

Business Plan Development Working Group Final Report

Working Group	Business Plan Development
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Subject Area(s) of the Working Group
Business Plan Development, including tuition and fees, business models, and sustainability.

Executive Summary and Recommendations

The Business Plan Development Working Group's charge is "...to develop the framework for a sustainable and innovative business model in support of '**a university of the first class**' as outlined in the authorizing statute." The elements discussed are student centered and based on assessment and research of best practices and innovative approaches aimed at balancing the needs of an emerging research institution with that of maintaining accessibility and affordability to a predominantly economically disadvantaged student population.

While the creation of UT Rio Grande Valley presents **exceptional opportunities** to develop new structures to maximize efficiencies and effectiveness, it also poses **significant challenges** as the region's poverty, health, and educational attainment must be considered as institutional policies are established. Paramount among these challenges is the development of a university of the first class amidst a scarcity of resources and a legacy of low academic costs. The costs to attend UTB and UTPA are lower than all but three public universities and significantly lower than the emerging research institutions in Texas (Fall 2012).

The working group's most significant item for consideration is the **elimination of fees** as a means to increase the flexibility of resources and, by doing so, to help minimize academic cost in the long run. By shifting academic cost to designated tuition, fee elimination would simplify billings, reduce administrative efforts in reconciling and monitoring fees, and generate additional financial aid set-asides.

Importantly, consideration should be given to implementing a **flat-rate or banded tuition** model structured to improve timely graduation rates by encouraging full-time attendance and larger course loads. However, when full-time course loads are subsidized, the impact to the large number of part-time students in the region must be considered. For whichever model is selected, it is important that **predictability of price** be promoted to facilitate financial planning for students and parents. Accordingly, consideration should be given to *mandating* participation in statutorily required four year fixed price undergraduate tuition plans; otherwise students may opt for traditional plans, reducing the effectiveness of the four-year guarantee in encouraging timely graduation.

Furthermore, under a "**one price degree**" concept, the university would provide each student with the estimated cost to graduate in 4, 5, or 6 years. This information could be provided during registration whereby students make selections via an "add to cart" option as commonly

found in online purchasing. In support of this concept, the working group recommends adoption of a **uniform academic cost** across all academic campuses and modes of instruction (traditional, online, and hybrid). Also, the feasibility of including the costs of books, preferably E-books, in this all-inclusive “sticker price” should be assessed.

The group recommends establishment of a **task force** to consider the various tuition and fee models outlined in this report, including differential tuition, and information on medical school tuition and fees pending from the Education Advisory Board.

There are a variety of complex issues that will have to be addressed before the start of operations for the **medical school** on September 1, 2016. Among these will be faculty compensation, tuition and fees structure, health programs currently housed academic campuses and a financial model that is sustainable without campus owned hospital facilities.

The working group strongly recommends increased emphasis on the **expansion of summer** enrollment to shorten time to degree and more fully utilize facilities. Summer would effectively be treated as a third semester, targeting enrollment levels similar to the fall and spring terms. Possible strategies would include providing scholarships, on-campus employment, discounted tuition and attractive payment plans.

Additional resources should be generated through **increased research** activities and **programs that strategically increase enrollment** such as certificate programs and incentives for undergraduate students to continue into graduate school. As examples, fixed rates could be offered for graduate programs, and students receiving a baccalaureate degree in less than 4 years could apply unexpired time in the 4-year guarantee toward graduate programs.

Philanthropic efforts should be elevated as a means to assist students and raise revenue, and **form ties with the community**. Especially important are programs that engage local businesses and the community. For example, businesses could be encouraged to provide opportunities for customers to donate their change to UT RGV; such programs are important gestures of cooperation as the new institution establishes itself.

It is critical that resources be allocated according to strategic priorities, and that **decisions be data-driven** to the extent possible. Ideally decisions should be supported by robust business intelligence software. In summary, funded activities should be the most efficient and effective at addressing **strategic priorities**.

In addition, a **cost containment culture** should be fostered at all times, during lean years as well as during years of more ample resources. Consideration should be given to a rolling four year zero-based budget approach and embracing of activity-based costing (ABC) and other cost accounting practices. The elimination or reduction of debt should be considered as a means of reducing academic costs.

Importantly, the working group recommends the adoption of **rigorous fiscal management** practices. The Composite Financial Index (CFI) and other critical financial metrics must be monitored regularly. Adequate reserves must be maintained to both support one-time opportunities which arise and to absorb unexpected costs and other financial shortfalls; it is critical that reserves not be used for recurring expenses.

The working group recommends the development of a **distributed faculty model** that can leverage UT RGV's most highly qualified faculty to serve the students across the campuses and beyond our region through the use of technology. This model would increase student access, expand classroom capacity, and reduce instructional costs to the institution.

Finally, the campus community must trust that resources are being deployed wisely and that fiscal management practices are sound. As trust cannot be developed without **transparency**, the campus must be educated in and have opportunities to influence funding decisions.

SECTION 1: INSTITUTIONAL CONTEXT

Background

The dissolution of the University of Texas Brownsville and the University of Texas-Pan American on August 31, 2015 and creation of UT Rio Grande Valley will result in one institution that will enroll approximately 30,000 students and have a budget of over \$400 million. The Brownsville and Edinburg campuses are approximately 65 miles apart. Additional operating sites of the university exist at South Padre Island, Harlingen, McAllen, and in Rio Grande City.

The four county area known as The Rio Grande Valley (RGV) experienced a population increase of 80% from 1990 to 2010, growing to 1,264,091. The population is projected to increase 21% from 2010 to 2020, to 1,528,110, and to increase 44% from 2010 to 2030, to 1,824,737 (Texas State Data Center for Data Projections and U.S. Census Bureau; 1990, 2000, and 2010). However, the region lags behind the state and nation in quality of life factors: per capita income, employment rates, level of educational attainment, and health.

The unemployment rate for the United States was 7.0% in November 2013 and 6.1% for the State of Texas, while the rate for the RGV was 10.3% (47% higher than the national rate and 69% higher than the state rate, Texas Workforce Commission). According to the Census Bureau's 2007-2011 American Community Survey, the McAllen-Edinburg-Mission Metropolitan Statistical Area (MSA) had a per capita income of only \$13,821 while the Brownsville/Harlingen MSA had a per capita income of \$14,183. Both of these amounts are significantly below the state average of \$25,548 and the national average of \$27,915. Further, both areas are ranked among the lowest in per capita income among all U.S. MSA's. In concert with this low ranking is the fact that the majority of the nation's colonias (unincorporated residential areas, many without plumbing, lighting, and other basic necessities) are located in the RGV.

With regard to educational attainment in the RGV, 40% of the population 25 years and older has less than a high school education, compared to 20% for Texas, and 15% for the U.S. Insofar as higher education, only 15% of the adults in the RGV have earned a bachelor's degree or higher, compared to 26% for the state, and 28% for the nation (2007-2011 American Community Survey, U.S. Bureau of the Census).

Health care is an area of continuing concern in the RGV, with poor health exacerbated by low income levels due to low levels of educational attainment. With its large Hispanic population, the region has been hit especially hard by diabetes. In Texas, in 2010, diabetes prevalence among Hispanics (18 years and older) was 11% as compared to 8% among non-Hispanic whites. Moreover, the diabetes mortality rate for Hispanics in Texas is 40 per 100,000,

compared to 19 per 100,000 for non-Hispanic whites (2007-2010 Health Statistics, Department of State Health Services). With proper funding of its health-related programs and cooperative research with other organizations, UT RGV will prove invaluable in the fight against this and other diseases.

UT Brownsville has experienced growth of 173% over the last thirteen years with enrollment increasing from 3,157 (Fall 2000) to 8,612 (Fall 2013). In that same period, UTPA grew 57% with enrollments of 12,760 and 20,053 respectively in Fall 2000 and Fall 2013. Total undergraduate degrees awarded at UTPA have increased 100% over the last thirteen years, increasing from 1,780 (FY 2000) to 3,560 (FY 2013). UT Brownsville degrees awarded grew 105% from 626 to 1,282 in Fiscal Years 2000 and 2013 respectively.

The Edinburg campus abandoned its open admissions policy in Fall 2005 when it implemented a gradual increase in standards; current minimum ACT and SAT scores are 18 and 850 respectively for students not graduating in the top 10% of their class.

Part-time students make up a significant proportion of the student population at both the Brownsville and Edinburg campus; 3,855 (45%) and 5,968 (30%) respectively, Fall 2013.

The facilities of the university of Texas-Rio Grande Valley are widely dispersed with its most westerly location in Starr County approximately 120 miles distant to its most easterly facility at South Padre Island. Operating locations include the primary campuses in Brownsville and Edinburg, facilities at South Padre Island, McAllen, Rio Grande City, and Harlingen.

In terms of tuition and fees, the primary source of funding besides state appropriations, UTB and UTPA have a Total Academic Cost (TAC¹) lower than all but three other public institutions in Texas (of 37, Fall 2012). On the other hand, the combined enrollment will make UT RGV the 8th largest institution (28,665 combined enrollment, Fall 2013). This contrast in low cost and high enrollment serves to accentuate the challenge in developing “a university of the first class” as substantial progress will be difficult to achieve without the necessary funding.

Mandate of The University of Texas Rio Grande Valley

The authorizing statute, passed by Texas’ 83rd legislature, mandates that The University of Texas Rio Grande Valley be an institution “of the first class” (Sec. 79.04) that shall include a medical school.

The statute further specifies that the “medical and research programs of the medical school component of the university be conducted across the region and have a substantial presence in Hidalgo County and Cameron County.” UT RGV shall offer bachelors, masters, and doctoral degrees and their equivalents as well as medical school degrees and other health science degrees. The enabling legislation dictates that “...the offices overseeing undergraduate medical education shall be located in Hidalgo County and the offices overseeing graduate medical education shall be located in Cameron County.”

¹ TAC is the sum of all tuition (statutory tuition, designated tuition, and board-authorized), mandatory fees, and academic-related college and course fees (fees required of all students enrolled in a given college, program or course) at exactly 15 semester credit hours.

Vision, Guiding Principles, and Strategic Goals

The vision and guiding principles for The University of Texas Rio Grande Valley are listed in the [Project South Texas website](#) and in Appendix.

Primary and supporting services

As all other public universities, it is assumed that UT RGV will have an over-arching emphasis on instruction, research, and public service. Within these broad functions will be a variety of important support services that can be argued to be critical elements of the institution.

Instruction: It is assumed that instruction services at UT RGV will include a variety of approaches including on-campus, online, hybrid and teaching at various sites throughout the region and beyond. Important for UT RGV, which has been publicly charged with being a “gateway to the Americas”, will be the approaches developed to integrate instructional activities into a global perspective. Also, the institution should consider innovative approaches such as competency-based education as a means to provide credentialing options that incorporate workplace, military, and prior learning that can accelerate time-to-degree.

Research: UT RGV, as a new institution, is in a unique position to identify areas of research that are aligned to present and future areas of importance for the region, the state, nation, and the world. It is expected that current combined annual research expenditures of \$18,928,000 (FY 2013) for UTB and UTPA will see a significant increase as synergies emerge. A deliberate effort should perhaps be made in developing intellectual property and spin-off companies (e.g. FiberRio) that can provide a solid foundation for student research engagement, and opportunities for additional funding.

Public Service: The University of Texas Rio Grande Valley is ideally positioned to significantly contribute to the well-being of the region, state, and nation. The high rates of poverty, poor health, and low levels of educational attainment in the region could be addressed in a way that leverages student instruction and research activities in support of the community.

Support Services: The primary functions of instruction, research and public service cannot be pursued with success without the provision of a wide variety of support services. In addition, pedagogical success will hinge on excellent instructional support services such as tutoring, advising, and supplemental instruction. These services are particularly needed in UT RGVs region with its low level of educational attainment. In addition, UT RGV should pursue a variety of student life activities in order to provide a vibrant campus life that is conducive to intellectual social integration of its students. Importantly, critical decisions will have to be made in regard to the role of and structure of athletics at UT RGV.

SECTION 2: RESOURCES

As in other areas, UT RGV will have an exceptional opportunity to develop new structures to maximize efficiencies and effectiveness in revenue generation, resource allocation and cost management. This is particularly true for tuition and fee structures but also for implementing integrated recruitment models that are assessed from a pedagogical perspective and also consider impact to revenue streams (e.g. global recruitment).

Another area of opportunity can be found in philanthropy and alumni development. UT RGVs regional and student demographics and the outsized impacts the institution can have on those students should aid in finding philanthropic partners interested in assisting the institution pursue its goals.

In addition, accelerated research activities using faculty of the highest caliber will not only add value to students' educational experience but also provide a vast opportunity for grant funding. Also, the medical school working in partnership with the academic side of the university may be able to leverage faculty, staff, facilities, services, and other resources to maximize revenue streams. The institution will also be ideally positioned to expand its educational reach via online and hybrid instruction, continuing education programs, and the leveraging of highly qualified faculty and geographically dispersed operating locations.

Clearly, one of the most significant resource challenges facing The University of Texas Rio Grande Valley will be the inherited Total Academic Costs (TAC) rates of UT-Brownsville and UT-Pan American. TAC rates at UTB and UTPA are significantly lower than Texas' Emerging Research Institutions (ERI). It will be virtually impossible for UT RGV to develop into a "university of the first class" with such disproportionately low rates.

Emerging Research Institutions* Total Academic Cost, Fall 2012 (Descending Order)		
Rank in State	Institution	TAC
1	UT-Dallas	5,796
3	Texas Tech	4,857
4	University of Houston	4,676
5	UT-Arlington	4,646
6	University of North Texas	4,572
8	UT-San Antonio	4,494
9	Texas State University	4,386
24	UT-El Paso	3,554
33	UT-Pan American	3,136
34	UT-Brownsville	3,132

*UTPA and UTB are not currently classified as ERIs

Given the higher TAC rates for the other emerging research institutions the working group strongly recommends that an assessment be made to consider an increase to the rates that will be inherited by UT RGV; clearly, the institution will be encumbered in its path to becoming an institution "of the first class" with such disparate rates. An assessment should consider various ratios e.g. academic cost per student headcount, full-time student equivalent or assignable square feet of classroom or lab space, etc. Regardless, consideration of an

upward adjustment should involve the campus community, especially students and their parents.

Sustainability of financial health is another important resource element; this is discussed further in section five of this report.

Tuition and Fees structures

The tuition and fee structure for the new university shall promote efficiency and effectiveness, flexibility, affordability, predictability, transparency, and participation.

There are currently several well-known issues contributing to a general dissatisfaction with tuition and fees: (1) rates are rising at seemingly abnormal rates, (2) the numerous tuition and fee charges are confusing to students, parents and the public, and (3) there is a desire for much greater predictability of charges. In addition, from the institution's perspective, the inflexibility of tuition and fee revenues hinders efficiency and effectiveness.

It can be argued that the working group's most significant recommendation is the elimination of as many fees as possible. However, there are a number of things that the working group considers worthy of thoughtful consideration. As is stated elsewhere in this document, the ideas presented for consideration in this business plan and from other channels invariably involve possibly negative impacts. For example, certain policies may favor full-time course loads over part-time course loads, making the achievement of an education more challenging for some.

The discussion below should be seen as a primer on the subject as much work will be required to more fully assess options and consequently implement the tuition and fee structure that best fits UT RGV. Therefore, the working group recommends that the founding president form a Tuition and Fees task force as soon as practicable.

Elimination of fees One of the biggest challenges to be faced will be the development of a "university of the first class" amidst a scarcity of resources and a legacy of low academic costs. This problem will be exacerbated if revenues are tied up in numerous fees which cannot be deployed for general use to satisfy changing needs and priorities. As a consequence, higher tuition rates must be charged to compensate for the inability to tap resources locked in to specific uses.

It is therefore recommended that all student fees included in total academic cost be eliminated. This will enable a higher designated tuition rate and/or the establishment of a new, more flexible fee from which resources would be allocated to areas of highest need and priority. Among the benefits of fee elimination are (1) improved flexibility of resources, (2) minimized academic cost increases due to the greater flexibility, (3) simplified billings for students and their families, and (4) reduced administrative costs involved in reconciling and monitoring the uses of numerous fees.

Replacing eliminated fees with a consequent increase in the designated tuition rate would result in an increase in funds statutorily required to be set-aside for need-based financial assistance. Although the additional set-aside would not apply if a new institutional fee is established, the purpose of the new fee would have to be clearly distinguishable from

designated tuition. Because maintaining such a distinction would be a challenge and because additional student aid funds will be needed by the new university, replacing eliminated fees with designated tuition is preferred. Approval from the Board of Regents would be sought to increase the rate to offset the student aid set asides that would result in diminished funds for operations.

Alternatively, executives may decide to retain certain fees such as those sanctioned (although not mandated) by fee-specific statutes including the medical service, student service, rec center, and student union fees. Regardless, UT RGV will be obligated to continue fees which are statutorily mandated such as E&G lab fees although consideration could be given to their elimination through the legislative process; E&G lab fees generate an immaterial amount of revenue and unnecessarily complicate student fee billings. Special consideration will also be required for fees associated with debt service; the working group recommends that a legal opinion be sought to inform the viability of eliminating these fees.

A common argument for keeping or even creating additional fees is that those who receive services should pay for those services. We are unconvinced by this argument in a general sense but acknowledge the legitimacy of such a view for certain items such as parking permits. Taking the argument to its extreme hinders an organization's effectiveness and efficiency by limiting the institution's ability to redirect funds as needs change. Excessive specific-use fees may also serve as a disincentive to students. For example, some students choose not to participate in graduation ceremonies due to fees charged.

The fiscal impact of fee eliminations on colleges, programs, and departments shall be analyzed and remediated as appropriate with allocations of general funds. For example, should the student service fee be eliminated, an annual allocation from designated tuition could be set aside for student activities and subject to review by a student fee advisory committee similar to that required by TEC section 54.5031. Also, outstanding debt obligations paid by eliminated fees will be shifted to designated tuition and/or paid off with reserves or possibly new funds provided to the new university for this purpose.

As revenue is shifted to general use, mechanisms must be in place to ensure transparency. While charging a multitude of fees may give the appearance of transparency, it is at a high cost due to the inflexibility of revenues and the reduced ability to keep academic cost low. Furthermore, "nickel and dime" billing practices can leave students bewildered and can produce feelings of inequity when students do not perceive themselves as a beneficiary of a particular fee. On the other hand, a shift toward general funding will require the campus community to trust that funds are being deployed wisely. As trust cannot be developed without transparency, the campus will need to be informed of and have opportunities to influence funding decisions.

Guaranteed rates The new university is required by statute (TEC 54.017) to offer a fixed price tuition plan option to "...entering undergraduate students, including undergraduate students who transfer to the institution..." Under the plan, rates are held constant for similarly situated students (same residency status, number of hours enrolled, etc.) for four consecutive years. It is recommended that the institution exercise its right to make

participation in its guaranteed rate plan mandatory for all undergraduates; otherwise, students may opt for traditional rate plans, reducing the effectiveness of the guarantee in encouraging timely graduation.

In addition, mandated guaranteed plans could reduce administrative efforts as there would be no need for students to sign “lock in” agreements prior to registration. According to statute, the guaranteed rates would be based on each student’s first enrollment term in any institution of higher education

In order to promote the predictability of cost it is further recommended that the guarantee be applied to all academic costs, not just tuition. The elimination of fees, as discussed above, would facilitate this approach. An associated benefit would be the ability to quote a guaranteed sticker price for a degree.

As students are transitioned to guaranteed rate plans, measures will be considered to reduce the adverse financial impact of the higher rates on existing students, especially those closest to graduation; perhaps traditional rate plans could continue to be offered to existing students for a limited period.

A student failing to graduate within four years would be charged at the guaranteed rate in effect for each subsequent entering freshman cohort until graduation. Efforts should be made to ensure that degree requirements and course availability permit graduation within four years. In addition, students can be provided estimates of the total cost it would take them to graduate in 4, 5, or 6 years so that they are informed of the financial consequences of failing to graduate in four years.

To promote graduate school enrollment, it is recommended that students graduating with a baccalaureate degree in less than 4 years be permitted to continue into graduate programs at graduate rates in effect for their freshman cohort for any time remaining. In addition, it is recommended that fixed rate plans be implemented for graduate programs which would expire in 2 years (or longer for doctoral programs) starting with a student’s initial enrollment in graduate coursework. The institution may also wish to consider a special rate and/or incentives for students taking advantage of “4+1” degree programs that allow students to graduate with a master’s degree.

The institution may want to develop an optional all-inclusive (tuition, fees, and books) “fixed price per degree” guarantee program for selected degrees. Thorough assessment of such a program would, of course, be required to address things such as pricing, payment options, and student and institutional obligations.

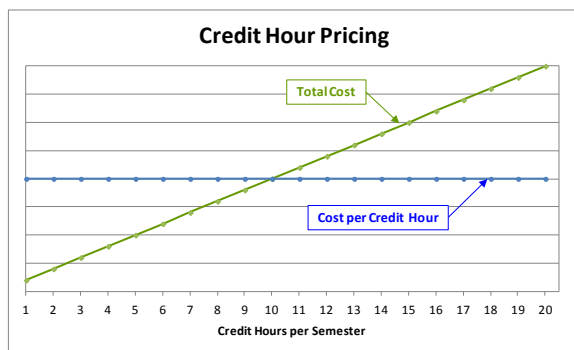
It should be noted that the working group’s research indicates that some institutions have gone further than others in regard to tuition guarantees. For example, by applying fixed price guarantees to housing and meal plans.

It is also important to note that fixed price guarantees come at the price of flexibility as these plans make it more challenging for the institution to withstand financial stress as rates are locked in, reducing flexibility.

Lastly, and importantly, it is critical that in any “guarantee” model the institution also commit to guaranteeing the availability of instructors and courses. It is not unheard to have students extend their enrollment simply because the necessary courses required by their degree plans were not offered when needed.

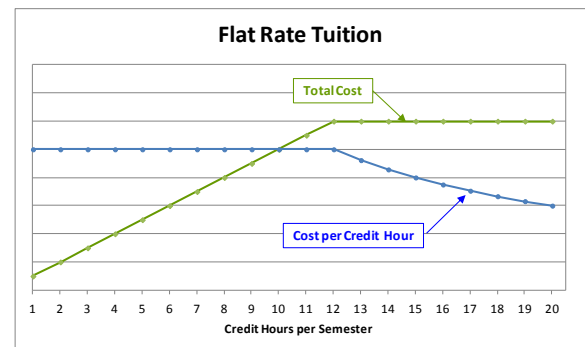
Tuition and fee model A critical element of the tuition and fee policy is the establishment of the charge structure. Common models include banded tuition, flat-rate tuition, differential tuition, and credit hour pricing. We must also keep in mind that the most suitable structure might be a hybrid model.

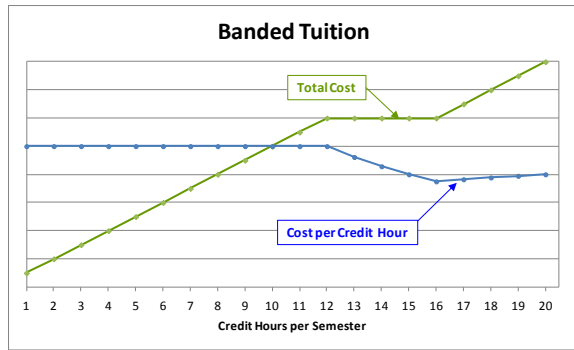
Below are descriptions of selected tuition models along with illustrations of how total cost and cost per credit hour change according to course load. *Note that total cost and cost per credit hour are on different scales.*



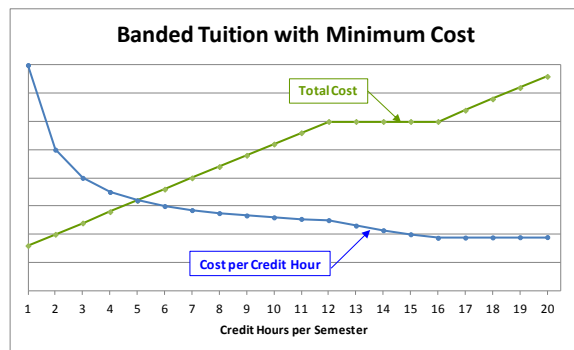
In **credit hour pricing**, the cost per credit hour is identical for all enrollment levels. A 12-hour course load will cost twice as much as a 6-hour load. Although this model does not incentivize larger course loads, students are not penalized by attending part-time.

Flat rate tuition models cap charges at a certain enrollment level. In the example at right, all students enrolled in at least 12 hours are charged the same. The cost per credit hour decreases for each hour in excess of 12, incentivizing larger course loads. Students who would have enrolled for 12 hours under credit hour pricing are encouraged to add a course. However, poor academic performance may result when students enroll in excessive loads. Furthermore, the 12-hour cap burdens part-time students with a higher tuition rate.



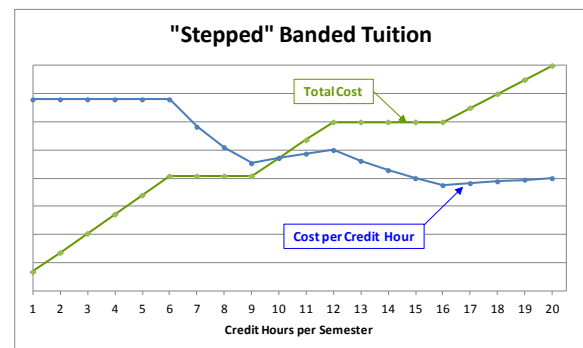


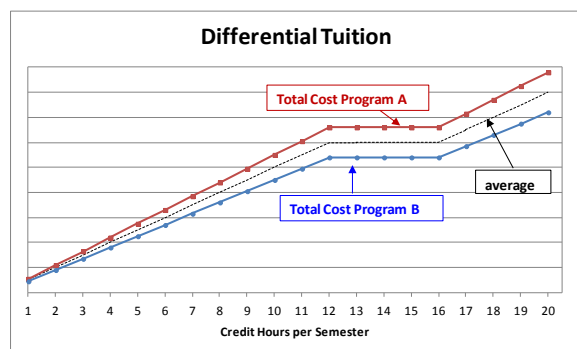
A **banded tuition** model is similar to flat rate tuition except that the flat rate is limited to a range above which charges resume. The example illustrates a flat rate band where cost is the same for 12-16 hour course loads. As charges resume with the 17th hour, excessive course loads are discouraged. As in any model which favors full-time loads, part-time students will face higher rates



This example illustrates **minimum cost banded tuition** in which the first credit hour is the most expensive; as the fixed cost is spread out over more hours, the cost per credit hour decreases with successively larger loads. In this manner, all students, both part-time and full-time, are rewarded for taking larger course loads. The fixed cost is also aligned with certain activities such as registration which vary by student headcount rather than by credit hour load.

A **"stepped" banded tuition** model has multiple flat rate ranges. This example is similar to banded tuition (shown above) except that the cost for 6 hours is the same as the cost for 9 hours. Students who would have enrolled in 6 hours under credit hour pricing are encouraged to add a class. The disadvantage is that some students who would otherwise have enrolled in 12 hours may drop to 9 hours, although this may be discouraged by federal financial aid programs (especially Pell grants) which require a minimum 12-hour load.





Differential tuition occurs when rates differ according to college or program. This example illustrates a flat rate tuition model with higher rates for Program A and lower rates for Program B. The reported TAC would equal the weighted average cost across all programs. Differential tuition rates may be influenced by operating cost levels, perceived program quality, earnings potential of graduates, and comparison with peer institutions. It can be argued that differential

tuition is already in place at UTB and UTPA as there are various college and course fees already in place. Conversion of eliminated course fees to differential college tuition rates could help redress differences in operating costs between colleges. Deans would experience added flexibility as funds could be deployed throughout each college instead of being locked in to a particular department. However, the following issues should be considered: (1) problems may arise from students with undeclared majors or which switch majors, (2) low-income students may be discouraged from enrolling in higher cost majors, especially STEM fields, (3) price may be misinterpreted as a signal of academic quality, and (4) separate guaranteed tuition plans would have to be established.

Similar in concept to differential tuition, but not illustrated, is **upper- and lower-level pricing** whereby upper division students pay higher rates than lower division students in order to offset the additional cost associated with smaller class sizes and more specialized faculty. One argument against such a model is the fact that the state formula already considers this differential in costs. The counter-argument is that state general revenue is becoming an increasingly smaller share of university funding.

According to research published by Education Advisory Board, flat-rate tuition and banded tuition models are the most appropriate for incentivizing higher enrollment, and differential tuition and credit hour pricing are the most appropriate for prioritizing revenue generation. Keeping in mind that UTRGV will be a public student-centered institution entrusted with higher education access for a growing but economically disadvantaged region, achieving higher enrollments should be favored over revenue generation. Although this should not preclude the adoption of other models, especially differential tuition, affordability and accessibility should be fully considered at all times.

Ultimately the decision to adopt a particular model should be informed by, and aligned with, academic instruction, advising and enrollment management policies and include participation of all stakeholders.

Uniformity of academic cost The working group recommends the adoption of uniform academic cost rates across all *academic* campuses. This would simplify administration of the statutorily required guaranteed tuition rates and help avoid inequities such as when a student enrolls in courses at multiple campuses and when a course is delivered simultaneously to both campuses.

It is also recommended that the components of academic cost be identical across all campuses. After all, UTRGV will be one university with multiple campuses and operating locations. The institution should remain watchful for inequity or perceptions of inequity across the campuses. Should uniform rates be adopted, operating cost differences would be redressed by allocation of general funds.

Furthermore, the institution should consider an academic cost that would be uniform across all modes of class delivery as technological advancements are blurring the distinction between traditional campus-based, online, and hybrid instruction. Charging the same tuition for on-campus and online instruction would facilitate leveraging of faculty across campuses without a “penalty” (fee) for online participation.

However, as online instruction provides a sought after convenience to the students, the university may instead choose to charge a premium. Regardless, the university should leverage cost savings from online programs, if any, to help fund its various campus programs; online revenue streams should not be sacrosanct. Equally, the institution is urged to support development of online programs from other sources when and as needed.

The chart below describes the items that are and are not included in Total Academic Cost at UTB and UTPA:

	Included in Total Academic Cost
Statutory Tuition	✓
Designated Tuition	✓
Mandatory Fees	
University Enhancement Fee	✓
Student Services Fee	✓
IT/Technology Fee	✓
Athletics Fee (UTB only)	✓
Utility Fee	✓
Library Fee	✓
Recreation Fee	✓
Student Union Fee	✓
Medical Services Fee	✓
Advisement Fee	✓
Registration/Records Fee	✓
International Education Fee	✓
College, Course, Program fees	✓
Other non-course, college, or program fees (e.g. orientation fee, graduation fee)	✗
Optional fees & charges (e.g. housing, parking)	✗

E-books

Consideration should be given to the feasibility of issuing all required textbooks to students in E-book form. Tablets or e-readers could be furnished at a reduced cost and perhaps e-books included in the academic cost to further simplify billings and promote convenience. Under such a model a “sticker price” could be quoted without the caveat that books are an additional cost. An option to consider is to perhaps charge full-time students a flat rate for all books regardless of hours enrolled as a means to incentivize course loads above 12 hours. Further options include the adoption of an e-books initiative by UT System as attractive vendor agreements might be garnered for all UT institutions. Based on our limited research on the subject, the group recommends that any vendor agreements include a requirement that the e-books not have an expiration date once acquired by a student. Also to be considered should be the impact to existing revenue streams and how auxiliary enterprise contracts, such as bookstore agreements, might be impacted.

Other tuition and fee related topics

One Price Degree: Students would be given an estimated total cost per 4, 5, and 6 year degree completion based on their selected program of study. This model could accommodate varying rates by program of study in determining the “sticker price” for the degree. Under such a model instructional materials such as *e-books* would be included in the “sticker price”. The estimated sticker price will be displayed during the registration process similar to the “add to cart” function when purchasing goods and services online.

Flexible Payments: The idea here is to explore ways in which students and parents might be provided with financing options, such as spreading payments over 12 months. Further exploration of the subject could be done by the task force on tuition and fees as suggested elsewhere in this document.

Limited debt free degree: Consideration should perhaps be given to a model that would provide debt free degrees. Such a program could establish connections between philanthropists and specific students or groups of students with the institution, students, and philanthropists making explicit commitments to ensure success.

Dual Enrollment (DE): UT RGV could establish a discounted tuition rate for a high-standards dual enrollment (credit received for both high school and university work) program that would assist students’ transition to college to promote timely graduation. Based on experience with these programs, it is recommended that instruction be solely conducted by university faculty and that instruction be limited to core curriculum classes. The program might be especially successful if centered on the summer months when high school students are normally off. It might also be wise to consider leveraging the Mathematics and Science Academy begun by UT-Brownsville. It is worth repeating that Dual Enrollment programs should adhere to high standards to ensure success as these DE hours count against students’ federal Pell limits.

Fixed tuition rate programs: It is envisioned that, working with the faculty, entire programs could be developed and offered at premium prices (e.g. accelerated programs) or at a discount (those with low-cost of delivery).

Medical School Charges: Extensive additional research will be needed in order to make a determination with regard to tuition and fees for students enrolled in medical school. As noted elsewhere, the working group is engaged with the Education Advisory Board in pursuit of a custom research paper on preferred medical school charge practices.

Other Revenues

Summer Capacity Expansion: In an effort to increase student graduation rates and use of facilities that have a positive impact on its revenue streams, UT RGV should strive to expand summer enrollments to a level similar to that of the fall and spring semesters. The working group's research indicates that Brigham Young University has had success with their summer initiative and might be a model worth investigating.

The biggest challenge to UT RGV students will be the lack of financial support to attend classes during the summer. UTB and UTPA saw a significant increase to summer enrollment when summer Pell was available to students for one summer. Additional research should be conducted to determine the feasibility of offering incentives for students to attend summer; scholarships, discounted tuition and/or innovative financing payment plans.

Global education and research: A deliberate recruitment effort beyond the country's borders should be strongly considered as a sizable representation of international students and scholars will undoubtedly bring with it, not only stronger revenues, but also pedagogical strength and a unique and vibrant educational experience to the institution's regional students.

In the short term, the institution should consider outsourcing the international recruitment effort and consider establishment of a physical location outside of the U.S., for example in Mexico's main business center; Monterrey. Alternatively or in addition to, UT RGV could establish and foster strong cooperation with specific universities in that or other cities outside of the U.S. Technology will of course play a key role in expanding the educational reach outside the U.S. and should be leveraged by UT RGV in its global initiatives.

Philanthropy: UTRGV is ideally poised to make outsized gains in attracting philanthropic partners willing to share its educational and research efforts. Serving a region that is largely economically disadvantaged means that philanthropic partners will see significant leveraging of their contributions as area students break the bonds of poverty.

UT RGV is encouraged to pursue matching funds from the Texas Research Incentive Program (TRIP) to leverage private gifts for the enhancement of research and faculty recruitment.

UT RGV may also want to consider a “rounding program”, perhaps in partnership with other local educational institutions. The program would be similar to the “Redondeo” program in Mexico, where citizens round up their bill at local stores, donating the difference. This program would reduce stores’ dependency on coins to provide change to customers and might provide a steady revenue source. Alternatively, this could be deployed as a special one-time initiative that would engage the local community in supporting the newly founded institution. In addition, UT RGV may want to consider launching the concept of donating locally first in order to identify a consistent market for long term giving.

Indirect Cost Recovery (ICR): As a result of greater combined restricted UTB/UTPA research expenditures, UT RGV should be able to update its negotiated indirect cost rate and perhaps begin using the modified rate in an effort to increase ICR revenues.

In addition, UT RGV should evaluate existing ICR policies, and study policies at other institutions, in order to structure an approach best suited to it. Revenue generating programs should be expected to contribute toward administrative and facilities costs but also benefit from incentives articulated in well-structured ICR allocation guidelines or policies.

Expand Certificate Programs: Consideration should be given to expanding the use of certificate programs that would funnel students to graduate programs. The expansion of professional continuing education and certifications such as Six Sigma, Project Management, Leadership, Business Analysis, similar to Villanova University which has been ranked as the #1 regional university in the North for more than 20 years should also be considered.

SECTION 3: FUNDS ALLOCATION AND COST MANAGEMENT

Allocation Models

There are a variety of capital allocation models that will have to be more thoroughly assessed to discern the advantages and disadvantages of each and how each model's philosophy might align to the culture of the UT RGV and that of the university of Texas system. What role should incentives, disincentives, and subsidies play? Might a "continuous planning" model in which speed of financial adjustments is accelerated via robust financial systems such as business intelligence increase efficiency and effectiveness? How might capital allocation (investment) priorities best be set and carried out via its budget development approach?

Indirect cost recovery: Existing Indirect Cost recovery policies at UTB and UTPA should be reviewed as a policy is established for the possible distribution of indirect cost revenues as a means to incentivize research and non-research grant writing.

Graduate differential tuition: Development of guidelines for the distribution of graduate differential tuition is critical as resources should be used to cover not only general overhead expenses used in support of graduate programs but also as a means to execute on strategic priorities for program enhancement and development.

Budget models: The establishment of a sound budget development model is critical to UT RGV's success in terms of effectiveness and also in terms of maintaining sound financial health. The working group recommends that consideration be given to a rolling, 4-year zero-based budgeting approach. The group further recommends that budget development be "bottom up" with influence on budget decisions commencing at the individual working units of the institution. An important philosophical and practical consideration should be the extent to which budget/funding decisions might be centralized. In general, a move towards a decentralized model of funds allocation should come only after thorough consideration as, once established, it is difficult to change the approach. The assessment of the approach to be established should also include extensive research of the Responsibility Centered Management (RCM) model at institutions with experience in its use.

Salary adjustments: the allocation of capital for regular salary adjustments is critical as lack of attention to this important element will reduce the institution's ability to retain personnel and compete for the highest qualified individuals. The working group recommends that the UT institutions' chief business officers develop a task force to assess the lack of cost of living adjustments (COLA) at the institutions. Anecdotal evidence suggests that lack of COLA diminishes the effectiveness of merit-based salary adjustment programs.

Cost Management

It is essential that cost containment become an integral part of the culture of the institution as this will lead to a natural allocation of resources to the highest priority, value-added activities and the identification of and cessation of funding to the lowest priority activities.

How might the institution balance the need for the highest qualified and thus well-paid faculty with the need to control costs? Might larger classes taught by a lead professor with a number of assistants be a model worth pursuing? How might off peak instruction be accommodated in a manner that maintains quality and increases affordability?

Institutional costs can be mitigated by the use technology as a means to share highly qualified faculty across the campuses, via a Distributed Faculty model, that also allows the institution to extend its reach beyond the RGV region. Following the Monterrey Tech model, faculty members can be located either at the Brownsville, Harlingen or Edinburg campuses and with the use of technology a course can be offered simultaneously across the region. This model expands classroom capacity, increases student access and reduces the instructional costs to the institution.

Activity Based Costing (ABC) seems to be an approach worth investigating. This model seeks to tie costs to activities and, in general, pursues the assignment of direct rather than indirect costs. Implementation of such a model should be combined with consideration for the establishment of a robust cost accounting unit staffed with personnel trained (or to be trained) in cost accounting as this work is rigorous and thus would likely overburden existing staff and result in compromised results. ABC would be helpful in assisting the institution to identify ineffective activities.

SECTION 4: THE MEDICAL SCHOOL

There are a variety of very complex issues that will have to be addressed before the start of operations for the medical school on September 1, 2016. Among these will be compensation for its faculty, student charges, and the necessary agreements with area hospitals. In addition, how will the various facilities (academic and medical) integrate into a seamless operation providing education and services? It is assumed that physician compensation will follow the common XYZ model; Base pay (x), supplemental pay (y), and incentive pay (z). As the subject is complex, the working group has submitted a custom research report request to the Education Advisory Board (EAB) to assist in the decision-making that will be necessary.

SECTION 5: FINANCIAL SUSTAINABILITY

Financial health and sustainability is of the utmost importance. In order to keep the pulse of the institution's financial health, metrics and benchmarks will have to be identified (many already exist in UT System's Annual Financial Condition (AFC) report). Monitoring, reporting, and dashboarding will require robust Business Intelligence systems that currently are not deployed at UT-Brownsville or UT-Pan American. In addition, the financial sustainability of the institution should be supported by an education component that would enlist the entire campus (students, faculty, directors, managers, and executives) in influencing financial decisions and setting priorities aligned with the institution's strategic plan. The education component, of the financial sustainability model, should also strive to reach beyond the campus to the community and its leaders.

There are a number of strategies that can be considered to maintain financial health. For example, some institutions offer early retirement incentives in a regular cyclical basis that allow the institutions to expand their recruitment options. Another possible strategy is the use of zero-based budgeting in a cyclical rolling basis to ensure a thorough assessment of all budgets while avoiding the herculean task of attempting zero-based budget assessment for the entire institution. Also to be strongly considered is the development of appropriate reserve levels; these levels can be set in various ways (e.g. on expense levels, revenues, etc.) and would require further investigation to identify the model best fit for use at UT RGV.

In addition, regular use of a priority setting exercise in conjunction with strategic plan development will clarify the activities the institution may fund and, perhaps more importantly, not fund. In regard to the strategic plan, it is recommended that the founding president ensure that the strategic plan is maintained as a "live" document, continuously reviewed and used in decision making; this supports directors and managers in making more objective decisions, especially when those decisions may be difficult ones.

There are certain management approaches that support financial sustainability:

- Nurturing a cost-containment view that becomes ingrained in the culture of UT RGV at all times, during periods of resource scarcity as well as during times of more abundance
- Adhering to strong principles of fairness
- A willingness to fund high priority activities above (possibly) good but lower priority activities
- Developing recruitment and enrollment policies that are strategic and that do not sacrifice quality education, research, and public service for the sake of revenue
- Continuous monitoring of reserve levels
- Resistance to the use of reserves for recurring expenses
- A sound faculty and staff recruitment and retention policy
- Cyclical use of employee early retirement incentives
- Resistance to deferring difficult decisions that compound future difficulties
- Establishment of tuition and fee policies that, to the greatest extent possible, maintain flexibility of use of revenue generated
- Investment in robust Business Intelligence systems that provide context-based information for each respective user
- Investment in a well-staffed cost accounting unit to identify activity costs in support of executive decision making

SECTION 6: FACILITIES AND OPERATING LOCATIONS

The University of Texas Rio Grande Valley operating locations are widely dispersed:

Facility	Location
Brownsville main campus	Brownsville
Edinburg main campus	Edinburg
Starr County Campus	Rio Grande City
McAllen Teaching Site	McAllen
Harlingen University Center (MITC)	Harlingen
Former Edinburg RAHC (research)	Edinburg
Former Brownsville RAHC (public health)	Brownsville
Former Harlingen RAHC (medical education)	Harlingen
Coastal Studies Lab	South Padre Island

The Edinburg campus has facilities totaling 2.4 million gross square feet while the Brownsville campus has a total of 856,596 gross square feet. The Starr County center opened its doors in Fall 2010, and the McAllen Teaching Site, a leased facility for upper level and graduate courses, opened in August of 2009.

The physical infrastructure and its management is a critical element in UT RGV's effectiveness and efficiency. Planning for new facilities, renewal of its plant, and its use of debt are critical elements of an overall management program.

The working group recommends that the campus master plans developed for UT-Brownsville and UT-Pan American be leveraged as work begins on the over-arching master plan for the UT RGV. It is critically important that the plan resist convention and explore ways in which facilities could be best configured based on current trends and the use of technology. For example, the greater use of flexible space and spaces specifically designed to promote social and intellectual ties between students, faculty, staff, and community.

Libraries are among the areas experiencing significant change and, contrary to some views that these facilities might become obsolete, are likely to morph into intellectual gathering spaces, providing a variety of instruction and research support services. Investment in wholly facilities at both Brownsville and Edinburg campuses would send a strong palpable signal to the new institution's students (and the community if configured to accommodate the facilities as public intellectual gathering spaces) that a new era in learning has dawned.

The working group recommends that an assessment of capital debt be made and, working with UT System, explore ways in which that debt might be eliminated, freeing precious operating dollars for much better execution of the institution's primary functions.

Innovative ways to leverage existing facilities should be considered. For example, assessment could be conducted on the viability of using the existing South Padre Island site, not only as a research location, but also as an executive program facility that would leverage the expertise of UT RGV and its sister UT institutions. Continuing education programs can also serve as a key component of the institution's community engagement strategy.

Off-Peak Instruction is seen by many as an attractive way to increase efficiency of space use. Discounts could, for example, be offered for coursework in off-peak hours. An initiative such as this would require substantial participation and commitment from the faculty. Incentives for faculty could be monetary or tied to workload. There would also have to be a significant commitment from the institution to ensure that needed courses are available. However, a significant challenge to the success of an Off-Peak instruction initiative will be the substantial number of part time, non-traditional students that will be enrolled in UT RGV.

Expansion of summer instruction, as discussed elsewhere, would be greatly beneficial in increasing the efficient use of facilities, a time when facilities are often under-utilized. The working group believes that a summer instruction initiative, developed with the faculty, would also serve to reduce time-to-degree and improve graduation rates.

It is recommended that efforts to reduce utility costs, a common area of interest at almost all institutions, remain a priority. Retrofitting inefficient facilities with upgraded lighting, windows, etc. is usually money well-spent. It is also recommended that the institution make the adoption of modern monitoring and metering systems a priority. In addition, campaigns to educate the university community on cost-saving practices should be established as the norm.

Conclusions

The University of Texas Rio Grande Valley is ideally poised to incorporate best-practices and develop innovative solutions to maximize efficiency and effectiveness.

It is worth repeating that significant efforts be devoted in how the university might avail itself of the necessary resources to create “a university of the first class” as envisioned by the state’s leadership and articulated in the authorizing statute.

Although it is something that might be approached with understandable reluctance, it is recommended that decision makers assess UT RGV’s academic cost rates against those of comparable institutions and consider implementing comparable rates. The increased funding is absolutely necessary to maintain and increase the quality of services and breadth of programs offered to UT RGV students in line with what is offered at comparable Texas public institutions.

The working group recommends that the founding president convene a tuition and fee task force to more thoroughly assess the positive and negative attributes of the various tuition models as well as consider unintended consequences that might be associated with each.

- Part time students are a particular concern to the working group as they make up a significant number of the student population.
- Regardless of model chosen, uniformity of cost at the academic campuses should be preferred.
- Might a particular model come at the price of having one student type (academic school vs. medical school) subsidizing the other?
- The tuition and fee model should seek maximum flexibility of the revenue generated in order to maximize efficiency and effectiveness; resources must be allowed to move to the areas of greatest need as those needs change.

The working group urges decision makers to keep in mind the region’s student demographics. The region’s students are predominantly economically disadvantaged; many work and attend school part time, are commuters, and reside in an area with high unemployment and low educational attainment levels. The success of these students means fewer costs in social services to the state over the long run. Therefore, The University of Texas Rio Grande Valley MUST succeed.

Critical Startup Elements

It is assumed that critical elements will or should be addressed by the appropriate working groups (e.g. Business Processes, Enrollment, etc.) However, the BPD working group does have primary responsibility for addressing Tuition and Fees.

Tuition and Fee Critical Elements

1. Identify, and decide on specific tuition and fee structure for the new university
2. Modify existing business processes to accommodate the structures to be implemented
3. Medical School tuition and fee rates and structure
4. Tuition and Fee plan

Other Critical Elements

1. Operating Budget development
2. Development of the Legislative Appropriations Request (LAR)
3. Development of the cost study required by the Coordinating Board
4. Faculty workload policies
5. Uniform staff pay plans, including job descriptions
6. Medical school hospital contracts
7. Medical school faculty, administrator, and staff pay plans
8. Ascertain the future of the UTPA foundation