Budget-y Words

**Budget:** Amount of money a unit can (or does) spend

**Budget Model:** Method for allocating budgets

**Budget Process:** Method for reviewing budgets and model

Notes:
- Only discussing on-going budgets (not one-time)
- All numbers are yearly amounts
- All numbers based on Summer 2016 projections of 2016-17 budget
- All numbers have been rounded and are only for qualitative comparisons

This presentation focuses on the mechanisms and not on their analysis or evaluation.
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RCM: Responsibility Centered Management

RCM delegates operational authority to units within an institution

First implemented in U Penn in 1974.

Many universities implement some version of it. (e.g. Iowa State, Rutgers, Indiana, Arizona, Duke, Harvard, Michigan)

No two implementations are the same.
UCR Income

State
$250M

Tuition et al.
$360M

Grants et al.
$190M

Auxiliary et al.
$190M
UCR Income

State
$250M

Tuition et al.
$360M
ugrad tuition
ugrad NRST
grad/prof tuition
grad NRST
fees
summer
SSP

Grants et al.
$190M
grants/gifts
student aid
indirect

Auxiliary et al.
$190M
State money set aside for subvention (to be explained later)
Tuition

Proportional to FTE: to each college proportional to undergraduate FTE
\( \approx \$306/\text{student}/4\text{-unit course} \)

Proportional to majors I: to each college proportional to undergraduate majors
\( \approx \$1148/\text{major} \)

Proportional to majors II: as I, but only proportional to improvement toward 75% grad rate:
\[
\approx 1148 \times \max \left( 0, \min \left( 1, \frac{r - r_0}{0.75 - r_0} \right) \right)
\]
\( r = \text{current 4-year grad rate} \)
\( r_0 = 2010 \text{ entering class 4-year grad rate} \)
Tuition

- Ugrad tuition: $195M
- Financial aid: 33%
- Central (Subvention): 70%
- Proportional to FTE: 30%
- Proportional to majors I: 60%
- Proportional to majors II: 20%

College:
- Ugrad & MS NRST: 30%
- Central (Subvention): 70%

Shelton (UC Riverside)

June 2, 2017
Tuition

Undergraduate tuition: $195M

Financial aid: 33%

Central (Subvention): 70%

Proportional to FTE: 60%

Proportional to majors I: 20%

Proportional to majors II: 20%

Graduate/Professional tuition:

- PhD
- MS

Student support (through grad div): complex (47% to college)

To college: 30%

College

June 2, 2017
Tuition

- **Ugrad Tuition**: $195M
- **Financial Aid**: 33% of tuition
- **Central (Subvention)**: 67%
  - 70% proportional to FTE
  - 60% proportional to majors I
  - 20% proportional to majors II
- **Ugrad & MS NRST**
  - 30% Central (Subvention)
  - 70% college
- **Grad/Prof Tuition**
  - PhD: NRST student support (through grad div)
  - MS: complex (47% to college)
  - prof: to college

Shelton (UC Riverside) | UCR RCM | June 2, 2017
There are no “faculty lines” or “TA lines”
Units are (more-or-less) free to allocate money to expenses
Cost Pool

Total budget (height) set by governance committee

cost pool (e.g. VPUE, physical plant, police, HR)
direct expenses

incomes
expenses
Total budget (height) set by governance committee
Charged to other units proportional to “cost driver”
e.g.
- physical plant: square foot utilized
- police: total FTE (academics, staff, students)
- grad division: grad + prof FTE
- ugrad education: ugrad FTE
**Cost Pool**

Total budget (height) set by governance committee. Charged to other units proportional to “cost driver” e.g.:
- physical plant: square foot utilized
- police: total FTE (academics, staff, students)
- grad division: grad + prof FTE
- ugrad education: ugrad FTE

**Current (approx) charges per FTE/sqft:**

<table>
<thead>
<tr>
<th>Category</th>
<th>Faculty</th>
<th>Lecturer</th>
<th>Staff</th>
<th>UGrad</th>
<th>Grad</th>
<th>TA/GSR</th>
<th>1K sqft</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$22 000</td>
<td>$10 000</td>
<td>$8 000</td>
<td>$3 000</td>
<td>$4 000</td>
<td>$7 000</td>
<td>$17 000</td>
</tr>
</tbody>
</table>
Subvention initially set to make 15-16 budget balance
Subvention initially set to make 15-16 budget balance
Subvention increases to cover
  - merits, promotions
  - benefit changes
  - cluster hires’ initial salary
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Subvention increases to cover
- merits, promotions
- benefit changes
- cluster hires’ initial salary

Rough subvention ratios:

<table>
<thead>
<tr>
<th></th>
<th>BCOE</th>
<th>CHASS</th>
<th>CNAS</th>
<th>GSOE</th>
<th>SOBA</th>
</tr>
</thead>
<tbody>
<tr>
<td>subvention : tuition</td>
<td>2.1</td>
<td>0.7</td>
<td>2.7</td>
<td>3.8</td>
<td>0.6</td>
</tr>
<tr>
<td>subvention : total revenue</td>
<td>0.6</td>
<td>0.6</td>
<td>0.7</td>
<td>1.5</td>
<td>0.2</td>
</tr>
</tbody>
</table>
How to Adjust Budget

Increasing students

- Increases revenues
- (Potentially) Increases direct costs
  ▶ Depends if faculty/lecturers/staff must be added
- (Potentially) Increases indirect costs
  ▶ Depends on how cost pool budgets scale
    (average cost ≠ marginal cost)
  ▶ Depends on whether FTE/major is “at the expense” of another unit
    (inc. denominator for cost pool alloc.? or transfer cost from another unit to your own?)