Financial and Physical Planning Committee (FPPC) of the UVM Faculty Senate
2017-2018 Annual Report

FPPC report / April 2018

The Senate Financial and Physical Planning Committee (FPPC) has been monitoring several fairly serious matters concerning the University's financial situation. The committee believes that faculty generally should be more aware of the situation and should involve itself more in conversations with their Deans and with central administration about possible remedies (hopefully as problem-solving partners and not as adversaries).

First, the University continues to face a structural deficit somewhere north of $6 million annually. What this means in simple terms is that, year after year, the revenue the University brings in (and with annual increases for tuition and the broader cost of attendance that revenue always goes up) falls short of the increase in the cost to run the University (e.g. increases in salaries and benefits, energy, purchases, maintenance, debt management, etc.). Costs rise between 2.5-3% annually and revenue increases close to 1.5%. (Next year the projected cost increase is 2.6% and the revenue increase is projected at 1.4%.)

** The concluding FY 18 looks particularly bad, about $3 million further in the red because of higher than expected expenditures for student financial aid. That money will be covered through the Tuition Stabilization Fund, money that needs to be paid back into the fund.*

There are different ways of balancing the budget in any particular year, but none of these is a long-term solution. Next year, for example, student enrollment will rise from 10,500 to 10,600. While the increase of 100 students (along with the tuition increase, which is relatively low) will generate more revenue, there is a limit to how many new students we can enroll (e.g. limits on available housing, course sections, etc.)

Central administration has, by its own admission, not been able to move the needle on two areas that could greatly improve the overall health of the University: 1) student retention (which has been hovering around 85-86% for quite a long time); 2) yielding the same number of students while at once maintaining current targets for "selectivity" and offering less financial aid overall—as noted, financial aid went in the wrong direction for FY 2018.

The committee has also observed some notable shortfalls in expected fundraising in support of major projects (e.g. the STEM building). While the committee sees general evidence that the fundraising efforts have been robust, where it has fallen short should be a general cause for concern for faculty if for no other reason than that such shortfalls need to be covered by available funding that might be used for other priorities. This problem should be taken into consideration if we see more movement on the proposed renovations to the Patrick Gym – Gutterson Fieldhouse complex.

Under IBB, revenue growth typically becomes the special burden of the Deans of the degree-granting colleges. And there is certainly evidence that the Deans have had some success increasing revenue without damaging the core educational mission of their units (though the situation varies from college to college). New revenue only rarely comes through increases in enrollment of the undergraduate population, but Deans have been creative with courses and programs targeting non-traditional students (e.g. students in post-graduate certificate programs); there has also been a noticeable increase in summer enrollments and the possibility of even higher summer enrollments. There are other forces, however, working against those revenue increases: e.g. an expected decrease in the number of international students through the Global Gateway program due in part to the toxic political atmosphere at the national level. So Deans still must typically balance modest revenue increases with cost-cutting measures designed to balance the budgets of their colleges. The problems have been severe enough in CAS that it has effectively frozen tenure-track hiring and has decided not to reappoint some non-tenure track faculty. It is not immediately clear how long it will take CAS to get out of this position, and at least some of the other Deans fear that their colleges will soon face the same downward pressures on their budgets that CAS is currently facing.

Other than fundraising (which primarily falls to the President working in conjunction with the Foundation), it appears that central administration's main focus has been on improving UVM's academic reputation. It should be noted that this is a very indirect way of improving the financial fundamentals and is very hard to track. That said, the core idea is very much in line with the old "Spires" concept: selective enhancement of specific areas of reputational excellence (e.g. environmental studies) with the aim to attract more applicants and yield an incoming class (and some transfer students) who are both more likely to come to UVM even with a higher cost of attendance compared to our competitors and more likely to stay at UVM once they start. In short, following the standard administrative playbook, UVM is looking to make money by saving money and to accomplish that through finding ways to translate certain things UVM does well into public image-making (in effect, a marketing-strategy).

The FPPC has members serving as committee representatives on other University committees (among these the Educational Stewardship Committee and the IBB 2.0 Steering Committee). Through these two committees and through the committee's regular discussions, the FPPC has recently given special attention to the revenues that derive from the Student Credit Hours associated with some of the first-year Residential Learning Communities (related to Algorithm 1 of IBB). We hope to have a proposal regarding this revenue ready for consideration by the full Senate by the May meeting.

Respectfully submitted,

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