

MEMORANDUM

TO: Dr. Roger Brown, Chancellor
Dr. Phil Oldham
Mr. Bob Lyon
Mr. Rick Hart
Dr. John Delaney

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

DATE: January 7, 2008

SUBJECT: **2008-09 UTC Unrestricted Operating Budget Instructions**

The University of Tennessee at Chattanooga (UTC) is ready to resume planning its **unrestricted operating budget for 2008-09 fiscal year**. Now that our institutional-wide strategic planning process has been completed, a major element of the implementation phase of this important work will be the identification of fiscal and other resource allocations to support identified campus programmatic and institutional priorities. A strong recommendation emanating from our planning process was to **organize a new fiscal planning and oversight model for UTC** to ensure financial and other sustainable goals of the institution are monitored and assessed at the “macro” level. With that in mind, a new **University Planning Resources and Advisory Council (UPRAC)** has been created. The UPRAC will have broad university representation/participation and will be chaired by Chancellor Roger Brown, and co-chaired by Provost Phil Oldham and Vice Chancellor for Finance and Operations Richard Brown. Ultimately, final review and recommendations for resource support will be reviewed by the UPRAC membership. The continuing work of the university fiscal planning process for 2008-09 will be a transparent and collaborative approach involving the collective university community.

Grass Roots Budgeting Process

I am asking that **all major units and departments** of the university conduct very in-depth budgeting, planning, and resource allocations discussions within their units and ensure your affiliated faculty and staff members are invited to participate in:

1. A planning exercise to **fully understand the current budget and resources** allocated to your area.

2. The development of a **three-year fiscal strategy** to identify and recommend resource support for your units.
3. The **review and assessment of your current expenditures and revenues** to identify a possibility of **internal re-allocation** of resources to identified priorities.
4. A determination of **viable benchmarks** for any recommendations for funding support of existing or new programs.
5. An in-depth discussion to ensure all requests for fiscal resource allocations **link synergistically** with our **Strategic Plan and the UTC Scorecard**.

***It is important that every university employee be given the opportunity to participate and actively engage in budget discussions at the “grass roots level.” The University Budget Office will be available to sit in on your budget discussions to ensure accurate and timely budget information is presented to your units.**

To assist us in preparing this unrestricted operating budget, the attached document has been developed. **It suggests an institutional budget and planning philosophy, along with setting forth policies and procedures to follow in developing and requesting an annualized budget.**

Enhanced Budget Communication—Assessment—Budget Website: We will continue to provide an **on-line budget process assessment questionnaire** in collaboration with the University Office of Institutional Research on our **new budget Website** to strengthen our ongoing efforts to enhance communication, knowledge, and transparency of the budget process and related financial decisions. You may access the budget Website at <http://www.utc.edu/Budget/>

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

Linking University Budget and Resource Allocations to Strategic Planning: The university has completed its comprehensive strategic planning initiative. The overall focus of this effort centers around “We Shall Achieve: Excellence Through Partnerships.” Future resource allocations shall be strategically linked to the following initiatives:

- Partnerships for Students (Teaching and Learning)
- Partnerships for Education and Research
- Partnerships for Diversity
- Enabling Partnerships

As a metropolitan university, our new strategic direction will focus on internal and external partnerships designed to advance the educational, societal, and economic development goals of our university. Guided by our mission and core values, our budget and resource allocation process will seek to allocate and develop resources on the basis of mission value and performance. Broadly, our financial planning and allocations processes will hold the students, faculty, and staff of the university accountable for the success of the strategic goals.

The Scorecard, which links strategically to the UT System’s broad strategic goals, should also be considered by compliance with the following goals and performance measures:

- Student Access and Success
- Research and Economic Development
- Outreach and Globalization

University Planning Resources and Advisory Council (UPRAC 2008): The university strategic planning process has recommended the creation of a broad-based constituent group to review, assess and recommend to the Chancellor financial and other resource allocations at the “macro” level. Central to the effective implementation of a successful institutional strategic plan is the creation of an effective university resource allocations model. Therefore, institutional budgeting, **which is a process to make decisions that distribute resources and enable actions**, is the critical process by which the organization carries out its plans, signals its priorities, and provides the mechanism through which positive incentives for change can be created.

The University Planning Resources and Advisory Council (UPRAC) is charged with the development of a synergistic model for the implementation of the broad goals identified within the UTC Strategic Plan. The committee will establish a set of criteria that will guide the allocation of resources across the university. The committee will review, assess, and set resource planning and fiscal allocation priorities for the institution at the “macro level.” To the greatest extent possible, resource allocations will be linked to strategic priorities and performance assessment. In addition to review of budget and financial planning activities, the committee will review and advise the Chancellor regarding additional types of resource-driven planning activities to include:

- Research
- Entrepreneurship and innovation
- Technology planning, both instructional and operational
- Support Service Centers
- Campus Master Facilities Planning

The goals of the UPRAC will be to transform the university’s budgeting, allocations, accountability, and assessment processes. The meetings and work of the UPRAC shall be contemporaneous with the fiscal and planning processes both internal and external to the university. This work will include review of the UTC budget process, UT System fiscal planning, THEC, State of Tennessee Finance and Administration, and the State Legislature of Tennessee’s financial planning efforts

UPRAC 2008

Chaired by Chancellor	Roger Brown
Vice-Chaired by Provost	Phil Oldham
Vice-Chaired by V. C. Finance and Operations	Richard Brown
Members:	
Chancellor	Roger Brown
V.C. for Finance and Operations	Richard Brown
Provost and V. C. for Academic Affairs	Phil Oldham
V. C. Student Development	John Delaney
V. C. for University Advancement	Bob Lyon
Director for University Athletics	Rick Hart
Chair, Exempt Staff Council	Jim Bowman
President, SGA	Bill Staley
Chair, Employee Relations Council	Valerah Hodges
President, Faculty Senate	Gavin Townsend
Chair, Council of Department Heads	Matt Greenwell
Chair, Strategic Planning Process	Dr. Charles Nelson (Alternate Dr. Karen Adsit)
Faculty Senate Reps (2 reps.)	Chair Budget & Economic Status Committee
Graduate Student Association	Adam Cava
Graduate Council	Vicki Petzko
Representative from Council of Deans	One Additional Member
University Planning Coordinator	TBA Dr. Deborah Arfken

Ex Officio	
Support Members:	
Executive Assistant to the Chancellor	Terry Denniston
Asst. Vice Chancellor	Chuck Cantrell
Associate Provost Acad. Budget	David Pittenger
Associate Vice Chancellor	Debbie Parker
Director of Institutional Planning	Richard Gruetzemacher
UC Foundation Chair	Jerry Adams
Chancellor's Roundtable Chair	Rabbi Joshua Lief
Alumni Board Chair	Kayvon Sadrabadi

Chancellor's Innovation Entrepreneurship and "Big Ideas" Fund: Each year the Chancellor of the university will have discretionary oversight of a select pool of funds to consider allocations for new projects or programs that promote innovation, entrepreneurship, and "big ideas" throughout the institution. Departments are encouraged to present projects and programs that seek "pilot" funding support. The minimum criteria for resource consideration include:

- The new program must support **partnership initiatives** within the Strategic Plan.
- The program or project must leverage **sustainable** growth.
- The program or project must enhance **student access** or **student success**.
- The program or project should **strengthen the academic quality** of the institution.
- The program or project should foster broad internal and external participation.

Projected State Appropriations: The current UT Chattanooga base state appropriation for **2007-08** is **\$46,033,200**. The formula-driven base recommendation for UTC would have been **\$50,596,800**. The Tennessee Higher Education Commission has recently met in November 2007 and recommended funding allocations to the Governor of Tennessee and our State Legislature. The Higher Education Funding Formula generates a peer benchmarked multi-variate calculation for all public universities within our state. Under the current formula calculation, UTC would receive **\$55,162,000**, or an additional **\$4,834,838 (7.9% increase)**. This assumes the State Legislature **would fully fund the new formula**.

The Tennessee Higher Education Commission approved a new formula funding methodology utilizing a “gap” analysis approach, which is designed to:

- Distribute new state general operating funds.
- Exclude legislative adjustments for salaries.
- Allow all public institutions to participate in the distribution of new money.
- Target new money to “high need” institutions.
- “**Gap**” is defined as the difference between formula-calculated state appropriation need and recurring state appropriations.

Again, the THEC recommendation has been sent to the Honorable Phil Bredesen, Governor of Tennessee. The Governor has expressed support for continued improvements in state allocated discretionary support for higher education. THEC has recommended the following for UT Chattanooga:

**Total Formula Need Funding UTC
2008-98**

Base Appropriation	\$50,596,000
Maintenance Fees (5% Increase)	35,273,685
Technology Fee	1,530,200
Out of State Tuition	5,411,277
Sub Total Revenues	\$92,811,162
Formula Estimated Need	96,846,000
Gap Funding Appropriation 2008-09 (7.9%)	
Differential Increase	4,034,838 (95.8%)
	Total Formula Funding

2009 THEC Funding Recommendations:

- **3% salary increase**—full by the state for both formula and non-formula units.
- **Benefits increase**—to fund a projected 9% increase in **health insurance costs**.
- **Operating increase funding—\$4,562,800 (9.9%)** for UTC.
- Focus upon faculty and staff salaries.
- **5-7% Tuition and Fee Increase**—for public 4-year institutions. The increase percentages are **fluid, based on the state appropriations recommended by the Governor**.

Tuition and Fees: The tuition and fees increase assumption will be in the range of **5-7%** for 4-year comprehensive universities and **7-9%** for UTK and the University of Memphis. THEC recommends no increase in tuition and fees for community colleges.

The Governor has indicated a desire to enhance his support for higher education during his remaining term in office. The State Finance Commissioner has already indicated a serious concern regarding revenue projections for the state. He recently issued an “**advisory**” for all state funded entities to carefully review 3rd and 4th quarter projected spending should revenues within the state continue a decline. Overall, the national economy is facing challenges and uncertainty given international events. While our current year allocations appear stable, the 2008-09 year might prove to be a difficult one, and **reduced state revenues may have a “chilling” effect on new funds for 2008-09.**

We will continue to be challenged with the need for K-12 support of the BEP (Basic Education Program) and other state priorities that rank in higher priority than higher education. **Please bear in mind support for higher education is “discretionary” by the State Legislature.**

Our commitment and continuing challenge will be to keep tuition and fees at their “lowest” level to support access for students across the state. Again, it is quite likely the Governor will recommend a salary pool for higher education funded in part by tuition and fees revenues.

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:

Capital Maintenance:

UT System

Position

2	Central Energy Plant Boiler Replacement Phase II.....	\$3,360,000
7	Metropolitan Building Exterior Repairs and HVAC Improvements.....	\$3,350,000
12	Bretske Hall Improvements.....	\$1,580,000

Capital Outlay:

While UTC has **no** capital outlay projects recommended for 2008-09, several significant projects, including **new projects**, are working their way up the funding priority ladder:

UT System

Position

6	Fine Arts/Lupton Building Renovation.....	\$28,600,000
10	Pfeiffer/Stagmaier Renovation.....	\$11,200,000

13	Lab Sciences Building.....	\$22,600,000
15	Health Sciences Building.....	\$45,400,000

Self Liquidating Projects:

These projects are identified as those funded from gifts or other restricted revenue streams and include:

UTC McKenzie Arena Digital Display System.....	\$ 875,000
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Compensation/Internal Salary Equity: The University Planning Resources and Advisory Council 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. Our goals will consider a **3-5 year phased plan** to move all faculty and staff to peer competitiveness based upon collaborative methodology and benchmarks.

Enrollment: UTC’s enrollment is on an upward trend, with a 3.2% increase in 2006-07 and one of the highest enrollment increases of any comprehensive university in the state of Tennessee, 7.2% in 2007-08. Such enrollment growth remains consistent with the prior University Five-Year Strategic Plan, which assumed an enrollment growth of 3-5% during that planning period. Our new Twenty-first Century Strategic Plan will continue a focus on enrollment management and retention, to include student access and student success. A five-year data review by THEC indicated UTC was one of the leading campuses in Tennessee for growth in first-year freshmen. Chancellor Brown has initiated an enrollment management review via collaboration with the Academic Affairs and Student Development Divisions. This work will prove critical to many assessment benchmarks within our Strategic Plan, as well as serving to define our student profile and academic program design in the future. Enrollment management can further add to the alternative sources of revenue streams that will be essential for future institutional resource support. Enrollment growth for 2007-08 is projected to conservatively infuse some \$1.7 million of recurring dollars to the university base budget.

The UPRAC is encouraged to review numerous programs and operations that impact our resources and fiscal position, to include the current **scholarship allocation program**, the **Student Success Center**, and the “**pilot**” implementation of the “**Border Access/Tuition Discounting Program**” for North Georgia and North Alabama contiguous counties. A strategic focus on recruitment, retention, and persistence to graduation should further stimulate significant institutional review. We must continue our **collaborative work** with our **community college** partners on **transparency of articulation** and other student transfer strategies. An enhanced **university-wide marketing plan** should be considered to keep our enrollment strategies and goals on target. University residential communities will continue to play a significant role in our enrollment management goals. While our housing occupancy rates exceeded 98% in 2007-08, we must be vigilant in our efforts to plan for new housing opportunities and effectively manage our existing units well.

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 expand 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 2008-09.

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

University Mission: The university's institutional vision, mission, and core values are included in the budget document as **Attachment 1**. Budget preparations for each unit must include their individual mission statements. All budget preparation and requested expenditures must relate to the essential elements of our mission, core values and vision statements. Departments shall identify benchmarked outcomes and assessments criteria that seek continuous institutional improvement and support of identified strategic initiatives. Chancellor Roger Brown has requested all expenditures should relate to the university's **previous ten 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.

In the spirit of the new University Strategic Plan, our fiscal goals will be to support existing partnerships and programs while leveraging support for the development of new critical collaborative partnerships, both internal and external to the university. These measures, along with performance, outcomes, and assessment responses, will be utilized by the University Planning Resources and Advisory Council (UPRAC) to determine your level of new and continuing funding support for 2008-09 and beyond.

UPRAC Hearings: The University Planning Resources and Advisory Council will convene its preliminary work on **February 25-29, 2008:**

- UPRAC will meet with university financial staff to review current fiscal position and revenue projections, 2008-09 policies and procedures, with projected "Costs Going Forward" analysis and other assumptions affecting the unrestricted operating budget.
- UPRAC will hold budget presentations for **major operating units**.
- UPRAC will hear special reports from:
 - **Campus Master Plan Committee**
 - **Campus Technology Plan Committee**
 - **Shared Governance Committees**
 - SGA—ERC—ESC
 - Faculty Senate

Process:

1. Enclosed are the budget guidelines and schedules to be completed. Please note: the submission of the **2008-09 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 historical budget reductions** from the State of Tennessee, a **gradual and 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 2008-09, 2009-10, 2010-11.
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 University Planning Resources and Advisory Council 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 2008-09, -10, and -11 (**see Attachment 12**).

Again, **I encourage you to invite all faculty and staff to attend your departmental budget hearings.** They offer a unique opportunity to learn about the operational needs of your unit, and how budget priorities are determined and allocations appropriated to support departmental missions. At the conclusion of each budget review process by major divisional units, all data and other materials will be **posted to the UTC Financial Affairs Webpage for general review and comments.** Major divisional presentations and special groups presentations to the UPRAC shall also be posted to the UTC Financial Affairs Webpage.

Thank you in advance for your participation in this important university fiscal and operational process.

cc: Executive Staff
UPRAC
Area Managers
Mrs. Debbie Parker
Dr. David Pittenger
Mr. Chuck Cantrell
Ms. Terry Denniston