

## **Mandatory Fee Review Process**

**Janet A. Parker**

**Becky Sanchez**

**The University of Texas at San Antonio**

## **Abstract**

*The University of Texas at San Antonio implemented a comprehensive fee review policy and process to evaluate, explain and justify mandatory fee rates. Each fee is systematically reviewed to: (1) analyze expenditures and transfers consistent with the fee justification; (2) evaluate and recommend appropriate working capital reserves; (3) document expenditure plans for fee balances; and (4) assess fee rates based on budgeted requirements and approved reserve set asides. The process has improved consistency, transparency and planning. More importantly, the model allows the campus to develop various expenditure scenarios for equipment replacement, renovation and repair projects, and or planned future operations (new programs) to demonstrate the impact on fee rates.*

## **Introduction of the Organization**

The University of Texas at San Antonio (UTSA) serves more than 28,400 students enrolled in 132 undergraduate and graduate degree programs, and is the second-largest institution in The University of Texas System. UTSA has been one of the state's fastest-growing public universities for much of the last decade and is rapidly moving toward classification as a doctoral/research intensive institution.

The University's three campuses provide access and opportunity for large numbers of historically underserved students. More than 56 percent of UTSA's students come from groups underrepresented in higher education and are dependent on financial aid to cover the cost of attendance.

The Texas Education Code grants higher education institutions the authority to charge student fees to cover the costs of various programs and services. At UTSA, the total revenue from student fees has increased more than 40% in the past five years. Between 2004 and 2007, the fee revenue grew by more than 65%. Although much of the increase is due to growth, it was important for management to demonstrate that students are paying the right amount for the services rendered. UTSA was one of five campuses selected by the Texas State Auditor's Office for a review conducted in 2008, the major outcome of such was a recommendation to improve its monitoring of fund balances in certain fee accounts.

## **Statement of the Problem / Initiative**

The University needed to implement a comprehensive and consistent methodology to assess student fee rates, evaluate appropriate reserve amounts, document expenditure plans for fee balances, and analyze expenditures and transfers. The resulting process was envisioned as a method to document and communicate to University stakeholders, especially students, that fee revenues were set and used in accordance with the Texas Education Code and or the approved fee justifications. There is a delicate balance between how much to charge the students for goods and services they will receive today and protecting the future asset value / program quality. Since most if not all of the fees are intended to be self-supporting, how is a particular reserve target determined to be appropriate and defensible?

## **Design**

The best practices of other institutions were reviewed to develop a policy guideline. At UTSA's request, the Advisory Board Company profiled and reported on several university's policies, practices and methodologies for determining appropriate reserves. This information assisted with development of the approach and a comprehensive policy/guideline was drafted. This draft was reviewed by impacted fee owners, primarily within Student Affairs and appropriate changes were made. Once adopted, the guideline set forth the types of reserves that would be authorized (<http://www.utsa.edu/financialaffairs/opguidelines/1.2.html>).

The format for the final product (explained in more detail below) was a result of a trial and error process after the fee reviews began. We wanted to incorporate targeted reserve requirements with the annual operating budget to demonstrate the impact on fee rates. This resulted in a planning tool that may be used to scenario-ize fee rate impacts of future equipment replacement,

renovation and repair projects. An assessment of the workload required to review more than 100 fees on an ongoing basis, resulted in the creation of a 1.0 FTE analyst position.

**Implementation**

Mandatory fees were prioritized into categories, by type and by fund balance. A comprehensive prototype was developed for the most complex fees – primarily those established as auxiliary enterprises, with considerable equipment and responsibility for building maintenance and renovation.

The initial step was to identify and document allowable reserve categories. The following reserve categories were used:

| <b>Reserve Categories</b>  |   |
|--|---|
| <b>Revenue Fluctuation Reserve</b>                                 | A reserve not to exceed 2% of estimated revenues may be authorized to protect against enrollment fluctuations.  |
| <b>Insurance Deductible</b>  | To reserve for self-insurance deductibles and only applies to areas with potential liabilities.   |
| <b>Equipment Replacement, Renovation, and Deferred Maintenance</b> | May be used to reserve for replacement, renovation, and repair of specific existing equipment.  |
| <b>Planned Future Operations</b>                                   | To reserve for any future requirements that cannot be funded through the annual operating budget without causing a significant reduction in current programs or services. |

Next, an Excel fee review template was created to include separate worksheets for each reserve category that are linked to an overview sheet. Financial Affairs populated all data that was available from the financial system. This included equipment and depreciated asset value information. The template also included formulas that reduced the amount of data fee administrators were required to enter. [The value of this best practice is evident from a review of that template; a sample will be provided upon request.]

The worksheet was then distributed to the fee administrators. We relied on fee administrators to complete sections that called for anticipated and planned maintenance, equipment replacement, renovations, and projects. They were asked to fill in the name of the project, estimated start date of project, and estimated cost. They were also asked to propose a timeline to recover the estimated cost.

Once the required data was entered, the workbook calculated the set-aside target needed each year to meet reserve requirements.

Communication with fee administrators was imperative, so the Office of Financial Affairs held “kick-off” meetings, which focused on the review’s importance, anticipated outcome, benefits and the roles and expectations of the fee administrators.

The worksheets were completed by the fee administrators after about 2-3 months. The data they gathered was very detailed and based on an inventory of equipment and anticipated building maintenance, as well as a list of planned future operations.

The proposed reserves were reviewed by Financial Affairs and various adjustments were made to prevent recovering reserves too early and or to avoid fee rate increases.

In addition to detailing out reserve target requirements, Financial Affairs tested expenditures and other requirements to the Education Code. A final report detailing the findings was written and the reserve schedules were finalized, Financial Affairs transferred approved funding into designated reserve accounts.

## **Benefits**

Many benefits came from the first round of fee reviews. One of the largest benefits was ensuring fee rates were set appropriately. Once reserves were calculated and documented, fee rates could easily be validated.

Also, the fee reviews served as a planning mechanism for those heavily involved in operations and not in finance. For example, a director of the recreation center might not use financial analysis on a regular basis, so this is a rewarding exercise for them to participate. In response to the fee review requests, our Recreation Center Director met with her operations team to assess the state of equipment and facilities. In their team meeting, they also developed a small list of projects they wanted to incorporate into future operations. The meeting drove the reserves they proposed. The Director mentioned she would like to use the fee review worksheets on an ongoing basis to aid in planning for program and equipment expansion.

The fee reviews also help set the tone for the upcoming tuition and fee proposal. Having been through a systematic review of the fee rate, the fee administrators are able to go into the next proposal cycle with a deeper understanding of their financial positions.

Additionally, fee reviews are another way to monitor compliance with Texas Education Code. Some details in the Texas Education Code can be easily overlooked. For example, on an annual basis, our student union is required to submit an itemized budget and report of activities to the president of the University. That stipulation was considered during the fee review.

## **Retrospect**

Above all, the fee review process provides transparency to the fee funded area. The reviews will ensure students and administrators that student fees are collected and spent in accordance with applicable laws and policies.