

**Mark G. Yudof, Chancellor
The University of Texas System**

Testimony to the
Senate Finance Committee
February 12, 2007
9:30 a.m.
Capitol Extension Room E 1.036

Chairman Ogden, Vice Chairman Zaffirini, members:

I want to thank the committee for this opportunity to testify on behalf of the University of Texas System.

I would also like to express our appreciation to John O'Brien and to the Legislative Budget Board staff for their hard work in developing Senate Bill 1 – and more about the bill in a moment.

We are most grateful to the leadership for their concerted efforts on behalf of higher education.

Clearly, higher education is a high priority this session and we are delighted that is the case.

We have enjoyed very constructive discussions over the interim with Governor Perry, Lieutenant Governor Dewhurst and Speaker Craddick and we are tremendously pleased to have leaders with such a positive outlook on higher education.

As you all know, the presidents of all our academic institutions are here today and they will be testifying about their individual campus concerns.

Executive Vice Chancellor for Health Affairs Dr. Ken Shine will be here Wednesday with the presidents of our health institutions.

So this morning, I want to briefly review a few priorities and then I will be glad to take any questions that you have. I have brought along several members of System staff who can help us with those question if necessary.

One of our most significant goals is helping keep our students, Texas and the nation competitive in a global economy.

Our new Competitiveness Initiative announced last August marks a milestone in our concerted effort to ensure that UT System academic and health institutions are second to none.

The support of the Legislature, embodied in the tuition revenue bonds approved in the 3rd Called Session last summer, is a critical component of the Competitiveness Initiative – and I want to express our profound gratitude specifically for funding for those and the previously issued TRBs in Senate Bill 1, as well as for the restoration of the proposed 10% cuts.

We still, of course, have several concerns that have not been addressed and I want to briefly go over those with you.

- One major concern is sufficient formula funding.
- We recognize that additional funds were added to the formulas in the base bill. But, as you will hear more specifically from the presidents, those funds only address growth in enrollment. They also do not take account of the inflation that eats away at what can be done with formula dollars. Finally, because of the application of the Coordinating Board's cost matrix to the dollars that are in the base bill, real funding is less in some instances, and there are disproportionate effects on funding in some critical areas.
- Further, the additional funds, though appreciated, on a per student basis do not bring us back to the levels of funding provided prior to the 2003 session. We understand that the Legislature allocates in the aggregate, but from an operating perspective, the important question is how many dollars are available per student. That is why the UT System supported the requests of the Higher Education Coordinating Board for additional formula funding and why we continue to [urge/ask] that you consider providing more dollars into the formulas to support our basic educational and operational mission.
- We do welcome proposals for incentive or performance-based funding so long as it is separate from and above the necessary formula funding.

- Advanced by Governor Perry at his news conference earlier this month; we are reviewing the details of that plan.
- We have been discussing this concept with Governor Dewhurst over the last six months or so, and are reviewing the details of the plan advanced by Governor Perry last week.
- The key to any such plan in our view is that incentives reflect each individual institution's unique mission and judge each by its improvement against its own prior performance.
- We also hope you will look favorably on critical funding needs in engineering, science, nursing and other health professions.
 - The Coordinating Board has offered recommendations for adjustments to formulas that address these needs or they could be addressed through designated funding
- And we of course hope you will consider additional student financial aid funding.

We again thank you for this time today and look forward to working with the committee, staff, and the various working groups throughout the session.

I would be glad to answer any questions that you have.