Department Chair Leadership Training: Budget and Finance

MARCH 15, 2023

Presenters:

Veronica Ruiz, CFAO
Administrative Services and Strategic Executive Team (ASSET)

Sally Tavizon, Asst. Dean & CFAO
School of Education (SOE) and School of Public Policy (SPP)
Agenda

1. Budget and Finance within the University of California

2. Budget and Finance from a School/College and Department Perspective

3. Questions
Revenue and Expenses in FY21-22

~$1 billion total budgeted revenues and expenditures
Core revenue (state funds, tuition) plus Student Fees, Contract & Grants, Gifts, Sales & Service, and Auxiliary Services.

~$630 million core budgeted revenues and expenditures
Core revenue (state funds, tuition, F&A) used to fund the teaching and research operations for the campus

Projected Revenue and Expenses for FY22-23

~$1.12 billion total budgeted revenues and expenditures
Core Budget plus Student Fees, C&G, Gifts, Sales & Service, and Auxiliaries

~$670 million core budgeted revenues and expenditures
Core used to fund the teaching and research operations for the campus
CAMPUS BUDGET OVERVIEW

FY22 All Funds Revenue and Expenditures

- **All Funds Expenditures:** ~$1B
  - Academic Salaries
  - Staff Salaries
  - Benefits
  - Financial Aid
  - Other Expenses

- **All Funds Revenue:** ~$1B
  - CA State General Funds (State & UC)
  - Student Tuition and Fees
  - Contract & Grants
  - Federal Student Aid Grants
  - Gifts & Endowments
  - Auxiliaries and Sales & Service
  - Other
CAMPUS BUDGET

FY22 Core Revenue and Expenditures

Core Revenue: ~$630M
- CA State General Funds (State & UC) (45%)
- F&A (5%)
- Non-Resident Student Supplemental Tuition (5%)
- Student Tuition/Student Service Fee (45%)

Core Expenditures: ~$630M
- Total Salaries and Benefits (70%)
- Financial Aid (11%)
- Other Expenses (19%)
CAMPUS BUDGET OVERVIEW

UCR Major Revenue Streams over time

- Tuition & Fees
- State Appropriations
- Auxiliary Enterprises
- C & G activity/Private Gifts
- Educational Sales & Service
- Other Sources/Pell Grants

[Graph showing revenue streams from different sources over time]
CAMPUS BUDGET OVERVIEW

UCR Major Core Revenue Flows

**Inflow**

- **Student Tuition** (excludes Self-Supporting)
  - Driven by enrollment
  - Regent Tuition Increases approvals

- **State Funding** (through UCOP)
  - Driven by State
  - Includes set-asides
  - Based on Budgeted Student FTE
  - Distributed through UCOP Rebenching

- **Non-Resident Tuition**
  - Driven by enrollment of out-of-state and international students
  - Waived for about 50% of students per UCOP policy (CA HS graduates, etc.)
  - Reduced by student discounts

- **F&A**
  - Driven by Contract and Grant activity
  - Realized rate is about 50% of the approved rate

**Outflow**

- Org Base Budgets
- Undergrad Financial Aid and Scholarships
- Graduate Student Stipends and Fellowships
- Salary and Benefits Cost Increases
- Tuition Allocations to Colleges and Schools
- F&A Distribution Funding, Faculty Start-ups
- Debt & Lease Payments
- Writing Program
- Campus-wide Projects (Banner, Financial System, UC Path)
- Special Decisions
CAMPUS BUDGET
OVERVIEW

UCR Major Core Revenue Variables

1. Tuition Increases
   (excludes Self-Supporting)
   - Tuition provides ~50% of our core revenues
   - Tuition changes require Regental approval

2. State Funding Increases
   - State funding provides ~45% of our core revenues
   - Based on FTE enrollment (average unit loads) and defined set-asides
   - Negotiated by UCOP and CA Legislature, Governor

3. Student Enrollment Growth
   - Additional tuition & state funds (offset by costs)
   - Enrollment of self-supporting Masters and non-residents provide add’l revenue
   - Based on Budgeted FTE, under discussion to change to Actual FTE
   - Limited by current human and capital infrastructure
CAMPUS BUDGET
OVERVIEW

Major Core Revenue Variable

04

UCOP Rebenching Model
(Model under review for adjustments by UCOP. Potential changes for FY24 cycle)

• The UCOP process to allocate state funds to each of the campuses based on student enrollment.
• UCOP also allocates state funds to “set-asides”
• UCOP determines model and the last rebenching process took multiple years to determine (2008-12) and to implement (2013-2018). We are awaiting an update to the model from UCOP. Goal is to bring each UC campus up to 95% of the UC average for state funding per unweighted student over no more than three years.
CAMPUS BUDGET OVERVIEW

Major Core Revenue Variables

05 UCOP Assessment
- Total assessment in FY21-22 = $20M
- UCOP “charges” each campus an assessment fee to fund their central operations
- UCOP determines model

06 Fixed Cost Increases
- Salary and Benefits for faculty and staff are the main drivers.
## CAMPUS BUDGET

### UC Riverside FY22 State Permanent Budget with Set-Asides Noted

<table>
<thead>
<tr>
<th>Description</th>
<th>UCR Amount</th>
<th>Location</th>
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<tbody>
<tr>
<td><strong>AgOps – Agricultural Exp Stations</strong></td>
<td>$33,976,012</td>
<td>UCB, UCD, UCR (only set-aside currently adjusted for inflation)</td>
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<tr>
<td><strong>SAPEP</strong></td>
<td>$723,000</td>
<td>All campuses</td>
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<tr>
<td><strong>Fixed Cost Set-Aside</strong></td>
<td>$15,000,000</td>
<td>Rebenching Campuses (all campuses except UCM and UCSF)</td>
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<td><strong>SOM</strong></td>
<td>$40,000,000</td>
<td>UCR Only</td>
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<tr>
<td><strong>Improve Grad Rates</strong></td>
<td>$1,600,000</td>
<td>UCM, UCR, UCSC, UCSB</td>
</tr>
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<td><strong>Dream Loan Program</strong></td>
<td>$344,000</td>
<td>All campuses</td>
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<tr>
<td><strong>Summer Financial Aid</strong></td>
<td>$595,000</td>
<td>All campuses except UCSF</td>
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<td><strong>Student Basic Needs</strong></td>
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<td><strong>Student Rapid Rehousing</strong></td>
<td>$307,000</td>
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<td><strong>Student Mental Health</strong></td>
<td>$2,139,000</td>
<td>All campuses</td>
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<td><strong>Faculty Hiring Incentive Program</strong></td>
<td>$1,105,000</td>
<td>All campuses</td>
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<tr>
<td><strong>USAP Financial Aid Program</strong></td>
<td>$0</td>
<td>All campuses</td>
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<td><strong>UCR State Funding from set-asides</strong></td>
<td>$97,029,012</td>
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<tr>
<td><strong>UCR’s State Funding based on Enrollment</strong></td>
<td>$215,932,040</td>
<td>Rebenching Funds which are adjusted for inflation with state funds</td>
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</table>

**UCR’s Total FY22 State Perm Budget**

$312,961,052

*Does not include the $4.3M Perm Budget for Alianza UCMX

This is perm core funding from the state only and does not include any carryforward or temp.
CAMPUS BUDGET OVERVIEW

State Funding is dependent on a Campus meeting the UCOP approved budgeted student FTE targets.

UCR - State Funded UG FTE vs Budget for State Funded UG FTE

- Total Net FTE for State Budget Purposes
- Total Headcount

Unfunded Grad FTE FY22 - 425 (and not included in data below)
FINANCIAL INFORMATION

UCR Net Position from the annual Financial Statements – UCR and UCR Foundation Combined

UCR Summary - Annual Revenue vs Expenditures & Change in Financial Statement Net

- FY17: $915, FY18: $917, FY19: $976, FY20: $1,238, FY21: $988

Total Revenue, Total Expense, Increase/Decrease in Financial Statement Net position
CURRENT BUDGET MODEL – REVENUE DISTRIBUTION AND IMPACTS TO CENTRAL CAMPUS RESOURCES
REVENUE DISTRIBUTION

Distribution of Core Tuition & Non-Resident Tuition by Student Type

Approved Modifications

1. The UG NR Tuition percentages will gradually change over time as the formula adjusted from 70%-to-30% for Colleges & Schools and 30%-to-70% for Campus Central Resources on increases starting in FY19-20. These are the updated percentages as of FY22.

2. In order to smooth the budget adjustments to Colleges & Schools, the Workload and Headcount for the current year and prior 2 years (3-year total) will be averaged in order to calculation the allocation amount effective in FY22-23.

- Prior to the Budget Model, all of the Colleges & Schools went to the Campus Central Resources.
- All Financial Aid from Graduate Master Tuition/NRT goes to Grad Division to support PhD students.
REVENUE DISTRIBUTION

Distribution of Core Tuition & Non-Resident Tuition by Student Type

Note: If Grad PhD tuition and NRT is actually paid, the distribution would be 100% to Financial Aid. Most PhD tuition and NRT is “waived.”

- All Financial Aid from any Tuition/NRT paid goes to Grad Division to support PhD students.
REVENUE DISTRIBUTION

Distribution of Tuition & Non-Resident Tuition for Professional Masters

Approved Modifications
1. In order to smooth the budget adjustments to Colleges & Schools, the Headcount for the current year and prior 2 years (3-year total) will be averaged in order to calculation the allocation amount effective in FY22-23.

UCR Budget Model - Distribution of Professional Masters Fees

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<th>0%</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
<th>90%</th>
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<td>50%</td>
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<tr>
<td>NR Tuition</td>
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<td>70%</td>
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<td>Prof Degree Supp Tuition</td>
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<td>67%</td>
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</table>

- Prior to the Budget Model, all of the Colleges & Schools funding went to the Campus Central Resources.
- All Financial Aid from Prof. Masters Tuition/NRT goes to the Grad Division to support PhD students.
- PDST Financial Aid must be spent on Professional Masters Students only.
CAMPUS CORE BUDGET
Core Budget Summary as of 7/1/22

Core Budget includes:
• State General Funds
• UC General Funds
• Tuition
• Student Services Fee
• Non-Resident Tuition
• F&A (new as of 7/1/22)

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<th>Org</th>
<th>Subvention</th>
<th>Tuition</th>
<th>F&amp;A</th>
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<td>Coll of Hum, Arts &amp; Social Sci</td>
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<td>Undergraduate Education</td>
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<td>Vice Chancellor-Student Affairs</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>439,512,868</strong></td>
<td><strong>211,685,604</strong></td>
<td><strong>19,158,096</strong></td>
<td><strong>670,356,568</strong></td>
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</table>
BUDGET & FINANCE FROM A SCHOOL/COLLEGE/DEPARTMENT PERSPECTIVE
BUDGET MANAGEMENT

You will have different “buckets” of funds within your unit

- Department Operating Budgets
- Gift/Foundation Funds
- Scholarship Funds
- Endowed Chair Funds (if any)
- Chair Discretionary Funds
- Contracts and Grants

Work with your financial manager to gain a deeper understanding of your department’s budget to determine the right level at which to plan and to align funding to support department strategic plans and unit/program goals.
FUNDING SOURCES

• Gain an understanding of your funding sources and associated restrictions. *Perm. v Temp.*

• Funds appropriated on an on-going basis are permanent funds and are received on an annualized basis.

• Funds appropriated on a one-time basis are temporary funds and are normally for a specific activity.

• Determine how to leverage other funding sources such as whether specific courses might require a Course Materials Fee.
Expenditures

• Expenses need to be reasonable, allocable, and within policy and funding restrictions.

• Determine what expenses you want to approve as Department Chair.

• Many of our UCR financial systems might require your approval in the system.

• Identify expenses that you would like to have your financial manager track for reporting purposes.
• Schedule time to meet with your Financial Manager at least once a month to review the department’s financial position.

• Ask for a comprehensive report of all fund sources including department managed scholarship funds.

• Work with your Financial Manager to determine what expenses you might wish to track more closely such as Teaching Assistant (TA) Budgets.

• Staff can revamp financial reports to help better understand the overall financial picture.

• Feel free to ask any/all questions…it helps us to understand how we can best help you in your role as the Chair be successful.
Space is considered a core infrastructure service and is an indirect cost to Schools & Colleges. Most schools/colleges do not pass on the costs to their departments.

Space Calculation:

$18.82 per square foot (Fixed Dollar Amount for Space)  
X Assigned Square Footage of School/College  

= Cost of Space for School/College

- Units that use more space have a higher space infrastructure cost.
- Should a unit choose to reduce its space on campus, its portion of space costs would then decrease.
- Current space model does not account for type of space or quality of space.
SCHOLARSHIPS-
• Chairs are responsible for timely administration of scholarships that are held in the department. Work with the FAO (and others in your department) to understand what they have available and the criteria around the award.

TRANSPARENCY-
• Developing fair and equitable ways of providing funds to the faculty for conference, travel, co-shares etc. Let your faculty know what the process is and ensure everyone has equal access. Providing commitment letters is helpful for your staff to refer back to and can also provide historical insight.

BUDGET-
• Determining a carry forward value for the department (or maybe the college has a rule of thumb, i.e. 10%). Look at your annual spend (minus faculty/staff salaries and benefits) and determine a fair percentage you would like to carry forward
GENERATING FUNDING

- Indirect Cost Revenue
- Fellowship opportunities in Foundations
- Endowed Chair Opportunities
- Concurrent Enrollment
- Increase Summer Session Offerings
- Increase/Revamp Master’s degree program offerings (which can increase revenue)
- Review existing available resources and possibly reallocate
- Host research conferences—charging registration fees, etc. to help cover costs. (Donors may also be interested in supporting these initiatives!)
FISCAL CLOSING

• Fiscal closing is the process of preparing the general ledger for financial statement presentation and the closing of financial books for UCR. The campus provides a series of cut-off dates for processing financial and business activities.

• Fiscal closing takes place during the months of April-July of every year

• This is a busy time for staff supporting finance and business operations.

• This year in particular fiscal closing will be impacted by the campus’ transition to a new financial system replacement program as part of Impact 23.

• Fiscal closing typically overlaps with Staff Performance Management each year.
QUESTIONS OR COMMENTS?