

Budget Model

A budget model is the methodology used to determine the distribution of resources, prioritize how funds are allocated, and support strategic initiatives.

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Introduction

Budgeting is a crucial aspect of organizational management that involves planning and allocating financial resources to achieve specific goals. Various budgeting models exist, each with its own approach to resource allocation and each with its own strengths and weaknesses. Since its inception, UC Irvine used a model known as incremental budgeting, in which a unit’s budget allocation for the year is determined by its budget from the previous year modified by any relevant additions for cost increases and new initiatives or any needed reductions. While an incremental budget model can be very useful for its stability and simplicity while a campus is growing, UC Irvine is now at a point where we need to better align budgeting and resource allocation efforts with the strategic planning of individual units and the campus as a whole.

The campus budget workgroup and Budget Office are currently working to develop a new budget model that is informed by our newly established [budget principles](#), outreach to peer higher education institutions, and current budget and planning trends in higher education. Our goal with this shift to a new budget model is to better align resources with strategic priorities and incorporate multi-year planning. Based on these factors, a likely option for the new budget model is a hybrid one, which would allow us to tailor aspects of various budget models to the specific needs of our campus.

The new budget model is being developed to address the following goals:



Create more holistic planning process; all resources in the context of strategic goals



Establish clear rationale for base budget, greater predictability



Provide increased information, data, and transparency



Use data-informed decision making and funds flow using pre-defined metrics



Leverage non-core sources



Address funding gap

New Path Forward with a New Budget Model

The new budget model will help bridge the funding gap by allocating funds consistent with actual revenues and in alignment with strategic priorities.

All Funds Multi-Year Planning

Implementation of the new budget model will be supported by a more holistic planning approach that looks at all funds (not just core resources) and is informed by multi-year forecasts and scenario analyses. The process will also consider non-financial resources including enrollment, instruction, research, faculty and staff positions, space, etc.

Budget Model Timeline

The transition to the new budget model is planned to start with the 2024-25 budget and continue over the next three fiscal years for academic and support units. Below is a brief overview of the key milestones for each year.

FY24

- Fall/Winter - develop model and metrics for **academic units**.
- Winter/Spring - broadly share and seek input on the draft allocation methodology and phase-in plan for **academic units**.

FY25

- Develop the model, metrics, funding drivers, and phase-in plan for **support units**
- Implement phase 1 of the **academic unit model**, representing partial implementation of anticipated changes

FY26

- Implement phase 2 of **academic unit model**.
- Implement phase 1 of **support unit model**.

expected to be applied over 2-3 years,
depending on scale.

Recommendations

- [Mission-Based Budget Framework | April Town Hall \(04/11/2024\)](#)

Tools and Resources

Coming soon.

[Back to top](#)

[Home](#) / [Budgeting](#) / Budget Model



435 Aldrich Hall
Irvine, CA 92697-3025

✉ budgetoffice@uci.edu
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