



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.

- 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.