



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

February 8-9, 2017
Austin, Texas

Board Meeting **Page**

Wednesday, February 8, 2017

COMMITTEE MEETINGS

9:30 a.m. - 11:45 a.m.

CONVENE THE BOARD IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551 (Working lunch at noon)

11:45 a.m.

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

U. T. Health Science Center - Tyler: Periodic comprehensive performance review of institutional president (Regents' Rules and Regulations, Rule 20201, Section 5, regarding Evaluation of Presidents)

- 2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071

U. T. System: Discussion regarding legal issues related to funding mechanisms that can assist U. T. System institutions in building philanthropic capacity to support their respective missions

RECONVENE THE BOARD IN OPEN SESSION

1:30 p.m.

RECESS TO COMMITTEE MEETINGS

1:30 p.m. – 4:30 p.m.

	Board Meeting	Page
<u>Thursday, February 9, 2017</u>		
RECONVENE THE BOARD IN OPEN SESSION TO CONSIDER AGENDA ITEMS	<i>9:00 a.m.</i>	
1. U. T. System Board of Regents: Approval of Consent Agenda items and consideration of any items referred to the full Board	<i>9:05 a.m.</i> Action	6
2. U. T. System Board of Regents: Discussion and appropriate action regarding proposed amendment to Regents' <i>Rules and Regulations</i>, Rule 10801 (Policy on Transparency, Accountability, and Access to Information) to add a new section regarding expectations associated with communications about achievements, significant events, and incidents to the Chancellor and to the Board	<i>9:10 a.m.</i> Action	7
3. U. T. System Board of Regents: Discussion and appropriate action related to proposed amendment to Regents' <i>Rules and Regulations</i>, Rule 20901 (Procurement of Goods and Services; Contract Management Handbook) to provide an enhanced framework for implementation of state law	<i>9:15 a.m.</i> Action	8
4. U. T. System Board of Regents: Discussion and appropriate action regarding proposed amendment to Regents' <i>Rules and Regulations</i>, Rule 40901 (Charter Schools), Section 2, regarding delegation of oversight and supervision of charter schools to the president	<i>9:20 a.m.</i> Action	10
5. U. T. System Board of Regents: Discussion and appropriate action regarding proposed replacement of Regents' <i>Rules and Regulations</i>, Rule 70301 (Matters Relating to Real Property)	<i>9:25 a.m.</i> Action	12
6. U. T. System: Approval of a one-time allocation of \$10 million from surplus funds generated through the U. T. System Internal Lending Program to support the Quantum Leap on Student Success	<i>9:30 a.m.</i> Action <i>Deputy Chancellor Daniel Dr. Karoff</i>	24
7. U. T. System: Report on development performance for the U. T. System institutions	<i>9:35 a.m.</i> Report <i>Dr. Safady</i>	29
8. U. T. System: Discussion and appropriate action to enhance funding for development operations at U. T. System institutions to increase philanthropic capacity and support their respective missions by authorizing a maximum .60% allocation (60 basis points) from the market value of the Long Term Fund and related policy issues	<i>9:55 a.m.</i> Action <i>Dr. Safady Dr. Kelley</i>	48
STANDING COMMITTEE RECOMMENDATIONS AND REPORTS TO THE BOARD	<i>10:10 a.m.</i>	

RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551

10:20 a.m.

1. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072

U. T. Austin: Discussion regarding the lease or value of property related to the Brackenridge Tract, including Lions Municipal Golf Course, Austin, Travis County, Texas

2. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073
 - a. **U. T. System Academic Institutions: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**

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

3. Deliberation Regarding Security Devices or Security Audits – Section 551.076

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

4. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071
 - a. **U. T. System Board of Regents: Discussion with Counsel on pending legal issues**

 - b. **U. T. System Board of Regents: Discussion and appropriate action regarding legal issues concerning pending legal claims by and against U. T. System**

 - c. **U. T. Austin: Discussion regarding legal issues related to the Brackenridge Tract, including Lions Municipal Golf Course, Austin, Travis County, Texas**

5. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074
 - a. **U. T. Health Science Center - Houston: Discussion and appropriate action regarding proposed increase in compensation for Kenneth B. Mathis, M.D., Visiting Associate Professor, Department of Orthopedic Surgery (*Regents' Rules and Regulations*, Rule 20204, regarding compensation for highly compensated employees)**

- b. 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 (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 and institutional employees**

RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS

12:00 p.m.

ADJOURN

12:15 p.m.

1. **U. T. System Board of Regents: Approval of Consent Agenda items and consideration of any items referred to the full Board**

RECOMMENDATION

The Board will be asked to approve the [Consent Agenda](#) items and will discuss any items referred for consideration by the full Board.

2. **U. T. System Board of Regents: Discussion and appropriate action regarding proposed amendment to Regents' Rules and Regulations, Rule 10801 (Policy on Transparency, Accountability, and Access to Information) to add a new section regarding expectations associated with communications about achievements, significant events, and incidents to the Chancellor and to the Board**

RECOMMENDATION

The Chancellor, the Deputy Chancellor, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel concur in the recommendation of the General Counsel to the Board of Regents that previous University of Texas System Administration Policy UTS178, *Required Reporting of Significant Events*, be replaced with a new section in Regents' Rules and Regulations, Rule 10801, as set forth below in congressional style, regarding expectations associated with communications about achievements, significant events, and incidents to the Chancellor and to the Board.

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Sec. 3 **Importance of Communication. To enhance and assist the Board of Regents in its duties and responsibilities, the Board and the Chancellor expect to be informed of significant matters within the U. T. System Administration and each U. T. System institution. Significant matters include those matters, which in the exercise of individual best judgment, have the potential to impact the reputation of the institution in a substantial manner and/or to generate substantial public interest or concern.**

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Remaining sections of the Regents' Rule will be renumbered.

BACKGROUND INFORMATION

In 2012, the former Chancellor and the former Chairman of the Board led an effort to establish a Systemwide policy detailing expectations related to enhanced communications to assure that the Board was provided with timely information needed to discharge governance and oversight responsibilities. Such enhanced communication and reporting has become routine but the current policy language has led to burdensome over-reporting on occasion. The recommended replacement of the policy with guidance in the Regents' Rules is intended to maintain a structure and expectation surrounding the communication of significant matters to appropriate officials. In making determinations, it is suggested that only those matters that need personal notice to the Chancellor or President require reporting.

This agenda item was reviewed by the U. T. System institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

3. **U. T. System Board of Regents: Discussion and appropriate action related to proposed amendment to Regents' Rules and Regulations, Rule 20901 (Procurement of Goods and Services; Contract Management Handbook) to provide an enhanced framework for implementation of State law**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Rule 20901 (Procurement of Goods and Services; Contract Management Handbook) be amended as set forth below in congressional style to provide an enhanced framework for implementation of state law:

Sec. 1 Purpose. This Rule establishes policies required by state law concerning the acquisition of certain goods and services.

Sec. 2 Code of Ethics. As required by Texas Education Code Section 51.9337(b)(1), the Board has adopted a Code of Ethics found in Regents' Rule 30104 (Conflict of Interest, Conflict of Commitment, and Outside Activities) and implemented through associated U. T. Systemwide policies.

Sec. 3 Internal Investigations and Audit Protocols. As required by Texas Education Code Section 51.9337(b)(2), the Board has adopted policies for internal investigations and internal audit protocols, found in Regents' Rule 20401 (Audit and Compliance Programs).

Sec. 44 Contract Management Handbook. As required by Texas Education Code Section 51.9337(b)(3), Each each institution and U. T. System Administration shall develop and maintain a Contract Management Handbook that provides consistent contracting policies and procedures, including a risk analysis procedure.

4.1 The Contract Management Handbook shall establish contract review procedures and a contract review checklist approved by the Office of General Counsel. The review procedures and checklist must include:

- (a) a description of each step of the procedure used to evaluate and process contracts;
- (b) a checklist that describes each process that must be completed before contract execution; and
- (c) a value threshold that initiates required review by legal counsel unless the contract is a standard contract previously approved by counsel.

4.2 Contract and Performance Monitoring. The Contract Management Handbook shall establish procedures to ensure the Board of Regents

is notified of any serious issue or risk that is identified with respect to certain contracts as required under *Texas Government Code* Section 2261.253(c).

Contracts shall be monitored in accordance with the institution's policies and Contract Management Handbook.

4.3 Notice to the Board. As required by *Texas Government Code* Section 2261.255(2), the Contract Management Handbook shall establish a procedure to assure the submission to the Board of any information on any potential issue that may arise in the solicitation, purchasing, or contractor selection process for any contract with a value exceeding \$5 million.

Sec. 5 Required Training. As required by *Texas Education Code* Section 51.9337(b)(5), each institution and U. T. System Administration shall develop training for officers and employees authorized to execute contracts for the institution or to exercise discretion in awarding contracts, including training in ethics, selection of appropriate procurement methods, and information resources purchasing technologies. Training shall be conducted in accordance with the institution's Contract Management Handbook.

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Remaining sections of the Regents' Rule will be renumbered.

BACKGROUND INFORMATION

The proposed changes to Regents' Rule 20901 incorporate several requirements found in Senate Bill 20 from the 2015 Legislative Session, relating to state agency contracting. This Rule was initially revised in November 2015 to reference the required Contract Management Handbook. The current proposed amendments provide an enhanced framework for implementation of the new state laws added to the *Texas Government Code* and *Texas Education Code* by Senate Bill 20, and are intended to ensure robust oversight and compliance.

The changes identify existing and revised Regents' Rules and Systemwide policies that comply with Senate Bill 20 requirements relating to the establishment of a code of ethics, audit protocols, and a process for internal investigations. The proposed additions also codify the training required under new *Texas Education Code* Section 51.9337(b)(5) and the new requirement in *Texas Government Code* Section 2261.253(c) for each state agency to establish a procedure to identify contracts that require enhanced contract or performance monitoring, to submit information on those contracts to the governing board, and to notify the governing board of any serious issue or risk identified.

This agenda item was reviewed by the U. T. System institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

4. **U. T. System Board of Regents: Discussion and appropriate action regarding proposed amendment to Regents' *Rules and Regulations*, Rule 40901 (Charter Schools), Section 2, regarding delegation of oversight and supervision of charter schools to the president**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Academic Affairs, and the Vice Chancellor and General Counsel that Regents' *Rules and Regulations*, Rule 40901 (Charter Schools), Section 2, regarding oversight and supervision of charter schools, be amended as set forth below in congressional style:

- Sec. 1 Conditions for Starting a Charter School. Upon a finding by the Chancellor, the Deputy Chancellor, and the Executive Vice Chancellor for Academic Affairs that a proposed application to operate a charter school as authorized by *Texas Education Code*, Chapter 12 meets requirements of State law and furthers the institutional mission, an institution may apply to the State Board of Education to operate a charter school. Charter school operations will adhere to all applicable provisions of State law including the *Texas Public Information Act*.
- Sec. 2 Oversight. The oversight and supervision of charter schools is delegated to the appropriate institutional president, ~~with a report to the Board each year, detailing activities and performance of the charter school.~~
- Sec. 3 Advisory Council. A board or council may be appointed by the president to advise him or her on operation of the charter school. The board or council will comply with all provisions of the *Texas Open Meetings Act* applicable to the Board of Regents.

BACKGROUND INFORMATION

Regents' Rule 40901 allows for the creation of a charter school, as authorized by *Texas Education Code*, Chapter 12, if the proposal furthers the institutional mission. The oversight and supervision of charter schools are delegated to the appropriate institutional president, with a required report to the Board each year, detailing activities and performance of the charter school. Language related to charter schools was added to the Regents' *Rules and Regulations* on August 9, 2001.

Four charter schools currently exist at three U. T. System institutions: the U. T. Elementary School and the U. T. University Charter School at U. T. Austin; the University of Texas at Tyler Innovation Academy; and the U. T. Permian Basin STEM Academy.

Amendment to Regents' Rule 40901 is proposed in response to the Chancellor's charge to U. T. System Administration staff to streamline processes and eliminate unnecessary reporting, especially for those operating units where extensive oversight is already occurring as it does for U. T. charter schools. Each university charter school is approved to operate and funded by the Texas Education Agency (TEA). Operations are overseen by a board of trustees, the chief business officer of an institution, the institutional president, and, ultimately, the TEA.

A financial report, which includes a certified audit, is prepared each year. The TEA also conducts an annual assessment of each charter school's performance on various student-related measures.

This agenda item was reviewed by the U. T. System institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

5. **U. T. System Board of Regents: Discussion and appropriate action regarding proposed replacement of Regents' Rules and Regulations, Rule 70301 (Matters Relating to Real Property)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that Regents' *Rules and Regulations*, Rule 70301 (Matters Relating to Real Property), be completely revised as set forth on the following pages.

BACKGROUND INFORMATION

Under current Regents' Rules, with the exception of The University of Texas Investment Management Company (UTIMCO) investments, Permanent University Fund (PUF) lands, and land used for institutional purposes, the Board of Regents delegates the management of real property under its ownership or control to the U. T. System Real Estate Office.

The primary purposes of the revisions are (i) to consolidate in one Rule those provisions of current Regents' Rules 10501 (Delegation to Act on Behalf of the Board) and 70301 and other policies governing real estate contracts; (ii) to grant greater authority to the institutions with regard to leasing and licensing; and (iii) to eliminate the review and approval of certain smaller real estate lease transactions. The revised Rule:

- Retains the requirement of Board approval and System Real Estate Office supervision of all contracts pertaining to the purchase/sale of real property or build-to-suit leases.
- Retains the separate authority of the University Lands Office over mineral interests and the PUF and of the Office of Development and Gift Planning Services over gifts and trusts.
- Memorializes the change from the current \$1 million threshold for Board approval of real estate contracts applicable to all institutions to individual thresholds that match each institution's dollar threshold authority for goods and services contracts. That change was previously approved by the Vice Chancellor and General Counsel, after consultation with the General Counsel to the Board of Regents, as authorized in Regents' Rule 10501, Section 2.2.16 (Increase in Board Approval Threshold).
- Retains the existing structure for the delegation of signature authority to institution Presidents and System officers, and also broadens the signature authority of the institutions to enter into leases and licenses with a monetary value below the relevant contract authority threshold and with a term not exceeding 10 years (with minimized Real Estate Office review, but retained Office of General Counsel legal review).

- More clearly details the requirement under the Regents' Rules concerning the delegation of signature authority to various institution and System officers.
- Clarifies that Rule 70301 concerning real estate contracts prevails over any more general provisions in the Regents' Rules.
- Formalizes the role of the Real Estate Office as the central depository for copies of all real estate contracts.

In connection with this proposed replacement of Regents' Rule 70301, the U. T. System real estate policies will be revised (i) to consolidate the policies into one policy, (ii) to implement the authorized delegations, and (iii) to change review procedures for smaller short-term contracts by the Real Estate Office and the Office of General Counsel.

This agenda item was reviewed by the U. T. System institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

**The University of Texas System
Rules and Regulations of the Board of Regents**

Rule: 70301

1. Title

Matters Relating to Interests in Real Property

2. Rule and Regulation

Sec. 1 Authority. *Texas Education Code* Section 65.39 provides that “The board of regents of The University of Texas System has the sole and exclusive management and control of the lands set aside and appropriated to, or acquired by, The University of Texas System.” *Texas Education Code* Section 65.34 further provides that “a contract must be approved by the Board [of Regents of The University of Texas System] or otherwise entered into in accordance with rules of the Board relating to contract authority.”

Sec. 2 Scope. This Rule governs all Real Estate Contracts, which include Real Estate Sales Contracts, Real Estate Leases, and Easements (as defined in the Definitions below). This Rule does not cover the transfer or acquisition of rights pertaining to the ownership and/or development of mineral interests (such as oil and gas leases, oil and gas transportation pipeline easements, and the transfer of royalty interests) under the administration of U. T. System’s University Lands Office.

To the extent of any conflict between the provisions of this Rule and any other provision of the Board of Regents’ *Rules and Regulations*, the provisions of this Rule shall control with respect to all Real Estate Contracts, except that Regents’ Rule 60101 shall control with respect to the acceptance and administration of gifts of real property by the Office of Development and Gift Planning Services.

Sec. 3 Title to Real Property Interests. Title to all interests in real property of every kind or nature owned, leased, or otherwise held for the use or benefit of the U. T. System or any of its institutions shall be held in the name of the “Board of Regents of The University of Texas System.”

Sec. 4 Delegation of Authority - Real Property Management.

4.1 Office of General Counsel. The negotiation and execution of Real Estate Contracts shall be done in accordance with all guidelines promulgated by the Office of General Counsel.

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Rules and Regulations of the Board of Regents**

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4.2 Real Estate Office. The Board of Regents delegates to the Real Estate Office authority to collect and account for all rents, mortgages, and other charges relating to real property managed or supervised by the Real Estate Office. All interests in real property owned, leased or otherwise held by the Board shall be administered and managed by U. T. System Administration's Real Estate Office, except the following:

- (i) Permanent University Fund (PUF) Lands, which shall be administered and managed by U. T. System Administration's University Lands Office;
- (ii) real properties used for Institutional Purposes. For purposes of this Rule, "Institutional Purposes" shall mean the duties, responsibilities, missions, and purposes of U. T. System and its institutions authorized under the *Texas Education Code*, but shall not include uses principally intended to generate funds for the institution;
- (iii) real property investments managed by UTIMCO.

4.3 Executive Director of Real Estate. The Board delegates to the Executive Director of Real Estate the authority to negotiate, execute, and deliver on behalf of the Board Real Estate Contracts and other associated documents or agreements pertaining to or regarding the transfer acceptance or acquisition of interests in real property owned, leased, or otherwise held by the Board, including real property acquired by purchase, gift, exchange, eminent domain, or bequest, and real property used for Institutional Purposes, but excluding (i) contracts pertaining to PUF Lands and (ii) leases of mineral interests that are administered by the University Lands Office.

Except as expressly provided otherwise in this Rule, the authority granted in this Section to the Executive Director of Real Estate includes the authority to:

- (i) negotiate, execute, and deliver all instruments necessary and convenient relating to (a) the management, control, purchase, sale, transfer, acquisition, and disposition of any real property or

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interests in real property owned or controlled by the Board of Regents (including, without limitation, joint, several, and undivided interests in the fee title to real property and the acquisition or sale of mineral interests not administered by the University Lands Office); (b) Easements, licenses, access rights, and permits for activities on such real property; (c) instruments relating to financing for such real properties, such as estoppel certificates requested by a third-party landlord or lender; and

- (ii) the negotiation and execution of documents and agreements commonly and reasonably undertaken in connection with the purchase, sale, lease, transfer, or other acquisition or disposition of real property, such as, without limitation, the engagement of brokers, building and environmental inspectors, appraisers, and attorneys to assist with a particular transaction, provided that the engagement of such services shall be done in accordance with the other provisions of the Regents' Rules and U. T. Systemwide policies.

4.4 Other Requirements. The Real Estate Office shall consult with the institutional chief business officer or his delegate prior to approving and executing any Real Estate Contract or associated instrument relating to real property used or to be used by a U. T. System institution for Institutional Purposes.

All Real Estate Contracts and other associated agreements approved by the Real Estate Office must be in compliance with the Campus Master Plan approved by the Board unless the matter is an Easement or other similar agreement necessary to implement projects approved by the Board of Regents in the Capital Improvement Program and the Capital Budget.

Sec. 5 Delegation of Authority - PUF Lands. The Board of Regents delegates to the Executive Vice Chancellor for Business Affairs the authority to:

- (i) execute and deliver on behalf of the Board contracts pertaining to or conveying interests in PUF Lands and in mineral interests in other lands owned or controlled by the Board of Regents; and

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- (ii) to take any action on behalf of the Board as may be necessary or desirable with regard to the management and administration of oil and gas leases and other instruments issued by the Board for Lease of University Lands regarding PUF Lands, including without limitation, promulgating forms and requiring submission of documents, records, or reports to verify gross production, and disposition and market value of the production. This authority includes all instruments necessary and convenient relating to the management, acquisition, and disposition of PUF Lands, including mineral interests, and of mineral interests in other lands owned or controlled by the Board, and licenses and surface rights for activities on PUF Lands.

Sec. 6 Delegation of Authority for Real Estate Leases. The Board of Regents delegates to each president of a U. T. System institution the authority to sign Real Estate Leases and renewals and amendments thereof for the purpose of leasing as tenant or licensing as licensee space for Institutional Purposes; provided that:

- (i) the maximum initial term for which the U. T. System institution is obligated is for 10 years or less (exclusive of any extensions or renewals requiring action by the U. T. System institution);
- (ii) the agreement contains no options to purchase the property in question;
- (iii) the agreement does not require or involve the construction or substantial completion of a new building;
- (iv) the President consults with the chief business officer of the institution prior to approving and executing any Real Estate Lease;
- (v) the Real Estate Lease has a total cost or monetary value less than the Authority Level for his or her institution and the provisions of the Real Estate Lease otherwise comply with applicable law, these Rules and Regulations, and U. T. Systemwide policies; and
- (vi) if approval by the Real Estate Office, the Office of General Counsel or the Board is required under this Rule, the

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president may not sign a Real Estate Lease until the Real Estate Office has notified the President either that (a) the contract has been approved by the appropriate U. T. System office or the Board of Regents, as applicable; or (b) the contract may be executed subject to compliance with Section 8.2 below.

- Sec. 7 Delegation of Authority - Gifts of Land. The Board of Regents delegates to the Office of Development and Gift Planning Services the administration of real property received by the Board of Regents through a bequest, an interest in an account held in trust, a gift to establish or modify an endowment (other than the PUF), a fund functioning as an endowment, or a life income or annuity fund. The Office of Development and Gift Planning Services shall promptly notify the Real Estate Office and the University Lands Office of gifts of surface and mineral estates in real property received, processed, and administered pursuant to this Section to be managed by the Real Estate Office and the University Lands Office, respectively. This Section shall not apply to current purpose gifts of surface and mineral estates in real property (other than gifts received through a bequest or a trust) or additions to an existing endowment, a fund functioning as an endowment, or a life income or annuity fund if the addition does not change or modify the purpose of the endowment or fund.

The Real Estate Office and the University Lands Office shall, in accordance with the applicable Board of Regents' Rules, accept and administer the receipt of all gifts of surface and mineral estates in real property that are not processed and administered in accordance with this Section, unless the property is used as campus property by the institution. Once the property is owned or controlled by the Board of Regents, the institution shall administer and manage such real property as is used for Institutional Purposes.

- Sec. 8 Authority Levels. The Authority Levels for Real Estate Contracts for each U. T. System institution are established by Regents' Rule 10501 and U. T. Systemwide Policy UTS145. Contracts in Excess of Authority Levels shall be subject to the following:

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- 8.1 A U. T. officer or employee must obtain prior review and approval of the Real Estate Contract by the Real Estate Office, the Office of General Counsel, and the Board of Regents to exceed the Authority Level of his or her institution.
- 8.2 If the Real Estate Office and the Office of General Counsel have previously reviewed and approved a Real Estate Contract having a total cost or value in excess of the U. T. System institution's Authority Level, a U. T. officer authorized under these Rules to sign the type of contract in question is authorized, prior to obtaining Board of Regents' approval, to execute the Real Estate Contract if the Real Estate Contract (i) is promptly submitted for Board approval, and (ii) contains a provision, approved by the Office of General Counsel, to the effect that such portion of the obligations of the institution under the contract that are in excess of the institution's Authority Level are not binding unless and until the contract is approved by the Board.
- 8.3 Real Estate Contracts negotiated or documented by the Texas Facilities Commission on behalf of a U. T. System institution that is in excess of the institution's Authority Level must be approved by the Board of Regents.

Sec. 9 Contract Terms and Valuations

- 9.1 Total Cost or Monetary Value. Please refer to the Definitions and examples hereunder.
- 9.2 Extensions and Renewals. All potential extensions or renewals provided for in a Real Estate Contract (whether automatic or requiring action by a party) shall be deemed exercised for purposes of calculating the total cost or monetary value of the contract.
- 9.3 Amendments.
 - 9.3.1 For the purpose of calculating the total cost or monetary value of a Real Estate Contract, the total cost or monetary value of any amendment or modification to the Real Estate Contract shall be

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calculated on a cumulative basis with the total cost or monetary value actually incurred, received or payable under the Real Estate Contract prior to such amendment or modification.

9.3.2 Amendments to a Real Estate Contract do not require approval by the Board unless

- (i) as to any Real Estate Contract not previously approved by the Board, the amendment increases the cumulative total cost or monetary value of the Real Estate Contract (as amended by any prior amendments) above the Authority Level of the institution;
- (ii) as to any Real Estate Contract previously approved by the Board, any amendments thereto cumulatively increase the total cost or monetary value of the contract previously approved by the Board to an amount greater than 125% of the total cost or monetary value approved by the Board, unless such cumulative increases in the total cost or monetary value are less than the Authority Level of the institution (in which case Board approval is not required); or
- (iii) Board approval is otherwise required by these *Rules and Regulations* because of the particular provisions of the amendment.

9.4 Contracts for the Same Property. Any new Real Estate Contract pertaining to substantially the same real property that was the subject of a prior Real Estate Contract between the same parties or their successors in interest shall be treated as an extension, renewal or modification of the prior Real Estate Contract for purposes of this calculation, except in such instances where the real property in question had been totally vacated by the occupant of the real property under the prior Real Estate Contract for a period of three consecutive months or more following the expiration or termination of the prior Real Estate Contract.

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- 9.5 Assurance of Authority. No officer or employee of U. T. System or any of its institutions, as an individual or as a member of any association or agency, has the power to bind U. T. System or any of its institutions by a Real Estate Contract unless the review and execution thereof is done in accordance with this Rule. The officer or employee executing any Real Estate Contract shall be responsible for assuring that he or she has the requisite authority to act on behalf of the Board and that such authority is being exercised in compliance with applicable law, the Regents' *Rules and Regulations*, and U. T. Systemwide policies. Such officer or employee is strongly encouraged to contact the Executive Director of Real Estate and the General Counsel with any questions regarding the nature and scope of the officer's or employee's authority.
- 9.6 Certification. Documents executed on behalf of the Board pursuant to authority granted under the Regents' Rules and Regulations shall not require further certification or attestation.
- Sec. 10 Record Keeping. The Board designates the Real Estate Office as the central depository for all Real Estate Contracts. Promptly following the execution of a Real Estate Contract by a U. T. System institution, the institution shall deliver to the Real Estate Office a full, complete, and accurate electronic copy of the contract, regardless of whether such contract required the review and approval of the Real Estate Office and/or the Office of General Counsel. The Real Estate Office shall promulgate policies and processes for the maintenance of such Real Estate Contracts as part of the permanent records of its office, consistent with and subject to U. T. System's general record retention policies, but in no event shall a Real Estate Contract be maintained for a period of less than four years following the expiration or sooner termination of the Real Estate Contract.
- Sec. 11 Consultation with Real Estate Office. Upon the request of a U. T. System institution, the Real Estate Office will consult with, advise, and assist the institution concerning a Real Estate Contract, regardless of the length of term, total cost, or monetary value of the contract.

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3. Definitions

Real Estate Sales Contracts. A contract for the purchase, sale, exchange, transfer, or acquisition of a fee interests in real property by U. T. System and its institutions.

Real Estate Leases. A contract for the lease, sublease, license or use of real property by U. T. System and/or its institutions, whether as landlord, tenant, subtenant, licensee, licensor, or otherwise.

Easements. The grant or acquisition by U. T. System and/or its institutions of the right to cross or use property for a specific purpose that is not terminable at the will of the grantor.

Real Estate Contracts: Real Estate Sales Contracts, Real Estate Leases, and Easements are collectively referred to in this Rule as "Real Estate Contracts." The term includes (i) all amendments and modifications of the foregoing and (ii) ancillary agreements to such contracts, such as (by way of example only) estoppel certificates and nondisturbance agreements for leases.

"Total Cost or Monetary Value" of a Real Estate Contract is the net cumulative sum of all costs and expenses to be paid or all monies to be received by a U. T. System institution over the term of the Real Estate Contract. (For example, if a U. T. System institution leased real property as tenant for a total rental of \$950,000 and was contractually obligated to build or reimburse Landlord for improvements to the premises costing an additional \$100,000 over and above the rental, the contract would have a total cost or monetary value of \$1,050,000 to U. T.; but if the landlord were obligated to pay for the improvements and received no additional monies from U. T. other than the rental, the total cost or monetary value to U. T. would be \$950,000.) Total cost or monetary value includes, without limitation, expenditures for real estate brokerage commissions, expenditures to build or pay for improvements to real property that are not included within the rental for the real property, and reasonably anticipated operating expenses (however denominated) in excess of the base rental payable by a tenant to the landlord over the term of a Real Estate Lease. Total cost or monetary value also includes (i) all operational expenses payable by the institution directly to persons not parties to the Real Estate Contract, such as utility charges or janitorial costs to a third-party service provider; and (ii) items such as ad valorem taxes that are paid directly by the institution to the governmental taxing authority.

**The University of Texas System
Rules and Regulations of the Board of Regents**

Rule: 70301

If all or part of the consideration payable under a Real Estate Contract is of an unspecified monetary value, the institution shall make a reasoned determination of whether the total cost or monetary value of the contract, in the light of the current and reasonably anticipated circumstances, is more or less than the institution's Authority Level, and such determination shall be used for the purposes of this Section. The officer or employee of the institution making such determination shall prepare and sign a written statement outlining the basis of such determination and such determination shall be preserved as part of the permanent record of the transaction.

Nonmonetary consideration (for example, the receipt of services or benefits that further an Institutional Purpose) shall be considered at its fair market value for purposes of calculating the total cost or monetary value of a Real Estate Contract. If any material part of the fair market value compensation paid or received by the Board of Regents under a Real Estate Contract is nonmonetary consideration, (i) the contract must be reviewed and approved by the Real Estate Office, and (ii) the Board shall make the final determination as to the value and sufficiency of such nonmonetary compensation.

6. **U. T. System: Approval of a one-time allocation of \$10 million from surplus funds generated through the U. T. System Internal Lending Program to support the Quantum Leap on Student Success**

RECOMMENDATION

The Chancellor, with the concurrence of the Deputy Chancellor, the Executive Vice Chancellor for Academic Affairs, and the Executive Vice Chancellor for Business Affairs, recommends a one-time allocation of \$10 million from surplus funds generated through the U. T. System Internal Lending Program to support the Quantum Leap on Student Success.

BACKGROUND INFORMATION

The future -- the economic, civic, and social well-being -- of the State of Texas depends on graduating more students with postsecondary degrees and credentials. In recognition that certain student outcomes across the U. T. System have remained stagnant and troublingly low, the Chancellor identified Student Success as the ninth Quantum Leap. He called for a new framework by which U. T. System Administration and academic institutions would work to dramatically improve student outcomes.

The result is a new blueprint for *Making a Quantum Leap in Student Success*, developed collaboratively by U. T. System Administration and institutional student success leaders. The blueprint is designed to address low-producing trends on student success through a collaborative, student-centric initiative that will be recognized throughout the nation for delivering on ambitious goals through robust metrics, policies, practices, and supports in place to enable students to successfully complete their postsecondary educations -- affordably, in a timely manner, and with demonstrated high-quality learning.

The \$10 million request from non-Available University Fund sources will allow uses of U. T. System funds necessary to make student success projects successful at the academic institutions. The funding strategy for the Student Success Quantum Leap is to start with a bold set of projects, intentionally chosen because of their evidence-driven efficacy and potential to dramatically improve student outcomes through a focus on finances, advising, and belonging.

The Executive Summary, as set forth on the following pages, provides additional information on the initiative.

Executive Summary

Request for Funds in Support of Quantum Leap #9 on Student Success

The future—the economic, civic, and social well-being—of the State of Texas depends on graduating more students with post-secondary degrees and credentials. In recognition that certain student outcomes across the U. T. System, particularly graduation rates, have remained stagnant and troublingly low, the Chancellor identified Student Success as the ninth Quantum Leap. He called for a new framework by which U. T. System administration and academic institutions would work to dramatically improve student outcomes.

The result is a new blueprint for *Making a Quantum Leap in Student Success*, developed collaboratively by the U. T. System Administration and institutional student success leaders. The blueprint is designed to address low-producing trends on student success through a collaborative, student-centric initiative that will be recognized throughout the nation for delivering on ambitious goals through robust metrics, policies, practices, and supports in place to enable students to complete their post-secondary educations—affordably, in a timely manner, and with demonstrated high-quality learning.

The U. T. System will leverage its resources to dramatically change student outcomes at the U. T. System academic institutions across the continuum of the student experience – from readiness, access, retention, graduation, and beyond—grounded in a vision for student success focused on preparation, finances, advising, and belonging. The initiative requires problem-solving with unprecedented levels of collaboration, institution-wide engagement, and shared responsibility. The design rests on a solid foundation of quality and equity, ensuring that each and every student is prepared and positioned to succeed in high-quality learning environments, supported by three pillars, and reinforced with data:

- **Finances:** The U. T. System will do everything in its power to ensure that no student drops out of college because of finances.
- **Advising:** Each and every student will receive the advising they need to follow clear pathways to degree completion and beyond.
- **Belonging:** Each and every student will feel like they belong in college. No student would be unable to persist or graduate because of a lack of engagement or a sense of not belonging.

In alignment with the Texas Higher Education Coordinating Board's *60X30TX Plan*, the U. T. System will (1) graduate more students, and (2) motivate and facilitate more students' earning degrees on time. The goal is to graduate students with the acumen and credentials to lead and succeed as workers, citizens, and community members, and the ability to navigate a complex and globally interdependent world.

Discussion

The requested funding will be awarded to the U. T. System academic institutions through a competitive process and along two funding tracks: Keystone and institution-specific projects. All funded projects are expected to address one of the three research-identified pillars that form the foundation of the Chancellor's Student Success Quantum Leap: Finances, Advising, and Belonging.

1. **Keystone Projects** are a set of evidence-driven common projects that have proven effective at universities across the United States and Texas, and in which U. T. System institutions may elect to participate. These projects include:
 - a) **Graduation Help Desks:** This project will establish one-stop shops (virtual or brick and mortar) for students who encounter barriers in the path to timely graduation and have nowhere else to turn. Staff help students graduate on time by connecting them to the right people and resources across campus. This project is modeled after a successful program at U. T. Austin, which has shown strong results in a short period of time.
 - b) **Student Success Compacts:** This project will pilot student success compacts or graduation agreements. These agreements guarantee students can graduate in four years if they satisfy a number of requirements including, taking thirty semester credit hours per year; maintaining a certain GPA; regularly meeting with their advisor; following a pre-approved degree plan, and other additional requirements. If students meet all established requirements, they are guaranteed graduation in four years; otherwise the university will pay for the additional tuition expense. These programs generally target first-time, full-time freshman. Participating U. T. System institutions will be encouraged to develop agreements for other student cohorts, including transfer students.
 - c) **Student Engagement Initiatives:** This project will enable participating U. T. System institutions to intentionally build up and work to scale high-impact practices for more of their students. High-Impact Practices (HIPs) are engaged learning experiences that occur both in and beyond the classroom, and that have proven to increase student retention and completion, narrow the achievement gap between racial-ethnic groups, and deepen student learning and engagement. The more common HIPs include learning communities, service learning, on-campus employment, internships, undergraduate research, capstone experiences, and study abroad.
 - d) **Emergency Grant Funds:** In this project, participating U. T. System institutions will set aside funds in the form of grants to aid students in times of financial emergency. Research shows that emergency grant aid improves both retention and graduation rates, as well as providing students with a psychological boost from receiving support from their institution during a time of crisis.

2. **Institution-specific Projects** are under development by U. T. System academic institutions and are designed to address their specific needs, student populations, and contexts, identified through their data while also addressing one or more of the initiative pillars of finances, advising, and belonging.

All proposals submitted for funding must address the defining features of the Quantum Leap and include: a project description with evidence-based and proposed impact to one of the three pillars; articulation of how the project will move the institution beyond “business as usual” and be “quantum-leap worthy;” identification of the student population(s) to be served along with targets and goals for improved retention and completion; data and metrics used to evaluate progress; detailed budget; implementation plan and timeline; indication of how the project would be scalable and sustainable. Proposals will also need to address equity, quality, and how the project will contribute to greater institution-wide responsibility for student success.

Proposals will be vetted through the agile decision-making process identified by the Chancellor, which entails review by U. T. System, institutional experts, and executive leadership.

Measures of Success

The Student Success Quantum Leap proposes rigorous, data-driven assessment and evaluation, and includes the goal to identify a number of innovative metrics to measure the initiative’s defining features. The U. T. System and academic institutions will identify baseline data, benchmarks, goals, and targets for improvement in retention and graduation rates, disaggregated across diverse student populations. In addition, a number of affinity groups are being convened with institutional staff and faculty working alongside U. T. System leadership to develop metrics for determining progress in student outcomes and institutional effectiveness in terms of the initiative pillars—finances, advising, and belonging.

The experience of other universities, including U. T. Austin, reveals that it can take a minimum of two years to ascertain success for certain programs and interventions, and four to six years for impact on graduation rates. Each approved project will be extensively monitored along identified metrics and at regular intervals.

Budget

The requested \$10 million will come from the U. T. System Internal Lending Program, a non-Available University Funds source that allows for uses of U. T. System funds necessary to making projects successful at the academic institutions. The initial \$10 million is an important commitment and a start, allowing for piloting and seeding of a number of both proven and innovative projects that have yet to be tried. It will not be enough to address the significant student success challenges at the U. T. System academic institutions. The funding strategy for the Student Success Quantum Leap is to start with a bold set of projects, intentionally chosen because of their evidence-driven

efficacy and potential to dramatically improve student outcomes through a focus on finances, advising and belonging.

Risk

The student success projects to be funded through the request are intended to be bold—quantum leaps—which, of necessity, entails risk. It is anticipated that not all of the projects will be successful, and that the initiative and the individual projects within it will undergo changes in direction. Those that are not successful will be phased out. Every effort will be made to scale those that are successful, contingent upon available funding.

7. **U. T. System: Report on development performance for the U. T. System institutions**

REPORT

Vice Chancellor Safady will report on development performance of the U. T. System institutions for Fiscal Year 2016 and make recommendations for advancing philanthropic support, using the PowerPoint presentation set forth on the following pages.

U. T. System Development Assessment FY 2016

Dr. Randa Safady, Vice Chancellor for External Relations

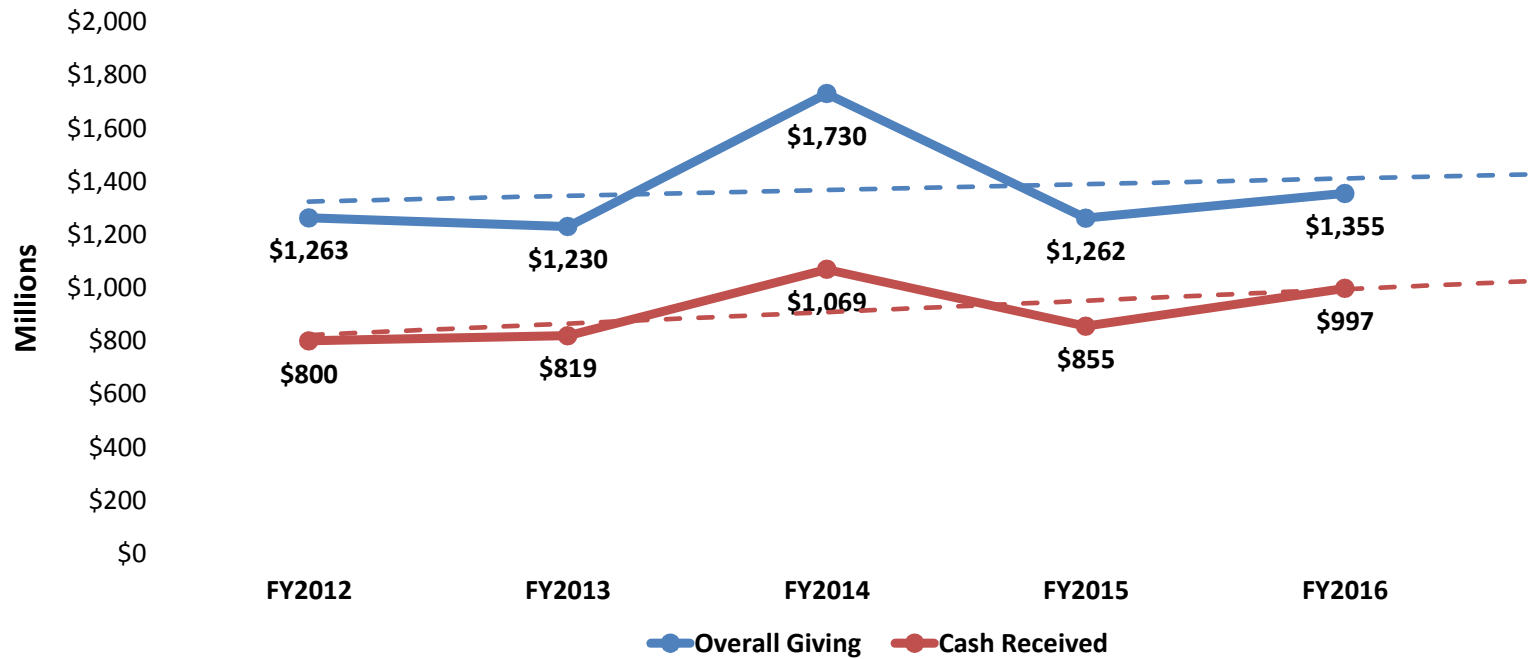
U. T. System Board of Regents' Meeting
February 2017



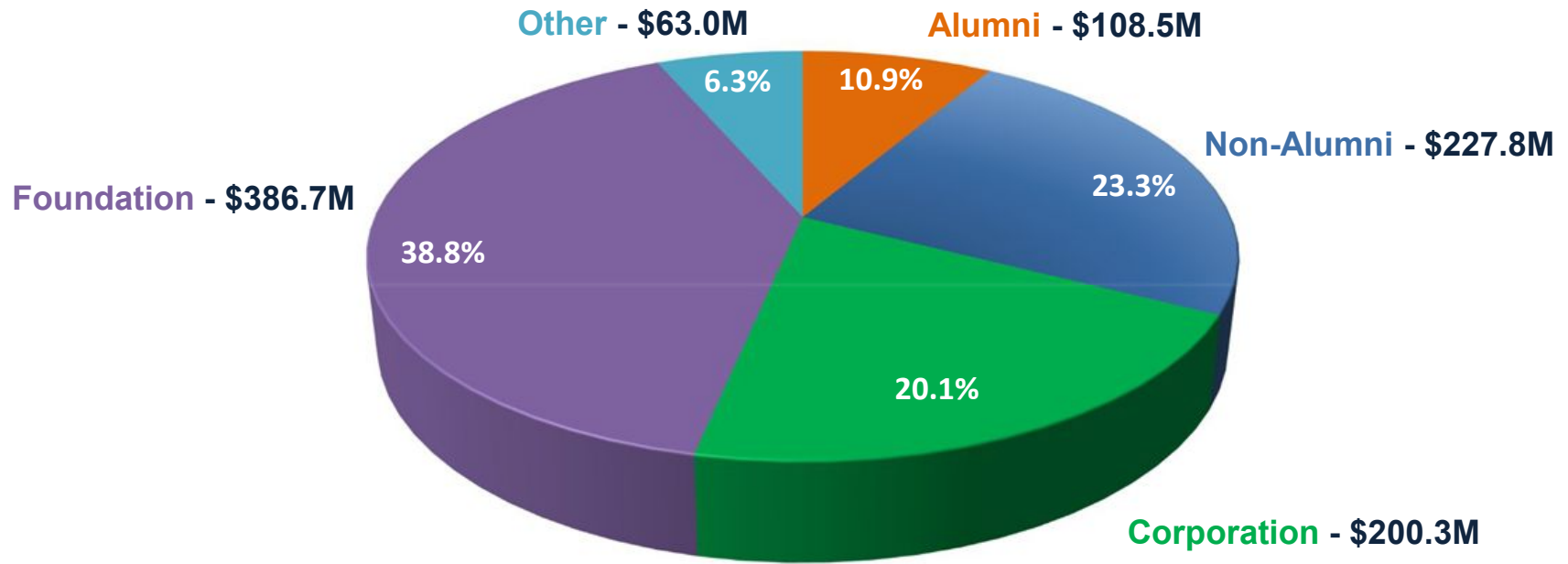
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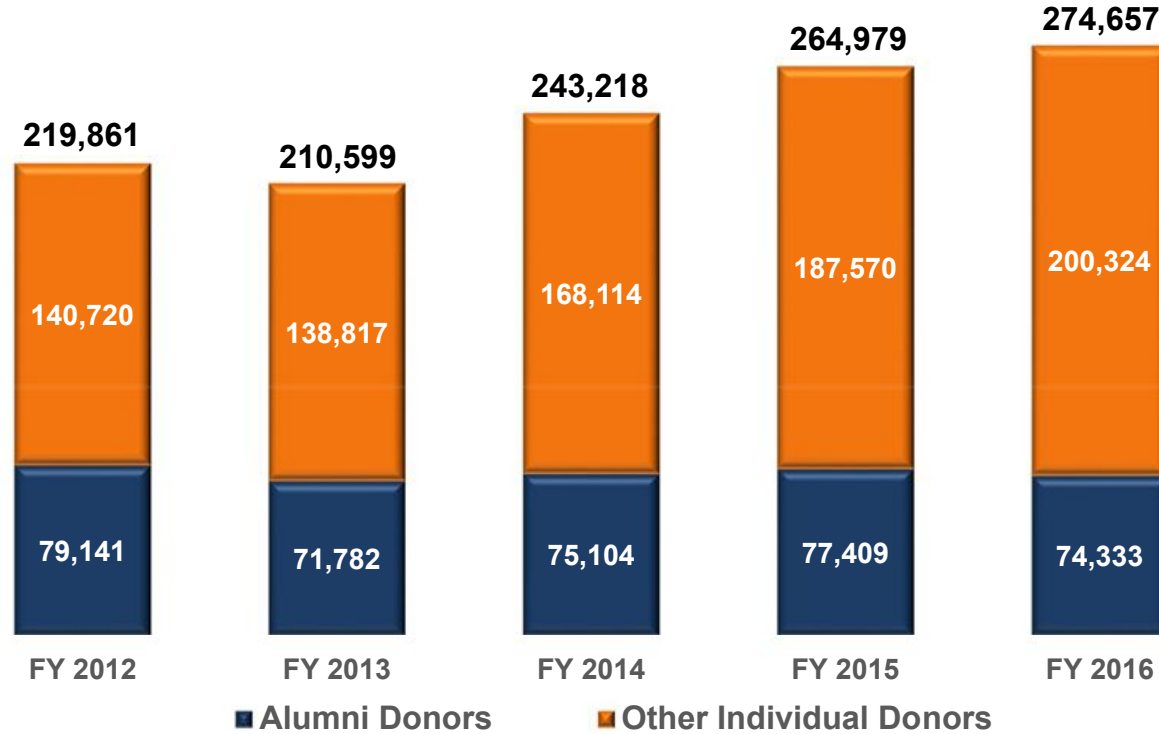
Impact - Overall Giving and Cash Received FY 2012-FY 2016



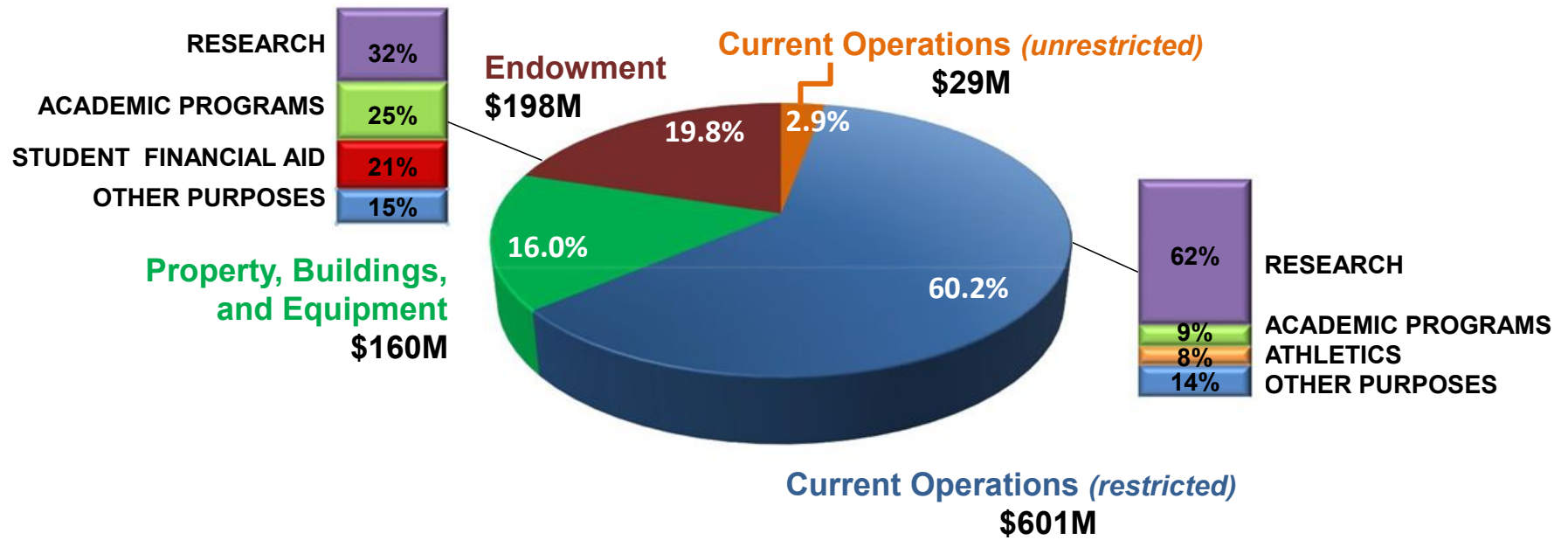
FY 2016 Sources of Gifts



FY 2012-2016 Individual Donor Count



FY 2016 Designation of Funds

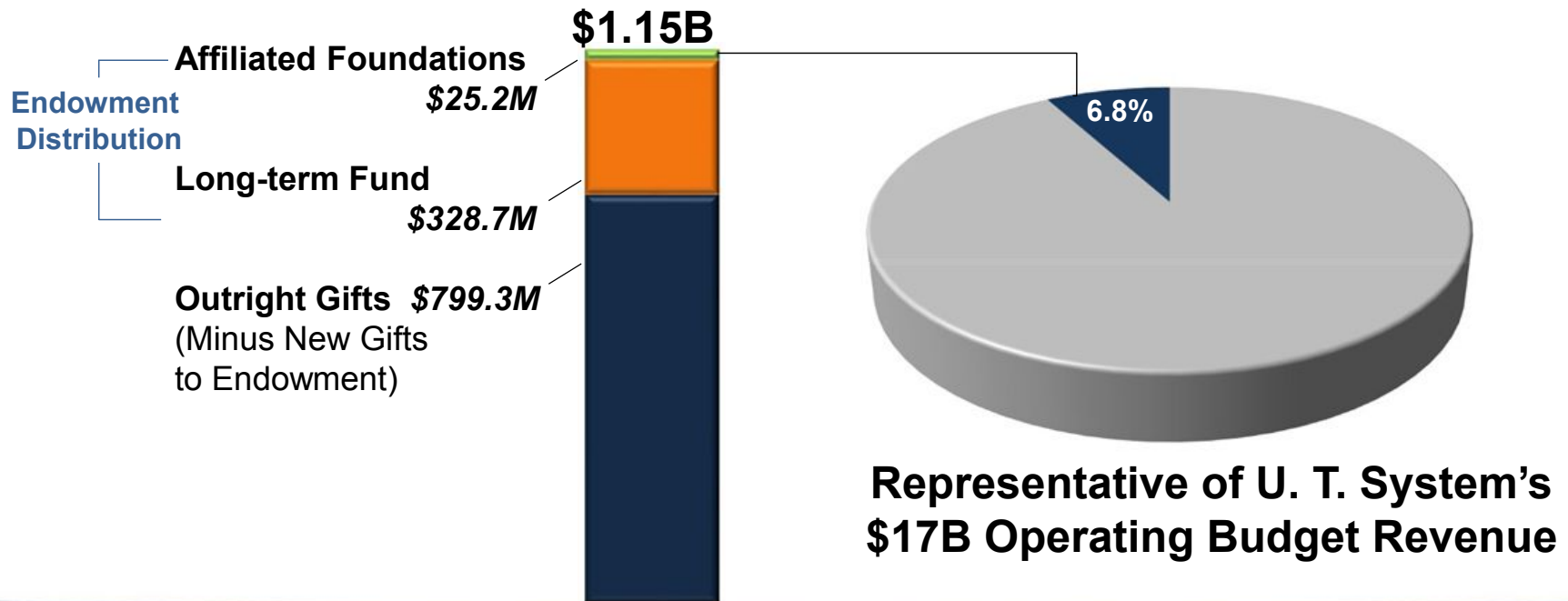


Return on Investment (ROI) in Development

- Philanthropy consistently shows a positive ROI
 - \$8.60 received for every dollar spent in development in FY 2016
 - FY 2011-FY 2015 average ROI \$9.17



Impact – Cash Available to U. T. Institutions from Philanthropic Sources in FY 2016



Managing Risks – An Update

Areas of Risk	Action taken or emerging
Balanced Fundraising Programs	Assessments, Action Plans, Metrics, and Organizational Reviews
Talent War - Retention and Skill Building	Advancement Academy; Customized Training; System Seminar; Leadership Philanthropy; Career Paths for Development Professionals
Talent War - Pipeline for U. T. Institutions	Internships, Careers in Philanthropy; Undergraduate and Graduate Degrees in Philanthropy
Funding Development	National models; Assessing need



Managing Risks – An Update

ASSESSMENTS

Areas of Risk
Balanced Fundraising Programs
Talent War - Retention and Skill Building
Talent War - Pipeline for U. T. Institutions
Funding Development

Overall Giving and Cash Received



Overall giving and cash received both trending upwards for the past several years

Overall giving increased 23% from previous year and cash received up 30%

Good gap between overall giving and cash received showing pledge activity and new testamentary commitments

Investment in Development & ROI



At \$6.26 dollar raised per dollar invested shows a solid ROI for development

4.7% cash received as a percent of expenditures shows the growing impact of development

Development budget at 0.7% of institutional expenditures remains below national average of 1.4%

Frontline officers are raising \$1.2M per FTE which is the national average for institutions raising between \$10-24M.



Managing Risks – An Update

ADVANCEMENT ACADEMY

Areas of Risk
Balanced Fundraising Programs
Talent War - Retention and Skill Building
Talent War - Pipeline for U. T. Institutions
Funding Development



Managing Risks – An Update

ADVANCEMENT ACADEMY

Areas of Risk
Balanced Fundraising Programs
Talent War - Retention and Skill Building
Talent War - Pipeline for UT Institutions
Funding Development

BY THE Numbers

The First **Two Years** of the UT System Advancement Academy



Managing Risks – An Update

SYSTEM SEMINAR

Areas of Risk

Balanced Fundraising Programs

Talent War - Retention and Skill Building

Talent War - Pipeline for U. T. Institutions

Funding Development



Managing Risks – An Update

STRIKE FORCE

Areas of Risk
Balanced Fundraising Programs
Talent War - Retention and Skill Building
Talent War - Pipeline for U. T. Institutions
Funding Development

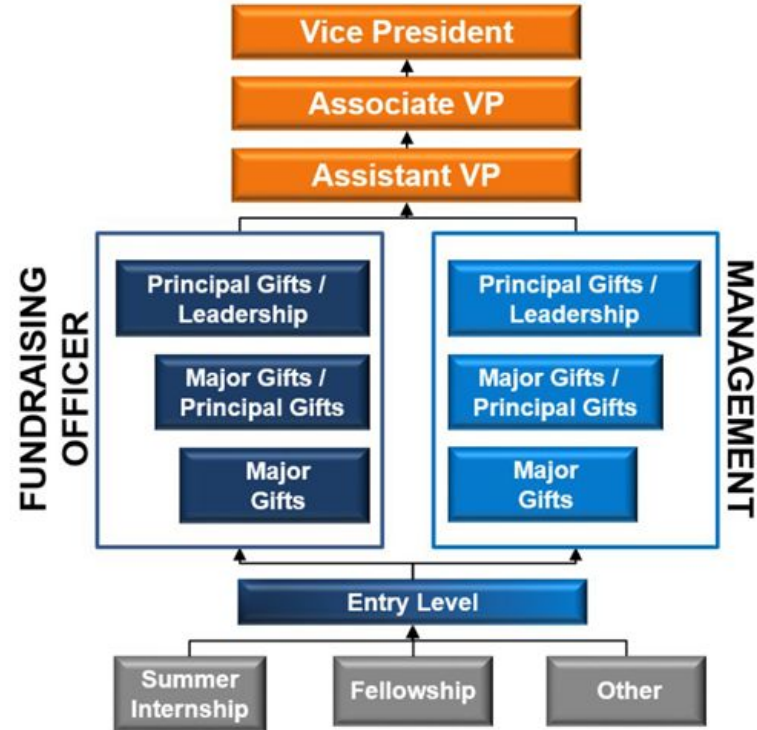
Strike Force Talent War in Fundraising



Managing Risks – An Update

CAREER PATHS

Areas of Risk
Balanced Fundraising Programs
Talent War - Retention and Skill Building
Talent War - Pipeline for U. T. Institutions
Funding Development



Managing Risks – An Update

INTERNSHIP

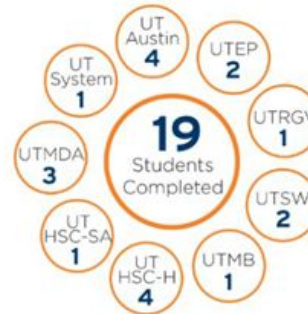
Areas of Risk
Balanced Fundraising Programs
Talent War - Retention and Skill Building
Talent War - Pipeline for U. T. Institutions
Funding Development

CENTER for ENHANCING PHILANTHROPY

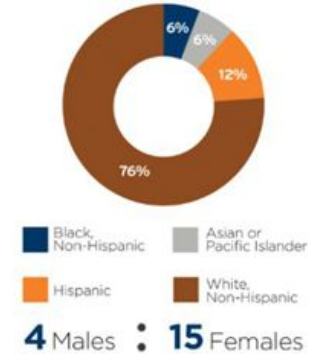
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2016 Summer Internship Program in Philanthropy By the Numbers

236 Applicants → **20** Selected



Program Demographics



Managing Risks – An Update

INTERNSHIP

Areas of Risk

Balanced Fundraising Programs

Talent War - Retention and Skill Building

Talent War - Pipeline for U. T. Institutions

Funding Development



Managing Risks – An Update

UNDERGRADUATE & GRADUATE DEGREES IN PHILANTHROPY

Areas of Risk

Balanced Fundraising Programs

Talent War - Retention and Skill Building

Talent War - Pipeline for U. T. Institutions

Funding Development



Managing Risks – An Update

FUNDING DEVELOPMENT

Areas of Risk
Balanced Fundraising Programs
Talent War - Retention and Skill Building
Talent War - Pipeline for U. T. Institutions
Funding Development



8. **U. T. System: Discussion and appropriate action to enhance funding for development operations at U. T. System institutions to increase philanthropic capacity and support their respective missions by authorizing a maximum .60% allocation (60 basis points) from the market value of the Long Term Fund and related policy issues**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Deputy Chancellor, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, and the Vice Chancellor for External Relations that the U. T. System Board of Regents authorize a maximum .60% allocation (60 basis points) from the market value of the Long Term Fund (LTF) to provide more adequate funding for development operations at U. T. System institutions to substantially increase philanthropic revenue to University of Texas' 14 institutions. If authorized, these new allocations must be used to augment and not to replace an institution's current development budget.

BACKGROUND INFORMATION

If approved, allocated funds will be used to recruit and retain high-performing fundraising professionals and to invest in innovative philanthropic programs and operational enhancements. Since most U. T. System institutions currently elect to receive a maximum allocation of 20 basis points from their respective shares of the LTF for endowment administration and management, this request, if authorized, may result in an increase of approximately 40 additional basis points to increase fundraising capacity at each institution to a maximum of 60 basis points. Institutions that do not wish to participate in the maximum .60% allocation may opt out.

Philanthropy across U. T. System institutions constitutes a critical revenue stream to augment other income such as tuition and fees, sponsored research, clinical revenue, and more. Philanthropic dollars continue to account for a greater share of an institution's annual expenditures, and the need to increase private funding has never been more important.

Over the past three years, U. T. System institutions have realized more than \$1 billion annually in gifts, new pledges, and new testamentary commitments to provide funding for faculty positions and student scholarship support, to build or renovate buildings and labs, and to conduct groundbreaking research and launch new initiatives.

Even with the successes that U. T. System institutions have experienced, and even with a return on investment of more than \$8.31 for every dollar invested in the development office, the institutions have not achieved their full potential in an era when the need to raise more private funds is critical. Development offices at U. T. System institutions remain underfunded and understaffed, compared to national peer averages.

Two out of every three public universities use some type of common mechanism to help fund philanthropic efforts. All university systems in Texas do so, as well, by placing an allocation on endowments, assessing fees on annual unrestricted or restricted gifts, or directing all or part of the short-term interest on restricted gifts to the development office. Although a .60% allocation

from the market value of the Long Term Fund (LTF) would have a short-term negative impact on the purchasing power of the LTF, the long-term gains must be considered. As more funds are raised, the value of the LTF will continue to increase, and given the significant return on investment that development offices at U. T. System institutions have demonstrated over the years, the U. T. System views this allocation as a strategic investment in the future of U. T. institutions.

Increasing Philanthropic Capacity Among U. T. Institutions

Dr. Randa Safady, Vice Chancellor for External Relations

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



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Increasing Philanthropic Capacity

Philanthropy and U. T. Institutions

Issue - Funding Development at U. T. Institutions

Considerations

Anticipated Results

Next Steps



Increasing Philanthropic Capacity

Philanthropy and U. T. Institutions

- Philanthropy must increase to support U. T. institutions in achieving their institutional priorities
- While other traditional resources may decline or remain flat, philanthropy is growing and shaping higher education
- Once philanthropy primarily focused on marks of excellence, now it also essential to meet core funding needs



Increasing Philanthropic Capacity

Philanthropy and U. T. Institutions

- Philanthropy’s Impact
 - A national standard for measuring impact is the amount from philanthropic gifts as a representative percentage of an institution’s Education and General (E&G) expenditures

	Philanthropy’s Representative Percentage of E&G (FY2016 Average)
Top Fundraising Institutions (Public)	16.7%
University of California System (11 institutions)	11.6%
University of Texas System (14 institutions)	6.5%



Increasing Philanthropic Capacity

Issue - Funding Development at U. T. Institutions

- Philanthropy's growth is incremental and current institutional funding, in most cases, is inadequate to expand its much needed role
- Board of Regents provided Strength in Numbers funds in FY2008 (\$5M) and FY2011(\$10M) as seed money to build capacity and it worked
- In the past five years U. T. institutions collectively have increased their development budgets 44.3%



Increasing Philanthropic Capacity

Issue - Funding Development at U. T. Institutions

- U. T. institutions collective development budgets still remain 22% below the national average (Eduventures)

	National Average	UT institutions
Development Budgets as Percentage of E&G	1.4%	1.1%

- What are the implications?
 - Programs such as annual giving, principal gifts, planned giving, and prospect research not adequately funded
 - Ratios of non frontline, full time employees (FTE) to frontline FTE out of alignment
 - Insufficient numbers of frontline FTE



Increasing Philanthropic Capacity

Considerations

- U. T. institutions require institutional will and an infusion of financial resources to increase philanthropic capacity
- According to a national study by Eduventures the most common practices for funding development offices are:
 - Allocation from Gifts
 - Allocation from Endowment Earnings
- Most institutions have multiple sources to fund development



Increasing Philanthropic Capacity

Considerations

Institution	One-time Allocation from Gifts	Recurring Allocation from Endowment Earnings	Other
UC Berkeley	2.5% all gifts 10.5% Research gifts	0.50%	Income from unrestricted gifts
UCLA	6.5%	0.59%	
UCSF	4.0%	0.40%	Charges an amount equal to 6% of income from gift and endowment funds
Univ. of Washington		0.80%	3.0% from Invested Funds Pool
Arizona State University	5%	1.5%	When received, 5% of endowed and non-endowed gifts designated unrestricted
Texas A&M	5%		When received, 5% charged to endowed and non-endowed gifts. Some gifts exempted.
University of Houston		1.5%	
U.T. Institutions	0%	0.20% compliance fee	



Increasing Philanthropic Capacity

Considerations

- Proposed funding model for U. T. institutional development programs
 - Recurring allocation of up to 0.60% (60 basis points [BPS]) from an institution's Long Term Fund (LTF) earnings
- Proposal features
 - 60 BPS includes current 20 BPS for endowment compliance
 - Additional \$27.1M available for development purposes
 - Institutions may opt in or out



Increasing Philanthropic Capacity

Anticipated Results

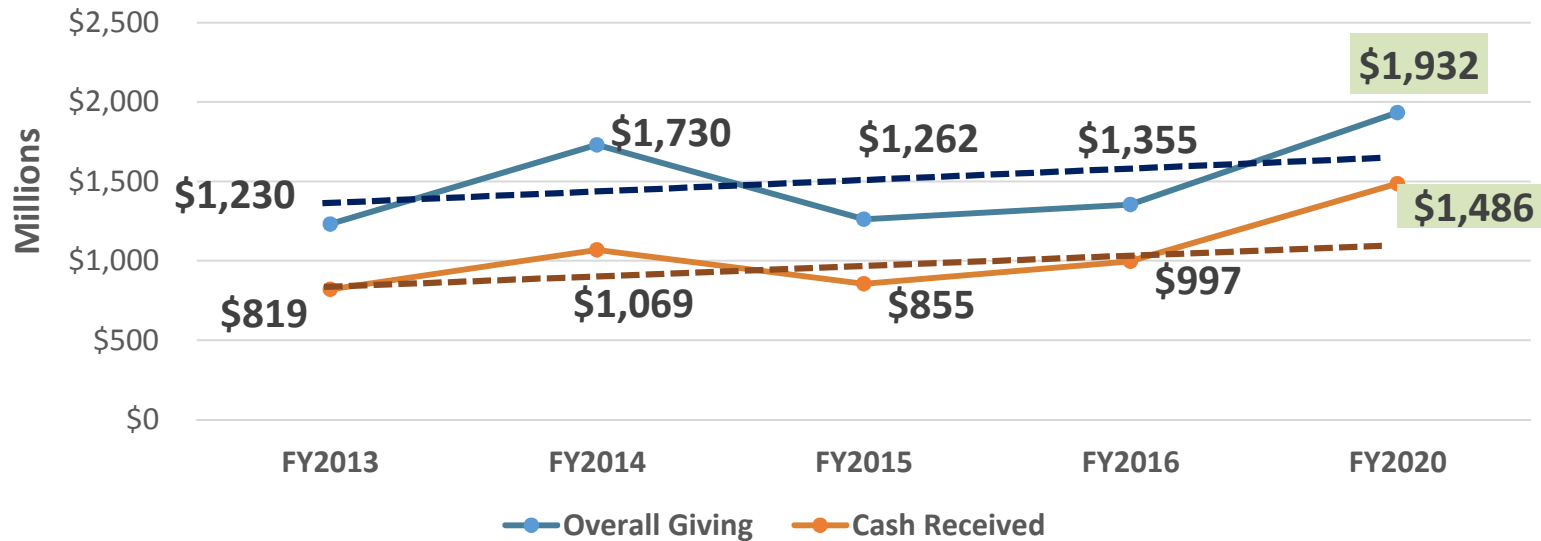
- More trained fundraising professionals and programs working to secure philanthropic support for U. T. institutional priorities
 - Transformative gifts
 - Additional funds for institutional programs, faculty, research, student support including scholarships, and funding for capital projects
 - More donors engaged in the life of U. T. institutions



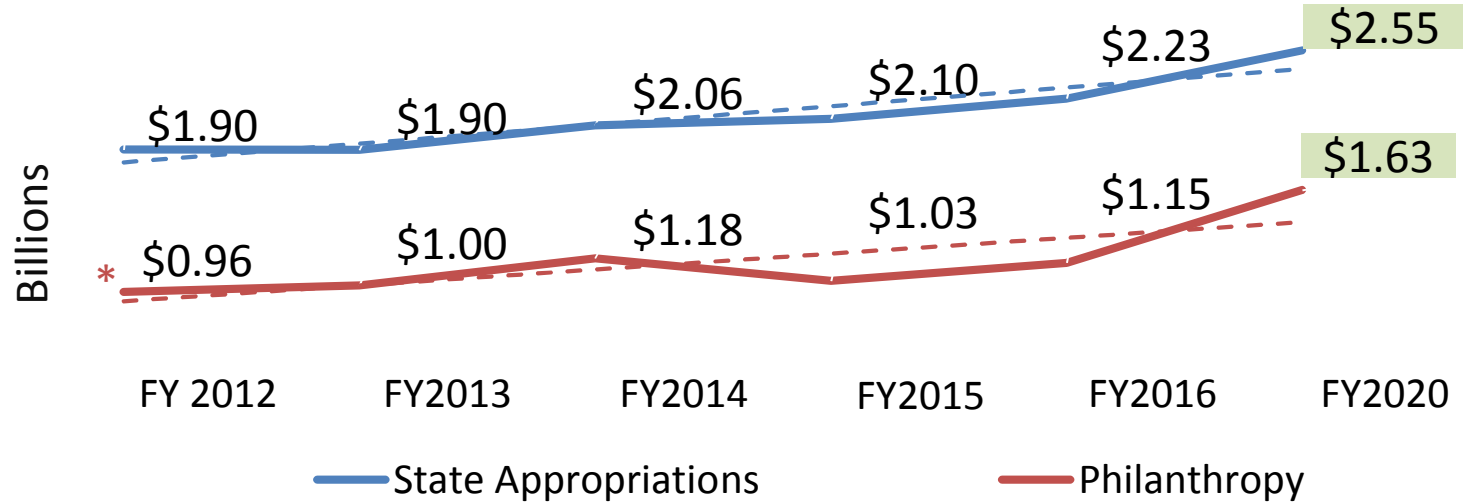
Increasing Philanthropic Capacity

Anticipated Results

Projected FY 2020 Philanthropic Capacity with Additional Funding



Projection of Cash Available for U. T. Institutions – A Comparison of State Appropriations and Philanthropy



* Philanthropy includes cash received and endowment distributions minus gifts to endowment



Increasing Philanthropic Capacity

Next Steps

- If the Board of Regents acts favorably to recurring allocation from LTF earnings to increase philanthropic capacity, next steps include:
 - Communication with Presidents on program features and expectations
 - Meeting with Vice Presidents on implications for institutional development programs
 - Ongoing dialogue with donors
 - Updated language in endowment gift agreements and online literature



Increasing Philanthropic Capacity

Next Steps – Cont.

- Allocation made at the earliest possible opportunity
- Hiring frontline officers and non frontline personnel which may take 12-15 months
- Allowing time for new officers to become productive
- Financial Considerations
 - Allocation must be additive and not supplant existing development budgets
 - Spirit of the proposal implies as institutional budgets increase a similar percentage amount is added to development budget



Increasing Philanthropic Capacity

Discussion: Implications for LTF



Long Term Fund (LTF) Distribution Policy

Dr. Scott Kelley, Executive Vice Chancellor for Business Affairs

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



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Distribution Policy

- The Board of Regents is responsible for setting endowment (Permanent University Fund (PUF), LTF, Permanent Health Fund (PHF), and Intermediate Term Fund (ITF) distribution rates
- Distribution rate determination is ultimately a decision balancing current vs. future needs
- Predictability and stability of distributions are also important to beneficiaries
- The timetable for approval and implementation of the annual distribution policy is:
 - May: Regents' approval
 - September: New distribution amounts become effective



LTF Spending Policy Objectives

- Provide a predictable stable stream of distributions over time;
- Ensure that the inflation-adjusted value of the distributions is maintained over the long term; and
- Ensure that the inflation-adjusted value of LTF assets, after distributions, is maintained over the long term.



LTF Distribution Methodology

- The LTF distribution rate is increased by the average rate of inflation (CPI) for the trailing 12 quarters determined as of November 30th
- The LTF distribution rate is then compared to the prior 12-quarter average market value of the LTF to ensure that the distribution is within the range of 3.5% to 5.5%



LTF Spending Rate Calculations

	Actual FY 2017 Distribution	Preliminary FY 2018 Distribution	Adjusted FY 2018 Distribution	Adjusted FY 2018 Distribution	Notes
LTF Distribution Rate	\$0.3507 (4.94%)	\$0.3548* (4.99%)	\$0.3226** (4.54%)	\$0.3481*** (4.90%)	Trailing 12Q CPI of 1.171%
Compliance/Development Allocation	\$0.0142 (0.20%)	\$0.0426 (0.60%)	\$0.0426 (0.60%)	\$0.0426 (0.60%)	↑ from 20 bps to 60 bps
Total LTF Spending	\$0.3649 (5.14%)	\$0.3974 (5.59%)	\$0.3652 (5.14%)	\$0.3907 (5.50%)	Total spending of 5.59% exceeds LTF limit
Trailing 12Q LTF Unit Value	\$7.0992	\$7.1049	\$7.1049	\$7.1049	

* Net of proposed 0.60% compliance, administrative, and development fee

** Adjusted downward to FY 2017 level to stay within 5.5% upper limit and preserve purchasing power

*** Adjusted downward to stay within 5.5% maximum LTF spending limit necessary to preserve purchasing power



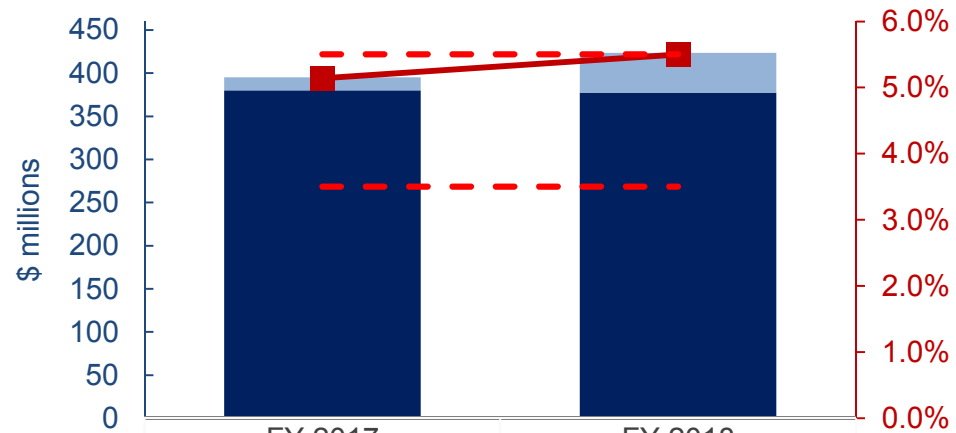
LTF Spending Estimates

	Actual FY 2017 Distribution	Estimated FY 2017 Distribution*	Hypothetical FY 2018 Distribution	Hypothetical FY 2018 Distribution*
LTF Distribution Rate	\$0.3507 (4.94%)	\$380.1 million	\$0.3481 (4.90%)	\$377.3 million
Compliance/Development Allocation	\$0.0142 (0.20%)	\$15.1 million	\$0.0426 (0.60%)	\$46.2 million
Total LTF Spending	\$0.3649 (5.14%)	\$395.2 million	\$0.3907 (5.50%)	\$423.5 million

* Dollar amounts based on a 12-quarter average net asset value of the LTF and units outstanding as of December 1, 2016



FY 2017 and FY 2018 LTF Spending



	FY 2017	FY 2018
Compliance/Development	15.1	46.2
LTF Distribution	380.1	377.3
Total LTF Spending	5.14%	5.50%
3.5% Collar	3.50%	3.50%
5.5% Collar	5.50%	5.50%

