

The University of Texas System  
Ad Hoc Long Range Planning Committee  
Agenda Item # 11, Tab J  
Chairman Hunt  
July 11, 2000  
8:00 a.m. - 10:00 a.m.

There is a deep commitment in Texas to education as the key to successful economic development of the state in general and the growth in personal opportunity for its residents. Consider the following:

- Governor Bush's unequivocal commitment, and, in concert with the legislature, enactment and implementation of a significantly enhanced and strengthened system of accountability for K - 12 public education in Texas.
- The UT Board of Regents commitment to increase participation and success as demonstrated by Chairman Evans' leadership on and support for expanded AP programs, a vital K -16 strategy, the development of innovative K - 12 programs at component institutions designed to improve the quality and size of our student base.
- The passage by the legislature and subsequent adoption by popular vote of Proposition 17 which provides us with a significant expansion of resources as well as demonstrating exceptional faith in our ability to properly invest in higher education in Texas.

The Texas commitment to education has resulted from solid research, courageous leadership willing to enact change for best results, and focused, sustained action. We have an historic opportunity to build on the foundation of this legacy. Chairman Evans saw this opportunity and charged us with the task of developing a long-range plan for the U T System to serve as both a basis for discussions with the legislature in the 2001 session as well as the underpinning for any compact on higher education we may reach with the state in the future. Our work to date has been focused on defining the challenges and opportunities inherent in this task through the establishment of hard data and rigorous analysis.

As we all agreed early in this process, understanding and defining the demographic changes in Texas is fundamental to the creation of a successful long-range plan. **If** we fail to recognize the current and future demographic realities of Texas, we will fail to meet our charge. The economic viability and vitality of Texas in the future is significantly dependent upon our **success**.

Our analysis has provided the following known facts:

1. The majority of **18-year-olds** in Texas in the year 2000 are minority. Minorities will account for 106%(+ 100% due to real decline in the 18 to 24 Anglo population) of age18 to 24 population growth over the next 30 years. 83 % of this growth will be Hispanic. This is our student base. This is the undeniable future of Texas and the UT System. Historically, minority populations have the lowest higher education participation and success rates. There is no doubt that if participation and success rates are to increase in substantial ways, this will have to happen in minority populations in the state and the UT System.
2. Texas has been losing ground to other states in higher education for two decades. In 1980 Texans with a bachelors degree or better represented a category 10% higher than the national average. By 1990 this category in Texas had declined to equal with the national average. The 2000 census will confirm that we are 5% or more, behind the national average. To stop, but not reverse this decline, will require Texas to produce an additional 20,000 bachelors degrees and an additional 10,000 advanced degrees per year.
3. If current trends continue those with less than a high school education will represent the only educational category to increase as a percentage of the Texas labor force by 2030.
4. These trends, if continued, will decrease average household income in Texas by \$3,000 in real dollars by 2030, thus increasing demands on the state for support services while decreasing the state's ability to fund basic services and decreasing investment capacity simultaneously.
5. The net result of these trends, without intervention, will be a state less able to compete in a global market place.
8. In a commitment to better prepare the children of Texas, Governor Bush and the Legislature have strengthened, enhanced, and ensured a higher level of accountability for K - 12 education. It appears that this intervention will lead to a significant expansion of the pool of qualified applicants that we are bound to serve.
7. The geography of this population growth is centered in definable urban areas where the System has established institutional presence to some degree.
8. There are several significant efforts underway to create an integrated strategy for higher education in Texas: Lt. Governor Perry's Commission on Higher Education in the 21<sup>st</sup> Century; the Texas Higher Education Coordinating Board Rand Corp. study; and the Comptrollers e-Texas Commission. As per our charge we have monitored and communicated with these efforts. Based on our subsequent understanding, it is **clear** that to ensure our proper role in these deliberations, the UT System must assess the Long Range Planning

Committee's information and answer the basic questions raised in the forgoing if the System is to play its appropriate flagship role in the creation and implementation of a successful higher education strategy for the future of Texas.

These are the realities and opportunities we face in fulfilling our charge from Chairman Evans to develop a successful long-range plan for the UT System and to define our appropriate role in Texas higher education prior to the 2001 legislative session. Our analysis raises several key policy questions perhaps best understood in the context of answering five basic questions, which, when answered, will tell us what we want the UT System to look like in 2030:

1. What intervention strategies will successfully reverse the historical and current trends and close the gaps in education attainment levels with peer states and in minority populations? Does the UT System have a responsibility to build on the policies of K - 12 accountability designed to produce a better prepared high school graduate population as adopted by the state and which, under the leadership of Governor Bush, has been profoundly enhanced and strengthened?

If, in the spirit of leaving no child behind, we decide we do have needs and responsibilities then, clearly, the future student base must be developed. This will require the design, implementation, and continuing support for intervention strategies that will successfully increase qualified applicant pools from all population groups. This requirement also provides direction to us as to the specifics of particular institutional development strategies as defined by population and geographic characteristics and thus, the beginning of a framework for the development of resource allocation strategies based on a defined plan.

2. What constitutes a long range ( 30 years), comprehensive, fully integrated education model for the UT System as expressed in clearly defined goals, a set of strategies and **identified** resources to accomplish those goals along with a set of resource allocation criteria that are transparent and coherent with identified goals and strategies?

A. Should our flagship (UT Austin) be ranked at the top of public universities nationally?

1. Can this be accomplished if UT Austin is required to carry 100% of the burden for undergraduate excellence in the System?
2. Is this practical, in light of the current and future demographic and geographic reality as seen in our data?
3. Does a top national ranking for UT Austin require a mission more focused on high level graduate programs and related research?
4. Is there a model more compatible with our current and future reality that would enable the elevation of our flagship to top national rank while ensuring System capacity to meet the increasing demand for excellence resultant from growing pools of qualified applicants?
5. Consider California: The UC System has successfully developed eight institutions of the first choice (**Defined** as: ranked in the top 50 public universities, U.S. News annual ranking), each situated in a distinct population growth area including a flagship consistently ranked at the top nationally. Texas has two consistently ranked in the second 10 nationally. We now know from California that excellence can be developed in multiple institutions, of smaller student populations, through focused distribution of resources based on an agreed plan. We now know this approach can position a system for growth over the long term. We now know that concentration of resources is not required for the development of excellence. Lastly, we know that to implement this model California spends \$26 more per resident per year than Texas. Adjusted for the Texas population this funding gap is approximately **\$600** million. Current services budget and revenue projections indicate that through a combination of the expanded capacity of the PUF and modest increases in allocations of available funds from the legislature, this gap can be closed. (see Att # 1 and Tab H. pg 10 Committee Briefing Book)
6. Over subscription at UT Austin threatens our capacity to offer acceptable choices for all of our best and brightest. Are we in danger of adopting a de facto policy of exporting our **best** and brightest to other states and then forced to invest in the importation of the talent necessary to continue a viable and vital economy? Is this best for the state? Is this approach politically sustainable?

B. Is a deregulated, component mission driven model, based on geographical growth and current institutional presence, designed to create

multiple universities of the first choice more compatible with current and future realities as well as more efficient in terms of total output?

1. The UC System experience would appear to be affirmative: A System with a flagship university consistently ranked the best in the nation supported by multiple, mission driven components, each a nationally ranked center of excellence. It took California 40 years, perhaps we can do it in 30.
2. A model that is coherent with the demographic realities of multiple, high growth, increasingly minority, urban populations seems to recommend itself to, at least, very careful consideration.
3. The UT System appears to be well positioned to implement such a strategy in an efficient manner. We are arguably at an historical point of opportunity to make multiple institutions of the first choice available to the people of Texas while elevating our flagship university to the national level Texas deserves and requires. If we can, should we?

If our goal is to maximize excellence and to reap the economic benefits of increased participation and success rates in the most efficient manner possible then it is our responsibility, through careful deliberation to demonstrate that the historic and current strategy is appropriate to this goal. If it is not, then we have a like responsibility to develop a strategy that is. The facts and our analysis appear to make a clear case for the development of multiple institutions of the first choice, building on the strengths of our institutional presence and investment in each high growth area of the state. Our decisions on this issue will establish the basis for a clearly defined, and hopefully, strongly defensible resource allocation strategy.

3. What measures must be taken to ensure the most **efficient**, effective, and accountable use of the resources invested to implement identified strategies?
  - A. Proposition 17 impact: The Legislature provided this tool, confirmed by popular vote, to significantly expand our capacity to fund System needs. This places a greater burden on the System for accountability as to purpose as well as how effectively and efficiently this increased capacity is used. To ensure continued political and popular support we must demonstrate a clear commitment to a transparent and coherent resource allocation strategy for the PUF. The PUF is a resource for which we have total discretion over allocation decisions. Who we are, who we want to become, and how credible our case is will depend on how we allocate this unique resource.
  - B. We can decide to eliminate the funding disparity between the PUF and the HEAF for both Academic and Health components while maintaining historical commitments to UT Austin. This will require careful deliberation on setting an increased distribution rate for the PUF.

- C. One key to efficient resource allocation strategies will be our understanding of the return on investment in both human capital (Academic) and knowledge creation (Research). The Comptroller's study, when completed in August, will provide excellent tools for analyzing the impact of a given investment. We do know from the State Demographer, Dr. Steven **Murdock**, the negative return on investment for no intervention at all. We will need to establish a balance between Research and Academic capital funding and target this on an institution appropriate basis as guided by a multiple institution of first choice strategy if that is the path we choose. This, combined with the Comptroller's study would allow the rational allocation of resources for maximum effect based on the strengths of a given component.
- D. As Regent Miller has so thoroughly detailed, deregulation, in its most expansive form, will be a key to the efficient use of resources, particularly in the event that we adopt a multiple institution of the first choice strategy.

4. What measures must be taken to ensure effective accountability for educational performance?

A deregulated system of multiple institutions of first choice, based on mission driven components, must be accompanied by enhanced performance accountability measures. Accountability would be tied directly to System responsibility for resource allocation according to a transparent and coherent plan. These would become the guiding principles of System Administration responsibility along with the task of providing technical, information technology, and administrative support in building capacity at component institutions. The System role in strengthening capacity at each component institution will be critical to taking full advantage of the economies delivered by deregulation.

5. What must be done to engage the people of the state, local and state leadership, and the legislature in a commitment to support our strategy as defined by our answers to the four questions above?

A. Adoption of a deregulated system of multiple, mission driven components of the first choice is a necessary and logical extension of the K-12 accountability system now strengthened and thriving under Governor Bush's leadership. This policy is designed to increase high school graduate preparedness and thus participation and success rates in higher education. In order to ensure full benefit from this program higher education in Texas will need to ensure adequate opportunities for the increasing pools of qualified students. Our current model cannot even satisfy current demand.

- B. Adoption of this model will develop institutions in each major population growth area thus yielding wider based public support and create investment level interest in a wider and potentially critical mass in the legislature.
- C. Proposition 17 has provided us a unique window of opportunity to generate additional legislative support for a plan that includes ending the PURHEAF disparity and makes the case for additional legislative appropriations due to the necessity of the development of institutions of the first choice in each major urban growth area in the state while investing the necessary funds to raise UT Austin to a top ranking among national public universities. This would provide the kind of broad public and legislative support from diverse areas of the state required to succeed in the legislature.
- D. A public education campaign designed for each target area of the state can generate significant pressure on future legislatures to continue full support.
- E. It is **very important** to remember this is a long range plan to lay the foundation for the next 30 years. Implementation must be accomplished with great deliberation over a sufficient period of time to allow for continuous assessment and continuous education of critical constituencies. The appropriations side will require multiple legislative sessions. The success of this strategy, however, is dependent upon articulating it now. This strategy provides a timely and, therefore, uniquely credible response to the opportunity created by an enhanced K -12 accountability system, combined with Proposition 17. This set of opportunities will be lost if we fail to act previous to the 2001 legislative session.

The Key Issues that must be resolved before the final design and adoption of a long range plan:

1. Do we want to increase access, participation and success rates in higher education in Texas?
2. Should we adopt a strategy of development of multiple institutions of the first choice?
3. Should we use the opportunity created by the adoption of Proposition 17 to eliminate the PUF \ HEAF funding disparities?
4. How do we allocate resources **efficiently** and coherent with whatever strategy we adopt?

Percent Change  
**1990-2030**

Population of Texas	99.0
Labor Force	102.8
Aggregate Household Income	99.1
State Taxes	97.9
Elementary/Secondary	60.7
Higher Education	50.5

Steve **Murdock**