

## 2007-08 Budget Planning Parameters

### PLANNING FRAMEWORK

The Office of Resource Management and Planning (ORMP) provides budget planning parameters in this document to aid budget planning by campus units. The planning parameters in this document generally reflect the Regents Budget that was adopted in November 2006, the Governor's Budget as proposed in January 2007, and revised in May 2007. Information in this document is subject to change based on the final State Budget Act and subsequent Office of the President (UCOP) decisions that implement the State Budget Act. The ORMP will provide updated information as it becomes available.

### ENROLLMENT

Enrollment estimates are published periodically on the ORMP InfoRM website at: <http://www.ormp.ucdavis.edu/budget/ipa/inform/>

Once at the website, select *Enrollment* and then choose *Enrollment, Actual and Projected* for the most recent projection. Updates are typically provided in early June and after the fall and winter census dates.

### STUDENT FEES

The Governor's Budget adopted the following changes in mandatory systemwide student fees in 2007-08:

1. ***Educational and Registration Fees for all students will increase 7%.*** Additionally, all students will pay a supplemental Educational Fee of \$60 to replace the \$1,050 supplemental fee paid in 2006-07 by Professional School students only.
2. ***Professional School Fees for the Schools of Medicine, Business, Veterinary Medicine, and Public Health will increase 7%.*** Law School Professional School Fees will increase by 11%.
3. ***Nonresident tuition for undergraduate students will increase 5%.*** Nonresident tuition for graduate and professional students will not increase.

Due to inflationary adjustments, campus-based fees are expected to increase for undergraduate students by \$35.32; for Law students by \$30.50; and for all other graduate and professional school students by \$26.32.

Health insurance costs will increase \$54 for undergraduates for an annual cost of \$801 and will decrease \$60 for graduate and professional school students for an annual cost of \$1,440.

Remaining students in the Kashmiri affected class will continue to pay the professional degree fees in effect as of fall 2002.

2007-08 fee levels can be found at: <http://www.ormp.ucdavis.edu/studentfees/currentfees.html>.

## GRADUATE STUDENT SUPPORT

- ♦ **Graduate Student Researcher (GSR) paid from extramural funds.** The campus will continue to provide approximately \$2.5 million to support a 25% reduction in fees and tuition for GSRs paid from an extramural fund source. Campus directive #06-064 announcing this program was issued in June 2006. (<http://directives.ucdavis.edu/2006/06-064.cfm>).
- ♦ **Campus will direct funds to offset prior-year cost increases for long-standing fee remission programs for teaching assistants and GSRs paid from state general funds.** Campus and University policies require remission of mandatory systemwide and some campus fees for teaching assistants and GSRs (appointments of at least 25%). The campus will augment the base budget for this activity to recognize the significant fee increases that occurred over the last few years.

## FACULTY AND STAFF COMPENSATION

This is the University's third consecutive year with salary programs generated by the full funding of the Governor's compact with the University.

**Faculty Salary Program -** The 2007-08 academic salary program provides a range adjustment of 2.5% effective October 1, 2007, the normal academic merit cycle effective July 1, 2007 and the systemwide market adjustment program. Details of the 2007-08 faculty salary program are described in UCD Directive 07-095 at (<http://directives.ucdavis.edu/2007/07-095.cfm>).

### **Staff Salary Program -**

- ♦ Non-represented staff will participate in a 5% salary program for 2007-08, with increases effective October 1, 2007. The program consists of a 4% merit-based salary increase and a 1% equity program. Detail information is available at: ([http://www.hr.ucdavis.edu/Pubs/All/Salary\\_Program/004](http://www.hr.ucdavis.edu/Pubs/All/Salary_Program/004))
- ♦ Compensation increases for staff represented by collective bargaining units is determined through the collective bargaining process. Increases for staff covered by collective bargaining agreements are available online at: (<http://www.hr.ucdavis.edu/Elr/Contracts>). Additional information is also provided at: [http://www.hr.ucdavis.edu/Pubs/All/Salary\\_Program/002](http://www.hr.ucdavis.edu/Pubs/All/Salary_Program/002). This information is updated periodically by Human Resources.

**Student Assistants.** Hourly wages for the Student Assistants will increase to follow the Governor's proposed minimum wage increase. For additional information, contact Student Employment.

**Employee compensation programs are implemented without regard to fund 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 fee (56996). These 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 benefits cost increases for:

- ♦ employees paid from other funding sources including contracts and grants,
- ♦ positions budgeted as general assistance (object consolidation SUBG); and,
- ♦ staff equity adjustments or reclassifications.

### **EMPLOYEE BENEFITS AND UNIVERSITY INSURANCE PROGRAMS**

**Budgeting for Benefits.** For planning purposes, assume an average benefits rate of 25%. Due to the wide variance in actual benefits costs, actual expenses should be used to establish budgets, if available. Benefits components that are best reflected by using actual expense include:

- ♦ Employer health insurance contributions (due to salary bands and coverage options)
- ♦ Workers Compensation rate
- ♦ Staff Reward and Development Program Assessment

Attachment 1, *Benefits Costs as a percent of Employee Salary*, provides detailed information and examples of benefits rate variances.

#### **Benefits Funding for Core-Funded Positions.**

- ♦ **Core funds redeployed to create new FTE (including increased appointment percentage).** Campus units are responsible for the entire benefits costs of new positions and increased FTE that are created by redirecting core funds. Both current and permanent budget transfers should be based on actual benefits costs, if available. If actual costs are not available, then the campuswide planning rate of 25% should be applied. This policy applies to both Staff (Object Consolidation SUBS) and General Assistance (Object Consolidation SUBG) positions. (Ref: PPM 330-24 IV.A.2.b.)

The ORMP continues to work with Accounting and Financial Services and Human Resources to develop decision support tools to monitor the new positions on core funds. Once we have these tools available, monitoring will be easier. However, we will continue to rely on account managers to implement the policy consistently.

- ♦ **Incremental increase in core funded employee benefits.** We continue to defer implementation of the policy requiring departmental funding for the incremental increases in benefits costs related to staff salary actions such as reclassifications and equity adjustments.

**UCRS Retirement Contributions.** In the ORMP's December 8, 2006 letter, we advised departments to increase benefits budgets by 2% of salary costs beginning 2007-08 in anticipation of the employer UCRS contribution. Although the reinstatement of UCRS contributions has

been delayed, units with budgets containing the 2% UCRS provision will probably choose to apply this budgeted amount to offset the other benefits and insurance program rate increases discussed in this letter.

**Workers Compensation Assessment.** The campus average workers compensation rate has increased by \$0.07 to \$0.95/\$100 of payroll. This is the campus's second year of partially allocating premium costs based upon the claims experience of individual units. The Office of Administration – Human Resources will notify units of their applicable Workers Compensation rate.

**Employee Support Program Assessment.** As of October 1, 2007, the 2007-08 Employee Support Programs assessment rate will increase \$0.01, to \$0.19/\$100 of payroll for the campus, including ANR. The School of Medicine rate will increase to \$0.032/\$100 of payroll. This is the first rate increase since the reinstatement of this assessment in 2001-02.

**General, Employment and Automobile Liability (GAEL) Assessment.** Each year an actuary develops assessment rates for the campus units based on payroll data, anticipated premium costs and claims experience. The process was delayed this year while the UCOP Office of Risk Services re-evaluated the University's risk exposure in order to negotiate the best insurance coverage. UCOP continues to manage campus risk, and as a result of its review of the system's GAEL insurance coverage and determined that more insurance coverage should be purchased. The result of the additional coverage is an increase of 15% to the campus average rate. The rate is assessed per \$100 of salaries and wages and varies based on each GAEL entity's claims experience. If you are aware of a significant claim within your unit, you should plan for an increase larger than 9%. Individual rates are included in attachment X of this letter. The new rates will be effective October 1, 2007, The campus will fund the one-time incremental shortfall due to the delayed implementation.

The campus Office of Risk Services has made its annual report with individual unit claim history at <http://rms.ucdavis.edu/RMSReport/2006/2006-Annual-Report.pdf>.

**General, Employment and Automobile Liability (GAEL) General Fund Offset.** Consistent with past years, the Provost and Executive Vice Chancellor will allocate approximately \$1.3 million one-time funds to offset the 2007-08 GAEL assessment for general funds. The general fund allocation for 2007/08 is the estimated cost of the new rates. In general, this allocation is sufficient to cover 100% of general fund GAEL payroll assessments.

#### **OTHER PLANNING INFORMATION**

**Non-Salary Inflation.** For planning purposes, assume an average non-salary inflation rate of 2.25%. Actual inflation rates vary by activity and you should use actual data to the extent possible. Units are expected to cover the actual increases with existing resources.

**Short-Term Investment Pool Income (STIP).** For planning purposes, estimate an average annual STIP rate of 4.0%. The average annual STIP rate in 2005-06 was 3.85% and the rates for the first two quarters of 2006-07 were 4.24 % and 4.23%, respectively. Extramural Accounting maintains a table of historical STIP rates at: <http://accounting.ucdavis.edu/EX/STIP.cfm>

**Facilities and Administrative Cost (F&A) Rates.** The Facilities and Administrative Cost Rate applicable for 2007-08 is 52.0%. Rates for future years are dependent on our next rate negotiation.

**Utilities Rates.** Campus utilities rates for 2007-08 are pending review and approval by the campus Professional Staff Rate and Service Activity Advisory Rate Group. Proposed rates are generally less than the 2006-07 rates, though electricity and water are increasing. The proposed rates are listed below. Notification of the final approved rates will be provided by the Office of Administration.

Rate Name	Unit	Proposed 2007-08 Rate	2006-07 Rate	Percent Change
Electricity	kwh	\$0.079	\$0.074	6.8%
Gas	therms	\$1.33	\$1.63	-18.3%
Water	ccf	\$1.50	\$1.26	19.0%
Wastewater	ccf	\$1.61	\$1.78	-17.0%
Chilled water	tons	\$0.099	\$0.16	-39.3%
Steam	k-lb	\$10.98	\$14.83	-25.9%

***New Contract and Grant Proposals and Renewals Should Be Amended Immediately to Incorporate the Planning Parameters Provided in this Document.*** This information provided above is for planning purposes only because the terms of the salary programs have not yet been determined. However, we advise that you include the planning parameters to ensure that you will have sufficient funds available to address any additional salary cost increases.

***Self-Supporting Units.*** Self-supporting unit rate increases must follow the campus rate policy outlined in Policy and Procedure Section 340-25, which includes authority to propose rate increases to recover additional compensation costs.

***The Agriculture and Natural Resources (ANR) Division Has a Separate Budget Planning Process.*** In general, the University implements compensation programs without regard to fund source for all campuses and divisions, but each campus and division sets its own guidelines regarding the funding for those increases. For ANR, the funding policies are set by Acting Vice President Standiford and his staff.

Attachment:

- 1) 2006-07 Employee Benefit Rates as a Percent of Salary: Health and Dental Insurance Scenarios

Ref: \\Tgv.ormp.ucdavis.edu\budget\T DRIVE SETUP\CAMPUS\Budget\2007-08\2007-08 Budget Planning Parameters draft 062107.doc

2007 Employee Benefits Rates as a Percent of Salary  
Health and Dental Insurance Scenarios

2007-08 Employee Benefits Rates as a Percent of Salary  
Health and Dental Insurance Scenarios

As of July 1, 2007

Salary	\$ 40,000	\$ 65,000	\$ 85,000	\$ 100,000	\$ 130,000
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Single					
Employer Health Plan Contribution/1	10.34%	5.91%	4.52%	3.54%	2.48%
Employer Dental Plan Contribution/1	1.12%	0.69%	0.53%	0.45%	0.34%
Composite Details (see below)	13.78%	13.50%	13.39%	13.19%	11.72%
<b>Total Composite Benefits Rate</b>	<b>25%</b>	<b>20%</b>	<b>18%</b>	<b>17%</b>	<b>15%</b>

Family					
Employer Health Plan Contribution/1	26.32%	15.13%	11.57%	9.07%	6.34%
Employer Dental Plan Contribution/1	3.71%	2.29%	1.75%	1.49%	1.14%
Composite Details (see below)	13.78%	13.50%	13.39%	13.19%	11.72%
<b>Total Composite Benefits Rate</b>	<b>44%</b>	<b>31%</b>	<b>27%</b>	<b>24%</b>	<b>19%</b>

Details of Composite Rate	Last Changed	Details of Composite Rate				
Dental Plan Contribution	1/1/2007	See Above	See Above	See Above	See Above	See Above
Employee Support Program	10/1/2007	0.19%	0.19%	0.19%	0.19%	0.19%
Health Plan Contribution	1/1/2007	See Above	See Above	See Above	See Above	See Above
Life Insurance (Employer Paid)	1/1/2007	0.14%	0.09%	0.07%	0.06%	0.04%
Non-Industrial Disability Ins (NDI)	1/1/2000	0.18%	0.11%	0.09%	0.07%	0.06%
OPEB Benefits Administration Rate/2	7/1/2007	0.18%	0.18%	0.18%	0.18%	0.18%
OPEB Other Post employment Benefits/2	7/1/2007	2.86%	2.86%	2.86%	2.86%	2.86%
Retirement Contribution (UCRS)	7/1/1993	0.00%	0.00%	0.00%	0.00%	0.00%
Social Security Medicare/3	1/1/1994	1.45%	1.45%	1.45%	1.45%	1.45%
Social Security OASDI/3	1/1/2007	6.20%	6.20%	6.20%	6.045%	4.650%
Staff Recognition & Development /4	7/1/2006	0.92%	0.92%	0.92%	0.92%	0.92%
Unemployment Insurance/5	7/1/2004	0.30%	0.30%	0.30%	0.30%	0.30%
Vision Contribution	1/1/2007	0.40%	0.25%	0.19%	0.16%	0.12%
Workers Compensation Ins	7/1/2007	0.95%	0.95%	0.95%	0.95%	0.95%
<b>Subtotal of Composite Details</b>		<b>13.78%</b>	<b>13.50%</b>	<b>13.39%</b>	<b>13.19%</b>	<b>11.72%</b>

1/ Health Net and Delta Dental premium rates for single adult coverage and family coverage are the most representative of the campus population and provide a hallmark for projecting benefits costs.

2/ OPEB Other Post employment Benefits and OPEB Benefits Administration replace the Annuitant Health/Dental Program in compliance with GASB requirements to modify the reporting of these benefits.

3/ The Social Security OASDI contribution is capped at a maximum salary of \$97,500 or a maximum tax of \$6,045. (6.2% x \$97,500). There is no cap on the 1.45% Medicare Employer Contribution Rate.

4/ The Staff Recognition and Development Program (SRDP) for Policy Covered (Non-Represented) Employees. This cost will be assessed only on non-represented salaries.

5/ As of July 2005, this applies to Federal Funds only.

For 2007 Payroll Expense Staff Benefits Rates Chart:

<http://www.ucop.edu/ucophome/cao/paycoord/staffb.pdf>

Salary Bands for Medical and Dental shifted upwards in 2007. Salary bands now begin at the following annual salary amounts:

=/<\$43,000      \$43,001      \$86,001      =/>\$129,001