

## **BACKGROUND AND CONTEXT**

Two potential student fee referendums are under review and discussion by the Council on Student Affairs and Fees (COSAF). The purpose of this brief document is to provide an analysis of the fiscal impacts of the proposed referendum and related public statements. Budget and Institutional Analysis (BIA) prepared a separate overview of the Intercollegiate Athletics (ICA) budget and these fees to provide a more comprehensive view of the overall financial structure.

## **FISCAL ISSUES**

### **1. Budget Impact of Proposed Referenda**

ICA's 2021-22 budget includes revenues of roughly \$37 million, not including gifts earmarked for capital projects. Of that \$37 million, \$25 million comes from student fees (Student Service Fees and Campus Based Fees). The proposed referendum would impact two fees (Student Activities and Services Initiative Fee (SASI) and Campus Expansion Initiative (CEI)), which account for nearly \$19 million or about half of the ongoing, annual funding for ICA. Of this amount, \$7.5 million is designated for scholarships and \$11.8 million supports operating costs for the athletic teams. There is no other viable ongoing funding source that could replace this funding without creating other significant impacts.

If the proposed referendum were implemented, there are many potential consequences that could occur:

- UC Davis ICA programs would likely be eliminated or reduced to only a few sports.
- Elimination of sports would also trigger reductions to other revenue sources. For example, ICA generated revenues include ticket sales, NCAA revenue from game guarantees, sponsorship, and scholarship, and development support would also be reduced or eliminated (total budget for these revenues is over \$8 million in 2021-22).
- Current student athletes could lose or have significantly reduced scholarship support and may choose to transfer to other more competitive teams or universities that will support them.
- Many future scholarship opportunities would be lost.
- UC Davis' level of competition may be lower.
- Significant employee lay-offs would occur.
- UC Davis would lose important opportunities for visibility with the public, prospective students, alumni, sponsors, and donors.
- UC Davis would be responsible for continuing to pay debt service on specialized facilities that no longer host the programs they were constructed to house.
- UC Davis may not be able to continue to maintain facilities that are used by all students, club sports, and the public. Examples include the track, Hickey Gym, gymnastics, beach volleyball courts, and tennis courts that are maintained, in part, by ICA resources.

## 2. Budget implications of redirecting State Funds to offset funding support currently provided by student fees.

A recent Op-Ed in the California Aggie represented that UC Davis can use resources recently appropriated by the state to continue to fund ICA in lieu of the fees. This is not the case for the following reasons:

- a. State funds are used by the campus, in combination with tuition revenue, to meet the mission and fund the educational and instructional programs of the university. Increases in these funds support regular cost increases, program enhancements, and infrastructure to ensure that students have access to courses, services, and support needed to graduate.
- b. UC Davis has a structural deficit in core state and tuition funds, meaning, there are more expenses than revenues available to support the mission, even with the recent increase in state funds. The campus has [communicated](#) these financial challenges since 2020. The campus has planned over \$70 million in budget savings over 5 years and needs approximately \$100 million more in revenue generation or savings to address this issue.
- c. If these funds were redirected to support ICA, other programs and services would need to be reduced, likely affecting more of the student body.
- d. The base (ongoing) state fund allocation to UC Davis from UC President Drake in 2021-22 totals \$453 million which is an increase of \$70 million from the prior-year. The base increase allocated this year is insufficient to meet existing needs and would not be available to offset loss of funding for ICA. The details of the 2021-22 funding increases are provided below.
  - i. \$45 million to restore base budget cuts assigned in 2019-20 (therefore, these are not net new funds).
  - ii. \$8 million designated with specific allocation amounts for specific line item programs (i.e., Firearms violence research, Undocumented Legal Services, Veterinary Emergency Team, Vector Borne disease surveillance, Student Mental Health).
  - iii. \$17 million for salary and benefit cost increases for faculty, staff and student employees paid on state and tuition funds. The actual salary and benefit cost increases for employees paid on these funds totaled \$33 million leaving a gap of \$10 million.

## 3. UC Davis Financial Aid implications

Most student referenda fees include a return-to-aid (RTA) set aside that generates financial aid funds that are managed by the Financial Aid Office and are packaged for any eligible UC Davis student. The CEI and FACE/LEEAP fees have a general RTA component of the fee that provides the Financial Aid Office with funds that are allocated based on need to any eligible UC Davis student (not limited to student-athletes). In 2020-21, CEI and FACE/LEEAP generated \$7.5M in RTA. If the proposed referenda was implemented, we estimate a loss of \$2.4M in need-based financial aid support for all eligible UC Davis students.