Budget Overview:
2023 Staff Assembly

October 11, 2023

Sarah Mangum, Associate Vice Chancellor, Budget & Institutional Analysis
Presentation Topics

- Budget Planning Process
- Campus Budget Overview and Challenges
- Meeting the Challenges
Budget Planning Process
Budget Planning Cycle

January
- Governor’s Budget Proposal

February
- Campus Budget Framework

March/April
- Begin Budget Meetings with Deans/Provost/FEC Chairs and Vice Chancellors/Chancellor/Academic Senate Chair

January - July
- UCOP Negotiates with the State

November 1
- Regents’ Budget

UCOP Provides Campus Allocations

May
- Governor’s Budget Revision (New Info)

Late June
- Final State Budget

May
- Complete Budget Meetings with Deans/Provost/FEC Chairs and Vice Chancellors/Chancellor/Academic Senate Chair

July
- Budget Decisions
- Campus Units Finalize Budgets with Decisions

August
- Budget Trailer Bills Finalized

UCOP
- State of California
- UC Davis
**Budget Process: Campus Timeline**

**2020–2026 Budget Framework Timeline**

The Budget Framework timeline outlines the process of annual budget planning, review and decisions along with an iterative review of progress toward Core Funds Savings Targets, which were established in March 2020.

**February**
- Communication of budget framework to campus community

**April – May**
- Advisory committee & BIA review unit plans for alignment with framework principles and strategies
- Unit budget meetings

**Year-Round**
- Monitoring budgets and progress toward targets
- Units develop multi-year plans to meet targets

**January**
- BIA updates projections that inform budget framework
- Consultation with advisory committee and campus leadership groups about projections and budget framework messaging

**March – May**
- Units submit next year’s budget plans and plans to address targets

**June – July**
- Final budget decisions and approval of unit budget plans

**Annually**
- Iterative review of progress toward targets and strategies to achieve targets
Campus Budget Overview and Challenges

What resources do we have and how do we use them?
Why do we have a core funds deficit?
UC Davis Core Funds Budget Deficit
Estimated Core Funds Structural Deficit

- **Context:** $45 million Structural Deficit = 4.3% of FY24 core funds, 0.7% of all funds.

- Expected expenditures on state funds and tuition sources outpace expected revenue.

- Estimates already reflect $79M in savings targets allocated between 2020-21 and 2025-26.

- Estimates assume annual 5% increases in state funds from compact with Governor.

- Estimates assume tuition rate increases based on cohort-based tuition program approved by Regents.

- Estimates assume some UG enrollment growth consistent with the compact.

- Estimates assume salary and benefit cost increases for faculty, academic employees, and staff.
### Incremental Funding vs. Compensation Costs on Core Funds

<table>
<thead>
<tr>
<th>$ in 000’s</th>
<th>2020-21 Actual</th>
<th>2021-22 Actual</th>
<th>2022-23 Actual</th>
<th>2023-24 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition Revenue Net of Aid</td>
<td>$1,924</td>
<td>$11,896</td>
<td>$395</td>
<td>$19,392</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>$0</td>
<td>$24,281</td>
<td>$30,584</td>
<td>$22,103</td>
</tr>
<tr>
<td><strong>Annual Change in Sources</strong></td>
<td><strong>$1,924</strong></td>
<td><strong>$36,177</strong></td>
<td><strong>$30,979</strong></td>
<td><strong>$41,496</strong></td>
</tr>
<tr>
<td>Ladder Rank Faculty</td>
<td>$8,371</td>
<td>$18,520</td>
<td>$28,104</td>
<td>$28,200</td>
</tr>
<tr>
<td>All Other Faculty &amp; Academic Employees</td>
<td>$425</td>
<td>$2,624</td>
<td>$2,106</td>
<td>$10,100</td>
</tr>
<tr>
<td>Staff</td>
<td>$6,025</td>
<td>$13,035</td>
<td>$17,491</td>
<td>$17,294</td>
</tr>
<tr>
<td><strong>Annual Change in Salary &amp; Benefits</strong></td>
<td><strong>$14,821</strong></td>
<td><strong>$34,197</strong></td>
<td><strong>$47,701</strong></td>
<td><strong>$55,594</strong></td>
</tr>
<tr>
<td><strong>Funding Surplus/ (Shortfall)</strong></td>
<td>($12,473)</td>
<td>$1,980</td>
<td>($16,722)</td>
<td>($14,098)</td>
</tr>
</tbody>
</table>
Since 2010, tuition and fees paid by students and their families have exceeded funding UC Davis received from the State of California.

Nonresident supplemental tuition revenue has addressed most of this gap over the past 14 years.

2020-21 reflects a $45 million state budget reduction which was restored in 2021-22.
Fundraising

Fundraising Totals 2011-2023

<table>
<thead>
<tr>
<th>Year</th>
<th>Dollars in Millions</th>
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</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>$132</td>
</tr>
<tr>
<td>2012-13</td>
<td>$149</td>
</tr>
<tr>
<td>2013-14</td>
<td>$166</td>
</tr>
<tr>
<td>2014-15</td>
<td>$184</td>
</tr>
<tr>
<td>2015-16</td>
<td>$226</td>
</tr>
<tr>
<td>2016-17</td>
<td>$251</td>
</tr>
<tr>
<td>2017-18</td>
<td>$230</td>
</tr>
<tr>
<td>2018-19</td>
<td>$234</td>
</tr>
<tr>
<td>2019-20</td>
<td>$253</td>
</tr>
<tr>
<td>2020-21</td>
<td>$269</td>
</tr>
<tr>
<td>2021-22</td>
<td>$323</td>
</tr>
<tr>
<td>2022-23</td>
<td>$253</td>
</tr>
</tbody>
</table>

- **Fundraising in 2022-23:**
  - $252.8 million raised
  - 31,078 donors
  - 56,071 gifts and pledges

- **Campaign—Year 7 Complete**
  - Goal: **$2 billion** over 8 years, with 25% of revenues to endowment
  - $1.96 billion raised from 125,175 donors as of end of 2022-23
  - Of the $1.96 billion, $561.6 million (29%) to endowment/quasi endowment
Research Funding

Annual Research Funding Totals

Funding Sources 2022-23

dollars in millions
Governor’s multi-year compact to provide 5% state funding increases to UC for 5 years.

- Contingent on increasing enrollment systemwide, UC Davis does not expect significant enrollment increases. Enrollment funding is included in the 5%.

UC must meet goals in the following areas:

- Student success and equitable outcomes
- Affordability
- Collaboration with CSU and CCC
- Workforce preparedness
- Increased access to online course offerings
 Enrollment Planning

- Compact with Governor Expects UC system to:
  - Add 8,000 new CA resident undergraduate student FTEs by 2026-27, 1% increase per year. Maintain 2:1 ratio of freshmen to transfer.
  - Add 2,500 graduate students over same period.
  - Shift portion of nonresident UG enrollment at UCB, UCLA, UCSD to resident UG enrollment so no campus has more than 18% nonresidents.

- FTE=45 SCH/student (our students take less/year)

- Summer counts: summer enrollment decreased past 2 summers.

- Pool of transfer students smaller since pandemic. 2:1 ratio more difficult to meet.
Enrollment Planning

- UC Davis grew by over 1,800 CA undergraduates between 2011 and 2020 as part of our 2020 Initiative.

- 2020 initiative also increased nonresident undergraduate population by about 4,300 over the same time period. Since then have tried to keep undergraduate enrollment flat.

- For this academic year, we expect to increase enrollment by ~630 CA undergraduate FTE compared to last year.

- Expect that we will be asked to increase enrollment by approximately ~525 more CA resident undergraduate FTE over next 3 years.
The Challenges

- The State is an inconsistent partner and provides a shrinking share of our core funds. Recent increases in state funding, while helpful, have not been sufficient to cover our increased costs. We need to make progress on Compact goals with the funding provided.

- The state budget does not provide full-funding for the faculty and staff salary programs approved by the regents.

- Recent labor negotiations, such as the UAW contract approved last year put more pressure on our core funds.

- We have critical priorities and needs that require investment and very limited new funds to do so.
The Challenges

- State capital and deferred maintenance funding is insufficient, we are increasingly using our operating budget to meet these needs. There has not been a general obligation bond for Higher Ed in 20+ years.

- Other operating costs are increasing: utilities, insurance premiums, systemwide costs, technology needs.

- Our *structural* core fund budget remains out of balance. Ongoing, permanent actions must continue.

- Accruing one-time core fund debt that can no longer be addressed with central funds.

- Several units continue to maintain large, and sometimes growing, carryforward balances.
Meeting the Challenges

What are we doing about the core fund deficit and debt?
How are we meeting the compact goals and enrollment expectations?
What investments do we continue to make?
Early in 2020, we identified a need to reduce ongoing reliance on core funds by **$80-100 million over five years**, this amount is monitored and has changed over time primarily due to state actions, salary programs, and enrollment changes.

Established Budget Framework [Advisory Committee](#) to provide feedback and guidance on approach. *Staff Assembly Chair will serve on the committee this year.*

Established Initial Unit & Campus [Savings Targets](#) totaling $70 million.

Established Space Release Program
Recent Actions

- **Revenue Generation and Institutional Savings Task Force** worked to identify $50 million in ongoing net revenue and/or savings opportunities.

- Added another year and $9 million to savings targets.

- Did not accept new budget requests during 2023-24 budget process, saved $3.5 million compared to plan.

- Redirected $45.9 million from administrative units with carryforward above guidelines to central campus to address one-time debt and support critical one-time needs.

- Increased focus on unit carryforward use and planning.
Core Funds Savings Targets: Year 4 Status

Central Campus Savings Target

YEAR 1 GOAL: $5M  YEAR 2 GOAL: $10M  YEAR 3 GOAL: $15M  YEAR 4 GOAL: $20M  TO DATE: $25M

$25M ongoing

Unit Savings Target

YEAR 1 GOAL: $9M  YEAR 2 GOAL: $18M  YEAR 3 GOAL: $27M  YEAR 4 GOAL: $36M  YEAR 5 GOAL: $45M  YEAR 6 GOAL: $54M

TO DATE: $37.5M

$36M ongoing  $1.5M one-time
Task Forces Focused on Transformative Change

- Revenue Generation and Institutional Savings
  - May-22

- WASC Accreditation
  - Dec-22

- Student Success and Equitable Outcomes
  - Jun-23

- Sustaining Teaching and Research
  - Jan-24
  - Aug-24
  - Feb-25
  - Sep-25
Key Central Investments that Continue

- Central funds for salary and benefit cost increases on core-funded employees: ~$55.6 million ongoing, includes ~$8M for TA salary increases.
- Funding for GSRs, ARs and Postdocs: ~$8 million one-time.
- Central campus continues to fund the cost of TA fee remission, which is increasing due to tuition rate increases and UAW contract provisions.
- Faculty Startup Block-Grants: $9.5 million
- Student Success: $10 million set aside, awaiting task force recommendations
- Capital Program and Critical Research Infrastructure: $3.9M
- Formulaic Budget Model Allocations

Read: 2023-24 Budget Status and Allocations
Learn More

- Budget and Institutional Analysis Website
- Budget Overview
- Budget Process
- Budget Framework
- 2023-24 Budget Status and Allocations
- Campus Metrics and Data (AggieData)
- Space Release Program
- Deficit Guidelines
- Carryforward Guidelines
- Additional Budget Resources
Go-live date: January 1, 2024
Learn more at aggieenterprise.ucdavis.edu
Questions?
Appendix
This slide shows the all-funds view of campus revenue, including the Medical Center.

UC Davis revenues come from many sources, but roughly 80% are designated or restricted.

The primary source for the campus’s teaching mission comes from unrestricted state funds and student tuition, as represented in the pulled-out slices of the pie chart. These are also called “Core Funds.”

Over the last 10 years, the state’s percentage share has decreased, even though the dollar amount from the State has increased.

Over the last 6 years, Gifts and endowments revenue has increased $135M (62%). The largest increase in that time has been the Medical Center ($1.4B or 75%).
This slide shows the all-funds view of campus revenue, excluding medical center.

Overall, UC Davis revenues come from many sources, but roughly 80% are designated or restricted.

The primary source for the campus’s teaching mission comes from unrestricted state funds and student tuition, as represented in the pulled-out slices of the pie chart. These are also called “Core Funds.”

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Expenditures

Institutions of higher education are people-driven.

At UC Davis, employee-driven costs were about 74% of our total operating expenditures.

Excluding the Medical Center, which has higher costs for supplies and equipment, the employee-driven costs are closer to 80%.

<table>
<thead>
<tr>
<th>Function</th>
<th>Amount (Millions)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction and Academic Support</td>
<td>$ 1,615</td>
<td>23%</td>
</tr>
<tr>
<td>Research</td>
<td>$ 569</td>
<td>11%</td>
</tr>
<tr>
<td>Student Services and Financial Aid</td>
<td>$ 542</td>
<td>8%</td>
</tr>
<tr>
<td>Operation and Maintenance</td>
<td>$ 101</td>
<td>1%</td>
</tr>
<tr>
<td>Auxiliary</td>
<td>$ 140</td>
<td>2%</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>$ 253</td>
<td>4%</td>
</tr>
<tr>
<td>Public Service</td>
<td>$ 243</td>
<td>3%</td>
</tr>
<tr>
<td>Medical Center</td>
<td>$ 3,085</td>
<td>44%</td>
</tr>
<tr>
<td>Depreciation/Interest Expense/Other</td>
<td>$ 333</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$ 7,089</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Example: Why We Have a Core Funds Deficit

<table>
<thead>
<tr>
<th>Core Funds: $1.1B</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of 2021-22 Budget</td>
</tr>
</tbody>
</table>

**Tuition**
- 58% of $616M
- 1% estimated increase ~$6M

**State Appropriation**
- 42% of $448M
- 5% estimated increase ~$22M

**Notes:** Amounts rounded and assumptions simplified to demonstrate comparison.
- Tuition includes all types of tuition, including nonresident supplemental tuition, summer sessions tuition, and professional degree supplemental tuition. Does not account for RTA of ~45% required on tuition rate growth.
### Capital & Infrastructure

- **UC Davis** is the size and complexity of a small city.
- We have significant capital, deferred maintenance and seismic challenges.
- We are using our operating budget to support debt service and leases, ~$41M annually excluding medical center. In the past this was supported by the State.

<table>
<thead>
<tr>
<th>Structures</th>
<th>Square Feet</th>
<th>Structures</th>
<th>Square Feet</th>
<th>Utility Lines</th>
<th>Water Supply</th>
<th>Roads and Paths</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,800</td>
<td>23+ million</td>
<td>1270</td>
<td>62 acre</td>
<td>27 miles</td>
<td>1.6 million</td>
<td>7.3 million</td>
</tr>
<tr>
<td>1,800</td>
<td>23+ million</td>
<td>1270</td>
<td>62 acre</td>
<td>27 miles</td>
<td>1.6 million</td>
<td>7.3 million</td>
</tr>
<tr>
<td></td>
<td>square feet</td>
<td>under 5,000</td>
<td>solar farm*</td>
<td>square feet of</td>
<td></td>
<td>square feet of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>less than 5,000</td>
<td></td>
<td>utility pipe lines*</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>gallons of water / day*</td>
<td></td>
<td></td>
</tr>
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</tbody>
</table>

- **State support** very modest.
  - One-time funds for *deferred maintenance* totaling ~$71 million since 2016-17.
  - Contributions to *capital projects, seismic, and deferred maintenance* through the AB94 funding program over the last 10 years: ~$226.5 million.
  - No new capital or deferred maintenance funding provided in 2023-24.
Putting the Structural Deficit in Context (~$45 million estimated for FY24)

$45M Structural Deficit = ~4.3% of FY24 core funds, ~0.7% of all funds

Every $10M = 35 faculty positions or 2.3% of total faculty compensation costs on core funds

Every $10M = 76 Staff positions or 3.6% of total staff compensation costs on core funds

Every 100 New CA Resident UG Students = $842,000 tuition revenue (net of aid)

Every 100 New National & International UG Students = $3.8M tuition & NRST revenue (net of aid)

1% increase in Ladder Rank Faculty Merits/Range/Equity = $6.1M

1% increase in All Other Faculty & Academic Employees = $3.5M

1% increase in Represented and Non-Represented Staff Merit/Range = $2.5M

1% increase in Undergraduate Tuition Rates = $2.4M (net of aid)

1% increase in Undergraduate Nonresident Supplemental Tuition Rates = $1.3M (net of aid)

1% increase in State Funding = $4.9M