Overview
The core of support for the university's instructional mission has historically come from what the university has called general fund revenue—a combination of state unrestricted funds and tuition support.

In an environment where state funding continues to decrease and student tuition continues to increase, it becomes increasingly important to distinguish between student tuition support and unrestricted state support. It is also important to allow for a budget process that creates incentives consistent with our campus vision and increases transparency. To accommodate these priorities the campus will transition to a new, Incentive-based Budget Model effective July 1, 2012.

The following principles serve as the foundation for the university's new Incentive-based Budget Model.

**Advances the university’s Vision of Excellence**
- Elevates the university's mission and goals.
- Promotes our focus on student success.
- Encourages the advancement of campus strengths in interdisciplinary scholarship.
- Promotes our priority for internationalization.
- Balances local autonomy with a strong sense of university-wide vision and values.

**Encourages Creativity**
- Provides the assurance of reasonable reserves, oversight and potential direct benefit for those units willing to engage in responsible risk-taking.
- Includes mechanisms for investment in fresh ideas at all levels.

**Leads to a more Transparent Budget Process**
- Acknowledges the need for simplification.
- Links authority with accountability.
- Relies on common and easily available sources of data.
- Affords units the ability to forecast future revenue.
- Incorporates tools for future budget planning.

**Includes a Transition Strategy**
- Changes will not happen all at once.
- Includes supplemental funding from the Provost over a period of years for departments that need a bridging strategy.

Implementation Timeline
Incentive based budgets are designed to allocate revenue directly to deans and vice chancellors responsible for generating those revenues. Tuition is typically allocated based on instruction and majors and research indirect cost funds are allocated to the school or college that generates the funds. As the number of students, tuition and research grows, the allocations will reflect the increases. The budget model also includes an assessment that will be used along with state unrestricted funds for strategic reinvestments in colleges and schools and to support central academic support units (e.g., the library) and administrative services.

**Future Phases:** Capital and Space Resources

Gold outline indicates white papers are available on website.
Budget Model Components: Transition and Future Year fund flows

A primary impact of the new budget model is on the schools, colleges, divisions and some Office of Research programs that generate revenue such as tuition and indirect costs. As part of the transition from the current allocation system to the new budget model, general funds (i.e., 19900 funds) will be replaced by tuition, indirect cost recovery and a provost supplement. The provost supplement is a combination of unrestricted state support and assessment funds collected through the new budget model. Initial core fund budgets for central academic support and administrative units will be comprised of provost supplement funds. During the initial transition, the provost supplement will be allocated in an effort to keep overall budgets comparable to FY 2011–12.

Example for a School, College or Division

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<tr>
<th>Current Budget Model FY 2011–12</th>
<th>Incentive-based Budget Model FY 2012–13</th>
<th>POTENTIAL Incentive-based Budget Model FY 2015–16</th>
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Explanation and Notes

1. Our current budget model allocates revenue from 19900 general funds (a combination of state funds and tuition), the central benefits pool, and, if applicable, indirect cost recovery.

2. In the Incentive-based Budget Model, funding is allocated directly to those units that generate revenue.

3. Return to aid and an assessment are deducted from a unit’s gross revenue.

4. A provost supplement is added or subtracted so that the net tuition and indirect cost funds (i.e., gross revenue less assessments) are comparable with existing support. In future years, the provost supplement is incrementally adjusted as part of the annual budget process to reflect overall budget needs and strategic priorities. In the model, the provost supplement is a combination of the state appropriation and funds derived from an assessment of tuition revenue and indirect cost recovery.

5. The budget model incentivizes schools and colleges to create programs and services to sustain and grow resources. In addition, the Provost/EVC continues to allocate the provost supplement as part of the annual budget process.

Note: The budget model example depicted above excludes state fund budget reductions and/or any tuition increases implemented to offset state fund budget reductions.

Future and Related Projects

1. The implementation of the new OP Funding Streams initiative is a related, but separate project. For 2011–12, there will be no changes to local school, college or unit budgets.

2. Planning and analysis for the 2020 Initiative are being carefully coordinated with the Incentive-based budget model.

3. Incentive-based mechanisms for space and energy resources will be considered in the next phase of the budget model (analysis will begin in 2012–13).

4. Implement an automated Budget system to enhance budget management.