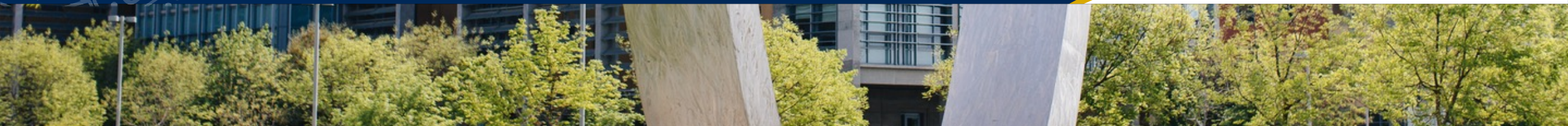




Fiscal Responsibility Campus Townhall 11.17.21



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Outcomes

- Establish an understanding of our campus' fiscal year (FY) 2021 finances (prior fiscal year)
- Provide an overview of our financial expectations for fiscal year (FY) 2022 (current fiscal year)
- Provide an overview of the campus' new 10-year Memorandum of Understanding (MOU) with the University of California Office of the President (UCOP)
- Provide an overview of the campus' Budget Call process



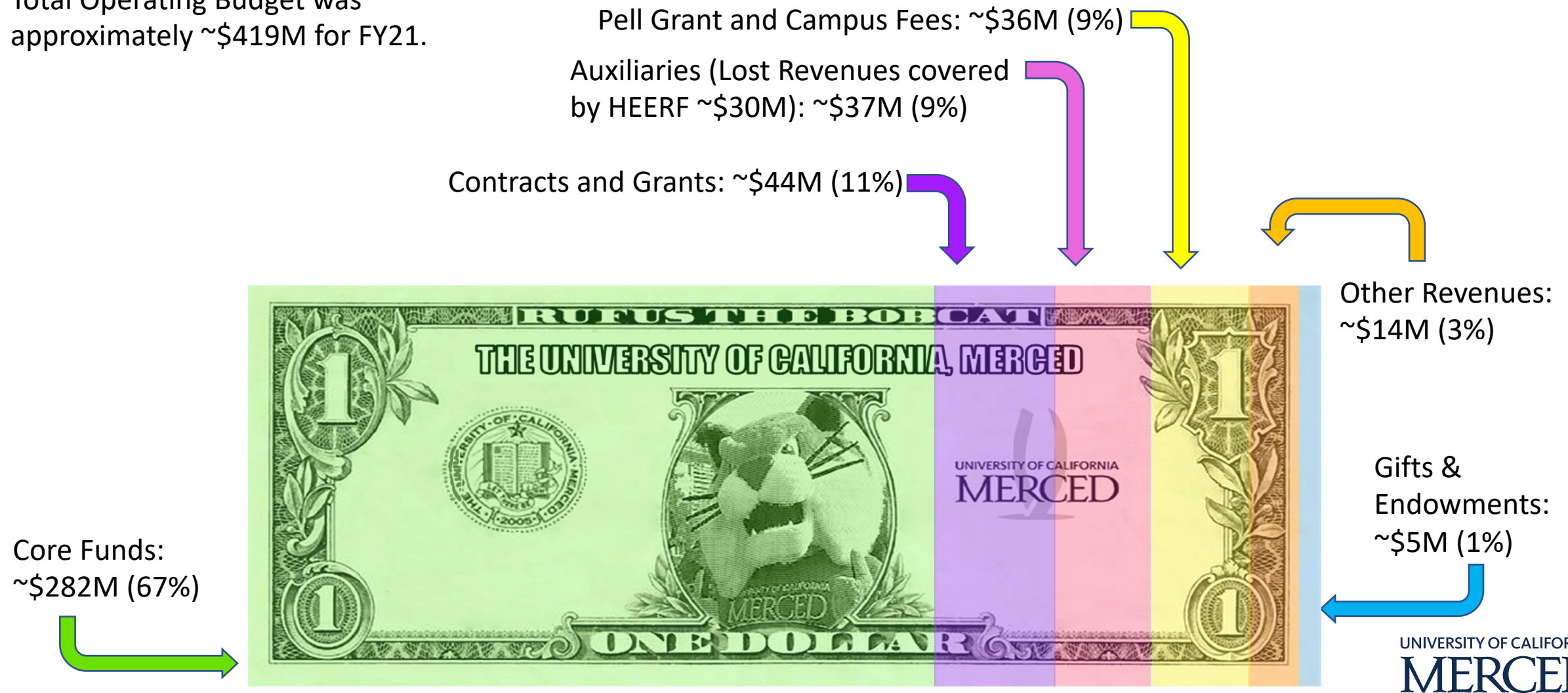
Agenda

- Overview of the campus' revenue and costs for fiscal year (FY) 2021
- Overview of the revenue and costs for fiscal year (FY) 2022
 - Structural deficit
- Overview of the new 10-year MOU with the University of California Office of the President
 - Illustration of the three main elements
- Review the Budget Call process for fiscal year (FY) 2023 funding requests
 - Steps and timeline



UC Merced Operating Budget by Source for FY21

Total Operating Budget was approximately ~\$419M for FY21.





Core Fund Sources for FY21

Our core revenues come from two primary sources:

- State appropriations
- Tuition revenues

Indirect Cost Return: ~\$7M (3%)

Tuition/Fees Revenues: ~\$121M (43%)

State Appropriations: ~\$153M (54%)





Campus Expenditures for FY21

Total Expenditures: ~\$469M
Resulting in a deficit of ~\$50M.

Finance, Administration
& Auxiliaries: ~\$36M (8%)

Facilities and Operation: ~\$33M (7%)

Debt Service: ~\$67M (14%)

Research Services: ~\$23M (5%)

Student Affairs:
~\$107M (23%)
~\$70M is Financial Aid

Chancellor: ~\$10M (2%)

External Relations:
~\$7M (2%)

Central Campus:
~\$5M (1%)

Academic
Affairs:
~\$181M (39%)





Outcome for Fiscal Year 2021

- Total deficit could have been as large as **~\$103M** which is in line with prior estimates provided last year
- Expenditures exceed our revenues (deficit) by **~\$50M**
- Differences from prior year's estimates:
 - **~\$30M** of the revenues were from Higher Education Emergency Relief Fund (HEERF) funding
 - **~\$23M** of our anticipated "owner's costs" associated with the 2020 Project will materialize in FY22 not FY21

UC Merced Operating Budget by Source for FY22

Total Operating Budget is ~\$476M for FY22.

Pell Grant and Campus Fees: ~\$36M (8%)

Contracts and Grants: ~\$45M (10%)

Auxiliaries: ~\$66M (14%)

Other Revenues:
~\$14M (3%)

Gifts and Endowments:
~\$6M (1%)

Core Funds:
~\$308M (65%)





Core Fund Sources for FY22

Indirect Cost Return: ~\$10M (3%)

Tuition/Fees Revenues: ~\$120M (39%)

State
Appropriations:
~\$178M (58%)





Comparison of Revenue Differences

- **Net growth in revenues of ~\$57M**
- **Sources:**
 - Auxiliary growth of **~\$29M**
 - State appropriation growth of **~\$25M**
 - Reversal of the prior campus cuts from the pandemic
 - **\$9M** as part of our recently negotiated MOU
 - Indirect cost growth of **~\$3M**
 - Contract and grant success has been increasing



Expected Changes in Expenditures for FY22

- Total salary and benefits are expected to increase by **~\$10M**
- Non-salary costs are expected to increase by **~\$13M**
 - Sources: building operations, maintenance and utilities; faculty start-up
- Auxiliary costs are expected to increase by **~\$18M**
- Total campus deficit is expected to be **~\$45M**
 - Approximately **\$23M** of that was carried over from last year's "owner's cost"
 - Had we paid the "owner's cost" last year (FY21) the deficit would be **~\$22M**
 - Total deficit over the two years (FY21 & FY22) is **~\$95M**
- **Note:** Current deficit estimate (**~\$45M**) will increase with the recent hiring efforts to support research infrastructure as well as a few other key infrastructure needs (**~\$3M-\$4M**).



Structural Deficit

- Structural deficit for FY21 was **\$33M**
- Current MOU with UCOP reduced it by **\$6.5M**
- FY20 restoration of budget (state allocation) reduced it by **\$5.4M**
- Non-salary budget reductions for FY22 reduced it by **\$1.6M**
- Budget call reductions for FY22 reduced it by **\$7.8M**
- Budget call allocation for FY21 increased it by **\$4M**
- Current structural deficit is estimated at **\$15.7M**
 - Does not include the hires made after the budget call which have yet to be filled as well as the recent hiring under the campus' research response.



Principles of our new MOU with UCOP

- Principles guiding our new Memorandum of Understanding (MOU) with the University of California, Office of the President (UCOP):
 - Address the high student to debt ratio held by our campus
 - Address our campuses lack of access to General Obligation bonds a source of funds for other UC campus'
 - Establish a transition from our current set-aside funding to the same dollars-per-student funding level ("rebenching") provided to other UC campuses
 - Incentivize enrollment growth to support the UC's expansion plans



New MOU with UCOP

- Aligns with our campus' Strategic Planning goal of 15,000 students, plus
- 10-year MOU
- Consists of three components:
 1. One-time capital funding of \$61M spanning over the first five years of the MOU
 2. Establishment of a formula for future state appropriation growth based on the UCOP's state budget allocation
 3. Establishment of a performance-based enrollment growth allocation to the campus (UC's "rebenching" policy)



New MOU with UCOP

- One-time capital funding totals **\$61M**
 - Current fiscal year (21-22): **\$9M**
 - Next four fiscal years (22-23 – 25-26): **\$13M** a year
- Formula growth (baseline growth)
 - Matching 1-1 growth for first 3%, $\frac{1}{2}$ for every % thereafter
 - E.g., 5% State growth = 4% growth for campus
- Enrollment growth (performance-based)
 - Receive the same dollars-per-student for each additional student enrolled year-over-year as our peer UCs



Goal and Principles of a Budget Call Process

Goal:

Align our resource allocation process with the campus' Strategic Plan

Principles:

Transparency – clear and easily understood

Predictable – can reliably be used for future needs

Integrated – connected with other campus processes

Adaptable – is “living” and can be revisited as needed

Accountable – can measure progress

Fiscally Responsible – efficiently utilizes the campus' limited resources



Key Elements of Budget Call Process

- October 14, 2021 –Senior Administrators’ Council (SAC) announcement
- November 2021 – Formal Budget Call announcement for Divisions
- February 1, 2022 – April 15, 2022 – EVC/Provost and CFO meet with Strategic Planning Teams & Senate
- April 15, 2022 – Divisional budget call submissions due
- April 15, 2022 – May 1, 2022 – EVC/Provost and CFO meet with Divisions to review submissions
- May 1, 2022 – May 15, 2022 – EVC/Provost and CFO provide proposed budget allocation for FY23
 - Review with Senior Administrators’ Council (SAC)
 - Review with Chancellor
- May 15, 2022 – Chancellor makes budget allocation decisions for FY23



Available Budget for FY23 Budget Call

- Currently we are spending as if we have ~1,900 more undergraduate students than we have enrolled
- Tuition revenue ~\$11,928 (cohort tuition model growth ~4.25%)
 - Following return to aid (RTA) ~\$7,951 (RTA is 33%)
 - Following temporary academic staffing model (TAS) ~\$5,486
 - Expected "rebenching" value: \$8,612 (3% growth)
- Total per student - \$14,098
- Percentage allocated to Budget Call (range between 30% - 35%)
 - ~\$4,229 to ~\$4,934
- Examples:
 - 0 additional students - \$0M - \$0M
 - 300 more students - \$1.27M - \$1.48M
 - 900 more students - \$3.81M - \$4.44M



Funding our R1 Ambitions

- Our ability to fund the infrastructure necessary to achieve R1 status rests on one simple factor: **UNDERGRADUATE ENROLLMENT**
 - Investments include: faculty, staff, graduate students, research support, labs, facilities, IT, etc..
- **UNDERGRADUATE ENROLLMENT** must be viewed as a campus-wide objective
 - Requires partnership between faculty (curriculum) and administration (resources)
- Chancellor and EVC/Provost have identified funding priorities for the current Strategic Planning objectives:
 - Enrollment growth
 - Research support
 - Diversity



Questions?

Thank you!

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