
INTERIM CHARGE NINE

In 2003, following the 78th Regular Legislative Session, the Joint Interim Committee on Higher Education was charged with identifying opportunities for legislative and administrative action relating to:

Potential reductions in personnel and other cost savings.

Background:

Exemption programs allow Texas residents to enroll while paying reduced tuition and fee charges. Program values range from three hours' tuition to a student's lifetime of free tuition and fees. In Fiscal Year 2003, 76,900 students received awards through the state's exemption programs. These exemptions totaled \$34.4 million in forgone tuition and/or fee charges.¹⁹⁰

Waiver programs allow nonresidents to enroll in Texas institutions while paying the resident tuition rate. In Fiscal Year 2003, 50,577 students received awards through the state's waiver programs. These waivers totaled \$162 million in foregone tuition.¹⁹¹

Further study is necessary to determine recommendations for aligning exemption and waiver programs with participation and success goals of *Closing the Gaps by 2015* and making them more consistent, coherent, and cost-effective.

Recommendation 1:

The Legislature should direct the Coordinating Board to appoint an advisory committee of representatives from the Texas Association of Registrars, Admissions Officers; Texas Association of Black Personnel in Higher Education; Texas Association of Chicanos in Higher Education; and The Texas Association of Student Financial Aid Administrators to conduct further studies to determine recommendations for aligning exemption and waiver programs with participation and success goals of *Closing the Gaps by 2015* and making them more consistent and cost-effective.

Background:

The Texas Tech University System commissioned a Cost Saving, Efficiency, and Revenue Enhancement Study by Accenture, to identify additional cost savings, efficiencies and revenue enhancements that can be applied to the academic missions of the component institutions. This study was completed in 2004, and represents additional efforts to provide quality services in an effective and efficient manner to students, parents, the legislature, executive branch and the general public.

Recommendation 2:

The legislature should direct the Coordinating Board to coordinate and consolidate the scope of reporting by systems and universities so as to utilize the millions of dollars spent in a more efficient and effective manner.

Background:

University systems and their component institutions, independent universities and state colleges, and community and technical colleges, spend hundreds of millions of dollars annually in information technology (IT) departments, using multiple suppliers. Some Universities in other states have realized efficiency gains from consolidating their IT functions.

The University of Miami recently reached an agreement with a *sole provider* for all of its departments' IT spending, consolidating a \$60 million technology budget with one supplier, with an estimated savings of \$2 million per year. The agreement does not prohibit faculty and students from buying and using other PC makers' products, but the school's IT department will offer outside support and maintenance only to one agreed-upon supplier, displacing three or four other competitors.¹⁹²

This agreement could indicate a trend in the large institutions of higher education to consolidate university-wide purchases and use this model to gain some of the benefits that are only available to corporations. Since many universities either require or recommend that students have a computer for school, and many offer discounts on particular brands of computers, especially if bought directly from the school, this one-shop, low cost model facilitates an important conduit between PC companies and students, allowing the institutions to collect the commissions and premiums. This also helps the universities shift some of their technology costs to the students; the more computers in students' hands, the fewer the school has to provide in classrooms and labs.¹⁹³

Recommendation 3:

The Legislature should require that the institutions of higher education in Texas, individually or through system offices or related associations, conduct a study or bid-process to explore the possibility of using a one-supplier model of purchasing to consolidate and reduce spending, specifically in IT departments, but also in other areas of major expenditure. This study should include a review of how Historically Under-utilized Businesses would be utilized under such a model. Institutions should report findings to the Legislature by January 2006.

Background:

At the request on the Joint Interim Committee on Higher Education in August 2004, the Coordinating Board collected information from each of the higher education systems in Texas, detailing system-administrative cost among its components by function, type and amount of expense, FTEs and FTSEs. The systems also submitted written information describing their mission with organizational and operational background.

Recommendation 4:

The 79th Legislature should continue to work with the Coordinating Board, the Legislative Budget Board and the system offices for updated biennial information on the cost and function of all aspects of system administrative expense.

Background:

The University of Texas at Austin and Texas A&M University have been ordered by the Legislative Budget Board to conduct an independent audit of their institutions' financial operations. The Board ordered LBB to develop a work plan for institutions of higher education, specifically reviews of the University of Texas at Austin and Texas A&M, which were projected to cost \$500,000 each. These audits were ordered for the two flagship universities, UT Austin and Texas A&M, and are not for their respective system-wide institutions or for their System operations.¹⁹⁴

Recommendation 5:

The Legislature should evaluate requiring that systems and universities conduct an internal or independent audit of their financial statements on a biennial or quadrennial basis and to report such results to the Legislature.

As a part of this evaluation, the Legislature should weigh the potential benefits of a financial audit against the costs measured in funds and institutional resources of the university and/or system to accomplish such an effort.