

## Budget IDEAS: A Starting Point for Campus Discussion

### Here's what the campus will focus on to generate more revenue, cut costs and be more efficient.

We started this list Jan. 31, asking for your additions and comments in addressing our budget shortfall — now estimated at \$99 million to \$107 million for 2011-12. If this shortfall becomes a reality, state funding for UC Davis will have decreased by about 40 percent over four years, and student fees and tuition will exceed state general fund appropriations. Adding to this budget shortfall, UC Davis

serves about 1,500 students (FTE) for which the campus receives no state funding. This unfunded enrollment, combined with our significant budget shortfall, poses a triple threat to quality, access and affordability.

We are approaching the budget shortfall with a multipart strategy, starting with UC Davis' share of systemwide solutions, including money that the state cut from the UC budget in 2010-11 and then restored, tuition increases already approved for 2011-12, and reductions at the Office of the President. The remaining shortfall, estimated at \$60 million to \$68 million, will be addressed through a

balanced approach that includes new revenue, efficiency improvements and cost reductions. A brief description of the ideas, in priority order, follows. We communicated the top four to six ideas from each category to President Yudof on Feb. 23.

In the coming weeks, preliminary budget decisions will be made by Chancellor Katehi and Provost and Executive Vice Chancellor Hexter. Those decisions will reflect the budget planning principles, implementation strategies and many of the ideas shown below. Please continue to share your feedback about these or other ideas at [budget@ucdavis.edu](mailto:budget@ucdavis.edu).

## Options for Generating Revenue or Cost Savings in Priority Order

### Revenue

- 1. Increase the number of undergraduate nonresident (domestic and international) students.** For each 50 additional undergraduate nonresident students, the campus would generate an additional \$1.4 million in net tuition revenue.
- 2. Increase summer sessions enrollment; expand course offerings to address unmet demand for gateway courses.** A 20 percent increase in summer enrollment would generate an additional \$3.8 million in net revenue.
- 3. Consider a technology fee for all students to preserve critical technology services; improve and expand technology infrastructure for students.** For each \$50 of a technology fee charged to all students, the campus would generate \$1.5 million in total revenue.
- 4. Expand and leverage degree and non-degree programs with various fee structures.** Consider programs that leverage UC Davis Extension or other partners to increase enrollments. Add self-supporting degree programs and consider additional professional school fees subject to appropriate presidential and regental approvals.
- 5. Eliminate voluntary cost sharing.** Charge faculty effort that is currently used as a voluntary cost share with the funding agency. Analysis is in progress. Value of voluntary cost sharing in 2005-06 was over \$8 million.
- 6. Redirect a portion of the payroll set-aside for staff development and training to offset the budget shortfall.** The assessment generates about \$2 million per year; therefore, redirecting 50 percent of this assessment would yield \$1 million.
- 7. Recruit international graduate professional degree program students.** For each 50 additional international graduate professional degree students, the campus would generate an additional \$0.9 million in net tuition revenue.

- 8. Recruit international graduate students for masters programs.** For each 50 additional international graduate academic masters students, the campus would generate an additional \$1.0 million in net tuition revenue.
- 9. Expand commercial activities and sponsorships; explore business agreements outside the campus (e.g., bookstore in an alternate location).** Revenue gain varies. Individual units are evaluating a wide variety of options.
- 10. Add or increase course material fees.** Campus policy includes a cap and limits that exceed systemwide policy. In addition, some courses with allowable costs do not charge fees. Analysis in progress.
- 11. Increase salary cost recovery on extramural funds.** Identify opportunities to fully recover allowable costs and salaries on extramural funds. As appropriate, identify full range of incentives including compensation and department support funds.
- 12. Increase annual fund donations; expand alumni programs to build connections; launch a venture philanthropy initiative.** Doubling annual fund donations would yield about \$1.2 million in revenue, although costs would climb.
- 13. Build endowment of \$220 million to \$225 million for faculty and staff support.** An endowment of this size would provide an annual payout of roughly \$10 million.

### Efficiency

- 1. Implement a campuswide approach to shared services for IT, HR/payroll and accounting.** Reduce staff positions over time. The Davis campus has one shared service center project in the works, to serve five administrative units: Administrative and Resource Management, the Offices of the Chancellor and Provost, Information and Educational Technology, Student Affairs and University Relations. From this project alone, the campus estimates savings of up to \$10 million annually after full implementation.

- 2. Accelerate the Strategic Energy Program; aggressively evaluate set points for building temperatures; employ more regular utility shutdowns (e.g., Sundays, holidays).** Campus is engaged in an aggressive, multi-year Strategic Energy Program to reduce building-wide energy use. Utility cost savings and incentive funds from utility companies projected to exceed \$7.5 million in 2010-11. Net savings after paying for investments and prior-year shortfalls expected to exceed \$3 million per year by 2011-12.
- 3. Flatten organization models by reducing middle management; reduce vice chancellor-vice provost positions; consolidate leadership between Davis and Sacramento campuses.** Analysis in progress. Initial estimate is that 40 to 60 positions can be eliminated to save \$4 to \$6 million over two-to-three years. Changes could reduce promotional opportunities for staff.
- 4. Consolidate, close or outsource services that are not mandated or are not unique or core to UC Davis.** Analysis in progress. Savings will vary depending on the funding sources that are currently used to support the service.
- 5. Consolidate services provided by multiple organizations (e.g., health, employment, disability, custodial, ticketing, conference/events, storehouse, medical billing, etc.).** The savings would largely result from consolidating administrative structures, lower costs from economies of scale, and new, lower cost approaches to providing services.
- 6. Comprehensive restructuring of the academic personnel process; streamline reviews and approvals; delegate authority; leverage automation (My InfoVault).** The current process requires significant time investment from the Academic Senate, faculty, staff and administration.
- 7. Continue to pursue alternative instructional delivery options.** These include making use of technology to develop on-line or hybrid courses or arrangements with community college where appropriate. Also evaluate lower enrollment courses and identify opportunities to modify curricula.
- 8. Further consolidate leases; implement a space formula; charge a fee for on-campus space (along the lines of Michigan, Stanford, others).** Lease savings to date total more than \$1.1 million; actions to save \$0.5 million are planned. More aggressive incentives to consolidate space could provide additional savings.
- 9. Increase the use of the California Digital Library; consolidate collections if possible (UC-wide coordination).** A UC-wide task force and a UC Davis Academic Senate-administration committee are exploring options.
- 10. Shift from quarter-based to a semester-based academic calendar (Academic Senate and regental approval).** The UC Commission on the Future briefly considered a recommendation to convert all UC campuses to a systemwide semester calendar. In the Commission's Final Report, this recommendation was listed as "not moving forward at this time". Conversion to a semester calendar would require a preparation and transition period of at least three years, once approved, and significant up-front costs to achieve long-term savings that are not easily quantified.

## Cost reductions

- 1. Identify opportunities to reduce operating expenses and eliminate subsidies.** Analysis in progress to review all programs supported by general funds or other sources that are not restricted in use. Evaluating cost savings for different service levels, increased use of student employees, and reductions in travel and entertainment expenses where possible.
- 2. Reduce support for Student Academic Preparation and Educational Partnership (SAPEP) programs.** Each 10 percent reduction in SAPEP support would yield about \$0.5 million in savings.
- 3. Lower employer contributions to benefits; incentivize employees to use spouse/partner plans within or outside UC (regental policy).** Each 10 percent savings in state/tuition-supported benefits would yield about \$4.5 million.
- 4. Replace research support from state operating funds or research with low overhead rates with new sources of revenue.** Each 10 percent of replacement of funds currently supported with general funds would yield about \$6 million. Analysis of research with low or waived overhead rates in progress.
- 5. Close, merge or consolidate academic programs; develop options as part of the academic review process.** Cost reduction varies. Detailed evaluation by category of expenditure is needed.
- 6. Consider seasonal appointments where possible (appointments of less than 100 percent, but with the salaries paid over 12 months).** Cost reduction varies. Individual units are evaluating a wide variety of options.
- 7. Reduce undergraduate University Student Aid Program (USAP) support (regental policy).** A 5 percent cut in undergraduate USAP funding would yield roughly \$3 million.
- 8. Evaluate feasibility of a UC work study program.** Implement a UC or campus work study-like program for UC Davis students.

## Short-term Savings for Transition or Bridging

- 1. Sell (or lease) university land or other assets.** Each property or asset would require a separate valuation analysis.
- 2. Increase the endowment payout rate (regental policy).** Under the existing policy, the university uses a five-year rolling average between 4.35 percent and 4.75 percent. Each 0.25 percent increase in the payout rate would yield about \$2,500 for each \$1 million of endowed funds.