

SUBJECT: Providing a transition team to run Texas Southern University

COMMITTEE: Higher Education — favorable, without amendment

VOTE: 7 ayes — Rangel, Cuellar, F. Brown, Farabee, Morrison, E. Reyna, Wohlgemuth

0 nays

1 present, not voting — Goolsby

1 absent — J. Jones

WITNESSES: For — None

Against — None

On — Anthony Haley, Texas Southern University; Betty J. Ressel, Comptroller's Office; Cathy Smock, State Auditor's Office

BACKGROUND: State and federal investigations have documented serious accounting and management problems at Texas Southern University. A performance review issued by the Comptroller's Office on February 26 noted severe financial and management difficulties, declining student enrollment, critical financial audits, potential losses of federal funding, and contingency appropriations by the Legislature to cover anticipated cash-flow shortages and recommended "comprehensively reengineering" the school's administration. The State Auditor's Office on February 12 issued the latest in a series of critical reports expressing grave concern about TSU's inability to deal with persistent problems in student financial aid, human resources, finance, and accounting. In a new report on March 31, the auditor's office said TSU recently has put an appropriate plan in place for overhauling its accounting and management practices. However, the state auditor warned that while substantial progress has been made, serious concerns remain about financial problems at the school.

**DIGEST:**

HB 3525 would abolish the current board of regents at Texas Southern University, replacing them with a temporary transition team selected by a coordinator appointed by the governor. Terms of all current board members would expire as soon as the coordinator was appointed. The governor would choose the coordinator from names submitted by the speaker and the lieutenant governor, and the coordinator would lead the transition team.

The transition team would assume all powers and duties prescribed by law to the TSU board of regents. The team would be able to dismiss personnel the team members believed to have contributed to fiscal and management problems at TSU. The team would establish and implement a plan to remedy the governance and operation problems identified by the February 26 performance review by the Comptroller's Office and the February 12 state auditor's report. The plan must be based upon the recommendation made in those reports.

HB 3525 also would create a Legislative Oversight Committee for TSU composed of two House members and one public member appointed by the speaker and two senators and one public member appointed by the lieutenant governor. The transition team would report to the oversight committee at least once per month with a final report due on November 1, 2000. The oversight committee would be able to suggest changes to the transition team plan based on the monthly reports.

HB 3525 would automatically disband the transition team and dismiss the coordinator on July 31, 2001. The oversight committee would be abolished and the subchapter added by HB 3525 would expire on July 31, 2001. The governor would be able to disband the transition team earlier upon recommendation of the oversight committee and return control of TSU to a new board of regents.

HB 3525 would change the TSU board of regents from nine to six members and require at least two of the members to have expertise in auditing or financial management. Terms of new board members would expire February 1, 2001. The new board would make recommendations to the 77th Legislature on a permanent structure for the TSU board of regents.

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This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. If the HB 3525 takes immediate effect, then:

- ! the governor would appoint the coordinator by June 30, 1999;
- ! the coordinator would appoint the board by July 15, 1999; and
- ! the oversight committee would be appointed by July 15, 1999.

If the HB 3525 does not take immediate effect, then all appointments would be made as soon as possible after the effective date.

**SUPPORTERS  
SAY:**

HB 3525 lays out the framework for giving Texas Southern University the help it needs to overcome serious, long-term, financial and management problems while keeping the institution independent. TSU has a proud tradition as an independent institution and should not be merged into another university system. However, it is clear that the school needs extra help and supervision from the Legislature.

The state auditor on February 12 reported that there were persistent problems in financial aid, human resources, finance, and accounting at the university. The auditor reported that the university seemed unable to manage its financial resources, and was having trouble collecting money it is owed, paying bills on time, keeping accurate financial records, and using money according to rules and regulations. The auditor several weeks later noted that cooperation between the agency and the university had substantially improved and that appropriate plans were being put in place to deal with these issues.

But it is simply unrealistic to believe that all that much progress could have been made in the short time since the auditor's original report. Reporting improvement in cooperation with state officials is not the same as reporting that TSU's financial and management situation has been turned around.

The Legislature two years ago ordered TSU officials to work with a team of experts to implement management and financial controls and to demonstrate progress toward improvement. The auditor found as recently as February 12 that the university had made virtually no progress in taking action. It would not be fair to the institution or its students if this situation is allowed to continue.

HB 3525 would take a two-pronged approach in giving TSU the help it needs. First, a new leadership team would be put in place, headed by a coordinator appointed by the governor from names suggested by the speaker and the lieutenant governor. This would end controversy and turmoil surrounding the current board and its decision to fire the school's president earlier this year, ensuring that all state leaders agree on the make-up of the leadership at TSU.

The new team would not operate in a vacuum. Problems at TSU are long-standing and cannot be remedied overnight. HB 3525 proposes creation of a Legislative Oversight Committee including members of the House, the Senate, and the public who would receive monthly reports on progress at the university. This would give the transition team the kind of back-up they need, provide them the expertise of concerned lawmakers and members of the public, and ensure that steady progress is made in turning the university around. This plan would prevent lawmakers from debating these same issues two years from now, just as they did two years ago.

It is important that the House act on HB 3525 now. However, the bill's provisions still can be tailored, working with the Senate in the event that TSU demonstrates better progress before the end of the legislative session. This bill also would lay out options for ending the work of the transition team early, in the event the school showed substantial improvement at any point over the next two years.

**OPPONENTS  
SAY:**

HB 3525 simply is not necessary. The current board of regents has succeeded in restoring stability to the school and giving it a new direction by replacing the former president. The new administration has been working cooperatively with state officials to develop and implement a long-term plan to address the problems outlined by the state auditor's and comptroller's reports, leading auditors to express optimism about the university for the first time in months. TSU and the state auditor will be evaluating progress every three months.

The state auditor has reported that new TSU President Priscilla Slade has made substantial progress in two months. Slade has assigned administrators specific responsibilities with specific deadlines and interim monitoring requirements. She is holding weekly after-hours staff meetings to chart progress on the changes recommended by the state auditor and comptroller. The state auditor has cited specific accomplishments in four major areas:

finance and accounting, human resources, financial aid, and management information systems. For the first time, the state auditor is getting reports and information in a timely manner. In fact, TSU now supplies the state auditor with weekly progress reports. The board of regents is supporting the president's changes.

HB 3525 would disrupt the progress being made at TSU, and even cause more instability. HB 3525 would introduce three different governing bodies over the next two years. There would be a transition team, an interim board of regents, and then the interim board would be replaced with another board of regents in February 2001. This bill mandates too many administrative changes over a two-year period, on top of the administrative changes that have just occurred.

Both the House and the Senate versions of HB 1, the general appropriations bill, already contain a detailed rider that would direct TSU to make improvements in response to the state auditor's and comptroller's reports and report on progress quarterly to the Legislature. This rider makes HB 3525 unnecessary.

OTHER  
OPPONENTS  
SA

Merging TSU with a reputable and well-established higher education institution or university system would be the best solution to TSU's problems. The school needs the expertise of university system administrators and financial experts now. The Legislature already has given TSU officials more than enough time to get to work solving the school's problems. The administrative paralysis at the school over the past two years was extremely unfortunate, but it also was a symptom of problems too deep to be solved by a transition team.

HB 3525 makes no provision for the number of transition team members. The bill makes no provision for the diversity of representation on the transition team. These details should be specified.

NOTES:

Riders in both House and Senate versions of HB by Junell, the general appropriations bill for fiscal 2000-01, direct TSU to work with a team of experts to make improvements in areas including finance, accounting, student financial aid, and management and information systems. The university would have to provide quarterly reports to the Legislative Budget Board, the Legislative Audit Committee, the state auditor, the Senate Finance Committee

and the House Appropriations Committee. The riders provides that if the state auditor determined that TSU had not made substantial improvements by June 1, 2000, the Legislative Audit Committee would have to recommend to the 77th Legislature that TSU be placed under the management of a university system.