

**BUDGET, FINANCE AND INVESTMENT COMMITTEE
BOARD OF TRUSTEES
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE**

A meeting of the Budget, Finance and Investment Committee of the Board of Trustees of the University of Vermont State and Agricultural College was held on Monday, April 12, 2010 at 8:30 a.m., 427A Waterman Building.

MEMBERS PRESENT: Chair Debbie McAneny, Vice Chair Samuel Bain*, Bill Botzow, Carolyn Branagan, David Daigle*, Daniel Fogel, Brian Sozansky, and Donna Sweaney*

REPRESENTATIVES PRESENT: Staff Representatives Kit Ardell and Rodman Cory, Faculty Representatives Albert Joy and Donald Ross, and Student Representative Kate Ash

ABSENT: Trustees Ian Boyce, Susan Hudson-Wilson, and Mark Young, Alumni Representatives Walt Blasberg and Meg Guzuwicz, and Student Representative Nick Cafarelli

OTHER TRUSTEES PRESENT: Board Chair Robert Cioffi

PERSONS ALSO PARTICIPATING: Interim Provost and Senior Vice President Jane Knodell, Vice President for Finance and Administration Richard Cate, Associate Vice President for Budget and Resource Management Ted Winfield, and Vice President for Enrollment Management Chris Lucier

* by means of conference telephone.

Chair McAneny called the meeting to order at 8:32 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the February 5, 2010 meeting.

FY 2011 Budget Parameters

Vice President Cate provided the Committee with an overview of the steps that have occurred in developing and balancing the FY 2011 budget. He also provided a brief summary of current year projections. In developing the FY 2011 budget, a conscious decision was made by senior administration not to propose across-the-board budget cuts. Instead, Deans and Vice Presidents were asked to review their operations, confirm critical programs and identify expenses that could be avoided or reduced. It is also important to note that the balanced budget being presented today includes a 4.8% tuition increase rather than the 6.0% increase reflected in the strategic financial plan presented to the Committee in February.

The FY 2010 budget deficit was originally projected to be \$5.2M with authorization to cover the shortfall through use of one time reserves. There have been a series of changes, including a number of improvements compared to the original FY 2010 budget. An increase in undergraduate enrollment net of an increase in financial aid, a positive return on short term investment income, and constraints in spending should result in a modest return at year-end and no draw on reserves.

The Committee began a broad discussion of the FY 2011 budget. Chair McAneny asked Vice President Cate what he felt were key risks in balancing the budget. He replied that meeting projected enrollment targets was of key concern but that enrollment indicators currently looked favorable. Providing adequate financial aid for the incoming class was also a concern given the significant increase in financial aid demand over the past two years. The University's "discount rate" or financial aid as a percentage of gross tuition and required fees has averaged about 30% in the past. In FY 2010 the discount rate climbed to 35% as greater demand was realized due to current economic conditions. The University has enlisted the services of Noel-Levitz, enrollment management consultants, to investigate ways to balance budget constraints with increases in financial need. The FY 2011 budget is built on a 30% discount rate. Chair McAneny commented that she considers that to be a risk given the economic stresses that families are still experiencing.

The discussion turned to the proposed 4.8% tuition increase for FY 2011. Trustee Branagan expressed her concern over the impact it would have on Vermont students and asked whether students will feel the full effect of the increase. Associate Vice President Winfield explained that the net increase to incoming students was closer to 3.1% on average when factoring in increases in financial aid. He added that the percentage changes being discussed were budgetary. The impact that the increase will have on individual students is more difficult to pinpoint given the many variables involved. Trustee Botzow asked Interim Provost Knodell to provide examples of budget decisions that were made that still maintain the quality of the student experience. She replied that the FY 2011 budget reflects the administration's commitment to preserve academic excellence, which includes preserving faculty positions. Efficiencies in administrative and instructional efforts were also identified.

Chair McAneny asked Vice President Lucier, who had joined the meeting, what his outlook was in achieving the FY 2011 undergraduate enrollment targets. He replied that indicators look good, with in-state deposits tracking higher than expected and application numbers that are even with last year. He noted some concern in comparing that with application volume at peer institutions, which indicate a slight increase over last year. More will be known about the incoming class when the acceptance fee deadline comes due in a couple of weeks. Returning students may see a difference in their financial aid package as changes have been implemented to lessen the institution's financial exposure. Any impact on retention will be known after mid-May when award packages to returning students are released.

The discussion turned to state appropriation. Vice President Cate explained that the State of Vermont, in receiving federal stimulus dollars, is required to provide state appropriation that is at least level with FY 2009 funding for FY 2010 and FY 2011. Chair McAneny asked President Fogel what he felt are the budgetary risks for FY 2011. He expressed concern over the sustainability of the University's current financial model of "high tuition/high financial aid." He noted how recent discussions resulted in a slowing down of the tuition increase from 6.0% to 4.8% and hopes that this creates the necessary balance that will continue to attract students.

Chair McAneny recessed the Budget, Finance and Investment Committee at 9:40 a.m. for a ten minute break. The Committee reconvened at 9:52 a.m.

Chair McAneny reminded the Committee that no budgetary action would be taken today. The final FY 2011 budget will be brought before the full Board for approval in May. Today's meeting was to

address concerns that Committee members may have. Trustee Branagan returned to the topic of the proposed tuition increase and asked how the additional revenue would be spent and/or what budget sacrifices were being made. Vice President Cate explained that the sacrifices were in part reflected in not providing adequate and essential funding to purposes that include deferred maintenance, technology infrastructure, and academic initiatives. Without additional funds, elements of these critical areas must be left unaddressed. Compensation in the form of salary and benefits continue to be the largest expense, accounting for nearly 70% of all University costs. The majority of faculty and many of the staff are under union contracts with negotiated salary adjustments. In FY 2011, compensation to non-represented staff has been frozen for employees earning more than \$75,000 (Except for a limited number of people whose compensation will be adjusted according to their existing contracts, such as athletic coaches; and a few people whose job duties have been expanded). He added that inflationary increases would necessitate an increase in tuition even with no additional changes to the budget. The added revenue would also close a budgetary gap in FY 2011 caused by an elimination of the one-time appropriation from the State. The University received \$5.1M in one-time support in FY 2010. Interim Provost Knodell noted that the FY 2011 budget does maintain academic quality for the student, citing the fact that tenure-track faculty positions were not being reduced. President Fogel added that with the expected increase in Pell Grant eligibility, UVM will continue its commitment in providing grants and scholarships covering all tuition and fees to Vermont undergraduates eligible for Federal Pell Grants. The minimum award for a Vermont Scholars recipient has also increased from \$1,500 to \$3,000.

Questions were raised on the restructuring of cost share requirements for grant-related programs in FY 2011 and its impact on the student research experience. President Fogel also spoke of the opening of the new Jeffords building - its positive effect on the quality of the student learning experience, its support of the University's land grant mission, and the resulting decrease in deferred maintenance as it replaces the aging Hills Agricultural Science Building.

Chair McAneny provided closing remarks. She noted that the current high tuition/high financial aid business model is undergoing a review as to its sustainability. A report on its progress will come before the Committee at an upcoming meeting. She also summarized for the Committee that in implementing a 4.8% tuition increase the added revenue will primarily be used to fund increases in salary and benefit expense, increases in financial aid, and to cover the \$5.1M decrease in one-time state appropriation support.

Adjournment

There being no further business, the meeting was adjourned at 11:05 a.m.

Respectfully submitted,

Debbie McAneny, Chair