

Question No. 1: Can you please explain the recasting of admin costs. And discuss admin costs in general. It seems like there are been a massive increase in administration in the past few years, which is reflected in the old numbers, but the new numbers seem to show a lot of fluctuation.

Response: The recasting was due to the event that costs had erroneously been included in the function category of Institutional Support that should not have been. However, the discovery was made after the previous financial period had closed, so that period could not be corrected, but had it been accurate, the recasting shows what would have been reported. Regarding discussion of admin costs in general, I have been messaging to university partners for some time that it is most beneficial to view our financial reports in terms of *why* are we spending funds, and less on the explicit *what* we are purchasing when we make an expenditure. In other words, why are we hiring people, not whom are we hiring. In fund accounting, the "Why" is called the function – what function are you attempting to perform with an expenditure. Within Higher Education, there are 11 distinct functions. Each was outlined in the posted document found in the link following this response. For the functions, we typically classify "Administration" as Institutional Support, though there are administrative costs throughout the institution. Below is the example list (not intended to be exhaustive) of what expenditures would qualify under Institutional Support. There have been increases in administration expenses, but more accurately, there have been changes in the University. Those changes are stemming from the transition of the campus from an exclusively upper division institution, recruiting only those students who had previously demonstrated their financial and academic ability to succeed, to a comprehensive intuition that is more inclusive and accessible, recruiting and attracting students that require greater support across an ever-increasing spectrum of operational areas.

This category includes 1) central executive-level activities concerned with management and long-range planning of the entire institution, such as the governing board, planning and programming, and legal services (*for UHCL, we limit this to VP and President as Central level executive*); 2) fiscal operations, including the investment office; 3) administrative data processing; 4) employee personnel and records; 5) logistical activities that provide procurement, storerooms, printing, and transportation services to the institution; 6) support services to faculty and staff that are not operated as auxiliary enterprises; and 7) activities concerned with community and alumni relations, including development and fundraising.

<https://www.uhcl.edu/administration-and-finance-division/documents/submitted-administration-costs.pdf>

Question No. 2: For the approved budget, can you confirm that the \$1,205,742 is set aside for faculty raises. How will that be divided into the different pools? Is there expected to be a lot of parity needed? When will we find out about merit?

Response: Under current leadership, is striving to continually invest in our people and avoid the extended periods of no competitive salary increases. In the past two years, we have had a merit pool of 2.5% in each year. For Fiscal Year 2023, the merit pool has not yet been determined, there are many factors influencing that decision. Primarily it is knowing the availability of resources to fund a merit pool. The four largest factors are: 1) Increases to State Appropriations, 2) Enrollment Growth, 3) Tuition Rate increases, or 4) Use of fund balances or a deficit budget. Because FY2023 is the 2<sup>nd</sup> year of the biennium, there will be no change in State appropriations. With hopes of coming out of the pandemic, it is challenging to project enrollment growth based on the past two years, which were essentially flat, with rapidly rising costs. The University is working hard not to raise

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tuition rapidly and fund balance is usually best used for one-time expenditures that will reduce operating costs in the long term, where salary increases are ongoing. It is a priority to do continued merit and select market adjustments, but it is too early in the process to guarantee what the pool will be. I anticipate having a more definite projection as we enter July, when our budget will be nearing completion.

Question No. 3: The projections for this year seems to indicate we will be almost a million short and that increases to 4.3-5.7 million for the next 3 years, but you said things are positive. Can you clarify that?

Response: The Pro Forma does project deficit operations, or being “short”. However, it is important to recognize two key things in the assumptions of the Pro Forma: 1) it is intentionally conservative. As we move forward in our budget development, more elements will become known, more action plans will be finalized, and it is anticipated that many of the conservative unknown factors will improve the outlook of the Pro Forma; and 2) the Pro Forma assumes we carry out the assumptions, and do nothing else. As stated in the response to question no. 2, one of the primary drivers on the university having available resources is enrollment growth. The Pro Forma projects no enrollment growth in the next year, and then a resumption to enrollment growth, though more modest than recent experience. The University is actively seeking all paths to enrollment growth and, as stated, the Pro Forma is intentionally conservative. It is likely that we will exceed conservative projections. The same is true for our ability to reduce costs. The Pro Forma did adjust for some known actions that are already in place, but many more will be identified and implemented. Consequently, the Pro Forma looks challenged only with the assumption that we do nothing more to address these challenges, which is not accurate.

Question No. 4: Can you explain the projected student growth for FY 24 on. Given the declining birth rates in the early 2000’s and economic outlook, what is suggesting an increase in enrollment after this year?

Response: On a national level, this question accurately reflects a trend of lower birth rates as the US has not met the standard “Replacement Rate” of births for some time, and immigration has been declining for a similar period. However, as the saying goes, “all politics are local”. The same is true for the enrollment projection for UHCL. In our very back yard, economic growth continues to spur population growth, not from birth rates or immigration, but from migration as people move to Texas in search of better paying jobs. That is not without challenges, though. Many universities in population declining areas of the country are setting their sights on Texas students and recruit heavily from around the state. Additionally, a good portion of our regional population growth includes populations with lower historical matriculation to post-secondary education institutions. So, our work is cut out for us, but there are avenues for success and enrollment growth for the next few years at least. That is the primary focus of a Pro Forma. It forces the institution to look ahead, make judgements about the future in many micro areas, and hopefully invites the institution to reflect on its decisions and to adjust early, rather than later.

Question No. 5: What were the budget priorities sent forward for the current fiscal year (2021-2022)? What was actually put in place? What was funded vs. unfunded? Where was the CARES funding spent?

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Response: This is actually several questions, so I will address each one individually.

- 5.A: What were the budget priorities sent forward for the current fiscal year (2021-2022)?
- The budget initiatives were submitted by each division in priority order of each Vice President, and those were shared and included in the meeting minutes of the Shared Governance committee: Planning and Budget Committee. They were then prioritized by the PBC and can be found in their meeting minutes published on the Shared Governance web page and repeated here: <https://www.uhcl.edu/about/administrative-offices/shared-governance/documents/pbc-04-27-2021.pdf>
  
- 5.B: What was actually put in place? What was funded vs. unfunded?
- The annual budget is published and identifies the initiatives that are included in the budget and is reviewed with the PBC annually, and can be found at this link, see appendix A: <https://www.uhcl.edu/about/administrative-offices/budget/documents/ucl-fy2022-annual-budget-summary-combined.pdf>
  
- 5.C: Where was the CARES funding spent?
- The CARES funding, is actually only a portion of the funding received by the University from the Federal Government action in response to the pandemic. Funding was received from a total of three Federal legislative actions: CARES, CSSRA, and ARPA. All three were included in the Higher Education Emergency Relief Fund or HEERF. Within the HEERF, there were three allocations of funding for which we report total received and spent at the below link. The three allocations were for 1) Financial Aid to students, 2) Institutional Priorities, and 3) Minority Serving Institutions (UHCL chose to use 100% for additional financial aid to students). For the 2<sup>nd</sup> allocation – Institutional Priorities, a process of proposal submission, review and approval was done, and several proposals were approved focusing on addressing the direct cost of responding to the pandemic, recovering lost revenue due to the pandemic, investment in technology that will facilitate and support distance learning, and investments to improve the health and safety of our students, staff, and faculty. The full list of proposals has not been published, as the period of the grant has not yet expired, and expenditures are still ongoing. Total financial impact of the pandemic has significantly exceeded the funds received, and so the University administration is executing a process to get maximum benefit and preserve as many operational areas as possible. However, key expenditure proposals were:
  - Investments in technology:
    - Classroom upgrades – installing new technology in our classrooms to better support distance learning.
    - Upgrading our conference spaces to enable two-way meeting and engagement, thereby facilitating distance learning and work.
    - Computer upgrades moving from desktops to laptops for faculty to better support remote work and improved health and safety.
    - Improvement of the backbone of our network for improved redundancy and greater capacity to support remote and distance learning and work.
  - Upgrades to help ensure the safety of our students, staff, and faculty:
    - Improved and renovated air handling infrastructure in all of our buildings.

- Expansion/upgrade of the Patio Café to better facilitate separation and distancing in the café for better food and customer safety.
- Vaccination Incentive Program
- Emergency Generator for Hunter Residence Hall – to reduce the likelihood of having an emergency evacuation during extreme weather events.
- Campus Public Safety communications redundancy improvements.
- Lost Revenue recovery. The University had experienced a consistent five-year period of enrollment growth and then two years of flat enrollment during the pandemic, as well as the complete transition in the first year to remote operations and a significant reduction of on-campus activity in the second year. This has resulted in lost tuition revenue as well as significant losses in our Auxiliary Operations such as Hunter Residence Hall, Dining Operations, and Parking and Transportation.
- Here is the link to the University's HEERF reporting: <https://www.uhcl.edu/cares-act-reporting>
- A summary listing of the expenditures of these three Federal Legislative Actions was presented at the Faculty Assembly is attached at the end of this document.

Question No. 6: What was spent in Academic Affairs last year and on what priorities? Can we get a chart of the priorities that were submitted and which were funded? At the Budget/State of the University presentation, we learned of a 20+% increase in Student Credit Hours from 2013-2020. What spending is going to support this increase in SCHs?

Response: As previously stated, the best way to view the University and how it spends its funding is to look at spending on the key functional areas or goals of Higher Education. Those have been well established by the National Association of College and University Business Officers (NACUBO). They have established 11 functions or goals (note: see question #1 as well):

- The majority of these functions are within the mission of the University, also known as Education and General or E&G.
  1. Instruction
    - i. Within Instruction, the primary goal is transcriptable instruction that leads to a degree or certificate.
    - ii. The secondary goal is non-transcriptable instruction that imparts learning, but may not go onto a transcript nor lead to a degree or certification, often referred to as Continuing Education. This is a subset of E&G: Designated Operations.
  2. Research
  3. Public Service – primarily to provide non-instructional services beneficial to individuals or groups external to the institution.
  4. Academic Support – that administrative support that is in direct support of these first three functions/goals: Instruction; Research; and Public Service. This includes the College Dean's offices and much of the Provost's Office. It also includes Libraries, Museums/Galleries, educational media services, Academic Computing services, and academic personnel/professional development, course/curriculum development.
  5. Student Services – Admissions, registrar offices, functions that contribute to the student's emotional/physical well-being as well as intellectual, cultural, and social development outside the context of formal instructional programs.

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- i. Note, there is considerable overlap in a future function: Auxiliary Operations. That will be discussed further at a later point.
  6. Institutional Support – This is the administrative and operational support that is much more “institutional” and less directly focused on the first three primary functions of the institution. Executive, i.e. Vice President, President (for us System costs) and governing board functions, Human Resources, administrative information resources, finance functions, fund raising, etc.
  7. Operations and Maintenance of Plant – the operation of the plant, facilities, maintenance, campus public safety, utilities, etc.
  8. Scholarships/Fellowships – used anywhere throughout the University except in Facilities.
  9. Auxiliary Services – any enterprise that exists to furnish goods or services to students, faculty or staff that charges a fee directly related to, although not necessarily equal to, the cost of the goods or services (can operate a profit).
    - i. Note: As noted earlier, within Student Services, a great many services can be delivered either through E&G or through Auxiliary Operations. The criteria are that as you get further away from services necessary to facilitate successful enrollment, you are more appropriately in the Auxiliary realm, and less appropriately in the E&G realm. Public Service can often be mis-characterized as an Auxiliary – but the determining factor is who the intended customer is: Students/Staff/Faculty: Auxiliary; and/or Community/Public Service.
  10. Independent Operations – UHCL does not have Independent Operations. These are operations that are independent or unrelated to the University, such as federally funded research centers.
  11. Hospitals – UHCL does not have this function.
- To review year over year spending, the UHS Annual Financial Report breaks out operational spending by each of the included NACUBO function and can be found at this link:
    1. [https://uh.edu/finance/pages/AFR\\_CLC.htm](https://uh.edu/finance/pages/AFR_CLC.htm)
    2. There are two reports. The first one is the fiscal year, the 2<sup>nd</sup> is a year-to-year comparison
    3. The report has UHS, then UH, then UHCL. In the first report, our sections begin around page 81. Expenditures by function is on page 88.There you will see explicit expenditures by their natural category: Labor, Materials and Operations, all by function.
  - Note: As the enrollment at UHCL shifts to fewer graduate students (as a percentage of the total student population) and more undergrad students with resulting larger average class sizes, it will require fewer faculty to teach the same overall enrollment numbers. And as that same enrollment migrates to more students that have not matriculated from the Community College but instead came direct to the University, where many obstacles to success are addressed at the Community College or the students were previously left behind, more support services to serve the same student population is required.

Question No. 7: The UHCL Executive Budget Summary (page 10) shows that that Academic Affairs has the second smallest increase in funding. It seems most of the increase for Academic Affairs is in information Resources. Two colleges – HSH and COE- have a decrease in funding from 2021 to 2022. What explains this? How can we explain a decrease in operations expenditures when we are

teaching more students and SCHs? And when UHCL has a larger budget? And how can this be corrected going forward?

Response – The referenced document is attached. It is important to note that when focusing at the individual budget unit, increases and decreases in a year to year period can be caused by a lot of reasons other than increased or decreased priorities. Academic Affairs has the smallest increase as a percentage of total funding because it is by far the largest Division, making up over 45% of the operational budget of the University. However, it did receive a substantial overall increase in funding. The bulk of the changes in Information Resources was an increase in expenditures for Maintenance and Operations which was an initiative for classroom camera equipment and supporting infrastructure. The initiative was driven due to the COVID-19 pandemic, with the plan to use accumulated HEAF funding, but ultimately, much of this initiative was addressed with HEERF funding that the University did not know would be awarded at the time of Budget Development.

As for the budget declines in the two colleges, HSH and COE, this actually impacted all four colleges. For FY2022, with the stand up of Strategic Enrollment Management as a separate Division, it was decided to move several functions from Academic Affairs to Strategic Enrollment Management – one of those being advising from each of the four colleges. However, that action, along with other increases such as the merit increase, only netted to a negative impact in these two colleges. The decline in the college's budgets were most significant in exempt salaries (the attached does not drill down to that level of detail), which is where the advisors are paid. You can see an increase in the area of Student Success & Initiatives in the Division of Strategic Enrollment Management that includes the move of those advisors.

Question No. 8: In addition, it seems we have a number of areas of funding for technology including computer replacements, technology to support teaching, HEAF, CARES/HERF, and our Regular Budget. What is going into OIT and where is it being spent? If we are using CARES dollars on this, where is the money we had previously budgeted to replace computers and to do classroom technology going now that it is being supplanted?

Response – Under normal circumstances, computer replacement, classroom technology, and similar initiatives are funded using HEAF dollars

Note: actually, it is HEF funds, HEAF is an old title that UHS has not updated.

Higher Education Funds (HEF funds) are provided by the State of Texas for public universities to acquire land; construct, equip, repair or rehabilitate buildings or other permanent improvements; and acquire capital equipment, library books, and library materials, subject to various expenditure restrictions.

HEAF funds are allowed to carry over from one year to the next, and UHCL has far more allowable uses for HEAF funds than it receives in funding. At present, these funds are being allowed to stay in the Office of Information Technology, rather than being pulled to address other qualified uses, but that will be reassessed to determine the overall greatest need – as it directly impacts UHCL students. If approved, those funds will transfer to other areas of the University as qualifiable uses are identified. It also should be noted that the NEERF initiatives such as upgrades to technology in response to the Pandemic, both 1) exceed the HEERF funding available, and 2) carry higher future

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replacement costs. These two factors support the retention of HEAF funds for Information Technology.

Act	Direct Financial Aid	Institutional Support	Minority Serving	Total
CARES	\$2,777,685	\$2,777,684	\$410,341	\$5,965,710
CRRSSA	2,777,685	7,427,468	662,208	10,867,361
ARPA	9,010,174	8,775,834	1,119,442	18,905,450
Total Awarded	\$14,565,544	\$18,980,986	\$2,19,1991	\$35,738,521

Spending	Approved	To Date
Lost Revenue	\$5.6M	\$5.6M
Waived Fees/refunds/direct response	\$3.5M	\$3.5M
Academic Affairs Proposals	\$4.8 M	\$3.65M
Admin & Finance Proposals	\$4.4M	\$2.5M
Student Affairs Proposals	\$163K	\$163K
Strategic Enrollment Mgmt Proposals	\$2.5K	\$-.-
Total Projects	\$18.5M	\$15.4M

Lost Revenue	To Date
Hunter Residence Hall	\$2.1M
Parking	\$890K
5% Appropriations	\$2.9M
Total	\$5.6M



By Division	Approved	To Date
<b>Academic Affairs Proposals</b>	<b>\$4.8 M</b>	<b>\$3.65M</b>
Recording Studio	\$112K	--
Network Redundancy	\$141K	\$305K
Active Learning XR Lab	\$265K	\$246K
Computer Replacement (Laptops)	\$1.45M	\$1.33M
Classroom Technology Upgrade	\$2.4M	\$1.74M
Conference Room Upgrade	\$455K	\$27K
<b>Admin &amp; Finance Proposals</b>	<b>\$4.4M</b>	<b>\$2.5M</b>
Air handling upgrades	\$2.0M	\$1.7M
CPS Communications upgrade	\$76K	\$68K
Patio Café Upgrades	\$341K	\$524K
Emergency Generator: Hunter Hall	\$1.5M	\$86K
Vaccination Incentive Program	\$500K	\$137K
<b>Student Affairs</b>	<b>\$163K</b>	<b>\$163K</b>
Anthology Addition	\$163K	\$163K
<b>Strategic Enrollment Management</b>	<b>\$28.5K</b>	
Student Awareness Campaign	\$2.5K	\$2.5K
Enrollment Web page chat bots	\$26K	--

## University of Houston-Clear Lake

### Note to Table 2: Operations Expenditures By Organization

Use of Funds by Organization	FY2021	-----Change-----		FY2022
	Budget	Dollars	Percent	Budget
<b>President</b>				
President's Office	\$ 995,539	\$ 515,575	51.8%	\$ 1,511,114
Online & Off-Campus Education	118,317	5,383	4.5%	123,700
Office of Title IX, Equity, & Diversity	311,179	6,702	2.2%	317,881
Strategic Partnerships	301,121	146,641	48.7%	447,762
Health & Human Performance Institute				266,062
Pearland Campus Operations	340,267	(190,324)	-55.9%	149,943
<b>Subtotal President</b>	<b>2,066,423</b>	<b>750,039</b>	<b>36.3%</b>	<b>2,816,462</b>
<b>Academic Affairs</b>				
Information Resources	11,525,038	948,013	8.2%	12,473,051
Sr. VP and Provost	3,176,463	(222,773)	-7.0%	2,953,690
Academic Affairs	1,735,141	87,032	5.0%	1,822,173
Business	11,271,633	163,106	1.4%	11,434,739
Education	6,495,859	(35,491)	-0.5%	6,460,368
Human Sciences and Humanities	11,667,004	(20,404)	-0.2%	11,646,600
Science and Computer Engineering	11,015,002	419,147	3.8%	11,434,149
<b>Subtotal Academic Affairs</b>	<b>56,886,140</b>	<b>1,338,630</b>	<b>2.4%</b>	<b>58,224,770</b>
<b>Student Affairs</b>				
Student Services	1,421,544	4,591,977	323.0%	6,013,521
Health, Wellness & Community	3,066,235	(2,424,844)	-79.1%	641,391
Student Engagement	2,304,314	(1,888,559)	-82.0%	415,755
<b>Subtotal Student Affairs</b>	<b>6,792,093</b>	<b>278,574</b>	<b>4.1%</b>	<b>7,070,667</b>
<b>University Advancement</b>				
Development & Alumni Relations	45,110	(35,110)	-77.8%	10,000
Marketing & Communications	1,923,821	19,647	1.0%	1,943,468
University Advancement	1,223,520	323,089	26.4%	1,546,609
Theater & Cultural Arts	452,043	22,585	5.0%	474,628
<b>Subtotal University Advancement</b>	<b>3,644,494</b>	<b>330,211</b>	<b>9.1%</b>	<b>3,974,705</b>
<b>Strategic Enrollment Management</b>				
Office of Admissions	2,248,193	235,212	10.5%	2,483,405
Financial Aid	9,838,467	226,820	2.3%	10,065,287
Office of Academic Records	706,791	43,354	6.1%	750,145
Student Success & Initiatives	2,559,156	1,564,975	61.2%	4,124,131
Enrollment Management	688,051	302,804	44.0%	990,855
<b>Subtotal Strategic Enrollment Mgmt</b>	<b>16,040,658</b>	<b>2,373,165</b>	<b>14.8%</b>	<b>18,413,823</b>
<b>Administration and Finance</b>				
VP Administration & Finance	8,182,277	203,129	2.5%	8,385,406
Facilities Management & Construction	4,664,958	(76,482)	-1.6%	4,588,476
Parking & Transportation	777,042	(10,561)	-1.4%	766,481
Utilities	2,428,230	(100,000)	-4.1%	2,328,230
<b>Subtotal Administration &amp; Finance</b>	<b>16,052,507</b>	<b>16,086</b>	<b>0.1%</b>	<b>16,068,593</b>
<b>Other</b>				
Unallocated: Other	1,517,372	1,710,167	112.7%	3,227,539
Debt Service	4,800,048	8,499	0.2%	4,808,547
System Service Charge	2,852,220	191,504	6.7%	3,043,724
Other Transfers	41,321	1,916	4.6%	43,237
Staff Benefits	11,388,921	(383,812)	-3.4%	11,005,109
Insurance Premiums	553,342			553,342
<b>Subtotal Other</b>	<b>21,153,224</b>	<b>1,528,274</b>	<b>7.2%</b>	<b>22,681,498</b>
<b>Total Uses</b>	<b>\$ 122,635,539</b>	<b>\$ 6,614,979</b>	<b>5.4%</b>	<b>\$ 129,250,518</b>