

		FY 2014-15		FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19		FY 2019-20		FY 2020-21		FY 2021-22			FY 2022-23	FY 2023-24	FY 2024-25	
		Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Orig Forecast	Projection	Projection	Projection	Projection	
Revenue	State Support																					
	General Appropriation	23,914,726	24,282,891	28,932,231	28,932,231	28,872,738	28,872,738	26,092,956	26,092,956	25,970,193	25,970,193	29,090,388	29,090,388	27,602,680	27,602,680	31,610,602	30,964,680	31,610,602	31,610,602	31,610,602	31,610,602	
	HEAF	4,512,400	5,214,167	4,511,744	5,336,744	6,688,116	8,005,116	6,536,822	8,005,116	6,385,528	8,005,116	6,385,528	8,005,116	6,106,455	6,106,455	6,106,455	7,461,586	7,726,043	6,106,455	6,106,455	6,106,455	
	State Research	475,018	-	104,878	104,878	104,878	104,878	72,285	72,285	72,284	72,284	90,413	127,996	90,413	608,312	84,660	441,165	84,660	84,660	84,660	84,660	
	Benefits	6,711,822	6,445,522	7,714,629	7,372,348	7,996,701	7,756,549	7,528,449	7,845,492	7,500,286	7,368,309	7,461,586	7,478,234	7,461,586	7,416,128	7,588,568	7,726,043	7,542,336	7,588,568	7,588,568	7,588,568	
	Total State	35,613,966	35,942,580	41,263,482	41,746,201	43,662,433	44,739,281	40,230,512	42,015,849	39,928,291	41,415,902	43,027,915	44,701,734	41,261,134	43,353,163	45,390,285	46,593,474	46,963,641	45,390,285	45,390,285	45,390,285	
	Tuition																					
	Statutory	14,858,868	18,787,110	18,869,518	19,460,815	20,510,036	17,369,187	15,074,631	15,149,628	14,490,701	14,796,368	14,360,059	14,931,262	14,058,736	13,856,313	14,901,679	15,414,459	14,752,662	16,034,195	16,922,377	17,171,687	
	Designated Tuition	29,790,802	30,645,470	35,799,945	34,727,497	37,044,256	33,721,289	39,617,378	34,300,806	39,009,181	37,853,428	40,123,702	41,858,984	42,647,067	41,741,585	43,677,091	42,194,503	43,240,320	46,438,730	50,488,568	52,446,083	
	Desig. Differential	2,086,844	2,150,550	2,187,499	2,160,978	2,525,240	2,291,817	2,119,405	2,345,742	2,307,723	2,442,012	2,499,706	2,445,768	2,423,206	2,626,767	2,457,162	2,497,912	2,432,590	2,176,606	2,330,665	2,381,590	
	Total Tuition	46,736,514	51,583,130	56,856,962	56,349,290	60,079,532	53,382,293	56,811,414	51,796,176	55,807,605	55,091,812	56,983,467	59,236,014	59,129,009	58,224,665	61,035,932	60,106,874	60,425,573	64,649,531	69,741,610	71,999,360	
	Fees																					
	Fees	4,575,871	4,768,404	4,965,794	5,021,284	4,951,388	4,708,009	4,460,101	4,429,073	4,602,039	4,742,361	4,695,000	4,954,149	4,739,441	5,186,131	4,975,790		4,926,032	4,966,060	5,311,380	5,433,922	
	Information Resource	4,002,594	4,132,254	4,360,633	4,260,857	4,383,732	4,112,991	4,100,350	4,286,914	4,276,858	4,512,591	4,453,822	4,696,624	4,453,822	5,057,684	4,538,542		5,186,157	5,228,299	5,591,853	5,720,866	
	Total Fees	8,578,465	8,900,658	9,326,427	9,282,141	9,335,120	8,821,000	8,560,451	8,716,041	8,878,897	9,254,952	9,148,822	9,650,773	9,193,263	10,243,815	10,214,332	9,544,119	10,112,189	10,194,359	10,903,232	11,154,788	
	Other Income																					
	Investment Income	413,735	524,351	435,847	623,380	479,778	502,824	579,776	474,234	576,480	1,783,518	582,249	1,666,902	592,937	567,802	602,380	1,660,228	576,845	1,308,218	1,308,218	1,308,218	
	Sales and Service	1,066,781	1,218,202	956,835	1,083,472	1,006,205	1,209,583	1,002,145	1,147,716	1,062,780	1,318,142	1,044,390	1,072,550	1,086,250	935,400	960,140	983,250	1,049,037	1,179,469	1,179,469	1,179,469	
	Indirect Cost Recovery	343,010	305,497	210,264	306,659	214,850	298,911	235,756	353,394	318,159	394,776	215,734	406,864	235,408	485,613	275,479		437,990	385,011	385,011	385,011	
	Endowment	211,812	205,870	224,932	196,307	208,129	196,299	200,907	201,686	203,931	201,768	207,118	205,655	209,790	209,101	209,101		205,981	203,036	203,036	203,036	
	Gifts	94,865	78,019	110,200	77,961	90,910	56,941	78,060	80,786	70,160	293,324	67,010	394,028	79,010	343,203	29,000		87,966	29,000	29,000	29,000	
	Fed/State Cont/Grants																					
	Svc Depts	1,021,225	950,899	1,071,225	1,295,608	1,071,225	1,134,923	1,071,225	835,629	970,225	917,777	1,152,187	876,643	1,187,187	740,728	1,227,187	1,419,595	1,014,176	1,227,187	1,227,187	1,227,187	
	Transfers In/Out	(1,099,712)	560,027	(1,235,163)	45	(1,293,641)		(1,234,552)		(1,261,361)		(1,374,651)		(1,336,042)		(1,397,986)	(1,619,588)	(1,397,986)	(1,397,986)	(1,397,986)	(1,397,986)	
	Other Income	1,199,012	2,994	1,334,463	45,098	1,369,141	40,966	1,315,152	80,842	1,340,561	91,215	1,517,591	70,970	1,404,721	230,463	1,466,665	643,542	108,610	81,009	81,009	81,009	
	Total Other	3,250,728	3,845,859	3,108,603	3,628,530	3,146,597	3,440,447	3,248,469	3,174,287	3,280,935	5,000,520	4,310,751	5,437,132	4,841,620	4,782,169	3,421,850	3,087,027	3,524,627	3,064,829	3,064,829	3,064,829	
	Total Revenue	94,179,673	100,272,227	110,555,474	111,006,162	116,223,682	110,383,021	108,850,846	105,702,326	107,895,728	110,763,182	113,470,955	119,025,653	114,425,026	116,603,812	120,062,399	119,331,494	121,026,029	123,299,004	129,099,956	131,609,263	
Expenditures	Labor																					
	Faculty																					
	Tenure Track Faculty									53,034	23,041,041	20,758,469	23,170,152	21,066,590	24,077,025	23,865,257	22,985,687		25,280,876	26,039,303	26,820,482	
	Non-Tenure Track										2,686,265	2,677,770	2,691,543	2,744,199	3,254,682	2,772,289	3,318,355		3,417,416	3,519,939	3,625,537	
	Summer Instr									59,467	1,707,883	3,206,739	1,707,883	3,024,871	1,707,883	1,759,119	3,024,871		1,793,277	1,847,075	1,902,488	
	Adjunct Faculty										1,125,586	2,160,295	1,120,308	2,391,886	1,120,308	1,153,917	2,391,886		1,176,323	1,211,613	1,247,961	
	Graduate Assistants										695,090	1,065,411	630,090	1,092,023	946,474	645,842	1,640,355		993,798	1,023,612	1,054,320	
	Total Faculty	-	-	-	-	-	-	-	-	112,501	29,255,865	29,868,684	29,319,976	30,319,569	31,106,372	30,196,424	33,361,154		32,661,691	33,641,541	34,650,788	
	Staff																					
	Exempt Staff									12,900	20,705,693	19,662,690	21,597,957	20,961,664	23,670,199	22,305,303	22,972,856		24,853,709	25,599,320	26,367,300	
	Non-Exempt									2,107	8,961,913	7,588,672	9,446,694	7,569,284	9,197,805	9,723,117	7,369,859		9,657,695	9,947,426	10,245,849	
	Salary & Wages	51,830,006	52,915,592	59,269,818	59,287,110	63,978,724	61,922,068	60,132,172	58,642,901	57,748,671	56,209,361	954,246	1,096,624	451,651	1,029,180	634,566	462,784	1,445,990	666,294	686,283	706,872	
	Total Staff	51,830,006	52,915,592	59,269,818	59,287,110	63,978,724	61,922,068	60,132,172	58,642,901	57,748,671	56,224,368	30,621,852	28,347,986	31,496,302	29,560,128	33,502,570	32,491,204	31,788,704	35,177,699	36,233,029	37,320,020	
	Student Employees									786	1,104,813	864,196	1,303,194	946,362	1,823,317	1,335,774	1,324,068		1,914,483	1,971,917	2,031,075	
	Benefits	14,458,448	14,404,309	17,225,639	16,280,045	17,969,544	17,441,342	17,859,194	18,011,644	17,021,852	15,899,806	18,156,522	17,405,895	16,440,951	17,630,350	16,411,419	17,854,171	16,421,712	17,231,990	17,748,950	18,281,418	
	Total Labor	66,288,454	67,319,901	76,495,457	75,567,155	81,948,268	79,363,410	77,991,366	76,654,545	74,770,523	72,237,461	79,139,052	76,486,761	78,590,423	78,456,409	82,843,678	81,877,573	82,895,639	86,985,862	89,595,438	92,283,301	
	M&O																					
	Maint & Operations	21,652,335	20,262,523	23,577,028	22,408,919	26,021,741	22,456,798	23,398,950	21,143,115	24,822,983	22,485,302	26,325,771	21,882,191	26,424,383	29,186,112	29,066,839	31,833,861	32,104,743	33,709,980	34,721,279	35,762,918	
	Travel and Business Exp	-	223	-	-	-	1,444	-	1,430	-	2,224,401	1,631,762	446,006	31,750	510,479	34,436	510,479		525,793	1,631,762		
	Utilities	2,053,131	1,508,734	2,185,937	1,432,737	2,234,437	1,337,042	2,299,401	1,448,607	2,524,401	1,678,126	-	2,734	2,854,755	1,763,612	2,024,401	913,581	1,250,635	2,085,133	1,887,133		
	Capital Outlay	3,729,753	2,363,176	7,																		

FY 2020-21

		Budget	Actual	
Revenue	State Support			
	General Appropriation	27,602,680	27,602,680	
	HEAF	6,106,455	7,726,043	A
	State Research	90,413	608,312	
	Benefits	7,461,586	7,416,128	
	Total State	41,261,134	43,353,163	
	Tuition			
	Statutory	14,058,736	13,856,313	B
	Designated Tuition	42,647,067	41,741,585	
	Desig. Differential	2,423,206	2,626,767	
	Total Tuition	59,129,009	58,224,665	
	Fees			C
	Fees	4,739,441	5,186,131	
	Information Resource	4,453,822	5,057,684	
	Total Fees	9,193,263	10,243,815	
Other Income			D	
Investment Income	592,937	567,802		
Sales and Service	1,086,250	935,400		
Indirect Cost Recovery	235,408	485,613		
Endowment	209,790	209,101		
Gifts	79,010	343,203		
Fed/State Cont/Grants	1,382,359	1,269,859		
Svc Depts	1,187,187	740,728		
Transfers In/Out	(1,336,042)			
Other Income	1,404,721	230,463		
Total Other	4,841,620	4,782,169		
Total Revenue	114,425,026	116,603,812		
Expenditures	Labor			
	Faculty			E
	Tenure Track Faculty	23,170,152	21,066,590	
	Non-Tenure Track	2,691,543	2,744,199	
	Summer Instr	1,707,883	3,024,871	
	Adjunct Faculty	1,120,308	2,391,886	
	Graduate Assistants	630,090	1,092,023	
	Total Faculty	29,319,976	30,319,569	
	Staff			F
	Exempt Staff	21,597,957	20,961,664	
	Non-Exempt	9,446,694	7,569,284	
	Salary & Wages	451,651	1,029,180	
	Total Staff	31,496,302	29,560,128	
	Student Employees	1,303,194	946,362	G
	Benefits	16,440,951	17,630,350	
	Total Labor	78,560,423	78,456,409	
	M&O			H
	Maint & Operations	26,424,383	29,186,112	
	Travel and Business Exp	446,006	31,750	
Utilities	2,854,755	1,763,612		
Capital Outlay	2,837,912	2,674,991		
Debt Service	2,308,113	2,227,064		
Misc Other	369,000	207,647		
Total M&O	35,240,169	36,091,176		
Total Expenditures	113,800,592	114,547,585		
Net of Operations	624,434	2,056,227		

FY2021 Explanation of outcome – Budget to Actual

- A** This is funding from the State. We experienced a 5% decline in originally expected state appropriations as the state responded to the Pandemic. However, we knew this was going to happen, as it was determined during FY2020, and so we had time to adjust our budget down. There is a slight anomaly in our Budget to actual relative to HEAF funding – we receive the full amount, but expenditures for Plant (building major deferred maintenance) get transferred to ledger 7 – Capital, and we anticipate how much we will transfer due to upcoming projects, but due to the receipt of funding from the Dept of Education to respond to the Pandemic, we instead used the Higher Education Emergency Response Fund (HEERF) grant, and our actual transfers were less, so while it appears as if we had increased State revenue, we actually did not. We were on budget.
- B** Tuition revenue budget was based on the trajectory of enrollment growth the University had been experiencing. If you recall, the FY2021 budget was developed during the spring of FY2020. We budgeted a decline of 5% due to the Pandemic, but because of initiatives in Enrollment Management for added institutional tuition waiver programs, to pay for that, enrollment was increased by over 2%, netting around a 3% decline – in the budget. While we actually experienced close to a 1% decline (in semester credit hours – we don't budget by headcount). We actually were relatively flat – experiencing only a 0.5% decline in total Semester Credit Hours over FY2020. Unfortunately, our mix changed slightly differently than we forecast. Leading up to FY2021, our Undergraduate enrollment had been growing a well above 5% annually, while our Graduate Enrollment had been declining, though not evenly. In FY2017 and FY2018, graduate enrollment declined significantly, but had tapered off significantly, declining by less than 1% in FY19. That data was used to project that most of our enrollment decline would come from Undergraduate enrollment – most directly impacted by the Pandemic as students chose to delay starting, but that students already entered would persist. What we actually experienced was a decline in graduate enrollment of over 5%. That shift in mix, more than a look at total enrollment is what accounted for the negative outcome for tuition revenue.
- C** While Semester Credit Hours were down, owing to students taking lower course loads during the Pandemic, our headcount was flat or slightly up over the previous year. That caused fee revenue, which most of Education and General Fees (therefore excluding Auxiliary Fees such as the Student Service Fee and the Rec and Wellness Fee) are primarily charged on a flat rate regardless of the course load. So fee revenue was up where tuition revenue was down – owing to actual enrollment patterns.
- D** Other miscellaneous income was relatively on track with budget. The Planning and Budget department continues to work diligently to improve our budgeting for misc. revenues and this is reflective of their diligent work. Sales and Services was negatively impacted by fewer students, staff, and faculty being on campus, and the gift income was primarily the final year of a single multi-year unrestricted gift to the University that probably should have been included in the budget as it was known.

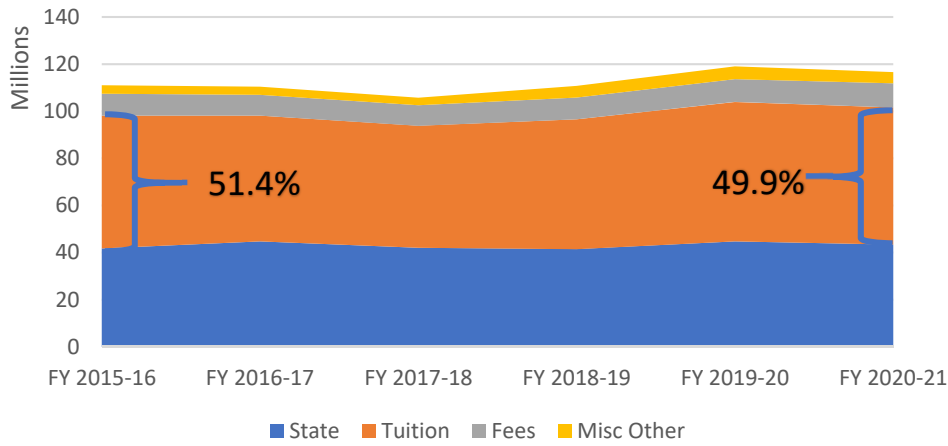
FY2021 Explanation of outcome – Budget to Actual

- E** For faculty salary, the slight disconnect between budget and actual is greatly improved with the greater granularity of detail in the Budget, in previous years, faculty budget lines were not separated out from “Staff” and understanding variances was more difficult, and therefore improved budgeting and forecasting was more difficult. The two areas where we still require better budgeting is in the four colleges and our accurate budgeting for both Adjunct pay and Summer Semester – both remnants of both past practice and most recently, the three years of budget cuts where the colleges cut their adjunct and summer budgets and despite evidence that they are insufficient, have not restored them. This is explicitly being addressed in the Budget Task Force through a working group, lead by Director of Planning and Budget, Ms. Deja Sero to better define the resources the Colleges have and their exact use, so it can be clear from where in the University that the corrections to the budget need to occur.
- F** For staff, the primary cause of the variance between budget and actual in FY2021 stems from non-exempt positions due to high turnover during the Pandemic and the associated challenges in filling those vacancies as they occurred, experiencing almost \$2 Million in savings over budget. As off-set, the increase in “Salary & Wages” is where temp employees, hired in some instances to help fill those vacancies will show up.
- G** Due to the Pandemic, student hiring dropped off as the campus was remote for much of the year. The fluctuations in the overall labor caused challenges to follow normal patterns, and as such, the budget was off on budgeted benefits vs. actual benefits.
- H** Overall, Maintenance and Operations tracked fairly close to Budget, with approved allowances to exceed budget primarily stemming from the campus being mostly unoccupied and the Facilities Dept. taking advantage of that opportunity to do needed work while the campus was accessible. For obvious reasons, travel costs dropped to almost zero and the almost empty campus saw utilities decline as well. Capital outlay is planned well in advance and is part of a multi-year plan, so it continued on as planned and debt service is relatively fixed so was unaffected by the Pandemic.

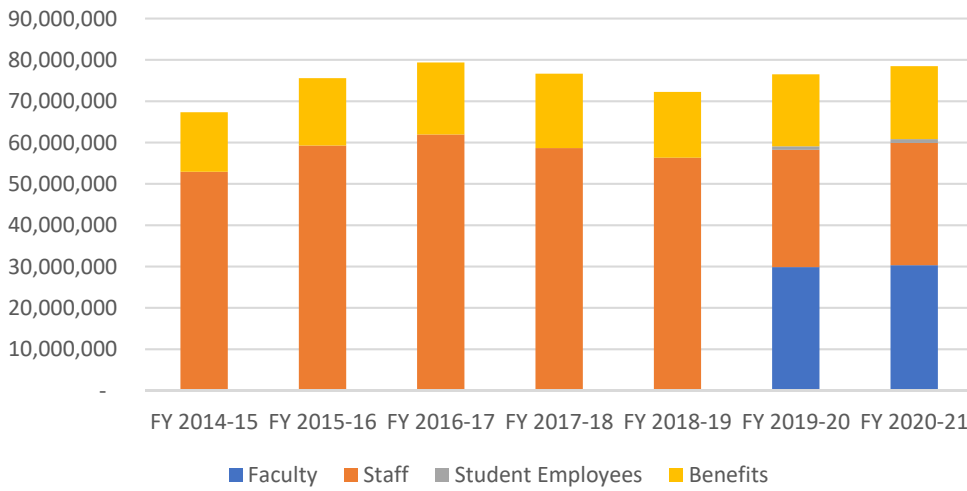
Summary

Due to improved budgeting and managed execution, as well as no small measure of help from the Higher Education Emergency Relief Fund (HEERF) the Campus fared well during the Pandemic despite a decline in enrollment, reduction in State funding of 5% and the many added costs of responding to the Pandemic.

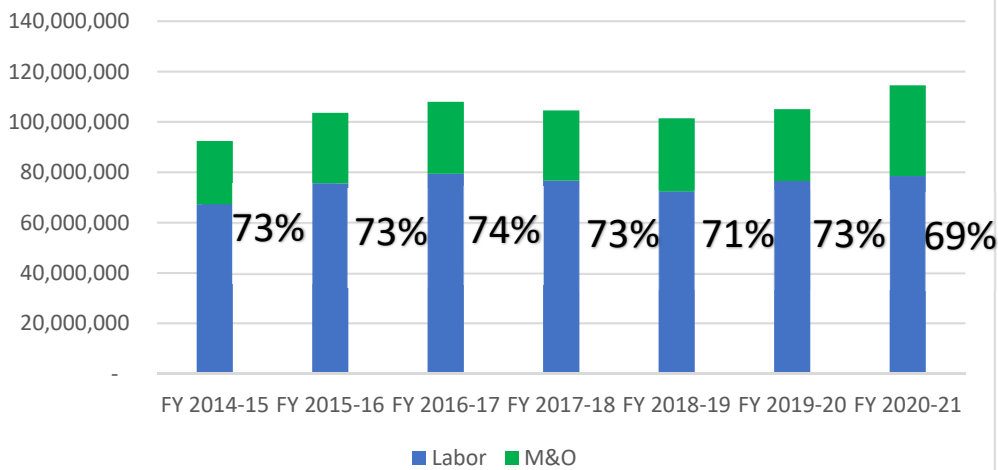
Operating Revenue over time



Labor Breakout: Improved Budgeting



Labor Vs. Maint/Ops Labor's percent of total spending



Pro Form Table Discussion

Operating Revenue over time

A trend not seen many other places, Tuition and Fees have actually dropped as a percentage of total revenue over the past 8 fiscal years since Downward Expansion was enacted on the UHCL Campus. There are many reasons, but the primary reason has been the shift in student enrollment, as shown in the enrollment by Student Population slides showed. While total enrollment has grown, the mix between Undergraduate and Graduate students and the mix between Texas Resident and Nonresident students has also shifted, both trends moving toward students who pay a lower tuition and away from higher tuition paying students.

Other trends has been the State of Texas doing at least a better job relative to other states in maintaining their share of the cost of Higher Education through increased funding from the State, though it should be noted that the past two legislative sessions have seen a renewed call to remove funding for UHCL and other campuses receiving Expansion (previously Downward Expansion) funding, and UHCL is currently projected to see a graduated 25% loss of that funding over each of the next four biennium legislative sessions.

Labor Breakout

Only recently did UHCL distinguish spending, either during budget, or through recording actual expenditures, differentiate between different employee groups. This was a critical change, enacted during the FY2019-20 Budget Development phase to begin to break out labor budgets and therefore spending by the following employee groups: Faculty, Staff, Student Employees, and Payroll Benefits. Before this change, understanding variances between budget and actual as well as the ability to better forecast were significantly hampered due to the lack of detail in the accounting records.

Future reports will begin to dive into what each employee group's own data tells about ongoing operations.

Labor vs. Maintenance and Operations

Looking at the breakout between labor and other spending, known as Maintenance and Operations, tells a story about the operations of the University. There are many reasons for fluctuations between these two large categories, and to really understand all that is going on, you do need to see these in greater granularity as explained above, but even groups as this graph shows, there is information you can see. Fiscal Year 2017-18 and 2018-19 were both years where no salary increases were given, and you see a corresponding decline in the percentage of total spending represented by Labor. Then, a slight salary increases in 2019-20 is reflected in the slight increase. A Merit increase was budgeted for FY2020-21, and while eventually given, it was withheld and will not be reflected until 2021-22. The increase in M&O spending in FY2019-20 due to the Pandemic also increased spending in that category.

While it is important to note that there are many factors at play and no single item ever fully explains the fluctuations from year to year, but without the greater granularity that has only recently been introduced, it will still take a few years to see how the numbers reflect the changes in operations that we know are occurring.

FISCAL YEAR 2020-21 - BUDGET TO ACTUAL - BY DIVISION

		Office of the President		Academic Affairs		Student Affairs		Strategic Enroll Mgmt		Univ Advancement		Admin & Finance		Combined	
		Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenue	State Support														
	General Appropriation	-	-									27,602,680	27,602,680	27,602,680	27,602,680
	HEAF											7,726,043	7,726,043	7,726,043	7,726,043
	State Research			90,413	90,413									90,413	90,413
	Benefits											7,461,586	7,415,157	7,461,586	7,415,157
	Total State	-	-	90,413	90,413	-	-	-	-	-	-	42,790,309	42,743,880	42,880,722	42,834,293
	Tuition														
	Statutory											15,868,991	16,444,282	15,868,991	16,444,282
	Designated Tuition											41,892,826	44,043,323	41,892,826	44,043,323
	Desig. Differential			2,497,912	2,731,689									2,497,912	2,731,689
	Remissions			(435,792)	(426,846)	(12,050)	(5,825)	(29,738)	(24,852)			(4,045,725)	(4,943,556)	(4,523,305)	(5,401,079)
	Total Tuition	-	-	2,062,120	2,304,843	(12,050)	(5,825)	(29,738)	(24,852)	-	-	53,716,092	55,544,049	55,736,424	57,818,215
	Fees														
	Fees			2,996,285	3,152,798	218,100	173,295	1,295,802	1,434,481			434,500	549,823	4,944,687	5,310,397
	Information Resource			4,599,432	5,283,318									4,599,432	5,283,318
	Total Fees	-	-	7,595,717	8,436,116	218,100	173,295	1,295,802	1,434,481	-	-	434,500	549,823	9,544,119	10,593,715
	Other Income														
	Investment Income							0	2			397,060	270,375	397,060	270,377
	Sales and Service		16,077	665,400	567,515	7,750	535			100	-	310,000	553,279	983,250	1,137,406
	Indirect Cost Recovery		346	307,092	923,418	-	2,091			-	741	30,816	38,849	337,908	965,445
	Endowment	889	949	163,720	166,326	2,540	2,744	38,506	39,082			320,877	330,320	526,532	539,421
	Gifts	30,000	274,814	2,000	2,425		57,308	-	1,940	45,010	6,716	-	-	77,010	343,203
	Fed/State Cont/Grants							1269859	1352517					1,269,859	1,352,517
	Svc Depts			510,000	528,249									510,000	528,249
	Transfers In/Out											684,187	212,480	684,187	212,480
	Other Income			10,000	-	7,000	7,523	85,858	969			2,882,182	-	2,985,040	8,492
	Total Other	30,889	292,186	1,658,212	2,187,933	17,290	70,201	1,394,223	1,394,510	45,110	7,457	4,625,122	1,405,303	7,770,846	5,357,590
	Total Revenue	30,889	292,186	11,406,462	13,019,305	223,340	237,671	2,660,287	2,804,139	45,110	7,457	101,566,023	100,243,055	115,932,111	116,603,813
Expenditur	Labor														
	Faculty														
	Tenure Track Faculty		4,706	22,833,652	21,061,885							336,500	-	23,170,152	21,066,591
	Non-Tenure Track			2,691,543	2,741,949							-	2,250	2,691,543	2,744,199
	Summer Instr			1,707,883	3,024,871							-	-	1,707,883	3,024,871
	Adjunct Faculty			1,120,308	2,391,886							-	-	1,120,308	2,391,886
	Graduate Assistants			625,090	1,049,070	-	35,847	5,000	7,106			-	-	630,090	1,092,023
	Total Faculty	-	4,706	28,978,476	30,269,661	-	35,847	5,000	7,106	-	-	336,500	2,250	29,319,976	30,319,570
	Staff														
	Exempt Staff	1,354,789	1,642,273	11,104,796	10,953,909	500,706	469,109	3,224,274	3,058,548	1801934	1587094	3,611,458	3,250,732	21,597,957	20,961,665
	Non-Exempt	81,360	67,339	3,378,391	2,507,880	83,714	80,546	1,189,259	958,700	112896	143,919	4,601,074	3,810,901	9,446,694	7,569,285
	Salary & Wages	12,399	24,168	97,274	264,590	2,584	6,754	24,563	119,388	26,160	50760	288,671	563,520	451,651	1,029,180
	Total Staff	1,448,548	1,733,780	14,580,461	13,726,379	587,004	556,409	4,438,096	4,136,636	1,940,990	1,781,773	8,501,203	7,625,153	31,496,302	29,560,130
	Student Employees	19,200	24,670	924,041	502,320	32,950	19,940	244,873	232,900	64,800	9,500	17,330	157,033	1,303,194	946,363
	Benefits	353,519	254,498	3,089,841	3,264,439	68,025	90,914	851,664	905,856	468,592	448,626	11,609,310	12,666,017	16,440,951	17,630,350
	Total Labor	1,821,267	2,017,654	47,572,819	47,762,799	687,979	703,110	5,539,633	5,282,498	2,474,382	2,239,899	20,464,343	20,450,453	78,560,423	78,456,413
	M&O														
	Maint & Operations	268,098	360,134	6,726,134	5,300,917	298,854	247,620	11,097,143	14,049,468	1,020,262	914,848	8,889,980	8,519,927	28,300,471	29,392,914
	Travel and Business Exp	27,500	4,996	273,313	22,208	15,000	1,840	49,310	253	27,000	607	53,883	2,694	446,006	32,598
	Utilities											2,854,755	1,763,612	2,854,755	1,763,612
	Capital Outlay		19,401	2,708,324	1,911,844			-	35,264			129,588	708,483	2,837,912	2,674,992
	Debt Service											2,308,113	2,227,064	2,308,113	2,227,064
	Misc Other													-	-
	Total M&O	295,598	384,531	9,707,771	7,234,969	313,854	249,460	11,146,453	14,084,985	1,047,262	915,455	14,236,319	13,221,780	36,747,257	36,091,180
	Total Expenditures	2,116,865	2,402,185	57,280,590	54,997,768	1,001,833	952,570	16,686,086	19,367,483	3,521,644	3,155,354	34,700,662	33,672,233	115,307,680	114,547,593
	Net of Operations	(2,085,976)	(2,109,999)	(45,874,128)	(41,978,463)	(778,493)	(714,899)	(14,025,799)	(16,563,344)	(3,476,534)	(3,147,897)	66,865,361	66,570,822	624,431	2,056,220

Fiscal Year 2020-21 - Budget to Actual – by Division

What you extract the University results shown on the previous page, and look at it by Division, within the context of the goal to implement a Responsibility Center Management (RCM) Budget model, two key things jump out.

1. For FY2021, by and large, each of the Divisions met their Contribution Margin, and would therefore, have formally been eligible for gain sharing, as the currently proposed UHCL RCM model would have dictated.
2. That the University has yet to fully achieved the RCM model that was recommended by the Budget Task Force.

I will cover both on this page.

Contribution Margin

- What is a contribution margin – in a true, fully implemented RCM budget model, 100% of direct revenue and direct costs as well as a prorated portion of indirect, or overhead costs are allocated to the appropriate “Business Unit”. In the case of UHCL, it would be to the level of Department, either an Academic Department that rolled up to first, a College, and then to the Division of Academic Affairs, or an Academic Support/Administrative department that rolled up to one of the other Divisions. At UHCL, as recommended by the Budget Task Force, the element of a true, fully implemented RCM budget model that would not be applied was the determination of a prorated portion of indirect or overhead costs. That was determined that at least initially, the appropriate determination and application of that would be too challenging, and individual departments, either academic, academic support, or administrative, would be allocated all direct revenue and direct costs – and the result of that would be termed their expected and actual Contribution Margin. On the presented FY2021 outcome report by Division – that would also be the same figure as is labeled “Net of Operations”. Note, some divisions, who do not earn direct revenue to fully cover their direct costs, they have a negative Contribution Margin, and other divisions have a positive Contribution Margin – as their direct revenue exceeds their direct costs.
- Because UHCL has not fully implemented that version of RCM budget model, and the allocation of direct revenue is not occurring, only the Division of Administration and Finance currently has an expected (budget) or actual positive contribution margin.
- In this RCM budget model, once implemented, during the year, any Budget Manager exceeding projected (budgeted) direct revenue, would have the flexibility to utilize those additional resources as they saw fit to manage the operations of their business unit. The most common example would be an academic department experiencing unplanned enrollment growth would have the resources to hire additional adjunct faculty in that year – to serve the growth in enrollment. As long as they met their expected contribution margin – any excess revenue would be at their discretion (within limits) to use to best serve their students.
- Limits on Budget Manager decisions – Some but not all examples of limits are listed here.
 - Budget Managers could hire adjunct faculty, but they could not hire tenure track faculty without meeting the criteria of their College Dean or Provost.
 - Budget Managers could not choose to give the additional resources as bonuses or additional compensation outside of Human Resources guidelines.

Fiscal Year 2020-21 - Budget to Actual – by Division

- Budget Managers could not purchase equipment not in their overall and approved strategic plan
- Budget Managers could not enhance their office or classroom space outside of Facilities annual maintenance and upgrade plans.
- In short – Budget Managers could purchase those supplies, services, temp labor needed to accommodate the surge in enrollment and they could execute previously approved strategic or operational plans that here-to-fore lacked resources – AS LONG AS THEY STILL MET THEIR EXPECTED CONTRIBUTION MARGIN.
- With this understanding of the proposed RCM budget model, even without the full allocation of direct revenue to the appropriate academic/academic support/administrative departments, you can see where many of the UHCL Divisions would have exceeded their expected contribution margin, and would have them been eligible for gain sharing.
- What is Gain Sharing – gain sharing is the process of taking recourses generated above expected contribution margins – after the close of the fiscal year, and allocating them back to the departments that generated the excess contribution margins to further their strategic and operational plans – with a longer execution window than the current fiscal year (given as fund balance thereby allowing more time to execute a more thorough plan)
- What is UHCL's Gain Sharing model – While various models have been proposed and have received support by the Budget Task Force, a final proposal has not been settled. Examples include:
 - Direct carryover – If a department exceeded its expected contribution margin in any given year, they would receive a direct percentage of that additional contribution margin as carry over into the next fiscal year. This is a very straight forward and simple calculation.
 - Strategic plan target achievement – with the implementation of Tier II of the strategic plan, at least at the Division/College level, there are established metrics and targets. As Divisions or Colleges achieve those targets, a portion of the excess contribution margin could be used to allocate gain sharing. This operates on the assumption that successful achievement of the strategic metrics will translate into operational success, which will translate into financial success. This need not be direct, but it must be eventual. A weighting factor could be applied to targets associated to higher prioritized initiatives in the Strategic Plan. This is much more complicated to implement, but it promotes one key element of the UHCL Strategic Plan – the alignment of resources to priorities.

Key challenges to full implementation of the proposed RCM

- Allocation of direct revenue.
 - Primarily related to State General Appropriations. ([A on the By Division Proforma](#))
 - How we earn General Appropriation - While the bulk of the State General Appropriations are enrollment driven – there is a lag in that our appropriations are set for the biennium, based on the enrollment of the census year – which is the Summer, Fall, and Spring semester occurring before each legislative session ends. Example: Legislative session from Feb – May, 2021: census period is

Fiscal Year 2020-21 - Budget to Actual – by Division

- Summer 2020 through spring 2021. Then, the State General Appropriations are set, regardless of enrollment for both Fiscal year 2021, and 2022. They are connected, but not directly. Allocating would require some agreed upon “allocation process” as it wouldn’t be possible to be X dollars per delivered credit hour.
- How the State tracks how we spend General Appropriation dollars – The state takes a spend it or lose it view of General Appropriations, if you didn’t spend 100% of what was allocated in a given fiscal year, your institution must have not needed it, so the State takes it back. Allocating State General Appropriations at a decentralized level would risk that a department wouldn’t fully spend those dollars, and the University would risk losing them – so allocating them centrally and managing them centrally avoids this risk.
 - The State rewards using General Appropriations on Labor – within limits, General Appropriations used to support labor costs, earn additional support from the State for benefits, vs. use of those dollars for Maintenance and Operations does not. For that reason, UHCL allocated the maximum amount of General Appropriation resources to permanent positions. However, positions still go vacant as employees turnover. Without direct reallocation – for labor, those additional resources to support benefits would be lost – again, allocation and management of these resources other than central would risk loss of resources.
- Statutory and Designated Tuition ([B on the By Division Proforma](#))
 - Both Statutory and Designated Tuition could easily be allocated out to the appropriate Academic Department, now. However, some challenges existed to doing that initially, and have not been fixed:
 - Assignment of courses to the Academic Department that delivered the course. Until recently, when enrollment was reported by any level below the Colleges, it was actually based on the declared major of the student, not which department actually delivered the course. So, a Biology student, taking a Humanities course – it was reported as enrollment for the College of CSE, not HSH. That has been largely fixed. We still have challenges with consistent naming of academic departments and a few other nuances, but we are getting there. Up to this point, this hasn’t been very critical, but as it becomes critical, it will become consistent.
 - Allocation of costs – so that contribution margins make sense – previously, all faculty salaries were coded directly to the Office of the College Dean cost center. If the University is going to allocate revenue down to the academic department, costs need to be allocated directly as well – so that decisions are being made based on true operational data. This has largely been corrected as well – with some bugs and operational challenges still persisting.
 - Appropriate and useful Management reports –
 - If Budget Managers are going to be both given the freedom and responsibility of making in-current-year decisions with excess revenue or on ways to cut costs if revenues are not materializing, they need proper tools (management reports)

Fiscal Year 2020-21 - Budget to Actual – by Division

that do not yet exist. All financial reports that Budget Managers currently receive are aimed to compliance – do not over commit, make sure you reconcile, stay within the prescribed budget. Those are very helpful and cannot be forgotten. However, at the same time, financial reports that represent the way that managers understand their operations do that real time management decisions can be made do not exist. Work is progressing, but is not ready for full implementation.

- Determination of clarity of use for central vs. decentralized resources. A Review of the Fund Balance report will identify that there are sizeable fund balances in the Divisions and Colleges of decentralized resources that are not swept annually as central resources are. At UHCL, there lacks a clear decision as to which types of expenditures these decentralized resources are for and when they should be used so that as units build their budgets, it is clear when central resources should be requested or if Divisions and Colleges should seek to address those needs through their decentralized resources. Additionally, this clarity would help Divisions and Colleges better project when tuition or fee rates need to be increased or can even be decreased, based on reserve fund balances and identified needs. A working group is currently working on this to report to the Budget Task Force for a recommendation.
- Summary -
 - In summary, the University, lead by the Budget Task force is addressing most if not all of the challenges to full implementation of the recommended RCM budget model. There have been identified along the way numerous structural challenges that either have been corrected or are being worked on. The Budget Task Force does not meet frequently, because while the work is substantial and ongoing, changes occur slowly, so the need for frequent meeting is not there. However, I would like to take this opportunity to thank the members, both past and present of the Budget Task Force, the Department of Planning and Budget, the Department of Finance and the Office of Institutional Effectiveness as they are working toward a significantly improved mechanism for financial operations, greater transparency, and greater allocation of resources aligned with priorities of the University.