



Chancellor Milliken

PREPARED REMARKS

UT SYSTEM BOARD OF REGENTS MEETING

May 6, 2020

INTRODUCTION

Thank you, Chairman Eltife.

First, I want to say thank you to the members of this Board for your thoughtful leadership at this time, and the guidance and support you have given me and the presidents of our 14 institutions. I've been in regular communication with Chairman Eltife and have appreciated the opportunity to keep all Board members updated on a regular basis.

You convened a special meeting in late March when it became apparent our institutions would need some flexibility to navigate the challenges they were confronting, and that was deeply appreciated. On the day we met, there were 86,000 reported cases of COVID-19 in the United States, compared to over 1.2 million today. And while Texas has not avoided significant increases, early action by the Governor and Texans has put us in a better position than many.

According to the COVID-19 model developed by UT Austin's Dr. Lauren Meyers and her research team, there is a 74% probability the peak in Texas has passed, and an 84% probability that the peak will have passed within 7 days. We will continue to monitor the numbers carefully, particularly as the next phase of opening up Texas has begun and we are planning for the fall.

All 14 UT institutions of the UT System have been dramatically affected by the pandemic, as have colleges and universities—and everyone else—across the country.

ACADEMIC INSTITUTIONS

Online Learning

On March 17, together we announced that our academic institutions would close to almost all students on campus and we would finish the semester entirely online. I could not be prouder of how the presidents, faculty, staff, and students have adapted to this new modality. The pivot to online learning – which transitioned in less than two weeks' time for most institutions – will be remembered as one of the most remarkable feats in modern higher education history. And I am convinced it will alter higher education from this point on. While we all are looking forward to the outstanding student experience our residential campuses offer, this is a disruptive moment in higher education and much change will follow. Those who adapt well, as I know our institutions will, will thrive.

For now, UT institutions remained focused on graduating all students this spring who are on track to finish, and ensuring all other students make planned progress toward their degrees.

Refunds / Housing

Campus dormitories have remained open only for those students who do not have a suitable alternative housing arrangement. Today we have about 3,000 students living in our dorms and served by our food service operations.

We were among the first to announce that our students would be reimbursed for the most significant auxiliary expenses they could not use in the spring: housing, dining and parking. This was a necessary and important message from the Board, but not without budget impact. At UT Austin alone, this resulted in over \$26 million of lost revenue.

Summer

Our institutions will continue to provide online instruction this summer, with the possibility of some labs and other on-campus offerings later in the summer.

Summer enrollment projections, somewhat surprisingly, are flat or slightly up from last summer at most of our institutions. I suspect this has something to do with the job market as well as a desire by students in a time of uncertainty to make as much progress as they can. Also, a number of our institutions are discounting summer tuition or offering more scholarship funds to shore up summer enrollment.

Fall

The biggest issue before us is planning for operating campuses in the fall in a way that will help ensure the safety of our students, faculty, staff and visitors. You've no doubt seen reports from colleges and universities around the country with announcements ranging from the commitment to return to "normal" in the fall to hybrid educational models to delayed starts and mainly online education.

I talk daily with our UT presidents and other higher education leaders from around the country, as well as medical experts, and we are all wrestling with the same issues and many are approaching this challenge in similar ways. The question has shifted in most places from whether institutions will be open and have classes on campus in the fall, to how it will be done.

Most large Texas institutions have announced their intention to open with some degree of in-person classes and students, faculty, and staff on campus. We've had discussions with Governor Abbott and Higher Education Commissioner Keller and they have been supportive of our efforts to engage in planning now for a return to campuses in the fall, of course monitoring COVID activity and always focusing on safety. We will continue to work closely with the state and follow all guidance. And, of course, we have in-house medical experts in Drs. Zerwas and Lakey and throughout our health and academic institutions that we can rely on.

Like everyone else, we are hoping we can offer as much of the valuable in-person, residential experience as possible. It seems safe to say campus life won't be like last fall, but won't be like this spring, either.

All UT presidents and their teams are at work now on plans for fall activities that are focused first on health and safety considerations.

Enrollment Challenge

A major unknown all colleges and universities face is how enrollment in the fall will be impacted, as student patterns may change in light of uncertainties about operations. One area we expect will be especially affected is international student enrollment. As of Fall 2019, UT institutions enrolled about 20,000 international students. A substantial decrease – which is expected nationwide – would have a very significant effect on our institutional revenue.

Today our country’s foreign consulates and their visa offices are closed, and there is great uncertainty about how quickly they will be operational and whether student visas will be given priority. Yesterday I met—remotely—with leadership in the State Department to discuss opening consulates, priority for student visas, relaxing limitations on online education for international students, and providing the support needed to enroll international students.

HEALTH INSTITUTIONS

Let me turn to our six health institutions. Their pivot away from business as usual has been just as dramatic and unprecedented as our academic institutions’, and they continue to play an essential role in the fight against COVID-19.

Elective Procedures / Revenue Hit

To build capacity among our health care professionals and preserve hospital beds, equipment, supplies, and personal protective equipment in response to Governor Abbott’s executive order in March, our health institutions and medical school hospitals, clinics, and physician groups suspended all research not related to the pandemic, and all elective and non-emergency procedures and admissions.

The Governor’s Supply Chain Strike Force, working with UT health institutions and others across the state, did a great job increasing bed capacity. Today, Texas has more than 20,000 hospital beds and 2,000 ICU beds ready to handle a potential surge of new COVID-19 cases.

Stopping routine delivery of health care was necessary to ensure that our health care system wasn’t overwhelmed. But it has taken an enormous financial toll on our institutions. While our original estimates were even higher, we now believe our gross revenue losses will fall somewhere between \$300 million and \$400 million.

Governor Abbott has loosened restrictions, and UT health institutions have begun, step-by-step, to open up their facilities to elective procedures. This is obviously great news, especially for the patients, many of whom have need for care, but also for the institutions that have suffered financially as surgeries and other revenue-generating treatments have been canceled or postponed during the pandemic.

Through the hard work and quick response by our campuses and the Governor’s directives on reopening, we now estimate our net losses will be considerably less than those initial projections.

The Frontlines: COVID-19 Treatment, Tests, Trials

This gradual resumption of elective procedures has not diminished the commitment to leading the fight against COVID-19. UT and UT-affiliated hospitals continue to provide critical care to many of our state's COVID-19 patients – roughly 17% of those hospitalized.

As of last Friday, UT institutions had processed more than 41,000 COVID-19 tests – or 13% of all tests statewide. They are averaging more than 2,000 tests per day, and with a maximum daily capacity of nearly 5,000, they can scale up as required.

During the month of April alone, UT health professionals provided well over 100,000 telemedicine visits to patients. If we are looking for silver linings in the face of much bad news and tragedy, this is one of them. The significant expansion of telemedicine can be one way we serve more Texans in the future.

The Governor's Strike Force is now sharply focused on bolstering the state's supply of swabs, transport media, reagents, and anything else required to increase Texas's testing capacity, and we are pleased and grateful that EVC John Zerwas is providing leadership in this effort as one of four medical officers supporting the work of the Strike Force.

UT institutions have more than 300 ongoing studies related to COVID-19. Multiple UT institutions are involved in trials involving Remdesivir, a potential treatment that has shown promising results and received emergency authorization from the Food and Drug Administration just last week.

FISCAL IMPACTS

On the positive side, the CARES Act passed by Congress in March provides funds to UT institutions and direct emergency funding to students: \$173 million is available to UT institutions, approximately half for direct emergency payments to students and half for institutional costs associated with COVID.

The presidents have developed thoughtful plans for direct payments to students, and we expect additional guidance from the U.S. Department of Education this week. It is likely that all direct payments will be to students who have a valid FAFSA on file with our institutions.

The institutional funding has not yet been made available. And while it will help, it will not begin to offset the total losses. For example, I mentioned that UT Austin refunded over \$26 million in auxiliary payments. It will be eligible for \$16 million in institutional funds, leaving it \$10 million short on that line item alone.

The CARES Act allocated \$100 billion of funding to hospitals and providers nationally, based largely on share of total Medicare reimbursements. UT institutions with their own hospitals and those with a significant share of Medicare patients will receive the most funds.

To date, UT health institutions and medical schools have received \$134 million from the CARES Act Emergency Fund for health care providers.

There is no doubt there will be a major fiscal impact on the state of Texas this year, and we began preparing for it immediately. Our institutions have taken a number of steps to reduce expenses, including imposing hiring freezes, furloughs, budget reductions, the elimination of across-the-board salary increases, and the pausing of non-essential projects.

Aside from these actions systemwide, going forward, many of the budget decisions will necessarily be local, because the specific dimensions of the budget challenge vary significantly from one UT institution to the next, depending on how many students are residential (and thus received refunds), how many are Pell recipients (the key determinant in CARES Act support), enrollments, how dependent the institution is on athletics, international students, and many other factors.

The differences between UT institutions are important, but the common denominator is that each must be prepared to operate with less financial support than they were anticipating pre-pandemic.

At this time, philanthropic support is tracking favorably with last year. Although we understand the current economic situation may affect support in the months ahead, we are grateful for the generous spirit of Texans, who have continued to support critical research, the recruitment of top scientists and faculty, and student emergency funds and scholarships.

The double whammy for Texas is that in addition to the pandemic, the oil industry has suffered dramatically. Revenue payments from University Lands is expected to be less than half of what it was last year—from over \$1 billion to less than \$500 million—which will have significant repercussions down the road. In addition, while the Texas economy is diverse, the impact on state revenues will also be significant.

CONCLUSION

UT institutions continue to demonstrate every day their extraordinary contributions to finding solutions to our state's most vexing challenges, as well as their will to do whatever it takes to keep our citizens healthy, educated, and focused on a more prosperous future. UT institutions exist to be in service to Texas, and we're seeing them at their finest moments.

What should be apparent to all is 1) the critical role our health institutions are playing in getting Texas through this pandemic, along with the obvious importance of training more health professionals; and 2) the new kinds of work and education that will be needed for our state to recover from the economic downturn--the next generation of Texans must be educated and many in the workforce now will need to retool. For Texas to be successful, higher education and the UT System must thrive.

We keep an updated online list of examples of the many contributions made by our faculty, staff, health care professionals, and students as they do their part to help their fellow Texans through this period. This list of stories from every campus is updated daily on utsystem.edu. I encourage everyone to visit, as the stories paint a picture of just how important the UT System is to the present—and the future—of Texas.

We have been challenged like never before, and the people of the 14 UT institutions have risen to this challenge in ways that should make every Texan proud.

And, they bolster my confidence that, with the continued leadership and support of the Board of Regents and the people of Texas, we will not only help get our state through this period, Texas and the UT System will be back stronger than ever.

Thank you very much.
