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August 11, 2017

COUNCIL OF DEANS AND VICE CHANCELLORS

RE: 2017-18 FINAL BUDGET ALLOCATIONS

Dear Colleagues,

I am writing to conclude the 2017-18 budget process. Although long-term uncertainties remain, together we achieved the goal of rebalancing and stabilizing our core funds as envisioned in this year's [budget framework](#). This difficult effort, touching all parts of the campus, puts us on more solid footing as we move into a period of strategic planning under Chancellor May's leadership. This effort will no doubt cause us to continue to evaluate and balance investments made by the campus and at the unit level with the financial challenges that come with enrollment still increasing but nearing a newly established cap on the percentage of national and international undergraduates, uncertainty in the extramural research and health-care funding landscapes, and the continued need to increase operational efficiency and diversify our revenue sources.

Former Interim Provost Burtis and I were pleased with the materials you provided and the discussion we had during the annual budget meetings. It was clear that you took seriously the responsibility we all have to ensure the long-term sustainability of UC Davis, and that the majority of resource requests made were for critical needs and important strategic priorities which could not be met within unit resources. As always, the involvement of the Academic Senate in our meetings added value and important perspective to the budget discussions. The new resources allocated by this letter are largely derived from our 2020 initiative enrollment growth, state enrollment growth funds pursuant to UC agreements to increase California resident undergraduate enrollments, and modest additional investments by the state.

We recognize that in many cases you are continuing to evaluate the ongoing consequences and plans to fully implement the budget rebalancing actions within your units. We ask that you and your departments continue to look for opportunities to re-allocate and re-align existing funds, as appropriate—including reserves—so that our resources advance our highest priorities and most promising programs. As you do this, it is critical that ongoing expenditures are supported with ongoing resources and that the use of reserves is directed at non-recurring needs or explicitly transitional support.

BUDGET CONTEXT

Enrollment Growth and Critical Investments

As you know, the University of California agreed with the State to a three-year plan that will increase undergraduate California resident enrollments by 10,000 students across the entire system by 2018-19. Because of this agreement, we have set enrollment targets that will accommodate our share of this plan. In fact, UC Davis continues to enroll more California residents than any other UC campus. This fall we expect to enroll about 9,165 new freshmen and transfer students on our campus, 7,325 of them California residents. We will also continue to increase our enrollment of national and

international students. Due to a recent decision by the UC Board of Regents, UC Davis is expected to limit the proportion of national/international students to 18 percent of the total undergraduate population. In 2017-18, the percentage of national/international students will increase to nearly 17 percent, rising to 18 percent in 2018-19.

For graduate enrollments, we anticipate an increase of up to eight percent for Master's students and an increase of about one percent for doctoral students. Beginning in 2017-18, 14 programs have chosen to participate in the [Masters Enrollment Incentive](#), increasing access to students interested in pursuing a masters degree and providing an opportunity for increased financial support of graduate programs.

Faculty growth is a critical element of our success. Initial data indicates that about 85 excellent and diverse new ladder rank faculty will start appointments this year, approximately 80 in the colleges (net growth of over 45 faculty positions) and the balance in the schools. This is the third year of net faculty growth. Our faculty diversity also continues to increase. Over the past two years, almost half of our hires were women and over a third were people of color. Included in this cohort of new faculty are six supported from the Hiring Investment Program. These new faculty hires will extend our scholarship into critical new areas and enable a transformative augmentation to the department, school, or college faculty they join.

This budget plan includes two significant investments in campuswide programs to support faculty hiring. \$1.6 million is provided to expand the CAMPOS Scholars program and establish the Impact Recruitment Incentive (IRI) program. These programs provide units with five years of salary support to hire faculty who meet program criteria and extend the diversity of our faculty in all fields. To date, the CAMPOS program has supported the hiring of 25 faculty members and this year we will welcome five new faculty members who are the first supported by the IRI. In addition, campus is investing \$1 million base funding in the Partner Opportunity Program (POP). Annual investments in this program were previously made with one-time funds. By making this base investment we recognize the critical role that POP plays in our success in faculty hiring and retention.

Critical investments to improve instructional space and support for equipment continue. The central campus is investing \$5 million annually for 4 years to achieve substantial improvements and technology replacement in general assignment classrooms. An additional \$1 million, for a total investment of \$2 million over two years, is provided to support [instructional equipment purchases](#) already identified through a campus process. The campus has also approved a multi-year program to fund deferred maintenance across campus buildings and infrastructure systems. We continue to set aside funding to support capital debt repayment for planned and future capital projects.

Capital projects continue to promote student access and success. Over the next two years, classroom projects currently under construction will add over 1,400 seats. This includes 600-seat California Hall, which will open in mid-2018, the Teaching and Learning Complex, currently in planning, will add about 2,000 additional seats. Tercero Student Housing Phase 4 and new dining options at the Silo will open this fall. To mention one non-capital investment in student success, support for growth in the university honors and first-year seminar programs is also provided.

Addressing the shortage of faculty offices is a high priority and planning is underway for the construction of mixed-use office and residential facilities along the A Street corridor. Projects in the Chemistry and Chemistry Annex buildings will correct seismic and life safety issues and increase laboratory capacity. The Controlled Environment Facility will open summer 2019 in support of research.

State Budget Appropriation and Tuition Revenue

The total state unrestricted appropriation will be approximately \$410 million, an increase of almost \$19 million. Total tuition and supplemental tuition paid by national and international students will increase from approximately \$516 million to \$565 million. Of this amount, the campus uses over \$109 million to support undergraduate need-based financial aid. The increase in tuition is due to growth in enrollment of California, national and international students, an increase in the University's non-resident tuition, and, for the first time in 7 years, increased revenue from the modest tuition rate increase of 2.5 percent approved by the UC Regents.

Financial Sustainability

The structural budget deficit held by the central campus on state funds and tuition for the past five years has been eliminated. That said, the campus continues to operate on a very thin margin in these fund sources and will need to manage mid-year funding needs and requests carefully to stay in balance. The central campus continues to hold an operating deficit of about \$2 million on indirect cost recovery funds that support the campuswide research infrastructure. A multi-year plan is in place to resolve this deficit, in part through the change in the budget model allocations included in the rebalancing efforts.

2017-18 INCREMENTAL BUDGET ALLOCATIONS AND DECISIONS (Attachment 1)

Budget Model Allocations for Undergraduate Tuition (\$8.8 million new). Budget model allocations were communicated to deans in the spring and were allocated in July. The incremental increase in the pool of funds allocated includes \$4.2 million in net undergraduate tuition revenue and \$4.6 million in nonresident supplemental tuition. Seventy percent of this pool is allocated to deans. Allocations reflect data from 2015-16 and 2016-17 for student credit hours of instruction and undergraduate majors, and data from 2014-15 and 2015-16 for degrees awarded.

Provost Allocations for salary and benefit cost increases paid with core funds (\$26.8 million net new). As described in the budget planning letter all units will receive funds to cover salary and benefit fixed cost increases for employees paid on core funds. Of this amount, \$19.5 million is for increased salary and benefit costs for staff and faculty, \$6.3 million is estimated for the annual faculty merit process, and \$1 million is for the increased TA fee remission benefit costs associated with the tuition increase.

Provost Allocations for common goods and high priorities (Attachment 2). Allocations support critical investments beyond the formulaic budget model allocations, infrastructure, and campuswide programs and services. Decisions were informed by budget meetings and analysis from Budget and Intuition Analysis (BIA). Each Dean and Vice Chancellor will receive a separate attachment from BIA detailing the specifics of investment decisions for their unit.

Indirect cost recovery (\$1.2 million net decrease). As reflected in the [budget framework letter](#), the budget model allocations to units will be reduced from 37 percent to 34 percent of the ICR generated after set-asides for special programs based on the administrative home for the research activity. This is part of a multi-year plan that will adjust the percent allocated to units to 30 percent by 2019-20. This adjustment is necessary to ensure sustainable funding for campus research infrastructure investments. The amount reflects the net of the total funds to be allocated and the change in percent allocated to units. In addition, some units will experience reduced costs as central campus will fully fund the Hazardous Material Removal and Radiation Use Authorization programs beginning in 2017-18. The final allocations will be provided by September.

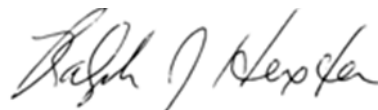
Summer sessions (allocations pending). Similar to prior years, we are committed to allocating a minimum of \$94 per student credit hour for summer sessions instruction. Additional campus commitments were made to support investments in financial aid and backstopping certain critical courses. Final data and allocations for summer 2017 is anticipated in October.

Graduate tuition and nonresident supplemental tuition (\$1.2 million net new). The allocations were communicated in August and reflect graduate enrollment growth in 2016-17. Of this amount, Deans received \$95,000 through the graduate budget model. The balance, \$1.1 million, was allocated for increased graduate student support and infrastructure. This includes additional funds for the Graduate Program Fellowship Allocations and NRST support for 2nd and 3rd year PhD students, as well as funding for the Dean of Graduate Studies to partner with faculty to improve and coordinate graduate student recruitment efforts across campus.

CONCLUSION

I am grateful for the leadership you provide to ensure that UC Davis continues to advance as a world-class institution for teaching and learning, research, clinical care, and public service and engagement. Let us continue to partner with one another and our campus community as we focus on strategic planning, keeping in mind that our future success will not only depend upon the ideas we put forward but also our stewardship of resources at all organizational levels. We must create a financially sustainable and flexible environment that will allow us to invest and redirect to support our highest priorities.

Sincerely,



Ralph J. Hexter
Provost and Executive Vice Chancellor

Attachments

- c: Chancellor May
- Academic Senate Chair Goodhue
- Academic Senate Planning and Budget Chair Powell
- Interim Leader and Senior Associate Vice Chancellor Ratliff
- Assistant Deans
- Chief Operating Officers

University of California, Davis
2017-18 Incremental Budget Allocation Summary

Dollars in millions

	Deans	Academic Support and Administration	Campus ¹	Total
Budget Model Allocations				
Undergraduate Tuition	\$ 6.2	\$ -	\$ -	\$ 6.2
Graduate Tuition ²	\$ 0.8	\$ -	\$ -	\$ 0.8
Indirect Cost Return ³	\$ (0.5)	\$ (0.7)	\$ -	\$ (1.2)
Subtotal, Budget Model	\$ 6.5	\$ (0.7)	\$ -	\$ 5.8
Provost Investment Decisions⁴				
Hiring Investment Program ⁵	\$ 3.0	\$ -	\$ -	\$ 3.0
Salary & Benefit Funding for Fixed Cost Increases ⁶	\$ 22.1	\$ 5.4	\$ -	\$ 27.5
Fund State Nursing Enrollment	\$ 0.8	\$ -	\$ -	\$ 0.8
Capital Debt Repayment Pool	\$ -	\$ -	\$ 2.0	\$ 2.0
Decisions-Base ⁷	\$ 3.8	\$ 5.8	\$ 6.3	\$ 15.9
Decisions-One-Time ⁷	\$ 0.8	\$ 9.5	\$ 8.7	\$ 19.0
Subtotal, Provost Investments	\$ 30.5	\$ 20.7	\$ 17.0	\$ 68.2
Total Allocations	\$ 37.0	\$ 20.0	\$ 17.0	\$ 74.0

Notes

¹ Includes Campuswide and Campaign decisions. Details provided in Attachment 2.

² Includes allocations to Deans, Grad Programs, and OGS Graduate Student Support Programs.

³ ICR includes Campus Return Program and set-asides (Garamendi, CIRM, CNPRC and Advance-CAMPOS).

⁴ Includes all fund types allocated.

⁵ Estimate based on known hires in 17-18, distribution will be based on actual positions hired and salary amounts.

⁶ Estimated set-aside. Distribution will be on actuals.

⁷ Details provided in Attachment 2.

University of California, Davis
2017-18 Provost Allocations for Debt Service and Operating Expense

PROVOST INVESTMENTS

	General Funds & Tuition		OTHER FUNDS*	
	Base	One-time	Base	One-time
Section 1: Campuswide Priorities				
Classrooms: Renovations and Upgrades (year 1 of 4)			\$	5,000,000
First Year Seminars: Increase Number of Seminars Provided		\$ 72,000		
University Honors Program: Base Funding Adjustment to Support Current Program Levels	\$ 340,000			
Instructional Equipment Replacement: lab and classroom equipment needs (year 2 of 2-year plan), allocations previously determined		\$ 1,000,000		
Testing Center: Maintain Current Services Pending Comprehensive Analysis and Long-Term Plan		\$ 300,000		
Animal Program: Per Diem Rate Subsidy (Year 2 of 2)			\$	575,000
Faculty: Establish Impact Recruitment Initiative and Expand CAMPOS Scholars Program			\$	1,600,000
Faculty: Partner Opportunity Program, Adjust Base to Meet Program Demand	\$ 1,000,000			
Establish Associate Vice Chancellor for Academic Diversity	\$ 260,000			
Staff Retiree Center in Sacramento	\$ 85,000			
	Subtotal, Campus Priorities			
	\$ 1,685,000	\$ 1,372,000	\$ 1,600,000	\$ 5,575,000
Section 2: College, Division and School				
College of Biological Sciences: CMSI maintenance budget (year 3 of 3)		\$ 250,000		
College of Biological Sciences: Faculty equity - Offset costs voluntarily provided by the unit in prior years (year 2 of 3)	\$ 77,000			
College of Engineering: Transition Support for Computer Science Degree		\$ 250,000		
College of Engineering: Center for Molecular and Genomic Imaging			\$	30,000
College of Letters & Science: Investment in Dean's Office Infrastructure (final increment of 3-year investment set-aside of \$2 million)	\$ 220,000			
College of Letters & Science: Support for strategic planning priorities (year 1 of 3)	\$ 750,000			
College of Letters & Science: Faculty equity - Offset costs voluntarily provided by the unit in prior years (year 2 of 3)	\$ 120,000			
College of Letters & Science: Support for UWP costs not supported by budget model	\$ 42,000			
College of Letters & Science: Cost-sharing for the Center for Mind & Brain's operating budget (year 2 of 3)			\$	200,000
College of Letters & Science: Continued funding for Physical Education Program	\$ 750,000	\$ 759,000		
School of Education: Communications Support (year 1 of 3)			\$	100,000
School of Law: Increased Institutional Support for Financial Aid and Enrollment (year 1 of 10)	\$ 360,000			
School of Medicine: Savings from campus support for HS Integration positions in Development, to be used for Development Officers			\$	715,000
School of Veterinary Medicine: Faculty equity - Offset costs voluntarily provided by the unit in prior years (year 2 of 3)	\$ 17,000			
Office of Graduate Studies: Graduate Program Recruitment Funds and Recruitment Communications Specialist	\$ 235,000			
Office of Graduate Studies: Staffing	\$ 200,000		\$	97,000
Office of Graduate Studies: Transition Support for Admissions Application Software and IT Support			\$	130,000
Office of the Provost: Undergraduate Education: Center for Educational Effectiveness (2 positions) and Academic Program Assessment	\$ 300,000	\$ (1,000,000)		
	Subtotal, Deans			
	\$ 3,071,000	\$ 259,000	\$ 715,000	\$ 557,000

University of California, Davis
2017-18 Provost Allocations for Debt Service and Operating Expense

PROVOST INVESTMENTS

Section 3: Academic Support and Administration

	General Funds & Tuition		OTHER FUNDS*	
	Base	One-time	Base	One-time
Library: Support for Collections to offset inflationary pressures	\$ 100,000			
Library: Partial funding for Library Space Plan Phase II		\$ 100,000		
Finance, Operations and Administration: Support for Student Child Care Programs			\$ 45,000	
Finance, Operations and Administration: Business Intelligence		\$ 500,000		
Finance, Operations and Administration: Fire Department (Dissolution of City of Davis Agreement and equipment replacement)	\$ 250,000	\$ 274,000		
Finance, Operations and Administration: Support for Facilities to Support New Campus Space	\$655,000			
Finance, Operations and Administration: Police Student Cadet Program			\$ 25,000	
Finance, Operations and Administration: Continue to provide funding for Arboretum Development Officer				\$ 140,000
Intercollegiate Athletics: Mitigate fixed cost and grant-in-aid increases	\$ 200,000		\$ 125,000	\$ 345,000
Information and Educational Technology: Emergency Radio Upgrade	\$ 238,000	\$ 621,000		
Information and Educational Technology: Campus Learning Management System	\$ 394,000			
Information and Educational Technology: Lecture Capture and Causeway Connectivity	\$ 313,000	\$ 60,000		
Information and Educational Technology: Campus Unit Desktop Support	\$ 642,000			
Information and Educational Technology: Campus Data and Wireless Network	\$ 800,000			\$ 800,000
Office of Research: Research Core Facility Program (year 2 of 2)				\$ 1,000,000
Office of Research: Bodega Marine Laboratory Support				\$ 170,000
Office of Research: Innovation Institute for Food and Health				\$ 1,335,000
Office of Research: Expand Principal Investigator Bridge Program				\$ 750,000
Office of Research: John Muir Institute of the Environment			\$ 303,000	
Office of Research: McClellan Nuclear Research Center Support for Fixed Cost Increases				\$ 28,000
Office of Research: Provide permanent funding for on-going UC Davis Chancellor's Innovator Awards Program			\$ 20,000	
Office of the Chancellor: Campus Community Relations		\$ 146,000		\$ 255,000
Office of the Chancellor: Ceremonies and Special Events Student Assistants	\$ 8,000			
Office of the Chancellor: Internal Audit	\$ 138,000		\$ 137,000	
Office of the Chancellor: Strategic Communications		\$ 759,000		
Office of the Chancellor: Ombuds	\$ 185,000			
Office of the Provost: Engaged Scholarship				\$ 96,000
Office of the Provost: Imagining America				\$ 467,000
Office of the Provost: Humanities, Arts and Cultural Partnerships				\$ 206,000
Office of the Provost: STEM Strategies				\$ 520,000
Office of the Provost: Academic Senate Privilege and Tenure Hearing Costs	\$ 15,000			
Office of the Provost: NAGPRA				\$ 264,000
Office of the Provost: Global Affairs: Global Footprint	\$ 232,000			\$ 103,000

2017-18 Provost Allocations for Debt Service and Operating Expense

PROVOST INVESTMENTS

	General Funds & Tuition		OTHER FUNDS*	
	Base	One-time	Base	One-time
Section 3: Academic Support and Administration (Continued)				
Office of the Provost: Global Affairs: Blum Center			\$	200,000
Office of the Provost: Global Affairs	\$	550,000		
Office of the Provost: CARE Program			\$	175,000
Student Affairs: Increased funding to support workload in Office of Financial Aid	\$	249,000	\$	340,000
Student Affairs: Student Judicial Affairs				\$ 60,000
	Subtotal, Administrative and Academic Support			
	\$	4,969,000	\$	2,860,000
			\$	830,000
			\$	6,679,000
Section 4: Development				
Development and Alumni Relations: Campaign Planning, Central Development			\$1,696,000	\$517,000
Development and Alumni Relations: Campaign Communications				\$1,228,000
Development and Alumni Relations: Campaign Planning, Resources for Units				\$687,000
Development and Alumni Relations: Health System Integration, shift fund source from SOM to campus			\$572,000	-\$715,000
Development and Alumni Relations: Annual Fund			\$700,000	
	Subtotal, Development			
	\$	-	\$	-
			\$2,968,000	\$ 1,717,000
	Total, Provost Investments			
	\$	9,725,000	\$	4,491,000
			\$	6,113,000
			\$	14,528,000

Notes:

*Includes AFP, CIF, ICR, Other