

TAMU Faculty Senate Budget and Information Committee
Report to Full Senate: 11/9/2020

In this report, the Budget and Information committee will fulfill two of our charges: answering the question of why Visa credit cards are not accepted for tuition payments, and presenting the results of our efforts to monitor the fiscal impact of COVID on the university's core mission of research and teaching.

Regarding the use of Visa credit cards to pay tuition, we inquired of Dr. Jerry Strawser, CFO of the university, and we found that such cards are not accepted because Visa charges vendors a significant fee per transaction. Not wishing the burden Texas taxpayers with these fees when fee-free means of payment are available, the university quite reasonably will only accept fee-bearing forms of payment for tuition if the fees can be passed on to the payer. Unfortunately, the rules Visa imposes on vendors effectively prohibit the university from passing on these fees, and so, we do not accept Visa. In contrast, the university was able to find a loophole in the Mastercard rules that allow the passing on of fees, so we accept Mastercard. We were further informed that the Student Business Services office is currently in negotiations with Visa to carve out an exception to its rules allowing us to pass on the fees. Should these negotiations succeed, we will begin accepting Visa in addition to Mastercard for tuition.

In order to fulfill its charge to monitor university spending and other fiscal impacts related to the COVID-19 pandemic, the Committee held a virtual meeting on Nov. 3 with University CFO Dr. Jerry Strawser and Associate Vice President for Finance, Ms. Deborah Wright. They gave a presentation to the committee and answered detailed questions. The deck of slides they used is attached.

The largest financial impacts on the university were reductions in revenues and refunds, totaling \$94.8 million (the sum of line items 1 and 2 on slide 5). The impact of these, however, overwhelmingly has fallen on self-financing auxiliary units of the university, such as housing, athletics, transportation and dining. Since these units are financially independent, their revenue reductions and refunds do not impact funds available to the core research and teaching mission of the university.

The only revenue reductions that potentially have an impact on the core mission are the \$11.1 Million reduction stemming from the waiver of distance learning fees, along with a one-time cancelation of the annual \$3 million transfer from athletics to the university general budget. The latter item is not disclosed on the slides but was verbally communicated during the meeting. The student refunds on slide 5 are exclusively in the financially independent, auxiliary units. Thus COVID-related revenue reductions with the potential to impact funding for the university's core mission come to a grand total of roughly \$14.1 million.

We should further note that the \$11.1 million revenue loss from the waiver of distance learning fees is permanent, as currently the university does not plan to charge any extra fees for distance learning in the future. Of the lost \$11.1 million fee revenues incurred by units during the current academic year, \$4.6 million was reimbursed out of university reserves.

Turning to COVID-related expenses, the university incurred approximately \$9.1 million in one-time preparation costs just before the fall semester, and is expected to incur a grand total of \$5.1 million of ongoing recurring expenses over the course of the academic year. A detailed breakdown of these expenses can be

found on slide 6. The \$18.7 million in additional student financial aid on slide 5 is fully covered by Phase I of the CARES act, and so will have zero net fiscal impact.

A couple items stand out on the expense detail on slide 6. Of note is that the university spent \$1.4 million on faculty in one-time expenses over the summer of 2020. These funds were provided to the Colleges to increase the number of course offerings during the summer and provide support to faculty transitioning their courses to remote learning in Fall. The goal of increasing summer offerings was increasing retention of newly admitted students. Incoming freshmen were given the option of starting early in the summer, with the idea that the sooner we got them engaged, the more likely they would be to matriculate in the Fall. The strategy appears to have paid off, as enrollment for Fall 2020 is up over the prior year, in contrast to UT, where it is flat, and the rest of the A&M system, where it declined slightly. The bulk of the ongoing expenses of \$169,500 per week stem from running air condition systems longer and refreshing air through the buildings more frequently in an attempt to reduce the risk of airborne virus transmission.

Since it is not included in the slides prepared for us, the Committee thought it prudent to tabulate the net fiscal effect of COVID on the funding available for the university's core mission, since, as Senators, that is our primary concern. Based on information given to us, we estimate a \$14.1 million revenue reduction and a \$14.4 million increase in expenses for the 2020-2021 academic year, for a grand total negative impact of approximately \$28.5 million.

In addition, it should be noted that the 14.4 million in direct COVID expenses are directly reimbursable under Phase II of the CARES act. As a result, the net fiscal impact of COVID on the core mission amounts to approximately \$14.10 million. The following table provides a summary:

<u>Net COVID Impact on Funds Available for Core Mission</u>		
One-time expenses	9.14	(From Slide 6)
Recurring Expenses for Year	5.24	(From Slide 6)
Lost distance-learning fee	11.10	(From Slide 5)
Lost Athletic Dept. Transfer	3.00	(Verbally Disclosed)
Total Gross COVID Losses	<u>28.48</u>	
Less CARES Act Refund	<u>(14.38)</u>	(Verbally Disclosed)
Expected Net Impact	<u>14.10</u>	

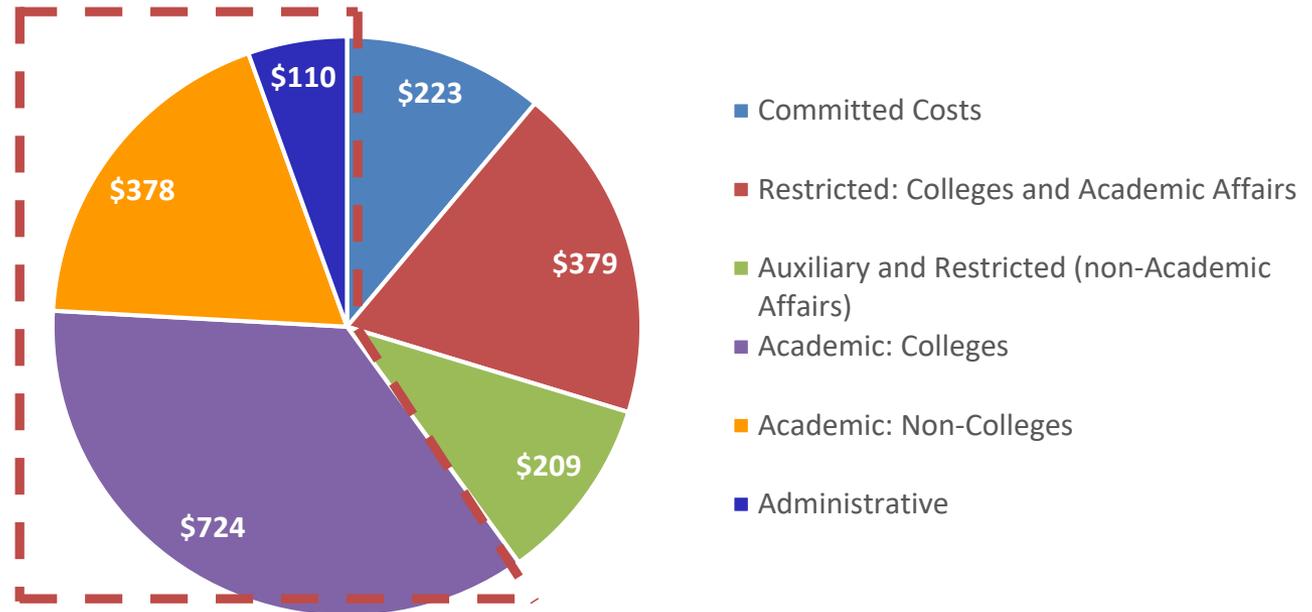
Two caveats regarding the above table should be noted. The expenses listed above are the current best guess of what the administration expects, but they may be higher if COVID persists or worsens. In addition, because the total funds reimbursable under Phase II of the CARES Act for TAMU Main are \$18.7 million, there is additional funding to offset any increased costs.

Dr. Strawser informed us that the university currently has sufficient reserves to allow the university to absorb the COVID impact without significant effects on the core mission.

Finally, we would like to note that COVID impacts on the Galveston and Health Sciences campuses are not included in the above numbers.

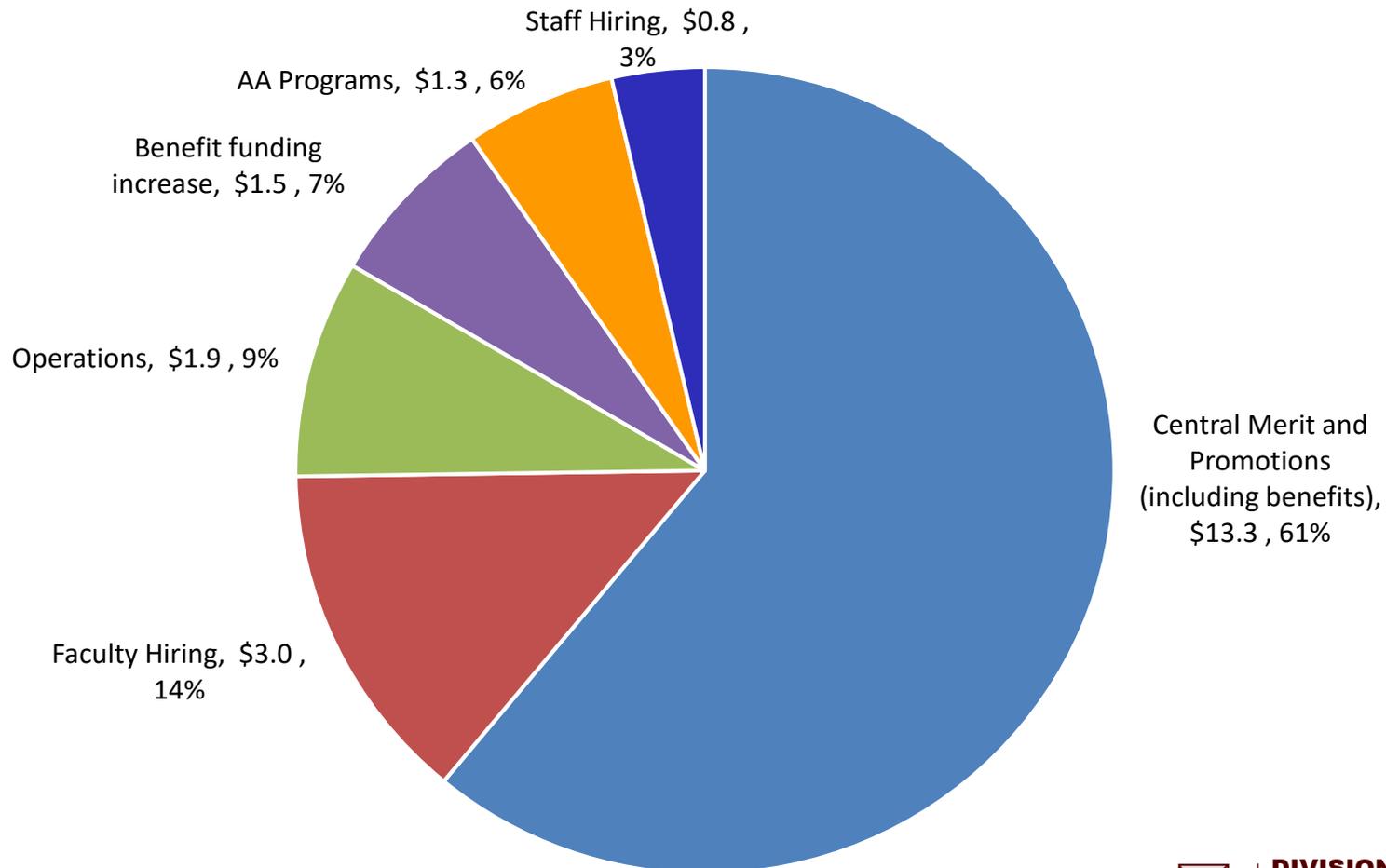
Allocation Summary: FY 2021 (millions)

Total Expenditures = \$2,023
Committed/Restricted = (811)
Available Funds = \$ 1,212

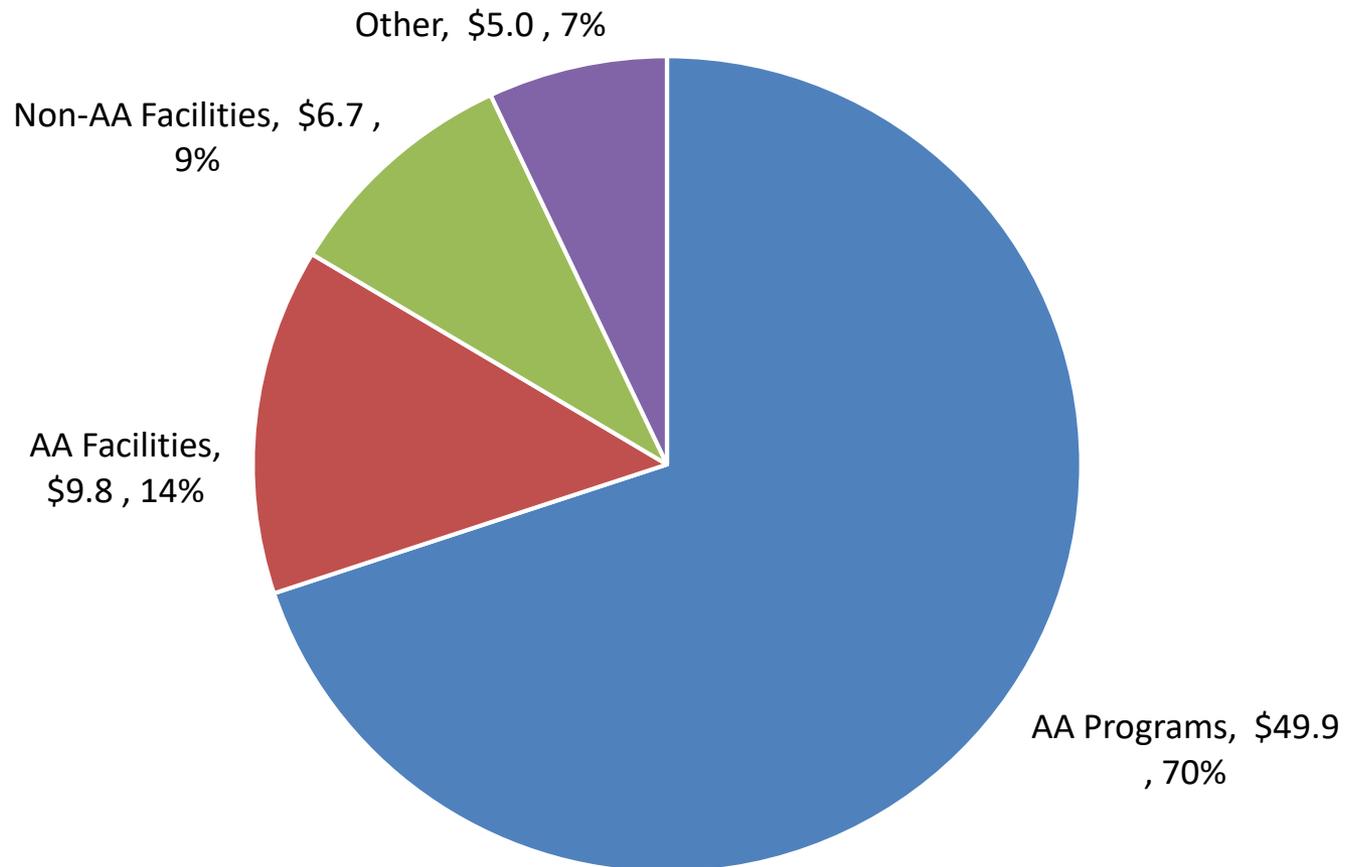


- Committed costs include debt service, utilities, employee benefits, landscaping/custodial/maintenance, and mandated financial aid
- Restricted funds are those funds whose use is limited by contract or donor intent
- Auxiliary units generate their own revenues and include Athletics, Children's Center, Health Center, Recreation Sports, Residence Life, and Transportation Services

Incremental Central Base Funding: FY 2021 (Total = \$21.9M)



Incremental Central One-Time Funding: FY 2021 (Total = \$71.4M)



Budget Requests

- Guidelines
 - \$500K recurring funding
 - \$5M of one-time funding

	Recurring	One-Time
New Faculty (15 FTE)	\$3.4	\$1.3
New Staff (35 FTE)	4.8	0.5
Programs (3 FTE)	1.3	7.0
Faculty Startup	0.0	5.2
Facilities / Equipment	0.1	52.3
Operations	1.3	2.4
Other	0.2	1.2
Total	\$11.1	\$69.9

COVID-19

Projected lost revenue	\$80.3
<ul style="list-style-type: none"> • \$69.2 auxiliaries (\$34.1 Athletics, \$13.8 Transportation, \$6.4 Housing, \$6.6 Dining, \$8.3 other) • \$11.1M in distance education tuition 	
Student refunds (\$9.9 Housing, \$2.7 Transportation, \$1.9 Dining)	14.5
Student financial aid	18.7
Campus preparation, safety, and teaching	9.1
Estimated ongoing preparation, safety, and teaching	5.2
	\$127.8



Campus Costs (000's)

	One-Time	Weekly
Facilities	\$ 726.2	
Faculty	1,435.6	
PPE/Supplies	647.9	
Safety/cleaning	328.3	\$169.6
Technology	3,500.0	
Testing	968.0	5.1
Study Abroad	1,529.2	
Total	\$9,135.2	\$174.7
x 30 weeks (Fall and Spring)		30
Total	\$9,135.2	\$5,241.0

Other Financial Updates

- Budget rescission of 5% ~ \$16.7 M per year
- Tuition and Fees (for BOR approval)
 - Increase rates by 2.1% HEPI
 - Increase spread between variable and guaranteed from 6.5% to 8%
- Legislative session
 - 2020/2021: Institutional enhancement ~ \$27.5 M per year
 - Appropriations to higher education for FY 2022/2023

