

# UC DAVIS

## BUDGET AND INSTITUTIONAL ANALYSIS

### Incentive-Based Budget Model – RELATED PROJECT

#### Executive Summary: Incorporating UC Funding Streams into the Campus Budget

#### BACKGROUND AND CONTEXT

The University of California systemwide office – the Office of the President – has realigned its financial relationship with the 10 UC campuses through the recent approval by President Yudof of the UC Funding Streams Initiative. This initiative realigns the way funds flow within the University and the way the Office of the President is funded.

This arrangement is critical to our campus discussion of a budget model because the UC Funding Streams Initiative allows the campus to retain most of the revenue it generates instead of sending it to the university's central office for re-distribution. This change enables the campus to develop a budget model that directs campus revenues such as tuition and indirect costs to the units that generate that revenue.

The central OP office and various systemwide programs will be funded, beginning in the current year, through an assessment or tax levied on campuses. This assessment is assigned as 1.6% of actual expenditures from the last closed fiscal year. The tax supports central OP operations (~0.7%) and systemwide programs (0.9%) such as cooperative extension, California Digital Library, Keck, UC Observatories, CALREN2, Education Abroad and many others. The Regents have approval authority over the OP budget.

Finally, several OP assessments and some direct allocations from OP for campus programs will be discontinued.

#### FUNDING STREAMS AT UC DAVIS FOR 2011-12 – TRANSITIONAL YEAR (HOLD-HARMLESS)

Display 1	
<b>2011-12 Funding Streams at UC Davis</b>	
Liability and Sources	
(\$ in millions)	
<i>Tax liability:</i>	
UC Davis tax (1.6% x 2009-10 net expenses of \$2.587 billion)	\$ 41.5
Discontinued program funding	\$ 0.8
<b>TOTAL liability</b>	<b>\$ 42.3</b>
<i>Sources to pay tax:</i>	
Continue legacy assessments (health system, student housing)	\$ 2.9
Funds returned to campus from OP (ICR, State funds)	\$ 30.4
Central campus reserves	\$ 9.0
<b>TOTAL Sources</b>	<b>\$ 42.3</b>

**FUNDING STREAMS AT UC DAVIS FOR 2012-13 – DISTRIBUTING THE TAX**

Effective 2012-13, the campus will assign the tax consistent with the OP methodology (actual expenses from the last closed fiscal year). The campus will allocate funds retained to offset the tax liability for general funds (includes tuition) and research (direct and indirect). The balance of the funds received by the campus through funding streams will be allocated according to the principles for that particular fund source. Indirect costs are the biggest component and allocations of ICR will increase (see Incentive-Based Budget white paper for ICR). The ICR allocation in 2012-13 is proposed to include a transition strategy to address the significant cost shift for the UC Davis Health System and the School of Veterinary Medicine.

Display 2

**2012-13 OP Tax Liability by Unit and Fund Source**  
 (\$ in 000s)

	(1) <sup>1</sup>	(2) <sup>1</sup>	(3)	(4)	(5)
	Fund Source				(3) - (4) = (5)
	General Funds And Tuition	Research	Other	Eliminated OP Assessments <sup>2</sup>	Net Tax not Off- set by New \$
<b>Academic Units</b>					
CA&ES	\$ 1,226	\$ 1,391	\$ 360		\$ 360
CBS	\$ 422	\$ 592	\$ 125		\$ 125
Engineering	\$ 618	\$ 748	\$ 112		\$ 112
HArCS	\$ 665	\$ 53	\$ 61		\$ 61
MPS	\$ 595	\$ 384	\$ 74		\$ 74
Social Sciences	\$ 634	\$ 136	\$ 57		\$ 57
Education	\$ 122	\$ 70	\$ 25		\$ 25
GSM	\$ 94	\$ -	\$ 195		\$ 195
Law	\$ 133	\$ 2	\$ 225		\$ 225
SVM	\$ 643	\$ 1,008	\$ 912		\$ 912
<i>Health System</i>					
Nursing	\$ -	\$ 87	\$ 1		\$ 1
Medicine (3&S)	\$ 692	\$ 1,849	\$ 3,862	\$ 22	\$ 3,840
Hospital (H)	\$ 50	\$ -	\$ 17,490	\$ 2,729	\$ 14,761
<i>Total, Health System</i>	\$ 742	\$ 1,849	\$ 21,352	\$ 2,751	\$ 18,601
Univ Extension	\$ 1	\$ 147	\$ 280		\$ 280
<b>Academic Support</b>					
Grad Studies	\$ 257	\$ 37	\$ 44		\$ 44
Library	\$ 271	\$ 1	\$ 6		\$ 6
Research	\$ 217	\$ 721	\$ 245		\$ 245
<b>Administrative</b>					
ARM	\$ 1,372	\$ 13	\$ 604	\$ 5	\$ 599
IET	\$ 180	\$ -	\$ 110		\$ 110
OCP <sup>3</sup>	\$ 180	\$ 5	\$ 305		\$ 305
Student Affairs	\$ 1,238	\$ 933	\$ 2,772	\$ 139	\$ 2,633
Univ Relations <sup>4</sup>	\$ 67	\$ -	\$ 174		\$ 174
<b>TOTAL</b>	\$ 9,677	\$ 8,177	\$ 28,039	\$ 2,895	\$ 25,144

<sup>1</sup> Taxes in these columns will be directly offset with new appropriations to units.  
<sup>2</sup> Reflects eliminated Office of the President assessments on the Medical Center, Med. Comp., and auxiliaries.  
<sup>3</sup> To be broken out into Office of the Chancellor and Office of the Provost.  
<sup>4</sup> University Relations to be broken out into Office of Development and other units.