

President's Report, Short Version
Board of Trustees, May 15, 2009

Chairman Boyce, trustees, faculty, students, staff, alumni, and friends, good morning. Let me open by adding to Ian's my own welcome to our new trustees. More than ever in these challenging times, to sustain the advance of the University of Vermont we must have a Board that combines a disciplined passion for the mission of the University with wisdom and strategic focus in order to support our academic community in accomplishing that mission at the highest levels of achievement and distinction.

Let us take a moment to recognize and celebrate the thousands of students who graduate this weekend, and the support—emotional and financial—of their families. As we take up our work together in the strategic oversight of the institution, we must always keep at the forefront our students, our faculty, and the precious mission of the University that only they can accomplish and that we are pledged to support: To create, evaluate, share, and apply knowledge and to prepare students to be accountable leaders who will bring to their work dedication to the global community, a grasp of complexity, effective problem-solving and communication skills, and an enduring commitment to learning and ethical conduct. This is our mission, this is our charge, and this is our labor of love.

Let there be no question of my confidence in the strength of UVM's position in today's challenging environment. We have weathered this year's economic vicissitudes drawing on less than half the reserves that the Board authorized last September—\$7 million in contrast to some \$15 million authorized. Subject to the Board's approval of our proposed budget, we have not had to implement the second round of layoffs we anticipated before the Legislature and the Governor decided to use the federal stimulus package to help sustain our State appropriation (albeit with a mix of recurring and one-time funds). We have continued to hire tenure-track faculty at a time when many peer institutions, public and private, have been freezing hiring, conducting massive lay-offs, issuing new debt to cover operations, and slashing academic budgets while resorting to mid-year tuition hikes.

Our proposed 6% tuition increase for next year appears to be the lowest among our public peers in New England and among the lowest nationally. Many publics are going to double-digit tuition increases, and doing so without remotely approaching our high level of institutional financial aid, which amounts to a 33.6% tuition discount, netting us less than 4% on our 6% increase. Remember, too, that in FY 08 nearly 30% of our Vermont undergraduates paid zero for tuition and fees—and that percentage has been steadily rising.

This is relatively positive news, but the journey to where we are today has not been a painless one. Longstanding programs have been discontinued, jobs have been eliminated, and individuals have been profoundly affected. I recognize how difficult these realities have been for some members of our community. And we still have more hard work to do. Our 2010 budget remains challenging. The budget gap, even after the nearly \$11 million in cuts we have made, will require us next year to draw on between \$5 and \$6 million in reserves beyond our operating revenues to cover planned expenditures. But the good news is that, absent further adverse macroeconomic events, we now expect the budget to be balanced in 2011, a year ahead of the schedule for achieving structural balance we presented to you last fall. I am particularly pleased that the 2010 budget, while essentially level with last year's, accommodates increases for faculty salaries; an increase of at least \$10 million in student financial aid; modest raises for staff at lower salary levels; and rising investments in graduate assistantships, library acquisitions, and other areas of strategic priority.

I am also pleased with the highly strategic allocation of budget cuts that has allowed us to make these priority investments within a flat budget. Cuts to non-academic units come to about 6.5% whereas academic units—net of cuts, academic enhancement reinvestments, and salary increases—are seeing an average 4% increase in their budgets in 2010 over 2009. Finally, the Board should derive confidence from Vice President Cate's analysis showing that UVM exhibits virtually none of the thirteen "red flag indicators" published last month by Moody's Investors' Service for assessing the financial strength and risk of all colleges and universities in this time of economic turbulence (the one modest exception is that we exceed by 6% a guideline for the percentage of endowment invested with one manager, but with that risk mitigated because the investment is in a passive bond fund rather than a higher risk actively-managed fund).

Turning from the province of our Budget, Finance, and Investment Committee to the work of the Board's Committee on Educational Programs and Institutional Resources, Provost Hughes has developed with Committee Chair Claire Ayer an ambitious work plan for the coming year. Work plan items include

review of recommendations from the accreditation team and the Transformational Change Working Group (<http://www.uvm.edu/president/transform/>) aimed at attaining the enhanced academic quality, increased levels of student success and satisfaction, and intensified focus on strategic priorities called for in an essay we distributed to the campus some fourteen months ago, “Continuing UVM’s Advance” (<http://www.uvm.edu/~president/letters/continuinguvmadvancecontextsforarefocussedstrategicplan2.pdf>).

There is no question that UVM’s advance continued even in this very challenging year. Consider that:

- UVM’s undergraduate applicant pool exceeded records in every category, including academic quality, diversity, and, with more than 22,000 applications, quantity. Now that we have passed the enrollment deposit deadline, we can say with considerable confidence that the first-year class will meet our target enrollment with exceptional student quality—including a record 33 Green and Gold Scholars, a record 12 National Merit Scholars, and unprecedented diversity: 11.7% of our deposits are from ALANA students!
- At the end of April, UVM’s research awards—led by a benchmark-smashing performance in Medicine that stretches back across the last two years—were running \$11.6 million ahead of last year’s near-record pace. Across all faculty, UVM is producing more than \$100,000 in research awards per faculty member per year, placing us as the only public institution among the top 20 of the 70 American research universities that have 15,000 or fewer students, an earnest of the credibility of the UVM vision of being among the nation’s premier small research universities.
- Creation and licensing of intellectual property at UVM continue to accelerate, from commercial spin-offs with global applications (for example, a diabetes diagnostic) to those with special applications in Vermont, the northeast, and Canada (for example, a patented maple sugar tap, now in production under license to a manufacturer in Franklin County, Vermont, that will have the corner on the market for 50 million taps per year with a device that roughly quadruples average production per tap);
- Faculty and student achievement continues to rise, with major scientific awards and fellowships, including, this year, Presidential Career Awards in Science and Engineering, a Sloan Research Fellowship, and, for students, Goldwater, Boren, and Fulbright Scholarships, among many others;
- In a variety of rankings UVM continues to shine, including top rankings in the last year for environmental programs and practices (UVM was ranked 10th by *Forbes* and 3rd by *Sierra*), in primary care (the UVM College of Medicine stood 6th nationally in this just-released *U.S. News & World Report* ranking of the quality of physician education, higher than any other school in New England and the Middle Atlantic States), and UVM ranked 40th on a list published by *BusinessWeek.com* of the 50 U.S. colleges whose bachelors’ degree graduates earn the highest salaries (and 7th among public universities), among many other external accolades.

There is no question in my mind that UVM must persist in its extraordinary efforts to maintain and build academic quality, distinction, and distinctiveness. Exceptional effort and keen resourcefulness are essential in order to enhance our increasingly competitive position within what Fareed Zakaria, in his recent book *The Post-American World*, calls “America’s best industry” –the higher education sector in which competition must inevitably intensify in a period of constrained resources and, in our region, a declining college-age population. To compete on the rapidly changing terrain of today’s world, we must be true to our academic values and to the precious mission we will celebrate with our graduating students and their families this weekend. And we must also be intent on execution and accountability as we ramp up, creatively and collaboratively, the work of focusing in every domain on quality, with special emphasis on the few areas in which we can without question be among the very best of the best for the benefit of our students, faculty, and staff, of our Green Mountain State, and of the world beyond Vermont’s borders. I look forward to continuing that work with this Board. Thank you.