

Testimony
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***Delivered remarks often deviate from prepared remarks*

My name is William H. McRaven, and I am chancellor of The University of Texas System.

At UT System we appreciate the difficult task before you and the challenging circumstances facing the state in developing a budget.

UT System Administration exists to serve our fourteen institutions and their missions of education, research and service.

With eight academic and six health-related institutions, we are by far the largest university system in Texas by any measure, whether budget, annual research expenditures, number of students, or number of graduates.

- By budget, we are four times larger than the next closest system.
- We have over 100,000 employees System-wide
- We have more than \$2.6 billion in annual research expenditures
- We enroll more than 221,000 students
- We awarded more than 54,000 degrees last year, and
- Our health institutions provide 7.3 million patient visits annually.

We are not only the largest system, we are a diverse system, with three comprehensive universities, four emerging research institutions, and a flagship that is recognized globally as the top Texas public university. We have six medical schools; we have UT MD Anderson, universally recognized as the world's leading cancer center; and we host one of only two National Biocontainment Laboratories in the nation. Our system was recently recognized as the most innovative higher education system in the U.S.

I am focused on leveraging the UT System's size, diversity and quality. In contrast to other systems, for that purpose we centralize many functions to maximize efficiency and cost-effectiveness. A few examples:

- Our Office of General Counsel is a central law firm dealing with the complexities that institutions of varying size and internal capabilities encounter.

- Our Office of External Relations leads the strategy, negotiations, and memorialization for donations of more than \$1 billion a year, and assures compliance with more than 14,000 endowments.
- Our System-wide police force of more than 590 commissioned officers is the third largest force in state government.
- We centralize many information technology functions, such as business enterprise software and data center operations.
- We self-fund and operate several insurance programs, including
 - medical malpractice,
 - workers' compensation and
 - health insurance for more than 240,000 participants, including employees, dependents, and retirees.
- We centralize financing, planning, and construction services for capital projects

In addition, we serve the state and all of Texas higher education in key ways, operating admissions programs for all the medical and dental schools, in addition to managing University Lands for the benefit of both the UT and Texas A&M systems.

And while we believe centralization brings efficiency, we also know we must always assess our own internal efficiencies. For that reason, we are implementing a plan to reduce UT System Administration's FTE count by 10% in the current fiscal year.

As you continue to develop the state budget, I would quickly highlight five issues for your consideration:

1. For System Administration, we ask that you continue to give us the funding and freedom to operate these centralized services efficiently and effectively.
2. For our institutions, each president will address the priorities of his or her institution, but we ask that—at a minimum—you provide funding, at the current rates, to accommodate the growth in students and activities across our system (and all higher education).
3. When it comes to formula funding, thank you for the equitable funding in the House budget for all medical schools, including Texas' newest medical schools at UTRGV and UT Austin.
4. Continued funding of research is important, through programs that offer support to our institutions directly, like the Texas Research Incentive Program, or TRIP, and for support that comes through other state agencies like CPRIT [pronounced SEE-PRIT] and the Governor's University Research Initiative.
5. Finally, it appears that special items have become a focus of the debate on higher education funding. For better or worse, special items have become an important element of basic funding for our institutions, addressing the unique character, needs, and circumstances of our campuses

that are not adequately addressed through the formulas. In that regard, I ask that the subcommittee recognize:

- Special item funding is a significant source of funding for the core mission of research, and is the primary source of funding for the research mission of health-related institutions.
- For some institutions, particularly smaller or new institutions, such as UTPB or UTRGV, special item funding constitutes a much larger percentage of overall funding than for other institutions.

Thank you. I'll be glad to answer any questions.