

## University of Houston System/University of Houston

Presentation to the Senate Finance Committee

January 25, 2017

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### University of Houston System Overview

As the region's largest provider of comprehensive (baccalaureate to doctorate) higher education services, the University of Houston System plays a primary role in meeting the needs of a global city. Houston is the energy capital of the world, headquarters for 24 Fortune 500 companies, and home to the world's largest medical complex. In addition:

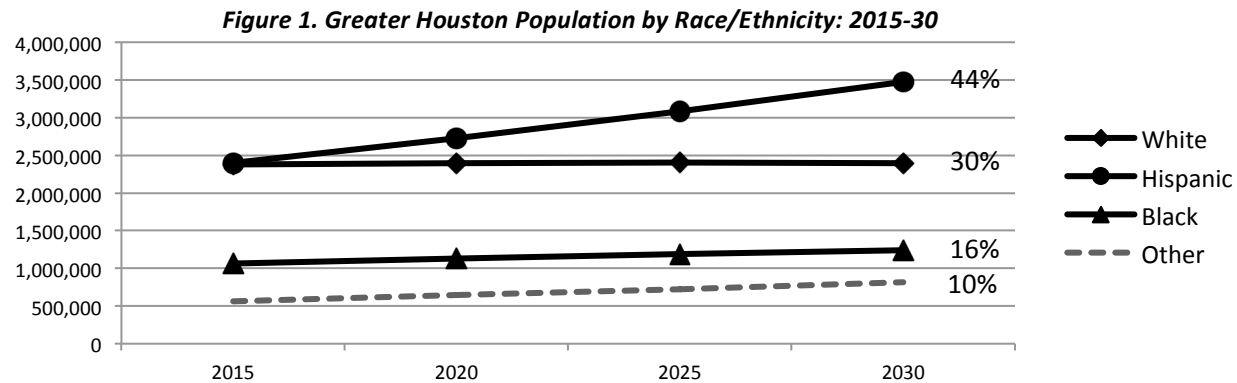
- One in four Texans lives in Greater Houston.
- The population is projected to reach 8 million by 2030.
- The region generates one-third of the state's economy.

The future of Texas depends on the future of Houston. The University of Houston System plays a vital role in meeting the educational, public service, and research needs in the Greater Houston area and includes four distinct but complementary universities:

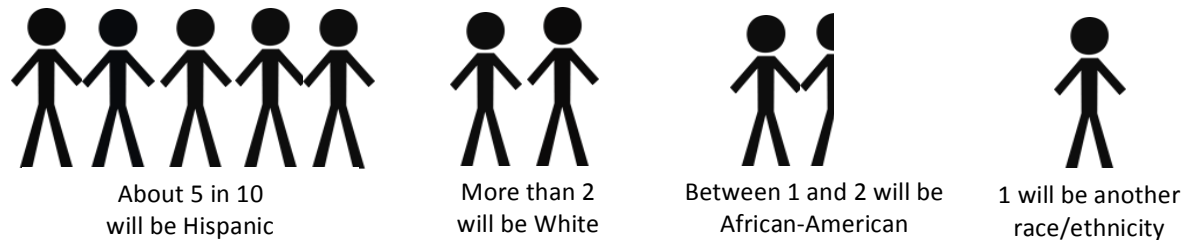
Institution	Enrollment	Description
University of Houston	43,774	The largest university in Houston and the third largest in the state, UH is a Tier One doctoral degree-granting, comprehensive research university.
University of Houston-Clear Lake	8,669	Located near the NASA Johnson Space Center, UHCL delivers undergraduate, masters and a limited number of doctoral degrees in the heart of Clear Lake's high-technology community.
University of Houston-Downtown	14,251	The second largest university in Houston and the most ethnically diverse university in the state, UHD is a primarily undergraduate institution with an expanding portfolio of master's programs.
University of Houston-Victoria	4,144	Located in the Coastal Bend region of Texas, UHV is an undergraduate and master's university with one of the most dynamic online educational programs in the state.
<b>University of Houston System</b>	<b>70,838</b>	

## A System Meeting the Needs of the Diverse Region It Serves

Greater Houston is a national model for diversity. As **Figure 1** shows, the population is projected to reach eight million by 2030, more than 40% of which will be Hispanic. As **Figure 2** shows, three in four residents 24 or younger will be non-white (Hispanic, African-American, Asian, or another race/ethnicity) by 2030.



**Figure 2. Share of Greater Houston Population, 24 and Under by Race/Ethnicity: 2030**



As Houston's demographics change, so too will those across Texas. The students the UHS institutions serve will increasingly come from historically underrepresented populations. The UH System universities are prepared for this challenge. Our student body is already diverse – 32% Hispanic, 26% white, 16% Asian, 13% African-American, and 9% international. In addition, all UHS universities are Hispanic Serving Institutions (HSIs)—the first university system in the nation with this distinction. HSIs are eligible for federal grants designed to increase the participation and success of Hispanics in higher education. To be recognized as an HSI, a university's undergraduate population must be at least 25% Hispanic.

## Transformational Change & Major Milestones

The UH System continues to grow and provide greater access to education in the city and state it serves. The economic future of Houston and Texas depends on a highly skilled workforce and world-class research and development. Combined, the UH System's four universities do more to fulfill these needs than any other institution in the region. The system's universities are very different than they were ten years ago. In recent years, they have experienced extraordinary transformational change and growth. Since 2008:

<b>Access</b>	<ul style="list-style-type: none"><li>→ Enrollment has grown by over 14,000 students (25%).</li><li>→ UH-Victoria and UH-Clear Lake now enroll freshmen and sophomores. UHV's enrollment has grown nearly 50%, and UHCL's has grown 15%.</li><li>→ The UH System has expanded access to degree programs by developing the UH Sugar Land Campus, UH-Clear Lake Pearland Campus, UH System Northwest Campus, and a future UH System Katy Campus. These campuses are strategically located in the region's high-growth areas. <i>See Appendix I.</i></li></ul>
<b>Productivity</b>	<ul style="list-style-type: none"><li>→ Degrees awarded have increased by more than 4,000 (35%). STEM degrees have nearly tripled.</li><li>→ Research expenditures have more than doubled – from \$75 million to \$156 million.</li><li>→ Total private support has increased 167% – from \$55 million to \$147 million.</li><li>→ The endowment has grown by \$89 million (14%).</li></ul>
<b>Diversity</b>	<ul style="list-style-type: none"><li>→ Enrollment of African-American, Hispanic and Native American students has increased by more than 11,000 (51%), while degrees awarded to these students have increased by nearly 3,000 (80%).</li></ul>
<b>Recognition</b>	<ul style="list-style-type: none"><li>→ The University of Houston has strengthened its position as a nationally competitive Tier One university, as recognized by the Carnegie Foundation, the Center for Measuring University Performance, and many other organizations.</li></ul>

## UHS Legislative Priorities

None of the UH System's accomplishments would have been possible without strong support from the state. If we are to meet the economic and demographic challenges of the next decade, continued support from the Legislature will be essential. As we look to the 85<sup>th</sup> session, we bring the following system-wide priorities forward:

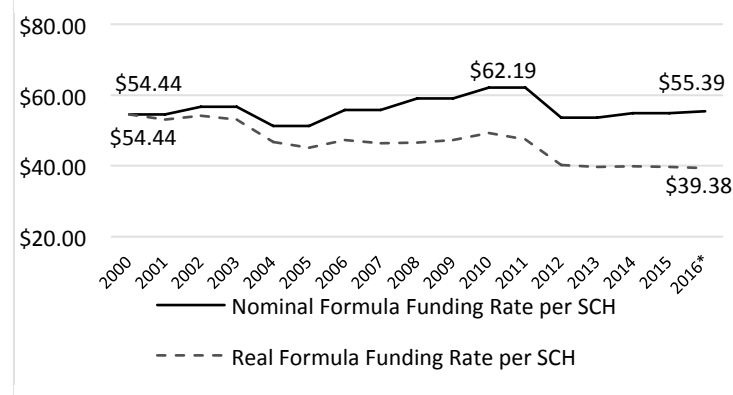
- **Restoration of Special Item Funding**

For the FY 2016-17 biennium, the UH System universities were appropriated over \$60 million in special item funding for programs essential to serving their students (e.g., UHCL and UHV Downward Expansion), enhancing their research activities (e.g., UH Tier One Research Clusters), and improving their communities (e.g., UHD community Development Project). Elimination of this funding would cause severe hardship for our universities and, on a broader basis, negatively impact the constituencies we serve and the regional and state economies. For example, at the University of Houston – which alone would sustain a loss exceeding \$30 million – special item funding is used to leverage millions of dollars in non-state revenue; provide research and internship opportunities to hundreds of students each year; and generate new businesses, jobs, sales and tax revenue for the state. Specific information on the impact of programs receiving special item funding at the University of Houston has been included in Appendix II. The UH System encourages the Legislature to restore funding for special items.

- **Base Formula Funding**

As demands on our universities grow, it is imperative to provide adequate resources for basic educational services through the formulas. As **Figure 3** shows, while the formula funding rate for the current biennium (\$55.39) was 1% higher than for the last biennium, it was still 11% lower than the rate for the FY 2010-11 biennium (\$62.19). The UH System requests that the Legislature return to the FY10-11 rate.

**Figure 3. Formula Funding per Semester Credit Hour, FY 2000-16**



\*Assumes a 2% inflation rate for FY 2016

- **Hazlewood Exemptions**

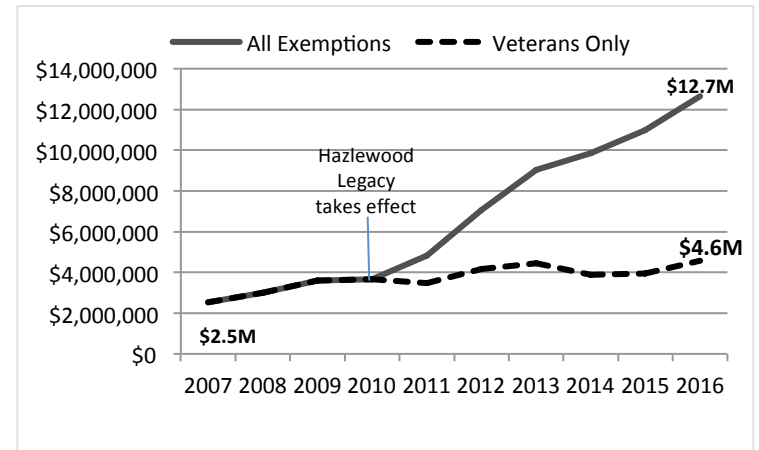
The UH System is dedicated to supporting veterans and their families by expanding opportunities for them to earn a college degree. However, as the Comptroller of Public Accounts noted this past summer, public colleges and universities are losing greater amounts of tuition revenue due to the exemption.

As **Figure 4** shows, the UH System universities funded nearly \$13 million in Hazlewood exemptions in FY16—\$10 million more than they funded a decade ago. Legacy accounted for six in ten exemptions that we funded. The lost revenue means:

- Fewer dollars are available to fund institutional priorities, including instruction, faculty hiring, student success initiatives, and other academic services.
- Without full reimbursement, we must fund exemptions from other sources, including tuition paid by other students. In effect, as the Comptroller noted, “students without Hazlewood benefits are subsidizing those who have them.”

The University of Houston funded 1,100 exemptions in FY16 at a total cost of \$8.8 million, with just over a million dollars reimbursed by the state. The balance of \$7.7 million amounts to \$186 per non-Hazlewood student – revenue that could have otherwise been used to support these students last year. The UH System encourages the Legislature to appropriate resources to cover all Hazlewood exemptions or modify the exemption to accommodate growth, particularly in the Legacy program. *For a detailed analysis of UHS Hazlewood costs, please see Appendix III.*

**Figure 4. UH System Hazlewood Costs, FY 2007-16**



- **TEXAS Grants**

Funding for TEXAS Grants is essential for the state to expand access to higher education and facilitate student graduation. This is especially true at the UH System institutions where students typically work to pay for college and rely heavily on financial aid. As the number of students eligible for these grants increases along with enrollment at state universities, the UH System encourages the Legislature to meet their financial need through TEXAS Grants.

- **Houston Guided Pathways to Success (Houston GPS)**

Two years ago, the UHS universities began partnering with local community colleges (Houston Community College, Lone Star College, San Jacinto College, Wharton County Jr. College) to implement Houston Guided Pathways to Success, a set of cross-institutional strategies to increase graduation and retention rates and reduce time to degree and excess semester credit hours, particularly among students transferring from 2-year to 4-year institutions. Houston GPS activities include:

- Providing students with economic and career information so they can make an informed choice about a major;
- Developing cross-institutional degree maps, so students can chart their entire four-year academic career;
- Developing structured class schedules that allow students to better coordinate courses with family and job responsibilities; and
- Combining proactive advising with predictive analytics, so advisors can target at-risks students and make sure they remain on track to complete their degree.

Houston GPS will pay long-term dividends to students, the state, and taxpayers. According to the Texas Higher Education Coordinating Board, Texas graduates take nearly 140 SCH in completing a degree—20 more than the typical four-year program requires. The state and students would save millions of dollars by reducing excess SCH. Implementing Houston GPS will have the following benefits:

Houston GPS Benefits	
→	Reduce excess SCH, saving money for all parties
→	Increase the number of graduates at 2- and 4-year institutions
→	Reduce time to degree
→	Accelerate entry into the workforce

The UH System believes that Houston GPS will be enormously beneficial to higher education in the Houston area and will serve as a model for the state and nation to follow. Given its importance, exceptional item funding has been requested to develop a technology platform that will integrate all Houston GPS activities—advising, career counseling, analytics, and course registration—across all institutions. The program cannot fully succeed without this technology.

- **NASA Texas Aerospace Scholars and Technology Outreach Programs**

Administered by the NASA-Johnson Space Center, Texas Aerospace Scholars (TAS) provides unique educational and internship experiences for K-12 and community college students at NASA-JSC, while the Technology Outreach Program (TOP) provides technical and scientific support to emerging businesses. Exceptional item funding has been requested by NASA-JSC to expand program activities. TAS will increase the number of participants and internships. TOP will raise awareness of NASA technology and make it more accessible to businesses and inventors.

## University of Houston: Enhancing its Position as a National Research University

The University of Houston has transformed from its origins as a college for the city’s “working men and women” to a nationally competitive Tier One university that generates more than \$150 million in research annually and educates the people of Houston and the world. UH has achieved much in recent years as it rises among the ranks of national universities:

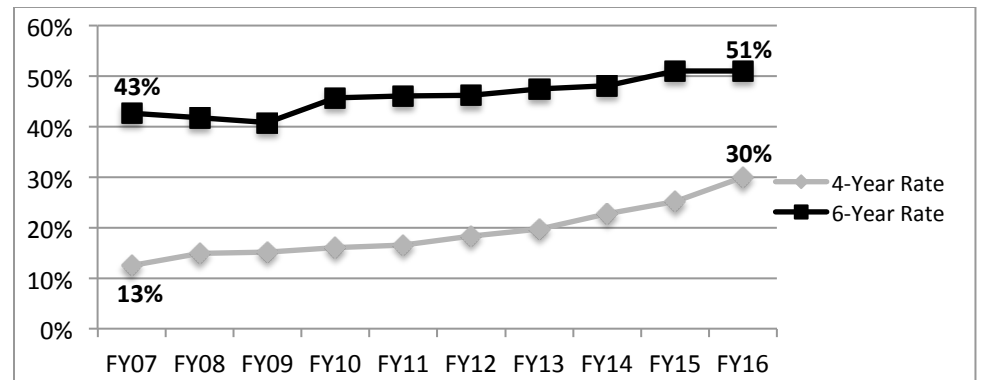
- Record enrollment: 43,774 students
- Record research expenditures: \$152 million
- Record scholarly citations: 82,557
- Opened new College of the Arts
- Hosted nationally televised presidential debate
- Ranked among the top national universities by TARU and Princeton Review
- Ranked 2<sup>nd</sup> in diversity among national research universities by U.S. News & World Report
- Honors College ranked among Top 10 U.S. programs
- Five national academy members joined the faculty in Fall 2016 (for a total of 18)
- New Phi Beta Kappa chapter established

## Committed to Student Success for a Diverse Population

Student success is the University of Houston’s top priority. UH must attract, retain, and graduate students who are well-prepared to enter the workforce and contribute to the economic prosperity of Texas. Since 2008, UH has made significant improvements across its most important student success measures:

Measure	2016	Increase from 2007-08
Total degrees awarded	9,596	<b>+2,635</b>
Freshman first-year retention rate	85%	<b>+8%</b>
Freshman six-year graduation rate	51%	<b>+8%</b>
Freshman median SAT	1146	<b>+91</b>
Course completion rate	97%	<b>+9%</b>

Figure 5. Graduation Rates (2007-16)

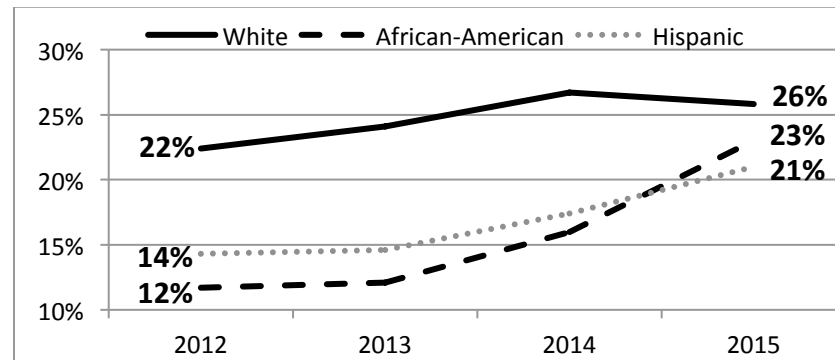


UH has improved these measures by implementing and investing in initiatives that facilitate student success. These include increasing scholarships, expanding course offerings, enhancing student support services, and improving the curriculum. Two years ago, the university launched UH in 4, where freshmen are guaranteed a fixed tuition rate for four years as long as they earn 30 credit hours per year. This fall, nearly 70% of freshmen signed up for the program (up from 50% during its first year). Of these students, 41% were minority, 44% were Pell eligible, and 36% were first-generation. Most importantly, UH in 4 students are performing better than non-UH in 4 students in the following key areas:

	<b>UH in 4</b>	<b>Non-UH in 4</b>
First-Year Retention Rate	88.1%	84.6%
% Completing 30 SCH in First Year	83.4%	68.3%
% Completing 60 SCH by Second Year	78.5%	64.1%
Average GPA	3.09	2.97

UH serves a student population unique among Texas' public research institutions: no ethnic group constitutes a majority of students. In FY 2016, the student population was 29% Hispanic, 27% White, 21% Asian-American, 10% African-American, and 9% international. UH is leading the way in closing achievement gaps of underrepresented students. Increasingly, African-American and Hispanic students are graduating at rates comparable to their non-minority peers. As **Figure 6** shows, the four-year graduation rates of African-American and Hispanic students are now close to the graduation rate of white students.

**Figure 6. UH 4-Year Graduation Rates by Race/Ethnicity (2012-15)**





## University of Houston Legislative Priorities

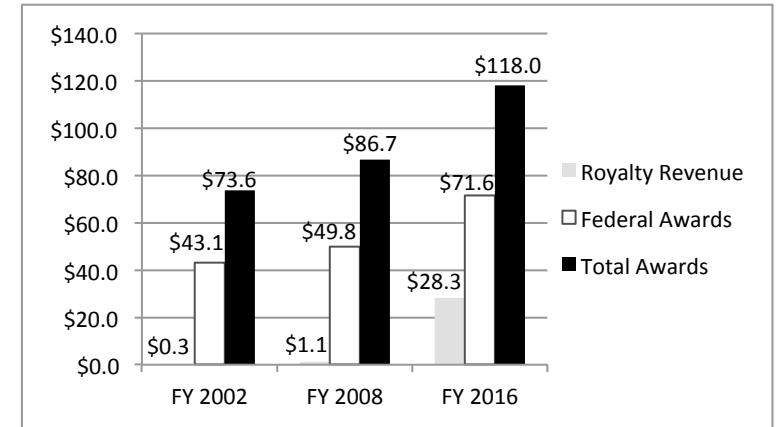
In addition to the legislative priorities for the UH System, UH asks the Legislature to consider the following:

- **Research Programs for Tier One Universities:**

- Core Research Support Fund
- Texas Research Incentive Program
- National Research University Fund
- Governor's University Research Initiative

State funding for these programs is the primary way in which UH and other universities not supported by the Permanent University Fund pursue their Tier One goals. Since the Legislature began creating programs such as these in 2002, total sponsored research awards at UH have increased by 60% (**Figure 7**). In addition, UH receives more than 25 times the royalty revenue it did in 2008. Through grants from the Governor's University Research Initiative, UH has recruited three national academy members. UH is grateful for the Legislature's past investments and encourages greater investments in these funds.

**Figure 7. UH Sponsored Research Productivity and Royalty Revenue**



- **Pharmacy Formula Funding**

Currently, there is considerable disparity between the funding for pharmacy programs funded through the health sciences formula versus those funded through the formula for general academic institutions (GAIs). In 2000, the formula funding rate for these programs was about equal. Today, the rate for pharmacy programs at GAIs (UH, University of Texas at Austin, Texas Southern University) is approximately three times less than the rate at health-related institutions. UH encourages the Legislature to appropriate additional funds to the pharmacy programs at GAIs.

- **Exceptional Items:**

### **Tier One Initiative: Complex Systems – Texas Center for Geodetic Imaging and Mapping**

The State of Texas confronts a number of challenges such as planning for and responding to population and industrial growth; documenting and responding to natural and man-made disasters; and developing transportation networks including roads and rail. Advanced imaging and mapping technology are powerful tools that can address these challenges.

UH requests exceptional item funding for the Texas Center for Geodetic Imaging and Mapping, which provides on-demand, four-dimensional imaging of Texas' terrain, streams, and near shore waters. The center will use state-of-the-art remote sensing technologies, including aerial digital photography, hyperspectral imaging, and space/aircraft based radar, to produce high resolution, 4-D images and digital elevation models. The center is part of UH's Complex Systems research enterprise, an area of excellence that is key to its Tier One efforts. Complex Systems applies advanced computer, network, and database technologies to address some of the nation's most important challenges. Funding this item will improve the center's technology and expand its activities so it can serve more public and private organizations.

### **Small Business Development Center**

Small business development centers (SBDCs) are an important engine for economic development. Through free management consulting and low-cost business training seminars, UH's SBDC helps new entrepreneurs start their businesses; existing businesses attract customers, increase sales, and improve operations; and clients obtain capital to open or expand their businesses. The SBDC requests exceptional item funding to increase job creation by establishing a High-Growth Stage 2 Business Team to focus on growing businesses that are primed for expansion.

<b>Impact of UH SBDC-Supported Businesses (2014)</b>	
→ Created more than 5,000 jobs	→ Generated \$368 million in new sales
→ Obtained \$192 million in new capital financing	→ Generated \$45 million in new tax revenue

### **Partnership for Multicultural Success**

UH is home to several programs focused on serving the needs of and improving outcomes for the city's diverse communities. These include the Mexican-American, Asian-American and African-American Studies programs. Exceptional item funding is requested to expand these programs in order to improve educational outcomes and expand research and community engagement activities.

### **Keeping College Affordable and Ensuring Value for Students**

While the University of Houston believes that increased state funding for higher education is essential to the future of Texas, we also realize that universities must be good stewards of the dollars with which they are entrusted. Given increasing student debt nationwide, tuition and fee increases cannot be the primary strategy for maintaining institutional quality. Instead universities must optimize existing resources and develop new revenue streams to achieve their goals. As UH has grown, we have made significant efforts to ensure affordability and strategically manage and invest our financial resources. To control costs, the

university has eliminated non-essential services, consolidated departments, reduced expenses, and reallocated millions of dollars to pursue institutional priorities. In addition, we have:

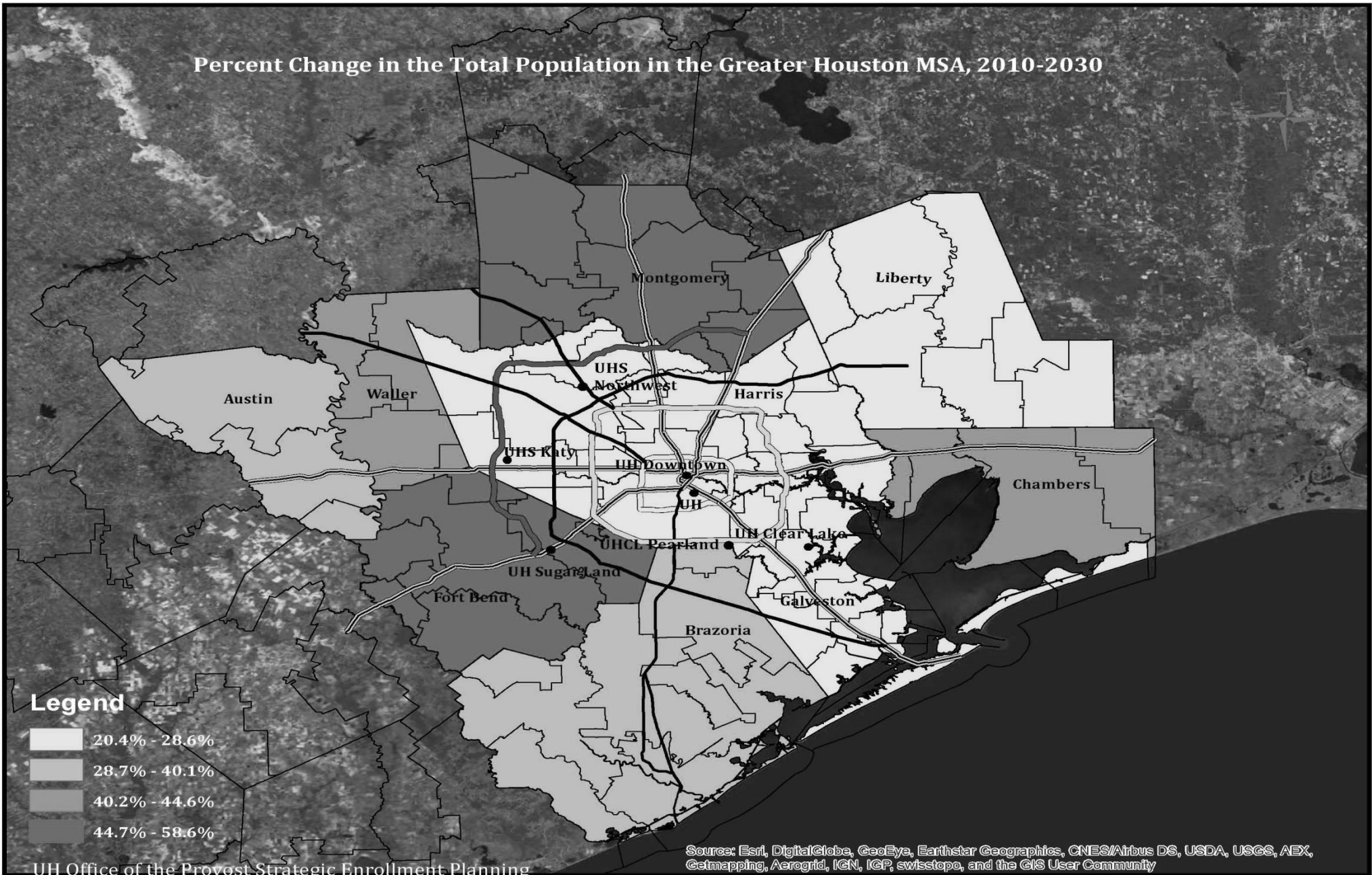
- **Increased annual giving** nearly 192% to \$143 million since 2008
- **Increased the endowment** by 12% to \$655 million since 2008
- **Raised \$680 million** as part of a \$1 billion capital campaign
- **Covered tuition & fees** for undergraduates with family incomes of \$45k or less
- **Implemented performance-based funding:** UH colleges are allocated resources based on gains in performance measures
- **Reduced administrative costs** from 10.4% in FY 2000 to 6.8% in FY 2015

These strategies have been critical to limiting tuition increases while improving student outcomes. Consequently, students receive a great return on investment from a UH education. Our students graduate with debt below the national average, and their early career salaries are nearly \$50,000—well above the national average of \$33,500. UH has also received the following national recognitions for affordability:

- |   |                                      |
|---|--------------------------------------|
| → Top 2% of 4-year institutions for low tuition, student loan default and student borrowing | White House College Scorecard (2014) |
| → Affordable Four-Year School with Good Outcomes  | U.S. Department of Education (2016)  |
| → Listed among Colleges That Pay You Back   | Princeton Review (2016)              |

# Appendix I: Change in Total Population in the Greater Houston MSA, 2010-30 with UHS Locations

Percent Change in the Total Population in the Greater Houston MSA, 2010-2030



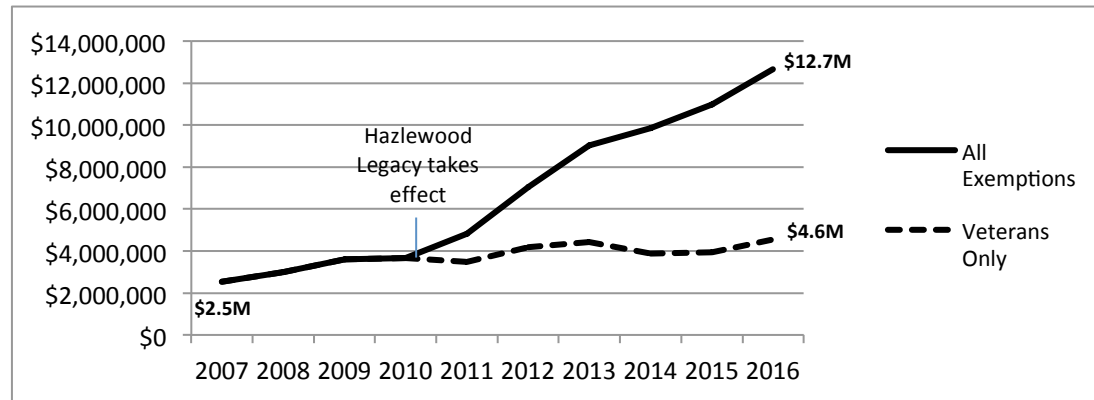
## Appendix II: Impact of Programs Funded through University of Houston Special Items

Programs*	Impact
Texas Center for Superconductivity at the University of Houston (TcSUH)	<ul style="list-style-type: none"> <li>• \$9M annual return on investment (\$3 generated per state appropriated dollar)</li> <li>• 4 national research centers</li> <li>• 5 spin-off companies</li> <li>• 143 industry partnerships</li> <li>• Research opportunities for 174 students</li> </ul>
Texas Institute for Measurement, Evaluation & Statistics (TIMES) Center for Advanced Data and Computing Systems (CACDS)	<ul style="list-style-type: none"> <li>• \$25 million economic impact since 2014</li> <li>• Research opportunities for 180 students</li> <li>• 150 publications annually</li> </ul>
Hobby School of Public Affairs	<ul style="list-style-type: none"> <li>• \$11 million leveraged from state funds</li> <li>• 1,445 student internships in Houston, Austin and Washington, DC</li> <li>• <u>Texas public policy research</u>: long-term population projections, 2016 Presidential Survey, Texas Lottery Commission Annual Demographic Report</li> </ul>
Small Business Development Center	<p>One Year Regional Impact:</p> <ul style="list-style-type: none"> <li>• 5,333 new jobs</li> <li>• 2,385 saved jobs</li> <li>• \$192 million new capital</li> <li>• \$368 million new sales</li> <li>• \$45 million tax revenue</li> </ul>

\*The University of Houston receives special item appropriations for Tier One Research Clusters in the following academic disciplines that are aligned to regional and state economic needs: health sciences, energy, complex systems, and education & community advancement. As major UH research centers, TcSUH, TIMES and CACDS receive funding allocations through these special items. The Hobby School of Public Affairs and the Small Business Development Center receive their own special item appropriations.

## Appendix III: UH System Hazlewood Costs

### UH System Hazlewood Costs: FY 2007-16



### UHS Institutions Hazlewood Costs: FY 2016

Institution	Hazlewood Recipients	Total Cost	% of System Total	State Reimbursements
UH	1,101	\$8,842,308	70%	\$1,121,347
UH-Downtown	382	\$1,676,769	13%	\$100,320
UH-Clear Lake	358	\$1,508,410	12%	\$97,515
UH-Victoria	197	\$633,555	5%	\$61,752
<b>UH System Total</b>	<b>2,038</b>	<b>\$12,661,042</b>	<b>100%</b>	<b>\$1,380,934</b>

### Cost per Non-Hazlewood Student: FY 2016

Institution	Net Cost After Reimbursement	Non-Hazlewood Students	Cost per Student
UH	\$7,720,961	41,603	\$186
UH-Downtown	\$1,576,449	13,880	\$114
UH-Clear Lake	\$1,410,895	8,548	\$165
UH-Victoria	\$571,803	3,955	\$145
<b>UH System Total</b>	<b>\$11,280,108</b>	<b>67,986</b>	<b>\$166</b>

## Appendix IV. National Recognition for the University of Houston

Organization	Recognition	Year
Carnegie Foundation	Very High Research University Status (Tier One)	2011
Times Higher Education	Among top 100 universities internationally for producing Fortune Global 500 CEOs	2013
Association for University Technology Managers	Ranked 10 <sup>th</sup> nationally among public universities for royalty revenue. Ranked 1 <sup>st</sup> among public universities without a medical school	2014
White House College Scorecard	Top 2% of 4-year institutions for low tuition, student loan default, and student borrowing	2014
Top American Research Universities (TARU)	Top 50 ranking for endowment, national academy members, and faculty awards Top 60 ranking for annual giving, doctorates granted, and post-docs	2015
U.S. News & World Report	11 <sup>th</sup> in graduating students with the least amount of debt	2015
National Academy of Inventors	Ranked 80 <sup>th</sup> in the world for utility patents	2016
Association of Research Libraries	Ranked 65 <sup>th</sup> among the nation's most prominent research libraries	2016
Princeton Review	Ranked 3 <sup>rd</sup> in Entrepreneurship for Undergraduates	2016
Inside Honors	Colleges That Pay You Back Honors College ranked among Top 10 in U.S.	2016
U.S. Department of Education	Affordable Four-Year Schools with Good Outcomes	2016
U.S. News & World Report	Top 200 national universities	2017
Princeton Review	Best 381 Colleges for Undergraduates	2017