

Budget Process Update

COSAF Discussion April 20, 2018

AGENDA:

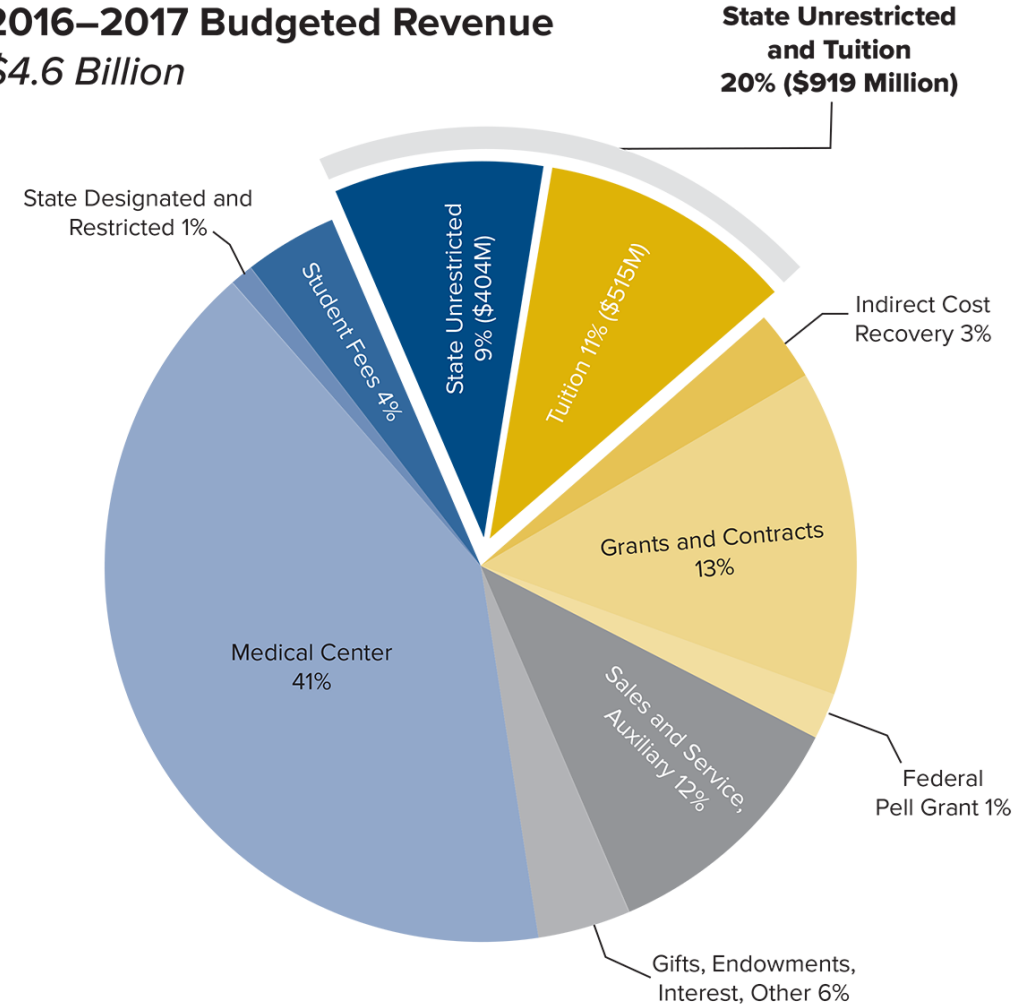
1. Brief overview of campus budget process
2. Follow-up on Internal audit findings and management corrective actions
 - COSAF membership – separate discussions
 - Student fee funds will be included in campus budget process similar to other core funds
 - Principles, reporting, fund management guidelines
3. Next steps

The Budget: Big Picture (All Funds)

The Budget Process:
Annual Incremental Decisions
& Check-In (Core Funds
including Student Fee Funds)

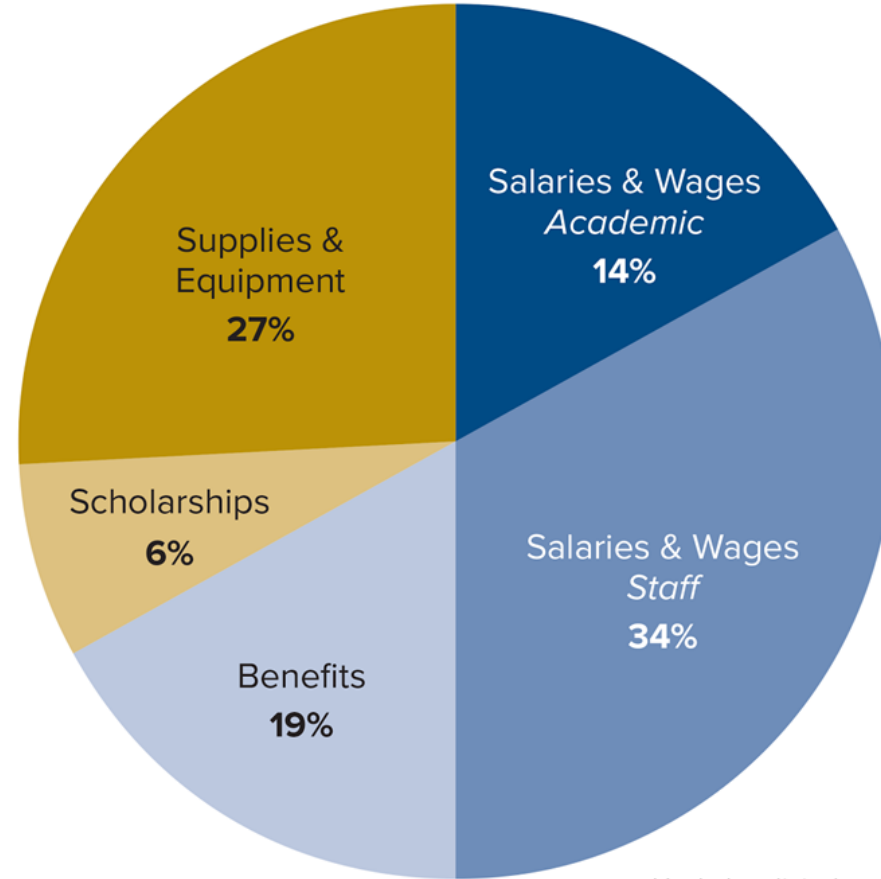
The Budget Model:
Formula-Based Allocations

2016–2017 Budgeted Revenue
\$4.6 Billion



UC Davis Operating Expenditures
\$4.64 Billion*

Function	Amount (Millions)	% of Total
Instruction and Academic Support	\$ 1,133	24%
Research	\$ 572	12%
Student Services and Financial Aid	\$ 413	9%
Operation and Maintenance	\$ 96	2%
Auxiliary	\$ 99	2%
Institutional Support	\$ 140	3%
Public Service	\$ 89	2%
Medical Center	\$ 1,810	39%
Depreciation/Interest Expense/Other	\$ 292	6%
Total Expenses	\$ 4,644	100%



* Includes clinical staff

The Budget Process

Timing Aligns with State Budget Process

- Nov-Jan – Regents meetings (tuition, UC budget), Governor’s Budget Proposal (Jan 10)
- Mar-June – Regents meetings, campus budget meetings, Governor’s May Revise
- July-August – Campus (and hopefully UC) budget decisions

Substantial budget authority is outside of the campus

- Tuition, student service fees, non-resident supplement, professional supplement = Regents
- National and international undergraduates = Regents
- UCRS funding ratio = Regents; Health and other fringe benefits = President
- Salary = President and collective bargaining

Campus budget framework reflects hybrid model and considers:

- **enrollment targets** for freshmen and transfers
- set-aside for line-item **program investments** (capital and operating)
- treatment of **fixed salary and benefit cost increases** for core funded staff

UC Davis Budget Model

Key Principles and Goals

- Create incentives to advance campus goals
- Transparency and Simplicity
- Balance local autonomy with campus vision
- Transition and bridging strategies
- Support unit planning; use planning targets and framework approach

How it Works (Briefly)

- Consider multi-year Sources and Uses of funds
 - Core funds = State, tuition (u/g, grad, summer, professional), research facility and administration funds, faculty resources
 - Student Fee and campus-based fee funds
- Allocations to deans, vice chancellors, vice provosts
 - Departmental/program allocations determined within unit
 - BIA provides preliminary information in spring with updates as needed throughout process
- Hybrid: mix of formulas & incremental decisions
 - Student Service Fees: Formula component is fixed salary cost increases (x% of salary base)
 - Campus-based fees: Formula component is CPI as informed by COSAF; program decisions guided by referenda

New report format from BIA

Sources & Uses of Student Services Fees

Sources	DRAFT	2016-17 Actual	2017-18 Budget	2018-19 Estimate
Student Services Fee Income				
Annual Fee Increase (%)		5.00%	5.00%	5.00%
Student Services Fees		\$33,396,000	\$39,199,000	\$41,122,000
Less: Return to Aid (RTA)		-\$2,067,000	-\$2,764,000	-\$3,423,000
Less: Mental Health Fee(MH)		-\$3,228,000	-\$3,915,000	-\$4,537,000
Total Sources Net SSF		\$31,264,000	\$32,520,000	\$33,162,000
Uses				
Total Appropriations (Current & Base)				
Vice Chancellor Student Affairs		\$17,788,000	\$18,170,000	\$18,715,000
Academic & Administrative Support		\$15,185,000	\$15,271,000	\$15,692,000
Finance Operations & Administration		\$4,901,000	\$4,875,000	\$4,983,000
Enrollment Management		\$1,480,000	\$874,000	\$900,000
Other Programs/Support		\$8,804,000	\$9,523,000	\$9,808,000
Fixed Cost Increases*Memo Item*		\$562,000	\$579,000	\$597,000
Total Uses		\$32,973,000	\$33,441,000	\$34,407,000
STRUCTURAL (SHORTFALL) / SURPLUS		-\$1,709,000	-\$922,000	-\$1,244,000
note: Structural shortfall offset with one-time carryforward funds in 2016-17 and 2017-18.				

Reporting includes current year and estimate for budget year. Expense reports continue with comparison to budget

Estimate relies on planning assumptions (fee amount, enrollment...)

Detail being built to level of department and program. COSAF input on programs and units continues.

Fixed costs are budgeted in aggregate and flow to specific units during the year by formula.

Surplus enables new investments; shortfall requires plan to balance over time (gap driven by prior-years and fixed costs)