

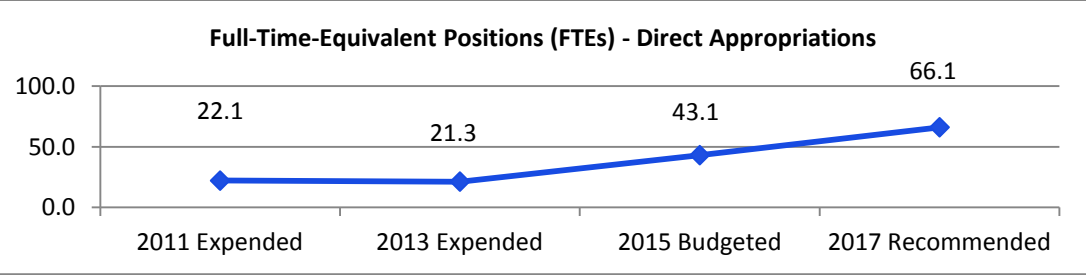
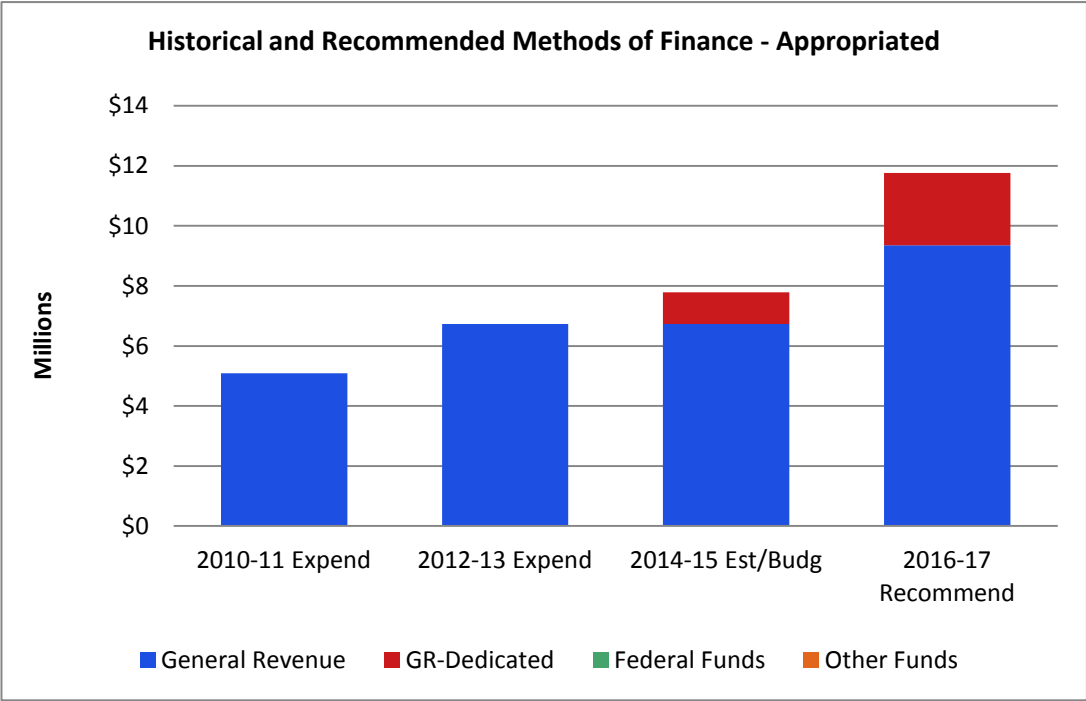
Strategic Fiscal Review 2016-17 - Senate
769 - University of North Texas System Administration

Schedule 1: Agency Overview

Mission Statement: The role of the University of North Texas System Administration provides 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. 105 and Education Code, Ch. 51.353

Total Number of Programs: 4



Overview and Significant Findings

- **Composition.** The University of North Texas (UNT) System operates three institutions in North Texas: University of North Texas in Denton, UNT Texas Health Science Center in Fort Worth, UNT at Dallas, and UNT at Dallas College of Law, which is administered by the UNT System Administration while it transitions to an accredited state institution. Enrollment for Fall 2013 was 40,441 students at UNT System institutions, a 26 percent increase over Fall 2003.
- **Function.** The UNT System Administration, founded in 1999, provides governance and service to the UNT System component institutions in the areas of law, finance, and audit, and shared services for system and university business services, information technology, and human resources.
- **Funding.** Recommendations for the UNT System are \$11.8 million for the 2016-17 biennium. Of that amount, \$8.0 million is formula and non-formula funding to the system administration for support of the law school. The recommended increase in General Revenue-Dedicated funds reflects increased estimated tuition revenue at the law school in 2016-17. In addition, the system estimates receiving an additional \$88.4 million in funds outside the bill pattern, for a total of \$100.2 million in estimated funding available to the system for the 2016-17 biennium.
- **Available University Fund.** The University of North Texas System does not receive appropriations from the Available University Fund.
- **Full-Time Equivalent Positions.** The system has a total of 459.4 FTEs budgeted for FY 2015: 43.1 from direct appropriations, 236.7 from GR transfers from component institutions, 177.6 from non-GR transfers from component institutions, and 2 from auxiliary funds.

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Schedule 2A: Program Listing -- Services and Administration

Agency Submission		LBB Staff 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	Law School	2010	Education Code, Sec. 105.502	N/A	Strong	Strong	Higher Education Instruction, Financial Aid & Research	Statewide	No	No
1	System Office Operations	1999	Education Code, Ch. 105 and Education Code, Ch. 51.353	N/A	Strong	Strong	Higher Education Instruction, Financial Aid & Research	Statewide	Yes	No
3	Universities Center at Dallas	1996	Education Code, Ch. 105	N/A	Weak	Moderate	Higher Education Instruction, Financial Aid & Research	Regional	No	No
4	Federation of North Texas Universities	1968	Education Code, Ch. 105	N/A	Weak	Moderate	Higher Education Instruction, Financial Aid & Research	Regional	No	No

- Notes:**
- The University of North Texas System Administration was established in 1999, however the year 2002 was listed as the first full year of funding in this submission.
 - Significant audit findings for System Office Operations have been addressed.
 - 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 NorthTexas System is provided by the following:

Education Code, Section 105.502

- (a) The board may establish and operate a school of law in the city of Dallas as a professional school of the University of North Texas System.
- (b) In administering the law school, the board may prescribe courses leading to customary degrees offered at other leading American schools of law and may award those degrees.
- (c) Until the University of North Texas at Dallas has been administered as a general academic teaching institution for five years, the board shall administer the law school as a professional school of the system. After that period, the law school shall become a professional school of the University of North Texas at Dallas. Until the law school becomes a professional school of the University of North Texas at Dallas, the law school:
 - (1) is considered an institution of higher education under Section 61.003 for all purposes under other law; and
 - (2) is entitled to formula funding as if the law school were a professional school of a general academic teaching institution.
- (d) Before the board establishes a law school under this section, but not later than June 1, 2010, the Texas Higher Education Coordinating Board shall prepare a feasibility study to determine the actions the system must take to obtain accreditation of the law school. The Texas Higher Education Coordinating Board shall deliver a copy of the study to the chair of each legislative standing committee or subcommittee with jurisdiction over higher education.
- (e) The board may solicit and accept gifts, grants, and donations from any public or private source for the purposes of this section.

Schedule 2A: Program Listing -- Services and Administration

Agency Submission		LBB Staff 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 105.051

The organization, control, and management of the University of North Texas System and each component institution of the system is vested in a board of nine regents appointed by the governor and confirmed by the senate.

Education Code, Section 105.101

- (a) The board may direct, govern, operate, support, maintain, manage, and control the system.
- (b) The board may: (1) erect, equip, maintain, and repair system buildings; (2) purchase libraries, furniture, equipment, fuel, and supplies necessary to operate the system; (3) employ and discharge personnel, including faculty, to carry out the board's powers and duties; (4) adopt rules and policies for the administration of the board's powers and duties; (5) in accordance with the rules of the Texas Higher Education Coordinating Board, prescribe for each component institution programs and courses leading to customary degrees as are offered at outstanding American universities and award those degrees, including baccalaureate, master's, and doctoral degrees and their equivalents; (6) establish admission standards for each component institution; (7) perform other acts that contribute to the development of the system or to the welfare of students of component institutions; and (8) delegate a power or assign a duty of the board to an officer, employee, or committee designated by the board.
- Universities Center at Dallas: System cites Ch. 105, Education Code, which provides for the administration of the UNT System. That chapter of the Education Code does not include establishment of the Universities Center at Dallas program.
 - Federation of North Texas Universities: System cites Ch. 105, Education Code, which provides for the administration of the UNT System. That chapter of the Education Code does not include establishment of the program. The Federation of North Texas Universities was mandated in 1968 by a resolution of THECB for the purpose of forming a cooperative arrangement among three north Texas institutions to avoid duplication of faculty, course offerings, and degree programs.

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Schedule 2B: Program Listing -- Fiscal

Agency Submission					LBB Staff 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 Recommended	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	Law School	\$ 5,000,000	\$ -	\$ 2,940,000	\$ 3,995,553	29.0	\$ 8,622,166	52.0	115.8%	23.0	No	Compliant	No
1	System Office Operations	\$ 100,000	\$ 3,800,000	\$ 2,850,000	\$ 2,850,000	14.1	\$ 2,850,000	14.1	0.0%	0.0	No	Compliant	No
3	Universities Center at Dallas	\$ 178,000	\$ 1,158,004	\$ 851,134	\$ 851,134	0.0	\$ 851,134	0.0	0.0%	0.0	No	Compliant	No
4	Federation of North Texas Universities	\$ 54,000	\$ 127,197	\$ 91,092	\$ 91,092	0.0	\$ 91,092	0.0	0.0%	0.0	No	Compliant	No
Total			<u>\$ 5,085,201</u>	<u>\$ 6,732,226</u>	<u>\$ 7,787,779</u>	<u>43.1</u>	<u>\$ 12,414,392</u>	<u>66.1</u>	<u>59.4%</u>	<u>23.0</u>			
Program Summary Included													

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

Qualified indicates that the agency may be using the funds for the purpose(s) intended or for similar purposes which are not specifically authorized by the constitution or statute, or that there may be conflicts within authorizing laws.

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Schedule 2C: Program Listing -- Explanation of Recommendations

Agency Submission		LBB Staff Review and Analysis	
Agency Ranking	Program Name	Funding Compared to 2014-15	Explanation of Recommendations
1	Law School		Recommendations provide funding for UNT Dallas School of Law in 2016-17 at the UNT System Administration due to an accreditation issue. In future biennia appropriations likely would be made directly to UNT Dallas. Recommendations include formula and non-formula funding for the law school.
1	System Office Operations		Recommendation provide funding for System Office Operations at identical levels to the 2014-15 biennium, consistent with recommendations at all university system offices.
3	Universities Center at Dallas		Recommendations for 2016-17 equal 2014-15 funding levels, which is consistent with recommendations for all university system offices' special item related strategies.
4	Federation of North Texas Universities		Recommendations for 2016-17 equal 2014-15 funding levels, which is consistent with recommendations for all university system offices' special item related strategies.
Program Summary Included			

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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 documents.
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
AUTHORITY	Strong	Law School (1)	System Office Operations (2)
	Moderate		
	Weak		Universities Center at Dallas (3) Federation of North Texas Universities (4)

Note: The matrix does not include Indirect Administration programs.

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Schedule 5: Program Summary

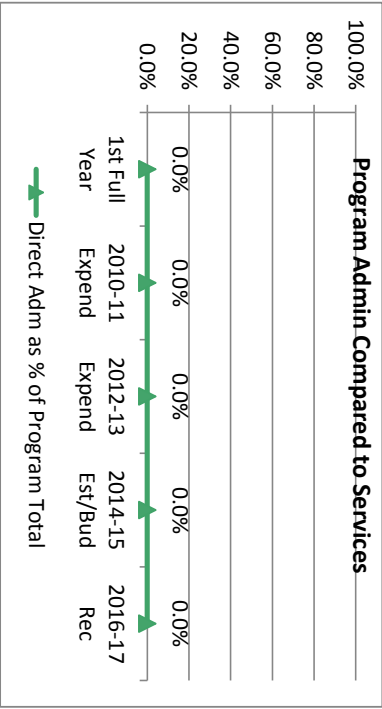
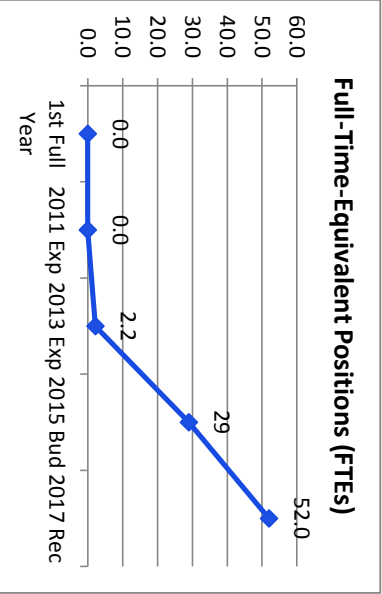
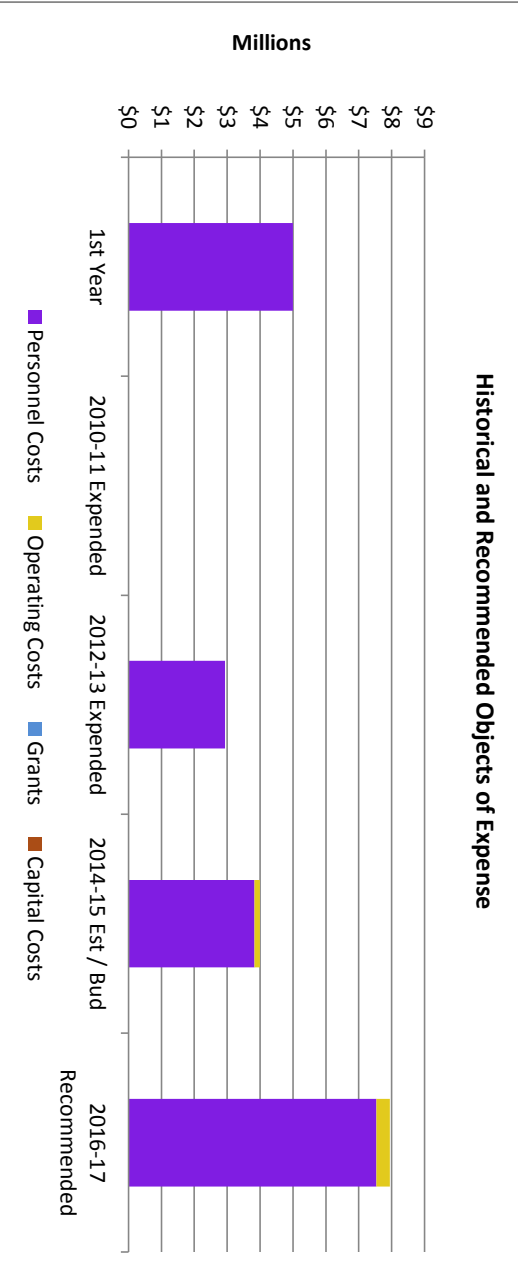
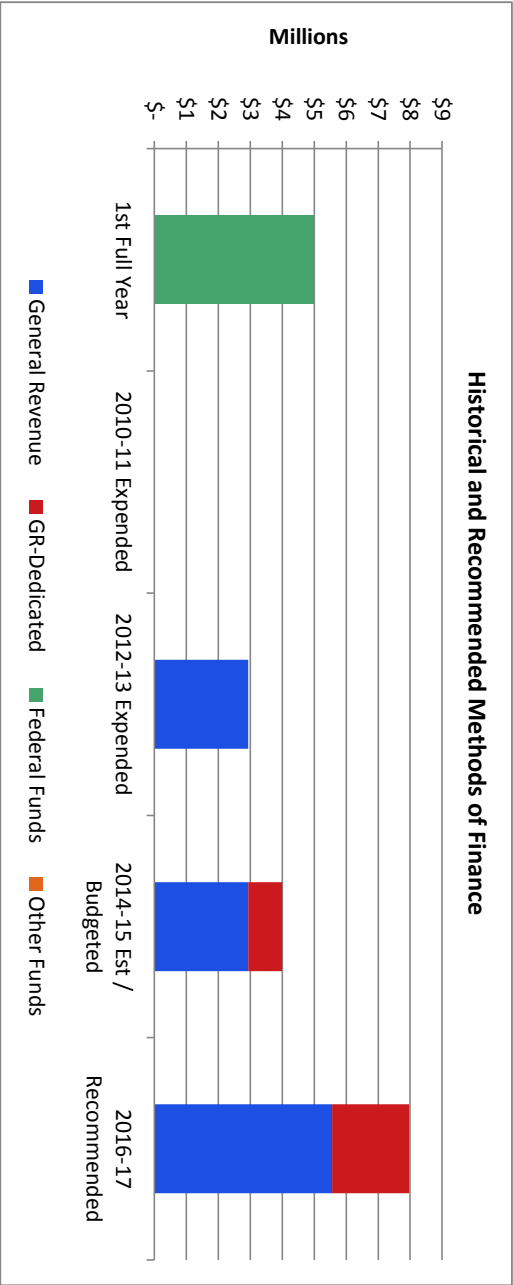
Program: Law School	Agency Ranking1 out of 4
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Funding for the University of North Texas at Dallas College of Law.

Legal Authority: Education Code, Sec. 105.502

Year Created	2010	Performance and/or Authority	Strong	Operational Issue No		Outsourced Services Revenue Supported	No
Centrality	Moderate					Use of Dedicated Funds	No
Service Area	Statewide	State Service Category	Higher Education Instruction, Financial Aid & Research				Compliant

Major Activities	2014-15 Estimated	2015 FTEs	2016-17 Recommend	2017 FTEs	% of Total
Law School	\$ 3,995,553	29.0	\$ 7,970,421	52.0	100.0%
	\$ -	0.0	\$ -	0.0	0.0%
TOTAL	\$ 3,995,553	29.0	\$ 7,970,421	52.0	100.0%



Summary of Recommendations and Fiscal and Policy Issues

1 Law School. Recommendations provide funding for UNT Dallas School of Law in 2016-17 at the UNT System Administration due to an accreditation issue regarding requiring two years of auditable financial statements separate from UNT Dallas. In future biennia, appropriations likely would be made directly to UNT Dallas. Recommendations include formula and non-formula funding for the law school. Recommendations provide \$5.6 million in General Revenue and \$3.1 million in statutory tuition.

2 First-year Funding. Federal funds in the first year were American Recovery and Reinvestment (ARRA) funds appropriated in the 2010-11 biennium.

Recommended Statutory Changes for Program Improvement

1 None.

Funding Alternatives Not Included in the Recommendations	Change from Recommendations		
	GR-Related	All Funds	2017 FTEs
1 Reduce General Revenue by twenty percent. The University of North Texas System did not provide specific funding alternatives for reduced funding. It did note that in the event of an across the board reduction would limit the law school's ability to grow and may reduce 10.4 FTEs.	\$ (588,000)	\$ (588,000)	(10.4)
2 The system provided that enhanced funding of \$12 million would allow the law school to grow and likely add a second or third class.	\$ 12,073,514	\$ 12,073,514	52.0

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Schedule 5: Program Summary - Direct Appropriations

Program: System Office Operations

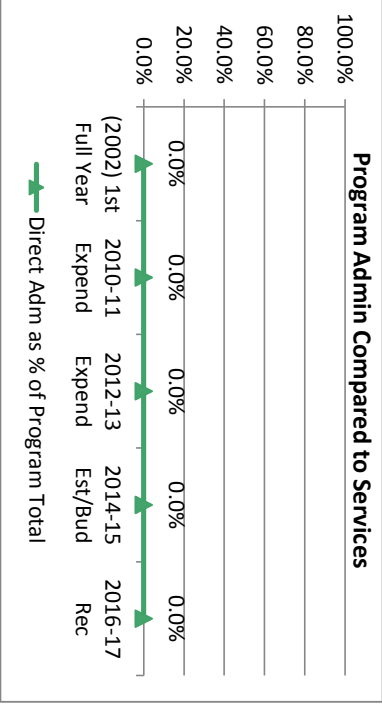
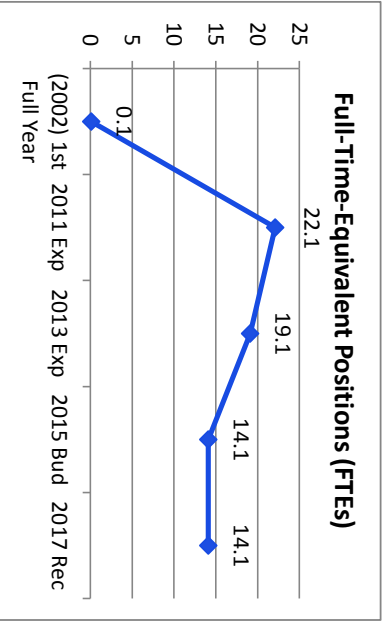
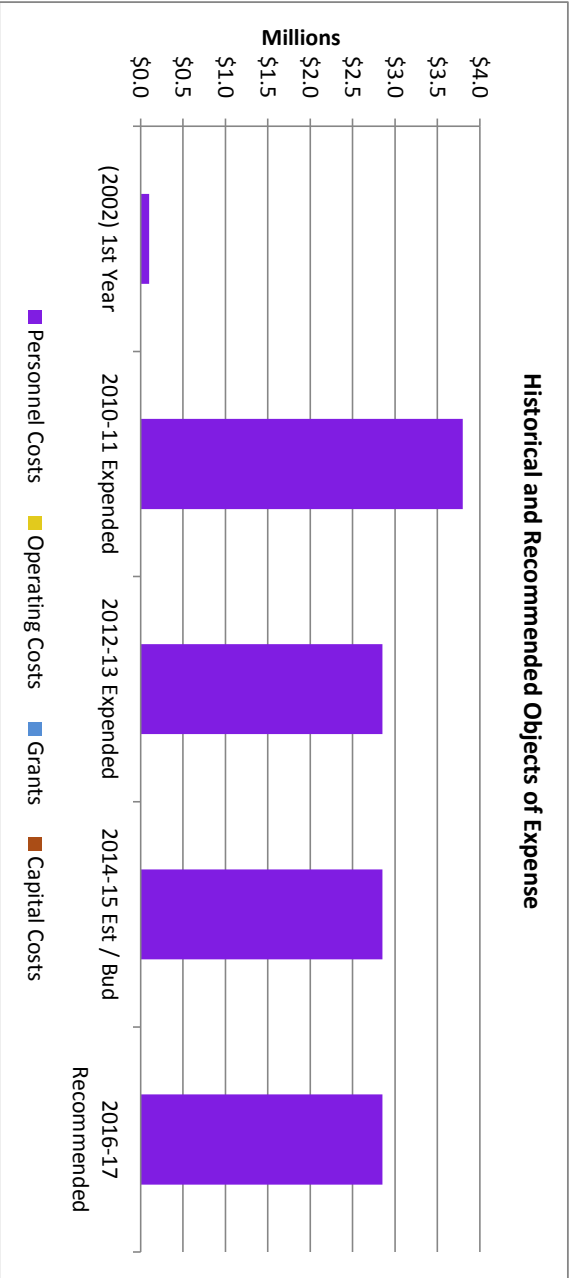
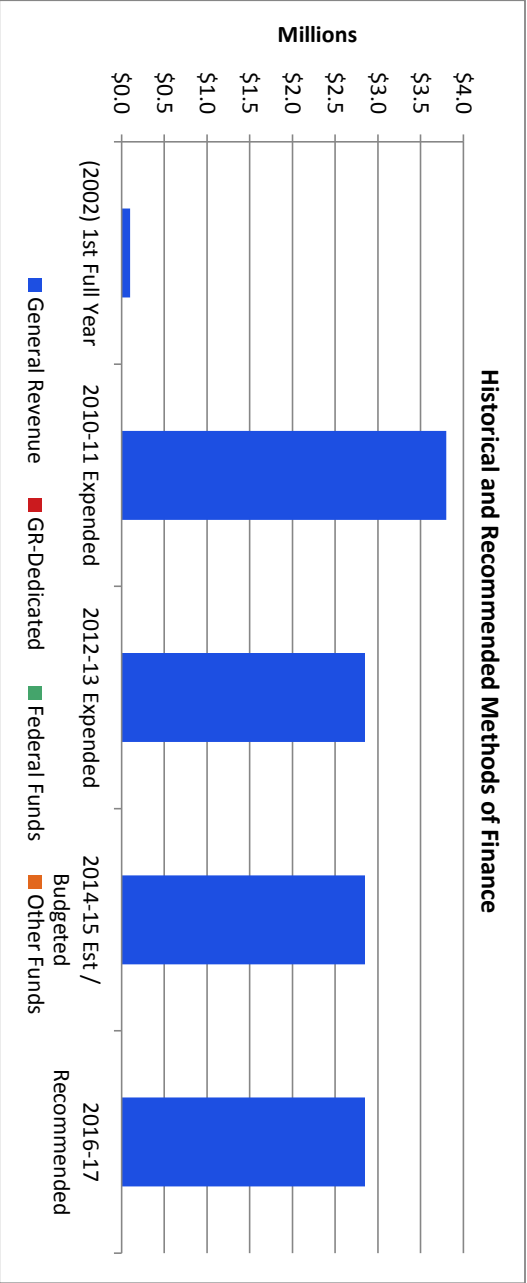
Agency Ranking	1 out of 4
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Funding provides support for the operations of the University of North Texas System Administration office. The system administration coordinates the activities of component institutions.

Legal Authority: Education Code, Ch. 105 and Education Code, Ch. 51.353

Year Created	2002	Performance and/or Authority	Strong	Outsourced Services	No
Centrality	Strong	Operational Issue	Partial	Revenue Supported	No
Service Area	Statewide	Use of Dedicated Funds	NA		
State Service Category	Higher Education Instruction, Financial Aid & Research				

Major Activities	2014-15 Estimated	2015 FTEs	2016-17 Recommend	2017 FTEs	% of Total
Audit	\$ -	0.0	\$ -	0.0	0.0%
Legal	\$ 2,696,330	12.0	\$ 2,696,330	12.0	94.6%
Business and Financial Services	\$ 13,208	0.0	\$ 13,208	0.0	0.5%
Chancellor's Office	\$ 140,462	0.1	\$ 140,462	0.1	4.9%
Academic Affairs	\$ -	2.0	\$ -	2.0	0.0%
TOTAL	\$ 2,850,000	14.1	\$ 2,850,000	14.1	100.0%



Summary of Recommendations and Fiscal and Policy Issues

1 **Direct Appropriations.** Recommendations for the University of North Texas System maintain \$2.9 million in General Revenue appropriations. This recommended funding 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 system activities and full-time equivalent (FTE) positions within the System Office Operations Program. All six university systems were instructed to use these nine activity categories in their submissions to allow for comparative analysis among the systems.

Activities	Recommended		FTEs
Board of Regents			
Audit			
Legal	\$	2,696,330	12.0
Business & Financial	\$	13,208	0.0
Academic Affairs			2.0
Governmental Relations			
External Relations & Fund Raising			
Strategic Initiatives & Planning			
Facilities			
Office of the Chancellor	\$	140,462	0.1
Health Affairs			
TOTAL		\$2,850,000	14.1

2 **Funds Outside the Bill Pattern.** The University of North Texas System estimates in 2016-17 it will have access to \$88.4 million in funds outside its bill pattern. Of this amount \$45.4 million is estimated to be non-General Revenue Funds transferred from its various component institutions. The system also estimates it will access \$31.8 million in General Revenue transferred from component institutions. Finally, the system estimates an additional 11.2 million in additional outside funds.

3 **Benefits Reporting.** During the interim, audit findings showed that the University of North Texas (UNT) had engaged in accounting practices that resulted in the institution receiving state-funded benefits for locally-funded employees. This included payments for group insurance, retirement, and social security. This discovery prompted the Governor to require all institutions of higher education to internally audit their benefits reporting practices and ensure all institutions were adhering to proportionality standards.

Over the course of the interim, UNT officials discovered accounting irregularities regarding how the institution managed its state appropriations. The institution's practice was to use General Revenue to pay employee salary and benefits and then reimburse their account with local funds as needed for locally funded employees. However, while the institution reimbursed the salary amounts for the locally funded employees, they did not reimburse the corresponding benefit expenses for those salaries, resulting in the institution drawing down General Revenue benefits for non-state funded employees. This practice violates the proportionality requirement provided in Article IX, Sec. 6.08, 2014-15 General Appropriations Act, which requires that employee benefits must be paid from the same source of funds as the salaries associated with those benefits.

4 Performance and/or Operational Issues

Audit Findings. UNT hired Deloitte to perform an independent audit of the institution's financial management practices and the State Auditor's Office (SAO) also conducted an audit reviewing Deloitte's audit. Both audits found evidence of the reporting practice being in place since at least fiscal year 2000. According to the Deloitte report, UNT received an estimated \$83.5 million in excess state funding since 2000. SAO determined the Deloitte estimates were reasonable, but identified \$7.9 million that may have been accounted for twice in the estimate. Therefore, SAO recommends "that the 84th Legislature require the University to reimburse at least \$75.6 million to the State's General Revenue Fund during the next 10 years."

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 North Texas 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 further on other institutional funds. The system reported that a twenty percent reduction in General Revenue appropriations would likely result in the loss of 2.8 full-time equivalent positions.	\$ (570,000)	\$ (570,000)		(2.8)
2 Enhance General Revenue funding by forty percent. The system provided that increased additional revenue would allow it to increase efficiencies and for its component institutions to retain additional revenues.	\$ 1,150,000	\$ 1,150,000		5.7

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Schedule 5: Program Summary

Program: Universities Center at Dallas

Agency Ranking

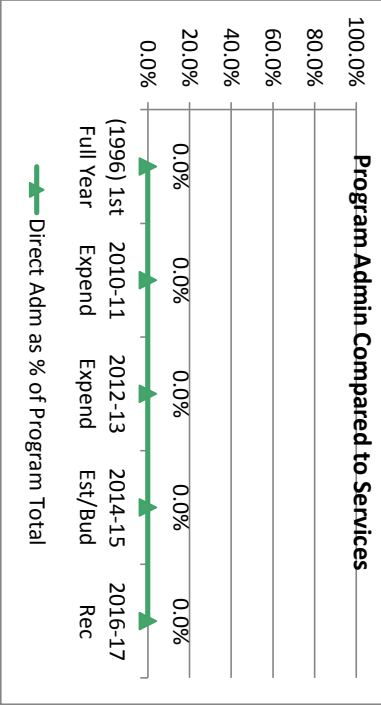
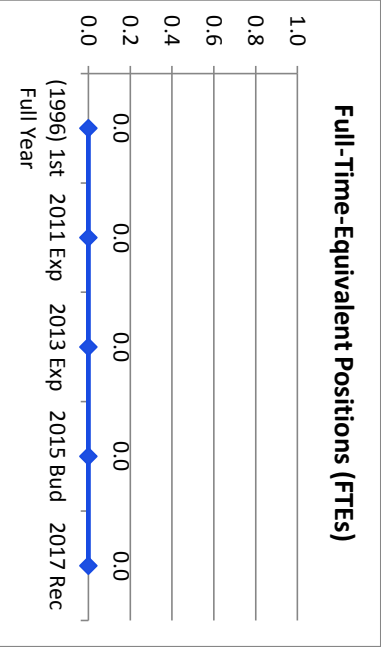
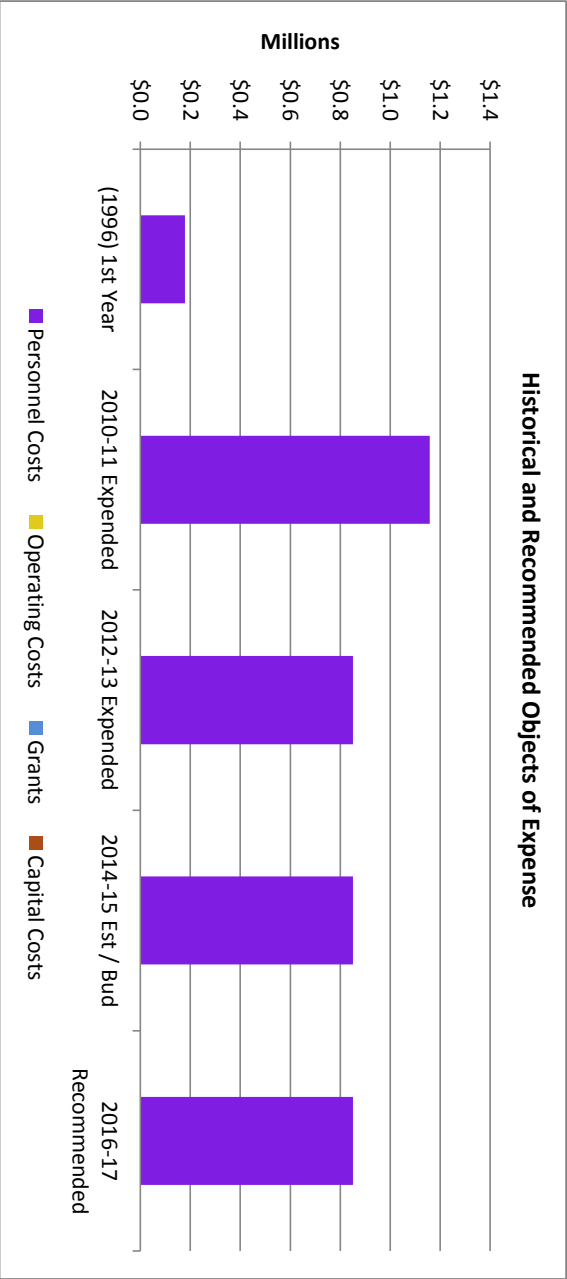
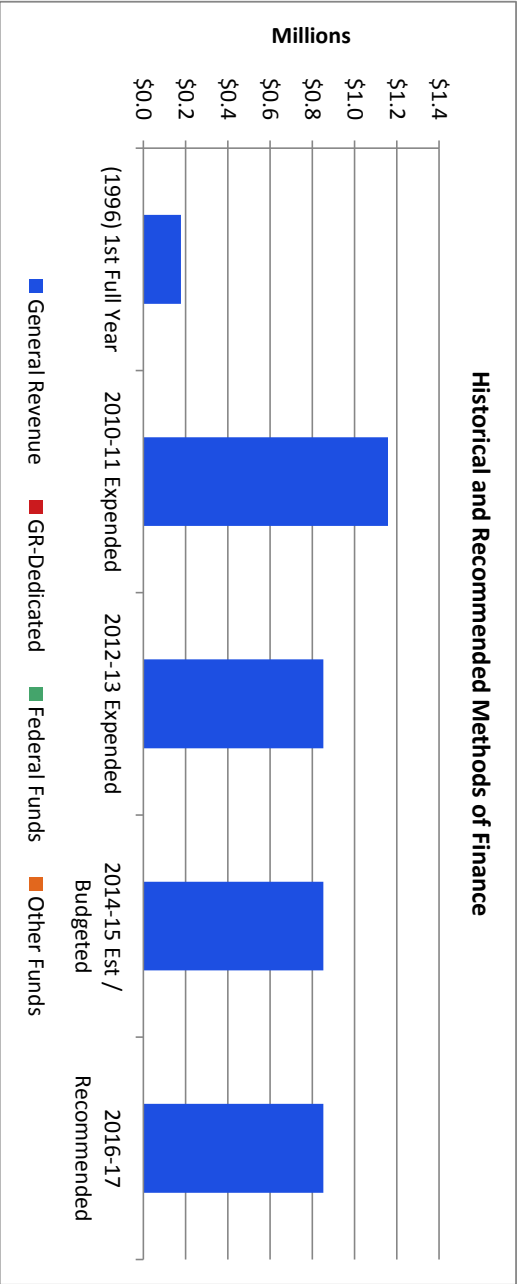
3out of 4

The purpose of the Universities Center at Dallas is to be an auxiliary/location for institutions, allowing the institutions to deliver part of their usual academic programs offered on their main campuses, and to combine offerings across institutional programs.

Legal Authority: Education Code, Ch. 105

Year Created	1996	Performance and/or		Outsourced Services	No
Authority	Weak	Operational Issue No		Revenue Supported	No
Centrality	Strong			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
Universities Center at Dallas	\$ 851,134	0.0	\$ 851,134	0.0	100.0%
	\$ -	0.0	\$ -	0.0	0.0%
TOTAL	\$ 851,134	0.0	\$ 851,134	0.0	100.0%



Summary of Recommendations and Fiscal and Policy Issues

1 Universities Center. Recommendations for 2016-17 maintain \$0.9 million in General Revenue funding for the Universities Center at Dallas. Recommendations provide level funding for special items across all university system offices.

The Universities Center at Dallas is a Multi-Institution Training Center that offers courses primarily sponsored by the University of North Texas and Texas A&M University Commerce. Additionally, some courses are offered by The University of Texas at Arlington as well as Dallas County Community College. Neither TAMU Commerce or UT Arlington or their respective systems receive special item funding for the Universities Center.

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 Return special item to 2010-11 funding levels.	\$ 367,818	\$ 367,818		0.0

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Schedule 5: Program Summary

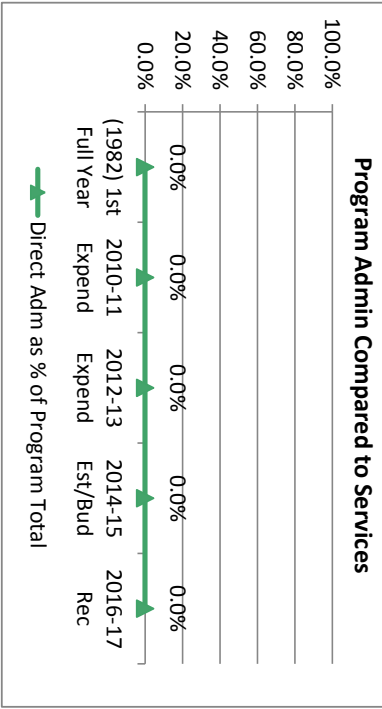
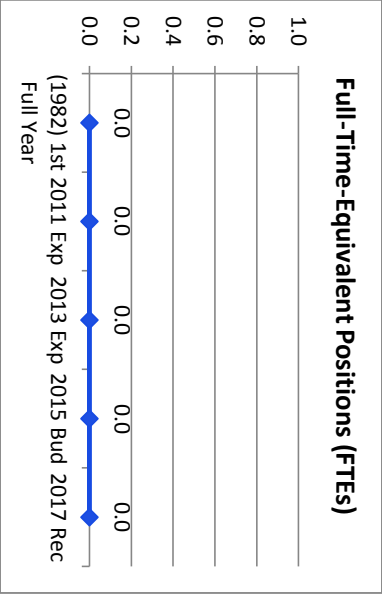
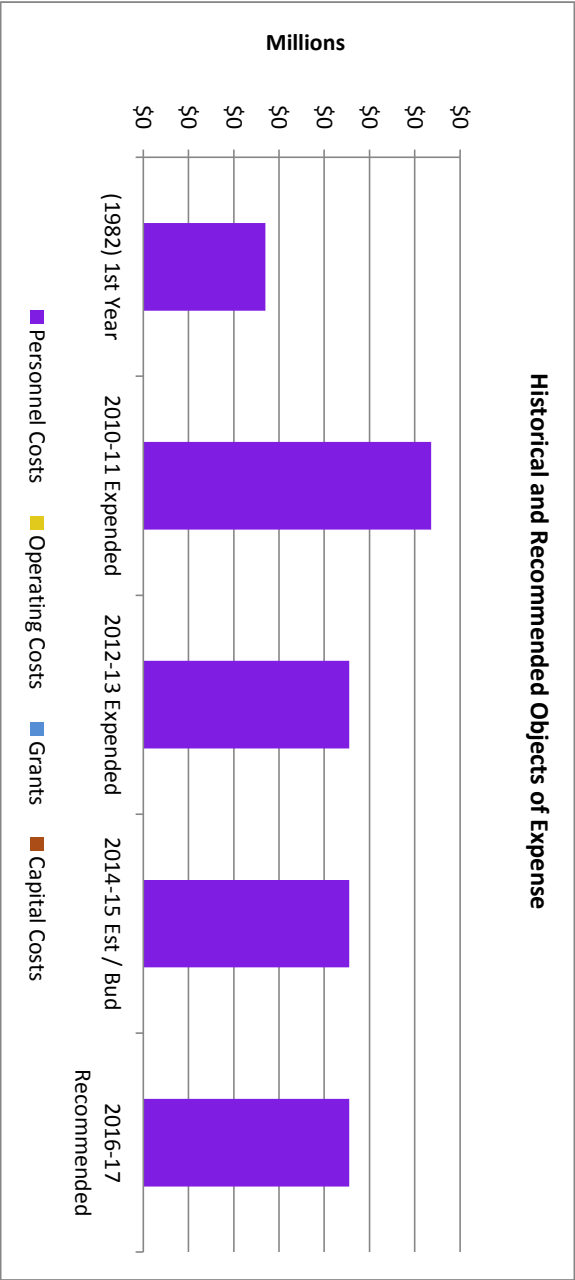
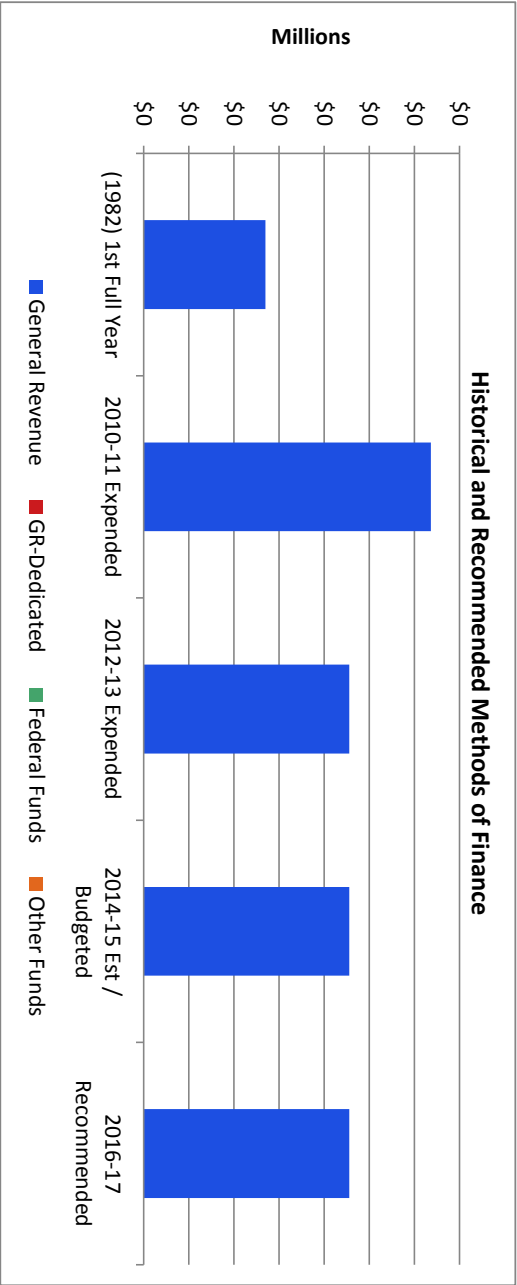
Program: Federation of North Texas Universities	Agency Ranking		4 out of 4

The purpose of the Federation is to promote graduate education in the North Texas region while avoiding duplication of faculty, course offerings, and degree programs.

Legal Authority: Education Code, Ch. 105

Year Created	1982	Performance and/or Authority	Weak	Operational Issue No	Outsourced Services	No
Centrality	Moderate	Revenue Supported	Use of Dedicated Funds	No		
Service Area	Regional	State Service Category	Higher Education Instruction, Financial Aid & Research	NA		

Major Activities	2014-15 Estimated	2015 FTEs	2016-17 Recommend	2017 FTEs	% of Total
Federation of North Texas Universities	\$ 91,092	0.0	\$91,092	0.0	100.0%
	\$ -	0.0	\$ -	0.0	0.0%
TOTAL	\$ 91,092	0.0	\$91,092	0.0	100.0%



Summary of Recommendations and Fiscal and Policy Issues

1 **Federation of North Texas Universities.** Recommendations for 2016-17 maintain \$91,092 in General Revenue funding for the Federation of North Texas Universities. Recommendations provide level funding for special items across all university system offices.

The Federation of North Texas Universities is a consortium composed of the University of North Texas, Texas A&M Commerce, and Texas Woman's University. It was formed following a 1968 resolution of the Higher Education Coordinating Board for the purpose of forming cooperative arrangements for the above institutions. The Federation's stated purpose is to promote cost effective responses to the express need for graduate education in the North-Texas region. Neither TAMU Commerce or Texas Woman's University receive special item funding for the federation.

Recommended Statutory Changes for Program Improvement

1 None.

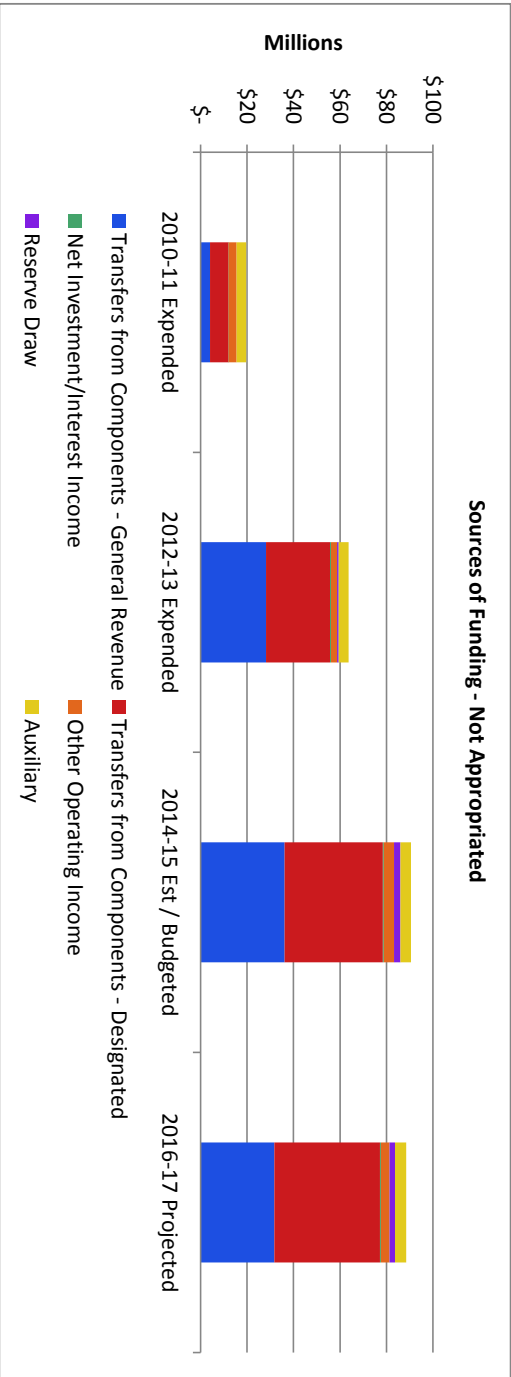
Funding Alternatives Not Included in the Recommendations	Change from Recommendations			2017 FTEs
	GR-Related	All Funds		
1 Return special item to 2010-11 funding levels.	\$ 39,366	\$ 39,366		0.0

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Schedule 6: Funds Outside the Bill Pattern

The University of North Texas System Administration receives indirect appropriated funds from component institutions as well as non-appropriated funds from the sources listed in the table below. Indirectly appropriated benefits are not shown.

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 - GR	\$ 4,189,660	\$ 28,260,748	\$ 36,134,197	265.7	\$ 31,809,206	265.7
Transfers from Component Institutions - non-GR	\$ 7,859,910	\$ 27,427,022	\$ 42,230,308	177.6	\$ 45,337,088	177.6
Net Investment / Interest Income	\$ 4,277	\$ 471,365	\$ 500,000	0.0	\$ 500,000	0.0
Other Operating Income	\$ 3,485,286	\$ 2,552,159	\$ 4,287,659	0.0	\$ 3,704,700	0.0
Reserve Draw	\$ -	\$ 657,026	\$ 2,806,814	2.0	\$ 2,228,954	2.0
Auxiliary	\$ 4,136,435	\$ 4,294,032	\$ 4,525,026	0.0	\$ 4,810,148	0.0
Total	\$ 19,675,568	\$ 63,662,352	\$ 90,484,004	445.3	\$ 88,390,096	445.3



Programs Supported by Funds Outside the Bill Pattern	2010-11 Expended	2012-13 Expended	2014-15 Est / Budgeted	2016-17 Projected
System Office Operations	\$ 19,675,568	\$ 63,662,352	\$ 90,484,004	\$ 88,390,096
Total	\$ 19,675,568	\$ 63,662,352	\$ 90,484,004	\$ 88,390,096

