

Testimony of Mark G. Yudof  
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before the  
Senate Higher Education Subcommittee  
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AS PREPARED

Chairman West, members: I appreciate this opportunity to testify on behalf of The University of Texas System and to present our priorities for this session.

While we recognize that this subcommittee's charge involves policy matters, it is almost impossible to separate questions of finance from these broader issues. For instance, *Closing the Gaps* is a policy issue, but achieving its goals is also a financial issue. B-on-Time, TEXAS Grants and the Joint Admissions Medical Program (JAMP) are policy issues, but they don't achieve the desired results without adequate funding. So, I will be addressing both policy and finance with you today.

Our priorities fall into three board categories: providing a world-class education to a rapidly growing student population, improving the quality and availability of health care to all Texans, and increasing the strength of the Texas economy.

We agree with you, Chairman West, that our most significant educational challenges arise in the areas of access and affordability.

The subcommittee is well aware of the demands placed on higher education as a result of the *Closing the Gaps* initiative. According to the most recent numbers, higher education must absorb about 600,000 additional students by 2015 and, at the same time, improve the diversity and success of Texas students.

The UT System has a special responsibility for the success of that initiative because we already enroll about one third of students in Texas public universities. We have worked hard to meet our existing targets under *Closing the Gaps*. And, I am proud to say, we have done so.

As a consequence, the rate of growth in our institutions has been pronounced. Between 2000 and 2004, the rate of enrollment growth at UT System academic institutions was about 25% above the state average. Since 2000 our full-time student equivalent (FTSE) enrollment has grown almost 14%... and is projected to reach a cumulative 20% increase by the end of the next biennium.

While it is gratifying to us that so many Texas students choose the UT System, accelerated growth presents serious challenges.

One means of addressing the challenge is to increase the four-year graduation rates, which reduces costs for both the state and parents and makes more space available. We are very concerned about ample funding for programs like B-on-Time, Texas Grants and JAMP that make college-going affordable for a wider diversity of students statewide.

And we know that the Top 10% Law will be an issue during this session. We believe that some change is called for and I am sure President Faulkner has shared his views and will continue to do so. The Board of Regents has not taken a specific position on which changes to the law that have been proposed might be most workable for our institutions. However, I want to emphasize that we do believe race and ethnicity can and should be taken into consideration as one among many factors included in holistic, full-file reviews of applications for admissions to our institutions.

But addressing the issues of access and affordability will take much more.

General Revenue funding for our academic institutions has been relatively flat over the last several biennia and more students mean less money to spend per student. In fact, between the 2002-03 and 2004-05, per student funding decreased an average of 12.6% across the nine general academic campuses. Accounting for inflation, tuition increases did not fully offset the loss. And, in the next biennium, failure to take inflation – estimated by the Coordinating Board to be 3.7% – into account simply exacerbates the funding gap.

Existing facilities and faculty are already stretched to cover increased enrollment, so absorbing what amounts to enough new students to fill three UT Austin's over the next ten years requires an on-going commitment to building new facilities and adding faculty. The need for this commitment is enhanced by two factors.

Number one, many of our new students will be the first in their families to attend college and often require extra resources to ensure their success. Senator Zaffirini's justified concern about having sufficient student advisors is a case in point. It is not a matter of simply packing classes and increasing teaching loads. A quality education demands individual attention and guidance from faculty, staff and host of support services.

And number two, enrollment growth is coming at a time when the economic and social future of Texas depends on enhancing the quality of all levels of education and increasing the number of major research institutions in Texas. Within the UT System, we have at least four academic institutions capable of joining the ranks of nationally ranked top tier research institutions in the next ten to twenty years.

As this committee knows, major research institutions pay dividends in major economic development. University research and the technology transfer that accompanies it, contribute billions of dollars a year to the Texas economy. In some areas, such as San Antonio's \$12.9 billion biomedical industry, our institutions are creating whole new segments of the economy.

Research can be encouraged any number of ways. In fact, the statutory mechanism for research enhancement – the Research Development Fund – was created by the 78<sup>th</sup> Legislature. (created by merging the Texas Excellence and University Research Funds)

But now we have what is essentially a once-in-a-generation opportunity to hire the faculty and create the facilities that will lift us to a new standard of educational excellence and economic strength. With interest rates still at all time lows for debt instruments including Tuition Revenue Bonds, now is the ideal time to finance the construction of new classrooms, laboratories and student housing.

And yet, the introduced appropriations bill makes the use of those bonds more difficult. Even though it funds the debt service requirements for TRBs, that funding appears to come at the expense of the nonformula items system institutions requested. This approach constitutes a significant policy change of the state retreating from the long practice and understood commitment for General Revenue Funding for TRBs. The credit rating agencies tell us that any change to the state's long-standing policy of fully funding TRBs would threaten the bond ratings of our public universities, thereby increasing the cost of debt for needed projects.

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This is a problem for both our academic and health campuses. In fact, the overall reduction in direct General Revenue appropriations for UT System health institutions is \$32 million in the baseline bill. But when \$26.9 million in money that would otherwise be available for operation is allocated to TRB debt service, our health institutions see a \$59.3 million reduction in General Revenue funding for operations for the 2006-07 biennium. This reduction is on top of a \$44 million reduction in direct General Revenue appropriations UT health institutions received from the 2002-03 biennium to the 2004-05 biennium.

We also view the improvement and availability of health care for Texans as a special responsibility of the UT System. Three-fourths of all health care professionals in Texas received their degrees from UT System institutions. We educate two-thirds of Texas medical school students. We serve the people of Texas by providing the best education and research opportunities for these professionals, by developing innovative cures and treatments for illness and by providing uncompensated care for Texans who are uninsured or underinsured.

Currently, Texas faces two important health care challenges: shortages of physicians and nurses and the rapidly escalating cost of uncompensated care. We want to help meet both challenges.

Addressing the nursing shortage is a complex matter which I would be happy to discuss if the committee so desires. The nursing shortage in Texas is acute. Texas is well below the national average for the ratio of registered nurses per 100,000. We need almost 34,000 more RNs to reach the national average. Results of a February 2004 survey of hospitals indicate that as many as 7,100 RN positions would have been unfilled at that time. But 4,000 qualified applicants could not be admitted last year because we did not have places for them.

Fundamentally, our problem remains one of many good students chasing too few slots. When we can adequately staff our nursing schools and the undergraduate prerequisites they need, we will be able to make more progress toward alleviating the shortage.

Expanded Graduate Medical Education, commonly called GME, is part of the answer to the physician shortage. We believe that by increasing the number of resident positions available to medical school graduates, Texas can increase the number of doctors practicing in Texas. Less than 60% of doctors who attend medical school in state stay in Texas to practice. But eight out of ten doctors who complete both medical school *and* their residencies in Texas stay in Texas.

California graduates fewer medical students than Texas, but has more than twice as many first-year residency positions. So, when you net it out, California is importing doctors from other states while Texas exports ours. When medical graduates leave Texas, we have spent some \$400,000 or more in public funds on their medical educations but lost their skills as practitioners.

Because residents provide most of the uncompensated health care in Texas, expanding GME is also part of the answer to maintaining our ability to provide health care for the indigent and the uninsured.

Texas, the second most populous state in the nation, has the highest rate of individuals without health care insurance. While the national average is 15% of the population, 25% to 28% of Texans are uninsured. In FY 2004, our health institutions provided more than \$1.2 billion of uncompensated care. As the demand for services increases and medical inflation soars, we have been forced to reduce the volume of uncompensated care that we provide – to, in effect, ration health care.

The UT System is participating in a 19-member task force created to analyze the magnitude of the problem in Texas and suggest workable solutions. In the interim, we need help to provide our share of this care to Texans.

All of our health care missions—education, delivery of services, and research—require capital investment through tuition revenue bonds or other means to develop and support the infrastructure that enables those missions.

I want to mention that we are keenly aware of our responsibilities to the public schools. We understand that the quality of the educational experience we are able to provide our students is determined in no small part by their preparation and readiness for college. As a consequence, the success of our mission is heavily influenced by the success of the Texas public schools and the unbroken pipeline that leads directly to higher education.

Mr. Chairman and members, those are our issues: providing a world-class education to a rapidly growing student population, improving the quality and availability of health care to all Texans, increasing the strength of the Texas economy.

I hope my testimony has been helpful to the sub-committee and I would be glad to take any questions that you have.