

**UCDAVIS**

Finance and Business

# Budget Overview: 2024 Department Chairs Workshop

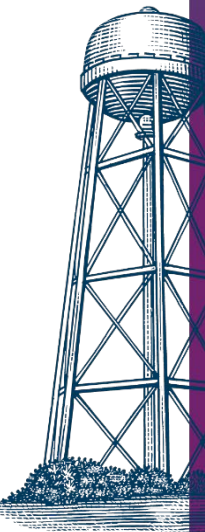
September 12, 2024

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



# Presentation Topics

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





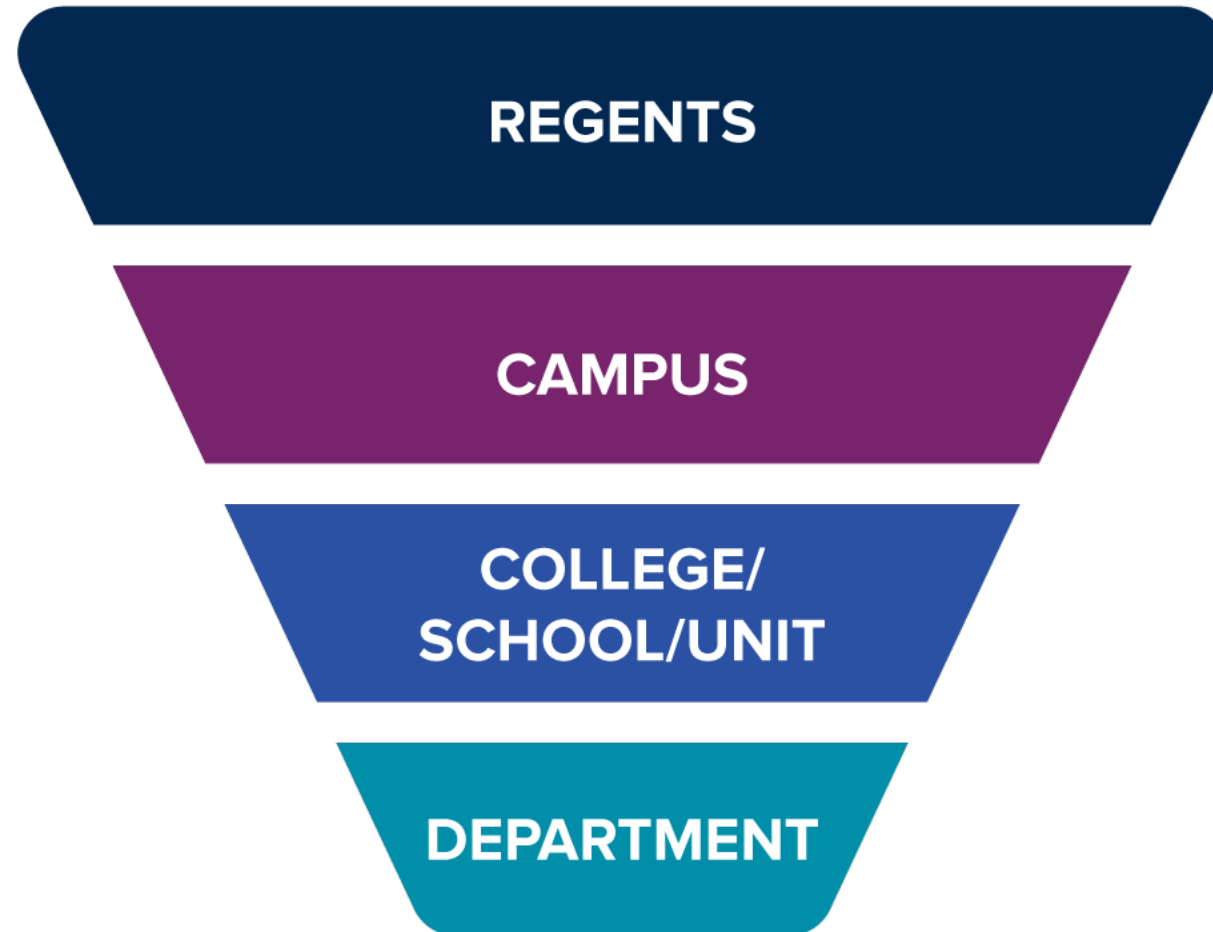
# Budget Planning Process



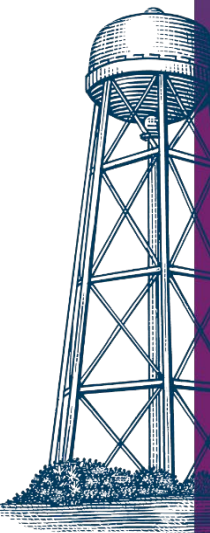


# Budget Planning Levels

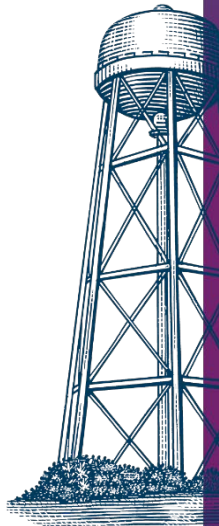
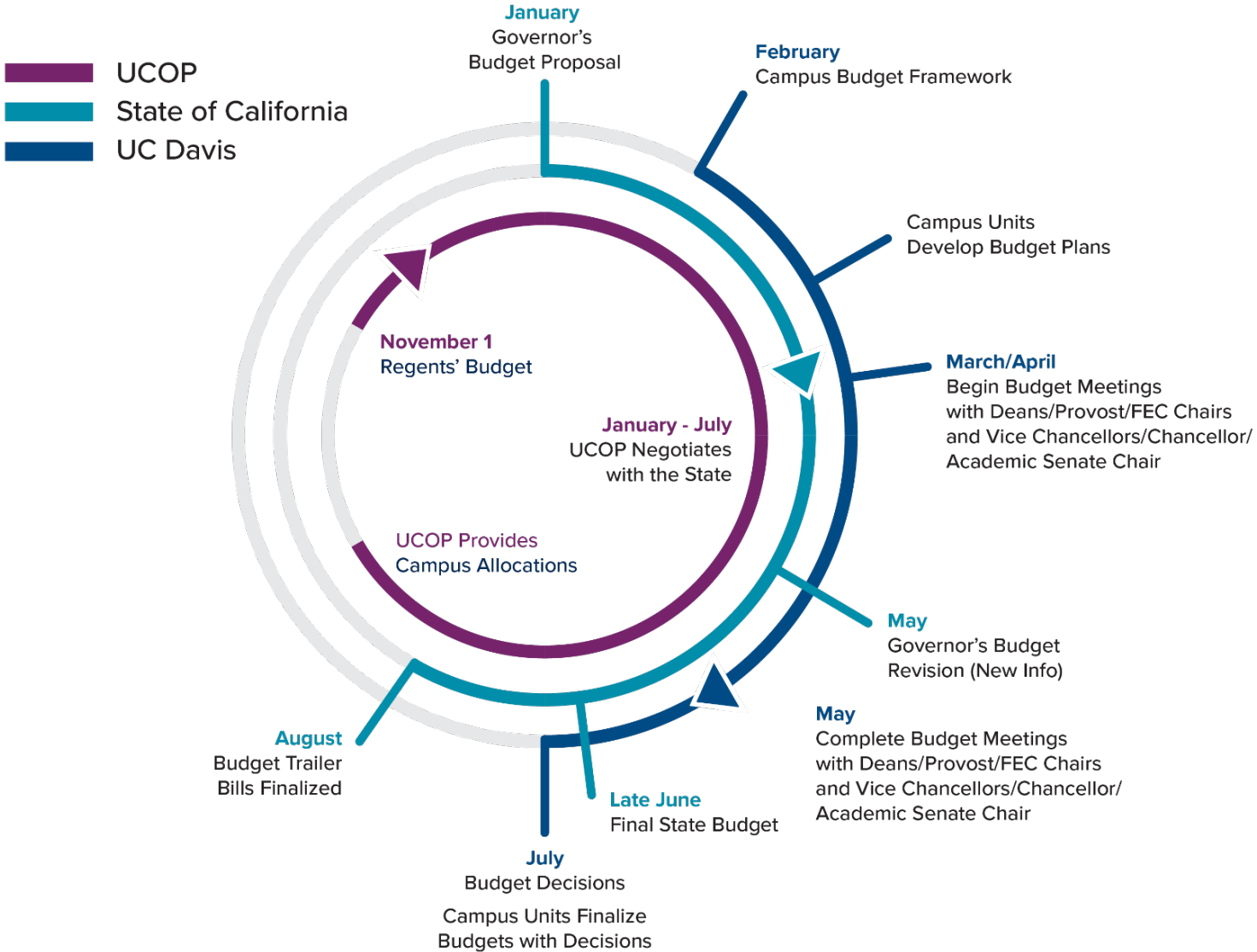
**Planning  
Assumptions &  
Allocations**



**Operational  
Plans**



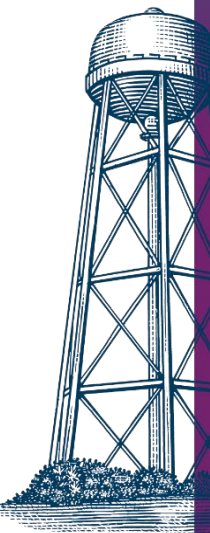
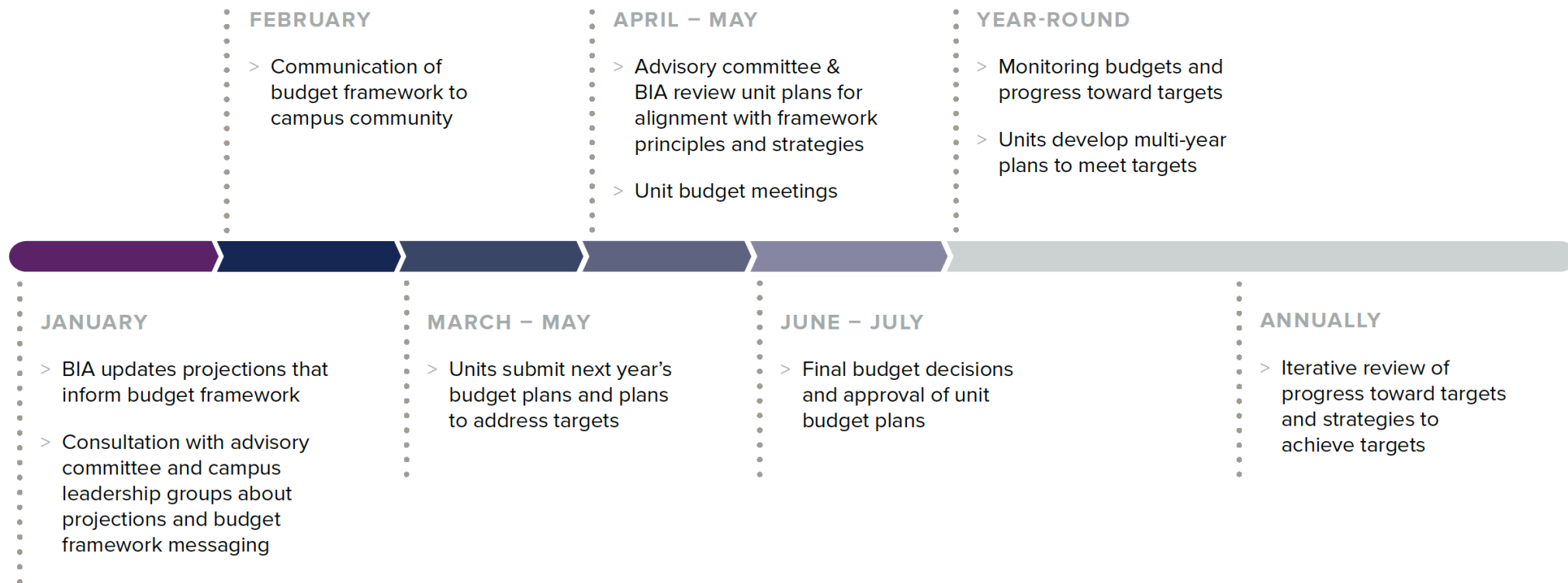
# Budget Planning Cycle



# Budget Process: Campus Timeline

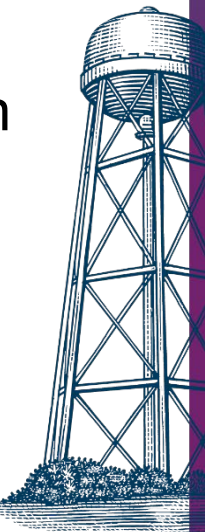
## 2020–2026 Budget Framework Timeline

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.



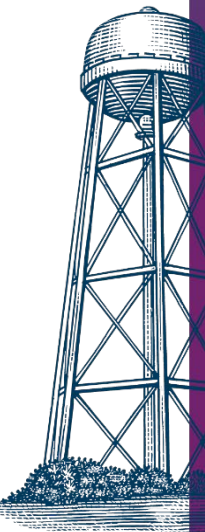
# Chair's Role in Budgeting

- 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?

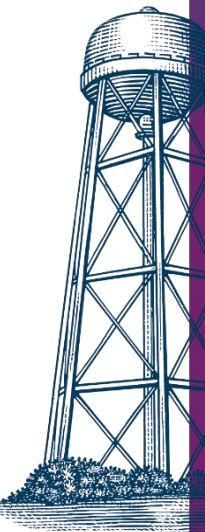
- A PLAN! (not actuals, not allocations, not an account).
- Links strategic priorities to resources.
- Is based on assumptions and drivers informed by data and information.
  - Past data & experience, key cost and revenue drivers.
  - Estimates based on anticipated changes, i.e. salary increases or rate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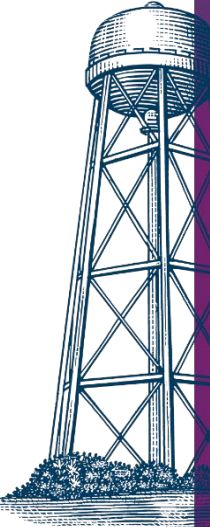
What resources do we have and how do we use them?

Why do we have a core funds deficit?



# UC Davis Core Funds Budget Deficit

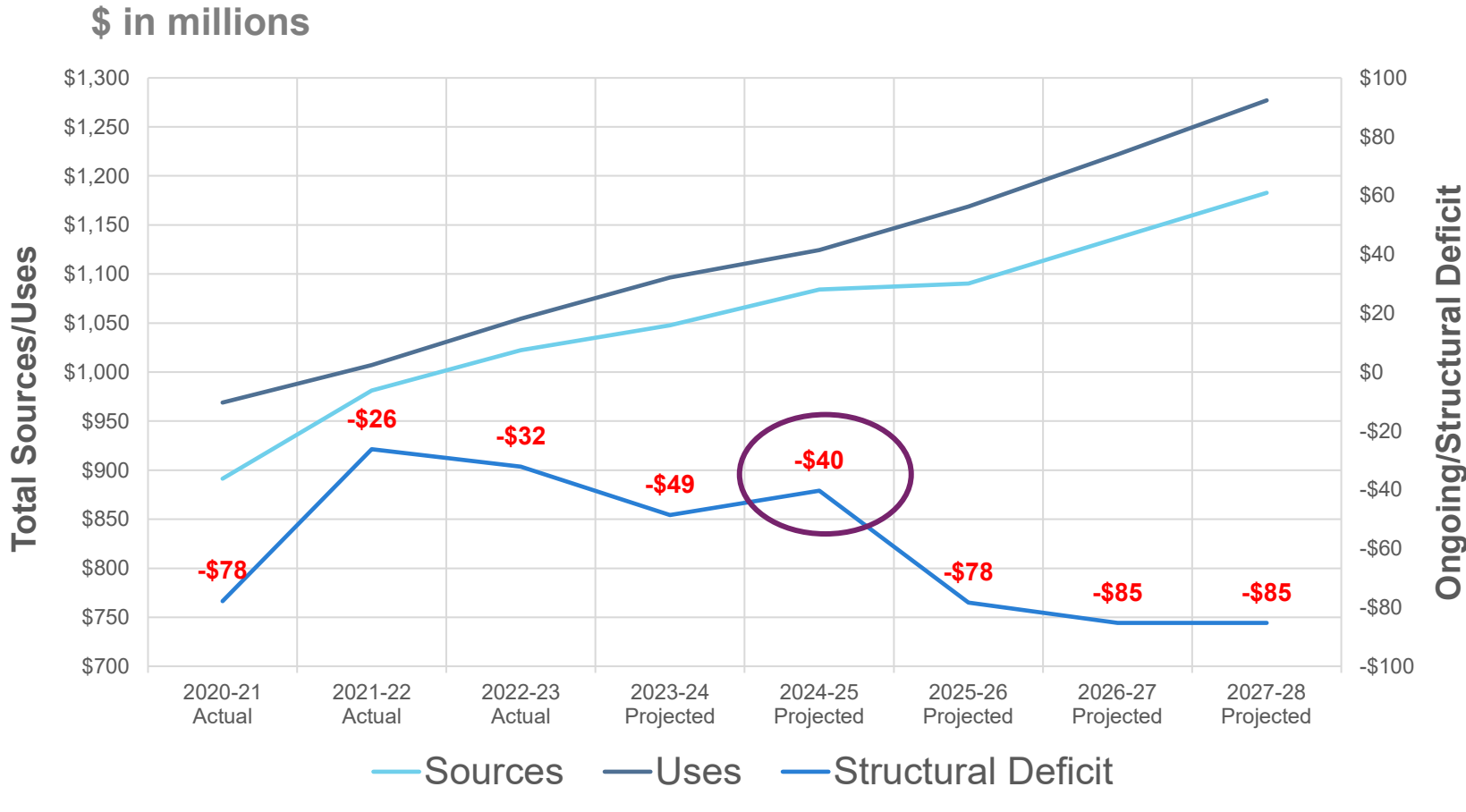
**UC Davis  
Budget  
Deficit in  
5 Minutes**



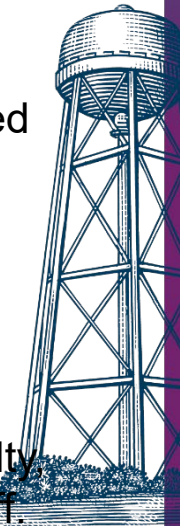
# Core Fund Multi-Year Projections

## Estimated Core Funds Structural Deficit

- Context: \$40 million Structural Deficit = 3.2% of FY25 core funds, 0.6% of all funds.
- Expected expenditures on state funds and tuition sources outpace expected revenue.
- Estimates already reflect \$108M in savings targets allocated between 2020-21 and 2025-26.
- Estimates assume state funding plan from FY25 Budget. Including deferred compact funding and reductions in FY26.
- 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.



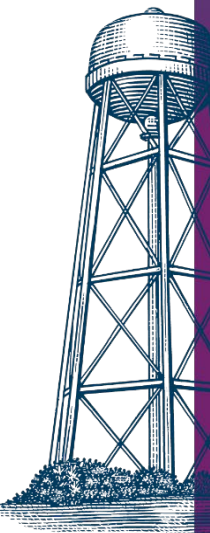
	2020-21 Actual	2021-22 Actual	2022-23 Actual	2023-24 Projected	2024-25 Projected	2025-26 Projected	2026-27 Projected	2027-28 Projected
Year-End Reserves	-\$31	-\$49	-\$64	-\$52	-\$21	-\$100	-\$186	-\$281





# Incremental Funding vs. Compensation Costs on Core Funds

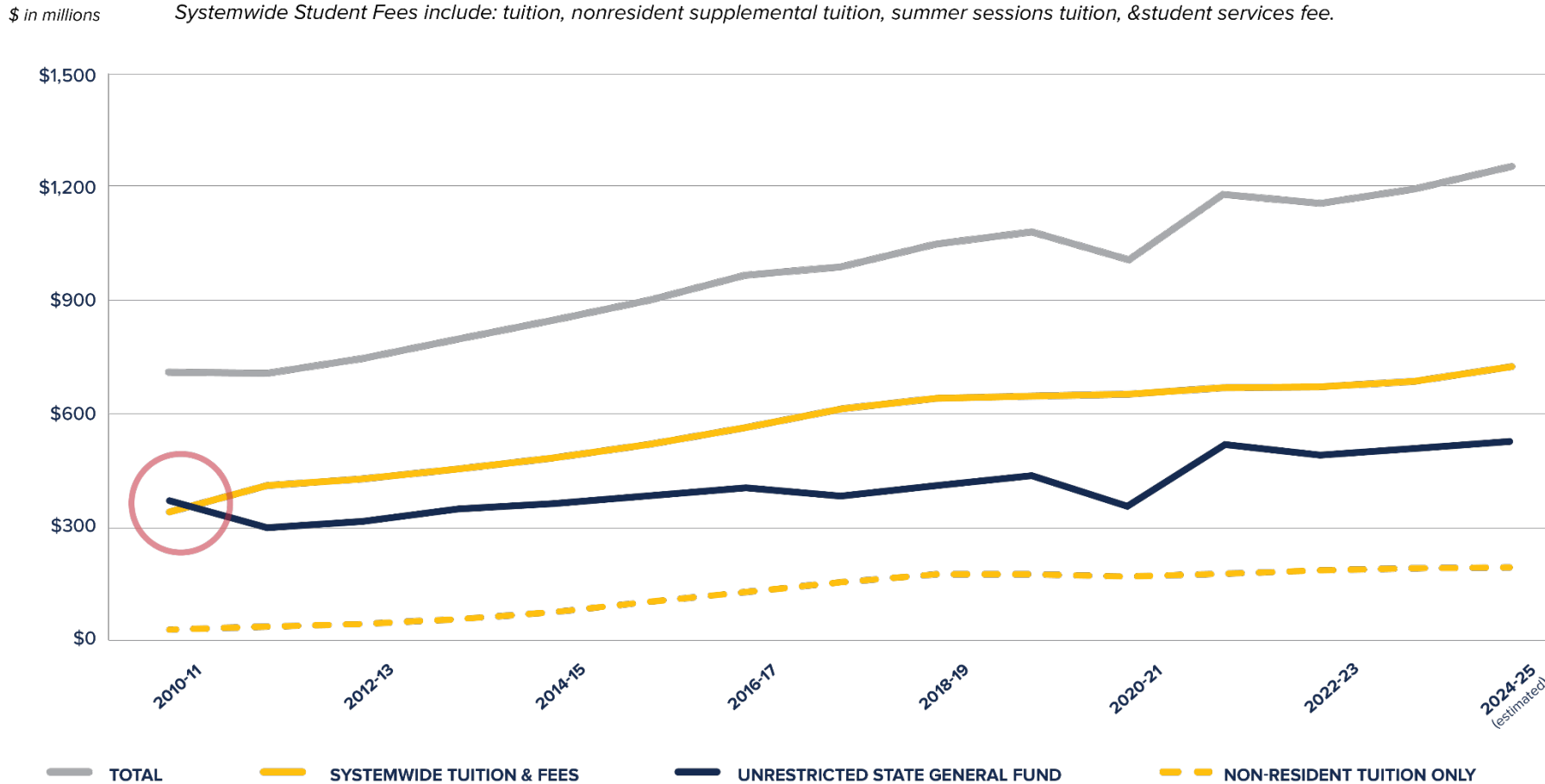
\$ in 000's	2020-21 Actual	2021-22 Actual	2022-23 Actual	2023-24 Actual	2024-25 Estimate
Tuition Revenue Net of Aid	\$1,924	\$15,240	\$958	\$9,630	\$19,893
State Appropriations	\$0	\$24,281	\$30,584	\$22,418	\$16,446
<b>Annual Change in Sources</b>	<b>\$1,924</b>	<b>\$39,521</b>	<b>\$31,542</b>	<b>\$32,048</b>	<b>\$36,399</b>
Ladder Rank Faculty	\$8,371	\$18,520	\$29,097	\$28,107	\$28,260
All Other Faculty & Academic Employees	\$425	\$2,642	\$2,106	\$11,171	\$11,203
Staff	\$6,025	\$13,035	\$14,456	\$16,316	\$19,726
<b>Annual Change in Salary &amp; Benefits</b>	<b>\$14,821</b>	<b>\$34,197</b>	<b>\$45,659</b>	<b>\$55,594</b>	<b>\$59,189</b>
<b>Funding Surplus/ (Shortfall)</b>	<b>(\$12,898)</b>	<b>\$5,324</b>	<b>(\$14,117)</b>	<b>(\$23,546)</b>	<b>(\$22,850)</b>



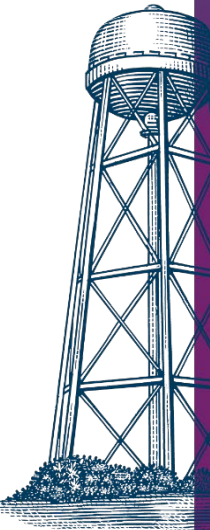
# Core Fund Sources Over Time

Unrestricted State General Funds vs. Systemwide Student Fees\*

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



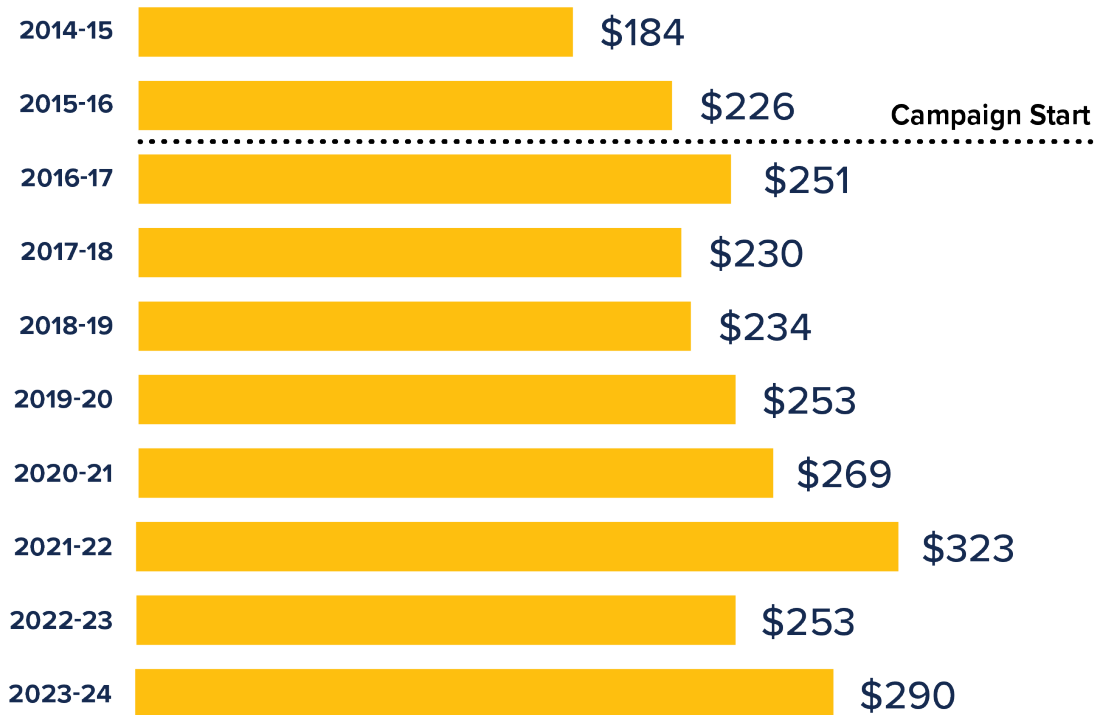
- Since 2010, tuition and fees paid by students and their families have exceeded funding UC Davis received from the State of California.
- Nonresident supplemental tuition revenue has addressed most of this gap over the past 14 years.



# Fundraising

## Fundraising Totals 2014-2024

*dollars in millions*



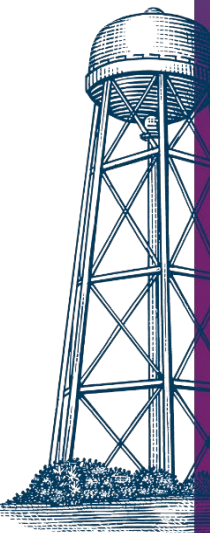
### ■ Completed \$2 Billion Campaign

- Goal: **\$2 billion** over 8 years, with 25% of revenues to endowment
- \$2.26 billion raised from 133,961 donors
- Of the \$2.26 billion, \$673 million (30%) to endowment/quasi endowment

### ■ Fundraising in 2023-24:

- **\$290 million** raised
- 30,904 donors

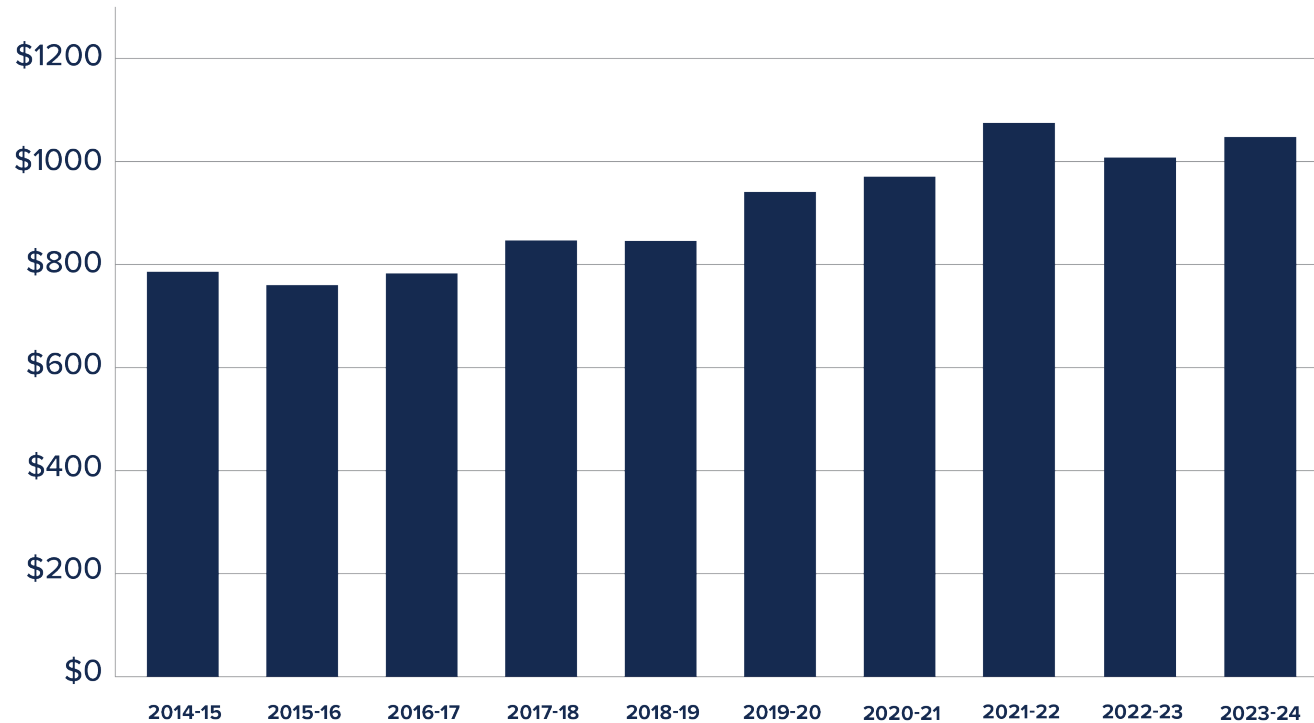
### ■ Annual Fundraising Goal: At least **\$250 million per year**



# Research Funding

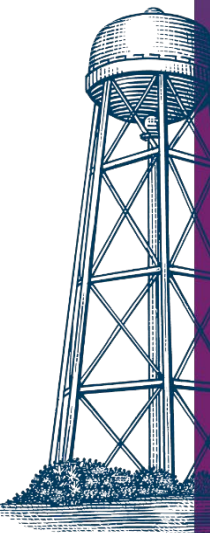
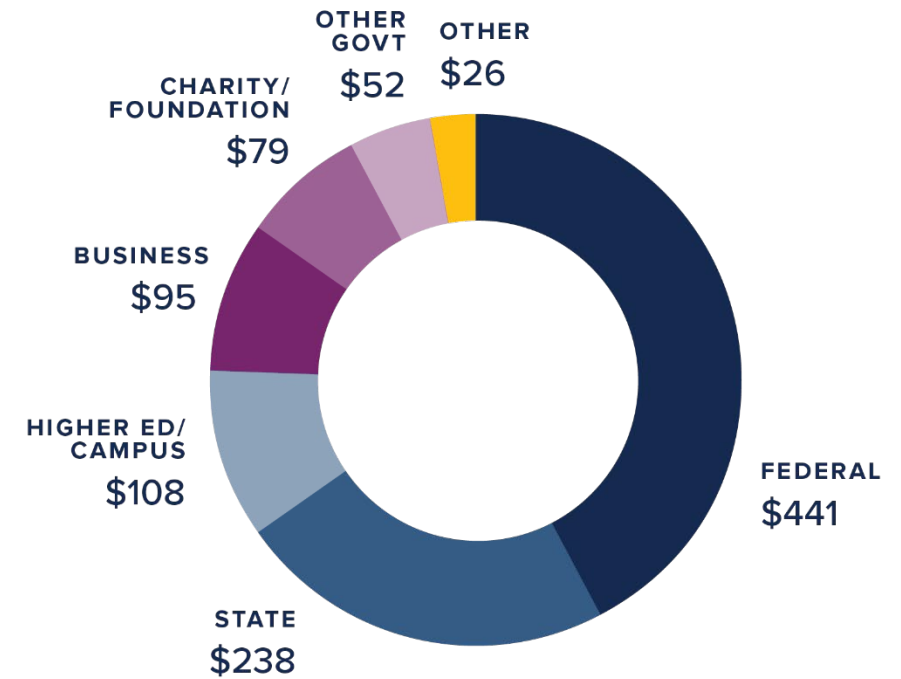
## Annual Research Funding Totals

*dollars in millions*



## Funding Sources 2023-24

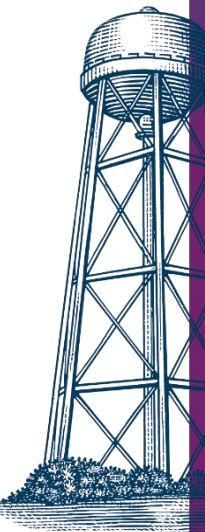
*dollars in millions*





# Funding Compact and UC 2030 Plan

- Governor's multi-year [compact](#) was to provide 5% state funding increases to UC for 5 years (through fiscal year 2025-26).
  - 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

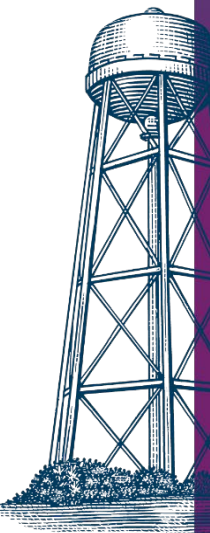


# 2024-25 State Budget Adjusts Compact

- The State projects a \$47 billion deficit in 2024-25. A two-year budget plan defers compact commitments and reduces funding to UC.

Incremental Ongoing State Funding for General Operations, UC System, \$ in millions

	Actual 2024-25	Projected 2025-26	Projected 2026-27	Cumulative Total
2024-25 Compact	\$227.8			\$227.8
2025-26 Compact		deferred	\$240.8	\$240.8
2026-27 Compact			deferred	deferred
Base Budget Cut/Restoration	\$(125.0)	\$125.0		\$-
7.9% Cut to Base Budget		\$(376.8)		\$(376.8)
<b>Total Incremental Ongoing Funding</b>	<b>\$102.8</b>	<b>\$(251.8)</b>	<b>\$240.8</b>	<b>\$91.8</b>
Year-Over-Year % Change	2.3%	-5.4%	5.5%	2.0%
<b>Estimated UC Davis Share</b>	<b>\$13.5</b>	<b>\$(34.4)</b>	<b>\$32.9</b>	<b>\$12.0</b>
Year-Over-Year % Change, UC Davis	2.7%	-6.6%	6.7%	2.4%



*We cannot count on the state to fund the university at the levels experienced decades ago. We must evolve. We must identify ways to operate more efficiently and generate revenue to resolve our core funds deficit and balance our budget. We must share the burden of reducing costs, boosting efficiency, and continuously improving.*

*-Provost Croughan*

*2024-25 Budget Status and Allocations Letter, July 2, 2024*





# Meeting the Challenges

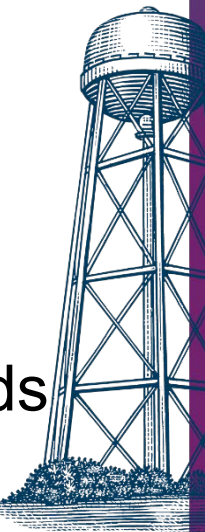
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What are we doing about the core fund deficit and debt?  
What investments do we continue to make?  
How can Chairs help address these challenges?



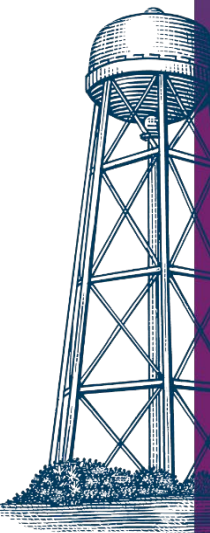
# Actions to Date

- 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 Unit & Campus [Savings Targets](#) totaling \$108 million in ongoing savings to be achieved by 2025-26. To date met almost \$84M of this target.
- Did not accept new budget requests during 2023-24 and 2024-25 budget process, saved over \$7 million compared to plan (part of \$84M).
- Did not provide faculty start-up block grants to units in 2024-25, directing funds to mitigating one-time accrued debt. Units must self-fund.



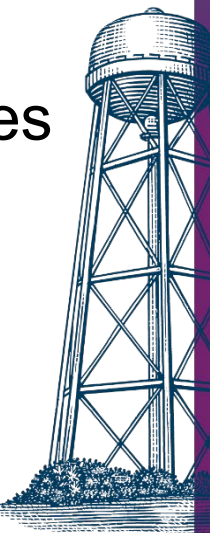
# Actions to Date

- Allocated over \$210M of one-time central funds to mitigate accrued debt.
- In 2023-24, redirected \$45.9 million from administrative units with excessive carryforward to central campus to address one-time debt and support critical one-time needs.
- Established Space Release Program, saved over \$2 million in ongoing lease costs so far.
- [Revenue Generation and Institutional Savings Task Force](#) worked to identify \$50 million in ongoing net revenue and/or savings opportunities. Made [initial investments](#) in moving some of these forward.
- Increased focus on unit carryforward use, revenue generation, & efficiencies.

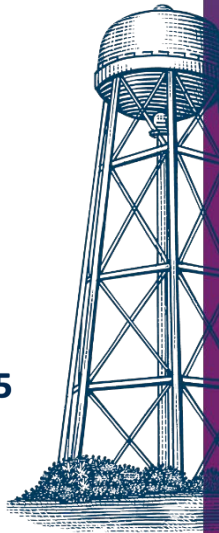
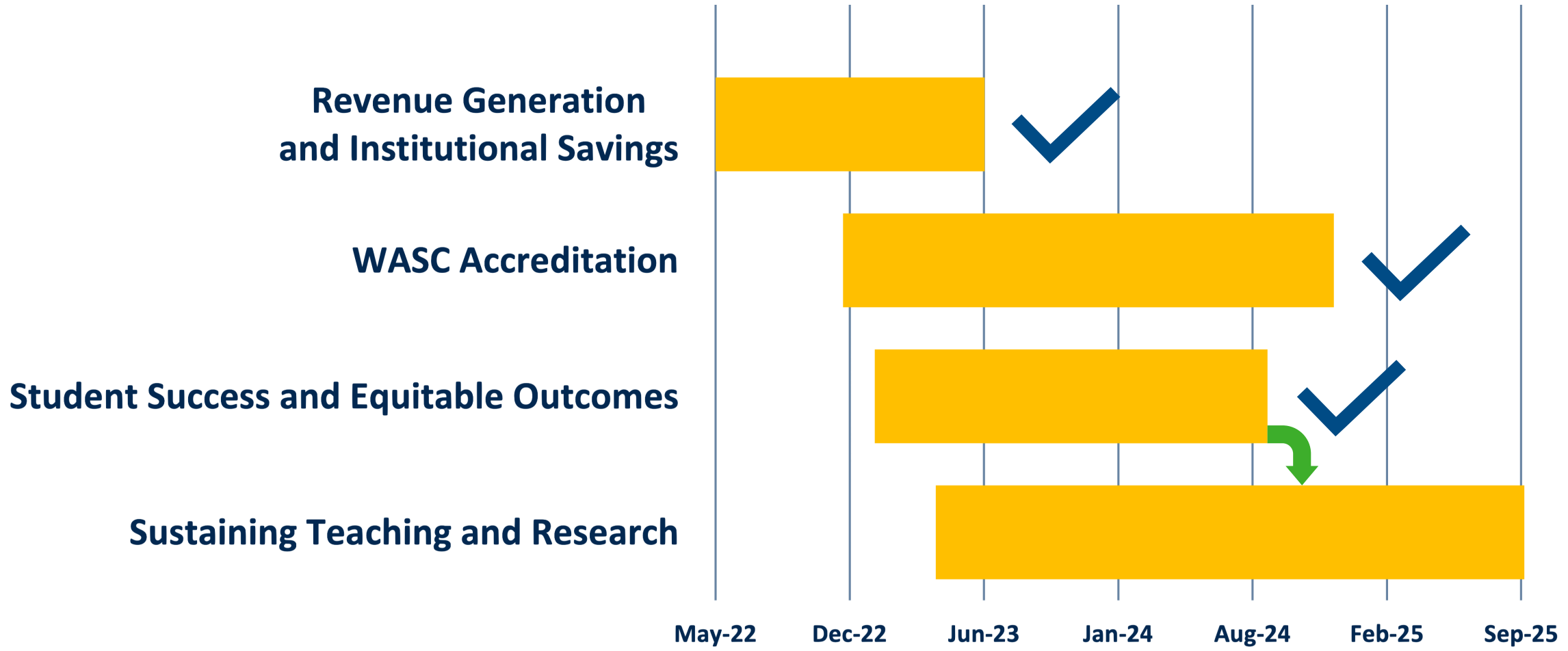


# What Chairs Can Do

- Recognize that one-time funds used for ongoing needs is a **short-term solution**.
- **Develop sustainable funding plans** and do not expect central campus or your Dean's Office to replace one-time funds with ongoing resources in the future.
- Use carryforward balances to **address critical one-time needs**, such as contributing to capital projects, faculty start-up, investing in efforts that will result in revenue generation or efficiencies.
- **Evaluate programs and activities** to ensure they align with strategic priorities and have the greatest impact.
- **Rethink, consolidate, or sunset** activities that are duplicative, no longer as strongly aligned with our priorities or current needs, or are not scaled to have the greatest impact.



# Task Forces Focused on Transformative Change



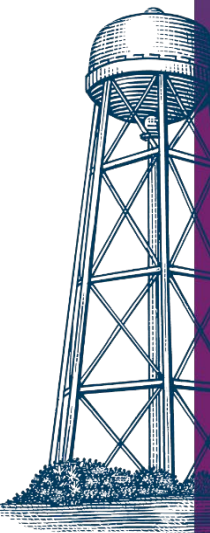


# Student Success and Equitable Outcomes

## Outcomes:

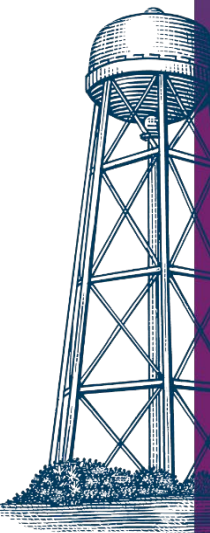
- Recommended adding advisors, resulting in \$2.8M investment and 24 new advisors
- Formed the Advising Executive Workgroup for ongoing coordination
- Developed metrics for early indicators of students academically at risk
- Proposed publishing four-year degree plans online

## Other Items Transferred to the Sustaining Teaching and Research Task Force



# Sustaining Teaching and Research Task Force

- Task force, six committees, multiple working groups with 180+ faculty and staff
- Process for feedback
  - Town halls
  - START website and emails to [starttaskforce@ucdavis.edu](mailto:starttaskforce@ucdavis.edu)
  - Academic Senate Request for Consultation
  - Review by Staff Assembly and Academic Federation

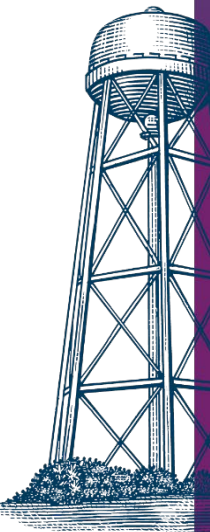


# Key Central Investments that Continue

- Central funds for salary and benefit cost increases on core-funded employees: ~\$59 million ongoing.
- Central campus continues to fund the cost of TA fee remission, which is increasing due to tuition rate increases and UAW contract provisions.
- Student Success: continuing to invest funds set-aside for this based on task force and START recommendations. Example: \$2.3M for additional advisors in colleges.
- Capital Program and Critical Research Infrastructure: \$3.9M
- Formulaic Budget Model Allocations



[Read: 2024-25 Budget Status and Allocations](#)



# Budget Model

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Formula-based allocations tied to specific revenue streams and metrics

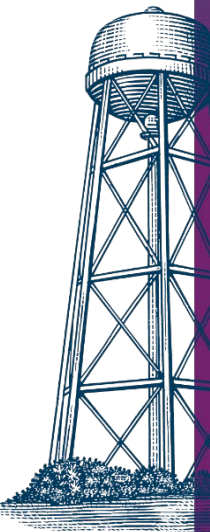


# Budget Model Overview

- 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](#)**

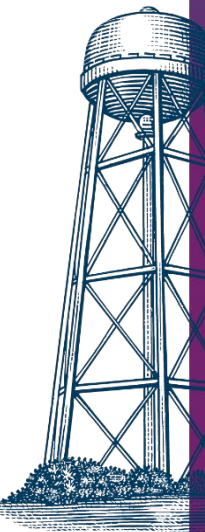


# Questions?



# Learn More

- [Budget and Institutional Analysis Website](#)
- [Budget Overview](#)
- [Budget Process](#)
- [Budget Framework](#)
- [Budget Model](#)
- [2024-25 Budget Status and Allocations](#)
- [Campus Metrics and Data \(AggieData\)](#)
- [Deficit Guidelines](#)
- [Carryforward Guidelines](#)
- [Additional Budget Resources](#)



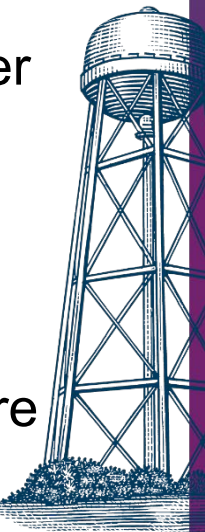
# Appendix





# Summary of Key Budget Challenges

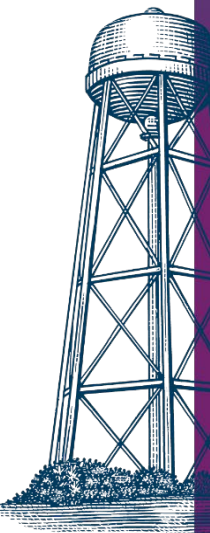
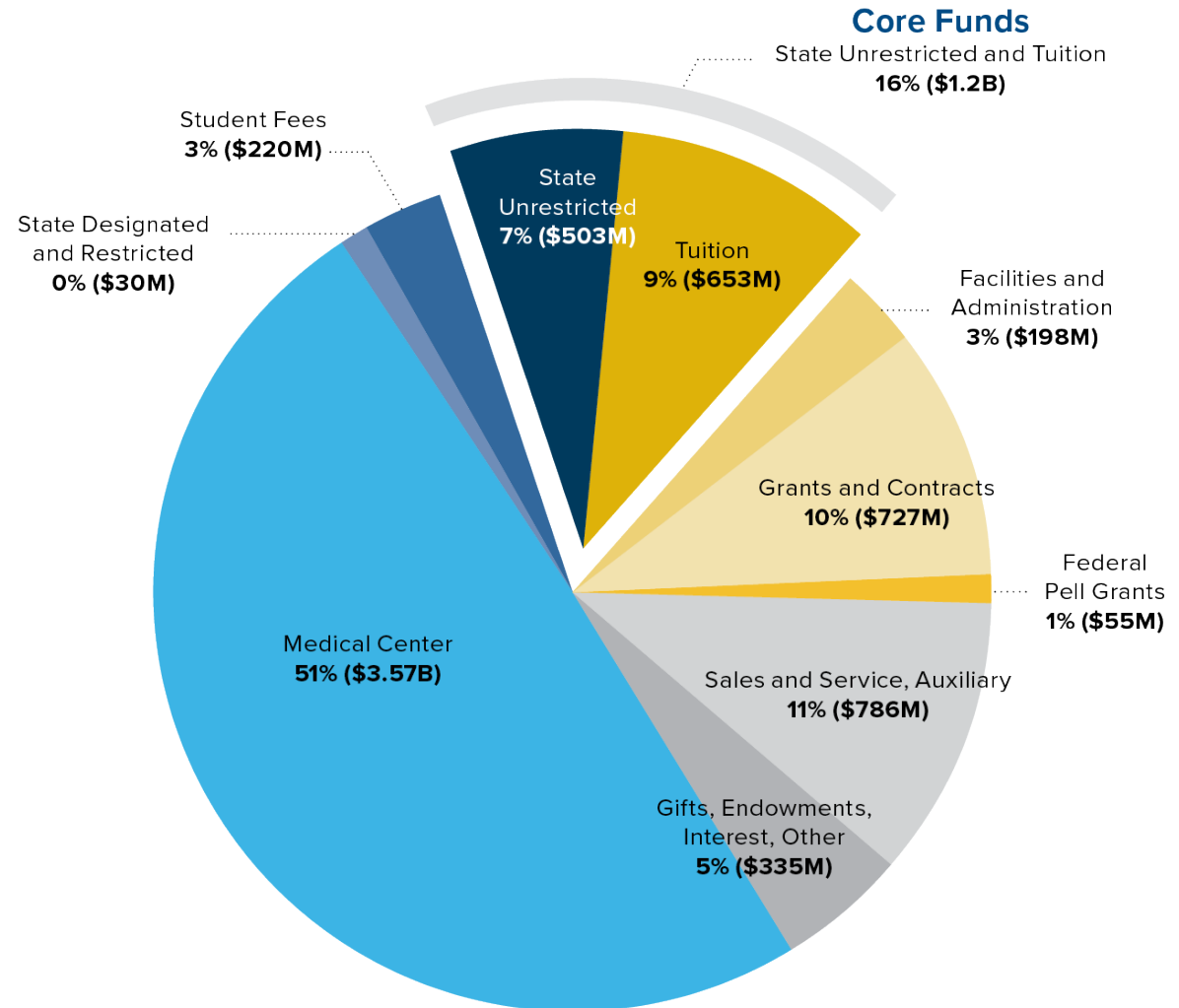
- Our *structural* core fund budget remains out of balance. Ongoing, permanent actions must continue.
- Revenue and state appropriation increases are not keeping up with increases in employee compensation.
- Accruing one-time core fund debt that can no longer be fully addressed with central funds.
- We are anticipating state funding reductions in 2025-26.
- 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, cybersecurity and technology needs.
- Large carryforward balances in units are challenging strategically and politically. Need to ensure we are using resources for mission.



# Revenue

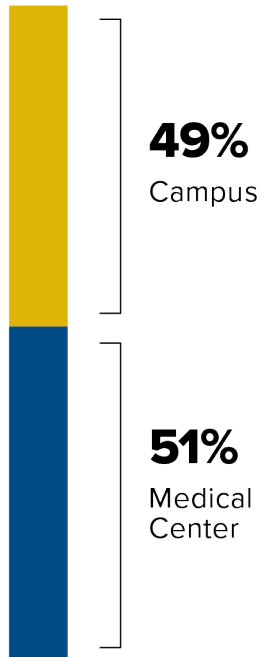
- This slide shows the all-funds view of campus revenue, including the Medical Center.
- UC Davis revenues come from many sources, but roughly 80% are designated or restricted.
- The primary source for the campus's teaching mission comes from unrestricted state funds and student tuition, as represented 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.
- The largest increase in that time has been the Medical Center. Increases have also occurred in Grants and Contracts, Gifts and Endowments, and Auxiliary.

## 2023–24 Budgeted Revenue \$7.1 Billion

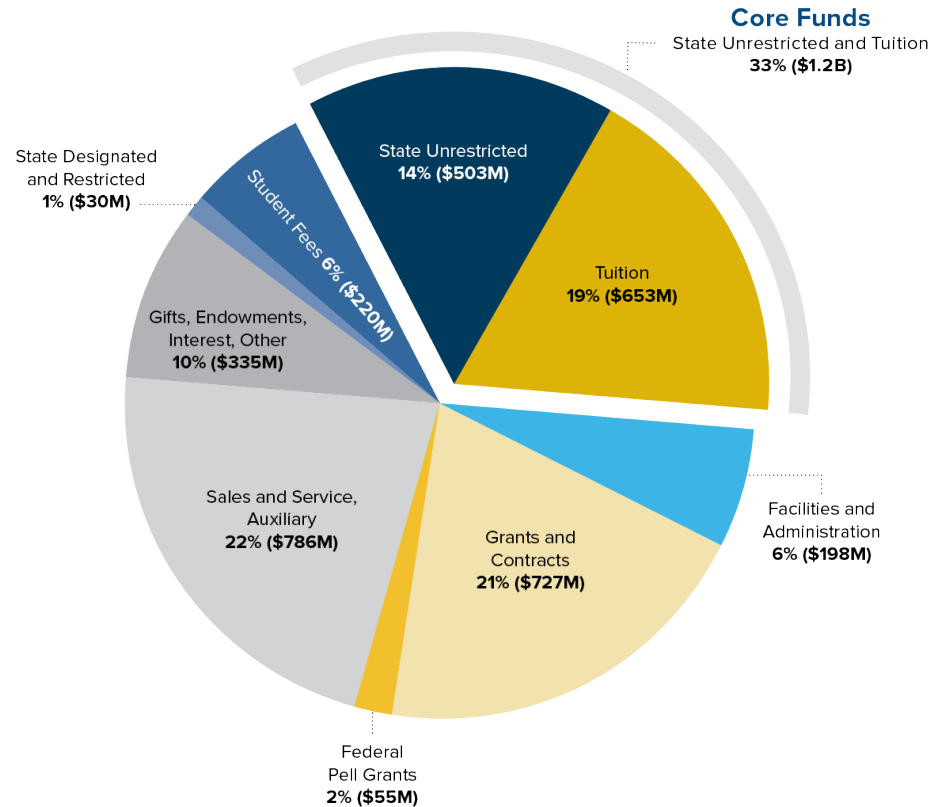


# Revenue

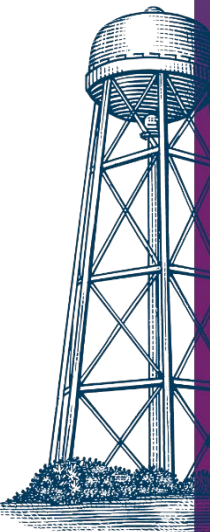
2023–24 Budgeted Revenue  
\$7.1 Billion



2023–24 Budgeted Revenue Excluding Medical Center  
\$3.5 Billion



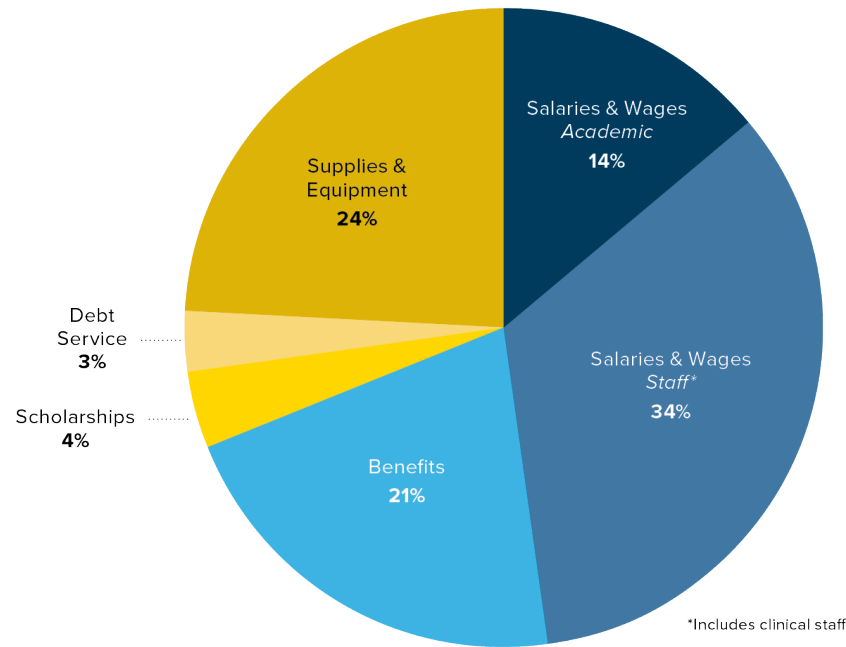
- This slide shows the all-funds view of campus revenue, excluding medical center (but including the Schools of Health).



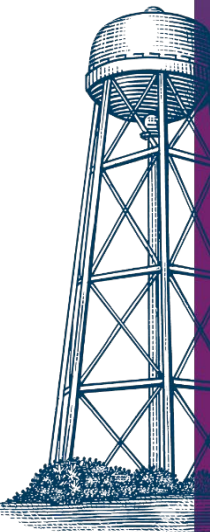
# Expenditures

## UC Davis Operating Expenditures 2022-23

Function	Amount (Millions)	% of Total
Instruction and Academic Support	\$ 1,567	22%
Research	\$ 692	10%
Student Services and Financial Aid	\$ 516	7%
Operation and Maintenance	\$ 137	2%
Auxiliary	\$ 148	2%
Institutional Support	\$ 238	3%
Public Service	\$ 127	2%
Medical Center	\$ 3,438	48%
Depreciation/Interest Expense/Other	\$ 303	4%
<b>Total Expenses</b>	<b>\$ 7,166</b>	<b>100%</b>



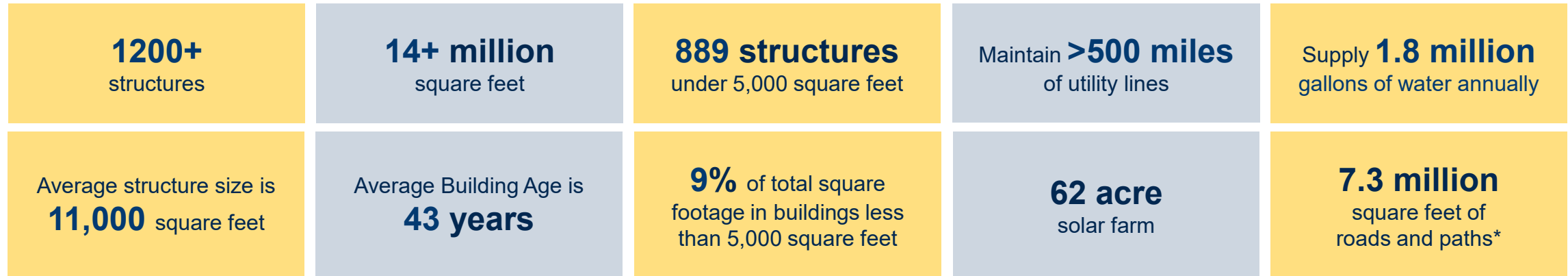
- Institutions of higher education are people-driven.
- At UC Davis, employee-driven costs were about 70% of our total operating expenditures.
- Excluding the Medical Center, which has higher costs for supplies and equipment, the employee-driven costs are closer to 75%.



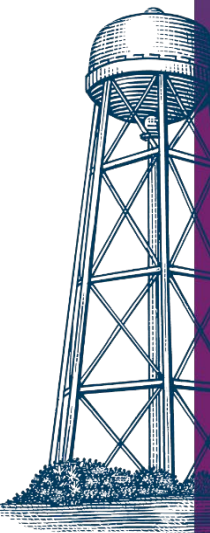


# Capital & Infrastructure

\* Davis campus only

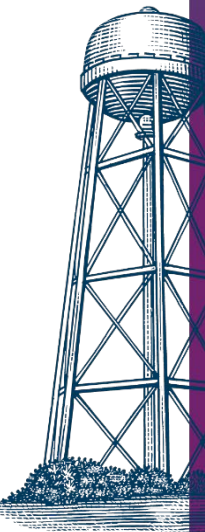


- UC Davis is the size and complexity of a small city.
- We have significant capital, deferred maintenance and seismic challenges.
- We are using our operating budget to support debt service and leases, ~\$63M annually excluding medical center. In the past this was supported by the State.
- State support 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 or 2024-25.



# 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 in 2022 and 2023, improved in 2024, but still not at pre-pandemic levels.
- Pool of transfer students smaller since pandemic, but recovering. 2:1 ratio more difficult to meet.

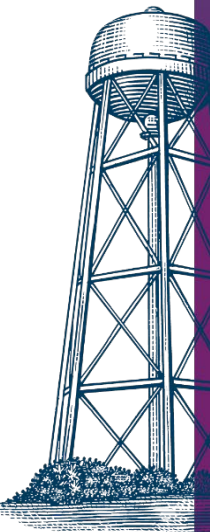
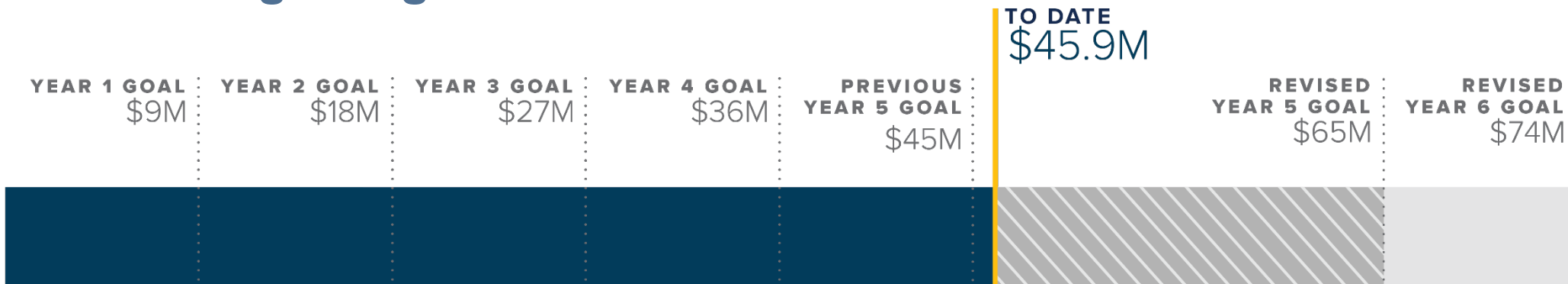


# Core Funds Savings Targets: 5 Year Status

## Central Campus Savings Target

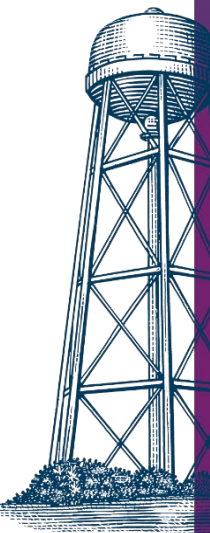


## Unit Savings Target



# 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 undergraduate enrollment by ~350 FTE compared to last year.





# Putting the Structural Deficit in Context (~\$40 million estimated for FY25)

\$40M Structural Deficit = ~3.2% of FY25 core funds, ~0.6% of all funds

Every \$10M = 39 faculty positions or 2.6% of total faculty compensation costs on core funds

Every \$10M = 103 Staff positions or 2.3% of total staff compensation costs on core funds

Every 100 New CA Resident UG Students = \$831,000 tuition revenue (net of aid)

Every 100 New National & International UG Students = \$3.1M tuition & NRST revenue (net of aid)

1% increase in Ladder Rank Faculty Merits/Range/Equity = \$3.8M

1% increase in All Other Faculty & Academic Employees = \$5.2M

1% increase in Represented and Non-Represented Staff Merit/Range = \$8.3M

1% increase in Undergraduate Tuition Rates = \$2M (net of aid)

1% increase in Undergraduate Nonresident Supplemental Tuition Rates = \$1.3M (net of aid)

1% increase in State Funding = \$5.2M

