Campus Financial Status and Budget Process

Staff Assembly
March 14, 2023

Sarah Mangum, Associate Vice Chancellor, Budget & Institutional Analysis
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.”

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

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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.

2020-21 reflects a $45 million state budget reduction which was restored in 2021-22.
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%.
Budget Planning Levels

Planning Assumptions & Allocations

REGENTS

CAMPUS

COLLEGE/SCHOOL/UNIT

DEPARTMENT

Operational Plans
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

November
- UCOP Provides Campus Allocations

August
- Budget Trailer Bills Finalized

July
- Final State Budget
- Budget Decisions
- Campus Units Finalize Budgets with Decisions

May
- Governor's Budget Revision (New Info)
- Complete Budget Meetings with Deans/Provost/FEC Chairs and Vice Chancellors/Chancellor/Academic Senate Chair
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
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.

We project whether our anticipated ongoing core fund sources (state appropriations and tuition revenue) is sufficient to meet the projected ongoing costs paid on core funds. If not, we have a structural core fund deficit.

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.

Early in 2020, we identified a structural core fund deficit of $80-100 by 2025 and began addressing this. Updated projections show that cost pressures on our core funds exceed new resources, our structural deficit is growing again.
Example: Why We Have a Core Funds Deficit

Core Funds: $1.1B
As of 2021-22 Budget

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

- **State Approp.**
  - 42%
  - $448M
  - 5% estimated increase = $22M

- **75%**
  - Core funds spent on employee compensation
  - $798M

- **2.7%**
  - Effective increase in core funds
  - $29M
  - ~$7M, adds to core fund deficit

- **4.5%**
  - Assumed increase in employee compensation
  - $36M
  - ~$7M, this adds to the core fund deficit

- **3.4%**
  - Increase in core funds needed to fund employee compensation

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.
Core Funds Savings Targets: Year 3 Status

Central Campus Savings Target

- **Year 1 Goal**: $5M
- **Year 2 Goal**: $10M
- **Year 3 Goal**: $15M
- **To Date**: $20M ongoing
- **Year 5 Goal**: $25M

Unit Savings Target

- **Year 1 Goal**: $9M
- **Year 2 Goal**: $18M
- **Year 3 Goal**: $27M
- **Year 4 Goal**: $36M
  - $1.7M one-time
- **To Date**: $30.7M
- **Year 5 Goal**: $45M
- **Year 4 Goal**: $36M
- **To Date**: $29M ongoing
Core Fund Multi-Year Projections

- Expected expenditures on state funds and tuition sources outpace expected revenue.
- Estimated structural grown since last year, almost doubled.
- Estimates already reflect $70M in savings targets started in 2020-21.
- Estimates assume annual 5% increases included in proposed compact with Governor.

**Bottom line:** Our core fund structural deficit is growing again. We must make additional hard choices about how to sustain our programs and services to meet our mission.

**Context:** $60M Structural Deficit = 5% of FY23 core funds, 0.9% of all funds.
### Key Driver: Compensation

Incremental Funding vs. Compensation Costs on Core Funds

<table>
<thead>
<tr>
<th></th>
<th>2020-21 Actual</th>
<th>2021-22 Actual</th>
<th>2022-23 Actual</th>
<th>2023-24 Estimate</th>
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<tbody>
<tr>
<td>Tuition Net of Aid</td>
<td>$1,924</td>
<td>$11,896</td>
<td>$5,398</td>
<td>$12,510</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>$0</td>
<td>$24,281</td>
<td>$25,619</td>
<td>$21,875</td>
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<tr>
<td><strong>Annual Sources</strong></td>
<td><strong>$1,924</strong></td>
<td><strong>$36,177</strong></td>
<td><strong>$31,017</strong></td>
<td><strong>$34,386</strong></td>
</tr>
<tr>
<td>Faculty &amp; Non-Rep Academic Merits/ Range/ Equity</td>
<td>$8,371</td>
<td>$18,520</td>
<td>$28,104</td>
<td>$25,870</td>
</tr>
<tr>
<td>Staff Rep &amp; Non-Rep Merit/Range</td>
<td>$6,025</td>
<td>$15,677</td>
<td>$19,597</td>
<td>$28,838</td>
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<tr>
<td><strong>Annual Salary &amp; Benefits</strong></td>
<td><strong>$14,396</strong></td>
<td><strong>$34,197</strong></td>
<td><strong>$47,701</strong></td>
<td><strong>$54,708</strong></td>
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<tr>
<td><strong>Funding Surplus/(Shortfall)</strong></td>
<td><strong>($12,473)</strong></td>
<td><strong>$1,980</strong></td>
<td><strong>($16,684)</strong></td>
<td><strong>($20,322)</strong></td>
</tr>
</tbody>
</table>
Key Driver: Capital & Infrastructure Needs

- 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. In the past this was supported by the State.

State support very modest.
- One-time funds for deferred maintenance totaling ~$71 million since 2016-17. This includes a nearly $44 million allocation in 2021-22 and an expected allocation of $14M in 2022-23.
- Contributions to capital projects, seismic, and deferred maintenance through the AB94 funding program over the last 10 years: ~$226.5 million.
- Very little capital or deferred maintenance funding expected in 2023-24.

1,800 structures
23+ million square feet
1270 structures under 5,000 square feet
Maintain 27 miles of utility pipe lines *
Supply 1.6 million gallons of water / day *

Average structure size is 13,000 square feet
Average Building Age is 44 years
7% of total square footage in buildings less than 5,000 square feet
62 acre solar farm *
7.3 million square feet of roads and paths *
### Key Driver: Utilities Commodity Costs

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<tbody>
<tr>
<td>Electricity/Gas Commodities</td>
<td>$26,254</td>
<td>$38,931</td>
<td>$34,415</td>
<td>$30,928</td>
<td>$31,251</td>
<td>$30,371</td>
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<tr>
<td>Off Campus Location Utilities</td>
<td>$6,717</td>
<td>$7,246</td>
<td>$6,630</td>
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<tr>
<td>Surface Water/Solar Farm</td>
<td>$1,842</td>
<td>$1,851</td>
<td>$2,741</td>
<td>$2,765</td>
<td>$2,997</td>
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<tr>
<td>Clean Energy Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$5,300</td>
<td>$5,300</td>
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<tr>
<td><strong>Total Central Utilities Expense</strong></td>
<td><strong>$34,812</strong></td>
<td><strong>$48,028</strong></td>
<td><strong>$43,787</strong></td>
<td><strong>$40,322</strong></td>
<td><strong>$46,178</strong></td>
<td><strong>$45,298</strong></td>
</tr>
<tr>
<td><strong>Increase vs 21-22</strong></td>
<td><strong>$13,216</strong></td>
<td><strong>$8,975</strong></td>
<td><strong>$5,510</strong></td>
<td><strong>$11,366</strong></td>
<td><strong>$10,486</strong></td>
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</table>

- Purchased Utilities costs projected to increase $10M vs. FY22 due to price increases and meeting renewable energy goals.
- Clean Energy Investments are initial estimates to meet 2025 UC Clean Energy Goals.
- Off Campus Utilities include Sacramento campus (excl. UCDMC) and other core funded facilities outside of the Davis campus.
Provost is: “. . convening a task force to develop and recommend transformative and strategic changes in how we achieve our education, research, and service missions, including developing new operating models that are financially sustainable while maintaining, if not increasing, our ability to achieve our mission and desired goals. The task force will begin work this spring and spend 12 months developing recommendations and action plans, with the goal of implementing changes by fall 2024.”

We must continue to implement the budget savings targets previously assigned and we are adding a year of unit targets and time to this plan ($9M, for total savings of $79M by 2026). Task force recommendations and outcome could change the additional target for 2026.

State budget uncertainty remains.
2022-23 Budget Framework Letter Highlights

- Unit requests for new central campus investments will not be accepted in this year’s budget process. Units asked to address local needs within existing resources.

- Central campus will continue to allocate funds for:
  - Student success and equitable outcomes: Task Force underway.
  - Salary and benefit increases for core-funded staff and faculty.
  - Critical research infrastructure, capital needs, paying our utilities, prior funding commitments.

- Revenue Generation and Institutional Savings Task Force is reviewing the ideas submitted through IDEA$ at Work.
Questions?
Resources & Appendix
Putting the Structural Deficit in Context (~$40 million estimated for FY23)

$40M Structural Deficit = 3.6% of FY23 core funds, 0.6% of all funds

Every $10M = 40 faculty positions or 3% of total faculty compensation costs on core funds

Every $10M = 80 Staff positions or 3% of total staff compensation costs on core funds

Every 100 New CA Resident UG Students = $800,000 tuition revenue (net of aid)

Every 100 New National & International UG Students = $3.7M tuition & NRST revenue (net of aid)

1% increase in Faculty & Non-Represented Academics Compensation = $4.3M

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

1% increase in Represented Staff & Academic Compensation = $1.8M

1% increase in Undergraduate Tuition Rates = $2M

1% increase in Undergraduate Nonresident Supplemental Tuition Rates = $1.3M

1% increase in State Funding = $4.5M
Key Driver: Utilities Commodity Costs

**Energy Use Compared to Building Space**

We have strong energy efficiency programs. Use continues to decline while supported space grows.

![Graph showing energy use compared to building space from 2005-2022. The pandemic is indicated by a drop in energy use starting in 2020.](image-url)
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Learn More

Finance & Business:
- Budget Overview
- Budget Process
- Budget Framework
- 2023-24 Budget Framework Letter
- 2022-23 Budget Status and Allocations
- IDEA$ at Work
- Campus Metrics and Data (AggieData)
- Deficit Guidelines
- Carryforward Guidelines
- Budget Model

Questions? Please contact us at financeandbusiness@ucdavis.edu