

Budget Forum

Gene Lucas

Executive Vice Chancellor

Todd Lee

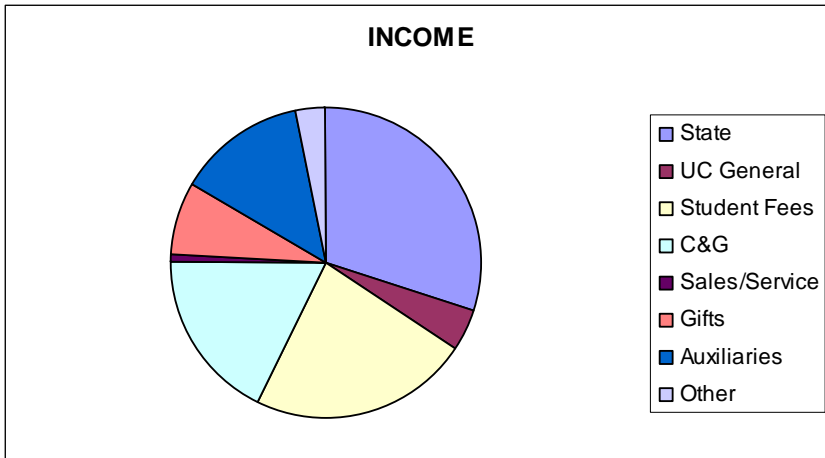
Assistant Chancellor
Budget and Planning

May 27, 2009

Outline

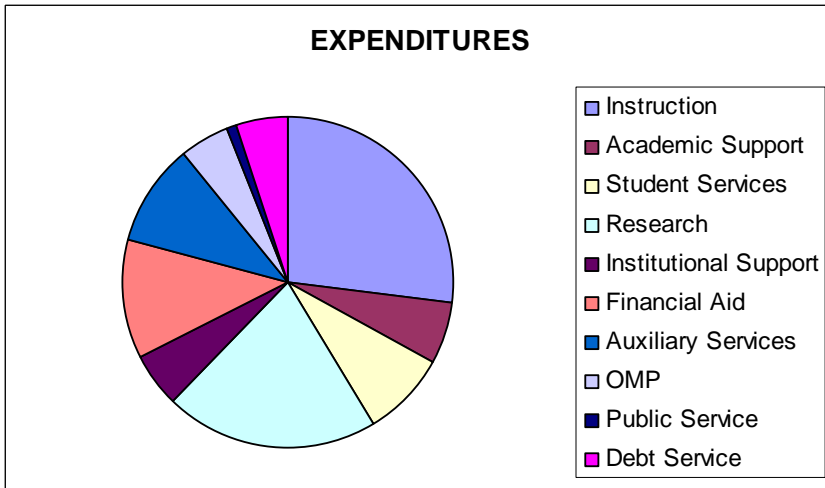
- Gene:
 - 2008-09 Budget
 - Budget Strategy Committee
 - Process
 - Planning Principles
 - Example Outcomes
- Todd:
 - 2009-10 Budget
 - Regents vs Governor's May Revise
- Gene:
 - Issues being considered at UCOP

UCSB Budget



~\$740 million

~ \$220 million State Funds



2008-09 Budget Context

- 2008-09 Budget Complicated by:
 - Inability of Governor/Legislature to put a budget in place until February 2009
 - Worsening national and state economy
 - Sub-prime mortgage crisis, market crash in Fall 2008
- Budget Reduction Target for UCSB Evolved:
 - \$8 million in Spring 2008
 - \$12 million in Fall 2008
 - \$16 million by Winter 2008-09
 - This anticipated an additional budget cut, now assessed
 - This is preceded by \$41 million reduction in previous 6y

UCSB

Coordinating Committee on Budget Strategy (CCBS)

- History:
 - Established in 2003; used through 2007
 - Reactivated in 2008
- Composition:
 - Faculty, Staff, Students, Administrators (deans, VC's)
 - Co-chaired by EVC and Senate Chair, supported/staffed by Budget Office
- Meeting Frequency:
 - On average, every other week

CCBS Membership

- Gene Lucas, co-chair
- Joel Michaelsen, co-chair
- Omer Blaes
- Henning Bohn
- Donna Carpenter
 - Marc Fisher
 - Ron Cortez
- Jane Conoley
- Anna Everett
- Yolanda Garcia
- Amber Gonzalez
- Laura Kalman
- Todd Lee
- J. P. Primeau
- Vickie Scott
- Cynthia Stohl
- Joy Williams
- Bob York
- Daniel Plotkin
- Megan Turner
- Michael Young

CCBS Process

- Establish planning principles for budget reductions
- Understand budgets/impacts of major divisions on campus (VC presentations)
- Identify and recommend possible additional revenue streams
- Recommend budget reduction targets to the Chancellor
- Review budget reduction strategies and ensure planning principles are followed
- Coordinate communications to the camps

UCSB Planning Principles

- Strategic reductions (not uniform cuts)
- Prioritization (protect core mission)
- Revenue protection (development, research) and creation
- Recruitment and retention
- Strategic Investments
- Efficiencies
- Attrition vs layoff
- Spread budget pain to non-state-supported units

Examples

- Strategic reductions (not uniform cuts)
- Prioritization (protect core mission)
- Revenue protection (development, research)

	Chan	EVC	VCAS	VCIA	VCR	VCSA
03-04	10%	3%	10%	10%	7%	10%
04-07	6.2%	4.8%	8.5%	3.2%	3.3%	8.5%
08-09	12.2%	5.3%	8.5%	7.9%	7.6%	12.1%

Examples

- Revenue creation
- Spread budget pain to non-state-supported units
 - Assessing non-state-funded units for fair share portions of the campus infrastructure
 - Assessing non-state-funded units for campus “overhead”

Examples

- Strategic Investments
- Efficiencies
 - Replacing antiquated IT systems
 - Student Information System
 - Financial System
 - Identity Management

Examples

- Attrition vs layoff
 - START: ~\$1 million
 - Unfilled provisions returned: ~120 FTE
 - Layoffs: <10 so far

Budget Actions in 2008-09

- \$15.8 million budget reduction achieved by:
 - One-time central funding: \$6.1 million
 - Additional NSFAS Fee: \$3 million
 - One-time funds from units: \$6.7 million
 - Permanent Reductions from units by June 30, 2009
- Protected categories
 - Ladder faculty salaries
 - Financial Aid
 - Purchased Utilities

Consequences of Budget Reductions

- Impacts will be felt in coming year
 - Reduced Staff
 - Reduced Services
 - Reduced S&E, Travel, Publications
 - Longer Response Times
 - Reduced Classes
 - Bigger Classes
 - Increased Staff and Faculty Workload
 - Reduced Matching Funds for Research

Residual Issues

- Non-State Funded Administrative Services Fee (NSFAS)
 - 1% assessed to non-state funded units to cover administrative services
 - Increased to 4%
 - Increase not assessed to programs funded by student referenda
 - MOU drafted
- Gifts and Endowments




**FY 2009-10 BUDGET
PROPOSALS**

REGENTS' & GOVERNOR'S






STATE FISCAL CONDITION

- 2008-09 enacted budget did not resolve the original structural deficit
 - The 2009-10 State Budget assumed a General Fund budget deficit of \$14.8 billion in the current year and \$41.6 billion without action
 - In February a budget was approved that covered remainder of this year and next year
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BUDGET AGREEMENT INCLUDED


- Spending reductions = \$15.0 billion
 - Tax Increases = \$12.5 billion
 - Federal Stimulus Funds = \$12.5 billion
 - Borrowing = \$5 billion
 - Six ballot issues that are being considered by the voters today
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FIXED COSTS

- 4% Base Budget Adjustment
 - Regents' Proposal \$123.0 million
 - Governor's Proposal --

Normal Uses - increases in salary, benefit, and support expense






COMPACT INCREASE


- Additional 1% for Core Needs
 - Regents' Proposal \$30.8 million
 - Governor's Proposal --

Potential Uses - Graduate Student Support,
Equipment Replacement, Deferred
Maintenance, Library Materials






WORKLOAD

- Enrollment Growth FY 2008-09
 - Regents' Proposal \$ 61.4 million
 - Governor's Proposal --
 - Enrollment Growth FY 2009-10
 - Regents' Proposal \$ 60.9 million
 - Governor's Proposal \$ 2.5 million
 - Normal Uses - new faculty, TA's, O&M for new space
- 




RETIREMENT

- Restart of Retirement Contributions
 - Regents' Proposal \$ 228.0 million
 - Governor's Proposal \$ 20.0 million
 - Proposed plan - July 1 start of 11.5% total contribution, of which 9.5% University funded and 2% employee contribution
 - Current - Delayed start (4/15/10) at rates of 4% employer and 2% employee
- 




ADDITIONAL STATE FUNDS

- In Lieu of Student Fee Increase
 - Regents' Proposal \$109.5 million
 - Governor's Proposal --
 - Result - Without state funds an average student fee increase of 9.3% is assumed - any fee increase will need to be approved by the Regents'
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INITIATIVES

- Additional Funding Request
 - Regents' Proposal \$25.4 million
 - Governor's Proposal --
 - Proposed Uses - Labor Research restoration, California Science Institutes, and UCR Medical School
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Estimated Impact of UCSB

- Cuts of at least \$12 million, potentially more
 - Combination of required cuts and uncovered cost increases such as:
 - Faculty merits
 - Negotiated increases for represented employees
 - Increased cost for employee benefits
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Governor's May Revision

- Released May 14th
 - Two scenarios
 - No matter what happens in today's election state budget deficit is \$15.4 billion
 - If propositions fail the deficit increases by \$5.8 billion to \$21.2 billion
 - Bottom line - Additional budget cuts will be necessary to balance state budget
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UC After May Revision #1

Scenario 1 - State \$15.4 Billion Deficit

New Cuts in FY 2009-10 (Millions of \$'s)	255
Less: Federal Stimulus Carry-Forward	<u>130</u>
Net New Additional Cut	125
Reductions Included in Initial Budget	<u>115</u>
Total Budget Cuts	<u>240</u>




UC After May Revision #2

Scenario 2 - State \$21.2 Billion Deficit


Total Budget Cuts Scenario 1 (Millions of \$'s)	240
Plus Undesignated Cut	50
Plus Outreach Cut (Academic Preparation)	<u>31</u>
Total Scenario 2 UC Budget Cuts	<u><u>321</u></u>

Specific impact on UCSB currently unknown
pending future Regents' actions





OTHER BUDGET CONCERNS

- Increases in mandatory costs
 - Collective bargaining negotiations
 - Restart of employer/employee contributions to UC Retirement Plan
 - Funding for capital program
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Budget Strategies Under Active Analysis at UCOP

- Non-resident Tuition Increases
- Differential Fees by Discipline
- Paycuts/Furloughs

Budget Strategies Yet to Be Analyzed

- Reduced Costs
 - Reduced Salary Costs
 - Change Benefits
 - Change Terms and Conditions
 - System Efficiencies
 - Reduced Costs of Instruction

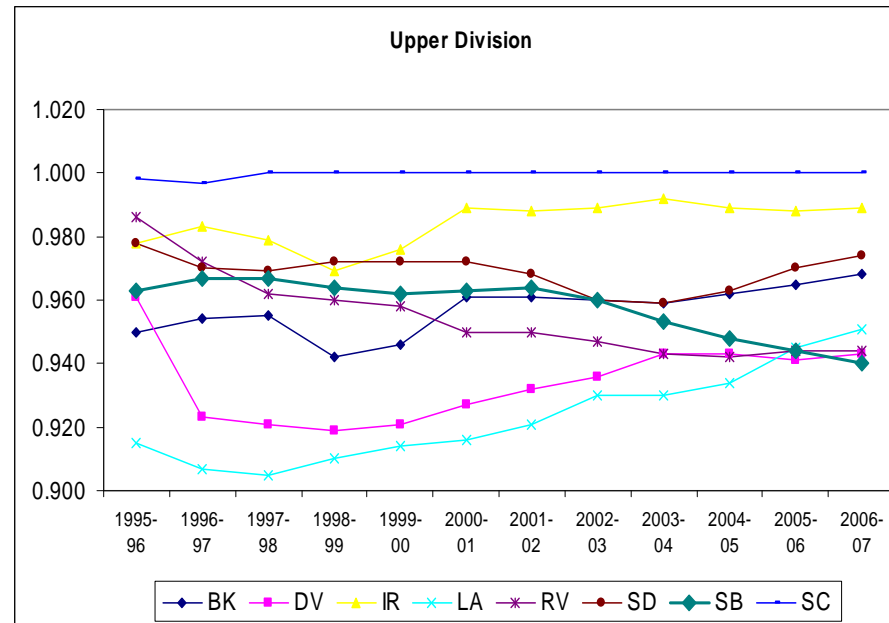
Budget Strategies Yet to Be Analyzed

- Raising Revenues
 - Fees
 - Extension
 - Contract and Grant Charges
 - Gifts and Endowments
 - Non-State Funded Units

Q & A

Conversion Ratio

- Conversion ratio = FTE/student



- Budget = FTE x MCOI
- $.05 \times 20,000 \times \$10k = \$10 \text{ million/y}$

Conversion Ratio

- Actions:
 - Minimum Cumulative Progress
 - Re-uniting
 - Student IT – DARS

