University-wide Budget Process
A Campus Perspective

Kelly M. Ratliff
Associate Vice Chancellor
UC Davis Budget Office

November 2007

Intentions of this Section

• Quick Review - Basic Budgeting Concepts
• Campus Fund Sources
• Campus Resources for 2005-06
• UC Allocation Methodology
• Campus Budget Process
• Wrap Up
Budgeting is... A Process for Resource Management

Budgeting provides blueprint for allocation

Central Campus

Unit A

Unit B

Unit C
Budgeting involves...

Communication & Accountability

The budget function involves three (3) major activities:

- Budget Development
- Budget Negotiation
- Budget Management
There are two types of budgets to be aware of...

**OPERATING BUDGET**

**Permanent (Base) Budget**
- Result of incremental budget approach
- Base level of resources recurring to cover costs for faculty and staff salaries, S&E, etc.

**Temporary (One-time) Budget**
- Annual installment of permanent base + one-time allocations

**CAPITAL BUDGET**
### Campus Fund Sources

#### Core Funds
- State General Funds
- UC General Funds
- Tuition and fees

#### Other Budgeted Funds
- Sales and Services Revenue
- Auxiliary Revenue
- Hospital Income

#### Extramural Funds
- State & Local Contracts/Grants
- Federal Contracts/Grants
- Private Gifts and Grants

### State of California General Funds (19900-19999)
- Are appropriated from the State General Fund as part of annual state budget process and
- Support all University activities (except Auxiliaries).
- Some funds are restricted.
- No STIP is earned by UC (State retains STIP).
- Fund balances lapse at year-end.
Lottery Funds

- Are restricted State General Funds;
- Used for instruction, including instructional computing, instructional equipment, and instructional support; and
- Cannot be used to support research or to replace state allocations.

UC General Funds

- Appear as if appropriated by the State; however,
- Funds are actually generated by each campus in order to fund a portion of the UC budget plan.
- State portion of Federal Overhead Recovery and Non-Resident Tuition are biggest generators.
- UC General Funds support all University activities (except Auxiliaries).
- No STIP earned by UC (State retains STIP).
Non-Resident Tuition

- Fee paid by non-resident students - in addition to fees paid by resident students.
- Viewed as part of UC General Funds

Educational (ED) Fee (20095)

- Paid by all students
- Campus does not retain STIP
- Portion reserved for financial aid - Remainder returned to campuses, looking like General Funds
- Controlled system-wide
Registration Fee (20XXX)

- Paid by all students
- Provides funding for services that are necessary for students (for example Counseling, Advising, Recreation), but not part of instruction
- Campus retains STIP
- Controlled at the campus level

Other Fees Include:

- Professional Degree Fees
  (Law, Business, Optometry)
- Campus Based Fees
  (Life/Safety, specific student supported facilities such as student centers, events centers, and recreational centers)
Sales and Services revenue includes:

**Educational Activities**
- Revenues from Dental Clinics, Botanical Gardens, Veterinary Clinics, etc.
- Funds support the activities

**Auxiliary Enterprises**
- Self-supporting (Athletics, Housing, Parking, Teaching Hospital)
- Revenues must cover expenses

**Gifts and Endowments**
- Many designated for specific purposes
- Amount of endowment distribution by OP and campus foundation specified by formula (5-year rolling average market value used to determine the payout based on a spending rate of 4.75%)
Overhead Recovery Funds

Based upon the amount and type of research conducted on the campus, the campus is reimbursed for some of the costs the campus has incurred to support that research.

This is overhead recovery.

Federal Overhead Recovery Funds

Three types of funds above State Portion:
- Garamendi
- Off-the-Top
- Opportunity
Garamendi Funds

• Amount based upon Federal research occurring in specific campus space
• Available for revenue bond repayment on acquisition, construction, renovation, or equipping research facilities, as well as maintenance costs
• Capital projects require both Regental and State approval

Off-the-Top Funds (69750)

• Approximately 20% of Federal Overhead recovery (after Garamendi)
• Intended to cover contract and grant administrative costs and support other research related activities
• Campus does not retain STIP earnings
Opportunity Funds (07427 or 09XXX)

- 45% (of the remaining 80%) of Federal overhead recovery, after the Off-the-Top & Garamendi removed
- Chancellor’s discretionary fund
- Primary source of funds for long term debt service
- Campus does not retain STIP earnings

Private Contract and Grant Overhead Recovery -

The Educational Fund (05397)

- Large portion of the indirect cost recovered from private contracts and grants is returned to campus as the Educational Fund
- Clinical Trial recovery is retained in total by the campus
Sources of Funds by Campus

- Many different funds
- Distribution varies by campus (and by units within campus)
  - General Funds and Student Fees range from 67% at Merced to 21% at SF
  - Conversely, Federal funds are 38% at SF and 7% at Merced
  - See Handout

The Inflation Block Allocation includes funds to support:

- Salary increases (for budgeted positions)
- Benefit cost increases
- Price increases for non-salary budgets
UC allocates funds to campuses in two block allocations

• One block allocation to cover inflation costs

• One block allocation to support increased workload

Campuses that are growing receive a Workload Block allocation

This allocation is based on the Marginal Cost of Instruction per incremental budgeted student FTE, as negotiated with the State.

Provides salary and benefits funding for new Faculty and TA FTE, as well as all other support costs, e.g. additional library support, police, etc.
Final Allocations may also include:

- Operations and maintenance of plant funds for new space (OMP)
- Special Program Funds
- Deferred Maintenance funding
**Budget Process Timeline**

**JANUARY**
- Governor’s Budget is announced
- ORMP estimates available resources and identifies planning assumptions based on Governor’s Budget

**UC Davis Budget Process:**
- Three part process
  - Annual - incremental changes related to growth
  - Bi-annual - call for proposal process
  - Major program review - ad-hoc
- Balance needs driven by growth (research, enrollment, space) with campuswide priorities and needs
- Continue to streamline processes
- Continue to seek new sources of revenue
Davis campus budget process has several benefits:

• Decentralization to ensure decisions made as close as possible to programs
• Budget based on all sources of funds
• Opportunity for dialogue about campus and unit priorities

Budgeting Issues for Managers

• Become aware of your campus and unit budget process
• Understand your unit’s (College or Department) permanent and temporary budget and the relationship between them
• Understand which actions you take affect which budget

For help contact:
• Dean or Vice Chancellor Budget Office
• Campus Budget Office (www.ormap.ucdavis.edu)
Questions