

+ LEAK
budget.

EDUCATION IS THE KEY TO THE FUTURE OF TEXAS

Presentation to the U. T. Board of Regents

Dr. William H. Cunningham

August 13, 1998

Herbert ...

K-12 Public Schools

Are the “Pipeline” to Higher Education

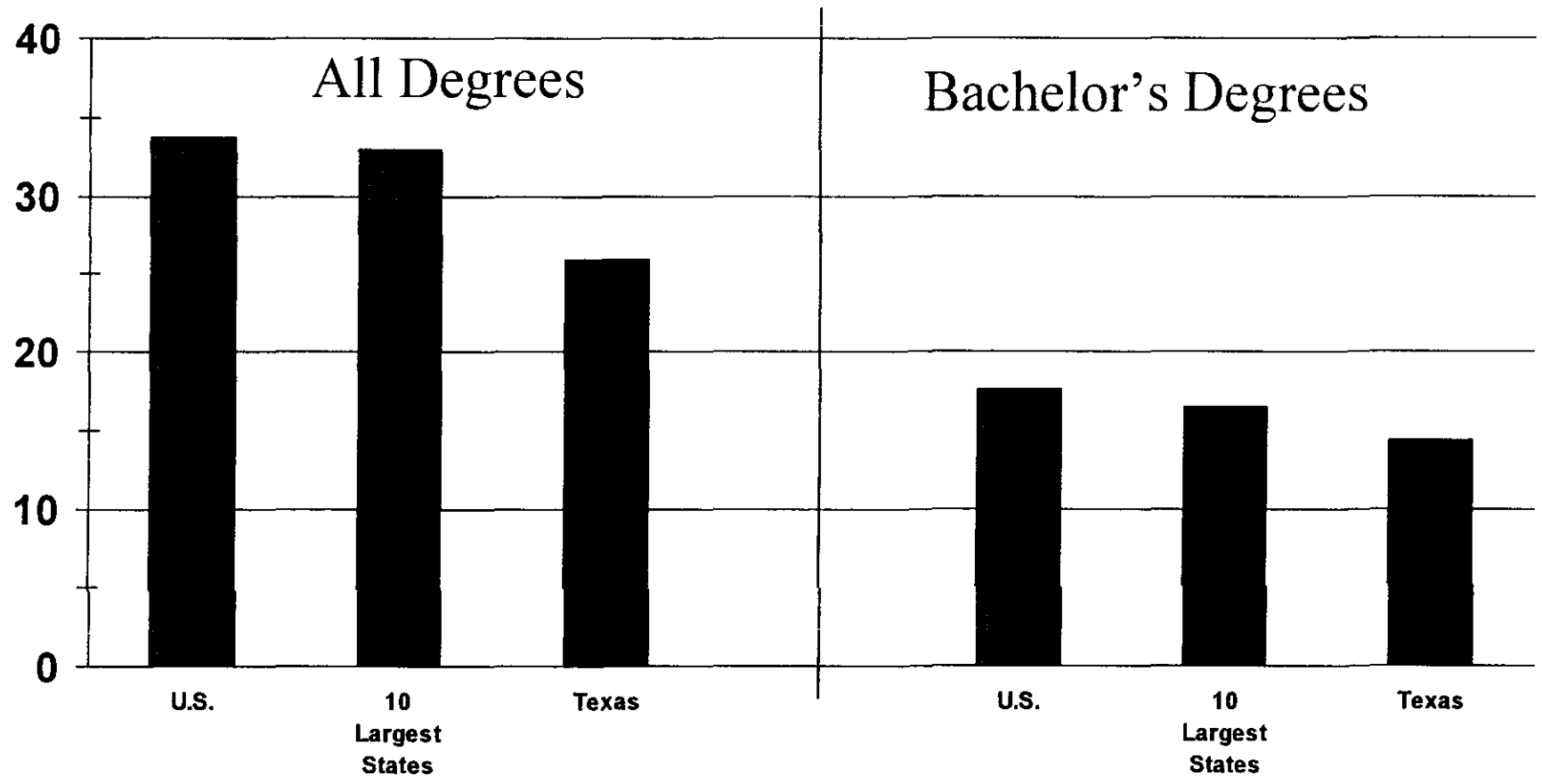
- **The Texas high school graduation rate is 14% below the national average.**
- **Texas high school graduates go on to higher education at a rate 8% less than the national average.**
- **48% of those who enroll as freshmen in a Texas college or university must take remedial courses in basic academic skills.**

Higher Education Creates Value

- **College and university graduates contribute to a culturally rich, sophisticated, and enlightened society.**
- **Economic development is fostered by new knowledge and scientific and technical innovations.**

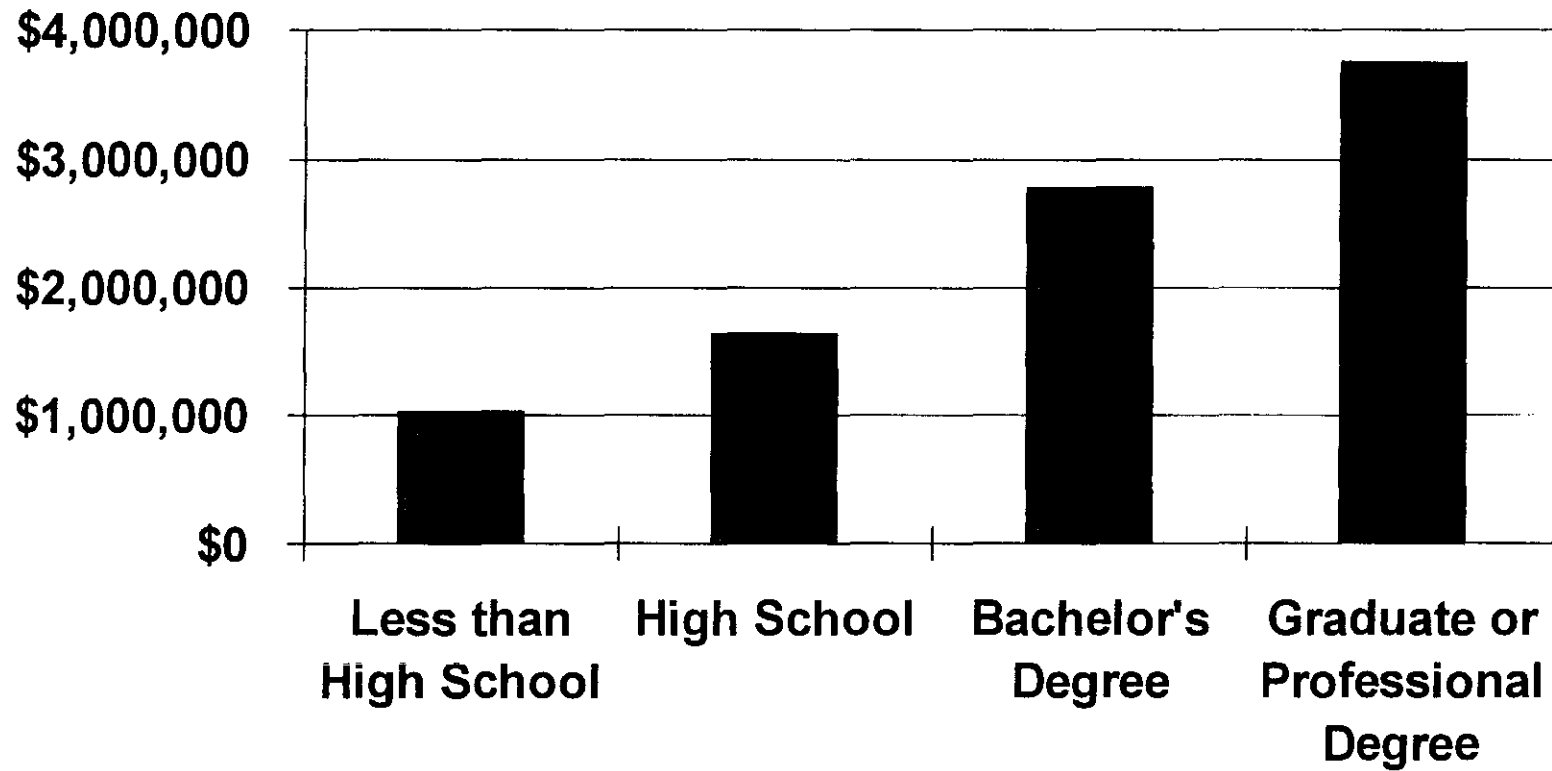
Texas Lags in Higher Education Degrees

**College and University Degrees Awarded
Per 1,000 Persons Ages 18-34
1995**



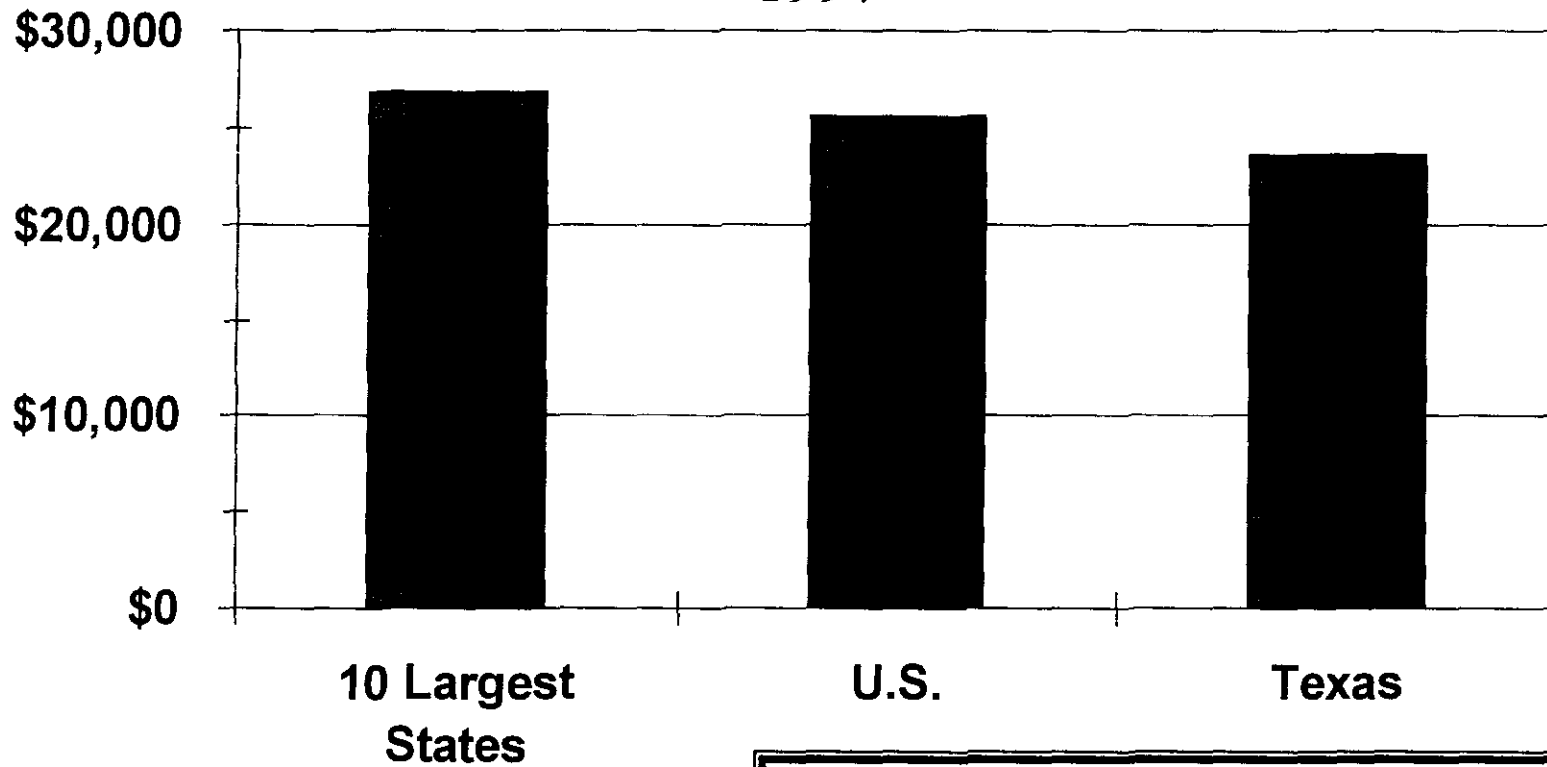
A Person's Income Is Strongly Correlated to Education

Lifetime Household Income by Education Level (in 1998 Dollars)



The Result Is: Texas Lags in Per Capita Income

1997

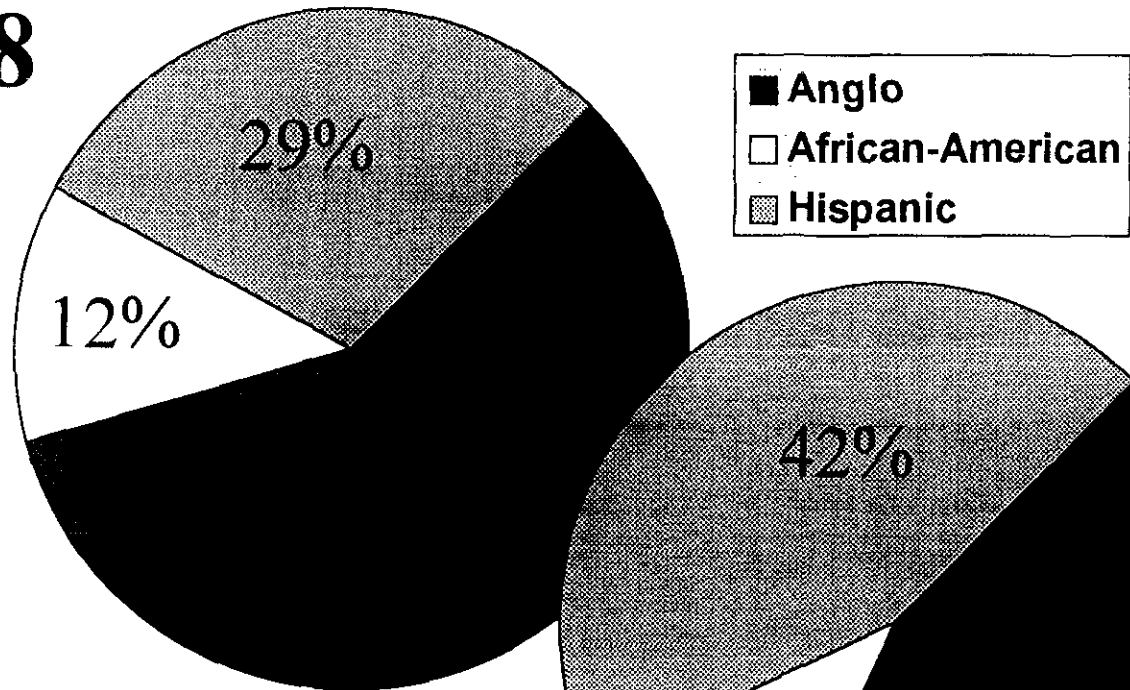


**Texas per capita income is
12% lower than the average
for the 10 largest states.**

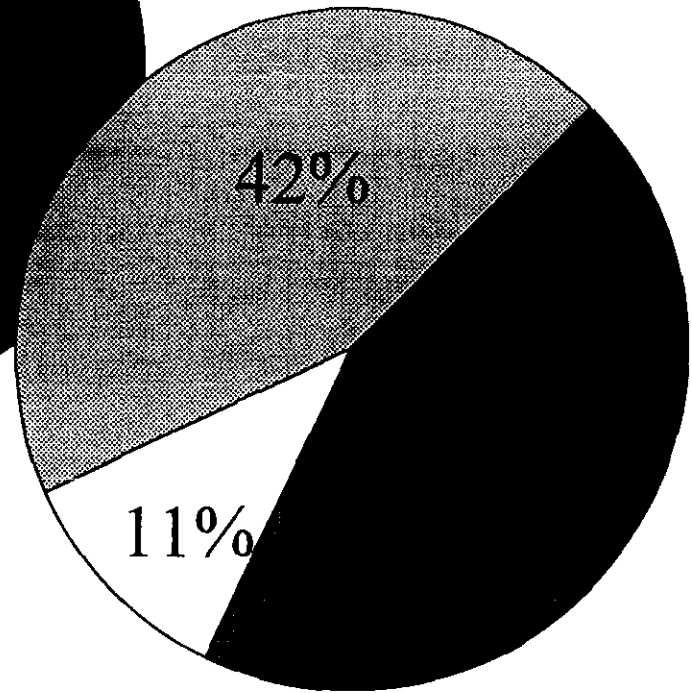
Texas Will Be A Majority-Minority State

Projected Changes in the Ethnicity of the Texas Population

1998

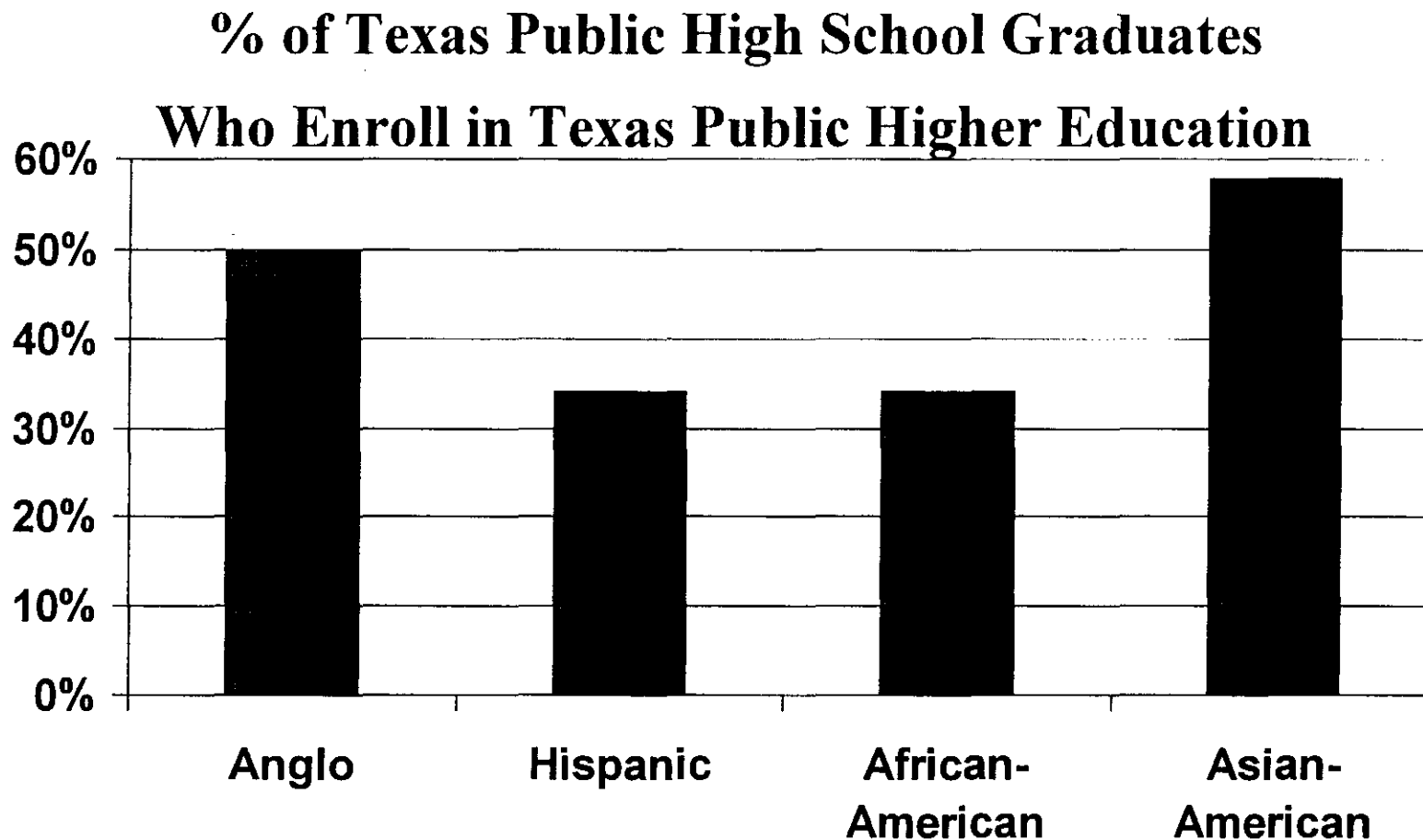


2030



There is a Significant Disparity in Higher Education Attendance by Ethnic Group

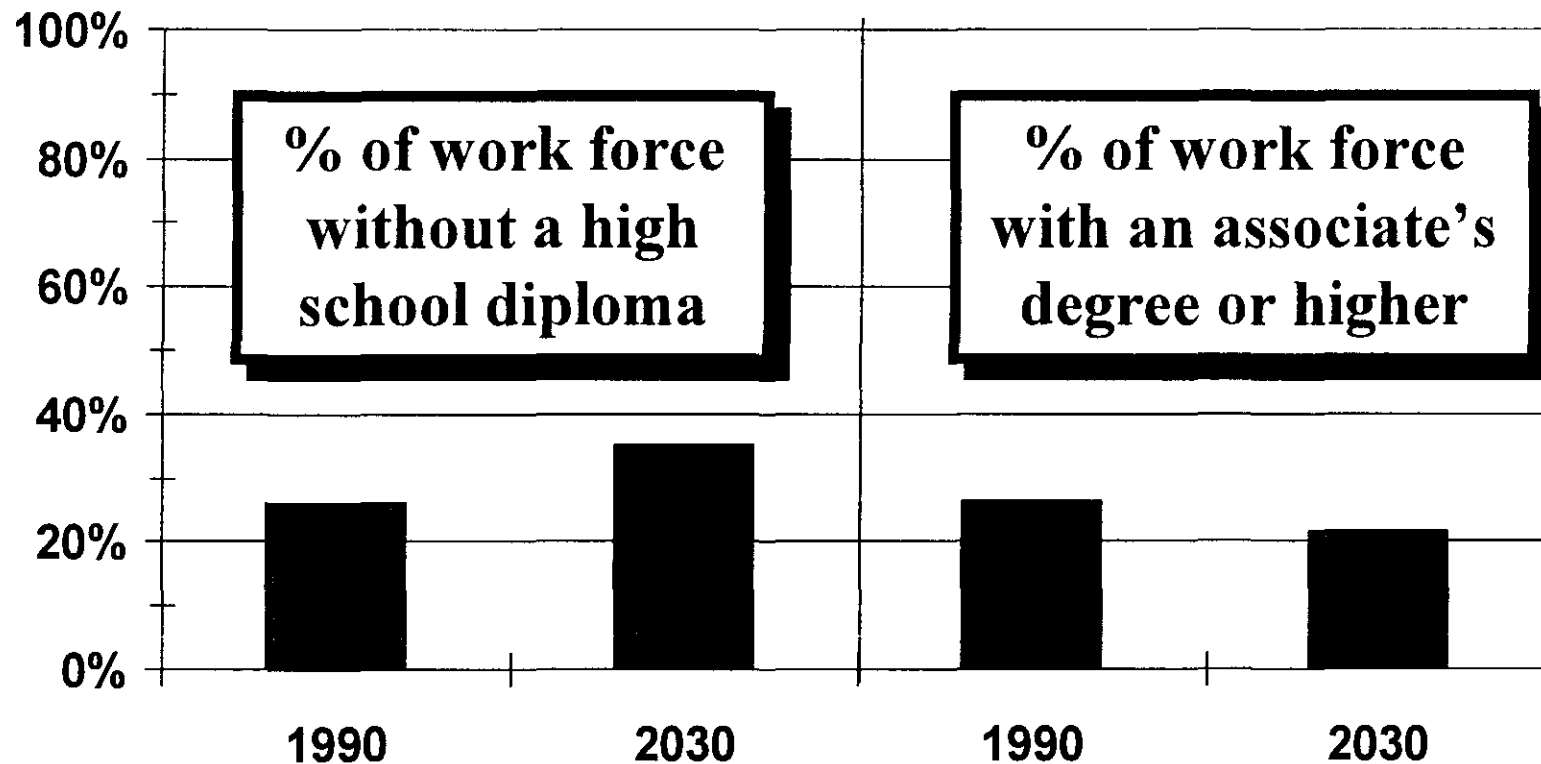
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Note: In each group, additional students will attend private institutions or enroll outside Texas.

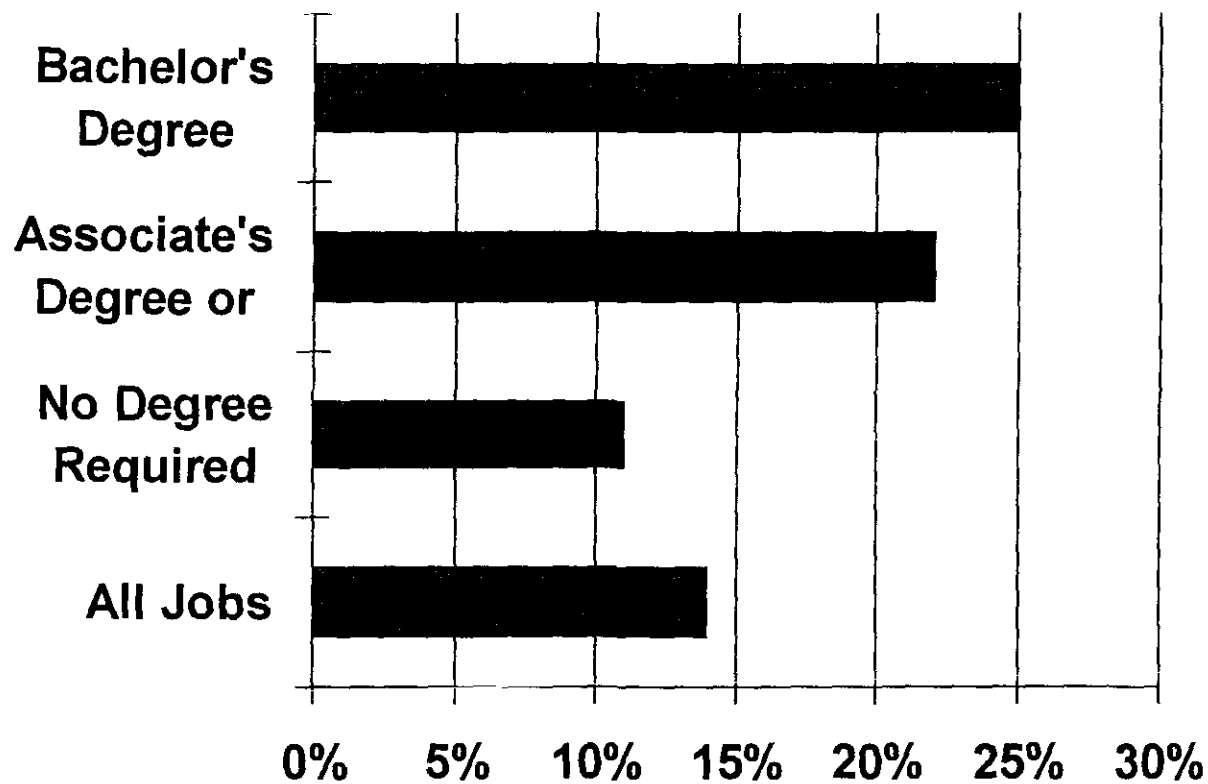
The Result Is:

Education of the Texas Work Force Will Decline, Based on Current Trends



Most New Jobs Will Require More Education

Growth in U. S. Jobs by Level of Education Required -- 1996 - 2006



Source: U.S. Bureau of Labor Statistics

If Current Trends Continue, What's Ahead for Texas?

- A growing proportion of unskilled, under-educated citizens who cannot meet the demands of a technology-based workplace.
- More public spending for prisons, welfare, Medicaid.
- Lost ground in the highly competitive global marketplace.

- *If the trends are not altered, average household income in Texas is expected to decline by \$3,000 in constant dollars by 2030.*

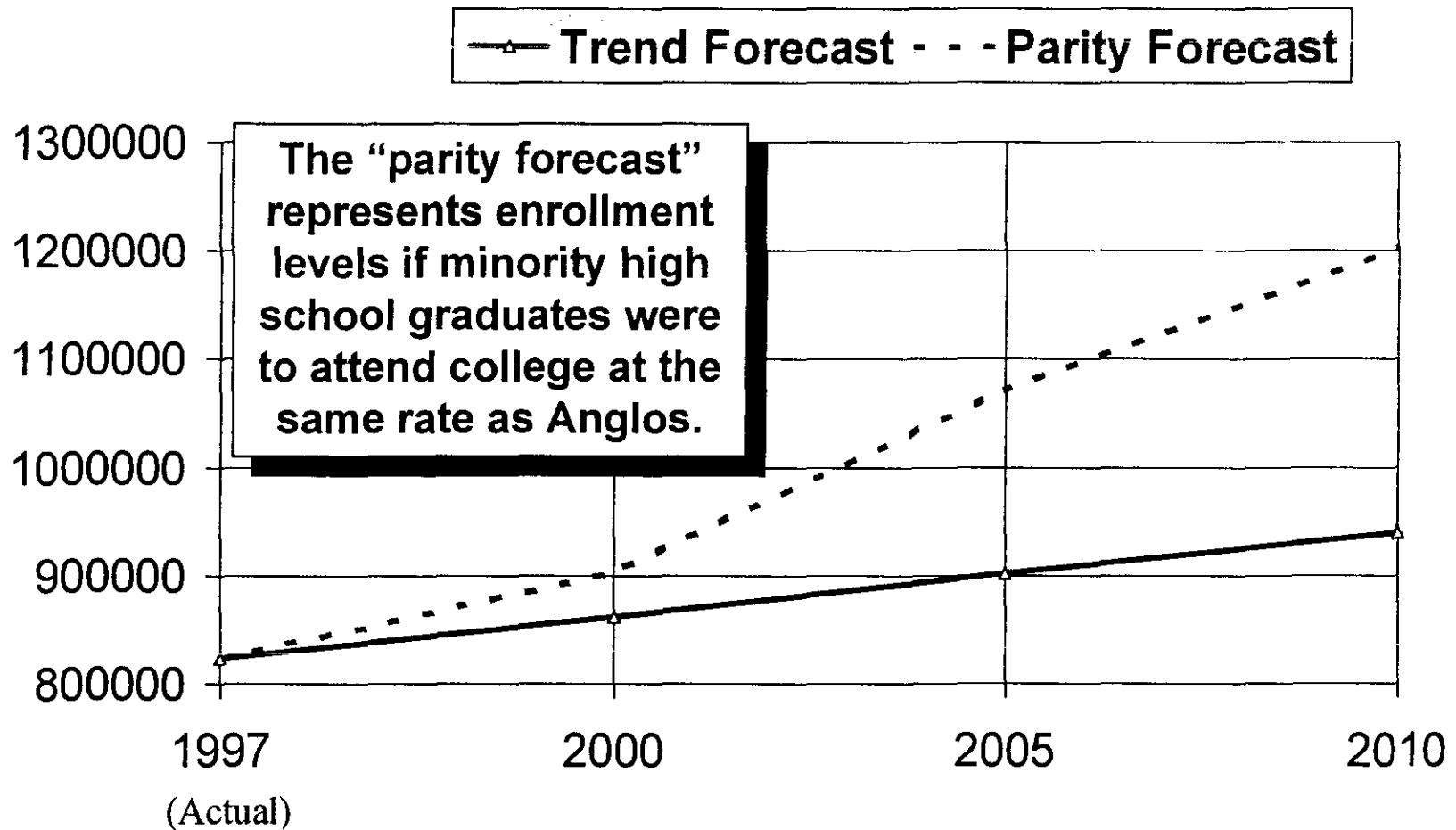
The Solution

- **Texas must be more successful in graduating students from the K-12 public education system.**
- **Texas colleges and universities must enroll and graduate more of these high school graduates.**
- **Texas' public system of higher education is the key to solving this problem (only 12% of college students in Texas are enrolled in private institutions).**

Major Increases in Higher Education

Enrollment Will Be Required

Enrollment Projections for Texas Public Universities, Community Colleges, and Technical Colleges



Source: Texas Higher Education Coordinating Board

Higher education is either:

14

An investment
in the future of Texas

or

A significant opportunity
cost if these investments
are not made

The 76th Legislature Will Be Asked to Address These Needs

- **The U. T. System is working with other Texas higher education systems in a coalition to develop a funding proposal for the 76th Legislature.**
- **The goal is to achieve a level of state support that allows Texas colleges and universities to deal realistically with the foregoing challenges.**

Enhancing Support for Higher Education

- **An increase estimated at \$622.4 million would be needed to bring state support for Texas general academic universities up to the national average. This would be a 22% increase over the current biennium.**
- **An increase of \$842 million would be needed to bring state support for Texas general academic universities up to the average in the 10 most populous states. This would be a 29.6% increase over the current biennium.**

Priorities for the Use of Additional State Support

- **Expanded student financial assistance.**
- **Increases in faculty and staff salaries.**
- **Increased K-12 outreach activities.**
- **Enhanced undergraduate retention programs (such as mentoring and tutoring programs, smaller classes, enhanced freshman orientation and bridge programs, etc.)**
- **Expanded distance education programs, digital libraries, and other information technology innovations.**

**The foregoing discussion
provides a context
for review of the
U. T. System Operating Budget
for FY 1999.**

U. T. System Budget Overview

FY 1999

- **Method of Financing**

- **\$4,933 million**

- \$85.5 million more than FY 98
- 1.77% more than FY 98

- **Expenditures**

- **\$4,880.4 million**

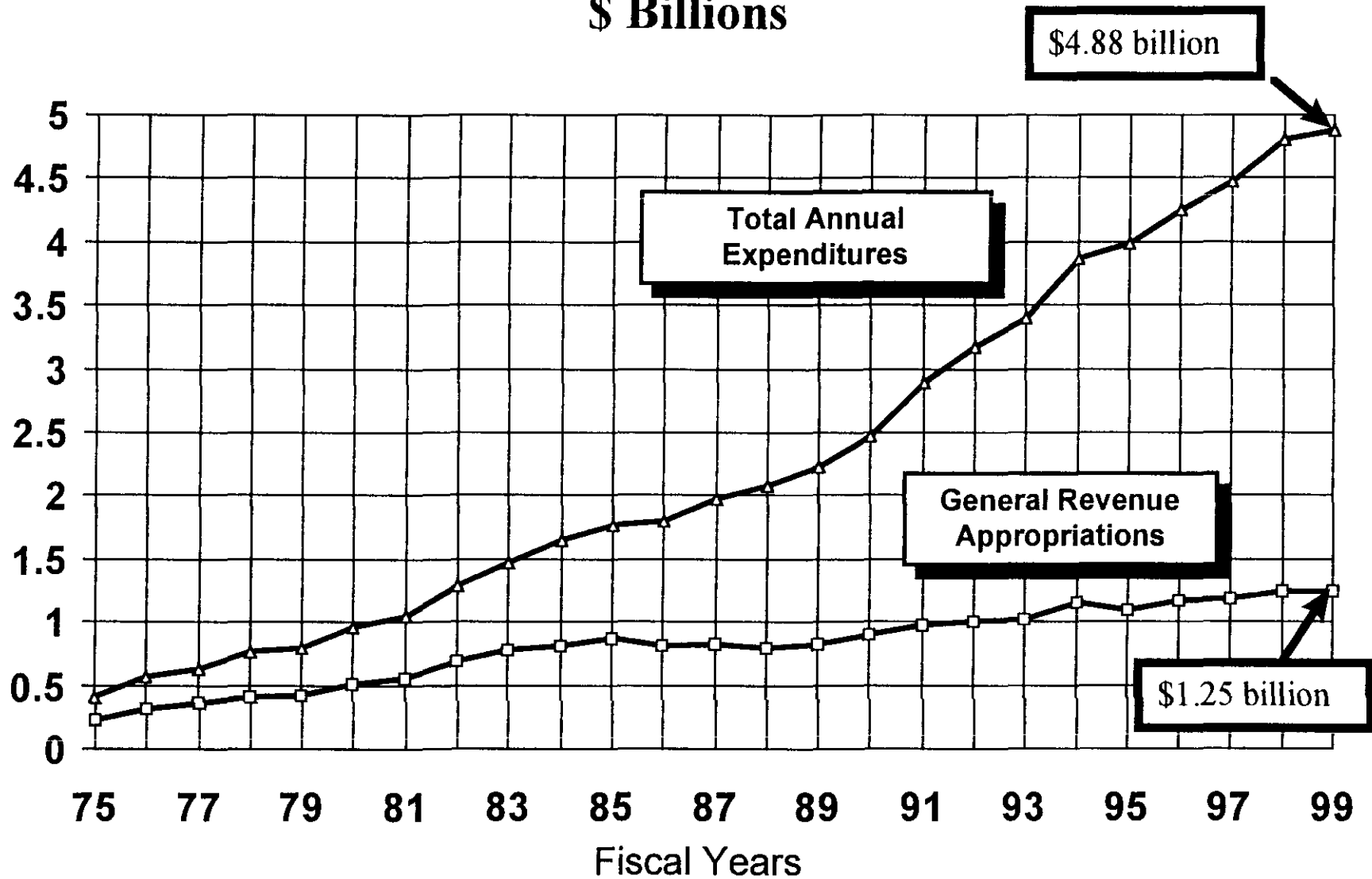
- \$73.5 million more than FY 98
- 1.52% more than FY 98

FY 1999 is the second year of the current biennium. Consistent with historic budget trends, the budget for the second year reflects relatively few changes from the first.

U. T. System Operating Budget

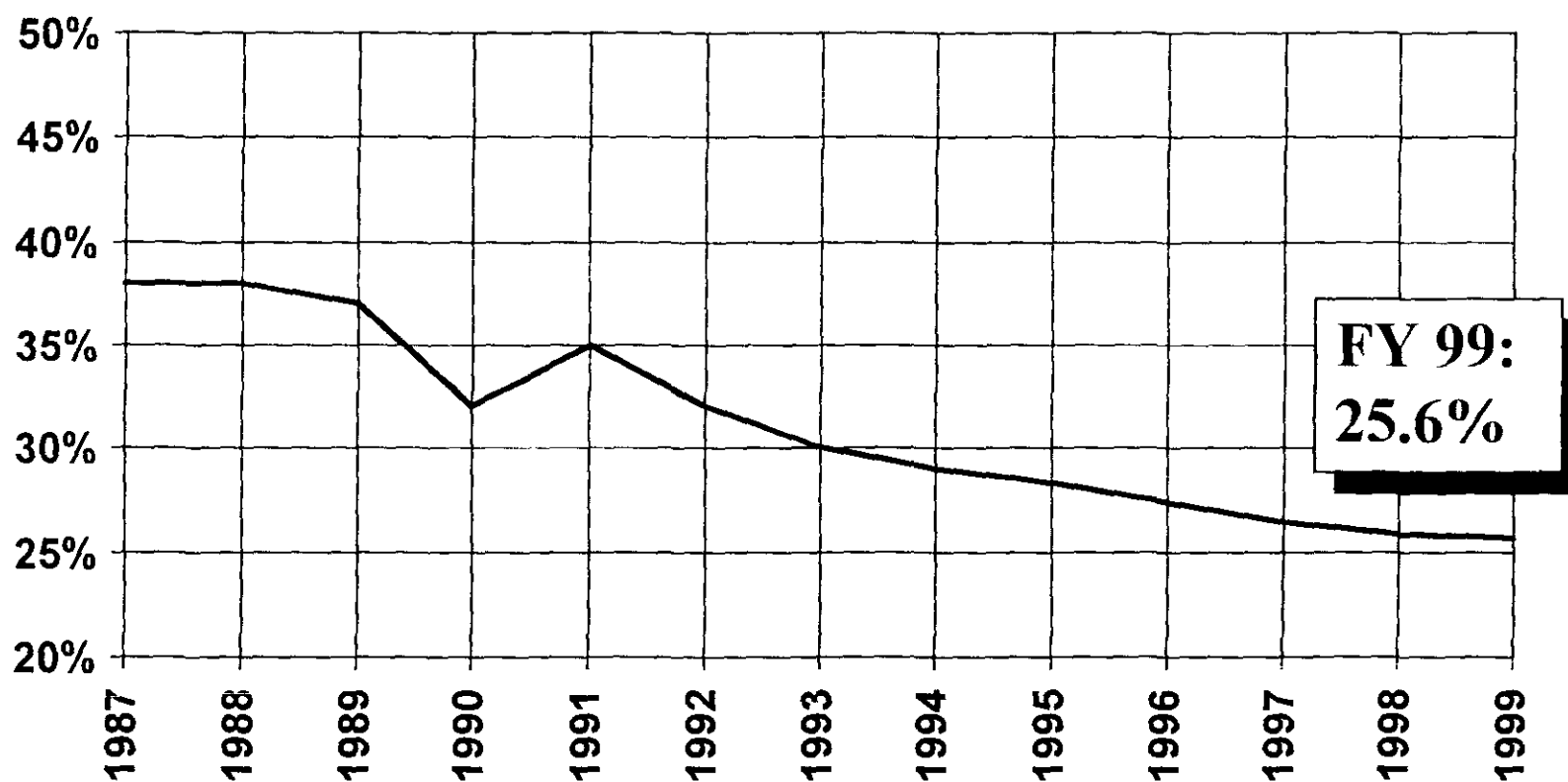
FY 75 - FY 99

\$ Billions

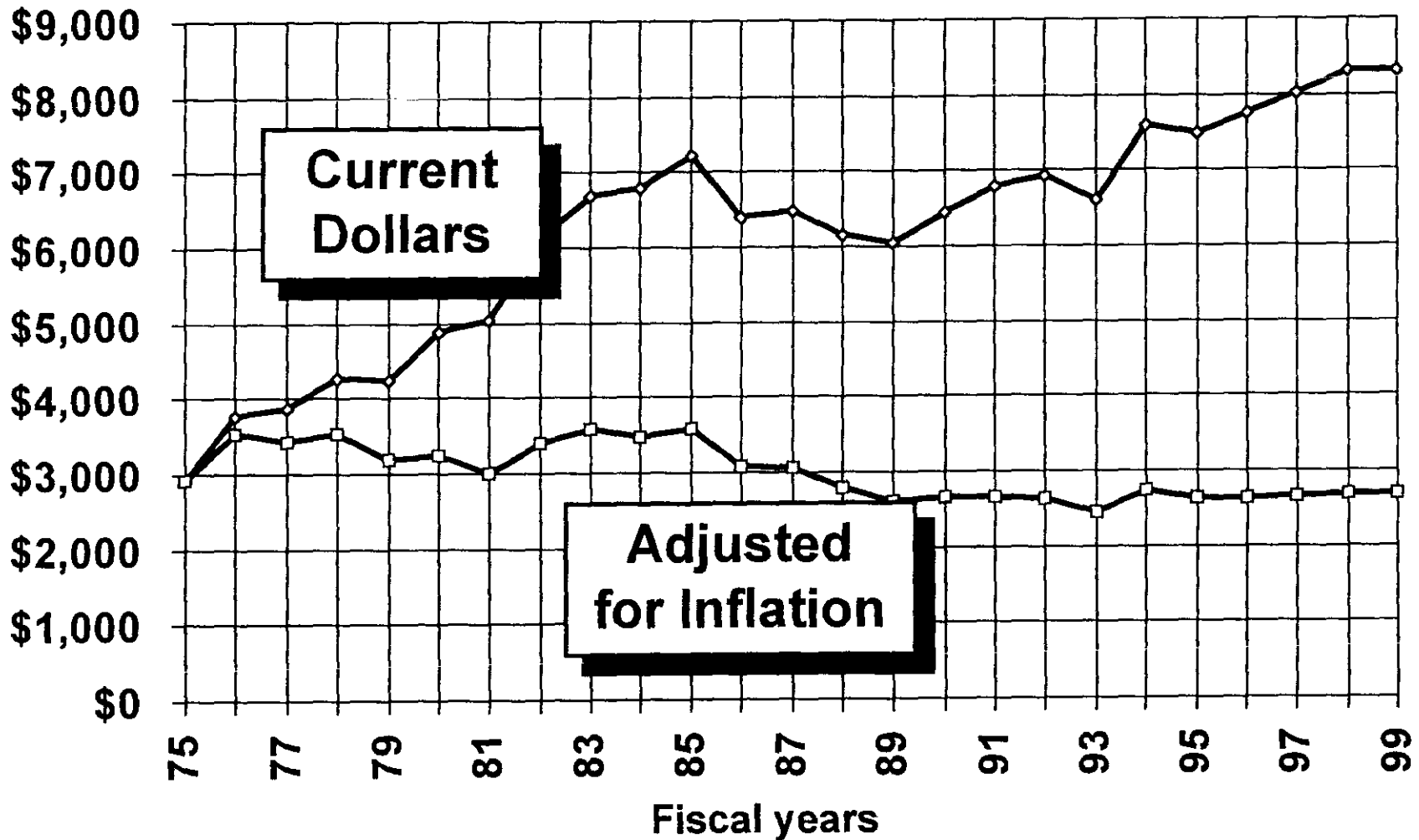


U. T. System

General Revenue Appropriations as a Percentage of Operating Budgets FY 87 - FY 99

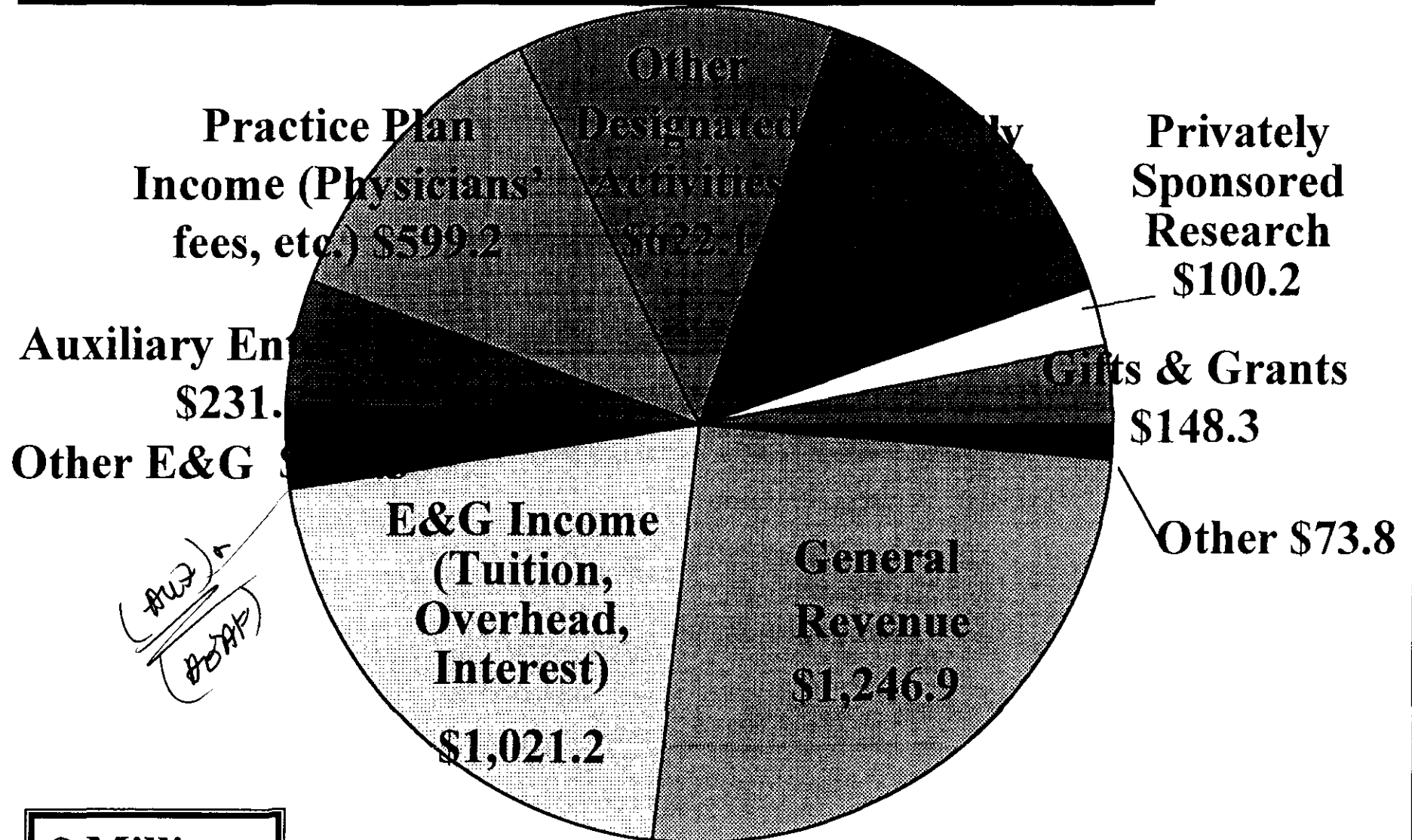


U. T. System General Revenue Appropriations Per Student FY 75 to FY 98 - With Estimate for FY 99



Proposed FY 1999 Budget

Method of Financing - \$4,933 million



(AUG)
(\$500M)

\$ Millions

Proposed FY 1999 Budget

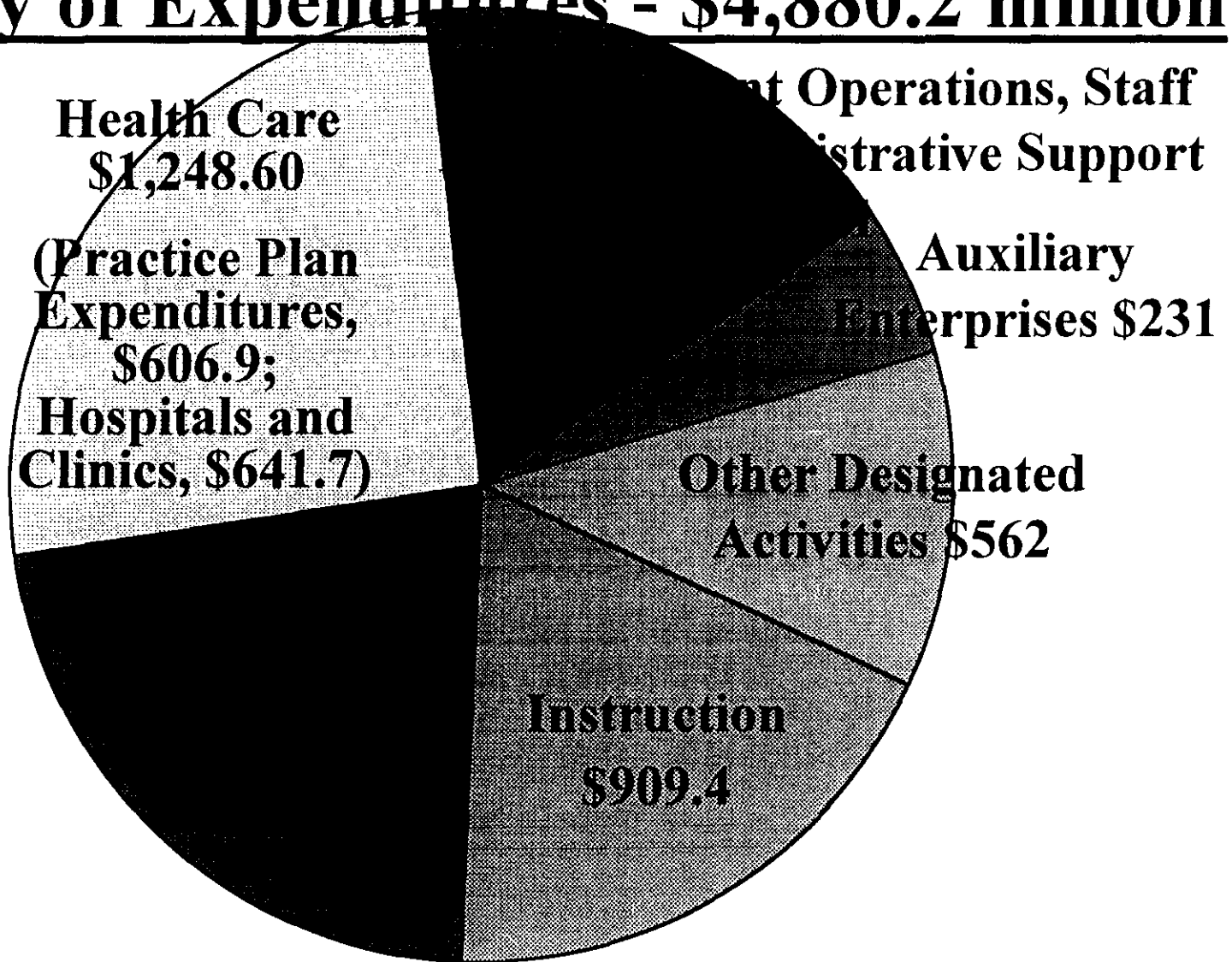
24

Changes in Method of Financing Since FY 98

(\$ Millions)

	FY 1998	FY 1999	Dollar & Percent Change	
General Revenue	\$1,238.4	\$1,246.9	\$8.5	0.69%
E&G Income	999.2	1,021.2	22.0	2.20%
Other E&G	174.6	170.3	(4.3)	- 2.46%
Auxiliary Enterprises	227.8	231.7	3.9	1.72%
Practice Plan Income	574.1	599.2	25.1	4.37%
Other Designated Activities	608.9	622.1	13.2	2.17%
Federally Sponsored Research	699.7	719.3	19.6	2.80%
Privately Sponsored Research	88.5	100.2	11.7	13.16%
Gifts and Grants	160.4	148.3	(12.1)	- 7.54%
Other	75.9	73.8	(2.1)	- 2.76%
TOTAL BUDGET	\$4,847.5	\$4,933.0	\$85.5	1.77%

Summary of Expenditures - \$4,880.2 million



\$ Millions

Proposed FY 1999 Budget

26

Changes in Expenditures Since FY 98

(\$ Millions)

	FY 1998	FY 1999	Dollar & Percent Change	
Instruction	\$869.9	\$909.4	\$39.5	4.54%
Research	1,043.3	1,068.2	24.9	2.38%
Health Care	1,220.4	1,248.6	28.2	2.30%
Physical Plant Operations, Staff Benefits, and Administrative Support	892.6	861.0	(31.6)	- 3.54%
Auxiliary Enterprises	229.2	231.2	2.0	0.87%
Other Designated Activities	551.5	562.0	10.5	1.90%
TOTAL BUDGET	\$4806.9	\$4,880.4	\$73.5	1.52%

Faculty and Staff Pay Raises for FY 99

27

AVERAGE MERIT INCREASES			
	Faculty	Admin. & Prof'l	Classified
U. T. Arlington	3.20%	3.06%	3.07%
U. T. Austin	3.02%	3.42%	4.64%
U. T. Brownsville	1.50%	0	0
U. T. Dallas	3.60%	3.47%	4.06%
U. T. El Paso	2.72%	2.65%	2.26%
U. T. Pan American	2.50%	3.00%	3.00%
U. T. Permian Basin	3.00%	2.80%	4.20%
U. T. San Antonio	2.80%	2.70%	2.73%
U. T. Tyler	2.32%	3.23%	4.48%
U. T. SWMC - Dallas	4.00%	3.98%	3.00%
U. T. MB - Galveston	3.73%	2.95%	4.00%
U. T. HSC - Houston	1.84%	2.37%	2.99%
U. T. HSC - San Antonio	2.39%	1.00%	1.00%
U. T. M.D. Anderson Cancer Center	6.38%	5.61%	5.32%
U. T. HC - Tyler	0	0	0
U. T. System Administration	NA	3.00%	3.00%

System Administration Expenditures

An overall increase of 15.34% (\$4.3 million) includes --

- \$1.3 million for operation of the new Regional Academic Health Center in the Valley
- \$1.05 million in Tuition Revenue Bond Retirement funds appropriated by the Legislature
- \$1.45 million for Phase II of the UT TeleCampus

After deducting those items, expenditures for System administrative offices show an increase of 1.9% (\$536,000).

(In addition, the budget for the U. T. System administration includes self-supporting functions that are budgeted under Designated Funds. These have increased \$960,000 due to increases in the administration of the System-wide Employee Group Insurance Program.)

LERR Budget for FY 99

Reserve Allocations for Library, Equipment, Repairs, and Rehabilitation

*Last year -
proposed* 41M
35M

	Allocation	
	Library & Equipment	Repair & Rehabilitation
Academic Institutions		
U. T. Arlington	\$874,045	\$2,239,400
U. T. Austin	620,000	2,000,000
U. T. Dallas	1,020,000	625,000
U. T. El Paso	1,896,000	616,000
U. T. Permian Basin	343,748	210,000
U. T. San Antonio	2,468,000	0
U. T. Tyler	670,000	0
Subtotal, Academic Institutions	\$7,891,793	\$5,690,400
Health Institutions		
U. T. SWMC - Dallas	\$5,700,000	0
U. T. MB - Galveston	452,500	0
U. T. HSC - Houston	395,000	0
U. T. HSC - San Antonio	6,200,000	0
U. T. M.D. Anderson Cancer Center	0	0
U. T. HC - Tyler	502,500	0
Subtotal, Health Institutions	\$13,250,000	0
U. T. System Administration	\$8,167,807	0
Total	\$29,309,600	\$5,690,400

