Welcome to the first 2014-15 informational webinar for the UC Santa Cruz campus. I am joined by Free Moini, Budget Director. We will start with the presentation and then we will open the lines up for questions. You should see a chat room section by which you may submit your questions at any time. So let’s begin.
Today’s Outline

- Current UCSC Budget
- Core Revenue & Expense Increases
- Campus Priorities
- 5-Year Budget Picture
- Addressing the Budget Gap
- Financial Sustainability
- What Can You Do?

The main topics we’ll be discussing today include:

An overview of UCSC’s current budget for 2014-15
Anticipated increases in revenues and expenses for core operations
Campus priorities
Reviewing the budget picture and challenges from 2013 through 2017
How we’ve started to address the budget gap and the projected gap that remains
Discussing some options for reaching financial sustainability
Talking about what you can do to help
Let’s start with an overview of UCSC’s current budget.
UCSC 2014-15 Budget

$660 Million

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Major sources of funding to the campus include:
State of California operating support
System-wide tuition and fees
Campus based fees
External gifts and grants
Auxiliary (Housing, Parking, Bookstore and other self-supporting programs)
Other includes UCOP funds, indirect cost recovery, investment income and other miscellaneous revenues

IN BLUE are core funds, which support UCSC’s core academic mission and support activities (faculty salaries/benefits, TAs, academic and administrative support staff, student services, facilities operation/maintenance, and financial aid).

IN GREEN are non-core funds, which support ancillary academic and business operations, public service, social/cultural/learning activities, and designated research programs. These funds are generally restricted or designated for specific purposes and are not available to support core activities. Non-core functions have similar cost pressures or operate in competitive markets, which limit the ability to raise revenue.

Primary expenses include:
Academic salaries – Faculty, teaching assistant, lecturers, librarians
Staff salaries – Academic support, administrative, auxiliary staffing across multiple fund sources
Employee benefits – Retirement, health insurance, social security and other employer-paid benefits for faculty/staff.
Supplies – Most non-salary expenses, including travel, services, cost of goods sold/raw food costs, equipment
Special outlays – financial aid, utilities, debt service, UG/grad health insurance, library books, all extramural support (includes salaries/benefits)
UCOP assessment – Amount our campus pays to help support services and activities provided by UCOP.
Let’s take a closer look at core funds and discuss the budget challenges we are currently facing.
UCSC 2014-15 Core Funds Budget

$348 Million

4% Overall Increase

Core Fund Expenditures:

**Mandatory Costs**
- Faculty/Staff Salary Incr: +3%
- Academic Merits: +2%+
- Health Benefits Increases: +5%-10%
- Retirement Contributions: +17%
- Utilities: +3%-5%

**Priorities**
- Faculty Positions: +16 FTE
- Teaching Assistants: +20 FTE
- Non-Resident Programs

= 6% Increase in costs
1. This pie chart expands on the blue wedges (core funds) from the previous pie chart, and breaks down core funding sources ($348M out of $660M total budget). The chart at right shows the major expenditures of those funds. (Non-core funds generally cannot be used to fund core functions.) State funds comprise a little less than 50% of core fund budget, with fees (regular, NRT and summer) constituting majority of the rest. ("Other" refers to indirect cost recovery from contracts/grants). Some funding components increased this year.

1. At our campus, state funds increased ~6% (due to a 5% increase approved by the Legislature to UC plus about an extra 1% from rebenching). Future increases are expected to be less, as the Governor proposes only 4% to UC and rebenching winds down.
2. Fees paid by CA residents is flat – no increases in tuition. This fluctuates with enrollments, and there are costs associated with increased enrollments.
3. Non-CA resident Fees increased significantly as the campus admits more of these students. This helps the campus budget picture, but also comes with added costs (instruction, student services, financial aid). This forms only a small part of our budget (<7%), so it only makes a small impact to campus finances.
4. Summer Session income was flat this year, but we would like to grow this number as well. It’s good for the budget and also allows students to complete their degrees more rapidly.
5. The increase in ICR (“Other”) is modest, due to federal budget constraints and increased competition for research awards.

Overall, these individual increases average out to about a 4% total increase in our core budget.

However, our major cost drivers are increasing as well, and we must fund them from our modest revenue growth. Those cost increases are divided into Mandatory Costs and Priorities.

1. Faculty/Staff salary increases- 3% general salary adjustment plus collectively bargained amounts (which sometimes exceed 3%).
2. Academic merits - in addition to general faculty salary increases and rewards faculty excellence. The amount varies by number of faculty reviewed and their performance. Costs are usually 2 - 2.5%/yr.
3. Health benefits - in the 5-10% range recently (sometimes a little higher or lower).
4. Retirement contributions – unfunded liability, university contribution went from 12% to 14.
5. Utilities: Electricity and water - tend to increase faster than inflation each year, natural gas is more volatile.
6. Priorities include reinvesting in faculty and TA positions as well as supporting the growing population of non-resident students (instruction, student services, financial aid).
UCSC
Core Funds
Budget
Campus Priorities & Envision 2020
Campus Priorities: Envision 2020

• Establish a **strategic academic planning** process for allocating resources
• Better support and grow UC Santa Cruz’s **research distinction and productivity**
• Advance **student success**
• Create a **climate for our staff** where they know their work is important and valued
• **Improve business processes**
• Strengthen our **identity and reputation**
5-Year Picture
Expenses & Revenues
Mandatory & Other Costs 2013 - 2017

• Budget Cuts
  – 2012-13 was the last year (implemented in 2013-14)

• Mandatory Costs
  – Academic Merits
  – Collective Bargaining Agreements
  – Benefits Cost Increases
  – Inflationary Costs (Utilities, Insurance, Fire Services, etc.)

• Retirement Contributions
  – Grew from 10% in 2013 to 14% in 2015 + debt service
  – Future increases based on debt repayment and salary growth

• Non-Represented Staff Salary Increases
• Faculty Salary Increases
• UCOP Assessment
Investments 2013 - 2017

• **Instruction & Research**
  – Replenish 16-20 faculty lines per year (above divisional replacements)
  – Divisional academic support funding
  – Faculty start-up
  – Estimated 300-330 new teaching assistant positions over 5 years
  – Additional doctoral fellowships
  – Research infrastructure investments

• **NR Tuition Paying Student Recruitment & Retention**
  – Instruction, International Student Services & Sr. International Officer
  – Dean’s Awards (scholarships)

• **Other Priorities**
  – Deferred maintenance & capital investments
  – UG instructional supplement
  – Comprehensive Campaign & communications
  – Minimal funding for academic support and institutional support areas
On-Going Expenditures 2013 - 2017

- Budget Cuts
- Mandatory Costs
- Non-Rep Staff
- Faculty FTE
- TAs/Grad
- NR Services
- Op Assess Other
- Retirement
- Fac Salary Inc
- Non-Rep Staff
- Mandatory Costs
- Budget Cuts

Millions

$100

$90

$80

$70

$60

$50

$40

$30

$20

$10

$-

$10

$20

$30

$40

$50

$60

$70

$80

$90

$100
Revenue Increases 2013 - 2017

Mandatory Costs & CPEVC Priorities

$28

Summer Session
Non-Res Enroll Growth
State Funds

Gap

Millions

$100
$90
$80
$70
$60
$50
$40
$30
$20
$10
$-
Addressing the Budget Gap
### Actions Taken to Reduce Budget Gap

<table>
<thead>
<tr>
<th>Action</th>
<th>Savings (Millions)</th>
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<tr>
<td>Cuts to Units</td>
<td>$15</td>
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<td>Benefits Savings</td>
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<td>Central Cuts</td>
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<td>Remaining Gap 2016-17</td>
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**Budget Gap**

![Budget Gap Diagram]
Campus Financial Sustainability

- Reduce
- Reuse
- Recycle

- Plus...
  - Revenue generation (more aggressive)
  - Rethink operations and ways of doing business
Financial Sustainability Choices

• Reduce
  – Additional unit permanent budget reductions
    • $66M in cuts implemented over last 6 years
    • Central funds are depleted
  – Scale back new investments
    • Fewer new faculty?
    • Fewer teaching assistants?
    • Other?
  – Control salary costs
    • Limit faculty and/or staff payroll increases
    • Reduce positions
Financial Sustainability Choices

• Reuse
  – Divisions reallocate internally to fund priorities
    • Limited seed funding available on temporary basis
  – Limit funding provided to units for cost increases
    • Divisions self-fund some salary increases
Financial Sustainability Choices

• Recycle
  – Assessments to recycle funds across campus
    • Salary savings
    • Carry forward balances
  – Increase gift fee
    • Eliminate central waivers (or units cover fee)
  – Revenue tax
  – Any single option will only close small part of budget shortfall
Financial Sustainability Choices

• Revenue Generation
  – Further increase non-resident UG enrollment
    • Political & LRDP issues
    • Additional costs for international students
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    • Likely practical limits to what is possible
  – Tuition Increase
    • Outside campus control; may have strings attached
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Financial Sustainability Choices

• Rethinking Operations
  – Undergraduate Student Success
    • Streamline major requirements, curriculum
    • Improve retention and graduation rates
  – Business operations
    • Many larger actions already taken
  – Administrative efficiencies
    • Eliminate duplicative effort
    • Identify time saving measures
  – May not result in budget savings, but helps manage other budget decisions
Financial Sustainability Choices

• What’s Missing?
  – No steps taken to get ready for next recession
    • Economic “recovery” is already 5+ years old
    • Recessions usually result in state budget cuts
    • Temporary tax increases also set to expire

• Other Options?
• What can you do to help?
Questions
Campus Budget Forum
November 2014

Alison Galloway
Campus Provost and Executive Vice Chancellor
Today’s Outline

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• Core Revenue & Expense Increases
• Campus Priorities
• 5-Year Budget Picture
• Addressing the Budget Gap
• Financial Sustainability
• What Can You Do?
UCSC
2014-2015
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UCSC 2014-15 Budget

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**Note:**
- Core Funds represent 25% of the budget.
- Non-Core Funds represent 75% of the budget.
- Core fees include Academic Salaries, Staff Salaries, Employee Benefits, Supplies, and Special Outlays.
- Other fees include Extramural, Auxiliary, and Other (3% & 4%).

**Figure:**
- Pie chart showing the distribution of funds with major categories.

**University of California Santa Cruz**
UCSC
Core Funds
Budget
UCSC 2014-15 Core Funds Budget

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4% Overall Increase

Core Fund Expenditures:

Major Cost Increases for 2014-15

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Budget Gap

- Remaining Gap 2016-17: $11
- Benefits Savings
- Central Cuts
- Cuts to Units

Millions

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