

UC DAVIS

BUDGET AND INSTITUTIONAL ANALYSIS

Incentive-Based Budget Model Provost Allocation – Executive Summary

DESCRIPTION OF THE PROVOST ALLOCATION

The Provost Allocation is funded from a combination of unrestricted state support, the Provost's share of undergraduate tuition (30%) and indirect cost recovery (60%). For 2012-13, the Provost Allocation will also include graduate tuition revenue. The goal is to disaggregate graduate tuition revenue from the Provost Allocation for 2013-14. In addition, other sources of revenue will be considered for inclusion in the budget model in future years. Therefore, the sources of funds for the Provost Allocation will expand (e.g., summer session tuition, patent revenues, institutional overhead for auxiliary and similar activities).

The Provost Allocation will be used to support the common good and promote excellence across campus. Specifically, it will

- Provide the primary source of funds for administrative and academic support units
- Provide funds for campus priorities and initiatives
- Provide a portion of base funding for academic units

INCENTIVES

The Provost Allocation should

- Reward strong performance.
- Support those who provide critical functions.
- Allow units to plan effectively.
- Encourage new initiatives consistent with the mission and strategy of UC Davis.
- Encourage the exploration of new ideas that will serve society.
- Encourage interdisciplinary activity and cooperation between units.

The Provost Allocation should not

- Undermine the key incentives in the new budget model.
- Produce a sense of dependence on the center to fund critical activities.
- Engender disruptive competition between units for central resources.

INITIAL CALCULATION

Initially, the Provost Allocation is the self-balancing part of the budget model. Therefore, the first step for setting 2012-13 budgets is to distribute undergraduate tuition revenue per the

formula to each unit. Second, the tuition revenue is compared to the sum of the general fund base budget and benefits from the central pool. Finally, the difference is reconciled by the Provost Allocation. That is, funds will be distributed so that the transition to the new model reasonably replicates current base budget levels for general funds (i.e., 19900 funds).

INCREMENTAL PROCESS

After the initial implementation calculation, the Provost Allocation will be set on an incremental basis. Each unit’s allocation will be calculated with reference to the prior year with adjustments that reflect institutional priorities, availability of resources, and relative level of need. In addition to adjustments to base budgets, units may receive one-time funds.

We will not take a zero-based budgeting approach in which total budgets must be justified annually. One of our governing principles is that sudden shifts in funding are disruptive and generally we will avoid them. Where major changes are needed, we expect in many cases to apply transition plans that phase in the change over time, as has been our longstanding practice. There will be an annual budget process that provides an opportunity for units to present budgets and demonstrate accountability. The outcome of the budget process will be incremental adjustments, rather than a full re-set of the budget.

Table 1: Fund Flows to Units¹ and Provost Estimates for 2012-13 (dollars in millions)			
Fund Source	Flows directly to units	Allocated by Provost	Total
Tuition, net of return to aid			
Undergraduate tuition ²	\$145	\$62	\$207
Graduate tuition ²	0	34	34
Professional Tuition ²	18	0	18
Tuition subtotal	\$163	\$96	\$259
State appropriation ³	42	277	319
Professional degree supplemental tuition & Self-supporting degree program fees	54	0	54
Indirect cost recovery	65	58	123
Total	\$324	\$431	\$755

¹The term unit refers to the primary campus organizational units led by a dean, vice provost, vice chancellor or university librarian.

²Includes nonresident supplemental tuition and excludes \$102 million that is used for undergraduate financial aid and graduate student support.

³State appropriations for the Agricultural Experiment Station are allocated directly to units.