

University of California, Merced FY 2013-14 Campus Budget

In my update to the campus community in December 2012, I shared the two-year goals I submitted to President Yudof. One of the goals I established was to create and implement integrated budgeting and planning processes aligned with the university's strategic priorities. Because UC Merced's resource environment is constrained, I continue to believe it is critical to align resources with the most critical institutional needs and priorities. The establishment of the Office of Planning and Budget was a first step towards creating and implementing a resource allocation model that reflects and supports institutional academic, strategic and capital-planning priorities. The recently completed budget process is an extension of this initial step.

FY 2013-14 Budget. This year's budget process commenced in late January when the co-chairs of the Budget Committee released a request for budget proposals to the campus community.

The FY 2013-14 budget process combined requests for proposals for faculty FTE, temporary academic staffing, and requests for operating needs into a single process. Organized Research Units, Centralized Research Units, and Research Institutes were also encouraged to submit proposals through the Vice Chancellor for Research. In addition, the budget process included budgets for auxiliary enterprises, recommendations from the Student Fee Advisory Commission ("SFAC") and proposals for new recharge rates. The Provost/EVC, Vice Chancellors and Deans were asked to submit their highest priorities under one or more strategic funding priorities established in the request for budget proposals. Revisions to historical budget processes developed a framework for a comprehensive review of campuswide funding needs, to consider the potential investment of resources based on strategic objectives and needs, and to foster transparency.

In order to enhance the transparency of the process, the Budget Committee held open hearings where principal officers made presentations that highlighted their most prescient requests. Following the hearings, I met with the Budget Committee to discuss the relationship between the established strategic funding priorities, the proposed funding priorities, and the Committee's recommendations. We discussed several campuswide funding issues and the associated impacts to our campus' growth agenda. This process facilitated the establishment of a comprehensive, campuswide budget for the first time in the history of UC Merced.

The overarching intent of the budget is to provide sufficient resources to foster significant, effective change by starting the process of addressing the campus' structural deficits, providing transparency, enhancing flexibility, and budgeting off the top for mandatory costs and charges. These objectives have guided the distribution of new resources and anticipated increases in revenue.

A summary of the approved campus budget for FY 2013-14 is attached in Appendix A. The following narrative describes many of the themes incorporated within the FY 2013-14 budget.

Decentralization of Budget Allocations. Historically, the campus budget has been established through a permanent base budget allocation provided to each principal officer. Each division's permanent base budget was built over time from specific incremental dollar and FTE allocations that were established pursuant to the deliberations of the Budget Committee, with approval from the Chancellor.

A significant portion of each division's base budget was dedicated for salary and personnel matters or for specified special projects. As such, each principal officer retained limited flexibility to take actions necessary for the effective management of their operation without pre-approval from the Chancellor. This year's budget

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process illustrated the limited flexibility that campus leaders have to solve the most pressing needs of the campus.

In order to begin to address this issue, the FY 2013-14 budget will begin a transition to a more decentralized budget process. Principal officers will be provided with a budget at the start of the fiscal year. Each division will be authorized to spend up to this amount for all operating requirements. The Budget Office will work with each organization to assist with the management and monitoring of expenditure patterns to ensure that each organization manages expenditures within its allocated resources. The Budget Office will ensure that each unit maintains its operating budget in accordance with University policy and procedures. The Budget Office will also work with Business and Financial Services to implement financial control mechanisms into the financial system that it may require to assist with these management responsibilities.

In addition to the establishment of prudent budgetary contingencies, limited funding will be held centrally for certain campus wide responsibilities, new initiatives and investments, and risk reserves. Budgets provided to each principal officer will represent the full amount of funding available to each organization for the fiscal year. Therefore, no division may be allocated additional funding without an approved mid-year budget augmentation.

This approach represents a step towards decentralization, which will increase the flexibility of our principal officers. And with increased flexibility, comes heightened accountability. Therefore, principal officers will be responsible for achieving certain strategic objectives set forth in individual funding letters to each School and Division. During the FY 2014-15 budget process, principal officers will be asked to report to the Budget Committee on progress made toward these strategic objectives.

I appreciate your effective stewardship of university resources. As campus policy and practice, in order to wisely manage our limited resources, I must emphasize that any accumulated deficit at the end of the fiscal year will require the development of a repayment plan that will offset the debt in the following year. As such, should expenditures exceed authorized levels, principal officers will be asked to explain the rationale for these excess expenditures and adjust expenditure levels to balance the budget and repay the accumulated deficit.

Revenue. In developing this first comprehensive budget for our campus, we utilize conservative revenue assumptions. At the time the annual budget is adopted each June, there will always be uncertainty about the level of revenue to be received in the next fiscal year, therefore a cautious approach is necessary. Through the next fiscal year, the Budget Office will monitor revenue collection and provide periodic reports to the Chancellor and the Budget Committee.

Following the current fiscal year, the campus faces the risk that the rate of growth of operating revenue will slow. The current memorandum of understanding with the Office of the President will expire at the end of the current fiscal year. We are optimistic that the system and the Office of the President will continue to support the development of our campus; however, we remain cautious about future revenue growth for several reasons:

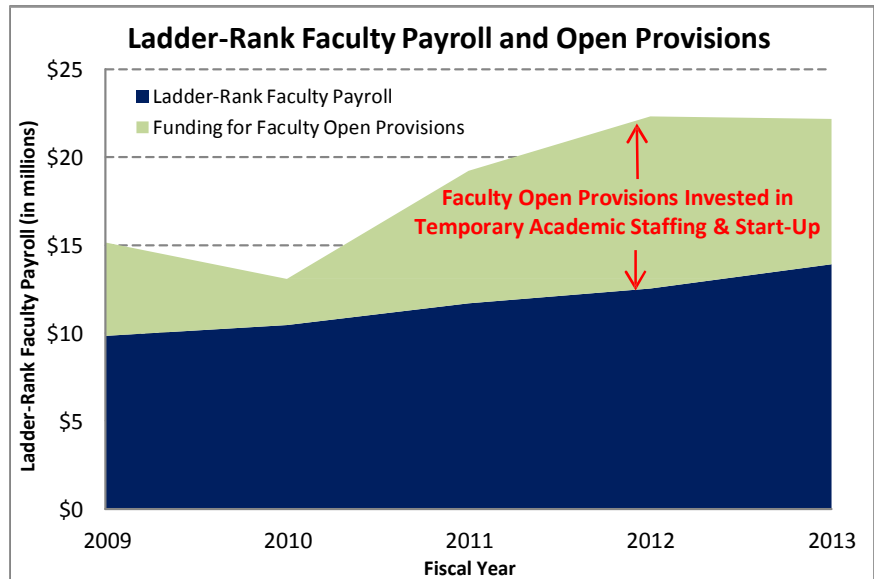
- *Limitations on Enrollment Growth.* UC Merced must explore options for limiting the number of new freshmen below previous plans because of constraints in capital development. Even with the anticipated completion of the Classroom and Academic Office Building in 2015, the campus is struggling

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to determine a feasible path to accommodate additional growth at a level beyond 6,700 students in the absence of commitments to deliver additional facilities. Limitations on our ability to grow enrollment over the next couple of years could commensurately limit the growth of state enrollment growth funding, tuition, student fees, and increases in net revenue earned by our auxiliary enterprises.

- *Capital Development Resources.* In order to grow enrollment, our campus will seek support for a significant amount of funding for new academic and research facilities. At this time, we cannot predict whether systemwide support for these initiatives could limit allocations of other systemwide discretionary resources.
- *Risk Management.* The rapid growth of our campus has historically required the campus to make investments ahead of anticipated revenue. This required the campus to accept operating loans from the Office of the President, fund faculty start-up commitments on a pay-as-you-go basis, utilize salary savings to fund instructional budgets, and operate in a position of a net deficit. A key objective of the next fiscal year will be to eliminate the need to accept operating loans and begin to build prudent budgetary contingencies. Projecting revenue on a conservative basis will help the campus achieve this objective.

Methodology for Funding Faculty Recruitment and Instructional Budgets. Historically, the campus has managed investment in faculty through authorizations for new faculty recruitments. When new recruitments have been authorized, the campus opened new faculty lines and invested estimated “salary savings” in temporary academic staff and/or faculty start-up commitments in the year the savings were accrued. As the campus has grown, the number of open faculty lines has grown, and the level of funding for temporary academic staffing and faculty start-up has commensurately increased. The graphic to the right shows that, as of June 2013, the campus has approximately \$22.2 million in its budget for authorized ladder-rank faculty. The campus presently utilizes \$13.92 million for the salaries of our current ladder-rank faculty¹.



While this methodology has served the campus adequately during its first phase of rapid growth, the model relies heavily on assumptions about how the campus balances faculty recruitment with the levels of required temporary academic staffing and start-up funding in any given year. For example, in the event that an open

¹ Source: University of California Office of the President. *Faculty Academic Total vs. Control Total Comparison (Includes all Title Codes with CTO code beginning with 0, 1, 2 or 3).* As of June 24, 2013.

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faculty line is filled, it effectively reduces the amount of salary savings available to fund temporary academic staffing on a dollar-for-dollar basis. As a long-term approach, the model is not sustainable and places the campus at increased risk of incurring substantial budget shortfalls.

Moving forward, the campus needs to decouple the adequacy of its temporary academic staffing and faculty start-up budget from amounts available for open faculty provisions. In other words, the ability to fund temporary academic staffing and faculty start-up commitments should not rely upon salary savings available from the budget for faculty salaries. At the same, the number of open faculty lines can be managed to reflect the level of active faculty recruitments. At the end of each fiscal year, accrued salary savings from open lines could be invested in other one-time investments (i.e., faculty start-up) in the next succeeding fiscal year.

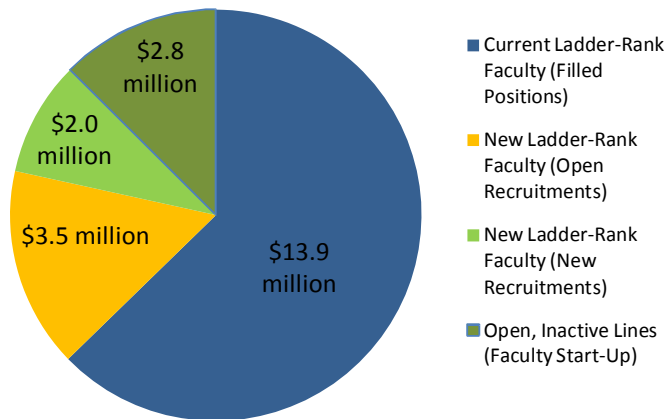
With this year’s budget, we attempt to enhance the transparency of the levels of funding dedicated to ladder-rank faculty salaries, faculty start-up funding commitments, and temporary academic staffing. As described below, funding for faculty salaries and temporary academic staffing will be allocated to the schools, while funding for open provisions and faculty start-up commitments will be held centrally. Over time, the campus will manage the levels of open faculty lines to reflect active recruitments and endeavor to bring a greater level of certainty and transparency to the process of funding faculty start-up commitments.

Central Expenditures and Reserves. The campus budget includes the following sources of funding that will be managed by the Provost/Executive Vice Chancellor (“Provost/EVC”) and the Vice Chancellor for Planning and Budget (“VCPB”):

Faculty Salaries. While the FY 2013-14 budget will move the campus toward a funding methodology designed to rely less on the utilization of salary savings, the transition may take several budget cycles to achieve. To start this transition, the campus will invest all salary savings from faculty salaries into a Central Bank for Faculty Start-Up and create a separate, specific budget for temporary academic staffing. This will allow us to decouple the funding of temporary academic staff from salary savings in the next fiscal year. Over the next couple of fiscal years, we will seek to balance the direct funding of faculty start-up with faculty hiring activity.

As mentioned above, the campus has approximately \$22.2 million in its budget for authorized ladder-rank faculty. Of this amount, \$13.92 million is allocated to the schools to fund the salaries of our current ladder-rank faculty. In addition to these allocations, \$3.5 million of funding will be held centrally to fund salaries related to current open faculty recruitments and an additional \$2.0 million of funding will be held centrally to fund faculty recruitments that will be authorized by the Provost in FY 2013-14 (see “Analysis of Open Provisions / 2014-15 Faculty Recruitment”, below). We expect that the campus will accrue a significant amount of “salary savings”

Allocation of Funding for Faculty Salaries (FY 2013-14)



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from these allocations, which will be directed to faculty start-up.

Finally, the remaining \$2.78 million that represents open, but inactive, faculty lines will be directed to faculty start-up. The chart to the right illustrates the allocation of funding for faculty salaries.

Central Bank for Faculty Start-Up. UC Merced currently funds the cost of faculty start-up on a pay-as-you-go basis. When a new faculty member is hired, the campus funds their start-up packages by providing 50% of the package in the first year, 25% of the package in the second year, and 25% of the package in the third year. The current mechanism to track the funding of these commitments is a manual process not linked to our financial system.

In order to enhance our ability to track faculty start-up expenditures, the Provost/EVC and the VCPB will establish a central bank for faculty start-up funds starting for new faculty hires that will join our community on or after July 1, 2013. The "Start-Up Central Bank" will be a master account established that will hold funds designated for all faculty that join the institution on or after July 1, 2013. Allocations of start-up funding to those new faculty will be provided from the master account. Allocations will continue to be based on 50%, 25%, and 25% of the start-up commitment over the faculty member's first three years on campus, and will expire on the third anniversary of employment.

The campus will fund start-up commitments from resources deposited into the Start-Up Central Bank. Funds from the Start-Up Central Bank will be allocated to the schools during the fiscal year and deposited into the start-up account established for each principal investigator.

The campus will make an initial deposit of \$10.3 million into the Start-Up Central Bank. This level is consistent with the amount of faculty start-up expenditures made in FY 2012-13 plus an additional allocation of \$6.5 million. While this amount should be sufficient to fund allocations due to new faculty members this fiscal year, it does not fund commitments made to existing employees due in future fiscal years, nor does it begin to fund start-up commitments that will be offered to faculty who may join us in the succeeding fiscal year as a result of this year's recruitment.

Until these commitments are adequately funded, the campus would increase its unfunded liabilities as it increases in the annual number of faculty hires. Unless we close this structural deficit, the campus will not be able to increase the rate at which our campus hires faculty in the future.

Temporary Academic Staffing. Consistent with a move toward decentralization, each school will be allocated a budget to fund temporary academic staffing needs in an amount equal to expenditures for this purpose in FY 2012-13. In addition, our increase in student enrollment during FY 2013-14 will increase the instructional workload for non-ladder rank faculty commensurate with an increase in the number of course offerings necessary to accommodate additional students. To address potential workload increases, the Chancellor allocates \$1.0 million to the Provost who may then allocate these funds to the schools, as necessary, to accommodate workload increases.

Analysis of Open Provisions / 2014-15 Faculty Recruitment. We anticipate authorizing approximately 18-22 recruitments for new faculty to join our campus community for the 2014-15 academic year. In order to manage

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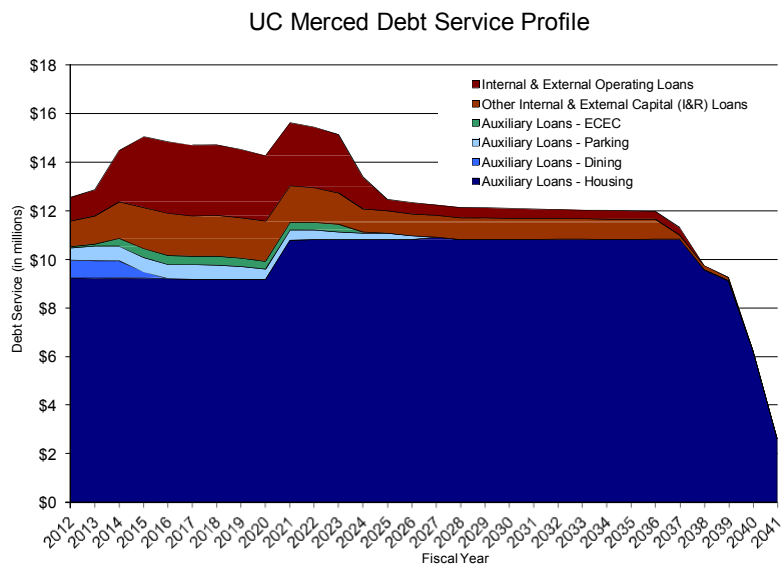
the level of open faculty provisions consistent with the methodology described above, the Provost/EVC and the VCPB will evaluate remaining open faculty provisions at the start of the new fiscal year. Following reviews of faculty hiring proposals from schools and recommendations from the UC Merced Division Council, the Provost/EVC will announce decisions regarding faculty recruitment for the 2014-15 academic year by August 1, 2013.

UCOP Budget Assessments. In FY 2011-12, the University of California implemented a new funding streams methodology, whereby all funds generated on a given campus are retained by that campus with a flat assessment on all funding sources to support central functions, including the Office of the President, centrally administered academic and research programs, and non-campus expenditures by the Division of Agriculture and Natural Resources. For the first two years, the assessment was based upon each campus’ relative current fund expenditures. The University of California is currently discussing changes to the methodology by which assessments are calculated to take into consideration student enrollment and employee headcount. Should amendments to the methodology be adopted, UC Merced’s assessment could increase materially.

For FY 2013-14, the Chancellor allocates \$3.1 million of campus resources to fund systemwide assessments. Prior to payment of the assessment during the fiscal year, the Budget Office will confirm the fund sources that will be utilized for this purpose with the VCPB.

Benefits. In FY 2013-14, employee benefits will remain centrally funded, and are estimated at a total cost of \$34 million. We have included specific budget information for each principal officer in their documents in order to provide details of the benefit costs of their organization. I will ask the Budget Committee to consider how the campus might decentralize employee benefits funding.

Debt Service. Over the past several years, the Office of the President supported the growth of our campus by making several internal loans. The campus presently has approximately \$39.7 million of internal and capital equipment loans that were made to fund the development of campus academic buildings, auxiliary enterprises, and to fund historic operating deficits under the memorandum of understanding with the Office of the President. In addition to these internal loans, the Regents have approximately \$153.5 million of outstanding, publicly issued long term bonds that were issued to



finance capital investments in UC Merced’s auxiliary enterprises. Debt service on external debt bonds is funded from net revenues generated from the operation of the campus’ auxiliary enterprises.

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In FY 2013-14, the campus will fund approximately \$14.0 million of debt service, an increase of \$3.0 million from the prior fiscal year.

UC Path. The UC Path initiative will deploy a single payroll system and a single human resources system across all ten campuses and five medical centers that meets the core needs of each location while capturing the efficiencies, improved data and cost-savings associated with unified systems. As part of the first wave of campuses to move to the new System, our campus must meet associated workload increases across several departments, mostly under the EVC/Provost and the Vice Chancellor for Business and Administrative Services. An account will be established to fund authorized expenses up to \$2.0 million based on a comprehensive spending plan reviewed and approved by the EVC/Provost and the Vice Chancellor for Business and Administrative Services, in consultation with the VCPB.

Executive Recruitments and Initial Funding. The campus presently has a number of ongoing executive searches who are expected to join the campus community in the next fiscal year. These searches include, but are not limited to a new Chief Information Officer, a Vice Provost for Undergraduate Education, a Vice Provost for Faculty. We expect additional executive recruitments including a new Vice Chancellor of Business and Administrative Services. The Chancellor will allocate \$0.5 million to the EVC/Provost and the VCPB to finance the cost of executive recruitments. Funding for critical initial needs and for strategic investments that may need to be made by new campus leadership may also be funded from this source.

Compensation. The implementation of systemwide salary increases is intended to acknowledge the fact that non-represented employees have received only one general salary increase in the last five years. The increases are intended to partially offset increased retirement and benefit costs that faculty and staff have absorbed over the last few years. In addition to these general salary increases, the budget includes \$1.0 million of additional funding to provide for potential programs such as merit awards, reclassification and equity adjustments, to reward the hard work and dedication of our employees.

Campus Development. We do not yet know with any certainty the amount of resources that will be necessary to develop the facilities envisioned in Phase 2 of our long-range development plan, which will provide the space necessary to increase enrollment up to 10,000 students, nor do we have certainty about the level of state funding available to make these critical investments. In addition, we have significant amount of development-related commitments that require funding in the current and future fiscal years. For example, the university must fund payments to mitigate environmental impacts of the campus development and certain cost overruns associated with our existing capital development program. Importantly, the campus must move forward with capital infrastructure related to the reliability of information technology as expeditiously as possible.

During the next fiscal year, the EVC/Provost and the VCPB may allocate funds from this source to fund capital expenditures and proposed sources of financing under a new campus capital budget. These funds may be used to finance expenditures necessary for the development of the 2020 Project, debt service and/or lease payments for new financing necessary to fund capital improvements, and/or cash fund certain obligations. The VCPB will also be responsible for the development of financing strategies and will also carefully manage formally authorized transfers of funds to project plant accounts. The campus will reserve \$5.0 million of funds from the FY 2013-14 budget for capital purposes for these development-related expenditures.

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Professional Services and Legal Reserves. The campus will reserve \$1.0 million of funding from the FY 2013-14 fiscal year to fund professional services and legal risk reserves. Each year, the Chancellor, Campus Counsel, the EVC/Provost, VCPB and Vice Chancellor of Business and Administrative Services will review levels of legal reserves available to determine whether adequate funding is available to mitigate risk.

Organization Budgets. The budget provided to each principal officer provides all of the resources that will be available during the fiscal year to each division to meet its organizational objectives and campuswide priorities for the fiscal year. Despite the limits of our financial resources and difficult decisions to use some of our increases in funding to reduce structural deficits, we did not directly link new funding to specific proposals. This approach provides flexibility to principal officers to effectively manage resources and address the highest funding priorities, including the funding of collaborative proposals.

The development of this budget was based upon an evaluation of all fund sources, revenue estimates, cost and risk factors, past spending trends, and the formally submitted requests in order to determine a realistic funding plan to meet our strategic objectives. In order to ensure that our campus maximizes the flexibility and efficient uses of its fund sources, the VCPB will have the authority to manage the fund sources from which allocations are made under the adopted budget.

This represents the total allocation for the year and units will be authorized to spend up to this amount. This budget includes previously approved historical funding agreements that were provided on an annual basis.

Flexible, block funding allocations will be allocated to principal officers to provide to fund the highest priority needs of each division. Expectations and stipulations for the use for the new funding will be highlighted where applicable; these will be consistent with the recommendations of the Budget Committee and approvals by the Chancellor. Schools and Divisions will be expected to report on the use of these funds and the progress made in the stipulated areas as part of the planning cycle for FY 2014-15.

The total approved campus budget is displayed in Attachment A. Total revenues, total expenses, and centrally funded mandates are detailed. Each principal officer will also receive an individual funding letter with specifics per department and by funding categories. The Budget Office will arrange meetings in July with each School and Division in order to review plans for the investment of new funding, assist with plans for new FTE, and to provide support regarding resource management questions and issues.

Each organization's budget allocation has been augmented for FY 2013-14 to provide funding sufficient to cover recently announced salary increases and provide a small inflation factor. In addition to this level of funding, I provided block allocations to enable divisions to meet their highest priority needs.

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A summary of the block allocations follow:

Division / School	Amount	Notes
Office of the Chancellor	\$160,000	Includes \$10,000 for Staff Assembly's staff retention programs.
EVC/Provost	\$1,000,000	Capital expenditures, such as IT infrastructure and equipment, will need to be funded through the campus development budget.
School of Engineering	\$200,000	Funding for workload increases and other priorities of the School Dean. This does not include dollars of new faculty recruitments to be authorized by the Provost/EVC.
School of Natural Sciences	\$200,000	Funding for workload increases and other priorities of the School Dean. This does not include dollars of new faculty recruitments to be authorized by the Provost/EVC.
School of Social Sciences, Humanities & the Arts	\$200,000	Funding for workload increases and other priorities of the School Dean. This does not include dollars of new faculty recruitments to be authorized by the Provost/EVC.
Division of Development and Alumni Relations	\$250,000	Includes funds necessary to restore expenditure reductions required in FY 2012-13 due to reductions in funding from UCOP.
Division of Business & Administrative Services	\$500,000	Funding for highest BAS priorities and for reducing level of recharges which will free up staff times across the institution.
Division of Planning and Budget	\$450,000	Funding necessary to complete the infrastructure of the new Division and to support the 2020 Project. Additional 2020 Project funding may be provided through the campus development budget.
Division of Research	\$275,000	Provides support for pre-award.
Organized Research Units	\$450,000	Funds to be allocated by the Vice Chancellor for Research, informed by the recommendations of the Academic Senate.
Total	\$ 3,685,000	

Based on my discussions with the Budget Committee, I want to emphasize that there are critical priorities for each principal officer and area that should guide the allocation of new funding and the overall spending plan for FY 2013-14. These are based on the strategic funding priorities established for our planning and budget process. I will include pertinent comments in the individual funding letters.

In total, we have allocated \$13.185 million of new funding across the campus as part of this budget process:

Description	Amount
New Academic Salaries	\$2,000,000
Faculty Start-Up	\$6,500,000
Temporary Academic Staffing	\$1,000,000
Organizational Budgets	\$3,685,000
Total	\$ 13,185,000

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Budget Revisions. Notwithstanding the adoption of the current budget, there are a significant number of campuswide priorities that remain unfunded. To the extent that revenue collections exceed expectations, the Chancellor may adopt a revised budget to address these urgent needs for additional investment. To the extent that revenue collections fall below estimates or other unforeseen events require, the process for establishing a revised budget will also enable the Chancellor to appropriately manage the campus' balance sheet.

Future Process Enhancements and Policy Development. This year's budget process began later than we would have liked, and we will endeavor to begin the process for the FY 2014-15 earlier in the year. The Budget Committee will remain a standing committee of the campus, which will enable the Committee to further develop recommendations to the Chancellor regarding financial management policies.

In the next year, I would ask the Budget Committee to address the following financial management issues:

- *Budget Process Enhancements.* The Budget Committee should take steps to continue to improve the process going forward. In addition, it may develop recommendations for mid-year budget adjustments to the Chancellor. The Chancellor may revise the FY 2013-14 as necessary to prudently manage campus financial resources. Amendments to this budget will be communicated to the Budget Committee.
- *Decentralization of Benefits Expenses.* While employee benefits are one of the largest categories of expenditures on campus, these expenses have historically been funded centrally, with costs allocated among Schools and Divisions for accounting purposes and based on fund source. Due to the complicated nature of benefits accounting and issues associated with decentralization of this function, however, the campus will continue to fund UCRP costs centrally in FY 2013-14. During the fiscal year, however, I would ask the co-chairs of the Budget Committee to establish a subcommittee to examine the opportunities and risks associated with decentralization of benefits funding.
- *Review of Proposals for Funding of Organized Research Units.* The Budget Committee recommended that the funding for Organized Research Units be delayed until the Academic Senate has time for formal review of the requests. The Academic Senate has reviewed the requests and provided recommendations. On the basis of those recommendations, I have allocated funding to the Vice Chancellor of Research to administer the allocation of new funding for ORUs in FY 2013-14. For FY 2014-15, the budget process should allow sufficient time for review by the Academic Senate prior to proposals being presented to the Budget Committee for consideration as part of the formal request. Currently, the campus expects to issue a fall request for proposals.
- *Process for Recommendations Regarding Faculty FTE.* Requests for new faculty FTE need to be considered in light of sustainable overarching academic plans that build on areas of strength for both research excellence and recruitment and retention of faculty. The process must allow ample time for consultation between Schools, as well as between the Executive Committees and the deans. This will provide the opportunity for collaboration across disciplines and Schools and work to build distinction in research, as well as breadth and depth within academic programs. This process should help maintain consistency between faculty hiring practices and the strategic focusing initiative. The process would be

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well-served by additional analysis understanding the range of open faculty positions; distinguishing between replacement and new positions and bringing more clarity to the prioritization of faculty recruitment needs.

In addition to setting forth these agenda items for the Budget Committee, Appendix B provides additional resource management policies in order to guide the effective and efficient use of resources.

Looking Forward. It is clear that as a campus we must address a variety of significant budget management challenges in order to develop and further our campus ideals and goals of strategic resource management, institutional awareness, building a vibrant infrastructure to support faculty, students and staff, and promoting operational effectiveness and efficiency. These themes were repeated throughout the planning and budget process this cycle and the campus must examine these in order to successfully move forward.

Any subsequent questions or issues can be directed to the Budget Office; we understand that you will work closely with the Budget Office when requesting new FTE and filling any new positions. The Budget Office plans to schedule individual meetings with each School and Division in order to review the funding details with units and to provide additional support as needed.

Thank you for your participation in the difficult task of identifying the highest priorities for the use of limited new operating funding. I look forward to working with you and others to continue to improve and the process during the upcoming academic and fiscal year.

Sincerely,



Dorothy Leland
Chancellor

University of California, Merced
Campus Budget Office

	2014 Budget
REVENUE	
GENERAL FUNDS	99,000,000
LOCAL GOVERNMENT	-
OTHER FUNDS	6,500,000
PRIVATE GIFTS, CONTRACTS & GRANTS	2,006,993
SALES AND SERVICES--AUXILIARY ENTERPRISE	23,100,787
SALES AND SERVICES--EDUCATIONAL ACTIVITY	2,500
STATE OF CALIFORNIA	1,017,949
VARIOUS STUDENT FEES	82,000,000
UNITED STATES OF AMERICA	26,649,676
TOTAL, REVENUE	240,277,905
ORGANIZATIONAL AND CENTRALLY FUNDED BUDGETS	
<i>Provost / Executive Vice Chancellor</i>	
PROVOST	6,220,000
EXECUTIVE VICE CHANCELLOR	6,250,000
UNIVERSITY LIBRARY	3,190,000
UNIVERSITY EXTENSION	585,000
GRADUATE DIVISION	710,000
Subtotal, Provost/ EVC:	16,955,000
<i>Schools</i>	
SCHOOL OF ENGINEERING	9,338,530
SCHOOL OF NATURAL SCIENCES	16,424,545
SCHOOL OF SOC SCIENCE/HUMANITIES/ARTS	11,917,090
Subtotal, Schools:	37,680,165
<i>Research</i>	
VICE CHANCELLOR-RESEARCH	1,750,000
CAMPUSWIDE PROGRAMS	4,045,000
Subtotal, Research:	5,795,000
<i>Other Divisions</i>	
CHANCELLOR'S ORGANIZATION	3,370,000
DIVISION OF STUDENT AFFAIRS	71,690,000
DEVELOPMENT & ALUMNI RELATIONS	2,030,000
DIVISION OF PLANNING & BUDGET	2,280,000
DIVISION OF BUSINESS & ADMINISTRATIVE SERVICES	26,335,000
Subtotal, Other Divisions:	105,705,000
<i>Centrally Funded Programs</i>	
DEBT SERVICE	14,000,000
UCOP ASSESSMENT	3,100,000
BENEFITS	34,000,000
NEW FACULTY SALARIES	2,000,000
CENTRAL BANK FOR FACULTY START-UP	10,300,000
TEMPORARY ACADEMIC STAFFING INCREASE	1,000,000
POTENTIAL COMPENSATION ACTIONS	1,000,000
UCPATH	2,000,000
EXECUTIVE RECRUITMENT AND START-UP	500,000
LEGAL AND PROFESSIONAL SERVICES RISK	1,000,000
CAMPUS DEVELOPMENT	5,000,000
CAMPUS SPACE MANAGEMENT	200,000
Subtotal, Centrally Funded Programs:	74,100,000
TOTAL, BUDGET	240,235,165

Net Funding Available 42,740

University of California Merced Resource Management Policies

The overall campus guidelines for resource allocations and management of funds must be clear, foster collaboration and cooperation, and serve to maintain transparent processes. The Schools and Divisions need to have budget management policy and tools in order to make informed and intelligent decisions about investments and expenditures.

UC Merced resource planning and allocations will be based on established academic and research goals and priorities in order to provide strategic direction for the investment of campus resources. The campus will build and maintain an effective support structure in order to promote programmatic quality and innovation.

Funding strategies will be aimed at providing the necessary level of resources to support essential growth. The campus is committed to garnering new revenue sources in order to build flexibility and to foster and enhance the combined excellence that is the foundation of UC Merced.

Institutional support services and Auxiliary Enterprises will be aligned with the overarching campus goals. Multi-year business plans will be developed that will maximize resources and keep costs reasonable.

The development of a planning horizon for UC Merced is vital to its long term financial health. A comprehensive and transparent planning process will be needed for development and growth. The Provost/EVC and VCPB will review the process annually and recommend enhancements to the Chancellor that may be incorporated into the annual budget process.

The annual budget process will utilize outcome measures in order to assess the effectiveness and success of current commitments in reaching campus goals, as well as to inform future planning, investments, and allocations. This approach will be incorporated to help measure the effectiveness of prior allocations and the extent to which Schools and Divisions have been able to meet overarching strategic objectives.

The Campus Budget Office will provide financial analysis to the Chancellor and senior leadership in order to anticipate future funding needs and mitigate unanticipated financial circumstances.

The Chancellor offers the following adjunct policies related to the adoption of the FY 2013-14 Budget. The Campus Budget Committee may offer recommendations for additional policies and procedures for future approval by the Chancellor.

Collaborative Proposals. The budget provided to each principal officer provides all of the resources that will be available during the fiscal year to each division to meet its organizational objectives and campuswide priorities for the fiscal year. Despite the limits of our financial resources, this approach provides flexibility to principal officers in order to effectively manage resources and address the highest funding priorities. The Chancellor believes each principal officer should prioritize the execution of the collaborative proposals brought forth during the budget process. Further, each principal officer should contribute funds from the resources provided in the budget to finance these collaborations.

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Budget Committee. The Chancellor establishes the Campus Budget Committee as a permanent, standing committee to address a variety of key issues related to the overall financial health of the organization. The Committee will be co-chaired by the Provost/EVC and the VCPB. Budget Committee Co-Chairs may establish sub-committees, which may include committee members and additional participants within the campus community to develop recommendations and proposed policies.

FY 2013-14 Budget Revisions. Budgets provided to each principal officer will represent the full amount of funding available to each organization for the fiscal year. Therefore, no division may be allocated additional funding without an approved mid-year budget augmentation. During the fiscal year, the Chancellor will review the FY 2013-14 budget and year-to-date expenditures and encumbrances. At the discretion of the Chancellor, the FY 2013-14 may be revised. The Budget Committee may make recommendations to the Chancellor regarding the highest and best use of additional resources that may become available during the fiscal year. These recommendations may also inform the process for the development of the FY 2014-15 budget.

FY 2014-15 Budget Process. The Chancellor encourages the Budget Committee to meet in the Fall Semester and to launch the budget process prior to the end of the calendar year. This should encourage collaboration and provide ample time for consultation across campus for the development of the FY 2014-15 budget.

Allocation of Centrally Funded Programs. Any projected expenditure that requires funding from centrally funded programs must be approved by the Provost/EVC and VCPB. This authority may be further delegated to the Budget Office by the Provost/EVC and VCPB.

Investment of Campus Funds. All eligible campus funds are invested in STIP unless alternative investments in systemwide funds (i.e., the short-term investment pool ("STIP")) are selected. The Chancellor delegates the authority to approve new investment and redemptions of campus funds in investment vehicles other than STIP to the VCPB.

Recharge Activity. Recharge activity will be limited, driven by formal policy, and be based on thoroughly developed and researched recommendations from the Campus Recharge Committee. The Recharge Committee will annually report to the Budget Committee and provide its recommendations to the Chancellor for approval. Changes in business situations will be tracked and monitored by the Recharge Committee.

Auxiliary Budgets / Fee Increases. Auxiliary budgets must be approved by the Chancellor prior to the announcement or implementation of fee increases for the next fiscal year.

Steps Towards Decentralization. All open provisions will be utilized first to fund the highest priority needs within a School or Division. Units are encouraged to examine workload and workflow and to streamline processes where possible in an effort to consider an open staffing provision an opportunity to reconsider the most necessary functions.

Permanent salary savings at the unit level may fund staffing needs such as equity adjustments or reclassifications. One-time salary savings at the unit level may fund one-time expenditures and/or temporary workload requirements of the unit.