Budget Reality & *Sustainability*

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University of Houston Clear Lake

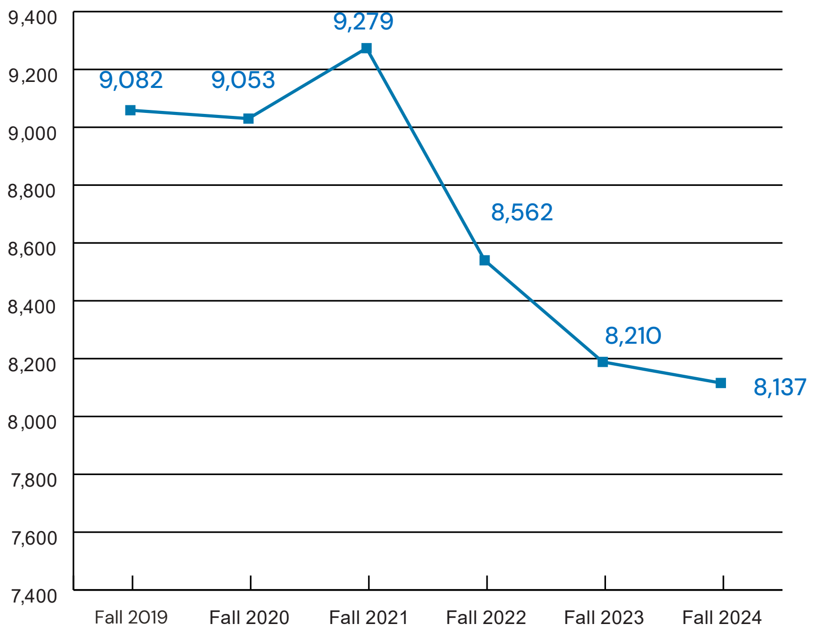
Understanding *How We Got Here*

Historical Budget Trends

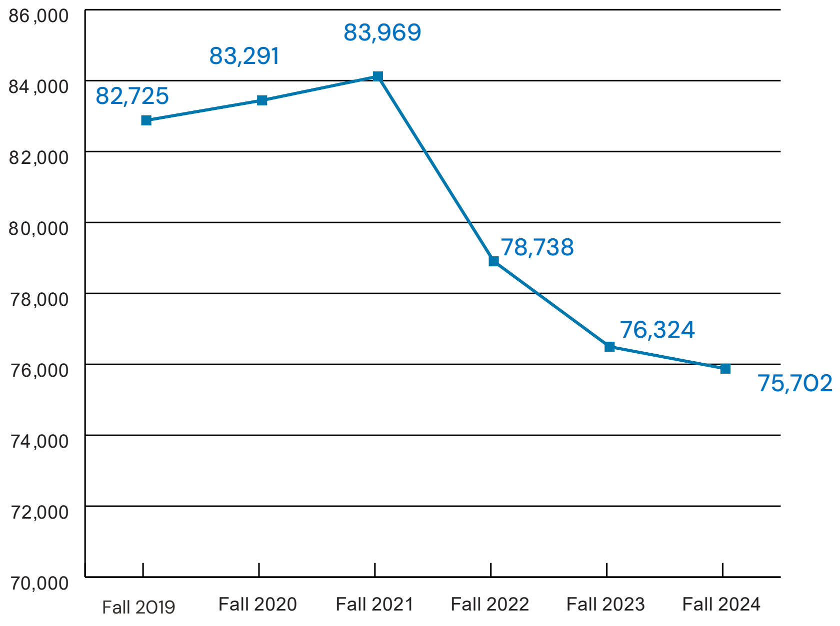
- Declining Enrollment: Since 2021, enrollment has decreased by more than 1,000 students.
- Tuition Rates: Tuition has remained unchanged for the past four years, with no planned increases for at least the next two years. Meanwhile, operating costs continue to rise.
- Revenues vs. Expenses: Over time, UHCL's expenditures have outpaced revenues, leading to an operational imbalance.
- Reliance on Fund Balances: To bridge the gap, we have relied on existing fund balances to cover deficits rather than achieving a structurally balanced budget.

Declining Enrollment & Impact

Enrollment – Head Count



Enrollment – Semester Credit Hours



Declining Enrollment → Reduced Tuition Dollars and State Appropriations

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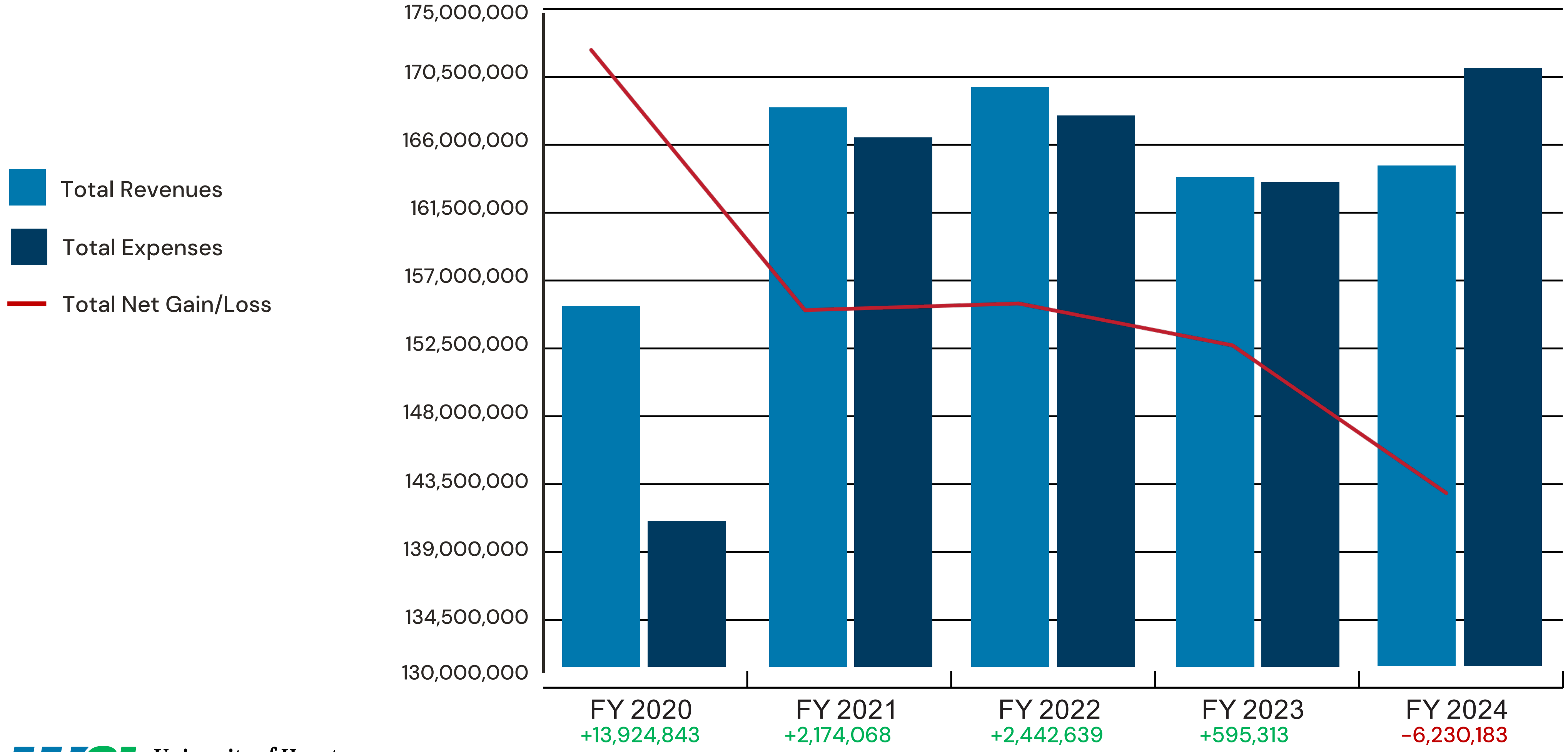
Summary of Revenue & Expenses FY '20–FY '24



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Use of University Reserves

- The university's reserves have dropped from **16.85% in EOY FY '19 to 11.46% in EOY FY '24**.
- UH System requires UHCL to **maintain at least 10% in reserves**—we are approaching that threshold.
- Continued use of reserves to balance the budget is unsustainable
- We must change our budgeting practices in order to maintain the 10% reserve and our target of 12% reserves

Fiscal Year	Reserve Balance	Percent
FY '19	19,865,542	16.85%
FY '20	29,326,355	24.71%
FY '21	21,259,282	24.95%
FY '22	30,233,340	23.88%
FY '23	19,865,542	14.95%
FY '24	15,284,054	11.46%

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FY ‘26 *Planning* and *Principles*

Proactive Planning vs Reactive Responses

Goals

- Develop a sustainable financial model that creates a **balanced budget without reliance on University Reserves.**
- Maintain a reserve of approximately **12%** to ensure financial stability and flexibility.

Strategic Planning

- To achieve this goal requires us to think creatively, plan strategically, and adapt with purpose. It requires us to **choose to act rather than be forced to react** and to take a critical eye to everything that we do.
- Budget reductions and strategic realignments are necessary to **ensure long-term financial sustainability.**

FY '26 Budget Planning & Reduction Principles

- **Align budgetary decisions with the University's mission and strategic plan** (student and faculty success, operational excellence, fiscal responsiveness, and elevated university recognition and profile).
- Complement longer-term planning with near-term decisions to **maintain a balanced budget.**
- **Challenge the status quo and long-held practices** that are impediments to success.
- Make strategic data-informed decisions based on performance measures to **maximize current and potential sources of revenue.**
- **Emphasize cost savings by pursuing efficiencies** in the University's operations.
- Continue the ongoing commitment to the employment and **retention of high-quality faculty and staff.**
- Make strategic investments to **grow new enrollment and increase retention.**
- Leverage and consolidate technology to **increase efficiency and productivity.**
- **Provide timely communication** to the campus.

University *Revenue Budget*: Funding sources, reduction planning scenarios, reduction targets

Primary Funding Sources (Revenue Budget)

State Funding: Fund 1

Includes appropriations and formula funding from the state, which are directly tied to enrollment numbers.

- **Formula Funding:** Driven by student credit hours and program costs.
- **General Appropriations:** Includes designated funding such as Institutional Enhancement Funding and other state allocations.

Local Tuition: Fund 2

Based on student enrollment and tuition rates

University Reserves

Available for unexpected expenses or shortfalls

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Budget Reduction Planning Scenarios

Revenue Budget = $99,750,424

10%	13%	16%	20%
$9,975,042	$12,967,555	$15,960,068	$19,950,085

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FY '26: Projected Revenue Reductions

No longer use Reserves to Balance Budget	-$9,100,000
Anticipated Reduction in State Formula Funding due to Declining Enrollment	-$2,500,000
Unanticipated Reduction in State Funding: Institutional Enhancement Funding	-$4,750,000
Projected Reductions:	**-$16,350,000**

FY ‘26: Budget Increases

Compensation Study Year 2	-$427,912.50 (Faculty) -$1,183,506.00 (Staff)
Marketing Investment	-$1,100,000
Budget Realignment: Utilities	-$2,000,000
Reserves for initiatives and priorities	-$500,000
Budget Increases:	**-$5,211,418**

FY '26: Total Reduction

Projected Revenue Reductions	-$16,350,000
Budget Increases	-$5,211,418
Total Reductions:	**-$21,561,418**

Planning Scenarios:

Revenue Budget Reductions based on Fund 1and 2 Budgets ($99,750,424)

Projected Revenue Reductions	-$16,350,000
Budget Increases	-$5,211,418
Total Reductions:	**-$21,561,418**

	10%	13%	16%	20%
Reduction Scenarios	$9,975,042	$12,967,555	$15,960,068	$19,950,085
Reduction Shortfall	-$11,586,376	-$8,593,863	-$5,601,350	-$1,611,333

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Budget Reduction *Strategies*

A Phased, Interconnected Process

- Voluntary Separation Incentive Program (VSIP)
- Review of Vacant Positions
- Other Budget Adjustments
  - Department Restructures
  - Program Eliminations
  - Reductions in contracts, travel and M&O
- Reduction in Force
  - Impacted **staff will continue to receive their salary and benefits** through August 31, 2025.
- Closure of Academic Programs
  - Most impacted faculty will be employed through May 31, 2026.

We will continue to keep you informed as decisions are made, and I appreciate your patience as we face these challenges together.