

University of Houston System

Written Testimony for the Joint Committee on Higher Education Governance,
Excellence and Transparency

October 17, 2011

Ms. Nelda Luce Blair
Chairman, UH System Board of Regents
4800 Calhoun
128 E Cullen Building
Houston, TX 77204-6001
Telephone: (281) 363-3632
e-mail: nelda@blairfirm.com

Date testimony submitted to staff: October 10, 2011

Topic: *Examine the manner in which the governing boards and administrators of those institutions develop and implement major policy decisions, including the impartiality and adequacy of their processes.*

Overview of the UH System

As the region's largest provider of comprehensive university services, the University of Houston System plays a primary role in meeting the higher education needs of the Houston metropolitan area and Texas. The UH System is comprised of four universities: the University of Houston, UH-Clear Lake, UH-Downtown, and UH-Victoria, as well as the UH System Administration, five off-campus teaching centers, and Houston's public radio and television stations (KUHF-Houston Public Radio and KUHT/Channel 8-Houston Public Television). Governed by a nine member Board of Regents, the UH System enrolls more than 65,000 students, awards more than 13,000 degrees annually, and produced over

\$100 million in research awards in FY 2011. The total FY 2012 operating budget for the UH System is \$1.4 billion.

Process for Making Major Policy Decisions

Given the size and complexity of the UH System's operations, it is imperative that the process through which the board and administration make major policy decisions is consultative, transparent, and ensures accountability. Further, in making institutional decisions, it is essential that the board and the administration abide by the distinct roles established for each through the Southern Association of Colleges and Schools, the Texas Education Code, and the board's own by-laws: The board is the policy-making body of the institution, while the administration is responsible for management of operations.

Among the most important policy decisions that the UH System board and administration make on a regular basis are the establishment of tuition and fees and the determination of how additional resources will be used. The process through which these decisions are made is representative of the consultative, transparent, and accountable way in which major policy decisions at the UH System are made. It also exemplifies how the UH System fulfills the state's goals for higher education, particularly student participation and success and research productivity.

UH System Annual Planning and Budgeting Process

The establishment of tuition and fees takes place within the larger context of the UH System's annual planning and budgeting process, through which the Board of Regents and administration determine how resources will be applied to further the UH System's three overarching goals of student success, national competitiveness,

and community advancement – goals that were developed to support the state’s goals for higher education identified in *Closing the Gaps*.

Using the University of Houston as an example, the process begins in the fall, when every college and division is asked to identify their highest budgetary priorities and justify them in terms of how they will further the university’s goals. Within the colleges, both faculty and students participate in setting the priorities. In addition, the colleges and divisions also develop reallocation plans – the identification of low priority areas from which resources will be reduced in order to fund high priority initiatives.

After budget hearings with each college dean and division vice president, the administration determines the university’s budget priorities as well as a plan for funding them – typically through a combination of tuition and fees and internal reallocation. The priorities and funding plan are then presented to the UH Tuition and Fee Committee, which includes student, faculty and staff leadership. After deliberation among the committee members and public forums held with the larger campus community, the committee’s tuition and fee recommendation is submitted to President Renu Khator for consideration. It is important to note that staff also conduct informal briefings with individual regents during this time to solicit their input and discuss any concerns.

Formally, tuition and fees are considered and approved by the Board of Regents in the spring at an official meeting open to the public. The annual plans and budgets for the universities, which specify how resources will be invested to accomplish institutional goals, are then prepared and approved by the board in August. The full annual plans and budgets are posted on the web sites of both the universities

and the UH System (<http://www.uhsa.uh.edu/chancellor/strategic-direction/>). The executive summary for the UH System, which shows the specific reductions and increases to institutional operating budgets from FY11 to FY12, has been included in Appendix I of this presentation.

Conclusion

By providing meaningful opportunities for students, faculty and staff to participate in major policy discussions, the UH System ensures that the decisions made by regents and the administration are well-informed and fully vetted. That major policy decisions are made and communicated in an open way also provides the public – particularly students and taxpayers – with the means of determining whether their resources are being used effectively. Both inclusivity and openness in the decision-making process are essential to ensuring accountability.

Appendix I

UH System FY 2012 Plan and Budget Executive Summary

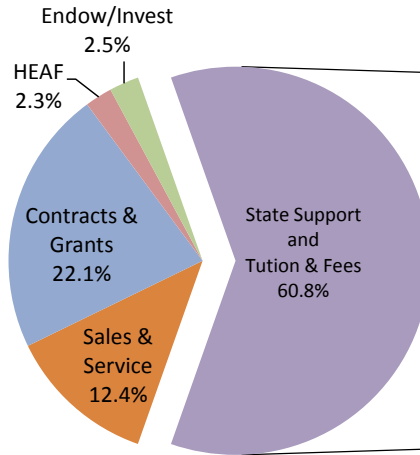
University of Houston System-wide

FY2011

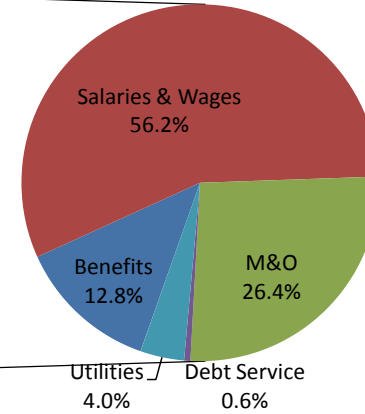
Total Budget

	\$ Millions
Operating Budget	\$ 1,192.8
Capital Facilities	150.1
Total	\$ 1,342.9

Operating Budget
\$ 1,192.8 Million



Instructional & Support Budget
\$ 725.4 Million



\$839/Credit Hour

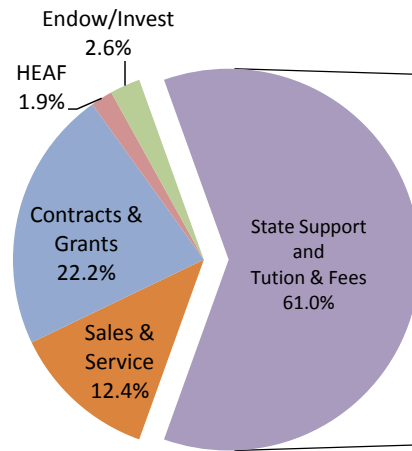
\$510/Credit Hour

FY2012

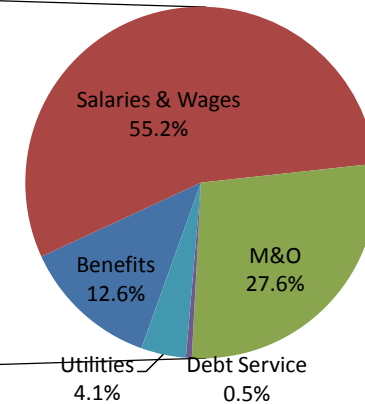
Total Budget

	\$ Millions
Operating Budget	\$ 1,192.1
Capital Facilities	167.8
Total	\$ 1,359.9

Operating Budget
\$ 1,192.1 Million



Instructional & Support Budget
\$ 727.1 Million



\$798/Credit Hour

\$486/Credit Hour

University of Houston System-wide Instructional and Support Budget (\$ millions)

	A FY2011 Budget	B Reductions Targets	C Increases	D FY2012 Budget	E Percent Change FY11 to FY12
Revenue					
Appropriations	\$ 266.5	\$ (46.2)	\$ 2.1	\$ 222.4	-16.5%
Tuition, Fees, Other Revenue	458.9	-	45.8	504.7	10.0%
Total Revenue	<u>725.4</u>	<u>(46.2)</u>	<u>47.9</u>	<u>727.1</u>	<u>0.2%</u>
Expenditures					
Instruction & Operations					
Salaries					
Ten/Ten Trk Faculty	187.3	(1.6)	5.0	190.7	1.8%
Other Faculty	64.9	(1.5)	3.1	66.5	2.5%
Subtotal, Faculty	<u>252.2</u>	<u>(3.1)</u>	<u>8.1</u>	<u>257.2</u>	<u>2.0%</u>
Professional Staff	152.7	(13.0)	4.9	144.6	-5.3%
Support Staff	38.7	(3.9)	1.6	36.4	-6.0%
Subtotal, Staff	<u>191.4</u>	<u>(17.0)</u>	<u>6.5</u>	<u>181.0</u>	<u>-5.5%</u>
Subtotal	<u>443.7</u>	<u>(20.1)</u>	<u>14.6</u>	<u>438.2</u>	<u>-1.2%</u>
Student Financial Aid					
TA/GA/RA	14.9	-	0.9	15.8	6.1%
Financial Aid	41.0	-	9.0	50.0	22.0%
Subtotal	<u>55.8</u>	<u>-</u>	<u>9.9</u>	<u>65.7</u>	<u>17.7%</u>
Operations					
Events	0.9	(0.1)	-	0.8	-11.1%
Travel and Business	8.2	(1.0)	-	7.2	-11.6%
M&O Support	98.0	(12.1)	8.5	94.5	-3.6%
Reserve for Endowment Loss	8.2	(4.5)	-	3.7	-54.9%
Equipment Purch & Repl	6.4	(0.5)	0.1	6.0	-6.3%
Subtotal	<u>121.8</u>	<u>(18.1)</u>	<u>8.6</u>	<u>112.2</u>	<u>-7.8%</u>
Support Organizations					
Safety and Police	7.7	(0.0)	0.1	7.8	0.7%
University Advancement	10.0	(0.9)	0.1	9.2	-8.1%
Information Technology	28.9	(1.7)	1.5	28.7	-0.5%
Subtotal	<u>46.6</u>	<u>(2.6)</u>	<u>1.7</u>	<u>45.7</u>	<u>-1.9%</u>
Facilities					
Maintenance	24.3	(1.8)	8.9	31.4	29.0%
Utilities	29.1	(0.1)	0.8	29.8	2.4%
Debt Service	4.1	-	-	4.1	0.0%
Subtotal	<u>57.5</u>	<u>(2.0)</u>	<u>9.7</u>	<u>65.2</u>	<u>13.5%</u>
Total Expenditures	<u>\$ 725.4</u>	<u>\$ (42.8)</u>	<u>\$ 44.5</u>	<u>\$ 727.1</u>	<u>0.2%</u>

University of Houston System-wide Reductions to Instructional & Support Budget (\$ millions)

	<u>FY 2011 Budget</u>	<u>Reductions</u>	<u>FY 2012 Preliminary</u>	<u>Reductions FTE</u>
<u>Expenditures</u>				
Instruction & Operations				
Salaries				
Ten/Ten Trk Faculty	\$ 187.3	\$ (1.6)	\$ 185.7	(19.10)
Other Faculty	64.9	(1.5)	63.4	(38.50)
Subtotal, Faculty	<u>252.2</u>	<u>(3.1)</u>	<u>249.1</u>	<u>(57.60)</u>
Professional Staff	152.7	(13.0)	139.7	(147.00)
Support Staff	38.7	(3.9)	34.8	(79.20)
Subtotal, Staff	<u>191.4</u>	<u>(17.0)</u>	<u>174.5</u>	<u>(226.20)</u>
Subtotal Salaries	<u>443.7</u>	<u>(20.1)</u>	<u>423.6</u>	<u>(283.80)</u>
Student Financial Aid	55.8	-	55.8	0
Operations	121.8	(18.1)	103.7	0
Support Organizations	46.6	(2.6)	44.0	(44.90)
Facilities	<u>57.5</u>	<u>(2.0)</u>	<u>55.5</u>	<u>(16.80)</u>
Total Expenditures	<u><u>\$ 725.4</u></u>	<u><u>\$ (42.8)</u></u>	<u><u>\$ 682.6</u></u>	<u><u>(345.50)</u></u>

Reduction Principles

1. Protect Instruction and Financial Aid
2. Reshape the Workforce:
 - No replacement of faculty positions in low demand programs
 - Consolidate and eliminate staff in support operations (e.g., business services and IT)
3. Reduce Operations Costs:
 - Reduce non-essential operations (e.g., travel, events, communications allowances)
 - Centralize core services (e.g., business services and IT)
 - Leverage system- and university-wide contracts (e.g., purchasing contracts)
4. No Salary Increases

University of Houston Increases to Instructional & Support Budget (\$ millions)

	FY 2012 Preliminary	Increases	FY 2012 Budget	Increases FTE
Expenditures				
Instruction & Operations				
Salaries				
Ten/Ten Trk Faculty	\$ 185.7	\$ 5.0	\$ 190.7	29.00
Other Faculty	63.4	3.1	66.5	49.00
Subtotal, Faculty	<u>249.1</u>	<u>8.1</u>	<u>257.2</u>	<u>78.00</u>
Professional Staff	139.7	4.9	144.6	45.85
Support Staff	34.8	1.6	36.4	18.90
Subtotal, Staff	<u>174.5</u>	<u>6.5</u>	<u>181.0</u>	<u>64.75</u>
Subtotal Salaries	<u>423.6</u>	<u>14.6</u>	<u>438.2</u>	<u>142.75</u>
Student Financial Aid	55.8	9.9	65.7	-
Operations	103.7	8.6	112.2	-
Support Organizations	44.0	1.7	45.7	4.00
Facilities	<u>55.5</u>	<u>9.7</u>	<u>65.2</u>	-
Total Expenditures	<u>\$ 682.6</u>	<u>\$ 44.5</u>	<u>\$ 727.1</u>	<u>146.75</u>

Investment Principles

1. Support Enrollment Growth and Increase Financial Aid:
 - Expand online and off-campus instructional delivery
 - Increase both need-based aid and scholarships

2. Reshape the Workforce:
 - Allocate faculty lines to high-demand/high-priority programs
 - Increase staff positions in areas that directly serve students (e.g., counselors, advisers, recruiters)

3. Maintain Facilities and Infrastructure:
 - Provide resources to maintain new facilities and repair/renovate aging facilities
 - Expand and improve IT infrastructure and library resources to support growing enrollment