



TEXAS HIGHER EDUCATION COORDINATING BOARD

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April 18, 2007

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Mr. John O'Brien
Executive Director
Legislative Budget Board
Robert E. Johnson Building, 5th Floor
1501 N. Congress
Austin, Texas 78701

Dear Mr. O'Brien:

On behalf of the Coordinating Board, I am forwarding the following educational impact statement, as required by Senate rule, on **Senate Bill 1749**, relating to transferring the governance of Angelo State University from the Board of Regents of the Texas State University System to the Board of Regents of the Texas Tech University System. Due to the short turnaround time for this document, the Coordinating Board was unable to undertake a complete analysis of this proposed legislation. However, the following observations are offered for consideration by the Senate in deliberations on this bill.

Angelo State University had a fall headcount enrollment of 6,211 students in 2006. It offers bachelor's and master's degree programs and does less than \$1 million of research. Other four-year components of the Texas State University System include Sul Ross State University (1,829 students), also a master's university, Lamar University (9,867 students), a comprehensive university, and two doctoral universities, Texas State University-San Marcos (27,485 students) and Sam Houston State University (15,893 students). The Texas Tech University System consists of two institutions, Texas Tech University, an emerging research university with 27,996 students and research expenditures of over \$48 million, and the Texas Tech University Health Sciences Center. At the present time, the Texas Tech system has no component institutions comparable to Angelo State University.

Moving Angelo State University from the Texas State University System to the Texas Tech University System would shift an institution from a system horizontally organized with institutions sharing similar academic characteristics, to a system which will then be vertically aligned with institutions with differing characteristics. Texas has both types of university systems and there are advantages and disadvantages to each. For instance, institutions in horizontally aligned systems generally share similar missions and institutional values. They are more likely to agree on broad policy issues and often use resources more efficiently. through such practices as staff collaboration and sharing. Vertically aligned systems have the potential for offering greater program breadth, are likely to have a larger capacity for developing more specialized professional programs and schools and can accommodate a wide range of students with different educational needs and interests.

For Angelo State University, incorporation into the Texas Tech University System would involve vertical alignment into a system with different admissions standards and with schools of law, medicine, pharmacy and 54 doctoral programs competing for financial resources. Effective realignment will require a careful evaluation and blending of distinct academic missions and policies. The Texas Tech

University System must seek to accommodate distinctive features of Angelo State University such as programs serving less well-prepared students, competitively low tuition and fees, and the effective professional development of a faculty without a large-scale research program.

It is important to note that both governing boards have the same statutory responsibilities and authority. Consequently, moving Angelo State University from one system to the other does not automatically result in any changes in either academic character or institutional mission at Angelo State University. For example, in all of the public university systems in Texas, tuition and fees for each institution are separately established by individual governing boards. Similarly, admissions standards are separately set for each institution as well. Because each institution is separately accredited and operates independently, the governing board must consider institutional differences as it establishes policies and procedures. Over time, it is likely that Angelo State University's policies and procedures would become more like those of Texas Tech University and the Texas Tech University Health Sciences Center. However, there is no requirement that any policy or procedure be the same.

There are likely to be costs associated with the move of Angelo State University into the Texas Tech University System. At a minimum, to the extent that Angelo State University would need to follow the same procedures as Texas Tech University, there would be a cost of changing business systems. Retraining personnel and conversion of business and computer systems can be particularly expensive. It is difficult to estimate transition costs because there is no recent example in Texas of moving an institution from one well-established system to another. The only precedent upon which estimates of the cost of transition can be based is the movement of institutions from independent boards into established systems such as the movement of Lamar University into the Texas State University System (1995) and the movement of East Texas State University (now Texas A&M University-Commerce) into the Texas A&M University System (1996). But given the short time frame in which this document was prepared, Coordinating Board staff was not able to make cost comparisons.

The movement of universities into or out of state systems is a significant educational matter and should be the result of a deliberate and careful process. In this particular case, the most notable unresolved issue appears to be the impact of the proposed move upon the value, yield, marketability, collateral, etc., of bonds issued by Angelo State University or the Texas State University System. Although the Legislature appropriates general revenue to amortize Tuition Revenue Bonds, Angelo State University and its students represent a revenue source to the holders of bonds from the Texas State University System. To the extent that current streams of revenue are pledged to current debt by the individual institutions in the system, market risk and interest rates may rise, which would negatively affect the credit rating and cost to the Texas State University System. On the other hand, to the extent that Angelo State University's bonds would become a liability to the Texas Tech University System, the transfer may raise the risk for holders of Texas Tech University System bonds. Until all of those risk and credit issues are fully resolved and the analysis

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made public, bondholders may regard any change as increasing the level of risk. Unfortunately, Coordinating Board staff has neither the information nor the expertise to fully address these financial questions for the Texas Legislature. Bond counsel for the Texas State University and Texas Tech University Systems reported widely divergent views about the effect of the move on their client system's bonds. This leads us to the conclusion that the Texas Legislature should carefully review the bonding issues.

Finally, we wish to underscore the issue of policy precedent. Currently, Texas has no guidelines for implementing the proposed move and making a rapid decision is cause for concern. Should the proposed legislation be enacted, it sets a precedent for other institutions to pursue a shift to another university system without a full review. Such a precedent may not be in the best educational interests of the state or its students.

The Coordinating Board welcomes the opportunity to comment upon proposed legislation affecting higher education. Please let me know if the Board or I can provide additional assistance regarding Senate Bill 1749 or other proposed legislation.

Sincerely,

Raymund A. Paredes

c: Coordinating Board Members
David Gardner

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