# Financial Responsibility Town Hall, Feb. 12, 2021

## Question and Answers

A campus-wide town hall on the subject of fiscal responsibility was held via Zoom on Friday, Feb. 12, 2021. Interim Chief Financial Officer Kurt Schnier hosted the event, with support from Luanna Putney, associate chancellor and chief of staff to Chancellor Muñoz. The questions below were submitted before and during the town hall. All answers are by Schnier unless otherwise noted.

BUDGET CONSIDERATIONS

**Will UC Merced take advantage of any of the $500 million in working capital approved for borrowing at the January 2021 Board of Regents meeting?**

That has not yet been discussed. The university is still working through $100 million in loans approved in fall 2020.

**Do the financial figures presented at this town hall include the high cost of consultants? Will those costs be reduced going forward?**

We have not isolated consultant costs on the fiscal year-to-date financial figures. However, I believe the fees are in those figures. I can say that consultant costs have been reduced significantly. We'll work on isolating those costs for upcoming presentations.

**If the university's financial deficit was created by approved hires between 2019 and 2020, would a department decrease expenses related to those hires now?**

Those were hiring decisions made before the pandemic. This topic arises in every discussion we've had with divisions. And it's hard, because two-thirds of our expenses are from payroll. So we think about backfill positions we're not going to fill or maybe delays of other hires. That's how we save of some of payroll costs, but we still will have to find savings in other areas.

Those hiring decisions were made before the pandemic and that's something we have to live with, and that's OK. What we have to think about is how are we moving forward, and part of that is financial transparency so we can see what we are spending. A year ago, we really did not know what we were spending across campus.

**Can we have units stick to a strict budget and not spend money they don't have?**

There are discussions about putting tighter controls on department budgets for the upcoming fiscal year.

**How are grants, grad students and research seen as positive or negative cash flow?**

Mission aligned investments – such as grants, graduate students and research – are important to support our university especially as we aim for R1 status. We tend to see undergraduate students as revenue sources, as graduate students are supported through TA funding and stipends. For grants, while campus charges funding agencies a percentage to support them (ranging from 25-50 cents per dollar), campus costs are higher. However, it's important to remember finances are intertwined and all tied to the university's mission.

**What is the budget savings on overhead and operational costs if the campus allows employees who are not required to be at campus to continue to telecommute? Does eliminating leased space, utilities and operational costs account for some savings?**

In general, savings on unused buildings is relatively small and does not reach the scale of what is needed to address our financial deficit. Other cost-cutting options such as utilities and released leases with facilities bring small but tangible savings. It's worth noting we still need to maintain buildings even if they're underused or not used at all.

Regarding the future of telecommuting, the campus is reviewing options.

REVENUE GENERATION / ENROLLMENT TARGETS

**(44:30) What are auxiliary projections onsite with respect to student housing occupancy for the next fiscal year?**

Student housing capacity is informed by many factors, with health and safety the most important. Other factors include the distribution of vaccines and the California Department of Public Health's COVID-19 Industry Guidance for Institutions of Higher Education (IHE). The current IHE standard is 1,500 students in residence. This prioritizes single-room occupancy wherever possible, with double occupancy permitted with clear guidance. Occupancy numbers are expected to change based on health conditions and further guidance from the state.

Auxiliary projections are based on a high-density model, and the repopulation of campus will be heavily informed by IHE to ensure the safe return of people to campus, which currently has 500 students in residence.

**How does the campus view using debt to grow? What is the amount of debt are we willing to carry forward?**

The campus is carrying a cash balance of about $270 million, with $100 million of that amount being a loan from UC Office of the President (UCOP). Another $55 million from UCOP is a debt instrument provided pre-COVID to bridge the gap. The campus needs to maintain or increase enrollment to cover existing debt.

The university's current debt of $190 million is a significant portion of its cash balance, in which debt instruments are 6-8 years and we pay on that. Projected growth in enrollment is needed to pay off our current debt. The campus needs to be cautious about how this is spread out, with cost savings being part of the strategy for paying of the debt.

**What's the likelihood students will take of brunt of financial burden through tuition increases?**

There have been no discussion about tuition increases. We aren't looking at an increase for the next academic year. I think in many ways, we are taking steps to protect our students. Now, there has been continuous discussion over the last two years about the use of cohort tuition, which assigns set tuition for an incoming group of students and maintains that tuition level for a specified number of years. That model would actually benefit students.

**How does increasing undergraduate enrollment help us financially if we rely on the state to fund our financial aid program?**

State appropriations are directly linked, and UC is currently shifting appropriation to be more equitable across the campuses. State appropriations are based enrollment. Generally, higher enrollment equates to higher state appropriations, thus helping grow our revenues. About one-third of tuition goes into the financial aid pool and the rest is considered campus revenue.

**How can we increase undergraduate enrollment when we will most likely need to restrict hires of new faculty?**

From an enrollment perspective, we will need to increase yield to ensure students enroll at UC Merced after being offered admission. Focusing on yield will increase our financial base.

Faculty were hired last year – approximately 40 faculty, with some coming over the next year or so –and we have built capacity for additional enrollment on the faculty side. We have hired 68 faculty over the past three years and have a ratio of about 12 students per faculty member. We generally have the faculty to support 10,000 students.

**Will we get to 10,000 students this year?**

As the fall 2017 cohort, one of our highest enrollment classes, is graduating this spring, it will be difficult to get to 10,000 this year. If yield efforts on our 30,000 applicants are successful, we can stay above the 9,000 enrollment mark.

## USE OF FEDERAL STIMULUS FUNDS

**How will the campus prioritize the distribution of stimulus funds?**

The way we'll determine distribution of stimulus funds at the institutional level is under review. However, for stimulus funds for financial aid, a working group is currently developing distribution strategies.

**How will the university communicate decisions about federal stimulus funds?**

As the campus develops more strategies on how to use these funds, we also will talk about how to share information with the campus.

## PEOPLE FIRST / STAFFING LEVELS

**Thin staffing levels combined with people feeling overworked and burned out has contributed to low staff morale. Are we considering what we're putting at risk in the push to reach R1 research status? Departments are losing employees because of retirements and departures. What is our plan for eventually ramping up staffing levels?**

We recognize the impacts of thin staffing levels on staff morale. We unfortunately see this throughout campus and addressing the problem is at the forefront as we look to help and take care of each other.

The campus is reviewing workforce plans – sourcing from previous plans along with current staffing needs – and its impact on divisional budget reduction targets. Items under review and discussion include a phased review and approach to stipends, equity, reclassifications and other methods that recognize staff for working at a higher level. Division leads will be asked to re-review staffing priorities considering numerous changes in the past year. A process that encompasses these workforce planning items are in development.

Key principles that guide the campus' financial decisions include continuity of instruction, a return to research, and putting people first. Staffing and workforce planning are taking these principles into consideration and ensuring we stay true while also recognizing current staffing challenges.

**Is there a plan to implement a faculty retirement incentive program?**

We are not aware of any discussion about such a program but will keep the campus apprised as we learn new information.

**Can my department request budget money for career development?**

Human Resources and the Office of Equity, Diversity and Inclusion are looking into this. It is acknowledged that professional development funding and decision-making should be structured, equitable and transparent.