Incentive-Based Budgeting at UVM: Causes for Concern

Over the last several months, as the early effects of Incentive-Based Budgeting (IBB) have been felt on campus, faculty around the university have begun to voice concerns. This document collects and summarizes several of these key concerns, which we have heard expressed by UA members and non-members alike, across different colleges and departments.

To be clear, this document does not attempt a complete assessment of IBB—it is far too early for that. Nor is it an outright condemnation of IBB. IBB can be implemented in many different ways, using many different “algorithms” and guiding principles—no two campuses have done it in the same way. We sincerely hope that the problems identified here can be solved, and that our new budget model can be brought more closely in line with the core academic mission of the university.

(1) Centralization of power and revenue

“The first $40m of [net undergraduate tuition] will be allocated to Subvention and the President’s and Provost’s Strategic Investment Fund.”

--UVM IBB Manual 1.0, p. 4

One of the stated advantages of the IBB model is decentralization of power and decision-making: UVM’s colleges are supposed to gain greater autonomy by securing independent revenue streams. This autonomy is meant to facilitate “entrepreneurship and innovation throughout the University.”

One of the striking features of UVM’s IBB model, however, is that it reserves a large fraction of tuition revenue for the central administration to use at its own discretion. In AY 2016, net undergraduate tuition at UVM amounted to around $190 million, so our IBB model plans to reserve over 20% of this total for the Provost and President to use as they see fit.

The colleges need this money to cover their basic program needs, and the Provost has promised to return most of it to them each year. But this arrangement puts college Deans in the position of supplicants, with a substantial share of their own revenues under the administration’s control. In this sense, then, IBB represents a concentration of power in the hands of the central administration.

Moreover, the Provost has as yet provided few details about how this yearly sum will be spent, and has not explained why he needs such a large fraction of tuition revenue under his direct control, unconstrained by any formal faculty oversight. This uncertainty and lack of oversight conflicts with one of the other stated aims of IBB, which was to provide “transparency, clarity, and predictability” in the budgeting process.

(2) An artificial revenue crisis
In 2016, all of the $40 million was “paid back” to the colleges to cover their operating expenses; this payment from the Provost’s office to the colleges is being called a “subvention.” The Provost has indicated that he expects to reduce the subvention by 1-4% each year, so that he can gradually grow the sum available for his Strategic Investment Fund. For FY 2017, for example, the average reduction in the subvention across all of the colleges is 1.7%, which will generate around $687,000 for the Strategic Investment Fund. As a result, Deans are feeling acute pressure to either generate new revenue or cut costs.

The options that Deans are currently considering to meet this growing shortfall include increasing the number of students, increasing class sizes, decreasing the number of tenured faculty (mainly by failing to replace retiring faculty members), and increasing reliance on full-time lecturers, all of which threaten to compromise the quality of core academic services at the university.

These measures are especially troubling in light of the fact that the colleges have endured significant budget cuts on a nearly annual basis for the last decade. Faculty lines have been canceled, many faculty positions have remained open, staff positions have been cut. In the years following the financial crisis, the administration justified these cuts by appealing to financial hardship and necessity. The current administration has as yet offered no cogent justification for still further cuts to core academic programs.

The administration’s stated goal is to increase the size its Strategic Investment Fund until it reaches somewhere between $4 million and $8 million annually. Compared to other universities that use IBB, these are large amounts, which promise to inflict substantial, continuing austerity on the colleges.

(3) Corrosive effects of competition between colleges

IBB is designed to reward entrepreneurship and innovation. But not all innovation is beneficial to the university’s academic mission. In our conversations with faculty across the university, we have found that some of the innovation stimulated so far under IBB threatens to undermine one of its other key aims: promoting “academic quality and excellence.”

Consider the following examples:

- Faculty in many departments and colleges have reported that the recent proliferation of new programs, minors, and certificates is being driven by competition for students, not by academic merit. Chairs are feeling pressure to stake a claim to different content areas before competing departments and colleges do so, and to “market” their programs so as to draw students away from competing academic units.
- Administrators have instructed faculty advisors to steer students away from courses taught in other Colleges. Chairs have encouraged advisors to steer advisees into departmental courses to maximize the number of seats filled. Interdisciplinary collaboration and learning is thus being discouraged.
• Though the competition for students is, in theory, managed by college Deans, it has trickled down into departments, and is increasingly coloring academic decision-making at that level. Across the university, faculty have reported that conversations about course offerings, class size, and even curricular requirements are being shaped by the imperative to maximize enrollment. Department chairs understand, for example, that any hope of replacing retiring faculty members, even in core curricular areas, depends on the department’s capacity to “fill seats” and demonstrate its positive fiscal contribution to its college.

Generally speaking, faculty are concerned that the goal of maximizing revenue within each “responsibility center” that is now being felt throughout the university stands in tension, in some ways, with the goal of promoting academic excellence. The bullet points above provide only some illustrations of this tension. Departments and colleges are under increasing pressure to justify decisions—large and small—in budgetary terms. Faculty members report that significant time in department and college meetings is being devoted to revenue generation and marketing rather than educational success.

We understand that the Educational Stewardship Committee is responsible for overseeing the effects of competition between the colleges. A number of faculty have expressed some concerns about this committee’s willingness and capacity, as a group, to stand up to Deans and other administrators when necessary.

(4) Faculty Involvement and Oversight

The Provost has presented IBB as a creation of the UVM faculty. In fact, it was created by the central administration. While it is true that the Senate had, on several occasions, called for greater transparency in the budgeting process and for more accountability, especially from the administrative units, the Senate did not explicitly call for or endorse IBB (nor did the Budget Advisory Committee, which was convened to review the shortcomings of UVM’s previous budget model). Moreover, the vast majority of UVM faculty, including many senators, had little idea what IBB was when it was first proposed, and had little conception of its far-reaching effects.

The steering committee appointed to oversee the implementation of IBB is not representative of the faculty at large, and is not even formally answerable to the Senate. The Faculty Senate was allowed to nominate some of its members, but by and large the group was assembled and appointed by the Provost. If the Provost wants to present his budget proposals as the result of meaningful collaboration between the central administration and the faculty, he must work much more closely with the faculty’s elected representatives in the Senate.

(5) Effects on part-time faculty

Under IBB, each academic unit is charged a “head tax” in the fall term for every faculty and staff member it employs. The amount of the tax is the same for full-time and part-time faculty. (According to the IBB Manual, “[b]oth full-time and part-time employees carry the
same weight. They each count as ‘1 head’ in the headcount total.”) The head tax therefore creates an incentive not to hire part-time faculty.

Many part-time faculty bring unique skills and perspectives to the UVM community. Those units that use part-time faculty often do so to bring in experienced practitioners in various fields who can enrich and diversify the curriculum with specialized knowledge and skill sets. Under IBB, this academic diversity is threatened: the head tax makes these courses more expensive than they should be. Our preliminary research suggests, in fact, that there has been a noticeable decline, this year, in the number of courses offered by part-time faculty.

*United Academics ad hoc IBB Committee, Summer 2016*