

UCR Budget Primer

prepared for Senate Committee on Planning & Budget
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Abstract

This document is to give an overview and rough budget numbers for the UCR campus. It is intended to bring academic senate members up to speed on the budget and the budget process. Numbers are taken from the 2019-2020 Operating Performance Model report, the FY20 [Financial Dashboard report](#) and the [Campus Financial Schedule](#).¹

1 Campus Budget

All numbers in this document have been rounded to a few significant digits. The goal is to give relative sizes, not precise details (which can change depending on the year and how the numbers are calculated). The campus's total budget is roughly \$1 billion. UCR's core instructional budget (not counting auxiliaries like Housing and Parking) is roughly \$600 million. The budget can be broken into revenues (money coming in) and expenses (money going out).

1.1 Revenues

The campus has four major types of revenue: State funding, Tuition, Grants/ Contracts/ Gifts, and Other.

State UCOP distributes money from the state according to a complex formula. The basics are that UCR is funded based on *budgeted* students, excluding non-resident undergraduates, with PhD students counting for 2.5 times the amount and health care students counting five times the amount (except that UCR's medical students are not counted, see below).² The UCOP formula is based on undergraduate student FTE (credit hours taken) and graduate student headcount. The School of Medicine is funded directly by the state legislature (\$40 M annually).

Category	Subcategory	Revenue
State		\$275 M
Tuition & Fees		\$334 M
	Undergraduate	\$241M
	Grad/Prof	\$ 33 M
	Summer	\$ 15 M
	Self-Supp. Prog.	\$ 15 M
	Campus Fees	\$ 33 M
Grants/Gifts		\$231 M
	Federal Grants, direct	\$106M
	Federal Student Aid	\$ 62 M
	Private Gifts	\$ 14 M
	Other Grants/Contracts	\$ 50 M
Other		\$138 M
	Auxiliary /Services	\$ 93 M
	Other revenues	\$ 45 M

2019-2020 enrollments were 22,055 undergraduates and 3493 graduates (1096 Masters - including 114 Professional and 423 Self-Supporting -, 2103 PhD, 284 MD).

State funding supplies about half of UCR's core instructional budget. Tuition and fees fund the other half.

Tuition The Regents set tuition and some fees. UCR also imposes some campus fees. With the exception of professional and self-supporting degree programs, tuition is the same across all degrees at UC (graduate and undergraduate). UC is phasing in a cohort tuition model, which raises tuition for each incoming undergraduate cohort (who then have a fixed yearly tuition rate of up to six years for freshmen and up to four years for transfers). Non-resident supplemental tuition (NRST) varies by degree type. In 2019-20, undergraduate NRST made up \$24 M.

¹ The Fiscal Year FY20 refers to the period July 1, 2019 - June 30, 2020.

² UCR negotiates with UCOP every year to set budgeted enrollment targets (the number of students to enroll that year). The weighting formula described here may change with the UCOP rebenchmarking review now underway.

The graduate and professional program tuition revenue includes tuition paid from external grants or contracts. *Professional school degrees* have a supplemental tuition (PDST) that increases their cost. *Self-supporting programs* set their fees at a market rate to generate revenues for the program. These programs cannot use any state supported funds and must pay for the use of all campus staff, facilities and resources using program-generated funds.

Grants/Gifts All of the grants and gift sources are restricted (the use of the money is pre-specified) with the exception of the indirect cost recovery, which comes to the campus for reimbursement of audited costs..

Financial aid A mandated portion of undergraduate tuition goes to financial aid (now roughly 33%, scheduled to increase to 45%). This money is, of course, paid back as tuition. However, instead of reducing tuition by the amount of financial aid, we consider tuition revenue as the full revenue on all students, and take the amount paid in financial aid as an expense. \$73 M is directed to financial aid.

1.2 Expenses

As with most service-oriented enterprises, salaries and benefits comprise most of UCR's expenses. Salary and benefits increases for all employees are set by UCOP; for unionized employees like GSRs and TAs, increases are mandated by negotiated contracts. GSRs and TAs are counted in the academic salary and benefits categories. Non-salary support includes graduate tuition payments from grants. Other operating expenses include debt service on buildings.

Category	Expenses
Academic Salary	\$254 M
Staff Salary	\$212 M
Other Salary	\$ 19 M
Benefits	\$184 M
Utilities	\$ 18 M
Supplies & Materials	\$ 54 M
Financial Aid	\$ 73 M
Other Operating Expenses	\$108 M

1.3 State and UC Budget Process

State appropriations to UC (*state general funds*) are set by CA legislators. The state budget is generally passed by the end of June, though amendments may change it through August. UCOP distributes state general funds to campuses according to the weighted formula described above (1: 2.5: 5). General funds cover a portion of yearly campus expenses. They do not cover deferred maintenance, seismic upgrades or new building construction.

State legislators may choose to provide additional funds for *capital* projects in the state budget. State funds for deferred maintenance and seismic are distributed to campuses by UCOP according to perceived campus needs. New building construction must be written directly by legislators into budget bills, which precisely define what buildings will be built and where. Additionally, legislators can help UC put a General Obligation (GO) bond on the CA general election ballot. GO bonds support capital construction and maintenance.

State legislators also pass budget appropriations that fund specific units and initiatives within UC (Labor Centers, student basic needs, UCR School of Medicine, etc.) These funds are disbursed as *set-asides* directly to individual campuses, which presumably use them to fund the intended initiatives. UCOP also uses some state general funds for set-asides for systemwide initiatives (Agricultural Experiment Stations, Allianza UCMX, UCDC, etc.)

State funds are a relatively minor component of UC's overall budget (though a very significant part of UCR's budget). Half of UC revenues come from UC Health and clinical operations; the other half from research and teaching operations. From a financial perspective, the University of California is now a health care provider as much as it is an education and research provider.

2 Internal Budgeting

UCR's budget is divided into two parts: the Core (instructional) budget and Auxiliary/ Self-Supporting. Core funds should not be used to support auxiliary activities. Below are examples of units under these two categories. Some units have both kinds of activities (such as an academic unit that has some self-supporting professional degree programs).

Core Budget: Academic Units

BCOE	CHASS	CNAS	SOE	SPP
SOBA	SOM	UG Education	Grad Division	

Core Budget: Central Administration

IT Solutions	Chancellor	Student Affairs	Acad. Senate	Central Resources ³
Fac-Plng-Constr	Provost/EVC	Enrollment Serv	Library	UG Financial Aid
HR	Univ. Advance.	Athletics	Research & Econ.	Grad Financial Aid
Plan. Budg. & Ad.	Intl Affairs	Palm Desert		

Auxiliary & Self-Supporting

Housing & Dining	Extension	Health Center	Bookstore	HUB
Faculty Housing	Parking	Rec Center	UCR Card	

2.1 Hybrid RCM Budget Model

UCR adopted a *hybrid RCM* (Responsibility Center Management) budget model in 2016-17. Prior to that year, the Provost/EVC controlled most of the core instructional budget. The Provost made most of the decisions about faculty lines, TAs, faculty start-up and retention packages, etc. The new model decentralizes budgetary responsibility and decision making to the Deans of the schools and colleges. There are no more staff or faculty "lines" held by central administration. Deans allocate their own schools' and colleges' budgets to hire and retain faculty, staff and TAs. There is an entrepreneurial aspect to the budget model in that Deans are also responsible for growing revenue. In other words, the most significant change with the new budget model was in UCR's governance structure.

The budget model is a "hybrid" because Deans do not have to cover every cost associated with running their schools and colleges. Central administration remains responsible for campus infrastructure, administration and research support, and also currently covers salary and benefits increases, including for merits and promotions. Graduate first-year stipends and other graduate supplemental funding are covered centrally by Graduate Division.

2.2 Revenues

Under the budget model, each school or college receives a *share of tuition revenue* based on its enrollment, a *share of its faculty's contracts and grant revenue*, and a *share of state general funds* ("subvention").

Tuition Fees for self-supporting programs and professional degree supplemental tuition go directly to those programs (minus the mandated amounts for overhead or financial aid).

Undergraduate tuition is allocated to academic units as follows.

- *Financial Aid: 30%* A state-mandated fraction is reserved for financial aid.
- *Central: 31%* This money is taken centrally to supplement state general funds.
- *Workload: 29.25%* Schools and colleges receive a share proportional to the number of undergraduate FTEs (credit hours) taught.
- *Headcount: 9.75%* Schools and colleges receive a share proportional to the number of undergraduate majors.

From the schools and colleges' perspective, 75% of their enrollment-based funding comes from workload (credit hours taught) and 25% comes from a headcount of majors in the college.⁴

Central administration retains 46% of undergraduate *non-resident supplemental tuition* (NRST) and 30% of masters NRST, and the remainder (net of financial aid) is distributed proportional to headcount (essentially returned to the enrolled college or unit). For PhD students, 100% of NRST goes to graduate student support (Graduate Division).

For *academic masters* students, 33% of the graduate tuition goes to fellowships (through graduate division) and 67% goes to the school or college of the student's major. For *professional masters*, 50% of the tuition goes to fellowships

³ Central Resources fund merit, promotion, salary and benefit cost increases.

⁴ Starting in 2022-23, all new enrollment above the 2021-22 level will be subject to *credit hour weighting*, which supplements tuition funding for schools/colleges deemed to have higher cost of instruction (cost of instructors' salaries and workload) Tuition allocations will be weighted differently to different schools and colleges.

and 50% to the school of college. For *PhD students*, 100% of the tuition goes to graduate division for fellowships. 100% of *professional degree* supplemental tuition goes back to the school. The school must spend at least 33% of this on financial aid.

Self-Supporting programs are subject to a campus assessment for overhead (secondary services and infrastructure), generally 10-15% of program revenue. The remaining tuition (minus fees) goes back to the school. The program sets its own rate of return to financial aid. *Summer tuition* is mainly distributed to academic departments.

<i>Central</i>	40%
<i>VCRED</i>	20%
<i>College</i>	25%
<i>Department</i>	10%
<i>PI</i>	5%

Indirect (Facilities and Administration, F&A) 12% of indirect revenue on contracts and grants is returned to UCOP (and not reported in any budget numbers here).⁵ The remainder is allocated as shown in this table. The PI portion is allocated based on the PI's primary affiliation and does not consider co-PIs.

Subvention The schools' and colleges' share of state general funds (subvention) is not allocated by a formula. Subventions were set up to provide continuity when the new budget model began. When the budget model was rolled out, the 2015-2016 fiscal year served as a baseline reference. Schools and colleges' share of tuition revenue (plus their share of F&A on contracts and grants and any other revenue) would not have been large enough to match their funding levels in 2015-2016. State general funds were used to fill the gap. These subventions have remained relatively constant since the new budget model was instituted (they are adjusted annually, mostly to cover salary and benefits increases). Below are 2021-2022 numbers for academic units' tuition allocation and subvention (general funds):

	BCOE	CHASS	CNAS	SOE	SOBA	SOM	SPP
Tuition	\$ 15M	\$ 50 M	\$ 29 M	\$ 5 M	\$ 10 M	\$ 2 M	\$ 1 M
Subvention	\$ 26M	\$ 91 M	\$ 74 M	\$ 6 M	\$ 5 M	\$ 42 M	\$ 4 M
Tuition % of gen fund budget	37%	55%	28%	42%	68%	4%	21%

Schools and colleges can grow revenue by increasing undergraduate and Masters enrollment (share of tuition allocation), increasing contracts and grants and/or other revenue sources such as self-supporting professional degree programs.

2.3 Expenses Below are academic units' expenses for 2019-2020.

	BCOE	CHASS	CNAS	SOE	SOBA	SOM	SPP
Acad Sal & Benefits	\$ 55 M	\$ 84 M	\$112 M	\$ 9 M	\$ 16 M	\$ 39 M	\$ 5 M
Staff Sal & Benefits	\$ 12 M	\$ 17 M	\$ 31 M	\$ 3 M	\$ 3 M	\$ 23 M	\$ 2 M
Contracts & Grants support	\$ 10 M					\$ 5 M	
Equipment & Facilities	\$ 6 M	\$ 1 M	\$ 7 M			\$ 6 M	
General Expenses & Supplies	\$ 9 M	\$ 7 M	\$ 21 M	\$ 2 M	\$ 2 M	\$ 25 M	\$ 1 M
Total	\$ 92 M	\$108 M	\$172 M	\$ 14 M	\$ 21 M	\$ 91 M	\$ 8 M

2.4 Shared Governance in the UCR Budget Process

The Provost convenes a Campus Finance Committee (CFC), which includes the Deans, several Vice Chancellors, the VC of Planning & Budget, the Executive Director of Financial Planning & Analysis, the Senate Divisional Chair and the Chair of the Senate Planning & Budget Committee. The CFC reviews changes to the budget model and advises the Provost on the use of any permanent or one-time supplemental funding.

Faculty Executive Committees of the Schools and Colleges can review their units' budgets and engage with the Dean on planning and budget issues. (This role is critical given the budget model's decentralized governance structure.)

The Senate's Planning & Budget Committee addresses the aspects of planning or budget it sees as most relevant. Typically, the committee meets yearly with the Deans and heads of other units to learn more about their budgetary situation. Often, the committee issues a report on planning and budget issues at the end of the academic year.

⁵ It is not a fixed percentage. 12% is just the current fraction, based on current grant funding.