

TEXAS A&M UNIVERSITY
FY 2021 PROGRAMMATIC BUDGET REVIEW
EXECUTIVE SUMMARY

Introduction:

Two major assumptions in preparing our Programmatic Budget Review documents for FY 2021 were (1) a 5% reduction in state appropriations (approximately \$16.7 million) and (2) a modification of our classroom delivery and increasing safety in response to the continuing COVID-19 pandemic. With respect to the latter, the following modifications will have an impact on our cost structure (discussed in the “Expenses” section) in FY 2021:

- Three major types of delivery will be provided: (1) traditional face-to-face; (2) hybrid (face-to-face with students alternating face-to-face participation with synchronous participation); and, (3) fully online delivery (either synchronous delivery or asynchronous).
- We are identifying non-traditional spaces (large conference/gathering rooms, student meeting rooms, etc.) to convert to classrooms to accommodate as much face-to-face and hybrid instruction as possible.
- We are extending our classes to offer a more robust schedule in evenings to accommodate as much face-to-face and hybrid instruction as possible.
- We are adding technology, plexiglass barriers in key locations, and increasing PPE and hand sanitation availability.

Revenues:

As noted above, the 5% reduction in state appropriations reduced our revenues by \$16.7 million in both FY 2020 (retroactively) and FY 2021.

Since the onset of COVID-19, the primary impact on our FY 2020 revenues has been through prorated credits issued to students for dining, parking, and housing for Spring 2020 (estimated total = \$13.1 million) as well as foregone revenues in these areas from cancelled athletic and other events, summer programs, new student conferences, and other activities (estimated total = \$7.6 million). As of July 1, housing and dining are expected to issue an additional \$3.4 million in credits for Fall 2020.

Assuming Texas A&M University can return to a resident campus model and return to a normal level of students on campus and in the community for Fall 2020, the impact on our FY 2021 revenues will largely be felt in tuition and fees in graduate programs with high levels of international enrollments, which may be lost if those students are unable to travel to campus or enroll in programs. In addition, we will suffer losses from waivers in distance education differential tuition which cannot be charged without creating inconsistent treatment for students in a hybrid environment.

Undergraduate enrollments, housing deposits, and parking permit sales have been largely consistent with prior (non-COVID) years, suggesting that these programs may be less affected. However, students have recently received their draft fall schedules and are currently reviewing their options. Furthermore, any major changes in the pandemic landscape could result in undergraduate students either deciding to delay their admission or take a gap year (resulting in

lost tuition and fee revenues as well as housing, dining, and parking revenues) or pursuing their education remotely (resulting in lost housing, dining, and parking revenues).

Expenses:

- Because of the modifications to our classroom delivery noted in the Introduction, COVID-19 is expected to have a significant impact on our expenses, including:
 - Technology costs to allow recording and streaming of all courses offered in face-to-face, hybrid, or online formats.
 - Costs associated with modifying non-traditional teaching spaces to allow for face-to-face or hybrid instruction with physical distancing.
 - Costs associated with PPE and enhanced cleaning services to ensure a safer environment for students, faculty, and staff.
 - Seed grants provided to colleges and faculty for technology enhancements to develop high-quality online courses for those courses to be offered exclusively in that format.
- Our institutional priorities have not changed; we are still focused on the teaching, research, and outreach components of our institution.
 - While a state reduction of 5% would be harmful in any circumstance, this reduction is potentially harmful to the student success initiatives we developed through the institutional enhancement funding of \$27.5 million we received in the last legislative session.
 - One significant impact of COVID that we are considering is the increased importance of personal technology to our students necessitated by the modified delivery models.
- From a personnel standpoint, we will be reducing our staffing through both RIF of personnel associated with less strategic programs as well as not filling vacant positions.
- Our current merit plan provides a base merit increase of 1.25% and a 0.75% one-time merit increase, with a particular focus on compensation of lower-paid employees.
- Texas A&M University will receive a total of \$39.8 million in CARES Act Funding, with \$37.4 million for the main campus (the other \$2.4 million is split between HSC and Galveston). The Part I funding of \$18.7 million (which must be provided directly to students) focused on providing emergency grants to students for loss of student and family income, access to technology, summer rent payments, and financial support for continued enrollment. The Part II funding of \$18.7 million will be used to partially offset many of the costs associated with modifying our classroom delivery noted above.

Reserves:

- FY 2019: \$502.7 million, 4.1 months
- FY 2020 (Projected): \$425 million, 3.4 months
- While a great deal of uncertainty exists in potential expenditures, market returns, and other factors impacting reserves, it is likely that our reserves will decline in FY 2021 because of some of the costs of COVID-19 as well as the need to bridge fund certain items affected by the state mandated budget cuts.

Capital Plan:

- Major projects added to the capital plan for FY21-25 include:
 - Business Education Complex (Mays Business School): \$74.7 million
 - Residence Life interior finishes and HVAC projects: \$36.8 million
 - Aggieland Visitor Center: \$36.2 million
 - Satellite Utility Plant expansion: \$20.9 million
- Our highest priority future project is a Biological Sciences Complex to support our teaching and research programs. We have included this in our FY 2021-2025 Capital Plan as an unfunded need.

Texas A&M University Programmatic Budget Review

August 4, 2020

Overview

- Academic Performance
 - Limited, targeted growth of undergraduate program, with strong diversity and first-generation representation
 - High proportion of in-state students compared to Vision 2020 peers
 - Awarded 17,880 degrees, an increase of 29% over five-year period
- Funding/Budget
 - Increase in funding from state during FY 2020 offset by mandated 5% reduction; state funding per student continues to remain low compared to Vision 2020 peers
 - Despite Fall 2020 increase, tuition levels continue to remain low compared to Vision 2020 peers
 - 33% increase in research funding since 2012 (highest among Vision 2020 peers)
 - Costs and lost revenue from COVID-19 far outpaces CARES Act funding
 - Administrative cost ratio continues to be the lowest among universities in the state of Texas
- New Goals and Objectives
 - Continue strong trajectory in research, teaching, and outreach programs
 - Continue progress in our student success initiatives
 - Prepare for post-COVID environment in fall (and potentially beyond)
 - Undertake important initiatives to improve campus climate and enhance diversity

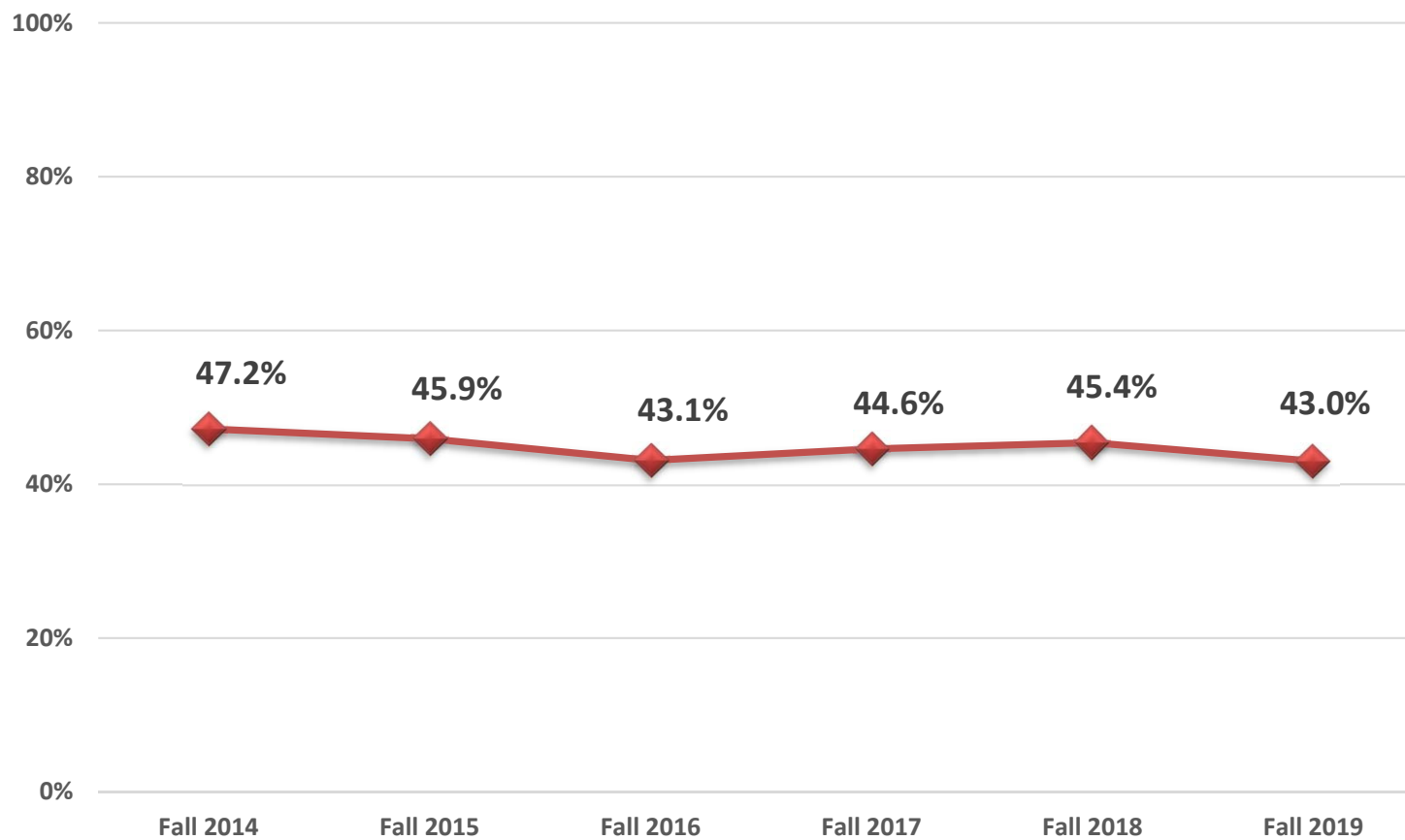
Impact of Faculty Investments

	\$1 million	\$16.7 million
New Faculty	7.5	157
# additional sections	38	627
Class size (current level = 39)	39	36
Student/faculty ratio (current level = 23:1)	23:1	22:1
Research funding	\$2.6M	\$43.1M

\$16.7 million represents 5% reduction from state appropriations

Academic Performance

Yield of Admitted Applicants



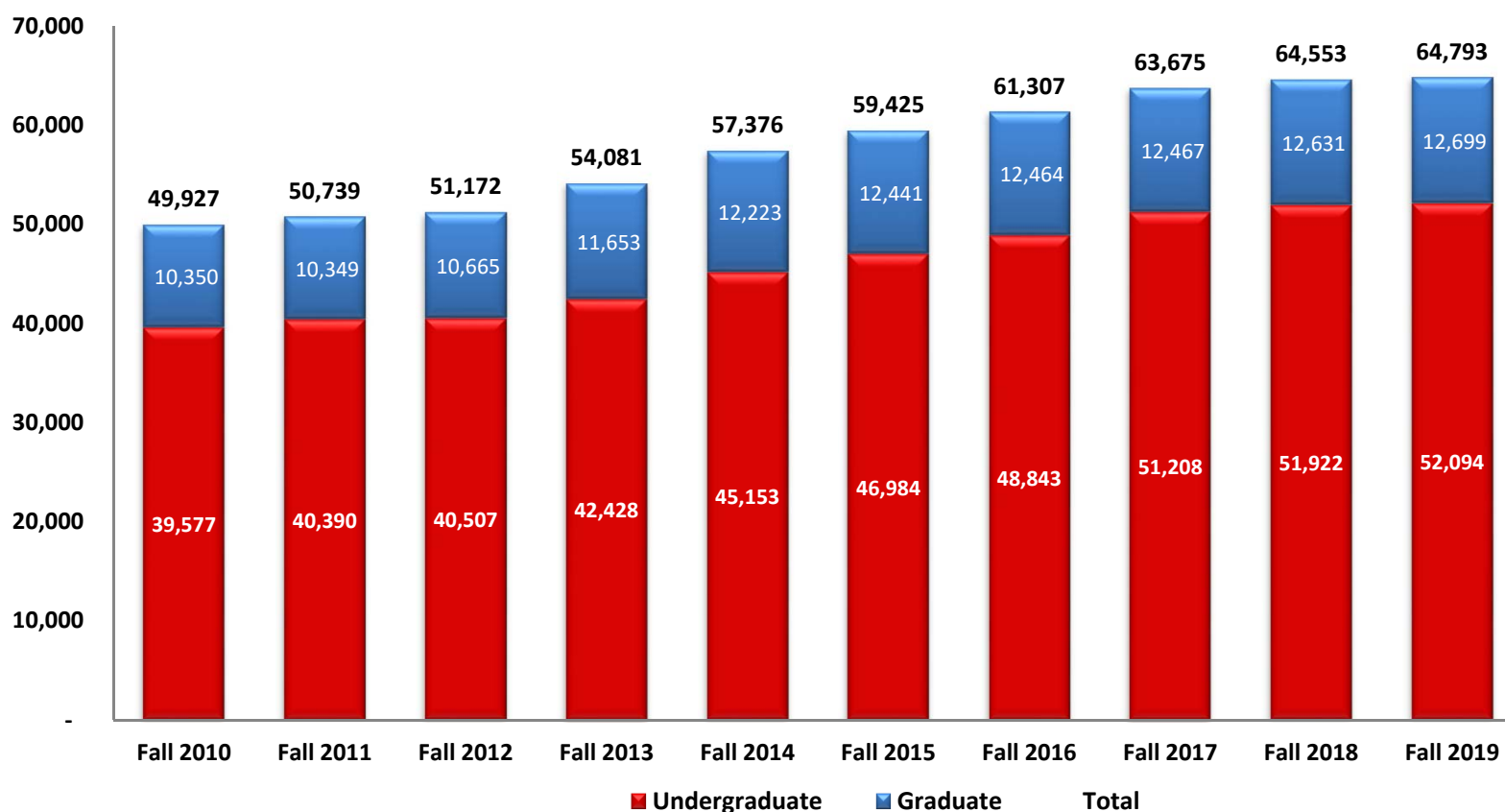
10 Year Enrollment History

(Main Campus Only)

Texas A&M University 10 year Headcount Enrollment Trend

Stretch Goal
Fall 2024:

67,500



* Includes Qatar and Distance Ed

Impact of COVID-19 on Enrollment

	Summer, as of 4th class day			Fall		
	2019	2020	Change	2019	2020 Proj.	Change
Headcount	20,954	25,183	4,229	63,859	64,850	991
% Change			20%			1.6%

Summer 2020

- Planned to increase before COVID-19
- Increased course offerings, particularly high demand courses
- No distance education differential tuition charged for undergraduates

Fall 2020

- Enrollments remain strong, but availability of in-person classes and COVID-19 can impact numbers
- Continuing student enrollment is up
- New freshmen enrollment currently tracking up with projected enrollment of 10,687 (up 433)
- New transfer enrollment currently tracking up with projected enrollment of 3,000 (up 290)
- New graduate enrollment expected to decrease by 300
 - Projected loss of international student enrollments, anticipating decrease of 900
 - Increase in Masters from 600 new Expedited Admission of May and August A&M graduates

COVID-19 continues to create significant uncertainty and significant changes could occur between now and the official Fall 2020 census date.

Student Demographics Fall 2019

(Main Campus Only)

Students (Fall 2019)	Total HC Enrollment	In State	%	Out of State	%	Foreign	%	African-American	Hispanic	White	Other
Undergraduate	52,094	48,909	94%	1,878	4%	1,307	3%	3.1%	24.5%	59.2%	13.2%
Graduate	12,699	6,193	49%	1,945	15%	4,561	36%	3.3%	11.3%	41.5%	43.9%
Total	64,793	55,102	85%	3,823	6%	5,868	9%	3.2%	21.9%	55.0%	19.9%

- **24% of the Undergraduate class is First Generation**

Fall Plans to Re-Open

Overall	<ul style="list-style-type: none">• Follow guidance from national, state, and local authorities
Classrooms	<ul style="list-style-type: none">• 50-60% of courses face-to-face• Options for remote instruction in all classes• Upgraded cleaning, filtration, and ventilation
Students	<ul style="list-style-type: none">• Implement critical services (transportation, dining, housing) with enhanced safety measures
Faculty	<ul style="list-style-type: none">• Enhanced training and technology for remote teaching
Community	<ul style="list-style-type: none">• Use of technology in community workshops and training
Research	<ul style="list-style-type: none">• Resumption of activities occurring over the summer with a committee reviewing plans

Contingency Plans for COVID-19 Outbreak

Overall	<ul style="list-style-type: none"> Follow guidance from national, state, and local authorities
Students	<ul style="list-style-type: none"> Services: Offer reduced services in person, move to 100% offered remotely Classes <ul style="list-style-type: none"> Level 1: Reduce face-to-face offerings from 60% to 25% (in increments) Level 2: Reduce face-to-face offerings to 10% Level 3: Reduce face-to-face offerings to 0% Housing: Activate surge housing as students needing to isolate increases
Faculty	<ul style="list-style-type: none"> Limited impact, based on previous remote teaching training
Staff	<ul style="list-style-type: none"> Level 1: Increase remote location Level 2: Reduce to essential personnel/skeleton crew
Community	<ul style="list-style-type: none"> Use of technology in community workshops and training
Research	<ul style="list-style-type: none"> Level 1: Enact localized closures for local outbreaks (individual labs, core facilities, floors of buildings, buildings) Level 2: Limit to “essential research activities”

Financial Performance

FY 2021 Proposed Revenue Budget

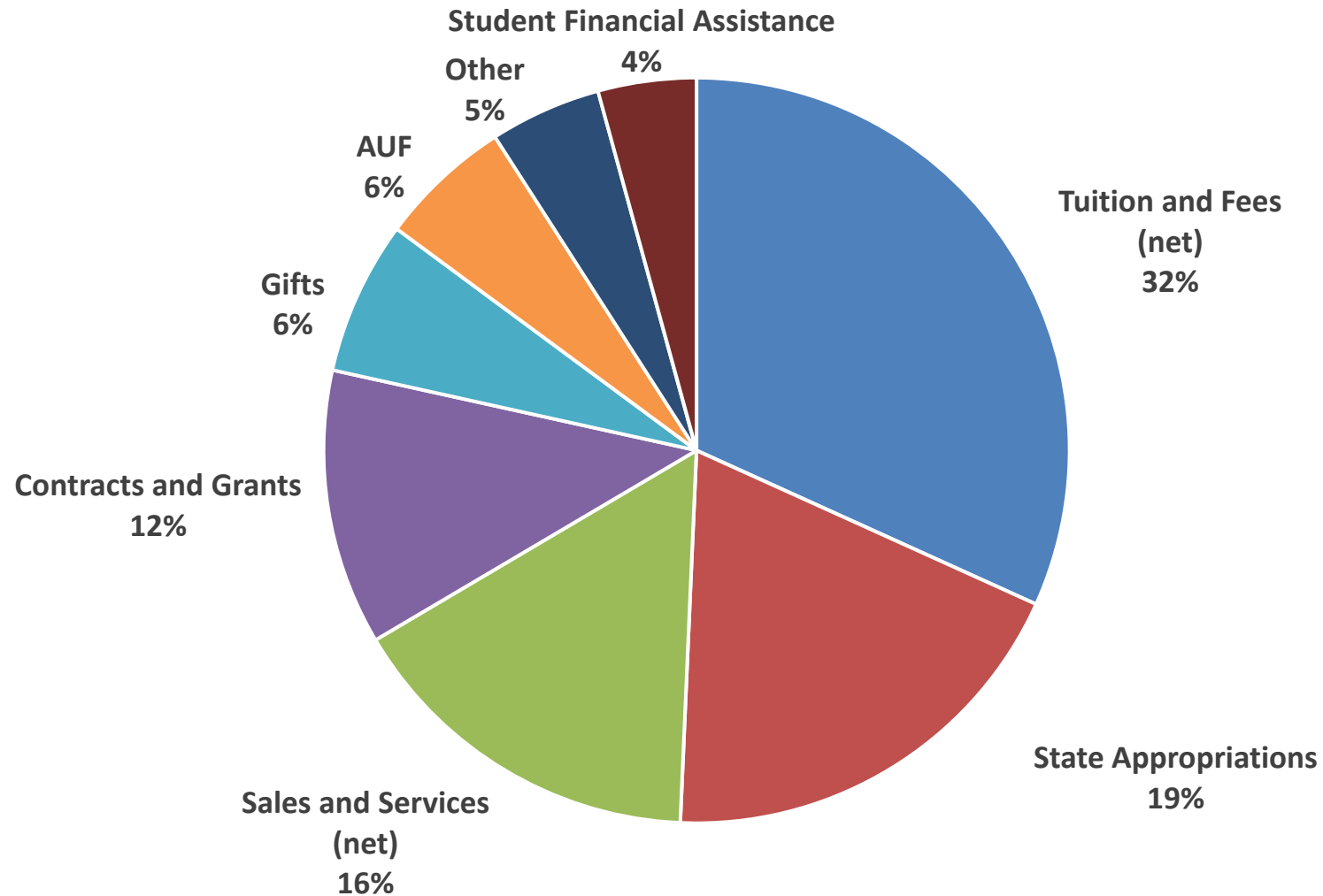
(Main Campus Only)

REVENUES	BUDGET (in thousands)		Variance	
	FY 2020	FY 2021	Amount	%
State Appropriations	\$ 412,304	\$ 399,680	\$ (12,624)	-3%
Federal Appropriations	-	12,500	12,500	
Available University Fund	116,505	122,038	5,533	5%
Tuition and Fees (Net)	645,728	670,970	25,242	4%
Contracts and Grants	246,719	252,529	5,810	2%
Student Financial Assistance	76,020	89,856	13,836	18%
Gifts	137,979	140,864	2,885	2%
Sales and Services (Net)	330,358	333,914	3,556	1%
Investment Income	65,479	66,073	594	1%
Other Income	25,560	23,573	(1,987)	-8%
TOTAL REVENUES	\$ 2,056,652	\$ 2,111,997	\$ 55,345	3%



FY 2021 Proposed Revenue Budget

(Main Campus Only)



FY 2021 Tuition and Fees

	ONE-YEAR VARIABLE RATE						GUARANTEED RATE	
	APPROVED at						% Above	
	2.6% Aug. 2018 BOR Mtg. Differential						Variable Rate	
	Fall 19	HEPI	Rec-Sports	Tuition	Fall 20	% Chg.	Fall 20	
General Studies	\$5,249	\$137	\$39		\$5,425	3.4%	\$5,777	6.5%
College of Agriculture	\$5,844	\$152	\$39		\$6,035	3.3%	\$6,427	6.5%
College of Agriculture (BAEN & AGSM)	\$6,330	\$165	\$39		\$6,534	3.2%	\$6,959	6.5%
College of Architecture	\$6,088	\$158	\$39	\$100	\$6,385	4.9%	\$6,800	6.5%
College of Business	\$5,957	\$155	\$39	\$383	\$6,534	9.7%	\$6,959	6.5%
College of Education	\$5,625	\$147	\$39		\$5,811	3.3%	\$6,189	6.5%
College of Engineering	\$6,330	\$165	\$39		\$6,534	3.2%	\$6,959	6.5%
College of Geosciences	\$5,514	\$143	\$39		\$5,696	3.3%	\$6,066	6.5%
College of Liberal Arts	\$5,348	\$140	\$39		\$5,527	3.3%	\$5,886	6.5%
College of Public Health (lower-level)	\$5,249	\$137	\$39	\$386	\$5,811	10.7%	\$6,189	6.5%
College of Science	\$5,466	\$142	\$39	\$217	\$5,864	7.3%	\$6,245	6.5%
Vet Med & Biomedical Sciences	\$5,381	\$140	\$39		\$5,560	3.3%	\$5,921	6.5%

Tuition and Fee Plans

Fall 2020

- Modifications
 - Overall increase of 2.6% (based on HEPI)
 - Guaranteed rate set at 6.5% higher than variable rate
 - Differential tuition increase in four colleges
 - REC Sports fee (approved by vote of student body)
- Estimated additional revenue from HEPI increase = \$8.3 million
- % of incoming freshmen on guaranteed rate plan
 - Fall 2019 = 83%
 - Fall 2020 = 77% (as of July 2020)

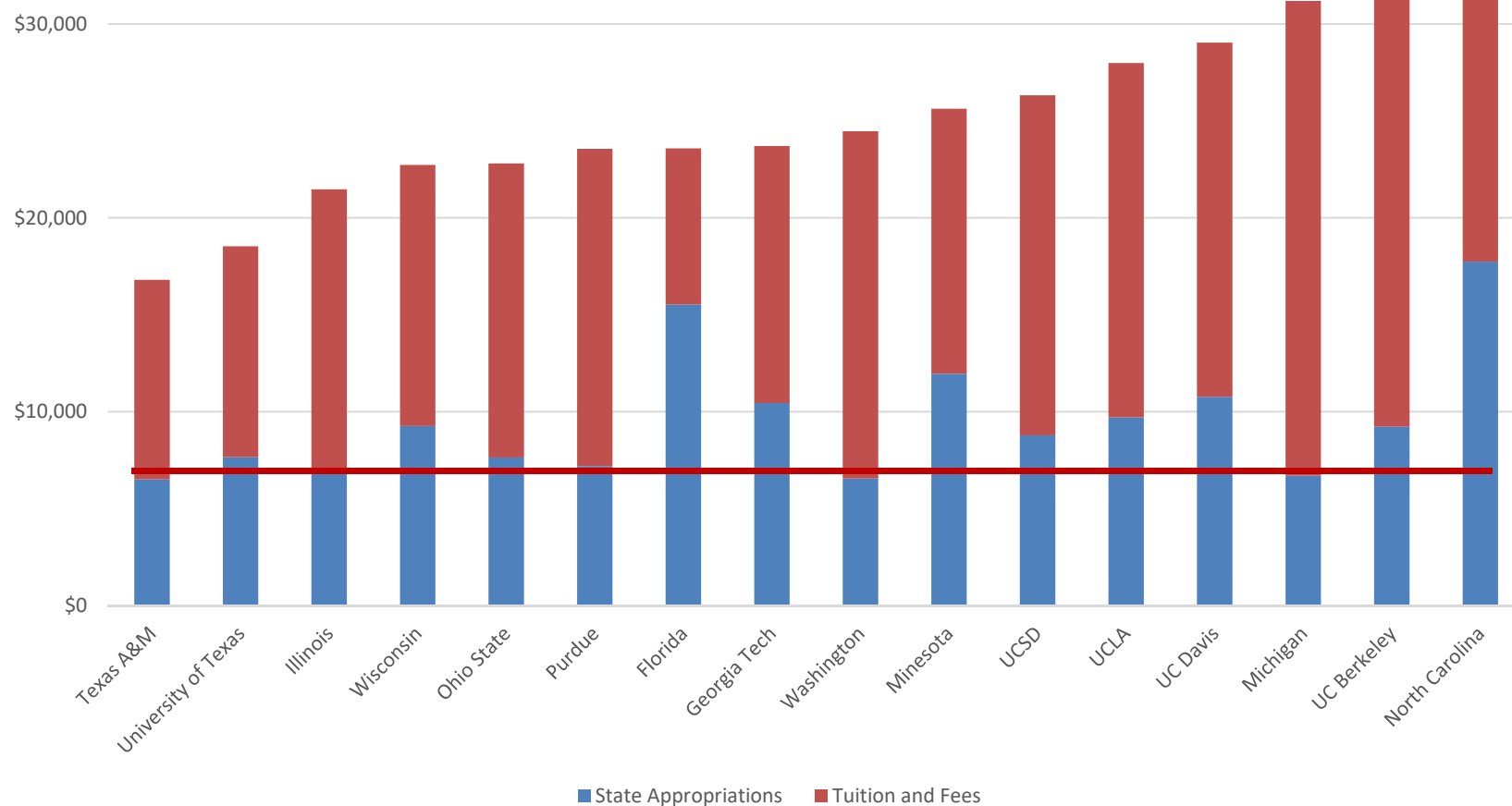
Tuition and Fee Plans

Future Plans

- Approval at Fall 2019 BOR meeting
 - Increase in Fall 2021 up to HEPI (2.2% as of June 2020)
 - Spread between variable and guaranteed tuition of up to 8%
- Other matters to consider
 - Foregone revenues from waived distance education fees in Summer/Fall 2020 and possible methods to restructure these fees
 - Potential differential tuition requests from selected undergraduate programs
 - Potential market-based increases for graduate programs

Funding per Student, FY 2018

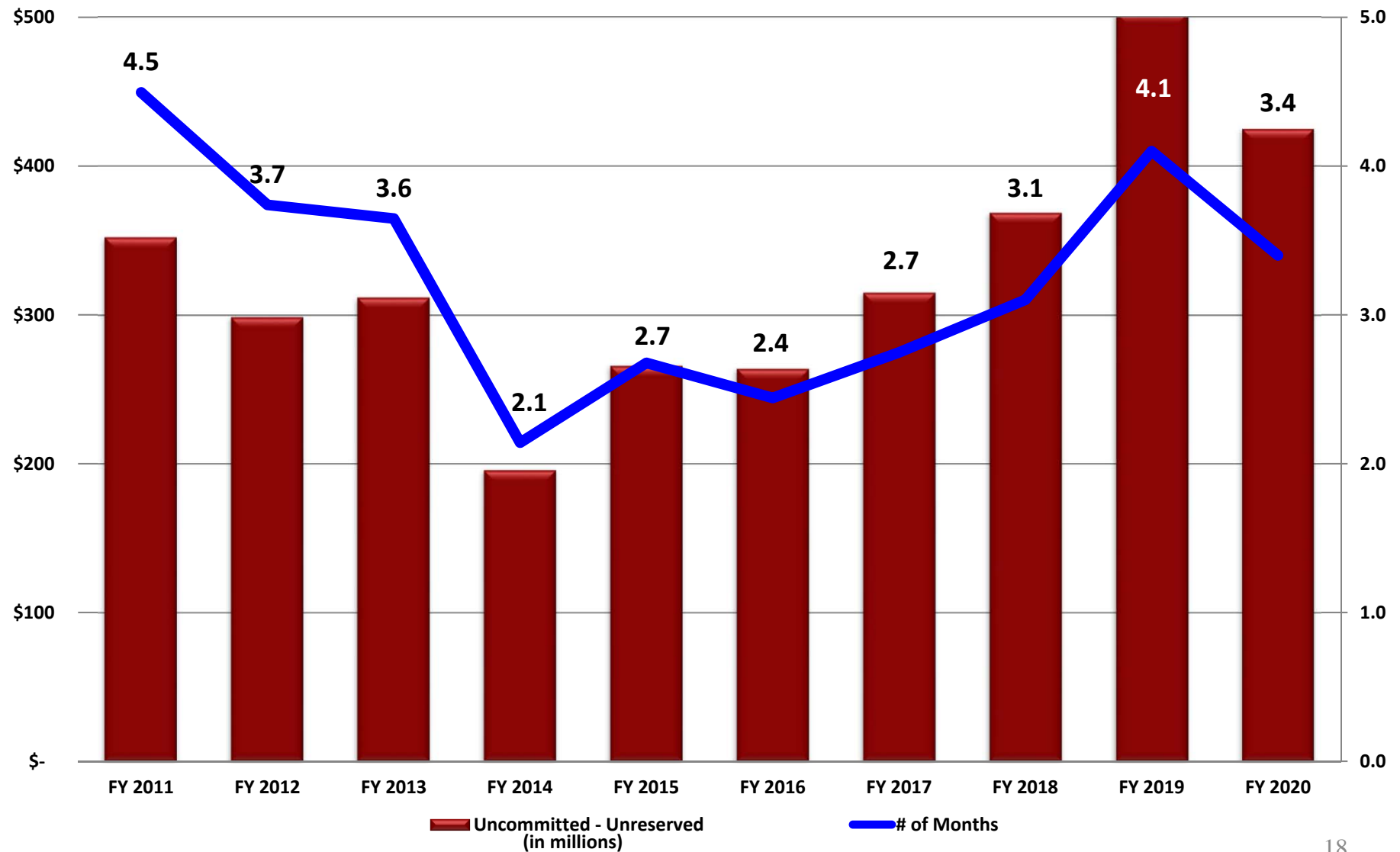
If funded at average of V2020 = \$501.7M
 If funded at UT = \$97.8M





Reserves (uncommitted)

(Main Campus Only)



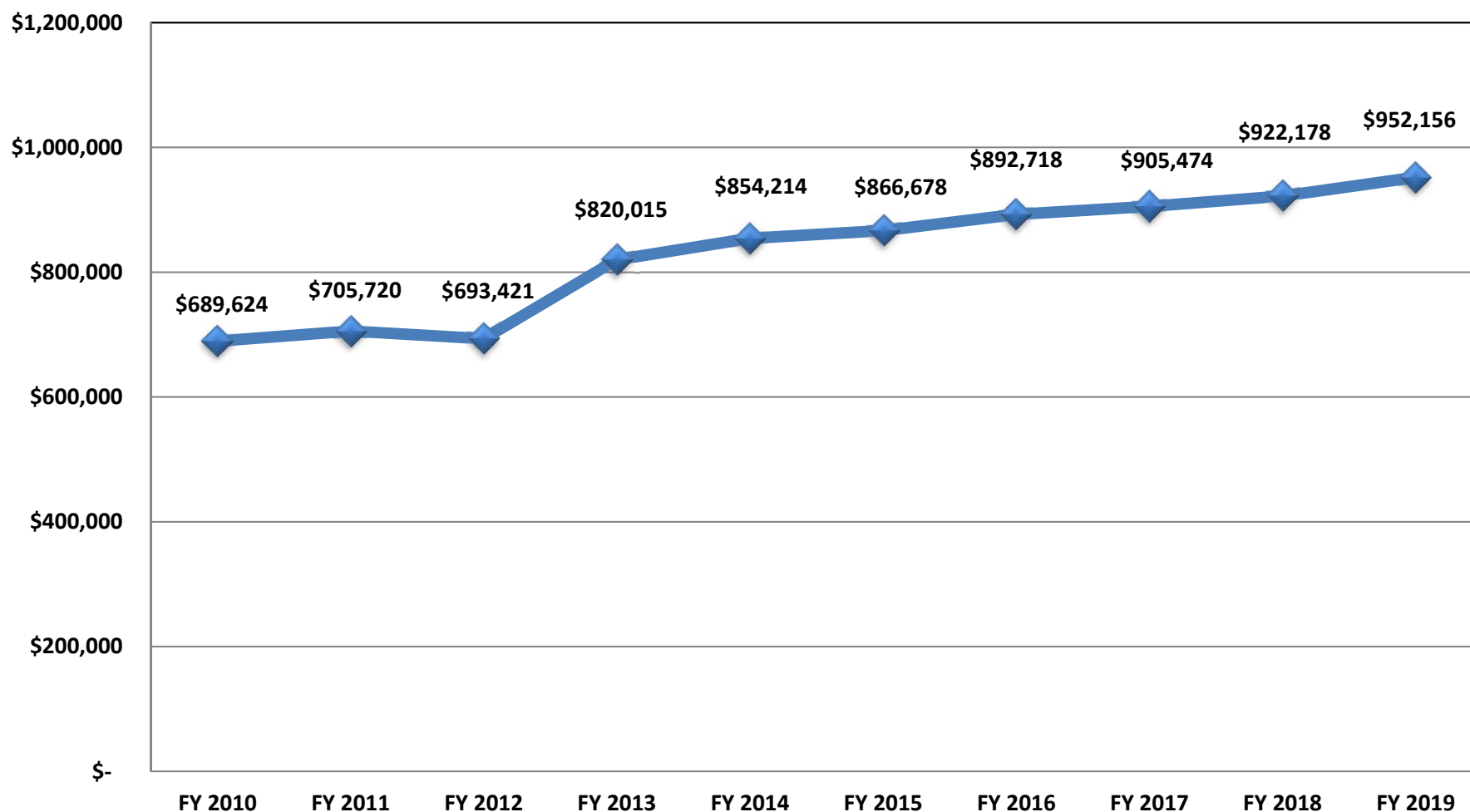
CARES Act Support

	FY 2020 (YTD Actuals + Projected)	FY 2021 (Projected)	Total
Student Aid:			
Grants issued	\$11,200,000	\$7,500,000	\$18,700,000
# Students	13,395	8,970	
Institutional Support:			
Technology costs	\$750,000	\$750,000	\$1,500,000
Enhanced course delivery	3,350,000	6,150,000	9,500,000
Enhanced campus safety	2,100,000	4,100,000	6,200,000
Study abroad refunds	0	1,500,000	1,500,000
Total	\$6,200,000	\$12,500,000	\$18,700,000

National Science Foundation (NSF) Research Expenditures (in thousands)



(Main Campus Only)



Includes Research Agencies (AL-RSCH, AL-EXT, TEES, TTI, TFS, TVMDL, System Offices, and TAMHSC beginning in FY13). This is the amount represented in NSF rankings.

FY 2021 Proposed Expense Budget

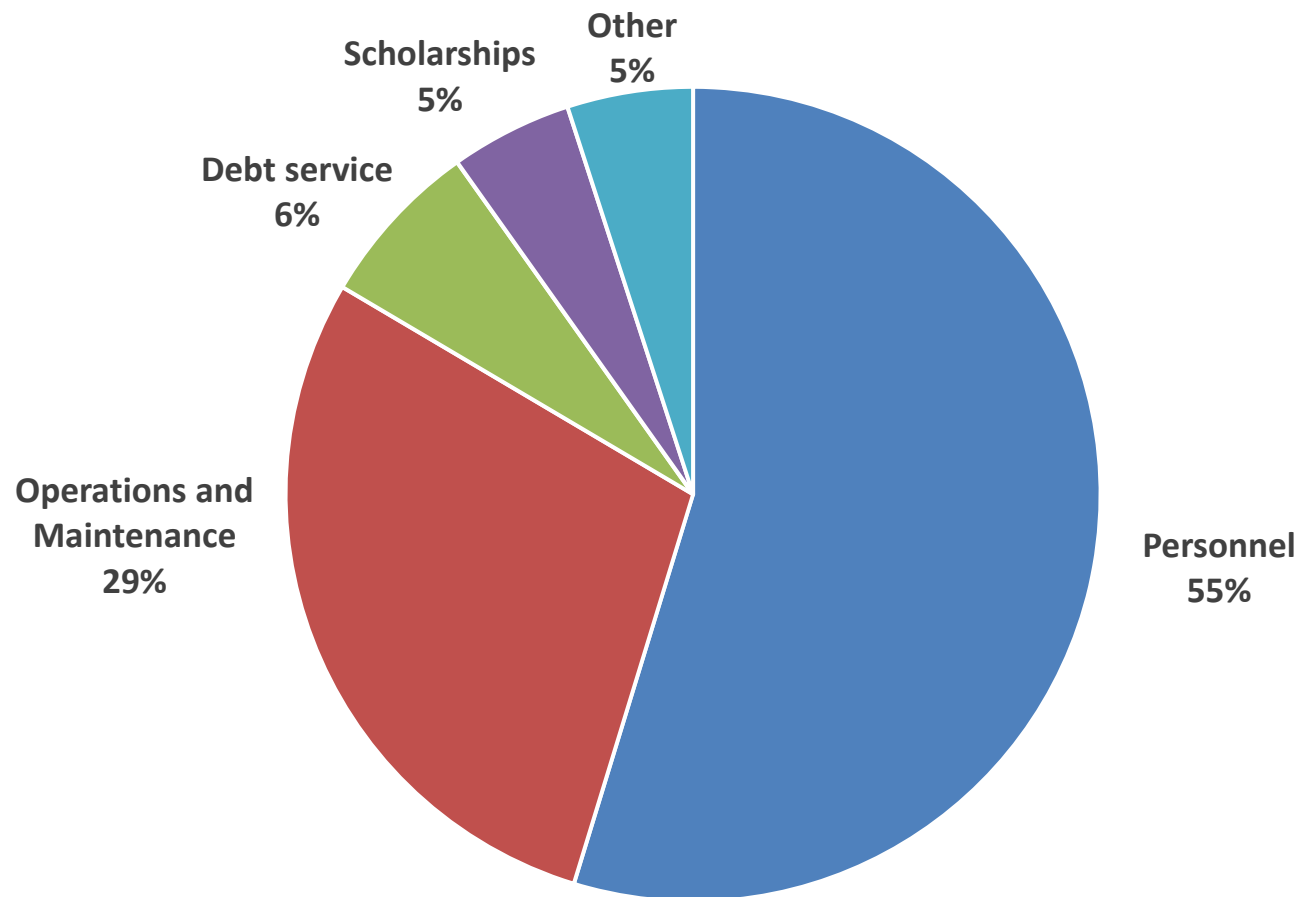
(Main Campus Only)

EXPENSES	BUDGET		VARIANCE	
	FY 2020	FY 2021	Amount	%
Salaries - Faculty	\$ 409,027	\$ 419,099	\$ 10,072	2%
Salaries - Non-Faculty	383,964	390,517	6,553	2%
Wages	89,738	90,225	487	1%
Benefits	192,522	207,910	15,388	8%
Personnel Costs	\$ 1,075,251	\$ 1,107,751	\$ 32,500	3%
Utilities	68,466	69,258	792	1%
Scholarships (Net)	99,728	97,975	(1,753)	-2%
Equipment (capitalized)	33,114	31,650	(1,464)	-4%
Operations and Maintenance	545,521	582,212	36,691	7%
Debt Service	144,033	135,125	(8,908)	-6%
TOTAL EXPENSES	\$ 1,966,113	\$ 2,023,971	\$ 57,858	3%



FY 2021 Proposed Expense Budget

(Main Campus Only)



New Goals and Objectives

Recurring (Base) Funding	Budget Impact	Method of Finance	FTE's
Protect Investments in Student Success, Faculty Hiring, and Graduate Student Support	\$0.0	E&G Designated Funds	82
Academic Innovation, Classroom Technology, Learning Management System, & IT Infrastructure	\$0.5M BB \$1.5M OT	E&G Designated Funds	3
Strengthen Investment in Support of Underrepresented Students	\$0.3M BB \$2.0M OT	E&G Designated Funds	4
Enhance Campus Facilities including renovations, signage and other projects	\$3.0M OT	Designated Funds	N/A
Enhanced Safety Measures for Return to Fall Classes (PPE, cleaning, utility increases)	\$12.5M CARES	Contract	N/A
Enhanced Funding to Students for Emergency Aid & Invest in Scholarships to Limit Student Loss	\$7.5M CARES \$5.0M OT	Contract AUF	N/A
Retention of faculty and staff through merit	\$14.7M	E&G Designated Funds Other	N/A

FY 2021 Salary Plan

Faculty:	
1.25% Base Merit Pool	\$ 3,908,727
.75% One Time Merit Pool	2,345,236
Promotions	600,000
<i>Benefits</i>	811,571
Faculty Subtotal:	\$ 7,665,534
Staff:	
1.25% Base Merit Pool	\$ 3,968,814
.75% One Time Merit Pool	2,392,088
<i>Benefits</i>	714,387
Staff Subtotal:	\$ 7,075,289
Total:	\$ 14,740,822

Auxiliary Operations

Auxiliary Operations

(Main Campus Only)

(In Thousands)

Athletics	Actuals	Budget		Increase (Decrease)	
	FY 2019	FY 2020	FY 2021	Amount	%
Revenue	\$ 227,153	\$ 166,484	\$ 169,385	\$ 2,901	1.7%
Expenses	\$ 220,647	\$ 166,436	\$ 169,543	\$ 3,107	1.9%
Transfers	\$ (10,605)	\$ (1,438)	\$ (1,534)	\$ (96)	6.7%
Net Income/(Loss)	\$ (4,099)	\$ (1,390)	\$ (1,692)	\$ (302)	-22.0%

COVID-19 Impact and Re-Open Plan

Athletics	
Facilities	<ul style="list-style-type: none">• Enhanced cleaning/ sanitation/ safety measures• Modification or elimination of activities to ensure physical distancing• Use of some facilities as academic classrooms for Fall 2020
Financial	<ul style="list-style-type: none">• Significant revenue losses in Spring 2020 due to decision to discontinue Spring sports and cancellation of major campus events• Expect additional revenue losses in Fall 2020, assuming that football and men's basketball can be played under semi-normal operating conditions• Expect exponential revenue losses in Fall 2020 if football or men's basketball cannot be played under semi-normal operating conditions, or cannot be played at all

Auxiliary Operations

(In Thousands)

Residence Life	Actuals	Budget		Increase (Decrease)	
	FY 2019	FY 2020	FY 2021	Amount	%
Revenue	\$ 66,641	\$ 63,912	\$ 66,145	\$ 2,233	3.5%
Expenses	\$ 55,618	\$ 64,600	\$ 66,143	\$ 1,543	2.4%
Transfers	\$ (2,386)	\$ (2,344)	\$ (2,358)	\$ (14)	0.6%
Net Income/(Loss)	\$ 8,637	\$ (3,032)	\$ (2,356)	\$ 676	-22%

COVID-19 Impact and Re-Open Plan

Student Affairs	
Residence Life	<ul style="list-style-type: none"> • Significant revenue losses in Spring 2020 from student refunds • Staggered move-in by appointment only with reduced numbers per day • Clause added to housing contracts regarding termination/suspension due to emergency events • Enhanced cleaning/sanitation/safety measures
Recreational Sports	<ul style="list-style-type: none"> • Use of reservation system, capacity limits, space restrictions, and reduced operating hours • Modification or elimination of activities to ensure physical distancing • Enhanced cleaning/sanitation/safety measures
University Center and Events	<ul style="list-style-type: none"> • Conversion of large venues to academic classrooms for Fall 2020 • Potential cancellation of large events produced by students, departments, and third party groups • Enhanced cleaning/sanitation/safety measures
Student Health Services	<ul style="list-style-type: none"> • Continued use of Telemedicine (virtual appointments); expanded hours • Provide COVID testing for students/faculty/staff via medical tent facility located in parking lot of Beutel Health Center • Offer dedicated respiratory clinic services until pandemic has passed

Auxiliary Operations

(Main Campus Only)

(In Thousands)

Transportation	Actuals	Budget		Increase (Decrease)	
	FY 2019	FY 2020	FY 2021	Amount	%
Revenue	\$ 38,800	\$ 41,920	\$ 45,116	\$ 3,196	7.6%
Expenses	\$ 43,911	\$ 49,919	\$ 54,759	\$ 4,840	9.7%
Transfers	\$ 7,235	\$ 9,729	\$ 9,988	\$ 259	2.7%
Net Income/(Loss)	\$ 2,124	\$ 1,730	\$ 345	\$ (1,385)	-80%

COVID-19 Impact and Re-Open Plan

Transportation Services	
Parking	<ul style="list-style-type: none">• Significant revenue losses in Spring 2020 from student refunds and cancellation of major campus events• 5% reduction in permit registration from prior year• New payment options to enhance safety and provide flexibility (contactless hourly parking, daily/weekly/monthly permits, prepaid event parking)• New parking options to consider expanded class schedule and additional classroom locations
Transit	<ul style="list-style-type: none">• Post-COVID ridership is 3% of normal levels• Adjusted bus service to consider earlier fall starting date, earlier fall ending date, and expanded class schedule• Reduction in bus occupancy for physical distancing• Implementing bus cleaning protocols, passenger limits, and required face coverings

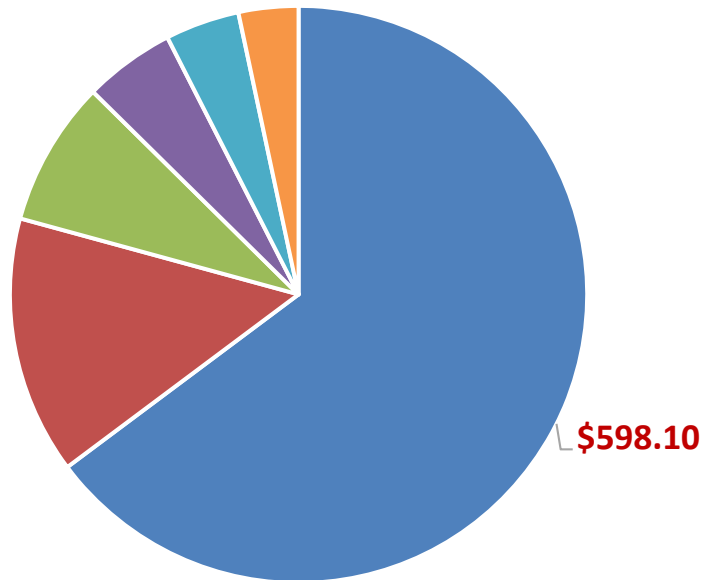
Capital Plan Update

Capital Plan Update

Total Capital Plan = \$923.1 M

- Additions FY 2021-FY 2025

– Academic:	\$110.9 M
– Residence Life:	36.8 M
– Utilities:	20.9 M
– Auxiliary	<u>5.0 M</u>
	<u>\$173.6 M</u>



■ Academic ■ Auxiliary ■ Residence Life
 ■ Utilities ■ Athletics ■ Other

Capital Plan Update

(Main Campus Only)

Projects Approved for Construction	Project Budget (\$M)	Primary Funding Source	% Construction Completed	Gross Square Footage	Projected Completion Date
West Campus Dining Facility	\$ 15	Cash	0%	24,203	Jun-21
21st Century Classroom Building	\$ 85	PUF/Designated Other	99%	119,885	Jun-20
Polo Garage	\$ 78	RFS (Parking Revenue and Rec Sports Fees)	81%	617,340	Nov-20
Swimming & Diving Expansion	\$ 8	RFS/Gifts	60%	13,410	Oct-20
HVAC Replacement Dunn Hall	\$ 15	RFS (Housing Rev)	60%	N/A	Jul-20
Peterson Building Renovation	\$ 26	RFS (Designated/Differential Tuition, Cash)	24%	84,831	Dec-20
Vet Education, Research & Outreach Center	\$ 22	PUF	80%	37,436	Sep-20

Capital Plan Update

FY 2021 Priority Projects	Planning Amount (\$M)	Primary Funding Source	Current Status	Gross Square Footage
E&G				
Instructional Laboratory & Innovative Learning Bldg	\$ 100	PUF/RFS (Designated Tuition)	Design	144,000
Joint Library Facility Module 3	\$ 8	Other	Design	14,000
Auxiliary, Infrastructure and Other				
South Campus Recreation Center	\$ 35	RFS (Rec Sports Revenue)	Design	63,726
SUP 3 Expansion	\$ 21	RFS (Utility Revenue)	Pending BOR Approval	N/A
HVAC Replacement Walton Hall	\$ 8	RFS (Housing Revenue)	Pending BOR Approval	N/A
Interior Finishes Renovation Aston Hall Phase II	\$ 7	Cash (Housing Revenue)	Pending BOR Approval	N/A



(Main Campus Only)

Deferred Maintenance

