

**2017-2018 Annual Report on the UT Austin Budget  
from A-2 Faculty Advisory Committee on Budgets**

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**Summary:** The UT Austin operating budget faces challenges on many fronts.

On the revenue side, these challenges are shown in the table below and include

- declining state general revenue,
- “flat” recurring Available University Fund (AUF) support, and
- “flat” tuition rates.

The Permanent University Fund has increased 47.8% in market value<sup>1</sup> from \$13.47B on Aug. 31, 2012, to \$19.91B on Aug. 31, 2017, and its recurring payout to the AUF increased by 55.7% from \$176M in 2012-13<sup>2</sup> to \$274M in 2017-18<sup>7</sup>. During this same period, the recurring payout to the AUF increased from 7.5% to 9.2% of the annual UT Austin budget.

On the expenditure side, these challenges include

- bringing faculty and staff compensation to more competitive levels,
- addressing inflationary pressures for non-capital expenses (3% increase or \$52M/year),
- servicing debt (\$129M/year), and
- maintaining buildings/equipment (\$250M/year; \$2B total; not in the budget).

Of the 2017-18 operating budget, faculty/staff salaries/benefits accounted for 51%.

**Operating Budgets**

<b>UT Budget Sources</b>	<b>12-13<sup>2</sup></b>	<b>13-14<sup>3</sup></b>	<b>14-15<sup>4</sup></b>	<b>15-16<sup>5</sup></b>	<b>16-17<sup>6</sup></b>	<b>17-18<sup>7</sup></b>
Tuition and Fees	25%	24%	22%	21%	21%	21%
State General Revenue	13%	13%	12%	13%	12%	12%
Avail. Univ. Fund (AUF)	8%	9%	9%	8%	9%	10%
AUF Medical School	n/a	n/a	1%	1%	1%	1%
AUF Temp. Increase	n/a	n/a	n/a	n/a	0%	1%
Gifts and Endowments	9%	10%	10%	9%	9%	9%
Research Grants/Other	45%	44%	46%	48%	48%	46%
<b>Total</b>	<b>\$2.35B</b>	<b>\$2.48B</b>	<b>\$2.66B</b>	<b>\$2.81B</b>	<b>\$2.88B</b>	<b>\$2.98B</b>
<i>Increase vs. Previous Year</i>		5.5%	7.3%	5.6%	2.5%	3.5%

**Tuition:** Significant annual losses in the academic core budget have been projected for 2018-19 to 2021-22, based on 2017-18 figures<sup>7</sup>. The projected annual losses are \$41.9M, \$74.5M, \$79.5M and \$87.1M, respectively. In fall 2017, President Fenves convened a Tuition Policy Advisory Committee<sup>13</sup> (TPAC) to recommend the amount of tuition needed to fund the university's forecasted core academic budget for 2018-19 and 2019-20. In fall

2016, six public universities in Texas charged higher undergraduate resident tuition than UT Austin<sup>9</sup>. This was also the case in fall 2014. In fall 2015, TPAC recommended a 3.00% tuition increase. President Fenves agreed and UT System approved it in spring 2016. Since fall 2016, the increase in net revenue from tuition has been about \$15M/year. In fall 2017, TPAC recommended “a tuition increase of 2.00% in each year for 2018-19 and 2019-20 for Texas resident undergraduate students, non-resident undergraduate students, and graduate school students. (Professional school tuition is outside the scope of the committee.)” President Fenves accepted the recommendation in December 2017 and UT System approved it in March 2018<sup>16</sup>. The increase will take effect in fall 2018.

**State General Revenue:** The State Legislature decides the annual general revenue when they are in session every other year. The State General Revenue has been increasing slightly each year in absolute amounts, but has generally been declining in percentage of the operating budget<sup>2-7</sup> with 2015-16 being an exception<sup>2-7</sup>. For example, State general revenue in 1984-85 accounted for 47% of the \$503M operating budget<sup>2</sup>.

**Available University Fund:** The AUF includes income from the Permanent University Fund, which receives revenue from oil- and mineral-producing land. AUF is split 2/3 for The UT System and 1/3 for the Texas A&M System. UT Austin receives about 30% of the AUF funds each year<sup>5-7</sup>. For 2017-18, UT Austin received \$274M recurring revenue plus \$25M for the Medical School (same as in each of the previous three years) and \$39M as a one-time payout. One concern is the quadrupling of the UT System operating budget from 2011 to 2017 to a peak of \$143M<sup>14,20</sup> which appears to have reduced the amount of Permanent University Fund revenue that could have gone to component institutions.

**Research and Other External Revenue:** In 2017-18, UT Austin earned \$551M in research contracts/grants, \$148M in other external revenue directly for an academic purpose and \$479M in self-supporting revenue (including \$170M from athletics and \$97M from housing/food).<sup>7</sup> Athletics<sup>18</sup> received a record-breaking \$214.8M in 2016-17.

**Salaries/Benefits:** The largest expenditure in the 2017-18 operating budget is salaries and benefits (\$1.515B; 51%)<sup>7</sup>. The academic core expenditures (\$1.524B) included \$877M in salaries and benefits. Of the \$877M, \$24M goes toward teaching assistant salaries/benefits and covers approximately half of the TA positions on campus. Within salaries and benefits, faculty salaries cost \$325M and staff salaries cost \$292M<sup>7</sup>. Salaries for administrative positions (deans, directors, administrators, etc.) are available each year<sup>17</sup>. In fall 2017, excluding faculty members whose primary duties are administrative (deans, directors, administrative officials, etc.), UT Austin had 3,162 teaching faculty<sup>10</sup> of which 59.1% are tenured/tenure-track faculty<sup>10</sup>, and more than 16,000 dedicated staff<sup>11</sup>.

**Medical School:** Recurring cost for the Medical School increased from \$26.5M in 2014-15, \$66.8M in 2015-16, \$73.9M<sup>12</sup> in 2016-17 and \$81.2M<sup>12</sup> in 2017-18. The Medical School accepted its first class in fall 2016, and its enrollment was 100 in fall 2017.

**Debt Service:** President Fenves analyzed the \$129M in debt service at the Jan. 22, 2018, Faculty Council meeting<sup>19</sup>. 40% is debt service for construction of academic buildings,

including Engineering Education & Research Center, Belo Center for New Media, Gates-Dell Complex, and the Norman Hackerman Building. 22% is for debt service the three new Dell Medical School Buildings. 14% (\$18M) is for debt service for new Athletic facilities (tennis complex, etc.). Other debt service is for dormitories and parking garages.<sup>19</sup>

**Accounting Changes:** On January 23, 2018, we met with CFO Darrell Bazzell and Kristen M. Walker (Asst. VP of Accounting and Financial Management) to discuss a UT Austin proposal to pool fringe benefit rates into a small number of budget groups, which

- can greatly simplify budgeting for proposals
- is required by Workday
- will treat employees the same
- will gain efficiency in having the correct fringe benefits cost allocation up front

The fringe benefit rate is the fringe benefits cost divided by gross salary. The three possible fringe benefit costs are for an individual, a family, or a family with dependents. However, since gross salary varies with the individual, UT Austin has essentially 21,000 different fringe benefit rates. Peer institutions are pooling fringe benefits rates into 2-11 budget groups. The proposal does not affect the actual benefits received by faculty, staff and graduate student academic employees. We recommended using three budget groups.

The 2015-2016 Faculty Advisory Committee on Budgets also raised the following issues:

- Create an electronic idea box for university apps and software
- Create focus groups on purchasing from STEM and non-STEM units
- Simplify initiating purchases and reconciling purchases after the fact

We suggested drawing inspiration from the federal Paperwork Reduction Act (1980) to reduce the amount of information needed and let faculty take on the responsibility.

The 2014-15 Faculty Advisory Committee on Budgets also raised the following issues:

- The online conflict of interest forms are also difficult to use and understand
- Cluster hiring of senior faculty allocated to five of the 18 colleges/schools &
- Destination of funds raised during the \$3B Capital Campaign.<sup>3</sup>

*& How were the five colleges/schools chosen? Will they be able to hire Asst. Professors?*

The 2013-14 Faculty Advisory Committee on Budgets also raised the issues below<sup>15</sup>:

- Distribution of 2% contingency fund held by each department
- Relative weighting of research, teaching and service in annual faculty evaluations
- Work with Legislature to fulfill its financial commitment to excellence in higher ed
- Integration of Medical School students, faculty, staff and processes with campus
- Concern about applying a uniform standard for merit raises across departments
- Request for university-wide policy on the percentage of faculty to receive merit raises

UT Austin has tough choices to make in balancing budgets in face of anticipated deficits while fulfilling its increasing commitments to undergraduate, professional and graduate

education. Many non-administrative faculty members would like to have greater input in decisions on budgetary matters in departmental, college and upper administrations.

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