

# 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:** February 3, 2011

**SUBJECT:** **2011-12 UTC Unrestricted Operating Budget Instructions**

Welcome to the 2010-11 operating year. I am pleased to report a balanced budget for the year ending June 30, 2010. All major divisions within the University have been excellent stewards of institutional resources and assisted the campus to ease the economic transition and downturn with a spirit of collaboration and sheer determination. Highlights from the 2009-10 fiscal year included a continuing focus on “institutional financial rebalancing” whereby our core principles included insulating and protecting the quality of our core mission of academic instruction. Our institution, like many other similar higher education enterprises, saw some \$13.2 million in reduced state appropriations over a four-year budget cycle. Yet, as we enter into 2011-12, we are a leaner, but a more effective and efficient operating university. How did we achieve such a positive outcome: leadership, collaboration, partnerships, fiscal transparency, and budgeting to our strategic plan agenda. I would offer this methodology to any higher education institution that is challenged by the vicissitudes of organizational change, economic threat, and state appropriations decline.

## Current Financial State

I am pleased to report our current financial position is strong and provides a platform for continued success:

- All major recurring base budget reductions were completed – there will be no UTC 2011-12 “Cliff.”
- A three-year financial “Rebalancing Plan” is in place.
- **Instruction** was protected **from major reductions** ensuring **academic quality and student progress**.

- **Operating Budgets** – We have started rebuilding efforts and selected position replacements.
- We have funded SACS – QEP – and additional faculty position.
- Our Institutional Fund Balance is the largest in history - **\$5.5 million**.
- Auxiliary Services are strong – Food Services, Housing, Bookstore all deliver to the bottom line.
- Our bonded **Debt Rates** are quite low, **\$46.8 million** with dedicated revenue streams to retire the debt.
- **Enrollment Growth** – Revenues offset major reductions recurring base reductions.
- **\$25 million in Stimulus Funds** – We used strategically for equipment, technology, operations, capital improvements and sustainability projects.
- We budgeted to our Strategic Plan while maintaining full fiscal transparency.
- We continued some focused attention to market/equity adjustments to ensure a competitive workforce.
- Longitudinal sustainable energy management projects resulted in a \$32 million cost avoidance.

### **Budget Issues 2011-12**

- Continued support of instruction and academic quality.
- SACS Reaccreditation.
- QEP - full funding support.
- Compensation equity for faculty and staff.
- Enhanced operating budget support.
- Maintenance and Operations energy costs for increased square footage.
- Control of System costs.
- Compliance with Complete College Act of Tennessee.
- New funding formula metrics - measures that produce Bachelor’s degree graduates.

The University of Tennessee at Chattanooga (UTC) is ready to resume planning its **unrestricted operating budget for 2011-12 fiscal year**. Now that the second year institutional-wide Strategic Plan has been completed, a continuing major element of the implementation phases of this important work was to identify fiscal and other resource allocations to support articulated programmatic and institutional priorities. The recommendation to **organize and implement a new fiscal planning and oversight model for UTC** to ensure financial and other sustainable goals of the institution were monitored and assessed at the “macro” level was completed and has proven to be very effective in our navigation of turbulent economic waters. The **University Planning Resources and Advisory Council (UPRAC)** was created with broad university representation/participation and was chaired by Chancellor Roger Brown, and co-chaired by Provost Phil Oldham and Vice Chancellor for Finance and Operations Richard Brown. Final advisory consideration and recommendations for resource allocations support will again be reviewed by the UPRAC membership. The continuing work of the university fiscal planning process for 2011-12 will be a transparent and collaborative approach involving the collective university community.

### **Grass Roots Budgeting Process**

I am once again asking that **all major units and departments** of the university conduct very in-depth budgeting, financial 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 base budget and fiscal resources** allocated to your area.
2. The development of a **three-year phased fiscal strategy** to identify and recommend resource support for your units as we recover from economic decline.
3. The **review and assessment of your current expenditures and revenues** to identify a possibility of any **internal re-allocation** of resources to identified priorities.
4. Program review to determine **viable benchmarks** for any recommendations for continuing 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 institutional effectiveness metrics**.

**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. We further encourage the management team to allow faculty and staff to attend the open budget presentations.**

### **New Online Budget Submission**

To assist us in preparation of the unrestricted operating budget, please see **Attachment 4**. **We ask that each major budget entity submit your budget by email to the appropriate Vice Chancellor for aggregation into a collective fiscal needs report for each division.**

**Enhanced Budget Communication—Assessment—Budget Website:** We will continue to provide complete transparency of the entire budget process via our website to strengthen our ongoing efforts to enhance communication and knowledge 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
- Compliance with the Complete College Act of Tennessee
- Academic goals identified in our GAP Analysis Report

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 current revenues and develop new 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.

UTC must link strategically to the UT System's broad strategic goals, and we should also remain sensitive to compliance with the following goals and performance measures:

- Student Access and Success
- Research and Economic Development
- Outreach and Globalization
- Graduating more Tennesseans for State strategic positioning

**University Planning Resources and Advisory Council (UPRAC 2011)**: The university strategic planning process created a broad-based constituent group to review, assess and recommend to the Chancellor and the Executive Team financial and other resource allocations at the "macro" level. Central to the overall effective implementation of an institutional strategic plan was the creation of an effective university resources 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) have been historically charged with the development of a synergistic model for the review and implementation of the broad goals identified within the UTC Strategic Plan. The committee has been enormously successful with establishing a set of criteria that guided the allocation of resources across the university, creating dialogue and transparency in the financial planning process. The committee will continue to 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, UPRAC will review and advise the Chancellor and Executive Team regarding additional types of resource-driven planning activities to include:

- Research and outreach
- Entrepreneurship and innovation
- Technology strategic planning, both instructional and operational
- Support Service Centers
- Campus Master Facilities Planning
- GAP Analysis
- ITD Strategic Plan
- Efficiency and Effectiveness Projects
- Community-based Engagement

UPRAC has achieved its goal to help transform the university's budgeting, allocations, accountability, and assessment process. The meetings and work of the UPRAC shall continue to be contemporaneous with the fiscal and institutional 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 2011

<b>Chaired by Chancellor</b>	Roger Brown
Vice-Chaired by Provost	Phil Oldham
Vice-Chaired by V. C. Finance and Operations	Richard Brown
<b>Members:</b>	
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	Jean Dake
Director, Access & Diversity	Bryan Samuel
President, SGA	Andrew Clark
Chair, Employee Relations Council	Kelly Griffin
President, Faculty Senate	Vicki Steinberg
Chair, CADH	Verbie Prevost
Co-Chair, Strategic Planning	Karen Adsit
Faculty Senate:	
Representative	Lyn Miles
Budget & Economic Status Committee	John Garrett
Graduate Student Association	Raven Worthy
Graduate Council	Vicki Petzko
	Joe Dumas
Representative from Council of Deans	John Fulmer
University Planning Coordinator	Dr. Deborah Arfken
Chair, Diversity Initiatives	Yancy Freeman

<b>Ex Officio</b>	
<b>Support Members:</b>	
Chief of Staff	Terry Denniston
Asst. Vice Chancellor University Relations	Chuck Cantrell
Associate Vice Chancellor Business & Finance	Debbie Parker
Academic Affairs Budget Manager	Deborah Hyde
Director of Institutional Planning	Richard Gruetzemacher
UC Foundation Chair	Ruth Holmberg
Chancellor's Roundtable Chair	Dan Saieed
Alumni Board Chair	Tom Losh

**State Appropriations:** The current UT Chattanooga base state appropriation for **2010-11** is **\$33,162,700**. The Tennessee Higher Education Commission recently met in November 2010 and recommended new funding allocations to the Governor of Tennessee and our State Legislature. The Higher Education Funding Formula generates new performance driven and outcome based multi-variate calculation for all public universities within our state. The general methodology behind the new THEC formula is as follows:

### **THEC Outcomes-Based Funding Formula**

- **Outcomes Based Model – Not Enrollment Driven**
  - Degree Production
  - Student Retention

- Research
- End of term enrollment
- **Timely Progression** toward a degree
- Adult and low income students are **“Counted Extra”**
- Outcomes based on Institutional Mission and **Basic Carnegie Classification**
- Highest Priority given to **number of Bachelor’s Degrees attained**
- Weighted by **Graduation Rates** – Not number of Degrees
- Implementation begins during **2011-12** Budget Cycle
- **Phase in** with Hold Harmless Provisions adjusts calculations
- Designed by a comprehensive “Formula Review Committee”

### **2011-12 THEC Funding Recommendations**

- Focus upon faculty and staff salaries—**a salary increase for all employees is being discussed by the UT System and was discussed with THEC.**
- **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 **7-9%** for the University of Tennessee campuses. The Complete College Tennessee Act requires THEC to make student fee recommendations concurrent with the state appropriations recommendation. Based upon staff analysis, **THEC recommends a 7% minimum** for public four year universities and a 5% tuition increase at community colleges. This recommendation is contingent on a scheduled 1% reduction in state appropriations. THEC further recommends that UT and TBR Systems further implement a policy of differential tuition rates, which might consider program, cost, or other factors to establish price.

Governor Bill Haslam has indicated a desire to enhance his support for higher education and K-12 education. The State Finance Commissioner has already indicated some caution and concern regarding revenue projections for the state. Overall, the national economy is still facing challenges and uncertainty given international events. While our current year allocations appear stable, the 2011-12 year will prove to be a challenging one, and **reduced state revenues may have a “chilling” effect on new funds for 2011-12.**

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. The UT President will ask the Governor and State Legislature for attention and support for a UT salary increase.

**THEC Recommendations-Capital Projects:** The recommendations by the Tennessee Higher Education Commission for UTC include capital **maintenance appropriations** for the following projects:

**Capital Maintenance  
Funded by the State Legislature 2010-11**

**UT System**

**Position**

2 Metropolitan Building Repairs and HVAC Improvements Phase II...**\$4,600,000**

**Capital Outlay**

While UTC has **no** capital outlay projects recommended for 2010-11, several significant projects, including **new projects**, are working their way up the funding priority ladder:

**UT System**

**Position**

8	Fine Arts/Lupton Building Renovation.....	<b>\$31,500,000</b>
14	Lab Sciences Building.....	<b>\$59,500,000</b>
16	Health Sciences Building.....	<b>\$49,100,000</b>

**Self-Liquidating Projects**

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

Stagmaier Hall Renovations.....	<b>\$2,500,000</b>
Energy Performance Contract.....	<b>\$5,500,000</b>
Doctors Building Renovations.....	<b>\$200,000</b>

**Capital Maintenance Projects  
FY2011-12**

**UT System**

**Position**

6	Holt Hall Improvements Phase I.....	<b>\$7,450,000</b>
12	Brock Building Improvements.....	<b>\$1,950,000</b>
16	Campus Safety and Security Improvements.....	<b>\$3,700,000</b>

**Self-Liquidating Projects  
FY2011-12**

Lupton Building Classroom Retrofit.....**\$3,500,000**

**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 continues towards an upward trend, with a **3.2%** increase in 2010-11 and one of the highest enrollment increases of any comprehensive university in the state of Tennessee, 7.2% in 2007-08. This trend has caused the institution to surpass a milestone of 10,000 students and we are progressively moving to the 11,000 student benchmark. 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 2011-12 is projected to conservatively infuse some \$1.9 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 now extended to graduate students. A strategic focus on recruitment, retention, and persistence to graduation should further stimulate significant institutional review. A focused effort should be given towards examining our ability to deliver rigorous and quality online instruction. We must continue our **collaborative work** with our **community college** partners on **transparency of articulation** and other student transfer strategies to include an enhanced transfer scholarship fund. A vigorous **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 current housing occupancy rates exceeded 99% in 2010-11, 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 2011-12.

**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 2**. 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 2A.**
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 2011-12 and beyond.

**UPRAC Budget Hearings:** The University Planning Resources and Advisory Council will convene its preliminary work on **February 28 and March 2, 2011:**

- UPRAC will meet with university financial staff to review current fiscal position and revenue projections, 2011-12 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 regarding:
  - **Campus Master Plan Update**
  - **IT Master Plan/Banner Update**
  - **Strategic Plan Update**
  - **SACS/QEP Update**
  - **GAP Analysis Update**
  - **Shared Governance Committees**
    - SGA—ERC—ESC
    - Faculty Senate
    - Council of Departments Heads
    - Auxiliaries/Service Centers

**Process:**

1. Enclosed are the budget guidelines. Please note: the submission of the **2011-12 budget requests should be transmitted by email to the appropriate Vice Chancellor**, and the

enclosed instructions explain how submissions should be completed (**Attachment 4**). If you have any questions regarding the submission process, please contact **Debbie Parker, ext. 4467, Danny Grant, ext. 4714, or Tyler Forrest, ext. 5770, 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: FY2011-12, 2012-13, 2013-14.
3. **Electronic Budget Worksheet:** In an effort to ensure consistency across all reporting units, an electronic budget worksheet has been development. This worksheet will be sent to the appropriate Vice Chancellor (**see Attachment 4 for complete instructions**).
4. **Budget Submission Template:** The office of Business & Financial Affairs has developed the attached three (3) year budget projection and request template to be utilized when submitting your budget request for 2011-12, 2012-13, and 2013-14 (**see Attachment 4A for an example**).

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 and UPRAC Webpages for general review and comments.** Major divisional presentations and special group presentations to the UPRAC shall also be posted to the UTC Financial Affairs and UPRAC Webpages.

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

cc: Executive Staff  
UPRAC  
Area Managers  
Mrs. Debbie Parker  
Ms. Deborah Hyde  
Mr. Danny Grant  
Mr. Chuck Cantrell  
Ms. Terry Denniston