



To the Board of Trustees:

Texas Christian University and the world more generally is in the midst of weathering one of the most significant global health and economic crises seen in generations. The results of the pandemic have forced higher education to alter its traditional business model. These changes, combined with the pandemic and economic crises' effect on students and their families, required a dramatic shift in the financial outlook for the University. While enrollment has remained resilient, the resiliency is sustained in part by the significant amount of additional financial aid that has been added to the University's budget in Fiscal Year 2021. This additional financial aid will remain going forward into future years as a result of expense reductions undertaken in Fiscal Year 2021. These reductions implemented span across the University's operations. In the Fiscal Year 2022 the operating expense budget reductions continue as a combination of temporary and permanent reductions. Looking beyond Fiscal Year 2022, the University will convert the temporary reductions to permanent reductions as operating units across the University permanently adjust their cost structure.

Fiscal Year 2022 budget planning has also been challenging as a result of not increasing the 2021-2022 academic year tuition rate. The cost reductions implemented in Fiscal Year 2021, combined with no increases in the tuition rate, and a significant increase in the University's financial aid commitment to undergraduate students, accentuate budget and planning challenges across the University in the preparation of the Fiscal Year 2022 Operating Budget.

With these challenges in mind, the University's administration has prepared the Fiscal Year 2022 Operating Budget for the Board of Trustees' review and approval. Highlights of next year's budget include the following:

- Total budgeted revenues of \$546.2 million, a 5.4% increase from Fiscal Year 2021

- No tuition rate increase, resulting in flat full-time undergraduate tuition of \$51,570
- Undergraduate enrollment budget of 9,894 students
- An endowment payout of \$78.5 million, an increase of \$3.2 million from the previous year
- Addition of Women's Triathlon in compliance with Title IX/Gender Equity standards
- A *Lead On* Reserve of \$4.9 million, primarily to provide funding for strategic initiatives

STRATEGIC CONTEXT

In the Spring of 2017 the Board of Trustees developed a strategic plan to ensure that TCU continues the momentum of growth in the endowment, student enrollment and ability, faculty numbers and quality, athletic presence and the size, quality and scope of the infrastructure.

This strategic plan has led to four goals known as, *Vision in Action: Lead On*. The four goals set forth by the Board of Trustees are:

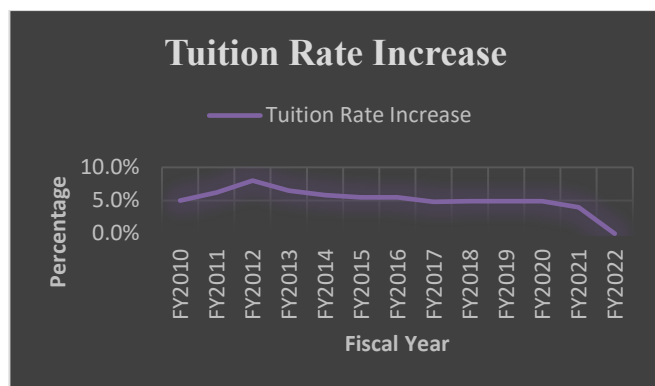
- 1) Strengthen Academic Profile and Reputation;
- 2) Strengthen Endowment;
- 3) Strengthen TCU Experience and Campus Culture and;
- 4) Strengthen Workforce

In addition to working towards specific strategic goals, the path is being built to make sure that TCU is optimizing resources in Fiscal Year 2022 and beyond. This will ensure that TCU is accessible to future students.

The Fiscal Year 2022 Operating Budget contains key elements to continue the fulfillment – and evolution – of the Board's vision. Examples of these key elements include:

- Additional funding to support the School of Medicine to assist in strengthening the academic profile and reputation of TCU
- Additional funding for Academic Colleges supporting faculty tenure and promotion
- Additional Financial Aid allocated to the entering first year students to strengthen the TCU Experience and Campus Culture with the intent to further increase the University's academic profile and diversity
- Additional Financial Aid will be available to address retention and other post-pandemic student enrollment risks
- Continued funding for a community sponsorship to assist in enhancing and broadening the reach of the University's reputation
- Continued funding to support the current fundraising campaign to strengthen the endowment, *Lead On: A Campaign for TCU*

Tuition remains flat for Fiscal Year 2022 ending a long period of tuition rate increases. It is expected that future tuition rate increases will be more conservative than tuition increases of the past two decades.



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 Fiscal Year 2022 Financial Aid budget maintains the initiative set forth to increase the discount rate with the capacity to reach an average discount up to 48% should that

be necessary. This robust capacity for additional aid will also ensure a more dynamically shaped class by increasing student academic profile and diversity.

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

SCHOOL OF MEDICINE

On February 25, 2016, TCU entered into a Collaboration Agreement with the University of North Texas Health Science Center (UNTHSC) for the purpose of jointly developing a premier allopathic medical school in Fort Worth, in addition to the schools of study both institutions presently offer. The Agreement addresses the collaboration between the two institutions to develop and operate the Medical School.

On February 20, 2021, the new Medical School applied for provisional accreditation through the Liaison Committee on Medical Education (LCME). The site visit took place the week of February 22nd. The LCME board will determine the final disposition of the School of Medicine's application for provisional accreditation in June 2021. The Medical School will enroll the third cohort of sixty students in July 2021 bringing their total number of students to 180. Another two-year cycle will then commence with plans to achieve full accreditation in 2023.

The Fiscal Year 2022 Operating Budget includes revenues and operating expenses to assist the School of Medicine during the third year of operations. It is expected that once full enrollment levels are achieved tuition and fee revenue, operating gifts/contributions, and endowment payout will cover the majority of operating costs for

the school. TCU will continue to set aside funds as necessary in the operating budget to cover revenue shortages for the School of Medicine.

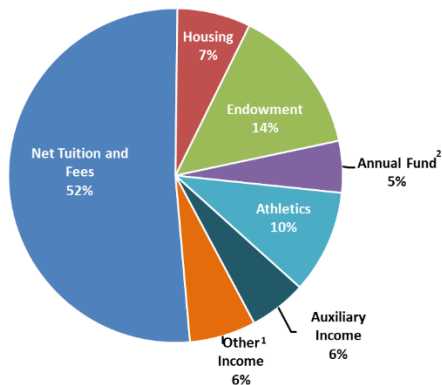
BUDGET SUMMARY

The Operating Budget for the 2021-2022 academic year totals \$546.2 million, an increase of \$27.8 million, or 5.4%, over the Fiscal Year 2021 Operating Budget. A budget summary with line-by-line details and a comparison to prior year’s 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 differing sources with the dominant source being Net Tuition Revenue which is the tuition revenue received by the University after the application of tuition discounts funded by grants, scholarships, and other institutional funded financial aid awards. Fiscal Year 2022 Net Tuition Revenue is expected to increase 2.4% or \$6.6 million.

FY2022 Revenue Budget



¹ Other Income includes: Grants, Contracts, Restricted Gifts, Other Income and In-Kind Revenue

² Annual Fund includes: Frog Club and Institutional Giving

Total Tuition and Fees is budgeted to increase 2.7% over the Fiscal Year 2021 Operating Budget

to \$562 million before any discounts. The growth is a result of an expected increase of approximately 180 students bringing total undergraduate enrollment up to approximately 9,894 undergraduate students.

Financial Aid for undergraduate and graduate students is budgeted at \$280.3 million, or 3.1% higher than the current year budget of \$272 million and includes all forms of aid that are offered to students: scholarships, need-based aid, graduate stipends, and aid for student athletes. In addition, the School of Medicine will recognize an additional \$3 million in Financial Aid as a result of a gift to support 2021-2022 tuition for the second class of medical students.

Housing revenue is expected to grow 3.2% or \$1.2 million over Fiscal Year 2021. This increase is driven by the projection that occupancy will return to design capacity in Fiscal Year 2022.

Endowment Spending will increase to \$78.5 million or 4.2% over the prior year’s budget. The payout is based upon 5% of the trailing twelve-quarter average endowment market value as of December 31st of a particular year, and it is modeled to increase modestly in coming years given the current and near-term investment environment.

The **Annual Fund – Frog Club** budget is \$22.7 million, a \$4.7 million increase year-over-year. The primary driver of this increase is a result of a change in timing related to giving associated with the Fall 2021 football season ticket sales.

The **Annual Fund – Institutional** is unrestricted funding that the colleges and schools and other non-athletic units generate as a result of annual giving from donors. In Fiscal Year 2022 donor giving is expected to increase by \$0.6 million.

Grants, Contracts, and Restricted Gifts are budgeted at \$17.4 million, a decrease of \$0.9 million year-over-year and includes revenue from

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.

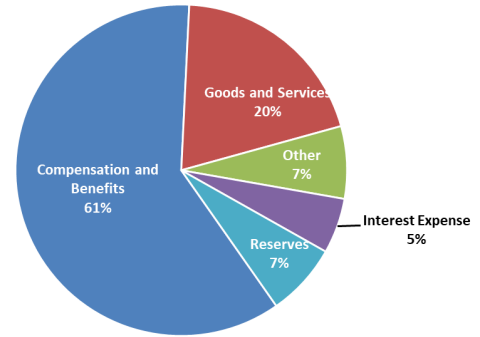
Athletics revenues are largely driven by football related activities, including television revenue and conference distributions. Athletics revenues are budgeted at \$54.6 million an increase of \$14.2 million or 35.1% more than the prior year’s budget primarily due to conference distributions and anticipated increased seating capacity in what is expected to be a more normalized public health environment at Fall athletic events.

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 the bookstore, which primarily serve students, faculty, and staff. Revenues from Starpoint School, KinderFrogs School, and Miller Speech and Hearing Clinic are also included. Auxiliary Income is budgeted to be \$30.3 million, an increase of 4.1% over the previous fiscal year budget.

Other Income includes revenue from numerous areas as diverse as University police, University Campus Recreation, the campus Health Center, Frog Camp, and interest earned on working capital investments. This revenue is expected to be down 11.8% as a result of the updated revenue projections for student-service areas across the University including University Campus Recreation and the Health Center.

EXPENSES

FY2022 Expense and Reserves Budget



¹ Other includes: Utilities, Insurance, Taxes; Equipment and Repairs; and *Vision in Action*

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 \$330 million, a decrease of 0.9% over the previous fiscal year budget. The \$3 million decrease is primarily related to updated staff projections related to the School of Medicine that more accurately reflects the timing of hiring faculty and staff offset by a full year of increased compensation to be paid in Fiscal Year 2022. As compensation and benefits, is the largest expense category to the University, this area is being evaluated to ensure that best practices are being implemented. The University wants to ensure that expenses are sustainable.

Expenditures for **Goods and Services** represent the University's third-largest expense category, behind Compensation and Benefits and Financial Aid. Expenses are budgeted at \$109.2 million with dining services contributing approximately 15% of the total. Other departmental operating costs such as travel, supplies, mail services, and dues and subscriptions are recorded here.

The budget for **Utilities, Insurance, and Taxes** is slightly higher compared to the current year budget and budgeted at \$17.1 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 purchase non-capitalizable equipment, including software maintenance.

Net Interest Expense represents the interest costs associated with the University's debt, less any portions that are capitalized toward construction projects.

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 **Capital Funding Reserve** represents funds that are set aside from operations and used for recurring capital needs throughout the campus. Budgeted at \$34 million in Fiscal Year 2022, it is used to fund expenditures related to academic and non-academic building improvements (reshoring), capital equipment, computers, annual capital projects, and other capital activity, such as principal payments on outstanding debt.

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

VISION in ACTION: LEAD ON

After well over a decade of significant investment in TCU's people, programs, and facilities, the University is placing even greater emphasis on fundraising for endowed scholarships and endowments for people and programs. These investments resonate with the University's focus on reaching even greater heights through the *Vision in Action: Lead On* strategic plan. Efforts to restructure the University's operating expenses have facilitated making even greater commitments of financial aid to TCU students concurrent with the fundraising efforts associated with the \$1 billion fundraising campaign, *Lead On: A Campaign for TCU*.

Over the next four years, significantly more financial aid will be added to the Financial Aid budget with the capacity to reach an average tuition discount rate of up to 48% should such a tuition discount rate be necessary. The dramatic increase in financial aid will create yet another strategic advantage for TCU in the recruitment of increasingly higher academically qualified and diverse students. The first allocation of increased aid will be made to the incoming Fall 2021 class of students.

SUMMARY

The proposed Fiscal Year 2022 Operating Budget is designed to enhance the University's reputation and profile while charting a more financially sustainable course in coming years. The Fiscal Year 2022 Operating Budget is presented for the Board of Trustees' consideration on the following page, along with a comparison to the current year's budget. The proposed budget will provide financial resources to help the University continue growing stronger year by year as the University continues its commitment to fulfilling the TCU Mission Statement: To educate individuals to think and act as ethical leaders and responsible citizens in the global community.

Respectfully submitted,

Brian G. Gutierrez
Vice Chancellor for Finance and Administration
April 2021



TEXAS CHRISTIAN UNIVERSITY
Fiscal Year 2022 *Proposed* Operating Budget
 \$ in thousands

	FY2021 Budget	FY2022 Budget	Variance	
			Amount	Percent
<i>Revenues:</i>				
Student Charges				
Tuition and Fees	\$547.1	\$562.0	14.9	2.7%
Financial Aid	(272.0)	(280.3)	(8.3)	3.1%
Total Net Tuition	275.1	281.7	6.6	2.4%
Housing	37.6	38.8	1.2	3.2%
Endowment Spending	75.3	78.5	3.2	4.2%
Annual Fund – Frog Club	18.0	22.7	4.7	26.1%
Annual Fund – Institutional	4.0	4.6	0.6	15.0%
Grants, Contracts, and Restricted Gifts	18.3	17.4	(0.9)	(4.9%)
Athletics	40.4	54.6	14.2	35.1%
Auxiliary Income	29.1	30.3	1.2	4.1%
Other Income	12.7	11.2	(1.5)	(11.8%)
In-Kind Revenue	7.9	6.4	(1.5)	(19.0%)
Total Operating Revenues	\$518.4	\$546.2	\$27.8	5.4%
<i>Expenditures:</i>				
Compensation and Benefits	333.0	330.0	(3.0)	(0.9%)
Goods and Services	101.1	109.2	8.1	8.0%
Utilities, Insurance, and Taxes	16.9	17.1	0.3	1.5%
Equipment and Repairs	15.4	15.7	0.3	1.9%
Net Interest Expense	29.4	29.5	0.1	0.3%
<i>Vision in Action: Lead On</i>	0.9	0.0	(0.9)	(100.0%)
Other Expenses	4.4	5.8	1.5	33.3%
Other Reductions	(7.2)	0.0	7.2	(100.0%)
Total Operating Expenditures	\$493.8	\$507.3	\$13.5	2.7%
Capital Funding Reserve	20.0	34.0	14.0	70.0%
Lead On Reserve	4.6	4.9	0.3	6.5%
Total Operating Expenditures and Reserves	\$518.4	\$546.2	\$27.8	5.4%
Revenues in Excess of Expenditures and Reserves	\$0.0	\$0.0	\$0.0	0.0%