

Testimony of William H. McRaven
Chancellor, The University of Texas System
Before the Joint Interim Committee on Higher Education Formula Funding
February 27, 2018

***Delivered remarks often deviate from prepared remarks*

Chairman Ashby, Chairman Hancock and Members.

My name is Bill McRaven and I'm the Chancellor of The University of Texas System. I'm happy to be back before you again, this morning to discuss non-formula support funding within the UT System institutions.

Non-formula support funding has been a mechanism used by the Legislature to provide funds to UT institutions for over a century. The Bureau of Economic Geology at the University of Texas at Austin received its first special item funding appropriation in 1909. The BEG continues today to provide information about our state's geology and natural resources to policymakers and industry.

Non-formula items represent a wide range of goals and initiatives for our state and our institutions:

- research projects
- student success
- funds to start new schools and degree programs
- essential functions of state government, to help us better understand our demographics and geological resources and environment
- funds that don't go to the receiving institution, but are trusted there for distribution to other institutions
- programs designed to improve the preparation of our K-12 students and their flow onto our campuses
- activities that are less academic in nature but help grow the state's economy

For some institutions like UT Permian Basin, which has limited size and growth, these items have been the only way for them to address their basic operating needs.

For other institutions like UTRGV, non-formula support is essential to developing its new medical school and its other new health programs, a need that would never have been met through traditional formula funding alone.

In contrast, for other institutions like UT Southwestern, non-formula funding is a way to support its extraordinary research, research that has led to discoveries and advancements that benefit our state and in fact the whole world.

And then of course there are those very different and unique items like the Marine Science Institute and McDonald Observatory, that while not eligible for formula funding provide a remarkable service to our state, and indeed our planet.

At the other end of the spectrum, we have within the UT System institutions like UT Arlington and UT Dallas and the MD Anderson Cancer Center, which receive very little non-formula support funding. For UT Dallas and UT Arlington, both of which have been fast growing enrollments, they would prefer your legislative funding decisions be allocated money toward the formulas.

I mention all these examples to highlight the difficulty of this committee's charge. Finding a single approach across all the academic and health institutions to "fix" special items and equitably allocate state appropriations will be challenging. Looking only at the 14 institutions in the UT System, the one similarity you can find is that all institutions receive some level of non-formula support, and this support has become essential to funding many of the programs at our institutions. As shown in the two graphs of the handout, the percent of funding provided through non-formula support ranges from 1.6 percent at UT MD Anderson to 47.5 percent at UT Permian Basin.

Despite these differences, most would agree that formula funding is the bedrock state support for all institutions of higher education. We at UT System will always encourage the Legislature to prioritize fully funding the formulas for both the academic and health institutions, and we hope in the upcoming session you will consider funding to address our growth and inflation.

However, because the Legislature has relied on non-formula funding for so many years to support our institutions, any significant cuts will dramatically impact higher education at UT.

That's why we are committed to working with this committee and our colleagues at other systems to examine non-formula support and identify possible improvements to this funding mechanism.

I'm happy to answer any questions you may have.