

**UCDAVIS**

Finance and Business

# Budget Overview: 2023 Department Chairs Workshop

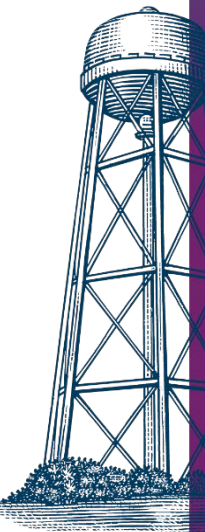
September 13, 2023

*Sarah Mangum, Associate Vice Chancellor, Budget & Institutional Analysis*



# Presentation Topics

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





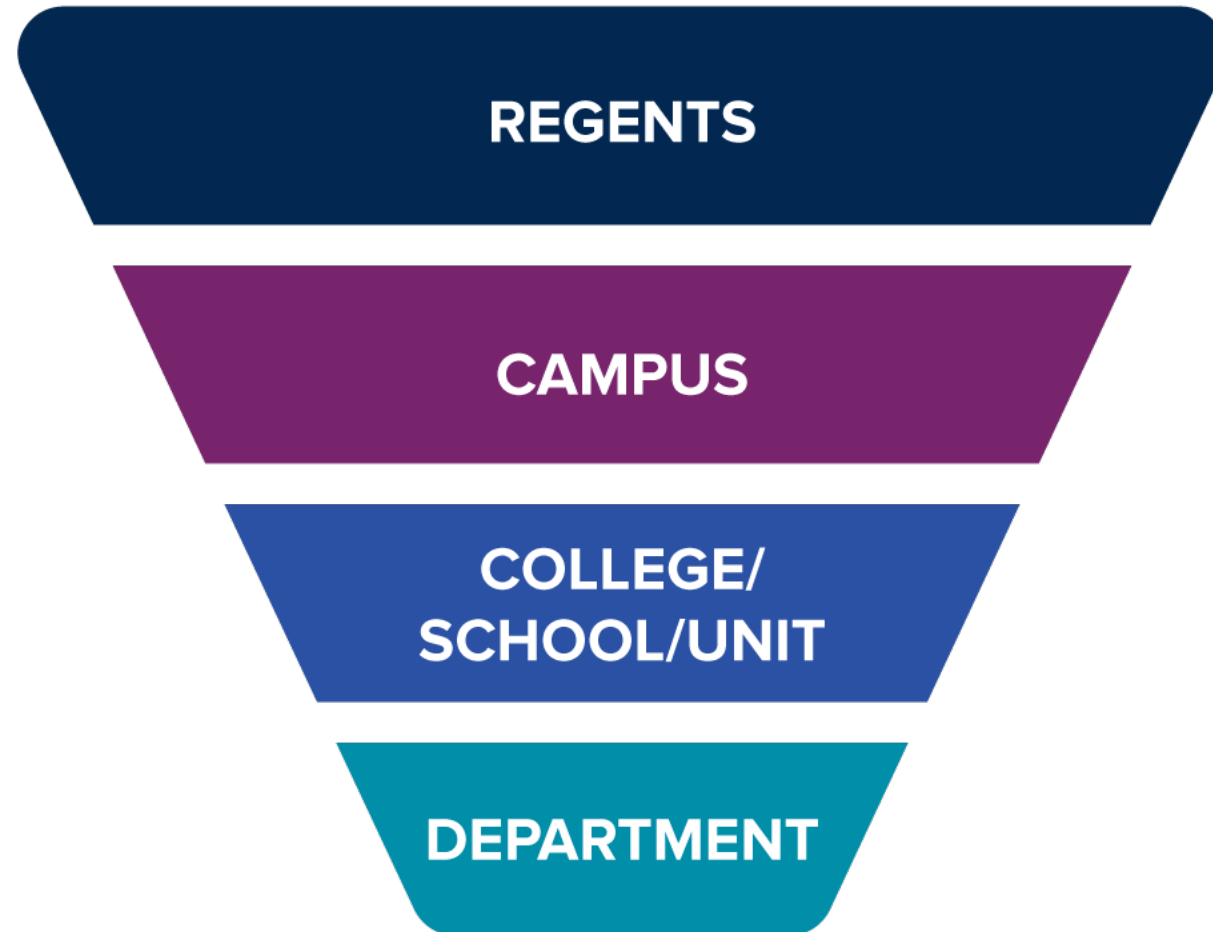
# Budget Planning Process



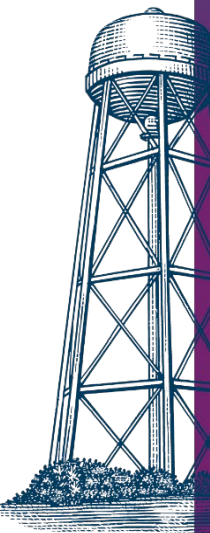


# Budget Planning Levels

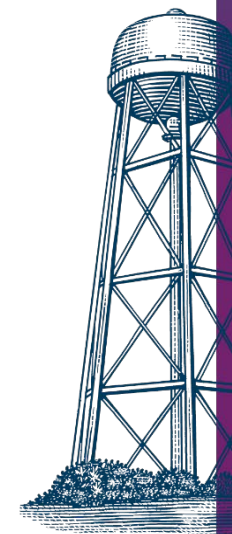
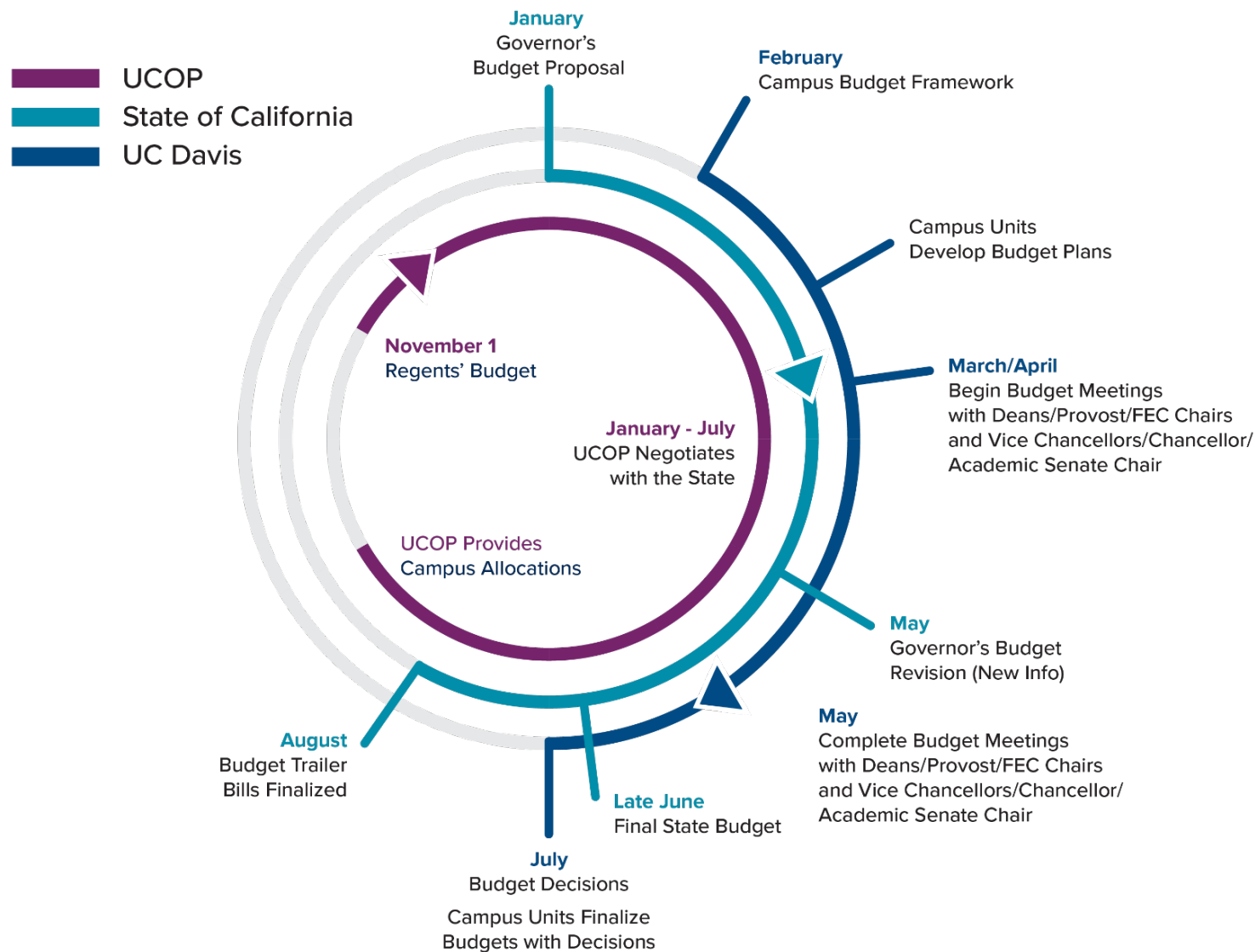
**Planning  
Assumptions &  
Allocations**



**Operational  
Plans**



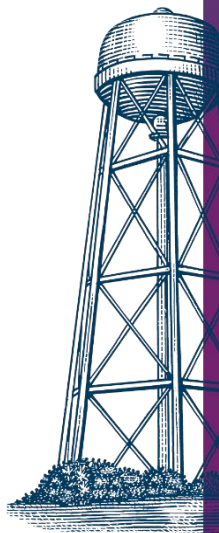
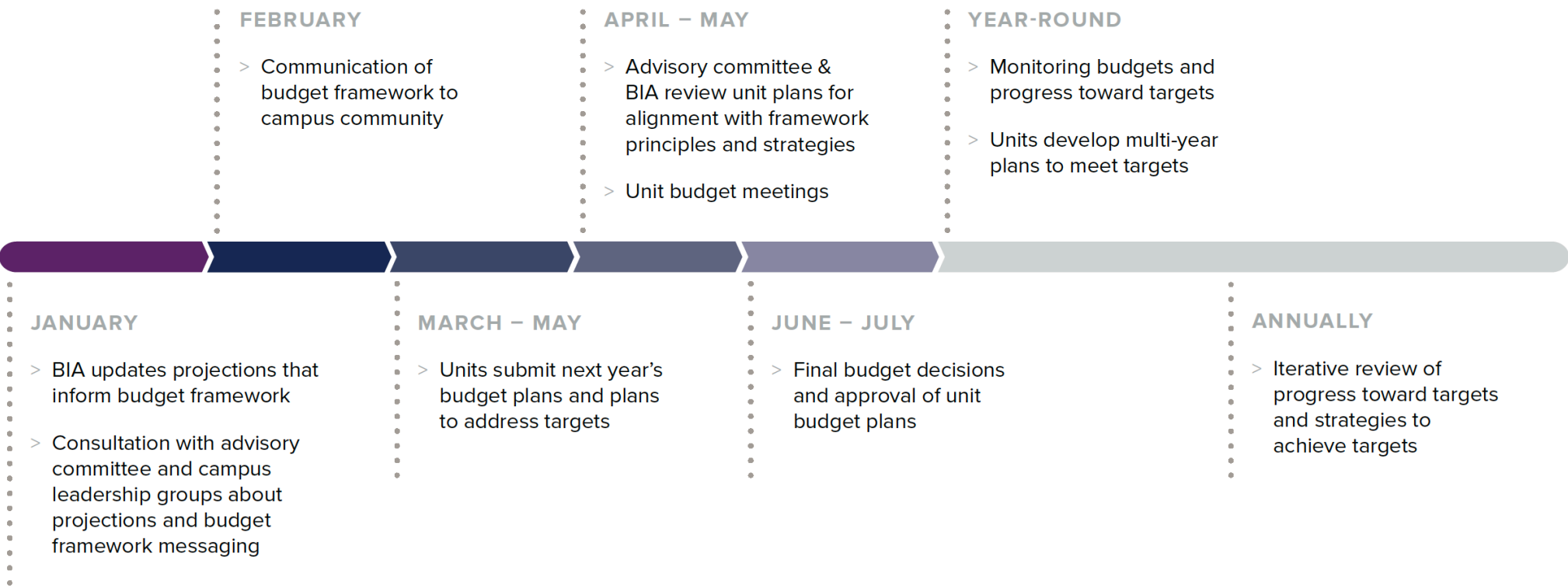
# Budget Planning Cycle



# Budget Process: Campus Timeline

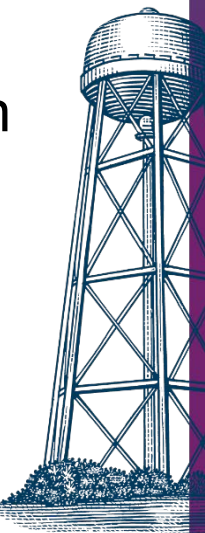
## 2020–2026 Budget Framework Timeline

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.



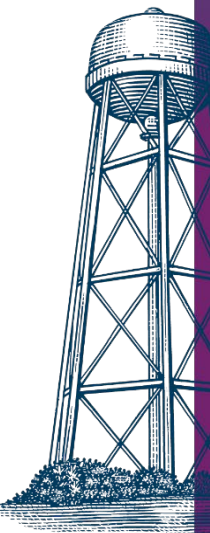
# Chair's Role in Budgeting

- Budgets reflect strategic priorities: [Campus](#), college or school, department.
- Actively participate in your College or School's budget and faculty hiring planning process.
- Understand your College/School expectations around level of financial accountability of chairs.
- Do not allow deficits to develop and participate in the development of deficit recovery plans where needed.
- Consider the role of carryforward funds: Balance reasonable savings and investing in mission.
- Review budget plans and budget to actual reports. Identify the level of flexibility or constraint you have.
- Engage with your Faculty Executive Committee in the budget planning process.



# What Is an Ideal Budget?

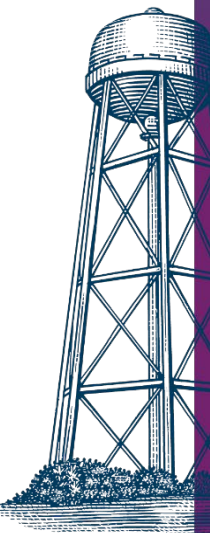
- A PLAN! (not actuals, not allocations, not an account).
- Links strategic priorities to resources.
- Is based on assumptions and drivers informed by data and information.
  - Past data & experience, key cost and revenue drivers.
  - Estimates based on anticipated changes, i.e. salary increases or rate 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.





# How Does Having a Budget Help You?

- Answers the question: Do I have money for that?
- Quantifies resources needed to address programmatic needs and opportunities.
- Supports re-prioritization of resource use when needs change.
- Identifies coming trends and future trade-offs of current decisions.
- Supports scenario planning and analysis.
- Allows evaluation of resource status and opportunity to adjust throughout year.
- Provides confidence in financial decision-making.





# Campus Budget Overview and Challenges

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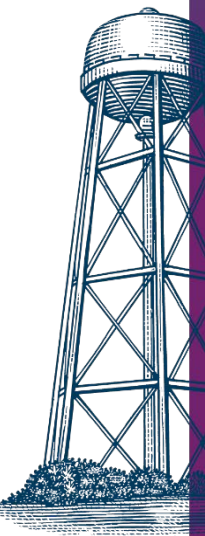
What resources do we have and how do we use them?

Why do we have a core funds deficit?

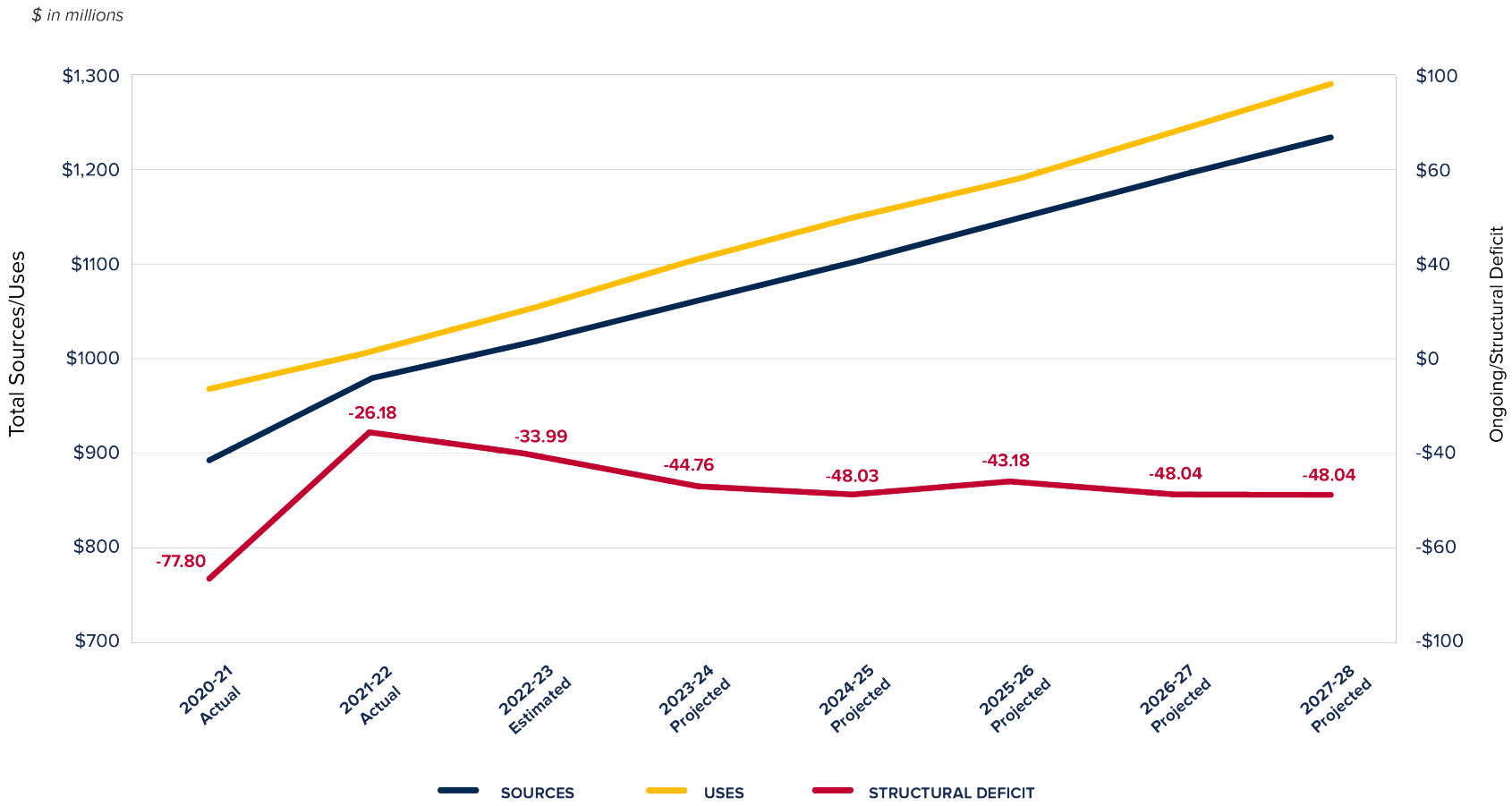


# UC Davis Core Funds Budget Deficit

**UC Davis  
Budget  
Deficit in  
5 Minutes**



# Core Fund Multi-Year Projections



	2020-21 Actual	2021-22 Actual	2022-23 Estimated	2023-24 Projected	2024-25 Projected	2025-26 Projected	2026-27 Projected	2027-28 Projected
Year-End Reserves	-\$31	-\$42	-\$70	-\$49	-\$98	-\$142	-\$190	-\$245

## Estimated Core Funds Structural Deficit

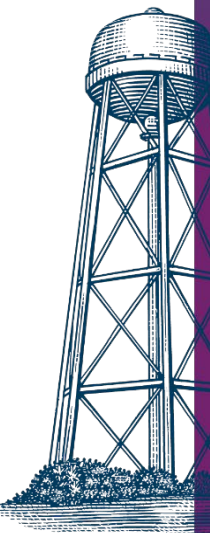
- Context: \$45 million Structural Deficit = 4.3% of FY24 core funds, 0.7% of all funds.
- Expected expenditures on state funds and tuition sources outpace expected revenue.
- Estimates already reflect \$79M in savings targets allocated between 2020-21 and 2025-26.
- Estimates assume annual 5% increases 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

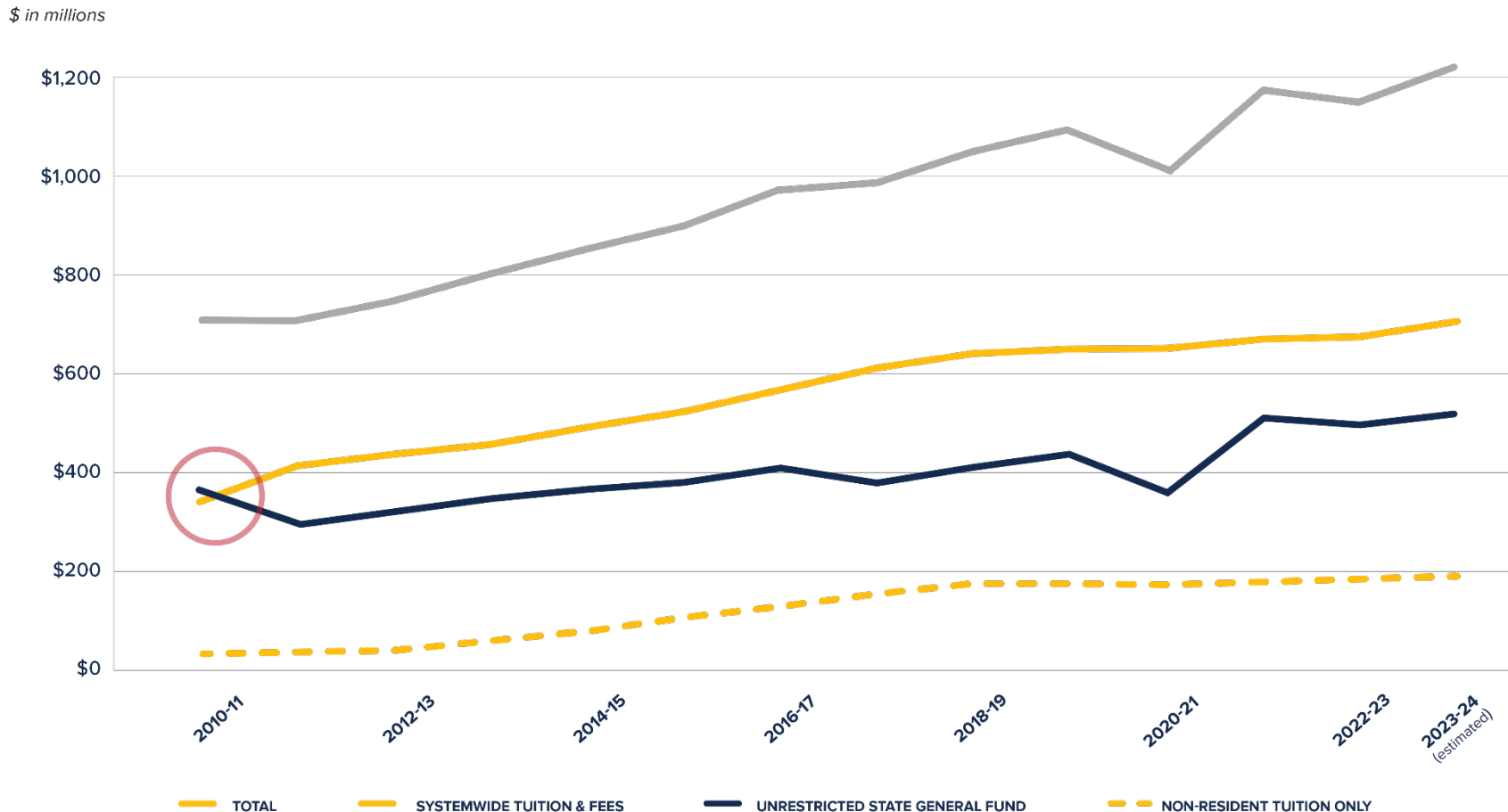
\$ in 000's	2020-21 Actual	2021-22 Actual	2022-23 Actual	2023-24 Estimate
Tuition Revenue Net of Aid	\$1,924	\$11,896	\$395	\$19,392
State Appropriations	\$0	\$24,281	\$30,584	\$22,103
<b>Annual Change in Sources</b>	<b>\$1,924</b>	<b>\$36,177</b>	<b>\$30,979</b>	<b>\$41,496</b>
Ladder Rank Faculty	\$8,371	\$18,520	\$28,104	\$28,200
All Other Faculty & Academic Employees	\$425	\$2,624	\$2,106	\$10,100
Staff	\$6,025	\$13,035	\$17,491	\$17,294
<b>Annual Change in Salary &amp; Benefits</b>	<b>\$14,821</b>	<b>\$34,197</b>	<b>\$47,701</b>	<b>\$55,594</b>
<b>Funding Surplus/ (Shortfall)</b>	<b>(\$12,473)</b>	<b>\$1,980</b>	<b>(\$16,722)</b>	<b>(\$14,098)</b>



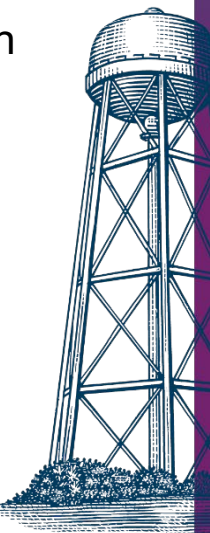
# Core Fund Sources Over Time

## Unrestricted State General Funds vs. Systemwide Student Fees\*

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



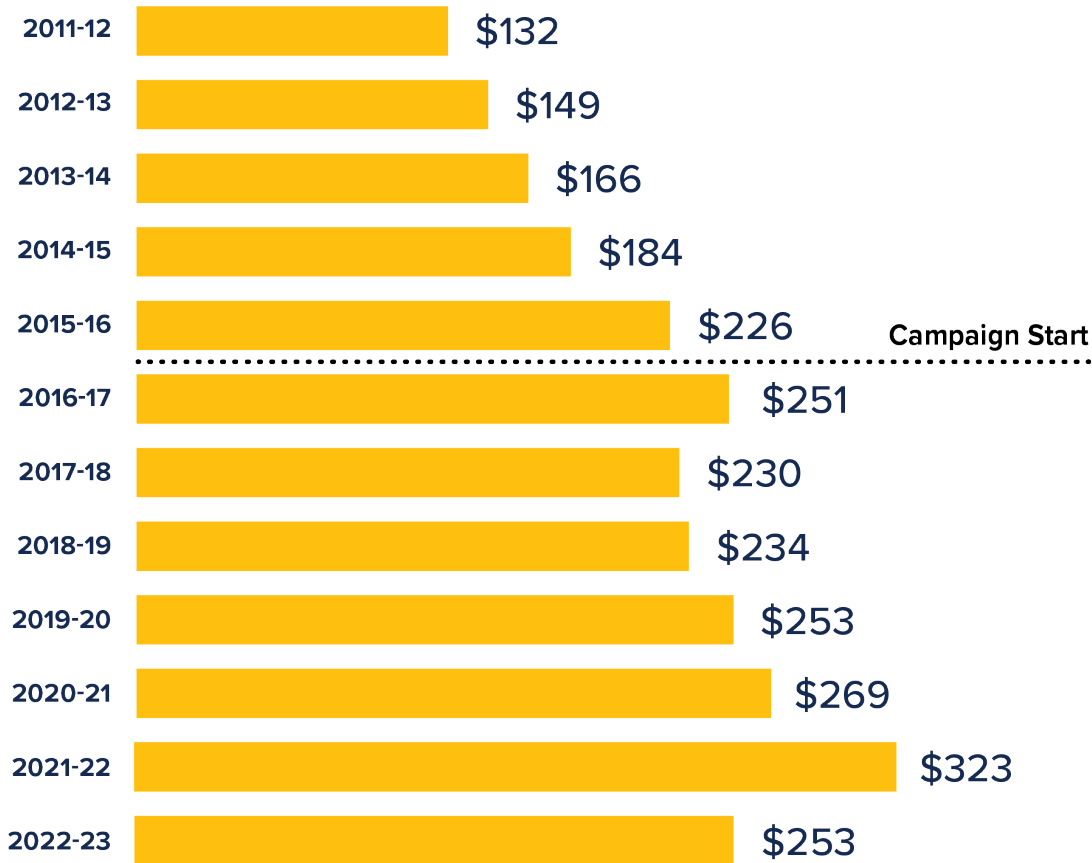
- Since 2010, tuition and fees paid by students and their families have exceeded funding UC Davis received from the State of California.
- Nonresident supplemental tuition revenue has addressed most of this gap over the past 14 years.
- 2020-21 reflects a \$45 million state budget reduction which was restored in 2021-22.



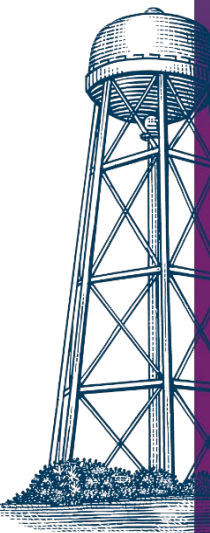
# Fundraising

## Fundraising Totals 2011-2023

*dollars in millions*



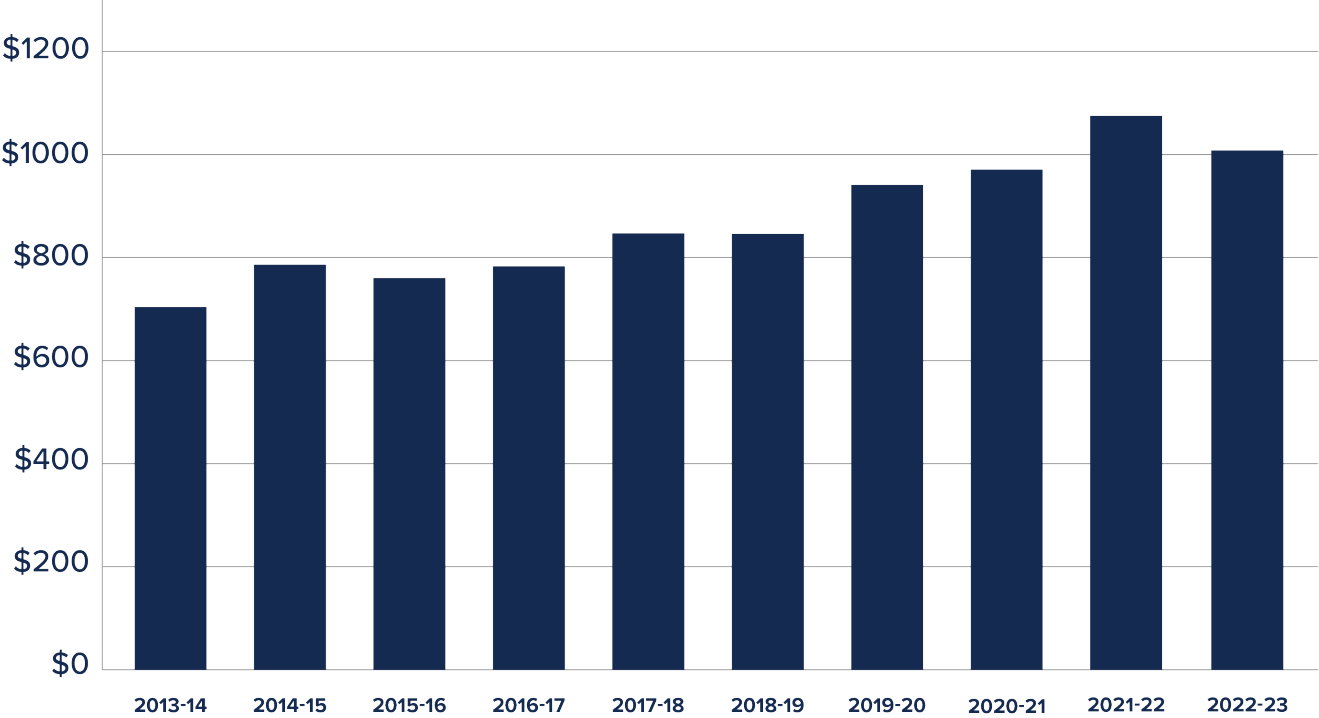
- Fundraising in 2022-23:
  - **\$252.8 million** raised
  - 31,078 donors
  - 56,071 gifts and pledges
- Campaign—Year 7 Complete
  - Goal: **\$2 billion** over 8 years, with 25% of revenues to endowment
  - \$1.96 billion raised from 125,175 donors as of end of 2022-23
  - Of the \$1.96 billion, \$561.6 million (29%) to endowment/quasi endowment



# Research Funding

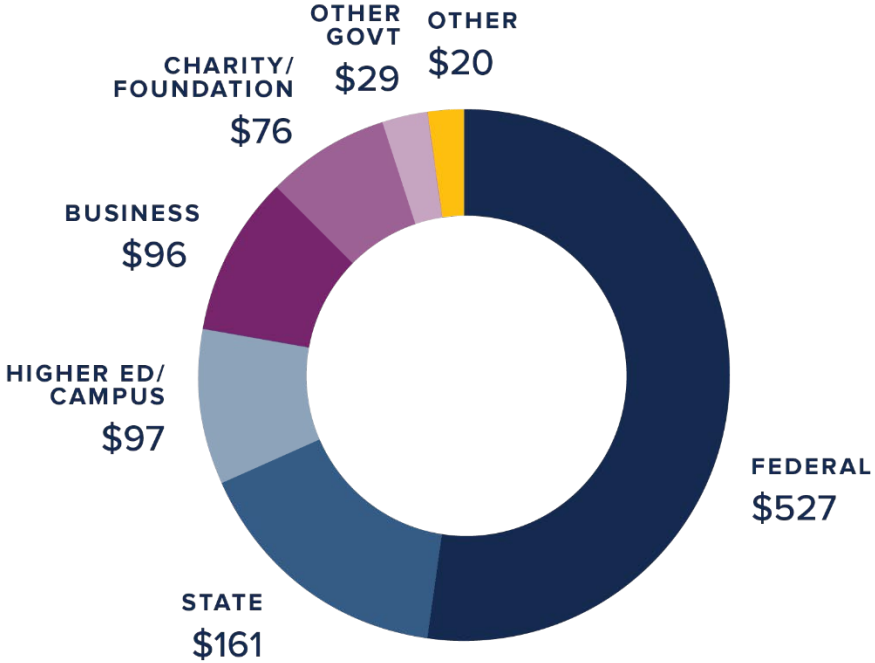
## Annual Research Funding Totals

*dollars in millions*



## Funding Sources 2022-23

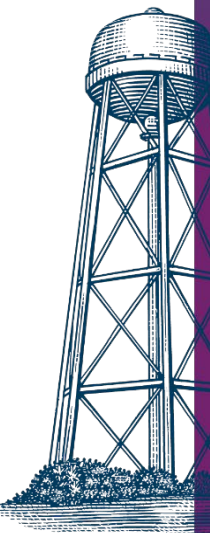
*dollars in millions*





# Funding Compact and UC 2030 Plan

- 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



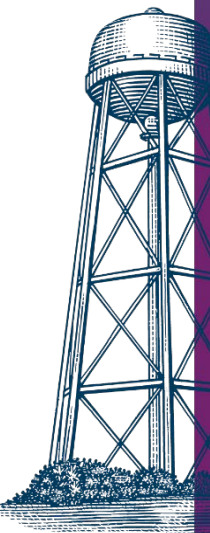
# Enrollment Planning

- 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.



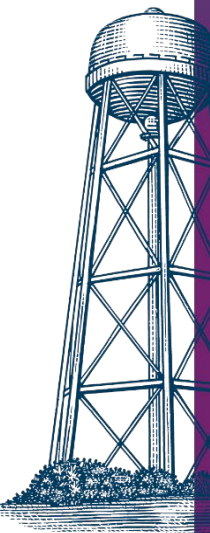
# Enrollment Planning

- 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

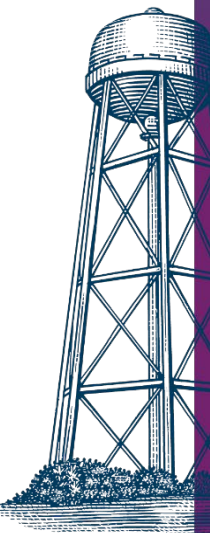
- The State is an inconsistent partner and provides a shrinking share of our core funds. Recent increases in state funding, while helpful, have not been sufficient to cover our increased costs. We need to make progress on Compact goals with the funding provided.
- The state budget does not provide full-funding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





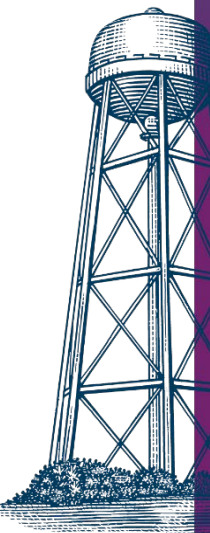
# Meeting the Challenges

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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?

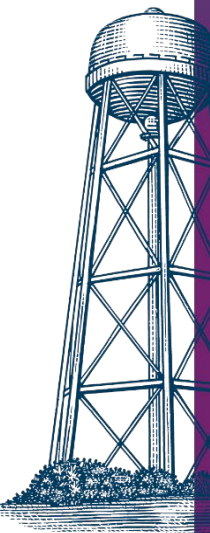
# Initial Actions

- 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.
- 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 excessive carryforward to central campus to address one-time debt and support critical one-time needs.
- Increased focus on unit carryforward use and planning.



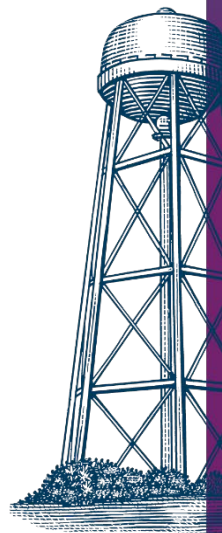
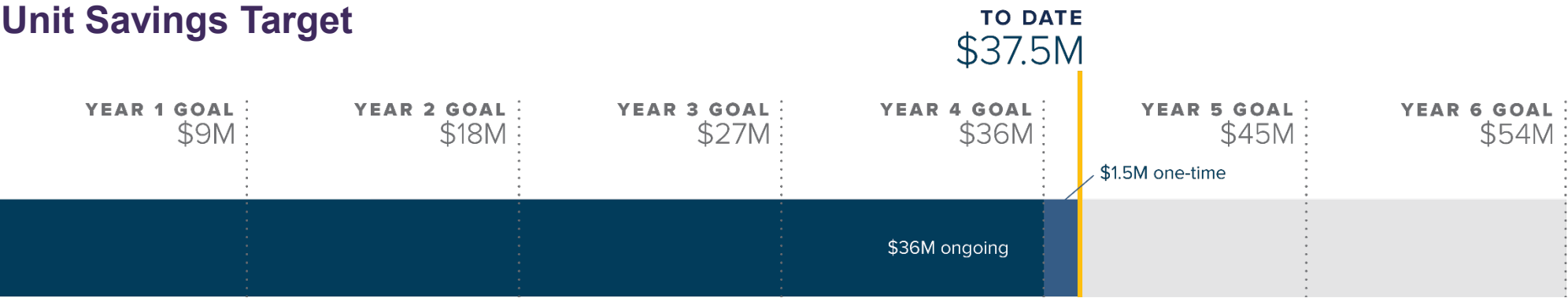


# Core Funds Savings Targets: Year 4 Status

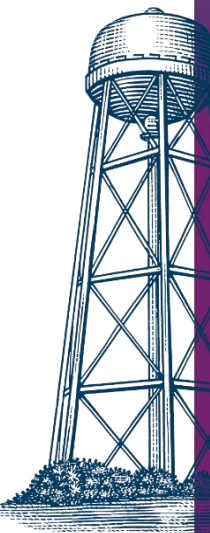
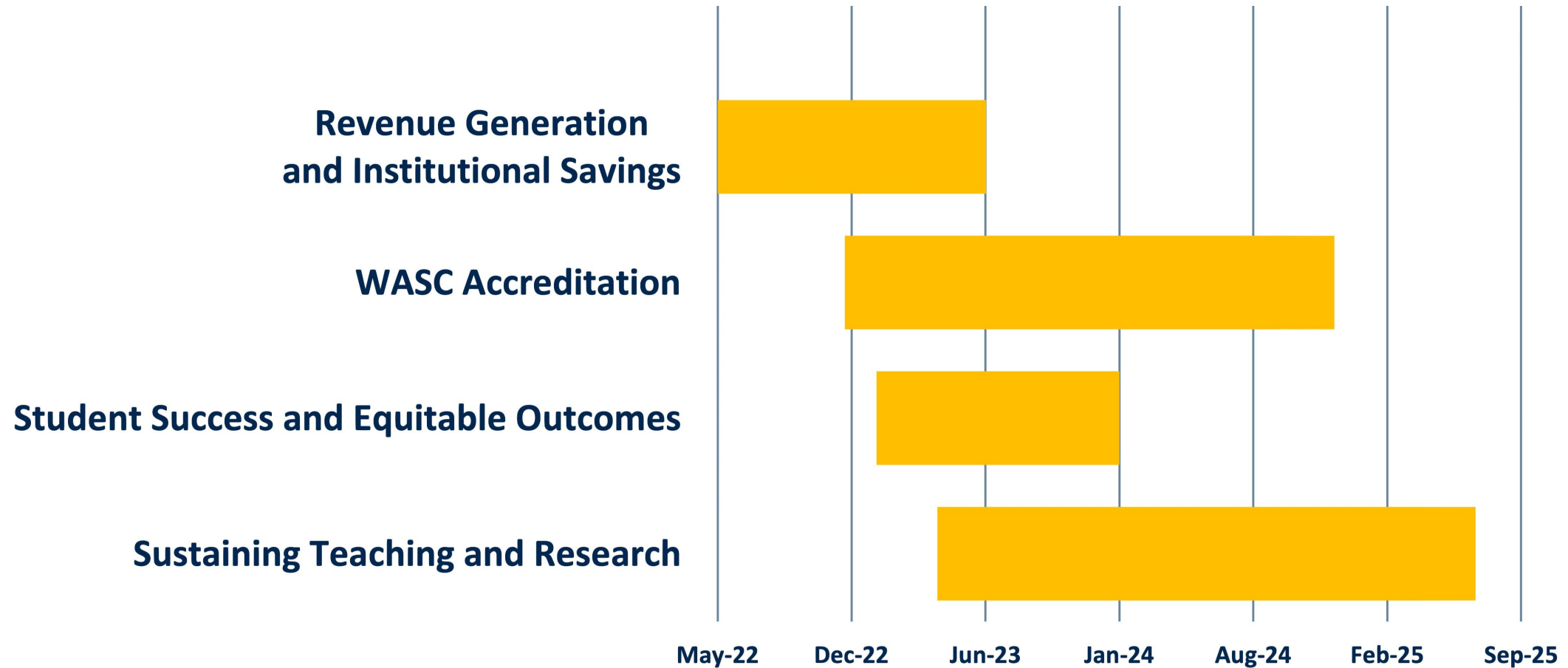
## Central Campus Savings Target



## Unit Savings Target



# Task Forces Focused on Transformative Change

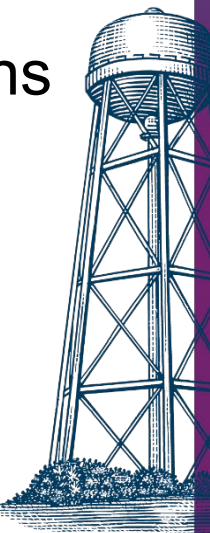


# Key Central Investments that Continue

- 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](#)





# Budget Model

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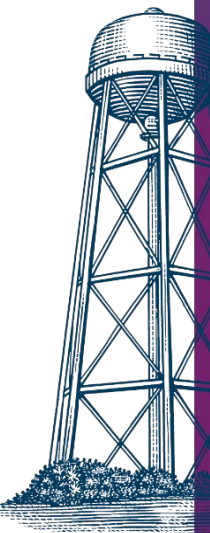
Formula-based allocations tied to specific revenue streams and metrics

# Budget Model Overview

- Initial distribution of each revenue stream is split between central campus and academic units.
- Central campus share of the revenue stream funds budget process investments, core fund salary and benefit increases.
- Academic Unit allocations are provided to Deans who determine the internal allocations within the College or School based on metrics or funds generated.
- Administrative Units do not receive formulaic allocations through the budget model; must request funds through budget process.



**[Much More Information Here](#)**



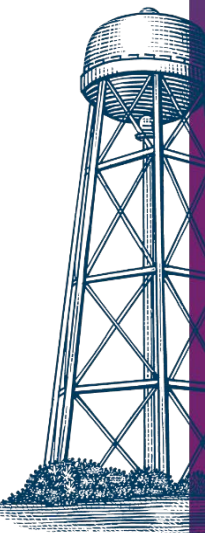


# Questions?



# Learn More

- [Budget and Institutional Analysis Website](#)
- [Budget Overview](#)
- [Budget Process](#)
- [Budget Framework](#)
- [Budget Model](#)
- [2023-24 Budget Status and Allocations](#)
- [Campus Metrics and Data](#) (AggieData)
- [Deficit Guidelines](#)
- [Carryforward Guidelines](#)
- [Additional Budget Resources](#)



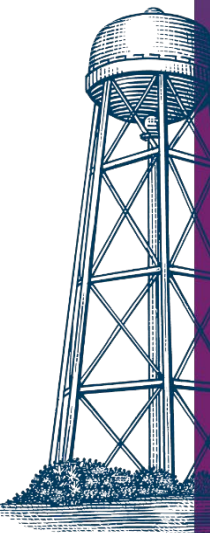
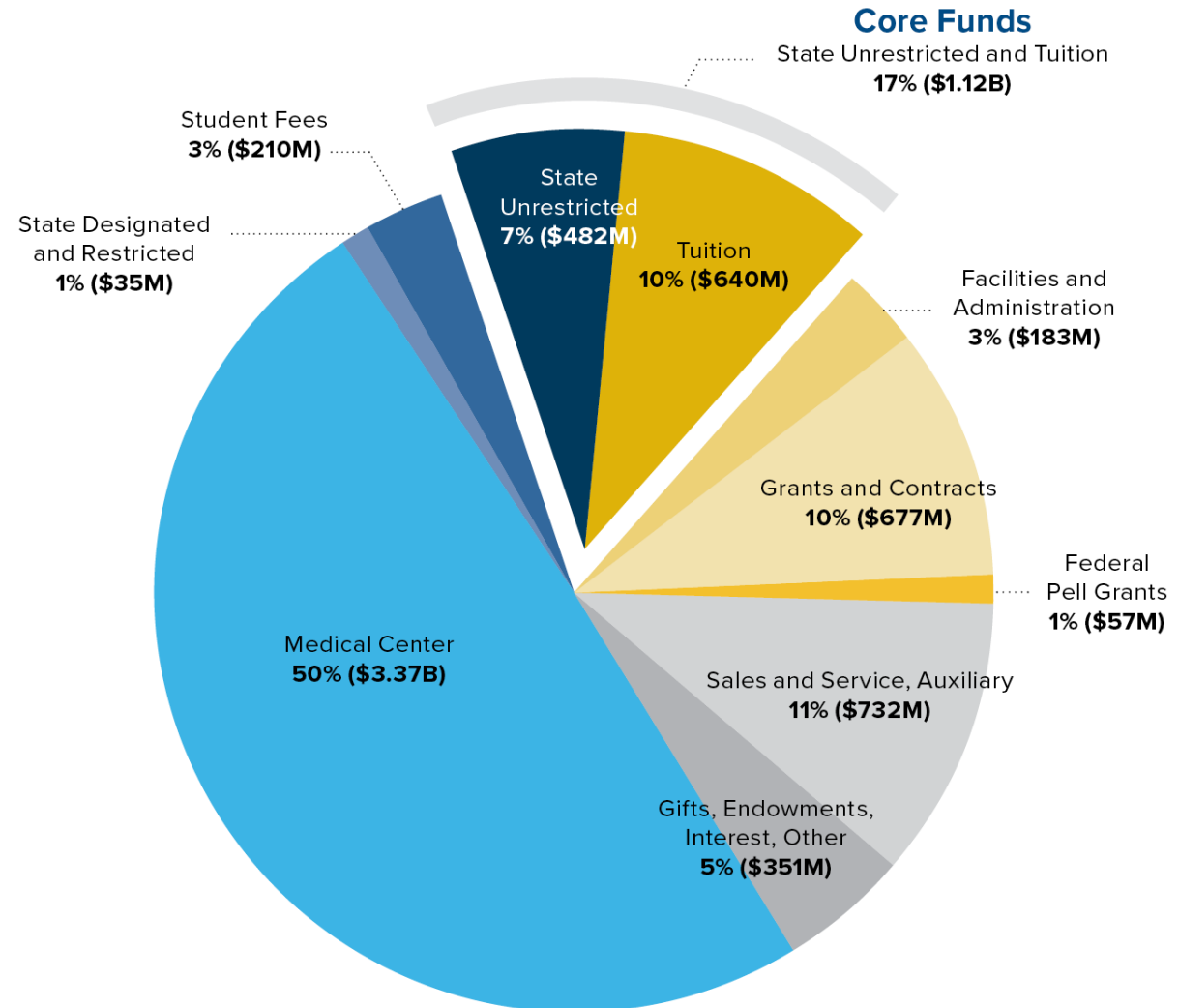
# Appendix



# Revenue

- 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%).

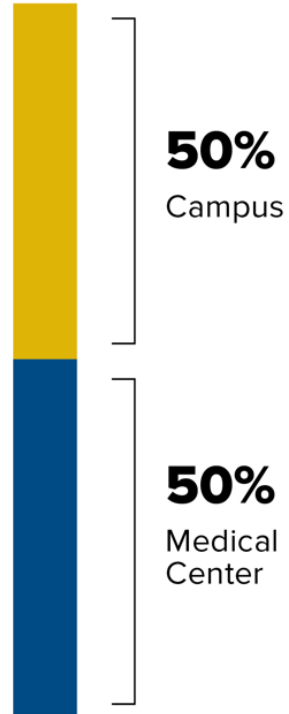
## 2022–23 Budgeted Revenue \$6.7 Billion



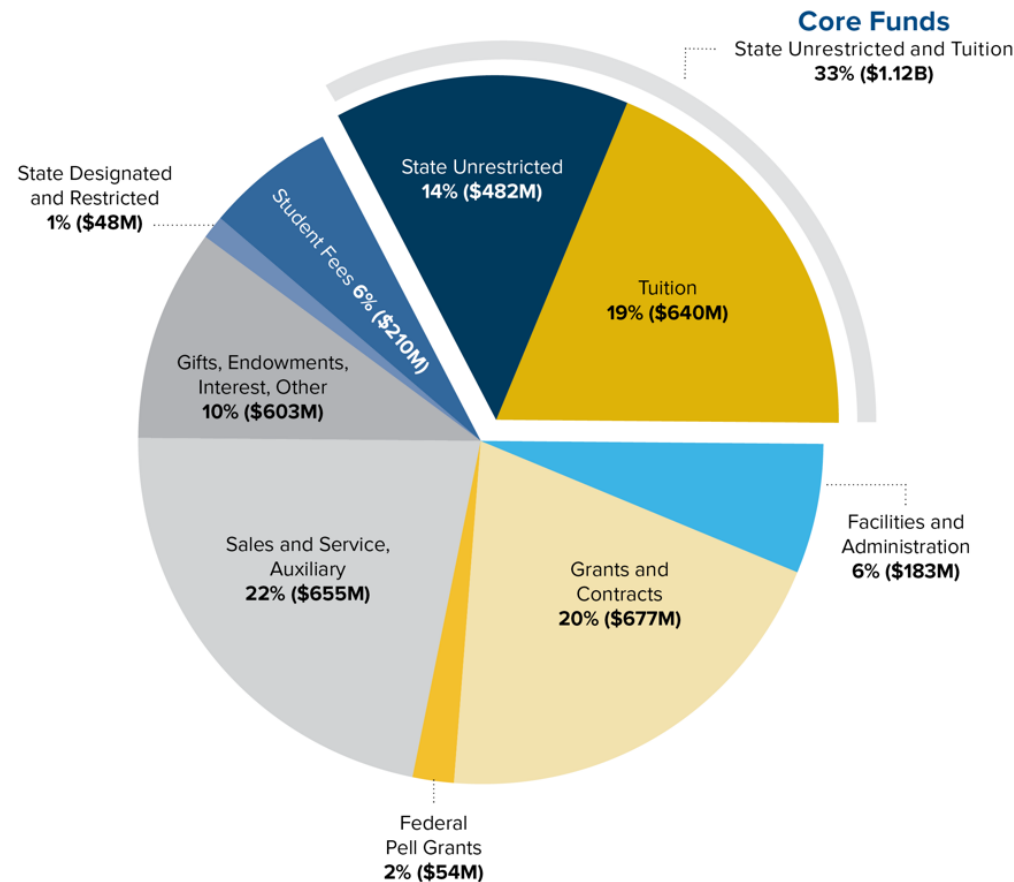


# Revenue

## 2022–23 Budgeted Revenue \$6.7 Billion



## 2022–23 Budgeted Revenue Excluding Medical Center \$3.4 Billion



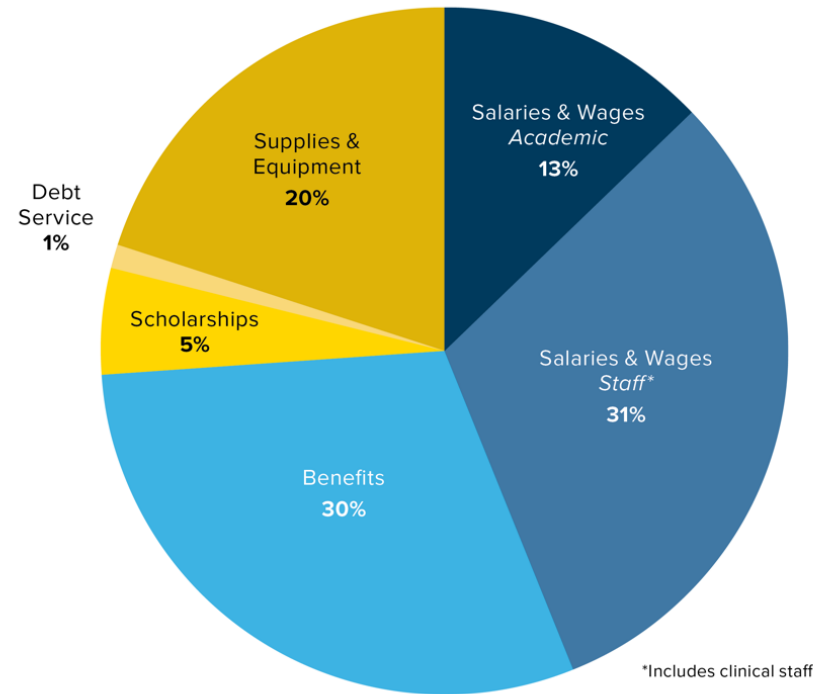
- This slide shows the all-funds view of campus revenue, excluding medical center.
- Overall, UC Davis revenues come from many sources, but roughly 80% are designated or restricted.
- The primary source for the campus's teaching mission comes from unrestricted state funds and student tuition, as represented in the pulled-out slices of the pie chart. These are also called "Core Funds."
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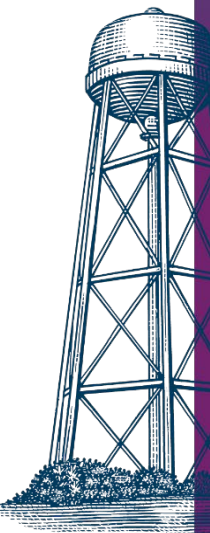
# Expenditures

## UC Davis Operating Expenditures 2021-22

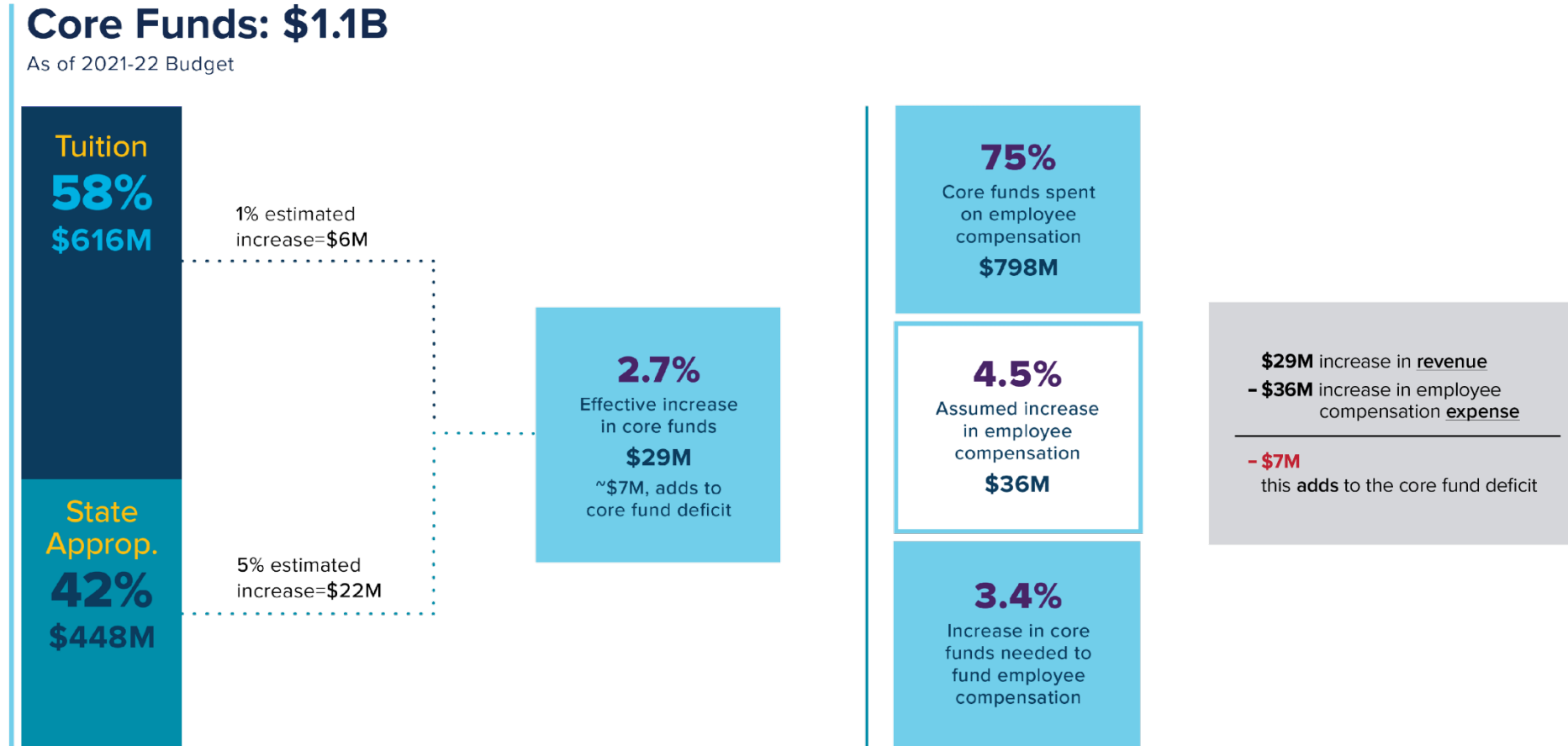
Function	Amount (Millions)	% of Total
Instruction and Academic Support	\$ 1,615	23%
Research	\$ 569	11%
Student Services and Financial Aid	\$ 542	8%
Operation and Maintenance	\$ 101	1%
Auxiliary	\$ \$140	2%
Institutional Support	\$ 253	4%
Public Service	\$ 243	3%
Medical Center	\$ 3,085	44%
Depreciation/Interest Expense/Other	\$ 333	5%
<b>Total Expenses</b>	<b>\$ 7,089</b>	<b>100%</b>



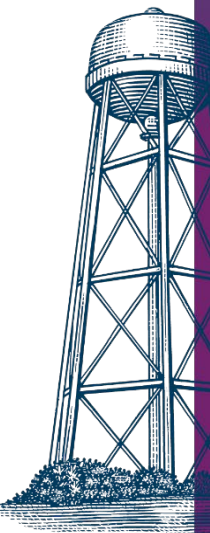
- Institutions of higher education are people-driven.
- At UC Davis, employee-driven costs were about 74% of our total operating expenditures.
- Excluding the Medical Center, which has higher costs for supplies and equipment, the employee-driven costs are closer to 80%.



# Example: Why We Have a Core Funds Deficit



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.

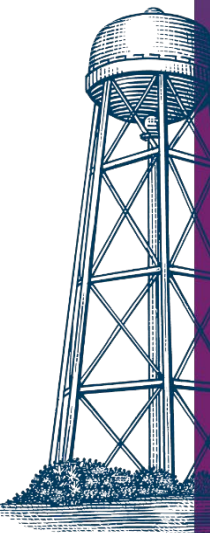


# Capital & Infrastructure

\* Davis campus only

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*

- 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.
- 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

