



## **UTC Trustee Advisory Committee**

**September 28, 2009**

**Dr. Richard L Brown, VC Finance, Operations & IT**

# UTC Budget and Financial Planning

## Budget Resources During Economic Uncertainty

### Re-balancing



2009-2010

Alignment of Resources to the Strategic Initiative

**University of Tennessee at Chattanooga**  
**Year End Close Report**  
**Fiscal year ending June 30, 2009**

<b>Fund Balance</b>	<b>Balance</b>	<b>% of Base Funds</b>
Current Surplus as of June 30, 2008	\$3,874,488.18	
Increase in Current Surplus	\$500,000.00	
Current Surplus as of June 30, 2009	<b>\$4,374,488.18</b>	4.35%
Addition to Renewal & Replacement Funds	\$2,110,661.88	

<b>Major Division</b>	<b>Unspent Balance</b>
	<b>FY 09</b>
Provost/Academic Affairs	\$117,603.62
Vice Chancellor University Advancement	\$153,689.29
Vice Chancellor F0IT	\$218,803.41
Vice Chancellor Student Development	\$234,999.48
Chancellor's Office	\$189,908.16
Athletics	( <b>\$229,658.99</b> )
Other Expenditures, Transfers & Scholarships	\$1,925,316.91

To be paid back 2009-10 FY)

Surplus funds were retained from Scholarship savings, slowing of purchases at year end, & other cost savings.

<b>Auxiliary Fund Balance</b>		
<b>Fund Balance</b>	<b>Balance</b>	
Current Surplus as of June 30, 2008	\$319,734.36	
Increase in Current Surplus	\$46,218.93	
Current Surplus as of June 30, 2009	<b>\$365,953.29</b>	
Addition to Renewal & Replacement Funds	\$220,704.31	

**University of Tennessee at Chattanooga**  
**Budget & Financial Planning 2009-10 and 2010-11**

(E & G Base Budget Only)

<b>2008-09 Year End Base Budget</b>				<b>98,893,042</b>
<b>State Appropriation Expenditure Reductions:</b>				
Academic Affairs	(3,191,760)			
Athletics	(497,783)			
Chancellor	(82,826)			
Finance, Operations & IT	(645,148)			
Student Development	(197,703)			
University Advancement	(120,074)			
Scholarships	(297,006)			
UT System Charges	(277,000)			
<b>Total Reductions:</b>		<b>(5,309,300)</b>	**	
<b>2009-10 Beginning Base Budget</b>				<b>93,583,742</b>
<b>7% Fee Increase:</b>				
<b>Academic Affairs:</b>				
New Positions, Rollovers & Promotions	1,375,200			
Instructional Support	158,000			
Academic Affairs Equity Plan	190,738			
ROTC Scholarships	15,000			
<b>Total Academic Affairs</b>		<b>1,738,938</b>		
<b>Finance, Operations &amp; IT:</b>				
Maintenance Support for facility increases	150,000			
Instructional Technology & Banner Support	175,000			
Utility Increases	300,000			
Finance, Operations & IT Equity Plan	61,305			
<b>Total Finance, Operations &amp; IT</b>		<b>686,305</b>		
<b>Student Development:</b>				
Assistant Director for OSD Office	50,000			
Student Development Equity Plan	17,691			
<b>Total Student Development</b>		<b>67,691</b>		
<b>Athletics Equity Plan</b>		<b>19,209</b>		
<b>University Advancement Equity Plan</b>		<b>8,581</b>		
<b>Chancellor's Equity Plan</b>		<b>2,476</b>		
<b>Institutional Expenditures:</b>				
Employee Fee Waivers	50,000			
Scholarships	472,413			
<b>Total Institutional Expenditures</b>		<b>522,413</b>		
<b>Total From 7% Fee Increase</b>		<b>3,045,613</b>		
Increase UT System Charges		89,900		
<b>Ending 2009-10 Base Budget</b>				<b>96,719,255</b>
<b>**Additional reductions in State Appropriations were taken as follows:</b>				
New Fee Revenue from Enrollment Growth		1,000,000		
System Wide Cost Reductions to campus		1,732,000		
Additional State Appropriation Reductions		2,732,000		
Reductions from Above		5,309,300		
<b>Grand Total of 2008-09 State Appropriation Reductions</b>		<b>8,041,300</b>		

**LINKING FINANCIAL RESOURCES AND ALLOCATIONS TO STRATEGIC  
PLANNING INITIATIVES**

**UTC BUDGET AND FINANCIAL PLANNING CYCLE  
2010-11**

**Financial Rebalancing: Assessment, Accountability and Action**

<b>August, 2009</b>	Senior Cabinet Budget and Strategic Planning Retreat— August 3, 2009
<b>September 1, 2009</b>	Forwarding of Year-end Close Summation to Senior Cabinet for Review, Assessment and Analysis
<b>September 15, 2009</b>	Posting of 2009-10 Complete UTC Budget Update to UTC Website -Including Year-end Close Data -2009-10 Allocation Plans to Date -Stimulus Funding Plan to Date with Overview of Process and Phase I Funded Projects
<b>October-November, 2009</b>	Detailed budget discussions are completed by Senior Management Team with Deans, Directors, and Department Heads

Each University Operating Unit should:

1. **Have a face-to-face dialogue session** with each reporting division to ensure each staff member or faculty member has a complete understanding of their working budget inclusive of:
  - Salary budget
  - Operating budget
  - Special funds under departmental control
  - Equipment budget
2. It remains important that each faculty or staff member is given adequate opportunity to have constructive dialogue and financial budget planning input as to what priorities or special budgetary requirements are needed within a given unit.

**Budget and Financial Planning Support by the Office of Financial Affairs**

- Budget and Planning Training
- Budget Development Support
- Informational presentations of 2008-09 Budget Process, Year-end Close, and Allocation Plans
- Posting of all budget-related information on the UTC Web for transparency and accountability

<p><b>December 1-15, 2009</b></p>	<p>Preliminary budget requests shall be sent to the Chancellor and Vice Chancellor for Finance and Operations:</p> <ul style="list-style-type: none"> <li>• New position requests</li> <li>• Special fee requests</li> <li>• Special capital projects requests</li> <li>• Special facility requests</li> <li>• Special technology, both institutional and instructional requests</li> <li>• Requests for special equipment</li> <li>• Requests for salary and compensation adjustments</li> <li>• Request for internal reorganizations</li> <li>• Requests that impact institutional or departmental accreditation</li> <li>• Major equipment requests</li> <li>• Requests for new programs or special programmatic initiatives</li> </ul>
<p><b>January 20 &amp; 21, 2010</b></p>	<p><b>Full budget presentation summaries by each Vice Chancellor and the Athletics Director will be posted to the UTC Budget Website, UPRAC Website, and general campus websites to include:</b></p> <ul style="list-style-type: none"> <li>• Historical budget issues with the division</li> <li>• Current budget challenges</li> <li>• Highlights and major accomplishments for the prior year</li> <li>• A three-year budget and planning perspective inclusive of any recommendations for new “recurring” funds with the full understanding of the economic limitations and challenges we face.</li> <li>• Any requests or recommendations for specialized fee support</li> <li>• Any major capital outlay or capital maintenance improvements</li> </ul> <p><b>The Chancellor will host a town hall meeting on the University budget and planning for 2011-03 and engage the campus in questions and dialogue regarding allocations plans, budget projections and related issues, strategic planning and fiscal linkage.</b></p> <p><b>The town hall meeting will be Webcast to the entire University community.</b></p> <p><b>Special presentations by shared governance groups:</b></p> <ul style="list-style-type: none"> <li>• UPRAC-Strategic Planning Priorities</li> <li>• Faculty Senate-President</li> <li>• SGA-President</li> <li>• Exempt Staff Council-Chair</li> </ul>

	<ul style="list-style-type: none"> <li>• Exempt Staff Council-Chair</li> <li>• Employee Relations Council-Chair</li> <li>• UC Foundation-Chair</li> <li>• GSA-President</li> <li>• UT/UTC Trustees</li> </ul>
<b>February-March, 2010</b>	<p><b>Alignment of UTC budget plans with UT System-THEC- and State Legislature</b></p> <ul style="list-style-type: none"> <li>• <b>System-to-Campus</b> visit for budget priorities</li> <li>• <b>UTC Trustee Advisory Committee</b> meeting for budget update.</li> <li>• <b>UPRAC</b> budget update and focus groups</li> <li>• <b>SACS/Institutional Financial planning-QEP Support</b></li> <li>• UTC recommendations on <b>tuition and fees, specialized fees</b>, and related operating costs—formalized and presented</li> <li>• <b>Capital Outlay/Capital Maintenance</b> projects disclosed</li> </ul>
<b>April-June, 2010</b>	<ul style="list-style-type: none"> <li>• UT System budget integration</li> <li>• THEC finalized tuition/fees recommendations</li> <li>• UT and TBR recommends fee structures</li> <li>• UT Board of Trustees recommends UT System campus budget priorities and fee recommendations</li> <li>• Final budget approved by UT BOT June 2010</li> </ul>

## **BUDGET AND FINANCIAL PLANNING CONCEPTUAL FRAMEWORK UTC**

The UTC budget and financial planning model will encompass a multi-year strategy linked to institutional priorities, set forth by the UT System, THEC, State of Tennessee, and campus-based strategic planning priorities. National “best practices” for higher education financing, as recommended by the American Council on Education: Higher Education’s New Economics, Center for Policy Analysis, will be closely considered to include:

- 1. Innovations in pricing of education**
  - Tuition discounting
  - Differentiated tuition
  - Unbundled fees (specialized fees)
- 2. Budget decentralization**
  - Responsibility-centered budgeting
- 3. New Human Resource arrangements**
  - Non-tenure line faculty
  - Hiring and retirement innovations
- 4. Revised compensation policies and practices**
  - Faculty salary bonuses
  - Staff bonuses
  - Core supplement/step compensation system-CPI adjustments
- 5. Structural reorganization—adaptation to emerging conditions**
  - University Foundations—key roles
  - Multi-disciplinary research centers
  - Integration of Continuing Education into academic core: New revenue stream
- 6. Financial Allocations Modeling—for equitable allocation of recurring revenues**

### **Budget and Financial Planning Accountability Metrics**

#### **Stakeholders Goals:**

1. Transparency
2. Accountability
3. Performance Metrics—Access, Success, Retention—Graduate Rates
4. Quality Metrics
  - Change
  - Economic
  - Political
  - Technology
  - Organizational—3-5 Year Budget Plans
5. Statewide Service Focus

6. Consultant Report on Growth Planning
  - Rightsizing staffing and budgets
  - Incentives

### **Campus Budget Priorities**

1. Year-end Close 2009-10—Required by state law to close in the positive
2. **UTC Fund Balance**—2.3% of base; Started at **\$760,000**, over \$4 million current base
3. Aligning allocations to strategic priorities
  - 2009-10 Recurring Fund \$2.5 ml (Rebalancing Plan) over the next 2 years can assume additional recurring funds at this base level

### **Financial Resources Issues—FY 2010-2013**

1. Teaching, research and service after budget reductions: What do we put back—in strategic “re-balancing” efforts.
2. Benchmarking—Program Review
3. Transparency and accountability
4. Enrollment management
5. SACS Accreditation
6. Balancing operational and student support services
7. Alternative revenue development: Capital Campaign support
8. Intercollegiate Athletics—competitiveness

### **October UT Board of Trustees Meeting**

- October Planning Starts—Overall Process
- November-December—Internal Sessions
- January-February—Open Planning Sessions
- February-March—Executive Team/UT System Budget Review
- April-May—Finalization, UTBOT
- June—Finalize Budget with UTBOT Vote

### **Institution-wide Issues**

1. **SACS**—People really should have a departmental level understanding of this budget and plan.
2. **Open budget hearings**—Will have one day dedicated only for open town hall meeting and limited presentations. Chancellor will give budget summary and overview; Vice Chancellors will post presentations to UTC Website.
3. **State priorities for higher education**: possible restructuring of higher education by the Governor and Legislature.
4. Implementation of a new Campus Master Plan 2010 and Beyond.

**UTC BUDGET/FINANCIAL  
ALLOCATIONS PLAN  
FOR 2009-10**

**“LINKING ALLOCATIONS TO THE HIGHEST STRATEGIC PRIORITIES”**

1. The **Allocation Plan** will contain **three (3)** components:
  - **\$300,000** Equity compensation distribution based upon FTE totals at July 1, 2009
  - **(60/40)** distribution of **\$3,495,800** stimulus funds for 2009—with remainder aggregated to stimulus “Big Ideas Strategic Initiatives.”
  - Distribution of remaining **\$2.2 million** of recurring tuition and fee revenues based upon our on-going planning and assumptions with “Costs Going Forward.”
2. **\$24.1 million** of aggregate stimulus funds will need planning, discussion, and programming.
3. Plan will be reviewed and commented on by all shared governance groups.
4. **Enterprise Risk Assessment and Plan** for 2009-10-beyond.
  - SACS Reaffirmation (10 Year)
  - Technology Systems
  - Enrollment Management
  - Succession Planning—60% of staff and faculty could turnover within 5-8 years
  - Recruitment and compensation
  - Legal issues
  - Instructional quality—faculty lines—terminal degree
  - Control of energy cost—sustainable energy management
  - Facilities needs for growth
  - **Campus Master Planning**—2010 and beyond
  - Tuition discounting for North Georgia and North Alabama
  - Online instruction
  - Partnership: Volkswagen—other new industries
  - Land and adjacent facilities acquisitions
  - Parking and campus access systems
  - Student support services
  - Alternative revenue approaches

\*Internal risk assessments must be completed for your divisions and aggregated to the Campus Priority List.