To: The UVM Community

From: Tom Sullivan, President
David Rosowsky, Provost and Senior Vice President

Re: The Budget: FY15 and Beyond

We are writing to update you on the status of planning for next year’s budget (FY15) and beyond. The Board of Trustees will consider for the first time the parameters of next year’s budget on October 25 – but we want to share an update with you now to offer a preliminary preview of the fiscal landscape ahead. There will be budgetary discussions with a wide range of governance and other campus leaders throughout the academic year.

The University has been managing through financial challenges for some years. The challenges continue, but they are manageable. Institutions across the country are facing similar issues. Fortunately, UVM has not suffered the drastic and rapid reductions that many other colleges and universities have been forced to implement since the recession began.

We are building a budget that balances our need to invest in academic quality – including our people – with the compelling need to keep UVM financially accessible for our students while ensuring fiscal sustainability. There are challenges, tradeoffs, and hard choices to be made. There will be dialogue with the campus community in a variety of forums during the academic year that will inform the decisions that will need to be made to achieve a balanced budget for FY15.

It is important that this balanced budget reflects and supports our strategic action priorities:

1) “Access to Success”: Promoting affordability, financial access, and academic support for students
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

There are multiple factors affecting the budget, including:

- Responding to rising and unpredictable health care costs
- Coping with declining indirect cost recovery from grants due to the federal sequester and related grant productivity
- Providing financial aid funding that keeps UVM affordable for our students
- Recognizing our limited capacity to expand undergraduate enrollment while maintaining quality
• Focusing on the need to increase student retention and graduation rates
• Investing in upgraded academic facilities and funding deferred maintenance in order to be a university of choice
• Sustaining competitive salaries and benefits

As we all know, our largest source of income is tuition, and our largest expense is employee compensation -- a dynamic relationship that demands careful attention, especially now.

Although the FY15 budget won’t be finalized until May of 2014, we want our University conversation to begin now, much earlier than normal. Through a combination of strategic choices, we believe that any shortfall can be reduced to a manageable level that will avoid compromising our academic quality, mission, and reputation. Clearly, some difficult decisions will need to be made in order to sustain and advance quality and make necessary investments. Our goal is to keep overall unit reductions below those we experienced in FY14. The hard work of last year, combined with the steps we will take for FY15, should allow us to reach that goal.

As we approach this task, we will be mindful of the need to mitigate significant negative impacts on academic quality and individual members of our community. We are confident that our community is resourceful and will be successful regarding the task at hand.

Potential savings across the institution will be identified prior to distributing budget targets to units later in the fall. A few examples of steps to be considered and tradeoffs to be discussed include:

• Sustaining a salary and wage pool that supports our competitive position, recognizes performance, and allows us to recruit and retain highly talented faculty and staff
• Making moderate adjustments to our benefits package, whose costs continue to rise, often unpredictably
• Raising revenue targets for selected units that have the potential to meet those goals
• Expecting the UVM Foundation to advance private fundraising to record levels and beyond
• Raising student retention levels
• Eliminating vacant positions where feasible
• Proposing a package of tuition and fees sufficient to create opportunities for much needed investments while remaining true to our commitment to financial access for students

Steps such as these will allow us to reduce expenditures and the levels of reductions to individual units. We will continue to employ a combination of expense reduction, revenue generation, and strategic investing, guided by the priorities of the Strategic Action Plan. As articulated last year, any reductions will be differentiated rather than across the board. [http://www.uvm.edu/president/?Page=strategicplan.html](http://www.uvm.edu/president/?Page=strategicplan.html)

Beyond FY15, the implementation of an Incentive Based Budget model will make our processes even more transparent and predictable, giving all units greater incentives and
freedom to manage more entrepreneurially and effectively. We expect the implementation of this model to be completed in two years. Also, in the interest of greater accountability and effectiveness, a more formalized Administrative Unit Review Process is being established later this semester, which will complement our existing Academic Program Review Process.

There will be numerous opportunities for further discussion as the budget picture becomes clearer. We also recognize that there are some outcomes that will need to be resolved through the collective bargaining process. We will keep you informed as progress is made toward finalizing the FY15 budget. By working together and supporting each other, we will address successfully our budget challenges and move forward productively.

Cc: UVM Board of Trustees