UCR Decentralized Budget Model
Key Considerations and Questions
DRAFT 11/14/18

EXECUTIVE SUMMARY

This draft is an updated version of the 9/17/18 budget model refinement document, revised based on campus feedback received on the original draft. Throughout September and October 2018, the Vice Chancellor for Planning and Budget (VCPB) and the Office of Financial Planning and Analysis (FP&A) held or visited 25 meetings/forums with colleagues from across campus to discuss the model and potential refinements. This document represents consolidated feedback from senior leadership, School/College leadership teams, Academic Senate committees, faculty, staff and students, and includes preliminary recommendations for moving forward.

The budget model refinement process will follow the schedule below:

Date	Milestone
September 10, 2018	Senior Leadership Retreat
November 14, 2018	Updated draft of proposed refinements to the budget model available for public comment
December 20, 2018	Campus feedback on proposed refinements due to VCPB
January 2019	Provost and VCPB send final recommendations of budget model refinements to Chancellor for consideration, with a copy of those recommendations made public at the same time.

This updated version is now available for public commentary and additional review until December 20, 2018 at which time the Provost and VCPB will synthesize feedback in order to provide specific recommendations to Chancellor by January 2019.

For the purposes of this document, refinements and campus financial issues have been grouped into 3 categories:

- Specific Recommendations for Near-Term Refinements
- Items for Medium to Long Term Consideration
- Items with No Immediate Action or Recommendation

While this document includes multiple areas for refinement, we are cautious of making too many changes to the budget model at one time. In order to avoid other unintended consequences, we will focus on some key priority issues. As a campus, we should view the refinement of the budget model as an iterative process, with regular updates and improvements over time. This draft is for discussion and review purposes only, and not intended to be a directive for any changes that will be made.

SUMMARY OF RECOMMENDATIONS		
Section	**Topic**	**Recommendation**
SIGNIFICANT CHANGES		
I	**Salary and Benefits**	Establish a sliding scale based on central state/tuition income for coverage of salary and benefit costs if new core revenue is not sufficient to cover the mandated salary and benefit costs.
II	**Credit Hour Weighting**	Establish credit hour weights for tuition allocation.
III	**Recharge Rationalization**	Return the outlined services back to recharge effective 7/1/19.
IV	**Masters Level Incentives**	Work with the Deans to address current lack of financial incentives for masters growth, especially when some program declines offset growth in others in the same School/College.
V	**Ph.D. Support**	Provost, Graduate Council and Deans to develop specific recommendations relating to Ph.D. growth priorities and allocation of funding collected centrally for purposes of this investment, with matching funding from the School/College.
VI	**Facilities Renovations and Support**	Implement an appropriate institutional cost-share approach on renovations and develop a priority process for renovations in the Schools/Colleges.
VII	**Performance Funding**	Provost to form a committee to develop priority performance metrics for allocation of one-time funding beginning as early as FY20-21.
VIII	**Rapid Growth of Assessments to Auxiliary Units**	Two options are presented in this section, with a recommendation to replace the current assessment with a 7.5% Administrative Cost Recovery (ACR) assessment to self-supporting and auxiliary units and to implement this transition over 3 years.
IX	**Undergraduate Non-Resident Tuition**	Implement a new allocation methodology such that scholarships and discounts are taken off the top and the remainder is split 70% to central and 30% Schools/Colleges.
CHANGES RELATIVELY EASY TO MODEL OR CURRENTLY BEING IMPLEMENTED		
X	**Budget Process Interaction with Campus Strategic Plan**	Start the annual budget process with a focused discussion of the strategic plan and specific goals/priorities for the upcoming cycle as well biannual reporting of any/all allocations made by the center for that period.
XI	**Multi-year Budget Model**	Transition to a 2-year budget model.
XII	**Fixed Cost Increase Computation**	Include in the budget model a call for all fixed cost increases so they can be disclosed and evaluated as part of the annual budget process.
XIII	**Service Level Agreements**	Eliminate SLAs in the current form and replace with a simplified document defining the authority and responsibility for specific goods and services.
XIV	**Old Budget Model Structures**	Remove central campus commitments which are not aligned with the budget model and review current cost-share activities between the Provost and the Schools/Colleges.
XV	**School of Medicine Undercapitalization**	Senior leadership will continue to work with the state legislature to increase base funding for the School of Medicine.
XVI	**Funding Schedule for Enrollment Growth**	Implement a new funding allocation schedule for enrollment growth as outlined.
XVII	**Budget Related Activities During Fiscal Year**	Distribute annual budget letter to the campus at the end of the budget process as well as biannual updates to the Governance Committee, Faculty Senate and campus regarding funding decisions subsequent to the process.
XVIII	**Tracking of “Permanent” Positions/Commitments Funded on Cash**	Revised budget templates used in the annual budget process will track these positions and commitments.
XIX	**Need for Increased Central Funds and “Reserves”**	Several of the recommendations outlined in other areas will serve to increase central campus funding.
XX	**Viable Ways to Grow UCR’s Total New Revenue**	Formation of an ad-hoc group to lead a focused effort to formulate new ideas to grow UCR’s total new revenue.

BACKGROUND

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 to strengthen the system.

It should also be noted that there are some areas in which the new budget model does not appear to align with the existing campus strategic plan or our goal of achieving an AAU profile. In this document we have tried to provide specific recommendations in order for the budget model to better support the campus strategic plan and goals. These areas have been specifically highlighted and discussed in the budget model engagement meetings and forums.

Initial feedback from the budget model sessions also indicates that Schools and Colleges have had different communication strategies regarding their budget plans. As the budget model devolves authority and responsibility for the academic budgets to the Deans, there should be consistent communication and messaging from the Deans to their faculty and staff regarding the budget plans for those units. We will work with the Schools and Colleges to help ensure consistent communications regarding the academic budgets within those units going forward.

We should also note that our cluster hire faculty growth model did include an allowance for support costs, including staff support for faculty. However, feedback indicates that this allowance was not consistently applied within the Schools and Colleges and we are concerned that staff shortages may have worsened, impacting faculty support in some areas. We will gather more information in this area for additional review.

Table of Contents

SPECIFIC RECOMMENDATIONS FOR NEAR-TERM REFINEMENTS

I. SALARY AND BENEFITS

BACKGROUND

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 model suggests that there are insufficient central resources to cover projected salary and benefit increases, and continued 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 implications of this condition, and possible adjustments, should be considered, as the current model does not appear sustainable.

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 increases are ranging in the level of $15-$16M/year, and for FY19, in a relatively good state economy, permanent base funding received was $2M less than mandatory cost increases. The fact that we did not receive enough state funding for fixed cost increases in a relatively good state environment suggests that our current model is not sustainable. A 1% increase in State funding would generate $2.4M for campus which could be applied to these increases. Similarly, a 1% tuition increase would net $1.6M for the central campus to address this situation.

The Chancellor has also 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.

PROPOSED RECOMMENDATION FOR ACTION

The overall goal of the central campus is to cover, to the extent feasible, all salary and benefit increases mandated in any given year. In the event that there is not sufficient funding available, the preferred option to address this situation is a sliding scale based on central state/tuition income for coverage of salary and benefit costs. As an example, under this option, if 80% of the 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 80% threshold (meaning no more than 80% of the central incremental funding would be used for such costs). The remaining 20% of central funding would be used for required and mandatory increases such as inflation for library journals and periodicals and the like. It should be noted that the exact scale is yet to be determined. The 80/20 split is simply used in this document as an example of how it could be applied.

We recognize that this sliding scale may effectively result in a budget reduction to campus Service Providers and possibly to academic units.

To illustrate this approach, if there was a $3M shortfall in central funding for fixed cost increases in FY2018, campus units would have experienced the following impacts:

Impact by Unit to Cover $3M Shortfall in Fixed Cost Increases			
Organization	**FY2018 Impact**	**July 1, 2018 Core Funds Perm Budget****	**Impact as % of Perm Budget**
Academic Senate	$2,000	$1,501,943	0.13%
BCOE	$381,000	$35,769,862	1.07%
BUSINESS	$122,000	$11,523,524	1.06%
Business and Administrative Services	$54,000	$21,906,548	0.25%
Chancellor	$21,000	$5,760,072	0.36%
CHASS	$1,018,000	$89,865,548	1.13%
CNAS	$991,000	$98,901,099	1.00%
Facilities, Planning, Design and Construction	$39,000	$51,134,906	0.08%
Graduate Division	$5,000	$2,855,206	0.18%
GSOE	$74,000	$8,734,330	0.85%
Information Technology Solutions	$35,000	$18,929,657	0.18%
Intercollegiate Athletics	$20,000	$5,908,920	0.34%
Palm Desert Center	$1,000	$1,059,207	0.09%
Planning and Budget	$14,000	$5,937,056	0.24%
Provost/Executive Vice Chancellor	$47,000	$5,795,706	0.81%
School of Medicine	$73,000	$20,875,732	0.35%
SPP	$36,000	$5,571,358	0.65%
University Library	$50,000	$16,131,713	0.31%
VC Research and Economic Development	$19,000	$4,711,053	0.40%
VC Student Affairs (including Enrollment Management)*	$15,000	$8,514,478	0.18%
VC University Advancement	$42,000	$19,482,940	0.22%
Vice Provost Undergraduate Education	$11,000	$4,246,940	0.26%
Total	**$3,070,000**	**$445,117,798**	**0.69%**

*FY2018 Golden Tree Structure

** Core funds include all 199XX funds (except 19969 and 19973 which are Financial Aid) and includes 67000 funds

II. CREDIT HOUR WEIGHTING

BACKGROUND

The current model does not provide any weights to credit hours or headcount majors. 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. However, 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, for example art or music studio courses.

PROPOSED RECOMMENDATION FOR ACTION

We recommend that the campus begin the process of establishing credit hour weights for tuition allocation. These weights would be prospective and applied to growth going forward, post the implementation date for this specific change (i.e. FY20 at earliest and only if this recommendation is approved). The biannual Texas costing model should be used as a template as the weights are based on a detailed cost analysis of programs by discipline and level. Developed by the Texas Higher Education Coordinating Board, this general academic expenditure study utilizes Classification of Instructional Programs (CIP) codes to establish weighting by type and discipline and is recognized as a reasonable industry standard. The Texas weights could be mapped to a simpler weight system for UCR. As an example, the Texas model includes the following weights:

Texas Weighting Model		
Level	**Low**	**High**
Undergraduate	1.0	3.1 (Engineering)
Masters	2.4 (Teacher Ed)	7.1 (Science)
Doctoral	7.35 (Teacher Ed)	21.7 (Sciences)

Several options for introducing weights into the UCR model have been identified, including the following:

	Alternative Proposal for UCR Weights #1		
Level	**Low**	**Medium**	**High**
Undergraduate	1.0	1.5	2.0
Graduate	1.25	1.75	2.5
	Alternative Proposal for UCR Weights #2		
Undergraduate	1.0	1.5	2.0
Graduate	1.0	1.5	2.0
	Alternative Proposal for UCR Weights #3		
Undergraduate	1.0	1.5	2.5
Graduate	1.0	1.5	2.5

These weight proposals are intended for discussion and represent the next iteration of possible recommendations. Final recommendations to the Chancellor will incorporate feedback received on this draft of the document.

III. RECHARGE RATIONALIZATION

BACKGROUND

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). This amount included:

- $7.7M central campus subsidy to Service Provider units to stabilize their budgets and for those units to begin offering core services to the campus free of charge
- $6M of internal Facilities transfers
- $5M for ITS services (primarily for campus phone and data lines, but did not include an assessment for general maintenance/renewal and replacement of that system)
- $1M for Mail services
- Balance represented smaller recharge services across Service Providers

As 70-80% of this funding covered salaries and benefits, the central campus obligation for fixed cost increases on general funds also increased as a result.

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.

PROPOSED RECOMMENDATION FOR ACTION

Given this situation we recommend the following services be returned to recharge effective 7/1/19:

Service Provider	Service	Description	Amount*
ITS	**Coding and maintenance of non-campus-wide software applications**	Programming, upgrading and maintenance of new and existing non-campus-wide software applications	TBD
	Non-instructional media	Multimedia (A/V) support for non-instructional events on the UCR campus	$187K
	Adds/Moves/Changes	Voice and network adds/moves/changes	TBD
Facilities Services	**Moves/Setups**	Moves, set-up services and associated equipment in support of campus events, and small departmental moves and equipment disposal/salvage	$465K

<table>
<tr><th>Service Provider</th><th>Service</th><th>Description</th><th>Amount</th></tr>
<tr><td rowspan="2">Human Resources</td><td>Non-mandatory Human Resources (HR) professional development courses</td><td>HR-led courses which require the purchase of licensed material, to include, but not limited to, the following:
• Franklin Covey material
• Crucial Conversations
• Employee Engagement
• Exercising Influence
• Managing Transitions
• Change Management
• Leading Change
• Management Development Questionnaire
• DiSC Class Paper Profile
Rates for these courses will need to be approved through the newly established Rate Committee.</td><td>TBD</td></tr>
<tr><td>CORO</td><td>Campus units will now be charged for CORO participation</td><td>TBD</td></tr>
</table>

* The amount for each service represents the funding provided to the Service Providers in order to provide these services to the campus as core. These amounts do not represent what is currently being spent on these activities.

While $20M was moved to general funds as part of the rationalization process, these recommendations only apply to a portion of that amount. Central administration will not be changing the larger portion of Facilities and ITS services at this time.

In reconsidering recharges, central administration further recommends that Environmental Health and Safety (EH&S) should be focused primarily on faculty and student labs. Waste disposal for administrative units should be included in the project costs going forward.

Central administration understands that these moves back to recharge will involve returning funding related to the rationalization process back to campus units. Additional work should be done to identify further services to be returned to recharge for 7/1/20. Mail Services, in particular, should be considered for move back to recharge in future discussions as the current custom office delivery model is not one we find used at other institutions.

Central administration also recommends the following new recharges which will need to be approved the annual budget process:

<table>
<tr><th colspan="2">New Recharge Rates</th></tr>
<tr><th>Service Provider</th><th>Service</th></tr>
<tr><td rowspan="2">ITS</td><td>Renewal and replacement</td></tr>
<tr><td>Online curriculum development and support</td></tr>
<tr><td>Planning, Design and Construction</td><td>Fire and Life Safety Program[1]</td></tr>
</table>

[1]This is a continuation of current activities for capital projects which will now go through the budget process, and be integrated with the building code/quality program.

It should be noted that ITS recharge rates prior to rationalization did not include an assessment for renewal and replacement, which is not sustainable for the organization. The new assessment listed above would allow for general maintenance related to ITS services.

IV. GRADUATE (MASTERS LEVEL) INCENTIVES IN THE BUDGET MODEL

BACKGROUND

The budget model currently includes a financial incentive for growing masters enrollments at the College level that is based on the distribution of student fees (67% of total tuition to the College for academic masters and 50% for professional masters). However, there have been recent examples whereby growth in one program within a College was offset by enrollment drops in other areas of the College, without any internal college level financial adjustment to address this fact. It will be important to work closely with the Schools/Colleges to help assure the budget model is responsive to these factors. In some cases, the individual programs that grew received no additional funding, leading to a loss of interest in pursuing such growth by the faculty involved in those programs. This is not so much a budget model issue as a budget model implementation issue. The table below provides an inventory of masters growth from the FY14-15 base year through FY18-19 based on 3-quarter averages:

Masters Level Growth by Program						
School/ College	Major	Headcount*				
		FY14-15 (A)	FY16-17 (B)	FY17-18 (C)	FY18-19 (D)	Difference (D-A)
BCOE	Materials Science and Engineering	3.00	9.00	8.00	11.05	8.05
	Bioengineering	11.67	13.67	5.17	6.97	(4.70)
	Bioengineering BS+MS	-	1.67	9.00	0.63	0.63
	Chemical and Environmental Engineering BS+MS	1.00	2.00	2.00	0.11	(0.89)
	Chemical and Environmental Engineering	9.00	14.00	4.83	8.41	(0.59)
	Computer Engineering	23.00	27.83	26.33	15.04	(7.96)
	Computer Engineering BS+MS	1.00	3.67	4.00	0.11	(0.89)
	Computer Science	38.83	46.50	51.67	61.98	23.15
	Computer Science BS+MS	0.67	6.00	4.00	0.21	(0.46)
	Electrical Engineering	24.50	18.00	22.50	21.78	(2.72)
	Electrical Engineering BS+MS	1.67	3.00	1.33	-	(1.67)
	Mechanical Engineering	21.33	14.50	13.67	7.63	(13.70)
	Mechanical Engineering BS+MS	4.00	5.00	4.67	0.43	(3.57)
	BCOE Total	**139.67**	**164.83**	**157.17**	**134.35**	**(5.31)**
CHASS	Anthropology	-	1.50	2.28	-	-
	Visual Arts	13.00	12.00	11.00	10.24	(2.76)
	Art History	12.50	8.50	6.44	5.90	(6.60)
	Southeast Asian Studies	3.67	1.50	1.44	2.65	(1.02)
	Comparative Literature	-	0.17	0.83	-	-
	Creative Writing/Performing Arts	38.00	42.33	44.67	36.67	(1.33)
	Experimental Choreography	4.00	4.00	3.33	5.19	1.19
	Economics	0.67	0.83	-	-	(0.67)
	English	0.67	-	1.00	-	(0.67)
	Ethnic Studies	-	0.67	0.78	-	-
	Spanish	-	0.67	1.00	0.93	0.93
	History	4.83	2.17	3.50	0.40	(4.44)
	Music	0.83	1.33	0.67	-	(0.83)
	Philosophy	-	0.17	0.83	-	-
	Political Science	3.00	1.33	1.00	1.87	(1.13)
	Psychology	-	0.17	3.33	0.93	0.93
	Religious Studies	1.00	1.17	0.67	-	(1.00)
	Sociology	0.17	1.00	0.83	-	(0.17)
	CHASS Total	**82.33**	**79.50**	**83.61**	**64.77**	**(17.56)**

School/ College	Major	Headcount*				
		FY14-15 (A)	FY16-17 (B)	FY17-18 (C)	FY18-19 (D)	Difference (D-A)
CNAS	Biochemistry and Molecular Biology	8.33	6.33	11.17	2.82	(5.51)
	Evolution, Ecology and Organismal Biology	1.00	-	-	0.93	(0.07)
	Plant Biology	4.50	0.67	2.00	2.42	(2.08)
	Chemistry	0.83	0.67	1.00	1.83	1.00
	Cell, Molecular and Developmental Biology	1.00	1.33	1.00	0.21	(0.79)
	Environmental Toxicology	0.67	0.67	-	-	(0.67)
	Microbiology	0.33	1.00	1.00	0.82	0.49
	Geological Sciences	15.83	5.50	5.00	2.77	(13.06)
	Entomology	0.33	1.67	0.83	1.86	1.53
	Environmental Sciences	5.00	0.33	1.00	1.81	(3.19)
	Mathematics	4.67	1.33	0.17	0.93	(3.73)
	Mathematics, Applied	0.33	1.00	-	-	(0.33)
	Physics	2.50	1.33	3.17	1.97	(0.53)
	Plant Pathology	-	-	1.17	1.76	1.76
	Statistics	14.17	26.83	21.83	5.77	(8.39)
CNAS Total		**59.50**	**48.67**	**49.33**	**25.92**	**(33.58)**
GSOE	Dual Credential Education Specialist	-	-	5.22	1.12	1.12
	Education	64.50	91.17	105.44	153.04	88.54
	Cred-Mild/Moderate Disab	3.50	1.83	1.61	-	(3.50)
	Cred- Moderate/Severe Disab	6.50	5.00	3.56	-	(6.50)
	Cred-Multiple Subject	21.33	21.83	11.17	5.89	(15.45)
	Cred-School Psychology	6.33	-	-	-	(6.33)
	Cred-Single Subject	27.83	43.33	25.83	13.75	(14.08)
GSOE Total		**130.00**	**163.17**	**152.83**	**173.80**	**43.80**
TOTAL		**411.50**	**456.17**	**442.94**	**398.85**	**(12.65)**

*FY15-16 has not been included as it was not used in determining the base funding or the incremental funding for the Schools and Colleges.

PROPOSED RECOMMENDATION FOR ACTION

We recommend working with the Deans to assure financial incentives are clear for the growth and expansion of masters programs, and to specifically address the concern that programs should receive additional funding for growth in their programs. Additionally, the recommendations outlined for credit hour weightings (Section II) would also impact incentives for masters students.

V. PH.D. SUPPORT IN THE BUDGET MODEL

BACKGROUND

The current budget model does not address growth for Ph.D. students, which appears inconsistent with the campus strategic plan as well as our goal to achieve an AAU profile.

PROPOSED RECOMMENDATION FOR ACTION

Particular attention should be given to Ph.D. enrollments to ensure that the financial support included in the budget model aligns with campus strategic growth goals. We recommend that the budget model have specific central set asides for Ph.D. enrollment growth matching funds and that the Provost, Graduate Council, and Deans (specifically to include the Dean of the Graduate Division) develop specific recommendations relating to Ph.D. priorities for the campus. Available funding would then be allocated to these priority Ph.D. enrollments, if a need to expand Ph.D. enrollments was considered a priority. This approach would assume Ph.D. funding be set aside and managed through the Provost's office with a match coming from the School/Colleges, allowing for careful management of all Ph.D. enrollments. It would also be important to develop data/metrics to track the success/completions of all existing Ph.D. enrollments to have as important background data and information.

Ph.D. program growth follows a much different financial model compared to any/all other enrollments, in that the packages for supported students include fees, stipends and multiple sources of revenue to further augment the funding available. Additionally, this incremental funding is often linked to specific work assignments for the supported students.

The UCR strategic plan aims to increase the proportion of graduate and professional students to 18-20 percent of the total student population in the next decade (it is in the 14+% now). Other AAU institutions, including UCLA and Berkeley, have 25% graduate students.

VI. FACILITIES RENOVATIONS AND SUPPORT

A. $50K Cutoff

BACKGROUND

Facilities "renovations" within the new budget model should also be closely reviewed. **As currently designed, the budget model does not accommodate the differential space/facilities conditions across the Schools and Colleges**. 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.

PROPOSED RECOMMENDATION FOR ACTION

The $50K cutoff represents the self-performance limit of facilities work based on state law. We recommend implementing an institutional cost-share on renovations that would be available for all projects, including those above the $50K cutoff. Particular attention should be given to renovations that are for new faculty hires. A cost-share approach would serve to level the playing field on costs to the academic units due to differences in the condition of the facilities they occupy across campus. Additional work will be needed to determine how exactly such a cost-share program would be implemented.

B. Facilities Services’ Priorities for Renovations

BACKGROUND

<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:

1. 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.
2. 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.
3. 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.
4. Many of the actual building renovation projects end up requiring support from A&E 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).

<u>PROPOSED RECOMMENDATION FOR ACTION</u>

FS is developing a priority process for “renovations” from Colleges based on the criteria below:

Renovation Priority Process		
Criteria	**Description**	**Status**
New faculty hires	FS will work to serve the priorities for all Colleges at an equal priority level	Implemented
Adjustments/weights for the size of the College (Faculty members, gross square footage, or some other reasonable measure)	FS will adjust the priorities to account for size and complexity of the buildings occupied	Work-in-Process (Formula to be developed with proper, measurable metrics)
Condition of facilities	Judgement to be allowed to accommodate new faculty space needs based on the existing condition in the current facilities	Work-in-Process (Meeting to be scheduled with key participants from FS and A&E to discuss further)

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.

VII. PERFORMANCE FUNDING

BACKGROUND

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

PROPOSED RECOMMENDATION FOR ACTION

Feedback suggests that performance funding should remain a feature of the budget model. We recommend an implementation as early as FY21 to allow central campus additional time to formulate and implement a resolution for salary and benefit increases and to allow time to define and implement the metrics to be used. Some portion of the central performance funding would be allocated, on a one-time basis, based on specific response to defined performance metrics.

We recommend the Provost form a committee to develop priority performance metrics for allocation of one-time funding.

VIII. RAPID GROWTH OF ASSESSMENTS TO AUXILIARY UNITS THRU NEW BUDGET MODEL

BACKGROUND

The Student Recreation Center is 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 large part by the new employee FTE metric in our model, which also uses student employee FTE to drive indirect costs calculation in the model. Adjusting for student FTE in the calculation has material impacts for the 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.

Further, under the current methodology, central campus and self-supporting/auxiliary units are unable to predict the cost of the assessments each year, significantly impacting financial planning and modeling. It is important to recognize that these auxiliary programs are already responsible for covering the annual salary and benefit increases for their employees, along with any and all other fixed cost increases.

PROPOSED RECOMMENDATION FOR ACTION

Option 1: Remove student employment FTE and freeze current assessments

Under this option, student employment FTE would be removed from the indirect cost calculation which would decrease assessments to most units. However, funding collected through these assessments has already been allocated out to campus units in the budget model. In order to move forward with this option, we would then need to freeze assessments at the current rate. Once the assessments without the student employment FTE factor have reached the current assessment levels ($7.9M), we would then be able to fully implement this option.

Option 2: Implement an ACR methodology

Administrative Cost Recovery (ACR) assessments are common in other institutions and may be a suitable long term option for these units. Applying an ACR assessment, possibly at 7.5% of spend, would provide predictability for these units and support effective financial planning. It is important to note that this approach is what was previously used in our budget model and was, in general, well received and understood. If adopted, this option would be phased in over a period of 3 years.

The following table provides modeling of the 2 options:

Auxiliary/Self-Supporting Unit Assessment Modeling										
Unit	Old Methodology[1]		Budget Model Indirects[2]			Options for Refinement				
						Option 1		Option 2[3]		
	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	Remove Student FTE	Freeze Current Assessments	ACR Year 1	ACR Year 2	ACR Year 3
UNEX	$1,365,513	$1,363,418	$1,254,869	$1,235,783	$1,181,477	$1,230,575	$1,181,477	$1,278,280	$1,375,084	$1,480,836
Housing/Dining	$3,479,429	$3,614,042	$4,649,179	$4,125,659	$4,488,466	$2,537,760	$4,488,466	$4,570,088	$4,651,711	$4,767,327
TAPS	$680,339	$690,032	$450,939	$394,686	$443,985	$299,550	$443,985	$441,373	$438,760	$439,511
Bookstore	-	-	$81,604	$65,198	$39,755	$42,745	$39,755	$35,706	$31,657	$27,909
R'Card	$13,160	$13,794	$23,124	$20,024	$22,693	$18,088	$22,693	$21,502	$20,312	$19,293
Early Childhood Services[4]	$18,047	$126,251	$497,905	$328,980	-	-	-	-	-	-
HUB[5]	$188,490	$207,901	$239,321	$244,593	$194,953	$165,924	$194,953	$179,695	$164,436	$150,654
Student Rec Center	$318,299	$348,141	$815,144	$945,901	$1,051,914	$481,284	$1,051,914	$905,429	$758,944	$620,426
Student Health Center	-	-	$524,868	$523,664	$506,617	$546,904	$506,617	$488,733	$470,849	$456,802
Faculty Housing	$18,502	$20,521	$9,630	$11,229	$6,045	$6,794	$6,045	$15,099	$24,152	$33,252
Charge Received by Central Resources	**$6,181,779**	**$6,384,100**	**$8,546,583**	**$7,895,717**	**$7,935,905**	**$5,329,624**	**$7,935,905**	**$7,935,905**	**$7,935,905**	**$7,996,009**

[1] Assessment of expenditures at 6%.

[2] Current budget model treatment for auxiliary and self-supporting units.

[3] Taxed at 7.5% on Auxiliary/Self-Supporting expenses (less COGS-720155 and USHIP-780255) of two years prior. FY19-20 charges based on FY17-18 expenses. The ACR methodology would be phased in over a period of 3 years.

[4] Early Childhood Services considered a Service Provider beginning in FY18-19.

[5] Indirects directly related to facilities mergers have been removed to normalize the changes

Given the above modeling for the 2 options, we recommend implementing an ACR methodology as outlined in Option 2, and implementing over a 3 year period to help assure there are no abrupt changes.

IX. UNDERGRADUATE NON-RESIDENT TUITION INCOME

BACKGROUND

Consistent with the allocation of Undergraduate Resident Tuition, scholarships are taken off the top and the remaining income is allocated 30% to central resources and 70% to the School/Colleges. The recently implemented tuition discount program for non-residents may require base funding adjustments within the Schools and Colleges. Similar to Undergraduate tuition, allocations on non-resident tuition to the Schools and Colleges for a given year are also 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. Overall non-resident students, as noted below, are a financial benefit to the campus, but the current internal distribution model should be adjusted.

As a campus, we are currently at about 3% undergraduate non-resident population and would like to grow this group to at least 10%-18% in order to create a significant revenue stream for the campus and provide a more global educational environment for our students. While many AAU institutions have greater than 25% non-resident students, including UCLA, Berkeley and San Diego which are greater than 20%.

PROPOSED RECOMMENDATION FOR ACTION

A proposal for a new model is to allocate non-resident tuition income as follows: off the top scholarships; 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

This recommended methodology would continue to provide a larger tuition allocation to the School/Colleges for non-resident undergraduates than resident undergraduate students.

Our modeling shows that growing the undergraduate non-resident population with the current level of scholarships would translate to significant funding for the campus:

Revenue from Growth in Undergraduate Non-Resident Population			
Percentage UG Non-Resident Students	Campus Funding*	Proposed Non-Resident Tuition Allocation Split	
		70% Central	30% Schools/Colleges
5%	$9.85M	$6.9M	$2.96M
10%	$19.7M	$13.79M	$5.91M

*Additional campus revenue after discounting

As we reach critical mass for non-resident students, the use of scholarships can be reduced or eliminated over time.

X. OVERALL BUDGET PROCESS AND INTERACTION WITH CAMPUS STRATEGIC PLAN

BACKGROUND

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.

PROPOSED RECOMMENDATION FOR ACTION

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.

Further, we recommend 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 does 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?

We also recommend biannual reporting to the campus on any/all allocations made by the center for that period. In support of continued transparency, we also recommend the identification and evaluation of campus fixed cost increases. These would be reviewed annually in budget discussion through the budget process.

As we evaluate the existing overhead with the budget model, we should also 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 staff in the administrative units or in the Schools and Colleges.

XI. MULTI-YEAR BUDGET MODEL

BACKGROUND

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).

PROPOSED RECOMMENDATION FOR ACTION

The Office of Financial Planning and Analysis will begin working with the Office of Institutional Research to secure student projections at the School/College on a 2-year interval in order to transition to a 2-year budget model.

XII. FIXED COST INCREASE COMPUTATION, INCLUDING UNFUNDED MANDATES

BACKGROUND

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.

PROPOSED RECOMMENDATION FOR ACTION

We recommend 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 these are addressed in some reasonable way in the budget model. These increases should be collected and evaluated as part of the annual campus budget process, though not guaranteed for funding.

We also recommend that the campus 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 that they are updated through the budget process. These estimates would be specifically highlighted and included as part of the important budget discussions.

XIII. SERVICE LEVEL AGREEMENTS (SLAs)

BACKGROUND

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.

PROPOSED RECOMMENDATION FOR ACTION

Given the administrative overhead associated with SLAs and the remaining questions as to their utility, the 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. Central administration is currently working with campus CFAOs to implement this option and recommend the UC Davis Service Partnership Agreements as a good example.

XIV. NEW BUDGET MODEL BUT STILL SOME OLD BUDGET MODEL STRUCTURES

BACKGROUND

The new budget model effectively allocated authority and responsibility for funds out to Schools and Colleges and other units. Central administration retains 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. Units with the funding authority should take on the responsibility for ad hoc items that support their priorities.

PROPOSED RECOMMENDATION FOR ACTION

The following central campus commitments are not aligned with the budget model and should be reconsidered as noted:

Chancellor's Commitments Not Aligned with Budget Model	
Commitment	**Current Amount/Year**
Dean/VC (Executive) Searches	$250,000
Yellow Ribbon Program Match	$50,000
Executive Severance	$160,000
Staff Severance	$500,000
Faculty Searches	$350,000
Total	**$1,310,000**

XV. SCHOOL OF MEDICINE UNDERCAPITALIZATION/BASE FUNDING

BACKGROUND

Although this is not directly a budget model issue, it is critically important to address the School of Medicine undercapitalization/base funding as it represents a significant challenge to the campus. The success of the UCR SOM is critical to the future success of UCR, and it must be supported as a high quality program.

UCR received $15M in public support from the State to start the School of Medicine. This amount is a line item in the State budget and is not adjusted for inflation. Originally thought to be the first installment of further funding, additional support did not materialize. In reality, no School of Medicine can sustain itself of $15M of public support and the central campus is left to subsidize the program. UCOP also contributes $2M towards the School of Medicine subsidy, but this funding will discontinue in two years. Comparable Schools of Medicine at the University of Texas and University of Nevada receive $45-$60M in public support.

In order to remain successful, the UCR School of Medicine needs at least an additional $20M in base funding from the State, though we believe up to an additional $30M is clearly justified based on funding for other public medical schools. UCR Senior leadership as well as President Napolitano's office are working to increase State support through the next legislative session.

PROPOSED RECOMMENDATION FOR ACTION

Senior leadership will continue to work with the state legislature to increase base funding for the School of Medicine. Central campus will continue to subsidize the School until base funding is increased.

XVI. FUNDING SCHEDULE FOR ENROLLMENT GROWTH

BACKGROUND

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.

PROPOSED RECOMMENDATION FOR ACTION

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. This approach has already been implemented.

XVII. BUDGET RELATED ACTIVITIES DURING THE FISCAL YEAR AND OFF-CYCLE CAMPUS FUNDING REQUESTS

BACKGROUND

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 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.

PROPOSED RECOMMENDATION FOR ACTION

In order to maintain a high level of transparency, our recommended 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 biannual updates to the Governance Committee, Faculty Senate and campus regarding funding of any/all off-cycle requests.

XVIII. TRACKING OF "PERMANENT" POSITIONS/COMMITMENTS FUNDED ON CASH DOLLARS

BACKGROUND

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.

PROPOSED RECOMMENDATION FOR ACTION

This issue will be addressed by the revised budget templates used in the annual campus planning and budget process.

XIX. NEED FOR INCREASED CENTRAL FUNDS AND "RESERVES"

BACKGROUND

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 XII).

<u>PROPOSED RECOMMENDATION FOR ACTION</u>

Several of the recommendations outlined in this document will serve to increase central campus funding, including:

- Sliding scale for salary and benefit increases (Section I);
- Increased base funding for the School of Medicine (Section XIII);
- Adjustments to the non-resident tuition allocation (Section VI);
- Eliminating current central campus commitments which are not aligned with the new budget model (Section XII).

The campus must continue to identify additional mechanisms to make more resources available to the center going forward.

XX. NEED TO IDENTIFY VIABLE WAYS TO GROW TOTAL NEW REVENUE FOR UCR

BACKGROUND

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).

PROPOSED RECOMMENDATION FOR ACTION

The current campus plan is to grow the undergraduate non-resident population from 3% to 10-18%. This growth would bring a significant revenue stream for both the central campus and Schools/Colleges (see Section VI).

We recommend the formation of an ad-hoc group to lead a focused effort to formulate new ideas to grow UCR's total new revenue.

Financial Planning and Analysis will also reach out to other campuses to learn what they have done to increase revenues, with AAU campuses and Arizona State as some examples. FP&A will bring recommendations for the next budget cycle based on conversations with these other campuses.

ITEMS FOR MEDIUM TO LONG-TERM CONSIDERATION

XXI. SPACE WEIGHTS BASED ON QUALITY/STATUS

BACKGROUND

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 research 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.

PROPOSED RECOMMENDATION FOR ACTION

While the inclusion of space weights into the budget model is important, it will not be implemented in the near term as a high priority change. This topic should be revisited once other changes have been implemented and evaluated.

XXII. ECONOMIC DOWNTURN SCENARIO

BACKGROUND

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.

PROPOSED RECOMMENDATION FOR ACTION

A specific policy should be developed to ensure that units exhibiting effectively financial planning should not be penalized during a downturn. This would be important to encourage Schools and Colleges, and all campus units, to plan effectively. For example, we would not want to centrally tax any “reserves” created at the School/College level by fiscally prudent Deans. Conversely, those Schools/Colleges who have not planned effectively would then experience the consequences of such planning. The Senate Planning and Budget Committee, Deans and others suggested by the Provost should be consulted in the development of this policy.

XXIII. TA ALLOCATION MODEL

BACKGROUND

Historically, central resources provided TA funding to the Schools and Colleges. While the center no longer provides specific TA funding to the academic units under the new budget model, baseline TA funding was included in the subvention for each unit. Under the new model, Schools and Colleges are now expected to fund growth of 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.

PROPOSED RECOMMENDATION FOR ACTION

The proposed credit hour weighting (Section II) in the tuition formula by discipline and level would have direct impact on the student workload funding to a School or College and would take into account courses which require more TAs.

XXIV. F&A DISTRIBUTION

BACKGROUND

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.

PROPOSED RECOMMENDATION FOR ACTION

We recommend that the Provost and Deans continue work regarding inclusion of centers in the return policy.

We also recommend an agreed 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.

Further, we also recommend UCR develops a new model for supporting campus core research facilities as the current approach is not best practice and has significant downsides. VCRED is currently working on a proposal to this effect.

XXV. FINANCIAL REPORTING

BACKGROUND

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?

PROPOSED RECOMMENDATION FOR ACTION

We recommend that campus efforts continue to focus on mandatory UCPATH reports. Once these reports are completed, we recommend that we shift focus to campus financial reporting. The Office of Financial Planning and Analysis will work closely with Information Technology Solutions, Financial Services, Human Resources and other campus departments in these areas.

XXVI. OTHER DATA COLLECTED AS PART OF THE BUDGET MODEL

BACKGROUND

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).

PROPOSED RECOMMENDATION FOR ACTION

This issue will be addressed in part by the revised templates used in the annual campus planning and budget process.

Additionally, Planning and Budget will develop institutional budget information to be provided annually to the campus.

XXVII. GRADUATE STUDENT FEES VS SERVICES PROVIDED TO THEM

BACKGROUND

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.

PROPOSED RECOMMENDATION FOR ACTION

We recommend that the Vice Chancellor for Student Affairs and Dean of the Graduate Division perform this analysis related to the student services fee.

ITEMS WITH NO IMMEDIATE ACTION OR RECOMMENDATION

XXVIII. 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.

XXIX. SUSTAINABILITY

The UC System has an aggressive Carbon Neutral goal for the near term including moving to 100% renewable energy by 2025, 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.

XXX. FUNDING/TREATMENT OF SPECIALIZED PROGRAMS/UNITS IN NEW BUDGET MODEL (those that do not have the potential to generate tuition income)

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.

XXXI. 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.

XXXII. DEFERRED MAINTENANCE FUNDING

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

XXXIII. 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 (F/W/S).

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.

Upon discussion of this option at various campus meetings, Senate faculty cited multiple concerns with this proposal, including:

- **Graduate Students**- Summer Sessions is currently an important component of the graduate student support package and provides excellent training grounds for these students.
- **Entrepreneurial Departments**- Many departments currently use Summer funding to support programs.
- **F/W/S FTE-** Any summer proposal should include an analysis of the increase of Summer FTE on F/W/S enrollment.
- **Course Quality**- There is the concern that some Summer courses are not to the same academic quality/rigor as F/W/S courses.
- **Faculty Teaching Load**- There is also concern regarding the faculty teaching load for 9 month appointments.
- **Shortened Quarter**- The compressed Summer timeline may not align with the preferred pedagogy for some courses.

Based on the above feedback, the Summer financial structure should not be changed at this time.

XXXIV. INTERDISCIPLINARY AND INTERCOLLEGIATE PROGRAMS, INCLUDING RESEARCH AND EQUIPMENT, AND CENTRALIZED RESEARCH FACILITIES

These activities are not currently supported in the model. One approach to include these programs in the budget model is to keep central resources for specialized equipment and faculty hires for such programs.

XXXV. PROFESSIONAL DEVELOPMENT FOR CFAOS AND DEPARTMENT LEVEL MANAGEMENT

Consideration should be given to developing a formal training process for this critical group of employees.

XXXVI. 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.