

**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 11, 2011 at 8:30 a.m., 427A Waterman Building.

MEMBERS PRESENT: Chair Debbie McAneny, Vice Chair Samuel Bain*, Ian Boyce*, Carolyn Branagan*, David Daigle*, Daniel Fogel, Susan Hudson-Wilson*, Joan Lenes, Kesha Ram, Brian Sozansky, Mark Young

REPRESENTATIVES PRESENT: Faculty Representatives Albert Joy and Donald Ross, Staff Representatives Jesse Bridges and Eric Hoefel, Student Representative Alex Mallea, and Graduate Student Representatives Eric Garza and Eduardo Cotilla-Sanchez

ABSENT: Alumni Representatives Walter Blasberg and Meg Guzewicz and Student Representative David Maciewicz

OTHER TRUSTEES PRESENT: Board Chair Robert Cioffi and Kyle DeVivo

PERSONS ALSO PARTICIPATING: 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 8:36 a.m. She welcomed new members and representatives to the Budget Finance, and Investment Committee and reminded the Committee that no budgetary action would be taken today. She stated that the goal of the meeting was to be prepared for the approval of the general fund operating budget in May. Today's meeting was to address concerns and questions that Committee members may have. The meeting will be in two parts, first to review and understand the budget and second to solicit input and feedback in preparation for the final budget to be approved in May.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the February 4, 2011 meeting.

FY 2011 Budget Proposal

Vice President Cate highlighted the key elements of the proposed FY 2012 budget, and provided a rationale for tuition increase of 5.8% in relation with the anticipated \$11.8 million growth in financial aid. He stated that regardless of the level of tuition ultimately approved by the Board, financial aid will have to be increased by more than \$11 million in order to meet the enrollment target set by the University for FY 2012. Further, the one-time state appropriation used to support FY 2011 and the one-time operating investment income that was realized will not be available in FY 2012. With these revenue assumptions, an assumption of a 2% salary increase for all employees and other necessary

expense increases as well as some selected expense reductions, there would be a \$5.3M budget shortfall.

To develop the FY 2012 expense budget strategies were established in consultation with deans and vice presidents. Three major recommendations were developed. First, a decision was made to hold salary levels at a 0% increase. It is important to mention that salaries of some faculty and staff are subject to the final results of the ongoing collective bargaining, and that in spite of the outcome the administration will address the issue of balancing the budget. Second, an investment of \$1.1 million in support of academic initiatives such as Transdisciplinary Research Initiative, General Education, Internationalization and Student Success and Satisfaction, all of which the administration and Board have defined as critical to the University. Third, a reduction of budgets across all operating units by \$2.9 million is proposed based on recommendations from each unit and strategic judgments by the Provost. The implementation of these strategies allows balancing the \$5.3 million shortfall.

State appropriation is budgeted at \$40.7 million which was recommended by the Governor and included in the recently approved House budget bill. The size of budget increases has declined in recent years from over 6% to under 1% in the FY 2012 budget. Although not ideal, the proposed 5.8% tuition increase is essential for retaining some growth in net tuition after financial aid and for avoiding significant reductions in personnel and programs that might affect the quality of student experience.

A comparative analysis of expected tuition increases of UVM Private and Public Peers was provided. The University remains in the same traditional position between its public and private competitors in terms of the cost of tuition and fees. The discussion turned to one of the tables that displayed the allocation of financial aid by class. As Vice President Cate explained, for the incoming class the proposed financial aid amounts to \$22.7 million, it will replace the outgoing senior class currently receiving \$12.4 million. This \$10.3 million difference represents the vast majority of the increase in financial aid. It is important to note that there is a significant difference between the budgeted financial aid of \$74 million for FY 2011 and the \$77 million actually provided. It became clear that financial aid is the key component driving the proposed tuition increase.

Board Chair Cioffi noted that the current high tuition/high financial aid business model provided the opportunity for 31% of Vermonters to attend UVM tuition free and added that it is unprecedented compared to other institutions. President Fogel added that the high tuition/high financial aid strategy adopted by the University is not a function of state of economy, but rather it depends on the need to invest into key programs and academic initiatives thus improving the value we deliver.

Vice President Cate presented the last section of the FY 2012 budget related to proposed fees. He pointed out that there will be no increase to the comprehensive fee and because the proposed 3.8% average increase for room and board fees is less than that of tuition, the proposed increase in the total cost of attendance is 4.6% for Vermonters and 5.1% for out-of-state students. And these increase levels are before the application of financial aid.

There were a series of questions from Trustees. Trustee Ram asked about the nature of the strategic investments. Provost Knodell replied that there are four critical initiatives: the Transdisciplinary Research Initiative; General Education; Internationalization and Student Success and Satisfaction. All are geared to maintain and increase value for students at the University. The specific allocations for

each area are being developed, however it is clear that there will need to be base budgeted resources available starting in FY 2012 and beyond.

In response to Trustee Boyce's inquiry about the net revenue provided by Continuing Education, Vice President Cate clarified that there are approximately 250 Income & Expense Activities and only a handful of them, such as Continuing Education and Residential Life, are able to generate sufficient income to support their day to day operation, reimburse indirect cost to the General Fund, and create a reserve. A request was made to present to the Committee a detailed analysis of Continuing Education and other major Income & Expense activities' reserves and their planned usage.

Representative Eric Hoefel asked for clarification of the 0% salary increase, in light of the fact that collective bargaining has not been completed. Vice President Cate replied that the budget plan reflects a 0% salary increase but in the event that bargaining results in some other salary outcome, that outcome would be addressed within the proposed expense budget as necessary. A final decision on compensation for non-represented employees will be finalized once the bargaining is completed.

Trustee Daigle asked whether the debt service in the budget was interest only or included principal payments as well. The budgeted debt payment levels shown for the general fund provide funding for both interest and principal. Trustee Daigle asked that interest and principal be identified separately in the budget documents.

The Committee discussed the impact of financial aid at some length. Vice President Cate cited the fact that without the significant growth in financial aid that undergraduate enrollment would not have met targets, creating an even greater overall financial shortfall than the impact of the added aid has created. Chair McAneny commented that managing aid reflects a series of balances between assuring the size, quality and diversity of the student body and controlling overall costs. President Fogel reminded the Committee that even in the face of the economic challenges, that student retention is at all time high levels. There was agreement that growth in financial aid will outpace tuition growth by a substantial margin for at least one more year. And without the aggressive control measures that have been applied to aid, that the current demand for aid by incoming students would have been even higher.

Representative Jessie Bridges commented that it was important to remember that reductions in operating budgets, holding fee levels flat and constraints in federal work study activities mean that furnishing needed student services is increasingly difficult.

Chair McAneny asked that projected cost of attendance information from peer institutions (in addition to tuition increase information) be shared with the committee. Vice President Cate indicated that he would pursue as much information as possible, but that it is difficult to find consistently at this point in the year as schools are still finalizing their FY 2012 plans. President Fogel commented that the role and level of fees differs dramatically from institution to institution.

Chair McAneny recessed the Budget, Finance and Investment Committee at 9:53 a.m. for a short break. The Committee reconvened at 10:05 a.m.

Chair McAneny indicated that now that the basic questions about the proposed budget were addressed, it is appropriate to provide input and feedback. The committee has done extensive work

and review, including assessment of materials and discussions at the February meeting, the input from Noel Levitz, and further leadership meetings in March and April. After this work, her personal assessment of the budget and the steps that have gone into reaching this point is that she does not see a better alternative. The budget represents a balance of the conflicting elements and appears to make the best of the options available while recognizing cost reductions and restraint when overall revenue, even with the proposed tuition increase, remains very low. It is appropriate to continue to search for other productive options, but this budget appears to reflect a necessary path in the face of the circumstances.

Trustee Hudson-Wilson indicated that she has supported 6.0% increases all along and so continues to support the 5.8% tuition increase and feels that level of increase is both justified and unavoidable. Therefore, she understands and supports the budget as presented.

Trustee Daigle stated he remains uncomfortable with the basic proposition that the University needs to raise its charges at a level of nearly three times the CPI rate. This position is not sustainable over the long term and needs to be addressed. In the short term for FY 2012, it is likely that there is little choice but to proceed as planned. The University is aided by the extreme reductions that other institutions are facing from State cuts to education. He also noted that \$1.1M is a small basis for renewed investment.

Trustee Ram asked how peer and aspirant institutions spend their resources compared to UVM. Vice President Cate indicated that it was possible to gage overall reductions and major positions about elements such as tuition, but that operating level comparisons were very difficult. She also inquired about what help might be available when students are challenged financially. Vice President Lucier reviewed the information and support process followed by the office of Student Financial Aid. President Fogel cited the fact that both retention and graduation rates have stayed strong as evidence that despite the economic conditions students have been able to maintain their enrollment.

Trustee Lenos stated that in addition to maintaining and improving quality for students it is also important to recognize and maintain the quality of staff and faculty.

Representative Albert Joy observed that this might represent a best case scenario, assuming salary expenses remain at 0% increase even though collective bargaining is not yet complete and that state appropriation might not occur at the budgeted level. Vice President Cate agreed but, as the state appropriation has the approval of the governor and has been passed by the House, there is less uncertainty than there was earlier in the year.

Eric Hoefel commented that effective communication to employees about the status of salary information is important to minimize misunderstanding.

Vice Chair Bain stated that the budget has done a good job of balancing between what the University aspires and what it can afford. Again a balance is needed between the needs of Vermont and out of state students and more effective communication about the levels of support for students, especially Vermont students, is critical. Within this context he is supportive of the 5.8% tuition increase, but more importantly he is supportive of the 4.6% cost of attendance increase for Vermont students and the 5.1% cost of attendance for out-of-state students.

Trustee Branagan acknowledged the substantial growth and success of the University in the past ten years under President Fogel's leadership. As much of that success has been tied to and comes from growth it is now a concern to understand how to be successful when enrollment stays at the same level. This transition has been further complicated by the economic circumstances of the past two years. At the same time she understands the proposed budget and the forces at work that have led to it, however, she remains uncertain on how she will vote on the budget at the next meeting.

President Fogel mentioned that it has been his recent focus to shift from the earlier invest and grow strategy to the current focus and excel strategy. There continues to be much work to do.

Trustee Sozansky also indicated that he understands the basis for the budget but asked if there were other steps that could be taken to improve the overall result.

Chair McAneny offered a final opportunity for comments and questions. There being none, she thanked the committee for its efforts and input.

Adjournment

The meeting was adjourned at 11:00 a.m.

Respectfully submitted,

Debbie McAneny, Chair