

UC DAVIS

BUDGET AND INSTITUTIONAL ANALYSIS

Incentive-Based Budget Model Pilot Project for Academic Master's Program Tuition (Optional)

CURRENT

The core of support for the university's instructional mission has historically come from what the university has called general funds (or 19900 funds). This revenue has always been a combination of state unrestricted funds and tuition support (net of financial aid set-asides) and is currently allocated to units through a central, largely incremental, process.

PILOT INCENTIVE-BASED BUDGET APPROACH FOR STAND-ALONE (TERMINAL) ACADEMIC MASTER'S STUDENTS

Effective with the 2012-13 fiscal year, UC Davis will transition to an incentive-based budget model. A core principle for incentive-based budgeting is to return a significant amount of tuition funds to the units responsible for generating them, with some share going to the center to provide supplemental funding to the schools, colleges, and divisions, to support central administrative and academic support services and to fund high priority investments. This approach will be applied to the allocation of undergraduate tuition in 2012-13, but graduate and professional programs are more complicated and the campus will not implement a new model for most of those revenue streams until 2013-14.

However, there is a potential opportunity to improve funding streams more quickly by providing new incentives for increasing enrollments in so-called stand-alone (or terminal) master's programs for 2012-13, and this document summarizes the parameters for a pilot project. The pilot project will apply to students who are enrolled in terminal or stand-alone academic master's programs in general campus colleges and divisions and the School of Education. The pilot does not include graduate academic Ph.D. programs, professional degree programs or self-supporting degree programs.

This pilot project is not intended to serve as a blueprint for how the budget model will handle all graduate tuition revenue. Instead, the purpose is to allow for a relatively small number of programs to leverage existing capacity for new stand-alone or terminal academic master's students and provide a transparent mechanism for allocating the tuition revenue from those new students.

This proposal will involve terminal or stand-alone academic master's programs. Students in many of these programs are admitted for the purpose of obtaining a master's degree with no expectation of pursuing a Ph.D. (though some students do transition into a Ph.D. program). In general, such programs do not provide substantial graduate financial support for tuition or

living expenses. Rather, the students are generally assumed to pay tuition, fees and living expenses from non-University sources.

An approach for a pilot, outlined below, contains some significant differences from the treatment proposed for undergraduate tuition. One difference involves non-resident supplemental tuition paid by national and international students. That tuition would be distributed to the schools, colleges and divisions on a student-by-student basis, in contrast to the blended tuition that is used for the allocation of undergraduate tuition. Supplemental tuition paid by national and international graduate students will “follow the student” for a few reasons. First, the undergraduate experience involves a significant amount of instruction that occurs in a variety of colleges and divisions, which is not a significant part of the graduate experience. Second, undergraduate students frequently move from one degree major to another, making a blended tuition a reasonable and practical matter. By contrast, admission to a graduate program is very specific and does not allow for similar transitions. Finally, because graduate programs are specialized, they are, in general, not competing for the same students and there is much less student migration.

INCENTIVES FOR PILOT PROGRAM

The allocation of stand-alone academic master’s tuition should

- Support the overall quality of graduate education by adding high quality students and generating net-new resources that can be used to augment graduate student support funding for Ph.D. programs.
- Incentivize faculty to expand programs that make unique opportunities available to students and where there is existing capacity.
- Reward the efforts associated with providing instruction and supporting the major.
- Encourage the exploration of new ideas that will serve society.

The allocation of stand-alone academic master’s tuition should not

- Encourage units to create courses or programs solely for the purpose of increasing revenue.
- Encourage behavior that is counter to the overall mission of the unit and the university.
- Create a barrier to cross-college teaching.

DRAFT DECISION STATEMENT FOR STAND-ALONE ACADEMIC MASTERS PILOT PROJECT

DEFINITION OF TUITION

- Net tuition from graduate academic master's students is defined as gross revenue less regentally defined return-to-aid funds. Return-to-aid funds are called the University Student Aid Program (USAP) and are allocated to graduate programs through a process that is separate from the net tuition allocation process. Spending supported by the net tuition is subject to the UC Funding Streams tax.
 - Note: In 2011-12, tuition is \$11,220 per student. The return-to-aid is approximately 50% so net available for allocation is about \$5,610 per student.
- The supplemental tuition paid by a non-resident national or international graduate student will be distributed in the same manner as tuition. It does not have a return-to-aid assessment, but the spending it supports is subject to the UC Funding Streams tax.
 - Note: In 2011-12, the non-resident supplemental tuition for national and international graduate students is \$15,102 per student.

ALLOCATION OF STAND-ALONE ACADEMIC MASTER'S NET TUITION (OPTIONAL)

1. Graduate programs will opt in with the approval of the lead Dean and the Dean of Graduate Studies based on their potential to admit additional master's students within existing capacity and while maintaining academic standards.
2. The Office of Graduate Studies will calculate baseline enrollment data for each participating program and will work with the program and its lead Dean to identify values that reflect actual resident and non-resident enrollments over the last 3-to-5 years using the 3-quarter average data.
3. The programs will work with the lead Dean and the Dean of Graduate Studies to establish a target 3-quarter average master's enrollment for FY13. This target should reflect conservative assumptions about the capacity to instruct, mentor, and support those students, the availability of qualified applicants and their likelihood of matriculation.
4. Net tuition for the incremental students will be calculated by incorporating assumptions about the mix of resident and non-resident students for the program. As noted above, the rate will not be blended across programs, but it will be blended within programs—in other words, if a program is moving from 6 master's students at the baseline to 12 next year, and the baseline enrollments are split equally between resident and non-resident students, the incremental students will be assumed to reflect the 50/50 mix—as opposed to assuming that the baseline consists of 6 residents and all of the incremental students are non-resident.

5. Tuition for incremental master's enrollments will be subject to the normal return-to-aid at a rate of 50% as required by regental policy. There is no return-to-aid for non-resident supplemental tuition paid by national and international students. Return-to-aid (USAP) funds will be allocated via existing mechanisms, with a portion going to TA fee remission and a portion going to the Graduate Program Fellowship Allocation (Block Grant) provided to programs by Graduate Studies.
6. Net tuition for the incremental master's students will be subject to a campus assessment at a rate of 20%. This is lower than the 30% applied to undergraduate tuition, reflecting the higher return to aid for graduate students. This assessment rate will be used for this pilot project but is not assumed to be the future rate for graduate and professional programs. The Provost will allocate assessment funds as part of the Provost Allocation (Supplement) process.
7. The Dean of Graduate Studies and the lead Dean will work with the program to determine an appropriate split of the remaining tuition resources (80% after return-to-aid) between the different units contributing to the program through teaching, mentorship, and administration (within the new budget model, the term "unit" refers to the primary campus organizational units that are led by a dean, vice provost or vice chancellor). This split will determine the distribution of incremental funds to different units. When credit for programs is split between units, each Dean involved will then decide how to allocate the resources with the strong recommendation that a significant share go to the departments and/or graduate groups contributing to and offering the degree program.
8. BIA and Graduate Studies will generate, in consultation with the Graduate Council, a report on the pilot to show the results from all participating master's programs (preliminary results will be provided in fall 2012).

CONSIDERATIONS FOR PILOT

- Ensure that the incentives for adding master's students do not result in decisions to reduce PhD students.
- Ensure that admissions decisions maintain or improve current academic standards.
- Incremental admissions above baseline should be limited so that the additional students do not strain current capacity and do not significantly change the mix of graduate students at UCD.
- The campus will develop an approach to all forms of graduate and professional tuition for implementation with 2013-14. As this comprehensive model takes shape, the treatment of master's tuition may change from this pilot.
- For purposes of this pilot, the distribution of tuition will not include a factor for student credit hours taught. Instead, the split of tuition from graduate groups and the allocation of resources by the Deans should reflect expectations about distribution of instructional effort. In the future when the budget model addresses all tuition revenue, not just the

portion associated with incremental enrollment, a formula to distribute some master's tuition according to student credit hours taught may be appropriate.

Attachment 1. Flowchart

Proposed Pilot for Stand-Alone Academic Master's Tuition in 2012-13 (Optional)

(note: amounts shown below reflect 2011-12 tuition rates. Tuition rates for 2012-13 are subject to change based on regental actions)

