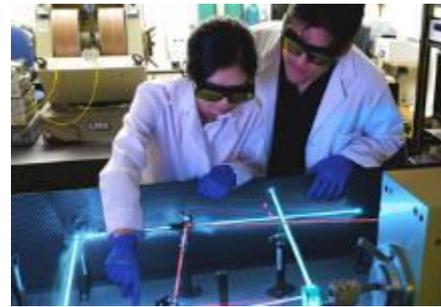




# The Decentralized Budget Model

January, 2017

Fiscal Year 2016 - 2017



---

# Agenda

1. Setting the Stage: An Overview of UCR's Revenues & Expenditures
2. Context: Why Did the Budget Model Change?
3. New Budget Model: Development and Overview
4. Revenue for Schools and Colleges
  - Overview
  - Undergraduate Tuition
  - Graduate Tuition
  - Subvention
  - Facilities & Administrative Cost Recovery
5. Strategic Investment Fund
6. Service Providers, Cost Pools & Service Level Agreements
7. Space and Facilities
8. Other Considerations
9. Available Resources

---

# Setting the Stage: An Overview of UCR's Revenues & Expenditures

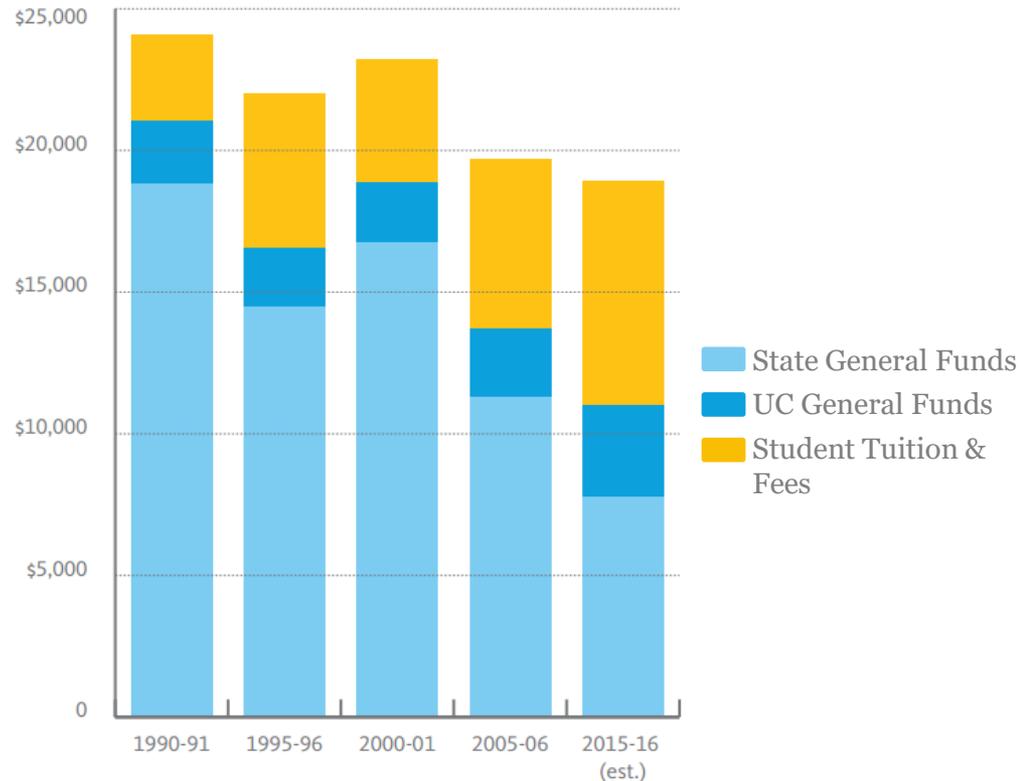
# State funding to UC has been decreasing over time

- + State Funding
- + Tuition  
(Undergraduate)  
(Graduate)
- + Contracts and Grants
- + Gifts & Endowments

---

- = University Revenue

Per Student Average Expenditures for Education by Fund Source (2015-2016 Dollars)



# UCR Revenue Overview

The major revenue streams at UC Riverside include **State Support, Student Tuition and Other Fees, Contracts & Grants, and Auxiliary Enterprises.**

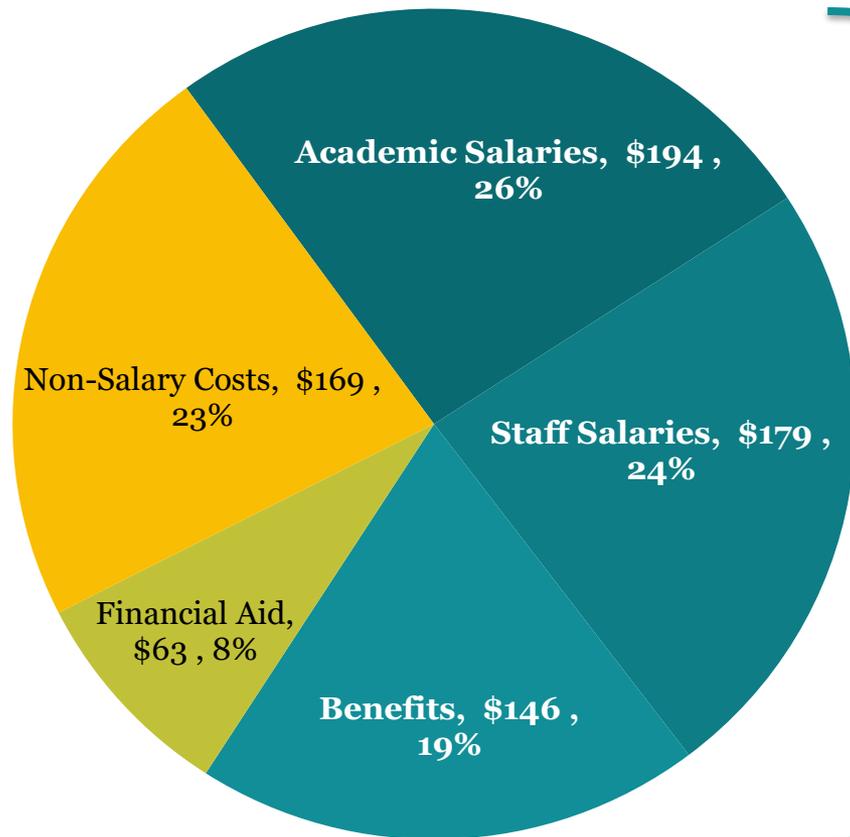
| Source                                  | 2015-2016 Actuals | %           |
|---|-------------------|-------------|
| State Funds                             | \$237.6M          | 28%         |
| Tuition (Net of Scholarship Allowance)* | \$200.6M**        | 24%         |
| Other Student Fees                      | \$131M            | 16%         |
| Contract & Grants                       | \$108.9M          | 13%         |
| Gifts & Endowments                      | \$11.7M           | 1%          |
| Sales & Service                         | \$75.5M           | 9%          |
| Auxiliary Enterprises                   | \$74.7M           | 9%          |
| Other                                   | \$975K            | 0%          |
| <b>UCR Total</b>                        | <b>\$840.8M</b>   | <b>100%</b> |

\* A required discount of revenue due to waivers and UC specific financial aid on student accounts (GASB 35)

\*\* Amount includes Federal Student Aid Programs (Pell)

# UCR Expenditures (by Budget Category) in FY15-16

**By Budget Category (in millions)**

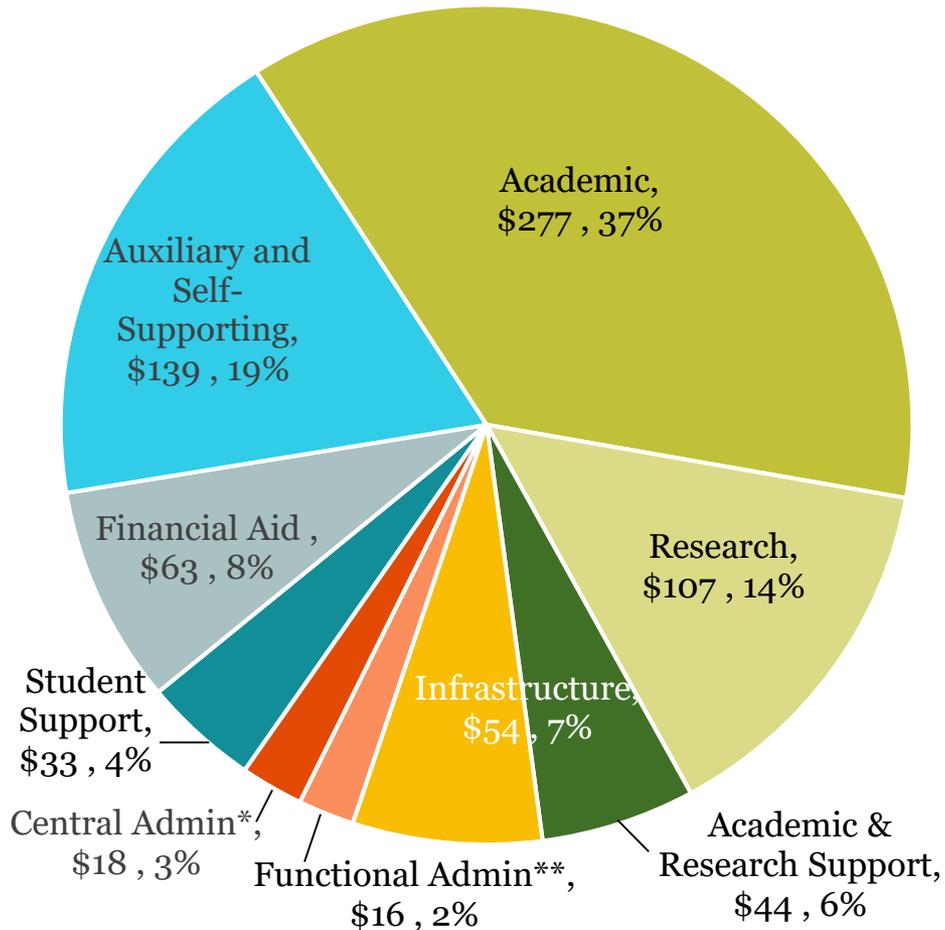


✓ 69% of expenses are attributed to Salaries and Benefits

**Total 2016 Expenses = \$751M**

# UCR Expenditures (by Function) in FY15-16

## By Function (in millions)



- ✓ 51% of total spend is in the Academic & Research Enterprise
- ✓ Only 22% of spend is in the support centers (Cost Pools)

**Total 2016 Expenses = \$751M**

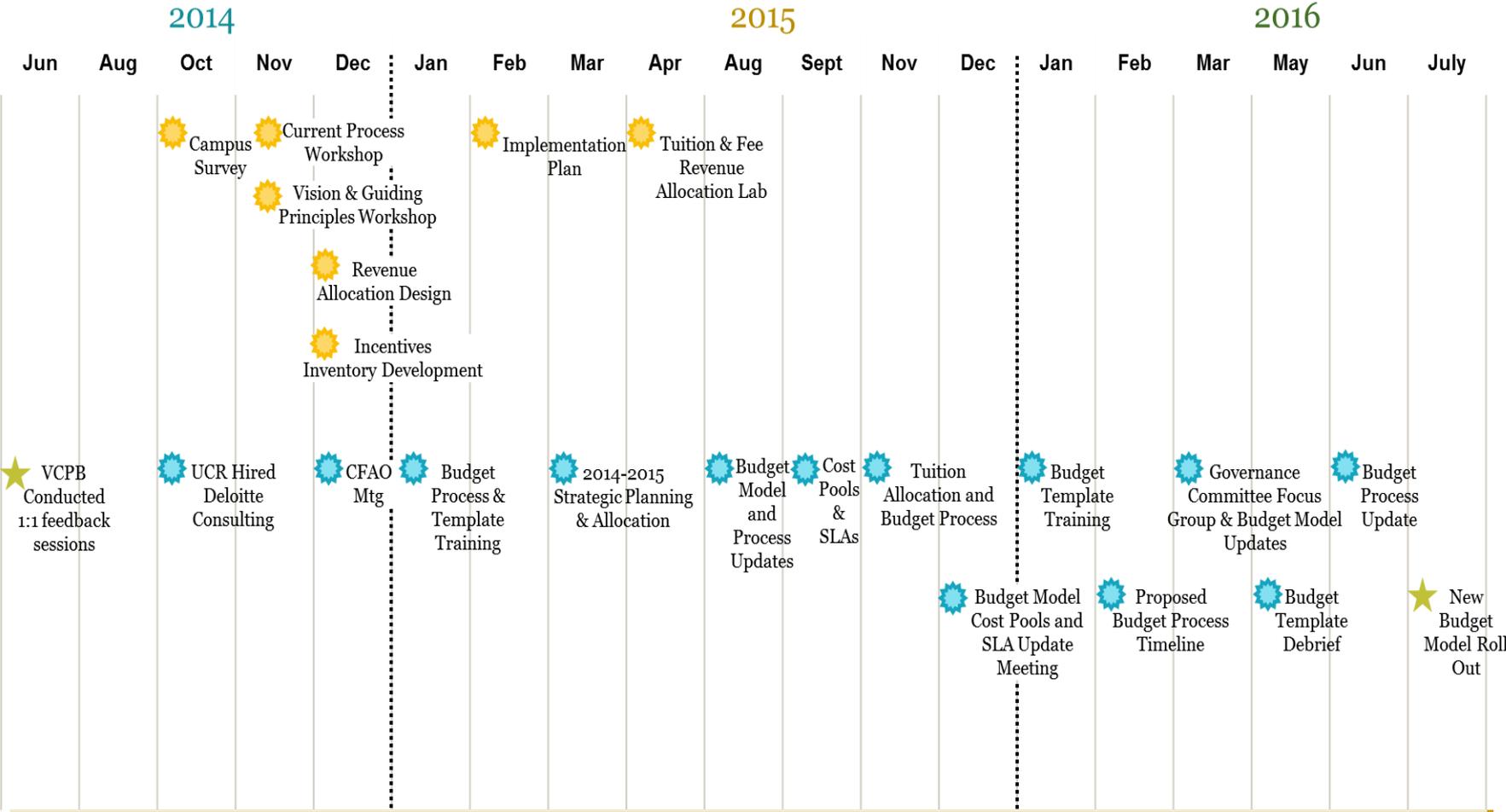
\*Central Admin includes Chancellor, Planning & Budget, International Affairs, etc.

\*\*Functional Admin includes Finance, HR, etc.

---

Context: Why did the budget  
model change?

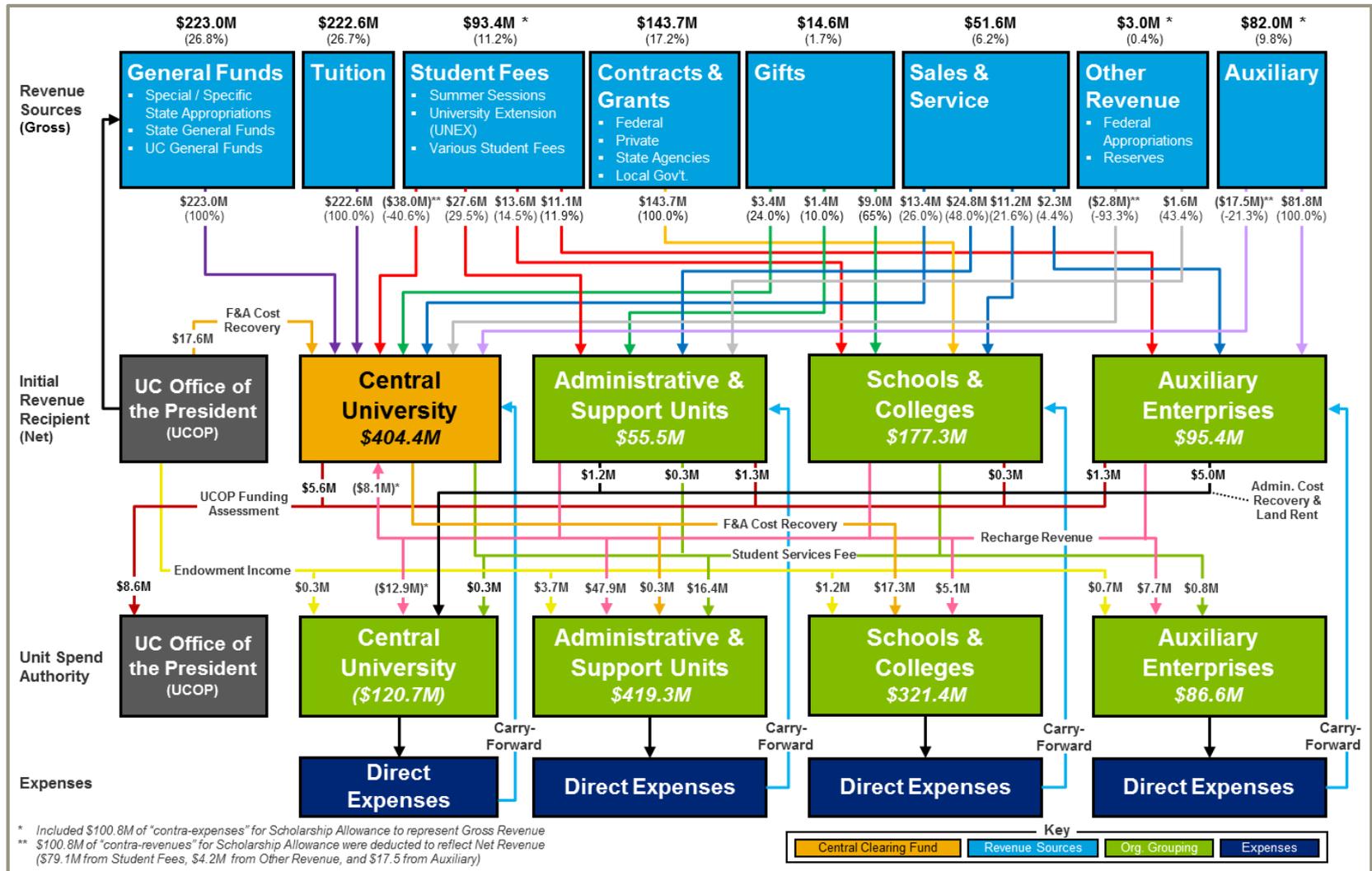
# UCR's budget redesign engagement included all campus constituents over a two year period



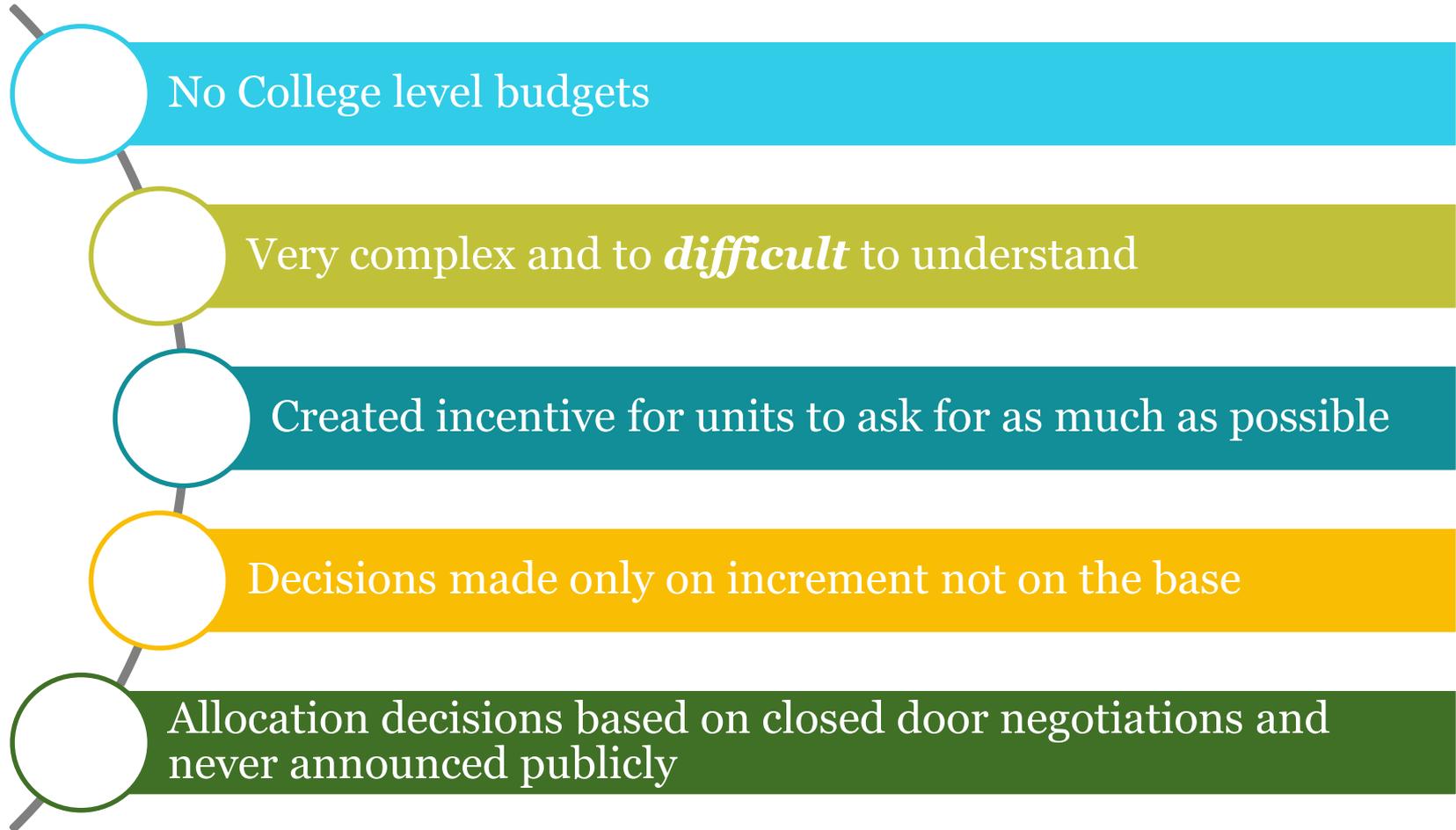
 Led by Deloitte  
 Led by UCR



# Here is what the fund allocation used to look like...



# The previous budget model...



---

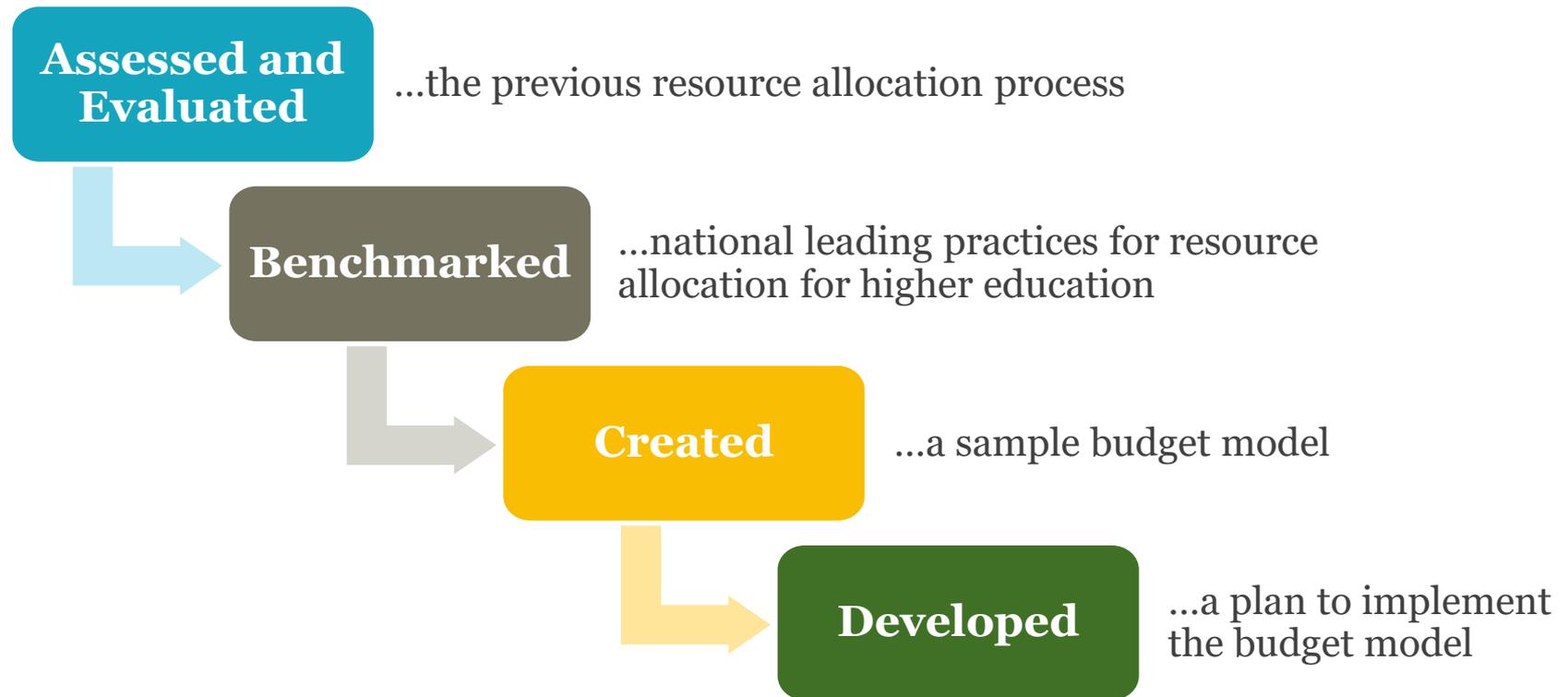
# New Budget Model: Development and Overview

When faculty & staff were asked to describe what came to mind for a future budget model...



Budget redesign workgroups were established representing a wide cross-section of campus stakeholders

## **BUDGET REDESIGN WORKGROUPS**



---

# Guiding principles were established for the budget model redesign with input from campus workgroups

**1** Transparent

Ability for campus to understand flows of revenue and use of resources

**2** Incentivized

Tuition distributed based on performance (student credit hours, majors, graduation rate)

**3** Strategic

Create Strategic Investment Fund

**4** Risk Tolerant

Reward entrepreneurial behavior by department/unit (e.g., expanding masters degrees)

**5** Logical

Costs decentralized to benefiting units (rent charge and utility charge)

# The new model categorizes all UCR Organizations as either Revenue Generators or Service Providers

## Revenue Generators



- ✓ Generate revenue for campus
- ✓ Include academic units and self-supporting/auxiliary units

## Service Providers



- ✓ Grouped into one of four Cost Pools
  - Infrastructure
  - Administration
  - Student Support
  - Academic/ Research Support

---

# Under the new model, Schools & Colleges have more control

## ***THE NEW MODEL IS:***

**Decentralized**

Devolves considerable autonomy to the School & College levels

**Performance-Based**

Some funding follows directly from units' success in achieving institutional priorities (e.g. Graduation Rates, Research)

**Workload Based**

Most tuition funding follows teaching loads

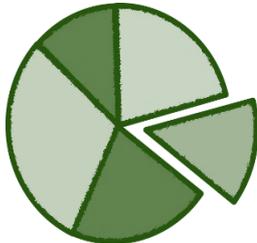
# Schools and Colleges have greater autonomy

## Schools & Colleges can now...



### Grow their budgets

- Graduate students in 4 years
- Teach more students (Credit hours & Majors)

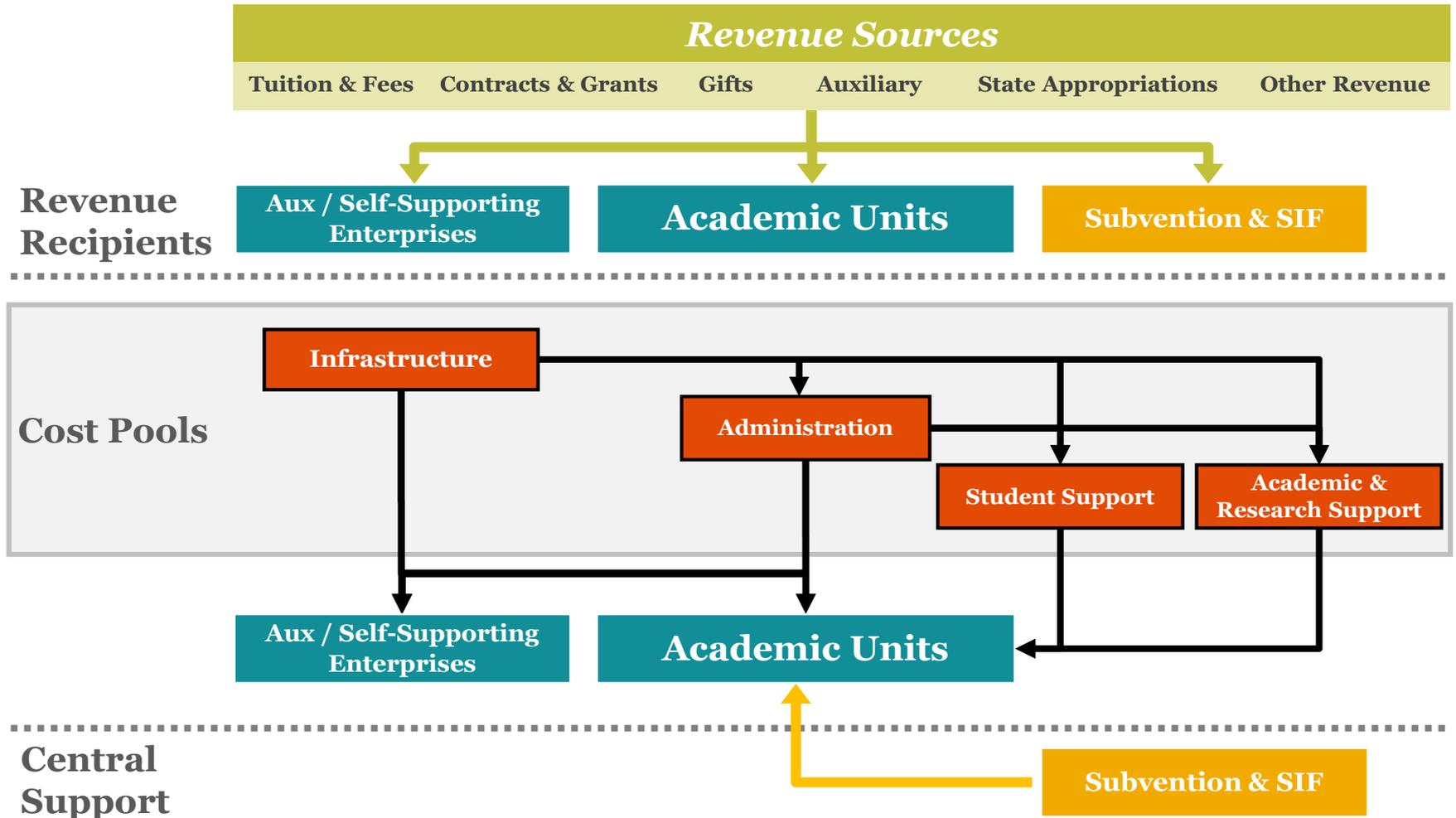


### Choose how to spend revenue

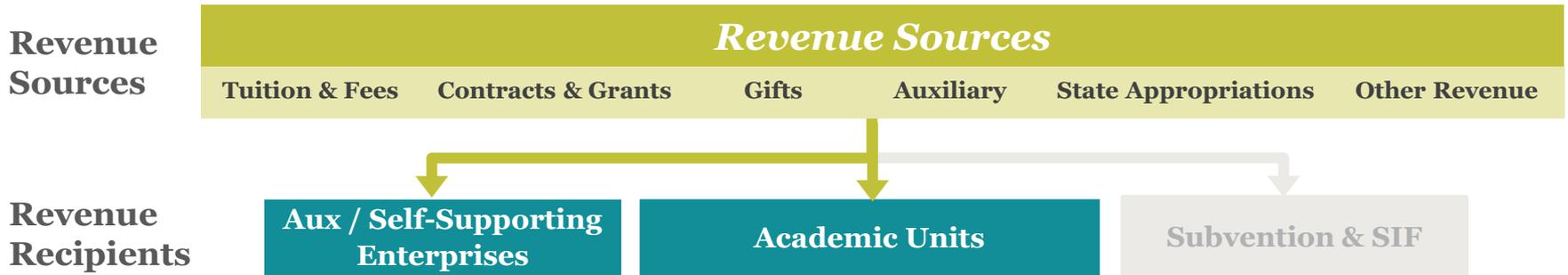
- Faculty
- Staff
- TAs/Graduate Support
- New Programs
- Infrastructure

***Tuition goes to Schools and Colleges as General Funds.  
Allocation to departments will be at the discretion of the Deans.***

With clear guiding principles, a more transparent funds flow was developed



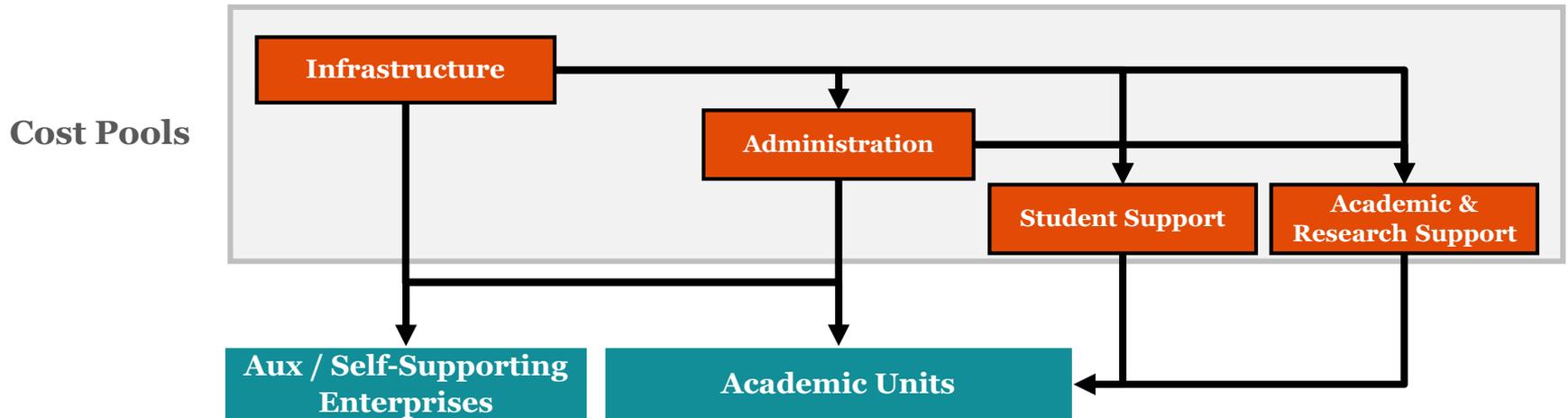
# Revenue from the various sources now flows directly to the revenue generators



| Academic Units |                | Auxiliary / Self-Supporting |                 |
|----------------|----------------|-----------------------------|-----------------|
| BCOE           | SPP            | Athletics                   | Housing/Dining  |
| CHASS          | VPUE - English | UNEX                        | UCR Card        |
| CNAS/OR        | Writing        | Palm Desert                 | Faculty Housing |
| GSOE           | VPUE - Summer  | Bookstore                   | HUB             |
| SOBA           | Session        | Child Dev Ctr               | Health Center   |
| SOM            |                | TAPS                        | Rec Center      |

*Academic Units and Auxiliary Units generate revenue through several revenue sources such as Contracts & Grants, Tuition, Gifts, Sales & Services, and Auxiliary.*

Service providers generate indirect expenses which are allocated to Colleges & Self-Supporting Units following a step-down methodology



| <b>Infrastructure</b>                                  | <b>Administration</b>   | <b>Student Support</b>               | <b>Academic &amp; Research Support</b>  |
|--|---|--------------------------------------|---|
| RED – Facilities Services<br>BAS – Police / ERM<br>C&C | BAS – HR<br>BAS – Business & Financial Services<br>BAS – General Administration<br>CEVC/P&B | Graduate Division<br>Student Affairs | Academic Senate<br>Library<br>Research & Econ Dev<br>Advancement<br>VP Units: VPUE, VPIA,<br>Academic Personnel |

# In the transition process, FY15-16 was established as a budget 'Hold Harmless' year

Hypothetical Sample: School X (*Revenue Generator*)

|                       | Old Model  | New Model      |
|-----------------------|------------|----------------|
| Provost Budget        | \$58 M     | \$0            |
| Total Tuition Revenue | \$0        | \$38 M         |
| Direct Revenue        | Open       | Open           |
| Direct Expenses       | \$54 M     | \$54 M         |
| Indirect Expenses     | \$0        | \$24 M         |
| Net                   | \$4 M      | <b>-\$40 M</b> |
| <b>Subvention</b>     | <b>\$0</b> | <b>\$44 M</b>  |
| Carry Forward         | \$4 M      | \$4 M          |

An Organization's budget before and after the new budget model was held the same in the 'Hold Harmless' year via *subvention in FY15-16*

***Subvention***: a block allocation used in order to ensure that an Org's budget remained the same during the transition to the new budget model

---

# Revenue for Schools & Colleges: Overview

---

# Schools & Colleges Revenue Sources

## **Tuition**

**Undergraduate Tuition**

**Graduate Tuition**

## **Other Direct Revenue**

**General Funds (Subvention)**

**Facilities & Administration**

**Student Fees\***

**Sales & Service/ Clinical**

**Contracts & Grants**

**Gifts**

---

*\*Professional Degree Supplemental Tuition, Course Material Fees, Self-Supporting Degree Fees*

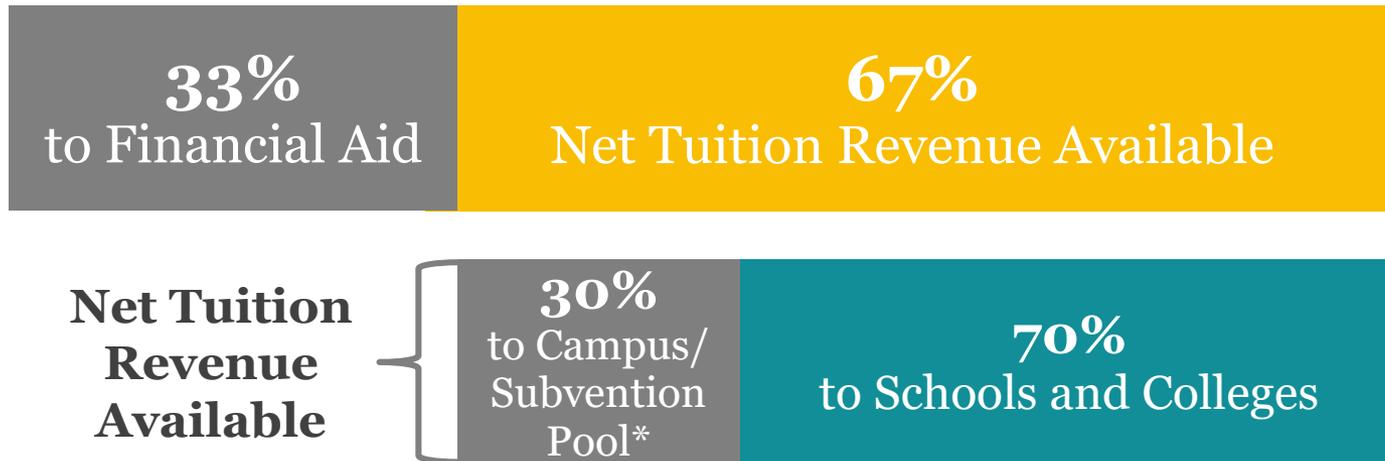


---

# Revenue for Schools & Colleges:

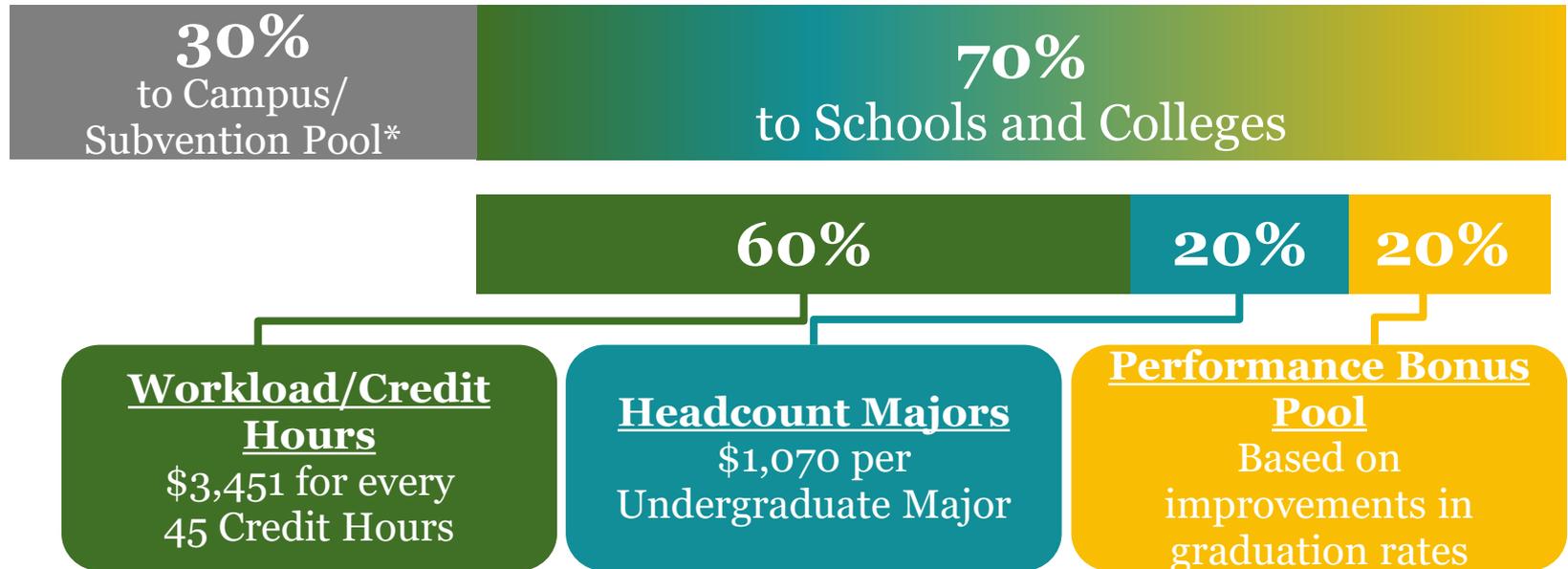
## 1. Undergraduate Tuition

In the FY15-16 'Hold Harmless' year, 70% of the net undergraduate tuition base was assigned to the Schools and Colleges



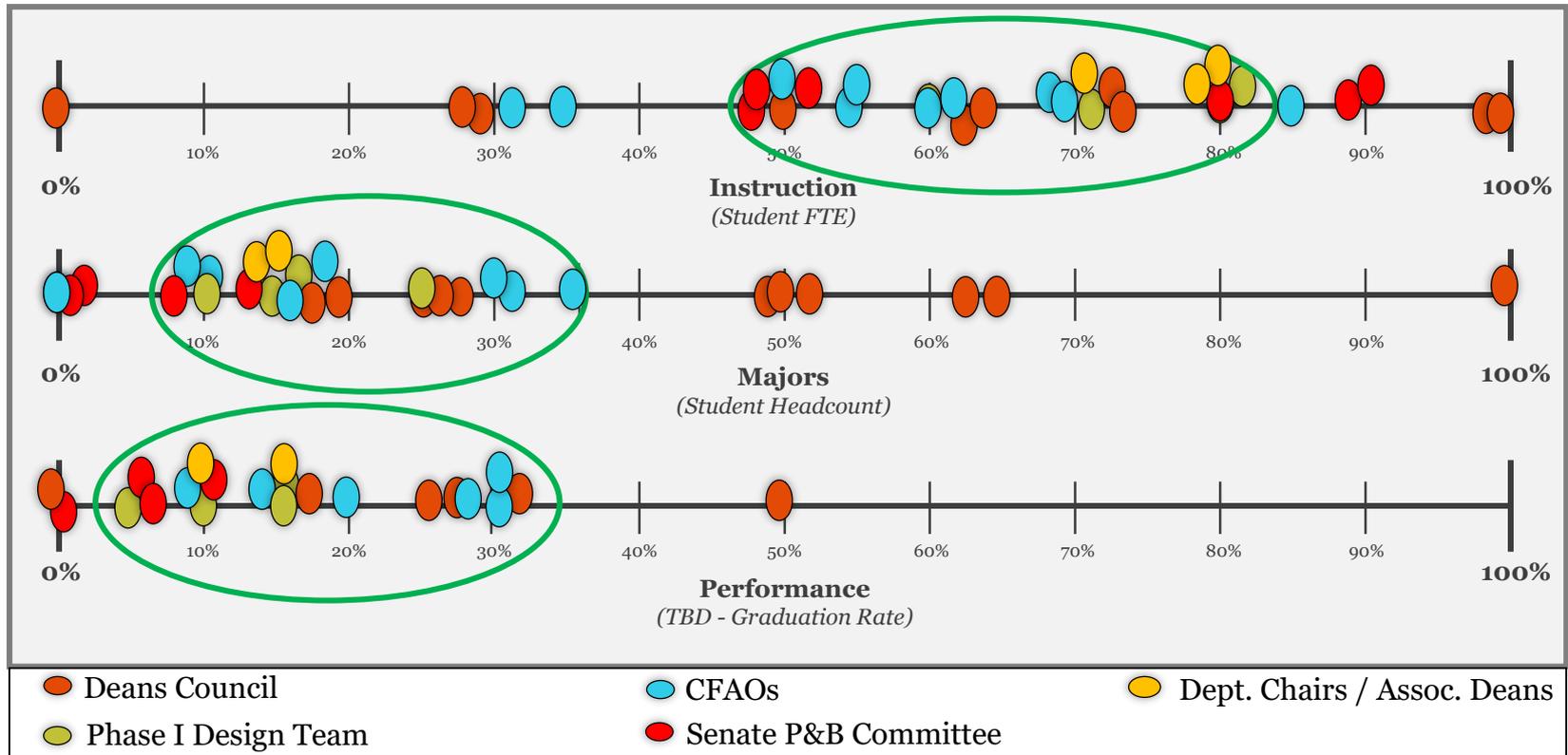
\*Subvention is the block allocation used to offset historic differences in funding

# In the decentralized model, the actual allocation to a School or College is formula-based



\*Subvention is the block allocation used to offset historic differences in funding

# Tuition Allocation Weighting Discussion Output



## Identified Clusters:

Instruction: 50 – 80%  
 Majors: 10 – 30 %  
 Performance: 10 – 30%

## What We Picked:

Instruction: 60 %  
 Majors: 20%  
 Performance: 20%

Going forward, colleges can predict their revenue increase from new student growth

**Total  
Undergraduate  
Tuition**

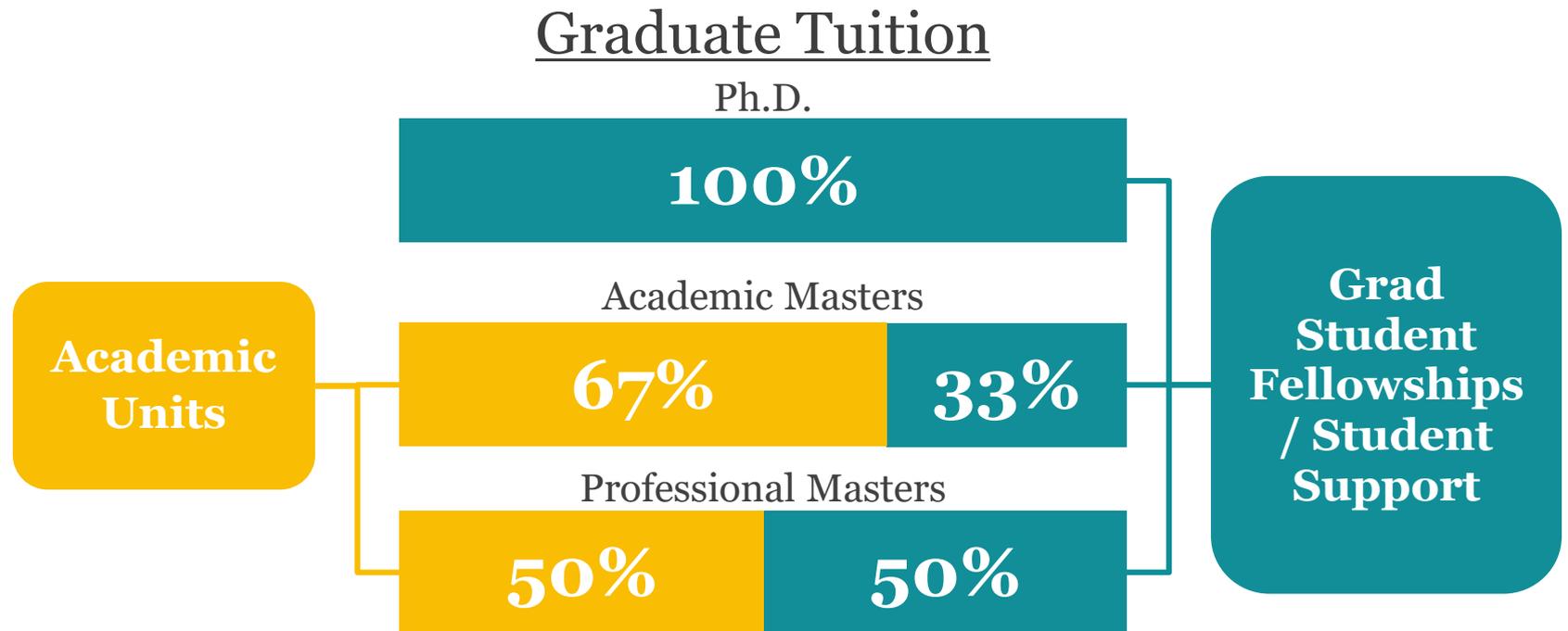
**Undergraduate Tuition**  
as of FY2015-16

**New Undergraduate Tuition Growth**  
starting FY2016-17

---

## Revenue for Schools & Colleges: 2. Graduate Tuition

# Graduate Student tuition allocation is based on the type of student tuition revenue



Mandated Financial Aid Set Aside  
50% for Ph.D./Academic Masters  
33% for Professional Masters

*The Graduate Council of the Academic Senate has requested that we do not review the formula until a permanent graduate dean is in place.*

---

## Revenue for Schools & Colleges: 3. Subvention

---

Subvention amounts will be adjusted annually to account for fixed costs

### Adjustments Going Forward...

*Note that incremental adjustments are dependent on **available funding** from the State or Student Fee increases*



Faculty Merits & Promotions



Employee Benefits & Retirement



Staff Merits & Range Adjustments

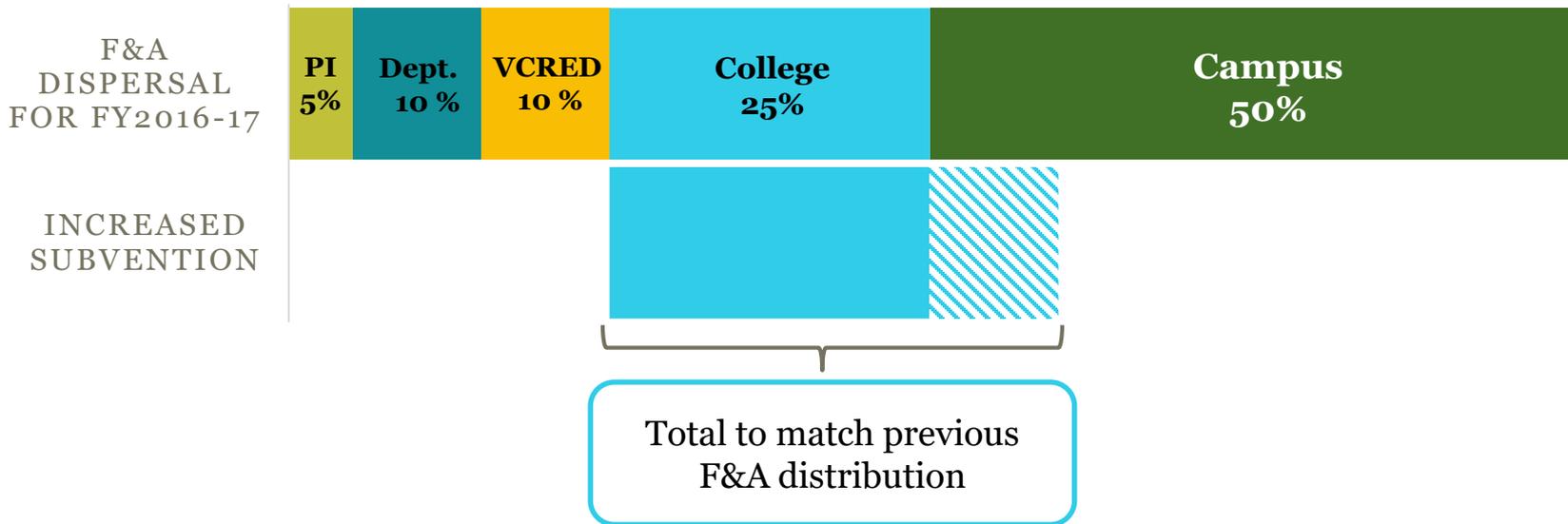


Cluster Hires

---

Revenue for Schools & Colleges:  
4. Facilities and Administrative  
Cost Recovery (F&A)

# F&A calculations under new methodology generate additional subvention for Schools & Colleges



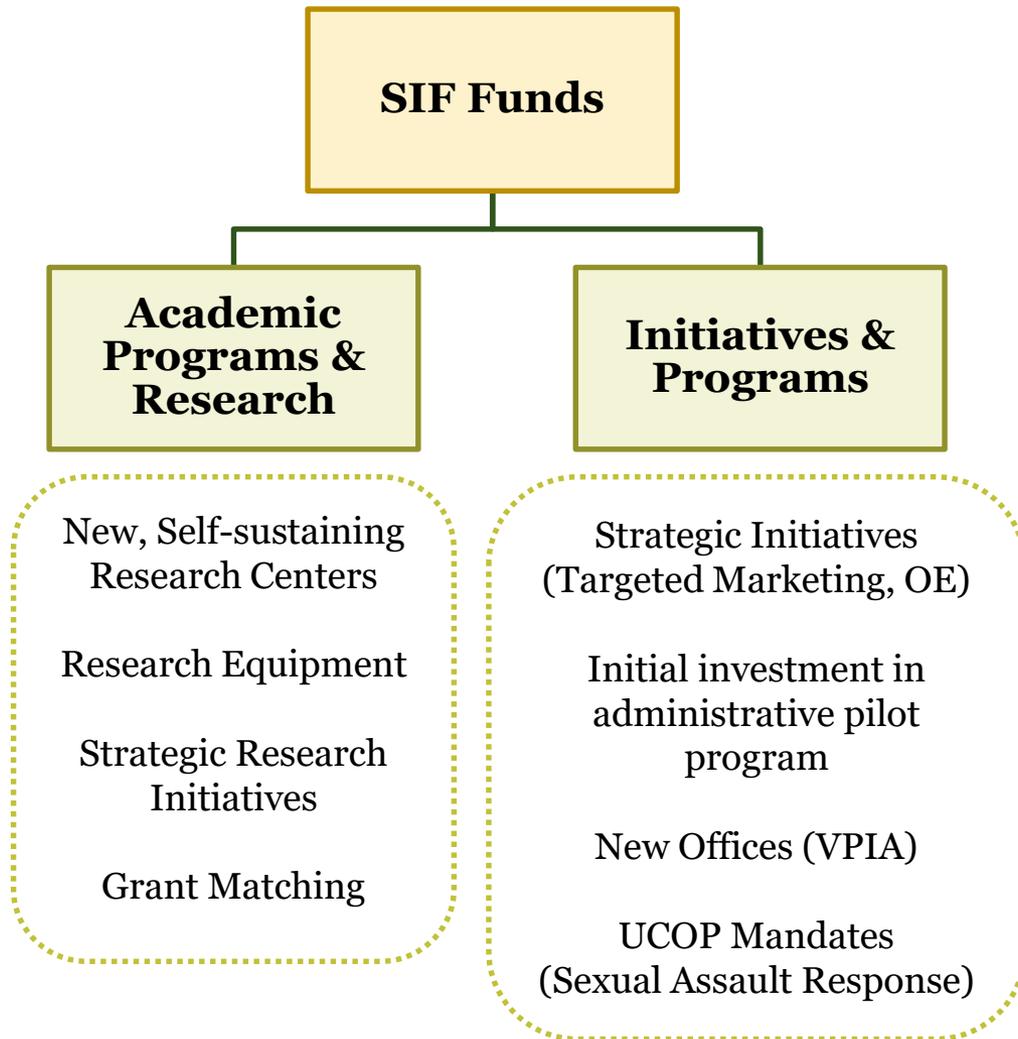
| Increase in Subvention for F&A Swap | BCOE      | CHASS     | CNAS      | GSOE     | SOM       | SPP     |
|-------------------------------------|-----------|-----------|-----------|----------|-----------|---------|
|                                     | \$508,872 | \$130,997 | \$893,163 | \$13,616 | \$129,533 | \$4,263 |

Note that these are calculations to determine the amount of incentive funding, and funding will be provided in General Funds. 37

---

# Strategic Investment Fund (SIF)

# New SIF Categories



Campus will target requests that have a strong ROI plan aligning with 2020: The Path to Preeminence

**SIF is \$3M in FY2016-17**

---

# SIF Process – Cycle Dates

September  
January  
June



- **June** will be the last cycle for SIF requests if funding is available
- **Updated** SIF Request forms will be available on the P&B website
- **Dean and CFAO need to approve and prioritize SIF requests**

---

# SIF is a short-term (temporary), high priority investment

---

## What It Is

- ✓ Investment with an ROI that furthers campus goals
- ✓ Seed money for startup of self-sustaining programs
- ✓ Limited funding
- ✓ A tool for transparency and fiscal responsibility

---

## What It Is **NOT**

- × A budget augmentation for major projects or structural shortfalls
- × Funds to sustain a program
- × A permanent funding source
- × Substitute for available grant funding

---

# Service Providers, Cost Pools & Service Level Agreements (SLAs)

# In the decentralized budget model, UCR revenue now goes to the Schools and Colleges

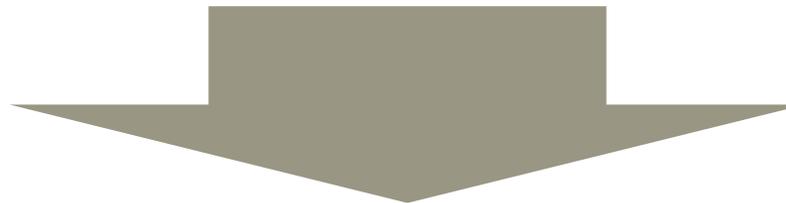
## Old Model

Block budget allocation from Provost



## New Model

Budget allocation directly to the Schools and Colleges **ONLY**



|                 |       |                 |                           |
|-----------------|-------|-----------------|---------------------------|
| Infra-structure | Admin | Student Support | Academic/Research Support |
|-----------------|-------|-----------------|---------------------------|

*Budget allocation from the **SLA Governance Committee\****

*\*The SLA Governance Committee is composed of representatives of the Schools and Colleges*

# Service Providers are grouped into Cost Pools

## Infrastructure

- RED – Facilities Services
- BAS – ERM/Police
- C&C

## Administration

- BAS – Human Resources
- BAS – Business & Financial Services
- BAS – General Administration (VC Office, Risk Mgmt, Mail, EH&S, Receiving)
- CEVC / P&B

## Student Support

- Graduate Division
- Student Affairs

## Academic/ Research Support

- Academic Senate
- Library
- Research & Economic Development
- University Advancement
- VP Units: VPUE, VPIA, Academic Personnel

**Infrastructure**  
Allocated to all units

**Administration**  
Allocated to all units except Infrastructure

**Student Support & Academic / Research Support**

Allocated to Colleges and Schools

The actual cost allocation amount of a Service Provider to an Org will be determined by *specific drivers*

| Category        | Description  | Driver                                 |
|-----------------|--|--|
| Infrastructure  | Facilities Services                                    | Total Space=% SqFt Utilized            |
| Infrastructure  | Enterprise Risk Management, Computing & Communications | FTE= Total Academics*, Staff, Students |
| Administration  | Human Resources, Bus & Fin Svcs                        | FTE= Academics* & Staff                |
| Student Support | Undergrad Admissions, Financial Aid                    | FTE= Undergraduate                     |

*\*Includes Ladder Rank, Other Instructional Faculty, Academic Appointments, TAs/GSRs*

**The costs of Service Providers will appear as *indirect costs* in the Revenue Generator budgets**

# Service Level Agreements (SLAs)



The “Contract”

## The Definitions

### Core Services

Customers will be provided a high quality service that is sufficient to address their operational needs while also addressing regulatory or policy mandates. The cost of providing this level of service will be assessed to campus units as applicable.

### Premium Services

Customers can option for an added level of service on a long-term basis to address their unique needs. This arrangement will be subject to a premium-level assessment on top of their core-level assessment.

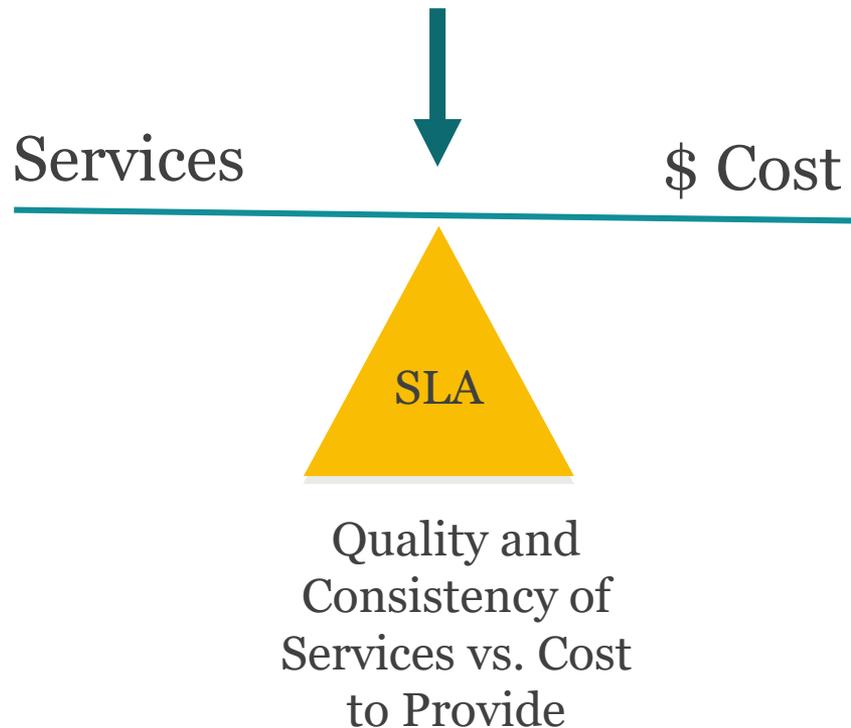
### Recharges

On an as-needed basis, services can be selected to address specialized needs at pre-established rates.

---

# The balance that Service Level Agreements (SLAs) strive to achieve

This is the “fundamental tension”



What It Is

- ✓ Agreement with customers to align service level with expectations

What It Is **NOT**

- ✓ Detailed bill between each customer and service provider

---

# SLA Governance Committee

| Member   | Initial Variable Term |
|--|-----------------------|
| Dean Smith of GSOE                                 | 3 Years               |
| Dean Peña of CHASS                                 | 4 Years               |
| CFAO Ruiz of SPP                                   | 2 Years               |
| CFAO Vogel-Farias of CNAS                          | 4 Years               |
| CFAO Sharp-Aten of UnEx                            | 2 Years               |
| VC Sandoval of Student Affairs                     | 3 Years               |
| Academic Senate Chair Shelton of Planning & Budget | Open                  |

- ✓ Contains a mix of campus leadership
- ✓ Rotates new members each year with 3 year staggered terms
- ✓ Reviews budgets of Service Providers
- ✓ Makes recommendations based on the needs of the campus

The SLA Governance Committee is an **advisory committee** to the Provost/EVC and Vice Chancellor of Planning & Budget

# What recourse do departments have for poor service or products from Service Providers?



1. Provide general feedback to the Governance Committee annually
2. Directly reach out to the Service Provider
3. Send message to [slagovernance@ucr.edu](mailto:slagovernance@ucr.edu)

*If a Service Provider is unable to provide the core services outlined in its SLA within the approved budget, **a Service Provider may submit requests to the Governance Committee during the budget process in order to receive more funding for core services for the next fiscal year.***

---

# Space and Facilities

---

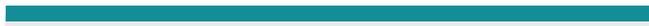
# Space is now considered a core infrastructure service and is an indirect cost to Schools & Colleges

## Space Calculation in the Decentralized Budget Model

Fixed Dollar Amount for space



Square footage of School/College



Cost of Space for School/College

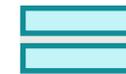
---

### Therefore:

*Units that use more space will bear a higher space infrastructure cost. Should a unit choose to reduce its space on campus, its portion of space costs would then decrease.*



Space footprint



Cost of Space

In future years, the cost of space will be tied to the type of space utilized



Office Space



Labs



Wet Labs



Classrooms

*General assignment are paid for centrally*

---

# Other Considerations

---

# Areas not affected by the decentralized budget model

**Existing policies will continue to govern the following:**

Course Buy-Outs

Compensation/Retention

Cluster Hire Funding

Travel

Faculty Start-Up Packages

---

# Additional Resources

---

# We will continue to provide you with resources and updates regarding our new budget model

## Resources Available:

This presentation

This presentation will be emailed to you following today's meeting

Webinar

A budget model webinar is available on the Planning & Budget website:

[https://www.ucr.edu/about/admin/vc\\_planning/fao\\_webinar.htm](https://www.ucr.edu/about/admin/vc_planning/fao_webinar.htm)

Planning & Budget Website

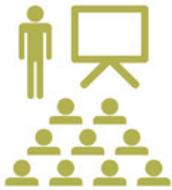
The Planning & Budget website houses multiple resources regarding the new budget model, including presentations, SLAs and SIF information

[https://www.ucr.edu/about/admin/vc\\_planning.html](https://www.ucr.edu/about/admin/vc_planning.html)

---

# Having correct data in Banner and Payroll is critical for an accurate tuition calculation in the budget model

**The following data must be accurate by the end of the 3<sup>rd</sup> week of each term:**



## Banner Course Information

- Classroom location
- Schedule (days and times)
- Instructor(s) and teaching portion if shared responsibility
- Teaching Assistant



## Payroll Information for Instructors and TAs

- Pay Department
- Home Department
- Personnel must be correctly recorded as instructors or TAs in Banner for Payroll information to be connected properly

**This information tells us what School/College should receive the credit for teaching each course**

# The new R'Projects website is now available through R'Space

## R'Projects: Project Information and Resources

There are several types of projects at the University. Each type of project has requirements for its funding, planning and approval process. It is important to understand what type of project your request will be in order to provide the right information and estimate the timeline required to complete the request.

[I have a project idea - how do I submit my request?](#)

**<http://rprojects.ucr.edu>**

---

# R'Projects will help units create project requests

*Goal of R'Projects website and resources is to enable units to create more detailed, accurate project requests*

Review  
project  
information

R'Projects provides information on project types, funding resources, UCR and building infrastructure, and other typical project information

Understand  
project  
timeline

R'Projects outlines project life cycle and typical reasons why project timelines could be extended

Identify  
preliminary  
costs

R'Projects includes a cost estimating tool to identify preliminary project cost information