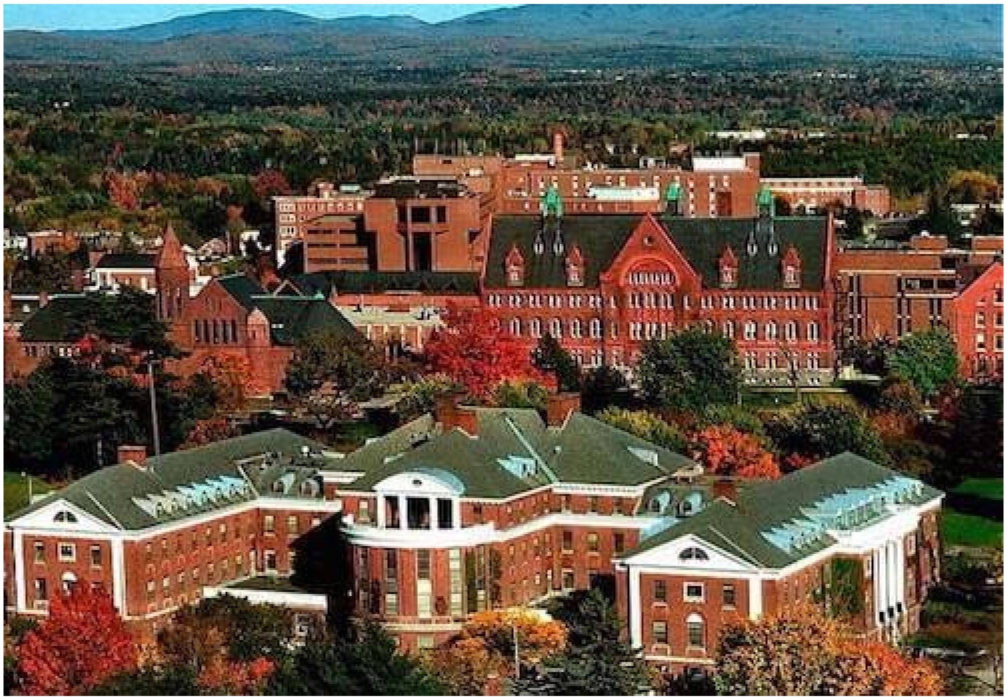


Incentive-based Budgeting:

The University *of* Vermont

2013 – 2019

CONTENTS

Project Timeline

15. IBB Project Timeline

Communications to Campus

16. Provost Rosowsky – IBB Campus Update #10 (November 27, 2018)
17. Provost Rosowsky – IBB Campus Update #9 (October 12, 2018)
18. Provost Rosowsky – IBB Campus Update #8 (August 29, 2018)
19. Provost Rosowsky – IBB Campus Update #7 (April 30, 2018)
20. Provost Rosowsky – IBB 2.0 Input Survey Reopened (February 26, 2018)
21. Provost Rosowsky – IBB Steering Committee Membership (January 22, 2018)
22. Provost Rosowsky – IBB Campus Update #6 (November 29, 2017)
23. Provost Rosowsky – IBB Campus Update #5 (June 6, 2016)
24. Provost Rosowsky – IBB Campus Update #4 (May 11, 2015)
25. Provost Rosowsky – IBB Steering Committee Liaison Program (April 29, 2015)
26. President Sullivan and Provost Rosowsky – IBB Final Report (February 5, 2015)
27. Provost Rosowsky – Final Report of the IBB Steering Committee (January 29, 2015)
28. Provost Rosowsky – IBB Key Messages (January 12, 2015)
29. Provost Rosowsky – IBB Campus Update #3 (December 11, 2014)
30. Provost Rosowsky – IBB Campus Update #2 (November 11, 2014)
31. Provost Rosowsky – IBB Campus Update #1 (October 22, 2014)
32. President Sullivan – Response to the IBB Preliminary Final Report (July 9, 2014)
33. Provost Rosowsky – Preliminary Final Report of the IBB Steering Committee (June 30, 2014)
34. Provost Rosowsky – IBB Subcommittee Report Q&A Sessions (February 5, 2014)
35. Provost Rosowsky – IBB Subcommittee Report Announcement (January 30, 2014)
36. Provost Rosowsky – Full Interview (Q&A) for Vermont Cynic (October 17, 2013)
37. Provost Rosowsky – IBB Subcommittee Membership (October 4, 2013)
38. Provost Rosowsky – IBB Update to Faculty and Staff (September 23, 2013)
39. Provost Rosowsky – IBB Steering Committee Membership (September 16, 2013)
40. President Sullivan – Memo to UVM Faculty (August 29, 2013)
41. President Sullivan – Memo to UVM Staff (August 29, 2013)

Guiding Principles

42. Guiding Principles for IBB

Incentive-based Budgeting

IBB at UVM

In FY13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement on the model's problems: lack of transparency, undue complexity, little flexibility, and few incentives.

President Sullivan asked Provost David Rosowsky, in his new role as UVM's Provost and Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost chaired the IBB Steering Committee that was responsible for the final recommendations that were made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont. The IBB model was developed in FY14. Its performance was monitored in FY15 –the parallel year – during which the old model remained in place. The UVM IBB model went live in FY16.

Since FY14, the IBB Steering Committee has met regularly, first to develop the model, and then to watch the model "at work." The Committee recommended refinements in response to challenges that became apparent early in the model's operation, and as planned, conducted a major review of IBB Model 1.0 between November 2017 and December 2018. The result of this review was IBB Model 2.0, effective FY20.

The Steering Committee will continue to meet to assess the model's performance and impact. Metrics associated with the model are reviewed annually. The next major review of the model will occur in FY24, with the implementation of IBB Model 3.0 in FY25.

The IBB website is used to post and archive all information relative to the development, implementation, and adaptation of the University's budget model.

The development, implementation and continuing assessment of the Incentive-based Budget Model will be guided by the Academic Excellence Goals for the University of Vermont and the IBB Guiding Principles

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Thomas Sullivan, President

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: December 21, 2018

SUBJECT: IBB 2.0 Final Report of the Incentive-based Budget Model Steering Committee

On behalf of the Incentive-based Budget (IBB) Model Steering Committee, I am writing to provide you with the Committee's final recommendations for IBB Model 2.0.

BACKGROUND

In FY14 the University engaged in a year-long university-wide effort to develop an incentive-based budget model. In FY15 the new IBB model and the existing budget model ran in parallel. In FY16 the transition was completed when the IBB model went live on July 1, 2015. Since FY14, the IBB Steering Committee has met regularly, first to develop the model, and then to watch the model "at work." The Committee recommend refinements in response to challenges that became apparent early in the model's operation. As noted in the IBB Model 1.0 Report, the model was to undergo a major review in FY20. That major review – the development of IBB Model 2.0 – was initiated in November 2017 and concluded in December 2018. Preliminary recommendations have been communicated to campus throughout the Model 2.0 process. Upon your approval, the Steering Committee's recommendations will become final and will be implemented in the next planning cycle (this spring), and become effective July 1, 2019 (FY20).

COMMUNICATIONS TO THE CAMPUS COMMUNITY

The commitment to the open and transparent process established for the development of Model 1.0 is evident in the Model 2.0 process, which has included the following communications:

- Updating the IBB website
- Posting results of the November 2017 IBB Model 1.0 Review
- Issuing Campus Update Memo #6 (November 2017) requesting IBB Model 2.0 Steering Committee nominations; announcing the Model 2.0 Input Surveys
- Posting results of the Model 2.0 Input Surveys
- Issuing *Across the Green* Memo (January 2018) providing an update on the Model 2.0 process and timeline
- Issuing Campus Update Memo #7 (April 2018) announcing the three areas of the model that would be refined in Model 2.0
- Issuing Campus Update Memo #8 (August 2018) announcing a revised IBB Model 2.0 timeline and preliminary recommendations to modify Algorithm 7
- An IBB 2.0 Update at the September 24, 2018 Faculty Senate Meeting

- Issuing Campus Update Memo #9 (October 2018) outlining preliminary recommendations to modify Algorithm 1
- An IBB 2.0 Update at the October 29, 2018 Campus Leadership Meeting
- Issuing Campus Update #10 (November 2018) outlining preliminary recommendations to modify Algorithm 6

THE STEERING COMMITTEE'S PROCESS

In Spring 2018, after reviewing the campus feedback, the IBB Steering Committee identified three major areas for refinement in Model 2.0, to be addressed in the following order:

> Algorithm 7 – Support Center[1] Pools: To review (a) the headcount cost driver in particular, and (b) to determine whether the formula can be simplified.
>
> Algorithm 1 – Undergraduate Net Tuition: Focusing on (a) the weightings, and (b) whether the 85/15 split should be revised vis-à-vis the role, if any, it plays in curricular/course offering decisions.
>
> Algorithm 6 – Facilities: Investigating whether the current methodology can/should be revised to account for space weighting by functional use, remediation obligations, and utility costs.

Several important issues outside of the algorithms were also included in the Model 2.0 work plan:

(1) the role and authority of the Educational Stewardship Committee,
(2) whether and how to incorporate retention and 4-year graduation rates into the model,
(3) whether refinements to the metrics used to evaluate the model are warranted, and
(4) an exercise that maps all elements of the IBB Model (the Guiding Principles, algorithms, incentives, checks and balances) to the President's Strategic Action Plan and the Academic Excellence Goals.

The IBB Steering Committee met formally eleven times during the Spring and Fall 2018 semesters, and held several informal "brown bag lunch" discussions.

They hosted three focus groups for Deans, Department Chairs, and Academic Program Directors in early May to gather feedback on potential changes to Algorithm 7.

The Steering Committee also hosted eight focus groups for the Associate Deans, the Academic Business Managers, the original Algorithm 1 Subcommittee, the Staff Council, and four sessions for Deans, Department Chairs, and Academic Program Directors, to gather feedback on potential changes to Algorithm 1.

RECOMMENDED IBB MODEL 2.0 ALGORITHM REVISIONS

ALGORITHM 7 – SHARED SERVICE POOLS

The feedback on Algorithm 7 centered on the headcount assessment. The intent of the assessment, at approximately $9,000 per head, is to cover Support Center (SC) expenses in SCs whose costs are driven

[1] In January 2018, we transitioned from the term "Cost Center" to "Support Center" in recognition of the essential partnerships between the support units and the academic units ("Responsibility Centers").

by the number of faculty and staff employed by the University regardless of whether they are full-time or part-time. Feedback from the campus-wide surveys suggests that the headcount assessment is perceived as (1) a disincentive to hiring part-time faculty, (2) a burden to departments that are heavily reliant on part-time faculty, and (3) an impediment program innovation which may require new faculty hiring at a rate that initially outpaces revenue generation.

The Steering Committee recommends revising the headcount methodology such that the part-time faculty/staff assessment is half the full-time assessment. This responds to the call for change, eases part-time faculty hiring expenses without overly disincenting full-time faculty hiring, and supports programs reliant on part-time faculty, all while still acknowledging Support Center expenses associated with all employees.

On the question of whether the Algorithm 7 formula should be simplified, the Committee feels that the current level of detail provides a necessary level of transparency upon which the campus relies, and did not recommend further changes to Algorithm 7's pools or drivers.

ALGORITHM 1 – UNDERGRADUATE NET TUITION

The current algorithm:

> *Algorithm 1: Undergraduate Net Tuition*
>
> *Undergraduate Net Tuition is defined as gross tuition less financial aid (the netting occurs before the revenue is allocated).*
>
> *Undergraduate net tuition will be allocated as follows:*
>
> - *85% based on a college's or school's percentage of the two-year trailing average of Student Credit Hours (SCH) taught (based on the home unit of the instructor of record). The SCHs will be weighted to reflect the relative national costs of instruction by college/school[2]; and,*
>
> - *15% based on a college's or school's percentage of the two-year trailing average of majors.*

The intent of Algorithm 1 as originally recommended by the Steering Committee and as currently structured is two-fold. It provides colleges and schools with incentives to offer innovative, high-quality undergraduate programs and to focus on student recruitment and retention while accounting for the differential cost of instruction via the weighting of student credit hours.

Based on the campus feedback, the IBB Steering Committee reviewed the following Algorithm 1 components in particular: (A) the student credit hour (SCH) weightings (see bullet 1 above), and (B) the 85/15 split (SCH/major; see bullets one and two above).

[2] Based on the Delaware Study of Instructional Costs and Productivity

A. The Student Credit Hour Weightings

Feedback on the algorithm from the campus-wide surveys suggested that the SCH weightings, while understood by some, are perceived by others as inequitable, disadvantageous to particular units, a barrier to cross-college collaboration, and overly complex. The focus group feedback was consistent with the survey feedback, which demonstrated overwhelming support for the elimination of the weightings.

The Steering Committee recommends eliminating the SCH weightings in Algorithm 1. The Steering Committee's rationale included (1) the advancement of two of IBB's guiding principles: transparency and simplicity, (2) the belief that an unweighted SCH will continue to incentivize the colleges and schools to develop and maintain quality academic programs, and (3) the desire to respond to clear and consistent campus feedback, in turn, increasing trust and confidence in the budget model.

A universal unweighted SCH will vary little from the current weighted SCH in all but three of the units. Removing the SCH weightings will not prohibit leadership from exercising discretion in the differential valuing of particular University priorities or high-impact practices[3]. In fact, the Steering Committee felt strongly that it was essential to preserve this discretion.

A universal, unweighted SCH will affect high-cost instruction units. The Steering Committee believes that accounting for the differential cost of instruction (DCI), one of the algorithm's two primary functions, must continue to be facilitated by the model. With the removal of SCH weightings, this will be done through subvention. Subvention plays two distinct roles as part of this change.

First, one-time subvention adjustments will be made to allow for a budget neutral transition from weighted to unweighted SCH. This one-time "re-set" mitigates any sudden shocks – either positive or negative – to the system and recognizes the DCI in the context of our current enrollment mix.

Second, the use of subvention to account for the DCI forces the institution to make more intentional and strategic future enrollment decisions. Decisions about changes to the enrollment mix (both within and among units) must be deliberate because any significant and sustained growth in high-cost disciplines may require further subvention increases. This would, in turn, result in off-setting subvention decreases in other units. This possibility is mitigated in the following ways:

(1) Subvention increases are not necessary in all cases of enrollment growth, but they *may* be necessary if the planned growth is significant, sustained, *and* in a high-cost discipline.

(2) A subvention increase would *only* be necessary for the difference between the weighted and the unweighted SCH value for the incremental growth (not the entire value of a SCH).

(3) Continuation of the Provost's four-year record of extreme restraint regarding subvention adjustments. In Model 1.0 annual subvention changes were less than one quarter of one percent of the annual budget (0.25%).

B. The 85/15 Split

Feedback on the 85/15 (SCH/major) split expressed concern that the split negatively affects course offerings. The Committee reviewed data about course offerings since the adoption of IBB 1.0 and came

[3] The only existing example of this is the Honors College multiplier (3 to 1), which will remain in place.

to the conclusion that it was appropriate to maintain a split, and that any potential change would be marginal at most. **Given the substantial revision related to the weights and the fact that an 85/15 split is typical at other RCM schools, the Committee recommends against further changes to the algorithm.**

ALGORITHM 6 - FACILITIES

The intent of Algorithm 6 as originally recommended by the Steering Committee, and as currently structured, is to allocate facilities expenses based on a unit's footprint as defined by its Assignable Square Footage (ASF), and to incent the efficient use of space.

Feedback on the algorithm from the campus-wide surveys was not as uniform as that received for the other algorithms the Committee addressed, nor were potential resolutions as clear. The Steering Committee received a variety of minor suggestions aimed at different aspects of the algorithm, but a consistent and specific problem in need of a solution did not emerge.

In preparation for the Steering Committee's deliberations, we reviewed facilities methodologies in use at other RCM universities. While approaches vary, we were unable to find a methodology with which a campus was fully content. This, understandably, mirrors our own experience. As we know, space is expensive, deferred maintenance needs and new/expanded facilities are driving that expense up, space assessments consume a significant share of a Responsibility Center's (RC) budget, RCs have varying levels of satisfaction with particular spaces within their footprint, and there is little a unit, or the University, can do to alter much of this.

The Steering Committee considered several specific facilities suggestions. The first was to refine the algorithm such that it allocates facilities costs by functional use (i.e., charging more for a square foot of lab space than a square foot of office space). On the basis of its potential to disincent research and add complexity, the Committee did not support this approach. With an eye for conservation and efficiency, the Committee also considered whether we should allocate actual, rather than aggregated, utilities costs to each RC. Unfortunately, the complex physical infrastructure that delivers utility services across campus does not provide the data necessary for this approach, and this, too, has the potential to disincent research and add complexity. Finally, the group considered whether a budget should be created to support units with significant remediation and abatement obligations (largely related to asbestos). The Steering Committee did not support this proposal on the grounds that it would be difficult to determine which unit should have access to these limited resources, and under what conditions.

The Steering Committee also considered several different overall approaches, namely allocating space costs by a driver other than Assignable Square Footage. Allocations based on Unrestricted Expenses and Faculty/Staff FTE were explored. The financial impacts of these approaches on RC budgets were modest, largely because the total facilities expense that must be allocated remains the same regardless of the driver by which it is allocated. Further, these approaches would result in significant distortions to the model, driving the headcount assessment from $9,000 to more than $22,000, and the unrestricted expense assessment from 17% to almost 40%. As a result, the Committee concluded that allocating space by a driver other than ASF ran counter to Guiding Principle #4 by reducing transparency and also reduced incentives to maximize the use of existing space.

On the basis of the above, the Steering Committee recommended no changes to Algorithm 6.

IBB MODEL 2.0 CONSIDERATIONS OUTSIDE OF THE ALGORITHMS

EDUCATIONAL STEWARDSHIP COMMITTEE

The Educational Stewardship Committee (ESC) was established in 2015, and is a free-standing joint committee of the Provost's Office and the Faculty Senate. The purpose of the ESC is to ensure campus-wide good stewardship and coordination of the University's educational mission. The Committee is charged to provide recommendations to (1) safeguard the integrity of the University's educational mission with respect to stated tenets, particularly as those tenets may be impacted by the incentive-based budget model; and (2) to provide recommendations to promote excellence in teaching and learning and the educational experience. The ESC reports to both the Provost and the Faculty Senate Executive Council.

Some of the IBB 2.0 feedback centered on the role and authority of the ESC. The IBB Steering Committee met with ESC Co-Chairs Associate Provost Brian Reed and Professor and Department Chair Rosemary Dale to discuss the committee's activities. The outcome of that meeting, and for further discussion with, and at the discretion of, Faculty Senate leadership: (1) the ESC's work was recognized as valuable but lacking visibility, and perhaps in need of more frequent reporting to the Faculty Senate; and (2) the possibility that both the ESC and the budget model have sufficiently matured such that the ESC could be lead by the Faculty Senate, independent of the Provost's Office.

INCORPORATING RETENTION AND FOUR-YEAR GRADUATION RATES INTO THE MODEL

Given their importance to the University, and their centrality to both the Strategic Action Plan and the Academic Excellence Goals, there was some discussion of whether retention and four-year graduation rates should be more explicitly incorporated into the model. The group concluded that retention is currently and sufficiently embedded throughout the model, and that a more explicit incenting of the four-year graduation rate would require the generation of data at the individual student level, which would run counter to Guiding Principle #5, by introducing an unwarranted layer of complexity into the model.

METRICS AND EVALUATING THE MODEL

In March 2017 the IBB Metrics Working Group proposed a set of metrics to help understand whether, and how well, IBB is working. The consensus of the group was that we cannot credit (or discredit) IBB directly with any measure of institutional performance. As has been articulated to campus throughout the process, IBB is not a panacea. In and of itself, it will not reduce expenses, create efficiencies, or generate new revenue. IBB is not a surrogate for leadership, for vision, or for innovation. However, it is reasonable to consider whether the model enables strategic decisions and innovation; whether it provides adequate opportunities for success to all units; whether it may be providing the right "behavioral nudges"; whether the institution has made progress since its implementation; and whether the negative outcomes some predicted during the transition have, in fact, resulted.[4]

To those ends, the working group suggested a three-pronged evaluative approach: (1) a review of university-wide "Indicators of Success" selected to monitor prominent IBB concerns, (2) a qualitative Survey of the Deans, and (3) consideration by the Budget Director, Vice President for Finance, and

[4] The Educational Stewardship Committee monitors and responds to concerns on an on-going, real-time basis.

Chief Budget Officer. This approach was reviewed and approved by the IBB Steering Committee, the Provost, the President, and its first results were posted on the IBB webpage in November 2017.

The Indicators of Success were updated in November 2018 to include FY18 data. The data now reflect trends from FY13 (a pre-IBB baseline) through FY18 (our third year operating under IBB).

The data tell a very strong and positive story, and it is clear that the most prominent IBB concerns expressed during the model's development in FY14 have not come to fruition. We will continue to monitor and update the University-wide Indicators of Success annually.

MAPPING THE MODEL TO THE STRATEGIC ACTION PLAN AND THE ACADEMIC EXCELLENCE GOALS

At one of its December 2018 meetings, the Steering Committee participated in an exercise to begin mapping the elements of the IBB Model (the Guiding Principles, algorithms, incentives, checks and balances) to the President's Strategic Action Plan and to the Academic Excellence Goals. This work will continue in the spring.

OTHER MODEL 2.0 ELEMENTS AND CONSIDERATIONS

SUBVENTION

The IBB implementation in FY16 was budget neutral. That meant that each Responsibility Center's revenues and expenses balanced in year one (the budget neutral year), and that each RC was able to maintain its pre-IBB level of expense that was supported by its FY15 base budget. This was accomplished by providing each RC with a revenue subvention (subsidy). In order to incent revenue generation and expense efficiencies, between FY17 and FY19, subventions were reduced between 1% and 4%. To be clear, only an RC's subvention, *not its entire budget*, was reduced. As a result, subvention reductions typically equated to only a quarter of one percent per year of a given RC's revenue. Funds released as a result of these reductions were reallocated to the Strategic Investment Fund (SIF). The original plan was to reduce subventions annually until the SIF reached $8M. It became necessary, however, to provide the College of Arts and Sciences with an increased subsidy beginning in FY18. That subsidy was funded through a reallocation of SIF funding. The SIF goal was then reduced from $8M to $7M to mitigate the impact of the increased CAS subsidy on the other colleges and schools. Once the SIF reaches $7M there will be no further annual reductions to subventions. However, as discussed on page four, the elimination of SCH weightings may necessitate future subvention adjustments related to strategic enrollment decisions.

STRATEGIC INVESTMENT FUNDS

A Strategic Investment Fund available to the President and Provost is an essential component of our IBB model and is a recommended practice for responsibility centered management (RCM) budget models. The fund is used to support the initiatives that are the highest priorities of the President and Provost. The SIF budget was established at $4M in FY16, and has increased to $5.4M in FY19, with a goal of $7M in total.

The Provost reports annually to the Faculty Senate through the Financial and Physical Planning Committee on the fund's use. On average, SIF funds have been allocated as follows over the last three years:

Strategic Investment Fund Use by Category FY16 to FY18

Research and Scholarship 35%
e.g., faculty grants, facilities, major equipment, matching funds, grant support

Teaching and Learning 25%
e.g., General Education (FWIL), assessment support, classroom improvements

Student Success 10%
e.g., Career Center, internship coordinator, retention, UG research coordinator

Campus and Culture 30%
e.g., building repairs, campus improvements, diversity initiatives

IBB MODEL 3.0

The Steering Committee will continue to meet to assess the model's performance and impact. The next major review of the model will occur in FY24, with the implementation of IBB Model 3.0 in FY25.

CLOSING

The transition to an incentive-based budget model reflects a significant administrative and cultural shift, neither of which are easy undertakings for large and complex organizations. Along the way there have been bumps in need of smoothing, decisions that needed re-thinking, and it is true that the impact of the model has not been felt evenly across units. That said, the University-wide Indicators of Success all suggest that the shift has been positive. As challenging as this transition may have been for some, the University as a whole is now better positioned to achieve financial sustainability than it was under the prior budget model. Collectively, our understanding of the form and function of IBB models has deepened and matured. As we enter this second phase of IBB, we will benefit from a heightened focus on the potential and possibilities that the model incents and enables, rather than a focus on singular elements of the model itself.

Finally, let me express my thanks to the members of the Steering Committee for their careful and deliberative efforts to respond – respectfully and responsibly – to the important IBB campus feedback that was received. I am grateful for the time, talent, and wisdom they have shared on behalf of our University and its future.

11.20.18

IBB 1.0 Evaluation - University-wide Indicators of Success

Indicator	Pre-IBB Baseline FY13	IBB Model Design FY14	IBB Parallel Year FY15	IBB Year 1 FY16	IBB Year 2 FY17	IBB Year 3 FY18
Undergraduate Admit Rate	76.7%	77.6%	73.4%	70.8%	68.9%	67.2%

The decline in the undergraduate admissions rate is a positive indicator, reflecting the increased quality of our applicant pool.

Undergraduate Yield Rate	14.2%	14.4%	13.0%	13.4%	16.1%	17.9%

The recent increase in our undergraduate yield rate is a positive indicator, reflecting our ability to better attract qualified applicants.

First-to-Second Year Retention	85.5%	86.8%	85.9%	86.4%	86.2%	86.6%

The first-to-second year retention rate has remained steady for the last decade; our goal is a retention rate of 90%.

Four-Year Graduation Rate	64.4%	64.3%	TBD	TBD	TBD	TBD

Data is not yet available to measure the four-year graduation rate from FY15 to FY18.

Graduate Degrees Awarded	560	439	473	502	493	503

Though graduate degrees awarded have not yet returned to the peak level in FY13, the trend us upward.

Number of New Graduate Programs	2	2	4	2	2	9

The growth in the number of graduate programs remains steady; the increase in FY15 -- the year in which the new and old budget models ran in parallel, and the increase in FY18, reflect a commitment to graduate education.

Number of Extramural Funding Proposals Submitted	1,168	1,151	1,234	1,179	1,147	1235

Many factors influence the submission of proposals; these numbers reflect a continuing commitment to research.

Number of Extramural Funding Awards	699	614	673	598	716	624

Many factors influence the external funding awards; these numbers reflect a continuing commitment to research.

Extramural Funding Received	$ 106,186,887	$ 128,095,848	$ 132,775,625	$ 137,982,916	$ 123,176,671	$ 135,952,589

Many factors influence the amount of external funding received; these numbers reflect a continuing commitment to research.

Number of Cross-Department Extramural Proposals	427	416	428	383	344	403
	37% of total	*36% of total*	*35% of total*	*32% of total*	*30% of total*	*33% of total*

Many factors influence the submission of cross-department (within the same college) proposals; these numbers reflect a continuing commitment to interdisciplinary activity in the context of the highly variable external funding environment.

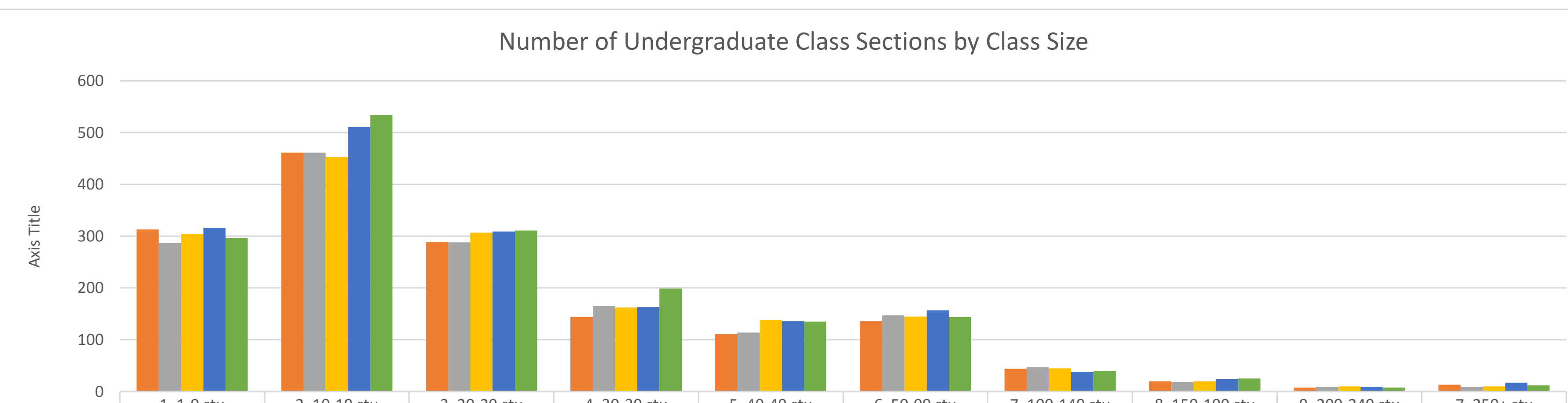
Number of Cross-College Extramural Proposals	163	176	178	160	145	173
	14% of total	*15% of total*	*14% of total*	*14% of total*	*13% of total*	*14% of total*

Many factors influence the submission of cross-college proposals; these numbers reflect a continuing commitment to interdisciplinary activity in the context of the highly variable external funding environment.

% T-TT Faculty of FT Instructional Faculty (Headcount - No LCOM)	76%	76%	76%	73%	71%	70%
% T-TT Faculty of Instructional Faculty (Headcount - No LCOM)	62%	62%	61%	57%	58%	55%

There has been a decline in the percentage of T-TT FT instructional faculty; but UVM's position is still favorable in the context of a national mix that is closer to 30% T-TT and 70% NTT (including all instructional faculty, FT and PT).

Course Section Size Mix



	1. 1-9 stu	2. 10-19 stu	3. 20-29 stu	4. 30-39 stu	5. 40-49 stu	6. 50-99 stu	7. 100-149 stu	8. 150-199 stu	9. 200-249 stu	7. 250+ stu
Fall 2014	313	461	289	144	111	136	44	20	8	13
Fall 2015	287	461	288	165	114	147	47	18	9	9
Fall 2016	304	453	307	162	138	145	45	20	10	10
Fall 2017	316	511	309	163	136	157	38	24	9	17
Fall 2018	296	534	311	199	135	144	40	25	8	12

The class size mix has remained reasonably stable.

IBB 1.0 Evaluation
Executive Summary
November 7, 2017

- In March, 2017 the IBB Metrics Working Group proposed a set of metrics to help understand whether, and how well, IBB is working; those metrics were reviewed and approved by the IBB Steering Committee, the Provost, and the President.

- The recommended evaluative model included a three-pronged approach:
  1. Review of university-wide "Indicators of Success" Selected to Monitor Prominent IBB Concerns
  2. Qualitative Survey of the Deans
  3. Qualitative/Quantitative Consideration by the Budget Director, Vice President for Finance, and Chief Budget Officer

- The evaluation of IBB 1.0 was launched in July 2017

- IBB 1.0 Evaluation Results

  1. Indicators of Success

     While there is some year-to-year variability among the data/metrics identified as university-wide Indicators of Success[1], the data do not suggest that the most prominent IBB concerns have been realized (Attachment 1).

  2. Qualitative Survey of the Deans

     The survey responses from the deans (Attachment 2) suggest that the model has had a positive impact on their ability to execute their strategic plans, that it has encouraged innovation, that it supports interdisciplinarity, and that their collegial pre-IBB relationships remain intact.

  3. Qualitative/Quantitative Consideration by the Budget Director, Vice President for Finance, and Chief Budget Officer

     In their response (Attachment 3), the institution's senior financial leaders expressed confidence in the model and its outcomes thus far, underscoring that the model's management is as important as its design and characteristics, and the need to be mindful of the relationship between the growth in expenses (primarily compensation) and revenue sources.

[1] The Office for Institutional Research was unable to provide data for Metric 9 – Years to Promotion (Associate to Full)

Corrected 11.1.18

Attachment 1

IBB 1.0 Evaluation - University-wide Indicators of Success

Indicator	Pre-IBB Baseline FY13	IBB Model Design FY14	IBB Parallel Year FY15	IBB Year 1 FY16	IBB Year 2 FY17
Undergraduate Admit Rate	76.7%	77.6%	73.4%	70.8%	68.9%

The decline in the undergraduate admissions rate is a positive indicator, reflecting the increased quality of our applicant pool.

Undergraduate Yield Rate	14.2%	14.4%	13.0%	13.4%	16.1%

The recent increase in our undergraduate yield rate is a positive indicator, reflecting our ability to better attract qualified applicants.

First-to-Second Year Retention	85.5%	86.8%	85.9%	86.4%	86.2%

The first-to-second year retention rate has remained steady for the last decade; our goal is a retention rate of 90%.

Four-Year Graduation Rate	64.4%	64.3%	TBD	TBD	TBD

Data is not yet available to measure the four-year graduation rate from FY15 to FY17.

Graduate Degrees Awarded	560	439	473	502	493

Though graduate degrees awarded have not yet returned to the peak level in FY13, an increase of 12% since FY14 shows robust growth.

Number of New Graduate Programs	2	2	4	2	3

The growth in the number of graduate programs remains steady; the increase in FY15 -- the year in which the new and old budget models ran in parallel -- reflects a commitment to graduate education.

Number of Extramural Funding Proposals Submitted	1,168	1,151	1,234	1,179	1,147

Many factors influence the submission of proposals; the decrease of 21 submissions between the baseline year and FY17 is not significant, but suggests a continuing commitment to research.

Number of Extramural Funding Awards	699	614	673	598	716

Many factors influence the external funding awards; the increase of 17 awards between the baseline year and FY17 is not significant, but suggests a continuing commitment to research.

Extramural Funding Received	$ 106,186,887	$ 128,095,848	$ 132,775,625	$ 137,982,916	$ 123,176,671

Many factors influence the amount of external funding received; the increase of $17M in funding between the baseline year and FY17 is not significant, but suggests a continuing commitment to research.

Number of Cross-Department Extramural Proposals	427	416	428	383	344
	37% of total	*36% of total*	*35% of total*	*32% of total*	*30% of total*

Many factors influence the submission of cross-department (within the same college) proposals; the decrease in the number of cross-departmental propsals and their percentage of the whole is modest in the context of the highly variable external funding environment

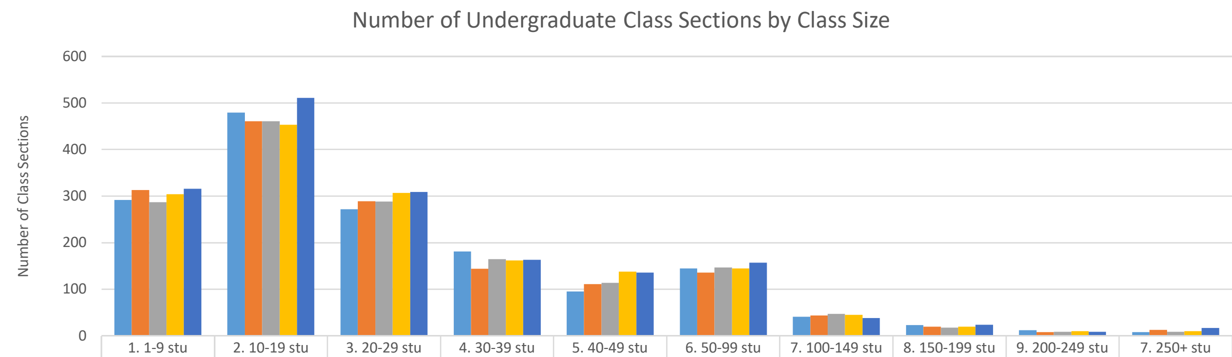
Number of Cross-College Extramural Proposals	163	176	178	160	145
	14% of total	*15% of total*	*14% of total*	*14% of total*	*13% of total*

Many factors influence the submission of cross-college proposals; the number of cross-college submissions and their percentage of the whole has remained steady.

% T-TT Faculty of FT Instructional Faculty (Headcount - No LCOM)	76%	76%	76%	73%	71%
% T-TT Faculty of Instructional Faculty (Headcount - No LCOM)	62%	62%	61%	57%	58%

There has been a decline in the percentage of T-TT FT instructional faculty; but UVM's position is still favorable in the context of a national mix that is closer to 30% T-TT and 70% NTT (including all instructional faculty, FT and PT).

Course Section Size Mix



	1. 1-9 stu	2. 10-19 stu	3. 20-29 stu	4. 30-39 stu	5. 40-49 stu	6. 50-99 stu	7. 100-149 stu	8. 150-199 stu	9. 200-249 stu	7. 250+ stu
Fall 2013	292	479	272	181	95	145	41	23	12	8
Fall 2014	313	461	289	144	111	136	44	20	8	13
Fall 2015	287	461	288	165	114	147	47	18	9	9
Fall 2016	304	453	307	162	138	145	45	20	10	10
Fall 2017	316	511	309	163	136	157	38	24	9	17

The class size mix has remained reasonably stable.

Curricular Innovation

New undergraduate majors: 5
New undergraduate minors: 13
New undergraduate certificates: 3
New doctoral programs: 2
New master's programs: 5
New graduate certificates: 4
New continuing education certificate: 1
TOTAL APPROVED SINCE 2014: 33

As of October 2017 the CAC is currently reviewing:
New undergraduate majors: 1
New undergraduate minors: 1
New undergraduate certificates: 1
New doctoral programs: 1
New master's programs: 2
New graduate certificates: 0
New continuing education certificate: 1
TOTAL UNDER REVIEW (Fall 2017): 7

While not identified as one of the "Indicators of Success" the rate of recent curricular innovation is noteworthy. As reported by the Faculty Senate's Curricular Affairs Committee.

Attachment 2

IBB 1.0 Evaluation
Summary of Qualitative Survey Responses from the Deans
September 2017

1. How has the model impacted your ability to execute your strategic plan/highest priorities?

   Majority Sentiment:
   - Positive impact; enabled investments in new programs and faculty positions
   - Provided metrics that are useful in evaluating department/program cost and financial impact
   - Provides a flexible mechanism to make the realization of priorities more timely
   - Generated new interest in developing graduate programs

   Additional Responses:
   - Differential undergraduate SCH allocation inhibits investment in high-cost areas
   - Delay in receiving UG tuition (2-year rolling average) creates significant financial constraints; difficult to keep pace with increasing enrollments; facilities costs consume a significant portion of budget; no recovery of cost savings due to energy efficiencies

2. Does the model provide the incentives necessary to promote and sustain academic quality and excellence within your unit?

   Majority Sentiment:
   - No explicit incentives in IBB (no direct connection between incentives and academic quality), but IBB supports strategic plans which support quality and excellence; IBB allows for investment in growing departments to support and ensure quality
   - Kindled faculty engagement and empowered faculty to pursue new programs and reimagine existing programs, which translates to quality and excellence

   Additional Responses:
   - Challenges with smaller course offerings
   - Disincentive on hiring adjuncts that advance academic quality in some applied areas
   - No incentives for cost centers to promote or sustain academic quality

3. Has the model encouraged innovation and entrepreneurship within your unit?

   Majority Sentiment:
   - Yes, enabled investments in new programs and faculty positions

   Additional Responses:
   - Yes, but a related challenge is implementing innovations within the context of administrative systems and services that may be outmoded
   - Has not encouraged innovation or entrepreneurship within the cost centers

4. Describe the extent to which faculty and staff in your unit understand and engage with the model.

   Majority Sentiment:
   - Regular and continuing communication about the model occurs; understanding varies significantly; faculty and staff who want to engage with/understand the model do so
   - Requests for resources and discussions about new programs reflect an understanding of costs, opportunities, and the model

5. What impact has the model had on Interdisciplinarity within your unit?

Majority Sentiment:

- Has highlighted the success of interdisciplinary programs
- Has helped create ways to "credit" departments for their participation in interdisciplinary programs
- Was an expectation/part of the culture before IBB and remains so after IBB
- Has helped departments see the value in creating faculty lines that cross departmental boundaries; value in hiring dynamic faculty members who bridge disciplines
- Existing cross-college interdisciplinary graduate programs remain strong; robust development of new interdisciplinary graduate programs within college/schools; slower development of cross-college interdisciplinary graduate programs
- Some potential partners have been overly concerned about revenue flows

6. What impact has the model had on your unit's relationship with other units?

Majority Sentiment:

- Strong, positive pre-model relationships remain unchanged
- Fostered collaboration
- Some territorial SCH protection; increased competition to retain students within a college/school
- Positive effect on the interface between the Graduate College and the academic units

Additional Responses:

- Some instructional assignment decisions based on revenue versus quality
- Some challenges associated with pre-model cross-college programs (legacy issues)
- Much interaction/negotiating between units over F&A return

7. What other information about the model would you like to share?

- Not clear that the algorithms provide sufficient finances to support high-quality programs in the life sciences (which require subsidization)
- Graduate education is being subsidized by undergraduate tuition, if undergraduate tuition decreases, graduate programs will be impacted Cost center data not transparent; no system in place for constructive dialogue between the RCs and CCs
- Subvention worthy of attention; academic units that became "poor" under the prior model remain so under IBB with limited mobility
- Uneven landscape of subvention level among units has not been smoothed by the methodology of subvention draw-down
- Weighted SCH restricts investment in STEM and study abroad
- For units that are static, IBB may feel very similar to the prior model; the perception of the model's efficacy will vary greatly depending on what scenario a unit is operating under (growing, static, shrinking)
- Culture needs to change more that the model
- Service to the state is discouraged under IBB
- Campus infrastructure and processes seem rooted in a model more supportive of centralized budgeting
- Caution about using an expected external incentive (i.e., money) that often decreases a person's intrinsic motivation to do something
- Need greater oversight of programs coming through the curriculum review process; tougher questions about strategic need, fit with institutional goals; and how growth portfolio fits needs of state population
- PT faculty head-tax is an obstacle to developing new programs
- Discounted summer tuition for graduate programs (especially 12-month programs) is a problem
- Algorithm cost assessments exceed direct costs in some units; what is an appropriate ratio?

- It will be difficult to generate revenue at a pace necessary to cover space cost increases
- Summer: units tend to review courses individually versus as part of a portfolio of courses, no allowances made for slightly under-enrolled courses
- Supplanting an expense-only mindset with one of strategic investment is an ongoing challenge for many units
- 15% allocation of non-degree revenue to CDE is a perverse incentive for the overall health of UVM, CDE should be working on professional masters programs, not non-degree

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Incentive-based Budgeting Steering Committee

FROM: David V. Rosowsky, Provost and Senior Vice President
Richard Cate, Vice President for Finance and Treasurer
Alberto Citarella, University Budget Director

DATE: November 7, 2017

SUBJECT: Incentive-based Budgeting Model 1.0 Evaluation

What follows is our collective response to the questions posed to us – the institution's senior financial leaders – as part of the evaluation of IBB Model 1.0.

Has revenue equaled or exceeded expense each year?

Revenues have exceeded expenses in each year of the new budget model. A budget model alone, however, does not garner this result. Of more importance are the strategic decisions that are made within the context of the budget model. IBB strengthened this dynamic at the University by decentralizing budget authority and responsibility. As a result, decisions supporting strategic vision and financial sustainability are now occurring simultaneously and at all levels of the organization – from senior management to unit-level decision makers. The reason, therefore, that the University's revenues have exceeded its expenses is not solely a result of the budget model, but rather of the decisions that individual units have made within the framework of the budget model.

Does the model make transparent areas of financial concern or opportunity? Does the model support the ability to plan and predict?

At both the university level and the unit level, the model illuminates areas of financial concern and opportunity. Below are examples of the kinds of analysis supported by the new budget model:

- Which revenue sources are growing most rapidly and upon which are Responsibility Centers (RC) most reliant?
- Which RCs could benefit from increased emphasis on a particular revenue stream? Which would be most susceptible to a decrease in a given revenue stream?
- How much is the University spending on space/deferred maintenance and how will that change over time? What impact does that have on individual units and the University as a whole?

The model and its management support the ability to plan and predict in the following ways: (1) through the consistent and equitable application of the algorithms and their associated "rules," (2) the model has incented and supported discussions and data-based decisions within RCs about areas for growth and innovation as well as areas of de-emphasis, (3) the clarity of the algorithms allows units to evaluate different scenarios and calculate the impact of potential courses of action, and (4) planning is also enabled by the direct allocation of revenue to the RCs who must no longer wait for a central revenue allocation to pursue their strategies.

Again, the budget model alone does not enable transparency, predictability, and planning. These outcomes are a result of both the model and its management at all levels of the organization. RCs would not be able to forecast and plan effectively if the model's rules changed often or significantly, or if exceptions were granted frequently.

It is important to note however, that while the budget model is managed in a consistent and predictable fashion, not all scenarios are predictable and many external events are beyond the University's control. Preparing for and responding to this complexity was previously the responsibility of just a few university leaders. The new budget model distributes this responsibility across the University which should allow for a more comprehensive and thoughtful response.

Does the model provide incentives and/or enable strategic investment?

In all organizations, there are two types of units, those responsible for strategic direction and revenue generation (RCs), and those that provide support services (CCs). The answer to this question differs by unit type.

Responsibility Centers are responding to the financial incentives of a decentralized budget model. Their ability to plan and predict, their ability to acquire financial resources for investment through revenue generation or expense reduction, and the ability to re-appropriate funds into Fund 108 have all incented and enabled strategic investment. Some units have been more successful than others in this regard.

The Cost Centers do not have the ability to generate revenue to support strategic initiatives and investment but they are incented to make maximum use of their resources through annual budget reductions, the ability to re-appropriate funds into Fund 108, and the implementation of the Administrative Unit Review process, which has brought a higher level of scrutiny to the services they provide.

Does the model return equitable and consistent results to all RCs?

The design of the budget model coupled with its consistent application allows for equitable and consistent results for all Responsibility Centers.

The rules by which the model is managed have been consistently applied and have experienced few revisions in the first three years of IBB's operation. This approach has supported the internal predictability essential to effective planning.

One component of the model that may benefit from re-examination is the student credit hour weightings in Algorithm 1. The Delaware Data upon which the weightings are based is somewhat stale, and the data is subject to more significant swings that was originally anticipated. Over time, this could create inequities.

Does the model provide adequate avenues for success for all RCs?

All RC's have *adequate* avenues for success. Each unit has multiple levers to either increase revenue or decrease expense. Some units have found it more difficult than others to implement the changes necessary to access the opportunities provided by the model. In addition to internal or cultural constraints, external barriers present significant challenges for some units.

Over time, the University's economic realities will result in structural financial imbalances that will be difficult to overcome. For the last several years, salary and benefit growth - the University's largest cost - has outpaced the revenue generated from its largest revenue source, net undergraduate tuition. One temporary solution is to grow undergraduate enrollments, but even that growth is finite and comes with its own set of problems. There are three long-term options to address this imbalance: the University must either grow revenue from other sources substantially, significantly change its cost structure, or ensure that compensation and undergraduate net tuition increases grow in tandem.

Given that IBB is at its heart a decentralized budget model, the RC's now feel these economic pressures acutely. Some RCs have bridged this gap with growth in other revenue sources and/or in their share of SCHs. However, there are internal and external constraints on this growth and it cannot be replicated annually in perpetuity. Other RCs, those who have experience declining, or even constant, undergraduate SCH levels, have been unable to bridge the gap. For these units, annual budget reductions or structural changes have been necessary and will continue to be necessary until such time that they can generate significant revenue from other sources or that tuition increases and compensation increases come into alignment.

Despite every best IBB innovation, if the gap between compensation and undergraduate tuition growth continues at a rate beyond which units can generate other revenue to offset, over time each RC and the University as a whole will find itself in a financially unsustainable position.

Does the model provide RCs with sufficient ability to respond to change?

The model has demonstrated an ability to respond to the modest degree of change – mainly enrollment shifts – we have experienced since its implementation. The model's ability to support significant change will depend on the magnitude of the change, the structure of the units most impacted, unit cultures, and the extent to which units have planned for various contingencies.

Components of the model that support responsiveness to change include: (1) algorithms that include multi-year averages to moderate swings; (2) subvention which can be used to ameliorate sudden budgetary shifts, (3) the ability to build reserves in Fund 108, and (4) the budgetary authority vested in the RCs which enables their swift and strategic action.

Letter to the Editor,

I remain grateful for the continued interest and engagement in our transition to a new budget model. In response to the March 30, 2016 Cynic article on IBB, I'd like to provide the following thoughts and clarifications.

I, too, share concern about access, affordability, resources and the long-term financial sustainability of our institution. Indeed, this is an almost universally-held interest among colleges and universities today. I believe the best way to ensure our future is to support and enable our highest priorities around academic excellence and student success; and to empower our colleges and schools to make decisions consistent with their highest strategic priorities. IBB does just that. It provides academic leaders in the colleges and schools with the information, tools, and incentives necessary to create the best overall educational experience possible.

We're already seeing exciting curricular innovations emerge as a result of our transition to IBB. In the last two academic years, seven new undergraduate minors, three new undergraduate majors, three new graduate degrees, and three new certificates have been approved (or are slated for approval at the May 2016 Board of Trustees meeting). As units develop and invest in programs where there is student interest, some rebalancing and redistribution of faculty will be necessary. It has always been the case, and, regardless of budget model, it will continue to be the case that many variables (i.e., shifts in student interest and demand, new strategies, emerging priorities, available resources, etc.) play a role in faculty staffing decisions. Changes in any of these can result in the need for more, or fewer, faculty members in particular areas.

Contrary to what was reported in the March 30 Cynic article, IBB does account for the differential costs associated with full and part-time faculty members. It is true that IBB allocates some costs based on the number of faculty members in a unit (commonly referred to as "head count"). This is the case for certain fixed costs that remain the same whether an individual is full-time or part-time. Other costs, driven by use, are assessed on an FTE (full-time equivalency) basis, reflecting the differential use and impact of full-time and part-time faculty.

As noted in the article, our IBB model went "live" in fiscal year 2016. But its development and implementation has been an inclusive, transparent, thoughtful three-year process dating back to a 2012 budget self-study highlighting the limitations of the prior budget model. The process was faculty-driven, and is fully documented on the IBB website.

The University of Vermont is committed to providing a world-class education to our students. We will continue to invest wisely and strategically in the people, places and programs that contribute most directly to this commitment. Our commitment to excellence and to student success is what drives decision-making at all levels and throughout the University.

Sincerely,

David V. Rosowsky
Provost and Senior Vice President

Information for Students about Incentive-based Budgeting (IBB) at the University of Vermont

Prologue:

The University's decision to move to a new budget model naturally raises questions. In keeping with our commitment to broad and open communication throughout the two-year transition to IBB, we are happy to provide the following responses to questions students might have about the new model.

To set the stage, the goals of the new budget model are (1) to support and enable our highest priorities around academic excellence and student success, (2) to create a transparent and sustainable budget model for the University, and (3) to empower UVM's colleges and schools to make decisions consistent with their highest strategic priorities and those in the President's Strategic Action Plan. Representatives from the Student Government Association (SGA) and the Graduate Student Senate (GSS) were appointed to the IBB Steering Committee and directly participated in the development of the model. Finally, *all* IBB communications, reports, and other supporting materials were posted on the IBB website throughout the 2+ year university-wide process.

Now, on to the questions—

Why did we change budget models?

In academic year 2012-13, three years ago, the UVM community discussed the characteristics and operation of its existing budget model. Those discussions included governance leaders, trustees, academic and administrative business managers, members of the Faculty Senate, and students. There was widespread agreement that the existing model: (1) lacked transparency, (2) was unnecessarily complex, (3) offered little flexibility, and (4) provided few incentives.

What are the goals of IBB?

In addition to the goals stated above, chief among the new model's objectives are: (1) to encourage a more comprehensive "all funds" budgeting approach, and (2) to provide the clarity and predictability that will enable multi-year planning critical to ensuring the University's long-term financial sustainability. At the start of the process to create and implement the new budget model, President Sullivan established the following "Guiding Principles for IBB":

1. Creates incentives that promote academic quality and excellence
2. Creates incentives at all levels of the University that promote financial sustainability
3. Encourages innovation and entrepreneurship throughout the University
4. Provides transparency, clarity, and predictability
5. Can be easily understood, is easy to implement and operate, and is flexible
6. Can operate in all cycles of the economy, whether robust or downturn
7. Fosters interdisciplinary scholarly and teaching activity

What role did UVM faculty, staff, and students play in developing IBB?

In all, more than 200 members of the campus community were involved in the development and implementation of IBB. In FY14 and FY15, there were more than 280 working group meetings, briefings, and information sessions regarding the new budget model.

Membership on the IBB Steering Committee (charged with developing recommendations for the overall model) included 11 faculty, 5 staff members, 2 senior administrators, 2 deans and 2 students.

Membership on the eight subcommittees (charged with developing the model's algorithms for revenue and expense allocation) included 43 faculty, 10 deans or vice presidents, 27 staff members and 1 student.

How much did the University spend on systems, staff, or other ongoing costs for IBB?

Nothing. There are no expenses associated with operating the budget model. No new software or hardware systems were purchased, there are no new staff or consultants, and there are no annual operating costs (fixed or variable).

What does it mean for current and future students?

At its root, IBB is about promoting academic excellence. We want to continue to enhance our academic programs and opportunities for our students. We want to continue to invest in hiring outstanding faculty and in our academic infrastructure. We want to grow in strategic areas – where student interest and market demand exist – and we want to strategically invest in programs that can generate national visibility and recognition for UVM. Academic excellence attracts the best students and the best faculty to a university.

Will IBB result in cutting undergraduate or graduate programs?

Regardless of its budget model, the addition and deletion of programs is a normal part of the evolution of any university. Our academic leaders continually review our academic programs, the result of which may include adding innovative programs, and eliminating non-strategic programs for which there is little or no interest or demand.

Will IBB cause tuition increases?

Budget models don't cause tuition increases. Tuition increases are necessary to offset increases in expenses. President Sullivan has made access and affordability his highest priority. This is clearly reflected in the history of tuition increases (among the lowest in more than three decades) since he became President.

Will IBB force Deans to move to larger class sizes?

IBB provides academic leaders with the incentives to create the best overall educational experience possible – one component of which is an appropriate mix of class sizes that support learning outcomes and student success. Even if the deans were tempted to move all classes to large lecture halls (a strategy I am confident they understand to be contrary to our goals as a university), we are physically constrained in the number of large class sizes we can offer by our modest inventory of large classrooms.

More than half of our undergraduate classes have 20 or fewer students in them. This is part of the University's culture, commitment, and competitive advantage. We will continually seek the best mix of class sizes and learning environments to provide the greatest value to our students and ensure the best learning outcomes.

Will IBB result in a larger undergraduate student body?

Budget models don't determine enrollment. Currently, there are no plans for enrollment increases in the undergraduate student body. Increases in enrollment would require concurrent investments in teaching capacity, housing and student support services to maintain an outstanding student experience. Our focus is on continually improving the quality, including diversity, of the entering student class, not the size of that class.

What effect will IBB have on hiring full-time or part-time faculty members?

There are many variables (i.e., shifts in student interest and demand, new strategies, emerging priorities, available resources, etc.) that play a role in staffing decisions. Changes in any of these can result in the need for more, or fewer, faculty members in particular areas. These decisions are made by the deans, in consultation with the faculty and staff of the colleges and schools, in order to support their highest academic and programmatic priorities.

Will IBB cause budget reductions?

Budget models don't cause budget reductions. Budget reductions are necessary when expenses exceed available revenues. The University is required by law to have balanced budget each year.

Where can I find more information on IBB?

The IBB website contains comprehensive information about the model, as well as the IBB activities and communications over the last two years.

What if I have questions or suggestions?

You can submit them via the IBB website.

Postlude:

When asked, "What should students know about the budget model?" I respond simply that the budget model is focused on building and sustaining the faculty, facilities, and programs that underpin a great university. When asked, "How much should students understand about the budget model?" I respond, only as much as you have interest in understanding.

If you are interested in the inner workings of the University as a complex and competitive institution of higher education, if you have interests in institutional finance, or if you simply want to better understand how we align resources with our highest priorities (academic excellence and student success), you are invited to learn more. There are many ways to do this: from the IBB webpage, by posing questions to your college or school dean, or by requesting more information from the Vice President of Finance or the Office of the Provost.

Regardless of each student's interest in the budget decision process, all students should know that, without any doubt, the University of Vermont is committed to providing a world-class education to our students. We will continue to invest wisely and strategically in the people, places, and programs that contribute most directly to this commitment. Our commitment to excellence and to your success is what drives decision-making at all levels and throughout the University.

David V. Rosowsky, Ph.D.
Provost and Senior Vice President

Office of the Provost
November 2015

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Thomas Sullivan, President

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: January 29, 2015

SUBJECT: Final Report of the Incentive-based Budget Model Steering Committee

In June 2014, I provided you with the Preliminary Incentive-based Budget (IBB) Model for the University of Vermont. These recommendations were the result of many hours of diligent work by the members of the IBB Steering Committee, the eight IBB Subcommittees, our academic and administrative leaders, and the many members of our campus community who were engaged in this process. The July IBB report was posted and a campus vetting process – including a two-month comment period – began. As a result of thoughtful critiques and our further study of the model, three of its seven algorithms have been revised (Algorithms 3, 4, and 7). The preliminary final report has been revised to reflect these changes, as well as related activities since July, and the final IBB Model 1.0 is hereby submitted for your approval.

REPORT CONTENTS

BACKGROUND

In academic year 2012-13, the UVM community discussed the characteristics and operation of its existing budget model. Those discussions included governance leaders, trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was widespread agreement that the existing model: (1) lacked transparency, (2) was unnecessarily complex, (3) offered little flexibility, and (4) provided few incentives. In early fall 2013, you asked me, in my role as chief budget officer, to lead the campus in an effort to develop a new incentive-based budget model for the University. In addition to providing transparency and important incentives, chief among the new model's objectives are: (1) to encourage a more comprehensive "all funds" budgeting approach, and (2) to provide the clarity and predictability that will enable multi-year planning critical to ensuring the University's long-term financial sustainability.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

PROJECT ORGANIZATION

A Steering Committee (Appendix A) was charged with responsibility for developing a set of IBB model recommendations by June 2014. The IBB Steering Committee was supported by eight subcommittees (Appendix B), each having responsibility for exploring a particular component of the IBB model and providing the Steering Committee with specific recommendations. The subcommittees:

1. Cost Pool Methodology
2. Facilities and Space Costs
3. Fee Generating Units
4. Graduate Tuition Revenue and Aid
5. Interdisciplinary Scholarship and Teaching
6. Non-Degree and Online Tuition and Aid
7. Research and Indirect Cost Recovery
8. Undergraduate Tuition Revenue and Aid

The development, implementation and continual assessment of the new budget model will continue to be guided both by the *Academic Excellence Goals* (Appendix C) and the following guiding principles which you established last fall:

- Creates incentives that promote academic quality and excellence;
- Creates incentives at all levels of the University that promote financial sustainability;
- Encourages innovation and entrepreneurship throughout the University;
- Provides transparency, clarity, and predictability;
- Can be easily understood, is easy to implement and operate, and is flexible; and,
- Can operate in all cycles of the economy, whether robust or downturn.

A seventh guiding principle emerged over the course of the IBB Steering Committee's work and I recommend that it be added to the list above:

- Fosters interdisciplinary scholarly and teaching activity.

COMMUNICATIONS TO THE CAMPUS COMMUNITY

We were committed to an open and transparent process and communicated with campus in the following ways:

Website:
An IBB website[1] was established in September 2013 and includes information on the Steering Committee, the subcommittees, the project timeline, campus communications, presentations, reports, informational resources, implementation and IBB data. Early in the development phase, the website also included a link which allowed users to provide feedback, ask questions, and submit suggestions.

Campus-wide Memos:
In academic year 2013-14, six campus-wide IBB memos were issued and posted on the IBB Website. In the fall semester of academic year 2014-15, three additional campus-wide IBB update memos were issued and posted.

---

1 http://www.uvm.edu/provost/IBB/

All five issues of *Across the Green*, my memo to the UVM academic community, also included updates on IBB and are posted on the Provost's Office website[2].

Presentations and Meetings:
The IBB website underscores our commitment to communication throughout the process and includes the following invitation, "We will meet with anyone, anytime, anywhere to discuss IBB." In all, there were more than 150 IBB meetings in academic year 2013-14. These meetings took a variety of forms, and included the Steering and subcommittees, governance groups, department chairs, campus leadership, divisional staff and the like, and were an opportunity to share information on the IBB development effort, provide general information on how IBB models work at other universities, and gather feedback. I also provided an interview to the *Vermont Cynic*[3]. There have been more than 250 IBB meetings – largely focused on implementation – this year.

PROJECT MILESTONES

The following summarizes the project's major milestones:

September 2013 - Steering Committee Appointed

The 22-member Steering Committee included 11 faculty, 5 staff, 2 senior administrators, 2 deans, and 2 students. Its composition was diverse and broadly representative. The Steering Committee met 12 times during FY14 and received periodic assignments between meetings. Fifteen members of the Steering Committee were also on subcommittees and attended those meetings as well. The Steering Committee continues to meet to review the model's performance and recommend adjustments.

October 2013 - Subcommittees Appointed

Membership on the eight subcommittees included 43 faculty, 10 deans or vice presidents, 27 staff members and one student. Two members of each subcommittee, including the subcommittee chair, were also members of the Steering Committee. The subcommittees received formal charges (Appendix D) outlining their tasks, questions that should be considered and available resources and support. There were approximately 65 subcommittee meetings between October 2013 and January 2014.

January 2014 - Subcommittee Reports Received

The reports from the subcommittees were received, posted on the IBB website and announced to the campus (Appendix E). Each posted report was accompanied by a survey designed to gather feedback from the broader community. The survey results were provided to the Steering Committee.

January 2014 - Interim IBB Report Issued to President Sullivan

An interim report on the project's progress was submitted and posted (Appendix F).

February 2014 - Subcommittee Report Question and Answer Sessions

The campus community was invited to attend one of four open Q&A sessions (Appendix G) to learn more about the subcommittees' recommendations. The sessions were staffed by members of the IBB Steering and subcommittees.

---

2 http://www.uvm.edu/provost/?Page=acrossthegreen.html

3 http://www.uvm.edu/provost/IBB/Rosowsky%20Cynic%20IBB%20Q&A.pdf

February 2014 - IBB Engagement Campaign with Governance Groups

Beginning in February and extending over a period of five weeks, IBB leaders including the Provost, the Vice President for Finance, the Budget Director and several Steering Committee members met with leadership groups to share information and gather feedback on the subcommittee reports. The governance groups included the President's Senior Leadership; the Provost's Academic Leadership Council; the Faculty Senate Executive Council; the Faculty Senate Finance and Physical Planning Committee; the full Faculty Senate; the Graduate Student Senate; the Staff Council and the University Business Advisors.

March 2014 - Individual Subcommittee Meetings with the Provost

Beginning in March, the Provost hosted a breakfast meeting with each subcommittee to gather additional information from the groups and to share the Steering Committee's early observations on their proposed algorithms.

April 2014 – Implementation Planning Begins

Vice President Cate was charged[4] with leading the Division of Finance in developing and implementing a plan for operationalizing an eventual IBB model.

July 2014 – Preliminary Final Report of the IBB Steering Committee Issued

The Preliminary IBB Model 1.0[5] as proposed by the IBB Steering Committee was submitted for the President's review and posted on the IBB website.

July to September 2014 – Campus Comment Period on Preliminary IBB Model 1.0

Upon receipt of the preliminary final report, President Sullivan invites all members of the UVM community to offer comments[6] before final approval of the model. The comments were considered as part of Steering Committee and other deliberations during the fall semester.

September to December 2014 – Vetting Process for Proposed Model Revisions

Proposed changes to the model were vetted with academic and administrative leadership, the relevant IBB subcommittee leadership, the IBB Steering Committee, and were shared through a series of campus-wide updates issued over the fall 2014 semester.

January 2015 – Final Report of the IBB Steering Committee Issued

The final IBB Model 1.0 as proposed by the IBB Steering Committee was submitted for the President's review and approval, and posted on the IBB website.

THE STEERING COMMITTEE'S PROCESS

The IBB Steering Committee approached its work openly, with a vested interest only in that which is best for the University as a whole. The meetings in the fall 2013 semester focused on developing a broad understanding of IBB models and included regular updates on the progress of the subcommittees.

Once the subcommittee reports were posted in January 2014, the Steering Committee addressed each report in turn and used a systematic approach to determine which of the proposed algorithms was preferred. This entailed considering (1) the subcommittee recommendations/components of the model conceptually to assess their fit with the guiding principles, (2) their fit at UVM, (3) their fit with each

[4] http://www.uvm.edu/provost/IBB/IBB%20Implementation%20Memo%205.22.14.pdf

[5] http://www.uvm.edu/provost/IBB/IBB%20Final%20Report%20and%20Appendices_07_09_14-3.pdf

[6] http://www.uvm.edu/president/Sullivan%20Memo%20Re%20IBB%2007-09-14.pdf

other, and (4) their individual and collective incentives and disincentives. *It was not until this work was done that the University's finance team provided the Steering Committee with financial modeling* to help the group more fully understand the implications of the preferred algorithms and various aspects of the model.

After reviewing the draft model with numbers behind it, the group engaged in further discussions about the algorithms and confirmed and/or refined its recommendations. In some cases the Steering Committee made modest adjustments to an algorithm proposed by a subcommittee. That said, by-and-large, the Steering Committee's preliminary recommendations and those proposed in this report are fully consistent with the intent, if not the letter, of the subcommittees' proposals. The Steering Committee also provided insights on more general model issues and methodologies.

THE RECOMMENDED MODEL

The following discussion assumes a working knowledge of IBB models, some familiarity with the UVM IBB subcommittee reports[7], and is intended to describe only the major components and characteristics of the recommended IBB model. It does not include a significant level of detail. The detail will be captured in the companion documentation that is in development, and will include all definitions, metrics and detailed formulas.

Responsibility Centers, Cost Centers, and Hybrid Cost Centers

Most university units are either Responsibility Centers (RC) or Cost Centers[8] (CC). Responsibility Centers, such as colleges and schools, are primarily defined by their revenue-generating capability and their use of and dependence on centralized services. A Cost Center, such as Payroll or Admissions, is a unit that does not generate revenue, but supports the Responsibility Centers by providing centralized services or resources.

The Responsibility Centers:

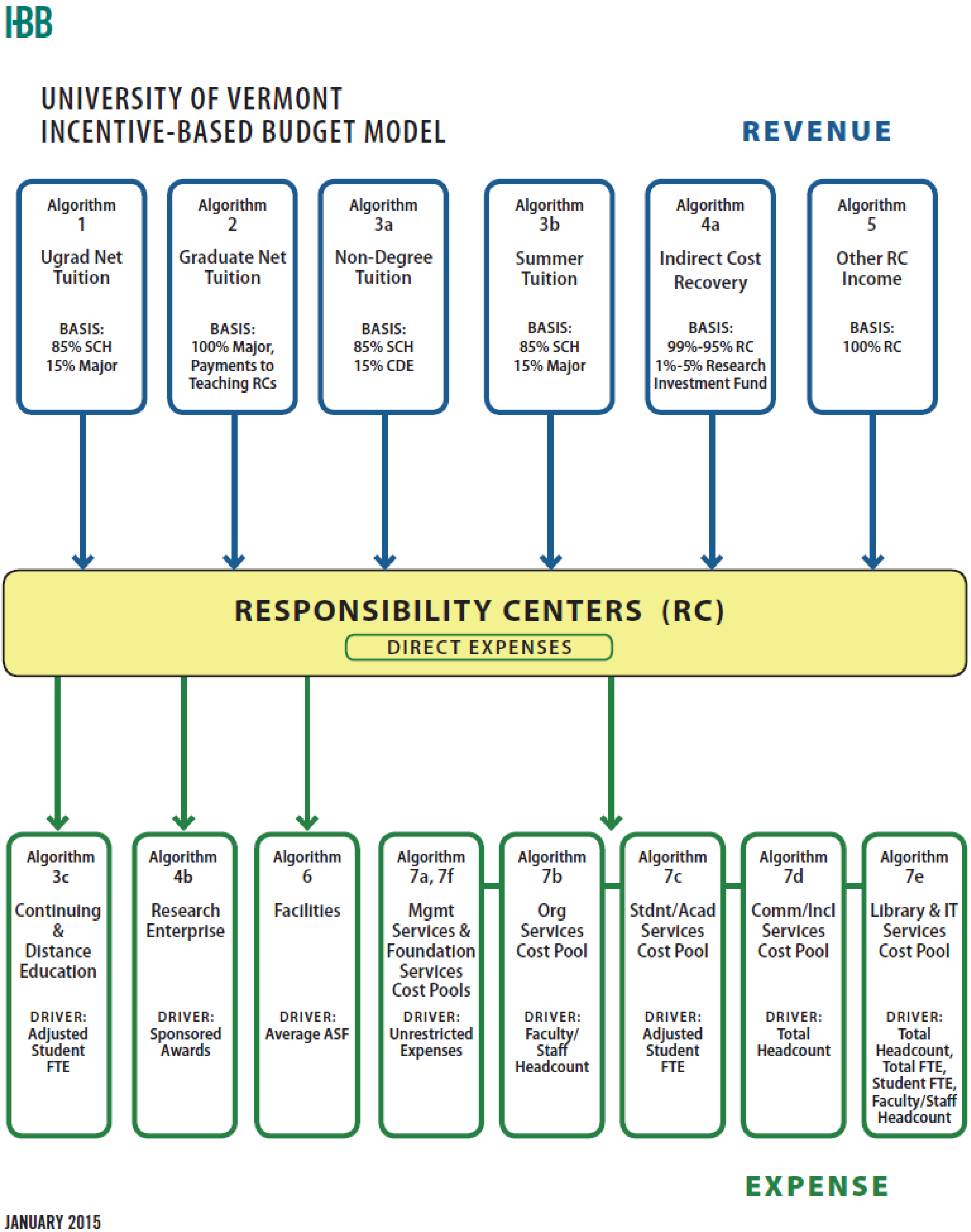
College of Agriculture and Life Sciences	College of Arts and Sciences
School of Business Administration	College of Education and Social Services
UVM Extension	College of Engineering and Mathematical Sciences
College of Medicine	College of Nursing and Health Sciences
Rubenstein School of Environment & Natural Resources	

The Cost Centers include approximately 80 units and are more fully described in the discussion of algorithm 7 later in this report.

Continuing and Distance Education and the Office of the Vice President for Research share the characteristics of Responsibility Centers *and* Cost Centers, and have been designated Hybrid Cost Centers. This means that a portion of their budgets will be funded via revenue algorithms and a portion of their budgets will be funded via expense algorithms.

In the UVM IBB Model 1.0, revenue and expense is allocated to the Responsibility Centers via a series of algorithms as illustrated in the following diagram.

[7] http://www.uvm.edu/provost/IBB/?Page=subcommittees_ibb.html
[8] Cost Center is a term used to generically describe this component of an IBB model. I recommend that we consider adopting a term that more accurately reflects the valuable services provided by these UVM units.


IBB
UNIVERSITY OF VERMONT
INCENTIVE-BASED BUDGET MODEL
REVENUE
Algorithm 1
Ugrad Net Tuition
BASIS: 85% SCH 15% Major
Algorithm 2
Graduate Net Tuition
BASIS: 100% Major, Payments to Teaching RCs
Algorithm 3a
Non-Degree Tuition
BASIS: 85% SCH 15% CDE
Algorithm 3b
Summer Tuition
BASIS: 85% SCH 15% Major
Algorithm 4a
Indirect Cost Recovery
BASIS: 99%-95% RC 1%-5% Research Investment Fund
Algorithm 5
Other RC Income
BASIS: 100% RC
RESPONSIBILITY CENTERS (RC)
DIRECT EXPENSES
Algorithm 3c
Continuing & Distance Education
DRIVER: Adjusted Student FTE
Algorithm 4b
Research Enterprise
DRIVER: Sponsored Awards
Algorithm 6
Facilities
DRIVER: Average ASF
Algorithm 7a, 7f
Mgmt Services & Foundation Services Cost Pools
DRIVER: Unrestricted Expenses
Algorithm 7b
Org Services Cost Pool
DRIVER: Faculty/ Staff Headcount
Algorithm 7c
Stdnt/Acad Services Cost Pool
DRIVER: Adjusted Student FTE
Algorithm 7d
Comm/Incl Services Cost Pool
DRIVER: Total Headcount
Algorithm 7e
Library & IT Services Cost Pool
DRIVER: Total Headcount, Total FTE, Student FTE, Faculty/Staff Headcount
EXPENSE
JANUARY 2015

The Algorithms

The IBB model recommended by the Steering Committee includes seven algorithms, each of which determines the allocation of either revenue or expense to a Responsibility Center (several of the algorithms have multiple components):

The Revenue Algorithms

- Algorithm 1: Undergraduate Net Tuition
- Algorithm 2: Graduate Net Tuition
- Algorithm 3: Non-Degree and Summer Tuition (includes revenue and expense)
- Algorithm 4: Indirect Cost Recovery (includes revenue and expense)
- Algorithm 5: Other Income

The Expense Algorithms

- Algorithm 6: Facilities and Space
- Algorithm 7: Cost Pools (includes the Cost Centers)

Algorithm 1: Undergraduate Net Tuition

Undergraduate Net Tuition is defined as gross tuition less financial aid (the netting occurs before the revenue is allocated).

Undergraduate net tuition will be allocated as follows:

- 85% based on a college's or school's percentage of the two-year trailing average of Student Credit Hours (SCH) taught (based on the home unit of the instructor of record). The SCHs will be weighted to reflect the relative national costs of instruction by college/school; and,
- 15% based on a college's or school's percentage of the two-year trailing average of majors.

Throughout this document, the *instructor of record* is defined as the individual recorded in Banner as the instructor of a course. The *home unit of the instructor of record* is defined as the home college or school of the instructor's primary appointment.

Rationale: This algorithm provides colleges and schools with an incentive to offer innovative, high-quality undergraduate programs; to respond to student needs and demands; and to focus on student recruitment and retention. It recognizes the differential costs of instruction via the weighting of SCHs as well as the demands of majors on an academic department.

Algorithm 2: Graduate Net Tuition (three components)

College/Disciplinary Graduate Tuition and Aid:

Graduate Net Tuition is defined as gross tuition less financial aid (the netting occurs after the revenue is allocated). The home college or school of a graduate student's program will be allocated 100% of that student's gross tuition and 100% of that student's financial aid. Graduate Student Stipends will be paid by the hiring unit.

Payments to Teaching RCs:

For every SCH a graduate student takes outside of the home college, the home college will pay the teaching college 85% of the University's I/S per credit tuition rate.

Cross-College/Interdisciplinary Graduate Tuition and Aid:
The graduate net tuition generated by cross-college interdisciplinary programs such as the Food Systems Master of Science will be allocated to the Graduate College. The net tuition will then be distributed to each of the participating colleges and schools based on their percentage of the program's total SCHs. If additional aid – such as paying insurance or comprehensive fees – is required for the program and this expense exceeds tuition revenue, the participating units will pay the Graduate College the funding necessary to make the Graduate College whole.

Rationale: This algorithm provides colleges and schools with an incentive to offer innovative, high-quality graduate programs; to respond to student needs and demands; and to focus on student recruitment and retention. It also supports interdisciplinary programs and recognizes the instructional costs associated with courses taken outside a student's home college.

<u>Algorithm 3: Non-Degree and Summer Tuition (three components)</u>
Continuing and Distance Education (CDE) will be designated a hybrid cost center. A portion of its revenue will be funded via revenue algorithms 3a and 3b, and a portion of its budget will reside in the cost pool and will be funded via expense algorithm 3c.

3a: Academic Year Non-Degree Net Tuition Revenue (a revenue algorithm)
Academic year non-degree net tuition revenue will be allocated as follows:

- 85% based on a college's or school's percentage of the non-degree SCH taught (based on the home unit of the instructor or record); and,
- 15% allocated to CDE.

3b: Summer Tuition Revenue (a revenue algorithm)
This includes tuition revenue from *any** student taught in the summer, and will be allocated as follows:

- 85% based on a college's or school's percentage of the summer SCH taught (based on the home unit of the instructor of record); and,
- 15% based on a college's or school's percentage of the majors taking summer courses; non-degree students will be counted as CDE majors.

As noted in algorithm 1, the *home unit of the instructor of record* is defined as the home college or school of the instructor's primary appointment.

3c: CDE Expenses (an expense algorithm)
CDE provides services that will support RC revenue generation. Returning the majority of the revenue in this algorithm to the RCs provides the most transparent and effective incentives to the RCs, but does not provide CDE with the revenue necessary to cover its full costs. The CDE expenses that are not covered by the 15% allocation on non-degree enrollments (3a, 3b) – as well as other forms of revenue generated by CDE – will be allocated to the RCs on the basis of student FTE.

Rationale: This algorithm aligns incentives and eliminates unproductive competition; it provides strong and transparent incentives for the academic units to engage in summer, and for both the academic units and CDE to grow non-degree enrollments.

*In summer 2015, Graduate Tuition was included in Algorithm 3b. In spring 2016, the Steering Committee determined that it was more appropriately housed in Algorithm 2, effective summer 2016.

Distance education will be considered a mode of delivery, not a separate category of revenue. Therefore, distance revenue will be allocated via the appropriate algorithm (1, 2, or 3) depending on student type.

Algorithm 4: Indirect Cost Recovery (two components)

The Office of the Vice President for Research (OVPR) has been designated a hybrid cost center. A portion of its budget will be funded via revenue algorithm 4a and a portion of its budget will reside in the cost pool and will be funded via expense algorithm 4b. This structure provides common incentives for both the OVPR and the Responsibility Centers to grow the University's F&A revenue.

4a: F&A Revenue (a revenue algorithm)

Indirect cost recovery revenue generated by sponsored activities (commonly referred to as "F&A") will be allocated as follows:

- In FY16, 99% of the F&A will be allocated to the RC of the grant's Principal Investigator (PI) with the remaining 1% allocated to the Office of the Vice President for Research. If grants have multiple PI's, the F&A allocated to the RCs will be distributed according to their respective planned effort on the grant.
  - By FY18, this allocation will change such that 95% of the F&A will be allocated to the RCs and 5% to the OVPR. However, the Provost may choose to adjust these percentages in response to strategic needs and priorities.
- The OVPR will receive 100% of the F&A revenue associated with several university-wide interdisciplinary grants and centers/institutes.
- The OVPR will receive 100% of the F&A not allocated specifically to a Responsibility Center.

4b: Research Enterprise Expenses (an expense algorithm)

The University's research enterprise includes the OVPR; Sponsored Programs Administration; the Office of Technology Commercialization; the Instrument Model Facility and more. The expenses of the Research Enterprise not funded by the F&A allocation as discussed above will be allocated to an RC based on its percentage of the 3-year trailing average of sponsored awards. For example, if an RC generated 22% of the sponsored awards generated by all RCs over the previous three years, it will be allocated 22% of the total cost of the remaining Research Enterprise expenses not already funded via Algorithm 4a.

Rationale: This algorithm provides incentives for both the RCs and the OVPR to grow the University's F&A revenue; incentives for the RCs to consider their research portfolios as a whole and grow them strategically; it provides the Office of the Vice President for Research with resources to invest strategically; and it allocates the expenses associated with the research enterprise to the units that utilize these services.

Algorithm 5: Other Income

"Other Income" (OI) is defined as revenue not directly related to tuition and research. Examples of OI include lab fees, vending fees, student application fees and the revenue generated by income expense activities both large and small such as the Luse Center in the College of Nursing and Health Sciences (CNHS) and Residential Life.

OI generated within a Responsibility Center will be allocated to that RC (e.g., CNHS would receive the revenue the Luse Center generates, and CNHS would also receive the funding associated with any of its course fees).

OI generated by large self-sustaining income/expense activities that are not currently classified as RCs, but operate much like them in that they are responsible for their own revenue and expenses, will be allocated to those activities. Examples of these activities include Residential Life, the Bookstore, and the Center for Health and Wellbeing.

Undesignated OI generated more broadly, and typically by a cost center (e.g., vending fees, student application fees) will be allocated to the overall university revenue pool for broad distribution to the RCs via a reduction in the allocation of costs back to the Responsibility Centers.

Rationale: The revenue generated to meet the needs of a particular activity within an RC should be allocated back to the RC. Since the large self-sustaining income/expense activities are currently functioning successfully in an IBB-like way, it seemed wise to leave their operations undisturbed at this time. Undesignated OI is appropriately allocated for the benefit of the entire university.

<u>Algorithm 6: Facilities and Space Costs</u>
The costs associated with facilities (including physical space and utilities) will be allocated to a Responsibility Center based on its percentage of the total campus square footage. The cost associated with barns and sheds will be discounted by 80%.

The cost of "administrative units'" space (includes all space that is not allocated to the RCs) is allocated to Responsibility Centers based on their share of the overall cost pool (Algorithm 7). That is, if an RC's allocation of cost pool expenses is 22% of the total cost pool, it will be allocated 22% of the cost for administrative units' space.

General purpose classroom space will be assigned to the Registrar's Office, not a particular RC.

If a Responsibility Center is willing to invest in space improvements that will increase efficiency, we will develop a mechanism whereby measurable savings are shared with the RC.

Rationale: Generally speaking, each RC has a facility mix that includes space that is both new and historical; efficient and inefficient; and high and low tech. Additionally, only some of the buildings on campus are metered, making precise energy costs undeterminable. For these reasons, it seemed reasonable to allocate facilities costs on a uniform assignable square foot basis.

<u>Algorithm 7: Cost Pools</u>
The approximately 80 Cost Centers have been grouped into six different cost pools (Appendix H) and their expenses are allocated based on the following cost drivers:

Management Services – unrestricted expenses[9]
Organizational Support Services – faculty and staff headcount
Student/Academic Services – student FTE
Community/Inclusion Services – total headcount (faculty, staff, students)

[9] Unrestricted expenses include all general fund and income/expense activity expenses.

Libraries and Information Technology Services – total FTE (30%), total headcount (30%), student FTE (20%), faculty/staff headcount (20%)
The UVM Foundation – unrestricted expenses

In cost pools that include SCH-based FTEs as a driver, Graduate SCHs will be deflated by 80%.

Rationale: The clarity of the cost pool algorithms will allow RC managers to quickly and easily understand the expense implications associated with potential actions. Deflating Graduate SCHs will incent growth in two critical areas identified in the *Academic Excellence Goals*: growth in graduate education and growth in distance education. Using expenses as a cost driver encourages cost reduction on the part of the Responsibility Centers, and limiting this driver to *unrestricted* expenses encourages units to seek external funding.

The transparency of the algorithms sheds light on the costs of the service providers. The Cost Center budgets will be monitored carefully, and Cost Centers will be expected to innovate and seek all possible efficiencies. If there are significant and sustained increases or decreases in the drivers upon which Cost Center expenses are allocated, Cost Center budgets will be adjusted accordingly.

Subvention and the President's and Provost's Strategic Investment Fund

The IBB implementation will be budget neutral in the first year. Budget neutrality means that each Responsibility Center's revenues and expenses will balance in year one*, and each RC will be able to maintain its pre-IBB level of expense that was supported by its base budget. This will be accomplished by providing each RC with a revenue subvention (subsidy). The source of the subvention pool is undergraduate net tuition revenue, from which approximately $40M will be allocated to the subvention pool before the remainder is allocated to the RCs in accord with algorithm 1. Final subvention amounts will not be determined until budget planning for FY16 is complete.

Over time, it is expected that subventions to the Responsibility Centers will decrease. The Provost will develop the subvention strategy on a case-by-case basis with the dean of each RC. However, the nature and structure of some RCs is such that they will always require subvention. The need for subvention should not be viewed as a value judgment on a unit's worth or productivity. The University as a whole benefits from its broad portfolio of programs, each with unique characteristics and complexities, and some of which will require strategic, differential investment and support.

A strategic investment fund available to the President and Provost is an essential component of the model. This fund will be used to support the initiatives that are the highest priorities of the President and Provost. This fund will build over time, and its likely source of funding is the reallocation of funds from the subvention pool – as subventions to the RCs decrease, the investment fund will increase. Subvention is further discussed in Appendix I.

INTERDISCIPLINARY SCHOLARSHIP AND TEACHING

The Steering Committee paid particular attention to the impact of IBB on interdisciplinary scholarship and teaching. It is widely understood that interdisciplinary teaching and scholarship is both a hallmark of UVM and a key to its future success. Under our current budget model, there is no incentive for a dean to allocate faculty time to programs beyond the home unit. Under IBB, a dean will have clear incentives to mount innovative high-demand interdisciplinary programs that will attract and retain students. RCs participating in interdisciplinary instruction will generate revenue either through majors

*Text in red added for clarity 12.7.17

or student credit hours taught. Similarly, federal funding agencies have moved into a mode of supporting interdisciplinary teams working on some of the most complex problems. The Vice President for Research will have a strategic investment fund (see below) to incent and support such proposals, and the participating colleges and schools will benefit from the F&A return.

IBB, through its transparency, simplicity, and predictability, will enable colleges and schools to more easily weigh trade-offs of costs vs. merit of interdisciplinary activities, to plan resource allocation accordingly, and to assess whether and when additional investments may be worthwhile. The IBB framework allows and encourages colleges and schools to enter into financial agreements/partnerships around interdisciplinary and cross-unit programs. Quoting from Indiana University's 2011 RCM Review Committee report: "RCM served to make transparent the actual costs and financial trade-offs involved in cross-RC activity, and as a result, fostered healthy conversations about the underlying substantive merits of interdisciplinary proposals."

In the move to IBB, a number of important steps will be taken to ensure an environment exists for interdisciplinary activities to flourish and be sustained. These include: (1) tuition algorithms that are driven by the instructor of record of the course, regardless of whether or not the course is in the instructor's home department; (2) Banner will track courses with multiple instructors so that revenues can be distributed accordingly; (3) the OVPR will have a strategic fund that can be used to incentivize new interdisciplinary research and scholarship; (4) the Dean of the Graduate College will have a strategic fund that can be used to incentivize interdisciplinary graduate program offerings; and (5) the President and Provost will be able to use funds from the Strategic Investment Fund to support, foster, grow, and/or promote interdisciplinary activities. Ultimately, however, decisions about interdisciplinary activities reside with the deans and faculty. IBB is simply a tool. It cannot and should not substitute for leadership, vision, and strategic thinking. The deans will be in a far stronger position under IBB to make informed, strategic decisions and investments in innovative, cross-cutting, interdisciplinary programs that are compelling, important, and sustainable, and that can serve as discriminators for the University of Vermont.

ADMINISTRATIVE UNIT REVIEW

The process of Administrative Unit Review[10] (AUR) lies outside the IBB model, but it is nonetheless closely related. The Vice President for Executive Operations will manage the AUR process in which Cost Centers will undergo regular reviews to assess their quality, efficiency and effectiveness; to stimulate planning and improvement; and to encourage their development in strategic directions that reflect the University's priorities. These reviews will provide the Responsibility Centers with formal opportunities to provide meaningful input on the cost and quality of the services they receive. The Administrative Unit Review process began in the spring of 2014.

A LOOK AHEAD

We are using FY15 to run the proposed IBB model in parallel with our current budget model. The Steering Committee continues to meet, to watch the IBB model "at work," and recommend further enhancements to the model in preparation for its full implementation in FY16. Beyond FY16, the proposed model will undergo periodic evaluation and refinement; a major review of the model is recommended in FY20.

[10] http://www.uvm.edu/president/AUR/

There is also a great deal of work underway in preparation for the model's launch. I have charged Vice President for Finance Richard Cate with leading a team in developing and implementing a plan for operationalizing the model (Appendix J). This team is working to ensure that UVM's business processes and systems accurately reflect both the final IBB algorithms and the overall revenues and expenses of the University; to ensure accurate reconciliation of revenue and expense; to ensure that both the Responsibility and Cost Centers have access to relevant, accurate, timely IBB financial data and reports; and to ensure that members of UVM's financial management community have the information and training they need to support a successful implementation.

The Provost's Office will work with the academic units and the Faculty Senate to develop mechanisms to ensure appropriate curricular oversight.

CLOSING THOUGHTS

While we are all excited about the opportunities for transformation that IBB affords, I caution that IBB is not the solution to the very real and pressing challenges we face. It, in and of itself, will not reduce our expenses, create efficiencies or generate new revenue. It is not a surrogate for leadership, vision or innovation. It is a management tool that will empower our academic leaders to develop and manage their resources strategically, efficiently, and effectively as the academic units continue to elevate the quality and reputation of academic programs in order to meet the needs of our students. IBB links strategy with resources at the appropriate level. I have every confidence that it will support a positive transformation – but we all must play a role in that process. We must be willing to examine and question long-held practices and beliefs. We must be willing to change, to create, and to innovate.

In closing, let me say how enormously grateful I am to the members of the IBB Steering Committee, as well as the eight IBB subcommittees, for the countless hours they have invested in this process. Through their time, energy, careful study, critical discourse, and engagement with faculty, staff, and students across the UVM campus over the past year and a half, we have arrived at this point where we are able to recommend an IBB model for your approval. It has been my privilege to work with the 240 members of our campus community involved in the development and implementation of IBB, and to witness such a collaborative, inclusive, and authentic process. This bodes very well for the future of the University of Vermont.

IBB Steering Committee Membership – September 20, 2013

David Rosowsky, Committee Chair; Provost and Senior Vice President

Lisa Aultman-Hall, Professor, School of Engineering and Transportation Research Center

Joshua Barry, Undergraduate Student, College of Engineering and Mathematical Sciences; Treasurer, Student Government Association

Shari Bergquist, Assistant Dean for Business Operations, College of Nursing and Health Sciences

Breck Bowden, Patrick Professor of Watershed Science and Planning; Director, Water Resources and Lake Studies Center, Rubenstein School of Environment and Natural Resources

Johanna Brabham, Manager, Residential Life and Davis Center Custodial Services Department

Richard Cate, Vice President for Finance and Treasurer

Rex Forehand, Heinz and Rowena Ansbacher Endowed University Distinguished Professor, Department of Psychology

Jennifer Gagnon, Interim Associate Vice President for Research Administration

Jane Kolodinsky, Professor and Chair, Department of Community Development and Applied Economics

William Mierse, Richard and Pamela Ader Green and Gold Professor, Department of Art and Art History

Fayneese Miller, Dean, College of Education and Social Services

Rick Morin, Dean, College of Medicine

Owen Myers, Graduate Student, Materials Science; Treasurer, Graduate Student Senate

Rae Nishi, Professor, Neurological Sciences; Director, Neuroscience Graduate Program; Director, Neuroscience, Behavior and Health Transdisciplinary Research Initiative

Polly Parsons, E.L. Amidon Professor of Medicine and Chair, Department of Medicine

Don Ross, Research Professor, Department of Plant and Soil Science; Director, CALS Environmental Sciences Major; Chair, Faculty Senate Financial and Physical Planning Committee

George Salembier, Associate Professor and Chair, Department of Education

Beth Taylor-Nolan, Assistant Dean, Continuing Education

Richard Vanden Bergh, Associate Professor, School of Business Administration

Jim Vigoreaux, Breazzano Endowed Professor and Chair, Department of Biology

Beth Wiser, Director, Office of Admissions

The University of Vermont

Office of the Provost
and Senior Vice President

October 4, 2013

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Subject: Incentive-based Budgeting (IBB) Subcommittee Membership

We had a tremendous response from the campus community to participate on the IBB subcommittees. With so many outstanding nominees from across our campus, determining IBB subcommittee membership was a challenge, but a challenge of the very best sort. Upon reviewing the list of nominees, my respect and admiration for the experience, expertise and dedication of our faculty and staff has deepened. I am honored to be working with all of you and I am grateful for your willingness to engage in this important conversation.

When assembling the subcommittees, we sought balance along a number of dimensions of diversity and inclusiveness both within and among the subcommittees. We were attentive to gender, cultural, intellectual, faculty/staff, home unit, and self-nomination/central nomination mixes. That said, we also needed the right backgrounds and expertise at the table to ensure productive subcommittee discussions. While we endeavored for balance across a number of dimensions, it was not possible in all cases. I am confident we have assembled outstanding subcommittees that will effectively and actively represent our entire community. These individuals are serving as university citizens who will bring the entirety of their talents and intellect to this work on behalf of *all* of us.

As noted in my IBB update memo to campus on September 23, we have added a subcommittee on Interdisciplinary Scholarship and Teaching, which will be chaired by Professor William Mierse. By design, this subcommittee is comprised entirely of faculty and includes a broad range of academic disciplines with slightly less focus on balance among units.

The IBB subcommittees will, of course, draw on expertise from across campus as they conduct their work. As always, you can find current information at the IBB website.

I extend my sincerest thanks to those who were willing to be considered for appointment to these subcommittees, and to those who accepted appointments.

(membership listing begins on page 2)

INCENTIVE-BASED BUDGETING – SUBCOMMITTEE MEMBERSHIP

COST POOL METHODOLOGY:
Polly Parsons, Professor and Chair, Department of Medicine (Chair)
Mike Austin, Director of System Administration, Enterprise Technology Services
Shari Bergquist, Asst. Dean for Business Operations, College of Nursing and Health Sciences
Stephen Dempsey, Associate Professor, School of Business Administration
Rose Feenan, Asst. Dean for Business Operations, Rubenstein School of Environment and Natural Resources
Cathy Krupp, Financial Manager, Continuing and Distance Education
Patricia Redmond, Assistant to the Dean, Honors College
Mara Saule, Chief Information Officer and Dean, Libraries and Learning Resources
Ross Thomson, Professor, Department of Economics
Gregory Warrington, Assistant Professor, Department of Mathematics and Statistics

FACILITIES AND SPACE COSTS:
Don Ross, Research Professor, Department of Plant and Soil Science (Chair)
Alison Armstrong, Library Professor, Bailey Howe Library Information and Instruction Services
Johanna Brabham, Manager, Residential Life and Davis Center Custodial Services Department
Linda Burnham, Assistant Dean for Business Operations, College of Arts and Sciences
Brian Cote, Senior Associate Dean for Finance and Administration, College of Medicine
Gary Hawley, Research Associate, Rubenstein School of Environment and Natural Resources
Josie Mercure, Associate Director, Financial Analysis and Budgeting
Kim Parker, Associate Director, Residential Life
Sanjay Sharma, Dean, School of Business Administration
Robert Vaughan, Director, Capital Planning and Management

GRADUATE TUITION REVENUE AND AID:
Rae Nishi, Professor, Department of Neurological Sciences (Chair)
Penny Bishop, Professor, Department of Education
Norman Craige, Associate Director, Student Financial Services
Paul Deslandes, Associate Professor and Chair, Department of History
Cindy Forehand, Interim Dean, Graduate College
Luis Garcia, Dean, College of Engineering and Mathematical Sciences
Diane Jette, Professor and Chair, Department of Rehabilitation and Movement Science
Christopher Koliba, Professor, Department of Community Development and Applied Economics
Erin Montgomery, Program Administrator, Cell and Molecular Biology Program
Richard Vanden Bergh, Associate Professor, School of Business Administration

INTERDISCIPLINARY SCHOLARSHIP AND TEACHING:
William Mierse, Department of Art and Art History (Chair)
David Barrington, Professor, Department of Plant Biology
Christopher Berger, Associate Professor, Department of Molecular Physiology and Biophysics
Rosemary Dale, Clinical Professor and Chair, Department of Nursing
Maggie Eppstein, Associate Professor and Chair, Department of Computer Science
Stephanie Kaza, Professor, Rubenstein School of Environment and Natural Resources
Tammy Kolbe, Assistant Professor, Department of Leadership and Developmental Sciences
Charlotte Mehrtens, Professor, Department of Geology
Wolfgang Mieder, Professor, Department of German and Russian
David Novak, Associate Professor, School of Business Administration
Julie Roberts, Professor, Department of Romance Languages and Linguistics

NON-DEGREE AND ONLINE TUITION REVENUE AND AID:
Jane Kolodinsky, Professor and Chair, Department of Community Development and Applied Economics (Chair)
Jennifer Dickinson, Associate Professor, Department of Anthropology
Cynthia Gerstl-Pepin, Associate Dean, College of Education and Social Services
William Jeffries, Senior Associate Dean for Medical Education, College of Medicine
Jill King, Associate Director, Student Financial Services
Daniel Lerner, Associate Dean, UVM Extension
Patricia Prelock, Dean, College of Nursing and Health Sciences
Abu Rizvi, Dean, Honors College
Beth Taylor-Nolan, Assistant Dean, Continuing and Distance Education
Keith Williams, Registrar, Office of the Registrar

OTHER REVENUE AND FEES:
Breck Bowden, Professor, Rubenstein School of Environment and Natural Resources (Chair)
Joshua Barry, Undergraduate Student, College of Engineering and Mathematical Sciences
Cynthia Belliveau, Dean, Continuing and Distance Education
Dennis DePaul, Assistant Dean for Business Operations, Dean of Students
Stephanie Dion, Director, Administrative Business Service Center
Patricia Eldred, Director, Administrative and Facilities Services Auxiliary Services
Mary Peabody, Extension Professor, UVM Extension
Julia Russell, Associate Chief Information Officer, Enterprise Technology Services
Susan Ryan, Professor and Director, Center on Disability and Community Inclusion
Jeff Schulman, Associate Director, Athletics

RESEARCH AND INDIRECT COST RECOVERY:
Jim Vigoreaux, Professor and Chair, Department of Biology (Chair)
Paula Deming, Associate Professor, Department of Medical Laboratory and Radiation Sciences
John Evans, Interim Vice President for Research
Jennifer Gagnon, Interim Associate Vice President for Research Administration
Dryver Huston, Professor, School of Engineering
Robin Lockerby, Evaluation Data Specialist, UVM Extension
Jessica Strolin, Associate Professor, Department of Social Work
Russell Tracy, Professor, Department of Pathology
Kevin Trainor, Professor and Chair, Department of Religion
Tom Vogelmann, Dean, College of Agriculture and Life Sciences

UNDERGRADUATE TUITION REVENUE AND AID:
Lisa Aultman-Hall, Professor, School of Engineering (Chair)
Pamela Blum, Assistant Dean for Business Operations, College of Education and Social Services
Antonio Cepeda-Benito, Dean, College of Arts and Sciences
Richard Fanus, Assistant Dean for Business Operations, College of Agriculture and Life Sciences
Marie Johnson, Director, Student Financial Services
Thomas Noordewier, Associate Dean, School of Business Administration
Lisa Schnell, Associate Dean, Honors College
Jeremy Sibold, Associate Professor, Department of Rehabilitation and Movement Science
Deane Wang, Associate Professor, Rubenstein School of Environment and Natural Resources
Beth Wiser, Director, Office of Admissions

ACADEMIC EXCELLENCE:
Goals for the University of Vermont

Supporting the President's Strategic Action Plan

These goals are established to animate President Sullivan's *Strategic Action Plan* and facilitate University-wide discussions, engagement, and initiatives around Academic Excellence.

Success in these areas will lead, authentically and in a sustainable way, to increased selectivity, improved student quality, and improvements in national rankings and other reputational indicators.

These goals also serve as drivers to the University-wide IBB development process initiated in fall 2013.

1. Increase the percentage of undergraduate students graduating in four years
2. Improve undergraduate student retention, Years 1-4
3. Improve student advising, both academic and pre-professional/career
4. Increase interdisciplinary teaching, research, and scholarship
5. Expand programmatic offerings to include distance and hybrid modes of instructional delivery
6. Increase research and scholarship in areas that generate high impact, recognition, and visibility
7. Increase domestic diversity and grow international student enrollments across the University
8. Increase enrollments in graduate and professional programs

D. Rosowsky, Provost and Senior Vice President
October 24, 2013

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Cost Pool Methodology
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Cost Pool Methodology Subcommittee Membership:
Polly Parsons, Professor and Chair, Department of Medicine (Chair)
Mike Austin, Director of System Administration, Enterprise Technology Services
Shari Bergquist, Asst. Dean for Business Operations, College of Nursing and Health Sciences
Stephen Dempsey, Associate Professor, School of Business Administration
Rose Feenan, Asst. Dean for Business Operations, Rubenstein School of Environment and Natural Resources
Cathy Krupp, Financial Manager, Continuing and Distance Education
Patricia Redmond, Assistant to the Dean, Honors College
Mara Saule, Chief Information Officer and Dean, Libraries and Learning Resources
Ross Thomson, Professor, Department of Economics
Gregory Warrington, Assistant Professor, Department of Mathematics and Statistics

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the cost of University-wide common goods and administrative services among the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

What expenses should be included in the University's cost pool?

How many cost pools should be utilized?

On what basis should cost pool expenses be allocated to the Responsibility Centers?

Should the administrative or co-curricular Responsibility Centers be subject to the same cost pool assessments as the academic Responsibility Centers?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu
- Stephanie Dion, Director, Administrative Business Service Center, 656-4368, Stephanie.Dion@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Facilities and Space Costs
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Facilities and Space Costs Subcommittee Membership:
Don Ross, Research Professor, Department of Plant and Soil Science (Chair)
Alison Armstrong, Library Professor, Bailey Howe Library Information and Instruction Services
Johanna Brabham, Manager, Residential Life and Davis Center Custodial Services Department
Linda Burnham, Assistant Dean for Business Operations, College of Arts and Sciences
Brian Cote, Senior Associate Dean for Finance and Administration, College of Medicine
Gary Hawley, Research Associate, Rubenstein School of Environment and Natural Resources
Josie Mercure, Associate Director, Financial Analysis and Budgeting
Kim Parker, Associate Director, Residential Life
Sanjay Sharma, Dean, School of Business Administration
Robert Vaughan, Director, Capital Planning and Management

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate all costs associated with the University's physical space among the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

How will utility and custodial expenses be allocated to Responsibility Centers?

Taking into account the special needs of heritage buildings, and the differences in operating efficiencies between new and old buildings, how will operation and maintenance expenses (including deferred maintenance) be allocated to Responsibility Centers?

How will the expenses associate with common spaces be allocated? Classrooms? Relinquished space? Leased space?

How will new construction expenses/new capital debt be allocated? How will expenses associated with existing capital debt be allocated?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu
- Claire Burlingham, University Controller, 656-8356, Claire.Burlingham@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Graduate Tuition Revenue and Aid
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Graduate Tuition Revenue and Aid Subcommittee Membership:
Rae Nishi, Professor, Department of Neurological Sciences (Chair)
Penny Bishop, Professor, Department of Education
Norman Craige, Associate Director, Student Financial Services
Paul Deslandes, Associate Professor and Chair, Department of History
Cindy Forehand, Interim Dean, Graduate College
Luis Garcia, Dean, College of Engineering and Mathematical Sciences
Diane Jette, Professor and Chair, Department of Rehabilitation and Movement Science
Christopher Koliba, Professor, Department of Community Development and Applied Economics
Erin Montgomery, Program Administrator, Cell and Molecular Biology Program
Richard Vanden Bergh, Associate Professor, School of Business Administration

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with graduate tuition, aid and stipends to the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

Where does the responsibility for the expenses and revenue associated with graduate tuition, aid and stipends reside: at the level of the Graduate College or the other colleges and schools?

How should the revenue generated by graduate tuition be allocated? Some possibilities: by student credit hour taught; by degree program/major; with or without a distinction for in-state, out-of-state, and international student revenue.

How should graduate financial aid expenses be distributed in an IBB model?

How do the algorithms facilitate interdisciplinary graduate programs?

How/should the algorithms account for the differing levels of graduate education (masters and doctoral)? How/should they create incentives for supporting doctoral education?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be

helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu

John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Interdisciplinary Scholarship and Teaching
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Interdisciplinary Scholarship and Teaching Subcommittee Membership:
William Mierse, Department of Art and Art History (Chair)
David Barrington, Professor, Department of Plant Biology
Christopher Berger, Associate Professor, Department of Molecular Physiology and Biophysics
Rosemary Dale, Clinical Professor and Chair, Department of Nursing
Maggie Eppstein, Associate Professor and Chair, Department of Computer Science
Stephanie Kaza, Professor, Rubenstein School of Environment and Natural Resources
Tammy Kolbe, Assistant Professor, Department of Leadership and Developmental Sciences
Charlotte Mehrtens, Professor, Department of Geology
Wolfgang Mieder, Professor, Department of German and Russian
David Novak, Associate Professor, School of Business Administration
Julie Roberts, Professor, Department of Romance Languages and Linguistics

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that identifies the potential impact of an IBB budget model on interdisciplinary scholarship and teaching, as well as suggestions for how a new budget model might foster interdisciplinarity. The report should include:

Identification and definition of the different types of interdisciplinary scholarly and teaching activity on campus

Identification of the different types of interdisciplinary organizational units on campus, including research centers

A determination of which of these activities/organizational units have budget model implications; identification of those implications

Suggestions related to the design of the budget model that will foster interdisciplinarity

Identification of metrics that will allow for the measurement of interdisciplinary activity on campus

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu

John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Non-Degree and Online Tuition Revenue and Aid
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Non-Degree and Online Tuition Revenue and Aid Subcommittee Membership:
Jane Kolodinsky, Professor and Chair, Department of Community Development and Applied Economics (Chair)
Jennifer Dickinson, Associate Professor, Department of Anthropology
Cynthia Gerstl-Pepin, Associate Dean, College of Education and Social Services
William Jeffries, Senior Associate Dean for Medical Education, College of Medicine
Jill King, Associate Director, Student Financial Services
Daniel Lerner, Associate Dean, UVM Extension
Patricia Prelock, Dean, College of Nursing and Health Sciences
Abu Rizvi, Dean, Honors College
Beth Taylor-Nolan, Assistant Dean, Continuing and Distance Education
Keith Williams, Registrar, Office of the Registrar

Charge:

By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with non-degree, summer and online education to the revenue-generating Responsibility Centers. These models should reflect the University's current organization and practices related to non-degree, summer and online education. The subcommittee may also choose to submit additional algorithms that propose an alternative organizational model for non-degree, summer and online education. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:

The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

Where does the responsibility for the expenses and revenues associated with non-degree, summer and online education reside: with Continuing and Distance Education or with the other colleges and schools?

How should the revenue generated by non-degree, summer and online education be allocated? Should this allocation methodology mirror the methodology for undergraduate tuition revenue and aid? Graduate tuition revenue and aid?

Should non-degree, summer and online financial aid expenses be distributed universally or differentially? By what factors?

Resources and Support:

Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Other Revenue and Fees
October 8, 2013

Introduction:

In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:

The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Other Revenue and Fees Subcommittee Membership:

Breck Bowden, Professor, Rubenstein School of Environment and Natural Resources (Chair)
Joshua Barry, Undergraduate Student, College of Engineering and Mathematical Sciences
Cynthia Belliveau, Dean, Continuing and Distance Education
Dennis DePaul, Assistant Dean for Business Operations, Dean of Students
Stephanie Dion, Director, Administrative Business Service Center
Patricia Eldred, Director, Administrative and Facilities Services Auxiliary Services
Mary Peabody, Extension Professor, UVM Extension
Julia Russell, Associate Chief Information Officer, Enterprise Technology Services
Susan Ryan, Professor and Director, Center on Disability and Community Inclusion
Jeff Schulman, Associate Director, Athletics

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with revenue-generating activities that do not reach the threshold of formal Responsibility Centers, as well as other revenue. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

Should income/expense activities that reside in academic Responsibility Centers (eg. the Melosira in RSENR and the Luse Center in CNHS) continue operate under the umbrella of that Responsibility Center or should their revenues and expenses be handled differently?

Should income/expense activities that reside in administrative or co-curricular units (eg. Print and Mail in Administrative and Facilities Services and Telecommunications in Enterprise Technology Services) continue to operate under the umbrella of that unit, or should their revenues and expenses be handled differently?

Where should existing fees that are currently allocated to the general fund (eg. admissions and vending fees) be allocated?

Should existing fees that are currently allocated back to particular units (eg. course supply fees) continue to be allocated back to a particular unit?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu

John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

Stephanie Dion, Director, Administrative Business Service Center, 656-4368, Stephanie.Dion@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Research and Indirect Cost Recovery
October 8, 2013

<u>Introduction:</u>
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

<u>Guiding Principles:</u>
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

<u>Research and Indirect Cost Recovery Subcommittee Membership:</u>
Jim Vigoreaux, Professor and Chair, Department of Biology (Chair)
Paula Deming, Associate Professor, Department of Medical Laboratory and Radiation Sciences
John Evans, Interim Vice President for Research
Jennifer Gagnon, Interim Associate Vice President for Research Administration
Dryver Huston, Professor, School of Engineering
Robin Lockerby, Evaluation Data Specialist, UVM Extension
Jessica Strolin, Associate Professor, Department of Social Work
Russell Tracy, Professor, Department of Pathology
Kevin Trainor, Professor and Chair, Department of Religion
Tom Vogelmann, Dean, College of Agriculture and Life Sciences

Charge:

By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with research that has budgetary implications, and any related indirect cost recovery, to the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:

The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

How should the revenue and expenses associated with funded research and indirect cost recovery be allocated between and/or among the Office of the Vice President for Research, the colleges and schools, research centers, departments, and PIs?

Should indirect cost recovery revenues be used to offset administrative expenses associated with sponsored research?

Should indirect cost recovery revenues be used to create a central investment pool to further the research enterprise of the University?

How do the algorithms address and support funded collaborative and/or interdisciplinary research programs and centers?

Resources and Support:

Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu
- Claire Burlingham, University Controller, 656-8356, Claire.Burlingham@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Undergraduate Tuition Revenue and Aid
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Undergraduate Tuition Revenue and Aid Subcommittee Membership:
Lisa Aultman-Hall, Professor, School of Engineering (Chair)
Pamela Blum, Assistant Dean for Business Operations, College of Education and Social Services
Antonio Cepeda-Benito, Dean, College of Arts and Sciences
Richard Fanus, Assistant Dean for Business Operations, College of Agriculture and Life Sciences
Marie Johnson, Director, Student Financial Services
Thomas Noordewier, Associate Dean, School of Business Administration
Lisa Schnell, Associate Dean, Honors College
Jeremy Sibold, Associate Professor, Department of Rehabilitation and Movement Science
Deane Wang, Associate Professor, Rubenstein School of Environment and Natural Resources
Beth Wiser, Director, Office of Admissions

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a minimum of two algorithms to allocate the revenues and expenses associated with undergraduate tuition and aid to the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

How should the revenue generated by undergraduate tuition be allocated? Some possibilities: by student credit hour taught; by degree program/major; by number of graduates; with or without a distinction for in-state, out-of-state, and international student revenue.

How should undergraduate financial aid expenses be distributed in an IBB model?

Should the algorithm account for the differing costs of instruction among academic units? If so, in what way?

How do the algorithms address and support collaborative and interdisciplinary instruction?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu

John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

The University of Vermont

Office of the Provost
and Senior Vice President

January 30, 2014

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Subject: Incentive-based Budget Model Subcommittee Reports

I am writing to let you know that the Incentive-based Budget Model (IBB) Subcommittee reports are now available on the IBB website. Before you read the reports, it will be useful to take some time to review the informational materials available throughout the site.

If, after reading the reports, you have feedback to share, please complete the survey that accompanies each report. The survey results will be provided to the IBB Steering Committee and will inform its forthcoming discussions and final recommendations on a proposed IBB model.

To remind you where we are in the project, this fall each of the eight IBB subcommittees was asked to explore a particular component of an overall IBB model and to propose several algorithms for how it might be addressed in a UVM IBB model. They have done so, and their proposed algorithms are found in these reports.

The spring timeline for the project includes a discussion of the reports with leadership groups across campus and the Steering Committee's review of the algorithms. By the end of June, and based on discussions with leadership groups, input from the campus community, and analysis of the algorithms, the Steering Committee will prepare its final recommendations on the design and overall methodology of a UVM IBB model. These recommendations will then be forwarded to President Sullivan for his consideration.

I have been enormously impressed by and grateful for the response of the campus community in stepping up to meet the challenge of creating a new budget model for UVM. I am grateful to everyone that took the time to learn about IBB models, to think critically and creatively about how we might operate under a new budget model, and to offer their time and their energy to serve on committees or participate in one of the many campus presentations and conversations. The members of the Steering Committee and subcommittees, in particular, have invested countless hours in the very significant tasks that were set before them. They have been creative, thoughtful and engaged university citizens that have brought the full complement of their intellect, experience and expertise to this work.

I look forward to our continued engagement this spring.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Thomas Sullivan, President

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: January 31, 2014

SUBJECT: Incentive-based Budget (IBB), Interim Report

I am writing to provide an interim report on the progress we have made toward the development and implementation of an Incentive-based Budget (IBB) Model at UVM. You asked for this interim report by the end of January 2014. The next milestone will be the delivery of a recommended IBB model for your review and consideration by the end of June. I am pleased to report that, as a result of the campus' engagement and the many hours of hard work by so many at our university, <u>we are on-schedule</u> in this first year of what is anticipated to be a two-year process leading to the launch of IBB in FY16.

BACKGROUND

In academic year 2012-13, the UVM community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement with respect to the model's problems: (1) a lack of transparency, (2) too much complexity, (3) little flexibility, and (4) few incentives. At the start of the fall 2013 semester you asked me, in my role as chief budget officer, to lead the effort to develop a new Incentive-based Budget (IBB) model for the University.

PROJECT ORGANIZATION

A Steering Committee has been established with responsibility for developing a final set of recommendations to you (including specific model elements and operating expectations) by June 2014. The IBB Steering Committee is supported by the following eight subcommittees that each have responsibility for exploring a particular component of the IBB model and providing the Steering Committee with specific recommendations:

1. Cost Pool Methodology
2. Facilities and Space Costs
3. Fee Generating Units
4. Graduate Tuition Revenue and Aid
5. Interdisciplinary Scholarship and Teaching
6. Non-Degree and Online Tuition and Aid

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

7. Research and Indirect Cost Recovery
8. Undergraduate Tuition Revenue and Aid

The development, implementation and continual assessment of the new budget model will be guided both by the *Academic Excellence Goals* for the University of Vermont and the following principles which you established last fall:

- Creates incentives that promote academic quality and excellence;
- Creates incentives at all levels of the University that promote financial sustainability;
- Encourages innovation and entrepreneurship throughout the University;
- Provides transparency, clarity, and predictability;
- Can be easily understood, is easy to implement and operate, and is flexible; and
- Can operate in all cycles of the economy, whether robust or downturn.

STEERING COMMITTEE AND (8) SUBCOMMITTEE APPOINTMENTS

The senior academic and administrative leadership of the University was asked to nominate candidates to serve on the Steering Committee. From these nominations, I assembled a Steering Committee that reflects the enormous talent, expertise, and dedication that are the hallmarks of our community (Appendix A), while also ensuring diverse and broad representation. The 22-member Steering Committee was announced to the campus on September 16, 2013 and includes 11 faculty, 5 staff, 2 senior administrators, 2 deans, and 2 students. Four members of the committee are department chairs, 5 hold named professorships, and 3 are Faculty Senators. All of the degree-granting units have membership on the Steering Committee.

At the time the Steering Committee was announced, I put out a call to the entire campus for self-nominations for membership on one of the subcommittees. We had a tremendous response from the campus community and on October 4, 2013 subcommittee membership was announced to the campus (Appendix B). Membership on the eight subcommittees includes 43 faculty, 10 deans or vice presidents, 27 staff and 1 student. (Two members of each subcommittee, including the subcommittee chair, are also members of the Steering Committee.)

In all, we had almost 200 nominations for membership on the Steering Committee and subcommittees. When assembling the committees, we strove for balance along a number of dimensions of diversity and inclusiveness both within and among the subcommittees. We were attentive to intellectual, gender, cultural, faculty/staff, home unit, and self-nomination/central nomination mixes. We also were careful to include the right backgrounds and expertise to ensure robust and productive subcommittee discussions.

Additionally, the following individuals have provided assistance, institutional data/research, and staffing support to the Steering Committee and subcommittees:

- Kerry Castano, Assistant Provost and Chief of Staff to the Provost, Office of the Provost
- Alberto Citarella, University Budget Director, Office of Financial Analysis and Budgeting
- Gary Derr, Vice President for Executive Operations, Office of the President
- John Ryan, Director, Office of Institutional Research

COMMUNICATIONS TO THE CAMPUS

We are committed to an open and transparent process and have communicated with campus in the following ways:

Website:
An IBB website[1] was established in September 2013 and includes information on the Steering Committee, the subcommittees, the project timeline, campus communications, presentations, reports and IBB informational resources. The website also includes a link which allows users to provide feedback, ask questions, and submit suggestions.

Campus-wide Memos:
Five campus-wide IBB memos have been issued (to-date) and posted on the IBB Website. The November 2013 issue of *Across the Green*, my memo to the UVM academic community, also included an update on IBB and is posted on the Provost's Office website[2].

Presentations and Meetings:
The IBB website underscores our commitment to communication throughout the process and includes the following invitation, "We will meet with anyone, anytime, anywhere to discuss IBB." In the fall, 18 meetings were held with governance groups and campus leadership to share information on the IBB development effort, as well as to provide general information on how IBB models work at other universities. I also provided an interview to the *Vermont Cynic*[3].

ACTIVITIES TO-DATE

Steering Committee:
The Steering Committee has met five times as of January 17, 2014. Its work has included affirming the project's guiding principles, participation in the selection of the subcommittee members, reviewing the subcommittee charges, educating itself on IBB models, receiving updates from the subcommittee chairs, and determining the process for reviewing the subcommittee reports. The Steering Committee is scheduled to meet six times this spring.

Subcommittees:
On October 8th, the subcommittees were issued their charges (Appendix C). They have been meeting regularly since then to consider and suggest specific IBB algorithms to the Steering Committee (which were due January 24, 2014).

IBB Retreat:
On October 28th, members of the Steering Committee and subcommittees participated in a day-long retreat with presentations by Professor Doug Priest and Associate Vice President and Budget Director Aimee Heeter of Indiana University-Bloomington, a university that implemented its IBB budget model over 20 years ago. This retreat provided the groups with an opportunity to further their understanding of IBB models, to learn from the experience of another university, and to ask questions related to the work of their committees.

---

[1] http://www.uvm.edu/provost/IBB/
[2] http://www.uvm.edu/~provost/Across%20the%20Green_Nov%202013.pdf
[3] http://www.uvm.edu/provost/IBB/Rosowsky%20Cynic%20IBB%20Q&A.pdf

IBB Off-site Visits:
On August 22nd and September 23rd, a group of deans, business managers from the colleges and schools and members of UVM's Division of Finance visited the University of New Hampshire and the University of Delaware to learn about their IBB models, implementation processes, and experiences.

SPRING 2014 ACTIVITIES

The reports from the IBB subcommittees were due on January 24, 2014. All subcommittee reports were submitted on-time and have been posted on the IBB website. In January and February, the Steering Committee will review the reports and identify algorithms that may make sense for a University of Vermont IBB model. The University's finance team will then run financial models based on the proposed algorithms, and bring that analysis to the Steering Committee for its review.

In February and March, members of the Steering Committee, subcommittees, and project staff will be reaching out to the broader campus community in the IBB discussion through an engagement campaign that will include meetings with the following leadership and governance groups:

- Budget, Finance and Investment Committee of the Board of Trustees
- President's Advisory Council
- President's Senior Leadership Council
- Provost's Academic Leadership Council
- Faculty Senate Executive Council
- Faculty Senate Finance and Physical Planning Committee
- Faculty Senate – Full Senate
- Graduate Student Senate
- Staff Council
- Student Government Association
- University Business Advisors

In April and May, the Steering Committee will review the financial analysis of the proposed algorithms along with feedback and suggestions received as part of the engagement campaign, and will make recommendations on the design and overall methodology of an IBB model. We are still on-track to be able to provide you with a recommended IBB model by the end of June.

FINAL THOUGHTS

As I have shared with you many times since we started this important work last September, I have been enormously impressed by and grateful for the response of the UVM community in stepping up to meet the challenge of creating a new budget model for the University. I am grateful to everyone that took the time to learn about IBB models, to think critically and creatively about how we might operate under a new budget model, and to offer their time and their energy to serve on committees or participate in one of the many campus presentations and conversations. The members of the Steering Committee and subcommittees, in particular, have invested countless hours in the very significant tasks that were set before them. They have been creative, thoughtful, and engaged University citizens that have brought the full complement of their intellect, experience and expertise to this work.

The University of Vermont

Office of the Provost
and Senior Vice President

February 5, 2014

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Subject: Incentive-based Budget Model Subcommittee Report Q&A Sessions

If you haven't already done so, I hope you will find time to read the Incentive-based Budget (IBB) Model Subcommittee reports that are available on the IBB website. If you have questions about the reports' contents, I encourage you to attend a Q&A session. The sessions will include members of the IBB Subcommittees as well as other project staffers.

The Q&A sessions are scheduled for:

Monday, February 10; 12:00 – 1:00 pm; Davis Center - Livak

Thursday, February 13; 2:00 – 3:00pm; 427A Waterman

Friday, February 14; 12:00 – 1:00 pm; Billings Ira Allen 110/Martin Luther King Lounge
(Directions: use the back entrance of Ira Allen; take a right; MLK lounge is on the left, before the Campus Center Theater)

Tuesday, February 18; 2:00 – 3:00pm; Waterman - Memorial Lounge

Thank you for your continued engagement in this important University initiative.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

UVM Incentive-based Budget Model Cost Pools

6.25.14

Cost Pool 7A: Management Services (24 departments)		Driver: Expenses	
30300 VP U. Rel & Admin	11200 Contr. Office	11000 VP Finance	30550 Univ.Comm
11590 Davis Center	30700 Ofc. Instit. Res.	10300 VP Legal Aff. Gen.	31100 Flem Mus.
30000 Sen. VP & Provost	11240 Treas. & Tax Serv.	10100 Audit Serv.	11110 Off. Sustain
11400 Fin. Analysis & Budget	11270 Cost Acct.Svcs.	10305 Compliance	10400 U. Relations
20001 Admin. Bus. Serv. Ctr.	11220 Fin. Rpt & Acct Svcs.	10000 President's Office	11570 CAES
11550 Procurement Serv.	00003 Treas. Operations	11575 Police Services	11580 Print/Mail

Cost Pool 7B: Organizational Services (7 departments)		Driver: Faculty and Staff Headcount	
30050 Faculty Senate	11531 Environ. Safety	11280 Payroll Svcs	11002 Staff Council
11300 Human Resources	11530 Risk Mgmt & Safety	11320 HRS Learning Svcs.	

Cost Pool 7C: Student/Academic Services (23 departments)		Driver: Adjusted Student Headcount/Student FTE	
30200 Adm. & Enroll Mgmt	30430 Career Serv.	30230 Liv & Learn Ctr.	58100 Honors Coll.
11250 Student Fin. Svcs.	30210 VP Enroll Mgmt.	30440 Ctr. Stdnt Ethics &Stnd	30016 Writing Discip
30420 Acad. Support Prog.	30454 Student Life	30410 Student & Comm. Rel	30017 CUPS
30220 Registrar	30400 Dean of Students Off.	30450 Ctr. Hlth&Well Being	30019 Integr. Bio
30240 International Educ. Svcs.	30231 Res. Lrng Cmty	30456 Student Govt. Assoc.	31200 Military Studies
58200 Grad. Coll	30452 Res. Life	30500 Athletics/Vars.	

Cost Pool 7D: Community/Inclusion Services (7 departments)		Driver: Total Headcount	
10040 Chief Diversity Off.	10060 Aff. Action/Equal Op.	10080 LGBTQA Ctr.	10070 Divers. & Equity
10090 ALANA Student Ctr.	10050 Women's Ctr.	30100 Cultural Pluralism	

Cost Pool 7E: Libraries/IT Services (17 departments)		Driver: 30%TotatlFTE+30%TotalHeadcount+20%Student FTE +20%Fac/Staff Headcount	
58328 Bailey Howe Library	58326 B. Howe-Collect Mgmt	58330 Dana Med. Lib.	11650 Database Adm
58300 Libraries - Dean's Office	58312 Ctr. Teach/Learning	11600 Entp. Tech. Svcs.	11670 IS Office
58320 B. Howe-Acc&Tech.Svcs.	58324 B. Howe Res. Collect.	11630 ETS Client Svcs.	11640 Telcom&Net
58322 B. Howe-Info&Instr.	58314 Learn and Info Tech	11620 Sys. Arch & Admin.	11412 Bus. Proc.Re-eng
11660 Entp. App. Svcs			

Cost Pool 7F: UVM Foundation Services		Driver: Expenses	
UVM Foundation			

The University of Vermont

Incentive-based Budgeting (IBB) at UVM:

About Subvention

WHAT IS SUBVENTION?

Subvention is a budgetary tool available to the Provost that allows for the rebalancing of revenues to guide the direction of the University in accordance with the strategic priorities established by the President. The mechanics of subvention include taking a portion of the overall undergraduate net tuition revenue, designating that funding as the subvention pool, and then allocating that revenue to responsibility centers as described in this document.[1]

Subvention is determined and adjusted based on university goals and objectives and the unique roles and characteristics of particular academic units. It can also be used to ameliorate sudden budgetary shifts[2], thereby providing responsibility centers time to adjust accordingly. The use of subvention for these purposes is common to incentive-based budgeting models.

Some responsibility centers will always require subvention. Subvention is a common feature of nearly all IBB models as there are core academic offerings at any research university that simply do not generate enough revenue to meet expenses. The need for subvention should not be viewed as a value judgment on a unit's worth or productivity. The University, as a whole, benefits from its broad portfolio of academic programs. Some programs will require strategic, differential investment and support.

An incentive-based budgeting model is an entrepreneurship and accountability model, not an autonomy model. IBB creates a decentralized system integrated by subvention.

Subvention is separate and apart from the President's and Provost's Strategic Investment Fund (SIF). The Strategic Investment Fund is used to support new and emerging university initiatives that align with the institution's highest priorities. If funding is allocated from the Strategic Investment Fund to a Responsibility Center (RC), that allocation will be for a fixed period of time and for a specified purpose. Funds from the SIF are therefore not an addition to the continuing funds available to an RC, but rather represent a short-term (one-time) investment.

[1] In the first year, (FY16), subvention will be allocated such that each responsibility center's net revenues and net expenses are equal – allowing for a budget neutral implementation of IBB Model 1.0.

[2] These could result, for example, from reductions in enrollments, changes in the state appropriation, decreased F&A revenue, or major unforeseen expenses critical to campus operations.

GUIDING PRINCIPLES FOR SUBVENTION ALLOCATION

The following principles, developed in partnership with the deans, have been established to guide the Provost's decisions about subvention allocations to the colleges and schools (Responsibility Centers) under IBB. These principles are intended to both align with and support the President's *Strategic Action Plan* and the undergirding *Academic Excellence Goals*. Further, they are consistent with the *IBB Guiding Principles*.

- Recognizes the disparity of costs in the delivery of programs by discipline (beyond that for which the algorithm can reasonably account).

- Promotes consistent levels of efficiency (relative to comparator data) across the responsibility centers.

- Supports graduate and professional degree programs in strategic areas, ensuring a portfolio of programs appropriate for a research university of our scale.

- Recognizes the central role of research in our mission, with emphasis on maintaining research capabilities in high-priority, high-impact areas.

- Ameliorates sudden budgetary shifts (see footnote 2), thereby providing responsibility centers time to adjust accordingly.

HOW WILL SUBVENTION WORK?

The source of subvention under IBB is net undergraduate tuition revenue. This, too, is common to IBB models. Net undergraduate tuition is our single largest revenue stream at UVM. Some public universities also include a portion of the state appropriation in their subvention pool. This is the case when state appropriations represent a relatively large share of general fund revenue. This is not the case at UVM. Our state appropriation is very modest, less than one-quarter of our net undergraduate tuition revenue. Further, since our state appropriation is fully allocated for specific purposes, it cannot be included in our subvention pool for rebalancing purposes.

To achieve budget neutrality as we moved into IBB, all responsibility centers received a subvention in FY16. The Provost will determine a multi-year subvention strategy for each unit in consultation with individual deans. This will be reviewed annually.

In order to incent the generation of revenue and the realizing of efficiencies within the units, all responsibility centers will develop budget strategies that accommodate a decrease in subvention of 1%-4% per year from FY17 through FY20 (after which this strategy will be revisited and revised as needed). A reduction in subvention does not necessarily equate to a reduction in total available resources, as responsibility centers control multiple revenue streams.

The actual reduction for each unit will be based on strategic considerations, guided by the principles in the previous section. Funds released as a result of the decreases in subvention to the colleges/schools will be used to grow and sustain the Strategic Investment Fund[3] for use by the President and Provost.

Beyond FY20, decisions about subvention will be made on a case-by-case basis as part of the budget process and, as noted above, will be determined in the context of the University's goals and objectives as well as the unique circumstances of each academic unit. This articulation of plans for subvention provides each responsibility center with the information necessary to develop its own "multi-year, all-funds" budget strategy, chief among the objectives of IBB.

D. Rosowsky, Provost and Senior Vice President
First issued: January 2015
Revised: September 2015 (Rev. 1)
Revised: October 2015 (Rev. 2)

[3] As discussed in the June 30, 2014 Report of the IBB Steering Committee, a strategic investment fund is an essential component of the IBB model. This fund will be used to provide one-time support for strategic initiatives that are the highest priorities of the President and Provost.

Appendix J

The University of Vermont

Office of the Provost
and Senior Vice President

To: Deans, Vice Presidents and Other Senior Leaders

From: David V. Rosowsky, Provost and Senior Vice President

Date: May 22, 2014

Subject: Implementation of Incentive-based Budgeting

As you know, the Incentive-based Budget (IBB) Model Steering Committee will present President Sullivan with its final recommendations on the design and methodology of UVM's new budget model by the end of June.

I am writing to let you know that I have charged Vice President for Finance Richard Cate with leading the Division of Finance in developing and implementing a plan for operationalizing the model. I will continue to work with the IBB Steering Committee in the evaluation and oversight of the model itself, and Vice President Cate will take the lead on critically important operational tasks such as:

- Developing the new annual budget process and timeline
- Developing financial (budget-to-actual) reports for responsibility and cost centers
- Developing education and training materials for UVM's financial management community

This work will take place over the coming year in preparation for our July 1, 2015 transition to IBB. You will receive regular updates as the plan unfolds.

The list above is only a sampling of a significant number of operational issues to be addressed as part of this implementation, many of which affect or involve units outside the Division of Finance. Vice President Cate will need to engage expertise from across campus as part of this work. I ask for your constructive participation in this effort to ensure a successful implementation.

Thank you for your continued support of this important initiative.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

IBB Final Report - Feedback from the Campus Community

In accord with President Sullivan's July 9 memo to campus, the comment period on the IBB Final Report ran from July 9 to September 12, 2014. We identified the comments' common themes and have grouped them – along with responses – below. We're grateful to the members of the community who reviewed the report and offered useful feedback identifying areas in need of attention and/or further exposition in subsequent IBB documentation.

Algorithm 1 – Undergraduate Net Tuition
COMMENT: We should track in-state and out-of-state tuition revenues by college.

RESPONSE: Incorporating in-state vs out-of-state tuition revenues on a college-by-college basis would add unnecessary complexity to the IBB algorithms and could potentially impair community spirit by creating undue competition for out-of-state revenue. For this reason, we recommend that these data be tracked and made available to deans for strategic use but not be used to calculate revenues for each college.

COMMENT: If weights are meant to reflect the fact that instructional costs vary across disciplines, then assign weights by discipline not by college or school.

RESPONSE: We chose not to assign weights by discipline because this would add unnecessary complexity to the algorithms. Instead, the weights reported by college or school reflect the calculation of a weighted average of the instructional costs of *all* of the disciplines within that college/school. This takes into account the different instructional costs for each discipline within a single college/school, as well as each discipline's relative share of that college/school's overall instruction.

By calculating this weighted average, individual discipline rates roll up into a single rate per college/school. The allocation of tuition revenue to a college/school is the same whether a single weighted average rate is used, or whether an individual rate is used for each of that college/school's disciplines. The single rate per college/ school is far more simply administered.

COMMENT: 15% of undergraduate SCH only goes to the home unit of a student's first listed major, this doesn't account for double majors (the second major), or programs in which one unit does all of the advising for a degree offered in two units.

RESPONSE: There are relatively few double majors, and approximately 85% of all double majors occur within the same college or school, thus, the unit receives the full revenue allocation the majority of the time.
In the relatively few instances when this is not the case, the benefit of tracking second majors and specially allocating 15% of that revenue does not outweigh the complexity it adds to the model. Additionally, the home unit of the second major does receive 85% of the tuition revenue generated by the courses it teaches those majors.

Algorithm 3 – Non-Degree/Summer Tuition

COMMENT: There are limited incentives for colleges to participate in summer session.

RESPONSE: The senior academic leadership provided clear feedback that the proposed algorithm regarding summer session revenue and expense was not ideal. Revisions are underway.

Algorithm 4 – Indirect Cost Recovery/Research Enterprise

COMMENT: Office of the Vice President for Research is not listed as either a Responsibility Center or a Cost Center.

RESPONSE: The Office of the Vice President for Research is best described as a Hybrid Cost Center. This will be more fully explained in subsequent IBB documentation.

COMMENT: A portion of F&A needs to be returned to the PI.

RESPONSE: IBB functions at the level of the college or school. As such, all revenue and expense is allocated at that level (not at the department or PI level). A dean may choose to – and some currently do — allocate a portion of the funding equivalent to the F&A recovered to a principal investigator.

COMMENT: Some units will be disadvantaged by the low indirect cost rates associated with their types of grants and funding agencies.

RESPONSE: It is true that indirect cost reimbursement rates vary by type of activity and funding agency. An academic unit will need to weigh the strategic benefits of particular grants, their F&A and cost pool implications, and the role of the grant within the unit's overall portfolio of activity before deciding what to pursue.

COMMENT: Some PI's grants will be at risk if the Dean/unit insists they seek the full indirect cost recovery rate.

RESPONSE: The University has fully documented and precisely calculated indirect cost rates that are both negotiated with, and approved by, the federal government in accord with the Office of Management and Budget Circular A-21. It is UVM's practice to seek the highest negotiated F&A rate whenever permitted by the sponsor (federal or non-federal). If a sponsor restricts or disallows F&A, then we will proceed according to those sponsor regulations.

Algorithm 5 – Other Income

COMMENT: The request for increasing contributions to the general fund on the part of income expense activities is a disincentive to entrepreneurial activity of this sort.

RESPONSE: The indirect costs associated with all of the non-sponsored activities (including income/expense activities) of a college or school will be allocated via algorithms six and seven, at the college level. The Dean will then determine the expected level of contribution from each of the activities within the unit, necessary to cover those costs.

Just as externally sponsored grants must contribute to the indirect costs associated with their activities, so must income/expense activities. In the past, income/expense activities have not been required to make such contributions. More recently, they have. This is not a function or consequence of IBB.

<u>Algorithm 6 – Facilities</u>
COMMENT: Costs are unclear and create an environment of uncertainty.

RESPONSE: The costs are clear. The University's annual space survey provides precise data on the square footage assigned to each unit, and the cost per square foot will be calculated annually. We do not expect dramatic fluctuations in this cost from year to year, though heating and cooling costs can vary based on environmental conditions.

COMMENT: Costs are not in line with fair market value.

RESPONSE: Fair market value must be considered in the context of the appropriate market. Ours is the research university market, which includes a vast array of spaces that require complex support services. The UVM IBB cost per square foot is an aggregate of all campus space, both historic and high-tech, as well as the full complement of university services that are provided as part of a space allocation, along with intangibles such as the value and convenience of an on-campus location. If, after fully accounting for all facility and service costs, it's determined that the UVM rate is not competitive within the research university market, that information will be fed back into the budgeting process for further consideration.

COMMENT: The formulae for determining physical plant costs would seem to punish us for our location, by making us pay out of our very limited budget for maintenance costs that we cannot control.

RESPONSE: IBB doesn't change the way maintenance costs are allocated. There will still be a central budget for deferred maintenance, and regularly scheduled maintenance will still take place. If, however, a department requests special services (such as painting or new carpeting), that will be a financial responsibility of the department, just as it is now.

<u>Subvention</u>
COMMENT: The model should show the respective contributions of each of the colleges and schools to the overall subvention pool.

RESPONSE: This information will be made available on an annual basis.

COMMENT: The model does not address how subvention will be set, or articulate a subvention philosophy.

RESPONSE: Guiding principles for subvention are in development and will be released this fall semester.

COMMENT: Shouldn't all revenue (not just undergraduate tuition) support this university-wide resource?

RESPONSE: Most public universities draw on two sources of funding to support subvention: undergraduate tuition and the state appropriation. Since our state appropriation is both very modest and entirely designated for particular purposes, this is not a viable option for UVM.

<u>Other</u>
COMMENT: The model is not transparent, clear, predictable, nor can it be easily understood. The model is excessively complex. Its biggest flaw: breaking tuition down into five separate algorithms.

RESPONSE: We believe the model is transparent, clear and predictable. It may seem complex now, but over time as we become more familiar with it, it will be more easily understood. Or, we may find that it is necessary to simplify the model as part of its periodic evaluation and refinement. As is typical of most IBB models, our multiple revenue algorithms reflect the unique characteristics associated with those revenue types. The UVM model does not appear to be overly complex in the context of IBB models at other universities, and it is more transparent and clear than our existing budget model.

COMMENT: Will the model create an unproductive culture of internal competitiveness?

RESPONSE: The model is simply a management tool, it is not a surrogate for leadership. As members of the University of Vermont community, we could choose to respond to it in ways that are unproductive *or* we could choose to work together in ways that maximize the power of the model in support of our entire university. From the final IBB report Provost Rosowsky submitted to President Sullivan on behalf of the Steering Committee:

> While we are all excited about the opportunities for transformation that IBB affords, I caution that IBB is not the solution to the very real and pressing challenges we face. It, in and of itself, will not reduce our expenses, create efficiencies or generate new revenue. It is not a surrogate for leadership, vision or innovation. It is a management tool that will empower our academic leaders to develop and manage their resources strategically, efficiently, and effectively as the academic units continue to elevate the quality and reputation of academic programs in order to meet the needs of our students. IBB links strategy with resources at the appropriate level. I have every confidence that it will support a positive transformation – but we all must play a role in that process. We must be willing to examine and question long-held practices and beliefs. We must be willing to change, to create, and to innovate.

COMMENT: The current formulae will encourage inefficient poaching of students and duplication of courses.

RESPONSE: The Office of the Provost will be working with the Faculty Senate to further strengthen existing oversight processes related to new courses.

COMMENT: The algorithms that are "adjusted" for the smaller colleges may be derived more from inertia and special pleading than actual needs. In particular, we are not persuaded that economies of scale actually explain why administrative costs for other colleges need be so much higher per student.

RESPONSE: There is no algorithm that adjusts for the size of a college or school. Algorithm one does adjust for the cost of instruction based on national data by discipline, not current budget levels at UVM.

COMMENT: Thoughtful work; long overdue; pleased with the guiding principles and leadership efforts.

RESPONSE: We are grateful to the many members of our community who have participated in and contributed to this important process.

October 8, 2014

The University of Vermont

Office of the President

July 9, 2014

From: Tom Sullivan

To: UVM Community

Re: Incentive-based Budget – Final Report

I am pleased to share with you the Final Report of the Incentive-based Budget Steering Committee chaired by Provost and Senior Vice President, David V. Rosowsky. I want to express at the outset my appreciation to the members of the Steering Committee and the Subcommittees for their outstanding work over the last year. The report is exceptional and it addresses many of the concerns expressed about the current budget model. I am confident, that when implemented, the University of Vermont will be a stronger and more vibrant institution.

The Final Report reflects a truly collaborative and transparent effort by members of the University Community. Since the Steering Committee's appointment in Fall 2013 there were over 150 meetings on campus held to discuss the budget model. This included meetings of the Steering Committee (total of 12 meetings) and the 8 subcommittees (total of 65 meetings), meetings with governance groups, department chairs, campus leadership, divisional staff, and others. In addition, there were regular communications to the UVM community designed to keep you updated on the progress along with four public forums open to the UVM community. What is equally impressive is the level of involvement by members of the UVM community on the Steering Committee and the Subcommittees. Over 100 faculty, staff and students were part of the planning and development of the incentive-based budget model for UVM. In addition, countless people attended meetings about the model.

Early in the process, I stated that once the Final Report was received, I would provide an opportunity for all members of the UVM community to offer comments before final approval. Below is a link to an online survey to provide your thoughts and comments, which will be available until **September 12, 2014**. I will share the comments received with the Steering Committee for consideration. I am pleased that the Incentive-based Budget Steering Committee has agreed to continue to meet during the upcoming academic year, serving as an oversight and review committee to ensure successful implementation of the new model and to make recommendations for ongoing changes.

An essential element to the successful implementation of the new budget model in fiscal year 2016 is running the proposed model in parallel with the current model throughout fiscal year 2015. This will allow the Steering Committee to monitor the model's performance to ensure that it operates as designed and does not produce unintended results.

I want to express my sincere gratitude to everyone who participated in this important process of developing a new budget model for UVM. We have demonstrated, again, that when we work together collaboratively as a community supporting each other that we can create something truly remarkable that will move our University forward.

IBB Final Report Feedback

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Thomas Sullivan, President

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: June 30, 2014

SUBJECT: Report of the Incentive-based Budget Model Steering Committee

I am writing to provide you with the recommended incentive-based budget (IBB) model for the University of Vermont, and to seek your approval of this model. These recommendations are the result of many hours of diligent work by the members of the IBB Steering Committee, the eight IBB Subcommittees, our academic and administrative leaders, and the many members of our campus community who were engaged in this process.

REPORT CONTENTS

BACKGROUND

In academic year 2012-13, the UVM community discussed the characteristics and operation of its existing budget model. Those discussions included governance leaders, trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was widespread agreement that the existing model: (1) lacked transparency, (2) was unnecessarily complex, (3) offered little flexibility, and (4) provided few incentives. In early fall 2013, you asked me, in my role as chief budget officer, to lead the campus in an effort to develop a new incentive-based budget model for the University. In addition to providing transparency and important incentives, chief among the new model's objectives are: (1) to encourage a more comprehensive "all funds" budgeting approach, and (2) to provide the clarity and predictability that will enable multi-year planning critical to ensuring the University's long-term financial sustainability.

PROJECT ORGANIZATION

A Steering Committee (Appendix A) was charged with responsibility for developing a set of IBB model recommendations by June 2014. The IBB Steering Committee was supported by eight subcommittees (Appendix B), each having responsibility for exploring a particular component of the IBB model and providing the Steering Committee with specific recommendations:

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

1. Cost Pool Methodology
2. Facilities and Space Costs
3. Fee Generating Units
4. Graduate Tuition Revenue and Aid
5. Interdisciplinary Scholarship and Teaching
6. Non-Degree and Online Tuition and Aid
7. Research and Indirect Cost Recovery
8. Undergraduate Tuition Revenue and Aid

The development, implementation and continual assessment of the new budget model will continue to be guided both by the *Academic Excellence Goals* (Appendix C) and the following guiding principles which you established last fall:

- Creates incentives that promote academic quality and excellence;
- Creates incentives at all levels of the University that promote financial sustainability;
- Encourages innovation and entrepreneurship throughout the University;
- Provides transparency, clarity, and predictability;
- Can be easily understood, is easy to implement and operate, and is flexible; and
- Can operate in all cycles of the economy, whether robust or downturn.

COMMUNICATIONS TO THE CAMPUS COMMUNITY

We were committed to an open and transparent process and communicated with campus in the following ways:

<u>Website</u>:
An IBB website[1] was established in September 2013 and includes information on the Steering Committee, the subcommittees, the project timeline, campus communications, presentations, reports and IBB informational resources. The website also includes a link which allows users to provide feedback, ask questions, and submit suggestions.

<u>Campus-wide Memos</u>:
Six campus-wide IBB memos were issued during the year and posted on the IBB Website. All three of the academic year 2013-14 issues of *Across the Green*, my memo to the UVM academic community, also included updates on IBB and are posted on the Provost's Office website[2].

<u>Presentations and Meetings</u>:
The IBB website underscores our commitment to communication throughout the process and includes the following invitation, "We will meet with anyone, anytime, anywhere to discuss IBB." In all, there were more than 150 IBB meetings this year. These meetings took a variety of forms, and included the Steering and subcommittees, governance groups, department chairs, campus leadership, divisional staff and the like, and were an opportunity to share information on the IBB development effort, provide general information on how IBB models work at other universities, and gather feedback. I also provided an interview to the *Vermont Cynic*[3].

[1] http://www.uvm.edu/provost/IBB/
[2] http://www.uvm.edu/~provost/Across%20the%20Green_Nov%202013.pdf
[3] http://www.uvm.edu/provost/IBB/Rosowsky%20Cynic%20IBB%20Q&A.pdf

PROJECT MILESTONES

The following summarizes the project's major milestones during the 2013-14 academic year:

September 2013 - Steering Committee Appointed

The 22-member Steering Committee included 11 faculty, 5 staff, 2 senior administrators, 2 deans, and 2 students. Its composition was diverse and broadly representative. The Steering Committee met 12 times over the course of the year and received periodic assignments between meetings. Fifteen members of the Steering Committee were also on subcommittees and attended those meetings as well.

October 2013 - Subcommittees Appointed

Membership on the eight subcommittees included 43 faculty, 10 deans or vice presidents, 27 staff members and one student. Two members of each subcommittee, including the subcommittee chair, were also members of the Steering Committee. The subcommittees received formal charges (Appendix D) outlining their tasks, questions that should be considered and available resources and support. There were approximately 65 subcommittee meetings between October 2013 and January 2014.

January 2014 - Subcommittee Reports Received

The reports from the subcommittees were received, posted on the IBB website and announced to the campus (Appendix E). Each posted report was accompanied by a survey designed to gather feedback from the broader community. The survey results were provided to the Steering Committee.

January 2014 - Interim IBB Report Issued to President Sullivan

An interim report on the project's progress was submitted and posted in January (Appendix F).

February 2014 - Subcommittee Report Question and Answer Sessions

The campus community was invited to attend one of four open Q&A sessions (Appendix G) to learn more about the subcommittees' recommendations. The sessions were staffed by members of the IBB Steering and subcommittees.

February 2014 - IBB Engagement Campaign with Governance Groups

Beginning in February and extending over a period of five weeks, IBB leaders including the Provost, Vice President for Finance, the Budget Director and several Steering Committee members met with leadership groups to share information and gather feedback on the subcommittee reports. The governance groups included the President's Senior Leadership; the Provost's Academic Leadership Council; the Faculty Senate Executive Council; the Faculty Senate Finance and Physical Planning Committee, the full Faculty Senate; the Graduate Student Senate; the Staff Council and the University Business Advisors.

March 2014 - Individual Subcommittee Meetings with the Provost

Beginning in March, the Provost hosted a breakfast meeting with each subcommittee to gather additional information from the groups and to share the Steering Committee's early observations on their proposed algorithms.

THE STEERING COMMITTEE'S PROCESS

The IBB Steering Committee approached its work openly, with a vested interest only in that which is best for the University as a whole. The meetings in the fall semester focused on developing a broad understanding of IBB models and included regular updates on the progress of the subcommittees.

Once the subcommittee reports were posted, the Steering Committee addressed each report in turn and used a systematic approach to determine which of the proposed algorithms was preferred. This entailed first considering the subcommittee recommendations/components of the model conceptually to assess their fit with the guiding principles, their fit at UVM, their fit with each other, and their individual and collective incentives and disincentives. *It was not until this work was done that the University's finance team provided the Steering Committee with financial modeling* to help the group more fully understand the implications of the preferred algorithms and various aspects of the model.

After reviewing the draft model with numbers behind it, the group engaged in further discussions about the algorithms and confirmed and/or refined its recommendations. In some cases the Steering Committee made modest adjustments to an algorithm proposed by a subcommittee. That said, by-and-large, the Steering Committee's recommendations are fully consistent with the intent, if not the letter, of the subcommittees' proposals. The Steering Committee also provided insights on more general model issues and methodologies.

THE RECOMMENDED MODEL

The following discussion assumes a working knowledge of IBB models and some familiarity with the UVM IBB subcommittee reports[4], and is intended to describe only the major components and characteristics of the recommended IBB model. It does not include a significant level of detail. The detail will be captured in the companion documentation that is in development, and will include all definitions, metrics and detailed formulas.

Responsibility Centers and Cost Centers

Each university unit is either a Responsibility Center (RC) or a Cost Center (CC). Responsibility Centers, such as colleges and schools, are primarily defined by their revenue-generating capability and their use of and dependence on centralized services. A Cost Center, such as Payroll or Admissions, is a unit that does not generate revenue, but supports the Responsibility Centers by providing centralized services or resources.

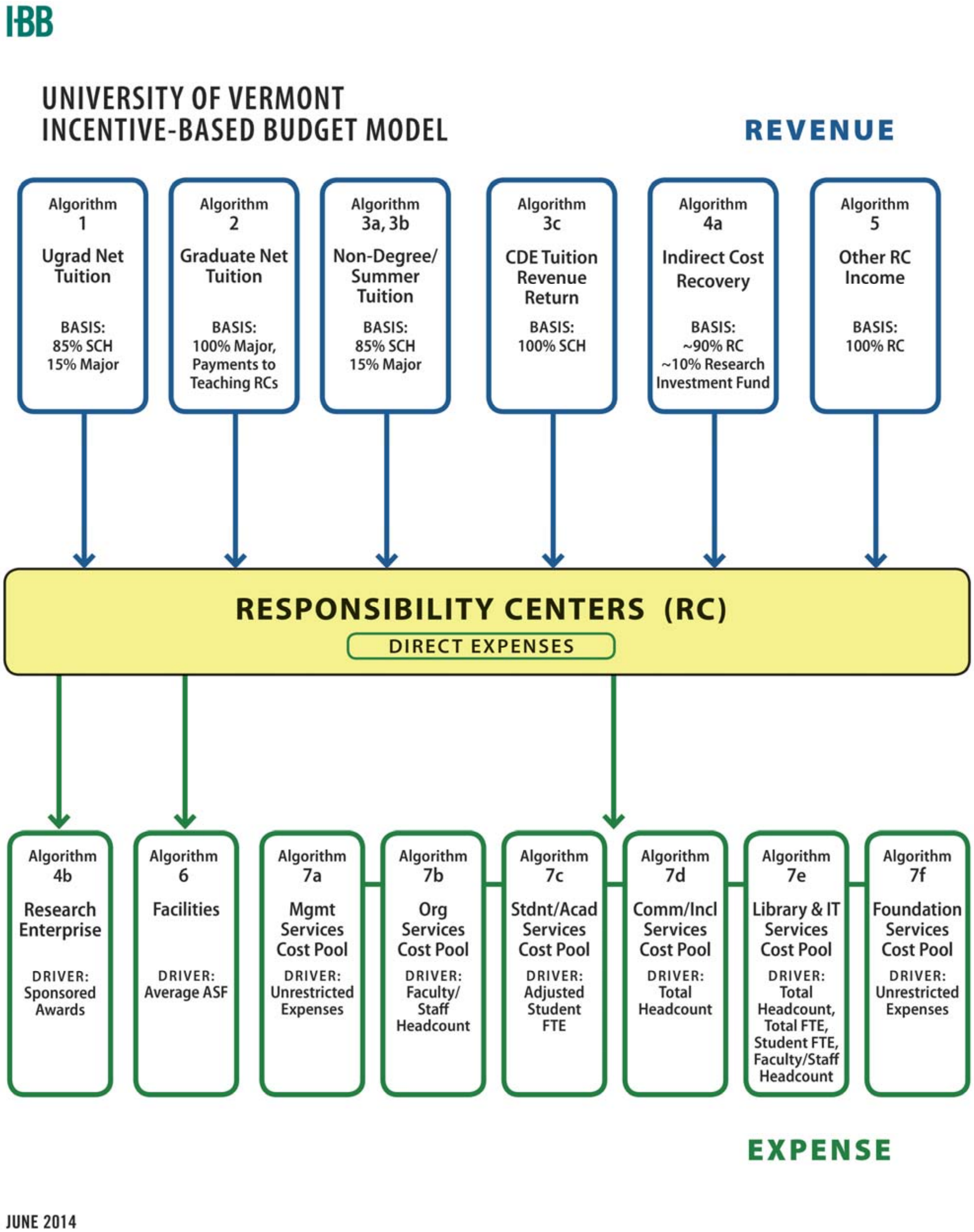
The Responsibility Centers:

College of Agriculture and Life Sciences	College of Arts and Sciences
School of Business Administration	Continuing and Distance Education
College of Education and Social Services	College of Engineering and Mathematical Sciences
College of Medicine	College of Nursing and Health Sciences
UVM Extension	Rubenstein School of Environment & Natural Resources

The Cost Centers include approximately 80 units and are more fully described in the discussion of algorithm 7 later in this report.

[4] http://www.uvm.edu/provost/IBB/?Page=subcommittees_ibb.html

Revenue and expense is allocated to the Responsibility Centers via a series of algorithms as illustrated below.



The Algorithms

The IBB model recommended by the Steering Committee includes seven algorithms, each of which determines the allocation of either revenue or expense to a Responsibility Center (several of the algorithms have multiple components):

The Revenue Algorithms
- Algorithm 1: Undergraduate Net Tuition
- Algorithm 2: Graduate Net Tuition
- Algorithm 3: Non-Degree and Summer Tuition
- Algorithm 4: Indirect Cost Recovery (*includes revenue and expense*)
- Algorithm 5: Other Income

The Expense Algorithms
- Algorithm 6: Facilities and Space
- Algorithm 7: Cost Pools (includes the Cost Centers)

Algorithm 1: Undergraduate Net Tuition

Undergraduate Net Tuition is defined as gross tuition less financial aid (the netting occurs before the revenue is allocated).

Undergraduate net tuition will be allocated as follows:

- 85% based on a college or school's percentage of the two-year trailing average of weighted Student Credit Hours (SCH) taught (based on the home unit of the instructor of record). The SCHs will be weighted to reflect the relative national costs of instruction by college/school.
- 15% based on a college or school's percentage of the two-year trailing average of majors.

Throughout this document, the *instructor of record* is defined as the individual recorded in Banner as the instructor of a course. The *home unit of the instructor of record* is defined as the home college or school of the instructor's primary appointment. When CDE pays for course instruction, it will be considered the home unit of the instructor of record. In the summer, CDE will be considered the home unit of the instructor of record for all instruction.

Rationale: This algorithm provides colleges and schools with an incentive to offer innovative, high-quality undergraduate programs; to respond to student needs and demands; and to focus on student recruitment and retention. It recognizes the differential costs of instruction via the weighting of SCHs as well as the demands of majors on an academic department.

Algorithm 2: Graduate Net Tuition

Graduate Net Tuition is defined as gross tuition less financial aid (the netting occurs after the revenue is allocated). The home college of a graduate student's program will be allocated 100% of that student's gross tuition and 100% of that student's financial aid. Graduate Student Stipends will be paid by the hiring unit.

For every SCH a graduate student takes outside of his/her home college, the home college will pay the teaching college 85% of the University's I/S per credit tuition rate.

The graduate net tuition generated by cross-college interdisciplinary programs such as the Food Systems Master of Science will be allocated to the Graduate College. The net tuition will then be distributed to each of the participating colleges and schools based on their percentage of the program's total SCHs. Similarly, if any additional support is required for the program, the participating colleges and schools will provide the Graduate College with the financial resources required based on their percentage of the program's total SCHs.

Rationale: This algorithm provides colleges and schools with an incentive to offer innovative, high-quality graduate programs; to respond to student needs and demands; and to focus on student recruitment and retention. It also supports interdisciplinary programs and recognizes the instructional costs associated with courses taken outside the student's home college.

Algorithm 3: Non-Degree and Summer Tuition (three components)

3a: Non-Degree Net Tuition Revenue for the fall and spring semesters will be allocated as follows:

- 85% based on a college or school's percentage of the non-degree SCH taught (based on the home unit of the instructor or record).
- 15% will be allocated to CDE.

3b: Summer Tuition Revenue

This includes tuition from *any* student taught in the summer. This tuition will be allocated as follows:

- 85% based on a college or school's percentage of the summer SCH taught (based on the home unit of the instructor of record).
- 15% based on a college or school's percentage of the majors taking summer courses; non-degree students will be counted as CDE majors.

3c: CDE Return to Colleges and Schools

In recognition of the administrative demands on the colleges and schools related to "hosting" CDE appointments and/or sections that may be of more benefit to CDE than the host college, 12% of all CDE tuition revenue will be returned from CDE to the other Responsibility Centers based on their percentage of the CDE-taught SCHs. For example, if 20% of the SCHs offered by CDE (whether summer, fall or spring) were in a discipline associated with College A, College A would receive 20% of 12% of all of the CDE tuition revenue in that year.

As noted in algorithm 1, the *home unit of the instructor of record* is defined as the home college or school of the instructor's primary appointment. When CDE pays for course instruction, it will be considered the home unit of the instructor of record. In the summer, CDE will be considered the home unit of the instructor of record for all instruction.

In FY15, we will determine the algorithm for distance education revenue and expense, as well as establish principles that will define the roles and responsibilities of CDE and the academic units and support their successful partnerships.

Rationale: This algorithm recognizes the services and support that all parties provide relative to CDE sections. It also provides the colleges and schools with incentives to provide innovative, high-quality programming, while at the same time preserving the current infrastructure around summer session – a critically important revenue stream.

Algorithm 4: Indirect Cost Recovery (two components)

Indirect cost recovery revenue generated by sponsored activities (commonly referred to as "F&A") will be allocated as follows:

4a: F&A Revenue (a revenue algorithm)

- 90-97% of the F&A will be allocated to the college of the grant's Principal Investigator (PI); if grants have multiple PI's, then the F&A will be allocated to the colleges of the PI's according to planned effort on the grant.
- 3-10% of the F&A will be allocated to the Office of the Vice President for Research (OVPR) to create a Research Investment Fund to support research efforts across the University.
- The initial amount of the Research Investment Fund is $2.8M; the percentage necessary to derive that amount will depend on the total amount of F&A projected for FY16. Over time, we may choose to adjust the percentage of F&A allocated to the Research Investment Fund in response to strategic needs and priorities.
- Several university-wide interdisciplinary grants and centers/institutes may reside in the OVPR's office; the OVPR will receive 100% of this F&A revenue which will be subject to algorithm 4b; the OVPR may choose to share it with participating units as well as direct it to the Research Investment Fund.

4b: Research Enterprise Expenses (an expense algorithm)

The University's research enterprise includes the OVPR, Sponsored Programs Administration; the Office of Technology Commercialization; the Instrument Model Facility and more. These expenses will be allocated to an RC based on its percentage of the 3-year overall sponsored awards. For example, if an RC generated 22% of the University's total sponsored awards over the previous three years, it will be allocated 22% of the total cost of the University's research enterprise.

Rationale: This algorithm provides incentives for the colleges to consider their research portfolios as a whole and grow them strategically; it provides the Office of the Vice President for Research with resources to invest strategically; and it allocates the expenses associated with the research enterprise to the units that utilize these services.

Algorithm 5: Other Income

"Other Income" (OI) is defined as revenue not directly related to tuition and research. Examples of OI include lab fees, vending fees, student application fees and the revenue generated by income expense activities both large and small such as the Luse Center in the College of Nursing and Health Sciences and Residential Life.

OI generated within a Responsibility Center will be allocated to that RC (e.g., the College of Nursing and Health Sciences would receive the revenue the Luse Center generates, and it would also receive the funding associated with any of its course fees).

OI generated by large self-sustaining income/expense activities that are not currently classified as RCs, but operate much like them in that they are responsible for their own revenue and expenses, will be allocated to those activities. Examples of these activities include Residential Life, the Bookstore, and the Center for Health and Wellbeing.

Undesignated OI generated more broadly, and typically by a cost center (e.g., vending fees, student application fees) will be allocated to the overall university revenue pool for broad distribution to the RCs via a reduction in the allocation of costs back to the Responsibility Centers.

Rationale: The revenue generated to meet the needs of a particular activity within an RC should be allocated back to the RC. Since the large self-sustaining income/expense activities are currently functioning successfully in an IBB-like way, it seemed wise to leave their operations undisturbed at this time. Undesignated OI is appropriately allocated for the benefit of the entire University.

Algorithm 6: Facilities and Space Costs

The costs associated with facilities (including physical space and utilities) will be allocated to a Responsibility Center based on its percentage of the total campus square footage. There will be no cost differentiation based on type of space, with the exception of barns and sheds which will be discounted by 80%.

The cost of "administrative units'" space (includes all space that is not allocated to the RCs) is allocated to Responsibility Centers based on their share of the overall cost pool (algorithm 7). That is, if an RC's allocation of cost pool expenses is 22% of the total cost pool, it will be allocated 22% of the cost for administrative units' space.

General purpose classroom space will be assigned to the Registrar's Office, not a particular RC.

If a Responsibility Center is willing to invest in space improvements that will increase efficiency, we will develop a mechanism whereby measurable savings are shared with the RC.

Rationale: Generally speaking, each RC has a facility mix that includes space that is both new and historical; efficient and inefficient; and high and low tech. Additionally, only some of the buildings on campus are metered, making precise energy costs undeterminable. For these reasons, it seemed reasonable to allocate facilities costs on a uniform assignable square foot basis.

Algorithm 7: Cost Pools

The approximately 80 Cost Centers have been grouped into six different cost pools (Appendix H) and their expenses are allocated based on the following cost drivers:

Management Services – unrestricted expenses[5]
Organizational Support Services – faculty and staff headcount
Student/Academic Services – student FTE
Community/Inclusion Services – total headcount (faculty, staff, students)
Libraries and Information Technology Services – total FTE (30%), total headcount (30%), student FTE (20%), faculty/staff headcount (20%)
The UVM Foundation – unrestricted expenses

Rationale: The clarity of the cost pool algorithms will allow RC managers to quickly and easily understand the expense implications associated with potential actions. The transparency of the algorithms sheds light on the costs of the service providers which may lead to reductions in costs and/or an increase in the effectiveness, efficiency, and accountability of the Cost Centers. Using expenses as a

[5] Unrestricted expenses include all general fund and income/expense activity expenses.

cost driver also encourages cost reduction on the part of the Responsibility Centers. Limiting the driver to unrestricted expenses encourages units to seek external funding.

Subvention and the President's and Provost's Strategic Investment Fund

The IBB implementation will be budget neutral in the first year. Budget neutrality means that each Responsibility Center's revenues and expenses will balance, and each RC will be able to maintain its pre-IBB level of expense. This will be accomplished by providing each RC with a revenue subvention (subsidy). The source of the subvention pool is undergraduate net tuition revenue, from which approximately $40M will be allocated to the subvention pool before the remainder is allocated to the RCs in accord with algorithm 1. Final subvention amounts will not be determined until budget planning for FY16 is complete.

Over time, it is expected that subventions to the Responsibility Centers will decrease. The Provost will develop the subvention strategy on a case-by-case basis with the dean of each RC. However, the nature and structure of some RCs is such that they will always require subvention. The need for subvention should not be viewed as a value judgment on a unit's worth or productivity. The University as a whole benefits from its broad portfolio of programs, each with unique characteristics and complexities, and some of which will require strategic, differential investment and support.

A strategic initiative fund available to the President and Provost is an essential component of the model. This fund will be used to support the initiatives that are the highest priority of the President and Provost. This fund will build over time, and its likely source of funding is the reallocation of funds from the subvention pool.

INTERDISCIPLINARY SCHOLARSHIP AND TEACHING

The Steering Committee paid particular attention to the impact of IBB on interdisciplinary scholarship and teaching. It is widely understood that interdisciplinary teaching and scholarship is both a hallmark of UVM and a key to its future success. Under our current budget model, there is no incentive for a dean to allocate faculty time to programs beyond the home unit. Under IBB, a dean will have clear incentives to mount innovative high-demand interdisciplinary programs that will attract and retain students. RCs participating in interdisciplinary instruction will generate revenue either through majors or student credit hours taught. Similarly, federal funding agencies have moved into a mode of supporting interdisciplinary teams working on some of the most complex problems. The Vice President for Research will have a strategic investment fund (see below) to incent and support such proposals, and the colleges/schools will benefit from the F&A return.

IBB, through its transparency, simplicity, and predictability, will enable colleges and schools to more easily weigh trade-offs of costs vs. merit of interdisciplinary activities, to plan resource allocation accordingly, and to assess whether and when additional investments may be worthwhile. The IBB framework allows and encouraged colleges and schools to enter into financial agreements/partnerships around interdisciplinary and cross-unit programs. Quoting from Indiana University's 2011 RCM Review Committee report: "RCM served to make transparent the actual costs and financial trade-offs involved in cross-RC activity, and as a result, fostered healthy conversations about the underlying substantive merits of interdisciplinary proposals."

In the move to IBB, a number of important steps will be taken to ensure an environment exists for interdisciplinary activities to flourish and be sustained. These include: (1) the tuition algorithms are driven by the instructor of record of the course, regardless of whether or not the course is in their home department; (2) Banner will track courses with multiple instructors so that revenues can be distributed accordingly; (3) the OVPR will have a strategic fund that can be used to incentivize new interdisciplinary research and scholarship; (4) the Dean of the Graduate College will have a strategic fund that can be used to incentivize interdisciplinary graduate program offerings; and (5) the President and Provost will be able to use funds from the Strategic Initiative Fund to support, foster, grow, and/or promote interdisciplinary activities. Ultimately, however, decisions about interdisciplinary activities reside with the deans and faculty. IBB is simply a tool. It cannot and should not substitute for leadership, vision, and strategic thinking. The deans will be in a far stronger position under IBB to make informed, strategic decisions and investments in innovative, cross-cutting, interdisciplinary programs that are compelling, important, and sustainable, and that can serve as discriminators for the University of Vermont.

ADMINISTRATIVE UNIT REVIEW

The process of Administrative Unit Review (AUR) lies outside the IBB model, but it is nonetheless closely related. The Vice President for Executive Operations will manage the AUR process in which Cost Centers will undergo regular reviews to assess their quality, efficiency and effectiveness; to stimulate planning and improvement; and to encourage their development in strategic directions that reflect the University's priorities. These reviews will provide the Responsibility Centers with formal opportunities to provide meaningful input on the cost and quality of the services they receive. The Administrative Unit Review process began in the spring of 2014.

A LOOK AHEAD

We will use FY15 to run the proposed IBB model in parallel with our budget current model. The Steering Committee will continue to meet next year to watch the IBB model "at work," and may recommend further enhancements to the model in preparation for its full implementation in FY16. Beyond FY16, the proposed model will undergo periodic evaluation and refinement; a major review of the model is recommended in FY21.

There is also a great deal of work to be done in preparation for the model's launch. I have charged Vice President for Finance Richard Cate with leading a team in developing and implementing a plan for operationalizing the model (Appendix I). This team will work to ensure that UVM's business processes and systems accurately reflect both the final IBB algorithms and the overall revenues and expenses of the University; ensure accurate reconciliation of revenue and expense; ensure that both the Responsibility and Cost Centers have access to relevant, accurate, timely IBB financial data and reports; and ensure that members of UVM's financial management community have the information and training they need to support a successful implementation.

The Provost's Office will work with the academic units and the Faculty Senate to develop mechanisms to ensure appropriate curricular oversight.

CLOSING THOUGHTS

While we are all excited about the opportunities for transformation that IBB affords, I caution that IBB is not the solution to the very real and pressing challenges we face. It, in and of itself, will not reduce our expenses, create efficiencies or generate new revenue. It is not a surrogate for leadership, vision or innovation. It is a management tool that will empower our academic leaders to develop and manage their resources strategically, efficiently, and effectively as the academic units continue to elevate the quality and reputation of academic programs in order to meet the needs of our students. IBB links strategy with resources at the appropriate level. I have every confidence that it will support a positive transformation – but we all must play a role in that process. We must be willing to examine and question long-held practices and beliefs. We must be willing to change, to create, and to innovate.

In closing, let me say how enormously grateful I am to the members of the IBB Steering Committee, as well as the eight IBB subcommittees, for the countless hours they have invested in this process. Through their time, energy, careful study, critical discourse, and engagement with faculty, staff, and students across the UVM campus over the past year, we have arrived at this point where we are able to recommend an IBB model for your approval. It has been my privilege to work with all of the more than 100 members of our campus community involved in the development of IBB, and to witness such a collaborative, inclusive, and authentic process. This bodes very well for the future of the University of Vermont.

IBB Steering Committee Membership – September 20, 2013

David Rosowsky, Committee Chair; Provost and Senior Vice President

Lisa Aultman-Hall, Professor, School of Engineering and Transportation Research Center

Joshua Barry, Undergraduate Student, College of Engineering and Mathematical Sciences; Treasurer, Student Government Association

Shari Bergquist, Assistant Dean for Business Operations, College of Nursing and Health Sciences

Breck Bowden, Patrick Professor of Watershed Science and Planning; Director, Water Resources and Lake Studies Center, Rubenstein School of Environment and Natural Resources

Johanna Brabham, Manager, Residential Life and Davis Center Custodial Services Department

Richard Cate, Vice President for Finance and Treasurer

Rex Forehand, Heinz and Rowena Ansbacher Endowed University Distinguished Professor, Department of Psychology

Jennifer Gagnon, Interim Associate Vice President for Research Administration

Jane Kolodinsky, Professor and Chair, Department of Community Development and Applied Economics

William Mierse, Richard and Pamela Ader Green and Gold Professor, Department of Art and Art History

Fayneese Miller, Dean, College of Education and Social Services

Rick Morin, Dean, College of Medicine

Owen Myers, Graduate Student, Materials Science; Treasurer, Graduate Student Senate

Rae Nishi, Professor, Neurological Sciences; Director, Neuroscience Graduate Program; Director, Neuroscience, Behavior and Health Transdisciplinary Research Initiative

Polly Parsons, E.L. Amidon Professor of Medicine and Chair, Department of Medicine

Don Ross, Research Professor, Department of Plant and Soil Science; Director, CALS Environmental Sciences Major; Chair, Faculty Senate Financial and Physical Planning Committee

George Salembier, Associate Professor and Chair, Department of Education

Beth Taylor-Nolan, Assistant Dean, Continuing Education

Richard Vanden Bergh, Associate Professor, School of Business Administration

Jim Vigoreaux, Breazzano Endowed Professor and Chair, Department of Biology

Beth Wiser, Director, Office of Admissions

The University of Vermont

Office of the Provost
and Senior Vice President

October 4, 2013

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Subject: Incentive-based Budgeting (IBB) Subcommittee Membership

We had a tremendous response from the campus community to participate on the IBB subcommittees. With so many outstanding nominees from across our campus, determining IBB subcommittee membership was a challenge, but a challenge of the very best sort. Upon reviewing the list of nominees, my respect and admiration for the experience, expertise and dedication of our faculty and staff has deepened. I am honored to be working with all of you and I am grateful for your willingness to engage in this important conversation.

When assembling the subcommittees, we sought balance along a number of dimensions of diversity and inclusiveness both within and among the subcommittees. We were attentive to gender, cultural, intellectual, faculty/staff, home unit, and self-nomination/central nomination mixes. That said, we also needed the right backgrounds and expertise at the table to ensure productive subcommittee discussions. While we endeavored for balance across a number of dimensions, it was not possible in all cases. I am confident we have assembled outstanding subcommittees that will effectively and actively represent our entire community. These individuals are serving as university citizens who will bring the entirety of their talents and intellect to this work on behalf of *all* of us.

As noted in my IBB update memo to campus on September 23, we have added a subcommittee on Interdisciplinary Scholarship and Teaching, which will be chaired by Professor William Mierse. By design, this subcommittee is comprised entirely of faculty and includes a broad range of academic disciplines with slightly less focus on balance among units.

The IBB subcommittees will, of course, draw on expertise from across campus as they conduct their work. As always, you can find current information at the IBB website.

I extend my sincerest thanks to those who were willing to be considered for appointment to these subcommittees, and to those who accepted appointments.

(membership listing begins on page 2)

INCENTIVE-BASED BUDGETING – SUBCOMMITTEE MEMBERSHIP

COST POOL METHODOLOGY:
Polly Parsons, Professor and Chair, Department of Medicine (Chair)
Mike Austin, Director of System Administration, Enterprise Technology Services
Shari Bergquist, Asst. Dean for Business Operations, College of Nursing and Health Sciences
Stephen Dempsey, Associate Professor, School of Business Administration
Rose Feenan, Asst. Dean for Business Operations, Rubenstein School of Environment and Natural Resources
Cathy Krupp, Financial Manager, Continuing and Distance Education
Patricia Redmond, Assistant to the Dean, Honors College
Mara Saule, Chief Information Officer and Dean, Libraries and Learning Resources
Ross Thomson, Professor, Department of Economics
Gregory Warrington, Assistant Professor, Department of Mathematics and Statistics

FACILITIES AND SPACE COSTS:
Don Ross, Research Professor, Department of Plant and Soil Science (Chair)
Alison Armstrong, Library Professor, Bailey Howe Library Information and Instruction Services
Johanna Brabham, Manager, Residential Life and Davis Center Custodial Services Department
Linda Burnham, Assistant Dean for Business Operations, College of Arts and Sciences
Brian Cote, Senior Associate Dean for Finance and Administration, College of Medicine
Gary Hawley, Research Associate, Rubenstein School of Environment and Natural Resources
Josie Mercure, Associate Director, Financial Analysis and Budgeting
Kim Parker, Associate Director, Residential Life
Sanjay Sharma, Dean, School of Business Administration
Robert Vaughan, Director, Capital Planning and Management

GRADUATE TUITION REVENUE AND AID:
Rae Nishi, Professor, Department of Neurological Sciences (Chair)
Penny Bishop, Professor, Department of Education
Norman Craige, Associate Director, Student Financial Services
Paul Deslandes, Associate Professor and Chair, Department of History
Cindy Forehand, Interim Dean, Graduate College
Luis Garcia, Dean, College of Engineering and Mathematical Sciences
Diane Jette, Professor and Chair, Department of Rehabilitation and Movement Science
Christopher Koliba, Professor, Department of Community Development and Applied Economics
Erin Montgomery, Program Administrator, Cell and Molecular Biology Program
Richard Vanden Bergh, Associate Professor, School of Business Administration

INTERDISCIPLINARY SCHOLARSHIP AND TEACHING:
William Mierse, Department of Art and Art History (Chair)
David Barrington, Professor, Department of Plant Biology
Christopher Berger, Associate Professor, Department of Molecular Physiology and Biophysics
Rosemary Dale, Clinical Professor and Chair, Department of Nursing
Maggie Eppstein, Associate Professor and Chair, Department of Computer Science
Stephanie Kaza, Professor, Rubenstein School of Environment and Natural Resources
Tammy Kolbe, Assistant Professor, Department of Leadership and Developmental Sciences
Charlotte Mehrtens, Professor, Department of Geology
Wolfgang Mieder, Professor, Department of German and Russian
David Novak, Associate Professor, School of Business Administration
Julie Roberts, Professor, Department of Romance Languages and Linguistics

NON-DEGREE AND ONLINE TUITION REVENUE AND AID:
Jane Kolodinsky, Professor and Chair, Department of Community Development and Applied Economics (Chair)
Jennifer Dickinson, Associate Professor, Department of Anthropology
Cynthia Gerstl-Pepin, Associate Dean, College of Education and Social Services
William Jeffries, Senior Associate Dean for Medical Education, College of Medicine
Jill King, Associate Director, Student Financial Services
Daniel Lerner, Associate Dean, UVM Extension
Patricia Prelock, Dean, College of Nursing and Health Sciences
Abu Rizvi, Dean, Honors College
Beth Taylor-Nolan, Assistant Dean, Continuing and Distance Education
Keith Williams, Registrar, Office of the Registrar

OTHER REVENUE AND FEES:
Breck Bowden, Professor, Rubenstein School of Environment and Natural Resources (Chair)
Joshua Barry, Undergraduate Student, College of Engineering and Mathematical Sciences
Cynthia Belliveau, Dean, Continuing and Distance Education
Dennis DePaul, Assistant Dean for Business Operations, Dean of Students
Stephanie Dion, Director, Administrative Business Service Center
Patricia Eldred, Director, Administrative and Facilities Services Auxiliary Services
Mary Peabody, Extension Professor, UVM Extension
Julia Russell, Associate Chief Information Officer, Enterprise Technology Services
Susan Ryan, Professor and Director, Center on Disability and Community Inclusion
Jeff Schulman, Associate Director, Athletics

RESEARCH AND INDIRECT COST RECOVERY:
Jim Vigoreaux, Professor and Chair, Department of Biology (Chair)
Paula Deming, Associate Professor, Department of Medical Laboratory and Radiation Sciences
John Evans, Interim Vice President for Research
Jennifer Gagnon, Interim Associate Vice President for Research Administration
Dryver Huston, Professor, School of Engineering
Robin Lockerby, Evaluation Data Specialist, UVM Extension
Jessica Strolin, Associate Professor, Department of Social Work
Russell Tracy, Professor, Department of Pathology
Kevin Trainor, Professor and Chair, Department of Religion
Tom Vogelmann, Dean, College of Agriculture and Life Sciences

UNDERGRADUATE TUITION REVENUE AND AID:
Lisa Aultman-Hall, Professor, School of Engineering (Chair)
Pamela Blum, Assistant Dean for Business Operations, College of Education and Social Services
Antonio Cepeda-Benito, Dean, College of Arts and Sciences
Richard Fanus, Assistant Dean for Business Operations, College of Agriculture and Life Sciences
Marie Johnson, Director, Student Financial Services
Thomas Noordewier, Associate Dean, School of Business Administration
Lisa Schnell, Associate Dean, Honors College
Jeremy Sibold, Associate Professor, Department of Rehabilitation and Movement Science
Deane Wang, Associate Professor, Rubenstein School of Environment and Natural Resources
Beth Wiser, Director, Office of Admissions

Appendix C

ACADEMIC EXCELLENCE:
Goals for the University of Vermont

Supporting the President's Strategic Action Plan

These goals are established to animate President Sullivan's *Strategic Action Plan* and facilitate University-wide discussions, engagement, and initiatives around Academic Excellence.

Success in these areas will lead, authentically and in a sustainable way, to increased selectivity, improved student quality, and improvements in national rankings and other reputational indicators.

These goals also serve as drivers to the University-wide IBB development process initiated in fall 2013.

1. Increase the percentage of undergraduate students graduating in four years
2. Improve undergraduate student retention, Years 1-4
3. Improve student advising, both academic and pre-professional/career
4. Increase interdisciplinary teaching, research, and scholarship
5. Expand programmatic offerings to include distance and hybrid modes of instructional delivery
6. Increase research and scholarship in areas that generate high impact, recognition, and visibility
7. Increase domestic diversity and grow international student enrollments across the University
8. Increase enrollments in graduate and professional programs

D. Rosowsky, Provost and Senior Vice President
October 24, 2013

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Cost Pool Methodology
October 8, 2013

Introduction:

In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:

The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Cost Pool Methodology Subcommittee Membership:

Polly Parsons, Professor and Chair, Department of Medicine (Chair)
Mike Austin, Director of System Administration, Enterprise Technology Services
Shari Bergquist, Asst. Dean for Business Operations, College of Nursing and Health Sciences
Stephen Dempsey, Associate Professor, School of Business Administration
Rose Feenan, Asst. Dean for Business Operations, Rubenstein School of Environment and Natural Resources
Cathy Krupp, Financial Manager, Continuing and Distance Education
Patricia Redmond, Assistant to the Dean, Honors College
Mara Saule, Chief Information Officer and Dean, Libraries and Learning Resources
Ross Thomson, Professor, Department of Economics
Gregory Warrington, Assistant Professor, Department of Mathematics and Statistics

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the cost of University-wide common goods and administrative services among the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

What expenses should be included in the University's cost pool?

How many cost pools should be utilized?

On what basis should cost pool expenses be allocated to the Responsibility Centers?

Should the administrative or co-curricular Responsibility Centers be subject to the same cost pool assessments as the academic Responsibility Centers?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu
- Stephanie Dion, Director, Administrative Business Service Center, 656-4368, Stephanie.Dion@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Facilities and Space Costs
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Facilities and Space Costs Subcommittee Membership:
Don Ross, Research Professor, Department of Plant and Soil Science (Chair)
Alison Armstrong, Library Professor, Bailey Howe Library Information and Instruction Services
Johanna Brabham, Manager, Residential Life and Davis Center Custodial Services Department
Linda Burnham, Assistant Dean for Business Operations, College of Arts and Sciences
Brian Cote, Senior Associate Dean for Finance and Administration, College of Medicine
Gary Hawley, Research Associate, Rubenstein School of Environment and Natural Resources
Josie Mercure, Associate Director, Financial Analysis and Budgeting
Kim Parker, Associate Director, Residential Life
Sanjay Sharma, Dean, School of Business Administration
Robert Vaughan, Director, Capital Planning and Management

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate all costs associated with the University's physical space among the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

How will utility and custodial expenses be allocated to Responsibility Centers?

Taking into account the special needs of heritage buildings, and the differences in operating efficiencies between new and old buildings, how will operation and maintenance expenses (including deferred maintenance) be allocated to Responsibility Centers?

How will the expenses associate with common spaces be allocated? Classrooms? Relinquished space? Leased space?

How will new construction expenses/new capital debt be allocated? How will expenses associated with existing capital debt be allocated?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu
- Claire Burlingham, University Controller, 656-8356, Claire.Burlingham@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Graduate Tuition Revenue and Aid
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Graduate Tuition Revenue and Aid Subcommittee Membership:
Rae Nishi, Professor, Department of Neurological Sciences (Chair)
Penny Bishop, Professor, Department of Education
Norman Craige, Associate Director, Student Financial Services
Paul Deslandes, Associate Professor and Chair, Department of History
Cindy Forehand, Interim Dean, Graduate College
Luis Garcia, Dean, College of Engineering and Mathematical Sciences
Diane Jette, Professor and Chair, Department of Rehabilitation and Movement Science
Christopher Koliba, Professor, Department of Community Development and Applied Economics
Erin Montgomery, Program Administrator, Cell and Molecular Biology Program
Richard Vanden Bergh, Associate Professor, School of Business Administration

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with graduate tuition, aid and stipends to the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

Where does the responsibility for the expenses and revenue associated with graduate tuition, aid and stipends reside: at the level of the Graduate College or the other colleges and schools?

How should the revenue generated by graduate tuition be allocated? Some possibilities: by student credit hour taught; by degree program/major; with or without a distinction for in-state, out-of-state, and international student revenue.

How should graduate financial aid expenses be distributed in an IBB model?

How do the algorithms facilitate interdisciplinary graduate programs?

How/should the algorithms account for the differing levels of graduate education (masters and doctoral)? How/should they create incentives for supporting doctoral education?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be

helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu

John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Interdisciplinary Scholarship and Teaching
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Interdisciplinary Scholarship and Teaching Subcommittee Membership:
William Mierse, Department of Art and Art History (Chair)
David Barrington, Professor, Department of Plant Biology
Christopher Berger, Associate Professor, Department of Molecular Physiology and Biophysics
Rosemary Dale, Clinical Professor and Chair, Department of Nursing
Maggie Eppstein, Associate Professor and Chair, Department of Computer Science
Stephanie Kaza, Professor, Rubenstein School of Environment and Natural Resources
Tammy Kolbe, Assistant Professor, Department of Leadership and Developmental Sciences
Charlotte Mehrtens, Professor, Department of Geology
Wolfgang Mieder, Professor, Department of German and Russian
David Novak, Associate Professor, School of Business Administration
Julie Roberts, Professor, Department of Romance Languages and Linguistics

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that identifies the potential impact of an IBB budget model on interdisciplinary scholarship and teaching, as well as suggestions for how a new budget model might foster interdisciplinarity. The report should include:

Identification and definition of the different types of interdisciplinary scholarly and teaching activity on campus

Identification of the different types of interdisciplinary organizational units on campus, including research centers

A determination of which of these activities/organizational units have budget model implications; identification of those implications

Suggestions related to the design of the budget model that will foster interdisciplinarity

Identification of metrics that will allow for the measurement of interdisciplinary activity on campus

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu

John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Non-Degree and Online Tuition Revenue and Aid
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Non-Degree and Online Tuition Revenue and Aid Subcommittee Membership:
Jane Kolodinsky, Professor and Chair, Department of Community Development and Applied Economics (Chair)
Jennifer Dickinson, Associate Professor, Department of Anthropology
Cynthia Gerstl-Pepin, Associate Dean, College of Education and Social Services
William Jeffries, Senior Associate Dean for Medical Education, College of Medicine
Jill King, Associate Director, Student Financial Services
Daniel Lerner, Associate Dean, UVM Extension
Patricia Prelock, Dean, College of Nursing and Health Sciences
Abu Rizvi, Dean, Honors College
Beth Taylor-Nolan, Assistant Dean, Continuing and Distance Education
Keith Williams, Registrar, Office of the Registrar

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with non-degree, summer and online education to the revenue-generating Responsibility Centers. These models should reflect the University's current organization and practices related to non-degree, summer and online education. The subcommittee may also choose to submit additional algorithms that propose an alternative organizational model for non-degree, summer and online education. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

Where does the responsibility for the expenses and revenues associated with non-degree, summer and online education reside: with Continuing and Distance Education or with the other colleges and schools?

How should the revenue generated by non-degree, summer and online education be allocated? Should this allocation methodology mirror the methodology for undergraduate tuition revenue and aid? Graduate tuition revenue and aid?

Should non-degree, summer and online financial aid expenses be distributed universally or differentially? By what factors?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Other Revenue and Fees
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Other Revenue and Fees Subcommittee Membership:
Breck Bowden, Professor, Rubenstein School of Environment and Natural Resources (Chair)
Joshua Barry, Undergraduate Student, College of Engineering and Mathematical Sciences
Cynthia Belliveau, Dean, Continuing and Distance Education
Dennis DePaul, Assistant Dean for Business Operations, Dean of Students
Stephanie Dion, Director, Administrative Business Service Center
Patricia Eldred, Director, Administrative and Facilities Services Auxiliary Services
Mary Peabody, Extension Professor, UVM Extension
Julia Russell, Associate Chief Information Officer, Enterprise Technology Services
Susan Ryan, Professor and Director, Center on Disability and Community Inclusion
Jeff Schulman, Associate Director, Athletics

Charge:

By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with revenue-generating activities that do not reach the threshold of formal Responsibility Centers, as well as other revenue. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:

The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

Should income/expense activities that reside in academic Responsibility Centers (eg. the Melosira in RSENR and the Luse Center in CNHS) continue operate under the umbrella of that Responsibility Center or should their revenues and expenses be handled differently?

Should income/expense activities that reside in administrative or co-curricular units (eg. Print and Mail in Administrative and Facilities Services and Telecommunications in Enterprise Technology Services) continue to operate under the umbrella of that unit, or should their revenues and expenses be handled differently?

Where should existing fees that are currently allocated to the general fund (eg. admissions and vending fees) be allocated?

Should existing fees that are currently allocated back to particular units (eg. course supply fees) continue to be allocated back to a particular unit?

Resources and Support:

Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu

John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

Stephanie Dion, Director, Administrative Business Service Center, 656-4368, Stephanie.Dion@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Research and Indirect Cost Recovery
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Research and Indirect Cost Recovery Subcommittee Membership:
Jim Vigoreaux, Professor and Chair, Department of Biology (Chair)
Paula Deming, Associate Professor, Department of Medical Laboratory and Radiation Sciences
John Evans, Interim Vice President for Research
Jennifer Gagnon, Interim Associate Vice President for Research Administration
Dryver Huston, Professor, School of Engineering
Robin Lockerby, Evaluation Data Specialist, UVM Extension
Jessica Strolin, Associate Professor, Department of Social Work
Russell Tracy, Professor, Department of Pathology
Kevin Trainor, Professor and Chair, Department of Religion
Tom Vogelmann, Dean, College of Agriculture and Life Sciences

Charge:

By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with research that has budgetary implications, and any related indirect cost recovery, to the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:

The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

How should the revenue and expenses associated with funded research and indirect cost recovery be allocated between and/or among the Office of the Vice President for Research, the colleges and schools, research centers, departments, and PIs?

Should indirect cost recovery revenues be used to offset administrative expenses associated with sponsored research?

Should indirect cost recovery revenues be used to create a central investment pool to further the research enterprise of the University?

How do the algorithms address and support funded collaborative and/or interdisciplinary research programs and centers?

Resources and Support:

Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu
- Claire Burlingham, University Controller, 656-8356, Claire.Burlingham@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Undergraduate Tuition Revenue and Aid
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Undergraduate Tuition Revenue and Aid Subcommittee Membership:
Lisa Aultman-Hall, Professor, School of Engineering (Chair)
Pamela Blum, Assistant Dean for Business Operations, College of Education and Social Services
Antonio Cepeda-Benito, Dean, College of Arts and Sciences
Richard Fanus, Assistant Dean for Business Operations, College of Agriculture and Life Sciences
Marie Johnson, Director, Student Financial Services
Thomas Noordewier, Associate Dean, School of Business Administration
Lisa Schnell, Associate Dean, Honors College
Jeremy Sibold, Associate Professor, Department of Rehabilitation and Movement Science
Deane Wang, Associate Professor, Rubenstein School of Environment and Natural Resources
Beth Wiser, Director, Office of Admissions

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a minimum of two algorithms to allocate the revenues and expenses associated with undergraduate tuition and aid to the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

How should the revenue generated by undergraduate tuition be allocated? Some possibilities: by student credit hour taught; by degree program/major; by number of graduates; with or without a distinction for in-state, out-of-state, and international student revenue.

How should undergraduate financial aid expenses be distributed in an IBB model?

Should the algorithm account for the differing costs of instruction among academic units? If so, in what way?

How do the algorithms address and support collaborative and interdisciplinary instruction?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu

John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

The University of Vermont

Appendix E

Office of the Provost
and Senior Vice President

January 30, 2014

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Subject: Incentive-based Budget Model Subcommittee Reports

I am writing to let you know that the Incentive-based Budget Model (IBB) Subcommittee reports are now available on the IBB website. Before you read the reports, it will be useful to take some time to review the informational materials available throughout the site.

If, after reading the reports, you have feedback to share, please complete the survey that accompanies each report. The survey results will be provided to the IBB Steering Committee and will inform its forthcoming discussions and final recommendations on a proposed IBB model.

To remind you where we are in the project, this fall each of the eight IBB subcommittees was asked to explore a particular component of an overall IBB model and to propose several algorithms for how it might be addressed in a UVM IBB model. They have done so, and their proposed algorithms are found in these reports.

The spring timeline for the project includes a discussion of the reports with leadership groups across campus and the Steering Committee's review of the algorithms. By the end of June, and based on discussions with leadership groups, input from the campus community, and analysis of the algorithms, the Steering Committee will prepare its final recommendations on the design and overall methodology of a UVM IBB model. These recommendations will then be forwarded to President Sullivan for his consideration.

I have been enormously impressed by and grateful for the response of the campus community in stepping up to meet the challenge of creating a new budget model for UVM. I am grateful to everyone that took the time to learn about IBB models, to think critically and creatively about how we might operate under a new budget model, and to offer their time and their energy to serve on committees or participate in one of the many campus presentations and conversations. The members of the Steering Committee and subcommittees, in particular, have invested countless hours in the very significant tasks that were set before them. They have been creative, thoughtful and engaged university citizens that have brought the full complement of their intellect, experience and expertise to this work.

I look forward to our continued engagement this spring.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

Appendix F

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Thomas Sullivan, President

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: January 31, 2014

SUBJECT: Incentive-based Budget (IBB), Interim Report

I am writing to provide an interim report on the progress we have made toward the development and implementation of an Incentive-based Budget (IBB) Model at UVM. You asked for this interim report by the end of January 2014. The next milestone will be the delivery of a recommended IBB model for your review and consideration by the end of June. I am pleased to report that, as a result of the campus' engagement and the many hours of hard work by so many at our university, we are on-schedule in this first year of what is anticipated to be a two-year process leading to the launch of IBB in FY16.

BACKGROUND

In academic year 2012-13, the UVM community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement with respect to the model's problems: (1) a lack of transparency, (2) too much complexity, (3) little flexibility, and (4) few incentives. At the start of the fall 2013 semester you asked me, in my role as chief budget officer, to lead the effort to develop a new Incentive-based Budget (IBB) model for the University.

PROJECT ORGANIZATION

A Steering Committee has been established with responsibility for developing a final set of recommendations to you (including specific model elements and operating expectations) by June 2014. The IBB Steering Committee is supported by the following eight subcommittees that each have responsibility for exploring a particular component of the IBB model and providing the Steering Committee with specific recommendations:

1. Cost Pool Methodology
2. Facilities and Space Costs
3. Fee Generating Units
4. Graduate Tuition Revenue and Aid
5. Interdisciplinary Scholarship and Teaching
6. Non-Degree and Online Tuition and Aid

7. Research and Indirect Cost Recovery
8. Undergraduate Tuition Revenue and Aid

The development, implementation and continual assessment of the new budget model will be guided both by the *Academic Excellence Goals* for the University of Vermont and the following principles which you established last fall:

- Creates incentives that promote academic quality and excellence;
- Creates incentives at all levels of the University that promote financial sustainability;
- Encourages innovation and entrepreneurship throughout the University;
- Provides transparency, clarity, and predictability;
- Can be easily understood, is easy to implement and operate, and is flexible; and
- Can operate in all cycles of the economy, whether robust or downturn.

STEERING COMMITTEE AND (8) SUBCOMMITTEE APPOINTMENTS

The senior academic and administrative leadership of the University was asked to nominate candidates to serve on the Steering Committee. From these nominations, I assembled a Steering Committee that reflects the enormous talent, expertise, and dedication that are the hallmarks of our community (Appendix A), while also ensuring diverse and broad representation. The 22-member Steering Committee was announced to the campus on September 16, 2013 and includes 11 faculty, 5 staff, 2 senior administrators, 2 deans, and 2 students. Four members of the committee are department chairs, 5 hold named professorships, and 3 are Faculty Senators. All of the degree-granting units have membership on the Steering Committee.

At the time the Steering Committee was announced, I put out a call to the entire campus for self-nominations for membership on one of the subcommittees. We had a tremendous response from the campus community and on October 4, 2013 subcommittee membership was announced to the campus (Appendix B). Membership on the eight subcommittees includes 43 faculty, 10 deans or vice presidents, 27 staff and 1 student. (Two members of each subcommittee, including the subcommittee chair, are also members of the Steering Committee.)

In all, we had almost 200 nominations for membership on the Steering Committee and subcommittees. When assembling the committees, we strove for balance along a number of dimensions of diversity and inclusiveness both within and among the subcommittees. We were attentive to intellectual, gender, cultural, faculty/staff, home unit, and self-nomination/central nomination mixes. We also were careful to include the right backgrounds and expertise to ensure robust and productive subcommittee discussions.

Additionally, the following individuals have provided assistance, institutional data/research, and staffing support to the Steering Committee and subcommittees:

- Kerry Castano, Assistant Provost and Chief of Staff to the Provost, Office of the Provost
- Alberto Citarella, University Budget Director, Office of Financial Analysis and Budgeting
- Gary Derr, Vice President for Executive Operations, Office of the President
- John Ryan, Director, Office of Institutional Research

COMMUNICATIONS TO THE CAMPUS

We are committed to an open and transparent process and have communicated with campus in the following ways:

Website:
An IBB website[1] was established in September 2013 and includes information on the Steering Committee, the subcommittees, the project timeline, campus communications, presentations, reports and IBB informational resources. The website also includes a link which allows users to provide feedback, ask questions, and submit suggestions.

Campus-wide Memos:
Five campus-wide IBB memos have been issued (to-date) and posted on the IBB Website. The November 2013 issue of *Across the Green*, my memo to the UVM academic community, also included an update on IBB and is posted on the Provost's Office website[2].

Presentations and Meetings:
The IBB website underscores our commitment to communication throughout the process and includes the following invitation, "We will meet with anyone, anytime, anywhere to discuss IBB." In the fall, 18 meetings were held with governance groups and campus leadership to share information on the IBB development effort, as well as to provide general information on how IBB models work at other universities. I also provided an interview to the *Vermont Cynic*[3].

ACTIVITIES TO-DATE

Steering Committee:
The Steering Committee has met five times as of January 17, 2014. Its work has included affirming the project's guiding principles, participation in the selection of the subcommittee members, reviewing the subcommittee charges, educating itself on IBB models, receiving updates from the subcommittee chairs, and determining the process for reviewing the subcommittee reports. The Steering Committee is scheduled to meet six times this spring.

Subcommittees:
On October 8th, the subcommittees were issued their charges (Appendix C). They have been meeting regularly since then to consider and suggest specific IBB algorithms to the Steering Committee (which were due January 24, 2014).

IBB Retreat:
On October 28th, members of the Steering Committee and subcommittees participated in a day-long retreat with presentations by Professor Doug Priest and Associate Vice President and Budget Director Aimee Heeter of Indiana University-Bloomington, a university that implemented its IBB budget model over 20 years ago. This retreat provided the groups with an opportunity to further their understanding of IBB models, to learn from the experience of another university, and to ask questions related to the work of their committees.

---

[1] http://www.uvm.edu/provost/IBB/
[2] http://www.uvm.edu/~provost/Across%20the%20Green_Nov%202013.pdf
[3] http://www.uvm.edu/provost/IBB/Rosowsky%20Cynic%20IBB%20Q&A.pdf

IBB Off-site Visits:
On August 22nd and September 23rd, a group of deans, business managers from the colleges and schools and members of UVM's Division of Finance visited the University of New Hampshire and the University of Delaware to learn about their IBB models, implementation processes, and experiences.

SPRING 2014 ACTIVITIES

The reports from the IBB subcommittees were due on January 24, 2014. All subcommittee reports were submitted on-time and have been posted on the IBB website. In January and February, the Steering Committee will review the reports and identify algorithms that may make sense for a University of Vermont IBB model. The University's finance team will then run financial models based on the proposed algorithms, and bring that analysis to the Steering Committee for its review.

In February and March, members of the Steering Committee, subcommittees, and project staff will be reaching out to the broader campus community in the IBB discussion through an engagement campaign that will include meetings with the following leadership and governance groups:

- Budget, Finance and Investment Committee of the Board of Trustees
- President's Advisory Council
- President's Senior Leadership Council
- Provost's Academic Leadership Council
- Faculty Senate Executive Council
- Faculty Senate Finance and Physical Planning Committee
- Faculty Senate – Full Senate
- Graduate Student Senate
- Staff Council
- Student Government Association
- University Business Advisors

In April and May, the Steering Committee will review the financial analysis of the proposed algorithms along with feedback and suggestions received as part of the engagement campaign, and will make recommendations on the design and overall methodology of an IBB model. We are still on-track to be able to provide you with a recommended IBB model by the end of June.

FINAL THOUGHTS

As I have shared with you many times since we started this important work last September, I have been enormously impressed by and grateful for the response of the UVM community in stepping up to meet the challenge of creating a new budget model for the University. I am grateful to everyone that took the time to learn about IBB models, to think critically and creatively about how we might operate under a new budget model, and to offer their time and their energy to serve on committees or participate in one of the many campus presentations and conversations. The members of the Steering Committee and subcommittees, in particular, have invested countless hours in the very significant tasks that were set before them. They have been creative, thoughtful, and engaged University citizens that have brought the full complement of their intellect, experience and expertise to this work.

The University of Vermont

Office of the Provost
and Senior Vice President

February 5, 2014

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Subject: Incentive-based Budget Model Subcommittee Report Q&A Sessions

If you haven't already done so, I hope you will find time to read the Incentive-based Budget (IBB) Model Subcommittee reports that are available on the IBB website. If you have questions about the reports' contents, I encourage you to attend a Q&A session. The sessions will include members of the IBB Subcommittees as well as other project staffers.

The Q&A sessions are scheduled for:

Monday, February 10; 12:00 – 1:00 pm; Davis Center - Livak

Thursday, February 13; 2:00 – 3:00pm; 427A Waterman

Friday, February 14; 12:00 – 1:00 pm; Billings Ira Allen 110/Martin Luther King Lounge
(Directions: use the back entrance of Ira Allen; take a right; MLK lounge is on the left, before the Campus Center Theater)

Tuesday, February 18; 2:00 – 3:00pm; Waterman - Memorial Lounge

Thank you for your continued engagement in this important University initiative.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

UVM Incentive-based Budget Model Cost Pools

6.25.14

Cost Pool 7A: Management Services (24 departments)		Driver: Expenses	
30300 VP U. Rel & Admin	11200 Contr. Office	11000 VP Finance	30550 Univ.Comm
11590 Davis Center	30700 Ofc. Instit. Res.	10300 VP Legal Aff. Gen.	31100 Flem Mus.
30000 Sen. VP & Provost	11240 Treas. & Tax Serv.	10100 Audit Serv.	11110 Off. Sustain
11400 Fin. Analysis & Budget	11270 Cost Acct.Svcs.	10305 Compliance	10400 U. Relations
20001 Admin. Bus. Serv. Ctr.	11220 Fin. Rpt & Acct Svcs.	10000 President's Office	11570 CAES
11550 Procurement Serv.	00003 Treas. Operations	11575 Police Services	11580 Print/Mail
Cost Pool 7B: Organizational Services (7 departments)		Driver: Faculty and Staff Headcount	
30050 Faculty Senate	11531 Environ. Safety	11280 Payroll Svcs	11002 Staff Council
11300 Human Resources	11530 Risk Mgmt & Safety	11320 HRS Learning Svcs.	
Cost Pool 7C: Student/Academic Services (23 departments)		Driver: Adjusted Student Headcount/Student FTE	
30200 Adm. & Enroll Mgmt	30430 Career Serv.	30230 Liv & Learn Ctr.	58100 Honors Coll.
11250 Student Fin. Svcs.	30210 VP Enroll Mgmt.	30440 Ctr. Stdnt Ethics &Stnd	30016 Writing Discip
30420 Acad. Support Prog.	30454 Student Life	30410 Student & Comm. Rel	30017 CUPS
30220 Registrar	30400 Dean of Students Off.	30450 Ctr. Hlth&Well Being	30019 Integr. Bio
30240 International Educ. Svcs.	30231 Res. Lrng Cmty	30456 Student Govt. Assoc.	31200 Military Studies
58200 Grad. Coll	30452 Res. Life	30500 Athletics/Vars.	
Cost Pool 7D: Community/Inclusion Services (7 departments)		Driver: Total Headcount	
10040 Chief Diversity Off.	10060 Aff. Action/Equal Op.	10080 LGBTQA Ctr.	10070 Divers. & Equity
10090 ALANA Student Ctr.	10050 Women's Ctr.	30100 Cultural Pluralism	
Cost Pool 7E: Libraries/IT Services (17 departments)		Driver: 30%TotatlFTE+30%TotalHeadcount+20%Student FTE +20%Fac/Staff Headcount	
58328 Bailey Howe Library	58326 B. Howe-Collect Mgmt	58330 Dana Med. Lib.	11650 Database Adm
58300 Libraries - Dean's Office	58312 Ctr. Teach/Learning	11600 Entp. Tech. Svcs.	11670 IS Office
58320 B. Howe-Acc&Tech.Svcs.	58324 B. Howe Res. Collect.	11630 ETS Client Svcs.	11640 Telcom&Net
58322 B. Howe-Info&Instr.	58314 Learn and Info Tech	11620 Sys. Arch & Admin.	11412 Bus. Proc.Re-eng
11660 Entp. App. Svcs			
Cost Pool 7F: UVM Foundation Services		Driver: Expenses	
UVM Foundation			

The University of Vermont

Appendix I

Office of the Provost
and Senior Vice President

To: Deans, Vice Presidents and Other Senior Leaders

From: David V. Rosowsky, Provost and Senior Vice President

Date: May 22, 2014

Subject: Implementation of Incentive-based Budgeting

As you know, the Incentive-based Budget (IBB) Model Steering Committee will present President Sullivan with its final recommendations on the design and methodology of UVM's new budget model by the end of June.

I am writing to let you know that I have charged Vice President for Finance Richard Cate with leading the Division of Finance in developing and implementing a plan for operationalizing the model. I will continue to work with the IBB Steering Committee in the evaluation and oversight of the model itself, and Vice President Cate will take the lead on critically important operational tasks such as:

- Developing the new annual budget process and timeline
- Developing financial (budget-to-actual) reports for responsibility and cost centers
- Developing education and training materials for UVM's financial management community

This work will take place over the coming year in preparation for our July 1, 2015 transition to IBB. You will receive regular updates as the plan unfolds.

The list above is only a sampling of a significant number of operational issues to be addressed as part of this implementation, many of which affect or involve units outside the Division of Finance. Vice President Cate will need to engage expertise from across campus as part of this work. I ask for your constructive participation in this effort to ensure a successful implementation.

Thank you for your continued support of this important initiative.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

The University of Vermont

Incentive-based Budgeting Metrics and Evaluation
A Report to the Provost from the Incentive-based Budgeting Metrics Working Group
March 27, 2017

Introduction

In November 2016, the Provost charged the Incentive-based Budgeting (IBB) Metrics Working Group[1] with developing a concise set of metrics to help us understand whether, and how well, IBB is working. The group participated in several work sessions that were organized around assignments and feedback members submitted before each session.

The working group considered its charge in the context of the University's Strategic Action Plan, the Academic Excellence Goals, the IBB Guiding Principles, and the model's algorithms themselves. As it contemplated evaluating the model, the group quickly, and repeatedly returned to sentiments expressed by the Provost and others during the model's development and implementation – that the model is a management tool that allows us to account for revenues and expenses – it is not a strategy set, nor is it a surrogate for leadership, vision, or planning. As potential metrics were considered, the difficulty of demonstrating cause and effect between any metric and the model became clear. There are simply too many internal and external factors and forces beyond the model at play, to ascribe any outcome directly to the model.

Recommended Approach

The consensus of the group is that we cannot credit (or discredit) IBB directly with any measure of institutional performance. However, it is reasonable to consider whether the model enables strategic decisions and innovation; whether it provides adequate opportunities for success to all units; whether it may be providing the right "behavioral nudges"; whether the institution has made progress since its implementation; and whether the negative outcomes some predicted during the transition have been realized.[2] To those ends, the working group suggests a three-pronged evaluative approach.

I. Review of University-wide "Indicators of Success" Selected to Monitor Prominent IBB Concerns[3]

Concern: *IBB will adversely affect the quality of the undergraduate experience.*
Indicators:
(1) Undergraduate Acceptance and Yield Rates
(2) First to Second-Year Retention Rate

[1] Membership: Breck Bowden, Luis Garcia, Jane Kolodinsky, Polly Parsons, Don Ross, Jim Vigoreaux, and Beth Wiser. Staff to the Working Group: Kerry Castano, Alberto Citarella, and Alex Yin.
[2] The Educational Stewardship Committee monitors and responds to concerns on an on-going, real-time basis.
[3] Indicator Sources: #1, 2, 3, 11: University Sourcebook; #4, 9, 12: OIR Special Report; #5, 10: Review of Faculty Senate/ Curricular Affairs Committee approvals; #6, 7, 8: SPA Annual Reports

(3) Four-year Graduation Rate
(4) Course Section Size Mix

Concern: *Interdisciplinarity will decline in IBB.*
Indicators:
(5) Number of New Cross-Department/Cross-College Programs
(6) Number of Cross-Department/Cross-College Extramural Funding Proposals

Concern: *As a result of its cost, research activity will decline in IBB.*
Indicators:
(7) Number of Extramural Funding Proposals Submitted
(8) Extramural Funding Received
(9) Years to Promotion (Associate to Full)

Concern: *As a result of its cost, graduate education will decline in IBB.*
Indicators:
(10) Number of New Graduate Programs
(11) Graduate Degrees Awarded by Year

Concern: *IBB will weaken the Teacher-Scholar Model.*
Indicators:
(12) T-TT/NTT Faculty Mix
(7) Number of Extramural Funding Proposals Submitted
(8) Extramural Funding Received
(9) Years to Promotion (Associate to Full)

II. Qualitative Survey of the Deans

- Unit-level ("boots on the ground") assessment
- Based on the IBB Guiding Principles and academic perspective
- Provide insight on impact, strategy, innovation, etc.
- Considers questions such as:

How has the model impacted your ability to execute your strategic plan/highest priorities?
Does the model provide the incentives necessary to promote and sustain academic quality and excellence within your unit?
Has the model encouraged innovation and entrepreneurship within your unit?
Describe the extent to which faculty/staff in your unit understand and engage with the model.
What impact has the model had on interdisciplinarity within your unit?

III. Qualitative/Quantitative Consideration by the Budget Director, Vice President for Finance, and Chief Budget Officer

- Institutional-level assessment
- Based on IBB Guiding Principles and financial perspective

- Provide insight on financial status, strategy, etc.
- Considers questions such as:
  Has revenue equaled or exceeded expense each year?
  Does the model make transparent areas of financial concern or opportunity?
  Does the model support the ability to plan and predict?
  Does the model provide incentives and/or enable strategic investment?
  Does the model return equitable and consistent results to all RCs?
  Does the model provide adequate avenues for success for all RCs?
  Does the model provide RCs with sufficient ability to respond to change?

Recommended Timing

Our community is still building its understanding of IBB. For this reason, it may be helpful to conduct an evaluation annually for several years, comparing results to a pre-IBB baseline. This will provide information that may be useful in separating fact from fiction, and may inform IBB 2.0 preparations and thinking. Over time, the evaluation of the model will be assimilated into its periodic updates (IBB 3.0, etc.). The annual evaluation will be initiated by the Provost; results will be provided to the IBB Steering Committee and to the University's Senior Leadership including the Deans and Vice Presidents. A summary of the evaluation's results will be posted on the IBB webpage.

Responses to Some Common Misconceptions about IBB

March 31, 2017

1. The IBB headcount "tax" is causing deans to hire fewer PT faculty.

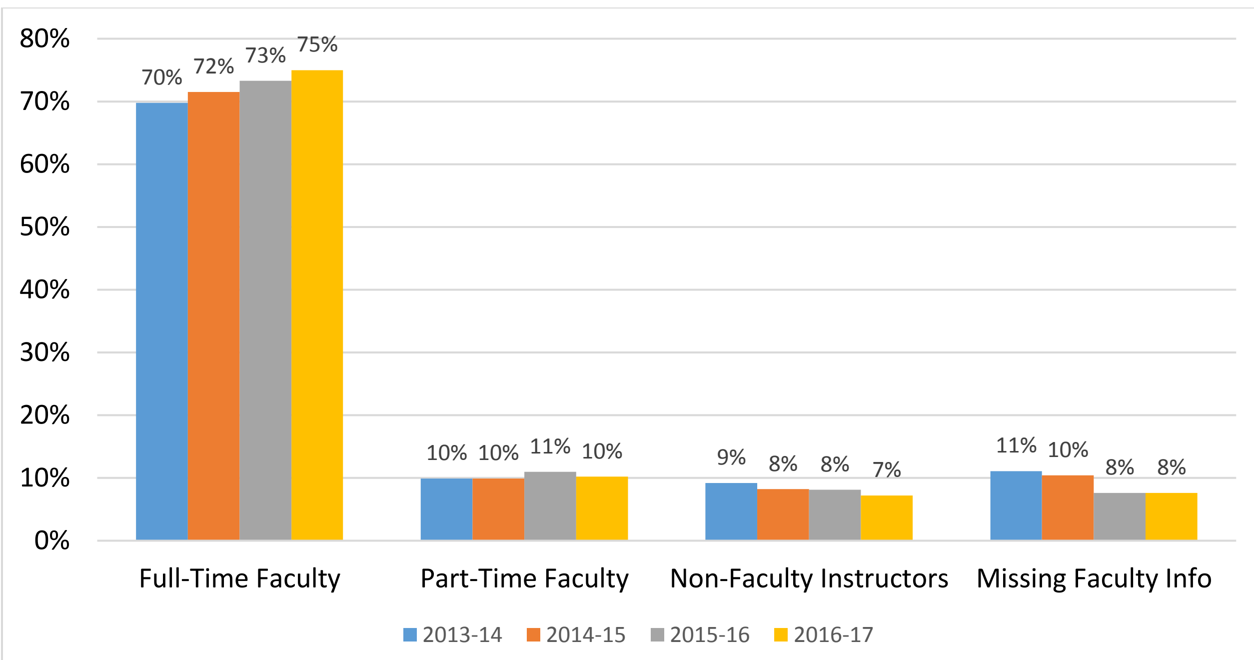
The faculty mix changes each year, but over the last decade, it has held fairly constant at about 80% FT and 20% PT. The actual figures for FY13 to FY16 are:

Full-Time and Part-Time Faculty Headcount by Fiscal Year

	FT Faculty	% of Total	PT Faculty	% of Total
FY13	1248	81%	287	19%
FY14	1241	80%	303	20%
FY15	1244	79%	321	21%
FY16	1241	77%	366	23%

The percentage of course sections taught by part-time faculty has remained stable over the last four years as illustrated in the following table:

Percent of Course Sections Taught by Full-Time/Part-Time Faculty Status[1]



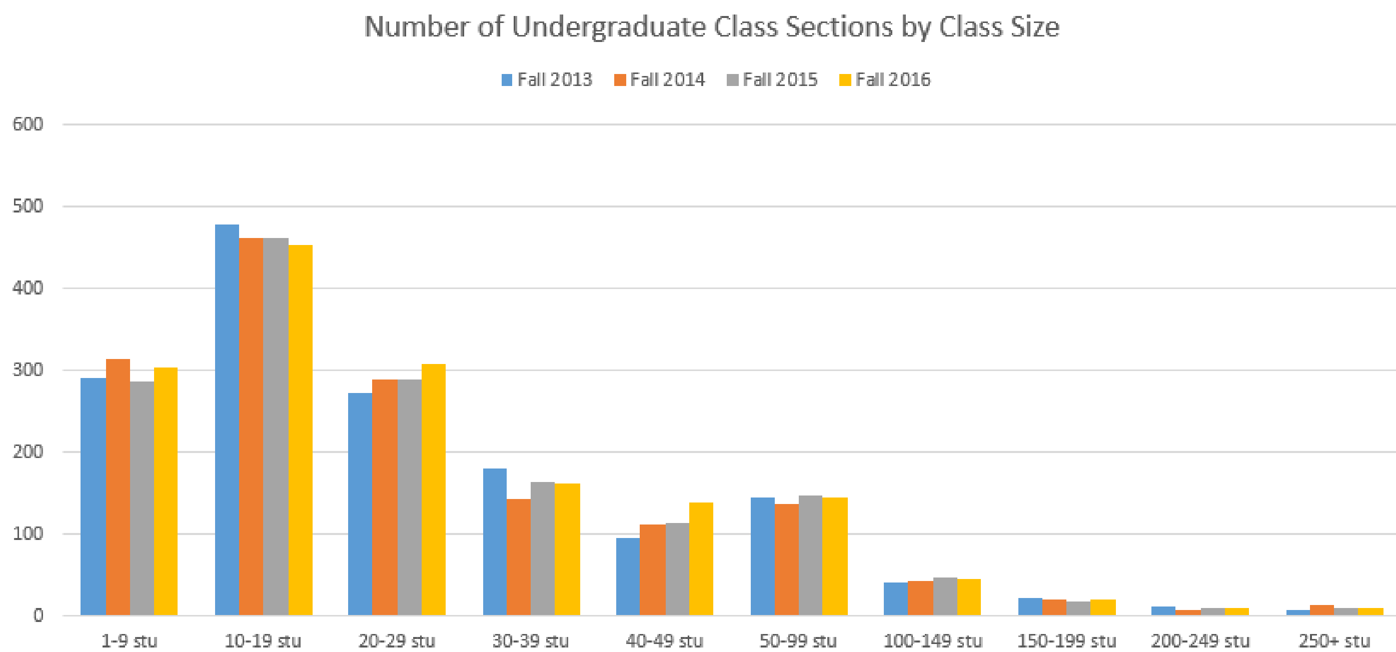
IBB does allocate some costs based on the number of faculty members in a unit (commonly referred to as "head count"). This is the case for certain fixed costs that remain the same whether an individual is

[1] Non-faculty instructors are administrators and staff who teach a course, all of whom have secondary faculty appointments. The missing faculty info category includes instructors with missing social security numbers in Banner (1-2 percent); temporary/non-salaried faculty, many teaching private lessons (3-4 percent); and instructors hired for the spring semester who were not part of the fall IPEDS report (4-5 percent).

full-time or part-time. Other costs, driven by use, are assessed on an FTE (full-time equivalency) basis, reflecting the differential use and impact of full-time and part-time faculty.

2. **IBB is causing deans to schedule more large classes and fewer smaller classes.**

The class size mix changes each year, but hasn't changed significantly since IBB's implementation in the Fall of 2015, as seen in the following graph:



More information on the class size mix can be found in question #8 in [Information for Students about Incentive-based Budgeting] on the IBB website.

3. **IBB is pitting colleges against one another and discouraging collaboration, collegiality, and interdisciplinary activity.**

Interdisciplinarity is a core value of the University of Vermont. It thrived in the old budget model when participation was purely voluntary and direct returns to participants were non-existent. IBB creates incentives – financial and otherwise — to encourage and support innovative, high-quality interdisciplinary and cross-unit programs

4. **Deans are making decisions based on budgetary realities rather than strategic priorities.**

It's not an either/or proposition. Colleges and schools have developed academic strategic plans that lead with quality and excellence, identify priorities, and guide financial decisions in support of those priorities. Budgetary realities, however, cannot be ignored, and may impact a plan's content, sequencing, or rate of progress.

5. **Subvention is a way to force substantial reductions, year after year, and differentially on colleges/schools.**

Subvention reductions are only planned until the Strategic Investment Fund reaches $8M. At this time, it is estimated that we will reach this goal by FY20. The subvention reductions are modest. In FY17 the total reduction was $685K on a total revenue budget of $313M. The reductions per unit ranged from $4k to $132K. The reduction for the College of Arts and Sciences (CAS) was $122,000 on a total revenue budget of $107,000,000. This represents about one-tenth of 1% of the CAS revenue budget.

6. **The Strategic Investment Fund (SIF) is not transparent. There is no reporting or accountability.**

   Beginning in IBB's inaugural year, the Provost provided the full Faculty Senate with the first annual presentation on the fund's use. The Provost will also meet regularly with the Financial and Physical Planning Committee of the Faculty Senate to receive feedback on priorities for the use of SIF funding.

7. **The Strategic Investment Fund (SIF) grew too fast, resulting in an immediate $4M in subvention reductions.**

   This is not true, as the $4M already existed in the pre-IBB budget. This became the "basis" for the SIF. The resources from the modest subvention reductions that will take place over the next several years will be used to grow the SIF from $4M to $8M. The total year-one subvention reduction was $685K.

8. **The College of Arts and Sciences (CAS) is subsidizing all other colleges/schools.**

   As is true at virtually all comprehensive universities, including all those who have moved to an IBB (RCM) type model in the last 20 years, CAS is the largest generator of undergraduate tuition revenue (the source for subvention funding). CAS, and several other UVM colleges/schools, contribute to the redistribution of tuition revenue, which is the means by which all comprehensive universities support a wide array of programs. This redistribution has always occurred at UVM. It was part of our old budget model and is now transparent in IBB.

9. **IBB is not transparent, easily understood, or predictable, and holds too much control centrally.**

   Every aspect of the model and its supporting data is on the IBB website, the FAB website, and/or contained in the IBB 1.0 Manual. IBB is far more transparent than our previous budget model.

   The UVM IBB model has only 7 algorithms. We remain committed to meeting with anyone, anytime to share information about the model. IBB is far easier to understand than our previous budget model.

   A college/school can run any number of all-funds, multi-year planning scenarios through the model and will know precisely what their impact will be. IBB is far more predictable than our prior budget model.

   The model decentralizes authority and responsibility. It allocates revenues and expenses directly to the colleges/schools. IBB is a decentralized, rather than centralized, model.

10. **Faculty are not consulted or engaged in decision-making by the deans.**

    As was the case in our old budget model, the responsibility for making decisions rests with the deans. IBB is a tool that provides a platform for meaningful conversations and enables collaborative and collective visioning. Its transparency makes clear potential trade-offs, options, and outcomes. The Deans are committed to inclusive and collaborative processes to solicit faculty input. Faculty are encouraged to engage fully in these opportunities.

The University of Vermont

Incentive-based Budgeting (IBB) at UVM:

About Subvention

WHAT IS SUBVENTION?

Subvention is a budgetary tool available to the Provost that allows for the rebalancing of revenues to guide the direction of the University in accordance with the strategic priorities established by the President. The mechanics of subvention include taking a portion of the overall undergraduate net tuition revenue, designating that funding as the subvention pool, and then allocating that revenue to responsibility centers as described in this document.[1]

Subvention is determined and adjusted based on university goals and objectives and the unique roles and characteristics of particular academic units. It can also be used to ameliorate sudden budgetary shifts[2], thereby providing responsibility centers time to adjust accordingly. The use of subvention for these purposes is common to incentive-based budgeting models.

Some responsibility centers will always require subvention. Subvention is a common feature of nearly all IBB models as there are core academic offerings at any research university that simply do not generate enough revenue to meet expenses. The need for subvention should not be viewed as a value judgment on a unit's worth or productivity. The University, as a whole, benefits from its broad portfolio of academic programs. Some programs will require strategic, differential investment and support.

An incentive-based budgeting model is an entrepreneurship and accountability model, not an autonomy model. IBB creates a decentralized system integrated by subvention.

Subvention is separate and apart from the President's and Provost's Strategic Investment Fund (SIF). The Strategic Investment Fund is used to support new and emerging university initiatives that align with the institution's highest priorities. If funding is allocated from the Strategic Investment Fund to a Responsibility Center (RC), that allocation will be for a fixed period of time and for a specified purpose. Funds from the SIF are therefore not an addition to the continuing funds available to an RC, but rather represent a short-term (one-time) investment.

[1] In the first year, (FY16), subvention will be allocated such that each responsibility center's net revenues and net expenses are equal – allowing for a budget neutral implementation of IBB Model 1.0.

[2] These could result, for example, from reductions in enrollments, changes in the state appropriation, decreased F&A revenue, or major unforeseen expenses critical to campus operations.

GUIDING PRINCIPLES FOR SUBVENTION ALLOCATION

The following principles, developed in partnership with the deans, have been established to guide the Provost's decisions about subvention allocations to the colleges and schools (Responsibility Centers) under IBB. These principles are intended to both align with and support the President's *Strategic Action Plan* and the undergirding *Academic Excellence Goals*. Further, they are consistent with the *IBB Guiding Principles*.

- Recognizes the disparity of costs in the delivery of programs by discipline (beyond that for which the algorithm can reasonably account).
- Promotes consistent levels of efficiency (relative to comparator data) across the responsibility centers.
- Supports graduate and professional degree programs in strategic areas, ensuring a portfolio of programs appropriate for a research university of our scale.
- Recognizes the central role of research in our mission, with emphasis on maintaining research capabilities in high-priority, high-impact areas.
- Ameliorates sudden budgetary shifts (see footnote 2), thereby providing responsibility centers time to adjust accordingly.

HOW WILL SUBVENTION WORK?

The source of subvention under IBB is net undergraduate tuition revenue. This, too, is common to IBB models. Net undergraduate tuition is our single largest revenue stream at UVM. Some public universities also include a portion of the state appropriation in their subvention pool. This is the case when state appropriations represent a relatively large share of general fund revenue. This is not the case at UVM. Our state appropriation is very modest, less than one-quarter of our net undergraduate tuition revenue. Further, since our state appropriation is fully allocated for specific purposes, it cannot be included in our subvention pool for rebalancing purposes.

To achieve budget neutrality as we moved into IBB, all responsibility centers received a subvention in FY16. The Provost will determine a multi-year subvention strategy for each unit in consultation with individual deans. This will be reviewed annually.

In order to incent the generation of revenue and the realizing of efficiencies within the units, all responsibility centers will develop budget strategies that accommodate a decrease in subvention of 1%-4% per year from FY17 through FY20 (after which this strategy will be revisited and revised as needed). A reduction in subvention does not necessarily equate to a reduction in total available resources, as responsibility centers control multiple revenue streams.

The actual reduction for each unit will be based on strategic considerations, guided by the principles in the previous section. Funds released as a result of the decreases in subvention to the colleges/schools will be used to grow and sustain the Strategic Investment Fund[3] for use by the President and Provost.

Beyond FY20, decisions about subvention will be made on a case-by-case basis as part of the budget process and, as noted above, will be determined in the context of the University's goals and objectives as well as the unique circumstances of each academic unit. This articulation of plans for subvention provides each responsibility center with the information necessary to develop its own "multi-year, all-funds" budget strategy, chief among the objectives of IBB.

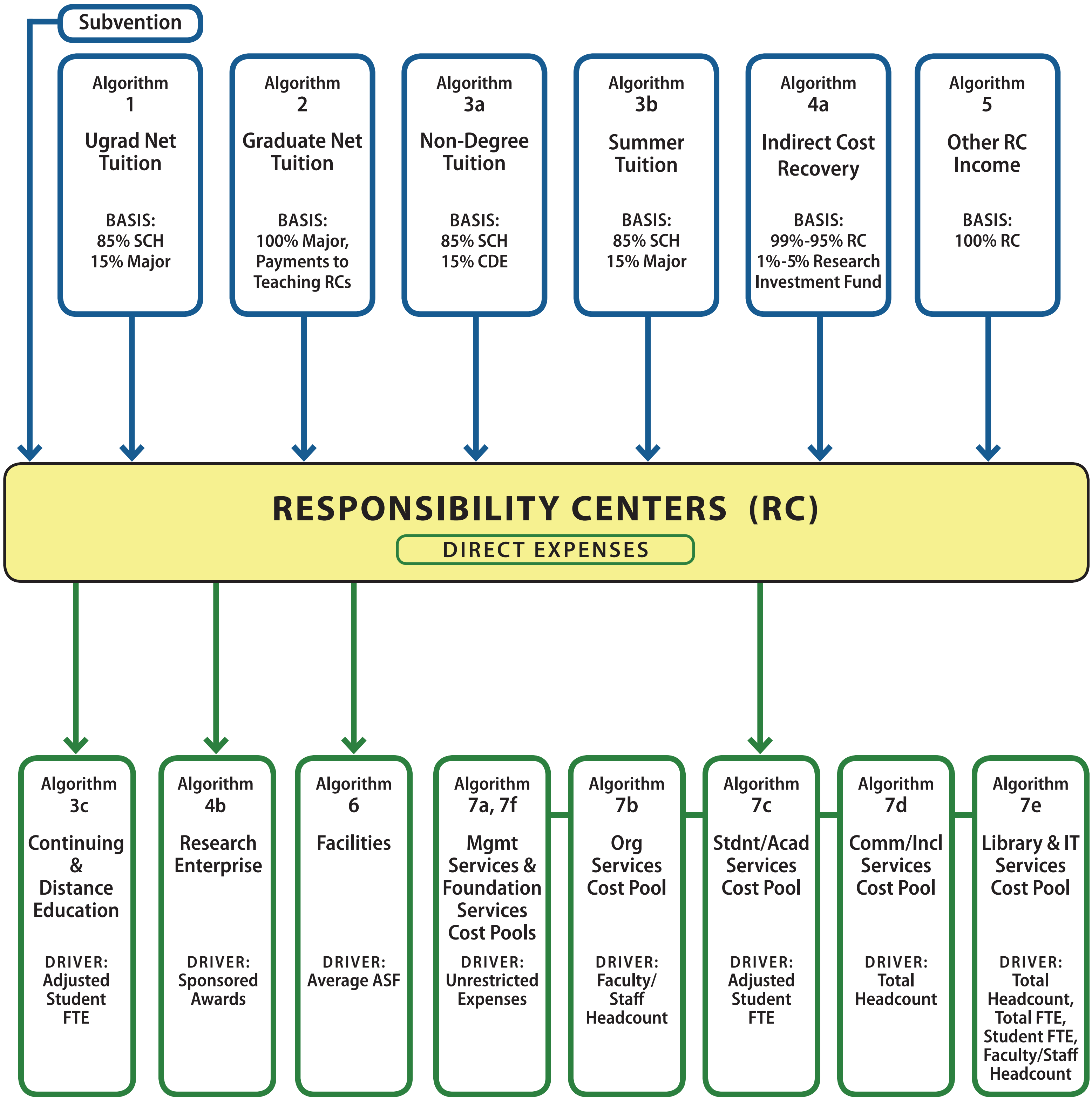
D. Rosowsky, Provost and Senior Vice President
First issued: January 2015
Revised: September 2015 (Rev. 1)
Revised: October 2015 (Rev. 2)

[3] As discussed in the June 30, 2014 Report of the IBB Steering Committee, a strategic investment fund is an essential component of the IBB model. This fund will be used to provide one-time support for strategic initiatives that are the highest priorities of the President and Provost.

IBB

UNIVERSITY OF VERMONT
INCENTIVE-BASED BUDGET MODEL

REVENUE



EXPENSE

MAY 2017

IBB Project Timeline

December 2012	UVM Budget Self-Study Completed
February 2013	University Business Council Webinar on IBB
March 2013	Budget Advisory Committee Issues Report on Budget Self-Study University Business Council Webinar on IBB
May 2013	President's Advisory Council IBB Discussion University Business Council Responds to Budget Self-Study
August 2013	Meeting with Deans and Senior Leaders to Discuss IBB
September 2013	Steering Committee Appointed
October 2013	Subcommittees Appointed Anticipated Subcommittees: • UG Tuition Revenue and Aid • Graduate Tuition and Aid • Non-Degree and Online Tuition and Aid • Research and Indirect Cost Recovery • Facilities and Space Costs • Cost Pool Methodology • Other Fees
January 2014	Interim Report to the President
May 2014	Implementation Planning Begins
June 2014	Preliminary Final Report to the President
July - September 2014	Comment Period on Preliminary Final Report
July 1, 2014 (start of FY 15)	Current Budget Model and IBB Run in Parallel
January 2015	Final Report Approved by President
July 1, 2015 (start of FY 16)	Complete Transition to IBB
December 2017	Call for Input on IBB 2.0
Spring 2018 - Fall 2018	Development of IBB 2.0, Report to the President
Spring 2019	IBB 2.0 Implementation Planning
July 2019 (start of FY20)	IBB 2.0 Live

Last modified August 24 2018 04:00 PM

The University of Vermont
Burlington, VT 05405 *(802) 656-3131*

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Faculty and Staff of the University of Vermont

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: November 27, 2018

SUBJECT: Incentive-based Budget Model – Campus Update #10

I am writing to provide an update on Incentive-based Budget (IBB) Model 2.0[1]. The IBB Steering Committee's most recent work has focused on Algorithm 6 - Facilities. The Committee recommended no changes to the algorithm, and President Sullivan has subsequently approved this recommendation.

The intent of Algorithm 6 as originally recommended by the Steering Committee, and as currently structured, is to allocate facilities expenses based on a unit's footprint as defined by its Assignable Square Footage (ASF), and to incent the efficient use of space.

Feedback on the algorithm from the campus-wide surveys was not as uniform as that received for the other algorithms the Committee addressed, nor were potential resolutions as clear. The Steering Committee received a variety of minor suggestions aimed at different aspects of the algorithm, but a consistent and specific problem in need of a solution did not emerge.

In preparation for the Steering Committee's deliberations, we reviewed facilities methodologies in use at other RCM universities. While approaches vary, we were unable to find a methodology with which a campus was fully content. This, understandably, mirrors our own experience. As we know, space is expensive, deferred maintenance needs and new/expanded facilities are driving that expense up, space assessments consume a significant share of a Responsibility Center's (RC) budget, RCs have varying levels of satisfaction with particular spaces within their footprint, and there is little a unit, or the University, can do to alter much of this.

The Steering Committee considered several specific facilities suggestions. The first was to refine the algorithm such that it allocates facilities costs by functional use (i.e., charging more for a square foot of lab space than a square foot of office space). On the basis of its potential to disincent research and add complexity, the Committee did not support this approach. With an eye for conservation and efficiency, the Committee also considered whether we should allocate actual, rather than aggregated, utilities costs to each RC. Unfortunately, the complex physical infrastructure that delivers utility services across campus does not provide the data necessary for this approach, and this, too, has the potential to disincent research and add complexity. Finally, the group considered whether a budget should be created to support units with significant remediation and abatement obligations (largely related to asbestos). The Steering Committee did not support this proposal on the grounds that it would be difficult to determine which unit should have access to these limited resources, and under what conditions.

[1] Please see Campus Update #8 for information on the IBB Model 2.0 process and its revised timeline.

348 Waterman Building, 85 South Prospect Street, Burlington, VT 05405
(802) 656-4400 Fax: (802) 656-9220

The Steering Committee also considered several different overall approaches, namely allocating space costs by a driver other than Assignable Square Footage. Allocations based on Unrestricted Expenses and Faculty/Staff FTE were explored. The financial impacts of these approaches on RC budgets were modest, largely because the total facilities expense that must be allocated remains the same regardless of the driver by which it is allocated. Further, these approaches would result in significant distortions to the model, driving the headcount assessment from $9,000 to more than $22,000, and the unrestricted expense assessment from 17% to almost 40%. As a result, the Committee concluded that allocating space by a driver other than ASF reduced both transparency and incentives to maximize the use of existing space.

On the basis of the above, the Steering Committee recommended no changes to Algorithm 6.

-//-

My thanks to the 23 members of the IBB 2.0 Steering Committee for their careful and deliberative efforts to respond, respectfully and responsibly, to the important IBB campus feedback that was received.

The Committee will now turn its attention to IBB 2.0 feedback that falls outside of the algorithms.

cc: Tom Sullivan, President
Alberto Citarella, University Budget Director
Incentive-based Budget Steering Committee

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Faculty and Staff of the University of Vermont

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: October 12, 2018

SUBJECT: Incentive-based Budget Model – Campus Update #9

I am writing to provide an update on Incentive-based Budget (IBB) Model 2.0[1]. The IBB Steering Committee's most recent work has focused on Algorithm 1. The Committee recommended the following changes to President Sullivan, which he has subsequently approved.

The current algorithm:

> *<u>Algorithm 1: Undergraduate Net Tuition</u>*
>
> *Undergraduate Net Tuition is defined as gross tuition less financial aid (the netting occurs before the revenue is allocated).*
>
> *Undergraduate net tuition will be allocated as follows:*
>
> - *85% based on a college's or school's percentage of the two-year trailing average of Student Credit Hours (SCH) taught (based on the home unit of the instructor of record). The SCHs will be weighted to reflect the relative national costs of instruction by college/school[2]; and,*
> - *15% based on a college's or school's percentage of the two-year trailing average of majors.*

The intent of Algorithm 1 as originally recommended by the Steering Committee and as currently structured is two-fold. It provides colleges and schools with incentives to offer innovative, high-quality undergraduate programs and to focus on student recruitment and retention while accounting for the differential cost of instruction via the weighting of student credit hours.

Based on the campus feedback, the IBB Steering Committee reviewed the following Algorithm 1 components in particular: (A) the student credit hour (SCH) weightings (see bullet 1 above), and (B) the 85/15 split (SCH/major; see bullets one and two above).

[1] Please see Campus Update #8 for information on the IBB Model 2.0 process and its revised timeline.
[2] Based on the Delaware Study of Instructional Costs and Productivity

A. The Student Credit Hour Weightings

Feedback on the algorithm from the campus-wide surveys suggested that the SCH weightings, while understood by some, are perceived by others as inequitable, disadvantageous to particular units, a barrier to cross-college collaboration, and overly complex. The focus group feedback was consistent with the survey feedback, which demonstrated overwhelming support for the elimination of the weightings.

The Steering Committee recommends eliminating the SCH weightings in Algorithm 1. The Steering Committee's rationale included (1) the advancement of two of IBB's guiding principles: transparency and simplicity, (2) the belief that an unweighted SCH will continue to incentivize the colleges and schools to develop and maintain quality academic programs, and (3) the desire to respond to clear and consistent campus feedback, in turn, increasing trust and confidence in the budget model.

A universal unweighted SCH will vary little from the current weighted SCH in all but three of the units. Removing the SCH weightings will not prohibit leadership from exercising discretion in the differential valuing of particular University priorities or high-impact practices[3]. In fact, the Steering Committee felt strongly that it was essential to preserve this discretion.

A universal, unweighted SCH will affect high-cost instruction units. The Steering Committee believes that accounting for the differential cost of instruction (DCI), one of the algorithm's two primary functions, must continue to be facilitated by the model. With the removal of SCH weightings, this will be done through subvention. Subvention plays two distinct roles as part of this change.

First, one-time subvention adjustments will be made to allow for a budget neutral transition from weighted to unweighted SCH. This one-time "re-set" mitigates any sudden shocks – either positive or negative – to the system and recognizes the DCI in the context of our current enrollment mix.

Second, the use of subvention to account for the DCI forces the institution to make more intentional and strategic future enrollment decisions. Decisions about changes to the enrollment mix (both within and among units) must be deliberate because any significant and sustained growth in high-cost disciplines may require further subvention increases. This would, in turn, result in off-setting subvention decreases in other units. This possibility is mitigated in the following ways:

(1) Subvention increases are not necessary in all cases of enrollment growth, but they *may* be necessary if the planned growth is significant, sustained, *and* in a high-cost discipline.

(2) A subvention increase would *only* be necessary for the difference between the weighted and the unweighted SCH value for the incremental growth (not the entire value of a SCH).

(3) Continuation of the Provost's four-year record of extreme restraint regarding subvention adjustments. In Model 1.0 annual subvention changes were less than one quarter of one percent of the annual budget (0.25%).

B. The 85/15 Split

Feedback on the 85/15 (SCH/major) split expressed concern that the split negatively affects course offerings. The Committee reviewed data about course offerings since the adoption of IBB 1.0 and came to the conclusion that it was appropriate to maintain a split, and that any potential change would be

[3] The only existing example of this is the Honors College multiplier (3 to 1), which will remain in place.

marginal at most. **Given the substantial revision related to the weights and the fact that an 85/15 split is typical at other RCM schools, the Committee recommends against further changes to the algorithm.**

-//-

Preliminary recommendations on Algorithm 6 will be released in the weeks ahead. When that recommendation has been developed, the Steering Committee will have concluded its work on the IBB Model's algorithms and will then turn its attention to the other issues outside of the algorithms.

cc: Tom Sullivan, President
Alberto Citarella, University Budget Director
Incentive-based Budget Steering Committee

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Faculty and Staff of the University of Vermont

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: August 29, 2018

SUBJECT: Incentive-based Budget Model – Campus Update #8

I am writing to update you on the Incentive-based Budget (IBB) Model 2.0 process and its **revised timeline**, and to provide you with information on the recommended changes to Algorithm 7 in particular.

The IBB Model 2.0 process was initiated last November with a call for input from the campus community. After reviewing the campus feedback, the IBB Steering Committee identified three major areas for refinement in Model 2.0, to be addressed in the following order:

> Algorithm 7 – Support Center[1] Pools: To review (a) the headcount cost driver in particular, and (b) to determine whether the formula can be simplified.
>
> Algorithm 1 – Undergraduate Net Tuition: Focusing on (a) the weightings, and (b) whether the 85/15 split should be revised vis-à-vis the role, if any, it plays in curricular/course offering decisions.
>
> Algorithm 6 – Facilities: Investigating whether the current methodology can/should be revised to account for space weighting by functional use, remediation obligations, and utility costs.

CHANGE TO THE IBB MODEL 2.0 TIMELINE

As our work has progressed, and as we began forward-planning for implementation of any changes to the budget model, we realized it would be preferable for the Steering Committee to conclude its work earlier than the December 2018 date we had been targeting. December is essentially the start of the FY20 budget planning process, and it is important for the deans and vice presidents and their business managers to both understand changes in the budget model and have the planning and forecasting tools necessary for their budget planning purposes. As a result, **the Steering Committee is scheduled to complete its work on changes to the budget model early this fall** and will then turn its attention to the other planned elements of the IBB 2.0 process such as refinement of metrics and mapping to the President's *Strategic Action Plan*.

[1] In January 2018, we transitioned from the term "Cost Center" to "Support Center" in recognition of the essential partnerships between the support units and the academic units ("Responsibility Centers").

348 Waterman Building, 85 South Prospect Street, Burlington, VT 05405
(802) 656-4400 Fax: (802) 656-9220

RECOMMENDED REVISIONS TO ALGORITHM 7

The feedback on Algorithm 7 centered on the headcount assessment. The intent of the assessment, at approximately $9,000 per head, is to cover Support Center (SC) expenses in SCs whose costs are driven by the number of faculty and staff employed by the University regardless of whether they are full-time or part-time. Feedback from the campus-wide surveys suggests that the headcount assessment is perceived as (1) a disincentive to hiring part-time faculty, (2) a burden to departments that are heavily reliant on part-time faculty, and (3) an impediment to program innovation which may require new faculty hiring at a rate that initially outpaces revenue generation.

The Steering Committee recommends revising the headcount methodology such that the part-time faculty/staff assessment is half of the full-time assessment. This responds to the call for change, eases part-time faculty hiring expenses without overly disincenting full-time faculty hiring, and supports programs reliant on part-time faculty, all while still acknowledging Support Center expenses associated with all employees.

On the question of whether the Algorithm 7 formula should be simplified, the Committee feels that the current level of detail provides a necessary level of transparency upon which the campus relies, and did not recommend further changes to Algorithm 7's pools or drivers.

-//-

Preliminary recommendations on Algorithms 1 and 6 will be released sequentially in the weeks ahead as the Steering Committee arrives at its recommendations.

cc: Tom Sullivan, President
Alberto Citarella, University Budget Director
Incentive-based Budget Steering Committee

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Faculty and Staff of the University of Vermont

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: April 30, 2018

SUBJECT: Incentive-based Budget Model – Campus Update #7

I am writing to update you on the Incentive-based Budget (IBB) Model 2.0 process.

First, thank you to all who provided feedback in response to the November 29, 2017 call for input on IBB Model 2.0. The feedback has been posted on the IBB website, has been shared with the IBB Steering Committee, and will continue to inform our work throughout the IBB 2.0 process.

IBB Model Areas Under Review

After reviewing campus feedback, the IBB Steering Committee identified three major areas that will be the focus going forward (Model 2.0 work):

> Algorithm 1 – Undergraduate Net Tuition: Focusing on (a) the weightings, and (b) whether the 85/15 split should be revised vis-à-vis the role, if any, it plays in curricular/course offering decisions.
>
> Algorithm 6 – Facilities: Investigating whether the current methodology can/should be revised to account for space weighting by functional use, remediation obligations, and utility costs.
>
> Algorithm 7 – Support Center[1] Pools: To review (a) the headcount cost driver in particular, and (b) to determine whether the formula can be simplified.

Several important issues outside of the algorithms will also be addressed, including:

(1) the role and authority of the Educational Stewardship Committee,
(2) whether and how to incorporate retention and 4-year graduation rates into the model,
(3) whether refinements to the metrics used to evaluate the model are warranted, and

[1] In January 2018, we transitioned from the term "Cost Center" to "Support Center" in recognition of the essential partnerships between the support units and the academic units ("Responsibility Centers").

(4) an exercise that maps all elements of the IBB Model to one or more of the President's Strategic Action Plan pillars (the Guiding Principles, algorithms, incentives, checks and balances).

Focus Groups

The IBB Steering Committee will be hosting three focus groups for Deans, Department Chairs, and Academic Program Directors in early May. The goal for these sessions is to gather feedback in response to potential changes to Algorithm 7. There will be additional focus group sessions in the Fall addressing Algorithms 1 and 6.

IBB Informational Resources

I want to take this opportunity to share again the IBB informational resources available to you.

- The IBB Website provides information, data, communications, and historical records.
- Budget Director Alberto Citarella remains committed to meeting with individuals or groups to provide IBB training and information.
- The Educational Stewardship Committee's Website provides information on the committee's charge, process, and reports of its review outcomes.

As we conclude our third operating year under IBB, we are committed to improving the model in an effort to provide a strategic tool that links resources with strategy; promotes financial responsibility and sustainability; and empowers deans and colleges/schools to achieve their units' highest strategic priorities and goals in supporting academic excellence. I look forward to sharing the results of our work with you.

cc: Tom Sullivan, President
Alberto Citarella, Budget Director
IBB Steering Committee

The University of Vermont

Office of the Provost
and Senior Vice President

TO: University of Vermont Faculty

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: February 26, 2018

SUBJECT: Additional Opportunity for IBB 2.0 Feedback, Input

My office has heard from several faculty members that they felt uncomfortable providing feedback and input into the IBB 2.0 process using the campus-wide survey that was open between November 2017 and January 2018, because the survey requested identifying information. That information was used to group responses (e.g., faculty, staff, student; by college or school) and to reach out to individuals or governance groups for additional information or clarification. This allowed us to provide accurate information to the Steering Committee.

All input is important. I want to be responsive to those who feel more comfortable providing input anonymously.

Not wanting to miss any opportunity for important feedback as we enter the year-long IBB 2.0 process, we are issuing a revised survey that allows you to provide the same type of feedback that was requested previously but without identifying information.

The survey will be available online here beginning today. The anonymous survey will close at noon on March 12, 2018. As with the original survey, information will be compiled and provided directly to the IBB 2.0 Steering Committee members for their consideration.

In keeping with our ongoing commitment to transparency and providing the campus with timely information, we will continue to update and refresh the IBB website regularly over the course of the year.

Thank you for your feedback and input to this important process.

348 Waterman Building, 85 South Prospect Street, Burlington, VT 05405
(802) 656-4400 Fax: (802) 656-9220

TO: Faculty and Staff of the University of Vermont

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: January 22, 2018

SUBJECT: Incentive-based Budget Model: Steering Committee Membership

In my November 2017 IBB Campus Update memo, I described the process for reconstituting the IBB Steering Committee in preparation for the development of IBB Model 2.0. We received more than 40 nominations, all of which came with high recommendation. I extend my sincere thanks to the faculty and staff members who indicated a willingness to serve.

In assembling the committee, our goal was to ensure broad and diverse membership, bringing diverse perspectives as well as insights into a variety of key areas of the University. President Sullivan has approved the revised Steering Committee membership and he shares my confidence in the group we've assembled. Committee members will approach their work openly, as University citizens, not as individual unit representatives. Steering Committee members will also serve as vital communication links across campus.

IBB Steering Committee Membership

David Rosowsky, Provost and Senior Vice President, Committee Chair

Lisa Aultman-Hall, Professor, Department of Civil and Environmental Engineering (returning prior/new member)

Andrew Barnaby, Chair, Faculty Senate Financial and Physical Planning Committee; Professor, Department of English (new member)

Brian Beckage, Professor, Department of Plant Biology (new member)

Shari Bergquist, Assistant Dean for Business Operations, College of Nursing and Health Sciences

Breck Bowden, Patrick Professor of Watershed Science and Planning; Director, Water Resources and Lake Studies Center, Rubenstein School of Environment and Natural Resources

Johanna Brabham, Manager, Residential Life and Davis Center Custodial Services Department

Sara Cahan, Associate Professor and Chair, Department of Biology (new member)

Richard Cate, Vice President for Finance and Treasurer

Brian Cote, Senior Associate Dean for Finance and Administration, Larner College of Medicine (new member)

Michelle DiPinto, President, Graduate Student Senate

Cynthia Forehand, Dean, Graduate College (new member)

Rex Forehand, Heinz and Rowena Ansbacher Endowed University Distinguished Professor, Department of Psychological Science

Ryan Hargraves, Director, Office of Admissions (new member)

Jane Kolodinsky, Professor and Chair, Department of Community Development and Applied Economics

Jamie LaPierre, Treasurer, Student Government Association

William Mierse, Richard and Pamela Ader Green and Gold Professor, Department of Art and Art History

Polly Parsons, E.L. Amidon Professor of Medicine and Chair, Department of Medicine

Sonya Stern, Director, Sponsored Project Administration (new member)

Beth Taylor-Nolan, Associate Dean for Student Services, Division of Continuing Education

Scott Thomas, Dean, College of Education and Social Services (new member)

Richard Vanden Bergh, Professor, Grossman School of Business

Jim Vigoreaux, Breazzano Endowed Professor, Associate Provost for Faculty Affairs

IBB Website, Communications, and Model 2.0 Timeline

We remain committed to transparency and open communication. The IBB website is an archive of detailed information on the development of Model 1.0, and will continue to provide current information about the model, its timeline, communications to campus, presentations, reports, and informational resources. It also provides mechanisms for members of the campus community to provide feedback and respond to surveys or interim reports that are posted as our work progresses. Please bookmark this site and visit it often.

We also welcome opportunities to meet with smaller groups to provide information and answer questions. *We will meet with anyone, anytime, anywhere to discuss IBB*. If you'd like to set up an IBB meeting, contact University Budget Director Alberto Citarella at alberto.citarella@uvm.edu.

The timeline for the development of Model 2.0 is available on the website. The Steering Committee will deliberate over the spring and fall 2018 semesters, and in January 2019 will submit a report of Model 2.0 recommendations to President Sullivan for his review and approval. I will issue periodic updates to keep campus apprised of our progress.

Thank you.

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Faculty and Staff of the University of Vermont

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: November 29, 2017

SUBJECT: Incentive-based Budget Model – Campus Update #6

The Incentive-based Budgeting (IBB) Steering Committee will soon be initiating IBB Model 2.0 discussions. I am writing to update you on the Model 2.0 process.

IBB Model 1.0 Review

This summer the IBB Steering Committee conducted a review of IBB Model 1.0. The results of the review are available on the IBB website. They were largely positive, and feedback on aspects of the model that could benefit from refinement came as no surprise. The evaluation of Model 1.0 provides a useful foundation for the discussion of Model 2.0. I encourage you to review this information.

IBB Steering Committee Membership – Call for Nominations

Before the IBB Steering Committee begins Model 2.0 deliberations, we will reconstitute the group. The current Steering Committee membership is posted on the IBB website. As a result of turnover in the last 18-months, the original membership of 22 now stands at 15. I anticipate that we'll add six to eight members to return the group to its original size. As with the original Steering Committee, we will seek to balance multiple dimensions of diversity, and ensure the expertise, background, and perspective essential to both a successful process and successful Model 2.0.

Each Dean, Vice President, and Other Senior Leader has been asked to nominate up to three individuals for membership on the IBB Steering Committee. If you would like to be considered, please make this known to the leadership of your unit as soon as possible. Nominees should understand that this is a multi-year commitment (it will not conclude when IBB 2.0 goes live). Steering Committee members serve as advocates and ambassadors for the model, and they must approach the committee's work as university citizens, not individual unit representatives. Nominations are due from unit leadership by noon on **December 15, 2017**.

IBB Model 2.0 – Call for Input

The timeline for the development of Model 2.0 is available on the IBB website. The IBB Steering Committee's work will begin with a call for input as follows: (1) each governance group is asked to recommend up to three areas of the model for refinement; the governance groups will each determine and initiate an internal consultative process and their submissions will reflect the sentiments of the governance group; (2) each dean, vice president, and other senior leader is asked to recommend up to three areas of the model for refinement; these leaders will each determine and initiate an internal consultative process and their submissions will reflect the sentiments of each administrative unit or college/school; (3) the Council of Deans is asked to recommend up to three areas of the model for refinement; the Council will determine and initiate its process and its submission will reflect the sentiments of the Council; (4) individuals will be able to submit structured feedback via an online survey that will remain open until **January 19, 2018**. The link to the survey is also available on the IBB webpage.

Again, it may be helpful to review the evaluation of Model 1.0 before considering refinements to Model 2.0.

I remain grateful for the engagement and important contributions so many members of our community brought to Model 1.0. Thank you in advance for your valuable contributions to Model 2.0. I wish you all a great end of the semester and a peaceful holiday season.

cc: Tom Sullivan, President
Alberto Citarella, Budget Director
Incentive-based Budgeting Steering Committee

TO: Faculty and Staff of the University of Vermont

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: June 6, 2016

SUBJECT: Incentive-based Budget Model – Campus Update #5

I write to you as we bring to a close our first year under an incentive-based budget (IBB) model. As you know, the new budget model was developed and implemented over a two-year period in accordance with a set of guiding principles. These included creating incentives to promote academic quality and excellence as well as financial sustainability; encouraging innovation and entrepreneurship; and providing transparency, clarity, and predictability. By adhering closely to these guiding principles, creating a broad and inclusive committee structure, taking our time to be both thoughtful and careful, and regularly communicating progress, we were able to move successfully as a campus through the development and implementation of the new budget model.

The resulting IBB model is *transparent*, it is *predictable*, it is *easily understood*. The model supports *academic quality*, it distributes *budgetary responsibility*, it provides *clear incentives*, and it allows for *multi-year planning*. Our extensive engagement and preparation allowed for a seamless transition that already has yielded a number of important advances. As I reflect on the significance of this milestone, I want to again express my sincere gratitude to the many faculty, staff and administrators who have invested countless hours in this effort, and who remain committed to unleashing the potential and opportunity the new budget model offers.

Over the past eighteen months, we've experienced a period of unprecedented curricular innovation, in part due to the good and creative thinking of our faculty members, in part as a result of the budget model's incentives, and all for the benefit of our students who deserve the most compelling array of academic programs we can provide. At the close of this memo you'll find a listing of our newest programs.

As I discussed in the most recent issue of Across the Green (April 2016), beyond new academic programs, the transition to IBB has incented and enabled new approaches as well as transparency, dialog and engagement that will enable units to make decisions consistent with their highest priorities, and create the best overall educational experience possible. Examples include:

- The colleges/schools are able to make multi-year investments in new academic programs and new scholarly activities, monitoring for progress and verifying that expectations (e.g., enrollments, degree completion, scholarship, visibility, rankings) are being met.

- Budgets of the colleges/schools have been hardened to reflect (a) long-time ongoing commitments from the University to the unit, and (b) expense commitments that had been paid previously from (e.g.) gift accounts or other one-time sources.
- The colleges/schools are taking a more thoughtful, strategic, and creative approach to summer including (a) more strategic student-centered offerings; (b) more consistent, equitable, and appropriate class sizes; (c) increased online and hybrid offerings to reach and attract broader audiences; and (d) a focus on efficiency to increase effective net revenue back to the academic unit.
- The colleges/schools are thinking strategically about true costs of extramural research, and in particular how to accommodate grants that are central to meeting the unit's highest priorities but do not pay full indirect costs.
- The colleges/schools are looking carefully at the true costs of externally funded centers and grant-funded service activities to fully understand the level of subsidies that must be provided by the unit to support them.
- The faculty and deans are engaged in forward-looking discussions about library holdings and acquisitions (in particular, serials subscriptions), with full benefit of actual cost and actual usage statistics. The deans will be engaging with their faculty in trade-off analyses and discussions in the coming year.
- The faculty in the colleges/schools are actively engaged in student recruitment and retention efforts, and to the success of their students upon graduation.

We knew that over time, the model would encourage important conversations and activities such as these. What is remarkable is the pace at which the Responsibility Centers (RC's) have embraced, understood, and capitalized on the opportunities the model provides.

Increased Net Tuition Revenue Projections for FY17

As a result of the recruitment and retention efforts noted above, we not only recruited a very high-quality class, we're anticipating that our FY17 net tuition revenue will exceed projections by about $4M. This is a direct result of the efforts of Vice President Kostell and her entire team, as well as the efforts of the colleges and schools. This additional one-time revenue (beyond initial revenue projections) goes directly to the colleges and schools in accordance with the IBB model. The colleges and schools can then discuss and identify strategic priorities for new investment, or choose to strengthen existing areas of the budget.

Subvention Reductions

While it is clear that our academic community has a firm grasp on most aspects of the IBB model, "subvention" and its relation to the Strategic Investment Fund (SIF) is less well-understood. While complete details may be found in the About Subvention document on the IBB website, I use this opportunity to provide further clarification in response to questions we have received.

What is subvention and why do we have it?

As part of our transition to IBB, each college and school received a subvention (subsidy). The primary purpose of this was two-fold. First, IBB is an entrepreneurship and accountability model, not an autonomy model. Subvention, a common feature of IBB models, integrates what otherwise would be a completely decentralized system, by allowing for the rebalancing of revenues necessary to support core academic offerings that do not generate enough revenue to meet expenses.

Subvention has always been part of the University of Vermont budget model. That is, the University budget has always included internal reallocations between colleges/schools with the ability to generate revenue in excess of their costs and those that require support regardless of how efficiently they operate. What has changed? In IBB, this subsidization – or subvention – is now visible. Recall that *transparency* was one of the underlying principles of IBB.

Subvention's second purpose was to provide a budget neutral transition to the new model. This ensured year-one balanced revenues and expenses in each Responsibility Center, and provided additional time for the RCs to develop their knowledge, strategy and plans around the new model.

Subvention can also be used to ameliorate sudden budgetary shifts that could result, for example, from reductions in enrollments, changes in the state appropriation, decreased F&A revenue, or major unforeseen expenses critical to campus operations.

Where does subvention come from?

The source of subvention funding is undergraduate net tuition revenue, from which $40M is allocated to the subvention pool before the remainder is distributed to the colleges and schools in accordance with Algorithm 1. The subvention pool is then *fully allocated* to the colleges and schools consistent with the two purposes discussed above – budget neutrality (in Year 1) and maintaining the University's broad portfolio of programs.

Why is the amount of subvention being reduced?

Subventions are being reduced at a very modest rate of 1-4% per year, over a period of 4-5 years, to incent change (e.g., focus on student retention and success, new revenue generation, increased efficiencies). It is important to understand that subvention represents a very small portion of any college's or school's budget, and the reduction is on that small portion of the unit's budget only – not its entire budget. For example, the College of Arts and Sciences received a 1% reduction in subvention for next year, this represented a $123K reduction on a revenue budget of more than $104M, or less than 1/8th of one percent.

While there will be modest reductions over the next 4-5 years, subvention is expected to continue indefinitely, allowing for the rebalancing of revenue that is necessary at any university. Eliminating subvention, as has been suggested by some, would have the undesirable result of forcing sudden and dramatic downsizing by some colleges and schools. This is, of course, counter to the goals of the budget model. The University, as a whole, benefits from its broad portfolio of academic programs, some of which will always require the differential investment and support provided by subvention.

How does this relate to the Strategic Investment Fund (another common feature of IBB models)?

The savings from the modest subvention reductions that will take place over the next several years will be used to grow the Strategic Investment Fund (SIF) from its current $4M to $8M. There is no plan to grow the investment fund beyond $8M, and we anticipate it will take 4-5 years to achieve this level of funding.

Excerpt from IBB Campus Update Memo #4, May 11, 2015 –

> "Part of the planned and phased [subvention] reduction will be used to create a Strategic Investment Fund to enable the president and provost to invest strategically in new initiatives, respond to opportunities, and continue to invest in the University's physical and intellectual infrastructure. Such a fund is critical to the success of these types of decentralized budget models, according to every university that has made such a transition over the last two decades."

While lower than comparable funds at other institutions, we believe this modest investment fund, representing about 1.25% of our total university budget, will enable us to make critically important strategic investments in academic priorities – whether academic programs and personnel[1], infrastructure to support teaching or research[2], interdisciplinary programs[3], or academic support initiatives[4]. While the majority of the strategic investment funds will be directed to academic units and programs, they may also be used to make other investments that directly support our academic mission; diversity recruitment efforts, campus or facilities upgrades or repairs, or initiatives around academic advising or student retention – for example. This year, I presented an overview of the factors that guide investment decisions and examples of strategic investments from the last several years to the Faculty Senate Executive Council and the full Faculty Senate. This presentation was well received, I was thanked, and asked if I would be willing to make such a presentation each year. I am happy to do so.

The President and I are committed to maintaining resources we can invest in the highest university-wide priorities. We are committed to increasing diversity on our campus, investing in interdisciplinary programs, attracting the best and brightest students, recruiting and retaining a world-class faculty, and creating the best possible learning and discovery environment at the University of Vermont.

---

[1] Examples: staffing for the new Writing Gen Ed requirement, EPI grants, STEM K-12 education grants, expansion of Henderson Fellows program

[2] Examples: Royall Tyler Theatre and Southwick Recital Hall upgrades, general purpose and Kalkin classroom upgrades, new biomedical engineering lab

[3] Examples: Humanities Center, Faculty Activity Network (FAN), Fostering Interdisciplinary Scholarship, Arts and Research (FISAR) program, REACH program, and SPARK-VT program

[4] Examples: retention coordinator, undergraduate student research coordinator, renovation and relocation costs for academic and student support services, support for advising and degree progress tracking

We are excited by the curricular innovation, interdisciplinary activity, recruitment efforts, and new campus-wide research and scholarship initiatives that are resulting from and being enabled by IBB. Your individual and collective efforts are both necessary and appreciated. I wish you a wonderful summer – here in Burlington or wherever you may be.

New Academic Programs (recently approved)

Undergraduate Majors
Biomedical Engineering B.S.
Data Science B.S.
Economics B.S.
Food Systems B.S.

Graduate Degrees and Certificates
Complex Systems and Data Science M.S.
Epidemiology (Certificate)
Food Systems Ph.D.
Medical Laboratory Science M.S.

Undergraduate Minors and Certificates
Art
Behavioral Change Health Studies
International Politics
Jewish Studies
Musical Theatre
Neuroscience
TESOL (Certificate)
Writing

TO: Faculty and Staff of the University of Vermont

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: May 11, 2015

SUBJECT: Incentive-based Budget Model – Campus Update #4

As the academic year draws to a close, I wanted to provide a year-end update on our incentive-based budgeting (IBB) initiative. While excitement over the power and potential of the new model is building as the July 1 launch-date approaches, we also know that any such transition raises questions and can create anxieties. This is normal and fully anticipated. My goal over the last 20 months has been to operate with both transparency and accessibility – being responsive, available, and forthcoming. In keeping with the commitment to openness and transparency upon which the model was built, I'd like to address three important issues around which questions have arisen: (1) FY16 budget reductions, (2) Cost Centers, and (3) subvention.

FY16 Budget Reductions and IBB

The FY16 budget reductions are not related to IBB. The reductions were not caused by the transition in budget model and they did not result from strategies or algorithms embedded within the new budget model. The FY16 reductions resulted from the need to balance expenses and revenues. In other words, and as you have heard over the last year, our expenses (largely driven by increases in salaries and benefits) are growing at a faster rate than our revenues (largely driven by undergraduate tuition). This is a continuing issue, causing what amounts to a structural gap. It has nothing to do with IBB. It is independent of the choice of budget model. However, IBB does provide a platform from which we can not only stabilize our budget (ensuring UVM's short and long-term sustainability), but also transform the University and enhance our value proposition by creating new and compelling academic offerings, creating the best possible teaching and learning environment, and innovating and adapting to meet changes in the world around us. *This* is how we will create a sustainable future (intellectual, financial, and otherwise) for the University of Vermont. It will require commitment, leadership, vision, innovation, and the strategic use of IBB as a management tool – to take bold risks, to realize ambitious goals, to elevate and to secure UVM's position as leading university.

The Cost of the IBB Cost Centers

Some have rightly noted that IBB Model 1.0 does not contain an explicit methodology for determining appropriate Cost Center (CC) budgets. Over the last several years, the burden of university-wide budget reductions has been more heavily borne by the administrative, rather than the academic, units on campus. This was by design, in efforts to minimize impact to the core academic programs of the University. As a result, our administrative units have greatly improved efficiency while continuing to deliver high-quality services to our academic units, our students, and our campus. In addition, just as the Responsibility Centers (RC's) are planning for reductions in their subventions (see next section), the

CC's also are planning for decreases in their annual budgets. In fact, **as part of the FY16 budget process, the Cost Centers were required to submit budgets for FY17 and FY18 that included reductions**.

As we move forward, we will continue to monitor the Cost Center budgets carefully, and Cost Centers will be expected to seek all possible efficiencies. If there are significant and sustained increases *or* decreases in the drivers upon which Cost Center expenses are allocated, Cost Center budgets will be adjusted accordingly. In IBB Model 2.0, we may seek to establish a more formal methodology to drive increases or decreases to Cost Center budgets. In the meantime, I would ask that you consider that, while it may be true that the RC's have no control over the costs of the Cost Centers in IBB 1.0, it is also true that the academic units have *never* had control of these costs. Under IBB, however, we are now able to discuss and evaluate these costs with the benefit of full information and complete transparency.

Subvention

It is fair to say that subvention has raised more questions than any other component of IBB Model 1.0. In its simplest terms, subvention is the redistribution of revenue "outside" of the IBB revenue algorithms. This includes taking a portion of the overall undergraduate net tuition revenue ($40M), designating that funding as the subvention pool, and then allocating that revenue to Responsibility Centers in a variety of ways for a variety of reasons. In FY16, 100% of the $40M subvention is allocated back out to the colleges/schools.

Subvention has *always* been part of the University of Vermont budget model. That is, the University budget has always included internal reallocations between colleges/schools with the ability to generate revenue in excess of their costs and those that require support regardless of how efficiently they operate. What has changed? In IBB, this subsidization – or subvention – is now visible. Recall that *transparency* was one of the goals we established for IBB. Now, and as is the case with the Cost Centers (previous section), we can discuss subvention levels and strategies with the benefit of complete information and full transparency.

Responsibility Centers (colleges/schools) have been advised to plan for reductions in their subventions of between 5% and 10% each year for the next four years. This is a target range of reductions *only* to the subvention amount, which is in all cases a small percentage of the overall budget.

Subvention will be used to ensure budget neutrality in FY16. In FY17 and beyond, reductions and reallocations in subvention will allow us to progress toward strategic goals and objectives, recalibrate imbalances among RC budgets, temporarily ameliorate sudden budgetary (enrollment) shifts, and provide ongoing support to RC's that simply cannot generate enough revenue to meet expenses. Part of the planned and phased reduction will be used to create a Strategic Investment Fund to enable the president and provost to invest strategically in new initiatives, respond to opportunities, and continue to invest in the University's physical and intellectual infrastructure. Such a fund is critical to the success of these types of decentralized budget models, according to every university that has made such a transition over the last two decades.

Unlike other components of the model, the method for determining a Responsibility Center's overall subvention, or the rate at which that subvention should decrease, is not tightly prescribed. It will involve the managerial judgement and discretion of the dean, the provost and the president. Even if it were possible, and I have my doubts that it is, developing a budget model that is entirely prescribed (i.e., algorithms only) allowing for no management discretion would be ill-advised. An organization as complex, and subject to as many external variables, as ours requires management discretion, flexibility, and the ability to both respond and invest strategically.

That said, subvention does *not* materially impact the predictability or effectiveness of the model. Close to 90% of IBB Model 1.0 is dictated by well-defined rules (algorithms). And the remainder also is largely fixed since the RC's know they should plan on a 5%-10% reduction in their subvention amount (only, *not* their entire budget) in each of the next four years. Depending on the degree of dependence of each college/school on subvention (i.e., to ensure budget neutrality in the FY16 transition year), this planned annual reduction in subvention averages about 0.6%-1.2% of their overall budgets. Thus, RC's have solid information with which to target revenue growth, both to accommodate the very modest reduction in subvention and develop resources to grow or create new programs, in the coming years. Recall that *predictability* was also a goal established for IBB.

Closing Thoughts

Year 2 of our IBB development/implementation process is drawing to a close and we are on-target for a July 1st launch. In the past year, the Implementation Team and its many subcommittees have worked hard to ensure a smooth transition – with listening sessions, training sessions, development of new planning and reporting tools, and one-on-one and group discussions with financial and budget personnel across the University. New tools have been created, new efficiencies have been realized, questions have been answered, and both understanding and confidence have been raised.

This second year has also been our "parallel" year during which we operated both the old and new budget models concurrently, to watch and study the performance of the new IBB model. We anticipated seeing perhaps half a dozen issues arise that would need to be addressed (algorithm or model adjustments) during the parallel year. We did see three such issues and each was addressed by the Steering Committee, in consultation with the appropriate subcommittee(s), in turn. The resulting three modifications were described in the three previous *Campus Updates*.

While it is certainly reasonable to expect that some minor issues may become apparent in the next year, our experience in this parallel year raised no red flags and we are confident we're well-positioned for the July 1st launch. The Steering Committee will continue to meet regularly in FY16 to assess the model's performance and respond to any issues that arise.

As I have said often, IBB Model 1.0 is not perfect – no budget model is. It does not incent every desired behavior or outcome – no budget model ever could. Nor does IBB Model 1.0 optimally serve any one college/school – no one model ever will. But the model is *transparent*, it is *predictable*, it is *easily understood*. The model supports *academic quality*, it distributes *budgetary responsibility*, it provides *clear incentives*, and it *allows multi-year planning*. We will continue to refine the model over time, and have kept careful track of enhancements and modifications that might be considered for Model 2.0, which is likely only three to four years away.

It has been my privilege to work with the 240 members of our campus community involved in the development and implementation of IBB, and to witness such a collaborative, inclusive, and authentic process. This bodes very well for the future of the University of Vermont.

Thank you.

From February 2015 *Across the Green* memo:

> "IBB will enable innovation, strategic planning linked to resources, and the forward-planning that will ensure our sustainable financial future. In short, our new budget model has the potential to harness the power of the entire campus in support of our core academic mission.
>
> Our continued commitment to transparency and effective communication is critical to the success of our transition to IBB. We must all understand that while our budget model has changed, our *core values* as a university have not; that our ongoing budget challenges fully mirror what is happening at universities across the country; and that IBB did not create, nor will it solve, our budget challenges. IBB is not a panacea. In and of itself, it will not reduce expenses, create efficiencies, or create new revenue. But the new model *will* enable thoughtful and strategic decisions to be made – following robust discussion and with benefit of full information and transparency – about how to address these challenges."

From *IBB Final Report*:

> "While we are all excited about the opportunities for transformation that IBB affords, I caution that IBB is not the solution to the very real and pressing challenges we face. It, in and of itself, will not reduce our expenses, create efficiencies or generate new revenue. It is not a surrogate for leadership, vision or innovation. It is a management tool that will empower our academic leaders to develop and manage their resources strategically, efficiently, and effectively as the academic units continue to elevate the quality and reputation of academic programs in order to meet the needs of our students. IBB links strategy with resources at the appropriate level. I have every confidence that it will support a positive transformation – but we all must play a role in that process. We must be willing to examine and question long-held practices and beliefs. We must be willing to change, to create, and to innovate."

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Deans, Associate Deans, Department Chairs, and Program Directors

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: April 29, 2015

SUBJECT: IBB Steering Committee Liaison program, Academic Year 2015-16

I am pleased to announce the following members of the IBB Steering Committee have agreed to serve as "IBB Steering Committee Liaisons" through the 2015-16 academic year.

Breck Bowden
Patrick Professor of Watershed Science and Planning
Director, Water Resources and Lake Studies Center
Rubenstein School of Environment and Natural Resources
breck.bowden@uvm.edu

Polly Parsons
E.L. Amidon Professor of Medicine and Department Chair, Department of Medicine
College of Medicine
polly.parsons@uvmhealth.org

George Salembier
Associate Professor and Department Chair, Department of Education
College of Education and Social Services
george.salembier@uvm.edu

Rick Vanden Bergh
Associate Professor, School of Business Administration
richard.vanden-bergh@uvm.edu

Jim Vigoreaux
Breazzano Green and Gold Professor and Department Chair, Department of Biology
College of Arts and Sciences
jim.vigoreaux@uvm.edu

Each of these Steering Committee members has graciously agreed to be available to work with deans, department chairs, program chairs, or others in the colleges and schools to help you better understand IBB, answer questions, or otherwise serve as a resource or a sounding board. Each brings a deep understanding of IBB (accrued over the last 18 months) as well as their own leadership and administrative experience.

348 Waterman Building, 85 South Prospect Street, Burlington, VT 05405
(802) 656-4400 Fax: (802) 656-9220

Alberto Citarella and Richard Cate, along with members of the IBB Implementation Team, will continue to be available to you throughout the transition and into the coming year. However, I thought it might be helpful if you also had access to Steering Committee members that have administrative and leadership positions similar to your own.

I want to thank each of these five Steering Committee members for agreeing to serve in this liaison role over the next year, and encourage you to reach out to any of them whenever you feel they can be helpful.

Best wishes for the end of the semester. I look forward to seeing you at the upcoming commencement ceremonies.

cc: IBB Steering Committee

The University of Vermont

Office of the President

February 5, 2015

To: UVM Community

From: Tom Sullivan, President
David V. Rosowsky, Provost and Senior Vice President

RE: Incentive-based Budget Model – Final Report

We are writing to let you know that the Final Report of the Incentive-based Budget (IBB) Model Steering Committee has been approved and is posted on the IBB Website. This Final Report builds on the Preliminary Report issued in June 2014, and reflects the feedback received as part of the campus review and vetting process, and our further study of the model. It follows from the 2012-13 year-long discussion of the University's existing budget model.

The IBB model that we have developed collaboratively addresses many of the shortcomings of our current budget model. It's transparent, clear, and predictable. Importantly, it provides incentives that are crucial to the University's long-term financial sustainability; it supports our commitment to advancing academic excellence; and it centers decision making in the academic units thus encouraging consultation and transparency.

We are committed to assessing the model's performance and refining it over time through an on-going review process, and hope that you will – through your participation in the model's implementation in your units – remain engaged in the collaborative and constructive process that lead to remarkable results.

We extend our thanks to the nearly 100 members of the Steering Committee and Subcommittees for their work over the last 18-months, as well as to the members of our community who offered feedback throughout the process. We are deeply appreciative of the significant efforts underway to support our successful implementation of incentive-based budgeting.

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Thomas Sullivan, President

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: January 29, 2015

SUBJECT: Final Report of the Incentive-based Budget Model Steering Committee

In June 2014, I provided you with the Preliminary Incentive-based Budget (IBB) Model for the University of Vermont. These recommendations were the result of many hours of diligent work by the members of the IBB Steering Committee, the eight IBB Subcommittees, our academic and administrative leaders, and the many members of our campus community who were engaged in this process. The July IBB report was posted and a campus vetting process – including a two-month comment period – began. As a result of thoughtful critiques and our further study of the model, three of its seven algorithms have been revised (Algorithms 3, 4, and 7). The preliminary final report has been revised to reflect these changes, as well as related activities since July, and the final IBB Model 1.0 is hereby submitted for your approval.

REPORT CONTENTS

BACKGROUND

In academic year 2012-13, the UVM community discussed the characteristics and operation of its existing budget model. Those discussions included governance leaders, trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was widespread agreement that the existing model: (1) lacked transparency, (2) was unnecessarily complex, (3) offered little flexibility, and (4) provided few incentives. In early fall 2013, you asked me, in my role as chief budget officer, to lead the campus in an effort to develop a new incentive-based budget model for the University. In addition to providing transparency and important incentives, chief among the new model's objectives are: (1) to encourage a more comprehensive "all funds" budgeting approach, and (2) to provide the clarity and predictability that will enable multi-year planning critical to ensuring the University's long-term financial sustainability.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

PROJECT ORGANIZATION

A Steering Committee (Appendix A) was charged with responsibility for developing a set of IBB model recommendations by June 2014. The IBB Steering Committee was supported by eight subcommittees (Appendix B), each having responsibility for exploring a particular component of the IBB model and providing the Steering Committee with specific recommendations. The subcommittees:

1. Cost Pool Methodology
2. Facilities and Space Costs
3. Fee Generating Units
4. Graduate Tuition Revenue and Aid
5. Interdisciplinary Scholarship and Teaching
6. Non-Degree and Online Tuition and Aid
7. Research and Indirect Cost Recovery
8. Undergraduate Tuition Revenue and Aid

The development, implementation and continual assessment of the new budget model will continue to be guided both by the *Academic Excellence Goals* (Appendix C) and the following guiding principles which you established last fall:

- Creates incentives that promote academic quality and excellence;
- Creates incentives at all levels of the University that promote financial sustainability;
- Encourages innovation and entrepreneurship throughout the University;
- Provides transparency, clarity, and predictability;
- Can be easily understood, is easy to implement and operate, and is flexible; and,
- Can operate in all cycles of the economy, whether robust or downturn.

A seventh guiding principle emerged over the course of the IBB Steering Committee's work and I recommend that it be added to the list above:

- Fosters interdisciplinary scholarly and teaching activity.

COMMUNICATIONS TO THE CAMPUS COMMUNITY

We were committed to an open and transparent process and communicated with campus in the following ways:

<u>Website</u>:
An IBB website[1] was established in September 2013 and includes information on the Steering Committee, the subcommittees, the project timeline, campus communications, presentations, reports, informational resources, implementation and IBB data. Early in the development phase, the website also included a link which allowed users to provide feedback, ask questions, and submit suggestions.

<u>Campus-wide Memos</u>:
In academic year 2013-14, six campus-wide IBB memos were issued and posted on the IBB Website. In the fall semester of academic year 2014-15, three additional campus-wide IBB update memos were issued and posted.

[1] http://www.uvm.edu/provost/IBB/

All five issues of *Across the Green*, my memo to the UVM academic community, also included updates on IBB and are posted on the Provost's Office website[2].

Presentations and Meetings:
The IBB website underscores our commitment to communication throughout the process and includes the following invitation, "We will meet with anyone, anytime, anywhere to discuss IBB." In all, there were more than 150 IBB meetings in academic year 2013-14. These meetings took a variety of forms, and included the Steering and subcommittees, governance groups, department chairs, campus leadership, divisional staff and the like, and were an opportunity to share information on the IBB development effort, provide general information on how IBB models work at other universities, and gather feedback. I also provided an interview to the *Vermont Cynic*[3]. There have been more than 250 IBB meetings – largely focused on implementation – this year.

PROJECT MILESTONES

The following summarizes the project's major milestones:

September 2013 - Steering Committee Appointed

The 22-member Steering Committee included 11 faculty, 5 staff, 2 senior administrators, 2 deans, and 2 students. Its composition was diverse and broadly representative. The Steering Committee met 12 times during FY14 and received periodic assignments between meetings. Fifteen members of the Steering Committee were also on subcommittees and attended those meetings as well. The Steering Committee continues to meet to review the model's performance and recommend adjustments.

October 2013 - Subcommittees Appointed

Membership on the eight subcommittees included 43 faculty, 10 deans or vice presidents, 27 staff members and one student. Two members of each subcommittee, including the subcommittee chair, were also members of the Steering Committee. The subcommittees received formal charges (Appendix D) outlining their tasks, questions that should be considered and available resources and support. There were approximately 65 subcommittee meetings between October 2013 and January 2014.

January 2014 - Subcommittee Reports Received

The reports from the subcommittees were received, posted on the IBB website and announced to the campus (Appendix E). Each posted report was accompanied by a survey designed to gather feedback from the broader community. The survey results were provided to the Steering Committee.

January 2014 - Interim IBB Report Issued to President Sullivan

An interim report on the project's progress was submitted and posted (Appendix F).

February 2014 - Subcommittee Report Question and Answer Sessions

The campus community was invited to attend one of four open Q&A sessions (Appendix G) to learn more about the subcommittees' recommendations. The sessions were staffed by members of the IBB Steering and subcommittees.

---

[2] http://www.uvm.edu/provost/?Page=acrossthegreen.html
[3] http://www.uvm.edu/provost/IBB/Rosowsky%20Cynic%20IBB%20Q&A.pdf

February 2014 - IBB Engagement Campaign with Governance Groups

Beginning in February and extending over a period of five weeks, IBB leaders including the Provost, the Vice President for Finance, the Budget Director and several Steering Committee members met with leadership groups to share information and gather feedback on the subcommittee reports. The governance groups included the President's Senior Leadership; the Provost's Academic Leadership Council; the Faculty Senate Executive Council; the Faculty Senate Finance and Physical Planning Committee; the full Faculty Senate; the Graduate Student Senate; the Staff Council and the University Business Advisors.

March 2014 - Individual Subcommittee Meetings with the Provost

Beginning in March, the Provost hosted a breakfast meeting with each subcommittee to gather additional information from the groups and to share the Steering Committee's early observations on their proposed algorithms.

April 2014 – Implementation Planning Begins

Vice President Cate was charged[4] with leading the Division of Finance in developing and implementing a plan for operationalizing an eventual IBB model.

July 2014 – Preliminary Final Report of the IBB Steering Committee Issued

The Preliminary IBB Model 1.0[5] as proposed by the IBB Steering Committee was submitted for the President's review and posted on the IBB website.

July to September 2014 – Campus Comment Period on Preliminary IBB Model 1.0

Upon receipt of the preliminary final report, President Sullivan invites all members of the UVM community to offer comments[6] before final approval of the model. The comments were considered as part of Steering Committee and other deliberations during the fall semester.

September to December 2014 – Vetting Process for Proposed Model Revisions

Proposed changes to the model were vetted with academic and administrative leadership, the relevant IBB subcommittee leadership, the IBB Steering Committee, and were shared through a series of campus-wide updates issued over the fall 2014 semester.

January 2015 – Final Report of the IBB Steering Committee Issued

The final IBB Model 1.0 as proposed by the IBB Steering Committee was submitted for the President's review and approval, and posted on the IBB website.

THE STEERING COMMITTEE'S PROCESS

The IBB Steering Committee approached its work openly, with a vested interest only in that which is best for the University as a whole. The meetings in the fall 2013 semester focused on developing a broad understanding of IBB models and included regular updates on the progress of the subcommittees.

Once the subcommittee reports were posted in January 2014, the Steering Committee addressed each report in turn and used a systematic approach to determine which of the proposed algorithms was preferred. This entailed considering (1) the subcommittee recommendations/components of the model conceptually to assess their fit with the guiding principles, (2) their fit at UVM, (3) their fit with each

[4] http://www.uvm.edu/provost/IBB/IBB%20Implementation%20Memo%205.22.14.pdf
[5] http://www.uvm.edu/provost/IBB/IBB%20Final%20Report%20and%20Appendices_07_09_14-3.pdf
[6] http://www.uvm.edu/president/Sullivan%20Memo%20Re%20IBB%2007-09-14.pdf

other, and (4) their individual and collective incentives and disincentives. *It was not until this work was done that the University's finance team provided the Steering Committee with financial modeling* to help the group more fully understand the implications of the preferred algorithms and various aspects of the model.

After reviewing the draft model with numbers behind it, the group engaged in further discussions about the algorithms and confirmed and/or refined its recommendations. In some cases the Steering Committee made modest adjustments to an algorithm proposed by a subcommittee. That said, by-and-large, the Steering Committee's preliminary recommendations and those proposed in this report are fully consistent with the intent, if not the letter, of the subcommittees' proposals. The Steering Committee also provided insights on more general model issues and methodologies.

THE RECOMMENDED MODEL

The following discussion assumes a working knowledge of IBB models, some familiarity with the UVM IBB subcommittee reports[7], and is intended to describe only the major components and characteristics of the recommended IBB model. It does not include a significant level of detail. The detail will be captured in the companion documentation that is in development, and will include all definitions, metrics and detailed formulas.

<u>Responsibility Centers, Cost Centers, and Hybrid Cost Centers</u>
Most university units are either Responsibility Centers (RC) or Cost Centers[8] (CC). Responsibility Centers, such as colleges and schools, are primarily defined by their revenue-generating capability and their use of and dependence on centralized services. A Cost Center, such as Payroll or Admissions, is a unit that does not generate revenue, but supports the Responsibility Centers by providing centralized services or resources.

The Responsibility Centers:

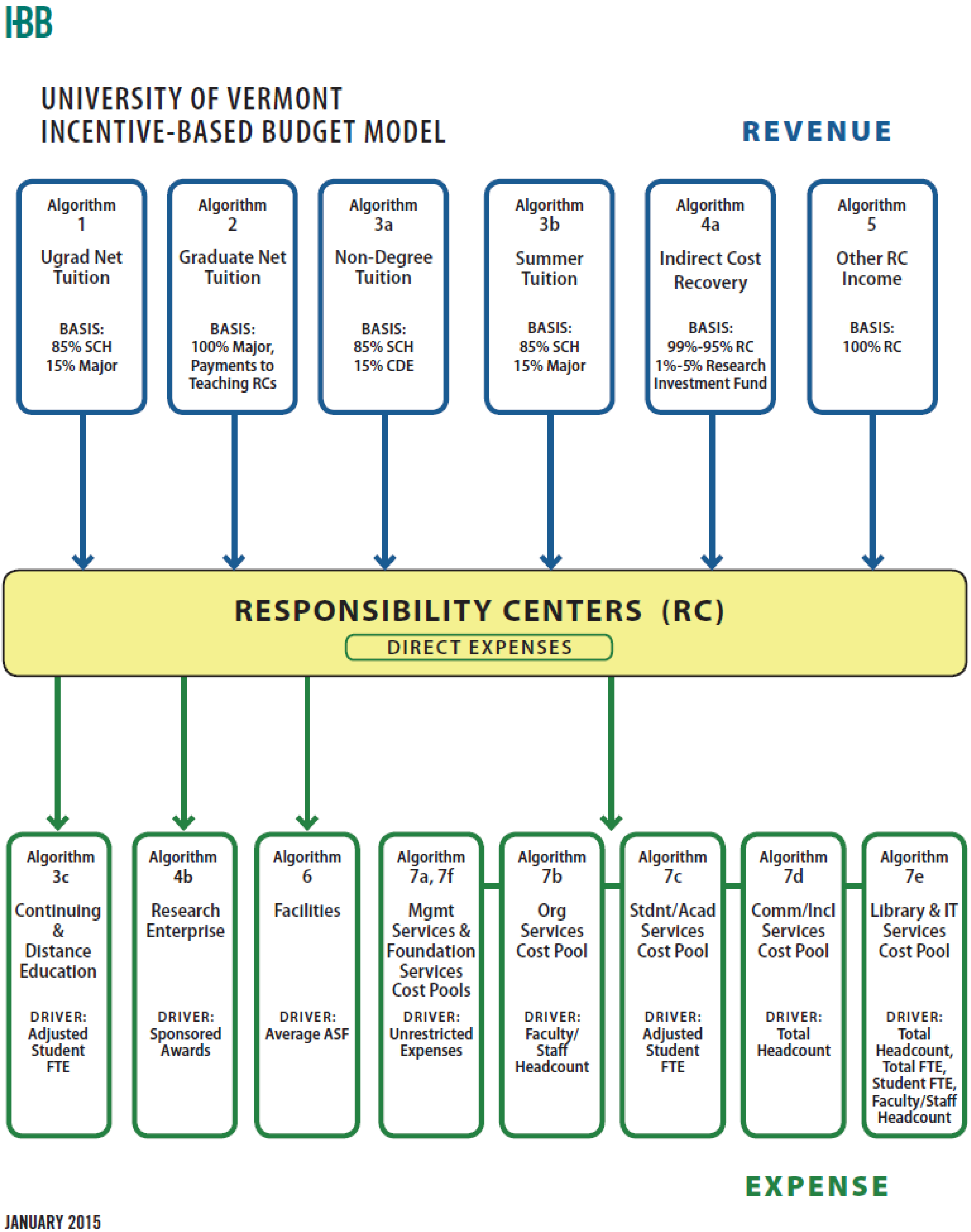
College of Agriculture and Life Sciences	College of Arts and Sciences
School of Business Administration	College of Education and Social Services
UVM Extension	College of Engineering and Mathematical Sciences
College of Medicine	College of Nursing and Health Sciences
Rubenstein School of Environment & Natural Resources	

The Cost Centers include approximately 80 units and are more fully described in the discussion of algorithm 7 later in this report.

Continuing and Distance Education and the Office of the Vice President for Research share the characteristics of Responsibility Centers *and* Cost Centers, and have been designated Hybrid Cost Centers. This means that a portion of their budgets will be funded via revenue algorithms and a portion of their budgets will be funded via expense algorithms.

In the UVM IBB Model 1.0, revenue and expense is allocated to the Responsibility Centers via a series of algorithms as illustrated in the following diagram.

[7] http://www.uvm.edu/provost/IBB/?Page=subcommittees_ibb.html
[8] Cost Center is a term used to generically describe this component of an IBB model. I recommend that we consider adopting a term that more accurately reflects the valuable services provided by these UVM units.



IBB
UNIVERSITY OF VERMONT
INCENTIVE-BASED BUDGET MODEL
REVENUE
Algorithm 1
Ugrad Net Tuition
BASIS: 85% SCH 15% Major
Algorithm 2
Graduate Net Tuition
BASIS: 100% Major, Payments to Teaching RCs
Algorithm 3a
Non-Degree Tuition
BASIS: 85% SCH 15% CDE
Algorithm 3b
Summer Tuition
BASIS: 85% SCH 15% Major
Algorithm 4a
Indirect Cost Recovery
BASIS: 99%-95% RC 1%-5% Research Investment Fund
Algorithm 5
Other RC Income
BASIS: 100% RC
RESPONSIBILITY CENTERS (RC)
DIRECT EXPENSES
Algorithm 3c
Continuing & Distance Education
DRIVER: Adjusted Student FTE
Algorithm 4b
Research Enterprise
DRIVER: Sponsored Awards
Algorithm 6
Facilities
DRIVER: Average ASF
Algorithm 7a, 7f
Mgmt Services & Foundation Services Cost Pools
DRIVER: Unrestricted Expenses
Algorithm 7b
Org Services Cost Pool
DRIVER: Faculty/ Staff Headcount
Algorithm 7c
Stdnt/Acad Services Cost Pool
DRIVER: Adjusted Student FTE
Algorithm 7d
Comm/Incl Services Cost Pool
DRIVER: Total Headcount
Algorithm 7e
Library & IT Services Cost Pool
DRIVER: Total Headcount, Total FTE, Student FTE, Faculty/Staff Headcount
EXPENSE
JANUARY 2015

The Algorithms

The IBB model recommended by the Steering Committee includes seven algorithms, each of which determines the allocation of either revenue or expense to a Responsibility Center (several of the algorithms have multiple components):

The Revenue Algorithms
- Algorithm 1: Undergraduate Net Tuition
- Algorithm 2: Graduate Net Tuition
- Algorithm 3: Non-Degree and Summer Tuition (includes revenue and expense)
- Algorithm 4: Indirect Cost Recovery (includes revenue and expense)
- Algorithm 5: Other Income

The Expense Algorithms
- Algorithm 6: Facilities and Space
- Algorithm 7: Cost Pools (includes the Cost Centers)

Algorithm 1: Undergraduate Net Tuition

Undergraduate Net Tuition is defined as gross tuition less financial aid (the netting occurs before the revenue is allocated).

Undergraduate net tuition will be allocated as follows:

- 85% based on a college's or school's percentage of the two-year trailing average of Student Credit Hours (SCH) taught (based on the home unit of the instructor of record). The SCHs will be weighted to reflect the relative national costs of instruction by college/school; and,
- 15% based on a college's or school's percentage of the two-year trailing average of majors.

Throughout this document, the *instructor of record* is defined as the individual recorded in Banner as the instructor of a course. The *home unit of the instructor of record* is defined as the home college or school of the instructor's primary appointment.

Rationale: This algorithm provides colleges and schools with an incentive to offer innovative, high-quality undergraduate programs; to respond to student needs and demands; and to focus on student recruitment and retention. It recognizes the differential costs of instruction via the weighting of SCHs as well as the demands of majors on an academic department.

Algorithm 2: Graduate Net Tuition (three components)

College/Disciplinary Graduate Tuition and Aid:

Graduate Net Tuition is defined as gross tuition less financial aid (the netting occurs after the revenue is allocated). The home college or school of a graduate student's program will be allocated 100% of that student's gross tuition and 100% of that student's financial aid. Graduate Student Stipends will be paid by the hiring unit.

Payments to Teaching RCs:

For every SCH a graduate student takes outside of the home college, the home college will pay the teaching college 85% of the University's I/S per credit tuition rate.

Cross-College/Interdisciplinary Graduate Tuition and Aid:
The graduate net tuition generated by cross-college interdisciplinary programs such as the Food Systems Master of Science will be allocated to the Graduate College. The net tuition will then be distributed to each of the participating colleges and schools based on their percentage of the program's total SCHs. If additional aid – such as paying insurance or comprehensive fees – is required for the program and this expense exceeds tuition revenue, the participating units will pay the Graduate College the funding necessary to make the Graduate College whole.

Rationale: This algorithm provides colleges and schools with an incentive to offer innovative, high-quality graduate programs; to respond to student needs and demands; and to focus on student recruitment and retention. It also supports interdisciplinary programs and recognizes the instructional costs associated with courses taken outside a student's home college.

<u>Algorithm 3: Non-Degree and Summer Tuition (three components)</u>
Continuing and Distance Education (CDE) will be designated a hybrid cost center. A portion of its revenue will be funded via revenue algorithms 3a and 3b, and a portion of its budget will reside in the cost pool and will be funded via expense algorithm 3c.

3a: Academic Year Non-Degree Net Tuition Revenue (a revenue algorithm)
Academic year non-degree net tuition revenue will be allocated as follows:

- 85% based on a college's or school's percentage of the non-degree SCH taught (based on the home unit of the instructor or record); and,
- 15% allocated to CDE.

3b: Summer Tuition Revenue (a revenue algorithm)
This includes tuition revenue from *any** student taught in the summer, and will be allocated as follows:

- 85% based on a college's or school's percentage of the summer SCH taught (based on the home unit of the instructor of record); and,
- 15% based on a college's or school's percentage of the majors taking summer courses; non-degree students will be counted as CDE majors.

As noted in algorithm 1, the *home unit of the instructor of record* is defined as the home college or school of the instructor's primary appointment.

3c: CDE Expenses (an expense algorithm)
CDE provides services that will support RC revenue generation. Returning the majority of the revenue in this algorithm to the RCs provides the most transparent and effective incentives to the RCs, but does not provide CDE with the revenue necessary to cover its full costs. The CDE expenses that are not covered by the 15% allocation on non-degree enrollments (3a, 3b) – as well as other forms of revenue generated by CDE – will be allocated to the RCs on the basis of student FTE.

Rationale: This algorithm aligns incentives and eliminates unproductive competition; it provides strong and transparent incentives for the academic units to engage in summer, and for both the academic units and CDE to grow non-degree enrollments.

*In summer 2015, Graduate Tuition was included in Algorithm 3b. In spring 2016, the Steering Committee determined that it was more appropriately housed in Algorithm 2, effective summer 2016.

Distance education will be considered a mode of delivery, not a separate category of revenue. Therefore, distance revenue will be allocated via the appropriate algorithm (1, 2, or 3) depending on student type.

Algorithm 4: Indirect Cost Recovery (two components)
The Office of the Vice President for Research (OVPR) has been designated a hybrid cost center. A portion of its budget will be funded via revenue algorithm 4a and a portion of its budget will reside in the cost pool and will be funded via expense algorithm 4b. This structure provides common incentives for both the OVPR and the Responsibility Centers to grow the University's F&A revenue.

4a: F&A Revenue (a revenue algorithm)
Indirect cost recovery revenue generated by sponsored activities (commonly referred to as "F&A") will be allocated as follows:

- In FY16, 99% of the F&A will be allocated to the RC of the grant's Principal Investigator (PI) with the remaining 1% allocated to the Office of the Vice President for Research. If grants have multiple PI's, the F&A allocated to the RCs will be distributed according to their respective planned effort on the grant.
    - By FY18, this allocation will change such that 95% of the F&A will be allocated to the RCs and 5% to the OVPR. However, the Provost may choose to adjust these percentages in response to strategic needs and priorities.
- The OVPR will receive 100% of the F&A revenue associated with several university-wide interdisciplinary grants and centers/institutes.
- The OVPR will receive 100% of the F&A not allocated specifically to a Responsibility Center.

4b: Research Enterprise Expenses (an expense algorithm)
The University's research enterprise includes the OVPR; Sponsored Programs Administration; the Office of Technology Commercialization; the Instrument Model Facility and more. The expenses of the Research Enterprise not funded by the F&A allocation as discussed above will be allocated to an RC based on its percentage of the 3-year trailing average of sponsored awards. For example, if an RC generated 22% of the sponsored awards generated by all RCs over the previous three years, it will be allocated 22% of the total cost of the remaining Research Enterprise expenses not already funded via Algorithm 4a.

Rationale: This algorithm provides incentives for both the RCs and the OVPR to grow the University's F&A revenue; incentives for the RCs to consider their research portfolios as a whole and grow them strategically; it provides the Office of the Vice President for Research with resources to invest strategically; and it allocates the expenses associated with the research enterprise to the units that utilize these services.

Algorithm 5: Other Income
"Other Income" (OI) is defined as revenue not directly related to tuition and research. Examples of OI include lab fees, vending fees, student application fees and the revenue generated by income expense activities both large and small such as the Luse Center in the College of Nursing and Health Sciences (CNHS) and Residential Life.

OI generated within a Responsibility Center will be allocated to that RC (e.g., CNHS would receive the revenue the Luse Center generates, and CNHS would also receive the funding associated with any of its course fees).

OI generated by large self-sustaining income/expense activities that are not currently classified as RCs, but operate much like them in that they are responsible for their own revenue and expenses, will be allocated to those activities. Examples of these activities include Residential Life, the Bookstore, and the Center for Health and Wellbeing.

Undesignated OI generated more broadly, and typically by a cost center (e.g., vending fees, student application fees) will be allocated to the overall university revenue pool for broad distribution to the RCs via a reduction in the allocation of costs back to the Responsibility Centers.

Rationale: The revenue generated to meet the needs of a particular activity within an RC should be allocated back to the RC. Since the large self-sustaining income/expense activities are currently functioning successfully in an IBB-like way, it seemed wise to leave their operations undisturbed at this time. Undesignated OI is appropriately allocated for the benefit of the entire university.

Algorithm 6: Facilities and Space Costs

The costs associated with facilities (including physical space and utilities) will be allocated to a Responsibility Center based on its percentage of the total campus square footage. The cost associated with barns and sheds will be discounted by 80%.

The cost of "administrative units'" space (includes all space that is not allocated to the RCs) is allocated to Responsibility Centers based on their share of the overall cost pool (Algorithm 7). That is, if an RC's allocation of cost pool expenses is 22% of the total cost pool, it will be allocated 22% of the cost for administrative units' space.

General purpose classroom space will be assigned to the Registrar's Office, not a particular RC.

If a Responsibility Center is willing to invest in space improvements that will increase efficiency, we will develop a mechanism whereby measurable savings are shared with the RC.

Rationale: Generally speaking, each RC has a facility mix that includes space that is both new and historical; efficient and inefficient; and high and low tech. Additionally, only some of the buildings on campus are metered, making precise energy costs undeterminable. For these reasons, it seemed reasonable to allocate facilities costs on a uniform assignable square foot basis.

Algorithm 7: Cost Pools

The approximately 80 Cost Centers have been grouped into six different cost pools (Appendix H) and their expenses are allocated based on the following cost drivers:

Management Services – unrestricted expenses[9]
Organizational Support Services – faculty and staff headcount
Student/Academic Services – student FTE
Community/Inclusion Services – total headcount (faculty, staff, students)

[9] Unrestricted expenses include all general fund and income/expense activity expenses.

Libraries and Information Technology Services – total FTE (30%), total headcount (30%), student FTE (20%), faculty/staff headcount (20%)
The UVM Foundation – unrestricted expenses

In cost pools that include SCH-based FTEs as a driver, Graduate SCHs will be deflated by 80%.

Rationale: The clarity of the cost pool algorithms will allow RC managers to quickly and easily understand the expense implications associated with potential actions. Deflating Graduate SCHs will incent growth in two critical areas identified in the *Academic Excellence Goals*: growth in graduate education and growth in distance education. Using expenses as a cost driver encourages cost reduction on the part of the Responsibility Centers, and limiting this driver to *unrestricted* expenses encourages units to seek external funding.

The transparency of the algorithms sheds light on the costs of the service providers. The Cost Center budgets will be monitored carefully, and Cost Centers will be expected to innovate and seek all possible efficiencies. If there are significant and sustained increases or decreases in the drivers upon which Cost Center expenses are allocated, Cost Center budgets will be adjusted accordingly.

Subvention and the President's and Provost's Strategic Investment Fund

The IBB implementation will be budget neutral in the first year. Budget neutrality means that each Responsibility Center's revenues and expenses will balance in year one*, and each RC will be able to maintain its pre-IBB level of expense that was supported by its base budget. This will be accomplished by providing each RC with a revenue subvention (subsidy). The source of the subvention pool is undergraduate net tuition revenue, from which approximately $40M will be allocated to the subvention pool before the remainder is allocated to the RCs in accord with algorithm 1. Final subvention amounts will not be determined until budget planning for FY16 is complete.

Over time, it is expected that subventions to the Responsibility Centers will decrease. The Provost will develop the subvention strategy on a case-by-case basis with the dean of each RC. However, the nature and structure of some RCs is such that they will always require subvention. The need for subvention should not be viewed as a value judgment on a unit's worth or productivity. The University as a whole benefits from its broad portfolio of programs, each with unique characteristics and complexities, and some of which will require strategic, differential investment and support.

A strategic investment fund available to the President and Provost is an essential component of the model. This fund will be used to support the initiatives that are the highest priorities of the President and Provost. This fund will build over time, and its likely source of funding is the reallocation of funds from the subvention pool – as subventions to the RCs decrease, the investment fund will increase. Subvention is further discussed in Appendix I.

INTERDISCIPLINARY SCHOLARSHIP AND TEACHING

The Steering Committee paid particular attention to the impact of IBB on interdisciplinary scholarship and teaching. It is widely understood that interdisciplinary teaching and scholarship is both a hallmark of UVM and a key to its future success. Under our current budget model, there is no incentive for a dean to allocate faculty time to programs beyond the home unit. Under IBB, a dean will have clear incentives to mount innovative high-demand interdisciplinary programs that will attract and retain students. RCs participating in interdisciplinary instruction will generate revenue either through majors

*Text in red added for clarity 12.7.17

or student credit hours taught. Similarly, federal funding agencies have moved into a mode of supporting interdisciplinary teams working on some of the most complex problems. The Vice President for Research will have a strategic investment fund (see below) to incent and support such proposals, and the participating colleges and schools will benefit from the F&A return.

IBB, through its transparency, simplicity, and predictability, will enable colleges and schools to more easily weigh trade-offs of costs vs. merit of interdisciplinary activities, to plan resource allocation accordingly, and to assess whether and when additional investments may be worthwhile. The IBB framework allows and encourages colleges and schools to enter into financial agreements/partnerships around interdisciplinary and cross-unit programs. Quoting from Indiana University's 2011 RCM Review Committee report: "RCM served to make transparent the actual costs and financial trade-offs involved in cross-RC activity, and as a result, fostered healthy conversations about the underlying substantive merits of interdisciplinary proposals."

In the move to IBB, a number of important steps will be taken to ensure an environment exists for interdisciplinary activities to flourish and be sustained. These include: (1) tuition algorithms that are driven by the instructor of record of the course, regardless of whether or not the course is in the instructor's home department; (2) Banner will track courses with multiple instructors so that revenues can be distributed accordingly; (3) the OVPR will have a strategic fund that can be used to incentivize new interdisciplinary research and scholarship; (4) the Dean of the Graduate College will have a strategic fund that can be used to incentivize interdisciplinary graduate program offerings; and (5) the President and Provost will be able to use funds from the Strategic Investment Fund to support, foster, grow, and/or promote interdisciplinary activities. Ultimately, however, decisions about interdisciplinary activities reside with the deans and faculty. IBB is simply a tool. It cannot and should not substitute for leadership, vision, and strategic thinking. The deans will be in a far stronger position under IBB to make informed, strategic decisions and investments in innovative, cross-cutting, interdisciplinary programs that are compelling, important, and sustainable, and that can serve as discriminators for the University of Vermont.

ADMINISTRATIVE UNIT REVIEW

The process of Administrative Unit Review[10] (AUR) lies outside the IBB model, but it is nonetheless closely related. The Vice President for Executive Operations will manage the AUR process in which Cost Centers will undergo regular reviews to assess their quality, efficiency and effectiveness; to stimulate planning and improvement; and to encourage their development in strategic directions that reflect the University's priorities. These reviews will provide the Responsibility Centers with formal opportunities to provide meaningful input on the cost and quality of the services they receive. The Administrative Unit Review process began in the spring of 2014.

A LOOK AHEAD

We are using FY15 to run the proposed IBB model in parallel with our current budget model. The Steering Committee continues to meet, to watch the IBB model "at work," and recommend further enhancements to the model in preparation for its full implementation in FY16. Beyond FY16, the proposed model will undergo periodic evaluation and refinement; a major review of the model is recommended in FY20.

---

[10] http://www.uvm.edu/president/AUR/

There is also a great deal of work underway in preparation for the model's launch. I have charged Vice President for Finance Richard Cate with leading a team in developing and implementing a plan for operationalizing the model (Appendix J). This team is working to ensure that UVM's business processes and systems accurately reflect both the final IBB algorithms and the overall revenues and expenses of the University; to ensure accurate reconciliation of revenue and expense; to ensure that both the Responsibility and Cost Centers have access to relevant, accurate, timely IBB financial data and reports; and to ensure that members of UVM's financial management community have the information and training they need to support a successful implementation.

The Provost's Office will work with the academic units and the Faculty Senate to develop mechanisms to ensure appropriate curricular oversight.

CLOSING THOUGHTS

While we are all excited about the opportunities for transformation that IBB affords, I caution that IBB is not the solution to the very real and pressing challenges we face. It, in and of itself, will not reduce our expenses, create efficiencies or generate new revenue. It is not a surrogate for leadership, vision or innovation. It is a management tool that will empower our academic leaders to develop and manage their resources strategically, efficiently, and effectively as the academic units continue to elevate the quality and reputation of academic programs in order to meet the needs of our students. IBB links strategy with resources at the appropriate level. I have every confidence that it will support a positive transformation – but we all must play a role in that process. We must be willing to examine and question long-held practices and beliefs. We must be willing to change, to create, and to innovate.

In closing, let me say how enormously grateful I am to the members of the IBB Steering Committee, as well as the eight IBB subcommittees, for the countless hours they have invested in this process. Through their time, energy, careful study, critical discourse, and engagement with faculty, staff, and students across the UVM campus over the past year and a half, we have arrived at this point where we are able to recommend an IBB model for your approval. It has been my privilege to work with the 240 members of our campus community involved in the development and implementation of IBB, and to witness such a collaborative, inclusive, and authentic process. This bodes very well for the future of the University of Vermont.

IBB Steering Committee Membership – September 20, 2013

David Rosowsky, Committee Chair; Provost and Senior Vice President

Lisa Aultman-Hall, Professor, School of Engineering and Transportation Research Center

Joshua Barry, Undergraduate Student, College of Engineering and Mathematical Sciences; Treasurer, Student Government Association

Shari Bergquist, Assistant Dean for Business Operations, College of Nursing and Health Sciences

Breck Bowden, Patrick Professor of Watershed Science and Planning; Director, Water Resources and Lake Studies Center, Rubenstein School of Environment and Natural Resources

Johanna Brabham, Manager, Residential Life and Davis Center Custodial Services Department

Richard Cate, Vice President for Finance and Treasurer

Rex Forehand, Heinz and Rowena Ansbacher Endowed University Distinguished Professor, Department of Psychology

Jennifer Gagnon, Interim Associate Vice President for Research Administration

Jane Kolodinsky, Professor and Chair, Department of Community Development and Applied Economics

William Mierse, Richard and Pamela Ader Green and Gold Professor, Department of Art and Art History

Fayneese Miller, Dean, College of Education and Social Services

Rick Morin, Dean, College of Medicine

Owen Myers, Graduate Student, Materials Science; Treasurer, Graduate Student Senate

Rae Nishi, Professor, Neurological Sciences; Director, Neuroscience Graduate Program; Director, Neuroscience, Behavior and Health Transdisciplinary Research Initiative

Polly Parsons, E.L. Amidon Professor of Medicine and Chair, Department of Medicine

Don Ross, Research Professor, Department of Plant and Soil Science; Director, CALS Environmental Sciences Major; Chair, Faculty Senate Financial and Physical Planning Committee

George Salembier, Associate Professor and Chair, Department of Education

Beth Taylor-Nolan, Assistant Dean, Continuing Education

Richard Vanden Bergh, Associate Professor, School of Business Administration

Jim Vigoreaux, Breazzano Endowed Professor and Chair, Department of Biology

Beth Wiser, Director, Office of Admissions

Appendix B

The University of Vermont

Office of the Provost
and Senior Vice President

October 4, 2013

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Subject: Incentive-based Budgeting (IBB) Subcommittee Membership

We had a tremendous response from the campus community to participate on the IBB subcommittees. With so many outstanding nominees from across our campus, determining IBB subcommittee membership was a challenge, but a challenge of the very best sort. Upon reviewing the list of nominees, my respect and admiration for the experience, expertise and dedication of our faculty and staff has deepened. I am honored to be working with all of you and I am grateful for your willingness to engage in this important conversation.

When assembling the subcommittees, we sought balance along a number of dimensions of diversity and inclusiveness both within and among the subcommittees. We were attentive to gender, cultural, intellectual, faculty/staff, home unit, and self-nomination/central nomination mixes. That said, we also needed the right backgrounds and expertise at the table to ensure productive subcommittee discussions. While we endeavored for balance across a number of dimensions, it was not possible in all cases. I am confident we have assembled outstanding subcommittees that will effectively and actively represent our entire community. These individuals are serving as university citizens who will bring the entirety of their talents and intellect to this work on behalf of *all* of us.

As noted in my IBB update memo to campus on September 23, we have added a subcommittee on Interdisciplinary Scholarship and Teaching, which will be chaired by Professor William Mierse. By design, this subcommittee is comprised entirely of faculty and includes a broad range of academic disciplines with slightly less focus on balance among units.

The IBB subcommittees will, of course, draw on expertise from across campus as they conduct their work. As always, you can find current information at the IBB website.

I extend my sincerest thanks to those who were willing to be considered for appointment to these subcommittees, and to those who accepted appointments.

(membership listing begins on page 2)

INCENTIVE-BASED BUDGETING – SUBCOMMITTEE MEMBERSHIP

COST POOL METHODOLOGY:
Polly Parsons, Professor and Chair, Department of Medicine (Chair)
Mike Austin, Director of System Administration, Enterprise Technology Services
Shari Bergquist, Asst. Dean for Business Operations, College of Nursing and Health Sciences
Stephen Dempsey, Associate Professor, School of Business Administration
Rose Feenan, Asst. Dean for Business Operations, Rubenstein School of Environment and Natural Resources
Cathy Krupp, Financial Manager, Continuing and Distance Education
Patricia Redmond, Assistant to the Dean, Honors College
Mara Saule, Chief Information Officer and Dean, Libraries and Learning Resources
Ross Thomson, Professor, Department of Economics
Gregory Warrington, Assistant Professor, Department of Mathematics and Statistics

FACILITIES AND SPACE COSTS:
Don Ross, Research Professor, Department of Plant and Soil Science (Chair)
Alison Armstrong, Library Professor, Bailey Howe Library Information and Instruction Services
Johanna Brabham, Manager, Residential Life and Davis Center Custodial Services Department
Linda Burnham, Assistant Dean for Business Operations, College of Arts and Sciences
Brian Cote, Senior Associate Dean for Finance and Administration, College of Medicine
Gary Hawley, Research Associate, Rubenstein School of Environment and Natural Resources
Josie Mercure, Associate Director, Financial Analysis and Budgeting
Kim Parker, Associate Director, Residential Life
Sanjay Sharma, Dean, School of Business Administration
Robert Vaughan, Director, Capital Planning and Management

GRADUATE TUITION REVENUE AND AID:
Rae Nishi, Professor, Department of Neurological Sciences (Chair)
Penny Bishop, Professor, Department of Education
Norman Craige, Associate Director, Student Financial Services
Paul Deslandes, Associate Professor and Chair, Department of History
Cindy Forehand, Interim Dean, Graduate College
Luis Garcia, Dean, College of Engineering and Mathematical Sciences
Diane Jette, Professor and Chair, Department of Rehabilitation and Movement Science
Christopher Koliba, Professor, Department of Community Development and Applied Economics
Erin Montgomery, Program Administrator, Cell and Molecular Biology Program
Richard Vanden Bergh, Associate Professor, School of Business Administration

INTERDISCIPLINARY SCHOLARSHIP AND TEACHING:
William Mierse, Department of Art and Art History (Chair)
David Barrington, Professor, Department of Plant Biology
Christopher Berger, Associate Professor, Department of Molecular Physiology and Biophysics
Rosemary Dale, Clinical Professor and Chair, Department of Nursing
Maggie Eppstein, Associate Professor and Chair, Department of Computer Science
Stephanie Kaza, Professor, Rubenstein School of Environment and Natural Resources
Tammy Kolbe, Assistant Professor, Department of Leadership and Developmental Sciences
Charlotte Mehrtens, Professor, Department of Geology
Wolfgang Mieder, Professor, Department of German and Russian
David Novak, Associate Professor, School of Business Administration
Julie Roberts, Professor, Department of Romance Languages and Linguistics

NON-DEGREE AND ONLINE TUITION REVENUE AND AID:
Jane Kolodinsky, Professor and Chair, Department of Community Development and Applied Economics (Chair)
Jennifer Dickinson, Associate Professor, Department of Anthropology
Cynthia Gerstl-Pepin, Associate Dean, College of Education and Social Services
William Jeffries, Senior Associate Dean for Medical Education, College of Medicine
Jill King, Associate Director, Student Financial Services
Daniel Lerner, Associate Dean, UVM Extension
Patricia Prelock, Dean, College of Nursing and Health Sciences
Abu Rizvi, Dean, Honors College
Beth Taylor-Nolan, Assistant Dean, Continuing and Distance Education
Keith Williams, Registrar, Office of the Registrar

OTHER REVENUE AND FEES:
Breck Bowden, Professor, Rubenstein School of Environment and Natural Resources (Chair)
Joshua Barry, Undergraduate Student, College of Engineering and Mathematical Sciences
Cynthia Belliveau, Dean, Continuing and Distance Education
Dennis DePaul, Assistant Dean for Business Operations, Dean of Students
Stephanie Dion, Director, Administrative Business Service Center
Patricia Eldred, Director, Administrative and Facilities Services Auxiliary Services
Mary Peabody, Extension Professor, UVM Extension
Julia Russell, Associate Chief Information Officer, Enterprise Technology Services
Susan Ryan, Professor and Director, Center on Disability and Community Inclusion
Jeff Schulman, Associate Director, Athletics

RESEARCH AND INDIRECT COST RECOVERY:
Jim Vigoreaux, Professor and Chair, Department of Biology (Chair)
Paula Deming, Associate Professor, Department of Medical Laboratory and Radiation Sciences
John Evans, Interim Vice President for Research
Jennifer Gagnon, Interim Associate Vice President for Research Administration
Dryver Huston, Professor, School of Engineering
Robin Lockerby, Evaluation Data Specialist, UVM Extension
Jessica Strolin, Associate Professor, Department of Social Work
Russell Tracy, Professor, Department of Pathology
Kevin Trainor, Professor and Chair, Department of Religion
Tom Vogelmann, Dean, College of Agriculture and Life Sciences

UNDERGRADUATE TUITION REVENUE AND AID:
Lisa Aultman-Hall, Professor, School of Engineering (Chair)
Pamela Blum, Assistant Dean for Business Operations, College of Education and Social Services
Antonio Cepeda-Benito, Dean, College of Arts and Sciences
Richard Fanus, Assistant Dean for Business Operations, College of Agriculture and Life Sciences
Marie Johnson, Director, Student Financial Services
Thomas Noordewier, Associate Dean, School of Business Administration
Lisa Schnell, Associate Dean, Honors College
Jeremy Sibold, Associate Professor, Department of Rehabilitation and Movement Science
Deane Wang, Associate Professor, Rubenstein School of Environment and Natural Resources
Beth Wiser, Director, Office of Admissions

ACADEMIC EXCELLENCE:
Goals for the University of Vermont

Supporting the President's Strategic Action Plan

These goals are established to animate President Sullivan's *Strategic Action Plan* and facilitate University-wide discussions, engagement, and initiatives around Academic Excellence.

Success in these areas will lead, authentically and in a sustainable way, to increased selectivity, improved student quality, and improvements in national rankings and other reputational indicators.

These goals also serve as drivers to the University-wide IBB development process initiated in fall 2013.

1. Increase the percentage of undergraduate students graduating in four years
2. Improve undergraduate student retention, Years 1-4
3. Improve student advising, both academic and pre-professional/career
4. Increase interdisciplinary teaching, research, and scholarship
5. Expand programmatic offerings to include distance and hybrid modes of instructional delivery
6. Increase research and scholarship in areas that generate high impact, recognition, and visibility
7. Increase domestic diversity and grow international student enrollments across the University
8. Increase enrollments in graduate and professional programs

D. Rosowsky, Provost and Senior Vice President
October 24, 2013

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Cost Pool Methodology
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Cost Pool Methodology Subcommittee Membership:
Polly Parsons, Professor and Chair, Department of Medicine (Chair)
Mike Austin, Director of System Administration, Enterprise Technology Services
Shari Bergquist, Asst. Dean for Business Operations, College of Nursing and Health Sciences
Stephen Dempsey, Associate Professor, School of Business Administration
Rose Feenan, Asst. Dean for Business Operations, Rubenstein School of Environment and Natural Resources
Cathy Krupp, Financial Manager, Continuing and Distance Education
Patricia Redmond, Assistant to the Dean, Honors College
Mara Saule, Chief Information Officer and Dean, Libraries and Learning Resources
Ross Thomson, Professor, Department of Economics
Gregory Warrington, Assistant Professor, Department of Mathematics and Statistics

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the cost of University-wide common goods and administrative services among the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

What expenses should be included in the University's cost pool?

How many cost pools should be utilized?

On what basis should cost pool expenses be allocated to the Responsibility Centers?

Should the administrative or co-curricular Responsibility Centers be subject to the same cost pool assessments as the academic Responsibility Centers?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu
- Stephanie Dion, Director, Administrative Business Service Center, 656-4368, Stephanie.Dion@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Facilities and Space Costs
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Facilities and Space Costs Subcommittee Membership:
Don Ross, Research Professor, Department of Plant and Soil Science (Chair)
Alison Armstrong, Library Professor, Bailey Howe Library Information and Instruction Services
Johanna Brabham, Manager, Residential Life and Davis Center Custodial Services Department
Linda Burnham, Assistant Dean for Business Operations, College of Arts and Sciences
Brian Cote, Senior Associate Dean for Finance and Administration, College of Medicine
Gary Hawley, Research Associate, Rubenstein School of Environment and Natural Resources
Josie Mercure, Associate Director, Financial Analysis and Budgeting
Kim Parker, Associate Director, Residential Life
Sanjay Sharma, Dean, School of Business Administration
Robert Vaughan, Director, Capital Planning and Management

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate all costs associated with the University's physical space among the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

How will utility and custodial expenses be allocated to Responsibility Centers?

Taking into account the special needs of heritage buildings, and the differences in operating efficiencies between new and old buildings, how will operation and maintenance expenses (including deferred maintenance) be allocated to Responsibility Centers?

How will the expenses associate with common spaces be allocated? Classrooms? Relinquished space? Leased space?

How will new construction expenses/new capital debt be allocated? How will expenses associated with existing capital debt be allocated?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu
- Claire Burlingham, University Controller, 656-8356, Claire.Burlingham@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Graduate Tuition Revenue and Aid
October 8, 2013

Introduction:

In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:

The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Graduate Tuition Revenue and Aid Subcommittee Membership:

Rae Nishi, Professor, Department of Neurological Sciences (Chair)
Penny Bishop, Professor, Department of Education
Norman Craige, Associate Director, Student Financial Services
Paul Deslandes, Associate Professor and Chair, Department of History
Cindy Forehand, Interim Dean, Graduate College
Luis Garcia, Dean, College of Engineering and Mathematical Sciences
Diane Jette, Professor and Chair, Department of Rehabilitation and Movement Science
Christopher Koliba, Professor, Department of Community Development and Applied Economics
Erin Montgomery, Program Administrator, Cell and Molecular Biology Program
Richard Vanden Bergh, Associate Professor, School of Business Administration

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with graduate tuition, aid and stipends to the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

Where does the responsibility for the expenses and revenue associated with graduate tuition, aid and stipends reside: at the level of the Graduate College or the other colleges and schools?

How should the revenue generated by graduate tuition be allocated? Some possibilities: by student credit hour taught; by degree program/major; with or without a distinction for in-state, out-of-state, and international student revenue.

How should graduate financial aid expenses be distributed in an IBB model?

How do the algorithms facilitate interdisciplinary graduate programs?

How/should the algorithms account for the differing levels of graduate education (masters and doctoral)? How/should they create incentives for supporting doctoral education?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be

helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

> Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
>
> John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Interdisciplinary Scholarship and Teaching
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Interdisciplinary Scholarship and Teaching Subcommittee Membership:
William Mierse, Department of Art and Art History (Chair)
David Barrington, Professor, Department of Plant Biology
Christopher Berger, Associate Professor, Department of Molecular Physiology and Biophysics
Rosemary Dale, Clinical Professor and Chair, Department of Nursing
Maggie Eppstein, Associate Professor and Chair, Department of Computer Science
Stephanie Kaza, Professor, Rubenstein School of Environment and Natural Resources
Tammy Kolbe, Assistant Professor, Department of Leadership and Developmental Sciences
Charlotte Mehrtens, Professor, Department of Geology
Wolfgang Mieder, Professor, Department of German and Russian
David Novak, Associate Professor, School of Business Administration
Julie Roberts, Professor, Department of Romance Languages and Linguistics

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that identifies the potential impact of an IBB budget model on interdisciplinary scholarship and teaching, as well as suggestions for how a new budget model might foster interdisciplinarity. The report should include:

Identification and definition of the different types of interdisciplinary scholarly and teaching activity on campus

Identification of the different types of interdisciplinary organizational units on campus, including research centers

A determination of which of these activities/organizational units have budget model implications; identification of those implications

Suggestions related to the design of the budget model that will foster interdisciplinarity

Identification of metrics that will allow for the measurement of interdisciplinary activity on campus

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu

John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Non-Degree and Online Tuition Revenue and Aid
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Non-Degree and Online Tuition Revenue and Aid Subcommittee Membership:
Jane Kolodinsky, Professor and Chair, Department of Community Development and Applied Economics (Chair)
Jennifer Dickinson, Associate Professor, Department of Anthropology
Cynthia Gerstl-Pepin, Associate Dean, College of Education and Social Services
William Jeffries, Senior Associate Dean for Medical Education, College of Medicine
Jill King, Associate Director, Student Financial Services
Daniel Lerner, Associate Dean, UVM Extension
Patricia Prelock, Dean, College of Nursing and Health Sciences
Abu Rizvi, Dean, Honors College
Beth Taylor-Nolan, Assistant Dean, Continuing and Distance Education
Keith Williams, Registrar, Office of the Registrar

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with non-degree, summer and online education to the revenue-generating Responsibility Centers. These models should reflect the University's current organization and practices related to non-degree, summer and online education. The subcommittee may also choose to submit additional algorithms that propose an alternative organizational model for non-degree, summer and online education. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

Where does the responsibility for the expenses and revenues associated with non-degree, summer and online education reside: with Continuing and Distance Education or with the other colleges and schools?

How should the revenue generated by non-degree, summer and online education be allocated? Should this allocation methodology mirror the methodology for undergraduate tuition revenue and aid? Graduate tuition revenue and aid?

Should non-degree, summer and online financial aid expenses be distributed universally or differentially? By what factors?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Other Revenue and Fees
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Other Revenue and Fees Subcommittee Membership:
Breck Bowden, Professor, Rubenstein School of Environment and Natural Resources (Chair)
Joshua Barry, Undergraduate Student, College of Engineering and Mathematical Sciences
Cynthia Belliveau, Dean, Continuing and Distance Education
Dennis DePaul, Assistant Dean for Business Operations, Dean of Students
Stephanie Dion, Director, Administrative Business Service Center
Patricia Eldred, Director, Administrative and Facilities Services Auxiliary Services
Mary Peabody, Extension Professor, UVM Extension
Julia Russell, Associate Chief Information Officer, Enterprise Technology Services
Susan Ryan, Professor and Director, Center on Disability and Community Inclusion
Jeff Schulman, Associate Director, Athletics

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with revenue-generating activities that do not reach the threshold of formal Responsibility Centers, as well as other revenue. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

Should income/expense activities that reside in academic Responsibility Centers (eg. the Melosira in RSENR and the Luse Center in CNHS) continue operate under the umbrella of that Responsibility Center or should their revenues and expenses be handled differently?

Should income/expense activities that reside in administrative or co-curricular units (eg. Print and Mail in Administrative and Facilities Services and Telecommunications in Enterprise Technology Services) continue to operate under the umbrella of that unit, or should their revenues and expenses be handled differently?

Where should existing fees that are currently allocated to the general fund (eg. admissions and vending fees) be allocated?

Should existing fees that are currently allocated back to particular units (eg. course supply fees) continue to be allocated back to a particular unit?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu

John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

Stephanie Dion, Director, Administrative Business Service Center, 656-4368, Stephanie.Dion@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Research and Indirect Cost Recovery
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Research and Indirect Cost Recovery Subcommittee Membership:
Jim Vigoreaux, Professor and Chair, Department of Biology (Chair)
Paula Deming, Associate Professor, Department of Medical Laboratory and Radiation Sciences
John Evans, Interim Vice President for Research
Jennifer Gagnon, Interim Associate Vice President for Research Administration
Dryver Huston, Professor, School of Engineering
Robin Lockerby, Evaluation Data Specialist, UVM Extension
Jessica Strolin, Associate Professor, Department of Social Work
Russell Tracy, Professor, Department of Pathology
Kevin Trainor, Professor and Chair, Department of Religion
Tom Vogelmann, Dean, College of Agriculture and Life Sciences

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with research that has budgetary implications, and any related indirect cost recovery, to the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

How should the revenue and expenses associated with funded research and indirect cost recovery be allocated between and/or among the Office of the Vice President for Research, the colleges and schools, research centers, departments, and PIs?

Should indirect cost recovery revenues be used to offset administrative expenses associated with sponsored research?

Should indirect cost recovery revenues be used to create a central investment pool to further the research enterprise of the University?

How do the algorithms address and support funded collaborative and/or interdisciplinary research programs and centers?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu
- Claire Burlingham, University Controller, 656-8356, Claire.Burlingham@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Undergraduate Tuition Revenue and Aid
October 8, 2013

Introduction:

In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:

The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Undergraduate Tuition Revenue and Aid Subcommittee Membership:

Lisa Aultman-Hall, Professor, School of Engineering (Chair)
Pamela Blum, Assistant Dean for Business Operations, College of Education and Social Services
Antonio Cepeda-Benito, Dean, College of Arts and Sciences
Richard Fanus, Assistant Dean for Business Operations, College of Agriculture and Life Sciences
Marie Johnson, Director, Student Financial Services
Thomas Noordewier, Associate Dean, School of Business Administration
Lisa Schnell, Associate Dean, Honors College
Jeremy Sibold, Associate Professor, Department of Rehabilitation and Movement Science
Deane Wang, Associate Professor, Rubenstein School of Environment and Natural Resources
Beth Wiser, Director, Office of Admissions

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a minimum of two algorithms to allocate the revenues and expenses associated with undergraduate tuition and aid to the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

How should the revenue generated by undergraduate tuition be allocated? Some possibilities: by student credit hour taught; by degree program/major; by number of graduates; with or without a distinction for in-state, out-of-state, and international student revenue.

How should undergraduate financial aid expenses be distributed in an IBB model?

Should the algorithm account for the differing costs of instruction among academic units? If so, in what way?

How do the algorithms address and support collaborative and interdisciplinary instruction?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu

John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

The University of Vermont

Office of the Provost
and Senior Vice President

January 30, 2014

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Subject: Incentive-based Budget Model Subcommittee Reports

I am writing to let you know that the Incentive-based Budget Model (IBB) Subcommittee reports are now available on the IBB website. Before you read the reports, it will be useful to take some time to review the informational materials available throughout the site.

If, after reading the reports, you have feedback to share, please complete the survey that accompanies each report. The survey results will be provided to the IBB Steering Committee and will inform its forthcoming discussions and final recommendations on a proposed IBB model.

To remind you where we are in the project, this fall each of the eight IBB subcommittees was asked to explore a particular component of an overall IBB model and to propose several algorithms for how it might be addressed in a UVM IBB model. They have done so, and their proposed algorithms are found in these reports.

The spring timeline for the project includes a discussion of the reports with leadership groups across campus and the Steering Committee's review of the algorithms. By the end of June, and based on discussions with leadership groups, input from the campus community, and analysis of the algorithms, the Steering Committee will prepare its final recommendations on the design and overall methodology of a UVM IBB model. These recommendations will then be forwarded to President Sullivan for his consideration.

I have been enormously impressed by and grateful for the response of the campus community in stepping up to meet the challenge of creating a new budget model for UVM. I am grateful to everyone that took the time to learn about IBB models, to think critically and creatively about how we might operate under a new budget model, and to offer their time and their energy to serve on committees or participate in one of the many campus presentations and conversations. The members of the Steering Committee and subcommittees, in particular, have invested countless hours in the very significant tasks that were set before them. They have been creative, thoughtful and engaged university citizens that have brought the full complement of their intellect, experience and expertise to this work.

I look forward to our continued engagement this spring.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

Appendix F

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Thomas Sullivan, President

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: January 31, 2014

SUBJECT: Incentive-based Budget (IBB), Interim Report

I am writing to provide an interim report on the progress we have made toward the development and implementation of an Incentive-based Budget (IBB) Model at UVM. You asked for this interim report by the end of January 2014. The next milestone will be the delivery of a recommended IBB model for your review and consideration by the end of June. I am pleased to report that, as a result of the campus' engagement and the many hours of hard work by so many at our university, we are on-schedule in this first year of what is anticipated to be a two-year process leading to the launch of IBB in FY16.

BACKGROUND

In academic year 2012-13, the UVM community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement with respect to the model's problems: (1) a lack of transparency, (2) too much complexity, (3) little flexibility, and (4) few incentives. At the start of the fall 2013 semester you asked me, in my role as chief budget officer, to lead the effort to develop a new Incentive-based Budget (IBB) model for the University.

PROJECT ORGANIZATION

A Steering Committee has been established with responsibility for developing a final set of recommendations to you (including specific model elements and operating expectations) by June 2014. The IBB Steering Committee is supported by the following eight subcommittees that each have responsibility for exploring a particular component of the IBB model and providing the Steering Committee with specific recommendations:

1. Cost Pool Methodology
2. Facilities and Space Costs
3. Fee Generating Units
4. Graduate Tuition Revenue and Aid
5. Interdisciplinary Scholarship and Teaching
6. Non-Degree and Online Tuition and Aid

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

7. Research and Indirect Cost Recovery
8. Undergraduate Tuition Revenue and Aid

The development, implementation and continual assessment of the new budget model will be guided both by the *Academic Excellence Goals* for the University of Vermont and the following principles which you established last fall:

- Creates incentives that promote academic quality and excellence;
- Creates incentives at all levels of the University that promote financial sustainability;
- Encourages innovation and entrepreneurship throughout the University;
- Provides transparency, clarity, and predictability;
- Can be easily understood, is easy to implement and operate, and is flexible; and
- Can operate in all cycles of the economy, whether robust or downturn.

STEERING COMMITTEE AND (8) SUBCOMMITTEE APPOINTMENTS

The senior academic and administrative leadership of the University was asked to nominate candidates to serve on the Steering Committee. From these nominations, I assembled a Steering Committee that reflects the enormous talent, expertise, and dedication that are the hallmarks of our community (Appendix A), while also ensuring diverse and broad representation. The 22-member Steering Committee was announced to the campus on September 16, 2013 and includes 11 faculty, 5 staff, 2 senior administrators, 2 deans, and 2 students. Four members of the committee are department chairs, 5 hold named professorships, and 3 are Faculty Senators. All of the degree-granting units have membership on the Steering Committee.

At the time the Steering Committee was announced, I put out a call to the entire campus for self-nominations for membership on one of the subcommittees. We had a tremendous response from the campus community and on October 4, 2013 subcommittee membership was announced to the campus (Appendix B). Membership on the eight subcommittees includes 43 faculty, 10 deans or vice presidents, 27 staff and 1 student. (Two members of each subcommittee, including the subcommittee chair, are also members of the Steering Committee.)

In all, we had almost 200 nominations for membership on the Steering Committee and subcommittees. When assembling the committees, we strove for balance along a number of dimensions of diversity and inclusiveness both within and among the subcommittees. We were attentive to intellectual, gender, cultural, faculty/staff, home unit, and self-nomination/central nomination mixes. We also were careful to include the right backgrounds and expertise to ensure robust and productive subcommittee discussions.

Additionally, the following individuals have provided assistance, institutional data/research, and staffing support to the Steering Committee and subcommittees:

- Kerry Castano, Assistant Provost and Chief of Staff to the Provost, Office of the Provost
- Alberto Citarella, University Budget Director, Office of Financial Analysis and Budgeting
- Gary Derr, Vice President for Executive Operations, Office of the President
- John Ryan, Director, Office of Institutional Research

COMMUNICATIONS TO THE CAMPUS

We are committed to an open and transparent process and have communicated with campus in the following ways:

Website:
An IBB website[1] was established in September 2013 and includes information on the Steering Committee, the subcommittees, the project timeline, campus communications, presentations, reports and IBB informational resources. The website also includes a link which allows users to provide feedback, ask questions, and submit suggestions.

Campus-wide Memos:
Five campus-wide IBB memos have been issued (to-date) and posted on the IBB Website. The November 2013 issue of *Across the Green*, my memo to the UVM academic community, also included an update on IBB and is posted on the Provost's Office website[2].

Presentations and Meetings:
The IBB website underscores our commitment to communication throughout the process and includes the following invitation, "We will meet with anyone, anytime, anywhere to discuss IBB." In the fall, 18 meetings were held with governance groups and campus leadership to share information on the IBB development effort, as well as to provide general information on how IBB models work at other universities. I also provided an interview to the *Vermont Cynic*[3].

ACTIVITIES TO-DATE

Steering Committee:
The Steering Committee has met five times as of January 17, 2014. Its work has included affirming the project's guiding principles, participation in the selection of the subcommittee members, reviewing the subcommittee charges, educating itself on IBB models, receiving updates from the subcommittee chairs, and determining the process for reviewing the subcommittee reports. The Steering Committee is scheduled to meet six times this spring.

Subcommittees:
On October 8th, the subcommittees were issued their charges (Appendix C). They have been meeting regularly since then to consider and suggest specific IBB algorithms to the Steering Committee (which were due January 24, 2014).

IBB Retreat:
On October 28th, members of the Steering Committee and subcommittees participated in a day-long retreat with presentations by Professor Doug Priest and Associate Vice President and Budget Director Aimee Heeter of Indiana University-Bloomington, a university that implemented its IBB budget model over 20 years ago. This retreat provided the groups with an opportunity to further their understanding of IBB models, to learn from the experience of another university, and to ask questions related to the work of their committees.

---

[1] http://www.uvm.edu/provost/IBB/
[2] http://www.uvm.edu/~provost/Across%20the%20Green_Nov%202013.pdf
[3] http://www.uvm.edu/provost/IBB/Rosowsky%20Cynic%20IBB%20Q&A.pdf

IBB Off-site Visits:
On August 22nd and September 23rd, a group of deans, business managers from the colleges and schools and members of UVM's Division of Finance visited the University of New Hampshire and the University of Delaware to learn about their IBB models, implementation processes, and experiences.

SPRING 2014 ACTIVITIES

The reports from the IBB subcommittees were due on January 24, 2014. All subcommittee reports were submitted on-time and have been posted on the IBB website. In January and February, the Steering Committee will review the reports and identify algorithms that may make sense for a University of Vermont IBB model. The University's finance team will then run financial models based on the proposed algorithms, and bring that analysis to the Steering Committee for its review.

In February and March, members of the Steering Committee, subcommittees, and project staff will be reaching out to the broader campus community in the IBB discussion through an engagement campaign that will include meetings with the following leadership and governance groups:

- Budget, Finance and Investment Committee of the Board of Trustees
- President's Advisory Council
- President's Senior Leadership Council
- Provost's Academic Leadership Council
- Faculty Senate Executive Council
- Faculty Senate Finance and Physical Planning Committee
- Faculty Senate – Full Senate
- Graduate Student Senate
- Staff Council
- Student Government Association
- University Business Advisors

In April and May, the Steering Committee will review the financial analysis of the proposed algorithms along with feedback and suggestions received as part of the engagement campaign, and will make recommendations on the design and overall methodology of an IBB model. We are still on-track to be able to provide you with a recommended IBB model by the end of June.

FINAL THOUGHTS

As I have shared with you many times since we started this important work last September, I have been enormously impressed by and grateful for the response of the UVM community in stepping up to meet the challenge of creating a new budget model for the University. I am grateful to everyone that took the time to learn about IBB models, to think critically and creatively about how we might operate under a new budget model, and to offer their time and their energy to serve on committees or participate in one of the many campus presentations and conversations. The members of the Steering Committee and subcommittees, in particular, have invested countless hours in the very significant tasks that were set before them. They have been creative, thoughtful, and engaged University citizens that have brought the full complement of their intellect, experience and expertise to this work.

The University of Vermont

Office of the Provost
and Senior Vice President

February 5, 2014

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Subject: Incentive-based Budget Model Subcommittee Report Q&A Sessions

If you haven't already done so, I hope you will find time to read the Incentive-based Budget (IBB) Model Subcommittee reports that are available on the IBB website. If you have questions about the reports' contents, I encourage you to attend a Q&A session. The sessions will include members of the IBB Subcommittees as well as other project staffers.

The Q&A sessions are scheduled for:

Monday, February 10; 12:00 – 1:00 pm; Davis Center - Livak

Thursday, February 13; 2:00 – 3:00pm; 427A Waterman

Friday, February 14; 12:00 – 1:00 pm; Billings Ira Allen 110/Martin Luther King Lounge
(Directions: use the back entrance of Ira Allen; take a right; MLK lounge is on the left, before the Campus Center Theater)

Tuesday, February 18; 2:00 – 3:00pm; Waterman - Memorial Lounge

Thank you for your continued engagement in this important University initiative.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

UVM Incentive-based Budget Model Cost Pools

6.25.14

Cost Pool 7A: Management Services (24 departments)		Driver: Expenses	
30300 VP U. Rel & Admin	11200 Contr. Office	11000 VP Finance	30550 Univ.Comm
11590 Davis Center	30700 Ofc. Instit. Res.	10300 VP Legal Aff. Gen.	31100 Flem Mus.
30000 Sen. VP & Provost	11240 Treas. & Tax Serv.	10100 Audit Serv.	11110 Off. Sustain
11400 Fin. Analysis & Budget	11270 Cost Acct.Svcs.	10305 Compliance	10400 U. Relations
20001 Admin. Bus. Serv. Ctr.	11220 Fin. Rpt & Acct Svcs.	10000 President's Office	11570 CAES
11550 Procurement Serv.	00003 Treas. Operations	11575 Police Services	11580 Print/Mail
Cost Pool 7B: Organizational Services (7 departments)		Driver: Faculty and Staff Headcount	
30050 Faculty Senate	11531 Environ. Safety	11280 Payroll Svcs	11002 Staff Council
11300 Human Resources	11530 Risk Mgmt & Safety	11320 HRS Learning Svcs.	
Cost Pool 7C: Student/Academic Services (23 departments)		Driver: Adjusted Student Headcount/Student FTE	
30200 Adm. & Enroll Mgmt	30430 Career Serv.	30230 Liv & Learn Ctr.	58100 Honors Coll.
11250 Student Fin. Svcs.	30210 VP Enroll Mgmt.	30440 Ctr. Stdnt Ethics &Stnd	30016 Writing Discip
30420 Acad. Support Prog.	30454 Student Life	30410 Student & Comm. Rel	30017 CUPS
30220 Registrar	30400 Dean of Students Off.	30450 Ctr. Hlth&Well Being	30019 Integr. Bio
30240 International Educ. Svcs.	30231 Res. Lrng Cmty	30456 Student Govt. Assoc.	31200 Military Studies
58200 Grad. Coll	30452 Res. Life	30500 Athletics/Vars.	
Cost Pool 7D: Community/Inclusion Services (7 departments)		Driver: Total Headcount	
10040 Chief Diversity Off.	10060 Aff. Action/Equal Op.	10080 LGBTQA Ctr.	10070 Divers. & Equity
10090 ALANA Student Ctr.	10050 Women's Ctr.	30100 Cultural Pluralism	
Cost Pool 7E: Libraries/IT Services (17 departments)		Driver: 30%TotatlFTE+30%TotalHeadcount+20%Student FTE +20%Fac/Staff Headcount	
58328 Bailey Howe Library	58326 B. Howe-Collect Mgmt	58330 Dana Med. Lib.	11650 Database Adm
58300 Libraries - Dean's Office	58312 Ctr. Teach/Learning	11600 Entp. Tech. Svcs.	11670 IS Office
58320 B. Howe-Acc&Tech.Svcs.	58324 B. Howe Res. Collect.	11630 ETS Client Svcs.	11640 Telcom&Net
58322 B. Howe-Info&Instr.	58314 Learn and Info Tech	11620 Sys. Arch & Admin.	11412 Bus. Proc.Re-eng
11660 Entp. App. Svcs			
Cost Pool 7F: UVM Foundation Services		Driver: Expenses	
UVM Foundation			

The University of Vermont

Incentive-based Budgeting (IBB) at UVM:

About Subvention

WHAT IS SUBVENTION?

Subvention is a budgetary tool available to the Provost that allows for the rebalancing of revenues to guide the direction of the University in accordance with the strategic priorities established by the President. The mechanics of subvention include taking a portion of the overall undergraduate net tuition revenue, designating that funding as the subvention pool, and then allocating that revenue to responsibility centers as described in this document.[1]

Subvention is determined and adjusted based on university goals and objectives and the unique roles and characteristics of particular academic units. It can also be used to ameliorate sudden budgetary shifts[2], thereby providing responsibility centers time to adjust accordingly. The use of subvention for these purposes is common to incentive-based budgeting models.

Some responsibility centers will always require subvention. Subvention is a common feature of nearly all IBB models as there are core academic offerings at any research university that simply do not generate enough revenue to meet expenses. The need for subvention should not be viewed as a value judgment on a unit's worth or productivity. The University, as a whole, benefits from its broad portfolio of academic programs. Some programs will require strategic, differential investment and support.

An incentive-based budgeting model is an entrepreneurship and accountability model, not an autonomy model. IBB creates a decentralized system integrated by subvention.

Subvention is separate and apart from the President's and Provost's Strategic Investment Fund (SIF). The Strategic Investment Fund is used to support new and emerging university initiatives that align with the institution's highest priorities. If funding is allocated from the Strategic Investment Fund to a Responsibility Center (RC), that allocation will be for a fixed period of time and for a specified purpose. Funds from the SIF are therefore not an addition to the continuing funds available to an RC, but rather represent a short-term (one-time) investment.

---

[1] In the first year, (FY16), subvention will be allocated such that each responsibility center's net revenues and net expenses are equal – allowing for a budget neutral implementation of IBB Model 1.0.

[2] These could result, for example, from reductions in enrollments, changes in the state appropriation, decreased F&A revenue, or major unforeseen expenses critical to campus operations.

GUIDING PRINCIPLES FOR SUBVENTION ALLOCATION

The following principles, developed in partnership with the deans, have been established to guide the Provost's decisions about subvention allocations to the colleges and schools (Responsibility Centers) under IBB. These principles are intended to both align with and support the President's *Strategic Action Plan* and the undergirding *Academic Excellence Goals*. Further, they are consistent with the *IBB Guiding Principles*.

- Recognizes the disparity of costs in the delivery of programs by discipline (beyond that for which the algorithm can reasonably account).

- Promotes consistent levels of efficiency (relative to comparator data) across the responsibility centers.

- Supports graduate and professional degree programs in strategic areas, ensuring a portfolio of programs appropriate for a research university of our scale.

- Recognizes the central role of research in our mission, with emphasis on maintaining research capabilities in high-priority, high-impact areas.

- Ameliorates sudden budgetary shifts (see footnote 2), thereby providing responsibility centers time to adjust accordingly.

HOW WILL SUBVENTION WORK?

The source of subvention under IBB is net undergraduate tuition revenue. This, too, is common to IBB models. Net undergraduate tuition is our single largest revenue stream at UVM. Some public universities also include a portion of the state appropriation in their subvention pool. This is the case when state appropriations represent a relatively large share of general fund revenue. This is not the case at UVM. Our state appropriation is very modest, less than one-quarter of our net undergraduate tuition revenue. Further, since our state appropriation is fully allocated for specific purposes, it cannot be included in our subvention pool for rebalancing purposes.

To achieve budget neutrality as we moved into IBB, all responsibility centers received a subvention in FY16. The Provost will determine a multi-year subvention strategy for each unit in consultation with individual deans. This will be reviewed annually.

In order to incent the generation of revenue and the realizing of efficiencies within the units, all responsibility centers will develop budget strategies that accommodate a decrease in subvention of 1%-4% per year from FY17 through FY20 (after which this strategy will be revisited and revised as needed). A reduction in subvention does not necessarily equate to a reduction in total available resources, as responsibility centers control multiple revenue streams.

The actual reduction for each unit will be based on strategic considerations, guided by the principles in the previous section. Funds released as a result of the decreases in subvention to the colleges/schools will be used to grow and sustain the Strategic Investment Fund[3] for use by the President and Provost.

Beyond FY20, decisions about subvention will be made on a case-by-case basis as part of the budget process and, as noted above, will be determined in the context of the University's goals and objectives as well as the unique circumstances of each academic unit. This articulation of plans for subvention provides each responsibility center with the information necessary to develop its own "multi-year, all-funds" budget strategy, chief among the objectives of IBB.

D. Rosowsky, Provost and Senior Vice President
First issued: January 2015
Revised: September 2015 (Rev. 1)
Revised: October 2015 (Rev. 2)

[3] As discussed in the June 30, 2014 Report of the IBB Steering Committee, a strategic investment fund is an essential component of the IBB model. This fund will be used to provide one-time support for strategic initiatives that are the highest priorities of the President and Provost.

The University of Vermont

Office of the Provost
and Senior Vice President

To: Deans, Vice Presidents and Other Senior Leaders

From: David V. Rosowsky, Provost and Senior Vice President

Date: May 22, 2014

Subject: Implementation of Incentive-based Budgeting

As you know, the Incentive-based Budget (IBB) Model Steering Committee will present President Sullivan with its final recommendations on the design and methodology of UVM's new budget model by the end of June.

I am writing to let you know that I have charged Vice President for Finance Richard Cate with leading the Division of Finance in developing and implementing a plan for operationalizing the model. I will continue to work with the IBB Steering Committee in the evaluation and oversight of the model itself, and Vice President Cate will take the lead on critically important operational tasks such as:

- Developing the new annual budget process and timeline
- Developing financial (budget-to-actual) reports for responsibility and cost centers
- Developing education and training materials for UVM's financial management community

This work will take place over the coming year in preparation for our July 1, 2015 transition to IBB. You will receive regular updates as the plan unfolds.

The list above is only a sampling of a significant number of operational issues to be addressed as part of this implementation, many of which affect or involve units outside the Division of Finance. Vice President Cate will need to engage expertise from across campus as part of this work. I ask for your constructive participation in this effort to ensure a successful implementation.

Thank you for your continued support of this important initiative.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Deans, Associate Deans, Assistant Deans, Department Chairs, Program Directors, Academic UBA Members

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: January 12, 2015

SUBJECT: Incentive-based Budgeting Mini-Retreat Follow-up

cc: Vice Presidents, Administrative UBA Members,
Incentive-based Budgeting Steering Committee Members

Thank you for attending and participating in last week's Incentive-based Budgeting (IBB) mini-retreat. As promised, I am providing a list of ***key messages*** for your use with faculty and staff in your departments and programs. I am asking for your assistance, as members of the University's academic leadership, in properly messaging the intent and expectations surrounding the new budget model.

As I shared with you, our commitment to transparency requires that we also communicate complete and accurate information. It requires that we take the time to answer questions and explain what the model IS and IS NOT, what it WILL and WON'T do, and how it will or will not affect decision and planning in our academic units. As leaders, you are critical to this effective and constructive communication.

As you know, we have created an IBB website with up-to-date, complete information (presentations, memos, reports, budget data, and so forth). We will continue to use this site as a primary information portal. Also found on that site are all of the subcommittee reports.

The IBB website has already been updated to include Richard Cate's presentation on transition management plans and the presentation by Brian Reed and John Ryan on engaged practices. Alberto Citarella's presentation on the IBB model, scenarios, and levers can be found on the Financial Analysis and Budgeting (FAB) website, along with other IBB data and reports.

As the development phase is now largely complete, we are in the implementation phase. I urge you to become personally familiar with all that is happening this semester in this regard.

As academic leaders, and members of the broader university leadership team, I have asked for your assistance as we complete our transition to IBB. Each of you plays an important role in meeting our commitment to transparency and effective communication with faculty and staff. To that end, I am providing this summary of ***key messages*** from last week's mini-retreat:

- The faculty and staff called for a new budget model, one that was more transparent, that was less centrally controlled, and one that incentivized innovation and strategic growth.

348 Waterman Building, 85 South Prospect Street, Burlington, VT 05405
(802)656-4400 Fax: (802) 656-9220

- The President charged the Provost to lead the campus in a university-wide effort to develop a new budget model. A two-year timeline was established to (a) ensure authentic, inclusive, and effective engagement of all constituencies at UVM in creating a new budget model, and (b) to allow a parallel year to watch the model perform next to our current budget model.

- The IBB model was developed through an unprecedented, inclusive process of campus-wide engagement. This is fully documented on the IBB website.

- More than 250 UVM faculty and staff have participated directly in the development and implementation phases of this project.

- IBB is about academic excellence and student success. IBB's development, implementation, and continual assessment are guided by the Academic Excellence Goals and the IBB Guiding Principles.

- Our budget model has changed, however our *core values* as a university have not. We are, and always will be, a university with a strong focus on undergraduate education, built around a strong arts and sciences core, with unwavering commitment to liberal education, surrounded by a group of professional schools and programs. Neither will a new budget model change our *culture* as an academic institution. We value every member of our community, we are inclusive and affirming, and we continue to abide by the principles in "Our Common Ground." Transparency, authentic communication and engagement, and working together to achieve shared goals – all hallmarks of IBB – only amplify these principles.

- IBB Model 1.0 (the model we are currently assessing during this parallel year, and which is expected to "go live" on July 1, 2015) is not perfect, but it is very good. It is transparent, it distributes budgetary responsibility, and it provides clear incentives.

- IBB is evergreen. That is, we can and will continue to refine the model over time. The Steering Committee (22 faculty and staff) will continue to meet regularly to assess the model's performance and its impact across the University. Model 2.0 is not 200 years away, or even decades away, but likely 3-4 years away.

- UVM's ongoing budget challenges fully mirror what is happening at universities across the country. This is not a UVM issue, it is a challenge facing all of higher education.

- IBB did not create our budget challenges; neither will IBB solve them. It is a budget model. But the new model will enable thoughtful and strategic decisions to be made, following robust discussion and with benefit of full information and transparency, about how to address these challenges. It will enable innovation, strategic planning linked to resources, and forward-planning.

- We must grow revenue. We cannot simply increase tuition and/or decrease financial aid. IBB incents revenue growth.

- We must take the long view in advancing our value proposition to students and families, built around demonstrated academic excellence and student success. But we cannot simply wait for this to happen – it will require strategic action on our part. Decisions we make now will begin to build the value proposition that will not only impact the near term, but also establish the foundation for a sustainable financial future.

- IBB is not about the "corporatization" of UVM. IBB is about *fiscal responsibility*. It is about operating within our means, ensuring revenues meet expenses, and making strategic decisions at the college/school level that will ensure a sustainable financial future.

- IBB is not a panacea. In and of itself, it will not reduce expenses, create efficiencies, or create new revenue. IBB is not a surrogate for leadership, for vision, or for innovation. As a budget model, IBB is a strategic management tool that empowers academic leaders to achieve their unit's strategic highest priorities and goals.

- IBB has no agenda. It was not created to achieve any secret objectives. It was not created to change the core values, mission, or culture of the University.

- IBB has the potential to harness the power of the entire campus in support of our core academic mission.

I well know the value of the quiet time before the new semester resumes, so I am especially grateful for your participation in our discussion last week. Thank you for your commitment to the UVM community, to our highest ideals of academic excellence and student success, and to our shared future as a great university.

I wish all of you a wonderful start to the new semester.

Rev.1 February 9, 2015

The University of Vermont

Office of the Provost
and Senior Vice President

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Date: December 11, 2014

Subject: Incentive-based Budget Model – Campus Update #3

I am writing with the semester's final update on the progress of our incentive-based budgeting (IBB) initiative. The focus of this update is Algorithm 7, which allocates the expenses of the Cost Centers to the Responsibility Centers.

In IBB, each university unit is either a Responsibility Center (RC) or a Cost Center (CC)[1]. A Cost Center, such as Payroll or Admissions, is a unit that does not generate revenue, but supports the Responsibility Centers by providing centralized services. In Algorithm 7, the approximately 80 Cost Centers are grouped into six different cost pools. The cost pool expenses are then allocated to the RCs based on cost drivers, one of which is graduate student-credit-hour-based FTE (24 graduate SCH = 1 graduate student FTE).

During the parallel model year, it was discovered that the algorithm, as originally structured, could present barriers to the creation of new graduate programs. Obviously this is counter to the intent of IBB. Since our Academic Excellence Goals call on us to increase enrollments in graduate and professional programs; and to expand distance offerings (many of which will be at the graduate level), we needed to ensure that the model reflected and supported these priorities.

Through discussions with the IBB Steering Committee and the deans, an alternative proposal surfaced around which there was strong support. Thus, the model has been revised such that the allocation of any cost that uses graduate SCH-based FTE as a driver will be deflated by 80%. As part of effecting this change, there will be a very modest cost-shift from the graduate SCH cost driver to the undergraduate SCH cost driver. This shift is very small, given the ratio of undergraduate-to-graduate enrollments at the University, and does not create a burden for any one college or school.

There are a number of advantages to this approach: (1) it incentivizes the growth of graduate and distance education, (2) it is in keeping with the original structure of the algorithm; and (3) every college or school can benefit from this change.

[1] Continuing and Distance Education and the Research Enterprise share the characteristics of Responsibility Centers (generating revenue) *and* Cost Centers (providing centralized services), and have been categorized as Hybrid Cost Centers.

348 Waterman Building, 85 South Prospect Street, Burlington, VT 05405
(802)656-4400 Fax: (802) 656-9220
Equal Opportunity/Affirmative Action Employer

You can find the current versions of all of the algorithms on the IBB website. A revised final report will be posted in January.

I remain grateful for the thoughtful and diligent efforts of so many members of our community in support of our transition to a new budget model. I wish you all a peaceful holiday season and look forward to seeing you in the new year.

The University of Vermont

Office of the Provost
and Senior Vice President

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Date: November 11, 2014

Subject: Incentive-based Budget Model – Campus Update #2

As promised in my October update to campus, I'm writing to update you on the progress of our incentive-based budgeting (IBB) initiative. The focus of this update is Algorithm 4, which allocates both indirect cost recovery revenue and the expenses associated with our research enterprise.

An important tenet of IBB is that its implementation seeks to be budget neutral. Analysis conducted this summer revealed that it is not possible to implement Algorithm 4 as it is currently structured while at the same time maintaining budget neutrality. The original algorithm didn't account for resources within the budget of the Office of the Vice President for Research (OVPR) that historically have been "passed through" to the Responsibility Centers on an annual basis. After consultation with the deans and the IBB Steering Committee, the algorithm has been revised to recognize the Responsibility Centers' reliance on this funding.

The details of the revised algorithm are as follows:

- The Office of the Vice President for Research (OVPR) will be designated as a hybrid cost center. A portion of its budget will be funded via revenue Algorithm 4a and a portion of its budget will reside in the cost pool and will be funded via expense Algorithm 4b. This structure provides common incentives for both the OVPR and the Responsibility Centers to grow the University's F&A revenue.

- The FY16 budgets of the Responsibility Centers will be adjusted to include the historical annual allotments of research funding.

- In FY16, 99% of F&A will be allocated to the Responsibility Centers and 1% will be allocated to the OVPR. By FY18, this will shift to 95% and 5% respectively. However, the Provost may choose to adjust these percentages in response to strategic needs and priorities.

- Consistent with the original algorithm, the OVPR will receive 100% of the F&A revenue associated with several university-wide interdisciplinary grants and centers/institutes.

- The FY18 target for the Research Investment Fund has been revised to approximately $1.6m annually.

348 Waterman Building, 85 South Prospect Street, Burlington, VT 05405
(802)656-4400 Fax: (802) 656-9220

- The University’s research enterprise includes the OVPR, Sponsored Programs Administration; the Office of Technology Commercialization; the Instrument Model Facility and more. The expenses of the research enterprise not funded by the F&A allocated to the OVPR as described above will be allocated to an RC based on its percentage of the 3-year trailing average of sponsored awards.

We are making excellent progress fine tuning the model and preparing for implementation. I remain grateful for the time, energy and attention that many faculty and staff members are devoting to a new budget model for the University of Vermont.

The University of Vermont

Office of the Provost
and Senior Vice President

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Date: October 22, 2014

Subject: Incentive-based Budget Model – Campus Update #1

I am writing to update you on the progress of our incentive-based budgeting (IBB) initiative, including information about a change to an element of the proposed IBB model as presented in the June 30, 2014 Final Report.[1]

IMPLEMENTATION

Last May, I charged Vice President Richard Cate with developing and implementing a plan for operationalizing the IBB model. This work includes critically important operational tasks such as developing the new annual budget process and timeline; developing financial reports and reporting tools for responsibility and cost centers; and developing education and training materials for UVM's financial management community. Vice President Cate has engaged expertise from across campus in support of this work. To learn more about the scope, structure and timelines for these activities, I encourage you to visit the implementation section[2] that has been added to the IBB website.

FINAL REPORT FEEDBACK

In his July 9, 2014 response[3] to the Final Report of the IBB Steering Committee, President Sullivan invited all members of the UVM community to offer feedback on the report before giving it his final approval. The comment period closed on September 12, 2014. Comments received were grouped by common theme and posted, along with responses,[4] on the IBB website.

MODIFICATIONS TO ALGORITHM 3

After the final report was posted, we received clear feedback from the academic leadership that Algorithm 3 (Non-Degree, Summer and Online Tuition Revenue) would create unproductive competition between Continuing and Distance Education (CDE) and the academic units. Instead, they correctly pointed out, the algorithm should provide stronger incentives to encourage academic units to fully participate in summer session, and that it should provide stronger non-degree enrollment incentives for both CDE and the academic units.

Upon receipt of this feedback, we developed several modified proposals for consideration. These proposals were vetted with the deans as well as the IBB Steering Committee and consensus emerged

[1] http://www.uvm.edu/provost/IBB/IBB%20Final%20Report%20and%20Appendices_07_09_14-3.pdf
[2] http://www.uvm.edu/provost/IBB/?Page=implementation.html&SM=submenu1.html
[3] http://www.uvm.edu/president/Sullivan%20Memo%20Re%20IBB%2007-09-14.pdf
[4] http://www.uvm.edu/provost/IBB/Final%20Report%20Feedback%2010.8.14.pdf

around a revised algorithm. The most significant change included defining CDE as a hybrid cost center instead of a responsibility center. This means a portion of its budget will reside in the cost pool and a portion will be variable, funded via non-degree revenue.

The details of the algorithm (for both summer, and non-degree instruction during the academic year) are as follows:

- 15% of revenue will be allocated according to major (non-degree students = CDE majors);
- 85% of revenue will be allocated according to Student Credit Hours taught based on instructor of record (to the academic units); and
- 100% of instructional expenses will be allocated to the academic units.

The benefits of this approach include strong and transparent incentives for the academic units to engage in summer, incentives for the units and CDE to grow non-degree enrollments, alignment of incentives, and the elimination of unproductive competition.

I have appointed a small advisory committee to consider whether any operational processes should be developed or revised in response to this change.

Distance education was not addressed in the final report issued in June. We were able to turn our attention to it this summer, and have determined that distance should be considered a mode of delivery, not a separate category of revenue. Therefore, distance revenue will be allocated via the appropriate algorithm (1, 2, or 3) depending on student type.

A LOOK AHEAD

The IBB Steering Committee will meet throughout the year to review the proposed model. As planned, we will continue to use FY15 as an opportunity to respond to emergent issues and make adjustments to specific elements of the IBB model. This parallel year provides us with an excellent opportunity to test and more fully understand the model and its implications. Taking full advantage of this time is critically important to our successful transition to IBB. I expect further refinements and will provide you with periodic updates over the next several months. We plan to issue a revised final report in January 2015.

I remain grateful for the continued engagement and important contributions so many members of our community are bringing to this process.

The University of Vermont

Office of the President

July 9, 2014

From: Tom Sullivan

To: UVM Community

Re: Incentive-based Budget – Final Report

I am pleased to share with you the Final Report of the Incentive-based Budget Steering Committee chaired by Provost and Senior Vice President, David V. Rosowsky. I want to express at the outset my appreciation to the members of the Steering Committee and the Subcommittees for their outstanding work over the last year. The report is exceptional and it addresses many of the concerns expressed about the current budget model. I am confident, that when implemented, the University of Vermont will be a stronger and more vibrant institution.

The Final Report reflects a truly collaborative and transparent effort by members of the University Community. Since the Steering Committee's appointment in Fall 2013 there were over 150 meetings on campus held to discuss the budget model. This included meetings of the Steering Committee (total of 12 meetings) and the 8 subcommittees (total of 65 meetings), meetings with governance groups, department chairs, campus leadership, divisional staff, and others. In addition, there were regular communications to the UVM community designed to keep you updated on the progress along with four public forums open to the UVM community. What is equally impressive is the level of involvement by members of the UVM community on the Steering Committee and the Subcommittees. Over 100 faculty, staff and students were part of the planning and development of the incentive-based budget model for UVM. In addition, countless people attended meetings about the model.

Early in the process, I stated that once the Final Report was received, I would provide an opportunity for all members of the UVM community to offer comments before final approval. Below is a link to an online survey to provide your thoughts and comments, which will be available until **September 12, 2014**. I will share the comments received with the Steering Committee for consideration. I am pleased that the Incentive-based Budget Steering Committee has agreed to continue to meet during the upcoming academic year, serving as an oversight and review committee to ensure successful implementation of the new model and to make recommendations for ongoing changes.

An essential element to the successful implementation of the new budget model in fiscal year 2016 is running the proposed model in parallel with the current model throughout fiscal year 2015. This will allow the Steering Committee to monitor the model's performance to ensure that it operates as designed and does not produce unintended results.

I want to express my sincere gratitude to everyone who participated in this important process of developing a new budget model for UVM. We have demonstrated, again, that when we work together collaboratively as a community supporting each other that we can create something truly remarkable that will move our University forward.

IBB Final Report Feedback

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Thomas Sullivan, President

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: June 30, 2014

SUBJECT: Report of the Incentive-based Budget Model Steering Committee

I am writing to provide you with the recommended incentive-based budget (IBB) model for the University of Vermont, and to seek your approval of this model. These recommendations are the result of many hours of diligent work by the members of the IBB Steering Committee, the eight IBB Subcommittees, our academic and administrative leaders, and the many members of our campus community who were engaged in this process.

REPORT CONTENTS

BACKGROUND

In academic year 2012-13, the UVM community discussed the characteristics and operation of its existing budget model. Those discussions included governance leaders, trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was widespread agreement that the existing model: (1) lacked transparency, (2) was unnecessarily complex, (3) offered little flexibility, and (4) provided few incentives. In early fall 2013, you asked me, in my role as chief budget officer, to lead the campus in an effort to develop a new incentive-based budget model for the University. In addition to providing transparency and important incentives, chief among the new model's objectives are: (1) to encourage a more comprehensive "all funds" budgeting approach, and (2) to provide the clarity and predictability that will enable multi-year planning critical to ensuring the University's long-term financial sustainability.

PROJECT ORGANIZATION

A Steering Committee (Appendix A) was charged with responsibility for developing a set of IBB model recommendations by June 2014. The IBB Steering Committee was supported by eight subcommittees (Appendix B), each having responsibility for exploring a particular component of the IBB model and providing the Steering Committee with specific recommendations:

1. Cost Pool Methodology
2. Facilities and Space Costs
3. Fee Generating Units
4. Graduate Tuition Revenue and Aid
5. Interdisciplinary Scholarship and Teaching
6. Non-Degree and Online Tuition and Aid
7. Research and Indirect Cost Recovery
8. Undergraduate Tuition Revenue and Aid

The development, implementation and continual assessment of the new budget model will continue to be guided both by the *Academic Excellence Goals* (Appendix C) and the following guiding principles which you established last fall:

- Creates incentives that promote academic quality and excellence;
- Creates incentives at all levels of the University that promote financial sustainability;
- Encourages innovation and entrepreneurship throughout the University;
- Provides transparency, clarity, and predictability;
- Can be easily understood, is easy to implement and operate, and is flexible; and
- Can operate in all cycles of the economy, whether robust or downturn.

COMMUNICATIONS TO THE CAMPUS COMMUNITY

We were committed to an open and transparent process and communicated with campus in the following ways:

<u>Website</u>:
An IBB website[1] was established in September 2013 and includes information on the Steering Committee, the subcommittees, the project timeline, campus communications, presentations, reports and IBB informational resources. The website also includes a link which allows users to provide feedback, ask questions, and submit suggestions.

<u>Campus-wide Memos</u>:
Six campus-wide IBB memos were issued during the year and posted on the IBB Website. All three of the academic year 2013-14 issues of *Across the Green*, my memo to the UVM academic community, also included updates on IBB and are posted on the Provost's Office website[2].

<u>Presentations and Meetings</u>:
The IBB website underscores our commitment to communication throughout the process and includes the following invitation, "We will meet with anyone, anytime, anywhere to discuss IBB." In all, there were more than 150 IBB meetings this year. These meetings took a variety of forms, and included the Steering and subcommittees, governance groups, department chairs, campus leadership, divisional staff and the like, and were an opportunity to share information on the IBB development effort, provide general information on how IBB models work at other universities, and gather feedback. I also provided an interview to the *Vermont Cynic*[3].

[1] http://www.uvm.edu/provost/IBB/
[2] http://www.uvm.edu/~provost/Across%20the%20Green_Nov%202013.pdf
[3] http://www.uvm.edu/provost/IBB/Rosowsky%20Cynic%20IBB%20Q&A.pdf

PROJECT MILESTONES

The following summarizes the project's major milestones during the 2013-14 academic year:

September 2013 - Steering Committee Appointed

The 22-member Steering Committee included 11 faculty, 5 staff, 2 senior administrators, 2 deans, and 2 students. Its composition was diverse and broadly representative. The Steering Committee met 12 times over the course of the year and received periodic assignments between meetings. Fifteen members of the Steering Committee were also on subcommittees and attended those meetings as well.

October 2013 - Subcommittees Appointed

Membership on the eight subcommittees included 43 faculty, 10 deans or vice presidents, 27 staff members and one student. Two members of each subcommittee, including the subcommittee chair, were also members of the Steering Committee. The subcommittees received formal charges (Appendix D) outlining their tasks, questions that should be considered and available resources and support. There were approximately 65 subcommittee meetings between October 2013 and January 2014.

January 2014 - Subcommittee Reports Received

The reports from the subcommittees were received, posted on the IBB website and announced to the campus (Appendix E). Each posted report was accompanied by a survey designed to gather feedback from the broader community. The survey results were provided to the Steering Committee.

January 2014 - Interim IBB Report Issued to President Sullivan

An interim report on the project's progress was submitted and posted in January (Appendix F).

February 2014 - Subcommittee Report Question and Answer Sessions

The campus community was invited to attend one of four open Q&A sessions (Appendix G) to learn more about the subcommittees' recommendations. The sessions were staffed by members of the IBB Steering and subcommittees.

February 2014 - IBB Engagement Campaign with Governance Groups

Beginning in February and extending over a period of five weeks, IBB leaders including the Provost, Vice President for Finance, the Budget Director and several Steering Committee members met with leadership groups to share information and gather feedback on the subcommittee reports. The governance groups included the President's Senior Leadership; the Provost's Academic Leadership Council; the Faculty Senate Executive Council; the Faculty Senate Finance and Physical Planning Committee, the full Faculty Senate; the Graduate Student Senate; the Staff Council and the University Business Advisors.

March 2014 - Individual Subcommittee Meetings with the Provost

Beginning in March, the Provost hosted a breakfast meeting with each subcommittee to gather additional information from the groups and to share the Steering Committee's early observations on their proposed algorithms.

THE STEERING COMMITTEE'S PROCESS

The IBB Steering Committee approached its work openly, with a vested interest only in that which is best for the University as a whole. The meetings in the fall semester focused on developing a broad understanding of IBB models and included regular updates on the progress of the subcommittees.

Once the subcommittee reports were posted, the Steering Committee addressed each report in turn and used a systematic approach to determine which of the proposed algorithms was preferred. This entailed first considering the subcommittee recommendations/components of the model conceptually to assess their fit with the guiding principles, their fit at UVM, their fit with each other, and their individual and collective incentives and disincentives. *It was not until this work was done that the University's finance team provided the Steering Committee with financial modeling* to help the group more fully understand the implications of the preferred algorithms and various aspects of the model.

After reviewing the draft model with numbers behind it, the group engaged in further discussions about the algorithms and confirmed and/or refined its recommendations. In some cases the Steering Committee made modest adjustments to an algorithm proposed by a subcommittee. That said, by-and-large, the Steering Committee's recommendations are fully consistent with the intent, if not the letter, of the subcommittees' proposals. The Steering Committee also provided insights on more general model issues and methodologies.

THE RECOMMENDED MODEL

The following discussion assumes a working knowledge of IBB models and some familiarity with the UVM IBB subcommittee reports[4], and is intended to describe only the major components and characteristics of the recommended IBB model. It does not include a significant level of detail. The detail will be captured in the companion documentation that is in development, and will include all definitions, metrics and detailed formulas.

Responsibility Centers and Cost Centers

Each university unit is either a Responsibility Center (RC) or a Cost Center (CC). Responsibility Centers, such as colleges and schools, are primarily defined by their revenue-generating capability and their use of and dependence on centralized services. A Cost Center, such as Payroll or Admissions, is a unit that does not generate revenue, but supports the Responsibility Centers by providing centralized services or resources.

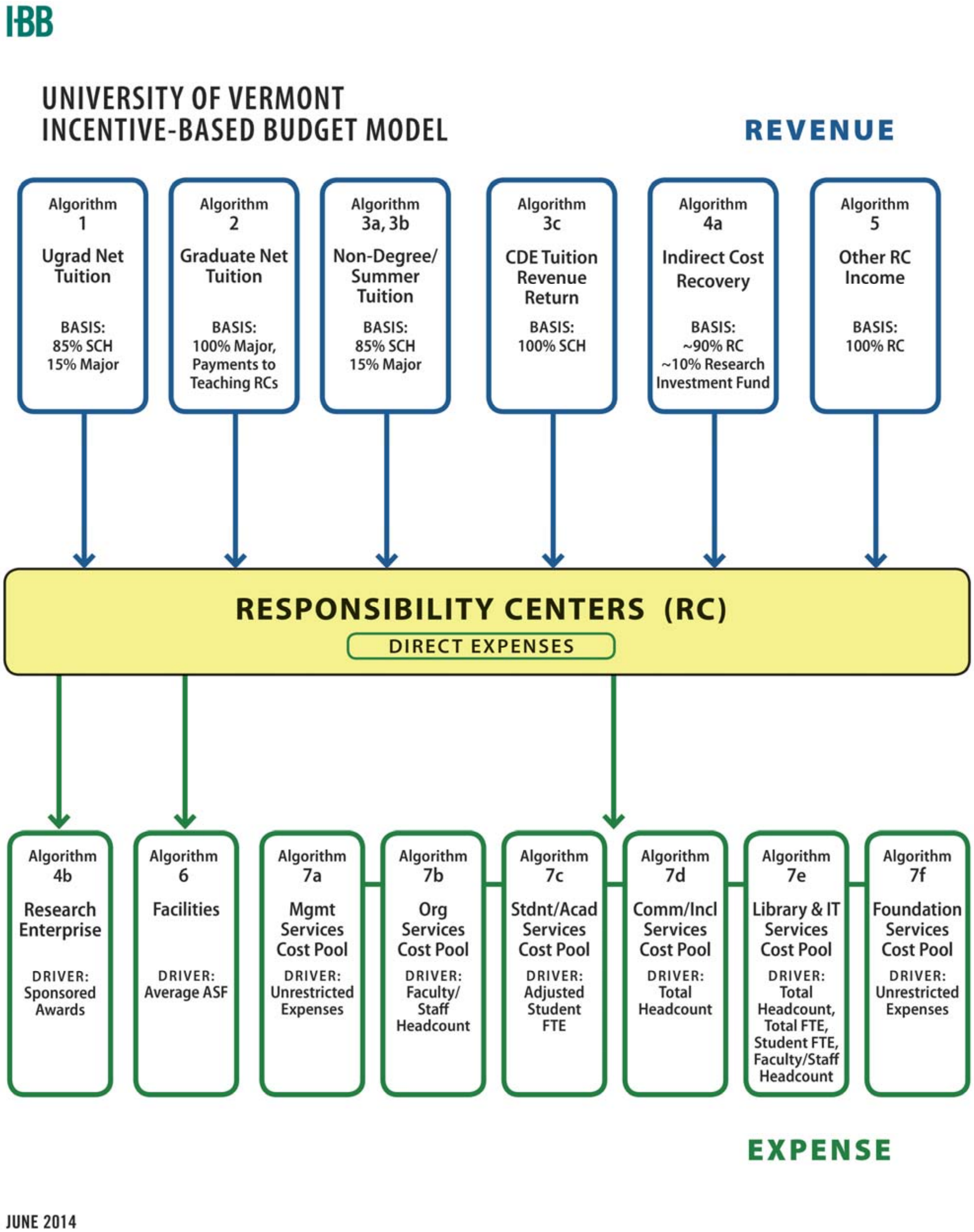
The Responsibility Centers:

College of Agriculture and Life Sciences	College of Arts and Sciences
School of Business Administration	Continuing and Distance Education
College of Education and Social Services	College of Engineering and Mathematical Sciences
College of Medicine	College of Nursing and Health Sciences
UVM Extension	Rubenstein School of Environment & Natural Resources

The Cost Centers include approximately 80 units and are more fully described in the discussion of algorithm 7 later in this report.

[4] http://www.uvm.edu/provost/IBB/?Page=subcommittees_ibb.html

Revenue and expense is allocated to the Responsibility Centers via a series of algorithms as illustrated below.



The Algorithms

The IBB model recommended by the Steering Committee includes seven algorithms, each of which determines the allocation of either revenue or expense to a Responsibility Center (several of the algorithms have multiple components):

The Revenue Algorithms

- Algorithm 1: Undergraduate Net Tuition
- Algorithm 2: Graduate Net Tuition
- Algorithm 3: Non-Degree and Summer Tuition
- Algorithm 4: Indirect Cost Recovery (*includes revenue and expense*)
- Algorithm 5: Other Income

The Expense Algorithms

- Algorithm 6: Facilities and Space
- Algorithm 7: Cost Pools (includes the Cost Centers)

Algorithm 1: Undergraduate Net Tuition

Undergraduate Net Tuition is defined as gross tuition less financial aid (the netting occurs before the revenue is allocated).

Undergraduate net tuition will be allocated as follows:

- 85% based on a college or school's percentage of the two-year trailing average of weighted Student Credit Hours (SCH) taught (based on the home unit of the instructor of record). The SCHs will be weighted to reflect the relative national costs of instruction by college/school.
- 15% based on a college or school's percentage of the two-year trailing average of majors.

Throughout this document, the *instructor of record* is defined as the individual recorded in Banner as the instructor of a course. The *home unit of the instructor of record* is defined as the home college or school of the instructor's primary appointment. When CDE pays for course instruction, it will be considered the home unit of the instructor of record. In the summer, CDE will be considered the home unit of the instructor of record for all instruction.

Rationale: This algorithm provides colleges and schools with an incentive to offer innovative, high-quality undergraduate programs; to respond to student needs and demands; and to focus on student recruitment and retention. It recognizes the differential costs of instruction via the weighting of SCHs as well as the demands of majors on an academic department.

Algorithm 2: Graduate Net Tuition

Graduate Net Tuition is defined as gross tuition less financial aid (the netting occurs after the revenue is allocated). The home college of a graduate student's program will be allocated 100% of that student's gross tuition and 100% of that student's financial aid. Graduate Student Stipends will be paid by the hiring unit.

For every SCH a graduate student takes outside of his/her home college, the home college will pay the teaching college 85% of the University's I/S per credit tuition rate.

The graduate net tuition generated by cross-college interdisciplinary programs such as the Food Systems Master of Science will be allocated to the Graduate College. The net tuition will then be distributed to each of the participating colleges and schools based on their percentage of the program's total SCHs. Similarly, if any additional support is required for the program, the participating colleges and schools will provide the Graduate College with the financial resources required based on their percentage of the program's total SCHs.

Rationale: This algorithm provides colleges and schools with an incentive to offer innovative, high-quality graduate programs; to respond to student needs and demands; and to focus on student recruitment and retention. It also supports interdisciplinary programs and recognizes the instructional costs associated with courses taken outside the student's home college.

<u>Algorithm 3: Non-Degree and Summer Tuition (three components)</u>
3a: Non-Degree Net Tuition Revenue for the fall and spring semesters will be allocated as follows:

- 85% based on a college or school's percentage of the non-degree SCH taught (based on the home unit of the instructor or record).
- 15% will be allocated to CDE.

3b: Summer Tuition Revenue
This includes tuition from *any* student taught in the summer. This tuition will be allocated as follows:

- 85% based on a college or school's percentage of the summer SCH taught (based on the home unit of the instructor of record).
- 15% based on a college or school's percentage of the majors taking summer courses; non-degree students will be counted as CDE majors.

3c: CDE Return to Colleges and Schools
In recognition of the administrative demands on the colleges and schools related to "hosting" CDE appointments and/or sections that may be of more benefit to CDE than the host college, 12% of all CDE tuition revenue will be returned from CDE to the other Responsibility Centers based on their percentage of the CDE-taught SCHs. For example, if 20% of the SCHs offered by CDE (whether summer, fall or spring) were in a discipline associated with College A, College A would receive 20% of 12% of all of the CDE tuition revenue in that year.

As noted in algorithm 1, the *home unit of the instructor of record* is defined as the home college or school of the instructor's primary appointment. When CDE pays for course instruction, it will be considered the home unit of the instructor of record. In the summer, CDE will be considered the home unit of the instructor of record for all instruction.

In FY15, we will determine the algorithm for distance education revenue and expense, as well as establish principles that will define the roles and responsibilities of CDE and the academic units and support their successful partnerships.

Rationale: This algorithm recognizes the services and support that all parties provide relative to CDE sections. It also provides the colleges and schools with incentives to provide innovative, high-quality programming, while at the same time preserving the current infrastructure around summer session – a critically important revenue stream.

Algorithm 4: Indirect Cost Recovery (two components)
Indirect cost recovery revenue generated by sponsored activities (commonly referred to as "F&A") will be allocated as follows:

4a: F&A Revenue (a revenue algorithm)

- 90-97% of the F&A will be allocated to the college of the grant's Principal Investigator (PI); if grants have multiple PI's, then the F&A will be allocated to the colleges of the PI's according to planned effort on the grant.
- 3-10% of the F&A will be allocated to the Office of the Vice President for Research (OVPR) to create a Research Investment Fund to support research efforts across the University.
- The initial amount of the Research Investment Fund is $2.8M; the percentage necessary to derive that amount will depend on the total amount of F&A projected for FY16. Over time, we may choose to adjust the percentage of F&A allocated to the Research Investment Fund in response to strategic needs and priorities.
- Several university-wide interdisciplinary grants and centers/institutes may reside in the OVPR's office; the OVPR will receive 100% of this F&A revenue which will be subject to algorithm 4b; the OVPR may choose to share it with participating units as well as direct it to the Research Investment Fund.

4b: Research Enterprise Expenses (an expense algorithm)
The University's research enterprise includes the OVPR, Sponsored Programs Administration; the Office of Technology Commercialization; the Instrument Model Facility and more. These expenses will be allocated to an RC based on its percentage of the 3-year overall sponsored awards. For example, if an RC generated 22% of the University's total sponsored awards over the previous three years, it will be allocated 22% of the total cost of the University's research enterprise.

Rationale: This algorithm provides incentives for the colleges to consider their research portfolios as a whole and grow them strategically; it provides the Office of the Vice President for Research with resources to invest strategically; and it allocates the expenses associated with the research enterprise to the units that utilize these services.

Algorithm 5: Other Income
"Other Income" (OI) is defined as revenue not directly related to tuition and research. Examples of OI include lab fees, vending fees, student application fees and the revenue generated by income expense activities both large and small such as the Luse Center in the College of Nursing and Health Sciences and Residential Life.

OI generated within a Responsibility Center will be allocated to that RC (e.g., the College of Nursing and Health Sciences would receive the revenue the Luse Center generates, and it would also receive the funding associated with any of its course fees).

OI generated by large self-sustaining income/expense activities that are not currently classified as RCs, but operate much like them in that they are responsible for their own revenue and expenses, will be allocated to those activities. Examples of these activities include Residential Life, the Bookstore, and the Center for Health and Wellbeing.

Undesignated OI generated more broadly, and typically by a cost center (e.g., vending fees, student application fees) will be allocated to the overall university revenue pool for broad distribution to the RCs via a reduction in the allocation of costs back to the Responsibility Centers.

Rationale: The revenue generated to meet the needs of a particular activity within an RC should be allocated back to the RC. Since the large self-sustaining income/expense activities are currently functioning successfully in an IBB-like way, it seemed wise to leave their operations undisturbed at this time. Undesignated OI is appropriately allocated for the benefit of the entire University.

Algorithm 6: Facilities and Space Costs
The costs associated with facilities (including physical space and utilities) will be allocated to a Responsibility Center based on its percentage of the total campus square footage. There will be no cost differentiation based on type of space, with the exception of barns and sheds which will be discounted by 80%.

The cost of "administrative units'" space (includes all space that is not allocated to the RCs) is allocated to Responsibility Centers based on their share of the overall cost pool (algorithm 7). That is, if an RC's allocation of cost pool expenses is 22% of the total cost pool, it will be allocated 22% of the cost for administrative units' space.

General purpose classroom space will be assigned to the Registrar's Office, not a particular RC.

If a Responsibility Center is willing to invest in space improvements that will increase efficiency, we will develop a mechanism whereby measurable savings are shared with the RC.

Rationale: Generally speaking, each RC has a facility mix that includes space that is both new and historical; efficient and inefficient; and high and low tech. Additionally, only some of the buildings on campus are metered, making precise energy costs undeterminable. For these reasons, it seemed reasonable to allocate facilities costs on a uniform assignable square foot basis.

Algorithm 7: Cost Pools
The approximately 80 Cost Centers have been grouped into six different cost pools (Appendix H) and their expenses are allocated based on the following cost drivers:

Management Services – unrestricted expenses[5]
Organizational Support Services – faculty and staff headcount
Student/Academic Services – student FTE
Community/Inclusion Services – total headcount (faculty, staff, students)
Libraries and Information Technology Services – total FTE (30%), total headcount (30%), student FTE (20%), faculty/staff headcount (20%)
The UVM Foundation – unrestricted expenses

Rationale: The clarity of the cost pool algorithms will allow RC managers to quickly and easily understand the expense implications associated with potential actions. The transparency of the algorithms sheds light on the costs of the service providers which may lead to reductions in costs and/or an increase in the effectiveness, efficiency, and accountability of the Cost Centers. Using expenses as a

[5] Unrestricted expenses include all general fund and income/expense activity expenses.

cost driver also encourages cost reduction on the part of the Responsibility Centers. Limiting the driver to unrestricted expenses encourages units to seek external funding.

Subvention and the President's and Provost's Strategic Investment Fund

The IBB implementation will be budget neutral in the first year. Budget neutrality means that each Responsibility Center's revenues and expenses will balance, and each RC will be able to maintain its pre-IBB level of expense. This will be accomplished by providing each RC with a revenue subvention (subsidy). The source of the subvention pool is undergraduate net tuition revenue, from which approximately $40M will be allocated to the subvention pool before the remainder is allocated to the RCs in accord with algorithm 1. Final subvention amounts will not be determined until budget planning for FY16 is complete.

Over time, it is expected that subventions to the Responsibility Centers will decrease. The Provost will develop the subvention strategy on a case-by-case basis with the dean of each RC. However, the nature and structure of some RCs is such that they will always require subvention. The need for subvention should not be viewed as a value judgment on a unit's worth or productivity. The University as a whole benefits from its broad portfolio of programs, each with unique characteristics and complexities, and some of which will require strategic, differential investment and support.

A strategic initiative fund available to the President and Provost is an essential component of the model. This fund will be used to support the initiatives that are the highest priority of the President and Provost. This fund will build over time, and its likely source of funding is the reallocation of funds from the subvention pool.

INTERDISCIPLINARY SCHOLARSHIP AND TEACHING

The Steering Committee paid particular attention to the impact of IBB on interdisciplinary scholarship and teaching. It is widely understood that interdisciplinary teaching and scholarship is both a hallmark of UVM and a key to its future success. Under our current budget model, there is no incentive for a dean to allocate faculty time to programs beyond the home unit. Under IBB, a dean will have clear incentives to mount innovative high-demand interdisciplinary programs that will attract and retain students. RCs participating in interdisciplinary instruction will generate revenue either through majors or student credit hours taught. Similarly, federal funding agencies have moved into a mode of supporting interdisciplinary teams working on some of the most complex problems. The Vice President for Research will have a strategic investment fund (see below) to incent and support such proposals, and the colleges/schools will benefit from the F&A return.

IBB, through its transparency, simplicity, and predictability, will enable colleges and schools to more easily weigh trade-offs of costs vs. merit of interdisciplinary activities, to plan resource allocation accordingly, and to assess whether and when additional investments may be worthwhile. The IBB framework allows and encouraged colleges and schools to enter into financial agreements/partnerships around interdisciplinary and cross-unit programs. Quoting from Indiana University's 2011 RCM Review Committee report: "RCM served to make transparent the actual costs and financial trade-offs involved in cross-RC activity, and as a result, fostered healthy conversations about the underlying substantive merits of interdisciplinary proposals."

In the move to IBB, a number of important steps will be taken to ensure an environment exists for interdisciplinary activities to flourish and be sustained. These include: (1) the tuition algorithms are driven by the instructor of record of the course, regardless of whether or not the course is in their home department; (2) Banner will track courses with multiple instructors so that revenues can be distributed accordingly; (3) the OVPR will have a strategic fund that can be used to incentivize new interdisciplinary research and scholarship; (4) the Dean of the Graduate College will have a strategic fund that can be used to incentivize interdisciplinary graduate program offerings; and (5) the President and Provost will be able to use funds from the Strategic Initiative Fund to support, foster, grow, and/or promote interdisciplinary activities. Ultimately, however, decisions about interdisciplinary activities reside with the deans and faculty. IBB is simply a tool. It cannot and should not substitute for leadership, vision, and strategic thinking. The deans will be in a far stronger position under IBB to make informed, strategic decisions and investments in innovative, cross-cutting, interdisciplinary programs that are compelling, important, and sustainable, and that can serve as discriminators for the University of Vermont.

ADMINISTRATIVE UNIT REVIEW

The process of Administrative Unit Review (AUR) lies outside the IBB model, but it is nonetheless closely related. The Vice President for Executive Operations will manage the AUR process in which Cost Centers will undergo regular reviews to assess their quality, efficiency and effectiveness; to stimulate planning and improvement; and to encourage their development in strategic directions that reflect the University's priorities. These reviews will provide the Responsibility Centers with formal opportunities to provide meaningful input on the cost and quality of the services they receive. The Administrative Unit Review process began in the spring of 2014.

A LOOK AHEAD

We will use FY15 to run the proposed IBB model in parallel with our budget current model. The Steering Committee will continue to meet next year to watch the IBB model "at work," and may recommend further enhancements to the model in preparation for its full implementation in FY16. Beyond FY16, the proposed model will undergo periodic evaluation and refinement; a major review of the model is recommended in FY21.

There is also a great deal of work to be done in preparation for the model's launch. I have charged Vice President for Finance Richard Cate with leading a team in developing and implementing a plan for operationalizing the model (Appendix I). This team will work to ensure that UVM's business processes and systems accurately reflect both the final IBB algorithms and the overall revenues and expenses of the University; ensure accurate reconciliation of revenue and expense; ensure that both the Responsibility and Cost Centers have access to relevant, accurate, timely IBB financial data and reports; and ensure that members of UVM's financial management community have the information and training they need to support a successful implementation.

The Provost's Office will work with the academic units and the Faculty Senate to develop mechanisms to ensure appropriate curricular oversight.

CLOSING THOUGHTS

While we are all excited about the opportunities for transformation that IBB affords, I caution that IBB is not the solution to the very real and pressing challenges we face. It, in and of itself, will not reduce our expenses, create efficiencies or generate new revenue. It is not a surrogate for leadership, vision or innovation. It is a management tool that will empower our academic leaders to develop and manage their resources strategically, efficiently, and effectively as the academic units continue to elevate the quality and reputation of academic programs in order to meet the needs of our students. IBB links strategy with resources at the appropriate level. I have every confidence that it will support a positive transformation – but we all must play a role in that process. We must be willing to examine and question long-held practices and beliefs. We must be willing to change, to create, and to innovate.

In closing, let me say how enormously grateful I am to the members of the IBB Steering Committee, as well as the eight IBB subcommittees, for the countless hours they have invested in this process. Through their time, energy, careful study, critical discourse, and engagement with faculty, staff, and students across the UVM campus over the past year, we have arrived at this point where we are able to recommend an IBB model for your approval. It has been my privilege to work with all of the more than 100 members of our campus community involved in the development of IBB, and to witness such a collaborative, inclusive, and authentic process. This bodes very well for the future of the University of Vermont.

IBB Steering Committee Membership – September 20, 2013

David Rosowsky, Committee Chair; Provost and Senior Vice President

Lisa Aultman-Hall, Professor, School of Engineering and Transportation Research Center

Joshua Barry, Undergraduate Student, College of Engineering and Mathematical Sciences; Treasurer, Student Government Association

Shari Bergquist, Assistant Dean for Business Operations, College of Nursing and Health Sciences

Breck Bowden, Patrick Professor of Watershed Science and Planning; Director, Water Resources and Lake Studies Center, Rubenstein School of Environment and Natural Resources

Johanna Brabham, Manager, Residential Life and Davis Center Custodial Services Department

Richard Cate, Vice President for Finance and Treasurer

Rex Forehand, Heinz and Rowena Ansbacher Endowed University Distinguished Professor, Department of Psychology

Jennifer Gagnon, Interim Associate Vice President for Research Administration

Jane Kolodinsky, Professor and Chair, Department of Community Development and Applied Economics

William Mierse, Richard and Pamela Ader Green and Gold Professor, Department of Art and Art History

Fayneese Miller, Dean, College of Education and Social Services

Rick Morin, Dean, College of Medicine

Owen Myers, Graduate Student, Materials Science; Treasurer, Graduate Student Senate

Rae Nishi, Professor, Neurological Sciences; Director, Neuroscience Graduate Program; Director, Neuroscience, Behavior and Health Transdisciplinary Research Initiative

Polly Parsons, E.L. Amidon Professor of Medicine and Chair, Department of Medicine

Don Ross, Research Professor, Department of Plant and Soil Science; Director, CALS Environmental Sciences Major; Chair, Faculty Senate Financial and Physical Planning Committee

George Salembier, Associate Professor and Chair, Department of Education

Beth Taylor-Nolan, Assistant Dean, Continuing Education

Richard Vanden Bergh, Associate Professor, School of Business Administration

Jim Vigoreaux, Breazzano Endowed Professor and Chair, Department of Biology

Beth Wiser, Director, Office of Admissions

The University of Vermont

Office of the Provost
and Senior Vice President

October 4, 2013

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Subject: Incentive-based Budgeting (IBB) Subcommittee Membership

We had a tremendous response from the campus community to participate on the IBB subcommittees. With so many outstanding nominees from across our campus, determining IBB subcommittee membership was a challenge, but a challenge of the very best sort. Upon reviewing the list of nominees, my respect and admiration for the experience, expertise and dedication of our faculty and staff has deepened. I am honored to be working with all of you and I am grateful for your willingness to engage in this important conversation.

When assembling the subcommittees, we sought balance along a number of dimensions of diversity and inclusiveness both within and among the subcommittees. We were attentive to gender, cultural, intellectual, faculty/staff, home unit, and self-nomination/central nomination mixes. That said, we also needed the right backgrounds and expertise at the table to ensure productive subcommittee discussions. While we endeavored for balance across a number of dimensions, it was not possible in all cases. I am confident we have assembled outstanding subcommittees that will effectively and actively represent our entire community. These individuals are serving as university citizens who will bring the entirety of their talents and intellect to this work on behalf of *all* of us.

As noted in my IBB update memo to campus on September 23, we have added a subcommittee on Interdisciplinary Scholarship and Teaching, which will be chaired by Professor William Mierse. By design, this subcommittee is comprised entirely of faculty and includes a broad range of academic disciplines with slightly less focus on balance among units.

The IBB subcommittees will, of course, draw on expertise from across campus as they conduct their work. As always, you can find current information at the IBB website.

I extend my sincerest thanks to those who were willing to be considered for appointment to these subcommittees, and to those who accepted appointments.

(membership listing begins on page 2)

INCENTIVE-BASED BUDGETING – SUBCOMMITTEE MEMBERSHIP

COST POOL METHODOLOGY:
Polly Parsons, Professor and Chair, Department of Medicine (Chair)
Mike Austin, Director of System Administration, Enterprise Technology Services
Shari Bergquist, Asst. Dean for Business Operations, College of Nursing and Health Sciences
Stephen Dempsey, Associate Professor, School of Business Administration
Rose Feenan, Asst. Dean for Business Operations, Rubenstein School of Environment and Natural Resources
Cathy Krupp, Financial Manager, Continuing and Distance Education
Patricia Redmond, Assistant to the Dean, Honors College
Mara Saule, Chief Information Officer and Dean, Libraries and Learning Resources
Ross Thomson, Professor, Department of Economics
Gregory Warrington, Assistant Professor, Department of Mathematics and Statistics

FACILITIES AND SPACE COSTS:
Don Ross, Research Professor, Department of Plant and Soil Science (Chair)
Alison Armstrong, Library Professor, Bailey Howe Library Information and Instruction Services
Johanna Brabham, Manager, Residential Life and Davis Center Custodial Services Department
Linda Burnham, Assistant Dean for Business Operations, College of Arts and Sciences
Brian Cote, Senior Associate Dean for Finance and Administration, College of Medicine
Gary Hawley, Research Associate, Rubenstein School of Environment and Natural Resources
Josie Mercure, Associate Director, Financial Analysis and Budgeting
Kim Parker, Associate Director, Residential Life
Sanjay Sharma, Dean, School of Business Administration
Robert Vaughan, Director, Capital Planning and Management

GRADUATE TUITION REVENUE AND AID:
Rae Nishi, Professor, Department of Neurological Sciences (Chair)
Penny Bishop, Professor, Department of Education
Norman Craige, Associate Director, Student Financial Services
Paul Deslandes, Associate Professor and Chair, Department of History
Cindy Forehand, Interim Dean, Graduate College
Luis Garcia, Dean, College of Engineering and Mathematical Sciences
Diane Jette, Professor and Chair, Department of Rehabilitation and Movement Science
Christopher Koliba, Professor, Department of Community Development and Applied Economics
Erin Montgomery, Program Administrator, Cell and Molecular Biology Program
Richard Vanden Bergh, Associate Professor, School of Business Administration

INTERDISCIPLINARY SCHOLARSHIP AND TEACHING:
William Mierse, Department of Art and Art History (Chair)
David Barrington, Professor, Department of Plant Biology
Christopher Berger, Associate Professor, Department of Molecular Physiology and Biophysics
Rosemary Dale, Clinical Professor and Chair, Department of Nursing
Maggie Eppstein, Associate Professor and Chair, Department of Computer Science
Stephanie Kaza, Professor, Rubenstein School of Environment and Natural Resources
Tammy Kolbe, Assistant Professor, Department of Leadership and Developmental Sciences
Charlotte Mehrtens, Professor, Department of Geology
Wolfgang Mieder, Professor, Department of German and Russian
David Novak, Associate Professor, School of Business Administration
Julie Roberts, Professor, Department of Romance Languages and Linguistics

NON-DEGREE AND ONLINE TUITION REVENUE AND AID:
Jane Kolodinsky, Professor and Chair, Department of Community Development and Applied Economics (Chair)
Jennifer Dickinson, Associate Professor, Department of Anthropology
Cynthia Gerstl-Pepin, Associate Dean, College of Education and Social Services
William Jeffries, Senior Associate Dean for Medical Education, College of Medicine
Jill King, Associate Director, Student Financial Services
Daniel Lerner, Associate Dean, UVM Extension
Patricia Prelock, Dean, College of Nursing and Health Sciences
Abu Rizvi, Dean, Honors College
Beth Taylor-Nolan, Assistant Dean, Continuing and Distance Education
Keith Williams, Registrar, Office of the Registrar

OTHER REVENUE AND FEES:
Breck Bowden, Professor, Rubenstein School of Environment and Natural Resources (Chair)
Joshua Barry, Undergraduate Student, College of Engineering and Mathematical Sciences
Cynthia Belliveau, Dean, Continuing and Distance Education
Dennis DePaul, Assistant Dean for Business Operations, Dean of Students
Stephanie Dion, Director, Administrative Business Service Center
Patricia Eldred, Director, Administrative and Facilities Services Auxiliary Services
Mary Peabody, Extension Professor, UVM Extension
Julia Russell, Associate Chief Information Officer, Enterprise Technology Services
Susan Ryan, Professor and Director, Center on Disability and Community Inclusion
Jeff Schulman, Associate Director, Athletics

RESEARCH AND INDIRECT COST RECOVERY:
Jim Vigoreaux, Professor and Chair, Department of Biology (Chair)
Paula Deming, Associate Professor, Department of Medical Laboratory and Radiation Sciences
John Evans, Interim Vice President for Research
Jennifer Gagnon, Interim Associate Vice President for Research Administration
Dryver Huston, Professor, School of Engineering
Robin Lockerby, Evaluation Data Specialist, UVM Extension
Jessica Strolin, Associate Professor, Department of Social Work
Russell Tracy, Professor, Department of Pathology
Kevin Trainor, Professor and Chair, Department of Religion
Tom Vogelmann, Dean, College of Agriculture and Life Sciences

UNDERGRADUATE TUITION REVENUE AND AID:
Lisa Aultman-Hall, Professor, School of Engineering (Chair)
Pamela Blum, Assistant Dean for Business Operations, College of Education and Social Services
Antonio Cepeda-Benito, Dean, College of Arts and Sciences
Richard Fanus, Assistant Dean for Business Operations, College of Agriculture and Life Sciences
Marie Johnson, Director, Student Financial Services
Thomas Noordewier, Associate Dean, School of Business Administration
Lisa Schnell, Associate Dean, Honors College
Jeremy Sibold, Associate Professor, Department of Rehabilitation and Movement Science
Deane Wang, Associate Professor, Rubenstein School of Environment and Natural Resources
Beth Wiser, Director, Office of Admissions

Appendix C

ACADEMIC EXCELLENCE:
Goals for the University of Vermont

Supporting the President's Strategic Action Plan

These goals are established to animate President Sullivan's *Strategic Action Plan* and facilitate University-wide discussions, engagement, and initiatives around Academic Excellence.

Success in these areas will lead, authentically and in a sustainable way, to increased selectivity, improved student quality, and improvements in national rankings and other reputational indicators.

These goals also serve as drivers to the University-wide IBB development process initiated in fall 2013.

1. Increase the percentage of undergraduate students graduating in four years

2. Improve undergraduate student retention, Years 1-4

3. Improve student advising, both academic and pre-professional/career

4. Increase interdisciplinary teaching, research, and scholarship

5. Expand programmatic offerings to include distance and hybrid modes of instructional delivery

6. Increase research and scholarship in areas that generate high impact, recognition, and visibility

7. Increase domestic diversity and grow international student enrollments across the University

8. Increase enrollments in graduate and professional programs

D. Rosowsky, Provost and Senior Vice President
October 24, 2013

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Cost Pool Methodology
October 8, 2013

Introduction:

In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:

The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Cost Pool Methodology Subcommittee Membership:

Polly Parsons, Professor and Chair, Department of Medicine (Chair)
Mike Austin, Director of System Administration, Enterprise Technology Services
Shari Bergquist, Asst. Dean for Business Operations, College of Nursing and Health Sciences
Stephen Dempsey, Associate Professor, School of Business Administration
Rose Feenan, Asst. Dean for Business Operations, Rubenstein School of Environment and Natural Resources
Cathy Krupp, Financial Manager, Continuing and Distance Education
Patricia Redmond, Assistant to the Dean, Honors College
Mara Saule, Chief Information Officer and Dean, Libraries and Learning Resources
Ross Thomson, Professor, Department of Economics
Gregory Warrington, Assistant Professor, Department of Mathematics and Statistics

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the cost of University-wide common goods and administrative services among the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

What expenses should be included in the University's cost pool?

How many cost pools should be utilized?

On what basis should cost pool expenses be allocated to the Responsibility Centers?

Should the administrative or co-curricular Responsibility Centers be subject to the same cost pool assessments as the academic Responsibility Centers?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu
- Stephanie Dion, Director, Administrative Business Service Center, 656-4368, Stephanie.Dion@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Facilities and Space Costs
October 8, 2013

Introduction:

In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:

The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Facilities and Space Costs Subcommittee Membership:

Don Ross, Research Professor, Department of Plant and Soil Science (Chair)
Alison Armstrong, Library Professor, Bailey Howe Library Information and Instruction Services
Johanna Brabham, Manager, Residential Life and Davis Center Custodial Services Department
Linda Burnham, Assistant Dean for Business Operations, College of Arts and Sciences
Brian Cote, Senior Associate Dean for Finance and Administration, College of Medicine
Gary Hawley, Research Associate, Rubenstein School of Environment and Natural Resources
Josie Mercure, Associate Director, Financial Analysis and Budgeting
Kim Parker, Associate Director, Residential Life
Sanjay Sharma, Dean, School of Business Administration
Robert Vaughan, Director, Capital Planning and Management

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate all costs associated with the University's physical space among the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

How will utility and custodial expenses be allocated to Responsibility Centers?

Taking into account the special needs of heritage buildings, and the differences in operating efficiencies between new and old buildings, how will operation and maintenance expenses (including deferred maintenance) be allocated to Responsibility Centers?

How will the expenses associate with common spaces be allocated? Classrooms? Relinquished space? Leased space?

How will new construction expenses/new capital debt be allocated? How will expenses associated with existing capital debt be allocated?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu
- Claire Burlingham, University Controller, 656-8356, Claire.Burlingham@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Graduate Tuition Revenue and Aid
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Graduate Tuition Revenue and Aid Subcommittee Membership:
Rae Nishi, Professor, Department of Neurological Sciences (Chair)
Penny Bishop, Professor, Department of Education
Norman Craige, Associate Director, Student Financial Services
Paul Deslandes, Associate Professor and Chair, Department of History
Cindy Forehand, Interim Dean, Graduate College
Luis Garcia, Dean, College of Engineering and Mathematical Sciences
Diane Jette, Professor and Chair, Department of Rehabilitation and Movement Science
Christopher Koliba, Professor, Department of Community Development and Applied Economics
Erin Montgomery, Program Administrator, Cell and Molecular Biology Program
Richard Vanden Bergh, Associate Professor, School of Business Administration

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with graduate tuition, aid and stipends to the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

Where does the responsibility for the expenses and revenue associated with graduate tuition, aid and stipends reside: at the level of the Graduate College or the other colleges and schools?

How should the revenue generated by graduate tuition be allocated? Some possibilities: by student credit hour taught; by degree program/major; with or without a distinction for in-state, out-of-state, and international student revenue.

How should graduate financial aid expenses be distributed in an IBB model?

How do the algorithms facilitate interdisciplinary graduate programs?

How/should the algorithms account for the differing levels of graduate education (masters and doctoral)? How/should they create incentives for supporting doctoral education?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be

helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu

John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Interdisciplinary Scholarship and Teaching
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Interdisciplinary Scholarship and Teaching Subcommittee Membership:
William Mierse, Department of Art and Art History (Chair)
David Barrington, Professor, Department of Plant Biology
Christopher Berger, Associate Professor, Department of Molecular Physiology and Biophysics
Rosemary Dale, Clinical Professor and Chair, Department of Nursing
Maggie Eppstein, Associate Professor and Chair, Department of Computer Science
Stephanie Kaza, Professor, Rubenstein School of Environment and Natural Resources
Tammy Kolbe, Assistant Professor, Department of Leadership and Developmental Sciences
Charlotte Mehrtens, Professor, Department of Geology
Wolfgang Mieder, Professor, Department of German and Russian
David Novak, Associate Professor, School of Business Administration
Julie Roberts, Professor, Department of Romance Languages and Linguistics

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that identifies the potential impact of an IBB budget model on interdisciplinary scholarship and teaching, as well as suggestions for how a new budget model might foster interdisciplinarity. The report should include:

Identification and definition of the different types of interdisciplinary scholarly and teaching activity on campus

Identification of the different types of interdisciplinary organizational units on campus, including research centers

A determination of which of these activities/organizational units have budget model implications; identification of those implications

Suggestions related to the design of the budget model that will foster interdisciplinarity

Identification of metrics that will allow for the measurement of interdisciplinary activity on campus

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu

John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Non-Degree and Online Tuition Revenue and Aid
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Non-Degree and Online Tuition Revenue and Aid Subcommittee Membership:
Jane Kolodinsky, Professor and Chair, Department of Community Development and Applied Economics (Chair)
Jennifer Dickinson, Associate Professor, Department of Anthropology
Cynthia Gerstl-Pepin, Associate Dean, College of Education and Social Services
William Jeffries, Senior Associate Dean for Medical Education, College of Medicine
Jill King, Associate Director, Student Financial Services
Daniel Lerner, Associate Dean, UVM Extension
Patricia Prelock, Dean, College of Nursing and Health Sciences
Abu Rizvi, Dean, Honors College
Beth Taylor-Nolan, Assistant Dean, Continuing and Distance Education
Keith Williams, Registrar, Office of the Registrar

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with non-degree, summer and online education to the revenue-generating Responsibility Centers. These models should reflect the University's current organization and practices related to non-degree, summer and online education. The subcommittee may also choose to submit additional algorithms that propose an alternative organizational model for non-degree, summer and online education. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

Where does the responsibility for the expenses and revenues associated with non-degree, summer and online education reside: with Continuing and Distance Education or with the other colleges and schools?

How should the revenue generated by non-degree, summer and online education be allocated? Should this allocation methodology mirror the methodology for undergraduate tuition revenue and aid? Graduate tuition revenue and aid?

Should non-degree, summer and online financial aid expenses be distributed universally or differentially? By what factors?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Other Revenue and Fees
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Other Revenue and Fees Subcommittee Membership:
Breck Bowden, Professor, Rubenstein School of Environment and Natural Resources (Chair)
Joshua Barry, Undergraduate Student, College of Engineering and Mathematical Sciences
Cynthia Belliveau, Dean, Continuing and Distance Education
Dennis DePaul, Assistant Dean for Business Operations, Dean of Students
Stephanie Dion, Director, Administrative Business Service Center
Patricia Eldred, Director, Administrative and Facilities Services Auxiliary Services
Mary Peabody, Extension Professor, UVM Extension
Julia Russell, Associate Chief Information Officer, Enterprise Technology Services
Susan Ryan, Professor and Director, Center on Disability and Community Inclusion
Jeff Schulman, Associate Director, Athletics

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with revenue-generating activities that do not reach the threshold of formal Responsibility Centers, as well as other revenue. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

Should income/expense activities that reside in academic Responsibility Centers (eg. the Melosira in RSENR and the Luse Center in CNHS) continue operate under the umbrella of that Responsibility Center or should their revenues and expenses be handled differently?

Should income/expense activities that reside in administrative or co-curricular units (eg. Print and Mail in Administrative and Facilities Services and Telecommunications in Enterprise Technology Services) continue to operate under the umbrella of that unit, or should their revenues and expenses be handled differently?

Where should existing fees that are currently allocated to the general fund (eg. admissions and vending fees) be allocated?

Should existing fees that are currently allocated back to particular units (eg. course supply fees) continue to be allocated back to a particular unit?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu

John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

Stephanie Dion, Director, Administrative Business Service Center, 656-4368, Stephanie.Dion@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Research and Indirect Cost Recovery
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Research and Indirect Cost Recovery Subcommittee Membership:
Jim Vigoreaux, Professor and Chair, Department of Biology (Chair)
Paula Deming, Associate Professor, Department of Medical Laboratory and Radiation Sciences
John Evans, Interim Vice President for Research
Jennifer Gagnon, Interim Associate Vice President for Research Administration
Dryver Huston, Professor, School of Engineering
Robin Lockerby, Evaluation Data Specialist, UVM Extension
Jessica Strolin, Associate Professor, Department of Social Work
Russell Tracy, Professor, Department of Pathology
Kevin Trainor, Professor and Chair, Department of Religion
Tom Vogelmann, Dean, College of Agriculture and Life Sciences

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a report that includes a minimum of two algorithms to allocate the revenues and expenses associated with research that has budgetary implications, and any related indirect cost recovery, to the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

How should the revenue and expenses associated with funded research and indirect cost recovery be allocated between and/or among the Office of the Vice President for Research, the colleges and schools, research centers, departments, and PIs?

Should indirect cost recovery revenues be used to offset administrative expenses associated with sponsored research?

Should indirect cost recovery revenues be used to create a central investment pool to further the research enterprise of the University?

How do the algorithms address and support funded collaborative and/or interdisciplinary research programs and centers?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

- Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu
- John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu
- Claire Burlingham, University Controller, 656-8356, Claire.Burlingham@uvm.edu

An Incentive-Based Budget Model for the University of Vermont
Charge to the Subcommittee on Undergraduate Tuition Revenue and Aid
October 8, 2013

Introduction:
In academic year 2012-13, the University community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement over the model's problems: lack of transparency, too much complexity, little flexibility, and few incentives.

President Sullivan has asked Provost David Rosowsky, in his role as UVM's Chief Budget Officer, to lead the effort to develop a new incentive-based budget (IBB) model for the University. The Provost will chair the IBB Steering Committee that will be responsible for the final recommendations that will be made to the President on the design and methodology of an overall incentive-based budget model for the University of Vermont.

Members of the IBB Steering Committee will chair and/or serve on IBB subcommittees that will explore particular components of the IBB model, providing possible courses of action for the Steering Committee's consideration.

Guiding Principles:
The development, implementation and continuing assessment of the new Incentive-based Budget Model will be guided by the following principles:

- *Creates incentives that promote academic quality and excellence*
- *Creates incentives at all levels of the University that promote financial sustainability*
- *Encourages innovation and entrepreneurship throughout the University*
- *Provides transparency, clarity, and predictability*
- *Can be easily understood, is easy to implement and operate, and is flexible*
- *Can operate in all cycles of the economy, whether robust or downturn*

Undergraduate Tuition Revenue and Aid Subcommittee Membership:
Lisa Aultman-Hall, Professor, School of Engineering (Chair)
Pamela Blum, Assistant Dean for Business Operations, College of Education and Social Services
Antonio Cepeda-Benito, Dean, College of Arts and Sciences
Richard Fanus, Assistant Dean for Business Operations, College of Agriculture and Life Sciences
Marie Johnson, Director, Student Financial Services
Thomas Noordewier, Associate Dean, School of Business Administration
Lisa Schnell, Associate Dean, Honors College
Jeremy Sibold, Associate Professor, Department of Rehabilitation and Movement Science
Deane Wang, Associate Professor, Rubenstein School of Environment and Natural Resources
Beth Wiser, Director, Office of Admissions

Charge:
By January 24, 2014, submit for the IBB Steering Committee's consideration a minimum of two algorithms to allocate the revenues and expenses associated with undergraduate tuition and aid to the revenue-generating Responsibility Centers. The report should include:

A description of the process by which the algorithms were developed

An explanation of the algorithms and their component parts

A discussion of how the algorithms support the IBB guiding principles

Any additional information that would be useful to the Steering Committee as it considers the algorithms

Questions to Consider:
The following list of questions is not intended to be comprehensive. It is a guide that may be helpful to the subcommittee as it begins its work.

How should the revenue generated by undergraduate tuition be allocated? Some possibilities: by student credit hour taught; by degree program/major; by number of graduates; with or without a distinction for in-state, out-of-state, and international student revenue.

How should undergraduate financial aid expenses be distributed in an IBB model?

Should the algorithm account for the differing costs of instruction among academic units? If so, in what way?

How do the algorithms address and support collaborative and interdisciplinary instruction?

Resources and Support:
Each IBB subcommittee will be provided with a budget of $500 to assist with photocopying, supplies, room reservation charges, meals and other related expenses.

A Sharepoint site has been established to facilitate the work of the subcommittees. The site address is: https://sharepoint.uvm.edu/sites/ibb

The following individuals are available to provide the subcommittees with data and other information, to help answer questions, and to attend subcommittee meetings if that will be helpful to the groups. The subcommittees may also draw on relevant expertise from other campus resources.

Alberto Citarella, Director of the Office of Financial Analysis and Budgeting, 656-1164, Alberto.Citarella@uvm.edu

John Ryan, Director of the Office of Institutional Research, 656-4418, John.F.Ryan@uvm.edu

Appendix E

The University of Vermont

Office of the Provost
and Senior Vice President

January 30, 2014

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Subject: Incentive-based Budget Model Subcommittee Reports

I am writing to let you know that the Incentive-based Budget Model (IBB) Subcommittee reports are now available on the IBB website. Before you read the reports, it will be useful to take some time to review the informational materials available throughout the site.

If, after reading the reports, you have feedback to share, please complete the survey that accompanies each report. The survey results will be provided to the IBB Steering Committee and will inform its forthcoming discussions and final recommendations on a proposed IBB model.

To remind you where we are in the project, this fall each of the eight IBB subcommittees was asked to explore a particular component of an overall IBB model and to propose several algorithms for how it might be addressed in a UVM IBB model. They have done so, and their proposed algorithms are found in these reports.

The spring timeline for the project includes a discussion of the reports with leadership groups across campus and the Steering Committee's review of the algorithms. By the end of June, and based on discussions with leadership groups, input from the campus community, and analysis of the algorithms, the Steering Committee will prepare its final recommendations on the design and overall methodology of a UVM IBB model. These recommendations will then be forwarded to President Sullivan for his consideration.

I have been enormously impressed by and grateful for the response of the campus community in stepping up to meet the challenge of creating a new budget model for UVM. I am grateful to everyone that took the time to learn about IBB models, to think critically and creatively about how we might operate under a new budget model, and to offer their time and their energy to serve on committees or participate in one of the many campus presentations and conversations. The members of the Steering Committee and subcommittees, in particular, have invested countless hours in the very significant tasks that were set before them. They have been creative, thoughtful and engaged university citizens that have brought the full complement of their intellect, experience and expertise to this work.

I look forward to our continued engagement this spring.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

Appendix F

The University of Vermont

Office of the Provost
and Senior Vice President

TO: Thomas Sullivan, President

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: January 31, 2014

SUBJECT: Incentive-based Budget (IBB), Interim Report

I am writing to provide an interim report on the progress we have made toward the development and implementation of an Incentive-based Budget (IBB) Model at UVM. You asked for this interim report by the end of January 2014. The next milestone will be the delivery of a recommended IBB model for your review and consideration by the end of June. I am pleased to report that, as a result of the campus' engagement and the many hours of hard work by so many at our university, we are on-schedule in this first year of what is anticipated to be a two-year process leading to the launch of IBB in FY16.

BACKGROUND

In academic year 2012-13, the UVM community engaged in a discussion about the characteristics and operation of its existing budget model. Those discussions included governance leaders, Trustees, academic and administrative business managers, members of the Faculty Senate, and other constituents. There was uniform agreement with respect to the model's problems: (1) a lack of transparency, (2) too much complexity, (3) little flexibility, and (4) few incentives. At the start of the fall 2013 semester you asked me, in my role as chief budget officer, to lead the effort to develop a new Incentive-based Budget (IBB) model for the University.

PROJECT ORGANIZATION

A Steering Committee has been established with responsibility for developing a final set of recommendations to you (including specific model elements and operating expectations) by June 2014. The IBB Steering Committee is supported by the following eight subcommittees that each have responsibility for exploring a particular component of the IBB model and providing the Steering Committee with specific recommendations:

1. Cost Pool Methodology
2. Facilities and Space Costs
3. Fee Generating Units
4. Graduate Tuition Revenue and Aid
5. Interdisciplinary Scholarship and Teaching
6. Non-Degree and Online Tuition and Aid

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

7. Research and Indirect Cost Recovery
8. Undergraduate Tuition Revenue and Aid

The development, implementation and continual assessment of the new budget model will be guided both by the *Academic Excellence Goals* for the University of Vermont and the following principles which you established last fall:

- Creates incentives that promote academic quality and excellence;
- Creates incentives at all levels of the University that promote financial sustainability;
- Encourages innovation and entrepreneurship throughout the University;
- Provides transparency, clarity, and predictability;
- Can be easily understood, is easy to implement and operate, and is flexible; and
- Can operate in all cycles of the economy, whether robust or downturn.

STEERING COMMITTEE AND (8) SUBCOMMITTEE APPOINTMENTS

The senior academic and administrative leadership of the University was asked to nominate candidates to serve on the Steering Committee. From these nominations, I assembled a Steering Committee that reflects the enormous talent, expertise, and dedication that are the hallmarks of our community (Appendix A), while also ensuring diverse and broad representation. The 22-member Steering Committee was announced to the campus on September 16, 2013 and includes 11 faculty, 5 staff, 2 senior administrators, 2 deans, and 2 students. Four members of the committee are department chairs, 5 hold named professorships, and 3 are Faculty Senators. All of the degree-granting units have membership on the Steering Committee.

At the time the Steering Committee was announced, I put out a call to the entire campus for self-nominations for membership on one of the subcommittees. We had a tremendous response from the campus community and on October 4, 2013 subcommittee membership was announced to the campus (Appendix B). Membership on the eight subcommittees includes 43 faculty, 10 deans or vice presidents, 27 staff and 1 student. (Two members of each subcommittee, including the subcommittee chair, are also members of the Steering Committee.)

In all, we had almost 200 nominations for membership on the Steering Committee and subcommittees. When assembling the committees, we strove for balance along a number of dimensions of diversity and inclusiveness both within and among the subcommittees. We were attentive to intellectual, gender, cultural, faculty/staff, home unit, and self-nomination/central nomination mixes. We also were careful to include the right backgrounds and expertise to ensure robust and productive subcommittee discussions.

Additionally, the following individuals have provided assistance, institutional data/research, and staffing support to the Steering Committee and subcommittees:

- Kerry Castano, Assistant Provost and Chief of Staff to the Provost, Office of the Provost
- Alberto Citarella, University Budget Director, Office of Financial Analysis and Budgeting
- Gary Derr, Vice President for Executive Operations, Office of the President
- John Ryan, Director, Office of Institutional Research

COMMUNICATIONS TO THE CAMPUS

We are committed to an open and transparent process and have communicated with campus in the following ways:

Website:
An IBB website[1] was established in September 2013 and includes information on the Steering Committee, the subcommittees, the project timeline, campus communications, presentations, reports and IBB informational resources. The website also includes a link which allows users to provide feedback, ask questions, and submit suggestions.

Campus-wide Memos:
Five campus-wide IBB memos have been issued (to-date) and posted on the IBB Website. The November 2013 issue of *Across the Green*, my memo to the UVM academic community, also included an update on IBB and is posted on the Provost's Office website[2].

Presentations and Meetings:
The IBB website underscores our commitment to communication throughout the process and includes the following invitation, "We will meet with anyone, anytime, anywhere to discuss IBB." In the fall, 18 meetings were held with governance groups and campus leadership to share information on the IBB development effort, as well as to provide general information on how IBB models work at other universities. I also provided an interview to the *Vermont Cynic*[3].

ACTIVITIES TO-DATE

Steering Committee:
The Steering Committee has met five times as of January 17, 2014. Its work has included affirming the project's guiding principles, participation in the selection of the subcommittee members, reviewing the subcommittee charges, educating itself on IBB models, receiving updates from the subcommittee chairs, and determining the process for reviewing the subcommittee reports. The Steering Committee is scheduled to meet six times this spring.

Subcommittees:
On October 8th, the subcommittees were issued their charges (Appendix C). They have been meeting regularly since then to consider and suggest specific IBB algorithms to the Steering Committee (which were due January 24, 2014).

IBB Retreat:
On October 28th, members of the Steering Committee and subcommittees participated in a day-long retreat with presentations by Professor Doug Priest and Associate Vice President and Budget Director Aimee Heeter of Indiana University-Bloomington, a university that implemented its IBB budget model over 20 years ago. This retreat provided the groups with an opportunity to further their understanding of IBB models, to learn from the experience of another university, and to ask questions related to the work of their committees.

[1] http://www.uvm.edu/provost/IBB/
[2] http://www.uvm.edu/~provost/Across%20the%20Green_Nov%202013.pdf
[3] http://www.uvm.edu/provost/IBB/Rosowsky%20Cynic%20IBB%20Q&A.pdf

IBB Off-site Visits:
On August 22nd and September 23rd, a group of deans, business managers from the colleges and schools and members of UVM's Division of Finance visited the University of New Hampshire and the University of Delaware to learn about their IBB models, implementation processes, and experiences.

SPRING 2014 ACTIVITIES

The reports from the IBB subcommittees were due on January 24, 2014. All subcommittee reports were submitted on-time and have been posted on the IBB website. In January and February, the Steering Committee will review the reports and identify algorithms that may make sense for a University of Vermont IBB model. The University's finance team will then run financial models based on the proposed algorithms, and bring that analysis to the Steering Committee for its review.

In February and March, members of the Steering Committee, subcommittees, and project staff will be reaching out to the broader campus community in the IBB discussion through an engagement campaign that will include meetings with the following leadership and governance groups:

- Budget, Finance and Investment Committee of the Board of Trustees
- President's Advisory Council
- President's Senior Leadership Council
- Provost's Academic Leadership Council
- Faculty Senate Executive Council
- Faculty Senate Finance and Physical Planning Committee
- Faculty Senate – Full Senate
- Graduate Student Senate
- Staff Council
- Student Government Association
- University Business Advisors

In April and May, the Steering Committee will review the financial analysis of the proposed algorithms along with feedback and suggestions received as part of the engagement campaign, and will make recommendations on the design and overall methodology of an IBB model. We are still on-track to be able to provide you with a recommended IBB model by the end of June.

FINAL THOUGHTS

As I have shared with you many times since we started this important work last September, I have been enormously impressed by and grateful for the response of the UVM community in stepping up to meet the challenge of creating a new budget model for the University. I am grateful to everyone that took the time to learn about IBB models, to think critically and creatively about how we might operate under a new budget model, and to offer their time and their energy to serve on committees or participate in one of the many campus presentations and conversations. The members of the Steering Committee and subcommittees, in particular, have invested countless hours in the very significant tasks that were set before them. They have been creative, thoughtful, and engaged University citizens that have brought the full complement of their intellect, experience and expertise to this work.

The University of Vermont

Office of the Provost
and Senior Vice President

February 5, 2014

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Subject: Incentive-based Budget Model Subcommittee Report Q&A Sessions

If you haven't already done so, I hope you will find time to read the Incentive-based Budget (IBB) Model Subcommittee reports that are available on the IBB website. If you have questions about the reports' contents, I encourage you to attend a Q&A session. The sessions will include members of the IBB Subcommittees as well as other project staffers.

The Q&A sessions are scheduled for:

Monday, February 10; 12:00 – 1:00 pm; Davis Center - Livak

Thursday, February 13; 2:00 – 3:00pm; 427A Waterman

Friday, February 14; 12:00 – 1:00 pm; Billings Ira Allen 110/Martin Luther King Lounge
(Directions: use the back entrance of Ira Allen; take a right; MLK lounge is on the left, before the Campus Center Theater)

Tuesday, February 18; 2:00 – 3:00pm; Waterman - Memorial Lounge

Thank you for your continued engagement in this important University initiative.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

UVM Incentive-based Budget Model Cost Pools

6.25.14

Cost Pool 7A: Management Services (24 departments)		Driver: Expenses	
30300 VP U. Rel & Admin	11200 Contr. Office	11000 VP Finance	30550 Univ.Comm
11590 Davis Center	30700 Ofc. Instit. Res.	10300 VP Legal Aff. Gen.	31100 Flem Mus.
30000 Sen. VP & Provost	11240 Treas. & Tax Serv.	10100 Audit Serv.	11110 Off. Sustain
11400 Fin. Analysis & Budget	11270 Cost Acct.Svcs.	10305 Compliance	10400 U. Relations
20001 Admin. Bus. Serv. Ctr.	11220 Fin. Rpt & Acct Svcs.	10000 President's Office	11570 CAES
11550 Procurement Serv.	00003 Treas. Operations	11575 Police Services	11580 Print/Mail
Cost Pool 7B: Organizational Services (7 departments)		Driver: Faculty and Staff Headcount	
30050 Faculty Senate	11531 Environ. Safety	11280 Payroll Svcs	11002 Staff Council
11300 Human Resources	11530 Risk Mgmt & Safety	11320 HRS Learning Svcs.	
Cost Pool 7C: Student/Academic Services (23 departments)		Driver: Adjusted Student Headcount/Student FTE	
30200 Adm. & Enroll Mgmt	30430 Career Serv.	30230 Liv & Learn Ctr.	58100 Honors Coll.
11250 Student Fin. Svcs.	30210 VP Enroll Mgmt.	30440 Ctr. Stdnt Ethics &Stnd	30016 Writing Discip
30420 Acad. Support Prog.	30454 Student Life	30410 Student & Comm. Rel	30017 CUPS
30220 Registrar	30400 Dean of Students Off.	30450 Ctr. Hlth&Well Being	30019 Integr. Bio
30240 International Educ. Svcs.	30231 Res. Lrng Cmty	30456 Student Govt. Assoc.	31200 Military Studies
58200 Grad. Coll	30452 Res. Life	30500 Athletics/Vars.	
Cost Pool 7D: Community/Inclusion Services (7 departments)		Driver: Total Headcount	
10040 Chief Diversity Off.	10060 Aff. Action/Equal Op.	10080 LGBTQA Ctr.	10070 Divers. & Equity
10090 ALANA Student Ctr.	10050 Women's Ctr.	30100 Cultural Pluralism	
Cost Pool 7E: Libraries/IT Services (17 departments)		Driver: 30%TotatlFTE+30%TotalHeadcount+20%Student FTE +20%Fac/Staff Headcount	
58328 Bailey Howe Library	58326 B. Howe-Collect Mgmt	58330 Dana Med. Lib.	11650 Database Adm
58300 Libraries - Dean's Office	58312 Ctr. Teach/Learning	11600 Entp. Tech. Svcs.	11670 IS Office
58320 B. Howe-Acc&Tech.Svcs.	58324 B. Howe Res. Collect.	11630 ETS Client Svcs.	11640 Telcom&Net
58322 B. Howe-Info&Instr.	58314 Learn and Info Tech	11620 Sys. Arch & Admin.	11412 Bus. Proc.Re-eng
11660 Entp. App. Svcs			
Cost Pool 7F: UVM Foundation Services		Driver: Expenses	
UVM Foundation			

The University of Vermont

Office of the Provost
and Senior Vice President

To: Deans, Vice Presidents and Other Senior Leaders

From: David V. Rosowsky, Provost and Senior Vice President

Date: May 22, 2014

Subject: Implementation of Incentive-based Budgeting

As you know, the Incentive-based Budget (IBB) Model Steering Committee will present President Sullivan with its final recommendations on the design and methodology of UVM's new budget model by the end of June.

I am writing to let you know that I have charged Vice President for Finance Richard Cate with leading the Division of Finance in developing and implementing a plan for operationalizing the model. I will continue to work with the IBB Steering Committee in the evaluation and oversight of the model itself, and Vice President Cate will take the lead on critically important operational tasks such as:

- Developing the new annual budget process and timeline
- Developing financial (budget-to-actual) reports for responsibility and cost centers
- Developing education and training materials for UVM's financial management community

This work will take place over the coming year in preparation for our July 1, 2015 transition to IBB. You will receive regular updates as the plan unfolds.

The list above is only a sampling of a significant number of operational issues to be addressed as part of this implementation, many of which affect or involve units outside the Division of Finance. Vice President Cate will need to engage expertise from across campus as part of this work. I ask for your constructive participation in this effort to ensure a successful implementation.

Thank you for your continued support of this important initiative.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

February 5, 2014

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Subject: Incentive-based Budget Model Subcommittee Report Q&A Sessions

If you haven't already done so, I hope you will find time to read the Incentive-based Budget (IBB) Model Subcommittee reports that are available on the IBB website. If you have questions about the reports' contents, I encourage you to attend a Q&A session. The sessions will include members of the IBB Subcommittees as well as other project staffers.

The Q&A sessions are scheduled for:

Monday, February 10; 12:00 – 1:00 pm; Davis Center - Livak

Thursday, February 13; 2:00 – 3:00pm; 427A Waterman

Friday, February 14; 12:00 – 1:00 pm; Billings Ira Allen 110/Martin Luther King Lounge
(Directions: use the back entrance of Ira Allen; take a right; MLK lounge is on the left, before the Campus Center Theater)

Tuesday, February 18; 2:00 – 3:00pm; Waterman - Memorial Lounge

Thank you for your continued engagement in this important University initiative.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

The University of Vermont

Office of the Provost
and Senior Vice President

January 30, 2014

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Subject: Incentive-based Budget Model Subcommittee Reports

I am writing to let you know that the Incentive-based Budget Model (IBB) Subcommittee reports are now available on the IBB website. Before you read the reports, it will be useful to take some time to review the informational materials available throughout the site.

If, after reading the reports, you have feedback to share, please complete the survey that accompanies each report. The survey results will be provided to the IBB Steering Committee and will inform its forthcoming discussions and final recommendations on a proposed IBB model.

To remind you where we are in the project, this fall each of the eight IBB subcommittees was asked to explore a particular component of an overall IBB model and to propose several algorithms for how it might be addressed in a UVM IBB model. They have done so, and their proposed algorithms are found in these reports.

The spring timeline for the project includes a discussion of the reports with leadership groups across campus and the Steering Committee's review of the algorithms. By the end of June, and based on discussions with leadership groups, input from the campus community, and analysis of the algorithms, the Steering Committee will prepare its final recommendations on the design and overall methodology of a UVM IBB model. These recommendations will then be forwarded to President Sullivan for his consideration.

I have been enormously impressed by and grateful for the response of the campus community in stepping up to meet the challenge of creating a new budget model for UVM. I am grateful to everyone that took the time to learn about IBB models, to think critically and creatively about how we might operate under a new budget model, and to offer their time and their energy to serve on committees or participate in one of the many campus presentations and conversations. The members of the Steering Committee and subcommittees, in particular, have invested countless hours in the very significant tasks that were set before them. They have been creative, thoughtful and engaged university citizens that have brought the full complement of their intellect, experience and expertise to this work.

I look forward to our continued engagement this spring.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

OCTOBER 17, 2013
Interview questions (unedited) from Alex Collingsworth of *The Cynic*, and responses provided by D. Rosowsky, Provost and Senior Vice President

***Alex:** As I understand it the move to the IBB model is an attempt to curb future budget shortfalls. Could you please give me any concrete examples of a school or college within UVM (or a department within one of those schools) repeatedly failing to enroll enough students or gather enough money in grants etc. to meet its operating costs (and thus causing a shortfall?)?*

D Rosowsky: Our move to IBB is not an attempt to curb any future budget shortfalls. Rather, it is a transition in budget model to more directly link strategy with resources - at the appropriate level, namely the Colleges and Schools. Such models have been widely adopted by colleges and universities, especially public universities, and have been in-place for many years now. One of the beneficial outcomes from IBB is that Deans will be able to predict revenues and costs -- transparently and accurately -- and therefore plan a multi-year budget to support their strategic goals. I cannot give you an example of what you have requested since no school falls under the category you describe. Our enrollment trends, up and down, closely mirror what we see nationally. We are not looking for, or trying to single out departments that are failing. We are trying to empower the Colleges and Schools to develop and manage their resources strategically and efficiently -- and ultimately effectively -- as they seek to continue to elevate the quality and reputation of their academic programs, meet the needs of our students, distinguish the University of Vermont, and continue to innovate our academic offerings.

***Alex:** In what ways might IBB affect students?*

D. Rosowsky: At its root, IBB is about academic excellence. We want to continue to enhance our academic programs and opportunities for our students. We want to continue to invest in hiring outstanding faculty and our academic infrastructure. We want to grow in strategic areas -- where student and market demand exist -- and we want to strategically invest in programs that can generate national visibility and recognition for UVM. Academic excellence attracts the best students and the best faculty to a university. IBB also enables far better cost accounting and allows us to realize greater efficiencies across the entire campus. Any savings that can be realized will be directed toward UVM's academic mission -- our core enterprise.

***Alex:** Next year (FY2016) IBB will not be fully implemented but the budget will be scrutinized as if it were. It is a "hold harmless year." The formulas used in calculating the allocation of money will be adjusted in order to be more equitable. But after IBB is fully implemented in FY2016 how likely can you say it will be that faculty salaries may be cut if a certain school does not manage to cover its costs?*

D. Rosowsky: We are just starting a two-year process. The second year, we hope to run IBB "in parallel" to our current budget model, to watch it work. This will allow us to see what works and what doesn't, and where adjustments may be needed to ensure IBB functions as intended. We will not transition to the new model until we run it through a budget cycle. All universities that have transitioned to such a model have pointed to the importance of this "parallel model" year. When implemented there should be no surprises. To your second point, there is no situation where any faculty member will see a cut in salary if a college or school fails to meet a target. The Deans will have good and timely information about revenues, as well as exciting opportunities to innovate new programs and generate new revenues, and will be in a far better position (than they are under our current mode) to forecast *and* manage through any budget challenges they may face. IBB is not intended as a punitive budget model, but rather an empowering one.

***Alex:** About 40% of the class of 2017 were/still remain undeclared so under IBB there would be a scramble to attract undeclared students to certain majors or colleges within UVM. How do you think the competition for students and credit hours between the different colleges and departments will be manifest?*

D. Rosowsky: Migration patterns from one college to another, or from major to another, are not expected to be affected. And competition for students is healthy – it's good for students! Colleges and Schools will work even harder to provide outstanding, attractive, and compelling academic programs; they will work even harder to provide the academic and student services support students need to be successful and to graduate in four years; and they will work even harder to create academic programs that ensure great job placements and great graduate school placements. All of our Colleges and Schools want the best students, want to fill their classes, and want their graduates to be successful. Students are our best indicators of what we are doing well. We stand firmly committed to remaining a comprehensive public university, but we seek to ensure excellence across our entire university. IBB keeps our focus on our highest goals: access and affordability, academic quality, preparing our graduates to be successful, and a four-year undergraduate degree.

Alex: *If IBB works and colleges end up saving money, would that saved money be likely to go towards lower tuition for students?*

D. Rosowsky: Anything we can do to keep our tuition competitive, we will do. We are always trying to redirect resources toward keeping our costs down. But we are also working hard (with the University of Vermont Foundation) to secure additional philanthropic funds dedicated to student support. IBB will enable the Deans to redirect resources, generate and invest new resources, or leverage resources with other Deans to meet their strategic goals – all of which center on academic opportunities for our students.

Alex: *How can you try to get students to graduate on time?*

D. Rosowsky: This is something I care deeply about. Our value proposition as an outstanding university must include a commitment to a four-year undergraduate degree. We are looking at this carefully right now. I believe most students are motivated to graduate in four years. As a university, we have to ensure our academic offerings (course availability and sequencing) allows this, and we must provide the advising and mentoring to impress upon our students the importance of staying on-track, reaching rather than relaxing when deciding how many courses to take each semester, remaining focused on your studies, and finishing on time.

Alex: *What else can the colleges do to try to be more entrepreneurial?*

D. Rosowsky: That's a great question and is at the heart of IBB. Some colleges may choose to offer market-driven Master's programs, others may choose to offer executive education programs. Some may choose to run summer institutes, others may choose to create certificate programs. Some may focus on industry partnerships, others may focus on corporate philanthropy. The list goes on and on. IBB will encourage entrepreneurial thinking, creativity, and innovation.

(Responses to questions sent by e-mail to A. Collingsworth 10/17/13)

The University of Vermont

Office of the Provost
and Senior Vice President

October 4, 2013

From: David V. Rosowsky, Provost and Senior Vice President

To: Faculty and Staff of the University of Vermont

Subject: Incentive-based Budgeting (IBB) Subcommittee Membership

We had a tremendous response from the campus community to participate on the IBB subcommittees. With so many outstanding nominees from across our campus, determining IBB subcommittee membership was a challenge, but a challenge of the very best sort. Upon reviewing the list of nominees, my respect and admiration for the experience, expertise and dedication of our faculty and staff has deepened. I am honored to be working with all of you and I am grateful for your willingness to engage in this important conversation.

When assembling the subcommittees, we sought balance along a number of dimensions of diversity and inclusiveness both within and among the subcommittees. We were attentive to gender, cultural, intellectual, faculty/staff, home unit, and self-nomination/central nomination mixes. That said, we also needed the right backgrounds and expertise at the table to ensure productive subcommittee discussions. While we endeavored for balance across a number of dimensions, it was not possible in all cases. I am confident we have assembled outstanding subcommittees that will effectively and actively represent our entire community. These individuals are serving as university citizens who will bring the entirety of their talents and intellect to this work on behalf of *all* of us.

As noted in my IBB update memo to campus on September 23, we have added a subcommittee on Interdisciplinary Scholarship and Teaching, which will be chaired by Professor William Mierse. By design, this subcommittee is comprised entirely of faculty and includes a broad range of academic disciplines with slightly less focus on balance among units.

The IBB subcommittees will, of course, draw on expertise from across campus as they conduct their work. As always, you can find current information at the IBB website.

I extend my sincerest thanks to those who were willing to be considered for appointment to these subcommittees, and to those who accepted appointments.

(membership listing begins on page 2)

INCENTIVE-BASED BUDGETING – SUBCOMMITTEE MEMBERSHIP

COST POOL METHODOLOGY:
Polly Parsons, Professor and Chair, Department of Medicine (Chair)
Mike Austin, Director of System Administration, Enterprise Technology Services
Shari Bergquist, Asst. Dean for Business Operations, College of Nursing and Health Sciences
Stephen Dempsey, Associate Professor, School of Business Administration
Rose Feenan, Asst. Dean for Business Operations, Rubenstein School of Environment and Natural Resources
Cathy Krupp, Financial Manager, Continuing and Distance Education
Patricia Redmond, Assistant to the Dean, Honors College
Mara Saule, Chief Information Officer and Dean, Libraries and Learning Resources
Ross Thomson, Professor, Department of Economics
Gregory Warrington, Assistant Professor, Department of Mathematics and Statistics

FACILITIES AND SPACE COSTS:
Don Ross, Research Professor, Department of Plant and Soil Science (Chair)
Alison Armstrong, Library Professor, Bailey Howe Library Information and Instruction Services
Johanna Brabham, Manager, Residential Life and Davis Center Custodial Services Department
Linda Burnham, Assistant Dean for Business Operations, College of Arts and Sciences
Brian Cote, Senior Associate Dean for Finance and Administration, College of Medicine
Gary Hawley, Research Associate, Rubenstein School of Environment and Natural Resources
Josie Mercure, Associate Director, Financial Analysis and Budgeting
Kim Parker, Associate Director, Residential Life
Sanjay Sharma, Dean, School of Business Administration
Robert Vaughan, Director, Capital Planning and Management

GRADUATE TUITION REVENUE AND AID:
Rae Nishi, Professor, Department of Neurological Sciences (Chair)
Penny Bishop, Professor, Department of Education
Norman Craige, Associate Director, Student Financial Services
Paul Deslandes, Associate Professor and Chair, Department of History
Cindy Forehand, Interim Dean, Graduate College
Luis Garcia, Dean, College of Engineering and Mathematical Sciences
Diane Jette, Professor and Chair, Department of Rehabilitation and Movement Science
Christopher Koliba, Professor, Department of Community Development and Applied Economics
Erin Montgomery, Program Administrator, Cell and Molecular Biology Program
Richard Vanden Bergh, Associate Professor, School of Business Administration

INTERDISCIPLINARY SCHOLARSHIP AND TEACHING:
William Mierse, Department of Art and Art History (Chair)
David Barrington, Professor, Department of Plant Biology
Christopher Berger, Associate Professor, Department of Molecular Physiology and Biophysics
Rosemary Dale, Clinical Professor and Chair, Department of Nursing
Maggie Eppstein, Associate Professor and Chair, Department of Computer Science
Stephanie Kaza, Professor, Rubenstein School of Environment and Natural Resources
Tammy Kolbe, Assistant Professor, Department of Leadership and Developmental Sciences
Charlotte Mehrtens, Professor, Department of Geology
Wolfgang Mieder, Professor, Department of German and Russian
David Novak, Associate Professor, School of Business Administration
Julie Roberts, Professor, Department of Romance Languages and Linguistics

NON-DEGREE AND ONLINE TUITION REVENUE AND AID:
Jane Kolodinsky, Professor and Chair, Department of Community Development and Applied Economics (Chair)
Jennifer Dickinson, Associate Professor, Department of Anthropology
Cynthia Gerstl-Pepin, Associate Dean, College of Education and Social Services
William Jeffries, Senior Associate Dean for Medical Education, College of Medicine
Jill King, Associate Director, Student Financial Services
Daniel Lerner, Associate Dean, UVM Extension
Patricia Prelock, Dean, College of Nursing and Health Sciences
Abu Rizvi, Dean, Honors College
Beth Taylor-Nolan, Assistant Dean, Continuing and Distance Education
Keith Williams, Registrar, Office of the Registrar

OTHER REVENUE AND FEES:
Breck Bowden, Professor, Rubenstein School of Environment and Natural Resources (Chair)
Joshua Barry, Undergraduate Student, College of Engineering and Mathematical Sciences
Cynthia Belliveau, Dean, Continuing and Distance Education
Dennis DePaul, Assistant Dean for Business Operations, Dean of Students
Stephanie Dion, Director, Administrative Business Service Center
Patricia Eldred, Director, Administrative and Facilities Services Auxiliary Services
Mary Peabody, Extension Professor, UVM Extension
Julia Russell, Associate Chief Information Officer, Enterprise Technology Services
Susan Ryan, Professor and Director, Center on Disability and Community Inclusion
Jeff Schulman, Associate Director, Athletics

RESEARCH AND INDIRECT COST RECOVERY:
Jim Vigoreaux, Professor and Chair, Department of Biology (Chair)
Paula Deming, Associate Professor, Department of Medical Laboratory and Radiation Sciences
John Evans, Interim Vice President for Research
Jennifer Gagnon, Interim Associate Vice President for Research Administration
Dryver Huston, Professor, School of Engineering
Robin Lockerby, Evaluation Data Specialist, UVM Extension
Jessica Strolin, Associate Professor, Department of Social Work
Russell Tracy, Professor, Department of Pathology
Kevin Trainor, Professor and Chair, Department of Religion
Tom Vogelmann, Dean, College of Agriculture and Life Sciences

UNDERGRADUATE TUITION REVENUE AND AID:
Lisa Aultman-Hall, Professor, School of Engineering (Chair)
Pamela Blum, Assistant Dean for Business Operations, College of Education and Social Services
Antonio Cepeda-Benito, Dean, College of Arts and Sciences
Richard Fanus, Assistant Dean for Business Operations, College of Agriculture and Life Sciences
Marie Johnson, Director, Student Financial Services
Thomas Noordewier, Associate Dean, School of Business Administration
Lisa Schnell, Associate Dean, Honors College
Jeremy Sibold, Associate Professor, Department of Rehabilitation and Movement Science
Deane Wang, Associate Professor, Rubenstein School of Environment and Natural Resources
Beth Wiser, Director, Office of Admissions

The University of Vermont

Office of the Provost
and Senior Vice President

September 23, 2013

From: David V. Rosowsky, Provost and Senior Vice President

To: Faculty and Staff of the University of Vermont

Subject: **Incentive-based Budgeting Update**

I write with one of what I anticipate will be frequent updates on the incentive-based budgeting (IBB) project.

First, I am happy to report that Richard and Pamela Ader Green and Gold Professor William Mierse has joined the IBB Steering Committee. Professor Mierse is a senior faculty member and former Chair of the Department of Art and Art History. He has held a variety of leadership roles in the College of Arts and Sciences and across the University, and will bring important insights and perspectives relative to the arts and humanities to the work of the Steering Committee.

The IBB Steering Committee and subcommittees will also benefit from the assistance, institutional data/research, and staffing support of the following individuals throughout the IBB development and implementation process.

Kerry Castano, *Assistant Provost and Chief of Staff to the Provost, Office of the Provost*
Alberto Citarella, *University Budget Director, Office of Financial Analysis and Budgeting*
Gary Derr, *Vice President for Executive Operations, Office of the President*
John Ryan, *Director, Office of Institutional Research*

Our work assembling the IBB subcommittees continues. We received more than 170 nominations for the various committees. I am delighted and appreciative that so many members of our community are willing to serve in this important capacity and I want to give the composition of the subcommittees careful consideration. The subcommittee membership will be announced next week via e-mail. Information about the project can be found at the following website at any time: http://www.uvm.edu/provost/IBB/

The IBB Steering Committee met for the first time on Friday, September 20. I left the meeting with the utmost confidence that we have convened a superb group of University citizens to lead our campus through this transition. They are thoughtful, dedicated colleagues with a collective breadth of experience and expertise that is astounding. I am grateful to be working with them, and with all of you, as we transition to a new budget model for our University.

OFFICE OF THE PROVOST
348 Waterman Building
85 South Prospect Street, Burlington, VT 05405
Telephone: (802)656-4400 Fax: (802) 656-9220

The University of Vermont

Office of the Provost
and Senior Vice President

September 16, 2013

To: Faculty and Staff of the University of Vermont

From: David V. Rosowsky, Provost and Senior Vice President

Subject: Incentive-based Budget Model: Steering Committee Membership, Call for Subcommittee Self-Nominations, and the IBB Website

President Sullivan has asked me to lead the effort to develop a new incentive-based budget (IBB) model for the University of Vermont. The cornerstone of this model is the creation of clear incentives to ensure academic quality and financial sustainability. This effort will be overseen by a broad-based Steering Committee (SC) that will be responsible for the final recommendations on the design and methodology of an overall incentive-based budget model for the University of Vermont.

The assembled Steering Committee reflects the enormous talent, expertise and dedication that are the hallmarks of our community. They will approach this work openly, with a vested interest only in that which is best for our University as a whole. They will also serve as vital communication links across campus and will help ensure a transparent, consultative and ultimately successful process.

IBB Steering Committee Membership

David Rosowsky, Committee Chair; Provost and Senior Vice President

Lisa Aultman-Hall, Professor, School of Engineering and Transportation Research Center

Joshua Barry, Undergraduate Student, College of Engineering and Mathematical Sciences; Treasurer, Student Government Association

Shari Bergquist, Assistant Dean for Business Operations, College of Nursing and Health Sciences

Breck Bowden, Patrick Professor of Watershed Science and Planning; Director, Water Resources and Lake Studies Center

Johanna Brabham, Manager, Residential Life and Davis Center Custodial Services Department

Richard Cate, Vice President for Finance and Treasurer

Rex Forehand, Heinz and Rowena Ansbacher Endowed University Distinguished Professor

Jennifer Gagnon, Interim Associate Vice President for Research Administration

Jane Kolodinsky, Professor and Chair, Department of Community Development and Applied Economics

Fayneese Miller, Dean, College of Education and Social Services

Rick Morin, Dean, College of Medicine

Owen Myers, Graduate Student, Materials Science; Treasurer, Graduate Student Senate

Rae Nishi, Professor, Neurological Sciences; Director, Neuroscience Graduate Program; Director, Neuroscience, Behavior and Health Transdisciplinary Research Initiative

Polly Parsons, E.L. Amidon Professor of Medicine and Chair, Department of Medicine

Don Ross, Research Professor, Department of Plant and Soil Science; Director, CALS Environmental Sciences Major; Chair, Faculty Senate Financial and Physical Planning Committee

George Salembier, Associate Professor and Chair, Department of Education

Beth Taylor-Nolan, Assistant Dean, Continuing Education

Richard Vanden Bergh, Associate Professor, School of Business Administration

Jim Vigoreaux, Breazzano Endowed Professor and Chair, Department of Biology

Beth Wiser, Director, Office of Admissions

Call for Subcommittee Self-Nominations

The IBB Steering Committee will be supported by subcommittees that will explore a particular component of the IBB model, ultimately recommending a course of action for the Steering Committee's consideration. Membership on a subcommittee will require a substantial time commitment throughout this academic year. The initial list of subcommittees includes:

Cost Pool Methodology – *Chaired by Professor Polly Parsons*
Facilities and Space Costs – *Chaired by Professor Don Ross*
Fee Generating Units – *Chaired by Professor Breck Bowden*
Graduate Tuition Revenue and Aid – *Chaired by Professor Rae Nishi*
Non-Degree and Online Tuition and Aid – *Chaired by Professor Jane Kolodinsky*
Research and Indirect Cost Recovery – *Chaired by Professor Jim Vigoreaux*
Undergraduate Tuition Revenue and Aid – *Chaired by Professor Lisa Aultman-Hall*

I invite faculty and staff members to self-nominate for service on a subcommittee. Your self-nomination should include (1) the name of the subcommittee(s) on which you'd like to serve if you have a particular preference, (2) your title and a one-paragraph summary of your University experience, and (3) the perspective and/or expertise you would bring to the subcommittee. Please e-mail your self-nomination to Provost.Office@uvm.edu by noon on Thursday, September 19, 2013. If you have any questions about subcommittee membership, please contact Kerry Castano at 61299 or Kerry.Castano@uvm.edu. Note: if you were nominated for the Steering Committee you are already on the list of potential subcommittee members.

IBB Website

We are committed to transparency and open communications throughout this process. To that end, we have developed an IBB website at http://www.uvm.edu/provost/IBB/which will provide current information about the project, its timeline, communications to campus, presentations, reports and informational resources. It will also provide mechanisms for members of the campus community to provide feedback and respond to surveys or interim reports that are posted as our work progresses. Please bookmark this site and visit it often.

We also welcome opportunities to meet with smaller groups to provide information and answer questions. *We will meet with anyone, anytime, anywhere to discuss IBB.* If you'd like to set up an IBB meeting, contact University Budget Director Alberto Citarella at alberto.citarella@uvm.edu.

This exercise is certain to be exciting and enlightening. It will challenge many long-held practices and beliefs and will fundamentally transform our culture. As our work unfolds, I ask you to believe in the best in each other and to help determine what's best for our University. Together we have a remarkable opportunity to position UVM for success in a future that is also certain to be exciting, enlightening and challenging.

Thank you.

The University of Vermont

Office of the President

August 29, 2013

To: UVM Faculty

From: Tom Sullivan

Re: Incentive-Based Budgeting

I write to inform you of the beginning of an important initiative to evaluate and implement a different approach to budgetary planning and allocation at UVM, with the goal of identifying a much improved budget process to replace our current model.

As you recall, shortly after I arrived at UVM, I encouraged the University community to engage in a discussion about our present budget model and how it actually operates. In those budget discussions, we received a large amount of feedback from multiple members of the University community, including governance leaders, Trustees, business managers, members of the Faculty Senate's Financial and Physical Planning Committee, and numerous other constituents. Invariably, we heard about problematic issues associated with our existing budget process: lack of transparency, too much complexity, little flexibility, and too few incentives for units across campus. In response, we are moving forward to implement a better approach.

Our budget planning also must be tied closely to our Strategic Action Plan, whose fundamental premises are:

1. Access to Success: Promoting affordability, financial access, and academic support
2. Promoting a culture of advancing academic excellence and cultivating talent
3. Identifying necessary investments to ensure a bright future
4. Instilling an institutional commitment to efficiency and effectiveness that optimizes the use of facilities, technology, assets, and shared services

I have asked Provost David Rosowsky to lead the lead the effort to develop the new budget model for the University within his responsibilities as UVM's Chief Budget Officer. His work will include chairing a broad-based steering committee to examine, evaluate, and recommend a new Incentive-Based Budget model for the University that better supports our Strategic Action Plan and is based on the following guiding principles. A budget that:

- Creates incentives that promote academic quality and excellence
- Creates incentives at all levels of the University that promote financial sustainability
- Encourages innovation and entrepreneurship throughout the University
- Provides transparency, clarity, and predictability
- Can be easily understood, is easy to implement and operate, and is flexible

- Can operate in all cycles of the economy, whether robust or downturn

The cornerstone of this model is the creation of clear incentives to ensure academic quality and financial sustainability. Numerous high quality universities have adopted various forms of Incentive-Based Budgeting, with notable success. It is important to understand, however, that effectively implementing this model requires careful assessment, planning, fine-tuning, and communication, with engagement across the University community. This will take some time, and this process will not affect our efforts to construct a balanced budget for FY15.

I am asking Provost Rosowsky to provide an initial interim report by January 2014, with a preliminary target of implementing an Incentive-Based Budget by FY16. Along the way, there will be much information forthcoming and broad consultation and briefings, including faculty, staff, students, and governance and academic leaders. This process gives us a real opportunity to implement a budget model that meets the underlying goals, principles, and values mentioned above. I look forward to our discussion.

Cc: UVM Board of Trustees

The University of Vermont

Office of the President

August 29, 2013

To: UVM Staff

From: Tom Sullivan

Re: Incentive-Based Budgeting

I write to inform you of the beginning of an important initiative to evaluate and implement a different approach to budgetary planning and allocation at UVM, with the goal of identifying a much improved budget process to replace our current model.

As you recall, shortly after I arrived at UVM, I encouraged the University community to engage in a discussion about our present budget model and how it actually operates. In those budget discussions, we received a large amount of feedback from multiple members of the University community, including governance leaders, Trustees, business managers, members of the Faculty Senate's Financial and Physical Planning Committee, and numerous other constituents. Invariably, we heard about problematic issues associated with our existing budget process: lack of transparency, too much complexity, little flexibility, and too few incentives for units across campus. In response, we are moving forward to implement a better approach.

Our budget planning also must be tied closely to our Strategic Action Plan, whose fundamental premises are:

1. Access to Success: Promoting affordability, financial access, and academic support
2. Promoting a culture of advancing academic excellence and cultivating talent
3. Identifying necessary investments to ensure a bright future
4. Instilling an institutional commitment to efficiency and effectiveness that optimizes the use of facilities, technology, assets, and shared services

I have asked Provost David Rosowsky to lead the lead the effort to develop the new budget model for the University within his responsibilities as UVM's Chief Budget Officer. His work will include chairing a broad-based steering committee to examine, evaluate, and recommend a new Incentive-Based Budget model for the University that better supports our Strategic Action Plan and is based on the following guiding principles. A budget that:

- Creates incentives that promote academic quality and excellence
- Creates incentives at all levels of the University that promote financial sustainability
- Encourages innovation and entrepreneurship throughout the University
- Provides transparency, clarity, and predictability
- Can be easily understood, is easy to implement and operate, and is flexible

- Can operate in all cycles of the economy, whether robust or downturn

The cornerstone of this model is the creation of clear incentives to ensure academic quality and financial sustainability. Numerous high quality universities have adopted various forms of Incentive-Based Budgeting, with notable success. It is important to understand, however, that effectively implementing this model requires careful assessment, planning, fine-tuning, and communication, with engagement across the University community. This will take some time, and this process will not affect our efforts to construct a balanced budget for FY15.

I am asking Provost Rosowsky to provide an initial interim report by January 2014, with a preliminary target of implementing an Incentive-Based Budget by FY16. Along the way, there will be much information forthcoming and broad consultation and briefings, including faculty, staff, students, and governance and academic leaders. This process gives us a real opportunity to implement a budget model that meets the underlying goals, principles, and values mentioned above. I look forward to our discussion.

Cc: UVM Board of Trustees

Guiding Principles for IBB

as presented in memos from President Sullivan to Faculty and Staff

1. Creates incentives that promote academic quality and excellence
2. Creates incentives at all levels of the University that promote financial sustainability
3. Encourages innovation and entrepreneurship throughout the University
4. Provides transparency, clarity, and predictability
5. Can be easily understood, is easy to implement and operate, and is flexible
6. Can operate in all cycles of the economy, whether robust or downturn
7. Fosters interdisciplinary scholarly and teaching activity