UCR Decentralized Budget Model
Key Considerations and Questions
DRAFT 9/17/18

UCR began developing a new RCM-type budget model in 2015 and implemented the model on July 1, 2016 (FY17). While this represented a major transition for the campus, the implementation went relatively smoothly and with no catastrophic consequences; which was a major success in and of itself. In the prior budget model, tuition was held centrally and allocated incrementally across campus. That system was plagued by a perceived lack of transparency and unnecessary distance between decision-makers and the individuals responsible for implementing those decisions.

The new budget system has elevated the role of the deans in determining funding priorities, has streamlined and improved financial management processes, and has helped to foster university-wide collaboration and stakeholder engagement. While the new budget model has many benefits, it is not perfect. In fact, it was always assumed that some adjustments would be needed to the system after implementation. The campus is now engaging in a broad based discussion to review the budget model and gather feedback and information in order to strengthen the system. The following is an inventory of some ideas relative to possible adjustments to the current UCR budget model that have been assembled from various discussions across the campus of the past year. This DRAFT is for discussion and review purposes only, and not intended to be a directive for any changes that will be made.

Significant Financial Challenges and Issues

I. Salary and Benefits

The decentralized budget model allocates full authority for existing salary and benefit support for all positions to the Colleges/Units. Historically, salaries and benefits have been a significant point of financial flexibility for most institutions, through the Provost's office. The new budget model also centrally retains all responsibility to fund annual salary and benefit increases.

Under these assumptions, the current modelling suggests that central resources will go into deficit in the near future, for a host of reasons, but in large part driven by salary and benefits increases as well as recharge rationalization and faculty hiring beyond original plans.

Additionally, as Colleges/Units reallocate existing base funds, and then allocate new base funding, they have flexibility to create new positions, which then further increase the financial responsibility on the part of the central resources to fund salary and benefit adjustments. The down road implications of this condition, and possible adjustments, should be considered, as the current model does not appear sustainable.

We have modelled allocating academic salary increases to the Colleges, but even at the levels about 25% of the total it has some small positive impact on the Central financial issues, but does not materially address the central financial concerns. We might also consider looking at some salary savings assessment to capture more funds centrally on an annual basis, which would provide partial help, but would not address the base budget trajectory.

Another option being studied is a sliding scale based on central state/tuition income for coverage of salary and benefit costs. For example, if 75% of the total central incremental core funding will cover mandated salary and benefit increases, then no assessments to Schools/Colleges would be made. If this threshold is not met, proportional (to the School/College share of core funded salary and benefits) assessments would be made to the Schools and Colleges in order to reach the 75% threshold (meaning no more than 75% of the central incremental funding would be used for such). The 75% level is arbitrary at this point based on an assumption that there are other important central mandates that are also required every year.

The Chancellor has requested that the campus initiate planning for faculty salary increases on a multi-year basis, and not the annual process that exists now. We will need to identify the appropriate structure to support this request and develop a proposal that can be shared with the campus, and assure it considers any changes that might be recommended in the existing budget model related to salary and benefit increases.

Background information: Prior to this budget model all faculty salary and benefit savings would be managed by the Provost, giving considerable financial flexibility. Each 1% of faculty salary and benefits (on core funds) is approximately $2M, and turnover could range from 4-7% or more. The annual salary and benefit increase are ranging in the level of $15-$16M/year, and for FY19 permanent base funding received was $2M less than mandatory cost increases.

II. School of Medicine Undercapitalization/Base Funding

Although this is not directly a budget model issue, it is critically important to address the School of Medicine undercapitalization/base funding. Otherwise, the campus will be required to subsidize the program. Such a subsidization will have a significant on any budget model and represent a slow shift away from RCM, given that funds planned for programming through this budget model would be diverted to the SOM.

III. Space Weights Based on Quality/Status

The current budget model does not distinguish cost for space, as all space has the same cost even though space on campus varies widely from agricultural/storage-type facilities to high-end facilities. Some consideration should be given to provide general weights to the type of space. For example, a rating system could be implemented as follows:

- Level 1 (High Quality)- Weight of 1.5
- Level 2 (Average)- Weight of 1.0
- Level 3 (Least Quality)- Weight of 0.5

In addition to quality of space, a second factor that could be considered is “type” of space. For example:

- Wet lab – weight of 1.5
- Office – weight of 1.0
- Etc.

Further, the current budget model also does not consider, nor provide incentives for, the *effective* use of space.

IV. Credit Hour Weighting

<u>The current model does not provide any weights to credit hours or headcount majors</u>. Most data on costing of higher education shows significant cost difference based on discipline (driven often by salary and benefit costs for faculty, accreditation issues, cohort size, curriculum issues, facilities/equipment needs, etc.) and level of instruction. It appears that some of these factors are already part of the "base" computed for the College, but these weights are not part of any incentive for enrollment growth. This should also be discussed and reviewed.

Further, feedback from academic units indicates that the current unweighted credit hour allocation does not provide sufficient TA funding for lab-intensive courses and courses of similar pedagogy.

V. Rapid Growth of Assessments to Auxiliary Units Thru New Budget Model

Student Recreation Center as one example of what are likely unintended consequences of the new model relative to the rapid growth of central assessments.

Student Recreation Center Indirect Costs		
Year	**Assessment**	**Percent Increase**
Prior Budget Model	$318K	
Year 1 Budget Model	$815K	156%
Year 2 Budget Model	$945K	16%
Year 3 Budget Model	$1.07M	13%

This growth is driven in part by the student FTE portion of the indirect costs calculation in the model. Adjusting for student FTE in the calculation has material impacts for Student Rec Center and Dining, but not other auxiliaries. For example, if student FTE were not considered for FY19, the Student Rec Center assessment would go down $575k and the Dining assessment would go down $1.8M. It is important to recognize that, if implemented, this would represent a $2.4M reduction in institutional base funds, which are already committed to on-going activities.

Such increases are not sustainable for the auxiliary units and must be addressed.

VI. Need for Increased Central Funds and "Reserves"

The **<u>need for more funds to be held centrally</u>** has been consistent feedback on the new budget model from the senior leadership team and campus CFAOs. For purposes of this discussion, "reserves" are defined as net funds of any commitments, whether these commitments are included in institutional accounting records or not.

<u>Key Questions and Issues</u>

- The budget model, as designed, is not feasible given the central requirement to cover all increased salary and benefit costs. There needs to be some adjustment that addresses this issue.
- Reserves overall for the campus and at the unit levels – what should be goals and how will we measure them and track them? A draft campus policy on reserves is currently under review.
- We should clarify what the principles should be to retain funds centrally vs. allocating to units. It is also important to have some sense of "reserves" at the unit levels, which are necessary under the current budget model.
- If units work to establish reserve funding it would be an important policy to assure they were not "raided" centrally in time of financial stress, as this would punish those units who were implementing prudent financial management measures.

- The budget model was designed to create a more entrepreneurial environment on campus and give units more direct authority and responsibility over their budgets. However, there are many vestiges of the old model still around where central funding is sought for many initiatives (see XXV below).

VII. Need to Identify Viable Ways to Grow Total New Revenue for UCR

Like any institution, UCR needs to identify ways to grow overall revenue, which would include more non-resident full paying students but needs to include other viable new revenue streams. There is a need to develop a specific plan to address this overall need. Another suggestion was to focus more investments on fund raising, to grow this revenue stream (although it would be restricted vs unrestricted funding).

Overall Policy Issues

VIII. Existing Base Budgets

The new budget model made the de facto assumption that the existing (at the time) allocation of base resources was reasonable and appropriate for all units. This may or may not be accurate, but it is important to note that the new model did not test this assumption for validity. The new budget model focused on allocations off this existing base.

IX. Economic Downturn Scenario

The new budget model assumed the influx of new resources every year as well as adequate funding for fixed cost increases. These assumptions should be discussed in further detail. While all public institutions are financially susceptible to economic downturns, it would be important to have some policy assumptions as to what steps the institution would take when an economic downturn presents itself. This would be important to help Schools and Colleges, and all campus units, plan (e.g., no central taxing of any "reserves" created at the School/College level, as a potential example of an important issue to be discussed).

X. Performance Funding

The budget model was originally developed with the intent to allocate performance funding permanently to Schools and Colleges.

Key Questions

- How does this issue now relate to item "VI" above (lack of central funds), if at all? Is it important to assure there is a performance component for the budget model going forward, even if funding allocated was only one-time vs. base?
- What are the implications of changing this allocation to one-time cash, and perhaps focusing on key issues like student retention and graduation rate increases?
- What are the specific metrics that would be used to allocate any funding? A suggestion is student retention and graduation rate increases. Other suggestions included incentives that may well go beyond Schools and Colleges, and could include Diversity related goals.

Background: Currently there is approximately $21.6M in performance funding held centrally. However, with the loss of financial flexibility as a result of all existing salary and benefits being allocated to the Schools and Colleges, these funds are being used to cover central costs such as debt payments and other commitments. There would not be sufficient funds in the near term to allocate all of these funds to units, but perhaps a few million could be allocated on an annual basis.

XI. Sustainability

The UC System has an aggressive Carbon Neutral goal for the near term including moving to 100% renewable energy, but there are no significant sustainability measures in the existing budget model. Some have suggested that incentives to save energy/utilities be built into the new budget model. This could also be a component of the "Performance Funding" element.

XII. Overall Budget Process and Interaction with Campus Strategic Plan

The new budget process has added a very important component of transparency to the overall process to develop and arrive at a final allocation of resources. This is very important to maintain in any "tweaks" of the process moving forward. However, the new process has also added administrative overhead, both at the individual College/Unit level as well as centrally that is very significant. We should work with the Colleges/Units to identify ways to materially lessen the administrative burden of the new process, but retain important aspects of transparency and sharing of important financial information.

The campus will be moving ahead to update the campus strategic plan. The campus strategic plan is a very critical component of any campus budget process, as that budget process should serve the strategic plan and be implemented within that overall context. **It is proposed that we start the annual campus budget process with a focused discussion of the strategic plan, and specific goals/priorities we see for that upcoming cycle.** These discussions can help frame the assumptions for that budget cycle and help assure the outcomes are consistent with the priorities in that strategic plan.

It is proposed that for each cycle of the budget process we insert these important steps at the end of the cycle to address annual accountability reviews of the budget process:

a. How do the allocation of incremental funds match what we believe are overall needs/priorities of the institution right now? It is important to always test how the budget process follows the strategic plan/campus priority process.
b. Are there specific ideas/suggestions we have accumulated from this process that we should consider for improvements for the next cycle?

As we evaluate the existing overhead with the budget model, we should consider other important information that is not currently part of the budget process. For example, it would be very beneficial and important to receive information from the administrative/service providers on campus about annual hiring plans, including existing staffing, projected hiring for the coming fiscal year, salary sources/assumptions on hires, and turnover during the year. The details of this information would need to be worked out with the appropriate units across campus. The Provost already receives hiring plans for faculty from the Schools and Colleges, but we do not have similar information for the administrative units.

XIII. Funding/Treatment of Specialized Programs/Units in New Budget Model

The new budget model does not address a number of specialized campus programs or units, such as the Natural Reserves Program, Ag Ops and the Botanic Garden. Given the size and impact of many of these units, consideration should be given to how these units might be incorporated into the model.

XIV. Summer Sessions

Summer Sessions should be integrated into the new budget model instead of operating on an independent legacy structure. One option is to treat Summer similar to Fall, Winter and Spring, with academic units being responsible for the scheduling and funding of the courses accompanied with a change in how revenue is allocated to more closely align with Fall, Winter and Spring.

Feedback also indicates that the Summer Sessions model should offer real financial incentives to the Schools and Colleges. Increasing Summer FTE enrollment will be an important option for increasing revenue, as Summer CA resident FTE is part of the annual FTE figure funded by the State, and can be used to offset Fall, Winter and Spring under-enrollments. Additionally, increasing Summer enrollments can also improve time-to-degree and the success of three-year degree programs.

XV. Online Education Incentives

The current budget model does not include any incentives related to online education. There should be discussion as to whether such incentives should be built into the model.

XVI. Multi-Year Budget Model

The current budget model calls for campus units to budget one year at time. In addition to multi-year planning for faculty salary increases, consideration should also be given to adjusting the model towards a multi-year approach (at least 2-3 years).

Budget model Formula and Other Adjustments

XVII. Allocation of Undergraduate Tuition Income – Current Methodology and Background Information

The budget model uses different methodologies for allocating undergraduate resident tuition, undergraduate non-resident tuition and fee increases. The sections below offer proposals to bring these methodologies into alignment.

a. Undergraduate Resident Tuition (Background Information)

Under the current model for undergraduate tuition, 33% is returned off the top to financial aid. Of the remaining 67% tuition revenue available, 70% is allocated to the Schools and Colleges and the remaining 30% is returned to central campus.

The portion allocated to the Schools and Colleges is apportioned as follows:

- 60% is allocated based the number of student credit hours taught ($3,351 for every 45 credit hours);
- 20% is allocated based on the number of majors ($1,068 per undergraduate major);
- 20% is allocated based on improvements in strategic campus goals ($1,068 per undergraduate major). Please note that the actual implementation of this performance piece of the budget model is currently under review.

In order to account for fluctuations in waivers, withdrawals and write-offs, the actual tuition allocations to the Schools and Colleges for a given year are based on a 3-year average of the calculated rate based on total net revenue at the campus level. Averaging over a 3-year period allows us to normalize the peaks and valleys associated with tuition calculations and to ensure that individual units are not penalized for these situations.

b. Undergraduate Non-Resident Tuition Income

Consistent with the allocation of Undergraduate Resident Tuition, scholarship/discounts (including Athletic waivers) are taken off the top and the remaining income is allocated 30% to central resources and 70% to the School/Colleges.

Similar to Undergraduate tuition, allocations on non-resident tuition to the Schools and Colleges for a given year are based on a 3-year average.

Given the lack of State Support for non-resident students, the current budget model allocation of non-resident revenue to central resources does not create a sufficient resource pool at the central campus to support increased growth in the number of non-resident students, especially in light of the significant level of recruitment efforts for non-resident students centrally funded.

A proposal for a new model is to allocate non-resident tuition income as follows: off the top scholarship/discount (including Athletic waivers); split the remainder 70% central and 30% School/College. Listed below is some baseline information from current modeling:

	UG Resident Net Funding Current Model	UG Non-Resident Net Funding (Base Tuition and NRT)	
		Current Model	Proposed Model
Central	$2.6K per student	$7.3K per student	$13.6K per student
School/College	$4.4K per student	$15.4K per student	$9.1K per student

The proposed methodology would continue to provide a larger tuition allocation to the School/Colleges for non-resident undergraduates than resident undergraduate students. There has been some feedback that this proposed change is too large of a shift, and that other distribution options should also be considered as part of this review.

c. Undergraduate Tuition Increases

As currently designed, any increases to the base undergraduate tuition fee ($11,220 as of FY14-15) are allocated to central resources. In order to bring undergraduate fee increases into alignment with non-resident tuition increases, it is proposed that all tuition increases follow the same percentage split used for the base tuition fee (currently 30% central and 70% Schools/Colleges for resident undergraduates). This may require an adjustment to the percentage split with central, but would also provide funding to the Schools and Colleges from any tuition increases.

XVIII. Fixed Cost Increase Computation, Including Unfunded Mandates

Currently, central campus only funds fixed cost increases related to salaries and benefits on permanently funded, core positions. There is currently no formal consideration given to funding fixed cost increases related to non-salary costs such as utilities, software licenses, books, periodicals, etc., some of which are known on a multi-year basis. There should be a **detailed review of how fixed cost increases are identified and budgeted.** It is very important to recognize the key infrastructure issues that are critical to the operations of the campus (facilities; IT; Library; etc.) and assure they are addressed in some reasonable way in the budget model. It is also important to track unfunded mandates, including those that may come from UCOP, and how best to address these through the budget model. It is proposed that we centrally develop estimates of these fixed cost increases to be part of the annual budget process kick off, and updated through the budget process. These estimates would be specifically highlighted and included as part of the important budget discussions.

XIX. Facilities Renovations and Support

a. $50K Cutoff

Facilities "renovations" within the new budget model should also be closely reviewed. **<u>As currently designed, the budget model does not accommodate the differential space/facilities conditions across the Schools and Colleges</u>**. Under the model, all building renovations less than $50K are prioritized by the Colleges and submitted to Facilities Services (FS) for implementation. FS designated a portion of funds from recharge rationalization towards these annual "renovations" ($2.4M).

Priorities in an older/depreciated building may be focused on getting adequate space within the building (perhaps heavy on the repair side). Space "renovations" in newer buildings, on the other hand, would likely be addressed without addressing building infrastructure and/or code issues.

Additionally, the $50K cut off for these FS funded projects should be reviewed and discussed, to make sure it is accomplishing what was intended. Under the current budget model, if the project costs $50K or less, FS completes it as part of their budget. If the project costs over $50K then the College pays 100% of the cost. This may lead to unintended consequences. For example, a $45K project in one College (perhaps with newer facilities) being paid 100% by FS while a $65K project in another College (perhaps with older buildings) being paid 100% by the College. This artificial cut off can understandably create both funding and perception issues.

b. Facilities Services' Priorities for Renovations

<u>Facilities Services' methodology for prioritization of College renovation requests should also be reviewed</u>. The process that was implemented was to ask, on a quarterly basis, all Colleges to submit any/all "renovation" requests, in priority order. FS then attempts to complete the #1 priorities for all of the Colleges, then goes to #2, etc. Concerns about this approach include:

i. The priorities from the Colleges are not all related to preparing space for new faculty hires. Was that an assumption relative to priority? We have, effective this summer, implemented an interim/temporary process to give priority to new faculty hires.
ii. Not all Colleges have the same facilities conditions, so in some cases Colleges (in better space) ask for priorities that, while desirable, may or may not even be close to the needs associated with other Colleges. The current process does not take into consideration the facilities conditions associated with the building being used by the Colleges. FS is likely then doing some projects that are "good to have" for one College (based on their relative priorities) while not addressing "critical" projects for another College.
iii. Not all Colleges are the same size in terms of numbers of faculty members, space, etc. However, the FS process basically approaches the Colleges as if they were each of the same size. This would be like the US Federal Government having a Senate, but no House of Representatives.
iv. Many of the actual building renovation projects end up requiring support from A&E in order to design the improvements. A&E is not budgeted in an effective way to support such reviews, including the fact that building code official activities are required to be funded through "recharges", which does not align with the base state funding of other related building code/requirement reviews (e.g. Fire Marshall and EHS).

A proposal for consideration is that the FS priority process for "renovations" from Colleges be based on the following criteria:

i. **New faculty hires**: In this regard, we would work to serve the priorities for all Colleges at an equal priority level.
ii. **Adjustments/Weights for the Size of the Colleges (faculty members, gross square footage, or some reasonable measure)**: Here is where we would have to adjust the priorities to account for size and complexity of the buildings they occupy.
iii. **Condition of Facilities**: Some judgement must be allowed to accommodate new faculty space needs based on the existing condition in the current facilities.

The schedule to get requested renovations completed has also been noted as a concern and should be part of the review of the overall budget model.

XX. Recharge Rationalization

As part of the transition to the decentralized budget model, UCR underwent a "recharge rationalization" process which transferred approximately $20M in budgets from recharge funds to general funds (19900). As 70-80% of that funding covered salaries and benefits, the central campus obligation for fixed cost increases on general funds also increased as a result. Additionally, central campus provided $7M in core funds to Service Provider units in order to stabilize their budgets and for those units to begin offering core services to the campus free of charge.

While the rationalization process significantly reduced the number of transactions on campus, it also had the unintended consequence of materially increasing fixed cost obligations on general funds as well as the demand for many services that Service Providers now offer as core services across campus. The demand for these services often outpaces the level of core funding provided, resulting in the need to divert resources from other core service lines. It is proposed that the new budget model went too far in eliminating recharges, and some appropriate balance of recharge activity is likely appropriate. If there is a new approach to recharge activity, it will require appropriate allocation of funds removed from the Service Providers back to those campus units.

Feedback also indicates that recharge rationalization has eliminated some flexibility within academic units. Prior to the rationalization process, academic units were able to redirect funding based on the priorities and needs of the unit. This flexibility has been eliminated with rationalization as the academic units do not have an option to opt out of particular core services offered by the Service Providers.

Key Questions

- Are there core services across campus which should be transitioned back to recharge (partially or fully)? Some possible examples include:
    - Moves/setups
    - Coding and maintenance on non-campus-wide software applications
    - Non-instructional multi-media
    - Custom application development
    - Telephone line moves
    - Certain staff professional development/training
    - Non-research hazardous waste
    - E-waste
    - Facilities Services waste

More Technical Issues in the Budget Model

XXI. Service Level Agreements (SLAs)

With refinements to the budget model, there is the opportunity to discuss the overall value of SLAs and whether Service Provider units should remain required to produce these documents in their current form. It should be noted that SLAs were never designed to balance overall campus needs with the existing level of funding available. In many cases, current SLAs are, in fact, more aspirational than a reflection of current funding realities.

Key Questions/Issues

- What was the discussion surrounding SLAs and service upgrades? Were specific upgrades discussed?
- Some SLA service activities may not be funded at reasonable levels – what data is being used to measure expectations for SLA funding for what resources are provided?
- SLAs do not seem to be precisely balanced against where the providing unit started with their base budgets and any reasonable ability to deliver (e.g. capacity to perform). Some SLAs may be aspirational in terms of what we would like to be provided as a baseline.
- The SLAs do not have any real teeth. It seems the SLAs are mostly an administrative exercise without any demonstrable effects.
- It is very important to define service unit responsibilities even in the absence of SLAs.
- Feedback also indicates that it would be helpful for Schools/Colleges to have more predictability regarding potential increases to Service Provider budgets.

Given the administrative overhead associated with SLAs and the remaining questions as to their utility, one proposal is to eliminate SLAs in their current form and replace them with a simplified document defining the authority and responsibility for specific goods and services.

XXII. Funding Schedule for Enrollment Growth

The current budget model projects enrollment growth for the Fall, Winter, and Spring quarters in summer (July) and allocates 80% of that revenue to the Schools/Colleges for their fiscal year budgets. According to the schedule, in the spring of each fiscal year the central campus would "true-up" the funding for the original 80% allocation from the previous fall. **Based on our experience to date with revenue volatility at the College level, we developed a new approach to this enrollment growth funding allocation.** The new approach projects enrollment in July and allocates 50% of this funding to the Schools/Colleges. The first "true-up" is in November of the fiscal year based on fall enrollment, followed by a final "true-up" in the spring of the fiscal year.

XXIII. Graduate (Masters Level) Incentives and Lack of PhD Enrollment Incentives in Model

The current budget model is such that undergraduate education is more of the focus. Feedback continues to suggest that there are no incentives in the budget model for masters level programs, yet the model allocates 67% of total tuition to the College, which seems significant. Perhaps this is also a discussion about PhD level students, where the financial model is very different and not really an incentivized part of the current budget model. We need to identify ways to highlight masters growth in our implementation of the model and address priorities relative to PhD level students.

XXIV. Budget Related Activities During the Fiscal Year and Off-Cycle Campus Funding Requests

The process for off-cycle requests should be discussed to ensure that it is well integrated into the campus operating budget process, and does not become ad-hoc, with the exception of emergency/urgent issues that might arise. We also need to make sure we keep the Governance

Committee (and perhaps the Faculty Senate Planning and Budget Committee) updated on issues/priorities that come up during the year for which the institution makes commitments, base and/or one-time, and to integrate this information into the annual budget process (showing a full history for the cycle). Additionally, as was initiated for the FY19 cycle, we will continue to include presentations from the Chancellor's Office, P/EVC, and Planning and Budget organizations into the overall process.

In order to maintain a high level of transparency, a proposed update schedule would include an annual budget letter at the end of the process outlining all budget augmentations approved through the budget process as well as updates to the Governance Committee and Faculty Senate in October and February regarding funding decisions subsequent to the budget process.

XXV. New Budget Model but Still Some Old Budget Model Structures

The new budget model effectively allocated authority and responsibility for funds out to Schools and Colleges and other units. Centrally we retain a major liability for funding new salary and benefit adjustments, but it appears we also have other vestiges of the old budget system in play where central funding continues to be looked to for items like equity funding, funding of college level searches, Vice Chancellor searches, stipends for interim leadership positions, and a host of other allocations which may have been consistent with the old budget model, but do not appear consistent with the new budget model. (e.g. Faculty Searches - $350k/year; Executive Severance - $160k/year; Dean/VC Searches - $250k/year; other staff severances - $500k/year). Units with the funding authority should take on the responsibility for ad hoc items that support their priorities.

XXVI. Further Topics for Consideration

The following topics, while not necessarily directly linked to the budget model, have a broad impact on stakeholders across campus:

a. TA allocation model

Historically, central resources provided TA funding to the Schools and Colleges. However, under the new budget model, the center no longer provides specific TA funding to the academic units. Rather, Schools and Colleges are expected to fund TAs from their workload allocation based on the tuition allocation formula. Further, the current model does not take in account the differential TA ratios among the Schools and Colleges.

Adjusting the credit hour weighting in the tuition formula by discipline and level would have direct impact on the total funding to a School or College. Such additional funding could be allocated towards TAs by the School/College as needed and may be a method of addressing this concern among the academic units.

b. F&A distribution

The current F&A distribution policy does not include a specific policy for F&A return to centers. The Provost and VCPB are working with the Deans to include language regarding centers in the return policy.

It is also important to agree upon a policy for assumed uses of returned F&A at the unit level. Currently there is a policy for how much F&A is returned to units, but not the policy assumptions as to what is appropriate investment of these funds.

c. **Deferred maintenance funding**
The need for deferred maintenance across campus exceeds available funding. An approach for addressing deferred maintenance backlogs should be developed.

d. **Interdisciplinary and intercollegiate programs, including research and equipment, and centralized research facilities**
These activities are not currently supported in the model.

Key Question
How can they be fit in to the model with some incentives for such work?

e. **Financial Reporting**
Automated access to financial reporting to assist campus units in financial operations continues to be an issue and should be addressed. Broader campus reporting should also be considered.

Key Questions
Is there a plan for campus reporting?
How does COGNOS fit into campus reporting?
Are there other reporting solutions available?

f. **Professional development for CFAOs and Department level management**
Consideration should be given to developing a formal training process for this critical group of employees.

g. **Tracking of "permanent" positions/commitments funded on cash dollars**
This approach has been a culture in some areas of UCR, and it is important to have a way to identify and discuss these plans, before they become overall risks for the campus. It is important to allow us to centrally track and identify these potential risks as part of the budget process and discussions.

h. **Other data collected as part of the budget model**
Several other data elements have been suggested as being important parts of any campus budget model, to include faculty/student and faculty/staff ratios which could be used to support calibration efforts among academic units. Schools and Colleges would need different ratios depending on the type and level of instruction, but calibration would help to ensure that units have the appropriate funding to support their ratios. It would also be useful to have some comparative data on each School and College, with those they consider peers.

For service units, some comparative staffing/support metrics would be useful to collect and present as part of the budget process, so that their current funding levels could be balanced against what they are able to provide in terms of services to campus clients. Additionally, it would be useful to have more background information to present to the campus on the institutional budget – total revenue and expenditures and other general information along with some explanation of how the model works (budgeting 101 type background of important factual information).

i. **Graduate student fees vs services provided to them**

A concern has been raised about what fees graduate students now pay balanced against the services they receive, and whether this should be reviewed relative to the same analysis for undergraduate students.

j. **Technology Systems Investment Fund**

The campus currently does not have a funding strategy for campus IT systems. Refinements to the budget model should also consider funding for these high-impact systems, or at least identifying them in some formal way, perhaps as part of the Deferred Maintenance priority area, but with separate reporting.