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

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

Source: University of California “Straight Talk on Hot-Button Issues”
The major revenue streams at UC Riverside include **State Support, Student Tuition and Other Fees, Contracts & Grants, and Auxiliary Enterprises.**

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

* A required discount of revenue due to waivers and UC specific financial aid on student accounts (GASB 35)
** Amount includes Federal Student Aid Programs (Pell)
UCR Expenditures (by Budget Category) in FY15-16

By Budget Category (in millions)

- Academic Salaries, $194, 26%
- Staff Salaries, $179, 24%
- Benefits, $146, 19%
- Financial Aid, $63, 8%
- Non-Salary Costs, $169, 23%

Total 2016 Expenses = $751M

69% of expenses are attributed to Salaries and Benefits
UCR Expenditures (by Function) in FY15-16

By Function (in millions)

- Academic, $277, 37%
- Auxiliary and Self-Supporting, $139, 19%
- Financial Aid, $63, 8%
- Student Support, $33, 4%
- Central Admin*, $18, 3%
- Functional Admin**, $16, 2%
- Infrastructure, $54, 7%
- Research, $107, 14%
- Academic & Research Support, $44, 6%

Total 2016 Expenses = $751M

*Central Admin includes Chancellor, Planning & Budget, International Affairs, etc.
**Functional Admin includes Finance, HR, etc.

- 51% of total spend is in the Academic & Research Enterprise
- Only 22% of spend is in the support centers (Cost Pools)
Context: Why did the budget model change?
UCR’s budget redesign engagement included all campus constituents over a two year period.
When asked to describe the budget model, an audience of faculty, staff and leadership said that the process was.....
Here is what the fund allocation used to look like…
The previous budget model...

- No College level budgets
- Very complex and to *difficult* to understand
- Created incentive for units to ask for as much as possible
- Decisions made only on increment not on the base
- Allocation decisions based on closed door negotiations and never announced publicly
New Budget Model: Development and Overview
When faculty & staff were asked to describe what came to mind for a future budget model…
Budget redesign workgroups were established representing a wide cross-section of campus stakeholders

**BUDGET REDESIGN WORKGROUPS**

- **Assessed and Evaluated**
  - ...the previous resource allocation process

- **Benchmarked**
  - ...national leading practices for resource allocation for higher education

- **Created**
  - ...a sample budget model

- **Developed**
  - ...a plan to implement the budget model
Guiding principles were established for the budget model redesign with input from campus workgroups.

1. **Transparent**  
   Ability for campus to understand flows of revenue and use of resources.

2. **Incentivized**  
   Tuition distributed based on performance (student credit hours, majors, graduation rate).

3. **Strategic**  
   Create Strategic Investment Fund.

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

5. **Logical**  
   Costs decentralized to benefiting units (rent charge and utility charge).
The new model categorizes all UCR Organizations as either Revenue Generators or Service Providers.

**Revenue Generators**
- Generate revenue for campus
- Include academic units and self-supporting/auxiliary units

**Service Providers**
- Grouped into one of four Cost Pools
  - Infrastructure
  - Administration
  - Student Support
  - Academic/Research Support
Under the new model, Schools & Colleges have more control

**THE NEW MODEL IS:**

- **Decentralized**
  - Devolves considerable autonomy to the School & College levels

- **Performance-Based**
  - Some funding follows directly from units’ success in achieving institutional priorities (e.g. Graduation Rates, Research)

- **Workload Based**
  - Most tuition funding follows teaching loads
Schools and Colleges have greater autonomy

**Schools & Colleges can now...**

**Grow their budgets**
- Graduate students in 4 years
- Teach more students (Credit hours & Majors)

**Choose how to spend revenue**
- Faculty
- Staff
- TAs/Graduate Support
- New Programs
- Infrastructure

---

*Tuition goes to Schools and Colleges as General Funds. Allocation to departments will be at the discretion of the Deans.*
With clear guiding principles, a more transparent funds flow was developed.
Revenue from the various sources now flows directly to the revenue generators.

**Revenue Sources**

<table>
<thead>
<tr>
<th>Revenue Sources</th>
<th>Tuition &amp; Fees</th>
<th>Contracts &amp; Grants</th>
<th>Gifts</th>
<th>Auxiliary</th>
<th>State Appropriations</th>
<th>Other Revenue</th>
</tr>
</thead>
</table>

**Revenue Recipients**

- **Aux / Self-Supporting Enterprises**
  - Academic Units
  - Subvention & SIF

**Academic Units**

- BCOE
- CHASS
- CNAS/OR
- GSOE
- SOBA
- SOM
- SPP
- VPUE - English
- Writing
- VPUE - Summer
- Session

**Auxiliary / Self-Supporting**

- Athletics
- UNEX
- Palm Desert
- Bookstore
- Child Dev Ctr
- TAPS
- Housing/Dining
- UCR Card
- Faculty Housing
- HUB
- Health Center
- Rec Center

*Academic Units and Auxiliary Units generate revenue through several revenue sources such as Contracts & Grants, Tuition, Gifts, Sales & Services, and Auxiliary.*
Service providers generate indirect expenses which are allocated to Colleges & Self-Supporting Units following a step-down methodology.

**Cost Pools**

- **Infrastructure**
- **Administration**
- **Student Support**
- **Academic & Research Support**

**Cost Pools**

- **Aux / Self-Supporting Enterprises**
- **Academic Units**

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

**Administration**
- BAS – HR
- BAS – Business & Financial Services
- BAS – General Administration
- CEVC/P&B

**Student Support**
- Graduate Division
- Student Affairs

**Academic & Research Support**
- Academic Senate
- Library
- Research & Econ Dev
- Advancement
- VP Units: VPUE, VPIA, Academic Personnel
In the transition process, FY15-16 was established as a budget ‘Hold Harmless’ year.

Hypothetical Sample: School X (*Revenue Generator*)

<table>
<thead>
<tr>
<th></th>
<th>Old Model</th>
<th>New Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provost Budget</td>
<td>$58 M</td>
<td>$0</td>
</tr>
<tr>
<td>Total Tuition Revenue</td>
<td>$0</td>
<td>$38 M</td>
</tr>
<tr>
<td>Direct Revenue</td>
<td>Open</td>
<td>Open</td>
</tr>
<tr>
<td>Direct Expenses</td>
<td>$54 M</td>
<td>$54 M</td>
</tr>
<tr>
<td>Indirect Expenses</td>
<td>$0</td>
<td>$24 M</td>
</tr>
<tr>
<td>Net</td>
<td>$4 M</td>
<td>$-40 M</td>
</tr>
<tr>
<td><strong>Subvention</strong></td>
<td>$0</td>
<td>$44 M</td>
</tr>
<tr>
<td>Carry Forward</td>
<td>$4 M</td>
<td>$4 M</td>
</tr>
</tbody>
</table>

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

*Subvention*: a block allocation used in order to ensure that an Org’s budget remained the same during the transition to the new budget model.
Revenue for Schools & Colleges: Overview
Schools & Colleges Revenue Sources

**Tuition**
- Undergraduate Tuition
- Graduate Tuition

**Other Direct Revenue**
- General Funds (Subvention)
- Facilities & Administration
- Student Fees*
- Sales & Service/ Clinical
- Contracts & Grants
- Gifts

*Professional Degree Supplemental Tuition, Course Material Fees, Self-Supporting Degree Fees*
**Schools & Colleges Revenue Source Distribution**

### Tuition
- 1. Undergraduate Tuition
- 2. Graduate Tuition

### Direct Revenue
- 3. General Funds (Subvention)
- 4. Facilities & Administration
- Student Fees
- Sales & Services / Clinical
- Contracts & Grants
- Gifts

---

*Summer Session not included*
Revenue for Schools & Colleges:

1. Undergraduate Tuition
In the FY15-16 ‘Hold Harmless’ year, 70% of the net undergraduate tuition base was assigned to the Schools and Colleges

*Subvention is the block allocation used to offset historic differences in funding*
In the decentralized model, the actual allocation to a School or College is formula-based:

- **30%** to Campus/Subvention Pool*
- **70%** to Schools and Colleges

**Workload/Credit Hours**
$3,451 for every 45 Credit Hours

**Headcount Majors**
$1,070 per Undergraduate Major

**Performance Bonus Pool**
Based on improvements in graduation rates

*Subvention is the block allocation used to offset historic differences in funding
Tuition Allocation Weighting Discussion Output

**Identified Clusters:**
- Instruction: 50 – 80%
- Majors: 10 – 30%
- Performance: 10 – 30%

**What We Picked:**
- Instruction: 60%
- Majors: 20%
- Performance: 20%
Going forward, colleges can predict their revenue increase from new student growth.
Revenue for Schools & Colleges:

2. Graduate Tuition
Graduate Student tuition allocation is based on the type of student tuition revenue

**Graduate Tuition**

<table>
<thead>
<tr>
<th>Ph.D.</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Masters</td>
<td>67%</td>
</tr>
<tr>
<td>Professional Masters</td>
<td>50%</td>
</tr>
</tbody>
</table>

**Mandated Financial Aid Set Aside**

- 50% for Ph.D./Academic Masters
- 33% for Professional Masters

**Grad Student Fellowships / Student Support**

The Graduate Council of the Academic Senate has requested that we do not review the formula until a permanent graduate dean is in place.
Revenue for Schools & Colleges:

3. Subvention
Subvention amounts will be adjusted annually to account for fixed costs

**Adjustments Going Forward....**

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

- Faculty Merits & Promotions
- Employee Benefits & Retirement
- Staff Merits & Range Adjustments
- Cluster Hires
Revenue for Schools & Colleges:
4. Facilities and Administrative Cost Recovery (F&A)
F&A calculations under new methodology generate additional subvention for Schools & Colleges

F&A DISPERSAL FOR FY2016-17

INCREASED SUBVENTION

Total to match previous F&A distribution

<table>
<thead>
<tr>
<th>Increase in Subvention for F&amp;A Swap</th>
<th>BCOE</th>
<th>CHASS</th>
<th>CNAS</th>
<th>GSOE</th>
<th>SOM</th>
<th>SPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>$508,872</td>
<td>$130,997</td>
<td>$893,163</td>
<td>$13,616</td>
<td>$129,533</td>
<td>$4,263</td>
<td></td>
</tr>
</tbody>
</table>

Note that these are calculations to determine the amount of incentive funding, and funding will be provided in General Funds.
Strategic Investment Fund (SIF)
New SIF Categories

SIF Funds

Academic Programs & Research
New, Self-sustaining Research Centers
Research Equipment
Strategic Research Initiatives
Grant Matching

Initiatives & Programs
Strategic Initiatives (Targeted Marketing, OE)
Initial investment in administrative pilot program
New Offices (VPIA)
UCOP Mandates (Sexual Assault Response)

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

SIF is $3M in FY2016-17

Note: The above are examples and not the extent of availability. All funding is onetime cash, and the amount allocated will be capped per year.
SIF Process – Cycle Dates

- **June** will be the last cycle for SIF requests if funding is available
- **Updated** SIF Request forms will be available on the P&B website
- **Dean and CFAO** need to approve and prioritize SIF requests
SIF is a short-term (temporary), high priority investment

<table>
<thead>
<tr>
<th>What It Is</th>
<th>What It Is NOT</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Investment with an ROI that furthers campus goals</td>
<td>× A budget augmentation for major projects or structural shortfalls</td>
</tr>
<tr>
<td>✓ Seed money for startup of self-sustaining programs</td>
<td>× Funds to sustain a program</td>
</tr>
<tr>
<td>✓ Limited funding</td>
<td>× A permanent funding source</td>
</tr>
<tr>
<td>✓ A tool for transparency and fiscal responsibility</td>
<td>× Substitute for available grant funding</td>
</tr>
</tbody>
</table>
Service Providers, Cost Pools & Service Level Agreements (SLAs)
In the decentralized budget model, UCR revenue now goes to the Schools and Colleges.

**Old Model**
Block budget allocation from Provost

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

*The SLA Governance Committee is composed of representatives of the Schools and Colleges*
Service Providers are grouped into Cost Pools

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

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

**Student Support**
- Graduate Division
- Student Affairs

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

**Infrastrucure**
Allocated to all units

**Administration**
Allocated to all units except Infrastructure

**Student Support & Academic/Research Support**
Allocated to Colleges and Schools
The actual cost allocation amount of a Service Provider to an Org will be determined by *specific drivers*

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Driver</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>Facilities Services</td>
<td>Total Space=% SqFt Utilized</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Enterprise Risk Management, Computing &amp; Communications</td>
<td>FTE= Total Academics*, Staff, Students</td>
</tr>
<tr>
<td>Administration</td>
<td>Human Resources, Bus &amp; Fin Sves</td>
<td>FTE= Academics* &amp; Staff</td>
</tr>
<tr>
<td>Student Support</td>
<td>Undergrad Admissions, Financial Aid</td>
<td>FTE= Undergraduate</td>
</tr>
</tbody>
</table>

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

The costs of Service Providers will appear as *indirect costs* in the Revenue Generator budgets
Service Level Agreements (SLAs)

The “Contract”

The Definitions

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

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

Recharges
On an as-needed basis, services can be selected to address specialized needs at pre-established rates.
The balance that Service Level Agreements (SLAs) strive to achieve is the “fundamental tension” between Services and Cost.

**What It Is**
- Agreement with customers to align service level with expectations.

**What It Is NOT**
- Detailed bill between each customer and service provider.

**This is the “fundamental tension”**

- Services
- $ Cost
- SLA

Quality and Consistency of Services vs. Cost to Provide
SLA Governance Committee

<table>
<thead>
<tr>
<th>Member</th>
<th>Initial Variable Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dean Smith of GSOE</td>
<td>3 Years</td>
</tr>
<tr>
<td>Dean Peña of CHASS</td>
<td>4 Years</td>
</tr>
<tr>
<td>CFAO Ruiz of SPP</td>
<td>2 Years</td>
</tr>
<tr>
<td>CFAO Vogel-Farias of CNAS</td>
<td>4 Years</td>
</tr>
<tr>
<td>CFAO Sharp-Aten of UnEx</td>
<td>2 Years</td>
</tr>
<tr>
<td>VC Sandoval of Student Affairs</td>
<td>3 Years</td>
</tr>
<tr>
<td>Academic Senate Chair Shelton of Planning &amp; Budget</td>
<td>Open</td>
</tr>
</tbody>
</table>

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

✓ Contains a mix of campus leadership

✓ Rotates new members each year with 3 year staggered terms

✓ Reviews budgets of Service Providers

✓ Makes recommendations based on the needs of the campus
What recourse do departments have for poor service or products from Service Providers?

1. Provide general feedback to the Governance Committee annually
2. Directly reach out to the Service Provider
3. Send message to slagovernance@ucr.edu

If a Service Provider is unable to provide the core services outlined in its SLA within the approved budget, a Service Provider may submit requests to the Governance Committee during the budget process in order to receive more funding for core services for the next fiscal year.
Space and Facilities
Space is now considered a core infrastructure service and is an indirect cost to Schools & Colleges

**Space Calculation in the Decentralized Budget Model**

- **Fixed Dollar Amount for space**
- **Square footage of School/College**
- **Cost of Space for School/College**

**Therefore:**

Units that use more space will bear a higher space infrastructure cost. Should a unit choose to reduce its space on campus, its portion of space costs would then decrease.
In future years, the cost of space will be tied to the type of space utilized

- Office Space
- Labs
- Wet Labs
- Classrooms

*General assignment are paid for centrally*
Other Considerations
Areas not affected by the decentralized budget model

Existing policies will continue to govern the following:

- Course Buy-Outs
- Compensation/Retention
- Cluster Hire Funding
- Travel
- Faculty Start-Up Packages
Additional Resources
We will continue to provide you with resources and updates regarding our new budget model.

**Resources Available:**

<table>
<thead>
<tr>
<th><strong>This presentation</strong></th>
<th>This presentation will be emailed to you following today’s meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Webinar</strong></td>
<td>A budget model webinar is available on the Planning &amp; Budget website: <a href="https://www.ucr.edu/about/admin/vc_planning/fao_webinar.htm">https://www.ucr.edu/about/admin/vc_planning/fao_webinar.htm</a></td>
</tr>
<tr>
<td><strong>Planning &amp; Budget Website</strong></td>
<td>The Planning &amp; Budget website houses multiple resources regarding the new budget model, including presentations, SLAs and SIF information</td>
</tr>
</tbody>
</table>

[https://www.ucr.edu/about/admin/vc_planning.html](https://www.ucr.edu/about/admin/vc_planning.html)
Having correct data in Banner and Payroll is critical for an accurate tuition calculation in the budget model.

The following data must be accurate by the end of the 3rd week of each term:

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

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

This information tells us what School/College should receive the credit for teaching each course.
The new R’Projects website is now available through R’Space

http://rprojects.ucr.edu
R’Projects will help units create project requests

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

- **Review project information**
  - R’Projects provides information on project types, funding resources, UCR and building infrastructure, and other typical project information

- **Understand project timeline**
  - R’Projects outlines project life cycle and typical reasons why project timelines could be extended

- **Identify preliminary costs**
  - R’Projects includes a cost estimating tool to identify preliminary project cost information