



# Provost Leadership Academy





Katherine Gallardo, Assistant Vice Chancellor – Budget Office

December 16, 2022



# Agenda

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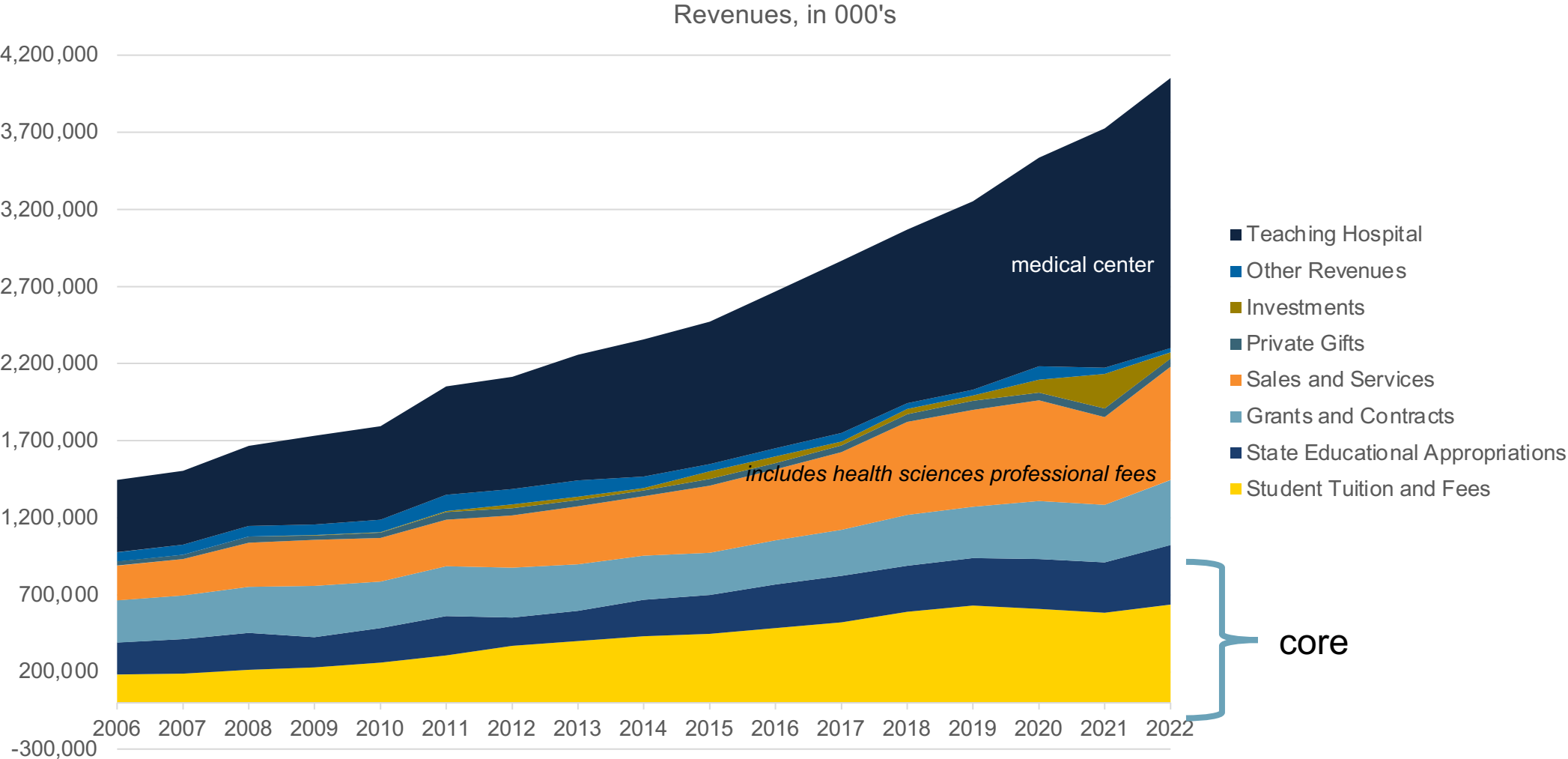
-  Big picture financials
-  Core campus support and funds flow
-  Campus financial planning
-  Budget stability planning

# Complex Funding: UCI in Context

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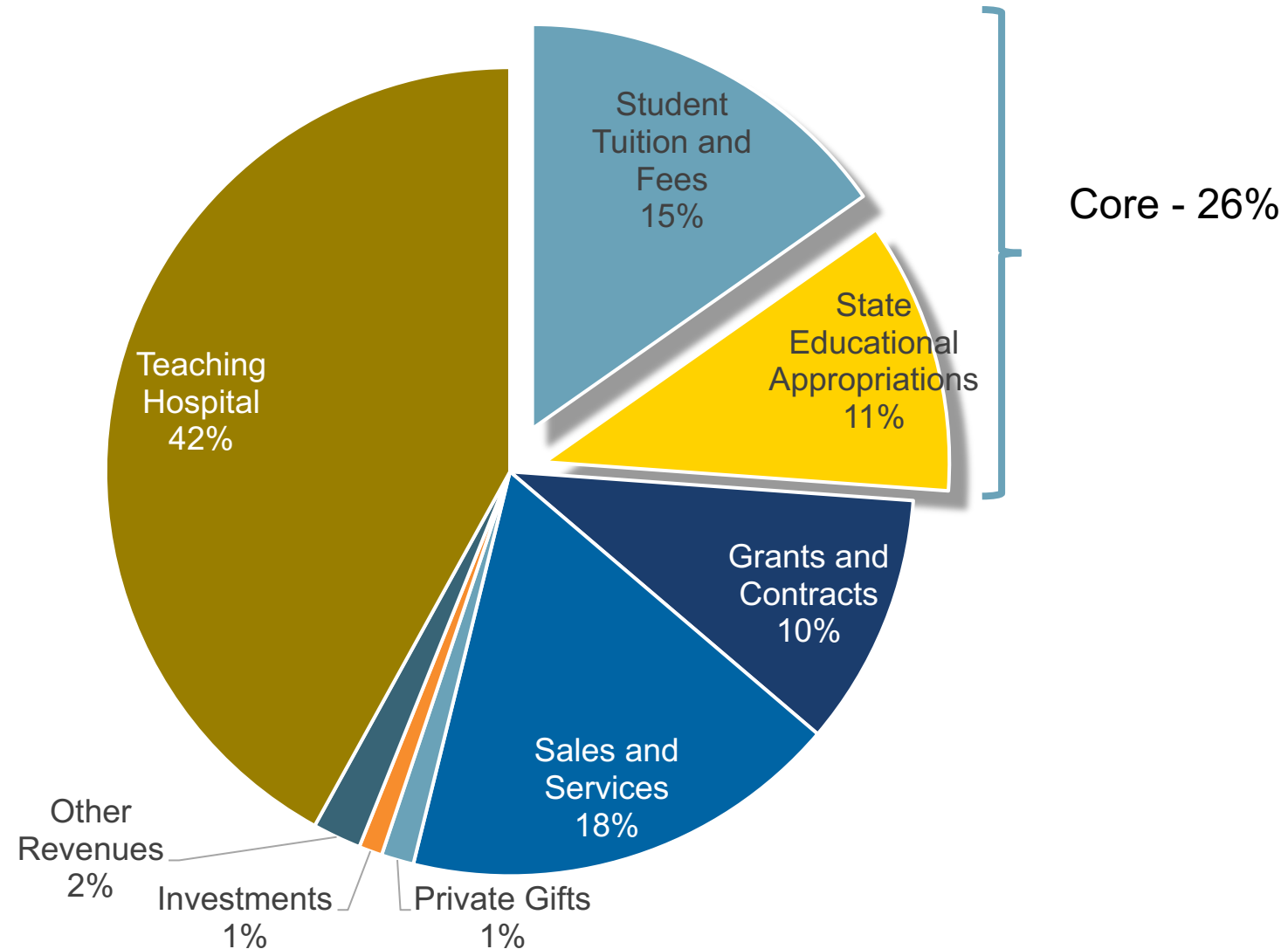
# Sources of Funding | UCI



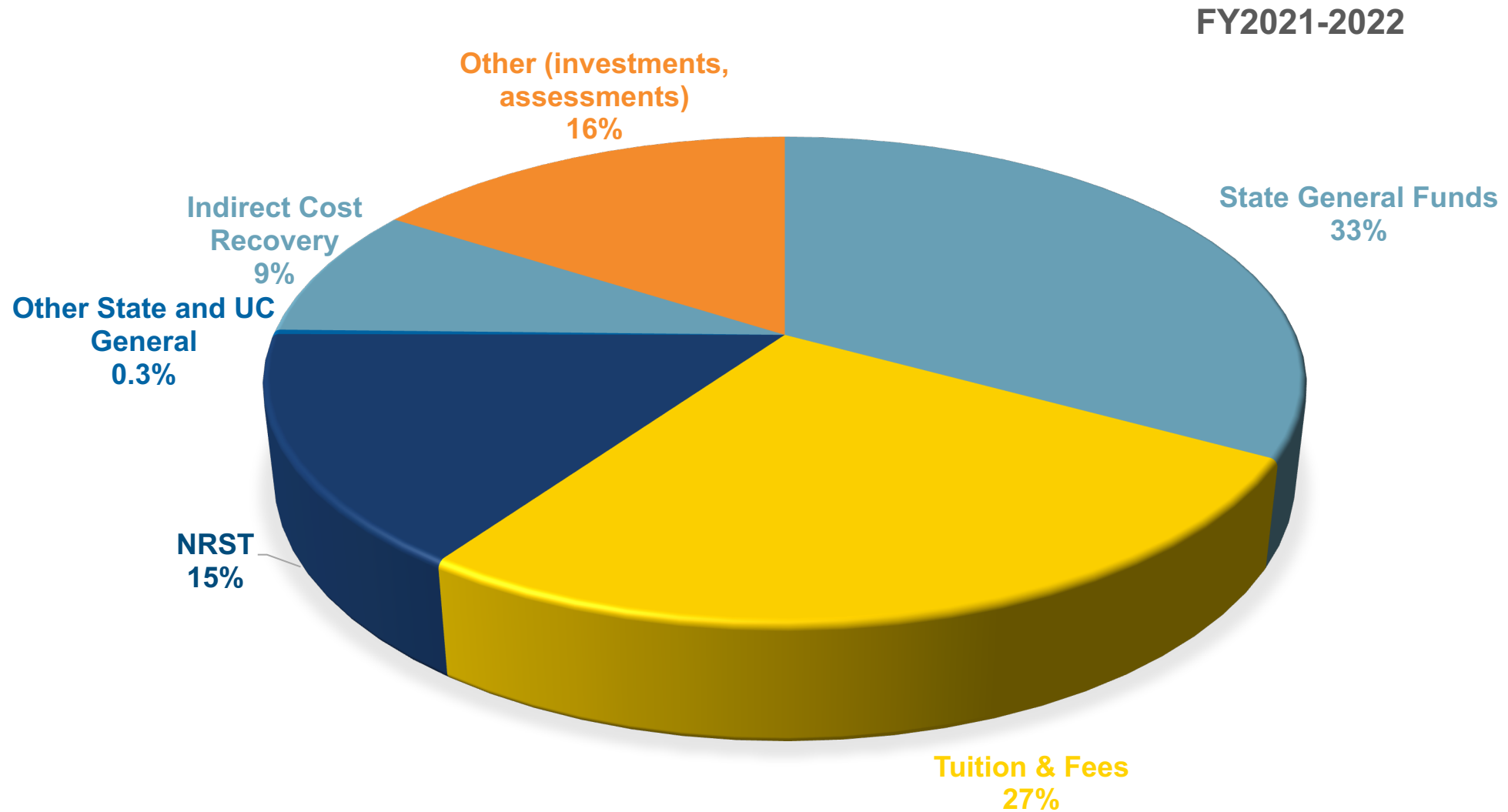


# UCI Revenues by Fund Source | FY2022, \$4.17B

(Teaching Hospital-\$1.7B; General Campus-\$2.4B)

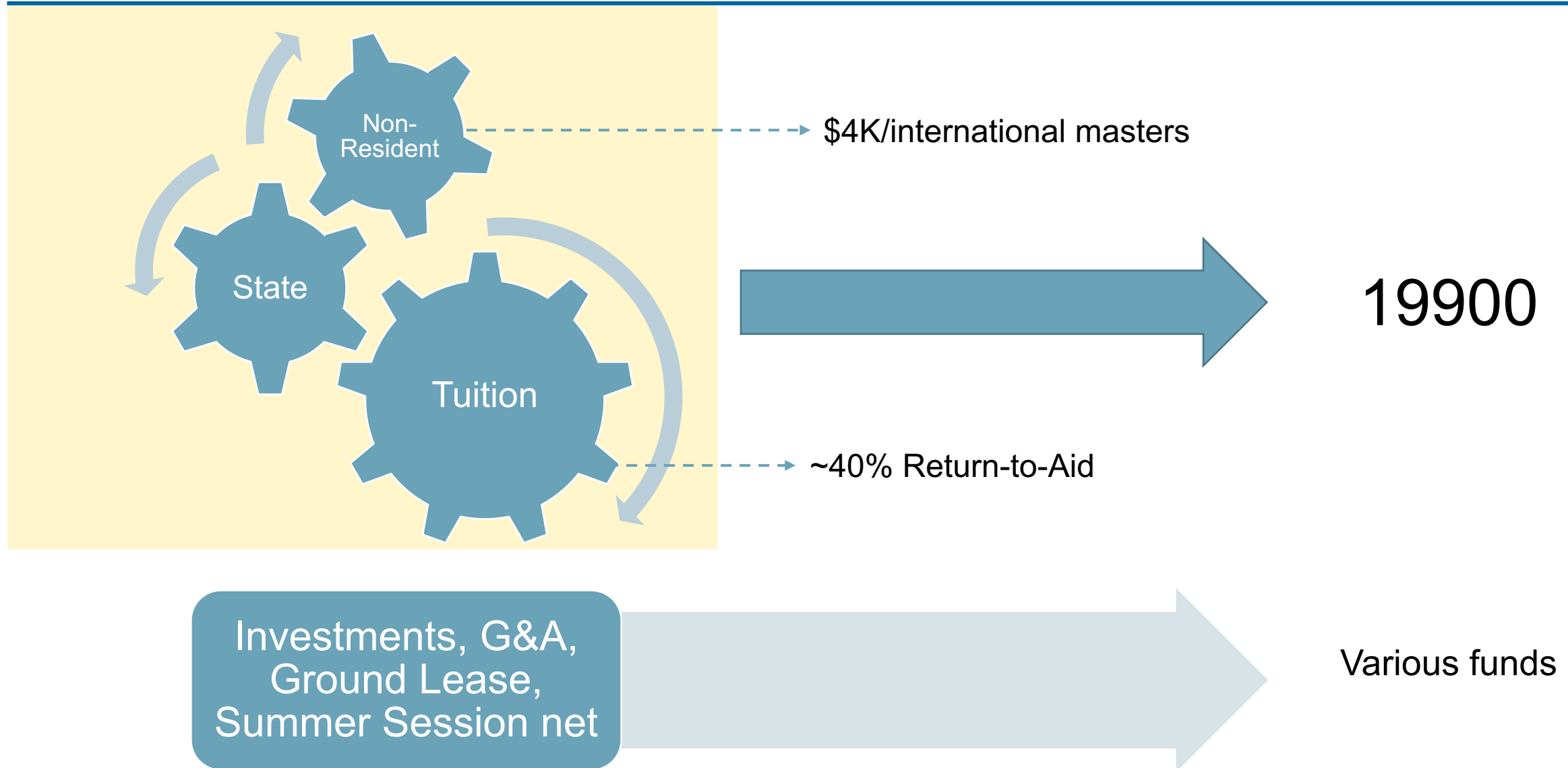


# Core & Other Unrestricted Campus Support – Sources FY22 - \$1.16B





# Funds Flow via Incremental Budget Model



# Funds Flow via formula or policy

## Indirect Cost Recovery - \$102M

- 17% - unit managing grant
- 20% - academic building debt/leases
- 5% - pre-award
- 10% - research investment
- Campus operations (utilities, maintenance, research admin, IT...)

## Student Fees

- Summer Session: unit share @ \$13/student + \$24/student over enrollment of 25
- Concurrent enrollment – portion shared with unit

## Tax on Self-Supporting Programs and Auxiliaries

- General & Administrative Assessment (G&A...aka tax)
  - Auxiliary: 4.54% derived, approx. 7% campus contribution, direct charge for utilities, maintenance, debt, etc.
  - SSGPDP 37.4%: campus-10.94%, unit-26.46%

## Faculty Funding

- New positions via faculty recruiting plan or special hiring programs
- Funding downgrade on separation (20% full, 10% assoc)



# Funds Flow – Remain in Unit

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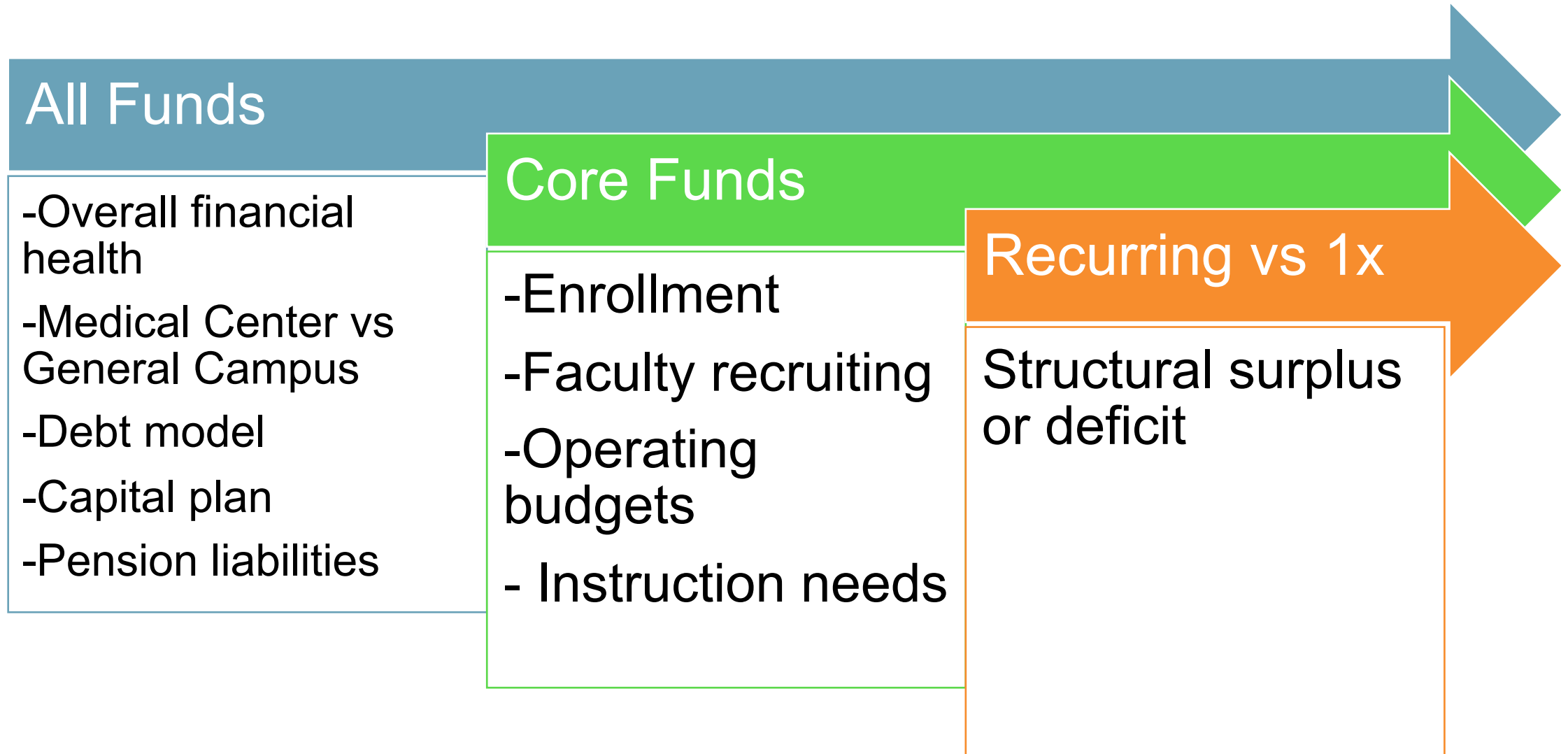
Self-Supporting  
Programs and  
Auxiliaries

Professional  
Degree  
Supplemental  
Tuition

Gifts

Contracts &  
Grants

# Campus Financial Planning Process





# Financial History – Core Funds, excluding 1x

## Sources and Uses: Core Funds

in \$ millions

Note: 2022 is pending hand postings from UCOP and will be finalized in September

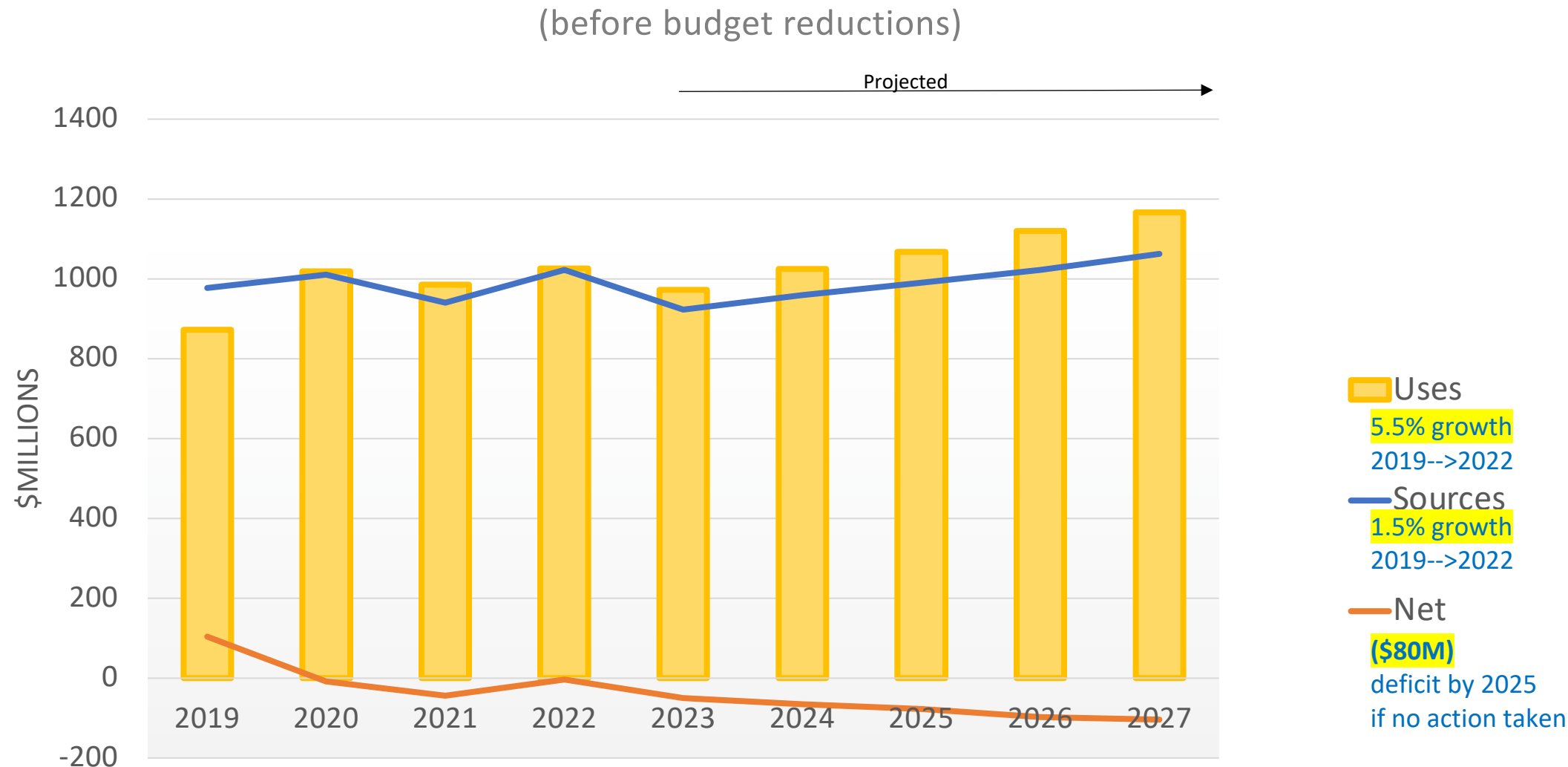
	2019 Recurring	2020 Recurring	2021 Recurring	2022 Recurring	2019-2022 Recurring		
					\$ change	% change	CAGR
<b>SOURCES</b>							
<b>Operating Revenues:</b>							
Tuition and Fees	\$328	\$317	\$298	\$313	(\$15)	-4.5%	-1.5%
Non-Resident Supplemental Tuition	173	176	163	177	4	2.6%	0.9%
Other Operating Revenues	26	33	21	19	(7)	-26.6%	-9.8%
<b>Non-Operating Revenues:</b>							
State Appropriations	357	367	324	382	25	7.0%	2.3%
Investment Earnings/Withdrawals	13	30	39	19	7	55.0%	15.7%
Other Sources	80	87	96	110	30	38.3%	11.4%
<b>Total Sources [A]</b>	<b>977</b>	<b>1,011</b>	<b>940</b>	<b>1,022</b>	<b>45</b>	<b>4.6%</b>	<b>1.5%</b>
<b>USES</b>							
<b>Operating Expenses:</b>							
Academic Salaries & Wages	277	299	311	321	\$43	15.7%	5.0%
Staff Salaries & Wages	216	230	228	234	18	8.2%	2.7%
Benefits	193	244	228	239	46	24.0%	7.4%
Other Operating Expenses	144	174	154	170	25	17.6%	5.5%
Recharges/Transfers	(52)	(25)	(30)	(39)	13	-24.9%	-9.1%
<b>Other Changes (mostly capital and debt):</b>	<b>94</b>	<b>96</b>	<b>94</b>	<b>102</b>	<b>8</b>	<b>8.1%</b>	<b>2.6%</b>
<b>Total Uses [B]</b>	<b>873</b>	<b>1,019</b>	<b>985</b>	<b>1,026</b>	<b>153</b>	<b>17.6%</b>	<b>5.5%</b>
<b>Change in Net Position [C]=[A]-[B]</b>	<b>\$104</b>	<b>(\$8)</b>	<b>(\$44)</b>	<b>(\$4)</b>	<b>(\$108)</b>	<b>-104.3%</b>	<b>-135.0%</b>

Recurring sources  
grew by \$45  
million, or **1.5%**  
annually

Recurring uses  
grew by \$153  
million, or **5.5%**  
annually.

<sup>1</sup> to improve year-over-year comparison, the adjusted figures above remove exceptional 1x investment earnings in 2020, 2021, & 2022, shift OP/Path assessment impact from loss of revenue to increase of expense for 2019, 2020, 2021, and remove 1x capital investments.

# Financial Trends for Core Campus Funds





# Major Drivers

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4-years to  
implement  
tuition stability  
plan

Enrollment  
plateau

NRST cap

Inflation

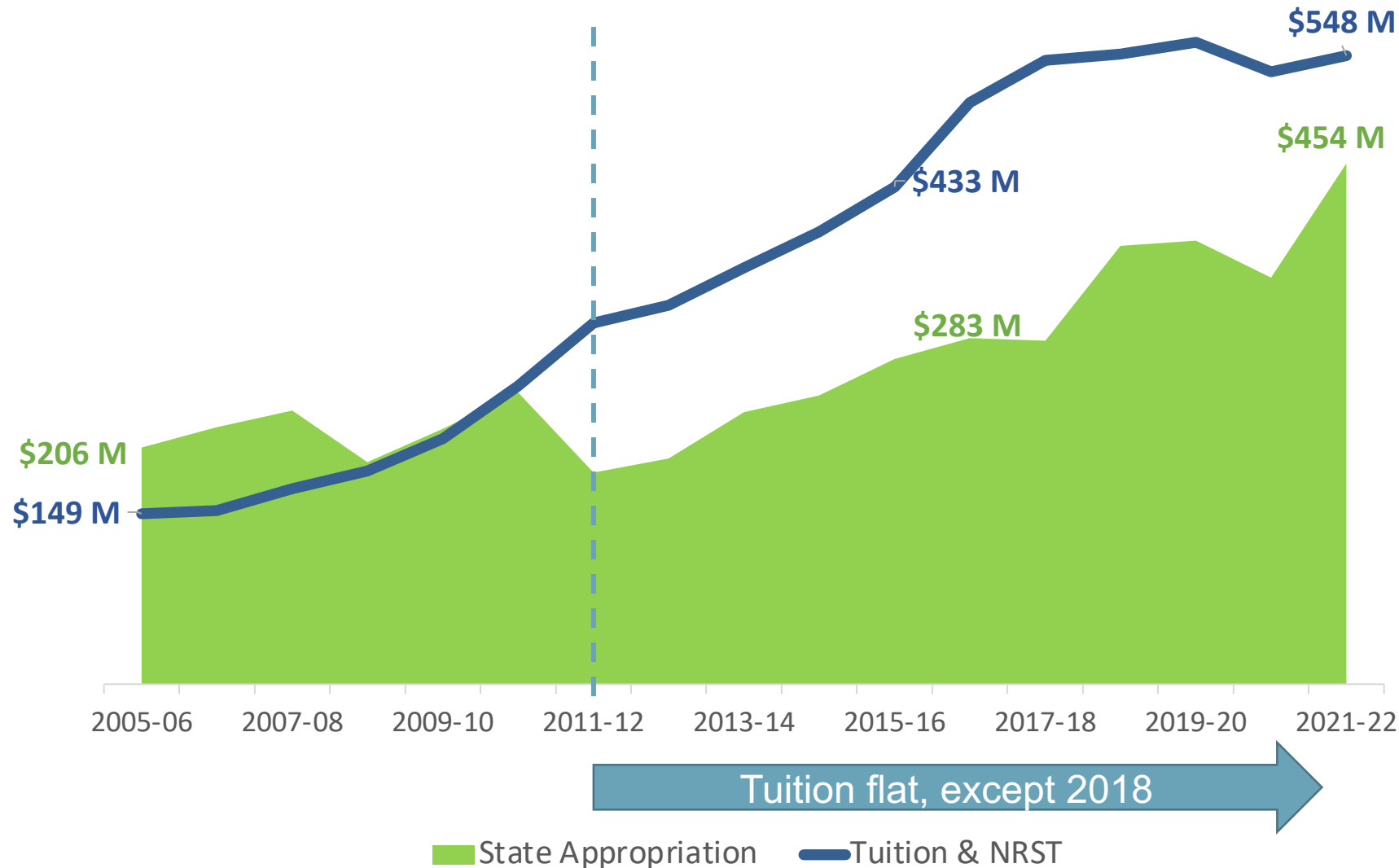
Salary plan  
more costly than  
prior models

Market downturn

COVID

- Ongoing operations
- Repayment of working capital loan

# State Appropriation and Tuition Revenues



# Budget Stability Plan

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Structural deficit (challenge throughout higher ed)

- [UCLA](#) – (\$85M) 5-year projection per cost savings white paper
  - Administrative 2%/yr for 4 years; Academic 1%/yr for 4 years
- [UCSD](#): 4% cuts @ start of pandemic; hiring freeze requiring VC-level approval for all recruitments
- [UCR](#): 11-20% differential cuts by unit over 2 years...14% total
- [UCD](#): 5-year [multi-year plan](#) to achieve (\$70M) in savings by FY25
  - goals set at (\$45M) by campus units, (\$25M) centrally

UCI - Multi-year planning process

- 7-10% budget reductions over FY22-FY24)
  - Every campus unit is submitting plans: how they will absorb cuts to date (FY22 2%, FY23 3%); possible scenarios for FY24 @ 2.5% - 5%

# Financial Strategies

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## We can't do everything!

Budget challenges present an opportunity.

- Align resource allocations with strategic plan
- Consider value-added business transformation
- Evaluate existing programs
- Implement efficiencies



# Financial Strategies - Sources

## Continue to diversify funding sources

- Reduce reliance on only core
  - Philanthropy
  - Investments
  - Research (indirect cost recovery)
  - Self-supporting and professional programs



# Financial Strategies - Uses

## Control Costs

- 72% of total Core Budget is Salaries & Benefits (90-95% for many units)
  - Realize savings via attrition
  - Eliminate vacancies
- Efficiencies
  - Instruction-reduce costs per student
  - pooled administrative resources
  - space
  - reduced services
- Pause or eliminate programs



# 5-Year Forecast – *Revised to Reflect Stability Plan*

UC IRVINE - SCENARIO 2, \$70M SAVINGS & INCR ICR TO 6%					
Sources & Uses - Five Year Core Campus Support Forecast					
Source: Adjusted <sup>1</sup> Statement of Revenues Expenses and Change in Net Position (SRECNP)	PROJECTED				
Fiscal Year Ending	2023	2024	2025	2026	2027
Operating Revenues	511.3	530.0	542.8	555.9	575.8
Non-Operating Revenues	411.6	429.2	447.6	466.8	486.9
<b>TOTAL SOURCES</b>	<b>923.0</b>	<b>959.2</b>	<b>990.4</b>	<b>1022.7</b>	<b>1062.6</b>
Operating Expenses	-847.8	-859.6	-895.6	-924.8	-967.0
Other Changes (mostly debt and capital)	-104.5	-104.8	-105.6	-114.7	-117.1
<b>TOTAL USES</b>	<b>-952.4</b>	<b>-964.5</b>	<b>-1001.2</b>	<b>-1039.5</b>	<b>-1084.1</b>
<b>Change in Net Position</b>	<b>-29.4</b>	<b>-5.2</b>	<b>-10.8</b>	<b>-16.7</b>	<b>-21.4</b>

## Key Assumptions:

- Realize \$70M in cost savings over 4 years with 7-10% funding adjustments via budget stability plan
- ICR growth at 6%; State funding growth at 5%

No Action Scenario: (\$80M) annual deficit; cumulative 5-year impact: (\$386M)  
 Budget Stability Plan Scenario: improved by \$303M

# Questions / Discussion

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# Back pocket slides

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# Financial History – All Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (ALL FUNDS)								
		2019	2020	2021	2022	% Chg FY20	% Chg FY21	% Chg FY22
OPERATING REVENUES	STUDENT TUITION AND FEES, NET	669,367,804	610,319,773	584,890,174	636,366,176	-9%	-4%	9%
	CONTRACTS AND GRANTS (NON-CAPITAL)	334,031,841	379,284,210	391,724,617	421,107,938	14%	3%	8%
	MEDICAL CENTER SERVICE REVENUE	1,278,930,762	1,351,866,252	1,552,619,087	1,750,865,800	6%	15%	13%
	SALES AND SERVICES - EDUCATIONAL	350,430,550	377,923,029	437,807,341	502,989,643	8%	16%	15%
	SALES AND SERVICES -AUXILIARY	239,619,075	199,958,964	133,011,687	231,426,503	-17%	-33%	74%
	OTHER OPERATING REVENUE, NET	33,714,694	38,280,901	25,538,224	20,664,160	14%	-33%	-19%
	INTERCAMPUS TRANSFERS	-131,961,139	266,056,617	148,233,219	60,395,584	-302%	-44%	-59%
	<b>Total</b>	<b>2,774,133,586</b>	<b>3,223,689,746</b>	<b>3,273,824,350</b>	<b>3,623,815,805</b>	<b>16%</b>	<b>2%</b>	<b>11%</b>
OPERATING EXPENSES	SALARIES AND WAGES	-1,462,925,746	-1,592,606,076	-1,677,361,764	-1,757,501,238	9%	5%	5%
	BENEFITS	-606,159,215	-761,343,472	-687,209,975	-774,679,620	26%	-10%	13%
	OTHER OPERATING EXPENSES	-1,130,396,787	-1,222,784,284	-1,350,870,219	-1,573,864,779	8%	10%	17%
	<b>Total</b>	<b>-3,199,481,748</b>	<b>-3,576,733,832</b>	<b>-3,715,441,958</b>	<b>-4,106,045,637</b>	<b>12%</b>	<b>4%</b>	<b>11%</b>
<b>NET OPERATING</b>		<b>-425,348,162</b>	<b>-353,044,086</b>	<b>-441,617,608</b>	<b>-482,229,832</b>	<b>-17%</b>	<b>25%</b>	<b>9%</b>
NONOPERATING REVENUES (EXPENSE)	APPROPRIATIONS	381,846,489	386,586,857	354,085,599	453,828,136	1%	-8%	28%
	INCOME ON INVESTMENTS	35,542,086	76,663,035	222,180,302	39,037,363	116%	190%	-82%
	OTHER NON-OPERATING	-77,194,423	-19,116,470	92,377,066	86,501,128	-75%	-583%	-6%
	<b>Total</b>	<b>399,320,799</b>	<b>494,395,867</b>	<b>725,101,355</b>	<b>633,502,592</b>	<b>24%</b>	<b>47%</b>	<b>-13%</b>
<b>NET BEFORE OTHER CHANGES IN NET POSITION</b>		<b>374,765,050</b>	<b>471,326,971</b>	<b>699,196,878</b>	<b>604,291,547</b>	<b>26%</b>	<b>48%</b>	<b>-14%</b>
<b>OTHER CHANGES IN NET POSITION</b>		<b>180,728,855</b>	<b>-115,907,112</b>	<b>265,659,262</b>	<b>-251,307,437</b>	<b>-164%</b>	<b>-329%</b>	<b>-195%</b>
<b>CHANGE IN NET POSITION</b>		<b>154,701,493</b>	<b>25,444,670</b>	<b>549,143,009</b>	<b>-100,034,677</b>	<b>-84%</b>	<b>2058%</b>	<b>-118%</b>

# Financial History – Core Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CORE FUNDS)								
		2019	2020	2021	2022	% Chg FY20	% Chg FY21	% Chg FY22
OPERATING REVENUES	STUDENT TUITION AND FEES, NET	500,875,536	493,052,927	460,509,907	490,684,268	-2%	-7%	7%
	CONTRACTS AND GRANTS (NON-CAPITAL)	3,906,760	3,445,000	3,445,000	5,204,110	-12%	0%	51%
	SALES AND SERVICES - EDUCATIONAL	81,182	128,335	11,880	89,642	58%	-91%	655%
	SALES AND SERVICES -AUXILIARY	1,478,078	1,129,811	547,385	644,811	-24%	-52%	18%
	OTHER OPERATING REVENUE, NET	21,341,602	28,053,930	16,452,994	10,478,870	31%	-41%	-36%
	INTERCAMPUS TRANSFERS	21,730,298	46,206,485	126,576,781	43,448,282	113%	174%	-66%
	Total	549,413,456	572,016,489	607,543,947	550,549,984	4%	6%	-9%
OPERATING EXPENSES	SALARIES AND WAGES	-493,505,540	-529,504,928	-538,825,313	-554,637,064	7%	2%	3%
	BENEFITS	-192,695,933	-244,304,323	-228,141,421	-238,944,051	27%	-7%	5%
	SUPPLIES AND SERVICES	-18,720,809	-26,479,221	-31,041,433	-33,830,484	41%	17%	9%
	FINANCIAL AID AND SCHOL	-6,828,066	-18,345,059	-30,360,698	-28,250,360	169%	65%	-7%
	UTILITIES	-15,002,335	-12,826,897	-12,967,084	-16,191,161	-15%	1%	25%
	OTHER OPERATING EXPENSES	11,940,405	6,147,444	50,239,196	18,730,449	-49%	717%	-63%
	RECHARGE SALES AND SERVICES	50,120,416	-18,724,982	24,290,666	24,661,013	-137%	-230%	2%
	Total	-664,691,861	-844,037,966	-766,806,087	-828,461,658	27%	-9%	8%
NET OPERATING		-115,278,406	-272,021,478	-159,262,140	-277,911,674	136%	-41%	74%
NONOPERATING REVENUES (EXPENSE)	APPROPRIATIONS	309,081,694	319,993,459	280,304,241	382,620,502	4%	-12%	37%
	INCOME ON INVESTMENTS	4,252,354	52,387,334	207,147,202	29,393,580	1132%	295%	-86%
	OTHER NON-OPERATING	111,637	404,722	34,587,837	8,966,907	263%	8446%	-74%
	Total	313,445,685	372,785,516	522,039,279	420,980,990	19%	40%	-19%
NET BEFORE OTHER CHANGES IN NET POSITION		298,443,350	359,958,618	509,072,195	404,789,829	21%	41%	-20%
OTHER CHANGES IN NET POSITION		-94,443,620	-121,614,346	-319,140,638	-102,055,876	29%	162%	-68%
CHANGE IN NET POSITION		103,723,659	-20,850,309	43,636,502	41,013,440	-120%	-309%	-6%

# Current State

- *Reserves → resolve budget challenges over multiple years*
- Challenges
  - Structural deficit
  - Continued uncertainty about core revenues
  - Political environment
  - Retention
  - Inflation

