

THE UNIVERSITY OF TENNESSEE AT CHATTANOOGA
PREPARATION OF THE 2012-13 ANNUAL OPERATING BUDGET

This document describes the policies and procedures that will be followed for preparing the **annual unrestricted operating budget** at The University of Tennessee at Chattanooga. The approved unrestricted operating budget is a comprehensive and coordinated financial plan that provides support for the educational and general operating programs and auxiliary services. The operating budget period at the university follows a fiscal year that extends from **July 1, 2012 to June 30, 2013**.

This document (1) describes the budget philosophy that guides the budgetary decision-making process, (2) summarizes the responsibilities of the various participants in the budgetary process, (3) outlines the steps of the budget process, (4) presents guidelines and instructions for completing the budget request, (5) provides the outline format that all completed budget request packages should follow, (6) gives a calendar of events for the preparation of the budget, and (7) provides supporting attachments to clarify the budgetary process.

BUDGET PHILOSOPHY

1. The primary and essential mission of the university is the education of its students. Included within this mission is our continued effort to enhance access and ensure student success by strengthening persistence to graduation for those students previously enrolled.
2. General Institutional funds (**State Appropriations and Student Fees**) will be primarily used to support the educational and general operations of the university.
3. The **income producing segments** of the university will be encouraged to produce as much income as possible to support their direct cost of operation plus augment the general funds to support the basic operation of the university.
4. The **external funds received** (gifts, grants, contracts, etc.) are to be used to enhance the institutional budget to the greatest degree allowable while still carrying out the specific purpose for which the funds were received.
5. Expenditures proposed must be tied to the mission, goal, objective, and purpose of university programs, as well as institutional priorities identified within the overall University Strategic Plan.
6. **The University Planning Resources and Advisory Council (UPRAC) will review and recommend to the Chancellor priority allocations of new and**

existing resources in an effort to implement the institutional strategic planning initiatives.

BUDGET POLICIES

1. **Division Managers** will be held accountable for proposing, monitoring, and assessing annual financial strategies and action plans to reach program goals. **Each division should end the fiscal year with a balanced budget.**

2. **Salary savings** are generated as unfilled/vacant positions remain open. The savings should be administered in the following manner:
 - a) Salary/wages must be spent for the intended salary/wage position.
 - b) Savings from unfilled positions **cannot** be permanently transferred to operating budgets.
 - c) Transfers of budgeted salary/wages from one budgeted position line to another budgeted position line is permitted if the increased salary line is required to secure a new hire or keep an existing employee. **Approval must be by both the division head and the Sr. Vice Chancellor for Finance & Operations.**
 - d) At the discretion of the Chancellor, and the Sr. Vice Chancellor for Finance & Operations, and if deemed appropriate, savings from unfilled positions will be retained within the division. **The Chancellor has full discretion and authority to determine alternative financial models for the aggregation and use of salary savings.**
 - e) Salary savings generated as a result of restricted grant and contract revenue will be reviewed on a case by case basis by the division head, Provost, and the Sr. Vice Chancellor for Finance & Operations. The allocation of the savings will be determined based on the restricted grant or contract provisions and the needs of the university.
 - f) The Budget Office will review all vacant positions at the end of the month and make the appropriate adjustments to reduce the balance available on these vacant position lines.
 - g) All reductions to vacant individual position lines will be temporary in nature, i.e., the base budget for each individual position affected will be restored for the subsequent budget year. Adjustments above the base position salary/wage will have to be requested during the subsequent year's budget hearings.

3. Unrestricted expenditure budget carryovers should be administered in the following manner:
 - a) Each of the six division heads, Chancellor, Provost, Sr. Vice Chancellor for Finance & Operations, Vice Chancellor for Student Development, Vice Chancellor for Athletics & Athletic Director, and the Associate Vice Chancellor for Communication & Marketing, are responsible for all the expenditure budgets

within their units. They are required to manage their expenditure budgets and **not exceed the approved university budget.**

- b) Total divisional expenditure budgets will be the responsibility of the division head, i.e., individual units within the division may have positive or negative balances, but the total division cannot exceed its budget.
- c) Units/programs within divisions which are considered “revenue producing units” will be governed by the UTC fiscal policies relative to these accounts. For purposes of determining the division budget expenditure in computing carryover, these “revenue producing units” will be considered.
- d) Divisions that have budget surpluses, i.e., actual E account expenditures that are less than budgeted E account expenditures, will be allowed to carryover surpluses to the following fiscal year at the discretion of the Chancellor and Sr. Vice Chancellor for Finance and Operations. The carryover will be reflected by an increase in their E account budgets by a like amount for the following fiscal year.
- e) Divisions which are conserving funds for major purchases (equipment, furniture, etc.) in future periods should document this plan in writing and these funds will be transferred to a renewal and replacement equipment fund for use by that division in future periods for those specific “capital type” purchases.
- f) Divisions that have budget deficits, i.e., actual E account expenditures are greater than budgeted E account expenditures, **will have their E account budgets reduced by a like amount for the following fiscal year.**

RESPONSIBILITIES

It is the university’s philosophy that budget preparation involves persons responsible for program operations to the level of the department/support unit. Normally, requests for program operations and future development will originate from the department level. **Vice Chancellors shall convene appropriate groups to facilitate budget involvement by those closest to the program expenditure. The important thing is that there is input from all levels of faculty and staff into the planning of the programs and its implementation in the upcoming budget year. All university budget discussions and preparations will take place at the “grass roots” level of the institution with all faculty and staff members invited to actively participate in the development of budget priorities. The University Budget Office is available as a resource to provide accurate financial data, and participate in departmental budget discussions if requested.**

THE CHANCELLOR

The Chancellor has the responsibility for leading the development of the university budget that will be submitted to the Board of Trustees for review and action. The Chancellor works with the University Planning Resources and Advisory Council (UPRAC) to prepare the budget. This committee includes the Chancellor, Sr. Vice Chancellor for Finance and

Operations, Provost and Sr. Vice Chancellor for Academic Affairs, Vice Chancellor for University Advancement, Vice Chancellor for Student Development, Vice Chancellor of Athletics & Athletic Director, the President of the Faculty Senate, the President of the SGA, the Chair of the Employee Relations Committee, the Chair of the Exempt Staff Council, the Chair of Council of Department Heads, the Chair of the Strategic Planning Process, University Planning Coordinator, and two representatives from the Faculty Senate. Ex officio and support members of the Council include the Associate Vice Chancellor for Business & Finance, Chief of Staff to the Chancellor, Associate Vice Chancellor for Communications & Marketing, Associate Provost for Academic Budget, and the Director of Institutional Research and Planning. This Council meets as often as is required and makes recommendations to the Chancellor. Activities associated with the Chancellor's responsibility and authorities are:

1. Developing parameters to guide budget preparation;
2. Communicating budget parameters to appropriate individuals and organizations at the onset of the process;
3. Making preliminary decisions relative to budget process and assumptions;
4. Communicating preliminary decisions to appropriate individuals and organizations;
5. Making final decisions relative to the contents of the budget; and
6. Communicating final budget decisions to appropriate individuals and organizations, culminating in a "State of the University" address.

DIVISION MANAGER

A Division is a grouping of areas within the university. The duties and responsibilities of the **Vice Chancellors include:**

1. Develop programs and fiscal plans for their respective division;
2. Further develop the plans and requests of Areas within their division and consolidate all plans and budget requests into a single budget following the outline format specified in this document;
3. Act as the voice for all areas under their supervision in presenting their budget request package to the University Planning Resources and Advisory Council; and

4. Modify their budget proposals as necessitated per preliminary action of the Chancellor and/or University Planning Resources and Advisory Council.

The Institutional Budget Divisions for preparation of the budget request are as follows:

| <u>Division</u> | <u>Division Manager</u> | <u>Title</u> |
|-------------------------------|-----------------------------|-------------------------------------|
| Chancellor | Dr. Roger Brown | Chancellor |
| Provost | Dr. Phil Oldham | Provost & Sr. Vice Chancellor |
| Finance & Operations | Dr. Richard L. Brown, Jr. | CFO & Sr. Vice Chancellor |
| Student Development | Dr. John Delaney | Vice Chancellor |
| Athletics | Rick Hart | Vice Chancellor & Athletic Director |
| Communications & Marketing | Chuck Cantrell | Associate Vice Chancellor |

AREA MANAGER

An Area is a grouping of organizations within the Division. The area manager is generally an individual who reports directly to the Vice Chancellor. The duties and responsibilities of this individual include:

1. Develop programs and fiscal plans for their own respective organizations;
2. Further develop the plans and requests of organizations within their area and consolidate all plans and budget requests into a single budget request package following the outline format specified in this document;
3. Act as the voice for all organizations under their supervision in presenting the budget request package to the Division Manager;
4. Modify their budget proposals as necessitated per preliminary action of the Division Manager, Chancellor, and/or action of the University Planning Resources and Advisory Council.

The areas for preparation of the Budget are as follows:

| <u>DIVISION</u> | <u>AREA</u> | <u>AREA MANAGER</u> | <u>TITLE</u> |
|--|------------------------------|-------------------------|---------------------------|
| Chancellor | Chancellor | Barbara Verhine | Admin Coordinator |
| | Chancellor | Terry Denniston | Chief of Staff |
| Provost | Provost | Vacant | Administrative Aide |
| | Academic Administration | Dr. Jocelyn Sanders | Associate Provost |
| | Provost | Deborah Hyde | Business Manager |
| | Graduate Studies | Dr. Jerald Ainsworth | Dean |
| | Library Services | Teresa Liedtka | Dean |
| | Business Administration | Dr. Robert Dooley | Dean |
| | CHEPS | Dr. Mary Tanner | Dean |
| | Engineering | Dr. William Sutton | Dean |
| | Arts & Sciences | Dr. Herbert Burhenn | Dean |
| | Lifelong Learning | Dr. Karen Adsit | Dean |
| | Enrollment Services | Yancy Freeman | Assistant Vice Chancellor |
| | Advisement | Fran Bender | Assistant Vice Chancellor |
| | Institutional Research | Dr. R. Gruetzmacher | Director |
| | Records Office | Linda Orth | Director |
| | Research | Lindsay Pardue | Director |
| | Cadek Conservatory | Paul Shurtz | Director |
| | Sim Center | David Whitfield | Director |
| Finance & Operations | Finance & Operations | Mary Scott | Special Assistant |
| | Business & Financial Affairs | Vanasia Parks | Associate Vice Chancellor |
| | Information Technology | Tom Hoover | Associate Vice Chancellor |
| | Auxiliary Services | Cindee Pulliam | Assistant Vice Chancellor |
| | Facilities | Tom Ellis | Assistant Vice Chancellor |
| | Human Resources | Dan Webb | Director |
| | Equity & Diversity | Dr. Bryan Samuel | Director |
| | Safety | Jim Pulliam | Director |
| Athletics | Athletics | Rick Hart/Matt Pope | VC & AD/Associate |
| Student Development | Student Development | Dr. John Delaney | Vice Chancellor |
| | Student Organizations | Dr. John Delaney | Vice Chancellor |
| | Housing | Dr. Dee Dee Anderson | Associate Vice Chancellor |
| Communication & Marketing | University Relations | Chuck Cantrell | Associate Vice Chancellor |
| | WUTC | John McCormack | Director |

ORGANIZATIONAL MANAGER

The Organization is a single budgetary unit and is designated by up to a ten digit alpha/numeric account number and account name. An Organizational Manager may be responsible for several Organizations, but each budgetary unit has a single manager. Organizational Managers are generally individuals who report directly to the Area

Manager. Examples of Organizational Managers include: academic department heads, directors/managers in their administrative areas, and in some cases supervisors who might report directly to area managers. The duties and responsibilities of Organizational Managers include:

1. Develop a program and fiscal plan for their respective units within budget parameters in cooperation with the area manager;
2. Present these plans/requests to the appropriate area manager for further development; and
3. Provide additional information as requested by the Area Manager, Division Manager, Chancellor, or University Planning Resources and Advisory Council throughout the budget process.

THE BUDGET PROCESS

The following is a summary of the unrestricted Educational & General budget process.

1. The process begins with the development of a preliminary budget program, projections, and parameters established by the Chancellor and University Planning Resources and Advisory Council (UPRAC).
2. The budget preparation instructions and budget forms are distributed to the appropriate Division Managers and Area Managers.
3. The Division Managers and Area Managers work within their areas and organizational faculty and staff to develop and submit a proposed budget for the upcoming year.
4. The Area Managers at the **grass roots level**, and in consultation with their faculty and/or staff, should prepare a preliminary program plan and budget requests for submission to their respective Division Manager.
5. Budget reviews/discussions are held within each area so that the Area Manager and appropriate personnel can formally present and discuss their budget request with the appropriate divisional Vice Chancellors.
6. The Division Manager further develops program plans and budget requests in accordance with established budget parameters and guidelines, and then consolidates all materials into a single budget request package that follows the outline specified in this document. The Division Manager at his/her discretion may hold budget hearings and/or reviews/discussions so that Area Managers can formally present and discuss their budget request. **Budget request**

packages are then submitted to the Vice Chancellor for Finance and Operations.

7. The **University Budget Office** will assist with analyzing and consolidating data, and provide appropriate reports to the University Planning Resources and Advisory Council (UPRAC).
8. A preliminary budget is developed from an **aggregate projection of revenue** and the Vice Chancellor for Finance and Operations will project “costs going forward” financial priorities for carrying current year expenditures into the next fiscal year.
9. The University Planning Resources and Advisory Council (UPRAC) will **hold Budget Hearings with members of the Executive Team and other appropriate personnel to formally review requests and set institutional priorities.**
10. A proposed budget is prepared with input from the UPRAC and Executive Team containing revenue and expenditures and submitted to the Chancellor for final review and approval.
11. The Chancellor then authorizes the Vice Chancellor for Finance and Operations to prepare a final budget for submission to The University of Tennessee-(University Wide Administration) and the Chief Financial Officer of the University of Tennessee System.
12. The Vice President and Chief Financial Officer of the University of Tennessee System consolidates all Budget Requests for The University of Tennessee System and submits them to the Board of Trustees for review and action.

INSTRUCTIONS FOR PREPARATION OF THE BUDGET REQUEST

GENERAL GUIDELINES

All budget requests should be carefully compiled to reflect **all anticipated requirements** for university funds as it is extremely difficult to allocate additional funds after the final budget has been approved.

BUDGET WORKBOOK (EXCEL)

Divisions Managers (and their designated Area Managers) will receive Budget Workbook(s) for their division/area via email from the Budget Office. The workbook provides each manager the following for their expense and income accounts:

- FY 2011 Actual Expenditures
- FY 2011 Ending Base Budget
- FY 2012 Revised Base Budget
- Budget % change

Division and Area Managers should use this data to complete their budget request for FY 2013 and their projected budget request for FY 2014 and 2015 in the appropriate places on the workbook. The totals will automatically populate. **Details of all requests made should be outlined in the division's request to the Chancellor, which is explained fully below; and should be returned to the Budget Office with the planning workbooks no later than February 27, 2012.**

When completing the workbooks, Division Managers must adhere to any guidelines outlined in this document, the budget memo and all University of Tennessee fiscal policy. Area Managers must further adhere to any guidelines outlined by their Division Manager.

BUDGET REQUEST EXPLANATION TO THE CHANCELLOR

It is the responsibility of each Division Manager to utilize the information supplied by his/her Area and Organizational Managers in order to prepare a single budget request package that is as complete and concise as possible. The budget request package should conform to the following outline.

1. A cover memo addressed to the Chancellor should contain general comments pertaining to the budget request package as a whole as well as some indication of major priorities for meeting **mission, goals, objectives and purposes** of the program.

2. The first section should summarize all requests for funding of positions not funded in the current budget; this includes vacant positions, frozen positions, and new positions. A thorough justification must be provided for each position.
3. The second section should summarize the request for summer faculty staffing by academic department (organization). Indicate what percentage of salary will be paid by grants and the percentage required to be funded from the Institutional Budget.
4. The fourth section should summarize, in account number order, any requested increase(s) or decrease(s) in the level of supplies and other non-personnel expenses. **A narrative justification should be provided for changes of more than 5% or \$2,500 of the base budget. Request for maintenance items should be itemized.**
5. The fifth section should address the minimal capital needs for each budgetary unit along with suitable listing, justification and projection of how the unit proposes to help acquire the needed funds.
6. All income anticipated for the next year as well as expected grant credits to the unrestricted budget should be summarized in section six. The income should reflect a detail analysis of pricing and requested increases for 2012-13.

Any additional comments that are desired to be brought to the attention of the **Chancellor and/or University Planning Resources and Advisory Council (UPRAC)** should appear in an addendum at the end to the budget request package.

SALARY BUDGET

Personnel who are responsible for salary budgets need to make appointments with the Budget Office to review current salary budget positions to ensure they are properly classified and to make sure all positions are fully funded for FY 2012-2013. Appointments should be scheduled with the Budget Office between **March 1 and March 31**. An appointment can be made by calling 425-4467.

GUIDELINES FOR SALARY ADJUSTMENT REQUESTS

Salaries and wages recommended for personnel are subject at all times to the limitations of budget, state government, and general university policies. Those parameters will be communicated to the campus Division Managers, once known. Requested salary and wage increases must generally be funded through Division funds. **If university salary/wage merit and equity pools are available, the uses of these funds are subject**

to the approval of the Chancellor and the Sr. Vice Chancellor for Finance and Operations, within guidelines normally articulated by the UT System.

SALARY/WAGE INCREASES AFTER JULY 1

The UTC fiscal year starts on July 1. Certain salary/wage adjustments may occur subsequent to that date, including the following:

- Professional Increases
- Certified Professional Secretary (CPS) Certifications
- Earned College/University Degrees
- Other Professional Certifications (which may require a salary review)

As a part of the budget presentation, all units should discuss any expected salary adjustments that are to occur during 2012-13. The Sr. Vice Chancellor for Finance and Operations will set aside funds to cover these costs from a central budget, except for increases in the Academic Affairs division, which are funded by the division.

BENEFITS RATE

The following benefit rates have been adopted by the university for FY 2012-13:

- New Full-time Employee 41%
- New Part-time Employee 21%
- Promotion of Existing Employee 21%
- Student Employee 8%

QUESTIONS

The Budget Office is available to assist with the preparation of departmental and division budgets and to answer any questions that Area Managers or Division Managers may have. The office can be reached at 425-4467.