April 12, 2010

ASSISTANT DEANS AND CHIEF FINANCIAL OFFICERS
RATE GROUP MEMBERS

RE: Updates on Self-Supporting Programs, Assessments, and DCAs for 2010-11

Dear Colleagues:

I am writing to update you with planning information for self-supporting programs for 2010-11. We have some significant policy adjustments/updates to report for the coming year.

Assessment for Self-Supporting Funds. The campus 3% assessment on self-supporting activities will continue for 2010-11 with the existing parameters. Units should consider this assessment to be ongoing. For 2008-09, the assessment yielded $5.2 million to help offset the campus budget shortfall. Without the revenue from this assessment, the campus would be forced to identify an additional $5.2 million in budget reductions from other sources.

Review and Approval of Self-Supporting Activities. The Budget and Institutional Analysis (BIA) unit has been consulting with its Professional Staff Rate and Service Advisory Group – commonly known as the Rate Group – on revising the campus rate process. Many of the changes in development are in response to a recommendation from the Self-Supporting Subcommittee of the Budget Advisory Committee last June.

We are moving toward a model beginning in 2010-11 where BIA and the Rate Group will be focusing on those rates that present the campus with the greatest risk and campus impact. BIA staff is meeting with deans’ and vice chancellors’ staff members this spring to discuss revisions and improvements to the rate process. We expect these changes will result in a simplified and streamlined process.

Authorization to Increase Rates in 2010-11. The campus rate freeze, first instituted in 2008-09, will be partially lifted for 2010-11. Vice chancellors and deans are authorized to approve increases in rates charged to university customers effective July 1, 2010 that 1) are consistent with an approved rate methodology and 2) account for the following:

- Increases in employee benefit costs, including the 4% employer contribution to the University of California Retirement System, and/or
- Salary changes made pursuant to University of California collective bargaining agreements for individuals included in approved rate methodologies.

Deans and Vice Chancellors continue to have the authority to increase rates charged to non-university customers, and these rates may include a mark-up.
Rate changes approved by deans and vice chancellors should be documented in local files using BIA rate forms.

**Non-University Differential.** The campus policy linking the Non-University Differential (NUD) rate to the Facilities and Administration (F&A) Sponsored Program Rate will continue for 2010-11. Since the F&A rates are unchanged for 2010-11, the NUD rate will remain 28.5%, with the percentage point share going to departments remaining at 14.5%.

**Direct Cost Agreements.** We are in the process of revising the method by which service units recover direct costs from auxiliaries (currently through Direct Cost Agreements), with plans to implement a new process effective for 2011-12. We will provide more information this fall.

For 2010-11, any changes or increases to Direct Cost Agreements will be limited to campus-mandated changes consistent with those allowed for campus rates (see rate information above).

Please submit your completed 2010-11 Direct Cost Agreements to Lucy Bunch in BIA by April 30.

Thanks for your efforts as we all navigate these fiscally challenging times. Please direct any questions you might have on this letter to me or your BIA analyst.

Sincerely,

Chris

Christopher W. Carter, Director
Administrative Budget and Budget Operations

/dfu

c: Associate Vice Chancellor Ratliff
   BIA Staff