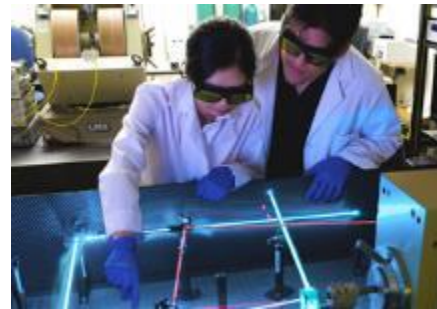
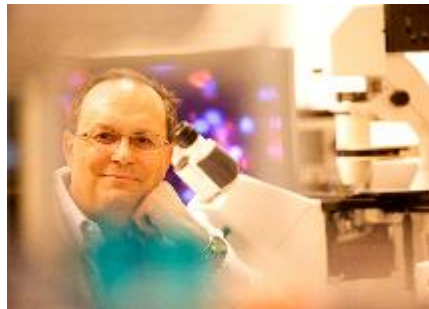




# Budget Model Refinement Discussion

October 2018



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# Agenda

1. Budget Model Refinement Schedule
2. Opportunities for Refinement
  - Significant Financial Challenges/Issues
  - Overall Policy Issues
  - Budget Model Formula and Other Adjustments
  - More Technical Issues in the Budget Model

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# Budget Model Refinement Schedule

# Budget Model Refinement Schedule

Constituent Type	Constituent Group	Venue
<b>Leadership</b>	Senior Leadership	Leadership Retreat
<b>Academic Senate</b>	FY15-18 Division Chairs/CPB Chairs and members	Meeting
	Planning and Budget	Committee Meeting
	Research	Committee Meeting
	Physical Resources Planning	Committee Meeting
	Executive Council	Committee Meeting
	Educational Policy	Committee Meeting
	Graduate Council	Committee Meeting
	Faculty Welfare	Committee Meeting
	Courses	Committee Meeting
	Diversity and Equal Opportunity	Committee Meeting
	Library and IT	Committee Meeting
<b>Faculty</b>	Chairs and Directors	Chairs and Directors Meeting
	Faculty	Open Forum
<b>Financial Admin</b>	CFAOs	Monthly CFAO Meetings
<b>Staff</b>	Staff Assembly	Open Forum
<b>Students</b>	Student Leadership (undergraduate/Graduate)	Student Leadership Meetings
	Diversity Council/VCSA/Interim Dean of Students	Diversity Council Meeting

*FP&A will also administer a survey to solicit feedback from those unable to join targeted consultations*

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# Budget Model Refinement Schedule

## Key Milestones/Goals

<b>Date</b>	<b>Milestone</b>
<b>September 10, 2018</b>	Senior Leadership Retreat
<b>November 1, 2018</b>	Updated draft of proposed refinements to the budget model available for public comment
<b>December 15, 2018</b>	Campus feedback on proposed refinements due to VCPB
<b>January 1, 2019</b>	Provost and VCPB send final recommendations of budget model refinements to Chancellor for consideration

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# Budget Model Resources

The Financial Planning and Analysis (FP&A) website includes a number of helpful resources on the budget model and refinement process

**<https://fpa.ucr.edu/budget-model-refinement>**

- Budget Model Overview
- Budget Model Refinement Document
- Budget Model Refinement Schedule

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# Opportunities for Refinement

- Significant Financial Challenges and Issues
- Overall Policy Issues
- Budget Model Formula and Other Adjustments
- More Technical Issues in the Budget Model

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# Salary and Benefits

## **Context**

Under the model there is distributed authority and responsibility for existing salary and benefit budgets, but central campus retains responsibility for all salary and benefit increases

## **Key Issues**

- Central responsibility for these increases only works with the highest assumed levels of state and tuition increases
- Current modelling suggests central resources will go into deficit in near future
- Chancellor has requested multi-year planning for faculty salary increases



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# School of Medicine Undercapitalization/Base Funding

## **Context**

Undercapitalization of School of Medicine may be one of the largest and most significant financial threats to UCR

## **Key Issues**

- Base support for School of Medicine must be increased
- UCR will need to subsidize the program if base funding not increased

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# Rapid Growth of Assessments to Auxiliary Units

## Context

The rapid growth of central assessments to auxiliary units is an unintended consequence of the budget model

## Key Issues

- Student Recreation Center as primary example
- Rapid growth driven in part by student FTE in the indirect cost calculation
- Adjusting for student FTE has material impacts for Rec Center and Dining, but not other auxiliaries

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%

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# Summer Sessions

## **Context**

Summer Session currently operates on an independent legacy structure that is not integrated with Fall, Winter, Spring

## **Option**

Treat Summer as Fall, Winter, Spring, with academic units responsible for scheduling and funding of courses

- Allocation of revenue would be changed to more closely align with Fall, Winter, Spring
- Increasing Summer FTE enrollment increases campus revenue
- Increased Summer enrollment could improve time-to-degree

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# Non-Resident Tuition Income

## Context

Historically, non-resident tuition income has been allocated 30% to central resources and 70% to Schools/Colleges. Scholarships and discounts for non-residents have been funded centrally. To be consistent with undergraduate resident tuition, scholarship/discounts will now be taken off the top.

## Key Issues

- Given lack of state support for non-resident students, the current model does not create a sufficient pool at the central campus to support increased growth in the number of non-resident students

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# Recharge Rationalization

## **Context**

Under recharge rationalization, \$20M in budgets from recharge funds was transferred to general funds (19900). This figure includes \$7M in core funds to Service Provider units to stabilize budgets and for those units to offer core services free of charge.

## **Key Issues**

- Unintended consequences included increased fixed costs coupled with unsustainable demand
- Lack of renewal and replacement funding in budgets at the time of recharge rationalization meant that the process merely maintained inadequate existing funding levels in former recharge operations (did not represent a funding augmentation)

# Overall Policy Issues

Topic	Description
<b>Need for Increased Central Funds and “Reserves”</b>	The current model does not provide sufficient resources to the central campus for strategic investment.
<b>Existing Base Budgets</b>	New model made the de facto assumption that the existing allocation of base resources was reasonable and appropriate for all units.
<b>Economic Downturn</b>	New model assumes the influx of new resources every year as well as adequate funding for fixed cost increases.
<b>Performance Funding</b>	Important part of model, but currently not financially able to implement. One option is to provide one-time allocations for defined high-value priorities.
<b>Sustainability</b>	UC system has an aggressive Carbon Neutral/100% Renewable Energy goal for the near term, but there are no significant sustainability measures currently in the budget model.
<b>Strategic Plan</b>	The annual budget process should begin with a focused discussion of the strategic plan and identify goals and objectives for the upcoming cycle.
<b>Specialized Campus Programs/Units</b>	The budget model does not address a number of specialized programs, including Natural Reserves Program, Ag Ops and the Botanic Gardens.
<b>Online Education Incentives</b>	Should there be incentives for online education in the budget model?
<b>Multi-Year Budget Model</b>	The current budget model calls for units to budget one year at a time.
<b>Master’s Tuition by Program</b>	The current budget model allocates Master’s Tuition at the School/College level. One option to provide incentives to departments to grow Masters programs is to have part of the allocation at the program level.

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# Budget Model Formula and Other Adjustments

<b>Areas for Adjustment</b>
<b>Space weights</b>
<b>Credit hour weights</b>
<b>Allocation of undergraduate tuition income</b>
<b>Fixed cost increase computation and priorities</b>
<b>Facilities renovation and support</b>

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# More Technical Issues in the Budget Model

## **Other technical issues for consideration include:**

- Service Level Agreements
- Funding schedule for enrollment growth
- Graduate (including PhD) incentives in model
- Off-cycle campus funding requests
- Old budget model structures
- TA allocation model
- Core research facilities support
- F&A distribution
- Deferred maintenance funding
- Interdisciplinary/intercollegiate programs
- Campus financial reporting
- Professional development for CFAOs and department-level management
- Tracking of “permanent” positions/commitments funded on cash dollars
- Grad Student fees versus services provided
- Technology Systems Investment Fund