ASSISTANT DEANS AND CHIEF FINANCIAL OFFICERS

RE: 2010-11 Budget Planning Parameters

Dear Colleagues:

The information in this letter is intended to provide campus units with information to assist in budget planning. These planning parameters generally reflect budget actions taken by the Regents and the Governor’s Budget as presented in January 2010 and revised in May 2010. They also highlight areas where there will or may be change. Some information in this document may shift based on the final State Budget Act of 2010 and Office of the President decisions on implementing its provisions. Budget and Institutional Analysis (BIA) will provide additional information as it becomes available.

ENROLLMENT

The campus anticipates little change in new freshman enrollment for fall 2010 but growth of 9% in the number of new transfer students. Graduate student enrollment is expected to increase by about 2%. Please see the enrollment projections on the BIA website for additional detail.

STUDENT FEES

2010-11 student fees have been posted to the BIA website. The fee levels reflect substantial increases in systemwide charges. Resident undergraduates, for example, will be paying systemwide fees that are 32% higher than the systemwide fees in place in fall 2009.

FACULTY AND STAFF COMPENSATION

Staff Salary Program. The University has reached agreements with many of its collective bargaining units. Salary increases will be taking effect if they have not already done so for many represented employees. Please access collective bargaining agreements on line to obtain additional detail on the settlement terms. The university continues to negotiate with units that have not yet settled.

Faculty Salary Program. Units should plan on a regular merit cycle for 2010-11.

Furloughs. The current university furlough program is set to expire on August 30, 2010. BIA will be collecting the furlough savings for the first two months of 2010-11 with an approach consistent with that used to collect the ten months of furlough savings from 2009-10.

The University’s current furlough program ends August 31, 2010, and we have received no indication that furloughs will be extended past this date. However, the Regents may consider continuing the furlough program if the State’s 2010-11 support for UC proves to be substantially lower than the levels proposed by the Governor in January and affirmed in May.
Funding for Compensation Programs. All employee compensation programs are implemented without regard to funding source. The campus will allocate funds (base and current) for all academic and staff employees permanently budgeted on general funds (19900, 19903, 19906, 19924), campus indirect cost recovery funds (19980, 07427, 69750), registration fee funds (20000) and campus gift fees (56996). These permanently budgeted positions are budgeted in the following object consolidations: SB01, SB02, SB03, SB04, SB05, SB06, SB07, and SUBS.

Campus units are expected to cover all salary and benefit costs increases for:

- Employees paid from other funding sources, including contracts and grants;
- Positions budgeted as general assistance (object consolidation SUBG); and
- Staff equity and adjustments or reclassifications.

EMPLOYEE BENEFITS AND UNIVERSITY INSURANCE PROGRAMS

Budgeting for Benefits. Due to the large variance in actual benefit costs for employees, actual expenses should be used to establish budgets whenever possible. If this is not possible, then units should make use of the BIA-published breakdown of benefit rates titled Employee Benefit Rates as a Percent of Salary. The examples on this document demonstrate how benefit rates differ based on salary and health plan coverage.

Consolidated Benefits. Effective July 1, 2011, the campus plans to implement a consolidated benefits plan. Under this arrangement, employees will be grouped into roughly 8 categories, and campus units will pay the same employer benefit rate for each employee in each category. Thus, individual employee coverage levels and choices will no longer drive campus units’ benefit costs no matter the fund source used to pay the employee.

The consolidated benefit rates will allow the campus to consider decentralizing the central benefits pool, currently used to pay benefits for employees paid on general funds, campus indirect cost recovery funds, and Registration Fees. Consolidated benefits address many of the factors that drove the establishment of the central benefits pool in the first place.

UCRP Contributions. While employer (4%) and employee (2%) contributions to the University of California Retirement Plan re-started in April, actuarial projections show the current contributions are inadequate to maintain the retirement system.

UCOP has published detail showing that even if employer contributions were to increase 2 percentage points annually and employee contributions were to increase by a single percentage point annually starting in 2011, the funded ratio of the UCRS would continue to decline until 2014 from the current 95% to a projected 65%.
The Regents have not yet adopted any change to either employer or employee contributions beyond those currently in effect, and the University has not bargained these changes with all of its collective bargaining units. However, it would be prudent to plan on an annual 2 percentage point increase in the UCRS employer contribution for the next several years beginning in 2011-12. There will be pressure to increase rates even faster to avoid the forecasted precipitous decline in the funded ratio for the UCRS.

Insurance Premium Rates. Campus insurance rates are modified annually to account for loss histories and projected losses. Rates for both the general liability and workers' compensation insurance include support for Be Smart About Safety (BSAS) programs. These programs generate revenue that is directed at loss prevention efforts intended to drive down losses and, consequently, costs. The resulting decline in rates is intended to more than offset the added BSAS premiums.

**GAEL.** UC Davis General Accident and Employment Liability (GAEL) rates are climbing by about 9% overall for 2010-11 to approximately $0.59 per $100 of payroll, which includes an average of $0.04 per $100 of payroll for the BSAS program. The increase is largely driven by increased claims costs in the categories of general and automobile liability. **GAEL rates for 2010-11 by campus unit** are posted on the BIA web site. If you have any questions about what has driven changes in rates for specific units, please contact staff in Risk Management Services.

As noted in the [2010-11 campus budget letter](#), the GAEL general fund offset, which has historically been allocated to units on a current-year basis, will be allocated to units on a permanent basis beginning in 2010-11.

**Workers' Compensation.** Thanks to an improved loss history, UC Davis worker’s compensation rates will be declining by roughly 4.5% for 2010-11. **Workers’ compensation rates for 2010-11** by unit have been posted on the BIA website: The 2010-11 Workers' Compensation campus average assessment rate will be $0.63 per $100 of payroll and includes a Be Smart About Safety assessment of $0.10 per $100 of payroll. This reflects a continuing decrease in the number of claims recorded for campus departments, at least some of which was likely driven by the BSAS-funded risk reduction programs, which have been in place since 2006-07. Workers’ compensation premiums continue to be 90% socialized across campus and 10% distributed based on loss history.

**OTHER PLANNING INFORMATION**

**Short-Term Investment Pool Income (STIP).** STIP rates continue to be lower than they have been in recent years. Assuming that current rates roughly continue, units should assume a STIP rate of roughly 2.5%.
**Facilities and Administrative Cost (F&A) Rates.** The Facilities and Administrative cost rate for 2010-11 will be unchanged at 53.0% for organized research on campus. It will climb to 53.5% starting July 1, 2011.

If you have questions on the items in this letter, please feel free to contact me.

Sincerely,

[Signature]

Christopher W. Carter, Director
Administrative Budget and Budget Operations

/cc

c: Associate Vice Chancellor Ratliff
BIA Analysts