UCLA Revenues

Presentation to Academic Senate
November 4, 2014
UCLA Financial and Budgetary Overview

- Session 1: November 4
  - Revenue Sources
- Session 2: November 19
  - Expenditures
- Session 3: December 2
  - Assets and Liabilities – Reading the Balance Sheet
This Talk

- Systemwide Resources Management Issues
  - Funding Streams
  - Rebench
  - The OP Tax

- Revenue Sources
  - All Funds
  - General Funds
  - Core Funds
  - Auxiliaries
  - Hospitals
  - Sponsored Research
Systemwide Resource Allocation Issues
Total Revenues in 2013-14: $6.3 Billion

- Hospital, $1,952
- Med Comp Plan, $1,758
- Sales & Service, $187
- Medical Group, $189
- Auxiliaries, $346
- Investment Return, $44
- Contracts & Grants, $1,036
- Gifts & Endowments, $273
- General Funds, $847
- ICR, $132
- USAP, $162
- Student Fees, $352
Funding Streams

- **Topics:**
  - How non-state funds are allocated to campuses.
  - How the Office of the President and systemwide programs are funded.

- **History:**
  - Campuses have long retained and managed non-core revenues, such as research funds, medical center revenue, auxiliaries, gifts, etc.
  - The majority of state funds, tuition and miscellaneous revenues were retained by OP in the UC General Fund. Campuses received allocations of General Funds from OP, based on annual price adjustments to their permanent budgets.
  - The UCGF included a portion of ICR generated from federally sponsored research.
  - 2000-01: OP capped the amount of federal ICR allocated to the UCGF. OP continued to tax federal ICR at a 6% rate, but retained ~25% of private ICR.
  - 2007-08: OP returned all nonresident tuition to campuses, and reduced their GF budgets by the estimated amount of revenue from those sources.
  - 2009-10: OP and campuses begin planning for the return of all remaining non-state revenues, principally tuition and remaining ICR, in exchange for a campus tax to support OP and systemwide programs.
  - 2011-12: Funding streams is implemented.
How Funding Streams Works

- What campuses get:
  - All non-state revenues (e.g. tuition, overhead) are now retained by the campus that generates them. However:
    - Undergraduate financial aid continues to be centrally directed. While campuses retain all tuition revenue paid by their students, OP continues to operate the EFM model under which campuses are required to set aside minimum amounts of tuition revenue for financial aid.
  - All state funds previously budgeted to UCOP are allocated instead to campuses.
  - Taxes previously paid by Medical Centers, Medical Compensation Plans, and auxiliaries to OP are repealed.

- In exchange:
  - Campuses pay a tax (this year $299 million) to support the unrestricted funds budget of OP & systemwide programs. An additional charge supports the Office of General Counsel.

- Funding streams was originally designed to be revenue neutral. However:
  - State funds returned to campuses were reduced, leaving campuses $50 million short.
  - In the year of implementation, campus' state funds were reduced by $750 million, so campuses used the “new” state funds instead to prop up their campus GF budgets.
  - As a consequence, the impact of funding streams is essentially the gross amount of the tax, with little offsetting revenue.
Q: How big is the OP budget?
   - For 2014-15 the approved budget is $619 million.

Q: Where does the money come from?
   - $263 million in restricted sources.
   - $328 in unrestricted sources, of which $299 million is the campus assessment.

Q: What is the unrestricted money spent on?
   - General Administration and Central Services: $219 million
   - Systemwide Initiatives: $108 million

Q: How is each campus’ tax calculated?
   - For 2013-14, each campuses’ share of the tax is based on its expenditures from all operating fund sources, from the last audited financial statement.
   - Beginning 2014-15, each campus’ share will be based on 3 equally weighted factors: (1) expenditures (2) student enrollment (3) employee headcount.

Q: If a campus has a relatively large share of restricted funds, like research or gifts, is the tax reduced accordingly?
   - A: No.

Q: Does OP have a “blank check”, allowing it to spend whatever revenue is generated from the tax rate?
   - A: Based on three year’s experience, no. The tax rate has been based on an approved budget, and each year the tax rates were reduced compared to the previous years.
**UCLA Implementation of the OP Tax**

- **Q:** Is any portion of the tax retained or allocated by the Chancellor?
  - **A:** No. 100% of the assessment is used to support UCOP and systemwide programs.

- **Q:** How has UCLA allocated the tax burden?
  - In 2011-12, the Chancellor paid the tax from central reserves.
  - In 2012-13, the full amount of the gross tax ($65 million) was allocated to campus units using the same methodology that OP used to calculate UCLA total tax bill – i.e., based on total prior year expenditures from all funds. For many units, this gross tax was partially offset by increased ICR distributions and repeal of other taxes.
  - For 2013-14, UCLA’s tax bill increased to $70 million. The Chancellor has allocated $37 million in state General Funds to partially offset the gross tax paid by each unit. The full amount of the original offsets (state funds, ICR, tax repeals) has now been returned to the schools and administrative departments.
  - Under the new methodology for 2014-15, UCLA’s tax falls to $63 million. Chancellor will provide $30 million in tax relief.
Rebenching

- **Topic:**
  - How OP allocates State General Funds to the campuses.

- **History:**
  - **Pre-2010-11:**
    - State General Funds were allocated incrementally, as increases or decreases in UC General Fund allocations to campuses.
  - **2010-11:**
    - Funding Streams is implemented, returning all non-state funds to campuses.
    - Rebenching Task Force appointed, co-chaired by Provost Larry Pitts and EVP Nathan Brostrom.
  - **2011-12:**
    - Task Force report and recommendations drafted, submitted to the President.
    - OP “deconstructs” the UC General Fund,
      - All campus UCGF budgets reduced by the amount of estimate non-state revenue
      - Imputed State General Funds the only remaining component.
  - **2012-13:**
    - President begins phased implementation of rebenching recommendations.
How Rebenching Works

- Objective:
  - Over time, to equalize the amount of State General Funds allocated to each campus on a per student basis.

- Methodology:
  - Some State Special Funds are earmarked for specific programs and are therefore excluded from the per student calculations.
  - Some State General Funds support non-instructional programs, and therefore are excluded from the per student calculations.
  - Instructional needs vary by discipline, so student counts were weighted.
  - Each campus receives a fixed $15 million allocation without regard to enrollment.
  - UCSF and UCM are excluded, so UCLA’s per student state funding is the “target” for the remaining seven campuses.
  - Other special exclusions:
    - $15 million for the UCR School of Medicine.
    - $10 million for UCOP online education.
    - $3.6 million for UCM capital debt service.
  - $200 million in new state money is needed to bring seven campuses up to UCLA’s level.
    - Each year, 20% of new state money is allocated to “underfunded” campuses until all (except UCSF and UCM) are equalized.
    - Therefore, about $1 billion in new state money is needed to fully phase in rebenching.
  - Remaining funds are distributed on the basis of weighted enrollment.
UCLA Revenue Sources
UCLA General Fund Revenue in 2013-14: $901 million

- State Funds, $436
- Net Tuition, $281
- NonResident, $150
- Overhead Recovery, $34
Composition of UCLA General Fund Between 2007-08 and 2013-14

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<th>Year</th>
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<th>GF-Fed Research</th>
<th>Nonresident Fees</th>
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Auxiliary Enterprises Revenue 2013-14:
$400 Million

- Housing, $230.2
- Hospitality Services, $9.3
- Transportation, $44.8
- ASUCLA, $54.4
- Athletics, $58.2
- Hospital, $3.2
UCLA Hospital System Operating Revenue Sources 2013-14
$1.95 Billion

- Medicare, 30.8%
- Medi-Cal, 15.2%
- Contract, 49.5%
- Non-Sponsored, 1.5%
- Capitation, 3.0%
Total Research Revenue 2013-14: $1 Billion

- Health Sciences, $600.1
- HSSEAS, $81.0
- Physical Sciences, $90.4
- North Campus, $74.8
- Student Support, $115.8
- CNSI, $8.3
- Life Sciences, $65.5