

**Fred W. Heldenfels IV - Vice-Chair  
Term Expires August 31, 2013**

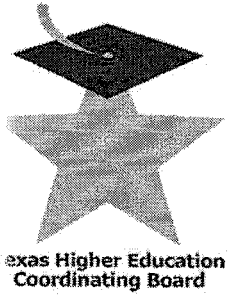
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**Fred W. Heldenfels IV**, of Austin, Texas was first appointed to the Texas Higher Education Coordinating Board by Governor Rick Perry in July 2006 to fill a remaining term, and reappointed in August 2007 to a six-year term. In November 2008, Mr. Heldenfels was appointed Vice-Chair of the Board. He also serves as Chair of the Board's Committee on Strategic Planning and Policy and Vice-Chair for the Committee on Agency Operations.

Mr. Heldenfels is the President and CEO of Heldenfels Enterprises, Inc., a manufacturer of precast/prestressed concrete structures for the highway, industrial, commercial and sports construction markets with plants located in San Marcos and Corpus Christi. His firm has won numerous industry Design Awards and other recognitions.

He recently served on the San Marcos Economic Development Board and as Board Chairman of Citizens Against Lawsuit Abuse of Central Texas. In addition, Mr. Heldenfels is Past Chairman of the Texas A&M Twelfth Man Foundation (2001), Past President of the Texas Good Roads/Transportation Association (2001-2003), and Past Chairman of the Precast/Prestressed Concrete Institute (2004). In addition, he is Past Chairman of both the Texas A&M University-Corpus Christi Foundation (1997) and the Corpus Christi Chamber of Commerce (1993), where he helped initiate support for tort reform in the Coastal Bend, as well as the creation of a four-year university within the Texas A&M University System.

In 1993, in recognition of his leadership and entrepreneurship, Mr. Heldenfels received the Small Business Achievement Award presented by the NFIB and Senator Phil Gramm. He is also a proud recipient of the Aggie 100 Award in 2005 and 2006, as well as a recipient of the Outstanding Leadership Alumni from Leadership Corpus Christi. He graduated from Texas A&M University in 1979 with a Bachelor's in Business Administration.



**Written Testimony for the Senate Committee on Higher Education**  
*Interim Hearing – September 23, 2010*  
**Charge 5#: *Cost Efficiencies***

**Fred W. Heldenfels IV**

Chair

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**Panel #3: Opportunities for Achieving Cost Efficiencies in Higher Education**

- I. Higher education and business leaders conducted a comprehensive review between December 2009 and August 2010 to identify opportunities and strategies for implementing cost efficiencies and improving productivity.**
  - A. In September 2009, Governor Perry issued an Executive Order directing the Coordinating Board to conduct a comprehensive review of system-wide opportunities for achieving higher education cost efficiencies.
  - B. Additionally, the 81st Texas Legislature directed the Coordinating Board (via House Bill 4149) to conduct a study identifying “cost-saving measures in the management and operation” of institutions, including the use of electronic textbooks.
  - C. In response to both charges, the Coordinating Board created the 20 member Advisory Committee on Higher Education Cost Efficiencies (Committee), consisting of state business leaders and representatives from all higher education sectors, to draft a report for the Coordinating Board. Their recommendations were presented to the Strategic Planning and Policy Committee two days ago and the Coordinating Board’s final report will be provided to the Governor and Legislature by November 1.
  - D. The Committee members heard from state and national experts who shared best practices regarding five key areas for the Committee’s study. Following short presentations, committee members engaged these experts in extensive group dialogue, probing more deeply and asking germane questions. Committee members also engaged in small group discussions at each meeting to compile their preliminary lists of ideas and recommendations. These lists provided the substance for their final report and recommendations to the Coordinating Board.

## II. As the state faces challenging fiscal constraints, higher education can no longer afford business as usual.

### A. Advisory Committee on Cost Efficiencies – The Big Ideas

- i. The Committee determined early in its deliberations the focus could not be a narrow view of efficiency or doing business as usual, just more cheaply. The Committee's focus was determined to be on *productivity* – achieving better results in the most cost-efficient manner.
- ii. It was also determined that efficiency could not be defined solely in terms of state funding. Costs to students had to be considered as well; the objective was not to reduce needed levels of state funding by shifting costs to students but to *achieve higher performance* and *better outcomes* in the use of all sources of funds.
- iii. The Committee identified five overarching categories or “big ideas” for cost-efficiency measures in the higher education sector which include various **short-term actions**:

#### a. Funding Results by Paying for Performance

- 1) Modify formula funding for both two-year and four-year institutions of higher education so that allocation of resources are much more closely tied to student outcomes, particularly the cost efficient production of high quality degrees and certificates;\*
- 2) Continue to fund the Performance Incentive Funding initiative for four-year institutions to reward them for improvements in numbers of graduates, and continue to fund programs designed to increase levels of externally-generated research funds (such as the Texas Research Incentive Program, Competitive Knowledge Fund, etc.); and
- 3) Prioritize TEXAS Grants to high-performing, needy students.\*

#### b. Creating Clear Pathways for Successful Student Outcomes

- 1) Mandate statewide articulation agreements between two- and four- year institutions and limit associate programs to 60 semester credit hours in length;\*
- 2) Require 10% of all credit hours produced by two-year and four-year institutions be completed in ways not requiring on-campus instruction (i.e. advanced placement, dual credit, competency based assessments, study abroad, online learning, etc.);\*
- 3) Challenge institutions to improve campus wide faculty productivity by 10%;
- 4) Adopt a single diagnostic assessment tool by both two-year and four-year institutions to determine college readiness and pinpoint areas of needed preparation; and
- 5) Require students to have a degree plan no later than upon completion of 42 semester credit hours of coursework, and require them to meet with an

\*Requires Legislation

advisor prior to enrolling in a course that is not included in their degree plan or when changing degree plans.\*

**c. Meeting Demand with New Approaches to Delivery**

- 1) Develop a statewide online delivery system for developmental education and associate degree programs that draw on the best online courses already available; and
- 2) Pilot broader use of e-textbooks.

**d. Making Capital Financing Make Sense – Both for New Buildings and Deferred Maintenance (See long-term action outlined below.)**

**e. Making Productivity and Continuous Improvement a Cultural Change**

- 1) Require each institution increase the efficiency in which it produces graduates by 10 percent; \* and
- 2) Create a Statewide Higher Education Continuous Improvement Council at the Coordinating Board to promote efficiencies at all levels - institutional, system, and statewide efficiencies.
- 3) Implement shared best practices from other institutions and systems while the Coordinating Board and institutions terminate up to 750 low producing programs.

**B. Implementing a long-term plan is critical**

**a. The Committee identified long-term actions under the five key areas which include:**

- 1) Conduct an in-depth review of the state's higher education finance mechanisms and recommend changes necessary to align these policies with the state's goals and with the goal of improved productivity and efficiency, including tuition and student aid policies as well as the mechanisms by which state funds are allocated to institutions.
- 2) Develop a *strategic growth plan* for meeting student demands of Closing the Gaps and consider a wide variety of cost-effective delivery alternatives;
- 3) Move toward a comprehensive digital learning environment for students.
- 4) Making Capital Financing Make Sense – Both for New Buildings and Deferred Maintenance
  - i. Develop a new approach to capital financing, with special attention to an alternative to tuition revenue bonds. This will be part of the 2013 *strategic growth plan* together with new delivery approaches and the state's higher education finance mechanisms including, financial aid and tuition.\*

**II. Maintaining momentum for Closing the Gaps and improving efficiency**

- A.** The Committee's recommendations are designed to not only improve operational productivity at institutions, but also improve student outcomes in the most cost-effective ways for the state.
- B.** The higher education sector must demonstrate both greater cost-efficiency and better results to encourage sustained investment of increasingly limited resources.
- C.** The Coordinating Board is focused on a wide range of strategies designed to increase cost efficiencies and productivity in higher education while dramatically improving student persistence and completion of academic and technical programs across all sectors of higher education.
- D.** Once the final cost efficiency recommendations are adopted, the Coordinating Board will present a legislative agenda designed to maintain momentum for Closing the Gaps, accelerate progress where needed, and improve the efficiency of higher education as the state grapples with fiscal challenges. In short, produce more bang for the buck ... both the taxpayers' and the tuition payers' bucks!