UTSA Budget Process

• Current budgeting process overview
• Overview of Revenue (sources) and Expenses (uses)
• Timeframe and next steps for Budget Taskforce
• Future state preview
Current UTSA Budget Process

**Incremental Budget**

- Any funds available in excess of prior year expenses = “Incremental Funds”

- Review initiatives & priorities determined by senior leadership for potential use of new incremental funds
How is the Budget Process put together?

• Timeline set (December)
• Initiatives & priorities determined by senior leadership for consideration (Feb-March)
• Funding amounts available calculated (Feb)
• Expenditures calculated at prior year levels on existing budgets (March)
  • Personnel, Benefits, Utilities, Debt
  • Telephone, Copiers, Postage
  • Wages and Scholarships
How is the Budget Process put together? cont.

• Available ("Incremental Funds") applied towards initiatives & priorities approved by President (March)
• Budget is balanced, reviewed by Administration (March-April)
• Presented for approval to the UT System (April-May) for ultimate approval by UT Board of Regents

• Non-legislative year is a shorter process than in a legislative year
Where does our Revenue come from?

**FY 2018 Budgeted Revenue**

- **State Appropriations**
  - $130.3 24.7%
  - ($13.7M of this is for Benefits – Group Insurance; $16.5M is for Benefits – Retirement and Social Security)

- **Statutory Tuition, Net**
  - $31.9 6.1%
  - (Net of TPEG)

- **Other Tuition and Fees, Net**
  - $157.3 29.9%

- **State Sponsored Programs** (Primarily Student Aid)
  - $31.0 5.9%
  - (TPEG)

- **Federal Sponsored Programs (G&C)**
  - $48.9 9.3%

- **Federal Sponsored Programs (PELL)**
  - $46.0 8.7%

- **Gifts, Endowment & Interest Income**
  - $20.4 3.9%

- **Local Govt & Private Sponsored Programs (G&C)**
  - $6.7 1.3%

- **Net Auxiliary Enterprise, Sales & Service & Other**
  - $54.0 10.3%
State Appropriations Sources

- Following get funded directly by state (General Revenue)
  - Benefits- Majority by direct state, also fund a portion by Statutory tuition
  - Special Items
  - Texas Research Incentive Program (TRIP) for gift matching – Special funds for this purpose only
  - Debt Servicing (tuition revenue bonds)
  - Core Research - has Formula allocation on Special funds only for emerging research universities only
State Appropriations Sources

• Formula Dollars—each has its own formula
  • Instructional and Operations Support
  • Space Support for Facilities and Utilities
  • Teaching Supplement

• State elects to not fund all directly
  • Portion comes from state direct funding (general revenue) – typically around 73%, rest from statutory tuition
Statutory Tuition has some restrictions on spending

- Following get earmarked for funding under statutory tuition (General Revenue Dedicated)

- Benefits – a specific portion of group insurance and a portion of retirement benefits employer contribution
- Texas public grants transfer to state programs
- Formula funding – Expect a portion to be funded by statutory tuition (both resident and nonresident students) has been 27% of formula amounts
- Ends up exhausting primarily all for above, except Graduate incremental tuition (GIT), used to fund Doctoral support
UTSA State Appropriations Funds Flow

UTSA’s state appropriations are funded through a combination of State General Revenue and student statutory tuition payments. The diagram below outlines the components of each funding source and the intended use of each.

Funding Source
- State General Revenue “GR”
- Student Tuition Payments (Statutory) GR Dedicated - GRD

Statutory Tuition Rates
- RES: $50
- NR: $465
- UG: $100
- GRAD: $930

Rates are per credit hour and subject to “set-aside”.

FY18 State Appropriations
- $143.5MM

Appropriations does not include GR for GIP, OASI, TRS, ORP paid directly

General Revenue
- $100.0MM
- $26.4MM E&G
- $16.6MM^2
- $53.9MM
- $1.9MM
- $15.0MM
- $43.5.0MM

Statutory Tuition – GRD $43.5.0MM
- E&G $26.4MM
- Student Aid (TPEG Set Aside) $5.1MM

E&G University operations
- TPEG → Financial Aid
- Benefits → Central Admin

Core Research $4.2MM

Benefits (GIP, WC, UC OASI, TRS, ORP) $12.0MM

Special Items $8.4MM

Student Aid $5.1MM

Teaching Experience Supplement

University Operations
- E&G Operations

Debt Service State to Bondholders

General Revenue Allocations
- $70.8MM

1. Statutory tuition component of formula funding is funded through tuition payments and contingent upon UTSA hitting the enrollment forecasts used in State’s funding formula.
Tuition & Fees

• Tuition—statutory & designated tuition
  • Based on student academic and residential status
    • Undergrad vs. Graduate
    • Resident vs. Non-resident
    • Differential Tuition, (FY 2020 in effect)

• Fees
  • Course-based
  • Use fees—mandatory and incidental
Fees: How are they collected & used?

• By course
  • Used for materials, services for that course

• By student-use fees
  • Used to provide services denoted/“designated funds” for specific services. Examples:
    • Automated Services
    • Recreational Sports
    • Library
    • Advising
State Sponsored Program

• Scholarships & Financial Aid Funding
  • Texas grants (allocation formula), comes from state direct funding—**General Revenue**
  • Statutory tuition set aside (TPEG) – From statutory tuition transfer
  • Top 10% scholarship
  • 5\textsuperscript{th} Year Accounting scholarship
  • State College Work Study
Federal Sponsored/Grants & Contracts

- Federal Sponsored Programs
  - Pell Grants to students
  - Research programs
  - Instruction or student support programs
  - Federal work study
Gifts, Endowment & Interest Income

- **Gifts**
  - Unrestricted—for any educational or general expenses as well as athletics
  - Restricted—for primarily scholarships or research enhancements

- **Endowment Earnings**
  - Primarily directed to restricted funds
Private & Locally Sponsored/Grants & Contracts

• Sponsored programs are primarily research programs
Sales & Services

• Auxiliaries—self-sustaining to provide services
  • Dining
  • Housing
  • Parking

• Non-auxiliaries—to provide other educational services, continuing education and service centers
  • Athletics
  • Recreational sports
  • Student Union
How is the money spent?

FY 2018 Budgeted Expense
Functional Classification

- Instruction $153.5 28.1%
- Academic Support $58.7 10.8%
- Scholarships & Fellowships $29.5 5.4%
- Student Services $26.2 4.8%
- Research $48.8 8.9%
- Public Service $18.0 3.3%
- Institutional Support $45.5 8.3%
- Operations & Maintenance of Plant $41.8 7.7%
- Debt Service Interest $16.0 2.9%
- Depreciation $48.3 8.9%

See Appendix for functional definitions
FY 2018 Budgeted Expense
Natural Classification – All Fund Groups

Instruction Salaries $97.3 (T/TT, NTT, & TA's)

Admin & Staff Salaries $148.2 27.2%

Scholarships $104.8 19.2%

Depreciation $48.3 8.9%

Operations $41.3 7.6%

Benefits $73.8 13.5%

Travel $2.9 0.5%

Utilities $13.1 2.4%

Debt Service - Interest $16.0 2.9%

Note: Administrative Salaries include Directors, Deans and VP’s
FY 2018 Fund Groups for Revenues and Expenses

• All Revenues and Expenses are placed within a fund group in the Accounting system
  • Education & General (E&G)—Primarily state appropriations & grants
  • Designated—Includes designated tuition, non-auxiliary student fee revenues and other net sales & services
  • Auxiliary—Primarily student fees & revenues from sales & services related to auxiliary services
  • Restricted—Grants & contracts plus gifts, endowment increase

See Appendix for University Fund types
How are departmental budgets managed?

- **Executive Level**—VPs and President
  - Divisions combined to create Executive Level

- **Division**—College and Associate VP level
  - Department Units combined to create a division

- **Departments**—“Cost Centers” contain budget and actual revenues & expenses
How are departmental budgets managed?

• Budgeted positions & expense budget pools loaded into each cost center

• Large percent of cost centers do not receive revenues—only budget “transfers in” at beginning of fiscal year

• After year begins, another load of “roll forward” funds from previous year are budgeted primarily in reserve cost centers
How are departmental budgets managed?

Commitment Control Module

Includes:

• Original Budgets

• Beginning Balances (Balance Forward)

• Budget Transfers (Permanent and Temporary)

• Budget Adjustments
How are departmental budgets managed?

Source transactions, such as actual expenses, feed into Commitment Control, too.

PeopleSoft source transactions:

- Requisitions
- Purchase orders
- Payment vouchers
- Travel authorizations
- Expense reports
- Payroll transactions
- Accounting journals
- Transfers
- Other source transactions--Banner
How are departmental budgets managed?

Because Commitment Control has both budgets and actual transactions

• The system does budget checks to determine if there is enough budget for transaction to be completed (most transactions)

• Budget Rules for Salary and Benefit accounts are set to allow transactions to process without sufficient budgets with a warning.
Using Commitment Control you can:

- View remaining spending authority (RSA) and detailed transactions (revenue or expense) processed for a given cost center
  - Budget – Encumbrances – Expenses = RSA
- Create budget transfers: move budgets between cost centers
- Create budget journals: add or reduce budgets for a cost center

- See appendix for Budgetary Accounts
Project Status - New Budget Model
Timeline: Finance and Budget Modeling Task Force

October 2017 – December 2017

• Task Force of 30 people launched mid-October 2017
• Huron Consulting Group Phase I — Due Diligence with Financial Diagnostic
Timeline: Finance and Budget Modeling Task Force

January 2018 – March 2018

• Steering Committee (>15 people) established in January 2018
• Huron Consulting Group Phase II – Budget Model Development Discussions
  • Model Vision Development (January)
  • Model Structure Discussions (January – February)
  • Dean and Department Chair discussions (February – March)
  • Budget 101 Education & Town Hall discussions (March)
Timeline: Finance and Budget Modeling Task Force

April 2018 – June 2018

- Huron Consulting Group Phase III – Stakeholder Engagement
  - Deans’ Feedback reviewing Modeling scenarios (April)
  - Department Chair Meeting (May)
  - Additional Stakeholder Engagement: Open Campus Forum, Budget Panel Discussion (May – June)
  - Ongoing New Budget Model Refinement (April – June)
  - Deans’ Retreat incorporate feedback (Late May)
  - Approval of a new model for evaluation during in FY 19 parallel year OLD and new (June)
  - New Budget Model Training (June- July)
Future State
## Traditional vs. Strategic Budgeting

<table>
<thead>
<tr>
<th>Traditional Budgeting</th>
<th>Strategic Budgeting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inventory</strong> of anticipated expenditures</td>
<td><strong>Plan</strong> for developing resources</td>
</tr>
<tr>
<td>Mechanism to <strong>control</strong> expenditures</td>
<td><strong>Prioritization</strong> of resource allocations for strategic initiatives</td>
</tr>
<tr>
<td><strong>Independent activity</strong> performed by department managers</td>
<td><strong>Explanation</strong> of the internal economy</td>
</tr>
<tr>
<td><strong>Backroom operation</strong> performed by accountants</td>
<td><strong>Mechanism to create institutional incentives</strong></td>
</tr>
<tr>
<td><strong>Spreadsheet</strong> indicating resource availability</td>
<td><strong>Tool to empower departments to engage in entrepreneurial activities</strong></td>
</tr>
<tr>
<td>Performance measures that <strong>reset</strong> annually</td>
<td><strong>Predictor</strong> of annual financial statements</td>
</tr>
<tr>
<td></td>
<td><strong>Baseline measure of accountability</strong></td>
</tr>
</tbody>
</table>
Budget Model Redesigns provided by Huron Consulting
As UTSA proceeds with a budget model redesign, the university will need to consider communications, policies, and budget model governance. Some examples of budget model guidelines are listed below.

**Auburn University**
http://www.auburn.edu/administration/business-finance/budget/index.html
Auburn provides a good example of a Glossary of Terms and FY18 Budget Timeline.

**George Mason University**
http://www.gmu.edu/resources/facstaff senate/ MINUTES_FS_2015-16/Mason_Budget_Model_Final_090115.pdf
George Mason uses a margins-based budget model without administrative and support unit cost allocations.

**Indiana University**
http://www.indiana.edu/~obap/rcm-iub.php
Indiana utilizes a long-standing, fully-developed RCM budget model.

**Iowa State University**
http://planning.president.iastate.edu/finance/resource-management-model
Iowa State’s Policy and Procedures narrative addresses allocation methodologies.

**Kent State University**
https://www.kent.edu/budget/rcm-manual
Kent State’s RCM Manual addresses allocation methodologies.

**Ohio University**
Ohio University utilizes an RCM model and publishes an exemplary Budget Book.

**Tennessee Tech**
https://www.tntech.edu/planning-and-finance/budgeting-and-planning/budget-model
Tennessee Tech uses a margins-based model without cost allocations but with an 18% infrastructure and reinvestment tax on revenues.

**UC Riverside**
UC Riverside is developing a budget model with activity-based costing and RCM elements.

**University of Florida**
Overhead taxes fund support units per Section VI of Budget Book; and the RCM Manual includes a useful summary of Responsibility Centers including 17 centers and institutes.

**University of Manitoba**
http://umanitoba.ca/admin/budgetplanning/budgetmodelredesign.html
Manitoba is in the process of shifting to a new model for resource allocations.

**University of New Hampshire**
https://www.unh.edu/sites/default/files/departments/vice_president_for_finance_administration/may_2017_rcm_manual_update_v2.pdf
The RCM Manual appendices include useful summaries of service units and allocation methodologies.

*aspirational universities*
Guiding Principles Developed by UTSA in 2017

- Align resources with institutional priorities (supporting students as that is part of our institutional policies, priorities)
- Support the decision-making process with reliable data and analysis
- Improve budget transparency
- Incentivize revenue growth and cost effectiveness
- Improve fiscal accountability and management of resources
- Evaluate budget process periodically and adjust as necessary

To optimally tailor a budget model for a given institution, it is critical to identify and create an appropriate balance of centralized and de-centralized control.
Alternative Budget Models Reviewed – No model selected yet

Guiding Principles Developed by UTSA in 2017

- Align resources with institutional priorities (supporting students as that is part of our institutional policies, priorities)
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- Improve budget transparency
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To optimally tailor a budget model for a given institution, it is critical to identify and create an appropriate balance of centralized and de-centralized control.
Budgeting Alternatives: Pros and Cons

The use of hybrid models reflects the reality that each model comes with its own set of benefits and considerations.

<table>
<thead>
<tr>
<th>Common Budgeting Models</th>
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</thead>
<tbody>
<tr>
<td><strong>Incremental Budgeting</strong></td>
</tr>
<tr>
<td>Benefits</td>
</tr>
<tr>
<td>▪ Consistent treatment of budgets over time</td>
</tr>
<tr>
<td>▪ Simple to understand and facilitate</td>
</tr>
<tr>
<td>▪ Provides equity across units</td>
</tr>
<tr>
<td>▪ Maximizes central flexibility</td>
</tr>
<tr>
<td>Considerations</td>
</tr>
<tr>
<td>▪ Requires stability of funding and consistent priorities</td>
</tr>
<tr>
<td>▪ Needs periodic “re-basing” to ensure base does not become an entitlement</td>
</tr>
<tr>
<td>▪ Encourages spending to maintain budget</td>
</tr>
</tbody>
</table>

Institutional culture, organizational complexity, mission, and systems capabilities are all factors that should be considered when determining a university’s optimal budget model.
The use of hybrid models reflects the reality that each model comes with its own set of benefits and considerations.

### Common Budgeting Models

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Incentive-Based Models</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Performance Funding</strong></td>
<td><strong>Promotes entrepreneurship / revenue growth</strong></td>
</tr>
<tr>
<td>• Focus placed on achievement of university mission</td>
<td><strong>Encourages efficient operation of administrative service units</strong></td>
</tr>
<tr>
<td>• Productivity data is used</td>
<td><strong>Aligns revenues and costs</strong></td>
</tr>
<tr>
<td>• Encourages planning</td>
<td><strong>Facilitates conversations about priorities</strong></td>
</tr>
<tr>
<td>• Rewards high-performing units</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Considerations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Difficult to account for differences in quality of inputs and/or may sacrifice quality of outputs</td>
<td><strong>Requires strong central and local unit leadership</strong></td>
</tr>
<tr>
<td>• Poor performance may lead to a “downward spiral”</td>
<td><strong>Criticized for replacing academic with financial focus</strong></td>
</tr>
<tr>
<td>• Units may experience time lag between decision and results</td>
<td><strong>Without adequate transparency, academic collaboration hampered</strong></td>
</tr>
<tr>
<td></td>
<td><strong>May require additional infrastructure to support financial management</strong></td>
</tr>
</tbody>
</table>

Institutional culture, organizational complexity, mission, and systems capabilities are all factors that should be considered when determining a university’s optimal budget model.
Model discussion points based on best practices

In coordination with UTSA leaders, the following key discussion points were identified for establishing a budget model that aligns with the university’s needs.

**UTSA Budget Model Discussion Points**

1) Model Philosophy (Guiding Principles)
2) Model Structure elements
3) Tuition and Fees Allocation
4) State Appropriations Allocation
5) Mission and Research Support
6) Cost Pools (Support Units)
7) Cost Allocations methodology
8) Scholarships, Aid, and Waivers
9) Strategic Initiatives and Subvention Funding
10) Model Sensitivity and Scenarios, Model vetting
11) Model Infrastructure
12) Model Governance

Phases 2 and 3 of the budget model redesign process are designed to address the first 10 decision points in spring 2018.
UTSA Budget Redesign Outcomes expected

- Aligns budgetary authority with responsibility and accountability
- Focuses necessary and proper attention on revenues and revenue development
- Fosters entrepreneurship and rewards departmental efforts
- Encourages efficient and competitive administrative services
- Identifies the true nature of internal subsidiaries
- Translates strategic goals into management and operating plans
- Optimizes incentives with the potential to create win-win opportunities across an entire institution
UTSA Budget Redesign Outcomes expected

• Reports by VP level for all budgets in Income statement format (revenue less expenses) compared to actual amounts
  May select with original budgets only or with both original and transfers
• Reports by division level for all budgets in Income statement format (revenue less expenses) compared with comparison to actual amounts
  May select with original budgets only or with both original and transfers
• Reports at cost center level already in place
Questions?
Thank You

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Appendix
Some functional categories for expenses

• Instruction
• Institutional Support Services
  • Accounting
  • Payroll
  • Purchasing
  • Human Resources
  • External Affairs
• Student or Academic Support
  • Student Affairs
  • Admissions & Records
  • Financial Aid
  • Academic Advising
  • Counseling
  • Library
Some functional categories for expenses

- Auxiliary Services
  - Food services
  - Bookstore
  - Parking
  - Housing
  - Recreation
  - Student Union
  - Athletics

- Plant & Operations
  - Facilities
  - Police & Safety
Funding Sources of UTSA Operating Budget

- **State Appropriations:** *Formula Funding, Special Items, Benefit Cost Sharing (General Revenue)*
- **THECB Transfers:** *TX Grant, Work-study, etc.*
- **Statutory Tuition, Certain Fees** *(General Revenue-Dedicated)*
  - **Designated Tuition & Fees**
  - **Indirect Cost Recovery** *Facilities & Administrative Overhead*
- **Auxiliary Enterprise Funds** *Housing, Parking, Athletics, Bookstore, University Center, Food Services*
- **Restricted Funds** *Gifts, Financial Aid & Grants/Contracts*

**State Funds**
- Fund 2100 - 2150
- Also referred to as E&G: Educational & General budgets

**Designated Funds**
- Fund 3100 - 3200
- Also referred to as Local funds

**Auxiliary Funds**
- Fund 4100 - 4700
- Must be 100% Self-Support; no subsidies from other funds

**Restricted Grants & Contracts**
- Including Financial Aid
- Fund 5100 – 5400
- Restricted Gifts
- Fund 5500 - 5600
Other Graphs by Fund Groups
FY 2018 E&G Budgeted Revenue

- State Appropriations: $130.3 (66.1%)
- Tuition and Fees, Net: $43.8 (22.2%)
- State Sponsored Programs (Primarily Student Aid): $22.4 (11.4%)
- Net Investment Income: $0.7 (0.4%)
FY 2018 E&G Budgeted Expense

- Instruction: $127.2 (51.2%)
- Academic Support: $20.6 (8.3%)
- Research: $7.8 (3.1%)
- Public Service: $6.6 (2.7%)
- Institutional Support: $33.1 (13.3%)
- Student Services: $5.1 (2.1%)
- Operation and Maintenance Plant: $20.6 (8.3%)
- Scholarships and Fellowships: $21.8 (8.8%)
- Debt Service - Interest: $5.6 (2.3%)

The E&G Budgeted Expense is partially funded with a transfer from Designated Tuition in the amount of $62.3M
FY 2018 Designated Budgeted Revenue

- Tuition and Fees, Net: $184.7 (87.5%)
- Federal Sponsored Programs: $6.8 (3.2%)
- State Sponsored Programs: $5.5 (2.6%)
- Local and Private Sponsored Programs: $0.9 (0.4%)
- Net Sales and Services of Educational Activities: $8.9 (4.2%)
- Net Investment Income: $3.8 (1.8%)
- Other Operating Revenues: $0.4 (0.2%)
FY 2018 Designated Budgeted Expense

- Debt Service - Interest $1.7 1.2%
- Instruction $16.3 11.5%
- Academic Support $37.9 26.8%
- Research $9.4 6.6%
- Public Service $1.2 0.8%
- Institutional Support $11.1 7.8%
- Student Services $21.0 14.8%
- Operation and Maintenance Plant $16.9 11.9%
- Scholarships and Fellowships $25.0 17.7%
- Auxiliary Enterprises $1.1 0.8%
FY 2018 Auxiliary Budgeted Revenue

- Tuition and Fees (Fees Only): $31.6 42.0%
- Net Auxiliary Enterprises: $42.9 57.0%
- Net Investment Income: $0.8 1.1%
FY 2018 Auxiliary Budgeted Expense

- **Debt Service - Interest**: $8.7, 13.0%
- **Net Transfer to Designated**: $0.9, 1.3%
- **Auxiliary Enterprises**: $57.2, 85.6%
FY 2018 Restricted Budgeted Revenue

- Federal Sponsored Programs (PELL is 52.2%)
  - $88.1 77.3%
- Net Investment Income
  - $7.1 6.2%
- Gifts in Support of Operations
  - $8.0 7.0%
- Local and Private Sponsored Programs
  - $5.8 5.1%
- State Sponsored Programs
  - $3.2 2.8%
- Net Sales and Services of Educational Activities
  - $1.3 1.1%
- Other Operating Revenue
  - $0.5 0.4%
Appendix:
Commitment Control slides
Commitment Control (KK) Budgetary Accounts

- **Budgetary Accounts** are used to record budget to various high level categories.
  - These accounts can only be used for budget transactions, not for actual expense or revenue transactions.

<table>
<thead>
<tr>
<th>OPE (Operating Expense)</th>
<th>OPR (Operating Revenue)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1000 – Staff Salaries</td>
<td>OPREV – Operating Revenue</td>
</tr>
<tr>
<td>A1200 - Wages</td>
<td>NOREV – Non-Operating Revenue</td>
</tr>
<tr>
<td>A2000 – Faculty Salaries</td>
<td>RTRFS – Revenue Transfers</td>
</tr>
<tr>
<td>A3000 - Benefits</td>
<td>TOTRV – Total Revenue</td>
</tr>
<tr>
<td>A4000 – M&amp;O</td>
<td></td>
</tr>
<tr>
<td>A6000 – Debt Service</td>
<td></td>
</tr>
<tr>
<td>A7000 – Expense Transfers</td>
<td></td>
</tr>
<tr>
<td>A9000 – Reserve</td>
<td></td>
</tr>
</tbody>
</table>