FY17 Budget Briefing

Business & Finance Network (BFAN)
November 19, 2015

Alberto Citarella, University Budget Director
Total Operating Budget - $633M

- General Fund: 53%
- Restricted Funds (Includes Gifts & Grants): 26%
- Income/Expense: 21%

General Fund is where we have some discretion.
FY16 Gross General Fund Revenue - $452M

3.3% of total operating budget after excluding direct financial aid for Vermont students

Gross Undergraduate Tuition 64.3%

Other Tuition 15.5%

F&A Cost Recovery 5.5%

State Appropriation 9.4%

I/E Contribution 1.4%

All Other Revenue 3.9%

Tuition totals 79.8%
FY16 Gross General Fund Expense - $452M

- Financial Aid: 26.3%
- Salaries, Wages & Benefits: 48.9%
- Academic Operating Budgets: 9.1%
- Facilities Operating Budgets: 8.8%
- Non-academic Operating Budgets: 3.5%
- Student Services Operating Budgets: 1.6%
- Foundation Support: 1.8%

75.2% invested in people
UVM Operating Constraints

Internal Constraints
• Modest endowment, very little of which is unrestricted
• Limited ability to raise tuition given competitive market
• Many older buildings compared to peers with deferred maintenance (47% of building space over 50 years old)
• Debt policy
• Student selectivity higher than peers

External Constraints
• One of the lowest state general appropriations (at the bottom or second to last)
• 40% rule with the effect of a 60% discount for Vermont students before financial aid
• Most competitive higher education market (Northeast) in the U.S.
• Very small state capital appropriation for deferred maintenance and none for new buildings
• Vermont regulatory and permit environment
• State does not share in UVM’s liabilities (e.g. post retirement medical benefits)
• Sharp drop in number of high school graduates in Vermont and the Northeast
Top Revenue and Cost Drivers

<table>
<thead>
<tr>
<th>Top Revenue Drivers</th>
<th>Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Undergraduate Tuition</td>
<td>$291.0</td>
<td>64.3%</td>
</tr>
<tr>
<td>State Appropriation*</td>
<td>$42.4</td>
<td>9.4%</td>
</tr>
<tr>
<td>F&amp;A Cost Recovery</td>
<td>$25.2</td>
<td>5.6%</td>
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<tr>
<td>Gross Summer Tuition</td>
<td>$11.7</td>
<td>2.6%</td>
</tr>
<tr>
<td>Gross Graduate Tuition</td>
<td>$9.5</td>
<td>2.1%</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Top Cost Drivers</th>
<th>Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary, Wages &amp; Benefits**</td>
<td>$220.7</td>
<td>48.9%</td>
</tr>
<tr>
<td>Financial Aid**</td>
<td>$118.5</td>
<td>26.3%</td>
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<tr>
<td>Non-personnel Operating Budgets</td>
<td>$41.0</td>
<td>9.1%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>$20.2</td>
<td>4.5%</td>
</tr>
<tr>
<td>Utilities</td>
<td>$10.3</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

*State Appropriation is 3.3% of total operating budget after excluding direct financial aid for Vermont students.

** 75.2% of the budget is invested in people.
History of Budget Reductions

Reductions of $22.5 M since 2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Academic Budget Reduction</th>
<th>Non-Academic Budget Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$5.5 M</td>
<td>$2.9 M</td>
</tr>
<tr>
<td>2012</td>
<td>$4.9 M</td>
<td>$2.9 M</td>
</tr>
<tr>
<td>2013</td>
<td>$2.9 M</td>
<td>$6.3 M</td>
</tr>
<tr>
<td>2014</td>
<td>$4.9 M</td>
<td>$6.3 M</td>
</tr>
<tr>
<td>2015</td>
<td>$4.9 M</td>
<td>$6.3 M</td>
</tr>
<tr>
<td>2016</td>
<td>$4.9 M</td>
<td>$6.3 M</td>
</tr>
</tbody>
</table>
Five-Year Average of Incremental Change in Revenue and Expenses
Sustainably Balance General Fund Budget

• Net Revenue Opportunities
  o Sustainable tuition increases
  o Enhance reputation and reduce financial aid need
  o Increase number of student credit hours taught
  o Increase graduate enrollment consistent with Strategic Action Plan
  o Increase international enrollment

• Cost Avoidance
  o Continue to manage health insurance costs
  o Do not acquire non-strategic properties and invest further only in those that are strategic
  o Maximize opportunities created by position vacancies
  o Refinance debt

• Cost Reduction
  o Eliminate nonessential work and redundancies – redistribute work assignments
  o Modest annual reductions in resource allocations
  o Increase aggressive approach to energy use reductions
Comparison of GF Revenue & Expense Increases Before Budget Reductions
Changes to the Budget Process

• The process began last spring.
• Responsibility Centers play a key role in developing revenue projections.
• There will be a separate process for cost center budget review.
New Model

Cost Centers

- May: Units create multi-year plans
- September: University-wide scenarios created
- November: Provost sends instructions to CC’s
- December: CC’s submit plans

Responsibility Centers

- May: Units create multi-year plans
- September: University-wide scenarios created
- November: Budget Office provides FY17 planning estimates
- February: Provost finalizes FY17 planning ratios
- March: RC’s submit revenue and expense plans
- May: Budget provided to BoT
Decentralized, unit-centered decision making.

Focus needs to be on transparency and incentives.

The FY 17 budget will be balanced.

Planning and consultation will continue on a multi-year basis.

Cost Centers will be budgeting only expenses.

Responsibility Centers will be budgeting revenue and expenses.

The degree to which Responsibility Centers experience increased revenue will vary according to growth in enrollment and student credit hours in individual units.