Budget Model Task Force Report

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Introduction and Background

The following provides a context for how the Finance and Budget Modeling Task Force was created, and was associated with UTSA's strategic planning processes.

UTSA's Strategic Planning Process

During the 2017-18 academic year, President Taylor Eighmy launched a strategic planning process to provide a pathway for the university to reach new levels of excellence over the next decade. Several components were put into place over the course of the year to provide the framework.

STRATEGIC THEMES

As a starting point, six strategic themes were identified and shaped through discussions with faculty, staff and students. The themes provided a common understanding of institutional priorities and the vision for UTSA's future.

SIX STRATEGIC THEMES

THEME 1: A Great Multicultural Discovery Enterprise
THEME 2: An Exemplary Urban-Serving University of the Future
THEME 3: World Engaged
THEME 4: UTSA will Foster Exceptional Student Experiences
THEME 5: Cultivating the Excellence of our People
THEME 6: Operational and Infrastructure Excellence

PEER MODELS OF EXCELLENCE

To help benchmark UTSA's progress, UTSA identified ten institutions to serve as peer models of excellence. Selected for their aspirational qualities, UTSA is emulating their strategies and best practices throughout the strategic planning process.

UTSA's PEER MODELS OF EXCELLENCE

Arizona State University	University of California, Irvine
Florida International University	University of California, Riverside
George Mason University	University of California, Santa Cruz
Georgia State University	University of Central Florida
Portland State University	University Maryland, Baltimore County

KEY PERFORMANCE INDICATORS

A set of Key Performance Indicators (KPIs) pinpoint UTSA's goals and facilitate progress assessment. Five and 10-year targets have been set for each KPI, driving operational awareness toward common goals.

UTSA's KEY PERFORMANCE INDICATORS

Total enrollment	Undergrad degrees awarded
First-Year retention rate	MS degrees awarded
4- and 6-Year graduation rates	Ph.D. degrees awarded
Freshman in the top 25% of their class	Student-to-faculty ratio
Number of faculty	Student debt
Faculty awards	Endowment
Faculty in national academies	Annual giving
External review of faculty in Ph.D. programs	Endowed chairs
Restricted & total research expenditures	Strategic partnerships
Administrative cost	Bond rating
	New construction

INITIATIVES

Three major initiatives launched in the fall of 2017: Student Success, Strategic Enrollment and Finance and Budget Modeling. The task forces and consultants for each of the three initiatives worked closely together to ensure alignment given their multiple interdependencies.

DESTINATIONS

In the fall of 2018, UTSA's strategic planning framework evolved to sharpen the focus on what kind of institution the university will become in the decade ahead. Based on input from internal and external stakeholders, as well as the UT System Board of Regents, UTSA has three overarching destinations that point us to the future.

DESTINATIONS

UTSA will be **a model for student success**

UTSA will be **a great public research university**

UTSA will be an e**xemplar for strategic growth and innovative excellence**

Summary

The Finance and Budget Modeling Task Force was created in the fall of 2017 as a presidential initiative, with the charge to "create a new budget model that is transparent, data-driven, supports entrepreneurship and innovation, and aligns resources needed for our strategic mission, vision and themes." In addition to assessing our current financial practices, the task force was instructed to "develop strategies to optimize our financial resources and our expenditures by adopting best financial practices."

The Finance and Budget Modeling Task Force met several times over the last nine months.

The task force adopted the following guiding principles early on with the project. The consensus of the task force, at the final meeting held on July 25, 2017, was that the recommended model would allow UTSA to adhere to all guiding principles. Similarly, the Deans endorsed that the recommended model met the guiding principles below at a retreat held on July 16, 2017.

Table 1: Finance and Budget Modeling Guiding Principles

Guiding Principle Component	Description	Feedback
Align resources with institutional priorities	Allocates resources based on the University's mission, strategic priorities, and commitment to student success	✓
Support the decision-making process with reliable data and analysis	Financial data and institutional data is sourced from systems of record and reconcile to University reports	✓
Improve Budget Transparency	Revenues and costs are allocated in a transparent and consistent manner; institutional data is used as a proxy for what drives central unit costs	✓
Incentivize revenue growth and cost effectiveness	Model features incentives that will reward performance, entrepreneurship, and innovation	✓
Improve fiscal accountability and management of resources	Model incorporates all operating funds to better understand how units contribute to the University's fiscal position; revenue units retain savings for future investments, and the strategic investment pool insure that institutional priorities can be funded	✓
Evaluate the budget process periodically and adjust as necessary	Budget process involves a broader array of stakeholders for input; new governance committee will periodically evaluate the model and make broadly-communicated refinements as the institution evolves over time	✓
Develop a budget model that promotes clarity and understanding for academic and administrative leaders with financial responsibilities	Model generates unit-level funds flow statements that helps to explain the internal economy of the University	✓

Budget Model Structure

The recommended hybrid incentive-based budget model or Incentivized Resource Management (IRM) has been highly customized for UTSA. While this model contains structural elements that are unlikely to dramatically change once in use, the task force recognizes that as the university continues under an incentive-based model, there will be a need for periodic assessment and future refinements or changes. The new model will likely bring about several improvements in processes related to resource allocations and also provide for a better understanding of university financial and budgetary matters that have impact to our core operations. Specifically, the new model allows for:

- Collaborative approaches to resource planning that occurs throughout the year
- Integrated conversations for academic planning and financial management
- Longer term outlook that plans for the next three to five years
- Regular data-driven review of unit-level financial performance
- Broader scope for stakeholder groups to inform budgetary decisions in a coordinated way
- Formal communication that links central investments to university-wide strategic priorities

The recommended model structure creates two basic organizational categories: Revenue units and Support units. A third quasi-category allows for mandated pass-through items such state and federal student aid requirements, and debt servicing. We recognize that the placement of individual units into these categories may also evolve as the university changes. However, the basic organizational structure will likely not change.

The Revenue units will be distinguished as either an academic or auxiliary unit. Revenue units will have the ability to influence revenue generation, cover their direct costs and to be allocated administrative or support unit costs. Revenue units will be accountable for performance, retaining both surpluses and losses. They also will be expected to pay a participation fee on certain income items that will provide funding for a strategic fund.

The Academic Revenue Units will include:

- College of Architecture, Construction, and Planning
- College of Business
- College of Education and Human Development
- College of Engineering
- College of Liberal and Fine Arts
- College of Public Policy
- College of Sciences
- University College (beginning in 2019 after restructure for student success areas moved)

The Auxiliary Revenue Units will include:

- Athletics
- Campus Recreation
- Child Development Center
- Food and Dining Services

- Housing Services
- Parking & Transportation
- Student Health Services
- Student Union (previously University Center)
- Extended Education (beginning in 2019)

The Support Units have been categorized as Academic Support and Administrative Support. Table 2 and 3 below illustrate these categories, along with example components within those units.

Table 2: Academic Support Areas

Academic Affairs	Honors College, Provost, other academic services
Academic Affairs – Libraries	Library collections, public library services
Enrollment Management	Registrar, Financial Aid & Scholarships, One Stop, Testing services, career services, P-20
Research Administration	Research support services, SBDC, IED, research financial services
Student Affairs	Student Life, Student Services, Campus Services
Student Success	Advising, Tutoring, Supplemental Instruction.

Table 3: Administrative Support Areas

Business Affairs	Budget and financial planning, Financial services, purchasing, business contracts
External Affairs	Alumni relations, fundraising, communications & marketing
Facilities	Utilities, facilities administration, facilities maintenance, grounds and housekeeping
Human Resources	Compensation, Benefits, Employee Relations, Training
Office of the President	Legal, Compliance, Governmental Relations, President's Office
Information Technology	Enterprise Services, OIT, Help Desk, Telecom
Public Safety	Police, Safety, Emergency Management and Access Services

Both Revenue and Support units will have opportunities to utilize funds set aside for strategic initiative when participating in these strategic plans.

Discussion Points

The model details evolved around the following discussion points:

- Allocation of tuition and fee revenue
- Scholarships and fellowships (both those institutionally funded and those funded by outside the university)
- State appropriations (both those earmarked for special purposes and those for operational purposes)
- Facilities and Administrative (F&A) revenue from sponsored projects

- Cost pool allocations (methods to allocate support units to the revenue units)
- Central funding for strategic initiatives and for reserve replenishment
- Subvention funding
- Carryforward policy
- Provision for facility renewal and deferred maintenance
- Timing of data used for allocations and budget building

The proposed model income and expense statement format is contained in Appendix A.

Revenue

For tuition and fees the current practice is that all undergraduate and graduate tuition after required set asides as well as a net reduction for all exemptions imposed were held centrally. There is approximately $4 million of designated tuition that is pledged for debt service and this is removed before any allocation. Also other fees charged to be a replacement for the loss of formula funding (three peat fee, 30 hour excess credit fee, etc.) where held centrally as well and both are allocated across the entire university with the exception of any area considered an auxiliary or a sponsored project. The graduate incremental tuition was directed towards support for PHD students directly to specific colleges based upon a historical decision and a portion to the Graduate School. New model recommendation on tuition and fee allocations are below in summary, for more details see Appendix B.

- Resident undergraduate tuition:
  - Allocate 70% on each unit's share of resident undergraduate instructed credit hours (i.e., College of Instruction)
  - Allocate 30% on each unit's share of resident undergraduate enrolled credit hours (i.e., College of Record)

The decision to allocate a portion of tuition to the college of record recognized that colleges provided more to students than just instructional services. The following list provides examples of these allocations:

- Non-resident (requires calculation of premium being paid by non-resident students due to increased rates allowed to be a charge on both statutory and designed tuition)
  - Allocate non-resident non-premium pool on 70/30 College of Instruction/College of Record split
  - Allocate the remaining premium pool on 100% on non-resident undergraduate enrolled credit hours. (i.e., College of Record)

The decision to allocate a premium on non-resident undergraduate students was to recognize that colleges have programs with the reputational draw for students, including out of state and international students.

- Graduate resident and nonresident tuition:

    - Allocate 70% to academic units based on instructed credit hours (i.e., College of Instruction)
    - Allocate 30% to academic units based on enrolled credit hours (i.e., College of Record)
    - Graduate Incremental Tuition: Allocate based on graduate College of Record semester credit hours at the rate set by residency status - $50 per resident graduate semester credit hour, $458 per non- resident graduate semester credit hour

The new budget model will still allow colleges to designate graduate incremental tuition revenue towards their doctoral programs.

- Other centrally collected fees (three peat, etc.):
    - Allocate based upon each academic unit's share of the total undergraduate tuition.

Currently, scholarships, particularly those managed centrally, are not allocated to a college. It is recommended for full transparency that any scholarship funded by institutional funds or an endowment and without a state or federal mandate be allocated to the academic revenue units (academic colleges) based upon their respective tuition allocation. Also all scholarships with direct revenue to the college will also be shown as a contra entry to offset tuition revenue.

In current practice, state appropriations that are designated as operational or for educational and general purposes are held centrally. Historically, these allocations have not changed excepting for responses to the impact of new or declining funding increments. The Budget Task Force discussed these allocations and related information (see Appendix C). Special items, or those that are nonformula funding such as debt service or employee benefits, are allocated for those specific programs as they were intended to be utilized (see Appendix D for flow overview details). Under the proposed budget model, the allocation of operational formula funding (after adjustment for mandated set-asides such as statutory tuition) will be allocated as follows:

- Allocate 66% of general state appropriations for instruction based on each revenue unit's proportionate share of weighted semester credit hours and tenure and tenure-track instructed credit hours in proportion to the State's funding formula.
- Allocate 34% of general state appropriations for research based on each revenue unit's proportionate share of sponsored program revenue.

The decision to allocate in this proportion was derived by looking at the amount of research subsidy UTSA has unfunded at this time. The allocation ratio is based upon the effective F&A rate of return generated on sponsored programs and of the F&A rate that has been determined by the most recent submission for our F&A rate calculation to the federal government for their consideration in establishing a new rate for federal proposals. Basically, from this, UTSA needs a $24 million subsidy to cover our indirect costs of F&A on research activities that is not being funded from our sponsored projects. This represents 34% of the total state appropriations. We are appropriated annually $4.2 million in our state appropriations for core research support which is included in the $70.5 million in general state support (Appendix D).

In current practice, F&A revenue is allocated based upon an annual Memorandum of Understanding (MOU) between the Vice President for Research, Provost and Vice President for Business Affairs with only approximately 26% going to the colleges. Other funds are distributed in either fixed amounts or as a percentage of the total revenue earned. In the new model, all F&A revenue will be allocated to those revenue units performing sponsored program activity and externally sponsored research. Approximately 9% of this revenue is pledged for debt servicing requirements.

All other revenue directly attributed or earned by a revenue or support unit will remain with that unit to cover direct expenses. For example, all restricted gifts and sponsored program income will remain with the unit earning the revenue. The same principle for any specific or earmarked fee income attributed to courses or designated services to be delivered, i.e. library fee or advising fee. There is currently only one college receiving a direct state appropriation that will remain with the college.

Support Units

Currently, support unit costs are covered by centrally allocated tuition, appropriations, fees or other revenue held as well as reliance on their own directly earned revenues. Auxiliary units are charged a minimal amount of overhead based upon the revenue generated. The support unit's basic services are provided funding, and some provide additional or premium services, where they typically recouped costs through internal recharge centers. Under the new model, there will still be basic services and premium services (those items to be recovered by internal recharge) for support units.

Since all revenue that was held centrally is now allocated to the academic revenue units, methods for covering the support unit budget is necessary. The decision was made to use the activity level or driver to allocate cost pools to the revenue units appropriately. After a review of best practices at other universities, the drivers were decided upon using an incentive model (see Appendix D for the activity driver associated with each support unit grouping). Of note, under the new model, auxiliary units are not allocated any cost pools for academic units, as these units primarily consume the services of the administrative units only. It was decided that auxiliaries would be allocated a portion of facilities administration because they are provided these services without charges on a work order. For other facilities costs such as utilities and maintenance, housing keeping and grounds maintenance they are charged directly. The auxiliary units will no longer pay an administrative fee for administrative support, but will use cost pool drivers in a similar method as the academic revenue units.

The new model does provide a greater level of transparency into administrative units, albeit at an aggregate level based support unit groupings. Funding levels and validity of reasonable support unit funding levels are not addressed by the new model, as both items should require in-depth analysis. This need is the basis for the recommendation that a support unit governance council be formed with the charge to analyze and govern support unit funding levels. The support unit budgets will remain at the current levels until implementation of a governing council or another method is utilized to engage in a comprehensive review of the unit's proposed budget along with service effectiveness and efficiency.

Strategic Initiative Fund

Current practice provides limited ability to provide a formal strategic initiative fund or to have a consistent budget for one. This past year, the only strategic fund for either the provost or the president to use was from swept funds and some central reserves. The practice of sweeping funds typically encourages inappropriate incentives such as "spend it or lose it." It does not provide the ability to address university-wide priorities, such as academic excellence, and revenue growth strategies. The new model creates a participation fee on selected revenues from both academic revenue units and auxiliary units, which serves as a broad base of revenues for the fee.

The participation fee is recommended to be set at 14% to address three institutional needs. First, to provide a subvention pool for those units not able to cover direct costs. Second, to retain an amount for university reserves and improve financial ratios that have been declining. Third, to provide a central strategic initiative fund that can be used based upon submission of proposals that addresses strategic initiatives. It is likely these initiatives will be for high priority academic programs and research initiatives. Other initiatives from support units can also submit proposals, for example, student success, technology, strategic enrollment. It is anticipated that all accepted proposals will be funded for one year or over a relatively short time span. The proposal will be based upon a business plan that will expect some part of the budget allocations that will eventually provide new revenue growth or reduction in costs to sustain the initiative. The revenues proposed to be subject to the participation fee are:

- Allocated tuition
- General state appropriations
- F&A allocation
- Sales and Services
- Other operating revenues

Those that are not subject to the fee are

- Student fees, course fees and mandatory fees
- Direct state appropriations to special items or nonformula areas
- Sponsored programs
- Gift contributions and endowment income

- Investment income

Subvention

Currently, academic colleges have not received broad-based revenues based upon their ability to generate revenues from their students receiving instruction provided by their faculty or housed in their college degree programs. Therefore "subvention" has not been a typical term for the university but now will be under the model. Also reviewing a college's margin based upon earned revenue less all costs was not typically in practice but will now be an expectation. Subvention is provided to allow a college to have a negative margin reduced and to be made whole from funding provided by the sharing of the participation fee. The extent of covering all negative margins varies by college or auxiliary. Under the new model, each college will be provided with an income and expense statement comparing budget to actuals to monitor performance each month. Additionally, other tools will be provided based upon services from Huron Consulting with an academic financial portfolio review. Subvention will be set to cover a negative margin for a revenue unit and an agreement will be made that is grounded in discussions of accountability and improvement plans on the margins with the Provost or Vice President for Business Affairs. The level of subvention from year to year is anticipated to decrease over time because every revenue unit now has more autonomy to make decisions based upon data-driven information and strategic planning for the unit.

Academic revenue unit leadership will meet annually with the provost to determine the three-year plan for the dollar for dollar reduction in subvention and targets on appropriate margins for the college. Typically, and as a best practice a level of subvention is set and not changed over the course of a hold harmless period, typically three years. The unit is allowed to keep any margin improvements during this period to create an incentive for their accountability. But the level of subvention is not typically inevitable or constant over longer periods of time, also agreements on the level of subvention is also subject to adjustment in the event there are large external shifts like drastic changes imposed in appropriations that are cut or tuition roll backs or freezes.

Carry-Forward Balances

Current practice allows for units to have carry forward balances, based upon their respective vice president guidance. Under this model, revenue units would be allowed to roll forward their surpluses. Best practice, per our consultant's research, allows for a cap on roll forwards by academic as well as auxiliary units, typically in the range of 5% based upon annual revenues. Decisions have not been made on exact caps at this time, it is anticipated that a budget advisory council or the creation of an executive budget committee will provide guidance on balance carry forward caps and guidelines. Also, auxiliary units typically have two to three reserve carry forward balances they utilize. One is for operating reserves, another is for capital renewals and a third is sometimes created to provide for a down payment on a large capital project so that it will not have to be 100% financed. It should also be noted that several of those fee-generating support units like the Library and OIT will have a carry forward balance when setting aside funds for a large capital procurement. Provisions should be made to address support unit carry forward balances as well, and appropriate levels on balances. The university established reserve cost centers at the end of FY 17 for all vice president, associate vice president, and college levels to monitor carry forward balances, and to certify the funds are used for one-time needs rather than to provide ongoing sustainable funding of an annual operational budget. Any request to move reserves into an operational cost center will require adequate documentation and support for the use of those funds before a transfer is processed, as this is a financial best practice that was not in place before FY 18.

Deferred Maintenance

Under current practice, deferred maintenance costs have continued to grow for UTSA. The current balance of urgent deferred maintenance per facilities reporting is over $19 million, which does not address all deferred maintenance identified that totals over $100 million. Currently, UTSA typically receives $2 million in funds from UT System for Library Equipment Repair and Rehabilitation (LERR) and the majority of those funds have gone to deferred maintenance projects. Also, the university has provided an annual $2 million fund annually for renovations, which has been used to address some deferred maintenance items. Finally, an annual budget of $3 million is provided for deferred maintenance in plant fund. Occasionally, departmental renovations are funded by a department and these funds will address some minor deferred maintenance items, but this is not significant similar to the renovations budget. Under the new model, we recognize that more funding should be going towards deferred maintenance and a proposed calculation was provided by our consultants. At this time only, a target of additional deferred maintenance funding to be provided by the academic revenue units is included in the model at approximately $4 million dollars. This amount is in addition to the other sources already accounted for in plant fund. This deferred maintenance funding strategy does not address the needs of auxiliary units as they currently set aside their own reserves for needed deferred maintenance. Our committee determined this funding tendency by reviewing our Campus Replacement Value (CRV) for Educational and General Facilities and approximating from all sources a 1% fund. Best practice calls for funding in the range of 1.5% to 3% of CRV. Given the subvention was already fairly high for our academic units, this funding target is not yet achievable and therefore a contra reduction to only allow $1 million is in place in the model, only a .6% level of CRV. This decision should be revisited in the future by a budget advisory or assessment council.

Timing of Data

The Budget Task Force discussed the need to determine best practices for timing of the data to be used for budget decisions. Least responsive for an incentivized model would be using a three-year historical average. The most responsive would be to use a budget year forecast with year-end adjustment to reflect actuals. We recommend utilizing the more responsive method. The budget year will likely be based upon the most recently completed prior fiscal year data for semester credit hours, state appropriations, sponsored program activity, space, headcount, FTE, etc., and budget adjustments should be based upon strategic enrollment discussions and analysis.

Not only is the timing of data important but more assistance in gathering appropriate data is needed so that academic revenue units have data available that assist their efforts in being accountable for performance. They will be particularly interested in data at the program level and data that is accessible without issues surrounding data integrity. This will be a needed item when infrastructure is being addressed as part of the next steps in the model.

Governance

Governance is the final recommendation for the structural elements of the budget model. Various assessments conducted during the parallel year and ongoing will be needed. The current practice has not allowed for stakeholder groups to inform budgetary decisions. Therefore, we recommend that an opportunity for all units to have accountability for budget and resource use on an annual basis, and for resetting funding levels, be provided regularly. The budget decisions should focus on advancing strategic initiatives as well as revenue growth, lowering cost and providing services that are efficient and effective.

Stakeholders should be given multiple opportunities for greater input into budgetary decisions regarding resource allocations. We recommend that auxiliary units have a process to submit budget proposals that align with other campus budget proposal processes, including review by the Vice President for Business Affairs. This would involve full discussions of their respective business plans projections for three to five years.

The academic revenue units will present next year budget proposals and begin to develop longer range plans as well. The Provost will have the academic revenue units annually review plans, discuss subvention levels, carryforwards and other strategic uses of resources. New growth areas will be discussed that align with university and academic priorities. Some of the possible areas that can be reviewed for new growth opportunities are:

- Online enrollment
- Develop stackable certificate programs
- Increase summer term enrollment
- Launch market driven degree programs
- Increase class fill rates
- Improve student persistence and retention rates
- Generate more sponsored research
- Improve indirect cost recovery rate
- Attract more non-resident students (net student increase)
- Implement differential tuition based on market demand
- Secure new gifts and external sponsorships

Some of the areas both revenue units and support units can review for opportunities to reduce costs are:

- Leverage strategic sourcing and preferred vendor programs
- Evaluate administrative spans and layers for efficiencies
- Eliminate non-essential duplicative services in colleges
- Leverage technology to reduce effort to perform tasks
- Consolidate under-utilized sections
- Consider early buyout/retirement options
- Outsource non-core functions
- Optimize use of space
- Adequately maintain infrastructure to avoid costlier break-down from deferred maintenance
- Streamline functions and operations when possible

Finally, a new council, jointly co-chaired by the Vice President for Business Affairs and the Provost, will be established. The council will be comprised of Deans, academic chairs, and other academic business officers and an auxiliary representative who will serve for three to five year rolling terms. The council will review annual budget proposals from support units. In addition, the council members will conduct comprehensive support unit reviews on a rolling three-year cycle. The review will provide the support unit an opportunity to share operational plans, metrics, benchmarking and use of resources. The units will be asked to present plans they have or will have to reduce costs, to review service level satisfaction ratings, provide analysis of strengths, weaknesses, opportunities to improve efficiency and effectiveness, as well as threats and challenges to delivering quality services. Another governance group that already exists is the Space Planning Advisory Committee, which is newly charged and constituted to make it more strategic and to align with guidelines that fit within the new budget model, given that space is one of the drivers used in the model for facilities cost allocation.

All budget proposals after being reviewed by the new governance structures described above will then be recommended for an action to take forward or to modify before taken to an executive budget council, likely comprised of the Vice President for Business Affairs, Provost and the President. It is understood that the university's budget process under the new model will have to begin earlier to obtain the data needed and to actually perform the model allocations. The revenue units will have data needs in advance of budget planning. Also, a process to gather strategic fund proposals will need to be implemented near the beginning of the budget process as well. It is expected that these proposals would come from the various vice president offices and follow a review process by the president to issue the final decision. Therefore, a change from a five-month process before the budget goes to the UT system will now be more like a nine-month process starting in October 2018. UT system will still require a budget to be prepared in a specific format, so two budgets will exist for the university and require reconciliation to be fully transparent.

Timeline for Implementation

The task force considered a proposed timeline for implementation and decided that an accelerated implementation timeline allows benefits of the model to be realized sooner, attempts to avoid budget model redesign fatigue and finally maintains project momentum by offering immediate reward and risk to revenue units. Additionally, based upon the diagnostic report from Huron Consulting, by moving ahead with the implementation the model will have benefits of providing better tools that can provide for improvements in the financial stability of the university.

Table 4: Proposed Timeline for Implementation

	FY18 (September 17 – August 18)				FY19 (September 18 – August 19)				FY20 (September 19 – August 20)				FY21 (September 20 – August 21)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Suggested Implementation Timeline			Budget Model Development		Parallel Year/Hold Harmless Year + Infrastructure Development + Address Unit Level Modifications				"Live" Model (Year 1)				"Live" Model (Year 2)			

Finally, while it was not in the formal document as a recommendation from Huron, the guiding principles call for an assessment of the budget process periodically. As Chair of the Budget Task Force, I recommend the use of a council that is advisory to the president on the effectiveness of the new budget model and it should have representation from campus leadership from various sectors of the campus community. My recommendation is to ask the existing steering committee to serve in this capacity and to review those guidelines that will surface during the parallel year or even into the first several live model years, one and two. This council could also make recommendations on enhanced reporting needs, other communications to better improve the effectiveness of the new model, and overall other budgetary matter advice as they arise and have campus-wide impact.

This report does not address the next phase of budget process at UTSA which will be building upon a greater infrastructure, particularly in technical system improvements which are needed to adapt the new model with better integration of data and forecasting. This infrastructure is needed for both the colleges and our Budget and Planning Office. Our Budget and Business Information Systems offices have already started to investigate systems so that they may be fully operational as soon as practical. The full integration will adopt the final model allocation methods once accepted.

Along with the work to create a more robust infrastructure for the model, great need exists for additional meetings and forums to be provided to the campus with new terminology, concepts, processes and tools. Informational sessions and communication tools will be needed for the campus community during the parallel year. Additional vetting of the discussion points will need to be monitored to assure the model remains in alignment with the guiding principles and that the intended outcome as originally conceived is on track with expectations. The task force membership and the steering committee list is provided in Appendix E. I recommend continuation of the membership on this steering committee, as the members engaged the process throughout the timeframe of this project, offering appropriate discussion during meetings to assist with creating the recommendations found in this report. The steering committee also provided an excellent source of feedback during the stakeholder meetings and various events this past year.

Conclusion

In summary, ultimately the new budget model will allow the revenue units of the university, primarily the academic colleges, to exercise greater autonomy but also shoulder responsibility for the use of the resources. Allocations will reflect and be more closely tied to the university's mission and strategic plans. Both task forces related to strategic enrollment and student success will have significant impact and overlap or interrelated plans with the new budget model. The new budget model will allow for support units to demonstrate a greater connection of service and resource levels under a greater degree of accountability.

Appendix A: Model Income and Expense Statement Format

A	B	C	AG	CX	CZ	DA	DE
UTSA		FY 2017 Model Income Statement (Actuals)	Academic Units Total	Auxiliaries Total	Revenue Units Total	Support Units Total	Model Total
Row #	Allocation Type	Revenues					
18		TOTAL TUITION AND FEES					
19							
24		TOTAL SCHOLARSHIPS, FELLOWSHIPS, WAIVERS AND OTHER DISCOUNTS					
34		TOTAL STATE APPROPRIATIONS					
35							
40		TOTAL SPONSORED PROGRAMS AND F&A					
41							
44		TOTAL GIFTS, ENDOWMENT, AND OTHER INVESTMENT INCOME					
45							
52		TOTAL OTHER REVENUE					
53							
54		TOTAL REVENUE					
55		Expenses					
63		TOTAL PERSONNEL EXPENSES					
64							
79		TOTAL NON-PERSONNEL EXPENSES					
80							
81		TOTAL DIRECT EXPENSES					
82							
83		OPERATING MARGIN BEFORE SUPPORT UNIT COST ALLOCATIONS					
84		OPERATING MARGIN BEFORE SUPPORT UNIT COST ALLOCATIONS %					
85	Allocation Type	Support Unit Expense Allocation					
86		Academic Support Unit Total					
98		Administrative Support Total					
110		TOTAL SUPPORT UNIT ALLOCATIONS					
111		TOTAL DIRECT EXPENDITURES + TOTAL SUPPORT UNIT COSTS					
112							
113		OPERATING MARGIN AFTER SUPPORT UNIT COST ALLOCATION					
114		OPERATING MARGIN AFTER SUPPORT UNIT COST ALLOCATION %					
115							
116		Participation Fee Payment (Outflow)					
117		Subvention Pool Disbursement Inflow					
118		Strategic Investment Pool					
122		OPERATING MARGIN AFTER FEE PAYMENT AND DISBURSEMENT					
123		OPERATING MARGIN AFTER FEE PAYMENT AND DISBURSEMENT %					
124							
125		Provisions for Facility Renewal & Deferred Maintenance					
126							
127		TOTAL NET RESULTS					
128							
129		Beginning Carryforward/Reserve Balance					
130		Total Net Results					
131		ENDING CARRYFORWARD / RESERVE BALANCE					

Revenue Units

Revenues and Direct Costs

Support Unit Costs Allocated to Revenue Units

Participation Fee and Subvention

Appendix B: Tuition and Fees Charts Provided by Huron Consulting

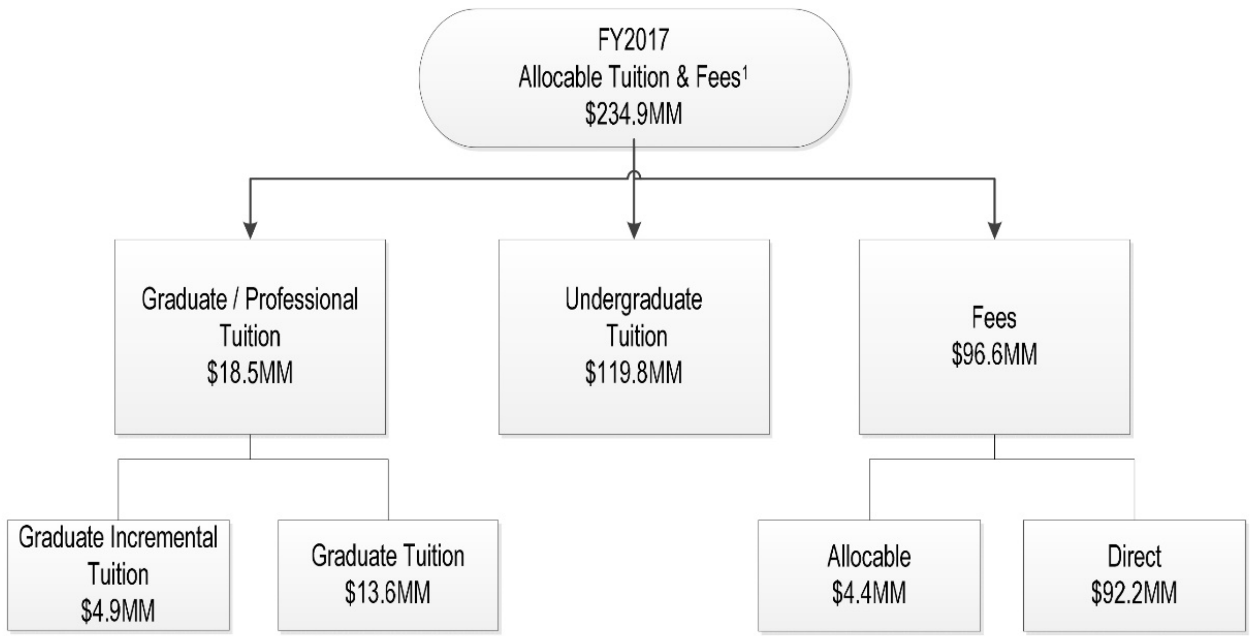


Figure 1

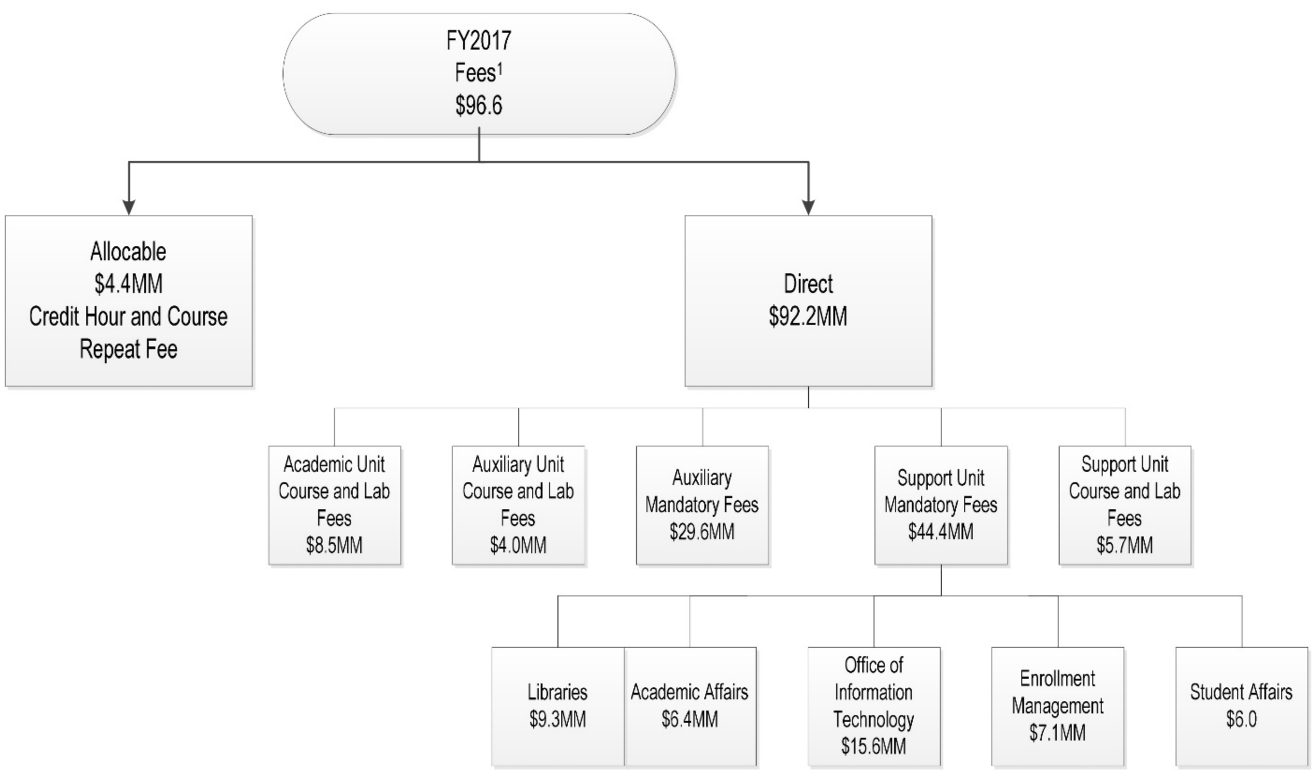
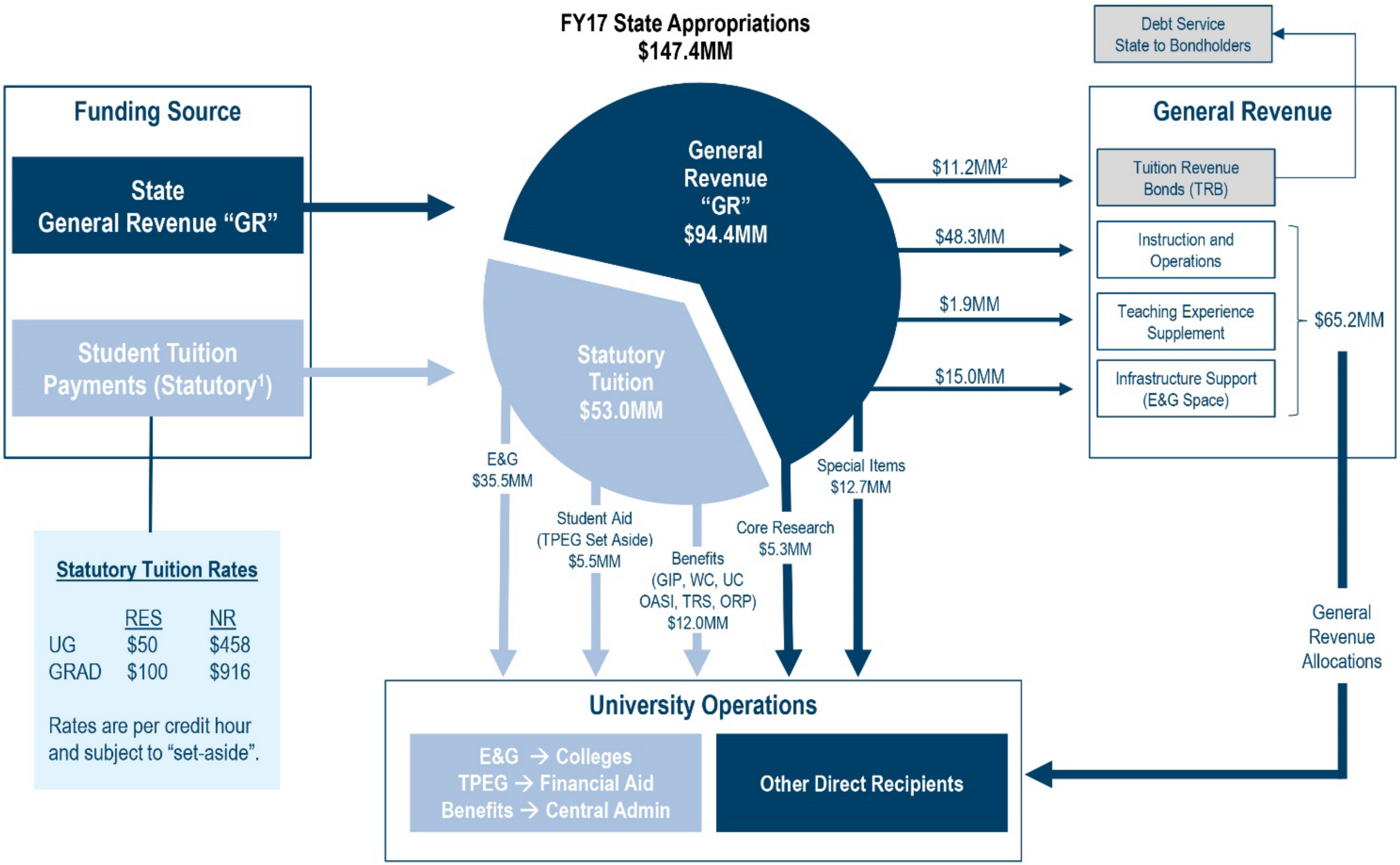


Figure 2

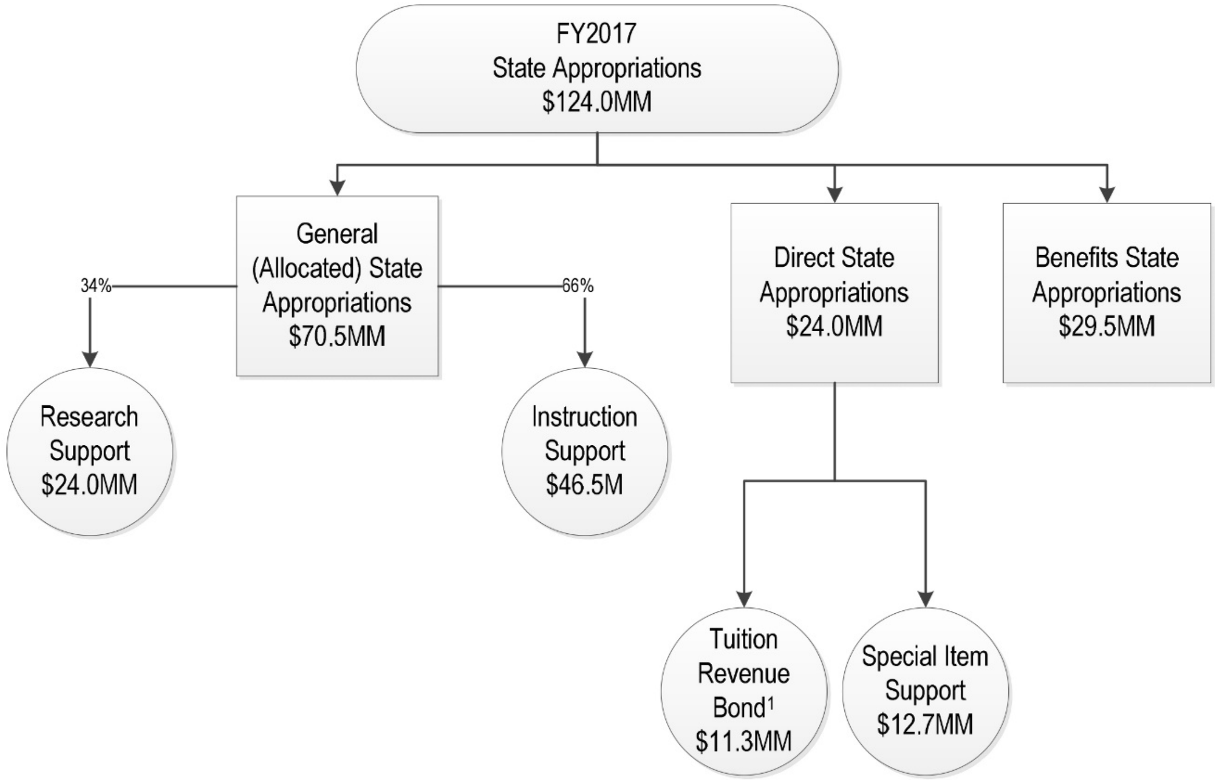
Appendix C: UTSA State Appropriations Funds Flow

As provided by Huron Consulting to the task force and in Budget 101 training to campus leadership



Appendix D: State Appropriations Flow

As provided by Huron Consulting to the task force.



Appendix E: Support Units under New Model

Assuming using FY 19 budget for parallel year.

Academic affairs	Student Full Time equivalent
Library	Faculty and Student full time equivalent
Enrollment management	Undergraduate student full time equivalent
Research Administration	Sponsored program revenue
Student affairs	Student full time equivalent
Student success	Student full time equivalent
Business Affairs	Revenue units' proportionate share of expense to total expense of all revenue units
External affairs	Revenue units' proportionate share of expense to total expense of all revenue units
Facilities utilities	Utilities for all Educational and general space will be allocated to only academic revenue units based upon proportionate share of net assignable space to total all academic revenue units' assignable space
Facilities admin	Administrative services will be allocated based up net assignable space for both academic units and auxiliaries
Facilities other	all other facilities support costs are allocated to academic revenue units based upon assignable space like utilities
Human Resources	Employee headcount per unit – does not include student employees
Office of President	Revenue units' proportionate share of expense to total expense of all revenue units
Information technology	Employee headcount
Public safety	Employee headcount

Appendix F: Task Force Membership as of July 25, 2019

Kathy Funk-Baxter Chair, *Vice President for Business Affairs*	
Kimberly Andrews Espy Co-Chair, *Provost and Vice President for Academic Affairs*	**Sam Gonzales** Co-Chair, *Vice President for Student Affairs*
Bernard Arulanandam Executive Sponsor, *Interim Vice President for Research, Economic Development and Knowledge Enterprise*	**Tammy Anthony** *Assistant Vice President for Budget, Planning & Development, VPBA*
Lisa Blazer *Interim Vice President for Strategic Enrollment*	**Natasha Burns** Faculty Senate Representative, *Associate Professor, Department of Finance, COB*
Andrea Chavez Staff Council Representative *Budget Performance/Project Analyst, Facilities Business Operations*	**Mariah Crippen** *Student Government Association Representative*
Margo DelliCarpini Dean, *College of Education & Human Development*	**Mark Stephen Giles** *Associate Professor, Department of Educational Leadership, COEHD*
Howard Grimes *Dean, College of Sciences*	**Rhonda M. Gonzales** *Interim Vice President for Student Success*
Jackie Hobson *Director of Student Affairs Budget/Finance, VPSA*	**Elvira Leal** President's Office Representative *Assistant Vice President for Strategic Initiatives, Office of the President*
Paul LeBlanc *Chair, Department of Communications, COLFA*	**Beth Manning** *Director of Research Financial Administration, VPR*
Harry Millwater *Associate Dean, College of Engineering*	**John Nix** Faculty Senate Representative *Professor, Department of Music, COLFA*
Gerry Sanders *Dean, College of Business*	**Can Saygin** *Interim Senior Vice Provost for Institutional Effectiveness and Strategic Initiatives & Dean, Graduate School, VPAA*
Steve Wilkerson *Associate Vice Provost for Institutional Effectiveness, VPAA*	**Bryan Wilson** *Interim Vice Provost for Information Technology & Chief Information Officer, VPAA*
Krystal Castillo Villar *Associate Professor, Department of Mechanical Engineering, COE*	

Appendix G: Steering Committee Membership

Kathryn Funk-Baxter, Vice President for Business Affairs
Kimberly Andrews Espy, Provost and Vice President for Academic Affairs
Sam Gonzales, Vice President for Student Affairs
Gerry Sanders, Dean, COB
Margo DelliCarpini, Dean, COEHD
Harry Millwater. Professor, COE
Paul LeBlanc, Professor, COLFA
Beth Manning, Assistant Vice President for Research Finance Operations
Steve Wilkerson, Associate Vice Provost for Institutional Effectiveness
Tammy Anthony, Assistant Vice President for Budget & Financial Planning
Rhonda Gonzales, Associate Vice Provost for Academic Affairs
Emily Bonner, Associate Professor, COEHD
Lisa Blazer, Senior Associate Vice President for Student Affairs
Can Saygin, Faculty Advisor to the President
Elvira Jacquez, Executive Director of Operations
Daniel Gelo, Dean, COLFA
John Murphy, Dean, COACP
Rogelio Saenz, Dean, COPP
JoAnn Browning, Dean, COE
Howard Grimes, Interim Dean, COS