

A stone wall sign for the University of California, Irvine. The wall is made of light-colored rectangular stones. The words "University of California, Irvine" are carved in large, dark, serif letters across the top of the wall. To the left of the main text is a circular seal of the University of California, featuring a book and a sun. The wall is set against a background of green trees and a clear blue sky. In the foreground, there is a field of tall, green grasses.





University of California, Irvine

Provost Leadership Academy

Katherine Gallardo, Assistant Vice Chancellor – Budget Office

December 8, 2023

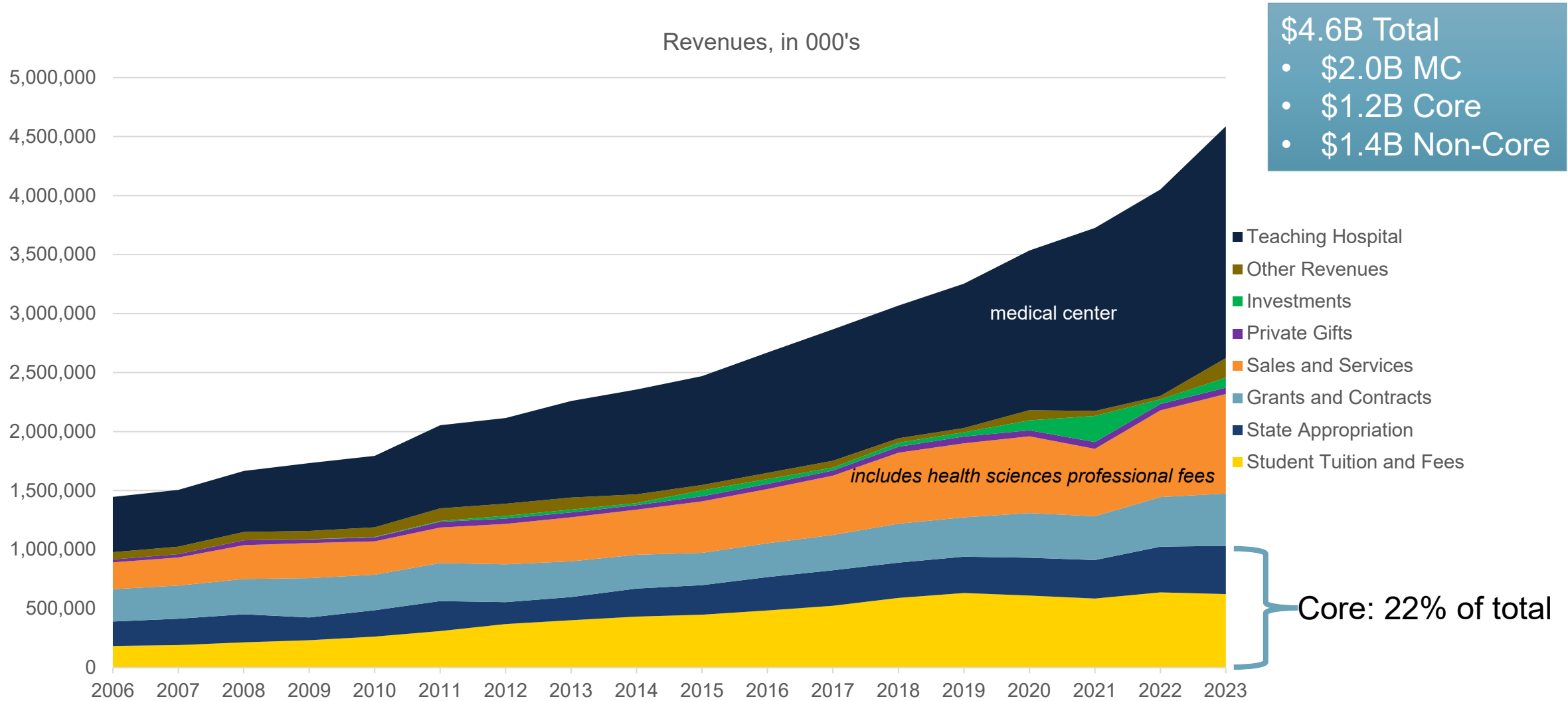
Agenda

-  Financial overview
-  Stability plan
-  Funds flow
-  New budget model (in development)

Complex Funding: UCI in Context



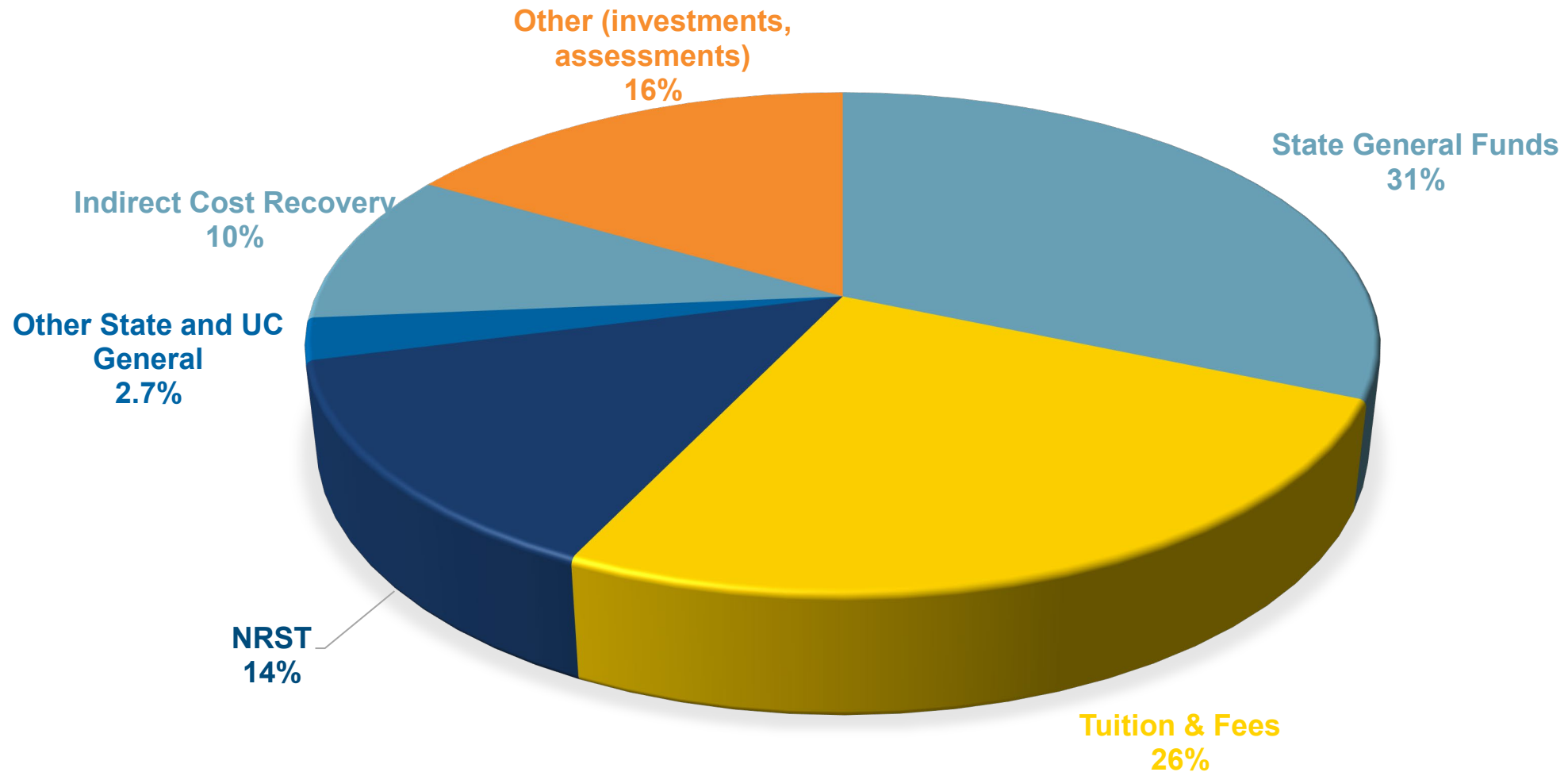
Sources of Funding | UCI



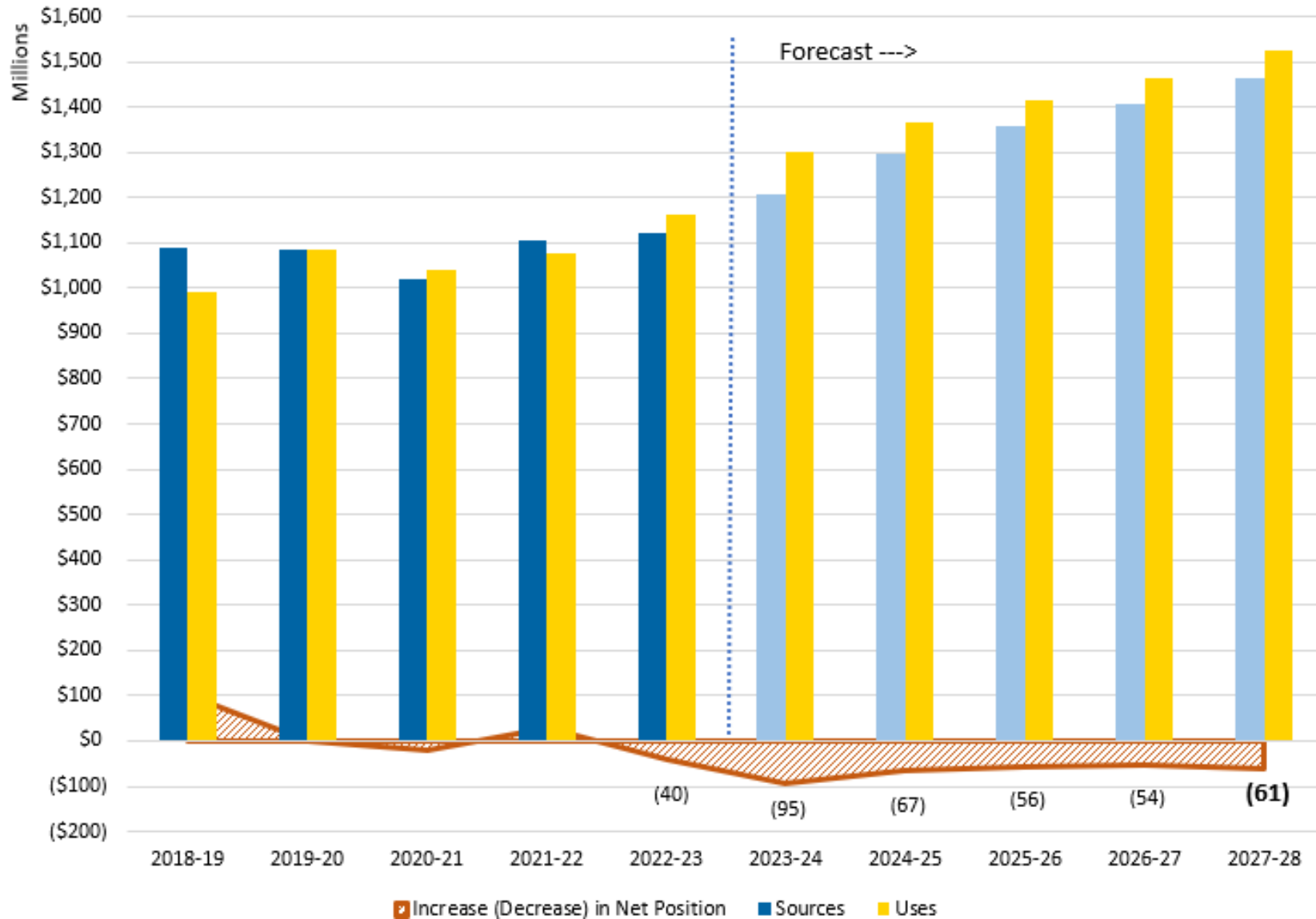
Core Campus Support – Sources

FY23 - \$1.2B

FY2022-2023



Recurring Core Funds Sources and Uses:
Financial Stability Plan
 Actuals through 2022-23, Forecast 2023-2024 through 2025-2028



Major Drivers

4-years to
implement
tuition stability
plan

Enrollment
plateau

NRST cap

Inflation

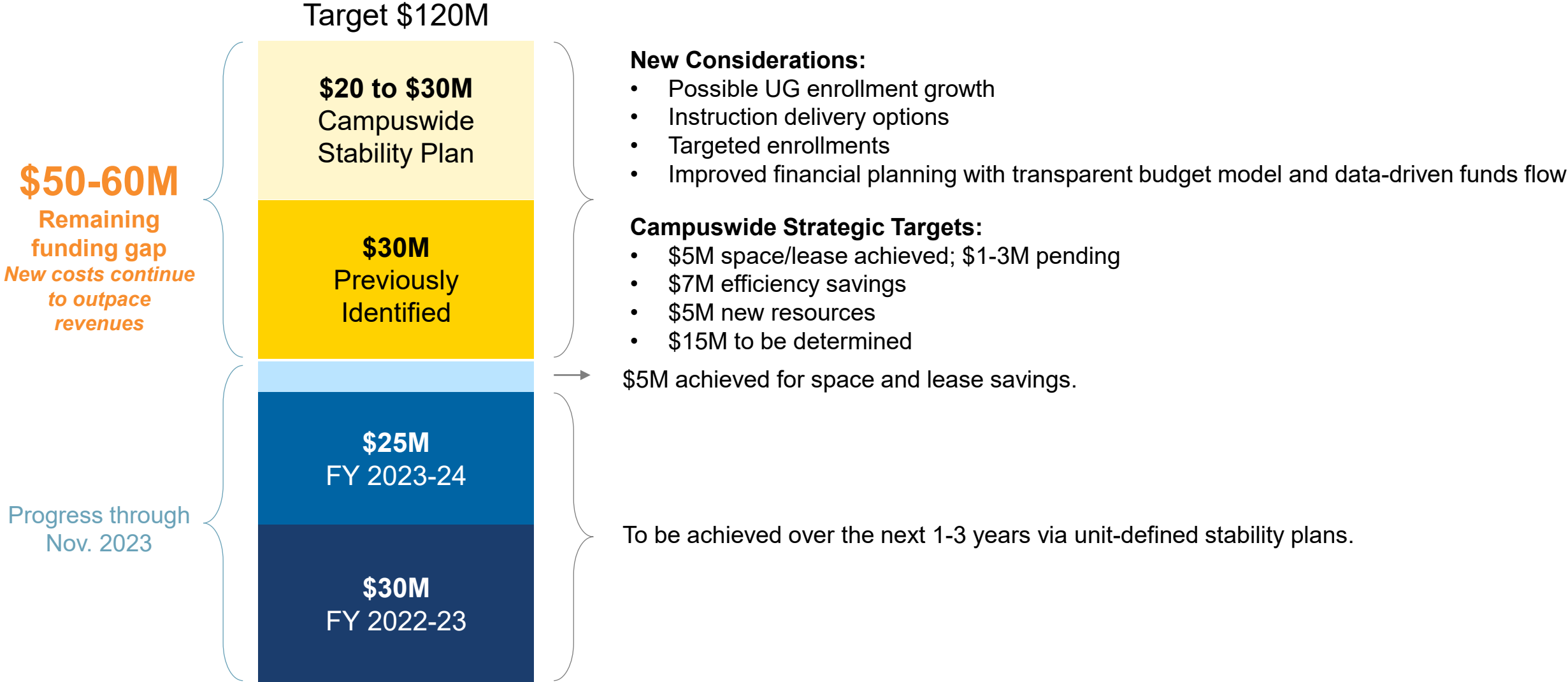
Salary plan
more costly than
prior models

Market downturn

COVID

- Ongoing operations
- Repayment of working capital loan

Financial Stability Plan: Updated Projections



UCI is not alone

Structural deficit (challenge throughout higher ed)

- UCLA – (\$85M) 5-year projection per cost savings white paper
 - Administrative 2%/yr for 4 years; Academic 1%/yr for 4 years
- UCSD: 4% cuts @ start of pandemic; hiring freeze requiring VC-level approval for all recruitments
- UCR: 11-20% differential cuts by unit over 2 years...14% total
- UCD: 5-year multi-year plan to achieve (\$70M) in savings by FY25
 - goals set at (\$45M) by campus units, (\$25M) centrally

UCI - Multi-year plan

- 7-10% budget reductions over FY22-FY24

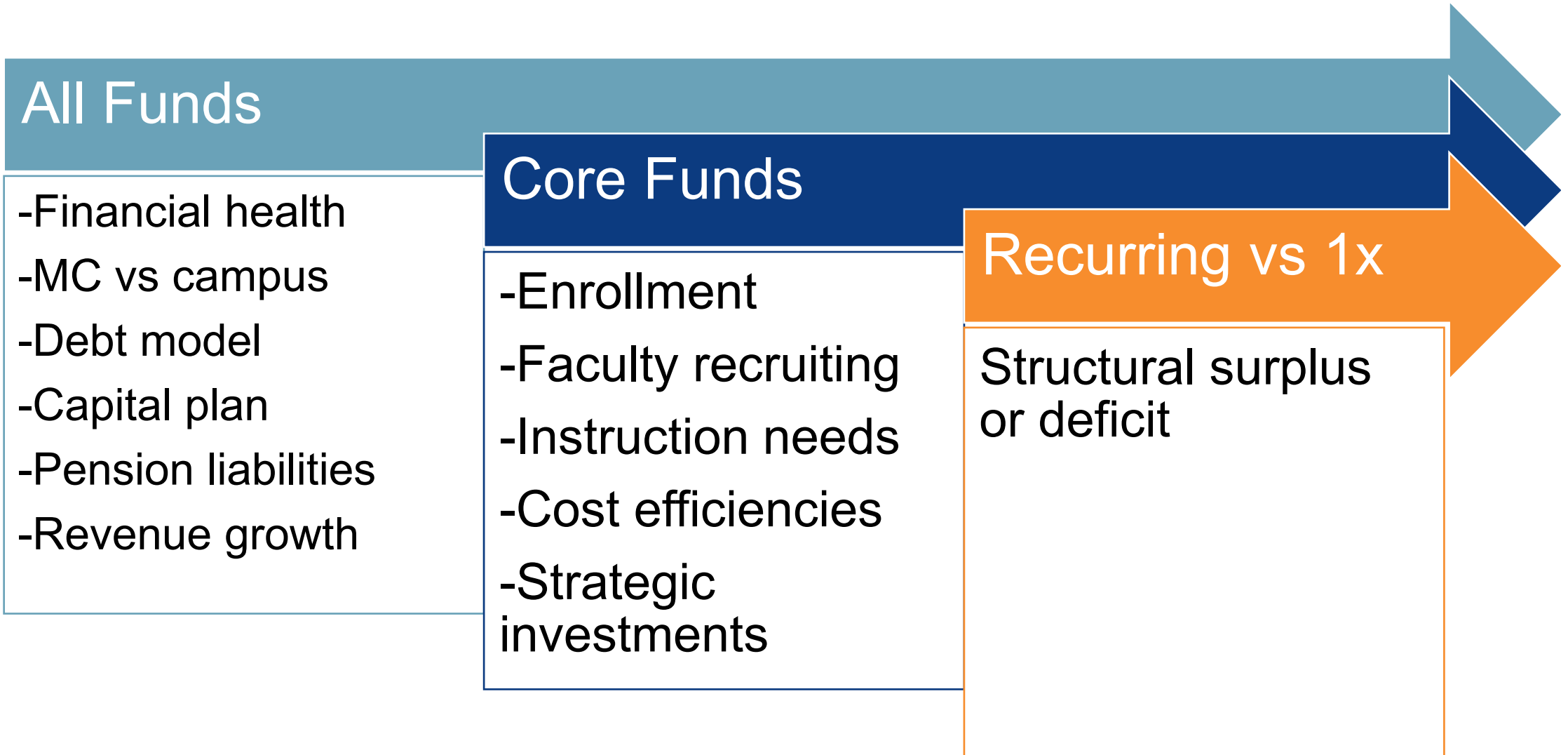
Similar funding challenges are common across all higher education
(especially public)



Success Depends on All Campus Units Contributing

- We need to do things differently.
- The new budget model and improved financial planning will be key mechanisms for bridging the funding gap.

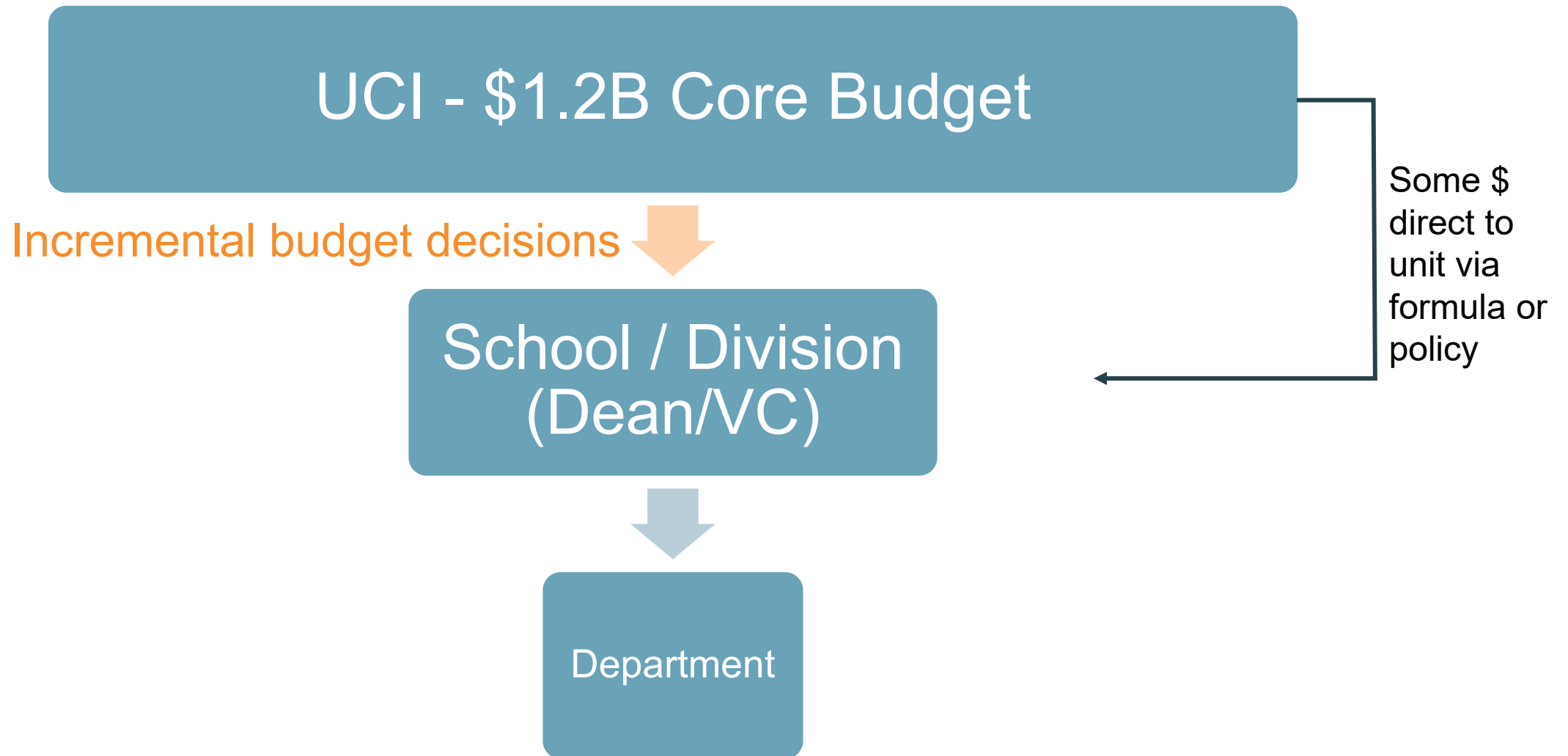
Campus Financial Planning Process



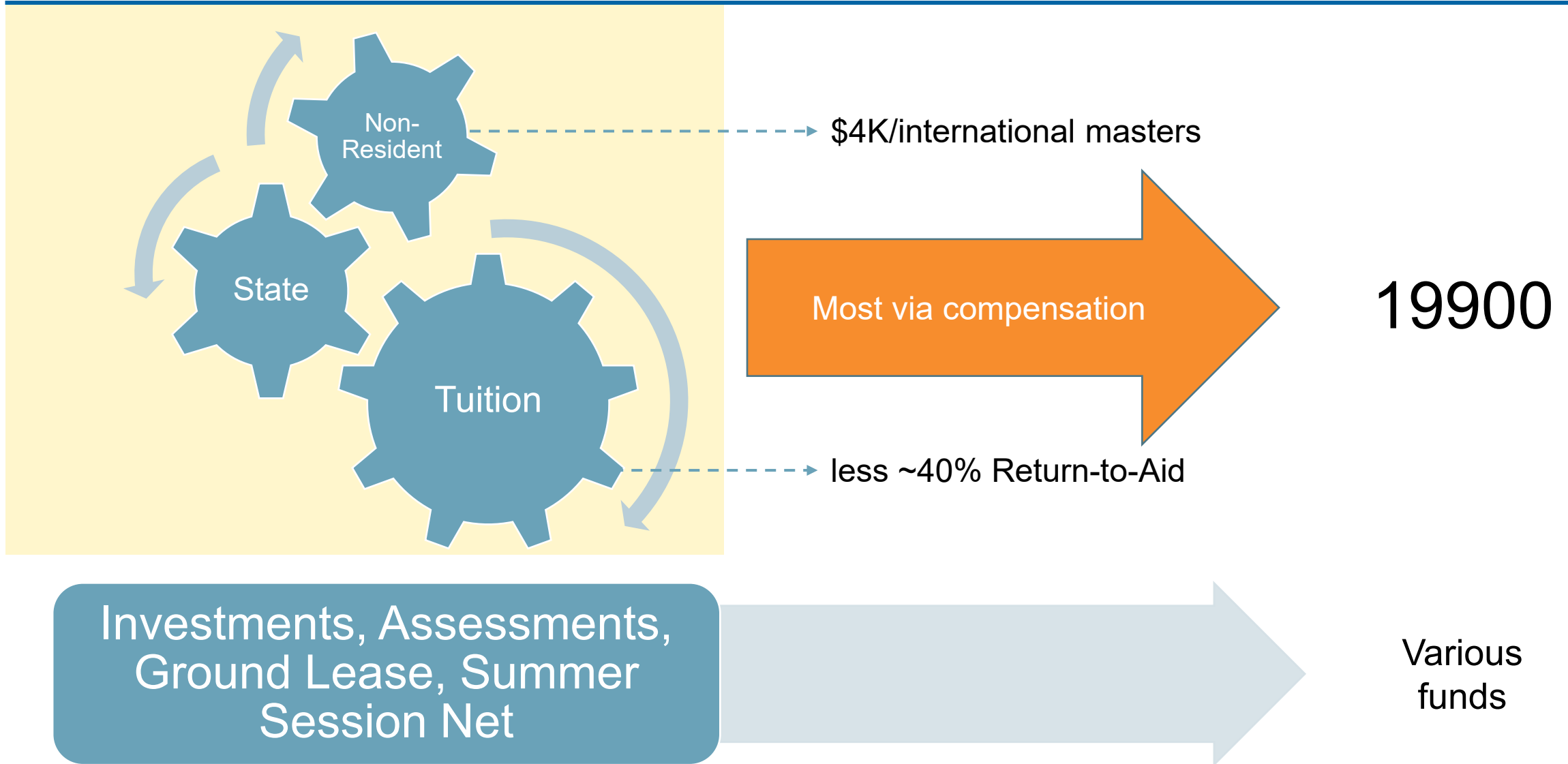
Discussion Topic

- What is your understanding about how funds get allocated to schools / departments?
 - If my unit does X, the school or department will get \$Y...

Core Funds - Campus Allocation Hierarchy



Funds Flow via Incremental Budget Model



Core Funds Flow via formula or policy

+ Indirect Cost Recovery

- 17% - unit managing grant
- 20% - academic building debt/leases
- 15% - 10% research investment; 5% pre-award
- Campus operations (utilities, maintenance, research admin, IT...)

+ Student Fees

- Summer Session: unit share @ \$12/student credit hour + \$24/SCH for courses with over enrollment of 25
- Concurrent enrollment – portion shared with unit

(-) Self-Supporting Programs and Auxiliaries

- General & Administrative Assessment (G&A...aka tax)
 - Auxiliary: 11.5% (4.5% derived, ~7% campus contribution). Direct charge for utilities, maintenance, debt, etc.
 - SSGPDP 37.4%: campus-10.94%, unit-26.46%

+(-) Faculty Funding

- New positions via faculty recruiting plan or special hiring programs (salaries, benefits, setup)
- Funding downgrade on separation (30% full, 10% assoc)

+ Compensation

- Merit / range / promotion funding for faculty & staff on base budget (“permanent”)

Funds Flow – Revenues Go to Unit

\$1.4B
NON-
CORE



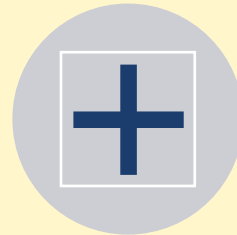
Auxiliaries (\$258M)



Clinical (\$574M)



Self Supporting
Degrees (\$73M)



Professional Degree
Supplemental
Tuition (\$36M) **CORE**



Contracts & Grants
(\$435M)



Gifts (\$45M)

Common Budget Models in Higher Education



Budget Model Definition: Methodology to determine the distribution of resources, prioritize how funds are allocated, and support strategic initiatives.

Various Budget Models

1

Incremental

- Build off figures from prior year
- New allocations are based on new revenues
- Hard to see how costs contribute to revenue

3

Performance / Activity-based

- Funds awarded based on performance
- Define expected outcomes needed to receive funding
- Requires clearly defined performance measures

2

Responsibility Center Management

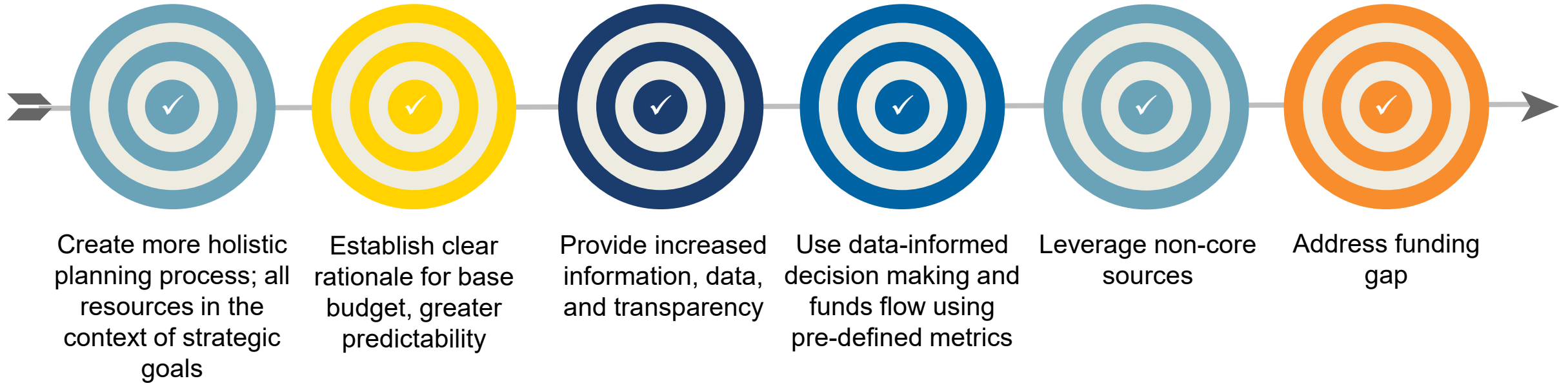
- Each unit receives its share of income (state, tuition/fees)
- All expenses are apportioned (incl. space, utilities, central operations)

4

Hybrid

- Elements of other models that are successful
- Less complex than RCM

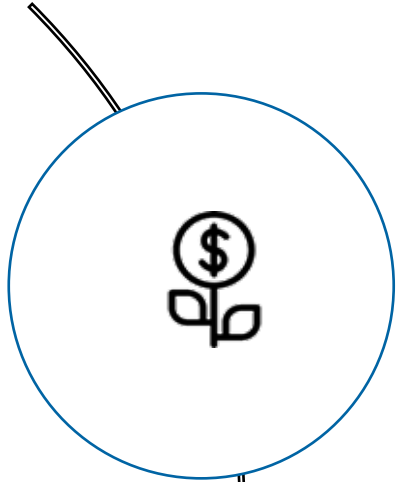
What We Want to Accomplish



In practice:

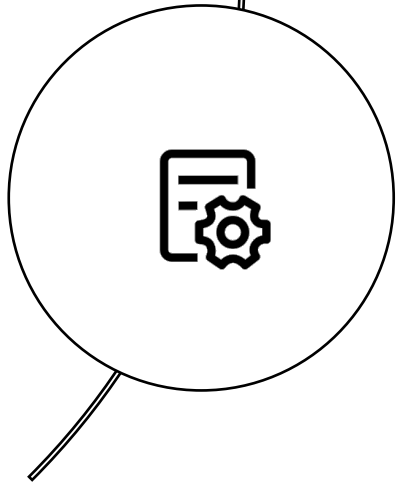
- Final budget information publicly available (e.g., Budget Office website)
- Common metrics:
 - Student-related revenues: student credit hours (60-80%) + enrollment or degrees granted (20-40%) = weighted student FTE
 - Research related revenues: % of indirect cost recovery collected
 - Space/facilities: assignable square foot
- Core funds allocations will incorporate remaining structural gap not addressed through increased sources or cost reductions

Key Takeaways



Financial update

- \$50-60M funding gap
- Do less with less



New budget model

- Incremental → hybrid
- Align with strategy
- Predictable & transparent

Questions / Discussion