	243,882	1,133,975	-	-	-	-
Office of Loan Programs	1,637,361	50,228	1,687,589	-	-	-	-
Risk Services	600,102	(256,021)	344,081	-	-	-	-
Strategic Sourcing	1,270,831	5,211,301	6,482,132	1,270,831	5,211,301	410%	6,482,132
UC Path	-	15,473,103	15,473,103	-	15,473,103	-	15,473,103
EXTERNAL RELATIONS							
Institutional Advancement	3,392,470	(1,614,566)	1,777,904	-	-	-	-
Advocacy Communication	200,000	-	200,000	200,000	-	0%	200,000
LIBRARY & PUBLISHING SERVICES							
<i>Including California Digital Library and UC Press</i>	45,716,731	735,097	46,451,828	18,411,721	1,747,500	9%	20,159,221
SYSTEMWIDE FACILITIES	16,750,650	(14,085,000)	2,665,650	16,750,650	(14,085,000)	-84%	2,665,650
SYSTEMWIDE INSTRUCTION PROGRAMS	5,810,152	711,437	6,521,589	442,925	422,981	95%	865,906
SYSTEMWIDE PROGRAMS AND INITIATIVES	219,915,201	(3,355,368)	216,559,833	131,350,390	3,928,537	3%	135,278,927
ADMISSIONS & FINANCIAL AID (CETAD)	146,000	-	146,000	146,000	-	0%	146,000
AGRICULTURE & NATURAL RESOURCES (ANR)							
ANR Systemwide	81,716,950	-	81,716,950	58,457,288	3,395,000	6%	61,852,288
ANR OP	4,133,410	(7,904)	4,125,506	3,357,089	-	0%	3,357,089
PREPARATION AND ACCESS	15,957,762	1,518,880	17,476,642	10,957,762	1,518,880	14%	12,476,642
PRESIDENT'S INITIATIVE	10,000,000	-	10,000,000	10,000,000	-	0%	10,000,000
PUBLIC SERVICE	625,000	-	625,000	625,000	-	0%	625,000
RESEARCH	107,336,079	(4,866,344)	102,469,735	47,807,251	(985,343)	-2%	46,821,908
GRAND TOTALS	\$ 560,851,167	\$ 26,413,410	\$ 587,264,577	\$ 305,258,278	\$ 18,933,123	6%	\$ 324,191,401