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Statement of Chancellor James B. Milliken Regarding the Task Force Report
UT Board of Regents Meeting
November 15, 2018

Today is my first meeting with the Board of Regents. In my eight weeks on the job, I've learned a fair amount about the University of Texas System. I've been on every campus and I've been impressed by our institutional leadership, our faculty, and especially our students. This system of diverse, extraordinary institutions is well positioned for the beginning of the 21st Century. There's much work to do, as we all know, but I feel very good about our prospects. What drew me to Texas originally and what fills me with hope every day is what I see as a central part of the ethos of this special place: a sense of ambition, confidence, and above all, optimism. I emphatically share this outlook, and it's what gives me such high hopes for Texas and the UT System.

There is much that is unique about Texas and there is much that's unique about the UT System. But there are also some similarities with university systems across the country. I read the other day that there are 46 systems of higher education in this country. As states grew and required many more institutions to meet their education needs, the creation of systems was a logical response to coordinate and support the institutions as they strive to meet the educational, research, health care, and outreach needs of their state or region. While most university systems have pretty similar mandates or missions, whether in constitutions, statutes, bylaws, or regulations, I've always felt there is one essential characteristic of highly performing systems: their value is greater than the sum of their parts. I have certainly seen strong evidence of that in Texas, including most recently several days ago with the celebration of the new, game-changing collaboration in League City between the M.D. Anderson Cancer Center and UTMB.

Most relevant to administration of university systems in our state is the Texas Education Code, Section 51.353. In pertinent part, the statute says:

The system administration of each system shall coordinate the activities of component institutions within the system.

In addition to other powers and duties provided by this code or other law, each system administration shall:

- (1) initiate, monitor, approve, and coordinate long-range planning for the system;
- (2) approve short-range institutional plans for operations and expenditures;
- (3) provide to component institutions technical assistance such as legal and financial services;
- (4) evaluate each component institution and assist the institution in the achievement of performance goals; and
- (5) perform such other duties as may be delegated to it by the governing board of its system.

Also instructive is Section 65.16, governing the appointment of an executive of the UT System:

The board shall appoint a chief executive officer ...

Subject to the power and authority of the board, the chief executive officer is responsible for the general management of the university system within the policies of the board ...

I assume we would all agree these are important and reasonable functions for a university system, but they also provide for a fair amount of latitude left to the governing board. Some aspects of a system's mission, such as general policy development, compliance, and oversight, where it is important to have common expectations and requirements, are not optional. Similarly, having the structure, processes, and people in place to assure the Board of Regents and Texans that our institutions are financially sound, operating within the law and otherwise meeting the important fiduciary obligations of the Board is essential. In addition, system administrations, like the governing boards themselves, are really the locus of responsibility to consider how the collective assets of a system's institutions best serve their states. I believe this is true in every state, including Texas.

Beyond policy, coordination, and compliance roles, system administrations have become important providers of services to campuses, particularly where it makes sense because of economies of scale or expertise to do so. In this way, more resources should be available for campuses to deploy for instruction, student success programs, and research. What kind of service and how much is necessary or optimal could depend on many factors, including the proximity of campuses, the size of the system, and the diversity of system institutions. It won't surprise anyone that there has been debate, since the first system was created, over whether the institutions had enough or too much autonomy, whether there was unnecessary duplication of function, whether value was added, whether oversight was sufficient, and so on. And volumes could be written about the relationships between flagships, often the original campus, and systems created by states that include the flagships. I've now been in four very different systems, and many of the discussions I've heard in my first two months in Texas are familiar to me.

Not long before I left New York, I worked with a leading management consulting firm on some of these same issues. We concluded, in essence, that there are three major categories of functions in a rational, modern system, and it makes sense to carry out those functions in different places. First, there are functions related to governance, coordination, and oversight where consistency of policy, expectations, and compliance is important, and those are the responsibility of a system administration. Second, there are the many functions relating to the education and success of students and the research and service of the faculty—the heart of a university -- and those are clearly the responsibility of the institution. Third, there are functions where ownership and location are less important, but economy and expertise are—what we often refer to as shared services. These shared services could be carried out on a campus, serving other campuses; at a system office, with appropriate governance roles for those to whom the services are provided; or by a third party.

I participated in similar discussions in Nebraska and North Carolina. These discussions are important opportunities for governance and management to become aligned, for there to be agreement on roles and expectations, and, because circumstances, requirements, economics, and technology change, they are necessary to have periodically. The establishment of the Board of Regent's System Administration Task Force provided just such an opportunity, and I have been asked today to share some perspectives on the task force report and provide an update on our implementation plans.

It's clear that much hard work went into the development of the task force report, and I commend Regents Eltife, the task force chair, and members Aliseda, Longoria, and Weaver for the dedication and thoughtfulness they brought to their assignment. There is much we can learn from the report, and as a newcomer to Texas and the UT System, it is an invaluable crash course on how key services are perceived by institution presidents, in particular. The task force didn't try to boil the ocean; its members were careful and selective

about the scope of their work. While the task force was careful to acknowledge at the beginning of its report that under the Texas Education Code the system administration is responsible for “oversight and coordination of the activities of the system and each component institution within the system,” it appropriately focused on the service function, which is of course a major role today and is where a significant share of any system’s budget is concentrated. The task force report—and conversations I’ve had with institution presidents, regents, and state political leaders—also made it emphatically clear that there was “top down initiatives” fatigue, and that academic and program initiatives should emerge from the institutions, a proposition with which I completely agree as right for the UT System.

The task force members and their consultants interviewed a large number of system administration leaders and all presidents and produced findings that substantiate a view that might be said to be self-evident—but often isn’t—that in a system of diverse institutions, as many are, individual institutions may require or desire different levels of service. Larger institutions are often more self-sufficient than smaller ones, and as a result some services from the system administration may be less important. So while it sounds clichéd, one size clearly does not fit all in the provision of some support.

The task force report was given to me on my first day on the job, and while I might have wished for a bit more of a honeymoon, I’d like to think that the board appointed me because my 30 years of experience helping lead systems and their administrations prepared me well for this and other challenges and opportunities the UT System faces. I welcome the task force report and, given the interest from the Board of Regents and state political leadership in reform, I am grateful to have this guide and perspective from day one. I have embraced the recommendations for next steps, and together with a core leadership team have been working since the beginning of my chancellorship to achieve the goals we share.

We are now deeply involved in this work, and it is my goal to complete it as soon as possible. While the report cautions that in at least one significant area, “any transition would have to be executed slowly and over time,” it is my goal to complete our work soon and to make any changes pursuant to a plan that addresses all of the system administration. And while, as the report recognizes, “taking the time to thoroughly vet each [option] and understanding the pros and cons is a necessary step to ensure the right actions,” there is a need to wrap up this work and shift focus to the very significant agenda ahead of us as Texas grows rapidly and as we work now to position the state for leadership in the 21st century knowledge economy. As the report astutely recognizes,

“Over the past several years, efforts to reduce headcount have yielded positive short-term results, but the long-term impact to the culture (motivation and engagement of employees) has started to take its toll. What makes System Administration valuable is not only what it offers, but the people who have dedicated their careers to serving UT and those who are attracted to working in this environment.”

Thus, while there is a need for thoughtfulness and analysis, there is also a compelling argument for resolution. I have set a goal for our team of having our plans in place by the beginning of the new year, and I intend to meet this goal. Many of the steps I am considering are administrative in nature and I believe I have the authority to implement them. Some may require board approval, and if so I will seek that authority as appropriate. Of course, I intend to keep the board apprised of all actions and the rationale for them. In short, we will execute on the important work ahead, with the critical guidance of the task force report and in consultation with the Board of Regents. I thank the board for this opportunity and I look forward to positioning all of the institutions of the University of Texas System for continued great success in the future.