

University of Houston Downtown
FY2026 Annual Plan and Budget

University of Houston Downtown (UHD) Mission and Goals

UHD Mission:

The University of Houston Downtown is a community of diverse faculty, staff, students, and regional partners dedicated to nurturing talent, generating knowledge, and driving socioeconomic mobility for a just and sustainable future.

UHD Vision:

The University of Houston Downtown will be an inclusive university of choice for Houstonians seeking to contribute to the social, intellectual, and cultural lives of their communities.

UHD Strategic Plan 2022-2027 Goals:

UHD's strategic goals signal the university's most critical priorities for the next five years. With these goals, the institution can move closer to the 20-year vision. To achieve the strategic imperatives articulated in the 2022-2027 Strategic Plan "A New Paradigm", funding continues to be earmarked in the FY2026 budget to support the following goals:

Enhancing Student Success

Optimize lifelong student success and engagement through robust academic advising, targeted student services, sufficient financial aid and built-in career advising.

Strategic Partnerships

Cultivate a diverse portfolio of institutional partnership to serve Houston and the region as an anchor institution.

Dynamic Academic Environment

Cultivate a dynamic academic environment in which we nurture students to their fullest potential that they may better impact their world.

Engaged Faculty and Staff

Be the employer of choice that values and supports a diverse and inclusive faculty and staff.

Sustainable Operations

Maximize our operational portfolio by means of a strong donor base; strategic enrollment; engaged alumni, faculty, and staff; robust grant activity; sustainability best practices; an access to legislative funds; regular maintenance of facilities; and a strong technology infrastructure.

Elevated Visibility and Recognition

Enhance the reputation and visibility of UHD with robust marketing, current social media techniques, and intentional student recruitment efforts.

Impactful Knowledge Creation

Promote knowledge creation and dissemination to and from faculty, staff, students, and the wider community.

Overview of UHD's FY2026 Budget Planning Process

FY2026 Budget Context

The FY2026 operating budget is guided by the UHD's strategic plan and priorities. Tuition and fees from our student body and state appropriation are the primary fund sources which support the academic mission of the university. For the past three fiscal years, the university has made significant strides in bolstering the institution's financial sustainability and continues this work to fund new and ongoing student success initiatives.

Major Factors:

State Appropriations:

The 89th Texas legislative session resulted in meaningful changes to the university's state funding. For the first time in the history of the university, an exceptional item request was approved. Starting in FY2026, \$1.3 million will be allocated annually towards the establishment and operation of the Center for Crime, Urban Research and Education (C-CURE) to foster innovative and collaborative solutions to complex urban crime and social issues. The legislature also allocated an increase into the base formula funding for universities across the State of Texas. The base formula funding increase resulted in a \$2.8 million increase in UHD's state appropriation in FY2026 compared to FY2025. The additional funding will support the university's strategic priorities.

FY2026 is the start of a new ten-year Higher Education Fund (HEF) allocation cycle, which is required to be reviewed by the Texas Higher Education Coordinating Board and approved by the legislature during the regular session. While the university's annual HEF allocation increased by \$2.9 million from \$11.2 million to \$14.1 million (26% increase), there is concern about the efficacy of the allocation increase with costs continuing to rise from inflation. The additional HEF will allow the university to continue addressing deferred maintenance, renovations, and technology infrastructure.

Tuition and Fees:

FY2026 will mark the fourth consecutive fiscal year with no increases to resident undergraduate tuition and fee rates. This tuition and fee rate freeze complies with Governor Abbott's November 2024 letter to University System's Chairmen and Chancellors as an action to promote higher education accessibility and affordability for all Texans. UHD's Fall 2024 and Spring 2025 student credit hours enrollment grew slightly by 1.3% when compared to the prior year Fall and Spring semesters. The enrollment changes mirror the national trend for public four-year institutions with slight increases in recent years, rebounding from pandemic-related declines. While encouraged by the implementation of new student success initiatives that have had a positive impact on the trajectory of enrollment, enrollment is still below pre-pandemic levels. These major factors of frozen tuition and fee rates and incremental enrollment growth result in a modest increase in tuition and fee revenues.

Operating Costs:

In recent years, the operational costs at UHD have seen a significant uptick, driven by a combination of economic pressures, regulatory demands and labor market dynamics. Since the onset of the pandemic, inflation has emerged as a significant force reshaping the financial landscape of higher education. Personnel expenses are the largest portion of the university's budget and have risen due to the competitive labor markets and inflationary salary adjustments. To attract and retain highly qualified faculty and staff,

competitive salaries are a requirement. General inflation has significantly impacted costs across all operational categories, from utilities and maintenance to classroom supplies. Student support areas—including mental health services, disability accommodations, and career services—have become costlier to operate. As demand for these services has increased post-pandemic, inflation has made it more expensive to hire specialized staff and maintain program quality.

FY2026 Budget Development:

UHD's annual budget development process is both a strategic and collaborative undertaking, designed to align financial resources with institutional priorities, ensure fiscal sustainability, and uphold the principles of shared governance. This process begins months in advance of the new fiscal year, involving key stakeholders across the university community. The process starts with a comprehensive review of the university's strategic goals, University of Houston System's strategic priorities, enrollment projections, state appropriations, tuition and fee revenue, and other funding sources. The President and the Vice President for Administration and Finance set preliminary fiscal parameters based on funding outlook, legislative updates, and economic forecasts. Early in the process, the Planning Budget and Development Committee (PBDC), composed of representatives from faculty, staff and administration, charged with overseeing the development of a draft plan/budget to submit to the President is convened. The committee's budget recommendations and the institutional fiscal context produce the final budget to be presented to the university's governing board for approval. The budget development process at UHD is not only a financial exercise, but a cornerstone of institutional planning.

The development of the FY2026 budget under the new financial reality was challenging. The operating budget was developed with modest revenue increases from assumptions of flat student enrollment for the fall and spring semesters, a 4% increase in undergraduate resident enrollment in the summer, no tuition and fee rate increases and minimal change to state funding due to the removal of Institutional Enhancement funds in the legislature's introductory bills. These revenue assumptions coupled with increases in unavoidable operational costs guided the direction of the budget development process. The University's senior leadership and PBDC agreed to prioritize addressing the university's structural deficit and implement permanent budget reductions. To this end, the university instructed all divisions to reduce their FY2026 operating budget by 3%. The Budget Reduction Taskforce was reconvened to review the division's submissions to ensure minimal impact on students. Ultimately, the 3% across the board cut exercise reduced the operating budget by \$3.2 million. Following the conclusion of the legislative session, UHD's state appropriation increased more than initially expected because of the state's increased formula funding and the restoration of Institutional Enhancement funds. Leadership made the prudent decision to not allocate the additional state funds towards initiatives and apply it towards further reducing the university's structural deficit in the FY2026 budget.

In addition to funding increases to unavoidable operational costs, the university understands the importance of maintaining a merit-based salary program as a critical strategy for institutional health and sustainability. A strong salary merit program helps retain top talent, reinforces a results-oriented culture, and encourages employees to contribute to the university's long-term success. Accordingly, a plan is in place to fund a 2% merit pool salary program (\$2.1M) during FY2026, contingent upon the university achieving a 3% increase to student credit hours in Fall 2025, when compared to the Fall 2024 semester. If the 3% increase to student credit hours is achieved, the Budget Office will post base budget adjustments to increase tuition and fee revenue budgets and expense budgets during FY2026.

Summary of Strategic Priorities

UHD's FY2026 budget addresses four priorities of the University of Houston System's goals of Student Success, National Competitiveness, Infrastructure & Administration, and Community Advancement – all of which underpin student success. The following section will provide context and budget initiatives that align with UHD's strategic priorities.

Priority 1 - Student Success

Context

UHD remains committed to student success as its overarching goal and guiding principle. The university will continue to support student success initiatives from a combination of operating funds and HEF. Operating dollars will continue supporting student service operations in the Student Success and Student Life division. Student financial aid will be awarded through tuition set-asides, federal grants, state grants and institutional scholarships. \$8.5 million in HEF dollars will support library materials, technology for labs and classrooms, health and counseling software, and academic software.

FY 2026 Budget Initiatives

- ***Financial Aid (\$921,058 New Resources) App A-C1***
The institution's mandated designated tuition (MDT) set-aside and Texas Public Educational Grant (TPEG) set-aside budgets reflect an increase with enrollment projected to be higher than what was built into the FY2025 budget. UHD plans to spend B-on-Time funds distributed by the state in FY2025 over six years starting in FY2026. \$975K will be budgeted annually, in which \$630K will support a newly created need-based undergraduate scholarship, named the Access Scholarship. The remaining \$345K of the B-on-Time funds will be used annually to fund existing institutional scholarships in place of designated tuition in Scholars Academy, Honors Program and Merit FTIC student aid program.
- ***Federal and State Financial Aid (\$7,952,500 New Resources) App A-C2***
UHD's federally funded Pell Grant allocation is expected to increase by \$8 million to \$47 million.
- ***Faculty Recruitment, Retention and Expansion (-\$130,929 New Resources) App A-C3***
The 3% budget reduction affected academic departments and programs, including faculty budgets across all colleges.
- ***Gifts & Endowments (\$1,168,701 New Resources) App A-C4***
The Marilyn Davies Endowment in the Marilyn Davies College of Business (MDCOB) increased by \$43K. UHD expects to receive over \$1.1 million in gifts over last year's budget across the colleges, highlighted by a \$350K increase towards the Ted Bauer Undergrad Scholarship in the MDCOB, \$500K towards the LSC Transfer Scholarship in the College of Sciences and Technology, and \$150K towards the Grow-Your-Own program in the College of Public Service, which aims to create a strong and sustainable pipeline between local education agencies and UHD to address existing teacher staffing shortages.

- Student Recruitment, Retention and Success (-\$1,909,851 New Resources) App A-C5***
 Strategic budget reductions were made to maintenance & operations, non-college work-study positions, and staff positions in the Academic Affairs, Enrollment Management and Student Success and Student Life divisions. Lastly, there was a NACUBO function reclassification within UHD's System Service Charge budget, which resulted in over \$800K shifting from Academic Support to Institutional Support.
- Enhanced Student Support Services (\$2,590,826 New Resources) App A-C6***
 The increase is primarily due to the \$2 million NACUBO function reclassification of Information Technology budgets from Institutional Support to Academic Support and a \$523K increase to centrally housed staff benefit budgets in anticipation of higher costs from health insurance premiums and other benefits associated with housing more salaries on state funds because of the increase in state appropriation.
- Debt Service – Academic Infrastructure (\$2,558,000 HEF) App B-1***
 \$2,558,000 will be spent on the debt service of the CRB for the Science & Technology (S&T) Building/Central Utility Plant project. In addition to providing a site for the S&T Building, the acquired property (and utility plant) is also the site of UHD's Wellness and Success Center.
- Instructional Support (\$4,852,882 HEF) App B-2&10***
 \$2.4 million will be allocated to the library. In response to student utilization trends, in the coming year, the library will spend over 95 percent of its HEF budget providing students access to digital databases and journal subscriptions. The remainder will cover the purchase of books, e-books, videos, and recordings. Another \$2.4 million will be utilized for department support, office workstations, classroom presentation systems, computer labs, electronic classrooms, and software for satellite labs to help students with their path to earning a degree.
- Student Services Support (\$1,094,328 HEF) App B-3&10***
 \$276K will be used on UH System Service Charge. \$35,000 will be allocated towards a software subscription for international admissions and international student services and medical software for health and counseling services. \$783K has been set aside for possible student services support needs.

Investment of FY2026 Resources in Student Success Initiatives

	<u>New Resources</u>	<u>HEF</u>	<u>Total</u>
Financial Aid	\$921,058		\$921,058
Federal and State Financial Aid	\$7,952,500		\$7,952,500
Faculty Recruitment, Retention and Expansion	(\$130,929)		(\$130,929)
Gifts & Endowments	\$1,168,701		\$1,168,701
Student Recruitment, Retention and Success	(\$1,909,851)		(\$1,909,851)
Enhanced Student Support Services	\$2,590,826		\$2,590,826
Debt Service - Academic Infrastructure		\$2,558,000	\$2,558,000
Instructional Support		\$4,852,882	\$4,852,882
Student Services Support		\$1,094,328	\$1,094,328
Total	\$10,592,305	\$8,505,210	\$19,097,515

Priority 2 - National Competitiveness

Context

UHD's Office of Research and Sponsored Programs (ORSP) supports faculty, staff and students in the creation and dissemination of new knowledge through ethical scholarship, research and creative activities. The ORSP facilitates innovation, increases faculty agency, enriches student experiences, showcases faculty and student scholarly and creative achievements, and finds creative solutions to the scholarly and creative needs of faculty to realize the Mission and Vision of UHD.

The College of Sciences & Technology will house grants that support student success and research in Science, Technology, Engineering, and Mathematics (STEM) programs and skill development in research, cybersecurity and AI robotics. In the College of Public Service, the Pathways to Teaching in Critical Areas of Need (PTCAN) Program grant aims to address the critical shortage of teachers, particularly in bilingual education, in the Houston area. In addition, Student Success and Student Life will house the National Institute of Student Success (NISS) Acceleration grant which aims to identify and resolve institutional barriers to equity and college completion by increasing the capacity to implement proven student-success systems.

FY2026 Budget Initiatives

- *University Research Support & Infrastructure Investments (-\$45,499 New Resources) App A-C8*
The Office of Research & Sponsored Programs (ORSP) operating budget decreased by \$22K due to budget reductions, and their IDC budget decreased by \$85K stemming from a change in IDC distribution. Centrally housed staff benefit budgets increased by \$60K in anticipation of higher costs from health insurance premiums and other benefit costs from increased state appropriation funding.
- *Research-Other than Federal & State (\$751,571 New Resources) App A-C9*
The \$751K increase derives from the \$406K Patient Centered Outcomes grant in the College of Humanities and Social Sciences as well as the \$349K STEM Training grant in the College of Sciences & Technology.
- *Federal and State Research Support (-\$123,864 New Resources) App A-C10*
The budget decrease is primarily associated to the removal of a \$136K grant budget for Predictive Models of Topologically Associated Domains (TADs) in the College of Sciences & Technology.
- *Facilities/Labs and Technology (\$1,114 HEF) App B-5&10*
\$1,114 is the HEF budget increase for the Office of Research and Sponsored Programs.

Investment of FY2026 Resources in National Competitiveness Initiatives

	<u>New Resources</u>	<u>HEF</u>	<u>Total</u>
University Research Support & Infrastructure Investments	(\$45,499)		(\$45,499)
Research-Other than Federal & State	\$751,571		\$751,571
Federal and State Research Support	(\$123,864)		(\$123,864)
Facilities/Labs and Technology		\$1,114	\$1,114
Total	\$582,208	\$1,114	\$583,322

Priority 3 – University Infrastructure and Administration

Context

To support institutional effectiveness and student success, the University continues to make strategic investments in its infrastructure and administrative operations. Recent adjustments reflect changes in areas such as risk management, personnel support, and employee benefits, ensuring compliance with regulatory requirements and responding to rising operational costs. Resources have also been realigned to better support academic priorities, reinforcing UHD's commitment to administrative efficiency and academic excellence. As in the past, HEF dollars will be provided to address planned maintenance needs, renovations and maintain UHD's technology environment.

FY2026 Budget Initiatives

- *Insurance and Risk Mitigation (\$50,753 New Resources) App A-C12*
UHD's non-health insurance premium budget increased.
- *Recruit and Retain Highly Qualified Staff (-\$33,000 New Resources) App A-C13*
The budget for the UHD Employee Educational Development program was reduced as part of the university-wide 3% reduction.
- *Operations and Administration Support (\$574,876 New Resources) App A-C14&20*
The budget increase is primarily due to rising cost in employee benefit-related obligations including health insurance, retirement, and FICA on state and local funds. These adjustments reflect updated rates and employer contribution requirements, which include an anticipation of higher costs from health insurance premiums and other benefits associated with housing more salaries on state funds because of the increase in state appropriation.
- *Campus Security, IT and Infrastructure (-\$171,129 New Resources) App A-C15; (\$3,357,365 HEF) App B-8&10*
The decrease in new resources is primarily attributed to the reclassification of funds from Institutional Support to Academic Support, in alignment with NACUBO function guidelines, as well as a budget reduction within the Business Affairs unit.

In FY2026, UHD will allocate \$800K in HEF to upgrade servers and network infrastructure and to expand storage capacity. \$557K will be allocated towards HEF-eligible UH System Service Charge costs for institutional and academic database support. \$225K will support the purchase of equipment for the regularly scheduled staff PC replacements. \$209K will be used for various enhancement initiatives. \$1.5 million has been set aside for potential campus security, IT and infrastructure needs.

- *Annual Deferred Maintenance & Life Safety (\$2,230,930 HEF) App B-7&10*
Annual capital renewal/capital improvement (CR/CI) life cycle replacements for items such as elevators, restrooms, and roof replacements for FY2026.

Investment of FY2026 Resources in University Infrastructure & Administration

	<u>New Resources</u>	<u>HEF</u>	<u>Total</u>
Insurance and Risk Mitigation	\$50,753		\$50,753
Recruit/Retain Highly Qualified Staff	(\$33,000)		(\$33,000)
Operations and Administrative Support	\$574,876		\$574,876
Campus Security, IT and Infrastructure	(\$171,129)	\$3,357,365	\$3,186,236
Annual Deferred Maintenance & Life Safety		\$2,230,930	\$2,230,930
Total	\$421,500	\$5,588,295	\$6,009,795

Priority 4 - Community Advancement

Context

UHD continues to build on its strength in Community Advancement, which has been recognized nationally with the Carnegie Foundation's Community Engagement Classification. Students participate in both curricular and co-curricular community engagement activities on and off campus.

Community Development Project funds serve to assist the community-based efforts to revitalize two separate economically depressed north side neighborhoods – the predominately African American Acres Homes subdivision and the largely Hispanic area known as the Near Northside. The bulk of the funds directly support youth leadership and development programs, summer educational enrichment programs for at-risk children, supplemental nutrition, women's empowerment, and other vital community needs. The Wonderworks program provides academic summer programs for high school students in the areas of architecture, filmmaking, and literature.

The Talent Search program is committed to advancing the number of youths from disadvantaged backgrounds who complete high school, enroll in college, persist, and attain a postsecondary degree or certificate. UHD has partnered with Aldine ISD for the past 36 years and has had tremendous support from the administration and superintendents. Educational Talent Search Advisors meet with students twice a month to discuss career development, academic support, scholarships, and personal development. Thanks to the Talent Search program, over 50% of participating students attain a degree or workforce certificate within the standard number of years.

In FY2026, UHD will establish a Center for Crime, Urban Research, and Education (C-CURE) that will address the pressing challenges of crime and public safety. Funding the C-CURE is a strategic investment in the safety, well-being, and prosperity of our city and state, capitalizing on UHD's existing strengths in the criminal justice field and positioning the University as a national leader in criminal justice research, policy, and education.

FY2026 Budget Initiatives

- *Communication & Educational Public Service (\$1,115,290 New Resources) App A-C17*
The budget increase stems from the \$1.3 million budget established for the Center for Crime, Urban Research, and Education (C-CURE), an increase of \$200K in private gift support towards Civic Engagement, and reductions to the Continuing Education department (\$248K) and Law Enforcement Academy (\$114K).

Investment of FY2026 Resources in Community Advancement

	<u>New Resources</u>	<u>HEF</u>	<u>Total</u>
Communication & Educational Public Service	\$1,115,290		\$1,115,290
Total	\$1,115,290	\$0	\$1,115,290

Summary

In the FY2026 budget, UHD's resources increased by approximately \$14.8 million. This stems from a \$5.5 million increase in state funds towards the C-CURE, university operations and state funded benefits because of the increased state appropriation. \$1.6 million comes from other operating funds such as a \$600K increase in interest income and the establishment of \$975K in BOT funds towards student aid. Additionally, there is an \$8 million increase in the federally funded Pell Grant Program, over \$500K increase in research grants, and a \$1.5 million increase in gifts/endowment income. The HEF budget change is an increase of \$2.1 million, net of transfers to deferred maintenance projects and a reduction in fund balance. With the aforementioned increases in operating sources coupled with cutting \$3.2 million in operating expenditure budgets to address the university's structural deficit, UHD was able to reduce budgeted fund balance on tuition and fees by approximately \$4.3 million.

The university's FY2026 HEF allocation of \$14.1 million will help ensure the success of the campus's critical priorities by dedicating \$8.5 million to Student Success, \$1K to National Competitiveness, and \$5.6 million to Infrastructure and Administration.

The subsequent appendices provide details of the support for each of the priorities.