

# Questions and Answers

Financial Responsibility Town Hall, April 30, 2021

Here are answers to questions posted during the virtual town hall hosted by Interim Vice Chancellor and Chief Financial Officer Kurt Schnier. For more background, visit the [Financial Responsibility page](#) at the Division of Finance and Administration website.

## **University Debt and Federal Stimulus Funding**

**Is our total campus debt due immediately?** No. We have a total debt of about \$13 billion over the next 30 or 40 years. We are scheduled to pay about \$65 million a year to service that debt.

**How will the federal stimulus money be spread over the two fiscal years?** Only the first round of federal stimulus funds – the CARES Act – has been fully received. We are working on how to use the institutional funding from the second round of funds (CRRSSA). The third round – the American Rescue Plan (ARP) – is by far the largest of the three. As of April 30, the university has not yet received those ARP funds.

**Can we invoke *force majeure* to not make the debt payment for the Merced 2020 Project this year?** No. That is not an option. We have to meet our debt service responsibilities. (Force majeure is a clause in contracts that essentially frees both parties from liability or obligation when an extraordinary event or circumstance occurs.)

## **Enrollment and Resources**

**You said it is crucial that we reach a goal of 15,000 students by 2030. Isn't that what we said about reaching 10,000 in Fall 2020? We didn't reach that goal.** We made several assumptions leading up to 2020. Largely because of the pandemic, some of the revenue assumptions for the fiscal year didn't materialize. However, we need to reach an enrollment of 15,000 in the near future to meet many of our institutional goals, including R1 research status. As for enrollment going forward, our current facilities can handle about 12,000 students. New facilities, such as the planned Health and Behavioral Sciences building, will help increase capacity.

**I am worried that this focus on increasing enrollment for financial reasons will come at the cost of academic excellence. Incoming students are already under-prepared and by trying to aggressively increase enrollment, we may lower the bar even further.** Increasing enrollment isn't about lowering standards. It's about spreading the word about the incredible things we're doing at UC Merced. We are consistently ramping up our marketing efforts in the Valley and beyond. And it is a top priority in budget planning to ensure we meet students' needs as we grow.

**Campus leadership continues to ask staff to do more with less. How will we be able to continue to support faculty and additional students to reach R1 status if we don't have the resources to do so?**

This is a good question. We can't just focus on saving money. We must spend money to achieve our

goals. We hope the federal stimulus funds, in concert with being careful with expenditures in the 2021-22 fiscal year, will put us in a better position to achieve the goals outlined in the new campus-wide strategic plan.

### **Budget call process**

**Does the current budget call process risk perpetuating inequities across campus units? Has there been a review of the voting process and its effectiveness compared to the process at other UCs?** Up to this point, the budget call process had not addressed equity issues. From now on, the process will evaluate payroll of our schools and divisions and help facilitate ways to address imbalances in equity.

**What role does the Academic Senate play in the budget call process?** The Academic Senate and its Committee on Academic Planning and Resource Allocation need to be an important part of the budget call process. We are working on strengthening that role. Assistant Vice Chancellor for Financial Planning and Analysis Bianca Khanona is meeting with leaders of other UC campuses to learn about their budget call processes and how they involve stakeholders. We will apply what we learn to our budget call process.

**How can we incentivize divisions and schools to adhere to their budgets? Will budget allocations depend on added value and return on investment?** We are looking into ways to incentivize adhering to budgets. We can't keep putting money into things and hope they'll work. Going forward, this could mean decreasing spending in one area while increasing it elsewhere. But the goal of allocation won't simply be return on investment or added value. We also must focus on things like student success and better inclusion.

### **Position Control**

**What does it mean to "retire a vacancy"?** It means the position will not be filled.

**By retiring 50 percent of the vacancy pool, you are placing more responsibilities and task on the remaining staff. Is this a sound management principle? This seems to increase the risk of staff burnout, increased errors, and a decline in the quality of services.** These are legitimate concerns. We hope that by releasing some funds that allow divisions and units to make critical personnel decisions, we can mitigate those risks in a thoughtful and responsible manner.

**Will there be another round of voluntary job separations?** We have not heard from UCOP that there will be additional voluntary separation programs.

**Has there been consideration for reducing high-paying salary positions in order to hire more staff who do most of the tasks necessary for the university to function?** There was a lot of discussion about this when we were considering a furlough/curtailment program. Luckily, we have not had further discussions about furlough/curtailment, so this approach to saving money isn't being considered.

**I don't understand the reasoning behind campus leadership not filling vacant positions. The departments did not plan to lose those positions. They are vital and staff morale and burnout are a major concern.** The reasoning is based on the fact that departments and units failed to meet the goal of a 5 percent reduction in payroll in fiscal year 2020. Therefore, it was decided that a more centralized approach to budgeting is needed.

**Will position control be extended beyond the current fiscal year?** As of April 30, position control will remain in place for the 2021-22 fiscal year because divisions will have emerging staffing needs that they could not have anticipated now during the budget call process. We anticipate that position control review will meet less frequently, transitioning from a weekly review to a monthly review.

### **Financial reporting system**

**When will the new Oracle financial system stabilize? A large factor for our operations and research funds require proper accounting to our funding agencies, and this is moving too slowly.**

We recognize the transition to Oracle has been frustrating for researchers and other stakeholders. The Alpha Financials team has reprioritized its workflow to focus intently on data consistency throughout the month of May, and the result should be a significant improvement in the accuracy of data starting in June.