



UNIVERSITY OF HOUSTON SYSTEM
UNIVERSITY OF HOUSTON

RENU KHATOR
Chancellor and President

MEMORANDUM

DATE: December 01, 2008
TO: UH Vice Presidents
FROM: Renu Khator, President *RK*
RE: University of Houston FY 2010 Planning & Budgeting Process

This past summer six new goals for the University of Houston were approved by the Board of Regents: student success, national competitiveness (top-tier status), community advancement, athletic competitiveness, local and national recognition, and finally resource competitiveness. Making progress on all of these goals is essential if UH is to become one of the premier research universities in the nation – an institution that draws top faculty and students not only from the city and state, but from the nation and around the world. This fall I established a steering group of nine distinguished faculty, administrators, staff and students (Strategic Action Group) to design a process that will engage the campus community and identify strategies to ensure our progress toward these goals. You may learn more about the group and its work by going to <http://www.uhsa.uh.edu/uhstrategic/>.

As we begin the planning process for next year, we face significant challenges to funding initiatives in support of our new goals. The legislative session will begin in January, but the drumbeat of support for eliminating deregulated tuition has already started, including the filing of a bill that will freeze tuition for two years. Add to this the fragile state of the economy and the projections that the economic downturn will make its way to Texas in the early part of the new year. However, there are some positive developments, as well. The support for funding more tier one universities in Texas is stronger than ever in the halls of the state capitol. While the outcome of the session and our capacity to secure new resources remain uncertain, our resolve to move the university toward excellence must remain strong and sincere. The first step toward the pursuit of excellence must come from within.

It is within this context that I ask you to undertake this year's budget planning process. The first step is to generate a pool of sufficient funds for initiatives and priorities that will be identified both by you through this planning process and the Strategic Action Group to propel us toward our goals. While there are six sources of revenue to generate this pool (state appropriations, tuition and fees, sponsored research, private donations, auxiliaries and internal reallocation), only three are available to us – state appropriations, tuition and fees, and internal reallocation. Sponsored

research funds are mandated to support research projects; private donations are restricted based on donor preferences; and auxiliary income is aimed at bringing self-sufficiency to auxiliary functions so they are not subsidized by state funds. With regard to the three available sources, we foresee several scenarios:

1. Tuition and Fee Increases – Three likely scenarios include:
 - a. 6% increase for undergraduates, the cap as agreed upon last year
 - b. 0% increase
 - c. 3% increase as a mid-course

2. New State Funding – Three scenarios include:
 - a. Increased formula funding
 - b. Increased funding for tier one (e.g., Research Development Fund, Competitive Knowledge Fund, Texas Research Incentive Program)
 - c. No new funding

3. Internal Reallocation – Two scenarios include:
 - a. 5% reallocation this year
 - b. 3% reallocation per year for the next 3 years

Our worst case scenario is to have no tuition and fee increases and no new state funding, while the best case scenario is to have a 6% increase in tuition and fees and significant increases in state funding. In either case, we need to include internal reallocation in our planning. Under the worst case scenario, the reallocated funds will be the only means of funding strategic initiatives, and under the best case scenario, they will bring internal efficiencies while increasing the size of the available pool.

Your working assumption for this year's planning process is a 5% internal budget reallocation (which will be used to create a pool of central resources for investment in new initiatives). You are asked to develop a plan that includes the following elements:

1. A plan for a 5% budget reallocation.
2. A narrative describing the 1-3 year strategic direction of your division as it relates to accomplishing the university's goals.
3. Funding requests for new initiatives with justifications for how they will help the university achieve its goals.
4. Recent accomplishments in your division, tied to performance measures where possible, that justify your planned new initiatives and requests for resources in FY10.
5. Identification of major renovation and construction needs within your division.

I have asked Provost Strickland and Executive Vice President Carlucci to take the lead in implementing this planning process. They will distribute a follow-up memo providing more specific guidelines for the process. I appreciate your commitment to making UH a stronger, better university.

cc: President's Cabinet