UCDAVIS
BUDGET AND
INSTITUTIONAL ANALYSIS

Incentive-Based Budget Model
Indirect Cost Return – Executive Summary of Proposed Methodology

CURRENT

Beginning in 2011-12, UCOP changed its methodology for allocating funds within the University and funding its own operations. This methodology change is known as the UC Funding Streams Initiative. Under the new approach, all funds generated by a campus will be retained by the campus. The result in the change of methodology is that there will be additional ICR available for distribution starting in FY 2011-12.

INCENTIVE-BASED BUDGET APPROACH

In general, universities with incentive-based budgets distribute ICR to the unit responsible for the research activity less an assessment. The assessment is allocated by the Provost/EVC to partially fund central administrative units that support research but do not generate ICR. ICR assessment funds also cover certain research-related costs such as debt service and will be allocated through separate mechanisms to support start-ups, graduate student support and various matching programs. Therefore, determining the assessment rate is, in part, a function of deciding which costs will be covered centrally and which will be borne directly by the units administering the research.

INCENTIVES

The allocation of ICR should

- Encourage units to maximize the indirect cost recovery generated by the research activity.
- Encourage cross-college collaboration.
- Encourage investment of ICR funds into programs and activities that advance academic goals.

The allocation of ICR should not

- Encourage behavior that is counter to the overall strategy and mission of the unit and the university.
- Create a barrier to interdisciplinary collaboration.

PROPOSED METHODOLOGY

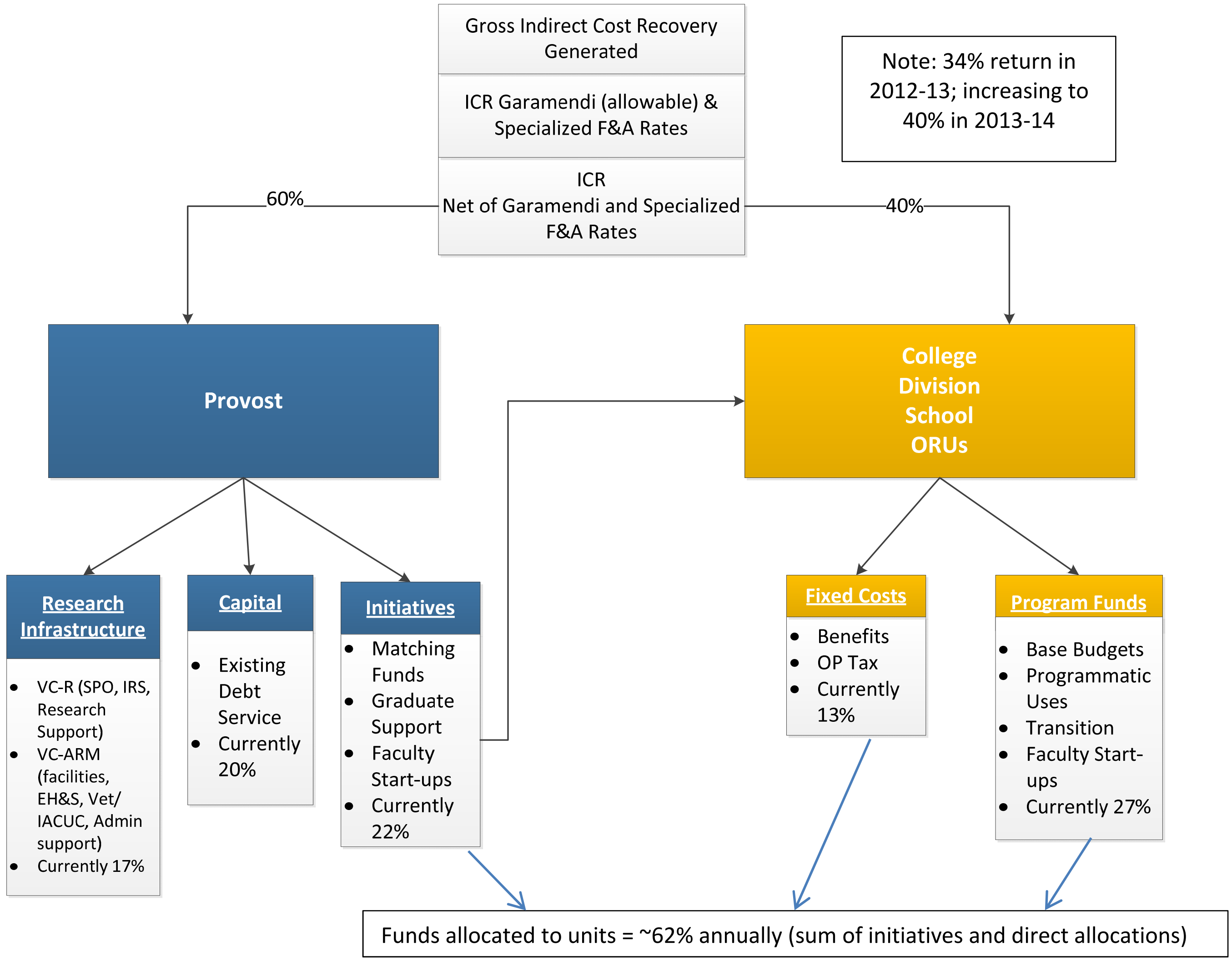
1. Net indirect cost recovery will be distributed to a school, college, division or office of research based on which unit was responsible for generating the funds (i.e., the administrative home of the award).

2. Net ICR available for allocation is the total amount of ICR generated in the prior year less any categorical set-asides (e.g., Garamendi allowable expenses, Specialized F&A Rates).

3. For FY 2012-13, net ICR distributed to the units will be 34%. An additional amount of funds will be provided as transition allocations so that the total amount of funding allocated to deans and the vice chancellor – research is 40%. For FY 2013-14, net ICR distributed to the deans and vice chancellor – research will be 40%.

4. The balance of ICR funds – 60% of net ICR – will be used to meet long-term commitments such as debt service, to support investment priorities (e.g., faculty start-ups, graduate student support) and to partially fund the administrative units that support research but do not generate ICR.

FLOW CHART – PROPOSED ICR ALLOCATION



SOURCES AND USES – PROPOSED ICR ALLOCATION

	2010-11 ACTUAL	2011-12 BUDGET	2012-13 ESTIMATE
ICR Generated	$112,686	$122,297	$123,000
less OP (ends 2011-12), ARRA, categorical	-$49,382	-$55,192	-$27,100
Net ICR available	**$63,305**	**$67,105**	**$95,900**
Campus Returns – (dept), dean, VC-R (ORUs)	$10,052	$14,623	$20,000
Campus Return – transition	n/a	n/a	$5,500
Campus Return – fixed costs, OP Tax	$3,871	$3,695	$12,700
Total College, Division, School, ORU	**$13,923 (23%)**	**$18,318 (27%)**	**$38,200 (40%)**
Research Infrastructure	$10,439	$13,000	$16,620
Capital, debt service and other	$19,532	$15,638	$20,180
Initiatives and other returns	$19,411	$20,148	$20,900
Total Provost	**$49,382 (77%)**	**$48,787 (73%)**	**$57,700 (60%)**