

June 19, 2009

MEMORANDUM

TO: UAB Deans and Library Directors

FROM: Harlan M. Sands
Associate Provost, Administration and Finance

SUBJECT: UAB FY10 Academic Budget Planning



Enclosed you will find FY10 budget allocations for each of your units including UAB's base FY10 state appropriation, Indirect Expense Recovery (IER), and projected tuition and fees revenue distributions. For FY10, additional federal stimulus funds (distributed through the State of Alabama) have been added to your total allocation based upon a formula described below. Specific expenditure tracking and reporting guidelines for these funds are also attached (**Attachment 4**).

Our resource allocation methodology continues to advance UAB's strategic goals and initiatives under budgeting principles and guidelines embedded in the University's economic rules. Links to both the 2001 report and a summary of the 2003 recommendations on economic rules are available at the following web site:

<http://main.uab.edu/sites/provost/facultyresources/>.

To further assist with your FY10 budget planning, the UAB FY10 Compensation Guidelines are provided as **Attachment 5**.

Budget Planning details:

1. **Attachment 1** presents School revenue budgets for FY10 including categorical revenue disbursements based upon changes to total budgeted FY09 aggregate net revenue of State Appropriation, Indirect Expense Recovery (IER), tuition and fees, and stimulus funding. State appropriation allocation details include:
 - i. **FY10 reductions:** State appropriation reductions to each unit reflect a 12% reduction in UAB's total appropriation from the original (pre-proration) FY09 budget.
 - ii. **A continuing \$4.6M reallocation to Schools from the UAB Short-Term Academic Pool:** To limit the negative impact of budget reductions upon academic programs, \$4.6M of Short-Term Academic pool funding that was included in your base budgets for FY09 will continue in FY10.

- iii. Federal stimulus funding allocations: A portion of federal stimulus funding (distributed through the State of Alabama as "State Stabilization funding") has been allocated to each School/Unit based upon pro-rata share of total base salary. School Deans/Library Directors will be asked to attend a meeting next week to discuss potential uses of these funds in accordance with **Attachment 4**. For expenditure tracking and reporting purposes, it is our intent to distribute these funds in separate grant (GA) accounts.
2. **Attachment 2 - IER**: These amounts represent respective school increases/decreases in IER revenue as determined by standing policy using UAB's "market share" calculation as of 4/30/09. The base IER budget estimate for FY10 is \$77M; this represents no change from FY09.
3. **Attachment 3 - Tuition and Fees**: For FY10, total tuition and fee projections were calculated using respective undergraduate/graduate tuition and fee increases approved by the Board of Trustees and current institutional enrollment projections for each School adjusted for School-specific factors (when provided by Schools). Net allocations to Schools reflect a Central Administration tax of 14.5 percent and, when applicable, a Provost tax of 17.5 percent to support general classroom utilities, existing debt service, and scholarship programs.
4. **Attachment 4 summarizes American Recovery and Reinvestment Act (ARRA) restrictions** on spending federal stimulus funds allocated through the State of Alabama. Further guidance on specific spending options will be provided separately.
5. **Attachment 5 outlines the FY10 UAB employee compensation guidelines**. There is no general salary program for merit increases in FY10.

Please submit your budget details through the UAB Budget Model and provide School budget summaries electronically to Amy Evans (awevans@uab.edu) by July 31st.

In another year of difficult fiscal constraints and budget planning challenges, we are grateful for the continuing efforts on the part of our Schools, Deans, Library Directors, administrators, staff, faculty, and students, whose achievements and sustained excellence help move us forward.

Attachments

- cc: President Carol Z. Garrison (with attachments)
Provost Eli I. Capilouto (with attachments)
Mr. Richard Margison (with attachments)
UAB Vice Presidents (with selected attachments)
Dr. Glenna Brown (with attachments)
Dr. Mark Lockhart (with selected attachments)

Budget Planning
FY 2010

ATTACHMENT 1

	State Appropriation		Appropriation Reduction	Total Allocation	Net Change in Tuition & Fees 9.5% Incr adjust cr/hr	IER Change	Total Funding Change \$	Stimulus Allocation	Total Funding Change \$
	FY 2009 Original	FY 2009 Prorated							
Medicine	55,132,286	50,170,381	(6,615,874)	48,516,412	565,209	(315,885)	(6,366,550)	3,862,000	(2,504,550)
Joint Departments	15,106,195	13,746,637	(1,812,743)	13,293,452	237,422	379,232	(1,196,089)	1,028,000	(168,089)
Medicine & JHS	70,238,481	63,917,018	(8,428,617)	61,809,864	802,631	63,347	(7,562,639)	4,890,000	(2,672,639)
Dentistry	12,552,732	11,422,986	(1,506,328)	11,046,404	215,418	216,659	(1,074,251)	314,000	(760,251)
Optometry	6,951,911	6,326,239	(834,229)	6,117,682	332,005	189,360	(312,874)	268,000	(44,874)
Nursing	6,973,515	6,345,899	(836,822)	6,136,693	1,373,478	24,711	561,367	216,000	777,367
SHP	10,880,395	9,901,159	(1,305,647)	9,574,748	1,076,684	123,566	(105,397)	333,000	227,603
Public Health	6,932,570	6,308,639	(831,908)	6,100,662	463,295	332,248	(36,365)	409,000	372,635
Graduate School	879,746	800,569	(105,570)	774,176			(105,570)	35,000	(70,570)
Arts & Humanities	5,721,190	5,206,283	(686,543)	5,034,647	322,495	(4,237)	(368,285)	203,000	(165,285)
Business	5,877,222	5,348,272	(705,267)	5,171,955	578,085	2,702	(124,480)	201,000	76,520
Education	4,449,165	4,048,740	(533,900)	3,915,265	572,671	62,570	101,341	179,000	280,341
Engineering	6,545,753	5,956,635	(785,490)	5,760,263	533,615	181,591	(70,284)	225,000	154,716
NSM	7,646,996	6,958,766	(917,640)	6,729,356	332,022	66,179	(519,439)	265,000	(254,439)
SBS	4,551,176	4,141,570	(546,141)	4,005,035	515,799	(183,281)	(213,623)	214,000	377
Lister Hill Library	3,501,783	3,186,623	(420,214)	3,081,569			(420,214)	48,000	(372,214)
Mervyn Sterne Library	4,886,543	4,446,754	(586,385)	4,300,158			(586,385)	57,000	(529,385)
Provost	14,836,421	11,710,941	(1,780,371)	13,056,050	605,539	(1,164,164)	(2,338,996)	224,000	(2,114,996)
Total Provost & Schools	173,425,599	156,027,093	(20,811,072)	152,614,527	7,723,737	(88,759)	(13,176,094)	8,081,000	(5,095,094)
Central Administration	53,571,591	48,750,149	(6,428,591)	47,143,000	1,309,874	0	(5,118,717)	1,919,000	(3,199,717)
Total Provost & Central	226,997,190	204,777,242	(27,239,663)	199,757,527	9,033,611	(88,759)	(18,294,811)	10,000,000	(8,294,811)

**Indirect Expense Recovery Distribution
FY 2010 Budget**

SCHOOL/AREA	% Share 4/07-3/08	FY 2009	% Share 5/08-4/09	FY 2010	Difference to FY 2008	% Change
		Budget UWIRC		Proposed Budget UWIRC		
Medicine	54.62%	23,451,169	52.50%	23,135,284	(315,885)	-1.4%
Dentistry	1.95%	837,235	2.39%	1,053,894	216,659	25.9%
Optometry	3.48%	1,494,143	3.82%	1,683,493	189,350	12.7%
Nursing	0.30%	128,806	0.35%	153,517	24,711	19.2%
Health Professions	2.07%	888,757	2.30%	1,012,323	123,566	13.9%
Public Health	8.43%	3,619,432	8.97%	3,951,680	332,248	9.2%
Academic Health Joint Dept	22.66%	9,729,101	22.94%	10,108,333	379,232	3.9%
Total Health Affairs	93.51%	40,148,643	93.27%	41,098,524	949,881	2.4%
Graduate School & Provost	0.83%	356,362	0.94%	412,198	55,836	15.7%
Business	0.04%	17,174	0.05%	19,876	2,702	15.7%
Education	0.40%	171,741	0.53%	234,311	62,570	36.4%
Engineering	1.97%	845,822	2.33%	1,027,413	181,591	21.5%
Arts & Humanities	0.01%	4,237	-	-	(4,237)	-100.0%
Natural Science & Mathematics	1.63%	699,842	1.74%	766,021	66,179	9.5%
Social/Behavioral Science	1.61%	691,255	1.15%	507,974	(183,281)	-26.5%
Total Academic Affairs	5.66%	2,430,071	5.80%	2,555,595	125,524	5.2%
University Wide Centers - SOM						
University Wide Centers - OPT						
University Wide Centers - SHRP						
University Wide Centers - PUB HLTH						
University Wide Centers - PROVOST						
Total University Wide Centers		3,371,150		3,459,909	88,759	2.6%
Total Schools/Centers		46,306,226		47,526,226	1,220,000	2.6%
Central Administration		18,367,274		18,367,274	-	0.0%
Research Infrastructure		2,500,000		2,500,000	-	0.0%
Animal Use Subsidy		4,156,500		4,156,500	-	0.0%
TOTAL	100.00%	71,330,000	100.00%	72,550,000	1,220,000	1.7%
AMOUNT TO BE DISTRIBUTED						
EQUIPMENT USE CHARGE (Research Enhancement Pool)						
AHC DEBT SERVICE - PROVOST		3,500,000		2,280,000	(1,220,000)	-34.9%
AHC DEBT SERVICE - PRES		670,000		670,000	-	0.0%
PRESIDENT'S RESERVE		1,500,000		1,500,000	-	0.0%
TOTAL DISTRIBUTION		77,000,000		77,000,000	0	0.0%

6/19/2009

**Summary of Information on Uses of
State Fiscal Stabilization Fund Program**

III-E-1. For what purposes may a public IHE use Education Stabilization funds?

Section 14004(a) of the American Recovery and Reinvestment Act (ARRA) authorizes a public Institution of Higher Education (IHE) to use Education Stabilization funds for

- Education and general expenditures, in such a way as to mitigate the need to raise tuition and fees for in-State residents; or
- Modernization, renovation, or repair of IHE facilities that are primarily used for instruction, research, or student housing, including modernization, renovation, and repairs that are consistent with a recognized green-building rating system.

III-E-2. Are there statutory prohibitions on an IHE's use of education Stabilization funds?

Yes. Sections 14004(b) and (c) of the ARRA prohibit an IHE from using Education Stabilization funds for the following purposes or activities

- To increase its endowment;
- Maintenance of systems, equipment, or facilities;
- Modernization, renovation, or repair of stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public; or
- Modernization, renovation, or repair of facilities –
 - (a) used for sectarian instruction or religious worship; or
 - (b) in which a substantial portion of the functions of the facilities are subsumed in a religious mission.

In addition, there are other prohibitions in section 1604 of the ARRA – for example, prohibitions against using funds for an aquarium, zoo, golf course, or swimming pool – that apply to the use of Stabilization funds by any entity.

III-E-3. What types of “education and general expenditures” may an IHE support with Education Stabilization funds?

Subject to all applicable ARRA statutory requirements and prohibitions, as well as any restrictions that a Governor places on an IHE's use of Education Stabilization funds to help mitigate the need for increases in tuition and fees paid by in-State students, an IHE may use the funds to support a broad array of activities. For example, an IHE might use Education Stabilization funds to provide:

- Support for salaries related to classroom and laboratory instruction and instructional technology;
- Academic support for libraries, laboratories, and other academic facilities;
- Institutional support for activities related to personnel, payroll, security, environmental health and safety, and administrative offices;

- Student services that promote a student's emotional and physical well-being outside the context of the formal instructional program; and
- Student financial aid, such as IHE-sponsored grants and scholarships.

III-E-4. May an IHE use Education Stabilization Funds for modernizing, renovation, or repairing facilities?

Subject to all applicable ARRA statutory requirements and prohibitions, an IHE may use these funds for modernization, renovation, or repair of IHE facilities that are used primarily for instruction, research, or student housing, including modernization, renovation, and repairs that are consistent with a recognized green building rating system. If an IHE uses Education Stabilization funds for modernization, renovation, or repair of IHE facilities, it must comply with specific requirements relating to the use of American iron, steel, and manufactured goods used in the project. (See Section 1605 of the ARRA.)

III-E-6. May an IHE use Education Stabilization funds to support new construction?

No. An IHE may use Education Stabilization funds only for the modernization, renovation, or repair activities described in response to Question III-E-4, or for education and general expenditures. Construction is a capital expenditure and not a general expenditure. Thus, construction is not an allowable use of Education Stabilization funds by an IHE.

V-4. What is meant by the term "modernization, renovation, or repair"?

The term "modernization, renovation, or repair" includes altering, remodeling, repairing, or retrofitting an existing facility. Depending on the nature of the project, permissible activities might involve work related to electrical systems, plumbing systems, sewage systems, heating, ventilation or air conditioning systems, the installation of energy-efficient windows, the repair or replacement of roofs, asbestos abatement or removal, bringing facilities into compliance with fire and safety codes, making facilities accessible, or upgrading facilities to support new programs or services.

The Department strongly encourages entities to engage in modernization, renovation, and repairs that are consistent with a recognized green-building rating.

VII-4. What information is a State required to include in its annual Stabilization fund report?

For each year of the Stabilization program, the State must submit to the Department a report that describes:

- The uses of funds within the State;
- How the State distributed the funds it received;
- The number of jobs that the Governor estimates were saved or created with the funds;
- Tax increases that the Governor estimated were averted because of the funds;

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- The State's progress in reducing inequities in the distribution of highly qualified teachers, implementing a State longitudinal data system, and developing and implementing valid and reliable assessments for limited English proficient students and children with disabilities;
- The tuition and fee increases for in-State students imposed by public IHEs and a description of any actions taken by the State to limit the increases;
- The extent to which public IHEs maintained, increased, or decreased enrollment of in-State students, including those students eligible for Pell Grants or other need-based financial aid; and
- A description of each modernization, renovation, and repair project funded, including the amounts awarded and project costs. (*See Section 14008 of the ARRA.*)

The Department also intends to collect in the annual reports detailed data on (1) a State's compliance with the MOE requirements, and (2) any construction activities supported with Stabilization funds.

UAB Employee Compensation Guidelines June 19, 2009

As we strive to preserve critically important institutional resources in these times of fiscal restraint, it is imperative we closely review and assess all employee compensation requests. To assist you in these decisions, the following UAB Employee Compensation Guidelines are in effect for the FY09-10 budget year. Changes in employee compensation will be limited to those cases listed in the provisions below and only after approval of the appropriate UAB senior administrator – Provost or Vice President for Financial Affairs and Administration (VPFAA).

1. There will be no general salary increase program for merit increases during FY09-10. General Wage Structure and Faculty Ranges will not be adjusted.
2. Salary adjustments for probationary, job rate and established step rate programs may proceed in accordance with established UAB and departmental policies provided funding is available. These adjustments must be funded by Schools/Departments.
3. Compensation arrangements for previously established productivity incentive programs that have been approved under existing UAB incentive program guidelines will be permitted. Please see the recently-revised UAB incentive program guidelines for compensation plans you are considering for FY10-11.
4. Schools/Units will be permitted to continue to fund faculty promotions for FY09-10. Staff promotions into pre-approved positions will also be permitted.
5. Position reclassifications will be permitted on a limited basis. All requests for position reclassifications should be carefully considered in light of current budget restraints and evolving program needs. All reclassifications require approval of the appropriate UAB senior administrator (Provost or VPFAA). Once a position has been reviewed for reclassification, it is not eligible for review again for a minimum of 12 months.
6. Salary adjustments for UAB employees who make lateral transfers will be limited to specific cases where documented inequities exist. All of these requests should be carefully considered in light of current budget restraints and evolving program needs.
7. Requests for salary adjustments as part of competitive retention packages will be reviewed on a case-by-case basis in the following sequence: 1) Executive review and approval by the appropriate UAB senior administrator (Provost or VPFAA); 2) HR Review by the appropriate HR staff; and 3) Executive Approval of retention packages is required by the appropriate UAB senior administrator as defined above.

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8. All requests for employee salary adjustments must be reviewed and endorsed by the appropriate VP/School Dean/Library Director before submitting to the Provost or VPFAA for review and approval.
9. The following actions may be approved at the VP/Dean/Library Director level without further review after initial review and approval by HR:
 - a. requests for new positions
 - b. probationary increases
 - c. lateral transfers without increases
 - d. salary share adjustments between two or more funding sources where the total salary does not change (e.g. HSF/UAB/VA/UABHS)
 - e. established and previously approved productivity incentive programs
 - f. graduate assistantships with annual stipend increases
 - g. resident progression increases
 - h. student salary adjustments
10. The following actions require review and approval by the appropriate UAB senior administrator (Provost or VPFAA) after a full HR review/approval and endorsement by the appropriate VP/Dean/Director:
 - a. lateral transfers with increases
 - b. faculty promotions
 - c. competitive retention packages
 - d. elements for additional and/or supplemental duties
 - e. staff promotional increases
 - f. new hires with proposed salaries above the midpoint of the range