DEANS, VICE CHANCELLORS, CHIEF INFORMATION OFFICER, and UNIVERSITY LIBRARIAN


Dear Colleagues,

I am writing to provide budget planning information for 2014-15. I am grateful that the very difficult circumstances of recent years have stabilized. The 2020 plan is progressing, and we must make the needed investments to ensure student success and growth in the number of faculty and graduate students. I appreciate the thoughtful approaches you are each taking with respect to growth and the opportunities afforded. Of course, we also are very mindful that challenges remain. The investment by the state starting last year is very important to ensuring some stability; however, the state investment does not cover fixed cost increases and the decision to again freeze tuition increases the structural shortfall. The current estimate is that we will end 2014-15 with a structural shortfall of $21 million. As we have discussed often, we must continue to become ever more efficient to ensure that we maximize the resources available to our academic programs.

The total budget for UC Davis is over $3.6 billion derived from many different sources. All funds must grapple with the challenges of fixed cost increases and there are other significant challenges such as federal sequestration and health care reform that are addressed as part of local budget planning. For core funds – state, tuition and indirect costs – this letter provides the budget framework and key policy decisions for 2014-15. Budget and Institutional Analysis (BIA) will provide preliminary allocation information in early March and we will schedule annual budget meetings this spring.

Specific information about the components of the campus budget process is provided below. Unless otherwise noted, this information is specific to funds managed as part of the campus budget model including state funds and tuition (i.e., 19900 funds), indirect cost recovery funds, summer tuition and registration fee funds.

Undergraduate Tuition

The new undergraduate enrollment plan for Fall 2014 envisions a total of 8,335 new students—approximately 5,180 direct from high school and 3,155—about 38 percent—by transfer. In order to ensure financial stability and pursue the goal of a more international student community at UC Davis, the campus will seek to ensure that about 1,130—13.6 percent—of these new students are national/international students—approximately 800 direct from high school and 330 transfer students. These targets reflect only modest increases over fall 2013, about 85-90 more new students than fall 2013. This modest rate of growth is anticipated for the next three years to provide time to add the faculty, classrooms, student services and other needed support to ensure good outcomes for our students. Total undergraduate enrollment of new and continuing students is projected to be 23,700 students (3-quarter average headcount).
BIA projects that undergraduate tuition will total $283.4 million in 2014-15 with $214.7 million available for allocation through the budget model after accounting for financial aid and other set-asides. The estimate includes an additional $10.4 million in base tuition including $4.1 million for financial aid and $6.2 million for the operating budget. In addition, BIA estimates an additional $14 million in supplemental tuition paid by our national and international students. I will retain $12 million of the additional supplemental tuition off-the-top to address the highest priority needs for the overall campus budget. Therefore, a total of $8.2 million will be allocated through the budget model as net new resources. As well, the budget model will result in adjustments to base budgets that reflect the current metrics.

Fixed Costs

The University continues to face significant fixed cost increases that impact all our operations. Planning information about fixed cost increases follows and BIA will publish more detailed planning parameters on the web.

- **Benefits** – increase in composite benefit rates to reflect increase of employer contribution to UCRS from 12% to 14% and modest health care cost increases.

- **Faculty and other academic titles** – normal merits and promotions for ladder faculty and increases per negotiated contracts for academics represented by a union. We anticipate that there will also be an across-the-board increase effective October 1, 2014, for ladder faculty and academic titles not represented by a union, though the amount of the increase has not been finalized.

- **Staff** – see contract terms for all staff represented by a union. For those not represented, salary increases will be awarded from a funding pool of 3% effective July 1, 2014. The program parameters will include eligibility criteria and a component for performance so individual increases will vary. The specific program parameters will be communicated by Human Resources in the coming weeks.

- **Centralized fee remission for TA and similar titles** – tuition will not increase; however, we anticipate the need to set-aside additional funds for TA fee remission because of growth. Fee remission for GSR positions is the responsibility of the unit.

- **Deferred Maintenance** – deferred maintenance needs for the campus are substantial. Vice Chancellor Meyer is developing a multi-year program – approximately $50 million over three years – to address the most critical needs. We are establishing an ongoing allocation of $3 million annually to make debt service payments for these investments (15-year repayment cycle).
Provost Allocation

Provost allocations will again include funding for fixed cost increases as specified in bullets below and provide for some modest investments with an emphasis on the critical functions and services needed to ensure student success.

- Schools, colleges, divisions, the library and organized research units administered by the Vice Chancellor – Research will receive a Provost allocation that fully funds estimated fixed cost increases.

- Administration and academic support units will receive funding for 80% of the estimated fixed cost increases. Each vice chancellor and vice provost is asked to continue to identify and implement local, strategic efficiencies to offset the gap.

- Investments – I will make investments totaling $6 million. Funds will be used to continue multi-year funding strategies for classrooms, deferred maintenance, new facility construction and library services. In addition, investments to improve student success including graduate student support and undergraduate student advising and honors programs.

- Financial aid – $7 million of our need-based financial aid resources have been repurposed allowing us to reduce the self-help amount for undergraduate students thereby reducing the need to borrow. The middle-income scholarship program we implemented last year, the Aggie Grant Plan, will continue and we will implement the new state-funded Middle Class Scholarship Program. Funds will also be strategically invested to improve our ability to recruit the highest achieving students.

Administrative Efficiency – Multi-year Approach to Address Structural Shortfall

Looking forward, it is clear that we must continue to identify ways to improve our efficiency. The University of the 21st Century demands an administrative structure that relies on efficient business processes that appropriately balance risk and leverage technology. The structural shortfall that we continue to carry must be resolved. As well, our constant commitment is to ensure that resources are maximally available to support the academic programs. I will be working with campus leaders over the next year to identify further savings from administration by 2015-16. In the near-term, we will bridge the structural shortfall with one-time funds from administrative and academic support units and other central reserves.

Graduate and Summer Tuition

Two new modules of the budget model are being implemented for 2014-15 to allocate summer tuition and incremental growth in graduate tuition. A letter about graduate tuition with allocations will be sent soon. The decision letter about summer tuition is available at: http://budget.ucdavis.edu/budget-model/documents/Summer_Tuition_in_the_Budget_Model_012914.pdf.
Indirect Cost Recovery

BIA estimates that indirect cost recovery funds available for allocation in 2014-15 will total about $120-125 million which is very consistent with the amount generated for the last three years (i.e., $122 million in 2010-11 and 2011-12 and $124 million in 2012-13). I will again allocate 37% of the indirect cost recovery funds net of set-asides for Garamendi-financed facilities based on the administrative home of the research.

The Provost share is allocated for research support and infrastructure primarily in the Office of Research (OR) and Administrative and Resource Management (ARM). Funds are also used to support graduate students, capital projects, debt service, centers and faculty start-up packages.

For 2014-15, I will continue to work with stakeholders to identify a shared funding mechanism to enable a campuswide program to remove and dispose of surplus and unwanted chemicals. This effort is needed to reduce the quantity and volume of hazardous and flammable chemicals so that we improve general safety and mitigate some of the administrative burden for maintaining Standard Operating Procedures (SOPs) and inventory records for chemicals no longer being used. More discussion and information is forthcoming.

Faculty Recruitment

The continued and growing excellence of our university and the student experience depends upon our ability to hire enough high quality faculty to support our goals. As I noted in my announcement of the Hiring Investment Program (HIP), over the next seven-to-eight years, the campus anticipates hiring more than 600 Academic Senate faculty including about 200 to accommodate student growth and about 400 to replace senate faculty departing through retirements and separations. This is both a daunting and exciting opportunity that will shape the face of UC Davis for the coming generations.

For 2014-15, I ask that you propose faculty hiring mindful of your current academic plans, but also with strong consideration for priorities that reflect growth and faculty turnover. Planning for faculty hiring should take into account:

- The full range of ongoing funding sources that may be available to support faculty positions consistent with the effort to rebalance expenditures across all fund sources when possible. Examples of ongoing fund sources that might be leveraged to support faculty include endowments, professional degree supplemental tuition, self-supporting degree program fees, and clinical revenue.
- Needs associated with delivering the curriculum to our growing and diverse student body.
- Diversity and opportunities to accelerate some hires as part of the ADVANCE/CAMPOS initiative.
• Unanticipated prospects to increase hiring that may arise during the recruitment process, such as, making multiple offers out of strong pools or supporting the Partner Opportunity Program.

• The potential synergy of school, college, division hiring with HIP proposals.

• Hiring opportunities related to the Presidential Postdoctoral Fellowship Program, including the recent expansion of this program and investment of start-up funds for hires in the STEM fields. More information about this can be found here http://ppfp.ucop.edu/info/.

The hiring proposal you submit for 2014-15 does not need to include positions being requested through the HIP proposal process which are due to my office today, February 24, 2014. As indicated in the announcement of this program, the HIP proposals will go through a separate review and approval process than these “regular” recruitment authorization requests. For more information on this program please see: http://provost.ucdavis.edu/initiatives-and-activities/initiatives/HIP.html.

The ability to fund start-up costs will no doubt continue to present a difficult challenge. I will again provide one-time supplemental provost allocations totaling $8-10 million to offset a portion of the costs. I ask that you carefully consider options to direct department and school, college and division resources along with new sources such as philanthropy or corporate partnerships to meet this critical need.

BIA will separately distribute detailed instructions for submitting recruitment authorization proposals. I am requesting faculty recruitment proposals be submitted no later than April 15, 2014.

Budget Meetings

Staff are scheduling budget meetings in April and May including Senate participation. BIA will provide baseline data and metrics and templates. BIA will again host pre-meetings to review preliminary allocations and data in more detail in advance of the budget meetings.

Sincerely,

Ralph J. Hexter
Provost and Executive Vice Chancellor

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c: Chancellor Katehi
Academic Senate Chair Nachtergaele
Senate Planning and Budget Chair Niemeier
Associate Vice Chancellor Ratliff