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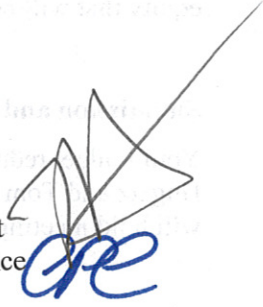
MEMORANDUM

DATE: March 2, 2011

TO: University of Houston Vice Presidents

FROM: John Antel, Senior Vice President for Academic Affairs and Provost
Carl Carlucci, Executive Vice President for Administration & Finance

RE: University of Houston FY 2012 Budget Reduction Planning Guidelines



Planning Assumptions

In advance of the legislative session, State Comptroller Susan Combs announced that state general revenue for the upcoming FY12-13 biennium would be \$14.8 billion less than what was available for the current biennium. This has translated into initial appropriations bills filed in the House of Representatives and Senate that reduce the biennial appropriation to UH by \$50.1 million (15.7%) and \$38.8 million (12.1%) respectively. This is on top of the 5% reduction we took for the current biennium.

Therefore, the development of budget reduction plans will be the major focus of the planning process this year. As was the case last year, it is our intent not to reduce your allocations across the board. Instead, we will consider the plans from the divisions as a whole and determine strategic cuts for the entire university. In doing so our goal is to preserve operations critical to the success of the university (particularly the academic/research enterprise), while reducing non-essential and duplicative costs.

Even in times of financial hardship, our annual planning process has always included a component for pursuing new initiatives. This year, however, we are going to defer this part of the process until later in the year. There are two reasons for this: (1) we will have a better sense of how to plan for new initiatives once we have a better understanding of what our state appropriation will be; and (2) we want to focus exclusively right now on how to negotiate the cuts. The UH divisions have already experienced significant budget reductions and reallocations over the past few years, to the point where further reductions will be much more difficult to negotiate. We believe this will require our full attention right now.

Budget Reduction Plans and Use of Fund Equity

Tom Ehardt will forward to you shortly the target amount you will be asked to plan for, as well as a spreadsheet for you to complete. In addition to completing the budget reduction plan spreadsheet, we ask that you write a brief narrative (2-3 pages) describing your cuts and their potential impact on your division. Given the size and potential complexity of these cuts, we understand that some of your proposed reductions may be difficult to implement immediately. To address this issue we will create a central fund equity pool, resources from which will be made available on a case by case basis to serve as a stop-gap until base cuts can be implemented. Currently, we are examining division budgets to determine the extent to which each can reasonably contribute to the fund equity pool. Contributions will not be across the board. Along with your target budget reduction amount, Tom Ehardt will forward to you the amount of fund equity that will be needed from your division.

Submission and Review of Plans

Your budget reduction plans are due to Ed Hugetz on or before April 8. In the interim, Mr. Hugetz and Tom Ehardt will be available to guide you in the preparation of these materials. We will hold meetings with each of the divisions to discuss their plans during the week of April 18.