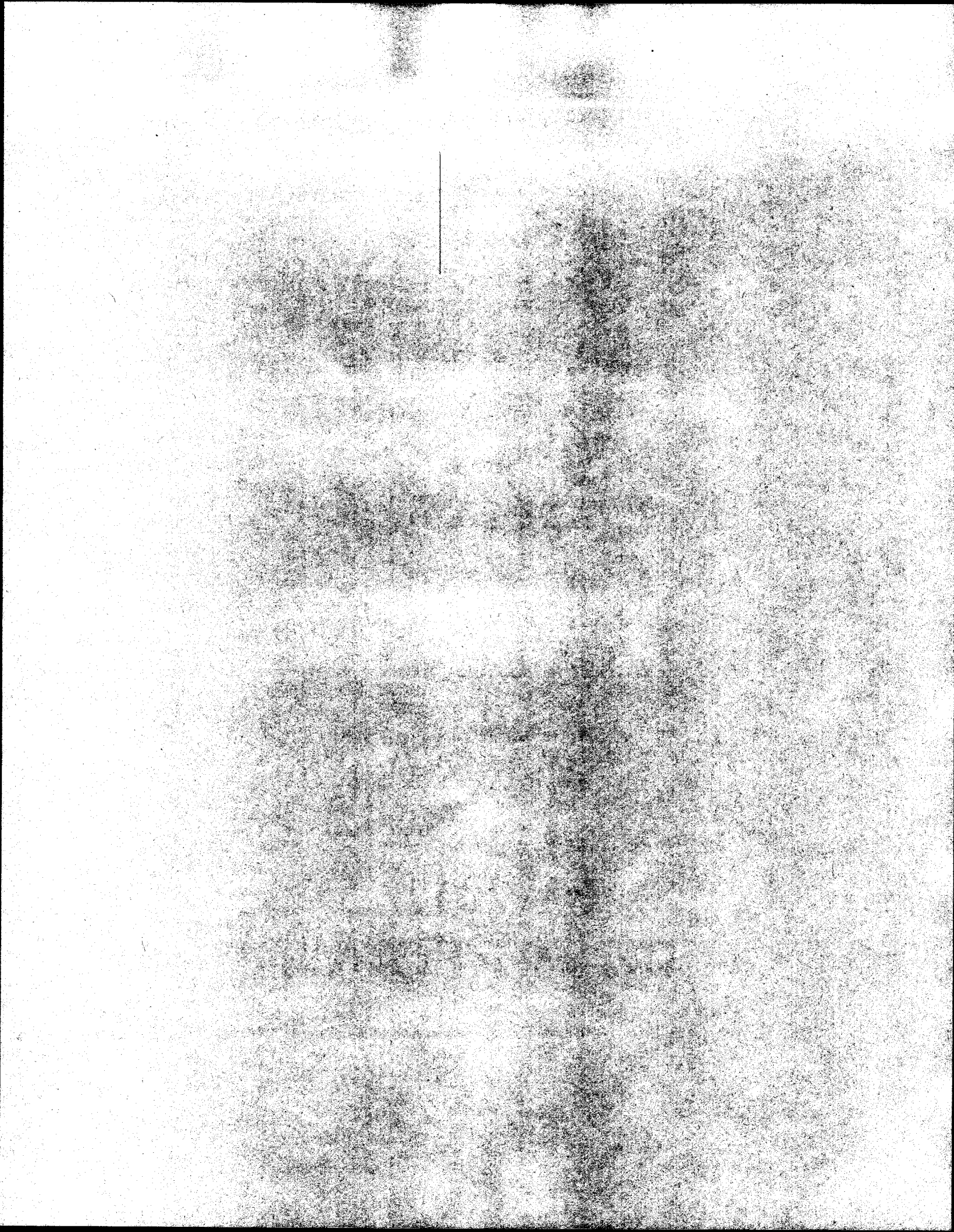




**UNIVERSITY
OF
GUAM**

**FY 2011
BUDGET REQUEST**





UNIVERSITY OF GUAM
UNIBETSEDAT GUAHAN

President's Office

February 22, 2010

The Honorable Senator Judith T. Won Pat
Speaker & Chair, Education Committee

The Honorable Senator Vicente "ben" Pangelinan
Chair, Appropriations, Taxation, Banking, Insurance, Retirement and Land Committee
Office of Finance and Budget

I Mina'Trenta Na Liheslaturan Guåhan
155 Hesler Place
Hagåtña, Guam 96910

Re: University of Guam FY 2011 Budgets and Related Appropriation Requests

Dear Speaker Won Pat and Senator Pangelinan:

Buenas yan Hafa Adai. On behalf of the Board of Regents, students, faculty, staff and administrators, the University presents our FY11 budgets for: i) General Operations; ii) Student financial aid to include the Yamashita Teacher Corps (YTC) and the Student Financial Aid Program (SFAP); and iii) Several, continuing special appropriations.

Thank you for your support for last year's base budget and growth initiative. As a result and with the added support from the Governor's Office, the University is stronger and better able to educate our students and serve our communities. Fall 2009 saw a 4.8% enrollment increase and marked the highest enrollment in ten years. Spring 2010 enrollment continues the positive trend with a nearly 4% increase. 397 graduates received degrees, joining over 12,000 alumni. In addition the University leveraged the local funding into \$30.7 million of FY09 federal grants. WASC accredited the University for eight (8) more years. The quality of education we deliver, the professionals we produce and the grant money that we use for the island's economic, environmental and social development are direct results of the investment you made in the University.

We request your support for our FY11 budgets. With this budget the University can and will do more. Our island is now addressing the tremendous environmental, economic, societal, technological and political changes associated with the U.S. military buildup. The University has developed its FY11 budgets mindful of our pivotal roles in leading change and in preparing a middle class professional workforce for a growing society. Our youth must acquire the knowledge and skills to qualify for well-paying jobs, which otherwise may be filled by off-island workers taking advantage of buildup opportunities.

At their meeting of February 18, 2010, the Regents unanimously approved the following budget resolutions attached hereto:

- Resolution No. 10-02 relative to the FY2011 Budgets for the Student Financial Aid Program (SFAP) and Dr. Antonio C. Yamashita Teacher Corps (YTC); and
- Resolution No. 10-04 relative to the FY2010-2011 General Operations Budget and continuing special appropriation requests.

FY2011 APPROPRIATION REQUESTS

The University respectfully submits the following FY11 appropriation requests:

- (1) \$31.5 million (M) for general operations (\$29.7M for our base budget plus \$1.8M for three growth initiatives, i.e., School of Engineering, Center for Island Sustainability, Strengthening the Core)
- (2) \$4.5M for SFAP, including \$1.2M for YTC
- (3) \$0.7M of continuing special appropriations (WERI, hatchery, conservation).

In addition, the University submits \$50.1M as a planning figure for further discussion about long-term capital investment in our highest priority facilities.

STUDENT ENROLLMENT GROWTH AND OTHER STRATEGIC OUTCOMES

We expect positive enrollment trends to continue, given the economic conditions and university costs in the mainland U.S. This growth puts increased pressure for additional resources on our faculty, academic operations and infrastructure support.

Our students are graduating. In the past year alone the University produced 397 graduates: 23 nurses, 137 educators, 79 business men and women, 26 scientists, 8 commissioned military officers, 44 criminal justice and public administrators, and 80 others prepared to enter the island's professional workforce. In last year's appropriation for growth, the University received funds for nursing and several other additional faculty. These key positions are now part of our FY11 base budget. However, the University's base budget requires funding at the higher level requested for FY11 in order to enable us to ease the enrollment caps in nursing and other high demand programs. Evidence that investment in strong programs yields talented professionals can be seen in our 2009 nursing graduates. They achieved a 94% pass-rate on the registered nurse licensing examination, exceeding the national average of 89%.

The University is affordable with tuition rates less than the average at other U.S. public universities. With sufficient appropriation funding, the University plans to forego a tuition increase in the coming academic year. This allows our students, who otherwise may not have access to higher education, to stay on Guam and become the educated professionals that our island needs to grow and prosper. The tuition increases of the past at the University and on the mainland stretch the ability to pay for most of our students. Approximately 67% either receive financial aid or come from families with income far below the national average. However, even financial aid does not cover the cost of a UOG education for many.

In 2009 WASC reaffirmed the University's primary accreditation for eight (8) years following the educational effectiveness review. This is the longest period of unrestricted accreditation in the institution's history. This affirmation recognizes that

our academic programs have been strengthened and academic quality goals are being achieved. The International Assembly for Collegiate Schools of Business (IACBE) accredits the business program at the School of Business and Public Administration. The National Council for the Accreditation of Teacher Education (NCATE) accredits School of Education programs. The National League for Nursing (NLN) accredits the Nursing program. The Council on Social Work Education (CSWE) recently reaffirmed accreditation for the Bachelor of Social Work program. The National Association for Sport and Physical Education accredits the Physical Education teacher preparation program. The University also has specialized accreditation for our professional schools that speaks to their program quality and improvement.

In FY08, the number of federal grants (i.e., by Catalog of Federal Domestic Assistance number) rose to 109 from 82, just three years ago. The University has earned low-risk status for federal grants and contracts for five consecutive years. Over 86 new or continuing major awards of about \$3.5 million were received (several multi-year), evidencing the University's competitiveness in research and commitment to community service, including three (3) ARRA grant awards. Grants and contracts in FY09 brought in over \$30.7 million of outside monies, an increase of over \$3 million from prior year, leveraging the government of Guam appropriation by 1.47 times and propelling the island's economic, environmental and social development. The U.S. Departments of Education (\$14.7 million), Agriculture (\$4.2 million), and Health and Human Services (\$3.2 million) are our largest Federal grantors, ranked by expenditures. In FY10 our grant awards have already increased substantially, even beyond the \$17 million in ARRA stimulus.

With the requested FY11 base budget and growth initiatives the University can bring in additional federal funds and provide the administrative support, IT resources and lab facilities that support further growth. The University will leverage these appropriations to spearhead change on the island by establishing a School of Engineering, a Center of Island Sustainability, and middle class professional workforce development (as further discussed below).

THE UNIVERSITY'S FINANCIAL POSITION

The University has demonstrated the resilience to accomplish our mission and deliver programs of high academic quality during persistently turbulent times in an era of scarce resources; to grow federal and student revenues; and generally to find financial balance within the appropriations we have been allotted. Our financial position has improved in six of the last seven years, although we continue to experience substantial shortfalls in our allotment payments from the government of Guam, \$10.3M overdue as of this writing, that impact our operations and plans.

A strong financial position allows the University to handle enrollment increases, support high demand academic programs, graduate students, leverage local appropriations into federal grants and make the investments needed for future growth.

THE UNIVERSITY'S APPROACH: LINKING PLANS, ASSESSMENTS AND BUDGETS

University leaders have worked collaboratively with the Legislature and Governor's Office to address educational plans and needs. We appreciate the funding and support received that have supported our plans, efforts, accomplishments and accreditation.

Each year the University community holds a strategic retreat to address our strategic goals, initiatives and financial plans in support of our mission. The retreat includes the Board, students, administrators, faculty and staff. We affirmed our commitment to three exciting institutional initiatives - *Natural Choice, UOG Green and Leading Change*. The results of the retreat provide the strategic priorities for our budget process, which also draws upon academic program assessments and analyses of our performance.

We have completed five budget cycles using this system. In addition, since FY09, the University has prepared and presented our appropriation requests in two parts: a) A base budget that is tied to unit goals, objectives and performance and that sustains academic quality, student learning and infrastructure support at current levels; and b) Investments for growth tied to strategic goals and in support of public policy priorities. We have done so again for our FY11 budget, knowing that the Legislature and Governor face many competing priorities and unfunded, critical government services.

THE UNIVERSITY'S FY11 APPROPRIATION REQUEST: GENERAL OPERATIONS

The University has assessed how we will achieve stability, sustainability and growth. To that end we have developed a FY11 general operations budget and appropriations request totaling \$31.5M. We present our request in two-parts:

(1) **\$29.7M Base Budget:**

The University requests \$29.7M for its "base". This request is an additional \$1.9 million (~6%) more than last year's appropriation. The \$29.7M is sufficient to sustain academic quality, student learning and infrastructure support. At this "base" appropriation the University can deliver existing program offerings to our current students, support the \$30.7M of federal grants and programs, and carry out our basic mission.

The FY11 request is higher than last year's appropriation for several reasons:

- The base budget has been increased \$0.8M to accommodate key positions from the growth funds provided by the legislature in FY10. The key positions are teaching in high demand programs and serving the island's economic, environmental and social development.
- The current base budget has been increased \$1.1M to accommodate the unavoidable annual increases in general operations expenditures:

\$0.5M Full-year impact of employee merit increases already awarded during FY10

\$0.2M FY11 employee merit increases

\$0.2M Full-year impact of FY10 faculty salary adjustments

\$0.2M Compliance and insurance premium increases.

The University is living within our means. However, without the requested FY11 base, our progress will be impeded and we will be unable to accommodate the growth in student enrollment and federal grants that has already been experienced this year and that is anticipated for FY11.

(2) \$1.8M Three Growth Investments:

The University has the potential, but not the funding in our base budget appropriation request, to drive several high value initiatives. With funding, we can achieve these.

In addition to the \$29.7M for the "base", we request a further \$1.8M for investments in growth to support high priority public policies. In order these are:

- i) \$0.5M to establish a School of Engineering. This is a four-year strategic effort that will meet one of the island's highest needs for technically skilled professionals to support new construction, repair and rehabilitation of aging infrastructure, development of natural resources, and environmental preservation and protection. Starting in FY11 in collaboration with the University of Iowa, the University plans to hire several key faculty, build a \$4M engineering annex to the Agriculture and Life Sciences Building (see Capital Budget proposal), and admit the first cohort. The University has developed a plan that will implement a fully accredited school in reasonable phases over a four-year period, eventually requiring an annual operating budget of \$1.3M plus periodic equipment and facilities related costs. Presently, cost of tuition and board is around \$15,000 to \$30,000 a year across the US mainland. Many families in Guam and the other surrounding islands cannot afford this amount. Students who have the talent and interest to be engineers, but cannot afford to go off-island, generally have to settle for non-technical degrees. Even if the family can afford the cost, when talented students finish their degrees off island, they often do not return home. A robust UOG engineering program will help keep the talented students on island.
- ii) \$0.4M for a Center for Island Sustainability. Guam critically needs visionary planning and educated implementation of strategic and policy solutions for the changes facing the island. This relatively small amount of funding to administratively support the Center will be leveraged into significant federal funding. The Center will draw on the experience and capabilities of the Water and Environmental Research Institute (WERI), the Marine Laboratory, the Western Pacific Coral Reef Institute and School of Business and Public Administration (SBPA) to seek grants and coordinate synergistic efforts in the region. Micronesian partners including the College of Micronesia-Federated States of Micronesia (COM-FSM), Palau Community College (PCC), Northern Marianas College (NMC), the College of Marshall Islands (CMI), and administrative linkages through the Council of Governors, U.S. Department of the Interior Office of Insular Affairs, and the Micronesian Challenge will provide the authority to promote and engage in applied research programs for all Micronesia.
- iii) \$0.9M to strengthen our core capacity for developing a professional workforce of nurses, educators, mental health personnel, environmentalists, scientists, accountants and business managers. Without the additional funds, we are at our limit to train more of these professionals, who will form Guam's middle class in the years to come.

The University presents the above three growth investments as reasonably sized requests that will require continuing funding in order to be implemented and deliver the outcomes into the future.

THE UNIVERSITY'S APPROPRIATION REQUEST: STUDENT FINANCIAL AID (SFAP AND YTC)

The University requests a \$4.5M SFAP appropriation, including \$1.2M for the Yamashita Teacher Corps (YTC). \$0.6M from collections is circulated back into the program, supplementing this appropriation. These financial aid programs meet all legal mandates and policies. The awards make higher education affordable for 516 students, including 96 for YTC. With this funding, higher education becomes accessible and affordable for more students. Not included in this appropriation are three Board-approved programs, which we continue to present for your consideration. This request is presented for 224 of our best academically performing students (Regent scholarships), in support of our military (Major Henry San Nicolas Ofeciar ROTC scholarships), and our world-class Marine Laboratory (graduate scholarships). The requested SFAP and YTC funding, as well as the Board programs for your consideration, will help students become the community and government leaders, nurses, health professionals, business managers, public servants and others needed for the future. Most of this funding and these students stay on Guam.

THE UNIVERSITY'S APPROPRIATION REQUEST: SPECIAL APPROPRIATIONS

The University requests \$676K of special appropriations, slightly higher than last year. Included are: \$204K Water & Environmental Research Institute (WERI) Hydrological Survey; \$174K WERI Comprehensive Water Monitoring Program; \$140K Aquaculture Development and Training Center Hatchery; and \$158K Northern and Southern Soil and Water Conservation Programs. These are special projects that address unique community needs using specialized University expertise. All have a good track record of results. They have been requested and supported by the Legislature for years.

THE UNIVERSITY'S LONG-TERM INVESTMENTS: CAPITAL IMPROVEMENT PROJECTS

For discussion, the University submits \$50.1M as a planning figure for capital improvement projects (CIP). As in prior years, the University has identified key capital investments from our Physical Master Plan and recently identified needs that provide the necessary educational capacity for Guam's development. New projects include \$4M for an engineering annex to the Agriculture and Life Sciences building. Included from earlier submissions are: \$11M new Student Services Center; \$1.6M Computer Center and Micronesian Area Research Center (MARC) renovation; \$5.7M Science Building renovation; \$8.6M Nursing extension to the Health Science Building; \$4.8M Fine Arts Building renovation; and \$14.5M for the Interdisciplinary Center of Excellence and Community Outreach Building that includes the Center for Excellence in Developmental Disabilities, Education, Research and Service (CEDDERS) and the Telecommunication and Distance Education Operation (TADEO).

CONCLUDING STATEMENT

There are four key points to emphasize in closing.

First, the University needs \$29.7M for a sustainable base in order to accommodate student enrollment growth, deliver our basic mission, and service our \$30.7 million of existing grant funding.

We have done our best to use the appropriation for General Operations wisely, leveraging it 1.47 times to obtain grants and contracts and

supplementing it with University-generated revenues as far as we can. We have no excess. The University has shown over the years that an additional \$1.9M (6%) appropriation will be spent responsibly.

Second, the University can and will do more, given additional funding for specific growth investments.

With an additional investment of \$1.8M for three growth investments the University will begin to establish a School of Engineering, create a Center for Island Sustainability and strengthen our core capacity in educating Guam's future professionals and middle class. These growth initiatives are critical to Guam's environmental, economic, and social development and support the educational needs associated with the military buildup.

Third, the University is an open admissions institution that is recognized for providing high quality, accessible and affordable education for the people of Guam.

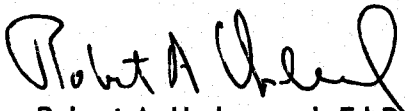
With an investment of \$4.5M in SFAP, including YTC, this will remain true for our best and brightest students.

Fourth, the University has renowned research institutes that are providing critical expertise for the community's unique water quality, conservation and ecological needs.

With a continuing investment of \$0.7M, WERI, the hatchery and the soil and water conservation programs will be able to build upon the databases and programs that have proven themselves successful.

The University of Guam recognizes and thanks the members of *I Mina'Trenta Na Liheslaturan Guåhan* and the people of Guam for past and continuing support of our island's land grant university and students. We are a reflection of your continuing efforts on our behalf. *Si Yu'os Ma'ase'.*

Sincerely,


Robert A. Underwood, Ed.D.
President

cc: The Honorable Felix P. Camacho, Governor of Guam
Members of *I Mina'Trenta Na Liheslaturan Guåhan*
Board of Regents, University of Guam

Enclosures: 1) FY11 University of Guam General Operations Budget and Related Appropriation Requests (General Operations including Special Appropriations)
2) FY11 Student Financial Aid (SFAP including YTC) budget and Appropriation Request