Following the Money Trail
From Austin to College Station

Understanding Higher Education Finance and the Role of the Texas Legislature

Deborah Wright
Assistant Vice President, Budget and Planning
Contents

• State of Texas Budgeting
• Higher Education Funding in Texas
• Texas A&M University Budget
• Budget Reduction/Reallocation
State of Texas Budgeting
A Few Texas Facts…

• The Republic of Texas was formed in 1836
• Texas was admitted as the 28th state of the Union in 1845
• Texas has been governed by six different flags:
  - Spanish
  - Mexican
  - Confederate States
  - French
  - Republic of Texas
  - United States
• The King Ranch in Texas is bigger than the state of Rhode Island
• Texas is the only state to enter the US by treaty instead of territorial annexation
Texas Legislature

- The Texas Legislature convenes in Austin for a 140 day regular session every two years in odd-numbered years. The 82nd Legislature convened on Jan 11, 2011.

- The Texas Senate has 31 senators elected to 4 year terms

- The Texas House has 150 representatives elected to 2 year terms

- The highest elected official is the Governor, although the Texas Governor is considered weak in formal powers
The budget is the essence of public policy
The budget process is political
Texas prepares a 2 year (biennial) budget
Four Phase budget process:
1. Planning and proposal – statewide vision from the Governor
2. Legislative action – Agency Strategic Plans, Legislative Appropriations Request (LAR) and General Appropriations bill draft
3. Review and approval by comptroller and governor – final vote on general appropriations bill
4. Implementation and monitoring
The budget players in Texas:
- Legislative Budget Board (LBB)
- Comptroller of Public Accounts
- Office of the Governor
- State Auditor’s Office

A Legislative Appropriations Request (LAR) is prepared by each state agency.

The General Appropriations bill is prepared by the LBB and filed in each house of the legislature at the beginning of the regular session. The bill contains the recommended budget for each state agency.
## Budget Timeline

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 11, 2011</td>
<td>82^{nd} Regular Session Begins</td>
</tr>
<tr>
<td>January</td>
<td>LBB Base Bill; Governor’s State of the State; and Comptroller’s revenue estimate issued; Legislative Committees and Chairs named in House and Senate</td>
</tr>
<tr>
<td>Feb. – March</td>
<td>House Appropriations bill hearings and mark-up</td>
</tr>
<tr>
<td>Feb. – March</td>
<td>Senate Finance appropriations bill hearings &amp; mark-up</td>
</tr>
<tr>
<td>April – May</td>
<td>Emergency/Supplemental appropriations bill finalized</td>
</tr>
<tr>
<td>April – May</td>
<td>Conference Committee on appropriations bill</td>
</tr>
<tr>
<td>May 30, 2011</td>
<td>End of 82^{nd} Regular Session</td>
</tr>
<tr>
<td>June</td>
<td>Comptroller certification</td>
</tr>
<tr>
<td>June 19, 2011</td>
<td>Last day for Governor’s vetoes (20 days after close of session)</td>
</tr>
</tbody>
</table>
The Texas Biennial Budget Cycle

GOBPP - Governor's Office of Budget, Planning, and Policy
LBB - Legislative Budget Board
SFC - Senate Finance Committee
HAC - House Appropriations Committee

Budget Instructions to All Agencies

Agency Budget Request Submitted to LBB & GOBPP (July-August)

GOBPP Analysis of Requests

Public Hearings for Agencies Conducted by LBB & GOBPP (August-October)

LBB Analysis of Requests

LBB may meet to act on staff recommendations (September-December)

LBB Recommended Budget & Appropriations Bill to Legislature (January)

Governor Submits Executive Budget to Legislature

Legislature

Senate Finance Committee (January)

SFC Subcommittees

Public Hearings (January-February)

SFC Mark-up (February-March)

SFC Recommendations to Full Senate (April)

Senate Version

House Appropriations Comm. (January)

HAC Subcommittees

Public Hearings (January-February)

HAC Mark-up (February-March)

HAC Recommendations to Full House (April)

House Version

Conference Committee (April-May)

Committee Version

Senate

Comptroller

Governor

State Agencies

House
What to Expect for 2012-2013

Where will legislators spend their time:

• Texas is in a budget crisis and current estimates show a $26-$28 billion budget hole
  – No Washington money this session
  – Controversy over the rainy day fund
  – Possible special sessions to balance the budget

• The 82nd Legislative session is a redistricting session based upon the census done every 10 years
State Budget Forecast

“One-Time” Money Balanced the 2010-2011 Budget

General Revenue (GR) $75.0 billion
Federal Incentive Funds (ARRA) 6.4 billion
Carryover from Previous Session 3.0 billion
Cash on Hand 2.6 billion

2010-2011 General Revenue Budget $87.0 billion

Actual Receipts (82.7 billion)

Projected Deficit for 2010-2011 ($4.3 billion)
Projected Budget Deficit Entering 2012-2013

Revenue Shortfall:

- Federal Incentive Funds (ARRA) $6.4 billion
- Carryover from Previous Session 3.0 billion
- Cash on Hand 2.6 billion
- 2010-2011 Shortfall 4.3 billion

Sub-total $16.3 billion

Increased Expenses:

- Medicaid 4.5 billion
- Education (K-12) 5.5 billion

Total Projected General Revenue Shortfall $26.3 billion
Impacts of House Bill 1 and Senate Bill 1 to Texas A&M

HB1:
- $53.1M cut for the biennium after 5% FY2010-11 rescission; $78.4M compared to original baseline
- 25% reduction to special items
- Financial Aid Reductions

SB1:
- $34.8M cut for the biennium after 5% FY2010-11 rescission; $60.1M compared to original baseline
- 25% reduction to special items
- Financial Aid Reductions
Redistricting

• Boundaries of elective districts are redrawn to maintain equal representation on the basis of population
  – Texas grew more than any other state
  – Texas adding more congressional seats than any other state
  – Each district represents over 710,000 people

• Impacts Political Representation
  – Texas House of Representatives
  – Texas State Senate
  – Texas Congressional Districts
  – State Board of Education Districts
Higher Education Funding in Texas
Funding Higher Education in Texas

• Public institutions serve about 90% of the 1.2 million students enrolled in higher education in Texas.

• All institutions in Texas have goals of instruction, research and public service; however, each has a unique set of academic offerings and a unique regional or statewide mission.
Funding Higher Education in Texas

• Institutions of Higher Education receive lump sum, estimated appropriations.

• Unlike other state agencies, higher education institutions are not bound to spend the appropriation within the specified strategy.

• The Texas Constitution prohibits (with limited exceptions) the use of General Revenue funds for construction projects

• The General Appropriations act prohibits the use of appropriated funds for auxiliary purposes
Funding Higher Education in Texas

- **Formula Funding**: The formulas are used to distribute higher education funding among the state institutions.
- **Non-Formula**:
  - Special Items – activities not funded by the formula, but specifically designated by the Legislature for state support
  - Available University Fund (AUF) – UT (gets 2/3) and TAMU Systems (gets 1/3)
  - Group Insurance – funds health insurance benefits for employees funded by General Revenue

![Pie chart showing appropriations by type of institution for 08-09 biennium]

- General Academics: 39.2%
- Health related: 31.7%
- Community and Technical colleges: 14.6%
- A&M System Agencies: 10.2%
- Other Higher Education: 4.2%
Formula Funding in Higher Education

- Instruction and Operations Formula
  - 80% of formula funds
  - Based upon Weighted Semester Credit Hours at each Institution.

- Teaching Experience Supplement
  - 3% of formula funds
  - Additional 10% weighting as incentive for the institution to assign tenure/tenure track faculty to teach undergraduate students

- Infrastructure Support Formula
  - 17% of formula funds
  - Driven by predicted square feet and utility costs for the institution and is used for operations, maintenance and utilities
Formula Funding at Texas A&M

- In order to maximize formula funding, Texas A&M administration has to carefully balance generating formula dollars with the service/research mission:
  - More students
  - Small classes
  - Tenured and tenure track faculty
  - Transfer students versus freshman
  - Undergraduate or graduate

- Maximize the formula income by working smarter

- Through collaboration, discover ways to make the formulas work for us more efficiently without trading quality for income
Texas A&M University Budget
Texas A&M University
Organizational Chart
Fund Groups Included in the TAMU Annual Operating Budget

• Educational & General (E&G)
  – State Appropriated Funds

• Designated Funds
  – Purpose defined by the Board of Regents (BOR)

• Auxiliary Enterprises
  – TAMU Business Enterprises

• Restricted Funds
  – Gift, Grant, Contract Accounts
E&G and Designated Funds

• E&G (also referred to as “State” funds)
  – Appropriated sources of revenue
    • General Revenue (Formula driven)
    • State Minimum Tuition and Lab Fees
    • Available University Fund distribution (AUF)

• Designated funds (also referred to as “Local” funds)
  – Accounts designated for a specific purpose by the BOR
  – Purpose is not restricted by an outside source
  – Examples: designated tuition, course fees, field trip fees, computer access fees, service departments, indirect cost return, conferences/short courses, etc.
Auxiliary Enterprises

• Auxiliary Enterprise Accounts
  – Enterprises that provide services to students, staff, faculty, and the general public
    • Dining Services
    • Transportation Services
    • Recreational Sports
    • Student Center Complex
    • Residence Halls
    • A. P. Beutel Health Center
    • Athletics
    • Airport, Golf Course, Sports Camps, etc.
  – Enterprises must be self-supporting
Restricted Funds

- **Restricted Fund Accounts**
  - Funds are restricted to a specific purpose by donors from outside TAMU
    - Scholarships and fellowships
    - Research gifts, grants and contracts
      - Federal
      - State
      - Private
    - Gift Funds
      - Unrestricted – Use must be tied to the mission of the University
      - Restricted – Gifts given for a very specific purpose. Must be used as designated by the donor.
Revenue Budget
## Revenue Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>Functional and General</th>
<th>Designated</th>
<th>Auxiliary Enterprises</th>
<th>Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State Appropriations</strong></td>
<td>$311,330,557</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$311,330,557</td>
</tr>
<tr>
<td><strong>Tuition and Fees (Net of Discounts)</strong></td>
<td>69,518,837</td>
<td>239,957,471</td>
<td>27,889,174</td>
<td>$</td>
<td>337,365,482</td>
</tr>
<tr>
<td><strong>Remissions and Waivers</strong></td>
<td>800,000</td>
<td>7,500,000</td>
<td>300,000</td>
<td>$</td>
<td>8,600,000</td>
</tr>
<tr>
<td><strong>Contracts and Grants</strong></td>
<td>44,081,981</td>
<td>19,620,950</td>
<td>47,340</td>
<td>174,609,964</td>
<td>238,360,235</td>
</tr>
<tr>
<td><strong>Gifts</strong></td>
<td>$</td>
<td>2,216,254</td>
<td>13,710,487</td>
<td>39,673,777</td>
<td>55,600,518</td>
</tr>
<tr>
<td><strong>Sales &amp; Services (Net)</strong></td>
<td>23,411,210</td>
<td>37,625,427</td>
<td>155,701,931</td>
<td>5,667,023</td>
<td>222,405,591</td>
</tr>
<tr>
<td><strong>Investment Income</strong></td>
<td>1,723,420</td>
<td>3,358,467</td>
<td>2,193,922</td>
<td>5,183,208</td>
<td>12,459,017</td>
</tr>
<tr>
<td><strong>Other Operating Income</strong></td>
<td>25,000</td>
<td>12,651,637</td>
<td>802,050</td>
<td>217,703</td>
<td>13,696,390</td>
</tr>
<tr>
<td><strong>Other Non-Operating Income</strong></td>
<td>$</td>
<td>125,000</td>
<td>$</td>
<td>$</td>
<td>125,000</td>
</tr>
<tr>
<td><strong>Subtotal Revenue</strong></td>
<td>450,891,005</td>
<td>323,055,206</td>
<td>200,644,904</td>
<td>225,351,675</td>
<td>1,199,942,790</td>
</tr>
<tr>
<td><strong>Available University Fund (AUF)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>AUF Operations</strong></td>
<td>52,165,543</td>
<td>534,957</td>
<td></td>
<td></td>
<td>52,700,500</td>
</tr>
<tr>
<td><strong>AUF - Prop 17</strong></td>
<td>12,529,945</td>
<td></td>
<td></td>
<td></td>
<td>12,529,945</td>
</tr>
<tr>
<td><strong>AUF - Additional Disbursement</strong></td>
<td></td>
<td>23,769,555</td>
<td></td>
<td></td>
<td>23,769,555</td>
</tr>
<tr>
<td><strong>Subtotal AUF</strong></td>
<td>64,695,488</td>
<td>24,304,512</td>
<td></td>
<td></td>
<td>89,000,000</td>
</tr>
<tr>
<td><strong>Total Revenues &amp; Transfers</strong></td>
<td>$515,586,493</td>
<td>$347,359,718</td>
<td>$200,644,904</td>
<td>$225,351,675</td>
<td>$1,288,942,790</td>
</tr>
</tbody>
</table>
Budgeted Revenue by Source

- State Appropriations: 24%
- Tuition and Fees (Net): 26%
- Remissions and Waivers: 1%
- Contracts and Grants: 19%
- Gifts: 4%
- Sales & Services (Net): 17%
- Other Operating Income: 1%
- Investment Income: 1%
- AUF: 7%

Total Revenues (including AUF): $1,288,942,790
Budgeted Revenue by Fund Group

Total Revenues (including AUF): $1,288,942,790
Expense Budget
## Expense Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>Functional and General</th>
<th>Designated</th>
<th>Auxiliary Enterprises</th>
<th>Restricted</th>
<th>Plant Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries - Faculty</td>
<td>$ 232,821,071</td>
<td>$ 13,362,640</td>
<td>$ 26,186</td>
<td>$ 21,900,300</td>
<td></td>
<td>$ 268,110,197</td>
</tr>
<tr>
<td>Salaries - Non-Faculty</td>
<td>131,151,550</td>
<td>70,443,060</td>
<td>46,591,009</td>
<td>43,994,452</td>
<td></td>
<td>292,180,071</td>
</tr>
<tr>
<td>Wages</td>
<td>8,500,000</td>
<td>13,409,749</td>
<td>17,337,248</td>
<td>29,060,873</td>
<td></td>
<td>68,307,870</td>
</tr>
<tr>
<td>Benefits</td>
<td>89,882,570</td>
<td>23,020,846</td>
<td>14,829,983</td>
<td>15,502,538</td>
<td></td>
<td>143,235,937</td>
</tr>
<tr>
<td>Utilities</td>
<td>8,833,370</td>
<td>51,203,617</td>
<td>18,689,413</td>
<td>626,624</td>
<td></td>
<td>79,353,024</td>
</tr>
<tr>
<td>Scholarships (Net of Discounts)</td>
<td>28,500,000</td>
<td>64,804,701</td>
<td>7,070,000</td>
<td>(39,442,730)</td>
<td></td>
<td>60,931,971</td>
</tr>
<tr>
<td>Operations and Maintenance</td>
<td>18,479,337</td>
<td>142,411,094</td>
<td>84,018,081</td>
<td>55,246,015</td>
<td></td>
<td>300,154,527</td>
</tr>
<tr>
<td>Equipment (Capitalized)</td>
<td>22,000</td>
<td>19,811,745</td>
<td>5,165,447</td>
<td>1,714,612</td>
<td></td>
<td>26,713,804</td>
</tr>
<tr>
<td>Total Expense (Less Service Depts)</td>
<td>518,189,898</td>
<td>398,467,452</td>
<td>193,727,367</td>
<td>128,602,684</td>
<td></td>
<td>1,238,987,401</td>
</tr>
<tr>
<td><strong>Net Service Departments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(11,931,662)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(11,931,662)</td>
</tr>
<tr>
<td>Total Expense</td>
<td>518,189,898</td>
<td>386,535,790</td>
<td>193,727,367</td>
<td>128,602,684</td>
<td></td>
<td>1,227,055,739</td>
</tr>
<tr>
<td><strong>Transfers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement of Indebtedness</td>
<td>(6,773,988)</td>
<td>(11,949,838)</td>
<td>(22,005,746)</td>
<td></td>
<td>(23,992,685)</td>
<td>(64,722,257)</td>
</tr>
<tr>
<td>Other Transfers</td>
<td>9,377,393</td>
<td>51,223,851</td>
<td>19,994,465</td>
<td>(103,005,948)</td>
<td>22,410,239</td>
<td>(64,722,257)</td>
</tr>
<tr>
<td>Total Transfers</td>
<td>2,603,405</td>
<td>39,274,013</td>
<td>(2,011,281)</td>
<td>(103,005,948)</td>
<td>(1,582,446)</td>
<td>(64,722,257)</td>
</tr>
<tr>
<td>Net Expenses &amp; Transfers</td>
<td>$ 515,586,493</td>
<td>$ 347,261,777</td>
<td>$ 195,738,648</td>
<td>$ 231,608,632</td>
<td>$ 1,582,446</td>
<td>$ 1,291,777,996</td>
</tr>
</tbody>
</table>
Budgeted Expenses by Fund Group (including transfers)

Total Expenses (including transfers): $1,227,055,739
Budgeted Expenses by Category (including transfers)

Total Expenses (including transfers): $1,291,777,996

- Total Compensation: 60%
  - Salaries - Faculty: 21%
  - Salaries - Non-Faculty: 23%
- Operations and Maintenance: 22%
- Equipment (Capitalized): 5%
- Debt Payments & Transfers: 2%
- Utilities: 6%
- Scholarships (Net): 5%
- Benefits: 11%
- Wages: 5%
Budgeted E&G Expenses by Category

Total E&G Expenses: $518,189,898

- Salaries - Faculty: 45%
- Salaries - Non-Faculty: 25%
- Benefits: 17%
- Wages: 2%
- Scholarships (Net): 6%
- Operations and Maintenance: 5%

Total Compensation: 89%
<table>
<thead>
<tr>
<th>Description</th>
<th>Functional and General</th>
<th>Designated</th>
<th>Auxiliary Enterprises</th>
<th>Restricted</th>
<th>Plant Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Affairs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>$31,052,555</td>
<td>$5,795,445</td>
<td>$</td>
<td>-</td>
<td>$4,378,928</td>
<td>41,226,928</td>
</tr>
<tr>
<td>Architecture</td>
<td>13,593,737</td>
<td>2,599,114</td>
<td>-</td>
<td>-</td>
<td>2,373,500</td>
<td>18,566,351</td>
</tr>
<tr>
<td>Business</td>
<td>26,694,755</td>
<td>13,380,155</td>
<td>-</td>
<td>-</td>
<td>6,864,798</td>
<td>46,939,708</td>
</tr>
<tr>
<td>Bush School</td>
<td>5,200,335</td>
<td>2,137,177</td>
<td>-</td>
<td>-</td>
<td>999,050</td>
<td>8,336,562</td>
</tr>
<tr>
<td>Education</td>
<td>19,703,373</td>
<td>5,317,768</td>
<td>-</td>
<td>-</td>
<td>9,348,770</td>
<td>34,369,911</td>
</tr>
<tr>
<td>Engineering</td>
<td>55,936,497</td>
<td>8,833,354</td>
<td>-</td>
<td>-</td>
<td>10,513,552</td>
<td>75,283,403</td>
</tr>
<tr>
<td>Geosciences</td>
<td>13,426,826</td>
<td>2,048,695</td>
<td>-</td>
<td>-</td>
<td>6,652,285</td>
<td>22,127,806</td>
</tr>
<tr>
<td>Liberal Arts</td>
<td>47,259,554</td>
<td>8,155,321</td>
<td>-</td>
<td>-</td>
<td>5,927,000</td>
<td>61,341,875</td>
</tr>
<tr>
<td>Science</td>
<td>45,980,999</td>
<td>12,266,352</td>
<td>54,149</td>
<td>-</td>
<td>11,239,670</td>
<td>69,541,170</td>
</tr>
<tr>
<td>Veterinary Medicine</td>
<td>45,273,441</td>
<td>9,917,533</td>
<td>-</td>
<td>-</td>
<td>2,324,040</td>
<td>57,515,014</td>
</tr>
<tr>
<td>Non-College</td>
<td>62,469,864</td>
<td>180,505,669</td>
<td>13,000</td>
<td>-</td>
<td>90,973,435</td>
<td>333,961,968</td>
</tr>
<tr>
<td>Qatar - Branch Campus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>72,228,896</td>
</tr>
<tr>
<td>Subtotal Academic Affairs</td>
<td>366,591,936</td>
<td>250,956,583</td>
<td>67,149</td>
<td>-</td>
<td>223,823,924</td>
<td>841,439,592</td>
</tr>
<tr>
<td>Administration</td>
<td>28,951,368</td>
<td>54,478,678</td>
<td>6,537,694</td>
<td></td>
<td>258,169</td>
<td>92,550,909</td>
</tr>
<tr>
<td>Finance</td>
<td>11,526,805</td>
<td>6,187,741</td>
<td>62,000</td>
<td></td>
<td></td>
<td>17,776,546</td>
</tr>
<tr>
<td>Global Initiatives</td>
<td>905,784</td>
<td>166,522</td>
<td></td>
<td></td>
<td></td>
<td>1,072,306</td>
</tr>
<tr>
<td>Marketing &amp; Communications</td>
<td>2,240,271</td>
<td>557,145</td>
<td></td>
<td></td>
<td></td>
<td>2,797,416</td>
</tr>
<tr>
<td>Operations</td>
<td>504,302</td>
<td>9,633,083</td>
<td>48,549,694</td>
<td>452,784</td>
<td>105,000</td>
<td>58,792,079</td>
</tr>
<tr>
<td>President</td>
<td>1,827,574</td>
<td>9,030,679</td>
<td>64,346,340</td>
<td>4,452,784</td>
<td>79,656,871</td>
<td></td>
</tr>
<tr>
<td>Student Affairs</td>
<td>2,368,376</td>
<td>19,459,705</td>
<td>73,785,757</td>
<td>642,261</td>
<td>96,256,099</td>
<td></td>
</tr>
<tr>
<td>University Funds</td>
<td>103,273,482</td>
<td>47,997,316</td>
<td>440,733</td>
<td>(103,059,498)</td>
<td>48,645,583</td>
<td></td>
</tr>
<tr>
<td>Net Service Department Expense</td>
<td>-</td>
<td>(11,931,662)</td>
<td>-</td>
<td>-</td>
<td></td>
<td>(11,931,662)</td>
</tr>
<tr>
<td>Total Texas A&amp;M University</td>
<td>518,189,898</td>
<td>386,535,790</td>
<td>193,727,367</td>
<td>128,602,684</td>
<td>1,227,055,739</td>
<td></td>
</tr>
<tr>
<td>Retirement of Indebtedness &amp; Transfers</td>
<td>2,603,405</td>
<td>39,274,013</td>
<td>(2,011,281)</td>
<td>(103,005,948)</td>
<td>(1,582,446)</td>
<td>(64,722,257)</td>
</tr>
<tr>
<td>Grand Total Texas A&amp;M University</td>
<td>$515,586,493</td>
<td>$347,261,777</td>
<td>$195,738,648</td>
<td>$231,608,632</td>
<td>$1,582,446</td>
<td>$1,291,777,996</td>
</tr>
</tbody>
</table>
Historical Expenditure
Budget Perspective

Based on Annual Operating Budgets: Current Fund Operating Expenses

Surpassed $1B mark for the first time in FY2006
Budget Reduction/Reallocation
FY 2010 and FY 2011 Budget Reduction Plans

- November 2009 - State Comptroller announces that revenues have “weakened substantially as the national recession began exerting its full influence on Texas”
- January 2010 – Governor, Lt. Gov. and Speaker of the House request that each state agency submit a plan to identify savings in priority increments totaling 5% of the GR and GR-Dedicated appropriations for the 2010-11 biennium
- Summer 2010 – Budget reversions for FY 2010 sent to the State of Texas; Budget reductions implemented for FY 2011.
- December 2010 – Governor, Lt. Gov. and Speaker of House direct state agencies to identify additional 2.5% savings in FY 2011 budget
TAMU Budget Reduction Plan

• Texas A&M University – College Station
  – $28M reduction
    • No across the board cuts
      – Each Vice President and Dean provided with a reduction target
    • Flexible hiring freeze
      – All vacant positions must be approved by Vice President or Dean
    • No merit or pay plan programs for FY 2011
      – Exceptions: faculty promotions, equity increases
    • Expansion of procurement/processing efficiencies
      – Bulk purchases of computers, electronic document delivery
    • Elimination or consolidation of low producing programs
      – Non-degree, certificate programs
    • Targeted operational budget reductions
      – Travel, printing, postage, etc.
    • Position savings
      – Job sharing
Reduction Plans for Peers

- **UT-Austin**
  - $29M reduction
    - Instituting a hiring freeze
    - Implementing strategic efficiencies and reductions campus wide
    - Utilization of trademark licensing revenues
    - Deferral of capital projects

- **Texas Tech University**
  - $14M reduction
    - Restructure & re-evaluate unfilled positions
    - Adjusted base level of operating expenses
    - Reduce travel expenses by 10%
Appropriations Scorecard
Comparison of Higher Education’s Share of 5% Reduction to All Funds Budget, 2010-11

All Funds Budget

- Public Education: 29%
- Health and Human Services: 33%
- Higher Education: 12%
- General Government: 2%
- ARRA: 3%
- Natural Resources: 7%
- Business and Economic Development: 11%
- General Provisions: 0%
- Public Safety and Criminal Justice: 6%
- Judiciary: 0%

5% Reduction

- Higher Education: 41%
- Health and Human Services: 16%
- General Government: 13%
- Natural Resources: 7%
- Business and Economic Development: 1%
- Public Education: 11%
- Public Safety and Criminal Justice: 8%
- Arra: 1%
- Judiciary: 0%
- Regulatory: 2%
- Legislative: 1%
FY 2012 and FY 2013 Budget Reallocation Plans

• May 2010 – Received Legislative Appropriations Request (LAR) instructions from the state.
  – Starting point reflects 5% reduction implemented for FY 2010 and FY 2011
  – Submission should reflect an additional 10% reduction

• Summer 2010 – TAMU Budget Reallocation
  – Memo Distributed to Vice Presidents and Deans
    • $39M potential state reduction for TAMU
    • $21M reallocation for strategic priorities
  – Targets Established and Plans Developed for TAMU Units
  – Open Forums Held
  – Working Group Formed
TAMU Reallocation Process

**Strategic Budget Reallocation Process FY 2012**

**PHASE 0**
July 27th–August 27th
- **Design Process**
- Input: campus recommends processes and procedures
- Feedback period for modification of drafted process ends 9/1/10

**PHASE 1**
September 1st–September 30th
- **Gather Input**
- Input: campus continues suggestions and feedback via email, forums, and dialogue within groups, colleges, and divisions as part of strategic planning

**PHASE 2**
October 1st–November 1st
- **Formulate Recommendations for Action**
- Action: Working Group reviews all inputs; proposes funding levels, priorities, criteria for selection, and timelines
- Working Drafts available for feedback from October 15-29
- 11/1/10—Recommendations to President and Interim Provost for Funding levels, Priorities, Criteria, and Processes.

**Working Group:**
- Co-Chairs: Pam Matthews (LA) and Karen Butler-Purry (EN)
- Jerry Strawser (Dean convener, MB)
- Glen Laine (Academic DH convener, VM)
- 5 Faculty: 2 Faculty Senate reps (not from LA, EN, MB, VM), 2 CPI reps (not from LA, EN, MB, VM, or 2 Fac. Sen reps’ colleges), 1 NTF Org.
- 2 USC
- 5 students: SBP, MSC Pres, Stud Sen. Speaker, 2 GSC, Deborah Wright (President budgets)
- Joe Pettibon (Provost finances)
- 3 VPs (Taylor, Crain, Cantrell)

**PHASE 3**
November – FY12 Budget Prep
- **Implement Recommendations**
- Action: Implement recommendations and associated reallocations

**Final FY12 Budget will be known following legislative session**

Some funds may be committed for distribution early and others will have to wait until the results of budget determined by legislators.

*A&M Action 2015 updated and refined*
Budget Reallocation Working Group Recommendations

• Foundational Strategic Objective
  – $3.3M to address compliance, health, safety and stewardship of facilities at TAMU

• Overarching Strategic Objectives
  – $6M to improve undergraduate and graduate student learning and faculty engagement through high-impact educational practices
  – $4M to reduce the time to degree and increase the number of graduating students annually while continuing to increase the quality and diversity of the student body
  – $0.7M to create a campus culture that values and supports the contributions of a diverse community of faculty, staff and students
  – $7M to maintain facilities through deferred maintenance
“The best thing about the future is that it comes one day at a time”

Abraham Lincoln
Thank You!

deb-wright@tamu.edu