Budget Planning Overview

February 10, 2009

Long range planning committees
February 10, 2009

Today's Briefing

1. UC Davis Background & Context
2. 2008-09 and 2009-10 Budget Planning
3. Planning Process
Campus Facts: Faculty

- Budgeted Faculty FTE = 1,981
  - 1,456 Instruction & Research (27% increase since 2000)
  - 189 Agricultural Experiment Station (26% decrease since 2000)
  - 336 Health Science (1% increase since 2000)

- Average 90 hires per year last five years
  - $142.5 million for faculty set-up
  - Science disciplines account for 51% of the hires and 83% of the costs ($118 million)
Campus Facts: Enrollment

- Fall enrollment 31,426
- Largest fall freshmen class in system since 2000
- Graduate enrollment 4,085 (13% of total)
- Health Science 2,150

Campus Facts: Instruction

- Ladder faculty teach 57-58% of all student credit hours
- But, student faculty ratios have declined modestly in last 7 years
Faculty hiring scaled back this year, but many concerns.

Age demographics:
- Vary by school, college, division.

Future liability for start-ups:
- Funds will be needed to re-start hiring.

Instruction gaps:
- Campus will re-invest a portion of the salary savings from retirement returns for supplemental instruction.

Awards
- Doubled in last ten years ($246 million to $586 million).

NIH
- Fastest growing.
- Last year accounted for 61% of all federal awards (up from 49% in 1998-99).
Budget Planning: Opportunities & Challenges

- Six-year trend of growth capped by GBMF gift
- Comprehensive campaign in quiet phase
- Endowment ~$650 million
  - College of Agricultural & Environmental Sciences
  - School of Medicine
  - School of Veterinary Medicine

Campus Facts: Private Support

- Annual private support (millions)
- Gordon and Betty Moore Foundation ($100 million)
- Mondavi gifts ($35 million)

Campus Facts: Physical Resources

- Davis campus
  - 5,380 acres (1,000 landscaped)
  - 18.8 miles of roads and 17.3 miles bicycle paths
  - 969 buildings comprising 9.5 million gsf
  - Replacement value $5 billion
- Sacramento campus
  - 140 acres
  - 38 buildings totaling 2.6 million gsf
- Remote Research Facilities – 650 acres
- Natural reserves – 2,750 acres
  - Total acres managed over 10,900
Campus Facts: Infrastructure Systems

Current replacement value: $652 million

Finances in Brief

Percentage of Annual Revenue by Fund Source

- 2007-2008 Revenue: $2.8 billion
  ($1.78 billion campus & $1.02 billion medical center)
- State funds and student fees combined account for 52% of core fund revenue
- Also, over $20 million for ANR research and cooperative extension programs managed by the Davis campus.
2008-09 Budget Overview

Budget Priorities: Graduate Student Support

Goal: Increase graduate proportion
Facts about Davis Graduate Students:

2008-09 Budget Augmentations:

- $1 million ($14 million total) to maintain purchasing power of funds allocated by the graduate dean
- $2.75 million for 25% fee and tuition buy-down program for extramurally funded GSR
- Training grants: fund all qualifying matches ($750,000 to $1 million)
Budget Priorities: Utilities

Background

• Redirect $10 million from campus units to Utilities

• Why?
  – $11 million deficit in 2007-08; $66.8 million since 1999-00
  – Campus not able to fund on an annual basis from central sources

• What caused the deficit?
  – Energy crises, global demand, growth
  – Significant increases in commodity prices
  – UC funding formula does not reflect cost drivers
    • Over 50% of space is wet-lab and other complex space
    • Weather demands

Budget Priorities: Utilities

• Cost Reduction Strategies
  – Procurement – continue to secure low cost commodity contracts

  – Conservation
    • Freezer and Refrigerator buy-back
    • Building controls and set points

  – Capital investments
    • Central Plant Chiller Replacements
      ($15 million invested; $1.6 million net annual cost avoidance)

    • Partnership program with utility companies
      – Recently completed 7 projects for $1 million; payback < 1 year
      – New Strategic Energy Partnership has great potential
### Budget Priorities: Utilities

*Energy Use & Reduction Measures*

- **Monitor Utility Consumption**
  - Real-time data now available for many campus buildings
  - Time series or building-to-building comparisons
  - facilities.ucdavis.edu/dashboard

<table>
<thead>
<tr>
<th>Library System</th>
<th>Savings/Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical</td>
<td>$56,209</td>
</tr>
<tr>
<td>Chilled Water</td>
<td>$84,984</td>
</tr>
<tr>
<td>Hot Water</td>
<td>$45,405</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$186,598</strong></td>
</tr>
</tbody>
</table>

Example of Annual Savings Summary at Shields Library

---

### Budget Priorities: Fund Fixed Costs

*Budgeted Fixed Cost Increases 2008-09 (amounts in millions)*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary continuation costs (October 1, 2007 actions)</td>
<td>$7.1</td>
</tr>
<tr>
<td>Faculty merits and promotions</td>
<td>$3.5</td>
</tr>
<tr>
<td>Benefits costs for health and dental (employer share)</td>
<td>$5.1</td>
</tr>
<tr>
<td>Non-senate faculty negotiated increases and other completed negotiations</td>
<td>$1.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$17.0</strong></td>
</tr>
</tbody>
</table>

Collective bargaining agreements continue to add new costs that must be funded this year and in future years.
Budget Priorities: State Budget Reductions

Proportion of State General Funds

- Assume pro-rata share of state reductions or system priorities
  - General Fund 14.5%
  - General Campus Enrollment 13.6%

- System priorities
  (Merced, PRIME)

- State funding shortfall from October
  (System $33 million; Campus $4.7 million)

- Mid-year State reduction
  (Assume system $65 million; Campus $9.1 million)

Recap: 2008-2009 Budget Shortfall

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Base (millions)</th>
<th>One-time (millions)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>State cut (Oct 2008)</td>
<td>-$4.71</td>
<td>-$4.71</td>
<td>Pro-rata share of $33M</td>
</tr>
<tr>
<td>Fixed salary and benefit cost increases</td>
<td>-$17.14</td>
<td>-$19.80</td>
<td>Does not include recent collective bargaining</td>
</tr>
<tr>
<td>Enrollment growth</td>
<td>$0</td>
<td>$0</td>
<td>Units must absorb costs</td>
</tr>
<tr>
<td>Merced &amp; PRIME enrollment</td>
<td></td>
<td>-$1.1</td>
<td>Assigned as one-time</td>
</tr>
<tr>
<td>Graduate student support</td>
<td>-$1.13</td>
<td>-$1.13</td>
<td>Priority investment</td>
</tr>
<tr>
<td>Utility shortfall</td>
<td>-$10.0</td>
<td>-$10.0</td>
<td>Correct structural deficit</td>
</tr>
<tr>
<td>Mid-Year cut (Jan 2009)</td>
<td>-$9.1</td>
<td></td>
<td>Pro-rata share of $65.5M</td>
</tr>
<tr>
<td>Total</td>
<td>-$32.98</td>
<td>-$45.85</td>
<td></td>
</tr>
</tbody>
</table>
Addressing the Shortfall: Base Budget Reductions

Reductions = $16.65 million
- Finalized July 2008
- Exemptions (blue): Faculty and teaching assistant salaries, benefits, utilities, and graduate student support.

Deans, Vice Chancellors and Vice Provosts have decision authority
- Administrative = $9.4M (7% reduction)
- Academic = $7.2M (2.4% reduction)
- Library = $0.5M (3% reduction)

Units committed to protecting staff
- < 45 layoffs
- > 90 vacant positions eliminated

Base Budget Reductions: Actions to Reduce Costs

- Academic unit examples:
  - travel, research, symposia, visiting scholars, equipment replacement
  - Reduction or elimination of subsidies for activities charged to contracts and grants
  - Service reductions for faculty support, student advising
  - Equipment not replaced; major purchases cancelled or deferred; fewer print materials

- Administrative unit examples:
  - Service reductions for classroom support, registrar
  - OR Business Development Office closed; Police K-9 unit eliminated
  - Building maintenance services reduced
  - Equipment not replaced; major purchases cancelled or deferred; fewer print materials

- Faculty hiring reduced
  - Budgetary savings occurs in 2009-10
Addressing the Shortfall: Self-supporting Assessment

- Rationale: Self-supporting units part of campus and should participate in addressing challenges
  - 3% assessment (units must absorb fixed and utility increases, so budget impact is more than 3%)
  - Academic recharges exempt
  - Rate freeze for campus services to avoid pass-through of assessment to campus departments

- Estimate $7 million on-going
  - ~$6.2 million from auxiliary and administrative units
  - ~$0.8 million from academic units

- Self-supporting units also addressing reduced demand for services

Addressing the Shortfall: New Resources

- Educational Fees in lieu of general funds
  - $6.81 million permanent block allocation
  - $2.39 million one-time from enrollment growth
  - $5.4 million one-time from over-enrollment
    - Use balance after financial aid set-aside to offset mid-year budget reduction
  - Units absorb costs of growth

- Non-resident tuition
  - Assume $1 million based on fall enrollment estimates
  - Assume one-time until more information is available
    - Modest targeted marketing for fall 2009; applications up 6%
    - Yields highly dependent on Berkeley actions
Addressing the Shortfall: Short-term strategies

- 2007-08 faculty positions from growth
  - 24.5 general campus FTE in Provost Reserve
  - $75,000 per FTE salary and benefits
  - $1.8 million annual savings to offset cuts

- 2008-09 faculty positions from growth
  - None

- Cancel and defer campus investments
  - Classroom improvements, network upgrade

- Mid-Year budget cuts totaling over $5 million
  - Reduction for each academic and administrative unit based on:
    - 25% of prior-year travel expenses ($2+ million)
    - Across-the-board reduction based on all general and unrestricted fund sources ($3+ million)

---

Balancing the Budget for 2008-2009

<table>
<thead>
<tr>
<th>Balance 2008-2009</th>
<th>Base (millions)</th>
<th>One-time (millions)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. BUDGET SHORTFALL</td>
<td>-$32.98</td>
<td>-$45.85</td>
<td></td>
</tr>
<tr>
<td>2. ACTIONS TO ADDRESS SHORTFALL:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Budget reductions</td>
<td>$16.65</td>
<td>$16.65</td>
<td>Final July 2008</td>
</tr>
<tr>
<td>Self-Supporting assessment</td>
<td>$7.02</td>
<td>$7.00</td>
<td>Estimate</td>
</tr>
<tr>
<td>Educational fee increase</td>
<td>$6.81</td>
<td>$6.81</td>
<td>OP allocations</td>
</tr>
<tr>
<td>Educational fee growth</td>
<td>$7.04</td>
<td></td>
<td>OP allocations</td>
</tr>
<tr>
<td>Non-resident tuition</td>
<td></td>
<td>$1.00</td>
<td>Estimate</td>
</tr>
<tr>
<td>Faculty positions</td>
<td>$1.80</td>
<td></td>
<td>2007-08 growth FTE</td>
</tr>
<tr>
<td>Campus Investment Fund</td>
<td></td>
<td>$0.55</td>
<td>Reduce spending</td>
</tr>
<tr>
<td>Mid-year cut to units</td>
<td></td>
<td>$5.00</td>
<td>Assign in February</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$30.48</td>
<td>$45.85</td>
<td></td>
</tr>
<tr>
<td>3. NET 2008-09 BUDGET</td>
<td>-$2.50</td>
<td>$0.00</td>
<td></td>
</tr>
</tbody>
</table>
2009-10 Budget Planning

2009-10 Initial Projections

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Base (millions)</th>
<th>One-time (millions)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09 shortfall addressed with one-time funds</td>
<td>-$2.50</td>
<td>-$2.50</td>
<td>Continue to monitor assumptions</td>
</tr>
<tr>
<td>Governor’s Budget Proposal</td>
<td>-$9.10</td>
<td>-$9.10</td>
<td>Pro-rata share of $65 million</td>
</tr>
<tr>
<td>Fixed cost increases and collective bargaining</td>
<td>-$15.00</td>
<td>-$15.00</td>
<td>Rough estimate</td>
</tr>
<tr>
<td>UCRS employer share</td>
<td>-$16.40</td>
<td>-$2.40</td>
<td>4% Effective mid-April</td>
</tr>
<tr>
<td>Priorities/contingency</td>
<td>-$6.00</td>
<td>-$6.00</td>
<td></td>
</tr>
<tr>
<td>Estimated shortfall</td>
<td>-$49.00</td>
<td>-$35.00</td>
<td></td>
</tr>
<tr>
<td>Educational fee increases</td>
<td>$9.00</td>
<td>$12.00</td>
<td></td>
</tr>
<tr>
<td>Faculty savings</td>
<td></td>
<td>$5.50</td>
<td>2007-08 growth positions, start-up savings, retirement returns</td>
</tr>
<tr>
<td>Challenge to be addressed</td>
<td>-$40.00</td>
<td>-$17.50</td>
<td></td>
</tr>
</tbody>
</table>
2009-10 Budget Process: Short-term focus

- “Cash” approach in 2009-10 so that committee process has sufficient time to identify long-term, permanent solutions

- Planning letter later this month
  - One-time budget reduction targets
  - Expense reduction and deferrals will continue
    - Faculty and staff hiring slow downs
    - Service reductions, consolidations
  - Human resource options and tools
    - START program – new minimum of 5%
    - Other programs and options under discussion
  - Self-supporting assessment will continue
  - Enrollment reduction (~400 fewer freshmen; total flat)

Long-term Planning Process
Long-term planning process

- Budget Advisory Committee appointed December 2008
  - Chaired by Provost and Executive Vice Chancellor
  - Membership split between Faculty (Senate and Federation) and Administration
  - Articulate priorities, principles (see draft), criteria and process

- Sub-committees provide focus on select areas
  - Instruction and Research
  - Administration, Student Services, Self-Supporting
  - Capital and Space Planning

- Goals: Implement systemic change; achieve permanent budget savings; advance/preserve campus priorities
  - What can we stop doing?
  - What can we do differently?
  - What new revenue can we generate?

Committee Process

- Input and resources for each sub-committee
  - Members bring diverse viewpoints and experiences
  - Initial ideas from SmartSite, discussions last spring with department chairs, Senate, deans, other administrators
  - Engagement with other individuals and groups
  - Staff support available to prepare and analyze selected data and materials

- Key role for Budget Advisory Committee is to help connect across sub-committees

- Communication
  - Provost letters and updates, Dateline, Budget News
  - You!
Long Range Budget Planning Process

2008-2009
- FEBRUARY 2009
  - Establish Principles
  - Draft Principles

- MARCH-JUNE 2009
  - Set Targets and Preliminary Strategies
  - Generate Ideas
  - Evaluate Ideas
  - Draft and Submit Reports

- JULY-SEPTEMBER 2009
  - Refine Recommendations
  - Review Sub reports
  - Questions for Subs

- OCTOBER-NOV 2009
  - Review and Consult with Broader Community
  - Draft Proposal for Campus Consultation from Provost and Chancellor

- DECEMBER 2009
  - Chancellor and Provost announce Permanent Cuts

BAC

Sub-Cmte

Thanks!