

## BUDGET NARRATIVE

### FY 2015 Budget Highlights

- Implementation of a mandatory guaranteed tuition and fee program at Texas A&M University effective Fall 2014. This is in compliance with House Bill 29 and guarantees the rate of tuition and mandatory fees for undergraduate students based on their college and/or major.
- Conversion of course fees to Designated Tuition and Differential Tuition and the conversion of certain graduate program fees to Graduate Advancement Fees
- A proposed 3% merit program for Faculty & Staff

### Revenues

The FY 2015 total revenue budget for TAMU will increase by \$38.7 million (3%) compared to the FY 2014 budget.

State Appropriations are budgeted to decrease \$1 million primarily due to a decrease of \$3 million in Hazlewood funding that was appropriated for FY 2014 only, offset by a \$1.9 million increase in Texas A&M's State Group Insurance contribution.

The Available University Fund (AUF) allocation from the Texas A&M University System is increasing \$4.3 million (5%) compared to FY 2014.

The Gross Tuition and Fee revenue budget is budgeted to increase by \$32.7 million (6%) compared to the FY 2014 budget. Designated Tuition is increasing due to the implementation of guaranteed tuition, the conversion of course fees to tuition, and enrollment growth. Increases to college differential tuition and distance education differential tuition are up due to increased enrollment and the final phase-in of previously approved differential tuition for the College of Veterinary Medicine & Biomedical Sciences.

Contracts and Grants, Student Financial Assistance, Sales & Services, and Investment Income are budgeted to remain relatively flat compared to the FY 2014 budget.

Gifts are budgeted to increase \$6.6 million (8%) compared to FY 2014, primarily driven by a \$5 million budget increase in Athletic gifts.

## BUDGET NARRATIVE CONTINUED

Other Income is expected to increase \$1.3 million (6%), primarily due to a budgeted increase of \$1 million in Collegiate Licensing revenues.

Discounts are budgeted to increase \$16.9 million (14%) compared to the FY 2014 budget. The increase in discounts is attributed to anticipated enrollment growth and associated student financial aid increases.

### **Expenditures**

Overall expenditures for TAMU are budgeted to increase \$51 million (4%) compared to the FY 2014 budget.

Personnel Costs are budgeted to increase by \$35.5 million (5%). The largest driver of this increase is the proposed 3% merit program for faculty and staff and increased faculty positions in the colleges of Education, Engineering, Geosciences, and Liberal Arts. Graduate student salaries are budgeted to increase by \$2.6 million and wages are budgeted to increase by \$4.4 million, with \$2.4 million of the wage increase in Athletics. Modest increases are also budgeted for faculty promotions and for on-going recruitment and retention efforts.

Scholarships expense is budgeted to increase \$15.4 million (8%) compared to the FY 2014 budget. This increase is driven by additional set-asides created through the conversion of course fees to designated tuition, continued enrollment growth and better alignment of Pell grant budgets to actual expenditures.

Equipment (Capitalized) is budgeted to increase \$1.3 million (5%). The largest components of this increase are new equipment purchases in Computing Information Services and Libraries.



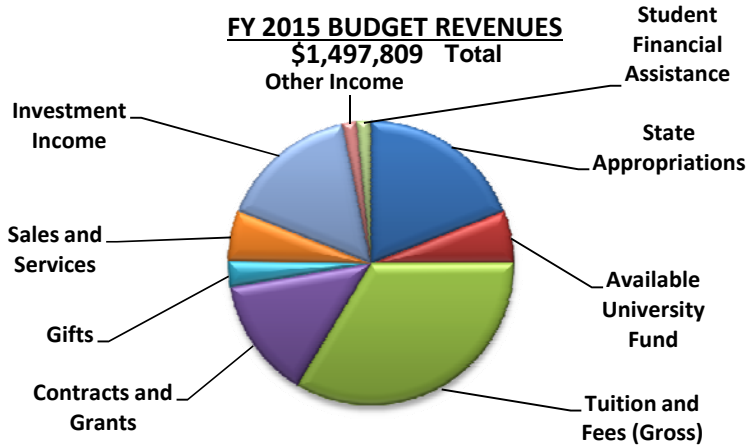
**Texas A&M University**  
**FY 2015 Highlighted Budget Components**  
*(in thousands)*



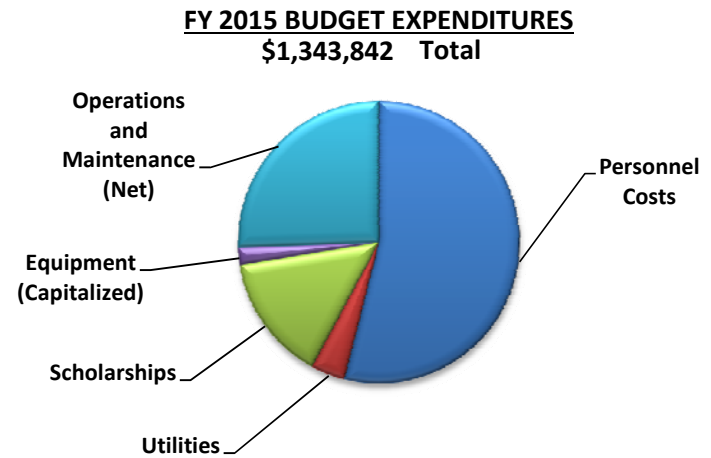
FY 2014 Board Approved Expense Budget	\$ 1,292,829
FY 2015 Proposed Expense Budget	1,343,842
<b>Difference</b>	<b>\$ 51,013</b>
<b>% Change</b>	<b>3.9%</b>

Personnel Costs		<b>Method of Finance</b>	
Proposed Merit Plan	\$ 13,537	State Appropriations/Statutory Tuition	78%
Incremental Benefits related to Merit	2,301	Designated Tuition	1%
		University Advancement Fees	5%
		Other Designated Funds	5%
		Auxiliary Revenues	8%
		Restricted Funds	3%
New Faculty/Non-Faculty Positions & Reclassifications	9,770	Enrollment Growth, Transition of Course Fees to Differential Tuition, Restricted Funds	
Faculty Promotions	500		
Increase in Graduate Assistants	2,637		
Increase in Wages	4,375		
Increase in Benefits	4,241		
Reduction in Summer Teaching	(196)	Decrease in Summer SCH	
Reduction in Unallocated Salaries	(1,706)	All Funds	
<b>Total Personnel Cost Change</b>	<b>35,460</b>		
Increase in Utilities	1,403	Designated, Auxiliary & Restricted Funds	
Increase in Operations & Maintenance	15,706	Designated & Auxiliary Funds	
Increase in Scholarships	15,353	Differential Tuition Set-asides & Scholarship Funds	
Increase in Scholarship Discounts	(16,907)	Student Financial Aid	
Increase in Capital Equipment	1,291	Designated Funds	
Increase in Net Service Departments	(1,293)	Designated Service Dept Funds	
<b>TOTAL:</b>	<b>\$ 51,013</b>		

THE TEXAS A&M UNIVERSITY SYSTEM  
Texas A&M University  
FY 2015 Budget Graphs  
(In Thousands)

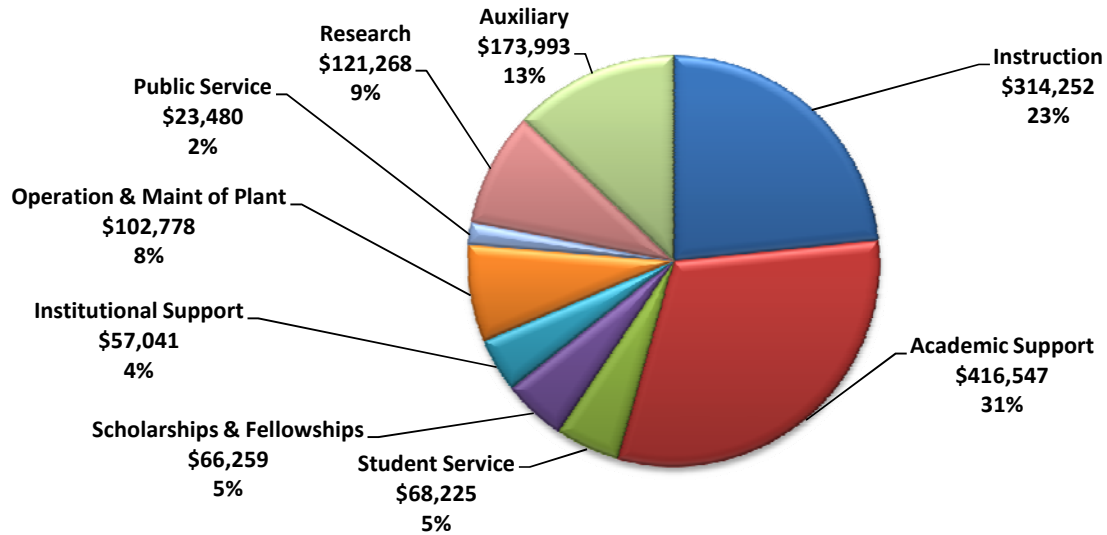


See Executive Budget Summary for amounts and percentages



See Executive Budget Summary for amounts and percentages

**FY 2015 BUDGET EXPENDITURES BY NACUBO FUNCTION**



NACUBO - National Association of College and University Business Officers.

(See Glossary for function definitions)



**THE TEXAS A&M UNIVERSITY SYSTEM**  
**Texas A&M University**  
**FY 2015 Executive Budget Summary**  
(In Thousands)



	FY 2012	FY 2013	FY 2014	FY 2015		FY15 Budget to FY14 Budget	
	Actuals	Actuals	Budget	Budget	% of Budget	Dollar Variance	Percentage Variance
<b>BEGINNING CURRENT NET POSITION</b>	\$ 775,300	\$ 877,357	\$ 925,570	\$ 953,015		\$ 27,446	3%
<i>Restatement: (prior year correction)</i>	0	0					
<b>REVENUES</b>							
State Appropriations	\$ 280,318	\$ 282,103	\$ 312,735	\$ 311,681	21%	\$ (1,054)	0%
Available University Fund	90,860	91,029	90,817	95,146	6%	4,329	5%
Tuition and Fees (Gross)	478,338	490,505	517,805	550,479	37%	32,673	6%
Contracts and Grants	226,561	207,450	218,002	223,325	15%	5,322	2%
Student Financial Assistance		39,924	47,746	48,817	3%	1,071	2%
Gifts	73,122	74,802	87,101	93,726	6%	6,625	8%
Sales and Services	252,929	288,883	252,520	257,960	17%	5,440	2%
Investment Income	47,325	75,136	26,892	26,721	2%	(171)	-1%
Other Income	19,124	28,715	24,099	25,439	2%	1,340	6%
Discounts	(116,685)	(126,772)	(118,577)	(135,484)	-9%	(16,907)	14%
<b>TOTAL REVENUES</b>	<b>\$ 1,351,893</b>	<b>\$ 1,451,774</b>	<b>\$ 1,459,139</b>	<b>\$ 1,497,809</b>		<b>\$ 38,669</b>	<b>3%</b>
<b>EXPENDITURES</b>							
Salaries - Faculty	\$ 257,550	\$ 262,599	\$ 278,690	\$ 291,526	22%	\$ 12,837	5%
Salaries - Non-Faculty	285,280	280,330	274,560	286,266	21%	11,706	4%
Wages	86,757	81,496	84,441	88,816	7%	4,375	5%
Benefits	129,365	124,571	124,877	131,419	10%	6,542	5%
<b>Personnel Costs</b>	<b>758,952</b>	<b>748,996</b>	<b>762,567</b>	<b>798,027</b>	<b>59%</b>	<b>35,460</b>	<b>5%</b>
Utilities	56,276	56,268	56,421	57,823	4%	1,403	2%
Scholarships	176,642	187,578	200,589	215,943	16%	15,353	8%
Discounts	(116,685)	(126,772)	(118,577)	(135,484)	-10%	(16,907)	14%
Equipment (Capitalized)	21,318	37,106	28,383	29,675	2%	1,291	5%
Operations and Maintenance (Net)	275,067	362,825	363,445	377,858	28%	14,413	4%
Debt Service	217	417	0	0	0%	0	n/a
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,171,787</b>	<b>\$ 1,266,418</b>	<b>\$ 1,292,829</b>	<b>\$ 1,343,842</b>		<b>\$ 51,013</b>	<b>4%</b>
<b>TRANSFERS</b>							
RFS Debt Service (To System Office)	\$ (70,153)	\$ (76,753)	\$ (72,398)	\$ (77,802)		\$ (5,404)	7%
Other	(7,897)	(60,390)	3,853	2,578		(1,275)	-33%
<b>NET TRANSFERS</b>	<b>\$ (78,050)</b>	<b>\$ (137,143)</b>	<b>\$ (68,545)</b>	<b>\$ (75,224)</b>		<b>\$ (6,679)</b>	<b>10%</b>
<b>NET INCREASE (DECREASE)</b>	<b>102,057</b>	<b>48,213</b>	<b>97,765</b>	<b>78,743</b>		<b>(19,022)</b>	<b>-19%</b>
<b>ENDING CURRENT NET POSITION</b>	<b>\$ 877,357</b>	<b>\$ 925,570</b>	<b>\$ 1,023,335</b>	<b>\$ 1,031,758</b>		<b>\$ 8,423</b>	<b>1%</b>



**THE TEXAS A&M UNIVERSITY SYSTEM**  
**Texas A&M University**  
**FY 2015 Executive Budget Summary**  
(In Thousands)



EXPENDITURES  Fund Group - NACUBO Function	FY 2012	FY 2013	FY 2014	FY 2015		FY15 Budget to FY14 Budget	
	Actuals	Actuals	Budget	Budget	% of Budget	Dollar Variance	Percentage Variance
<b>E&amp;G and Designated:</b>							
Instruction	\$ 422,012	\$ 411,687	\$ 237,828	\$ 234,006	17%	\$ (3,822)	-2%
Academic Support	96,311	138,698	356,591	378,152	28%	21,561	6%
Student Services	56,817	61,117	61,224	63,875	5%	2,652	4%
Scholarships and Fellowships	34,450	34,494	66,308	64,571	5%	(1,736)	-3%
Institutional Support	15,099	46,259	49,056	56,688	4%	7,632	16%
O&M of Plant	86,534	100,704	90,768	101,682	8%	10,914	12%
Public Service	18,707	18,283	17,479	18,415	1%	936	5%
Research	43,330	53,035	48,308	47,529	4%	(779)	-2%
<b>E&amp;G and Designated Subtotal:</b>	<b>\$ 773,259</b>	<b>\$ 864,277</b>	<b>\$ 927,562</b>	<b>\$ 964,919</b>	<b>72%</b>	<b>\$ 37,357</b>	<b>4%</b>
<b>Auxiliary:</b>							
Auxiliary	\$ 186,304	\$ 163,050	\$ 172,177	173,993	13%	\$ 1,815	1%
<b>Auxiliary Subtotal:</b>	<b>\$ 186,304</b>	<b>\$ 163,050</b>	<b>\$ 172,177</b>	<b>\$ 173,993</b>	<b>13%</b>	<b>\$ 1,815</b>	<b>1%</b>
<b>Restricted:</b>							
Instruction	\$ 56,128	66,266	\$ 77,517	\$ 80,246	6%	\$ 2,730	4%
Academic Support	23,283	23,152	46,773	38,395	3%	(8,378)	-18%
Student Services	3,278	3,992	5,758	4,349	0%	(1,408)	-24%
Scholarships and Fellowships	21,583	20,733	(15,109)	1,687	0%	16,796	-111%
Institutional Support	1,271	2,547	359	353	0%	(5)	-1%
O&M of Plant	2,435	3,039	1,637	1,096	0%	(541)	-33%
Public Service	8,636	7,638	4,687	5,064	0%	377	8%
Research	95,610	111,723	71,469	73,739	5%	2,270	3%
<b>Restricted Subtotal:</b>	<b>\$ 212,224</b>	<b>\$ 239,091</b>	<b>\$ 193,090</b>	<b>\$ 204,930</b>	<b>15%</b>	<b>\$ 11,840</b>	<b>6%</b>
<b>TOTAL:</b>							
Instruction	\$ 478,140	\$ 477,954	\$ 315,345	\$ 314,252	23%	\$ (1,093)	0%
Academic Support	119,594	161,850	403,364	416,547	31%	13,183	3%
Student Services	60,095	65,109	66,981	68,225	5%	1,243	2%
Scholarships and Fellowships	56,033	55,227	51,199	66,259	5%	15,060	29%
Institutional Support	16,370	48,806	49,414	57,041	4%	7,627	15%
O&M of Plant	88,969	103,743	92,405	102,778	8%	10,372	11%
Public Service	27,343	25,921	22,167	23,480	2%	1,313	6%
Auxiliary	186,304	163,050	172,177	173,993	13%	1,815	1%
Research	138,940	164,758	119,777	121,268	9%	1,491	1%
<b>TOTAL:</b>	<b>\$1,171,787</b>	<b>\$1,266,418</b>	<b>\$1,292,829</b>	<b>\$1,343,842</b>	<b>100%</b>	<b>\$ 51,012</b>	<b>4%</b>



Texas A&M University  
Change in Net Position  
Current Funds  
Fiscal Year 2015 Budget  
(In Thousands)



	Estimated Beginning Net Position	Estimated Ending Net Position	Change In Net Position
<b>Fund Group (Current Funds Only)</b>			
Functional and General	\$ 91,489	\$ 79,892	\$ (11,597)
Designated	587,517	598,153	10,636
Auxiliary	167,892	185,890	17,998
Restricted	106,117	167,823	61,706
<b>Change in Net Position</b>	<b><u>\$ 953,015</u></b>	<b><u>\$ 1,031,758</u></b>	<b><u>\$ 78,743</u></b>

		<b>Explanation for Net Decrease*</b>
<b>Functional and General</b>	(11,597)	Spending down fee account balances and Academic Master Plan One-Time funding

\* if applicable