

Strategic Fiscal Review 2016-17
House Budget Recommendations: HB 1 as Introduced
720 - The University of Texas System Administration

Schedule 1: Agency Overview

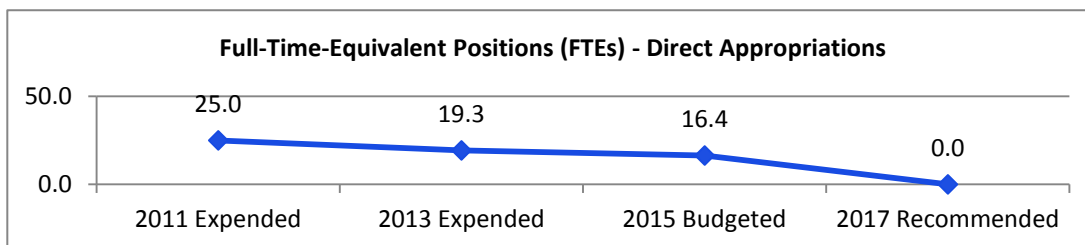
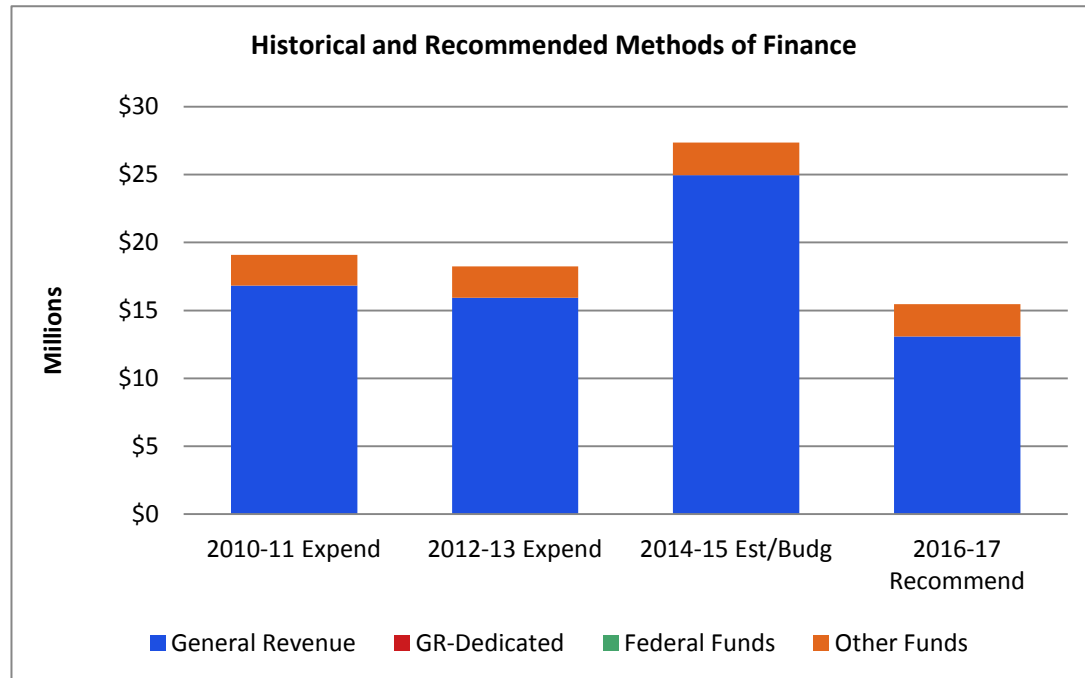
The staff of the Legislative Budget Board conducted the Strategic Fiscal Review in the fall of 2014. The analysis contained in these materials reflects that staff review. The budget amounts for 2016-17 reflect budget recommendations contained in House Bill 1 as Introduced.

Mission Statement: The role of The University of Texas System Administration is to provide operational support, oversight, and coordination to the all component institutions and agencies. The university system offices are exempt from the Strategic Planning process in accordance with Government Code 2056.001.

Legal Authority: Education Code, Ch. 65; Education Code Section 51.353; Texas Constitution Article VII, Sec.18

Total Number of Programs: 4

Overview and Significant Findings



■ **Governance.** The University of Texas System (UT System) is governed by a nine person board of regents appointed by the Governor and confirmed by the Senate (Board of Regents). Within the UT System, the Board of Regents has the critical responsibility of providing strategic and policy direction, oversight and governance, while the UT System Administration manages the System consistent with the Regents' directions reflected in policies and rules.

■ **Composition.** Founded in 1883, the UT System is composed of nine general academic institutions and six health-related institutions. It is anticipated that within the next biennium, the University of Texas Rio Grande Valley (UTRGV) will begin operations, at which time the University of Texas Pan American and the University of Texas at Brownsville will cease to exist. In addition, during the next biennium the University of Texas at Austin (UT Austin) will admit its initial class at the Dell Medical School and the UTRGV School of Medicine will admit its initial class.

■ **Funding.** Recommendations for The UT System are \$15.5 million in All Funds for the 2016-17 biennium. In addition, the system estimates receiving an additional \$191.9 million in Available University Fund (AUF) appropriations, and \$202.3 million in Institutional Funds, for a total of \$409.7 million in estimated funding available to the system for the 2016-17 biennium. Funding increased between 2012-13 and 2014-15 primarily due to the addition of \$9.2 million for the DKR Alzheimer's Initiative, which has been transferred to The University of Texas at Austin in 2016-17.

■ **Available University Fund.** The University of Texas System estimates that it will receive \$90.9 million in AUF appropriations for System Office Operations and \$87.9 million for System Initiatives during the 2014-15 biennium.

■ **Full-Time Equivalent Positions.** The UT System has 16.4 FTEs budgeted for 2015 that are supported by direct appropriations. In addition, UT System has 341 FTEs supported by AUF, and 376.2 FTEs supported by Institutional Funds, for a total of 733.6 FTEs for 2015.

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Schedule 2A: Program Listing -- Services and Administration

Agency Submission		Review and Analysis								
Agency Ranking	Program Name	Year Created	State Authority	Federal Authority	Authority	Mission Centrality	State Service Category	Service Area	Significant Audit and/or Report Findings	Outsourced Services?
1	Debt Service - National Science & Engineering Building	2006	Education Code Sec. 55.17521	None	Strong	Moderate	Higher Education Instruction, Financial Aid & Research	Regional	No	Yes
2	System Office Operations	1883	Education Code Ch 65, Sec 51.353; Texas Constitution Article VII, Sections 10 & 18	None	Strong	Strong	Higher Education Instruction, Financial Aid & Research	Statewide	No	Yes
3	Tobacco Earnings - Lower Rio Grande Regional Academic Health Center	2000	Education Code Sec. 63.101	None	Strong	Moderate	Higher Education Instruction, Financial Aid & Research	Statewide	No	Yes
4	DK Royal Alzheimer's Initiative	2014	Education Code Ch 154	None	Strong	Moderate	Higher Education Instruction, Financial Aid & Research	Statewide	No	Yes
Program Summary Included										

Notes: • The University of Texas System was established in 1883, however the year 1989 was listed as the first full year of appropriations for operations in this submission.

• Statutory authority for the university systems is provided by the following:

Education Code, Section 51.353

- (a) The system administration of each system shall coordinate the activities of component institutions within the system.
- (b) In addition to other powers and duties provided by this code or other law, each system administration shall:
 - (1) initiate, monitor, approve, and coordinate long-range planning for the system;
 - (2) approve short-range institutional plans for operations and expenditures;
 - (3) provide to component institutions technical assistance such as legal and financial services;
 - (4) evaluate each component institution and assist the institution in the achievement of performance goals; and
 - (5) perform such other duties as may be delegated to it by the governing board of its system.

• Constitutional and statutory authority for The University of Texas System and its programs are provided by the following:

Texas Constitution, Article VII, Section 10

The legislature shall as soon as practicable establish, organize and provide for the maintenance, support and direction of a University of the first class, to be located by a vote of the people of this State, and styled, "The University of Texas," for the promotion of literature, and the arts and sciences, including an Agricultural, and Mechanical department.

Schedule 2A: Program Listing -- Services and Administration

Agency Submission		Review and Analysis								
Agency Ranking	Program Name	Year Created	State Authority	Federal Authority	Authority	Mission Centrality	State Service Category	Service Area	Significant Audit and/or Report Findings	Outsourced Services?

Texas Constitution, Article VII, Section 18

(b) The Board of Regents of The University of Texas System may issue bonds and notes not to exceed a total amount of 20 percent of the cost value of investments and other assets of the permanent university fund (exclusive of real estate) at the time of issuance thereof, and may pledge all or any part of its two-thirds interest in the available university fund to secure the payment of the principal and interest of those bonds and notes, for the purpose of acquiring land either with or without permanent improvements, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under this section or prior law, at or for The University of Texas System administration and the following component institutions of the system:

Education Code, Section 55.17521

The state may not appropriate money to reimburse The University of Texas System for debt service on long-term obligations related to the construction of a natural science and engineering research building at The University of Texas at Dallas in accordance with the economic development agreement entered into between this state and the board of regents of the system in excess of the following amounts:

(1) for a state fiscal year before the state fiscal year ending August 31, 2018, \$6,540,600; (2) for the state fiscal year ending August 31, 2018, \$6,213,570; (3) for the state fiscal year ending August 31, 2019, \$5,559,510; (4) for the state fiscal year ending August 31, 2020, \$4,905,450; (5) for the state fiscal year ending August 31, 2021, \$4,251,390; (6) for the state fiscal year ending August 31, 2022, \$3,597,330; (7) for the state fiscal year ending August 31, 2023, \$2,616,240; (8) for the state fiscal year ending August 31, 2024, or August 31, 2025, \$1,308,120; and (9) for the state fiscal year ending August 31, 2026, or August 31, 2027, \$654,060.

Education Code, Section 65.16.

- (a) The board shall establish a central administration of the university system to provide oversight and coordination of the activities of the system and each component institution within the system.
- (b) The board shall appoint a chief executive officer and such other executive officers of the system central administration as the board considers appropriate. The board shall determine each officer's term of appointment, salary, and duties.
- (c) Subject to the power and authority of the board, the chief executive officer is responsible for the general management of the university system within the policies of the board and for making recommendations to the board concerning the organization of the university system and the appointment of the chief administrative officer for each component institution within the system.
- (d) In addition to other powers and duties provided by this code or other law, the central administration of the system shall recommend policies and rules to the governing board of the system to ensure conformity with all laws and rules and to provide uniformity in data collection and financial reporting procedures.

Education Code, Section 63.101

- (a) A separate permanent endowment fund is established for the benefit of each of the following institutions of higher education:
 - (1) The University of Texas Health Science Center at San Antonio; (2) The University of Texas M. D. Anderson Cancer Center; (3) The University of Texas Southwestern Medical Center; (4) The University of Texas Medical Branch at Galveston; (5) The University of Texas Health Science Center at Houston; (6) The University of Texas Health Science Center at Tyler; (7) The University of Texas at El Paso; (8) The Texas A&M University Health Science Center; (9) the University of North Texas Health Science Center at Fort Worth; (10) the components of the Texas Tech University Health Sciences Center located in El Paso; (11) the components of the Texas Tech University Health Sciences Center at locations other than El Paso; (12) the regional academic health center established under Section 74.611; and (13) Baylor College of Medicine, if a contract between Baylor College of Medicine and the Texas Higher Education Coordinating Board is in effect under Section 61.092.
- (b) Each separate permanent endowment fund is a special fund in the treasury outside the general revenue fund.
- (c) Each separate permanent endowment fund is composed of: (1) money transferred to the fund at the direction of the legislature; (2) gifts and grants contributed to the fund; and (3) the returns received from investment of money in the fund.

Education Code, Section 154.002

- (a) The council shall establish a consortium of Alzheimer's disease centers, to be initially composed of the Alzheimer's disease centers at the Baylor College of Medicine, the Texas Tech University Health Sciences Center, the University of North Texas Health Science Center at Fort Worth, and The University of Texas Southwestern Medical Center. The council may add additional consortium participants to the consortium as necessary.
- (b) The council shall provide funds to the consortium participants to assist those participants to develop clinical centers that meet the standards of the consortium.
- (c) A participant's clinical center may employ any personnel necessary to support its activities, including clinical, administrative, and data management personnel.

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Schedule 2B: Program Listing -- Fiscal

Agency Submission					Review and Analysis							Appropriate Use of Constitutional and GR-Dedicated Funds?	Agency Funding Alternatives in Recs?
Agency Ranking	Program Name	1st Year Full Implementation	2010-11 Expended	2012-13 Expended	2014-15 Est / Budg	2015 FTEs Budg	2016-17 HB 1 - Intro	2017 FTEs Rec.	Percent Change from Base	FTEs Change from Base	Revenue Supported?		
1	Debt Service - National Science & Engineering Building	\$ 1,249,400	\$ 13,077,250	\$ 13,081,200	\$ 13,081,200	0.0	\$ 13,075,526	0.0	0.0%	0.0	No	NA	No
2	System Office Operations	\$ -	\$ 3,750,000	\$ 2,850,000	\$ 2,650,000	16.4	\$ -	0.0	-100.0%	-16.4	No	NA	No
3	Tobacco Earnings - Lower Rio Grande Regional Academic Health Center	\$ 900,000	\$ 2,257,839	\$ 2,309,608	\$ 2,403,450	0.0	\$ 2,388,000	0.0	-0.6%	0.0	No	NA	No
4	DK Royal Alzheimer's Initiative	\$ 9,230,625	\$ -	\$ -	\$ 9,230,625	0.0	\$ -	0.0	-100.0%	0.0	No	NA	No
Total	Program Summary Included		\$ 19,085,089	\$ 18,240,808	\$ 27,365,275	16.4	\$ 15,463,526	0.0	-43.5%	-16.4			

Notes: Data included in the column labeled *1st Year of Full Implementation* may reflect several different fiscal years and therefore it is not summed.

The appropriations listed here are the General Revenue Funds directly appropriated to The University of Texas System in its bill pattern.

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Schedule 2C: Program Listing -- Explanation of Recommendations

Agency Submission		Review and Analysis	
Agency Ranking	Program Name	Funding Compared to 2014-15	Explanation of 2016-17 HB 1 Introduced
1	Debt Service - National Science & Engineering Building	↓	Recommendations for debt service in 2016-17 for The University of Texas System Administration are at requested levels.
2	System Office Operations	↓	The Introduced Bill reduces \$2.7 million in General Revenue from 2014-15 funding levels for System Office Operations due to both The University of Texas System and the Texas A&M System receiving appropriations from the Available University Fund (AUF).
3	Tobacco Earnings - Lower Rio Grande Regional Academic Health Center	↓	Recommendations for tobacco earnings in 2016-17 are at requested levels.
4	DK Royal Alzheimer's Initiative	↓	Recommendations in the Introduced Bill appropriate \$9.2 million in General Revenue for the DKR Alzheimer's Initiative to The University of Texas at Austin, instead of The University of Texas System.
Program Summary Included			

Note:

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Schedule 3: Assessments of Mission Centrality and Authority**

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Mission centrality is a judgment of how directly connected a program is to the core mission and goals of the agency, as identified in statute, agency strategic plans, or other
Authority is an assessment of how strong and explicit the legal basis is for the existence of the program and the way in which the agency is administering it.

MISSION CENTRALITY

		MISSION CENTRALITY		
		Weak	Moderate	Strong
A U T H O R I T Y	Strong		Debt Service - National Science & Engineering Building (1) Tobacco Earnings - Lower Rio Grande Valley (3) DK Royal Alzheimer's Initiative (4)	System Office Operations (2)
	Moderate			
	Weak			

Note: The matrix does not include Indirect Administration programs.

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Schedule 5: Program Summary

All 2016-17 funding recommendations reflect HB 1 as Introduced

Program: Debt Service - Natural Science and Engineering Building

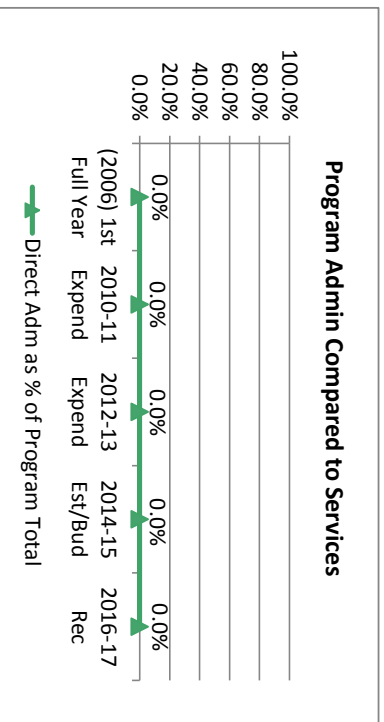
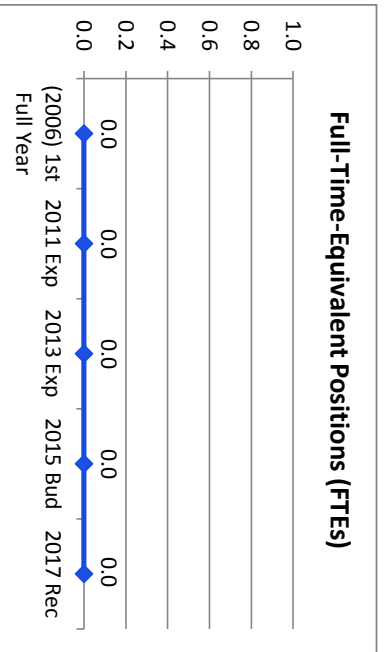
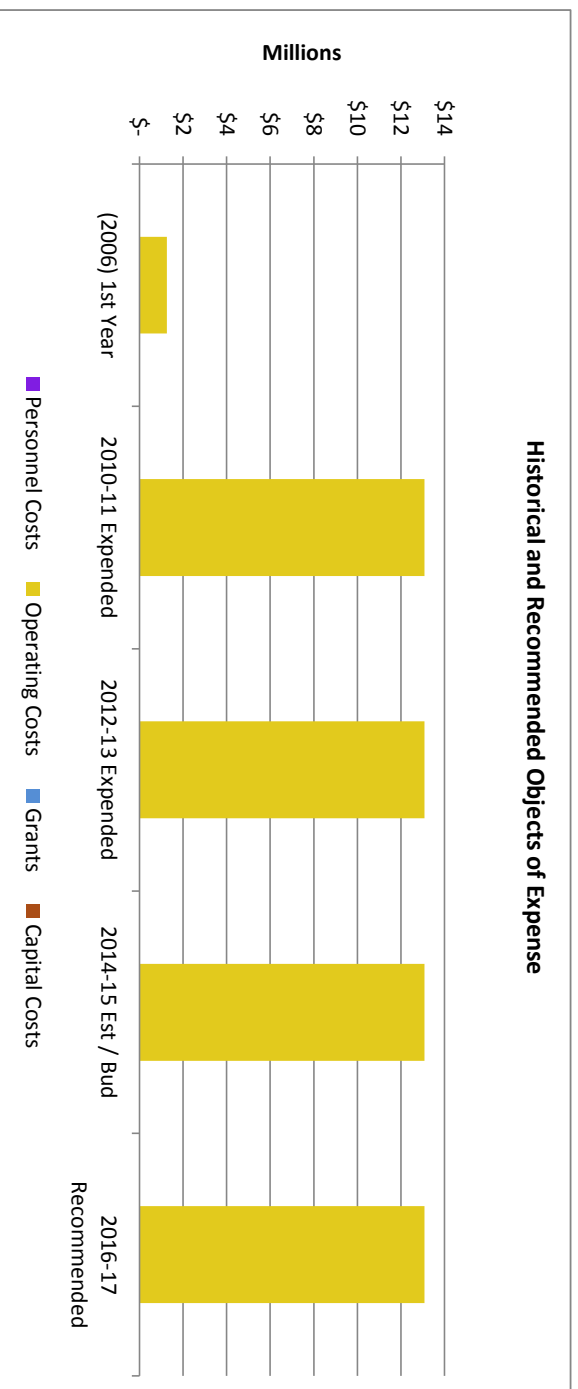
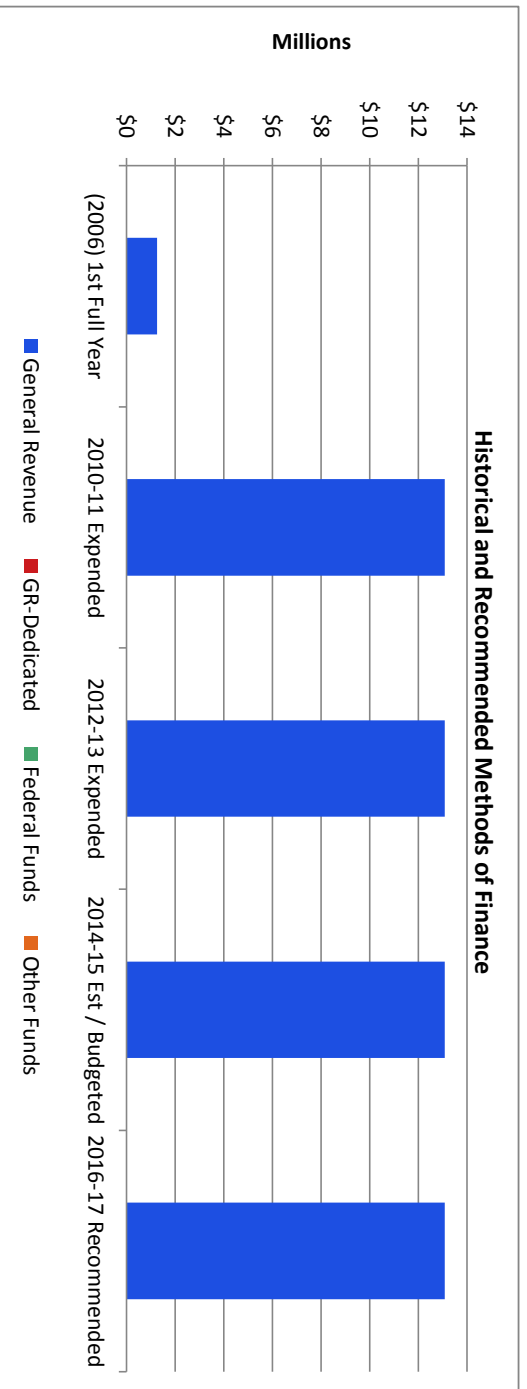
Agency Ranking **1** out of 4

Funding to reimburse The University of Texas System for debt service related to construction of a natural science and engineering research building at The University of Texas at Dallas in accordance with the economic development agreement entered into between this state and the Board of Regents of The University of Texas System.

Legal Authority: Education Code, Sec. 55.17522

Year Created	2006	Performance and/or Authority	Strong	Operational Issue No		Outsourced Services Revenue Supported	Yes
Centrality	Moderate	Service Area	Regional	State Service Category	Higher Education Instruction, Financial Aid & Research	Use of Dedicated Funds	No
							NA

Major Activities	2014-15 Estimated	2015 FTEs	2016-17 Recommend	2017 FTEs	% of Total
Debt Service - Natural Science and Engineering Building	\$ 13,081,200	0.0	\$ 13,075,526	0.0	100.0%
TOTAL	\$ 13,081,200	0.0	\$ 13,075,526	0.0	100.0%



Program: Debt Service - Natural Science and Engineering Building

Agency Ranking **1 out of 4**

Summary of Recommendations and Fiscal and Policy Issues

1 Debt Service. Recommendations for 2016-17 provide for amounts requested by The University of Texas System to pay existing debt service consistent with recommendations on debt service at other university systems and institutions.

Recommended Statutory Changes for Program Improvement

1 None.

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Schedule 5: Program Summary- Direct Appropriations

All 2016-17 funding recommendations reflect HB 1 as Introduced

Program: System Office Operations

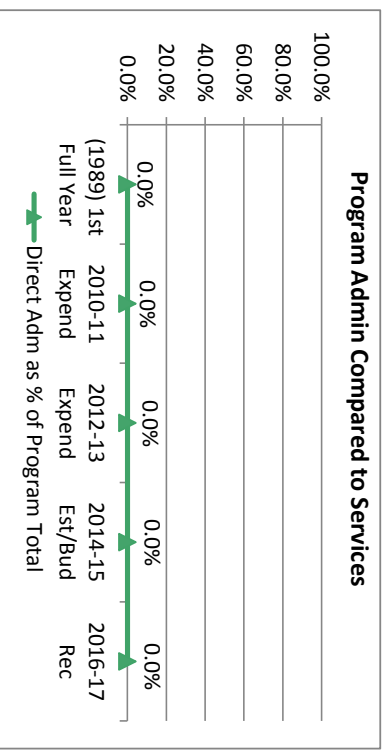
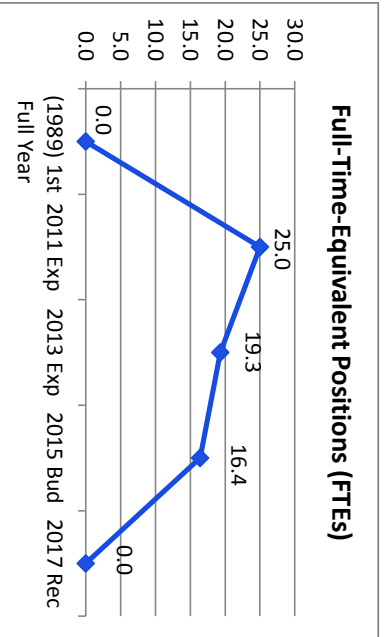
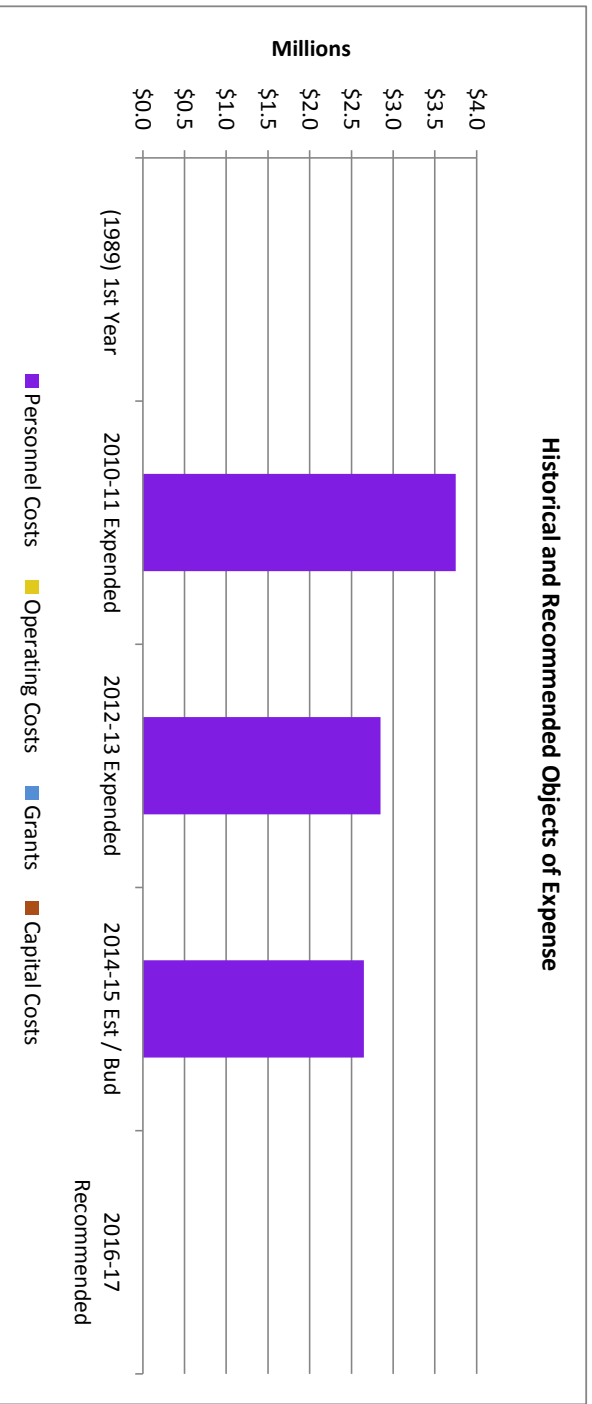
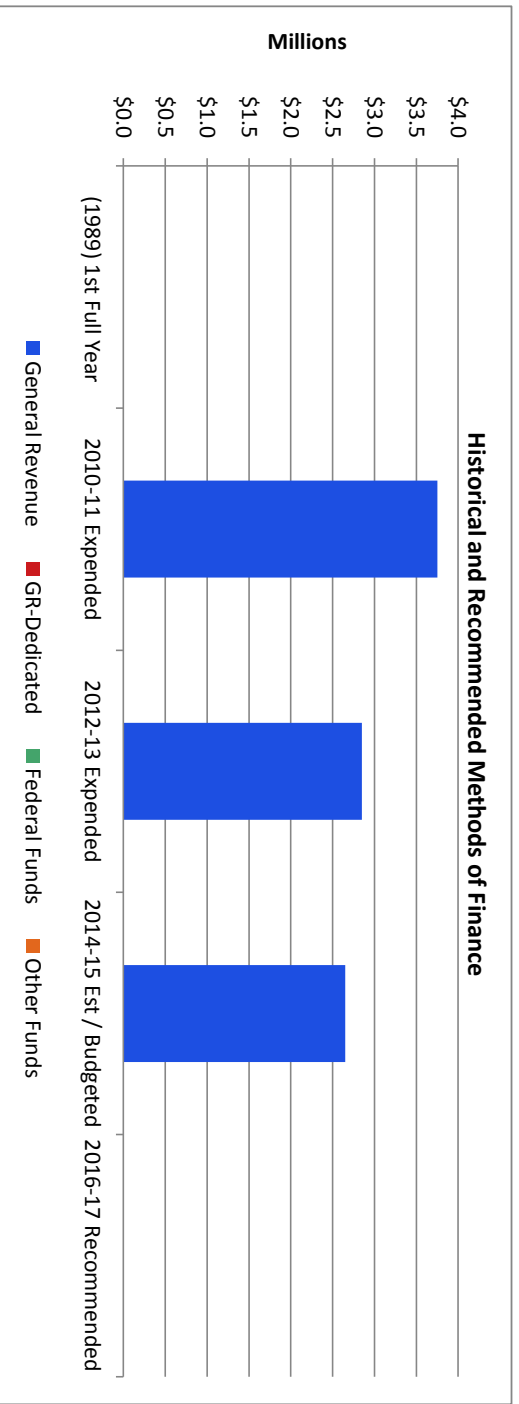
Agency Ranking **2** out of 4

Funding provides support for the operations of The University of Texas System Office. The system office provides coordination and planning to improve efficiencies for component institutions.

Legal Authority: Education Code Ch 65; Education Code, Sec 51.353; Texas Constitution Article VII, Sections 10 & 18

Year Created	1989	Performance and/or Operational Issue No		Outsourced Services Revenue Supported	Yes
Authority	Strong			Use of Dedicated Funds	No
Centrality	Strong				NA
Service Area	Statewide	State Service Category	Higher Education Instruction, Financial Aid & Research		

Major Activities	2014-15 Estimated	2015 FTEs	2016-17 Recommend	2017 FTEs	% of Total
Business and Financial Services	\$ 2,650,000	16.4	\$ -	0.0	
	\$ -	0.0	\$ -	0.0	
TOTAL	\$ 2,650,000	16.4	\$ -	0.0	



Program: System Office Operations

Summary of Recommendations and Fiscal and Policy Issues

1 Direct Appropriations. The University of Texas System is one of two systems receiving appropriations from the Available University Fund (AUF). The Introduced Bill reduces \$2.7 million in General Revenue from 2014-15 levels for system office operations.

Recommended Statutory Changes for Program Improvement

1 None.

Funding Alternatives Not Included in the Recommendations	Change from Recommendations		2017 FTEs
	GR-Related	All Funds	
<p>1 Increase 2014-15 General Revenue funding by twenty percent. No specific options for enhanced funding were submitted. The system noted that an increase of 20 percent would decrease its reliance on AUF proceeds and that it would likely add 3.3 FTEs.</p>	\$ 530,000	\$ 530,000	3.3

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Schedule 5: Program Summary

All 2016-17 funding recommendations reflect HB 1 as Introduced

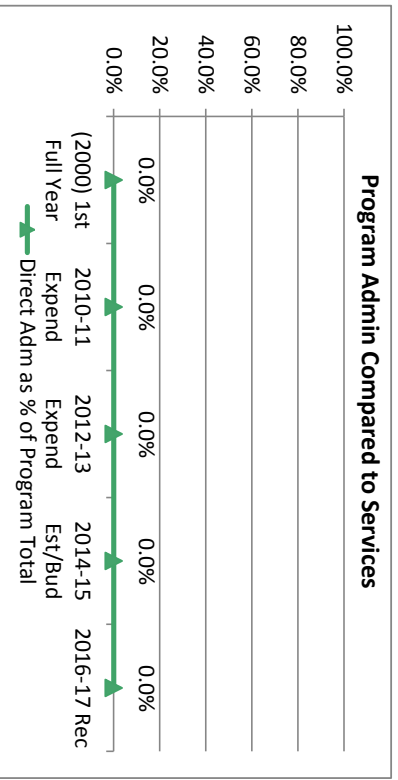
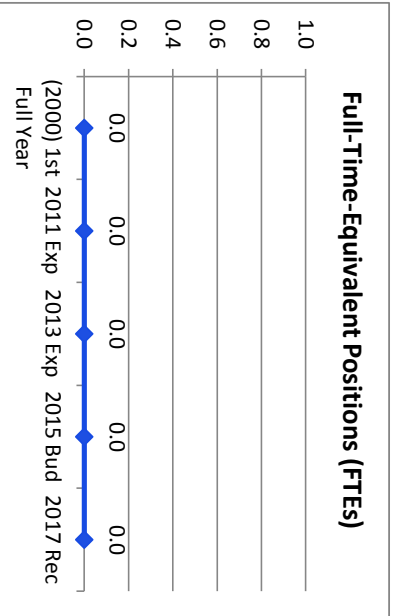
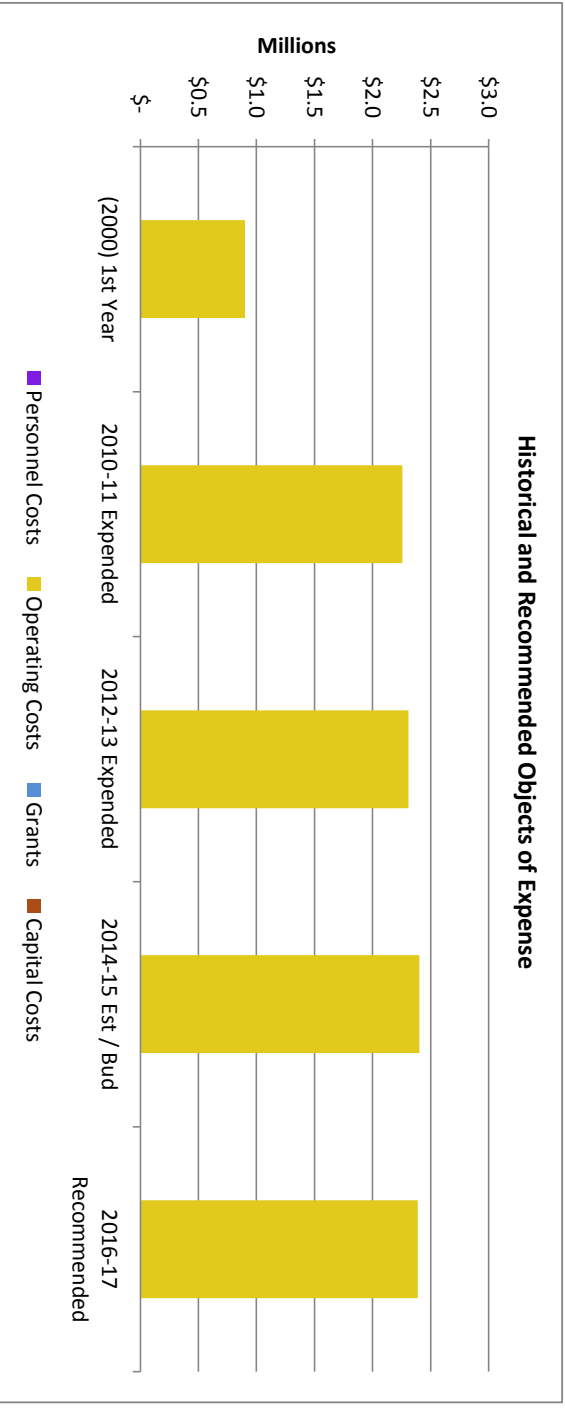
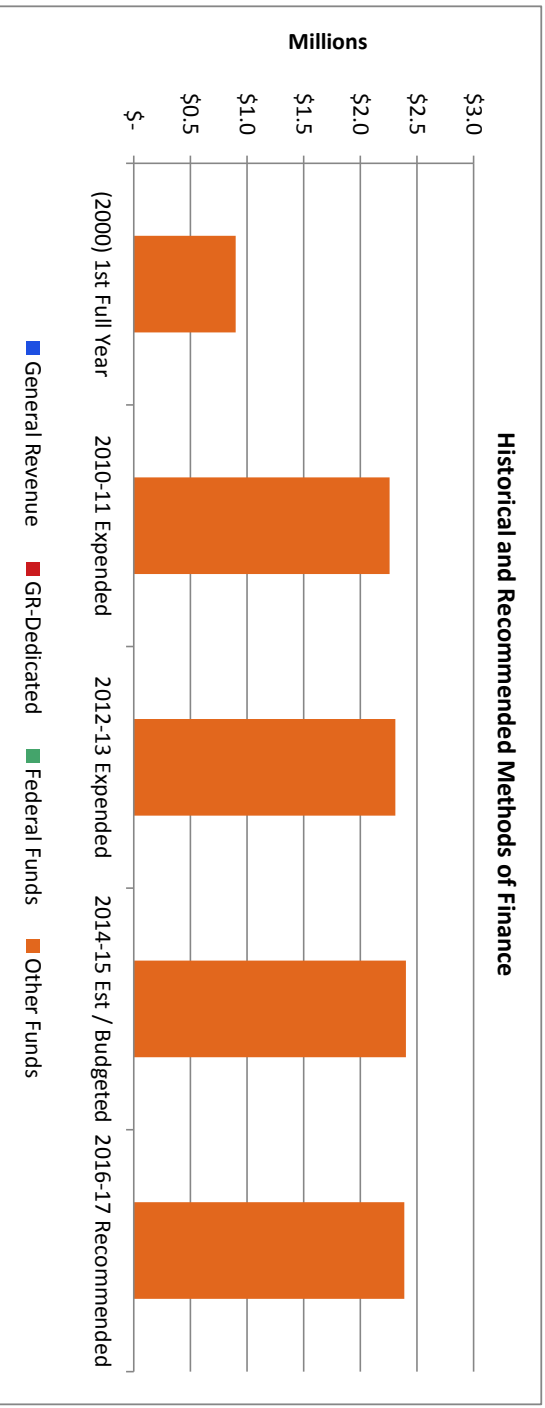
Program: Tobacco Earnings - Lower Rio Grande Regional Academic Health Center Agency Ranking **2 out of 4**

Funding for this strategy is derived from annual distributions of Permanent Health Funds using tobacco settlement receipts. These are appropriated for research and other programs that are conducted by the institution and that benefit the public health.

Legal Authority: Education Code, Sec. 63.101

Year Created	2000	Performance and/or Operational Issue No		Outsourced Services Revenue Supported	Yes
Authority	Strong			Use of Dedicated Funds	No
Centrality	Moderate				NA
Service Area	Statewide	State Service Category	Higher Education Instruction, Financial Aid & Research		

Major Activities	2014-15 Estimated	2015 FTEs	2016-17 Recommend	2017 FTEs	% of Total
Tobacco Earnings - Lower Rio Grande	\$ 2,403,450	0.0	\$ 2,388,000	0.0	100.0%
	\$ -	0.0	\$ -	0.0	0.0%
TOTAL	\$ 2,403,450	0.0	\$ 2,388,000	0.0	100.0%



Program: Tobacco Earnings - Lower Rio Grande Regional Academic Health Center

Agency Ranking **2 out of 4**

Summary of Recommendations and Fiscal and Policy Issues

1 Tobacco Earnings. Recommendations for 2016-17 provide requested funding amounts in proceeds from tobacco settlement receipts (Other Funds).

Recommended Statutory Changes for Program Improvement

1 None.

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Schedule 5: Program Summary

All 2016-17 funding recommendations reflect HB 1 as Introduced

Program: DK Royal Alzheimer's Initiative

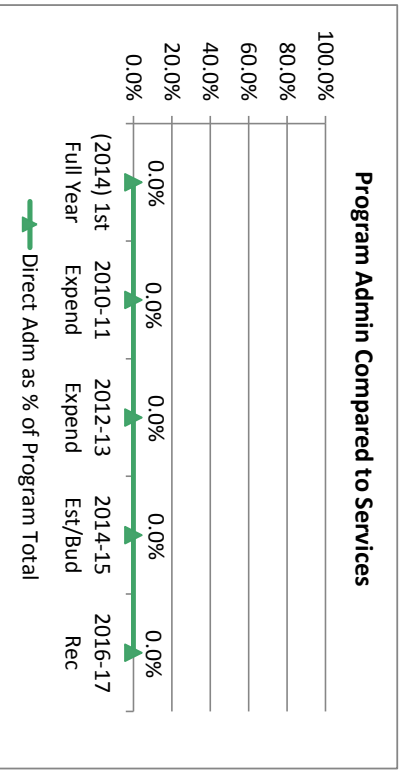
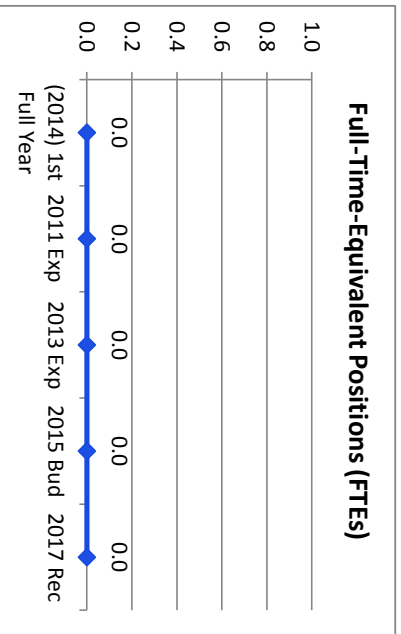
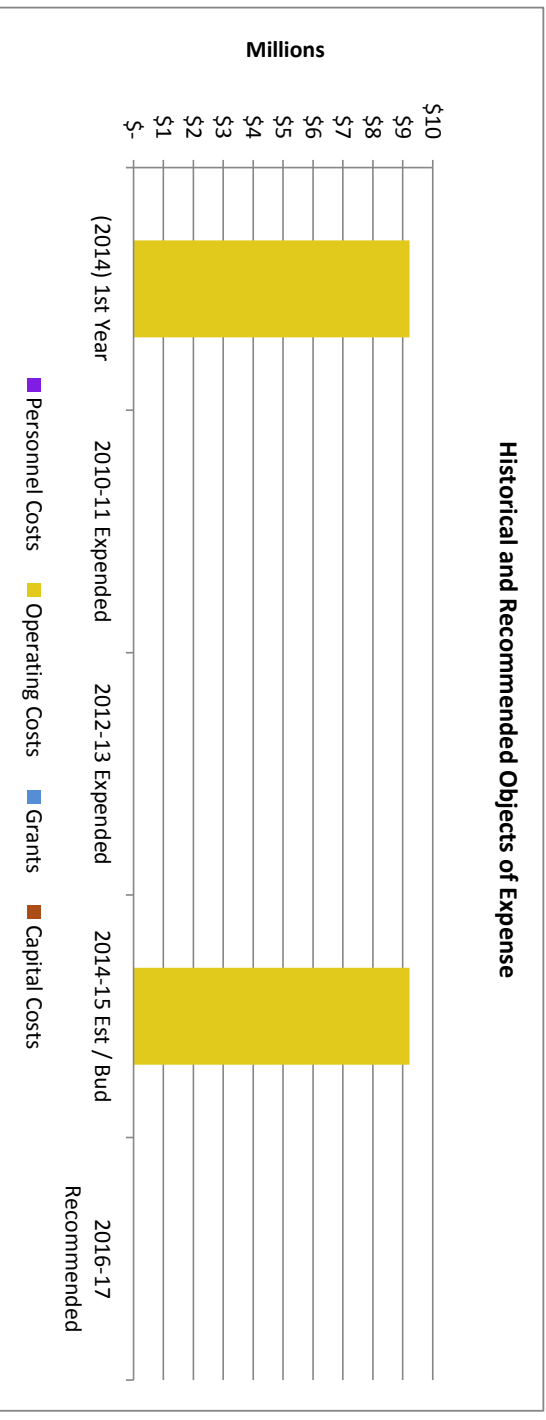
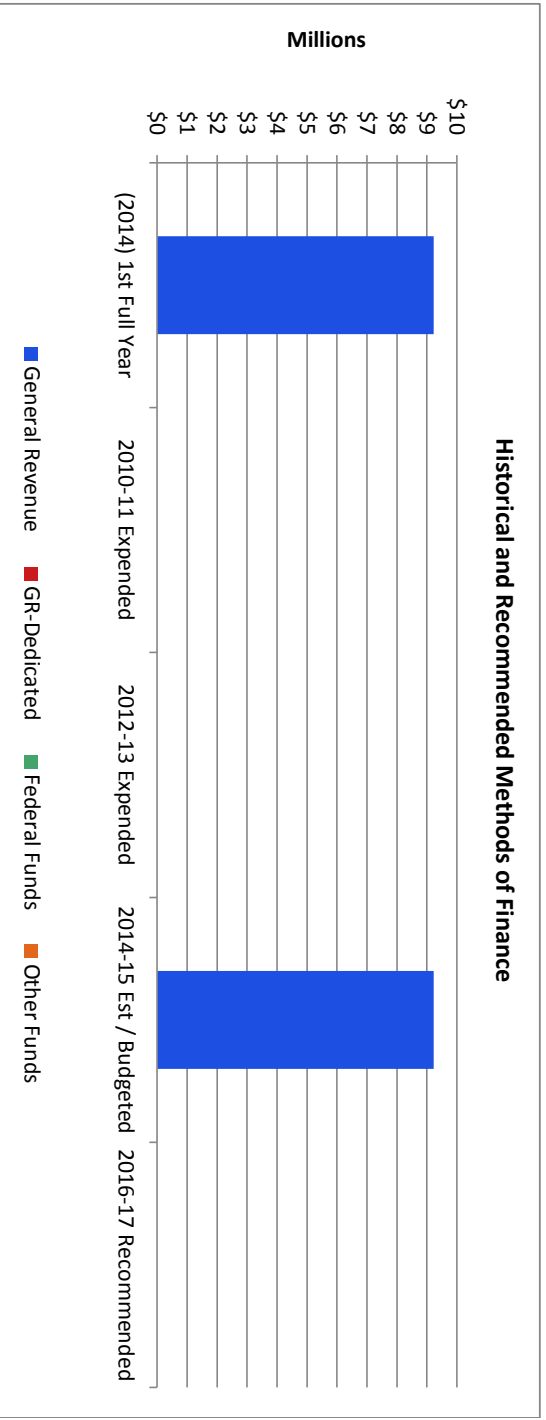
Agency Ranking **4**
 out of 4

The University of Texas System is the trustee for funds to be allocated at the direction of the Texas Council on Alzheimer Diseases and Related Disorders as provided by law to the Consortium of Alzheimer's Disease Centers and for other disease-specific purposes that are part of the Darrell K Royal Texas Alzheimer's Initiative as approved by the Texas Council on Alzheimer's Disease and Related Disorders. Prior to 2014-15, the funds were trusteeed to the Texas Higher Education Coordinating Board.

Legal Authority: Education Code, Ch. 154

Year Created	2014	Performance and/or Authority	Strong	Operational Issue No		Outsourced Services Revenue Supported	Yes
Centrality	Moderate	Service Area	Statewide	State Service Category	Higher Education Instruction, Financial Aid & Research	Use of Dedicated Funds	No
							NA

Major Activities	2014-15 Estimated	2015 FTEs	2016-17 Recommend	2017 FTEs	% of Total
DK Royal Alzheimer's Initiative	\$ 9,230,625	0.0	\$ -	0.0	0.0
TOTAL	\$ 9,230,625	0.0	\$ -	0.0	



Program: DK Royal Alzheimer's Initiative

Agency Ranking **4** out of 4

Summary of Recommendations and Fiscal and Policy Issues

1 Alzheimer's Initiative. The Eighty-third Legislature provided \$9.2 million in General Revenue funding for the Darrell K Royal Alzheimer's Initiative to The University of Texas System in 2014-15. The Introduced Bill for 2016-17 retains \$9.2 million in support for the Alzheimer's Initiative but the funding has been transferred to The University of Texas (UT) at Austin. Recommendations at UT Austin for 2016-17 retain a rider that funding provided for the Alzheimer's Initiative can not be transferred for other purposes or programs.

Recommended Statutory Changes for Program Improvement

1 None.

Funding Alternatives Not Included in the Recommendations	Change from Recommendations		2017 FTEs
	GR-Related	All Funds	
<p>1 Reduce General Revenue by twenty percent. The University of Texas System did not provide specific funding alternatives for reduced funding. It noted that an across the board reduction would lower the amount of funds allocated to the Texas Alzheimer's Research and Care Consortium, allowing for less research.</p>	\$ -	\$ -	0.0
<p>2 Enhance General Revenue by twenty percent. No alternatives for enhanced funding were provided.</p>	\$ -	\$ -	0.0

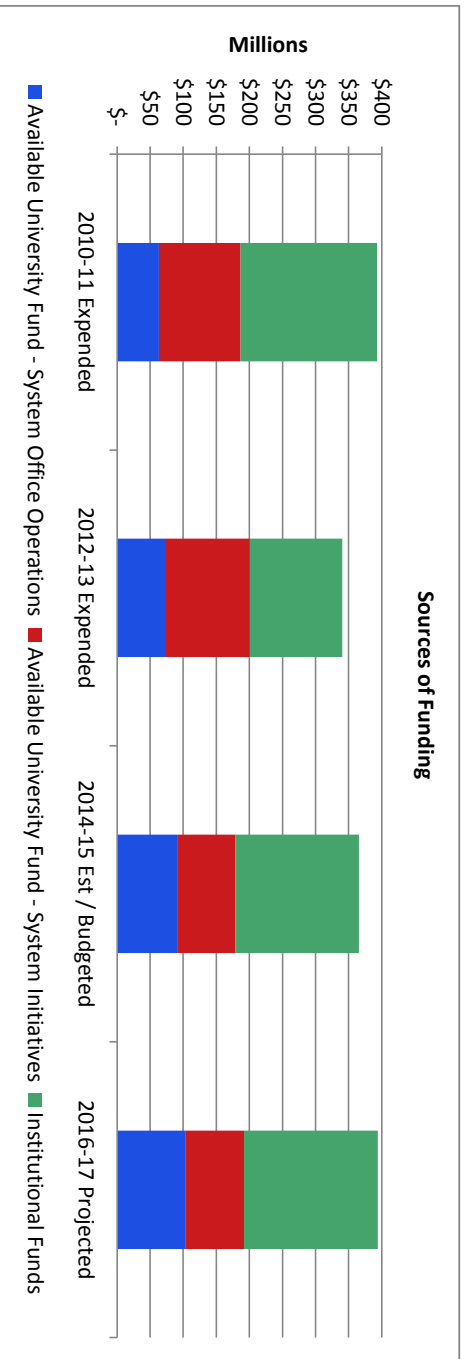
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Schedule 6: Funds Outside the Bill Pattern

All 2016-17 funding recommendations reflect HB 1 as Introduced

The University of Texas System Administration receives Available University Funds as well as non-appropriated institutional funds.

Funding Sources	2010-11 Expended	2012-13 Expended	2014-15 Est / Budgeted	FY 2015 FTEs Budgeted	2016-17 Projected	FY 2017 FTEs Projected
Available University Fund - System Office Operations	\$ 63,179,657	\$ 72,721,325	\$ 90,916,716	249.3	\$ 103,941,163	249.3
Available University Fund - System Initiatives	\$ 123,317,366	\$ 127,910,306	\$ 87,936,829	91.7	\$ 87,872,210	91.6
Institutional Funds	\$ 206,560,320	\$ 139,621,074	\$ 186,790,438	376.2	\$ 202,331,880	376.1
Total	\$ 393,057,343	\$ 340,252,705	\$ 365,643,983	717.2	\$ 394,145,253	717.0



Programs Supported by Funds Outside the Bill Pattern	2010-11 Expended	2012-13 Expended	2014-15 Est / Budgeted	2016-17 Projected
System Office Operations	\$ 63,179,657	\$ 72,721,325	\$ 90,916,716	\$ 103,941,163
System Initiatives	\$ 123,317,366	\$ 127,910,306	\$ 87,936,829	\$ 87,872,210
Non-State Funded Programs	\$ 206,560,320	\$ 139,621,074	\$ 186,790,438	\$ 202,331,880
Total	\$ 393,057,343	\$ 340,252,705	\$ 365,643,983	\$ 394,145,253

