



Following the Money Trail From Austin to College Station

Understanding Higher Education Finance and the Role of the Texas Legislature

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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

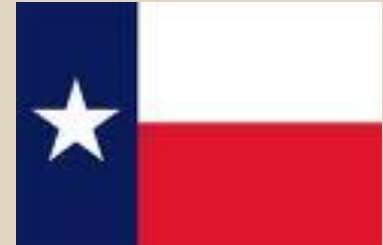
French

Mexican

Republic of Texas

Confederate States

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



Texas Budget

- 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



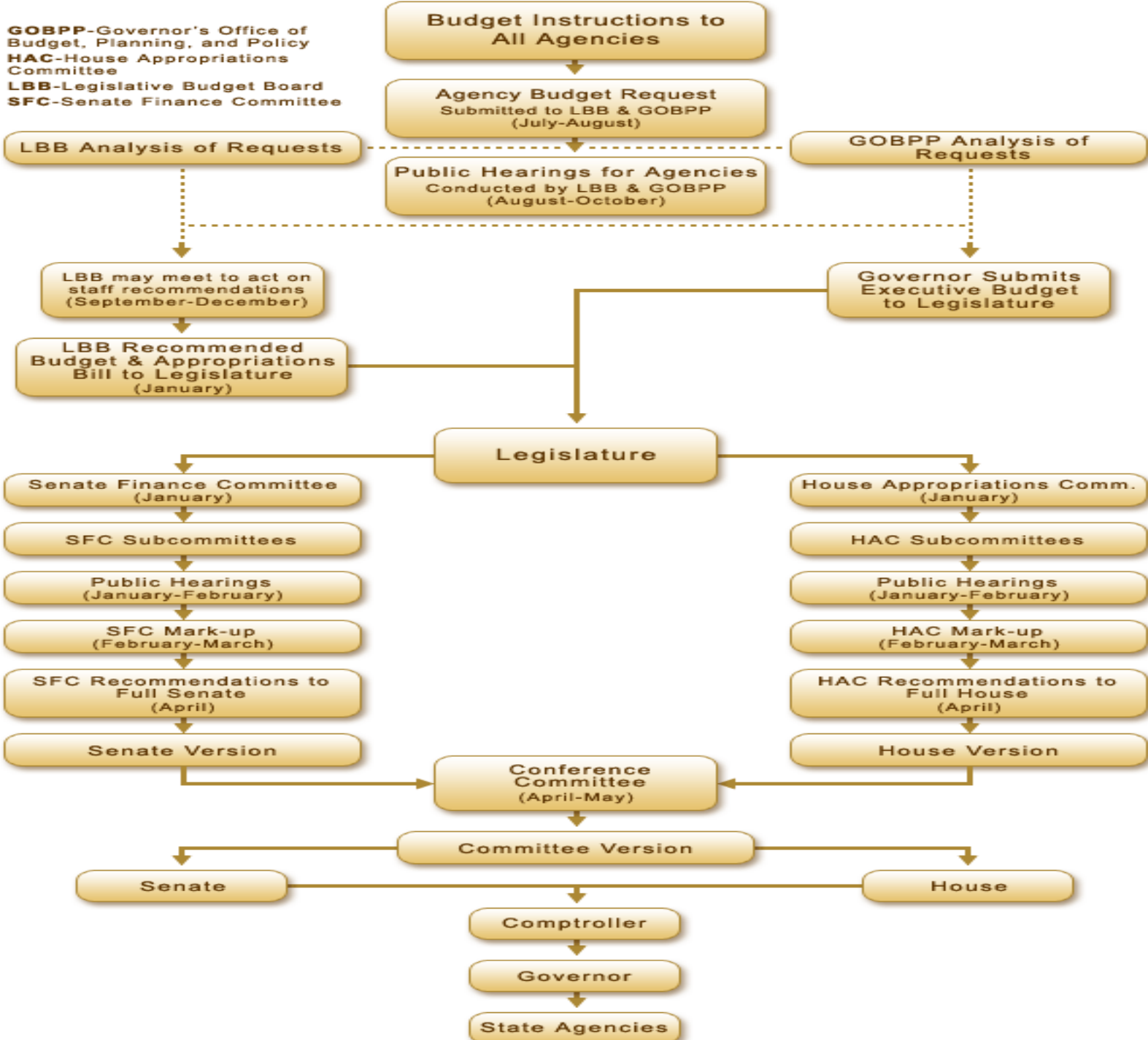
Texas Budget (CONT.)

- 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

January 11, 2011	82 nd Regular Session Begins
January	LBB Base Bill; Governor's State of the State; and Comptroller's revenue estimate issued; Legislative Committees and Chairs named in House and Senate
Feb. – March	House Appropriations bill hearings and mark-up
Feb. – March	Senate Finance appropriations bill hearings & mark-up
April – May	Emergency/Supplemental appropriations bill finalized
April – May	Conference Committee on appropriations bill
May 30, 2011	End of 82 nd Regular Session
June	Comptroller certification
June 19, 2011	Last day for Governor's vetoes (20 days after close of session)



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	<u>2.6 billion</u>
2010-2011 General Revenue Budget	\$87.0 billion
Actual Receipts	<u>(82.7 billion)</u>
Projected Deficit for 2010-2011	(\$4.3 billion)



State Budget Forecast (CONT.)

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	<u>4.3 billion</u>
 Sub-total	 \$16.3 billion
 Increased Expenses:	
Medicaid	4.5 billion
Education (K-12)	<u>5.5 billion</u>
 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



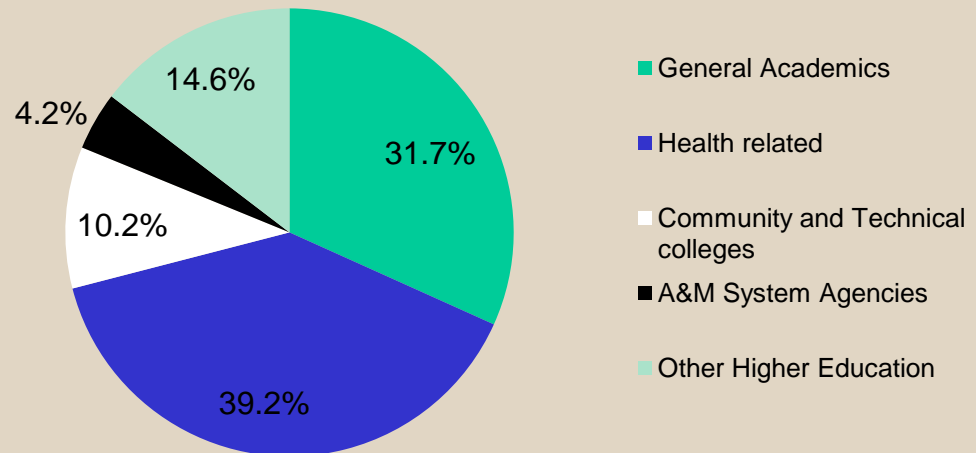
Funding Higher Education in Texas

- 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

Appropriations by type of institution 08-09 biennium



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

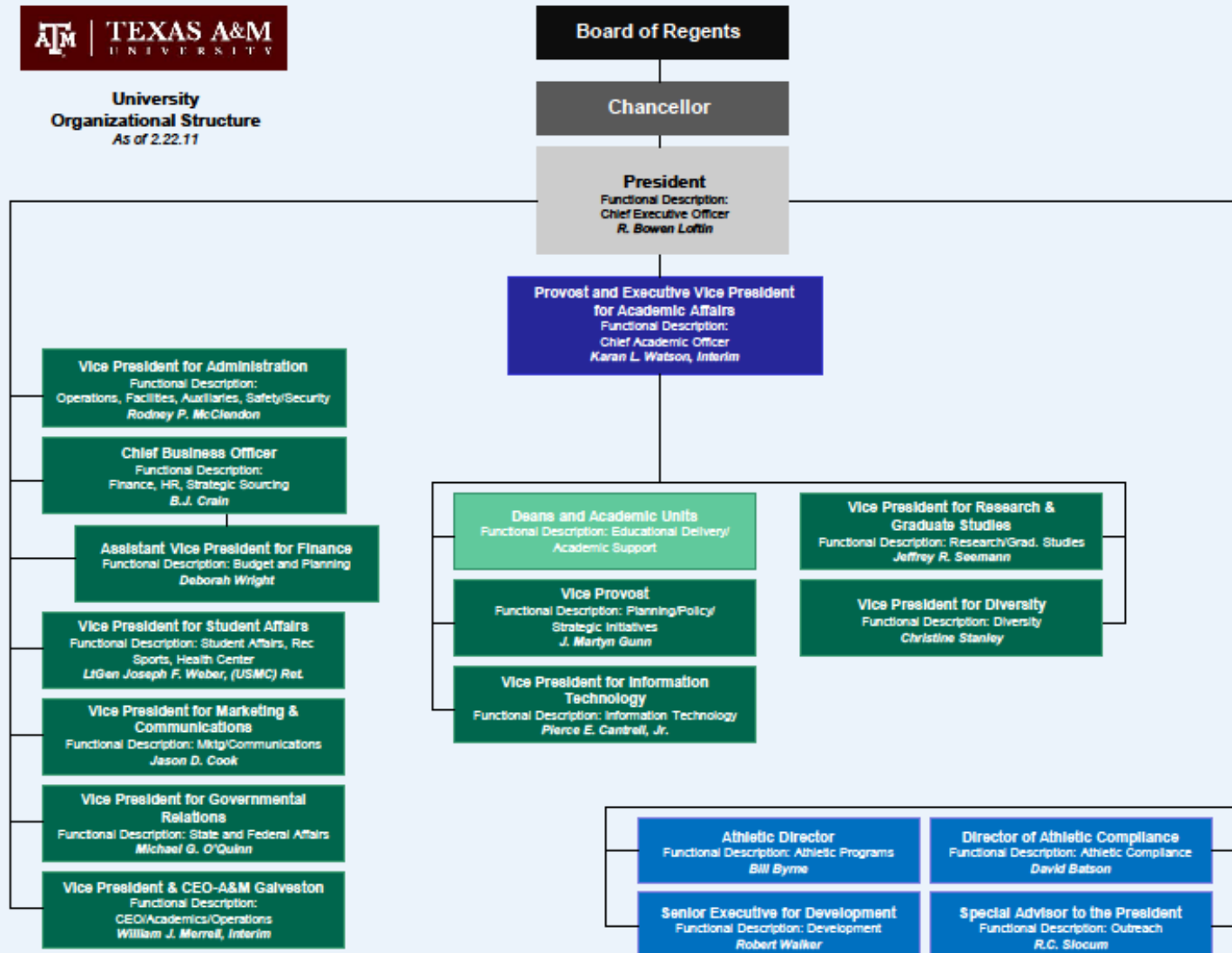
Texas A&M University Organizational Chart



TEXAS A&M
UNIVERSITY



**University
Organizational Structure**
As of 2.22.11



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

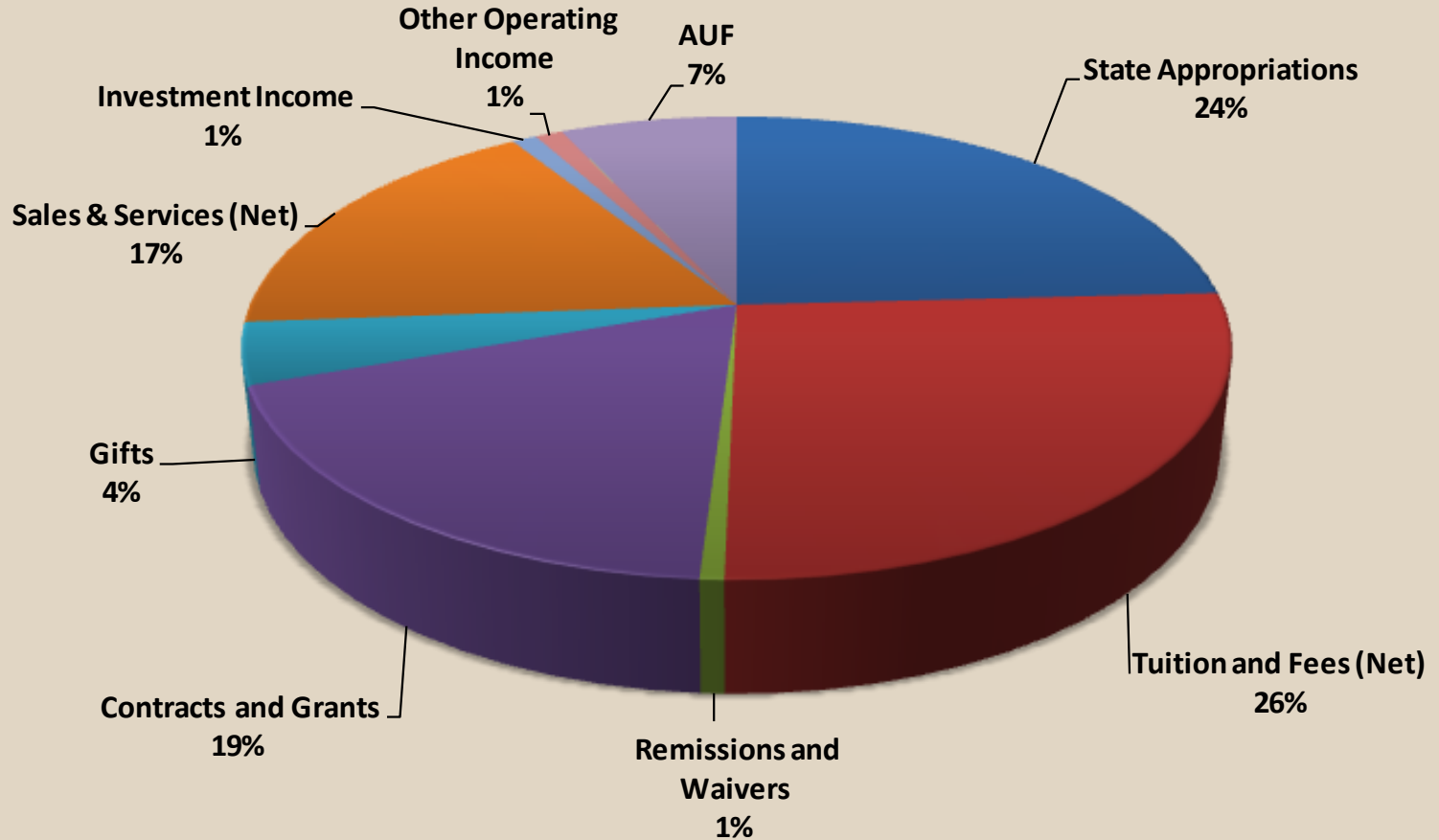


Revenue Budget

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



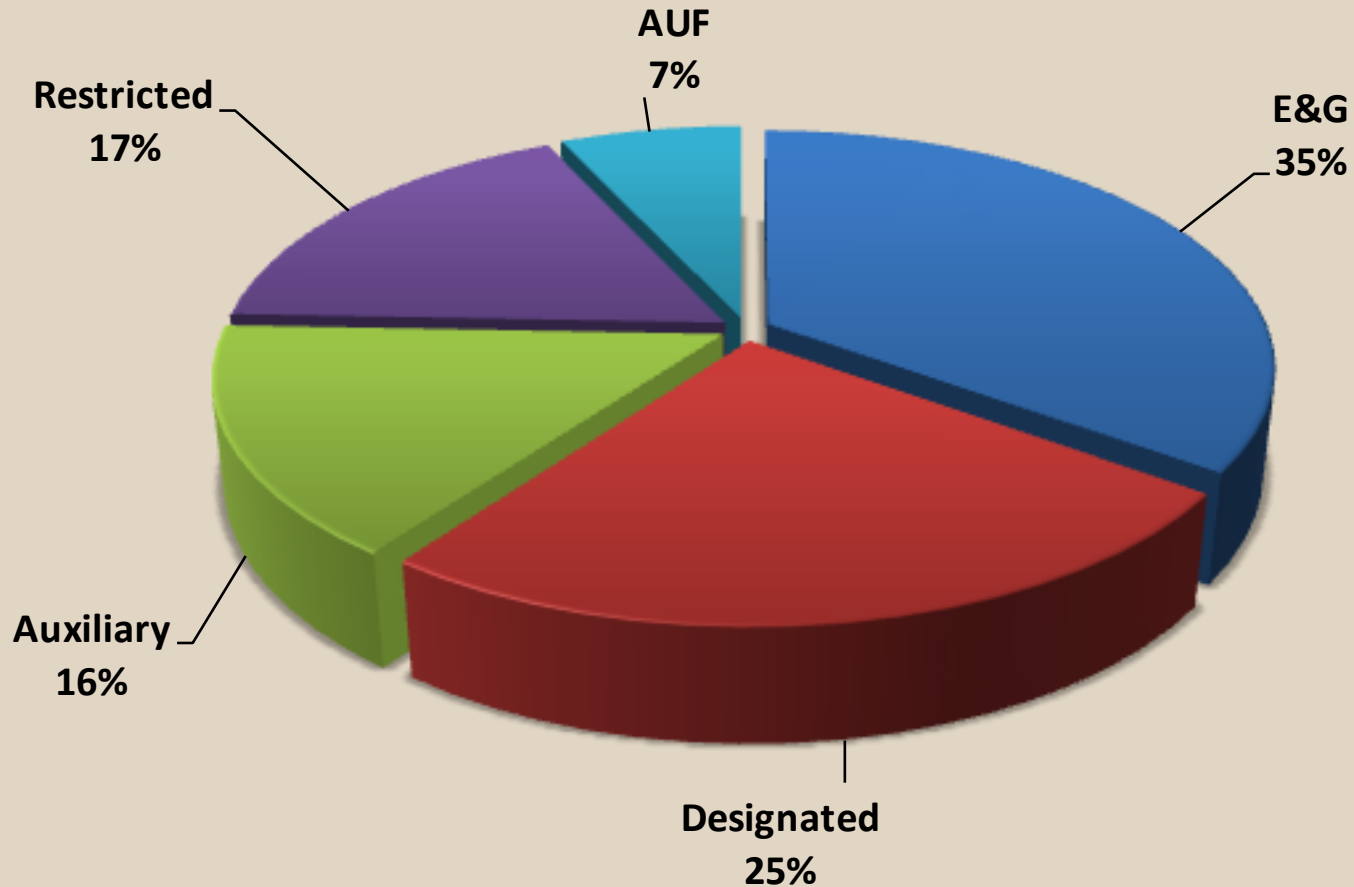
Budgeted Revenue by Source



Total Revenues (including AUF): \$1,288,942,790



Budgeted Revenue by Fund Group



Total Revenues (including AUF): \$1,288,942,790



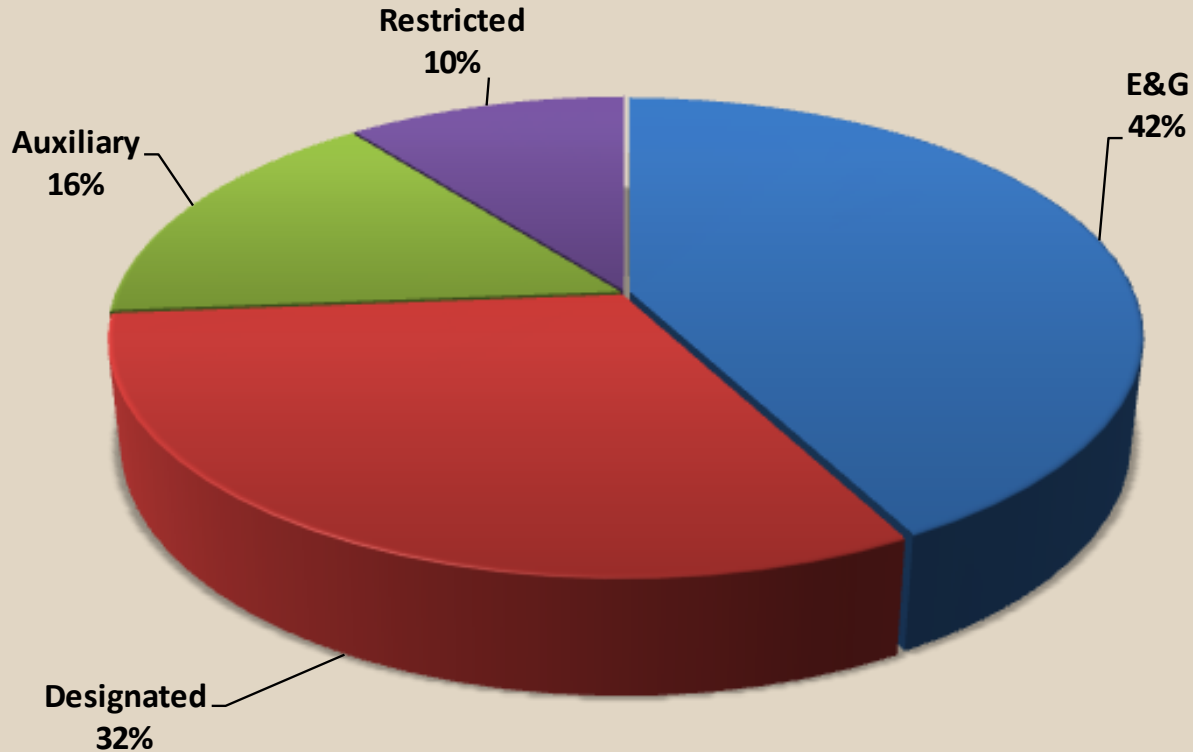
Expense Budget



Expense Budget

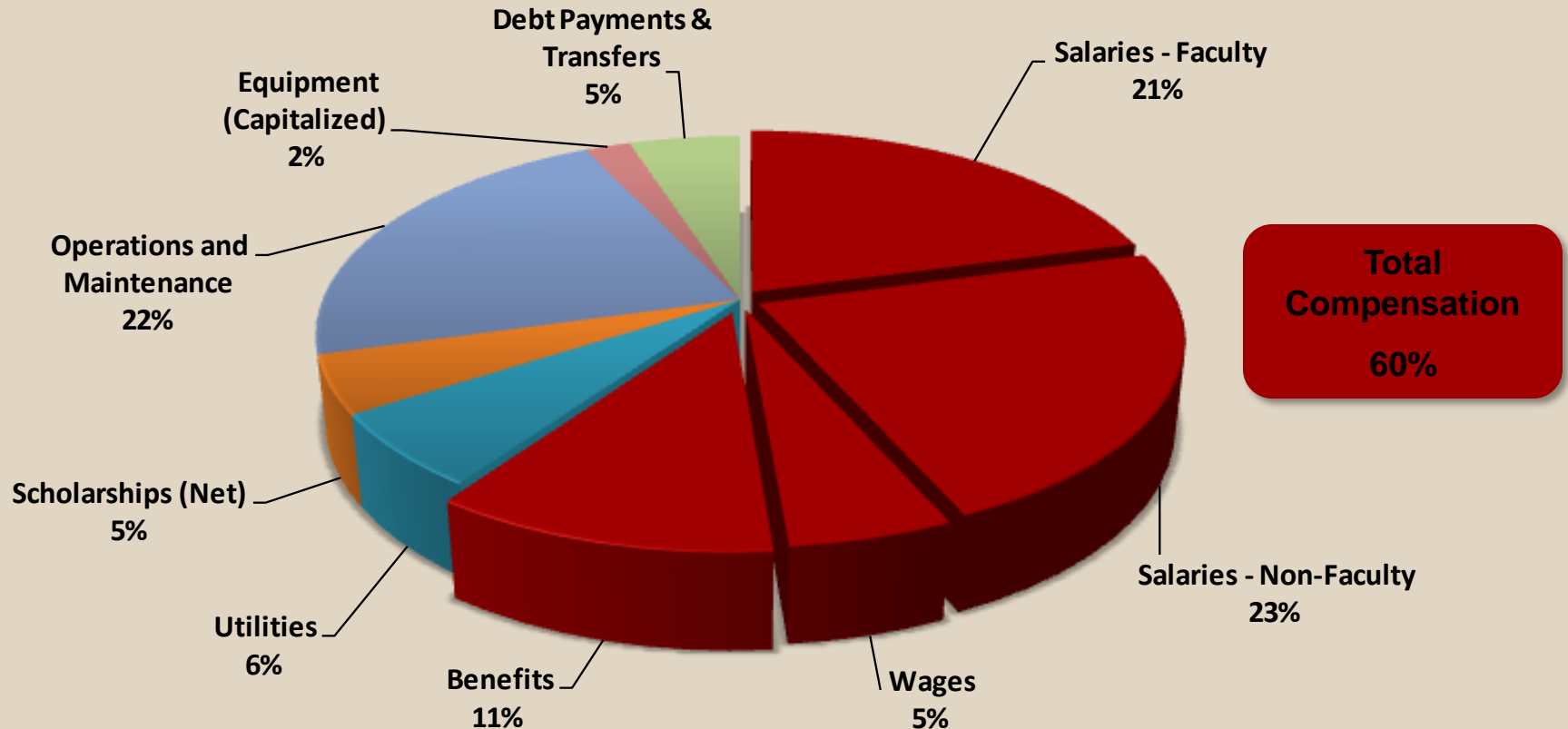
Description	Functional and General	Designated	Auxiliary Enterprises	Restricted	Plant Funds	Total
Expenses						
Salaries - Faculty	\$ 232,821,071	\$ 13,362,640	\$ 26,186	\$ 21,900,300		\$ 268,110,197
Salaries - Non-Faculty	131,151,550	70,443,060	46,591,009	43,994,452		292,180,071
Wages	8,500,000	13,409,749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

Budgeted Expenses by Fund Group (including transfers)



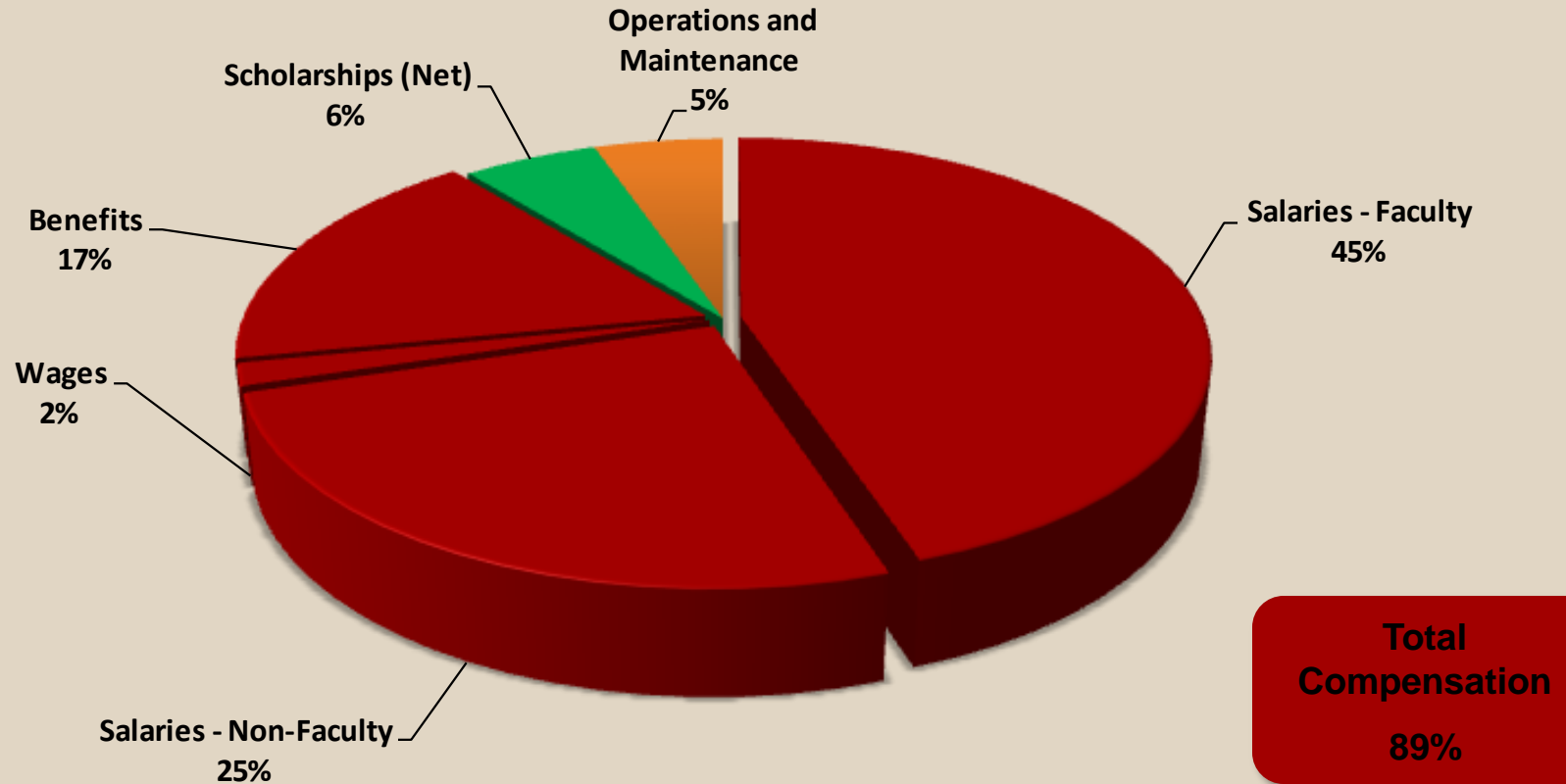
Total Expenses (including transfers): \$1,227,055,739

Budgeted Expenses by Category (including transfers)



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

Budgeted E&G Expenses by Category



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

Expense Budget Summary by Organization



TEXAS A&M
UNIVERSITY

Description	Functional and General	Designated	Auxiliary Enterprises	Restricted	Plant Funds	Total
Academic Affairs						
Agriculture	\$ 31,052,555	\$ 5,795,445	\$ -	\$ 4,378,928		41,226,928
Architecture	13,593,737	2,599,114	-	2,373,500		18,566,351
Business	26,694,755	13,380,155	-	6,864,798		46,939,708
Bush School	5,200,335	2,137,177	-	999,050		8,336,562
Education	19,703,373	5,317,768	-	9,348,770		34,369,911
Engineering	55,936,497	8,833,354	-	10,513,552		75,283,403
Geosciences	13,426,826	2,048,695	-	6,652,285		22,127,806
Liberal Arts	47,259,554	8,155,321	-	5,927,000		61,341,875
Science	45,980,999	12,266,352	54,149	11,239,670		69,541,170
Veterinary Medicine	45,273,441	9,917,533	-	2,324,040		57,515,014
Non-College	62,469,864	180,505,669	13,000	90,973,435		333,961,968
Qatar - Branch Campus		-	-	72,228,896		72,228,896
Subtotal Academic Affairs	366,591,936	250,956,583	67,149	223,823,924		841,439,592
Administration	28,951,368	54,478,678	6,537,694	2,583,169		92,550,909
Finance	11,526,805	6,187,741		62,000		17,776,546
Global Initiatives	905,784	166,522				1,072,306
Marketing & Communications	2,240,271	557,145				2,797,416
Operations	504,302	9,633,083	48,549,694	105,000		58,792,079
President	1,827,574	9,030,679	64,346,340	4,452,278		79,656,871
Student Affairs	2,368,376	19,459,705	73,785,757	642,261		96,256,099
University Funds	103,273,482	47,997,316	440,733	(103,065,948)		48,645,583
Net Service Department Expense	-	(11,931,662)	-	-		(11,931,662)
Total Texas A&M University	518,189,898	386,535,790	193,727,367	128,602,684		1,227,055,739
Retirement of Indebtedness & Transfers	2,603,405	39,274,013	(2,011,281)	(103,005,948)	(1,582,446)	(64,722,257)
Grand Total Texas A&M University	\$ 515,586,493	\$ 347,261,777	\$ 195,738,648	\$ 231,608,632	\$ 1,582,446	\$ 1,291,777,996

Historical Expenditure Budget Perspective





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%

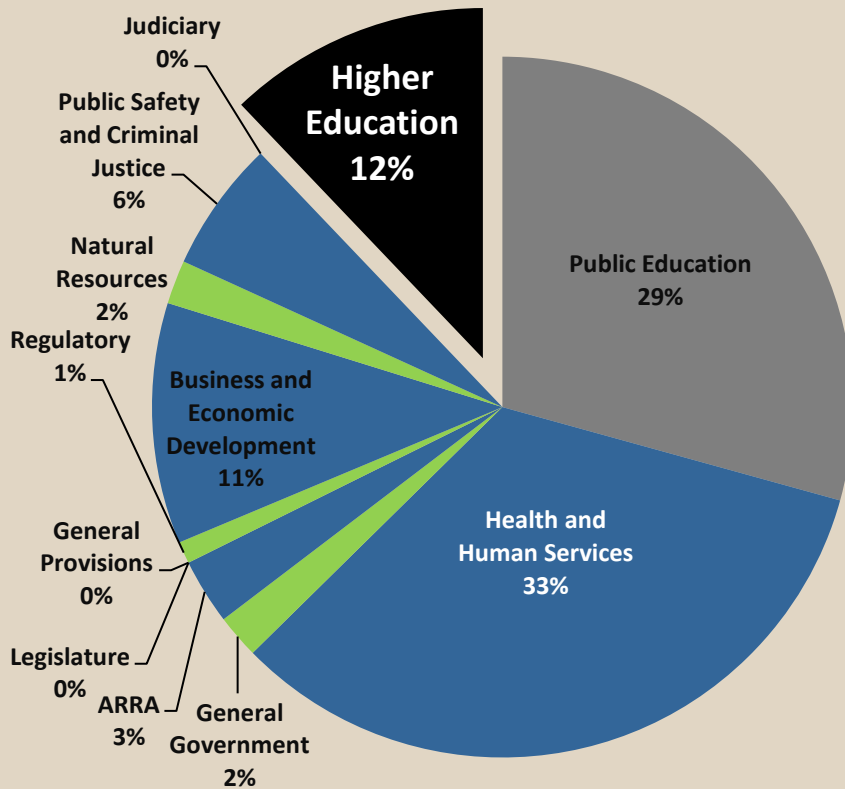
Appropriations Scorecard

Comparison of Higher Education's Share of 5% Reduction to All Funds Budget, 2010-11

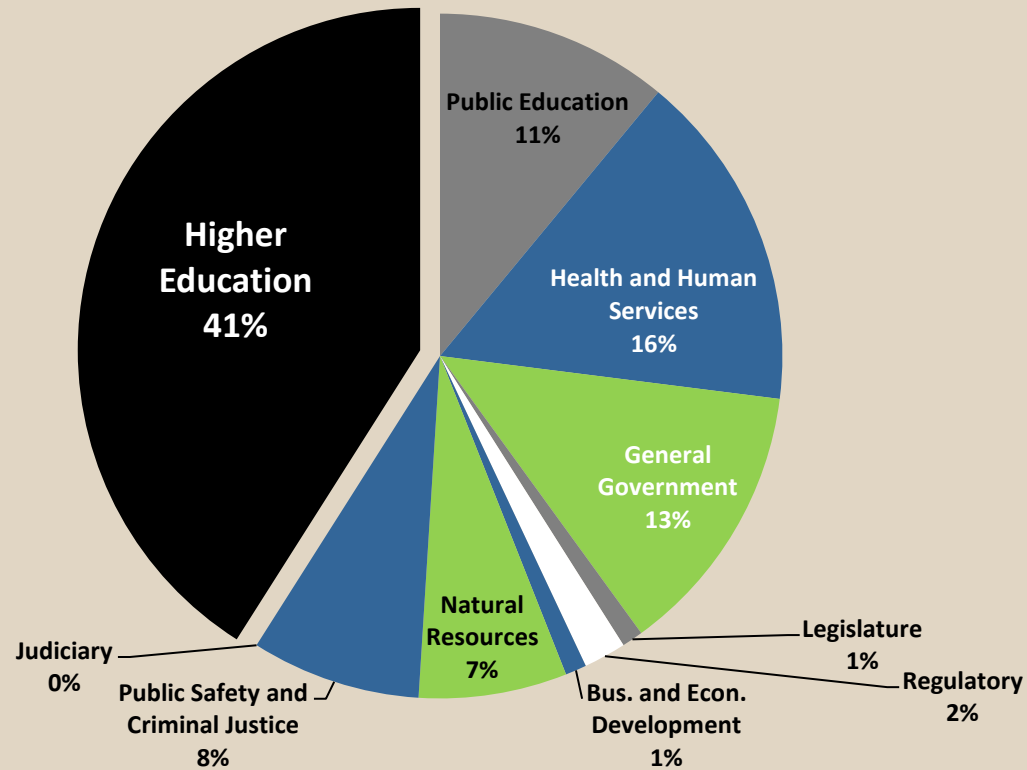


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All Funds Budget



5% Reduction



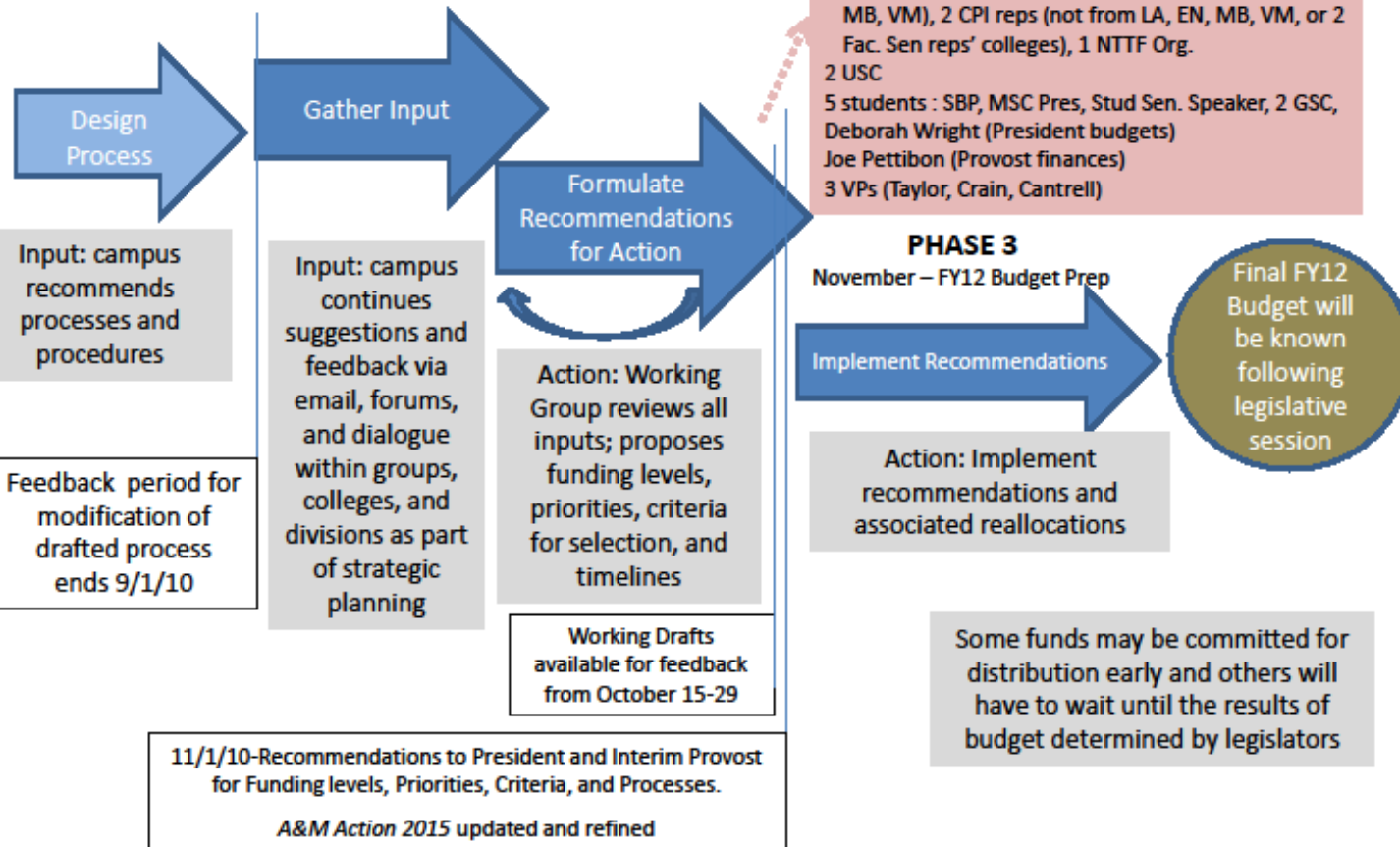
FY 2012 and FY 2013 Budget Reallocation Plans

- 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 **PHASE 1** September 1st-September 30th **PHASE 2** October 1st-November 1st



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!

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TEXAS A&M
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