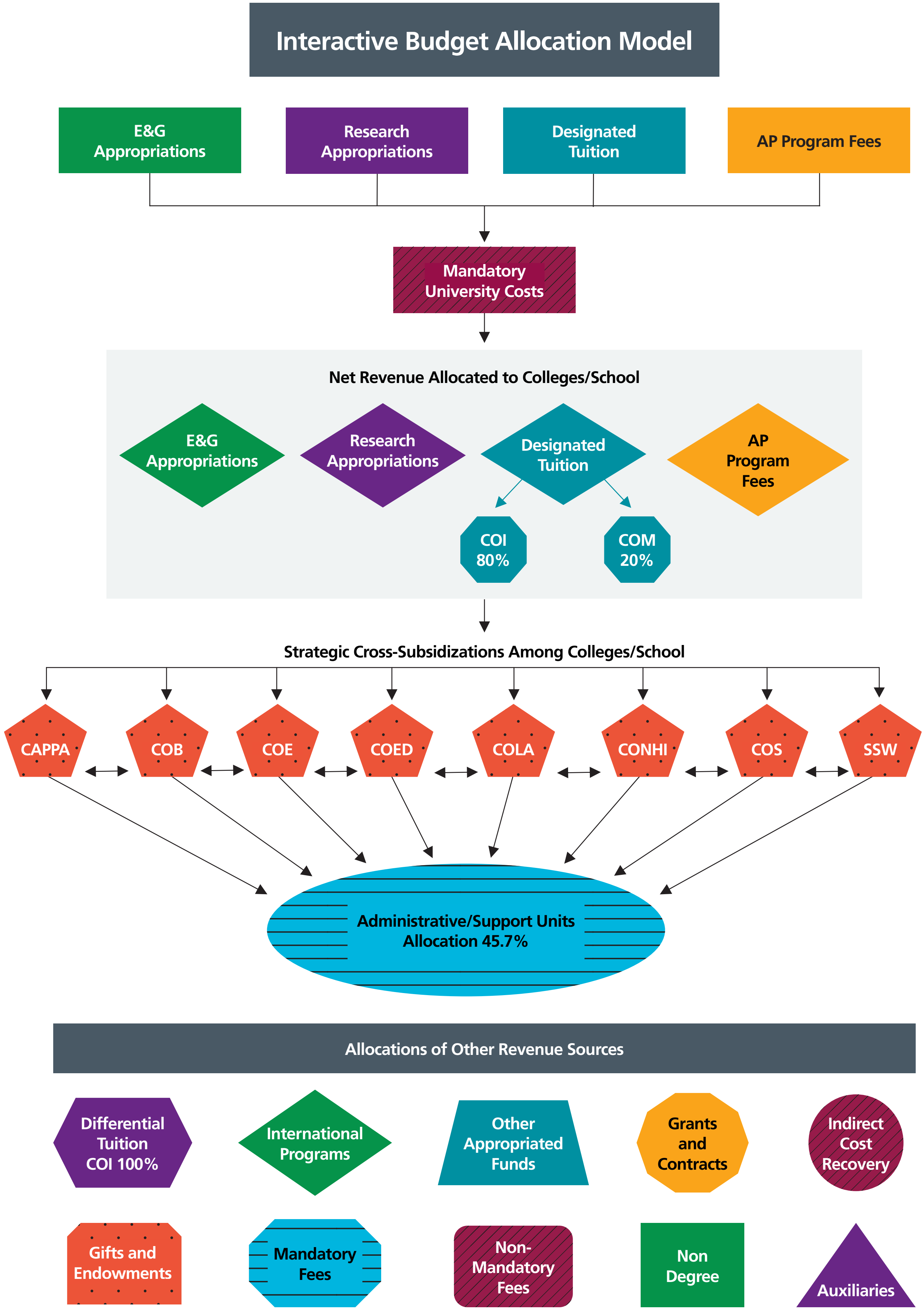
# Office of the Chief Financial Officer and Vice President

# Budget Allocation Model

Click on each shape to learn more.



Back to Model

# Interactive Budget Allocation Model

**Figure Caption:**

The UTA Budget Allocation Model distributes revenue from Education and General (E&G) Appropriations, Research Appropriations, Designated Tuition, and AP Program Fees. Mandatory University Costs are deducted before allocating these revenue sources.

Net Revenue is allocated to colleges/school. E&G Appropriations are allocated by weighted student credit hours (W-SCH), as weighted by UT System. Research Appropriations are allocated proportionally by using the average of the previous two years of external research expenditures. Designated Tuition is allocated with 80% distributed to the college/school of instruction (COI) and 20% distributed to the college/school of the students' major (COM). AP Program Fees are allocated to the college of instruction.w

Strategic Cross-Subsidization occurs among the colleges/school after these allocations have been made. The amount of subsidy, either given or received, is based on strategic target contribution margins set by the Provost.

After Strategic Cross-Subsidization, the colleges/school provide 45.7% of their allocations to Administrative/Support Units to cover the many services that students, faculty, and staff need.

Other Revenue Sources are then allocated, including Differential Tuition, International Programs, Other Appropriated Funds, Grants and Contracts, Indirect Cost Recovery, Gifts and Endowments, Mandatory Fees, Non-Mandatory Fees, Non Degree Program, and Auxiliaries.

Back to Model

Budget Allocation Model

# Model Overview

## Definition

The UTA Budget Allocation Model is a transparent tool for decision making.

For purposes of this model, the degree-granting colleges/school are called academic colleges/school.

All other units (including those with deans such as the libraries, graduate school, honors college, as well as the offices of the president, provost, and CFO) are considered administrative/support units for purposes of this model.

## Decision

In 2018, UTA began a collaborative process of creating a new Budget Allocation Model. It was decided that the allocation model would have E&G Appropriations, Research Appropriations, Designated Tuition, and AP Program Fee revenue flow to the eight academic colleges/school where the students reside (which is also where the faculty reside), and from there the colleges/school would cover the Administrative/Support that the students (and faculty) need.

In this way, the model strategically and transparently aligns revenue with the reality that students come to UTA to learn from the faculty and be part of a college/school where they will earn a degree. Students also need a variety of services to be successful.

Therefore, a percentage of the revenue then flows from the colleges/school to the administrative/support units to cover the costs for those services.

After more than three years of planning, on September 1, 2021, a new budget model was implemented for Fiscal Year 2022. It began with a hold-harmless component (meaning the model itself would not cause harm) to allow time to gather data and monitor for any unintended consequences.

In the second year of using this model (Fiscal Year 2023), after understanding the advantages and disadvantages of the model, it was decided that there were components and complexities that made it difficult to project future allocations.

Two main changes were made. First, instead of using fiscal year data, the model now uses calendar year data because they are the most current available data during the annual budget planning process that occurs each spring. Also, calendar year data crosses over two academic years to create a smoothing effect on changes in enrollment from one academic year to another. Second, the model had a complex and inter-dependent method of allocating support costs to the colleges that made it impossible for colleges to project their future support costs. This was simplified to a charge of 45.7% on E&G and research state appropriations, net tuition, and AP revenue to cover support costs. The 45.7% was based on the actual revenue split in the FY2022 and FY2023 data.

This percentage will not be changed each year; however, it will be reviewed over time to determine if adjustments are needed. The administrative/support units, including the offices of the President, Provost, and CFO, are funded from the 45.7% revenue.

## Impact

The simplified version of the UTA Budget Allocation Model is transparent, uses the most current available data, and has greatly improved the ability to project future support costs.

Also, the budget allocation method is a reminder that students come to UTA to learn from our faculty and earn their degrees, and that all units exist to provide instruction, support services, and administrative support for our students.

Back to Model

E&G
Appropriations

# E&G Appropriations

## Definition

Education and General (E&G) appropriations, and a portion of the fringe benefits on those appropriations, are provided by the State of Texas. [Fund code 21XX]

## Decision

E&G appropriations are distributed to the colleges/school using the same weightings that the State uses to distribute these appropriations to the University. The colleges/school are then taxed at 45.7% to cover the cost of administrative/support units.

For purposes of the budget model, all units except for the eight academic colleges/school, are considered administrative/support units, including the offices of the President, Provost, and CFO.

E&G benefit appropriations are distributed based on headcount of benefit eligible employees.

## Impact

This method accords with the method of distribution of appropriations from the State. From there the funds flow to the administrative/support units that support those colleges/school.

Back to Model

Research Appropriations

# Research Appropriations

## Definition

Research Appropriations are provided through the Texas Legislature as a source to advance research at the eight emerging research universities in Texas. [Fund code 2110]

## Decision

Research Appropriations are distributed proportionally to colleges/school using the average of the previous two fiscal years of external research expenditures.

## Impact

This method accords with the distribution of appropriations from the State. From there the funds flow to the administrative/support units that support those colleges/school.

Back to Model



# Statutory and Designated Tuition

## Definition

Statutory and Designated tuition is the tuition paid to UTA by our students.

For purposes of the budget allocation model, approximately 15% has been taken off the top to cover mandatory set asides, including financial aid, refunds, and bad debt. [Fund code 3100 and 3105 for Designated, and 2100 for Statutory]

## Decision

Statutory and Designated Tuition revenue (net of set asides) is aggregated into four tuition buckets – undergraduate resident, undergraduate non-resident, graduate resident, and graduate non-resident (non-resident students who pay resident tuition are part of the resident tuition buckets, as well as non-resident online distance education (NRODE) students).

Each of these buckets are then divided with 80% of the tuition revenue of each bucket going to the college of Instruction (COI) and 20% going to the college of the students' major (COM).

The aggregated tuition revenue in each divided bucket is then distributed to the colleges/school based on their percentage of student credit hours (SCH) taught to students in that bucket.

The colleges/school are then taxed at 45.7% to cover the cost of administrative/support units. For purposes of the budget model, all units except for the eight academic colleges/school, are considered administrative/support units, including the offices of the President, Provost, and CFO.

Back to Model

## Impact

UTA serves a substantial number of students with mandatory waivers.

By aggregating the tuition, it reduces the impact of waivers on any one college by spreading the cost of mandatory waivers across the colleges/school. It also ensures that there is no incentive for a college/school to make admission decisions based on waiver status.

In regard to non-resident students who receive a waiver to pay resident tuition, it moves those students to the resident tuition buckets so that the college who gives the waiver receives the loss of revenue from the waiver.

Back to Model

AP Program Fees

# AP Program Fees

## Definition

The term AP Program Fees refers to accelerated online (AO) programs that have a contract with an outside vendor for services that include recruiting and admissions. The students in these programs pay a program fee in lieu of regular UTA tuition and fees. The program fee is intended to cover tuition and fees for those students.

These programs are in the College of Nursing and Health Innovation (CONHI) with the Gen Eds for these programs in the College of Science (COS) and the College of Liberal Arts (COLA). [Fund Code 3107]

## Decision

The revenue from the AP Program Fees flow to the colleges teaching the courses. From those fees, the colleges pay for their contracted vendor and the colleges are taxed at approximately 45.7% to cover the cost of administrative/support units.

## Impact

The revenue transparently flows to the college and then to the vendor and administrative/ support units that provide services.

Back to Model

Mandatory University Costs

# Mandatory University Costs

## Definition

Mandatory Costs are university-wide compensation increases, fringe benefit increases, debt service, and chargebacks from UT System.

## Decision

Funds for merit and market-based compensation increases and fringe benefit increases are taken off the top from new revenue for all eligible employees to ensure that employees are treated equitably regardless of the unit in which they work.

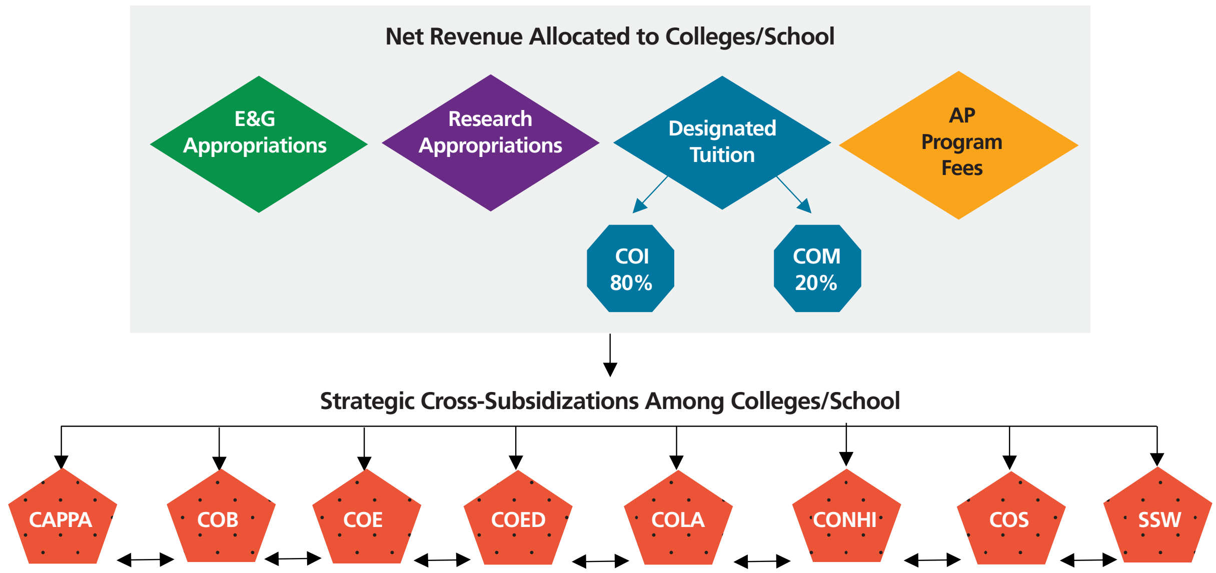
Debt service and chargebacks from UT System are also taken off the top from new revenue because they are mandatory costs that do not belong to any one unit.

## Impact

This allows those who have performance ratings of "Solid Performer" and above to be eligible for a merit increase regardless of the funds available in their unit.  It prevents a situation where one unit can afford a merit pool, and another cannot.

In addition, fringe benefit increases are treated as Mandatory University Costs to protects employees from fringe benefit increases that would lower their take-home pay and could create a hardship for employees.

Back to Model




# Net Revenue Allocated to Colleges/School

## Definition

Net Revenue Allocated to Colleges/School is net of Mandatory Costs and set asides.

## Decisions

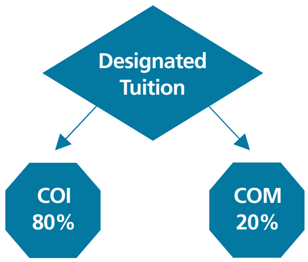

**Education and General (E&G)** appropriations are distributed to the colleges/school using the same weightings per student credit hour (SCH) that the State uses to distribute these appropriations to the University.

This aligns the UTA distribution with the State distribution.

Back to Model


**Research Appropriations** are distributed to the colleges/school using the average of the previous two fiscal years of external research expenditures.

This aligns the UTA distribution with the State distribution.




**Statutory and Designated Tuition** revenue (net of set asides) is aggregated into four tuition buckets – undergraduate resident, undergraduate non-resident, graduate resident, and graduate non-resident.

Each bucket is then divided with 80% of the tuition revenue of each bucket going to the college of instruction (COI) and 20% going to the college of the students' major (COM).

The aggregated tuition revenue in each divided bucket is then distributed to the colleges/school based on their percentage of student credit hours (SCH) taught to students in that bucket.

Non-resident students who pay resident tuition are part of the resident tuition buckets. Non-Resident Online Distance Education (NRODE) students are also part of the resident tuition buckets.

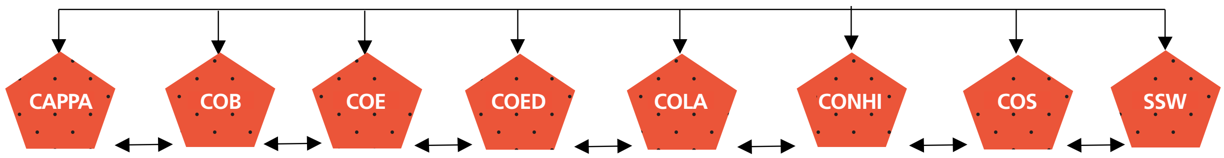

**AP Program Fees** refers to accelerated online programs that contract with an outside vendor for services.  The students in these programs pay a fee in lieu of tuition and fees.

The fee flows directly to the college of instruction (COI) and the college of instruction then pays the vendor a contracted percentage of that fee.

## Impact

All of the above revenues flow to the colleges/school where the students are enrolled (COM) or where they are instructed (COI).

Back to Model




# Strategic Cross-Subsidizations Among Colleges/School

## Definition

The two-way arrows connecting the colleges/school represent the strategic cross-subsidization among the colleges/school.

The amount of subsidy, either given or received, is based on the target contribution margin of the college/school, which is the margin after direct and support expenses have been deducted from total revenue.

## Decision

After administrative/support costs are allocated, each college will have a target contribution margin to meet each year that would be defined two to five years into the future.

The contribution margin expectations are set strategically by the Provost and are used for cross-subsidization between colleges as well as for strategic initiatives that benefit the colleges (such as strategic hires).

## Impact

This creates a pool of funding that allows for strategic investments that benefit the academic colleges/school.

Back to Model

Administrative/Support Units
Allocation 45.7%

# Administrative Support Units Allocation

## Definition

Administrative/Support units are all units that are not in one of the eight academic colleges/school. The eight academic colleges/school are the only units that are defined as academic units and not as administrative/support units.

## Decisions

Students come to UTA to be part of an academic colleges/school where they will learn and earn a degree. In addition to an academic education, there are many services that these students need.

The budget allocation model replicates this reality by having the revenue flow to the colleges/school where the students are taught and/or reside. From there, the colleges/school provide funding for the administrative services that the students, faculty, and staff need.

At the time the simplified allocation model was implemented, the actual split of revenue between academic and administrative/support units was 54.3% academic units and 45.7% administrative units (FY2022 and FY2023). These percentages will not be changed each year but will be reviewed over time to determine if adjustments are needed.

The amount of funding that each of the administrative/support units receive is reviewed annually and determined strategically by the president, provost, and chief financial officer (CFO) with input from the academic deans and vice presidents.

Back to Model

## Impact

By flowing E&G, research appropriations, statutory/designated tuition, and AP fees to the academic colleges/school and having the academic college/school provide funding to the administrative/support units, it creates a transparency that focuses on our students and their success, with all units supporting the academic colleges/school for student success.

Back to Model



# Allocations of Other Revenue Sources

For purposes of this allocation model, “Other Revenue Sources” refers to revenue other than E&G and research appropriations, statutory/designated tuition, and AP program fees.

Differential Tuition COI 100%

## Differential Tuition

### Definition

Differential tuition is assessed by college/school on a per student credit hour (SCH) basis to support the instructional budget needs of that college/school. Differential tuition is usually charged for colleges/school that have programs with higher-than-average cost of instruction and strong post-graduate outcomes. [Fund Code 3106]

### Decisions

Differential tuition is allocated 100% to the college of the instruction. This aligns the revenue with the intent for which it is collected.

### Impact

Differential tuition provides additional budget to colleges/school with programs with higher-than-average cost of instruction to help cover those costs.

Back to Model


# International Programs

## Definition

International Programs refers to UTA degree programs that are taught at an approved international location with a contracted agreement.

Program fees are paid by the students or the sponsoring institution in lieu of UTA tuition and fees for those students.

## Decision

The revenue from International Programs flow to the colleges teaching the courses, as per the contract. From those fees, the colleges are taxed at 20% of gross revenue to cover the cost of administrative/support units.

## Impact

The revenue transparently flows to the college and then to the administrative/support units that provide services.

Back to Model

Other Appropriated Funds

# Other Appropriated Funds

## Definition

Other appropriated funds include NRUF, NSRP, and Non-Formula (Special Item) Appropriations. National Research University Fund (NRUF) has been provided by the Texas Legislature as a source of funding to enable UTA to achieve national prominence as a major research university. These funds will end with FY2023. Beginning in FY2024, Core Research Funds replaced NRUF funds for the same purpose as NRUF funds.

Beginning in FY2024 funds will be provided as a state appropriation for the same purpose as the NRUF funds were previously provided. [Fund code 2116]

## Decisions

NRUF funds have been held centrally in the Office of the Vice President of Research and Innovation, who works with the President and Provost to use these funds strategically to advance research at UTA.

This revenue has been used to enable UTA to achieve national prominence as a major research university.

Nursing Shortage Reduction Funds (NSRF) are provided by the Texas Legislature to supplement current nursing program funding and assist with enrolling a sufficient number of students to meet the state's need for registered nurses. [Fund code 2130]

These funds are allocated to the College of Nursing and Health Innovation to supplement current nursing program funding. This revenue is a valuable source of funding for the College of Nursing and Health Innovation.

Back to Model

Non-Formula Appropriations are provided by the Texas Legislature for specific projects, programs, or initiatives.

These are treated similarly to restricted funds and allocated to the respective college, school, or support unit.

## Impact

These appropriations help to fund strategic projects, programs, and initiatives.

Back to Model

Grants and Contracts

# Grants and Contracts

## Definition

Grants and contracts are funding given by a government or other organization for a particular purpose or research project.

## Decision

Grants and contracts are set up as projects in the unit in which the principal investigator (PI) resides. These are monitored by the unit as well as the Office of the Vice President of Research and Innovation (VPRI).

## Impact

Funds are distributed and used as intended.

Back to Model

Indirect Cost Recovery

# Indirect Cost Recovery

## Definition

Indirect Cost Recovery (IDC) refers to the recovery of overhead costs related to grants, specifically facilities and administrative (F&A) costs.

As a PI spends direct funds from a grant, UTA bills the granting agency for those direct expenses and receives a reimbursement for the F&A indirect expenditures at a rate that was agreed on when the grant was awarded. [Fund code 3135]

## Decisions

IDC is allocated by formula.  The formula established in 2018 has distributed approximately 18% to the VPRI, 4.5% to the libraries, 1.5% to business affairs, 12% to facilities, 31% to the provost, and 33% to the unit head (dean) where the primary investigator (PI) resides.

The exceptions to this distribution are the division of enterprise development (DED) receives 100% of the IDC from their grants and the Texas manufacturing assistance center (TMAC) receives 50% of the IDC from their grants (with the other 50% distributed through the above formula).

## Impact

The majority of the funds are used to cover the facilities and administrative costs, with a portion being used by the provost and deans to help fund start-up costs for new research faculty.

Gifts and Endowments

# Gifts and Endowments

## Definition

A gift could be given for current use or given to permanently invested for current and future use.  An endowment is a gift that is invested rather than used as cash for immediate needs.

A portion of the earnings from an endowment is distributed to the University for current use while the remainder is added back into the principal.
[Fund codes 5500 for non-endowed and 5600 for endowments]

In addition, some units have Quasi Unrestricted Endowments.  These are University funds that have been designated to establish endowments
[Fund code 3120].

## Decision

Gifts and endowments are distributed to the unit for which the donor intended and used by that unit for the purpose(s) for which the donor intended.

## Impact

Funds are being used as the donors intend.

Back to Model


# Mandatory Fees

## Definition

Mandatory fees are fee that are required of all students as a condition of enrollment. [Fund code 3140 or Fund code 3115 for Student Service Fees]

## Decision

Mandatory fees are distributed 100% to the unit that is providing the services for which the fee was charged.

Mandatory fees include things like a computer/technology fee, ID card fee, intercollegiate athletics fee, library services fee, medical services fee, recreational facilities fee, registration fee, shuttle bus fee, student services fee, and student university fee.

## Impact

Mandatory fees are distributed to the unit providing the services and help to cover the costs of those services that the students receive.

Back to Model

Non-Mandatory Fees

# Non-Mandatory Fees

## Definition

Non-mandatory fees are fees related to a specific course, program, or activity. [Fund code 3100]

## Decision

Non-mandatory fees are distributed 100% to the unit that is providing the services for which the fee was charged.

Non-mandatory fees include fees for late registration, testing center, transcripts, graduation, student orientation, distance learning, and other fees for specific purposes.

## Impact

Non-mandatory fees are distributed to the unit providing the services and help to cover the costs of those services the students receive.

Back to Model

Non
Degree

# Non-Degree Programs

## Definition

Non-degree programs are those programs for which a student is not in a degree program and not receiving academic credit. This would include non-degree seminars, workshops, and summer-camps.

## Decision

Non-degree programs are charged a 10% overhead charge on gross revenue.

## Impact

The overhead charge helps to ensure that non-degree programs are contributing in a manner consistent with their use of university resources.

Back to Model

Auxiliaries

# Auxiliaries

## Definition

Auxiliaries are units that support the University by providing services to students, faculty, and staff.

They are considered self-supporting, meaning they charge fees for their services and are expected to cover all their costs from those fees.

Auxiliaries include, but are not limited to, Athletics, Housing, Food Services, Bookstore, Parking, Student Health Center, Student Activities. [Fund codes 4100 through 4800]

## Decision

Auxiliaries receive 100% of their fee revenue.

Since they are self-supporting and expected to cover all of their costs, they are charged a tax on gross revenue to cover the cost of services that the University provides.

## Impact

This decision aligns with the definition and intent of auxiliaries.

UTA

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