

Texas Christian University Fiscal Year 2025 Operating Budget



To the Board of Trustees:

It is a remarkable time in the life of Texas Christian University. Fall 2023 concluded a historic academic year with the closing of the 150th anniversary of our great University. The celebration began in Fall 2022 both on campus and from coast to coast. Horned Frogs from across the country recognized this milestone occasion with special events; commemorative performances, publications, and videos; historical exhibitions; large-scale murals in Fort Worth, New York City, Los Angeles, Nashville, and Chicago; and, special recognition from the City of Fort Worth, Tarrant County, the Texas Legislature, the U.S. Capitol and more.

This celebration was then bookended by an historic announcement that the most ambitious philanthropic campaign in TCU's 150-year history - more than \$1 billion – was committed for *Lead On: A Campaign for TCU*. The success of this effort is fueling the University's strategic plan and positioning TCU for the next 150 years of fulfilling its mission to educate leaders and responsible citizens for the global community. The University's mission is supported by fundraising, enabling additional support for key initiatives that increase access to a TCU education and allow for expansion and improvements to the campus experience.

The University also celebrated many other successes and accolades. Notably, the setting of new record highs for retention and graduation rates at 94.3% and 85.6% respectively. This ongoing student success is attributed to the initiation of the Student Success Center, incorporated comprehensive tutoring, testing and academic coaching, and formalized outreach to students who had not registered for the upcoming semester. Moving forward, TCU plans to continue this success with Project 90, the goal to keep raising the bar and retain and graduate 90 percent of our students within six years.

While Disneyland may be the happiest place on earth, according to The Princeton Review, TCU has the happiest students. The 2024 rankings provide accolades for TCU in many areas including its management, residence halls and relationship with its hometown.

TCU's spots in the top 20 included:

- #1 for Happiest Students
- #4 Best-Run Colleges
- #7 Best Quality of Life
- #9 Town and Gown Relations
- #9 Best College Dorms
- #10 Most Active Student Government
- #10 for Lots of Greek Life
- #11 for Best Health Services
- #13 Best Athletic Facilities
- #16 Most Beautiful Campuses
- #20 Best College Library
- #20 Best Career Services



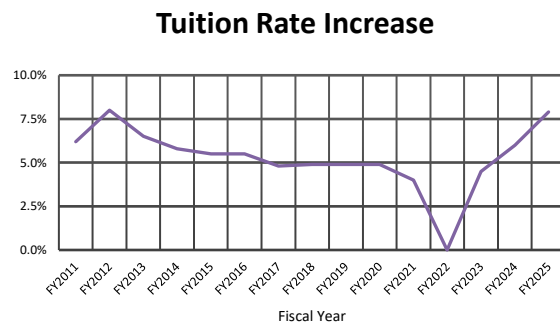
There have also been several other major milestones:

- TCU's enrollment for Fall 2023 increased 4.2% overall to 12,785. This includes a 3.7% increase in undergraduate students to 10,915 and a 6.9% increase in graduate enrollment to 1,870.
- *U.S. News & World Report* again ranked Texas Christian University as a top 100 national university for the 14th year in a row.
- The University was further recognized in the top 100 for its business, engineering, and nursing programs.
 - The Doctor of Nursing Practice in Harris College of Nursing & Health Sciences was ranked No. 43 in the country.
 - The Full-time MBA program in the TCU Neeley School of Business is ranked among the top 50, up 17 spots.
 - The TCU Neeley part-time MBA program remains in the top 100, climbing 16 spots.

And, while Horned Frogs continue to excel in the classroom, the year also saw extraordinary achievements in Athletics. In particular, TCU in football, baseball, and basketball is the only school in college sports to reach all three major sports playoffs in 2023.

The University is committed to maintaining a healthy financial position. Enrollment remains strong as do contributions to, and earnings from, TCU's Endowment. This Fiscal Year 2025 Operating Budget integrates the approved academic year tuition rate increase of 7.9%. This follows a 6% increase in Fiscal Year 2024. Additionally, a merit pool of four percent (4%) for faculty and staff was funded. This merit increase recognizes employees as TCU's number one priority.

With these factors in mind, University administration prepared this Fiscal Year 2025 Operating Budget for the Board of Trustees' review and approval.



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

- Total budgeted revenues of \$729.9 million, a 13.5% increase from Fiscal Year 2024
- Tuition rate increase of 7.9% resulting in full-time undergraduate tuition of \$61,650
- Budgeted undergraduate enrollment of 11,054 students
- An Endowment payout of \$111.1 million, an increase of \$13.3 million from the previous year
- A *Lead On Reserve* of \$13.4 million or 1.8% of budgeted net revenues.



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 2025 and beyond to ensure a continued strategic path for the future. This will ensure a vibrant and accessible TCU for future students.

The Fiscal Year 2025 Operating Budget contains key elements to continue the fulfillment – and evolution – of the Board’s vision. Examples of these key elements include:

- A four percent 4% 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 investment in capital improvements to enhance the campus experience, environment, and infrastructure (Goal 3).
- Additional resources to the Neeley School of Business through differential tuition to fund even greater investment in academic distinction and national prominence (Goal 1).

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, 2023, and 2024. This Fiscal Year 2025 Financial Aid budget preserves the initiative set forth to maintain additional funding.



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 2024-2025 Academic Year totals \$729.9 million, an increase of \$86.6 million or 13.5%, over the Fiscal Year 2024 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.

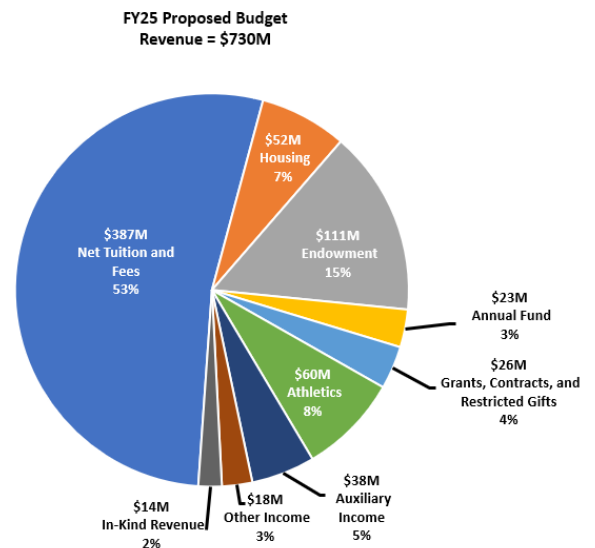
REVENUES

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 2025 Net Tuition Revenue is expected to increase 14.4%, or \$48.9 million.

Total Tuition and Fees is budgeted to increase 15.5% over the Fiscal Year 2024 Operating Budget to \$768.1 million before any discounts. The growth is a result of the tuition rate increase, the incorporation of the Neeley Differential Tuition rate, and the rising retention of students. Enrollment for Fall 2023 increased by 3.7% for undergraduate students, and graduate enrollment increased by 6.9% compared to Fall 2022.

Financial Aid for undergraduate and graduate students is budgeted at \$380.7 million, or 16.6% higher than the current year budget of \$326.6 million and includes all forms of aid that are offered to students: scholarships, need-based aid, graduate stipends, and aid for student athletes.

Housing is expected to grow 8.3% or \$4.0 million over Fiscal Year 2024. This increase is driven by the additional housing related to the increased number of undergraduate students and a five percent (5%) increase in housing rates.



Endowment Spending will increase to \$111.1 million or 13.6% 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. This revenue is generated from the donor portion of Athletics season tickets and parking.

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 2025, donor giving is expected to increase by \$0.4 million.

Grants, Contracts, and Restricted Gifts are budgeted at \$25.8 million, an \$8.5 million increase year-over-year. These revenues include several different sources, the largest is federal and state grants for Financial Aid (\$14.7 million), followed by externally funded research grant revenue (\$10.2 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 \$60.1 million, an increase of \$4.1 million or 7.3% above Fiscal Year 2024. The year-over-year increase is a result of a lower Big 12 distribution payout in Fiscal Year 2024 due to the Sugar Bowl being a part of the College Football Playoff semi-finals.

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 \$38.2 million, an increase of 5.2% 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 23.8%. The revenue increase is mainly due to the projected increase in Interest/Investment income resulting from higher interest rates projected for the Fiscal Year.

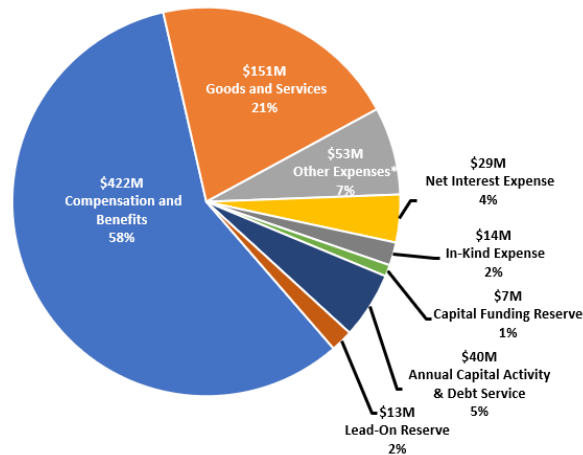
In-Kind Revenue is the recognition of support from the preceptor model for the TCU School of Medicine in Fiscal Year 2025.



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 \$422.0 million, an increase of 8.2%

FY25 Proposed Budget
Operating Expenses, Annual Capital, Debt Service, and Reserves = \$730M



over the previous Fiscal Year Operating Budget. The \$32.1 million increase is related to the four percent (4%) merit pay increase and the addition of faculty and staff positions in Fiscal Year 2025.

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 \$150.9 million, with dining services contributing approximately thirteen percent (13%) 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 \$22.5 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 2025, the budgeted increase for this expense category is \$2.3 million or 12.3%.

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 \$3.5 million in Fiscal Year 2025.

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

Strategic Expenditures consist of prioritized funding allocations to support initiatives across the University. The Fiscal Year 2025 Operating Budget will include \$1 million in funding to support the Burnett School of Medicine's Clinical Research Trial Consortium. This is the first year of a five-year funding commitment. Additionally, \$1.3 million in funding will be designated for needed capital projects in Housing and Dining to ensure an optimal campus experience for students.

The **Capital Funding Reserve** and **Annual Capital Activity** represents funds that are set aside from operations and are used to support the University's capital needs. Budgeted at a combined \$34.5 million in Fiscal Year 2025, they are 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 2025 Operating Budget continues to support the goals outlined in the *Vision in Action* while maintaining strong financial stewardship. The Fiscal Year 2025 Operating Budget is presented for consideration to the Board of Trustees on the following page along with the comparison to the Fiscal Year 2024 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

April 2024



TEXAS CHRISTIAN UNIVERSITY
Fiscal Year 2025 Proposed Operating Budget

(\$ in millions)

	FY2024 Budget	FY2025 Budget	Variance Amount	Percent
<i>Revenues:</i>				
Tuition and Fees	\$665.1	\$768.1	\$103	15.5%
Financial Aid	(326.6)	(380.7)	(54.1)	16.6%
Total Net Tuition	\$338.5	\$387.4	\$48.9	14.4%
Housing	48.4	52.4	4.0	8.3%
Endowment Spending	97.8	111.1	13.3	13.6%
Annual Fund – Frog Club	16.8	16.8	0.0	0.0%
Annual Fund – Institutional	5.5	5.9	0.4	7.3%
Grants, Contracts, and Restricted Gifts	17.3	25.8	8.5	49.1%
Athletics	56.0	60.1	4.1	7.3%
Auxiliary Income	36.3	38.2	1.9	5.2%
Other Income	14.7	18.2	3.5	23.8%
In-Kind Revenue	12.0	14.0	2.0	16.7%
Total Operating Revenues	\$643.3	\$729.9	\$86.6	13.5%
<i>Expenditures:</i>				
Compensation and Benefits	389.9	422.0	32.1	8.2%
Goods and Services	132.2	150.9	18.7	14.1%
Utilities, Insurance, and Taxes	20.1	22.5	2.4	11.9%
Equipment and Repairs	18.7	21.0	2.3	12.3%
Net Interest Expense	32.5	29.0	(3.5)	(10.8%)
Other Expenses	5.8	7.5	1.7	29.3%
Strategic Expenditures	0.0	2.3	2.3	
In-Kind Expense	12.0	14.0	2.0	16.7%
Total Operating Expenditures	\$611.2	\$669.2	\$58.0	9.5%
Capital Funding Reserve	0.0	7.0	7.0	
Annual Capital Activity	21.4	27.5	6.1	28.5%
Debt Service	9.4	12.8	3.4	36.2%
Total Capital Activities and Debt Service	\$30.8	\$47.3	\$16.5	53.6%
Lead On Reserve	1.3	13.4	12.1	930.8%
Revenues in Excess of Expenditures and Reserves	\$0.0	\$0.0	\$0.0	0.0%