Budget Forum

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Executive Vice Chancellor

Todd Lee
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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)

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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
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
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
RETIREDMENT

- 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’
INITIATIVES

• Additional Funding Request
  • Regents’ Proposal $25.4 million
  • Governor’s Proposal --

• Proposed Uses - Labor Research restoration, California Science Institutes, and UCR Medical School
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
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
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 130
Net New Additional Cut 125
Reductions Included in Initial Budget 115
Total Budget Cuts 240
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) 31

Total Scenario 2 UC Budget Cuts 321

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
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

Conversion Ratio
1998-99 through 2008-09