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## INTERIM CHARGE EIGHT

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In 2003, following the 78th Regular Legislative Session, the Joint Interim Committee on Higher Education was charged with identifying opportunities for legislative and administrative action relating to:

*The consolidation or reorganization of university systems' office functions and services, including the consolidation or reorganization of university systems to promote efficiency and productivity.*

**Background:**

There are six higher education systems in the State of Texas:

- **University of Texas System**
- **Texas A&M University System**
- **Texas Tech University System**
- **University of Houston System**
- **University of North Texas System**
- **Texas State University System**

The following information represents an overview of each system compiled from the Joint Interim Committee on Higher Education work group reports on systems (FY 2003) and current information provided on request from each system to committee staff in August 2004:

**University of Texas System Report (August 2004):**

Components	9 general academic institutions and 6 health related institutions comprised of 4 medical schools, 2 dental schools, and 9 nursing schools. The 6 health related institutions account for about 50 percent of the System's employees, 64 percent of the total operating budget, and 65 percent of the annual research expenditures;
Students	177,956 students;

Employees/FTEs	87,708 employees system-wide; 531.4 total FTE in system administration, 245.9 of which perform general administrative duties, the remainder of which are self-supporting (e.g. employee group insurance) or involved in the administration of the Permanent University Fund, which benefits both the UT and TAMU systems. These numbers do not include UTIMCO, which is a separate 501(c)(3) nonprofit and whose employees are not system employees. UT System also administers the police training academy and the Texas Medical and Dental Schools Application Service for all Texas universities, as well as the Joint Admission Medical Program;
Operating Budget/GR Amount	System-wide (15 system institutions and System Administration) operating budget of approximately \$7.35 billion for FY 2003 and \$7.8 billion for FY 2004, of which approximately \$1.6 billion is from GR appropriations. Of that \$1.6 billion, approximately \$1 million is used for the System Administration. Most of the core administrative functions are supported by the AUF;
System-Wide/ System Admin. Expense	System-wide expenditures in FY 2003 of \$7.35 billion, system administration operating expenditures in FY 2003 of \$29.25 million;
Research Expenditures	\$1.45 billion in research expenditures (85 percent from federal or private funding sources) and \$1.14 billion in un-sponsored charity care;
Assets/ Investments	Manages 24 billion in total assets, including \$14.8 billion in investments under management;
Miscellaneous Information	One of the biggest differences between the UT System and other Texas university systems is the amount of health care delivery and health research conducted. Therefore, measures such as amounts per FTSE misrepresent costs for the UT System since the medical components make up over 60 percent of the FY 2004 operating budget yet have only 7 percent of the FTSEs;
	The UT System has engaged external auditors to provide a full financial audit of its operations for FY 2005;
	Primary missions of the UT System include education, research, public service and patient care. No other system has hospitals, and in-patient and out-patient admissions are important benchmarks for the UT System.

**Texas A&M System (August 2004):**

Components	10 general academic universities, 1 distributed health science center, and 7 Land-grant research and service agencies;
Students	Enrolls 99,802 degree credit students and more than 1 million non-credit students of the agencies;
Employees/ FTEs	The A&M research and services agencies include 7,342 employees, which constitute 25 percent of the total System institutions' operating budgets, and provide education and service for 13 million Texans annually;
	38,492 employees; 89 FTE employees in system administration;
Operating Budget/ GR Amount	System-wide operating budget of \$2.2 billion for FY 2004, of which approximately \$807 million is from GR support;
System-Wide Expense System- Wide Expense	System Administration operating expenditures in FY 2003 of \$8.5 million, of which \$615,150 was GR; for the A&M System, measures expressed in amounts per FTSE, or FTE employees will not be comparable to other systems' measures. The agencies' students are not reflected in any of the state's data files and no other system has employees comparable to the agencies;
Research Expenditures	\$392 million in research expenditures for FY 2003, including College Station research activity of the land-grant research agencies;
Assets/ Investments	\$4.4 billion in total assets, including \$1.9 billion in investments managed by the Texas A&M System (as reported in FY 2003 AFR);
Miscellaneous Information	The A&M System office maintains a system-wide Budget/Payroll/Personnel system and a system-wide financial accounting, accounts receivable, purchasing, sponsored research, and budgeting and financial reporting; no other system has centralized these services to the extent that the A&M System has;
	In addition to its other duties, the A&M System office administers the Regent's Initiative to support K-16 collaborations with public schools.

**University of Houston System (August 2004):**

Components	4 general academic institutions and 2 system multi-institutional teaching centers (MITCs);
Students	44,260 full-time equivalent (FTE) students, 56,227 headcount students (Fall 03);
Employees/ FTEs	4,804 FTE employees paid from appropriated funds with 7,254 total employees, 72 FTE System Administration employees;
Operating Budget/ GR Amounts	System-wide operating budget of \$882 million for FY 2004, of which approximately \$274 million is from GR support;
System-Wide/ System Administration Expense	System Administration operating expenditures in FY 2003 of \$3.04 million, including support for central administration, academic coordination, general counsel, audit services, and governmental relations;
Research Expenditures	\$66.7 million in research expenditures at the University of Houston (FY 2003);
Assets/ Investments	\$1.36 billion in system-wide assets, including endowment funds of \$380 million (8/31/03) managed at System Administration;
Miscellaneous Information	<p>The UH System Administration supports the four UH System universities in fulfilling their primary missions: 1) Providing access to and meeting the challenges of educating a diverse mix of non-traditional and traditional students, 2) Promoting excellence within the context of basic and applied research and scholarship, and 3) Identifying and responding to the economic, social and cultural challenges affecting the quality of life in the Houston area, the State of Texas and the world through its education, research, and service. Services are consolidated within the System for the most cost efficient and effective use of resources. In addition, the UHSA provides the UH System Board of Regents with information and advice so that they may set policy and fulfill their fiduciary responsibility to the people of Texas;</p> <p>The University of Houston System has two of the most diverse universities in the nation, reflecting the demographics of the Houston area.</p>

Miscellaneous Information (continued)	Unlike other university systems in Texas, the UH System does not have a separate system administration. Rather, system functions are executed by a senior administration that possesses responsibilities on behalf of the UH System Administration and the University of Houston. The Chancellor of the UH System also serves as President of the University of Houston. Similarly, there are vice chancellors and vice presidents who serve dual roles in different areas.
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**Texas Tech University System (August 2004):**

Components	1 academic university and 1 health science center;
Students	30,654 students;
Employees/ FTEs	10,853 employees; 244.7 FTE employees in system administration, including system-wide centralized fund raising and police services. These two functions are not managed centrally by any other system and are 50 percent of the FTE employees on the Texas Tech System offices;
Operating Budget/ GR Amount	System-wide operating budget of \$891.4 million for FY 2004, of which approximately \$191.6 million is from GR support;
System-Wide/ System Admin. Expense	System Administration operating expenditures in FY 2003 of \$17.5 million, system-wide expenditures in FY 2003 of \$799.2 million;
Research Expenditures	\$65.7 million in research expenditures and \$63.8 million in un-sponsored charity care;
Assets/ Investments	Manages \$1.65 billion in total assets, including \$333.7 million in investments;
Miscellaneous Information	Texas Tech University System has recently completed and presented to the Board of Regents a study on accountability. This study conducted by Accenture identified cost efficiencies to-date and issues that should be considered for future improvements in the business functions;
	The Five Point Strategic Plan of Texas Tech University System includes growth, diversity, people, partnerships, and recognition. The system-wide strategic plan and accountability system incorporates an integrated set of benchmarks and performance measures tied to specific goals for the Texas Tech University System.

**University of North Texas System (August 2004):**

Components	The University of North Texas System is comprised of the University of North Texas, a general academic institution, the University of North Texas System Center at Dallas (a system center progressing toward becoming a free standing University) and the University of North Texas Health Science Center, a health related institution comprised of the School of Public Health, the Texas College of Osteopathic Medicine and the Graduate School of Biomedical Sciences;
Students	Total FY 2003 enrollment of 26,847 FTSE within the system;
Employees/ FTEs	FY 2003: 8,268 employees; 5,362.2 FTE within the system;
Operating Budget/ GR Amount	All-Funds Budget of \$436 million; GR appropriations of \$14.6 million;
System- Wide/ System Administration Expense	System Administration expenditures for FY 2003 were \$3.732 million for general administration including executive management (chancellor and staff), legal services, audit services, governmental relations, finance, and other administrative services provided to the institutions. The figure rises to \$5.039 million when staff benefits paid by other agencies, depreciation on a new administrative computing system, and self supporting activities (facilities planning and construction) are included;
	System-wide FY 2003 expenditures were \$431.89 million of which \$161.69 million is general revenue;
Research Expenditures	Research expenditures in FY 2003 were \$26.897 million;
Assets/ Investments	Reported \$712.31 million in total assets for FY 2003, including investments in the amount of \$282.04 million;
Miscellaneous Information	The UNTHSSC, the health related institution, accounts for about 24 percent of the FY 2003 expenditures, about 15 percent of the employees and 45 percent of total research expenditures; As the only university system with a primary mission to serve the North Texas region, the state's largest population center, the UNT System is a key partner in the State of

Miscellaneous Information (continued)	Texas' future. Boosting the North Texas economy by nearly \$1.5 billion annually, the UNT System awards more than 5,300 degrees each year, including the largest number of masters and doctoral degrees in the region. More than 100,000 alumni live and work in the North Texas region.
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**Texas State University System (August 2004):**

Components	The Texas State University System serves 5 general academic institutions, 1 upper division institution, 2 community colleges, and 1 institute of technology;
Students	Total FY 2004 (Fall 2003) enrollment of 66,100 students;
Employees/FTEs	Nearly 13,000 employees (full and part time, 8,050 FTEs); thirteen employees (12.6 FTEs) in system administration, providing system-wide coordination and leadership;
Operating Budget/ GR Amount	System-wide operating budget of approximately \$678,000 for FY 2004, of which approximately \$363,000 is from GR, Dedicated GR and other E&G sources;
System-Wide/ System Administration Expense	System Administration operating expenditures in FY 2003 of \$3.0 million, system-wide operating expenditures in FY 2003 of \$636.0 million;
Research Expenditures	The TSUS components expended \$17.4 million in research activities in FY 2003, primarily from federal and foundation funds;
Assets/ Investments	Reported \$1.4 billion in total assets as of 8/31/03, including cash equivalents of \$318 million, \$140 million in long-term investments and \$1.9 million in short-term investments;
Miscellaneous Information	The TSUS Foundation campus housing projects valued at more than \$115 million are currently operational and two more such projects will be available for the upcoming fall semester; The System Administrative staff provides support and assistance to its Regents, its component administrations, its students, and other state agencies in the following areas: legal, academic and financial affairs, construction and facilities planning, internal auditing coordination, risk management and other system-wide initiatives;

Miscellaneous Information (continued)	The primary mission of the TSUS System is to provide broad undergraduate educational opportunities as well as specialized graduate programs through Ph.D. level in selected areas, while also providing community-public service and support, advanced credentialing, technical training, associate degree and certificate preparation, and collaborative partnerships with other agencies and research.
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**Texas State Technical College System (August 2004):**

Components	The Texas State Technical College System includes 4 colleges and 7 campuses across the state: TSTC Harlingen, TSTC Marshall, TSTC Waco, and TSTC West Texas, which has locations in Abilene, Breckenridge, Brownwood, and Sweetwater. To minimize expenditures, the System Office is housed on the campus of TSTC Waco;
Students	TSTC served approximately 24,250 students in FY 2004;
Employees/ FTEs	TSTC had 1,229.4 FTE employees in FY 2004 (all funds). Of these, 30.6 were employed at the System Office, which represents 2.4 percent of the total;
Operating Budget/ GR Amount	System-wide operating budget of \$147.7 million (all funds) for FY 2004, of which approximately \$55 million was from GR. The System Office budget was \$4.8 million, of which \$3 million was from GR;
System-Wide/ System Administration Expense	TSTC's System-wide operating expenditures in FY 2003 of \$156 million (all funds), System Office expenditures in FY 2003 were \$4.3 million (2.7 percent);
Assets/ Investments	TSTC manages \$102 million in total assets, of which \$31.7 million is cash and investments;
Miscellaneous Information	TSTC's primary mission is technical education.



**Background:**

On July 19, 2004, Texas Higher Education Coordinating Board Commissioner Raymund Paredes testified before a Joint Hearing of the Senate Finance Committee and the Senate Subcommittee on Higher Education on Tier I Institutions. Commissioner Paredes, who spent 30 years as a professor and administrator at UCLA, was asked to talk about the California higher education system. To summarize this discussion:

- The California System is highly segmented and organized into tiers;
- The top tier is the University of California System, which consists of 9 campuses, including 8 general campuses. UC only admits undergraduate students in the top 12.5 percent of their high school graduating classes according to *statewide criteria*. UC is the *only* public institution that grants doctoral degrees;
- Underneath the UC System is the California State University System, which is more than twice as large and has approximately 24 campuses. To be eligible for admission, students have to be in the top 33.3 percent of their high school graduating class. The CSU System is responsible for the bulk of undergraduate and professional training;
- Underneath both systems is the Community College System, which has approximately 112 institutions with open admission. Every community college is mandated to transfer students to both the UC and the CSU System. By state statute, UC is required to have between 35-40 percent of all upper division students as having transferred from California community colleges;
- There is a degree of articulation coordination between four-year institutions and two-year institutions which is highly effective.

**Recommendation 1:**

The legislature should direct the Coordinating Board to study the consolidation and/or reorganization of university systems, their component universities, research institutions and agencies, the independent universities, and the community and technical colleges of higher education in Texas to determine if other models would better serve the State of Texas, and improve opportunities for residents of all areas to enroll in and complete programs of higher education, and better align the system with the goals of the state's master plan of *Closing the Gaps in Participation by 2015*. This report should be delivered by September 1, 2006.

**Background:**

Because of economies of scale and other efficiencies, administrative cost of many duties and services at a system level are relatively low. System administration can provide a wide range of centralized, cost-effective, and value added services in areas such as accounting, compliance, development, distance education, risk management, facilities planning and construction, and many others. At the same time, the institutions within the systems maintain diverse missions to meet the unique needs and circumstances of its students. The system adapts and evolves to meet the needs of its institutions.

There are four state supported independent institutions of higher education in Texas: Texas Woman's University, Stephen F. Austin State University, Texas Southern University, and Midwestern State University. Another institution, the Texas State Technical College System, is comprised of 4 colleges and 3 extension centers throughout Texas, offering a technical-vocational education. This System is unique in that the state considers it a single agency which reports in the aggregate.

**Recommendation 2:**

The legislature should direct the systems and the state supported independent institutions to work with the Coordinating Board and Legislative Budget Board to study the full impact of moving these universities into one of the systems. This study should weigh the advantages and disadvantages of such restructuring on the students, the institutions and the systems involved. This report should be delivered by September 1, 2006.

**Background:**

In part to respond to the state-wide objective of measuring accountability in the system of higher education in Texas, the University of Texas System has prepared an accountability and institutional improvement report, *The Accountability and Performance Report for 2003-04*, that presents a comprehensive statistical portrait on the system and its 15 campuses. The report analyzes how well the UT System and member institutions are carrying out their responsibilities. The report defines accountability as "taking responsibility for and measuring the effectiveness of what you do" and further states that "a good accountability system clearly defines an organization's mission, goals, priorities, initiatives, where it intends to add value, and lays out measures or indicators of progress toward those goals."

**Recommendation 3:**

The legislature should require that system offices direct and assist component institutions to coordinate collaborative functions and to continue to study and develop economies of scale and other cost saving initiatives and incentives in order to eliminate duplication and overlap of administrative, operational or reporting responsibilities or controls, and the corresponding expenditures. Systems should record findings and report to the legislature by January 2006.

