



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 section² that has been added to the IBB website.

FINAL REPORT FEEDBACK

In his July 9, 2014 response³ 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.