The University *of* Vermont

TO: Faculty and Staff of the University of Vermont

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

DATE: August 29, 2018

SUBJECT: Incentive-based Budget Model – Campus Update #8

I am writing to update you on the Incentive-based Budget (IBB) Model 2.0 process and its **revised timeline**, and to provide you with information on the recommended changes to Algorithm 7 in particular.

The IBB Model 2.0 process was initiated last November with a call for input from the campus community. After reviewing the campus feedback, the IBB Steering Committee identified three major areas for refinement in Model 2.0, to be addressed in the following order:

Algorithm 7 – Support Center[1] Pools: To review (a) the headcount cost driver in particular, and (b) to determine whether the formula can be simplified.

Algorithm 1 – Undergraduate Net Tuition: Focusing on (a) the weightings, and (b) whether the 85/15 split should be revised vis-à-vis the role, if any, it plays in curricular/course offering decisions.

Algorithm 6 – Facilities: Investigating whether the current methodology can/should be revised to account for space weighting by functional use, remediation obligations, and utility costs.

CHANGE TO THE IBB MODEL 2.0 TIMELINE

As our work has progressed, and as we began forward-planning for implementation of any changes to the budget model, we realized it would be preferable for the Steering Committee to conclude its work earlier than the December 2018 date we had been targeting. December is essentially the start of the FY20 budget planning process, and it is important for the deans and vice presidents and their business managers to both understand changes in the budget model and have the planning and forecasting tools necessary for their budget planning purposes. As a result, **the Steering Committee is scheduled to complete its work on changes to the budget model early this fall** and will then turn its attention to the other planned elements of the IBB 2.0 process such as refinement of metrics and mapping to the President's *Strategic Action Plan*.

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[1] In January 2018, we transitioned from the term "Cost Center" to "Support Center" in recognition of the essential partnerships between the support units and the academic units ("Responsibility Centers").

RECOMMENDED REVISIONS TO ALGORITHM 7

The feedback on Algorithm 7 centered on the headcount assessment. The intent of the assessment, at approximately $9,000 per head, is to cover Support Center (SC) expenses in SCs whose costs are driven by the number of faculty and staff employed by the University regardless of whether they are full-time or part-time. Feedback from the campus-wide surveys suggests that the headcount assessment is perceived as (1) a disincentive to hiring part-time faculty, (2) a burden to departments that are heavily reliant on part-time faculty, and (3) an impediment to program innovation which may require new faculty hiring at a rate that initially outpaces revenue generation.

The Steering Committee recommends revising the headcount methodology such that the part-time faculty/staff assessment is half of the full-time assessment. This responds to the call for change, eases part-time faculty hiring expenses without overly disincenting full-time faculty hiring, and supports programs reliant on part-time faculty, all while still acknowledging Support Center expenses associated with all employees.

On the question of whether the Algorithm 7 formula should be simplified, the Committee feels that the current level of detail provides a necessary level of transparency upon which the campus relies, and did not recommend further changes to Algorithm 7's pools or drivers.

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Preliminary recommendations on Algorithms 1 and 6 will be released sequentially in the weeks ahead as the Steering Committee arrives at its recommendations.

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