The Chancellor is authorized by the Regents to establish the budget for all funds on campus

**Regents Standing Order**

- Pursuant to Standing Order 100.6, the Board of Regents has designated the Chancellor to be the chief campus officer and executive head of campus activities.

- The Standing Order also provides that “decisions made by the Chancellor in accordance with the provisions of the budget and with policies established by the Board or the President of the University shall be final.”

- The authority to provide allocations of funds from all campus resources is therefore vested in the Chancellor.

**Budget Advisory Committees**

- The campus has several budget advisory committees which report to the Chancellor regarding different aspects of the budget

- Lack of coordination among the committee structure limits understanding of the big picture

**Lack of Formal Budget Process**

- Other than historic practices, which have not been formally adopted and may not be well understood, the campus does not have procedures for adoption of the budget

- Lack of clear processes and procedures results in sub-optimal financial controls and long-term fund management practices
The campus has multiple budget advisory committees

Committee on Academic Planning and Resource Allocation (CAPRA)

- Co-Chairs
  - Provost / Executive Vice Chancellor
  - Vice Chancellor, Planning & Budget
- Membership
  - Vice Chancellors
  - Deans of the Schools
  - Chair, Academic Senate
  - Chair, CAPRA
  - Chair, Student Fee Advisory Committee
  - Student Representative*
  - President, Staff Assembly

Note: In the event that the Chair of the Student Fee Advisory Committee is a graduate, the Student Representative will represent the undergraduate class, and visa versa.

Budget Advisory Committee

- Co-Chairs
  - Interim Director, Campus Budget Office
  - Interim AVC, Business Financial Services / Controller
- Additional Membership
  - 1 member appointed by the Vice Chancellor, Planning and Budget.
  - 1 member appointed by the Vice Chancellor, Business and Administrative Services.
  - 3 members appointed by the Provost/Executive Vice Chancellor. No more than one member may be appointed from each school, and at least one member must be from the faculty;,
  - 2 members appointed by the Vice Chancellor, Research. At least one appointee shall represent the Research Accounting Services;
  - 2 members appointed by the Vice Chancellor, Student Affairs. At least one appointee shall represent an auxiliary enterprise;
  - 1 member appointed by the Vice Chancellor, Development and Alumni Relations; and
  - 1 member appointed by the Chair of the Academic Senate. One member must be faculty.

Recharge Committee

Student Fee Advisory Committee (SFAC)

Voting Members
- Representative, GSA
- Representative, ASUCM
- Six (6) At Large undergraduate students
- Two (2) At Large graduate students
- Representative, Campus Budget Office (subject to confirmation by SFAC)
- Two (2) University Staff/Instructional Faculty Representatives (subject to confirmation by SFAC)
- One academic representative or faculty (subject to confirmation by SFAC)

Non-Voting Members
- Vice Chancellor, Student Affairs
- Staff to the Committee, appointed by the Vice Chancellor, Student Affairs
- Student alternative (at the discretion of the Committee)

Course and Miscellaneous Fees

- Representative, Campus Budget Office
- Representative, Academic Affairs
- Representative, Division of Student Affairs
- Representative, School of Natural Sciences
- Representative, School of Social Sciences, Humanities & the Arts
- Representative, School of Engineering
- Representative, Graduate Student Association
Budgeting and accounting play distinct roles within a strong financial control and fund management environment.

### The Role of the Campus Budget Office

Budgeting is a cyclical decision-making process for allocating limited fiscal resources to achieve organizational priorities and objectives. A budget can be defined as ‘the financial articulation of the activities of a government unit... which recognizes anticipated revenues, authorizes activities, and appropriates expenditures’ for a specific time period. Budgeting involves the systematic evaluation of prior commitments and their consequence in terms of anticipated outcomes or accomplishments. Properly applied, budgeting can contribute significantly to greater efficiency, effectiveness, and accountability in the overall management of an organization’s financial resources.

### The Role of Accounting Services

An internal control system consists of those measures taken to provide management with reasonable assurance that the fiscal operations of the organization are functioning efficiently and effectively. Such controls include: (1) assurances that financial transactions are properly authorized, classified, and recorded on a timely basis, in correct amounts, and for proper purposes; (2) limited access to assets; (3) procedures for approving the commitment of organizational resources; and (4) checks and balances among key fiscal duties (for example, the billing function versus the receipt of revenue). Good accounting procedures are the cornerstone of an effective internal control system, helping management achieve greater operating efficiencies.

### The Role of Campus Departments

- Develop long-term business plans consistent with the campus long-range enrollment plan
- Propose annual expenditure plans consistent with the business model, in conformity with the chart of accounts
- Expend resources consistent with the approved budget plan

A budget system will enhance the campus financial control and fund management environment.

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Recommended day-to-day roles and responsibilities through implementation of a budget system

**Day-to-Day Role of the Campus Budget Office**

- Establishes budget appropriation for each department
- Approves budget related transfer of fund transactions
  - Cross departmental transactions
  - New budget appropriations from sources external to the department (e.g., new requests)
- Performs long-term fund management responsibilities
  - Analyzes revenue trends and project forward looking revenue streams
  - Analyzes budget and expenditures necessary to continue existing level of operations and activities
  - Works with departments to determine the level of budget adjustments necessary for future initiatives
- Assists departments (e.g., auxiliaries) in establishing a unit’s revenue budget for revenue generated internally within the unit
Recommended day-to-day roles and responsibilities through implementation of a budget system

Day-to-Day Role of Campus Departments

- Develops long-term business plans consistent with the long-range enrollment plan
- Proposes annual expenditure plans consistent with the business model, in conformity with the chart of accounts
- Account management
  - Expends resources consistent with the approved budget plan
  - Enters inter-departmental budget or financial transfer of funds ("TOFs") that do not exceed existing budget appropriations
    - Any TOFs in excess of existing budget appropriations previously approved by the Campus Budget Office is considered a new request and must get budget approval first before proceeding
  - Accounting will review to ensure they are in accordance with the accounting manual, including but not limited to:
    - Assurance that TOFs do not move money across fund groups
    - Assurance that TOFs do not lead to amounts in excess of budget limits
  - Requests revenue account linkage to expenditure accounts to accounting
Recommended day-to-day roles and responsibilities through implementation of a budget system

**Day-to-Day Role of Accounting Services**

- Inputs budget appropriations by department and fund source based on instructions received from the Campus Budget Office ("CBO")
- Performs all budget-related transfer of funds ("TOFs"), based on instructions received from the CBO, in the financial system
- Performs current year fund/account management responsibilities
  - Reviews and approves requests for new revenue and expenditure accounts.
  - Ensures any new requests are within the constraints/parameters of budget appropriations previously approved by the CBO
  - Reviews and approves requests to link revenue and expense accounts within the financial system.
  - Ensures any linkages approved are within the constraints/parameters of the budget appropriations previously approved by the CBO
  - Provides guidance and assistance, when requested by departments, in reconciling their accounts
- Provides training to departments on how to allocate their budgets and manage the funds allocated to them through the budget appropriation process
UC Merced revenue sources have grown and diversified over the past several years

University of California, Merced  
Budget Advisory Committee  
Revenue, By Fund Group

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Education Fees</td>
<td>24,709,097</td>
<td>39,937,009</td>
<td>56,001,567</td>
<td>62,231,933</td>
<td>66,356,301</td>
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<tr>
<td>Federal Contracts</td>
<td>126,585</td>
<td>446,506</td>
<td>390,425</td>
<td>779,817</td>
<td>135,785</td>
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</tr>
<tr>
<td>Federal Contracts, Grants &amp; Cooperative Agreements</td>
<td>18,746,480</td>
<td>23,199,297</td>
<td>26,069,878</td>
<td>28,035,864</td>
<td>13,402,931</td>
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<tr>
<td>Federal Grants, ARRA</td>
<td>760,273</td>
<td>2,516,005</td>
<td>1,205,484</td>
<td>552,316</td>
<td>144,626</td>
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<tr>
<td>General Funds</td>
<td>12,197,733</td>
<td>54,382,306</td>
<td>57,513,968</td>
<td>84,073,850</td>
<td>25,374,066</td>
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</tr>
<tr>
<td>Local Appropriations, Contracts, Grants &amp; Cooperative Agreements</td>
<td>6,999</td>
<td>(508)</td>
<td>-</td>
<td>(38)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other Sources</td>
<td>1,338,513</td>
<td>1,809,905</td>
<td>6,584,574</td>
<td>6,788,978</td>
<td>6,252,659</td>
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</tr>
<tr>
<td>Other Student Fees</td>
<td>2,560,149</td>
<td>3,978,759</td>
<td>5,080,667</td>
<td>5,523,394</td>
<td>5,877,279</td>
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</tr>
<tr>
<td>Other Service Enterprises</td>
<td>529,416</td>
<td>722,224</td>
<td>290,236</td>
<td>544,937</td>
<td>261,383</td>
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</tr>
<tr>
<td>Private Contracts, Restricted</td>
<td>1,858,564</td>
<td>1,376,231</td>
<td>1,954,075</td>
<td>975,968</td>
<td>481,737</td>
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</tr>
<tr>
<td>Private Grants, Restricted</td>
<td>1,365,213</td>
<td>3,422,310</td>
<td>2,242,376</td>
<td>1,779,973</td>
<td>1,296,941</td>
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<tr>
<td>Private Gifts, Restricted</td>
<td>162,325</td>
<td>12,926</td>
<td>121,424</td>
<td>78,124</td>
<td>2,705</td>
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</tr>
<tr>
<td>Private Grants, Restricted</td>
<td>1,111,737</td>
<td>721,954</td>
<td>1,752,333</td>
<td>1,779,538</td>
<td>1,164,148</td>
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</tr>
<tr>
<td>Registration Fees</td>
<td>2,965,039</td>
<td>3,826,685</td>
<td>4,845,655</td>
<td>5,353,208</td>
<td>5,767,997</td>
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<tr>
<td>Sales &amp; Services, Educational Activity</td>
<td>2,131</td>
<td>3,697</td>
<td>7,221</td>
<td>3,192</td>
<td>495</td>
<td></td>
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<tr>
<td>Sales &amp; Services, Auxiliary Enterprises</td>
<td>16,237,609</td>
<td>21,464,855</td>
<td>22,703,008</td>
<td>23,598,435</td>
<td>26,427,003</td>
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</tr>
<tr>
<td>Special State Appropriations</td>
<td>1,245,584</td>
<td>215,000</td>
<td>215,000</td>
<td>215,000</td>
<td>137,500</td>
<td></td>
</tr>
<tr>
<td>State Contracts, Grants &amp; Cooperative Agreements</td>
<td>1,310,805</td>
<td>6,520,876</td>
<td>1,811,427</td>
<td>1,172,192</td>
<td>(68,661)</td>
<td></td>
</tr>
<tr>
<td>Student Tuition &amp; Fees, Summer Session</td>
<td>1,221,886</td>
<td>5,675,697</td>
<td>5,307,023</td>
<td>5,616,244</td>
<td>(3,498)</td>
<td></td>
</tr>
<tr>
<td>Student Tuition &amp; Fees, University Extension</td>
<td>180,871</td>
<td>228,308</td>
<td>111,606</td>
<td>113,824</td>
<td>81,920</td>
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<tr>
<td>Federal Grants Appropriation, ARRA</td>
<td>3,460</td>
<td>698,833</td>
<td>1,873,723</td>
<td>1,587,252</td>
<td>558,089</td>
<td></td>
</tr>
<tr>
<td>General Funds, Specific State Appropriations</td>
<td>39,283,865</td>
<td>32,224,639</td>
<td>32,530,660</td>
<td>84,200</td>
<td>45,703</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>127,924,334</td>
<td>203,383,513</td>
<td>228,612,330</td>
<td>230,888,200</td>
<td>153,697,563</td>
<td></td>
</tr>
</tbody>
</table>

Note: Displays gross tuition revenue by excluding contra tuition return-to-aid revenue (Funds 20199, 74991, and 69199).
* Year-to-Date represents figures through January 25, 2014.

- In addition to fund groups that receive revenue, several other fund groups are utilized to manage transfers of funds, pass through funding and/or clear financial transactions
Historic campus practice includes three different offices in the authorization of the budget.

Budgetary authority on campus is presently determined by the type of fund.

Some funds are utilized only to process financial transactions and/or transfers of funds and therefore do not routinely have a budget.

### UC Merced Operating Fund Groups
Offices Responsible for Budget Implementation

- **Campus Budget Office**
  - 9 Fund Groups
  - Types of Fund Sources:
    - DOE Compensation & Benefits Fund
    - Education Fees
    - General Funds
    - Other Student Fees
    - Registration Fees
    - Special State Appropriations
    - Student Tuition and Fees, Summer Session
    - Student Tuition and Fees, University Extension
    - General Funds Specific State Appropriations

- **Accounting Services**
  - 16 Fund Groups
  - Types of Fund Sources:
    - Agency Funds
    - Balancing Funds
    - Endowment Funds Income
    - Endowment Principal Appropriation, Excluding Opportunity Funds
    - Endowment Principal Appropriation, Opportunity Funds
    - Endowment, Educational Funds
    - Other Sources
    - Other Service Enterprises
    - Private Gifts, Restricted
    - Private Gifts, Unrestricted
    - Reserves
    - Sales & Services, Educational Activity
    - Sales & Services, Auxiliary Enterprises
    - State Overhead Clearing
    - Loan, Federal Contributions

- **Research Accounting Services**
  - 11 Fund Groups
  - Types of Fund Sources:
    - Federal Contracts
    - Federal Contracts Overhead Clearing
    - Federal Grants & Cooperative Agreements
    - Federal Grants Overhead Clearing
    - Federal Grants, ARRA
    - Local Appropriations, Contracts, Grants & Cooperative Agreements
    - Private Contracts & Grants Overhead Clearing
    - Private Contracts & Grants, Restricted
    - Private Grants, Restricted
    - State Contracts, Grants & Cooperative Agreements
    - Federal Contracts & Grants, Off-the-Top
    - Federal Grants Appropriation, ARRA

Development of a budget for a department often requires participation from multiple policy committees and coordination with the Budget Office, Accounting Services, and Research Accounting Services.
Campus budgets are funded by different fund sources

Many budgets are funded from one type of fund source . . .

- The IT budget for technology infrastructure is funded from general funds.
- This budget would be allocated by the Campus Budget Office.

<table>
<thead>
<tr>
<th>University of California, Merced</th>
<th>Actual Figures Reflect Expenditures Through January 25, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY 2013-14 Budget</strong></td>
<td><strong>Budget</strong></td>
</tr>
<tr>
<td>EXECUTIVE VICE CHANCELLOR</td>
<td></td>
</tr>
<tr>
<td>M200 INFORMATION TECHNOLOGY SERVICES</td>
<td></td>
</tr>
<tr>
<td>INFO TECH SERVICES-TECH INFRASTR</td>
<td></td>
</tr>
<tr>
<td>721500/2F</td>
<td></td>
</tr>
<tr>
<td>GENERAL FUNDS</td>
<td>1,333,058</td>
</tr>
<tr>
<td>UC MERCED 11-12</td>
<td>-</td>
</tr>
<tr>
<td>UCOP INTERNAL LOAN CURRENT USE</td>
<td>-</td>
</tr>
<tr>
<td>Grand Total</td>
<td>1,333,058</td>
</tr>
</tbody>
</table>

But others, especially in academic units, can be more complex

- The School of Natural Sciences operations budget is funded from multiple sources.
- General Funds would be allocated by the Campus Budget Office.
- School of Natural Sciences Fund, Summer Session Revenue Sharing and the UCMF unrestricted funds would be allocated by Accounting Services.
Campus budgets are funded by different fund sources

In some research units, funds are appropriated by three different offices

- One account within the Health Science Research Institute includes multiple types of fund sources
- General funds are appropriated by the Campus Budget Office
- Contracts and grants are appropriated by Research Accounting Services
- Endowment, gifts and other sources are appropriated by Accounting Services

Multi-year budget planning for the Health Sciences Research Institute and many other academic units require coordination with the Budget Office, Accounting Services and Research Accounting Services
Implementation of new budget software will enable the campus to develop a unified budget process

- Historically, UC Merced has managed the implementation of its budget through the general ledger system
  - The general ledger is the organization’s primary accounting record and is not designed to enable financial planning
  - Many campus departments conduct financial planning outside the general ledger and budget process, on a traditional Excel platform
- A budget system will enable the Finance Department to assist the Chancellor and Budget Advisory Committee with financial planning, coordination, resource allocation and financial performance review
  - Campus departments will be able to connect their planning process to the campuswide financial planning process
- When implemented, appropriations across all fund sources will be managed through a new campus budget system
  - The budget system should allow for a customized review processes
  - Review process include review by many stakeholders, including department heads, accounting, budget, the Budget Advisory Committee and the Chancellor
The structure for providing the Chancellor with policy advice on budget issues should be evaluated

Can the Budget Advisory Committee process be enhanced to facilitate greater information flow and comprehensive advice to the Chancellor?

Should the existing policy advisory committee structure be streamlined?