



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.

Algorithm 6 – Facilities

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.

Subvention

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.

Other

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