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Council of Dean and Vice Chancellors

Re: UC Davis Incentive-Based Budget Model Status Update

Dear Colleagues,

On March 2, I sent you a status update on the new campus budget model. In line with our commitment to keep you informed throughout this project, I want to brief you on subsequent developments related to the initiative.

My March letter outlined progress on the key aspects of the budget model—allocation of undergraduate tuition, decentralization of the central benefits pool, distribution of indirect cost recovery (ICR), and implementation of the Office of the President's Funding Streams Initiative. I also noted that we are postponing consideration of graduate and professional tuition, outside of a pilot program limited to academic master's programs.

In the intervening weeks we have solicited input on the budget model and made some refinements. We have also issued the call letter for formulation of the 2012-13 budget. The most important aspects of the model have held up under the scrutiny of review in recent weeks. The main additions and changes since March have been a white paper describing the Provost's Allocation, more detailed definition of the initial unit base budgets, and additional details about the OP assessment.

The most significant new material is the white paper on the Provost's Allocation. The Provost's Allocation is the part of the budget where State appropriations and the Provost's share of tuition and indirect cost recoveries will be combined to provide the funds that will be used to ensure stability in budgets and operations, fund functions that do not generate revenue, and support initiatives related to faculty hiring, start-ups, and other areas of critical importance. The white paper describes the principles and process that we will follow in allocating these funds.

One area related to the Provost's Allocation is funding for faculty positions. We have decided to prepare a separate white paper on this critical topic, the first draft of which will be issued this summer.

In the last two months, staff from Budget and Institutional Analysis and I have made numerous presentations on the new budget model. The first goals of these meetings are to make sure that faculty and administrative leaders understand how the model will work in its

initial form for 2012-13, and to give them a chance to review the specific implications for their unit. In those meetings, we have shown each unit how its budget would be constructed under the parameters of the new model and how that correlates to the unit's current budget. These sessions generated a great deal of conversation and brought to our attention aspects of the model that deserve additional analysis.

One area where we received feedback was the method for distributing ICR. We continue to review allocation practices at other institutions to get additional context on how budget authority for these funds is managed elsewhere. We are also doing additional analysis of ICR issues involving large interdisciplinary centers and programs. We will post a revised version of the white paper on ICR soon to advance our discussion of these topics.

At this point in the process, much of the feedback draws our attention to the "exceptions," cases that do not entirely fit the most common models. For example, at the undergraduate level, there are some special programs that generate student credit hours and are not directly attributable to an academic unit. Since the new model uses student credit hours as a factor for allocating tuition revenue, we are considering different options for allocating these funds so that the appropriate incentives are created. Resolution of these cases is important to the areas involved, but by their nature will not have a broad impact on units across campus. Some points in the March letter merit reiteration. Most importantly, there will be no changes in the policies on graduate and professional tuition next fiscal year—we will begin our review of those areas this summer. Also, as we start meetings with deans and vice chancellors to discuss next year's budget for their areas, we continue to follow the principle that to the extent possible overall budgets will be kept roughly equivalent to 2011-12.

In the next few weeks, budget meetings and their discussions of plans for next year will absorb much of our attention. In parallel we will continue our process of consultation with units and cross-campus groups, and we will issue and update the white papers as described above.

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

Sincerely,



Ralph J. Hexter

Provost and Executive Vice Chancellor