University Resources and Budgeting

Strategic Budget and Fiscal Sustainability Task Force

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Financial Affairs
UTSA Budget Model

Hybrid Model

• Formula-Based Budgeting – State Appropriations and Core Research Support (CRS)
• Non-Formula State Funding – Capital Projects funded by Tuition Revenue Bonds, Special Items, Texas Research Incentive Program (TRIP), Texas Grants
• Incremental Budgeting – Local Funding Sources
• Other – Capital Projects funded by PUF by UT System
Texas State Legislative Budget Cycle

- State legislature convenes every two years for 140 days during an odd-numbered calendar year beginning January 9th:
  - 2015 = 84th Legislative Session for FY16 and 17 Budgets
  - 2017 = 85th Legislative Session for FY18 and 19 Budgets
- State of Texas budget is allocated for two years at a time:
  - Appropriation is generally flat in the 2nd year with minor adjustments in earmarked/pass-through revenues.
- UTSA prepares and submits an LAR during even-numbered years, prior to the start of the legislative session.
- Fiscal year begins September 1
General Appropriations Act (GAA)

- The summation of each institution’s LAR forms the basis of the appropriations bill prepared by Legislative Budget Board.

- Funds allocated each biennium are detailed in the General Appropriations Act (GAA).
General Appropriations Act (GAA)

• Academic institutions receive direct appropriations from funding formula and are lump sum and discretionary

• Most non-formula appropriations have restricted uses:
  ➢ Special Items and Higher Education Group Insurance
State Appropriations: Formula Funding

Instructional and Operations (I/O) Formula

• Based on Weighted SCH (Base Year)
  • Teaching Experience Supplement
    Additional weight of 10% to undergraduate SCHs taught by tenured or tenure-track faculty

• The formula weighting reflects the differences in cost related to teaching courses in different academic disciplines and different levels.
  ➢ Graduate credit hours are weighted more than undergraduate credit hours
State Appropriations: Formula Funding

UTSA’s Instruction and Operations Formula:

**Semester Credit Hours**

# SCH in base period (Summer 2016, Fall 2016, Spring 2017) for FY 2018 - 2019

X

Weight
Based on discipline and level of instruction
X

Rate
Funding rate set by the Legislature in General Appropriations Act ($55.39 for 2016-17)
Funding Caps
(SCHs that are not funded)

- SCH are excluded from the formula funding base for:
  - **Doctoral Cap** – doctoral hours accumulated by individual students in excess of 99 hours
  - **Undergraduate Hour Cap** – SCH earned by a resident undergraduate student that exceeds by a least 30 hours the number of SCH required for completion of the student’s degree program
  - **Developmental Education Cap** – developmental hours accumulated in excess of its SCH
  - **Third Time Enrollment Cap** – credit hours attempted by a student for the third time
State Appropriations: Formula Funding

Instructional and Operations (I&O) Formula

- Uses total Weighted Semester Credit Hours (WSCH) produced during the base period

- Weights based on SCH by:
  - Level of course (Lower/Upper/Masters/PhD)
  - Discipline

- Base period is the 12 months immediately preceding & including the legislative session
  - Summer 2016, Fall 2016 and Spring 2017 determine formula funding for FY2018 and 2019 (next biennium)
State Appropriations: Formula Funding

Infrastructure Support Formula
• Based on utility cost & square footage of E&G space for Operation & Maintenance of Plant (Facilities)

• Predicted Square Feet X Rate ($5.62)

• Small Institution supplement
  • Provides extra funds to institutions with headcount of fewer than 10,000 students.
State Appropriations: Formula Funding

Formula Strengths:
- cost based
- emphasizes instructional mission

Formula Weaknesses:
- hurts growing institutions – adjustments occur every 2 years
- motivates creation of graduate programs
- doesn’t reward quality or student success
- validity of weighting not demonstrated
Core Research Funding

Provides core research funding for the Emerging Research Universities.

Funding formula is calculated on a three-year average of the three preceding State Fiscal Years:

• 50% is based on Restricted Research Expenditures
  • (FY16 - $29.4M, FY15 - $25M, FY14 - $23.6)
• 50% is based on Total Research Expenditures
  • (FY16 - $55.5M, FY15 - $51.1, FY14 - $45.2M)
Funding Sources of UTSA Operating Budget

• **State Funds** (E&G budgets)
  - State Appropriations: Formula Funding, Special Items, Benefits
  - THECB Transfers: TX Grant, Work-study, etc.
  - Statutory Tuition, Certain Fees

• **Designated Funds** (Institutional or Local Funds)
  - Designated Tuition, Mandatory, Course & Incidental Fees
  - Indirect Cost Recovery: Facilities & Admin Overhead

• **Auxiliary Enterprise Funds** (100% Self-Supporting Operation)
  - Housing, Parking, Athletics, Bookstore, University Center, Food Services
Funding Sources of UTSA Operating Budget (cont’d)

- **Service Center/Recharge**
  - Chargeback to other funds for services

- **Restricted Funds**
  - Gifts
  - Sponsored Programs - Grants/Contracts
  - Federal Financial Aid

- **Plant Funds**
  - Deferred maintenance
  - Repair & renovations
Statutory Tuition

- **Undergraduate Rates** established by Ed Code ($50/SCH for resident undergraduate students and is same for all institutions)

- **Graduate students** pay 2 times undergraduate rate, referred to as Graduate Incremental Tuition ($100/SCH)

- **Non-resident students** pay rates equal to the average non-resident tuition at the 5 most populous U.S. states. Rates are determined by THECB per §54.051(d) of the Texas Ed Code ($458/SCH)

- **Non-resident Graduate students** pay 2 times the non-resident rate ($916/SCH)

- **Statutory Tuition** is a revenue source for the I/O formula. Institution bears impact of any over- or under-collection of budgeted revenue. Worse for campuses that lose enrollment.
Designated Tuition

• In 2003, the legislature “deregulated” designated tuition rates to counteract the declining state revenue.

• Considered a local source of revenue, rates are set by the Board of Regents

• FY 17 = $159.95/SCH UG-Resident  $193.50/SCH for UG-Non Res.
  ➢ 20% of the amount collected from paid resident UG and 15% from resident GR over $46/SCH is set aside for student financial aid.

• FY 17 = $188.09/SCH for Grad-Resident  $238.70/SCH for Grad-Non Resident

• Very important revenue stream
  ➢ Only discretionary source of new revenue in the 2\textsuperscript{nd} year of the biennium to fund merit, mandatory cost increases, new faculty, strategic initiatives, etc.
Mandatory Fees

• New fees and/or changes to the fee amounts are set for two years upon approval by the Board of Regents.

• Proposals are considered prior to the Fall Semester of the 2nd year of the biennium.

• Fee revenue must be spent in accordance with the approved purpose (justification) and per Texas Education Code stipulations.

• Required to be paid by all students.
Incidental Fees

• Fees that are assessed based on a student’s or user’s choices, or as a good/service is used; e.g. all students taking a particular course, lab or enrolled within a college.

• College/course fees are included in the Total Academic Cost formula.
Facilities and Administrative (F&A) Indirect Cost Recovery

- Facilities and Administrative (indirect cost recovery) from sponsored grants and contracts provides reimbursement for institutional expenses in support of extramural activities that cannot be directly charged to a specific grant or contract.

  - Facilities component includes plant operation and maintenance, depreciation, library expenses.

  - Administrative component includes general administration and general expenses, sponsored projects administration.
Auxiliary Enterprises

- Self-supporting activity providing goods or services to students, faculty, staff, departments, or incidentally to the general public.
- Charges are directly related to, although not necessarily equal to, the cost of the goods or services.
- Important aspect of campus life.
- UTSA’s Auxiliaries specified in the Ed Code and include:
  - Bookstore – outsourced management contract (Follett)
  - Food Services - outsourced management contract (Aramark)
  - Parking
  - Housing
  - University Center
  - Athletics
  - UTSA Card
Capital Improvement Funding

System-authorized methods of debt financing:

1. Tuition Revenue Bonds (TRB) are approved by the legislature to debt finance new construction. General Revenue appropriation covers debt service.

Recent UTSA Buildings financed with TRB:

- Science and Engineering: $70,000,000
- Engineering: $74,250,000
- BSE: $22,950,000
- Main: $15,000,000
2. Permanent University Fund (PUF) debt program funds various E&G capital needs

PUF debt from tax-exempt bonds secured by distributions to the Available University Fund. “Free money” to UTSA.

- STARS – Faculty Start-up funds. UTSA received $500,000 in FY15 and $3.55M in FY16
- LERR – Library, Equipment, Repair and Rehabilitation UTSA received $2.25M in FY15, $2.07M in FY16, $2.05M in FY17
- Life Safety Projects - $4.0M in FY16

Recent PUF Allocations to UTSA:

$10.0M – Science and Engineering
$20.25M – Science Lab Renovations
$8.25M – Engineering Building
$14.50M – 1604 & Hausman Property (future site of Athletic facilities)
3. The Revenue Financing System (RFS)

The UT System program provides low-interest financing for capital needs:

- Available to campuses that meet bond rating agencies’ standards for The UT System to preserve its AAA rating.
  - Construction projects or capital equipment funded by Designated Tuition: must meet 2 of 3 financial ratios.
  - Projects funded by auxiliaries or fee revenue must demonstrate sustainable ability to service the debt.
- 100% of debt service paid by UTSA.
QUESTIONS

http://www.utsa.edu/budgettaskforce
Thank you!

The University of Texas at San Antonio

UTSA Financial Affairs

Your partner for successful solutions