

University of Houston-Downtown Mission and Goals

Vision

The University of Houston-Downtown will be a premier city university where all students are engaged in high-impact educational experiences and graduate with 21st Century skills.

Mission

The University of Houston-Downtown is a comprehensive four-year university offering bachelor's and selected master's degree programs and providing strong academic and career preparation as well as life-long learning opportunities. Located in the heart of the city, the University reflects the diversity of the Greater Houston Metropolitan Area and, through its academic programs, engages with the community to address the needs and advance the development of the region. UHD is an inclusive community dedicated to integrating teaching, service, and scholarly research to develop students' talents and prepare them for success in a dynamic global society.

UHD Revised Strategic Plan 2017-2020

In 2017, the strategic plan goals were revised with input from faculty, staff, students and administrators. Based on the revised goals and objectives of the current strategic plan, the key performance targets to be achieved by 2020 are:

- Attain a graduation rate of 28%.
- Improve the retention rates in the first year to 75% and second year to 60%.
- Increase enrollment to 15,400 students.
- Offer 10-12 new programs and professional certificates.
- Increase research expenditure to \$4 million.
- Achieve total of \$25 million in external funding.

UHD had begun updating its strategic plan in FY2019, with the process being led by the Provost's Office. Progress was being made on a two-phase process, with an updated 'bridge plan' to be issued in fall 2020. This bridge plan would guide the University over the coming three academic years – AY2021 through AY2023 - and be followed by a comprehensive strategic plan which would go into effect at the start of AY 2024, as UHD celebrated 50 years as a Texas public university.

Regrettably, the disruption caused by the COVID-19 crisis led the university leadership to temporarily suspend work on these plans, because of both workload issues and the new uncertainty as to how higher education will operate in the post-pandemic world. Work on the bridge plan is expected to resume this fall, with an anticipated completion in spring/summer 2021.

Overview of UHD's FY2021 Plan and Budget

UHD Progress Card

In Fall 2019, UHD was able to grow total enrollment by 2.6 percent and undergraduate enrollment by 4.2 percent. The Fall 2019 headcount of 14,640 students was an all-time high for UHD, and represented the second consecutive year of solid enrollment growth. This growth validated the strategic wisdom of earlier decisions to raise admission standards at UHD, first for FTICs (Fall 2013) and then for Transfer students (Fall 2015). As anticipated, these moves led to temporary drops in enrollment, but through them the

University has been able to reposition itself as a more rigorous academic institution, and as a result is now attracting more, and better-prepared, students. This can also be seen in UHD's recent student performance metrics.

The student success metrics on which UHD has most focused in recent years are the FTIC Retention Rate (1-yr) and the FTIC Graduation Rate (6-yr). The retention rate has steadily improved in recent years, reaching 73.3 percent for 2019-20. UHD expects to achieve its 75 percent goal in 2020-21. The most significant accomplishment has been with the graduation rate. For the 6-year cohort that had through the end of FY2019 to earn their degrees, the graduation rate was 28.5 percent. Achieving its FTIC Graduation Rate goal of *28-percent-by-2020* a year ahead of schedule was a remarkable achievement for UHD. Within the next year, UHD anticipates seeing a 6-year graduation rate at 30% or higher.

Other areas where progress has been made over the past year include Total Degrees Awarded, Degrees Awarded in Key Fields, the Course Completion Rate, and Student Satisfaction (Exiting Seniors).

Despite the challenges brought on by current events/circumstances, UHD was able to exceed its \$30 million stretch goal for the *Here We Go* campaign, with a total of \$33 million raised. FY2020 was another successful year for UHD fundraising, with over 35 percent of the funds raised going toward scholarship support and emergency student aid funds.

UHD was successful in obtaining research grants in FY2020, including grants from the National Institutes of Health and the National Science Foundation, which going forward will contribute to growth in institutional research expenditures. However, the pandemic significantly curtailed the ability to expend research funds for the last six months of FY2020, and this will likely continue into FY2021.

Overall UHD had a significant year in meeting the bulk of the goals articulated in its Progress Card. As importantly, UHD continues to take the steps necessary to lay the foundation for further progress in the years ahead.

FY2021 Funding Sources

Due to the COVID-19 pandemic, this coming year is fraught with uncertainty. Out of prudence, UHD joined its sister institutions in the UH System in building an FY2021 operating budget that assumes a 5 percent drop in enrollment from that which was enjoyed in FY2020. Each 1 percent drop in enrollment equates to approximately \$1 million in lost tuition/fee revenue, so a 5 percent enrollment decline translates into a loss of \$5 million.

Further, the State of Texas has already notified all public universities that, as was done in the current year, FY2021 general revenue appropriations will be reduced by 5 percent. For UHD this amounts to just under \$1.3 million.

So the combination of cautious enrollment projections and State reductions has UHD entering FY2021, from a budget perspective, with approximately \$6.3 million less in overall revenue than had been anticipated pre-COVID.

Fortunately, UHD goes into FY2021 in a position to offset much of that foregone revenue. Because enrollment growth in both FY2019 and FY2020 exceeded what had been projected for the budget in those years, UHD is bringing some new base dollars into FY2021. New funds will also be generated through the 2.6 percent tuition/fee rate increase approved by the Board in February 2020. Combined, these sources will provide approximately \$5 million.

As will be explained in the *UHD FY2021 Budget Priorities* section to follow, in order to fund its current budget and accommodate a limited number of ‘essential mandates’ for FY2021, UHD will be balancing the coming year budget by applying a significant amount of fund balance.

The University leadership understands that this is unsustainable, and has no intention of drawing this heavily on reserves for the coming year. Rather, the extraordinary application of reserve funds is simply a means of buying time until the enrollment picture comes into focus. Should enrollments decrease significantly, then in the early fall UHD will undergo a major budget reduction exercise. Division heads have already been provided worksheets showing the amounts that would need to be reduced given various enrollment decrease scenarios.

A late adjustment to this budget plan is an anticipated reduction of over \$500,000 in revenue from auxiliary operations. With it now clear that Fall 2020 instruction will be overwhelmingly on-line, and that most employees will continue working remotely, it is expected that revenue from Parking operations will be down significantly. Commission revenue from Dining services, and to a lesser extent Bookstore operations, will also be greatly reduced.

Finally, adding to UHD’s budgetary challenges, when the THECB completed its five-year review of the current 10-year HEAF allocation, UHD saw its annual allocation fall by \$925,000. This decrease in available HEAF goes into effect for the coming year, FY2021.

UHD FY2021 Budget Priorities

UHD’s budget priority for FY2021 is to put together a spending plan that recognizes and accommodates the unprecedented uncertainty presented by the COVID-19 pandemic.

As the World Health Organization (WHO) was declaring the pandemic on March 11, UHD’s Plan/Budget Development Committee (PBDC) was just finishing up its work. At that time the PBDC was deciding how to allocate approximately \$5 million of net new operating dollars, along with some additional funds that would be conditioned on achieving 2 percent enrollment growth. Beyond a number of ‘mandate’ items, the plan called for a 2 percent pool for much needed market-based salary adjustments for faculty and staff, 11 new faculty positions, a number of staff support positions, and funds for a variety of new initiatives in support of student success.

The subsequent Stay-at-Home order for Harris County (March 24), the economic fall-out, the collapse of oil prices, and the worsening conditions in the City and County, led all of the UHS component campuses, including UHD, to quickly re-think their FY2021 plans. As the components were revising FY2021 enrollment projections to assume the 5 percent drop, the State in late May made its announcement that it would be pulling back 5 percent of the general revenue that had previously been appropriated for FY2020 and FY2021.

With these actions UHD went from having a minimum of \$5 million of new operating dollars for FY2021, to being down \$1.3 million from what it had in FY2020. Looking at the ‘mandates’ list, there were six items that were viewed as ‘essential’, totaling approximately \$2.1 million. With this, UHD was looking at a minimalist budget that still required \$3.4 million in order to be balanced.

At this point there was a decision to be made. UHD could move immediately to a base budget reduction exercise, or it could apply a portion of its accumulated fund balances to buy some time to see how the Fall 2020 enrollment played out. The decision was made to defer any deep budget cuts and apply the fund balance. There were several reasons why UHD chose to go this route.

First, UHD was not feeling all of the financial stresses being felt by the more comprehensive, traditional colleges and universities. UHD does not offer Campus Housing or Inter-collegiate Athletics – operations that are self-supporting and heavily revenue-dependent, and which often bring with them irreducible facilities-related debt service costs. As stated in the *FY2021 Funding Sources* section above, UHD will face some challenges as Parking revenue decreases, but those can be managed. Generally speaking, UHD is run as a low-overhead operation, which is an advantage during times of financial distress.

Another factor that led UHD to delay action on budget cuts was enrollment performance over Summer 2020. As COVID was hitting in March, there was great concern that it would lead to reduced enrollments, beginning in summer. In fact, the UHD leadership's initial thought was to brace for a summer that could be down as much as 25 percent. Instead, in 2020, while fully on-line, UHD achieved an all-time high summer enrollment. While some additional financial assistance was provided, it was not enough to explain the strong Summer 2020 numbers. The worst-case scenario had not materialized – far from it – and this was taken as a hopeful sign for Fall 2020.

Lastly, UHD's financial position was being helped by the fact that it had received over \$10 million in CARES Act funds. Of this, \$4.7 million was passed directly on to students as emergency financial assistance. While this money was provided to students without condition, it is believed that this financial support helped many UHD students to stay in school. UHD received an equal amount (\$4.7M) as 'Institutional' CARES Act funds, and another \$700K due to its MSI status. While restricted in how they can be applied, these funds have proven very helpful, covering a number of expenses that would otherwise have been covered by other institutional funds.

Summarizing, UHD's budget priority remains 'Student Success', but in the throes of this pandemic support for student success has meant stabilizing the operation. UHD's leadership believes it has done this by honestly assessing current conditions, reining in planned spending, and applying an appropriate amount of reserves/fund balances so as to defer a major budget-cutting exercise that might well turn out to be unnecessary, and which would be difficult to un-do.

The Planning and Budgeting Process

Planning and budgeting at UHD, which is guided by the University of Houston System goals, the UHD Progress Card, and the current UHD Revised Strategic Plan 2017-2020, begins at the department level where staff and faculty in all units identify and prioritize new initiatives. These unit plans are then consolidated and presented to the university's Planning and Budget Development Committee (PBDC) which makes recommendations to the President.

Work on the FY2021 Plan/Budget was just concluding in early March 2020, as COVID-19 hit and the campus closed. The work of this year's PBDC continues to inform the FY2021 budget priorities at UHD, although obviously as the pandemic and its accompanying uncertainty struck, many of the initiatives recommended by the PBDC had to be placed on hold.

Summary of Reductions, Reallocations and Operating Efficiencies

For FY2021 UHD will be funding six positions – 4 faculty, 2 staff – via reallocations. During the final stages of budget development this year there was a reluctance to redirect vacant positions to fund new initiatives, as there remains the possibility that, should enrollments underperform, some of the vacant positions will have to be sacrificed to budget reduction.

UHD's Facilities Management unit continues to do good work to improve overall plant efficiency. Transitioning to LED fixtures/lights, improving the programming of HVAC systems to maximize

efficiency, and steadily replacing the One Main Building's old single-pane window glass with double-pane, insulated windows, are some of the steps that have been taken to make the University more energy efficient.

While not something it set out to do, UHD significantly reduced certain operating expenses during this COVID-driven shutdown. Based on prior year history, it is estimated that UHD will have saved over \$400K on employee travel between March and fiscal year-end. Further, by shutting down buildings, raising thermostat set points and taking similar actions, it is estimated that UHD will have reduced utilities costs by \$275K, over and above the efficiencies cited in the previous paragraph.

Priority 1 - Student Success

Context

UHD remains committed to student success as its overarching goal and guiding principle. In this year, with the pandemic ongoing, enrollments uncertain, and state support shrinking, it is a challenge to address operational needs that can't be funded with HEAF. In fact, HEAF is the highlight of this budget, providing ongoing support in the areas of library, technology and facilities.

Overall UHD is committing approximately \$7.6 million to support student success. Of this, \$6.6 million comes as investments in library materials, technology for labs and classrooms, and campus expansion/campus development. The University also continues with its multi-year investment in EAB's *Navigate* tool, working to support student success through improved advising services.

Approximately \$600K of new operating dollars will go to fund student access/success 'essential mandates', including designated tuition set-aside scholarships, increased allowances for remissions/exemptions, and base funding for two Joint Advisor positions. Through reallocations two new positions will be created in the Marilyn Davies College of Business, an Asst. Dean and an Executive Director of Graduate Studies.

FY 2021 Budget Initiatives

- ***Increased Financial Aid (\$263,222 New Operating Funds) App A-C3***
Approximately 69 percent of UHD students receive some form of financial aid, confirming that financial assistance is a critical component of student success and completion. UHD currently provides \$7.8 million per year in designated tuition set-aside funds, to which another \$263,000 will be added in FY2021. These additional set-aside funds are available because of the 'new base' dollars generated by above-projected growth in FY2019 and FY2020, and through the rate-increase dollars being generated for FY2021, most of which will come via an increase in the designated tuition rate.

It should be noted that when federal, state and institutional sources are all considered, UHD students have access to over \$50 million/year in non-loan financial aid.

- ***Enrollment, Retention/Graduation Rates (\$321,636 New Operating Funds; \$197,674 Reallocations). (\$519,310 Total Operating) App A-C4***
New operating funds are being applied to address two 'essential mandates' – one that involves a regular annual occurrence and another that corrects an oversight from the prior year.

The regular occurrence is to adjust as needed the amount the University sets aside each year to cover remissions/exemptions. There are numerous reasons why students might receive a tuition/fee exemption, with the most prominent in recent years being the Hazlewood exemption, which

supports Texas veterans and their families. Coming into FY2021 it appeared that UHD was tracking to overspend the current remission/exemption budget by \$200,000 and so that adjustment is being made. It should be noted that if enrollments do underperform, there is a possibility that this additional \$200,000 will not be needed.

The oversight involves two Joint Advisor positions. During last year's budget development process this commitment was made to the Enrollment Management team, but the positions were overlooked as the budget was finalized. The positions were subsequently filled and now must be base-funded.

With new operating funds being scarce, the Davies College of Business will be reallocating dollars to create two critical need positions – an Asst. Dean and an Executive Director of Graduate Studies.

- ***Recruiting/Enrollment Services (\$265,903 HEAF) App B-1***
The bulk of this HEAF spending represents UHD's share of the cost of the larger UHS move to adopt EAB's predictive analytics software (\$171K). This is Year 4 of a five year commitment. The remainder will be used to provide technology (computers, security) in student study spaces around campus, to create new office space for the PS Campus Solutions support team, and to provide an additional vehicle for recruiters.
- ***Library Support (\$2,200,000 HEAF) App B-2***
In responding to student utilization trends, in the coming year the library will spend over 90 percent of its HEAF budget providing students access to digital databases and journal subscriptions. The remainder will cover the purchase of books, e-books, videos, and recordings.
- ***Academic Facilities and Equipment (\$1,848,436 HEAF) App B-3***
Approximately \$1.4 million will be used to upgrade primary and satellite computer labs, equipment in presentation classrooms and event rooms, and desktop computers in academic units (faculty and staff). Approximately \$250K is earmarked for minor renovation projects involving academic space, with the balance going to HEAF-Discretionary accounts controlled by the provost and deans.
- ***Accommodate Growth – Debt Service (\$2,551,625 HEAF) App B-4***
In FY2017, UHD issued \$37 million in Consolidated Revenue Bonds (CRB) to fund the acquisition of land and to supplement the Science & Technology (S&T) Building/Central Utility Plant project. In FY2020, \$2,551,625 will be spent on the debt service of the CRB.

The new S&T Building, which opened for Fall 2019, was already doing much to advance Science education at UHD, prior to the pandemic-driven closing of campus. In addition to providing a site for the S&T Building, the acquired property (and utility plant) is enabling UHD's Student Wellness and Success Center. This project, now in the design phase, will help UHD establish a greater 'sense of place' for its students, which will support retention efforts. Finally, there is a placeholder on the acquired property for an additional structure at some later date.

Investment of FY 2021 Resources in Student Success Initiatives

	<u>New Operating</u>	<u>Reallocation</u>	<u>HEAF</u>	<u>Total</u>
Financial Aid	\$263,222			\$263,222
Retention and Graduation Rates	\$321,636	\$197,674		\$519,310
Recruiting/Enrollment Services			\$265,903	\$265,903
Library Support			\$2,200,000	\$2,200,000
Academic Facilities and Equipment			\$1,848,436	\$1,848,436
Accommodate Continued Growth			\$2,551,625	\$2,551,625
Total	\$584,858	\$197,674	\$6,865,964	\$7,648,496

Priority 2 - National Competitiveness

Context

A highly qualified faculty is vital for UHD to achieve its goals of improving student success rates and equipping graduates with 21st Century skills. Faculty are the backbone of the UHD community “*dedicated to integrating teaching, service, and scholarly research to develop students’ talents and prepare them for success in a dynamic global society.*” In this difficult year the funds are not available to add as many new faculty positions as are needed. However, through reallocations, four new faculty lines are being established to support high-demand disciplines. Two of these will be in the College of Humanities & Social Sciences (Asst. Professor-Communications; Asst. Professor- Drama/Technical Direction), while two others will be in the College of Sciences & Technology (two Asst. Professors of Biology).

A significant portion of UHD’s scarce new operating funds will be used in FY2021 to fully base fund faculty merit pay increases that were provided at mid-year FY2020 (after enrollment targets were achieved, pre-COVID). A modest amount of HEAF is being provided to the College of Sciences & Technology to cover the cost of replacing some aging equipment.

FY 2021 Budget Initiatives

- Faculty Recruitment and Retention** (\$613,685 New Operating Funds; \$271,600 Reallocations) (\$885,285 Total Operating) **App A-C6**

During FY2020 budget development, President Muñoz committed to a 2 percent Merit pool for faculty and staff, conditional on achieving specific enrollment targets. Because this was to be a mid-year salary increase, the full cost would not need to be covered in the FY2020 budget, so only \$650,000 of new base dollars (half the cost) were budgeted for this purpose. When enrollments significantly exceeded projections the president decided to increase the pool to 2.5 percent, which to be funded for a full year would require an additional \$975,000. Of that, the amount needed for the faculty portion was \$438,750. To this was added \$174,935, which is the amount required to cover the salary and benefits costs associated with faculty tenure-and-promotion increases effective for FY2021.
- Facilities/Labs and Technology** (\$168,411 HEAF) **App B-6**

HEAF is being provided in FY2021 to replace aging equipment in the Natural Sciences and Computer Science/Engineering Technology departments.

Investment of FY 2021 Resources in National Competitiveness Initiatives

	<u>New Operating</u>	<u>Reallocation</u>	<u>HEAF</u>	<u>Total</u>
Faculty Recruitment and Retention	\$613,685	\$271,600		\$885,285
Facilities/Labs and Technology			\$168,411	\$168,411
Total	\$613,685	\$271,600	\$168,411	\$1,053,696

Priority 3 - Infrastructure and Administration

Context

To maintain an environment conducive to student success, the University must invest in its infrastructure and be efficient in its administrative practices. These infrastructure and administrative investments are generally in the areas of personnel, automation, plant, technology, security, and general administration.

As with any organization, UHD’s greatest asset is its people - faculty and staff. A significant portion of UHD’s scarce new operating funds will be used in FY2021 to fully base fund staff merit pay increases that were provided at mid-year FY2020 (after enrollment targets were achieved, pre-COVID).

As in the past, HEAF funds will be provided to address planned maintenance needs and renovation, and to maintain UHD’s technology environment.

FY 2021 Budget Initiatives

- Recruit/Retain Highly Qualified Staff (\$536,250 New Operating Funds) App A-C8***
 During FY2020 budget development, President Muñoz committed to a 2 percent Merit pool for faculty and staff, conditional on achieving specific enrollment targets. Because this was to be a mid-year salary increase, the full cost would not need to be covered in the FY2020 budget, so only \$650,000 of new base dollars (half the cost) were budgeted for this purpose. When enrollments significantly exceeded projections the president decided to increase the pool to 2.5 percent, which to be funded for a full year would require an additional \$975,000. Of that, the amount needed for the staff portion was \$536,250.
- Physical Plant Maintenance and Upgrades (\$1,340,000 HEAF) App B-8***
 These funds will go towards planned maintenance projects that are tracked on UHD’s Lifecycle Replacement list. Much of this (\$420K) will again go to modernize a number of aging elevators, while another significant portion (\$520K) will serve as a down payment on roof replacement for the Commerce Street Building, which is coming up on 20 years old. Due to the high cost of these roof replacement projects, it is difficult to get all the funding in one year. For FY2022 a similar amount will be allocated and the work will proceed. The balance will go towards restroom renovations, work on electrical infrastructure, and the ongoing, multi-year effort to install insulated glass on the sun-facing sides of the One Main Building.
- Technology Maintenance and Upgrades (\$1,525,000 HEAF) App B-9***
 The technology on which the University depends for its instructional and administrative operations must be upgraded and/or replaced in a systematic manner. In FY2021, UHD will allocate HEAF to upgrade servers and network infrastructure, expand storage capacity, and replace the Uninterrupted Power Supply (UPS) unit in the Shea (Redundant) Data Center.

- ***Campus Safety/Security (\$150,800 HEAF) App B-10***
These funds are being provided to address the capital needs of the UHD Police department. Included here are upgrades/refreshes to the PD Data Center, equipment to support the camera and access control programs, funds for additional radios, and money to acquire a new police vehicle. The UHD PD operates with five patrol vehicles, with one being cycled out of service each year.
- ***General Administration and Operations (\$322,536 New Operating Funds App A-C9; \$278,169 HEAF) App B-11***
Continuing into FY2021, UHD will see a significant increase in the UHS Service Charge, attributable mainly to the PeopleSoft Campus Solutions project (P/S Student) moving from ‘implementation’ to ‘maintenance’. The non-P/S portion of the service charge has also increased significantly, with the increase being phased in over two years (FY2020 and FY2021). In addition, UHD will allocate \$100,000 towards covering ever-expanding staff benefits expense.

It is in this category that UHD is recognizing an anticipated \$529K decrease in auxiliary operations revenue. Of this, \$375K will be reduced revenue from Parking operations while another \$154K will be the anticipated decrease in commission revenue from Dining and Bookstore operations. This \$529K decrease will be addressed by reducing Parking-related expenditures by \$300K (shuttlebus services) and by applying an additional \$229K of auxiliary fund balances.

Regarding HEAF, a \$100,000 President’s HEAF budget was requested by Dr. Muñoz, so that the President’s Office would have a pool of funds to address unanticipated capital needs across the University. Continuing a program that has worked well over the years, approximately \$158K was allocated as discretionary HEAF for the administrative units. These funds are allocated based on a model that looks at departmental FTE and budget, providing administrative units with modest amounts to address minor capital needs.

- ***Space Planning Implementation Funds (\$500,000 HEAF) App B-12***
As the University adds new buildings, and as on-line instruction and other changes impact space utilization, it is important that UHD have some capital funds available to re-purpose space. To this end, for FY2021 UHD is carving out \$500,000 from HEAF to create SPIF – Space Planning Implementation Funds. While just a fraction of what will be needed to move forward with the re-purposing that has been proposed, establishment of the SPIF is a step in the right direction.

Investment of FY 2021 Resources in University Infrastructure and Administration

	<u>New Operating</u>	<u>Reallocation</u>	<u>HEAF</u>	<u>Total</u>
Recruit/Retain Highly Qualified Staff	\$536,250			\$536,250
Physical Plant Maintenance and Upgrades			\$1,340,000	\$1,340,000
Technology Maintenance and Upgrades			\$1,525,000	\$1,525,000
Campus Safety/Security			\$150,800	\$150,800
General Administration and Operations	\$322,536		\$278,169	\$600,705
Space Planning Implementation Funds			\$500,000	\$500,000
Total	\$858,786	\$0	\$3,793,969	\$4,652,755