



The University of Vermont

Office of the President

August 29, 2013

To: UVM Staff

From: Tom Sullivan

Re: Incentive-Based Budgeting

I write to inform you of the beginning of an important initiative to evaluate and implement a different approach to budgetary planning and allocation at UVM, with the goal of identifying a much improved budget process to replace our current model.

As you recall, shortly after I arrived at UVM, I encouraged the University community to engage in a discussion about our present budget model and how it actually operates. In those budget discussions, we received a large amount of feedback from multiple members of the University community, including governance leaders, Trustees, business managers, members of the Faculty Senate's Financial and Physical Planning Committee, and numerous other constituents. Invariably, we heard about problematic issues associated with our existing budget process: lack of transparency, too much complexity, little flexibility, and too few incentives for units across campus. In response, we are moving forward to implement a better approach.

Our budget planning also must be tied closely to our Strategic Action Plan, whose fundamental premises are:

1. Access to Success: Promoting affordability, financial access, and academic support
2. Promoting a culture of advancing academic excellence and cultivating talent
3. Identifying necessary investments to ensure a bright future
4. Instilling an institutional commitment to efficiency and effectiveness that optimizes the use of facilities, technology, assets, and shared services

I have asked Provost David Rosowsky to lead the lead the effort to develop the new budget model for the University within his responsibilities as UVM's Chief Budget Officer. His work will include chairing a broad-based steering committee to examine, evaluate, and recommend a new Incentive-Based Budget model for the University that better supports our Strategic Action Plan and is based on the following guiding principles. A budget that:

- Creates incentives that promote academic quality and excellence
- Creates incentives at all levels of the University that promote financial sustainability
- Encourages innovation and entrepreneurship throughout the University
- Provides transparency, clarity, and predictability
- Can be easily understood, is easy to implement and operate, and is flexible

- Can operate in all cycles of the economy, whether robust or downturn

The cornerstone of this model is the creation of clear incentives to ensure academic quality and financial sustainability. Numerous high quality universities have adopted various forms of Incentive-Based Budgeting, with notable success. It is important to understand, however, that effectively implementing this model requires careful assessment, planning, fine-tuning, and communication, with engagement across the University community. This will take some time, and this process will not affect our efforts to construct a balanced budget for FY15.

I am asking Provost Rosowsky to provide an initial interim report by January 2014, with a preliminary target of implementing an Incentive-Based Budget by FY16. Along the way, there will be much information forthcoming and broad consultation and briefings, including faculty, staff, students, and governance and academic leaders. This process gives us a real opportunity to implement a budget model that meets the underlying goals, principles, and values mentioned above. I look forward to our discussion.

Cc: UVM Board of Trustees