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**Board Meeting: 8/6/2003**  
Westin La Cantera Resort Hotel, San Antonio  
**Board Meeting: 8/7/2003**  
U. T. Health Science Center - San Antonio

	<b>Board Meeting</b>	<b>Page</b>
<b><u>August 6</u></b>		
A. CALL TO ORDER	<i>12:30-2:20 p.m.</i> <i>Chairman Miller</i>	
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1. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – <u>Texas Government Code</u> Section 551.071		
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b. <b>U. T. Board of Regents: Legal issues regarding performance of Investment Management Services Agreement with UTIMCO</b>	<i>Mr. Godfrey</i>	<b>3</b>
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b. <b>U. T. System: Consideration of personnel matters relating to appointment, employment, evaluation, assignment and duties of officers or employees</b>	<i>Chancellor Yudof</i>	<b>3</b>
c. <b>U. T. System: Consideration of personnel matters relating to evaluation of presidents and U. T. System Executive Officers</b>	<i>Chancellor Yudof</i>	<b>3</b>
d. <b>U. T. System: Consideration of individual personnel aspects of the operating budgets for the Fiscal Year ending August 31, 2004, and authorization for the Chancellor to make editorial corrections therein</b>	<i>Chancellor Yudof</i>	<b>3</b>
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- D. RECONVENE IN OPEN SESSION
  
- E. APPROVAL OF MINUTES OF REGULAR MEETING HELD MAY 7-8, 2003, AND SPECIAL MEETINGS HELD JUNE 16 AND JULY 7, 2003 (Available on-line at <http://www.utsystem.edu/bor/meetings/minuteslisting2000-2009.htm>)
  
- F. CONSIDERATION OF BUDGET AND CAPITAL IMPROVEMENT PROGRAM
  - 1. **U. T. System: Approval of the operating budgets for the Fiscal Year ending August 31, 2004, and approval of Permanent University Fund bond proceeds allocation for Library, Equipment, Repair and Rehabilitation Projects**

#### RECOMMENDATION

The Chancellor, with the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs, and presidents of the U. T. System component institutions, recommends that the proposed U. T. System Operating Budgets for the Fiscal Year ending August 31, 2004, including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans, be approved.

It is further recommended that the Chancellor be authorized to make editorial corrections therein and that subsequent adjustments be reported to the U. T. Board of Regents through the docket.

It is requested that Permanent University Fund Bond Proceeds in the amount of \$40,000,000 be appropriated to fund Library, Equipment, Repair and Rehabilitation (LERR) Projects for Fiscal Year 2004. In addition, it is recommended that the U. T. System component institutions be authorized to purchase approved equipment items and library materials and to contract for repair and rehabilitation projects following standard purchasing and contracting procedures within approved dollar limits. Substitute equipment purchases are to receive prior approval by the Chancellor, the appropriate Executive Vice Chancellor and, where required, the U. T. Board of Regents. Transfers by the U. T. System Administration of allocated funds to institutional control or to vendors will coincide with vendor payment requirements. Final approval of specific repair and rehabilitation projects will be in accordance with procedures for construction projects established by the Board.

Fiscal Year 2004 funds from these reserves not expended or obligated by contract/purchase order within six months after the close of Fiscal Year 2004 are to be available for future System-wide reallocation unless specific authorization to continue obligating the funds is given by the Executive Vice Chancellor for Business Affairs on recommendation of the president of the component institution and the appropriate Executive Vice Chancellor.

### BACKGROUND INFORMATION

The Chancellor will make a PowerPoint presentation to the Board on August 7. The PowerPoint materials and budget summary will be sent in advance of the meeting.

The appropriation of Permanent University Fund Bond Proceeds will be presented in the Fiscal Year 2004 LERR Budget. An allocation of \$40,000,000 is being requested for LERR Projects for Fiscal Year 2004. U. T. Dallas will be appropriated \$10,000,000 of these funds for a real property investment in connection with an economic development effort to secure a wafer fabrication facility. U. T. Dallas will not participate in the allocation of remaining funds. The allocation of these LERR funds to the U. T. System component institutions was developed from prioritized lists of projects submitted by the component institutions and reviewed by U. T. System Administration staff.

As required by the Available University Fund (AUF) Spending Policy, a forecast of revenues and expenses of the AUF for seven years, including the above allocation has been prepared and is provided on the following page. The additional appropriation of Permanent University Fund Bond Proceeds for this allocation is within the policy as shown in the forecast.

There is also an Executive Session item related to the personnel aspects of the Operating Budgets (Item 2d on Page 3).



**AVAILABLE UNIVERSITY FUND OPERATING STATEMENT  
ACTUAL AND FORECAST DATA**

(\$ Millions)	Actual	Estimated	Budget	Forecast				
	FYE 02	FYE 03	FYE 04	FYE 05	FYE 06	FYE 07	FYE 08	FYE 09
Distributions from the PUF (1)	\$ 338.4	\$ 363.0	\$ 348.0	\$ 332.3	\$ 330.8	\$ 346.2	\$ 364.3	\$ 364.3
Surface & Other Income	8.1	6.0	6.6	6.6	6.6	6.7	6.7	6.7
Divisible Income	346.5	369.0	354.6	338.9	337.4	352.9	371.0	371.0
UT Share (Two-Thirds Share)	231.0	246.0	236.4	225.9	224.9	235.3	247.3	247.3
Available University Fund ("AUF") Interest Income	8.4	4.7	4.3	4.9	6.8	9.3	12.0	12.6
Income Available to UT	239.4	250.7	240.7	230.8	231.8	244.5	259.3	259.9
<b>TRANSFERS:</b>								
Permanent University Fund ("PUF") Debt Service (2)	(68.1)	(69.3)	(78.3)	(96.0)	(101.7)	(105.0)	(108.4)	(111.1)
Debt Service Reimbursement (Austin Bldg Revenue Bonds)	(3.4)	(3.4)	(3.4)	-	-	-	-	-
System Administration	(25.7)	(29.6)	(28.1)	(28.1)	(28.1)	(28.1)	(28.1)	(28.1)
NCEA/Sandia/Information Tech./Telecomm. Services (3)	(2.4)	(4.5)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
UT Austin Excellence Funds	(107.2)	(114.8)	(108.3)	(103.9)	(104.3)	(110.1)	(116.7)	(117.0)
PUF Cash Defeasance/Insurance Funding	(59.0)	-	-	-	-	-	-	-
Other Transfers and Changes	(0.7)	-	-	-	-	-	-	-
Net Surplus/(Deficit)	(27.0)	29.1	21.4	1.8	(3.4)	0.3	5.0	2.6
Ending AUF Balance - System	49.2	78.3	99.7	101.5	98.1	98.4	103.4	106.1
PUF Debt Service Coverage	3.11:1	3.62:1	3.07:1	2.40:1	2.28:1	2.33:1	2.39:1	2.34:1

(1) Forecast based on a 9.35% expected annual average rate of investment return. The forecasted PUF distributions incorporate PUF market values through May 2003.

(2) PUF debt service based on all PUF projects currently included in the Capital Improvement Program plus additional \$30 million annual Library, Equipment, Repair and Renovation ("LERR") appropriations for FY 2005-2009. In FY 2004, a \$40 million LERR appropriation has been assumed.

(3) Funding for National Center for Educational Accountability ("NCEA"), Sandia National Laboratories Project, Information Technology Bandwidth, and the Office of Telecommunication Services

2. **U. T. System: Adopt six-year Capital Improvement Program (CIP)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Acting Executive Vice Chancellor for Health Affairs that the U. T. Board of Regents:

- a. Adopt the U. T. System Capital Improvement Program for Fiscal Years 2004-2009 as set forth in the Summary of Projects (Attachment 1 on Pages 10 - 18)
- b. Approve the redesignation of projects previously approved in the CIP as set forth in Attachment 2 on Page 19
- c. Approve the Capital Budget for Fiscal Years 2004-2005 as set forth in the Summary of Projects (Attachment 1 on Pages 10 - 18)
- d. Reduce previously appropriated funds in an aggregate amount of \$7,200,000 for repair and rehabilitation projects deleted or decreased in scope in the FY 2004-2005 Capital Budget as reflected in the Deleted or Reduced Appropriations column in Attachment 3 on Pages 20 - 22
- e. Appropriate additional funding with increased total project costs for previously approved repair and rehabilitation projects in an aggregate amount of \$45,200,000 as reflected in the FY 2004-2005 Capital Budget as set forth in the Additional Appropriations column in Attachment 3 on Pages 20 - 22
- f. Appropriate funding in an aggregate amount of \$172,372,000 for new repair and rehabilitation projects initiated in the FY 2004-2005 Capital Budget as reflected in the Appropriations for Projects Initiated in the Capital Budget column in Attachment 3 on Pages 20 - 22
- g. Appropriate additional funding from Revenue Financing System Bond Proceeds for previously approved projects in an aggregate amount of \$2,500,000 for Student Housing at U. T. Permian Basin and \$23,600,000 for Research Facilities Expansion at U. T. Medical Branch - Galveston in Attachment 4 on Page 23

- h. Appropriate additional funding from Tuition Revenue Bond Proceeds for a previously approved project in an aggregate amount of \$56,000,000 for North Campus Phase 4 at U. T. Southwestern Medical Center – Dallas in Attachment 4 on Page 23
- i. Approve the use of \$199,148,250 Revenue Financing System Parity Debt for certain construction and repair and rehabilitation projects in the FY 2004-2005 Capital Budget for which Revenue Financing System Bond Proceeds have been identified as all or a portion of the funding for the U. T. System component institutions as set forth in Attachment 4 on Page 23
- j. Make the “finding of fact” determinations regarding the ability to repay debt and satisfy financial obligations with respect to the issuance of \$199,148,250 of Parity Debt described in Attachment 3 pursuant to Section 5 of the Master Resolution as a condition to the issuance of additional Revenue Financing System Parity Debt
- k. Approve combining the following projects at U. T. M. D. Anderson Cancer Center: Campus Circulation Improvements (total project cost of \$12,400,000) and Life Safety/Fire Access/Pedestrian Traffic Improvements at Clark Entrance (total project cost of \$7,000,000) into one project with the previously approved Ambulatory Clinical Building (total project cost of \$347,000,000) for a new total project cost of \$366,400,000.

### BACKGROUND INFORMATION

The CIP is a six-year projection of major repair and rehabilitation and new construction projects to be implemented and funded from component institutions and U. T. System-wide revenue sources. Projects included in the CIP correspond to the highest priority needs identified in the long-range strategic planning process and institutional capital renewal plans as determined by the Facilities Renewal Model presented to the Facilities Planning and Construction Committee of the U. T. Board of Regents on July 1, 2002. Future projects listed in the CIP are for consideration when funding has been secured.

Adoption of the CIP authorizes U. T. System Administration and the institutional administration to expend up to 3% of the preliminary project cost to develop the formal Project Building Program document, select the Project Architect, and develop preliminary project plans. These funds will be appropriated by the component institution initially but may be reimbursed from project funds after design development approval and appropriation of project funds by the U. T. Board of Regents.

The Capital Budget is the first two years of the six-year CIP. Approval of the Capital Budget authorizes and appropriates funding amounts and sources for identified major repair and rehabilitation projects that are not architecturally or historically significant. Authorization of these projects and appropriation of these funds allow these projects to be presented to the Chancellor for design development plan approval and authorization for expenditure of funds and subsequent execution of the project by the administrative staff without returning to the U. T. Board of Regents for further approvals. The U. T. Board of Regents approves the design development plans for all major projects other than repair and rehabilitation projects that are not architecturally or historically significant as determined by the Facilities Planning and Construction Committee of the Board.

The redesignation of projects in the CIP has been requested by the component institutions to more accurately reflect the work to be accomplished.

The proposed CIP will be the subject of a presentation by Executive Vice Chancellor for Business Affairs Kerry Kennedy and Assistant Vice Chancellor for Facilities Planning and Construction Sidney Sanders on August 7, 2003. (The PowerPoint presentation begins on Page 24.) The presentation will identify the economic impact of the proposed projects.

Attachment 1

The University of Texas System  
 FY 2004-2009 Capital Improvement Program  
 Major Construction Projects Summary

Institution	Inst. Managed	CIP Project Cost Total	Project Cost OFPC Managed	Project Cost Inst. Managed	FY 2004-2005 Proj. Exp. Total
<b>Academic Institutions</b>					
<b>The University of Texas at Arlington</b>					
Chemistry and Physics Building	<input type="checkbox"/>	\$ 39,875,945	39,875,945	0	20,366,649
Continuing Education and Workforce Development Center	<input type="checkbox"/>	9,784,000	9,784,000	0	7,407,978
Deferred Maintenance/Capital Renewal Projects	<input checked="" type="checkbox"/>	1,405,354	0	1,405,354	336,028
Fine Arts Annex	<input type="checkbox"/>	5,420,000	5,420,000	0	4,113,780
Fire and Life Safety and Security Projects	<input checked="" type="checkbox"/>	3,605,847	0	3,605,847	2,804,239
Intramural Field Renovation	<input checked="" type="checkbox"/>	3,300,000	0	3,300,000	1,856,250
Kalpana Chawla Hall	<input type="checkbox"/>	19,200,000	19,200,000	0	16,417,788
Meadow Run Apartments - Phase II	<input type="checkbox"/>	10,572,000	10,572,000	0	7,555,316
Meadow Run Apartments - Phase III	<input type="checkbox"/>	8,119,000	8,119,000	0	0
Natural History Specimen Annex	<input checked="" type="checkbox"/>	980,000	0	980,000	757,540
New Chiller #5 and Infrastructure Improvements	<input checked="" type="checkbox"/>	4,200,000	0	4,200,000	3,827,172
New Residence Hall - (400 Bed)	<input type="checkbox"/>	22,590,000	22,590,000	0	143,623
Parking Improvements/Addition	<input type="checkbox"/>	1,800,000	1,800,000	0	430,390
Student Apartments	<input type="checkbox"/>	14,357,000	14,357,000	0	0
University Center Addition	<input type="checkbox"/>	4,100,000	4,100,000	0	3,647,327
<b>Subtotal U. T. Arlington</b>		<b>\$ 149,309,146</b>	<b>135,817,945</b>	<b>13,491,201</b>	<b>69,664,080</b>
		<b>Projected FY 2004</b>	32,315,460	5,916,249	38,231,709
		<b>Projected FY 2005</b>	27,767,391	3,664,980	31,432,371
<b>The University of Texas at Austin</b>					
ADA Compliance Modifications and Improvements - Phase III	<input checked="" type="checkbox"/>	\$ 4,000,000	0	4,000,000	1,350,926
Applied Computational Engineering and Sciences Building (ACES) Fourth	<input type="checkbox"/>	3,600,000	3,600,000	0	2,959,200
Applied Research Lab Expansion - Phase II	<input type="checkbox"/>	2,500,000	2,500,000	0	395,349
Benedict/Mezes/Batts Renovation - Phase I	<input type="checkbox"/>	30,000,000	30,000,000	0	18,236,041
Biological Science/Wet Lab Building	<input type="checkbox"/>	60,000,000	60,000,000	0	37,452,830

<b>Institution</b>	<b>Inst. Managed</b>	<b>CIP Project Cost Total</b>	<b>Project Cost OFPC Managed</b>	<b>Project Cost Inst. Managed</b>	<b>FY 2004-2005 Proj. Exp. Total</b>
Biomedical Engineering Building	<input type="checkbox"/>	\$ 25,000,000	25,000,000	0	0
Campus Fire and Life Safety Improvements - Phase I	<input checked="" type="checkbox"/>	14,000,000	0	14,000,000	8,350,309
Campus Fire and Life Safety Improvements - Phase II	<input checked="" type="checkbox"/>	20,000,000	0	20,000,000	12,568,421
College of Communication Building-New	<input type="checkbox"/>	32,000,000	32,000,000	0	1,542,058
Erwin Center Renovations/Fire and Life Safety/Basketball Practice Facility (Stages 1-3)	<input type="checkbox"/>	55,800,000	55,800,000	0	24,480,766
Experimental Science Building Renovation Phase I and II	<input type="checkbox"/>	35,000,000	35,000,000	0	12,479,665
Gregory Gymnasium Aquatics	<input type="checkbox"/>	12,360,000	12,360,000	0	11,250,241
Hogg Auditorium Renovation	<input type="checkbox"/>	15,000,000	15,000,000	0	607,895
Hotel and Conference Center	<input type="checkbox"/>	55,000,000	55,000,000	0	7,607,143
Institute for Geophysics and Advanced Computing Center	<input type="checkbox"/>	18,000,000	18,000,000	0	5,608,890
Jack S. Blanton Museum of Art - Phase I	<input type="checkbox"/>	58,500,000	58,500,000	0	37,348,843
Jack S. Blanton Museum of Art - Phase II	<input type="checkbox"/>	25,000,000	25,000,000	0	18,590,834
Jamail Texas Swim Center Renovation - Phase I and Phase II	<input type="checkbox"/>	5,300,000	5,300,000	0	3,011,584
Library Storage Facility	<input type="checkbox"/>	4,800,000	4,800,000	0	1,704,622
Marine Science Institute Wetlands Education Center	<input type="checkbox"/>	5,000,000	5,000,000	0	2,151,696
New Residence Halls - Phase II	<input type="checkbox"/>	30,000,000	30,000,000	0	8,470,545
Nueces Garage	<input type="checkbox"/>	20,500,000	20,500,000	0	3,451,606
Old Student Health Center Renovation - Phase I	<input type="checkbox"/>	17,009,000	17,009,000	0	15,498,502
Performing Arts Center Infrastructure Upgrades - Phase I	<input type="checkbox"/>	400,000	400,000	0	13,248
Performing Arts Center Infrastructure Upgrades - Phase II	<input type="checkbox"/>	7,600,000	7,600,000	0	253,688
Pharmacy Building Renovation - Phase I	<input type="checkbox"/>	250,000	250,000	0	148,345
Stadium Fire and Life Safety	<input type="checkbox"/>	10,000,000	10,000,000	0	4,904,000
Utility Infrastructure Expansion/Upgrade	<input checked="" type="checkbox"/>	45,700,000	0	45,700,000	36,054,713
<b>Subtotal U. T. Austin</b>		<b>\$ 612,319,000</b>	<b>528,619,000</b>	<b>83,700,000</b>	<b>276,491,960</b>
			<b>Projected FY 2004</b>	103,414,955	127,749,068
			<b>Projected FY 2005</b>	114,752,636	148,742,892
<b><u>The University of Texas at Brownsville</u></b>					
Education and Business Complex	<input type="checkbox"/>	\$ 26,010,000	26,010,000	0	20,040,755

Institution	Inst. Managed	CIP Project Cost Total	Project Cost OFPC Managed	Project Cost Inst. Managed	FY 2004-2005 Proj. Exp. Total
<b>Subtotal U. T. Brownsville</b>					
		\$ 26,010,000	26,010,000	0	20,040,755
	Projected FY 2004		7,362,347	0	7,362,347
	Projected FY 2005		12,678,408	0	12,678,408
<b><u>The University of Texas at Dallas</u></b>					
Activity Center Expansion	<input checked="" type="checkbox"/>	\$ 3,100,000	0	3,100,000	2,822,763
Founders/Founders Annex/Berkner Renovation	<input type="checkbox"/>	36,993,750	36,993,750	0	14,032,676
Parking Garage I	<input type="checkbox"/>	8,000,000	8,000,000	0	6,158,195
<b>Subtotal U. T. Dallas</b>					
		\$ 48,093,750	44,993,750	3,100,000	23,013,634
	Projected FY 2004		3,724,409	2,554,252	6,278,661
	Projected FY 2005		16,466,462	268,511	16,734,973
<b><u>The University of Texas at El Paso</u></b>					
Academic Services Building	<input type="checkbox"/>	\$ 10,000,000	10,000,000	0	8,568,132
Biosciences Facility	<input type="checkbox"/>	27,000,000	27,000,000	0	20,706,162
Campus Energy Performance Project	<input checked="" type="checkbox"/>	4,700,000	0	4,700,000	699,000
Engineering Building Expansion	<input type="checkbox"/>	7,000,000	7,000,000	0	5,850,646
Kelly Hall Renovation of 3 floors - Phase 1	<input checked="" type="checkbox"/>	2,286,000	0	2,286,000	2,044,337
Kelly Hall Renovation of 3 Floors - Phase 2	<input checked="" type="checkbox"/>	2,286,000	0	2,286,000	160,020
New Bookstore	<input type="checkbox"/>	4,950,000	4,950,000	0	108,731
Parking Garage ID#, P-4	<input type="checkbox"/>	25,000,000	25,000,000	0	5,535,461
Seamon Hall Renovation	<input checked="" type="checkbox"/>	2,100,000	0	2,100,000	1,705,468
Student Housing Phase II	<input type="checkbox"/>	12,100,000	12,100,000	0	8,634,660
<b>Subtotal U. T. El Paso</b>					
		\$ 97,422,000	86,050,000	11,372,000	54,012,617
	Projected FY 2004		16,694,256	1,870,065	18,564,321
	Projected FY 2005		32,709,536	2,738,760	35,448,296
<b><u>The University of Texas - Pan American</u></b>					
Administrative Offices Renovation	<input checked="" type="checkbox"/>	\$ 5,037,000	0	5,037,000	1,974,587
Business Administration Annex	<input type="checkbox"/>	9,000,000	9,000,000	0	0
Campus Repair and Renovations	<input checked="" type="checkbox"/>	1,550,000	0	1,550,000	1,314,986
Education Complex Addition and Renovation	<input type="checkbox"/>	22,000,000	22,000,000	0	19,329,701

<u>Institution</u>	<u>Inst. Managed</u>	<u>CIP Project Cost Total</u>	<u>Project Cost OFPC Managed</u>	<u>Project Cost Inst. Managed</u>	<u>FY 2004-2005 Proj. Exp. Total</u>
Health and Kinesiology Physiology/Recreation Center	<input type="checkbox"/>	\$ 18,000,000	18,000,000	0	496,957
International Trade and Technology Phase II	<input type="checkbox"/>	9,000,000	9,000,000	0	0
<b>Subtotal U. T. Pan American</b>		<b>\$ 64,587,000</b>	<b>58,000,000</b>	<b>6,587,000</b>	<b>23,116,231</b>
		<b>Projected FY 2004</b>	5,771,561	3,289,573	9,061,134
		<b>Projected FY 2005</b>	14,055,097	0	14,055,097
<b><u>The University of Texas of the Permian Basin</u></b>					
Mesa Building Improvements/Gymnasium Renovations, Phase I	<input type="checkbox"/>	\$ 9,350,000	9,350,000	0	8,509,852
Student Housing Phase II	<input type="checkbox"/>	8,300,000	8,300,000	0	7,406,848
Student Housing Phase III	<input type="checkbox"/>	6,000,000	6,000,000	0	271,304
<b>Subtotal U. T. Permian Basin</b>		<b>\$ 23,650,000</b>	<b>23,650,000</b>	<b>0</b>	<b>16,188,004</b>
		<b>Projected FY 2004</b>	8,047,099	0	8,047,099
		<b>Projected FY 2005</b>	8,140,905	0	8,140,905
<b><u>The University of Texas at San Antonio</u></b>					
Academic Building III	<input type="checkbox"/>	\$ 52,332,154	52,332,154	0	36,786,446
Biotechnology, Sciences and Engineering Building	<input type="checkbox"/>	89,700,000	89,700,000	0	67,614,104
Campus Parking Garage, Phase I	<input type="checkbox"/>	11,250,000	11,250,000	0	8,446,804
Campus Parking Garage, Phase III	<input type="checkbox"/>	9,450,000	9,450,000	0	0
East Campus Surface Parking, Phases I and II	<input checked="" type="checkbox"/>	2,594,500	0	2,594,500	1,547,068
Student Housing Expansion, Phase I	<input type="checkbox"/>	45,000,000	45,000,000	0	39,298,235
Student Housing Expansion, Phase II	<input type="checkbox"/>	20,500,000	20,500,000	0	1,993,298
Thermal Energy Plant No. 2	<input type="checkbox"/>	8,000,000	8,000,000	0	1,923,536
University Center Expansion, Phase III	<input type="checkbox"/>	32,200,000	32,200,000	0	5,199,957
<b>Subtotal U. T. San Antonio</b>		<b>\$ 271,026,654</b>	<b>268,432,154</b>	<b>2,594,500</b>	<b>162,809,448</b>
		<b>Projected FY 2004</b>	67,258,204	1,547,068	68,805,272
		<b>Projected FY 2005</b>	94,004,176	0	94,004,176
<b><u>The University of Texas at Tyler</u></b>					
Engineering, Sciences, and Technology Building	<input type="checkbox"/>	\$ 34,850,000	34,850,000	0	27,332,831
Student Apartments	<input type="checkbox"/>	7,200,000	7,200,000	0	6,624,000
Student Dormitory and Academic Excellence Center	<input type="checkbox"/>	11,000,000	11,000,000	0	7,270,523



<u>Institution</u>	<u>Inst. Managed</u>	<u>CIP Project Cost Total</u>	<u>Project Cost OFPC Managed</u>	<u>Project Cost Inst. Managed</u>	<u>FY 2004-2005 Proj. Exp. Total</u>
Student Resident Home I	<input type="checkbox"/>	\$ 1,400,000	1,400,000	0	1,168,877
Student Resident Home II	<input checked="" type="checkbox"/>	1,900,000	0	1,900,000	858,252
<b>Subtotal U. T. Tyler</b>		<b>\$ 56,350,000</b>	<b>54,450,000</b>	<b>1,900,000</b>	<b>43,254,483</b>
		<b>Projected FY 2004</b>	11,518,733	69,049	11,587,782
		<b>Projected FY 2005</b>	30,877,498	789,203	31,666,701
<b>Subtotal Academic Institutions</b>		<b>\$ 1,348,767,550</b>	<b>1,226,022,849</b>	<b>122,744,701</b>	<b>688,591,212</b>
		<b>Projected FY 2004</b>	256,107,024	39,580,369	295,687,393
		<b>Projected FY 2005</b>	351,452,109	41,451,710	392,903,819

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Health InstitutionsThe University of Texas Southwestern Medical Center at Dallas

Biosafety Level Three Laboratory	<input type="checkbox"/>	\$ 9,600,000	9,600,000	0	3,189,616
Central Pathology Laboratory	<input type="checkbox"/>	4,000,000	4,000,000	0	1,692,673
Day Care Center	<input type="checkbox"/>	3,000,000	3,000,000	0	2,555,039
Hazardous Waste Handling Facility	<input type="checkbox"/>	4,500,000	4,500,000	0	3,978,572
North Campus Phase 4	<input type="checkbox"/>	307,600,000	307,600,000	0	116,325,977
Remodel Carey, Holitzelle, and Danciger Basic Science Buildings	<input checked="" type="checkbox"/>	25,000,000	0	25,000,000	205,526
Southwestern Medical Park Apartments	<input type="checkbox"/>	17,500,000	17,500,000	0	15,112,786
St. Paul University Hospital - Remodel	<input checked="" type="checkbox"/>	12,000,000	0	12,000,000	8,158,103
<b>Subtotal U. T. S.M.C. Dallas</b>		<b>\$ 383,200,000</b>	<b>346,200,000</b>	<b>37,000,000</b>	<b>151,218,292</b>
		<b>Projected FY 2004</b>	69,106,466	5,374,460	74,480,926
		<b>Projected FY 2005</b>	73,748,197	2,989,169	76,737,366

The University of Texas Medical Branch at Galveston

Ashbel Smith Building Renovation	<input type="checkbox"/>	\$ 3,000,000	3,000,000	0	1,158,936
BSL - 4 Laboratory Facility	<input type="checkbox"/>	15,500,000	15,500,000	0	5,835,063
Day Care Center	<input checked="" type="checkbox"/>	3,100,000	0	3,100,000	2,821,255
Keiller Building Research Support	<input type="checkbox"/>	3,000,000	3,000,000	0	1,120,892
Laboratory Buildout 4th Floor Building 021	<input type="checkbox"/>	4,130,000	4,130,000	0	1,595,469

<b>Institution</b>	<b>Inst. Managed</b>	<b>CIP Project Cost Total</b>	<b>Project Cost OFPC Managed</b>	<b>Project Cost Inst. Managed</b>	<b>FY 2004-2005 Proj. Exp. Total</b>
Library Facilities Upgrade	<input type="checkbox"/>	\$ 7,900,000	7,900,000	0	499,752
National Biocontainment Laboratory	<input type="checkbox"/>	180,000,000	180,000,000	0	58,687,279
Rebecca Sealy Hospital Renovation	<input type="checkbox"/>	9,850,000	9,850,000	0	1,048,168
Research Facilities Expansion	<input type="checkbox"/>	77,180,000	77,180,000	0	65,115,548
Student Housing	<input type="checkbox"/>	18,780,000	18,780,000	0	1,233,381
TDCJ Hospital Cladding Restoration	<input type="checkbox"/>	6,560,000	6,560,000	0	107,333
TDCJ Hospital Fire Sprinklers	<input checked="" type="checkbox"/>	6,970,000	0	6,970,000	6,071,099
University Plaza Development	<input type="checkbox"/>	25,000,000	25,000,000	0	22,138,889
<b>Subtotal U. T. M.B. Galveston</b>		<b>\$ 360,970,000</b>	<b>350,900,000</b>	<b>10,070,000</b>	<b>167,433,064</b>
			<b>Projected FY 2004</b>	<b>54,681,217</b>	<b>59,573,041</b>
			<b>Projected FY 2005</b>	<b>103,859,493</b>	<b>107,860,023</b>

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**The University of Texas Health Science Center at Houston**

Basic Science Research Building	<input type="checkbox"/>	\$ 80,000,000	80,000,000	0	2,288,568
Campus Parking Garage, Phase I	<input type="checkbox"/>	7,500,000	7,500,000	0	356,768
Completion of MSB Hazard Mitigation	<input checked="" type="checkbox"/>	10,000,000	0	10,000,000	8,883,542
Data Center Relocation	<input checked="" type="checkbox"/>	5,000,000	0	5,000,000	2,554,641
Expansion of RAHC Public Health Satellite	<input type="checkbox"/>	4,000,000	4,000,000	0	2,343,704
Expansion of School of Health Information Sciences	<input checked="" type="checkbox"/>	3,000,000	0	3,000,000	2,760,000
Expansion of Student Housing	<input type="checkbox"/>	28,700,000	28,700,000	0	24,184,703
Indoor Air Quality at the Medical School	<input type="checkbox"/>	26,200,000	26,200,000	0	21,696,310
Life Safety and Emergency Power Adaptations ongoing	<input checked="" type="checkbox"/>	3,000,000	0	3,000,000	2,405,870
Medical School Building - Perimeter Berms	<input type="checkbox"/>	10,000,000	10,000,000	0	9,135,484
Medical School Building - Rooftop Vivarium and Exterior Elevator	<input type="checkbox"/>	38,000,000	38,000,000	0	34,719,932
Mental Sciences Institute - Replacement Facility	<input type="checkbox"/>	22,500,000	22,500,000	0	20,477,620
New Teaching and Clinical Research Facility Phase 1	<input checked="" type="checkbox"/>	19,550,000	0	19,550,000	11,069,190
Recreation Center Reconstruction	<input checked="" type="checkbox"/>	3,000,000	0	3,000,000	2,631,640
Repair of the Medical School Building, Phase I	<input checked="" type="checkbox"/>	50,000,000	0	50,000,000	41,094,060
Research Expansion Project (Institute of Molecular Medicine)	<input type="checkbox"/>	120,000,000	120,000,000	0	76,410,231
School of Nursing and Student Community Center	<input type="checkbox"/>	63,700,000	63,700,000	0	32,547,446

Institution	Inst. Managed	CIP Project Cost Total	Project Cost OFPC Managed	Project Cost Inst. Managed	FY 2004-2005 Proj. Exp. Total
<b>Subtotal U. T. H.S.C. Houston</b>		<b>\$ 494,150,000</b>	<b>400,600,000</b>	<b>93,550,000</b>	<b>295,559,709</b>
	<b>Projected FY 2004</b>		83,216,975	30,725,110	113,942,085
	<b>Projected FY 2005</b>		140,943,791	40,673,833	181,617,624
<b><u>The University of Texas Health Science Center at San Antonio</u></b>					
Cancer Research Building	<input type="checkbox"/>	\$ 18,000,000	18,000,000	0	418,040
Emergency , Fire and Safety Initiative, Phase I	<input type="checkbox"/>	9,000,000	9,000,000	0	7,830,000
Medical Research Division of the RAHC	<input type="checkbox"/>	20,000,000	20,000,000	0	15,854,054
Sam and Ann Barshop Center for Longevity and Aging Studies	<input type="checkbox"/>	20,000,000	20,000,000	0	16,899,131
Student Services/Academic Administration Building	<input type="checkbox"/>	17,900,000	17,900,000	0	14,674,109
Teaching/Learning Lab - Laredo	<input type="checkbox"/>	12,700,000	12,700,000	0	3,740,826
Teaching/Learning Lab, RAHC Harlingen	<input type="checkbox"/>	25,500,000	25,500,000	0	6,068,483
<b>Subtotal U. T. H.S.C. San Antonio</b>		<b>\$ 123,100,000</b>	<b>123,100,000</b>	<b>0</b>	<b>65,484,643</b>
	<b>Projected FY 2004</b>		32,354,388	0	32,354,388
	<b>Projected FY 2005</b>		33,130,255	0	33,130,255
<b><u>The University of Texas M. D. Anderson Cancer Center</u></b>					
Ambulatory Clinical Building	<input type="checkbox"/>	\$ 366,400,000	366,400,000	0	189,614,566
American Disabilities Act Upgrades	<input checked="" type="checkbox"/>	6,000,000	0	6,000,000	4,687,942
Backfill Phase III	<input checked="" type="checkbox"/>	74,500,000	0	74,500,000	22,619,805
Basic Science Research Building Two	<input type="checkbox"/>	185,000,000	185,000,000	0	0
Basic Science Research Building Two Parking Garage	<input type="checkbox"/>	20,000,000	20,000,000	0	0
Bastrop Facility Strategic Plan	<input type="checkbox"/>	9,000,000	9,000,000	0	1,842,914
Cancer Prevention Building	<input type="checkbox"/>	110,400,000	110,400,000	0	76,906,250
Chimp Compound Expansion	<input checked="" type="checkbox"/>	7,330,000	0	7,330,000	4,639,322
Computer Center Relocation	<input checked="" type="checkbox"/>	12,000,000	0	12,000,000	4,362,532
Elevator Modernizations	<input checked="" type="checkbox"/>	3,000,000	0	3,000,000	2,760,000
Emergency Generator Plant	<input checked="" type="checkbox"/>	12,000,000	0	12,000,000	436,098
Energy Management Projects Phase II	<input checked="" type="checkbox"/>	15,500,000	0	15,500,000	14,260,000
Faculty Center Two	<input type="checkbox"/>	73,000,000	73,000,000	0	0
Faculty Center Two Parking Garage	<input type="checkbox"/>	20,000,000	20,000,000	0	0
FEMA 404 Projects	<input checked="" type="checkbox"/>	32,100,000	0	32,100,000	13,315,500

<u>Institution</u>	<u>Inst. Managed</u>	<u>CIP Project Cost Total</u>	<u>Project Cost OFPC Managed</u>	<u>Project Cost Inst. Managed</u>	<u>FY 2004-2005 Proj. Exp. Total</u>
FEMA 406 Projects	<input checked="" type="checkbox"/>	\$ 12,000,000	0	12,000,000	9,157,952
FHB Maintenance and Renovation	<input checked="" type="checkbox"/>	6,700,000	0	6,700,000	2,512,292
George and Cynthia Mitchell Basic Sciences Research Building	<input type="checkbox"/>	221,900,000	221,900,000	0	96,209,099
HMB Demolition	<input checked="" type="checkbox"/>	10,000,000	0	10,000,000	97,418
Library Expansion	<input checked="" type="checkbox"/>	7,000,000	0	7,000,000	0
Lutheran Pavilion Patient Tower Refurbishment	<input checked="" type="checkbox"/>	21,500,000	0	21,500,000	4,756,352
Mid-Campus Infrastructure	<input checked="" type="checkbox"/>	6,000,000	0	6,000,000	0
MSI Building Demolition	<input checked="" type="checkbox"/>	3,000,000	0	3,000,000	1,554,653
New Patient Care Facilities and Parking - (Part A)	<input type="checkbox"/>	98,600,000	98,600,000	0	585,393
New Patient Care Facilities and Parking - (Part B)	<input type="checkbox"/>	201,400,000	201,400,000	0	0
Patient Care Facility Garage North	<input type="checkbox"/>	20,000,000	20,000,000	0	0
PPB Redevelopment	<input checked="" type="checkbox"/>	19,000,000	0	19,000,000	9,707,517
Redevelopment	<input checked="" type="checkbox"/>	70,000,000	0	70,000,000	9,231,280
Research Lab Renovations	<input checked="" type="checkbox"/>	25,000,000	0	25,000,000	19,452,970
Roof Replacement Gimbel, Bates Freeman, Anderson Center, New Clark	<input checked="" type="checkbox"/>	4,000,000	0	4,000,000	1,695,570
Rotary House International Guest Services Build-out	<input checked="" type="checkbox"/>	3,000,000	0	3,000,000	2,198,473
Rotary House International Phase III	<input type="checkbox"/>	21,000,000	21,000,000	0	0
Science Park Res. Div. Infrastructure Upgrades/Griffin Bldg. Expansion	<input checked="" type="checkbox"/>	13,600,000	0	13,600,000	4,431,610
Smithville Facility Strategic Plan	<input type="checkbox"/>	30,000,000	30,000,000	0	6,143,046
South Campus Research Building Phase II	<input type="checkbox"/>	50,000,000	50,000,000	0	42,453,417
Tan-9 Floor Buildout	<input checked="" type="checkbox"/>	3,100,000	0	3,100,000	2,852,000
UT Research Park Building 3	<input type="checkbox"/>	50,000,000	50,000,000	0	5,370,689
UT Research Park Garage 2	<input type="checkbox"/>	5,000,000	5,000,000	0	4,600,000
UT Research Park Infrastructure Improvements	<input checked="" type="checkbox"/>	20,000,000	0	20,000,000	0
<b>Subtotal U. T. M. D. A.C.C.</b>		<b>\$ 1,868,030,000</b>	<b>1,481,700,000</b>	<b>386,330,000</b>	<b>558,454,660</b>
			<b>Projected FY 2004</b>		
				<b>283,593,713</b>	<b>327,754,658</b>
			<b>Projected FY 2005</b>		
				<b>140,131,661</b>	<b>230,700,002</b>
<b><u>The University of Texas Health Center at Tyler</u></b>					
Ambulatory Care Center - Phase II	<input type="checkbox"/>	\$ 2,178,000	2,178,000	0	1,856,377
Biomedical Research Wing Addition	<input type="checkbox"/>	11,513,250	11,513,250	0	9,963,389

<b>Institution</b>	<b>Inst. Managed</b>	<b>CIP Project Cost Total</b>	<b>Project Cost OFPC Managed</b>	<b>Project Cost Inst. Managed</b>	<b>FY 2004-2005 Proj. Exp. Total</b>
<b>Subtotal U. T. H.C. Tyler</b>		<b>\$ 13,691,250</b>	<b>13,691,250</b>	<b>0</b>	<b>11,819,766</b>
	<b>Projected FY 2004</b>		5,458,947	0	5,458,947
	<b>Projected FY 2005</b>		6,360,819	0	6,360,819
<b>Subtotal Health Institutions</b>		<b>\$ 3,243,141,250</b>	<b>2,716,191,250</b>	<b>526,950,000</b>	<b>1,249,970,134</b>
	<b>Projected FY 2004</b>		528,411,706	85,152,339	613,564,045
	<b>Projected FY 2005</b>		498,174,216	138,231,873	636,406,089
<b>Total Major Construction Projects</b>		<b>\$ 4,591,908,800</b>	<b>3,942,214,099</b>	<b>649,694,701</b>	<b>1,938,561,346</b>
	<b>Total Projected FY 2004</b>		784,518,730	124,732,708	909,251,438
	<b>Total Projected FY 2005</b>		849,626,325	179,683,583	1,029,309,908

**THE UNIVERSITY OF TEXAS SYSTEM  
FY 2004-2009 Capital Improvement Program**

Attachment 2

**PROJECTS REDESIGNATED IN THIS CIP**

<b>Institution</b>	<b>Previously Approved Project Name</b>	<b>Redesignated Project Name</b>
<u>UT Arlington</u>	Intramural and Recreation Complex - Phase I	Intramural Field Renovation
<u>UT Austin</u>	Experimental Science Building Renovation	Experimental Science Building Renovation Phase I and II
	Institute for Geophysics and Bureau of Economic Geology/Additions and Renovations	Institute for Geophysics and Advanced Computing Center
	New Residence Halls and Food Service - Phase II	New Residence Halls - Phase II
	Texas Swim Center Renovation - Phase I and Phase II	Jamail Texas Swim Center Renovation - Phase I and Phase II
<u>UT Tyler</u>	Student Resident Home	Student Resident Home I
<u>UTSWMC Dallas</u>	Remodel Carey Basic Science Building	Remodel Carey, Holitzelle, and Danciger Basic Science Buildings
<u>UTHSC Houston</u>	Expansion of School of Health Information Sciences 2001-2002	Expansion of School of Health Information Sciences
	Freeman Building Replacement	Basic Sciences Research Building
	Mental Sciences Institute - Replacement Facility, Phase I	Mental Sciences Institute - Replacement Facility
<u>UTHSC San Antonio</u>	Medical Research Division	Medical Research Division of the RAHC
<u>UTMDACC</u>	Campus Circulation Improvements and Life Safety/Fire Access/ Pedestrian Traffic Improvements at Clark Entrance combined into Combined Backfill - Phase III	Ambulatory Clinical Building Backfill Phase III
	Federal Emergency Management Agency (FEMA) 404 Projects	FEMA 404 Projects
	Federal Emergency Management Agency (FEMA) 406 Projects	FEMA 406 Projects

**The University of Texas System  
Fiscal Years 2004-2005 Capital Budget Repair and Rehabilitation Projects**

Attachment 3

	<u>Previously Approved Projects</u>			<u>New Projects</u>	<u>Total Projects</u>
	Current Appropriations	Deleted or Reduced Appropriations	Additional Appropriations	Appropriations For Projects Initiated in the Capital Budget	Capital Budget Total Project Costs
<b><u>UT Arlington</u></b>					
Fire and Life Safety and Security Projects	3,605,847				3,605,847
Intramural Field Renovation	3,300,000				3,300,000
New Chiller #5 and Infrastructure Improvements				4,200,000	4,200,000
Subtotal	6,905,847			4,200,000	11,105,847
<b><u>UT Austin</u></b>					
ADA Compliance Modifications and Improvements - Phase III				4,000,000	4,000,000
Applied Computational Engineering and Sciences Building (ACES) Fourth	3,600,000				3,600,000
Benedict/Mezes/Batts Renovation - Phase I	30,000,000				30,000,000
Campus Fire and Life Safety Improvements - Phase I	14,000,000				14,000,000
Campus Fire and Life Safety Improvements - Phase II				20,000,000	20,000,000
Experimental Science Building Renovation Phase I and II	35,000,000				35,000,000
Hogg Auditorium Renovation	8,000,000		7,000,000		15,000,000
Jamail Texas Swim Center Renovation - Phase I and Phase II	5,300,000				5,300,000
Old Student Health Center Renovation - Phase I	17,009,000				17,009,000
Performing Arts Center Infrastructure Upgrades - Phase I	400,000				400,000
Performing Arts Center Infrastructure Upgrades - Phase II				7,600,000	7,600,000
Pharmacy Building Renovation - Phase I	250,000				250,000
Stadium Fire and Life Safety	10,000,000				10,000,000
Utility Infrastructure Expansion/Upgrade	45,700,000				45,700,000
Subtotal	169,259,000		7,000,000	31,600,000	207,859,000
<b><u>UT Dallas</u></b>					
Activity Center Expansion	3,100,000				3,100,000
Founders/Founders Annex/Berkner Renovation	36,993,750				36,993,750
Subtotal	40,093,750				40,093,750
<b><u>UT El Paso</u></b>					
Campus Energy Performance Project				4,700,000	4,700,000
Kelly Hall Renovation of 3 Floors - Phase 1				2,286,000	2,286,000
Kelly Hall Renovation of 3 Floors - Phase 2				2,286,000	2,286,000
Seamon Hall Renovation	2,500,000	(400,000)			2,100,000
Subtotal	2,500,000	(400,000)		9,272,000	11,372,000
<b><u>UT Pan American</u></b>					
Administrative Offices Renovation	5,037,000				5,037,000
Campus Repair and Renovations	1,550,000				1,550,000
Subtotal	6,587,000				6,587,000
<b><u>UT Permian Basin</u></b>					
Mesa Building Improvements/Gymnasium Renovations, Phase I	9,350,000				9,350,000

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**The University of Texas System  
Fiscal Years 2004-2005 Capital Budget Repair and Rehabilitation Projects**

Attachment 3

	<u>Previously Approved Projects</u>			<u>New Projects</u>	<u>Total Projects</u>
	Current Appropriations	Deleted or Reduced Appropriations	Additional Appropriations	Appropriations For Projects Initiated in the Capital Budget	Capital Budget Total Project Costs
<b>Subtotal</b>	9,350,000				9,350,000
<b><u>UT SWMC Dallas</u></b>					
Remodel Carey, Holitzelle, and Danciger Basic Science Buildings	28,000,000	(3,000,000)			25,000,000
St. Paul University Hospital - Remodel	15,000,000	(3,000,000)			12,000,000
<b>Subtotal</b>	43,000,000	(6,000,000)			37,000,000
<b><u>UTMB Galveston</u></b>					
Ashbel Smith Building Renovation				3,000,000	3,000,000
Keiller Building Research Support	3,000,000				3,000,000
Library Facilities Upgrade	7,900,000				7,900,000
Rebecca Sealy Hospital Renovation	9,850,000				9,850,000
Research Facilities Expansion	48,000,000				48,000,000
TDCJ Hospital Cladding Restoration	6,560,000				6,560,000
TDCJ Hospital Fire Sprinklers	6,300,000		1,700,000		8,000,000
<b>Subtotal</b>	81,610,000		1,700,000	3,000,000	86,310,000
<b><u>UT HSC Houston</u></b>					
Completion of MSB Hazard Mitigation				10,000,000	10,000,000
Expansion of School of Health Information Sciences	3,000,000				3,000,000
Indoor Air Quality at the Medical School	26,200,000				26,200,000
Life Safety and Emergency Power Adaptations ongoing				3,000,000	3,000,000
Medical School Building - Rooftop Vivarium and Exterior Elevator	38,000,000				38,000,000
Repair of the Medical School Building, Phase I	50,000,000				50,000,000
<b>Subtotal</b>	117,200,000			13,000,000	130,200,000
<b><u>UTHSC San Antonio</u></b>					
Emergency , Fire and Safety Initiative, Phase I	9,000,000				9,000,000
<b>Subtotal</b>	9,000,000				9,000,000
<b><u>UTMDACC</u></b>					
American Disabilities Act Upgrades	6,000,000				6,000,000
Backfill Phase III	60,000,000		14,500,000		74,500,000
Elevator Modernizations				3,000,000	3,000,000
Energy Management Projects Phase II				15,500,000	15,500,000
FEMA 404 Projects	32,100,000				32,100,000
FEMA 406 Projects	12,000,000				12,000,000
FHB Maintenance and Renovation				6,700,000	6,700,000
HMB Demolition				10,000,000	10,000,000
Lutheran Pavilion Patient Tower Refurbishment	9,700,000		11,800,000		21,500,000
MSI Building Demolition				3,000,000	3,000,000
PPB Redevelopment	8,800,000		10,200,000		19,000,000
Redevelopment				70,000,000	70,000,000

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**The University of Texas System  
Fiscal Years 2004-2005 Capital Budget Repair and Rehabilitation Projects**

Attachment 3

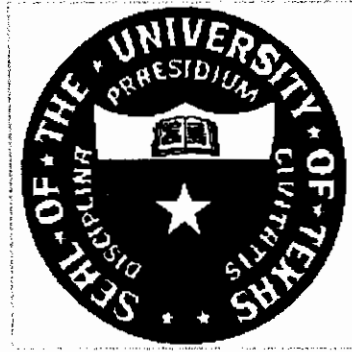
	<u>Previously Approved Projects</u>			<u>New Projects</u>	<u>Total Projects</u>
	Current Appropriations	Deleted or Reduced Appropriations	Additional Appropriations	Appropriations For Projects Initiated in the Capital Budget	Capital Budget Total Project Costs
Research Lab Renovations	25,000,000				25,000,000
Roof Replacement Gimbel, Bates Freeman, Anderson Center, New Clark	4,000,000				4,000,000
Rotary House International Guest Services Build-out	3,000,000				3,000,000
Science Park Res. Div. Infrastructure Upgrades/Griffin Bldg. Expansion	13,600,000				13,600,000
Tan-9 Floor Buildout				3,100,000	3,100,000
Subtotal	174,200,000		36,500,000	111,300,000	322,000,000
<b><u>UT HC Tyler</u></b>					
Ambulatory Care Center - Phase II	2,980,000	(800,000)			2,180,000
Subtotal	2,980,000	(800,000)			2,180,000
<b>Totals</b>	<b>662,685,597</b>	<b>(7,200,000)</b>	<b>45,200,000</b>	<b>172,372,000</b>	<b>873,057,597</b>

Approval of Revenue Financing System Debt  
For Certain Construction and Repair and Rehabilitation Projects in the FY 2004-2005 Capital Budget

Component	Project	Type 1/	Total Project Cost	Amount of RFS or TRB	Type of Debt	Source of Funds for Repayment	Component DSC 2/		
							Level	Min	Max
U. T. Arlington	New Chiller #5 and Infrastructure Improvements	IM	4,200,000	4,200,000	RFS	Designated tuition	Component	1.81	3.51
U. T. Austin	Experimental Science Building Renovations Phase - I and II	R&R	35,000,000	35,000,000	RFS	Designated tuition	Component	1.29	1.88
U. T. Dallas	Activity Center Expansion	IM	3,100,000	3,100,000	RFS	Activity center fees	Project	1.42	2.13
	Founders/Founders Annex/ Berkner Renovation	R&R	36,993,750	21,993,750	TRB	Pledged revenues of the U. T. System	System	2.77	3.66
U. T. El Paso	Kelly Hall Renovations - Phase I	IM	2,286,000	686,000	RFS	Designated tuition	Component	1.82	2.87
	Kelly Hall Renovations - Phase II	IM	2,286,000	686,000	RFS	Designated tuition			
	Campus Energy Performance Project	R&R	4,700,000	4,700,000	RFS	Designated tuition			
U. T. Permian Basin	Mesa Building Improvements/ Gymnasium Renovations - Phase I	R&R	9,350,000	5,610,000	TRB	Pledged revenues of the U. T. System	System	2.77	3.66
	Student Housing - Phase II	INC	8,300,000	2,500,000	RFS	Housing revenues	Project	1.31	1.31
U. T. San Antonio	East Campus Surface Parking Phases - I and II	IM	2,594,500	2,594,500	RFS	Parking revenues	Project	1.29	1.50
U. T. Tyler	Student Resident Home II	IM	1,900,000	1,400,000	RFS	Housing revenues	Project	1.09	1.85
U. T. Southwestern Medical Center - Dallas	North Campus Phase IV	INC	307,600,000	56,000,000	TRB	Pledged revenues of the U. T. System	System	2.77	3.66
U. T. Medical Branch - Galveston	Day Care Center	IM	3,100,000	2,500,000	RFS	Day Care and Parking Revenues	Component	1.81	3.27
	Research Facilities Expansion	INC	77,000,000	23,600,000	RFS	Operating Revenues	Component	1.81	3.27
U. T. Health Science Center - Houston	Repair of the Medical School Building	IM	50,000,000	15,100,000	TRB	Pledged revenues of the U. T. System	System	2.77	3.66
	Completion of MSB Hazard Mitigation	IM	10,000,000	10,000,000	TRB				
	MSB - Rooftop Vivarium and Elevator	R&R	38,000,000	7,300,000	TRB				
U. T. Health Center - Tyler	Ambulatory Care Center - Phase II	IM	2,178,000	2,178,000	RFS	Patient income	Component	2.89	5.28
Total			598,588,250	199,148,250					

1/ IM = Institutionally Managed; R&R = Repair and Rehabilitation; INC = Increase in RFS Debt.

2/ Component Debt Service Coverage ("DSC") is net revenue divided by debt service. TRB DSC is based on the U. T. System's combined financial forecast.



# Capital Improvement Program FY 2004 - 2009

The University of Texas System  
Board of Regents

August 7, 2003

# Capital Improvement Program

## Overview

- **CIP Includes:**
  - New Construction of \$1 million or greater
  - Repair and Renovation of \$2 million or greater
  - Any project with Board-authorized debt
- **Adopt the FY 2004 - 2009 CIP**
  - Allows up to 3% to be spent on CIP projects for programming and Design Development
  - Authorizes Institutional Management of those projects so designated
- **Approve the Capital Budget (FY 2004 and 2005)**
  - New Construction and architecturally or historically significant Repair and Rehabilitation projects will be presented to Board (at later date) for Design Development approval with request for appropriation of funds.
  - Funds for Repair and Rehabilitation projects are appropriated. Chancellor will approve Design Development (unless institutionally managed).
- **Adjust appropriations for previously appropriated projects**
- **Appropriate funds for Repair and Rehabilitation and Institutionally-Managed projects initiated in the Capital Budget**
- **Approve new request for Revenue Financing System Bonds for Repair and Rehabilitation project in the Capital Budget**

# Capital Improvement Program

## FY 2004-2009 Capital Improvement Program Summary

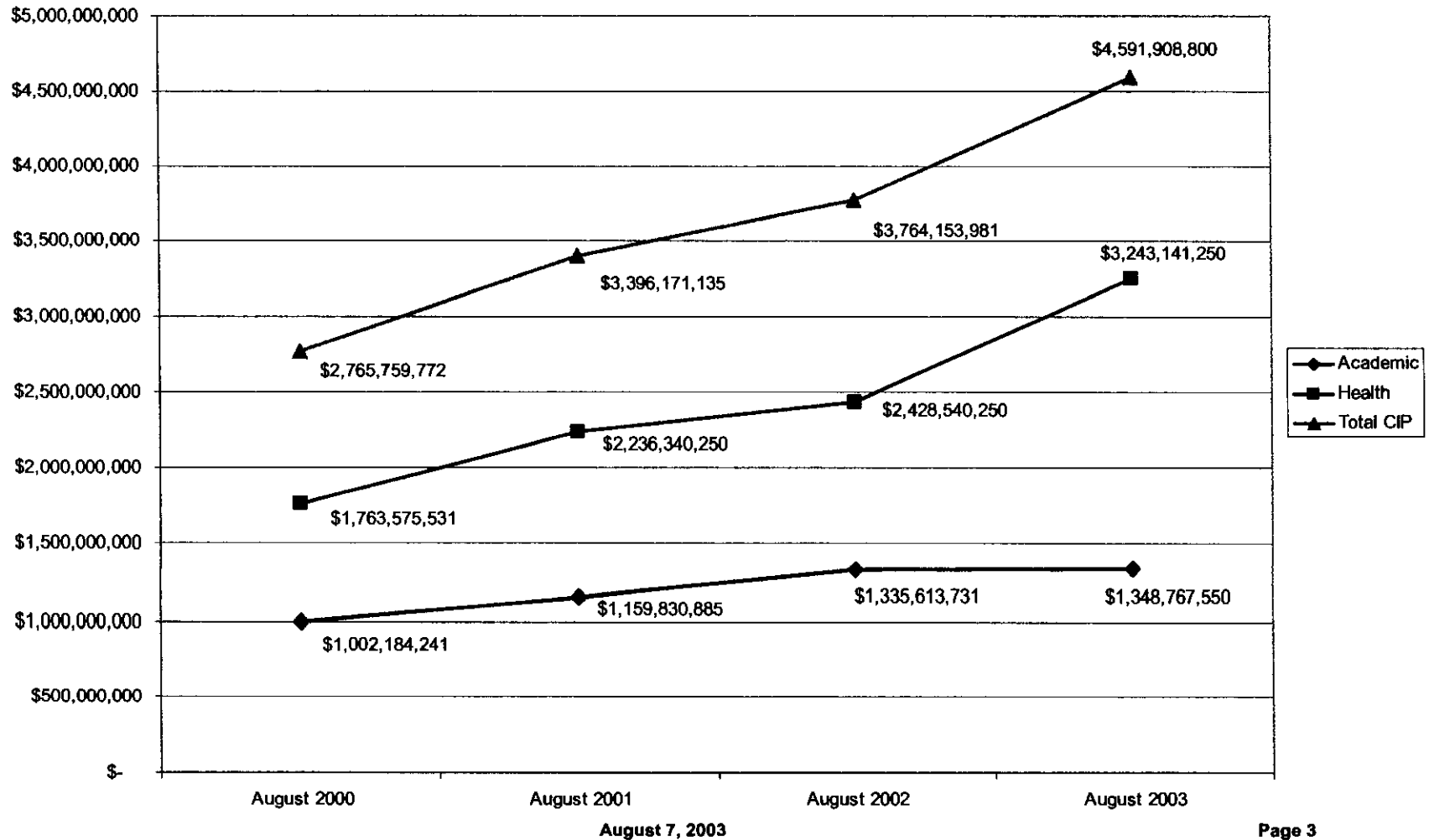
166 Projects totaling \$4.59 Billion

Current CIP (2002-2007)	\$4,311,723,981
Net Changes to Existing Projects	43,665,000
Completed Projects	(549,457,799)
Removed Projects	(472,006,882)
New Projects Added	1,257,984,500
<b>New CIP (2004-2009)</b>	<b>\$4,591,908,800</b>

# Capital Improvement Program

## FY 2004-2009 Capital Improvement Program Summary

### Recent Trend in CIP Growth

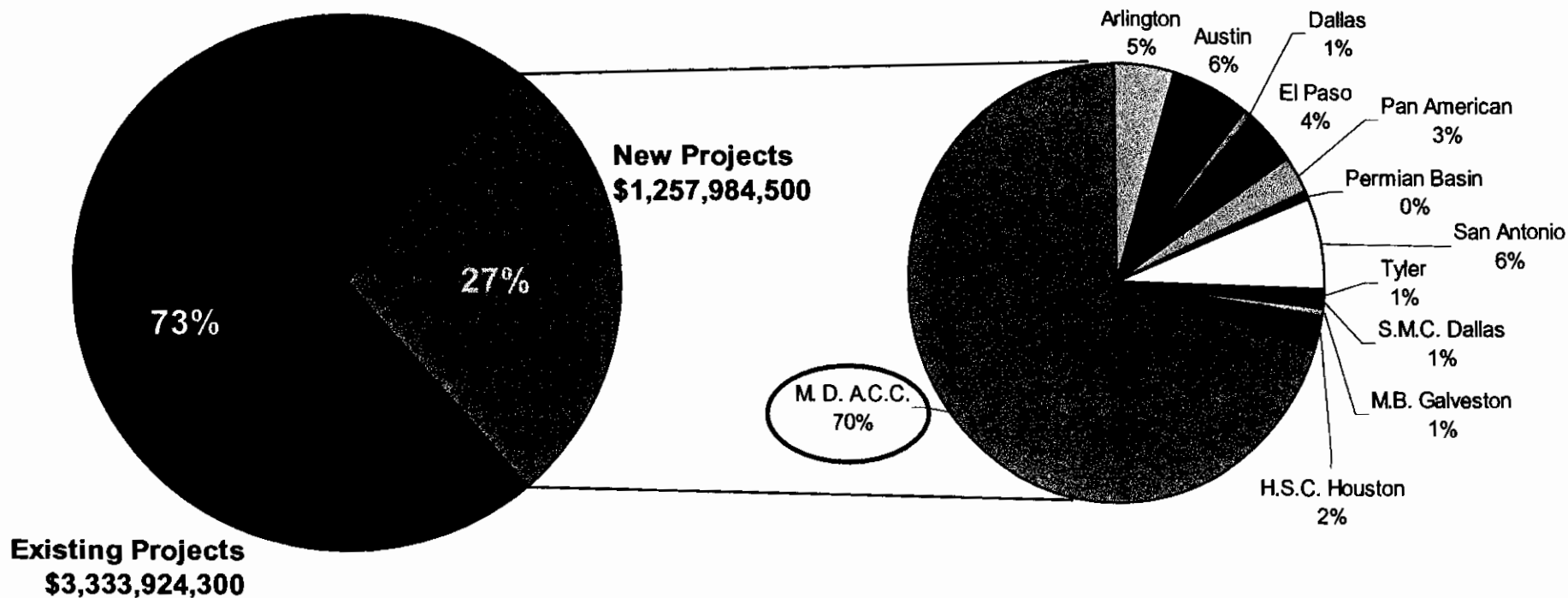


# Capital Improvement Program

## FY 2004-2009 Capital Improvement Program Summary

166 Projects totaling \$4.59 Billion

28



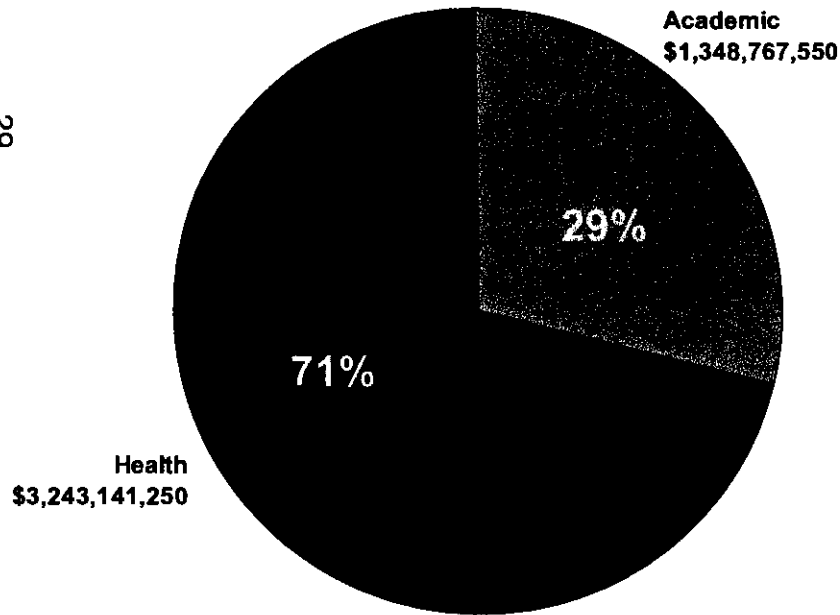
Total CIP: \$4.59 Billion

New Projects: \$1.26 Billion

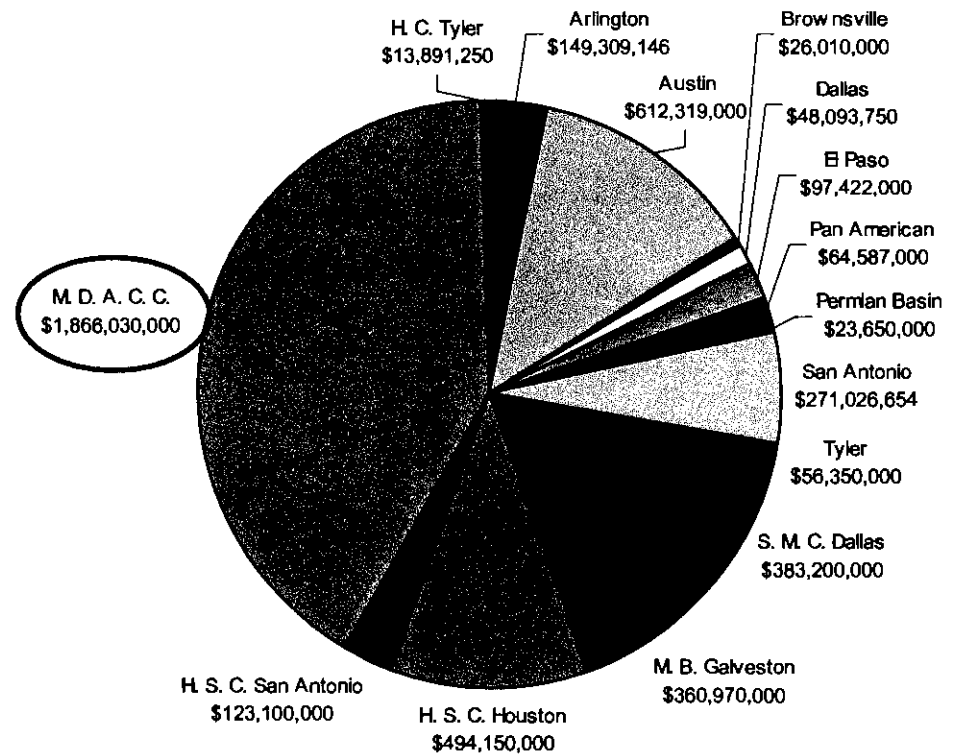
# Capital Improvement Program

## FY 2004-2009 Capital Improvement Program Summary

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Total CIP: \$4.59 Billion

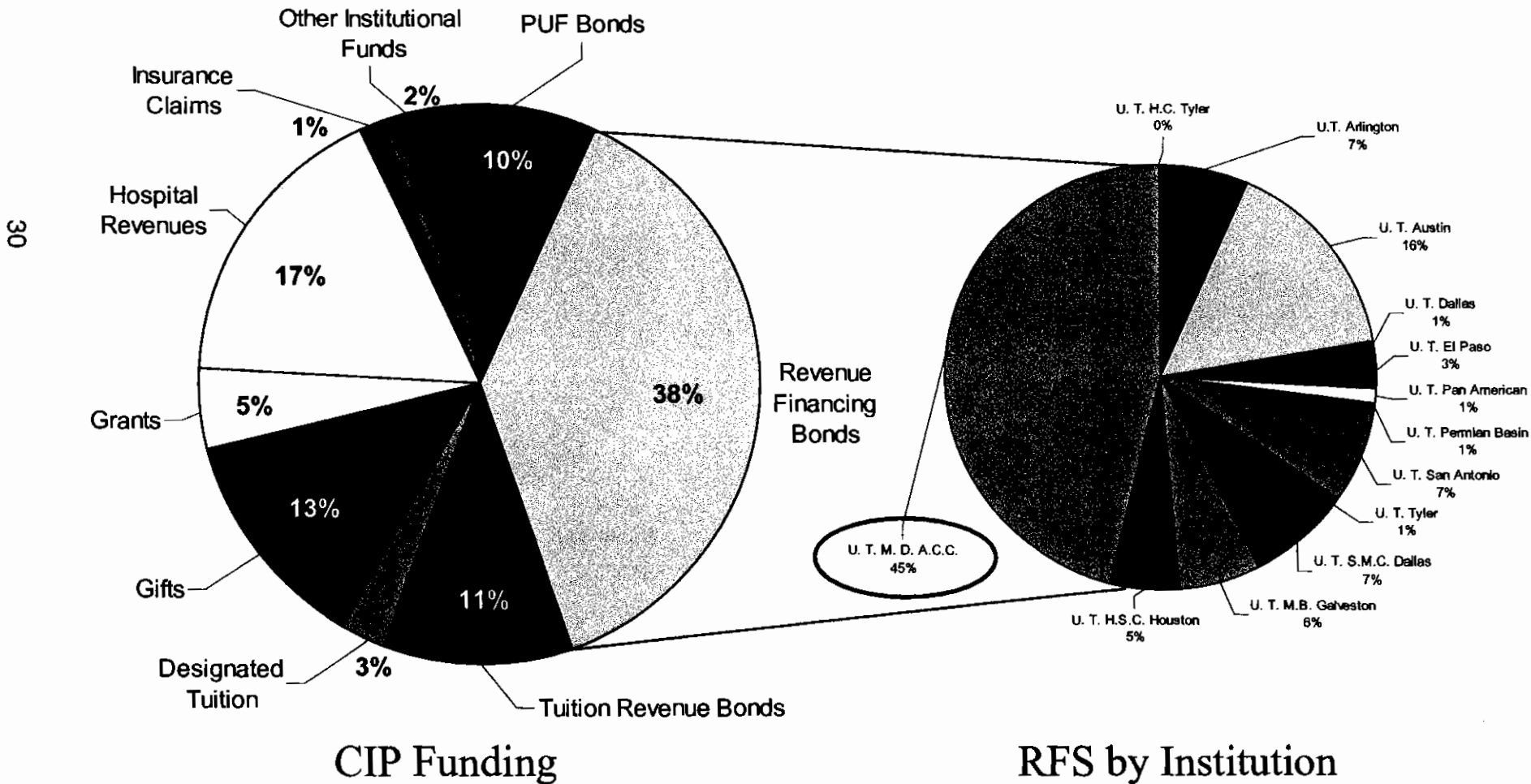


CIP by Institution



# Capital Improvement Program

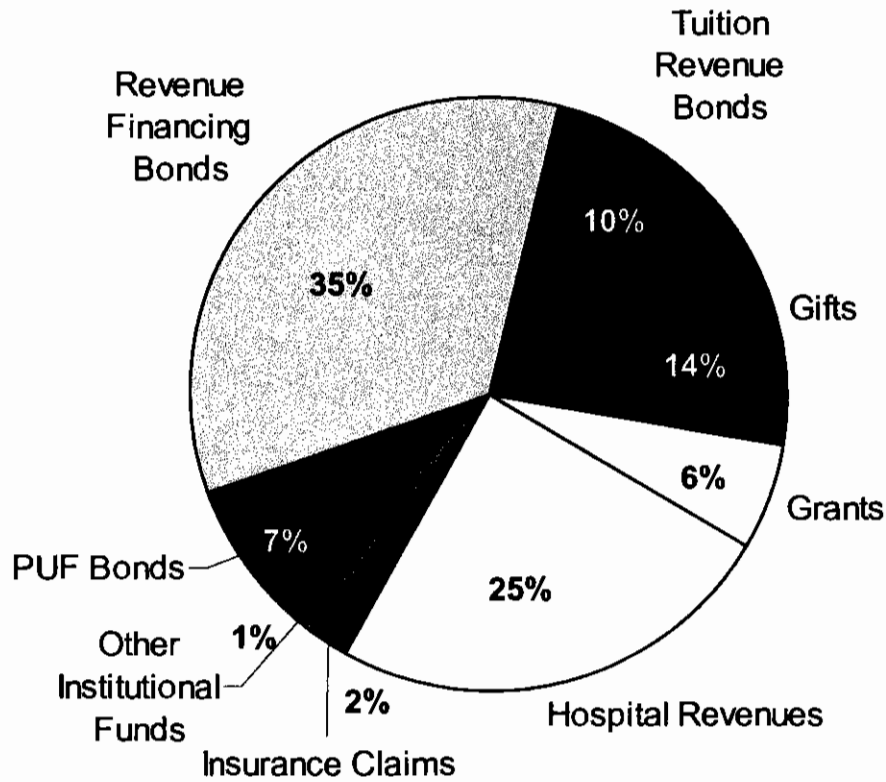
## FY 2004-2009 Capital Improvement Program Summary



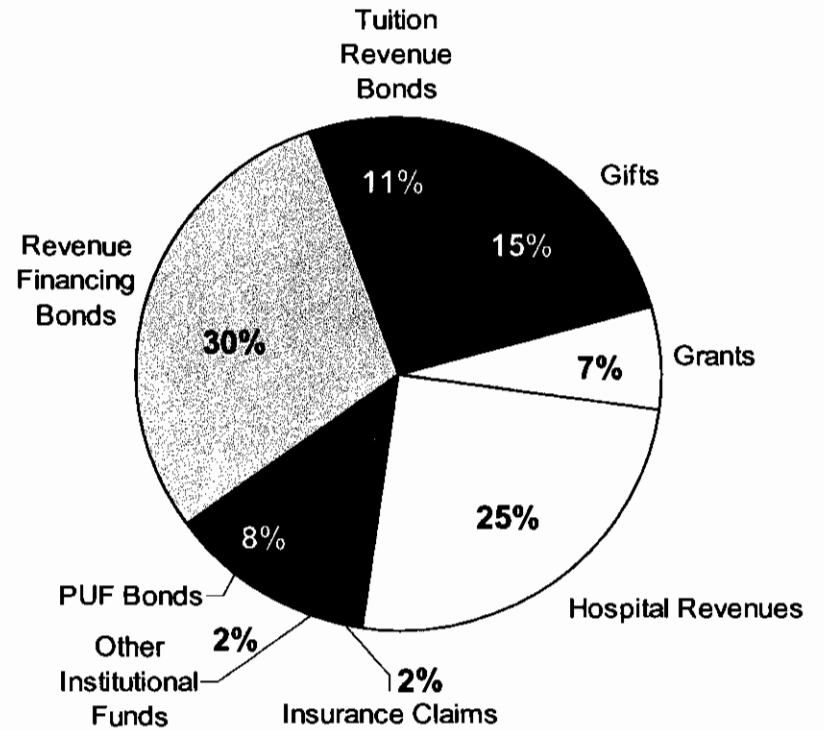
# Capital Improvement Program

## FY 2004-2009 Capital Improvement Program Summary

31



Health CIP: \$3.24 Billion

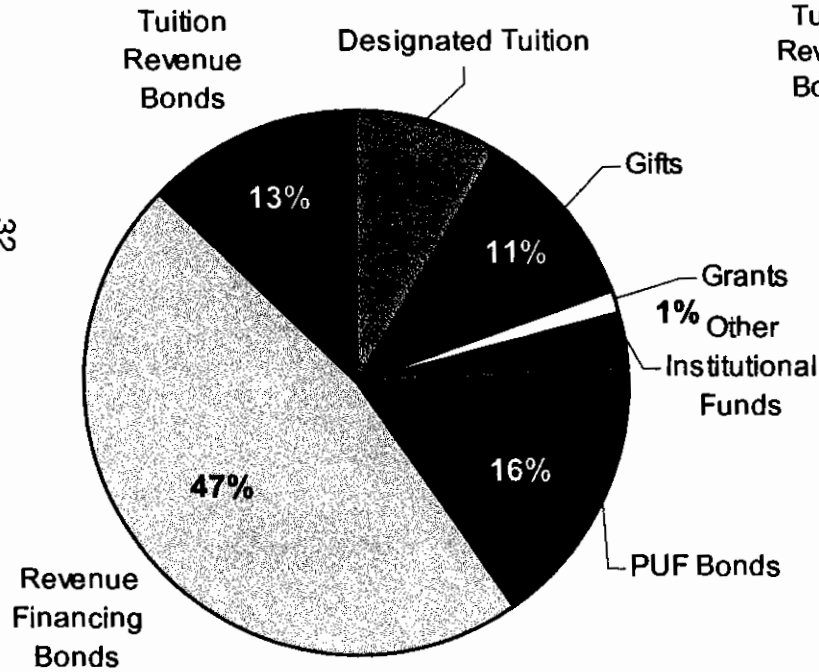


Health CIP W/out Auxiliary: \$2.95 Billion

# Capital Improvement Program

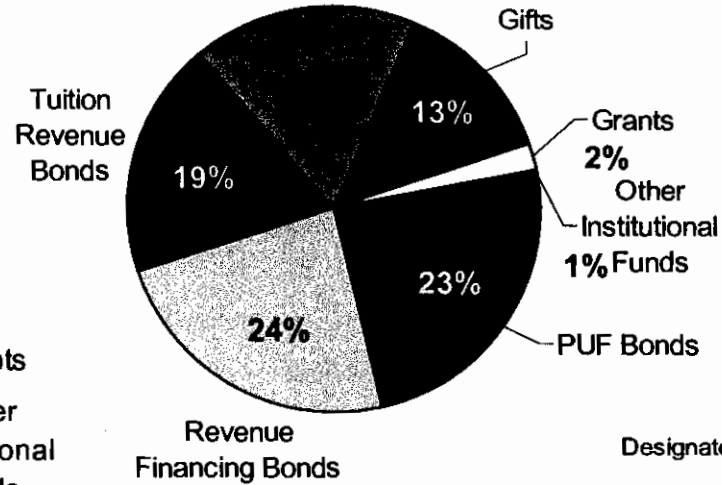
## FY 2004-2009 Capital Improvement Program Summary

32

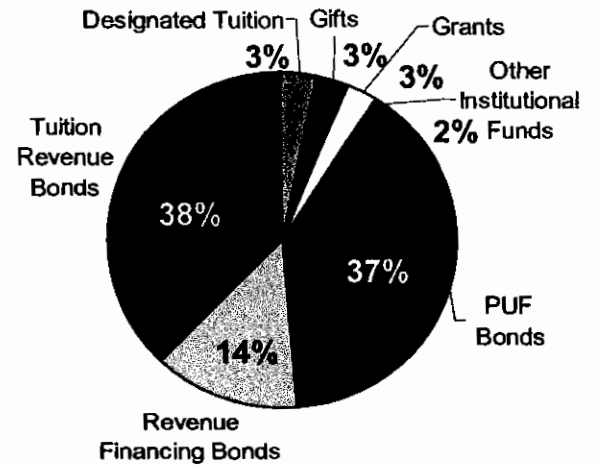


**Academic CIP: \$1.35 Billion**

Designated Tuition



**Academic CIP W/out  
Auxiliary: \$881 Million**

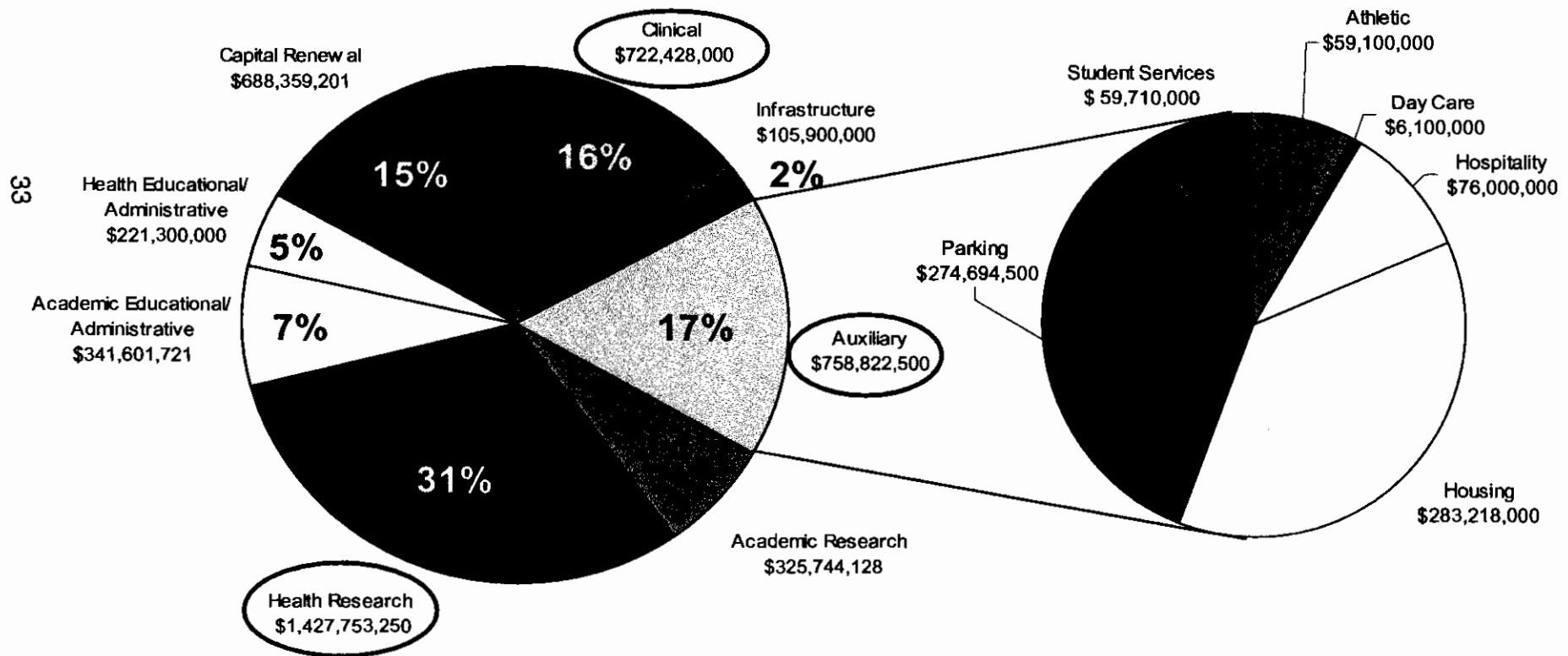


**Academic CIP w/out  
Auxiliary or Austin: \$443 Million**

# Capital Improvement Program

## FY 2004-2009 Capital Improvement Program Summary

### Projects by Type

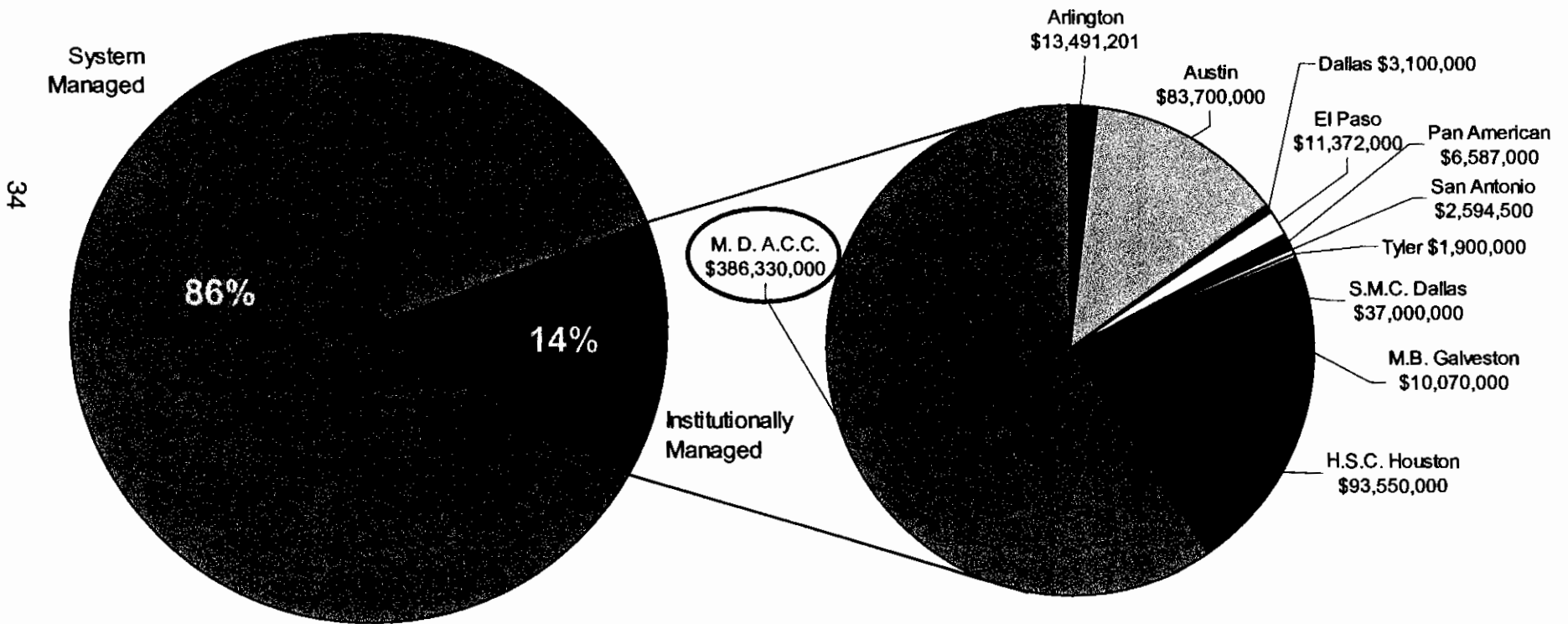


Total CIP: \$4.59 Billion

Auxiliary Projects: \$759 Million

# Capital Improvement Program

## FY 2004-2009 Capital Improvement Program Summary

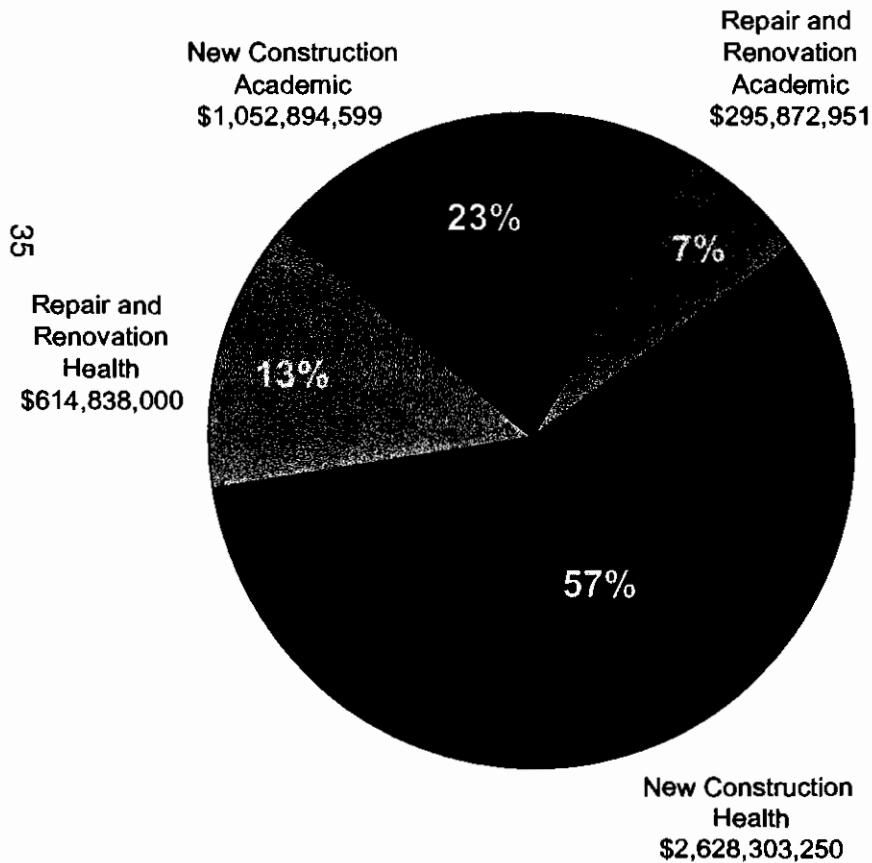


Total CIP: \$4.59 Billion

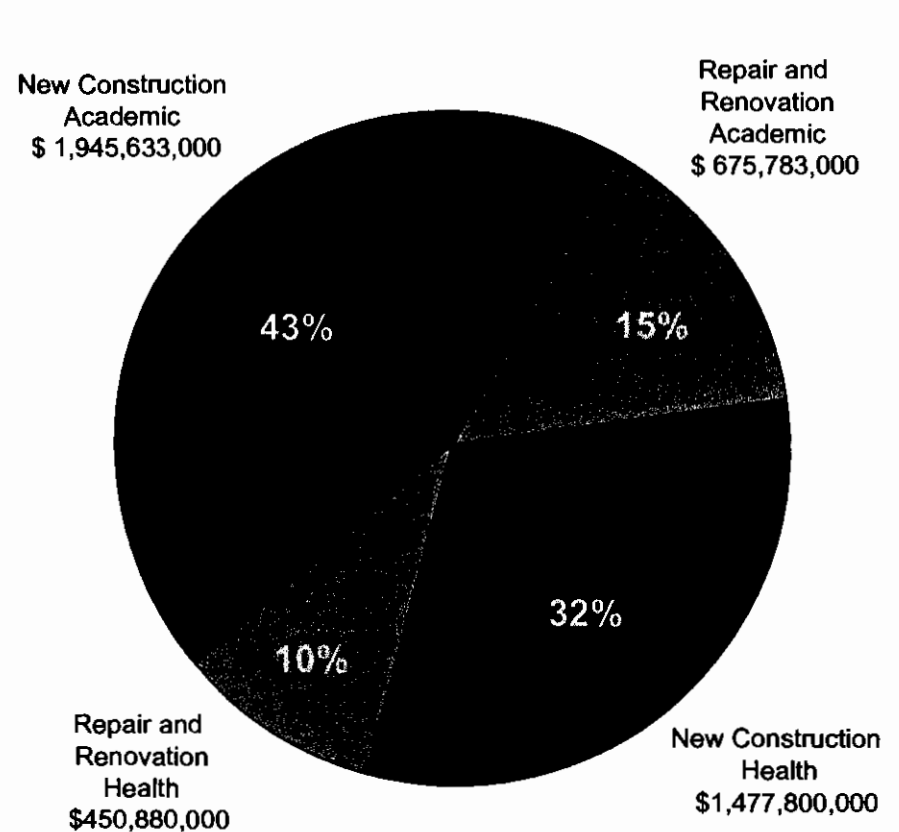
Institutionally Managed: \$650 Million

# Capital Improvement Program

## FY 2004-2009 Capital Improvement Program Summary



Total CIP: \$4.59 Billion



Future Projects: \$4.55 Billion

# Capital Improvement Program

## Estimated Economic Impact of CIP

■ Total CIP: \$ 4.59 Billion

■ Construction Economic Impact: \$ 15.0 Billion

■ 10-Year Earnings Economic Impact: \$ 25.8 Billion

Total 10-Year

Estimated Economic Impact: \$ 40.8 Billion

# **Capital Improvement Program**

## **Recap of Requested Actions of the Board**

- Adopt the FY 2004 - 2009 CIP
- Approve the Capital Budget
- Adjust appropriations for previously appropriated projects
- Appropriate funds for Repair and Renovation and Institutionally-Managed projects initiated in the Capital Budget
- Approve new request for Revenue Financing System Bonds for Repair and Rehabilitation project in the Capital Budget



G. REPORTS

1. **U. T. System: Update on "Every Child, Every Advantage" Program**

REPORT

Dr. Sharpe, Vice Chancellor for Educational System Alignment, will update the Board on the "Every Child, Every Advantage" program. Dr. Sharpe's PowerPoint presentation begins on Page 39.

## Every Child, Every Advantage: *One Year Later*



Presentation by  
**Dr. Edwin R. Sharpe**  
Vice Chancellor for Educational System Alignment

August 7, 2003  
EVERY CHILD, EVERY ADVANTAGE

- Adopted by Board of Regents on May 9, 2002
- Focused on three key areas of:
  - Teacher preparation programs
  - Professional development for current teachers
  - Research to improve instructional programs in schools
- Identified 10 projects that build on strengths at U. T. System institutions

1. *Expand U. T. Austin's  
UTeach model  
for preparing teachers  
to other institutions*

- UTSA to implement the UTeach model in 2003-2004
- First cohort: 20 to 25 students in secondary math
- Science program added in 2004-2005
- Collaboration among three UTSA Colleges
- Lead funding from Pat and Tom Frost and Frost Bank
- Additional support from SBC Foundation

2. *Reading instruction  
based on scientific research*

- Purpose: to align teacher preparation courses with effective research-based practices in reading
- Training for college faculty provided by the Texas Center for Reading and Language Arts (TCRLA)
- Participation by more than 50 Texas universities
- Over 60 faculty at U. T. institutions trained to date
- Funding of about \$1 million from No Child Left Behind (NCLB) Reading First grant

*3. Measurement of effectiveness  
of teacher preparation programs*

- Project to assess effectiveness of teacher preparation programs at 9 U. T. academic institutions
- \$1.3 million grant from Houston Endowment
- National Center for Educational Accountability (NCEA) conducting research
- State advisory council:
  - U. T. institutions
  - Texas A&M University System
  - Texas State University System
  - State Board for Educator Certification

*4. Assistance for teachers  
with high numbers of students  
reading below grade level*

- Extend reading research and development programs at:
  - U. T. Health Science Center - Houston's Center for Academic and Reading Skills (CARS)
  - U. T. Austin's Texas Center for Reading and Language Arts (TCRLA)
- Focus on assisting struggling readers in early grades
- Funding through NCLB Reading First allocations estimated at \$5 million

*5. Create research-based  
literacy and math programs  
for prekindergarten teachers*

- U. T. Health Science Center - Houston's CIRCLE Center designated by Governor as "State Center for Early Childhood Development"
- Purpose: Develop instructional materials for early childhood educational programs (including Head Start)
- \$10 million in state funding over two years

*6. Online teacher professional development courses*

- U. T. TeleCampus to create 6 online professional development courses for teachers in:
  - Algebra I
  - Geometry
  - Biology
  - Integrated Physics/Chemistry
  - English III
  - Early American and U. S. History
- Each course consists of 20 hours of online instruction with assessment through a mastery test

- 20 teachers take course together, creating "community of practitioners"
- Courses offered to school districts at reasonable cost
- The first course (Algebra I) available by March 2004 with the remaining courses rolled out over next year
- Funded as part of \$2.2 million grant from Houston Endowment

*7. Online TAKS test preparation course for 11<sup>th</sup> grade students*

- 11<sup>th</sup> grade students must pass each of the 4 parts of TAKS test to graduate from high school
- U. T. TeleCampus to create web-based course to help students prepare for test
- Available at no cost for all students by January 2004
- Course includes:
  - Diagnostic test to assess students' strengths and weaknesses
  - Study modules to help students prepare for test

- Enhanced version of course to be available at reasonable cost to school districts:
  - Assistance from online tutors in Math and English
  - Tracking mechanisms to help districts evaluate student progress
- Funded as part of \$2.2 million grant from Houston Endowment
- \$250,000 grant from Meadows Foundation

8. Establish math education research center to conduct scientifically based research

- U. T. Southwestern Medical Center - Dallas in partnership with U. T. Dallas submitted research proposal to NIH to study the development of math proficiency in children
- Researchers from U. T. Health Science Center - Houston (CARS) submitted similar grant proposal focused on use of neuroimaging to study math learning disabilities
- Notification of grant awards expected in Fall 2003

9. Research on teaching English language to Spanish-speaking children

- U. T. Health Science Center - Houston and U. T. Austin reading centers (CARS and TCRLA) in third year of an extensive five-year, \$21.5 million project funded by NIH
- Initial research results being analyzed currently
- Findings will lead to additional research to be conducted by other U. T. System components

10. Establish an elementary charter school operated by U. T. Austin

*Key Features of School*

- Curriculum, instruction, and assessment methods grounded in scientific research
- Longer school day and year
- Required after school and summer programs for underachieving students
- Ongoing professional development tied to research-based practices for teachers
- Model family literacy program, character education program, and health program

### *Vital Statistics*

- Grand opening: August 19, 2003
- 3 grades: prekindergarten, kindergarten, and 1<sup>st</sup> grade
- One grade to be added per year to 5<sup>th</sup> grade
- Serves inner city geographic area in East Austin
- Housed in newly-constructed modular facilities on 2.4 acres in East Austin

### *Students*

- Capacity in first year: 116 students
- Anticipated enrollment: 116 students
- Ethnicity (based on July 18 data)
  - Hispanic: 64%
  - African American: 29%
  - Other: 7%

### *Staffing*

- Principal: Ramona Treviño
- Other staff members:
  - 6 classroom teachers
    - ✓ 2 to 14 years of experience (50% with Master's degrees)
    - ✓ 2 Anglo, 2 Hispanic, 2 African American
    - ✓ 5 Spanish speakers
  - 5 part-time teachers (reading, music, art, science and physical education)
  - 3 business/support staff

### *Operational Funding*

- State public education funds
- Federal program funds
- \$575,000 in start-up grant awards:
  - Walton Family Foundation
  - Goodman-Abell Foundation
  - U. S. Department of Education
- Other funding opportunities include:
  - Microsoft
  - Challenge Foundation
  - National Council of La Raza



EVERY CHILD  
EVERY ADVANTAGE

REACHING THE FUTURE THROUGH  
TECHNOLOGY AND INNOVATION

FOR MORE INFORMATION CONTACT US AT 512.477.1234

EVERY CHILD, EVERY ADVANTAGE

2. **U. T. System: Update on Accountability and Compacts**

REPORT

Dr. Geri H. Malandra, Assistant Vice Chancellor for Accountability, will present a progress report on development of the U. T. System Accountability and Performance project and on the System's new Compact Process.

Prior to this meeting, the Board received the conceptual framework and a complete list of performance measures, available on the Web at <http://www.utsystem.edu/cha/AcctMeasures5-03.doc>. Attached on Pages 45 - 49 are a sample table of contents, overview of performance areas, a description of the peer institution comparison framework, and prototype illustrations of how data and analysis will be displayed.

An overview of the Compact Process is attached on Pages 50 - 51. Draft guidelines were reviewed and discussed by component institution presidents at the July 16 System Council meeting.

The University of Texas System  
**Accountability and Performance Project**

Update  
July 2003

**Report Contents**

Introduction: Accountability Context and Framework

- I. Student Access and Success
  - Academic Institutions: Undergraduates and Graduate/Professional Students
  - Health Institutions
  - The U. T. System Contributions to Preparing Professionals in High-Priority Fields
  - Implications for Future Planning
- II. Teaching, Research, and Health Care Excellence
  - Academic Institutions
  - Health Institutions
  - Implications for Future Planning
- III. Service to and Collaborations with Communities
  - Academic Institutions
  - Health Institutions
  - Implications for Future Planning
- IV. Organizational Efficiency and Productivity
  - Academic Institutions
  - Health Institutions
  - Implications for Future Planning
- V. Aggregate and System Performance
  - National Comparisons
  - U. T. Measures
  - Implications for Future Planning
- VI. Institution Profiles

Academic Institutions

Arlington  
Austin  
Brownsville  
Dallas  
El Paso  
Pan American  
Permian Basin  
San Antonio  
Tyler

Health Institutions

Southwestern Medical Center-Dallas  
Medical Branch-Galveston  
Health Science Center-Houston  
Health Science Center-San Antonio  
M.D. Anderson Cancer Center  
Health Center-Tyler



## **Overview of Performance Areas**

### **I. Student Access and Success**

- Undergraduate, Graduate, and Professional Student Preparation
- Student Demographics
- Freshmen Enrollment
- Total Enrollment
- Part-time Students
- Tuition and Financial Aid
- Persistence and Graduation Rates
- Degrees Conferred
- Student Satisfaction
- Certification/licensure Exam Pass Rates
- Number of Graduate and Professional Programs
- Graduate Degrees Conferred in High-Priority Fields

### **II. Teaching, Research, and Health Care Excellence**

- Sponsored Funding
- Private Funding
- Faculty Accomplishments
- Institutional Rankings
- Technology Transfer
- Faculty and Staff Demographics
- Research and Educational Collaborations
- Faculty Salary Trends
- Post-Tenure Review Trends
- Graduate Medical Education
- Clinic and Hospital Care

### **III. Service to and Collaborations with Communities**

- K-12 and Community College Collaborations
- Economic Impact
- Historically Underutilized Business Enterprises
- Sources of Donor Support
- Alumni Giving
- Collaborations with Business, Industry, Health, Public, and Community Organizations
- Educational Programs for Physicians and Medical Personnel

### **IV. Organizational Efficiency and Productivity**

- Total Revenue
- Appropriated Funds per FTE Student and FTE Faculty
- Key Expenditures
- Endowment per FTE Student and per FTE Faculty
- Administrative Costs
- Administrative Staff and Salary Trends
- Classroom and Research Space Utilization
- Construction Projects and Deferred Maintenance
- Hospital and Clinic Admissions and Visits
- Faculty Practice Plan Operating Margins
- Clinical Billings

### **V. Aggregate and System Performance**

#### **Comparison Measures**

- (with 10 most populous states)
- Total Enrollments
  - Number of Total Graduates as a Percent of Total Graduates in State
  - Number of Hispanic Serving Institutions in System
  - Total Sponsored Funding, and Total per FTE Faculty
  - Total Technology Development
  - Total Revenue
  - Total Patient Care Revenue
  - Total Expenditures
  - Total Expenditures per Student FTE

#### **System Measures**

- (Texas only)
- Percent of U. T. Hispanic Graduates as Percent of All Hispanic Graduates in State
  - Number and Demographics of System Employees
  - Total Expenditures for System Operations
  - Bond Rating

## **Peer Institution Comparison Framework**

Comparisons of U. T. System institutions to peers will provide the means of establishing baseline performance and identifying goals for future performance improvement. The Accountability Working Group is using the following process to identify institutions and comparison measures.

### **Step 1. Selecting comparator institutions**

- Academic Affairs and Health Affairs are working with each component institution to define the appropriate set of comparison institutions, some that will help establish a baseline of performance, and some that will help reflect aspirational performance.
- Examples of criteria being used to select institutions include:
  - Public institution
  - Institutions primarily outside Texas
  - No land grant
  - Enrollment in the range of +/- 10,000 of current or desired enrollment
  - Region type (urban/rural)
  - Commuter/residential campus
  - Programmatic scope: as relevant, no medical, law, or veterinary school
- Lists are being refined, for review in mid-July.

### **Step 2. Measures for comparison**

- We will keep to a minimum the number of comparison measures, no more than 6-12, not the entire list of performance measures in the Accountability and Performance framework.
- Measures will be selected to establish baseline performance, and to indicate the dimensions in which institutions would like to be more similar to aspirational peers.
- The U. T. institutional data will all be in the accountability framework. Comparison data should be readily available, i.e., through the U.S. Department of Education's Integrated Postsecondary Data System (IPEDS) or Texas Higher Education Coordinating Board reports.
- Examples of comparison measures include:
  - Expenditures/FTE student
  - FTE faculty/FTE students
  - Federal research expenditures
  - Research expenditures/FTE faculty
  - 1<sup>st</sup> year retention rate
  - 6-year graduation rate
  - # degrees conferred
- Institutions may suggest additional measures to use for this process.
- Academic and Health Affairs will work collaboratively with institutions to produce and analyze the data.
- Results of these comparisons will be displayed in the institution-specific section of the Accountability and Performance Report.
- This work will be aligned with the benchmarking project initiative by the Texas Higher Education Coordinating Board.

### **Step 3. Setting performance targets**

- This step will take place after we have begun collecting and arraying the longitudinal data in the Accountability and Performance report, in mid-fall.
- Analyzing the comparisons and their implications should engage people at each institution.
- The results of the analysis may become part of the narrative of the report.
- The results of the analysis will be used to set goals for the next iteration of the report.
- Policy question – how do we factor in Closing the Gaps targets?

## Prototype Section

The U. T. System Accountability and Performance project will introduce more analysis and interpretation of results into the report than in previous reporting frameworks. The analysis will be based on performance data viewed in the context of related internal and external information and studies, and will lead to implications and recommendations for future planning. Below is a sample of the proposed approach to presenting data, trends, and analysis.

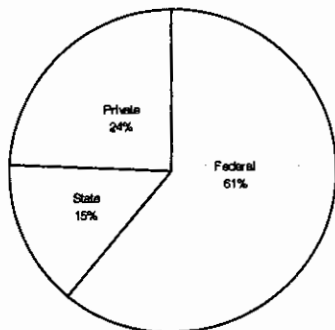
### Academic Institutions: Teaching and Research Excellence

#### Research Funding Trends 1998-2002 (all sources)

Institution	1998	1999	2000	2001	2002	Change 2001- 2002
Arlington	\$20,294,157	13,589,868	14,852,315	19,966,034	21,072,964	5.5%
Austin	249,811,376	265,121,992	295,901,287	321,580,736	366,355,359	13.9%
Brownsville	73,871	56,104	299,359	635,365	1,286,638	102.5%
Dallas	15,544,628	13,626,687	15,923,269	18,531,582	27,444,057	48.1%
El Paso	14,789,489	27,754,726	27,784,046	29,003,608	27,328,772	(5.8%)
Pan American	1,986,602	2,296,623	2,175,562	2,601,598	2,605,758	0.2%
Permian Basin	875,818	752,051	811,973	737,853	980,905	32.9%
San Antonio	7,669,758	7,914,116	10,613,082	11,751,323	12,402,017	5.5%
Tyler	677,505	88,011	210,747	342,206	375,821	9.8%
<b>Total Academic</b>	<b>\$311,724,207</b>	<b>331,250,178</b>	<b>368,271,640</b>	<b>405,150,305</b>	<b>459,852,291</b>	<b>13.5%</b>

- In 2002, U. T. academic institution research and research-related expenditures totaled \$459.9 million, a 13.5 percent increase over the previous year. Over the past five years, research and research-related expenditures have averaged a 10.2 percent annual increase.
- These expenditures comprised 23 percent of the total of Texas public institution research and research-related expenditures in 2002 of \$2.044 billion.
- Among Texas institutions, U. T. Austin ranks second in research and development expenditures.
- U. T. Brownsville achieved the greatest one-year increase, of 102.5 percent. U. T. Dallas and U. T. Permian Basin also achieved proportionately substantial increases.

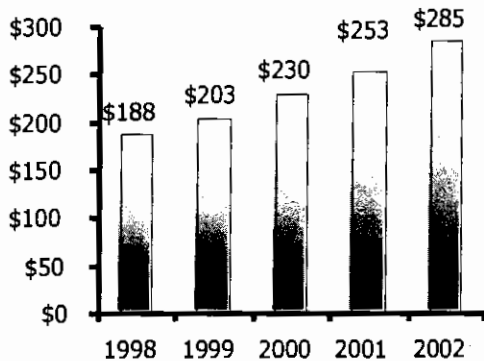
#### Research and Research-Related Funding Sources 2002



- The federal government provides the majority of research and research-related funding – 61 percent.
- Private sources provide the next largest proportion – 24 percent.
- Fifteen percent of research funds expended in 2002 came from state sources.

**Academic Institutions  
Federal Research Expenditure Trends 1998-2002**

(in \$ millions)



- The federal government provides the largest proportion (61 percent) of research and research-related funding to academic institutions.
- Continued increases in these funds are critical to the success of the academic institutions in the U. T. System.
- By 2002 federal research expenditures for all academic institutions increased by 52 percent over expenditures in 1998. This increase greatly outpaced the overall all increase of 13.5 percent for expenditures from all sources.

**Academic Institutions Research Expenditures/FTE Faculty**

Institution	1998 Research Expenditures	1998 FTE Faculty	1998 Research Exp/FTE Faculty	2002 Research Expenditures	2002 FTE Faculty	2002 Research Exp/FTE Faculty	\$ Change per FTE Faculty 1998-2002
Arlington	\$2,923,397	527.75	\$5,539	\$21,072,964	476.06	\$44,265	\$38,726
Austin	40,961,207	1694.83	24,168	366,355,359	1550.79	236,238	212,070
Brownsville	765	108.10	7	1,286,638	119.03	10,809	10,802
Dallas	3,162,720	219.04	14,439	27,444,057	241.81	113,494	99,055
El Paso	775,657	407.42	1,904	27,328,772	385.99	70,802	68,898
Pan American	103,336	290.32	356	2,605,758	310.60	8,389	8,034
Permian Basin	38,900	64.00	608	980,905	72.25	13,577	12,969
San Antonio	467,143	385.50	1,212	12,402,017	338.40	36,649	35,437
Tyler	199,783	117.50	1,700	375,821	132.75	2,831	1,131

- The ratio of research and research-related expenditures to FTE faculty largely reflects the size of each campus.
- Over the past five years, this ratio has increased substantially at every academic institution.

**Implications for Future Planning**

- Funding from federal, state, and private sources will play an increasingly important role in academic institutions' capacity to fulfill their research and research-related goals.
- Individual are setting higher targets for research funding; success will be influenced by such factors as the nature of the faculty, changes in areas of funding emphasis by federal and state agencies, and institutional System support for the research infrastructure.

The University of Texas System  
**Compact Process**

Overview  
July 2003

The Compact Process

A Compact is a succinct written agreement between the Chancellor and a component institution president that summarizes the institution's major goals and priorities, strategic directions, and critical issues. It describes action plans necessary to achieve important goals, summarizes the institution's progress and outcomes, and articulates the System Administration's commitment of resources and time to support particular initiatives. Unlike regulations, the Compact does not impose a single set of rigid rules on each institution. Within a standard format, it reflects the unique goals and character of each institution. This is a System-wide, institution-level process. Although not expected or required, component institutions may choose to develop Compacts at the college/school/department level, as well.

Purposes

The U. T. System academic and health institutions engage in strategic and long-range planning, but the System lacks a process for consistent communication and evaluation of institutional goals and accomplishments, identification of opportunities for cross-institution collaboration, and commitments on the part of the System to assist institutions in implementing their priorities. The Compacts will provide this common, systematic, and integrated planning framework for the System. They will provide a written record of agreements that will result from consultations on goals, priorities, and implementation plans between presidents and the faculty, staff, and students at their institutions, and from an ongoing, iterative, and collaborative process of communication between component institution presidents and the Chancellor's office.

The Compact provides a means of showing what an institution's vision is, and how strategic and tactical decisions and actions were taken to achieve that vision. It demonstrates how institution-level decision making aligns with institution and System goals, shows how an institution makes decisions and allocates resources in support of its goals and priorities, supports ongoing process improvement, and records the System's role in supporting these priorities.

This process also creates an opportunity to document requested assistance that the System Administration will provide to component institutions, for instance, help with particular fundraising, facilities, federal relations, program development, or management issues. Potentially, the Compacts will also provide a framework for allocating central funds in support of System priorities.

- As a tactical document, the Compact provides an operational view of an institution's key activities over the period of one to two years.
- As a management tool, the Compact provides a context for review of academic program proposals, capital requests, and other opportunities an institution may encounter alone or jointly.
- As a communication tool, the Compact collects information in one place, and shows the relationship among all key goals and issues.

### Timeframe and Relation to Other Planning Activities

The Compact framework will foster a shared plan and vision, and help develop and articulate pressing issues and standards of excellence for each institution and for the System as a whole. The process should engage faculty, staff, and students in local-level decision making.

The time frame for a Compact is 18 to 24 months, somewhat shorter than the scope of most strategic plans. In this respect, Compacts should relate to, but will not replace, an institution's longer-range plans. They also relate to but do not replace the President's annual work plan and reports. The Compacts must align as well with budget planning. In the first two-year cycle, initial Compact discussions will begin in fall 2003; Compacts covering the fiscal years ending 2005 and 2006 will be completed in spring/early summer 2004. Updates for the second year of the cycle will be reviewed in budget/compact hearings in early summer 2005 following the legislative session (see p. 3 for the complete schedule).

The Compacts should also relate to the System's broader accountability and performance framework. They will become public documents, posted on the Web and available for reference by anyone within or outside the U. T. System.

### Compact Contents

A Compact need not be longer than 10 – 20 pages. It will contain the following elements. [More detailed guidelines were circulated to and will be discussed in depth with institution presidents.]

1. Introductory material about the institution's mission and areas of activity.
2. Major short-term and ongoing priorities and initiatives: priority and scope, objectives, strategies; resources, progress measures, any obstacles to progress; and connections to institutional, System, and State priorities.
3. Future initiatives of high strategic importance: objectives, strategies, resources, and progress measures.
4. Other critical issues: impact of initiatives on such areas as enrollment management; diversity; community relations; finances, facilities, technology; and discussion of any unexpected opportunities and/or crises.
5. System and State priorities: if not discussed in sections 2-4, brief description of ways the institution is addressing collaborations among U. T. institutions; enhancing student access and success; increasing research funding, tangible marks of academic and health care excellence, development, and alumni relations.
6. Compact development process: a description of consultation process to arrive at the final Compact document.
7. System contributions: a description of the services the System commits to providing to support the institution's initiatives, e.g., assistance with fundraising, facilities planning, community relations, academic program development, etc. This section will be added by System Administration.
8. Appendices: data that will provide a ready reference and context for the discussion of priorities in the Compact.

3. **U. T. System: Quarterly report on gift acceptance**

REPORT

The Summary of Gift Acceptance for U. T. System for the period March 1, 2003, through May 31, 2003, is set forth below. The report includes 124 items conforming to Board policy including the acceptance of \$30,659,695 in gifts and other transfers of previously accepted funds totaling \$1,908,661.27. The report includes only those funds that relate to endowments, estates, and other funds managed by the U. T. System Office of Development and External Relations.

<u># ALL</u>	<u>COMPONENT INSTITUTION</u>	<u>TOTAL VALUE</u>	
<u>ITEMS</u>			
3	U. T. System Administration	\$ 55,000	
11	U. T. Arlington	2,074,589	
49	U. T. Austin	8,840,665	*
5	U. T. Brownsville	64,775	*
1	U. T. Dallas	515,050	
7	U. T. El Paso	109,569	
1	U. T. Pan American	70,000	
2	U. T. Permian Basin	56,152	
8	U. T. San Antonio	1,070,403	
4	U. T. Tyler	85,000	
6	U. T. Southwestern Medical Center - Dallas	10,292,876	
4	U. T. Medical Branch - Galveston	35,021	
6	U. T. Health Science Center - Houston	1,587,350	*
6	U. T. Health Science Center - San Antonio	1,573,027	
10	U. T. M. D. Anderson Cancer Center	4,222,514	
<u>1</u>	U. T. Health Center – Tyler	<u>7,703</u>	
124	TOTAL	\$ 30,659,695	

\* Not included in total:

U. T. Austin: \$725,000 transfer of previously accepted funds; and

U. T. Brownsville: \$1,000,847.66 transfer of previously accepted funds; and

U. T. Health Science Center – Houston: \$182,813.61 transfer of previously accepted funds.

H. SPECIAL ITEMS

1. **U. T. Board of Regents: Resolution on communications regarding governmental relations**

RECOMMENDATION

Chairman Miller recommends that the Board approve the following resolution related to governmental relations:

RESOLUTION

Whereas, It is critical to the functioning of the U. T. System that a consistent message concerning priorities and mission is distributed to the public;

Whereas, Coordination of official actions and responses on behalf of the U. T. System is the long-standing expectation of the Board of Regents;

Whereas, The Board has acknowledged the importance of such consistency and coordination through the enactment of a statement in the Regents' Rules designating the Board as the only proper channel through which recommendations concerning the administration of the System, as a whole or in any of its parts, should reach the legislature and other state agencies and officials;

Whereas, The Board has delegated the day-to-day operations of the U. T. System to the Chancellor;

Whereas, Clear and timely communications between the presidents and the Chancellor is crucial to the efficient and effective operation of the U. T. System; and

Whereas, It is important that this requirement of advance notice and coordination be emphasized and made applicable to all significant contacts to local, state, or federal governmental entities and officials.

THEREFORE, BE IT RESOLVED, That the U. T. Board of Regents directs the presidents of the U. T. System component institutions to provide advance notification, when possible, to the Board through the Chancellor of all significant contacts with local, state, or federal entities or officials, following guidelines set by the Chancellor and communicated to the presidents; and

BE IT FURTHER RESOLVED, That if advance notification is not possible, the president will promptly report the contact to the Chancellor.



## BACKGROUND INFORMATION

Chairman Miller will outline the need for a consistent message to be distributed to the public concerning the priorities and mission of the U. T. System.

2. **U. T. Health Science Center - San Antonio and U. T. San Antonio: Discussion of cooperative activities regarding the San Antonio Life Sciences Institute**

## PURPOSE

President Cigarroa and President Romo will update the Regents on the activities of the San Antonio Life Sciences Institute (Institute).

## BACKGROUND INFORMATION

House Bill 1716, passed in the 77th Legislature and codified as Texas Education Code Section 75.201, authorized the establishment of this Institute to facilitate or enable collaborative and joint research and degree programs between The University of Texas Health Science Center at San Antonio and The University of Texas at San Antonio. The Institute was identified by the U. T. Board of Regents in 2002 as one of the top implementation priorities for the two institutions and as excellent structure for formal collaboration. The U. T. Board of Regents' report to the Texas Legislature dated September 21, 2002, on the study of feasibility of operating U. T. San Antonio and U. T. Health Science Center - San Antonio as a single research institution referenced this Institute. This joint program was again discussed during the 78th Legislature. While no funding was appropriated for either biennium, the two institutions have proceeded with planning efforts to develop doctoral degree programs in Biomedical Engineering, Neurosciences, and Sports Sciences.

The Institute will continue to develop strategies and programs to enhance the "pipeline" of students interested in health professions and scientific careers through teacher enrichment programs and other K-16 efforts.

I. RECESS FOR MEETINGS OF THE STANDING COMMITTEES AND COMMITTEE REPORTS TO THE BOARD

The Standing Committees of the Board of Regents of The University of Texas System will meet as set forth below to consider recommendations on those matters on the agenda for each Committee listed in the Agenda Book. At the conclusion of each Standing Committee meeting, the report of that Committee will be formally presented to the Board for consideration and action.

**Executive Committee:** Chairman Miller

No items

**Health Affairs Committee:** Chairman Clements

Agenda Book Page 56

**Academic Affairs Committee:** Chairman Krier

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**Audit, Compliance, and Management Review Committee:**

Chairman Estrada

Agenda Book Page 96

**Finance and Planning Committee:** Chairman Hunt

Agenda Book Page 143

**Facilities Planning and Construction Committee:** Chairman Huffines

Agenda Book Page 257

J. OTHER MATTERS

U. T. Board of Regents: Discussion of B-On-Time Student Loan Program

K. ADJOURN BOARD MEETING

L. CONVENE MEETING OF THE STUDENT, FACULTY, AND STAFF CAMPUS LIFE COMMITTEE (Page 312)



## TABLE OF CONTENTS FOR AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

**Committee Meeting:** 8/6/2003  
Westin La Cantera Resort Hotel, San Antonio  
**Board Meeting:** 8/7/2003  
U. T. Health Science Center - San Antonio

*Robert A. Estrada, Chairman*  
*Rita C. Clements*  
*Judith L. Craven, M.D.*  
*Woody L. Hunt*  
*Cyndi Taylor Krier*

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Welcome and Opening Remarks</b>	<i>9:30-10:30 a.m.</i> <i>Chairman Estrada</i>		
1. <b>U. T. System: Discussion of Sarbanes-Oxley Act of 2002</b>	<b>Discussion</b> <i>Mr. Chaffin</i>	Not on Agenda	<b>96</b>
2. <b>U. T. System: Recommend approval of the Audit, Compliance, and Management Review Committee Charter</b>	<b>Action</b> <i>Mr. Chaffin</i>	Not on Agenda	<b>97</b>
3. <b>U. T. System: Report on the Hogg Foundation for Mental Health</b>	<b>Report</b> <i>Dr. Sullivan</i>	Not on Agenda	<b>103</b>
4. <b>U. T. System: Report on the System-wide audit activity (red, yellow, green project)</b>	<b>Report</b> <i>Mr. Chaffin</i>	Not on Agenda	<b>106</b>
5. <b>U. T. System: Report on the 2004 Audit Plan process</b>	<b>Report</b> <i>Ms. Marks</i> <i>Mr. Dawson</i>	Not on Agenda	<b>125</b>
6. <b>U. T. System: Report on Information Technology Security Initiative</b>	<b>Report</b> <i>Ms. Fisher</i>	Not on Agenda	<b>127</b>
7. <b>U. T. System: Report on System-wide compliance program status</b>	<b>Report</b> <i>Mr. Chaffin</i>	Not on Agenda	<b>130</b>
8. <b>U. T. System: Report on UTIMCO compliance initiative and (revised) 2003 Action Plan to Enhance Institutional Compliance</b>	<b>Report</b> <i>Mr. Chaffin</i>	Not on Agenda	<b>134</b>
<b><u>RECESS TO EXECUTIVE SESSION (TEXAS GOVERNMENT CODE, CHAPTER 551)</u></b>			
1. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – <u>Texas Government Code</u> Section 551.071	<i>Mr. Godfrey</i>	Not on Agenda	<b>142</b>

2. Personnel Matters Relating to Appointment, Employment, *Mr. Chaffin*  
Evaluation, Assignment, Duties, Discipline, or  
Dismissal of Officers or Employees – Texas Government  
Code Section 551.074

Not on  
Agenda

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**U. T. System and U. T. Institutions: Evaluation  
and Duties of Employees Involved in Audit and  
Compliance Functions**

**Adjourn**

1. **U. T. System: Discussion of Sarbanes-Oxley Act of 2002**

**PURPOSE**

The Chancellor recommends that U. T. System work toward voluntarily complying with elements of the Sarbanes-Oxley Act of 2002 (Act).

**KEY POINTS/ POLICY ISSUES**

The National Association of College and University Business Officers is currently producing an advisory report entitled "The Sarbanes-Oxley Act of 2002: Recommendations for Higher Education". The document highlights eight areas that have relevance to U. T. System operations.

Development of a formal action plan for this initiative and the staffing of a coordinating function can be completed, if begun almost immediately, by September 1, 2003. If that is accomplished, U. T. System could expect to certify the August 31, 2003, financial statements and present audited U. T. System Consolidated Financial Statements for the year ending August 31, 2004, with both Chief Administrative Officer (CAO) and Chief Financial Officer (CFO) certification. Internal control certification by the CAO, CFO, and the external auditor could be expected for the year ending August 31, 2005.

**BACKGROUND INFORMATION**

Compliance with the Sarbanes-Oxley Act of 2002 offers a unique opportunity for U. T. System to enhance its efforts to demonstrate a commitment to integrity in financial operations and the reporting of financial information. Congress passed the Act in response to a lapse in integrity in senior management in publicly held corporations and includes what is now considered the "best practice" in the field of effective stewardship of funds entrusted to an organization by those outside the organization. While the Act is not directly applicable to U. T. System since it is not a publicly held corporation, voluntary implementation of relevant parts of the Act would demonstrate to U. T. System's stakeholders - the Texas Legislature, the federal government, bond holders, citizens, and donors - an increased level of accountability for actions and reliability of information.

2. **U. T. System: Recommend approval of the Audit, Compliance, and Management Review Committee Charter**

RECOMMENDATION

The Chancellor and the Chief Audit Executive and System-wide Compliance Officer recommend the Audit, Compliance, and Management Review Committee approve the proposed charter set forth on Pages 98 -102.

BACKGROUND INFORMATION

The Audit, Compliance, and Management Review Committee is a new standing committee of the Board of Regents. The proposed Charter identifies responsibilities of the Committee and is broken into six categories: role, membership, reporting, education, authority, and responsibilities.

We anticipate that the Charter will need to be reviewed quarterly as the Sarbanes-Oxley Act guidance and the audit environment continue to change.

The proposed Charter has been reviewed by Vice Chancellor and General Counsel Godfrey.

**Audit, Compliance, and Management Review Committee Charter  
of the  
Board of Regents of The University of Texas System  
DRAFT**

**Role**

The Audit, Compliance, and Management Review Committee ("the Committee") of the Board of Regents ("the Board") of The University of Texas ("U. T.") System assists the Board in fulfilling its responsibilities for:

- ◆ Oversight of the quality and integrity of the accounting and financial reporting practices, including the annual financial statements, and the system of internal controls;
- ◆ Oversight and direction of the internal auditing function, any external auditors whom the Committee may employ, and engagements with the State Auditor;
- ◆ Oversight and direction for the System-wide compliance function;
- ◆ Oversight of the review of effective institutional management practices at all U. T. System components; and
- ◆ Other duties as directed by the Board.

The Committee's role includes a particular focus on U. T. System's processes to manage business and financial risk, and for compliance with significant applicable legal, ethical, and regulatory requirements.

**Membership**

The membership of the Committee shall consist of at least three Board members who are generally knowledgeable in financial, management, and auditing matters, including at least one member with general and financial management expertise. Each member shall be appointed by the Chairman of the Board, approved by the Board, and shall be free of any relationship that would interfere with his or her individual exercise of independent judgment. Applicable laws and regulations shall be followed in evaluating a member's independence.

**Reporting**

The Chief Audit Executive, System-wide Compliance Officer, and executive management shall provide periodic reports related to audit, compliance, and management review to the Committee. Any public accounting firm employed by the Committee shall report directly to the Committee. The State Auditor's reports will be submitted to this committee. The Committee is expected to maintain free and open communications, which shall include private executive sessions, at least annually, with these parties, as it deems appropriate and is permitted by law.

The Committee chairperson shall regularly report Audit, Compliance, and Management Review Committee activities to the full Board of Regents, particularly with respect to:

- (i.) any issues that arise regarding compliance with legal or regulatory requirements and the performance and independence of internal and external auditing and assurance functions; and
- (ii.) such other matters as are relevant to the Committee's discharge of its responsibilities.

**Education**

U. T. System executive management is responsible for providing the Committee with educational resources related to accounting principles and procedures, risk management, and other information that may be requested by the Committee. U. T. System executive management shall assist the Committee in maintaining appropriate financial and compliance literacy.

**Authority**

The Committee, in discharging its oversight role, is empowered to study or investigate any matter related to audit, compliance, and management of interest or concern that the Committee, in its

sole discretion, deems appropriate for study or investigation by the Committee. The Committee shall be given full access to all U. T. System employees and operations as necessary to carry out this authority.

### **Responsibilities**

The Committee's specific responsibilities in carrying out its oversight role are delineated in the Audit, Compliance, and Management Review Committee Responsibilities Checklist. The responsibilities checklist will be updated annually by the Committee to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices. As the compendium of Committee responsibilities, the most recently updated responsibilities checklist will be considered to be an addendum to this charter.

The Committee relies on the expertise and knowledge of management, the internal auditors, the State Auditor, and any public accounting firm they may employ in carrying out its oversight responsibilities. U. T. System executive management is responsible for preparing complete and accurate financial statements and for monitoring internal controls and compliance with all applicable laws, regulations, and internal policies and procedures. Any public accounting firm hired by the Committee is responsible for performing the services specified in the hiring contract.



**Responsibilities Checklist**  
for the  
**Audit, Compliance, and Management Review Committee**  
of the  
**Board of Regents of The University of Texas System**

1. The Committee will perform such other functions as assigned by law or the Board of Regents of The University of Texas System ("the Board").
2. The Committee shall meet four times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.
3. The agenda for Committee meetings will be prepared in consultation between the Committee chairman (with input from the Committee members), U. T. System executive management, the Chief Audit Executive, and the System-wide Compliance Officer.
4. The Committee shall verify that its membership consists of a minimum of three members who are generally knowledgeable in financial, management, and auditing matters, including at least one member with general and financial management expertise.
5. The Committee shall review the independence of each Committee member based on applicable independence laws and regulations.
6. The Committee shall review and approve the appointment or change in the Chief Audit Executive.
7. The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities.
8. The Committee shall provide an open avenue of communication between the State Auditor, internal auditors, any public accounting firm employed, executive management, and the Board. The Committee chairperson shall report Committee actions to the Board with such recommendations as the Committee may deem appropriate.
9. For the purpose of preparing or issuing an audit report or related work, the Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any employed public accounting firm (including the resolution of disagreements between management and the auditor regarding financial reporting). This does not preclude an individual component institution from hiring a public accounting firm to perform work at the component level.
10. The Chief Audit Executive has responsibility for ensuring that no conflicts of interest exist between public accounting firms performing consulting services and firms conducting financial statement audits. The Chief Audit Executive shall report annually on the status and integrity of U. T. System's engagements with public accounting firms.
11. The Committee shall review with executive management, the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm the coordination of efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of resources.
12. The Committee shall inquire of executive management, the Chief Audit Executive, the System-wide Compliance Officer, and any employed public accounting firm about significant risks or exposures and assess the steps management has taken to minimize such risk to U. T. System.
13. The Committee shall consider and review with the Chief Audit Executive, the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm:

**DRAFT**

- a. The adequacy of U. T. System's internal controls including computerized information system controls and security;
  - b. The adequacy and efficiency of senior-level management with respect to fiscal operations and compliance functions at all component institutions;
  - c. Any related significant findings and recommendations of the State Auditor, independent public accountants, and internal audit together with management's responses thereto.
14. Regarding the U.T. System's financial statements, the Committee shall review with executive management and/or the Chief Audit Executive:
- a. U. T. System's annual financial statements and related footnotes;
  - b. Any audit and assurance work performed on components of the annual financial statements;
  - c. Any significant changes to the financial statements requested by the State Auditor, internal audit, or any independent public accountants;
  - d. Any serious difficulties or disputes with management encountered during assurance work on components of the financial statements;
  - e. Other matters related to the conduct of assurance services that are to be communicated to the Committee under generally accepted government auditing standards.
15. The Committee shall require the Chancellor and the Executive Vice Chancellor for Business Affairs certify the annual financial statements for the U. T. System as a whole, and that each President and Chief Business Officer certify the annual financial statements for their respective component institution.
16. The Committee shall review legal and regulatory matters that may have a material impact on the financial statements, internal auditing and/or compliance activities.
17. The Committee shall review with executive management and the Chief Audit Executive at least annually U. T. System's critical accounting policies, including any significant changes to Generally Accepted Accounting Procedures (GAAP), Regents' Rules and Regulations, and/or operating policies or standards.
18. On an annual basis, the Committee shall review, recommend, and approve the annual audit plan, including the allocation of audit hours, at its November meeting.
19. Regarding audits, the Committee shall consider and review with executive management and the Chief Audit Executive:
- a. Significant findings during the year and management's responses thereto;
  - b. Any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information;
  - c. Any changes required in the planned scope of the audit plan.
20. The Committee shall conduct an annual performance review and evaluation of the Chief Audit Executive. The Committee may delegate responsibility for the performance review to the Chancellor, in which case the Chancellor would provide a recommendation and supporting documentation to the Committee as a basis for their evaluation.
21. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding internal controls or auditing matters; and the confidential anonymous submission by employees of concerns regarding questionable auditing matters.
22. The Committee shall monitor The University of Texas System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including:
- a. Significant institutional risks identified during the year and mitigating actions taken;

**DRAFT**

- b. Significant findings during the year and management's responses thereto;
  - c. Any difficulties encountered in the course of inspections or assurance activities, including any restrictions on the scope of work or access to required information;
  - d. Any changes required in planned scope of the compliance action plan.
23. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding compliance issues and the confidential anonymous submission by employees of concerns regarding ethically or legally questionable matters.
24. The Committee shall meet with the Chief Audit Executive, the System-wide Compliance Officer, executive management, or any employed external auditors in executive session to discuss any matters that the Committee or the before named believe should be discussed privately with the Committee, to the extent permitted by applicable law.
25. The Committee shall review and update the Audit, Compliance, and Management Review Committee Responsibilities Checklist annually.

3. **U. T. System: Report on the Hogg Foundation for Mental Health**

REPORT

The Office of Academic Affairs issued a report dated May 6, 2003, entitled "Review of the Hogg Foundation for Mental Health". Executive Vice Chancellor Sullivan and Dr. Kerker will discuss the review and recommendations with the Audit, Compliance, and Management Review Committee.

The report was provided to members of the U. T. Board of Regents at an earlier date. The executive summary of the report is included on Pages 104 - 105.

## **Executive Summary**

### **Background**

The Hogg Foundation was initially endowed by Mr. William C. Hogg in 1939 and given its initial vision by his sister, Miss Ima Hogg, as “a broad mental health program for bringing great benefits to the people of Texas”. In 1940 the foundation began functioning as an operating foundation with mental health education as its major activity. Initially the Foundation was established as a Trust Foundation with the U. T. Board of Regents serving as its trustees. As endowments grew, the foundation began making grants, mainly for mental health research, in the early 1950s. In 1964, a second entity under the Foundation called the Ima Hogg Foundation became an internal corporation with all members of the Board of Regents acting as its Board of Directors. Upon her death in 1975, Miss Ima Hogg restricted all grants from the Ima Hogg Foundation, Inc. to mental health programs for children in the Houston area.

In 1993, the Board of Regents reorganized the Hogg Foundation by: a) clarifying the status of the Hogg Foundation for Mental Health as an administrative unit within U. T. Austin and renamed the organizational unit the “Office of the Hogg Foundation for Mental Health”; and b) approving a recommendation to the Board of Directors of the Ima Hogg Foundation to dissolve the corporation and transfer all assets to the Ima Hogg Endowment within the Hogg Foundation. Through these actions, the Board of Regents brought the various endowments and programs under a single entity: The Hogg Foundation for Mental Health. At that time, the Board also delegated its responsibility for the Foundation to the President of The University of Texas at Austin.

### **Personnel**

The staffing for the Foundation is fairly typical with an Executive Director, Associate Director and Program Directors for each of the major operating and grant areas. The number of employees, 20, is average for a public Foundation with \$100 million or more in assets (the national average is 19). Salaries for the Foundation Executive staff are within national norms for public foundations with over \$100 million in assets (source: 2002 Grantmakers Salary and Benefits Report, Council on Foundations).

### **Assets/Income/Expenses**

As of August 31, 2002, the market value of the Hogg Foundation’s endowments totaled \$110,008,847. The W. C. Hogg Fund was valued at \$85,396,596, the Ima Hogg Endowment at \$23,820,501, and other smaller endowments valued at \$791,750. The endowment funds of the Foundation are managed by UTIMCO.

Earnings from the endowment funds totaled \$5,403,099. These funds were used for the operation of the Foundation in the following areas:

Staff salaries and benefits	\$1,529,927
Consultants	34,822
Maintenance, Operation, Equipment	69,907
Travel	53,230
Publishing and Mailing	59,646
Conferences and Other Programs	81,015
Grants	3,281,910

### **Operating and Grant Programs**

While most foundations are either a grant making or an operating entity, the Hogg foundation continues to provide both services to the public.

As an operating foundation, the Hogg Foundation continues its mental health education program (now called the communication program). The Communication program is comprised of two divisions: News and Information and Publications. The News and Information program shares information from grant making and operation programs via news releases, media events, and the Hogg Foundation News newsletter. The Publication Division produces publications to improve public understanding of mental health, behavioral disorders, and treatment. In addition, publications are also produced related to the Children's Health Insurance Program and patient rights issues.

Another major operating function of the Foundation is the Regional Foundation Library. The library, open to the public, provides over 225 periodicals about philanthropic organizations. These resources provide a much needed benefit to grantseekers and grantmakers alike. The library is frequently used by University faculty, staff, and students and served as a valuable source of national data for this review.

During the 2001-2002 fiscal year, the Hogg Foundation awarded 96 grants, three fellowships, and one scholarship totaling \$3,293,910 from interest on its funds and endowments. The distribution of funds reflects the Foundation's emphasis on three program areas:

Children and Their Families	\$1,480,493 (45 percent)
Youth Development	\$ 879,592 (27 percent)
Minority Mental Health	\$ 551,120 (17 percent)

It is worth noting that these totals are not necessarily restricted to a specific program area. In fact, many grants target populations within two or all three of the priority areas. Overall, 89 percent of our funds supported projects in these three areas, including projects for mental health service delivery, program development, research, education, and professional training.

4. **U. T. System: Report on the System-wide audit activity (red, yellow, green project)**

REPORT

The third quarter activity report on the status of outstanding significant audit recommendations is set out on Pages 107 - 110. Additionally, a list of other audit reports that have been issued by the System-wide audit program follows on Pages 111 - 124.

There are two types of audit findings/recommendations: reportable and significant. A "reportable" audit finding/recommendation should be included in an audit report if it is material to the operation, financial reporting, or legal compliance of the audited activity, and the corrective action has not been fully implemented. "Significant" audit findings/recommendations are reportable audit findings/recommendations that are deemed significant at the institutional level by the component internal audit committee or their designee. Significant audit findings/recommendations are submitted to and tracked by the System Audit Office. Quarterly, the chief business officers are asked for the status of implementation. A summary report is provided to the U. T. System Audit, Compliance, and Management Review Committee of the U. T. Board of Regents.



U. T. SYSTEM AUDITS

1st Time reported in this format - All start as RED

Report Date	Institution	Audit	Fiscal Year 2003						Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance Material to Component's Fin. Stmt's. ("F"), Compliance ("C"), and/or Operations ("O")	New Rec. Index to Info.
			1st Quarter		2nd Quarter		3rd Quarter					
			Ranking	# of Significant Findings	Ranking	# of Significant Findings	Ranking	# of Significant Findings				
1	1998-06	System Adm. Office of Human Resources	RED	1	YELLOW	1	YELLOW	1	11/30/2003	Satisfactory	O	-
2	1998-07	HSCHouston Federal Contracts & Grants Review	RED	1	YELLOW	1	YELLOW	1	2/28/2004	Satisfactory	C	-
3	1999-02	UTPB Compliance Program	RED	1	YELLOW	1	YELLOW	1	8/31/2003	Satisfactory	C	-
4	1999-11	UTD Green Commons Club	RED	1	YELLOW	1	YELLOW	1	8/31/2003	Satisfactory	O	-
5	2000-04	HSCHouston Medical Service Research & Development Plan (MSRDP) Summary of Operations Review	RED	1	YELLOW	1	YELLOW	1	8/31/2003	Satisfactory	C	-
6	2000-04	System Adm. Trust Minerals	RED	2	YELLOW	2	GREEN	1	12/30/2003	Completed	C	-
7	2000-05	HC-Tyler IT Audit of Physical Security - Safeguarding & Storage of System Media	RED	2	YELLOW	2	YELLOW	2	8/31/03 and 10/31/2004	Satisfactory	O	-
8	2000-09	U. T. Austin Federal Funds Principal Investigators	RED	4	YELLOW	4	YELLOW	4	12/31/03	Satisfactory	C	-
9	2000-11	HSC-SA MSRDP/DSRDP Financial Review	RED	1	YELLOW	1	GREEN	0	-	Completed	F	-
10	2001-01	HSCHouston Casual Appointments, Compensation Compliance & Monitoring Review	RED	1	YELLOW	1	YELLOW	1	8/31/2003	Satisfactory	C	-
11	2001-04	UTPA Internet Security	RED	1	YELLOW	1	YELLOW	1	6/30/2003	Satisfactory	O	-
12	2001-08	MB-Galveston Institutional E-mail Systems	RED	2	YELLOW	2	YELLOW	2	7/31/2003	Satisfactory	O	-
13	2001-08	MD-Anderson Lotus Notes Environment	RED	3	YELLOW	3	YELLOW	3	9/1/2003, 12/31/03, and 11/1/03	Satisfactory	O	-
14	2001-08	MD-Anderson Physical Environment	RED	1	YELLOW	1	GREEN	0	-	Completed	O	-
15	2001-09	HC-Tyler Medical Services, Research & Development Plan	RED	1	RED	1	GREEN	0	-	Completed	F	-
16	2001-09	UTPA Advanced Research/Technology Programs	RED		RED	6	YELLOW	3	6/30/2003	Satisfactory	C	-
17	2001-10	HSC-SA Information Security	RED	2	YELLOW	2	YELLOW	2	8/31/2003 and 9/1/04	Satisfactory	C, O	-
18	2001-10	MD-Anderson Disaster Recovery/Business Continuity Planning	RED	1	YELLOW	1	YELLOW	1	8/31/2003	Satisfactory	O	-
19	2001-11	UTEP Department of Chemistry	RED	3	YELLOW	3	YELLOW	1	8/15/2003	Satisfactory	C	-
20	2001-11	UTEP Model Institutions for Excellence	RED	1	YELLOW	1	YELLOW	1	8/15/2003	Satisfactory	C	-
21	2001-11	UTT IT General Security Review	RED		RED	10	YELLOW	2	9/1/2004	Satisfactory	O	-
22	2001-11	HSCHouston Report on University Care Plus (UCP)/Physician Business Services (PBS) Payment Process & A/R Credit Balance Review	RED	3	YELLOW	3	YELLOW	2	8/30/2003	Satisfactory	C, O	-
23	2002-02	UTD Follow-Up of Prior Audit Recommendations	RED	1	YELLOW	1	YELLOW	1	8/31/2003	Satisfactory	F	-
24	2002-02	HSCHouston Time Management System (TMS) Post Implementation Review	RED	1	YELLOW	1	YELLOW	1	8/31/2003	Satisfactory	O, C	-
25	2002-02	HSCHouston Environmental & Physical Safety Compliance Program Review	RED	1	YELLOW	1	YELLOW	1	8/31/2003	Satisfactory	C	-
26	2002-04	UTB 2002 General Controls Audit of Information Technology	RED	1	YELLOW	1	YELLOW	1	8/31/2003	Satisfactory	O	-
27	2002-04	UTEP Student Health Center	RED	1	YELLOW	1	GREEN	0	-	Completed	O	-
28	2002-04	UTEP Information Technology Department	RED		RED	2	GREEN	0	-	Completed	C	-
29	2002-05	UTA Network Support Audit	RED	3	YELLOW	3	GREEN	2	5/31/2003	Completed	O	-
30	2002-05	HC-Tyler Office of the Vice President for Finance & Administration Departmental Audit	RED	1	YELLOW	1	YELLOW	1	6/30/2003	Satisfactory	F	-
31	2002-05	System Adm. Office of Information Resources Follow-up	RED	1	YELLOW	1	YELLOW	1	8/31/2003	Satisfactory	O	-
32	2002-06	UTSA Registrar's Office	RED	0	RED	1	GREEN	0	-	Completed	O	-
33	2002-07	MB-Galveston Clinical Interface Engine	RED	2	YELLOW	2	YELLOW	2	7/31/2003	Satisfactory	O	-






Report Date	Institution	Audit	1st Quarter		2nd Quarter		3rd Quarter		Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance	
			Ranking	# of Significant Findings	Ranking	# of Significant Findings	Ranking	# of Significant Findings			Material to Component's Fin. Strmts. ("F"), Compliance ("C"), and/or Operations ("O")	New Rec. Index to Info.
34	2002-08	UTEP				1		0	-	Completed	C	-
35	2002-08	HSC-SA				3		3	8/31/2003	Satisfactory	C	-
36	2002-08	System Adm.		1		1		1	11/30/2003	Satisfactory	O, C	-
37	2002-09	U. T. Austin		2		1		2	8/31/2003	Satisfactory	O, C	-
38	2002-09	UTSA				1		0	-	Completed	O	-
39	2002-09	UTSA				1		1	9/30/2003	Satisfactory	O	-
40	2002-09	Southwestern				1		0	-	Completed	O	-
41	2002-10	UTA		1		1		0	-	Completed	C	-
42	2002-10	U. T. Austin		1		1		1	[none] *	Unsatisfactory*	O	-
43	2002-10	U. T. Austin		1		1		1	8/31/2003	Satisfactory	O, C	-
44	2002-10	UTB				2		1	6/30/2003	Satisfactory	F, O	-
45	2002-10	UTT				2		1	10/1/2003	Satisfactory	C	-
46	2002-10	System Adm.				1		1	7/31/2003	Satisfactory	O, F	-
47	2002-11	UTPB				2		2	5/31/03 and 7/31/2003	Satisfactory	O	-
48	2002-11	System Adm.				1		0	-	Completed	F	-
49	2003-01	Southwestern						1	2/14/2003	Completed	C, O	111
50	2003-02	System Adm.						1	8/1/2003	-	O	112
51	2003-03	UTD						1	8/31/2003	-	O	113
52	2003-03	UTPA						11	10/1/2003	-	O	113
53	2003-03	UTSA						1	6/30/2003	-	O	114
54	2003-03	MB-Galveston						5	8/30/2003	-	O	115
55	2003-04	UTD						2	8/31/2003	-	C	117
Totals				51		84		77				



Report Date	Institution	Audit	1st Quarter		2nd Quarter		3rd Quarter		Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance		
			Ranking	# of Significant Findings	Ranking	# of Significant Findings	Ranking	# of Significant Findings			Material to Component's Fin. Stmt's. ("F"), Compliance ("C"), and/or Operations ("O")	New Rec. Index to Info.	
<b>STATE AUDITOR'S OFFICE AUDITS</b>													
1	2002-02	MB-Galveston	Contract Administration Review at the University of Texas Medical Branch at Galveston		4		4		0	n/a	Completed	n/a	-
2	2002-05	MD-Anderson	Statewide Single Audit report for Year Ended August 31, 2001		1		1		1	12/31/03	Satisfactory	n/a	-
3	2002-09	UTB	A Financial Review		0		2		2	9/03/03 and 4/30/2004	Satisfactory	n/a	-
4	2002-11	HSC-SA	FY 01 Performance Measures at 14 Entities		0		2		0	-	Completed	n/a	-
5	2002-11	Southwestern	FY 01 Performance Measures at 14 Entities		0		2		0	-	Completed	n/a	-
6	2003-02	U. T. Austin	Statewide Audit FYE 8/31/02						7	12/31/03	Satisfactory	n/a	118
Totals					5		11		10				

n/a - State Auditor's Office recommendations are significant by definition.

Color Legend:

-  Any audit with institutionally significant findings. A recommendation is always reported red the first quarter it appears on the chart. Not necessarily a failure - just an area that needs high level attention.
-  A red audit becomes a yellow when significant progress has been made.
-  All issues have been appropriately resolved.

Note: **Completed** - The component Internal Audit Director deems the significant issues have been appropriately addressed and resolved.

**Satisfactory** - The component Internal Audit Director believes that the significant issues are in the process of being addressed in a timely and appropriate fashion.

**Unsatisfactory** - The component Internal Audit Director does not feel that the significant issues are being addressed in a timely and appropriate fashion.

\* This is a recommendation to centralize the AR function (billing and collecting) of the University. Audit and management both agree this should be done; however, it will take a significant amount of time and resources. Since the recommendation is one of efficiency versus a control weakness and in the current budget environment, management is not implementing this recommendation at this time.

5. **U. T. System: Report on the 2004 Audit Plan process**

REPORT

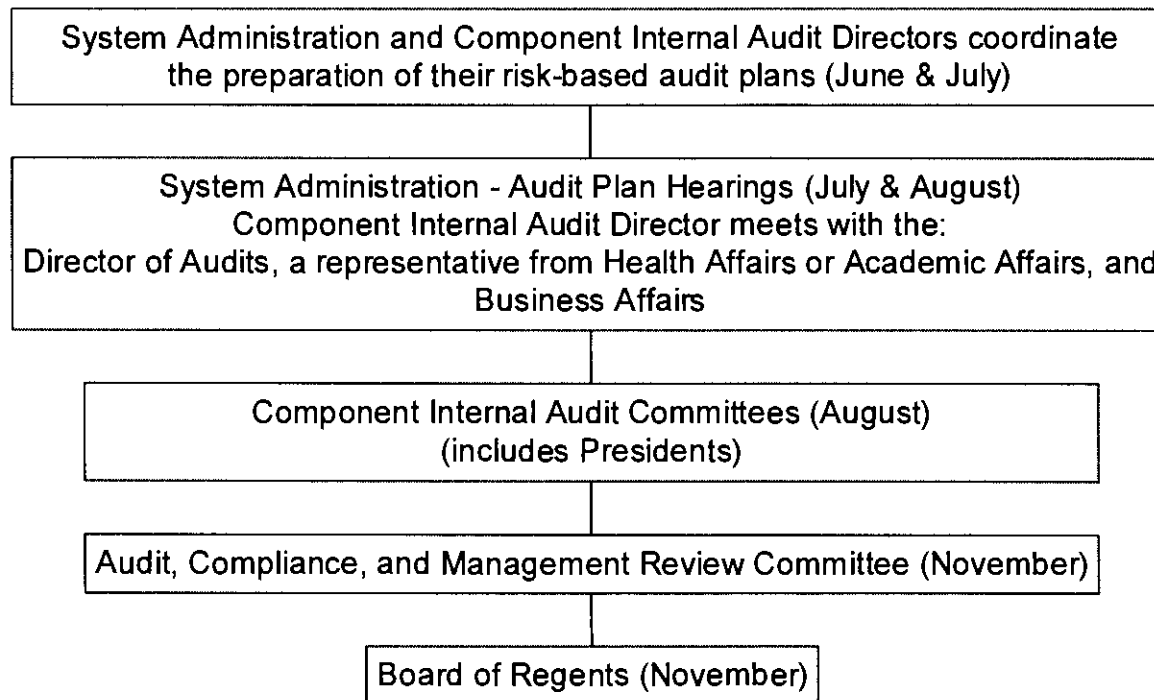
Ms. Andrea Marks, Director of Internal Audit of The University of Texas Health Science Center at San Antonio, and Mr. Richard Dawson, Director of Auditing and Consulting Services of The University of Texas at San Antonio, will present the process for developing the 2004 University of Texas System-wide Audit Plan (Audit Plan), which is a blueprint of the internal audit activities that will be performed by the internal audit function throughout The University of Texas System. The process is set forth on Page 126. Individual audit plans are prepared at each component and approved by the component Internal Audit Committee in July and August.

The Chief Audit Executive provides direction to the internal audit directors prior to the preparation of the audit plans and provides formal feedback through conducting "audit hearings" with each component. The process of preparing the audit plans includes identifying those areas considered to be specific to each component that are considered to be the most important and ensuring that activities with the greatest risk are audited.

The efforts of the internal audit function continue to expand into areas other than the performance of traditional audits. Examples of added services include consulting services and management audits in the institutions' core business processes.

The Audit Office is beginning the process of preparing the 2004 Audit Plan. The Committee will be asked to approve the Audit Plan in September 2003.

# Annual Audit Plan – Approval Process



6. **U. T. System: Report on Information Technology Security Initiative**

REPORT

Ms. Kristi Fisher, System-wide Compliance Supervisor, will make a PowerPoint presentation on current U. T. System information technology security initiatives, including the Chancellor's Information Technology Vulnerability Assessment and Assurance Initiatives and the Long-Range Information Technology Security Initiative (Pages 128 - 129). The System Audit Office and the audit function at each component institution are providing assurance services and are heavily involved in these initiatives.



## U. T. System IT Security Vulnerability Assessment & Assurance Initiatives

Presented to the  
Audit, Compliance and Management Review Committee of the  
Board of Regents of The University of Texas System  
August 2003

## Topic Overview

- **Chancellor's IT Vulnerability Assessment**
  - Timeline
  - Coordination
    - Office of Information Technology
    - System Audit Office
  - Status
- **Long-range IT Security Initiative**
  - Objectives
  - Steering Committee

## The Chancellor's Initiative...

- **March 6, 2003 - memo to presidents**
- **Comprehensive IT Security Vulnerability Inventory and Assessment**
- **Action Plan to address identified vulnerabilities**

## Timeline

- **Phase 1: Mission-Critical and Centrally Managed Systems**
  - Vulnerability Inventory due April 15
  - Action Plan due June 1
- **Phase 2: Departmental (all other) Systems**
  - Vulnerability Inventory due August 1
  - Action Plan due October 1

## Coordination

- **U. T. System Offices of Information Technology / Information Resources:**
  - Videoconference on March 21, 2003
  - Requested SUMMARY information
  - Provided instructions, templates, and sample reports

## Coordination (cont.)

- **System Audit Office:**
  - Assurance services provided by audit function at each institution with guidance from System Audit Office
  - Monitor process, evaluate detailed reports, and verify summarized information
  - Issuing an Assurance Report to accompany each management report

## Status

- **Phase 1 Completed**
  - Vulnerability reports and action plans received from all components
  - 34 major categories of vulnerabilities identified
  - Qualitative risk ranking clarified highest risks
    - Authentication
    - Remote Access
    - Email Configuration
    - Security Patches
    - Encrypted Transmission
    - Training/Sensitive Data
    - Firewalls
    - Virus Protection/Workstations
    - Logical Security
    - Workstation Configuration
    - Password Encryption
  - Major initiative for some campuses, involving outside consultants and substantial costs

## Status (cont.)

- July meeting to discuss systemic vulnerabilities
- Phase 2 in progress (near completion at several components)
- Audit offices continue to monitor
- Overarching "IT Security Initiative" has been launched

## IT Security Initiative

- Long-range objectives
- Comprehensive system-wide assessment
- Four parts:
  - Data gathering
  - System-wide contracts
  - Operational reviews
  - Internal methods and monitoring

## IT Security Initiative (cont.)

- IT Security Steering Committee
  - Led by:
    - Dr. Clair Goldsmith (Assoc. Vice Chancellor & CIO)
    - Bill Taylor (Audit Supervisor, System Audit Office)
  - Representatives from the Strategic Leadership Council
  - Focusing on operational assessment of security at all components
- IT High-risk Working Group

7. **U. T. System: Report on System-wide compliance program status**

REPORT

Mr. Charles Chaffin will report on the third quarter activity report on the System-wide Compliance function as presented on Pages 131 - 133. An activity report is reported to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis.



**The University of Texas System  
System-wide Compliance Function**

**Institutional Compliance Quarterly Report  
3rd Quarter Fiscal Year 2003  
February 16 – May 15, 2003**

**Organizational Matters**

The Internal Audit and Compliance Subcommittee of the Finance and Planning Committee of the Board of Regents met on April 1, 2003. The purpose of the subcommittee is to provide Board of Regent oversight to the internal audit and compliance activities of the U. T. System. The topics discussed included the program status, information security, 2003 Action Plan to Ensure Institutional Compliance, and the Southern Association of College and University Business Officers Best Practice Award.

The System-wide Compliance Executive Committee met on February 23, 2003. The focus of this committee is to provide guidance and oversight to the System-wide Compliance Function. The topics discussed included the status of the implementation of institutional compliance programs at U. T. Austin and HSC Houston; the activities of the High-risk Working Groups; and emerging compliance risks.

The System-wide Compliance Committee met on May 23, 2003 by videoconference. The focus of this committee is to facilitate the communication and sharing of ideas, best practices, exposures, and other information related to common areas of high risk among the component institutions. The topics discussed included the activities and status of the program; activities of the High-risk Working Groups; emerging areas of risk including security and information technology vulnerability; High-risk Working Group and committee structure assessment; and the UTIMCO compliance initiative.

**Summary of Quarterly Activity**

The System-wide Compliance Function facilitates regular meetings of the High-risk Working Groups. Following is a synopsis of progress made during the third quarter of FY 2003.

**Campus Safety and Security**

**Chair:** Mr. Lewis Wright, Associate Vice Chancellor for Business Affairs and Assistant Vice Chancellor for Governmental Relations, U. T. System

**Accomplishments:** This group has been extremely active since the fall of 2001. Activities include the development of the U. T. System Emergency Response Program, Critical Infrastructure Threat assessments, designing and implementing Campus Security Systems, and ensuring compliance with the USA Patriot Act of 2001 and the Public Health Security and Bio-terrorism Preparedness Act of 2002. The group provided coordinated information to the legislature on the implications of HB 9 (Homeland Security) and other security information vulnerability privacy legislation. Their last meeting was held in January 2003, with the next meeting planned for the 4<sup>th</sup> quarter.

**Conflict of Interest**

**Chair:** Mr. Cullen M. Godfrey, Vice Chancellor and General Counsel, U. T. System  
Ms. Angela Wishon, Director of Research Facilitation and Compliance, UTMB

**Activities:** There are two ongoing efforts concerning conflict of interest in scientific research. The Research Policy Standards Committee, chaired by Mr. Godfrey, is charged with reviewing the existing standards and policies related to the protection of human subjects and developing a draft set of principles that would become U. T. System policy. Draft guidelines have been developed and the committee is scheduled to meet by teleconference on June 6, 2003, to ensure that the proposed U. T. System guidelines are consistent with industry standards and to finalize the guidelines.

## **The University of Texas System System-wide Compliance Function**

An ad hoc committee of the U. T. System Technology Management Council, chaired by Ms. Wishon, is reviewing conflict of interest management plan policies and monitoring activities. The ad hoc committee has met by teleconference twice during the quarter.

### **Endowments**

Chair: Ms. Shirley Bird Perry, Vice Chancellor for Development and External Relations, U. T. System

Facilitators: Ms. Julie Lynch, Trust Officer, U. T. System  
Ms. Kimberly Hagara, Assistant Director, U. T. System

Activities: The committee met on May 6, 2003 to discuss the program status reports received February 3, 2003. Significant progress is being made in the areas of risk assessment, training, and monitoring. Additionally, the report format for the June 13, 2003 program status report was revised to include reporting on the reinvestment of endowment distributions, establishment of institutional expenditure guidelines, and endowment fee use. Presentations on the activities of the endowment compliance program were made to the System Council, Business Management Council, Development Officers, and the System-wide Compliance Committee.

### **Health Insurance Portability and Accountability Act (HIPAA)**

Chair: Ms. Amy Shaw Thomas, Associate Vice Chancellor for Health Affairs

Accomplishments: Compliance with the HIPAA Privacy Standards was required by April 14, 2003. A post implementation review process has been implemented to ensure compliance with the requirements. An on-site review was conducted at the HSC Houston on May 17, 2003. Each of the health institutions has been requested to provide an implementation status report. A meeting of the HIPAA Coordinators is being planned for the fourth quarter.

### **Medical Billing**

Chair: Dr. John Sparks, Physician in Chief, U. T. HSC – Houston

Facilitator: Ms. Kimberly Hagara, Assistant Director, U. T. System

Accomplishments: This group met on February 27, 2003 to discuss medical billing issues in the areas of pathology, Medicare physician teaching rules clarification, reimbursement policy development, training, and program reviews. The group is next scheduled to meet on June 27, 2003.

### **Information Technology**

Chair: Dr. Clair Goldsmith, Assoc. Vice Chancellor and Chief Information Officer, U. T. System

Accomplishments: The Office of Information Technology and the Office of Business Affairs are working on three system-wide projects related to information security. Vulnerability assessments and action plans have been completed for mission-critical and centrally managed information systems at all component institutions. A steering committee has been established to address the four-part IT security initiative that includes collecting relevant data, identifying requirements for system-wide contracts, performing a system-wide IT operational review, and identifying internal methods to enhance security. Additionally, the system-wide Social Security Number Task Force is evaluating and recommending a strategy for securely collecting, maintaining, and disseminating Social Security numbers.

## **The University of Texas System System-wide Compliance Function**

### **High-Risk Working Group Assessment**

We are assessing each of the existing high-risk working groups to determine the appropriate value-added focus and objectives going forward. Areas of assessment include membership composition, integration with existing committees, networking and development of strategies within peer groups, and sharing of best practices. We expect to complete the assessment during the fourth quarter and have a recommendation related to the groups in August.

### **Summary of Action Plan Activity**

#### **Action Plan**

The System-wide Executive Compliance Committee and the Internal Audit and Compliance Subcommittee of the Board of Regents approved the update of the 1998 Action Plan to Ensure Institutional Compliance entitled "2003 Action Plan to Enhance Institutional Compliance" (2003 Action Plan). The 2003 Action Plan focuses on a maturing program and includes flexibility for cultural and organizational differences at the component institutions.

#### **University Compliance Group**

The System-wide Compliance Function participated in two conference calls with the University Compliance Group. The University Compliance Group is comprised of compliance personnel from major universities throughout the country, including: Minnesota, Michigan, Harvard, Stanford, Penn, Washington University, Duke, Northwestern, and others. The group meets by conference call monthly to share information and best practices. Discussion items have included: institutional conflict of interest, research time and effort compliance, research administration, bio-security, HIPAA, and governing agency activity.

#### **National Presentation**

The System-wide Compliance Officer made a presentation on the Institutional Compliance Program at the annual meeting of the Southern Association of College and University Business Officers.

#### **Peer Review Guide**

The Peer Review Guide has been drafted, along with a sample "Peer Review Engagement Agreement" template. We are now focusing on compiling best practices from our own institutional compliance programs as well as other major universities. A compendium of best practices is essential to providing a clear and usable guide to facilitate external peer reviews. Our goal is to have the Peer Review Guide packaged and ready for use by all component institutions by September 1, 2003, and we are encouraging external peer reviews of the compliance programs at each component during the 2004 fiscal year.

#### **Site Visits**

The System-wide Compliance Function conducted site visits during the quarter at U. T. Arlington, U. T. Brownsville, U. T. Pan American, and M.D. Anderson. During the visits, we reviewed the status of the programs and identified best practices to be shared system-wide.

#### **UTIMCO**

The System-wide Compliance Function has been assisting UTIMCO with its compliance program initiative by facilitating risk assessment and monitoring plan workshops. Two facilitated risk assessment workshops were conducted during the quarter.

8. **U. T. System: Report on UTIMCO compliance initiative and (revised) 2003 Action Plan to enhance Institutional Compliance**

REPORT

Mr. Charles Chaffin will report on modification of the System-wide Compliance program to include The University of Texas Investment Management Company (UTIMCO). This change required modification of the 2003 Action Plan to Enhance Institutional Compliance (2003 Action Plan), as set forth on Pages 135 - 141.

*Action Plan to Enhance  
Institutional Compliance*

**THE UNIVERSITY OF TEXAS SYSTEM**  
*Updated 2003*



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# I N T R O D U C T I O N

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This 2003 Action Plan to Enhance Institutional Compliance (2003 Action Plan) is an updated version of the original 1998 Action Plan to Ensure Institutional Compliance approved by the Chancellor and presented to the Business Affairs and Audit Committee of the Board of Regents on April 24, 1998.

The implementation phase of the 1998 Action Plan is reaching the final stages. Compliance programs, officers, and committees exist at U. T. System Administration and at all fifteen component institutions of the U. T. System. In addition, the System-wide Compliance Officer working with a System-wide Compliance Executive Committee, consisting of U. T. System executive management, oversees the program. Finally, the System-wide Compliance Officer reports to the Audit, Compliance, and Management Review Committee of the Board of Regents at each of their quarterly meetings to keep them abreast of compliance program activities and issues.

The System-wide Compliance program has also been modified to include The University of Texas Investment Management Company (UTIMCO), which has appointed compliance officer, compliance committee, and implemented an institutional compliance program.

The mission statement of the Institutional Compliance program is "The University of Texas System (U.T. System) endeavors to fulfill all of its responsibilities to the people of Texas in an environment based upon ethical behavior and compliance with applicable laws and rules." Related to this mission, two primary goals of the program have been developed:

- ❖ providing assurance that all faculty and staff are aware of their duties and responsibilities in establishing and sustaining that environment; and
- ❖ providing a mechanism for continuously assessing the effectiveness of that environment in assuring that all UT System activities are conducted with integrity.

The purpose of the 2003 Action Plan is to address those ongoing elements of an effective compliance program that minimize the risk of significant compliance failures and enhance the program through best practices learned during the implementation process. Compared to the 1998 Action Plan, certain action steps have been deleted in the 2003 Action Plan because they were one-time tasks that have been accomplished. What remains in the 2003 Action Plan are those program activities that must be continuously pursued, monitored, refined, revised, and pursued again. What we have learned over the past five years is that compliance is a journey, not a destination.

The following pages present the 2003 Action Plan items by "Responsible Party." The Action Plan includes the following key elements from the 1998 Action Plan:

- The designation of the System-wide Compliance Officer.
- The designation of a Compliance Officer at U. T. System Administration, each component institution, and UTIMCO. The Compliance Officer should report to the Chief Administrative Officer.
- The continuation of a System-wide Executive Compliance Committee and parallel Compliance Committees at U. T. System Administration, each component institution,

and UTIMCO that meet at least quarterly.

- The mandate for a *continuous and proactive* compliance function that reports to the Compliance Officer at System Administration, each component institution, and UTIMCO.
- The allocation of sufficient resources at U. T. System Administration, each component institution, and UTIMCO to fund compliance activities (including information resources, training, and monitoring activities) that reduce compliance risk to a reasonably low level.
- The requirement that Compliance Officers and Committees at U. T. System Administration, the component institutions, and UTIMCO report their activities to the System-wide Compliance Officer *at least* annually.

The 2003 Action Plan assigns responsibility and accountability for compliance with laws, regulations, policies, and procedures as follows:

- The System-wide Compliance Officer is responsible and will be held accountable for apprising the Chancellor and the Board of Regents of the compliance programs and activities at System Administration, each of the component institutions, and UTIMCO.
- The Compliance Officers at U. T. System Administration, each component institution, and UTIMCO are responsible and will be held accountable for a risk-based process that builds compliance consciousness into daily business processes, monitors the effectiveness of those processes and communicates instances of non-compliance to appropriate administrative officers for corrective, restorative and/or disciplinary action.
- Responsibility for actual compliance with laws, regulations, policies, and procedures rests with each individual employee. Accountability resides primarily with the department head of each operating unit.
- The Chancellor and each Chief Administrative Officer are responsible and will be held accountable for the sufficiency of resources allocated to compliance activities and the appropriateness of corrective and disciplinary action taken in the event of non-compliance.

Questions about the 2003 Action Plan should be directed to Charles G. Chaffin, System-wide Compliance Officer (512-499-4390).

## 2003 ACTION PLAN – COMPLIANCE PROGRAM

Program Element	Responsible Party	Frequency
<p>1. Establish an appropriate Institutional Compliance Committee.</p> <p><i>Implementation Guidance:</i> The type of committee and communication structure established should be appropriate to the culture of the institution. Communication with the Chief Administrative Officer is essential. This communication can be accomplished through a committee structure or scheduled briefing meetings. There are several different types of committee structures that can be utilized. The Executive Compliance Committee, a high level committee, comprised of those line managers reporting directly to the President or CEO. The three major duties of this type of committee are to provide appropriate resources for the compliance program, to ensure appropriate action for noncompliance issues brought to its attention, and to provide overall policy guidance for the program. The Compliance Working Committee is composed of the responsible parties for each high-risk compliance area of the institution. This committee performs data gathering, analysis, and recommendations for the Compliance Officer and executive management. Additionally, a member of the compliance working committee may chair a subcommittee for their area of responsibility. The subcommittees may perform such tasks for their high- risks compliance activities as (1) risk assessments, (2) development of monitoring, specialized training, and reporting plans, and (3) certain assurance activities.</p>	<p>Chancellor Chief Administrative Officer</p>	<p>Ongoing</p>
<p>2. Require the Institutional Compliance Committee to meet at least quarterly.</p>	<p>Compliance Officer</p>	<p>Quarterly</p>
<p>3. Establish a System-wide Compliance Committee comprised of institutional representatives of common areas of high risk.</p> <p><i>Implementation Guidance:</i> The System-wide Compliance Committee should facilitate communication and sharing of ideas, best practices, exposures, and other information related to common areas of high risk among the component institutions. The System-wide Compliance Officer is the chairman of this Committee, and membership is composed of knowledgeable staff in the representative high-risk areas from component institutions. The Committee should meet periodically as circumstances require.</p>	<p>System-wide Compliance Officer</p>	<p>Ongoing</p>



Program Element	Responsible Party	Frequency
<p>4. Establish appropriate System-wide High-risk Working Groups.</p> <p><i>Implementation Guidance: System-wide High-risk Working Groups should be established in those areas of high risk to facilitate risk assessment, monitoring plans, and sharing of ideas and best practices. Membership should include institutional responsible parties in the identified areas of high risk. The working groups should meet periodically as circumstances require.</i></p>	System-wide Compliance Officer	Ongoing
<p>5. Budget sufficient resources to fund ongoing and proactive compliance activities (information resources, training, and monitoring activities) that reduce compliance risk to an acceptably low level.</p> <p><i>Implementation Guidance: The amount of funding necessary for compliance activities depends on the size of the component institution and its associated compliance risks. The allocation of the funding depends on the organizational structure of the compliance function. It is understood that risk cannot be reduced to zero; however, it should be reduced to a reasonably low level. Funding should be provided for: 1) assuring good information resources to keep current on regulatory changes and interpretations, 2) extensive in-house or external-based training programs that provide both general compliance training to all employees on a periodic basis, and ongoing specialized training tailored to the needs of each employee who has job responsibilities in areas of significant risk, and 3) ongoing monitoring activities that provide management with vital information on the degree to which the institution complies with laws, regulations, policies, and procedures. (Monitoring should generally be provided at three levels: within daily business processes, through the institutional compliance function, and through internal audits).</i></p>	Chancellor Chief Administrative Officer	Annually
<p>6. Develop an annual compliance risk assessment and appropriate compliance risk management plans for identified institutional critical risks.</p> <p><i>Implementation Guidance: An annual compliance risk assessment should be performed to identify institution critical compliance risks. Alternatively, if a comprehensive compliance risk assessment has been performed during the preceding year, an update of that risk assessment may be performed to ensure that any new critical compliance risks are identified. For each institution critical compliance risk identified, a risk management plan should be developed which includes (1) a single responsible party, (2) a monitoring plan, (3) a specialized training plan, and (4) a reporting plan. The risk management plans for all institution critical compliance risks should be presented to the Institutional Compliance Committee for review and approval.</i></p>	Compliance Officer	Annually

Program Element	Responsible Party	Frequency
<p>7. Provide general compliance training for all employees and specialized compliance training for employees whose job responsibilities involve them in high-compliance-risk activities.</p> <p><i>Implementation Guidance: Training can be provided using a variety of methods including: face-to-face, web-based, and poster exhibits. Training records are the key monitoring data and should be retained. Summary reports should be provided to the Compliance Committee periodically.</i></p>	<p>Compliance Officer High-risk Area Responsible Party</p>	<p>Periodically – at a minimum of biennially</p>
<p>8. Submit a comprehensive annual report and other reports as required on compliance activities to the System-wide Compliance Officer in the prescribed format.</p>	<p>Compliance Officer</p>	<p>Annually - Periodically</p>
<p>9. Ensure that appropriate corrective and disciplinary action has been taken in the event of non-compliance.</p> <p><i>Implementation Guidance: The Compliance Officer should communicate identified events of noncompliance that require corrective and/or disciplinary action to appropriate administrative personnel. If the Compliance Officer believes that appropriate corrective or disciplinary action has not been taken, then the Compliance Officer should report his or her concerns to the Chief Administrative Officer. At that point, the Chief Administrative Officer is responsible for the appropriateness of the actions taken to resolve the compliance issue. Summary information on reported instances of suspected non-compliance (phone hotline, post office box, or web-form activities) should be presented at Compliance Committee meetings.</i></p>	<p>Chancellor Chief Administrative Officer</p>	<p>Ongoing</p>
<p>10. Establish a confidential mechanism that allows employees to report instances of suspected non-compliance outside of the normal chain of command and in a manner that preserves confidentiality and assures non-retaliation.</p> <p><i>Implementation Guidance: The most common and acceptable method of providing such a mechanism is the establishment of a compliance telephone hotline. The key elements of a confidential mechanism should include written documentation of all notifications received; a prompt cross-functional consultation and triage function (generally involving high-ranking representatives from the legal, security, internal audit, and human resources areas) to determine the need for and nature of appropriate investigative action; follow-up to assure timely and appropriate resolution of issues; and documentation of the ultimate disposition of all calls received.</i></p>	<p>Compliance Officer</p>	<p>Ongoing</p>

Program Element	Responsible Party	Frequency
<p>11. Maintain an up-to-date compliance manual that documents the compliance structure and the policies and procedures that pertain to the compliance program.</p> <p><i>Implementation Guidance: A manual should generally outline the responsibilities of the Institutional Compliance Committee and the Compliance Officer; include charters, policies, and procedures that pertain to the compliance program (including the telephone hotline policies and procedures); and include examples of monitoring and reporting forms. The manual should be a compilation of relevant materials maintained in either an electronic or hard copy format.</i></p>	Compliance Officer	Ongoing
<p>12. Annually develop a plan of activities to be completed by the Compliance Officer and/or Compliance Office.</p> <p><i>Implementation Guidance: The plan should include the activities to be conducted by the Compliance Officer during the next year and can include the development of training, websites, monitoring plans, and updating of policies and procedures.</i></p>	Compliance Officer	Annually
<p>13. Establish mechanisms for regular assessments of the compliance function.</p> <p><i>Implementation Guidance: This could include self-assessments, inspections, peer reviews (internal and external) and internal audits. In its risk assessment for preparing the annual audit plan, Internal Audit, in consultation with the Compliance Officer, should consider audits of various components of the compliance program. Recommendations for improvements should be made to the Compliance Officer and responsible party of the high-risk area, if applicable, based on the results of the assessments performed. The Compliance Officer or responsible party will be responsible for responding to such recommendations by developing action plans and timetables to be approved by the Institutional Compliance Committee. A follow-up process should be developed to ensure timely resolution, and the results should be reported to Institutional Compliance Committee.</i></p>	Compliance Officer	Periodically

RECESS TO EXECUTIVE SESSION (TEXAS GOVERNMENT CODE, CHAPTER 551)

1. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Texas Government Code Section 551.071
2. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Texas Government Code Section 551.074

**U. T. System and U. T. Institutions: Evaluation and Duties of Employees Involved in Audit and Compliance Functions**



## TABLE OF CONTENTS FOR STUDENT, FACULTY, AND STAFF CAMPUS LIFE COMMITTEE

**Committee Meeting:** 8/7/2003  
U. T. Health Science Center - San Antonio

*Judith L. Craven, M.D., Chairman*  
*Rita C. Clements*  
*Robert A. Estrada*  
*Woody L. Hunt*  
*A. W. "Dub" Riter, Jr.*

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Welcome and Opening Remarks</b>	<i>12:00-1:30 p.m.</i> <i>(lunch provided)</i> <i>Vice-Chairman</i> <i>Riter will chair the meeting</i>		
<b>1. U. T. System: Faculty Satisfaction Survey Summary Report</b>	<b>Discussion</b> <i>Dr. Nelsen</i>	Not on Agenda	<b>312</b>
<b>2. U. T. System: Social Security Number Task Force Initiative Update</b>	<b>Report</b> <i>Ms. Mayne</i>	Not on Agenda	<b>317</b>
<b>Adjourn</b>			

1. **U. T. System: Faculty Satisfaction Survey Summary Report**

**PURPOSE**

Dr. Robert Nelsen, Chair of The University of Texas System Faculty Advisory Council, will summarize the results of the 2003 Faculty Satisfaction Survey using the PowerPoint presentation beginning on Page 313. The Survey was designed to measure the work life satisfaction of U. T. System faculty and to provide institution-specific data to faculty and administrators for each of the U. T. System campuses.

**KEY POINTS/ POLICY ISSUES**

The survey conducted by Digital Research, Inc. concludes that in general the U. T. System faculty are moderately satisfied with their jobs. Faculty are most satisfied regarding autonomy with respect to decisions about teaching, research and service. Job security, retirement and health benefits, and opportunities for advancement within academic and administrative careers were moderately satisfying to satisfying.

In fact, most aspects included in the Survey were moderately satisfying to satisfying for respondents, although the rankings differed across institutions. Teaching and research climate measures - proxies for somewhat intangible aspects of work life, such as the intellectual stimulation derived from teaching and interactions with colleagues, as well as institutional policies that mitigate faculty scholarship, generally achieved higher ratings. Institutional climates for women and members of historically underrepresented ethnic/racial minority groups were also satisfactory and the treatment of women and minorities was perceived as equitable. Faculty satisfaction with their jobs – opportunities, benefits, salary, and autonomy, varied in relation to where they are employed. So, too, did satisfaction with instrumental resources provided to support their professional activities. The effectiveness of faculty governance and responsiveness of institutional leaders to faculty was consistently among the least satisfying aspects of respondents' work lives.

**BACKGROUND INFORMATION**

The Faculty Satisfaction Survey was conducted by Digital Research, Inc. as a follow up to the 1993 faculty survey. It was designed to measure the work life satisfaction of U. T. System faculty and to provide institution-specific data to faculty and administrators for each of the U. T. System campuses. The survey was requested by the Faculty Advisory Council and approved by the Chancellor's office.

*The University of Texas System  
Faculty Satisfaction Survey: June 2003*

**FACULTY ADVISORY COUNCIL  
INITIAL REPORT**  
TO  
The University of Texas System Board of Regents

Robert S. Nelson, PhD  
The University of Texas at Dallas

**FACULTY WORKLOAD  
AND JOB SATISFACTION**

	UT System		Institution Group			
	Total	UT-Group 1	UT-Group 2	UT-Group 3	UT-Group 4	UT-Group 5
Teaching (hours/week)	39.43	36.84	34.97	38.26	34.78	34.78
Research/Leadership	17.73	16.40	16.72	11.85	19.23	19.23
Peer Reviews	4.29	3.82	4.02	3.15	4.87	4.87
Administration	7.81	7.17	6.98	7.14	7.53	7.53
Public Policy Activities	4.89	4.69	3.79	3.67	6.99	6.99
Unpaid Work Activities	2.81	2.94	2.88	3.05	2.81	2.81
Public Service	1.86	1.76	2.85	3.26	1.84	1.84
Total Non-Faculty Services	69.97	69.50	69.23	69.72	69.89	69.89
Satisfaction with Job						
Faculty	4.70	4.91	5.09	4.89	4.95	4.95
Faculty	2.83	2.75	2.82	2.62	2.85	2.85
Health Benefits	4.88	4.88	4.87	4.88	4.88	4.88
Health Benefits	4.66	4.39	4.43	4.19	4.87	4.87
Retirement Plan	4.92	4.92	4.75	4.84	4.91	4.91
Health and Retirement	4.41	4.37	4.48	4.48	4.48	4.48
Health and Retirement	4.04	4.04	4.17	4.07	4.12	4.12
Opportunities - Academic	4.59	4.61	4.64	4.36	4.64	4.64
Opportunities - Academic	4.21	4.26	4.26	4.19	4.43	4.43
Opportunities - Administrative	3.91	3.89	3.19	3.44	3.97	3.97
Autonomy in Teaching	5.30	5.19	5.07	5.20	5.03	5.03
Autonomy in Research	4.83	4.79	4.91	4.90	4.92	4.92
Autonomy in Service	4.34	4.50	4.38	4.19	4.14	4.14

UT-Group 1 = UT-Austin  
UT-Group 2 = UT-Dallas, UT-Denver, UT-El Paso, UT-Flagship  
UT-Group 3 = UT-Irvine, UT-Long Beach, UT-Pan Am, UT-Rice, UT-Texas Tech  
UT-Group 4 = UT-Phoenix, UT-San Antonio, UT-San Diego, UT-San Marcos, UT-Southwest  
UT-Group 5 = UT-UTSA, UT-UTEP, UT-UTRGV, UT-UT Dallas, UT-UT Permian Basin, UT-Tyler  
Health = UT-UTSA, UT-UTEP, UT-UTRGV, UT-UT Dallas, UT-UT Permian Basin, UT-Tyler  
UT-System = UT-Austin, UT-Dallas, UT-Denver, UT-El Paso, UT-Flagship, UT-Irvine, UT-Long Beach, UT-Pan Am, UT-Rice, UT-San Antonio, UT-San Diego, UT-San Marcos, UT-Southwest, UT-UTSA, UT-UTEP, UT-UTRGV, UT-UT Dallas, UT-UT Permian Basin, UT-Tyler

**GENERAL OBSERVATIONS :  
OVERALL SATISFACTION**

- As a group, the U. T. System faculty are *moderately satisfied with their jobs* (M= 4.54 on a 7 point scale).
- Faculty are most satisfied regarding *autonomy with respect to decisions about teaching, research and service.*
- *Job security, retirement and health benefits, and opportunities for advancement* within academic and administrative careers were moderately satisfying to satisfying.
- In response to a question about "If I had to do it all over again, I would still accept a faculty position at this institution", faculty say that they would choose to work within the U. T. System.

**GENERAL OBSERVATIONS :  
OVERALL SATISFACTION**

- *Faculty in Health Institutions* demonstrated the greatest overall job satisfaction.
- *Faculty at UTB, UTPA, UTPB, UTYYL* are the least satisfied.
- *Non-tenure track faculty* are more satisfied than tenure track faculty.
- *Faculty in arts and humanities* are least satisfied with their jobs.

**GENERAL OBSERVATIONS :  
OVERALL SATISFACTION**

- *African-Americans* are noticeably more satisfied than other racial/ethnic groups.
- *Hispanics* are noticeably less satisfied than other racial/ethnic groups.
- *Men and women* are about equally satisfied; however, women are less satisfied than men with job security, salary, and opportunities for advancement.
- *Salaries and opportunities for sabbaticals* were the least satisfying aspects of faculty jobs.

**GENERAL OBSERVATIONS  
ABOUT POSSIBLE ISSUES  
IN THE SYSTEM AND ON CAMPUSES**

- Faculty tend to be satisfied with *office space, computing resources and secretarial support.*
- Faculty are somewhat satisfied with *most resources for teaching.*
- U. T. System faculty are somewhat to moderately satisfied with *policies and practices for annual and periodic job performance reviews and for promotion and tenure decisions.* But faculty do not believe performance reviews have enhanced teaching quality or faculty productivity.

**GENERAL OBSERVATIONS  
ABOUT POSSIBLE ISSUES  
IN THE SYSTEM AND ON CAMPUSES**

- Faculty do not hold strong opinions regarding the assertion that "too many full-time faculty have been replaced by part-time faculty."
- Salary compression is viewed as a problem by faculty from all but the Health Institutions.
- Faculty tend to be less satisfied with the process used to determine merit increases and salary adjustments.
- Faculty tend to be less satisfied with institutional funding for research projects, external speakers and travel to research/professional meetings.

**GENERAL OBSERVATIONS  
ABOUT POSSIBLE ISSUES  
IN THE SYSTEM AND ON CAMPUSES**

- Faculty are concerned about the staff available to assist with the preparation of proposals and with the management of funded projects.
- Faculty disagree with the assertion that TeleCampus services are worth the cost.
- Faculty are less satisfied with graduate student support available to assist them with their teaching and research.
- Faculty at all Academic Institutions except U. T. Austin are concerned about print library materials.

**DIVERSITY ISSUES ON CAMPUSES**

- Across comparison groups, faculty believe that the diversity of the students is important to the educational process.
- Faculty in the different institutional, tenure, seniority, and disciplinary comparison groups tend to disagree with statements suggesting women and minorities are discriminated against or disadvantaged in recruitment and promotion.
- Faculty believe women and minorities are underrepresented in senior faculty and administrative positions.

**DIVERSITY ISSUES ON CAMPUSES**

- Women and racial/ethnic minority groups believe that European-Americans received more helpful career advice.
- Both members of ethnic/racial minority groups and women think they have to work harder than their European-American and male counterparts to achieve legitimacy as scholars.
- Women are noticeably less satisfied than men with promotion/tenure review and merit/salary adjustment processes.

**COMPARISON OF 1993 AND 2003  
FACULTY SATISFACTION SURVEYS**

The survey found little to no difference between times of data gathering for satisfaction with:

- Job security
- Retirement benefits
- Autonomy in teaching
- Collegial relations among faculty
- Responsiveness of department chairs to faculty.

**COMPARISON OF 1993 AND 2003  
FACULTY SATISFACTION SURVEYS**

The data suggest slightly higher satisfaction in 2003 for:

- Health benefits
- Perceived value campuses give to research in Academic Institutions (Health Institutions remained about the same)
- Processes used in annual reviews of job performance.



### COMPARISON OF 1993 AND 2003 FACULTY SATISFACTION SURVEYS

For the remaining items, *satisfaction is slightly lower in 2003 than it was in 1993:*

- Salary
- Perceived value campuses give to teaching
- Institutional level administrators responsiveness to faculty
- Effectiveness of faculty governance
- Institutional resources for research
- Staff support for courses
- Library resources (Academic Institutions)
- Support given to new faculty.

### RECOMMENDATIONS

Based on the results of the 2003 Faculty Satisfaction Survey, Digital Research, Inc. indicated that the following areas of concern should be addressed and given highest priority (in descending order of importance in each category):

- (1) All Universities should identify and address specific concerns
- (2) All Academic Institutions should identify and address specific concerns
- (3) Faculty and administrators in all Academic Institutions (other than the U. T. Austin) should take action regarding specific concerns
- (4) Faculty at UTA, UTD, UTEP, UTSA should pursue specific concerns
- (5) Faculty and administrators in all Health Institutions should examine and refine specific policies and practices

### RECOMMENDATIONS

(1) All Universities should identify and address specific concerns with respect to:

- Opportunities available for faculty development leaves, sabbaticals.
- Policies and practices used to determine merit increases and salary adjustments.
- The effectiveness of faculty governance in dealing with upper administration.
- Salary compression.
- The visibility and effectiveness of Committee on the Status of Women and Minorities and its impact on the work lives of individuals within these groups.
- Support given to new faculty.

### RECOMMENDATIONS

(2) All Academic Institutions should identify and address specific concerns regarding:

- Health and retirement benefits.
- Staff support for course-related activities.
- Staff support for the preparation of proposals to external funding agencies.
- Staff to assist with the management of funded projects (e.g., bookkeeping, accounting, correspondence).
- Policies and practices regarding release time from teaching responsibilities to work on projects funded by external sources and the assignment of graduate research assistants to work with faculty on their research.

### RECOMMENDATIONS

(3) Faculty and administrators in all Academic Institutions (other than the U. T. Austin) should take action with regard to the following concerns:

- Quality of library print materials.
- Responsiveness of institutional administrators to faculty.

### RECOMMENDATIONS

(4) Faculty at UTA, UTD, UTEP, UTSA should pursue faculty concerns about:

- Quality of undergraduate students, including community college transfer students.

## RECOMMENDATIONS

**(5) Faculty and administrators in all Health Institutions should examine and refine policies and practices regarding:**

- Patient billing.
- Securing payment of bills by patients.
- Salary incentives.

## APPENDIX

**Table A. Institutional Climate Index Score for Institutional Types\***

	UT System		Institution Category			Health
	Total	UT Group 1	UT Group 2	UT Group 3		
Satisfaction with Job (10)	4.54	4.43	4.38	4.21	4.74	
Satisfaction with Institutional Teaching Climate (7)	4.96	4.06	4.77	4.81	5.20	
Satisfaction with Institutional Research Climate (7)	4.82	4.87	4.62	4.31	5.02	
Satisfaction with Institutional Governance and Leadership (3)	4.00	4.07	3.88	3.44	4.17	
Satisfaction with Institutional Policies-Parent Billing and Incentive Schemes (4)	3.36		3.21	2.78	3.58	

\*Indicates represent overall scores for items in each category. Respondents who did not complete at least 20 of the items in an index were treated as missing data. Parentheses indicate number of items in each of the indices.

UT-Group 1 = UT-Austin  
 UT-Group 2 = UT-Arlington, UT-Dallas, UT-El Paso, UT-San Antonio  
 UT-Group 3 = UT-Brownsville, UT-Pan American, UT-Panhandle Basin, UT-Tyler  
 Health = UTHC-Tyler, UTHSC-Houston, UTHSC-San Antonio, UTMD Anderson, UTMB-Galveston, UT-Southwestern

Note: Unless otherwise specified, the scale is 1=Not at all Satisfied to 7=Extremely satisfied

## APPENDIX

**Table B. Satisfaction with Resources Index Score for Institutional Types**

	UT System		Institution Category			Health
	Total	UT Group 1	UT Group 2	UT Group 3		
Satisfaction with Institutional Resources-General (7)	4.26	4.23	4.04	3.89	4.48	
Satisfaction with Institutional Resources-Teaching (11)	4.40	4.50	4.24	4.10	4.62	
Satisfaction with Institutional Resources-Research (8)	3.99	4.10	3.83	2.98	4.35	
Satisfaction with Institutional Resources-Library (3)	5.26	5.46	4.90	4.70	5.78	

UT-Group 1 = UT-Austin  
 UT-Group 2 = UT-Arlington, UT-Dallas, UT-El Paso, UT-San Antonio  
 UT-Group 3 = UT-Brownsville, UT-Pan American, UT-Panhandle Basin, UT-Tyler  
 Health = UTHC-Tyler, UTHSC-Houston, UTHSC-San Antonio, UTMD Anderson, UTMB-Galveston, UT-Southwestern

Note: Unless otherwise specified, the scale is 1=Not at all Satisfied to 7=Extremely satisfied

## APPENDIX

**Table C. Gender/Ethnic/Racial Index Scores for Institutional Types**

	UT System		Institution Category			Health
	Total	UT Group 1	UT Group 2	UT Group 3		
Satisfaction with Institutional Climate-Race and Gender (3)	4.92	4.47	4.97	4.95	5.08	
Satisfaction with Institutional Treatment of Women (9)	3.03	3.35	2.92	2.60	2.60	
Satisfaction with Institutional Treatment of Underrepresented Ethnic/Racial Groups (7) *	3.09	3.03	3.11	3.20	3.09	

\* Two of the original items in this scale were reverse coded to maintain index integrity.

UT-Group 1 = UT-Austin  
 UT-Group 2 = UT-Arlington, UT-Dallas, UT-El Paso, UT-San Antonio  
 UT-Group 3 = UT-Brownsville, UT-Pan American, UT-Panhandle Basin, UT-Tyler  
 Health = UTHC-Tyler, UTHSC-Houston, UTHSC-San Antonio, UTMD Anderson, UTMB-Galveston, UT-Southwestern

Note: Unless otherwise specified, the scale is 1=Not at all Satisfied to 7=Extremely satisfied

## APPENDIX

**Table D. Departmental Climate Index Scores for Institutional Types**

	UT System		Institution Category			Health
	Total	UT Group 1	UT Group 2	UT Group 3		
Satisfaction with Departmental Teaching Climate (8)	4.73	4.77	4.65	4.54	4.80	
Satisfaction with Departmental Research Climate (3)	4.29	4.32	4.14	3.55	4.55	
Satisfaction with Departmental Collegiality and Leadership (4)	4.79	4.82	4.78	4.57	4.84	
Satisfaction with Departmental Policies and Practices (4)	4.24	4.17	4.24	4.29	4.49	

UT-Group 1 = UT-Austin  
 UT-Group 2 = UT-Arlington, UT-Dallas, UT-El Paso, UT-San Antonio  
 UT-Group 3 = UT-Brownsville, UT-Pan American, UT-Panhandle Basin, UT-Tyler  
 Health = UTHC-Tyler, UTHSC-Houston, UTHSC-San Antonio, UTMD Anderson, UTMB-Galveston, UT-Southwestern

Note: Unless otherwise specified, the scale is 1=Not at all Satisfied to 7=Extremely satisfied

2. **U. T. System: Social Security Number Task Force Initiative Update**

REPORT

Florence Mayne, Assistant to the Executive Vice Chancellor for Business Affairs and System Administration Compliance Officer, will provide an update on the work of the U. T. System-wide Social Security Number Task Force. The work of the task force is proceeding in accordance with the timeline attached on Page 318.

A presentation of the use of Social Security Numbers to the Student, Faculty, and Staff Campus Life Committee on January 6, 2003, resulted in the proposed establishment of a System-wide task force to study and recommend a strategy with respect to a coordinated approach throughout the U. T. System for the collection, maintenance and dissemination of Social Security Numbers. The task force was established and is actively working to meet its charge.

**SYSTEM-WIDE SOCIAL SECURITY NUMBER TASK FORCE TIMELINE**

**Revised July 2, 2003**

<b>Due Date</b>	<b>Action</b>	<b>Comments</b>
February 26	Task force nominations due to Chancellor Yudof	Completed
March 7	Task force members announced; initial meeting agenda distributed	Completed
March 19	Initial meeting in Austin	Completed
March 21	Self-nominations for working groups and group leaders due to task force chair	Completed
March 25	Chair will establish working groups	Completed
April 1	Each institution's representative to deliver to task force chair a report compiling institution's proposed or current SSN policies	Completed
April 7	Working groups to begin discussions by this date	Completed
April 21	Office of General Counsel (OGC) to deliver report to task force chair identifying the legal requirements governing the collection, maintenance, and dissemination of Social Security numbers	Completed
April 21	Each institution's representative to deliver inventory of processes to task force chair	Completed
May 1	Each working group to submit to task force chair a report cataloging issues and concerns	Completed
May 12	OGC to deliver to task force chair a report determining the legal authorization for the processes identified in each institution's inventory	Cancelled; results of inventories revealed that such a process would be cumbersome; instead, each institution is to take OGC's report, apply it to inventory and consult with OGC as appropriate
May 21	Full meeting of task force in Austin to discuss a strategy for a System-wide approach	Completed
June	Drafting of preliminary strategy and recommendations	Completed
July	Review of preliminary draft at each institution	Sent to presidents of institutions on July 1, 2003; responses requested by July 29, 2003
August	Review of revised draft with Chancellor Yudof	
August	Status report to the Campus Life Committee of the Board of Regents	
September	Final drafting of strategy and recommendations	
November	Presentation of final report and recommendations to the Campus Life Committee of the Board of Regents	Originally scheduled for October; Board committee meetings, however, have been rescheduled for the same month as the full Board meets



## TABLE OF CONTENTS FOR FINANCE AND PLANNING COMMITTEE

**Committee Meeting:** 8/6/2003  
Westin La Cantera Resort Hotel, San Antonio  
**Board Meeting:** 8/7/2003  
U. T. Health Science Center - San Antonio

Woody L. Hunt, Chairman  
H. Scott Caven, Jr.  
James Richard Huffines  
Cyndi Taylor Krier  
A. W. "Dub" Riter, Jr.

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Welcome and Opening Remarks</b>	<i>10:30 a.m.- 12:30 p.m. Chairman Hunt</i>		
1. <b>U. T. System: Approval of <u>Docket No. 114</u></b>	Not on Agenda	<b>Action</b>	<b>143</b>
2. <b>U. T. System: Approval of transfer of funds between Legislative Appropriation items during the biennium beginning September 1, 2003</b>	<b>Action</b> <i>Mr. Wallace</i>	<b>Action</b>	<b>144</b>
3. <b>U. T. System: Approval to exceed the full-time equivalent limitation on employees paid from appropriated funds</b>	<b>Action</b> <i>Mr. Wallace</i>	<b>Action</b>	<b>145</b>
4. <b>U. T. System: Approval of a new Regental Policy on Presidential Cash Compensation</b>	<b>Action</b> <i>Mr. Kennedy</i>	<b>Action</b>	<b>147</b>
5. <b>U. T. System: Approval of Second Amended and Restated Investment Management Services Agreement with The University of Texas Investment Management Company</b>	<b>Action</b> <i>Mr. Godfrey</i>	<b>Action</b>	<b>153</b>
6. <b>U. T. Board of Regents: Approval to amend The University of Texas Investment Management Company Bylaws</b>	<b>Action</b> <i>Mr. Boldt</i>	<b>Action</b>	<b>170</b>
7. <b>U. T. Board of Regents: Approval to Amend the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Short Intermediate Term Fund, Separately Invested Accounts, and Short Term Fund Investment Policy Statements</b>	<b>Action</b> <i>Mr. Boldt Mr. Godfrey</i>	<b>Action</b>	<b>172</b>

8.	<b>U. T. Board of Regents: Approval of amendments to The University of Texas Investment Management Company Code of Ethics Policy</b>	<b>Action</b> <i>Mr. Boldt</i>	<b>Action</b>	<b>180</b>
9.	<b>U. T. Board of Regents: Approval of the Annual Budget and Management Fee Schedule for The University of Texas Investment Management Company</b>	<b>Action</b> <i>Mr. Aldridge</i>	<b>Action</b>	<b>184</b>
10.	<b>U. T. Board of Regents: Approval of The University of Texas Investment Management Company Liquidity Policy</b>	<b>Action</b> <i>Mr. Boldt</i>	<b>Action</b>	<b>191</b>
11.	<b>U. T. System: Report on Investments for the nine months ended May 31, 2003</b>	<b>Action</b> <i>Mr. Boldt</i>	<b>Action</b>	<b>195</b>
12.	<b>U. T. Board of Regents: Appointment of members to the Board of Directors of The University of Texas Investment Management Company</b>	Not on Agenda	<b>Action</b>	<b>205</b>
13.	<b>U. T. Board of Regents: Amendment of the Regents' <u>Rules and Regulations</u> in response to recommendations from Baker Botts Task Force (Part Two, Chapter IX, Sections 1, 2, and 5)</b>	<b>Action</b> <i>Mr. Aldridge</i>	<b>Action</b>	<b>206</b>
14.	<b>U. T. Board of Regents: Amendment of Regents' <u>Rules and Regulations</u> regarding oversight of The University of Texas Investment Management Company (Part One, Chapter II, Sections 3, 5, and 12)</b>	<b>Action</b> <i>Mr. Godfrey</i>	<b>Action</b>	<b>210</b>
15.	<b>U. T. System: Approval of aggregate amount of equipment financing for Fiscal Year 2004</b>	<b>Action</b> <i>Mr. Aldridge</i>	<b>Action</b>	<b>213</b>
16.	<b>U. T. Board of Regents: Approval of dissolution of Quasi-Endowment for Investment Excellence and authorization to expend remaining balance for educational purposes</b>	<b>Action</b> <i>Mr. Godfrey</i>	<b>Action</b>	<b>216</b>
17.	<b>U. T. System: Discussion of revenue debt capacity</b>	<b>Discussion</b> <i>Mr. Aldridge</i>	Not on Agenda	<b>217</b>
18.	<b>U. T. System: Discussion of Quarterly Permanent University Fund update</b>	<b>Discussion</b> <i>Mr. Aldridge</i>	Not on Agenda	<b>218</b>
19.	<b>U. T. System: Discussion of proposed issuance of \$125,000,000 of Permanent University Fund Flexible Rate Notes, Series A</b>	<b>Discussion</b> <i>Mr. Aldridge</i>	Not on Agenda	<b>230</b>
20.	<b>U. T. System: Discussion of Monthly Financial Report</b>	<b>Discussion</b> <i>Mr. Wallace</i>	Not on Agenda	<b>231</b>

**Adjourn**

1. **U. T. System: Approval of Docket No. 114**

RECOMMENDATION

It is recommended that Docket No. 114 as attached beginning on Page Docket - 1 be approved.

It is requested that the Committee confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to appropriate officials of the respective institution involved.

2. **U. T. System: Approval of transfer of funds between Legislative Appropriation items during the biennium beginning September 1, 2003**

**RECOMMENDATION**

The Chancellor, with the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs and presidents of the U. T. System component institutions, recommends that the U. T. Board of Regents adopt the resolution which follows to provide for the most effective utilization of the General Revenue Appropriations during the biennium beginning September 1, 2003.

**RESOLUTION**

Pursuant to the appropriate transfer provisions of the General Appropriations Act of the 78th Legislature, it is hereby resolved that the State Comptroller be requested to make necessary transfers within the Legislative Appropriations (and/or Cost Centers) from the General Revenue Fund as authorized by the Chief Financial Officer of each entity as follows:

The University of Texas at Arlington  
The University of Texas at Austin  
The University of Texas at Brownsville  
The University of Texas at Dallas  
The University of Texas at El Paso  
The University of Texas - Pan American  
The University of Texas of the Permian Basin  
The University of Texas at San Antonio  
The University of Texas at Tyler  
The University of Texas Southwestern Medical Center at Dallas  
The University of Texas Medical Branch at Galveston  
The University of Texas Health Science Center at Houston  
The University of Texas Health Science Center at San Antonio  
The University of Texas M. D. Anderson Cancer Center  
The University of Texas Health Center at Tyler  
The University of Texas System Administration

**BACKGROUND INFORMATION**

This resolution is a standard action by the U. T. Board of Regents at the beginning of each biennium and is pursuant to provisions of the General Appropriations Act, Article III, Section 4, passed by the 78th Texas Legislature.



3. **U. T. System: Approval to exceed the full-time equivalent limitation on employees paid from appropriated funds**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs, and the presidents of the affected U. T. System component institutions that the U. T. Board of Regents approve allowing those institutions, as set forth in the table on Page 146, to exceed the number of full-time equivalent (FTE) employees for Fiscal Year 2004 that are authorized in Article III of the General Appropriations Act. Also, as required by Article IX, Section 6.14 of the General Appropriations Act, it is recommended that the U. T. Board of Regents submit a request to the Governor's Office and the Legislative Budget Board to grant approval for these institutions to exceed the authorized number of FTE employees paid from appropriated funds.

**BACKGROUND INFORMATION**

The General Appropriations Act places a limit on the number of FTE employees paid from appropriated funds that an institution may employ without written approval of the Governor and the Legislative Budget Board. In order to exceed the FTE limitation, a request must be submitted by the governing board and must include the date on which the board approved the request, a statement justifying the need to exceed the limitation, the source of funds to be used to pay the salaries, and an explanation as to why the functions of the proposed additional FTEs cannot be performed within current staffing levels. U. T. System Administration will be under the FTE limitation and will not be requesting to exceed the full-time equivalent limitation.

**The University of Texas System  
EXPLANATION OF REQUESTS TO EXCEED  
FULL-TIME EQUIVALENT LIMITATION  
Fiscal Year 2004**

Component	Requested FTE Increase*	Major Reasons for Request
U. T. Arlington	58.34	To achieve goals outlined in the Texas Higher Education Coordinating Board's Closing the Gaps program.
U. T. Brownsville	469.88	The FTE cap in the Appropriations Bill does not include staff associated with Texas Southmost College. This request is a technical adjustment to the Appropriations Bill.
U. T. El Paso	60.00	To meet demand of enrollment growth.
U. T. Pan American	123.32	To meet demand of enrollment growth and the expansion of academic programs.
U. T. Permian Basin	16.00	To meet enrollment goals and growth.
U. T. San Antonio	91.00	To meet demand of enrollment growth and continue efforts to increase total semester credit hours taught by tenured faculty.
U. T. Health Science Center - San Antonio	137.00	The Appropriations Bill was funded near "current services" level. The FTE cap was set at a level far below current FTEs. This request restores the FTEs to a level required to maintain current services.
U. T. M. D. Anderson Cancer Center	480.00	To continue to provide the standard of care and services to an increasing number of patients and improve the capacity to deliver cancer care. To provide research programs with financial support and resources to grow and prosper.

\*Educational and General Funds are the source of funding for these increases.  
U. T. M. D. Anderson will also use Patient Income as a source of funds.

4. **U. T. System: Approval of a new Regental Policy on Presidential Cash Compensation**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that the U. T. System Board of Regents approve a new Regental Policy entitled U. T. System Presidential Cash Compensation Policy, substantially in the form on Pages 148 - 152.

**BACKGROUND INFORMATION**

Subsequent to the August 2002 U. T. Board of Regents' Executive Session where presidents' compensation was considered, the U. T. System Administration staff was requested to review the various elements comprising the institutional presidents' compensation for opportunities to simplify the compensation structure and recommend appropriate and consistent System-wide policies. The staff recommended a simplified compensation structure including a consistent methodology for the valuation of the presidents' salary supplements, known as 'housing allowances' prior to 2000. The staff report and compensation charts reflecting the simplified compensation structure were sent to all Board members for their review and comments in April 2003.

The proposed U. T. System Presidential Cash Compensation Policy includes the various staff recommendations indicated in the previously disseminated staff report. The policy, with its simplified compensation structure and valuation methodologies, should be a great assistance to the Board in the determination of appropriate compensation for the U. T. System presidents.

Upon adoption of the policy by the Board of Regents, the policy will be implemented in stages.

## **U. T. System Presidential Cash Compensation Policy**

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1. Purpose
2. Policy
3. Procedures
  - 3.1 Base Salary
  - 3.2 Practice Plan Supplement
  - 3.3 Salary Supplement
  - 3.4 No Car Allowance
  - 3.5 Institutionally-Provided Property and Services
4. Authority
5. Applicability
6. Interpretation
7. Approval and Revisions

### **1. Purpose**

This Policy sets forth the cash compensation structure that is authorized for presidents of the component institutions of The University of Texas System. It is prospective in nature and application and is not intended to be applied retroactively. It does not pertain to, nor affect, benefit programs such as insurance, retirement, and deferred compensation, which may also be a part of a president's overall compensation package.

### **2. Policy**

In order to attract and retain effective, highly skilled, and committed presidents of the component institutions of The University of Texas System and recognize their professional achievements, it is the policy of The University of Texas System to offer competitive levels of cash compensation within a compensation structure that is applied consistently. This Policy establishes and defines the various elements for the cash compensation portion of the presidential compensation package. Compensation packages for the presidents are recommended by the appropriate Executive Vice Chancellor to the Chancellor, and then by the Chancellor to the Board for approval.

### **3. Procedures**

#### **3.1 Base Salary**

- 3.1.1 The base salary rate for each president shall be set by The University of Texas System based on a review of state and national compensation survey data for respective peer institutions. Comparable salaries are reported in surveys by the College and

University Personnel Association and other nationally recognized organizations. These surveys typically exclude allowances such as car, housing, and housekeeping, and retirement plans and other fringe benefits.

**3.1.2** In addition to the base salary rate, each president shall receive as part of his or her base salary the market value of one half-time housekeeper. The market value shall be calculated by taking 65% of the average mid-point salary of the housekeeper positions included in The University of Texas System Classified Pay Plan; that calculation is intended to establish a market value that reflects the salary and benefits of a half-time housekeeping position. Each president, at his or her option, may privately employ a housekeeper, in which event the president shall be responsible for the tax-related implications and expenses associated with the employment of the housekeeper, or the president may elect to use the services of the institution's housekeeping staff, in which event the president shall reimburse the institution for the salary and benefits associated with that use. Each institution, at the institution's expense, shall provide appropriate housekeeping and other support services for business-related functions held at the president's residence.

### **3.2 Practice Plan Supplement**

The bylaws of the physician practice plans provide that the compensation for the presidents of the health component institutions may be supplemented by up to 30% of the president's salary from practice plan funds. The supplement is contingent on availability of funds in the practice plan. Practice plan supplements are included in national surveys of chief executive compensation. The practice plan salary supplement is not a part of the base salary and shall be reported as a separate element of the health presidents' cash compensation because of the special nature of the source of funding. Practice plan supplements are not eligible for Teacher Retirement System and Optional Retirement Program retirement benefits or other retirement benefits and no employer matching contributions may be made with respect to practice plan supplements.

### **3.3 Salary Supplement**

**3.3.1** The salary supplement shall be paid in lieu of a housing allowance to all presidents, including those who are provided a residence owned by The University of Texas System. It is intended to cover the hypothetical cost of a model residence, as described below. The salary supplement shall be eligible for retirement benefits but is not a part of the base salary.

- 3.3.2** The amount of the salary supplement shall be calculated by determining the fair market rental value of a standardized model residence containing 4,100 square feet of improvements and located where the president owns or leases his or her personal residence. In the case of a president who is provided a residence owned by The University of Texas System, the 4,100 square foot model residence shall be valued as if situated where the institutionally-owned residence is located.
- 3.3.3** When a new president takes office, he or she shall initially receive a salary supplement equal to the most recent fair market rental value determined for the location of his or her predecessor's residence until such time as he or she obtains permanent housing. It is anticipated that the new president will obtain permanent housing within one year of hire date. If, after one year, the president has not obtained permanent housing, the value of the salary supplement shall be calculated based on the fair market rental value of the 4,100 square foot model residence located at the president's current residence location.
- 3.3.4** In no event may the amount of the salary supplement exceed the fair market rental value of the 4,100 square foot model residence calculated at the location of the Bauer House.
- 3.3.5** No separate allowance for maintenance, utilities, landscaping, or other expenses attributable to the president's residence may be paid. All personal expenses associated with a president's residence are intended to be covered by the salary supplement.
- 3.3.6** Except as provided in the following sentence, each president of a component institution for which a residence owned by The University of Texas System is available shall have the option of leasing from The University of Texas System the institutionally-owned residence or acquiring a personal residence. If, however, the Board makes arrangements with the president that require the president to reside in the institutionally-owned residence or if covenants, conditions, or restrictions applicable to the institutionally-owned residence require occupancy by the president, then the president shall reside in the institutionally-owned residence.
- 3.3.7** Those presidents who either elect to or are required, as provided in Section 3.3.6, to reside in an institutionally-owned residence shall enter into a lease of the residence with The University of Texas System. The rental rate to be paid by the president under the lease

shall be based on the current fair market rental value of that portion of the residence that is used as the president's private residence.

### **3.4 No Car Allowance**

No separate car allowance may be provided to presidents of the component institutions. A component institution may reimburse a president for business use of the president's personal vehicle in accordance with the latest published Internal Revenue Service guidelines, the State Travel Regulations Act (Texas Government Code Chapter 660), and applicable institutional policies.

### **3.5 Institutionally-Provided Property and Services**

**3.5.1** Institutionally-provided property and services, such as club memberships, shall not be considered elements of a president's cash compensation. Such property and services shall be subject to appropriate authorization and approval and monitoring of personal use and business use.

**3.5.2** No tax equity adjustments may be paid to a president. Tax equity adjustments are cash compensation to the president for the federal income tax consequences to the president arising out of the president's personal use of institutionally-provided property or services. Rather, each president shall reimburse the institution for his or her personal use of institutionally-provided property and services at appropriate rates as determined by the institution in accordance with Internal Revenue Service guidelines and applicable institutional policies.

## **4. AUTHORITY**

The statutory authority for this Policy is provided by Texas Education Code Section 65.31, General Powers and Duties.

## **5. APPLICABILITY**

This Policy is applicable to each component institution of The University of Texas System (each referred to herein as an "institution" or "component institution").

**6. INTERPRETATION**

The Counsel and Secretary to the Board of Regents officially interprets this Policy and is responsible for proposing revisions to the Board of Regents as necessary to meet the changing needs of The University of Texas System and statutory and regulatory requirements.

**7. APPROVAL AND REVISIONS**

The policy reflects the recommendations of a review team that was established following the August 7, 2002, Executive Session of the Board of Regents at which presidential compensation was considered. The Board requested that U. T. System Administration staff review each of the cash and non-cash elements comprising the institutional presidents' compensation for opportunities to simplify the compensation structure and provide appropriate and consistent System-wide policies. The compensation structure, as it then existed, had developed over the years and had been administered in the absence of a formal policy, resulting in inconsistent applications and some confusion as to the varying elements of compensation. The review team consisted of representatives from the Office of Business Affairs, Office of the Board of Regents, Controller's Office, Real Estate Office, Office of General Counsel, Office of Health Affairs, and Office of Academic Affairs.

Approved \_\_\_\_\_, 2003, by the Board of Regents of The University of Texas System.



5. **U. T. System: Approval of Second Amended and Restated Investment Management Services Agreement with The University of Texas Investment Management Company**

**RECOMMENDATION**

The Chancellor, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. Board of Regents approve the Second Amended and Restated Investment Management Services Agreement effective August 7, 2003, as set forth in congressional style on Pages 155 - 169, which amends and restates the Amended and Restated Investment Management Services Agreement, effective November 16, 2000, as amended by a first amendment effective March 1, 2001.

**BACKGROUND INFORMATION**

The amendments add and revise certain sections in the Amended and Restated Investment Management Services Agreement to accomplish the following:

- a. Clarify the role of the U. T. Board of Regents, the Chancellor, and the President of UTIMCO related to matters of public policy (Section 2).
- b. Require an annual review of the Investment Policy Statements of the U. T. System Funds under UTIMCO's management by UTIMCO and System Administration staff (Section 3a).
- c. Institute reporting requirements by UTIMCO to provide quarterly compliance reports to the U. T. Board of Regents or its designee and to certify reports in a manner consistent with standards set forth in the Sarbanes-Oxley Act of 2002 (Section 3f).
- d. Add Disclosure of Information section regarding private investments (Section 3g).
- e. Clarify that UTIMCO is subject to the Texas Open Meetings Act, Chapter 551 of the Texas Government Code (Section 12). With limited exceptions, the Texas Legislature codified UTIMCO's prior practice of observation of the provisions of the Texas Open Meetings Act effective September 1, 2002.

- f. Delete outdated language on confidentiality to be consistent with other wording in the agreement (Section 21), delete unnecessary or ambiguous language (Sections 7(a), 8, 18, and 22), and add clarifying language (Section 4).
- g. Amend the termination provisions to require 90 days' notice before UTIMCO may terminate the agreement (Section 15).

The proposed Second Amended and Restated Agreement was reviewed by UTIMCO's outside legal counsel, Vinson & Elkins, and the Office of General Counsel of the U. T. System. It was approved by the UTIMCO Board on June 26, 2003, with the exception of the deletion of Section 21, which was determined by counsel for the System and UTIMCO to be inconsistent with other approved wording in the agreement. Counsel for both parties recommend this minor editorial change as consistent with the intent of the parties.

See related revisions to the UTIMCO Bylaws (Pages 170 - 171) and to the Regents' Rules and Regulations (Pages 210 - 212).

## SECOND AMENDED AND RESTATED INVESTMENT MANAGEMENT SERVICES AGREEMENT

This Second Amended and Restated Investment Management Services Agreement (this "Agreement") by and between the Board of Regents (the "U. T. Board") of The University of Texas System (the "U. T. System") and The University of Texas Investment Management Company ("UTIMCO"), a Texas nonprofit corporation, is effective August 7, 2003 ~~November 16, 2000~~, (the "Effective Date"), and amends and restates that certain Amended and Restated Investment Management Agreement by and between the U. T. Board and UTIMCO, effective November 16, 2000, as amended by the first amendment effective March 1, 2001, which amends and restates that certain Investment Management Services Agreement by and between the U. T. Board and UTIMCO, effective March 1, 1996, as amended by the first amendment effective June 2, 1997, the second amendment effective November 12, 1998, and the third amendment effective September 1, 1999.

### RECITALS

WHEREAS, the U. T. Board, pursuant to the Constitution and statutes of the State of Texas, is responsible for the investment of the Permanent University Fund, the local and institutional funds of the U. T. System and the funds of various trusts and foundations for which it serves as trustee, all of which funds are under the control and management of the U. T. Board; and

WHEREAS, Section 66.08, Texas Education Code, as amended, authorizes the U. T. Board, subject to certain conditions, to enter into a contract with a nonprofit corporation for the corporation to invest funds under the control and management of the U. T. Board, as designated by the U. T. Board; and

WHEREAS, UTIMCO has been organized under the laws of the State of Texas, including the Texas Nonprofit Corporation Act, Article 1396-1.01 et seq., Vernon's Texas Civil Statutes, for the express purpose of investing funds under the control and management of the U. T. Board, as designated by the U. T. Board, in accordance with the laws of the State of Texas; and

WHEREAS, the U. T. Board desires to enter into this Agreement with UTIMCO in order to provide for UTIMCO to invest certain designated funds under the control and management of the U. T. Board; and

WHEREAS, UTIMCO desires to enter into this Agreement with the U. T. Board and to invest certain designated funds under the control and management of the U. T. Board; and

WHEREAS, all conditions precedent to the execution and delivery of this Agreement have been fully satisfied and fulfilled, including, without limitations, the conditions established by Section 66.08, Texas Education Code, as amended;

NOW THEREFORE, for and in consideration of the premises and the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

## AGREEMENT

### **Section 1. Definitions.**

Accounts shall mean those funds for which the U. T. Board has responsibility, namely (a) the Permanent University Fund, excluding PUF Lands, (b) the Permanent Health Fund, (c) the U. T. Board Accounts and (d) the U. T. Board Trust Accounts.

Available University Fund or AUF shall mean the fund that consists of the distributions made to it from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of PUF Lands, all as provided by Article VII, Section 18 of the Texas Constitution.

Affiliate shall mean an entity directly or indirectly controlling, controlled by, or under common control with UTIMCO, including an entity with whom UTIMCO has an express or implied agreement regarding the direct or indirect purchase of investments by each from the other.

Claims shall mean all claims, lawsuits, causes of action and other legal actions and proceedings of whatever nature brought against (whether by way of direct action, counter claim, cross action, or impleader) any Indemnified Party and all requests or demands for indemnification made by any third party upon any Indemnified Party, even if groundless, false or fraudulent, so long as the claim, lawsuit, cause of action, other legal action or proceeding, request or demand is alleged or determined, directly or indirectly, to arise out of, result from, relate to or be based upon, in whole or in part, the duties, activities, acts or omissions of any person arising under this Agreement.

Custodian or Custodians shall mean a commercial bank, trust company or other entity selected by UTIMCO to hold and safekeep physical securities representing investment assets of any Account and to perform the other functions listed in Section 5 hereof. The primary Custodian as of the effective date of this Agreement is Mellon Trust of Everett Medford, Massachusetts. Substitute or additional Custodians may be appointed by UTIMCO from time to time.

**General Endowment Fund** or **GEF** shall mean the pooled fund for the collective investment of long-term funds under the control and management of the U. T. Board. The PUF, PHF, LTF or other long-term funds may invest in the GEF as authorized by the U. T. Board in each fund's investment policy statement.

**Indemnified Parties** shall mean UTIMCO and any of its officers, directors, employees and agents.

**Investment Policies** shall mean the written investment policies determined and approved by the U. T. Board relating to the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Separately Invested Funds, Short Intermediate Term Fund and the Short Term Fund, ~~which Amendments may be presented amended from time to time by UTIMCO to the U. T. Board for review with the consent and approval of the U. T. Board.~~

**Long Term Fund** or **LTF** shall mean the long-term pooled investment fund previously established by the U. T. Board for the collective investment of all endowment and other long-term funds of component institutions of the U. T. System.

**Losses** shall mean losses, costs, damages, expenses, judgments and liabilities of whatever nature (including, but not limited to, attorneys', accountants' and other professionals' fees, litigation and court costs and expenses, amounts paid in settlement, amounts paid to discharge judgments and amounts payable by an Indemnified Party to any other person under any arrangement providing for indemnification of that person) directly or indirectly resulting from, arising out of or relating to one or more Claims.

**Permanent Health Fund** or **PHF** shall mean collectively the permanent funds for health-related institutions established pursuant to Chapter 63, Texas Education Code, for which the U. T. Board is an administrator.

**Permanent University Fund** or **PUF** shall mean the constitutional fund known by that name and established pursuant to Article VII, Section 11 of the Texas Constitution.

**Permanent University Fund Lands** or **PUF Lands** shall mean approximately 2.1 million acres of land located in 24 Texas counties, primarily in West Texas, and constituting a part of the Permanent University Fund.

**Separately Invested Funds** or **SIFs** shall mean U. T. System Funds or U. T. Board Trust accounts which, by election of the U. T. Board or by requirement of the trust indenture or donative instrument, are invested separately and apart from other U. T. System Funds and the PUF.

Short Intermediate Term Fund or SITF shall mean the short intermediate term pooled investment fund previously established by the U. T. Board for the collective investment of funds (other than endowment and other long-term funds, including the Permanent University Fund) of the component institutions of the U. T. System.

Short Term Fund or STF shall mean the money market mutual fund or funds approved by UTIMCO from time to time as an investment for U. T. System Funds.

U. T. Board Accounts shall mean the investment assets of the General Endowment Fund and U. T. System Funds.

U. T. Board Trust Accounts shall mean the assets of charitable remainder trusts, foundations and other separately invested funds for which the U. T. Board serves as trustee on behalf of itself and other co-beneficiaries.

U. T. System Funds shall mean all funds under the control and management of the U. T. Board, other than the Permanent University Fund, the Permanent Health Fund and the U. T. Board Trust Accounts.

**Section 2. Delegation of Investment Authority; Retention of Policy Setting Authority.**

The U. T. Board hereby appoints UTIMCO as its investment manager with complete authority to act for the Board in the investment of the Accounts, subject, however, to such limitations and restrictions as are set forth in the Investment Policies. UTIMCO shall furnish the U. T. Board with continuous investment management services and shall invest and reinvest the assets of the Accounts in such ways and at such times as are believed by UTIMCO to be consistent with the Investment Policies and Section 4 hereof. UTIMCO shall be responsible for overall management of the U. T. Board's investment affairs as covered by this Agreement and shall manage each Account as a discretionary account.

The U. T. Board, as ultimate fiduciary for the Accounts, retains policy setting authority. Unless otherwise provided in writing by the U. T. Board, UTIMCO is authorized to look to the Chancellor to provide primary oversight and management concerning matters other than the core investment duties delegated above, including relations with the media, legal issues (such as public disclosure of information), intergovernmental relations, and policy issues other than those associated with investment allocation and/or return. The Board of UTIMCO and the President of UTIMCO shall be responsible for implementing the investment policy of the U. T. Board and performing those core investment duties delegated above. It shall be the responsibility of the President of UTIMCO to inform the Chancellor of unresolved policy issues not governed by the Investment Policies immediately so that appropriate oversight and management can be provided by the Chancellor. UTIMCO hereby agrees to abide by such oversight and management decisions made by the Chancellor.

### Section 3. Description of Investment Management Services.

During the term of this Agreement, UTIMCO shall provide the following services in conjunction with the investment of the Accounts:

- a) **Investment Policies:**  
UTIMCO shall review current investment policies for each Account at least annually and recommend any amendments for approval by the U. T. Board. Such review shall include distribution (spending) guidelines, long-term investment return expectations and expected risk levels, asset allocation targets and ranges for each eligible asset class, expected returns for each asset class and fund, and designated performance benchmarks for each asset class. After UTIMCO completes its assessment, it shall forward any recommended changes to U. T. System staff for review prior to being submitted to the U. T. Board for approval.
- b) **Investment Management:**  
UTIMCO shall oversee the investment management process. Such oversight shall include the development of an investment outlook based on global economic and capital market forecasts, the rebalancing of allocations to each asset class within ranges in response to changes in the investment outlook, and the selection of a combination of portfolio managers to construct portfolios designed to generate the expected returns of each asset class.
- c) **Investment Performance:**  
UTIMCO shall monitor and report on investment performance for the PUF, PHF and U. T. Board accounts. Such responsibilities shall include the calculation and evaluation of performance of asset classes and individual portfolios, against established benchmarks over various periods of time, the periodic review of performance benchmarks, the reporting of investment performance of Separately Invested Assets and U. T. Board Trust Accounts as requested by the U. T. Board, and the reporting to regulatory agencies and others regarding investments under management to the extent required by applicable law.
- d) **Operations:**  
UTIMCO shall execute such operational responsibilities as the purchase and sale of investments, the settlement of all trades (to the extent such trades are not settled by the Custodian or brokers), the accounting for all transactions at the portfolio level in accordance with generally accepted accounting principles, the preparation and delivery of periodic financial reports on all funds, and the maintenance of complete books and records (internally or through contract with the designated Custodian for the assets under management) reflecting transactions and balances of the Accounts.
- e) **Books and Records:**  
UTIMCO shall maintain the books and records for each Account on the basis of a fiscal year ending August 31st (or such other fiscal year as the U. T. Board may

establish from time to time), and shall keep full separate records of all transactions with respect to each Account. The books and records of the Accounts and all records concerning UTIMCO's operations shall be available during normal business hours for inspection by an authorized representative of U. T. System. UTIMCO shall provide full audit access to auditors representing the U. T. Board or the State Auditor, including access to any and all information concerning the operations of UTIMCO.

f) **Reporting:**

In connection with the annual audited financial statements of UTIMCO, effective with the August 31, 2004 financial statements, the chief executive officer and the chief financial officer of UTIMCO shall provide certifications similar to those required by Section 302 of the Sarbanes-Oxley Act of 2002, Corporate Responsibility for Financial Reports. In addition, UTIMCO will begin following the U. T. System compliance guidelines as outlined in the Action Plan to Enhance Institutional Compliance, including providing the U. T. Board or its designee quarterly compliance reports.

g) **Disclosure of Information:**

The U. T. Board is committed to a policy of full and fair disclosure to the public. As part of that commitment with respect to private investments in the Accounts, the following information shall be disclosed to the public with respect to such private investments ("private investment information"): the name and purpose of each private investment entity; the names of the individual principals managing such private investment; the amount invested by UTIMCO in such private investments; the investment returns for such private investment, including internal rates of return; and remaining value information. UTIMCO shall make no private investment with an entity unless the U. T. Board and UTIMCO has clear and unequivocal authority to disclose to the public the private investment information, described immediately above, relating to such investment.

Before UTIMCO declines to disclose any information it has collected, assembled or maintained in its role as investment manager for the U. T. Board that is requested under the Texas Public Information Act, the President of UTIMCO shall consult with the U. T. System Vice Chancellor and General Counsel. UTIMCO shall disclose the information unless the Vice Chancellor and General Counsel, after consultation with the Chancellor, approves a Public Information Act request to the Attorney General.

f)h) **Other Services:**

UTIMCO shall perform other investment management services to include attending meetings of the U. T. Board and making such reports as the U. T. Board may request from time to time, rendering services to promoters of private equity investments in which UTIMCO has decided to invest, attending meetings of governing bodies of companies in which UTIMCO's managed Accounts have invested, voting of



securities (or proxies with respect thereto) held as investments of the Accounts according to written policies of the U. T. Board; providing U. T. System component institutions with annual endowment reports reflecting, among other things, changes in the investment value of such component's endowment and distributions made to such component to support the activities for which the endowment was established; providing charitable trust administration services such as portfolio management, annual tax return preparation, annual trust reporting to donors and remittance of quarterly distributions; providing annual reporting of investment transactions and balances and distributing funds to authorized beneficiaries on foundation accounts; effecting distributions directly or through the Custodian to U. T. System component institutions or other named beneficiaries from the Accounts; supporting and maintaining on-line account information system for endowment accounts; and any other services necessary to provide investment management of the Accounts.

#### **Section 4. Investment Manager as Fiduciary.**

UTIMCO acknowledges that it will be acting as a fiduciary with respect to managing the investments of the Accounts subject to the Investment Policies and applicable law. The U. T. Board recognizes that all individual investment transactions involve a variety of significant potential risks, including, without limitation, market risk, liquidity risk, credit risk, cash flow risk, operational risk and counterparty risk, although taken as a whole these transactions are also expected to manage risk. The U. T. Board agrees that (i) UTIMCO will not be liable for any losses incurred in the Accounts as a result of investments made pursuant to the Investment Policies, and (ii) UTIMCO will not be liable for actions of co-fiduciaries. The Board also acknowledges that UTIMCO shall not be liable for, and, to the fullest extent authorized by the Constitution and laws of the State of Texas, agrees to hold UTIMCO harmless from the consequences of any action taken or omitted to be taken by the U. T. System or any of its employees or agents prior to March 1, 1996.

#### **Section 5. Custody of Assets.**

UTIMCO shall use custodians for safekeeping, settlement of security purchases, sales, collection of income and other duties as more fully described in the existing custody agreement between UTIMCO the U. T. Board and the Custodian, which agreement, together with the U. T. Board's rights, duties and obligations thereunder, has been assigned to UTIMCO. In addition, UTIMCO may from time to time use a brokerage firm to settle security sales on behalf of the U. T. Board and may invest in a regulated mutual fund, externally managed commingled funds, or other investments in which assets are held outside of the bank custody relationship. Any physical certificates not held in safekeeping with a Custodian shall be held in safekeeping at a local bank as designated by UTIMCO.

#### **Section 6. Use of Unaffiliated Investment Managers.**

UTIMCO shall be entitled to use unaffiliated investment advisors to invest all or part of the Accounts and to perform other duties as more fully described in existing investment

advisory agreements between UTIMCO ~~the U. T. Board~~ and such investment advisors, which agreements, together with the U. T. Board's rights, duties and obligations thereunder, have been assigned to UTIMCO.

**Section 7. Investment Management Fees; Direct Expenses.**

For services performed hereunder, UTIMCO shall be compensated in the amounts and in the manner set forth below:

a) **Annual Budget and Management Fee:**

UTIMCO shall submit to the U. T. Board its proposed annual budget for the following fiscal year (an "Annual Budget") within the time frame specified by the Board. The Annual Budget shall include all estimated expenses associated with the management of the Accounts. The Annual Budget shall also include an annual UTIMCO management fee (an "Annual UTIMCO Management Fee") which shall include all operating expenses associated with the general management of the Accounts, including, without limitation, salaries, benefits and performance compensation of portfolio management and support personnel, expenses for consulting services, office space lease expenses, office furniture and equipment expenses, professional, legal, payroll, and other general services expenses, travel, insurance, capital expenditures, and other miscellaneous expenses incurred by UTIMCO in connection with the performance of its obligations hereunder.

At the same time that UTIMCO submits its Annual Budget, it shall also submit to the U. T. Board an allocation formula for charging the Annual Budget to the Accounts. The Annual Budget and the allocation formula shall be approved or disapproved by the U. T. Board at its next regular meeting. ~~The U. T. Board will not unreasonably withhold approval of the Annual Budget or the allocation formula.~~ Any such Budget or formula that is disapproved shall be promptly revised by UTIMCO and resubmitted to the U. T. Board for approval.

On or before the first day of each fiscal quarter, UTIMCO shall be entitled to charge each Account with its allocable share (determined in accordance with the allocation formula then in effect) of one-fourth of the amount of the Annual UTIMCO Management Fee to pay UTIMCO's operating expenses for the succeeding fiscal quarter. UTIMCO shall be entitled, with the approval of the U. T. Board, to revise the Annual UTIMCO Management Fee and allocation formula at any time during a fiscal year. Any statements for partial quarters at the beginning or end of this Agreement shall be prorated to reflect the actual time services were rendered during such partial quarters.

UTIMCO is hereby authorized to pay from each Account direct expenses incurred for portfolio management, custodian, auditing, and other services which are performed by external vendors specifically for each Account.

- b) **Directors Fees:**  
Members of UTIMCO management, with the approval of the UTIMCO Board, may serve as directors of companies in which UTIMCO has directly invested Account assets. In such event, any and all compensation paid to UTIMCO management for their services as directors shall be endorsed over to UTIMCO and considered a part of UTIMCO's fee income. Furthermore, UTIMCO Board approval of UTIMCO management's services as directors of investee companies shall be conditioned upon the extension of UTIMCO's Directors and Officers Insurance Policy coverage to UTIMCO management's services as directors of investee companies.
- c) **Fees for Services Rendered:**  
Members of UTIMCO management may perform services for which UTIMCO receives a fee ("Service Fees") from investment promoters or investee companies in consideration of the UTIMCO staff's private investment activities and/or investment origination activities. Such Service Fees shall be considered additional fee income to UTIMCO. UTIMCO may also receive commitment fees, standby fees and other similar fees ("Capital Fees") accruing or inuring to the capital invested on behalf of the Accounts managed by UTIMCO. Such Capital Fees shall be credited to the Accounts from which such investments are funded.
- d) **Miscellaneous Fees:**  
UTIMCO management may perform specialized services for accounts that are separately invested for which UTIMCO receives a fee from the account. These fees primarily relate to maintenance of computer programs for the separately invested accounts. Such Miscellaneous Fees shall be considered additional fee income to UTIMCO.

#### **Section 8. Brokerage Commissions.**

The U. T. Board acknowledges and agrees that the investment management fees provided for in Section 6 are in addition to any compensation that may be due to a broker or dealer in effecting and executing transactions on behalf of UTIMCO. UTIMCO is hereby authorized and empowered, with full ~~and absolute~~ discretion, to issue instructions in accordance with the Investment Policies to such unaffiliated brokerage firms as may be selected by UTIMCO for the execution of orders for the purchase, sale, exchange and general investment of the Accounts; provided that UTIMCO shall not select a brokerage firm that is an Affiliate of UTIMCO. All orders for Account transactions shall be placed in such markets and through such brokers as UTIMCO determines will offer the most favorable price, execution and commission cost of each order. The U. T. Board acknowledges and agrees that UTIMCO, from time to time and in accordance with applicable law, may pay commissions to brokers that are higher than those that might be obtainable elsewhere in order to obtain from such brokers research and other services expected to enhance the long-term value of the Accounts.

**Section 9. Valuation of Account Assets.**

The valuation of the account shall be determined in accordance with the investment Policies approved by the U. T. Board for the account.

**Section 10. Representations and Warranties of Parties.**

**U. T. Board.**

- A. The U. T. Board (a) is duly established and validly existing under the laws of the State of Texas and is an agency of the State of Texas, (b) has all power and authority and all material government licenses, authorizations, consents and approvals required to carry on its business as now conducted, and (c) has full power and authority to execute, deliver and perform this Agreement.
- B. The execution, delivery and performance by the U. T. Board of this Agreement have been duly authorized by all necessary action and do not contravene, or result in the violation of or constitute a default under, any provision of applicable law or regulation, or any order, rule or regulation of any court, governmental agency or instrumentality or any agreement, resolution or instrument to which the U. T. Board is a party or by which it or any of its property is bound.
- C. No authorization, consent, approval, permit, license, or exemption of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality that has not been obtained or issued is or will be necessary for the valid execution, delivery or performance by the U. T. Board of this Agreement.
- D. This Agreement constitutes a valid and binding agreement of the U. T. Board.
- E. There is no action, suit or proceeding pending or, to the knowledge of the U. T. Board, threatened against or affecting the U. T. Board or the U. T. System, or relating to this Agreement, in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of the U. T. Board to enter into, and perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.
- F. The U. T. Board has approved:
  - (1) the Articles of Incorporation and Bylaws of UTIMCO;
  - (2) the Investment Policies;
  - (3) the Audit and Ethics committee of UTIMCO; and
  - (4) the Code of Ethics of UTIMCO.

- G. The U. T. Board has been provided with the opportunity to ask questions of, and it has received answers thereto satisfactory to it from, UTIMCO and its representatives regarding this Agreement and has obtained all additional information requested by it of UTIMCO and its representatives prior to entering into this Agreement.

#### **UTIMCO.**

- A. UTIMCO (a) is duly organized and validly existing as a Texas nonprofit corporation under the laws of the State of Texas, particularly the Texas Nonprofit Corporation Act, Article 1396-1.01 et seq., Vernon's Texas Civil Statutes, (b) has all corporate power and authority and all material government licenses, authorizations, consents and approvals required to carry on its business as now conducted, and (c) has full power and authority to execute, deliver and perform this Agreement.
- B. The execution, delivery and performance by UTIMCO of this Agreement have been duly authorized by all necessary action by UTIMCO and do not contravene, or result in the violation of or constitute a default under, any provision of applicable law or regulation, or any order, rule or regulation of any court, governmental agency or instrumentality or any agreement, resolution or instrument to which UTIMCO is a party or by which it or any of its property is bound.
- C. No authorization, consent, approval, permit, license, or exemption of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality that has not been obtained or issued is or will be necessary for the valid execution, delivery or performance by UTIMCO of this Agreement.
- D. This Agreement constitutes a valid and binding agreement of UTIMCO.
- E. There is no action, suit or proceeding pending or, to the knowledge of UTIMCO, threatened against or affecting UTIMCO, or relating to this Agreement in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of UTIMCO to enter into, and to perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.

#### **Section 11. UTIMCO's Code of Ethics.**

Consistent with the requirements of Section 66.08, Texas Education Code, UTIMCO's Directors, and Employees shall abide by UTIMCO's Code of Ethics as approved by the U. T. Board.

**Section 12. UTIMCO's Open Meeting Policy.**

Except as otherwise provided in Section 66.08, Texas Education Code, UTIMCO shall comply with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, provisions of its Open Meeting Policy as approved by the U. T. Board.

**Section 13. Prohibition Against Service to Other Clients.**

In accordance with Section 66.08, Texas Education Code, UTIMCO shall not engage in any business other than managing the Accounts under this Agreement.

**Section 14. Investment Company Act.**

UTIMCO shall not be required to register as an "investment company" under Section 80a-8 of Title 15 of the United States Code (the Investment Company Act of 1940), as amended.

**Section 15. Termination.**

The U. T. Board may terminate this Agreement at any time by written notice to UTIMCO, effective immediately upon receipt of such notice by UTIMCO, subject to reasonable allowance for settlement of pending trades. UTIMCO may terminate this Agreement upon ninety (90) ~~thirty (30)~~ days' written notice to the U. T. Board. There shall be no penalty for termination; however, UTIMCO shall be entitled to all compensation and benefits earned prior to termination.

**Section 16. Amendments.**

No amendment hereto shall be effective unless executed in the same manner as this Agreement.

**Section 17. Notices.**

All notices or communications hereunder shall be in writing and shall not be effective until hand delivered and receipted to the other party, or sent by overnight delivery, or sent by United States Certified or Registered Mail, postage prepaid, to the addressed party. The following are the designated addresses for such notices or communications and may only be changed by communication in the manner required by this paragraph:

To U. T. Board:

Board of Regents of The University of Texas System  
Attn: Counsel and Secretary  
201 West Seventh Street, Suite 820  
Austin, Texas 78701  
Tel. (512) 499-4402  
Fax. (512) 499-4425

To UTIMCO:

The University of Texas Investment Management Company  
Attn: President and CEO  
221 West Sixth St., Suite 1700  
Austin, Texas 78701  
Tel. (512) 225-1600  
Fax. (512) 225-1660

**Section 18. Non-Assignability.**

No Assignment of this Agreement by UTIMCO shall be made without having obtained the prior written consent of the U. T. Board nor is the Agreement assignable by the U. T. Board ~~without prior written consent of UTIMCO.~~

**Section 19. No Waiver of Breach.**

A waiver of a breach of any provision of this Agreement shall not constitute a waiver of any subsequent breach of that provision or a breach of any provision hereof. Failure of either party to enforce at any time or from time to time any provision of this Agreement shall not be construed as a waiver thereof.

**Section 20. Indemnification.**

a) **Agreements to Indemnify:**

To the fullest extent authorized by the Constitution and laws of the State of Texas, the U. T. Board shall indemnify and hold harmless each of the Indemnified Parties against any and all Losses, including Losses resulting from the negligence of the Indemnified Party claiming indemnification; provided, however, the U. T. Board shall not be obligated to indemnify an Indemnified Party against Losses to the extent such Losses are caused by (i) an act or omission that involves intentional misconduct or a knowing violation of law by the Indemnified Party claiming indemnification, (ii) a transaction from which the Indemnified Party claiming indemnification received an improper benefit, (iii) an act or omission for which the liability of the Indemnified Party claiming indemnification is expressly provided by an applicable statute, or (iv) an act or omission constituting gross negligence by the Indemnified Party claiming indemnification; provided further that indemnification payments by the U. T. Board shall be paid from the same sources as the Annual Fee pursuant to Section 7.

b) **Reimbursement:**

Each Indemnified Party shall reimburse the U. T. Board for payments made by the U. T. Board pursuant to this Section to the extent of any proceeds, net of all expenses of collection, actually received by it from any insurance with respect to any

Loss. At the request and expense of the U. T. Board, each Indemnified Party shall have the duty to claim any such insurance proceeds and such Indemnified Party shall assign its rights to such proceeds, to the extent of such required reimbursement, to the U. T. Board.

c) **Notice:**

In case any Claim shall be brought or, to the knowledge of any Indemnified Party, threatened against any Indemnified Party in respect of which indemnity may be sought against the U. T. Board, such Indemnified Party shall promptly notify the U. T. Board in writing; provided, however, that any failure so to notify shall not relieve the U. T. Board of its obligations under this Section.

d) **Defense:**

The U. T. Board shall have the right to assume the investigation and defense of all Claims, including the employment of counsel and the payment of all expenses. Each Indemnified Party shall have the right to employ separate counsel in any such action and participate in the investigation and defense thereof, but the fees and expenses of such counsel shall be paid by such Indemnified Party unless (i) the employment of such counsel has been specifically authorized by the U. T. Board, in writing, (ii) the U. T. Board has failed to assume the defense and to employ counsel, or (iii) the named parties to any such action (including any impleaded parties) include both an Indemnified Party and the U. T. Board, and such Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the U. T. Board (in which case, if such Indemnified Party notifies the U. T. Board in writing that it elects to employ separate counsel at the U. T. Board's expense, the U. T. Board shall not have the right to assume the defense of the action on behalf of such Indemnified Party; provided, however, that the U. T. Board shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegation or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for the Indemnified Parties, which firm shall be designated in writing by such Indemnified Parties).

e) **Cooperation; Settlement:**

Each Indemnified Party shall use reasonable efforts to cooperate with the U. T. Board in the defense of any action or Claim. The U. T. Board shall not be liable for any settlement of any action or Claim without its consent but, if any such action or Claim is settled with the consent of the U. T. Board or there be final judgment for the plaintiff in any such action or with respect to any such Claim, the U. T. Board shall indemnify and hold harmless the Indemnified Parties from and against any Loss by reason of such settlement or judgment as provided in Subsection (a) of this Section.



f) **Survival; Right to Enforce:**

The provisions of this Section shall survive the termination of this Agreement, and the obligations of the U. T. Board hereunder shall apply to Losses or Claims whether asserted prior to or after the termination of this Agreement. In the event of failure by the U. T. Board to observe the covenants, conditions and agreements contained in this Section, any Indemnified Party may take any action at law or in equity to collect amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the U. T. Board under this Section.

**Section 21. Confidential Relationships.**

~~Except as otherwise required by law, all information and recommendations furnished by UTIMCO shall be regarded as confidential by the U. T. Board. Each party shall regard as confidential all information concerning the affairs of the other party or the Accounts. Each party shall take all steps as are reasonably necessary to ensure compliance with this Section.~~

**Section 22. Entire Agreement; Miscellaneous.**

~~This Agreement contains the entire agreement between the parties and all representation with respect to the subject matter thereof. Headings in the Agreement are for purposes of reference only and shall not limit or otherwise effect the meaning hereof. Any capitalized term used in an Exhibit to this Agreement shall have the meaning designated herein, unless otherwise defined in the Exhibit itself.~~

**Section 23. Governing Law.**

This Agreement and all matters arising under it shall be governed by the Constitution and laws of the State of Texas. Venue for any action brought by any party hereto concerning the subject matter of this Investment Management Agreement shall be in Travis County, Texas.

**BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM**

Date: \_\_\_\_\_

By \_\_\_\_\_  
Charles Miller  
Chairman

**THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

Date: \_\_\_\_\_

By \_\_\_\_\_  
Bob Boldt  
President and Chief Executive Officer

6. **U. T. Board of Regents: Approval to amend The University of Texas Investment Management Company Bylaws**

RECOMMENDATION

The Chancellor, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO), that the U. T. Board of Regents approve the amendments to the UTIMCO Bylaws as set forth below in congressional style:

- a. Amend Article III, relating to Board of Directors, as follows:

ARTICLE III  
BOARD OF DIRECTORS

...

Section 3. Appointment and Term. Except for those Directors named in the Articles of Incorporation, Directors shall be appointed by the Board of Regents, except that the Chancellor of the System shall serve as a Director so long as he remains Chancellor of the System. Until otherwise changed by the Board of Regents in compliance with applicable law, the members of the Board of Directors shall include (i) the Chancellor of the System, (ii) at least three (3) persons then serving as members of the Board of Regents (“Regental Directors”), and (iii) one or more persons selected by the Board of Regents from a list of candidates with substantial background and expertise in investments that is submitted by the Board of Regents of The Texas A&M University System (together with the Chancellor of the System and the Regental Directors, the “Affiliated Directors”). The three (3) Regental Directors shall serve for two-year terms that expire on the first day of April of each odd-numbered year. The remaining Directors (other than the Chancellor of the System and the Regental Directors) shall serve three-year staggered terms that expire on the first day of April of the appropriate year. ~~except that the term of one of the current Directors shall end on April 1, 2001, the term of two (2) of the current Directors shall end on April 1, 2002, and the term of two (2) of the current Directors shall end on April 1, 2003.~~ No such Director (other than the Affiliated Directors) shall serve more than three (3) full three-year terms. Notwithstanding the foregoing, the Board of Regents may, from time to time, alter the terms of the Directors. Each person serving as a Director shall serve until the expiration of such Director’s term, or until such Director’s successor has been chosen and qualified, or until such Director’s earlier death, resignation, or removal as provided in these Bylaws.

- b. Amend Article V, relating to officers, as follows:

ARTICLE V  
OFFICERS

...

Section 6. Powers and Duties of the Vice Chairman for Policy.  
The Chancellor of the System shall serve as Vice Chairman for Policy and shall coordinate those responsibilities, including the appropriate resolution of policy issues, assigned to UTIMCO and the System by the Rules and Regulations of the Board of Regents and the Investment Management Services Agreement in order to facilitate UTIMCO's performance of its core investment duties.

BACKGROUND INFORMATION

Section 66.08 of the Texas Education Code requires that the U. T. Board of Regents approve Bylaws of the corporation and any amendments thereto. New language regarding the powers and duties of a new position, Vice Chairman for Policy, to be held by the Chancellor, have been added in Article V, Section 6 of the UTIMCO Bylaws to codify within the Bylaws recommended revisions to the Regents' Rules and Regulations (see Pages 210 - 212) and the Investment Management Services Agreement (see Pages 153 - 169) regarding the retention of policy-making authority by the U. T. Board of Regents.

The UTIMCO Bylaws were initially approved by the Board of Regents on February 8, 1996, and amendments were approved in May 1997, November 1999, February 2000, and November 2001.

The proposed amendments to the Bylaws, with the exception of a minor edit to delete outdated reference to expiration of terms, were approved by the UTIMCO Board of Directors on June 26, 2003. Subsequent changes were reviewed by UTIMCO's outside legal counsel, Vinson & Elkins, and the Office of General Counsel of the U. T. System.

7. **U. T. Board of Regents: Approval to Amend the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Short Intermediate Term Fund, Separately Invested Accounts, and Short Term Fund Investment Policy Statements**

**RECOMMENDATION**

The Chancellor and the Executive Vice Chancellor for Business Affairs concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. Board of Regents approve proposed amendments to the following Investment Policy Statements as outlined in the Background Information below:

- a. Permanent University Fund (PUF)
- b. General Endowment Fund (GEF)
- c. Permanent Health Fund (PHF)
- d. Long Term Fund (LTF)
- e. Short Intermediate Term Fund (SITF)
- f. Separately Invested Accounts (SIF)
- g. Short Term Fund (STF)

Complete amended Investment Policy Statements (congressional style) have been reviewed by the Executive Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, and the Counsel and Secretary to the Board and are available upon request.

**BACKGROUND INFORMATION**

Section 3(a) of the Investment Management Services Agreement dated March 1, 1996, amended and restated effective March 1, 2001, between the Board of Regents of The University of Texas System and UTIMCO provides that UTIMCO shall review the investment policies of the assets under its management and recommend any changes of such policies for approval by the U. T. Board of Regents.

Proposed amendments are based upon recommendations from a Task Force comprised of U. T. System employees and UTIMCO representatives charged with reviewing the report submitted to the U. T. Board of Regents on February 12, 2003, by Baker Botts, LLP, and upon UTIMCO recommendations as summarized below:

AMENDMENTS BASED ON BAKER BOTTS TASK FORCE  
RECOMMENDATIONS:

- In the PUF Investment Policy Statement, eliminate the terminology “prudent person investment standard” and replace with “prudent investor standard”. Article VII of the Texas Constitution authorizes the Board of Regents of The University of Texas System to acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. This differs from the less flexible prudent person standard, which requires the fiduciary to be primarily concerned with preserving capital rather than other considerations.
- In the SITF and STF Investment Policy Statements, eliminate the terminology “prudent person rule”. Add language to clarify that the primary and constant standard for making investment decisions for the SITF and STF is the investment standard set forth in the Uniform Management of Institutional Funds Act (Texas Property Code Section 163.007).
- Clarify in the PUF, GEF, PHF, and LTF Investment Policy Statements that the independent accounting firm to audit the funds will be selected by the U. T. Board of Regents rather than the UTIMCO Board of Directors.

Section 66.08 of the Texas Education Code states that the Board of Regents shall provide for an annual financial audit of the PUF. By agreement between the Board of Regents and the UTIMCO Board, the independent auditors for the GEF, PHF, LTF and SITF will also be selected by the Board of Regents. New language was added to the SITF Investment Policy Statement concerning selection of the independent auditor by the Board of Regents. The SITF Statement did not contain any reference to the selection of an independent auditor.

## AMENDMENTS BASED ON UTIMCO RECOMMENDATIONS:

- Amend performance measurement sections of the PUF, GEF, PHF, LTF, and SITF policies to clarify that investment performance is routinely measured by the Fund's custodian, which is an unaffiliated organization with recognized expertise in this field and reporting responsibility to the UTIMCO Board of Directors.
- In the PHF Investment Policy Statement, modify the purpose language to clarify which of the permanent health funds created by Chapter 63 of the Texas Education Code are invested in the PHF. Certain funds previously invested in the PHF are now managed by the Comptroller of Public Accounts.
- Also in the PHF Investment Policy Statement, eliminate reference to the permanent health funds that are managed by the Comptroller of Public Accounts.
- In the LTF Investment Policy Statement, clarify that the Uniform Management of Institutional Funds Act allows the LTF to distribute unrealized appreciation in the fair market value of the assets of the LTF as well as realized appreciation as follows:

Pursuant to the Uniform Management of Institutional Funds Act ("Act"), a governing board may distribute, for the uses and purposes for which the fund is established, the net ~~realized~~ appreciation, realized and unrealized, in the fair market value of the assets of an endowment fund over the historic dollar value of the fund to the extent prudent under the standard provided by the Act. In addition, income may be distributed for the purposes associated with the endowments/foundations.

- In the PUF and GEF Investment Policy Statements, replace detailed references to Derivative Securities with references to the Derivative Investment Policy approved by the UTIMCO Board of Directors on October 31, 2002, using the following language:

The GEF Fund may utilize Derivative Securities ~~with the approval of the UTIMCO Board to:~~ a) simulate the purchase or sale of an underlying market index while retaining a cash balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a Derivative Security is priced more attractively than the underlying security; e) index or to hedge risks associated with GEF Fund investments; or f) adjust the market exposure of the asset allocation, including long and short strategies and other strategies provided that the GEF's use of derivatives complies with the Derivative Investment Policy approved by the UTIMCO Board. The Derivative

~~Investment Policy shall serve the purpose of defining the permitted applications under which derivative securities can be used, which applications are prohibited, and the requirements for the reporting and oversight of their use. The objective of the Derivative Investment Policy is to facilitate risk management and provide efficiency in the implementation of the investment strategies using derivatives. ; provided that leverage is not employed in the implementation of such Derivative purchases or sales. Leverage occurs when the notional value of the futures contracts exceeds the value of cash assets allocated to those contracts by more than 2%. The cash assets allocated to futures contracts is the sum of the value of the initial margin deposit, the daily variation margin and dedicated cash balances. This prohibition against leverage shall not apply where cash is received within 1 business day following the day the leverage occurs. UTIMCO's Derivatives Guidelines shall be used to monitor compliance with this policy. Notwithstanding the above, leverage strategies are permissible within the alternative equities investment class with the approval of the UTIMCO Board, if the investment strategy is uncorrelated to the Fund as a whole, the manager has demonstrated skill in the strategy, and the strategy implements systematic risk control techniques, value at risk measures, and predefined risk parameters.~~

The Derivative Investment Policy is set forth on Pages 176 - 179 for information.

- Make minor editorial changes to assure that terminology in all investment policies is consistent.

The UTIMCO Board of Directors approved the proposed amendments to the Investment Policy Statements for the PUF, GEF, PHF, LTF, SITF, SIF and STF on June 26, 2003.

# The University of Texas Investment Management Company

## Derivative Investment Policy

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Effective Date of Policy: October 31, 2002  
Date Approved by UTIMCO Board: October 31, 2002

### **Purpose:**

The purpose of the Derivative Investment Policy is to enumerate the applications, documentation and limitations for investment in derivative securities in the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter referred to as the Funds. The Board of Regents approved investment policy guidelines for the Funds allow for investment in derivative securities provided that their use is in compliance with UTIMCO's Board approved Derivative Investment Policy. The Derivative Investment Policy supplements the Investment Policy Statement for the Funds.

### **Objective:**

The objective of investing in derivative securities is to facilitate risk management and provide efficiency in the implementation of various investment strategies for the Funds. Through the use of derivatives, the complex risks that are bound together in traditional cash market investments can be separated and managed independently. Derivatives provide the Funds with the most economical means to improve the Funds risk/return profile.

### **Scope:**

This Policy applies to internal management of derivatives at UTIMCO only. Derivatives policies for external managers are established on a case by case basis with each external manager. This Policy Statement applies to both exchange traded and over the counter derivative instruments. This Policy shall not be construed to apply to index or other common or commingled funds in which the Funds typically invest. These commingled investment vehicles are governed by separate investment policy statements.

### **Definition of Derivatives:**

Derivatives are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as a bonds, stocks, commodities, and currencies). For the purposes of this Policy derivatives shall include futures, forwards, swaps and all forms of options, but shall not include a broader range of securities including mortgage backed securities, structured notes and convertible bonds. (Refer to attached exhibit for glossary of terms)

### **Permitted Derivative Applications:**

Derivatives may be used:

- To implement investment strategies in a low cost and efficient manner,
- To alter the Funds market (systematic) exposure without trading the underlying cash market securities,
- To construct portfolios with risk and return characteristics that could not be created with cash market securities,
- To hedge and control risks so that the Funds' risk/return profile is more closely aligned with the Funds' targeted risk/return profile,
- To facilitate transition trading,
- By managers of public markets investments employed by UTIMCO. An external investment manager may engage in derivative security transactions only if the transactions are consistent with the overall investment objectives of the account. Derivative applications shall be approved only with investment managers that demonstrate investment expertise in their use, and have appropriate risk management policies and procedures to effectively monitor and control their use. Disclosure of permitted derivative applications with external investment managers shall be made to UTIMCO's Board prior to investment.



## The University of Texas Investment Management Company Derivative Investment Policy

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- By managers of alternative marketable equities employed by UTIMCO. The due diligence process in the selection of these managers requires a clear understanding of the managers use of derivatives, particularly as it relates to various risk controls and leverage. UTIMCO will invest in such strategies exclusively through limited partnership agreements, offshore corporations or other legal entities that limit the Funds' exposure to its investment in the strategy. Disclosure of derivative applications with alternative marketable equity managers shall be made to UTIMCO's Board prior to investment.

The primary intent of derivative security transactions should be to hedge risk in portfolios or to implement investment strategies more effectively and at a lower cost than would be possible in the cash market.

### **Derivative Applications Not Permitted:**

Derivative Applications shall not be used to invest in asset classes that are not consistent with the Funds policy asset categories, implementation strategies and risk/return characteristics. Only the above derivative applications are permitted until such time as this policy is amended and approved by UTIMCO's Board.

### **Documentation and Controls:**

Prior to the implementation of a new derivative application, UTIMCO shall document the purpose, justification, baseline portfolio, derivative application portfolio, risks (including at a minimum modeling, pricing, liquidity and legal risks), the expected increase or reduction in systematic and specific risk resulting from the application, the acceptable criteria for counterparties in over the counter derivative applications, and the procedures in place to monitor and manage the derivative exposure. Internal control procedures to properly account and value the Funds' exposure to the derivative application shall be fully documented. The Chief Investment Officer shall recommend and the UTIMCO Board approve any new derivative applications prior to implementation, after fully considering the permissibility, merits, and compliance with all documentation and controls requirements of the application. UTIMCO shall establish an appropriate risk management procedure to monitor compliance and will take corrective action if necessary. UTIMCO shall make a comprehensive report of all derivative applications to the UTIMCO Board on at least a quarterly basis.

### **Limitations:**

Leverage is inherent in derivative securities since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the cash markets, where in most cases the cash outlay is equal to the asset acquired, derivatives applications offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional cash market portfolio. Therefore risk management and control processes must focus on the total risk assumed in a derivatives application, which is the sum of the application-specific risk and the market (systematic) risk established by the derivative application. In order to control and limit the leverage risk, each derivative application must specify a baseline portfolio, and risk measures such as Value at Risk (VAR) will be employed to assure that the total economic impact risk of the derivative application portfolio relative to the baseline portfolio will not exceed 20% of the underlying value of the baseline portfolio. The total relative economic impact risk of each derivative application will be monitored on a daily basis by the most appropriate risk management tools for the particular derivatives application.

As an additional global limitation, the total gross value (without netting counter positions) of all derivatives positions, including both internal and external managers, in the Funds shall not exceed 50% of the net asset value of the Funds.

In order to limit the financial risks associated with derivative applications, rigorous counterparty selection criteria and netting agreements shall be required to minimize counterparty risk for over the counter derivatives. The counterparty must be an investment grade credit and the agreement must be marked to market no less frequently than monthly.

**The University of Texas Investment Management Company  
Derivative Investment Policy**

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**Derivative Investment Policy Exhibit  
Glossary of Terms**

**Application Specific Risk** – The portion of total risk in a derivatives application which is due to factors unique to the application as opposed to more systematic, market-related factors. For example, in an option on a specific stock, the risk associated with the specific business results of the company which issued the stock underlying the option would be Application Specific Risk, as opposed to the overall risk of the stock market which would be Systematic Risk.

**Baseline Portfolio** – The cash-market based portfolio which will serve as the basis for calculating the relative risk level of an equivalent derivatives application.

**Cash Equivalents** – Includes cash, short term fixed income instruments, accruals, variation margin and one day deposits in transit to the account.

**Cash Market** - The physical market for a commodity or financial instrument.

**Counterparty** - The offsetting party in an exchange agreement.

**Derivative Application** – A definition of the intended use of a derivative-based position such as replication or enhancing index returns, asset allocation or completion fund strategies, and various alpha transport strategies.

**Derivative Application Portfolio** – The portfolio including derivative instruments, cash equivalents, and other cash market assets established to replicate a specified baseline portfolio.

**Economic Exposure** - The total effective exposure of a derivative position. The economic exposure is the product of the dollar value of the exposure and the market or systematic risk level of the exposure. A common method of measuring economic exposure is with risk management tools such as “value at risk.”

**Exchange Traded Derivatives** - Derivative instruments traded on an established national or international exchange. These instruments “settle” daily in that cash exchanges are made between the exchange and parties to the contracts consistent with the change in price of the instrument. Fulfillment of the contract is guaranteed by the exchange on which the instruments are traded. Examples include S&P 500 futures contracts and Goldman Sachs Commodities Index futures contracts.

**Forward Contract** - A non-standardized contract for the physical or electronic (through a bookkeeping entry) delivery of a commodity or financial instrument at a specified price at some point in the future.

**Futures Contract** - A standardized contract for either the physical delivery of a commodity or instrument at a specified price at some point in the future, or a financial settlement derived from the change in market price of the commodity or financial instrument during the term of the contract.

**Option** - An instrument that conveys the right but not the obligation to buy or deliver the subject financial instrument at a specified price, at a specified future date.

**Over the Counter Derivatives** - Derivative instruments which result from direct negotiation between a buyer and a counterparty. The terms of such instruments are non-standard and are the result of specific negotiations. Settlement occurs at the negotiated termination date, although the terms may include interim

## The University of Texas Investment Management Company Derivative Investment Policy

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cash payments under certain conditions. Examples include currency swaps and forward contracts, interest rate swaps, and collars.

**Swap** - A contract whereby the parties agree to exchange cash flows of defined investment assets in amounts and times specified by the contract.

**Systematic Risk** – The non-diversifiable risks associated with an investment in a particular asset market. For example the financial, political, and other risks associated with a portfolio of common stocks are known as “market” or systematic risks.

**Value at Risk (VAR)** – An established method of measuring economic exposure risk. The measure conveys the maximum potential loss (in dollars or percent of total assets) for a particular investment position, for a particular period of time, for a particular level of confidence.

8. **U. T. Board of Regents: Approval of amendments to The University of Texas Investment Management Company Code of Ethics Policy**

**RECOMMENDATION**

The Chancellor, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. Board of Regents approve amendments to the Definitions, and Article III, Sections A and D of The University of Texas Investment Management Company (UTIMCO) Code of Ethics Policy as set forth below in congressional style:

- a. Amend Specific Policy Statement, relating to Definitions, as follows:

**Definitions**

...

- (3) “Chief Compliance Officer” means the person designated from time to time as the Chairman of the Employee Ethics and Compliance Committee. ~~As of the date of adoption of this Code of Ethics, the Chief Compliance Officer is Cathy A. Iberg.~~

...

- (9) “General Counsel” means the lawyer or firm of lawyers designated from time to time as the General Counsel of UTIMCO; provided that when the General Counsel is a firm of lawyers, one principal within that firm shall be identified to receive all written and oral communications hereunder. ~~As of the date of adoption of this Code of Ethics, the General Counsel is Vinson & Elkins L.L.P. and the principal identified to receive all such communications is Jerry E. Turner.~~

- b. Amend Article III, Section A, relating to investments, and Section D, relating to employees:

**III. Prohibited Transactions and Interests**

- A. *UTIMCO*: Agreements or Transactions. *UTIMCO* and *UTIMCO* entities may not enter into an agreement or transaction with:

- (1) a director or employee acting in other than an official capacity on behalf of *UTIMCO*;

- (2) a director entity, employee entity or other business entity (including an investment fund) in which a director or employee has any pecuniary interest;
- (3) a former director or employee, an investment fund or other entity controlled by a former director or employee (with control being determined in the manner specified in the definition of “director entity” above), or a business entity in which a former director or employee has a pecuniary interest, on or before the first anniversary of the date the person ceased to be a director or employee; or
- (4) an investment fund or account (other than the Accounts) managed by a director, director entity, employee or employee entity as a fiduciary or agent for compensation.

Except as provided below, a person shall be deemed to have a pecuniary interest in a business entity if the person:

- (i) owns five percent or more of the voting stock or shares of the business entity; or
- (ii) owns five percent or more of the fair market value of the business entity; or
- (iii) received more than five percent of his or her gross income for the preceding calendar year from the business entity;

provided that any private investment by a person in a business entity (including an investment fund) controlled by such person shall constitute a pecuniary interest in that business entity. For purposes of the foregoing, control of a business entity shall be determined in the manner specified in the definition of “director entity” above.

Investments. Without limiting the foregoing, UTIMCO and UTIMCO entities [will implement procedures and safeguards to insure that none of the Accounts is invested may not invest](#) in the publicly traded securities of a publicly traded company in which a director, director entity, employee or employee entity has any pecuniary interest (as described above). Further, UTIMCO and UTIMCO entities may not (i) invest in the private investments of a business entity if a

director, director entity, employee or employee entity then owns a private investment in the same business entity or (ii) co-invest with a director, director entity, employee or employee entity in the private investments of the same business entity.

Prior to consideration by the Board of an agreement or transaction with a business entity or investment in a business entity, each director and key employee shall certify that he or she does not have any pecuniary interest in the associated business entity.

...

D. *Employees:* No employee or employee entity may:

- (1) engage in outside employment, business, or other activities which detract from the ability to fulfill the full-time responsibilities to UTIMCO;

(Key employees must obtain advance written approval from the President for any outside employment or business, including service as director, officer, or investment consultant or manager for another person or entity. Any outside employment by the President must be approved in advance by the Board.

Employees, with the prior approval of the Board, may serve as directors of companies in which UTIMCO has directly invested Account assets. In such event, any and all compensation paid to employees for their services as directors shall be endorsed to UTIMCO and applied against UTIMCO's fees. Furthermore, Board approval of any employee's service as a director of an investee company shall be conditioned upon the extension of UTIMCO's Directors and Officers Insurance Policy coverage to the employee's service as a director of the investee company.)

- (2) engage in a personal securities transaction without obtaining preclearance for each such transaction with the Chief Compliance Officer; or

[The Chief Compliance Officer shall verify that no buy/sell order has been placed by a UTIMCO internal manager [for securities of the same class](#). If [such a](#)

buy/sell order has been placed, no employee may conduct a personal securities transaction [for such securities](#) until one trading day after the buy/sell order has been completed or canceled. Preclearances will be documented by the Chief Compliance Officer in a personal securities transaction log for each employee, which will provide a record of all requests and approvals or denials of preclearances for personal securities transactions. Preclearance for personal securities transactions is effective for one trading day only.

An employee who engages in personal securities transaction must also provide transactional disclosure for each such transaction. Transactional disclosure forms must be completed for all personal securities transactions and given to the Chief Compliance Officer within ten calendar days of the trade date. The transactional disclosure form must contain the following information: name and amount of the security involved, date and nature of the transaction, price at which the transaction was effected, and name of the broker through whom the transaction was effected.

The preclearance and transactional disclosure requirements for personal securities transactions apply only to equity or equity-related transactions, including stocks, convertibles, preferreds, options on securities, warrants, rights, etc., for domestic and foreign securities, whether publicly traded or privately placed. The preclearance and transactional disclosure requirements do not apply to bonds (with the exception of convertible bonds), mutual funds, co-mingled trust funds, financial futures, and options on futures.]

- (3) (a) invest in the private investments of a business entity if UTIMCO, a UTIMCO entity, a director or a director entity then owns a private investment in the same business entity or (b) a co-invest with UTIMCO, a UTIMCO entity, a director or director entity in the private investments of the same business entity.

## BACKGROUND INFORMATION

Section 66.08 of the Texas Education Code requires that the U. T. Board of Regents approve the UTIMCO Code of Ethics (the Code) and any amendments thereto. The amendments to the Code are in response to recommendations from Baker Botts, LLP, as outside counsel to the U. T. Board of Regents and to make minor editorial changes identified during an annual review of the Bylaws by UTIMCO management and Vinson & Elkins, counsel for UTIMCO.

Attorneys with Baker Botts, LLP, noted that Texas law and the Code were not clear if external managers investing funds under UTIMCO's management were prohibited from investing in the publicly traded securities of a publicly traded company in which a director, director entity, employee or employee entity has any pecuniary interest. Article III of the Code will be amended to include all accounts under UTIMCO's management.

The amendments to the Code were reviewed by Vinson & Elkins and by the Office of General Counsel of the U. T. System. The proposed amendments were approved by the UTIMCO Board of Directors on June 26, 2003. Subsequent changes were reviewed by UTIMCO's outside legal counsel, Vinson & Elkins, and the Office of General Counsel.

9. **U. T. Board of Regents: Approval of the Annual Budget and Management Fee Schedule for The University of Texas Investment Management Company**

## RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. Board of Regents approve UTIMCO's Annual Budget and Management Fee Schedule for the fiscal year ending August 31, 2004, as set forth on Pages 186 - 190, subject to final review and approval of amendments to investment policy statements at a later meeting of the Board.

## BACKGROUND INFORMATION

The Investment Management Services Agreement between the U. T. Board of Regents and UTIMCO requires that UTIMCO submit its annual budget and management fee schedule to the Board of Regents for approval. The annual budget consists of UTIMCO's management fee and a budget for direct expenses of the funds managed by UTIMCO.



The total budget for the fiscal year ending August 31, 2004, is \$30,874,512, a decrease of \$2,445,520 or 7.34% from the 2003 budget. UTIMCO's management fee for the fiscal year ending August 31, 2004, will decrease \$90,728 (1%) from \$9,602,501 to \$9,511,773. Budgeted direct expenses will decrease \$2,354,792 (10%) from \$23,717,531 to \$21,362,739. The UTIMCO Board of Directors approved the proposed budget and management fees on June 26, 2003.



## 2004 Operating Budget

	8/31/02		8/31/03		8/31/04	Increase (Decrease)	%
	Budget	Actual	Budget	Projected			
<b>UTIMCO Services</b>							
Total Compensation	3,790,306	2,526,949	<del>5,955,110</del>	<del>5,217,712</del>	6,008,455	53,345	1%
Total Payroll taxes	188,021	145,492	<del>249,743</del>	<del>196,312</del>	270,688	20,945	8%
Employee Benefits	373,523	314,450	<del>545,188</del>	<del>450,238</del>	648,854	103,668	19%
Total General Operating	960,900	620,092	<del>1,371,000</del>	<del>1,168,163</del>	1,101,000	(270,600)	-20%
Total Lease Expense	613,000	604,683	<del>623,010</del>	<del>615,502</del>	623,010	0	0%
Total Professional Fees	310,000	249,358	<del>360,000</del>	<del>428,664</del>	285,000	(75,000)	-21%
Total Insurance	180,935	197,535	<del>211,853</del>	<del>215,244</del>	280,524	68,872	20%
Depreciation of Equipment	281,592	271,692	<del>286,200</del>	<del>291,879</del>	294,243	8,043	3%
<b>Total UTIMCO Services</b>	<b>\$ 6,698,276</b>	<b>\$ 4,965,184</b>	<b><del>\$ 9,802,501</del></b>	<b><del>\$ 8,563,113</del></b>	<b>\$ 9,511,773</b>	<b>(90,728)</b>	<b>-1%</b>
<b>Direct Costs to Funds</b>							
External Management Fees	20,188,427	14,868,430	<del>28,116,821</del>	<del>18,167,260</del>	17,948,739	(2,167,292)	-11%
Custodian and Analytical Costs	1,902,243	1,902,243	<del>1,883,668</del>	<del>1,786,268</del>	1,959,630	75,767	4%
Other Directs Total	3,179,901	3,395,536	<del>1,717,687</del>	<del>2,227,334</del>	1,454,370	(263,267)	-15%
<b>Total Direct Costs to Funds</b>	<b>25,270,571</b>	<b>20,102,705</b>	<b><del>23,717,531</del></b>	<b><del>19,182,862</del></b>	<b>21,362,739</b>	<b>(2,354,792)</b>	<b>-10%</b>
<b>Grand Total</b>	<b>31,968,847</b>	<b>25,067,889</b>	<b><del>33,320,032</del></b>	<b><del>27,765,975</del></b>	<b>30,874,512</b>	<b>(2,445,520)</b>	<b>-7.34%</b>

**Cost Comparison  
UTIMCO Budget vs Cambridge Mean**

	2003		
	UTIMCO Budget (2)	Cambridge Group Mean (3)	UTIMCO versus Cambridge Mean
<b>Internal Investment Supervision (1)</b>	0.045%	0.045%	0.000%
<b>External Investment Supervision</b>			
Performance Measurement and Subscriptions	0.005%		
Consulting Expenses (Private Equity)	0.010%		
<b>Total External Supervision</b>	0.015%	0.010%	0.005%
<b>Custodian Fees and Other Direct Investment Costs</b>	0.011%	0.018%	-0.007%
<b>Total Investment Costs</b>	<b>0.071%</b>	<b>0.073%</b>	<b>-0.002%</b>
<b>Legal Expenses</b>	0.003%	0.002%	0.001%
<b>Accounting, IT, and Administration</b>			
Direct	0.003%		
Indirect (Accounting & IT Expenses)	0.026%		
<b>Total Accounting, IT, and Administration</b>	0.029%	0.008%	0.021%
<b>Total Non-Investment Costs</b>	<b>0.032%</b>	<b>0.010%</b>	<b>0.022%</b>
<b>Total Costs</b>	<b>0.103%</b>	<b>0.083%</b>	<b>0.020%</b>

	2004		
	UTIMCO Budget (2)	Cambridge Group Mean (3)	UTIMCO versus Cambridge Mean
	0.047%	0.045%	0.002%
	0.006%		
	0.007%		
	0.013%	0.010%	0.003%
	0.009%	0.018%	-0.009%
	<b>0.069%</b>	<b>0.073%</b>	<b>-0.004%</b>
	0.002%	0.002%	0.000%
	0.002%		
	0.020%		
	0.022%	0.008%	0.014%
	<b>0.024%</b>	<b>0.010%</b>	<b>0.014%</b>
	<b>0.093%</b>	<b>0.083%</b>	<b>0.010%</b>

(1) For appropriate comparison to Cambridge Mean, investment supervision costs include salary, benefits and overhead costs for CEO, Managing Directors, analysts, and Risk Manager. Funds participating in the Cambridge Mean did not have internal management efforts. Therefore, all costs of external management were excluded from the "Total Investment Cost" figures shown for the Cambridge Mean. To provide comparable results for UTIMCO, since the internal management could be done externally at high costs to UTIMCO, the internal manager expenses are removed from the "Internal Investment Supervision" totals.

(2) UTIMCO cost figures are based on the FY03 and FY04 budgets, using 6/30/99 and 6/30/00 market values to facilitate comparisons to the Cambridge Mean.

(3) Cambridge Mean based on data from 15 endowments with assets of \$500 million or more. Based on average endowment assets at 6/30/99 and 6/30/00. The data in the report from Cambridge was captured in July 2001. The report was issued in the Spring 2002.

**Investment Oversight Expenditures  
High Equity Allocation (High Complexity) Funds**

Costs in Basis Points	Asset Size of Fund					
	\$20 billion	\$10 billion	\$5 billion	\$1 billion	\$500 million	\$100 million
1	2 M	1 M	500 K	100 K	50 K	10 K
2	4 M	2 M	1 M	200 K	100 K	20 K
4	8 M	4 M	2 M	400 K	200 K	40 K
6	12 M	UTIMCO	3 M	600 K	300 K	60 K
8	16 M	8 M	4 M	800 K	400 K	80 K
10	20 M	10 M	5 M	1 M	500 K	100 K
15	30 M	15 M	7.5 M	1.5 M	750 K	150 K
20	40 M	20 M	10 M	2 M	1 M	200 K
25	50 M	25 M	12.5 M	2.5 M	1.25 M	250 K
30	60 M	30 M	15 M	3 M	1.5 M	300 K

	Spending Too Little
	Reasonable Spending Range
	Spending Too Much

Source: "An Overview of Endowment Management Costs" by Cambridge Associates

**UTIMCO Fee and Direct Budgeted Investment Expenses**  
**Annual Fee and Allocation Schedule**  
For the fiscal year ending August 31, 2004

Proposed Budget

	The Permanent University Fund (PUF)	The Permanent Health Fund (PHF)	The University of Texas System Long Term Fund (LTF)	General Endowment Fund (GEF)	The University of Texas System Short Intermediate Term Fund (SITF)	Short Term Fund (STF)	Separately Invested Endowments and Charitable Trust Accounts	Total
Market Value 2/28/03 (\$ millions)	6,300.0	667.3	2,542.5	3,209.8	1,594.7	1641.8	151.1	12,897.4
UTIMCO Services(1)	5,360,677	621,526	2,990,223		539,348			9,511,773
<b>Direct Expenses of the Fund</b>								
External Management Fees	6,234,803			3,290,296		N/A (2)		9,525,099
External Management Fees - Performance Based	5,399,717			3,023,924				8,423,640
Other Direct Costs	1,769,946	23,313	56,493	1,440,046	124,202			3,414,000
<b>Total Direct Expenses of the Fund</b>	<b>13,404,465</b>	<b>23,313</b>	<b>56,493</b>	<b>7,754,266</b>	<b>124,202</b>		<b>0</b>	<b>21,362,739</b>
<b>TOTAL</b>	<b>18,765,143</b>	<b>644,839</b>	<b>3,046,716</b>	<b>7,754,266</b>	<b>663,550</b>	<b>N/A (2)</b>	<b>0</b>	<b>30,874,512</b>
<b>Percentage of Market Value</b>								
UTIMCO Services	0.085%	0.093%	0.118%	0.000%	0.034%	0.000%	0.000%	0.074%
Direct Expenses of the Fund	0.213%	0.003%	0.002%	0.242%	0.008%	0.000%	0.000%	0.166%
<b>TOTAL</b>	<b>0.298%</b>	<b>0.097%</b>	<b>0.120%</b>	<b>0.242%</b>	<b>0.042%</b>	<b>0.000%</b>	<b>0.000%</b>	<b>0.239%</b>

(1) Allocation Ratio: PUF-56%, Health Fund-7%, LTF-32%, SITF-5%

(2) Income is net of fees

(amounts may not foot due to rounding adjustments)

**Fee Analysis**  
For the fiscal year ending August 31, 2004

	The Permanent University Fund (PUF)	The Permanent Health Fund (PHF)	The University of Texas System Long Term Fund (LTF)	General Endowment Fund (GEF)	The University of Texas System Short Intermediate Term Fund (SITF)	Short Term Fund (STF)	Separately Invested Endowments and Charitable Trust Accounts	Total
Market Value 2/28/03 (\$ millions)	6,300.0	667.3	2,542.5		1,594.7	1641.8	151.1	12,897.4
Market Value 2/28/02 (\$ millions)	7,114.0	848.7	2,784.6	3,209.8	1,451.9	1257.1	171.9	13,628.2
				3,633.3				
Change in Portfolio Value	<u>-814.0</u>	<u>-181.4</u>	<u>-242.1</u>	<u>-423.5</u>	<u>142.8</u>	<u>384.7</u>	<u>-20.8</u>	<u>-730.8</u>
<b>2004 Management Fees</b>								
UTIMCO Services	0.085%	0.093%	0.118%	0.000%	0.034%	0.000%	0.000%	0.074%
Direct Expenses of the Fund	0.213%	0.003%	0.002%	0.242%	0.008%	0.000%	0.000%	0.166%
TOTAL	<u>0.298%</u>	<u>0.097%</u>	<u>0.120%</u>	<u>0.242%</u>	<u>0.042%</u>	<u>0.000%</u>	<u>0.000%</u>	<u>0.239%</u>
<b>2003 Management Fees</b>								
UTIMCO Services	0.073%	0.080%	0.113%	0.000%	0.042%	0.000%	0.000%	0.070%
Direct Expenses of the Fund	0.216%	0.003%	0.002%	0.224%	0.008%	0.000%	0.003%	0.174%
TOTAL	<u>0.289%</u>	<u>0.082%</u>	<u>0.115%</u>	<u>0.224%</u>	<u>0.050%</u>	<u>0.000%</u>	<u>0.003%</u>	<u>0.244%</u>
Change in Fees	<u>0.009%</u>	<u>0.014%</u>	<u>0.005%</u>	<u>0.018%</u>	<u>-0.008%</u>	<u>0.000%</u>	<u>-0.003%</u>	<u>-0.005%</u>
Due to Market Decline	0.020%	0.015%	0.001%	0.018%	-0.009%	0.000%	0.000%	-0.001%
Budget Actions by UTIMCO	<u>-0.011%</u>	<u>0.000%</u>	<u>0.004%</u>	<u>0.000%</u>	<u>0.001%</u>	<u>0.000%</u>	<u>-0.003%</u>	<u>-0.004%</u>
	<u>0.009%</u>	<u>0.014%</u>	<u>0.005%</u>	<u>0.018%</u>	<u>-0.008%</u>	<u>0.000%</u>	<u>-0.003%</u>	<u>-0.005%</u>

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10. **U. T. Board of Regents: Approval of The University of Texas Investment Management Company Liquidity Policy**

**RECOMMENDATION**

The Chancellor, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. Board of Regents approve the proposed UTIMCO Liquidity Policy, as set out on Pages 192 - 194, subject to final review and approval of amendments to investment policy statements at a later meeting of the Board.

**BACKGROUND INFORMATION**

The purpose of the Liquidity Policy is to establish limits on the overall liquidity profile of investments in the Permanent University Fund (PUF) and General Endowment Fund (GEF). The established liquidity profile limits will act in conjunction with, but do not supercede, the Investment Policies established by the UTIMCO Board and approved by the U. T. Board of Regents.

Liquidity risk can be defined as the uncertainty in the value of an investment position that exists because the position cannot be readily converted to cash or cash equivalents. Because liquidity risk is an important element of the total investment risks affecting the PUF and GEF, this Policy establishes strategic limits on acceptable liquidity risk, yet provides liquidity ranges to allow UTIMCO to make tactical decisions as expected returns for assuming liquidity risk change in investment markets.

The Liquidity Policy was approved by the UTIMCO Board of Directors on June 26, 2003, and the Policy was reviewed by the Office of General Counsel.

# The University of Texas Investment Management Company

## Liquidity Policy

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Effective Date of Policy: August 7, 2003

Date Approved by UTIMCO Board: June 26, 2003

### **Purpose:**

The purpose of the Liquidity Policy is to establish limits on the overall liquidity profile of investments in the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter referred to as the Funds. For the purposes of this policy, "liquidity" is defined as a measure of the ability of an investment position to be converted into a cash position. The established liquidity profile limits will act in conjunction with, but do not supercede, the Investment Policy established by the UTIMCO Board and approved by the U. T. System Board of Regents.

### **Objective:**

The objective of the Liquidity Policy is to control the element of total risk exposure of the PUF and GEF funds stemming from the uncertainties associated with the ability to convert longer term investments to cash to meet immediate needs or to change investment strategy, and to the potential cost of that conversion. This element of total risk is referred to as 'Liquidity Risk' in this Policy.

### **Scope:**

This Policy applies to all PUF and GEF investments made by UTIMCO, both by internal and by external managers. Policy implementation will be managed at the aggregate UTIMCO Level and will not be a responsibility of individual internal or external managers managing a portion of the aggregate assets.

### **Definition of Liquidity Risk:**

Liquidity Risk is defined as that element of total risk resulting from the uncertainty associated with both the cost and time period necessary to convert existing investment positions to cash (or cash equivalents). Liquidity risk can result in lower than expected returns and reduced opportunity to make changes in investment positions to respond to changes in capital market conditions. Modern finance theory asserts that liquidity risk is a systematic risk factor that is incorporated into asset prices such that future longer-term returns will be higher for assets with higher liquidity risk, although that may not be the case in the short term.

### **Liquidity Risk Measurement-The Liquidity Profile:**

Capital market theory does not provide a precise technique to measure liquidity risk. For the purposes of this Liquidity Policy, potential liquidity risk will be defined and monitored by measuring the aggregate liquidity profile of the PUF and GEF. All individual investments within the PUF and GEF will be segregated into four categories:

- **Highly Liquid:** Investments that could be readily converted to cash within 1 day to 4 weeks, at a discount of 5% or less from current value.
- **Liquid:** Investments that could be converted to cash within a period of 1 month to 3 months in an orderly market at minimal discount or in a shorter time period by accepting a discount of 20% or less.
- **Moderately Illiquid:** Investments that could be converted to cash within a period of 3 months to 12 months in an orderly market at minimal discount or in a shorter time period by accepting a discount of 30% or less.
- **Illiquid:** Investments that could be converted to cash over a period of 1 year or more in an orderly market at minimal discount or in a shorter time period by accepting a discount of more than 30%.

The measurements necessary to segregate all investments into one of the four categories assume normally functioning capital markets and cash market transactions, excluding swap or other derivatives transactions which could be utilized in actual emergency situations to create liquidity.

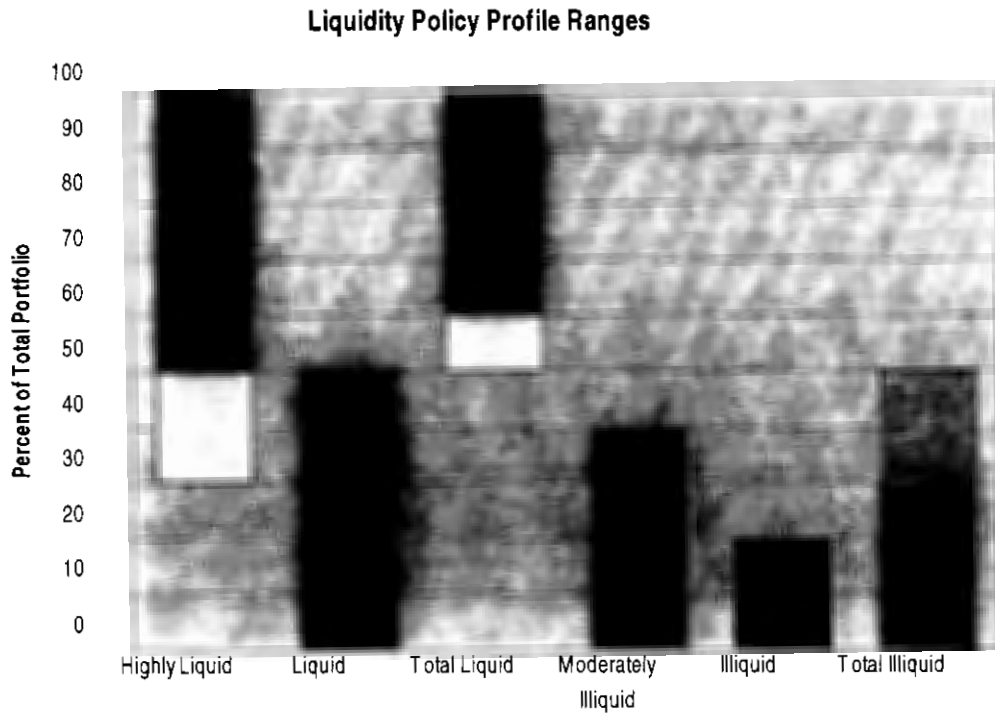


## The University of Texas Investment Management Company Liquidity Policy

The result of this liquidity risk measurement process will be a liquidity profile for the PUF and GEF which indicates the percentage of the total portfolio assets within each liquidity category. This Liquidity Policy defines the acceptable range of percentage of total assets within each liquidity category, specifies "trigger zones" requiring special review by UTIMCO staff and Board, and specifies the method of monitoring and presenting actual versus policy liquidity profiles.

### Liquidity Policy Profile:

The current Liquidity Policy Profile ranges and trigger zones are defined by the chart below:



The green bars indicate the Policy ranges for investments categorized as "liquid", including subtotals for "Highly Liquid" and "Liquid" categories as well as the total for all liquid categories. The shaded portions of the green bars indicate trigger zones requiring special action by UTIMCO staff and Board. For example, the allowable range for "Highly Liquid" investments is currently 30% to 100% of total assets, while Total Liquid asset must comprise at least 50% of the total portfolio to as much as 100% of the portfolio. However, should actual Highly Liquid investments fall below 50% of total portfolio assets into the defined trigger zone, special review and action would be required by the UTIMCO Board as specified in the Documentation and Control section of this Policy. Likewise, the red bars illustrate the allowable range for "Illiquid" investments, 0% to 20%, while Total Illiquid assets may not comprise more than 50% of total assets. The trigger zone for Total Illiquid assets is 30% or more of the total portfolio.

### Documentation and Controls:

Managing Directors responsible for each asset class are responsible for determining the liquidity category for each investment in that class. These classifications will be reviewed by the Risk Manager and must receive final approval from the Chief Investment Officer. Classifications and weights within each liquidity category will be updated and reported on a monthly basis. All new investments considered will be categorized by liquidity category and a statement regarding the effect on overall liquidity of the addition of the new investment must be an element of the due diligence process and will be a part of all recommendation reports to the UTIMCO Board.

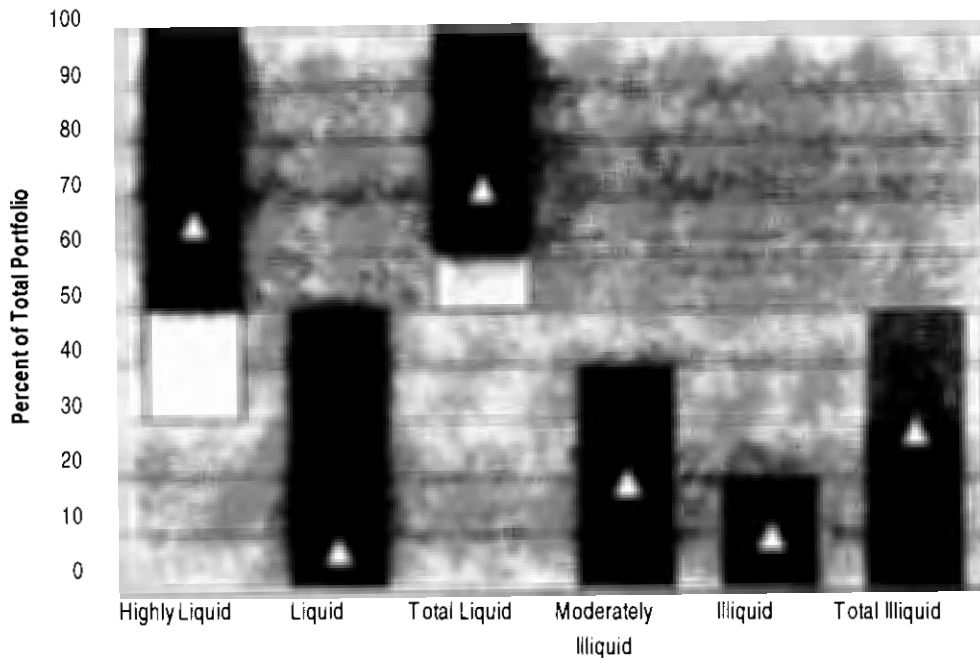
## The University of Texas Investment Management Company Liquidity Policy

As additional safeguards, trigger zones have been established as indicated above to trigger required review and action by the UTIMCO Board in the event any investment action would cause any liquidity measure to enter any of the designated trigger zones, or in the event market actions caused measures to move into trigger zones. In addition, any proposed investment actions which would change any single liquidity category percentage by 10% or more would also require UTIMCO Board review and action prior to the change. Any actual positions in any trigger zones or outside the policy ranges will be communicated to the Chief Investment Officer immediately. The Chief Investment Officer will then determine the process to be used to eliminate the exception and report promptly to the UTIMCO Board the circumstances of the deviation from Policy and the remedy to the situation.

### Reporting:

The actual Liquidity Profile of the Funds and compliance with the Liquidity Policy will be reported to the UTIMCO Board on at least a quarterly basis. Any exception to the Policy and actions taken to remedy the exception will be reported promptly. An example of the method of reporting is shown below where the yellow points and number labels indicate current actual exposure levels within each Liquidity Policy Range (numbers shown are examples only). For example, in this illustration the current exposure to "Highly Liquid" investments is 65.1%, while exposure to "Illiquid" investments is 9.4% and both are within their respective allowable policy ranges and not in defined trigger zones.

Liquidity Policy Profile Ranges



11. **U. T. System: Report on Investments for the nine months ended May 31, 2003**

**RECOMMENDATION**

Pages 196 - 204 contain the Summary Reports on Investments for the nine months ended May 31, 2003.

Item I on Pages 196 - 198 reports summary activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the nine months was 6.28%. The PUF's net investment return for marketable securities for the nine months was 8.85% versus its composite benchmark return of 7.16%. The PUF's net asset value increased by \$112.6 million since the beginning of the year to \$6,850.9 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return, and a decrease from the annual distribution to the AUF made in September 2002 for \$363.0 million.

Item II on Pages 199 - 202 reports summary activity for the General Endowment Fund (GEF), the Permanent Health Fund (PHF), and Long Term Fund (LTF). The GEF's net investment return for the nine months was 6.98%. The GEF's net investment return for marketable securities for the nine months was 9.06% versus its composite benchmark return of 7.16%. The GEF's net asset value increased \$170.8 million since the beginning of the year to \$3,464.0 million.

Item III on Page 203 reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was 1.94% for the nine months versus the SITF's performance benchmark of 3.25%. The SITF's net asset value increased by \$202.4 million since the beginning of the year to \$1,638.3 million.

Item IV on Page 204 presents book and market value of cash, fixed income, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of component operating funds held in the Dreyfus money market fund, decreased by \$184,655 thousand to \$1,613,256 thousand during the four months since the last reporting period. Market values for the remaining asset types were fixed income securities: \$321,821 thousand versus \$315,453 thousand at the beginning of the period; equities: \$211,361 thousand versus \$186,523 thousand at the beginning of the period; and other investments: \$10,226 thousand versus \$43 thousand at the beginning of the period.

I. PERMANENT UNIVERSITY FUND (1)a.) Summary Investment Report at May 31, 2003 (2)

(\$ millions)

	FY01-02	FY02-03			
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	Year-to-Date
Beginning Net Assets	7,540.1	6,738.3	6,397.1	6,300.0	6,738.3
PUF Lands Receipts (3)	80.5	22.2	23.6	31.3	77.1
Investment Return	(522.9)	4.3	(115.7)	524.8	413.4
Expenses	(21.0)	(4.7)	(5.0)	(5.2)	(14.9)
Distributions to AUF	(338.4)	(363.0)	-	-	(363.0)
Ending Net Assets	<u>6,738.3</u>	<u>6,397.1</u>	<u>6,300.0</u>	<u>6,850.9</u>	<u>6,850.9</u>
AUF Distribution:					
From PUF Investments	338.4	363.0	-	-	363.0
From Surface Income	8.1	0.8	2.1	0.9	3.8
Total	<u>346.5</u>	<u>363.8</u>	<u>2.1</u>	<u>0.9</u>	<u>366.8</u>
Total Net Investment Return	-7.35%	0.06%	-1.86%	8.23%	6.28%

(1) Report prepared in accordance with Texas Education Code Sec. 51.0032.

(2) General - The Investment Summary Report excludes PUF Lands mineral and surface interests with estimated August 31, 2002 values of \$639.8 million and \$161.1 million, respectively.

(3) PUF Land Receipts - As of May 31, 2003: 1,163,590 acres under lease; 522,070 producing acres; 3,152 active leases; and 2,081 producing leases.

I. PERMANENT UNIVERSITY FUND (continued)

b.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the nine months ended May 31, 2003 (Asset Allocation and Benchmarks Approved by the UTIMCO Board)

	<u>Asset Allocation</u>	<u>Endowment Neutral Policy Portfolio</u>	<u>Actual Net Investment Return</u>	<u>Endowment Neutral Policy Portfolio Return (1)</u>	<u>Benchmark</u>
Cash and Cash Equivalents	0.2%	0.0%	1.07%	1.09%	90 Day T-Bills Average Yield
Domestic Public Equities					Wilshire 5000 U.S. Equities Index
Passive Management	16.6%		6.44%	7.94%	
Active Management	11.8%		9.10%	7.94%	
Hedge and Structured Active Management	7.0%		5.23%	7.94%	
Total Domestic Public Equities	35.4%	31.0%	6.85%	7.94%	
International Public Equities					Morgan Stanley Capital International - All Country World Free ex U.S.
Passive Management	7.9%		2.77%	3.29%	
Active Management	9.0%		5.76%	3.29%	
Hedge and Structured Active Management	1.0%		6.02%	3.29%	
Total International Public Equities	17.9%	19.0%	4.50%	3.29%	
Absolute Return	9.4%	10.0%	15.95%	4.15%	90 Day T-Bills Average Yield plus 4%
Inflation Hedging	7.9%	10.0%	11.93%	10.35%	25%(Goldman Sachs Commodity Index minus 100 basis points) plus 25%(Treasury Inflation Protected Securities) plus 25%(National Commercial Real Estate Index Fund) plus 25%(Wilshire Associates Real Estate Securities Index)
Fixed Income	17.0%	15.0%	9.82%	7.45%	33%(Lehman Brothers Aggregate Bond Index ex U.S. Governments) plus 67%(Lehman Brothers Government Bond Index)
<b>Total Marketable Securities</b>	<b>87.8%</b>	<b>85.0%</b>	<b>8.85%</b>	<b>7.16%</b>	
<b>Private Capital</b>	<b>12.2%</b>	<b>15.0%</b>	<b>-8.81%</b>	<b>11.17%</b>	Wilshire 5000 U.S. Equities Index plus 4% (2)
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>6.28%</b>	<b>7.81%</b>	

- (1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.  
(2) Due to valuation and liquidity characteristics associated with Private Capital, short-term benchmark comparisons are not appropriate.

I. PERMANENT UNIVERSITY FUND (continued)

c.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the nine months ended May 31, 2003 (Prior Asset Allocation)

	Asset Allocation	Endowment Neutral Policy Portfolio	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash	0.2%	0.0%	1.09%	90 Day T-Bills Average Yield
Domestic Common Stocks:				
Large/Medium Capitalization Equities	20.0%	25.0%	6.66%	Standard and Poor's 500 Index
Small Capitalization Equities	8.4%	7.5%	14.09%	Russell 2000 Index
Total Domestic Common Stocks	28.4%	32.5%		
International Common Stocks:				
Established Markets	10.6%	12.0%	1.57%	Morgan Stanley Capital International Europe, Asia, Far East Index (net)
Emerging Markets	6.3%	3.0%	5.54%	Morgan Stanley Capital International Emerging Markets Free
Total International Common Stocks	16.9%	15.0%		
Inflation Hedging	7.9%	7.5%	9.14%	33% (Goldman Sachs Commodity Index minus 100 basis points) plus 67% (National Commercial Real Estate Index Fund)
Fixed Income:				
Domestic	12.3%	15.0%	7.49%	Lehman Brothers Aggregate Bond Index
International	4.7%	5.0%	17.56%	Salomon Non-U.S. World Government Bond Index, Unhedged
Total Fixed Income	17.0%	20.0%		
Marketable Alternative Equities	17.4%	10.0%	6.52%	90 Day T-Bills Average Yield plus 7%
<b>Total Marketable Securities</b>	<b>87.8%</b>	<b>85.0%</b>	<b>8.08%</b>	
Nonmarketable Alternative Equities	12.2%	15.0%	11.17%	Wilshire 5000 U.S. Equities Index plus 4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>8.60%</b>	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.

II. GENERAL ENDOWMENT FUND (1) (2)

a.) Summary Investment Report at May 31, 2003

(\$ millions)

	FY01-02		FY02-03							
	Full Year		1st Qtr		2nd Qtr		3rd Qtr		Year-to-Date	
Beginning Net Assets	3,723.9		3,293.2		3,287.7		3,209.8		3,293.2	
Net Contributions	(230.7)		(47.4)		(12.5)		(21.6)		(81.5)	
Investment Return	(245.3)		9.3		(61.2)		284.5		232.6	
Expenses	(7.2)		(1.2)		(1.4)		(1.5)		(4.1)	
Allocations (3)	52.5		33.8		(2.8)		(7.2)		23.8	
Ending Net Assets	3,293.2		3,287.7		3,209.8		3,464.0		3,464.0	
Net Asset Value per Unit	90.932		91.154		89.433		97.253		97.253	
Units and Percentage Ownership										
(End of Period):										
PHF	7,676,762	21.2%	7,569,273	21.0%	7,459,839	20.8%	7,358,938	20.7%	7,358,938	20.7%
LTF	28,539,389	78.8%	28,498,629	79.0%	28,430,265	79.2%	28,259,455	79.3%	28,259,455	79.3%
Total	36,216,151	100.0%	36,067,902	100.0%	35,890,104	100.0%	35,618,393	100.0%	35,618,393	100.0%
Total Net Investment Return	-6.96%		0.27%		-1.88%		8.73%		6.98%	

(1) Report prepared in accordance with Texas Education Code Sec. 51.0032.

(2) On March 1, 2001, the Permanent Health Fund (PHF) and Long Term Fund (LTF) purchased units in the newly created General Endowment Fund (GEF). The initial number of units was based on the PHF's and LTF's contribution of its net values as of February 28, 2001.

(3) The GEF allocates its net investment income and realized gain (loss) to its unit holders based on their ownership of GEF units at month end. The allocated amounts are reinvested as GEF contributions. The allocation is proportional to the percentage of ownership by the unit holders, and therefore, no additional units are purchased.

II. GENERAL ENDOWMENT FUND (continued)

b.) Unit Holders' Summary Investment Report at May 31, 2003 (1)

(\$ millions)

	FY01-02	FY02-03			
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	Year-to-Date
<b>PERMANENT HEALTH FUND</b>					
Beginning Net Assets	881.4	698.2	690.2	667.3	698.2
Withdrawals	(88.2)	-	-	-	-
Investment Return	(52.6)	1.7	(13.0)	58.4	47.1
Expenses	(0.6)	(0.1)	(0.2)	(0.2)	(0.5)
Distributions (Payout)	(41.8)	(9.6)	(9.7)	(9.6)	(28.9)
Ending Net Assets	698.2	690.2	667.3	715.9	715.9
Net Asset Value per Unit (2)	0.851524	0.841653	0.813836	0.873014	0.873014
No. of Units (End of Period)	820,000,000	820,000,000	820,000,000	820,000,000	820,000,000
Distribution Rate per Unit	0.04700	0.01175	0.01175	0.01175	0.03525
Total Net Investment Return	-7.05%	0.22%	-1.91%	8.72%	6.88%
<b>LONG TERM FUND</b>					
Beginning Net Assets	2,843.3	2,595.1	2,597.6	2,542.5	2,595.1
Net Contributions	89.3	34.1	30.5	17.2	81.8
Investment Return	(199.7)	6.4	(49.6)	224.9	181.7
Expenses	(3.0)	(2.6)	(0.1)	(0.2)	(2.9)
Distributions (Payout)	(134.8)	(35.4)	(35.9)	(36.2)	(107.5)
Ending Net Assets	2,595.1	2,597.6	2,542.5	2,748.2	2,748.2
Net Asset Value per Unit (2)	4.788	4.730	4.576	4.912	4.912
No. of Units (End of Period)	542,049,359	549,178,011	555,609,797	559,537,648	559,537,648
Distribution Rate per Unit	0.25100	0.06450	0.06450	0.06450	0.19350
Total Net Investment Return	-6.97%	0.27%	-1.89%	8.79%	7.02%

(1) The Permanent Health Fund (PHF) and Long Term Fund (LTF) are internal mutual funds for the pooled investment of endowment funds. The PHF is comprised of endowments for health-related institutions of higher education and the LTF is comprised of privately raised endowments and other long-term funds of U.T. System components.

(2) The asset allocation of the PHF and LTF is representative of the asset allocation for the GEF. A nominal amount of cash is held in PHF and LTF to pay expenses incurred separately by these funds.



II. GENERAL ENDOWMENT FUND (continued)

c.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the nine months ended May 31, 2003  
(Asset Allocation and Benchmarks Approved by the UTIMCO Board)

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash and Cash Equivalents	0.2%	0.0%	1.07%	1.09%	90 Day T-Bills Average Yield
Domestic Public Equities					Wilshire 5000 U.S. Equities Index
Passive Management	16.2%		6.73%	7.94%	
Active Management	12.0%		8.49%	7.94%	
Hedge and Structured Active Management	7.5%		5.24%	7.94%	
Total Domestic Public Equities	<u>35.7%</u>	<u>31.0%</u>	6.80%	7.94%	
International Public Equities					Morgan Stanley Capital International - All Country World Free ex U.S.
Passive Management	8.8%		2.90%	3.29%	
Active Management	9.0%		5.77%	3.29%	
Hedge and Structured Active Management	1.0%		6.02%	3.29%	
Total International Public Equities	<u>18.8%</u>	<u>19.0%</u>	4.47%	3.29%	
Absolute Return	<u>10.2%</u>	<u>10.0%</u>	15.92%	4.15%	90 Day T-Bills Average Yield plus 4%
Inflation Hedging	<u>8.2%</u>	<u>10.0%</u>	11.95%	10.35%	25%(Goldman Sachs Commodity Index minus 100 basis points) plus 25%(Treasury Inflation Protected Securities) plus 25%(National Commercial Real Estate Index Fund) plus 25%(Wilshire Associates Real Estate Securities Index)
Fixed Income	<u>16.3%</u>	<u>15.0%</u>	10.35%	7.45%	33%(Lehman Brothers Aggregate Bond Index ex U.S. Governments) plus 67%(Lehman Brothers Government Bond Index)
<b>Total Marketable Securities</b>	<u>89.4%</u>	<u>85.0%</u>	9.06%	7.16%	
Private Capital	<u>10.6%</u>	<u>15.0%</u>	-8.05%	11.17%	Wilshire 5000 U.S. Equities Index plus 4% (2)
<b>Total</b>	<u>100.0%</u>	<u>100.0%</u>	6.98%	7.81%	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.

(2) Due to valuation and liquidity characteristics associated with Private Capital, short-term benchmark comparisons are not appropriate.

II. GENERAL ENDOWMENT FUND (continued)

d.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the nine months ended May 31, 2003 (Prior Asset Allocation)

	Asset Allocation	Endowment Neutral Policy Portfolio	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash	0.2%	0.0%	1.09%	90 Day T-Bills Average Yield
Domestic Common Stocks:				
Large/Medium Capitalization Equities	19.7%	25.0%	6.66%	Standard and Poor's 500 Index
Small Capitalization Equities	8.4%	7.5%	14.09%	Russell 2000 Index
Total Domestic Common Stocks	28.1%	32.5%		
International Common Stocks:				
Established Markets	11.1%	12.0%	1.57%	Morgan Stanley Capital International Europe, Asia, Far East Index (net)
Emerging Markets	6.7%	3.0%	5.54%	Morgan Stanley Capital International Emerging Markets Free
Total International Common Stocks	17.8%	15.0%		
Inflation Hedging	8.2%	7.5%	9.14%	33% (Goldman Sachs Commodity Index minus 100 basis points) plus 67% (National Commercial Real Estate Index Fund)
Fixed Income:				
Domestic	11.1%	15.0%	7.49%	Lehman Brothers Aggregate Bond Index
International	5.2%	5.0%	17.56%	Salomon Non-U.S. World Government Bond Index, Unhedged
Total Fixed Income	16.3%	20.0%		
Marketable Alternative Equities	18.8%	10.0%	6.52%	90 Day T-Bills Average Yield + 7%
<b>Total Marketable Securities</b>	<b>89.4%</b>	<b>85.0%</b>	<b>8.08%</b>	
Nonmarketable Alternative Equities	10.6%	15.0%	11.17%	Wilshire 5000 U.S. Equities Index + 4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>8.60%</b>	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.

III. SHORT INTERMEDIATE TERM FUND (1)

Summary Investment Report at May 31, 2003

(\$ millions)

	FY01-02	FY02-03			
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	Year-to-Date
Beginning Net Assets	1,704.6	1,435.9	1,449.7	1,594.7	1,435.9
Net Contributions	(261.0)	26.4	143.2	46.2	215.8
Investment Return	60.3	2.5	17.4	10.3	30.2
Expenses	(0.7)	(0.2)	(0.2)	(0.2)	(0.6)
Distributions of Income	(67.3)	(14.9)	(15.4)	(12.7)	(43.0)
Ending Net Assets	1,435.9	1,449.7	1,594.7	1,638.3	1,638.3
Net Asset Value per Unit	10.099	10.013	10.025	10.008	10.008
No. of Units (End of Period)	142,184,975	144,787,656	159,078,135	163,697,013	163,697,013
Total Net Investment Return	3.75%	0.17%	1.14%	0.62%	1.94%

(1) Report prepared in accordance with Texas Education Code Sec. 51.0032.

IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at May 31, 2003

(\$ thousands)

ASSET TYPES	FUND TYPE													
	CURRENT PURPOSE				ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		OPERATING FUNDS		TOTAL	
	DESIGNATED		RESTRICTED		BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
<b>Cash &amp; Equivalents:</b>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>
Beginning value 01/31/03	1,682	1,682	2,312	2,312	17,892	17,892	206	206	79	79	1,775,740	1,775,740	1,797,911	1,797,911
Increase/(Decrease)	2,054	2,054	266	266	2,075	2,075	269	269	-	-	(189,319)	(189,319)	(184,655)	(184,655)
Ending value 05/31/03	3,736	3,736	2,578	2,578	19,967	19,967	475	475	79	79	1,586,421	1,586,421	1,613,256	1,613,256
<b>Debt Securities:</b>														
Beginning value 01/31/03	-	-	263	192	39,178	41,779	14,717	15,374	-	-	257,284	258,108	311,442	315,453
Increase/(Decrease)	-	-	-	14	(496)	113	(1,198)	(808)	-	-	7,380	7,049	5,686	6,368
Ending value 05/31/03	-	-	263	206	38,682	41,892	13,519	14,566	-	-	264,664	265,157	317,128	321,821
<b>Equity Securities:</b>														
Beginning value 01/31/03	40	4,511	1,996	1,653	38,130	36,738	23,794	16,537	-	-	185,783	127,084	249,743	186,523
Increase/(Decrease)	-	2,322	(16)	(11)	(48)	3,048	(145)	2,849	-	-	(259)	16,630	(468)	24,838
Ending value 05/31/03	40	6,833	1,980	1,642	38,082	39,786	23,649	19,386	-	-	185,524	143,714	249,275	211,361
<b>Other:</b>														
Beginning value 01/31/03	-	-	-	-	-	-	141	43	-	-	-	-	141	43
Increase/(Decrease)	7,500	7,500	1,899	1,899	784	784	12	-	-	-	-	-	10,195	10,183
Ending value 05/31/03	7,500	7,500	1,899	1,899	784	784	153	43	-	-	-	-	10,336	10,226

Report prepared in accordance with Texas Education Code Sec. 51.0032.  
 Details of individual assets by account furnished upon request.

12. **U. T. Board of Regents: Appointment of members to the Board of Directors of The University of Texas Investment Management Company**

**RECOMMENDATION**

The Board of Directors of The University of Texas Investment Management Company (UTIMCO) recommends that the following individuals be appointed to the UTIMCO Board of Directors to serve until the expiration of their terms, or until their successors are chosen and qualify, or until their earlier death, resignation or removal:

Mr. J. Philip Ferguson and Mr. I. Craig Hester for appointment until the expiration of terms ending April 1, 2006.

**BACKGROUND INFORMATION**

Section 66.08 of the Texas Education Code requires that the U. T. Board of Regents appoint all members of the Board of Directors of UTIMCO. The proposed Board of Director nominees, who represent non-U. T. Regent directors from the investment and business community, were approved by the UTIMCO Board of Directors on July 21, 2003.

Mr. J. Philip Ferguson is the Senior Investment Officer of AIM Capital Management, Inc. He is also a former Managing Partner of Beutel, Goodman Capital Management, Senior Vice President of Lehman Brothers, Inc., and Vice President of Goldman, Sachs & Co. Mr. Ferguson holds a B.B.A. degree from Texas Christian University and a J.D. degree from The University of Texas School of Law. He currently serves on the board of various organizations and is also a volunteer at various organizations

Mr. I. Craig Hester is the founder of Hester Capital Management, L.L.C. Mr. Hester has been actively involved in professional investment management since 1972. Mr. Hester holds B.B.A. and M.B.A. degrees from The University of Texas at Austin and is a CFA and CIC. He is the past president of the Austin Investment Association and a member and past president of the Austin and San Antonio Societies of Financial Analysts. He currently serves on the board of the U. T. Austin Ex-Students' Association, on the advisory council of the KMFA Capitol Broadcasting Association, and as a Junior League of Austin Community Advisor. He is the 2003 Chair-elect of the Foundation for SafePlace and also serves on various investment committees.

The positions to be filled were previously held by Mr. John McStay and Mr. L. Lowry Mays and are not "affiliated Director" positions.

13. **U. T. Board of Regents: Amendment of the Regents' Rules and Regulations in response to recommendations from Baker Botts Task Force (Part Two, Chapter IX, Sections 1, 2, and 5)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part Two, Chapter IX, Sections 1, 2, and 5, be amended as set forth in congressional style:

- a. Amend Section 1, Subsection 1.8, relating to other assets, as follows:

Sec. 1. Authority Regarding Assets

...

1.8 Other Assets

Assets that are not a part of the Permanent University Fund, an endowment fund, a fund functioning as an endowment, a life income or annuity fund, or consolidated System funds shall be managed as set forth in this Subsection:

1.81 Tangible personal property shall be managed by the component institution president.

1.82 Intangible personal property consisting of securities, interests in businesses, and equity interests in technology transfer firms as set out in the Regents' Intellectual Property Policy shall be managed by the component institution president or by UTIMCO, as determined by the component institution president. UTIMCO shall hold all stock certificates of securities managed by, or held on behalf of, the component institution president and shall assign, transfer, or sell such securities, as directed by the component institution president or his or her designees, in accordance with Section 2 of this Chapter. Other intangible personal property shall be managed by the component institution president.

1.83 The component institution president may designate in writing one or more committees, employees, officers, or other agents of the institution, or one or more outside managers to

manage any or all of the assets described in Subdivisions 1.81 or 1.82 of this Chapter on behalf of the component institution president.

- b. Amend Section 2, Subsection 2.5, relating to authority to receive and collect money or property, as follows:

Sec. 2. Authorizations Regarding Sales, Assignments, Conveyances, Receipt of Property, and Proxies

...

2.5 Authority to Receive and Collect Money or Property

2.51 UTIMCO is authorized and empowered to seek, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands due, payable, or belonging, or that may become due, payable, or belonging to the PUF or the Board from any person or persons as a result of any investment transaction and to execute any and all necessary or proper receipts, releases, and discharges therefor and any other instruments as may be necessary or appropriate from time to time relating to the handling, management, control, and disposition of any investment. The authority granted in this Subdivision does not include the authority to institute litigation on behalf of the Board or to settle contested claims or litigation that may result in UTIMCO receiving less than full value for the claim or the payment of damages or awards. The settlement of any contested claim or litigation for less than full value requires the prior approval of the U. T. System Vice Chancellor and General Counsel and appropriate System officials, as set out in Part Two, Chapter XI, Section 3 of these Rules and Regulations.

.....

- c. Amend Section 5, Subsections 5.1 and 5.2, relating to investment and management of endowment, trust, and other accounts, as follows:

Sec. 5. Policy for Investment and Management of Endowment, Trust, and Other Accounts Invested Through or Separate from U. T. Investment Pools

5.1 Management of Endowments

Endowment funds and funds functioning as endowments will be managed in a manner consistent with the U. T. System Gift Acceptance Procedures, ~~and the prudent person~~-investment standards, ~~set forth in~~ and the Uniform Management of Institutional Funds Act (Texas Property Code Chapter 163 et seq.). These funds will be managed separately and not commingled with the Long Term Fund if the terms of the instrument by which the fund was created preclude investment through the Long Term Fund. In addition, nonmarketable securities held by an endowment fund may be recorded as separately invested. All other endowment funds and funds functioning as endowments will be invested through the Long Term Fund.

5.2 Trust Fund and Life Income Accounts

Trust funds and other life income accounts will be invested and administered consistent with The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement, U. T. System Gift Acceptance Procedures, ~~and the prudent person~~-investment standards, ~~and set forth in~~ the Texas Trust Code (Texas Property Code Section 111.001 et seq.).

BACKGROUND INFORMATION

The amendments to the Regents' Rules and Regulations are proposed in response to recommendations from the Baker Botts report dated February 12, 2003, to the U. T. Board of Regents regarding the relationship with The University of Texas Investment Management Company (UTIMCO).

The amendment to Section 1, Subsection 1.8, Subdivision 1.82 permits the president of a component institution to determine whether the president or UTIMCO will manage securities, interests in businesses, and equity interests in technology firms, thus allowing the president to determine how the asset can best be managed to maximize its value. The amendment also clarifies that, notwithstanding that such securities may be institutionally managed, the stock certificates will be held by UTIMCO, and sold and transferred by UTIMCO as directed by the president.



The addition of Subdivision 1.83 permits the president to designate an officer or employee of the institution or an outside manager to manage such assets. The ability to designate an outside manager will provide the component institution with a means for managing institutional conflicts of interest.

The amendment to Section 2, Subsection 2.5, Subdivision 2.51 clarifies the language concerning UTIMCO's role in settlements. The original language is ambiguous and could be read to give UTIMCO unlimited authority to settle contested matters. The amendment provides that settlement delegation to UTIMCO is subject to the same oversight and limitations applicable to The University of Texas System. Those oversight requirements in Part Two, Chapter XI, Section 3, Subsection 3.2 of the Regents' Rules and Regulations are as follows:

- a. settlements of \$150,000 or less may be settled by the Vice Chancellor and General Counsel and require no additional approval;
- b. settlements greater than \$150,000 to \$500,000 require approval by the Chancellor or appropriate Executive Vice Chancellor (which in this case would be the Executive Vice Chancellor for Business Affairs); and
- c. settlements greater than \$500,000 require approval by the U. T. Board of Regents, the Executive Committee, or the appropriate standing committee of the Board (which in this case would be the Finance and Planning Committee).

The amendments to Section 5, Subsections 5.1 and 5.2, reflect the correct investment standard. The U. T. Board of Regents, under the Texas Constitution, may acquire or retain any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all assets of the fund rather than a single investment. This differs from the less flexible prudent person standard, which requires the fiduciary to be primarily concerned with preserving capital rather than other considerations.

14. **U. T. Board of Regents: Amendment of Regents' Rules and Regulations regarding oversight of The University of Texas Investment Management Company (Part One, Chapter II, Sections 3, 5, and 12)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part One, Chapter II, Sections 3, 5, and 12, regarding oversight of The University of Texas Investment Management Company (UTIMCO), be amended as set forth in congressional style as follows.

Sec. 3. Chancellor

...

3.2 Primary Duties and Responsibilities of the Chancellor

...

3.2(12) Serving on the Board of Directors of The University of Texas Investment Management Company (UTIMCO). Generally overseeing the operations of UTIMCO and coordinating interaction between the System and UTIMCO. Ensuring that UTIMCO implements the core investment functions delegated to it in conformance with these Rules and Regulations, the Investment Management Services Agreement, and the Investment Policy Statements adopted by the Board. Directing UTIMCO in areas other than core investment functions, such as relations with the media, intergovernmental relations, and public disclosure issues.

...

3.4 Institutional Compliance

The Chancellor, as chief executive officer of the System, is responsible for ensuring the implementation of a an institutional compliance program for the System. Accordingly, the System-wide Compliance Officer prepares an executive summary of all institutional compliance activity of the component institutions, UTIMCO, and System Administration.

3.41 System-Wide Compliance Officer

The System-wide Compliance Officer is responsible, and will be held accountable for, apprising the Chancellor and the Internal Audit, and Compliance,

and Management Review Committee Subcommittee of the institutional compliance functions and activities at System Administration, UTIMCO, and at each of the component institutions as set out in Subparagraph 3.412 of this Chapter. The System-wide Compliance Officer provides institutional compliance assistance to the Chancellor, the Executive Vice Chancellors, ~~and~~ the Vice Chancellors, and the Chief Compliance Officer of UTIMCO in the exercise of their responsibilities.

3.411 Appointment

The System-wide Compliance Officer shall be appointed by the Chancellor. The System-wide Compliance Officer is the senior compliance official of The University of Texas System; provides assistance and advice covering all component, UTIMCO, and System Administration compliance programs; and shall hold office without fixed term, subject to the pleasure of the Chancellor.

3.412 Duties and Responsibilities

The primary responsibilities of the System-wide Compliance Officer include developing an infrastructure for the effective operation of The University of Texas System Institutional Compliance Program; chairing the System-wide Compliance Committee and the Compliance Officers Council; and prescribing the format for the annual risk based compliance plan and the quarterly compliance status reports to be submitted by each component institution, UTIMCO, and System Administration.

...

Sec. 5. Executive Vice Chancellor for Business Affairs

...

5.2 Duties and Responsibilities

5.2(24) Designating and supervising the System liaison to UTIMCO, overseeing audits and investment

performance assessments of UTIMCO, and reviewing budgetary and investment reports submitted by UTIMCO.

5.2(25) Performing such other duties as may be assigned by the Chancellor.

...

Sec. 12. Vice Chancellor and General Counsel

...

12.2 Duties and Responsibilities

...

12.2(18) Overseeing legal services provided to UTIMCO by outside legal counsel, consistent with the requirements of the Texas Disciplinary Rules of Professional Conduct, and providing counsel, advice, and legal interpretations to the Board, the Chancellor, and other System officials concerning UTIMCO-related issues.

12.2(19) Performing such other duties as may be assigned by the Chancellor.

BACKGROUND INFORMATION

Proposed amendments to the Regents' Rules and Regulations will clarify the responsibilities of the Chancellor, System-wide Compliance Officer, Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel concerning oversight of UTIMCO. The Baker Botts report prepared for the Board in February 2003 confirmed that policy-making is reserved to the U. T. Board of Regents and that UTIMCO has been delegated responsibility for core investment functions and the implementation of the investment policies set by the Board. The Chancellor and other U. T. System officials must oversee UTIMCO's activities and ensure that UTIMCO complies with the Investment Management Services Agreement and the investment policies established by the Board as set out in approved Investment Policy Statements. The Chancellor retains management authority in areas such as intergovernmental relations and public information disclosure that have significant implications for U. T. System that are not part of the core investment responsibilities delegated to UTIMCO. The amendments to the Regents' Rules make this division of responsibilities more explicit.

See related revisions to the Investment Management Services Agreement (Pages 153 - 169) and to the UTIMCO Bylaws (Pages 170 - 171).

15. **U. T. System: Approval of aggregate amount of equipment financing for Fiscal Year 2004**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents approve an aggregate amount of \$80,929,000 in equipment to be purchased in Fiscal Year 2004 under the Revenue Financing System Equipment Financing Program as allocated to those U. T. System component institutions set out on Page 215.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, and based in part upon the delivery of the Certificate of an Authorized Representative as required by Section 5 of the Master Resolution, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the cost of equipment including costs incurred prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the Board relating to the Financing System
- c. The component institutions and U. T. System Administration, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$80,929,000 for the purchase of equipment
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Regulations.

## BACKGROUND INFORMATION

At the April 14, 1994 meeting, the U. T. Board of Regents approved the use of Revenue Financing System debt for equipment purchases in accordance with the Guidelines Governing Administration of the Revenue Financing System. The guidelines specify that the equipment to be financed must have a useful life of at least three years. The debt is amortized twice a year with full amortization not to exceed 10 years.

This agenda item requests approval of an aggregate amount of \$80,929,000 for equipment financing for Fiscal Year 2004, of which \$1,431,000 represents the carryover of equipment authorized for purchase during FY 2003 by U. T. El Paso.

The Board approved \$50,066,000 of equipment financing in Fiscal Year 2003, of which \$22,244,000 has been issued as of June 13, 2003. An additional \$21,300,000 is expected to be issued by the end of the fiscal year.

Further details on the equipment to be financed and debt coverage ratios for individual components can be found on Page 215.

APPROVAL OF U. T. SYSTEM EQUIPMENT FINANCING  
FY 2004

215

Component	\$ Amount of Request	Description of Equipment Purchases	Source of Funds	DSC*	
				Min	Max
U. T. Arlington	\$5,000,000	Utilities, physical plant vehicles and equipment, teaching/research equip	Designated tuition	1.81	3.51
U. T. Austin	1,000,000	IT hardware/networking, research	Designated tuition	1.29	1.88
U. T. El Paso	2,431,000	Network system upgrades (switches, routers, & fiber)	Designated tuition	1.82	2.87
U. T. San Antonio	4,150,000	Computer equipment & software, scientific & lab equipment	Designated tuition & fee income	1.77	2.21
U. T. Southwestern Medical Center - Dallas	3,000,000	Breast MRI machine, CT scanner	Patient income	1.40	1.61
U. T. Medical Branch - Galveston	10,000,000	Clinical & info technology equipment	Clinical income	1.81	3.27
U. T. M. D. Anderson Cancer Center	50,000,000	Diagnostic imaging, radiation and research equipment	Patient income	4.25	6.12
U. T. Health Center - Tyler	5,148,000	Surgery, research, and radiology equipment	Patient income	2.89	5.28
U. T. System Administration	200,000	Office equipment	Available University Fund and departmental funds	2.77	3.66

<b>Total</b>	<b>\$80,929,000</b>
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\* Debt Service Coverage ("DSC") is net revenue divided by debt service.

U. T. System Office of Finance, July 15, 2003

16. **U. T. Board of Regents: Approval of dissolution of Quasi-Endowment for Investment Excellence and authorization to expend remaining balance for educational purposes**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that the Quasi-Endowment for Investment Excellence established by the Board in 1988 be dissolved and that the remaining balance in the Fund be used for educational purposes as authorized by Texas Education Code Section 65.37.

BACKGROUND INFORMATION

In December 1988, the Board of Regents authorized the assessment of an investment fee against all endowments and trusts managed by the Office of Asset Management. The fee was authorized at an annual rate equal to one-tenth of one percent of the Funds' market value and was to be used to fund the "Quasi-Endowment for Investment Excellence". The Board further authorized use of the income from the Quasi-Endowment to provide performance compensation for investment professionals employed by the Office of Asset Management.

On August 10, 1995, the Board took the following actions, effective for FY 1995-1996:

- a. maintained the assessment of the investment fee at one-tenth of one percent of the market value of the Long Term Fund (LTF);
- b. discontinued the use of the fee to fund the Quasi-Endowment;
- c. authorized the use of the fee to fund educational purposes at U. T. System Administration in an amount equal to four-hundredths of one percent of the market value of the LTF; and
- d. authorized use of the fee to fund expenses related to management of endowments and trusts in an amount equal to six-hundredths of one percent.



On August 14, 1997, the Board took the following actions, effective September 1, 1997:

- a. reduced the LTF fee for investment management to 0%;
- b. authorized reimbursement of the LTF management fees from the Endowment Investment Fee Management Expense account as well as the Quasi-Endowment account;
- c. reduced the Administrative Charge to Trust Funds from \$300,000/year to \$0; and
- d. reduced the current assessment of the LTF fee for educational purposes from four-hundredths to two-hundredths of one percent.

In the material provided to the Board in 1997, the staff projected that the Quasi-Endowment Fund balance would be drawn down by 2002 and that, beginning in 2003, the management fees would be paid directly from the LTF itself. Those projections were conservative, and the Fund currently has a balance of approximately \$3.8 million.

The proposed changes will further simplify use of the remaining Fund balance consistent with U. T. System priorities and as authorized by state law.

Timing of the dissolution of the quasi-endowment would be accomplished by withdrawals of the invested funds as needed and as best timed to maximize income generation and preservation of the Fund balance.

17. **U. T. System: Discussion of revenue debt capacity**

PURPOSE

The purpose of this item is to discuss the Revenue Financing System (RFS), review the primary credit strengths and risks of the U. T. System, and discuss issues related to RFS debt capacity as they relate to the Capital Improvement Program.

KEY POINTS/ POLICY ISSUES

The Board of Regents is being asked to approve the Capital Improvement Program (CIP) (Pages 7 - 37) totaling \$4.53 billion, representing an increase of 20.3% in one year. Approximately 48% of the CIP is to be funded with

RFS debt, making it the largest source of funding for the CIP. Although the RFS debt program is rated Aaa/AAA/AAA by the three major credit rating agencies, the credit profile of the U. T. System has been generally declining since 1996, as measured by the Debt Service Coverage ratio, among other credit statistics. This credit deterioration has been caused primarily by greater utilization of RFS debt including Tuition Revenue Bonds, rather than a general decline in operating performance. The Office of Finance monitors the debt capacity of each RFS member institution and is responsible for ensuring that each institution has the ability to repay its debt pursuant to the requirement in the RFS Master Resolution. Although the planned level of debt issuance associated with the Fiscal Year 2004-2009 CIP could put a stress on the System's credit ratings, the Office of Finance believes that each institution has the ability to repay that institution's individual debt from institutional resources.

### BACKGROUND INFORMATION

In January 2002, the Office of Finance made a presentation to the Finance and Planning Committee of the Board of Regents outlining the status of the RFS. The presentation included a review of the primary credit strengths and risks of the U. T. System and a discussion of issues related to RFS debt capacity. Issues were raised at that time regarding the sustainability of the U. T. System's Aaa/AAA/AAA credit ratings in light of the rapid growth in the CIP and the resulting increase in the utilization of RFS debt as a funding source. Subsequent to that meeting, the Office of Finance was asked by the Board to quantify the cost of a credit downgrade from Aaa to Aa. The cost was determined to be 5-10 basis points, or \$500 to \$1,000 in higher annual debt service for each \$1 million of debt issued. As a follow-up to that presentation, the Office of Finance made a second presentation to the Finance and Planning Committee in April 2002, focusing entirely on RFS debt capacity. The primary conclusion was that the U. T. System was steadily depleting its debt capacity at the Aaa/AAA/AAA level. As a result, the Board authorized the Office of Finance to increase the minimum debt service coverage ratio used to help determine available debt capacity at each institution.

18. **U. T. System: Discussion of Quarterly Permanent University Fund update**

### PURPOSE

Mr. Philip R. Aldridge, Associate Vice Chancellor for Finance, will update the Finance and Planning Committee on a quarterly basis regarding the projected amount of remaining PUF debt capacity and the projected levels of income and expenditures of the AUF, using a PowerPoint presentation (Pages 220 - 229).

## KEY POINTS/ POLICY ISSUES

In September 2003, \$348 million will be distributed to the AUF compared to \$363 million distributed in September 2002. The \$348 million to be distributed represents 5.1% of the May 31, 2003, market value of the PUF.

Based on current assumptions and anticipated Library, Equipment, Repair and Rehabilitation ("LERR") allocations, there is an additional \$73-\$121 million of PUF debt capacity beyond the PUF projects currently approved, assuming a 7.40% (UTIMCO-approved Asset Allocation) or 9.35% (Prior Asset Allocation) investment return, respectively.

PUF distributions are projected to decline through FY 2006 and to be capped for a period of time because the purchasing power of the PUF will not have been maintained, as required by the Texas Constitution.

Under the 9.35% scenario, the PUF distribution is projected to be capped at \$364.3 million from FY 2008 through FY 2012.

Under the 7.40% scenario the PUF distribution is projected to be capped at \$348.4 million from FY 2008 through FY 2012.

## BACKGROUND INFORMATION

The AUF forecast is based on an updated forecast of future PUF distributions provided by UTIMCO. UTIMCO updates the forecasted PUF distributions based on actual investment performance of the PUF through the most recent quarter.

The amount distributed to the AUF is equal to 4.75% of the average net asset value of the PUF for the trailing 12 fiscal quarters, calculated as of the fiscal quarter ending on the last day of February of each year.

The amount of remaining PUF debt capacity is calculated based on the AUF spending policy and a list of assumptions that has previously been discussed with the Finance and Planning Committee. The AUF spending policy approved by the Board requires:

- a. The forecasted AUF expenditures for program enrichment at U. T. Austin to be an amount at least equal to 45% of the sum of the projected U. T. System share of the net divisible AUF annual income and interest income on AUF balances (subject to the limits imposed by b. and c. below);
- b. Debt service coverage to be at least 1.50:1.00; and
- c. The forecasted end of year AUF balance to be at least \$30 million.

**The University of Texas System  
Office of Finance**

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**Quarterly Permanent University Fund  
Update**

**Finance and Planning Committee**

**August 6, 2003**

## Executive Summary

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- As of May 31, 2003, the market value of the PUF was \$6.85 billion, compared to \$6.3 billion on February 28, 2003.
- In September, 2003, \$348.0 million will be distributed to the AUF, representing 5.1% of the May 31<sup>st</sup> PUF market value.
- The debt capacity analyses are based on expected average annual rates of return on PUF investments of 9.35% (Prior Asset Allocation) and 7.40% through FY 2009 and 9.35% beginning FY 2010 (UTIMCO-approved Asset Allocation).
- Based on the current assumptions and anticipated LERR allocations, there is an additional \$73-\$121 million of PUF debt capacity beyond the PUF projects currently approved, assuming a 7.40% or 9.35% investment return, respectively.

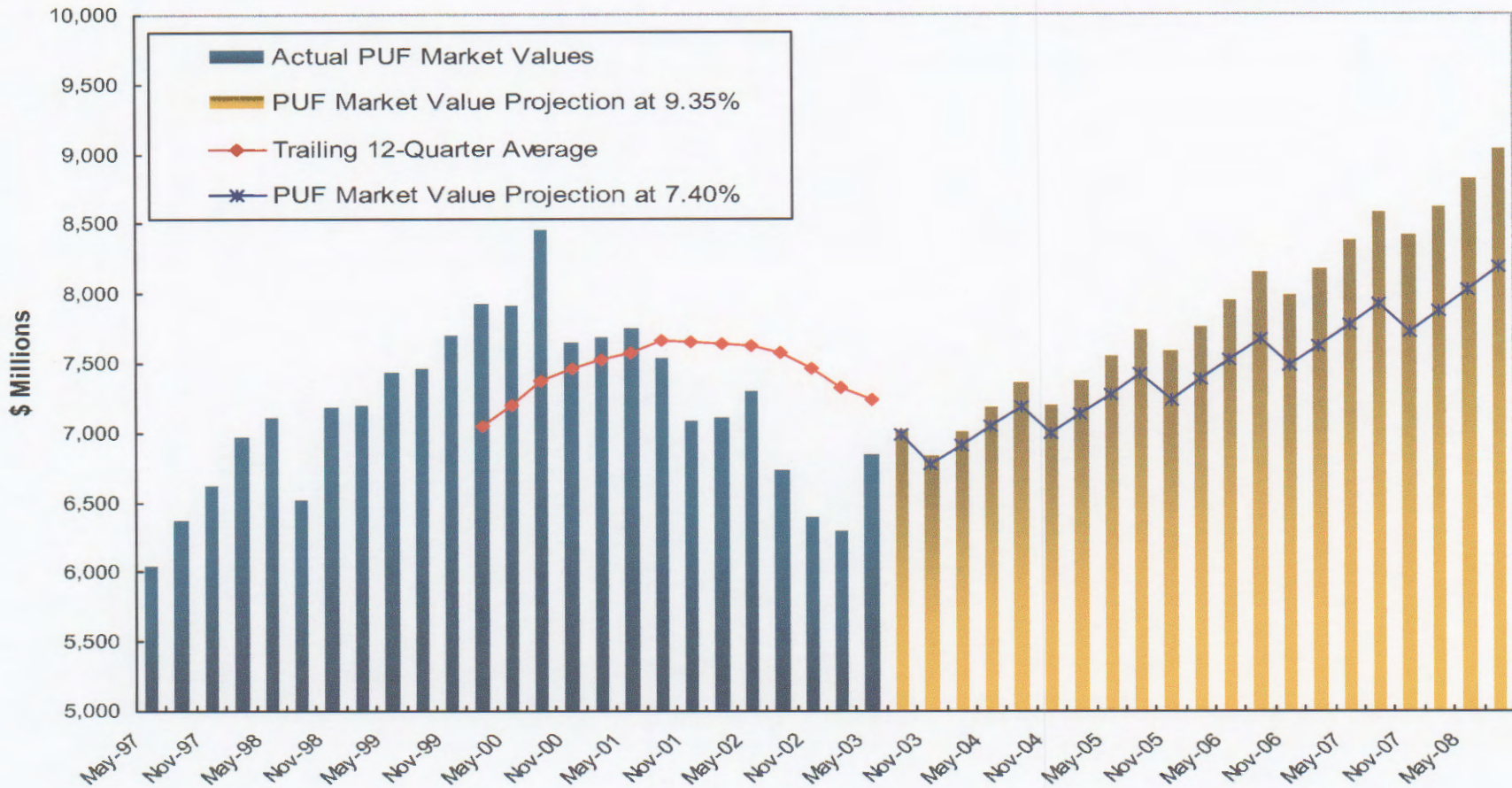


## Executive Summary, Cont.

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- PUF distributions are projected to decline through FY 2006 and to be capped for a period of time because the purchasing power of the PUF will not have been maintained, as required by the Texas Constitution.
- Under the 9.35% scenario, the PUF distribution is capped at \$364.3 million from FY 2008 through FY 2012.
- Under the 7.40% scenario the PUF distribution is capped at \$348.4 million from FY 2008 through FY 2012.

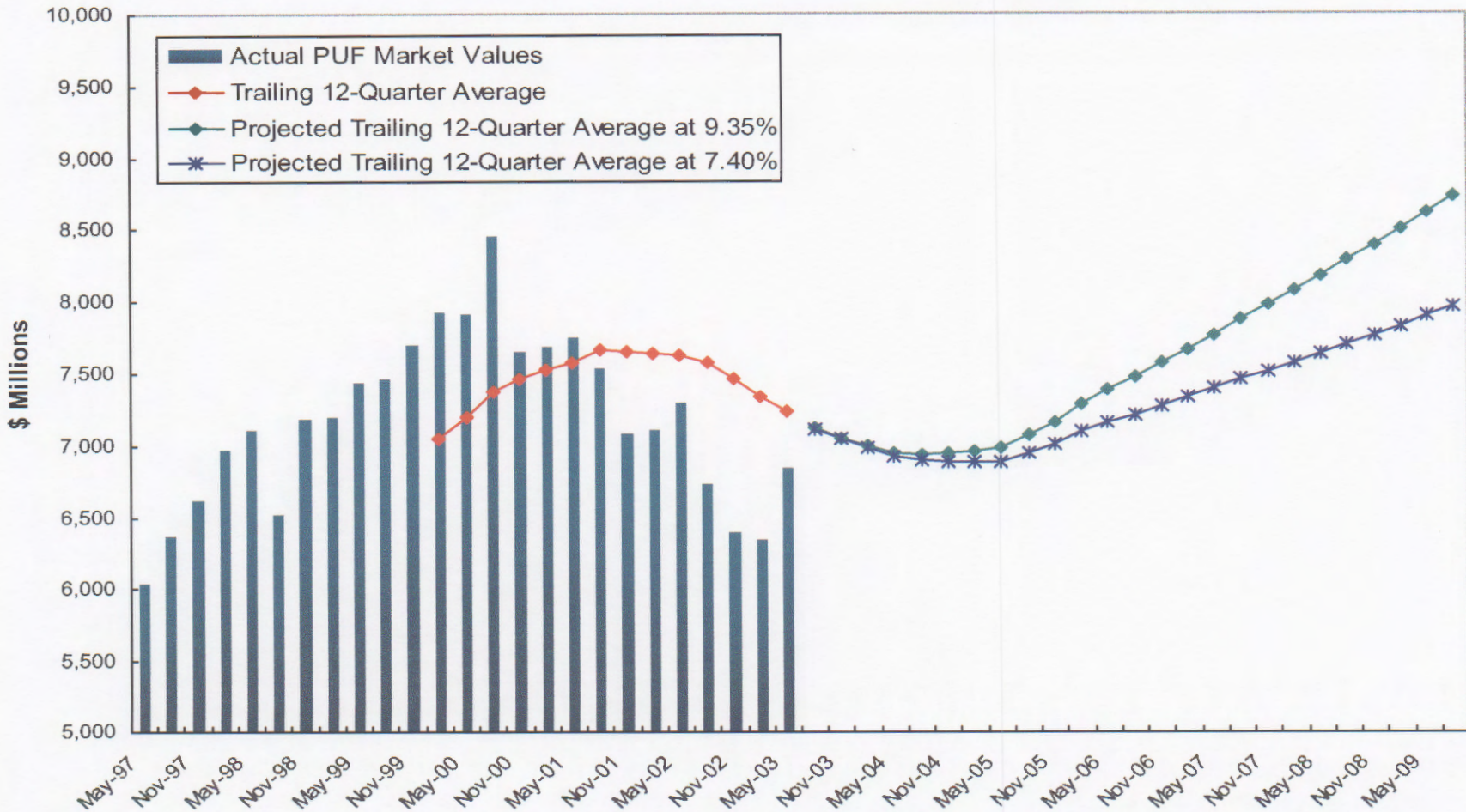
# PUF Market Value Through May 31, 2003



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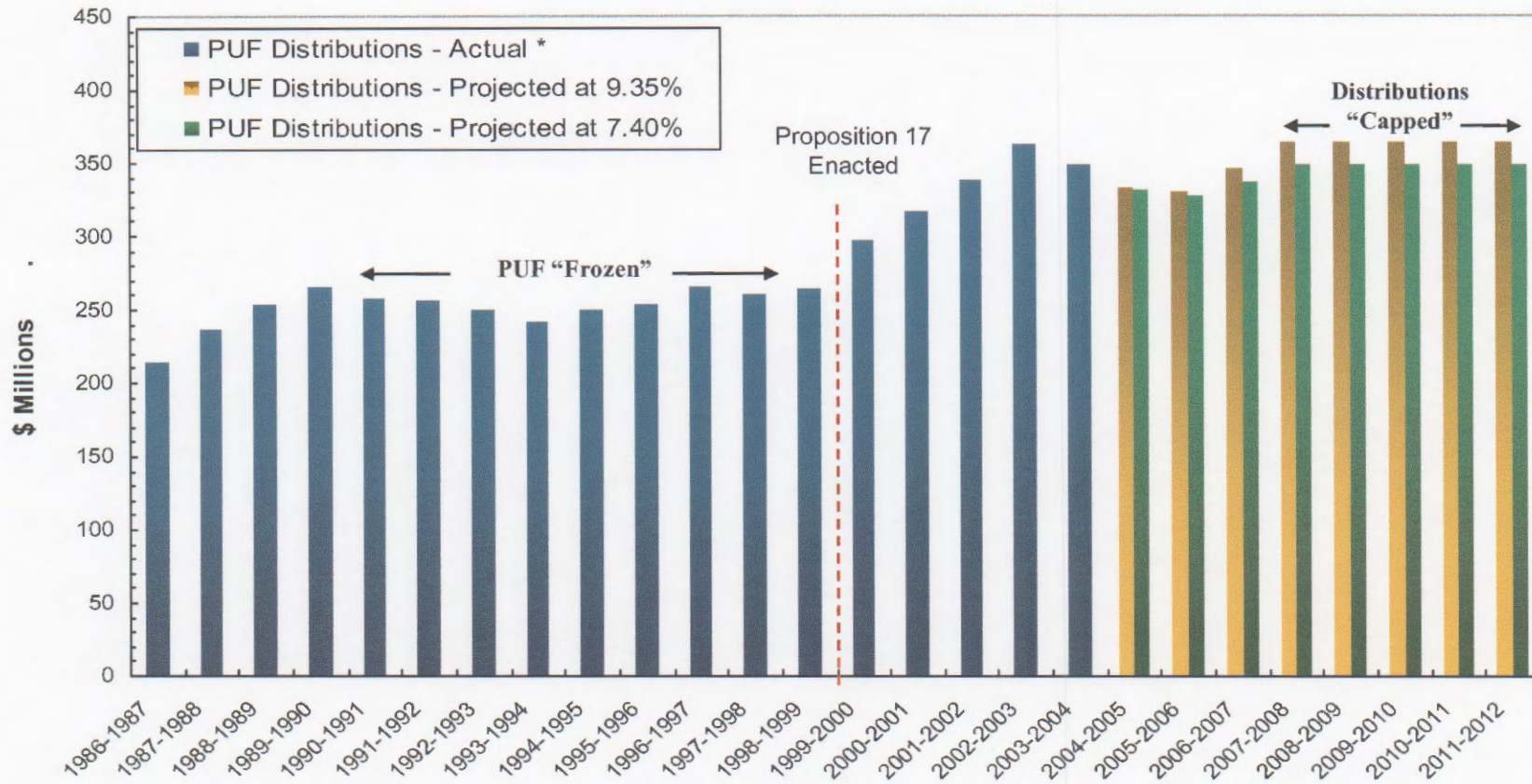
# Comparison of Projected Trailing 12Q Market Averages



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# Permanent University Fund Distributions



\* Effective September 1, 1997, a statutory amendment changed the distribution of income from cash to an accrual basis, resulting in a one-time distribution adjustment to the AUF of \$47.3 million, which is not reflected.

## PUF Debt Capacity Base Case Assumptions

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- The assumptions are the same for both cases except for the projected PUF annual rate of return, assuming either 9.35% or 7.40%, starting from the PUF market value as of May 31, 2003.
  - PUF Distribution equals 4.75% of the average PUF net asset value for the trailing 12 quarters, unless restricted by Constitutional purchasing power requirements.
  - U.T. Austin Excellence Funds equal 45% of the income available to U.T. System.
  - Includes all PUF projects approved through May 2003.
  - Annual LERR appropriations of \$30 million are projected to continue from FY 2005 through FY 2009. For FY 2004, the annual LERR appropriation is projected at \$40 million.
  - New PUF debt service structured as 20-year, tax-exempt debt with level debt service.



## PUF Debt Capacity-Base Case at 9.35%

Additional PUF Debt Capacity (\$121.2 Million)		\$121.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cumulative Additional PUF Debt Capacity		\$121.2	\$121.2	\$121.2	\$121.2	\$121.2	\$121.2	\$121.2	\$121.2
<b>Available University Fund Operating Statement Forecast Data (\$ Millions)</b>	<b>Actual</b>	<b>Projected</b>							
	<b>FY 02</b>	<b>FY 03</b>	<b>FY 04</b>	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>	<b>FY 08</b>	<b>FY 09</b>	<b>FYE 10</b>
PUF Distribution Amount	\$338.4	\$363.0	\$348.0	\$332.3	\$330.8	\$346.2	\$364.3	\$364.3	\$364.3
Surface & Other Income	8.1	6.0	6.6	6.6	6.6	6.7	6.7	6.7	6.7
Divisible Income	346.5	369.0	354.6	338.9	337.4	352.9	371.0	371.0	371.0
UT System Share (2/3)	231.0	246.0	236.4	225.9	224.9	235.3	247.3	247.3	247.3
AUF Interest Income	8.4	4.7	4.3	4.8	6.5	8.5	10.6	10.7	10.3
Income Available to U.T.	239.4	250.7	240.7	230.8	231.4	243.8	257.9	258.0	257.6
TRANSFERS:									
UT Austin Excellence Funds (45%)	(107.2)	(114.8)	(108.3)	(103.8)	(104.2)	(109.7)	(116.1)	(116.1)	(115.9)
PUF Debt Service on Approved Projects	(68.1)	(69.3)	(78.3)	(96.0)	(101.7)	(105.0)	(108.4)	(111.1)	(114.0)
PUF Cash Defeasance/Insurance Funding	(59.0)	-	-	-	-	-	-	-	-
PUF Debt Service on Add. Debt Capacity	-	-	-	(9.5)	(9.5)	(9.5)	(9.5)	(9.5)	(9.5)
System Administration	(25.7)	(29.6)	(28.1)	(28.1)	(28.1)	(28.1)	(28.1)	(28.1)	(28.1)
Other	(3.0)	(4.5)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Debt Service (Bldg Rev)	(3.4)	(3.4)	(3.4)	-	-	-	-	-	-
Net Surplus/(Deficit)	(27.0)	29.1	21.4	(7.8)	(13.1)	(9.6)	(5.3)	(7.9)	(11.0)
Ending AUF Balance - System	49.2	78.3	99.7	91.9	78.8	69.2	63.9	56.0	45.0
PUF Debt Service Coverage	3.11:1	3.62:1	3.07:1	2.19:1	2.08:1	2.13:1	2.19:1	2.14:1	2.09:1

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## PUF Debt Capacity-Base Case at 7.40%

Additional PUF Debt Capacity (\$73.5 Million)		\$73.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cumulative Additional PUF Debt Capacity		\$73.5	\$73.5	\$73.5	\$73.5	\$73.5	\$73.5	\$73.5	\$73.5
<b>Available University Fund Operating Statement Forecast Data (\$ Millions)</b>	<b>Actual</b>	<b>Projected</b>							
	<b>FY 02</b>	<b>FY 03</b>	<b>FY 04</b>	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>	<b>FY 08</b>	<b>FY 09</b>	<b>FYE 10</b>
PUF Distribution Amount	\$338.4	\$363.0	\$348.0	\$331.5	\$327.1	\$337.4	\$348.4	\$348.4	\$348.4
Surface & Other Income	8.1	6.0	6.6	6.6	6.6	6.7	6.7	6.7	6.7
Divisible Income	346.5	369.0	354.6	338.1	333.8	344.1	355.1	355.1	355.1
UT System Share (2/3)	231.0	246.0	236.4	225.4	222.5	229.4	236.7	236.7	236.7
AUF Interest Income	8.4	4.7	4.3	4.9	6.6	8.6	10.5	10.5	10.0
Income Available to U.T.	239.4	250.7	240.7	230.3	229.1	237.9	247.2	247.3	246.8
TRANSFERS:									
UT Austin Excellence Funds (45%)	(107.2)	(114.8)	(108.3)	(103.6)	(103.1)	(107.1)	(111.3)	(111.3)	(111.1)
PUF Debt Service on Approved Projects	(68.1)	(69.3)	(78.3)	(96.0)	(101.7)	(105.0)	(108.4)	(111.1)	(114.0)
PUF Cash Defeasance/Insurance Funding	(59.0)	-	-	-	-	-	-	-	-
PUF Debt Service on Add. Debt Capacity	-	-	-	(5.8)	(5.8)	(5.8)	(5.8)	(5.8)	(5.8)
System Administration	(25.7)	(29.6)	(28.1)	(28.1)	(28.1)	(28.1)	(28.1)	(28.1)	(28.1)
Other	(3.0)	(4.5)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Debt Service (Bldg Rev)	(3.4)	(3.4)	(3.4)	-	-	-	-	-	-
Net Surplus/(Deficit)	(27.0)	29.1	21.4	(4.3)	(10.7)	(9.1)	(7.4)	(10.1)	(13.2)
Ending AUF Balance - System	49.2	78.3	99.7	95.4	84.8	75.7	68.3	58.2	45.0
PUF Debt Service Coverage	3.11:1	3.62:1	3.07:1	2.26:1	2.13:1	2.15:1	2.17:1	2.12:1	2.06:1

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# PUF Debt Capacity Sensitivities at 9.35%

Board-Determined Annual LERR	Board-Determined U.T. Austin Excellence	Board-Determined PUF Distribution Rate	Market-Dependent PUF Investment Return	Market-Dependent Change in Tax-Exempt Rates	Projected Available University Fund Balance (\$ Millions)							Add. Debt Capacity	Projected PUF Market Value in FY 2030
					FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010		
\$30 Million	45.0%	4.75%	9.35%	NA	99.7	91.9	78.8	69.2	63.9	56.0	45.0	121.2	25,286,641,963
<b>\$30 Million</b>	45.0%	4.75%	9.35%	NA	99.7	91.9	78.8	69.2	63.9	56.0	45.0	121.2	25,286,641,963
<b>\$20 Million</b>	45.0%	4.75%	9.35%	NA	99.7	89.9	75.6	65.5	60.6	54.0	45.0	153.8	25,286,641,963
<b>\$10 Million</b>	45.0%	4.75%	9.35%	NA	99.7	88.0	72.4	62.0	57.5	52.1	45.0	185.8	25,286,641,963
<b>None</b>	45.0%	4.75%	9.35%	NA	99.7	85.9	69.2	58.3	54.2	50.1	45.0	218.4	25,286,641,963
\$30 Million	<b>40.0%</b>	4.75%	9.35%	NA	99.7	91.1	77.3	67.5	62.8	55.4	45.0	277.7	25,286,641,963
\$30 Million	<b>45.0%</b>	4.75%	9.35%	NA	99.7	91.9	78.8	69.2	63.9	56.0	45.0	121.2	25,286,641,963
\$30 Million	<b>50.0%</b>	4.75%	9.35%	NA	99.7	90.0	74.7	62.4	53.6	42.0	27.3	0.0	25,286,641,963
\$30 Million	45.0%	<b>4.50%</b>	9.35%	NA	99.7	92.1	79.2	69.6	64.2	56.1	45.0	36.7	26,868,455,885
\$30 Million	45.0%	<b>4.75%</b>	9.35%	NA	99.7	91.9	78.8	69.2	63.9	56.0	45.0	121.2	25,286,641,963
\$30 Million	45.0%	<b>5.00%</b>	9.35%	NA	99.7	91.8	78.6	69.0	63.8	55.9	45.0	205.0	23,729,106,286
\$30 Million	45.0%	4.75%	<b>8.35%</b>	NA	99.7	93.6	81.6	72.4	66.0	57.1	45.0	99.6	19,494,866,919
\$30 Million	45.0%	4.75%	<b>9.35%</b>	NA	99.7	91.9	78.8	69.2	63.9	56.0	45.0	121.2	25,286,641,963
\$30 Million	45.0%	4.75%	<b>10.35%</b>	NA	99.7	90.3	75.9	66.0	61.8	54.9	45.0	143.0	32,447,640,064
\$30 Million	45.0%	4.75%	9.35%	<b>+ 50 bps</b>	98.8	91.2	78.4	69.1	63.9	56.0	45.0	92.9	25,286,641,963
\$30 Million	45.0%	4.75%	9.35%	<b>NA</b>	99.7	91.9	78.8	69.2	63.9	56.0	45.0	121.2	25,286,641,963
\$30 Million	45.0%	4.75%	9.35%	<b>-50 bps</b>	100.7	92.7	79.2	69.4	63.9	56.0	45.0	151.5	25,286,641,963

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19. **U. T. System: Discussion of proposed issuance of \$125,000,000 of Permanent University Fund Flexible Rate Notes, Series A**

PURPOSE

The purpose of this item is to inform the Finance and Planning Committee of a proposed issuance of \$125,000,000 of Permanent University Fund Flexible Rate Notes, Series A.

KEY POINTS/ POLICY ISSUES

The Board has previously authorized the Permanent University Fund Flexible Rate Notes, Series A interim financing program pursuant to which Notes may be issued up to a maximum of \$400,000,000 outstanding at any one time.

No Board action is necessary for the issuance of this installment of Notes. In accordance with the Texas Constitution, the Notes will be sold through a competitive sale, scheduled for August 2003.

There are \$175,000,000 of Notes currently outstanding. This proposed installment of \$125,000,000 will increase the aggregate amount of Notes outstanding under the program to \$300,000,000.

Proceeds from the Notes will be used to fund capital costs of projects that have been previously approved by the Board to be funded with PUF debt.

BACKGROUND INFORMATION

The Board established the PUF Flexible Rate Note program in 1985. The program has been amended periodically since 1985.

In November 2002, the Board expanded the program authorization from \$250,000,000 to \$400,000,000 to accommodate growth in the Capital Improvement Program.

20. **U. T. System: Discussion of Monthly Financial Report**

PURPOSE

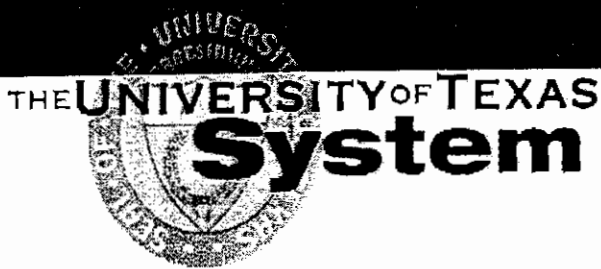
The purpose of this item is to discuss the April Monthly Financial Report (MFR), as set out on Pages 232 - 256, which provides operating results of the U. T. component institutions.

KEY POINTS/ POLICY ISSUES

The MFR for April 2003 compares the results of operations between the current year-to-date cumulative amounts and the prior year-to-date cumulative amounts. Explanations are provided for institutions having the largest variances in Adjusted Income (Loss) year-to-date as compared to the prior year both in terms of dollars and percentages. In addition, although no significant variance may exist, institutions with losses may be discussed.

BACKGROUND INFORMATION

A Monthly Financial Report has been prepared to track the financial results of the institutions since 1990.



# Monthly Financial Report

## (Unaudited)

**System Office:**

*The University of Texas  
System Administration*

**Academic Components:**

*The University of Texas  
at Arlington*

*The University of Texas  
at Austin*

*The University of Texas  
at Brownsville*

*The University of Texas  
at Dallas*

*The University of Texas  
at El Paso*

*The University of Texas –  
Pan American*

*The University of Texas  
of the Permian Basin*

*The University of Texas  
at San Antonio*

*The University of Texas  
at Tyler*

**Health Components:**

*The University of Texas  
Southwestern Medical Center  
at Dallas*

*The University of Texas  
Medical Branch at Galveston*

*The University of Texas Health  
Science Center at Houston*

*The University of Texas Health  
Science Center at San Antonio*

*The University of Texas  
M.D. Anderson Cancer Center*

*The University of Texas Health  
Center at Tyler*

## April 2003



**THE UNIVERSITY OF TEXAS SYSTEM**  
**MONTHLY FINANCIAL REPORT**  
**(Unaudited)**  
**FOR THE EIGHT MONTHS ENDING**  
**APRIL 30, 2003**

**The University of Texas System  
Monthly Financial Report**

**Foreword**

The Monthly Financial Report (MFR) for 2003 compares the results of operations between the current year-to-date cumulative amounts and the prior year-to-date cumulative amounts. Explanations are provided for institutions having the largest variances in Adjusted Income (Loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. In addition, although no significant variance may exist, institutions with losses may be discussed.

A significant change for 2003 is inclusion of the endowment funds realized gains and losses in System Administration's operating results. In the past, these amounts have not been included as the focus has been on results from operations. However, since realized gains and losses are included at year-end in determining the System-wide operating margin, we have begun including these realized gains and losses for 2003 at the System Administration level.

The data is reported in three sections: (1) Operating Revenues, (2) Operating Expenses and (3) Other Nonoperating Adjustments. Presentation of State appropriation revenues are required under GASB 35 to be reflected as nonoperating revenues, so all institutions will report an Operating Loss prior to this adjustment. The MFR provides an Adjusted Income (Loss), which takes into account the nonoperating adjustments associated with core operating activities. An Adjusted Margin (as a percentage of operating and nonoperating revenue adjustments) is calculated for each period and is intended to reflect relative operating contributions to financial health.

**UNAUDITED**  
**The University of Texas System**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date FY 2003	April Year-to-Date FY 2002 (Restated)	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$533,801,075	\$466,245,467	\$67,555,608	14.49%
Sponsored Programs	1,150,086,530	1,035,780,282	114,306,248	11.04%
Net Sales and Services of Educational Activities	146,465,458	95,424,316	51,041,142	53.49%
Net Sales and Services of Hospitals	1,036,043,611	926,667,960	109,375,651	11.80%
Net Professional Fees	476,432,685	437,817,632	38,615,053	8.82%
Net Auxiliary Enterprises	162,135,190	148,503,241	13,631,949	9.18%
Other Operating Revenues	144,204,891	153,566,376	(9,361,485)	-6.10%
<b>Total Operating Revenues</b>	<b>3,649,169,440</b>	<b>3,264,005,274</b>	<b>385,164,166</b>	<b>11.80%</b>
<b>Operating Expenses</b>				
Salaries and Wages	2,435,419,883	2,243,020,370	192,399,513	8.58%
Payroll Related Costs	632,829,452	567,399,039	65,430,413	11.53%
Professional Fees and Contracted Services	109,400,724	104,139,341	5,261,383	5.05%
Other Contracted Services	192,425,101	185,039,555	7,385,546	3.99%
Scholarships and Fellowships	301,426,413	245,306,277	56,120,136	22.88%
Travel	51,046,348	45,356,638	5,689,710	12.54%
Materials and Supplies	494,220,366	471,203,350	23,017,016	4.88%
Utilities	100,239,316	94,066,564	6,172,752	6.56%
Telecommunications	37,768,567	34,870,248	2,898,319	8.31%
Repairs and Maintenance	65,642,992	65,864,473	(221,481)	-0.34%
Rentals and Leases	46,824,200	39,487,618	7,336,582	18.58%
Printing and Reproduction	23,335,879	23,985,404	(649,525)	-2.71%
Bad Debt Expense	3,572	4,132	(560)	-13.55%
Claims and Losses	0	5,882,130	(5,882,130)	-100.00%
Federal Sponsored Programs Pass-Throughs	20,401,819	16,722,782	3,679,037	22.00%
State Sponsored Programs Pass-Throughs	2,058,737	922,283	1,136,454	123.22%
Depreciation and Amortization	206,623,136	201,937,808	4,685,328	2.32%
Other Operating Expenses	263,690,444	272,535,336	(8,844,892)	-3.25%
<b>Total Operating Expenses</b>	<b>4,983,356,949</b>	<b>4,617,743,348</b>	<b>365,613,601</b>	<b>7.92%</b>
<b>Operating Loss</b>	<b>(1,334,187,509)</b>	<b>(1,353,738,074)</b>	<b>19,550,565</b>	<b>1.44%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	1,096,404,398	1,114,767,539	(18,363,141)	-1.65%
Gift Contributions for Operations	140,511,769	132,941,589	7,570,180	5.69%
Net Investment Income	269,047,053	265,066,086	3,980,967	1.50%
Interest Expense on Capital Asset Financings	(71,829,516)	(69,995,337)	(1,834,179)	-2.62%
<b>Net Other Nonoperating Adjustments</b>	<b>1,434,133,704</b>	<b>1,442,779,877</b>	<b>(8,646,173)</b>	<b>-0.60%</b>
<b>Adjusted Income (Loss)</b>	<b>99,946,195</b>	<b>89,041,803</b>	<b>10,904,392</b>	<b>12.25%</b>
<b>Adjusted Margin (as a percentage)</b>	<b>1.94%</b>	<b>1.86%</b>		
Long Term Fund Transfer	0	0	0	0.00%
Available University Fund Transfer	0	0	0	0.00%
Realized Investment Gains (Losses)	(284,476,387)	(227,901,250)	(56,575,137)	-24.82%
<b>Adjusted Income (Loss) with Transfers and Realized (Losses)</b>	<b>(\$184,530,192)</b>	<b>(\$138,859,447)</b>	<b>(\$45,670,745)</b>	<b>-32.89%</b>
<b>Adjusted Margin % with Transfers and Realized (Losses)</b>	<b>-3.79%</b>	<b>-3.05%</b>		

The University of Texas System  
 Comparison of Year-to-Date FY 2003 Adjusted Income (Loss)  
 to Year-to-Date FY 2002 Adjusted Income (Loss)  
 For the Eight Months Ending April 30, 2003

	Year-to-Date FY 2003 Adjusted Income (Loss)	Year-to-Date FY 2002 Adjusted Income (Loss) (Restated)	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>U. T. System Administration</b>	\$147,457,316	\$98,092,518	\$49,364,798	50.33%
U. T. Arlington	4,618,162	4,102,468	515,694	12.57%
U. T. Austin	57,768,477	65,149,224	(7,380,747)	-11.33%
U. T. Brownsville	1,283,212	3,026,881	(1,743,669)	-57.61%
U. T. Dallas	3,062,134	3,227,166	(165,032)	-5.11%
U. T. El Paso	1,042,309	736,079	306,230	41.60%
U. T. Pan American	4,357,098	2,903,352	1,453,746	50.07%
U. T. Permian Basin	214,684	292,886	(78,202)	-26.70%
U. T. San Antonio	3,379,253	2,695,070	684,183	25.39%
<b>Total Adjusted Income (Loss)</b>	<b>100,946,195</b>	<b>89,372,758</b>	<b>11,573,437</b>	<b>12.95%</b>
<b>Realized Investment Gains (Losses)</b>	<b>(284,476,387)</b>	<b>(227,901,250)</b>	<b>(56,575,137)</b>	<b>-24.87%</b>
<b>Total Adjusted Income (Loss) with Transfers and Realized Gains (Losses)</b>	<b><u>(\$183,530,192)</u></b>	<b><u>(\$138,528,492)</u></b>	<b><u>(\$45,001,700)</u></b>	<b><u>-32.49%</u></b>

THE UNIVERSITY OF TEXAS SYSTEM  
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT  
For the Eight Months Ending April 30, 2003

Explanations are provided for institutions having the largest variances in adjusted income (loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. Explanations are also provided for institutions with a current year-to-date adjusted loss.

- (1) U. T. System Administration – The \$49.4 million (50.3%) increase in adjusted income over the same period last year was primarily due to Employee Group Insurance premiums exceeding claims. contributing \$4.4 million to the loss. Information systems upgrade expenses, mandated by the State Auditor, have also contributed to UTHSC - Houston's deficit. UTHSC - Houston is anticipating ending the year with an \$8.5 million loss. The year-end estimate includes expense reductions associated with the 7% reduction in state appropriations and cost savings measures in the physician practice plan operation.
- (2) U. T. Southwestern Medical Center – Dallas – The \$13.5 million (92.3%) decrease in adjusted income over the same period last year was primarily due to \$7.8 million of increased expenses in the physician practice plan, a \$1.3 million increase in interest expense for construction, lower gift contributions of \$3.3 million and a \$1.3 million decrease in investment income. Salaries, wages and fringe benefits in the physician practice plan increased as a result of the creation of new positions in Obstetrics-Gynecology, Internal Medicine and Cardiothoracic Surgery, as well as annual salary increases. Pharmaceutical expenses also increased by \$1.4 million due to price increases.
- (3) U. T. Medical Branch – Galveston – The \$27 million year-to-date net loss is primarily due to expenses outpacing revenue growth. While hospital and clinic volumes continue to grow, the legislative reductions of state appropriations and Correctional Managed Care have decreased revenues approximately \$12.7 million year-to-date. UTMB Galveston anticipates ending the year with a \$28.5 million loss. The year-end estimate includes expense reductions associated with the 7% reduction in state appropriations.
- (4) U. T. Health Science Center – Houston – The \$7.2 million (119%) increase in adjusted loss over the same period last year was primarily due to increased salaries and benefits expense and the state appropriation reduction. As a result of the increased expenses and decreased state appropriations, UTHSC - Houston has a year-to-date net loss of \$13.2 million. The loss was primarily due to a year-to-date net loss of \$7.1 million in the physician practice plan. Typically, professional fees are higher in the second half of the year due to more clinical days. Another factor contributing to lower professional fees are unexpected faculty vacancies in several areas, which normally have high dollar charge rates. A higher percentage of self-pay and indigent patients has also resulted in fewer collections. State appropriation reductions are
- (5) U. T. Health Science Center – San Antonio – The \$8.7 million (56.5%) decrease in adjusted income over the same period last year was primarily due to \$3.6 million in state appropriation reductions, faculty merit salary increase of \$1.7 million (2.5%), \$1.2 million in faculty incentive payments and \$1.1 million in increased staff group insurance premium costs. The faculty incentive payments are expected to be repaid with incremental Practice Plan contract revenues anticipated to be collected before the end of the fiscal year. As a result of general revenue reductions, UTHSC – San Antonio has implemented a cost cutting strategy among unrestricted funds in order to keep overall expenditures within revised funding levels. UTHSC – San Antonio's expenditure reductions will occur between February and August to offset the seven percent general revenue reduction. As this occurs, the decline in UTHSC – San Antonio's margin between 2002 and 2003 will progressively diminish.
- (6) U. T. M. D. Anderson Cancer Center – The \$18 million (60.5%) increase in adjusted income over the same period last year was primarily due to increased operating revenues of \$113.9 million versus increased operating expenses of \$85.3 million. Following the events of September 11, 2001, M. D. Anderson experienced a decline in the number of clinical visits which, combined with a decrease in the number of international patients, caused revenues to be reduced in the first part of 2002. Increased patient volumes in the current year, combined with improved collections and better managed care contract management have increased hospital revenues by \$86.4 million and professional fees by \$19.3 million. The largest increase in expense is related to salaries and wages, which have increased \$44 million or 10.5% compared to the prior year. Included in the operating results is an \$11.5

million decrease in state appropriations. Interest expense on capital asset financing has increased \$4.7 million due to five additional debt financed capital projects in 2003.

(7) U. T. Health Center – Tyler – The \$1.5 million (759.2%) decrease in adjusted income over the same period last year was primarily due to a change in the payor mix. While Medicaid patients are increasing due to an onsite Medicaid qualifier, more profitable private pay and commercial insurance patients are decreasing. Increased Medicaid contractual adjustments are placing pressure on adjusted income. Length of stay increases for Medicaid patients have also contributed to a rise in contractual adjustments. Salaries and wages have increased due to merit increases and professional fee expenses were \$1.9 million higher due to the severe nursing shortage. As a result of the reduced revenues and increased expenses, *UTHC - Tyler* has a year-to-date net loss of \$1.7 million. *UTHC - Tyler's* management is in the process of changing the physician incentive plans to be based on net collections and plans to increase co-pays for the hospital. *UTHC - Tyler* is currently anticipating ending the year with a \$1 million profit. The year-end estimate includes expense reductions associated with the 7% reduction in state appropriations and \$4 million in anticipated Medicare cost recoveries.

(8) Elimination of LTF and AUF Transfers – The \$13.6 million (11%) increase in the elimination of the Long Term Fund (LTF) transfer and Available University Fund (AUF) transfer amount is due to an increase in distributions for both funds. The LTF payout consists of current year investment earnings and transfers from prior period earnings. The LTF transfer increased \$7.2 million over last year due to three factors: (1) slightly less current year earnings available for distribution in FY 2003; (2) the payout per LTF unit increased from 25.1 cents per unit to 25.8 cents per unit between the two years; and (3) the number of units in the fund increased due to new endowment gifts.

The AUF distribution increased \$6.4 million or 7.3% over last year due to a 0.25% increase in the AUF distribution rate approved by the Board of Regents.

(9) Realized Investment Gains (Losses) – The \$56.6 million (24.8%) increase in realized investment losses over the same period last year was due to losses for the endowment funds. Of the \$284.5 million year-to-date loss, \$191.9 million related to the Permanent University Fund (PUF), \$73.2 million related to the LTF and \$19.4 million related to the Permanent Health Fund (PHF). The additional decline from prior year to current year was due to worsening financial market conditions.

## GLOSSARY OF TERMS

### OPERATING REVENUES:

**STUDENT TUITION AND FEES** – *All student tuition and fee revenues earned at the U.T. component institution for educational purposes.*

**SPONSORED PROGRAMS** – *Funding received from local, state and federal governments or private agencies, organizations or individuals. Includes amounts received for services performed on grants, contracts, and agreements from these entities for current operations. This also includes indirect cost recoveries and pass-through federal and state grants.*

**NET SALES AND SERVICES OF EDUCATIONAL ACTIVITIES** – *Revenues that are related to the conduct of instruction, research, and public service and revenues from activities that exist to provide an instructional and laboratory experience for students that create goods and services that may be sold.*

**NET SALES AND SERVICES OF HOSPITALS** – *Revenues (net of discounts, allowances, and bad debt expense) generated from U.T. health institution's daily patient care, special or other services, as well as revenues from health clinics that are part of a hospital.*

**NET PROFESSIONAL FEES** – *Revenues (net of discounts, allowances, and bad debt expense) derived from the fees charged by the professional staffs at U.T. health institutions as part of the Medical Practice Plans. These revenues are also identified as Practice Plan income. Examples of such fees could include doctor's fees for clinic visits, medical and dental procedures, professional opinions, and anatomical procedures, such as analysis of specimens after a surgical procedure, etc.*

**NET AUXILIARY ENTERPRISES** – *Revenues derived from a service to students, faculty, or staff in which a fee is charged that is directly related to, although not necessarily equal to the cost of the service (e.g., bookstores, dormitories, dining halls, snack bars, inter-collegiate athletic programs, etc.).*

**OTHER OPERATING REVENUES** – *Other revenues generated from sales or services provided to meet current fiscal year operating expenses, which are not included in the preceding categories (e.g., certified non profit healthcare company revenues, donated drugs, interest on student loans, etc.)*

**TOTAL OPERATING REVENUES** – *U.T. component institutionally generated funding needed to meet current fiscal year operating expenses.*

### OPERATING EXPENSES:

**SALARIES AND WAGES** – *Expenses for all salaries and wages of individuals employed by the institution including full-time, part-time, longevity, hourly, seasonal, etc.*

**PAYROLL RELATED COSTS** – *Expenses for all employee benefits paid by the institution or paid by the state on behalf of the institution.*

**PROFESSIONAL FEES AND CONTRACTED SERVICES** – *Payments for services rendered on a fee, contract, or other basis by a person, firm, corporation, or company recognized as possessing a high degree of learning and responsibility. Includes such items as services of a consultant, legal counsel, financial or audit fees, medical contracted services, guest lecturers (not employees) and expert witnesses.*

**OTHER CONTRACTED SERVICES** – *Payments for services rendered on a contractual basis by a person, firm, corporation or company that posses a lesser degree of learning and responsibility than that required for Professional Fees and Contracted Services. Includes such items as temporary employment expenses, fully insured medical plans expenses, janitorial services, dry cleaning services, etc.*

**SCHOLARSHIPS AND FELLOWSHIPS** – *Payments made for scholarship grants to students authorized by law.*

**TRAVEL** – *Payments for travel costs incurred during travel by employees, board or commission members and elected/appointed officials on state business.*

**MATERIALS AND SUPPLIES** – *Payments for consumable items. Includes, but is not limited to: computer consumables, office supplies, paper products, soap, lights, plants, fuels and lubricants, chemicals and gasses, medical supplies and copier supplies. Also includes postal services, and subscriptions and other publications not for permanent retention.*

**UTILITIES** – *Payments for the purchase of electricity, natural gas, water, thermal energy and waste disposal.*

**TELECOMMUNICATIONS** – *Electronically transmitted communications services (telephone, internet, computation center services, etc.).*

**REPAIRS AND MAINTENANCE** – *Payments for the maintenance and repair of equipment, furnishings, motor vehicles, buildings and other plant facilities. Includes, but is not limited to repair and maintenance to copy machines, furnishings, equipment – including medical and laboratory equipment, office equipment and aircraft.*

RENTALS AND LEASES – *Payments for rentals or leases of furnishings and equipment, vehicles, land and office buildings (all rental of space).*

PRINTING AND REPRODUCTION – *Printing and reproduction costs associated with the printing/copying of the institution's documents and publications.*

BAD DEBT EXPENSE – *Expenses incurred by the university related to nonrevenue receivables such as non-payment of student loans.*

CLAIMS AND LOSSES – *Payments for claims from self-insurance programs. Other claims for settlements and judgments are considered nonoperating expenses.*

FEDERAL SPONSORED PROGRAMS PASS-THROUGHS – *Pass-throughs to other Texas state agencies, including other universities, of federal grants and contracts.*

STATE SPONSORED PROGRAMS PASS-THROUGHS – *Pass-throughs to other Texas state agencies, including Texas universities.*

DEPRECIATION AND AMORTIZATION – *Estimated depreciation and amortization expense.*

OTHER OPERATING EXPENSES – *Other operating expenses not identified in other line items above (e.g., certified non profit healthcare company expenses, property taxes, insurance premiums, credit card fees, hazardous waste disposal expenses, meetings and conferences, etc.).*

TOTAL OPERATING EXPENSES – *Total operating expenses for U.T. System component institution.*

OPERATING LOSS – *Total operating revenues less total operating expenses before other nonoperating adjustments like state appropriations.*

**OTHER NONOPERATING ADJUSTMENTS:**

STATE APPROPRIATIONS – *Appropriations from the State General Revenue fund, which supplement the U.T. component institutional revenue in meeting operating expenses, such as faculty salaries, utilities, and institutional support. Also includes Higher Education Assistance Funds (HEAF), which is a source of state appropriated general revenue to U.T. Brownsville and U.T. Pan American. HEAF funds are appropriated for construction, library and equipment expenses for Texas public universities that do not benefit from the Permanent University Fund (PUF) bond proceeds.*

GIFT CONTRIBUTIONS FOR OPERATIONS – *Consist of public and private gifts used in current operations, excluding gifts for capital acquisition and endowment gifts.*

NET INVESTMENT INCOME – *Interest and dividend income, Long Term Fund and Permanent Health Fund distributions paid from current year income and patent and royalty income.*

INTEREST EXPENSE ON CAPITAL ASSET FINANCINGS – *Interest expenses associated with bond and note borrowings utilized to finance capital improvement projects by an institution. This consists of the interest portion of mandatory debt service transfers under the Revenue Financing System, Tuition Revenue bond and Permanent University Fund (PUF) bond programs. PUF interest expense is reported on System Administration as the debt legally belongs to the Board of Regents.*

NET OTHER NONOPERATING ADJUSTMENTS – *Sum of the other nonoperating adjustments.*

ADJUSTED INCOME (LOSS) – *Total operating revenues less total operating expenses plus net other nonoperating adjustments.*

ADJUSTED MARGIN (as a percentage) – *Percentage of Adjusted Income (Loss) divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.*

LONG TERM FUND TRANSFER – *At the institutional level, includes Long Term Fund fixed payouts approved by the Board of Regents less amounts reported as Net Investment Income. Investment income and realized gains and losses are recognized by System Administration when earned; however, the institutions do not recognize the income until their fixed payout is received. This portion of the fixed payouts is eliminated at the consolidated level to avoid overstating System-wide revenues, as the amounts will be reflected as transfers at year-end.*

AVAILABLE UNIVERSITY FUND TRANSFER – *Includes Available University Fund (AUF) transfer to System Administration for Educational and General operations and to U.T. Austin for Excellence Funding. These transfers are funded by investment earnings from the Permanent University Fund (PUF), which are required by law to be reported in the PUF at System Administration. On the MFR, investment income for System Administration has been reduced for the amount of the System Administration transfer so as not to overstate investment income for System Administration. The AUF transfers are eliminated at the consolidated level to avoid overstating System-wide revenues, as the amounts will be reflected as transfers at year-end.*

REALIZED INVESTMENT GAINS (LOSSES) – *Realized gains and losses on endowment funds managed by UTIMCO.*

TOTAL ADJUSTED INCOME (LOSS) WITH TRANSFERS AND REALIZED GAINS (LOSSES) – *Total Adjusted Income including LTF and AUF Transfers and Realized Gains (Losses).*



**UNAUDITED**  
**The University of Texas System Administration**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Net Sales and Services of Educational Activities	\$60,957,332	\$14,299,098	\$46,658,234	326.30%
Other Operating Revenues	3,700,163	2,554,160	1,146,003	44.87%
<b>Total Operating Revenues</b>	<u>64,657,495</u>	<u>16,853,258</u>	<u>47,804,237</u>	<u>283.65%</u>
<b>Operating Expenses</b>				
Salaries and Wages	11,056,783	4,822,732	6,234,051	129.26%
Employee Benefits and Related Costs	4,727,888	3,881,101	846,787	21.82%
Professional Fees and Contracted Services	6,842,243	5,869,912	972,331	16.56%
Other Contracted Services	7,142,293	801,479	6,340,814	791.14%
Travel	917,373	824,266	93,107	11.30%
Materials and Supplies	1,498,952	1,272,762	226,190	17.77%
Utilities	19,544	20,532	(988)	-4.81%
Telecommunications	331,224	928,310	(597,086)	-64.32%
Repairs and Maintenance	375,025	434,702	(59,677)	-13.73%
Rentals and Leases	675,047	312,851	362,196	115.77%
Printing and Reproduction	295,459	290,260	5,199	1.79%
Claims and Losses	0	5,882,130	(5,882,130)	-100.00%
Depreciation and Amortization	1,058,264	793,608	264,656	33.35%
Other Operating Expenses	5,597,917	1,570,071	4,027,846	256.54%
<b>Total Operating Expenses</b>	<u>40,538,012</u>	<u>27,704,716</u>	<u>12,833,296</u>	<u>46.32%</u>
<b>Operating Loss</b>	<u>24,119,483</u>	<u>(10,851,458)</u>	<u>34,970,941</u>	<u>322.27%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	610,914	583,808	27,106	4.64%
Gift Contributions for Operations	1,011,027	303,680	707,347	232.93%
Net Investment Income	120,624,893	111,095,179	9,529,714	8.58%
Interest Expense on Capital Asset Financings	(20,806,403)	(23,486,935)	2,680,532	11.41%
<b>Net Other Nonoperating Adjustments</b>	<u>101,440,431</u>	<u>88,495,732</u>	<u>12,944,699</u>	<u>14.63%</u>
<b>Adjusted Income (Loss)</b>	<b>125,559,914</b>	<b>77,644,274</b>	<b>47,915,640</b>	<b>61.71%</b>
<b>Adjusted Margin (as a percentage)</b>	<b>67.18%</b>	<b>60.27%</b>		
Long Term Fund Transfer	3,371,214	3,308,209	63,005	1.90%
Available University Fund Transfer	17,526,688	16,809,080	717,608	4.27%
<b>Adjusted Income (Loss) with Transfers</b>	<b>146,457,816</b>	<b>97,761,563</b>	<b>\$48,696,253</b>	<b>49.81%</b>
<b>Adjusted Margin % with Transfers</b>	<b>70.48%</b>	<b>65.63%</b>		
Realized Investment Gains (Losses)	(284,476,387)	(227,901,250)		
<b>Adjusted Income (Loss) with Transfers and Realized (Losses)</b>	<b>(\$138,018,571)</b>	<b>(\$130,139,687)</b>	<b>(\$7,878,884)</b>	<b>-6.05%</b>
<b>Adjusted Margin % with Transfers and Realized (Losses)</b>	<b>-180.01%</b>	<b>-164.84%</b>		

**UNAUDITED**  
**The University of Texas at Arlington**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$61,280,932	\$51,366,876	\$9,914,056	19.30%
Sponsored Programs	29,184,044	22,908,588	6,275,456	27.39%
Net Sales and Services of Educational Activities	3,793,474	3,174,508	618,966	19.50%
Net Auxiliary Enterprises	10,943,897	9,198,870	1,745,027	18.97%
Other Operating Revenues	3,062,772	2,244,828	817,944	36.44%
<b>Total Operating Revenues</b>	<u>108,265,119</u>	<u>88,893,670</u>	<u>19,371,449</u>	<u>21.79%</u>
<b>Operating Expenses</b>				
Salaries and Wages	86,846,196	79,760,000	7,086,196	8.88%
Employee Benefits and Related Costs	21,969,177	19,522,455	2,446,722	12.53%
Professional Fees and Contracted Services	1,337,795	1,058,190	279,605	26.42%
Other Contracted Services	3,499,913	2,818,184	681,729	24.19%
Scholarships and Fellowships	26,088,070	19,666,183	6,421,887	32.65%
Travel	2,029,584	1,763,040	266,544	15.12%
Materials and Supplies	9,542,626	9,438,832	103,794	1.10%
Utilities	4,139,309	4,292,675	(153,366)	-3.57%
Telecommunications	1,381,005	1,264,529	116,476	9.21%
Repairs and Maintenance	3,850,034	3,642,859	207,175	5.69%
Rentals and Leases	1,148,421	833,804	314,617	37.73%
Printing and Reproduction	1,501,253	1,433,447	67,806	4.73%
Federal Sponsored Programs Pass-Thrus	45,503	32,352	13,151	40.65%
Depreciation and Amortization	5,704,934	5,007,624	697,310	13.92%
Other Operating Expenses	3,319,287	3,309,483	9,804	0.30%
<b>Total Operating Expenses</b>	<u>172,403,107</u>	<u>153,843,657</u>	<u>18,559,450</u>	<u>12.06%</u>
<b>Operating Loss</b>	<u>(64,137,988)</u>	<u>(64,949,987)</u>	<u>811,999</u>	<u>1.25%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	69,242,590	69,094,886	147,704	0.21%
Gift Contributions for Operations	1,000,430	1,010,831	(10,401)	-1.03%
Net Investment Income	897,344	1,312,533	(415,189)	-31.63%
Interest Expense on Capital Asset Financings	(3,074,896)	(2,964,896)	(110,000)	-3.71%
<b>Net Other Nonoperating Adjustments</b>	<u>68,065,468</u>	<u>68,453,354</u>	<u>(387,886)</u>	<u>-0.57%</u>
<b>Adjusted Income (Loss)</b>	<b>3,927,480</b>	<b>3,503,367</b>	<b>424,113</b>	<b>12.11%</b>
<b>Adjusted Margin (as a percentage)</b>	<b>2.19%</b>	<b>2.19%</b>		
Long Term Fund Transfer	690,682	599,101	91,581	15.29%
<b>Adjusted Income (Loss) with Transfers</b>	<b>\$4,618,162</b>	<b>\$4,102,468</b>	<b>\$515,694</b>	<b>12.57%</b>
<b>Adjusted Margin % with Transfers</b>	<b>2.56%</b>	<b>2.55%</b>		

**UNAUDITED**  
**The University of Texas at Austin**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$250,413,535	\$224,094,746	\$26,318,789	11.74%
Sponsored Programs	232,112,168	213,149,094	18,963,074	8.90%
Net Sales and Services of Educational Activities	45,705,732	41,445,776	4,259,956	10.28%
Net Auxiliary Enterprises	94,426,762	89,078,577	5,348,185	6.00%
Other Operating Revenues	8,341,036	7,084,535	1,256,501	17.74%
<b>Total Operating Revenues</b>	<u>630,999,233</u>	<u>574,852,728</u>	<u>56,146,505</u>	<u>9.77%</u>
<b>Operating Expenses</b>				
Salaries and Wages	489,794,436	458,670,186	31,124,250	6.79%
Employee Benefits and Related Costs	114,744,136	102,698,640	12,045,496	11.73%
Professional Fees and Contracted Services	17,168,359	17,397,517	(229,158)	-1.32%
Other Contracted Services	27,275,462	25,929,100	1,346,362	5.19%
Scholarships and Fellowships	99,867,233	84,565,007	15,302,226	18.10%
Travel	15,918,288	14,254,376	1,663,912	11.67%
Materials and Supplies	59,012,518	59,035,196	(22,678)	-0.04%
Utilities	28,452,675	26,482,330	1,970,345	7.44%
Telecommunications	7,782,022	7,650,635	131,387	1.72%
Repairs and Maintenance	15,530,145	15,952,908	(422,763)	-2.65%
Rentals and Leases	7,959,301	8,151,057	(191,756)	-2.35%
Printing and Reproduction	6,962,651	7,593,932	(631,281)	-8.31%
Federal Sponsored Programs Pass-Thrus	8,347,420	6,159,279	2,188,141	35.53%
State Sponsored Programs Pass-Thrus	2,045,988	922,283	1,123,705	121.84%
Depreciation and Amortization	47,228,043	43,656,021	3,572,022	8.18%
Other Operating Expenses	20,721,921	22,632,012	(1,910,091)	-8.44%
<b>Total Operating Expenses</b>	<u>968,810,598</u>	<u>901,750,479</u>	<u>67,060,119</u>	<u>7.44%</u>
<b>Operating Loss</b>	<u>(337,811,365)</u>	<u>(326,897,751)</u>	<u>(10,913,614)</u>	<u>-3.34%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	214,131,105	218,295,523	(4,164,418)	-1.91%
Gift Contributions for Operations	51,179,671	49,300,916	1,878,755	3.81%
Net Investment Income	31,936,091	35,939,050	(4,002,959)	-11.14%
Interest Expense on Capital Asset Financings	(11,547,768)	(11,403,475)	(144,293)	-1.27%
<b>Net Other Nonoperating Adjustments</b>	<u>285,699,099</u>	<u>292,132,014</u>	<u>(6,432,915)</u>	<u>-2.20%</u>
<b>Adjusted Income (Loss)</b>	<b>(52,112,266)</b>	<b>(34,765,737)</b>	<b>(17,346,529)</b>	<b>-49.90%</b>
<b>Adjusted Margin (as a percentage)</b>	<b>-5.61%</b>	<b>-3.96%</b>		
Long Term Fund Transfer	30,340,743	26,779,097	3,561,646	13.30%
<b>Adjusted Income (Loss) with Transfers</b>	<b>\$57,768,477</b>	<b>\$65,149,224</b>	<b>(\$7,380,747)</b>	<b>-11.33%</b>
<b>Adjusted Margin % with Transfers</b>	<b>5.56%</b>	<b>6.66%</b>		

**UNAUDITED**  
**The University of Texas at Brownsville**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$5,747,100	\$5,596,712	\$150,388	2.69%
Sponsored Programs	56,185,941	51,232,545	4,953,396	9.67%
Net Sales and Services of Educational Activities	3,507,423	2,902,067	605,356	20.86%
Net Auxiliary Enterprises	313,959	136,692	177,267	129.68%
Other Operating Revenues	8,476	12,538	(4,062)	-32.40%
<b>Total Operating Revenues</b>	<u>65,762,899</u>	<u>59,880,554</u>	<u>5,882,345</u>	<u>9.82%</u>
<b>Operating Expenses</b>				
Salaries and Wages	26,903,634	24,491,590	2,412,044	9.85%
Employee Benefits and Related Costs	5,427,012	4,786,161	640,851	13.39%
Professional Fees and Contracted Services	1,376,583	1,628,792	(252,209)	-15.48%
Scholarships and Fellowships	31,559,424	25,905,504	5,653,920	21.83%
Travel	457,752	508,135	(50,383)	-9.92%
Materials and Supplies	2,253,039	2,977,949	(724,910)	-24.34%
Utilities	1,222,302	677,192	545,110	80.50%
Telecommunications	688,867	583,529	105,338	18.05%
Repairs and Maintenance	449,818	309,414	140,404	45.38%
Rentals and Leases	1,609,105	1,521,593	87,512	5.75%
Printing and Reproduction	251,694	296,016	(44,322)	-14.97%
State Sponsored Programs Pass-Thrus	12,749	0	12,749	100.00%
Depreciation and Amortization	2,040,225	1,372,409	667,816	48.66%
Other Operating Expenses	4,877,303	5,385,150	(507,847)	-9.43%
<b>Total Operating Expenses</b>	<u>79,129,507</u>	<u>70,443,434</u>	<u>8,686,073</u>	<u>12.33%</u>
<b>Operating Loss</b>	<u>(13,366,608)</u>	<u>(10,562,880)</u>	<u>(2,803,728)</u>	<u>-26.54%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	15,318,098	14,158,751	1,159,347	8.19%
Gift Contributions for Operations	121,977	0	121,977	100.00%
Net Investment Income	269,935	255,540	14,395	5.63%
Interest Expense on Capital Asset Financings	(1,140,623)	(857,256)	(283,367)	-33.06%
<b>Net Other Nonoperating Adjustments</b>	<u>14,569,387</u>	<u>13,557,035</u>	<u>1,012,352</u>	<u>7.47%</u>
<b>Adjusted Income (Loss)</b>	<b>1,202,779</b>	<b>2,994,155</b>	<b>(1,791,376)</b>	<b>-59.83%</b>
<b>Adjusted Margin (as a percentage)</b>	<b>1.48%</b>	<b>4.03%</b>		
Long Term Fund Transfer	80,433	32,726	47,707	145.78%
<b>Adjusted Income (Loss) with Transfers</b>	<b>\$1,283,212</b>	<b>\$3,026,881</b>	<b>(\$1,743,669)</b>	<b>-57.61%</b>
<b>Adjusted Margin % with Transfers</b>	<b>1.57%</b>	<b>4.07%</b>		

**UNAUDITED**  
**The University of Texas at Dallas**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$49,176,351	\$43,975,443	\$5,200,908	11.83%
Sponsored Programs	18,691,036	14,438,925	4,252,111	29.45%
Net Sales and Services of Educational Activities	2,854,125	3,054,800	(200,675)	-6.57%
Net Auxiliary Enterprises	2,977,689	2,835,222	142,467	5.02%
Other Operating Revenues	1,471,605	1,212,326	259,279	21.39%
<b>Total Operating Revenues</b>	<u>75,170,806</u>	<u>65,516,716</u>	<u>9,654,090</u>	<u>14.74%</u>
<b>Operating Expenses</b>				
Salaries and Wages	65,337,195	58,099,686	7,237,509	12.46%
Employee Benefits and Related Costs	15,187,979	12,994,994	2,192,985	16.88%
Professional Fees and Contracted Services	1,309,055	977,349	331,706	33.94%
Other Contracted Services	3,247,489	2,559,259	688,230	26.89%
Scholarships and Fellowships	17,863,918	15,334,110	2,529,808	16.50%
Travel	1,381,572	1,435,632	(54,060)	-3.77%
Materials and Supplies	7,523,179	6,882,241	640,938	9.31%
Utilities	3,340,839	3,099,230	241,609	7.80%
Telecommunications	920,042	772,875	147,167	19.04%
Repairs and Maintenance	1,920,016	1,595,202	324,814	20.36%
Rentals and Leases	738,547	566,034	172,513	30.48%
Printing and Reproduction	604,373	642,581	(38,208)	-5.95%
Federal Sponsored Programs Pass-Thrus	277,700	50,220	227,480	452.97%
Depreciation and Amortization	5,628,000	5,056,938	571,062	11.29%
Other Operating Expenses	3,217,012	3,089,868	127,144	4.11%
<b>Total Operating Expenses</b>	<u>128,496,916</u>	<u>113,156,219</u>	<u>15,340,697</u>	<u>13.56%</u>
<b>Operating Loss</b>	<u>(53,326,110)</u>	<u>(47,639,503)</u>	<u>(5,686,607)</u>	<u>-11.94%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	48,988,432	44,673,303	4,315,129	9.66%
Gift Contributions for Operations	3,554,011	2,182,017	1,371,994	62.88%
Net Investment Income	2,995,210	3,270,944	(275,734)	-8.43%
Interest Expense on Capital Asset Financings	(1,782,064)	(1,616,832)	(165,232)	-10.22%
<b>Net Other Nonoperating Adjustments</b>	<u>53,755,589</u>	<u>48,509,432</u>	<u>5,246,157</u>	<u>10.81%</u>
<b>Adjusted Income (Loss)</b>	<b>429,479</b>	<b>869,929</b>	<b>(440,450)</b>	<b>-50.63%</b>
<b>Adjusted Margin (as a percentage)</b>	<b>0.33%</b>	<b>0.75%</b>		
Long Term Fund Transfer	2,632,655	2,357,237	275,418	11.68%
<b>Adjusted Income (Loss) with Transfers</b>	<b>\$3,062,134</b>	<b>\$3,227,166</b>	<b>(\$165,032)</b>	<b>-5.11%</b>
<b>Adjusted Margin % with Transfers</b>	<b>2.30%</b>	<b>2.73%</b>		

**UNAUDITED**  
**The University of Texas at El Paso**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$37,818,184	\$31,964,456	\$5,853,728	18.31%
Sponsored Programs	50,930,473	46,331,600	4,598,873	9.93%
Net Sales and Services of Educational Activities	2,388,651	2,823,297	(434,646)	-15.39%
Net Auxiliary Enterprises	15,869,905	12,257,851	3,612,054	29.47%
Other Operating Revenues	116,380	25,216	91,164	361.53%
<b>Total Operating Revenues</b>	<u>107,123,593</u>	<u>93,402,420</u>	<u>13,721,173</u>	<u>14.69%</u>
<b>Operating Expenses</b>				
Salaries and Wages	70,358,414	66,140,011	4,218,403	6.38%
Employee Benefits and Related Costs	18,015,929	15,861,542	2,154,387	13.58%
Professional Fees and Contracted Services	5,625,744	3,630,234	1,995,510	54.97%
Other Contracted Services	2,963,928	4,008,610	(1,044,682)	-26.06%
Scholarships and Fellowships	35,205,714	28,527,664	6,678,050	23.41%
Travel	3,460,692	3,230,690	230,002	7.12%
Materials and Supplies	11,109,107	8,623,326	2,485,781	28.83%
Utilities	3,557,873	3,127,304	430,569	13.77%
Telecommunications	721,786	682,904	38,882	5.69%
Repairs and Maintenance	1,882,395	1,898,127	(15,732)	-0.83%
Rentals and Leases	786,739	624,065	162,674	26.07%
Printing and Reproduction	495,186	628,019	(132,833)	-21.15%
Federal Sponsored Programs Pass-Thrus	3,169,340	3,391,200	(221,860)	-6.54%
Depreciation and Amortization	6,564,562	8,087,083	(1,522,521)	-18.83%
Other Operating Expenses	2,133,116	1,815,423	317,693	17.50%
<b>Total Operating Expenses</b>	<u>166,050,525</u>	<u>150,276,202</u>	<u>15,774,323</u>	<u>10.50%</u>
<b>Operating Loss</b>	<u>(58,926,932)</u>	<u>(56,873,782)</u>	<u>(2,053,150)</u>	<u>-3.61%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	55,134,308	52,837,480	2,296,828	4.35%
Gift Contributions for Operations	3,259,146	3,066,720	192,426	6.27%
Net Investment Income	2,221,553	2,642,740	(421,187)	-15.94%
Interest Expense on Capital Asset Financings	(2,297,040)	(2,409,624)	112,584	4.67%
<b>Net Other Nonoperating Adjustments</b>	<u>58,317,967</u>	<u>56,137,316</u>	<u>2,180,651</u>	<u>3.88%</u>
<b>Adjusted Income (Loss)</b>	<b>(608,965)</b>	<b>(736,466)</b>	<b>127,501</b>	<b>17.31%</b>
<b>Adjusted Margin (as a percentage)</b>	<b>-0.36%</b>	<b>-0.48%</b>		
Long Term Fund Transfer	1,651,274	1,472,545	178,729	12.14%
<b>Adjusted Income (Loss) with Transfers</b>	<b>\$1,042,309</b>	<b>\$736,079</b>	<b>\$306,230</b>	<b>41.60%</b>
<b>Adjusted Margin % with Transfers</b>	<b>0.62%</b>	<b>0.48%</b>		

**UNAUDITED**  
**The University of Texas-Pan American**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$28,124,472	\$24,148,136	\$3,976,336	16.47%
Sponsored Programs	44,545,089	34,951,385	9,593,704	27.45%
Net Sales and Services of Educational Activities	3,931,813	3,504,960	426,853	12.18%
Net Auxiliary Enterprises	4,347,504	3,596,264	751,240	20.89%
Other Operating Revenues	163,615	208,565	(44,950)	-21.55%
<b>Total Operating Revenues</b>	<u>81,112,493</u>	<u>66,409,310</u>	<u>14,703,183</u>	<u>22.14%</u>
<b>Operating Expenses</b>				
Salaries and Wages	44,417,123	41,023,384	3,393,739	8.27%
Employee Benefits and Related Costs	11,234,706	9,930,856	1,303,850	13.13%
Professional Fees and Contracted Services	447,854	246,127	201,727	81.96%
Other Contracted Services	2,740,165	1,744,411	995,754	57.08%
Scholarships and Fellowships	37,869,312	31,076,135	6,793,177	21.86%
Travel	1,535,498	1,210,170	325,328	26.88%
Materials and Supplies	6,865,880	6,854,216	11,664	0.17%
Utilities	2,564,092	2,857,790	(293,698)	-10.28%
Telecommunications	646,578	383,720	262,858	68.50%
Repairs and Maintenance	965,200	938,448	26,752	2.85%
Rentals and Leases	277,267	265,965	11,302	4.25%
Printing and Reproduction	488,724	356,289	132,435	37.17%
Federal Sponsored Programs Pass-Thrus	6,719	-	6,719	100.00%
Depreciation and Amortization	4,921,407	4,833,985	87,422	1.81%
Other Operating Expenses	2,701,790	2,586,870	114,920	4.44%
<b>Total Operating Expenses</b>	<u>117,682,315</u>	<u>104,308,366</u>	<u>13,373,949</u>	<u>12.82%</u>
<b>Operating Loss</b>	<u>(36,569,822)</u>	<u>(37,899,056)</u>	<u>1,329,234</u>	<u>3.51%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	40,472,073	40,285,783	186,290	0.46%
Gift Contributions for Operations	676,901	463,478	213,423	46.05%
Net Investment Income	1,496,308	1,791,707	(295,399)	-16.49%
Interest Expense on Capital Asset Financings	(2,099,037)	(2,080,558)	(18,479)	-0.89%
<b>Net Other Nonoperating Adjustments</b>	<u>40,546,245</u>	<u>40,460,410</u>	<u>85,835</u>	<u>0.21%</u>
<b>Adjusted Income (Loss)</b>	<b>3,976,423</b>	<b>2,561,354</b>	<b>1,415,069</b>	<b>55.25%</b>
<b>Adjusted Margin (as a percentage)</b>	<b>3.21%</b>	<b>2.35%</b>		
Long Term Fund Transfer	380,675	341,998	38,677	11.31%
<b>Adjusted Income (Loss) with Transfers</b>	<b>\$4,357,098</b>	<b>\$2,903,352</b>	<b>\$1,453,746</b>	<b>50.07%</b>
<b>Adjusted Margin % with Transfers</b>	<b>3.51%</b>	<b>2.66%</b>		

**UNAUDITED**  
**The University of Texas of the Permian Basin**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$5,598,444	\$4,548,948	\$1,049,496	23.07%
Sponsored Programs	3,453,485	3,142,007	311,478	9.91%
Net Sales and Services of Educational Activities	157,544	425,300	(267,756)	-62.96%
Net Auxiliary Enterprises	426,283	107,651	318,632	295.99%
Other Operating Revenues	86,268	126,526	(40,258)	-31.82%
<b>Total Operating Revenues</b>	<u>9,722,024</u>	<u>8,350,432</u>	<u>1,371,592</u>	<u>16.43%</u>
<b>Operating Expenses</b>				
Salaries and Wages	8,321,782	7,474,799	846,983	11.33%
Employee Benefits and Related Costs	1,973,692	1,788,708	184,984	10.34%
Professional Fees and Contracted Services	587,485	314,275	273,210	86.93%
Other Contracted Services	511,913	245,689	266,224	108.36%
Scholarships and Fellowships	3,938,597	3,159,562	779,035	24.66%
Travel	303,419	245,787	57,632	23.45%
Materials and Supplies	1,412,513	1,000,828	411,685	41.13%
Utilities	970,811	957,918	12,893	1.35%
Telecommunications	211,562	191,592	19,970	10.42%
Repairs and Maintenance	294,313	783,324	(489,011)	-62.43%
Rentals and Leases	131,861	104,988	26,873	25.60%
Printing and Reproduction	166,041	137,911	28,130	20.40%
Depreciation and Amortization	879,496	805,168	74,328	9.23%
Other Operating Expenses	391,097	434,870	(43,773)	-10.07%
<b>Total Operating Expenses</b>	<u>20,094,582</u>	<u>17,645,419</u>	<u>2,449,163</u>	<u>13.88%</u>
<b>Operating Loss</b>	<u>(10,372,558)</u>	<u>(9,294,987)</u>	<u>(1,077,571)</u>	<u>-11.59%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	10,250,752	9,342,160	908,592	9.73%
Gift Contributions for Operations	456,404	568,674	(112,270)	-19.74%
Net Investment Income	187,070	285,698	(98,628)	-34.52%
Interest Expense on Capital Asset Financings	(539,296)	(817,144)	277,848	34.00%
<b>Net Other Nonoperating Adjustments</b>	<u>10,354,930</u>	<u>9,379,388</u>	<u>975,542</u>	<u>10.40%</u>
<b>Adjusted Income (Loss)</b>	<b>(17,628)</b>	<b>84,401</b>	<b>(102,029)</b>	<b>-120.89%</b>
<b>Adjusted Margin (as a percentage)</b>	<b>-0.09%</b>	<b>0.46%</b>		
Long Term Fund Transfer	232,312	208,485	23,827	11.43%
<b>Adjusted Income (Loss) with Transfers</b>	<b>\$214,684</b>	<b>\$292,886</b>	<b>(\$78,202)</b>	<b>-26.70%</b>
<b>Adjusted Margin % with Transfers</b>	<b>1.03%</b>	<b>1.56%</b>		



**UNAUDITED**  
**The University of Texas at San Antonio**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$54,900,706	\$43,971,576	\$10,929,130	24.85%
Sponsored Programs	39,996,232	30,120,869	9,875,363	32.79%
Net Sales and Services of Educational Activities	1,681,732	1,297,356	384,376	29.63%
Net Auxiliary Enterprises	2,842,309	3,177,529	(335,220)	-10.55%
Other Operating Revenues	375,059	507,169	(132,110)	-26.05%
<b>Total Operating Revenues</b>	<u>99,796,038</u>	<u>79,074,499</u>	<u>(467,330)</u>	<u>-0.59%</u>
<b>Operating Expenses</b>				
Salaries and Wages	69,189,829	61,542,852	7,646,977	12.43%
Employee Benefits and Related Costs	14,068,405	11,949,189	2,119,216	17.74%
Professional Fees and Contracted Services	1,592,102	1,565,830	26,272	1.68%
Other Contracted Services	1,364,403	1,857,150	(492,747)	-26.53%
Scholarships and Fellowships	32,761,851	23,486,973	9,274,878	39.49%
Travel	2,109,627	1,891,603	218,024	11.53%
Materials and Supplies	7,999,420	4,558,108	3,441,312	75.50%
Utilities	2,890,315	2,695,336	194,979	7.23%
Telecommunications	1,352,475	1,214,081	138,394	11.40%
Repairs and Maintenance	2,636,407	3,354,114	(717,707)	-21.40%
Rentals and Leases	900,754	693,419	207,335	29.90%
Printing and Reproduction	898,042	819,722	78,320	9.55%
Federal Sponsored Programs Pass-Thrus	2,204,949	1,138,655	1,066,294	93.65%
Depreciation and Amortization	6,795,914	8,606,524	(1,810,610)	-21.04%
Other Operating Expenses	2,262,488	2,855,833	(593,345)	-20.78%
<b>Total Operating Expenses</b>	<u>149,026,981</u>	<u>128,229,389</u>	<u>20,797,592</u>	<u>16.22%</u>
<b>Operating Loss</b>	<u>(49,230,943)</u>	<u>(49,154,890)</u>	<u>(76,053)</u>	<u>-0.15%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	52,102,063	52,488,712	(386,649)	-0.74%
Gift Contributions for Operations	2,263,487	1,746,636	516,851	29.59%
Net Investment Income	1,849,034	1,554,824	294,210	18.92%
Interest Expense on Capital Asset Financings	(4,121,679)	(4,388,096)	266,417	6.07%
<b>Net Other Nonoperating Adjustments</b>	<u>52,092,905</u>	<u>51,402,076</u>	<u>690,829</u>	<u>1.34%</u>
<b>Adjusted Income (Loss)</b>	<b>2,861,962</b>	<b>2,247,186</b>	<b>614,776</b>	<b>27.36%</b>
<b>Adjusted Margin (as a percentage)</b>	<b>1.83%</b>	<b>1.67%</b>		
Long Term Fund Transfer	517,291	447,884	69,407	15.50%
<b>Adjusted Income (Loss) with Transfers</b>	<b>\$3,379,253</b>	<b>\$2,695,070</b>	<b>\$684,183</b>	<b>25.39%</b>
<b>Adjusted Margin % with Transfers</b>	<b>2.16%</b>	<b>1.99%</b>		

**UNAUDITED**  
**The University of Texas at Tyler**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$7,624,969	\$6,459,644	\$1,165,325	18.04%
Sponsored Programs	6,763,289	4,511,968	2,251,321	49.90%
Net Sales and Services of Educational Activities	214,911	172,556	42,355	24.55%
Net Auxiliary Enterprises	723,441	532,007	191,434	35.98%
Other Operating Revenues	278,131	133,051	145,080	109.04%
<b>Total Operating Revenues</b>	<u>15,604,741</u>	<u>11,809,226</u>	<u>3,795,515</u>	<u>32.14%</u>
<b>Operating Expenses</b>				
Salaries and Wages	14,818,658	13,393,082	1,425,576	10.64%
Employee Benefits and Related Costs	3,687,056	3,067,576	619,480	20.19%
Professional Fees and Contracted Services	693,028	545,784	147,244	26.98%
Other Contracted Services	1,198,657	922,265	276,392	29.97%
Scholarships and Fellowships	5,623,438	3,733,069	1,890,369	50.64%
Travel	404,456	423,661	(19,205)	-4.53%
Materials and Supplies	1,459,055	1,180,335	278,720	23.61%
Utilities	612,402	536,204	76,198	14.21%
Telecommunications	243,349	245,685	(2,336)	-0.95%
Repairs and Maintenance	487,669	648,379	(160,710)	-24.79%
Rentals and Leases	87,821	77,996	9,825	12.60%
Printing and Reproduction	390,395	326,146	64,249	19.70%
Bad Debt Expense	803	0	803	100.00%
Depreciation and Amortization	1,800,000	1,849,462	(49,462)	-2.67%
Other Operating Expenses	517,577	675,741	(158,164)	-23.41%
<b>Total Operating Expenses</b>	<u>32,024,364</u>	<u>27,625,385</u>	<u>4,398,979</u>	<u>15.92%</u>
<b>Operating Loss</b>	<u>(16,419,623)</u>	<u>(15,816,159)</u>	<u>(603,464)</u>	<u>-3.82%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	16,982,630	17,434,190	(451,560)	-2.59%
Gift Contributions for Operations	336,687	386,390	(49,703)	-12.86%
Net Investment Income	478,677	557,443	(78,766)	-14.13%
Interest Expense on Capital Asset Financings	(455,388)	(452,896)	(2,492)	-0.55%
<b>Net Other Nonoperating Adjustments</b>	<u>17,342,606</u>	<u>17,925,127</u>	<u>(582,521)</u>	<u>-3.25%</u>
<b>Adjusted Income (Loss)</b>	<b>922,983</b>	<b>2,108,968</b>	<b>(1,185,985)</b>	<b>-56.24%</b>
<b>Adjusted Margin (as a percentage)</b>	<b>2.76%</b>	<b>6.99%</b>		
Long Term Fund Transfer	881,932	794,861	87,071	10.95%
<b>Adjusted Income (Loss) with Transfers</b>	<b>\$1,804,915</b>	<b>\$2,903,829</b>	<b>(\$1,098,914)</b>	<b>-37.84%</b>
<b>Adjusted Margin % with Transfers</b>	<b>5.26%</b>	<b>9.37%</b>		

**UNAUDITED**  
**The University of Texas Southwestern Medical Center at Dallas**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$9,054,226	\$8,099,761	\$954,465	11.78%
Sponsored Programs	218,041,301	201,172,305	16,868,996	8.39%
Net Sales and Services of Educational Activities	10,998,544	12,409,755	(1,411,211)	-11.37%
Net Professional Fees	122,307,983	114,839,498	7,468,485	6.50%
Net Auxiliary Enterprises	4,704,941	4,259,800	445,141	10.45%
Other Operating Revenues	3,385,779	3,266,878	118,901	3.64%
<b>Total Operating Revenues</b>	<u>368,492,774</u>	<u>344,047,997</u>	<u>24,444,777</u>	<u>7.11%</u>
<b>Operating Expenses</b>				
Salaries and Wages	255,321,810	233,380,009	21,941,801	9.40%
Employee Benefits and Related Costs	73,566,908	66,182,709	7,384,199	11.16%
Professional Fees and Contracted Services	7,559,309	8,381,939	(822,630)	-9.81%
Other Contracted Services	29,160,492	28,396,733	763,759	2.69%
Scholarships and Fellowships	4,474,545	3,967,850	506,695	12.77%
Travel	4,647,054	3,894,129	752,925	19.33%
Materials and Supplies	54,382,980	50,943,551	3,439,429	6.75%
Utilities	10,868,496	10,807,481	61,015	0.56%
Telecommunications	3,394,828	3,132,457	262,371	8.38%
Repairs and Maintenance	3,121,775	3,356,217	(234,442)	-6.99%
Rentals and Leases	3,430,464	3,802,537	(372,073)	-9.78%
Printing and Reproduction	1,552,883	1,701,564	(148,681)	-8.74%
Federal Sponsored Programs Pass-Thrus	191,271	582,766	(391,495)	-67.18%
Depreciation and Amortization	19,373,353	18,488,952	884,401	4.78%
Other Operating Expenses	15,907,696	17,628,781	(1,721,085)	-9.76%
<b>Total Operating Expenses</b>	<u>486,953,864</u>	<u>454,647,675</u>	<u>32,306,189</u>	<u>7.11%</u>
<b>Operating Loss</b>	<u>(118,461,090)</u>	<u>(110,599,678)</u>	<u>(7,861,412)</u>	<u>-7.11%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	73,763,258	74,594,198	(830,940)	-1.11%
Gift Contributions for Operations	14,014,035	17,336,882	(3,322,847)	-19.17%
Net Investment Income	29,020,939	30,289,935	(1,268,996)	-4.19%
Interest Expense on Capital Asset Financings	(6,588,201)	(5,295,520)	(1,292,681)	-24.41%
<b>Net Other Nonoperating Adjustments</b>	<u>110,210,031</u>	<u>116,925,495</u>	<u>(6,715,464)</u>	<u>-5.74%</u>
<b>Adjusted Income (Loss)</b>	<b>(8,251,059)</b>	<b>6,325,817</b>	<b>(14,576,876)</b>	<b>-230.43%</b>
<b>Adjusted Margin (as a percentage)</b>	<b>-1.70%</b>	<b>1.36%</b>		
Long Term Fund Transfer	9,383,276	8,307,820	1,075,456	12.95%
<b>Adjusted Income (Loss) with Transfers</b>	<b>\$1,132,217</b>	<b>\$14,633,637</b>	<b>(\$13,501,420)</b>	<b>-92.26%</b>
<b>Adjusted Margin % with Transfers</b>	<b>0.23%</b>	<b>3.08%</b>		

**UNAUDITED**  
**The University of Texas Medical Branch at Galveston**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$5,982,365	\$5,341,226	\$641,139	12.00%
Sponsored Programs	98,662,280	92,568,756	6,093,524	6.58%
Net Sales and Services of Educational Activities	0	258,631	(258,631)	-100.00%
Net Sales and Services of Hospitals	388,092,058	366,989,526	21,102,532	5.75%
Net Professional Fees	83,822,794	81,084,272	2,738,522	3.38%
Net Auxiliary Enterprises	4,776,549	4,755,392	21,157	0.44%
Other Operating Revenues	47,229,427	53,316,464	(6,087,037)	-11.42%
<b>Total Operating Revenues</b>	<u>628,565,473</u>	<u>604,314,267</u>	<u>24,251,206</u>	<u>4.01%</u>
<b>Operating Expenses</b>				
Salaries and Wages	430,434,002	400,232,224	30,201,778	7.55%
Employee Benefits and Related Costs	113,545,774	105,936,538	7,609,236	7.18%
Professional Fees and Contracted Services	8,521,730	6,951,710	1,570,020	22.58%
Other Contracted Services	46,121,945	51,027,930	(4,905,985)	-9.61%
Scholarships and Fellowships	2,362,400	2,533,827	(171,427)	-6.77%
Travel	4,133,857	3,780,433	353,424	9.35%
Materials and Supplies	99,238,985	103,641,406	(4,402,421)	-4.25%
Utilities	14,485,311	13,533,286	952,025	7.03%
Telecommunications	6,633,324	6,241,692	391,632	6.27%
Repairs and Maintenance	17,916,725	15,525,749	2,390,976	15.40%
Rentals and Leases	6,392,021	6,059,170	332,851	5.49%
Printing and Reproduction	1,305,882	1,415,782	(109,900)	-7.76%
Federal Sponsored Programs Pass-Thrus	885,443	810,992	74,451	9.18%
Depreciation and Amortization	32,394,092	34,011,091	(1,616,999)	-4.75%
Other Operating Expenses	80,108,645	89,034,961	(8,926,316)	-10.03%
<b>Total Operating Expenses</b>	<u>864,480,136</u>	<u>840,736,791</u>	<u>23,743,345</u>	<u>2.82%</u>
<b>Operating Loss</b>	<u>(235,914,663)</u>	<u>(236,422,524)</u>	<u>507,861</u>	<u>0.21%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	191,473,496	196,380,216	(4,906,720)	-2.50%
Gift Contributions for Operations	2,403,773	2,983,358	(579,585)	-19.43%
Net Investment Income	11,898,267	11,275,666	622,601	5.52%
Interest Expense on Capital Asset Financings	(1,390,671)	(1,212,040)	(178,631)	-14.74%
<b>Net Other Nonoperating Adjustments</b>	<u>204,384,865</u>	<u>209,427,200</u>	<u>(5,042,335)</u>	<u>-2.41%</u>
<b>Adjusted Income (Loss)</b>	<b>(31,529,798)</b>	<b>(26,995,324)</b>	<b>(4,534,474)</b>	<b>-16.80%</b>
<b>Adjusted Margin (as a percentage)</b>	<b>-3.78%</b>	<b>-3.31%</b>		
Long Term Fund Transfer	4,524,223	3,943,262	580,961	14.73%
<b>Adjusted Income (Loss) with Transfers</b>	<b>(\$27,005,575)</b>	<b>(\$23,052,062)</b>	<b>(\$3,953,513)</b>	<b>-17.15%</b>
<b>Adjusted Margin % with Transfers</b>	<b>-3.22%</b>	<b>-2.82%</b>		

**UNAUDITED**  
**The University of Texas Health Science Center at Houston**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$8,891,720	\$8,681,458	\$210,262	2.42%
Sponsored Programs	149,174,367	130,392,565	18,781,802	14.40%
Net Sales and Services of Educational Activities	6,335,341	6,124,161	211,180	3.45%
Net Sales and Services of Hospitals	22,214,668	22,200,024	14,644	0.07%
Net Professional Fees	60,253,307	56,256,672	3,996,635	7.10%
Net Auxiliary Enterprises	8,185,869	8,255,306	(69,437)	-0.84%
Other Operating Revenues	27,636,070	29,506,347	(1,870,277)	-6.34%
<b>Total Operating Revenues</b>	<u>282,691,342</u>	<u>261,416,533</u>	<u>21,274,809</u>	<u>8.14%</u>
<b>Operating Expenses</b>				
Salaries and Wages	205,800,967	189,639,808	16,161,159	8.52%
Employee Benefits and Related Costs	47,408,062	43,564,165	3,843,897	8.82%
Professional Fees and Contracted Services	32,417,086	32,589,679	(172,593)	-0.53%
Other Contracted Services	24,135,508	20,979,993	3,155,515	15.04%
Scholarships and Fellowships	1,833,448	1,600,679	232,769	14.54%
Travel	2,830,052	2,799,342	30,710	1.10%
Materials and Supplies	17,513,931	14,509,589	3,004,342	20.71%
Utilities	4,174,845	4,076,455	98,390	2.41%
Telecommunications	2,144,934	2,263,274	(118,340)	-5.23%
Repairs and Maintenance	3,118,713	4,466,047	(1,347,334)	-30.17%
Rentals and Leases	5,624,322	3,876,779	1,747,543	45.08%
Printing and Reproduction	3,413,114	3,507,599	(94,485)	-2.69%
Bad Debt Expense	2,769	4,132	(1,363)	-32.99%
Federal Sponsored Programs Pass-Thrus	3,519,778	2,212,327	1,307,451	59.10%
Depreciation and Amortization	11,843,653	11,588,153	255,500	2.20%
Other Operating Expenses	32,144,285	31,618,158	526,127	1.66%
<b>Total Operating Expenses</b>	<u>397,925,467</u>	<u>369,296,179</u>	<u>28,629,288</u>	<u>7.75%</u>
<b>Operating Loss</b>	<u>(115,234,125)</u>	<u>(107,879,646)</u>	<u>(7,354,479)</u>	<u>-6.82%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	96,709,148	98,432,046	(1,722,898)	-1.75%
Gift Contributions for Operations	721,036	218,090	502,946	230.61%
Net Investment Income	6,068,149	5,839,848	228,301	3.91%
Interest Expense on Capital Asset Financings	(2,810,621)	(3,740,208)	929,587	24.85%
<b>Net Other Nonoperating Adjustments</b>	<u>100,687,712</u>	<u>100,749,776</u>	<u>(62,064)</u>	<u>-0.06%</u>
<b>Adjusted Income (Loss)</b>	(14,546,413)	(7,129,870)	(7,416,543)	-104.02%
<b>Adjusted Margin (as a percentage)</b>	-3.77%	-1.95%		
Long Term Fund Transfer	1,363,400	1,110,069	253,331	22.82%
<b>Adjusted Income (Loss) with Transfers</b>	<u>(\$13,183,013)</u>	<u>(\$6,019,801)</u>	<u>(\$7,163,212)</u>	<u>-118.99%</u>
<b>Adjusted Margin % with Transfers</b>	<u>-3.40%</u>	<u>-1.64%</u>		

**UNAUDITED**  
**The University of Texas Health Science Center at San Antonio**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$9,101,333	\$7,902,672	\$1,198,661	15.17%
Sponsored Programs	89,592,595	86,888,761	2,703,834	3.11%
Net Sales and Services of Educational Activities	784,675	1,035,999	(251,324)	-24.26%
Net Professional Fees	78,056,555	73,337,407	4,719,148	6.43%
Net Auxiliary Enterprises	1,159,475	947,605	211,870	22.36%
Other Operating Revenues	32,252,366	35,759,008	(3,506,642)	-9.81%
<b>Total Operating Revenues</b>	<u>210,946,999</u>	<u>205,871,452</u>	<u>5,075,547</u>	<u>2.47%</u>
<b>Operating Expenses</b>				
Salaries and Wages	152,493,011	145,335,311	7,157,700	4.92%
Employee Benefits and Related Costs	40,791,425	37,678,603	3,112,822	8.26%
Professional Fees and Contracted Services	8,522,000	8,705,555	(183,555)	-2.11%
Other Contracted Services	8,942,676	9,119,365	(176,689)	-1.94%
Scholarships and Fellowships	1,978,463	1,749,714	228,749	13.07%
Travel	2,735,999	2,508,445	227,554	9.07%
Materials and Supplies	15,159,050	14,826,665	332,385	2.24%
Utilities	4,048,501	3,468,918	579,583	16.71%
Telecommunications	5,885,474	5,761,801	123,673	2.15%
Repairs and Maintenance	670,283	546,872	123,411	22.57%
Rentals and Leases	1,203,671	950,499	253,172	26.64%
Printing and Reproduction	1,182,675	1,290,422	(107,747)	-8.35%
Federal Sponsored Programs Pass-Thrus	780,126	674,091	106,035	15.73%
Depreciation and Amortization	9,733,333	9,717,301	16,032	0.16%
Other Operating Expenses	62,262,048	62,197,745	64,303	0.10%
<b>Total Operating Expenses</b>	<u>316,388,735</u>	<u>304,531,307</u>	<u>11,857,428</u>	<u>3.89%</u>
<b>Operating Loss</b>	<u>(105,441,736)</u>	<u>(98,659,855)</u>	<u>(6,781,881)</u>	<u>-6.87%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	94,977,233	98,530,968	(3,553,735)	-3.61%
Gift Contributions for Operations	5,736,890	5,359,710	377,180	7.04%
Net Investment Income	12,760,931	12,723,025	37,906	0.30%
Interest Expense on Capital Asset Financings	(2,711,690)	(3,784,824)	1,073,134	28.35%
<b>Net Other Nonoperating Adjustments</b>	<u>110,763,364</u>	<u>112,828,879</u>	<u>(2,065,515)</u>	<u>-1.83%</u>
<b>Adjusted Income (Loss)</b>	<b>5,321,628</b>	<b>14,169,024</b>	<b>(8,847,396)</b>	<b>-62.44%</b>
<b>Adjusted Margin (as a percentage)</b>	<b>1.64%</b>	<b>4.39%</b>		
Long Term Fund Transfer	1,339,600	1,146,300	193,300	16.86%
<b>Adjusted Income (Loss) with Transfers</b>	<b>\$6,661,228</b>	<b>\$15,315,324</b>	<b>(\$8,654,096)</b>	<b>-56.51%</b>
<b>Adjusted Margin % with Transfers</b>	<b>2.04%</b>	<b>4.73%</b>		

**UNAUDITED**  
**The University of Texas M. D. Anderson Cancer Center**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$86,738	\$93,813	(\$7,075)	-7.54%
Sponsored Programs	108,201,846	99,743,568	8,458,278	8.48%
Net Sales and Services of Educational Activities	2,324,035	1,745,322	578,713	33.16%
Net Sales and Services of Hospitals	590,662,136	504,302,597	86,359,539	17.12%
Net Professional Fees	123,244,921	103,915,556	19,329,365	18.60%
Net Auxiliary Enterprises	9,911,809	8,699,170	1,212,639	13.94%
Other Operating Revenues	13,819,157	15,820,176	(2,001,019)	-12.65%
<b>Total Operating Revenues</b>	<u>848,250,642</u>	<u>734,320,202</u>	<u>113,930,440</u>	<u>15.52%</u>
<b>Operating Expenses</b>				
Salaries and Wages	464,433,268	420,466,759	43,966,509	10.46%
Employee Benefits and Related Costs	136,053,086	118,194,342	17,858,744	15.11%
Professional Fees and Contracted Services	11,604,405	12,338,616	(734,211)	-5.95%
Other Contracted Services	31,481,460	32,237,967	(756,507)	-2.35%
Travel	7,834,954	6,229,527	1,605,427	25.77%
Materials and Supplies	189,294,251	175,168,256	14,125,995	8.06%
Utilities	17,696,739	16,199,225	1,497,514	9.24%
Telecommunications	4,978,830	3,231,447	1,747,383	54.07%
Repairs and Maintenance	11,184,362	11,416,265	(231,903)	-2.03%
Rentals and Leases	14,579,653	10,369,532	4,210,121	40.60%
Printing and Reproduction	3,204,260	2,978,000	226,260	7.60%
Federal Sponsored Programs Pass-Thru	779,986	1,475,243	(695,257)	-47.13%
Depreciation and Amortization	48,371,678	45,380,535	2,991,143	6.59%
Other Operating Expenses	24,551,505	25,013,908	(462,403)	-1.85%
<b>Total Operating Expenses</b>	<u>966,048,437</u>	<u>880,699,622</u>	<u>85,348,815</u>	<u>9.69%</u>
<b>Operating Loss</b>	<u>(117,797,795)</u>	<u>(146,379,420)</u>	<u>28,581,625</u>	<u>19.53%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	94,383,198	105,932,299	(11,549,101)	-10.90%
Gift Contributions for Operations	53,656,609	47,941,228	5,715,381	11.92%
Net Investment Income	23,561,329	24,301,987	(740,658)	-3.05%
Interest Expense on Capital Asset Financings	(10,118,383)	(5,458,425)	(4,659,958)	-85.37%
<b>Net Other Nonoperating Adjustments</b>	<u>161,482,753</u>	<u>172,717,089</u>	<u>(11,234,336)</u>	<u>-6.50%</u>
<b>Adjusted Income (Loss)</b>	43,684,958	26,337,669	17,347,289	65.86%
<b>Adjusted Margin (as a percentage)</b>	4.28%	2.89%		
Long Term Fund Transfer	4,005,470	3,382,241	623,229	18.43%
<b>Adjusted Income (Loss) with Transfers</b>	<u>\$47,690,428</u>	<u>\$29,719,910</u>	<u>\$17,970,518</u>	<u>60.47%</u>
<b>Adjusted Margin % with Transfers</b>	<u>4.66%</u>	<u>3.24%</u>		

**UNAUDITED**  
**The University of Texas Health Center at Tyler**  
**Comparison of Operating Results and Margin**  
**For the Eight Months Ending April 30, 2003**

	April Year-to-Date <u>FY 2003</u>	April Year-to-Date <u>FY 2002</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
<b>Operating Revenues</b>				
Sponsored Programs	\$4,552,384	\$4,227,346	325,038	7.69%
Net Sales and Services of Educational Activities	830,126	750,730	79,396	10.58%
Net Sales and Services of Hospitals	35,074,749	33,175,813	1,898,936	5.72%
Net Professional Fees	8,747,125	8,384,227	362,898	4.33%
Net Auxiliary Enterprises	524,798	665,305	(140,507)	-21.12%
Other Operating Revenues	2,278,587	1,788,589	489,998	27.40%
<b>Total Operating Revenues</b>	<u>52,007,769</u>	<u>48,992,010</u>	<u>3,015,759</u>	<u>6.16%</u>
<b>Operating Expenses</b>				
Salaries and Wages	39,892,775	38,547,937	1,344,838	3.49%
Employee Benefits and Related Costs	10,428,217	9,361,460	1,066,757	11.40%
Professional Fees and Contracted Services	3,795,946	1,937,832	1,858,114	95.89%
Other Contracted Services	2,638,797	2,391,420	247,377	10.34%
Travel	346,171	357,402	(11,231)	-3.14%
Materials and Supplies	9,954,880	10,290,090	(335,210)	-3.26%
Utilities	1,195,262	1,234,688	(39,426)	-3.19%
Telecommunications	452,267	321,717	130,550	40.58%
Repairs and Maintenance	1,240,112	995,846	244,266	24.53%
Rentals and Leases	1,279,206	1,277,329	1,877	0.15%
Printing and Reproduction	623,247	567,714	55,533	9.78%
Federal Sponsored Programs Pass-Thru	193,584	195,657	(2,073)	-1.06%
Depreciation and Amortization	2,286,182	2,682,954	(396,772)	-14.79%
Other Operating Expenses	2,976,757	2,686,462	290,295	10.81%
<b>Total Operating Expenses</b>	<u>77,303,403</u>	<u>72,848,508</u>	<u>4,454,895</u>	<u>6.12%</u>
<b>Operating Loss</b>	<u>(25,295,634)</u>	<u>(23,856,498)</u>	<u>(1,439,136)</u>	<u>-6.03%</u>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	21,865,100	21,703,216	161,884	0.75%
Gift Contributions for Operations	119,685	72,979	46,706	64.00%
Net Investment Income	1,883,421	1,812,678	70,743	3.90%
Interest Expense on Capital Asset Financings	(345,756)	(26,608)	(319,148)	-1199.44%
<b>Net Other Nonoperating Adjustments</b>	<u>23,522,450</u>	<u>23,562,265</u>	<u>(39,815)</u>	<u>-0.17%</u>
<b>Adjusted Income (Loss)</b>	<b>(1,773,184)</b>	<b>(294,233)</b>	<b>(1,478,951)</b>	<b>-502.65%</b>
<b>Adjusted Margin (as a percentage)</b>	<b>-2.34%</b>	<b>-0.41%</b>		
Long Term Fund Transfer	113,524	101,073	12,451	12.32%
<b>Adjusted Income (Loss) with Transfers</b>	<b>(\$1,659,660)</b>	<b>(\$193,160)</b>	<b>(\$1,466,500)</b>	<b>-759.22%</b>
<b>Adjusted Margin % with Transfers</b>	<b>-2.18%</b>	<b>-0.27%</b>		



**THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION  
DOCKET NO. 114**

July 16, 2003

TO MEMBERS OF THE FINANCE AND PLANNING COMMITTEE:

Woody L. Hunt, Chairman  
H. Scott Caven, Jr.  
James Richard Huffines  
Cyndi Taylor Krier  
A. W. "Dub" Riter, Jr.

The Docket for The University of Texas System Administration and the Dockets recommended by the Presidents concerned and prepared by the component institutions listed below are submitted for approval as appropriate at the meeting of the U. T. Board of Regents on August 7, 2003. The Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, and I concur in these recommendations.

<u>Institutions</u>	<u>Pages</u>
The University of Texas System Administration	Docket 1 - 19
The University of Texas at Arlington	Docket 20 - 26
The University of Texas at Austin	Docket 27 - 34
The University of Texas at Brownsville	Docket 35 - 38
The University of Texas at Dallas	Docket 39 - 41
The University of Texas at El Paso	Docket 42 - 46
The University of Texas - Pan American	Docket 47 - 52
The University of Texas of the Permian Basin	Docket 53 - 54
The University of Texas at San Antonio	Docket 55 - 56
The University of Texas at Tyler	Docket 57 - 60
The University of Texas Southwestern Medical Center at Dallas	Docket 61 - 64
The University of Texas Medical Branch at Galveston	Docket 65 - 70
The University of Texas Health Science Center at Houston	Docket 71 - 74
The University of Texas Health Science Center at San Antonio	Docket 75 - 79
The University of Texas M. D. Anderson Cancer Center	Docket 80 - 87

/s/ Mark G. Yudof  
Chancellor

xc: Other Members of  
the Board

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## **U. T. SYSTEM ADMINISTRATION**

### **CONTRACTS**

The following contracts or agreements have been administratively approved by the Chancellor or his delegate and are recommended for approval by the U. T. Board of Regents.

#### **GENERAL CONTRACTS**

##### **FUNDS GOING OUT**

1. Agency: Navigant International/South Central L.P.  
Funds: \$1,800,000  
Period: July 31, 2003 through July 31, 2005  
Description: Navigant International/South Central L.P. agrees to provide travel agency reservation services for the U. T. System. Navigant International/South Central L.P. was selected from 20 bidders following a competitive bid process.

**AMENDMENT TO THE 2002-03 BUDGET**

**TRANSFERS OF FUNDS**

The following Request for Budget Change (RBC) has been administratively approved by the appropriate Executive Vice Chancellor and the Chancellor and is recommended for approval by the U. T. Board of Regents.

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
UNEMPLOYMENT COMPENSATION INSURANCE BENEFITS		
1. Amount of Transfer:	1,000,000	8

From: Unemployment Compensation Insurance - Income

To: Unemployment Compensation Insurance – Compensation Benefits

To increase available funds to reimburse the Texas Workforce Commission for System-wide unemployment compensation insurance claims anticipated to be higher than originally budgeted.

## OTHER MATTERS

### APPROVAL OF NEWLY COMMISSIONED U. T. SYSTEM PEACE OFFICERS

In accordance with Chapter 51.203 of the Texas Education Code, the U. T. Board of Regents is requested to approve the commissioning of the individuals listed below as peace officers effective June 6, 2003. The following officers have completed a course of training that included mandated Texas Commission on Law Enforcement Officer Standards and Education courses at The University of Texas System Police Training Academy and have successfully passed the State of Texas Peace Officer Licensing Examination.

<u>Name</u>	<u>Component Institution</u>
Jason Balusek	U. T. San Antonio
Hector H. Barrera	U. T. San Antonio
Alberto Casarez	U. T. Health Science Center - Houston
Gerald D. Crosby	U. T. Health Science Center - Houston
Calvin C. Lawrence	U. T. Health Science Center - San Antonio
Shahab I. Lawrence	U. T. Arlington
Jason Michael Lee	U. T. Arlington
Manuel J. Leston	U. T. Health Science Center - Houston
David C. Lucas	U. T. Health Science Center - Houston
Hongchen Ma	U. T. Arlington
Christopher Charles Malone	U. T. Arlington
Kevin Lee Nance	U. T. Arlington
Joshua Robinson	U. T. San Antonio
Gabriel Rodriquez	U. T. Medical Branch - Galveston
David A. Ross	U. T. Southwestern Medical Center - Dallas
Darrin K. Watson	U. T. Health Science Center - Houston
Samantha Lee Willburn	U. T. Arlington

# REAL ESTATE OFFICE REPORT

## THE UNIVERSITY OF TEXAS SYSTEM REAL ESTATE ASSETS

Managed by U. T. System Real Estate Office

Summary Report at May 31, 2003

### FUND TYPE

	Current Purpose Restricted		Endowment & Similar Funds		Annuity & Life Income Funds		TOTAL	
	Book	Market	Book	Market	Book	Market	Book	Market
<b>Land &amp; Buildings:</b>								
Ending Value 2/28/03	\$ 6,935,819	\$ 24,274,684	\$ 23,277,798	\$ 115,186,458	\$ 1,249,644	\$ -	\$ 31,463,261	\$ 141,306,657
Increase or Decrease	390,003	413,253	(226,690)	625,397	-	13,000	163,313	1,051,650
Ending Value 5/31/03	\$ 7,325,822	\$ 24,687,937	\$ 23,051,108	\$ 115,811,855	\$ -	\$ 858,515	\$ 31,463,261	\$ 141,358,307
<b>Other Real Estate:</b>								
Ending Value 2/28/03	\$ 167,134	\$ 168,759	\$ 309,066	\$ 309,066	\$ -	\$ -	\$ 476,200	\$ 477,825
Increase or Decrease	(21,495)	(23,120)	(87,260)	(87,260)	-	-	(108,755)	(110,380)
Ending Value 5/31/03	\$ 145,639	\$ 146,639	\$ 221,806	\$ 221,806	\$ -	\$ -	\$ 367,445	\$ 367,445

Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.

Details of individual assets by account furnished on request.



**The University of Texas System  
Physician/Dental Practice Plans Year-to-Date Summary of Operations  
For the Nine Months Ending May 31, 2003**

	Cumulative Year-to-Date FY 2003	Cumulative Year-to-Date FY 2002 (Restated)	Increase/ (Decrease)	Percent Increase/ (Decrease)
<b>Operating Revenues:</b>				
Gross Charges	\$ 1,506,419,068	1,367,487,338	138,931,730	10.16%
Less:				
Un-sponsored Charity Care	443,019,102	398,936,441	44,082,661	11.05%
Contractual Adjustments	502,794,453	426,297,122	76,497,331	17.94%
Other Unreimbursed Medical Costs	37,986,098	38,992,633	(1,006,535)	-2.58%
Bad Debt Expense	39,984,374	64,029,755	(24,045,381)	-37.55%
Net Patient Revenue	<u>482,635,041</u>	<u>439,231,387</u>	43,403,654	9.88%
Contractual Revenues	148,509,029	134,856,173	13,652,856	10.12%
Other Operating Revenues	20,167,904	28,044,525	(7,876,621)	-28.09%
<b>Total Operating Revenues Included in Monthly Financial Report</b>	<u>651,311,974</u>	<u>602,132,085</u>	49,179,889	8.17%
<b>Operating Expenses:</b>				
Faculty Salaries	229,853,970	203,786,137	26,067,833	12.79%
Staff Salaries	117,450,851	107,075,854	10,374,997	9.69%
Resident Salaries	2,572,695	3,205,466	(632,771)	-19.74%
Fringe Benefits	134,851,625	121,617,621	13,234,004	10.88%
Maintenance and Operations	114,279,307	114,377,135	(97,828)	-0.09%
Professional Liability Insurance	15,921,824	13,452,836	2,468,988	18.35%
Travel	8,296,561	7,411,690	884,871	11.94%
Official Functions	1,963,570	1,603,750	359,820	22.44%
Other Operating Expenses	19,167,000	21,611,000	(2,444,000)	-11.31%
<b>Total Operating Expenses Included in Monthly Financial Report</b>	<u>644,357,403</u>	<u>594,141,489</u>	50,215,914	8.45%
<b>Operating Income (Loss)</b>	6,954,571	7,990,596	(1,036,025)	-12.97%
Investment Income	4,336,886	7,240,227	(2,903,341)	-40.10%
Interest Expense on Debt Service	(1,063,732)	(1,055,404)	(8,328)	-0.79%
<b>Adjusted Income (Loss)</b>	10,227,725	14,175,419	(3,947,694)	-27.85%
<b>Adjusted Income (Loss) - as a percentage</b>	1.56%	2.33%		
Other Nonoperating Revenues (Expenses)	(2,059,606)	(195,485)	(1,864,121)	-953.59%
<b>Income (Loss) Before Other Items</b>	8,168,119	13,979,934	(5,811,815)	-41.57%
Transfers In	4,834,897	2,110,657	2,724,240	129.07%
Transfers Out	(15,389,175)	(15,963,650)	574,475	3.60%
Debt Service	(2,196,797)	(1,834,433)	(362,364)	-19.75%
Capital Outlay	(5,762,918)	(7,967,888)	2,204,970	27.67%
Change in Net Assets	(10,345,874)	(9,675,380)	(670,494)	-6.93%
<b>Net Assets - September 1 - As Previously Reported</b>	374,591,980	387,655,165	(13,063,185)	-3.37%
<b>Restatements</b>	(9,838,301)	(8,283,224)	(1,555,077)	-18.77%
<b>Net Assets - September 1 - As Restated</b>	<u>364,753,679</u>	<u>379,371,941</u>	(14,618,262)	-3.85%
<b>Net Assets - May 31</b>	<u>\$ 354,407,805</u>	<u>369,696,561</u>	(15,288,756)	-4.14%

**The University of Texas System  
Physician/Dental Practice Plans  
Comparison of Year-to-Date FY 2003 Adjusted Income (Loss)  
to Year-to-Date FY 2002 Adjusted Income (Loss)  
For the Nine Months Ending May 31, 2003**

	<u>Year-to-Date FY 2003 Adjusted Income (Loss)</u>	<u>Year-to-Date FY 2002 Adjusted Income (Loss) (Restated)</u>	<u>Variance of Current Year-to-Date to Prior Year-to-Date</u>	<u>Fluctuation Percentage</u>
U. T. Southwestern Medical Center - Dallas	\$ 1,348,580	12,137,456	(10,788,876)	-88.89% (1)
U. T. Southwestern Medical Center - Dallas (Allied Health)	329,527	82,251	247,276	300.64%
U. T. Medical Branch - Galveston	(600,956)	1,561,548	(2,162,504)	-138.48% (2)
U. T. Health Science Center - Houston	(5,556,551)	(2,683,254)	(2,873,297)	-107.08% (3)
U. T. Health Science Center - San Antonio (Physician)	2,153,207	675,472	1,477,735	218.77% (4)
U. T. Health Science Center - San Antonio (Dental)	1,131,988	995,439	136,549	13.72%
U. T. M. D. Anderson Cancer Center	12,236,624	2,623,881	9,612,743	366.36% (5)
U. T. Health Center at Tyler	<u>(814,694) (6)</u>	<u>(1,217,374)</u>	<u>402,680</u>	<u>33.08%</u>
Total Adjusted Income (Loss)	<u>\$ 10,227,725</u>	<u>14,175,419</u>	<u>(3,947,694)</u>	<u>-27.85%</u>

**Explanations of Variances on the  
Practice Plans Summary of Operations  
For the Nine Months Ending May 31, 2003**

Explanations are provided for institutions having the largest variances in adjusted income (loss) for current year-to-date as compared to the prior year, both in terms of dollars and percentages. Explanations are also provided for institutions with a current year-to-date adjusted loss.

- (1) *U. T. Southwestern Medical Center - Dallas* – The \$10.8 million (88.9%) decrease in adjusted income as compared to the same period last year was due to an increase in total operating expenses of \$22.7 million, partially offset by an increase in total operating revenues of \$12.6 million due to growth in patient volumes and an increase in fee schedules. Total operating expenses increased largely due to increases in both faculty and staff salaries resulting from the creation of new positions in OB-GYN, Dermatology, Internal Medicine and Cardiothoracic Surgery, as well as annual salary increases. Fringe benefits increased not only due to the creation of the new positions, but also as a result of increases in faculty incentives and insurance premiums.
  
- (2) *U. T. Medical Branch - Galveston* – The \$2.2 million (138.5%) decrease in adjusted income as compared to the same period last year was due to an increase in total operating expenses of \$2.9 million, as well as a decrease in investment income of \$937,000. Total operating expenses increased primarily as a result of an increase in faculty full-time equivalents and annual salary increases. Investment income declined as a result of the Texas Department of Insurance lowering the interest rate on the surplus debenture (loan) between the nonprofit healthcare corporation, U.T.M.B. Healthcare Systems, Inc., and the physician practice plan retroactive to January 1, 2002. Rather than restating the prior period, current year investment income was adjusted to reflect this change since the amount was considered immaterial to overall operations of the physician practice plan. The increased operating expenses and reduced investment income were partially offset by a \$1.7 million increase in total operating revenues. Gross charges increased due to higher patient volumes. As a result of these factors, *U. T. Medical Branch - Galveston* has a year-to-date adjusted loss of \$601,000. Seasonal trends impact the timing of revenues and expenses. The practice plan is expected to break even by year-end as a result of higher patient volumes in the last three months and cost reductions associated with the hiring freeze.

**Explanations of Variances on the Practice Plans Summary of Operations  
For the Nine Months Ending May 31, 2003 (Continued)**

- (3) *U. T. Health Science Center - Houston* – The \$2.9 million (107.1%) decrease in adjusted income as compared to the same period last year was due to a larger increase in operating expenses of \$9.7 million versus operating revenues of \$7.1 million. The majority of the increase in operating expenses was due to increased salaries resulting primarily from merit adjustments, market adjustments and promotions. While operating revenues increased over last year, they are still not at the level expected by management. Typically only 47% of total professional fees are received during the first six months of each fiscal year due to fewer clinical days, whereas expenses are more evenly distributed. The result is that a loss is usually experienced the first six months of each fiscal year. Even considering the 47 percent and 53 percent split in professional fees, the professional fees that resulted during the first six months of FY 2003 were not at the level anticipated. This was a result of several factors. First, there are still faculty vacancies in several areas that were not expected: Internal Medicine, Cardiology, Neurosurgery, and Dermatology's Mohs Surgery. These areas usually produce high dollar charges relative to many other areas. Next, a shift in the payor mix resulted in fewer net collections on gross charges. Finally, the general downturn of the economy resulted in a payor mix at some practice plan locations with a slightly higher rate of self-pay and indigent patients than before, negatively affecting collections. Charges and collections increased during April and May of FY 2003; however, these increases were later in the year than expected and were still not quite at the level anticipated. As a result of these factors, the practice plan has a year-to-date adjusted loss of \$5.6 million. The practice plan has implemented various expense reductions for the remainder of FY 2003. These expense reductions are expected to reduce the practice plan's deficit to \$3.5 million by year-end.
- (4) *U. T. Health Science Center - San Antonio (Physician Practice Plan)* – The majority of the \$1.5 million (218.8%) increase in adjusted income as compared to the same period last year was due to a realignment of revenues and expenses in the physician practice plan. Management determined that there were certain revenues and expenses related to the practice plan that were being captured in other areas of the institution.

In addition to the realignment, gross charges increased due to improved controls over the patient registration process, as well as increased provider productivity. A negotiated increase in the base care contract with the teaching hospital contributed to the increase in contractual revenues. Also contributing to the increase in adjusted income was a decrease in the overall costs of the nonprofit healthcare corporation, University Physicians Group, Inc., primarily due to lower capitation costs as a result of fewer contracts with providers for capitation services.

**Explanations of Variances on the Practice Plans Summary of Operations  
For the Nine Months Ending May 31, 2003 (Continued)**

- (5) U. T. M. D. Anderson Cancer Center – The \$9.6 million (366.4%) increase in adjusted income as compared to the same period last year was due to a \$22.6 million increase in total operating revenues, which was partially offset by an increase in total operating expenses of \$12.3 million. Total operating revenues increased due to higher patient volumes, as well as price increases. Following the events of September 11, 2001, U. T. M. D. Anderson Cancer Center experienced a decline in the number of clinical visits, which combined with a decrease in the number of international patients, caused revenues to be reduced in the first part of 2002. Total operating expenses increased primarily due to increases in faculty salaries and fringe benefits related to salary increases and new positions. Staff salaries increased due to a shift in classified salaries from Educational and General funds to the practice plan effective in the third quarter of FY 2003. Fringe benefits also increased as a result of increases in insurance premiums, as well as the shift in classified salaries from Educational and General funds to the practice plan.
- (6) U. T. Health Center - Tyler – The \$815,000 year-to-date adjusted loss is due to a continued high level of contractual write-offs. A shift in the payor mix away from commercial insurance to Medicare, Medicaid and self-pay have contributed to the increases in contractual adjustments. Educational and General funds will reimburse the physician practice plan for indigent care, administrative support and education services by year-end. U. T. Health Center – Tyler anticipates this reimbursement of indirect costs of the practice plan will be \$2.2 million. As a result of these cost recoveries, U. T. Health Center - Tyler's physician practice plan is expected to break even at year-end.

**GLOSSARY OF TERMS**

**OPERATING REVENUES:**

GROSS CHARGES - Posted charges for patient care services at scheduled rates.

UNSPONSORED CHARITY CARE - Unreimbursed charges to financially or medically indigent patients, including contractual adjustments and other unreimbursed charges to Medicaid, State Children's Health Insurance Program, and other governmental programs indexed to the federal poverty. Contractual adjustments include fee-for-service and capitation.

OTHER UNREIMBURSED MEDICAL COSTS - All other write-offs (i.e., unbilled charges, discounts for personal courtesy and employees, unreimbursed research expenses, denied charges, missed billing deadlines).

## **GLOSSARY OF TERMS (CONTINUED)**

**BAD DEBT EXPENSE** - Charges that were at one time the responsibility of a private pay patient that are deemed uncollectible.

**NET PATIENT REVENUES** - Gross charges less all deductions.

**CONTRACTUAL REVENUES** - Lump sum income for contracted physician services related to affiliated hospitals and organizations, jails, medical director services, and clinical oversight.

**OTHER OPERATING REVENUES** - Other operating-related revenue items not listed elsewhere.

### **OPERATING EXPENSES:**

**FACULTY SALARIES** - All faculty salary payments including salary augmentation. Does not include incentive payments or supplemental retirement annuities.

**STAFF SALARIES** - All nonfaculty salary payments, excluding resident salaries.

**RESIDENT SALARIES** - Salaries paid to resident physicians.

**FRINGE BENEFITS** - Group insurance premiums (net of premium sharing) paid by the plan, supplemental retirement payments, incentive payments, and parking fees as authorized by the Medical Services Research and Development Plan/Physicians' Referral Service Bylaws, and mandatory state benefits (retirement, OASI, WCI, premium sharing, etc.).

**MAINTENANCE AND OPERATIONS** - All expenses not classified elsewhere, i.e., utilities, supplies, repairs and maintenance, shipping and postage, etc.

**PROFESSIONAL LIABILITY INSURANCE** - Professional liability insurance premiums paid by the institution on behalf of plan members.

**TRAVEL** - All costs associated with travel.

**OFFICIAL FUNCTIONS** – Business-related events that are of documented benefit to the institution.

**OTHER OPERATING EXPENSES** - Other operating-related expense items not listed elsewhere.

**OPERATING INCOME (LOSS)** - Total operating revenues less total operating expenses before other nonoperating adjustments like investment income and interest expense.

## GLOSSARY OF TERMS (CONTINUED)

### **OTHER NONOPERATING ADJUSTMENTS:**

INVESTMENT INCOME - Income earned from investments.

INTEREST EXPENSE ON DEBT SERVICE - Interest expense only on debt service.

**ADJUSTED INCOME (LOSS)** - Operating income (loss) adjusted for investment income and interest expense on debt service.

**ADJUSTED INCOME (LOSS) AS A PERCENTAGE** - Adjusted income (loss) divided by total operating revenues plus investment income.

OTHER NONOPERATING REVENUES (EXPENSES) - Other nonoperating revenue or expense items not identified elsewhere.

**INCOME (LOSS) BEFORE OTHER ITEMS** - Adjusted income (loss) net of other nonoperating revenues (expenses).

TRANSFERS IN - Transfers from non-practice plan funds.

TRANSFERS OUT - Transfers to non-practice plan funds.

DEBT SERVICE - Principal paid on any debt, i.e., building construction, renovation, lease-purchase agreements, etc.

CAPITAL OUTLAY - Cost of capital acquisitions funded from plan resources.

**The University of Texas Southwestern Medical Center at Dallas  
Physician Practice Plan Year-to-Date Summary of Operations  
For the Nine Months Ending May 31, 2003**

	Cumulative Year-to-Date 2003*	Cumulative Year-to-Date 2002	Increase/ (Decrease)	Percent Increase/ (Decrease)
<b>Operating Revenues:</b>				
Gross Charges	\$ 482,999,050	430,740,695	52,258,355	12.13%
Less:				
Un-sponsored Charity Care	206,034,210	184,669,916	21,364,294	11.57%
Contractual Adjustments	120,505,999	101,568,454	18,937,545	18.65%
Other Unreimbursed Medical Costs	13,313,321	12,481,811	831,510	6.66%
Bad Debt Expense	6,667,056	5,714,233	952,823	16.67%
Net Patient Revenues	<u>136,478,464</u>	<u>126,306,281</u>	<u>10,172,183</u>	<u>8.05%</u>
Contractual Revenues	62,459,197	59,902,737	2,556,460	4.27%
Other Operating Revenues	5,994,235	6,104,638	(110,403)	-1.81%
<b>Total Operating Revenues Included in Monthly Financial Report</b>	<u>204,931,896</u>	<u>192,313,656</u>	<u>12,618,240</u>	<u>6.56%</u>
<b>Operating Expenses:</b>				
Faculty Salaries	65,489,566	56,842,581	8,646,985	15.21%
Staff Salaries	51,534,848	45,469,734	6,065,114	13.34%
Fringe Benefits	42,493,567	37,369,074	5,124,493	13.71%
Maintenance and Operations	37,746,338	35,989,875	1,756,463	4.88%
Professional Liability Insurance	3,848,780	3,347,154	501,626	14.99%
Travel	1,955,694	1,715,249	240,445	14.02%
Official Functions	350,162	-	350,162	100.00%
<b>Total Operating Expenses Included in Monthly Financial Report</b>	<u>203,418,955</u>	<u>180,733,667</u>	<u>22,685,288</u>	<u>12.55%</u>
<b>Operating Income (Loss)</b>	1,512,941	11,579,989	(10,067,048)	-86.93%
Investment Income	887,000	1,586,181	(699,181)	-44.08%
Interest Expense on Debt Service	(1,051,361)	(1,028,714)	(22,647)	-2.20%
<b>Adjusted Income (Loss)</b>	1,348,580	12,137,456	(10,788,876)	-88.89%
<b>Adjusted Income (Loss) - as a percentage</b>	0.66%	6.26%		
Transfers In	4,599,795	2,107,820	2,491,975	118.23%
Transfers Out	(11,457,383)	(6,267,737)	(5,189,646)	-82.80%
Debt Service	(2,028,797)	(1,666,433)	(362,364)	-21.74%
Capital Outlay	(3,257,453)	(4,925,649)	1,668,196	33.87%
<b>Change in MSRDP/PRS Net Assets</b>	<u>(10,795,258)</u>	<u>1,385,457</u>	<u>(12,180,715)</u>	<u>-879.18%</u>
<b>Net Assets - September 1 - As Previously Reported</b>	141,810,647	151,295,372	(9,484,725)	-6.27%
<b>Restatements</b>	<u>(2,698,273)</u>	<u>(312,722)</u>	<u>(2,385,551)</u>	<u>-762.83%</u>
<b>Net Assets - September 1 - As Restated</b>	139,112,374	150,982,650	(11,870,276)	-7.86%
<b>Net Assets - May 31</b>	<u>\$ 128,317,116</u>	<u>152,368,107</u>	<u>(24,050,991)</u>	<u>-15.78%</u>

\*Includes the operations of the nonprofit healthcare corporation. FY 2002 was restated as appropriate.



**The University of Texas Southwestern Medical Center at Dallas  
Allied Health Faculty Services Plan Year-to-Date Summary of Operations  
For the Nine Months Ending May 31, 2003**

	Cumulative Year-to-Date 2003	Cumulative Year-to-Date 2002	Increase/ (Decrease)	Percent Increase/ (Decrease)
<b>Operating Revenues:</b>				
Gross Charges	\$ 1,244,281	1,438,485	(194,204)	-13.50%
Less:				
Un-sponsored Charity Care	10,346	11,676	(1,330)	-11.39%
Contractual Adjustments	267,201	363,368	(96,167)	-26.47%
Other Unreimbursed Medical Costs	34,833	35,167	(334)	-0.95%
Bad Debt Expense	20,044	22,254	(2,210)	-9.93%
Net Patient Revenues	911,857	1,006,020	(94,163)	-9.36%
Contractual Revenues	468,654	268,335	200,319	74.65%
Other Operating Revenues	29,876	18,807	11,069	58.86%
<b>Total Operating Revenues Included in Monthly Financial Report</b>	<u>1,410,387</u>	<u>1,293,162</u>	<u>117,225</u>	<u>9.06%</u>
<b>Operating Expenses:</b>				
Faculty Salaries	141,847	210,472	(68,625)	-32.61%
Staff Salaries	412,557	492,076	(79,519)	-16.16%
Fringe Benefits	138,513	179,709	(41,196)	-22.92%
Maintenance and Operations	352,257	309,056	43,201	13.98%
Professional Liability Insurance	8,777	-	8,777	100.00%
Travel	33,453	30,593	2,860	9.35%
Official Functions	785	-	785	100.00%
<b>Total Operating Expenses Included in Monthly Financial Report</b>	<u>1,088,189</u>	<u>1,221,906</u>	<u>(133,717)</u>	<u>-10.94%</u>
<b>Operating Income (Loss)</b>	322,198	71,256	250,942	352.17%
Investment Income	7,329	10,995	(3,666)	-33.34%
<b>Adjusted Income (Loss)</b>	329,527	82,251	247,276	300.64%
<b>Adjusted Income (Loss) - as a percentage</b>	23.24%	6.31%		
Transfers In	4,138	-	4,138	100.00%
Transfers Out	(93,240)	(94,474)	1,234	1.31%
Capital Outlay	(1,157)	(10,262)	9,105	88.73%
<b>Change in MSRDP/PRS Net Assets</b>	239,268	(22,485)	261,753	1164.10%
<b>Net Assets - September 1 - As Previously Reported</b>	2,776,476	2,756,656	19,820	0.72%
<b>Net Assets - May 31</b>	<u>\$ 3,015,744</u>	<u>2,734,171</u>	<u>281,573</u>	<u>10.30%</u>

**The University of Texas Medical Branch at Galveston  
Physician Practice Plan Year-to-Date Summary of Operations  
For the Nine Months Ending May 31, 2003**

	Cumulative Year-to-Date 2003	Cumulative Year-to-Date 2002	Increase/ (Decrease)	Percent Increase/ (Decrease)
<b>Operating Revenues:</b>				
Gross Charges	\$ 231,712,941	224,918,259	6,794,682	3.02%
Less:				
Un-sponsored Charity Care	68,419,112	63,611,424	4,807,688	7.56%
Contractual Adjustments	71,132,371	74,448,794	(3,316,423)	-4.45%
Other Unreimbursed Medical Costs	11,833,153	8,956,874	2,876,279	32.11%
Bad Debt Expense	9,308,197	11,792,950	(2,484,753)	-21.07%
Net Patient Revenues	71,020,108	66,108,217	4,911,891	7.43%
Contractual Revenues	23,822,500	24,340,414	(517,914)	-2.13%
Other Operating Revenues	800,866	3,519,267	(2,718,401)	-77.24%
<b>Total Operating Revenues Included in Monthly Financial Report</b>	<b>95,643,474</b>	<b>93,967,898</b>	<b>1,675,576</b>	<b>1.78%</b>
<b>Operating Expenses:</b>				
Faculty Salaries	35,656,532	31,794,593	3,861,939	12.15%
Staff Salaries	24,685,879	24,858,852	(172,973)	-0.70%
Resident Salaries	2,572,695	3,205,466	(632,771)	-19.74%
Fringe Benefits	17,219,626	16,471,337	748,289	4.54%
Maintenance and Operations	10,551,657	11,764,901	(1,213,244)	-10.31%
Professional Liability Insurance	4,465,010	4,092,984	372,026	9.09%
Travel	1,195,071	1,189,631	5,440	0.46%
Official Functions	150,881	218,427	(67,546)	-30.92%
<b>Total Operating Expenses Included in Monthly Financial Report</b>	<b>96,497,351</b>	<b>93,596,191</b>	<b>2,901,160</b>	<b>3.10%</b>
<b>Operating Income (Loss)</b>	<b>(853,877)</b>	<b>371,707</b>	<b>(1,225,584)</b>	<b>-329.72%</b>
Investment Income	252,921	1,189,841	(936,920)	-78.74%
<b>Adjusted Income (Loss)</b>	<b>(600,956)</b>	<b>1,561,548</b>	<b>(2,162,504)</b>	<b>-138.48%</b>
<b>Adjusted Income (Loss) - as a percentage</b>	<b>-0.63%</b>	<b>1.64%</b>		
Transfers In	22,060	-	22,060	100.00%
Transfers Out	(248,978)	(551,718)	302,740	54.87%
Capital Outlay	(639,199)	(1,866,399)	1,227,200	65.75%
<b>Change in MSRDP/PRS Net Assets</b>	<b>(1,467,073)</b>	<b>(856,569)</b>	<b>(610,504)</b>	<b>-71.27%</b>
<b>Net Assets - September 1 - As Previously Reported</b>	<b>45,932,815</b>	<b>43,424,899</b>	<b>2,507,916</b>	<b>5.78%</b>
<b>Net Assets - May 31</b>	<b>\$ 44,465,742</b>	<b>42,568,330</b>	<b>1,897,412</b>	<b>4.46%</b>

**The University of Texas Health Science Center at Houston  
Physician Practice Plan Year-to-Date Summary of Operations  
For the Nine Months Ending May 31, 2003**

	Cumulative Year-to-Date 2003*	Cumulative Year-to-Date 2002	Increase/ (Decrease)	Percent Increase/ (Decrease)
<b>Operating Revenues:</b>				
Gross Charges	\$ 228,986,221	221,770,723	7,215,498	3.25%
Less:				
Un-sponsored Charity Care	77,969,808	76,422,191	1,547,617	2.03%
Contractual Adjustments	63,941,594	62,051,448	1,890,146	3.05%
Other Unreimbursed Medical Costs	6,617,702	6,675,299	(57,597)	-0.86%
Bad Debt Expense	13,098,012	12,751,817	346,195	2.71%
Net Patient Revenues	67,359,105	63,869,968	3,489,137	5.46%
Contractual Revenues	38,139,811	32,228,688	5,911,123	18.34%
Other Operating Revenues	4,370,228	6,715,747	(2,345,519)	-34.93%
<b>Total Operating Revenues Included in Monthly Financial Report</b>	<b>109,869,144</b>	<b>102,814,403</b>	<b>7,054,741</b>	<b>6.86%</b>
<b>Operating Expenses:</b>				
Faculty Salaries	47,969,073	40,358,706	7,610,367	18.86%
Staff Salaries	15,758,322	13,995,392	1,762,930	12.60%
Fringe Benefits	15,992,739	15,017,779	974,960	6.49%
Maintenance and Operations	13,566,876	12,235,012	1,331,864	10.89%
Professional Liability Insurance	2,361,317	1,864,395	496,922	26.65%
Travel	589,922	586,173	3,749	0.64%
Official Functions	669,603	670,863	(1,260)	-0.19%
Other Operating Expenses	19,167,000	21,611,000	(2,444,000)	-11.31%
<b>Total Operating Expenses Included in Monthly Financial Report</b>	<b>116,074,852</b>	<b>106,339,320</b>	<b>9,735,532</b>	<b>9.16%</b>
<b>Operating Income (Loss)</b>	<b>(6,205,708)</b>	<b>(3,524,917)</b>	<b>(2,680,791)</b>	<b>-76.05%</b>
Investment Income	651,172	852,214	(201,042)	-23.59%
Interest Expense on Debt Service	(2,015)	(10,551)	8,536	80.90%
<b>Adjusted Income (Loss)</b>	<b>(5,556,551)</b>	<b>(2,683,254)</b>	<b>(2,873,297)</b>	<b>-107.08%</b>
<b>Adjusted Income (Loss) - as a percentage</b>	<b>-5.03%</b>	<b>-2.59%</b>		
Transfers Out	(351,544)	(45,884)	(305,660)	-666.16%
Debt Service	(76,000)	(76,000)	-	0.00%
Capital Outlay	(682,553)	(948,864)	266,311	28.07%
<b>Change in MSRD/PRS Net Assets</b>	<b>(6,666,648)</b>	<b>(3,754,002)</b>	<b>(2,912,646)</b>	<b>-77.59%</b>
<b>Net Assets - September 1 - As Previously Reported</b>	<b>47,906,025</b>	<b>52,127,688</b>	<b>(4,221,663)</b>	<b>-8.10%</b>
<b>Restatements</b>	<b>(7,140,028)</b>	<b>(9,096,000)</b>	<b>1,955,972</b>	<b>21.50%</b>
<b>Net Assets - September 1 - As Restated</b>	<b>40,765,997</b>	<b>43,031,688</b>	<b>(2,265,691)</b>	<b>-5.27%</b>
<b>Net Assets - May 31</b>	<b>\$ 34,099,349</b>	<b>39,277,686</b>	<b>(5,178,337)</b>	<b>-13.18%</b>

\*Includes the operations of the nonprofit healthcare corporation. FY 2002 was restated as appropriate.

**The University of Texas Health Science Center at San Antonio  
Physician Practice Plan Year-to-Date Summary of Operations  
For the Nine Months Ending May 31, 2003**

	Cumulative Year-to-Date 2003*	Cumulative Year-to-Date 2002	Increase/ (Decrease)	Percent Increase/ (Decrease)
<b>Operating Revenues:</b>				
Gross Charges	\$ 148,120,658	139,954,369	8,166,289	5.83%
Less:				
Un-sponsored Charity Care	56,617,484	44,907,579	11,709,905	26.08%
Contractual Adjustments	36,179,712	19,553,798	16,625,914	85.03%
Other Unreimbursed Medical Costs	333,503	5,728,072	(5,394,569)	-94.18%
Bad Debt Expense	2,202,182	17,964,655	(15,762,473)	-87.74%
Net Patient Revenues	<u>52,787,777</u>	<u>51,800,265</u>	<u>987,512</u>	<u>1.91%</u>
Contractual Revenues	23,013,524	17,523,124	5,490,400	31.33%
Other Operating Revenues	8,146,876	10,893,542	(2,746,666)	-25.21%
<b>Total Operating Revenues Included in Monthly Financial Report</b>	<u><b>83,948,177</b></u>	<u><b>80,216,931</b></u>	<u><b>3,731,246</b></u>	<u><b>4.65%</b></u>
<b>Operating Expenses:</b>				
Faculty Salaries	26,632,385	25,240,689	1,391,696	5.51%
Staff Salaries	6,125,695	5,132,762	992,933	19.35%
Fringe Benefits	10,325,172	9,636,186	688,986	7.15%
Maintenance and Operations	35,911,606	37,517,250	(1,605,644)	-4.28%
Professional Liability Insurance	2,178,735	1,635,373	543,362	33.23%
Travel	600,854	621,276	(20,422)	-3.29%
Official Functions	211,623	214,955	(3,332)	-1.55%
<b>Total Operating Expenses Included in Monthly Financial Report</b>	<u><b>81,986,070</b></u>	<u><b>79,998,491</b></u>	<u><b>1,987,579</b></u>	<u><b>2.48%</b></u>
<b>Operating Income (Loss)</b>	<b>1,962,107</b>	<b>218,440</b>	<b>1,743,667</b>	<b>798.24%</b>
Investment Income	201,456	473,171	(271,715)	-57.42%
Interest Expense on Debt Service	(10,356)	(16,139)	5,783	35.83%
<b>Adjusted Income (Loss)</b>	<b>2,153,207</b>	<b>675,472</b>	<b>1,477,735</b>	<b>218.77%</b>
<b>Adjusted Income (Loss) - as a percentage</b>	<b>2.56%</b>	<b>0.84%</b>		
Transfers In	208,904	2,837	206,067	7263.55%
Transfers Out	(197,781)	-	(197,781)	-100.00%
Debt Service	(92,000)	(92,000)	-	0.00%
Capital Outlay	(854,929)	(174,714)	(680,215)	-389.33%
<b>Change in MSRDP/PRS Net Assets</b>	<u><b>1,217,401</b></u>	<u><b>411,595</b></u>	<u><b>805,806</b></u>	<u><b>195.78%</b></u>
<b>Net Assets - September 1 - As Previously Reported</b>	<u><b>35,934,204</b></u>	<u><b>30,534,090</b></u>	<u><b>5,400,114</b></u>	<u><b>17.69%</b></u>
<b>Net Assets - May 31</b>	<u><b>\$ 37,151,605</b></u>	<u><b>30,945,685</b></u>	<u><b>6,205,920</b></u>	<u><b>20.05%</b></u>

\*Includes the operations of the nonprofit healthcare corporation.

**The University of Texas Health Science Center at San Antonio  
Dental Practice Plan Year-to-Date Summary of Operations  
For the Nine Months Ending May 31, 2003**

	Cumulative Year-to-Date 2003	Cumulative Year-to-Date 2002	Increase/ (Decrease)	Percent Increase/ (Decrease)
<b>Operating Revenues:</b>				
Gross Charges	\$ 4,782,510	4,407,357	375,153	8.51%
<b>Total Operating Revenues Included in Monthly Financial Report</b>	<u>4,782,510</u>	<u>4,407,357</u>	<u>375,153</u>	<u>8.51%</u>
<b>Operating Expenses:</b>				
Faculty Salaries	357,039	380,920	(23,881)	-6.27%
Staff Salaries	1,221,482	1,016,325	205,157	20.19%
Fringe Benefits	554,529	495,971	58,558	11.81%
Maintenance and Operations	1,374,621	1,394,830	(20,209)	-1.45%
Professional Liability Insurance	35,170	67,403	(32,233)	-47.82%
Travel	101,676	126,387	(24,711)	-19.55%
Official Functions	32,205	10,715	21,490	200.56%
<b>Total Operating Expenses Included in Monthly Financial Report</b>	<u>3,676,722</u>	<u>3,492,551</u>	<u>184,171</u>	<u>5.27%</u>
<b>Operating Income (Loss)</b>	1,105,788	914,806	190,982	20.88%
Investment Income	26,200	80,633	(54,433)	-67.51%
<b>Adjusted Income (Loss)</b>	1,131,988	995,439	136,549	13.72%
<b>Adjusted Income (Loss) - as a percentage</b>	23.54%	22.18%		
Transfers Out	(10,249)	(3,837)	(6,412)	-167.11%
Capital Outlay	(327,627)	(42,000)	(285,627)	-680.06%
<b>Change in DSRDP Net Assets</b>	<u>794,112</u>	<u>949,602</u>	<u>(155,490)</u>	<u>-16.37%</u>
<b>Net Assets - September 1 - As Previously Reported</b>	<u>8,037,871</u>	<u>7,322,127</u>	<u>715,744</u>	<u>9.78%</u>
<b>Net Assets - May 31</b>	<u>\$ 8,831,983</u>	<u>8,271,729</u>	<u>560,254</u>	<u>6.77%</u>

**The University of Texas M. D. Anderson Cancer Center  
Physician Practice Plan Year-to-Date Summary of Operations  
For the Nine Months Ending May 31, 2003**

	Cumulative Year-to-Date 2003	Cumulative Year-to-Date 2002	Increase/ (Decrease)	Percent Increase/ (Decrease)
<b>Operating Revenues:</b>				
Gross Charges	\$ 381,158,894	318,965,464	62,193,430	19.50%
Less:				
Un-sponsored Charity Care	31,646,184	25,577,063	6,069,121	23.73%
Contractual Adjustments	198,113,466	158,548,959	39,564,507	24.95%
Other Unreimbursed Medical Costs	5,073,637	3,911,643	1,161,994	29.71%
Bad Debt Expense	6,273,172	13,408,093	(7,134,921)	-53.21%
Net Patient Revenues	<u>140,052,435</u>	<u>117,519,706</u>	<u>22,532,729</u>	<u>19.17%</u>
Other Operating Revenues	627,106	533,306	93,800	17.59%
<b>Total Operating Revenues Included in Monthly Financial Report</b>	<u>140,679,541</u>	<u>118,053,012</u>	<u>22,626,529</u>	<u>19.17%</u>
<b>Operating Expenses:</b>				
Faculty Salaries	47,835,821	44,144,143	3,691,678	8.36%
Staff Salaries	16,247,972	13,956,804	2,291,168	16.42%
Fringe Benefits	46,435,843	40,751,116	5,684,727	13.95%
Maintenance and Operations	13,336,686	14,021,392	(684,706)	-4.88%
Professional Liability Insurance	2,621,153	2,088,271	532,882	25.52%
Travel	3,709,589	3,025,649	683,940	22.60%
Official Functions	548,311	488,790	59,521	12.18%
<b>Total Operating Expenses Included in Monthly Financial Report</b>	<u>130,735,375</u>	<u>118,476,165</u>	<u>12,259,210</u>	<u>10.35%</u>
<b>Operating Income (Loss)</b>	9,944,166	(423,153)	10,367,319	2450.02%
Investment Income	<u>2,292,458</u>	<u>3,047,034</u>	<u>(754,576)</u>	<u>-24.76%</u>
<b>Adjusted Income (Loss)</b>	12,236,624	2,623,881	9,612,743	366.36%
<b>Adjusted Income (Loss) - as a percentage</b>	8.56%	2.17%		
Other Nonoperating Revenues (Expenses)	<u>(1,124,886)</u>	<u>(195,485)</u>	<u>(929,401)</u>	<u>-475.43%</u>
<b>Income (Loss) Before Other Items</b>	11,111,738	2,428,396	8,683,342	357.58%
Transfers Out	<u>(3,030,000)</u>	<u>(9,000,000)</u>	<u>5,970,000</u>	<u>66.33%</u>
<b>Change in MSRDP/PRS Net Assets</b>	8,081,738	(6,571,604)	14,653,342	222.98%
<b>Net Assets - September 1 - As Previously Reported</b>	<u>92,760,304</u>	<u>99,828,964</u>	<u>(7,068,660)</u>	<u>-7.08%</u>
<b>Net Assets - May 31</b>	<u>\$ 100,842,042</u>	<u>93,257,360</u>	<u>7,584,682</u>	<u>8.13%</u>

**The University of Texas Health Center at Tyler  
Physician Practice Plan Year-to-Date Summary of Operations  
For the Nine Months Ending May 31, 2003**

	Cumulative Year-to-Date 2003*	Cumulative Year-to-Date 2002	Increase/ (Decrease)	Percent Increase/ (Decrease)
<b>Operating Revenues:</b>				
Gross Charges	\$ 27,414,513	25,291,986	2,122,527	8.39%
Less:				
Un-sponsored Charity Care	2,321,958	3,736,592	(1,414,634)	-37.86%
Contractual Adjustments	12,654,110	9,762,301	2,891,809	29.62%
Other Unreimbursed Medical Costs	779,949	1,203,767	(423,818)	-35.21%
Bad Debt Expense	2,415,711	2,375,753	39,958	1.68%
Net Patient Revenues	9,242,785	8,213,573	1,029,212	12.53%
Contractual Revenues	605,343	592,875	12,468	2.10%
Other Operating Revenues	198,717	259,218	(60,501)	-23.34%
<b>Total Operating Revenues Included in Monthly Financial Report</b>	<b>10,046,845</b>	<b>9,065,666</b>	<b>981,179</b>	<b>10.82%</b>
<b>Operating Expenses:</b>				
Faculty Salaries	5,771,707	4,814,033	957,674	19.89%
Staff Salaries	1,464,096	2,153,909	(689,813)	-32.03%
Fringe Benefits	1,691,636	1,696,449	(4,813)	-0.28%
Maintenance and Operations	1,439,266	1,144,819	294,447	25.72%
Professional Liability Insurance	402,882	357,256	45,626	12.77%
Travel	110,302	116,732	(6,430)	-5.51%
<b>Total Operating Expenses Included in Monthly Financial Report</b>	<b>10,879,889</b>	<b>10,283,198</b>	<b>596,691</b>	<b>5.80%</b>
<b>Operating Income (Loss)</b>	<b>(833,044)</b>	<b>(1,217,532)</b>	<b>384,488</b>	<b>31.58%</b>
Investment Income	18,350	158	18,192	11513.92%
<b>Adjusted Income (Loss)</b>	<b>(814,694)</b>	<b>(1,217,374)</b>	<b>402,680</b>	<b>33.08%</b>
<b>Adjusted Income (Loss) - as a percentage</b>	<b>-8.09%</b>	<b>-13.43%</b>		
Other Nonoperating Revenues (Expenses)	(934,720)	-	(934,720)	-100.00%
<b>Change in MSRD/PRS Net Assets</b>	<b>(1,749,414)</b>	<b>(1,217,374)</b>	<b>(532,040)</b>	<b>-43.70%</b>
<b>Net Assets - September 1 - As Previously Reported</b>	<b>(566,362)</b>	<b>365,369</b>	<b>(931,731)</b>	<b>-255.01%</b>
<b>Restatements</b>	<b>-</b>	<b>1,125,498</b>	<b>(1,125,498)</b>	<b>-100.00%</b>
<b>Net Assets - September 1 - As Restated</b>	<b>(566,362)</b>	<b>1,490,867</b>	<b>(2,057,229)</b>	<b>-137.99%</b>
<b>Net Assets - May 31</b>	<b>\$ (2,315,776)</b>	<b>273,493</b>	<b>(2,589,269)</b>	<b>-946.74%</b>

\*Includes the operations of the nonprofit healthcare corporation.

## U. T. ARLINGTON

### GIFTS

The following gift has been received, has been administratively approved by the President or his delegate, and is recommended for approval by the U. T. Board of Regents.

1. Donor Name: Anonymous  
College/School/ Department: College of Business Administration  
Purpose: To create the Goolsby Leadership Academy and Goolsby Distinguished Professorships honoring Mr. and Mrs. John Goolsby  
Asset Type: Cash  
Value: \$2,000,000



## CHANGES TO ADMISSION CRITERIA

The following listing summarizes the changes proposed to admission criteria to be included in the Catalog of The University of Texas at Arlington. The following changes have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for ratification by the U. T. Board of Regents.

### Summary of Changes to Graduate School Admission Criteria

The Admissions Policy is in compliance with Texas Education Code Section 51.821 et seq. This policy describes the requirements for entrance and selection factors used in the selection of students.

#### **Geology Master's program:**

Old Admission Requirement: A minimum of 60% of the possible combined total score on the verbal, quantitative, and analytical portions of the Graduate Record Examination (GRE) exam.

New Admission Requirement: A minimum of the 60th percentile on each of the verbal, quantitative, and analytical writing portions of the GRE exam.

#### **English Master's program:**

Old Admission Requirement: GRE scores: A minimum of 500 verbal and 1000 verbal and quantitative or verbal and analytical.

New Admission Requirement: GRE scores: A minimum of 500 verbal. Additionally, either a combined verbal and quantitative score of at least 1000 or a score of at least 4.5 on the Analytical Writing Measure.

#### **English Ph.D. program:**

Old Admission Requirement: GRE scores: A minimum of 500 verbal and 1000 verbal and quantitative or verbal and analytical.

New Admission Requirement: GRE scores: A minimum of 500 verbal. Additionally, either a combined verbal and quantitative score of at least 1000 or a score of at least 4.5 on the Analytical Writing Measure.

## CHANGES TO ADMISSION CRITERIA (CONTINUED)

### Summary of Changes to Graduate School Admission Criteria (Continued)

#### **History Master's program:**

Old Admission Requirement: A minimum combined score of 1000 on the verbal and analytical sections of the GRE aptitude test (verified by official GRE scores sent to Graduate Admissions) or a 500 verbal score plus a comparable satisfactory score on the revised (October 2002) analytical section to the GRE aptitude test.

New Admission Requirement: A minimum score of 500 on the verbal section and a minimum score of 4 on the analytical writing section of the GRE aptitude test (verified by official GRE scores sent to Graduate Admissions).

#### **History Ph.D. program:**

Old Admission Requirement: A minimum combined score of 1100 on the verbal and analytical sections of the GRE aptitude test (verified by official GRE scores sent to Graduate Admissions) or a 500 verbal score plus a comparable satisfactory score on the revised (October 2002) analytical section to the GRE aptitude test.

New Admission Requirement: A minimum score of 550 on the verbal section and a minimum score of 5 on the analytical writing section of the GRE aptitude test (verified by official GRE scores sent to Graduate Admissions).

#### **School of Social Work, Ph.D. program:**

Old Admission Requirement: Master's GPA of 3.4 minimum as calculated by the Graduate School or a GRE score of 1000 (Quantitative & Analytical) or a score of 500 on the PAEG (equivalent of GRE in Mexico).

New Admission Requirement: A superior score on the verbal, quantitative, and analytical writing portion of the GRE if graduate GPA is less than 3.4.

## AMENDMENTS TO THE 2002-03 BUDGET

### APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate, the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF EDUCATION					
Office of the Dean					
1. Jeanne M. Gerlach (T)					68
From: Dean and Professor		100 0	12 09	118,368 81,276	
To: Associate Vice President of K-16 Education and Dean and Professor	3/1-8/31 3/1-8/31	100 0	12 09	118,368 81,276	

**AMENDMENTS TO THE 2002-03 BUDGET (CONTINUED)**

**TRANSFERS OF FUNDS**

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
SENIOR VICE PRESIDENT FOR FINANCE AND ADMINISTRATION (VPFA)		
2. Amount of Transfer:	505,442	61
From: VPFA – Information and Technology Fee Income	505,442	
To: OIT – Academic Computing Services – A & P Salaries	14,723	
OIT – Academic Computing Services – Classified Salaries	36,947	
OIT – Academic Computing Services – Staff Benefits	15,652	
OIT – Business Computing Services – A & P Salaries	47,889	
OIT – Business Computing Services – Classified Salaries	305,350	
OIT – Business Computing Services – Staff Benefits	84,881	

These adjustments are needed to support salaries in the Office of Information Technology transferred from General Revenue accounts to designated accounts to accommodate the state budget 7% reduction.

## SMALL CLASS REPORT, FALL 2002 AND SPRING 2003

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, codified as 19 Texas Administrative Code Section 5.301, a report for the record regarding the teaching of small classes has been filed. The statutory requirement to report this information to the Board will end August 31, 2003. The purpose of the subtotal below is to distinguish small classes that are required by some exigency (e.g. accreditation) as opposed to those the component simply wishes to offer.

The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	5	12	17	19
b. To keep proper sequence	29	18	47	57
c. New program	3	4	7	22
d. Cross listed	5	2	7	8
e. First time offered	0	1	1	2
f. Accreditation or licensing standard	0	0	0	29
g. Limited facilities	4	14	18	19
Subtotal	46	51	97	156
h. Voluntarily offered	8	12	20	14
Total	54	63	117	170

**SMALL CLASS REPORT, FALL 2002 AND SPRING 2003 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	4	6	10	12
b. To keep proper sequence	0	0	0	7
c. New program	0	2	2	3
d. Cross listed	3	2	5	34
e. First time offered	1	0	1	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	8	10	18	56
h. Voluntarily offered	1	2	3	6
Total	9	12	21	62

**U. T. AUSTIN**

**AMENDMENTS TO THE 2002-03 BUDGET**

**TRANSFERS OF FUNDS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents.

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
<b>PLANT FUNDS</b>		
1. Amount of Transfer:	1,500,000	108
From: Vice President and Chief Financial Officer- Designated Tuition Holding Account		
To: Academic Space Improvements- Designated Tuition		
To transfer funding from the Designated Tuition Holding account to the Physical Plant for various academic space improvement projects.		
2. Amount of Transfer:	750,000	113
From: Designated Funds – Vice President and Chief Financial Officer – Designated Tuition		
To: Physical Plant – Campus Wayfinding		
To provide funding for Campus Wayfinding. Continuing wayfinding and signage efforts included in the Campus Master Plan and the main campus transportation, a detailed plan for campus-wide signage graphics is to be established. The assignment will include phase one of a potential two or three phase construction implementation of campus signs.		

## PARKING AND TRAFFIC REGULATIONS

The following listing summarizes the substantive changes proposed to Parking and Traffic Regulations of The University of Texas at Austin. They have been approved by the Executive Vice Chancellor for Academic Affairs and the Office of General Counsel.

### PARKING AND TRAFFIC REGULATIONS FOR 2003-04

<u>Page Numbers</u>	<u>Summary of Proposed Substantive Changes</u>
9	The term "sidewalk" has been extended to include "walkway" in accordance with the Texas law.
18	Currently, a motorcycle permit is provided at no cost to someone who has purchased and fully paid for a vehicle permit. The following was added for clarification: "...no more than one of these permitted vehicles is allowed on campus at a time."
19	Explains new online service for required bicycle registration and describes new bicycle regulations.
20	Adds and explains bicycle lock removal service.
31	Class C+ permits are commuting student surface parking permits plus Night Horn Access Cards available to any student.
31	Night Horn Access Cards are available to any student. It is designated to provide low cost parking for those wishing to access libraries, labs, and late afternoon classes.
35	Carpool/Vanpool members are eligible to purchase a UT Share Pass providing access to any available parking garage at a discounted daily rate with advance purchase. This provides members the opportunity to park their personal vehicle when necessary.
43	Adds "Unregistered Bicycle" to the "Driving and Parking Offenses" and designates fine.
43	Adds special access parking restrictions to Lots 38 and 40 near the Thompson Conference Center and LBJ Library and Museum.



## FEEES AND MISCELLANEOUS CHARGES

### OTHER FEES AND CHARGES

#### BARBARA JORDAN AND CÉSAR CHÁVEZ STATUES FEE

Approval is recommended for the Barbara Jordan and César Chávez Statues fee to be effective beginning with the Spring Semester 2004 and continuing through the 2007 Summer Session. The fee was authorized by the 78<sup>th</sup> Texas Legislature (Texas Education Code Section 54.5135), has been approved by an affirmative student vote, and has been administratively approved by the Executive Vice Chancellor for Academic Affairs.

Following Regental approval, the appropriate component catalog will be amended to reflect the new fee.

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
<u>For each regular semester</u>			
Per student	n/a	2	n/a
<u>For each summer session</u>			
Per student	n/a	2	n/a

**FEEES AND MISCELLANEOUS CHARGES (CONTINUED)**

**HOUSING RATES  
(INCLUDING APARTMENTS, DORMITORY ROOMS, RESIDENCE HALLS)**

Approval is recommended for the following cable television charge to be effective beginning with the Fall Semester 2003. The proposed rate has been approved by the University Apartments Tenant Advisory Board and has been administratively approved by the Executive Vice Chancellor for Academic Affairs.

In the future, cost of cable service will be included in the university housing rates submitted for approval in February of each year.

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
<u>UNIVERSITY APARTMENTS</u>			
<u>FAMILY STUDENT HOUSING</u>			
<u>Cable Rates Per month</u>			
1 bedroom	n/a	5.40	n/a
2 bedroom	n/a	5.40	n/a
3 bedroom	n/a	5.40	n/a

## FEES AND MISCELLANEOUS CHARGES (CONTINUED)

### PARKING PERMIT FEES

Approval is recommended for the following parking permit fees to be effective beginning with the Fall Semester 2003. The Student Fees Advisory Committee, as required under Section 54.514 of the Texas Education Code, has approved the fees. The fees have also been administratively approved by the Executive Vice Chancellor for Academic Affairs.

Following Regental approval, the appropriate component catalog will be amended to reflect these new fees.

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
Academic Year: <u>Student (Surface)</u>			
Permit "C+"	n/a	139	n/a
<u>Any Employee/Student</u>			
Night Horn Access Card	n/a	50	n/a
Single Semester Fee: <u>Any Employee/Student</u>			
Night Horn Access Card	25	35	40%
Fee Per Entry: <u>Any Employee/Student</u>			
UT Share Garage Pass			
Parking garages 5 and 7	3	2	-33%
All other garages	7	4	-43%

## FEES AND MISCELLANEOUS CHARGES (CONTINUED)

### PARKING ENFORCEMENT FEES

Approval is recommended for the following parking permit fees to be effective beginning with the Fall Semester 2003. The Student Fees Advisory Committee, as required under Section 54.514 of the Texas Education Code, has approved the fees. The fees have also been administratively approved by the Executive Vice Chancellor for Academic Affairs.

Following Regental approval, the appropriate component catalog will be amended to reflect these new fees.

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
Unregistered bicycle	n/a	10	n/a
Unauthorized parking in Lots 38 and 40 near the Thompson Conference Center and the LBJ Library and Museum	n/a	25	n/a

## SMALL CLASS REPORT, FALL 2002 AND SPRING 2003

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, codified as 19 Texas Administrative Code Section 5.301, a report for the record regarding the teaching of small classes has been filed. The statutory requirement to report this information to the Board will end August 31, 2003. The purpose of the subtotal below is to distinguish small classes that are required by some exigency (e.g. accreditation) as opposed to those the component simply wishes to offer.

The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	35	58	93	112
b. To keep proper sequence	72	83	155	169
c. New program	0	0	0	4
d. Cross listed	21	16	37	52
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	6	2	8	14
g. Limited facilities	0	0	0	0
Subtotal	134	159	293	351
h. Voluntarily offered	10	14	24	20
Total	144	173	317	371

**SMALL CLASS REPORT, FALL 2002 AND SPRING 2003 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	20	24	44	91
b. To keep proper sequence	16	22	38	34
c. New program	0	0	0	0
d. Cross listed	41	59	100	86
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	13	9	22	29
g. Limited facilities	0	0	0	0
Subtotal	90	114	204	240
h. Voluntarily offered	0	0	0	0
Total	90	114	204	240

**U. T. BROWNSVILLE**

**AMENDMENTS TO THE 2002-03 BUDGET**

**APPOINTMENTS AND PROMOTIONS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate, the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
COLLEGE OF SCIENCE, MATH AND TECHNOLOGY					
Physics and Astronomy					
1. Joseph D. Romano (T)					15
From: Associate Professor		100	09	49,462	
To: Associate Professor and Department Chair	9/1-5/31 1/2-5/31	100 SUPLT	09 09	49,462 6,667	
2. Mario Diaz (T)					19
From: Associate Professor and Interim Department Chair		100 SUPLT	09 09	45,000 8,000	
To: Associate Professor and Director of Center for Gravitational Wave Astronomy	9/1-5/31 1/2-5/31	100 SUPLT	09 09	60,788 9,333	

**AMENDMENTS TO THE 2002-03 BUDGET (CONTINUED)**

**APPOINTMENTS AND PROMOTIONS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
COLLEGE OF SCIENCE, MATH AND TECHNOLOGY (Continued)					
Biology					
3. Luis V. Colom (T)					16
From: Associate Professor		100	09	78,880	
To: Associate Professor and Department Chair	9/1-5/31 1/10-5/31	100 SUPLT	09 09	78,880 8,000	
4. Alfredo Muñoz (T)					18
From: Assistant Professor and Department Chair		100 SUPLT	09 09	53,065 8,000	
To: Assistant Professor	9/1-5/31	100	09	53,065	
Engineering					
5. Manuel Blanco (T)					17
From: Associate Professor		100	09	65,000	
To: Associate Professor and Department Chair	9/1-5/31 1/2-5/31	100 SUPLT	09 09	65,000 6,667	



## SMALL CLASS REPORT, FALL 2002 AND SPRING 2003

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, codified as 19 Texas Administrative Code Section 5.301, a report for the record regarding the teaching of small classes has been filed. The statutory requirement to report this information to the Board will end August 31, 2003. The purpose of the subtotal below is to distinguish small classes that are required by some exigency (e.g. accreditation) as opposed to those the component simply wishes to offer.

The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	17	21	38	57
b. To keep proper sequence	9	8	17	44
c. New program	5	5	10	3
d. Cross listed	14	9	23	33
e. First time offered	2	7	9	1
f. Accreditation or licensing standard	0	0	0	3
g. Limited facilities	0	0	0	31
Subtotal	47	50	97	172
h. Voluntarily offered	1	4	5	9
Total	48	54	102	181

**SMALL CLASS REPORT, FALL 2002 AND SPRING 2003 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	3	1	4	15
b. To keep proper sequence	0	1	1	1
c. New program	2	3	5	0
d. Cross listed	1	1	2	0
e. First time offered	1	3	4	1
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	7	9	16	17
h. Voluntarily offered	1	5	6	3
Total	8	14	22	20

**U. T. DALLAS**

**AMENDMENTS TO THE 2002-03 BUDGET**

**APPOINTMENTS AND PROMOTIONS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate, the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
ERIK JONSSON SCHOOL OF ENGINEERING AND COMPUTER SCIENCE					
Dean, Lars Magnus Ericsson Chair In Electrical Engineering and Professor					
1. C. Robert Helms (T)	5/16-8/31	100	12	285,000	12
	5/16-8/31	WOS	9	185,000	
SCHOOL OF ARTS AND HUMANITIES					
2. S. Michael Simpson					13
From: Professor (T)		0	0		
To: Professor Emeritus	6/1-8/31				
SCHOOL OF MANAGEMENT					
3. Larry J. Merville					14
From: Professor (T)		0	0		
To: Professor Emeritus	6/1-8/31				
4. Gerald W. Scully					15
From: Professor (T)		0	0		
To: Professor Emeritus	6/1-8/31				

## SMALL CLASS REPORT, FALL 2002 AND SPRING 2003

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, codified as 19 Texas Administrative Code Section 5.301, a report for the record regarding the teaching of small classes has been filed. The statutory requirement to report this information to the Board will end August 31, 2003. The purpose of the subtotal below is to distinguish small classes that are required by some exigency (e.g. accreditation) as opposed to those the component simply wishes to offer.

The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	19	20	39	20
b. To keep proper sequence	21	23	44	29
c. New program	0	0	0	1
d. Cross listed	67	80	147	78
e. First time offered	7	5	12	5
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	2
Subtotal	114	128	242	135
h. Voluntarily offered	2	2	4	5
Total	116	130	246	140

**SMALL CLASS REPORT, FALL 2002 AND SPRING 2003 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	2	7	9	4
b. To keep proper sequence	7	5	12	14
c. New program	0	0	0	0
d. Cross listed	18	18	36	18
e. First time offered	2	1	3	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	29	31	60	36
h. Voluntarily offered	4	4	8	5
Total	33	35	68	41

**U. T. EL PASO**

**AMENDMENTS TO THE 2002-03 BUDGET**

**TRANSFERS OF FUNDS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents.

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
SPECIAL EVENTS AND TICKET CENTER		
1. Amount of Transfer:	1,000,000	34
From: Road Shows and Special Events – Ticket Sales Income		
To: Road Shows and Special Events – Performer Fees	920,000	
Road Shows and Special Events – Balance Forward Prior Year	80,000	
Budget adjustment to reflect increase in revenue.		

**AMENDMENTS TO THE 2002-03 BUDGET (CONTINUED)**

**TRANSFERS OF FUNDS (CONTINUED)**

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
INTERCOLLEGIATE ATHLETICS		
2. Amount of Transfer:	1,000,000	35
From: Interest on Designated Funds Time Deposit	324,401	
Auxiliary Administration	233,325	
Interest on Restricted Funds Time Deposits	92,274	
Auxiliary Administration – Repair and		
Replacement Reserves	150,000	
Student Services Fees – Unallocated	200,000	
To: Intercollegiate Athletics – Estimated Income		
and Transfers	1,000,000	

Budget adjustment is necessary to reflect an increase in transfers for Intercollegiate Athletics due to lower than anticipated revenue collections.

## SMALL CLASS REPORT, FALL 2002 AND SPRING 2003

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, codified as 19 Texas Administrative Code Section 5.301, a report for the record regarding the teaching of small classes has been filed. The statutory requirement to report this information to the Board will end August 31, 2003. The purpose of the subtotal below is to distinguish small classes that are required by some exigency (e.g. accreditation) as opposed to those the component simply wishes to offer.

The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	4	13	17	38
b. To keep proper sequence	4	3	7	14
c. New program	2	3	5	6
d. Cross listed	64	90	154	122
e. First time offered	0	1	1	0
f. Accreditation or licensing standard	0	1	1	0
g. Limited facilities	2	0	2	1
Subtotal	76	111	187	181
h. Voluntarily offered	11	4	15	20
Total	87	115	202	201



**SMALL CLASS REPORT, FALL 2002 AND SPRING 2003 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	7	3	10	12
b. To keep proper sequence	0	3	3	11
c. New program	0	2	2	2
d. Cross listed	20	17	37	40
e. First time offered	1	0	1	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	28	25	53	65
h. Voluntarily offered	3	2	5	12
Total	31	27	58	77

## OTHER MATTERS

### APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following item has been approved by the Executive Vice Chancellor for Academic Affairs in accordance with the Regents' Rules and Regulations, Part One, Chapter III, Section 13 and is submitted for approval by the U. T. Board of Regents. It has been determined that the holding of this office or position is of benefit to the State of Texas and The University of Texas System and there is no conflict between holding the position and Dr. Dailey's appointment with The University of Texas at El Paso.

- |               |                                                                                                                                                                                                                                                                                                                |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name:         | Dr. Maceo C. Dailey, Jr.                                                                                                                                                                                                                                                                                       |
| Title:        | Associate Professor, History Department and Director, African American Studies                                                                                                                                                                                                                                 |
| Position:     | Appointment to the Texas Council for the Humanities                                                                                                                                                                                                                                                            |
| Period:       | June 2003 through December 31, 2004                                                                                                                                                                                                                                                                            |
| Compensation: | None                                                                                                                                                                                                                                                                                                           |
| Description:  | In June 2003 Governor Rick Perry reappointed Dr. Dailey to the Texas Council for the Humanities. The Texas Council for the Humanities reviews proposals for projects to be funded by the National Endowment for the Humanities, which are related to exploring the history and many diverse cultures of Texas. |

## **U. T. PAN AMERICAN**

### **CONTRACTS**

The following agreement has been awarded, has been administratively approved by the President and is recommended for approval by the U. T. Board of Regents.

#### **GENERAL CONTRACTS**

##### **FUNDS GOING OUT**

1. Agency: Kaplan, Inc. dba Kaplan K-12 Learning Services  
Funds: \$1,268,000  
Period: February 3, 2003 through January 21, 2007  
Description: Will provide high school students with access to online college preparation courses and training for site coordinators, leader teachers and parent liaisons.

## AMENDMENTS TO THE 2002-03 BUDGET

### APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate, the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>COLLEGE OF BUSINESS ADMINISTRATION</b>					
Economics and Finance					
1. Charles Ellard					12
From: Professor (T)		0	0		
To: Professor Emeritus	1/6-8/31				
<b>COLLEGE OF SCIENCE AND ENGINEERING</b>					
Biology					
2. William Ware					13
From: Professor (T)		0	0		
To: Professor Emeritus	3/31-8/31				
<b>COLLEGE OF HEALTH SCIENCES AND HUMAN SERVICES</b>					
Pharmacy Coop Doctorate					
3. William J. McIntrye					15
From: Assistant Dean and Associate Professor		100	12	100,157	
To: Dean and Associate Professor (T)	6/15-8/31	100	12	110,000	

**AMENDMENTS TO THE 2002-03 BUDGET (CONTINUED)**

**TRANSFERS OF FUNDS**

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
THE TEXAS HIGHER EDUCATION COORDINATING BOARD – TEXAS GRANT FUNDS		
Texas Grant Program		
4. Amount of Transfer:	4,457,812	14

From: The Texas Higher Education  
Coordinating Board –  
Texas Grant Funds

To: E&G Funds –  
Texas Grant Program

Additional allocation of Texas Grant Funds from the Texas Higher  
Education Coordinating Board.

## OTHER FISCAL ITEMS

### EMPLOYMENT AGREEMENTS

The following agreement has been approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. Board of Regents. Such employment under this agreement is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas - Pan American is a member, the Rules and Regulations of the Board of Regents of The University of Texas System, and the policies of The University of Texas - Pan American. The violation of the provisions of such constitution, bylaws, rules, or regulations shall be grounds for suspension without pay or dismissal.

1. Item: Head Women's Basketball Coach  
Funds: \$62,476 annually  
Period: March 10, 2003 through March 31, 2004  
Description: Agreement for employment of Head Basketball Coach, DeAnn Craft, for the above designated period following the standard coach's employment contract prepared by the Office of General Counsel.

## SMALL CLASS REPORT, FALL 2002 AND SPRING 2003

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, codified as 19 Texas Administrative Code Section 5.301, a report for the record regarding the teaching of small classes has been filed. The statutory requirement to report this information to the Board will end August 31, 2003. The purpose of the subtotal below is to distinguish small classes that are required by some exigency (e.g. accreditation) as opposed to those the component simply wishes to offer.

The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	0	2	2	26
b. To keep proper sequence	6	6	12	16
c. New program	1	0	1	4
d. Cross listed	30	37	67	88
e. First time offered	0	0	0	3
f. Accreditation or licensing standard	0	6	6	0
g. Limited facilities	15	0	15	13
Subtotal	52	51	103	150
h. Voluntarily offered	99	87	186	107
i. Administrative	1	8	9	4
Total	152	146	298	261

**SMALL CLASS REPORT, FALL 2002 AND SPRING 2003 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	2	0	2	5
b. To keep proper sequence	0	5	5	1
c. New program	1	0	1	0
d. Cross listed	6	8	14	12
e. First time offered	1	0	1	1
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	16	0	16	1
Subtotal	26	13	39	20
h. Voluntarily offered	43	20	63	56
i. Administrative	1	0	1	1
Total	70	33	103	77



## U. T. PERMIAN BASIN

### SMALL CLASS REPORT, FALL 2002 AND SPRING 2003

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, codified as 19 Texas Administrative Code Section 5.301, a report for the record regarding the teaching of small classes has been filed. The statutory requirement to report this information to the Board will end August 31, 2003. The purpose of the subtotal below is to distinguish small classes that are required by some exigency (e.g. accreditation) as opposed to those the component simply wishes to offer.

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#### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	35	14	49	23
b. To keep proper sequence	15	25	40	53
c. New program	0	0	0	2
d. Cross listed	32	21	53	18
e. First time offered	7	0	7	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	89	60	149	96
h. Voluntarily offered	2	7	9	3
Total	91	67	158	99

**SMALL CLASS REPORT, FALL 2002 AND SPRING 2003 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	0	0	0	6
b. To keep proper sequence	2	4	6	2
c. New program	0	0	0	0
d. Cross listed	6	3	9	7
e. First time offered	0	1	1	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	8	8	16	15
h. Voluntarily offered	3	1	4	6
Total	11	9	20	21

**U. T. SAN ANTONIO**

**SMALL CLASS REPORT, FALL 2002 AND SPRING 2003**

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, codified as 19 Texas Administrative Code Section 5.301, a report for the record regarding the teaching of small classes has been filed. The statutory requirement to report this information to the Board will end August 31, 2003. The purpose of the subtotal below is to distinguish small classes that are required by some exigency (e.g. accreditation) as opposed to those the component simply wishes to offer.

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**Organized Undergraduate Classes with  
Fewer than 10 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	11	22	33	19
b. To keep proper sequence	13	12	25	21
c. New program	2	5	7	12
d. Cross listed	16	15	31	30
e. First time offered	3	1	4	5
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	1	2	3	5
Subtotal	46	57	103	92
h. Voluntarily offered	14	11	25	24
Total	60	68	128	116

**SMALL CLASS REPORT, FALL 2002 AND SPRING 2003 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	2	8	10	10
b. To keep proper sequence	8	4	12	5
c. New program	2	3	5	4
d. Cross listed	6	5	11	15
e. First time offered	4	0	4	1
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	22	20	42	35
h. Voluntarily offered	5	4	9	9
Total	27	24	51	44

## U. T. TYLER

### GIFTS

The following gift has been received, has been administratively approved by the President and is recommended for approval by the U. T. Board of Regents.

1. Donor Name: Estate of Mrs. Jacqueline M. Braithwaite  
College/School/ Department: College of Nursing and Health Sciences  
Purpose: David G. and Jacqueline M. Braithwaite Nursing Building  
Asset Type: Cash  
Value: \$2,500,000

## **CONTRACTS**

The following contract or agreement has been awarded, has been administratively approved by the President and is recommended for approval by the U. T. Board of Regents.

### **GENERAL CONTRACTS**

#### **FUNDS GOING OUT**

1. Agency: Southeast Service Corporation dba SSC Service Solutions  
Funds: \$2,712,057  
Period: June 1, 2003 through August 31, 2004  
Description: Southeast Service Corporation agrees to provide custodial services on campus.

## SMALL CLASS REPORT, FALL 2002 AND SPRING 2003

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, codified as 19 Texas Administrative Code Section 5.301, a report for the record regarding the teaching of small classes has been filed. The statutory requirement to report this information to the Board will end August 31, 2003. The purpose of the subtotal below is to distinguish small classes that are required by some exigency (e.g. accreditation) as opposed to those the component simply wishes to offer.

The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	23	15	38	47
b. To keep proper sequence	16	22	38	82
c. New program	12	6	18	4
d. Cross listed	2	10	12	0
e. First time offered	2	8	10	6
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	1	4	5	3
Subtotal	56	65	121	142
h. Voluntarily offered	2	4	6	2
i. Internet	8	10	18	1
Total	66	79	145	145

**SMALL CLASS REPORT, FALL 2002 AND SPRING 2003 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	9	0	9	10
b. To keep proper sequence	4	2	6	14
c. New program	0	0	0	0
d. Cross listed	1	1	2	0
e. First time offered	0	6	6	3
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	14	9	23	27
h. Voluntarily offered	2	3	5	2
i. Internet	4	0	4	0
Total	20	12	32	29



## U. T. SOUTHWESTERN MEDICAL CENTER - DALLAS

### GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. Board of Regents.

1. Donor Name: Southwestern Medical Foundation  
Purpose: The Foundation's grant to The University of Texas Southwestern Medical Center at Dallas for the 2002-03 academic year  
Asset Type: Cash  
Value: \$777,500 (represents the second and final payment on a \$1,555,000 commitment)
  
2. Donor Name: Ortho-McNeil Pharmaceutical  
College/School/ Department: Department of Pharmacology  
Purpose: To support The Alliance for Cellular Signaling  
Asset Type: Cash  
Value: \$500,000
  
3. Donor Name: Roche Laboratories, Inc.  
College/School/ Department: Department of Continuing Education  
Purpose: To support the continuing education activity entitled, "Research Rounds XVIII," which will be held at The University of Texas Southwestern Medical Center at Dallas August 1-5, 2003  
Asset Type: Cash  
Value: \$1,287,905.50

## AMENDMENTS TO THE 2002-03 BUDGET

### APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Acting Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate, the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>SOUTHWESTERN MEDICAL SCHOOL</b>					
Internal Medicine					
1. Chou-Long Huang (T)					30
From: Associate Professor		100	12	127,200	
To: Associate Professor and Jacob Lemann, M.D. Professorship in Calcium Transport	6/1-8/31	100	12	127,200	
Psychiatry					
2. C. Munro Cullum (T)					33
From: Professor		100	12	165,000	
To: Professor and Pam Blumenthal Distinguished Professorship in Clinical Psychology	5/1-8/31	100	12	190,000	

## SMALL CLASS REPORT, FALL 2002 AND SPRING 2003

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, codified as 19 Texas Administrative Code Section 5.301, a report for the record regarding the teaching of small classes has been filed. The statutory requirement to report this information to the Board will end August 31, 2003. The purpose of the subtotal below is to distinguish small classes that are required by some exigency (e.g. accreditation) as opposed to those the component simply wishes to offer.

The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available upon request from the Registrar's Office and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	19	15	34	30
b. To keep proper sequence	0	0	0	10
c. New program	0	0	0	0
d. Cross listed	0	0	0	0
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	1	3	4	22
Subtotal	20	18	38	62
h. Voluntarily offered	1	1	2	2
Total	21	19	40	64

**SMALL CLASS REPORT, FALL 2002 AND SPRING 2003 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	6	11	17	13
b. To keep proper sequence	1	2	3	4
c. New program	0	0	0	0
d. Cross listed	1	4	5	6
e. First time offered	0	0	0	1
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	8	17	25	24
h. Voluntarily offered	0	0	0	0
Total	8	17	25	24

## U. T. MEDICAL BRANCH – GALVESTON

### GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate and are recommended for approval by the U. T. Board of Regents.

1. Donor Name: The Sealy & Smith Foundation  
College/School/ Department: Research Department  
Purpose: Final payment of the \$10,000,000 grant for research facilities expansion project  
Asset Type: Cash  
Value: \$3,333,334
  
2. Donor Name: The Sealy & Smith Foundation  
College/School/ Department: School of Medicine, Radiology Department  
Purpose: Final Payment of the \$6,115,000 grant for imaging units  
Asset Type: Cash  
Value: \$1,514,000
  
3. Donor Name: The Sealy & Smith Foundation  
College/School/ Department: John Sealy Hospital  
Purpose: Payment on \$2,281,000 grant for operating room renovations  
Asset Type: Cash  
Value: \$1,454,195
  
4. Donor Name: The Sealy & Smith Foundation  
College/School/ Department: School of Medicine, Ophthalmology Department  
Purpose: Payment on \$4,000,000 grant for the repair and renovation of 700 University Boulevard  
Asset Type: Cash  
Value: \$1,423,495

## GIFTS (CONTINUED)

5. Donor Name: The Sealy & Smith Foundation  
College/School/ Department: John Sealy Hospital  
Purpose: Final payment of the \$3,283,000 grant for the upgrade of the patient monitoring capability in the hospital, the upgrade of patient care beds, and the acquisition of equipment  
Asset Type: Cash  
Value: \$1,351,410
6. Donor Name: The Sealy & Smith Foundation  
College/School/ Department: John Sealy Hospital  
Purpose: Payment on \$1,300,000 grant for the upgrade of the Rebecca Sealy Day Surgery Unit  
Asset Type: Cash  
Value: \$1,100,000

## AMENDMENTS TO THE 2002-03 BUDGET

### APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Acting Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate, the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF MEDICINE					
Office of the Dean of Medicine; Internal Medicine-Endocrinology					
1. Steven A. Lieberman (T)					32
From: Associate Dean for Educational Affairs and Associate Professor		100	12	168,459	
To: Associate Dean for Educational Affairs, Dr. and Mrs. A. H. Potthast Professorship in Teaching Excellence, and Associate Professor	3/1-8/31	100	12	168,459	

**AMENDMENTS TO THE 2002-03 BUDGET (CONTINUED)**

**APPOINTMENTS AND PROMOTIONS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF MEDICINE; RESEARCH ENHANCEMENT Anatomy and Neurosciences (WOS); Internal Medicine-Gastroenterology; Biomedical Engineering Center (WOS)					
2. Pankaj J. Pasricha (T)					33
From: Professor and Senior Scientist		100	12	297,926	
To: Professor, Bassel and Frances Blanton Distinguished Professorship in Internal Medicine and Professor, and Senior Scientist	3/1-8/31	100	12	297,926	



## SMALL CLASS REPORT, FALL 2002 AND SPRING 2003

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### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	9	17	26	38
b. To keep proper sequence	15	17	32	43
c. New program	0	3	3	0
d. Cross listed	0	9	9	9
e. First time offered	4	0	4	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	1	1	0
Subtotal	28	47	75	90
h. Voluntarily offered	0	1	1	0
Total	28	48	76	90

**SMALL CLASS REPORT, FALL 2002 AND SPRING 2003 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	8	10	18	5
b. To keep proper sequence	22	11	33	78
c. New program	4	3	7	2
d. Cross listed	7	6	13	5
e. First time offered	3	3	6	7
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	9	11	20	0
Subtotal	53	44	97	97
h. Voluntarily offered	12	13	25	0
Total	65	57	122	97

## U. T. HEALTH SCIENCE CENTER – HOUSTON

### GIFTS

The following gift has been received, has been administratively approved by the President or his delegate, and is recommended for approval by the U. T. Board of Regents.

- |                                |                                                                                                                                                    |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Donor Name:                    | The Cullen Trust for Health Care                                                                                                                   |
| College/School/<br>Department: | Institution                                                                                                                                        |
| Purpose:                       | Support the New Frontiers Campaign for capital use in the construction of the Institute of Molecular Medicine for the Prevention of Human Diseases |
| Asset Type:                    | Cash                                                                                                                                               |
| Value:                         | \$600,000                                                                                                                                          |

**AMENDMENTS TO THE 2002-2003 BUDGET**

**APPOINTMENTS AND PROMOTIONS**

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<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>MEDICAL SCHOOL</b>					
Surgery - Administration					
1. Richard Andrassy (T)					33
From: Denton A. Cooley, M.D. Chair in Surgery, Professor and Chairman of Surgery		100 SUPLT	12 12	460,000 95,000	
To: Denton A. Cooley, M.D. Chair in Surgery, Professor and Chairman of Surgery and Associate Dean for Clinical Operations	3/1-8/31 3/1-8/31	100 SUPLT SUPLT	12 12 12	460,000 95,000 50,000	
Internal Medicine - Cardiology					
2. Lance K. Gould (T)					34
From: Professor		100	12	287,718	
To: Professor and Martin Bucksbaum Distinguished University Chair	3/1-8/31 3/1-8/31	100 SUPLT	12 12	287,718 80,000	

## SMALL CLASS REPORT, FALL 2002 AND SPRING 2003

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, codified as 19 Texas Administrative Code Section 5.301, a report for the record regarding the teaching of small classes has been filed. The statutory requirement to report this information to the Board will end August 31, 2003. The purpose of the subtotal below is to distinguish small classes that are required by some exigency (e.g. accreditation) as opposed to those the component simply wishes to offer.

The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available upon request from the Registrar's Office and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	3	0	3	2
b. To keep proper sequence	0	1	1	0
c. New program	0	0	0	0
d. Cross listed	0	0	0	0
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	4	1	5	3
Subtotal	7	2	9	5
h. Voluntarily offered	0	0	0	0
Total	7	2	9	5

**SMALL CLASS REPORT, FALL 2002 AND SPRING 2003 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	14	19	33	20
b. To keep proper sequence	40	52	92	80
c. New program	7	3	10	11
d. Cross listed	5	2	7	27
e. First time offered	6	3	9	4
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	72	79	151	142
h. Voluntarily offered	8	19	27	20
Total	80	98	178	162

## U. T. HEALTH SCIENCE CENTER - SAN ANTONIO

### GIFTS

The following gift has been received, has been administratively approved by the President or his delegate, and is recommended for approval by the U. T. Board of Regents.

- |                                |                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Donor Name:                    | Texas Research Park Foundation                                                                                                                                                                                                                                                                                                                           |
| College/School/<br>Department: | Institution                                                                                                                                                                                                                                                                                                                                              |
| Purpose:                       | Meet the needs of U. T. Health Science Center – San Antonio in accordance with the master plan for the campus in the Texas Research Park. The gift includes a provision that if the land is sold, the proceeds shall be held by U. T. Health Science Center – San Antonio for investment in other facilities or programs within the Texas Research Park. |
| Asset Type:                    | 57.88 acres of land                                                                                                                                                                                                                                                                                                                                      |
| Value:                         | \$1,500,000                                                                                                                                                                                                                                                                                                                                              |

**AMENDMENTS TO THE 2002-2003 BUDGET**

**APPOINTMENTS AND PROMOTIONS**

The following Request for Budget Change (RBC) has been administratively approved by the Acting Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate, the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
MEDICAL SCHOOL					
Department of Medicine					
1. Abraham C. Verghese (T)					46
From: Professor and Director of The Center for Medical Humanities and Ethics		25	12	200,000	
To: Professor, Director of The Center for Medical Humanities and Ethics, and Marvin Forland, Distinguished Professorship in Medical Ethics	7/01/03	25	12	200,000	



**FEES AND MISCELLANEOUS CHARGES**

**OTHER FEES AND CHARGES**

The following new charge recommended for approval by the U. T. Board of Regents and inclusion in institutional catalogs has been approved by the Acting Executive Vice Chancellor for Health Affairs. The recommended charge is proposed to be effective for the academic year 2005 consistent with applicable statutory requirements under Section 54.504 and Section 55.16 of the Texas Education Code.

<u>Name/Description</u>	<u>Amount of Fee</u>
<b>INSTRUCTIONAL TECHNOLOGY FEE</b> To provide learning materials, electronic teaching equipment used in classrooms (other than computers), expendables, models for teaching and training, etc.	\$6 per semester credit hour for all entering students in all Allied Health courses for the academic year 2005

## SMALL CLASS REPORT, FALL 2002 AND SPRING 2003

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, codified as 19 Texas Administrative Code Section 5.301, a report for the record regarding the teaching of small classes has been filed. The statutory requirement to report this information to the Board will end August 31, 2003. The purpose of the subtotal below is to distinguish small classes that are required by some exigency (e.g. accreditation) as opposed to those the component simply wishes to offer.

The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available upon request from the Registrar's Office and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	4	6	10	17
b. To keep proper sequence	19	14	33	25
c. New program	8	6	14	18
d. Cross listed	3	2	5	2
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	12	22	34	14
Subtotal	46	50	96	76
h. Voluntarily offered	15	9	24	29
Total	61	59	120	105

**SMALL CLASS REPORT, FALL 2002 AND SPRING 2003 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	5	11	16	14
b. To keep proper sequence	16	16	32	51
c. New program	2	0	2	0
d. Cross listed	5	3	8	12
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	5	5	13
Subtotal	28	35	63	90
h. Voluntarily offered	30	35	65	49
Total	58	70	128	139

## U. T. M. D. ANDERSON CANCER CENTER

### GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. Board of Regents.

1. Donor Name: Cynthia & George Mitchell Charitable Remainder Unitrust ("Trust")  
College/School/ Department: Institution  
Purpose: Capital Improvement Program  
Asset Type: Cash  
Value: \$4,000,000
  
2. Donor Name: M. D. Anderson Foundation  
College/School/ Department: Institution  
Purpose: Basic Science Research Building  
Asset Type: Stock  
Value: \$1,482,579.24
  
3. Donor Name: Estate of Morris Doyne Matthews  
College/School/ Department: Thoracic/Head & Neck Medical Oncology  
Purpose: Lung Cancer Research  
Asset Type: Cash  
Value: \$1,000,000
  
4. Donor Name: Commonwealth Foundation for Research on behalf of Mr. & Mrs. William H. Goodwin, Jr.  
College/School/ Department: Translational Research  
Purpose: Cancer Research  
Asset Type: Cash  
Value: \$1,250,000

## CONTRACTS

The following contracts or agreements have been administratively approved by the President or his delegate and are recommended for approval by the U. T. Board of Regents.

### GENERAL CONTRACTS

#### FUNDS COMING IN

1. Agency: Kelsey-Seybold Medical Group  
Funds: Cancer Center reimbursed for covered services provided at 80% (eighty percent); anesthesiologists shall be reimbursed at seventy percent (70%) and reimbursement for applicable technical Covered Services shall be at eighty percent (80%) of full-billed charges  
Period: February 1, 2003 for a period of twelve months and unless earlier terminated shall automatically renew for successive one-year terms  
Description: Provider Services Agreement
2. Agency: Quality Health Management, L.L.C.  
Funds: Cancer Center reimbursed for covered charges provided at eighty-five percent (85%)  
Period: April 1, 2002 for a period of twelve (12) months and unless earlier terminated shall automatically renew for successive one-year terms  
Description: Medical Services Agreement for international patients
3. Agency: Olympus Managed Health Care, Inc.  
Funds: Cancer Center reimbursed for covered charges provided at eighty percent (80%)  
Period: October 19, 2001 for a period of twelve (12) months and unless earlier terminated shall automatically renew for successive one-year terms  
Description: Medical Services Agreement for international patients. In April 2003, the Office of Managed Care at U. T. M. D. Anderson Cancer Center was charged with assisting the International Patient Center in the management of their insurance agreement. Through this process it was discovered that this agreement had not been docketed.

**CONTRACTS (CONTINUED)**

**GENERAL CONTRACTS (CONTINUED)**

**FUNDS GOING OUT**

4. Agency: PST Products, Inc. dba Per-Se Technologies  
Funds: \$9,502,480 plus annual support and maintenance fees of \$1,003,125  
Period: September 30, 2002 until either party terminates agreement  
Description: Original Per-Se contract is amended to allow the Per-Se software to be integrated with the electronic medical records software iKnowMed
5. Agency: BDM Information Systems, LTD  
Funds: \$5,000,000  
Period: January 31, 2003 for ten years  
Description: Pharmacy system software and support services

## CONTRACTS (CONTINUED)

### NONINTELLECTUAL PROPERTY-RELATED SPONSORED RESEARCH AGREEMENTS – FOREIGN

#### FUNDS COMING IN

6. Country: Denmark  
Grantor: International Health Insurance danmark a/s  
No.: None  
New Funds: Cancer Center reimbursed for covered services provided at 90% (ninety percent) of billed charges  
Current Period: June 15, 1999 for a period of twelve (12) months and unless earlier terminated shall automatically renew for successive one-year terms  
Description: International Medical Services Agreement. In April 2003, the Office of Managed Care at U. T. M. D. Anderson Cancer Center was charged with assisting the International Patient Center in the management of their insurance agreement. Through this process it was discovered that this agreement had not been docketed.
7. Country: Korea  
Grantor: CoreMed, Inc.  
No.: None  
New Funds: Cancer Center reimbursed for covered services provided at 90% (ninety percent) of billed charges  
Current Period: November 26, 2002 for a period of twelve (12) months and unless earlier terminated shall automatically renew for successive one-year terms  
Description: International Medical Services Agreement

**AMENDMENTS TO THE 2002-03 BUDGET**

**APPOINTMENTS AND PROMOTIONS**

The following Requests for Budget Change (RBC) have been administratively approved by the Acting Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate, the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>THE TUMOR INSTITUTE – MEDICAL STAFF</b>					
Gastrointestinal Medical Oncology and International Operations					
1. Thomas Brown (T)					47
From: Vice President for International Operations and Professor		100	12	278,100	
To: Vice President for Extramural Programs and Special Advisor to the President and Professor	2/1-8/31	100	12	278,100	
Clinical Operations and Programs, Endocrine Neoplasia and HD					
2. Robert F. Gagel (T)					50
From: Division Head (ad interim), Chair (ad interim) and Professor		100 SUPLT	12 12	288,092 15,000	
To: Division Head and Professor	3/1-8/31	100	12	325,000	



**AMENDMENTS TO THE 2002-03 BUDGET (CONTINUED)**

**APPOINTMENTS AND PROMOTIONS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>THE TUMOR INSTITUTE – MEDICAL STAFF (Continued)</b>					
Head and Neck Surgery					
Chair and Professor					
3. Randal Weber (T)	7/15-8/31	100	12	385,000	48
4. Gary L. Clayman (T)					55
From: Professor		100	12	327,599	
To: Professor and Alando J. Ballantyne Distinguished Chair of Head and Neck Surgery	4/1-8/31	100	12	333,599	
Experimental Radiation Oncology					
5. Raymond E. Meyn (T)					51
From: Professor and Kathryn O'Connor Research Professorship		100	12	174,201	
To: Chair (ad interim), Professor and Kathryn O'Connor Research Professorship	3/1-8/31	100 SUPLT	12 12	174,201 10,000	
Experimental Diagnostic Imaging					
Chair and Professor					
6. Juri Gelovani (T)	7/1-8/31	100	12	230,000	52

**AMENDMENTS TO THE 2002-03 BUDGET (CONTINUED)**

**APPOINTMENTS AND PROMOTIONS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>THE TUMOR INSTITUTE – RESEARCH</b>					
Immunology					
7. Yong-Jun Liu (T)					56
From: Chair and Professor		100	12	240,000	
		SUPLT	12	10,000	
To: Chair, Professor and Vivian L. Smith Distinguished Chair in Immunology	5/1-8/31	100	12	240,000	
		SUPLT	12	10,000	

**AMENDMENTS TO THE 2002-03 BUDGET (CONTINUED)**

**TRANSFERS OF FUNDS**

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
DIVISION OF PATHOLOGY AND LABORATORY MEDICINE		
8. Amount of Transfer:	107,000	54
From: Omnigrd Spotter		
To: Sun Microsystems Computer Server		

Request to make an item substitution on the FY 2003 allocation of Permanent University Fund reserves for Genomic/Cancer Genetics in the Division of Pathology and Laboratory Medicine.



## TABLE OF CONTENTS FOR ACADEMIC AFFAIRS COMMITTEE

**Committee Meeting:** 8/6/2003  
Westin La Cantera Resort Hotel, San Antonio  
**Board Meeting:** 8/7/2003  
U. T. Health Science Center - San Antonio

*Cyndi Taylor Krier, Chairman*  
*H. Scott Caven, Jr.*  
*Judith L. Craven, M.D.*  
*Robert A. Estrada*  
*James Richard Huffines*

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Welcome and Opening Remarks</b>	<i>3:30-4:30 p.m.</i> <i>Chairman</i> <i>Krier</i>		
1. <b>U. T. System: Discussion of faculty hiring, student enrollment, and issues related to the beginning of the academic year</b>	<b>Discussion</b> <i>Dr. Sullivan</i>	Not on Agenda	<b>70</b>
2. <b>U. T. Brownsville: Approval of M.S. in Physics</b>	<b>Action</b> <i>Dr. Sullivan</i>	<b>Action</b>	<b>70</b>
3. <b>U. T. El Paso: Approval of Ph.D. in Interdisciplinary Health Sciences</b>	<b>Action</b> <i>Dr. Sullivan</i>	<b>Action</b>	<b>71</b>
4. <b>U. T. Pan American: Approval of M.S. in Occupational Therapy</b>	<b>Action</b> <i>Dr. Sullivan</i>	<b>Action</b>	<b>73</b>
5. <b>U. T. System: Requested expansion of degree planning authority and revised Mission Statement for U. T. Arlington</b>	<b>Action</b> <i>Dr. Kerker</i>	<b>Action</b>	<b>74</b>
6. <b>U. T. System: Student learning assessment - conceptual framework</b>	<b>Report</b> <i>Dr. Reyes</i>	Not on Agenda	<b>84</b>
<b>Adjourn</b>			

1. **U. T. System: Discussion of faculty hiring, student enrollment, and issues related to the beginning of the academic year**

### REPORT

Dr. Teresa A. Sullivan, Executive Vice Chancellor for Academic Affairs, will lead a discussion concerning faculty hiring, student enrollment, and issues related to the beginning of the academic year.

2. **U. T. Brownsville: Approval of M.S. in Physics**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President García that authorization be granted to establish a Master of Science in Physics at U. T. Brownsville; to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to authorize the Executive Vice Chancellor for Academic Affairs to certify on behalf of the Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met. In addition, the Coordinating Board will be asked to change the Table of Programs for U. T. Brownsville to reflect authorization for the proposed degree program.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Brownsville will be amended to reflect this action.

### BACKGROUND INFORMATION

#### Program Description

The proposed program will have two main tracks, either 30 semester credit hours plus thesis, or 36 semester credit hours of coursework and completion of a major research project. For admission, students will need to possess a bachelor's degree in physics from an accredited institution or possess a bachelor's degree in mathematics, chemistry, or engineering with advance undergraduate coursework in classic mechanics, quantum mechanics, classical electrodynamics, and mathematical physics.

### Program Quality

The U. T. Brownsville Department of Physics and Astronomy currently has 11 full-time tenured or tenure-track faculty that will be directly involved in teaching and advising students in the proposed program. In addition, the department has five postdoctoral research associates who will help teach and guide students with research related projects. Three new faculty will join the department in 2004, one of which will have partial support from the U. T. Dallas NanoTech Institute.

During the current fiscal year, faculty within the department have obtained \$6.7 million in grant awards that will help support the research experience of students in the various physics programs.

### Program Cost

The main resources for the proposed program are already in place. The existing faculty, grant funding, and agreements with U. T. El Paso and U. T. Dallas are sufficient to support the program. Existing National Aeronautics and Space Administration (NASA) support for students will be \$350,000 per year for the next five years. Existing support for faculty, equipment, and postdoctoral associates will continue at \$700,000 per year for five years. Funding is also currently in place for clerical and staff support.

### 3. **U. T. El Paso: Approval of Ph.D. in Interdisciplinary Health Sciences**

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Natalicio that authorization be granted to establish a Ph.D. in Interdisciplinary Health Sciences at U. T. El Paso and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. In addition, the Coordinating Board will be asked to change the Table of Programs for U. T. El Paso to reflect authorization for the proposed degree program.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. El Paso will be amended to reflect this action.

## BACKGROUND INFORMATION

### Program Description

The proposed program is designed to respond to the growing demand for doctorally-trained professionals in health-related fields and to address critical health research needs in Texas, especially those related to the U. S.-Mexico border region. Administered by the College of Health Sciences, the program will consist of at least 48 semester credit hours beyond the master's degree. Graduates will have a strong background in the core knowledge areas of health sciences, as well as mastery of a chosen area of specialization. The program will emphasize the depth of learning that results from interaction among and between multiple health fields, rather than segmented or sequential exposure to individual health fields.

### Program Quality

There are 23 current faculty members in the College of Health Sciences who are members of the graduate faculty and will teach and supervise students in the proposed program. These faculty have demonstrated research and publication records. In FY 2002, the College of Health Sciences received over \$2.4 million in new grant awards. These extramural funds will provide support and research opportunities for graduate students enrolled in the proposed program.

### Program Cost

Estimated expenditures for the first five years of the program are \$1,843,957. This includes \$600,000 for new faculty positions, \$630,000 for additional teaching and research assistant positions, \$260,000 for additional staff, \$125,000 for program administration, and \$228,957 for equipment, library resources, facilities renovation, and supplies. U. T. El Paso will commit \$624,544 of existing resources in addition to \$1,219,413 in formula funding to finance the first five years of the program.

4. **U. T. Pan American: Approval of M.S. in Occupational Therapy**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Nevárez that authorization be granted to establish a Master of Science in Occupational Therapy at U. T. Pan American; to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to authorize the Executive Vice Chancellor for Academic Affairs to certify on behalf of the Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met. In addition, the Coordinating Board will be asked to change the Table of Programs for U. T. Pan American to reflect authorization for the proposed degree program.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Pan American will be amended to reflect this action.

**BACKGROUND INFORMATION**

**Program Description**

The proposed Master of Science in Occupational Therapy will be an entry-level master's program, preparing practitioners for entry-level licensure and is not considered an advance master's degree. The program will require 71 semester credit hours of classroom and practical study. The program curriculum is designed to comply with the Accreditation Council for Occupational Therapy Education (ACOTE) Standards for an Accredited Educational Program for the Occupational Therapist. Graduates of the program will be eligible to take the ACOTE certification examination and apply for licensure.

**Program Quality**

The current Occupational Therapy program at U. T. Pan American is accredited by ACOTE, and the faculty and resources of the current program will be utilized in the new program.

**Program Cost**

Estimated increased expenditures for the first five years of the program are nominal. Funding currently available to the bachelor's-level program will be reassigned to the new master's-level program. Revenues will increase slightly due to increased formula funding.



5. **U. T. System: Requested expansion of degree planning authority and revised Mission Statement for U. T. Arlington**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and the presidents of the academic component institutions that proposed changes to the institution Mission Statement for U. T. Arlington (Pages 75 - 76) and the Table of Programs for U. T. Arlington, U. T. Brownsville, U. T. Dallas, U. T. El Paso, U. T. Pan American, U. T. Permian Basin, U. T. San Antonio and U. T. Tyler (Pages 75 - 83) be approved and forwarded to the Texas Higher Education Coordinating Board for consideration.

**BACKGROUND INFORMATION**

Texas Education Code Section 61.051(e) requires the Texas Higher Education Coordinating Board to review public university Mission Statements and Tables of Programs every four years. These documents broadly describe the academic mission of each institution and the academic fields and degree levels that are appropriate to the mission. The Table of Programs specifically describes the current degree granting authority of each institution and those academic fields and degree levels within fields that each institution has the authority to plan for future degree offerings. Coordinating Board approval of new degree programs involves two steps: gaining planning authority for a program via the Table of Programs and submitting an acceptable proposal.

The four-year cycle of review is due for the academic component institutions of The University of Texas System. Changes to Mission Statements and Table of Programs must be approved by the Board of Regents prior to submittal to the Coordinating Board for consideration.

Changes to the U. T. Arlington Mission Statement are comprehensive and, therefore, not displayed in congressional style. The current Mission Statement, approved by the U. T. Board of Regents in 1999 is on Page 76.

**The University of Texas at Arlington  
Requested Expansion of Degree Planning Authority and  
Changes to Mission Statement**

**Visual & Performing Arts:** Planning Authority for a Master's in  
Visual & Performing Arts.

In addition to the requested degree planning authority, U. T. Arlington requests approval of the following mission statement to fulfill the conditions of their most recent SACS accreditation.

**PROPOSED MISSION STATEMENT TO FULFILL THE CONDITIONS OF  
SACS ACCREDITATION**

The University of Texas at Arlington is a comprehensive research, teaching, and public service institution whose mission is the advancement of knowledge and the pursuit of excellence. The University is committed to the promotion of lifelong learning through its academic and continuing education programs and to the formation of good citizenship through its community service learning programs. The diverse student body shares a wide range of cultural values and the University community fosters unity of purpose and cultivates mutual respect. We take pride in the University's growth and accomplishments during more than one hundred years of service in North Texas and in our current status as the second largest component of The University of Texas System.

As a University, we affirm our commitment to the following objectives:

- The University is committed to comprehensive programs of academic research. This research effort requires attracting and retaining scholars who promote a culture of intellectual curiosity, rigorous inquiry, and high academic standards among their fellow faculty and the students they teach.
- The University prepares students for full, productive lives and informed and active citizenship. To that end, we have developed undergraduate and graduate curricula and classroom practices that engage students actively in the learning process. Outside the classroom a wide range of student organizations and activities contribute to the learning environment. Our service learning program offers students the opportunity to supplement their academic study with internships in a variety of community settings, testing their skills and aptitudes and challenging their values. State-of-the-art teaching technologies, distance education, and off-site instruction afford access to off-campus as well as traditional students. Non-degree certificate and continuing education programs offer practical, aesthetic, and intellectually stimulating opportunities for community learners, for individual courses or a sustained program of study.

- The mission of a university can be achieved only when its students, faculty, staff, and administrators value and promote free expression in an atmosphere of tolerance, responsibility, and trust. The University regards these attributes as prerequisites for any community of learners and vigilantly strives to maintain them.
- Mindful of its role as a resource to the community, locally, nationally, and internationally, the University continually seeks partnerships with public and private concerns in order to advance the economic, social, and cultural welfare of its constituencies. We serve the needs of the North Texas community by sponsoring public lectures and academic symposia, as well as artistic, musical, and dramatic productions.

### **CURRENT MISSION STATEMENT**

The mission of The University of Texas at Arlington is to pursue knowledge, truth and excellence in a student-centered academic community characterized by shared values, unity of purpose, diversity of opinion, mutual respect and social responsibility. The University is committed to life-long learning through its academic and continuing education programs, to discovering new knowledge through research and to enhancing its position as a comprehensive educational institution with bachelors', masters', doctoral and non-degree continuing education programs.

**The University of Texas at Brownsville  
Requested Expansion of Degree Planning Authority**

<b>Public Administration &amp; Services:</b>	Planning Authority for Master's degrees in Public Policy and Administration, and Social Work.
<b>Law &amp; Legal Studies:</b>	Planning Authority for a Master of Arts in Juvenile Justice.
<b>Visual &amp; Performing Arts:</b>	Planning Authority for a Master's in Music.
<b>Conservation &amp; Renewable Nat. Resources:</b>	Planning Authority for a Bachelor of Science in Environmental Science.
<b>Computer &amp; Information Sciences:</b>	Planning Authority for Master of Science degrees in Computer Science and Software Engineering.
<b>Physical Sciences:</b>	Planning Authority for a Cooperative, with one or more U. T. Components, Ph.D. in Physics, and a Master of Science in Physics.
<b>Parks, Rec., Leisure, &amp; Fitness Studies:</b>	Planning Authority for Bachelor's and Master's in Arts in Hospitality Management.
<b>Business Mgmt. &amp; Admin. Services:</b>	Planning Authority for a Master's in Accountancy.
<b>Education:</b>	Planning Authority for a Cooperative, with one or more U. T. Components, Ed.D. or Ph.D. in Curriculum & Instruction.
<b>Health Professions &amp; Related Sciences:</b>	Planning Authority for a Master of Science in Physician Assistant, and Master's in Speech-Language Pathology.

**The University of Texas at Dallas**  
**Requested Expansion of Degree Planning Authority**

<b>Communications:</b>	Planning Authority for a Master's and Bachelor's in Communications.
<b>Foreign Languages &amp; Literatures:</b>	Planning Authority for a Bachelor's in Foreign Languages & Literatures.
<b>English Language &amp; Literature Letters:</b>	Planning Authority for a Ph.D. in English Language & Literature Letters.
<b>Multi/Interdisciplinary Studies:</b>	Planning Authority for a Ph.D. in Multi/Interdisciplinary Studies.
<b>Social Sciences and History:</b>	Planning Authority for a Ph.D. in Social Sciences and History.
<b>Visual &amp; Performing Arts:</b>	Planning Authority for a Master's and Ph.D. in Visual & Performing Arts.

**The University of Texas at El Paso  
Requested Expansion of Degree Planning Authority**

<b>Architecture &amp; Related Programs:</b>	Planning Authority for a B.S. in Architecture and a Master's in Urban Planning.
<b>Communications:</b>	Planning Authority for Master's degrees in various areas of Communication, including Journalism and Mass Communication and Communication Technology such as web development and distance education.
<b>Computer &amp; Information Systems:</b>	Planning Authority for a Ph.D. in Computer Science.
<b>Education:</b>	Planning Authority for a Ph.D. in Curriculum and Instruction.
<b>Engineering:</b>	Planning Authority for Ph.D. in Electrical Engineering.
<b>Law &amp; Legal Studies:</b>	Planning Authority for Undergraduate and Master's programs.
<b>English Language &amp; Literature/Letters:</b>	Planning Authority for Ph.D. in Comparative Literature.
<b>Biological/Life Sciences:</b>	Planning Authority for Ph.D.s in Biosystematics and Ecology.
<b>Mathematics:</b>	Planning Authority for a Ph.D. in Computational Science (applied math).
<b>Physical Sciences:</b>	Planning Authority for a Ph.D. in Chemistry.
<b>Psychology:</b>	Planning Authority for Ph.D.-level studies in Applied and Experimental Psychology.
<b>Social Sciences &amp; History:</b>	Planning Authority for a Ph.D. in Public Policy and Regional Development.

**The University of Texas - Pan American  
Requested Expansion of Degree Planning Authority**

- Engineering:** Planning Authority for a Ph.D. in Industrial/Manufacturing Engineering, a Master's in Engineering/Industrial Management, and a Bachelor's in Civil Engineering and Computer Engineering.
- English Language & Literature/Letters:** Planning Authority for a Ph.D. in English Composition, and a Master of Fine Arts in Creative Writing.
- Health Professions & Related Sciences:** Planning Authority for a Cooperative, with one or more U. T. Components, Ph.D. in Rehabilitation Sciences, a Cooperative, with one or more U. T. Components, Ph.D. in Biomedical Life Sciences, and a Master's in Physician Assistant.
- Physical Sciences:** Planning Authority for a Master's in Chemistry and Physics.
- Social Sciences & History:** Planning Authority for a Master's in International Studies.

**The University of Texas of the Permian Basin  
Requested Expansion of Degree Planning Authority**

<b>Communications:</b>	Planning Authority for a Master of Arts in Communication.
<b>Engineering:</b>	Planning Authority for Bachelor's degrees in Control Engineering, Petroleum Engineering, and Industrial Technology.
<b>Public Administration and Services:</b>	Planning Authority for Bachelor's and Master's degrees in Public Administration.
<b>Visual and Performing Arts:</b>	Planning Authority for a Master's degree in Visual Arts.
<b>Education:</b>	Planning Authority for a Cooperative, with one or more U. T. Components, Ph.D. program in Educational Leadership.

Removal of restrictions in program areas where the institution offers one or more degrees to allow for additional planning.



**The University of Texas at San Antonio  
Requested Expansion of Degree Planning Authority**

<b>Architecture and Related Programs:</b>	Planning Authority for a Bachelor's in Construction Sciences.
<b>Education:</b>	Remove limitations to allow full planning authority in the field of Education.
<b>Engineering:</b>	Remove limitations to allow full planning authority in the field of Engineering.
<b>Biological/Life Sciences:</b>	Remove limitations to allow full planning authority in the field of Biological/Life Sciences.
<b>Mathematics:</b>	Planning Authority for a Ph.D. in Applied Mathematics and a Ph.D. in Statistics.
<b>Physical Sciences:</b>	Planning Authority for a Ph.D. in Chemistry.
<b>Psychology:</b>	Planning Authority for a Ph.D. in Psychology and a Ph.D. in School Psychology.
<b>Public Administration and Services:</b>	Planning Authority for a Ph.D. in Public Policy, a Master's of a Social Work degree, and a Bachelor's in Urban Studies.
<b>Social Sciences and History:</b>	Remove limitations to allow full planning authority within the field and include planning authority for a Ph.D. in Anthropology, a Ph.D. in Political Science and a Ph.D. in Sociology.
<b>Business Management and Administrative Services:</b>	Formally recognize that the university already offers a Ph.D. in business with concentrations in accounting, finance, organizational behavior and information systems and grant unlimited planning authority within the field.

**The University of Texas at Tyler  
Requested Expansion of Degree Planning Authority**

**Conservation & Renewable Nat. Resources:**

Planning Authority for a Bachelor's in Environmental Science Studies.

**Philosophy:**

Planning Authority for a Bachelor's in Religious Studies.

**Business Mgmt. & Admin. Services:**

Request permission to examine the feasibility of a Ph.D. in Human Resource Development.

**Education:**

Planning Authority for a Cooperative, with one or more U. T. Component, Ph.D. in Educational Administration.

**Engineering:**

Planning Authority for a Bachelor of Science in Civil Engineering, and a Master of Science in Civil Engineering.

**Engineering-Related Technologies:**

Planning Authority for a Bachelor of Science in Construction Management.

**Health Professions & Related Sciences:**

Planning Authority for a Cooperative, with one or more U. T. Components, Ph.D. in Clinical Exercise Physiology, and a Cooperative, with one or more U. T. Components, Ph.D. in Nursing.

6. **U. T. System: Student learning assessment - conceptual framework**

REPORT

Dr. Pedro Reyes, Associate Vice Chancellor for Academic Affairs, will brief the Board of Regents regarding the student learning assessment - conceptual framework. A summary report and PowerPoint presentation are attached on Pages 85 - 95.

# The University Of Texas System Student Learning Assessment Conceptual Framework

## Background

During the Fall 2000 semester, the Academic Affairs Committee of the Board of Regents requested that The University of Texas System implement a plan to assess student knowledge and skills developed in general education programs and other academic programs across the System. The Chancellor and the Executive Vice Chancellor for Academic Affairs have emphasized the importance of including the assessment of student learning within the overall U. T. System accountability framework. Therefore, this model will be proposed as a System-wide activity for the academic components of U. T. System.

This document will be shared widely to gather input and share plans with all stakeholders. This document includes:

- I. The Purpose and Assumptions
- II. Definition of Competency-based Assessment
- III. Definition of the General Academic Program
- IV. Definition of a Design and Method
- V. Consultation and Communication
- VI. Timeframe

### I. The Purpose and Assumptions

At the U. T. System level, the purpose of learning assessment is to promote quality, comparability, and information that support policy development. Also, embedded in this purpose is the fulfilling of a public duty to report the effectiveness of our programs to critical stakeholders. For example, the Texas Higher Education Coordinating Board (THECB) requires that general education programs be evaluated. The Southern Association of Colleges and Schools (SACS) requires assessment of institutional effectiveness, in which student outcomes must be assessed. And the Council on Higher Education Accreditation (CHEA), a collaborative organization of the regional accrediting agencies, has initiated projects that begin with an assumption that student outcomes should be related to resources and infrastructures throughout universities, not academic programs alone.

At the institutional level, the purpose of assessment is to give faculty and administrators information that they can use to improve student learning. Faculty have always assessed individual students in their courses, but until recently few institutions attempted to assess what students learned as a result of their academic programs. Academic assessment asks the question, “How do we know whether students have learned what we attempted to teach them after they have taken our courses?” Effective academic assessments can determine whether academic programs are accomplishing what they intend to

accomplish; and, if not, the assessments help make appropriate curricular or pedagogical adjustments so that students' academic success can be increased.

Thus, faculty must specify the learning outcomes for their programs. These learning outcomes are defined as the specific knowledge, skills, abilities and attitudes that students should have acquired after having taken the curriculum that has been designed for them.

For learning assessment to work well, we are proposing a set of principles for institutions to follow. These principles have been adopted from a list provided by the American Association of Higher Education (AAHE).

1. The assessment of student learning begins with educational values. Assessment is not an end in itself but a vehicle for educational improvement. Its practice begins with and enacts a vision of the kind of learning we most value for students. Thus educational values should drive not only what we chose to assess but also how we do so.
2. Assessment is most effective when it reflects an understanding of learning as multidimensional, integrated, and revealed in performance over time. Learning is a complex process. It entails not only what students know but also what they can do with what they know. It involves knowledge, abilities, attitudes, and habits of mind that affect academic success and performance beyond the classroom. Thus, assessment should reflect these understandings by employing a diverse array of methods, including those that call for actual performance, using them over time so as to reveal change, growth, and increasing degrees of integration.
3. Assessment works best when the programs it seeks to improve have clear, explicitly stated purposes. Assessment is a goal-oriented process. It entails comparing educational performance with educational purposes and expectations those derived from the institution's mission, from faculty intentions in program and course design, and from knowledge of students' own goals. Thus, assessment is a process that pushes a campus toward clarity about where to aim and what standards to apply. Clear, shared, implementable goals are the cornerstone for assessment that is focused and useful.
4. Assessment requires attention to outcomes but also to the experiences that lead to those outcomes. Information about outcomes is of high importance. But to improve outcomes, we need to know about student experience along the way about curricula, teaching, and the kind of student effort that led to particular outcomes. Assessment can help us understand which students learn best under what conditions; such knowledge helps us improve the whole of their learning.
5. Assessment works best when it is ongoing, not episodic. Assessment is a process whose power is cumulative. Improvement is best fostered when it entails a linked series of activities over time. This means tracking the process of individual

students or cohorts of students; it may mean collecting samples of student work or using the same instrument year after year.

6. Assessment fosters wider improvement when representatives from across the educational community are involved. Student learning is a campus-wide responsibility, and assessment is a way of enacting that responsibility. Faculty play an especially important role, but assessment's questions cannot be fully addressed without participation by librarians, administrators, and students. Assessment may also involve individuals beyond the campus (alumni, trustees, employers) whose experiences can enrich the sense of appropriate aims and standards of learning.
7. Assessment makes a difference when it begins with issues of use and illuminates questions that people really care about. Assessment must produce evidence relevant parties find credible, suggestive, and applicable to decisions they need to make. It means thinking in advance about how the information will be used, and by whom. The point of assessment is not to gather data and return "results"; it is a process that starts with questions of decision makers, that involves them in gathering and interpreting of data, and that informs and helps guide continuous improvement.
8. Through assessment, educators meet responsibilities to students and to the public. There is a compelling public stake in education. We have a responsibility to the publics that support or depend on us to provide information about the ways in which our students meet goals and expectations. But that responsibility goes beyond the reporting of such information; our deeper obligation-to ourselves, our students, and society-is to improve. Those to whom educators are accountable have a corresponding obligation to support such attempts at improvement.

## II. Definition of Performance-based Assessment

With the advent of information technology, access to learning opportunities is greater now than ever. And postsecondary organizations are not the only ones providing such learning opportunities. In fact, other organizations have made significant inroads by providing performance-based learning opportunities. It is now possible for sophisticated consumers to obtain skills through different modes of instruction and different times for delivery. Therefore, university leaders have begun to develop programs that can articulate the knowledge, skills, and abilities students are expected to learn and the competencies required for the application of learned curriculum.

Performance-based initiatives are important to communicate to students which competencies are important for them to attain and the extent to which their learning experiences are meeting those expectations. These initiatives are also important to communicate to employers or the general public what students know and are able to do. In the next section, we define some of the critical concepts related to performance-based

assessment. These concepts have been defined elsewhere by other task forces working on performance-based initiatives.

### Key Concepts in Performance-based Assessment

The following definitions of key concepts have been taken from “Report of the National Postsecondary Education Cooperative Working Group (2002).”

1. Traits and characteristics are the foundation for learning, the innate make-up of individuals on which further experiences can be built.
2. Skills, abilities, and knowledge are developed through learning experiences, broadly defined to include formally organized postsecondary education learning processes.
3. Competencies are the result of integrative learning experiences in which skills, abilities, and knowledge interact to form bundles that have currency in relation to the task for which they are assembled.
4. Demonstrations are the results of applying competencies. It is at this level that performance can be assessed.

In higher education, we typically talk about knowledge, skills, abilities, and competencies as being one and the same. For example, we speak of competent mathematicians and knowledgeable mathematicians. Yet, skills and knowledge are acquired through learning experiences; the different combinations of skills and knowledge one has acquired in a given program define the competencies an individual possesses. These competencies are acquired through integrative learning experiences provided by academic programs. Finally, different competencies are combined to perform or carry out a task. To put it simply, competencies are complementary phenomena that combine skills, abilities, and knowledge.

Performance-based assessment insures that students attain specific knowledge, skills, and abilities important in whatever field they are studying. Using competencies requires the understanding of three components:

1. A description of the competency;
2. A means of assessing the competency; and
3. A standard by which someone is judged to be competent.

Typically, curriculum panels of faculty define competencies. The assessment of competencies is accomplished through different methods, including standardized tests, evaluations of student work or portfolios; the standards for judging competence is often set by a master panel of faculty. This process leads to standardizing student outcomes. This process also leads to clarifying the specific knowledge, skills, and abilities students

are expected to achieve; the process also helps develop concrete curricular changes, competencies, and performance measures for students.

### III. Definition of the General Academic Program

The initial charge from the Board of Regents indicated that we should begin with improving the quality of our undergraduate experience. If this is the initial purpose, then we should focus on the so called “general program or the core curriculum.” Thus, institutional representatives should define the competencies to be accomplished in this core curriculum. The Texas Higher Education Coordinating Board has defined the core curriculum for all state colleges and universities (1998). Thus, we will use such a framework to begin defining the general academic program. This core curriculum includes five areas:

#### Communication (composition, speech, modern language)

The objective of a communication component of a core curriculum is to enable the student to communicate effectively in clear and correct prose in a style appropriate to the subject, occasion, and audience.

#### Mathematics

The objective of the mathematics component of the core curriculum is to develop a quantitatively literate college graduate. Every college graduate should be able to apply basic mathematical tools in the solution of real-world problems.

#### Natural Sciences

The objective of the study of a natural sciences component of a core curriculum is to enable the student to understand, construct, and evaluate relationships in the natural sciences, and to enable the student to understand the basis for building and testing theories.

#### Humanities and Visual and Performing Arts

The objective of the humanities and visual and performing arts in a core curriculum is to expand students' knowledge of the human condition and human cultures, especially in relation to behaviors, ideas, and values expressed in works of human imagination and thought.

#### Social and Behavioral Sciences

The objective of a social and behavioral science component of a core curriculum is to increase students' knowledge of how social and behavioral scientists discover, describe, and explain the behaviors and interactions among individuals, groups, institutions, events



and ideas. Such knowledge will better equip students to understand themselves and the roles they play in addressing the issues facing humanity.

#### IV. Design and Method

In order for the U. T. System to promote quality and inform policy development, the design most appropriate is a longitudinal design with multiple observations. The unit of analysis should be set at the individual level. Thus, institutions must define the academic program, its goals, students who comprise that program, and the outcomes or competencies to be assessed. In our case, the general program is the first two years of student experiences with the core curriculum.

The data collected should be similar across institutions and collected every year. That is, the method, definitions, and metrics should be similar. This will allow for analysis across institutions. Moreover, the institution should collect data from every member of the student population or a random sample of students in the academic program. If a random sample is used, the institution should collect data on some stratified basis to allow for representation of subgroups in the population.

A data set should be maintained and updated every year both at the institutional level. This will allow institutional representatives to provide instant analysis for accrediting organizations, for System accountability purposes, and for program improvement.

#### Analytical Approach

Value-added assessment is a tool for gauging how much students gain in academic achievement in a given program, i.e., how much “value” has been added to the students by their general program. By aggregating student gains to the institution level, value-added assessment can be used to evaluate academic programs regardless of differences among entering students. The major assumption in this approach is the comparison of students’ current achievement to their own past performance and aggregating learning gains at the institution level. For instance, one can use the students’ entering ACT or SAT scores on writing, mathematics, and critical thinking skills as the first data point and a test of college academic skills administered at the end of the sophomore year as the second data point. Once we have two data points on the same student, a learning gain can be computed for such a student. The statistical tool is known as Henderson’s mixed model, which is an advanced form of analysis of variance.

#### V. Consultation and Communication

Given the new focus of the assessment program, we need to create a new group (or reappoint the current members) of institutional leaders overseeing the assessment of student learning in each campus. This group should be given a new charge to initiate faculty discussion on developing a set of competencies for students to master in the

general program. Representation shall include faculty, staff, and students from component institutions.

Collect and share information about U. T. System student learning assessment work on a web page as we move forward in this endeavor. Link this page to other sources that will serve as benchmarks.

Develop a process to communicate with policy makers and other stakeholders to gather input and broader support within the community.

#### VI. Proposed Timeframe

July 2003	Conceptual Framework reviewed by working group
August-Sept. 2003	Completed set of competencies for core areas
November 2003	Implementation of new assessment program
December 2003	Preliminary data collection and analysis
January 2004	Draft of the Report for the U. T. System
May 2004	Final Report for Board review and action

## The University of Texas System Student Learning Assessment Project

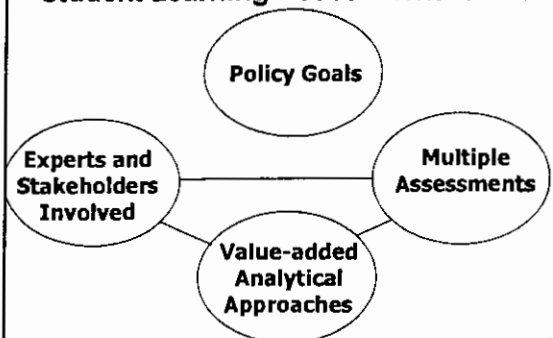
Academic Affairs Committee  
August 6, 2003

## San Francisco Chronicle

"It's an embarrassment that we  
can tell people almost anything  
about education except how  
well students are learning."

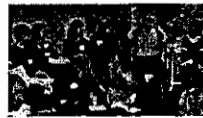
Patrick M. Callan, National Center for Public  
Policy and Higher Education

## The University of Texas System Student Learning Assessment Model



## Policy Goals

- Performance Improvement
- Accountability



## Multiple Assessments

- *Outcomes Measures*
  - Evidence of what students have learned or can do
- *Process Measures*
  - Evidence of effective educational activity by students and institutions

## Outcomes Measures

- Standardized, nationally normed



## Academic Profile

### Standard Form

- Covers the full range of skills in one test
- Contains 108 multiple choice questions
- Administered in 120 minutes
- Generates total and content area scores for both individuals and groups
- Provides demographic data
- Allows for locally-written questions

## Academic Profile

### Abbreviated Form

- Covers all skills in one test
- Contains 36 questions
- Administered in 40 minutes
- Generates total scores for both individuals and groups
- Generates content area scores for groups only
- Provides demographic data
- Allows for locally-written questions

## Four Areas of Assessment

### Assesses Academic Skills in:

- |                             |     |
|-----------------------------|-----|
| ■ College-Level Reading     | 25% |
| ■ Critical Thinking         | 25% |
| ■ College-Level Writing     | 25% |
| ■ College-Level Mathematics | 25% |

## Skill Scores

### Skill Scores (Norm-Referenced Scaled Scores)

- Critical Thinking
- Reading
- Writing
- Mathematics

## Context Scores

### Context Scores (Norm-Referenced Scaled Scores)

- Humanities
- Social Sciences
- Natural Sciences

## Proficiency Classifications

### Proficiency Classifications (Criterion-Referenced)

- Reading
- Critical Thinking
- Writing
- Mathematics

## Proficiency Levels vs. Proficiency Classifications

### Proficiency Level

- Specific set of competencies expected of students
- Progressive difficulty
- "Level 1" (least difficult) through "Level 3" (most difficult)

## Proficiency Levels vs. Proficiency Classifications

### Proficiency Classification

- Measure of how the student/group performed at each proficiency level
- "P" (Proficient), "N" (Not Proficient), or "M" (Marginally Proficient, if insufficient evidence to classify student/group as either "P" or "N")

## Defining Reading Proficiency Levels

### Reading – LEVEL 1

- Recognize factual material explicitly presented in a passage
- Understand the meaning of words/phrases in the context of a reading passage

## Defining Reading Proficiency Levels

### Reading – LEVEL 2

- Synthesize material from different sections of a passage
- Recognize inferences derived from material in a passage
- Identify accurate summaries of a passage
- Understand and interpret figurative language
- Discern main idea, purpose, or focus of a passage

## Defining Critical Thinking Proficiency Levels

### Critical Thinking – LEVEL 3

- Evaluate competing causal explanations
- Evaluate hypotheses for consistency with known facts
- Determine relevance of information for evaluating an argument or conclusion
- Determine whether an artistic interpretation is supported by evidence contained in a work

## Defining Critical Thinking Proficiency Levels

### Critical Thinking – LEVEL 3 (continued)

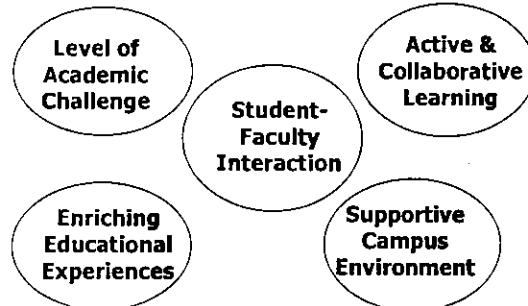
- Recognize the salient features or themes in a work of art
- Evaluate the appropriateness of procedures for investigating a question of causation
- Evaluate data for consistency with known facts, hypotheses, or methods
- Recognize flaws and inconsistencies in an argument

## Process Indicators

Evidence that students and institutions are engaged in educationally purposeful activities



## Benchmarks of Effective Educational Practice



## Policy Uses

- ACCREDITATION – Reliable documentation of performance for accountability requests
- INSTITUTIONAL IMPROVEMENT – Measure student growth and program effectiveness
- BENCHMARKING and TREND ANALYSIS – Demonstrate program improvement over time
- Educating the public about what matters to student learning and educational effectiveness



## TABLE OF CONTENTS FOR HEALTH AFFAIRS COMMITTEE

**Committee Meeting:** 8/6/2003  
Westin La Cantera Resort Hotel, San Antonio  
**Board Meeting:** 8/7/2003  
U. T. Health Science Center - San Antonio

*Rita C. Clements, Chairman*  
*H. Scott Caven, Jr.*  
*Judith L. Craven, M.D.*  
*James Richard Huffines*  
*Cyndi Taylor Krier*

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Welcome and Opening Remarks</b>	<i>4:30-5:30 p.m.</i> <i>Chairman</i> <i>Clements</i>		
1. <b>U. T. M. D. Anderson Cancer Center: Approval of proposed paid leave program</b>	<b>Action</b> <i>President</i> <i>Mendelsohn</i>	<b>Action</b>	<b>56</b>
2. <b>U. T. M. D. Anderson Cancer Center: Determination of necessity and authorization to acquire real property located at 1301 Braeswood Boulevard, Houston, Harris County, Texas, through purchase or condemnation</b>	<b>Action</b> <i>Mr. Wilson</i>	<b>Action</b>	<b>59</b>
3. <b>U. T. M. D. Anderson Cancer Center: Authorization to purchase real property and infrastructure located at 5610 Guhn Road, Houston, Harris County, Texas</b>	<b>Action</b> <i>Mr. Wilson</i>	<b>Action</b>	<b>60</b>
4. <b>U. T. Medical Branch - Galveston: Approval of M.S. and Ph.D. in Clinical Science</b>	<b>Action</b> <i>Dr. Guckian</i>	<b>Action</b>	<b>61</b>
5. <b>U. T. Medical Branch - Galveston: Request for authorization to conduct a private fundraising campaign</b>	<b>Action</b> <i>Dr. Guckian</i>	<b>Action</b>	<b>63</b>
6. <b>U. T. Health Science Center - San Antonio: Approval of M.S. in Respiratory Care</b>	<b>Action</b> <i>Dr. Guckian</i>	<b>Action</b>	<b>63</b>
7. <b>U. T. System: Adjust the Plan Participant Premium Rate for the U. T. System Professional Medical Liability Benefit Plan Effective September 1, 2003 and Return a Portion of Excess Plan Reserves to Participating U. T. System Health Components</b>	<b>Action</b> <i>Chancellor Yudof</i> <i>Dr. Guckian</i> <i>Mr. Godfrey</i>	<b>Action</b>	<b>65</b>
<b>Adjourn</b>			

1. **U. T. M. D. Anderson Cancer Center: Approval of proposed paid leave program**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs, the Vice Chancellor for Administration, the Vice Chancellor and General Counsel, and President Mendelsohn that the Board approve and/or authorize the following items:

- a. Approve the adoption of the proposed paid leave program to be implemented on or before September 2004
- b. Authorize The University of Texas System through the Office of the Vice Chancellor for Administration and the Office of General Counsel to take all steps necessary to meet the requirements of Texas Education Code Section 51.961(h), including the execution of documents.

**BACKGROUND INFORMATION**

The 77th Legislative Session passed House Bill 1545 [codified as Texas Education Code Section 51.961(h)] authorizing the governing board of a university system to adopt a comprehensive leave policy on behalf of employees working within the system's medical or dental units. A leave policy adopted by the governing board may combine state authorized vacation, sick, and holiday leave into a paid leave system that does not distinguish or separate the types of leave to be awarded and may award leave in an amount determined by the governing board to be appropriate and cost effective. Further, the leave policy must include certain leave provisions that address the effect of the policy on the rights, duties, and responsibilities of employees and employers. Specifically, the policy must include provisions for the payment and direct transfer of accrued leave. Prior to implementation, reasonable efforts must be made to enter into an understanding with the Office of the State Auditor, the Employee Retirement System of Texas, and the Texas Higher Education Coordinating Board regarding the award of accrued leave for the purpose of retirement.

The U. T. M. D. Anderson Cancer Center proposed leave program is comprised of three primary components: (1) a bank of Paid Time Off (PTO) days; (2) an Extended Illness Bank (EIB) of days; and (3) a Reduced Salary Paid Leave feature.



The PTO bank is designed to provide paid time off for an employee's discretionary use. The objective of the EIB is to provide income replacement through paid leave in the case of serious illness of an employee or dependent. In conjunction with the paid leave program, a Reduced Salary Paid Leave feature will be introduced for the purpose of providing the employee with income equal to 50% of base salary for a defined period of time.

No appreciable cost impact is anticipated with implementation of the alternative paid leave program. The implementation of the program, current vacation, sick leave, and floating holidays will be combined and deposited into both the PTO bank and EIB. Accrual rates for each bank are formula driven based on an employee's years of service. The balance of vacation, sick, and floating holiday hours accumulated as of program implementation date will also be transferred to the two banks. The Example of Conversion of Proposed Paid Leave Program on Page 58 provides additional information.

**Example of Conversion to Proposed Paid Leave Program**

**Example: Converting leave balances to proposed program:**

*(Employee with 7 years of service)*

**Current paid leave balances:**

Vacation	40 days
Sick	20 days
Floating holidays	<u>21 days</u>
Total	81 days

**Proposed PTO Program**

PTO Bank	61 days
EIB	<u>20 days</u>
Total	81 days

**Example: Comparison of current and proposed annual accrual rates:**

*(Same employee)*

**Current**

Vacation	15 days
Sick	12 days
Floating holiday	<u>5 days</u>
Total	32 days

**Proposed Leave Program**

PTO Bank	23.5 days
EIB	<u>3 days</u>
Total Paid Leave	26.5 days

**Plus**

*Additional paid leave introduced through employer-provided reduced salary paid leave at 50% of base salary. (Reduced Salary Paid Leave feature of Program).*

**Example: PTO Bank Integrated w/ EIB and Reduced Salary Paid Leave:**

*(Same employee with PTO & EIB shown above will be on leave for 10 weeks (50 days) due to a serious illness condition)*

<b>PTO Bank Days</b>	<b>EIB Days *</b> <i>(must exhaust before Reduced Salary Paid Leave)</i>	<b>Decision Point**</b> <i>(utilize PTO days or Reduced Salary Paid Leave)</i>	<b>Reduced Salary Paid Leave</b> <i>(90 days Maximum)</i>
----------------------	-----------------------------------------------------------------------------	-----------------------------------------------------------------------------------	--------------------------------------------------------------



*1<sup>st</sup> 3 days from PTO Paid Leave*

*Next 20 days from EIB*

*Next level: PTO or Reduced Salary Paid Leave*

-----*Total paid leave = 50 days*-----

\* Allows use of accrued sick leave balance seeded to EIB under the same terms/conditions as previously accrued.

\*\* Employee has the option of utilizing:  
PTO days for 100 % of income replacement  
**OR**  
Reduced Salary Paid Leave at 50% of base salary

**NOTE: PTO = Paid Time Off / EIB = Extended Illness Bank**

2. **U. T. M. D. Anderson Cancer Center: Determination of necessity and authorization to acquire real property located at 1301 Braeswood Boulevard, Houston, Harris County, Texas, through purchase or condemnation**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs, and President Mendelsohn that authorization be granted by the U. T. Board of Regents to:

- a. Determine that it is necessary for U. T. M. D. Anderson Cancer Center to acquire, through condemnation proceedings if necessary, the real property located at 1301 Braeswood Boulevard, Houston, Harris County, Texas, at a price not exceeding its fair market value as determined by an independent appraisal or by the determination of the court
- b. Submit a request to the Texas Higher Education Coordinating Board for approval of this acquisition
- c. Authorize the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to execute all documents, instruments and other agreements, to initiate a condemnation action of the subject real property, if necessary, through the Office of General Counsel and the Office of the Attorney General, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

**BACKGROUND INFORMATION**

The subject property, the Wellesley Inn and Suites Hotel, consists of a 130-room hotel on a 2.75-acre site in close proximity to the campus. As a premier international cancer treatment facility, U. T. M. D. Anderson diagnoses and treats patients from all over the world who often require nonhospital lodging during their stay in Houston. Acquisition of the Wellesley Inn and Suites Hotel property would allow U. T. M. D. Anderson to provide moderately priced short-term housing to patients and their families.

Management of the facility would be similar to that of the Jesse H. Jones Rotary House International patient housing facility, which integrates patient-care services with basic short-term housing.

In the event that M. D. Anderson is unsuccessful in acquiring the property through good faith negotiations, authority is being requested from the U. T. Board of Regents to condemn the property and acquire it at fair market value as determined by the court. A recent independent appraisal valued the property at \$5.2 million.

3. **U. T. M. D. Anderson Cancer Center: Authorization to purchase real property and infrastructure located at 5610 Guhn Road, Houston, Harris County, Texas**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs, and President Mendelsohn that authorization be granted by the U. T. Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to:

- a. Purchase the real property and infrastructure located at 5610 Guhn Road, Houston, Harris County, Texas at a total price of \$2.8 million plus related closing costs
- b. Submit a request to the Texas Higher Education Coordinating Board for approval of the transaction
- c. Expend local funds in an amount sufficient for the purchase
- d. Authorize the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to execute all documents, instruments, and other agreements and to take all further actions necessary to acquire the above real property.

BACKGROUND INFORMATION

U. T. M. D. Anderson Cancer Center has identified the need for an off-site data center to back up and protect mission-critical data of the institution and patient medical records. At present, M. D. Anderson leases equipment and space from a data center located in Pennsylvania.

The Cancer Center wishes to implement a more cost-effective data back up strategy by purchasing an existing data center building, fixtures, and infrastructure in Houston for a total price of \$2.8 million. The one-story building, consisting of 25,600 gross square feet is to be purchased at its appraised market value of \$1.3 million. The infrastructure, consisting of three chillers, five air-

handling units, three generators, and an uninterrupted power supply to serve the data processing space, has all the power, telecommunications connections, and climate conditions required for a data back up center and can be purchased separately from the real estate for \$1.5 million. The cost of the infrastructure in 2001 was \$4.5 million, and its current value has been estimated at approximately \$2.8 million by staff of the institution.

4. **U. T. Medical Branch - Galveston: Approval of M.S. and Ph.D. in Clinical Science**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and President Stobo that authorization be granted to U. T. Medical Branch – Galveston to establish a M.S. and a Ph.D. in Clinical Science and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. In addition, the Coordinating Board will be asked to change the Table of Programs for U. T. Medical Branch – Galveston to reflect authorization for the proposed degree programs.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Medical Branch – Galveston will be amended to reflect this action.

**BACKGROUND INFORMATION**

**Program Description**

The proposed programs are designed for students who seek more advanced training in the methods used for research in human subjects and populations. These programs have evolved from a curriculum in Clinical Science, which is currently part of the Graduate Program in Preventive Medicine and Community Health (GPPMCH). The GPPMCH is part of the Graduate School of Biomedical Sciences (GSBS), which provides academic and administrative oversight. If approved, this program will continue to be administered by the GPPMCH.

The curriculum is especially for physicians and others who have a commitment to a career in clinical research. Similar programs awarding a MS degree have been recently established at two other U. T. campuses. Although there is no specific requirement in terms of course credit hours for the Ph.D., U. T. Medical Branch - Galveston students enrolled in the GSBS customarily earn 48-54 course credits in completing their required and elective courses. Courses totaling at least 36 credit hours are required for successful completion of the M.S. degree.

### Program Quality

These programs enable qualified health-care professionals, both recent graduates of other programs and experienced practitioners, to conduct clinical investigations and/or health services research. Candidates for admission to the program must be eligible for admission to the Graduate School of Biomedical Sciences (GSBS). Candidates include physicians and others with a graduate or professional degree related to health sciences or health care, whose career goals or interests require advanced expertise in clinical research. The curriculum is accomplished with individualized degree plans that share common core courses as well as selected electives. Courses required for all students in the proposed programs include: Statistical Methodology I, Introduction to Epidemiologic Methods, Prevention and Public Health, Research Methods, Ethics of Science, and Seminar.

The faculty and staff for the Clinical Science Program include leaders in their disciplines and the fields related to human subject research. By credential designation, those holding primary appointments include 3 with the M. D. degree and 8 with the Ph.D. degree; those with secondary appointments hold 13 M. D., 33 Ph.D. and 1 Ed.D. degrees. Among this group are several faculty who have been recognized with significant awards for their scholarship and service and the past president of the American Federation for Clinical Research. As a group, these faculty hold over 30 active federal grants and contracts totaling \$28 million.

### Program Cost

This request requires no new funds. Administrative arrangements for the proposed programs in Clinical Science will utilize existing resources, including faculty and support staff. The five-year projected costs of \$465,441 are to support faculty and staff salaries and represent reallocated funds. The reallocated costs for the Clinical Science Program have been integrated into the School of Medicine Department of Preventive Medicine and Community Health budget over the past three years. Current and future costs are part of the current and future operating budgets. Additional support has come, and will continue to come, from School of Medicine endowments and faculty-generated funds as needed.

5. **U. T. Medical Branch - Galveston: Request for authorization to conduct a private fundraising campaign**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs, the Vice Chancellor for Development and External Relations, and President Stobo that authorization be given for the U. T. Medical Branch - Galveston to conduct a private fundraising campaign pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 5, Subsection 5.5 to fund priority areas of excellence.

**BACKGROUND INFORMATION**

Over the past five years, groundwork has been laid and a feasibility study completed for a comprehensive fundraising campaign. After careful study, a recommendation was made to proceed with the campaign, which received endorsement by the Executive Committee of the Development Board on June 6, 2003, and the endorsement of the full Development Board on June 7, 2003.

The proposed campaign will focus on funding for four areas of excellence, including (1) biodefense, infectious diseases, and vaccines; (2) longevity, chronic disease/molecular medicine, and neurosciences; (3) access to health care and telehealth; and (4) innovations in education.

A range for the campaign goal has been set at \$150 - \$250 million over five years, beginning September 1, 2003, and concluding December 31, 2008. To accomplish this goal, U. T. Medical Branch - Galveston has worked to strengthen its volunteer organizations over the past several years and will continue to implement plans for activating alumni.

6. **U. T. Health Science Center - San Antonio: Approval of M.S. in Respiratory Care**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and President Cigarroa that authorization be granted to U. T. Health Science Center - San Antonio to establish a M.S. in Respiratory Care and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to authorize the Acting

Executive Vice Chancellor for Health Affairs to certify on behalf of the Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met. In addition, the Coordinating Board will be asked to change the Table of Programs for U. T. Health Science Center - San Antonio to reflect authorization for the proposed degree program.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Health Science Center - San Antonio will be amended to reflect this action.

## BACKGROUND INFORMATION

### Program Description

The Master of Science in Respiratory Care is a 31-41 semester credit hour program under the School of Allied Health Sciences, Department of Respiratory Care and the Graduate School of Biomedical Sciences.

This is an integrated program building on the existing Bachelor of Science (B.S.) degree program and incorporating a post-baccalaureate advanced certificate option. Students entering the B.S. degree program may exit with a degree or continue to complete the post-baccalaureate certificate. Students completing the post-baccalaureate certificate may exit or choose to continue on to complete the M.S. degree.

### Program Quality

The curriculum for the advanced certificate will consist of 16.5 semester credit hours of graduate-level coursework in management, education, research, issues and trends, and clinical specialization. Students desiring to complete the M.S. degree program will apply and continue on to complete a minimum of 14.5 additional semester credit hours of graduate-level coursework, for a total of 31 semester hours, which is the minimum for the M.S. degree. The additional coursework will include a research seminar, supervised practicum, statistics, ethics, advanced respiratory care seminar, and thesis. Students may also choose from 0-6 semester hours of elective courses, which may include additional course work in the areas of clinical research methods, biostatistics, or special topics in respiratory care.

The goals of the post-baccalaureate certificate program are to: (1) prepare advanced level respiratory therapists for clinical practice; (2) provide leadership training in the areas of management, supervision, education, and research; and (3) develop clinical specialists in the areas of adult critical care, pediatric critical care, neonatal critical care, pulmonary function technology and cardiopulmonary diagnostics, polysomnography, and other clinical areas, as needed.



Goals of the Master of Science degree program are to: (1) prepare future faculty for college and university-based respiratory care educational programs; (2) develop individuals who can formulate appropriate questions, organize and test hypotheses, and apply research results to the practice of respiratory care; (3) prepare clinical practitioners with advanced knowledge and skills in basic and clinical sciences; and (4) prepare leaders, who are able to plan, develop, and deliver high quality, cost-effective health-care services.

There are currently five full-time faculty with the Department of Respiratory Care and one full-time faculty member with the Department of Medicine available to teach and provide student advisement for this proposed new program. In addition, 15 faculty within the School of Allied Health Sciences and School of Medicine are available to provide thesis supervision.

#### Program Cost

The estimated five-year cost for the program is projected to be \$333,500. No new state funding is being requested. The funds for the program will be from formula income and designated tuition, with the majority of the funding coming from reallocation of existing funds.

7. **U. T. System: Adjust the Plan Participant Premium Rate for the U. T. System Professional Medical Liability Benefit Plan Effective September 1, 2003, and Return a Portion of Excess Plan Reserves to Participating U. T. System Health Components**

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel that the faculty participant premium rate for Fiscal Year 2004 for The University of Texas System Professional Medical Liability Benefit Plan (Plan) be reduced by an average of 44% and that the premium rate for certain residents be changed, resulting in an increased average of 4%, both effective September 1, 2003. The proposed premiums take into account certain tort reform measures passed by the 78th Legislature that would limit the liability to \$100,000 for a physician or dentist employed by the State. It is further recommended that an actuarially determined portion of excess reserves from the Plan be returned to the participating U. T. System component institutions. The current and proposed premium rates are set forth in Exhibits 1 and 2 (Pages 67 - 69).

## BACKGROUND INFORMATION

Pursuant to the authority of Chapter 59 of the Texas Education Code, the U. T. Board of Regents adopted The University of Texas System Professional Medical Liability Benefit Plan to provide coverage for certain medical staff and medical students of the U. T. System. The Plan went into effect on April 1, 1977, and is funded primarily by the payment of premiums from the Faculty Physician Practice Plans of the component health institutions of the U. T. System. It is recommended that the U. T. Board of Regents approve a reduction in faculty participant premium rates projected for Fiscal Year 2004 for the Plan effective September 1, 2003, and also approve changes in the premium rates for resident physicians and dentists.

Actuaries from Tillinghast-Towers Perrin (Tillinghast), the nation's largest medical liability insurance plan actuarial firm, have reviewed the Plan's 26-year experience and recommend experience-based premiums related to the claims loss of each U. T. System health component. The 78th Legislature passed certain tort reform measures that will limit the liability for state employed physicians and dentists to \$100,000, and Tillinghast has incorporated that statutory change into its premium calculation.

The Plan has excess reserves well above the actuarially projected risks associated with the Plan, and it is recommended that a return of \$50 million, representing a portion of such excess reserves, be returned to each participating U. T. System health component, proportionately to the premiums paid for Fiscal Year 2003. This will be the seventh consecutive year for a partial return of Plan excess reserves. It is also recommended that an additional \$15 million be returned to U. T. System health components for special projects as designated by the Chancellor following prior notification to the U. T. Board of Regents.

As of August 31, 2002, there were 5,652 staff and resident physicians of the U. T. System covered by the Plan, with basic liability limits of \$500,000 per claim for staff physicians and \$100,000 for residents. In addition, approximately 3,300 medical students are enrolled in the Plan by paying \$25 a year for \$25,000 coverage.

**THE UNIVERSITY OF TEXAS SYSTEM PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN**  
Summary of Rates by Risk Class by Component

**Risk Class 1**

Component	Current Rates As of 9/1/2002		Proposed Rates As of 9/1/2003		Rate Change	
	Staff	Resident	Staff	Resident	Staff	Resident
UT Cancer Center	\$1,985	\$997	\$1,064	\$996	-46.4%	-0.1%
UT SMC Dallas	1,833	920	988	924	-46.1%	0.4%
UTMB Galveston	2,705	1,357	1,571	1,469	-41.9%	8.3%
UT HSC Houston	2,440	1,226	1,480	1,385	-39.4%	13.0%
UT HSC San Antonio	2,201	1,107	1,183	1,107	-46.3%	0.0%
UT HC Tyler	2,441	1,226	1,384	1,295	-43.3%	5.6%
UT Austin	2,376	NA	1,183	1,107	-50.2%	NA
UT Arlington	2,376	NA	1,183	1,107	-50.2%	NA

**Risk Class 2**

Component	Current Rates As of 9/1/2002		Proposed Rates As of 9/1/2003		Rate Change	
	Staff	Resident	Staff	Resident	Staff	Resident
UT Cancer Center	\$3,107	\$1,561	\$1,665	\$1,558	-46.4%	-0.2%
UT SMC Dallas	2,868	1,440	1,546	1,446	-46.1%	0.4%
UTMB Galveston	4,234	2,123	2,458	2,299	-41.9%	8.3%
UT HSC Houston	3,819	1,918	2,316	2,168	-39.4%	13.0%
UT HSC San Antonio	3,445	1,733	1,851	1,733	-46.3%	0.0%
UT HC Tyler	3,820	1,919	2,166	2,027	-43.3%	5.6%
UT Austin	2,976	NA	1,851	1,733	-37.8%	NA
UT Arlington	2,976	NA	1,851	1,733	-37.8%	NA

**Risk Class 3**

Component	Current Rates As of 9/1/2002		Proposed Rates As of 9/1/2003		Rate Change	
	Staff	Resident	Staff	Resident	Staff	Resident
UT Cancer Center	\$4,963	\$2,493	\$2,660	\$2,489	-46.4%	-0.2%
UT SMC Dallas	4,582	2,301	2,469	2,310	-46.1%	0.4%
UTMB Galveston	6,783	3,392	3,926	3,672	-42.1%	8.3%
UT HSC Houston	6,101	3,064	3,700	3,463	-39.4%	13.0%
UT HSC San Antonio	5,503	2,768	2,957	2,768	-46.3%	0.0%
UT HC Tyler	6,102	3,065	3,460	3,237	-43.3%	5.6%
UT Austin	4,752	NA	2,957	2,768	-37.8%	NA
UT Arlington	4,752	NA	2,957	2,768	-37.8%	NA

**Risk Class 4**

Component	Current Rates As of 9/1/2002		Proposed Rates As of 9/1/2003		Rate Change	
	Staff	Resident	Staff	Resident	Staff	Resident
UT Cancer Center	\$9,232	\$4,637	\$4,948	\$4,629	-46.4%	-0.2%
UT SMC Dallas	8,522	4,280	4,593	4,297	-46.1%	0.4%
UTMB Galveston	12,579	6,309	7,303	6,829	-41.9%	8.3%
UT HSC Houston	11,348	5,700	6,882	6,441	-39.4%	13.0%
UT HSC San Antonio	10,235	5,149	5,499	5,149	-46.3%	0.0%
UT HC Tyler	11,349	5,701	6,435	6,022	-43.3%	5.6%
UT Austin	11,076	NA	5,499	5,149	-50.4%	NA
UT Arlington	11,076	NA	5,499	5,149	-50.4%	NA

THE UNIVERSITY OF TEXAS SYSTEM PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN  
Summary of Rates by Risk Class by Component

**Risk Class 5**

<u>Component</u>	<u>Current Rates</u> As of 9/1/2002		<u>Proposed Rates</u> As of 9/1/2003		<u>Rate Change</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UT Cancer Center	\$13,600	\$6,831	\$7,289	\$6,820	-46.4%	-0.2%
UT SMC Dallas	12,554	6,304	6,766	6,330	-46.1%	0.4%
UTMB Galveston	18,531	9,294	10,758	10,061	-41.9%	8.3%
UT HSC Houston	16,717	8,397	10,137	9,488	-39.4%	13.0%
UT HSC San Antonio	15,078	7,585	8,101	7,586	-46.3%	0.0%
UT HC Tyler	16,718	8,398	9,479	8,871	-43.3%	5.6%
UT Austin	15,456	NA	8,101	7,586	-47.6%	NA
UT Arlington	15,456	NA	8,101	7,586	-47.6%	NA

**THE UNIVERSITY OF TEXAS SYSTEM PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN**  
Dental Rates by Component

Component	Rates as of 9/1/2002		Rates as of 9/1/2003		Rate Change	
	Staff	Residents	Staff	Residents	Staff	Resident
<u>Dentist - NOC (Risk Class A)</u>						
UT Cancer Center	\$695	\$349	\$372	\$348	-46.4%	-0.3%
UT SMC Dallas	641	322	346	323	-46.1%	0.3%
UTMB Galveston	947	475	550	514	-41.9%	8.3%
UT HSC Houston	854	429	518	485	-39.4%	13.0%
UT HSC San Antonio	770	388	414	388	-46.3%	0.0%
UT HC Tyler	854	429	484	453	-43.3%	5.6%
UT Austin	NA	NA	414	388	NA	NA
UT Arlington	NA	NA	414	388	NA	NA
<u>Dentist - Oral Surgery (Risk Class B)</u>						
UT Cancer Center	\$3,107	\$1,561	\$1,665	\$1,558	-46.4%	-0.2%
UT SMC Dallas	2,868	1,440	1,546	1,446	-46.1%	0.4%
UTMB Galveston	4,234	2,123	2,458	2,299	-41.9%	8.3%
UT HSC Houston	3,819	1,918	2,316	2,168	-39.4%	13.0%
UT HSC San Antonio	3,445	1,733	1,851	1,733	-46.3%	0.0%
UT HC Tyler	3,820	1,919	2,166	2,027	-43.3%	5.6%
UT Austin	NA	NA	1,851	1,733	NA	NA
UT Arlington	NA	NA	1,851	1,733	NA	NA



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FOR  
FACILITIES PLANNING AND CONSTRUCTION  
COMMITTEE**

**Committee Meeting:** 8/6/2003  
Westin La Cantera Resort Hotel, San Antonio  
**Board Meeting:** 8/7/2003  
U. T. Health Science Center - San Antonio

*James Richard Huffines, Chairman*  
*Rita C. Clements*  
*Robert A. Estrada*  
*Woody L. Hunt*  
*A. W. "Dub" Riter, Jr.*

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Welcome and Opening Remarks</b>	<i>2:30-3:30 p.m.</i> <i>Chairman Huffines</i>		
1. <b>U. T. System: Consideration of architecturally significant projects</b>	<b>Action</b> <i>Mr. Sanders</i>	Not on Agenda	<b>257</b>
2. <b>U. T. System: Office of Facilities Planning and Construction Risk Management Plan</b>	<b>Report</b> <i>Mr. Sanders</i>	Not on Agenda	<b>257</b>
3. <b>U. T. San Antonio: Campus Master Plan update</b>	<b>Report</b> <i>Mr. Sanders</i> <i>President Romo</i>	Not on Agenda	<b>282</b>
4. <b>U. T. Southwestern Medical Center - Dallas: Honoric naming of a wing of North Campus Phase 4 for W. A. "Tex" Moncrief, Jr.</b>	<b>Action</b> <i>Mr. Sanders</i> <i>President Wildenthal</i>	<b>Action</b>	<b>310</b>
5. <b>U. T. Tyler: Patriot Center - Approval of honorific name of facility and wing for Mrs. Louise (Herrington) Ornelas and Mrs. Jean Lancaster</b>	<b>Action</b> <i>Mr. Sanders</i> <i>President Mabry</i>	<b>Action</b>	<b>310</b>
6. <b>U. T. System: HUB Quarterly Report</b>	<b>Report</b> <i>Mr. Sanders</i>	<b>Report</b>	<b>311</b>
<b>Adjourn</b>			

1. **U. T. System: Consideration of architecturally significant projects**

**RECOMMENDATION**

It is recommended that the Committee review the following projects scheduled for architectural selection for possible designation as architecturally significant per the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 3, Subsection 3.3:

- **U. T. Arlington - Meadow Run Apartments Phase II**  
Project Cost: \$10,572,000  
Anticipated Delivery Method: Competitive Sealed Proposals
- **U. T. Austin – Biomedical Engineering Building**  
Project Cost: \$25,000,000  
Anticipated Delivery Method: Design Build
- **U. T. Dallas - Parking Garage 1**  
Project Cost: \$8,000,000  
Anticipated Delivery Method: Competitive Sealed Proposals
- **U. T. El Paso - New Bookstore**  
Project Cost: \$4,950,000  
Anticipated Delivery Method: Competitive Sealed Proposals
- **U. T. El Paso - Student Housing Phase II**  
Project Cost: \$12,100,000  
Anticipated Delivery Method: Construction Management at Risk
- **U. T. Southwestern Medical Center - Dallas - Biosafety Level Three Laboratory**  
Project Cost: \$9,600,000  
Anticipated Delivery Method: Competitive Sealed Proposals

2. **U. T. System: Office of Facilities Planning and Construction Risk Management Plan**

**REPORT**

Mr. Sid Sanders, Assistant Vice Chancellor for Facilities Planning and Construction, will provide an overview of the processes and procedures followed by the U. T. System Office of Facilities Planning and Construction to manage and mitigate the risks involved in the operations of a large capital construction program (Pages 258 - 281).

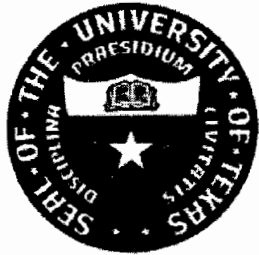
# Risk Management

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*How does OFPC ensure Quality and that “we get what we pay for”*

**Office of Facilities Planning and Construction**

**U. T. System Capital Project Delivery**



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**SIDNEY J. SANDERS – ASSISTANT VICE CHANCELLOR  
FACILITIES PLANNING AND CONSTRUCTION**

**THE UNIVERSITY OF TEXAS SYSTEM**



# OFPC's Mission and Vision

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## ▪ **MISSION STATEMENT**

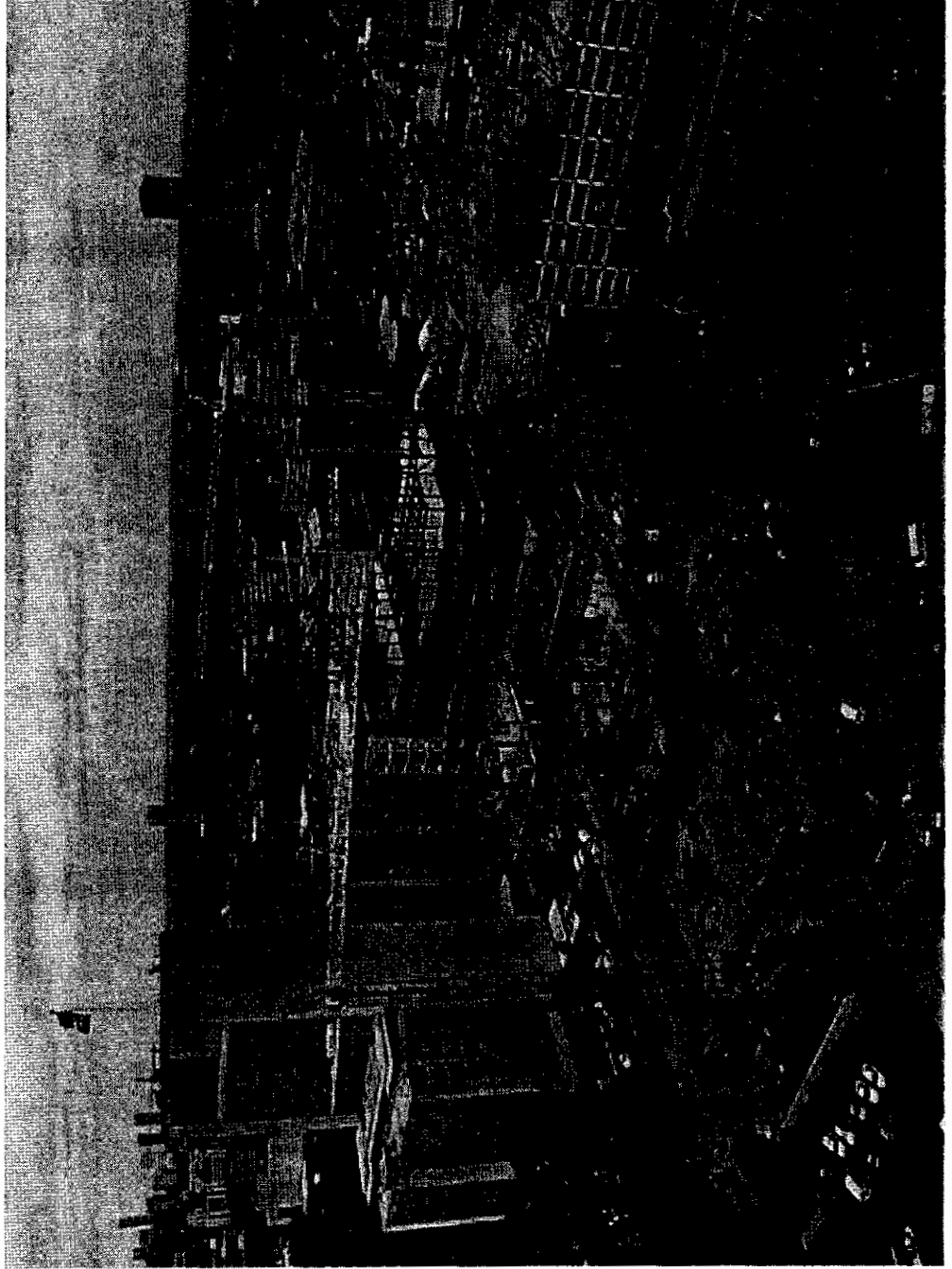
- *To provide the highest value facilities needed by the uniquely superior institutions of The University of Texas System*

## ▪ **VISION STATEMENT**

- *To be the benchmark of excellence for facilities planning and construction for public universities and academic health institutions.*

# U.T. System OFPC

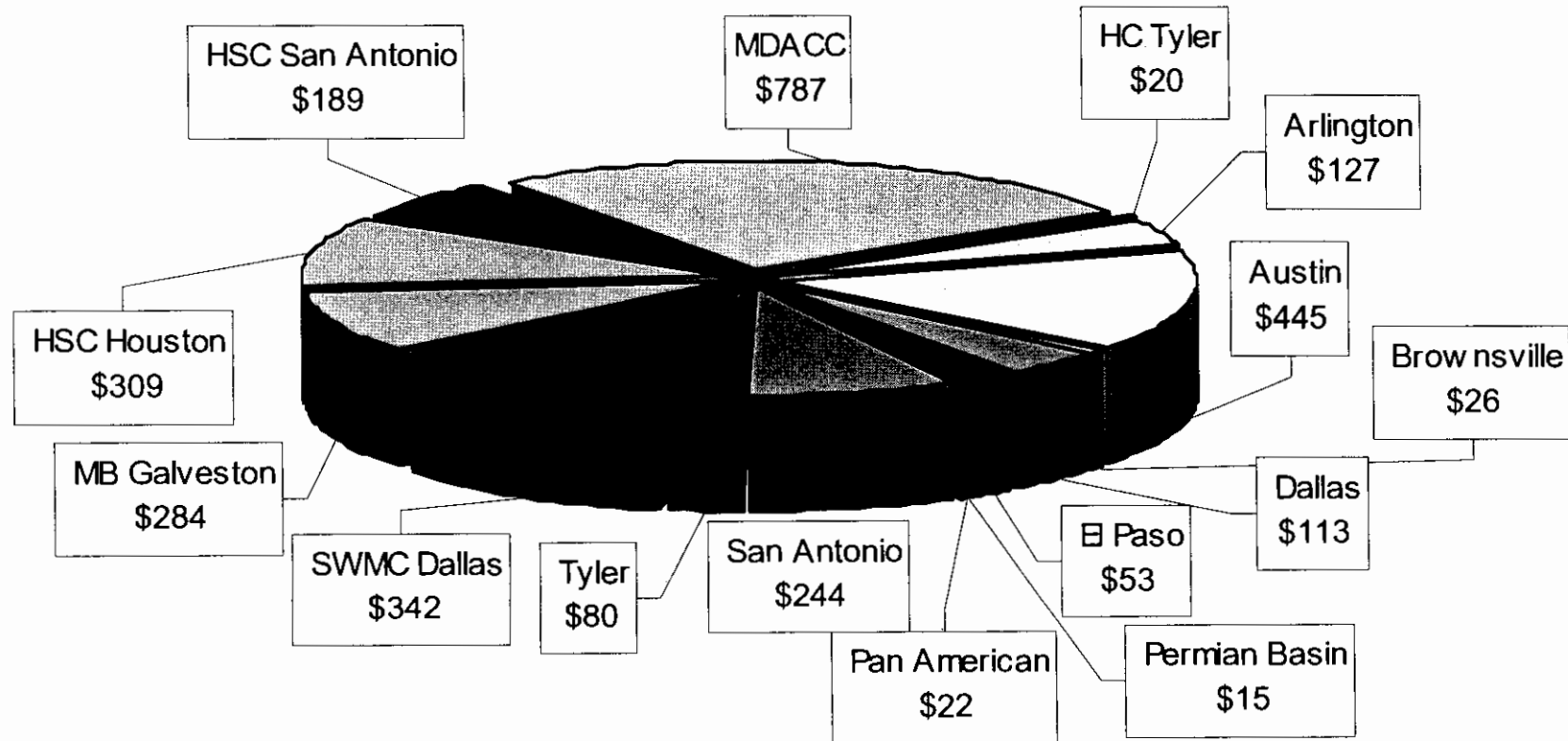
## The Challenge



# U.T. System OFPC

## The Challenge

**Active Projects: \$3.06 Billion**  
(\$ in millions)



# **U.T. System OFPC The Challenge**

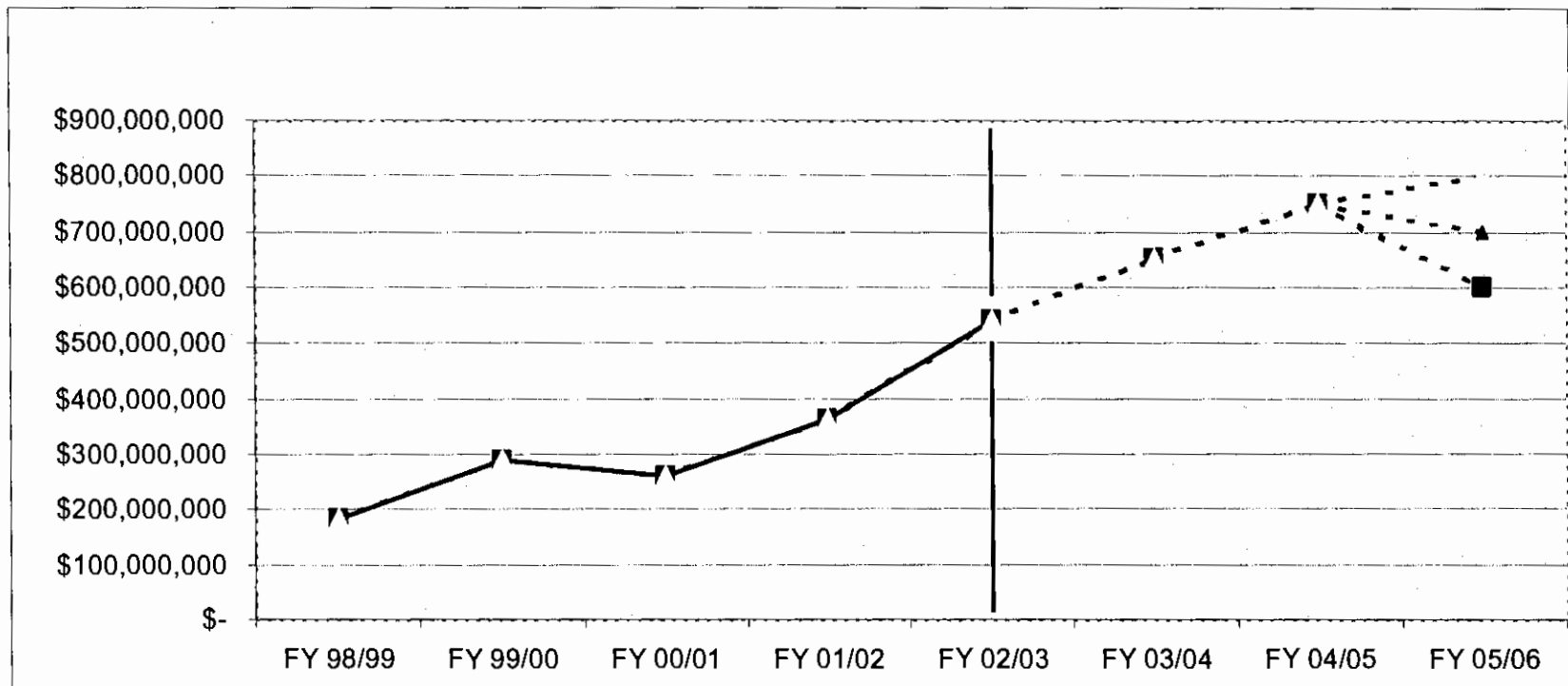
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## Key Statistics for FY 02/03

- \$540 Million Total Expenditure
- 1,765 Payments Processed
- 12 A/E Selections Completed
- 19 Construction Contractors Selected
- 20 Construction Notices to Proceed Issued — \$568 Million
- 19 Project Substantial Completions — \$286 Million
- Approximately 90 Sets of Design Documents Reviewed

# U.T. System OFPC The Challenge

## Work Volume Trend



Dollars Processed Per Fiscal Year

# **U.T. System OFPC**

## **The Response: Risk Management**

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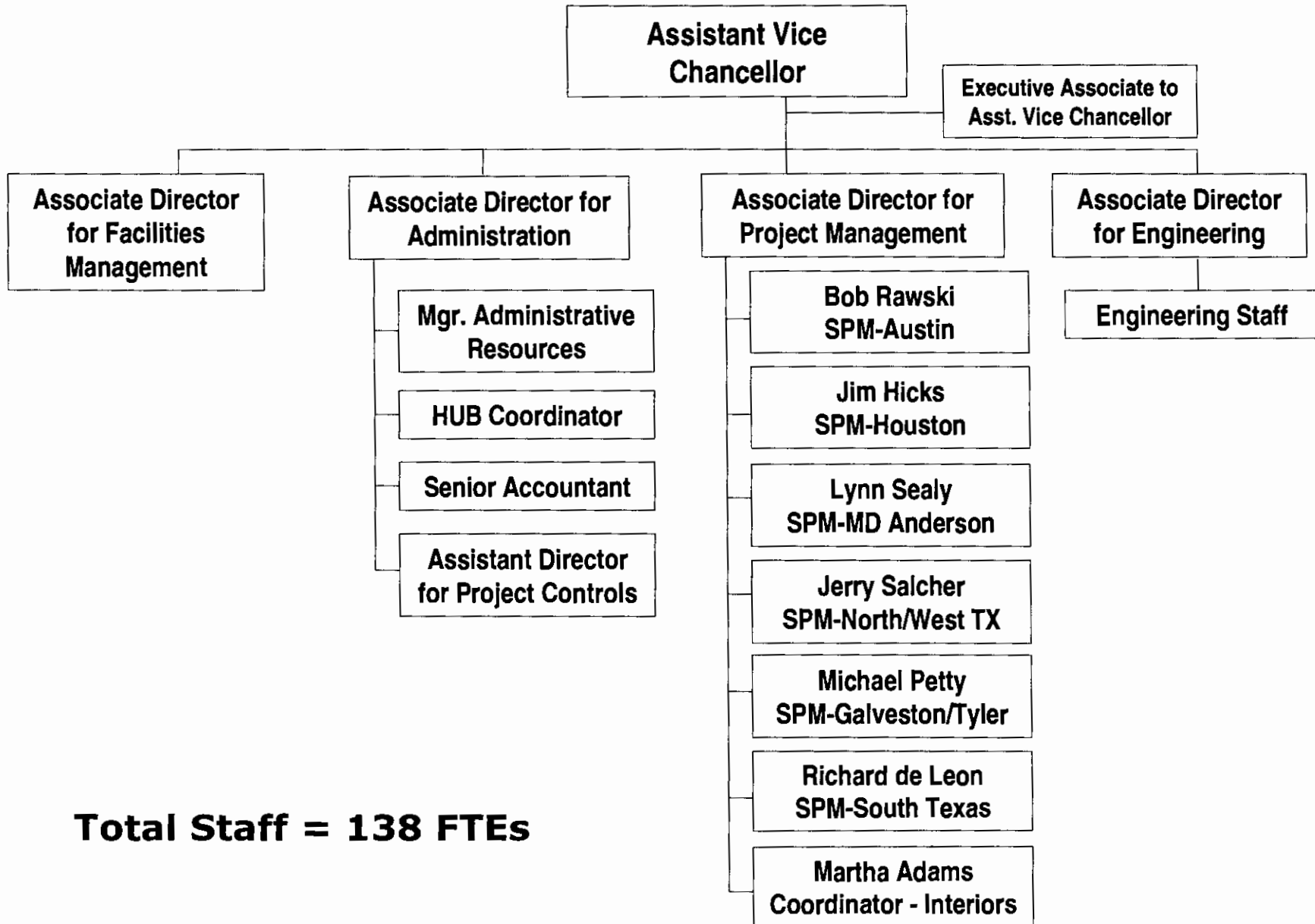
- Build a Quality Organization
- Employ Highly Skilled Personnel
- Establish Uniform Procedures
- Select High Quality Design & Construction Firms
- Continuously Monitor Processes with  
Internal & External Process Audits
- Survey Customers and Vendors for Feedback

# U.T. System OFPC Risk Management Process

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- Build a Quality Organization
  - Project Management Group Focuses on Projects
  - Separate Administration Group Provides Logistical Support to Project Management
  - Separate Engineering Group Provides Technical Support to Project Management
  - Separate Project Controls Group Provides Process Controls, Procedures, and Monitoring

# OFPC Organization



**Total Staff = 138 FTEs**



# U.T. System OFPC Risk Management Process

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## Staffing Statistics

- 21 Senior Project Managers and Project Managers
  - Average 25 Years of Experience
- 10 Construction Managers
  - Average 28 Years of Experience
- 31 Construction Inspectors
  - Average 24 Years of Experience
- 9 Project Controls Specialists
  - Average 22 Years of Experience
- 9 Support Engineers and Specialists
  - Average 28 Years of Experience
- 6 Accounting Staff Positions
  - 2 CPAs

# U.T. System OFPC Risk Management Process

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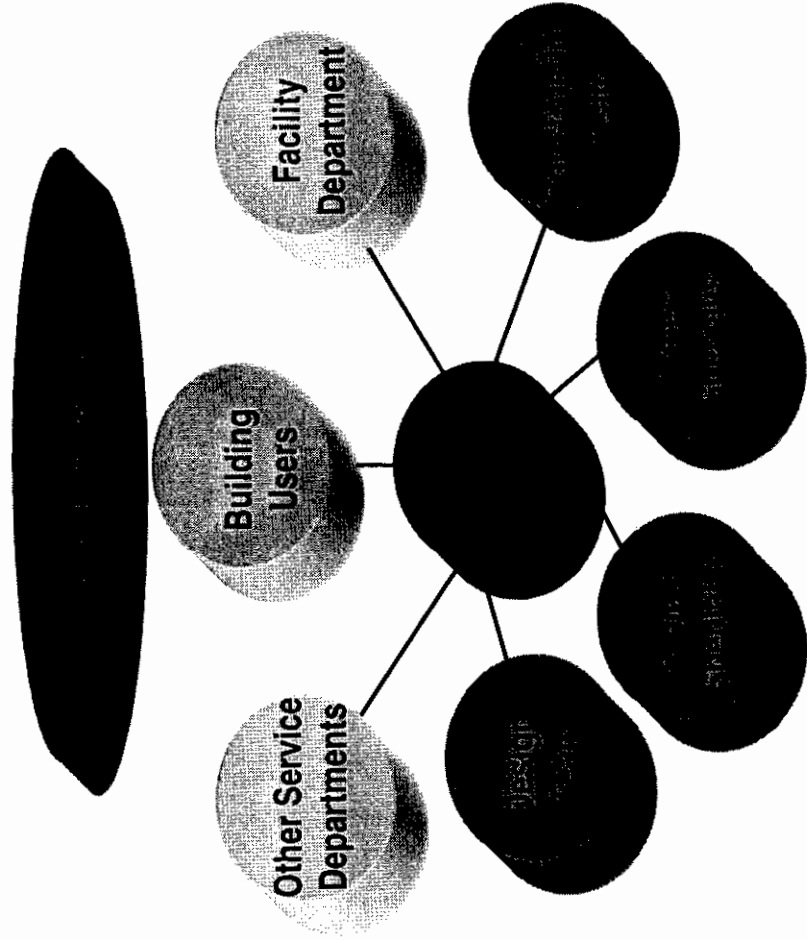
## OFPC Organization and Philosophy

- Organized around project delivery teams
- Teams have defined components that they serve
- Project delivery philosophy:
  - Provide project management from program development through warranty
  - Provide information throughout project
  - Integrate variety of project specialists

# U.T. System OFPC Risk Management Process

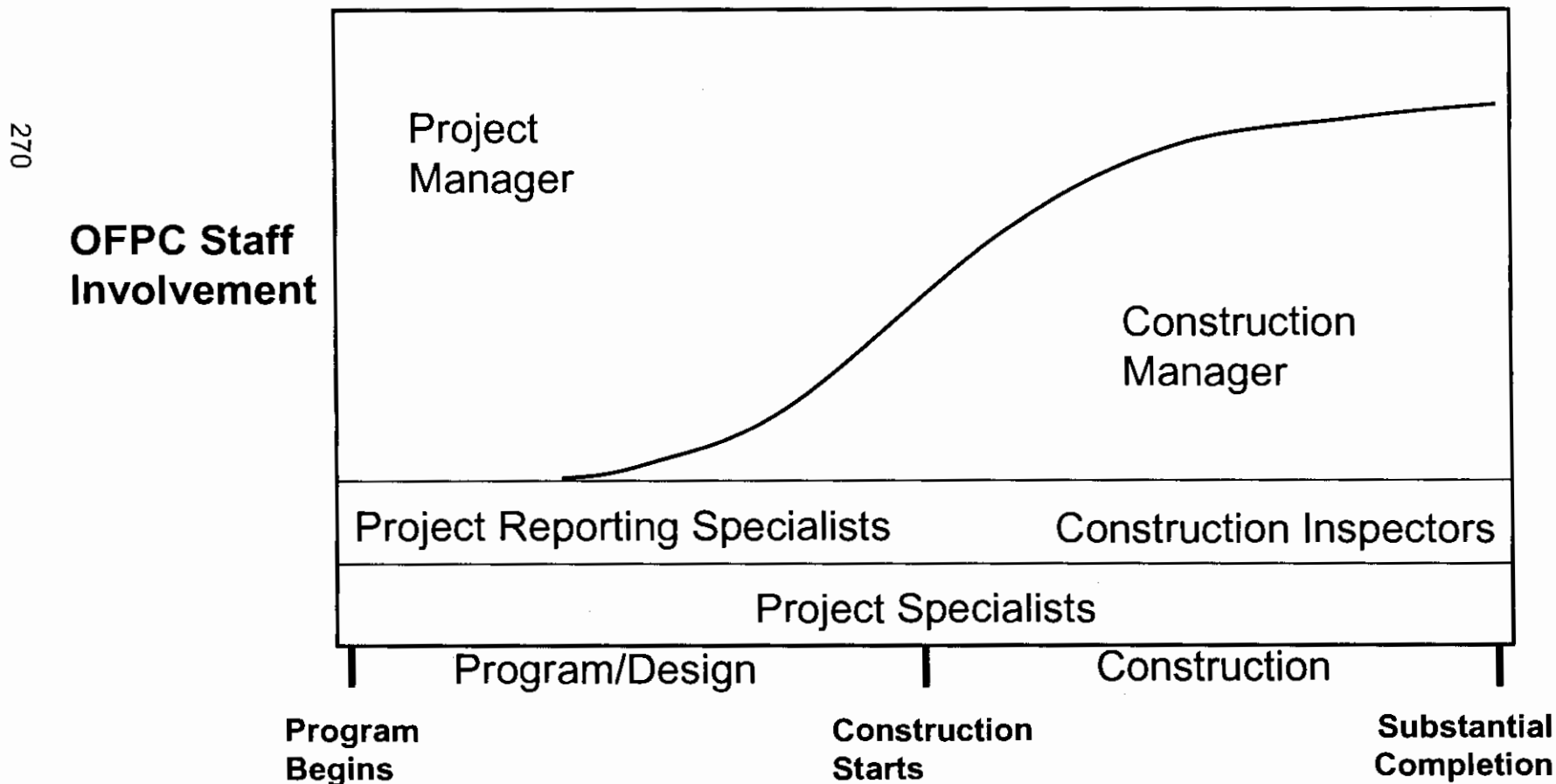
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## OFPC Organization and Philosophy



# U.T. System OFPC Risk Management Process

## OFPC Organization and Philosophy



# U.T. System OFPC Risk Management Process

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- Establish Uniform Procedures
  - Clearly Document Project Processes
  - Integrate Risk Mitigation & Monitoring Plan into Project Process
  - Establish Standard Contractual Agreements
  - Establish Standard RFQ & RFP Processes
  - Establish Uniform Document Review Processes
  - Establish Uniform Contract Administrative & Inspection Requirements
  - Establish Uniform Payment Review & Approval Processes

# U.T. System OFPC Risk Management Process

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## Documented Project Processes & Guidelines

- Promulgated and Maintained by Project Controls Group
  - Hard Copy & Web-based Document
- Delivery Process Incorporates OFPC Departmental Risk Plan
- Delivery Process Incorporates Monitoring and Control Check-Points
- Staff Training Seminar Conducted Two to Four Times Per Year

# U.T. System OFPC Risk Management Process

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## Establish Standard Agreements

- Written by U.T. System Office of General Counsel
- Proposed revisions are reviewed by OFPC Contract Manager & Assistant Director for Project Controls and approved only by U.T. System Office of General Counsel prior to execution

# U.T. System OFPC Risk Management Process

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## Standard Request for Qualifications and Proposals (RFQ/P) Selection Process

- Selection committees are appointed by Assistant Vice Chancellor for Facilities Planning and Construction and component institution President with equal representation by OFPC and institution, based on technical and project experience
- Architect/Engineers are selected by "most qualified"; contractors are selected by "best value"



# U.T. System OFPC Risk Management Process

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## Uniform Design and Construction Document Review

- Design Documents reviewed by OFPC Project Manager, OFPC Engineering and institution's technical representatives (Project Team)
- Design documents reviewed and approved by Project Team at predetermined design milestones
- Contractor submittals reviewed by Project Team for compliance with construction documents

# U.T. System OFPC Risk Management Process

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## Uniform Contract Administrative and Inspection Requirements

- Material specific work-in-place inspections
- System specific commissioning requirements
- Pay applications and schedule of values
- Standard Project Schedule requirements with monthly updates
- Operation and maintenance manuals, warranties, user training, and close-out audits

# U.T. System OFPC Risk Management Process

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## Uniform Payment Review and Payment Approval Process

- Pay requests reviewed and approved by on-site OFPC Construction Inspectors and Resident Construction Managers
- Pay requests reviewed and approved OFPC Contract Manager and Controls Accounting
- Pay requests reviewed and approved OFPC Accounting
- Pay requests approved OFPC Associate Director for Administration
- 5% Retainage is withheld on all Construction Contracts

# U.T. System OFPC Risk Management Process

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## Project Controls Group: Internal Monitoring

- Provides continuous review, evaluation, recommendation and implementation of OFPC's core Project Delivery Processes
- Provides "problem specific" analysis and solutions as requested by Project Management
- Provides critical Project Delivery Processes and technical training to OFPC staff
- Provides OFPC Construction Inspector certification program

# **U.T. System OFPC Risk Management Process**

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## U.T. System Audit Office: External Monitoring

- Review of Compliance and Risk Management Plan
- Periodic sample of specific projects
- Conducts departmental surveys
- Provides business management consulting services

# U.T. System OFPC Risk Management Process

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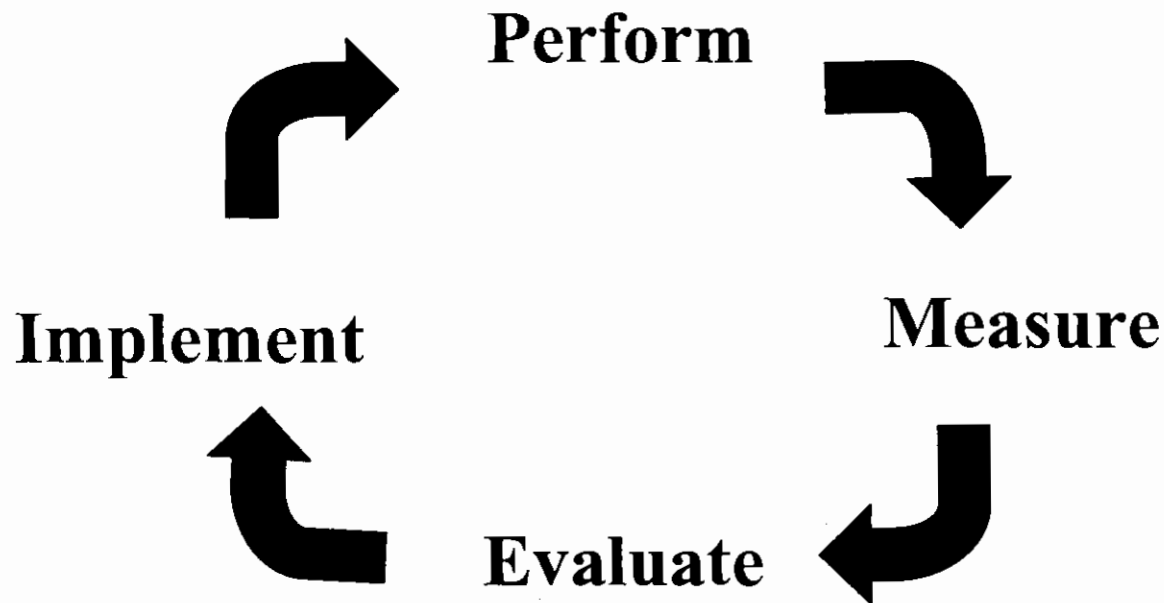
## Customer and Vendor Surveys

- Construction Contractors
- Prime Design Firms
- Component Campuses
  - High Level Executive Feed-back
  - Operational Level Feed-back

# U.T. System OFPC Risk Management Process

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Risk Management Processes are all designed to measure effectiveness, evaluate, and implement improvements.



3. **U. T. San Antonio: Campus Master Plan Update**

A presentation will be given by Mr. Sidney Sanders and President Romo concerning the Campus Master Plan Update at U. T. San Antonio.

REPORT

This is an information item to present the growth trends for U. T. San Antonio and the impact they have on the need for space.

The presentation will include recent and projected trends in general enrollment as well as identifying the specific disciplines undergoing the greatest growth and the need for specialized space.

Based on these trends, Mr. Sanders and Dr. Romo will also present proposed short-term and long-term strategies for developing facilities to accommodate the growth and the impact on the Campus Master Plan.

Committee Chairman Huffines and Vice-Chairman Clements requested this update to assist in the evaluation of proposed future facilities for the campus.

The presentation is included on Pages 283 - 309.



# **Master Plan Update**

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# **UTSA**

**University of Texas System  
Board of Regents**

**Facilities Planning and Construction Committee Meeting  
August 6, 2003**

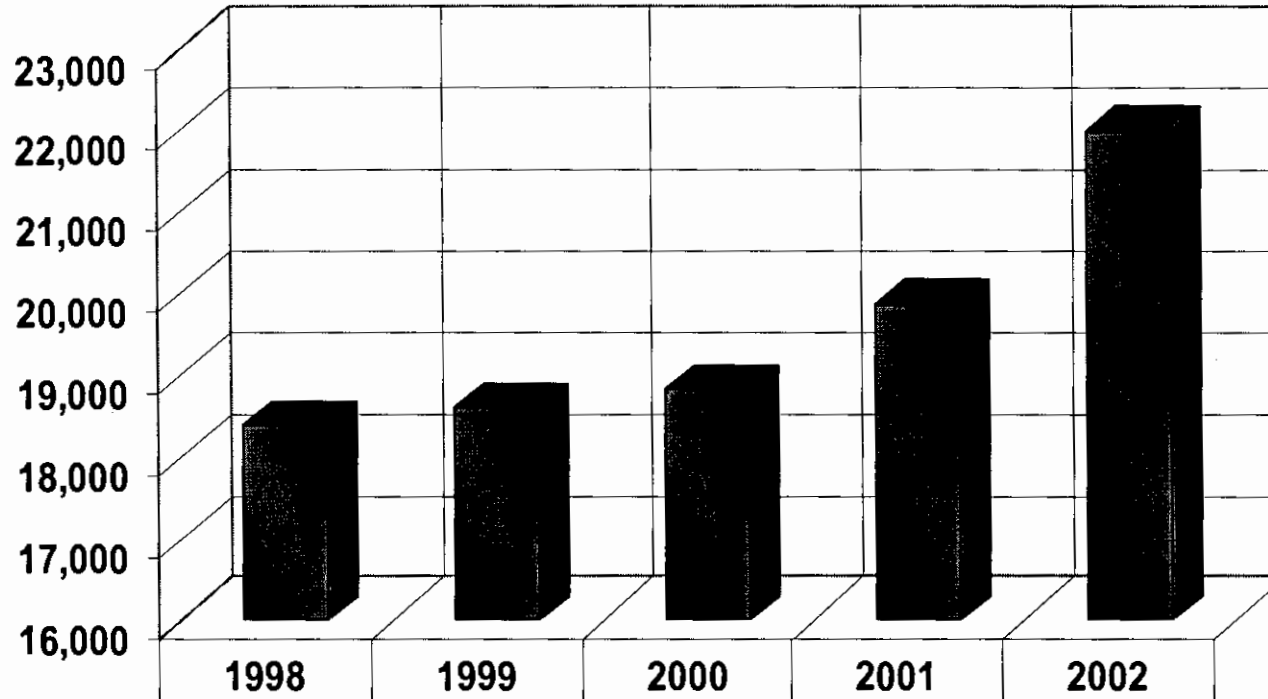
# MASTER PLAN UPDATE

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- **TRENDS**  
in Enrollment, Programs and Space
- **IMPACT**  
on Growth and Space
- **STRATEGIES**  
for Short-Term and Long-Term

# TRENDS

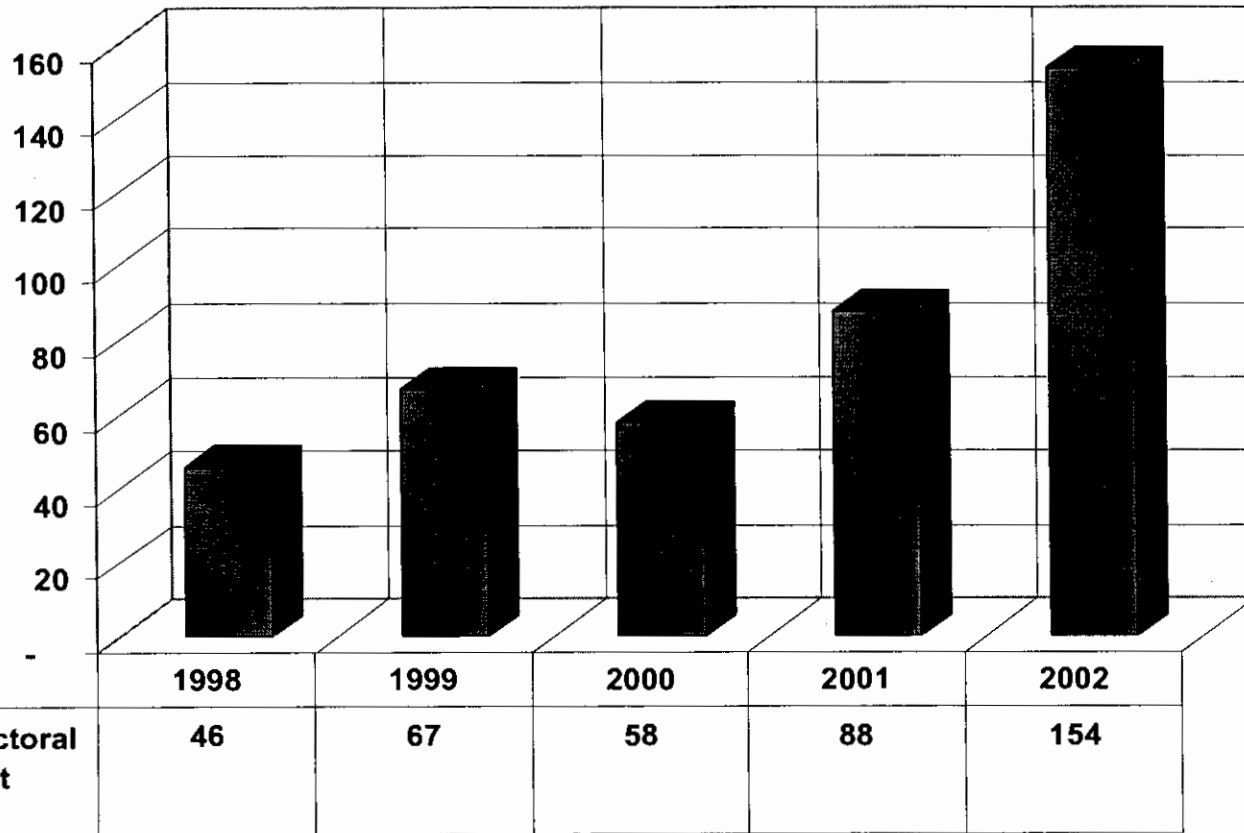
## Actual Total Enrollment (1998-2002)



■ Actual Total Enrollment	18,391	18,608	18,830	19,883	22,016
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# TRENDS

## Actual Doctoral Enrollment (1998-2002)



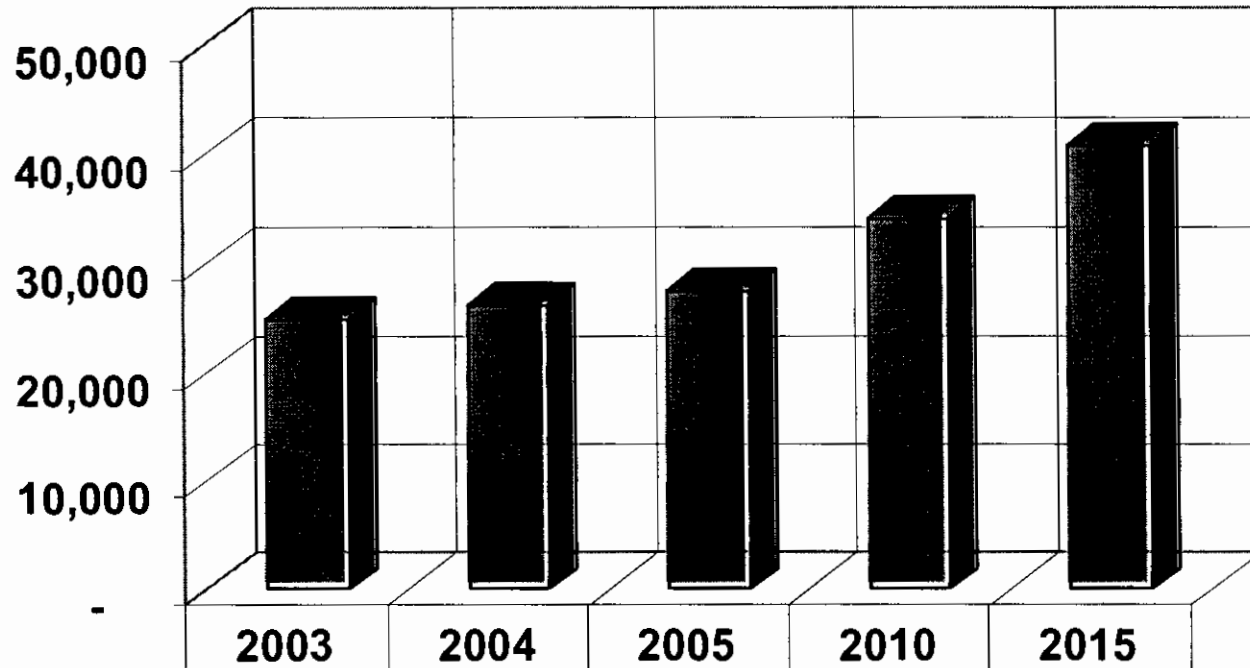
# TRENDS


## Student/Faculty Ratio - Comparative

INSTITUTION	1998	1999	2000	2001
UTSA	23.8	23.6	23.8	22.7
UT Arlington	16.9	17.2	17.9	18.5
UT Austin	17.8	18.4	18.9	18.8
UT Dallas	17.0	17.9	18.8	21.0
UT El Paso	17.7	17.9	17.8	17.9
All Texas Public Institutions Combined	17.9	17.9	17.8	17.9

# TRENDS

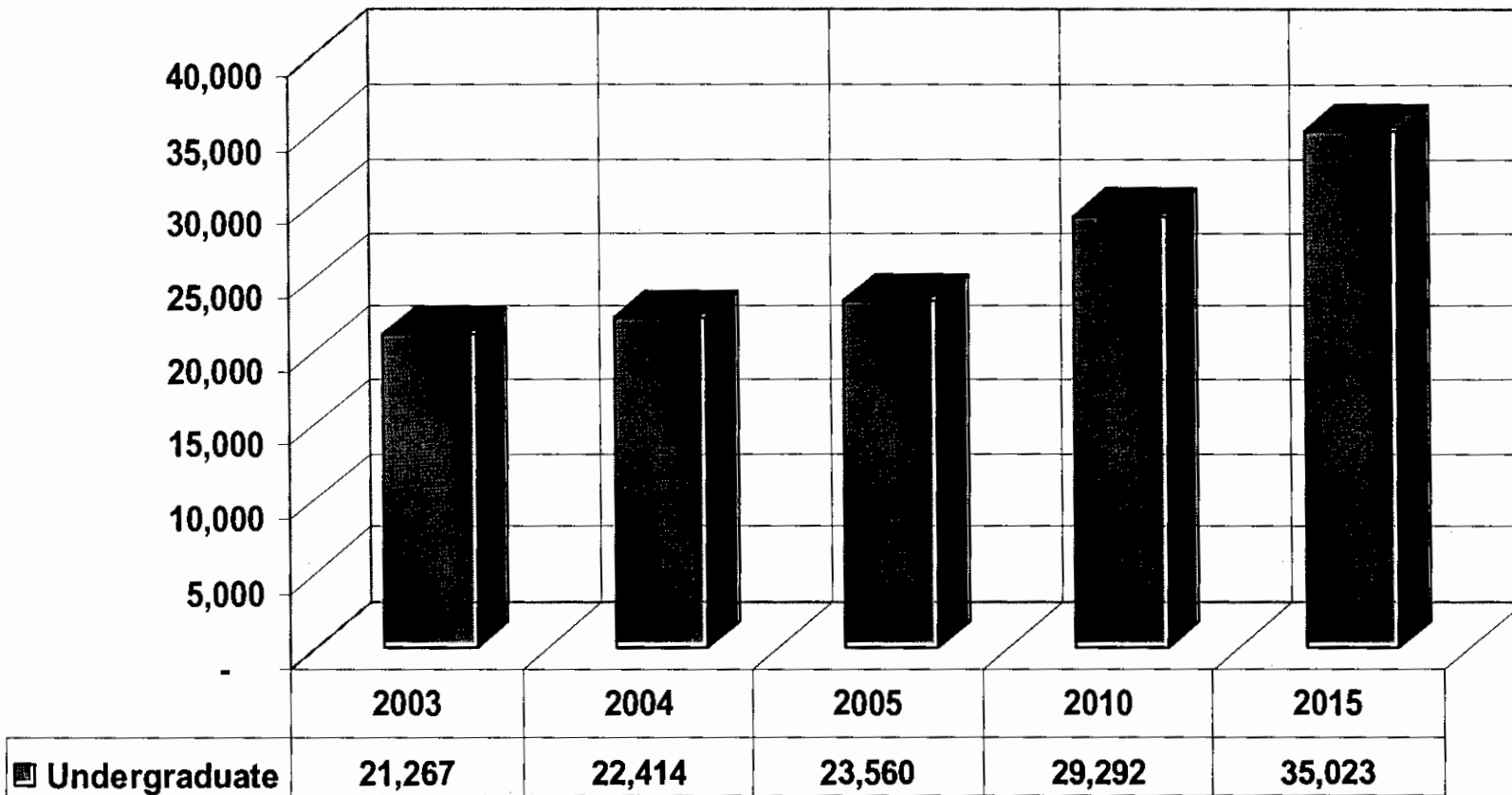
## Total Projected Enrollment (2003-2015)



 Total Projected Enrollment	25,000	26,322	27,644	34,253	40,862
----------------------------------------------------------------------------------------------------------------	--------	--------	--------	--------	--------

# TRENDS

## Projected Enrollment by Level - Undergraduate (2003-2015)

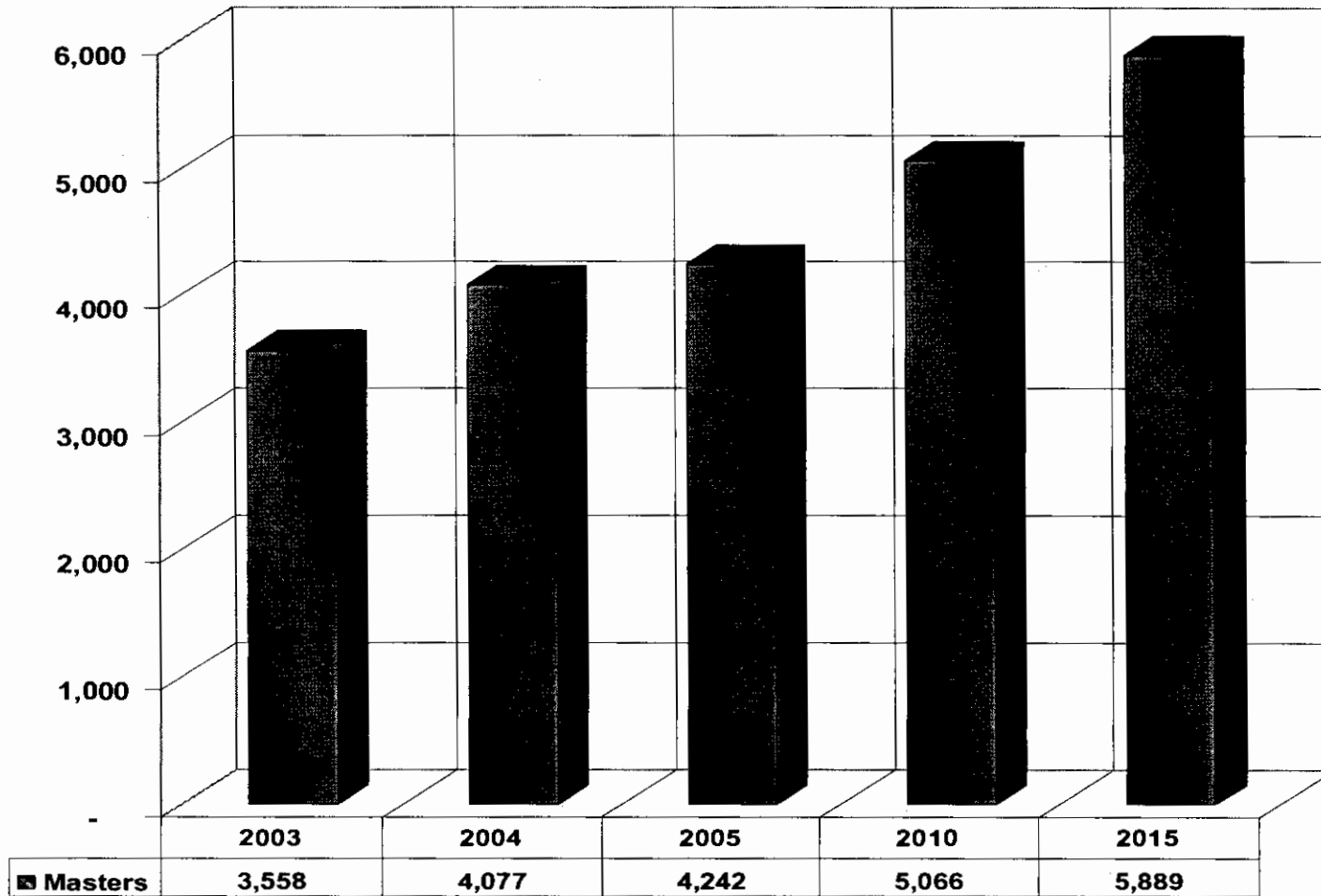


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**UTSA**

# TRENDS

## Projected Enrollment by Level – Masters (2003-2015)



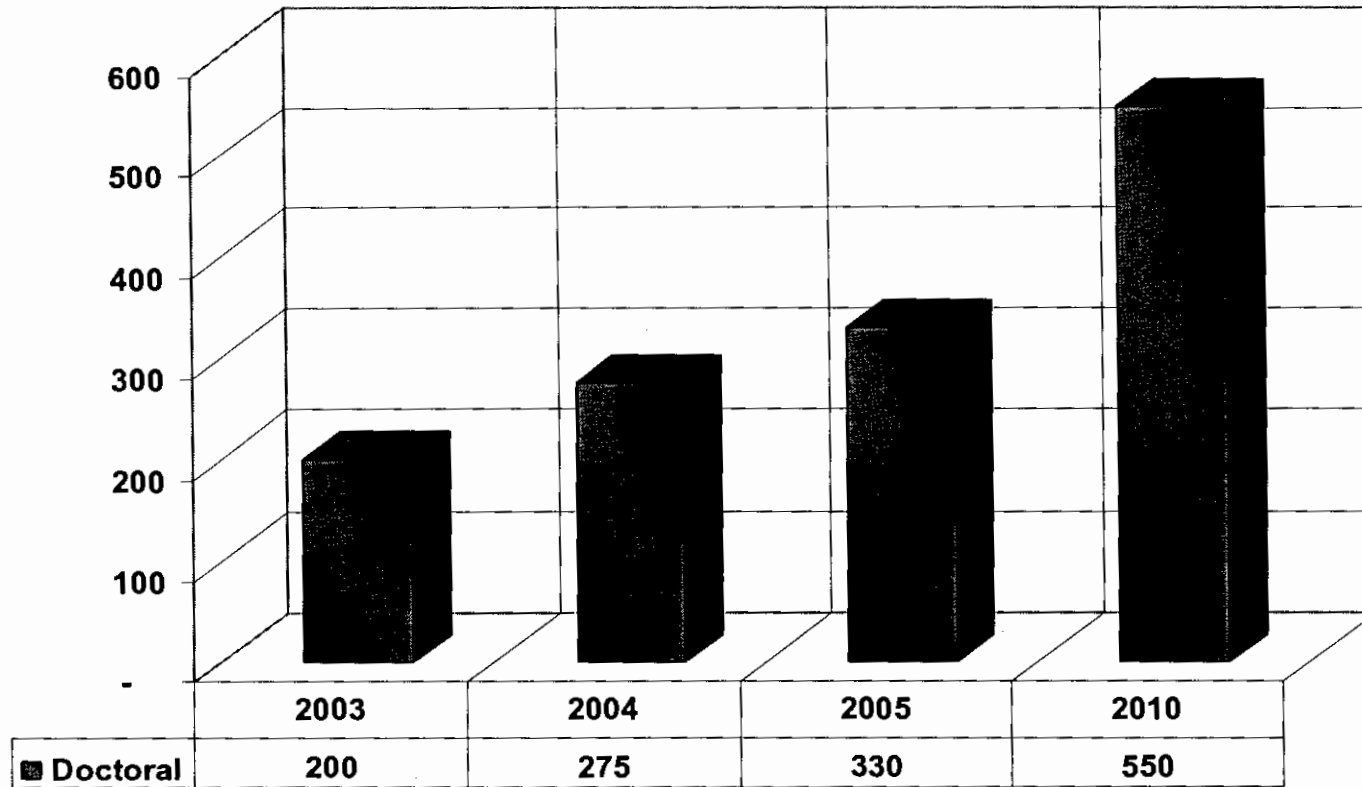
290

**UTSA**



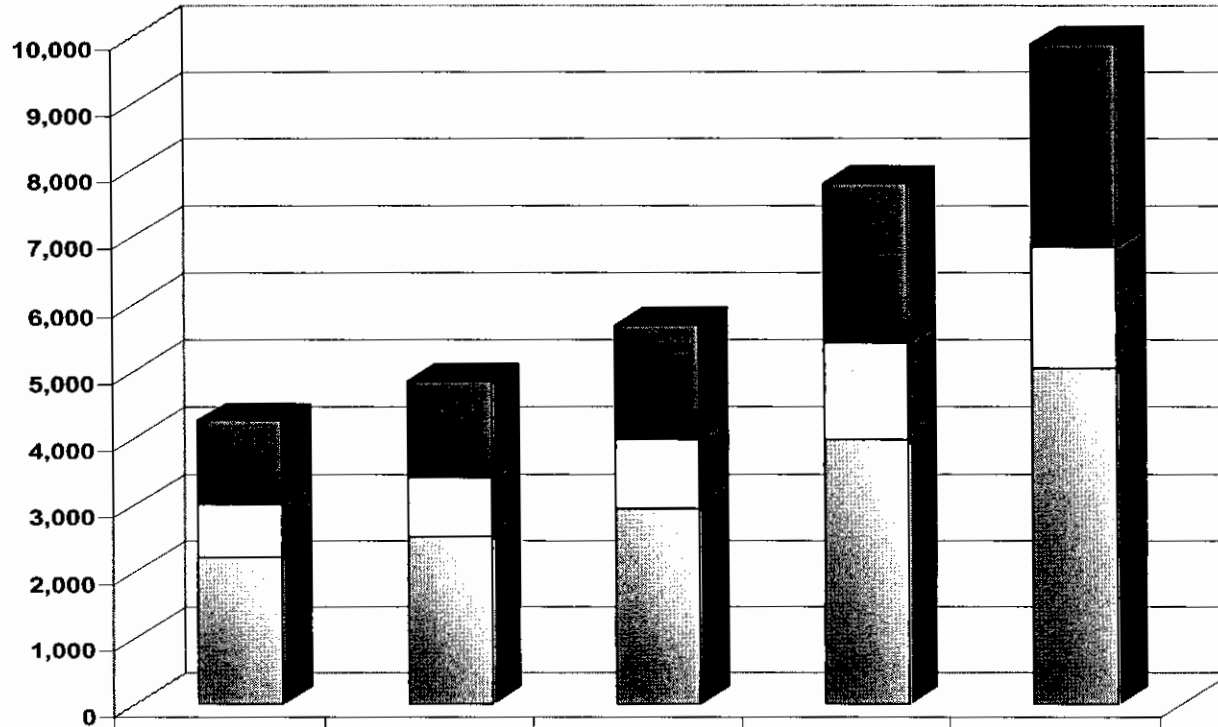
# TRENDS

## Projected Enrollment by Level - Doctoral (2003-2015)



# TRENDS

## Actual and Projected Enrollments Science and Engineering Disciplines – Laboratory Intensive (2003-2015)



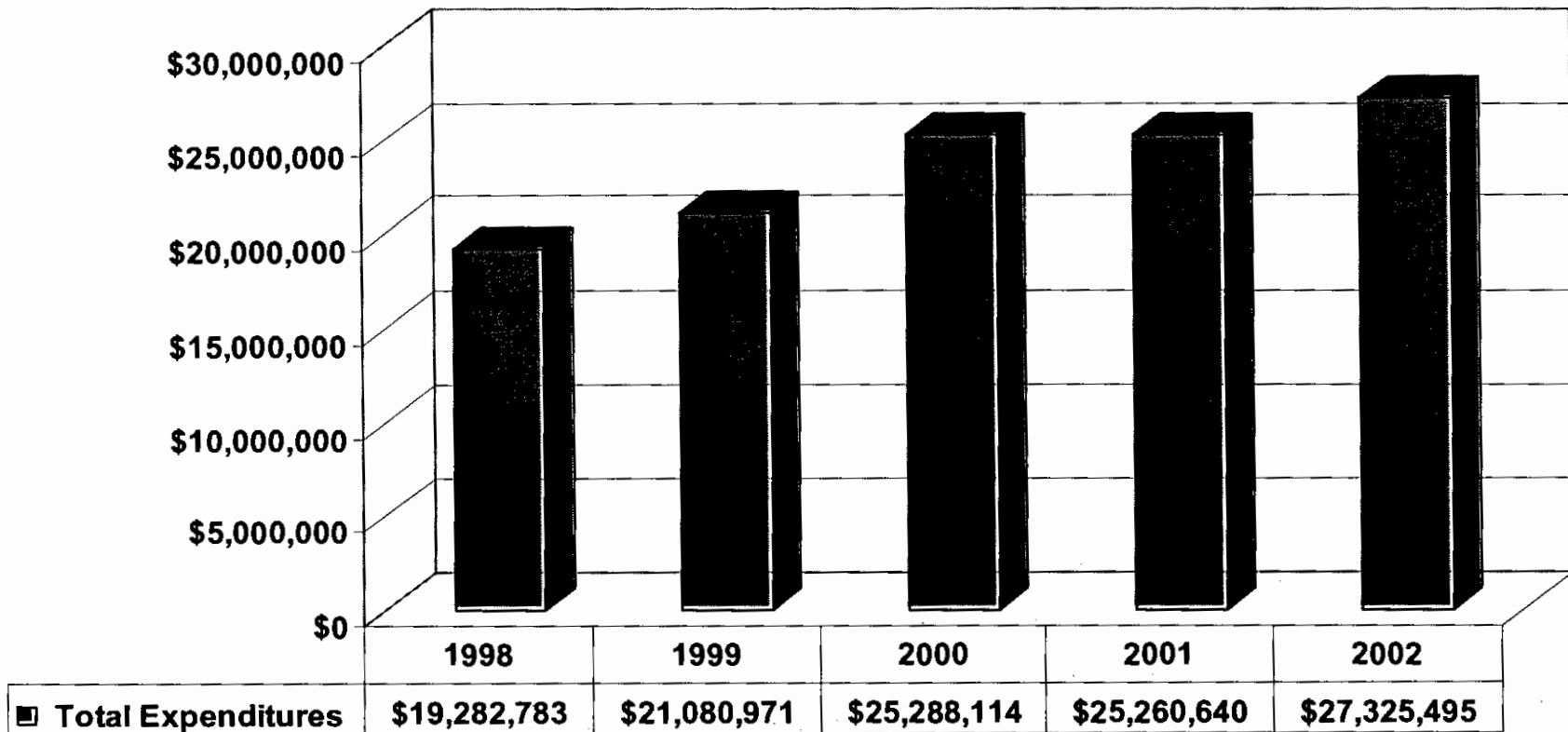
	2002	2003	2005	2010	2015
■ Engineering	1,255	1,425	1,695	2,370	3,045
□ Computer Science	792	900	1,050	1,425	1,800
▨ Biology	2,213	2,513	2,933	3,983	5,033
<b>TOTAL</b>	<b>4,260</b>	<b>4,838</b>	<b>5,678</b>	<b>7,778</b>	<b>9,878</b>



# TRENDS

## Total Expenditures for Research and Sponsored Programs (1998-2002)

293

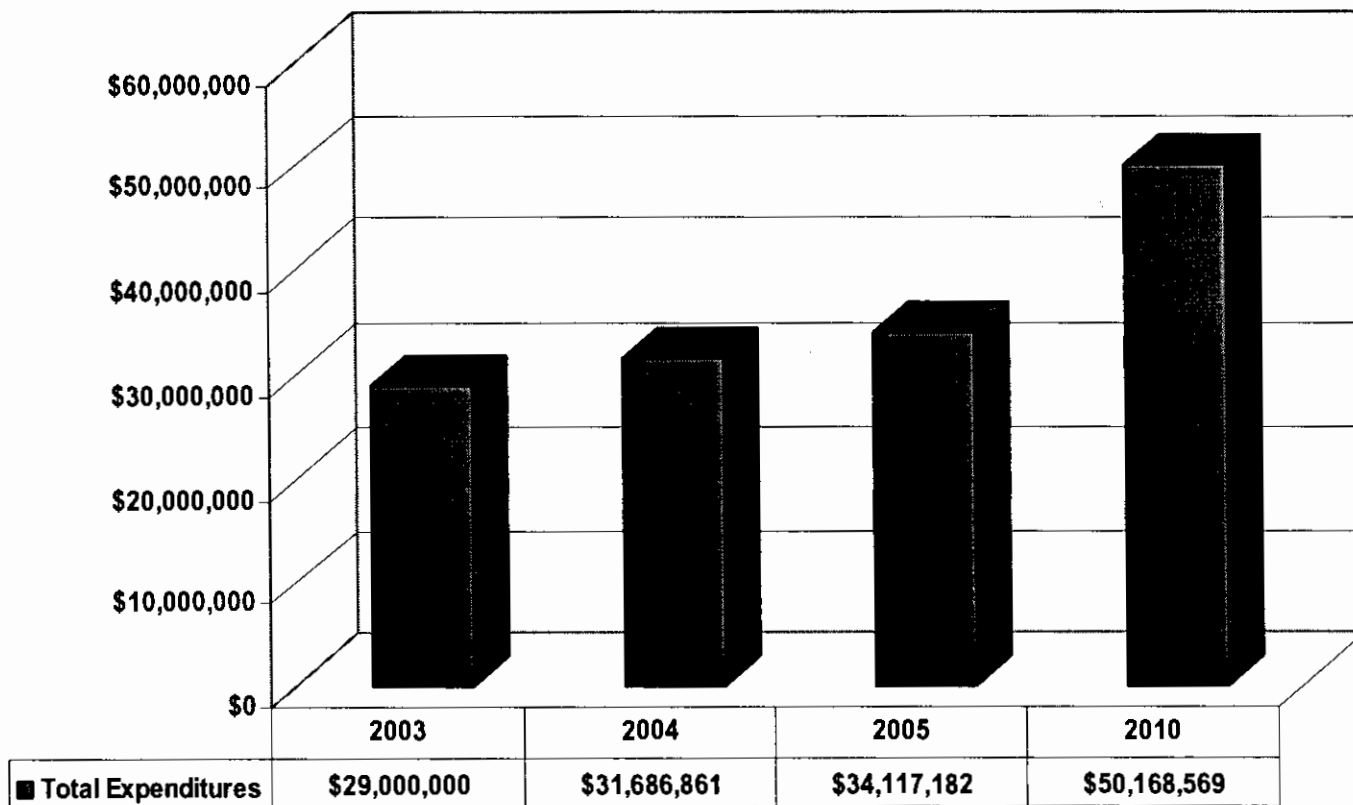


**UTSA**

# TRENDS

## Projected Expenditures for Research and Sponsored Programs (2003-2010)

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# TRENDS

## Projected Expenditures for Research and Sponsored Programs

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- **LIFE SCIENCES INSTITUTE**

- ▶ UTSA and UTHSC-SA joint project to develop and jointly offer programs in the life sciences, including new masters and doctoral programs
- ▶ Institute will have potential to increase research expenditures 10-15% per year above projected research expenditures

# TRENDS

## Average Weekly Hours of Space Use Fall 2002

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- **CLASSROOM UTILIZATION**

In Fall 2002, UTSA was ranked *number one* amongst public universities with the highest hours (49.2) of classroom use per week. The THECB standard is 38.0 hours.

- **CLASS LABORATORY UTILIZATION**

UTSA also exceeded class lab utilization with an average of 31.0 hours per week. The THECB standard is 25.0 hours.

**UTSA**

# TRENDS

## Space Utilization – Comparative Fall 2002

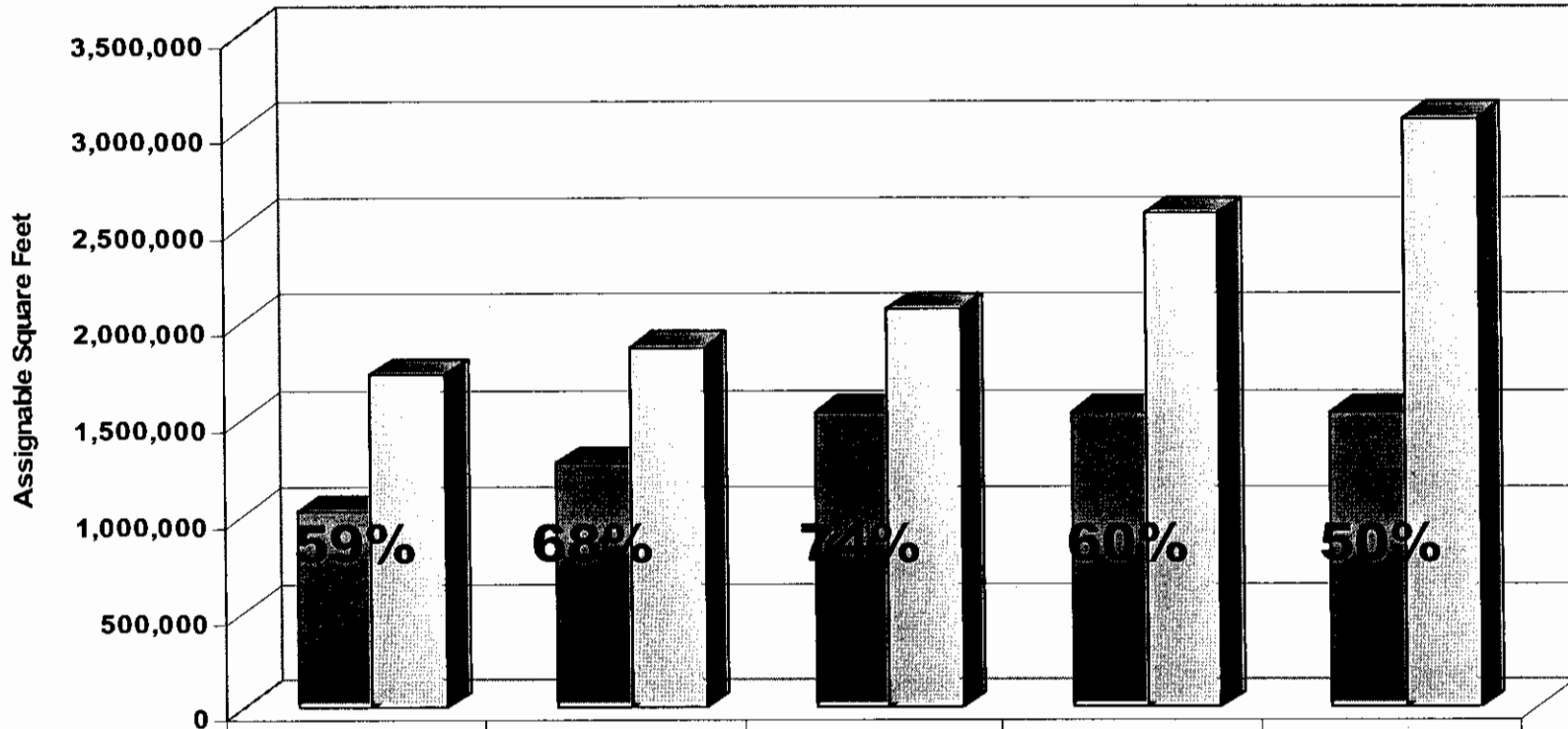
Fall 2002 THECB Rank	Institution	Fall 2002 Number of Classrooms	Fall 2002 Average Weekly Hours Used
1	UT San Antonio	102	49.2
10	UT Austin	430	39.6
	THECB Standard		38.0
18	UT Arlington	186	32.9
20	UT El Paso	139	32.6
27	UT Dallas	122	27.2

SOURCE: THECB Fall Student-Faculty Ratios, Texas Public Universities, 1997-2001 Report



# TRENDS

## UTSA Actual Space Compared with Coordinating Board Standard



	F 2002	F 2003	F 2005	F 2010	F 2015
■ UTSA Actual	1,027,078	1,275,001	1,538,061	1,538,061	1,538,061
□ THECB Standard	1,730,188	1,875,000	2,073,000	2,568,000	3,063,000

**UTSA**

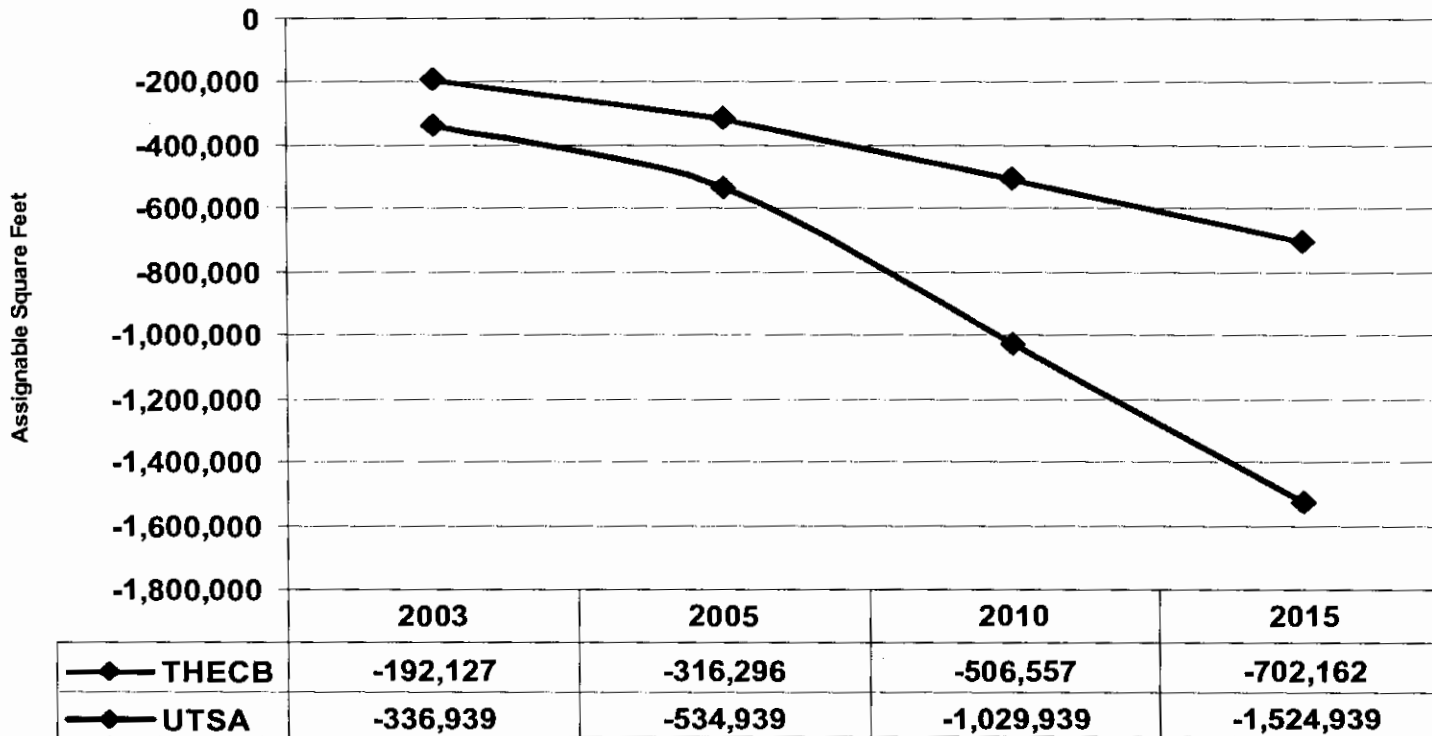


# TRENDS

## Calculated Projected Space Deficiency

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### THECB / UTSA



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# **IMPACT OF ENROLLMENT GROWTH**

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- **FY 2003 to 2008**

To meet projected enrollment growth, UTSA must hire 250 new faculty within the next six years; 133 must be bench scientists

- **IMPACT**

Shortfall of research wet lab space

- **STRATEGY**

Bring on-line additional research wet lab space

# **APPROVED SPACE**

## **Current Building Projects – 1604 Campus**

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- **ACADEMIC III BUILDING**

On-line Fall 2004; only able to address pressing general classroom shortage; no research wet lab space included

- **BIOTECHNOLOGY, SCIENCE AND ENGINEERING BUILDING**

On-line Fall 2005; 42 research wet labs

# LABORATORY SPACE DEFICIENCY

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## ▪ IMPACT

Need: 133 wet labs through 2008

Available: 45 (Existing-Available; Biotech Bldg.)

Shortfall: 88 research wet labs by Fall 2008

New research grants may increase this shortfall.

## ▪ RESEARCH WET LAB SPACE

Needed in Science and Engineering programs:  
Biology, Chemistry, Electrical Engineering and  
Civil Engineering.

**UTSA**

# LABORATORY SPACE DEFICIENCY OPTIONS

2003 - 2008

FALL	2003	2004	2005	2006	2007	2008
NEW FACULTY HIRES	8	25	25	25	25	25
Existing and Available	-3	-	-	-	-	-
Temporary Rental – (under consideration)	-	-12	-	-	-	-
1604 West Campus Research Park	-	-10	-10	-	-10	-
BioTech Building	-	-	-42	-	-	-
TRB Building (unfunded)	-	-	-	-	-	-42
<b>SURPLUS/DEFICIT</b>	<b>-5</b>	<b>-8</b>	<b>19</b>	<b>-6</b>	<b>-21</b>	<b>-4</b>

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# **STRATEGY**

## **Short-Term Options**

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### **1. RENTAL OF RESEARCH WET LAB SPACE**

#### *Advantages*

- Can come on-line quickly – 12 labs by 12/2004
- Minimal capital investment

#### *Disadvantages*

- Access for faculty and students is off-site
- No facility ownership

# STRATEGY

## Short-Term Options

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### 2. ACQUIRE SAN ANTONIO SONY PLANT

#### *Advantages*

- 450,000 sq. ft. facility on 50-acre site with 20-30 potential engineering labs and equipment

#### *Disadvantages*

- Environmental issues; clean-up costs
- Access for faculty and students is off-campus – approximately 15 miles from UTSA
- New programs may drive need for more space
- Potentially cumbersome and lengthy acquisition process

**UTSA**

# **STRATEGY**

## **Short-Term Options**

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### **3. DEVELOP 1604 WEST CAMPUS CAMPUS RESEARCH PARK**

#### *Advantages*

- University ownership; preserves campus core real estate for more significant buildings
- Small size allows rapid construction and incremental development
- Three lab buildings exist at proposed location
- Economy in construction; infrastructure in place

#### *Disadvantages*

- Not pedestrian-friendly from campus core

**UTSA**



# UTSA 1604 Existing Campus Site Plan

## 1604 West Campus Research Park

UTSA Biotechnology, Science, and Engineering Building

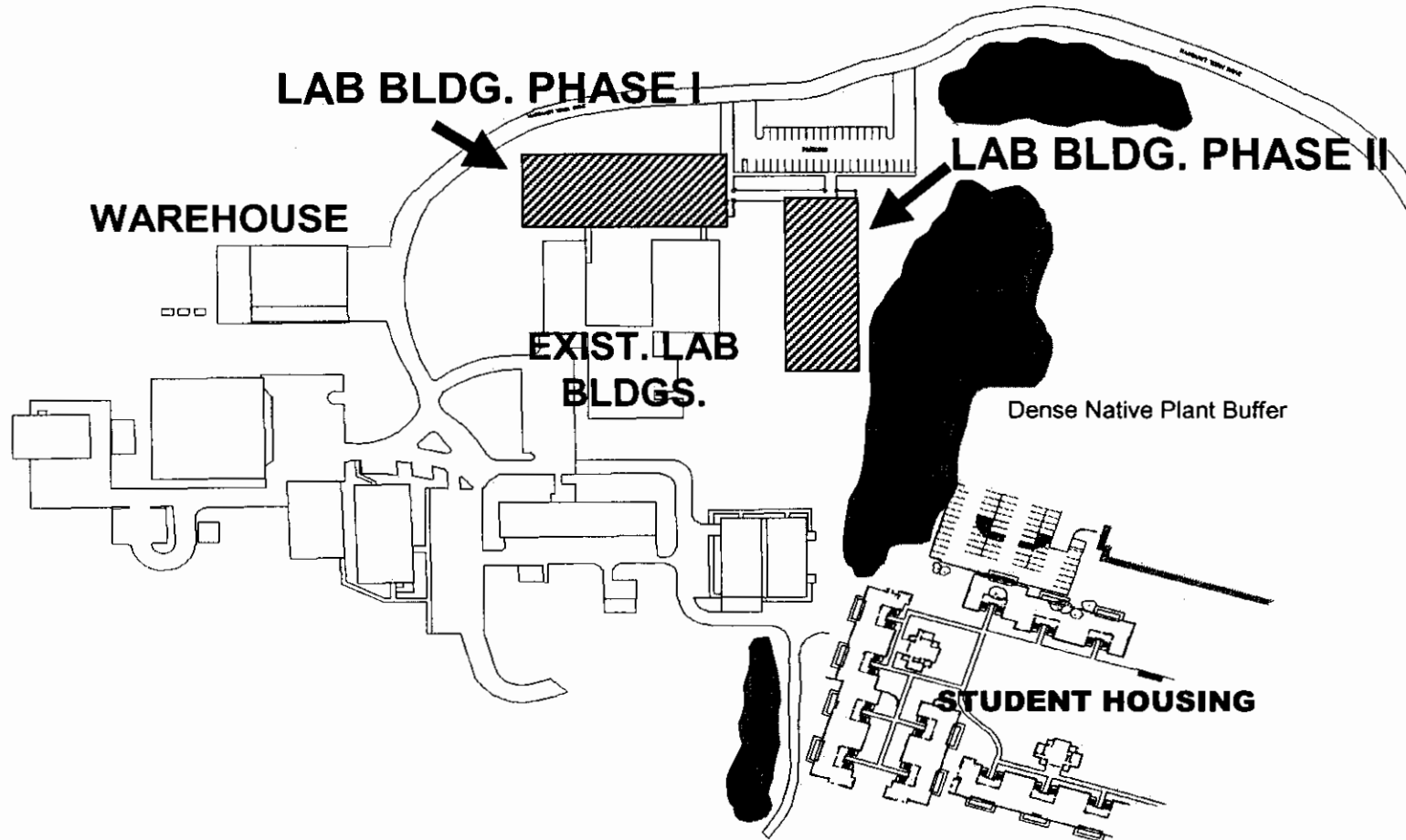


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# UTSA

# STRATEGY

## 1604 West Campus Research Park



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WEST CAMPUS SITE PLAN



**UTSA**

# **LONG-TERM STRATEGY**

## **Major Research Science Building**

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### **CONSTRUCT A SCIENCE BUILDING – EAST ACADEMIC COMPLEX OF CAMPUS**

- \$85 million – 225,000 gsf
  - ▶ Teaching and research labs
  - ▶ Student and faculty support facilities
  - ▶ Faculty and staff offices
- Schedule Options to Meet Demand  
Occupancy Fall 2007 or Fall 2008

4. **U. T. Southwestern Medical Center - Dallas: Honorific Naming of a Wing of North Campus Phase 4 for W. A. “Tex” Moncrief, Jr.**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for Development and External Relations, and President Wildenthal that the U. T. Board of Regents approve the naming of a wing of the North Campus Phase 4 project at U. T. Southwestern Medical Center - Dallas as the Moncrief Radiation Oncology Center.

**BACKGROUND INFORMATION**

The Radiation Oncology Center is at the east end of the Seay Biomedical Building and integrated with other Cancer Center facilities. There are 35,000 gross square feet that include four treatment bays; state-of-the-art diagnostic, planning, and treatment equipment; research space for data analysis; and academic offices for faculty of the Department of Radiation Oncology.

The naming of the Moncrief Radiation Oncology Center to recognize the continuous commitment and the significant contribution of \$7,500,000 by former Regent W. A. “Tex” Moncrief, Jr., is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3 and institutional guidelines on the naming of facilities.

5. **U. T. Tyler: Patriot Center - Approval of Honorific Name of Facility and Wing for Mrs. Louise (Herrington) Ornelas and Mrs. Jean Lancaster**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for Development and External Relations, and President Mabry that the U. T. Board of Regents:

- a. Rename the existing Patriot Center as the Louise Herrington Patriot Center
- b. Rename the existing Jean Lancaster Health and Kinesiology Wing as the Jean Lancaster Academic Wing.

## BACKGROUND INFORMATION

The Patriot Center is approximately 127,000 square feet and provides high-tech classrooms, sophisticated labs and faculty offices, recreational space for fitness activities, aerobics, swimming, intramural programs, and lounging areas. In February 2001, the Board approved design development for the Patriot Center. Under delegated authority, the Chancellor approved the naming of the Student Health and Kinesiology Building as the Patriot Center in July 2002.

The family of Joseph and Louise Ornelas has contributed substantially to the U. T. Tyler community by donations to the R. Don Cowan Fine and Performing Arts Center and establishing the Dr. Ben R. Fisch Endowed Professorship. After making the pledge of \$6,400,000 for the Patriot Center, Mr. Joseph Ornelas requested the building be named using Mrs. Ornelas' maiden name.

In August 2002, the Board approved the honorific naming of the Jean Lancaster Health and Kinesiology Wing. Changing the name of the Jean Lancaster Health and Kinesiology Wing to the Jean Lancaster Academic Wing will more accurately reflect the use of the space to provide offices for faculty and staff, laboratories, and teaching facilities and will allow flexibility of use for the wing over the years.

The naming of the Louise Herrington Patriot Center and the Jean Lancaster Academic Wing in honor and appreciation of the contributions of the Ornelas family is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3 and institutional guidelines on the naming of facilities.

### 6. U. T. System: HUB Quarterly Report

The quarterly report on Historically Underutilized Businesses (HUB) for building construction for the U. T. System is set forth below.

#### REPORT

The total expenditures for Building Construction and Other Facilities by the Office of Facilities Planning and Construction through the third quarter of Fiscal Year 2003 was approximately \$387,827,000. Of that amount, 15.74% was paid to Certified Historically Underutilized Businesses, 0.81% was paid to Graduated Historically Underutilized Businesses, and Noncertified Historically Underutilized Businesses received 7.44%, for a total of 23.99% or approximately \$93,045,000.

This information will be included in the U. T. System Administration HUB Report to the State.