

Meeting No. 1,166

THE MINUTES OF THE BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

Pages 1 - 40

July 12-13, 2017

West Lake Hills, Texas

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OF
THE UNIVERSITY OF TEXAS SYSTEM
JULY 12-13, 2017
WEST LAKE HILLS, TEXAS

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MEETING NO. 1,166

WEDNESDAY, July 12, 2017.--The members of the Board of Regents of The University of Texas System convened at 10:05 a.m. on Wednesday, July 12, 2017, in the Sala Como Room, Hotel Granduca Austin, 320 South Capital of Texas Highway, West Lake Hills, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Foster
Vice Chairman Hicks
Vice Chairman Hildebrand
Regent Aliseda
Regent Beck
Regent Eltife
Regent Longoria
Regent Tucker
Regent Weaver
Regent Castro, Student Regent, nonvoting

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Foster called the meeting to order in Open Session. He said that he particularly wanted to acknowledge and thank Chancellor McRaven and The University of Texas System Administration staff for their significant efforts in assisting in the preparation for the discussions to be held over the next two days.

RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551.--At 10:06 a.m., the Board recessed to Executive Session pursuant to *Texas Government Code* Sections 551.071, 551.073, 551.074, and 551.076 to consider those matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--The Board reconvened in Open Session at 1:09 p.m. to consider the following action on Executive Session Item 1a and to consider the following Agenda Items.

- 1a. U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding settlement with Centers for Medicare and Medicaid Services for claims for past payments related to Tax Equity and Fiscal Responsibility Act (TEFRA) ceiling adjustments

Vice Chairman Hicks moved that the Board approve the proposed settlement between The University of Texas M. D. Anderson Cancer Center and the Centers for

Medicare and Medicaid Services for claims for past payments related to Tax Equity and Fiscal Responsibility Act ceiling adjustments on the terms recommended in Executive Session.

The motion was seconded and carried unanimously.

- 1b. U. T. System Board of Regents: Discussion and appropriate action regarding legal issues concerning permissible expenditure of Available University Funds (AUF) and Permanent University Funds (PUF)

No action was taken on this item.

- 1c. U. T. System Board of Regents: Discussion with Counsel on pending legal issues

No action was taken on this item.

2. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Deputy Chancellor, Executive Vice Chancellors, and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), members of the Board of Regents, and U. T. System Administration and institutional employees

No action was taken on this item.

3. U. T. System Board of Regents: Discussion and appropriate action regarding safety and security issues, including security audits and the deployment of security personnel and devices

No action was taken on this item.

- 4a. U. T. System Academic Institutions: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

No action was taken on this item.

- 4b. U. T. System Health Institutions: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

No action was taken on this item.

AGENDA ITEMS

1. U. T. System: Discussion regarding Available University Fund (AUF) and Permanent University Fund (PUF) expenditures; issues related to past, current, and future funding and budgets; staffing and expenditures; funding sources; and evaluation and assessment of critical, essential, and enhancing functions of U. T. System Administration

Executive Vice Chancellor Kelley began his presentation on The University of Texas System Budget, set forth on Pages 5 - 16. Chairman Foster briefly recessed the meeting as protestors from People for the Ethical Treatment of Animals (PETA) interrupted the meeting, protesting the alleged mistreatment of research animals at The Texas A&M University System. Following the departure and removal of the protestors, Regent Longoria said she was sure the protestors had been informed that the U. T. System does not have any control over the allocation of Available University Funds (AUF) to the A&M University System or over what the A&M Board does with the AUF funding they receive, so their complaint to this Board was misplaced.

Dr. Kelley continued his presentation on the budget materials, and he and other U. T. System officials answered questions from members of the Board regarding line items in the presentation. U. T. System staff were requested to provide further details of the initiatives, including where the Board has discretion over funds and what funds are available to be repurposed, such as to the institutions.

Regent Beck also suggested that the periodic reports indicate those items that bring value to the institutions, such as in debt management and insurance programs, and track the amount of funds actually going from the U. T. System to the individual institutions. Dr. Kelley noted that true value-added can be demonstrated in new revenue or reduced expenditures, and Regent Beck also asked for a report on savings that have been made.

Chairman Foster then introduced discussion on Deputy Chancellor Daniel's white paper, titled "The University of Texas System Administration – From Service to Leadership," dated June 16, 2017, and set forth on Pages 17 - 34.

In reply to a question from Regent Tucker about outsourcing, Dr. Daniel described possible outsourcing opportunities for the U. T. System, including some elements of the Office of Facilities Planning and Construction, technology services and routine business functions that The University of Texas at Austin may be able to provide more cost effectively, and some activities of the University Lands.

Regent Tucker also asked about benchmarking for effectiveness and efficiency and customer satisfaction for services received by the institutions. Dr. Daniel responded that there is not a formalized process for providing feedback, but informal feedback received on employee benefits, for example, has been positive and benchmarking of workers compensation expenses against other states agencies reflects savings and

efficiencies. Chairman Foster asked that a dollar amount be added for each U. T. System function listed in the white paper to give a sense of scale and materiality, and Dr. Daniel agreed to provide that information.

Members of the Board asked how much money has been committed or allocated and expended on specific budget line items, and U. T. System officials responded and described what costs would remain to be paid, such as in contractual obligations, and how much money would be available to the Board to return to the institutions if the initiatives were stopped.

Dr. Daniel described the Quantum Leaps line items and displayed Table 8 of his report (Page 32 of these Minutes). Following a request from Regent Longoria for more detail on each Quantum Leap line item, Dr. Daniel said he will identify activities that could easily wind down and those with contractual obligations.

Chairman Foster requested the addition of a column to the Quantum Leaps table (Table 8) on overall expenditures, including what has been allocated and what is left over the entire period of the initiative from planning through completion. In reply to a question from Regent Tucker about institutional collaboration, Executive Vice Chancellor Greenberg commented that an important role of U. T. System is to bring researchers together to build a network of collaboration, building on individual strengths of the institutions. Dr. Daniel spoke to the value of System involvement, and Dr. Greenberg said early funding of certain projects can be gamechanging in allowing investigators to compete for other funding sources. Vice Chairman Hildebrand agreed that the U. T. System should be the convener of all types of research. Chancellor McRaven spoke about the restrictions on use of the AUF that sometimes led to operating and funding initiatives through U. T. System.

Budget Presentation Materials

Dr. Scott Kelley, Executive Vice Chancellor for Business Affairs

U. T. System Board of Regents' Meeting
July 2017



Where We Are

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	FY 2010 Budget	FTEs	FY 2014 Budget	FTEs	FY 2017 Budget	FTEs	FY 2018 Baseline	FTEs
U. T. System Core Operations	\$ 32,007,795	225.8	\$ 44,496,191	282.7	\$ 58,168,908	297.1	\$ 59,583,500	256.3
Direct Campus Support	225,434	1.0	8,262,441	1.0	47,374,648	157.3	43,098,939	103.0
Other Operations Funded with AUF/GR	2,950,647	23.0	8,359,726	10.0	10,848,753	21.5	7,926,169	14.6
Other Operations Funded with AUF Reserves	—	—	1,333,352	5.0	26,457,492	62.5	34,724,151	50.0
Service Departments and Other Non-AUF	97,548,266	510.3	94,151,914	374.6	112,393,286	385.1	116,475,000	305.1
PUF Debt Interest (All campuses)	77,003,053	—	68,658,553	—	107,504,300	—	124,099,572	—
Depreciation (net of capital outlay)	9,780,000	—	4,844,528	—	14,548,354	—	10,605,316	—
U. T. System Administration Budget	\$ 219,515,195	760.1	\$ 230,106,705	673.2	\$ 377,295,741	923.5	\$ 396,512,647	729.0

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U. T. System Core Operations

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	FY 2010	FTEs	FY 2014	FTEs	FY 2017	FTEs	FY 2018 Baseline	FTEs
Board of Regents	\$ 1,535,579	9.8	\$ 2,167,549	12.9	\$ 2,238,493	12.9	\$ 2,094,116	10.0
System Audit	1,207,897	12.9	1,876,933	13.7	2,737,301	15.0	2,490,635	13.6
External Relations	3,121,165	27.6	3,675,409	31.2	3,953,338	29.6	3,651,527	25.1
Office of General Counsel	4,397,976	36.6	5,707,778	42.5	6,220,988	41.0	5,500,183	34.7
Office of the Chancellor	845,507	8.5	1,025,422	9.3	1,681,339	8.5	1,525,714	6.9
Office of Human Resources	1,031,709	10.0	1,303,060	12.5	1,634,842	13.5	1,612,898	12.5
U. T. System Police	1,700,971	19.0	2,061,328	13.0	2,549,818	15.0	2,599,395	15.0
Systemwide Compliance/Information Security	1,404,559	10.0	2,289,527	17.0	3,593,405	18.5	3,918,878	17.8

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U. T. System Core Operations (cont.)

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	FY 2010	FTEs	FY 2014	FTEs	FY 2017	FTEs	FY 2018 Baseline	FTEs
Office of Strategic Initiatives	\$ 976,000	8.0	\$ 1,901,322	15.5	\$ 2,544,046	19.1	\$ 2,071,302	14.0
Information Technology	493,408	3.0	972,982	3.6	2,656,888	6.5	2,373,068	6.0
Academic Affairs	1,814,008	11.0	3,232,895	16.8	5,021,200	19.3	4,585,705	17.3
Health Affairs	1,985,330	10.0	2,790,691	11.3	3,539,317	13.9	3,630,894	12.5
Business Affairs	4,032,634	36.2	6,903,850	58.1	7,609,884	55.6	7,067,773	47.9
Governmental / Federal Relations	2,872,265	20.0	3,683,111	21.1	3,936,467	22.0	3,693,803	18.5
Replacement Office Building Debt Service	–	–	–	–	2,500,000	–	5,569,799	–
<u>Other *</u>	<u>4,588,787</u>	<u>3.3</u>	<u>4,904,334</u>	<u>4.3</u>	<u>5,751,582</u>	<u>6.7</u>	<u>7,197,810</u>	<u>4.7</u>
Total	\$ 32,007,795	225.8	\$ 44,496,191	282.7	\$ 58,168,908	297.1	\$ 59,583,500	256.3

- FTEs and amounts may not total exactly due to rounding

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Direct Campus Support

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Initiative	FY 2010	FTE	FY 2014	FTE	FY 2017*	FTE	FY 2018 Baseline	FTE
Shared Information Services	\$ 225,434	1.0	\$ 262,441	1.0	\$ 24,654,001	109.0	\$ 25,227,003	103.0
Digital Library Services	-	-	-	-	8,267,034	-	8,267,034	-
Campus Insurance and IT Support	-	-	8,000,000	-	9,604,902	-	9,604,902	-
<u>Campus Auditors *</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,848,711</u>	<u>48.3</u>	<u>-</u>	<u>-</u>
Total Direct Campus Support *	\$ 225,434	1.0	\$ 8,262,441	1.0	\$ 47,374,648	157.3	\$ 43,098,939	103.0

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Other Operations Funded with AUF/GR

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	FY 2010	FTEs	FY 2014	FTEs	FY 2017	FTEs	FY 2018 Baseline	FTEs
Innovation and Strategic Investments (Technology Commercialization)	\$ 1,129,815	7.0	\$ 2,444,000	10.0	\$ 1,621,158	11.0	\$ 2,228,698	9.0
External Audit Services	–	–	1,325,000	–	2,787,164	–	2,537,620	–
Center for Enhancing Philanthropy	–	–	–	–	1,049,772	5.0	832,993	3.0
Global Engagement	–	–	–	–	464,418	2.0	–	–
Ofc of Shared Services (Collab Bus Svc)	–	–	–	–	218,304	1.6	176,064	0.5
Organizational Effectiveness	–	–	–	–	331,771	2.0	480,289	2.0
Replacement Office Building Interim Costs	–	–	–	–	4,376,167	–	–	–
<u>Other/GR Funded items *</u>	<u>1,820,832</u>	<u>16.0</u>	<u>4,590,726</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,670,506</u>	<u>0.2</u>
Total	\$ 2,950,647	23.0	\$ 8,359,726	10.0	\$ 10,848,753	21.5	\$ 7,926,169	14.6

July 12, 2017 Meeting of the U. T. System Board of Regents



Other Operations Funded with AUF Reserves

	FY 2010	FTEs	FY 2014*	FTEs	FY 2017*	FTEs	FY 2018 Baseline	FTEs
Institute for Transformational Learning/ Competency-Based Education	\$ -	-	\$ 1,333,352	5.0	\$ 24,561,229	50.0	\$ 22,242,874	42.0
Clinical Trials Network/Research Core Mgmt	-	-	-	-	83,743	0.5	-	-
Research Experts Data Warehouse	-	-	-	-	207,000	2.0	-	-
<u>Quantum Leaps Initiatives</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,605,220</u>	<u>10.0</u>	<u>12,481,277</u>	<u>8.0</u>
Total	\$ -	-	\$ 1,333,352	5.0	\$ 26,457,192	62.5	\$ 34,724,151	50.0

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Service Departments and Other Non-AUF

	FY 2010	FTEs	FY 2014	FTEs	FY 2017	FTEs	FY 2018 Baseline	FTEs
University Lands/Texas Oil and Gas Institute	\$ 8,446,070	46.2	\$ 11,444,765	44.2	\$ 26,039,837	69.2	\$ 27,269,981	61.2
Office of Facilities Planning and Construction	23,316,849	169.8	19,160,219	135.8	23,893,535	134.7	16,594,224	78.8
Office of Employee Benefits	3,431,046	32.7	4,371,470	38.8	5,026,408	43.2	4,469,516	38.0
Technology and Information Services	4,917,416	37.5	3,782,290	29.0	5,109,359	29.0	3,679,037	25.5
Office of Risk Management	4,829,746	51.3	5,079,230	49.8	3,631,822	29.5	3,394,013	27.3
External Relations	2,157,177	12.9	1,727,110	8.5	1,489,479	7.5	1,377,390	6.0
Office of General Counsel	3,608,434	34.4	4,552,144	34.6	4,920,213	31.2	4,755,220	30.0
Systemwide Software *	8,910,462	0.5	18,549,015	0.2	20,077,756	-	19,057,053	-
Medicare Part D (Federal Funding)	6,300,000	-	12,500,000	-	5,000,000	-	20,000,000	-
TMDSAS/JAMP	5,728,169	9.0	5,401,537	11.0	6,853,685	17.0	6,648,517	15.0
Historically Underutilized Business (HUB)	791,852	7.9	542,347	4.9	670,997	4.9	697,809	4.9
<u>Other *</u>	<u>25,111,045</u>	<u>108.1</u>	<u>7,041,787</u>	<u>17.7</u>	<u>9,680,195</u>	<u>18.9</u>	<u>8,532,240</u>	<u>18.5</u>
Total Service Departments/Non AUF	\$ 97,548,266	510.3	\$ 94,151,914	374.6	\$ 112,393,286	385.1	\$ 116,475,000	305.1



Previously Allocated but Unspent (April 30, 2017)

Initiative	Allocated but Unspent
Institute for Transformational Learning/Competency-Based Education	\$ 39,031,214
U. T. Horizon Fund	13,742,983
Clinical Data Network	12,148,906
Virtual Health Care Network	9,628,620
Information Security	7,893,206
Spend Analytics	6,427,797
CONACYT	4,861,937
<u>Other *</u>	<u>8,563,066</u>
Total Allocated but Unspent	\$ 102,297,729
U. T. Horizon Fund (Not yet approved)	<u>20,000,000</u>
Total	\$ 122,297,729



Other System Balances

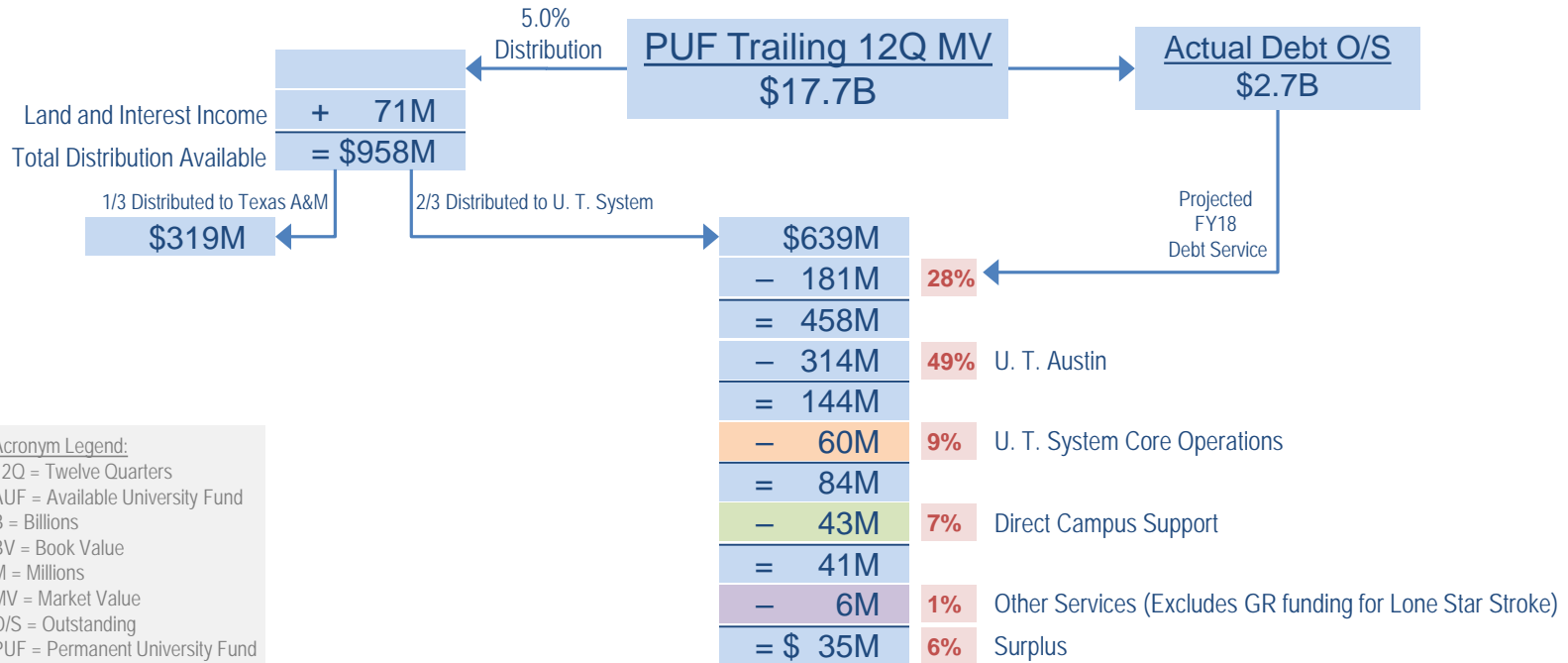
Detail of Total Net Position		Balance at 4/30/17
<u>Educational & General Funds</u>	Balance Uncommitted	\$ 11,627,205
	Quantum Leap Reserves	12,481,277
	Board Initiatives	102,297,729
	Department Budgets Authorized But Unspent	63,448,290
	Fair Value of Horizon Fund Investments	14,602,066
<u>Designated Funds</u>	Committed Balances	26,942,172
	Deferred Compensation Holdings	3,249,394
	Supply Chain	10,001,688
	Self Insurance Plans	450,004,771
	University Lands	13,595,454
	OFPC	16,457,030
	Other Designated Funds	20,414,032
	Health Affairs Collaborative Projects	4,328,765
	Proceeds from Sale of O'Henry Hall	8,205,588
	Texas Medical Dental Schools Application Service	4,570,041
	Net Fair Value of Investment Derivatives - Swaps on Debt	(6,541,236)
	Pension	(2,579,229,228)
	Other Post Employment Benefits	(4,647,430,554)
	Total	(\$ 6,470,975,515)

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Projected FY18 AUF Spending Margin



Acronym Legend:
 12Q = Twelve Quarters
 AUF = Available University Fund
 B = Billions
 BV = Book Value
 M = Millions
 MV = Market Value
 O/S = Outstanding
 PUF = Permanent University Fund

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July 12, 2017 Meeting of the U. T. System Board of Regents



Historical AUF Budget and FY 2018 Baseline

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July 12, 2017 Meeting of the U. T. System Board of Regents

	FY 2010		FY 2014		FY 2017		FY 2018	
PUF Distribution			\$478M		\$603M		\$639M	
Debt Service	- 119M	34%	- 164M	34%	- 148M	25%	- 181M	28%
	= 238M		= 314M		= 455M		= 458M	
U. T. Austin	- 164M	46%	- 233M	49%	- 298M	49%	- 314M	49%
	= 74M		= 81M		= 157M		= 144M	
U. T. System Core Operations	- 30M	8%	- 40M	8%	- 58M	10%	- 60M	9%
	= 44M		= 41M		= 99M		= 84M	
Direct Campus Support	- 0M	0%	- 8M	2%	- 42M	7%	- 43M	7%
	= 44M		= 33M		= 57M		= 41M	
U. T. System Other Services	- 3M	1%	- 1M	0%	- 11M	2%	- 6M	1%
Surplus	= \$ 41M	11%	= \$ 32M	7%	= \$ 46M	7%	= \$ 35M	6%

Note: Amounts presented for Core Operations, Direct Campus Support and Other Services may differ from Slides 2-6 due to general revenue support and use of UTShare and other reserves for included activities. The projected AUF balance at August 31, 2017 is \$118 million.



The University of Texas System Administration – From Service to Leadership

June 16, 2017
D. E. Daniel

SUMMARY

The University of Texas (UT) System Administration provides a wide array of services and leadership. A highly effective System should achieve the right balance between these fundamental functions. Because circumstances and priorities always change over time, the balance point must change, as well. Re-calibration will be needed at times. The UT System Administration welcomes dialog that helps to optimize the balance in light of today's opportunities and challenges. In fact, we must always operate in a spirit of adaptation and agility if we wish to facilitate the best pathways for UT institutions to be successful.

Regents' Rules invest the Board of Regents and the UT System Administration with numerous responsibilities. Among these is the commitment to devote its best efforts to making all of the institutions of The University of Texas System of the "first class," as the Texas Constitution directs.

That is our goal. By most measures, a handful of UT institutions have achieved it.¹ Most others have not but all are striving to be among the best in their peer groups.

To achieve and maintain this worthy goal, all UT institutions require ongoing coordination, technical assistance and leadership. The nature of these efforts varies depending on the challenges and opportunities associated with each particular campus.

This is where the UT System Administration comes in. Principally from Austin, but also from Houston, the DFW Metroplex, Midland, and Washington, D.C, the UT System Administration provides two critical functions:

- Services provided to the UT campuses, the Board of Regents, and others to support, monitor, coordinate, and assist the UT institutions; and
- Leadership to coordinate activities, conduct long-range planning, and assist institutions in achieving their performance goals and full potential.

¹ <https://www.aau.edu/who-we-are/our-members> and <https://www.usnews.com/best-colleges/search?location=Texas&school-type=national-universities&ranking=top-public&mode=list> (The University of Texas at Austin); <https://www.usnews.com/best-graduate-schools/top-medical-schools/research-rankings/page+2> and <https://www.usnews.com/best-graduate-schools/top-medical-schools/primary-care-rankings?int=af3309&int=b3b50a&int=aac509> (The University of Texas Southwestern Medical Center); and <http://health.usnews.com/best-hospitals/rankings/cancer> (The University of Texas M.D. Anderson Cancer Center).

The objective of this white paper is to provide information about the functions UT System Administration provides and the changes in UT System Administration over time to adapt to the needs of the institutions and other stakeholders.

A reasonable starting point is Table 1, below. It provides information about change in the UT System and System Administration over the past few years.

I. UT SYSTEM ADMINISTRATION – THEN AND NOW

Table 1. Changes in the Size of the UT System and UT System Administration from FY2005 to FY2017.

Parameter	FY2005	FY2017	Percent Change
Total System Budget (Including Institutions)	\$8.5 B	\$17.9 B	+ 110%
Total Students Enrolled	182,752	228,343	+ 25%
Degrees Awarded	36,780	59,448	+ 62%
Outpatient Visits	5.40 M	7.78 M	+ 44%
Total UT System Administration Full-Time-Equivalent (FTE) Employees, All Categories of Function	635	729 (estimated for the End of FY2017 and Beginning of FY2018)	+ 15%

II. SERVICES PROVIDED BY UT SYSTEM ADMINISTRATION

UT System Administration's functions fall into four basic categories:

- Critical – functions required by law, Regents' Rule, or state or federal oversight agencies.
- Essential – functions that have demonstrated necessity or economies of scale and/or scope or have been deemed necessary by the Chancellor, Board of Regents, or institutions.
- Enhancing – non-critical/essential functions that bring benefit and value to the campuses individually or collectively, or to the Board of Regents or UT System Administration
- Hosted at UT System Administration but Funded by Others – functions that are requested and funded by others, such as the Texas Medical and Dental Schools Application Service (TMDSAS), which handles applications for all Texas medical and dental schools, including those at UT System – this service is fully funded by fees charged to applicants, but the staff members are UT System Administration employees.

Critical or Essential Core Functions Funded by AUF

The UT System Administration offices that are AUF funded and that fulfill critical or essential core functions are listed in Table 2. Some offices, such as the Office of General Counsel, are funded partially by AUF and partially by other sources (such as the professional medical liability self-insurance plan), depending on the work performed by staff.

Table 2. AUF-Funded Core Functions that Are Critical or Essential.

Unit	Function	Why the Function is Critical or Essential
Academic Affairs	Oversight and coordination of the eight academic campuses; manage searches for new presidents and annual evaluation of presidents; work with Board’s Academic Affairs Committee; address and help to resolve issues; assist campuses as requested; work with Board’s Academic Affairs Committee.	Texas Education Code Sec. 51.353 requires coordination of activities, monitoring and approving long-range plans, providing technical assistance, evaluating and assisting meeting of goals, and performing duties delegated by Board as they relate to component institutions; Sec. 65.16 requires review of degree programs, enrollment levels, and promulgating and enforcing rules and regulations.
Audit	UT System audits; monitor campus audit functions for issues; secure external audit services as needed; work with Board’s Audit, Compliance, and Risk Management Committee.	Texas Government Code, Title 10, Ch. 2101 requires every state agency to conduct a program of internal auditing; Regents’ Rule 20401 requires that the UT System Chief Audit Executive implement appropriate audit functions for the UT System and assure that an effective internal audit function is in place Systemwide.
Board of Regents	Independent advice and legal counsel to Board; meetings and scheduling; agendas and minutes; public postings and webcasting of meetings; record keeping; research on past Board actions; responses to questions and inquiries; communications to Board members.	Texas Education Code Sec. 65.22 requires that the UT System have a Board of Regents and assigns the Board specific responsibilities as well as broad authority to promulgate and enforce rules as the Board may deem either necessary or desirable; Regents’ Rule 10201 outlines responsibilities of the General Counsel to the Board, which include supervising the Board Office.
Business Affairs	Manage accounts, budgets, and financial transactions for UT System Administration; prepare consolidated UT System annual financial report and budget; monitor finances of campuses; issue debt on behalf of campuses; manage bank deposits to maximize returns; payroll for UT System personnel; internal lending program; contracts and procurement for UT System Administration; work with Board’s Finance Committee.	Texas Education Code Sec. 51.353 requires coordination of activities, monitoring and approving of long-range plans, and providing financial services for component institutions; Sec. 65.16 requires recommending policies to ensure conformity with all laws and rules and to provide uniformity in financial reporting procedures; Regents’ Rule 10501 assigns responsibility to review contracts and agreements; Regents’ Rule 20501 assigns broad financial responsibilities to the EVC for Business Affairs; various statutes, appropriation riders, and state agencies such as Comptroller’s office require reports.
Chancellor	Manage and lead the UT System and UT System Administration; interface with Board of Regents, elected officials, and key stakeholders; speeches and events; internal and external communications.	Texas Education Code Sec. 65.16 requires that there be a central administration to provide oversight and coordination, and there be a chief executive officer and other executive officers of the system central administration; Regents’ Rule 20101 outlines the duties of the Chancellor, which are broad and include strategic planning and representing the university to the general public and other constituencies at the community, regional, state, and national levels; the Chancellor’s duties also include recommending to the Board plans to implement the Board’s commitment in Regents’ Rule 40101, Sec. 1, to “devote its best efforts to making all of the institutions of The University of Texas System of the ‘first class.’”

Unit	Function	Why the Function is Critical or Essential
Compliance	Compliance of UT System Administration functions; monitoring of campus compliance functions for problems; work with Board's Audit, Compliance and Risk Management Committee.	Regents' Rule 20401 requires that there be a Systemwide Compliance Officer who will appraise the Chancellor and the Board of the compliance functions and activities at UT institutions, UTIMCO, and UT System Administration.
External Relations	External communications on behalf of executive offices and Board of Regents office; support for media inquiries, press releases, and Texas Public Information Act requests; monitor and report on fund-raising activities at campuses; advise on major gifts requiring Board approval; coordinate among campus advancement officers to increase philanthropy; maintain strong relationships with key donors and supporters; events for System, Chancellor, and Board office; and build, administer, and maintain web site for UT System Administration and its departments.	Regents' Rule 60101 delegates authority to the Vice Chancellor for External Relations (VCER) for guidelines for acceptance, processing, investment, and administration of gifts at institutions; Regents' Rule 60301 requires VCER approval of campus appointments to development boards and external advisory committees; Regents' Rule 70101 requires that endowment gifts be accepted and processed by External Relations; Office is responsible for ensuring endowment compliance; Regents' Rule 80307 requires review for proposed naming of prominent facilities or programs; Chancellor requires communications and events personnel to assist in representing the UT System to the public and to stakeholders.
Facilities Management	Manage and maintain UT System Administration buildings and furnishings.	Maintains office facilities for UT System Administration; addresses issues such as HVAC problems, water damage, electrical issues, and office furniture.
Federal Government Relations	Monitor proposed Federal legislation and agency rules changes; provide connections to legislators and agency personnel; housed in Washington DC.	Chancellor requires support personnel to assist in representing the UT System to federal elected officials and federal agency personnel as part of Chancellor's responsibilities to represent the UT System to stakeholders (Regents' Rule 20101).
General Counsel	Provide legal services and certain liability insurance to UT System Administration and the campuses; prosecute and defend lawsuits and legal claims; provide advice and training on all legal matters related to higher education, business contracts, personnel matters, real estate taxes, intellectual property, and delinquent debts; and provide analysis of federal and state laws and rules.	Texas Education Code Sec. 51.353 requires support to component institutions for legal services; Texas Education Code Sec. 65.16(d) requires the central administration to recommend policies and rules to the Board to ensure conformity with all laws and rules; Regents' Rules require General Counsel handling of legal disputes and claims and review of numerous business transactions including contracts; legal advice required by System staff and Board; manage outside counsel and Attorney General lawyers during litigation.
Health Affairs	Oversight and coordination with the six health institutions; promote collaboration among institutions; searches for new presidents and annual evaluation of presidents; assist with problem solving as needed or requested; work with Board's Health Affairs Committee.	Texas Education Code Sec. 51.353 requires coordination of activities, monitoring and approving of long-range plans, providing technical assistance, evaluating and assisting meeting of goals, and performing duties delegated by Board as they relate to component institutions; Sec. 65.16 requires review of degree programs, enrollment levels, and promulgating and enforcing rules and regulations.

Unit	Function	Why the Function is Critical or Essential
Human Resources	Manage personnel job descriptions, compensation ranges, hiring, promotions, discipline, and termination for UT System Administration employees; oversee talent management; work environment; compliance with employment laws; promote coordination and collaboration among campus HR leaders.	Texas Education Code Sec. 65.16 requires the chief executive officer to be responsible for the general management of the university system – the Chancellor requires an HR office to ensure compliance with state and federal law concerning employees as well as Regents’ Rules for personnel; Chancellor requires assistance in recruiting and retaining top-level talent consistent with a university of the first class.
Information Security	Monitor safety, security, and threats against UT System Administration information; maintain best-practice firewalls and monitoring technology; guidance, support, and coordination among campuses.	Texas Education Code Sec. 65.16 requires the chief executive officer to be responsible for the general management of the university system; information security is one of the most critical risks facing the System; this office assists the Chancellor in minimizing and managing those risks.
Police	Commissioning of officers; training of officers; investigations; threat monitoring; security; coordination and collaboration among campus chiefs of police.	Texas Education Code 51.203 authorizes governing boards to commission police officers; the Office of Director of Police oversees the commissioned police officers (commission is at System level).
State Government Relations	Maintain relationships with key personnel in state legislature, Governor’s office, and state agencies; monitor and advise on legislation and rule changes; coordinate with campus counterparts; assist Chancellor and Board in establishing and communicating legislative priorities.	Texas Education Code Sec. 51.353 requires systems to coordinate activities of component institutions; Chancellor and Board require assistance in representing the UT System to state elected officials and state agency personnel as part of Chancellor’s responsibilities to represent the UT System to stakeholders (Regents’ Rule 20101).
Strategic Initiatives	Submit required reports to federal oversight agencies, e.g., IPEDS; maintain data bases; respond to requests for information; prepare reports such as Fast Facts; maintain websites such as seekUT and the UT System Dashboard.	Board and Chancellor require a data analytics team to maintain data sets, to conduct research on key matters essential to long-range planning and evaluation of each component institution in the achievement of performance goals, and to ensure uniformity in data collection procedures, as required in Texas Education Code Secs. 51.353 and 65.16.

Staffing levels have changed little over time for the majority of the core operations of UT System Administration. The offices that have increased by more than 2 FTE between 2005 and the end of 2017/beginning of FY2018 are:

- Information Security, +12.0 FTE. This office did not exist in FY2005. The rise in importance of information security threats prompted significant growth in investment in this critical area.
- Strategic Initiatives, +10.0 FTE. This office was a minimal data reporting office in FY2005. The office’s duties have greatly expanded because UT System Administration has been called upon to provide much more information to the Board of Regents and to other stakeholders on topics such as graduation rates, costs, productivity, and career opportunities for graduates.

- Academic Affairs, +8.6 FTE. The increase in size of Academic Affairs has primarily been driven by the increase in attention and oversight of academic institutions not only for the UT System but nationwide. Heightened concerns about graduation rates, student financial aid, student wellness, sexual assaults, compliance with federal regulations, misconduct in athletic functions, and others have caused the increase in scope of work for Academic Affairs. Also, the creation of two new medical schools at academic institutions, supported very significantly by staff at UT System Administration, has required additional staffing.
- Business Affairs, +4.9 FTE. The small increase in staffing levels has occurred primarily because of the much-increased scale of financial activity across the UT System and as a result of assuming some core functions for UT System Administration such as payroll and treasury formerly performed by UT Austin.
- Health Affairs, +4.6 FTE. The growth of Health Affairs has been driven by the increased activity related to patient care and hospital expansion at our health institutions. Further, the Office of Health Affairs has devoted considerable new effort to facilitating collaboration among our UT health institutions. The creation of two new medical schools at academic institutions has required additional staff support, including fostering of collaboration between medical school functions at academic and health institutions.
- Human Resources (HR), +4.0 FTE. This office has historically functioned as a small, transaction-oriented unit. As the competition for talent has increased, and issues such as pay equity and workplace environment have risen in importance, staffing levels have increased to respond to new challenges and to promote collaboration among campus HR officers.

Campus Support Functions that Are Critical/Essential and Funded by AUF

The Office of Shared Information Services (SIS) is operated by UT System Administration out of Irving, Texas. The office hosts and supports PeopleSoft implementation for HR, finance, and student records systems for seven academic campuses (all except UT Austin, which is implementing a campus-specific system via Workday). These services are essential – no university can function without the software platforms. As discussed later in this section, it is advantageous both administratively and financially to host the functions in a shared environment at the UT System Administration level. It is not required that the UT System Administration pay for these services but it is advantageous to the campuses.

The concept of a shared software implementation began to be considered in 2007 as HR, finance, and student record systems approached end of life. Rather than each of the non-Austin academic campuses developing its own system, a decision was made to implement new systems in a shared environment. Initially, special project funding was authorized by the Board of Regents to launch the shared environment. In 2014, the Board of Regents approved the transfer of the recurring operating costs of the shared environment to the UT System Administration budget in order to relieve the non-Austin academic campuses of operating costs so that no tuition increase would be needed. The Board authorized AUF operating funds for UT Austin to provide its tuition offset.

The SIS staff consists of 103 FTE budgeted positions. The operating budget for FY2018 is estimated to be approximately \$25 million, including estimated benefits.

The cost of implementing HR, finance, and student records systems at universities is well documented. If the seven campuses were each to develop their own systems, the annual cost is estimated to be \$40 to \$45 million, and the total number of FTE employees well above the current total. Economies of scale apply, which is why many public university systems, including Texas A&M and the University of North Texas, operate these types of systems in a shared environment.

In addition to creation of SIS, at the time the tuition offset was implemented in 2014, three other costs were transferred from the eight (now seven) academic campuses to the UT System Administration budget:

- \$8.3 million annual payment for digital library services;
- \$9.6 million annual payments for their portion of Microsoft and Oracle licenses as well as other shared technology costs and self-insurance premiums; and
- \$4.4 million for campus internal audit functions that were centralized as part of the System Audit Office. At its May 2017 meeting, the Board of Regents authorized return of these functions to the respective campuses.

Funding information is summarized in Table 3. Although all of these costs are currently borne by UT System Administration, they could be borne by the campuses. However, the campuses have no mechanism to pay these costs at this time.

Table 3. Recurring AUF-Funded Core Functions that Directly Support All Academic Campuses Except UT Austin.

Unit	Function	Est. 2018 FTE	Est. 2018 Budget
Shared Information Services (SIS)	Shared HR, Finance, and Student Records software and data management/reporting system for UTA, UTD, UTEP, UTPB, UTRGV (in development), UTSA, UTT, and UT System Administration.	103.0	\$25.2 M
Business Affairs	Funding for Digital Library Services for UTA, UTD, UTEP, UTPB, UTRGV, UTSA, and UTT.	-	\$8.3 M
Business Affairs	Funding for campus insurance, IT, and Microsoft and Oracle Systemwide licenses for UTA, UTD, UTEP, UTPB, UTRGV, UTSA, and UTT.	-	\$9.6 M
	TOTAL	103.0	\$43.1 M

Service Department and Other Functions Funded from non-AUF Sources

The UT System Administration provides services that benefit our campuses but that are funded from non-AUF sources, such as the health benefits for employees and risk management insurance programs for campuses. Table 4 summarizes these core service functions.

Table 4. Service Departments and Other Functions and Expenditures Funded from non-AUF Sources.

Unit	Function	Critical, Essential, or Enhancing?	Est. 2018 FTE	Est. 2018 Budget
Archer Center (Federal Government Relations)	The Archer Center provides student experiences at federal agencies in Washington DC and is funded by an endowment and by campuses and students who participate.	Enhancing; benefits the students who participate; enhances reputation of UT System campuses in Washington DC.	3.8	\$0.8 M
Endowment Administration (Multiple Offices)	Endowment compliance to assure donor intent; legal analysis of potential endowment gifts; research related to naming opportunities; donor reports.	Essential; Board has responsibility for endowments; authorized by Regents' Rule 60102.	11.3	\$1.4 M
Facilities, Planning, and Construction (OFPC)	Manages new building construction, although UTSW and MD Anderson manage many elements of their buildings, and UT Austin and UTMB will soon manage many elements.	Financial and fiduciary responsibilities are essential; other services are enhancing to the projects and campuses.	78.8	\$16.6 M
General Counsel (Net of Endowment Administration)	Supports non-AUF-funded functions for real estate, insurance, bankruptcy, claims, University Lands/PUF, and general legal services.	Essential; legal functions are part of the normal business of UT System.	26.5	\$4.3 M
Historically Underutilized Business (HUB)	Connects with HUB's to engage them in exploring potential UT System business opportunities; prepare statutory reports.	Regents' Rule 20701 requires proactive efforts; funded via OFPC.	4.9	\$0.7 M
Information Security	Support for non-AUF System Administration functions; funded from internal technology assessment fee.	Essential; see explanation in Table 2.	3.0	\$0.4 M
Investment Oversight (Finance)	Policy review and oversight of UTIMCO: review operating fund asset allocations of campuses.	Enhancing; strong returns; Finance is the designated liaison to UTIMCO per Regents' Rule 70401.	1.0	\$0.4 M
Systemwide Employee Benefits	Administers group health, vision, dental, life, and AD&D insurance; function was authorized by Article 3.50-3 of the Texas Insurance Code.	Essential; this program is cost-effective because of scale.	38.0	\$4.5 M (excluding insurance activities)

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Unit	Function	Critical, Essential, or Enhancing?	Est. 2018 FTE	Est. 2018 Budget
Employee Benefits - Medicare Part D	Federal support received for retiree prescription drug coverage through various federal programs.	Essential; Provides support for continued offering of retiree prescription drug coverage.	-	\$20.0 M
Systemwide Risk Management	Manages insurance for international travel, named windstorm and flood damage, fire and other perils cyber risks, automobile coverage, workers compensation, and other risks.	Critical for some elements such workers compensation and essential for others; cost-effective because of scale.	27.3	\$3.4 M (excluding insurance activities)
Technology and Information Services (OTIS), and Systemwide Information Systems (SWIS)	Information technology support for all UT System Administration personnel including network, telephone, computers, conferencing, software, and help desk support; funded by a per-person charge; system-wide software contracts and networking.	Essential (IT support for the general business operations of System Administration); enhancing (cost-effective systemwide networking and software to support campuses).	25.5	\$22.7 M
University Lands	Manages west Texas PUF land holdings; leases for mineral rights; land leases; water and caliche sales; maximizes return to AUF and PUF on behalf of the UT and Texas A&M Systems; funded primarily from a direct draw on the PUF.	Critical; Texas Education Code Section 66.41 grants the Board of Regents the “sole and exclusive management and control” of PUF lands.	54.2	\$23.3 M (Primarily funded from PUF)
Other	Miscellaneous partial FTEs supporting Audit, Chancellor, Facilities, Health Affairs, Human Resources, Compliance, and Airplane Operations. Includes miscellaneous other costs not associated with FTEs.		6.3	\$6.5 M
TOTAL			280.6	\$105.0 M

Services Hosted at UT System Administration in Support of and Funded by Others

The UT System Administration is home for employees in two units, listed in Table 5, that exist in support of other activities that are related to UT System but are not funded by UT System.

Table 5. Recurring Functions Hosted at UT System Administration in Support of and Funded by Other Entities.

Unit	Function	Est. 2018 FTE	Est. 2018 Budget
Joint Admission Medical Program (JAMP)	JAMP is a state-funded program authorized by Subchapter V, Chapter 51, Texas Education Code. By statute, the JAMP Council may delegate administrative duties to the UT System. Appropriated funds flow through the Texas Higher Education Coordinating Board, to encourage highly qualified, financially disadvantaged prospective students to pursue medical studies.	4.2	\$5.4 M Other (No Direct Cost to UT System Administration Budget)
Texas Medical & Dental Schools Application Service (TMDSAS)	TMDSAS handles applications for all Texas medical, dental, and veterinary schools, including those at UT System institutions; funded externally from application fees paid by prospective students.	10.8	\$1.2 M Other (No Direct Cost to UT System Administration Budget)
Lone Star Stroke Initiative (LSS)	LSS coordinates and funds stroke research across Texas through a hub and spoke network of facilities. LSS was formerly funded by an appropriation to the Texas Department of State Health Services that was passed to UT System. For FY 2018, the Legislature has provided an appropriation of general revenue directly to UT System.	-	\$1.6 M General Revenue (No Direct Cost to UT System Administration Budget)
	TOTAL	15.0 Other	\$6.6 M Other; \$1.6 M General Revenue (No Direct Cost to UT System Administration Budget)

Enhancing Functions Funded by AUF and Other Funds

The UT System Administration provides recurring core services that enhance the System Administration’s impact on campuses. These functions are summarized in Table 6.

Table 6. UT System Administration Functions and Expenditures that Are Not Essential or Required but that Enhance Operations and Are Funded by AUF and Other Funds.

Unit	Function	How Is Function Enhancing?	Est. 2018 FTE	Est. 2018 Budget¹
Center for Enhancing Philanthropy (External Affairs)	Training for campus development officers; assistance with recruiting fund raisers; campaign advising for campuses.	Helps campuses train talent and, ultimately, raise more money.	3.0 AUF	\$0.8 M AUF
Innovation and Strategic Investment	Advise campuses on intellectual property; assist campuses in connecting with venture capital resources; assist with training and networking for entrepreneurs; manage Horizon Fund and FreshAir.	Helps campuses realize their full potential regarding technology commercialization.	9.0 AUF	\$2.2 M AUF; \$0.1 M Other
Texas Oil and Gas Institute (TOGI)	The UT System Board of Regents established TOGI in 2015 to conduct research to enhance returns from university lands; funded from PUF via contract with University Lands.	Through research, helps University Lands maximize returns; engages students.	7.0 PUF/ Other	\$4.0 M PUF
UT System Organizational Effectiveness (Chancellor’s Office)	Office works with campuses to identify ways to make UT System Administration more effective in serving campuses; works to reduce barriers and increase productivity within UT System Administration.	Helps align System Administration with campus needs and improve efficiency and effectiveness.	2.0 AUF	\$0.5 M AUF
UT System Shared Services	Develop master purchasing agreements that multiple campuses can use in purchasing laboratory supplies, medical supplies, and business supplies and to save significant costs for campuses; provide savings back to campuses; largely self-supporting.	Saves money for campuses by leveraging size and scale of UT System to achieve lower costs.	0.5 AUF 2.5 Other	\$0.2 M AUF; \$0.8 M Other
	TOTAL		24.0	\$3.7 M AUF; \$4.9 M PUF & Other

¹AUF estimated budget includes an allocation of centrally budgeted fringe benefits.

Special Projects

The Board of Regents has periodically approved special projects, such as for a Telemedicine initiative. These are summarized in Table 7.

Table 7. Special Projects Authorized by Board of Regents, Exclusive of Support for Dell Medical School and the Medical School at UT Rio Grande Valley.

Project	Purpose of Project	Original Allocation	Est. 2018 FTE	Remaining Balance As of 4/30/2017
Clinical Data Network	Share clinical data across institutions to improve patient outcomes; folded into Health Enterprise Quantum Leap.	\$12.4 M	-	\$12.1 M
CONACYT Cooperative Agreement	Cost sharing of student/faculty exchange with CONACYT (Mexico's equivalent to the U.S. National Science Foundation).	\$5.0 M	-	\$4.9 M
Entrepreneurship Academy	Develop entrepreneurial skills for aspiring entrepreneurs at campuses.	\$2.7 M	-	\$0.9 M
Horizon Fund	Investments to promote commercialization of UT campus developments and to achieve monetary gains from such investments.	\$35.0 M	-	\$13.7 M
Information Security	Funding for collaborative programs among campuses to improve security of information.	\$35.9 M	-	\$7.9 M
Institute for Transformational Learning (ITL) and Competency Based Education (CBE)	Core funding for ITL; key initiatives include development of unique platforms for content delivery and collaborative programs to advance student success.	\$50.0 M ITL; \$47.8 M CBE	42.0	\$39.0 M
Productivity Framework	Provide dashboard to provide real-time productivity data across UT System.	\$6.5 M	-	\$0.7 M
Public Health Initiative	Collaborative effort to improve public health in Texas; folded into Health Enterprise Quantum Leap.	\$5.0 M	-	\$3.0 M
Research Experts Data Warehouse	Share research data to improve research and patient outcomes; folded into Health Enterprise Quantum Leap.	\$5.5 M	-	\$0.9 M
Spend Analytics	Capture data from Supply Chain Alliance to Identify Opportunities for increased savings.	\$7.0 M	-	\$6.4 M
Transform Medical Education (TIME)	Collaborative effort to accelerate the time to earn a medical degree; folded into Health Enterprise Quantum Leap.	\$8.0 M	-	\$1.8 M
Virtual Health Care Network (Telemedicine)	Collaborative effort to advance telemedicine; folded into Health Enterprise Quantum Leap.	\$10.8 M	-	\$9.6 M
Other	Miscellaneous other project balances.			\$2.0 M
	TOTAL	\$231.6 M	42.0	\$102.3 M

Quantum Leaps Functions Funded by AUF

At the November 2015 Board of Regents meeting, Chancellor William McRaven outlined a Quantum Leaps program for the Board of Regents and later added an additional Quantum Leap on Student Success. The philosophy behind the Quantum Leaps is to take advantage of the expertise across the UT System to scale to strengths in critical areas and to marshal those strengths to accelerate societal impact, discoveries, and cures. One initiative involving property in Houston was subsequently discontinued. The eight remaining Quantum Leaps are:

- Texas Prospect Initiative – Helping K-12 students get to and succeed in college. Key initiatives to date: (1) state-wide dual credit task force; (2) Educational Learning Analytics project led by UT Austin; (3) Texas Education Agency partnership to bring university resources to support failing schools; and (4) planning for additional initiatives.
- American Leadership Program – Ensuring all students and campus leaders fully develop leadership capabilities. Key initiatives to date: (1) inventory existing student and staff leadership programs at campuses; and (2) determine what campuses want and need in terms of leadership development.
- Winning the Talent War – Supporting campus efforts to attract world-class talent. Key initiatives to date: (1) increased investment in the Science and Technology Acquisition and Retention (STARs) program; (2) launched Rising STARs program; (3) assessment of other potential talent-development support programs for campuses such as a Proof of Concept fund to support development of entrepreneurial talent.
- Fairness and Opportunity – Providing assurance that all have equal opportunity to advance in their careers and to be fairly compensated regardless of race or gender. Key accomplishments to date: (1) new UT System Policy (UTS187, “Interviews of Executive Administrators and Other Senior Administrators”) based upon the Rooney Rule and known informally as the Opportunity Rule; (2) enhanced candidate pools for senior leadership positions; (3) meetings with campus academic and HR officials to develop plans for identifying any pay inequities; and (4) support for data analytics at the campuses.
- UT Health Enterprise – Promoting collaboration among health institutions to benefit UT institutions, their research, and their patients. Key accomplishments to date, building on initiatives launched prior to the Quantum Leap program: (1) UT System Health Biobank Consortium to share biomaterials among institutions; (2) Health Intelligence Platform for data sharing; (3) Clinical Trials Xpress to collaborate on health trials; (4) Cancer Care Collaboration to collaborate on cancer treatments; and (5) Virtual Health Network to provide remote access between patient and physician using technology (Telehealth).
- Brain Health Initiative – Improving the human condition through advanced research in the neurosciences. This Quantum Leap is in early stages of development.

- National Security – Enhancing our campuses as go-to institutions for solutions that will strengthen national security. Initiative led by UT Austin. Key accomplishments to date: (1) convened major national meetings on national security; (2) launched distinguished lecture series to bring noted authorities to campus to share their knowledge with faculty and students; (3) planning for publication of *Texas National Security Review*; (4) partnered with other institutions in addressing national security issues; and (5) continued to recruit top faculty talent to UT Austin. All UT System Administration AUF funding related to this Quantum Leap is transferred to UT Austin.
- Student Success – Promoting improved graduation rates and student achievement. Key accomplishments to date: (1) convened academic campus representatives for multiple workshops to discuss and share best practices regarding student success; (2) made grants to campuses to support Graduation Help Desks; and (3) received proposals from and will soon make awards to campuses to support innovative student success initiatives.

The Quantum Leaps are funded from three sources:

1. Re-allocated AUF Special Projects Funds. In 2016, the UT System Administration assessed progress and priorities associated with 40 projects that had been previously authorized by the Board of Regents. A recommendation was made and approved by the Board of Regents in November, 2016, to reallocate \$28.6 million of AUF funding “to address higher-priority initiatives such as the Quantum Leap Initiatives.”
2. Aggregated AUF Special Projects Funds and Other Fund Sources for Health Initiatives. In recent years, the Board of Regents has periodically authorized special projects that promote collaboration among health institutions, such as the Telemedicine initiative (Table 7). These previously-authorized special project funds were aggregated under the umbrella of the UT Health Enterprise Quantum Leap. Also, occasionally flexible funds are made available from the professional medical liability risk pool, and these, too, were aggregated under the UT Health Enterprise Quantum Leap with focus on improved patient safety. Essentially, no new funds were needed for this quantum leap – just aggregation of previously authorized funding.
3. Internal Lending Program Funds. Internal lending program funds, unlike AUF funds, can be used by any campus to fund operations. In February, 2017, the Board of Regents authorized \$10 million to support the Student Success Quantum Leap, and \$500,000 to support the non-Austin campuses for the National Security Quantum Leap.

Table 8 identifies the budget allocation for Quantum Leaps for FY2017 and the projected AUF budget allocation for FY2018, assuming projects proceed as currently envisioned. Most of the expenditures are directed to the campuses. The AUF funds from project re-allocation budgeted for FY2017 and anticipated for FY2018 total slightly less than the \$28.6 million authorized by the Board of Regents for use in supporting the Quantum Leaps.

Table 8. Funding for Quantum Leaps.

Quantum Leap	FY2017 Funding Allocation	Campuses Receiving Allocation	Preliminary FY2018 AUF Allocation
Texas Prospect Initiative	\$2.0 M ¹	UT Austin (\$1.2 M); All Academic Campuses Are Engaged	\$0.6 M ¹
American Leadership Program	\$1.2 M ¹	-	\$0.8 ¹ M
Winning the Talent War	\$20 M ³	All	\$20 M ³
Fairness and Opportunity	\$0.1 M ¹	-	\$0.7 M ¹
UT Health Enterprise	\$35.8 M ^{4,5}	All Health Institutions	\$0
Brain Health Initiative	\$0	-	\$0
National Security – UT Austin	\$10 M ¹	UT Austin	\$8.6 M ¹
National Security – Other Campuses	\$0.5 M ²	UTA, UTD, UTEP, UTMB, UTSA, UTT	\$0
Student Success	\$10.0 M ²	All Academic Campuses Are Eligible for Funding	\$0
UT System Project Management	\$1.2 M ¹	-	\$1.0 M ¹

¹AUF funding from re-allocated project funds

²Internal lending program (ILP) funds, which can be used to fund operations at all campuses

³STARs program funded annually from PUF allocation authorized by Board of Regents

⁴Aggregated re-prioritized project funds brought under the umbrella of UT Health Care Enterprise Quantum Leap

⁵Source of funds is excess balances from Professional Medical Liability Benefit Plan – all funds used by health institutions to improve patient safety and minimize liabilities.

III. LEADERSHIP PROVIDED BY UT SYSTEM

The UT System provides leadership primarily via coordination with campus staff members and presidents. The leadership role is ubiquitous, from individual offices to the Chancellor and inclusive of the Board of Regents.

Chancellor

The Chancellor is at the nexus between the Board of Regents, campus presidents, and the general public. Key elements of the Chancellor’s leadership include:

- Responsible for the UT System Administration and all the employees therein, leading by personal example as well as through communications and policy;

- Spokesperson at the State Legislature for the UT System;
- Supervisor of the 14 campus Presidents and responsible for goal setting, annual reviews, and personnel recommendations for the Presidents;
- Convener of campus presidents to discuss issues and opportunities, and to develop long-range plans to advance institutions and to meet the needs of students and the state;
- Point of contact with the general public via media outlets, speeches, and written communication, to express the goals and aspirations of the UT System and its institutions;
- Interface with key leaders in business, education, and service organizations to forge strategies and develop partnerships to benefit our students, patients, and institutions;
- Interface with prospective donors and build confidence among philanthropic supporters;
- Leader of strategic planning to coordinate and collaborate among institutions;

UT System Administration Offices

Each of the UT System Administration offices provides leadership in its own way. Some examples:

- Academic Affairs leads by challenging campuses to improve student success, to achieve highest-level institutional goals, to develop and sustain top-quality programs, and to set a high bar for expected outcomes.
- Health Affairs leads by providing or enhancing coordination and collaboration among the health institutions through initiatives such as data sharing, telemedicine, and cancer collaboration; leads the development of two new medical schools; and leads in facilitating and advising health institutions on negotiating successful partnerships with hospitals and major clinical partners.
- Business Affairs leads by setting high expectations for fiscal responsibility, maximizing income from assets, minimizing expenses for debt, and implementing best-of-class business practices.
- Government Affairs leads by connecting with key government officials and providing analysis of potential changes in legislation and policy.
- External Relations leads by helping campuses to maximize fund-raising results, through education and training, by sharing advice on gifts and naming opportunities, and by effectively communicating both internally and externally with the media and key stakeholders.

- General Counsel leads by providing wise counsel to the campuses and System Administration on contract assessment, litigation risk and management, and other legal matters.
- The Office of the Board of Regents leads by setting expectations for the quality and timeliness of responses and recommendations for the Board; by providing independent and candid advice to the Board, System Administration, and institutional leaders; by helping campuses navigate the process of seeking Board approval for initiatives, by helping the Board deal with difficult matters, by maintaining accurate records and research capabilities, and by assisting the Board in its vital work.
- The Office of the Director of Police leads by providing exceptional training for police officers at its Police Academy, by sharing of best practices, through investigations of crimes, by monitoring threats, and by demonstrating high levels of ethical conduct.
- Every other office in UT System maintains leadership through its work.

IV. BALANCE BETWEEN SERVICE AND LEADERSHIP

As mentioned at the beginning of this paper, balance between services and leadership is a constantly changing challenge because of the continuous shift in the needs of our institutions. The intent of this white paper is to provide information that will help the reader to understand the service and leadership elements of UT System Administration. Detail is provided for the reader who wants to explore the elements in depth. Questions and requests for more information are welcomed by the author.

2. U. T. System: Report on savings related to the U. T. System Building

Executive Vice Chancellor Kelley reported on savings related to The University of Texas System Building, using the slide set forth on the following page that was distributed to members of the Board and displayed at the meeting. Dr. Kelley said the certificate of substantial completion for the new office building had just been received, with construction completed on schedule and under budget despite upgrades and reconfiguration of some spaces.

He said construction of this building had been a cost saving initiative, overbuilt to provide additional revenue generated from retail and lease space. Dr. Kelley also spoke about benefits to U. T. System, such as consolidating staff from five buildings into one and reducing maintenance costs on older buildings, and said the move-in will occur in August and September 2017.

RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551.--At 3:09 p.m., the Board recessed to Executive Session pursuant to *Texas Government Code* Sections 551.071 and 551.074 to consider those matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION AND RECESS.--The Board reconvened in Open Session at 5:40 p.m. Chairman Foster stated that no action was taken on items discussed in Executive Session, and he recessed the meeting.

U. T. System Building Savings Update

As of July 2017

\$ 133.1M	Total Project Cost ("TPC")
11.4M	Estimated transition costs (i.e. moving expenses, lease costs during construction, etc.)
\$ 144.5M	Total Costs

Revenue/Savings include:

\$ 8.2M	Sale of O. Henry Hall to Texas State University System
75.9M	Estimated net present value ("NPV") income from leasing office space in the new building (including parking income and UTIMCO lease); includes UTIMCO reimbursement of build-out expenses less tenant improvement (TI) allowance
47.0M	Estimated NPV savings of reduced maintenance and operation costs and capital expenditures compared to the five aging buildings that previously served as U. T. System offices
60.7M*	NPV of income from base rent/lease of Block 71, the block where Ashbel Smith Hall and Claudia Taylor Johnson building properties reside; includes conservative estimate of U. T. System's share of revenue generated by future commercial property development
34.4M	Financing savings (NPV @ 5% compared to commercial paper/bond rates)
\$ 226.2M	Total NPV Revenue/Savings

\$ 81.7M	Total Net Savings
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THURSDAY, JULY 13, 2017.--The members of the Board of Regents of The University of Texas System reconvened at 8:32 a.m. on Thursday, July 13, 2017, in the Sala Como Room, Hotel Granduca Austin, 320 South Capital of Texas Highway, West Lake Hills, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Foster
Vice Chairman Hicks
Vice Chairman Hildebrand
Regent Aliseda
Regent Beck
Regent Eltife
Regent Longoria
Regent Pejovich
Regent Weaver
Regent Castro, Student Regent, nonvoting

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Foster called the meeting to order in Open Session.

RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551.--At 8:34 a.m., the Board recessed to Executive Session pursuant to *Texas Government Code* Sections 551.071, 551.074, and 551.076 to consider those matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS.--The Board reconvened in Open Session at 2:13 p.m. No action was taken on the following Executive Session items and the Board considered the following Agenda Items.

- 5a. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Deputy Chancellor, Executive Vice Chancellors, and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), members of the Board of Regents, and U. T. System Administration and institutional employees

No action was taken on this item.

- 5b. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of the individual employees charged with oversight and operations of the Institute for Transformational Learning (ITL)

No action was taken on this item.

6. U. T. System Board of Regents: Discussion and appropriate action regarding legal issues concerning intellectual property, contracts, funding, transparency, and operations of the Institute for Transformational Learning (ITL)

No action was taken on this item.

AGENDA ITEMS (continued)

3. U. T. System: Discussion and possible appropriate action concerning budget process guidelines and decisions, including possible discussion of the Permanent University Fund (PUF) distribution rate and use of Available University Funds (AUF)

This item was considered after Item 4.

Chairman Foster called on Vice Chairman Hicks who said he would like to make a statement by making a motion to help The University of Texas at Austin, the flagship campus of The University of Texas System, to attain its goal of being a top five university. Vice Chairman Hicks made the following motion.

Motion by Vice Chairman Hicks

I move that, as a first step in looking at our total U. T. System expenditures, the U. T. System Board of Regents allocate an amount of Available University Funds equivalent to 53% of the Available University Fund effective with the Fiscal Year 2018 budget, with the understanding that this amount is inclusive of the annual allocation (the greater of \$25 million or 3%) for the Dell Medical School.

Regent Longoria seconded the motion, and the motion carried unanimously.

Chairman Foster recognized U. T. Austin's flagship status and said the Board is committed to continuing to supporting it as a Top Tier University.

4. U. T. System: Discussion and possible appropriate action related to the operations, business plan, and budget for the Institute for Transformational Learning (ITL)

This item was considered before Item 3.

Chancellor McRaven introduced the discussion related to The University of Texas System Institute for Transformational Learning (ITL), and Executive Vice Chancellor Leslie briefly described activities of the ITL to date. Ms. Amy Shackelford, Director of Strategic Partnerships and Communications for the ITL, showed a short video on The University of Texas at San Antonio cybersecurity program, which was followed by a presentation by Dr. Mauli M. Agrawal, Interim Provost and Vice President for Academic Affairs at U. T. San Antonio. The video and [presentation](#) are on file in the Office of the Board of Regents.

RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551.--At 2:50 p.m., the Board recessed to Executive Session pursuant to *Texas Government Code* Sections 551.071 and 551.074 to consider those matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS.--The Board reconvened in Open Session at 3:30 p.m. to consider the following actions on Executive Session items.

3. U. T. System: Discussion and possible appropriate action concerning budget process guidelines and decisions, including possible discussion of the Permanent University Fund (PUF) distribution rate and use of Available University Funds (AUF)

Chairman Foster called on Regent Weaver for the following motion related to Item 3.

Motion by Regent Weaver

I move that the U. T. System Board of Regents vote to emphasize its continued strong support of the STARs [Science and Technology Acquisition and Retention] program and ask Chancellor McRaven to include a significant increase in funding in the 2018 budget to benefit all institutions.

The motion was seconded by Regent Beck and carried unanimously.

5. U. T. System: Discussion and possible appropriate action concerning issues related to the U. T. System, U. T. Academic Institutions, U. T. Health Institutions, and U. T. System Administration, including but not limited to vision and mission; past, current, and future budgets; and evaluation and assessment of critical, essential, and enhancing functions of U. T. System Administration

Chairman Foster then read the following statement:

Statement by Chairman Foster

Before we close for the day, I'd like to acknowledge the dedicated and professional staff of the entire System Administration. The work they do to support the important missions of U. T. institutions, as well as the Board of Regents, is invaluable. From time to time, this Board and all future Boards will look at System Administration functions. It is a normal and important process in any large organization, and we would like everyone to know the value we place on your hard work and dedication.

The Board thanks you and appreciates all that you do.

SCHEDULED MEETING.--The next regularly scheduled meeting will be held on August 23-24, 2017, in Austin.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 3:32 p.m.

/s/ Carol A. Felkel
Secretary to the Board of Regents

August 14, 2017