



THE UNIVERSITY OF
TENNESSEE
KNOXVILLE

To: Executive Budget Committee

From: John Zomchick, Provost & Sr. Vice Chancellor and Allen Bolton, Interim Sr. Vice Chancellor

Date: 10/16/23

Re: Request for Consideration of Budget Model Enhancements

In July we met with the Dean's Council and subsequently with the Deans and College Fiscal Officers to discuss the need to redirect some FY23 resources to fund existing capital commitments. In those meetings, we discussed creating a predictable investment strategy for funding future capital commitments in the budget model. We agreed that deans and fiscal officers should be part of that review process. It was also requested by those groups that any additional proposed enhancements to BAM be included in these discussions.

A small working group was established with the following members: John Zomchick, Allen Bolton, Ellen McIntyre, Matthew Mench, Steve Mangum, Chuck Collins, Owen Driskill, Brittany Permaul, Clay Carroll, Keith Thomas, Gary Gray and Kim McCulloch. Working group tasks included:

- An update on the close out of year 1 in BAM
- Addressing an institutional funding strategy for capital projects
- Discussing subvention and the strategic investment pool based on insights after closing the first FY in this model
- Discussing an orientation toward revenue-based budgeting rather than an incremental or zero-based budgeting philosophy
- Discussing a new framework for annual budget meetings
- Discussing language/nomenclature observations within the budget model

In advance of the working group meetings, the impact of enhancements to the budget were modeled by the Budget Office. Numerous scenarios for capital funding carveouts and treatment of Digital Learning at UT were reviewed by Provost and Budget Office teams and narrowed to options for

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presentation to the working group. The committee met on three occasions and unanimously agreed to move forward with the following recommendations:

- 1) Create a capital project carveout of state appropriations in the budget model. A range of \$15M to \$20M should be considered based on campus masterplan needs with the final amount established in the annual budget assumptions memo from the EBC.
- 2) Position the Digital Learning at UT unit in the budget model as an Other Academic Unit with the following components:
 - Online tuition revenues will remain with the colleges in Banner and will be allocated in Adaptive using the model allocation rules with 80% to the college of instruction and 20% to the college of record using metrics 2 years in arrears.
 - Adaptive will include a new contra-revenue line where online program revenues will be deducted from the colleges and added to Digital Learning at UT. This will be a manual budget entry.
 - Adaptive will include a new online revenue return line with \$242 per UG sch and \$425 per GR sch are deducted from Digital Learning at UT and added back to the colleges. This will be a manual budget entry.
 - New online programs will be included in the Digital Learning at UT portfolio. Colleges may elect to include existing online programs in the Digital Learning at UT portfolio.
 - Colleges will work directly with Digital Learning at UT to identify new programs and estimate student headcount for the FY25 budget by December 1, 2023. We have developed a worksheet to assist with estimating the impact of new online program revenues.
 - So that new online programs are treated the same as existing online programs, the 15% participation fee will be assessed using the following formula:

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+	UG Tuition Revenue
+	GR Tuition Revenue
-	Digital Learning at UTK-Contra
+	Digital Learning at UTK - Return
-	Contra Revenue Allocated Aid
-	Contra Revenue Direct Aid
+	State Appropriations
=	Net Revenue for Participation Fee

- Digital Learning at UT will receive the 15% participation fee assessment. This is consistent with the historical treatment of Other Academic Units in the model.
- Cost pools will be allocated to Digital Learning at UT beginning with the FY26 budget when metrics are available.

3) Model nomenclature revisions including:

- Replace the Budget Allocation Model (BAM) name with a simple reference to the Budget.
- Remove references to revenue generating units and replace with Colleges, Other Academic Units and Auxiliaries & Service Centers.
- Remove references to support units and replace with Institutional Service Units with allocations of Institutional Service Overhead (ISU / ISO)
- Replace references to Subvention with University Funding and relocate this to a Supplemental Funding section in the model to serve as a form of revenue instead of a budget balancing figure.
- Include Strategic Investment Pool (SIP) funds in a Supplement Funding section in the model.
- Breakout online tuition revenues into UG Online Tuition and Graduate Online Tuition resident and non-resident lines.

Enclosed you will find an example college budget with the above referenced changes incorporated. Once approved, the results of the working group discussions will be shared with the Dean's Council and Faculty Senate leadership.

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