Financial Stability Plan Update and Budget Model Development

UCI Budget Town Hall
February 6, 2024

UCI Division of Finance and Administration | With U • For U
Complex Funding: UCI in Context
Sources of Funding | UCI

$4.6B Total
- $2.0B MC
- $1.2B Core
- $1.4B Non-Core

Revenues, in 000's

- Teaching Hospital
- Other Revenues
- Investments
- Private Gifts
- Sales and Services
- Grants and Contracts
- State Appropriation
- Student Tuition and Fees

Core: 22% of total

includes health sciences professional fees and auxiliary
Core Campus Support – Sources
FY23 - $1.2B

- Tuition & Fees: 26%
- State General Funds: 31%
- Non Resident Supplemental Tuition: 14%
- Indirect Cost Recovery: 10%
- Other State and UC General: 2.7%
- Other (investments, assessments): 16%
- Other State and UC General: 2.7%
- Other (investments, assessments): 16%

FY2022-2023
Core Funds Financial Challenges - Major Drivers

- 4-years to implement tuition stability plan
- Enrollment plateau
- NRST cap
- Inflation
- Salary plan more costly than incoming sources
- State revenue uncertainties
- COVID

UCI Division of Finance and Administration | With U • For U
Where We Started: Financial Stability Plan

Target $90M

*Phase 1*
- **$30M**
  - FY 2022-23
  - Unit savings target: $55M
    - Via budget allocation adjustments to administrative support, and academic units over multiple years.

*Phase 2*
- **$25M**
  - FY 2023-24
  - Campuswide strategic target: $20M
    - $8M Space
    - $7M Operational Efficiencies
    - $5M New Revenues
- **$15M**
  - To be determined

Milestones

- **Fall 2021 Campus Budget Workgroup (CBWG)**
  - Convened to assist in developing a multi-year plan to resolve projected structural deficit
- **Sept 2022 Campus Financial Update – Fall**
  - Call for unit financial stability plans
  - Updated charge and membership for CBWG
- **July 2022 Campus Financial Update**
  - Implemented 3% across-the-board cut FY 22/23
- **Feb 2023 Campus Financial Update – Winter**
  - Announced Financial Stability Plan
- **Fall 2023 CBWG Budget Model Exploration**
  - CBWG members interviewed higher education institutions about their budget model
Updated Five-Year Financial Forecast

Actuals through 2022-23, Forecast 2023-2024 through 2025-2028

Projected ($60M) Structural Deficit
The approach to resolve funding challenges differs across the UC system. Some have done budget cuts. Others are addressing by not allocating funding to cover the salary increases that were implemented.

**UC Irvine is Not Alone**

Financial challenges are common throughout higher ed (especially public)

**UC Berkeley**: Financial sustainability initiative.

**UC Davis**: 5-year plan to achieve ($70M) in savings FY21-FY25 goals set at ($45M) by campus units, ($25M) centrally. ($45M) deficit is the latest forecast.

**UCLA**: ($85M) 5-year cost savings program
- Administrative 2%/yr for 4 years;
- Academic 1%/yr for 4 years.

**UC Irvine**: 7-10% budget adjustments over FY22-FY24.

**UC Riverside**: 11-20% differential cuts by unit FY21-FY22...14% total.

**UC San Diego**: 4% cuts @ start of pandemic; hiring freeze requiring VC-level approval for all recruitments.
Updated Financial Stability Plan

Target $120M

$30M
Campuswide
Stability Plan

$30M
Previously
Identified

$25M
FY 2023-24

$30M
FY 2022-23

New Considerations:
- Possible UG enrollment growth, targeted enrollments
- Evaluate instructional delivery options
- Increase auxiliary and self-supporting contribution via administrative assessment
- Improve financial planning with transparent budget model and data-informed funds flow

Addressed $60M of $90M original target

- $5M space/lease achieved; $1-3M pending
- $7M efficiency savings
- $5M new resources
- $15M to be determined

$5M achieved for space and lease savings.

Savings targets to be achieved over the next 1-3 years via unit-defined stability plans.

$60M
Remaining
funding gap

New costs continue
to outpace
revenues

Progress through
Dec 2023
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.
What We Want to Accomplish – Budget Aligned with Strategy

1. Establish clear rationale for base budget, greater predictability
2. Provide increased information, data, and transparency
3. Use data-informed decision making and funds flow using pre-defined metrics

In practice:
- Budget information and financials publicly available (e.g., Budget Office website)
- Common metrics:
  - Student-related revenues: student credit hours + enrollment + degrees granted = weighted student FTE
  - Research related revenues: % of indirect cost recovery collected
  - Space/facilities: assignable square footage
What We Want to Accomplish – Improved Resource Planning

- Create more holistic planning process
- Leverage non-core sources
- Address funding gap

- Consider all sources of revenue and a multiple year perspective
- Core fund allocations will reflect unit share of projected revenues
- Remaining structural gap will resolve as model is implemented
Budget Model Phase-in Plan Timeline

FY 23-24
- Develop model and metrics for academic units\(^1\)
- Share draft and seek input from academic stakeholders

FY 24-25
- Implement for academic units (phase in over 3 years, FY24-25 is year 1)
- Develop model, metrics, funding drivers, and phase-in plan for support units\(^2\)

FY 25-26
- Implement year 2 (of 3-year phase-in plan) for academic units
- Implement phase 1 for support units

Winter/Spring Activities
- Feb 6: Town hall (progress update)
- March: Draft model reviewed by campus leadership and key stakeholders
- March 15: FY25 budget call
- March: Budget training offerings
- April: Second campus town hall to seek campus feedback on draft budget model

\(^1\)Academic units are defined as degree granting organizations
\(^2\)Support units are those that do not grant degrees (e.g., academic support, institutional support, or control organizations)
Key Takeaways

Financial update
• $60M funding gap
• What can we do differently?
  • Grow revenues
  • Cost savings

New budget model
• Ensure stability aligned with strategy
• All funds resource planning
Questions?