

UC Berkeley Budget and Financial Outlook

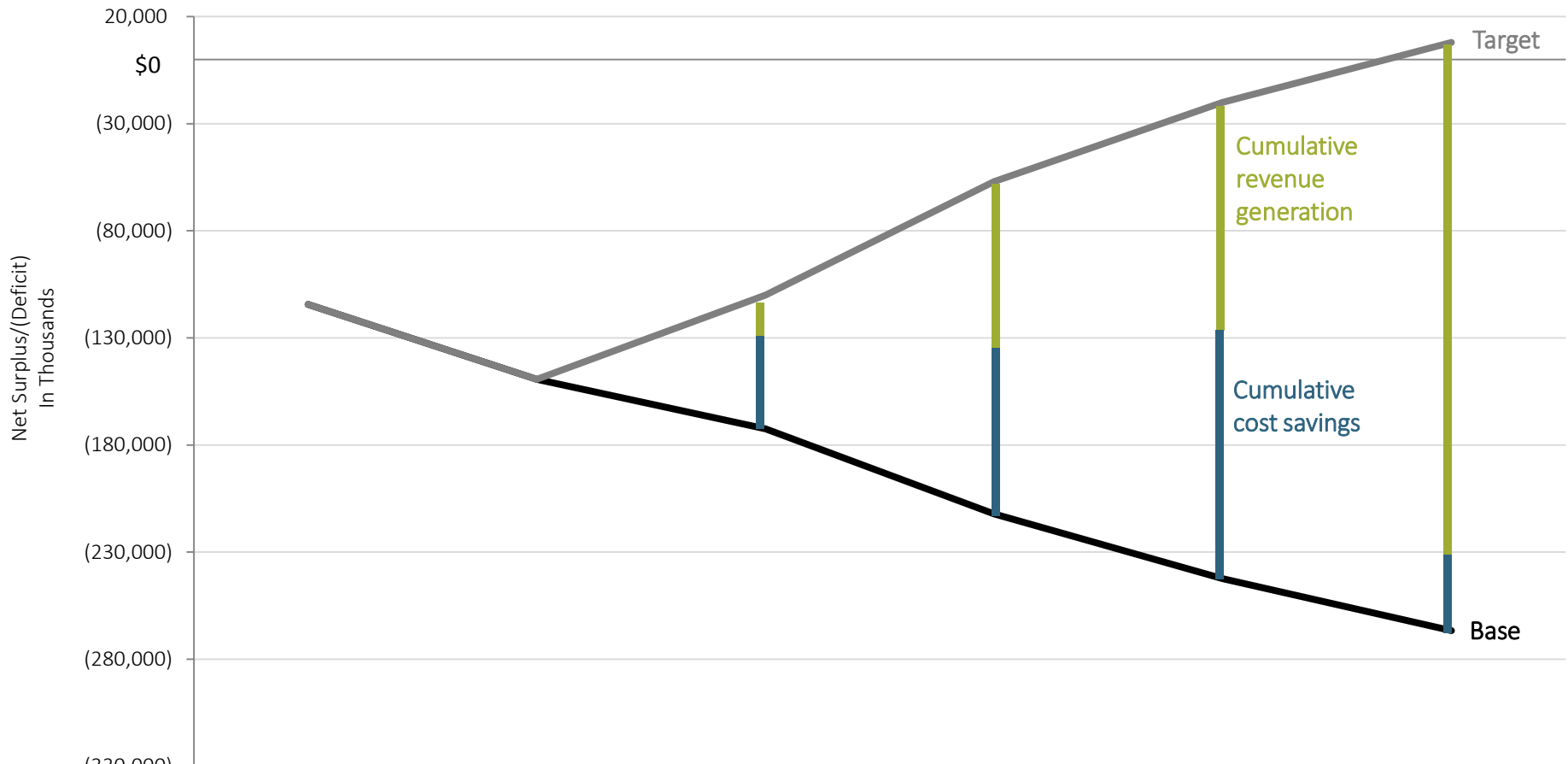
Office of the Vice Chancellor Finance

August 2017

cfo.berkeley.edu



To thrive in the future, Berkeley must pivot to revenue generation while maintaining cost efficiency



	2015 Actual	2016 Actual	2017 Forecast	2018 Projection	2019 Projection	2020 Projection
Base *	(114,389)	(149,323)	(172,452)	(212,143)	(242,398)	(266,630)
Target**	(114,389)	(149,323)	(110,000)	(57,000)	(20,000)	8,000

*Base: bottom line with no corrective actions taken
 **Target: bottom line with impact of revenue generation and cost savings initiatives
 Source: Office of the CFO analysis

To prepare for FY18, each division was responsible for comprehensive budgets driven by a strategic plan and metrics

Sample strategic plan



UC Berkeley – Division of Arts & Humanities- Strategic Plan FY2017-18

GOALS:		FY17-18 Target (in %)				STRATEGIES:	CALENDAR 2017-18 PLANS:
		Q1	Q2	Q3	Q4		
Revenue Generation:						Direct philanthropic efforts toward budget-relieving support for core activities.	CALENDAR 2017-18 PLANS: 1a. (\$75K) Implement recurring donations plan at the department level to support annual operations. Direct new gifts to the core wherever possible (Cascardi, Christman, 6/19) 1b. (\$50K) Continue growth of summer sessions through targeted marketing and development of new courses (Cascardi, department chairs, 6/19). 1c. (\$125K-long term goal with revenues commencing in FY19 and following). Create new summer minor and certificate programs; plan and launch new summer-only minor/certificate program in Digital Humanities, Translation Studies, and Arts Administration. (Cascardi, Donegan, 6/19)
1a. Philanthropy		25%	50%	75%	100%		
1b. Summer Sessions		0%	0%	40%	40%		
1c. Minor & Certificate Programs		0%	0%	0%	25%		
Optimize Staffing:						Reorganizations and clustering to provide programs higher support levels at reduced cost (net cost savings unlikely to be realized until FY19).	2a. (\$100k, long-term cost savings after transition expense) Right-size department administrative clusters (Cascardi, Weidman, 6/19) 2b. (\$100k, long-term cost savings after transition expenses) Cluster staffing for non-departmental academic units around a "Berkeley Arts & Humanities Institute" encompassing the Townsend Center, Digital Humanities, Critical Theory, Arts Research Center, Renaissance & Early Modern Studies, etc... Consolidate communications across these units. (Cascardi, Weidman, 6/19)
2a. Dept Academic Units		0%	0%	0%	0%		
2b. Other Academic Units not affiliated with academ departments		0%	0%	0%	0%		
Improve Teaching Efficiencies						Improve teaching efficiencies to effect cost savings.	3a. (\$75K) Optimize the employment of GSIs to make the most of fee remissions obligations through adoption of Divisional guidelines (Cascardi, Rugg, Weidman, 6/19) 3b. (\$75k) Reduce reliance on Divisional TAS in order to direct salary savings to operations (Note requires increased efficiency in instructional assignments.) (Cascardi, Rugg, Weidman, 6/19) 3c. (\$75k) Use readers in place of GSIs where feasible (Cascardi, department chairs, 6/19) 3d. Use teaching professor titles in place of ladder faculty where appropriate.
3a. Optimize GSI positions		0%	25%	25%	50%		
3b. Rationalize TAS		10%	50%	90%	100%		
3c. Expand Reader Use		10%	50%	90%	100%		
3d. Employ teaching professor titles		0%	0%	0%	0%		
Cost Shifting:						Shift Divisional expenses to restricted funds for broadly desired and budget-relieving purposes.	4a. (\$75k) Aggressively use restricted funds, including those held at the faculty level, for core expenses (Cascardi, department Chairs, 6/18) 4b. (\$75k) Establish new funding models and compacts with faculty and departments to reduce transactional costs, duplication of effort, and hoarding of resources (Cascardi, Weidman, Ford, 6/18) 4c. (\$100k) Transfer graduate funding earmarked for depts. From Graduate Division to the Division and/or the departments themselves. Monitor and maximize expenditures (Cascardi, Weidman, department chairs, 6/18).
4a. Leveraging Restricted Funds		25%	50%	75%	100%		
4b. Shared funding model		25%	50%	75%	100%		
4c. Transfer graduate funding to depts.		25%	50%	75%	100%		
Common Good Cost-Sharing:						Create new models for sharing core "Common Goods" costs.	5a. (\$50k) Incorporate "common good" funding obligations as part of faculty recruitment and retention offers (Cascardi, Weidman, Ford, 6/18) 5b. (\$50k) Pool faculty-held funds to help support common goods at the department level, including funding of GSIs and GSRs (Cascardi, Weidman, Ford, 6/18)
5a. Incorporate CG funding obligations as part of faculty recruit & retention		25%	50%	75%	100%		
5b. Create pool of faculty-held funds for common goods in departments		50%	50%	75%	100%		

Customized dashboards guided budget discussions with divisional leaders, the EVCP, and the CFO

Sample dashboard

DRAFT – FY2017-18 Divisional Budget Dashboard

L&S Arts & Humanities

Category	Strategic Themes	Division Strategic Themes	Top 3 Discussion Points
Philanthropy	Increase philanthropic revenue to support core operations programs and services that help our students achieve a Berkeley education	Philanthropy Implement recurring donations plan at the department level to support annual operations	• Reductions and targets have come without re-benchmarking
Academic Activities	Light size activities such as children, intercollegiate athletics, Cal Performances, BMX/PVA, Lawrence Hall of Science, and recreational sports to an acceptable level of institutional support	Programs Create new summer minor and certificate programs and launch new summer-only minor/certificate programs in Digital Humanities, Translation Studies, and Arts Administration	• Freezing non-faculty salaries and benefits at FY15 puts A&H on an unsustainable path
Programming	Inventive academic programming, and research revenue generation while balancing industrial and organized research institutional support	Administrative Reorganizations and clustering to avoid program expenses	• Risks: flight of faculty and staff, reputation, standing, time-to-degree
Administrative Expense Management	Reduce administrative workload and expenses through efficiencies where possible while managing the effect of diminished services to students, academic divisions and research classes	Management Optimize the employment of GSIs to make the most of fee remissions obligations through adoption of Divisional guidelines	
Salary and Benefit Management	Reduce salaries and associated benefits through actions such as the direct cost of faculty salaries to research grants and assessment of salary increases		
Capital Planning	Develop strategies for increased funding for deferred maintenance and capital projects		



Productivity

Teaching	Staffing																				
<table border="1"> <tr> <th>2013-14</th> <th>2014-15</th> <th>2015-16</th> <th>2016-17</th> <th>2017-18</th> </tr> <tr> <td>4,930</td> <td>4,902</td> <td>4,730</td> <td>4,730</td> <td>4,730</td> </tr> </table>	2013-14	2014-15	2015-16	2016-17	2017-18	4,930	4,902	4,730	4,730	4,730	<table border="1"> <tr> <th>2013-14</th> <th>2014-15</th> <th>2015-16</th> <th>2016-17</th> <th>2017-18</th> </tr> <tr> <td>67%</td> <td>67%</td> <td>67%</td> <td>67%</td> <td>67%</td> </tr> </table>	2013-14	2014-15	2015-16	2016-17	2017-18	67%	67%	67%	67%	67%
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4,930	4,902	4,730	4,730	4,730																	
2013-14	2014-15	2015-16	2016-17	2017-18																	
67%	67%	67%	67%	67%																	

Narrative:

- Faculty has among the highest teaching workloads on campus
- TAS regulations for faculty, GSIs marginally raise productivity
- FL, R&C courses have campus-capped enrollments
- LCTLs a priority
- Staffing among the leanest on campus. Acad Staff comp = 7.1

Revenue Generation

Category	2013-14	2014-15	2015-16	2016-17	2017-18
Private Gifts	\$ 79,000				
Concurrent Enrollment	\$ -				
Summer Sessions	\$ 56,000				
TOTAL AMOUNT OF APPROVED Net New Revenue Included in BIT	\$ 135,000				

Narrative:

- Philanthropy has been priority for several years— notable successes
- New RevGen opportunities limited for most A&H departments
- FY19 & beyond plans for Certificate/Summer Minors in DH, Translation Studies, & new courses in TDPS

Multi-Year View

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Net Tuition and Fees	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6
Operating Revenue	8,409	8,273	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200
Total Revenue	8,415	8,279	8,206	8,206	8,206	8,206	8,206	8,206	8,206	8,206	8,206
Total Expenses	8,415	8,279	8,206	8,206	8,206	8,206	8,206	8,206	8,206	8,206	8,206
Change in Net Assets - Post/Pre	\$ 1,837	\$ 1,559	\$ 543	\$ 1,543	\$ 639	\$ 694	\$ 699	\$ 699	\$ 699	\$ 699	\$ 699

Academic Trends

Staff Trends

Budget Improvement Target

Target Measurement	Original Target	Adjusted Target
Private Gifts	\$ 853	\$ 79
Other Revenue (Concurrent enrollment, Summer Sessions, ROT, SIGDP, etc.)	-	73
Revised Expense Reduction	-	723
2017-18 Net Surplus/Deficit	\$1,244	

(Dollars in thousands, current funds excluding C&G)

Narrative:

- Further consolidation of administrative support clusters underway (but is slow, costly)
- Chairs, faculty, and staff have little or no margins of time or resources for RevGen activities, but are nonetheless working to increase summer session and concurrent enrollments
- Lean departments with limited discretionary resources already fully deployed for staff salary and benefit increases
- A&H bears 18% of the total expense cuts expected in BIT across the academic units. Is this realistic?

Philanthropy

Metrics	2013-13A	2015-14A	2016-15A	2017-16A
Gifts and Foundation Donations	\$ 1,018	\$ 1,572	\$ 1,474	\$ 1,701
UNIVERSITY AND SUPPORTERS	2.8	2.1	2.2	4.3
Private PFI	2.5	2.1	2.3	4.2
Endowment Admin Expenses	\$ -	\$ -	\$ -	\$ -

Ending Balance by Fund Type

	2013-14A	2014-15A	2015-16A	2016-17	2017-18E
Unrestricted	\$ 11,821	\$ 10,853	\$ 9,893	\$ 8,824	\$ 6,621
Unrestricted	132	305	356	375	420
Restricted	3,847	3,917	4,046	4,189	4,381
Restricted	20,094	11,042	10,298	12,700	12,473
Total	\$ 35,894	\$ 25,518	\$ 24,483	\$ 25,938	\$ 23,905

(Dollars in thousands, current funds excluding C&G)

Market Value as of June

Category	2013	2014	2015	2016	2017*	2018*
Aggregs & Foundation (at year-end)	\$ 38,627	\$ 75,285	\$ 76,545	\$ 73,225	\$ 75,700	\$ 2,843
Non-sustaining Funds (at year-end)						
Total						

(Dollars in thousands, current funds excluding C&G)

Donation Type

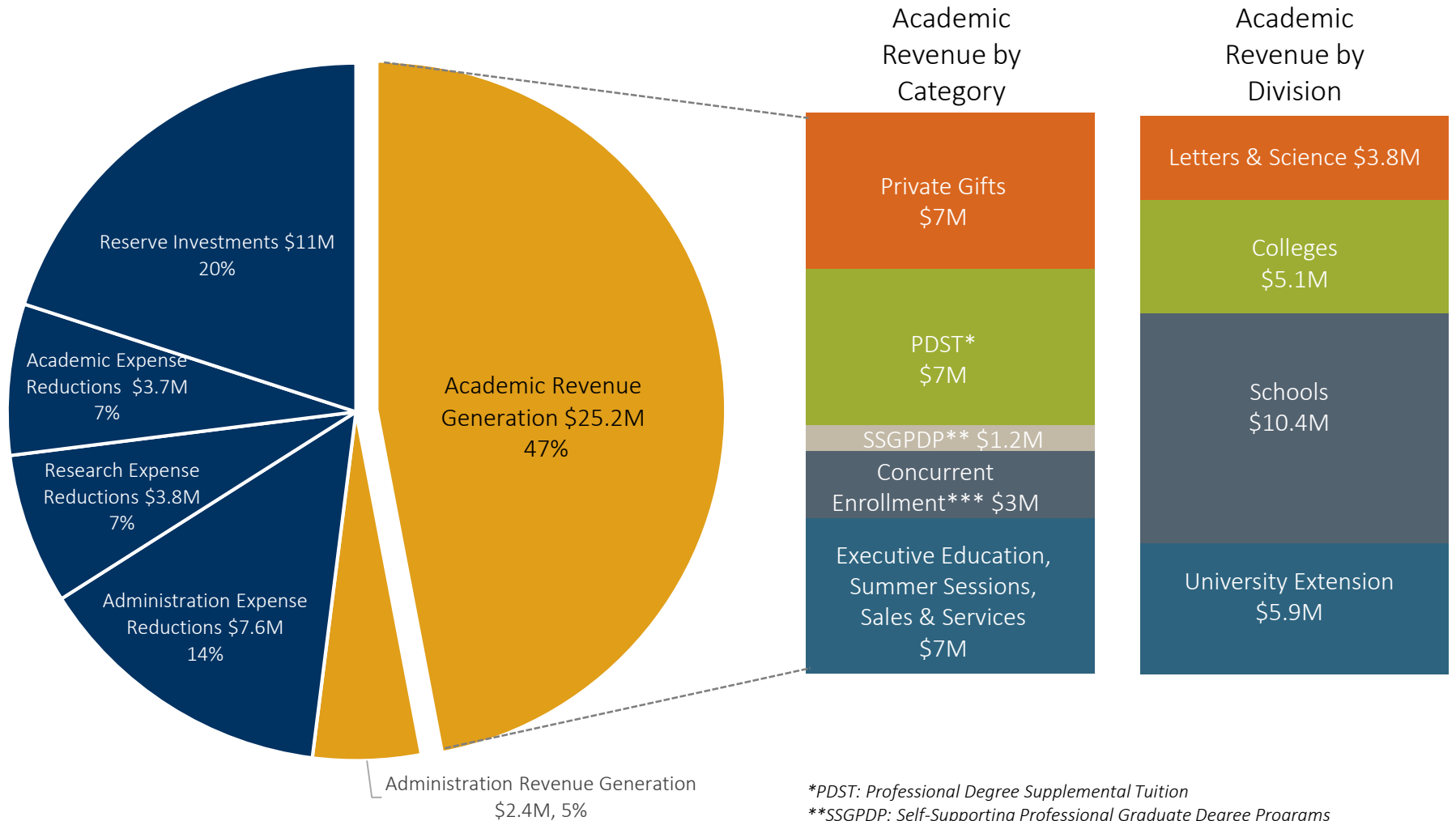
Category	2013-14A	2014-15A	2015-16A	2016-17*	2017-18E
Unrestricted	\$ 2,371	\$ 2,439	\$ 2,751	\$ 2,375	\$ 2,837
Restricted	5,665	6,499	6,545	6,745	6,544
Compared Private Gifts for Current Use	1,572	1,474	1,701	1,566	1,406
Total Gifts for Current Use + Endowment Payment	\$ 9,608	\$ 10,412	\$ 10,997	\$ 10,686	\$ 10,787

(Dollars in thousands, current funds excluding C&G)

Narrative:

- Success has been in faculty support (endowed chairs), student support (graduate fellowships), facilities (Hertz Hall & Film), and Programmatic support—valuable but not directly budget relieving for A&H
- Campus emphasis on support for the core requires donors to embrace unrestricted giving and developing development staff toward focus different than where past successes have been achieved
- Division is under-supported in philanthropic activities

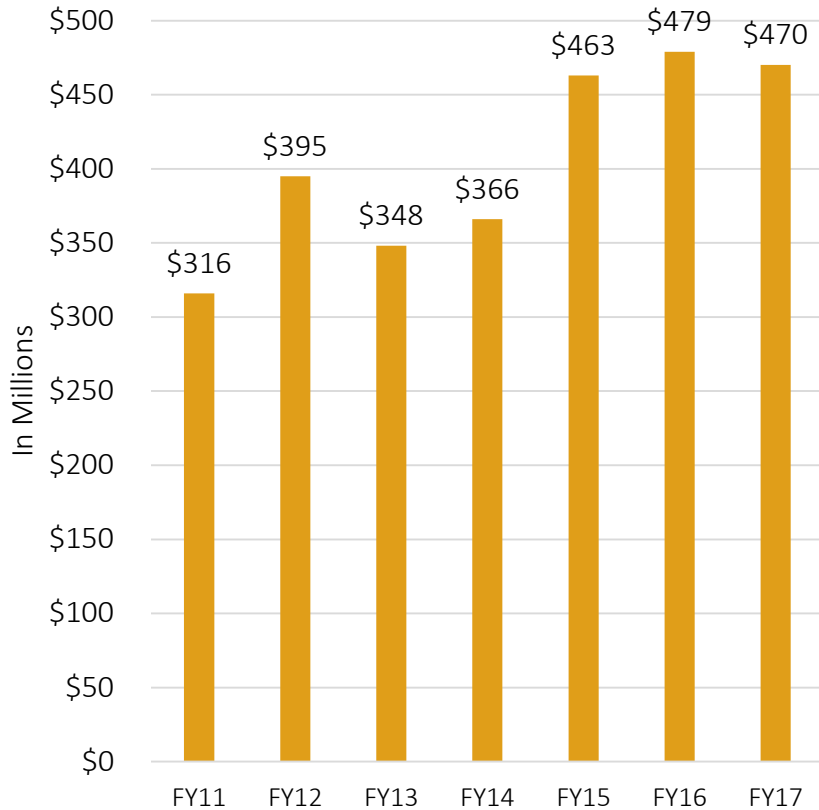
Academic and administrative divisions collectively helped UC Berkeley meet its FY18 \$54M budget improvement target through revenue generation and expense reductions



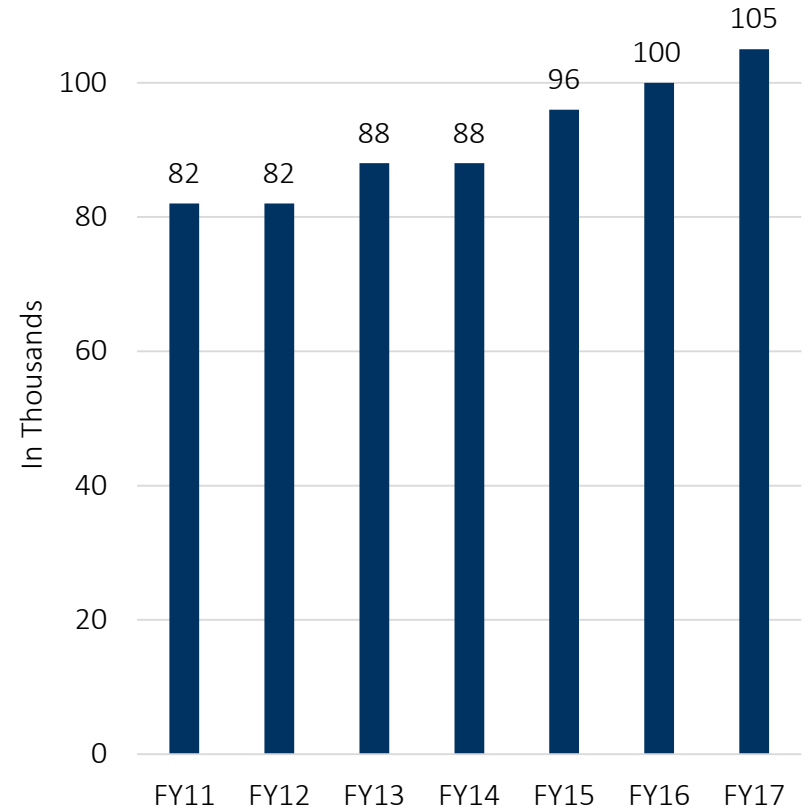
*PDST: Professional Degree Supplemental Tuition
 **SSGPDP: Self-Supporting Professional Graduate Degree Programs
 ***Concurrent Enrollment: a program for University Extension students to enroll in UC Berkeley campus courses without being formally admitted to the university
 Source: Office of CFO analysis

Private giving to UC Berkeley reached record highs in the past two fiscal years

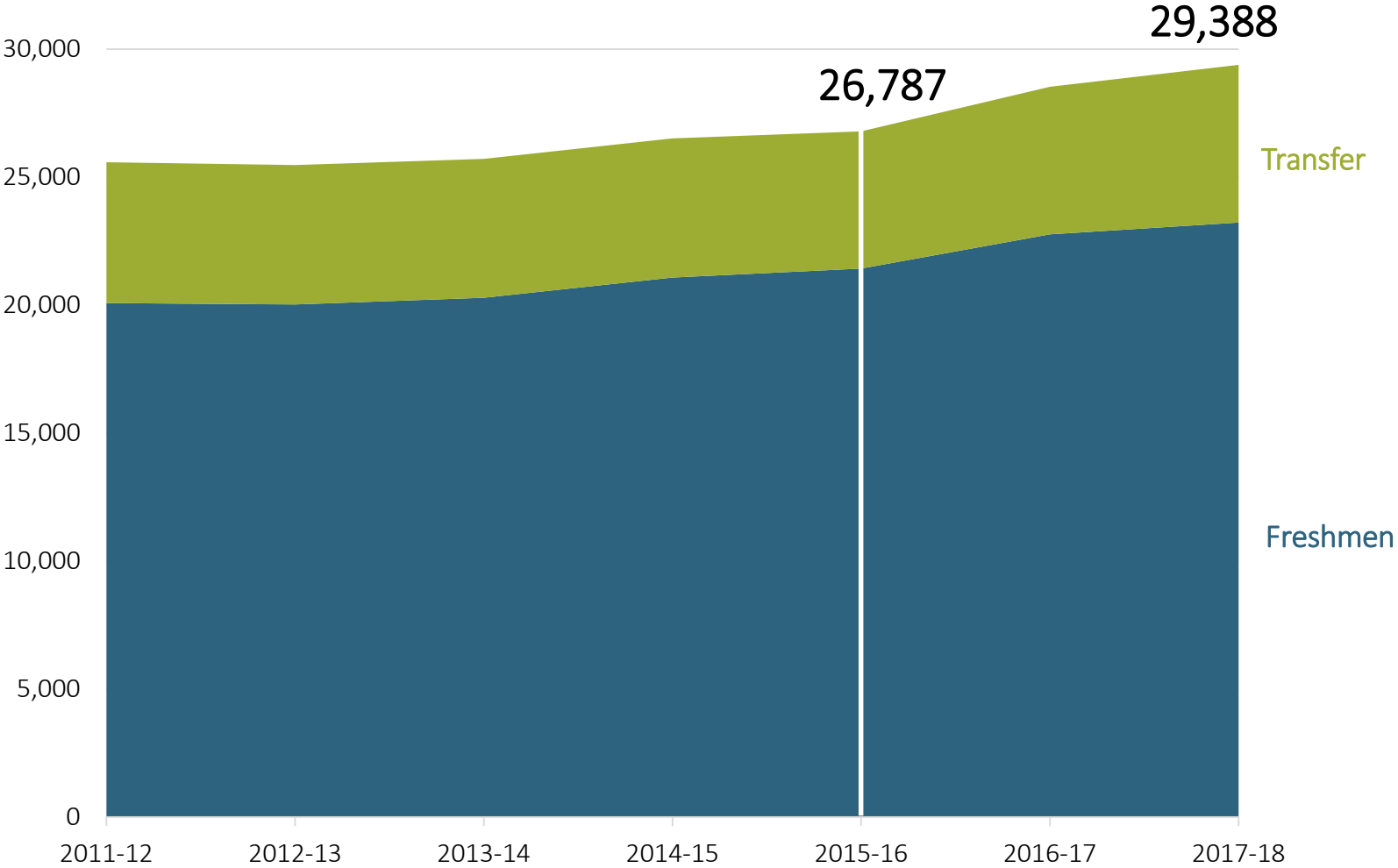
Dollar Value of Gifts and Pledges



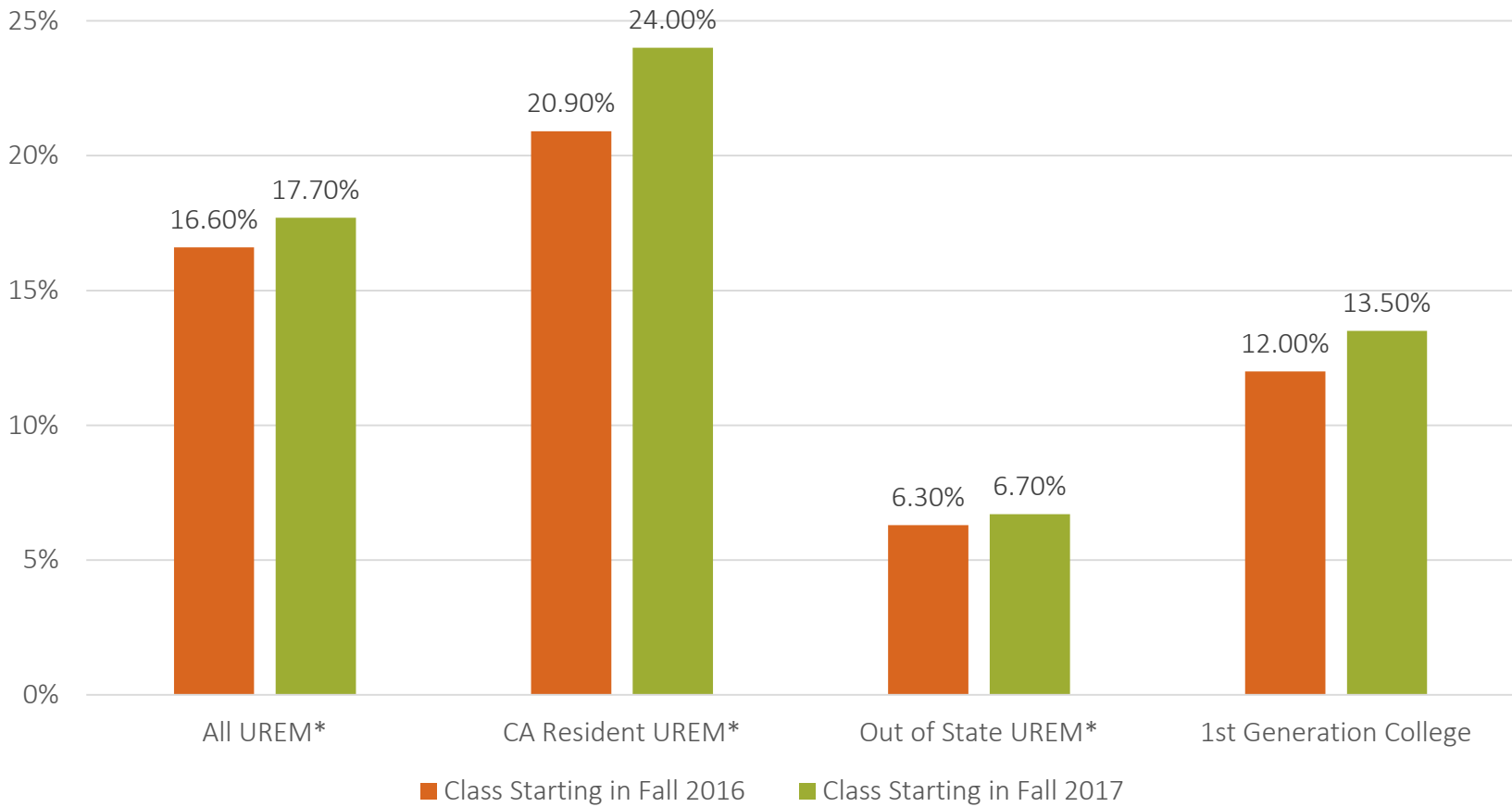
Number of Gifts and Pledges



Between 2015-16 and 2017-18, the campus will add a projected 2,600 undergraduates



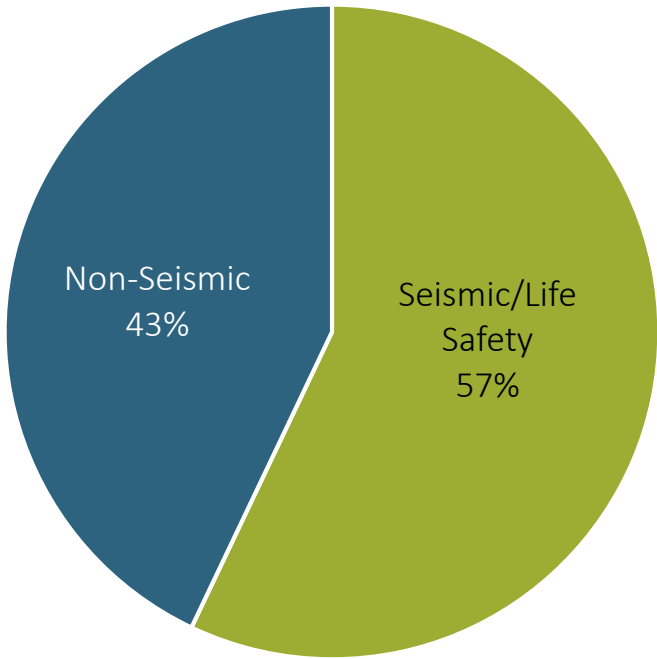
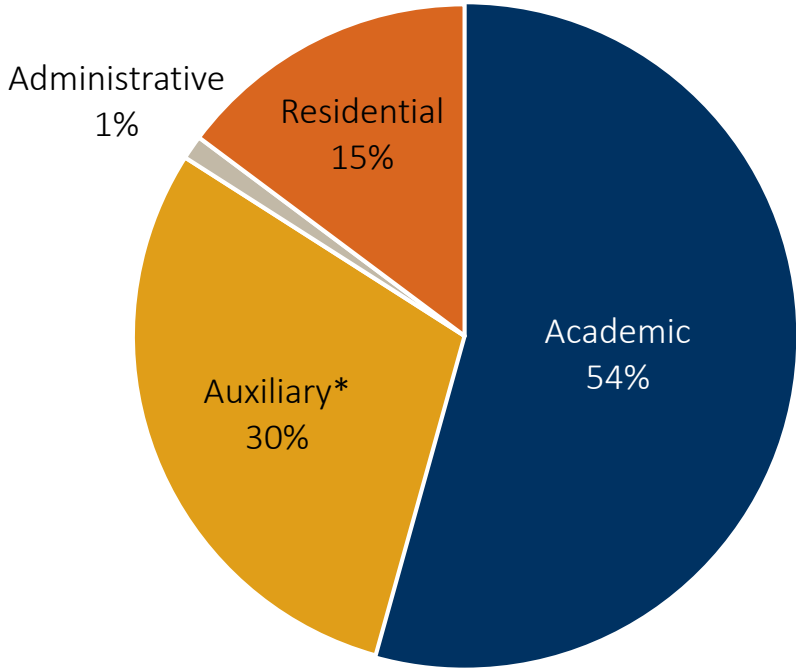
The latest student registration data for Fall 2017 show increases in underrepresented minority and first generation college students



*UREM: underrepresented minority, including African Americans, Chicanos/Latinos, and Native Americans
Source: Office of Planning & Analysis

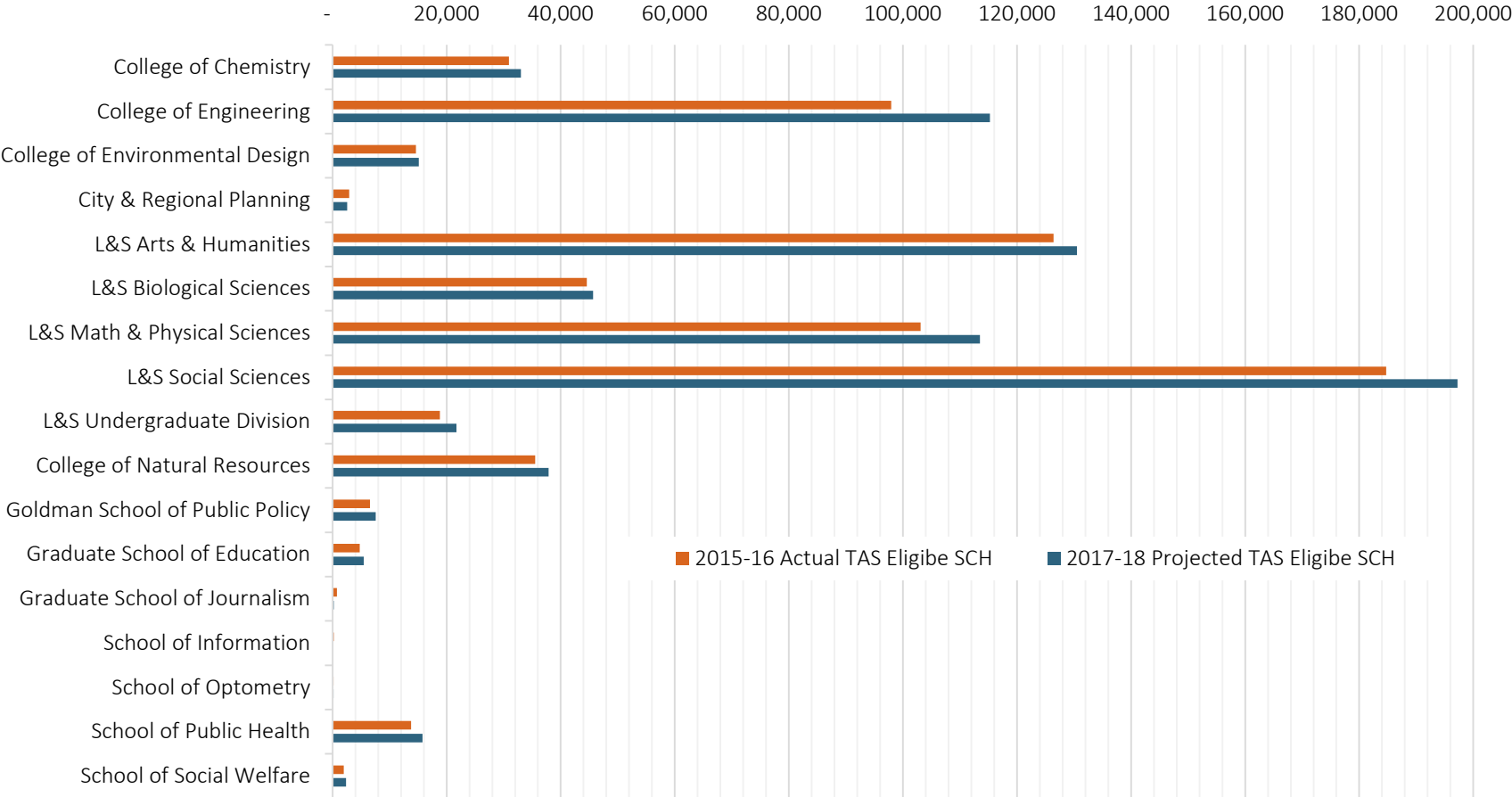
Recent capital investments have supported UC Berkeley's core mission and seismic priorities

~\$2.9B of capital assets placed in service FY07 Actual - FY18 Estimated



To meet the instructional needs of new enrollment, we are modeling growth based on student credit hours (SCH) and targeting resources to courses to reflect demand shifts

Growth in Undergraduate SCH 2015-16 to 2017-18



UC Berkeley's 10-year capital needs exceed projected financial capacity

10-year Projected Capital Need and Estimated Resources
2017-2027

Category	Projected Needs	Potential Funding				Funding Gap
		Gifts	State	Cash	P3*	
	<i>Figures are directional</i>					
Academic: teaching and research programs	\$2,000M	\$300M	\$200M	\$100M	-	\$1,400M
Infrastructure: deferred maintenance and capital renewal of physical plants	\$700M	-	\$50M	\$150M	-	\$500M
Athletics: intercollegiate sports	\$110M	\$40M	-	-	-	\$70M
Auxiliaries: parking, student services, etc.	\$400M	\$300M	-	\$50M	-	\$50M
Housing: student residence halls and dining facilities	\$450M	-	-	\$200M	\$250M	\$0
					TOTAL GAP	~\$2B

*P3: funding provided by third parties via public-private partnerships
Source: Draft 10-year Comprehensive Capital Plan