

Strategic Fiscal Review 2016-17
House Budget Recommendations: HB 1 as Introduced
783 - University of Houston System Administration

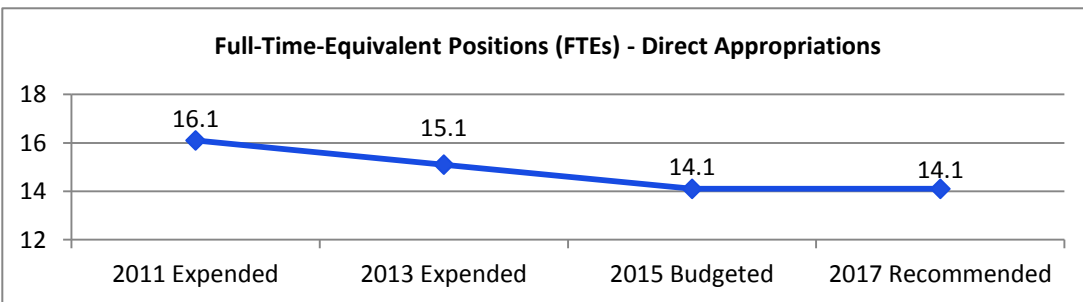
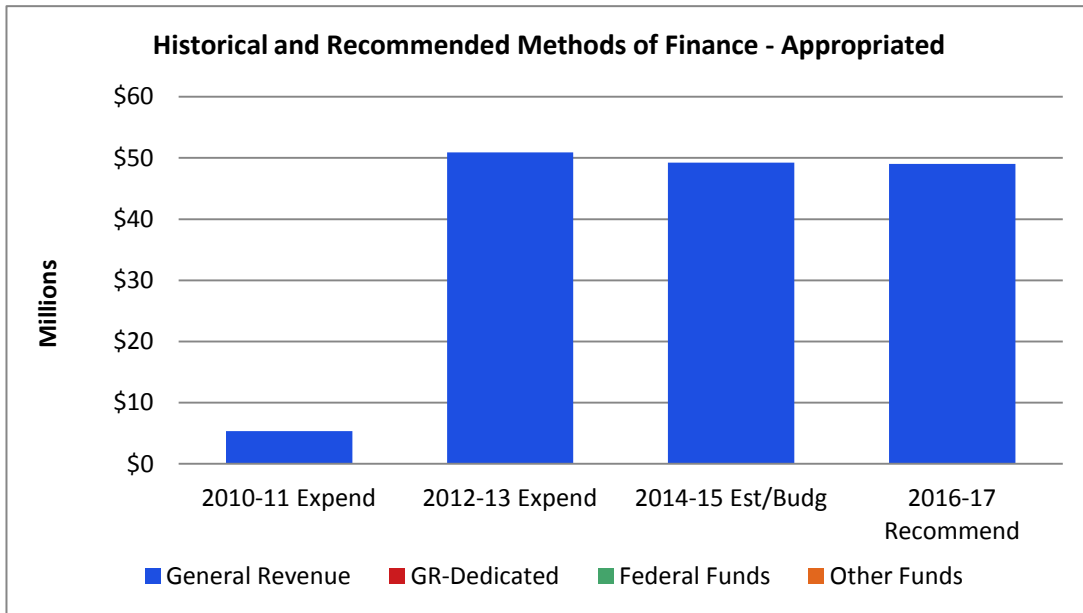
Schedule 1: Agency Overview

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 Houston System Office 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. 111

Total Number of Programs: 6



Overview and Significant Findings

- **Composition.** The University of Houston (UH) System has four universities – the University of Houston, UH-Clear Lake, UH-Downtown, and UH-Victoria. The University of Houston is the system’s comprehensive research university, offering programs from the baccalaureate through the doctorate.

- **Funding.** Recommendations for UH System are \$49.0 million in General Revenue Funds for the 2016-17 biennium. In addition, the system estimates receiving an additional \$17.2 million from funds outside the bill pattern, for a total of \$66.2 million in funding for the 2016-17 biennium. The UH System does not receive appropriations from the Available University Fund.

- **Tuition Revenue Bonds Debt Service.** Prior to the 2012–13 biennium, appropriations for Tuition Revenue Bond Debt Service were made directly at the component institutions. Appropriations for Tuition Revenue Bond Debt Service were moved to the system administration beginning in 2012–13.

- **Full-Time Equivalent Positions.** The system has a total of 14.1 FTEs budgeted for 2015 that are supported by direct appropriations. In addition, the UH System has 52.2 funded from non-GR transfers from component institutions and endowment and interest income, for a total of 66.3 FTEs for 2015.

- **FTE Recommendations.** Through the SFR process, it was discovered that the University of Houston System had been incorrectly categorizing employees funded from local funds as E&G funded employees. Recommendations for the 2016-17 biennium provide for only the 14.1 FTEs supported through direct appropriations to the system office.

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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 | UH-Clear Lake TRB Retirement | 2012 | Education Code, Ch. 55 | N/A | Strong | Moderate | Higher Education Instruction, Financial Aid & Research | Regional | No | No |
| 1 | UH-Downtown TRB Retirement | 2012 | Education Code, Ch. 55 | N/A | Strong | Moderate | Higher Education Instruction, Financial Aid & Research | Regional | No | No |
| 1 | UH-Victoria TRB Retirement | 2012 | Education Code, Ch. 55 | N/A | Strong | Moderate | Higher Education Instruction, Financial Aid & Research | Regional | No | No |
| 1 | University of Houston TRB Retirement | 2012 | Education Code, Ch. 55 | N/A | Strong | Moderate | Higher Education Instruction, Financial Aid & Research | Regional | No | No |
| 2 | System Operations | 1978 | Education Code, Ch. 111 | N/A | Strong | Strong | Higher Education Instruction, Financial Aid & Research | Statewide | No | No |
| 3 | NASA Programs | 1990 | Education Code, Ch. 111.42 | N/A | Strong | Moderate | Higher Education Instruction, Financial Aid & Research | Regional | No | No |
| Program Summary Included | | | | | | | | | | |

Notes: • 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.

• Statutory Authority for the University of Houston System is provided by the following:

Education Code, Section 111.20

- (a) The University of Houston System hereby created is composed of all those institutions and entities presently under the governance, control, jurisdiction, and management of the Board of Regents of the University of Houston.
- (b) The University of Houston System shall also be composed of such other institutions and entities as from time to time may be assigned by specific legislative act to the governance, control, jurisdiction, and management of the University of Houston System.
- (c) The governance, control, jurisdiction, organization, and management of the University of Houston System is hereby vested in the present Board of Regents of the University of Houston, which will hereinafter be known and designated as the Board of Regents of the University of Houston System.

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? |

Education Code, Section 111.21

- (a) The board shall establish a central administration office 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 office as may be deemed appropriate. The term of appointment, salary, and duties of each such officer shall be determined by the board.
- (c) The chief executive officer shall be responsible for the administration of the system through a central administrative office under the provisions of Section 51.353 of this code.
- (d) In addition to other powers and duties provided by this code or other law, the central administration office of the system shall recommend necessary 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 111.42

- (a) The board shall develop and establish a business technology outreach program to assist businesses in this state to make use of technology developed by the National Aeronautics and Space Administration. The board shall work with the National Aeronautics and Space Administration, appropriate businesses, and economic development organizations in this state to carry out the program.
- (b) From money appropriated to or otherwise under the control of the board, the board may award grants to economic development organizations for use in recruiting appropriate businesses for participation in the program and to provide other appropriate assistance to program participants.
- (c) The board shall appoint an advisory board of technical advisors to evaluate requests from economic development organizations and businesses for assistance under the program and advise the board on distribution of the assistance.
- (d) The board shall adopt rules to administer the program, including rules relating to application and eligibility for grants. The board may enter into agreements as necessary to carry out the program.

Education Code, Section 55.1715

- (a) In addition to the authority granted by Sections 55.13, 55.14, 55.17, 55.171, and 55.19 of this code, the board of regents of the University of Houston System may acquire, purchase, construct, improve, renovate, enlarge, or equip property, buildings, structures, facilities, roads, or related infrastructure for the University of Houston--Downtown to be financed by the issuance of bonds in accordance with this subchapter and in accordance with a systemwide revenue financing program adopted by the board in an aggregate principal amount not to exceed \$22.4 million.
- (b) The board may pledge irrevocably to the payment of those bonds all or any part of the revenue funds of an institution, branch, or entity of the University of Houston System, including student tuition charges required or authorized by law to be imposed on students enrolled at an institution, branch, or entity of the University of Houston System. The amount of a pledge made under this subsection may not be reduced or abrogated while the bonds for which the pledge is made, or bonds issued to refund those bonds, are outstanding.
- (c) If sufficient funds are not available to the board to meet its obligations under this section, the board may transfer funds among institutions, branches, and entities of the University of Houston System to ensure the most equitable and efficient allocation of available resources for each institution, branch, or entity to carry out its duties and purposes.

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Schedule 2B: Program Listing -- Fiscal

| Agency Submission | | | | | Review and Analysis | | | | | | | | | |
|-------------------|--------------------------------------|------------------------------|---------------------|----------------------|----------------------|----------------|----------------------|----------------|--------------------------|-----------------------|--------------------|---|--------------------------------------|--|
| 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? | Appropriate Use of Constitutional and GR-Dedicated Funds? | Agency Funding Alternatives in Recs? | |
| 1 | UH-Clear Lake TRB Retirement | \$2,988,973 | \$0 | \$5,764,239 | \$5,562,641 | 0.0 | \$5,581,809 | 0.0 | 0.3% | 0.0 | No | NA | No | |
| 1 | UH-Downtown TRB Retirement | \$6,175,328 | \$0 | \$12,219,649 | \$12,099,231 | 0.0 | \$11,916,832 | 0.0 | -1.5% | 0.0 | No | NA | No | |
| 1 | UH-Victoria TRB Retirement | \$4,051,744 | \$0 | \$7,801,338 | \$7,508,272 | 0.0 | \$7,512,919 | 0.0 | 0.1% | 0.0 | No | NA | No | |
| 1 | University of Houston TRB Retirement | \$10,688,782 | \$0 | \$20,968,808 | \$19,764,105 | 0.0 | \$19,714,733 | 0.0 | -0.2% | 0.0 | No | NA | No | |
| 2 | System Operations | \$391,600 | \$3,728,985 | \$2,850,000 | \$2,850,000 | 14.1 | \$2,850,000 | 14.1 | 0.0% | 0.0 | No | NA | No | |
| 3 | NASA Programs | \$200,000 | \$1,597,172 | \$1,173,922 | \$1,423,922 | 0.0 | \$1,423,922 | 0.0 | 0.0% | 0.0 | No | NA | No | |
| Total | Program Summary Included | | \$ 5,326,157 | \$ 50,777,956 | \$ 49,208,171 | 14.1 | \$ 49,000,215 | 14.1 | -0.4% | 0.0 | | | | |

Notes: The appropriations listed here are the General Revenue Funds directly appropriated to the University of Houston System.

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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 as Introduced |
| 1 | UH-Clear Lake TRB Retirement | ↑ | Recommendations for 2016-17 for debt service at the University of Houston System equal requested amounts, which is consistent with recommendations for all debt service items for institutions of higher education. |
| 1 | UH-Downtown TRB Retirement | ↓ | Recommendations for 2016-17 for debt service at the University of Houston System equal requested amounts, which is consistent with recommendations for all debt service items for institutions of higher education. |
| 1 | UH-Victoria TRB Retirement | ↑ | Recommendations for 2016-17 for debt service at the University of Houston System equal requested amounts, which is consistent with recommendations for all debt service items for institutions of higher education. |
| 1 | University of Houston TRB Retirement | ↓ | Recommendations for 2016-17 for debt service at the University of Houston System equal requested amounts, which is consistent with recommendations for all debt service items for institutions of higher education. |
| 2 | System Operations | = | Recommendations for 2016-17 for this program equal 2014-15 funding levels, which is consistent with recommendations for all university system offices' System Office Operations strategies. |
| 3 | NASA Programs | = | Recommendations for 2016-17 for this program equal 2014-15 funding levels, which is consistent with recommendations for all university system offices' special item related strategies. |

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 | | |
|--|-----------------|---------------------------|---|-----------------------|
| | | Weak | Moderate | Strong |
| A U T H O R I T Y | Strong | | UH-Clear Lake TRB Retirement (1) UH-Downtown TRB Retirement (1) UH-Victoria TRB Retirement (1) University of Houston TRB Retirement (1) NASA Programs (3) | System Operations (2) |
| | Moderate | | | |
| | Weak | | | |

Note: The matrix does not include Indirect Administration programs.

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Schedule 5: Program Summary
House Budget Recommendations: HB 1 as Introduced

Program: TRB Retirement

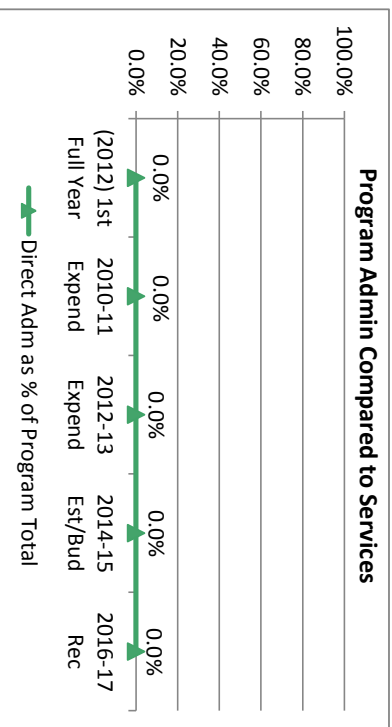
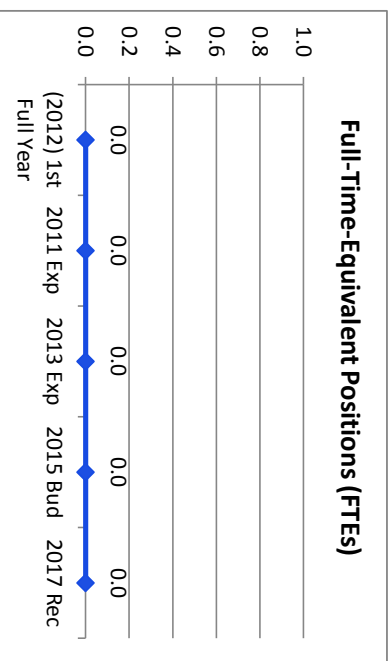
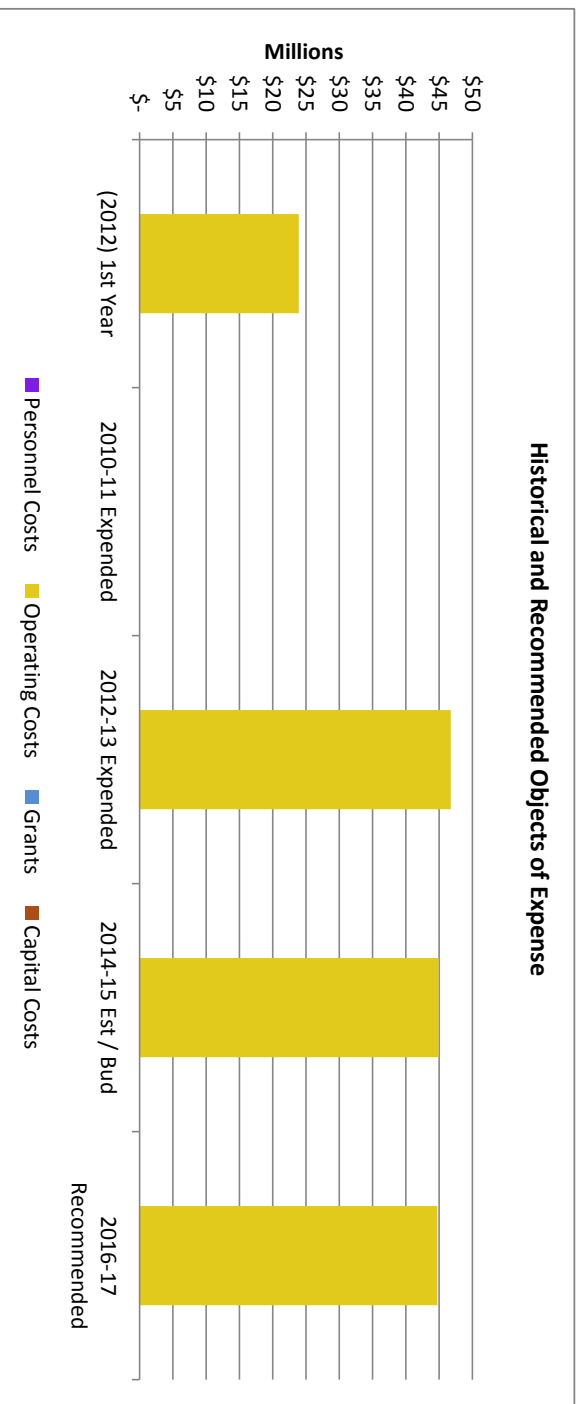
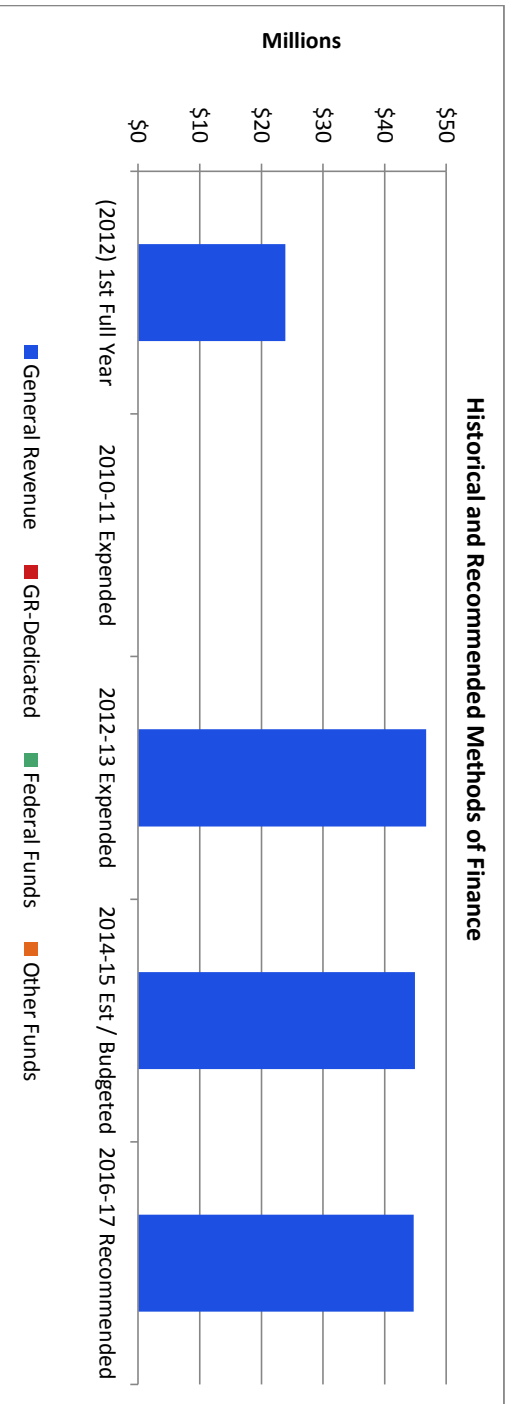
Agency Ranking **1**
out of 6

Funding for debt service reimbursement on tuition revenue bonds.

Legal Authority: Education Code, Ch. 55

| | | | | | | | |
|---------------------|----------|-------------------------------------|----------|-------------------------------|--|--|----|
| Year Created | 2012 | Performance and/or Authority | Strong | Operational Issue No | | Outsourced Services Revenue Supported | No |
| Centrality | Moderate | Service Area | Regional | State Service Category | Higher Education Instruction, Financial Aid & Research | Use of Dedicated Funds | NA |

| Major Activities | 2014-15 Estimated | 2015 FTEs | 2016-17 Recommend | 2017 FTEs | % of Total |
|------------------|----------------------|------------|---------------------|------------|---------------|
| TRB Retirement | \$44,934,249 | 0.0 | \$44,726,293 | 0.0 | 100.0% |
| TOTAL | \$ 44,934,249 | 0.0 | \$44,726,293 | 0.0 | 100.0% |



Program: TRB Retirement

Agency Ranking **1**
out of 6

Summary of Recommendations and Fiscal and Policy Issues

1 Debt Service. Recommendations for 2016-17 provide for amounts requested by the University of Houston System to pay existing tuition revenue bond 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
 All 2016-17 funding recommendations reflect HB 1 as Introduced

Program: System Office Operations - Direct Appropriations

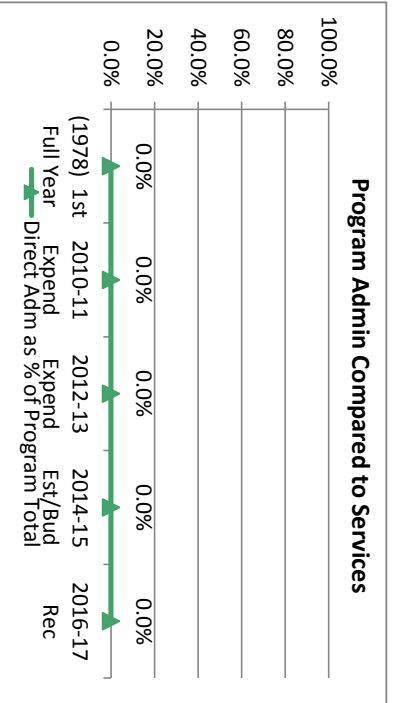
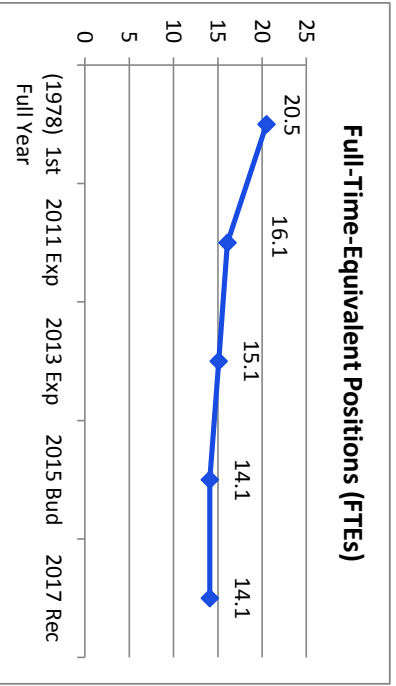
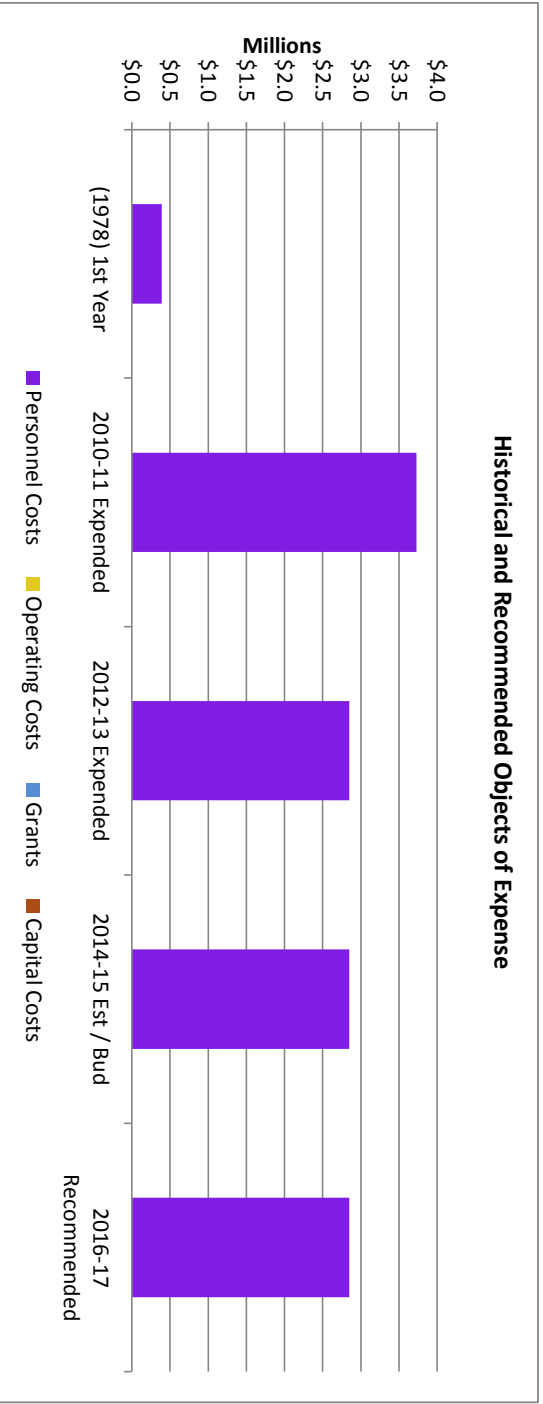
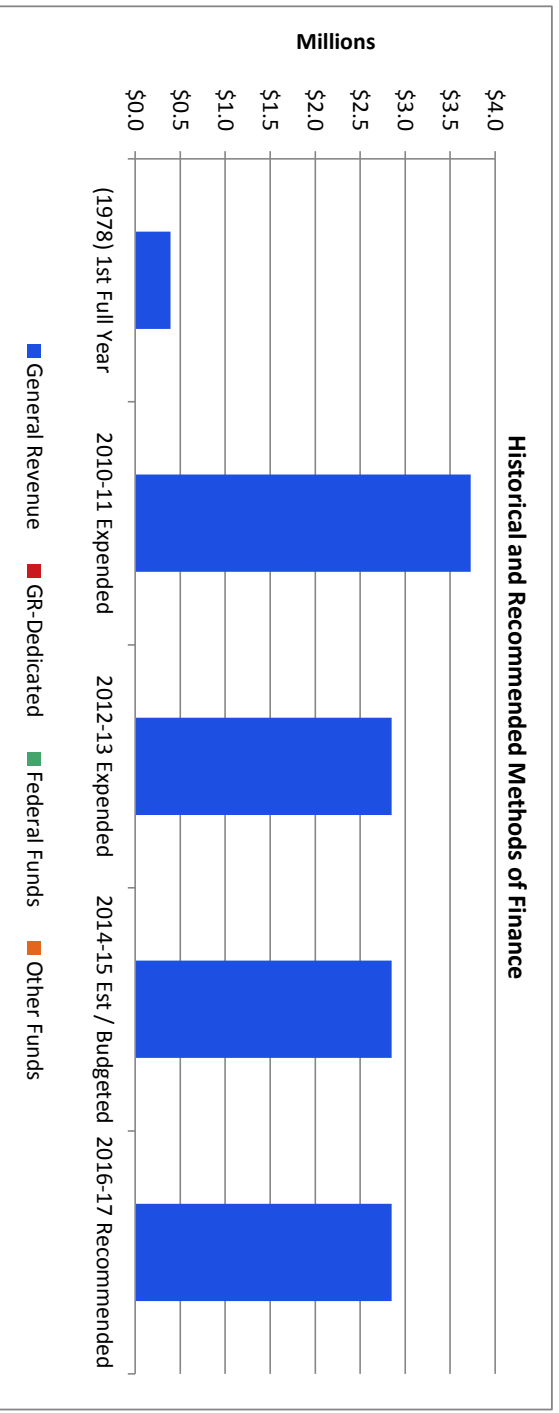
Agency Ranking **2** out of 6

Funding provides support for the operations of the University of Houston's System Administration office. The system office provides coordination and planning to improve efficiencies.

Legal Authority: Education Code, Ch. 111

| | | | | | | | |
|---------------------|--------|-------------------------------------|-----------|-------------------------------|--|-------------------------------|----|
| Year Created | 1978 | Performance and/or Authority | Strong | Operational Issue No | | Outsourced Services | No |
| Centrality | Strong | Service Area | Statewide | State Service Category | Higher Education Instruction, Financial Aid & Research | Revenue Supported | No |
| | | | | | | Use of Dedicated Funds | NA |

| Major Activities | 2014-15 Estimated | 2015 FTEs | 2016-17 Recommend | 2017 FTEs | % of Total |
|------------------|---------------------|-------------|---------------------|-------------|---------------|
| Board of Regents | \$ 299,444 | 2.4 | \$ 299,444 | 2.4 | 10.5% |
| Audit | \$ 625,682 | 2.0 | \$ 625,682 | 2.0 | 22.0% |
| Legal | \$ 625,682 | 1.0 | \$ 625,682 | 1.0 | 22.0% |
| Chancellor | \$ 1,299,192 | 8.7 | \$ 1,299,192 | 8.7 | 45.6% |
| TOTAL | \$ 2,850,000 | 14.1 | \$ 2,850,000 | 14.1 | 100.0% |



Program: System Office Operations - Direct Appropriations

Summary of Recommendations and Fiscal and Policy Issues

1 Direct Appropriations. Recommendations for the University of Houston System maintain \$2.9 million in General Revenue appropriations. The recommended level is consistent among the four university systems who do not receive an allocation from the Available University Fund.

Recommendations would provide funding for the following Activities and full-time equivalent (FTE) positions within the System Office Operations Program. All six university systems were instructed to use these activity categories in their submissions to allow for comparative analysis among the systems.

| Activities | Recommended | FTEs |
|-----------------------------------|--------------------|-------------|
| Board of Regents | \$ 299,444 | 2.4 |
| Audit | \$ 625,682 | 2.0 |
| Legal | \$ 625,682 | 1.0 |
| Business & Financial | | |
| Academic Affairs | | |
| Governmental Relations | | |
| External Relations & Fund Raising | | |
| Strategic Initiatives & Planning | | |
| Facilities | | |
| Office of the Chancellor | \$ 1,299,192 | 8.7 |
| Health Affairs | | |
| TOTAL | \$2,850,000 | 14.1 |

2 Funds Outside the Bill Pattern. The University of Houston System estimates in 2016-17 it will have access to \$17.2 million in funds outside its bill pattern to support its system office operations. The funds would be a combination of transfers from its various component institutions and endowment and interest income. The system estimates funding will support an additional 52.2 FTEs per year 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 | |
| 1 Reduce General Revenue by twenty percent. The University of Houston System did not provide specific funding alternatives for reduced funding. It did note that in the event of an across the board reduction it would likely have to rely on additional transfers from its component institutions. The system reported that a twenty percent reduction in General Revenue appropriations would likely result in the loss of 2.5 full-time equivalent positions. | \$ (570,000) | \$ (570,000) | (2.5) |
| 2 Increase General Revenue 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 transfers from component institutions. | \$ 570,000 | \$ 570,000 | 2.5 |

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Schedule 5: Program Summary

All 2016-17 funding recommendations reflect HB 1 as Introduced

Program: NASA Programs

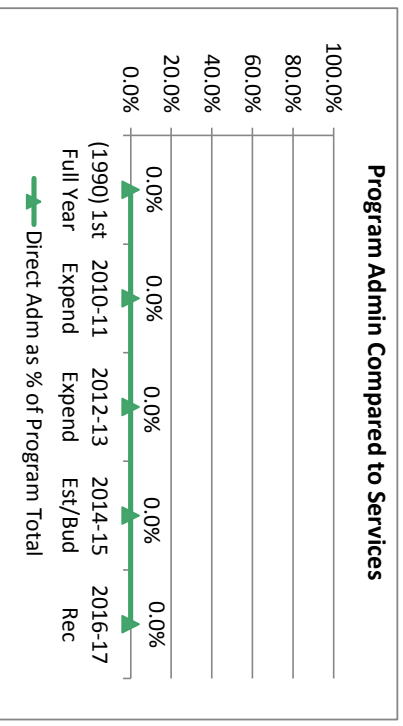
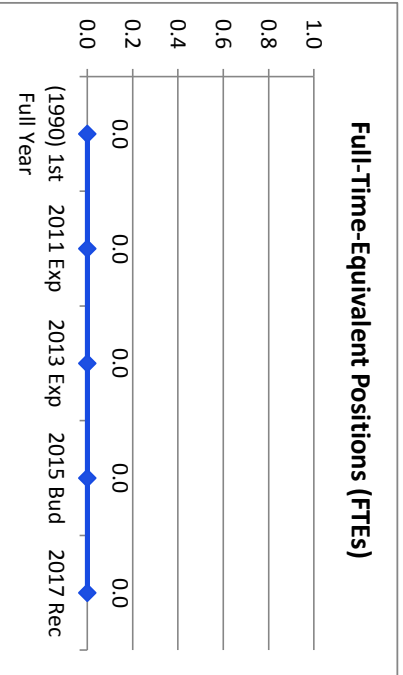
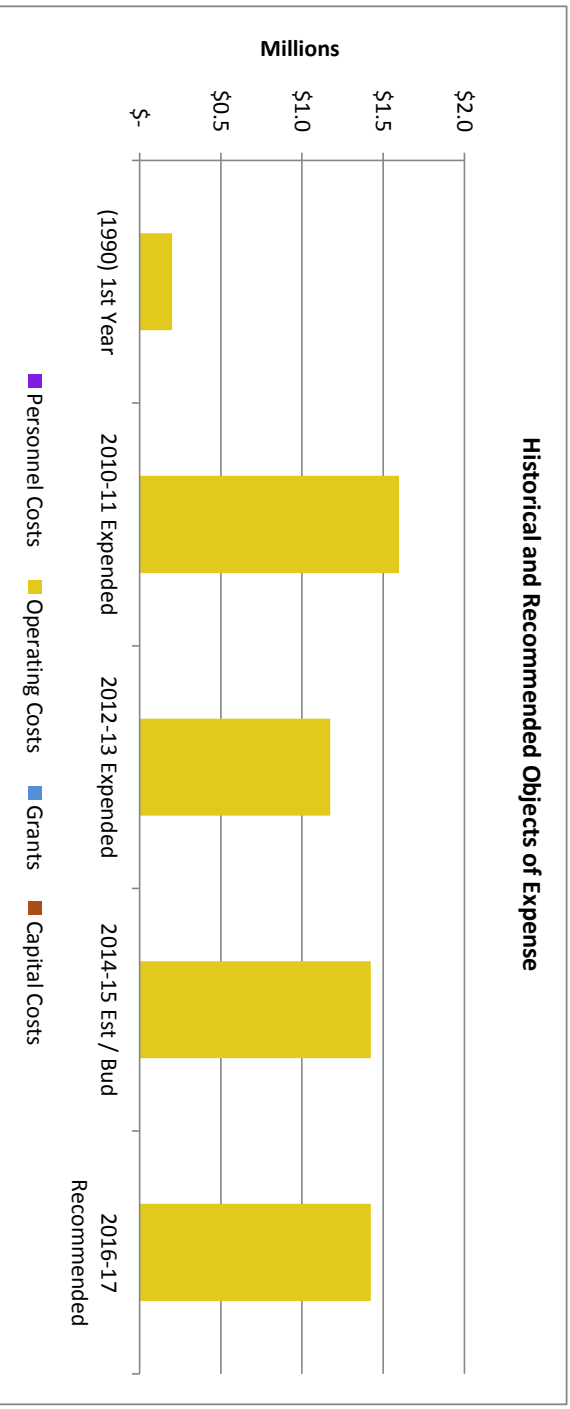
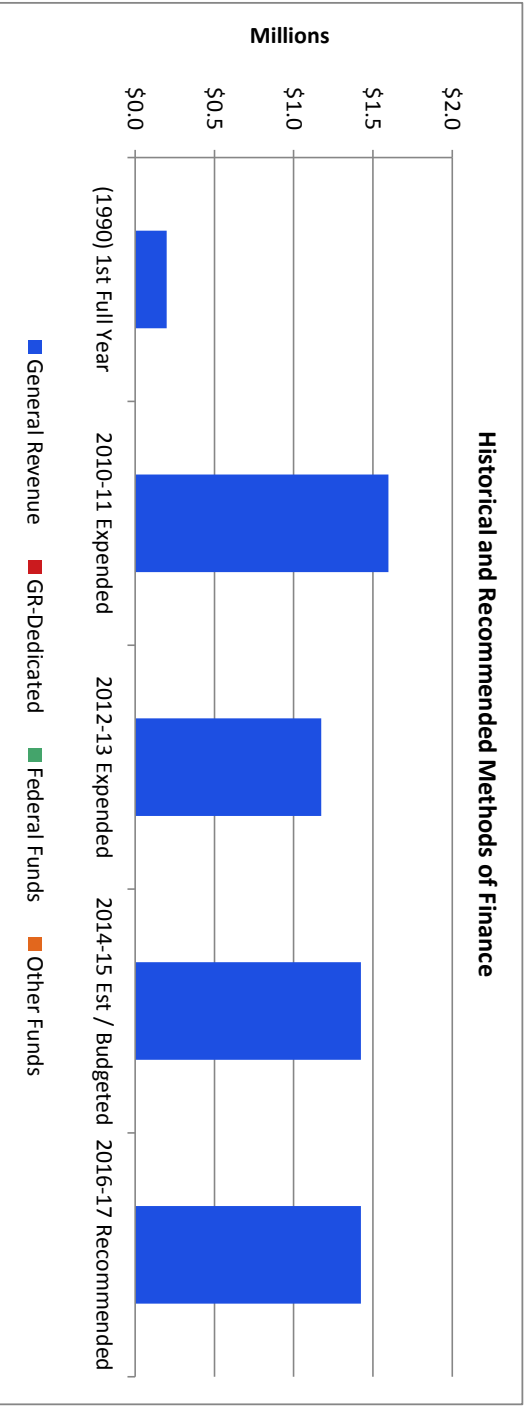
Agency Ranking
3 out of 6

The Texas Aerospace Scholars provides educational and internship experiences. The Technology Outreach Program makes aerospace technology available to the private sector.

Legal Authority: Education Code, Ch. 111.42

| | | | | | |
|---------------------|----------|--|--|-------------------------------|----|
| Year Created | 1990 | Performance and/or Operational Issue No | | Outsourced Services | No |
| Authority | Moderate | | | Revenue Supported | No |
| Centrality | Moderate | | | Use of Dedicated Funds | NA |
| Service Area | Regional | State Service Category | Higher Education Instruction, Financial Aid & Research | | |

| Major Activities | 2014-15 Estimated | 2015 FTEs | 2016-17 Recommend | 2017 FTEs | % of Total |
|------------------|---------------------|------------|---------------------|------------|---------------|
| NASA Programs | \$ 1,423,922 | 0.0 | \$ 1,423,922 | 0.0 | 100.0% |
| | \$ - | 0.0 | \$ - | 0.0 | 0.0% |
| | \$ - | 0.0 | \$ - | 0.0 | 0.0% |
| | \$ - | 0.0 | \$ - | 0.0 | 0.0% |
| TOTAL | \$ 1,423,922 | 0.0 | \$ 1,423,922 | 0.0 | 100.0% |



Program: NASA Programs

Agency Ranking **3** out of 6

Summary of Recommendations and Fiscal and Policy Issues

1 NASA. Recommendations provide \$1.4 million in General Revenue funding for its outreach programs with NASA. Recommendations provide level funding across all special items at university system offices.

Recommended Statutory Changes for Program Improvement

1 None.

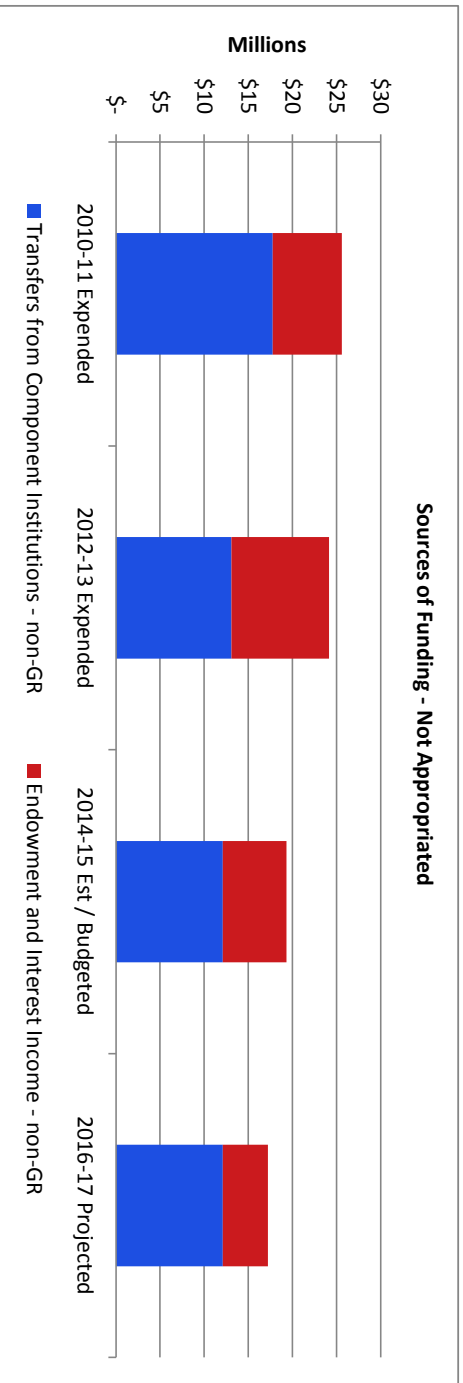
| Funding Alternatives Not Included in the Recommendations | Change from Recommendations | | 2017 FTEs |
|--|-----------------------------|--------------|-----------|
| | GR-Related | All Funds | |
| 1 Reduce General Revenue by twenty percent. The University of Houston System did not provide specific funding alternatives for reduced funding. It noted that were the Texas Aerospace Scholars Program were reduced by twenty percent that it would cut the number of scholar participants with the program by 40. | \$ (284,784) | \$ (284,784) | 0.0 |
| 2 Increase General Revenue 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 transfers from component institutions. | \$ 284,784 | \$ 284,784 | 0.0 |

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Schedule 6: - Funds Outside the Bill Pattern

The University of Houston System receives indirect appropriations for benefits as well as non-appropriated funds from component institutions and endowment and interest income. Tables below represent only non-appropriated funds the system receives.

| Source of Funding | 2010-11 Expended | 2012-13 Expended | 2014-15 Est / Budgeted | 2015 FTEs Budgeted | 2016-17 Projected | 2017 FTEs Projected |
|--|----------------------|----------------------|------------------------|--------------------|----------------------|---------------------|
| Transfers from Component Institutions - non-GR | \$ 17,783,146 | \$ 13,101,738 | \$ 12,111,703 | 32.7 | \$ 12,125,214 | 36.7 |
| Endowment and Interest Income - non-GR | \$ 7,811,784 | \$ 11,064,176 | \$ 7,197,580 | 19.5 | \$ 5,100,876 | 15.5 |
| Total | \$ 25,594,930 | \$ 24,165,914 | \$ 19,309,283 | 52.2 | \$ 17,226,090 | 52.2 |



| Programs Supported by Funds Outside the Bill Pattern | 2010-11 Expended | 2012-13 Expended | 2014-15 Est / Budgeted | 2016-17 Projected |
|--|----------------------|----------------------|------------------------|----------------------|
| System Office Operations | \$ 25,594,930 | \$ 24,165,914 | \$ 19,309,283 | \$ 17,226,090 |
| Total | \$ 25,594,930 | \$ 24,165,914 | \$ 19,309,283 | \$ 17,226,090 |

