

**Response to Offsite Review Summary of Lines of Inquiry
Additional Information Request #11
Support Documentation for Multi-Year Campus Financial Plan
August 2018**

11. Documentation to support claims regarding the multi-year Campus Financial Plan.

EXECUTIVE SUMMARY

Long-term operating budget models, by their nature, are based on a set of carefully evaluated assumptions and projections. Therefore, effective models are constantly evolving to accommodate changes in economic information, state relations, and other circumstances, so that their predictions are evolving too. The purpose of long-range operations models/scenarios is to help guide institutional planning efforts and to identify trends and issues early enough to allow sufficient time for alternative plans to be developed and implemented by the institution.

UCR's operating budget model is based on a variety of economic indicators, some of which are used at the system level (such as State support and tuition increases, salary and benefit plan changes/cost increases), and others that are campus-specific (such as Contract and Grant awards, Auxiliary enterprise sales, and how many students UCR can accept). The operating budget model is based on UCR's financial schedules and outcomes between 2012 and 2017. State budget considerations are built into the model based on historical trends and ongoing conversations between UC and the State. Planning assumptions for the UCR operating model are consistent with UC system-wide budgets and assumptions.

UCR proactively uses the operating budget model to facilitate strategic planning and to evaluate the implications and feasibility of different strategies and initiatives. The campus runs multiple financial scenarios through the model, looking at the impacts of changing assumptions and approaches. It should be noted that UCR submitted its baseline, static version of the operating budget model to WASC, and that each year of the model stands alone. Cumulative cash balances are, therefore, not reflected in the model.

Notable items include:

- UCR increased its instructional faculty by 243 FTE between Fall 2013 and Fall 2017, including 154 ladder-rank faculty members.
- Expenses for the New Multi-Disciplinary Research Building (MRB1), opening Fall 2018, have been included in the model, with the expectation that contracts and grants revenue will increase commensurately with the addition of this facility.
- UCR's School of Medicine opened in 2013. The operating model for the School of Medicine has been incorporated into this model, with the assumption that clinical revenue will double by 2022. It is also assumed that the School of Medicine will contribute substantially to UCR's contracts and grants goals.

UC System-wide Assumptions

UCR operating model assumptions are guided by the following UC system-wide assumptions provided to the campus in 2017:

System-Wide Assumptions	2017	2018	2019	2020	2021	2022
Tuition % Increase	0.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Non-Resident Student Tuition- % Increase	8.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Student Services Fee- % Increase	5.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Professional Degree Supplemental Tuition Fees (average)- % Increase	4.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Faculty Salary Increase (Excluding Ladder)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Staff Salary Increase	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
University of California Retirement Plan (UCRP) Employer Rate	14.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Other Post-Employment Benefits Employer Rate (Total)	3.4%	3.6%	3.6%	3.6%	3.6%	3.6%
UCRP Supplemental Rate	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
State General Appropriations Growth Rate	0.0%	4.0%	4.0%	4.0%	4.0%	4.0%
State Allocation of Growth % (\$M)	\$.	\$16.8	\$.	\$.	\$.	\$.
State New Enrollment Funds Portion (\$M)	\$.	\$3.8	\$.	\$.	\$.	\$.

UC System-wide Budgets

A. FY16-17 Budget for Current Operations

As reflected in the FY16-17 budget for current operations, our model is consistent with the Governor's agreement for 4% annual increases in direct appropriations to the UC system through FY18-19.

- “A commitment to additional annual increases in State funding.** In 2013, the Governor proposed regular annual increases in direct appropriations to the University of 5% in 2013-14 and 2014-15 and 4% in 2015-16 and 2016-17. **The Governor has now committed, subject to agreements with the Legislature each year, to extend the 4% increases for two additional years, through the 2018-19 fiscal year, giving the University predictability in its long-term fiscal outlook. This amounts to a total increase in State funds of more than \$500 million in UC's base budget over the next four years.”** [FY16-17 Budget for Current Operations](#), page 2

B. FY17-18 Budget for Current Operations

As reflected in the FY17-18 budget for current operations, our model is consistent with a 5% adjustment to the Student Services Fee.

- “Student Services Fee Increase.** The budget plan assumes a \$54 (5%) adjustment to the Student Services Fee. Half of the revenue generated, net of financial aid, will be used to increase student mental health services.” [FY17-18 Budget for Current Operations](#), page 12

C. FY18-19 Budget for Current Operations

As reflected in the FY18-19 budget for current operations, our model is consistent with the Governor’s agreement for a 3% increase in State support and 2.5% tuition increase.

- **“Increase in State Support.** *The plan assumes a 3% (103.1 million) base budget increase in State General Funds, consistent with the expectation set by the Governor in his 2017 May Revise proposal but approximately \$34 million less than the increase of 4% included in the multi-year funding plan established between the Governor and the University.”* [FY18-19 Budget for Current Operations](#), page 12
- **“Tuition.** *Under the plan, the Tuition surcharge of \$60 attributable to the payment of damages from the 2012 Luquetta lawsuit would be eliminated and Tuition would be adjusted by \$348, resulting in a net adjustment of \$288 (2.5%). The University estimates that two out of three California resident undergraduates would have the adjustment covered through additional grants and scholarships. The adjustments would also generate additional financial aid for graduate students.”* [FY18-19 Budget for Current Operations](#), page 12

Summary of Key UCR Operating Model Assumptions

Revenue	Expenses
<ul style="list-style-type: none"> • \$100M in federal contracts and grants expenditures by 2020 (compared to \$61.5M for 2018) • Enrollment increases to 25,000 & Non-Resident Tuition payers to 975 by 2020 (compared to 23,278 enrollment and 672 NRT for 2017) • Annual Fee Increases <ul style="list-style-type: none"> - Tuition: 2.5% - Student Service Fee: 5% - Non-Resident Tuition: 5% (gross) • State revenue base increases of 3% and per student growth of \$7,344 • Private gift annual increases of 10% during campaign (\$15M for 2016; projected \$19M for 2020) • Clinical Revenue doubles between 2017 and 2022 • Moderate annual growth in auxiliary revenue at 2% • Further expansion of Housing planned as a P3 agreement, resulting revenues are therefore not reflected in the model 	<ul style="list-style-type: none"> • Faculty Salary increases of 4% on scale annually • Staff salary increases of 3% annually • Employee benefits, including medical, is an average of 26% of salaries • Retirement contribution increasing from 15.2% (2017) to 17.6% (2021) • All non-salary expenses increase based on historical averages • \$100M in federal contracts and grants expenditures by 2020 (compared to \$61.5M for 2018) • Filled 300 new/open faculty FTE between 2015 and 2021 • Further expansion of Housing planned as a P3 agreement, resulting expenditures are therefore not reflected in the model