

UCDAVIS

Finance and Business

Budget Overview: 2020 Department Chairs Workshop

September 14, 2020

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Sarah Mangum, Assistant Vice Chancellor, Budget



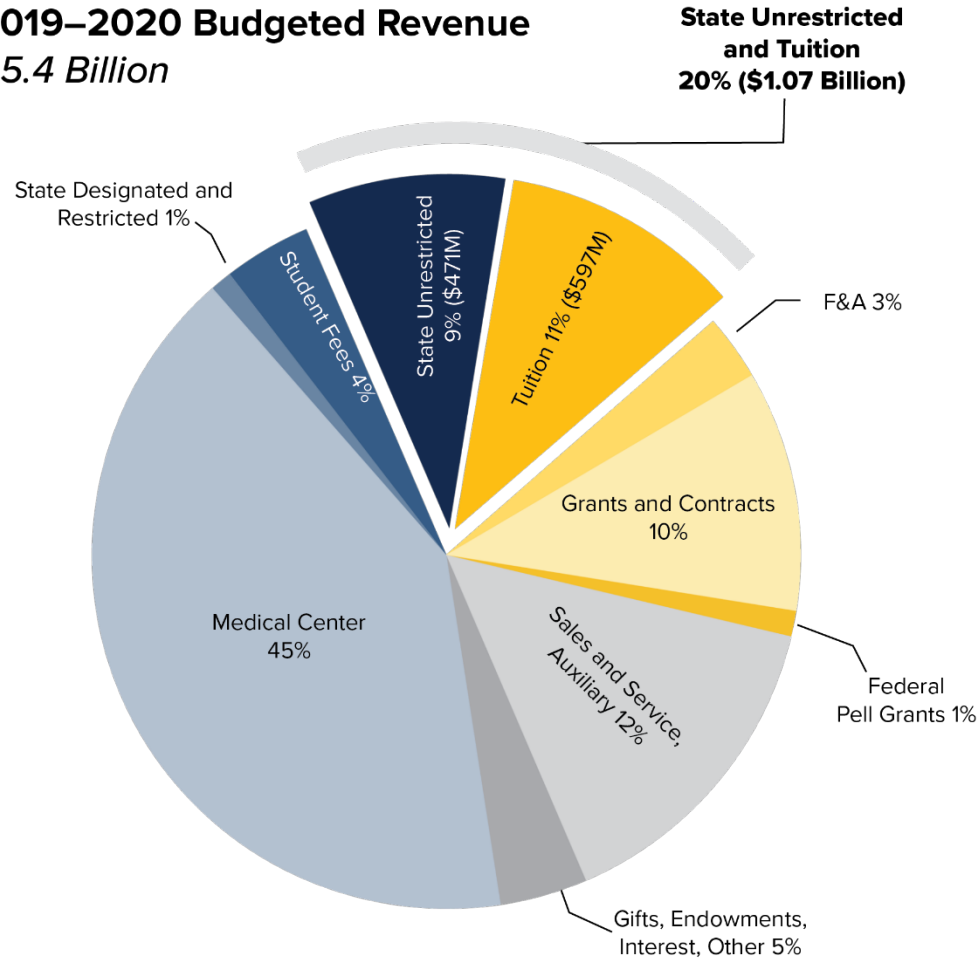


The Budget: Big Picture All Funds

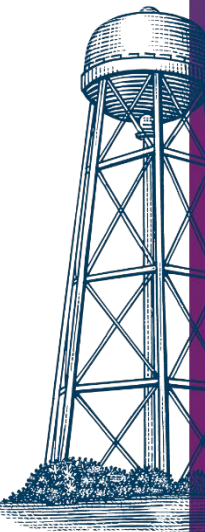
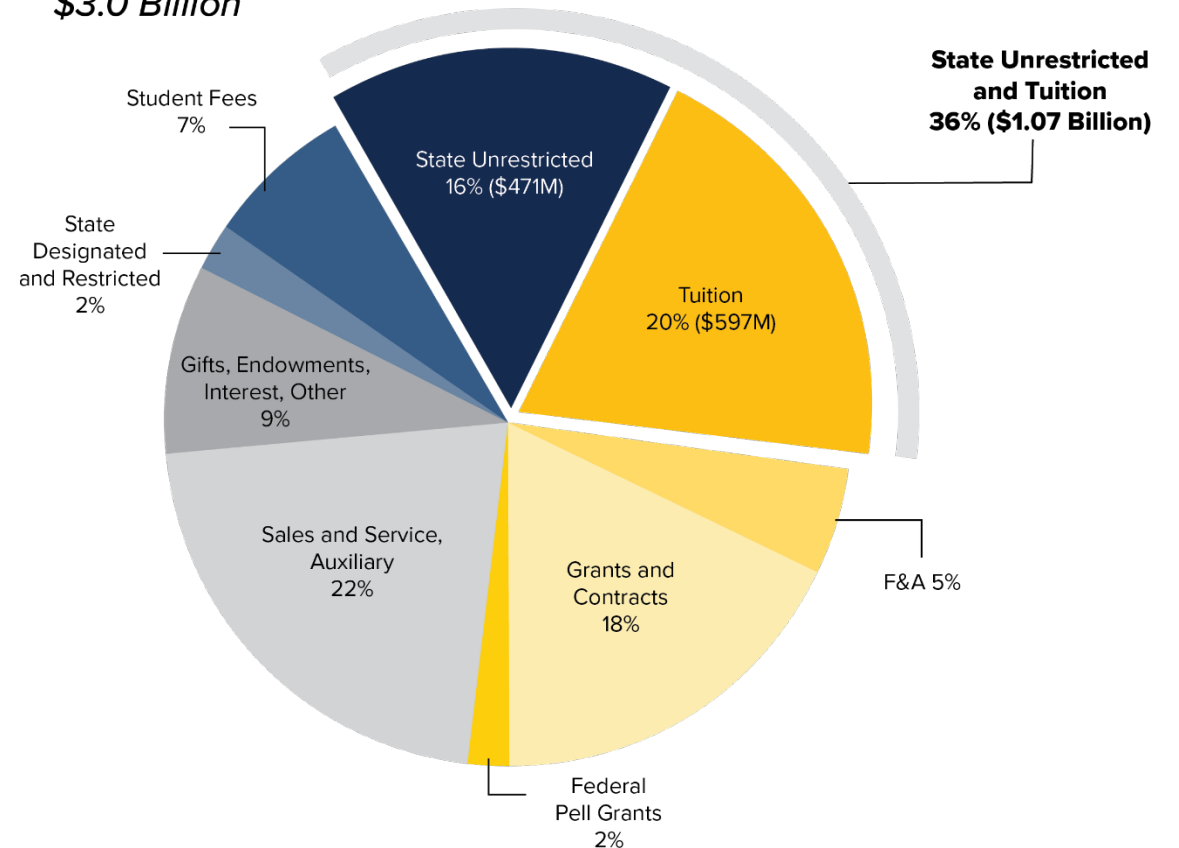
What resources do we have
and how can we use them?

Revenue

2019–2020 Budgeted Revenue
\$5.4 Billion



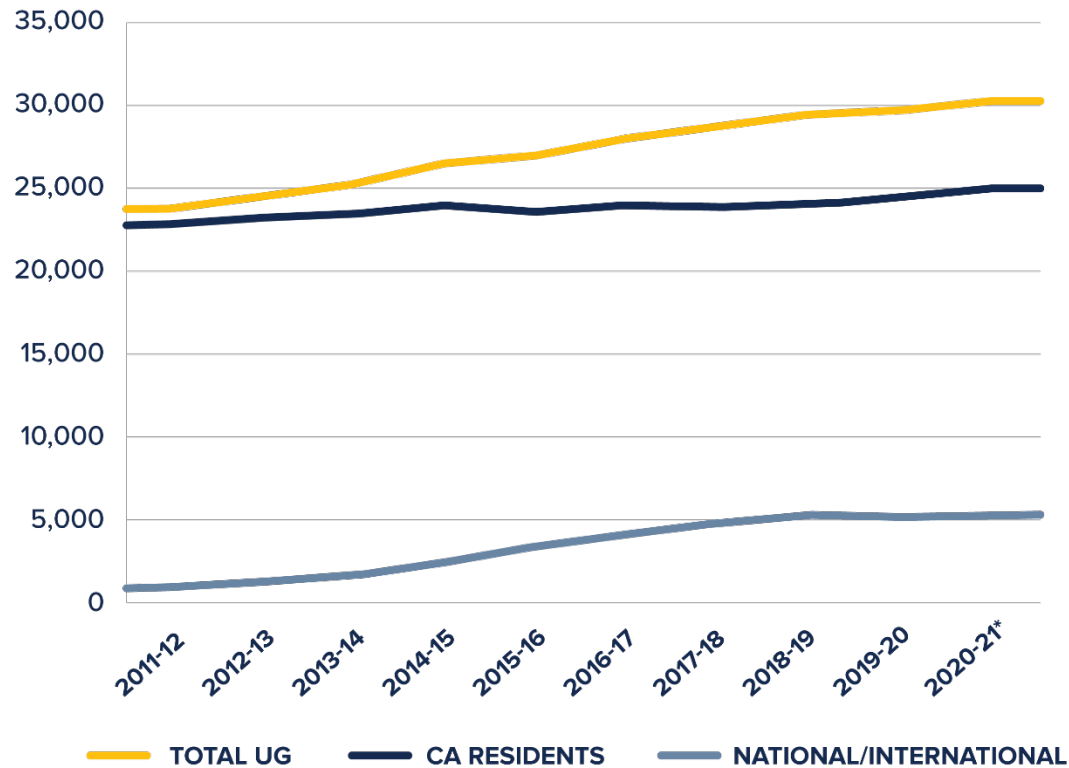
2019–2020 Budgeted Revenue Excluding Medical Center
\$3.0 Billion



Enrollment Growth & Revenue

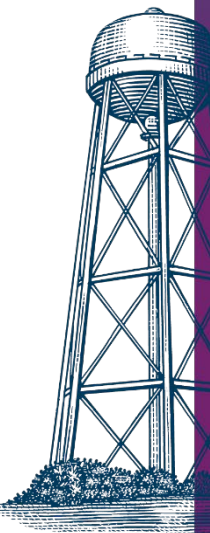
Undergraduate Enrollment

Three-quarter average enrollment



*estimated

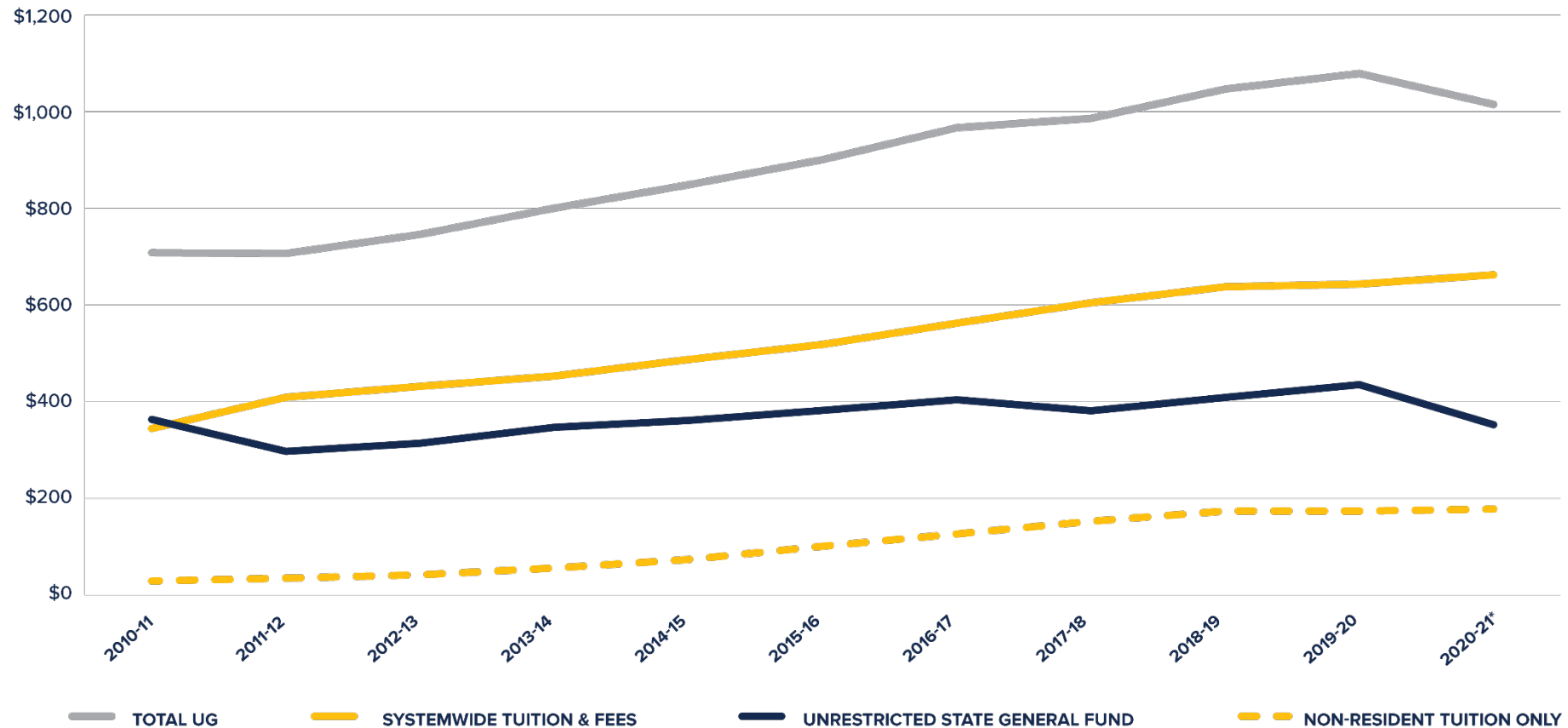
- 2020 Initiative is complete.
- Undergraduate enrollment **increased by almost 5,700** students since 2011-12
- Proportion of national/international students **increased from 4% to 18%**
- Campus enrollment plan is to stabilize undergraduate enrollment and limit growth in Davis. Focus on degrees and student success.
- Fall 2020 enrollment at risk due to COVID
- Enrollment significant driver of revenue.



State Divestment

Unrestricted State General Funds vs. Systemwide Student Fees*

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



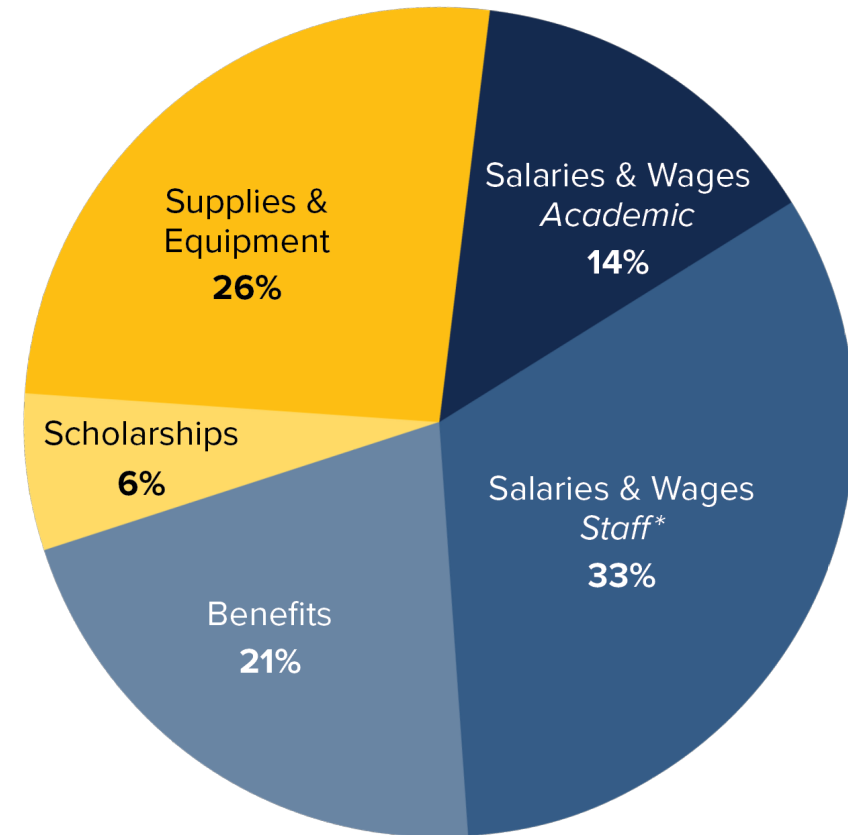
*estimated



Expenditures

UC Davis Operating Expenditures \$5.4 Billion

Function	Amount (Millions)	% of Total
Instruction and Academic Support	\$ 1,253	23%
Research	\$ 604	11%
Student Services and Financial Aid	\$ 459	9%
Operation and Maintenance	\$ 111	2%
Auxiliary	\$ 128	2%
Institutional Support	\$ 190	3%
Public Service	\$ 97	2%
Medical Center	\$ 2,257	39%
Depreciation/Interest Expense/Other	\$ 285	5%
Total Expenses	\$ 5,385	100%



* Includes clinical staff



Spending on People

Salary Growth and State Funds

- Salary and benefit programs are set by the UC Office of the President
- Since 2016, salaries & benefits paid on state funds & tuition grew by \$114M (\$75M for faculty, \$39M for staff)
- State funds only grew \$67M over the same period
- \$47M gap largely filled with tuition revenue
- With enrollment growth flattening and reduced state funding, this is the key driver of our structural imbalance on core funds



Spending on People

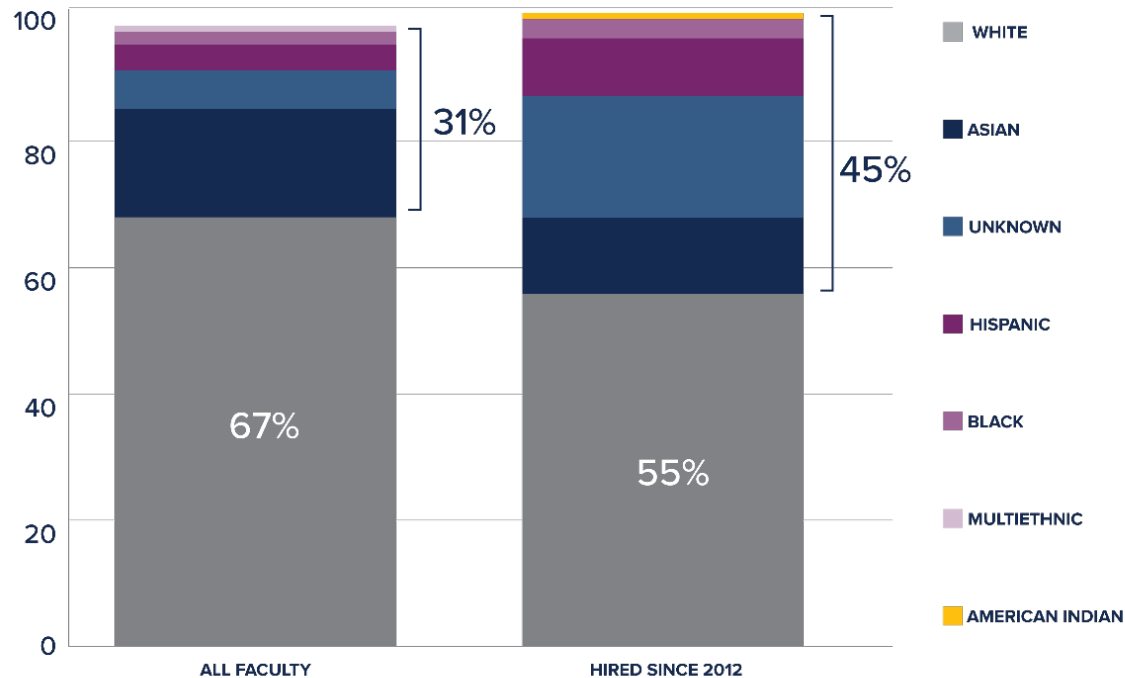
Ladder Rank Faculty Hiring

- As enrollment grows, also critical to maintain and grow faculty
- Hired over 700 Ladder Rank Faculty since 2012
- **32** CAMPOS/CAMPSSAH Fellows hired enhancing the campus diversity, goal of **35** steady-state by 2021.
- **Over 35** Net New Faculty
- **12** Presidential Postdoctoral Fellows hired since 2012.
- Even with the current financial challenges, we must continue to **strategically invest** in faculty hiring to support instruction and research mission.

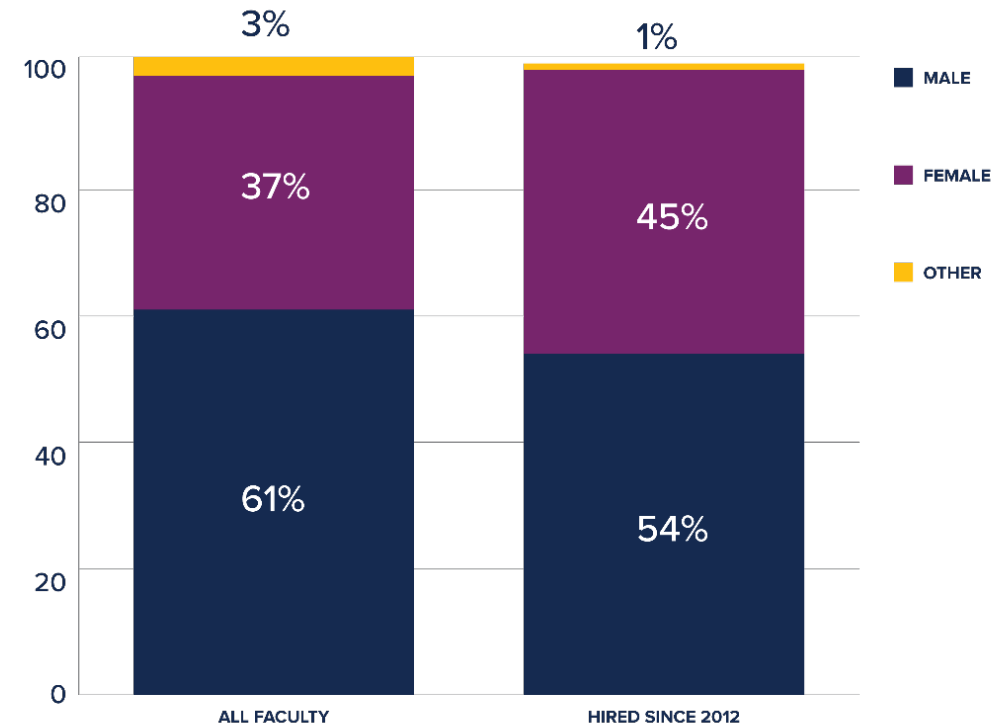


Spending on People, Gains in Diversity

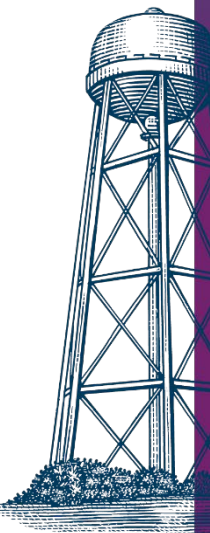
Ladder Rank Faculty Ethnicity



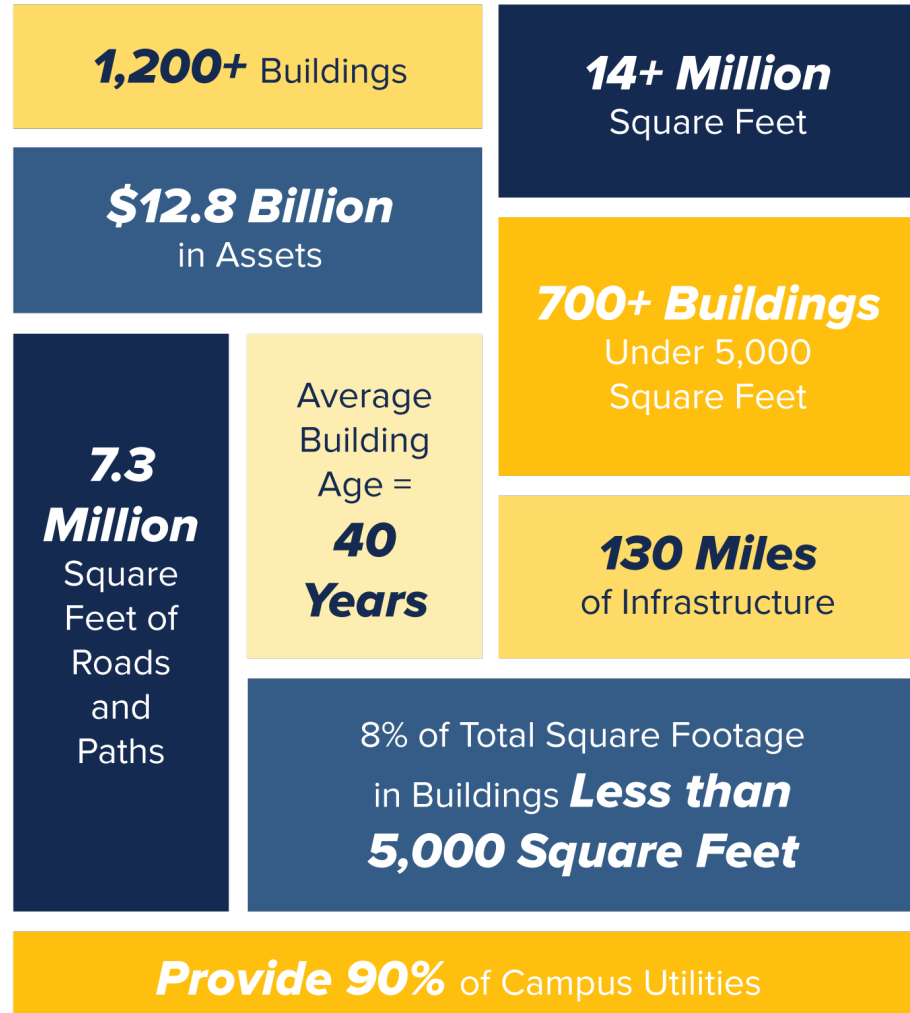
Ladder Rank Faculty Gender



Note: Beginning in 2019, with the transition to UC Path, reporting categories changed and employees were able to report as “multiethnic” and additional options for gender. Therefore, this data is not readily comparable to that reported in the past.



Spending on Capital & Infrastructure

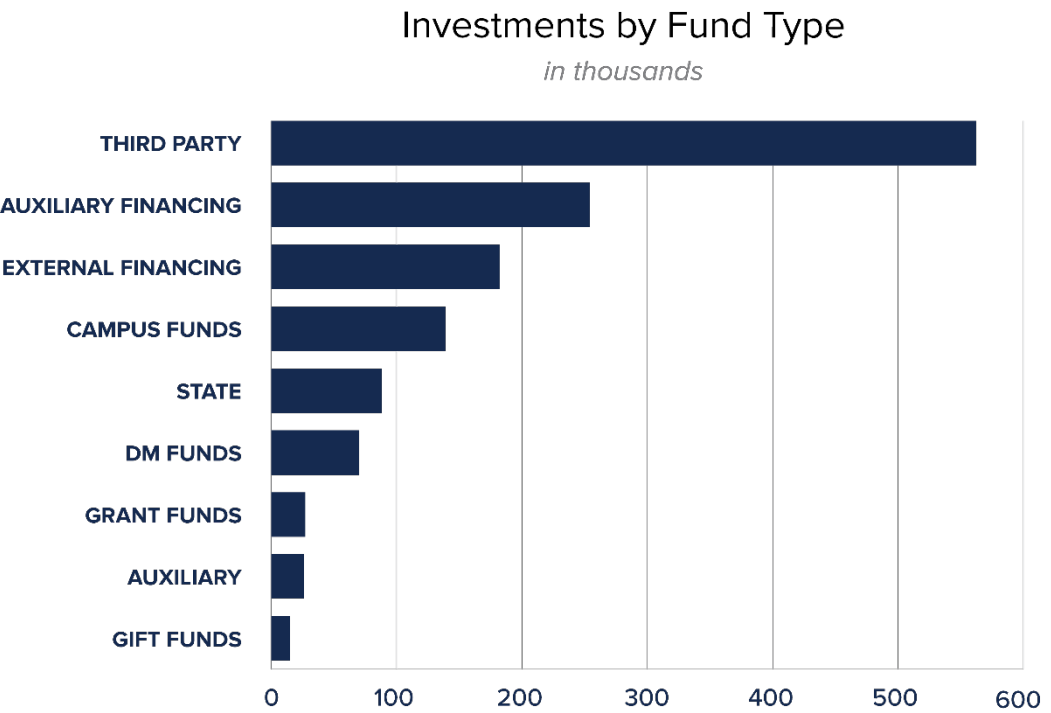
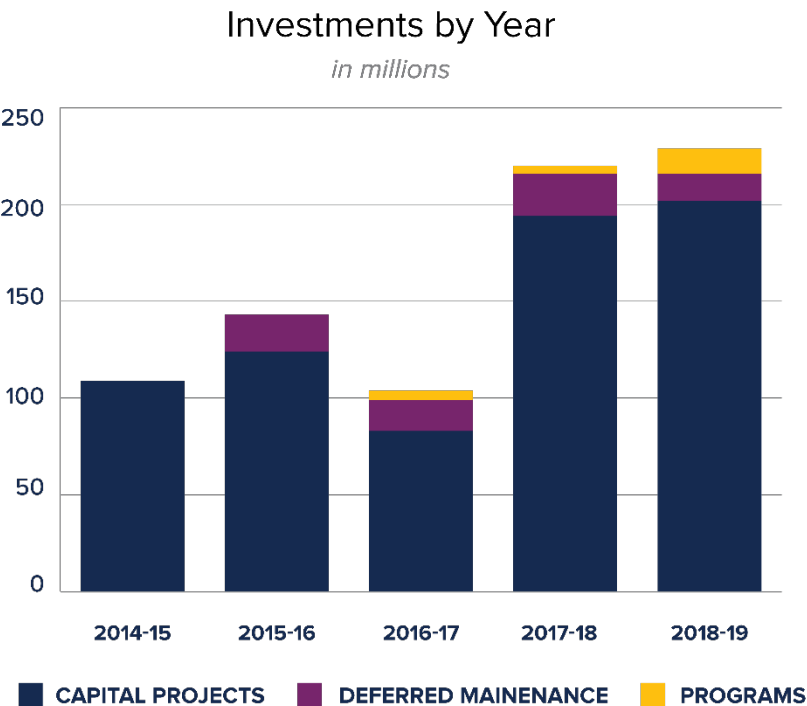


- UC Davis is the size and complexity of a small city
- Capital investments across three primary goals:
 - **Support of the academic and health enterprise**
 - **Enriching community life**
 - **Creating a sustainable future**
- Sacramento campus includes 149 acres plus multiple clinical and administrative programs in the region.
- State support very modest.
 - **Last general obligation bond passed in 2006.**
 - **One-time funds for deferred maintenance totaling ~\$22M for 2015-16 through 2018-19.**
- Significant Capital, DM and Seismic challenges



Davis Campus Capital & Infrastructure Investments

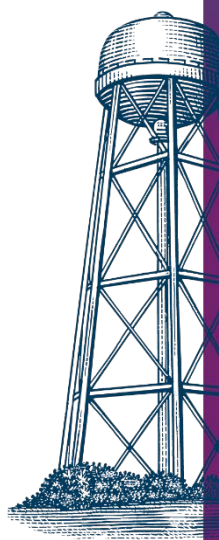
\$800M authorized over 5 years



Student Housing – \$720M
Infrastructure and Security – \$191M

Research – \$100M
Classrooms – \$166M

Student Support – \$75M
Deferred Maintenance – \$72M



Spending on Capital & Infrastructure

Limited State support

- Failed March 2020 General Obligation (BO) Bond (targeted for seismic, DM, program growth)
- Limited funds for Deferred Maintenance via State and AB94 funding streams.
 - 19-20 allocation of \$25.4M included State and AB94 funds; State takeback of unspent 2019-20 DM (~\$11M) as a result of current fiscal crisis.

Other Types of Funding for Capital:

- Gifts
- Public-private partnerships
- Converting operating funds into debt repayment streams
 - Every \$1M debt service is ~\$14M capital spend
 - Trade off for other investments



2020-21 Facing a New Fiscal Reality

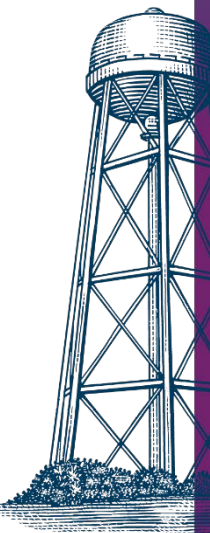
Budget Framework (pre-pandemic)

Funds that the university receives from state appropriations and tuition routinely fall short of expenses traditionally supported by these "core funds."

We need to reduce ongoing reliance on core funds by **\$80-100 million over the next five years** to:

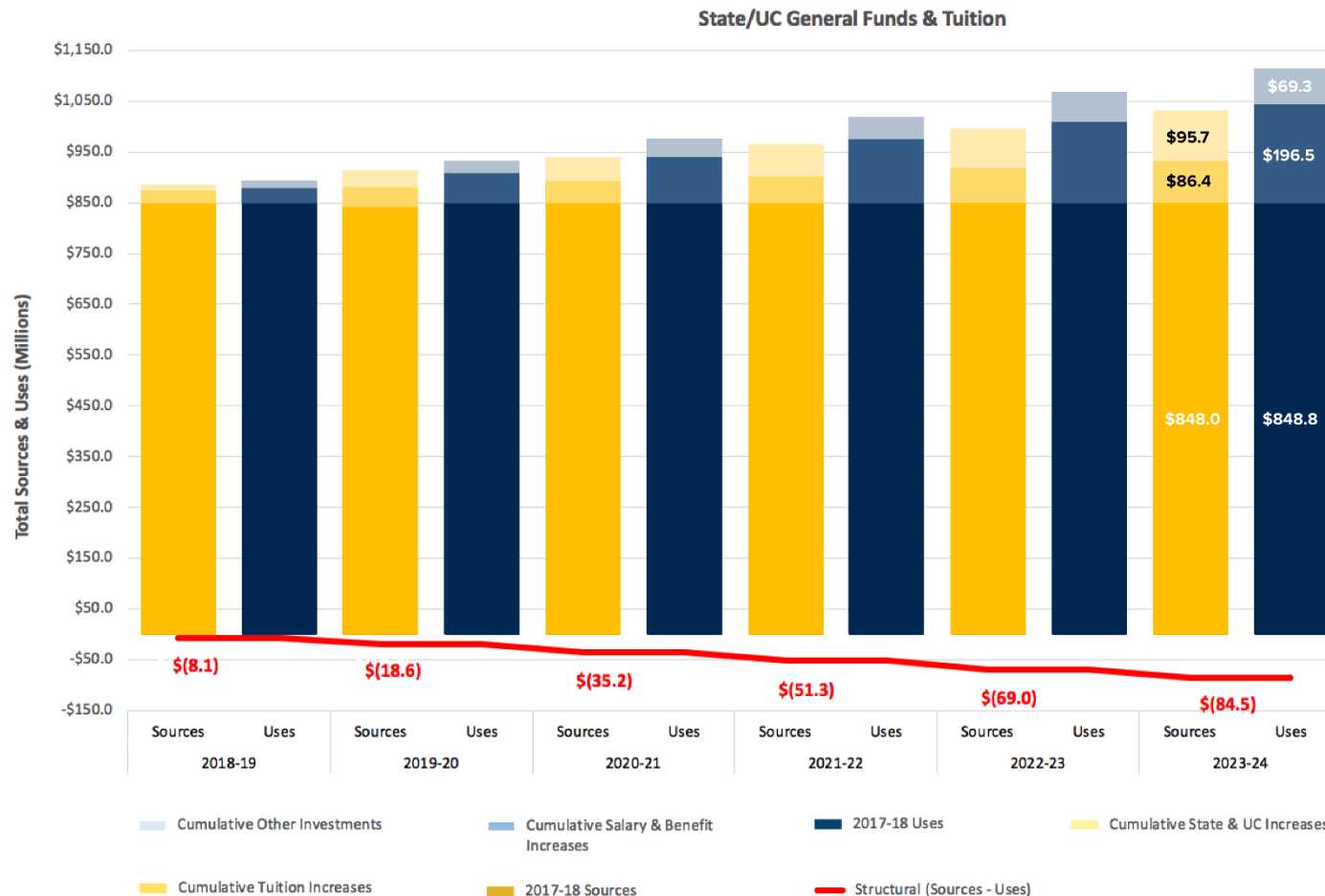
- Sustain a balanced budget
- Maintain a responsible central reserve
- Allow UC Davis to invest in strategic priorities to meet future challenges

The COVID-19 pandemic has created additional stresses on the university's financials, making this effort even more critical than ever.

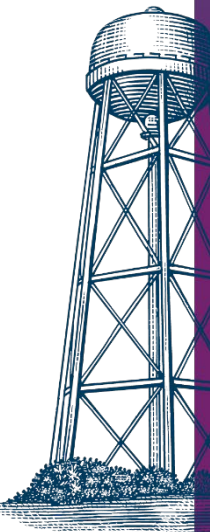


2020-21 Facing a New Fiscal Reality

Estimated Core Funds Structural Deficit (pre-pandemic)



- Expenditures on state funds and tuition sources outpace revenue.
- Sources estimated to increase \$182M (21% compared to 2017-18) over this period.
- Uses projected to increase \$266M (31% compared to 2017-18) over this period.
- The structural deficit (red line) is estimated to grow to \$84.5M by 2023-24, roughly 8% of the projected 2023-24 Uses.



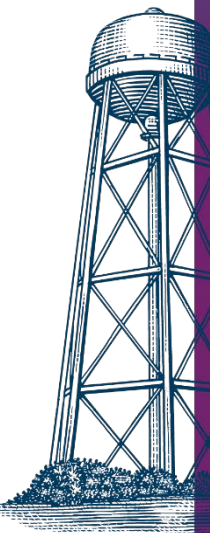
2020-21 Facing a New Fiscal Reality

Approach

We must critically evaluate and innovate our practices around resource generation and utilization by:

- Looking for opportunities to grow net revenue from new sources
- Striving for improved processes to achieve operational efficiencies
- Aligning our expenditures with our priorities and leveraging all sources to support our mission

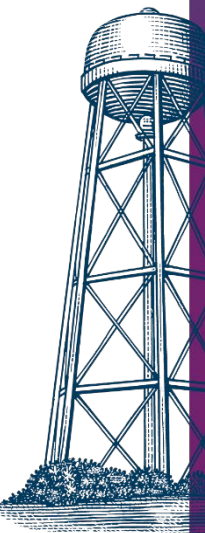
Established Budget Framework [Advisory Committee](#) to provide feedback and guidance on approach.



2020-21 Facing a New Fiscal Reality

Established Key Principles to Guide Multi-Year Plan, including:

- Our commitment to students' success and experience will not be compromised.
- The good of the university as a whole will drive decisions.
- Administration and faculty have a shared responsibility and accountability to support responsible fiscal management.
- We will continue to make progress on the strategic plan goals identified in "To Boldly Go."



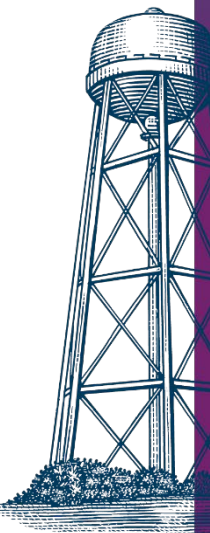
2020-21 Facing a New Fiscal Reality

■ Established Unit & Campus Savings Targets

- \$25 million in Centrally Identified Actions over 5 years
- Phase 1 Targets to Units: \$45 million over 5 years
- Phase 2 Targets planned to be allocated in fiscal year 2021-22 to address remaining need.

<i>in thousands</i>	Academic Units		Admin Units	Total
January 1, 2020 Base Budget (19900) Dollars	\$	606,000	234,000	840,000
January 1, 2020 Base Budget (19900) % of Total		72%	28%	
All Fund Expenditures*	\$	1,662,00	641,000	2,303,000
All Fund Expenditures % of Total		72%	28%	
Unit Targets Dollars (Phase I)	\$	26,000	19,000	45,000
5-Year Target as % of Total Unit Targets (Phase I)		58%	42%	

**excludes Medical Center*

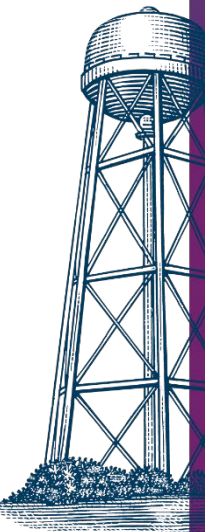


2020-21 Facing a New Fiscal Reality



Plans Include:

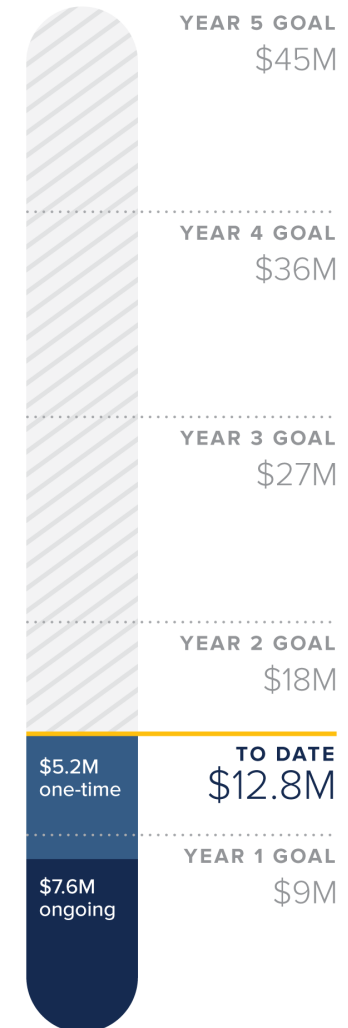
- Net revenue generation
- Realigning costs to other appropriate fund sources
- Targeted program reductions
- Streamlining and efficiencies
- Limited-term bridging and cost containment strategies—however ultimately savings must be ongoing



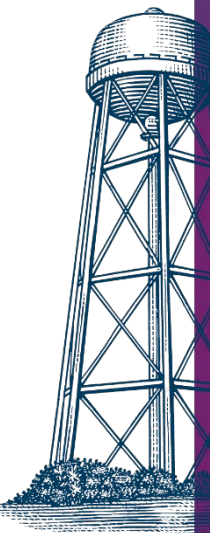
2020-21 Facing a New Fiscal Reality

Change in Estimated State Funds & Tuition Budget Deficit as of July, 2020

	2020-21 Planning	
Anticipated Deficit at Budget Framework (February 2020)	\$	(25,900)
<i>Changes to Sources</i>		
Eliminate State Budget Increase in Governor's Budget	\$	(16,900)
State Budget Reductions without Restoration	\$	(45,000)
<i>Changes in Uses</i>		
Savings from Change in UCRP Rate 2.42% → 1.36%	\$	4,600
Savings from No Non-Rep Merit in FY21	\$	6,300
Savings from No Faculty Range in FY21	\$	13,530
Current Estimated Deficit	\$	(63,370)

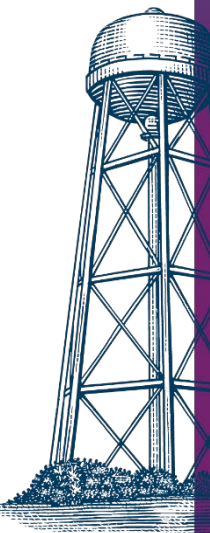


Unit Savings Planned
as of June 2020



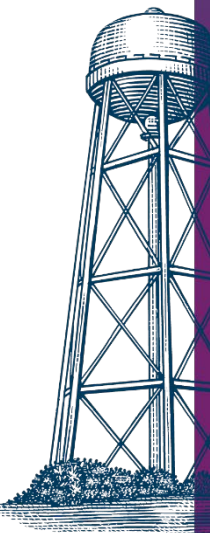
New Risks & Uncertainty

- UC Davis has experienced \$155M in pandemic-related losses and increased expense March-August 2020.
 - \$60M on the Davis Campus & Schools of Health
 - \$95M at the Medical Center
- Additional costs will be incurred to support new pandemic-related response activities in Fall quarter.
- Continued revenue losses expected, especially in housing
- Risk to enrollment of both new and continuing students resulting in lost tuition revenue.
- Risk to research funding and activities.
- Risk for additional state budget reductions.



New Risks & Uncertainty

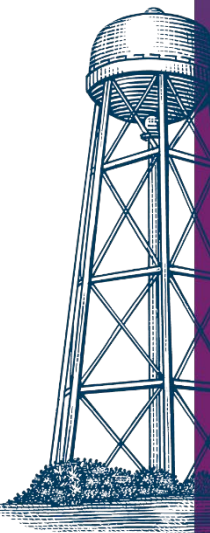
- Working on Pandemic Mitigation Plan to leverage all available internal and external sources on a limited-term, for example:
 - Federal CARES Act Funding, additional relief if made available
 - Federal FEMA Funds, based on eligibility requirements
 - Support for COVID-Impacted Research
 - Accessing Market Returns on Cash Investments
 - Access to Working Capital Debt and Internal Borrowing
 - Savings and Cost Mitigation Campuswide
- Will require a shared multi-year approach
- Must continue to make progress on the core fund structural deficit



2020-21 & Beyond: Facing a New Fiscal Reality Together

Committed to a Collaborative Process

- Principles will guide process and decisions
- Will work with Deans, Vice Chancellors, Academic Senate, and Budget Framework Advisory Committee to identify options and approaches
- Adjustments will take place over multiple years
- Will require shared sacrifice
- 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
- Will draw on the ideas and creativity of the whole campus



Investing in Our Goals

2020-21: New Allocations and Increased Set-Asides by Strategic Plan Goal

in thousands

Strategic Plan Goal		Base	One-Time
Goal 1: Educational Experience	\$	4,724	5,524
Goal 2: Research	\$	1,528	2,055
Goal 3: Diversity, Equity, Inclusion	\$	550	89
Goal 4: Visibility and Impact	\$		826
Goal 5: Innovation and Entrepreneurship	\$		299
Infrastructure and Other	\$	9,377	434
Total Incremental Investment Decisions	\$	16,179	9,227

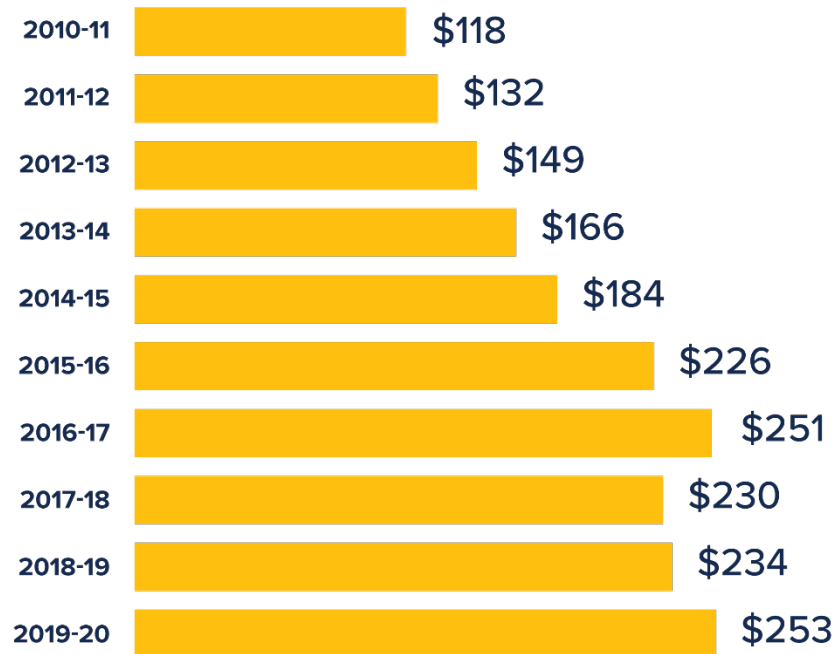
- Increase of \$4.7M, for a total of \$6M to improve student outcomes and ensure equitable outcomes for all students.
- \$1M set-aside to support new faculty positions.
- Increase of \$6.3M for capital and facility needs. \$3M earmarked for research space.
- The annual budget allocation letter with details on all allocations is available [here](#).



Fundraising

Fundraising Totals 2010-2020

dollars in millions

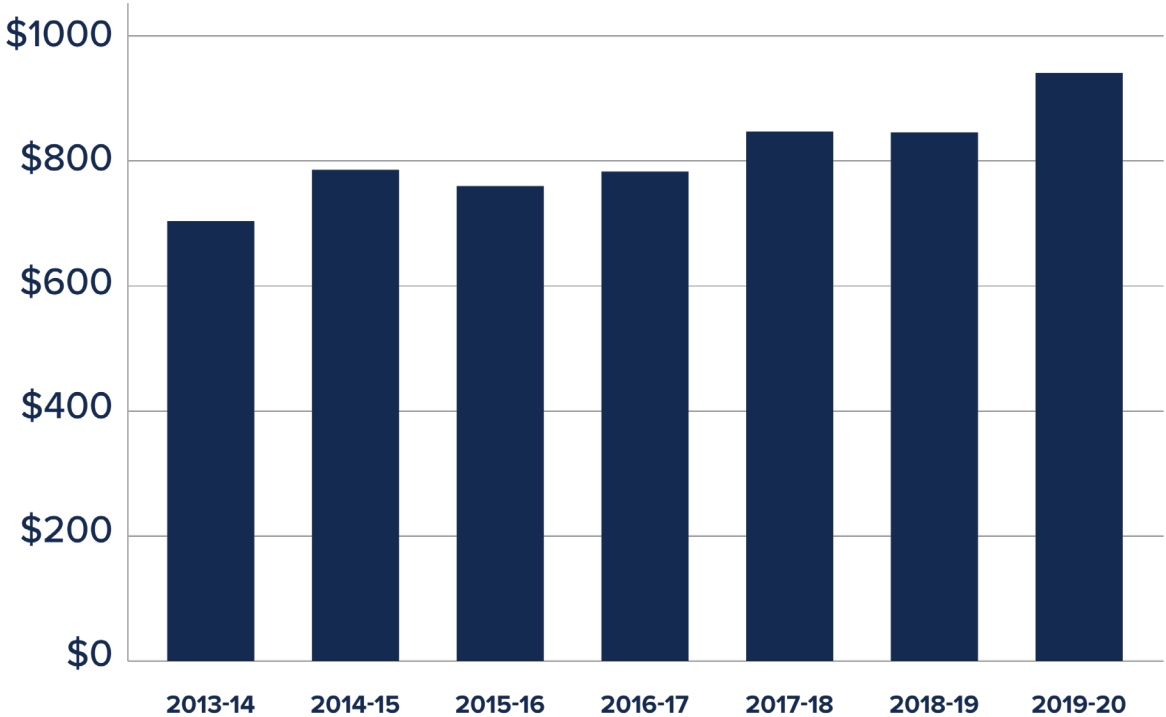


- Record **\$253 million** raised in 2019-20, surpassing last year's fundraising total by \$19 million
- Ending the campaign's "Quiet Phase" with public launch on **10/10/20**
- Goal: **\$2 billion** over 8 years, with 25% of revenues to endowment
- **\$1.13 billion** raised at midpoint of Campaign (6/30/20)
- Role of Chairs and Faculty



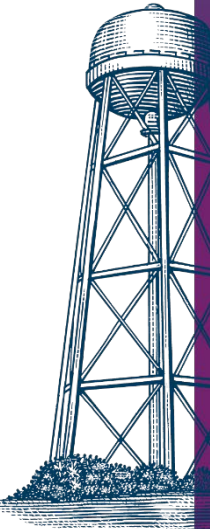
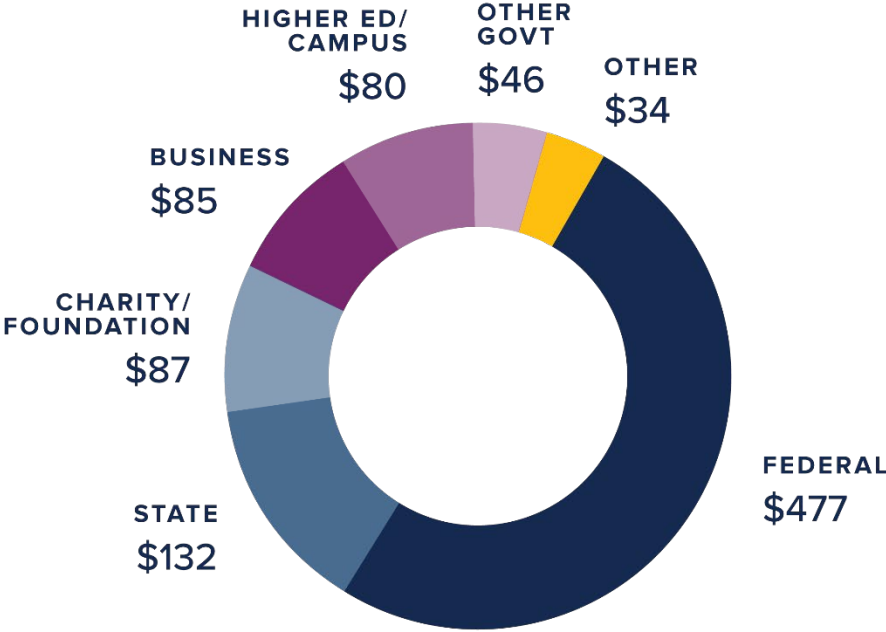
Annual Research Funding Totals

dollars in millions



Funding Sources 2019-20

dollars in millions

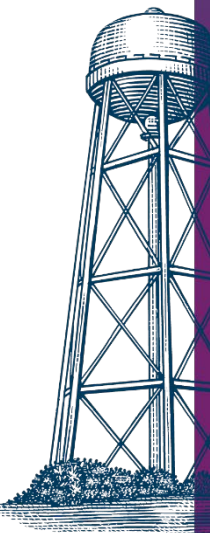
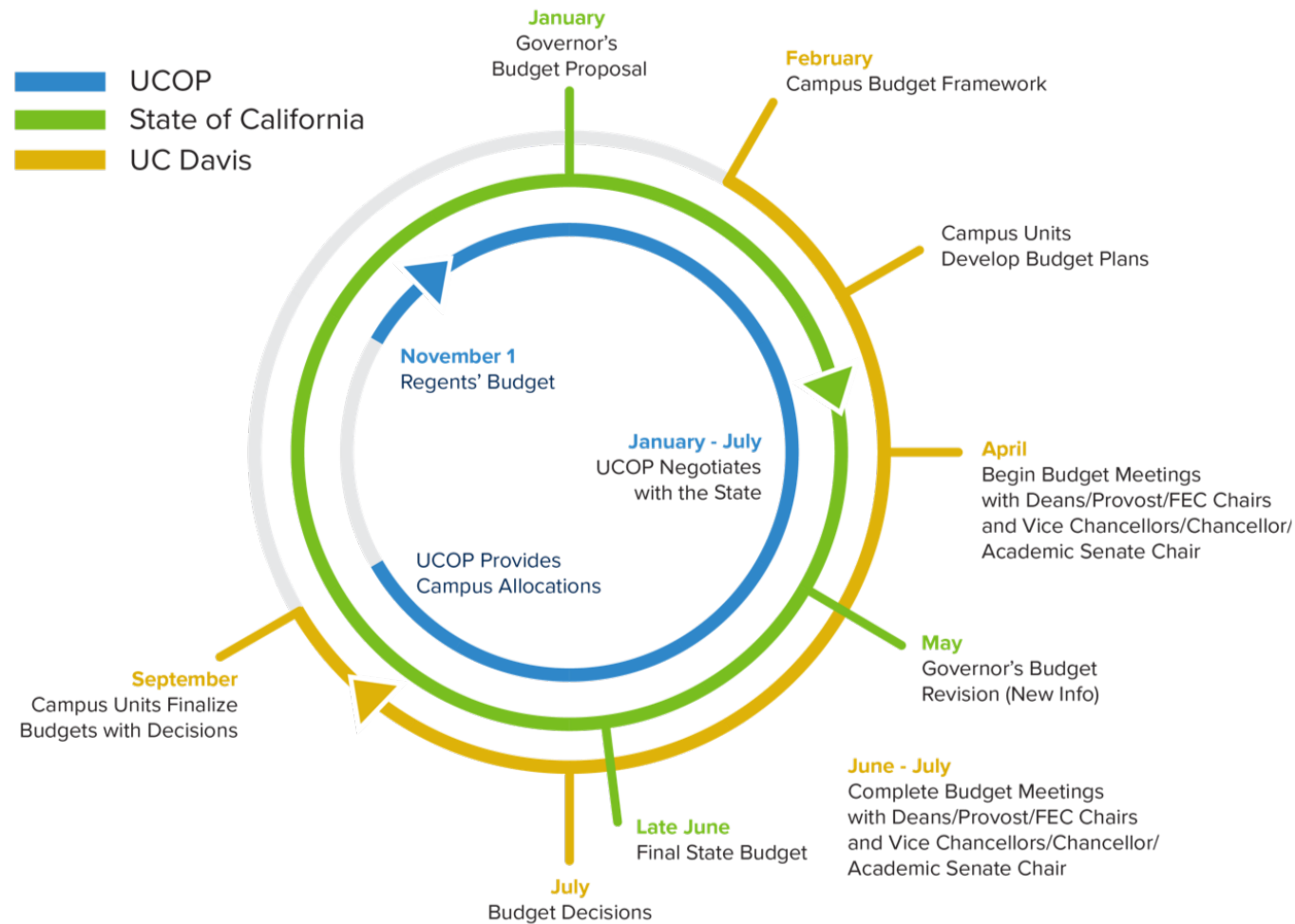


A high-angle photograph of a modern interior space, likely a library or study area. The room features large, multi-paned windows that look out onto a courtyard with a paved area and some greenery. The floor is made of large, light-colored tiles. In the foreground, two people are seated at two separate wooden tables with dark green tablecloths. The person on the left is wearing a dark jacket and is looking at a laptop. The person on the right is wearing a blue jacket and is looking at a tablet. Various items like bags, papers, and a small cup are on the tables. The overall atmosphere is bright and airy due to the natural light from the windows.

The Budget Process

Development of Annual
Spending Plan and Internal
Incremental Decisions

Budget Planning Cycle



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



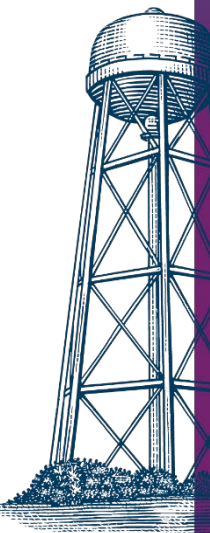
What is a Budget?

- 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



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)



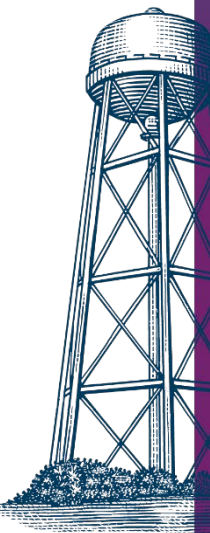
Chair's Role in Budget Development

- 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.
- Consider the role of carryforward funds: balance savings and investing in mission.



Chair's Role in Budget Development

- 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.
- As a result of recent incidences of fraud, Departmental CAOs now have official reporting relationships with the Dean's Office.
- This change allows Chairs to focus more on academic responsibilities and receive greater support from finance and administrative experts in 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

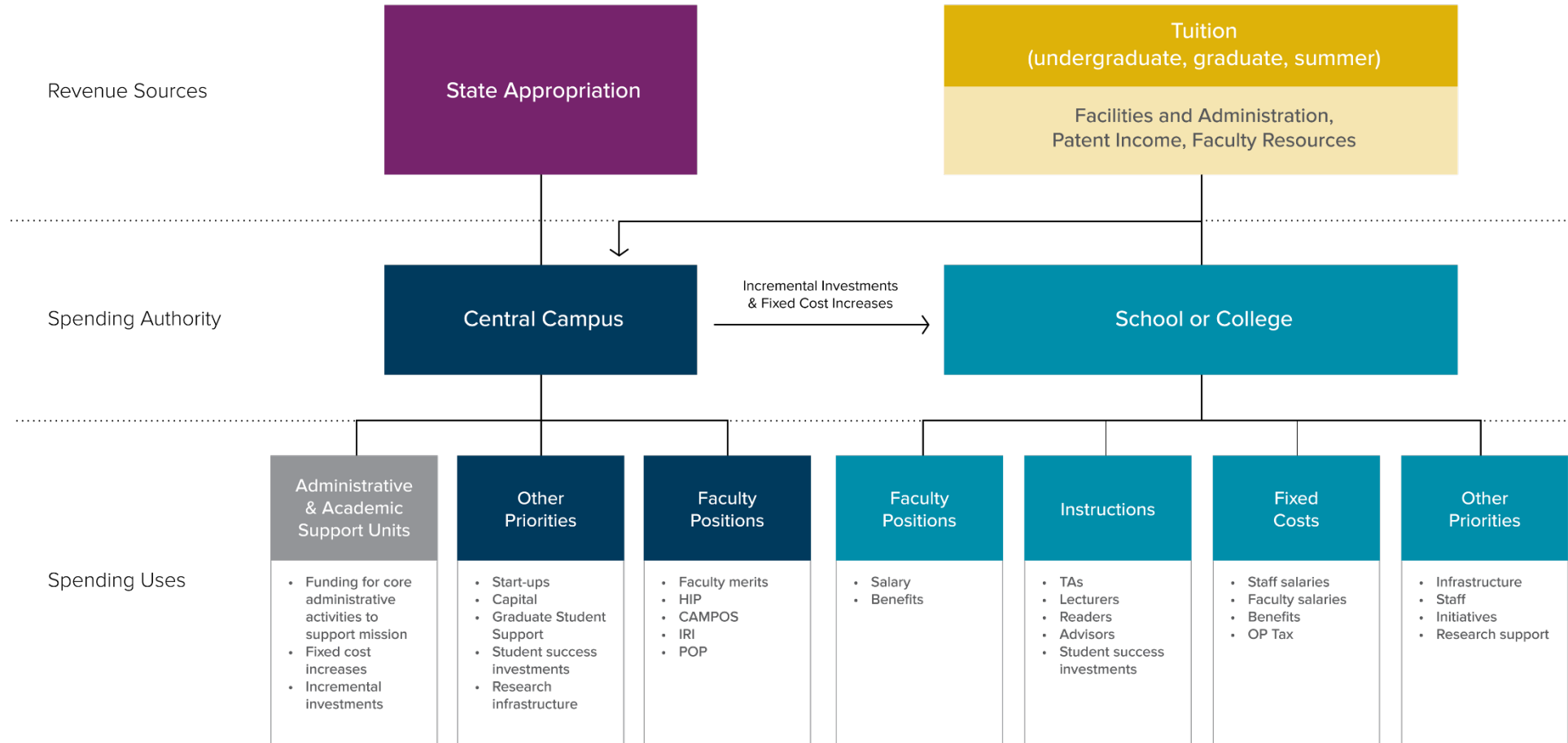




The Budget Model

**Formula-Based Allocations
(Specific Revenue Streams)**

Source, Authority & Use



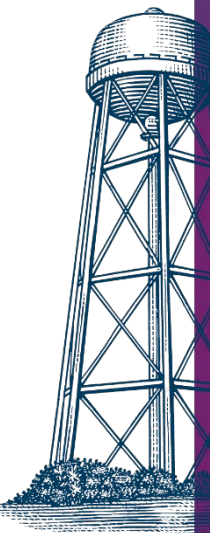
Budget Model: Overview

Key Principals

- 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



Budget Model

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

Initial budget model was built for a different time: growth & need to distribute workload

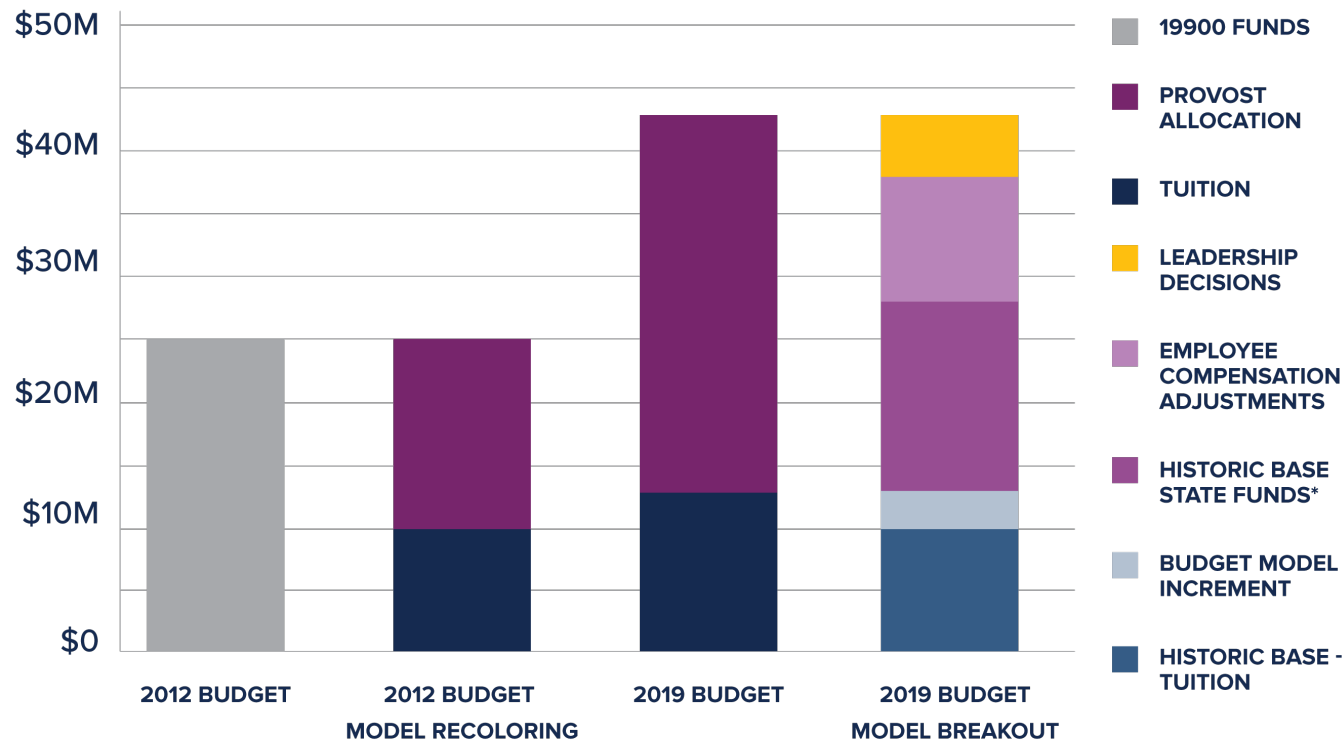
- Subsequently imposed national/international enrollment cap lowered planned revenue growth and substantial growth of the 2020 Initiative has passed
- Although campus goals have refocused in the most recent strategic plan and the budget model needs to reflect those priorities, aligning workload and revenue remains important

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 and incentives will shift



Budget Model: Changes Implemented



**includes campus share of the tuition revenue pool*

Clarification and reframing of “Provost Allocation”

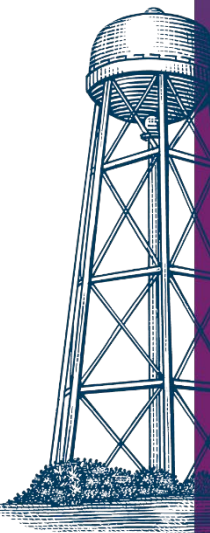
- Components of “Provost Allocation”
 - Historic base as of 2012 budget model implementation – State funds and share of tuition
 - Funds for employee compensation adjustments
 - Leadership decisions
- Components of Undergraduate Tuition
 - Historic base as of 2012 budget model implementation
 - Incremental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



Budget Model: Changes Implemented

Undergraduate Tuition Revenue (UGTR) Model

- UGTR has historically distributed undergraduate tuition and NRST revenue on a workload basis, which was critical in our time of growth.
- With that growth past and with the campus' interest in focusing on student success, starting with 2020-21 allocations (made in June 2020), the UGTR received through 2019-20 continues to be allocated on a workload basis, while any growth is allocated centrally to be used for student success initiatives.
- The new approach allows the campus to continue to align resources with workload, but creates a pool of new revenue to be used for priorities identified in the campus strategic plan.
- A number of student success initiatives, both central and in the academic and administrative units, are in the pilot stage now or have received initial investment from the central campus.
- An approach for additional investments from this pool is under development. Enrollment risk due to COVID may reduce this available pool in the short-term.



Facilitating interdisciplinary research in the F&A Cost Recovery model

- Currently, F&A cost recovery funds flow only to the Units where the research is conducted, referred to as the “administrative home” of the contract or grant.
- Under the current budget model, Units do not receive “credit” for F&A generated by faculty who participate in research centers outside their primary school or college.
- The Office of Research and BIA are soliciting feedback on a ***proposal to also allocate F&A to the primary school or college of faculty that support research centers.***
- This would increase the share of funding allocated to units
- An implementation decision on this change is expected this year, with potential implementation for allocations made in fiscal year 2021-22 based on F&A generated in fiscal year 2020-21.

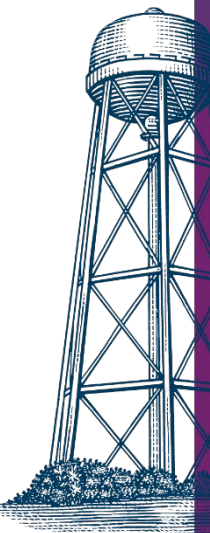


Analyses Underway

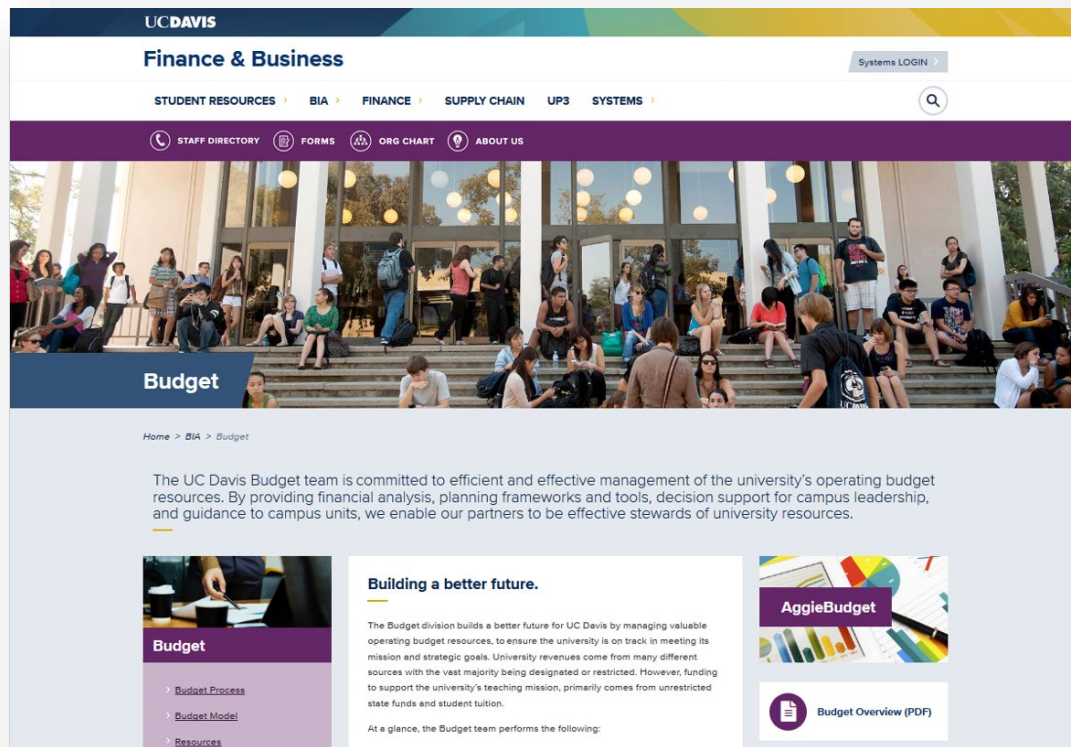
Model		Level	Share to Central Campus	Share to Deans	Share to Programs (via OGS)
	Tuition	Masters	67% (including Return to Aid)	33%	0%
		PhD	67% (including Return to Aid)	33%	0%
	NRST	Masters	50%	0%	50%
		PhD	100%	0%	0%
MEIP	Tuition	Masters	10%	40%	50% (return to aid)
	NRST	Masters	20%	80%	0%

Graduate Tuition Revenue (GRTR) Model:

- The “graduate model” is made up of the Graduate Tuition Revenue (GRTR) model and the Master’s Enrollment Incentive Program (MEIP), which are two models for distributing revenue between the central campus, Graduate Studies, and units depending on student level, program participation, and type of revenue.
- Graduate Studies and BIA are currently analyzing options to add a metric for graduate teaching effort into the budget model, and simplifying the model (current state depicted at right)
- The campus could consider changing all academic master’s programs to the MEIP model rather than proceeding on an opt-in basis



Budget & Institutional Analysis Resources



- financeandbusiness.ucdavis.edu/bia/budget
- [2020-21 Budget Framework](#)
- [2020-21 Budget Status and Allocations](#)
- [Budget Planning & Process Info](#)
- [Budget Model](#)
- [Campus Metrics & Data](#)

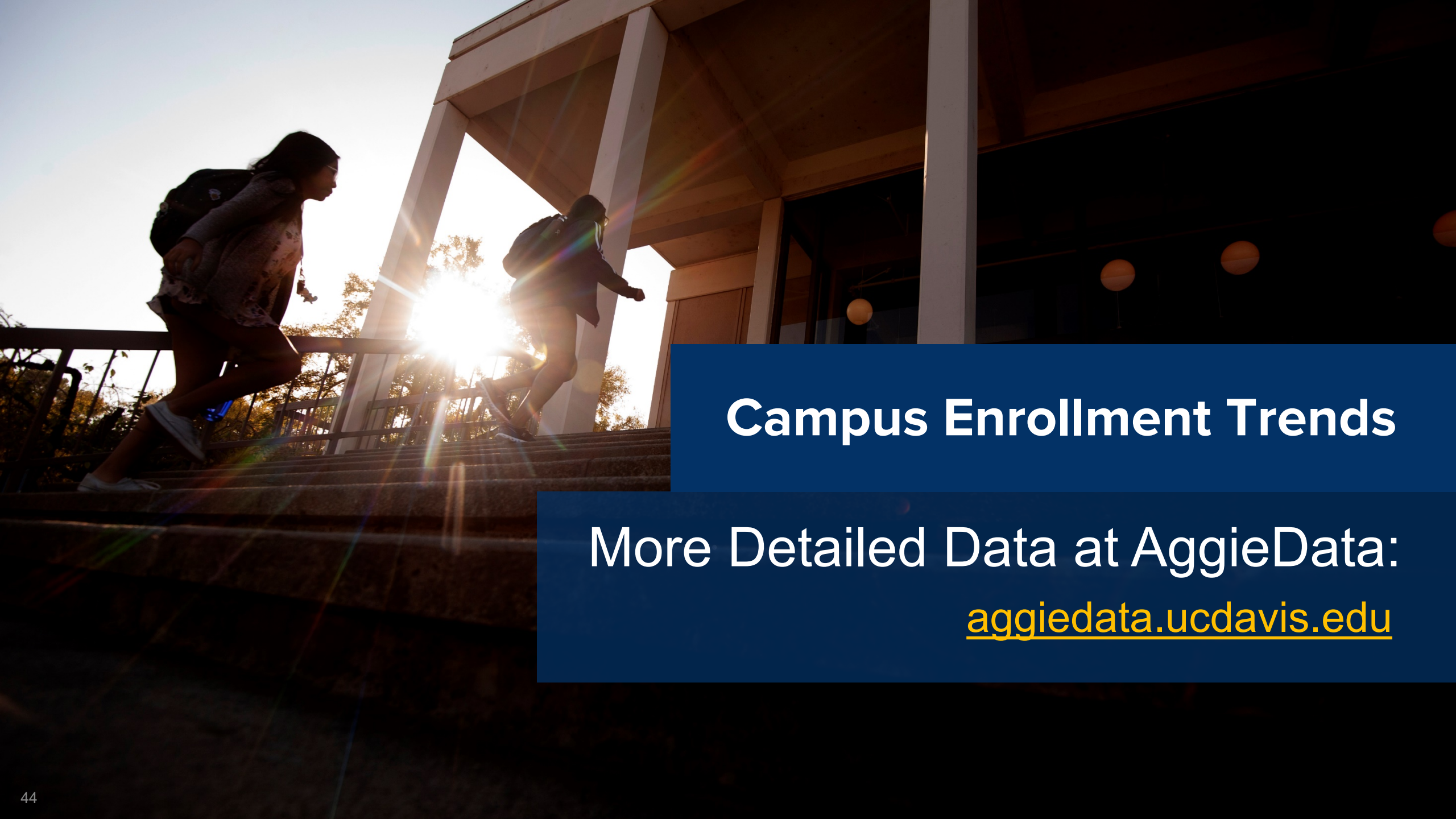


Questions?



Appendix & Resources





Campus Enrollment Trends

More Detailed Data at AggieData:
aggiedata.ucdavis.edu

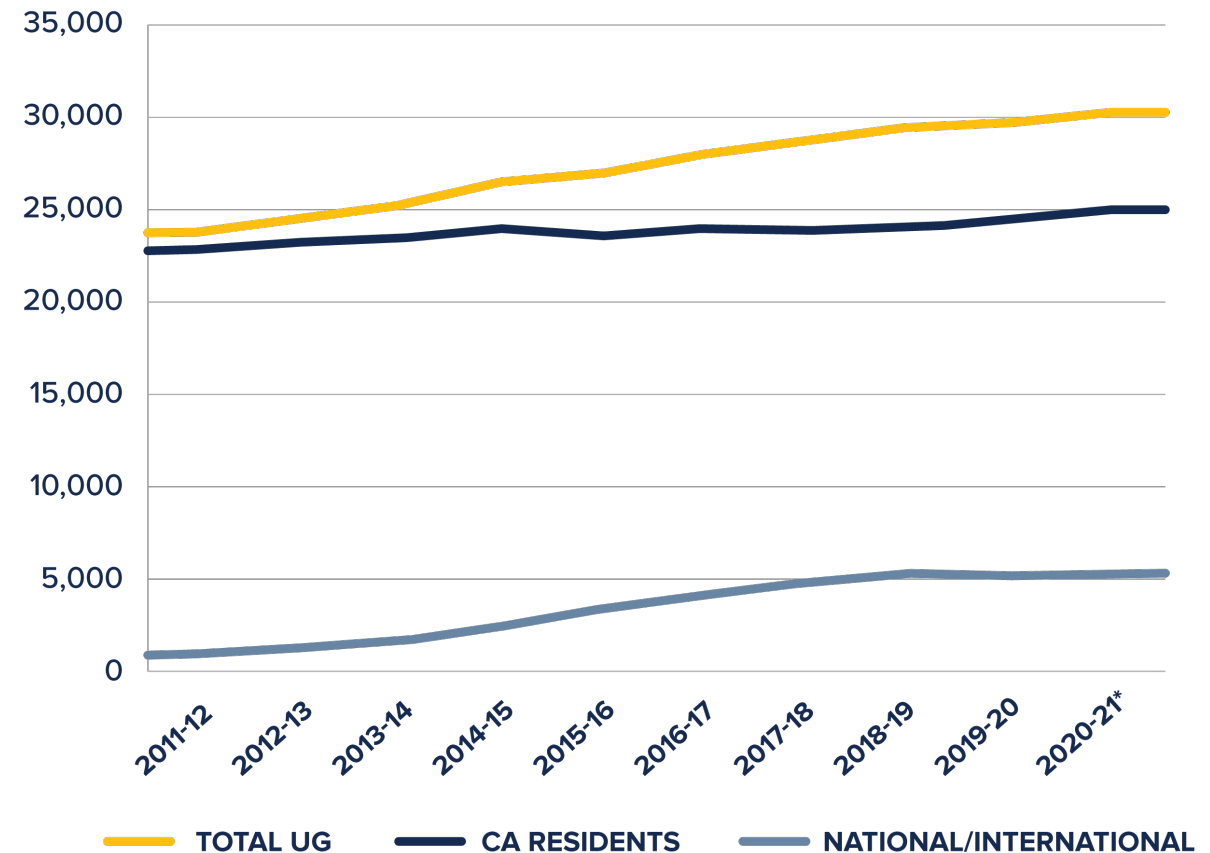
Enrollment Overview

Undergraduate Enrollment:

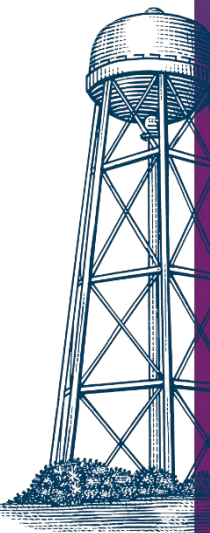
- Total undergraduate enrollment: over **31,000** for fall 2020
- **9,500** (7,600 CA residents) new freshmen and transfer students this fall
- Undergraduate enrollment **increased by almost 5,700** students since 2011-12
- Proportion of national/international students **increased from 4% to 18%**

Undergraduate Enrollment

Three-quarter average enrollment



*estimated



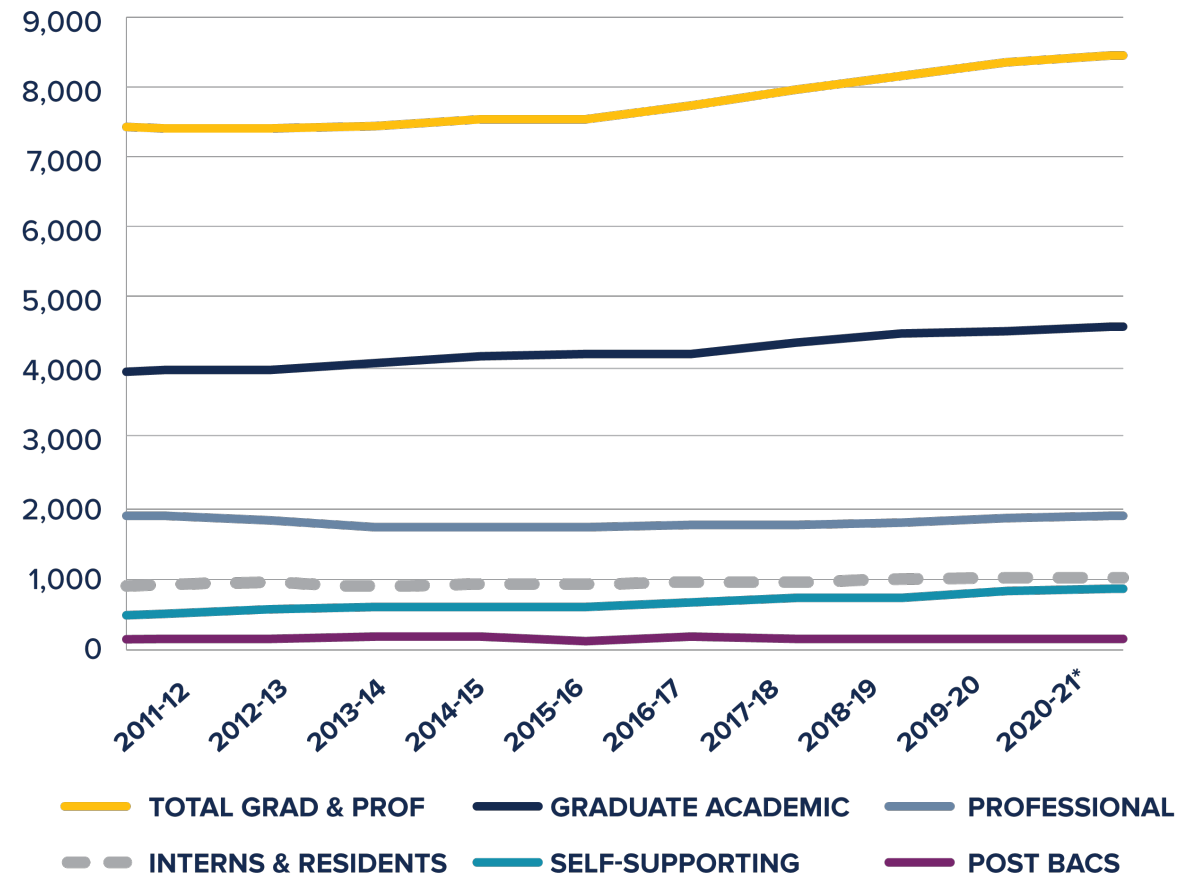
Enrollment Overview

Graduate and Professional Enrollment

- Total graduate enrollment: **7,500**
- Graduate and professional enrollment **increased by 950** students since 2011-12
- Approximately **27%** of graduate and professional students are national/international
- Ratio of Undergraduates to Ph.D. students has **increased from 7.6 to 8.8** since 2011-12

Graduates and Professional Enrollment

Three-quarter average enrollment



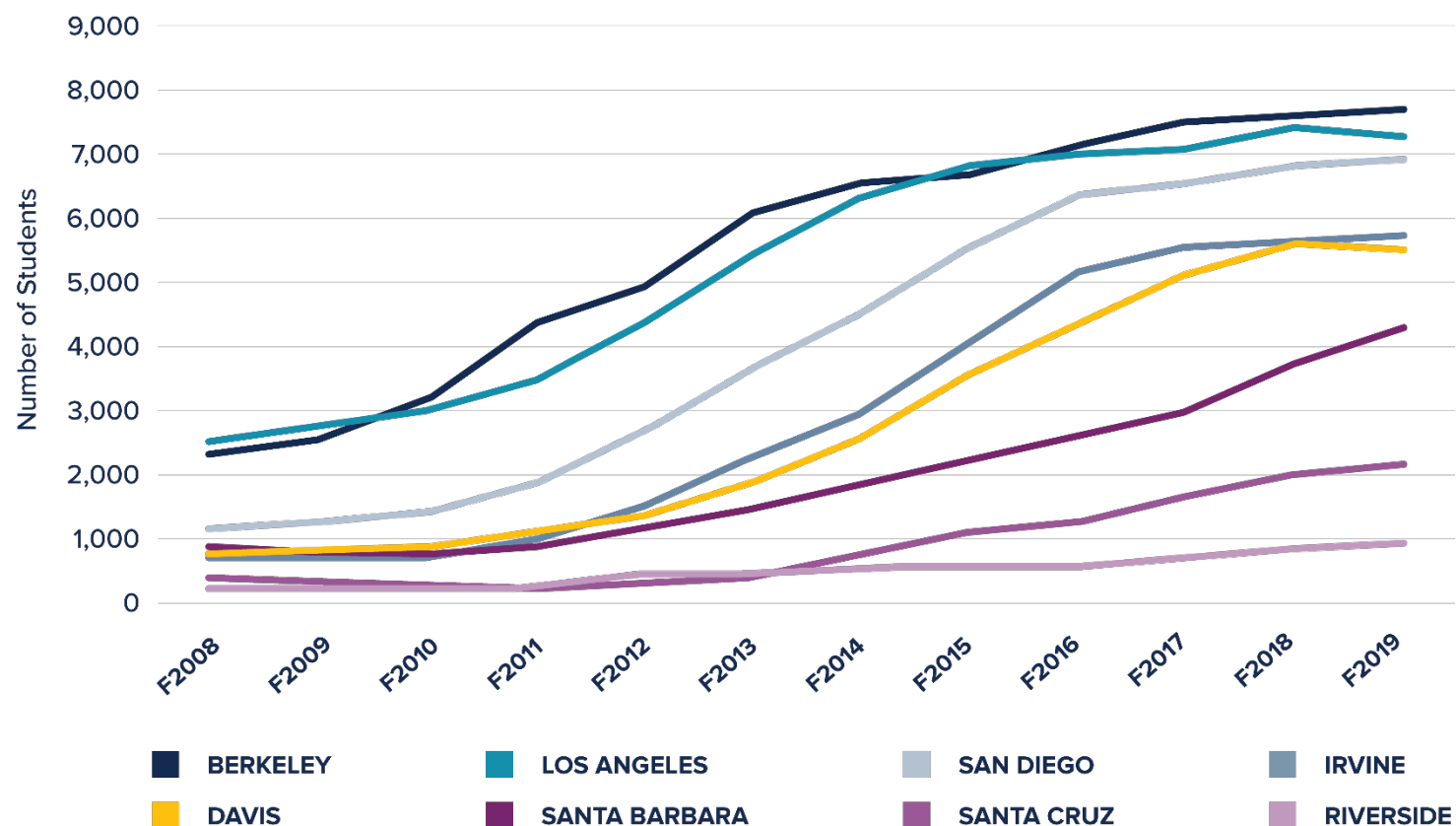
*estimated



National & International Undergraduates

National and International Undergraduates by Campus

excludes UC Merced



Fall 2019 Percent National/International Undergrads

Berkeley	25%
Los Angeles	23%
San Diego	22%
Irvine	19%
Davis	18%
Santa Barbara	18%
Santa Cruz	12%
Riverside	4%





Capital & Facility Investments

➤ More Detailed Data and Information:

dcm.ucdavis.edu/interactive-map

dcm.ucdavis.edu/capital-project-report

dcm.ucdavis.edu/capital-planning

Project Initiation:

dcm.ucdavis.edu/project-initiation

Instructional Space

- New classroom seats recently completed and under construction:
 - Recently completed: California Hall (500 seats); Shields 167 (100 seats)
 - Under construction: Walker Hall (fall 2020, 370 seats); Cruess Hall (spring 2021; 300 seats); Teaching and Learning Complex (spring 2022; 2,000 seats)
- Program to invest \$5 million annually through 2020-21 to renovate and improve technology in general assignment classrooms
- Additional improvements to restrooms, common areas, and other heavily used spaces associated with classrooms
- To date:
 - Renovated ~60 classrooms with a focus on heavily used buildings (Olson, Wellman, and others)
 - 10 technology-only upgrades
 - 19 classrooms in progress (Wellman, Young)
 - 35 classrooms pending renovation
 - Storer 0347, Carlson 60 added to general assignment classroom inventory
- \$1 million per year for enhanced custodial and technology upgrades across all general assignment rooms



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 (under construction)
- Briggs Hall: first floor renovations, roof and electrical improvements (under construction)
- Controlled Environment Facility: new facility for plant growth chambers (completed 2020)
- Cage Wash Facility: completed 2018
- Physical Sciences Library: Seismic retrofit and renovation for Quantum Mathematics and Physics (completed 2020)

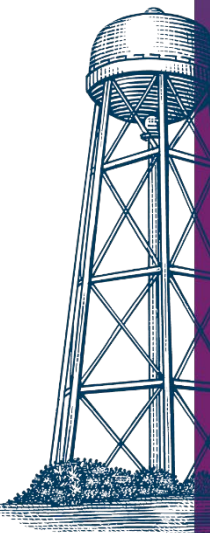
Infrastructure:

- Hot Water Conversion: new heating system for Hutchison-Quad area (under construction)

- Electrical Substation Transformer Addition: reliability and capacity for growth (under construction)
- La Rue Bridge: replacement addresses seismic and capacity (under construction)

Student Life:

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





The Budget Model

More Information at:

financeandbusiness.ucdavis.edu/bia/budget/model