

**UCDAVIS**

Finance and Business

# Budget Overview: 2022 Department Chairs Workshop

September 8, 2022

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



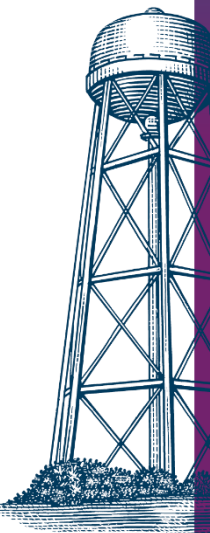
# Submitting Questions During Presentation

- Include the slide number if questions is about a specific slide.
- Upvote questions submitted by others that you would also like to have answered.
- Questions not answered today will be responded to in writing and distributed to all participants.

Please submit any questions you have during the presentation through Poll EV:

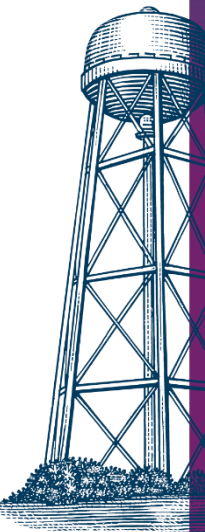
[Pollev.com/bradhorton760](https://Pollev.com/bradhorton760)

ACADEMIC AFFAIRS-  
This info is from last  
year, please update.



# Presentation topics

- Chair's Role in Budgeting
- Campus Budget Overview
- Budget Framework
- Budget Process
- Budget Model
- Learn More: Resources
- Questions
- Appendix





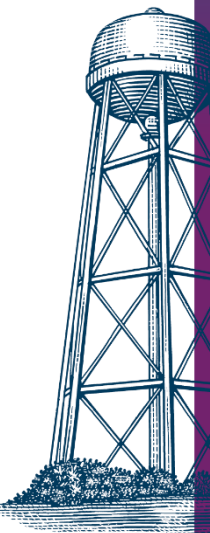
# Budgeting





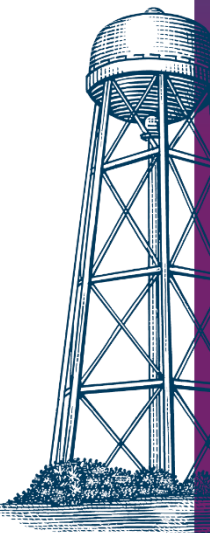
# Chair's Role in Budgeting

- 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 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.



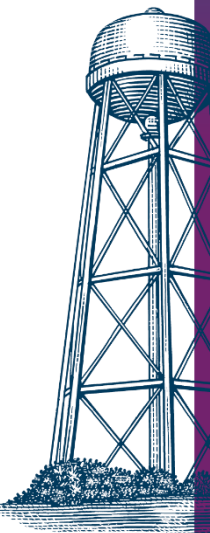
# How Does Having a Budget Help You?

- 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.



# 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.







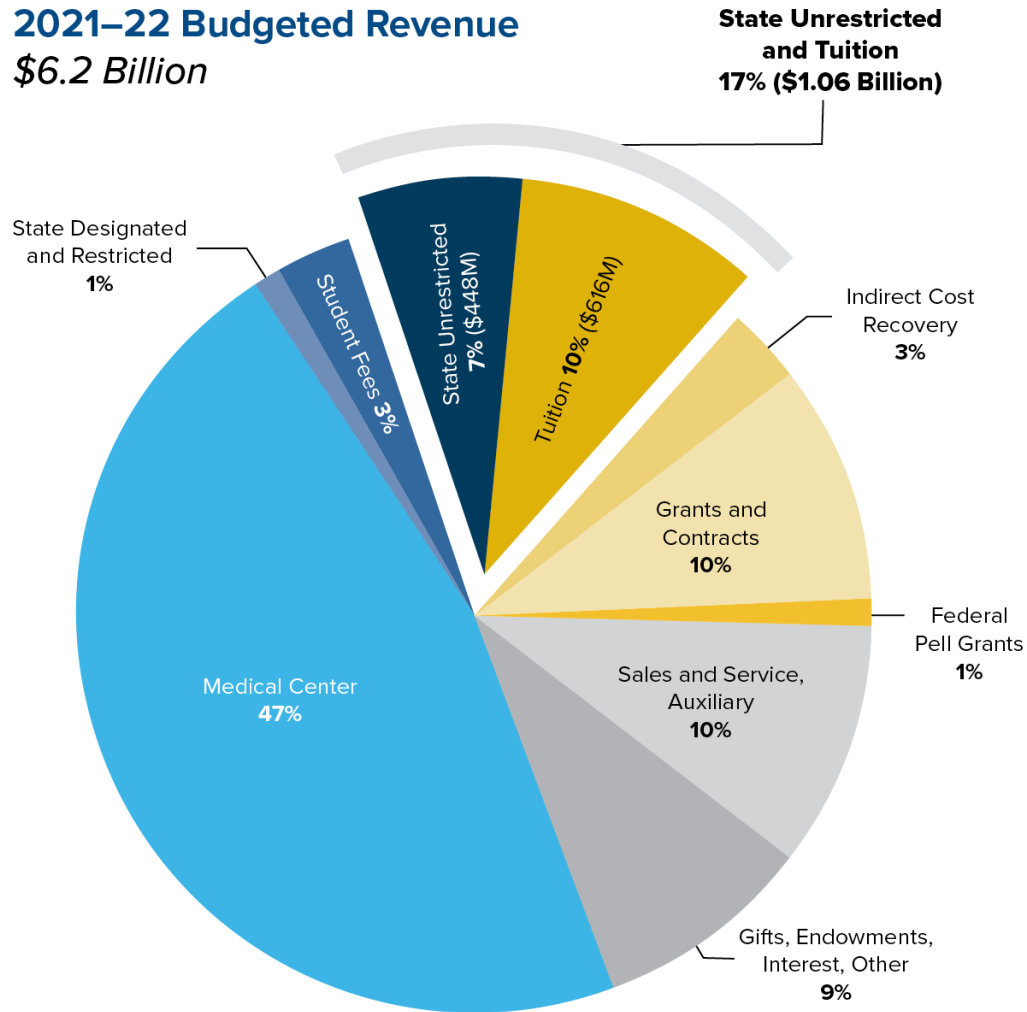
# Campus Budget Overview: All Funds

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

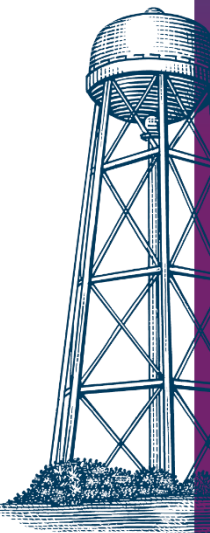


# Revenue

## 2021–22 Budgeted Revenue \$6.2 Billion

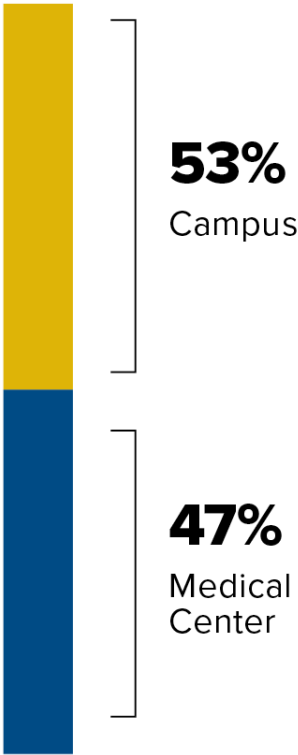


- This slide shows the all-funds view of campus revenue, including the Medical Center.
- UC Davis revenues come from many sources, but roughly 80% are designated or restricted.
- The primary source for the campus's teaching mission comes from unrestricted state funds and student tuition, as represented in the highlighted slices of the pie chart.
- Over the last 10 years, the state share has decreased. Gifts and endowments has increased. The largest increases have been the medical center.

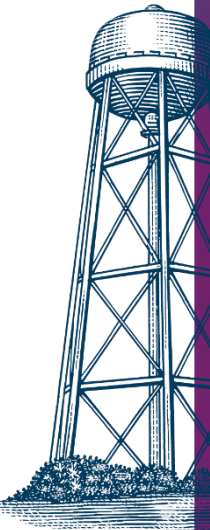
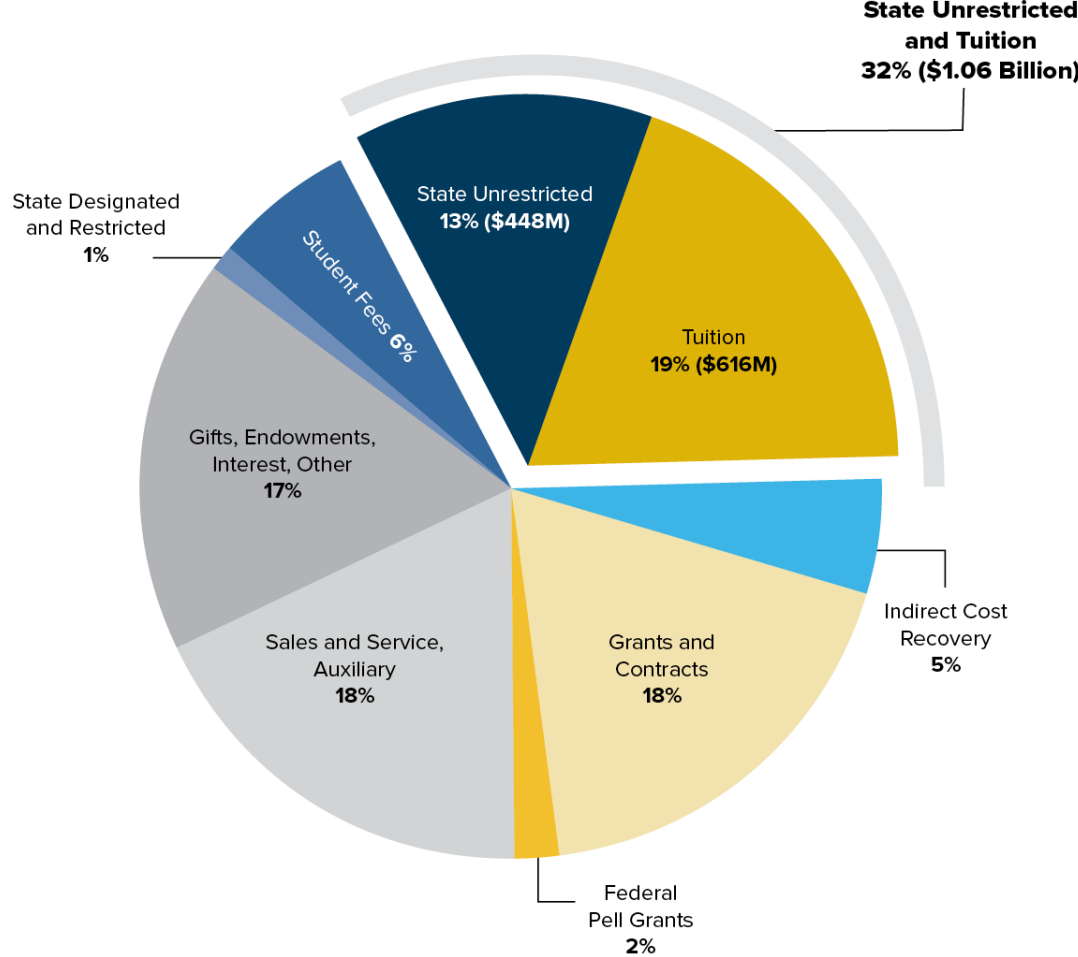


# Revenue

2021–22 Budgeted Revenue  
\$6.2 Billion



2021–22 Budgeted Revenue Excluding Medical Center  
\$3.3 Billion



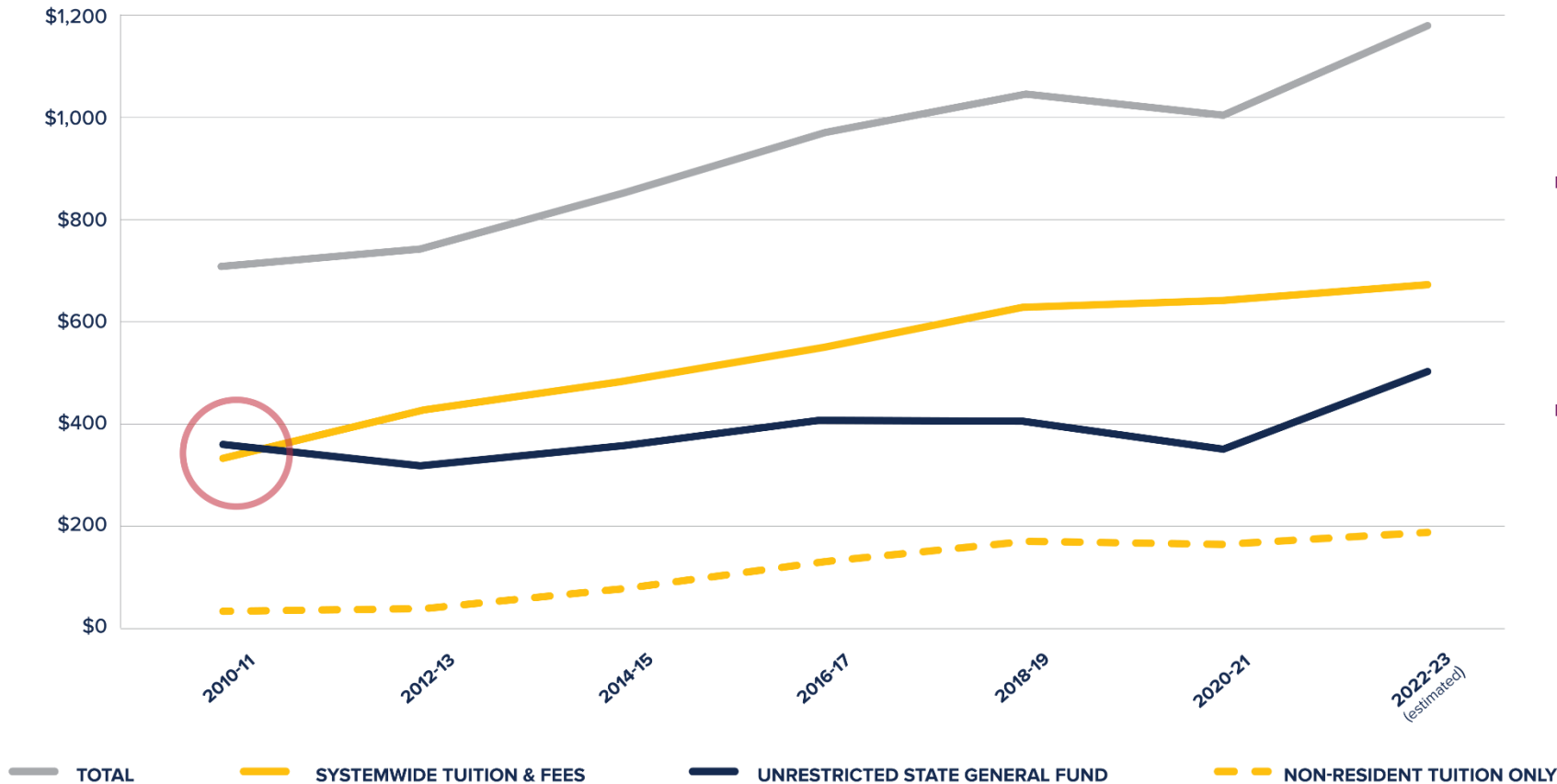


# State Divestment

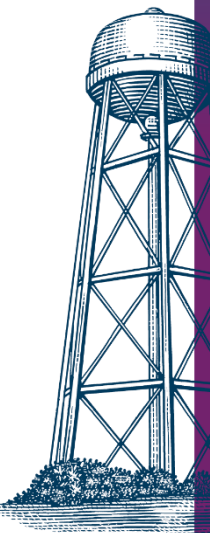
## Unrestricted State General Funds vs. Systemwide Student Fees\*

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

\$ in millions



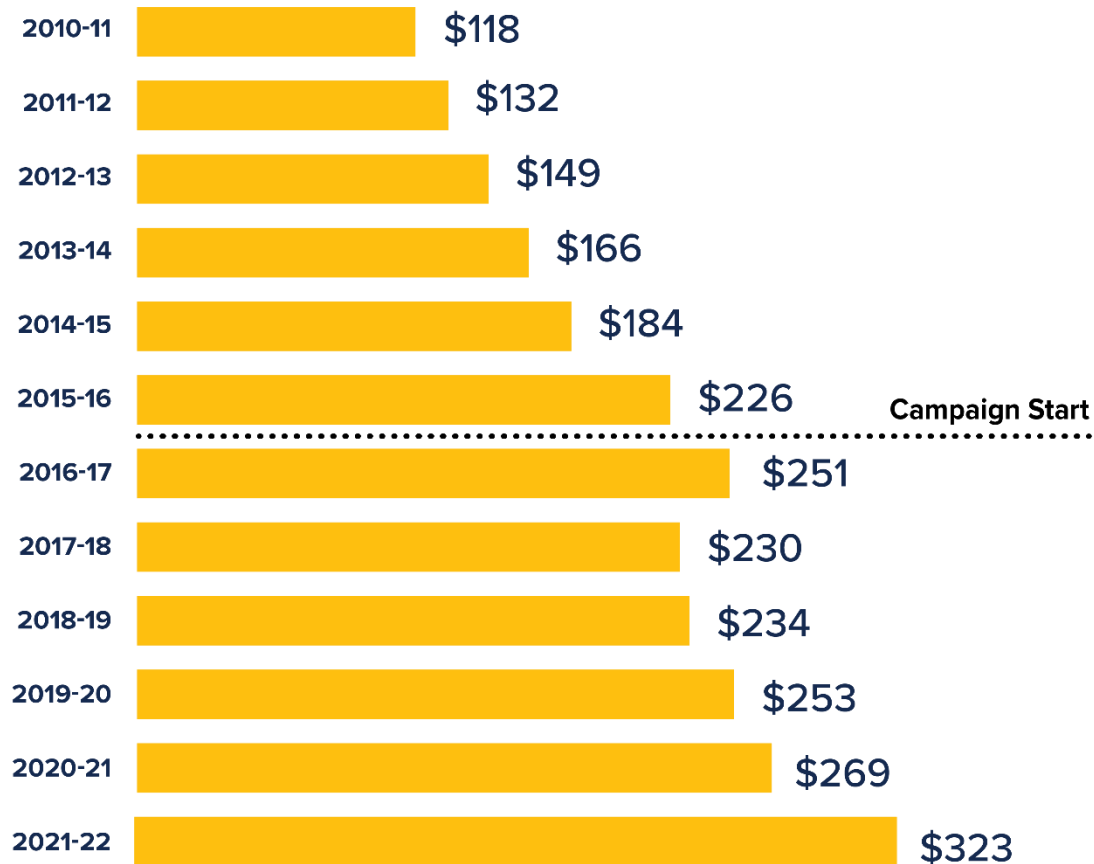
- Since 2010, tuition and fees paid by students and their families have exceeded funding UC Davis received from the State of California.
- Nonresident supplemental tuition revenue has addressed most of this gap over the past 10 years.
- 2020-21 reflects a \$45 million state budget reduction which was restored in 2021-22.



# Fundraising

## Fundraising Totals 2010-2022

*dollars in millions*

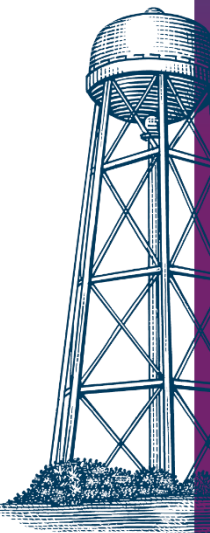


### ■ Fundraising in 2021-22:

- **Record \$323.1 million** raised, \$53.4 million increase from prior year
- 36,016 donors
- 63,650 gifts and pledges

### ■ Campaign—Year 6 Complete

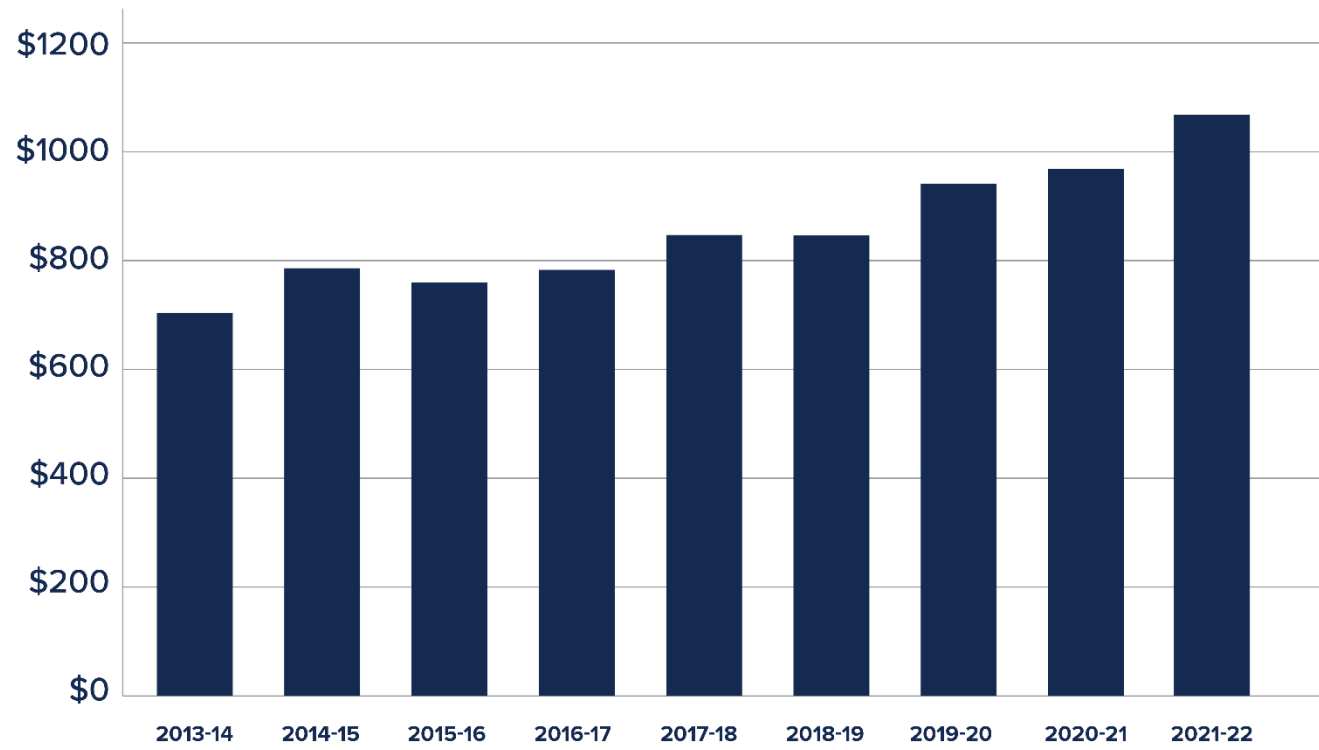
- Goal: **\$2 billion** over 8 years, with 25% of revenues to endowment
- \$1.7 billion raised from 110,375 donors as of end of 2021-22
- Of the \$1.7 billion, \$470.9 million (28%) to endowment/quasi endowment



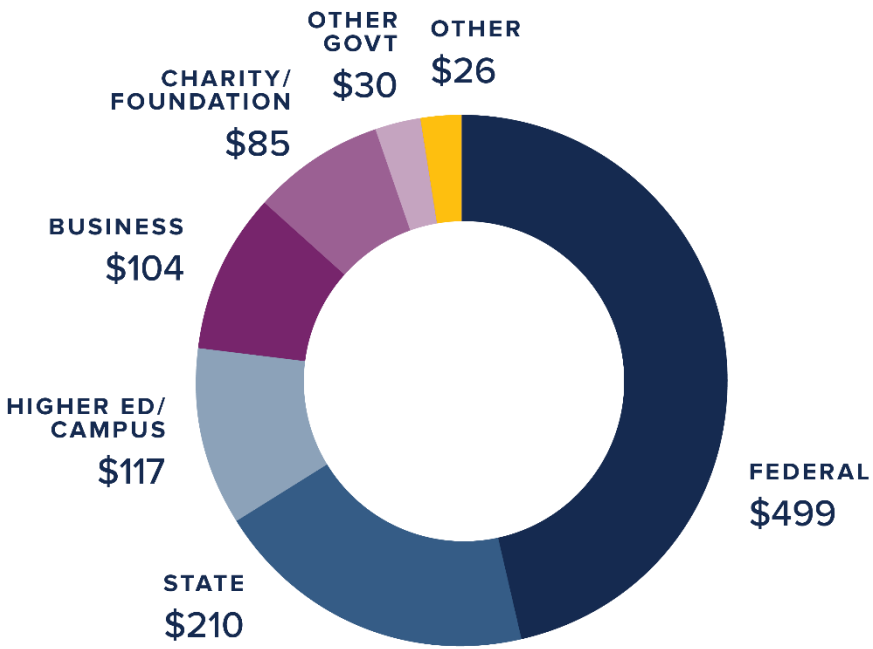


# Research Funding

Annual Research Funding Totals  
*dollars in millions*



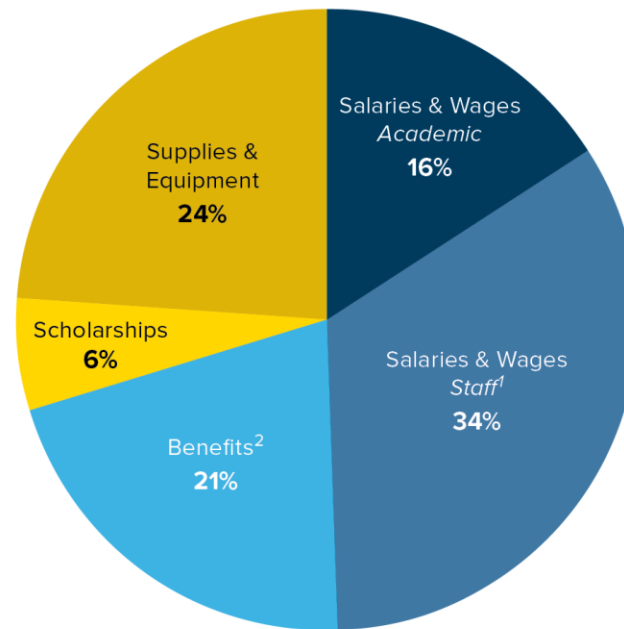
Funding Sources 2021-22  
*dollars in millions*



# Expenditures

## UC Davis Operating Expenditures FY 2020-21 \$5.8 Billion

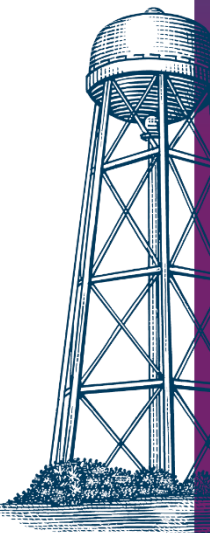
Function	Amount (Millions)	% of Total
Instruction and Academic Support	\$ 1,276	22%
Research	\$ 606	10%
Student Services and Financial Aid	\$ 475	8%
Operation and Maintenance	\$ 109	2%
Auxiliary	\$ 89	2%
Institutional Support	\$ 215	4%
Public Service	\$ 101	2%
Medical Center	\$ 2,654	46%
Depreciation/Interest Expense/Other	\$ 254	4%
<b>Total Expenses</b>	<b>\$ 5,779</b>	<b>100%</b>



1. Includes clinical staff

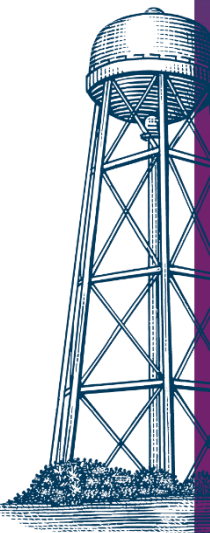
2. Reduction from prior year due to changes in pension costs.

- Institutions of higher education are people-driven.
- At UC Davis, employee-driven costs were 71% of our total operating expenditures.
- Excluding the Medical Center, which has higher costs for supplies and equipment, the employee-driven costs exceed 75%.



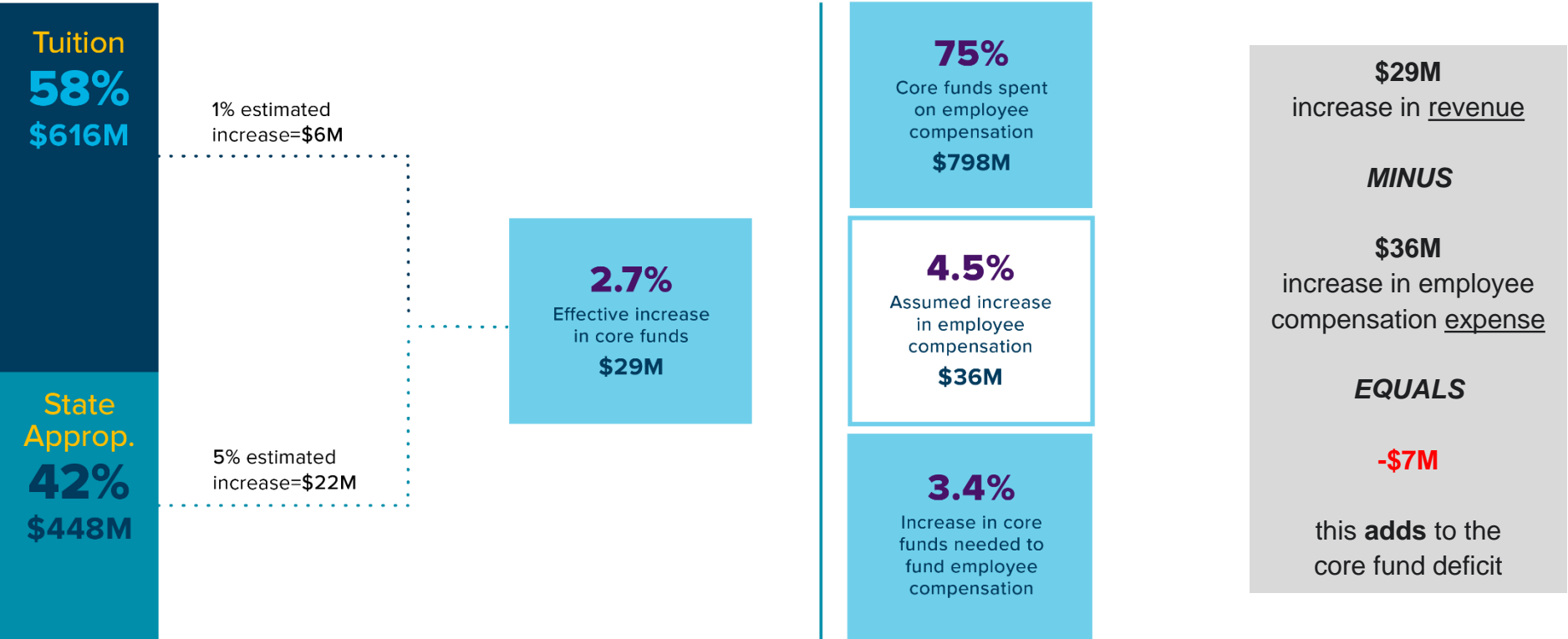


# Effective Rate of Core Fund Growth



## Core Funds: \$1.1B

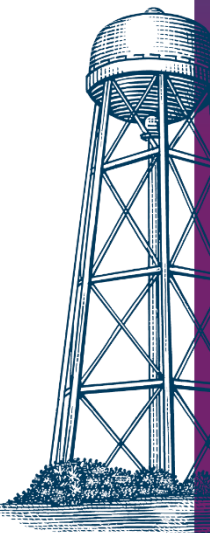
As of 2021-22 Budget



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.

# Funding Compact and 2030 Plan

- Governor's multi-year [compact](#) to provide 5% 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





# Budget Framework

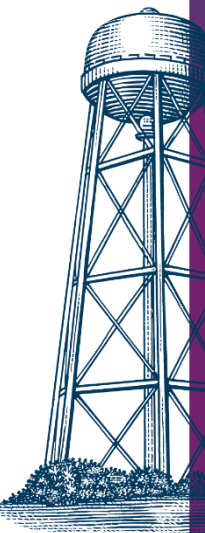
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- The multi-year projections, assumptions, and campus level *guidance* that inform and establish the annual budget planning and decision process.
- Generally focuses on “core funds” which is the combination of state appropriations and tuition revenue.
- Focuses on the balance of the *structural*, or ongoing, sources less uses.



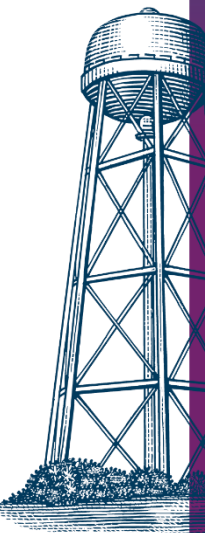
# The Challenges

- The State is an unreliable partner and provides a shrinking share of our core funds.
- The state budget does not provide full-funding for the faculty and staff salary programs approved by the regents.
- We need to make progress on Compact goals with the funding provided.
- State capital and deferred maintenance funding is insufficient, we are increasingly using our operating budget to meet these needs.
- We have critical priorities and needs that require investment and very limited new funds to do so.
- Our *structural* core fund budget remains out of balance. Ongoing, permanent actions must continue.

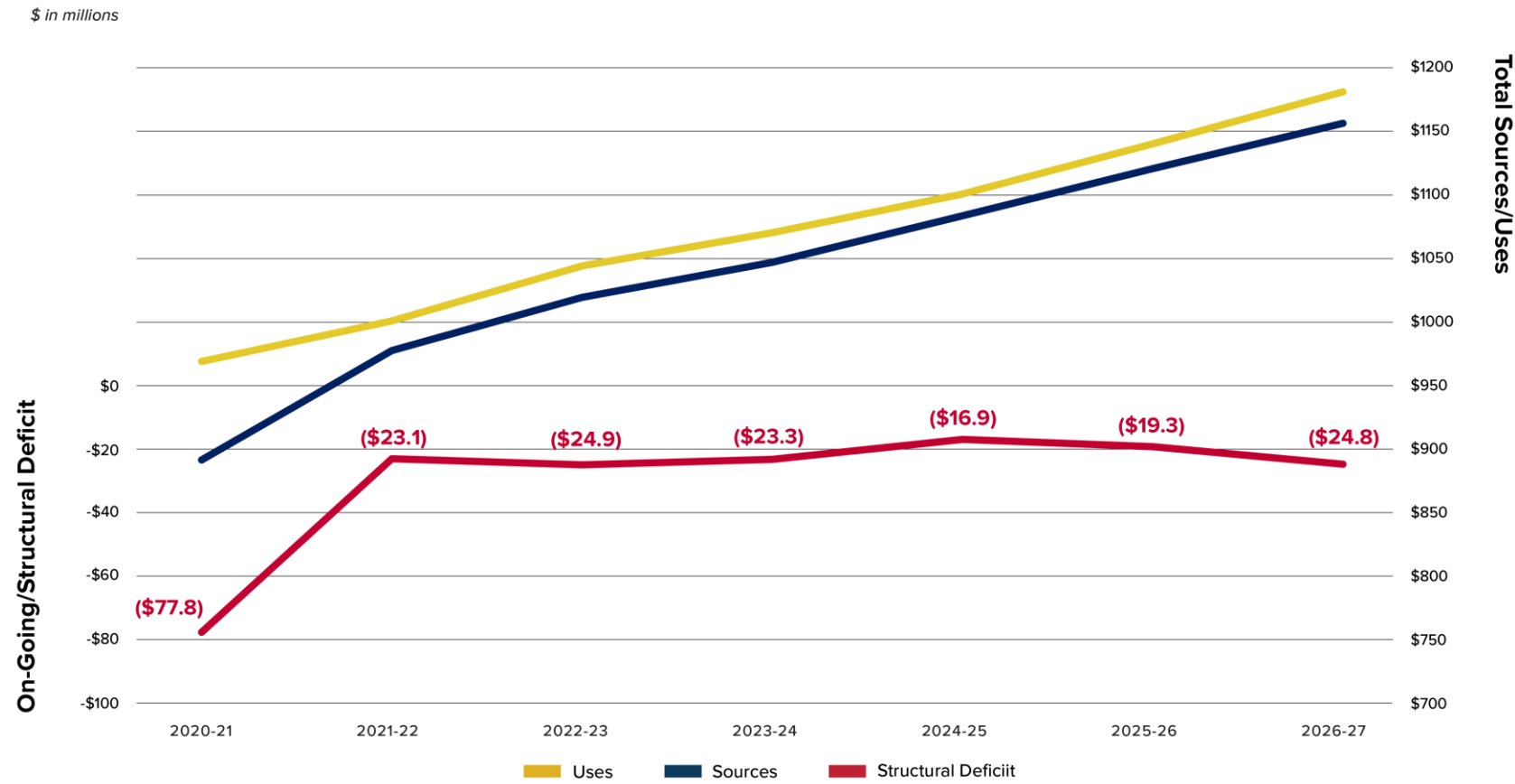


# Budget Framework Background

- Early in 2020, we identified a need to reduce ongoing reliance on core funds by **\$80-100 million over the next five years**.
- Established Budget Framework [Advisory Committee](#) to provide feedback and guidance on approach.
- Established Unit & Campus [Savings Targets](#) totaling \$70 million.
- Launched [Revenue Generation and Institutional Savings Task Force](#) to identify \$50 million in ongoing net revenue and/or savings.



# Multi-Year Projections



## Estimated Core Funds Structural Deficit

- Expected expenditures on state funds and tuition sources outpace expected revenue.
- Estimated structural deficit much improved from last year, but not resolved.
- Estimates already reflect \$70M in Phase I Savings targets started in 2020-21.
- Estimates assume annual 5% increases included in proposed compact with Governor.
- Bottom line: Ability to invest in new programs is limited and we are making hard choices about what service levels can be sustained.**





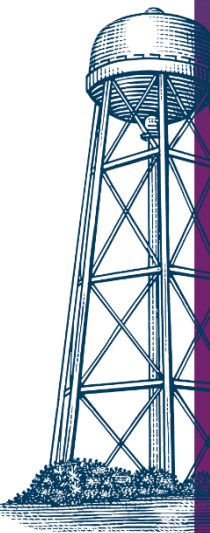
# Core Fund Savings Targets for 2020-25

## In 2020, Established Unit & Campus Savings Targets

- \$25 million in Centrally Identified Actions over 5 years.
- Phase 1 Targets to Units: \$45 million over 5 years.
- Additional Savings Targets continue to be postponed while we refocus collective effort on net revenue generation and culture of fully leveraging other allowable fund sources to support mission and priorities.

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

*\*excludes Medical Center*

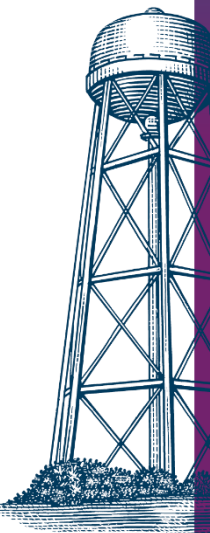


# Core Funds Savings Targets: Year 3 Status

## Central Campus Savings Target



## Unit Savings Target



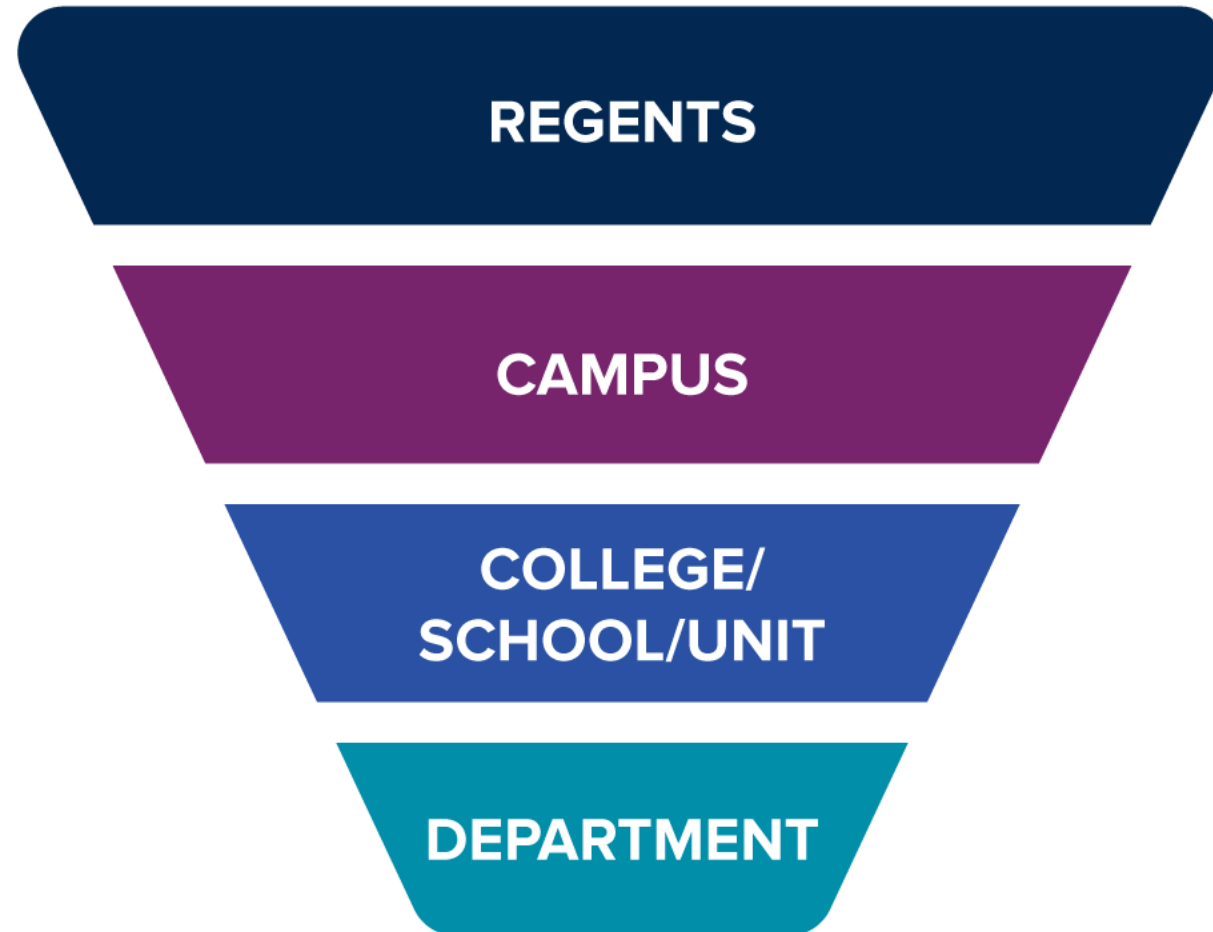


# Budget Process

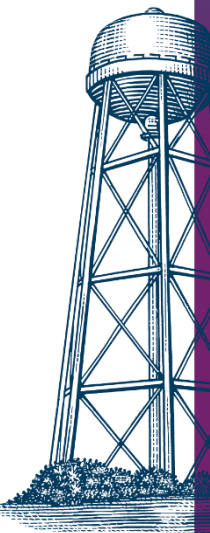
- Development of annual spending plan
- Reviewing opportunities and challenges
- Making incremental investment decisions consistent with strategic plan

# Budget Planning Levels

**Planning  
Assumptions &  
Allocations**

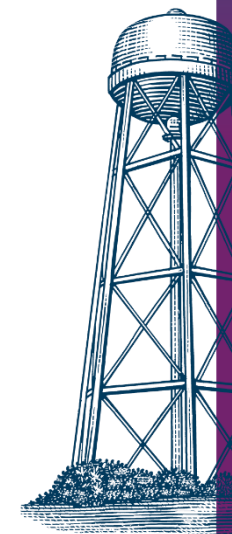
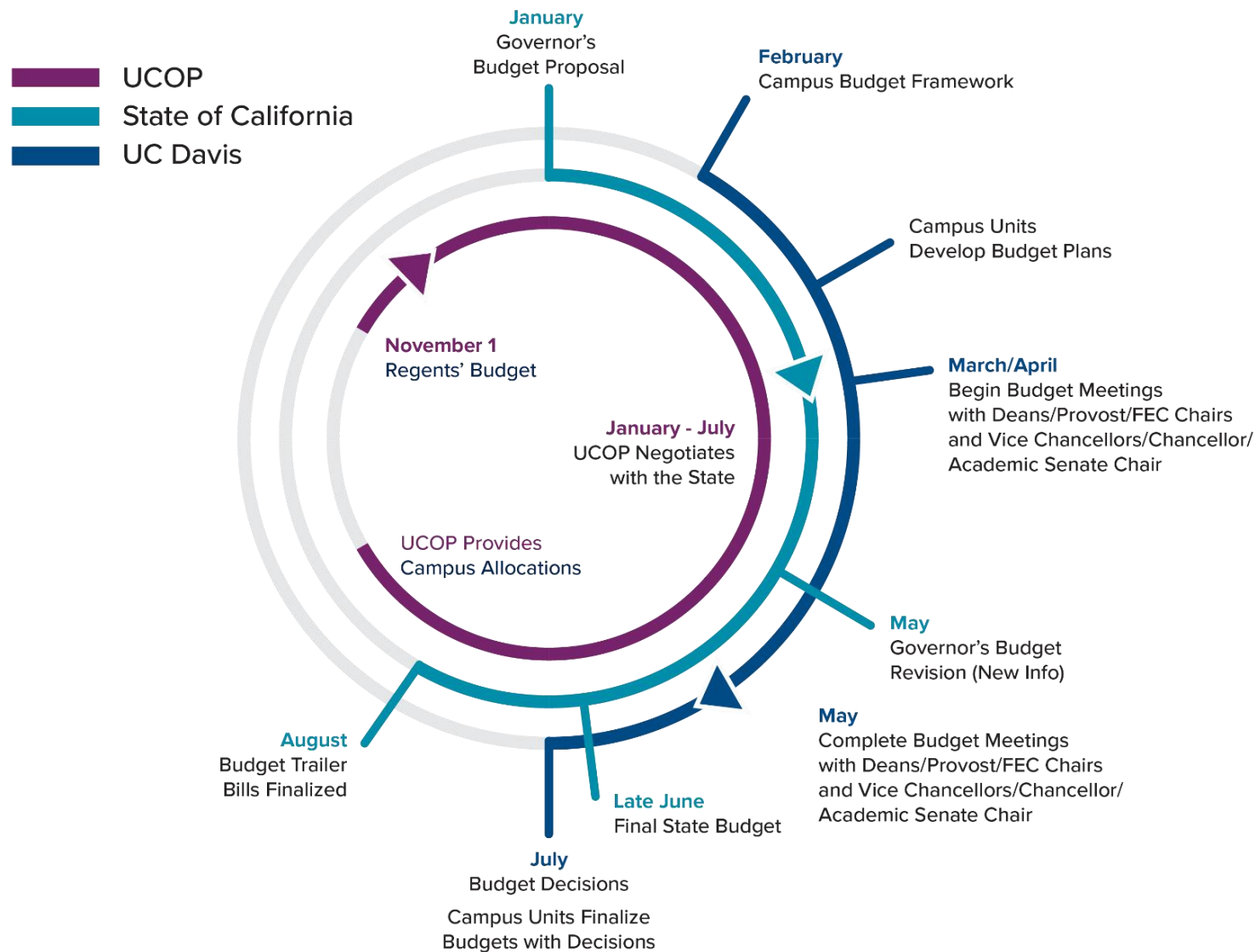


**Operational  
Plans**



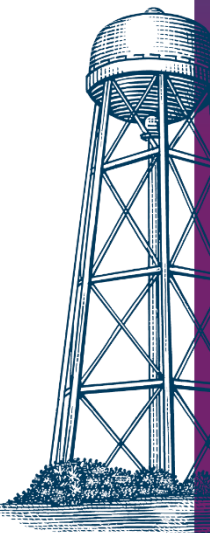


# Budget Planning Cycle



# 2022-23 Budget Process Outcomes

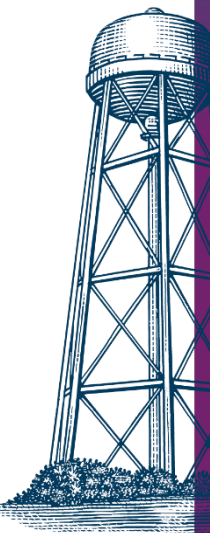
- The [Budget Status and Allocations](#) communication updates the campus on our financial status and decisions from the annual budget process.
- Continues to be a gap in core fund revenue vs. costs, currently projecting the core fund deficit to be \$25 million.
- Energy costs are now a significant cost pressure. Increased 30% in FY22, expecting additional increases in FY23, required \$16 million investment.
- Have set aside \$5 million for investments in student success and equitable outcomes. Will be making investments with the help of a task force being launched in the fall.



# 2022-23 Budget Process Outcomes

## ■ Other Key Investments:

- Faculty start-up block grants provided to deans through the [faculty recruitment](#) authorization process.
- Office of Research developing plan to provide additional pre-award, post-award, and administrative support to reduce faculty workload in research administration and compliance.
- Additional staff support for: Admissions Recruitment, Academic Assistance and Tutoring Center, Student Disability Center, Student Health and Counseling Center.
- Capital and maintenance costs, including a wireless upgrade.
- Staff for enhanced campus security and cyber risk management.

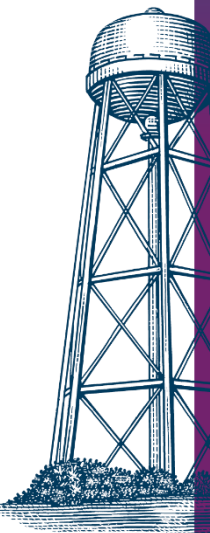


# 2022-23 Budget Process Outcomes

## 2022-23—New Allocations and Increased Set-Asides by Strategic Plan Goal

*\$ in 000s, All Funds*

Strategic Plan Goal	Base	One-time
Goal 1: Educational Experience	\$3,102	\$5,255
Goal 2: Research	\$2,006	\$911
Goal 3: Diversity, Equity, Inclusion	\$206	\$242
Goal 4: Visibility and Impact	\$544	\$1,900
Goal 5: Innovation and Entrepreneurship	\$195	\$1,000
Infrastructure and Other	\$21,005	\$10,230
<b>Total Incremental Investments</b>	<b>\$27,058</b>	<b>\$19,538</b>







# Budget Model

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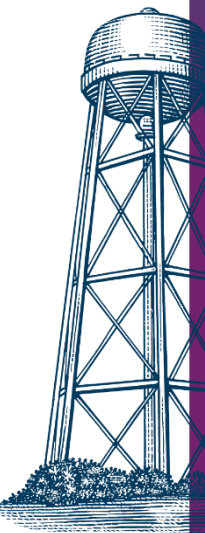
Formula-based allocations tied to specific revenue streams and metrics

# Budget Model Overview

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



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



# Questions?

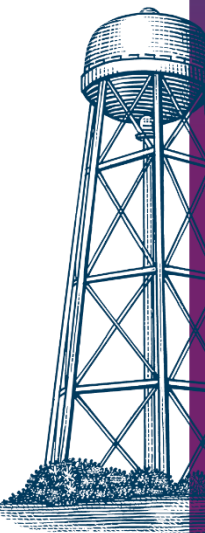


# Learn More

## Finance & Business:

- [Budget Overview](#)
- [Budget Process](#)
- [Budget Framework](#)
- [Budget Model](#)
- [2022-23 Budget Status and Allocations](#)
- [COVID-19 Financial Mitigation](#)
- [Campus Metrics and Data \(AggieData\)](#)
- [Deficit Guidelines](#)
- [Carryforward Guidelines](#)

Questions? Please contact us at  
[financeandbusiness@ucdavis.edu](mailto:financeandbusiness@ucdavis.edu)

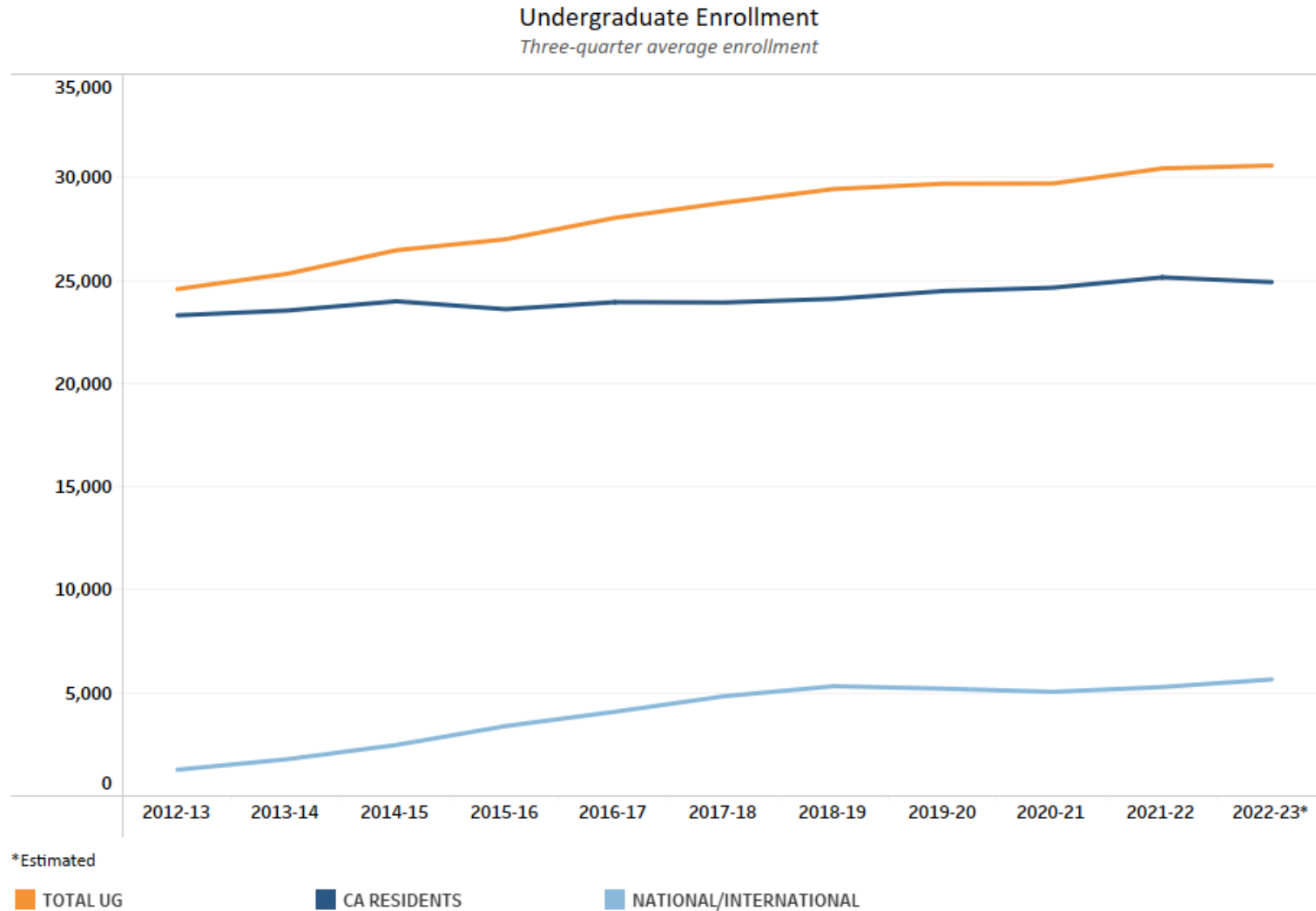




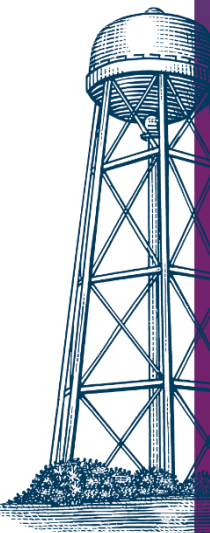
# Appendix



# Undergraduate Enrollment Growth & Revenue

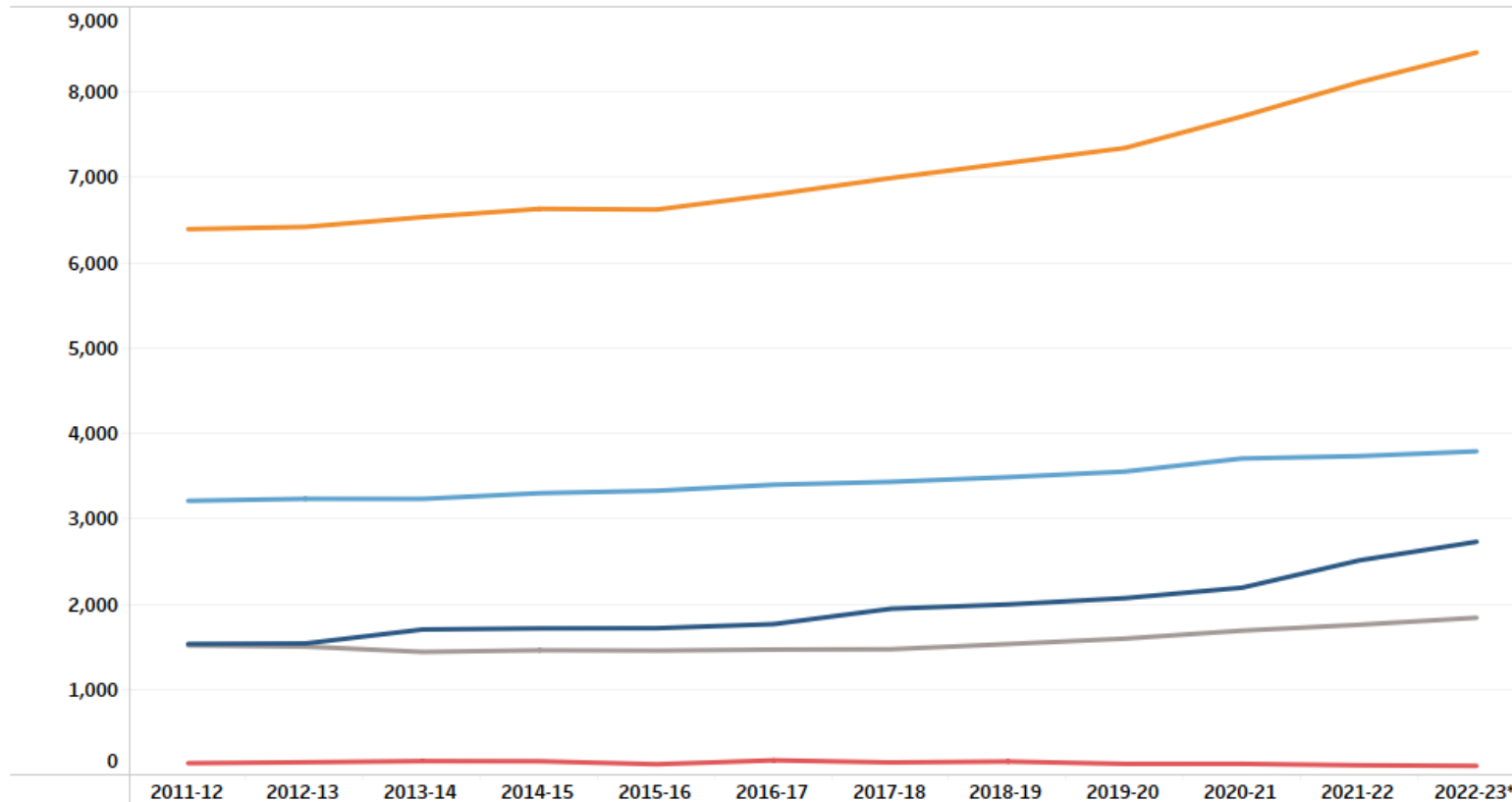


- Enrollment is significant driver of revenue.
- Since 2012-13 undergraduate enrollment **increased by about 6,000** students.
- Proportion of nonresident students **increased from 5% to ~18%**.
- In 2018, the UC Regents capped nonresident enrollment at 18% of the total undergraduate population at most campuses.
- 2022-23 estimated proportion of national/international is about 18.5%, revenue over 18% will be
- We expect that nonresident enrollment will be below the 18% cap starting in the 2023-24 academic year.



# Graduate Enrollment Growth & Revenue

Graduate Enrollment  
Three-quarter average enrollment

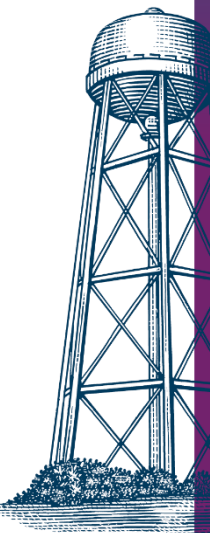


\*Estimated

\*\*Professional: DVM, JD, MD Students

TOTAL GRAD MASTER PHD POST BACCALAUREATES PROFESSIONAL

- Since 2012-13 graduate enrollment **increased by over 1,650** students.
- Largest growth seen in master's degree students.
- Tuition growth from graduate students is primarily reinvested in graduate student support programs.



# Capital & Infrastructure Needs



- UC Davis is the size and complexity of a small city.
- Capital investments across three primary goals:
  - Supporting the academic and health enterprise
  - Enriching community life
  - Creating a sustainable future
- State support very modest.
  - One-time funds for **deferred maintenance** totaling ~\$71 million since 2016-17. This includes a nearly \$44 million allocation in 2021-22 and an expected allocation of \$14M in 2022-23.
  - Contributions to **capital projects, seismic, and deferred maintenance** through the AB94 funding program over the last 10 years: ~\$226.5 million.
- **Significant Capital, Deferred Maintenance and Seismic challenges**





# Putting the Remaining Structural Deficit in Context (~\$25 million)

5-Year Projected Structural Deficit = 2.1% of FY23 core funds, 0.4% of all funds

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

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

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

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

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

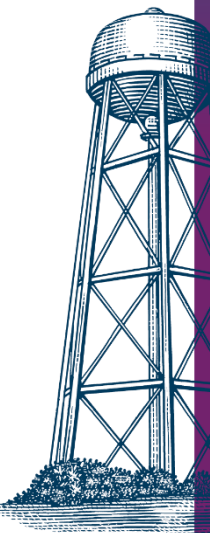
1% increase in Non-Represented Staff Compensation = \$2.7M

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

1% increase in Undergraduate Tuition Rates = \$2M

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

1% increase in State Funding = \$4.5M



# Budget Framework - Projection Assumptions

Assumptions	FY2022-23 Framework
State Funds Changes	FY23 based on Gov Jan Budget Proposal of 5% annual increase FY23 to FY27. Estimated UCD share of ~\$29M/yr No assumption of budgeted enrollment funding
Tuition - Rates	1% tuition annually starting in FY23 (cohort-based) 1% NRST annually starting in FY24
Tuition - Enrollment	UG NRST below 18% in FY23 (~17.7%) UG NRST returns to 18% by FY24, with total UG enrollment at 29,890 students by FY27
Salary & Benefits	Annual faculty merits (~2.6% of total compensation annually) Faculty range for FY23 ~5% and 3% in future years Non-rep employee merits at 4.5% for FY23 and 3% in future years Represented ranges based on contracts (3.7%-4% annually)
Budget Investments	Assuming \$4M per year. \$1M annually for capital for FY23 to FY25, growing to \$2M in future years
Framework Savings Targets	Phase I = \$70M remains in place, no Phase II or Phase III assumed at this time.

