

FY14 Indirect Budget Formulation LSAC September 25, 2013



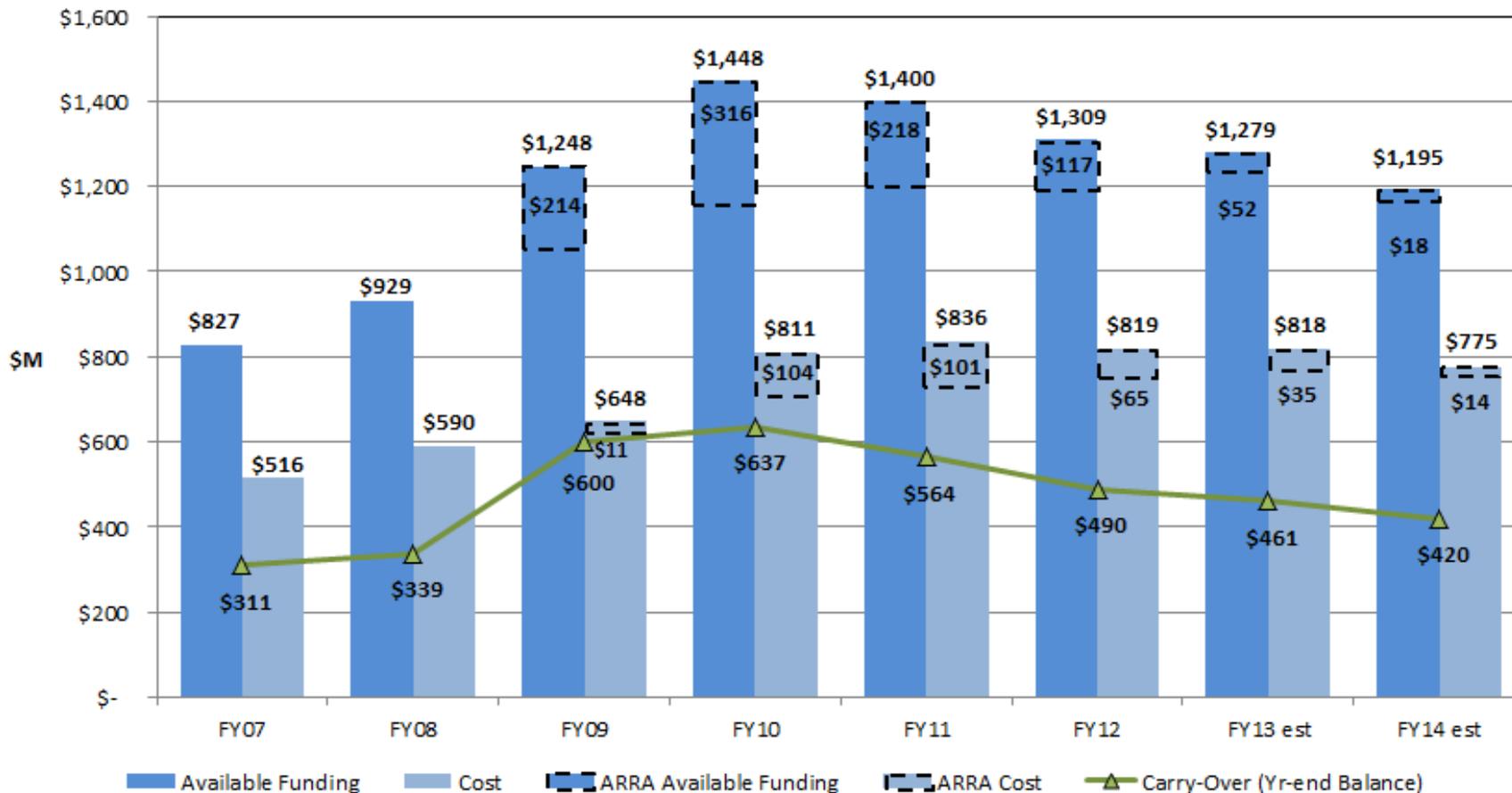
Objectives

- Update on
 - FY13 results
 - FY14 projections and indirect budget status

- FY14 Indirect Budget Objectives
 - Formulate indirect budgets to most effectively and efficiently support science and manage institutional risk
 - Minimize overhead cost increases to the scientific mission
 - Make targeted strategic investments for the future of the Lab

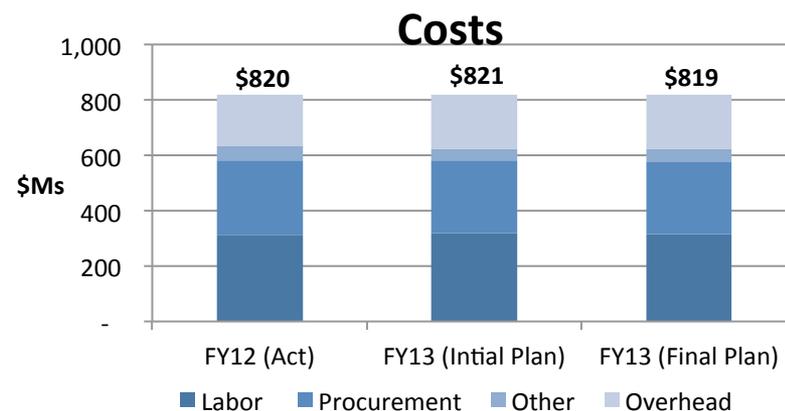
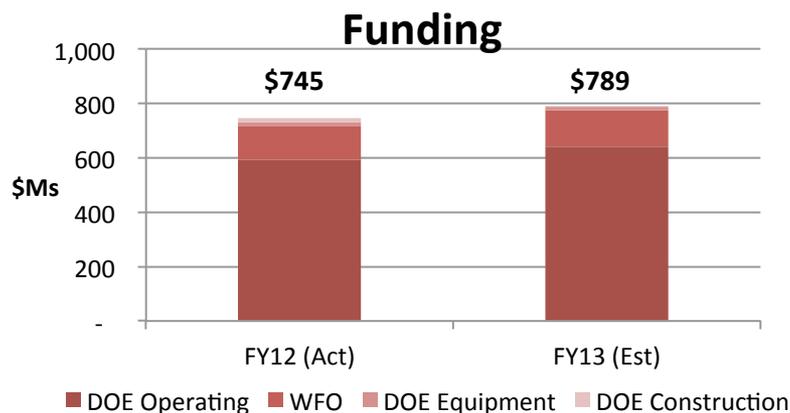
FY07 – FY14 Funding, Cost and Carryover

Funding, Cost, and Carry-Over



Note: FY13 and FY14 costs based on September spend plan.

FY13 Funding, Cost and FTEs

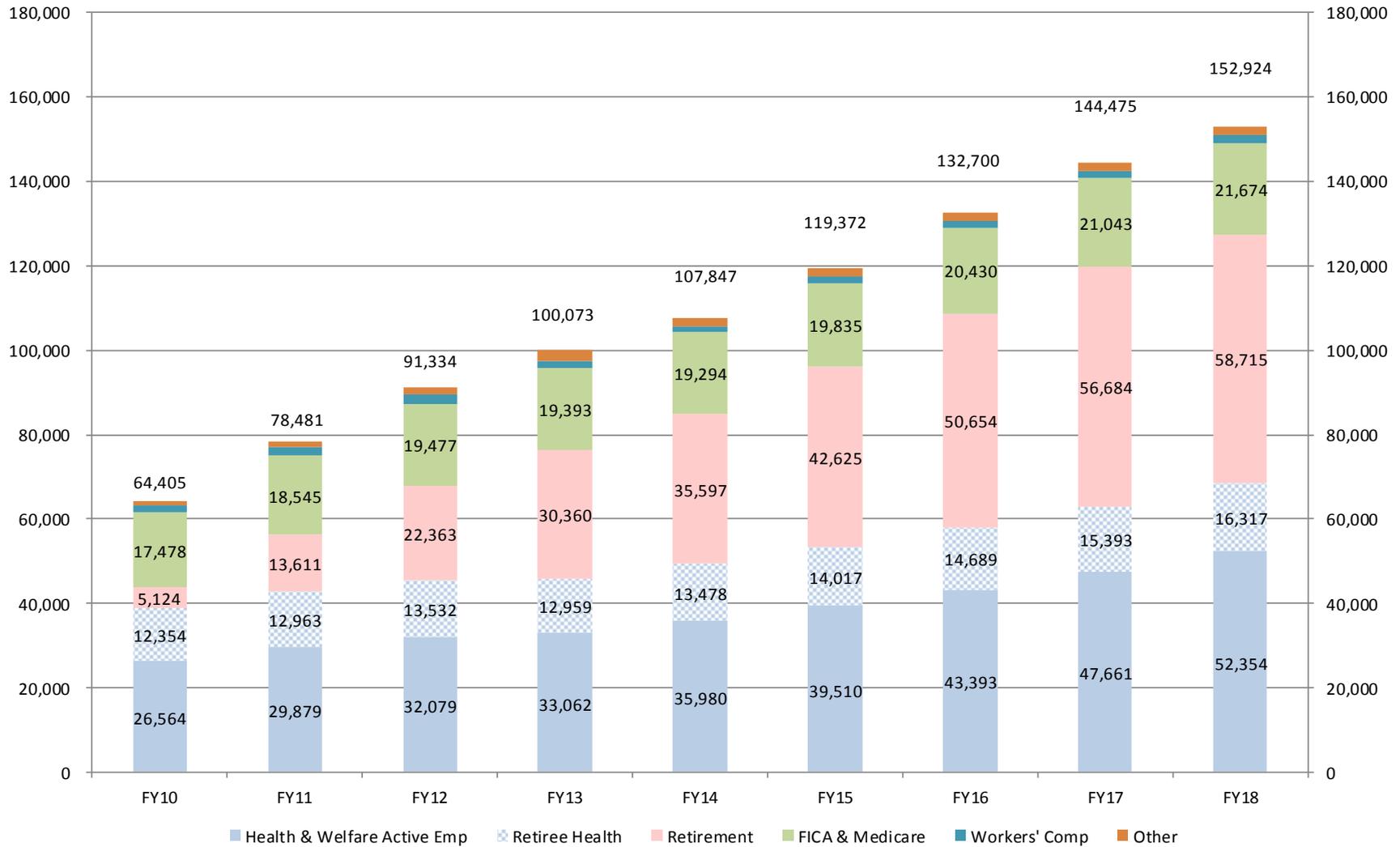


- Funding: Flat to FY12 when large one-time items removed
- Costs: Historically, early spend plan estimates are conservative. However, in FY13 the initial spend plan remained flat. Due to similar funding uncertainties, FY14 may follow this pattern.
- FTEs: Scientific Divisions and Operations are paying for labor escalation by reducing FTEs
 - Core indirect FTEs down 15
 - Indirect FTEs up 27 for LDRD, ALD Burden, NGLS, F\$M

FTEs	FY12	FY13	Change
Direct	2,223	2,185	(38)
Indirect	1,172	1,184	12
Total	3,395	3,369	(26)

FY10 – FY18 Career Fringe Cost (\$K)

➔ Retirement/Medical costs continue to drive labor cost increases.



FY12 – FY14 Changes in Overhead and Org Burden Budgets

➔ Indirect budgets have been actively reduced to offset much of the 15% labor escalation from FY12 to FY14.

(All in \$M)	FY12	FY14	Percentage Change
Overhead Base Budgets	150.1	155.0	3%
Overtarget investments	11.4	20.2	78%
Total Overhead	161.5	175.2	8%

Scientific Org Burden	43.3	46.0	6%
ALD Burden	-	2.0	N/A
Total Divisional Burden	43.3	48.0	11%

Labor Escalation from FY12 to FY14	15%
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Note: Overhead includes G&A, Site Support, and IGPP.

FY12 – FY14 Overhead Reductions



Overhead Divisions have taken a cumulative 15% Base Budget reduction over three years.

Org Burdens have also been actively managed to help offset labor escalation.

Division/Department	% Reduction from FY12 Base Budget
Lab Directorate	-4%
Ops Office	-13%
Public Affairs	-10%
Human Resources	-18%
EHSS	-18%
Facilities	-19%
OCFO	-18%
IT Division	-13%
Engineering	-12%
Total - Base Budget	-15%
Fenced	2%
Overtarget Investments	78%
Total Overhead	8%

Division/ALD	% Change from FY12 Actual
Genomics (west)	3%
LSD	-10%
PBD	10%
Total Biosciences ALD	-2%

Total Computing Sciences	17%
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Chemical Sciences	34%
ESD	0%
EETD	14%
MSD	-7%
Total E&E	6%

AFRD	-2%
Engineering	6%
NSD	-1%
Physics	18%
Total General Sciences	5%

ALS	12%
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Total	6%
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Note: Reductions are to base budgets. Excludes fenced items and one-time strategic initiatives.

FY14 Indirect Budget

➔ Initial shortfall of \$18.3M reduced to ~\$8.6M

FY14 G&A Budget \$K	Initial		Current
Base Budget	157,374		157,374
4% Reduction	(4,835)	Reduction increased to 5% ➔	(5,260)
Sub-Total	152,539		152,114
Over Target Requests	25,760	Reduced requests by \$5M ➔	20,003
Grand Total	178,299		172,117
FY14 G&A Collections Estimate*	(160,000)	Spend Plan increased ➔	(161,000)
Increase to Collection from IGPP swap	-	Reduced Unicall amount ➔	(2,556)
FY14 G&A Collections Estimate*	(160,000)		(163,556)
Estimated Shortfall	18,299		8,561

*Note: Historically, the initial spend plan is conservative. However, FY13 spend plans remained flat for all of FY13. Given similar funding uncertainty in FY14, this trend may continue.

FY14 Investments and Omissions (all in \$M)

Overtarget Investments

10.4 F\$M
 3.5 Fire Protection
 1.3 Support for IGB
 1.0 JHA Replacement
 1.0 Workday
 0.6 Support for RBC
 0.9 Transition to Ops for Bldgs
1.3 Other

20.0 Overtarget Investments

Unicall Base Budget

2.9 DMR/MII
 6.7 Non-Cap
3.0 IGPP

12.6 Unicall

Omissions

7.8 Eight DMR/MII projects unfunded
 5.6 B84 CIG Project
 2.1 B62 lab modernization
 1.0 B67 energy system retrofit
0.8 Workday

17.3 Omissions

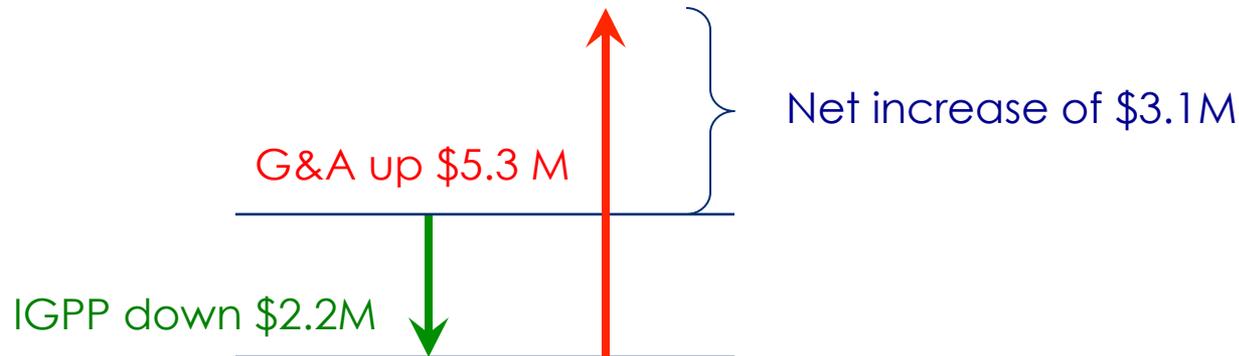
Net Increase in Overhead of ~\$3M Needed

Possible Scenario

Step 1 – Eliminate/defer IGPP investments by ~\$2.2M, thereby reducing IGPP rate from 1.15% to 0.60%

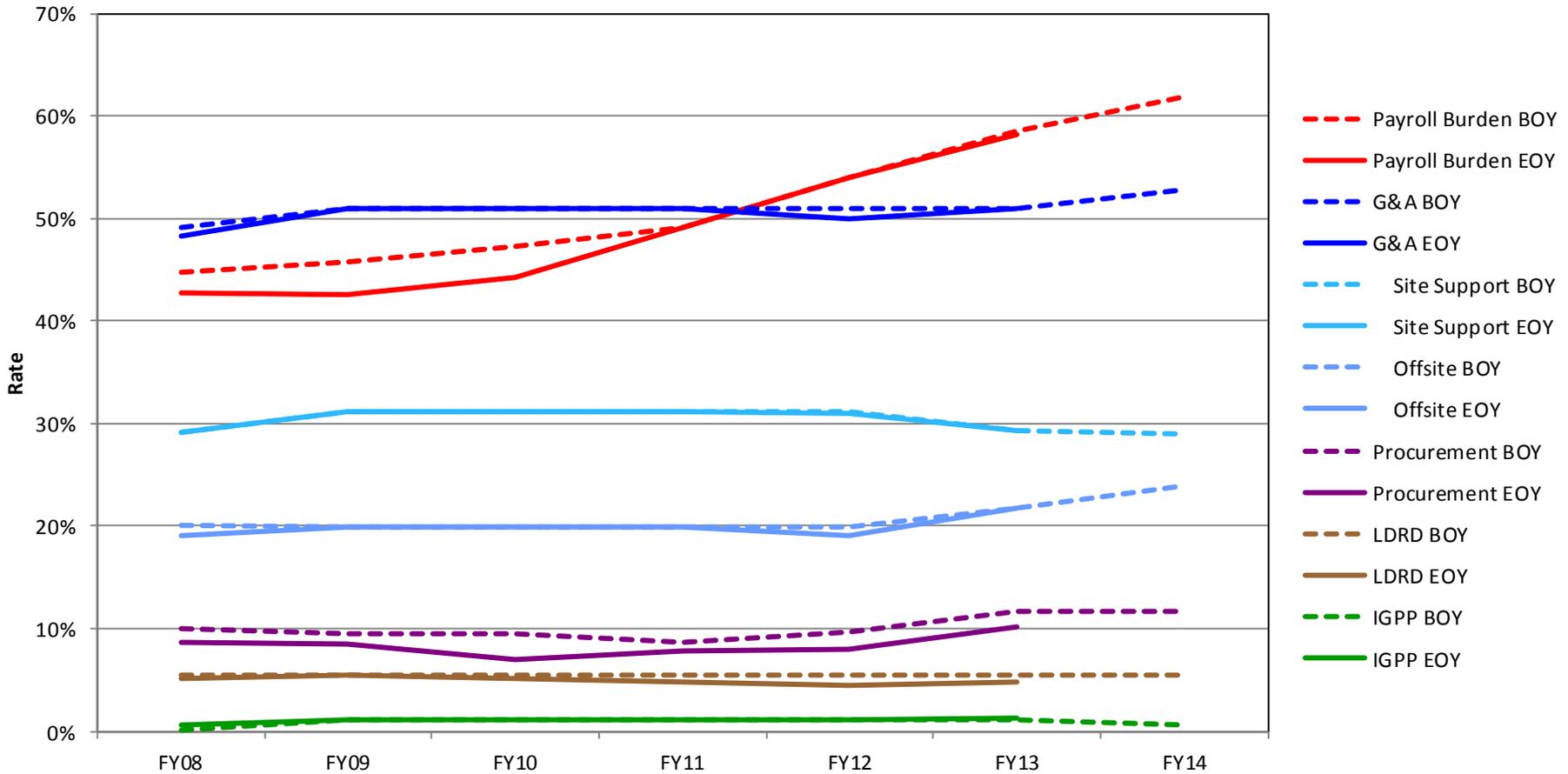
Step 2 – Increase G&A rate from 51.0% to 52.8%

Net result: Increase overhead by \$3.1M



FY08 – FY14* Indirect Rates

➔ Despite labor escalation, G&A rate has remained constant from FY09-FY13; likely will rise in FY14



*FY14 rates are estimates.

FY14 Indirect Budget – Next Steps

- Finalize FY13 year-end results
- G&A rate increase likely (with partial offsetting reduction to IGPP)
- Evaluate further cost reductions to Overhead Divisions
- Divisions urged to scrub org burdens
- **Goal: Start FY14 with a manageable cost to collection gap (~\$4M)**