

2020 Hindsight: ASUCD Financial Report

January 2020



Associated Students
University of California, Davis

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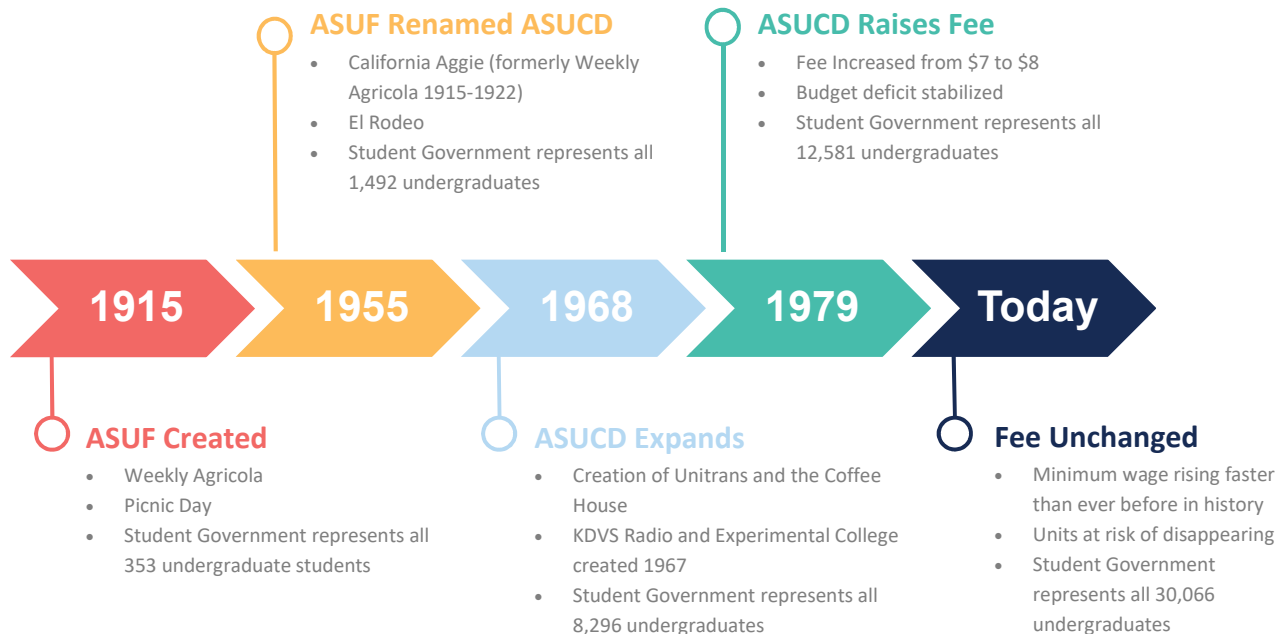
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Introduction

When I first joined ASUCD, it was in a state of financial freefall. This was as a result of multiple years of poor management at the very top of the Association from previous executive teams, forces beyond the control anyone within the Association that were difficult to foresee without an extensive knowledge of sound fiscal and business practices. And while I was able to stabilize the budget for this year, the underlying problems will continue to impact this association until drastic action is taken. This report is intended to layout the major milestones in the history of the Associated Students, University of California, Davis that led to our current situation and how we move on from here towards a more stable future.

Back to the Beginning

The Associated Students, University Farm (ASUF) was founded in 1915 to represent the students at the University Farm, the UC Berkeley extension that became UC Davis in 1955. This same year ASUF was renamed and remains to this day the Associated Students, University of California, Davis operating with a largely unchanged governance structure and primary mission: to serve the students of this campus and improve their quality of life during their time here. This makes ASUCD the oldest governing body on the campus, and expanding services to the student body, providing basic needs, opportunities in advocacy, education, events and programs.



Report Summary

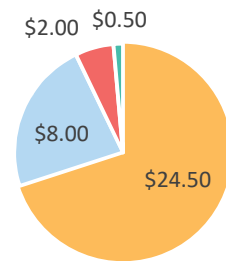
ASUCD is currently facing a financial crisis unseen in its history and unseen in the history of any ASUC. Excluding the budgets for Unitrans, Coffee House, and the California Aggie, ASUCD's discretionary funding is approximately \$1M to split between Bike Barn (\$487,582), KDVS Radio (\$127,959), Creative Media + Aggie Studios (\$255,934), with the rest split between the other ASUCD Units. Most of ASUCD's units produce their own income to offset their costs, but many regularly operate in a deficit that is paid for by other profitable units. In a static financial environment it's a sustainable system, however, there are a number of factors that are placing significant strain on the Association's finances.

Minimum Wage and ASUCD

In 1916, California instituted a statewide minimum wage of \$0.16/hour or about \$4.81/hour in 2018 dollars. Over the years the CA minimum wage has been adjusted to increase 31 times while the fee that was intended to pay for all of ASUCD's services has changed 3 times since 1916 for a total of \$5.50 of total nominal increase in 104 years of operations. As a result of this stagnation in fee revenue over the previous 40 years many of ASUCD's programs, events, services, and employment opportunities have been reduced in both quantity and quality. In 2006, the CA minimum wage reached \$8/hour. This means that after 90 years minimum wage became equal to our Base Fee (see

below) and using the fee revenue from one student, ASUCD could pay one employee for 1 hour of minimum wage work. As of January 1st, 2020 minimum wage is \$13/hour, meaning that minimum wage is 1.625 times larger than ASUCD's base fee, and by 2030 it is projected that minimum wage will be 2.5 times the size of ASUCD's current \$8 base fee.

Quarterly Fees



■ Unitrans ■ ASUCD ■ EOP ■ Cal Aggie Camp

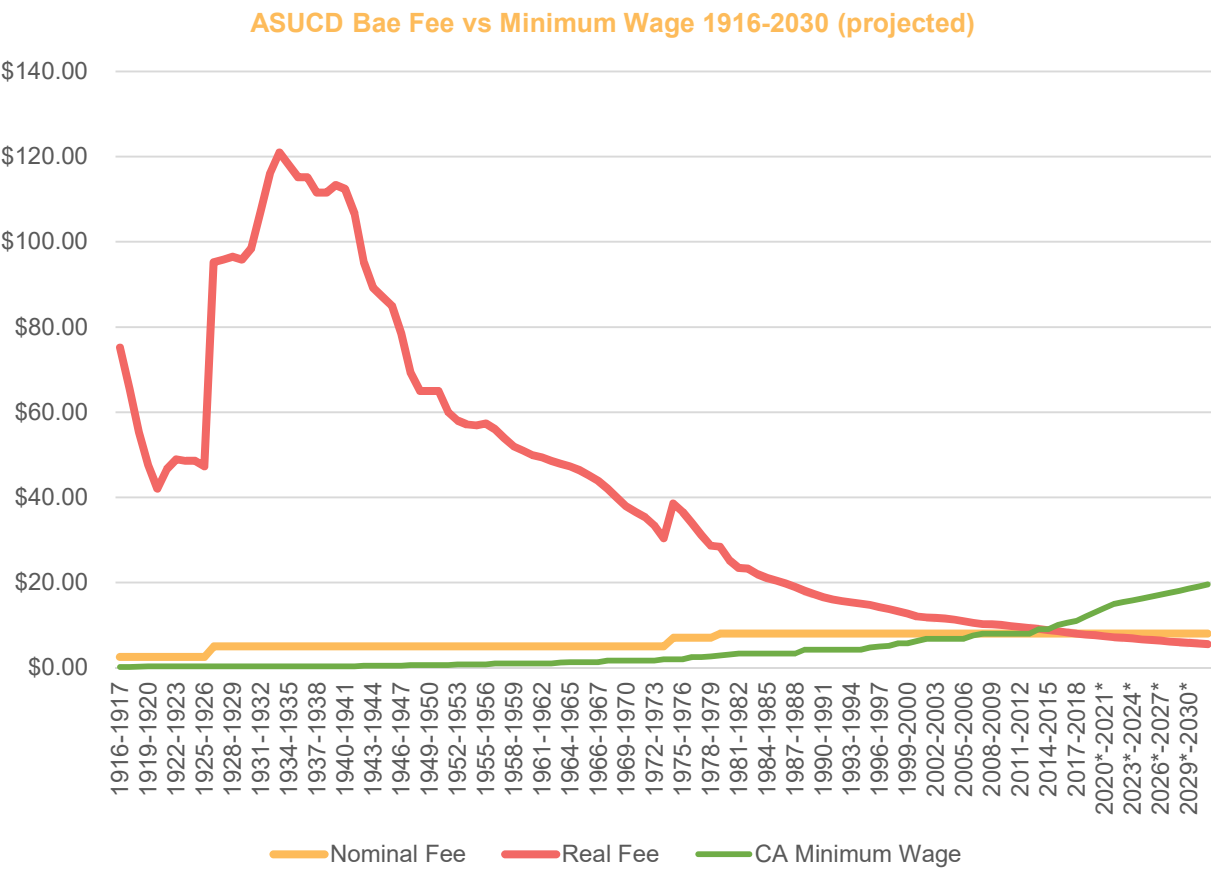
California's minimum wage has never grown as rapidly as it has in recent years and ASUCD has not increased its Base Fee since 1979 when it increased from \$7 to \$8. This exponentially increasing minimum wage necessitates that ASUCD increase its Base Fee or significantly decrease its operations such as The Pantry, KDVS Radio, Whole Earth Festival, and many other aspects of student life at UCD that many couldn't imagine life without.

ASUCD's Base Fee

In 1916 ASUCD, then ASUF, had a \$2.50 fee that undergraduates of the University Farm could volunteer to pay. In 1926, it was increased to \$5.00 to help fund the services it provided. In 1966, the fee switched from being paid each semester to each quarter at UC Davis, this led to a large funding increase for ASUCD and led to the creation of a number of units and programs including KDVS Radio, Experimental College, Coffee House, Unitrans, Bike Barn, and Whole Earth Festival were all created in the 5 years following the fee mandate. In 1974, the fee was increased from \$5.00 to \$7.00 followed by a vote to increase the Base fee in 1979 to its current \$8.00.

The damages caused by the stagnation of ASUCD's fee is particularly apparent when examining the fee adjusted for inflation, or in other words, looking at the value of our dollar across time to provide a modern example of the value of ASUCD's base fee.

ASUCD's Buying Power in Nominal and Real Terms (Real terms in 2018 dollars)

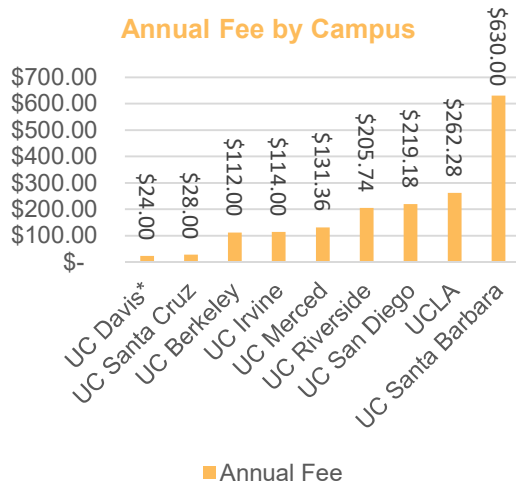


ASUCD vs Other ASUC's

The Student Government for ASUCD is not the only one in the UC System. Each UC Campus has an Associated Students or Student Union to represent student voices and run programs, events, and services. The fundamental difference between ASUCD and any of the other ASUC's at the other campuses is that ASUCD has retained its financial autonomy, meaning that it is financially independent from UC Davis, and the ASUCD budget is determined at every level by students. The other ASUC's are financially controlled by their University admin and as such cannot make decisions regarding spending and services.

Comparing Base Fees

As stated above, ASUCD's base fee is \$8 per quarter, for an annual revenue of \$24. To effectively compare the value of ASUCD to other ASUC's one must first compare the fees associated with each ASUC.

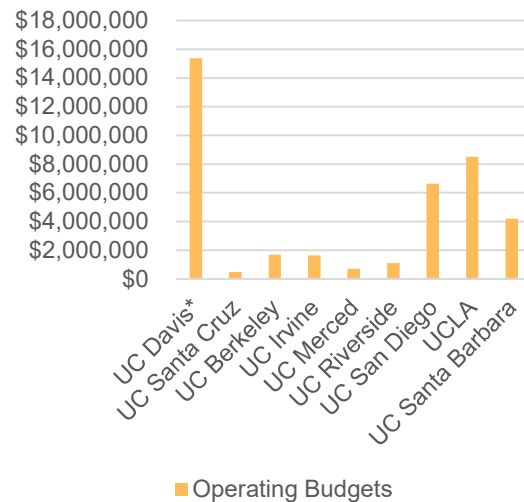


As shown above, ASUCD's base fee is the lowest in the UC system. The only comparable fee in the UC system is UC Santa Cruz with \$28/year with UC Santa Barbara on the high end with \$630/year with the rest of the campuses averaging \$174.09/year.

Comparing Operating Budgets

ASUCD currently receives \$788,900 for the year in revenue from its current \$8 fee to contribute to its \$15,363,565 operating budget for the 2019-2020 fiscal year leaving ASUCD businesses, programs, & events to raise the rest. This means that after excluding the California Aggie and Unitrans which are currently funded by their own fees, ASUCD student employees are asked to raise the other 90.51% of ASUCD's operating expenses through our commercial operations. All of the other ASUC's are entirely funded by their fees, this difference is apparent when comparing the operating budgets of each ASUC.

Annual Budgets by Campus



Can ASUCD continue as it currently exists?

In a word, no. ASUCD is a non-profit, which means that when costs increase, cuts have to be made to either student employment, services, or entire programs altogether. Due to minimum wage increases and three mandatory fees imposed on it this year, ASUCD is looking at approximately \$398,000 in increased costs from last year's historic budget cuts. This means that between 2019-2021 an estimated

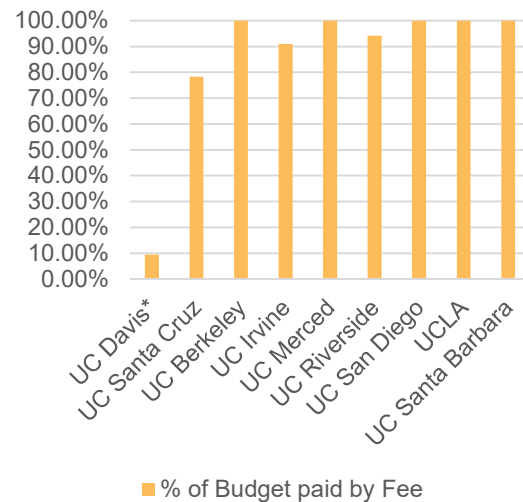
\$943,000 would have been cut from ASUCD's approximately \$1M in discretionary spending. And next year the minimum wage would increase again repeating the process: wage increase, services/employment cut, wage increase, services/employment cut, repeat every year. While it may be possible for some services to remain in existence, the overwhelming majority of them would not, so some form of ASUCD would continue to exist, but it would be unrecognizable from what currently exists.

How ASUCD uses its money vs other ASUC's

For the 2019-2020 fiscal year ASUCD allocated \$6.1 million to go directly into student pockets so they can buy books, food, and pay their rent and other bills. But ASUCD is not just a place to work, we provide services to students like the ASUCD Pantry, Housing Advising for Undergraduate Students (HAUS), Mental Health Initiative, Bike Barn, and Unitrans, all-in-all ASUCD provides over \$4.5 million in services to students, that means that roughly 70% of every dollar ASUCD spends (approximately \$10.6 million), goes directly to students in the form of wages or services. The other 30% of ASUCD's budget goes towards paying for the businesses and career staff that make everything else possible. While these are fantastic numbers for an organization dedicated to improving the overall welfare of the student body, which ASUCD is, it means that when budget cuts happen the negative effects of those cuts almost entirely fall on the students that depend on those wages and those services. This is why operating without an increase in one of our two sources of revenue for 41 years is not sustainable.

As stated above, the current \$8 fee pays for 9.49% of ASUCD's budget after excluding the California Aggie and Unitrans which currently have their own fees. While costs and sales have gone up over the past 41 years the fee has not, thus increasing our dependency on only one of our two main sources of income. In comparison:

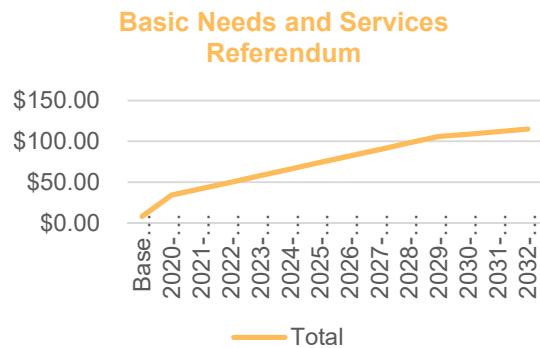
% of Budget Paid by Fee Revenue



The other ASUC's are all almost entirely funded by their fee revenue with a majority of them having no other sources of income at all, and the ASUC's that do have other sources of income in aggregate have \$348 in fees but only \$3.25 million in operations. Meaning that those three campuses combined are, for 14.5 times the cost, providing 21.2% of the services.

What can be done?

This year the ASUCD Management Team, comprised of the President, Vice President, Controller, Vice Controller, and ASUCD Business Manager; in consultation with the Executive Advisory Council, ASUCD Unit Directors, and the ASUCD Senate, have created the Basic Needs and Services Referendum to fund Basic Needs Services on campus such as The Pantry, Mental Health Initiative, and Housing Advising for Undergraduate Students (HAUS) as well as maintain ASUCD's current services, events, and programs.



At the end of the day there is a reason that no other ASUC operates in a similar fashion to ASUCD. While we have managed to last this long on our \$8 fee, it will not carry us any further, minimum wage is growing at a rate unprecedented in California history and ASUCD can no longer rely on only one of its main sources of revenue.

Are there alternatives?

Is it possible for ASUCD to attempt to balance the budget by some other means? One of the ideas that has been suggested recently was to privatize the Coffee House. This would include selling the Coffee House to a third party company that would run their operations under a for-profit model. This would, depending on the terms of a negotiated contract, potentially solve the problem for one year, effectively delaying the inevitable by one year without

addressing the problem. On the individual student side of the issue, the most significant impacts that students would see would be: price increases of between 100-300% on most items, potential reduction in variety of products available in the Coffee House, and a minimum 80% (approximately 350 students) reduction in student workforce. This is because the Coffee House is currently staffed by students and career staff at a ratio of 45:1, meaning that for every career staff person working at the Coffee House, there are 45 student employees working there as well, this is in an effort to employ as many students as feasibly possible. The industry standard is 9:1, meaning that if a 3rd party for-profit business were to assume the Coffee House's operations, they would eliminate student staff and hire more career staff resulting in an estimated 80% student workforce reduction at the Coffee House. ASUCD has repeatedly stated its desire to continue to remain an Association that is of the students, by the students, for the students; and while options like privatizing may ring well in the ears of some people, they deviate from the values that this Association has set for itself and the UC Davis campus throughout all of its 104 year history.

There are those who argue that ASUCD could also simply raise prices at our existing business units to make up the difference, however units like the Coffee House, which this year raised prices in order to balance its budget, and Unitrans, which raised the price of its advertising space in order to balance its budget, have both experienced a decrease in the number of sales they are receiving. This poses a problem in the long run as demand for these goods and services has stagnated while costs increase faster than demand resulting in decreased overall sales.

The size of the cuts that ASUCD is expecting to incur in the 2020-2021 fiscal year are expected to be approximately \$398,000, the Coffee House could increase prices and bring in an estimated \$200,000 in additional income. Then the question becomes, where does the other \$198,000 come from? Aggie Reuse? Bike Barn? Refrigerator Services? None of ASUCD's units are large enough to incur that large of a cost in a single year, not even the Coffee House. Then the issue becomes the next year, when ASUCD's 3rd largest unit,

the California Aggie's five year fee referendum expires and suddenly ASUCD must incur an additional \$268,582 in net annual costs on top of the substantial minimum wage increase costs. This would ultimately result in a projected \$439,057 in additional budget cuts in the 2021-2022 fiscal year. And then the next year, and the next, and the next, and so on. Costs will continue to go up annually now that minimum wage in California has been tied to inflation.

Fiscal Year	Projected Budget Cuts Due to Min. Wage Increases, and Known Costs (ex: CA Aggie)
2020-2021	\$398,170
2021-2022	\$439,057
2022-2023	\$340,168
2023-2024	\$337,507
2024-2025	\$334,747
2025-2026	\$331,940
2026-2027	\$329,058
2027-2028	\$326,079
2028-2029	\$323,027
2029-2030	\$319,902

Future CPI assumed to = 2.7%

Cost of the CA Aggie accounted for in 2021-2022 and afterwards

First Amendment Context

ASUCD is the official representative body of the students to the University. It represents the interests, needs, and voice of 31,000 undergraduate students on the UC Davis campus. Regardless of how well it represents those voices, or how involved the general student body is in its day to day operations, it is accountable to the students, if a student does not approve of an action taken by ASUCD, or has a suggestion on how we could be doing something better, a student can attend a senate meeting or talk to their ASUCD Senators, their Controller, their Vice President, their President at any time and voice their opinions or they can run for any elected position. They can change large facets of the campus to be what they want to see on it; directly improve student life in the areas they believe need improvement. The same cannot be said at every campus.

All the other ASUC's encountered similar problems throughout the years, costs going up, income stagnating, and their fee referendum's failed. Then their respective campuses took away their financial autonomy and decision making authority. While that may not sound like the end of the world, it means that students will no longer have direct input on the services and programs offered on campus. To explain what this would mean for ASUCD with a historical example: in 2010, students at UCD pled with the university saying "Students are starving, they're food insecure, and are lacking basic necessities. Please open a pantry to provide those things to students," and the response from the university was dismissive, believing that the student food insecurity was not a substantial issue that needed addressing. They made the same ask to ASUCD and the response was the ASUCD Pantry, established that same year. Today the ASUCD Pantry provides food and basic

necessities to students 7 days a week helping as many as 800 students per day, and ASUCD runs the entire program for less than \$23,000 per year. In contrast, the Pantry at the UC Berkeley campus helps as many as 350 students, students can get food and supplies 1 day a week, and this costs their university nearly \$500,000 to operate for one year, and its operations are staff led, not student led. Both history and other ASUC's have shown that the campus administration is not as responsive to the needs of the students as the students themselves, nor are they as efficient stewards of those funds as the students, who are careful as always with their own funds.

What it all means

At the end of the day we, as students over the past 104 years, have fought for the rights we have now, including the right to control our operations, our budget, and at a fundamental level: the when, how much more, and to fund what of our fees. It is only due to ASUCD's financial autonomy that we get to vote on a fee increase, and we get to have a say in how much the fee will increase, when it will increase, where that money will be spent, and most importantly, if the fee goes up at all. We are able to debate this issue and put it to a vote of the students because we have remained independent; but if this fails, there's a chance that that won't be the case anymore. Following a University takeover, the Coffee House would likely become a corporate Sodexo-esque facility, Unitrans and Bike Barn would be part of TAPS, Picnic Day would become Give Day, the Pantry would become Aggie Compass, and Student Government would not be able to defy the university on any issue because they would be UC Davis employees not ASUCD. Then after all that, the University would likely increase the fee anyways without putting it to a vote of the student body because there is no way to avoid these costs. Which means that if we want to save these services and student jobs, we need the Basic Needs and Services Referendum to pass on Feb. 21, 2020.

