

MEMORANDUM

TO: PBDC: UNIT MANAGERS

FROM: BILL FLORES, PRESIDENT

DATE: November 4, 2015

RE: PRESIDENT'S PLAN & BUDGET MEMO- FY2017

The FY2017 budget year planning cycle begins today. We face a challenging year ahead. There is good news tempered with harsh reality.

Our base year enrollment growth in 2014/2015 (*base period spans two fiscal years, as it runs from summer to spring*) led to additional revenue in two categories: (1) a \$2.2 million increase in general revenue (GR) for FY2016, which carries into FY2017, and (2) a significant increase in HEAF (from the current \$7.4 million/year to approximately \$11.5 million/year), effective FY2017. We secured \$60 million of long-sought capital construction bond funding for a Science and Technology Building. This new building will provide growth space for high demand STEM fields. We enter a new base period beginning this summer and a substantial enrollment growth could potentially yield additional base dollars in the next biennium.

However, this year we move to the second year of the current biennium, which as a rule provides no additional state general revenue. We obtain additional tuition revenue only when there is enrollment growth and/or approved tuition and fee increases. After two years of near 5% annual increases in tuition/fee rates, any Board-approved rate increases for FY 2017 will be considerably more modest.

While we had growth in graduate enrollments and online, overall undergraduate SCHs are *down* 4.2% for fall 2015, resulting in a significant budgetary shortfall. Unless enrollments of new students and retention of current students improve, a budgetary shortfall of over \$3 million will occur by the end of the year, resulting in budgetary reductions.

In the coming days, guidelines for FY2017 plan and budget development will be sent. As you begin this work, keep in mind the resource challenges we face. With everything considered, for planning purposes it is prudent to assume that revenue will be down slightly in FY2017. This year's budgetary planning process must take a different approach. Other than HEAF, we will not be making recommendations on new monies, but rather recommendations on re-allocation of existing monies and existing positions.

Every year I have stressed the importance of conducting a base inventory for efficient and effective use of existing resources and of identifying existing funds that can be reallocated to areas of greater need. This is of special importance this year. Units are encouraged to review base funding to recommend reductions that will increase efficiency and allow re-allocation of resources to priority areas. Also, consider whether existing fund balances can be used to meet important one-time needs. I, too, will be implementing this charge by working with my leadership team to restructure divisions to promote efficiencies, cost savings, and to re-allocate resources to high priority areas.

Despite budget challenges, UHD's 2020 strategic goals remain largely unchanged:

- Increase enrollment to 18,000
- Increase the six-year graduation rate for full-time FTICs to 28 percent
- Increase graduate SCHs to at least 10 percent of total SCHs
- Increase external research funding to \$10 million per year
- Achieve a total of \$30 million in gifts to the University

To meet these goals our strengths must be maximized, existing high growth degrees expanded and continued work with industry partners to add new degrees - both graduate and undergraduate - in high demand fields. We will find innovative ways to drive enrollment growth, particularly at the graduate level. And, will focus resources to improve retention and graduation rates.

The FY2017 annual plan will align with our mission, vision, strategic plan, the priorities of the UH System, and the higher education priorities of the state of Texas.

University initiatives which will need to be funded in FY17:

- 1- Commitment of institutional resources for the Quality Enhancement Plan (QEP), which is part of the SACSCOC reaffirmation process, is essential. The good news at this time is that UHD made a substantial base budget commitment to the QEP for FY2016, and should not need additional funds until beyond FY2017.
- 2- This past year I created three important task forces with focus on: 1), Retention and Graduation; 2) Campus Safety and Security; and 3) the coming Campus Carry law. Identified areas of high priority require funding to improve retention and graduation rates and campus safety and security. The Campus Carry Law, SB 11, goes into effect in August 2016. I am committed to doing everything required to ensure that UHD continues to be a very safe and secure place to learn, teach, and work.
- 3- In FY2017, UHD's student records system will transition from Banner to PeopleSoft. This will certainly require a significant resource commitment, though we are hoping to cover a large portion of these costs using HEAF funds. On the other hand, the transition will also result in some savings, as PeopleSoft is administered centrally.

For those of us who have chosen higher education as a profession, these are challenging times. But we have faced them before and emerged stronger and more resilient. UHD is doing exactly the things necessary to excel. This is a university on the rise, with a fast-improving academic reputation, a deepening support from the community and alumni, a propensity to innovate, and a commitment to affordability/value. Our faculty is of the highest quality, our staff extremely dedicated, and all of us are fully invested in the success of our students. UHD has a bright future ahead. I look forward to working with you to develop an FY2017 plan and budget that ensures our progress.

Thank you for your service, and for your commitment to the students and the mission of UHD.



Bill Flores, President