



UNIVERSITY OF HOUSTON SYSTEM
UNIVERSITY OF HOUSTON

JOHN J. ANTEL, PH.D.

Theresa M. Monaco Chair
Senior Vice Chancellor for Academic Affairs, UH System
Senior Vice President for Academic Affairs and Provost, UH

MEMORANDUM

Date: January 27, 2012
To: University of Houston Vice Presidents
From: John Antel, Senior Vice President for Academic Affairs and Provost
Carl Carlucci, Executive Vice President for Administration and Finance
Re: University of Houston FY 2013 Planning & Budgeting Guidelines

A handwritten signature in blue ink and the date "1/27/12" written in black ink.

Planning Assumptions

For FY 2012 and FY 2013, the University of Houston's general revenue appropriation was reduced by \$32.3 million per year, continuing the multi-year trend of universities receiving less support from the state to fund their operations. In addition, President Khator and the Board of Regents, concerned about affordability, do not support a tuition increase for undergraduate students at this time. Therefore, if we are to continue the university's progress as a Tier One institution, we must become more productive with the resources we currently possess, as well as develop new sources of revenue. We must also demonstrate that the investments we make produce positive results in terms of the university's progress card measures and other indicators of success.

The planning and budgeting process for FY13 is shaped by these realities. The university will continue to fund new initiatives next year, but the way we identify and deploy resources to accomplish them will be different from the past:

1. New Resources Generated from Enrollment Growth

In recent years, strong enrollment growth has produced several million dollars annually for investment in new initiatives. Next year we intend to use these resources primarily – if not exclusively – to address major institutional priorities (e.g., faculty and staff salary increases, facilities maintenance). However, depending upon availability, we will consider allocating some of these funds for compelling priorities within the divisions.

2. Fund Equity, Reallocation and Operating Efficiencies

With few new resources available for investment in division priorities next year, the use of existing funds must serve as the primary means of pursuing new initiatives. To that

end, reallocating resources from low priority to high priority areas, using fund equity for one-time investments or as short-term bridge funding, and identifying operating efficiencies that reduce costs while freeing up resources should all be considered in the development of your plans. In fact, President Khator and the board will expect significant reallocation to take place as part of our planning process this year.

3. Tuition Rate Increases for Graduate and Professional Students

Although there will be no increase in undergraduate tuition next year, we are considering modest increases in charges to graduate and professional students. These funds would be used to supplement the resources available from enrollment growth and reallocation to address major priorities.

4. New Resources Generated from Student Fee Rate Increases

Next year there will be increases in voluntary and optional fees (e.g., housing, parking, academic certificate programs), as well as increases to the Student Services Fee and the University Center Fee. Because these new resources will further important university goals, the divisions controlling them should describe their use in their plans. Doing so will enable us to present a complete picture of how all new revenue is being applied when the university's plan and budget is submitted to the Board of Regents in May.

5. HEAF and its Recapitalization

HEAF is an important source of funding for one-time capital investments that are essential to the university's goals. Therefore, the divisions controlling these resources should describe in their plans how they intend to use HEAF in FY13. In addition, the university is engaged in a multi-year effort to recapitalize HEAF so that it is used primarily for facilities initiatives. A plan for recapitalization in FY13 should be included, as well.

6. Tier One Resources

Similar to HEAF, the university has resources from the Research Development Fund (RDF), Texas Research Incentive Program (TRIP), Competitive Knowledge Fund (CKF), special items, indirect cost recovery (IDC), and, potentially later this year, the National Research University Fund (NRUF) to make investments in research programs that speed the university's progress as a Tier One institution. Rather than allocating these resources to operations, they should be used, by and large, as an investment fund for major research initiatives. Working together, the divisions of Academic Affairs and Research should develop an FY13 plan for using these funds.

7. Fundraising

As state support constitutes a smaller percentage of the university's resource base, we must increasingly operate more like a private institution, where private support and the endowment serve as a much higher percentage of operating funds. In this environment, fundraising must become a higher priority for the university and each of its colleges.

Planning and budgeting for FY13 will be a much more in-depth process than it has been in previous years – one where we consider university resources in their totality as a means of moving the institution forward, rather than simply planning based on what might be available through new resources. In addition, we want to achieve a higher degree of transparency in the planning process this year. The impact of our plans will be felt strongly by the university

community. Therefore, we ask that you create opportunities for faculty, staff and students to participate. Doing so will ensure not only broad participation in the planning process but widespread communication of your plans to stakeholders. We have also created two new forms to be completed as part of the planning process this year (described below in All-Funds Division Budget Presentation). These forms present an all-funds picture of your budgets, identifying the sources and uses of your resources (both current and proposed), which we believe is essential to transparency and informed decision-making.

Elements of Division Plans

Progress Cards and Performance Evaluation

The first section of your FY13 plan will be an evaluation of your division's performance in terms of the university's progress card measures and recent planning initiatives. In your performance evaluation (which shouldn't exceed two pages), you should discuss the initiatives your division has undertaken over the past 2-3 years and how they are impacting the progress card measures that are relevant to you, as well as any other performance measures that you monitor. Since assessment of past performance is critical to informed planning, your performance evaluation should provide context for the new initiatives proposed in your FY13 plan.

Following the development of progress cards for the colleges last year, President Khator has asked that this year each of the divisions develop its own progress card. Chris Stanich, who managed the development of the college cards, will meet with each of you about doing so and serve as a resource as you develop your own cards. We ask that you submit a draft of your progress card along with your FY13 planning materials. Then next year, once the division progress cards are finalized, they will be fully integrated into the annual planning and budgeting process.

Plan Overview

This section of the plan should be brief (no longer than three pages), but it should establish the rationale for the new initiatives that you are proposing for FY13. You should include the following elements:

1. A narrative describing the 1-3 year strategic direction of your division as it relates to accomplishing the university's goals.
2. Internal or external factors affecting your operations and their potential impact on your ability to achieve your goals.
3. A description of the process through which your plan was developed.

Plan for New Initiatives

This section of your plan should include the new initiatives you are planning for FY13, to be funded through:

1. Requests for new central resources

2. Existing resources within your division (e.g., reallocation, operating efficiencies, fund equity)
3. New resources within your division for FY13 (e.g., increases to voluntary/optional fees, Student Services Fee, University Center Fee)

For each planned initiative, please provide, in 1-2 paragraphs, the following information:

1. A brief description of the proposed investment, including its dollar value, source of funds and use of funds (e.g., faculty or staff FTE, M&O, capital, etc.)
2. An explanation of how the initiative will further the university's goals and applicable progress card measures
3. An identification of which of the university's goals/areas of investment is most applicable to the initiative: (a) national competitiveness, (b) student success, or (c) administrative support and infrastructure

Finally, using the Summary of New FY13 Initiatives form, you should summarize your initiatives for easy reference. This form will be sent to you electronically next week.

All-Funds Division Budget Presentation

In the interest of transparency, the university's plan last year was displayed as an all-funds presentation to the Board of Regents. To facilitate doing so again this year, we ask you to complete the following two forms:

1. Fiscal Year 2013 Proposed Budget by Fund

On this form you are asked to identify by fund (e.g., designated tuition, state general revenue, etc.) how your division's total resources will be allocated in FY13 according to several expense categories (e.g., faculty and staff salaries, M&O, equipment, etc.). All changes from FY12 to FY13 should align with your FY13 Summary of New Initiatives (described above).

2. Three-Year All Funds Division Budgets

On this form, your division's budgets and actuals for FY11 and FY12 have been provided according to source and expense categories. You are asked to provide comparable budget information for FY13, which should tie to your FY13 Proposed Budget by Fund (described above).

These forms will be forwarded to you electronically next week along with the Summary of New FY13 Initiatives form.

Submission and Review of Plans

Your plans are due to Ed Hugetz on or before **March 2, 2012**. In the interim, Mr. Hugetz and Tom Ehardt will be available to guide you in the preparation of these materials. All materials submitted as part of the UH budgeting process should be submitted to Mr. Ehardt. We will hold hearings with each of the divisions during the week of March 5. Holding the hearings at this time will provide a forum to discuss your division plans before finalizing the university's FY13 Plan and Budget and submitting it to the Board of Regents in May.