

Campus Finance Committee Meeting

Date: September 23, 2021

Time: 9:00 AM

In Attendance

Elizabeth Watkins, Gerry Bomotti, Anil Deolalikar, Brian Haynes, Christopher Lynch, Deborah Deas, Jason Stajich, Jeff Girard, Jennifer Brown, Juliet McMillian, Katherine Kinney, Kathryn Uhrich, Kevin Vaughn, Louie Rodriguez, Mariam Lam, Peter Hayashida, Rodolfo Torres, Shaun Bowler, Steven Mandeville-Gamble, Yunzeng Wang, Student Representative Elysha Castillo and Lorissa Zavala (support)

Opening Comments – Liz

The committee is to review the UCR decentralized budget model review document (put together two years ago), drill down to recommendations, review what was implemented, and use the document as a guide for our next steps.

Chancellor Approved Budget Model Recommendations

Document attached

Salary and Benefits – Gerry

- We moved to the new budget model and there were certain revenue streams moved from central campus to schools and colleges.
- We highlighted that we may need to look at sharing the cost of salary and benefit increases across campus in certain circumstances, and because of Covid we had to look at this during an economic downturn. There aren't enough revenue streams to guarantee that central can cover salary and benefits increases on an annual basis; we'll do our best to cover those centrally as feasible.

Salary and Benefits Discussion – All

Q: This includes faculty, staff, and even TA's. Are TA's included?

Gerry: Central covers core funded staff (represented and non-reps), all faculty and TAs (FTE at the start of the budget model only). If they're student employees, no, but benefit employees, eligible, yes, they're included.

Recharge Rationalization - Gerry

- ITS recharge rationalization came out about same time as the new budget model; we centralized a bunch of staff. We noticed that when you eliminated any charge for the activity, as you might expect the level of activity and expenditures went way up.
- We went back to areas and said, for example, if you are having a whole bunch of events, then you need to take responsibility for the cost of sets up and management, so we moved back to some recharge activity for areas that were heavily impacted. Areas we didn't move forward with later on is that IT infrastructure fee, and that was also on the table. I think we have a solution on the near term but don't expect that to come back.

Recharge Rationalization Discussion - All

Q: You mentioned specifically programming and custodial. Is there an opportunity to revisit recharge rationalization?

Gerry: Sure, prior to merging facilities and custodial (Housing and Dining, HUB, etc.), those issues were handled within the appropriate org unit. Discussions about costs for these services, and what services are priority, are part of the annual budget process within those specific units.

Liz: Are you suggesting, Brian, we need to look at what auxiliaries are being charged for recharge? Maybe you and Gerry can put together a small subset to have a better sense of parsing that out?

Facilities Renovations and Support – Liz and Gerry

- Faculty lab renovations under 50K, but not above, do not require external bidding per state law. We still have the issue of deferred maintenance. Note that the majority of our deferred maintenance funding comes from the state, and our share of the UCOP allocation was \$9M in FY20, \$0 in FY21 and 20.5M in FY22 for deferred maintenance (the highest amount we have received).
- In total, the campus deferred maintenance backlog is projected at \$650M.
- This budget model recommendation item is to address issues that seem unfair across the campus. If the building is up to code, a minor renovation may be well under 50K, while a building requiring asbestos remediation and other required maintenance would be forced to bid externally for the project, increasing the projected cost to well over 50K.
- In those cases, and under this change in the original budget model, the campus would provide some funding as a cost share given that an internally ran project would be substantially less than one in a building with additional issues.

Facilities Renovations and Support Discussion - All

Q: What was the cost?

Gerry: There were individual evaluations. If a building can accommodate the proposed program/activity, and if the issue is a code item to improve the entire building, then we'll pay for all of that specific part of the project; it's not a fixed percent based on a specific project.

Q: What about seismic requirements?

Gerry: UCOP agreed as a policy they would meet state hospital requirements that exceeds the federal requirements by 2030. That's the issue all UC's are dealing with. That seismic liability across all of the UC is more than \$20 billion. Even if the UC had \$20 billion for seismic right now, it would not be feasible to complete all this work by 2030.

Q: There is deferred maintenance at every university. Of that \$650 million, what is it that we must do immediately?

Gerry: Everyone has some backlog with deferred maintenance. We project that at least 25% of that total needs immediate attention; much of these are related to buildings that started the campus from 50-60+ years ago, including, mechanical, electrical etc. That's not to say 20-year-old buildings don't have issues, they do. As we go through Spieth, there is every issue imaginable. Our new AVC for Facilities Services should be starting next Monday, and one of his goals is to help us better track and address DM priorities.

Liz: Adam Schnirel is from UCSF. Facilities will need to show us the metrics on which we've rated them and it might be useful for this group to opine. We've not allocated any amount of core central budget each year to do those DM projects, and this is something to think about because we need safe buildings.

Rapid Growth of Assessments to Auxiliary Units – Gerry

- The new budget model had an unintended consequence of running up the assessments on campus self-supporting programs, at an alarming rate. The campus realized it needed to cut back assessments to auxiliaries so they're not unreasonable. We froze assessments where they were in FY19 and moved back to the Administrative Cost Recovery (ACR) formula to come up with assessing expenses of any self-supporting or auxiliary unit. There was a 3-year phase-in plan which is ending in FY22 and so FY23 assessments will be based on the new formula applied to FY20 expenses.

Rapid Growth of Assessments to Auxiliary Units – Discussion All

Q: Are self-supporting degree programs subject to this formula as well? The Academic Senate is reviewing this, right?

Jason: Yes, we're getting feedback right now.

Gerry: (see updated and more precise information from FP&A.) *FP&A Note* – The first \$1M in expenses are taxed at 9.7%, \$1M to \$8M at 8.1%, and anything over \$8M at 7.2%. The assessment is to the expenses 2 years prior so that units are able to predict and plan for the assessment expense.

Financial Aid is not included as those expenses are in Financial Aid for UGs and Grad Division for Grads.

Q: Are there smaller taxes on smaller schools and colleges?

Gerry: To be honest, we're talking about housing and dining and maybe the SRC. There's not many that get that highest-level assessment; very few.

Q: Is there any discussion as to why self-supporting degree programs are part of this? Shouldn't they be separate?

Gerry: Self-supporting programs have to pay all costs, under Board of Regents policy. Some of that money goes to Grad Division, libraries, admin overhead, and running the university. It's noted we have not had a campus policy for self-supporting degree programs that complies with UC policy. There is a draft policy over at the Academic Senate outlining where the money should go. Full disclosure, self-supporting programs put a burden on the Grad Division processing beyond what the college does.

Yunzeng: From our perspective, we always pay every year.

- A policy change may redirect the revenue and is not necessarily an increased assessment.
- Right now, a proposed campus policy for self-supporting degree programs is going through Academic Senate review. Part of the proposal distribution has some programs directly impacted.

Liz notes this is a side conversation that affects half a dozen programs. Specific questions should go to FP&A.

Student representative asks what a self-supporting degree program is.

Liz: Self-supporting program: A new method was developed at UC originally intended to be for working professionals, a master's of advanced studies. Over past 20 years this expanded to operate new master's programs through a tuition model, directly to the campus, and not through the state. There is a formula where the program pays for faculty, counselors, etc. Other campuses have 20 – 30; we have 6.

Some costs associated with SSDP have blurred lines, from the use of facilities, faculty time, academic integrity of the programs – that is an ongoing conversation. Those programs have to cover all their costs. If you're teaching in a classroom after hours, the program pays for it, pays for cleaning, so we try to be reasonable.

These tend to be online, master's programs; no PhDs and no bachelors

Old Budget Model Structures – Gerry and Liz

- These were commitments shifted over to schools and colleges.
- We are moving faculty start-up costs completely to schools and colleges. A subset of us will be working on the allocation methodology. Two-thirds of FA funding that has gone to the center is proposed to be sent back to schools and colleges to use as the deans see fit.

Old Budget Model Structures – Discussion All

Question: Two-thirds of what may be redirected to schools and colleges?

Answer: Two-thirds of the 40% of F&A that went to central will be re-allocated to colleges and schools going forward.

UG Non-Resident Tuition - Gerry

- In the original budget structure, the center lost \$2k for every non-resident that came in, so we proposed a change in structure.
- Now schools and colleges still get more money than they would with a CA resident, but there is a return to aid off-the-top prior to any allocations. It's a very, very small amount of non-resident tuition we bring in compared to the total core budget.

UG Non-Resident Tuition Discussion - All

Q: Did we become broke because we spent all the funding trying to get students and discount tuition, or because of financial aid?

Gerry: The percent going to financial aid was in the 40% range which seemed off. It was moved down to the lower 30% range and has stayed. We try to watch non-resident scholarships. It's not going to work if we discount it so much we get less money.

Q: We're not required to get out-of-state or out-of-country students?

Liz: That is a whole other discussion. We need to discuss how we're recruiting and who is going to get what scholarships. Volunteers for this sub-group are Chris, Yunzeng, Kevin, Alicia, Brian for Athletics, and Marko. The latest report is that we allocate 35% of the non-resident tuition income to scholarships/incentives to attract non-resident students. How are we deploying incentives, and are they not working to our advantage? Add Emily to this for out of state recruitment. It's obviously not happening this year, but we can put structures in place so that we will see projections. We'll work on getting this group together.

Yunzeng: Business adds volume to non-resident tuition.

Chris: The schools get more money than they would for a resident student. If the incentive goes down, will college revenues go up? It is important for the dean to be talking to international affairs if they're setting these rates.

Credit Hour Weighting - Liz

- Put this on our list. Scott Heil from IR has been working with the Delaware dataset. We don't want to start the conversation until we have the data to inform our discussion.

- There was a committee that recommended FTE weights by school/college and joining the Delaware cost study consortium. We will circulate that report to everyone, and we expect updated Delaware data to allow us to review the subvention funding as well as FTE weights.

Masters Level Incentives Discussion - All

- This presentation is TBD, led by Shaun.

Q: School and colleges have “bachelors plus masters in five year” programs as overall plan to increase Masters enrollment. Do you want to be involved or sub off to the Deans Council?

Jason: You heard from the Graduate Finance Committee. I don’t know if you want to go back to that committee as they had suggestions. We were just about to start discussions about PhD support.

Kathryn: Note, interdisciplinary PhD programs have separate issues to address.

Liz: As far as programmatic support, Kathryn, it’s mainly in CNAS, with some overlap with BCOE and CHASS (neuroscience). Kevin Esterling’s committee report explained all problems, but I didn’t see a path forward. We can review and try to glean opportunities.

Jason: I request we hold master’s incentives at the college level, and leave it up to the deans as to what and how to implement. We’re asking the Grad Council and P&B to give us creative input on how to solve funding level decisions. We need to circle back re: goals/solutions.

Anil: Ph.D. students with a designated emphasis may end up taking masters classes, while masters enrollment increased in the last 2 years, those PhD students end up displacing our students and we get no resources coming in. The center may want to build in some incentive for these costs.

There is a bigger issue of PhD students being adequately supported.

Liz: There is systemwide encouragement to offer 5-year support packages to PhD students, consisting of TA-ships, GSR-ships, etc. Where are we in terms of UCR meeting that goal?

Response: We do. Collectively if we can offer support without hindering programs it would probably help with recruitment.

Can it just be on progress and grades? How do you backstop if a grant is lost or a TA-ship? Where does the burden fall for the safety net? The stipends we are offering to students are not livable.

How does the financial system reward or penalizes colleges in relation to this?

Gerry: We spent \$24M in the first year for PhD student support. Relative to this \$24M for first year PhD students, we did an analysis on how much UCR spends on graduate education per year and the latest fiscal year numbers were approximately \$105M, including all revenue sources.

Q: Does that amount include TA-ships?

Gerry: Yes. It includes what goes to grad division to support graduate students.

PhD Support - Gerry

- A bigger issue is that PhD student support and growth was not in the budget model and its core in our mission.
- That issue does need to be addressed because it is not in our model to grow it at all, so it does seem to be something critical missing.

PhD Support Discussion - All

Liz: Faculty are writing grants supporting postdocs rather than grad students. It's more imbalanced than I thought. Postdocs don't have to take classes and can work all the time. There needs to be a larger conversation about how PhD students fit into the ecosystem and about how PhD students fit into revenue/expenses.

Chris: Going back to Anil's comments on masters, a policy would affect us. BCOE has a large Master's program; if our students were taking courses in CNAS or SPP, that part of the revenue should be shared. Maybe we have an offline discussion on how to split it up with some of these smaller programs providing support.

Anil: Incentives are not built in. From our point of view, if we have to accommodate PhDs in our courses, should we get more funding? if we get undergraduates, then we get their funding/FTE.

Liz: What I hear is an aspirational direction in moving masters/PhD formula that matches UG. This is on the table.

Performance Funding – Gerry and Liz

- Gerry: Performance funding has never been implemented; there's no money. Would it be feasible to set aside some type of money as one-time incentive based funds and determine what the follow up is going to be?
- Liz: The WASC report indicated a tuition-based reward for graduation rates. However, this performance piece was not designed prior to budget model, and when the model was refined, the reward was redirected to salary/benefit increases.

Performance Funding Discussion – All

Yunzeng: One of the issues is how are we going to allocate and determine performance when it's measured by UCR.

Dana: Faculty themselves determine quality / standards of units. It seems like a mess, and research quality would be removed from the units themselves.

Liz: We're dealing in the wildly hypothetical; we have no money. I don't see a point, given everything that needs to be figured out, faculty would be determining metrics. Dana, let's have a separate

conversation regarding evaluating/rewarding contributions but that is for a separate nonfinancial group.

SOM Undercapitalization

- Chancellor Wilcox was successful in obtaining \$25M in annual recurring state allocation for SOM.

Need for Increased Central Funds and Reserves

- We need to explore viable ways (as we did at the retreat) to ensure that not everything falls on the units.

Process Changes to be implemented as soon as possible – All

- Budget Process Interaction with Campus Strategic Plan and with Academic Senate. It was never implemented.
- How do we put the strategic plan front and center and how does this drive revenue allocations?
- How do we deal with those collective governance groups and engage them in the strategic plan?

Q: what does that now mean since campus strategic plan is put on hold?

Liz: It has been my observation one of the challenges of strategic plan integration in the budget process is that it's seen as a way to get in line for some money. If you didn't see yourself there, you wouldn't get funding. I'm still wrestling with how we reconcile this issue. What is the portfolio we should be going for? Yes, there is meaningful budget work and I don't know if there is a roadmap, it's not as if there are extra resources to be allocated. Actually, we did have additional resources, and they were allocated to IT. Deferred maintenance needs to be addressed before we can articulate what that vision is.

- Rodolfo: support faculty that supports sustainability.
- The strategic plan must be organic from ground level, how engaged faculty become in that issue.
- Budget is tethered to functionality like IT, staff, and buildings not crumbling. We are focusing on reserves, increased revenue, and deferred maintenance.

Liz: If we're untethering this (the strategic plan), we might mean it's not happening for future allocations, but it seems like two separate conversations given the exigencies we need to fund in student success, research, and in community/public engagement.

Jason: We're aligned in budget process with strategic initiatives. I would agree with that and from my perspective its strategic initiatives/additions.

Gerry: The textbook idea is that the strategic plan drives priority investments. If there is not a strategic plan then the budget is the strategic plan because it represents where you allocate your resources.

Liz: The way we run budget is not unified. There is a modest amount of central funding but most agency authority is in schools and colleges. There are 30 different orgs trying to agree to the same thing. There is a challenge of having an overarching plan. This made it clear that people have difficulty coming together on commonalities.

Gerry: We can argue for allocations in priority areas.

Kathrine: In lean times, the strategic plan is more needed than ever.

Dana: Regarding the committee on planning and budget – is someone keeping an eye on various means, and setting values and noting where the disparities are? That is a concern our committee has – is there someone noting what isn't ok at our campus?

Liz: Dana, what would be a solution to the problem? With the covid budget cuts, and managing that process, is there a set of principles that can be basic or necessary to use? It would be great if the committee could write up a proposal of guiding principles so we have that oversight. Perhaps you might take on that activity as an agenda for this fall.

Action Items

1. Recharge Rationalization: Brian and Gerry to put together small subset to discuss the ongoing charges associated with the merging of facilities/custodial and whether or not those services are being provided in relation to what they cost. Brian is in the lead on acting.
2. Deferred Maintenance: A prioritization list of whatever facilities thinks needs to be done, including ratings and metrics (and an explanation of each) to understand the severity and complexity of issues.
3. Central commitments: Gerry, Liz, Rodolfo, and the school/college deans to work on new allocation methodology for faculty start-up funding.
4. NRT: Chris, Yunzeng, Kevin, Alicia, Brian (and add Emily and Marko) to form group to discuss how the campus deploys non-resident tuition incentives
5. Review Credit Hour Weighting recommendations with supporting IR data. Use existing CFC committee to circulate additional data.
6. Liz and Katherine to review Kevin Esterling committee report on PhD issues to glean opportunities for interdisciplinary programmatic support
7. Campus Strategic Plan: Dana to coordinate with the committee on planning and budget. Write up guiding principles for CFC to use.

Next Meeting

Thursday October 7, 2021 9:00 AM

<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Denied
<i>[Signature]</i> 2/5/19	
Kim A. Wilcox, Chancellor	

MEMORANDUM

Date: January 18, 2019

To: Kim Wilcox, Chancellor, University of California Riverside

From: Cynthia K. Larive Larive, Provost and Executive Vice Chancellor
Gerry Bomotti, Vice Chancellor for Planning, Budget & Administration

Re: Final Recommendations on Adjustments to Campus Budget Model

Cynthia Larive
[Signature]

As you know, we have been working to review the new budget model the campus implemented three years ago, to determine if any adjustments would be valuable for UCR. The new budget model has been well received, but in this review, we did notice some areas where we believe we can adjust the model and strengthen its support for UCR. We have completed our evaluation of input on the campus budget model and are recommending specific action to improve our process, as defined in the attached document. We would be happy to discuss this document with you and address any questions you may have.

Thank you

Attachment

UCR Decentralized Budget Model
Recommendations for Budget Model Refinements
Final – 1/18/19

EXECUTIVE SUMMARY

Following consultation with the campus community, we recommend the following refinements to the budget model. Details regarding each recommendation may be found in the [budget model refinement document](#).

This document presents recommendations in several sections:

- I. Recommended actions effective 7/1/19
- II. Recommended actions effective 7/1/20 and beyond (but require planning starting now)
- III. Process changes to be implemented as soon as possible
- IV. Further actions that are related to the budget process, but were not specifically part of the previous drafts

Additional items found in the budget model refinement document but without specific recommended action may be found in Appendix A.

It is also important to highlight the changes in recommendations from the 12/6/18 draft refinement document circulated to the campus, summarized below:

- Rapid Growth of Assessments to Auxiliary units: A new proposal has replaced the previous options.
- Undergraduate Non-Resident Tuition Distribution: An incentive for recruitment and retention of international students has been added.

I. RECOMMENDED ACTIONS EFFECTIVE 7/1/19

RECOMMENDED ACTIONS EFFECTIVE 7/1/19				
Topic	Recommendation	Lead	Timeline	Financial Impact
Salary and Benefits	Annually establish a sliding scale based on central state/tuition income for coverage of salary and benefit costs if new core revenue is insufficient to cover the mandated salary and benefit costs. The goal would be to cover these costs centrally to the extent possible. However, if central campus is not able to fully fund these costs, the Governance Committee would then provide recommendations to the Chancellor regarding what portion of the costs should be covered centrally on an annual basis.	VCPB	January- June 2019: FP&A Modelling FY19-20: Implementation	\$15M+ per year
Recharge Rationalization	Return specific ITS, Facilities and Human Resources services back to recharge effective 7/1/19. Services to be transitioned are outlined in Appendix B. Rates for these services will be reviewed by the Rate Committee and approved by the Governance Committee prior to implementation.	FP&A	7/1/19: Implementation	TBD
Facilities Renovations and Support	Implement an appropriate institutional cost-share approach on renovations. Develop a priority process for renovations in the Schools/Colleges, with specific attention to faculty start-up and support spaces, including wet labs, dance studios, etc.	Facilities Services	7/1/19: Implementation	TBD
Rapid Growth of Assessments to Auxiliary Units	Replace the current assessment with a sliding scale percentage of prior year expenditures as an Administrative Cost Recovery (ACR) charge to self-supporting and auxiliary units. Under this scale, the first \$1M of expenditures would have a rate of 9.6%. Expenditures from \$1M to \$8M would be assessed at 7.9%. Expenditures above \$8M would be assessed at 6.2%. This implementation will be phased in over 3 years as demonstrated in Appendix C.	FP&A	7/1/19: Implementation	Negative financial impact during the 3-year phase in as the campus will not be able to increase assessments to fund other activities
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. These commitments total \$1.3M and include the following: <ul style="list-style-type: none"> • Dean/VC (Executive) Searches- \$250,000 • Yellow Ribbon Program Match- \$50,000 • Executive Severance- \$160,000 • Staff Severance- \$500,000 • Faculty Searches- \$350,000 	VCPB	7/1/19: Implementation	\$1.3M

RECOMMENDED ACTIONS EFFECTIVE 7/1/19 (Continued)				
Topic	Recommendation	Lead	Timeline	Financial Impact
Undergraduate Non-Resident Tuition	<p>Scholarships and discounts are currently taken off the top. Implement a new allocation methodology such that the remainder is split 70% to central and 30% Schools/Colleges.</p> <p>Central campus will also provide the Office of International Affairs with additional funding of \$1,000 per additional student per academic year for students paying at least 75% of the full non-resident tuition amount. Additional students are defined as those above the 600 base number projected for FY18-19. The purpose of these funds is to support activities that enhance the recruitment and retention of international students.</p>	Provost, VCPB	7/1/19: Implementation	<p>Original Model: Central campus lost \$2K per NR student</p> <p>Current Model (Central at 30%): \$7.3K per student to Central</p> <p>Proposed Model (Central at 70%):</p> <ul style="list-style-type: none"> \$13.6K/student to Central \$6.9M to Central at 5% UG NRT \$13.79M to Central at 10% UG NRT Schools/Colleges still receive more funding for NR students than resident students under proposed model <p>International Student Allocation: Every increase of 1 international student over the current base would financially benefit the International program by \$1k/year, assuming they paid in most of their tuition and they were not covered through other means.</p>

II. RECOMMENDED ACTIONS EFFECTIVE 7/1/20 AND BEYOND

RECOMMENDED ACTIONS EFFECTIVE 7/1/20 AND BEYOND				
Topic	Recommendation	Lead	Timeline	Financial Impact
Credit Hour Weighting	<p>Establish credit hour weights for the tuition workload calculation, which would be applied to all growth in credit hours.</p> <p>Academic Senate Committee on Planning and Budget (CPB) could lead this initiative (if feasible) with a charge from the Provost and VCPB. This Committee should also consider how these weightings will impact TA funding.</p>	VCPB and appropriate committee.	<p>By Fall Qtr. 2019: Cmte. to provide recommended set of weights</p> <p>Winter Qtr. 2020: Cmte. to develop implementation strategies</p> <p>FY20-21: Implementation</p>	Change in allocation between Schools/ Colleges of the same fixed amount of money.
Masters Level Incentives	<p>Work with the Graduate Council and Graduate Dean to address current lack of financial incentives for masters student growth, especially when some program declines offset growth in others in the same School/College.</p> <p>As self-supporting degree programs are not currently included in the budget model, this group should also consider if these programs have the correct incentives as compared to state-funded programs. The group will also develop a list of recommendations regarding the establishment of these programs to ensure alignment with the best interests of the campus.</p>	Graduate Dean	<p>FY19-20: Consultation</p> <p>FY20-21: Possible Implementation</p>	TBD
Ph.D. Support	<p>Provost to form and lead a committee 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. Members on this Committee might include the following:</p> <ul style="list-style-type: none"> • Graduate Council representatives (2-3) • BCOE Dean • CHASS Dean • CNAS Dean • GSOE Dean • SOM Dean • 2 faculty members at large appointed through Senate process <p>This group should also consider if the current model is incentivizing the hiring of Postdocs over Ph.D.'s as GSRs.</p> <p>Going forward, report "graduate" enrollment with specific categories, including Ph.D., in order to track the percent of Ph.D. over time as an important metric.</p>	Provost	<p>FY19-20: Consultation</p> <p>FY20-21: Possible Implementation</p>	TBD

RECOMMENDED ACTIONS EFFECTIVE 7/1/20 AND BEYOND (Continued)				
Topic	Recommendation	Lead	Timeline	Financial Impact
Performance Funding	Provost to form a committee to develop priority performance metrics for allocation of one-time funding beginning as early as FY20-21.	Provost	FY19-20: Convene Workgroup FY20-21: Implementation	TBD
School of Medicine Undercapitalization	While not technically a budget model issue, the undercapitalization of the School of Medicine is of significant financial importance to UCR and should be highlighted in discussions involving campus finances. Senior leadership will continue to work with UCOP and the state legislature to increase base funding for SOM.	Chancellor and Provost.	Ongoing lobbying at State level	\$25M shortfall in base funding
Need for Increased Central Funds and "Reserves"	Several of the recommendations outlined in other areas will serve to increase central campus funding. Establish mechanism to track "reserves" in the Schools and Colleges.	FP&A	Ongoing	
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. Members for this committee might include: <ul style="list-style-type: none"> • VCPB (Chair) • Dean of UNEX • Dean of a Professional School • Academic Senate Committee on Planning and Budget Representative • University Advancement Development Representative • VCRED Office of Technology Commercialization Representative • 2 faculty members at large 	VCPB	FY19-20: Convene Workgroup FY20-21: Initial implementation with continued work in this area	

III. PROCESS CHANGES TO BE IMPLEMENTED AS SOON AS POSSIBLE

The recommendations below relate to the campus processes surrounding the budget model. Many of these changes will be incorporated in this year's annual budget process, beginning January 2019.

PROCESS CHANGES TO BE IMPLEMENTED AS SOON AS POSSIBLE				
Topic	Process Change	Lead	Timeline	Financial Impact
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.	Provost, VCPB	January 2019: Convene Governance Committee to discuss	
Multi-year Budget Model	Transition to a 2-year budget model. Documents prepared in the annual budget process will now include 2-year projections.	FP&A	January 2019: Include 2- year projections in budget templates	
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.	FP&A	January 2019: Include fixed cost increases in budget templates	
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.	FP&A	February-March 2019: Work with campus units to redesign 7/1/19: Implementation	
Funding Schedule for Enrollment Growth	Implement the following tuition funding allocation schedule for enrollment growth: <ul style="list-style-type: none"> • 50% funding in September based on enrollment projections (temp only) • First "true-up" in November based on fall enrollment (temp only) • Final "true-up" in the spring (based on 3-quarter average actuals; temp and perm) 	FP&A	Implemented	
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.	FP&A	February: Budget process call letter will include July-December allocations September: Annual budget letter	
Tracking of "Permanent" Positions/ Commitments Funded on Cash	Revised budget templates used in the annual budget process will track these positions and commitments.	FP&A	February 2019: Budget templates to track positions/ commitments	

IV. FURTHER ACTIONS IN KEY AREAS

The following areas were referenced regularly throughout the consultation meetings and budget model survey. Specific actions already undertaken in these areas include:

FURTHER ACTIONS IN KEY AREAS				
Topic	Action	Lead	Timeline	Financial Impact
Campus Core Research Facilities	The Vice Chancellor for Research and Economic Development is currently drafting a proposal to outline central support for core campus research facilities.	VCRED	FY19-20: Consultation regarding VCRED proposal with Provost and Deans Begin Implementation as soon as feasible, perhaps in a phased manner.	TBD
F&A Distribution	The Provost will continue to work with the Deans to include language regarding centers in the F&A distribution policy.	Provost	FY19-20: Consultation FY20-21: Implementation	

APPENDIX A: ITEMS WITH NO IMMEDIATE ACTION

In order to focus on high-priority items listed in the recommendations above, and based on campus feedback we received on these issues, we recommend that no immediate action be taken with regard to the areas listed below. Further information for each topic may be found in the budget model refinement document.

Topic	Description
Space Weights	The current budget model does not distinguish cost for space. General weights for the type and quality of space on campus could later be incorporated in the budget model.
Economic Downturn Scenario	The budget model assumes the influx of new resources every year as well as adequate funding for fixed cost increases. It would be important to have some policy assumptions in the future as to what steps the institution would take when an economic downturn presents itself.
Financial Reporting	Automated access to financial reporting to assist campus units in financial operations should be addressed. However, campus efforts should remain focused on UCPATH reports in the near term.
Graduate Student Fees vs. Services Provided to Them	A concern has been raised about what fees graduate students now pay balanced against the services they receive and whether this should be reviewed relative to the same analysis for undergraduate students. The Vice Chancellor and Student Affairs and Dean of the Graduate Division would be positioned to perform this analysis related to the student services fee.
Summer Sessions	A proposal to integrate Summer Sessions into the budget model, treating it similarly to Fall, Winter, Spring was introduced to the campus during the consultative sessions. Based on multiple concerns of Senate faculty, the Summer financial structure should not be changed at this time.
Existing Base Budgets	The 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 have been accurate.
Sustainability	There are no significant sustainability measures in the existing budget model.
Funding/Treatment of Specialized Programs	The model does not address a number of specialized campus programs or units, such as the Natural Reserves programs, Ag ops and the Botanic Garden.
Online Education Incentives	The model does not include any incentives related to online education.
Deferred Maintenance Funding	The need for deferred maintenance across campus exceeds available funding. Setting priorities for addressing deferred maintenance is therefore an important undertaking for the campus, including a new Decision Memorandum (DM) process to more carefully evaluate and prioritize needed investments.
Interdisciplinary/ Intercollegiate Programs	Interdisciplinary/Intercollegiate activities are not addressed by the model.
Professional Development for CFAOs and Department Level Management	Consideration might be given to developing a formal training process for this critical group of employees.
Technology Systems Investment Fund	The campus currently does not have a funding strategy for campus IT systems.

APPENDIX B: SERVICES TO BE MOVED BACK TO RECHARGE

Specific services to be returned to recharge 7/1/19 include:

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
Human Resources	Non-mandatory Human Resources (HR) professional development courses	HR-led courses which require the purchase of licensed material, to include, but not limited to, the following: <ul style="list-style-type: none"> • 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.	TBD
	CORO	Campus units will now be charged for CORO participation	TBD

* 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.

In reconsidering recharges, we recommend that Environmental Health and Safety (EH&S) focus primarily on faculty and instructional labs. Waste disposal for administrative units should be included in the project costs going forward.

We further recommend the following new recharges which will need to be approved the annual budget process:

New Recharge Rates	
Service Provider	Service
ITS	Renewal and replacement
	Online course support
Planning, Design and Construction	Fire and Life Safety Program ¹

¹This 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.

APPENDIX C: PHASED-IN ACR ASSESSMENT METHODOLOGY FOR AUXILIARY UNITS

We recommend the following ACR assessment for auxiliary units to be phased in over 3 years:

Auxiliary/Self-Supporting Unit Assessment Modeling								
Unit	Old Methodology ¹		Budget Model Indirects ²			Recommended Refinement ³		
	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	ACR FY19-20	ACR FY20-21	ACR FY21-22
UNEX	\$1,365,513	\$1,363,418	\$1,254,869	\$1,235,783	\$1,181,477	\$1,263,706	\$1,345,935	\$1,428,164
Housing/Dining	\$3,479,429	\$3,614,042	\$4,649,179	\$4,125,659	\$4,488,466	\$4,497,253	\$4,506,040	\$4,514,827
TAPS	\$680,339	\$690,032	\$450,939	\$394,686	\$443,985	\$462,404	\$480,822	\$499,241
Bookstore	-	-	\$81,604	\$65,198	\$39,755	\$38,907	\$38,060	\$37,212
R'Card	\$13,160	\$13,794	\$23,124	\$20,024	\$22,693	\$23,703	\$24,714	\$25,724
Early Childhood Services ⁴	\$18,047	\$126,251	\$497,905	\$328,980	-	-	-	-
HUB ⁵	\$188,490	\$207,901	\$239,321	\$244,593	\$194,953	\$190,736	\$186,519	\$182,301
Student Rec Center	\$318,299	\$348,141	\$815,144	\$945,901	\$1,051,914	\$930,361	\$808,808	\$687,255
Student Health Center	-	-	\$524,868	\$523,664	\$506,617	\$510,482	\$514,348	\$518,213
Faculty Housing	\$18,502	\$20,521	\$9,630	\$11,229	\$6,045	\$18,809	\$31,572	\$44,336
Charge Received by Central Resources	\$6,181,779	\$6,384,100	\$8,546,583	\$7,895,717	\$7,935,905	\$7,936,361	\$7,936,817	\$7,937,274

¹ Assessment of expenditures at 6%.

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

³ Sliding scale percentage of prior year expenditures under which the first \$1M of expenditures is assessed at 9.6%. Expenditures from \$1M to \$8M assessed at 7.9%. Expenditures above \$8M assessed at 6.2%. These assessments would be phased in over 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.