

A stone wall sign for the University of California, Irvine. The sign is made of light-colored rectangular stones and features the text "University of California, Irvine" in large, dark, serif letters. To the left of the text is a circular seal of the University of California. The sign 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

# Mission-Based Budget Framework

April Town Hall

**UCI** Division of Finance and Administration | With U • For U

# Agenda

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Mission-based budget framework overview



Aligning resources with our mission




Draft methodology for academic allocations



Q&A

# Budget Principles

Established Nov. 2023 ([source](#))

- 
- Prioritize mission and goals
  - Align budget with strategy
  - Emphasize transparency
  - Implement a clear allocation model
  - Value our workforce
  - Support infrastructure

# Why Change Budget Models?

## Incremental Budget Model (current)



**Definition:** Cumulative base, growth with inflation. Annually, allocates more money to units.

- ✓ Used effectively for the last 50+ years at UCI.
- ✓ Model works well under growth.
- ✗ Inflexible.
- ✗ Circumstances have changed (limited growth).
- ✗ Historical allocations are no longer aligned with current strategic priorities.
- ✗ Practice of automatically funding salary increases followed by budget cuts is disheartening.

## Mission-Based Budget Model (future)



**Definition:** Metric and performance-based model.

- ✓ Adapt to changing environment.
- ✓ Align with strategic goals and mission.
- ✓ Enhance transparency and accountability in financial management.
- ✓ Improve resource planning to support the university's core functions and infrastructure.
- ✗ More complex.
- ✗ May produce unwanted incentives.

# What We Want to Accomplish: Budget Aligned with Strategy



Establish clear rationale for  
base budget, greater  
predictability

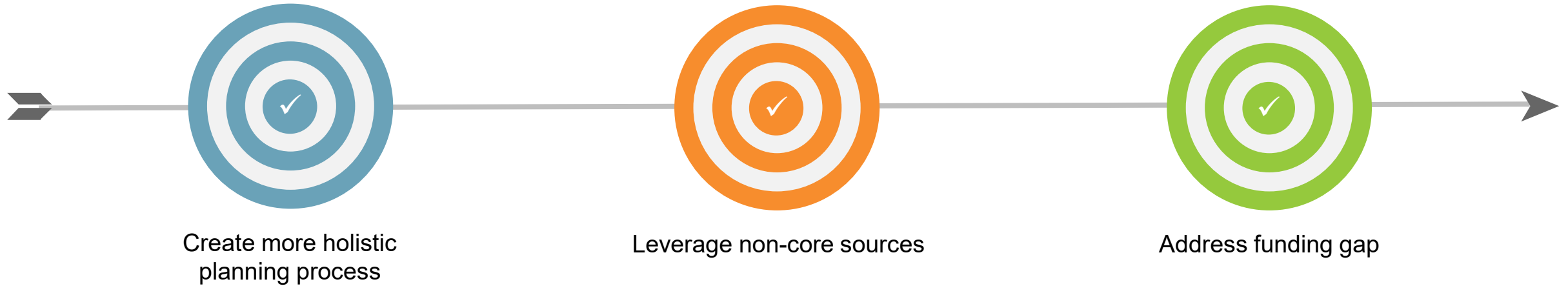
Provide increased  
information, data, and  
transparency

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

# What We Want to Accomplish: Improved Resource Planning



- 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



finances



enrollment



people/FTE



space

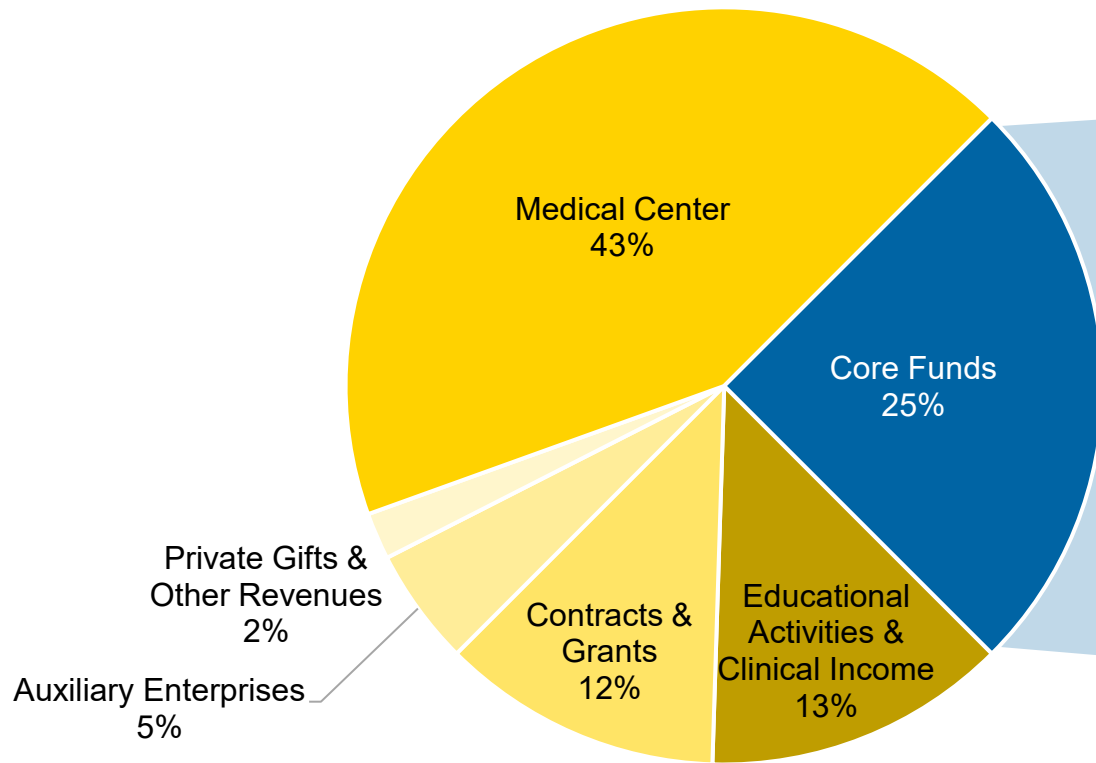
The background of the slide is a dark blue aerial photograph of a university campus. Overlaid on the left side is a white network diagram consisting of numerous circular nodes of varying sizes connected by thin white lines. Some nodes are accompanied by small white icons of people. The overall aesthetic is professional and tech-oriented.

## Campuswide Involvement

- Campus Budget Workgroup
- Communication & Outreach
  - Meetings with Academic Senate leadership, Cabinet, and Council on Planning & Budget
  - Meetings with deans, assistant deans, ASMs, MAABOs, etc.
  - School visits with Chancellor and Provost
  - Campus town halls (Feb. and April)
- Project is a multi-year effort

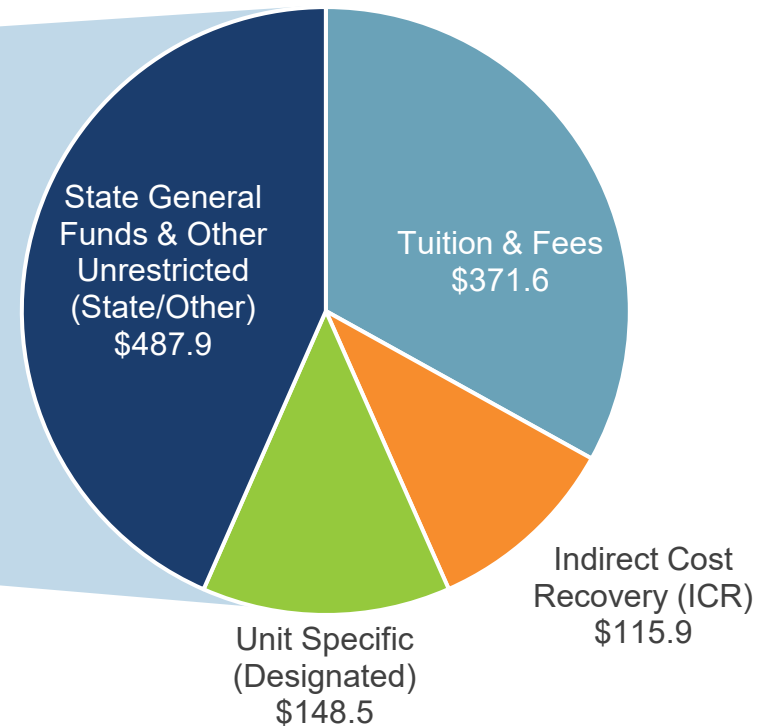
# Fund Sources (FY23 actuals)

Total Fund Sources



Core Fund Sources

\$ millions



**Core Funds Definitions**

- **Tuition & Fees:** Tuition, nonresident supplemental tuition (NRST), lottery, application fees, student services fee
- **Indirect Cost Recovery (ICR):** Overhead generated from sponsored research activities
- **Unit Specific (Designated):** State special allocations, professional degree supplemental tuition (PDST), summer session, recharges
- **State General Funds & Other Unrestricted (State/Other):** Annual state appropriation, investment income, ground lease, other sources



# Core Funds Are Used to Support UCI Mission



## Instruction & Student Support

- Instructional Costs
- Lecturers
- TAs, Readers, Tutors
- Teaching Labs
- Student Advising



## Research & Creative Activity

- School-Based Research Support
- Central Research Support
- Deferred Maintenance
- Research Infrastructure



## Support Operations

- Academic Support Units
- Student Affairs
- Administration, HR, IT
- Operations & Maintenance
- Compliance/Regulatory



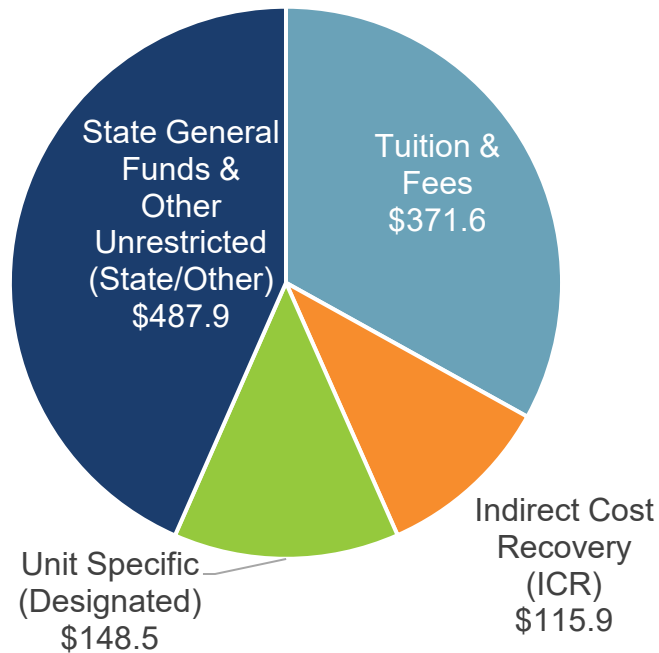
## Strategic Uses & Investments

- Faculty Start-Up Costs
- Inclusive Excellence
- Capital Planning
- Subvention (transition support, limited ongoing subsidy)

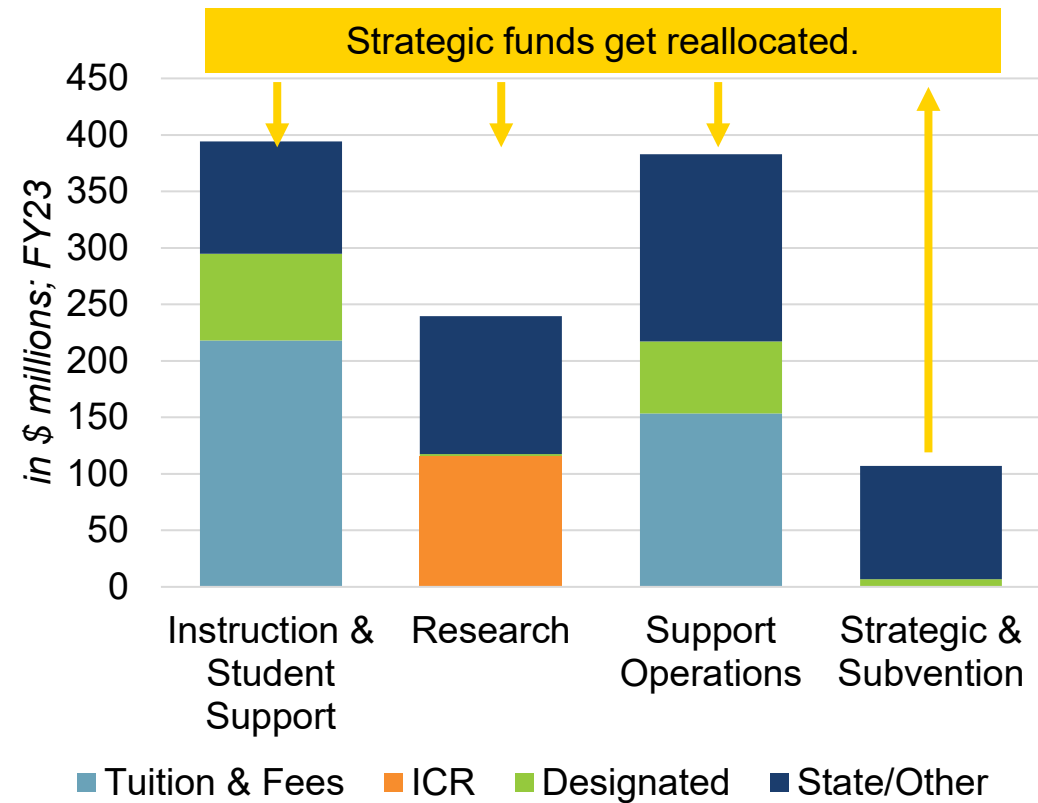
# Draft Budget Framework: Aligning Core Sources with Mission

## Core Fund Sources

\$ millions; FY23

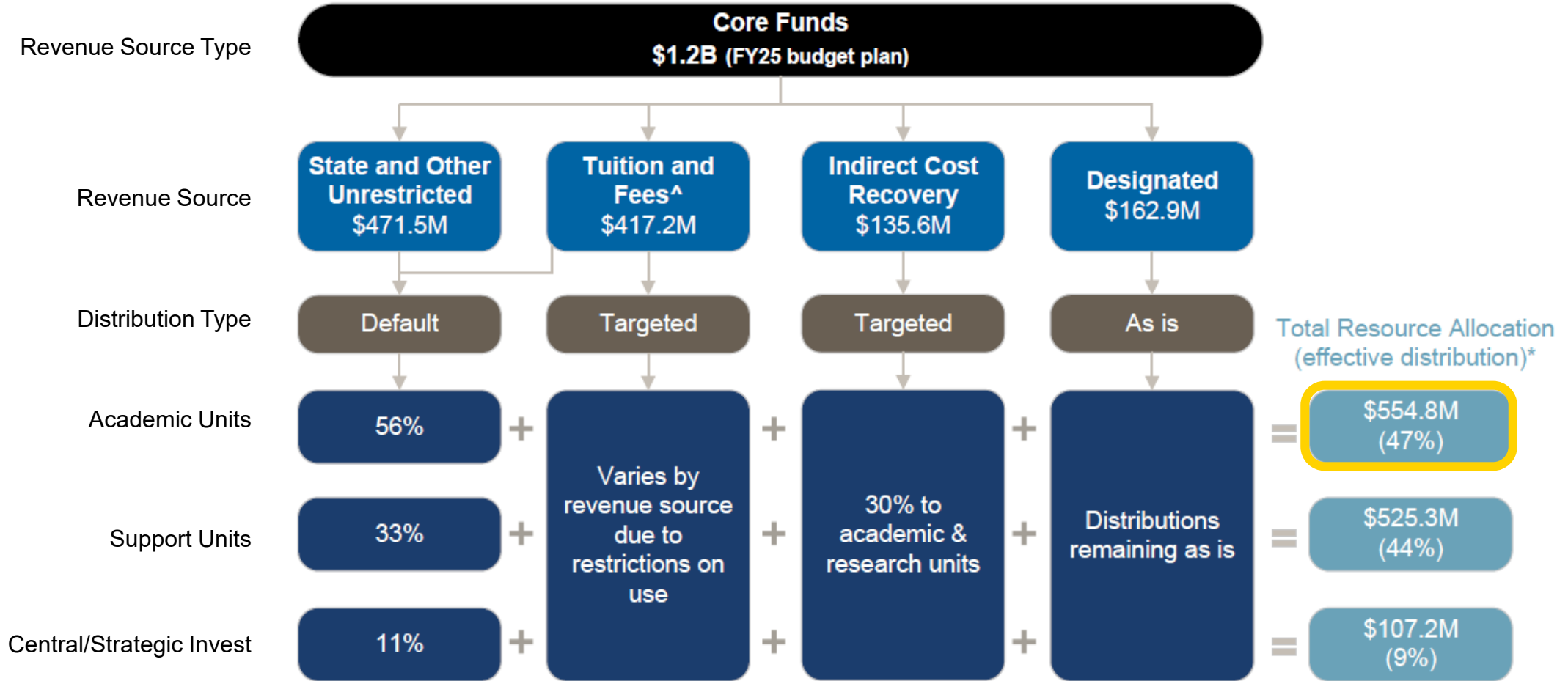


## Funds Flow to Functions



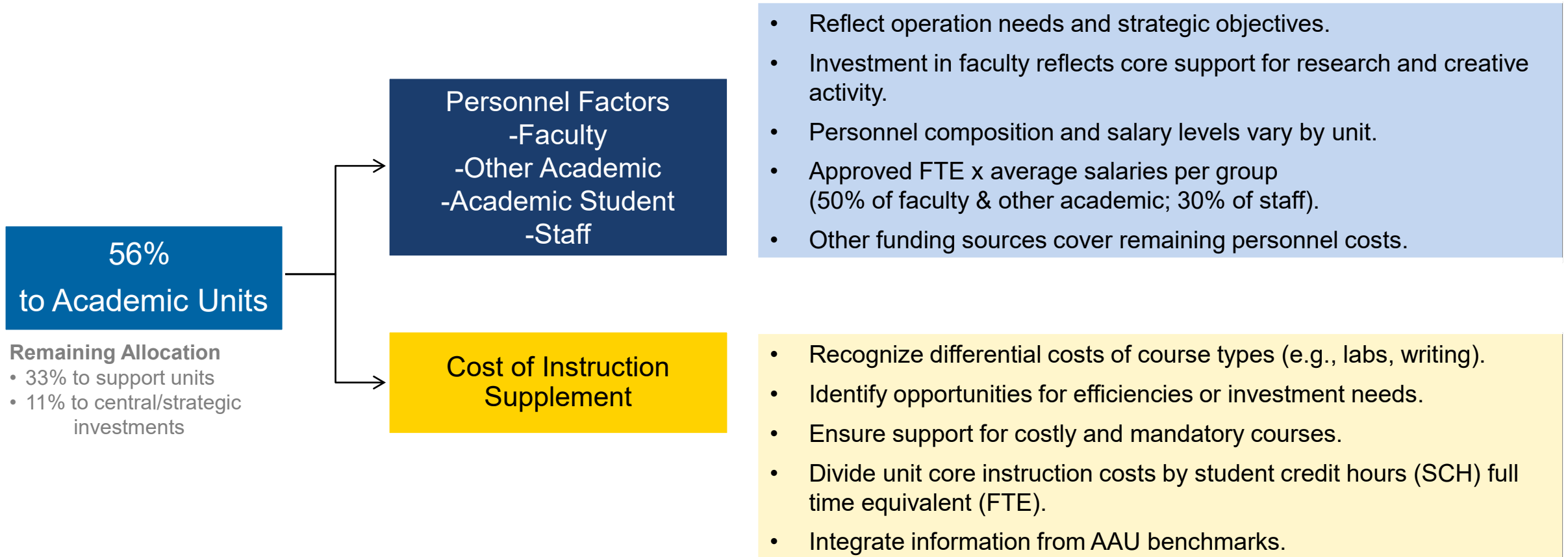
# Mission-Based Budget Framework Allocation Details

# FY25 Budget Framework Funds Flow



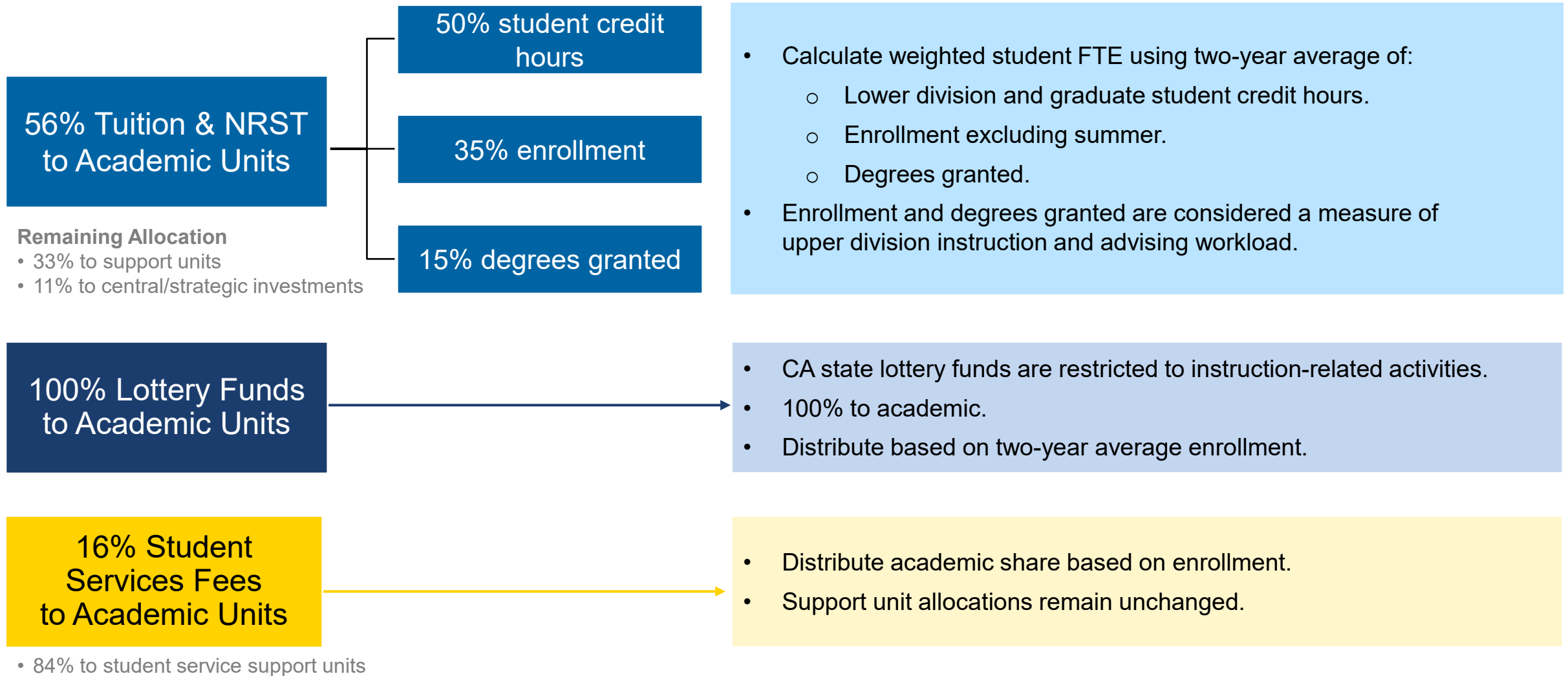
<sup>^</sup> net of financial aid  
<sup>\*</sup> based on March 2024 modeling

# Allocation: State General Funds & Other Unrestricted\*



\*Other unrestricted includes Short Term Investment Pool (STIP), Total Return Investment Pool (TRIP), Funds Functioning as an Endowment (FFE), General & Administrative (G&A) Assessment, Sales & Service (S&S) Assessment, ground leases, and other miscellaneous revenue.

# Allocation: Tuition & Fees Breakdown



# Allocation: Indirect Cost Recovery (ICR)

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30% to Academic/Research Units

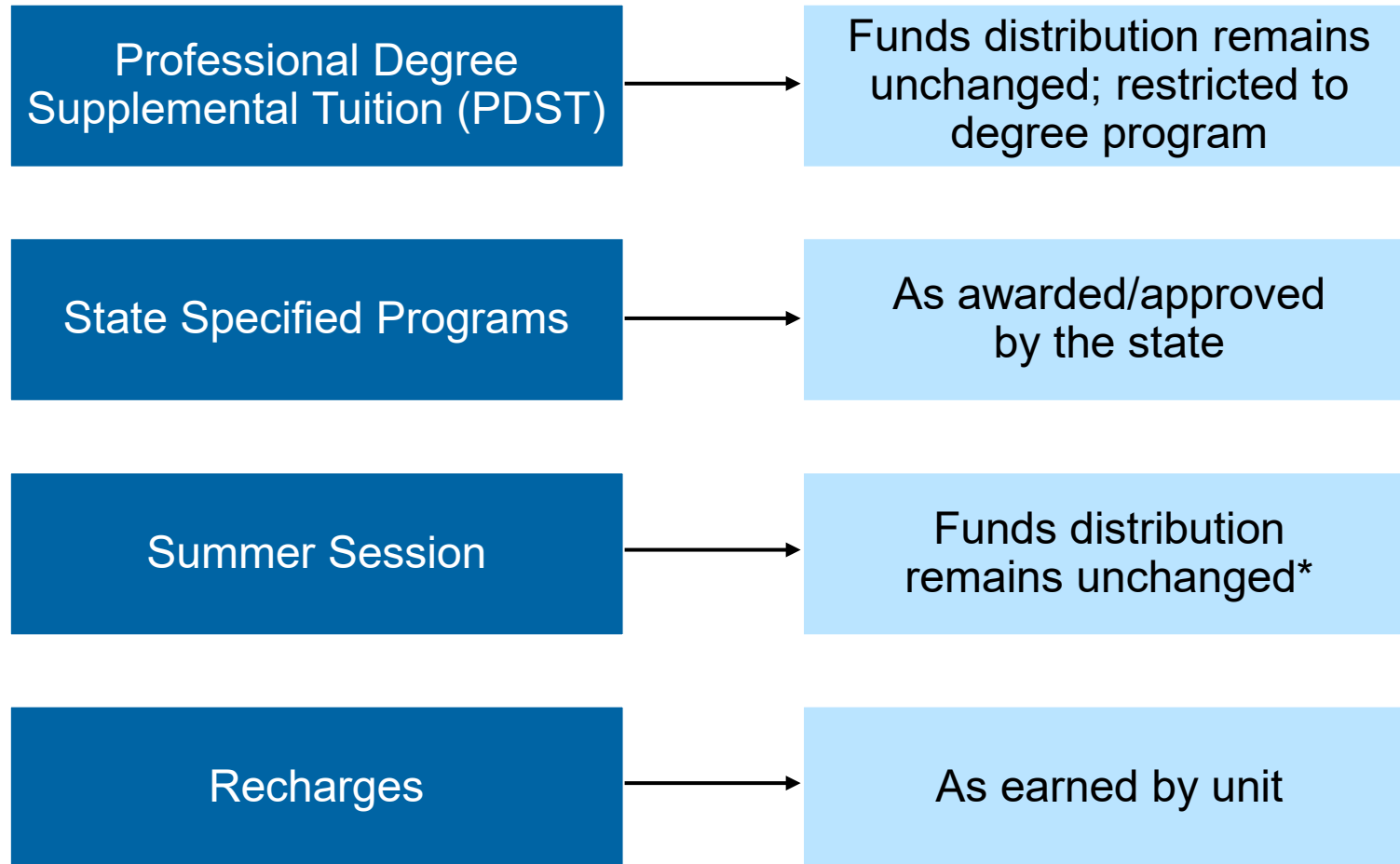
## Remaining Allocation

- 17.5% Office of Research, Applied Innovation & SOM Clinical Trials
- 20% Maintenance & Support
- ~20% Fixed Costs for Building/Debt/Leases
- ~12.5% Deferred Maintenance & Central/Strategic

- Increase **academic/research ICR** from 17% to **30%** - incentivize growth of sponsored research.
- Establish funding mechanism for research infrastructure support functions that need to scale with research enterprise.
  - Designate funding for building operations, deferred maintenance, and debt.
  - Include automatic funds flow for activities like accounting, purchasing, IT, etc.

# Allocation: Designated Funds

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\* Summer Session is piloting a growth incentive for 2024 involving an increased profit share to academic units. As a result, distribution in FY25 will remain as planned for the pilot.



# Allocation: Subvention (Subsidy)

## Subvention:

- Funded by strategic allocation and campus reserves
- Short-term subsidy over three-year transition period
- Long-term subsidy for specific cases.





## Your Feedback is Critical

- Does the framework reflect our shared budget principles?
- Is the framework structured to incentivize desired outcomes?
- Do we need additional controls in place to mitigate any unintended consequences?
- Will the new framework and multi-year planning result in a clearer and more predictable budget process for schools and units?



Please send feedback to  
[budgetoffice@uci.edu](mailto:budgetoffice@uci.edu)

# Key Takeaways

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Transitioning from incremental budget model to mission-based budget model.

- FY25: Academic Units
- FY26: Non-Academic Support Units



Budget process incorporates all funds multi-year planning.

- Facilitates long-range planning at the unit level.
- May require additional strategic planning within each unit.



New mission-based budget model will continue to be refined and adjusted over time.

# Questions & Answers