



OFFICE OF THE PRESIDENT
DR. CYNTHIA TENIENTE-MATSON

Memorandum

TO: Members of the University Resource Commission

FROM: Cynthia Matson, President

A handwritten signature in blue ink that reads "Cynthia Teniente Matson".

RE: Budget Decisions for FY2020

DATE: August 28, 2019

cc: President's Cabinet

As FY19 comes to a close, it can be characterized as a year marked by the uncertainty of the 86th Legislative session and the continual evolution and maturity of our campus environment. As you know from the legislative session, there was pervasive dialogue in both the house and senate finance committees about reducing dependency on transition funding and downward expansion funds. Ultimately, the final adopted legislation increased formula funding by a 21% and increased Institutional Enhancement by \$3M; however, there was a subsequent and significant change to our non-formula funding, with a mandated phase-out of 25% per biennium (maximum of 4) or at 6,000 FTSE, whichever comes first.

I appreciate the deliberations by the University Resources Commission during a time and under circumstances that made consistent planning difficult. I have carefully reviewed the advice offered in your June 18, 2019 memorandum. I also considered additional input provided by Commission Members and the President's Cabinet, suggesting that as we continue to grow, it may be best to *refine the URC processes* for more useful conversation and advice based on targeted requests.

As I examine our prospects for the next biennium, it is clear that we must act with diligence to responsibly align all our internal resources to our strategic priorities while also growing our enrollment. As you may recall, this is the first full year that our Enrollment Management Division has been in existence. This past spring, the President's Cabinet supported a funding request by VP McLelland to enlist the support of EAB to foster earlier and more consistent student outreach, and to better manage student communications through integrated data management and text messaging. Over the summer, I took the opportunity to further explore projected enrollment targets with current information based on actual trends. As we continue to mature, we are better at capturing data and analyzing trends in our student enrollment patterns. Based on the most current data, enrollment growth will continue, most likely at 3% for this academic year vs. the 6.2% used in earlier forecasts.

Given our modest enrollment growth, and in consideration of the URC's advice and in consultation with the President's Cabinet, I reduced the amount of funding that was available from the original estimate of \$3,542,805 down to \$1,726,898.

Based on this net new revenue modification, I have reviewed the requests for new funding and asked the Vice Presidents to prioritize their highest needs from among their earlier stated priorities (as reviewed by the URC). Additionally, I asked the CFO to incorporate a budget for FY20 that includes all available funds. The prior URC recommendations were limited to incremental revenue from state appropriations. (See attached "All Funds Budgeting Concepts" document). The updated forecasts led to **decisions that are in alignment with**, although not exactly the same as your original advice, and that are reflective of our highest Strategic Plan priority to build a National Model for Student and Academic Success, along with the remaining three strategic goals related to enrollment growth, partnerships and academic excellence.

Throughout the last fiscal year and into our near future, the campus will face many competing priorities for fiscal investment including space, operations and human talent. It is imperative that we continue to add the requisite facilities needed for critical instructional, academic support and student success activities. A summary of the near future facilities projects is listed below.

1. Chancellor Sharp has authorized Phase I of a new Academic Building which is now under construction with an anticipated opening of Fall 2020.
2. The Regents recently approved Phase II of the new Academic Building, which is now under design, but fundraising required to complete the project.
3. I have asked VP Spindle to provide a **new annual preauthorization** of all capital projects that are proposed to be funded through internal resources and Permanent University Funds (PUF). The campus must be cognizant of creating reserve pools for deferred maintenance along with meeting the needs of a growing campus.
4. Other facilities under preliminary concept and ideation aim to capitalize on the federal opportunity zone designation and include concepts such as a public-private partnership along the 410 frontage road, a student recreation facility with elements of a student union, and concepts for other public-private housing. I have provided guidance that any P3 projects must enhance either academic programs or the student experience.
5. As we embark on our intercollegiate athletics program, we will also need to consider how best to incorporate the necessary athletics facilities into our capital planning.

Several years ago, a number of fees that funded student services were combined into a single University Services Fee ("USF"). Over time, a portion of the USF has been used to help fund operations in areas other than those funded by the original fees. I have asked the Vice President for Business Affairs to review how we utilize the USF, with a view to dedicating as much of the USF as possible to the originally-supported areas.

The FY20 Budget Allocations: The following decisions are based on an allocation of new budget generated by **actual, post-census date enrollment, and the use of all funds available**. The forecasted growth is based on an FY20 projected net revenue growth of \$5,602,791. This amount was reduced by fixed costs and includes a bridge strategy to support prior year growth that was funded on one-time dollars for FY20 and FY21.

FY 2020 - new incremental revenue	\$ 5,602,791
Incremental committed expenses	
Fixed costs	
New positions/market/comp salary adjustments - including benefits (from FY 2019 - through April 30)	1,010,016
Contracts and property insurance premiums	978,393
Texas A&M University System assessments	223,569
Reservations for specific potential uses	
Article IX institutional enhancement appropriation	1,500,000
Merit raise pool (1.5%)	588,411 *
Total incremental committed expenses	4,300,389
Total available incremental revenue for allocation	\$ 1,302,402
Article IX institutional enhancement appropriation	1,500,000
Adjusted available incremental revenue	2,802,402
Allocations by division:	
Academic Affairs	850,580
Business Affairs	281,328
Enrollment Management	276,347
Student Affairs	194,408
University Advancement and External Relations	124,235
Total recurring revenue allocations	1,726,898
Remaining available incremental revenue	\$ 1,075,504

* Contingent on meeting Fall 2019 enrollment target.

The allocations by division shown above include half of the total amount needed to bridge prior year one-time funding to our base budget. The remainder (currently in the one-time funding allocation for each division) will be bridged to the base budget next year. In addition, \$450,000 of the new Institutional Enhancement funding will be allocated to base budget requests.

- **One-Time Funding Requests** - Available funding is from University operating reserves, adjusted for (1) an amount necessary to provide sufficient emergency funds (operating funds for three months), and (2) the movement of certain FY19 items into the base budget in FY20 and FY21. In total, **\$2,881,952** was available to fund one-time expenditures. The amount to be allocated as one-time funding requests will be \$1,719,348, as detailed below. These decisions **are in alignment with the original advice by the URC**.

One-time funding	
Sources:	
Operating reserves as of July 31, 2019	25,308,588
Less fee reserves unavailable for one-time allocation	(7,075,941)
Unallocated budget - available per non-formula funding bridge plan	1,192,152
Amount available for one-time expenditures before commitments	19,424,799
3-month operating reserve requirement	14,333,770
EAB contracts	426,194
Debt service - RFS funding for IT infrastructure	856,000
Athletic Start-Up Funds	250,000
Merit payment (one-time lump sum; 2.0%)	676,883
Total commitments and reservations	16,542,847
Total available for one-time funding	\$ 2,881,952
Allocations by division:	
Academic Affairs	\$ 625,580
Business Affairs	310,328
Enrollment Management	222,637
Student Affairs	203,708
University Advancement and External Relations	357,095
Total one-time funding allocations	\$ 1,719,348

FY 20 Budget Actions:

1. After census date, remaining new Institutional Enhancement dollars totaling \$1.05M will be allocated to support the highest priorities and that seed opportunities to advance the University for the long term. The President will consult with Cabinet and advise the URC on pending decisions and allocation.
2. In support of a bridging strategy and managing base expenditures, no new positions will be authorized using one-time dollars or outside of University Procedure 33.99.04.00.01, *Reclassifications and Transfers of Non-Faculty Employees*. A review mechanism will be established for unique needs for which base dollars may not be immediately available.
3. In support of a transparent fiscal environment throughout the FY20-21 biennium, new requests will be minimal. However, should funds become available; distributions may be based on funding available through the President's Strategic Plan Seed Funding.
4. The Vice President for Business Affairs shall work with the President's Cabinet and the URC to examine the methodology and allocation of University Service Fee (USF). A report will be provided to the URC and Cabinet no later than December 1, 2019. The intent is to explore, as practical, the original intent of the USF and adequate support for academic and student program growth.

5. A report, on the amount, allocation, and programmatic usage of the Student Recreation Fee and the pending athletics program development no later than November 1, 2019.
6. An update on administrative costs to ensure maximum efficiency for internal operations between (10 – 13%) of the University's operating budget.
7. An update on funding allocations used to fund campus wide technology priorities through the various governance groups.
8. An update on all internal accounts that generate auxiliary activity and its proposed usage shall be examined by the URC with a final report to the President's Cabinet no later than December 3, 2019.

These fiscal resource decisions will be transmitted to the Vice President for Business Affairs for formal implementation in the technical submission process. A formal communication will occur to the entire University community regarding the budget decisions described herein and posted on the URC website.

I applaud each Commission member for your role in shared governance and the betterment of the University. Thank you for your continued support of the shared governance process.