



Budget Overview: 2019 New Department Chairs Workshop

September 10, 2019

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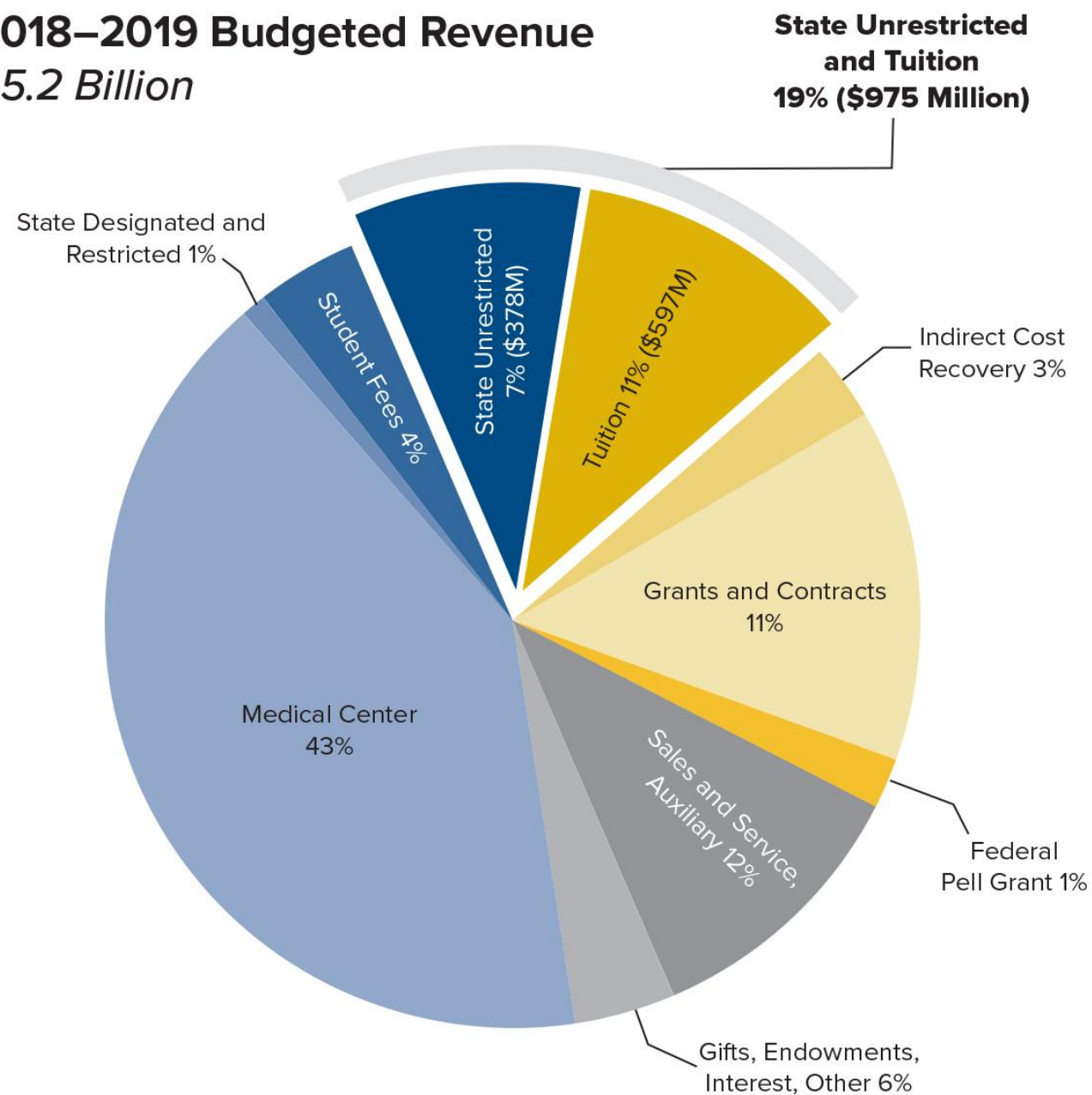


The Budget: Big Picture All Funds

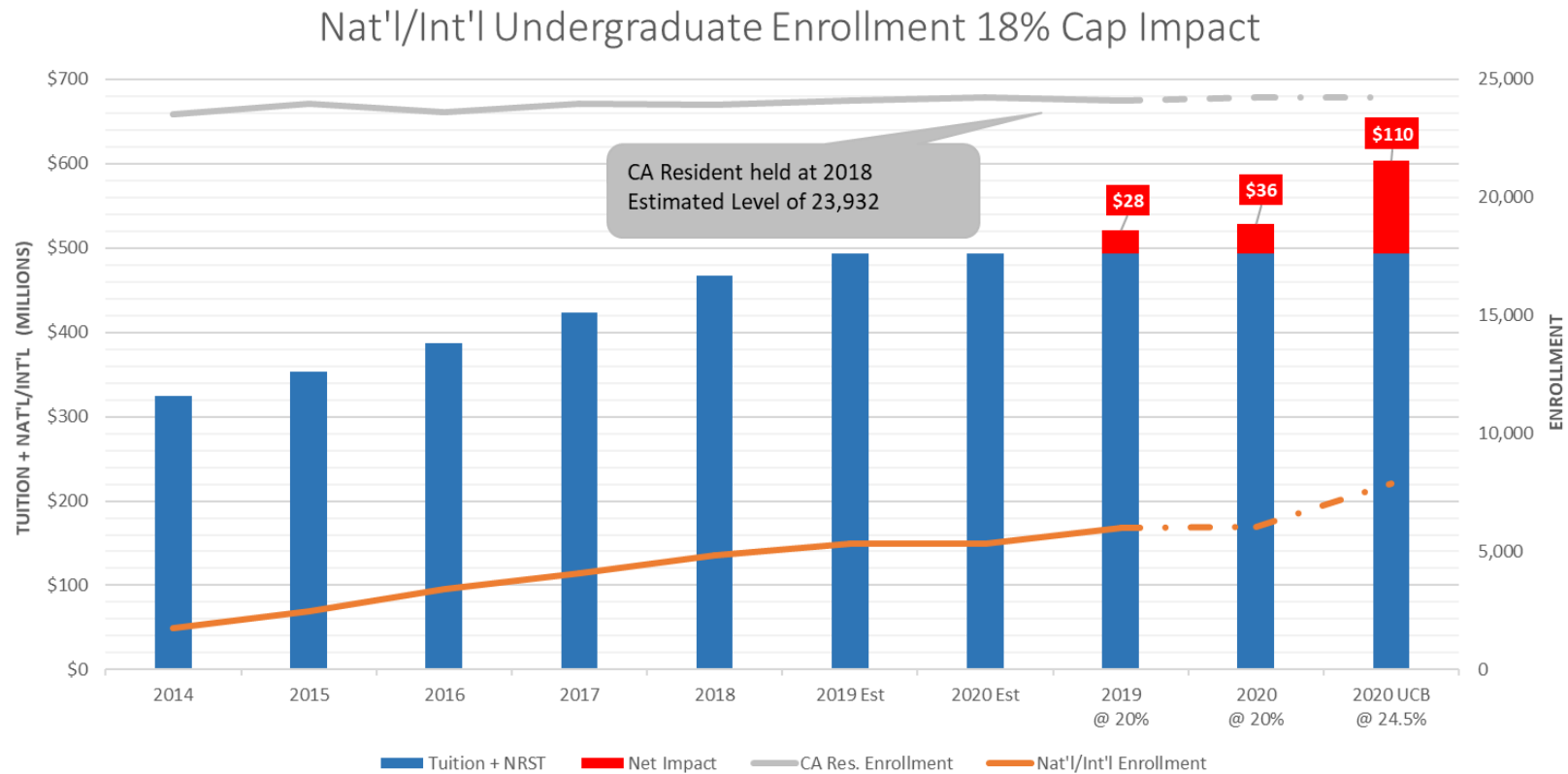
What resources do we have and how can we use them?

The Budget: All Funds Revenue

2018–2019 Budgeted Revenue \$5.2 Billion



The Budget: Enrollment Planning & Revenue

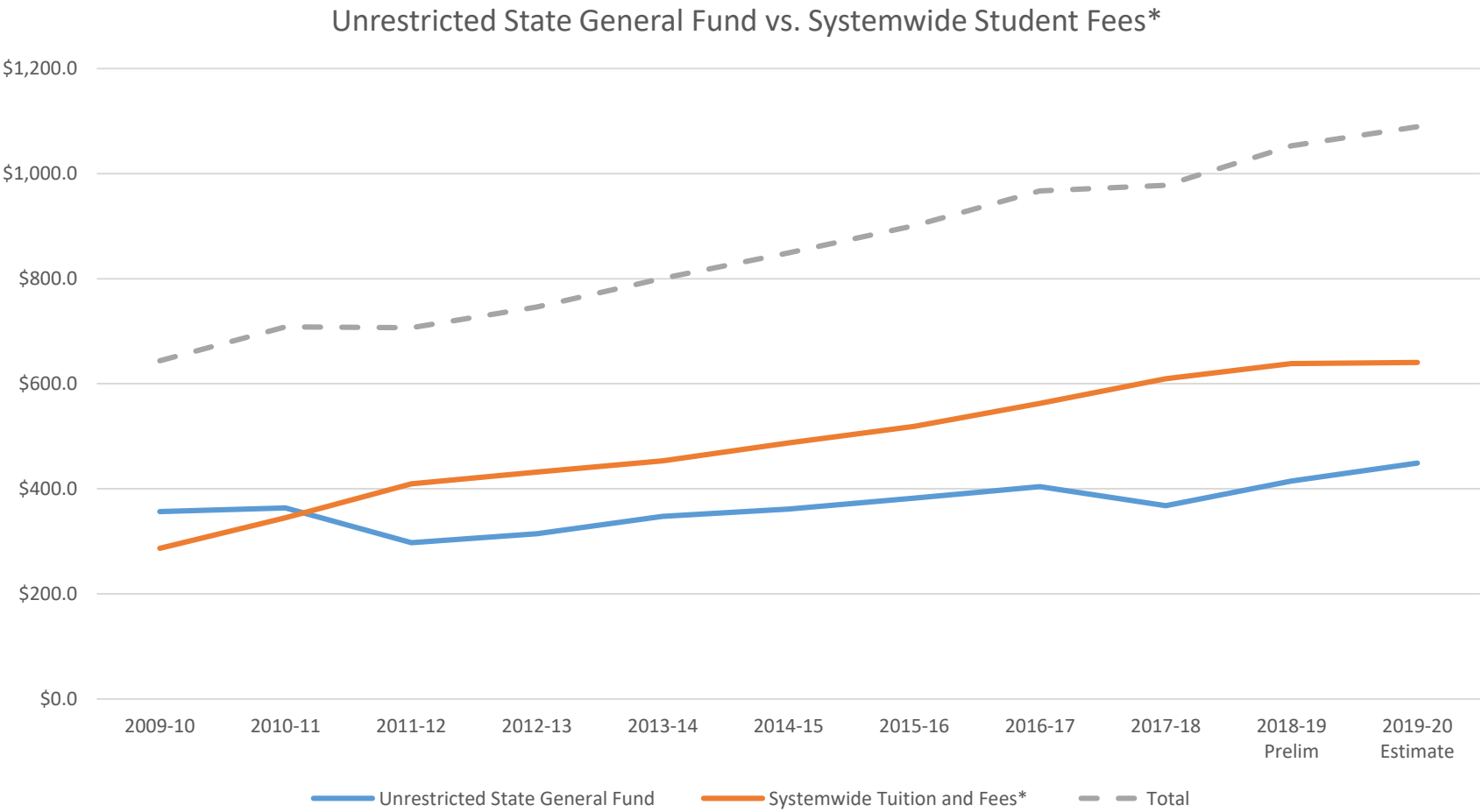


Enrollment Insights

- 2020 growth complete
- 18% cap as of Fall 2018
- Total enrollment stabilizing
- Rebalancing new student ratios
- Focusing on graduation rates
- Future new growth may be outside of Davis

Provost Perspective:
Future Growth

The Budget: State Disinvestment



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

The Budget : 2019-20 Facing a New Fiscal Reality

Some Revenue Increases:

- State Funds: Increase of ~\$53.4 million of which, ~\$19 million is ongoing and ~\$34.4 million is one-time, primarily for deferred maintenance and certain programs designated by the Legislature.
- Tuition & Supplemental Tuition: Increase of ~\$8 million net of aid
- Indirect Cost Recovery: \$146.5 million, increase of \$7.2 million

Continued Resource Constraints:

- Fixed Cost Increases for Employee Salaries & Benefits Continue to Grow: ~\$32 million increase on core funds
 - About 60% is for faculty merit and range increases
 - One-time state funds in 2018-19 in lieu of a tuition increase were not made permanent, resulting in \$7 million less than anticipated to support ongoing costs.
- Continued need for capital investment, basic infrastructure and costs associated with recent growth
- State funding for undergraduate enrollment growth is at a lower level than in the past, ~\$7.6K compared to ~\$10K per student

The Budget: 2019-20

Decisions and Incremental Allocations

\$61.3 million ongoing, \$26.5 million one-time

- \$32.3 million for increased salary and benefit costs campuswide
 - \$18.2M faculty, \$11.1M staff, \$2M TAs, \$1M CBR
- \$5 million for budget model formula
- \$24M ongoing and \$27M one-time for investments supporting strategic plan goals:

[More Details Here](#)

2019-2020 Incremental Investment Decisions—
Allocations by Strategic Plan Goal (*\$ in 000s*)

Strategic Plan Goal	Base	One-time
Goal 1: Educational Experience	\$ 3,888	\$ 11,049
Goal 2: Research	\$ 753	\$ 4,862
Goal 3: Diversity, Equity, Inclusion	\$ 1,087	\$ 1,082
Goal 4: Visibility and Impact	\$ 2,086	\$ 1,385
Goal 5: Innovation and Entrepreneurship	\$ -	\$ 1,000
Infrastructure and Other ¹	\$ 16,168	\$ 7,143
Total Incremental Investment Decisions²	\$ 23,982	\$ 26,521

¹ Includes base funding for Purchased Utilities - Commodities/Operations, Debt Service, Growth (\$7.4m), Capital Investment Set-Asides (\$4m), Business System Infrastructure Replacement Fund (\$1m base), and OMP Workload - Grounds and Facility Maintenance (\$557k); includes one-time funding for Biodigester (\$1.7m), IT Security (\$1.6m), Comprehensive Campaign (\$1.3m), and PE Program (\$740k).

² Includes Capital Investment Set-Asides.

The Budget : 2019-20 and Beyond, Facing a New Fiscal Reality

Structural deficit needs to be addressed:

- Incremental costs exceed incremental revenues by \$17 million, resulting in a structural deficit
- Structural deficit for 2019-20 held at the center and bridged, but compounds
- Need to identify \$60 million in efficiencies, incremental revenue, leveraging expenses across all fund types, or a combination over the next several years

Provost Perspective:
Structural Deficit

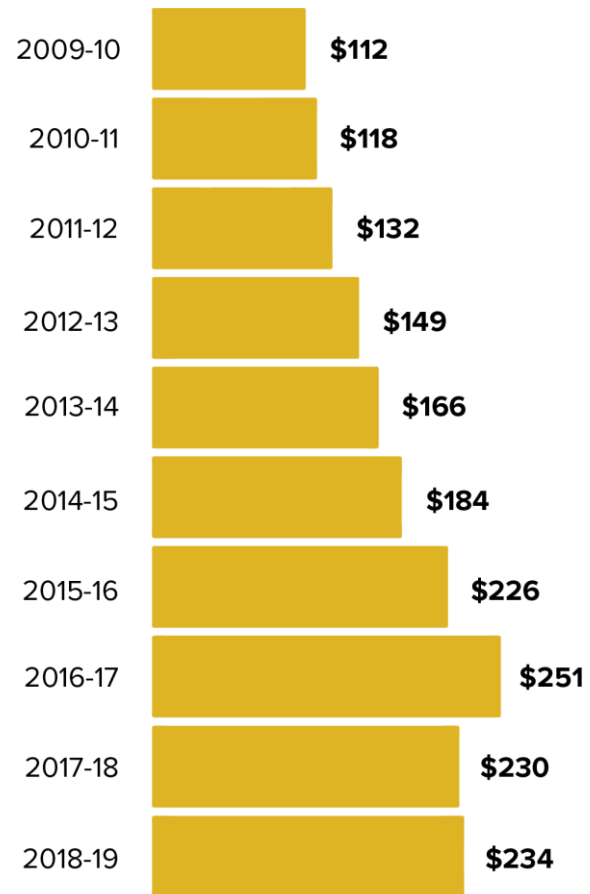
The Budget : 2019-20 and Beyond, Facing a New Fiscal Reality

Collaborative Process:

- Will work with Deans, Vice Chancellors, and Academic Senate to identify options and approaches
- Adjustments will take place over several years
- Actions will recognize critical program and infrastructure needs that require investment
- Will require willingness to look to the best interests of the university as a whole and critically evaluate resource use

Provost Perspective:
Collaborative Process

The Budget: Fundraising

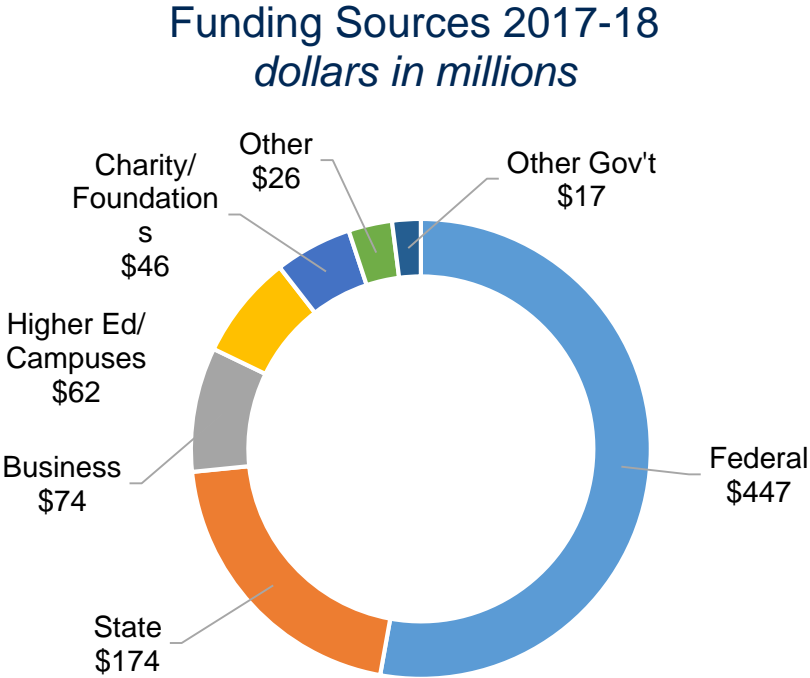
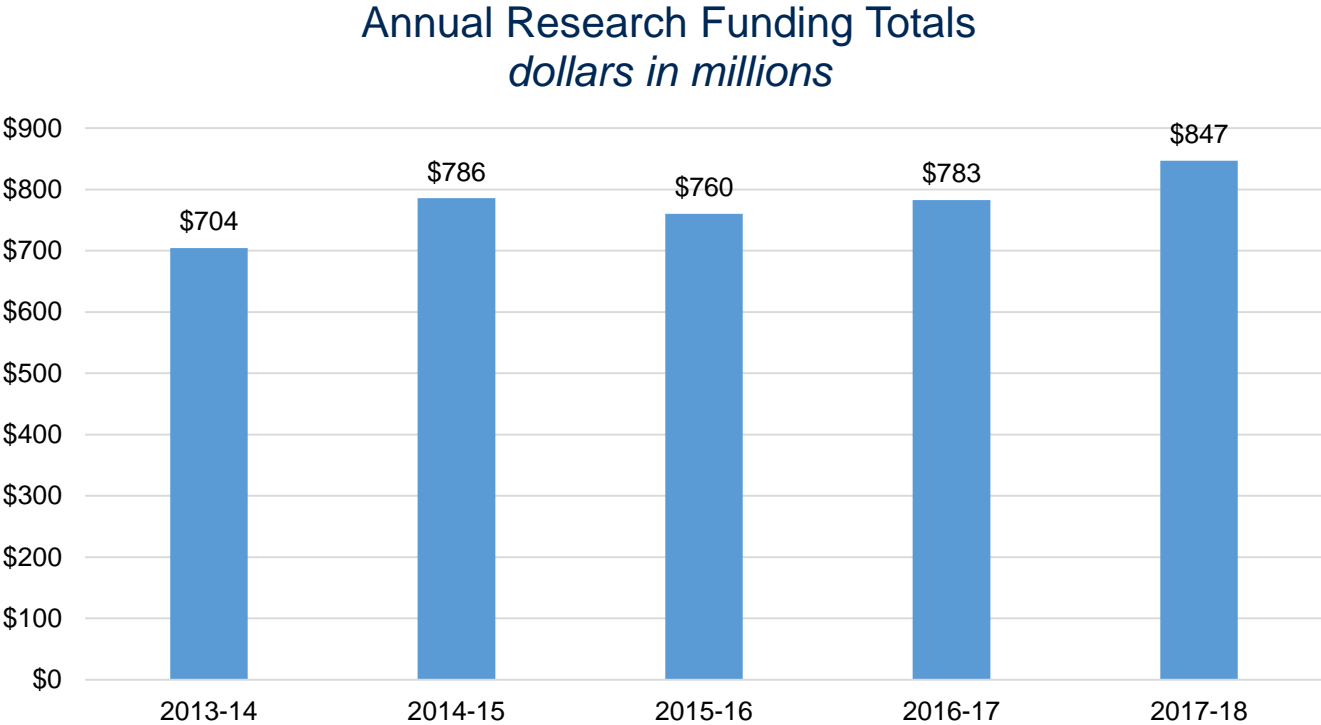


Fundraising in Millions of Dollars
2009-2019

- Record **\$251 million** raised in 2016-17, **\$230 million** in 2017-18, and **\$234 million** in 2018-19.
- In “quiet phase” of 2nd comprehensive campaign
- Public launch: **10/10/2020**
- Goal: **\$2 billion** over 8 years, with 25% of revenues to endowment
- 17 Big Ideas moving forward for consideration

Provost Perspective:
Fundraising

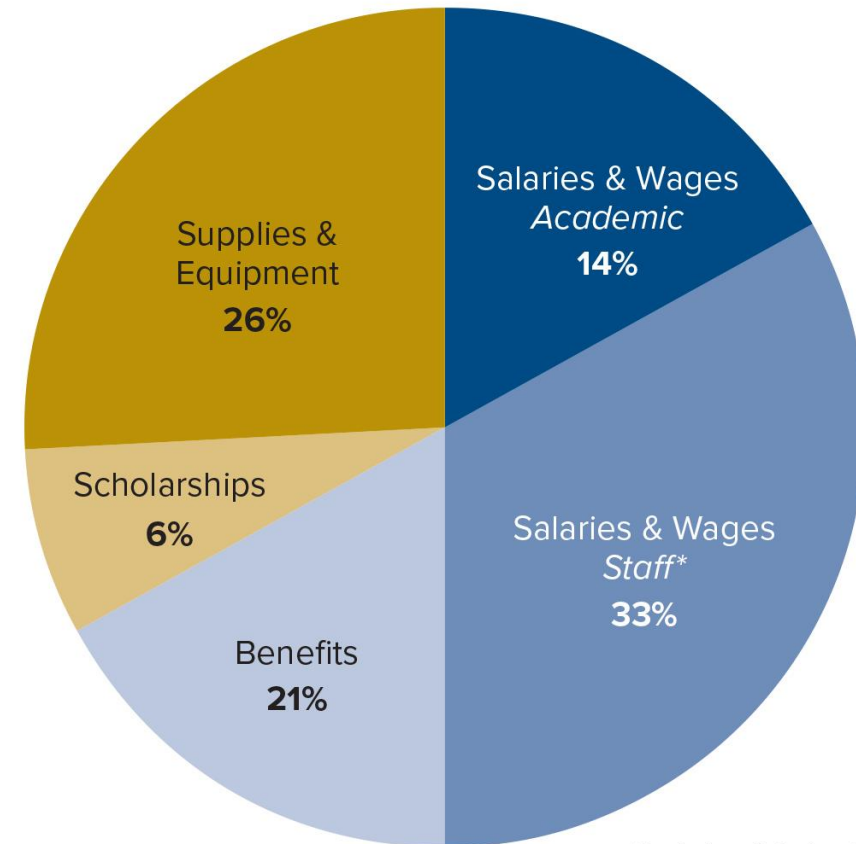
The Budget: Research



The Budget: Expenditures

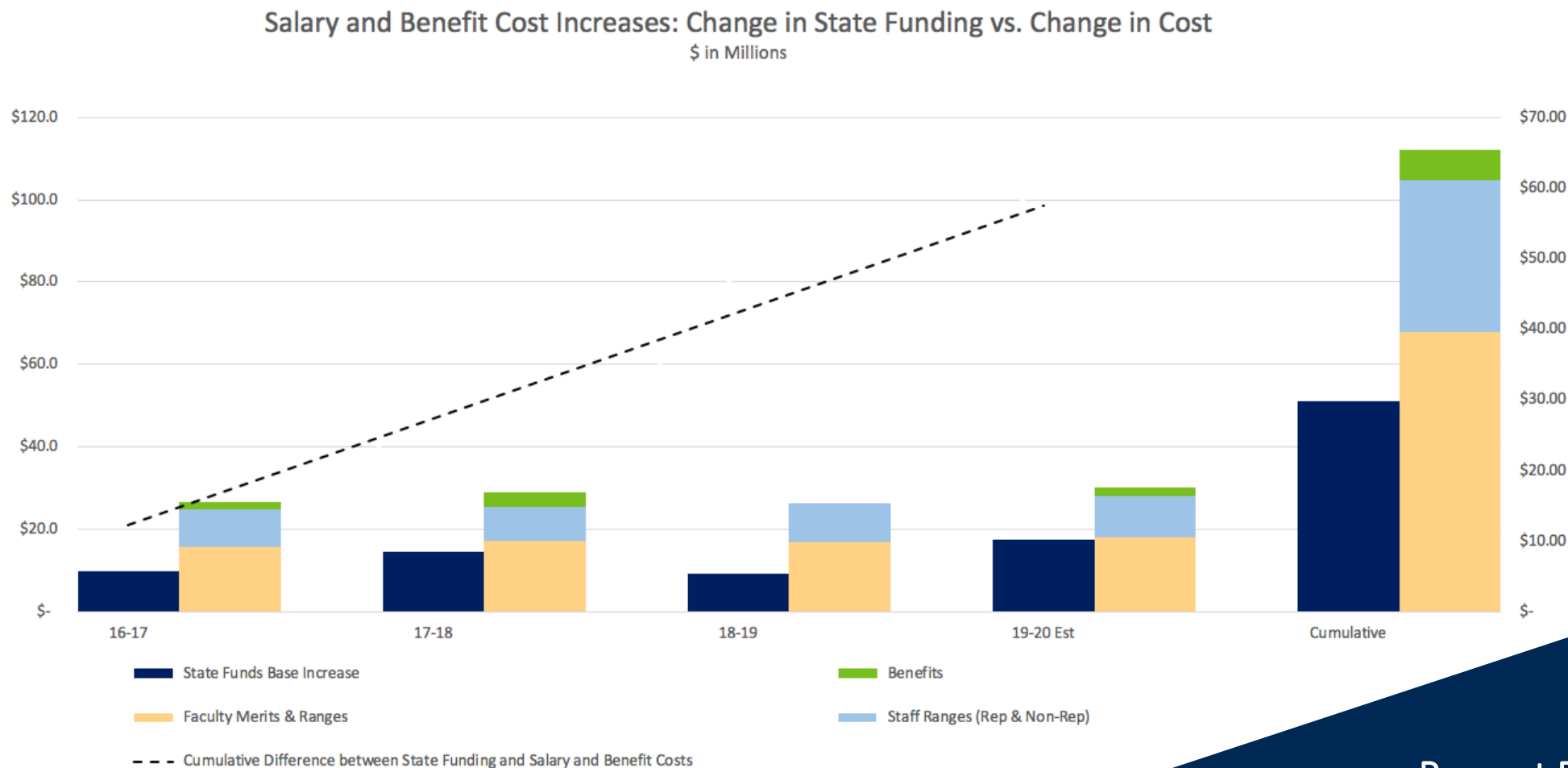
UC Davis Operating Expenditures 2017-2018 \$5.0 Billion

Function	Amount (Millions)	% of Total
Instruction and Academic Support	\$ 1,246	25%
Research	\$ 606	12%
Student Services and Financial Aid	\$ 448	9%
Operation and Maintenance	\$ 107	2%
Auxiliary	\$ 127	2%
Institutional Support	\$ 188	3%
Public Service	\$ 96	2%
Medical Center	\$ 1,860	39%
Depreciation/Interest Expense/Other	\$ 305	6%
Total Expenses	\$ 4,985	100%



* Includes clinical staff

The Budget: Spending on People



Provost Perspective:
Faculty Salary Funding

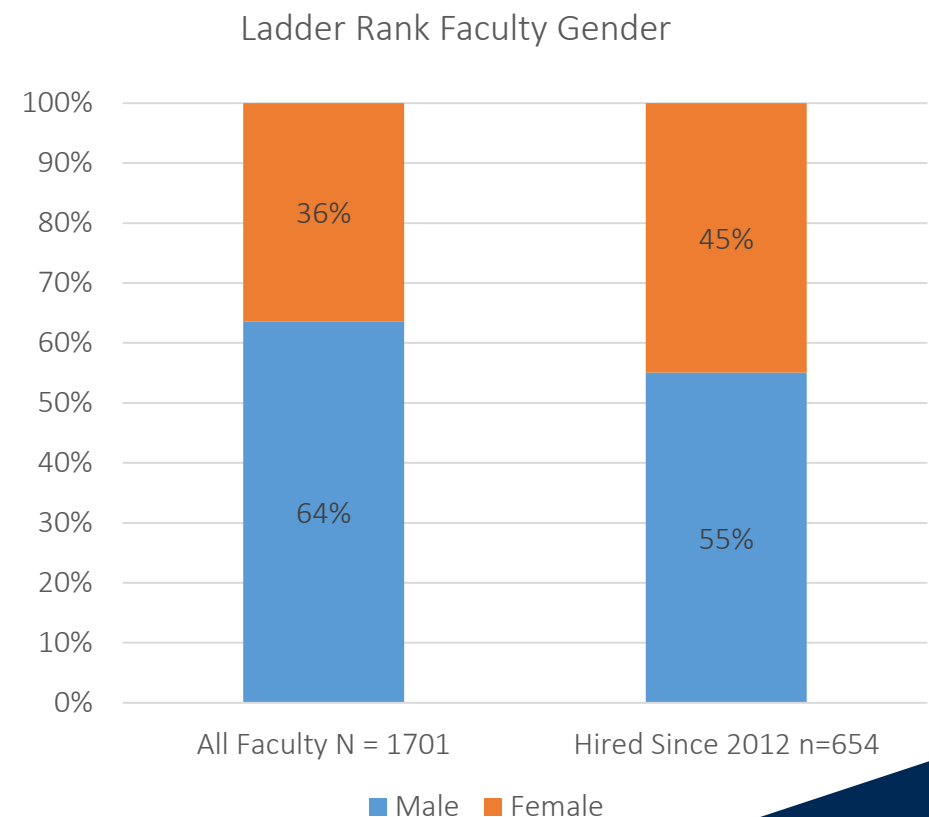
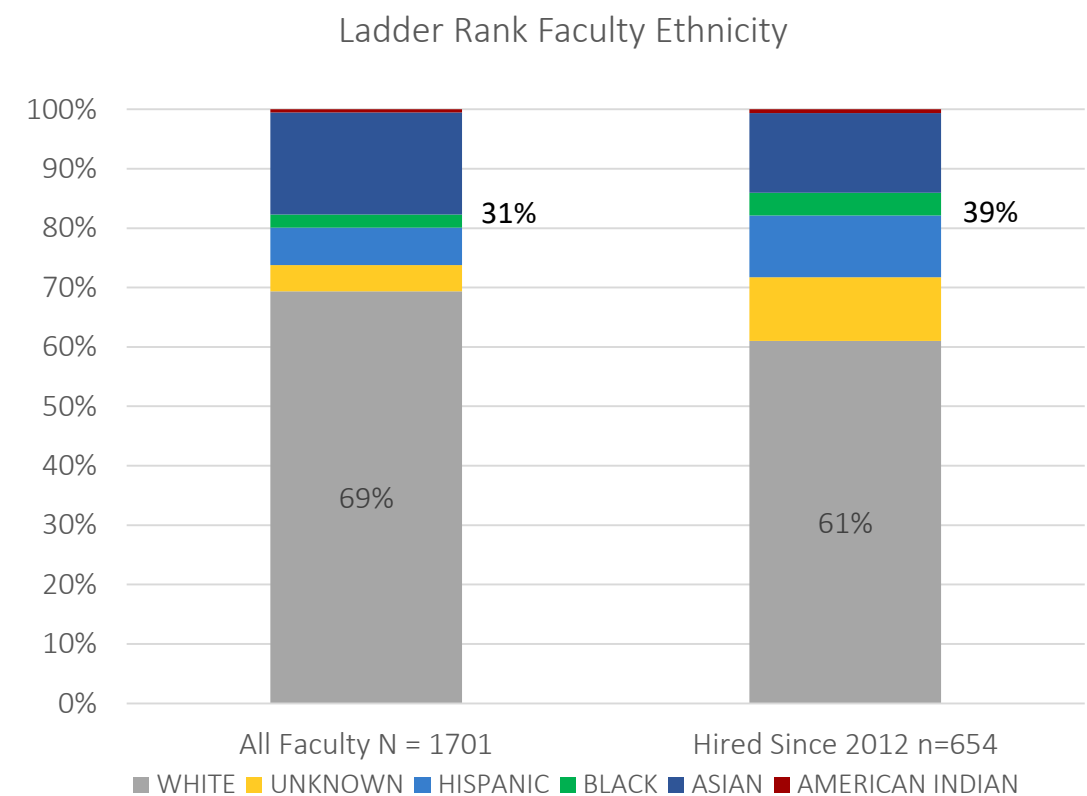
The Budget: Spending on People

Ladder Rank Faculty Hiring

- Hired **over 600** Ladder Rank Faculty since 2012
- **Over 100** Net New Faculty
- **41** faculty hired through campus Hiring Investment Program since 2014 to support hiring in areas that cross disciplines and/or to support growth in new areas. An additional **6** positions are authorized and under recruitment.
- **33** hired with CAMPOS/IRI support to encourage hiring that enhances the campus diversity, goal of **35** steady-state by 2021.
- **11** Presidential Postdoctoral Fellows hired since 2012.
- Need to maintain appropriate student to faculty teaching ratios.

Provost Perspective:
Faculty Hiring

The Budget: Spending on People, Gains in Diversity



The Budget:

Spending on Capital & Infrastructure

- Investment in capital and infrastructure is critical to our mission.
- Limited state support has required use and development of different types of funding:
 - Gifts
 - Public-private partnerships
 - Converting operating funds into debt repayment streams
 - \$4M per year from core funds (total pool ~\$18M to date)
 - Every \$1M debt service is ~\$14M capital spend
- Legislature considering a higher education general obligation (GO) bond for the March 2020 primary election ballot





The Budget Process:

Development of Annual Spending Plan and Internal Incremental Decisions

Budget Planning Cycle



The Budget Process: How Do We Frame Investments?

- We are all stewards of university funds
- Budgets reflect strategic priorities: department, college, campus
- Campus strategic priorities from the [Chancellor's strategic plan](#):
 - Goal 1: Educational Experience
 - Goal 2: Research
 - Goal 3: Diversity, Equity, Inclusion
 - Goal 4: Visibility and Impact
 - Goal 5: Innovation and Entrepreneurship

The Budget Process:

What is a Budget?

- A PLAN! (not actuals, not allocations, not an account)
- Links strategic priorities to resources
- Is based on assumptions and drivers informed by data and information
 - Past data & experience, key cost and revenue drivers
 - Estimates based on anticipated changes, i.e. salary increases or rate increases
 - Reflects changing needs and circumstances
- Ideally projects over time (3-5 years).
- High level view: Level of detail should be material to decisions needed

The Budget Process:

What Does a Budget Do for You?

- Helps answer the question: do I have money for that?
- Helps identify trade-offs and flexibility within your resources.
- Helps you to anticipate coming trends and future trade-offs of current decisions.
- Provides a framework for scenario planning.
- Helps to identify and quantify needs or opportunities.
- Provides confidence in financial decision-making.
- Allows evaluation of resource status and opportunity to adjust throughout year before there is a problem. (Budget to Actual)

The Budget Process: Chair's Role in Budget Development

- Understand your College/School expectations around level of financial accountability of chairs.
- Actively participate in your College or School's budget and faculty hiring planning process.
- Understand the resources available to support the strategic priorities of your Department and College/School.
- Understand the strategic priorities of the campus.
- Identify opportunities to re-prioritize use of funds
- Partner on faculty start-up investments.

Provost Perspective:
Start-up and Carryforward

The Budget Process: Chair's Role in Budget Development

- Consider the role of carryforward funds: balance savings and investing in mission.
- Review budget plans and understand the level of flexibility or constraint you have.
- Review regular budget to actual reports.
- Ask questions, if something doesn't make sense to you, be curious.
- If you see a concerning trend (i.e. deficit or unanticipated costs) elevate the issue to your dean's office.
- Get to know your Assistant Dean and key financial staff at the College/School level.
- There are resources: Dean's Office, BIA, Finance

Provost Perspective:
Working with Staff

The Budget Process: Table Exercise

Group A:

Demonstrate how you would implement a 10% operating cut, but maintain all your core programs

Group B:

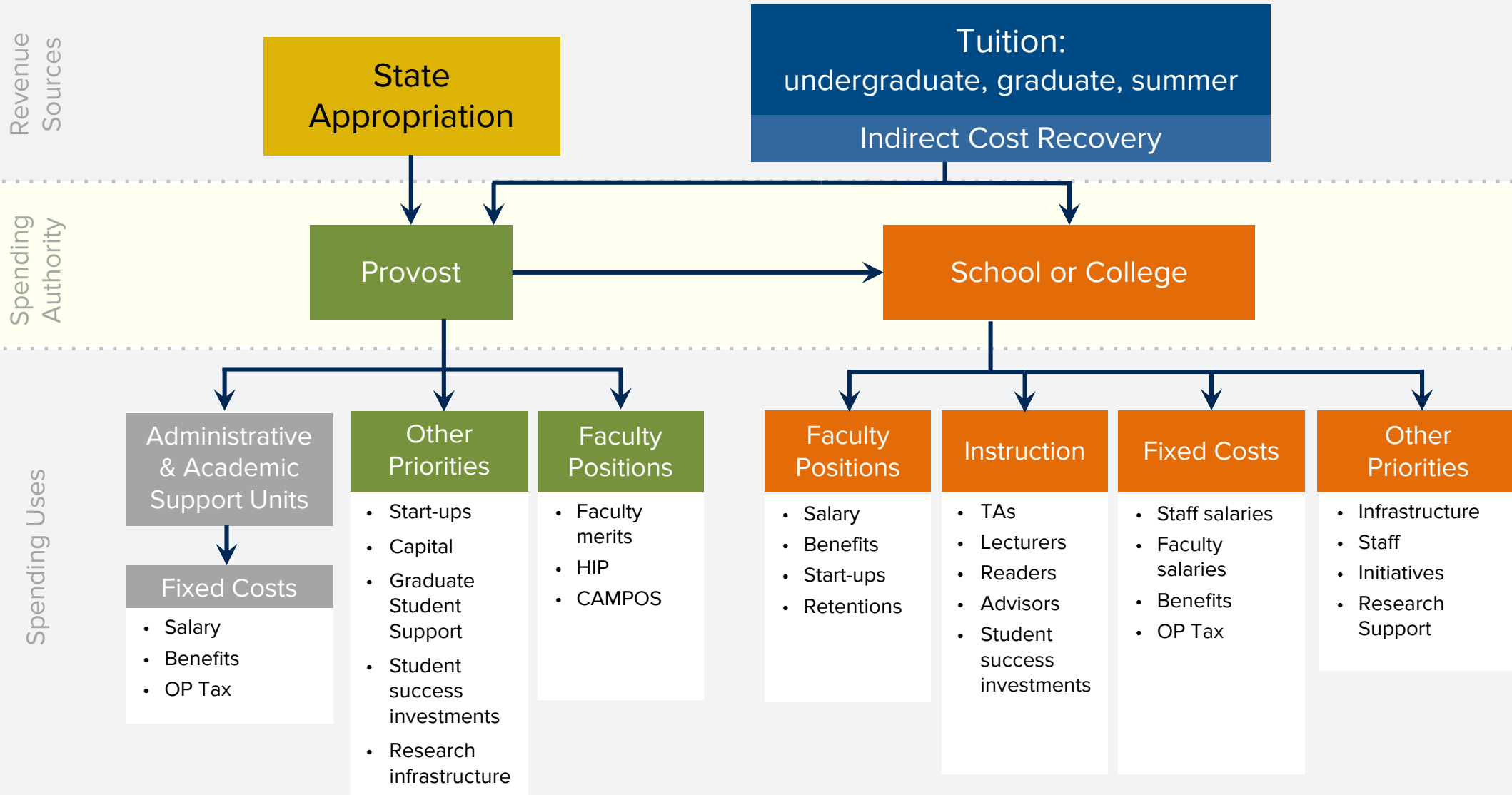
Central administration has funded a new \$50k program at 80%; department must reallocate existing budget to fund the remaining 20%

OUTDOOR ADVENTURES	
First-year Student - Outdoor Orientation Trips	
Revenue	
Miscellaneous Revenue (Trip Fees, Gear Rental)	15,000
Mandatory Student Activity Fee Appropriation	40,000
Campus Budget Appropriation	20,000
Subtotal Sources	75,000
Expense	
Student Salaries*	12,000
Office Supplies	5,000
Telephone	100
Copying	600
Postage	100
Printing & Binding	300
Professional Fees	2,600
Other Food Costs**	1,600
Official Functions	2,400
Equipment Maintenance Services	1,600
Vehicle Leases	900
Equipment Leases	550
Other Travel	2,000
Field Trips	42,250
Other Equipment/Furniture	3,000
Subtotal Uses	75,000
*Trip leaders are paid a stipend of \$500 per trip	
**Food costs are just for the leaders, participants use dining funds	

The Budget Model:

Formula-Based Allocations (Specific Revenue Streams)

Budget Model Source, Authority and Use



UC Davis Budget Model

Key Principles

- Create incentives to advance campus goals
- Transparency
- Simplicity
- Balance local autonomy with campuswide vision
- Transition strategies

How it Works (Briefly)

- Revenue only
- Hybrid: mix of formulas and incremental decisions
- Allocations to deans: departmental allocations determined within unit
- Allocation methodology differs by revenue source
- Ability to adjust

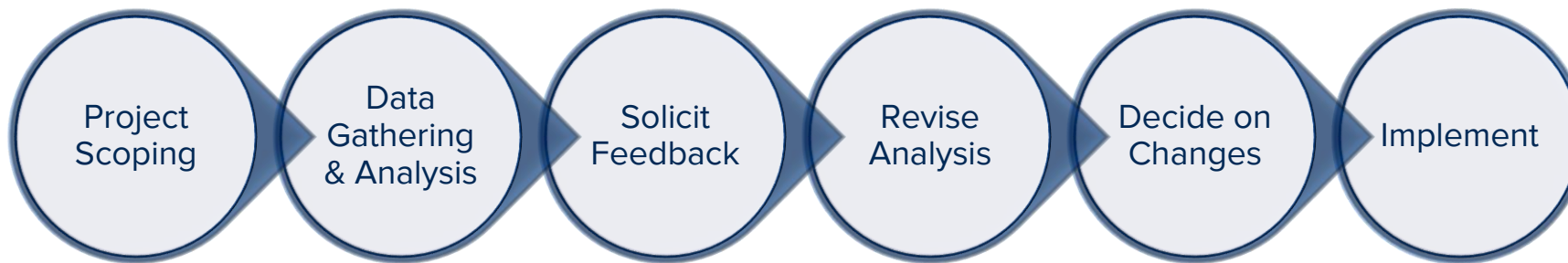
UC Davis Budget Model: Changes Under Consideration

- Initial budget model was built for a different time: growth & need to distribute workload
 - Subsequently imposed national/international enrollment cap lowered planned revenue growth
 - Need to address outcomes and provide stability in time of low growth.
- Note that changing the model will be harder when we are not growing
 - There are virtually no incremental resources to allocate
 - Allocation changes will be on different factors
- Metrics will need to ensure campus is meeting strategic goals

UC Davis Budget Model: Changes Planned

A commitment was made to reexamine the current budget model, particularly in light of the flattening revenue curve:

- Incentives should better balance growth & quality outcomes
 - More transparent process needed at all levels
 - Need to develop more revenue or efficiencies as enrollment growth flattens
- BIA is working with the campus community on analyzing and sharing possible changes to model following a regular process:

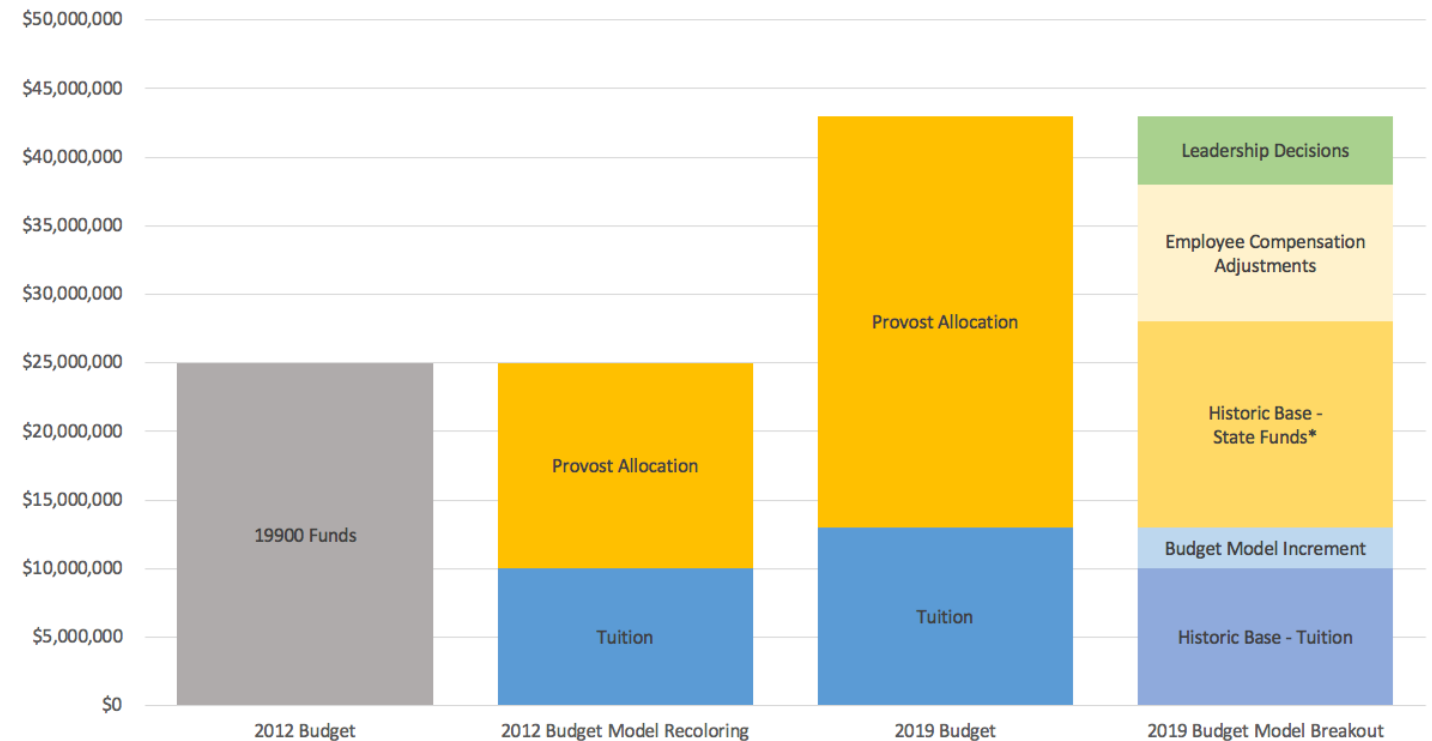


Provost Perspective:
Budget Model

UC Davis Budget Model: Changes Completed

Analysis completed: Clarifying and reframing “Provost Allocation”

- Components of “Provost Allocation”
 - Historic base as of 2012 budget model implementation – State funds and share of tuition
 - Funds for employee compensation adjustments
 - Leadership decisions
- Components of Undergraduate Tuition
 - Historic base as of 2012 budget model implementation
 - Incremental change in tuition allocated through budget model



*Includes campus share of the tuition revenue pool

UC Davis Budget Model: Other Considerations

Analyses Underway:

- Add a metric for graduate teaching effort into the budget model
- Simplify existing graduate tuition model

Analyses Suggested:

- Add new or different metrics to UGTR formula aligned with campus goals
- Identify a set of “common goods” courses that would be directly funded outside of the budget model formula
- Change the proportion of the UGTR pool allocated by formula
- Adjust metric weighting in Undergraduate Tuition Revenue (UGTR) formula
- Potential combinations of these approaches

UC Davis Budget Model: Table Exercise

- Take a few minutes to for discussion at your table:
 - How might we change the allocation methodology such that it supports strategic goals, and in particular graduation rates and equitable outcomes?
 - What metrics are key to include?
 - How do we ensure that the methodology optimizes outcomes for the university?
- Report out with group discussion

Budget and Institutional Analysis Resources:

<https://financeandbusiness.ucdavis.edu/bia/budget>

[2019-20 Planning Letter](#)

[2019-20 Decisions](#)

[Budget Planning & Process Info](#)

[Budget Model](#)

[Campus Metrics & Data](#)

The screenshot shows the UC Davis Finance & Business website. The header includes the UC Davis logo and the "Finance & Business" title. A navigation bar contains links for "STUDENT RESOURCES", "BIA", "FINANCE", "SUPPLY CHAIN", "UP3", and "SYSTEMS". Below this is a secondary navigation bar with "STAFF DIRECTORY", "FORMS", "ORG CHART", and "ABOUT US". The main content area features a large image of students sitting on steps in front of a building. Below the image is a "Budget" section with a heading "Home > BIA > Budget". The text states: "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 three columns. The first column, titled "Budget", contains links for "Budget Process", "Budget Model", and "Resources". The second column, titled "Building a better future.", contains a paragraph about the Budget division's mission and a list of services. The third column, titled "AggieBudget", contains a link for "Budget Overview (PDF)".

UC DAVIS

Finance & Business

Systems LOGIN >

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STAFF DIRECTORY FORMS ORG CHART ABOUT US

Budget

Home > BIA > Budget

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.

Budget

- > [Budget Process](#)
- > [Budget Model](#)
- > [Resources](#)

Building a better future.

The Budget division builds a better future for UC Davis by managing valuable operating budget resources, to ensure the university is on track in meeting its mission and strategic goals. University revenues come from many different sources with the vast majority being designated or restricted. However, funding to support the university's teaching mission, primarily comes from unrestricted state funds and student tuition.

At a glance, the Budget team performs the following:

AggieBudget

[Budget Overview \(PDF\)](#)

Questions?

Appendix

- Enrollment Trends
- Significant Capital Projects
- Aggie Budget



Campus Enrollment Trends

More Detailed Data at AggieData:

<http://aggiedata.ucdavis.edu>

Enrollment Overview

Undergraduate Enrollment:

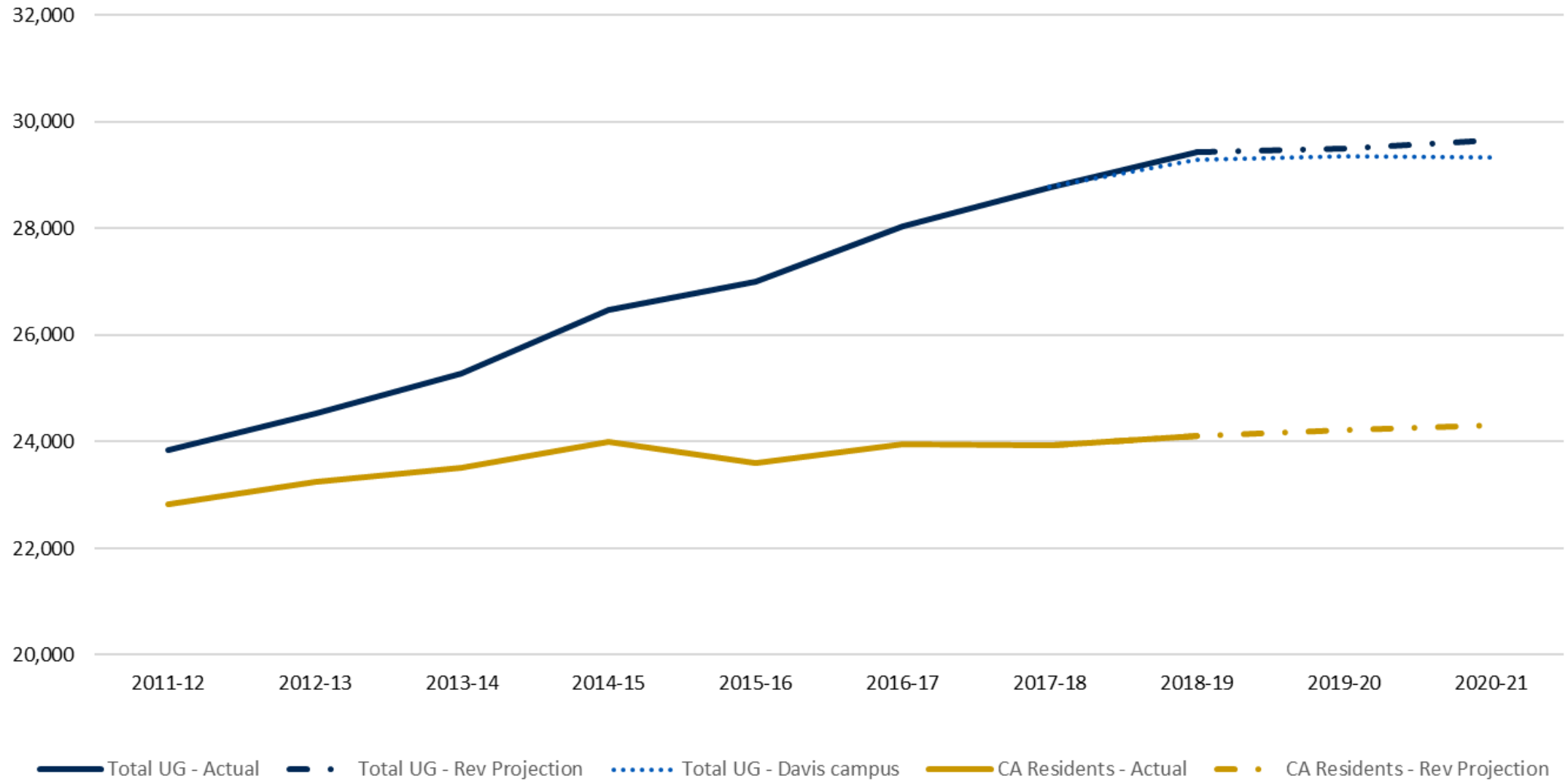
- Total undergraduate enrollment: over **30,000** for fall 2018
- **9,100** (7,600 CA residents) new freshmen and transfer students this fall
- Undergraduate enrollment **increased by almost 5,700** students since 2011-12
- Proportion of national/international students **increased from 4% to 18%**

Enrollment Overview

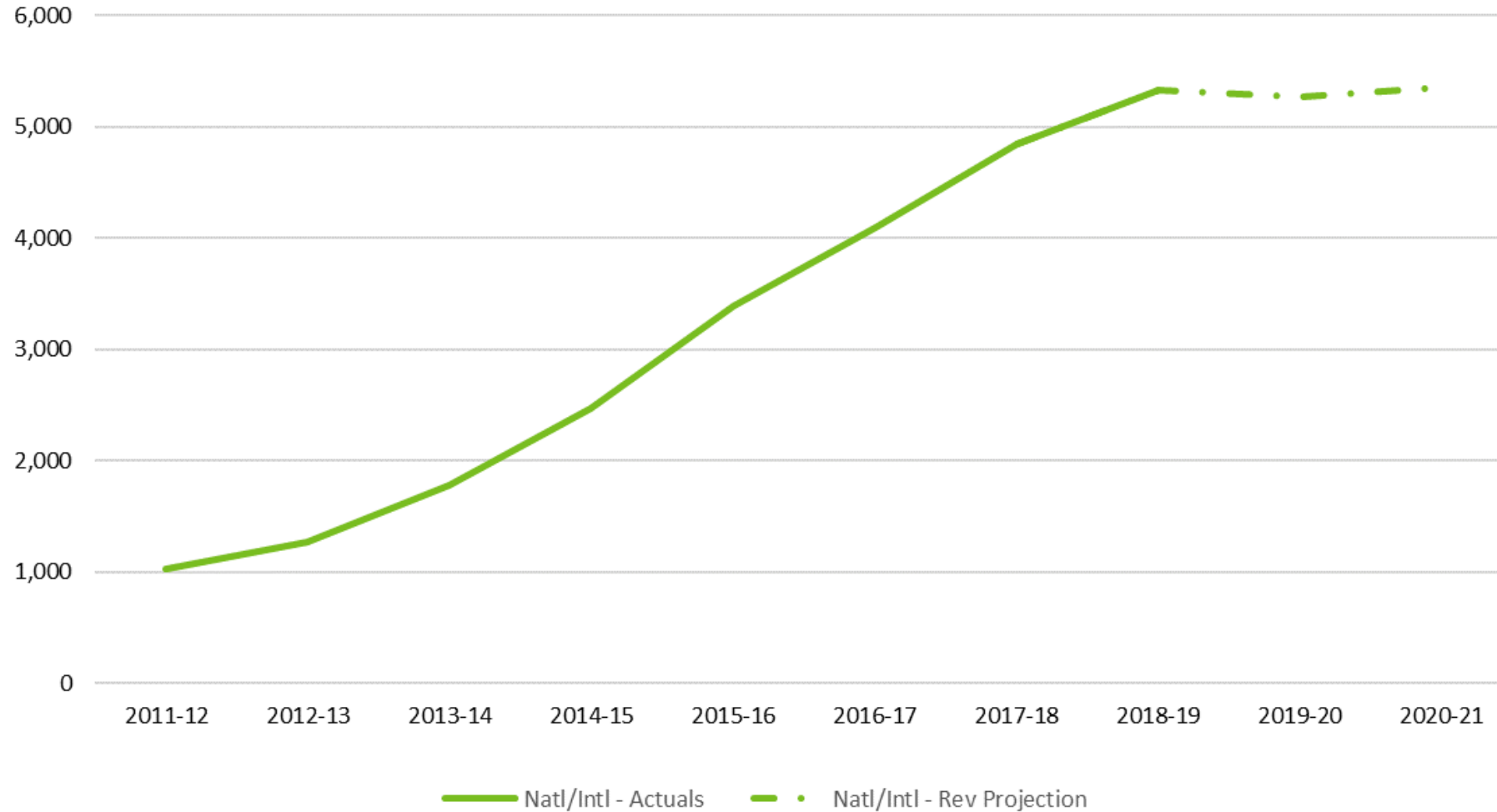
Graduate and Professional Enrollment:

- Total graduate enrollment: over 8,000
- Graduate and professional enrollment increased by 800 students since 2011-12
- Approximately 22% of graduate and professional students are national/international
- Ratio of Undergraduates to PhD students has increased from 7.7 to 8.7 since 2011-12

Undergraduate Enrollment Projections Total UG and CA Residents

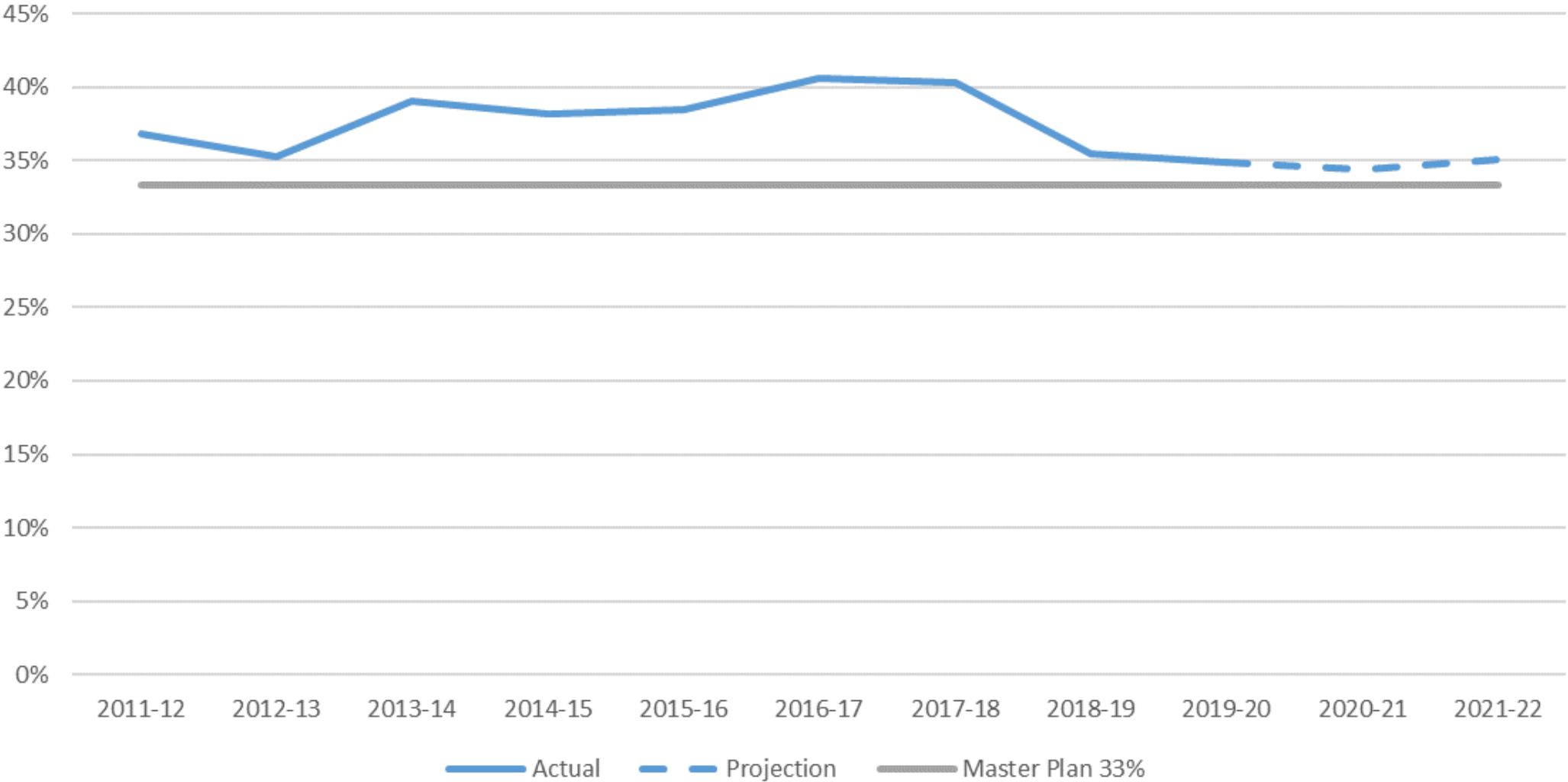


Undergraduate Enrollment Projections National & International Students



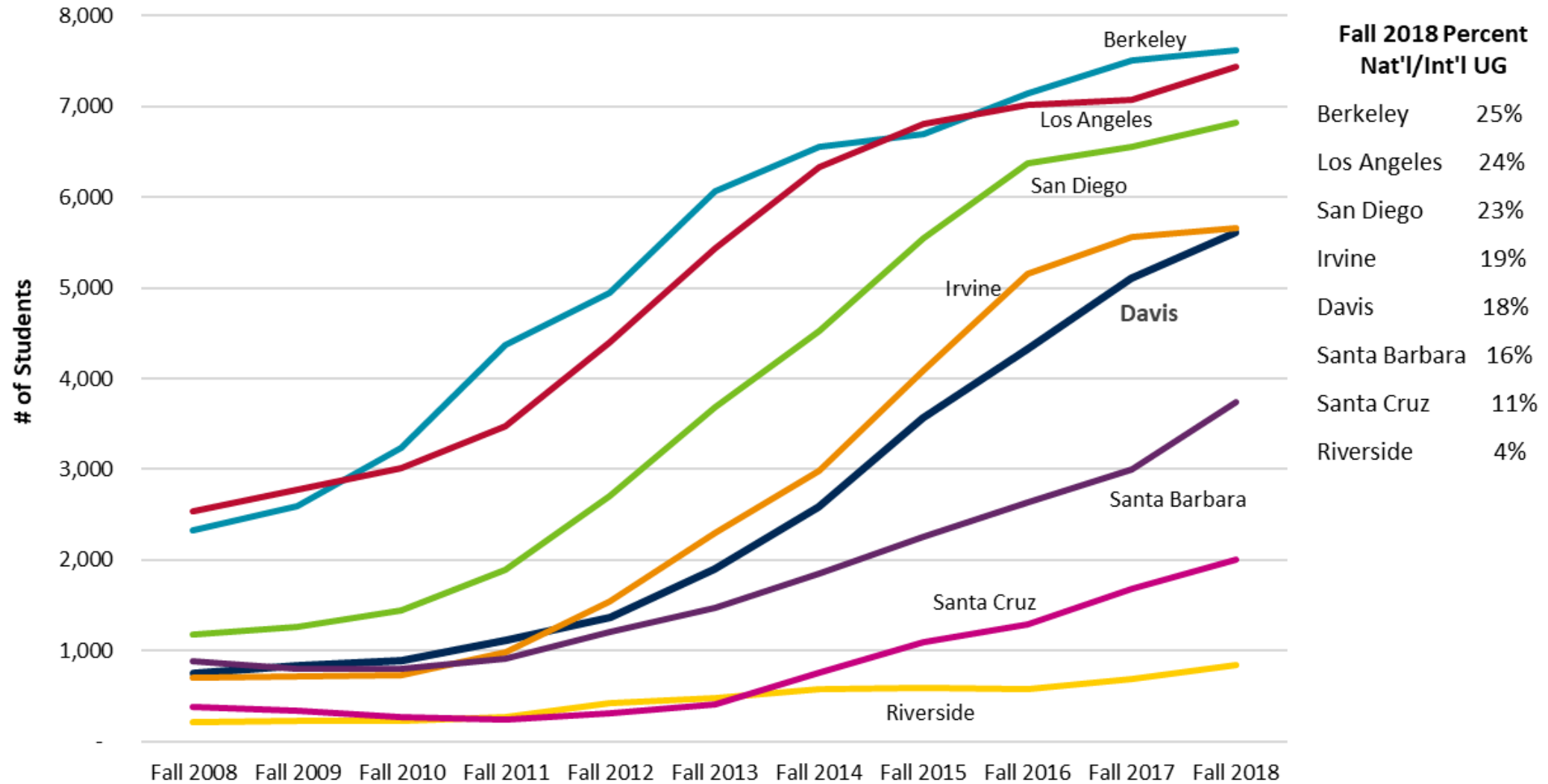
Note: The enrollment categories of Resident and National/International (Natl/Intl) are determined by the students' NRST fee assessment status.

Percent Transfer of New CA Resident Students



National & International Undergraduates by Campus

(Excludes UC Merced)



Capital and Facility Investments

More Detailed Data and Information:

<https://dcm.ucdavis.edu/projects-phase>

<https://dcm.ucdavis.edu/capital-project-report>

<https://dcm.ucdavis.edu/capital-planning>

Project Initiation:

<https://dcm.ucdavis.edu/project-initiation>

Capital and Facility Investments: Instructional Space

- New classroom seats recently completed and under construction:
 - Recently completed: California Hall (500 seats); Shields 167 (100 seats)
 - Under construction: Walker Hall (spring 2020, 360 seats); Cruess Hall (winter 2021; 300 seats); Teaching and Learning Complex (breaking ground in 2020; 2,000 seats)
- Program to invest \$5 million annually through 2020-21 to renovate and improve technology in general assignment classrooms
- First three years of program: 50 classrooms totaling approximately 3000 seats renovated
- Work currently underway in 13 classrooms (Wellman Hall); Wellman and Young Halls planned for renovations summer 2020
- Additional improvements to restrooms, common areas, and other heavily used spaces associated with classrooms
- \$1 million per year for enhanced custodial and technology upgrades across all general assignment rooms

Capital and Facility Investments: New Projects

Many significant capital needs beyond instructional facilities. Selected examples of investments recently completed or underway:

Research:

- Chemistry and Chemistry Annex: seismic, life safety, & increased laboratory capacity
- Briggs Hall: first floor renovations, roof and electrical improvements
- Controlled Environment Facility: new facility for plant growth chambers
- Cage Wash Facility: completed 2018
- Physical Sciences Library: Seismic retrofit and renovation for Quantum Mathematics and Physics

Infrastructure:

- Hot Water Conversion: new heating system for Hutchison-Quad area
- Electrical Substation Transformer Addition: reliability and capacity for growth
- La Rue Bridge: replacement addresses seismic and capacity

Student Life:

- *Housing*: The Green at West Village (public-private partnership; 1000 beds 2020; 2300 beds 2021); Yosemite Hall (formerly Webster, opening 2019); Shasta Hall (formerly Emerson; opening 2022); Latitude: new dining commons
- *ARC & Rec Pool*: new and expanded facilities
- *Athletics*: Student-Athlete Performance Center; Beach Volleyball Complex

The Budget Model:

More Information at:

<https://financeandbusiness.ucdavis.edu/bia/budget/model>

UC Davis Budget Model

Undergraduate Tuition

- Pool Allocated: Net after return-to-aid, includes share of supplemental tuition paid by non-residents, prospective revenue estimate
- 30% retained by Provost for campus investments
- 70% allocated to units based on metrics:
 - 60% Student Credit Hours
 - 30% Majors
 - 10% Degrees Awarded
- \$253 million allocated in 2018-19 to Provost and units

UC Davis Budget Model

Professional Tuition

- All Retained by Schools

Graduate Tuition

- Incremental growth since 2013 shared between Provost, Deans, programs
- Optional Master's Incentive Program directed about \$2.4 million to Provost, Deans, and programs for 2018-19
- \$68 million to be allocated in from 2018-19 revenue

UC Davis Budget Model

Summer Session Tuition

- Pool Allocated: Net after return-to-aid and historic commitments
- 20% retained by Provost for campus investments
- 80% allocated to units by SCH, \$100/SCH
- \$11M allocated in 2018-19

Faculty Resources

- At retirement or resignation, portion of ladder faculty salary & benefits return to Provost for reallocation.
 - Retirement: Colleges return 35%, professional schools return 20%
 - Resignation: All Deans return 10%

UC Davis Budget Model

Facilities and Administrative (F&A) Cost Recovery

- Pool Allocated: Net received by campus after categorical set asides
- 70% retained by Central Campus to fund campus research infrastructure and investments
- 30% allocated to Deans based on administrative home of grant
- For 2019-20, total F&A Costs generated \$146.5M:
 - \$25.6M Categorical Set Asides (debt service, CIRM, CNPRC)
 - \$36.2M Units
 - \$84.6M Campus

AggieBudget

More Information at:

<https://aggiebudget.ucdavis.edu>

AggieBudget:

A financial planning tool that supports our strategic and programmatic objectives

- **Accountability and Transparency:** Ensure that appropriate budget planning and monitoring
- **Consistency:** Tool that allows for consistent financial planning and reporting
- **Detailed Planning:** Allows for planning at the level that is right for your unit
- **Long-term Planning:** Enables multi-year planning and reporting at all levels of the organization
- **Efficiency:** Reduce redundancies to save time (eventually)