



UNIVERSITY
OF
CALIFORNIA



Systemwide **Budget Manual**

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Budget Analysis and Planning
Office of the President
University of California
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Preface

This *Systemwide Budget Manual* is a summary of policies, guidelines, and general information used by the University of California Office of the President and the ten UC campuses regarding the budget process, particularly as it applies to the University's core funds. The *Manual* was developed to ensure that systemwide policies are well understood and consistently applied. Individual campuses have their own policies and practices that supplement those summarized in this document.

The *Manual* complements other University policies, guidelines, and related documents, including but not limited to:

- The Policies and Standing Orders of the University of California Board of Regents (available at regents.universityofcalifornia.edu)
- Presidential Policies (available at policy.ucop.edu)
- The Accounting Manual (available at policy.ucop.edu/manuals/accounting-manual.html)
- The Academic Personnel Manual (available at www.ucop.edu/academic-personnel-programs/academic-personnel-policy/)
- Business and Finance Bulletins (available at <http://policy.ucop.edu/manuals/business-and-finance-bulletins.html>)
- Periodic guidance issued by the Office of the President on related topics, including but not limited to guidance provided in annual campus budget allocation letters; and
- Policies and guidelines developed, as needed, at each campus.

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Chapter 1

Systemwide Budget Plan Development

I. Context

- A. Among the responsibilities of the University of California Office of the President is the development of the University's annual Budget Plan for core-funded activities. The Budget Plan is incorporated into the University's annual *Budget for Current Operations* and is approved by the Board of Regents.
- B. The Budget Plan is developed in alignment with the University's priorities for the upcoming fiscal year and in full consideration of anticipated cost drivers, operational efficiencies, and revenue sources.

II. Cost drivers to be included in the Budget Plan

- A. Anticipated enrollment changes in State-supported programs. The Budget Plan should reflect anticipated changes in the systemwide enrollment of students in State-supported programs (i.e., excluding self-supporting programs such as University Extension) and the corresponding anticipated change in core-funded costs (instruction, financial aid, student services, etc.).
 - 1. Anticipated changes in enrollment should take into consideration:
 - a. the enrollment level needed to maintain the University's commitment under the California Master Plan; and
 - b. campus enrollment plans for resident and nonresident undergraduate and graduate students.
 - 2. The Budget Plan should reflect the marginal cost associated with the anticipated changes in enrollment.
- B. Mandatory costs. Each year, the University faces a variety of mandatory cost increases that should be reflected in the Budget Plan. These include, but are not limited to, the following:
 - 1. Contractually committed compensation increases. Collective bargaining agreements between the University and labor unions include stipulated annual compensation increases for covered employees. The increases vary by collective bargaining agreement and by employee classification. The

Budget Plan should include a reasonable estimate of the aggregate systemwide impact of these increases for the applicable fiscal year.

2. Employer contributions to the University of California Retirement Plan. The University of California Retirement Plan (UCRP) provides pension benefits to more than 60,000 retirees and survivors and has more than 100,000 active employee members. Unlike the California State University, the California Community Colleges, or every other State agency, the University of California currently receives no regular annual State General Fund appropriation to cover increases in employer contributions to its retirement plan; provisions to cover those increases must be covered from the University's operating budget.

Effective July 1, 2014, the University's employer contribution to UCRP is 14% of covered payroll. Consequently, any projected increase in core-funded covered payroll expenditures should be expected to generate an additional 14% in mandatory employer contributions to UCRP, which must be acknowledged in the Budget Plan. The impact of benefit plan changes should be taken into account if they are expected to affect the required employer contribution during the Budget Plan year.

3. Employee health benefits. The Budget Plan should be informed by the most recent available projections regarding increases in University of California employee health benefit expenditures. The Budget Plan should reflect the projected impact of any measures taken by the University to control the growth in health benefit expenditures along with factors that contribute to cost increases (e.g., changes in the coverage provided by the University's plans or general market-driven changes in the cost of health care).
4. Retiree (annuitant) benefits. More than 50,000 University of California retirees and beneficiaries are eligible to receive, or are receiving, health benefits that are subsidized by the University. Accumulated future retiree health benefit costs for University retirees are not prefunded. As a result, annual expenditures for retiree health benefits must be accounted for in the University's Budget Plan just as they are for active employees, and similar factors should be used to estimate year-to-year changes in those costs.
5. Faculty Merit Program. The Faculty Merit Program is a merit-based program of faculty salary adjustments designed to retain the most talented and productive faculty members. The program requires a rigorous peer review process at every stage before a merit salary increase is awarded and reinforces a pay-for-performance philosophy by providing a reward mechanism to recognize expansion of both teaching and research skills.

At the University of California – as at any major research university – maintaining a faculty merit program is a mandatory cost. Moreover, since faculty are eligible for review under the program only once every three

years, temporarily interrupting the program in a given year would levy an undue penalty on the cohort up for review that year. (Indeed, the University lost two class-action lawsuits in 1994 that were filed on behalf of faculty members who did not receive 1991-92 merit increases due to budget constraints that year.)

6. Non-salary price increases. To maintain the quality of the instructional program and all support activities, the University must regularly replace, upgrade, or purchase new instructional equipment, library materials, and other non-salary items. The University must also purchase utilities, insurance, and other goods and services necessary to sustain its operations.

To estimate increases in non-salary prices, an inflationary adjustment should be applied to non-salary expenditures with additional adjustments, as needed, for categories of goods or services whose costs are expected to rise at a slower or faster rate. Elements of the Higher Education Price Index (HEPI) maintained by Commonfund, as well as local, state, or national price indices, are among the factors that should be considered when identifying an appropriate inflationary adjustment for a particular year.

- C. High-priority costs. In addition to changes in mandatory costs, the Budget Plan should acknowledge other anticipated cost changes for the upcoming fiscal year. These include but are not limited to the following:
 1. Compensation for non-represented faculty and staff. To ensure that the University is able to recruit and retain faculty and staff, the University must regularly evaluate the need for appropriate and predictable compensation increases. Estimated increases in compensation expenditures included in the Budget plan should take into consideration, at a minimum, the following factors:
 - a. anticipated changes in the number of faculty and staff employees;
 - b. inflationary pressures (i.e., changes in the cost of living) that, if left unaddressed, would erode the purchasing power of employees' earnings;
 - c. the most recent available survey data regarding how compensation for University faculty and staff compare with that of other employers in the relevant labor market(s); and
 - d. any projected change in the required employee contribution to UCRP, which affects an employee's net pay.
 2. Deferred maintenance. The Budget Plan should include funding to help address the University's deferred maintenance backlog, which has grown as the electrical, heating and ventilation, elevator, plumbing, and other

building systems in its aging buildings and supporting campus infrastructure reach and surpass their useful life.

3. Debt service for capital improvements. Under a process established with the State, beginning in 2013-14, a portion of the University's State funding can be used to fund or finance State-eligible capital projects. The University's annual *Budget for State Capital Improvements* includes funding for the preliminary plans, working drawings, construction, and/or equipment associated with major capital projects. The Budget Plan should include reasonable estimates of any cost increases related to debt service for approved and completed projects that are expected to come on-line during the budget year.

- D. Systemwide initiatives. The Budget Plan should acknowledge significant new or ongoing systemwide initiatives and their associated costs. The initiatives should be aligned with strategic systemwide priorities that are established by the President and approved by the Regents. Examples from past budgets include:

1. efforts to improve academic quality throughout the system (e.g., by improving the systemwide student-faculty ratio);
2. improving graduate student support; and
3. providing enhanced student mental health services.

- E. Student financial aid. The University of California Financial Aid Policy, established by the Regents, describes the goals of the University's financial aid programs for undergraduate students, graduate academic students, and graduate students in professional degree programs. The Budget Plan should include funding for the University's aid programs that is consistent with those goals. For more information, see Chapter 5, Financial Aid Funding and Allocations.

III. Operational efficiencies and their impact on the Budget Plan

- A. The Budget Plan may include, as an offset to expenses, any estimated savings from systemwide initiatives intended to reduce costs and/or increase efficiency.
- B. Savings can be incorporated into the Budget Plan as either:
1. distinct line items (e.g., an expected dollar amount associated with one or more cost-savings initiatives), or
 2. a reduction in the cost increases that would have otherwise been applied to a particular expense category (e.g., by assuming slower growth in non-salaries expenses or staff growth than would have otherwise occurred).

IV. Revenue estimates for the Budget Plan

A. State funds

1. The Budget Plan should include a projected level of State funding for the budget year.
2. Projected increases to the University permanent budget should be assumed to be available to meet permanent (i.e., ongoing) budget needs. Projected one-time or temporary funding should be assumed to be available to meet one-time or temporary budget needs.

B. Student tuition and fees

1. The Budget Plan should include material changes in student tuition and fee revenue associated with (a) any planned enrollment growth in State-supported programs, and (b) any proposed change to those tuition and fee levels.
2. Proposed changes to tuition and fee levels must be consistent with all applicable University policies, including but not limited to the following Regental policies (available at regents.universityofcalifornia.edu/governance/policies/):
 - a. Policy 3101: The University of California Student Tuition and Fee Policy
 - b. Policy 3102: Principles Underlying the Determination of Registration Fees
 - c. Policy 3103: Policy on Professional Degree Supplemental Tuition
 - d. Policy 3104: Principles Underlying the Determination of Fees for Students of Professional Degree Programs
3. Increases to mandatory systemwide charges (Tuition and the Student Services Fee) and Professional Degree Supplemental Tuition (PDST) should be accompanied by additional funding for student financial aid consistent with the Regental policy. (See Chapter 5, Financial Aid Funding and Allocations.)

C. University of California General Funds

1. Nonresident Supplemental Tuition. The Budget Plan should reflect Nonresident Supplemental Tuition (NRST) revenue resulting from any anticipated change in nonresident student enrollment reflected in the Budget Plan, along with any proposed change to NRST charges.

2. Indirect cost recovery. The Budget Plan should reflect anticipated changes to indirect cost recovery (ICR) revenue based upon projected changes in the volume of the University's research-related activities and/or changes in the ICR rate assessed on extramural research grants.
- D. Additional revenue sources
1. Philanthropy. The Budget Plan may include anticipated changes in philanthropic giving to the University that may be used to fund core operations. To be included in the plan, gifts must either be unrestricted or have terms that permit the use of such funds for core operations.
 2. Asset management. Newly available permanent or one-time funds, if any, resulting from improved asset management strategies (e.g., improved liquidity management that results in a higher expected future return on the University's current balances) may be included in the Plan.
 3. Other funds. Significant projected changes in other revenue sources among the University's core funds should be included in the Budget Plan. One-time funding should be associated with one-time expenditures in the Budget Plan; permanent funding should be associated with permanent expenditures.

Chapter 2

Allocation of State General Funds

I. Context

- A. Beginning in 2008, the University of California Office of the President initiated a comprehensive review of how the University budgets and allocates its various fund sources. As part of that initiative, the University examined the rationale for distributing State General Funds and developed a strategy for readjusting those distributions in order to address disparities among campuses in funding per student.
- B. The University began implementing this new strategy – commonly referred to as “Rebenching” – in 2012-13, with the goal of achieving equivalent per-student funding from eligible State General Funds within six years (i.e., by 2017-18) as described below.

II. Core principles

- A. The University’s strategy for allocating eligible State General Funds is built around four core principles:
 - 1. Unrestricted State General Funds provided to the University should be allocated to the campuses for the purpose of furthering the University’s core missions based on the numbers and types of students they enroll.
 - 2. UC has a common standard of excellence across its campuses. The State subsidy per student should not depend on the campus that a student attends. Consistent with this principle, the amount of State General Funds per student allocated to a campus should be the same for each type of student across all of the campuses.
 - 3. Rather than reduce State funding provided to any campus, rebenching should be implemented in a way that seeks to bring all campuses up to the then-current highest level of per-student funding. A portion of new State General Funds received by the University each year will be allocated to achieve this goal by 2017-18.
 - 4. Graduate education is an integral part of UC's mission and excellence and must be recognized in any allocation model.

III. Allocation of State General Funds

A. General basis for allocations

With the exception of the Merced and San Francisco campuses (as described below), under rebenching, each campus's permanent base budget of State General Funds will reflect a combination of at least two components:

1. funds to enable campuses to support specified programs or initiatives and to cover a common level of fixed costs at each campus ("set-asides"); and
2. funds allocated to achieve and to maintain a common level of State General Fund support at each campus, based upon a campus's weighted enrollment for allocation purposes as described below.

B. Funding for Merced and San Francisco

Due to the unique needs of the Merced and the San Francisco campuses, permanent State General Funds allocated to these campuses will be determined outside of the methodology used to allocate funds to the other campuses.

1. Merced. In general, the permanent State General Fund budget for the Merced campus will reflect its 2012-13 permanent base budget of State General Funds, augmented each year by:
 - a. State General Fund support for the marginal cost associated with budgeted enrollment growth, if any, at Merced in a given year; and
 - b. annual cost adjustments, as appropriate, for any set-asides as described in III.D.3.
2. San Francisco. In general, the permanent State General Fund base budget for the San Francisco campus will reflect its 2012-13 permanent base budget of State General Funds, augmented each year by:
 - a. the campus's historical share of State General Funds (5.5%) applied to the first 2% increase in permanent State General Funds (net of any amount designated in the Budget Act for specific purposes, as described in III.D.2) plus one-half of the campus's historical share (2.75%) applied to any increase above 2%; and
 - b. cost adjustments, as appropriate, for any set-asides as described in III.D.3.

C. Determination of set-asides for purposes of rebenching

1. For purposes of rebenching, set-asides represent those elements of a campus's State General Fund allocation that are intended for, or restricted

to, specified purposes, either by State law or University policy. Examples include, but are not limited to:

- a. \$15 million allocated to each campus to address fixed costs that are independent of a campus's enrollment level;
- b. funding for SAPEP, Agricultural Experimental Stations, and other designated programs or initiatives that reflect designated systemwide priorities and/or commitments; and
- c. the State General Fund portion of the University Student Aid Program (USAP).

2. Decisions about whether to categorize a program as a set-aside for rebenching purposes, or whether to provide funding for annual cost adjustments to a particular set-aside, will be made by the Office of the President following consultation with appropriate campus representatives.

D. Allocation of new permanent State General Funds to campuses

1. Major components of annual campus allocations. Annual allocations of new State General Funds will generally reflect:

- a. any portion of incremental permanent State General Funds that is designated in the Budget Act to augment support for a particular program or programs at a campus or campuses;
- b. cost adjustments, as appropriate, for identified set-asides at each campus; and
- c. at campuses other than Merced and San Francisco,
 - i. funds intended to eliminate, over time, campus discrepancies in State funding per student ("rebenching annual increments"), and
 - ii. funds intended to raise each campus's State funding per student by an equivalent amount across the system ("per-student distribution funds"),

where a campus's funding per student is based upon its weighted enrollment for allocation purposes as described in G.1 below.

2. Incremental State General Funds designated in the Budget Act. Any portion of incremental permanent State General Funds that is designated in statute for a particular program (or programs) should be allocated to the campus(es) responsible for the operation of the program(s).

3. Cost adjustments for set-asides. Funding for cost adjustments to set-asides that are deemed eligible for annual cost adjustments should be allocated to the campus(es) responsible for those set-asides.
 - a. In general, cost adjustments should be proportionate to the systemwide increase in permanent State General Funds appropriations from the prior year, excluding any amounts designated for specific programs as described in III.D.2, amounts allocated to Merced under III.B.1.a, and amounts allocated to San Francisco under III.B.2.a.
 4. Rebenching annual increments. A portion of incremental State General Funds should be used to narrow identified gaps in State General Fund support per student on each campus. The funding allocated in a given year for this purpose should be sufficient to allow the University to meet its goal of achieving equal per-student funding across campuses by 2017-18 based upon each campus's weighted enrollment for allocations (WEFA).
 5. Per-student distribution funds. Increases in permanent State General Funds not committed to other purposes should be distributed to campuses in direct proportion to each campus's share of the systemwide WEFA.
 6. Other commitments of new State General Funds. The President may allocate any portion of new State General Funds to campuses as needed to address identified funding needs and/or to address additional goals beyond those described above.
- E. Allocation of one-time State General Funds to campuses
1. State General Funds provided on a one-time basis should be allocated to campuses in a manner that is generally aligned with the intended use of those funds. For example, in determining campus allocations of funds designated for deferred maintenance, factors that might be considered include square footage, current replacement value, mix of supporting infrastructure, and percentage of campus space that is state funded.
 2. In cases where unrestricted one-time funding is provided, allocations may be based on the rebenching methodology described in III.D, or on an alternative methodology that is aligned with objectives identified by the President.
- F. Other adjustments to campus base budgets of State General Funds
1. Allocations may include other adjustments to campus base budgets of State General Funds to achieve systemwide goals. Examples include but are not limited to:

- a. adjustments to the State General Fund portion of the University Student Aid Program (See Chapter 5, Financial Aid Funding and Allocation); and
 - b. adjustments needed to achieve appropriate campus funding levels for programs such as the Faculty Hiring Incentive Program or other new and/or ongoing Presidential initiatives.
- G. Calculation of enrollment for allocation purposes
 1. In consultation with campuses, the Office of the President will establish enrollment levels for State-supported programs at each campus for purposes of allocating State funds.
 - a. Undergraduate students subject to Nonresident Supplemental Tuition are excluded from these enrollment levels.
 2. The calculation of per-student funding will be based on campuses' weighted enrollment for allocation purposes (WEFA) of students in State-supported programs, in which the enrollment levels referenced in G.1 are assigned the following weights by student level:
 - a. Undergraduate, postbaccalaureate, graduate professional, and graduate academic master's students are weighted at 1.
 - b. Academic doctoral students are weighted at 2.5.
 - c. Health science students are weighted at 5 (with the exception of undergraduates and graduate academic students, who are weighted at 1 and 2.5, respectively).
 3. If the enrollment level referenced in G.1 reflects a ratio of academic doctoral students to undergraduates that is less than 12 percent at a campus, the campus's WEFA will be adjusted to include additional academic doctoral student enrollment to bring its ratio to 12 percent. This adjustment is intended to provide funding to such campuses so that they may take steps to increase the numbers of academic doctoral students to reach 12 percent of undergraduate enrollment. Campuses' progress in growing graduate enrollment will be reviewed periodically.
- H. Formulas for determining campus allocations under rebenching.
 1. Upon completion of rebenching (i.e., for 2016-17 and subsequent years), a campus's permanent allocation of State General Funds will reflect the formulas show in Display 1, below.

Display 1: Campus Allocations of Permanent State General Funds Under Rebenching

The formulas below depict campus funding levels upon completion of rebenching in 2016-17.

For Campuses Other than Merced and San Francisco:

- *Total Campus Permanent Allocation* = Allocation for Campus Set-Asides +
Allocation for Equitable Per-Student Funding
- *Allocation for Campus Set-Asides* =
Newly designated campus set-asides (if any) +
Prior-Year Allocation for Campus Set-Asides +
Cost Adjustment for Eligible Set-Asides
- *Cost Adjustment for Eligible Set-Asides* =
(Prior-Year Eligible Campus Set-Asides) x
(Increase in Undesignated permanent State General Funds –
New Merced and San Francisco Corridor Funding) /
(Total Prior Year Campus Base Budgets)
- *Allocation for Equitable Per-Student Funding* =
(Total UC State General Fund appropriations – Total Set-Asides) x
(Campus weighted enrollment for allocation purposes) /
(Total UC weighted enrollment for allocation purposes)

For San Francisco:

- *Total Campus Permanent Allocation* = Prior-Year UCSF Permanent Allocation +
UCSF Corridor Funding + Allocation for Campus Set-Asides
- *UCSF Corridor Funding* = 5.5% of the first 2% increase in undesignated State General Funds +
2.75% of any remaining increase
- *Allocation for Campus Set-Asides* is calculated as described above

For Merced:

- *Total Campus Permanent Allocation* = Prior-Year Merced Permanent Allocation +
Merced Corridor Funding + Allocation for Campus Set-Asides
- *Merced Corridor Funding* = \$10,000 for each budgeted FTE of enrollment growth
- *Allocation for Campus Set-Asides* is calculated as described above

IV. Communicating campus allocations

- Each year, the Office of the President will issue allocation letters to campuses that provide campus-specific allocations of State General Funds and, as appropriate, State Special Funds.
- The letters and accompanying materials will describe changes in State support from the prior year, along with a description of the methodology used to determine those changes.
- Allocation letters may also provide guidance and expectations for addressing priorities that are of critical importance to the system.

- V. Modifications to University practices regarding systemwide State General Fund allocations
 - A. The Office of the President will consult with appropriate campus representatives prior to adopting any material change to the underlying goals, policies, or practices regarding State General Fund allocations described in this manual.

Chapter 3

Allocation of Campus-Generated Revenues

I. Context

- A. In September 2011, following extensive consultation with both internal and external University stakeholders, the President of the University of California approved the Funding Streams Initiative.
- B. The Initiative addressed several issues, including the distribution of campus-generated revenues, funding for the budget of the Office of the President, and funding for undergraduate and student financial aid.
- C. Together with other University policies, the Initiative addresses the extent to which revenue attributable to a campus is retained by that campus.

II. Goals

- A. The distribution of campus-generated revenues under the Funding Streams Initiative reflects three goals:
 - 1. simplifying University financial activity;
 - 2. improving transparency; and
 - 3. providing campuses with incentives to identify and to maximize revenue opportunities.
- B. The Initiative also reflects an activity-based allocation methodology for campus-generated funds, in which revenues associated with campus-based functions (instruction, research, etc.) are retained by the campus that incurred costs associated with those functions.

III. Implementation

- A. Beginning in 2011-12, revenues attributable to campuses are to be allocated as follows:
 - 1. Each location will retain all tuition and fee funds generated from its own students (subject to provisions of University Student Aid Program allocations, as described in Chapter 5).

2. Each location will retain all indirect cost recovery funds generated from its own contract and grant activity.
 3. All patent revenues, net of payments to joint holders and inventors, will be allocated to source locations.
 4. All Short-Term Investment Pool (STIP) earnings and Total Return Investment Pool (TRIP) earnings, regardless of fund source, will be transferred to source locations.
 5. Each campus will retain its own graduate application fee revenue; net undergraduate application fee revenue will be distributed proportionately to the number of applications received by each campus.
 6. Prior assessments on medical center expenditures, auxiliary enterprise expenditures, and medical compensation plans that support UCOP administration through the Office of the President Common Fund will be eliminated.
- B. Campus allocations of the revenues described above are in addition to applicable University policies and practices regarding other types of campus-generated revenues – for example,
1. gifts and endowments designated for, or administered by, a particular campus; and
 2. revenue generated by campus auxiliary enterprises.

Chapter 4

Systemwide Assessment

I. Context

A. The central operations of the Office of the President include two distinct functions:

1. Central and administrative services. Central and administrative services encompass the University's executive leadership and management of the University's academic and administrative affairs, such as academic policy, retirement plan administration, investments, benefits, strategic sourcing, insurance and legal services.
2. Systemwide academic and public service programs. Systemwide academic and public service programs cover delivery of statewide programs in instruction, research, public service and academic support, including Agriculture and Natural Resources, the Education Abroad Program, breast cancer, tobacco and HIV/AIDS research, K-12 and community college transfer initiatives, California Digital Library and UC Press.

B. The implementation of the Funding Streams Initiative led to a new model for funding these central operations.

1. As described in Chapter 3, under the Funding Streams Initiative, each campus retains revenues generated on the campus, including but not limited to tuition and fees, indirect cost recovery generated from campus contract and grant activity, patent revenues, and STIP earnings.
2. To support central operations at the Office of the President, a broad-based assessment has been established on campus funds in addition to an assortment of restricted funds earmarked for specific educational, research and public service programs.

II. Calculating campus contributions towards the systemwide assessment

A. A campus's contribution towards the systemwide assessment should generally take into consideration both the relative financial resources of each campus and the types and level of services provided to the campuses at the Office of the President.

B. Effective with the 2014-15 fiscal year, the cost of the total systemwide assessment will be distributed across campuses based on three equally weighted factors:

1. Current expenditures from the campus. A campus's total expenditures will be used as a general indicator of the financial resources available at the campus.
 2. Total number of employees at the campus. The consideration of a campus's share of total University employees is intended to generally reflect a campus's share of services provided by the Office of the President that are aligned with employment-related functions.
 3. Total number of students. A campus's total student enrollment represents a proxy for the campus's share of student- and instruction-related services and resources provided by the Office of the President.
- C. The methodology described above replaces the methodology used in 2011-12 through 2013-14, which was based exclusively on a flat tax on total current expenditures at a campus.
1. The new formula is intended to improve upon the earlier formula, which included no method for taking into account a campus's utilization of Office of the President services.
 2. For example, under the earlier formula, the cost of the assessment fell disproportionately on medical center campuses even though health science segments of the University were not benefiting from many of the "common good" services provided by the Office of the President (many of which support primarily the undergraduate program).
- III. Regental approval of the Office of the President budget
- A. The overall budget of the Office of the President is submitted to the Regents each year for approval.
 - B. The budget submitted to the Regents for approval provides a breakout of the total resources supporting the Office of the President, including restricted funds, such as Special Funds earmarked for specific research programs, as well as unrestricted assessment funds.
- IV. Campus payment of the assessment
- A. Campuses are permitted to use any fund source or combination of fund sources not otherwise legally restricted to cover their share of the annual assessment.

Chapter 5

Financial Aid Funding and Allocation

I. Context

- A. The University Student Aid Program (USAP), the University's primary systemwide institutional aid program, is designed to achieve the goals articulated by the Regents in *Regents Policy 3201: The University of California Financial Aid Policy*.
- B. Institutional financial aid for students in professional degree programs that assess Professional Degree Supplemental Tuition is addressed in *Regents Policy 3103: Policy on Professional Degree Supplemental Tuition and Regents* and *Regents Policy 3104: Principles Underlying the Determination of Fees for Students of Professional Degree Programs*.

II. Undergraduate USAP funding and allocation

- A. **Goal.** The primary goal of the University's undergraduate financial aid programs is to maintain the affordability of the University for all students admitted within the framework of the Master Plan, regardless of their financial resources.
- B. **Components.** The University's systemwide undergraduate financial aid strategy includes two core components:
 - 1. The Education Financing Model
 - a. The Education Financing Model (EFM) is an integrated framework that is used to assess the University's role in funding its financial aid programs, to determine how financial aid is allocated across campuses, and to guide campuses in awarding aid to individual students and families.
 - b. Under EFM, a student's UC grant eligibility is based upon the difference between (a) a student's in-state total cost of attendance (including tuition and fees, room and board, books and supplies, etc.) and (b) the combination of a reasonable contribution from parents, grants from federal and State programs, and a manageable student self-help contribution from work and borrowing.

2. The Blue and Gold Opportunity Plan
 - a. The Blue and Gold Opportunity Plan, introduced in 2009, is intended to provide low-income students with a clear message regarding the availability of grants and scholarships to cover UC tuition and fees.
 - b. Awards made under the Blue and Gold Opportunity Plan supplement, if needed, UC grants awarded under EFM to ensure that eligible California resident students whose parental income is below a specified threshold (\$80,000 in 2015-16) receive grant and scholarships assistance that fully covers the student's in-state mandatory systemwide fees, subject to a student's financial need.
- C. Determining aggregate funding. The University's funding goal for USAP is to ensure that funds are available to meet the University's obligations under the Blue and Gold Opportunity Plan and to keep students' self-help expectation – the amount that UC expects students to contribute towards the cost of their education through work and borrowing – at manageable levels across the system.
 1. Funding available for USAP in a given year should take into consideration factors such as projected systemwide enrollment levels; projected in-state student expenses at each campus; students' projected resources from their parents and federal and State grant programs; State appropriations to the University for financial aid; and the availability of funds from tuition, fees, and other sources in light of other critical needs for those funds.
 2. The University's practice in recent years has been to set aside one-third of new mandatory systemwide fee revenue for financial aid, which has provided sufficient funds to achieve the University's funding goal. This practice is evaluated annually and may be adjusted as appropriate in response to any material changes to the factors described above.
- D. Source of funds. Undergraduate USAP is funded primarily from undergraduate Tuition and Student Services Fee revenue ("return-to-aid") and a portion of the University's base State General Fund budget. Campuses have the discretion to substitute or to augment this funding with alternative fund sources (e.g., private gifts).
- E. Allocation of funds. Campus allocations of USAP should be based upon the estimated USAP funding needed at each campus to (a) meet the University's commitment under the Blue and Gold Opportunity Plan and (b) provide sufficient funding to enable campuses to offer financial aid packages that reflect a similar baseline level of student self-help from work and borrowing across the system. Allocations will reflect:
 1. a common percentage of undergraduate Tuition and Student Services Fee revenue set aside at each campus to fund undergraduate USAP;

2. allocations of the State General Fund portion of USAP across campuses based upon each campus's remaining need for USAP; and
3. a reallocation of any Tuition revenue generated at a campus under II.E.1 that exceeds the campus's estimated USAP need, to be distributed to other campuses according to those campuses' estimated remaining USAP need.

III. Graduate USAP funding and allocation

- A. Goal. The primary goal of the University's graduate financial aid programs is to provide competitive levels of support in order to attract a diverse pool of highly qualified students who are willing and able to pursue graduate academic and professional degrees.
- B. Components. Graduate students receive support in a wide variety of forms, including merit-based fellowships, need-based grants, teaching assistantships, and research assistantships, and from a wide variety of sources. Graduate USAP funding may be used in conjunction with other sources of institutional and extramural funds to provide these diverse types of support, which will vary based upon factors such as a student's field of study and degree objective.
- C. Determining aggregate funding. Each year, campuses are expected to set aside a minimum percentage of Tuition and Student Services Fee revenue for graduate student support.
 1. The percentage is higher for graduate academic students than it is for students in professional degree programs, consistent with the higher funding levels needed to support graduate academic students – particularly those in doctoral programs. Within each category of student, however, the minimum percentage is the same at each campus.
 2. The percentage is determined by augmenting the prior year systemwide graduate USAP budgets for graduate academic and professional degree students by a percentage of any new mandatory systemwide fee revenue attributable to those students. The additional funding is intended to help offset the impact of enrollment growth and increases in mandatory systemwide charges on a campus's ability to provide competitive offers of student financial support.
 3. These new USAP budgets are then used to calculate updated *average* return-to-aid percentages for graduate academic and professional degree students for the following year. These updated average return-to-aid rates serve as the minimum percentage of Tuition and Student Services Fee revenue to be used for graduate student support.
- D. Source of funds. Graduate USAP funds are derived from a portion of mandatory systemwide charges paid by graduate students, as described above.

- E. Allocation of funds. Graduate USAP funds are not allocated across campuses. Rather, each campus is expected to use a specified minimum percentage of Tuition and Student Services Fee revenue attributable to its graduate academic and professional degree students for graduate student financial support as described in III.C.3.

- IV. Financial aid for students in programs charging Professional Degree Supplemental Tuition
 - A. Goal. Financial aid for students enrolled in programs that assess Professional Degree Supplemental Tuition is intended (1) to ensure that the higher costs of these programs are not an insurmountable barrier to access for students, and (2) to minimize financial barriers to the pursuit of careers in public service.

 - B. Components. Each professional degree program develops its own complement of financial aid awards, which may include elements such as need-based grants, merit-based fellowships, and/or loan repayment assistance for graduates of the program.

 - C. Determining Aggregate Funding. Pursuant to *Regents Policy 3103: Policy on Professional Degree Supplemental Tuition*, programs are expected to supplement their programs each year by an amount equivalent to at least 33 percent of new Professional Degree Supplemental Tuition revenue, or by an amount necessary to ensure that financial aid resources are equivalent to at least 33 percent of all Professional Degree Supplemental Tuition revenue for the program.

 - D. Source of Funds. Programs are expected to supplement funding by an amount equivalent to a specified percentage of PDST revenue; programs may use PDST revenue or other available sources of funds (e.g., private gifts) to meet that funding expectation.

 - E. Allocation of Funds. Financial aid funds attributable to PDST revenue are not allocated across campuses. Rather, each program is expected to meet its own minimum funding requirement as described above.