

Testimony
William H. McRaven
Chancellor, The University of Texas System
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***Delivered remarks often deviate from prepared remarks*

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

Thank you for allowing me to address the committee this morning.

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

We believe that your investment in the UT System has always returned great benefits to the people of Texas.

In addition to being the largest, 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 and UT MD Anderson, universally recognized as the world's leading cancer center. Our system was recently recognized as the most innovative in the U.S.

I lay that out in to provide the context for my comments about the Senate's proposed budget and its effects on the UT System institutions.

It is a simple fact that the proposed budget reflects the continuation of a trend seen in Texas and across the United States—declining state dollars in support of higher education. In the current biennium, state general revenue amounts to about 13% of the budget for UT System institutions. In 1980, it was 55%! In the biennium following the budget crisis of 2003, it dropped below 20%. After the Great Recession, it dropped below 16%. In SB 1 as introduced, it would drop to 11.5%. Although it funds debt service, SB 1 represents dramatic reductions in operating general revenue, most—but not all of which—come from eliminating special items.

This trend of reduced operating support has shifted costs to students and families and it increases dependence on revenue producing activities and philanthropy. But it has other effects that may be

less obvious. For example, since state funds are the primary support of faculty salaries, it weakens faculty stability as we compete for the talent that makes our institutions great. Coupled with proposed limits on our ability to manage tuition, this trend frankly impairs our ability to simply operate in some cases, particularly at smaller or newer institutions.

As an example, general revenue constitutes about 47% of the budget at UT Permian Basin. With these proposed cuts UT PB would experience a 52% reduction in operating general revenue. Similarly, SB1 decreases operating revenue at UTRGV by 41%. These cuts would be disastrous to these universities that serve their local and regional community needs.

In many cases special items cover core operational expenses not covered by the formulas, and cutting or eliminating those items has a greater effect than may be apparent. In addition, special items are a significant source of funding for the core mission of research and are the primary source of funding for the research mission of health-related institutions. For example, eliminating all special items at UT Southwestern, a nationally recognized, premier institution, decreases its state funding by 32%, while SB 1 reduces overall operating revenue for Southwestern by 37%.

Each president will address the impact these reductions have to his or her institution. In addition to considering their respective priorities, for UT System institutions in general we ask that—at a minimum—you provide:

- Formula funding, at the current rates, to accommodate the growth in students and activities across our system
- Equitable funding of all medical schools, including Texas' newest medical schools at UTRGV and UT Austin and
- Continued funding of research through direct support and other programs and agencies such as TRIP and CPRIT.

As to UT System Administration, we exist to serve our schools and their missions of education, research and service, and I am focused on leveraging the System's size, diversity and quality. In contrast to other systems, that is why we centralize many functions--to maximize efficiency and cost-effectiveness. We ask that you continue to give us the funding and freedom to operate these centralized services efficiently and effectively.

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

As I said at the beginning, we recognize how difficult the task of building a budget will be—we are ready to partner with you and the members of the legislature to find ways to meet your goals while continuing to provide the great healthcare and education the people of Texas have come to appreciate.

Thank you for the opportunity to appear and address these issues. I will be glad to answer any questions.