



TO: Faculty and Staff of the University of Vermont

FROM: David V. Rosowsky, Provost and Senior Vice President

DATE: November 27, 2018

SUBJECT: Incentive-based Budget Model – Campus Update #10

I am writing to provide an update on Incentive-based Budget (IBB) Model 2.0¹. The IBB Steering Committee's most recent work has focused on Algorithm 6 - Facilities. The Committee recommended no changes to the algorithm, and President Sullivan has subsequently approved this recommendation.

The intent of Algorithm 6 as originally recommended by the Steering Committee, and as currently structured, is to allocate facilities expenses based on a unit's footprint as defined by its Assignable Square Footage (ASF), and to incent the efficient use of space.

Feedback on the algorithm from the campus-wide surveys was not as uniform as that received for the other algorithms the Committee addressed, nor were potential resolutions as clear. The Steering Committee received a variety of minor suggestions aimed at different aspects of the algorithm, but a consistent and specific problem in need of a solution did not emerge.

In preparation for the Steering Committee's deliberations, we reviewed facilities methodologies in use at other RCM universities. While approaches vary, we were unable to find a methodology with which a campus was fully content. This, understandably, mirrors our own experience. As we know, space is expensive, deferred maintenance needs and new/expanded facilities are driving that expense up, space assessments consume a significant share of a Responsibility Center's (RC) budget, RCs have varying levels of satisfaction with particular spaces within their footprint, and there is little a unit, or the University, can do to alter much of this.

The Steering Committee considered several specific facilities suggestions. The first was to refine the algorithm such that it allocates facilities costs by functional use (i.e., charging more for a square foot of lab space than a square foot of office space). On the basis of its potential to disincent research and add complexity, the Committee did not support this approach. With an eye for conservation and efficiency, the Committee also considered whether we should allocate actual, rather than aggregated, utilities costs to each RC. Unfortunately, the complex physical infrastructure that delivers utility services across campus does not provide the data necessary for this approach, and this, too, has the potential to disincent research and add complexity. Finally, the group considered whether a budget should be created to support units with significant remediation and abatement obligations (largely related to asbestos). The Steering Committee did not support this proposal on the grounds that it would be difficult to determine which unit should have access to these limited resources, and under what conditions.

¹ Please see [Campus Update #8](#) for information on the IBB Model 2.0 process and its revised timeline.

The Steering Committee also considered several different overall approaches, namely allocating space costs by a driver other than Assignable Square Footage. Allocations based on Unrestricted Expenses and Faculty/Staff FTE were explored. The financial impacts of these approaches on RC budgets were modest, largely because the total facilities expense that must be allocated remains the same regardless of the driver by which it is allocated. Further, these approaches would result in significant distortions to the model, driving the headcount assessment from \$9,000 to more than \$22,000, and the unrestricted expense assessment from 17% to almost 40%. As a result, the Committee concluded that allocating space by a driver other than ASF reduced both transparency and incentives to maximize the use of existing space.

On the basis of the above, the Steering Committee recommended no changes to Algorithm 6.

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My thanks to the 23 members of the IBB 2.0 Steering Committee for their careful and deliberative efforts to respond, respectfully and responsibly, to the important IBB campus feedback that was received.

The Committee will now turn its attention to IBB 2.0 feedback that falls outside of the algorithms.

cc: Tom Sullivan, President
Alberto Citarella, University Budget Director
Incentive-based Budget Steering Committee