

FISCAL YEAR 2024

OPERATING BUDGET

TCU

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2023

To the Board of Trustees:

It is an exciting time to be a TCU Horned Frog! In addition to the countless accolades and recognitions that have been bestowed on our great University throughout the year, TCU also started 2023 in celebration of its Sesquicentennial, or 150th anniversary, where we are honoring our past, expressing gratitude for the present, and intentionally preparing for the future. It is an incredible milestone, and the entire TCU community is part of celebrating this place and time in TCU's history.

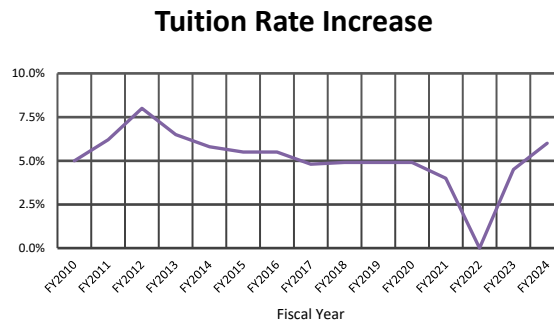
Additionally, the University gained national attention by being the first Texas university to make an appearance in the College Football Playoff Fiesta Bowl and National Championship games. The Horned Frog community was in full force supporting and celebrating this extraordinary level of success on a national stage.

There have also been several other major milestones:

- Fiscal Year 2024 will be the first full Fiscal Year with a President. President Daniel Pullin started his position February 1, 2023 and will help move us into the next 150 years.
- There has been extraordinary progress made within the \$1 billion *Lead On: A Campaign for TCU*, the University's historic fundraising effort. Fall 2023 will culminate the campaign's successful conclusion in combination with TCU's Sesquicentennial.
- Every 10 years, institutions such as TCU reaffirm accreditation in the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), the body for the accreditation of degree-granting higher education institutions in the Southern states. This extensive process of self-evaluation began in 2021 and culminated with a very successful evaluation team site visit in March 2023. The final determination from SACSCOC will be in December 2023.

The University is committed to maintaining a healthy financial position. Enrollment remains strong as do contributions to, and earnings from, TCU's Endowment. The operating expense budget reductions introduced in Fiscal Year 2021 continue as a combination of temporary and permanent reductions in the current Fiscal Year and, looking forward, the University will convert the temporary reductions to permanent as operating units across the University permanently adjust their cost structure.

This Fiscal Year 2024 Operating Budget integrates the approved academic year tuition rate increase of six percent (6%). This follows a 4.5% increase in Fiscal Year 2023. Additionally, a merit pool of five percent (5%) for faculty and staff was funded. This merit increase recognizes employees as TCU's number one priority. To meet the growing fiscal needs of the University, TCU reallocated three percent (3%) of Financial Aid to support employee merit pay and other strategic University needs as cost increases for general University obligations continue to rise. Only essential adjustments were considered for Fiscal Year 2024. With these factors in mind, University administration prepared this Fiscal Year 2024 Operating Budget for the Board of Trustees' review and approval.



Highlights of next year's Operating Budget include the following:

- Total budgeted revenues of \$643.3 million, a 7.7% increase from Fiscal Year 2023
- Tuition rate increase of six percent (6%) resulting in full-time undergraduate tuition of \$57,130
- Budgeted undergraduate enrollment of 10,576 students
- An Endowment payout of \$97.8 million, an increase of \$11.1 million from the previous year
- A *Lead On* Reserve of \$1.3 million

STRATEGIC CONTEXT

In the Spring of 2017, the Board of Trustees developed a strategic plan to ensure that TCU continues the momentum in endowment growth, student enrollment and ability, faculty numbers and quality, athletic presence, and the size, quality, and scope of the infrastructure. This strategic plan led to four goals known as *Vision in Action: Lead On*.

The four goals set forth by the Board of Trustees are:

- 1) Strengthen Academic Profile and Reputation;
- 2) Strengthen Endowment;
- 3) Strengthen TCU Experience and Campus Culture and;
- 4) Strengthen Workforce

In addition to working towards specific strategic goals, TCU is investing in resources in Fiscal Year 2024 and beyond to ensure a more strategic path for the future. This will ensure a vibrant and accessible TCU for future students.

The Fiscal Year 2024 Operating Budget contains key elements to continue the fulfillment – and evolution – of the Board’s vision. Examples of these key elements include:

- A five percent 5% merit pool in recognition of TCU’s most important resource: its employees (Goal 4).
- Additional funding to support the Anne Burnett Marion School of Medicine to assist in strengthening the academic profile and reputation of TCU (Goal 1).
- Additional funding for Academic Colleges supporting faculty growth and faculty tenure and promotion (Goal 1).
- Financial Aid allocated to the entering First-Year students to strengthen the TCU Experience, campus culture, and academic profile and diversity (Goals 1, 3).
- Continued funding for a community sponsorship to assist in enhancing and broadening the reach of the University’s reputation (Goal 1).
- Continued investment in capital improvements to enhance the campus experience, environment, and infrastructure (Goal 3).
- Celebrating the closing of *Lead On: A Campaign for TCU* to strengthen the Endowment (Goal 2).

In Fiscal Year 2021, the budget was revised to accommodate a significant increase in Financial Aid for student retention amidst the pandemic by increasing the discount rate. The strategy was continued in Fiscal Year 2022 and Fiscal Year 2023. This Fiscal Year 2024 Financial Aid budget preserves the initiative set forth to maintain additional funding, but reallocates a portion of the Financial Aid to support other key campus needs. For the first time since 2021, Administration strategically determined that our most pressing need is to prioritize investments that support faculty and staff. This decision does not impede our goal to ensure a more dynamically shaped class by increasing the student academic profile and diversity.

In concert with donor contributions to the Endowment for scholarships, the significant undergraduate tuition discount rate supports the goal to improve TCU’s academic profile and reputation by making TCU more accessible to talented students throughout the country.

BUDGET SUMMARY

The Operating Budget for the 2023-2024 Academic Year totals \$643.3 million, an increase of \$45.9 million or 7.7%, over the Fiscal Year 2023 Operating Budget. A budget summary with a comparison to the prior year's operating budget can be found at the end of this document. The allocation of revenues and expenses among the categories are shown in pie charts below, along with information about each revenue and expense category.

REVENUES

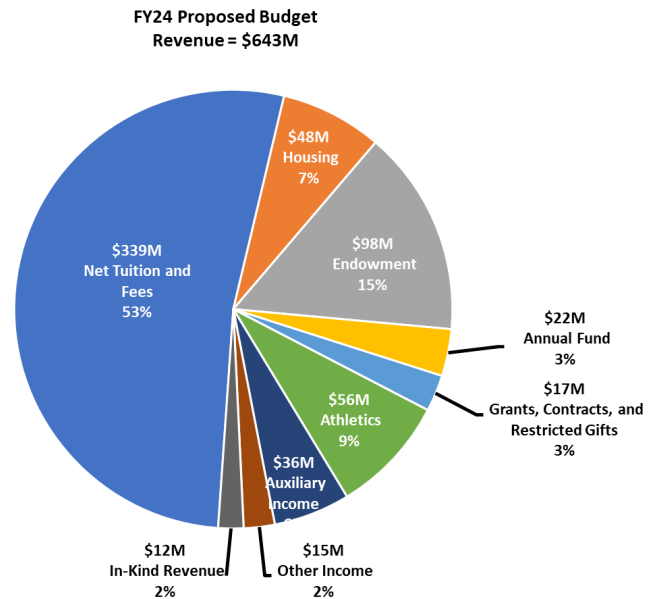
The University's total revenues are comprised of several sources with the principal source being Net Tuition Revenue. Net Tuition is the tuition revenue the University receives after the application of tuition discounts funded by grants, scholarships, and other institutional funded Financial Aid awards. The Fiscal Year 2024 Net Tuition Revenue is expected to increase 9.3%, or \$28.7 million.

Total Tuition and Fees is budgeted to increase 8.0% over the Fiscal Year 2023 Operating Budget to \$665.1 million before any discounts. The growth is a result of the larger than budgeted First-Year student enrollment in the Fall of 2021 and Fall 2022, increasing the total Fall 2023 undergraduate enrollment to 10,576 students.

Financial Aid for undergraduate and graduate students is budgeted at \$326.6 million, or 6.8% higher than the current year budget of \$305.9 million and includes all forms of aid that are offered to students: scholarships, need-based aid, graduate stipends, and aid for student athletes. Included in the Financial Aid budget is a \$2.9 million scholarship gift received by the School of Medicine to support the 2023-2024 tuition for the Class of 2024 medical students.

Housing is expected to grow 7.6% or \$3.4 million over Fiscal Year 2023. This increase is driven by the additional housing related to the increased number of undergraduate students and a six percent (6%) increase in housing rates.

Endowment Spending will increase to \$97.8 million or 12.8% over the prior year's budget. The payout is based upon five percent (5%) of the trailing



twelve quarter average endowment market value as of December 31st of a particular year.

The **Annual Fund – Frog Club** budget is \$16.8 million, a \$1.2 million increase for the year-over-year. Gift revenue associated with the 2023 football season ticket is expected to increase. **Annual Fund – Institutional** is unrestricted funding that the colleges and schools and other nonathletic units generate because of annual giving from donors. In Fiscal Year 2024, donor giving is expected to increase by \$0.6 million.

Grants, Contracts, and Restricted Gifts are budgeted at \$17.3 million and remain neutral compared to the prior year budget. These revenues include several different sources, the largest is federal and state grants for Financial Aid (\$9 million), followed by externally funded research grant revenue (\$7.5 million). Restricted gifts to the University are also included in this category.

Athletics revenues are largely driven by football related activities, including television revenue and conference distributions. Athletics revenues are budgeted at \$56.0 million, a decrease of \$4.4 million or 7.3% below Fiscal Year 2023. This results from four (4) additional teams entering the Big 12 conference in 2023 season. The decrease related to the additional teams is slightly offset by the increased football ticket sales revenue.

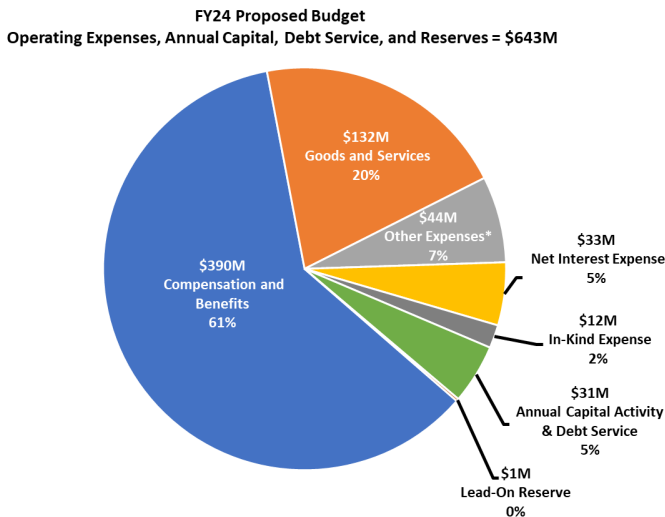
The majority of **Auxiliary Income** is derived from on-campus dining services. Auxiliary operations, in general, represent non-academic University activities such as food services and TCU Campus bookstore, which primarily serve students, faculty, and staff. Revenues from Starpoint School, KinderFrogs School, and Miller Speech and Hearing Clinic are also included in this category. Auxiliary Income is budgeted to be \$36.3 million, an increase of 1.4% over the previous fiscal year's Operating Budget.

Other Income includes revenue from numerous areas such as University police, University Campus Recreation, the campus Health Center, Frog Camp, and interest earned on working capital investments. This revenue is expected to increase fourteen percent (14%). The revenue increase is mainly due to the projected increase in Interest/Investment income resulting from higher interest rates projected for the Fiscal Year.

In-Kind Revenue is the recognition of support from the preceptor model for the TCU School of Medicine in Fiscal Year 2024.

EXPENSES

Compensation and Benefits includes faculty and staff salaries, fringe benefits, health insurance, retirement expense, tuition benefits for active employees, and post-retirement medical benefits for retired employees. Total compensation expense is budgeted to be \$389.9 million, an increase of 9.6%



over the previous Fiscal Year Operating Budget. The \$34.2 million increase is related to the five percent (5%) merit pay increase and the addition of faculty and staff positions in Fiscal Year 2024.

As compensation and benefits is the largest expense category to the University, this area is being

continuously evaluated to ensure that best practices are being implemented and there is equity in all positions.

Expenditures for **Goods and Services** represent the University's second-largest expense category. Expenses are budgeted at \$132.2 million, with dining services contributing approximately fourteen percent (14%) of the total. Other departmental operating costs such as travel, supplies, mail services, and dues and subscriptions are also recorded here.

The budget for **Utilities, Insurance, and Taxes** is higher compared to the prior year Operating Budget and is budgeted at \$20.1 million. This category includes costs for utilities, property, auto, and other general insurance programs, as well as property and other taxes.

Equipment and Repairs represents the operational costs to maintain the University's campus facilities and to purchase non-capitalizable equipment, including software maintenance. In Fiscal Year 2024, there will be increased cost resulting in an increase of \$3.2 million or 20.6%.

Net Interest Expense represents the interest costs associated with the University's debt, less any portions that are capitalized toward construction projects. The budget for Net Interest Expense will decrease by \$0.9 million in Fiscal Year 2024.

Other Expenses includes a variety of costs, such as debt- and bank-related fees, credit card fees, bad debt expense, and other miscellaneous expenditures.

The **Annual Capital Activity** represents funds that are set aside from operations and are used to support the University's capital needs. Budgeted at \$21.4 million in Fiscal Year 2024, it is used to fund the expenditures related to academic and non-academic building improvements (reshoring), capital equipment, computers, annual capital projects, and other capital activity.

The **Lead On Reserve** represents resources that are set aside from ongoing operations to fund the University's strategic plan, the *Vision in Action: Lead On*, which was approved by the Board of Trustees in the Spring of 2017. The *Vision in Action: Lead On* capital improvements, along with the people and programs initiatives developed, would not have been made possible without the generous donor support for the *Vision in Action: Lead On*.

VISION in ACTION: LEAD ON

TCU's focus and investments remain on the four goals in the *Vision in Action: Lead on Strategic Plan* to strengthen: the Academic Profile and Reputation; the Endowment; the Experience and Campus Culture; and the Workforce. After well over a decade of significant investment in TCU's people, programs, students, and facilities, the University is placing even greater emphasis on fundraising for endowed scholarships and endowments for people and programs. Recent action to restructure the University's operating expenses have facilitated even greater commitments of Financial Aid to TCU students. The \$1 billion fundraising campaign, *Lead On: A Campaign for TCU* continues to create even greater strategic advantages for TCU in the recruitment of more academically qualified and diverse students but also to the entire campus community. These investments resonate with the University's focus on reaching even greater heights in the next 150 years.

SUMMARY

The proposed Fiscal Year 2024 Operating Budget continues to support the goals outlined in the *Vision in Action* while maintaining strong financial stewardship. The Fiscal Year 2024 Operating Budget is presented for consideration to the Board of Trustees on the following page along with the comparison to the Fiscal Year 2023 Operating Budget. The proposed Operating Budget continues TCU's commitment to fulfilling the Mission Statement: To educate individuals to think and act as ethical leaders and

responsible citizens in the global community by providing financial resources that improve sustainability for decades to come.

Respectfully submitted,

William J. Nunez, Ph.D.
Vice Chancellor for Finance and Administration

March 2023



TEXAS CHRISTIAN UNIVERSITY
Fiscal Year 2024 Proposed Operating Budget

(\$ in millions)

	FY2023 Budget	FY2024 Budget	Variance Amount	Percent
<i>Revenues:</i>				
Tuition and Fees	\$615.7	\$665.1	\$49.4	8.0%
Financial Aid	(305.9)	(326.6)	(20.7)	6.8%
Total Net Tuition	\$309.8	\$338.5	\$28.7	9.3%
Housing	45.0	48.4	3.4	7.6%
Endowment Spending	86.7	97.8	11.1	12.8%
Annual Fund – Frog Club	15.6	16.8	1.2	7.7%
Annual Fund – Institutional	4.9	5.5	0.06	12.2%
Grants, Contracts, and Restricted Gifts	17.3	17.3	0	0.0%
Athletics	60.4	56.0	(4.4)	(7.3%)
Auxiliary Income	35.8	36.3	0.5	1.4%
Other Income	12.9	14.7	1.8	14.0%
In-Kind Revenue	9.0	12.0	3.0	33.3%
Total Operating Revenues	\$597.4	\$643.3	\$45.9	7.7%
<i>Expenditures:</i>				
Compensation and Benefits	355.7	389.9	34.2	9.6%
Goods and Services	123.1	132.2	9.1	7.4%
Utilities, Insurance, and Taxes	18.2	20.1	1.9	10.4%
Equipment and Repairs	15.5	18.7	3.2	20.6%
Net Interest Expense	33.4	32.5	(0.9)	(2.7%)
Other Expenses	5.7	5.8	0.1	1.8%
One-Time Funding	4.1	0.0	(4.1)	(100.0%)
In-Kind Expense	9.0	12.0	3.0	33.3%
Total Operating Expenditures	\$564.7	\$611.2	\$46.5	8.2%
Annual Capital Activity	19.5	21.4	1.9	9.7%
Debt Service	10.4	9.4	(1.0)	(9.6%)
Total Capital Activities and Debt Service	\$29.9	\$30.8	\$0.9	3.0%
<i>Lead On Reserve</i>	2.8	1.3	(1.5)	(53.6%)
Revenues in Excess of Expenditures and Reserves	\$0.0	\$0.0	\$0.0	0.0%