FY21 Budget Planning & Ensuring UTSA's Best Possible Financial Future
April 30, 2020

From the President

Over the last month, we sent you several messages addressing UTSA's financial planning in light of our rapidly changing circumstances.

We are writing today to follow up on those messages and our very productive discussion sessions last week with the Academic Council, University Leadership Council, Faculty Senate, Staff Senate and our academic deans.

While ultimately this communication is about our FY21 budget setting process, it merits a much broader context. Most public health experts feel that returning to some normalcy will require an available and effective vaccine and antiviral therapies, especially if the pandemic rebounds or if immunity from infection is weaker than expected. This reality, coupled with the substantial disruption of our national economy, creates great uncertainty for universities and makes it challenging to plan for the future.

As you know, we have put cost management measures into place for the remainder of this fiscal year, but we are taking a hard look at what lies ahead for FY21 and beyond. Among the various anticipated impacts to our revenue streams, our attention is especially focused on our two principal sources of income: tuition and fees, and state support.

Across the nation, universities are debating if, and how best, to open in the fall or to delay opening in order to protect the health and safety of their communities. This uncertainty makes predicting our fall enrollment—and revenue from tuition and fees—difficult. As a conservative measure, we are planning for a 2.5% decline in tuition and fee revenue for this coming academic year.

Though the Texas economy is inherently strong, it is presently deeply impacted by the downturn in the oil and gas industry and the reduction in sales tax revenue. This, in turn, affects the general and education state funds on which UTSA relies. While there are important efforts happening to explore how best to reopen our economies—locally, in Texas and nationally—it is hard to predict when we will see full economic recovery to pre-pandemic conditions. Consequently, we are preparing for a conservative 10% cut in state appropriations coming to UTSA in FY21.

If these approaches turn out to be too conservative, our Incentivized Resource Management (IRM) principles allow us to adjust course.

The pandemic's economic reverberations will likely continue through FY21 and at least the coming FY22/23 biennium. While we expect our revenues to be affected over the next three years, our efforts will remain focused on maintaining our positive institutional trajectory toward our three strategic destinations.

Budget Planning Principles
Our budget plan was created, first and foremost, to ensure we are able to advance our commitments to our students' success and critical research. Every decision made was filtered through UTSA's mission, core values, identity, and strategic plans and destinations.

Specifically, these principles are shaping our overall budgetary planning and decisions:

- Keeping the health and safety of faculty, staff and students at the forefront.
- Retaining jobs, maintaining current salaries/pay rates and preserving employee benefits to the extent possible. Should our financial situation improve come spring semester and budget permitting, we may consider awarding pay adjustments to staff at the lowest pay ranges.
- Advancing the uninterrupted educational success of our students.
- Maintaining our overall commitment to be a university of research excellence and an engine of research discovery, innovation and creativity.
- Communicating the value and support of our faculty and staff and embracing a spirit of transparency.
- Pledging to lead from a position of strength for the benefit of our city and students: as a top public research university that serves as a model for student success and embraces its identity as a Hispanic Serving Institution.

Most importantly, our financial planning process will be participatory. Our deans, vice presidents and other administrators will lead the work to set balanced budgets within their respective colleges and divisions. The intent is to develop ***locally tailored solutions across all fund sources that are responsive to each unit's particular situations and opportunities,*** according to the principles described above.

Fiscal Year 2021 Budget Planning
Based on the state's economic condition and our revenue projections from enrollment, research and philanthropy, we are preparing for a **$37M reduction to unrestricted funding sources** from our FY21 estimated revenues of $371M.

The principal components of our FY21 budget plan are as follows:

- **Budget Reductions:** Our plan includes a 9% reduction in FY21 budgeted expenses across all fund sources for academic colleges, and a 10% reduction for all other university divisions. The different rate for academic colleges is motivated by our strong commitment to the academic success of our students. An additional 5% reduction across all fund sources will also be planned in case it is needed. Please note that sponsored projects, gifts and endowments are not included in these reductions.

- **Merit Raises:** There will be no merit raises in FY21.

  Recognizing that some of our staff are currently facing financial hardship due to the pandemic, we are replenishing the **Roadrunner Staff Emergency Fund** originally created by the Staff Senate. We, together with UTSA's other vice presidents, will contribute 10% of our salaries to the fund for the rest of this fiscal year. More details will be forthcoming about the fund, which will be supported by a fundraising effort through Vice President Karl Miller Lugo and his team in Development and Alumni Relations.

- **Hiring Freeze:** The hiring freeze will continue, but rare exceptions can be made at the discretion of vice presidents.

  - **Budgeted vacant positions must be thoroughly reviewed** prior to requesting they be filled, then forwarded to the divisional vice president for approval. Positions deemed not critical or essential should be eliminated permanently, and reorganizations considered.

  - **All new permanent position requests will need to be approved** by divisional vice presidents, with final approval by UTSA's Resource Management Team.

  - **The process for requests for FY21 faculty searches can proceed** with the recognition that T/TT hiring for fall 2021 will be dramatically reduced subject to each college's budget balancing process.

- **Current major capital projects will continue.** These projects are budgeted through funds already provided by UT System, the state or private donors. As such, they are restricted and cannot be used for other purposes. Minor capital project requests will be considered in light of available revenue sources after our FY21 budget exercise is complete.

Next Steps
Later today, leadership and financial representatives in each unit will receive more information and guidance on the FY21 budgeting process and how best to manage these adjustments. This information will also be available on the Business Affairs website.

The reductions in expenses, in particular, must be done carefully and strategically at the college and divisional levels to ensure we minimize the impact to our students and campus operations. Previous expenditure plans should be reviewed in light of institutional and college/divisional priorities to identify alternative budgeted funding sources, where needed, to support continued progress towards our goals.

The key to this planning will be for each college/division to determine how best to align operations and core services to resources while finding creative efficiencies. In recent weeks, we have seen many innovative examples of streamlining as a result of moving to online instruction and telecommuting in our fully digital, paperless environment. Now is the time to re-examine priorities and rethink needs, functions and resources to seek creative solutions on all fronts, and we know you all are up to the task.

Other considerations will necessarily include how best to reduce M&O expenses and suspend or delay these needs in order to reduce the impacts on our people. Some limited furloughs and layoffs/reductions-in-force may need to be an element of these conversations, though we are encouraging units to prioritize other cost-savings measures wherever possible.

While current events have impacted our ability to fully rollout IRM, we can nonetheless use many of its guiding principles going forward, particularly as units continue to work to control expenses and increase revenues. To that end, we are encouraging entrepreneurism by using the Strategic Investment Fund to support colleges and divisional units that have moved forward with efforts to increase net revenue. This process will be especially helpful as we navigate revenue uncertainties this fall.

Over the next two weeks, we will meet with the dean of every college, together with their leadership teams and department chairs, to begin budget preparations for FY21. We will also meet with each vice president and their leadership teams. We are fully committed to supporting every college/division through this process in the spirit of collaboration and transparency. Our FY21 budget is due to UT System this summer, and we expect the Board of Regents will approve it in August.

You can expect more information soon regarding our continued planning for this summer and fall. For now, allow us to thank you—today and always—for your patience, understanding and determined optimism for a brighter future. We have great faith that through our combined efforts and our determination to thrive, we will weather what lies ahead.