



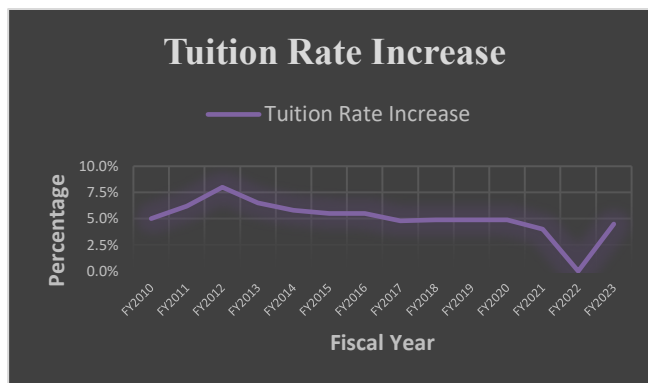
**Texas Christian University
Fiscal Year 2023 Operating Budget**

To the Board of Trustees:

Texas Christian University begins the celebration of our sesquicentennial in Fall 2022. This celebration will span sixteen months dedicated to remembering our past, expressing gratitude for the present, and intentionally preparing for our future. Throughout these trying years, TCU has remained committed to our culture of connection and community. The University adapted in numerous ways to support the in-person connection with our campus community and to provide tools and resources in instances where safety demanded a change. This commitment required creativity and resilience of the entire Horned Frog community and placed the University as a national leader in our response. Notable was the action to focus on our commitment to students and their families and provide increased Financial Aid for those in need. This action was made possible through our commitment to operating reductions introduced in Fiscal Year 2021 which has further strengthened the University's financial outlook.

The decision to restructure operating costs to support Financial Aid has proven to be a sound decision as enrollment remains strong. This additional Financial Aid will continue to be a strategic advantage in our efforts to attract and retain the most talented students. The operating expense budget reductions introduced in Fiscal Year 2021 continue as a combination of temporary and permanent reductions in Fiscal Year 2023, and looking beyond Fiscal Year 2023, the University will convert the temporary reductions to permanent reductions as operating units across the University permanently adjust their cost structure.

The Fiscal Year 2023 Operating Budget integrates the approved academic year tuition rate increase of 4.5%. This follows a 0% increase in Fiscal Year 2022 (see chart). Additionally, a merit pool of 4% for faculty and staff was funded. The merit increase for employees is complicated by high inflation rates and the fact that merit increases were forgone in Fiscal Year 2022. Further, cost increases for the



University obligations in general are escalating appreciably. Thus, a conservative approach was again taken with this year's budget and only essential adjustments were endorsed for Fiscal Year 2023.

With these challenges in mind, the University's administration prepared the Fiscal Year 2023 Operating Budget for Board of Trustees' review and approval. Highlights of next year's budget include the following:

- Total budgeted revenues of \$597.4 million, a 9.4% increase from Fiscal Year 2022
- Tuition rate increase, resulting in full-time undergraduate tuition of \$53,890
- Undergraduate enrollment budget of 10,257 students
- An endowment payout of \$86.7 million, an increase of \$8.2 million from the previous year
- The full transition of the UNTHSC/TCU School of Medicine to the TCU School of Medicine
- A *Lead On Reserve* of \$2.8 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 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, the path is being built to make sure that TCU is optimizing resources in Fiscal Year 2023 and beyond. This will ensure a vibrant and accessible TCU for future students.

The Fiscal Year 2023 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
- Continued funding for a community sponsorship to assist in enhancing and broadening the reach of the University’s reputation
- Support the themes of Safety, Sustainability and Justice, as we continue to maneuver through the pandemic
- Celebrate the closing of *Lead On: A Campaign* for TCU to strengthen the endowment

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. This Fiscal Year 2023 Financial Aid budget maintains the initiative set forth to increase the discount rate with the capacity to reach an average discount of up to 48%, if necessary. This robust capacity for additional aid will 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 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

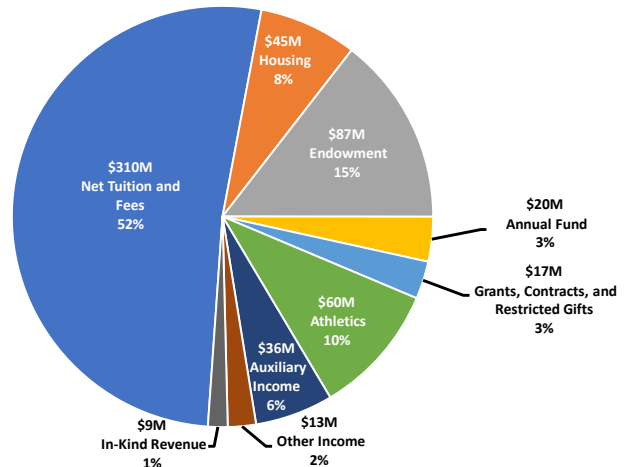
On February 25, 2016, TCU entered into a Collaboration Agreement with the University of North Texas Health Science Center (UNTHSC) for the purpose of jointly developing a premier allopathic medical school in Fort Worth. In Fiscal Year 2022 the collaboration between the institutions ended creating the TCU School of Medicine. This change continues to support TCU’s mission to educate responsible leaders serving our global community.

The TCU School of Medicine was granted provisional accreditation in June 2021 by the LCME and is working toward full accreditation in Fiscal Year 2023. The Medical School will enroll the fourth cohort of sixty students in July 2022 bringing the total number of students to 240. The school is seeing record numbers of applicants with applications averaging more than 8,100 per year for 60 spots.

The Fiscal Year 2023 Operating Budget includes revenues and operating expenses to assist the

School of Medicine during the fourth year of operations.

The School of Medicine will increase tuition by 4.5% for the 2022-2023 academic year. It is expected that once full enrollment levels are achieved tuition and fee revenue, operating gifts/contributions, and endowment payout will cover most operating costs for the school. TCU will continue to support the School of Medicine as necessary through the Operating Budget to cover revenue shortages.



BUDGET SUMMARY

The Operating Budget for the 2022-2023 academic year totals \$597.4 million, an increase of \$51.2 million, or 9.4%, over the Fiscal Year 2022 Operating Budget. A budget summary with a comparison to the 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 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. Fiscal Year 2023 Net Tuition Revenue is expected to increase 10% or \$28.1 million.

Total Tuition and Fees is budgeted to increase 9.6% over the Fiscal Year 2022 Operating Budget to \$615.7 million before any discounts. The growth is a result of the larger than budgeted First-Year student enrollment in the Fall of 2021 increasing the total undergraduate enrollment by 3.7% to 10,257 undergraduate students.

Financial Aid for undergraduate and graduate students is budgeted at \$305.9 million, or 9.1% higher than the current year budget of \$280.3 million and includes all forms of aid that are offered to students: scholarships, need-based aid, graduate stipends, and aid for student athletes. This increase is proportionate to the increase in undergraduate students. Included in the Financial Aid budget is a \$2.9 million scholarship gift received by the School of Medicine to support the 2022-2023 tuition for the second cohort of medical students’ third year.

Housing revenue is expected to grow 16% or \$6.2 million over Fiscal Year 2022. This increase is driven by the additional housing related to the increased number of undergraduate students.

Endowment Spending will increase to \$86.7 million or 10.4% 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. The additional increase in endowment payout is related to the investment of the \$150 million Series 2020A bond.

The **Annual Fund – Frog Club** budget is \$15.6 million, a \$7.1 million decrease for the year-over-year. The primary driver of this decrease is a result of a change in timing related to giving associated with the Fall 2021 football season ticket sales. All football season ticket sales have returned to their normal timelines in Spring 2022.

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 2023 donor giving is expected to increase by \$0.3 million.

Grants, Contracts, and Restricted Gifts are budgeted at \$17.3 million, a decrease of \$0.1 million for the 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.

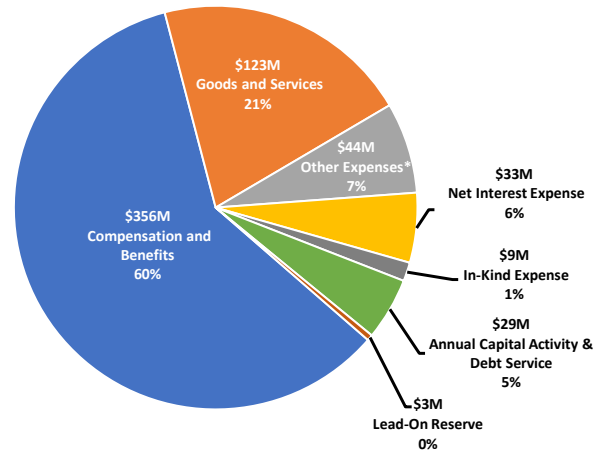
Athletics revenues are largely driven by football related activities, including television revenue and conference distributions. Athletics revenues are budgeted at \$60.4 million, an increase of \$5.8 million or 10.6% over Fiscal Year 2022, primarily due to conference distributions and the expectation of season ticket renewals for football and basketball returning to normalized levels.

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 \$35.8 million, an increase of 18.2% over the previous fiscal year’s 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 15.2% as a result of the updated revenue projections for student-service areas across the University including University Campus Recreation and the Health Center.

In-Kind Revenue is the recognition of support from the preceptor model for the TCU School of Medicine in Fiscal Year 2023.

EXPENSES



¹ Other Expenses includes: Utilities, Insurance, Taxes; Equipment and Repairs

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 \$355.7 million, an increase of 7.8% over the previous fiscal year budget. The \$25.7 million increase is related to a 4% merit increase and the addition of faculty and staff positions in Fiscal Year 2023. 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. The University wants to ensure that compensation expenses are sustainable into the future while providing competitive wages.

Expenditures for **Goods and Services** represent the University's second-largest expense category. Expenses are budgeted at \$123.1 million with dining services contributing approximately 14% 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 higher compared to the prior year budget and is budgeted at \$18.2 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. The budget for Net Interest Expense will increase by \$3.9 million due to an expected bond issuance in Fiscal Year 2023.

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 used for recurring capital needs throughout the campus. Budgeted at \$19.5 million in Fiscal Year 2023, 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.

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 of 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

TCU's focus remains on the success and academic progression of all of our students. 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*. The significant increase in financial aid will create yet another strategic advantage for TCU in the recruitment of more academically qualified and diverse students.

SUMMARY

The proposed Fiscal Year 2023 Operating Budget continues to support the objective of enhancing the University's reputation and profile while maintaining financial stewardship. The Fiscal Year 2023 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 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

April 2022



TEXAS CHRISTIAN UNIVERSITY
Fiscal Year 2023 Proposed Operating Budget

(\$ in millions)

	FY2022 Budget	FY2023 Budget	Variance Amount	Variance Percent
<i>Revenues:</i>				
Tuition and Fees	\$562.0	\$615.7	\$53.7	9.6%
Financial Aid	(280.3)	(305.9)	(25.6)	9.1%
Total Net Tuition	\$281.7	\$309.8	\$28.1	10.0%
Housing	38.8	45.0	6.2	16.0%
Endowment Spending	78.5	86.7	8.2	10.4%
Annual Fund – Frog Club	22.7	15.6	(7.1)	(31.3%)
Annual Fund – Institutional	4.6	4.9	0.3	6.5%
Grants, Contracts, and Restricted Gifts	17.4	17.3	(0.1)	(0.6%)
Athletics	54.6	60.4	5.8	10.6%
Auxiliary Income	30.3	35.8	5.5	18.2%
Other Income	11.2	12.9	1.7	15.2%
In-Kind Revenue	6.4	9.0	2.6	40.6%
Total Operating Revenues	\$546.2	\$597.4	\$51.2	9.4%
<i>Expenditures:</i>				
Compensation and Benefits	330.0	355.7	25.7	7.8%
Goods and Services	109.2	123.1	13.9	12.7%
Utilities, Insurance, and Taxes	17.1	18.2	1.1	6.4%
Equipment and Repairs	15.7	15.5	(0.2)	(1.3%)
Net Interest Expense	29.5	33.4	3.9	13.2%
Other Expenses	5.8	5.7	(0.1)	(1.7%)
One-Time Funding	0	4.1	4.1	
In-Kind Expense	0	9.0	9.0	
Total Operating Expenditures	\$507.3	\$564.7	\$57.4	11.3%
Capital Funding Reserve	15.8	0.0	(15.8)	(100.0%)
Annual Capital Activity	7.8	19.5	11.7	150.0%
Debt Service	10.4	10.4	0.0	0.0%
Total Capital Activities and Debt Service	\$34.0	\$29.9	(\$4.1)	(12.1%)
Lead On Reserve	4.9	2.8	(2.1)	(42.9%)
Revenues in Excess of Expenditures and Reserves	\$0.0	\$0.0	\$0.0	0.0%