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OF
BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

Date: **Tuesday, November 12, 2002**
Time: **12:00 p.m.**
Place: **Harmony Ballrooms Two and Three, Dallas-Richardson
Renaissance Hotel, 900 East Lookout Drive, Richardson, Texas**

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Date: **Wednesday, November 13, 2002**

Time: **8:30 a.m.**

Place: **Room 1.212, Conference Center, 800 West Campbell Road, U. T. Dallas**

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ADJOURN

BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

CALENDAR

Date: **Tuesday, November 12, 2002**

Time: **12:00 p.m.**

Place: Harmony Ballrooms Two and Three,
Dallas-Richardson Renaissance Hotel,
900 East Lookout Drive, Richardson, Texas

Purpose: Convene in Open Session and Recess to Executive
Session (Working Lunch)

See Page 1, Items A - B

Time: **12:45 p.m.**

Place: Harmony Ballrooms Two and Three,
Dallas-Richardson Renaissance Hotel

Purpose: Reconvene in Open Session to Consider Action
on Executive Session Items

See Page 1, Item C

Time: **1:00 p.m.**

Place: Harmony Ballrooms Two and Three,
Dallas-Richardson Renaissance Hotel

Purpose: Annual Meeting with the Faculty Advisory Council,
Discussion of UTIMCO Issues, and Recess

See Pages 2 - 3, Items D - F

Date: **Wednesday, November 13, 2002**

Time: **8:30 a.m.**

Place: Conference Center, Room 1.212, U. T. Dallas,
Richardson, Texas

Purpose: Reconvene in Open Session to Continue Until
Completion of Business

See Pages 4 - 127, Items G - N

Telephone Numbers

President Jenifer's Office (972) 883-2201

For Calls During the Meeting (972) 883-6365

Dallas-Richardson Renaissance Hotel (972) 367-2000
900 East Lookout Drive

AGENDA FOR MEETING
OF
BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

Date: **Tuesday, November 12, 2002**

Time: 12:00 p.m.

Place: Harmony Ballrooms Two and Three, Dallas-Richardson Renaissance Hotel, 900 East Lookout Drive, Richardson, Texas

A. CALL TO ORDER

B. 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 - Section 551.071

a. U. T. Health Science Center - Houston: Proposed Settlement of Medical Liability Claim

b. U. T. System: Discussion of Legal Issues Related to Key Person Life Insurance Policies

c. U. T. System and U. T. Austin: Discussion of Pending Litigation (Justice for All v. Faulkner, et al.)

d. U. T. System: Consultation with Attorney Regarding Legal Issues

2. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074

a. U. T. System: Consideration of Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment and Duties of Officers or Employees

b. U. T. System: Consideration of Personnel Matters Relating to Evaluation of Presidents and U. T. System Executive Officers

C. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEMS (ITEM B)

D. ANNUAL MEETING WITH OFFICERS OF THE U. T. SYSTEM FACULTY
ADVISORY COUNCIL

AGENDA

1. Introductions
2. Chairperson's Report and Overview
3. Executive Committee and Standing Committee Remarks and Recommendations
 - a. Faculty Satisfaction Survey
Dr. James Bartlett, U. T. Dallas, Co-Chair, Faculty Quality Committee
 - b. Technology Transfer: Patents, Start-ups, and Intellectual Property
Dr. Lisa-Ann Wuermsler, U. T. Southwestern Medical Center - Dallas, Co-Chair, Health Affairs Committee
 - c. Faculty Development Leaves
Dr. Dennis Reinhartz, U. T. Arlington, Co-Chair, Governance Committee
 - d. Executive Leadership and Planning Committees
Dr. Robert S. Nelsen, U. T. Dallas, Chair, Faculty Advisory Council

BACKGROUND INFORMATION

The University of Texas System Faculty Advisory Council was established in 1989 to provide a forum for communicating ideas and information between faculty, the Board of Regents, and the Executive Officers of U. T. System. Council guidelines require that recommendations have a multicomponent focus and that the Council explore individual campus issues with component administrators prior to any consideration. The Faculty Advisory Council consists of two faculty representatives from each U. T. System component institution enrolling students and meets quarterly, usually in Austin. The Standing Committees of the Council are: Academic Affairs, Faculty Quality, Governance, and Health Affairs.

Council members scheduled to attend are:

Chair: Robert S. Nelsen, Ph.D., U. T. Dallas

Past-Chair: Betty Travis, Ph.D., U. T. San Antonio

Chair-Elect: Terese Verklan, Ph.D., U. T. Health Science Center - Houston

Academic Affairs Co-Chairs: Bruce P. Palka, Ph.D., U. T. Austin
Cindy Brown, Ph.D., U. T. Pan American

Faculty Quality Co-Chair: James Bartlett, Ph.D., U. T. Dallas

Governance Co-Chairs: Tom Chrzanowski, Ph.D., U. T. Arlington
Dennis Reinhartz, Ph.D., U. T. Arlington

Health Affairs Co-Chairs: Lisa-Ann Wuermsler, M.D., U. T. Southwestern
Medical Center - Dallas

E. DISCUSSION AND POSSIBLE ACTION ON ISSUES RELATED TO THE
UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY (UTIMCO)
(Presentation materials immediately follow this page.)

1. Proposed Amendments to Investment Policy Statements Including
Asset Allocation, Distribution Rate, and Use of Derivatives and Hedge
Funds
Mr. Bob Boldt and Ms. Cathy Iberg
2. Comments from Cambridge Associates on Investment Return
Assumptions, Policy Asset Mix, and UTIMCO Performance
Mr. Bruce Myers
3. New UTIMCO Organizational Structure and 2003 Budget
Mr. Bob Boldt
4. Communications between UTIMCO and Board of Regents
Mr. Bob Boldt

F. RECESS

AGENDA FOR MEETING
OF
BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

Date: **Wednesday, November 13, 2002**

Time: 8:30 a.m.

Place: Conference Center, Room 1.212, U. T. Dallas

- G. RECONVENE IN OPEN SESSION

- H. WELCOME BY PRESIDENT JENIFER

- I. APPROVAL OF MINUTES OF REGULAR MEETING HELD AUGUST 7-8, 2002,
 AND SPECIAL MEETING HELD SEPTEMBER 21, 2002

- J. SPECIAL ITEMS

- 1. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter II to Amend Chancellor, Executive Vice Chancellor, and Vice Chancellor Positions; Add the Position of Vice Chancellor for Administration; and Amend Section 16, Subsection 16.2 (Reporting) Related to the Presidents of the Component Institutions

RECOMMENDATION

It is recommended that the Regents' Rules and Regulations, Part One, Chapter II be amended as set forth in congressional style beginning on Page 5.

- a. Amend Section 3, Subsection 3.2, regarding the primary duties and responsibilities of the Chancellor to add new Subdivisions 3.29 through 3.31 as follows:

3.2 Primary Duties and Responsibilities of the Chancellor

The Chancellor, by delegation from the Board, is authorized to exercise the powers and authorities of the Board in the governance of the System. The Chancellor will normally act through the officers of the System regarding the matters delegated to them by these Rules. The Chancellor, however, shall not be precluded from any direct participation and communication with System Administration officers or staff, institutional officers or staff, faculty members, and groups. The major duties of the Chancellor include:

...

3.29 Appointing the Executive Vice Chancellors and Vice Chancellors, and taking administrative action and terminating employment regarding these positions.

3.30 Nominating candidates for the position of System Director of Audits for appointment by the Board, as outlined in Subsection 3.3 of this Chapter.

3.31 Appointing the System-wide Compliance Officer, as outlined in Subsection 3.4 of this Chapter.

- b. Amend Section 4, Subsection 4.1, regarding the appointment of the Executive Vice Chancellor for Academic Affairs, to read as follows:

4.1 Appointment

The Executive Vice Chancellor for Academic Affairs shall be appointed by the Chancellor [~~after discussion with the Board~~]. The Executive Vice Chancellor for Academic Affairs shall hold office without fixed term, subject to the pleasure of the Chancellor. [~~The Chancellor's actions concerning the Executive Vice Chancellor for Academic Affairs are subject to review by the Board.~~]

- c. Amend Section 5, Subsection 5.1, regarding the appointment of the Executive Vice Chancellor for Business Affairs, to read as follows:

5.1 Appointment

The Executive Vice Chancellor for Business Affairs shall be appointed by the Chancellor [~~after discussion with the Board~~]. The Executive Vice Chancellor for Business Affairs shall hold office without fixed term, subject to the pleasure of the Chancellor. [~~The Chancellor's actions regarding the Executive Vice Chancellor for Business Affairs are subject to review by the Board.~~]

- d. Amend Section 6, Subsection 6.1, regarding the appointment of the Executive Vice Chancellor for Health Affairs, to read as follows:

6.1 Appointment

The Executive Vice Chancellor for Health Affairs shall be appointed by the Chancellor [~~after discussion with the Board~~]. The Executive Vice Chancellor for Health Affairs shall hold office without fixed term, subject to the pleasure of the Chancellor. [~~The Chancellor's actions concerning the Executive Vice Chancellor for Health Affairs are subject to review by the Board.~~]

- e. Amend Section 7, Subsection 7.1, regarding the appointment of the Vice Chancellor and General Counsel, to read as follows:

7.1 Appointment

The Vice Chancellor and General Counsel shall be appointed by the Chancellor [~~after discussion with the Board~~]. The Vice Chancellor and General Counsel shall hold office without fixed term, subject to the pleasure of the Chancellor. [~~The Chancellor's actions regarding the Vice Chancellor and General Counsel are subject to review by the Board.~~]

- f. Amend Section 8, Subsection 8.1, regarding the appointment of the Vice Chancellor for Governmental Relations, to read as follows:

8.1 Appointment

The Vice Chancellor for Governmental Relations shall be appointed by the Chancellor [~~after discussion with the Board~~]. The Vice Chancellor for Governmental Relations shall hold office without fixed term, subject to the pleasure of the Chancellor. [~~The Chancellor's actions regarding the Vice Chancellor for Governmental Relations are subject to review by the Board.~~]

- g. Amend Section 9, Subsection 9.1, regarding the appointment of the Vice Chancellor for Development and External Relations, to read as follows:

9.1 Appointment

The Vice Chancellor for Development and External Relations shall be appointed by the Chancellor [~~after discussion with the Board~~]. The Vice Chancellor for Development and External Relations shall hold office without fixed term, subject to the pleasure of the Chancellor. [~~The Chancellor's actions regarding the Vice Chancellor for Development and External Relations are subject to review by the Board.~~]

- h. Amend Section 10, Subsection 10.1, regarding the appointment of the Vice Chancellor for Federal Relations, to read as follows:

- 10.1 Appointment

- The Vice Chancellor for Federal Relations shall be appointed by the Chancellor ~~[after discussion with the Board]~~. The Vice Chancellor for Federal Relations shall hold office without fixed term, subject to the pleasure of the Chancellor. ~~[The Chancellor's actions regarding the Vice Chancellor for Federal Relations are subject to review by the Board.]~~

- i. Amend Section 11, Subsection 11.1, regarding the appointment of the Vice Chancellor for Health Affairs, to read as follows:

- 11.1 Appointment

- The Vice Chancellor for Health Affairs shall be appointed by the Executive Vice Chancellor for Health Affairs after approval by the Chancellor ~~[and after discussion with the Board]~~. The Vice Chancellor for Health Affairs shall hold office without fixed term, subject to the pleasure of the Executive Vice Chancellor for Health Affairs and the Chancellor. ~~[The actions of the Executive Vice Chancellor for Health Affairs and the Chancellor concerning the Vice Chancellor for Health Affairs are subject to review by the Board.]~~

- j. Amend Section 12, Subsection 12.1, regarding the appointment of the Vice Chancellor for Community Relations, to read as follows:

- 12.1 Appointment

- The Vice Chancellor for Community Relations shall be appointed by the Chancellor ~~[after discussion with the Board]~~. The Vice Chancellor for Community Relations shall hold office without fixed term, subject to the pleasure of the Chancellor. ~~[The Chancellor's actions regarding the Vice Chancellor for Community Relations are subject to review by the Board.]~~

- k. Amend Section 13, Subsection 13.1, regarding the appointment of the Vice Chancellor for Special Engineering Programs, to read as follows:

- 13.1 Appointment

- The Vice Chancellor for Special Engineering Programs shall be appointed by the Chancellor ~~[after discussion with the Board]~~. The Vice Chancellor for Special Engineering Programs shall hold office without fixed term, subject to the pleasure of the Chancellor. ~~[The Chancellor's actions regarding the Vice Chancellor for Special Engineering Programs are subject to review by the Board.]~~

- I. Add a new Section 7, relating to the position of the Vice Chancellor for Administration, as follows:

Sec. 7. Vice Chancellor for Administration

The Vice Chancellor for Administration reports to the Chancellor and is responsible for administrative matters related to the policies and systems of The University of Texas System Administration. The Vice Chancellor for Administration acts as the liaison between the Office of the Chancellor and communities and customers served, as requested by the Chancellor. The Vice Chancellor for Administration has direct access to the Board of Regents of The University of Texas System and is expected to work directly with appropriate committees of the Board in discharging the duties of the office.

7.1 Appointment

The Vice Chancellor for Administration shall be appointed by the Chancellor and shall hold office without fixed term, subject to the pleasure of the Chancellor.

7.2 Duties and Responsibilities

The primary responsibilities of the Vice Chancellor for Administration include:

- 7.21 Serving as primary contact from the Office of the Chancellor for administrative matters related to U. T. System strategic and operational initiatives.
- 7.22 Representing the Office of the Chancellor on committees and task forces with state, federal and executive entities.
- 7.23 Collaborating with U. T. System leaders to promote and enhance organizational effectiveness and efficiency through development and deployment of processes, systems, and procedures in accordance with System mission, and Regental and System goals, policies, and directiveness.
- 7.24 Completing special projects as directed by the Chancellor.
- 7.25 Directing the preparation, analysis, monitoring, and evaluation of activities and recommendations that ensure the goals of the U. T. System are being met from the perspective of the Office of the Chancellor.
- 7.26 Assessing efficiency of organizational structure and systems.
- 7.27 Participating in the development of U. T. System strategic plans and programs as the representative of the Chancellor.

- 7.28 Providing technical/professional advice, knowledge, and assistance to the Chancellor regarding ongoing and proposed administrative activities within the U. T. System.
- 7.29 Serving as the primary liaison to the Office of the Board of Regents on administrative issues and joint projects.
- 7.2(10) Performing such other duties as may be assigned by the Chancellor.

m. Amend Section 16, Subsection 16.2 and add new Subsection 16.3, relating to presidents of component institutions, to read as follows:

16.2 Reporting

~~The [Each] president reports to and is responsible to the Executive Vice Chancellor having responsibility for the institution [and serves without fixed term, subject to the pleasure of the appropriate Executive Vice Chancellor and approval by the Chancellor and the Board].~~ The president has access to the Chancellor and is expected to consult with the appropriate Executive Vice Chancellor and the Chancellor on significant issues on an as needed basis.

16.3 Term and Removal from Office

~~The president serves without fixed term, subject to the pleasure of the appropriate Executive Vice Chancellor and approval by the Chancellor and the Board.~~ When circumstances warrant or require such action, the Chancellor may take interim action involving a president, including but not limited to suspension or leave of absence, pending approval by the Board.

n. Renumber current Section 16, Subsection 16.3, relating to duties and responsibilities of presidents, as Subsection 16.4.

o. Reorder sections as appropriate to display Vice Chancellor titles in alphabetical order and renumber remaining sections accordingly.

BACKGROUND INFORMATION

Amendment of the Regents' Rules and Regulations, Part One, Chapter II, concerning duties of the Chancellor and the job descriptions for several U. T. System Executive Officers, are proposed as follows:

- Amend Section 3, Subsection 3.2 to make clear that it is the Chancellor's responsibility to appoint the Executive Vice Chancellors and Vice Chancellors, to take administrative action, and to terminate individuals in

these positions; to make nominations to the Board for the position of System Director of Audits; and to appoint the System-wide Compliance Officer. These suggested amendments are not a change in authority or operating practice but provide clarifications suggested by Chairman Miller and Chancellor Yudof.

- Delete language in current Sections 4 - 13 that states that the Chancellor's actions concerning the Executive Vice Chancellors and Vice Chancellors is subject to Board review and that discussion with the Board is required prior to these appointments.

The approval of the terms of employment agreements for these positions will continue to be submitted to the Board via the Docket for a finding that the agreement is in the "best interest" of the U. T. System as required by Texas Education Code Section 51.948 and noted in Part One, Chapter I, Section 9, Subsection 9.2, Subdivision 9.28, Subparagraph 9.282 of the Regents' Rules and Regulations.

- Add language detailing the responsibilities for the new position of Vice Chancellor for Administration.
- Reorder and renumber Vice Chancellor position titles for display in alphabetical order.
- Add language to Section 16, Subsection 16.3 to authorize the Chancellor to take interim action involving a president when circumstances warrant or require such action.

The proposed amendments are supported by the Chairman and the Chancellor and have been reviewed by the Vice Chancellor and General Counsel.

2. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter I, Section 9, Subsection 9.2 (Delegation of Authority to Execute and Deliver Contracts, Agreements, and Documents), Subdivisions 9.22 and 9.25

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 Regents' Rules and Regulations, Part One, Chapter I, Section 9,

Subsection 9.2, Subdivision 9.22, regarding approval of contracts valued at more than \$1 million, and Subdivision 9.25, regarding delegation of authority, be amended as set forth below in congressional style:

9.2 Delegation of Authority to Execute and Deliver Contracts, Agreements, and Documents

...

9.22 Requirements Related to Board Approval

All contracts or agreements, including purchase orders and vouchers, with a cost or monetary value to the U. T. System Administration or the component institution of more than \$1 million must be approved by the Executive Committee of the Board or approved by the Board via the Docket or the Agenda except the following, which do not require prior approval by the Executive Committee of the Board or the Board regardless of the contract amount:

...

9.22(10) Contracts or agreements for the purchase or license of library books and library materials.

...

9.25 The primary delegate identified in these Rules and Regulations or in an official Board action may further delegate his or her delegated authority unless otherwise specified. Any such further delegation of authority must be made in writing and the primary delegate shall permanently maintain, or cause to be maintained, evidence of all such delegations. A delegate of the primary delegate may not further delegate such authority.

.....

BACKGROUND INFORMATION

Part One, Chapter I, Section 9, Subsection 9.2, Subdivision 9.22 of the Regents' Rules and Regulations limits an authorized delegate's authority to sign contracts on behalf of the U. T. Board of Regents to contracts with a value of \$1 million or less, except in the case of certain enumerated types of contracts.

Proposed addition of language at Subparagraph 9.22(10) eliminates the requirement for Board approval of contracts for the purchase or license of library books and library materials. Compliance with other contracting requirements, as provided in Business Procedures Memorandum 48, will continue to be required.

Although a contract for the acquisition of library books and library materials does not clearly fall within one of the exceptions allowing delegated approval, such purchases are critical to the academic and research missions of the U. T. institutions, and often a particular journal, book, or other library material is available from only one source.

The libraries of the U. T. System institutions have collaborated in acquiring materials for the U. T. Digital Library since 1994. Because of the System-wide nature of many of the contracts for library books and materials for the U. T. Digital Library, some of the contracts exceed the \$1 million threshold. In addition, at some component institutions, purchasing agreements for routinely acquiring printed books and journals are approaching the limitation on delegated authority.

Proposed amendment of the Regents' Rules and Regulations, Part One, Chapter I, Section 9, Subsection 9.2, Subdivision 9.25 will allow delegates identified in all official Board actions to make further limited delegation of authority as currently authorized by this Subdivision for delegates identified in the Regents' Rules and Regulations.

Both amendments were reviewed by the Finance and Planning Committee in October 2002.

3. U. T. Board of Regents: Proposed Amendments to the Guidelines for the Santa Rita Award and Inclusion of Guidelines in the Regents' Rules and Regulations, Part One, Chapter I

RECOMMENDATION

It is recommended that the "Guidelines for the Santa Rita Award" adopted by the Board in June 1967 be amended as set forth below in congressional style to conform to current selection practices. It is also recommended that the Regents' Rules and Regulations, Part One, Chapter I be amended to include the amended Guidelines as new Section 11.

Guidelines for the Santa Rita Award

I. Standards

A System-wide award that [~~which~~] may be made annually to an individual who has made valuable contributions over an extended period to The University of Texas System in its developmental efforts. An individual is defined as a person, as opposed to a corporation, charitable trust, foundation, and like entities. The recipient may be judged on the basis of a broad list of criteria, primary among which will be a [~~his~~] demonstrated concern for the principles of higher education generally, as well as deep commitment to the furtherance of the purposes and objectives of The University of Texas System specifically.

Participation by the recipient in the affairs of the System shall be of such character and purpose to serve as a high example of selfless and public-spirited service. Of particular interest will be the effect that such individual activity may have engendered similar motivation from other public and private areas toward the University System.

II. General Conditions

- A. The award, to be known as the "Santa Rita Award," will consist of a medallion ~~[and a leather bound edition of Santa Rita – The Highest Award,]~~ to be presented no more frequently than annually~~[, preferably on or about May 28, the anniversary date of Santa Rita Number 1].~~
- B. The award shall be made on behalf of the Board of Regents of The University of Texas System.
- C. ~~[To be eligible an]~~ An individual ~~[must be nominated annually, but]~~ may receive the award only once.
- D. Posthumous awards may be given.
- E. No member of the Board of Regents shall be eligible to receive the Santa Rita Award until the termination of the member's ~~[his]~~ service.

III. ~~[Awards Committee]~~

~~The Santa Rita Awards Committee shall be composed of:~~

~~three members of the Board of Regents appointed annually by the Chairman of the Board of Regents;~~

~~the Chancellor of The University of Texas System;
and the Director for Development of The University of Texas System, as ex-officio secretary to the committee without vote.~~

~~To the greatest extent possible, the identity of the appointed members of the committee shall be kept confidential. Communications to and from the committee shall be through the Director for Development or, if this is impracticable, the Chancellor.~~

IV.] Nominations for Awards

- A. Nominations for the award shall be forwarded to the Chairman of the Board of Regents or the Counsel and Secretary to the Board (Office of the Board of Regents, The University of Texas System, 201 West

Seventh Street, Suite 820, Austin, Texas 78701-2981). [Awards Committee through the Director for Development (Box 8060, University Station, Austin 78712).

~~Nominations made by members of the faculty or staff of The University of Texas System must be forwarded through the head of the member's component institution. The institutional head may attach such comments and recommendations as he deems advisable.]~~

- B. The nominator shall provide such supporting information and documentation as may be requested ~~[required]~~ by the Chairman or the Counsel and Secretary to the Board ~~[committee]~~.

~~[C. Deadline for such nominations shall be January 15 of each year.]~~

IV[V]. Selection of Awardees

Awards shall be made, upon ~~[the]~~ recommendation of the Chairman of the Board following consultation with others including the Chancellor and other appropriate U. T. System officials ~~[Awards Committee]~~, by a majority vote of members present at a Board of Regents' meeting at which a quorum is present.

BACKGROUND INFORMATION

The "Guidelines for the Santa Rita Award" were adopted by the Board of Regents in June 1967 and amended in September 1973 and December 1975. The Guidelines contemplate that the award will be made every year, while actual practice has this prestigious award made as distinguished and deserving recipients are identified. While the anniversary date of Santa Rita No. 1 will be considered in the timing of the award, it is not always feasible to present the award "on or about May 28." The proposed amendments provide clarification to the awards process and conform the policy to actual practice that assures that the selection of an awardee is made in a public meeting as required by the Texas Open Meetings Act. The proposed amendments have been reviewed and approved by the Chancellor, the Vice Chancellor for Development and External Relations, and the Vice Chancellor and General Counsel. To provide ready access to the Guidelines, it is proposed they be added to the Regents' Rules and Regulations, Part One, Chapter I as a new Section 11.

This item was reviewed by the Academic Affairs Committee and the Health Affairs Committee in October 2002.

4. U. T. Board of Regents: Proposed Amendment to the Regents' Rules and Regulations, Part One, Chapter III, Section 13 (Outside Employment and Nonelective Positions of Honor, Profit, or Trust) to Add New Subsection 13.(10) (Service on Outside Boards)

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 Regents' Rules and Regulations, Part One, Chapter III, Section 13, regarding outside employment and nonelective positions of honor, profit, or trust, be retitled and amended as set forth below in congressional style:

- Sec. 13. Outside Employment, Service on Outside Boards, and Nonelective Positions of Honor, Profit, or Trust

...

13.(10) Service on Outside Boards

It is recognized that the Chancellor and other Executive Officers of the System and the Presidents of component institutions may be asked to serve on the boards, councils or other governing or advisory bodies ("outside boards") of various business, civic, professional, and social organizations, both for profit and not-for-profit, and in compensated and noncompensated positions. Such service is generally deemed to be in the best interest of the System and the component institutions because it broadens the experience of the individuals involved and exposes the System and its component institutions to a larger audience of business, civic, professional, and social leaders.

To avoid conflicts of interest and to ensure that outside service does not distract from employment duties and obligations, the Chancellor shall promulgate a policy concerning approval of service on outside boards. The Chancellor shall provide a copy of the policy to the Board and shall notify the Board of any significant changes to the policy. Requests for approval of service on outside boards by the Chancellor or the Counsel and Secretary to the Board shall be made to the Chairman.

BACKGROUND INFORMATION

The proposed amendment of the Regents' Rules and Regulations, Part One, Chapter III, Section 13 to add new Subsection 13.(10), regarding service on outside boards, outlines the requirement of approval for service pursuant to a policy to be promulgated by the Chancellor and provided to the U. T. Board of Regents.

This item was reviewed by the Finance and Planning Committee in October 2002.

5. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter III, Section 33 (Retirement and Modified Service)

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 Regents' Rules and Regulations, Part One, Chapter III, Section 33, relating to retirement and modified service, be amended as set forth below in congressional style:

Sec. 33. Retirement and Modified Service

...

33.2 Appointment of Retired Person

The [~~Board of Regents, upon the recommendation of the appropriate Executive Vice~~] Chancellor or [~~Chancellor and, when appropriate,~~] the president, as appropriate, [~~of the affected component institution,~~] may appoint a person who has retired to modified service. Retirement is defined as withdrawal from employment with the U. T. [~~The University of Texas~~] System or a component institution with a retirement benefit.

- 33.3 Finding of Best Interest Required [~~Benefit to the System Recommendation for, and appointment to,~~] Appointment to modified service shall be made only if the Chancellor or president finds the service of the individual is in the best interest of [~~will result in a significant benefit to~~] the System or a particular component institution.

- 33.4 Terms of Appointment to Modified Service
Appointment to modified service shall be without tenure, and for not more than one academic year [~~and shall not exceed one half time~~]. Appointments for Teacher Retirement System participants will be made in compliance with applicable law. The notice provisions of Subsection 6.7 of this Chapter shall not apply to nonrenewal of such appointments. If the System or a component institution determines that it is to the benefit of the System or the institution, it may offer reappointment to modified service.
- [~~33.5 Duties, Workload, and Compensation
The duties, workload, salary rate, or compensation of an individual on modified service shall be in accordance with policies and procedures of The University of Texas System or the component institution.~~
- 33.6 Exceptions
~~Upon recommendation of the appropriate Executive Vice Chancellor, the Chancellor and, when appropriate, the president of the affected component institution, the Board of Regents may, by unanimous vote of the members present, make exceptions to this Section in special cases when the Board finds that the services of a particular individual will be of unique benefit to the System or a component institution.]~~

BACKGROUND INFORMATION

The proposed amendments to the Regents' Rules and Regulations, Part One, Chapter III, Section 33, Subsection 33.2, delegate authority for U. T. System and institutional appointments to modified service to the Chancellor or institutional presidents, as appropriate, and remove the requirement for additional approvals by U. T. System officials and the U. T. Board of Regents.

The proposed amendment to Subsection 33.3 tracks State law, which requires a finding of "best interest" regarding contracts with all higher education administrators.

Amendments to Subsection 33.4 are proposed to conform to State laws, which speak only to the conditions for rehiring or appointment of Teacher Retirement System participants.

The deletion of current Subsections 33.5 and 33.6 is proposed as these provisions simply restate the need to comply with policy and the ability of the Board to make exceptions to policy.

This item was reviewed by the Finance and Planning Committee in October 2002.

6. U. T. Board of Regents: Proposed Repeal of the Regents' Rules and Regulations, Part One, Chapter VI, Section 9 (Admission of Nonresident Students)

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 Regents' Rules and Regulations, Part One, Chapter VI, Section 9 as set forth below be repealed and that remaining sections be renumbered:

Sec. 9. Admission of Nonresident Students

No nonresident of the State of Texas shall be enrolled as a new or transfer student in any school, college, or degree-granting program at any component institution of the System when all of the three following conditions occur: (1) when there is a limitation on the number of students who will be enrolled in the class of which such nonresident would be a member if he or she were enrolled; (2) when the result of enrolling such nonresident would be to increase to greater than 10% the percentage of nonresidents enrolled in the class of which such nonresident would be a member if he or she were enrolled; and (3) when at the time of the proposed enrollment of such nonresident, admission to the school, college, or degree-granting program is being denied to one or more Texas residents who have applied for admission and who reasonably demonstrate that they are probably capable of doing the quality of work that is necessary to obtain the usual degree awarded by the school, college, or degree-granting program. It is provided, however, that the nonresident enrollment at the School of Law, The University of Texas at Austin, may be equal to 20% of each class of which nonresidents are a part provided that the admission of such nonresidents is on the basis of academic merit alone.

BACKGROUND INFORMATION

The limitation on nonresident enrollment in the current Regents' Rules and Regulations is not a complete statement of applicable State law and, as worded, has greater application than State law. State law applies only to medical and dental schools (10% cap) and law schools (20% limitation for the School of Law at U. T.

Austin) and also makes specific exceptions for degree programs not exempted in the Regents' Rules: an M.D./Ph.D. program at U. T. Southwestern Medical Center – Dallas and six-year programs in oral and maxillofacial surgery.

The suggested change will conform the Regents' Rules to State law. The Offices of Academic Affairs and Health Affairs indicate the proposed repeal will have a very minimal impact on current enrollment practices.

This item was reviewed by the Finance and Planning Committee in October 2002.

7. U. T. Board of Regents: Proposed Amendment to the Regents' Rules and Regulations, Part Two, Chapter V, Section 1, Subsection 1.2, Subdivision 1.22 (The Pay Plan)

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 Regents' Rules and Regulations, Part Two, Chapter V, Section 1, Subsection 1.2, Subdivision 1.22, Subparagraph 1.224, regarding the pay plan, be amended as set forth below in congressional style:

- 1.224 The System-wide Personnel Pay Plan shall be approved annually by the Chancellor [~~Board~~]. Subsequent changes to a component institution pay plan in a given fiscal year shall be processed as follows:
 - (a) The System Office of Human Resources shall process requested amendments to a component institution pay plan based on the impact of the change upon the System-wide Personnel Pay Plan.
 - (b) The System Office of Human Resources is authorized to approve the following proposed changes to a component institution pay plan:
 - (1) The adjustment of a salary range within the established System-wide salary range, if the change will not change the System-wide Personnel Pay Plan.
 - (2) Deletion of a title.
 - (3) Change of a title.
 - (4) Change of a code number.
 - (5) Addition of a title that is in the System-wide Personnel Pay Plan if the salary range requested is within the established System-wide salary range.

- (c) The following proposed changes to a component institution pay plan require the approval of the System Office of Human Resources and the Chancellor or his or her delegate:
 - (1) The addition of a new title that is not included in the System-wide Personnel Pay Plan.
 - (2) The addition of a title that is included in the System-wide Personnel Pay Plan at a salary range not within the established System-wide Personnel Pay Plan range for the title.
 - (3) The adjustment of a salary range that would change the established System-wide range by setting a new System-wide minimum or maximum salary.
- (d) The System Office of Human Resources shall notify a component institution of the approval or disapproval of a requested pay plan change as soon as practicable. No requested change may be implemented until authorized in writing.

BACKGROUND INFORMATION

Proposed amendment of the Regents' Rules and Regulations, Part Two, Chapter V, Section 1, Subsection 1.2, Subdivision 1.22, Subparagraph 1.224 delegates to the Chancellor the authority to approve the annual System-wide pay plan. The previous process was to submit a summary of the pay plan for approval by the Board via the Docket each August.

The annual System-wide pay plan is a compilation of component institution pay plans and any additions, deletions, and changes that have been approved during the course of a fiscal year by the System Office of Human Resources or the Chancellor, in accordance with the Regents' Rules and Regulations. The process of approving changes to the System-wide pay plan is routine in nature and occurs throughout the fiscal year as needs occur at the component institutions. Pay plan changes are planned and reviewed carefully at the component level, reviewed by System Administration officials throughout the year, and implemented by the component institutions after approval by the U. T. System Office of Human Resources or the Chancellor.

This item was reviewed by the Finance and Planning Committee in October 2002.

8. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part Two, Chapter VI, Section 9 (Deferred Compensation Plan)

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 Regents' Rules and Regulations, Part Two, Chapter VI, Section 9, relating to the Deferred Compensation Plan, be amended as set forth below in congressional style:

Sec. 9. Deferred Compensation Plan

As authorized by Texas Government Code Chapter 609, any employee may participate in the Deferred Compensation Plan administered by the Employees Retirement System and established pursuant to Section 457(b) of the Internal Revenue Code of 1986, as amended.

Further, as authorized by Texas Revised Civil Statutes Annotated Article 6228a-5, Section 3(a), the Board has established a plan pursuant to Section 457(f) of the Internal Revenue Code of 1986, as amended, for the benefit of a select group of employees. Only employees designated by the Board as eligible employees may participate in the plan.

The Board delegates to the Executive Vice Chancellor for Business Affairs the power and authority to amend the Plan consistent with applicable law and to take all action and to make all decisions and interpretations that may be necessary or appropriate to administer and operate The University of Texas System Deferred Compensation Plan (the "Plan"), as further provided in the Plan. The Executive Vice Chancellor for Business Affairs will perform, or cause to be performed, such recordkeeping functions as necessary to administer and maintain the Plan in accordance with Section 457(f) of the Internal Revenue Code, consistent with Texas Revised Civil Statutes Annotated Article 6228a-5.

BACKGROUND INFORMATION

In 1996, a Deferred Compensation Plan was established as allowed by Internal Revenue Code Section 457(f) to benefit certain senior administrators selected by the U. T. Board of Regents to participate in the Plan. The initial Plan was drafted by

tax counsel in the Office of General Counsel and approved by the Executive Vice Chancellor for Business Affairs to effect the Board's actions. Recent review of the Plan indicates the need for minor amendments, which will require the signature of an official "recordkeeper." The proposed addition to the Regents' Rules and Regulations, Part Two, Chapter VI will incorporate this benefit into Section 9 describing similar benefits and delegate, for the record, the recordkeeping responsibility for the Plan and ability to amend the Plan, consistent with applicable law, to the Executive Vice Chancellor for Business Affairs. The Counsel and Secretary to the Board will continue to work closely with the Executive Vice Chancellor for Business Affairs to assure that the Board's actions with respect to individual compensation are implemented in a timely fashion.

An item, in substantially the form proposed, was reviewed by the Finance and Planning Committee in October 2002.

9. U. T. Board of Regents: Proposed Deletion of the Regents' Rules and Regulations, Part Two, Chapter X, Section 6 Regarding Meals and Lodging for Employees

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 Regents' Rules and Regulations, Part Two, Chapter X, Section 6, regarding value of services in lieu of compensation, be deleted as set forth below in congressional style and the remaining Sections be renumbered accordingly:

[~~Sec. 6. Value of Services in Lieu of Compensation~~

~~The money values of meals, lodging, and other services that employees are authorized to receive in lieu of additional wages or salary are recommended to the president of the component institution by the chief business officer and approved by the appropriate Executive Vice Chancellor, the Chancellor, and the Board.]~~

BACKGROUND INFORMATION

The proposed deletion of outdated and unneeded language in Section 6, Chapter X, Part Two of the Regents' Rules and Regulations is the result of ongoing review of the Rules. The language was included in the Regents' Rules and Regulations prior to 1960 and approval of the value of meals, lodging, and other services "in lieu of

additional wages or salary” by the Board of Regents is no longer practical or desirable. These valuation matters are handled pursuant to advice of tax counsel, following established federal laws and regulations.

This item was reviewed by the Finance and Planning Committee in October 2002.

10. U. T. System: Report of Summary of Gift Acceptance Conforming to Board Policy for June 1, 2002 Through August 31, 2002

REPORT

The Summary of Gift Acceptance for the U. T. System for the period June 1, 2002 through August 31, 2002 is set forth below. The report includes 134 items conforming to Board policy including the acceptance of \$23,030,930 in gifts and other transfers of funds and Board-held matching funds totaling \$2,419,460. 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>ITEMS</u>	<u>COMPONENT INSTITUTION</u>	<u>TOTAL VALUE</u>
3	U. T. System Administration	\$ 70,000
15	U. T. Arlington	233,890
49	U. T. Austin	15,172,911 *
---	U. T. Brownsville	---
---	U. T. Dallas	---
13	U. T. El Paso	355,484 *
---	U. T. Pan American	---
4	U. T. Permian Basin	40,000
2	U. T. San Antonio	24,880
1	U. T. Tyler	10,000
8	U. T. Southwestern Medical Center - Dallas	1,203,347 *
6	U. T. Medical Branch - Galveston	1,128,394
9	U. T. Health Science Center - Houston	820,000
4	U. T. Health Science Center - San Antonio	870,000
19	U. T. M. D. Anderson Cancer Center	3,073,724
<u>1</u>	U. T. Health Center - Tyler	<u>28,300</u>
134	TOTAL	\$ 23,030,930

* Not included in total:

U. T. Austin: \$1,374,583.12 transfers of endowment and charitable trust funds; and

U. T. El Paso: \$239,465.78 transfer of charitable trust funds; and

U. T. Southwestern Medical Center - Dallas: \$805,411.42 of Board-held matching funds.

K. 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
Vice-Chairman Clements, Vice-Chairman Hunt, Vice-Chairman Riter
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Finance and Planning Committee: Chairman Hunt
Regent Estrada, Regent Krier, Regent Oxford, Regent Riter
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Academic Affairs Committee: Chairman Krier
Regent Estrada, Regent Hunt, Regent Oxford
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Health Affairs Committee: Chairman Oxford
Regent Clements, Regent Craven, Regent Sanchez
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Facilities Planning and Construction Committee: Chairman Clements
Regent Craven, Regent Riter, Regent Sanchez
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