

## Repurposing Instructional Needs (IN) Base Budget Funding as 2020 Enrollment Growth Stabilizes

In 2012-13, the campus established an ongoing allocation of Instructional Needs (IN) funding in recognition of the continued need to make strategic decisions in undergraduate course offerings and address situations where the incentive-based budget model will not always provide the necessary level of support as undergraduate enrollment grew. In 2013, Undergraduate Education (UE) and Budget and Institutional Analysis (BIA) developed a [framework of principles and funding priorities](#) that take into account interactions with the Undergraduate Tuition Revenue (UGTR) budget model, enrollment growth, and crucial curricular needs. These priorities include:

- Freshman-level courses required of large numbers of students.
- Freshman-level courses that are prerequisites for staying on track in majors chosen by large numbers of students.
- Undergraduate courses at any level that are degree requirements in a major in another college or department but that cannot be sustained by their own college or department.
- Lower division courses offered in a department required by large numbers of students majoring in another department but which are generally not prerequisites for courses in the major.
- Upper division writing courses required of large numbers of students and which are important to time-to-degree.

For 2017-18, in recognition of the significant anticipated growth in transfer students, UE added upper division courses expected to be impacted due to a large influx of transfer students to the priorities for Instructional Needs funding. IN funding is intended as “hotspot” funding for courses that need to be offered or expanded in order to meet demand without requiring colleges to support the course before it begins to generate funding through the UGTR budget model. The objective of the IN funding process has been, and continues to be, ensuring the availability of courses needed for students to meet degree requirements in a timely manner.

IN funds are managed in a central campus account with a base budget allocation and distributed to colleges (and divisions until 2017-18) for annual one-time uses to ensure that instructional needs for all students can be met during the academic year. The Office of the Vice Provost and Dean of Undergraduate Education approves funding requests submitted by college Dean’s Offices annually. Units typically use IN funds for expenses such as adding teaching assistants or lecturers and occasionally supporting equipment or supplies to set up additional lab sections.

Instructional Needs funding has been available for five full years, allowing BIA to analyze hotspot needs during the campus’ period of significant enrollment growth. As undergraduate enrollment flattens, these funds may no longer be needed to address enrollment growth hotspots to the same degree and the campus may consider repurposing these funds.

### Funding Sources and Uses

Table 1 below shows the total IN available and allocated in each year since 2012-13. Over this period, the campus invested almost \$13 million in college instructional programs through this source. Between 2012-13 and 2017-18, the majority of this fund source – nearly 85%, when excluding summer backstop funding – was allocated to the College of Letters and Science (CLAS). HARCS received the most one-time Instructional Needs funding (about \$4 million, or over one-third of IN funding), used primarily for the Undergraduate Writing Program (UWP) and English as a Second Language (ESL) courses, both of which have grown considerably with the increases in the international population on campus. MPS received about \$2.8 million in that time, or about a quarter of IN, which largely supported expanding courses and addressing waitlist issues. DSS received about \$2.3 million (about one-fifth of IN) and CBS received about \$1.1 million (or about 10% of IN) for similar reasons. COE and CAES have received relatively little IN funding since 2012-13.

**Table 1. Instructional Needs Available and Allocated Annually Since 2012-13 (Dollars in Thousands)**

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Cumulative	
<b>Sources</b>								
Base Funding	\$2,000	\$2,000	\$2,000	\$2,000	\$1,000	\$1,000	\$10,000	
Summer Base				\$400	\$400	\$400	\$1,200	
One-time Backstop					\$100		\$100	
Carryforward		\$0	\$84	\$329	\$631	(\$47)	\$997	
<b>Total Sources</b>	<b>\$2,000</b>	<b>\$2,000</b>	<b>\$2,084</b>	<b>\$2,729</b>	<b>\$2,131</b>	<b>\$1,353</b>	<b>\$12,297</b>	
<b>Uses</b>								
CAES				\$5		\$0	\$5	0%
CBS	\$400	\$185	\$190	\$128	\$125	\$96	\$1,124	10%
COE		\$215		\$110	\$261	\$17*	\$603	5%
CLAS	\$1,600	\$1,516	\$1,562	\$855	\$1,549	\$2,057	\$9,139	80%
<i>HArCS</i>	<i>\$225</i>	<i>\$826</i>	<i>\$868</i>	<i>\$699</i>	<i>\$504</i>	<i>\$934</i>	<i>\$4,056</i>	35%
<i>MPS</i>	<i>\$975</i>	<i>\$571</i>	<i>\$407</i>		<i>\$529</i>	<i>\$299</i>	<i>\$2,781</i>	24%
<i>DSS</i>	<i>\$400</i>	<i>\$119</i>	<i>\$287</i>	<i>\$156</i>	<i>\$516</i>	<i>\$824</i>	<i>\$2,302</i>	20%
Summer Backstop					\$327	\$436	\$763	7%
Other			\$3		\$35	\$60	\$98	
<b>Total Uses</b>	<b>\$2,000</b>	<b>\$1,916</b>	<b>\$1,755</b>	<b>\$1,098</b>	<b>\$2,297</b>	<b>\$2,665</b>	<b>\$11,731</b>	<b>100%</b>
Sources Minus Uses					(\$164)			
Unspent IN Returned to UE					\$119			
<b>Net</b>	<b>\$0</b>	<b>\$84</b>	<b>\$329</b>	<b>\$1,631</b>	<b>(\$47)</b>	<b>(\$1,312)</b>		
Redirection to UE (Base & Current)				\$1,000				
IN Carryforward	\$0	\$84	\$329	\$631	(\$47)	(\$1,312)		

\*Pending report of actual expenditures.

As of June 2018, UE has agreed to fund about \$2.7 million in Instructional Needs requests. After a larger than expected draw on both the summer backstop and the very high demand for Instructional Needs requests (particularly for ESL courses), BIA anticipates a \$1.3 million shortfall in Instructional Needs in 2017-18.

### IN Funding Changes

Over the past 5 years, several decisions changed the funding available in the IN pool as well as the approach to certain IN allocations:

- In 2015-16, \$400,000 of summer sessions revenue was added to the pool to support the expansion of the IN concept to Summer Sessions courses. However, summer funds can also support academic year IN allocations if needed.
- By 2015-16, a large carryforward in the IN account had accumulated.
- At the time of the 2016-17 budget process, the campus decided to use \$1 million of the accumulated carryforward and redirect \$1 million base from IN to Undergraduate Education's operating budget.
- In 2016-17, the campus added \$100,000 to IN to offer a summer backstop to colleges in order to incentivize offering courses that were needed by students but which were expected not to be self-supporting under the summer budget model.
- Beginning in 2016-17, funding for UWP and ESL was provided under a new methodology – a second year of partial IN funding began to be provided since budget model allocations take two full years to fully include growth, and additional base funding was provided through the budget process to fund the gap between the high cost of these small classes and what the budget model provides.

- Beginning in 2017-18, UE began to offer Instructional Needs as a backstop rather than to allocate upfront due to situations in which it became clear that some IN funds distributed were not ultimately spent for the use approved.

### Analysis and Observations

The \$2 million set aside for Instructional Needs funding was more than sufficient to meet the campus' needs for several years, exemplified by the fund's large carryforward, and reducing the base made sense when demands on this fund source were lower. Since the base budget reduction in 2016-17, however, demand has increased – summer backstop was about a third more expensive in Summer 2017 than in Summer 2016, and CLAS' 2017-18 calls on Instructional Needs are about 50% higher than in 2016-17. Additionally, though the increasing deficit became apparent over the course of 2017-18, the urgency of funding requests and a desire to fund most requests did not lead to prioritization of requests that might have lessened IN expenditures. As a result of all these additional calls on IN funding happening at the same time, for the first time, in 2017-18, requests far outstripped the funds available. IN is ending the 2017-18 fiscal year with a deficit of approximately \$1.3 million.

As enrollment growth is anticipated to start flattening, the campus has an opportunity to consider whether IN in its current form should continue. With slowing growth, there should be fewer enrollment hotspots campuswide. The past five years has shown that need is focused on one college, CLAS, which, in four of the past five years in which allocations have been completed, utilized about \$1.5 million, or about 75%, of annual Instructional Needs funding. When CLAS operated as separate divisions, UE played a role in assessing the needs among the divisions. However, since the unification of the college structure, and with the growth in associate dean roles since 2012-13 to include evaluation and management of curricular offerings in the context of available resources, this role is no longer as critical.

Moreover, particularly in the area of UWP and ESL, for which the largest requests for IN are made, CLAS has had some difficulty with the timing of IN decisions. The number of sections of ESL and UWP courses can be unknown late into the year, so CLAS has had to make estimates when requesting IN that may not be accurate by the end of the year, and CLAS often has to reassign instructors intended for one class to another class (which may or may not be backstopped by IN funding, but per the instructor's contract requires CLAS to provide funding regardless) depending on how close their estimates are.

Given the consistent need over the past several years, the campus is redirecting \$700,000 of the FWS IN funding directly to CLAS to manage for their non-UWP or ESL courses. Instead of requesting the funds from UE, the college will determine for itself how to use the funding and report quarterly back to UE and BIA. This has the advantage of allowing CLAS to prioritize their needs and make decisions more quickly as well as reducing workload for UE, BIA, and the colleges. UE will still retain \$300,000 of the FWS IN funding for the other colleges in case critical needs arise. CLAS may apply for these funds only if it has exhausted its own pool of IN funding and any requests received by UE will be evaluated by the same criteria as the other colleges' requests. Since enrollment growth is slowing, a smaller pool is expected to suffice.

Though IN funding was intended to support hotspot funding for a population that is now experiencing slower growth, in recent years it has also supported the summer backstop program in the last two years and is planned again for Summer 2018. Summer enrollment is planned to continue to increase, unlike the regular academic year, and the summer backstop is associated with an increase in course offerings and costs. Though the summer backstop has been valuable in helping to achieve the campus' goal for summer growth, BIA and UE have several concerns about continuing the program. Backstop funding runs counter to summer budget model incentives in that it essentially returns to a campus subsidy of expensive courses such that colleges are not managing summer offerings as a portfolio that is aimed to meet curricular needs. Since most colleges continue to pass down net summer revenue to departments, the campus backstop puts most financial risk for course decisions on the campus and does not incentivize colleges to consider the overall portfolio of summer offerings and leverage that to address college strategic needs, either curricular or financial. Some units have requested backstop funding for all of their summer offerings, and enrollment estimates have not been reliable. Ultimately some colleges have offered very small (<5 students) courses with the campus covering the majority of costs.

In light of expected flattening of academic year enrollments and growing summer enrollments, the current summer funding model's lack of sustainability, and Instructional Needs' sizable deficit, the existing \$400,000 in summer IN funding will be repurposed to resolve the IN deficit and make investments in summer aimed at improving time-to-degree. In 2018-19, any summer IN funds not used to meet existing backstop commitments will be used to address

the accumulated IN deficit, estimated to be approximately \$100,000-\$150,000. Beginning in 2019-20, UE will receive \$200,000 to support summer sessions initiatives intended to ensure that UC Davis students are able to take courses they need in the summer to make progress toward degree completion and improve time-to-degree, giving UE an opportunity to evaluate the effectiveness of continuing to offer backstop for certain summer courses or if there are other strategies that may be more effective to support this goal. If backstop is used to achieve degree completion/time-to-degree goals, UE must prioritize to stay within this pool of funds. UE will report on uses to the Provost by December 31st each year. The remaining \$200,000 that was previously in the IN funding pool will be used to pay down the accumulated deficit over time, at which point it will become available for future Provost investments.

After consulting with the Associate Deans, Vice Provost and Dean of Undergraduate Education, and Assistant Deans, this approach was approved by the Provost.