

UCDAVIS

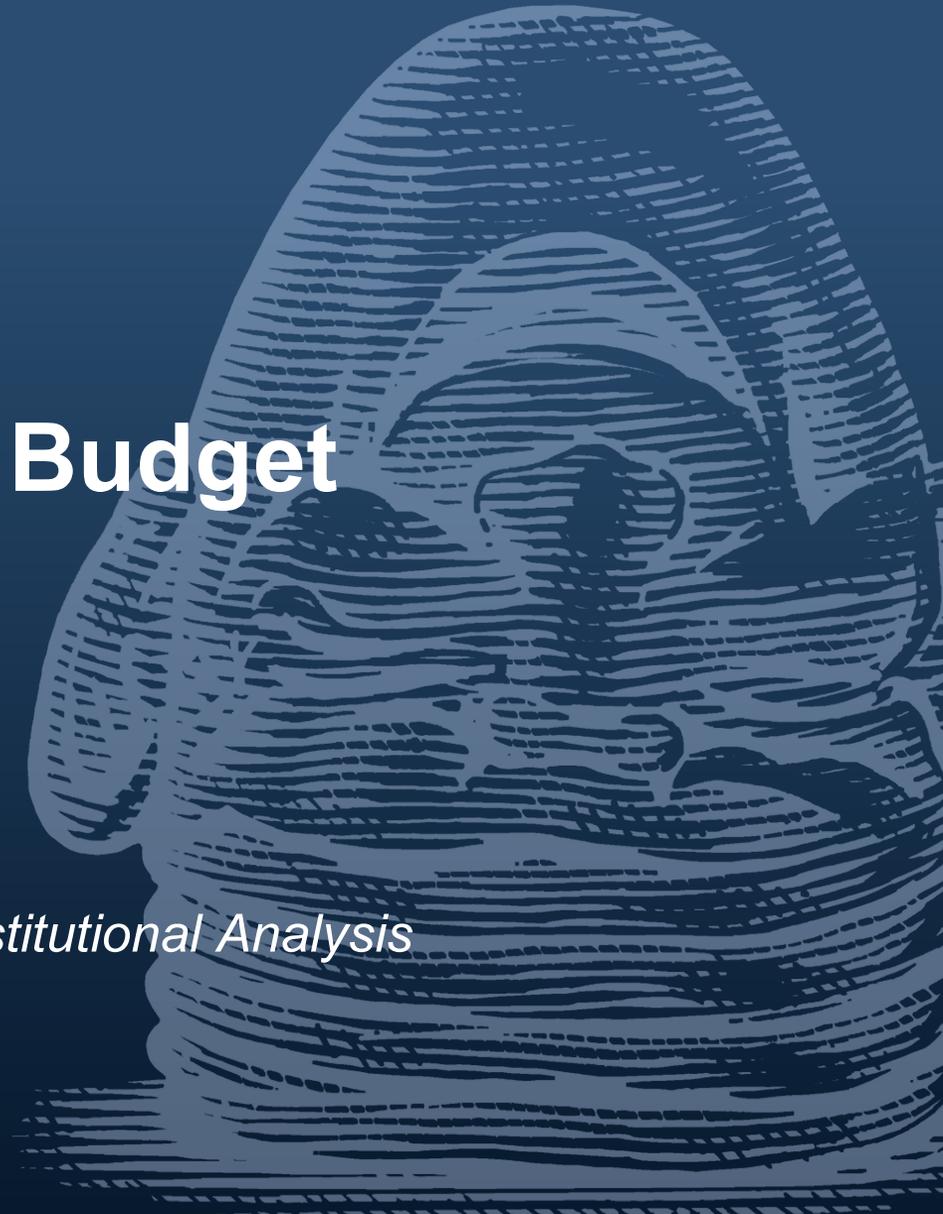
Finance and Business

Campus Financial Status and Budget Process

Staff Assembly

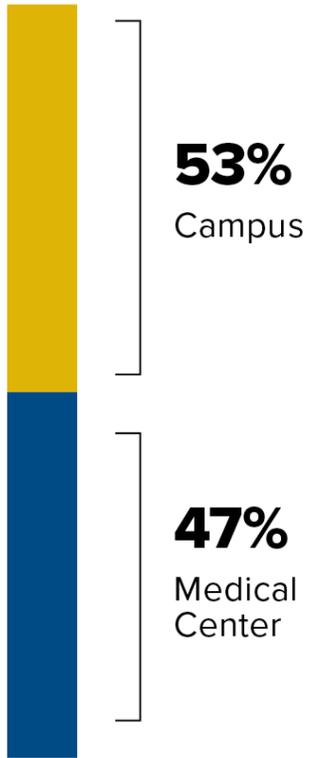
March 8, 2022

Sarah Mangum, Associate Vice Chancellor, Budget & Institutional Analysis

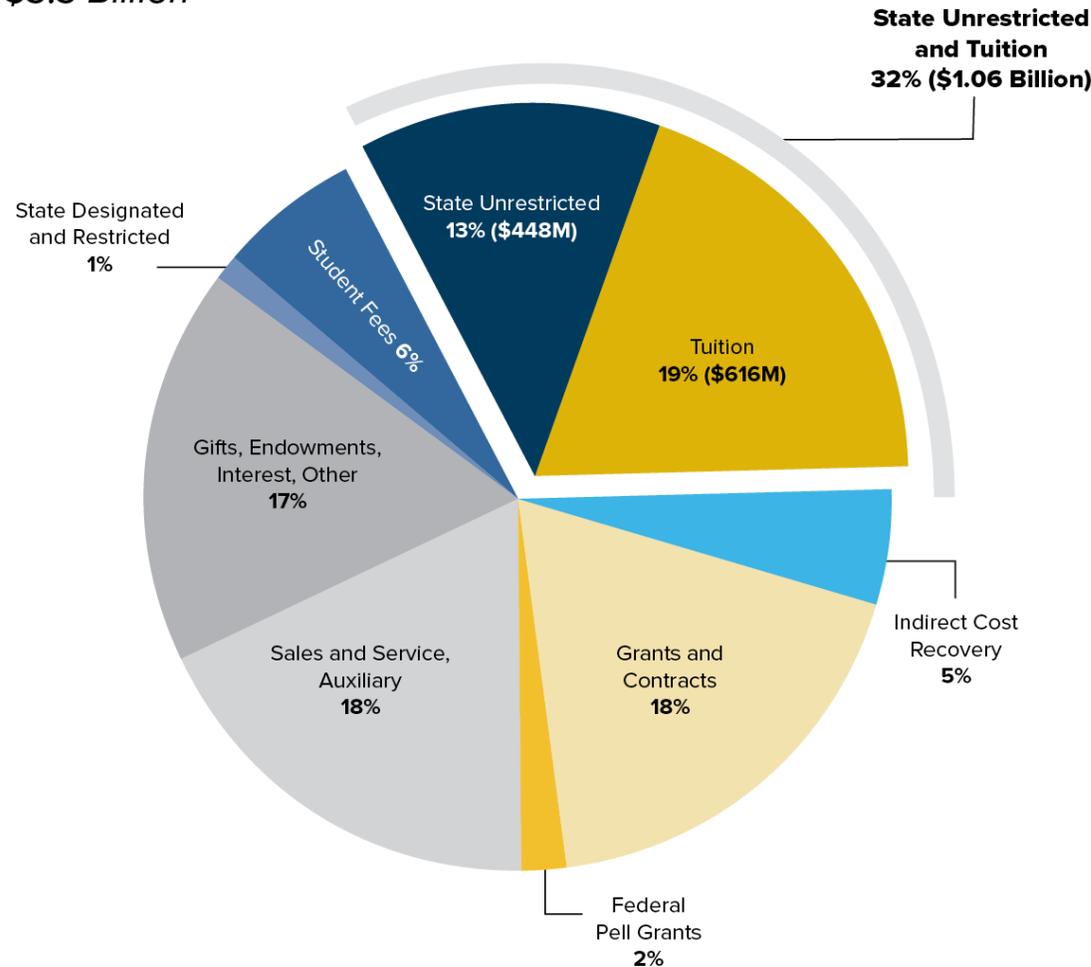


Revenue

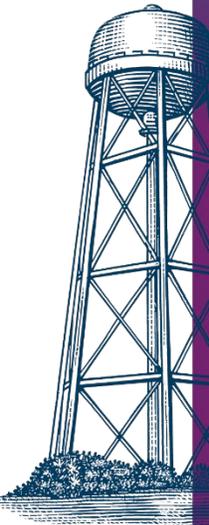
2021–22 Budgeted Revenue
\$6.2 Billion



2021–22 Budgeted Revenue Excluding Medical Center
\$3.3 Billion



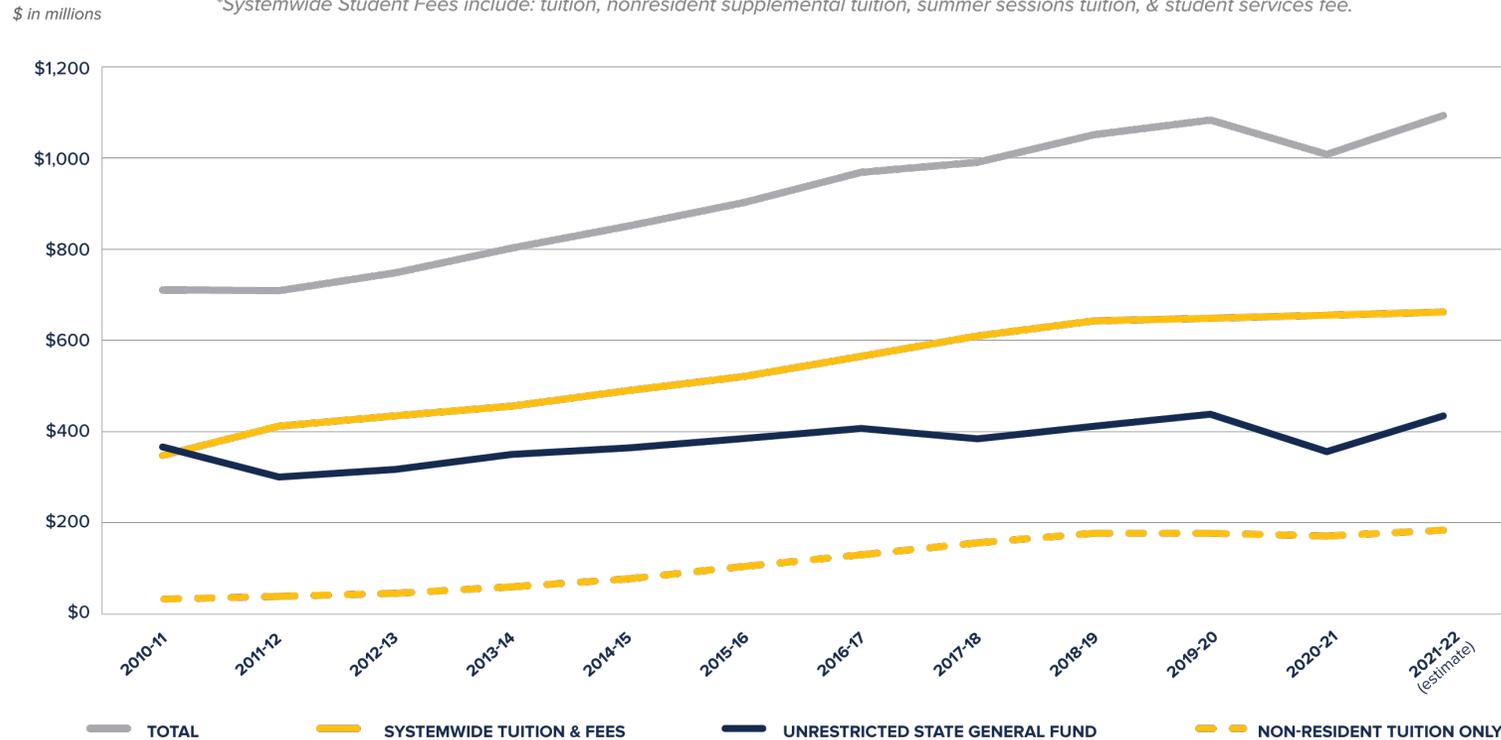
- UC Davis revenues come from many sources, but roughly 80% are designated or restricted.
- The primary source for the campus's teaching mission comes from unrestricted state funds and student tuition, as represented in the highlighted slices of the pie chart.
- For ALL sources, the state share is 7%.
- Over the last 10 years, the state share has decreased. Gifts and endowments has increased. The largest increases have been the medical center.



State Divestment

Unrestricted State General Fund vs. Systemwide Student Fees*

*Systemwide Student Fees include: tuition, nonresident supplemental tuition, summer sessions tuition, & student services fee.



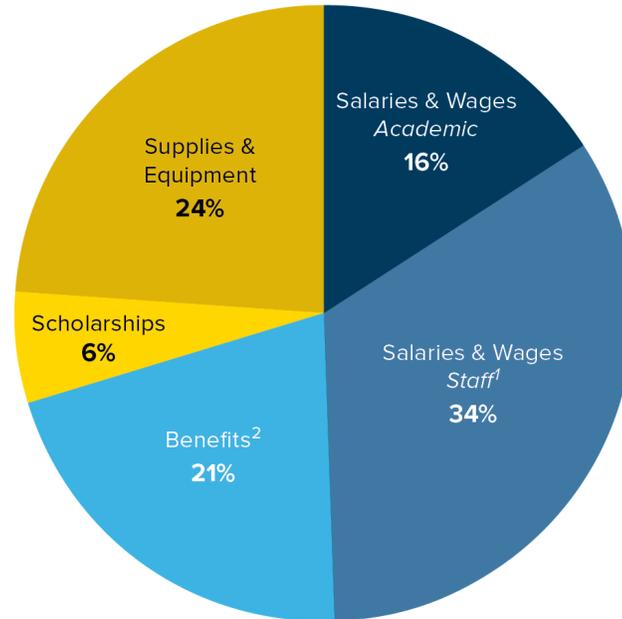
- Since 2010 tuition and fees paid by students and their families have exceeded funding UC Davis received from the State of California.
- Nonresident supplemental tuition revenue has addressed most of this gap over the past 10 years because of enrollment and rate increases.
- 2020-21 reflects a \$45 million state budget reduction that was restored in 2021-22.
- Base tuition paid by students was flat for most of this time period.



Expenditures

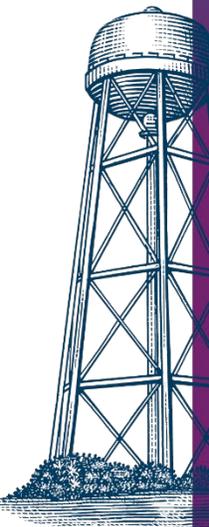
UC Davis Operating Expenditures FY 2020-21 \$5.8 Billion

Function	Amount (Millions)	% of Total
Instruction and Academic Support	\$ 1,276	22%
Research	\$ 606	10%
Student Services and Financial Aid	\$ 475	8%
Operation and Maintenance	\$ 109	2%
Auxiliary	\$ 89	2%
Institutional Support	\$ 215	4%
Public Service	\$ 101	2%
Medical Center	\$ 2,654	46%
Depreciation/Interest Expense/Other	\$ 254	4%
Total Expenses	\$ 5,779	100%



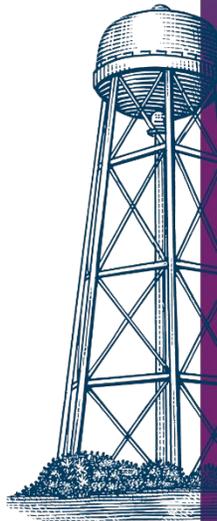
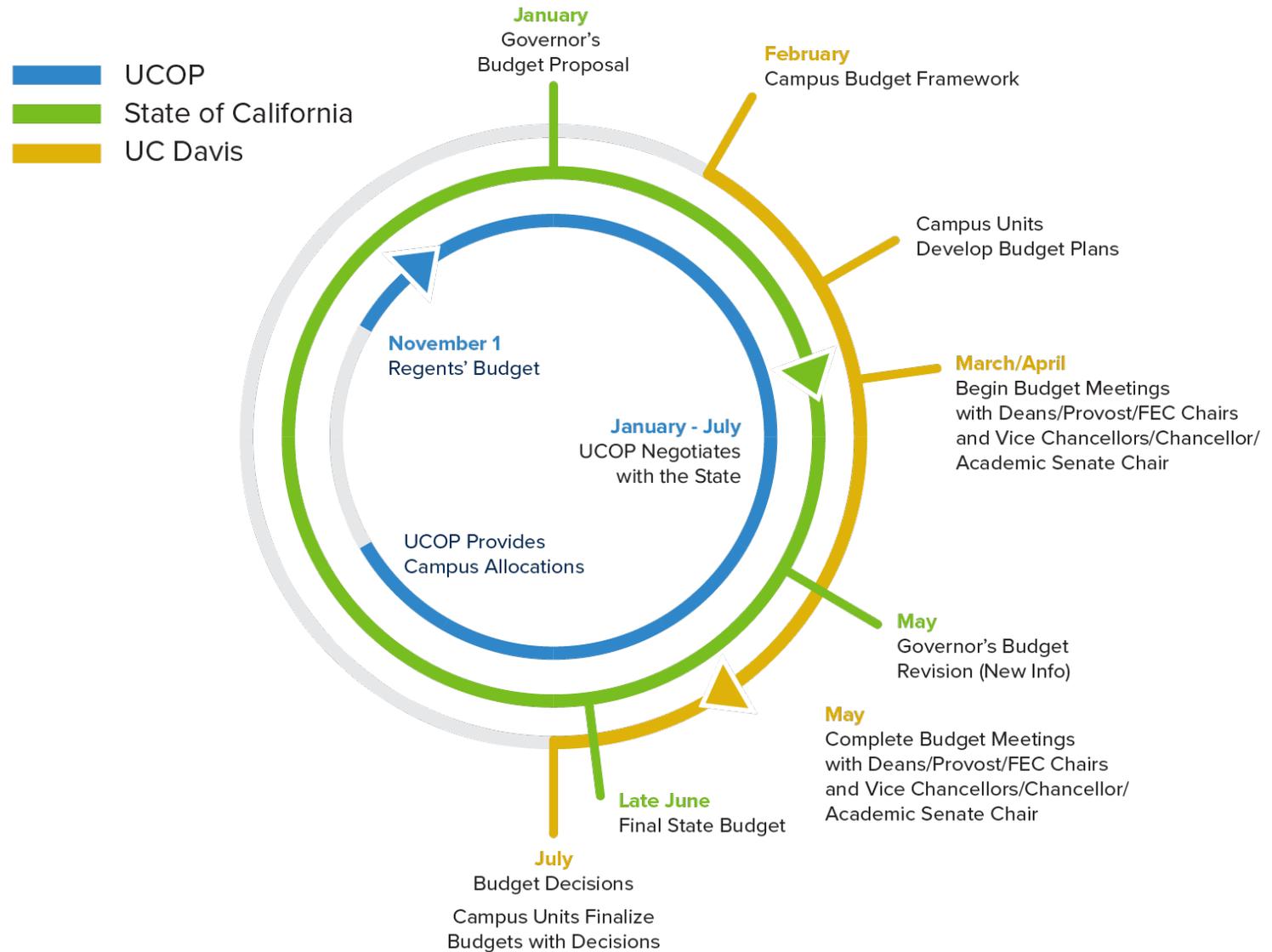
1. Includes clinical staff
2. Reduction from prior year due to changes in pension costs.

- Institutions of higher education are people-driven.
- At UC Davis, employee-driven costs were 71% of our total operating expenditures.
- Excluding the Medical Center, which has higher costs for supplies and equipment, the employee-driven costs exceed 75%.



Budget Process: Overview

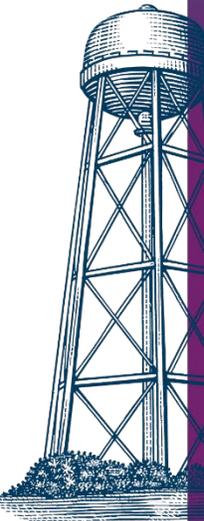
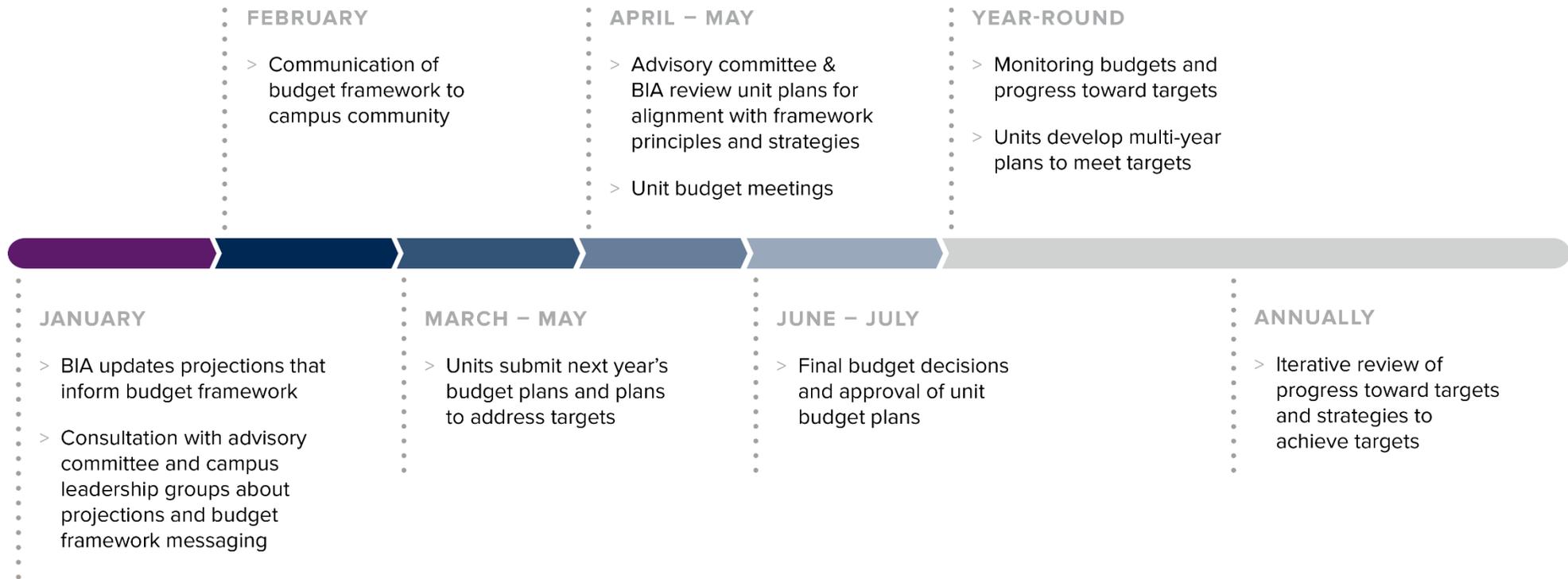
The timing of UC and campus budget processes are closely tied to the state budget process.



Budget Process: Campus Timeline

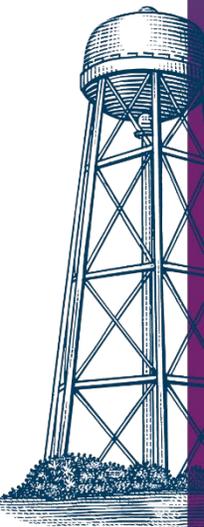
2020-2025 Budget Framework Timeline

The Budget Framework timeline outlines the process of annual budget planning, review and decisions along with an iterative review of progress toward Phase 1 targets, which were established in March 2020.



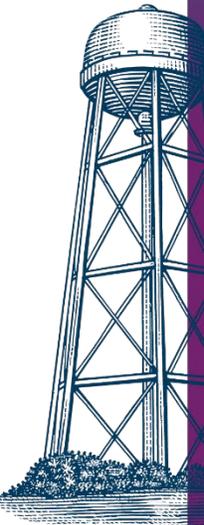
The Challenges

- Our *structural* core fund budget remains out of balance. Ongoing, permanent actions must continue.
- The State is an unreliable partner and provides a shrinking share of our core funds. Governor's budget provides some hopeful signs of greater support, but final outcome uncertain.
- Continue to address one-time impact of pandemic, leveraging as much external funding as possible.
- We have critical priorities and needs that require investment and very limited new funds to do so.



Budget Framework

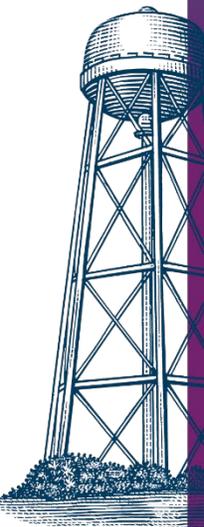
- The [Budget Framework](#) is the projections, assumptions, and campus level *guidance* that inform and establish the annual budget planning and decision process.
- Generally focuses on “core funds” which is the combination of state appropriations and tuition revenue. Campus share of F&A funds also part of the funds considered in the process.
- Early in 2020, we identified need to reduce ongoing reliance on core funds by **\$80-100 million over the next five years** and began addressing this.
- COVID response activities are one-time and are not impacting our core fund structural deficit.



2022-23 Budget Framework Letter Highlights

Projections and Savings Targets

- Our core funds projections have stabilized, primarily due to the restoration of the 2020-21 state budget reduction.
- We do not plan to issue *additional* budget savings targets for units in fiscal year 2022-23
- We must implement the budget savings targets previously assigned by 2025.



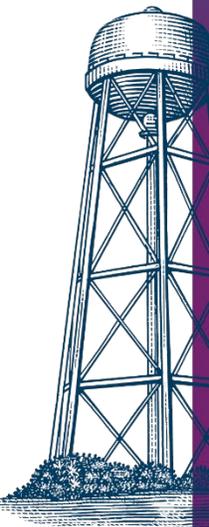
Core Fund Savings Targets: Year 2 Status

In 2020, established unit and campus Savings Targets

Central Campus Savings Target



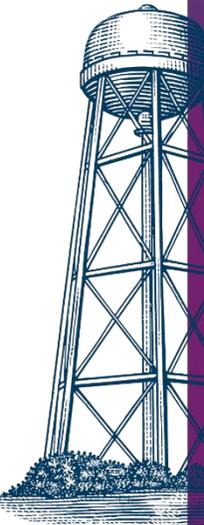
Unit Savings Target



2022-23 Budget Framework Letter Highlights

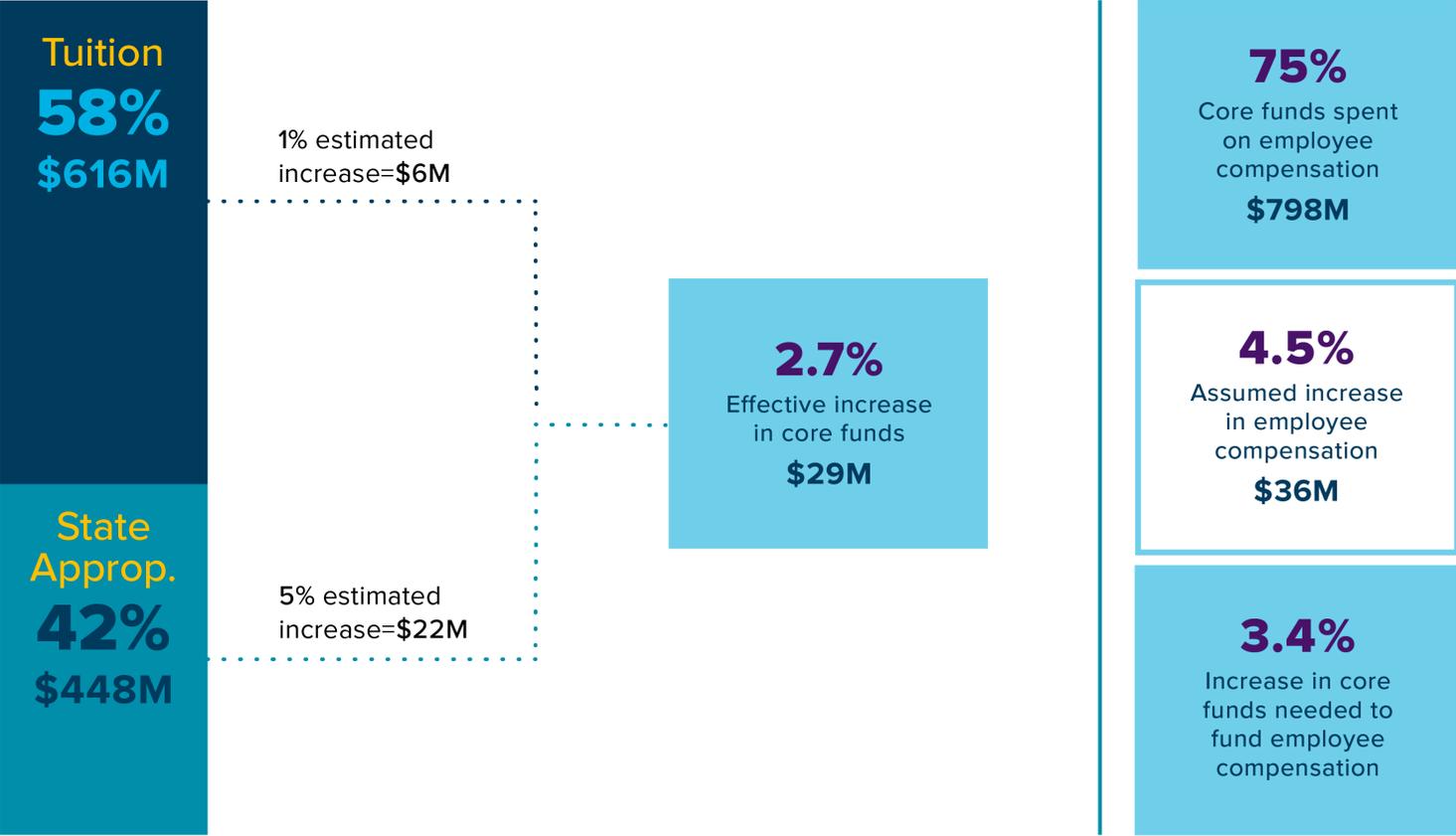
The Governor's Proposed Budget

- The governor's proposed budget is an encouraging sign of support for the university. However, the outcome will depend on negotiations with the legislature over the coming months.
- The governor's budget does not provide full-funding for the faculty and staff salary programs proposed by the regents.
- The governor's budget does not include funding for all California students we currently enroll.

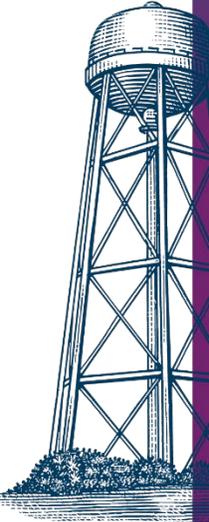


Effective Rate of Core Fund Growth

Core Funds: \$1.1B



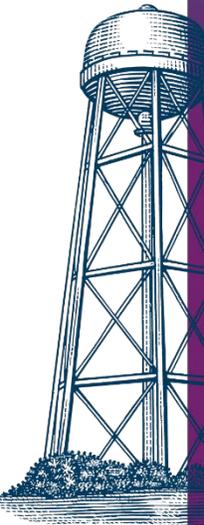
Notes: Amounts rounded and assumptions simplified to demonstrate comparison. Tuition includes all types of “tuition”, including nonresident supplemental tuition, summer sessions tuition, and professional degree supplemental tuition.



2022-23 Budget Framework Letter Highlights

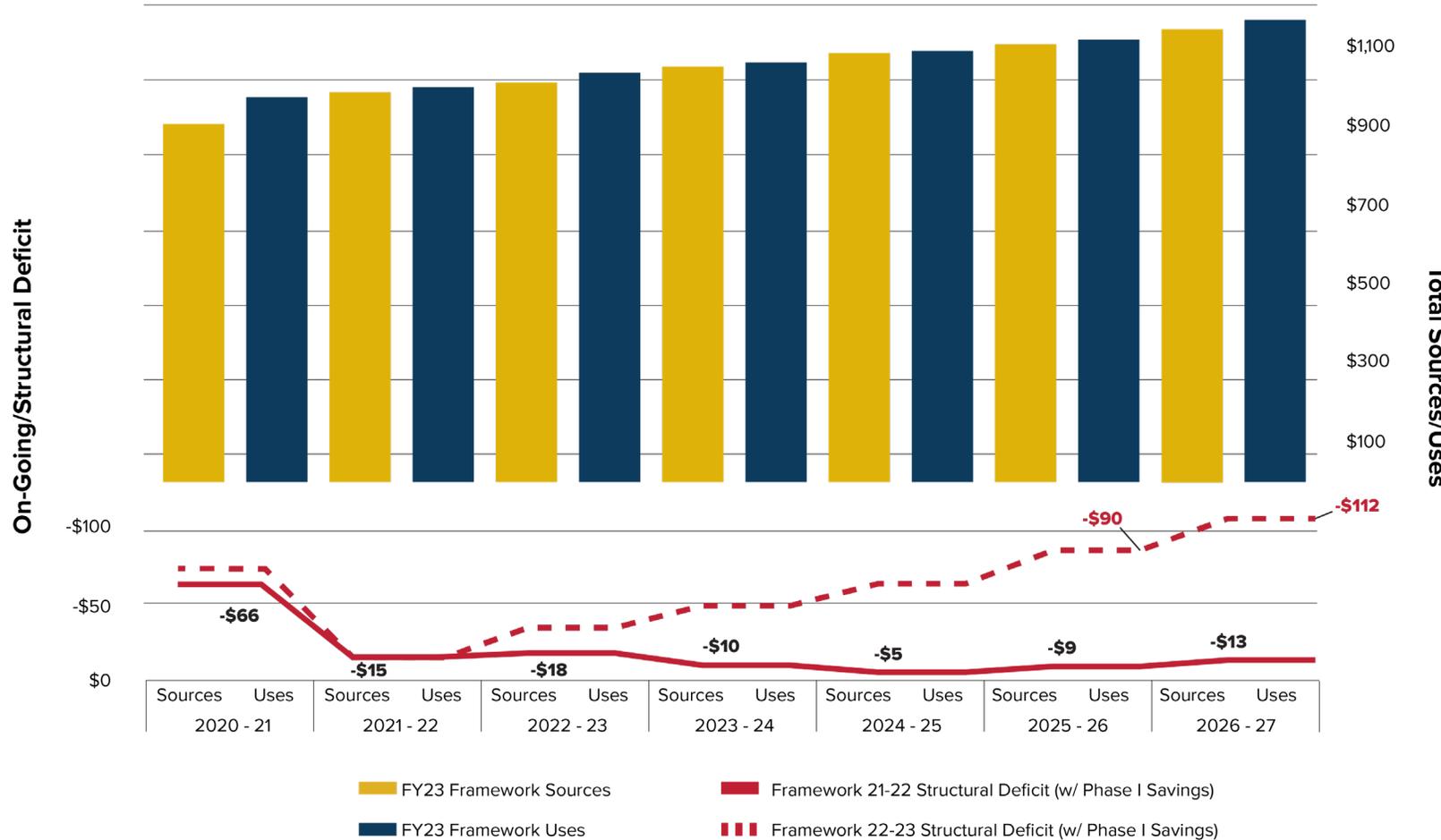
Budget Priorities

- The campus has set aside \$5 million to invest in student success. The Student Success and Equitable Outcomes Task Force will inform these investments.
- A task force will work collaboratively to identify opportunities for revenue generation and institutional savings to address the remainder of our core fund deficit.
- The campus will fund salary and benefit increases for core-funded staff and faculty.
- There will be very limited central investments for unit-specific needs that meet certain criteria.



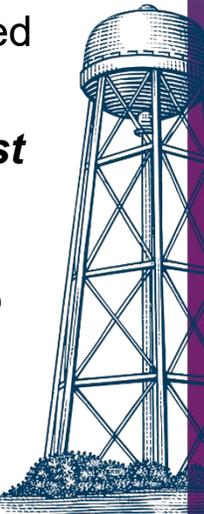
Multi-Year Projections

\$ in millions

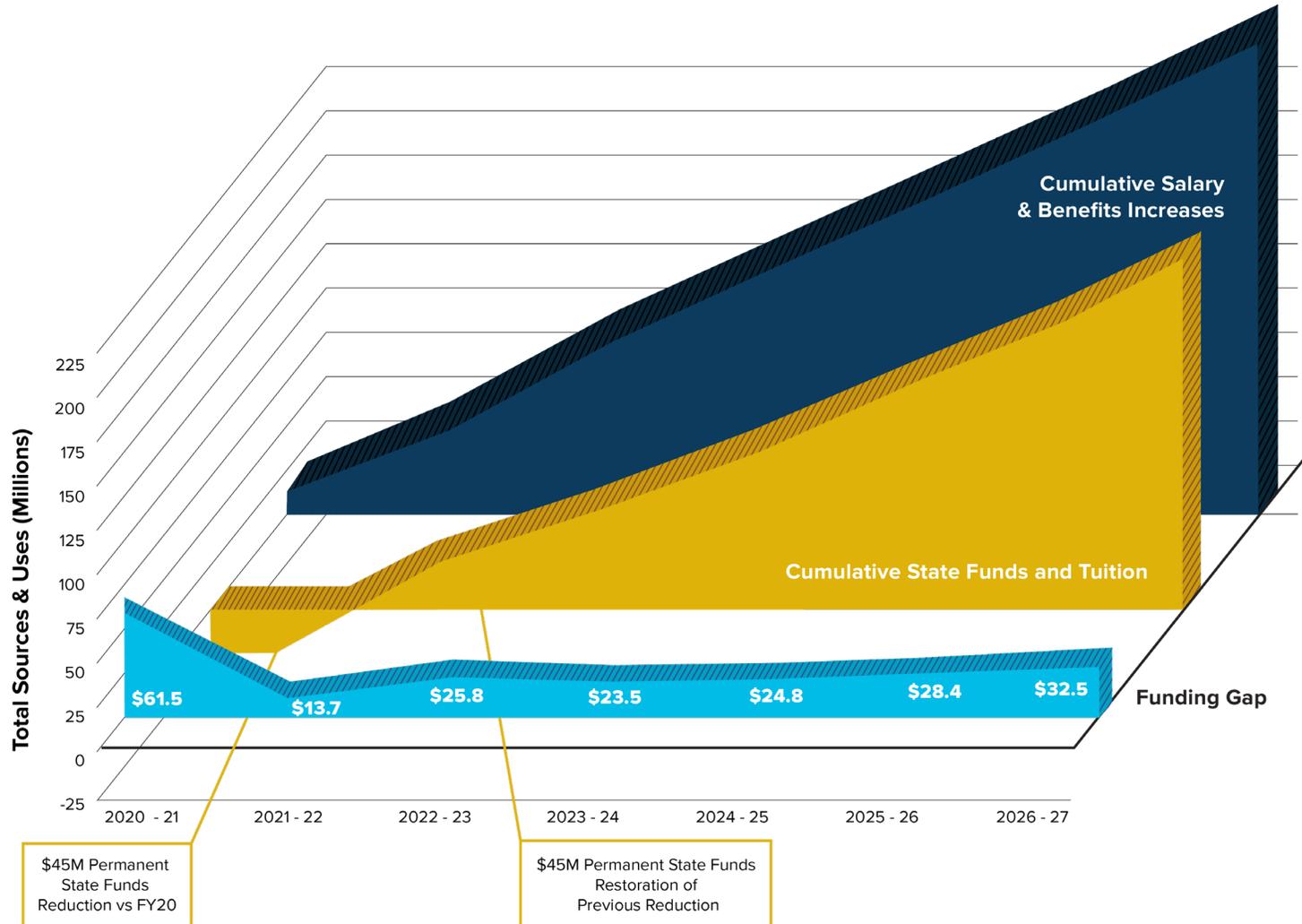


Estimated Core Funds Structural Deficit

- Expected expenditures on state funds and tuition sources outpace expected revenue.
- Estimated structural deficit much improved from last year, but not resolved.
- Estimates already reflect \$70M in Phase I Savings targets started in 2020-21.
- Estimates assume annual 5% increases included in proposed compact with Governor.
- Bottom line: Ability to invest in new programs is limited and we are making hard choices about what service levels can be sustained.**



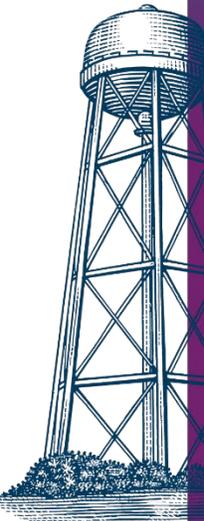
Compensation Growth



Compensation Growth is Primary Driver of Core Fund Structural Deficit

Assumptions:

- No change in employee FTEs.
- Reflects salary programs proposed in Regents Budget for 2022-23.
- Assumes that after 2022-23 salary programs return to 3% annual increases.
- Faculty merits continue annually.
- Salaries for represented staff per negotiated contracts.



Budget Framework

Putting the Remaining Estimated Structural Deficit in Context (~\$10-20 million)

5-Year Projected Structural Deficit = 0.9% to 1.9% of FY22 core funds, 0.2% to 0.3% of all funds

Every \$10M = 43 faculty positions or 3% of total faculty compensation costs on core funds

Every \$10M = 83 Staff positions or 3% of total staff compensation costs on core funds

Every 100 New CA Resident UG Students = \$1.1M tuition revenue (net of aid)

Every 100 New National & International UG Students = \$4M tuition & NRST revenue (net of aid)

1% increase in Faculty & Non-Represented Compensation = \$3.5M

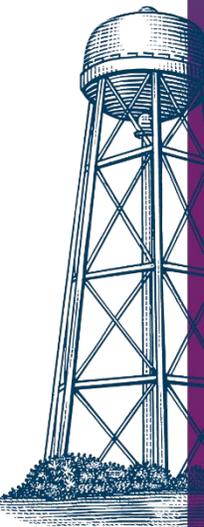
1% increase in Non-Represented Staff Compensation = \$2.5M

1% increase in Represented Staff & Academic Compensation = \$1.7M

1% increase in Undergraduate Tuition Rates = \$3.3M

1% increase in Undergraduate Nonresident Supplemental Tuition Rates = \$1.5M

1% increase in State Funding = \$5.7M





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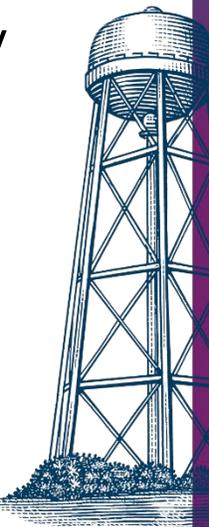
Finance and Business

COVID-19 Mitigation Status

Current Status

- For the period of March 2020-June 30, 2021, Davis campus and Schools of Health reported \$224M in lost revenue and increased expense due to COVID response.
- For July-December 2021, campus units have reported additional increased expense of \$17M.
- The campus is continuing to incur additional costs to support ongoing pandemic-related response activities.
- COVID response activities are one-time and are not impacting our structural deficit.
- So far, we are confident that we can address the pandemic-driven needs without significantly impacting our annual operating budget.

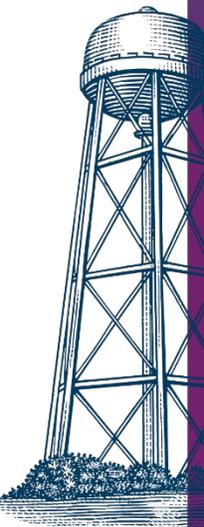
[COVID-19 Mitigation Information](#)



Mitigation Strategies

Source strategies include:

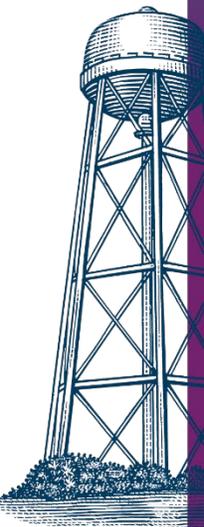
- Federal Higher Education Emergency Relief Fund (HEERF): \$97M for Institutional Support (similar amount for Financial Aid to students).
- Submitting FEMA claims for eligible expense: ~\$18M submitted/identified to date.
- Accessing one-time market gain on cash investments: \$150M in past 2 years.
- Using other one-time campus sources as needed and available.
- Access to working capital debt issued by UCOP to support internal borrowing.
- Unit savings and cost mitigation campuswide plans submitted indicate ability to allocate one-time sources of up to \$60 million if necessary.



Mitigation Strategies

Use strategies include:

- Central funding for Campus Ready Activities: \$18.2M approved to date
- Internal loans for auxiliary or revenue generating units: \$70M approved to date
- One-time bridging of \$45M state budget reduction and \$4M lost tuition revenue.
- Supplemental support provided for remote instruction: \$1.8M allocated largely for additional TAs and Readers
- Central funding for Scientific and Administrative Recharge Mitigation: \$12.4M allocated
- Tracking all COVID-19 related expenses in financial system, reviewing for FEMA/HEERF eligibility.
- Unit Mitigation Actions: primarily redeploying savings from travel & vacancies.



Questions?





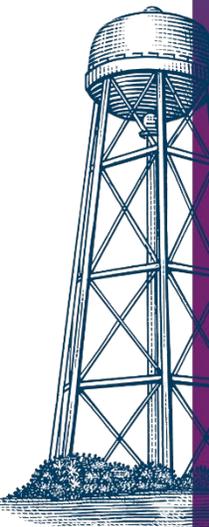
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Finance and Business

Resources & Appendix

Budget Framework - Projection Assumptions

Assumptions	FY2021- 22 Framework	FY2022-23 Framework
State Funds Changes	Pandemic induced \$45M (-11%) cut in FY21, FY22 based on Gov Budget, 4% increase over FY21 ~2% annually through FY25	FY23 based on Gov Jan Budget Proposal of 5% annual increase FY23 to FY27. Estimated UCD share of ~\$29M/yr No assumption of budgeted enrollment funding
Tuition - Rates	0% Tuition & NRST in FY21 & FY22 1% tuition annually starting in FY23 (cohort-based) 1% NRST annually starting in FY23	1% tuition annually starting in FY23 (cohort-based) 1% NRST annually starting in FY24
Tuition - Enrollment	UG NRST between 17-18% in FY 21 & FY22 UG NRST returns to 18% by FY23, with total UG enrollment at 31,200 students by FY25	UG NRST below 18% in FY23 (~17.7%) UG NRST returns to 18% by FY24, with total UG enrollment at 29,890 students by FY27
Salary & Benefits	Annual faculty merits (~2.6% of total compensation annually) No faculty range for FY21 and FY22 No non-rep employee merits for FY21 and FY22 Represented ranges based on contracts Faculty & academic range of 4% annually back in place by FY23 Non-rep employee merit of 3% annually back in place by FY23	Annual faculty merits (~2.6% of total compensation annually) Faculty range for FY23 ~5% and 3% in future years Non-rep employee merits at 4.5% for FY23 and 3% in future years Represented ranges based on contracts (3.7%-4% annually)
Budget Investments	Assuming \$4M per year, plus \$2M annually for capital	Assuming \$4M per year. \$1M annually for capital for FY23 to FY25, growing to \$2M in future years
Framework Savings Targets	Phase I = \$70M	Phase I = \$70M remains in place, no Phase II or Phase III assumed at this time.



Budget & Institutional Analysis Resources

The screenshot shows the UC Davis Finance & Business website. At the top, there is a navigation bar with links for Student Resources, BIA, Finance, OBT, Supply Chain, UP3, Systems, and Training. Below this is a large image of students sitting on steps in front of a building. Underneath the image is a purple bar with links for Staff Directory, Forms, Org Chart, and About Us. The main heading is "Budget". Below the heading is a breadcrumb trail: Home > BIA > Budget. The main text reads: "The UC Davis Budget team is committed to efficient and effective management of the university's operating budget resources. By providing financial analysis, planning frameworks and tools, decision support for campus leadership, and guidance to campus units, we enable our partners to be effective stewards of university resources." Below this text are five yellow dots. There are three promotional boxes at the bottom: "Budget" with an image of hands writing on a document, "Building a better future." with five yellow dots and a brief description of the Budget division's role, and "Aggie Enterprise" with a blue and green graphic and the text "Budget News".

- [Budget Website: financeandbusiness.ucdavis.edu/bia/budget](https://financeandbusiness.ucdavis.edu/bia/budget)
 - [2020-25 Budget Framework](#)
 - [2022-23 Budget Framework Letter](#)
 - [2021-22 Budget Status & Decision Letter](#)
 - [Budget Planning & Process Information](#)
 - [Budget Model](#)
- [Campus Metrics & Data](#)
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