

Committee on Higher Education Formula Funding
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Testimony for the Interim Committee on Higher Education Formula Funding
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Good morning, Chairman Hancock, Chairman Ashby, and Committee members. My name is Taylor Eighmy. I am President of The University of Texas at San Antonio (UTSA). Thank you for the opportunity to testify.

I am here because you asked to hear the perspective of a growing research university on the topic of formula funding. Here in San Antonio, we believe great cities need great universities. A four-year education is essential to realizing personal and family prosperity and we have an obligation to our city to realize that opportunity for our present and future students, especially as we adopt this notion of “cradle to career” to meet the future workforce needs of our community, state and nation. Moreover, our city is our very own living laboratory. Our future path to becoming a designated National Research University and Carnegie R1 research university will be very closely tied to how we tackle the grand challenges here in San Antonio.

UTSA is a growing, emerging research university. Next year we will celebrate our 50th anniversary. UTSA has grown to a current enrollment of 31,000 students. We have almost 8,000 new freshmen and transfer students. Last fall we welcomed a new cohort of 30 new faculty from around the country.

Across many categories, progress has been steadily made. Regarding student success, our first-year retention has improved from 59% to 74% over the last ten years and we are well on our way to meeting our goal of 85% within the next ten years. The 85% goal is above the current Texas average (72%) and the national

average (81%). Our six-year graduation rate has improved from 28% to 37% over the last ten years and we will meet our goal of 60% within the next ten years. The 60% goal is just above the current Texas and national averages (59%). Our restricted research expenditures have increased from \$29M to over \$40M over the last three years and should be \$55M in FY20 if trends continue. The NRUF benchmark is \$45M. Our total research expenditures have increased from \$45M to \$68M over the last three years and should be \$95M by FY20 if trends continue.

We are currently implementing a broad-based strategic enrollment initiative at UTSA to better manage our enrollment growth. Our focus is to improve retention rates, graduation rates, net tuition revenue, credit hour production, degrees awarded, and post degree placement. We are pursuing the right mix of students in specific disciplines aligned to workforce needs. Strategic enrollment planning at UTSA will be a continuous and data-informed process.

In the previous legislative session, budget constraints prevented any adjustments in the formula to fund enrollment growth. This is a significant issue for UTSA, as it is for other growing universities in Texas. Over the past two academic years, UTSA's enrollment has grown by 6.5%.

We certainly understand the challenges before you with our state budget, especially around Hurricane Harvey relief. At the same time, we are hopeful that during this coming session both enrollment growth and inflation corrections within the formula can be addressed. We need this funding in order to help us move toward the goals outlined in the Texas Higher Education Coordinating Board's 60x30TX plan.

During the last legislative session, the Texas Higher Education Coordinating Board suggested a concept of a Graduation Bonus formula. The idea of a stipend to universities at a possible level of \$500 per non-at-risk graduate and \$1,000 per at-risk graduate would be of great help. Growing universities like UTSA could use additional financial support for advising, tutoring, career services, internships, and experiential learning strategies, and other interventions students may need.

I would like to take a moment to discuss some of the strengths and weaknesses of the present formula funding model for growing institutions.

One strength is that the current formula has an emphasis on instructional mission, whereby semester credit hours are grouped by discipline and then weighted. Faculty and teaching assistant salaries, as well as academic departmental expenses, are weighted heavily in the current formula. This allows the focus to remain on instructional mission. We benefit from this emphasis.

Conversely, if we are growing significantly in year one of the biennium, we will not see the formula benefits until the following biennium. Thus, the allocation of formula funding dollars will lag behind any enrollment changes. Enrollment data is fixed for a past period and set for two years of funding in the future. A possible fix in the formula in this case could be to add a factor for inflation at current rates in the second year of the appropriation. This might reward those campuses with enrollment growth greater than the statewide average growth.

Additionally, cost information is smoothed by using a three-year blended cost. This can negatively impact a strategically growing institution or even a particular discipline that is experiencing growth. One such example for us is in the field of cybersecurity. A proposed fix might be to have a comprehensive review of the cost study. Perhaps a new approach would be to calibrate the weights based on actual percentage increases in costs in a discipline over a prior year cost study.

Another weakness in formula funding is in the homogenization of weighting. Over the last 10 years, there has been significant compression in the weights attributed to higher cost degree programs, such as engineering and business. Weights continue to decline in high cost degree programs. While these disciplines are becoming more costly each year, with compression, formula revenues to a campus are reduced.

As an emerging research university, research is a core mission. Research is a high impact activity for student success in several fields of study, particularly in the sciences, engineering, and education. Yet, there is no revenue stream to support faculty led research and undergraduate research opportunities. The instruction and operations formula does not take into consideration factors for funding research or public service. Perhaps a research supplement could be added for high impact undergraduate experiential learning around undergraduate research. This could be similar to the small institution supplement and designed to support those growing institutions that have less than \$100 million in restricted research expenditures.

Finally, I want to mention how important programs like the Texas Research Incentive Program (TRIP) are to emerging research universities. TRIP is a state matching program established in 2009. It was designed to assist eight emerging research universities to advance to the next level. Universities must raise dollars for research initiatives and faculty endowments. TRIP provides opportunities for 1:1 matching gifts based on the dollars we raise. Across all eight emerging research universities there is a backlog of unfunded eligible gifts, estimated at \$130 million. UTSA has \$7.2 million in the backlog. TRIP enables aggressive fundraising, as our donor community is motivated by opportunities for gift matching. We would ask that the Legislature continue the TRIP program and provide funds to address the \$130 million backlog. This is a successful and needed program for universities like UTSA.

Lastly, in 2015, the 84th Legislature established the Core Research Support Fund. The purpose is to promote increased research capacity for institutions designated as emerging research universities. Continuation of the Core Research Support Fund will allow UTSA to build on our graduate student and faculty recruitment efforts, and our ability to sustain research facilities. We would ask that the Legislature retain the present level of funding for Core Research. Last session the funding for the entire pool was trimmed. We request that you retain it at current level.

Thank you for your time and I am happy to answer any questions you may have.