

MEMORANDUM

TO: Dr. Roger Brown, Chancellor
Dr. Herbert Burhenn
Mr. Bob Lyon
Mr. Rick Hart
Mr. Hugh Prevost

FROM: Richard L. Brown, Jr., Vice Chancellor for Finance and Operations

DATE: February 12, 2007

SUBJECT: **2007-08 UTC Unrestricted Operating Budget Instructions**

The University of Tennessee at Chattanooga (UTC) is now ready to resume planning its unrestricted operating budget for the **2007-08 fiscal year**. The continuing work of the University Fiscal Planning and Budget Committee in the 2007-08 budget process will continue to be an **open and collaborative initiative involving the total university community**. I am asking that all major units within the University continue their three-to-five year strategic planning processes which will seek to link budget allocations more directly to mission and top institutional priorities. To assist us in preparing this unrestricted operating budget, the attached document has been developed. It suggests an institutional budget philosophy, along with policies and procedures to follow in developing and requesting an annualized budget.

Enhanced Budget Communication—Assessment—Budget Website: We will provide an **on-line budget process assessment questionnaire** in collaboration with the university Office of Institutional Research on our new budget Website in our ongoing efforts to enhance communication, knowledge, and transparency of the budget process and related decisions.

It is important that each of you ensure full participation of your staff with the development of your budget requests at the departmental level.

Linking Budget and Resource Allocations to Strategic Planning: On-going fiscal and financial planning suggests the finalization of the following institutional actions as we move through our strategic planning process:

- **Institutional Mission and core values will be affirmed.**
- Each major division will **develop ongoing strategic plans** with a **5-to-10 year focus consistent with the top priorities identified as outcomes of our strategic planning process**:
 - Academic Affairs Strategic Plan
 - Student Development Strategic Plan
 - University Advancement/Development Strategic Plan
 - Finance/Operations/Information Technology Strategic Plan
 - UTC Athletics Strategic Plan
 - Technology Strategic Plan

During the 2007 calendar year, it is recommended that the University engage in the following campus-based financial planning actions:

- Host numerous **Campus/Community Planning Charrettes** to discuss financial priorities.
- Provide an **Institutional Effectiveness and Strategic Planning Fall Administrative Conference**.
- Convene **Open Budget Hearings** to start March 2007.
- Provide for initial discussions of **Program Review – All Academic and Administrative Programs**.
- Focus on **internal reallocation** of existing resources and external partnerships to enhance revenues.
- **Review and define institutional outreach/engagement** and programs that merit institutional support.
- Provide a **Staffing Compensation and Benchmarking Study**.
- Facilitate **open budget presentations** by major institutional officers and major shared governance constituent groups.
- Provide for an interactive UTC Budget and Financial Planning Website.
- **Final budget allocation** decisions to be recommended to the Chancellor by the executive team with advisory recommendations from the Budget and Fiscal Planning Committee, April 2007.

Projected State Appropriations: The current preliminary UT Chattanooga base state appropriation for **2006-07 is \$43,058,400**. The Tennessee Higher Education Commission has recently completed its new **Higher Education Funding Formula Study**, and as a result, has provided major public education institutions within Tennessee with new benchmarking peer groups, as well as a new formula generated funding calculation. They have sent their 2007-08 recommendations to the Governor of the State of Tennessee. Under the new formula, UTC would receive **\$44,415,000** of base state appropriation support. This is assuming that the state legislature **would fully fund this new formula**.

The Tennessee Higher Education Commission at its Winter 2007 meeting recommended that the Governor fully fund the new formula utilizing a “gap” analysis funding methodology. The “gap funding” benchmarking approach is designed to:

- Distribute new state general operating funds.
- Exclude legislative adjustments for salary, benefits.
- Allow all institutions to participate in the distribution of new money.
- Target new money to high need institutions.
- “Gap” refers to the difference between formula calculated state appropriation need and recurring state appropriations.

While this recommendation is yet to be reviewed and approved for legislative action, the Honorable Governor of Tennessee Phil Bredesen has expressed a tremendous support for public education in Tennessee, including significant support for higher education. The Governor has recommended **\$48 million** in additional funding for higher education in the 2007-08 budget. This recommendation includes a **4.1% increase** in base funding for formula and non-formula units. Using the THEC gap methodology for allocations, UTC would receive an additional **\$1,356,600** in base operating support. An overall revenue stream for UTC for 2007-08 is projected at:

• Base Appropriations 2007	\$43,058,400
• Gap Funding Appropriation 2007-08 (3.2%)	1,356,600
• TOTAL APPROPRIATIONS	<u>44,415,000</u>
• Maintenance Fees	32,873,802
• Technology Fee	1,530,203
• Out of State Tuition	5,153,597
• TOTAL STUDENT FEES	<u>39,557,602</u>
• TOTAL REVENUE	<u><u>\$83,972,602</u></u>

The funding of the **salary recommendations** for higher education is still under discussion. The UT System is moving forward a **5% salary adjustment** for all UT employees.

Tuition and Fees: The tuition and fees increase assumptions will be in the **5-6%** range. The original THEC recommendation was **5-7%**, but when previous “non-recurring” appropriations were made recurring, the state requested THEC to lower its tuition projections.

The Governor continues to forecast a healthy economy for Tennessee and a rather **moderate revenue increase** given the ongoing fiscal requirements of healthcare, K-12 improvements, and other state priorities that are ahead of higher education. We continue to be challenged by heavy and heated discussions that still permeate the State Legislature regarding the escalating costs to all students attending our institutions. Once again, we will be called upon to **keep tuition and fees charged to matriculating students within single digit increase categories.**

Our challenge will be to modify our continued reliance upon tuition and fees to support the basic operating costs of the institution. The Governor’s recommendations for higher education for 2007-08 will more than likely **return the University to its base appropriation level** for the previous year, and like last year, include no major reductions and/or impoundments

during the mid-year 2007. It is likely that the Governor will also recommend some type of **salary/raise pool for higher education**.

THEC Recommendations-Capital Projects: The recommendations by the Tennessee Higher Education Commission for UTC include capital **outlay** and capital **maintenance appropriations** for the following projects; the University of Tennessee has **18** recommended capital maintenance projects and the following are UTC specific funding requests:

Capital Maintenance:

**THEC
Position**

2	Grote Hall Improvements Phase III	\$2,000,000
6	Electrical Distribution System Improvements Phase II	\$2,700,000
13	Arena Roof Replacement and HVAC Upgrades.....	\$1,800,000

Capital Outlay:

THEC recommends approximately **\$321 million** in capital outlay projects for 2007-08. The request include **22** projects, of which the UTC Library project remains on the approved list at **\$48 million** in the number **8** THEC position, and the number **3** position for projects recommended by the UT System.

The Budget and Fiscal Planning Committee will discuss and consider whether any additional funds can be added to support continued progress and momentum towards completion of our **Campus-Wide Master Plan**, and **Campus Landscape Planning** efforts.

Compensation/Internal Salary Equity: The Budget & Fiscal Planning Committee will discuss and consider whether any **additional funds can be added to support the institution’s progress and momentum** towards our **campus-wide compensation planning** efforts to include a review of salary equity and compression issues for faculty, exempt staff and non-exempt staff personnel.

Enrollment: Over the last six (6) years, UTC’s enrollment has remained rather flat. However, during 2006-07, we experienced a significant increase in student headcount of 3.2%. Such enrollment growth is consistent with the former University Five Year Strategic Plan, which assumed a **3–5% enrollment growth** during that planning period. THEC recently implemented a strategic policy change regarding the **removal of enrollment caps** at Tennessee’s public higher education institutions. The removal of enrollment caps should serve The University of Tennessee at Chattanooga quite well. The new Tennessee Lottery Scholarship Program will continue to be called upon to enhance our enrollment growth and access. UTC **must embark upon an enrollment management initiative** to include a review of its current **Scholarship Allocations Program**, the **Student Success Center**, a “pilot” implementation of a **“Border Access Program” for North Georgia and North Alabama contiguous counties**, and focus institutional efforts towards **recruitment, retention, and persistence to graduation**. We must continue to work collaboratively with our community college partners on **articulation and**

transfer strategies, along with an **enhanced marketing plan** with a goal to increase University enrollment patterns some **3-5% annually**. Finally, the University's related **fiscal issues with student housing appear to be moving in the right direction** and should have a positive impact upon enrollment growth. Both north and south campus housing has achieved 90+ percent occupancy levels and will meet financial proformas for 2006-07.

Communication Charges: The Vice Chancellor for Finance & Operations will continue to present a budget to centrally include charges for telephones, with the exception of Auxiliary Services. Units should include additional costs if they intend to expend their present service; costs for these services are outlined in the budget instructions. Auxiliary units and grant supported programs should include all telephone charges and/or requirements for information technology and web-based access. We project no increase in these charges for 2007-08.

Promotions: See Attachment 5, salary/wage increases after July 1.

University Mission: The University Mission Statement and Guiding Principles are included in the budget document as **Attachment 1**. Budget preparations for each unit **must include their individual mission statements**. All budget preparations and requested expenditures **must relate the essential elements and principles of the institutional mission**, along with **articulated outcomes and assessment criteria** to provide for continuous institutional improvement. **Chancellor Roger Brown has requested expenditures should also relate to the University's ten (10) strategic goals which also link strategically to the goals of the UT System:**

1. Claiming the assets of technology
2. Recruiting, retaining and celebrating diversity (include compliance efforts with UT Statement of Commitment to Diversity and Equal Opportunity). **See Attachment 9.**
3. Improving the potential of partnerships and community outreach.
4. Demonstrating accountability.
5. Enhancing the learning environment.
6. Assessment will drive continuous institutional effectiveness.
7. Internationalization and globalization of access, curriculum, and programs.
8. Enhance student access and student success.
9. Enhance service learning and research components.
10. Partner with the region for economic development.

To demonstrate accountability for the prior year allocation, the Budget & Planning Committee asks that **each requesting unit report on your activity/success in support of the University's ten (10) strategic goals**. This, along with **outcome and assessment responses, will be utilized as a primary measure to determine your level of continued funding support for 2007-08.**

The initial budget hearings for the 2007-08 fiscal year will be held on **March 5-9, 2007**. The first meeting of the University Budget & Strategic Planning Committee will be **devoted to the 2007-08 Policies & Processes; a review of the current year-end revised 2006-07 budget,**

along with **projected costs “going forward”** and other significant assumptions affecting the 2007-08 unrestricted operating budget.

An additional meeting within the budget hearing process will be devoted to a **review of Auxiliary/Service Centers** that provide institutional support (i.e. Parking Services, Copy Center, Motor Pool, Telephone Services, Computer Center, Food Services, University Housing). Contracts for these various services will be reviewed along with a fiscal review of expenditures versus revenues. Any requests for fee increases for support services shall be presented in open forum to the Budget Committee for consideration.

Process:

1. Enclosed are the budget guidelines and schedules to be completed. Please note: the submission of the **2007-08 budget requests should be transmitted electronically in IRIS**, and the enclosed instructions explain how submissions should be completed. If you have any questions regarding the electronic submission process, please contact Mrs. Debbie Parker, ext. 4467, or Mr. Danny Grant, ext. 4714, for assistance.
2. This year’s budget planning cycle will consider a **multi-year fiscal planning approach focusing upon long-term and short-term strategic projects and allow for multi-year projects, and a phased (successive years) approach to revenue enhancement for major initiatives**. Given we have **experienced significant budget reductions** from the State of Tennessee, a gradual and continued phased approach toward revenue and resource allocations will be utilized to move us towards continuing fiscal stability over the next three year period: FY’s 2007-08, 2008-09, 2009-10.
3. **Budget Presentation Template:** In an effort to ensure consistency across all reporting units, a budget presentation template is attached (**see Attachment 11**), and is to be utilized when reporting to the Budget and Strategic Planning Committee and the campus, your current level of fiscal support, staffing levels, operating funds, and major expenditure items.
4. **Budget Submission Template:** The office of Budget & Planning has developed the attached three (3) year budget projection and request template to be utilized when submitting your budget request for 2007-08, 09, and 10 (**see Attachment 14**).

Again, **I encourage you to invite all faculty and staff to attend the open budget hearings**. They offer a unique opportunity to learn about the operational needs of UTC, and how budget priorities are determined and allocations appropriated to institutional mission. At the conclusion of each presentation by major divisional units, all data and other materials will be **posted to the UTC web for general review and comments**. As we move through this process, should you have any questions, recommendations, or comments, please feel free to contact Debbie Parker, Danny Grant, or me.

cc: Executive Staff
University Budget & Fiscal Planning Committee
Area Managers
Mrs. Debbie Parker
Dr. David Pittenger
Mr. Chuck Cantrell
Ms. Terry Denniston