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March 2, 2012

Council of Deans and Vice Chancellors

Re: UC Davis Incentive-Based Budget Model Status Update

Dear Colleagues,

I am writing to provide a status update for the campus budget model project and how we intend to proceed for 2012-13. The work that has been completed in the last six months gives us a much clearer picture of what aspects of a new budget model we will implement this year and what elements we will defer another year. Overall, you should expect to see largely incremental changes as a result of the budget model.

One of the key elements of this budget model concerns the allocation of undergraduate tuition revenue between the colleges and divisions. We have made significant progress on determining how this revenue will be shared among units. We have proposed that undergraduate tuition be distributed based on the generation of revenue as measured by student credit hours, degree majors and degrees awarded. The details of the allocation methodology are provided in a white paper titled Undergraduate Tuition Allocation, Version 3 (available at <http://budget.ucdavis.edu/budget-planning>).

We have also issued version 1 of a paper on the decentralization of the central benefits pool that will result in a new view of base budget appropriations at the unit level next year. The decentralization of these funds will more accurately depict the spending authority that units have and will treat general funds and tuition consistent with other fund sources.

Two weeks ago, we issued two additional papers: one on how indirect cost recovery (ICR) will be allocated within the model, and another on how the campus will handle the implementation of the Office of the President's Funding Streams Initiative and its implications for the campus budget. There is a relationship between these two initiatives in that the funding streams model will return all ICR to campus, replacing that source of funding for the Office of the President and several systemwide programs with a new tax on campus expenditures.

Because of the unique nature of many of our graduate and professional programs, we are postponing any changes to how graduate tuition is allocated other than a limited pilot related to academic master's programs (a paper describing that pilot project has been posted to the Budget and Institutional Analysis website). Our goal will be to address the allocation of

graduate tuition revenue by this summer so that it can be incorporated into the new model in time to plan for 2013-14.

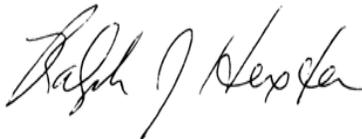
As we proceed with budget planning for 2012-13, there will be some components (namely undergraduate tuition and ICR) that will be allocated based on the principles of the new budget model and some components that will continue to function as they currently do. All of this will occur within an environment where, to the extent possible, overall budgets will be kept roughly equivalent to 2011-12 through a Provost Allocation. A white paper describing the Provost Allocation will be provided during March and this paper will provide more clarity about the impact of the budget model for the administrative and academic support units.

We appreciate the amount of time and effort that you and your staff are devoting to reviewing materials and engaging in discussions about the new budget model. There will be important discussions in the coming weeks with opportunities to revisit the overarching long-term principles for the new model as well as refine the specific elements of the first phase of implementation. We continue to seek and weigh carefully input from all quarters.

The procedures and parameters for developing the 2012-13 budget will be described in a separate letter that we will issue within the next two weeks.

Copies of the documents referenced above and a revised timeline for development of the new budget model are available at: <http://budget.ucdavis.edu/budget-planning>.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph J. Hexter". The signature is fluid and cursive, written over a white background.

Ralph J. Hexter
Provost and Executive Vice Chancellor