Budget Process Overview
Agenda

- Budget overview
- Academic budgets – a new approach to budgeting
- Total operating budget
- How funds are spent
How does the budget process work?

- Budgeting is an ongoing, continuous process
- Tool for allocating resources
- A mechanism for managing current and future financial resources
How does the budget process work?

Developing the budget involves...

- Analyzing and determining future needs
- Predicting expected income
- Developing a spending plan for the future (aka the Budget)
- Providing sufficient resources for emergencies

More importantly, it involves

- Communication
- Accountability
Budget involves three major activities:

1. Budget Development
2. Budget Discussion/Authorization
3. Budget Management
Two Types of Budgets

We will focus here:

- **Operating Budget**
- **Capital Budget**
Campus Fund Sources

We will focus here

Core Funds
- State General Funds
- Student Tuition and Fees
- UC General Funds

Other Budgeted Funds
- Auxiliary Revenue
- Sales & Services Revenue
- Medical Center Income

Extramural Funds
- Federal Contracts & Grants
- State and Local Contracts & Grants

Other Funds
- Private Gifts & Grants
- Investment Income
2017-18 AY Senate Administration Retreat identified three foci:
- Academic planning
- Academic budget
- School restructuring

2017-18 AY – Budget Working Group
- Advised on academic budget guidelines

2018-19 AY – Budget Development Team
- Established base budgets for Schools/Divisions (Phase I)
- Implemented budget process for the 2019-20 AY (FY20)

Phase II – Three year “burn-in” phase
- 2019-20 AY (FY20); 2020-21 AY (FY21); 2021-22 (FY22)
The principles of the academic budget process are to be:
- Transparent – clear process
- Predictable – reliably used for future needs
- Integrated – connected with other campus processes
- Adaptable – process is a “living” and adjustable
- Accountable – can be used to measure progress
- Fiscally Responsible – efficiently utilizes campus’ limited resources
Academic budgeting

- The current academic budget process is:
  - Curriculum-driven
  - Focused on meeting the campus’ pedagogical needs
  - Addresses funding for temporary academic staffing (TAS) (i.e., TAs, lecturers)
  - Provided to the Deans to meet Divisional/School instructional needs

- Future Objectives:
  - Integrate with the Academic Planning Process
  - Integrated with Enrollment Strategy
  - Develop mission-aligned incentive structures
Academic budgeting

- Teaching Assistant and Lecturer Support for 2019-20 AY (FY20)
- Total: $28.7M

2018-19 AY (FY19):
$26.6M
Increased by 8.07% from the 2018-19 AY (FY19)
Detailed Funding Sources (2018-19: FY19)

- **State General Funds:** 41.8%
- **Tuition and Fees:** 34.3%
- **UC General Funds:** 1.4%
- **Auxiliaries:** 10.2%
- **Other Sales/Services:** 3.1%
- **Contracts/Grants:** 8.4%
- **Private Support:** 0.8%
This is how UC Merced spent the funds in FY 2018-19:

- 20.7% Academic Salaries
- 23.7% Staff Salaries
- 17.4% Employee Benefits
- 8.4% Materials, supplies, and utilities
- 10.2% Depreciation
- 4.5% Financial Aid
- 15.1% Other operating expenses

Excluding depreciation, 68% of UC Merced’s funds are spent on salaries and benefits.

Source: Financial Data from UCOP’s CFR Database representing the official book of record for the University of California for UC Merced
Detailed Expenditures (2018-19: FY19)

- EVC/Provost: 34.4%
- Information Tech: 4.1%
- Chancellor’s Organization: 1.6%
- Campuswide Programs: 1.5%
- Univ. Ext.: 0.1%
- VC Ext. Relations: 1.9%
- VC CFO: 6.2%
- VC COO: 9.2%
- VC Student Affairs: 27.8%
- VC Research: 1.5%
- Debt Service: 11.7%
Detailed Academic Expenditures (2018-19: FY19)

Graduate Division: 6.7%
Undergraduate Division: 8.2%
Provost: 7.4%

School of Engineering: 21.3%
School of Natural Sciences: 27.4%
School of Social Sciences, Humanities, and Arts: 29.0%
UC Merced’s operating budget for 2019-20 is approximately $358.6 million to support the mission of teaching, research and public service.

Of the total UC Merced annual budget of $358.6 million:
- 91% is unrestricted funding
- 9% is restricted funding

Source: Budget for 2019-20 published on FP&A’s website
Financial health – the Balance Sheet

- Excluding Pension and OPEB liabilities, the state of our financial health is good
- Balance Sheet statistics (assets, liabilities, equity/reserves)
- Campus debt
- Gifts and endowments (campus & foundation)
  - $71,422M total or $8,400 per student
- Working capital ratio
  - 2.88 compared to 2.17 systemwide average