

February 19, 2014

On the morning of September 12, 2001, I was delivering a Daily Texan route, a task I ended up performing 743 times over the course of a decade. As I serviced the UT shuttle stops near Riverside Drive, students eager to read about the events of the previous day grabbed copies of the Texan from my arms before I could get the papers into the distribution boxes.

Undeniably, the appetite for news was exceptionally high that day. In hindsight, though, for me the salient feature of that experience is what those students waiting for the bus lacked: smartphones. TSM weathered the popping of the Dot Com Bubble and the subsequent economic downturn, but the rise of online/mobile content distribution and the attendant secular decline of the media industry has left TSM struggling to bounce back from the “Great Recession.”

The effects of the rise of online have been felt most acutely by The Daily Texan, as a survey of TSM’s tripartite mission reveals. Though the work of the Texan newsroom remains vital and valuable, the monetary value of that output is increasingly unrecognized by the market. Though hardcopy newspapers still have an audience, changing consumption patterns demand that Texan content and its presentation be tailored to online readers. Finally, though time-honored journalism skills learned at the Texan are still relevant, students must acquire more digital experience before they transition to professional roles.

Shifting the Texan’s publication schedule to weekly year-round is a significant change, but doing so would compel a necessary evolution. I’ve failed to identify any other measure that would adequately address TSM’s deficiencies in a comprehensive manner. Having “punted” on this issue a year ago, TSM faces ever-dwindling reserves and must act. In my analysis, other budgetary ideas suffer from some combination of unknowable financial impacts, excessively-long lead times, and injudiciousness.

That’s my conclusion, but I welcome others’ input and invite discussion on this topic. Here’s a brief timeline of recent events related to the TSM budget:

January 16

The Daily Texan reports “Moody college to house TSM” and I am tapped to serve as Interim Director.

January 27-31

I have budget conversations with Dave Player, Jennifer Hammat, Mary Dunn, C.J. Salgado, Robert Quigley, Michael Brick, Laura Wright, Shabab Siddiqui, and Ian Reese, plus Dave Player and I meet with Dean Hart to discuss TSM’s transition to Moody.

February 5

My preliminary budget discussion narrative and a corresponding spreadsheet are posted to the TSM website. A link to those documents (along with an invitation to the TSM

Board meeting scheduled for February 7) is posted to Facebook groups for alumni of The Daily Texan, TSTV, and KVRX.

February 7

The scheduled TSM Board meeting is canceled as a result of UT being closed due to weather conditions.

February 10

To solicit feedback on my budget proposal, I send the following message to Laura Wright, Shabab Siddiqui, C.J. Salgado, Michael Brick, and Curt Yowell: “I would like to request that you each compose a supplemental TSM Board report addressing the 2014-2015 budget proposal that would change the Texan publication frequency to weekly throughout the year. Please give your thoughts/analysis of how such a change might affect your areas of influence, including any relevant positive and negative implications/possibilities you identify.”

Those supplemental reports follow (in the order I received them), along with my answers to budget questions posed by Cliff Avery. I am invested in the continued success of The Daily Texan and of Texas Student Media, and am eager to engage in conversation to find the best path forward.

Frank Serpas III
Interim Director, Texas Student Media



Advertising Department

TSM Board Meeting: 02/21/14

Daily or Weekly? As I've stated many times in the past, potential changes must be researched thoroughly, be as transparent as possible and conducted thoughtfully.

Yes, we need more money, how many years has that been said. "*Sell more ads!*" Sure, what a great idea, we never thought of that one. "*You should have a special football section.*" Like Double Coverage, we sell over \$80k into it and it's a huge event. Thanks for the feedback. We have no shortage of ideas, brainstorm all day, write all over that wall during a board meeting, but will you be here to carry them out to completion? No, but the professional staff will be. We have plenty of ideas and have provided them on several occasions. The issue is accountability and having the support in place to achieve our goals.

Year after year, none of the tough decisions are being made. After eight years and now on our fifth Director/Interim Director, people need to understand, it's not about making everyone happy. It's about running this place like a business and doing right by our students in preparing them for the future. The unfortunate situation that many may not even know is that the Director really has no power due to the way the board is structured. The Director cannot tell student managers what to do, that's the board's job. Yes, it's up to a panel of people who meet around a dozen times a year. I appreciate the students and industry leaders who contribute their time to the TSM board and quite frankly do not envy your position, but it's challenging to understand how two transient groups (board members and student managers) can manage and be responsible for such a long-term goal. It's imperative that the Director or a consistent staff member is given authority to ensure all aspects of each entity are successful. I am not stating this individual jeopardizes the integrity of student content, but ensures accountability, management expectations, TSM goals and revenue is at the forefront. I am not talking about another adviser, guide or counselor – it needs to be a manager.

We have lost many good people due to the erratic nature of how the organization has been run. The constant financial distress coupled with low staff morale stemming from continuous berating from the board. The majority of the board has turned over again and we have new people who are unaware of the history. In short, yes revenue has declined, but did you know that in the past we had more than 30 TSM professional staff, now we have 10. We had more than 5 people on staff in the advertising department, now we have 2. We had over 30k circulation, now we have 12k. The previous board wanted an audit of the TSM staff done to assess the organization. That study began in 2012 and concluded in 2013. The outside company "Greenlights", which someone paid around \$10k? (not sure if that was from reserves or not, I'm thinking yes) determined that TSM was severely understaffed and provided their input about critical positions that were needed along with other support functions in order to be sufficiently covered. When reductions occur and compressions are initiated it is imperative that the overall functions and quality are not lost. You cannot expect each person to do 3-5 jobs and retain the same efficiency. We are running so lean that the majority of staff are overworked. If something happens and one becomes ill an entire department can easily shut down.

Over the past few years the positive has to be the cross promotion and work being done between departments. In the past, it was as though the different entities didn't even like each other. I am appreciative of the work Curt, Nathan, Michael B, Shabab, Laura and Ian have done to help include advertising in their projects and am confident working together will only help our team going forward. I have been opposed to Daily Texan reductions in the past as I felt it was never thoroughly analyzed and the data I requested was never provided. It would be ludicrous to say we would not have a loss if reductions were implemented. After speaking with my staff, concerns would be loss from multi-runs within the week, retail standing cards and time sensitive campaigns which would need to be pushed back a week. We have discussed our concerns with Dave Player. Advertising is always ready to make the sale and overcome adversity; its time for this organization to be run like a business to ensure Texas Student Media survives.

Hook'em & Sell'em!!!

CJ Salgado
Advertising Adviser



Advertising Department

TSM Board Meeting: 02/21/14

A few thoughts from TSM professional and student staff...

“Thoughts on reduced printing:

Pros:

Longer time on the stands, higher viewership/impressions

Bigger stories make the paper, not filled with filler stories about things people don't care about

Better for small businesses

Possibility of getting in dorms

Could raise or keep the same rates

Higher website traffic, increased advertisers if more ad space became available online

Long term contracts easier to pursue

Cons:

It would take time for people to get used to the change

Some clients need to run on specific dates and their ad may not be applicable all week (example- research studies)

Less revenue from less days in some cases”

“A 1 day per week run schedule would impact the time DT occupies on my workdays. I estimate that I spend around 12 - 15 hours per week on The Daily Texan's main section. So this estimate does not include Longhorn Life, Double Coverage, Texas First Pitch or The Comic Special. If the DT main section was a longer edition that ran on only one day per week I would probably spend 4 - 5 hours on it each week. I'm not sure how ads would be impacted. I imagine we'd have more ads per issue, but fewer ads total per week. I would also guess that some ad clients would put more money into larger color ads that are more prominently placed. This would be a good thing as long as The Weekly Texan was long enough to provide good placement for student-generated news content. Of course this is speculation.”

“I think cutting back to weekly printing would be difficult at first, just because there is such emphasis placed on being daily. But if we step up the online content and still produce weekly print I think it would work. Coming from an advertising perspective, I don't think it would affect ads that much because we could just place ads on that one day. Keeping with special publications such as Double Coverage and all of the advertorials should help, and we can advertise them in the paper to tell people reading the texan to keep up with them or something like that. I think it is the necessary thing to do considering how much we have depleted the reserves.”

“I'm in favor of moving the Daily Texan to one day a week with a couple of stipulations: Advertising is involved on WHICH day it comes out. In the Fall it needs to come out on Friday OR Double Coverage becomes a stand alone product on Fridays. Editorial is primarily focus on Feature stories and NOT news. Save "news" stories for Online. Circulation of at least 30K per day. We go and get bids from multiple printers. Being a one day a week publication, allows us to print it out of town if that's more affordable. (other universities are charging less and making it so we are obviously paying too much to print our product. As for the TSM mission. We are, and have been for many years, ignoring the educational goal. Providing tools and equipment to play in a sand box is not educating them. Media is a BUSINESS, which has many elements that need attention. The financial elements is not being taught or focused on by the majority of the students at TSM.

For years, the board, professional staff, Student Affairs have all used the Trust/Organization as an excuse not to fulfill the mission. “We don't have the right to “TELL” the students what to do” is the typical excuse. That's another big problem. If we can't tell/teach the students how to run a media company, TSM will not succeed and even more important, the students will not have to tools and/or education to succeed once they graduate.

Furthermore, there is a “way of thinking” that has been going around TSM that students can do whatever they want and use TSM and its assets in any way they want regardless if they are fulfilling the mission of TSM or not. For the most part, the student's and some staffer's concerns for TSM's financial stability has been an afterthought. Student autonomy has been preached but educating the students on how to responsibly run a media organization has not.”

“I think the perceived gain will be the ability to focus on larger scale projects. By reducing the print days, it will free up some time in terms of daily duties so that we can develop more online content and multimedia content. It will also put us in a better position to assist with new projects. For TSM as a whole it will be an opportunity to further our educational mission by adapting and improving our existing structure to reflect current trends in the industry.”

February 2014



Curt Yowell, Digital Manager
Texas Student Media
The University of Texas at Austin

Supplemental Board Report

The following report is an attempt to address the digital and web implications of modifying the 2014/2015 print publication frequency of *The Daily Texan* as outlined by Texas Student Media (TSM) interim director Frank Serpas. It is difficult to separate the pieces of the *Texan* out from another, as each is interrelated. Despite the challenge, the report below focuses on the digital and web impact of the proposed print publication frequency changes. The goal of the report is not to resolve the issue as positive or negative. The report simply relays insight into the proposition with regard to the digital arena.

The proposed change in print publication frequency may result in an increased focus on digital and web for the *Texan*. During my time with Texas Student Media (TSM), the students of the *Texan* have made great strides in improving the online user experience for the audience of the *Texan*. The possibility of an increase in resources directed to digital proposals should be considered a strength of the proposed print change. A transition to an emphasis on digital and web will reflect the changes in the news industry, and where jobs may be available in the future. We've built a high performance TSM digital team to support the work of the media entities of TSM. The TSM digital team is a results-oriented group currently working on several *Texan* projects. In addition, the *Texan* leadership has created a structure to recruit and train a variety of web and digital staff members. The change in print frequency allows for digital to be a specific and explicit initiative, and combined with training makes digital a core part of TSM. The *Texan* website and digital efforts are living, breathing assets, and should be viewed as strengths of the student news organization.

Public perception of the proposed change in print frequency might be negative due to the desire to frame the change as a strategic push for digital and not one of financial necessity. However the issue is framed, the fact remains TSM is (and has been) under financial duress and the proposed print change would ease some of the financial woes. The circumstances leave TSM in a predicament it has avoided in recent years. If the proposed change in print frequency were to occur, students

wanting to work in a daily print publication would not be able to get the same experience as former *Texan* staffers once did. Audience members, whose daily media consumption routine involved the printed *Texan*, may be alienated by the change in print frequency. A potential concern may be the lack of a daily print presence may impact traffic to the website. However, direct traffic to the website made up only 20% of traffic (search comprises 40% of traffic) and it is unclear whether or not the decrease in print frequency would significantly impact the direct traffic. It should be noted there is no perfect digital strategy, and TSM and the stakeholders involved with helping to make the *Texan* succeed need to have a certain level of comfort with that prospect. There will be a need to increase the experimental and analytical for the *Texan*, and we will continue to enmesh data-informed thinking into the culture. The challenge will be to keep the mission of TSM paramount as we filter out actionable projects from the statistics.

A major test of the success of the proposed print publication frequency will be the buy-in and support expressed by the key stakeholders of the *Texan*. If the digital and web efforts of the student staff of the *Texan* are to continue to result in accomplishments, then they will need the backing of the Moody College of Communication, Texas Student Media students and professional staff, University students, faculty, and staff, and alumni of the *Texan* and University. A lack of buy-in for the changes in print publication frequency from these stakeholders may hinder the continued growth in the digital and web presence of the *Texan*. Strong backing of the *Texan's* digital and web efforts has the potential to prop up the mission of Texas Student Media, as creativity, experimentation and analysis culminate in an educational experience serving the University community.

My position at TSM involves working with students, TSM professional staff, and on and off campus partners to solidify the digital and web assets of TSM. In an atmosphere of collaboration, we've been able to pick up the pieces and build a strong web and digital foundation. The groundwork carried out over the past year and a half offers a significant opportunity for the digital *Texan*. The change in print frequency presents the prospect of finding new distribution methods for the print product that work in unison with the web and digital products. The goal would be a more seamless interweaving of the products. A focus on digital may help advertising take advantage of new digital advertising capabilities developed by students over the past year. The academic environment in which the *Texan* lives naturally supports research, development and implementation of pioneering initiatives. A concentration on web and digital opens the possibility to strengthen partnerships on and off campus with the goal to innovate in the newsroom. The current situation suggests uncertainty in the print frequency of the *Texan*, and we in turn offer unwavering encouragement for digital innovation in the newsroom.

from Michael Brick:

From an editorial standpoint, the proposed reduction in the print publication schedule poses several challenges to the viability of The Daily Texan.

1. **The print product:** While some of the students have some experience producing a weekly print publication during the summer, most have worked only on the daily broadsheet published during the school year. Producing a successful weekly publication will require a significant shift in journalistic mindset and tactics, from the current emphasis on aggressive coverage of breaking news to a new emphasis on must-read features and investigations.
2. **The digital product:** At the moment, the Daily Texan web site is not ready to function as the face of the organization. This is more than a matter of appearance. The current site severely restricts news presentation and creativity. For example, the lead story of any given moment, displayed most dominantly on the home page, must be determined according to availability of an appropriate horizontally framed photograph. Captivating news design should be responsive to the news, not vice versa. Many of the students are eager to explore new journalistic possibilities online. A staff of about ten videographers has been experimenting with various documentary styles. The videos have been successfully paired with print reporting and still photography. Other students have tinkered with detailed data mapping and other online graphic forms. Still, state of the art feature presentations in the “Snowfall” mold remain a few years off for The Texan. Since last summer, when we launched an aggressive campaign in the Computer Science School, we have recruited a team of designers and programmers into the newsroom. Working on a schedule with deadlines extending over the next several months, they have been assigned to create a responsive template allowing daily news design flexibility within a recognizable brand framework. But their work has only just begun.
3. **Social media:** In modern professional media organizations, driving traffic to the site and measuring the results is viewed as a hybrid business/editorial function. The students in the newsroom are very good at it.
4. **Newsroom morale:** This is a critical wild card. The current student leaders have done excellent work rallying the staff through a major pay cut. If this business plan goes forward, the editors selected to run the organization next year will need to recruit a staff to envision and execute a fundamentally different journalistic organ true to its historic mission. What can I say? They’re great kids. I have high hopes.

February 21, 2014

To the Texas Student Media Board of Operating Trustees,

In the two weeks since discussing the TSM budget situation with interim director Frank Serpas, we have shared the two suggested possibilities for remedying the TSM budget shortfall — cutting print circulation to once a week and drastically cutting staff salaries — with the majority of our permanent staff and with student leaders outside the Texan. Many of our staff members expressed serious concerns about their ability to hire and retain staff with drastically reduced staff salaries, while others were seriously concerned about the damage to the Texan's reputation and campus influence that would be done by cutting the paper's printing schedule. Neither move presents an actual solution, and in light of the paper's lack of a director and pending move to the communications school, we believe both are premature and potentially ruinous to the Texan.

Reduction in print publication

A reduction in the print publication would require a significant overhaul in resources and a full-fledged restructuring at The Daily Texan. For starters, the Texan is a local paper: It serves the UT campus and its surrounding communities with high-quality journalism, and it has done so for more than 100 years. The frequency and circulation of our print product provides both an outline of how and where we dedicate our resources and who our audience is.

The print product is also the primary differentiating factor for the Texan. There is no shortage of websites, blogs, social media outlets, etc. that purport to provide information for the campus community; none of those outlets do so in a print format that can be physically picked up by people on the UT campus. Additionally, from our experience this summer at a national conference of college editors, we realized that the Texan is one of the few college media entities across the country to produce a five-day, broadsheet newspaper. This is as much an asset as it is a liability. On one hand, it can indicate that other college news organizations have shifted away from a conventional approach to delivering the news or, as in many cases, never boasted a five-day a week print schedule in the first place. On the other hand, the five-day print organization is a brand that should be aggressively leveraged to advertisers, as well as remaining a point of pride for the campus and the students in the Texan.

Perhaps the most undervalued contribution of the print product to the newsroom is the structural framework it provides to the organization. It dictates what time people come into the office, what skill sets are valued, and what kind of software and equipment is purchased. It dictates how long a reporter has to churn out a story, how the different department heads interact, and how many hours of sleep an editor receives. It dictates how many people are hired and how much they get paid. It is certainly true that the deadline structure of daily print publications convey a "journalism of today" model when the current news environment operates under a "journalism of now" approach. Every day of every semester, we make structural tweaks to better adapt to the world we live in, and we foresee future staffers adeptly doing the same. But we want to stress that a significant change in the printing schedule is a multi-layered change in how the organization has always operated, and that there is not a medium — online or otherwise — that would ease that cultural transition.

Reduction in staff wages

The Daily Texan has seen a dramatic decline in staff wages over the last few years. In fall 2010, the total payroll per issue was \$1,474. In fall 2012, the Texan decided to stop paying issue staffers. And in spring 2013, to offset a TSM loss, the board voted to cut wages by 50 to 60 percent. Today, the total payroll per issue is about \$558. And while the Texan has witnessed a reduction in page counts over the last few years, it has been coupled with an increase in a demand for online content. This means fewer people are getting paid less to do more work.

Staff wages are a component of the level of professionalism expected at a real, but entirely student-run, news organization. While the amount of work staffers put in substantially eclipses the wages they receive, providing staff with even meager wages sets the tone that the work they do matters.

Moreover, the salaries that permanent staff receive help them cope with the small tolls associated with completing their work at the Texan, such as driving to and from events they're covering and missing other part-time work opportunities because of their erratic reporting schedule. Our news department, in particular, would be particularly hard hit by a complete reduction in staff wages, as news reporters work some of the longest hours of all those employed on our staff.

More pressingly is that the Texan prides itself in boasting a diverse newsroom, defined by a dynamic mixture of backgrounds, ethnicities, majors, classifications, socio-economic backgrounds and hometowns. The mix of staffers paired with a meritocratic culture is a fundamental part of the organization's success and history. Staff wages are a part of reinforcing that culture. Working at the Texan is an investment in time, and with rising costs of a college education, a further reduction in staff wages would make it increasingly difficult to recruit the breadth of talent and diversity that are crucial for us to serve our mission, which would in turn drastically reduce the quality of the Texan's product — whether it be in print or online.

Our staffers have handled the tumult of the last few semesters with utmost grace and unparalleled professionalism. They have made efforts to understand the TSM-wide challenge at hand and have offered thoughts and judgments untethered by simple sentiment.

After weighing these options, and with as full an understanding as is possible with the information provided of the Texas Student Media's financial future, we cannot in good faith endorse either proposal. Instead, we urge the board to look into alternate forms of revenue, namely, the leasing of TSM's FCC licence, which could potentially bring in millions of dollars of revenue. Our ultimate goal is providing a reasonable sense of certainty for the generations of staffers who will hold our positions in the future, and we feel both of the current proposals on the table stray away from that goal and our organizational mission of educating students and serving our readership.

Sincerely,

Shabab Siddiqui, Managing Editor
Laura Wright, Editor-in-Chief

Cliff Avery

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February 17, 2014

Frank Serpas, Interim Director
Texas Student Media
Drawer D, University Station
Austin, Texas 78712

Dear Frank;

I'm sorry that the weather postponed the Feb. 7 TSM Board meeting. I have read your narrative on the preliminary budget, and I applaud your willingness to share detailed information. Please know that we have access to nationally known alumni who are experts in building budgets for media outlets, and we would like to offer that expertise to meet with you to refine your budget.

I do have some questions to fill in gaps in my knowledge before the Feb. 21 meeting. Could you respond to these for me?

- 1) What equity does TSM have in its current building? I believe TSM's predecessor, Texas Student Publications, Inc., contributed several hundred thousand dollars toward the building of what is now HSM. Is any of that still recognized as an asset?
- 2) What formula is used to determine the allocation of SSBC funds among the operating units?
- 3) What are the "additional overhead expenses that are tied to the TSM Advertising Department and/or Creative Services" – the definition you used for "Advertising"?
- 4) You state: "The overhead expenses are allocated to the media units ...relative to the degree of each unit's utilization of General and Advertising resources." How is that "degree of utilization" calculated?
- 5) Would you itemize the \$111,763 in fringe benefits allocated to The Daily Texan? Why is that budget an increase of about 40 percent from the 2012-2013 actual figure of just less than \$80,000?
- 6) Who are the recipients of the \$66,360 in professional salaries and wages in The Daily Texan's budget?

- 7) Are any Supplemental Services dependent on The Daily Texan (i.e. an insert to the paper)?
- 8) Why are activities such as the TSTV kid's camp and production not categorized as Supplemental Services?
- 9) How has the one-time SSBC allocation of \$5,600 been spent? Is there indeed a renovated TSM homepage?
- 10) You say "I don't expect the loss of publishing days to have a deleterious effect on advertising; existing clients should migrate to the remaining day." Is there any empirical evidence to this effect? What was the effect when the number of print days of The Summer Texan was reduced?
- 11) Why do you set the bar for sale of the K29HW license at "at least \$10 million"? Has there been any correspondence or evaluation of the prospects for the sale?
- 12) Why will outsourcing the Advertising Department "be mooted?"
- 13) If a Broadcast Advisor is approved, will Mr. Brick's salary be reduced, since he was hired after combining Mr. Warren's and Mr. Knight's positions?

Thank you for any assistance you are able to provide before the Feb. 21 meeting.

Sincerely,

A handwritten signature in black ink that reads "Cliff Avery". The signature is written in a cursive, flowing style.

Cliff Avery

from Frank Serpas III, TSM Interim Director

February 19, 2014

Cliff, thank you for reviewing the materials I prepared, and for agreeing that we should share this follow-up discussion as part of the TSM budget process. Here are my responses to the questions you posed in your February 17 letter to me:

Question 1

It's my understanding that TSM is not recognized as having any equity in the building now known as HSM; for example, the building is not mentioned in Schedule 1.4(q) ("Media Assets") of the Declaration of Trust. From reading minutes of TSP Board meetings from the early 1970s, I am aware that Texas Student Publications, Inc.'s contribution toward the cost of the building was a topic of discussion during the time period associated with the expiration of TSP's original 50-year charter, and I personally feel that TSM deserves equity in the building, but I've been told that UT's stance is that no equity exists.

Question 2

The funds allocated to each of the TSM units are determined by the Student Services Budget Committee itself. Barring a specific reason to request additional funds, TSM typically requests that the allocations to each unit remain unchanged from the previous year.

Question 3

Over 90% of the Advertising Overhead expense is for compensation (salaries, wages, fringe benefits) to the professional staff members and student employees working in sales or creative services. At the time the 2013-2014 budget was passed, the professional staff positions allocated for this portion of the budget summed to 5.50 FTE (including 1.00 FTE vacancy).

Question 4

The calculation of "degree of utilization" leading to each unit's share of Advertising Overhead is straightforward: for each unit, the amount of revenue budgeted to be generated for the unit by the TSM Advertising Department is divided by the total amount of money budgeted to be generated by the TSM Advertising Department. For example, for the current year, TSM Advertising is budgeted to generate \$53,500 for KVRX out of a total revenue budget of \$1,280,600; the quotient is 4.18%.

The calculation of "degree of utilization" leading to each unit's share of General Overhead attempts to discern each unit's "size" by averaging each unit's overall share of revenue and expenses relative to TSM as a whole. For example, for the current year,

KVRX is budgeted to see \$142,920 in revenue (out of TSM's total of \$1,920,788), giving a quotient of 7.44%. For the current year, not including overhead expenses, KVRX is budgeted to have a unit expense of \$68,084 (out of TSM's total non-overhead expense of \$1,012,735), giving a quotient of 6.72%. Averaging those two percentages gives 7.08% for KVRX's share of General Overhead.

Question 5

Based on worksheets I've found, this year's budgeted Fringe Benefits expense for the Texan breaks down as \$57,213 for TSM retirees, \$29,459 for 1.55 FTE, and \$25,091 for students, summing to \$111,763. Last year's budgeted Fringe Benefits expense for the Texan broke down as \$58,948 for TSM retirees, \$15,180 for 1.80 FTE, and \$2,389 for students, summing to \$76,517 (the Texan's actual incurred Fringe Benefits expense was \$79,671). At this point I have not been able to determine the reason for the budgeted increase in Fringe Benefits expense.

Questions 6 & 13

When the 2013-2014 budget was passed in March 2013, the \$66,360 in professional salaries corresponded to the Texan professional staffing in place at the time (1.55 FTE). Since then, changes to the TSM organizational chart have resulted in the Texan carrying 1.30 FTE. There are no plans to reduce anyone's salary, but further changes to the TSM organizational chart could result in another change in how FTE compensation is allocated amongst the media units.

Question 7

The short answer to "Are any Supplemental Services dependent on The Daily Texan?" is "yes." Here's the long answer.

The Supplemental Services page of the budget is intended to record revenue and expenses derived from aspects of TSM's operations not tied to one of the media units. As of 2005-2006, over 98% of Supplemental Services revenue came from Contract Printing, the UT Directory, and the UT Visitor's Guide, none of which are/were tied to a media unit.

In 2006-2007, TSM Advertising began selling ad space in *On Campus*, a publication of the UT Public Affairs Office that had been one of our Contract Printing jobs since the early 1970s. This advertising revenue was recorded under Supplemental Services because *On Campus* was not tied to any of the media units (TSM had nothing to do with authorship, and distribution was completely separate from that of TSM's publications).

In 2007-2008, UT Public Affairs decided to discontinue *On Campus*, electing to move its content online. Because TSM Advertising had clients interested in buying space into this publication, TSM started a similar product called *Our Campus*. Distribution was still

separate from that of TSM's publications, and, though done in-house, authorship was not the responsibility of any of TSM's media units.

By 2011-2012, there was no Contract Printing revenue (due to the elimination of the printing press), but the other Supplemental Services revenue sources remained. During 2012-2013, the *Our Campus* content was folded into TSM's *Longhorn Life* publication, which is distributed within *The Daily Texan* but is not written by Texan staffers.

For 2013-2014, it was decided to also record advertising revenue from the "Special Editions" (*Longhorn Life* and the *Orientation Edition*) on the Supplemental Services page, instead of the Texan page as had been the case. The rationale was that those publications are sufficiently separate from *The Daily Texan* as to warrant their revenue and expenses being recorded elsewhere. It's a gray area: *Longhorn Life* isn't written by Texan staffers but is distributed within *The Daily Texan*; the *Orientation Edition* repurposes some content from *The Daily Texan* but is distributed separately and is not edited by the Texan newsroom.

Is this accounting change significant? Let's examine how the 2013-2014 budget would've looked if the Special Editions had instead been included within the Texan's page of the budget.

The Texan would see an increase in budgeted revenue of \$197,000. However, the Texan also would absorb all the unit expense associated with personnel compensation (except for TSM retirees' share of fringe benefits) and printing/ mailing costs. The Texan would also absorb all of Supplemental Services' Advertising Overhead expense, and the majority of its General Overhead expense. Setting aside how to deal with Supplemental Services' net UT Administration Fee of \$702, my calculation gives the net impact on the Texan budget as:

\$197,000	advertising revenue
-\$85,619	unit expense
+\$17,517	Supplemental Services retirees fringe benefits
-\$65,721	Advertising Overhead
-\$53,317	General Overhead
<hr/>	
+\$9,860	TOTAL

So, the Texan's page of the budget would see a small improvement, but still be deep in the red. Ultimately, this accounting decision doesn't have much impact on the Texan deficit.

Question 8

TSTV's unit-generated revenue appears on the TSTV page of the budget and not under Supplemental Services because that revenue specifically derives from the activity of TSTV employees.

Question 9

The TSM homepage renovation project has not yet been undertaken, and the money has not yet been spent.

Question 10

Certainly, it would be unrealistic to expect an advertiser running in the Texan five days per week to instead place five ads into a weekly edition. However, very few advertisers run in the Texan more than once per week. Moreover, an ever-growing percentage of advertising revenue comes from places other than the broadsheet: tabs like *Double Coverage* and *Longhorn Life*, and events like Kickoff Countdown and the Housing Fair, which would continue irrespective of a change in publication frequency.

In 2007-2008, when the Texan published five days/week year-round, Texan ad revenue for September through May was \$1,866,027, and ad revenue for June through August was \$462,318. Last year, with a weekly summer Texan in effect, ad revenue for September through May was \$723,612 (39% of what it was five years prior), while ad revenue for June through August was \$285,009 (62% of what it was five years prior).

In other words, the summer revenue decline was much less precipitous than the decline in the rest of the year. It's true that the *Orientation Edition* plays a large role in supporting summer revenue, but in a way that's the point: that targeted product, unaffected by Texan broadsheet publication frequency, remains robust.

Question 11

The \$10,000,000 figure represents my personal reaction to the theoretical question "If you were to receive a check for K29HW made payable to Texas Student Media, how many left-of-the-decimal-point zeroes would have to be on it in order for you to cash it without hesitation?"

It's far from certain that TSM would see any money from a hypothetical broadcast license sale, and at this point the size of the notional check is highly speculative. A lease scenario could produce revenue for TSM, but again the potential magnitude is undetermined. I wanted to give voice to the concept of broadcast license monetization in my budget discussion, since it has been suggested as an avenue to explore.

Question 12

I'm using "mooted" in the sense of "raise (a question or topic) for discussion; suggest (an idea or possibility)." As with broadcast license monetization, I wanted to give voice to conjecture regarding outsourcing of TSM Advertising, in an attempt not to exclude a portion of the possible long-term TSM budget "solution space."