Incentive-based Budget Model

2012-13 Decision Summary

Overview

Historically the core of support for the university's instructional mission came from what the university called general fund revenue—largely a combination of state unrestricted funds and tuition support. Our colleges, schools and divisions would receive this revenue as 19900 general funds (a combination of state funds and tuition) and central benefits pool funding.

Today, in an environment where state funding has decreased so extensively, it is now increasingly important to distinguish between student tuition support and unrestricted state support. To accommodate this need our campus began a process of implementing a new "Incentive-based Budget Model" that will not only support transparency, but advance the university's Vision of Excellence, encourage creativity, and include a transition strategy. (See document "Framework for a New Campus Budget Model" dated 2.12.12 for more information.)

On July 1, 2012, our schools, colleges and divisions were allocated general funds and indirect cost recovery funds based on this new model which was designed to allocate revenue directly to deans and vice chancellors responsible for generating those revenues. These budgets included the following elements:

1. Undergraduate Tuition

   Tuition allocated directly to schools & colleges

   - 60% based on student credit hours
   - 30% based on degree majors
   - 10% based on degrees awarded

   Resources will increase as enrollment and teaching activity increase.

   Return to Aid (RTA) deducted

   New model does not change our commitment to student support.

   Assessment (30% after accounting for RTA)

   A portion of new tuition is assessed for allocation by the Provost.

2. Indirect Cost Recovery (ICR)

   34% to Units

   Distributed to units based on where it is generated to fund start-ups and research-related activities.

   66% Assessment

   Allocated to the center for overhead including facility maintenance, start-ups, debt service, and campus research support services.

3. Provost Allocation

   Sources

   Assessment on undergraduate tuition, central share of ICR, graduate tuition, and state appropriation.

   Uses

   Institutional initiatives, increases in salary and benefits costs, continued support for basic operations of academic units, faculty merit and promotion increases, campus-wide services from administrative and academic support units.

   Transition

   Initial allocation set to make up the difference between what units could generate themselves under the new model and their previous base, before factoring impact of enrollment increases.

What is different now?

- Allocation determined for incremental undergraduate tuition and ICR funds.
- Ability to forecast impact on budget as a result of future growth in undergraduate enrollment and research development.
- New knowledge of where funds come from and how certain actions contribute to available resources.
- Incentives increased to make sure students are supported in pursuit of their academic goals.
- Central benefits budgets decentralized and distributed to units.
- System-wide assessment distributed to units to support the activities of the Office of the President.

What stayed the same?

- Commitment to set the 2011-12 budget as baseline in 2012-13.
- Continue current practice for allocation of graduate student support.
- Autonomy of professional schools stays in place.

What is next?

- We will review graduate tuition and support to see if we can strengthen incentives.
- Professional tuition will be reviewed to assure consistency with current model.
- Dean and Provost roles in funding new faculty positions will be reviewed in light of new allocation policies.