



**AGENDA/TABLE OF CONTENTS  
SPECIAL CALLED MEETING  
U. T. BOARD OF REGENTS**

March 11, 2004  
Austin, Texas

	<b>Board Meeting</b>	<b>Page</b>
A. CALL TO ORDER IN OPEN SESSION	10:30 a.m. Chairman Miller	
B. CONSIDER AGENDA ITEMS		
1. <b>U. T. Board of Regents: Presentation of the Accountability and Performance Report for 2003-2004 and request to accept Report</b>	<b>Action</b> Dr. Malandra	<b>1</b>
2. <b>U. T. Board of Regents: Report of the Capital Planning Task Force</b>	11:30 a.m. <b>Report</b> Vice-Chairman Hunt Vice-Chairman Krier Mr. Aldridge Mr. Sanders Dr. Joe Stafford	<b>3</b>
3. <b>U. T. Board of Regents: Adoption of a Resolution authorizing the issuance, sale, and delivery of Permanent University Fund Bonds, Series 2004, and authorization to complete all related transactions</b>	12:15 p.m. <b>Action</b> Mr. Hull	<b>5</b>
4. <b>U. T. Board of Regents: Adoption of a Resolution related to the Mid-campus Acquisition Program at U. T. M. D. Anderson Cancer Center, specifically 1303 Eaton, Lots 8-12, Block 17, Institute Addition; 7123 Selma Street, Lots 8 and 9, Block 20, Institute Addition; and 7213 Cecil Street, Lot 8, Block 21, Institute Addition, City of Houston, Harris County, Texas (New Item)</b>	12:20 p.m. <b>Action</b> Mr. Leach Mr. Fontaine	<b>7</b>
C. RECESS TO EXECUTIVE SESSION		
1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - <u>Texas Government Code Section 551.074</u>		
a. <b>U. T. System: Consideration of personnel matters relating to appointment, employment, evaluation, assignment, and duties of officers or employees</b>		
b. <b>U. T. System: Consideration of personnel matters relating to evaluation of presidents, U. T. System Executive Officers, and employees</b>		
c. <b>U. T. Board of Regents: Discussion of an appointment to The University of Texas Investment Management Company (UTIMCO) Board of Directors to fill a position expiring on April 1, 2004</b>		
2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - <u>Texas Government Code Section 551.071</u>		
D. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEM(S), if needed		
<b>Adjourn</b>	1:00 p.m. approximately	

1. **U. T. Board of Regents: Presentation of the Accountability and Performance Report for 2003-2004 and request to accept Report**

REPORT

Dr. Geri H. Malandra, Associate Vice Chancellor for Accountability, will present the U. T. System Board of Regents' Accountability and Performance Report for 2003-2004 following the PowerPoint presentation attached on Pages 2.1 - 2.20. The Board will be asked to accept the Report at the meeting. Attached on Page 2 is the Governor's directive (Executive Order RP-31). The highlights of the Report are on Pages 2.21 - 2.45.

The Report, separately bound in a blue notebook, was mailed to the Board with this Agenda Notebook. Additional copies of the Report will be available at the meeting.

# Executive Order

BY THE  
GOVERNOR OF THE STATE OF TEXAS  
Executive Department  
Austin, Texas  
January 22, 2004

## EXECUTIVE ORDER RP 31

*Relating to accountability of higher education systems and institutions.*

WHEREAS, the people of the State of Texas expect the state to provide the highest quality of higher education;  
and

WHEREAS, Texas public institutions of higher education and the systems in which they operate are funded by  
both public funds and tuition paid by private citizens; and

WHEREAS, the public has the right to demand complete accountability for its investment in institutions of  
education; and

WHEREAS, public K-12 education has been required to provide comprehensive accountability to the citizens  
of Texas for more than 10 years; and

WHEREAS, systems and institutions of higher education must be able to clearly define the need for additional  
state-funding in a manner which will justify the public's continued investment of resources;

NOW, THEREFORE, I, Rick Perry, Governor of the State of Texas, by virtue of the power and authority  
vested in me by the constitution and laws of the State of Texas, do hereby order the following:

The boards of regents for public institutions of higher education in the state shall direct that each  
institution and system work with the Higher Education Coordinating Board to create a  
comprehensive system of accountability.

This system will provide the citizens of Texas, the Governor, and the Legislature with the  
information necessary to determine the effectiveness and quality of the education students receive at  
individual institutions. It will also provide the basis to evaluate the institutions' use of state  
resources.

This system of accountability shall be approved by the Boards of Regents and the Texas Higher  
Education Coordinating Board no later than December 17, 2004.

This executive order supersedes all previous orders inconsistent with its terms and shall remain in effect and in  
full force until modified, amended, rescinded, or superseded by me or by a succeeding Governor.

Given under my hand this the 22nd day of  
January, 2004.

\_\_\_\_\_  
RICK PERRY  
Governor

Attested by:

\_\_\_\_\_  
GEOFFREY S. CONNOR  
Secretary of State

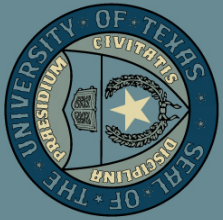


THE UNIVERSITY OF TEXAS SYSTEM

# Accountability and Performance Report

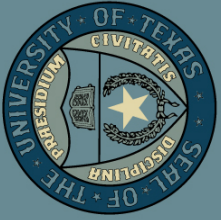
*Board of Regents*

*March 11, 2004*



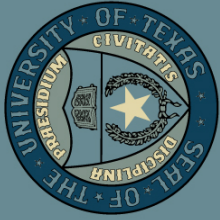
# Accountability Report

- **Purpose and Structure**
- **Innovations**
- **Next Steps**



# Purpose

- **Continuous improvement**
- **Sound management**
- **Operational transparency**
- **Communication with internal and external stakeholders**



# Public Policy Context

## **Lt. Governor’s charge to Joint Interim Committee and Senate Finance Committee:**

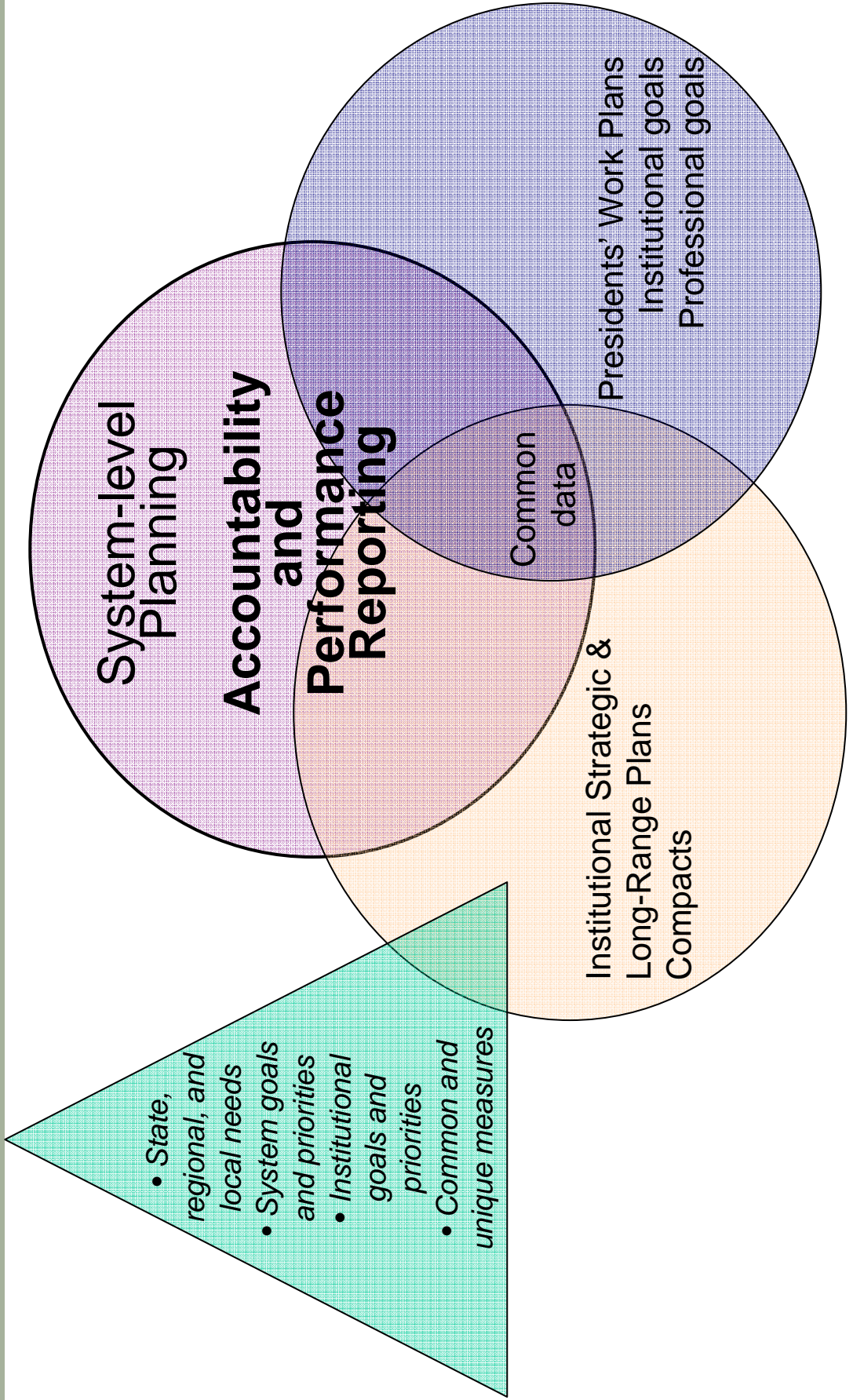
- Study and make recommendations relating to the development of a statewide accountability system for higher education that is consistent with funding strategies for higher education.

## **Governor’s Executive Order RP 31:**

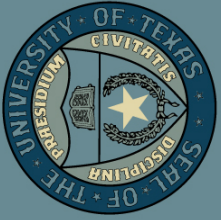
- The Boards of Regents for public institutions of higher education in the state shall direct that each institution and system work with the Higher Education Coordinating Board to create a comprehensive system of accountability.
- This system will provide the citizens of Texas, the Governor, and the Legislature with the information necessary to determine the effectiveness and quality of the education students receive at individual institutions. It will also provide the basis to evaluate the institutions’ use of state resources.
- This system of accountability shall be approved by the Boards of Regents and the Texas Higher Education Coordinating Board no later than December 17, 2004.



# U. T. System Context

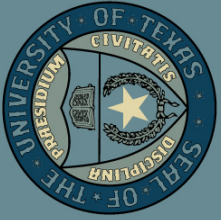






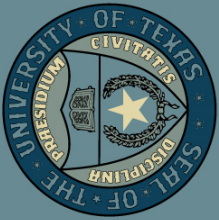
# Contents

- **Scope**
  - 360-degree, longitudinal view of activities that support educational, research, and health care missions
  
- **Organizing Themes**
  - Student Access and Success
  - Teaching, Research, and Health Care Excellence
  - Service to and Collaborations with Communities
  - Organizational Efficiency and Productivity
    - Linked to U. T. System's overarching missions, values, goals and priorities
    - Linked to Texas' Closing the Gaps goals



# Design

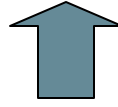
- **A comprehensive, customized, modular measurement system**
  - 69 measures for all academic institutions
  - 48 measures for all health institutions
  - 15 measures for the U. T. System as whole
  - 5-year longitudinal trends
  - Institutional peer comparisons (10-15 indicators selected from sets, above)
  - Implications for future planning



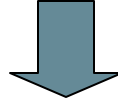
# Dynamic Measures

## Example: Student Access and Success

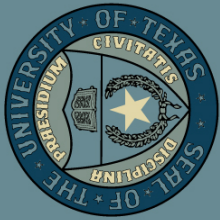
<b>Context/Progress</b>
# and % increase of first-time undergraduates
# students enrolled on 12th day
Financial aid/affordability
Persistence rates



<b>Outcome/Impact</b>
Graduation rates
Licensure test pass rates
# degrees awarded
Diversity of graduates
Student experience
(for the future)
Student learning outcomes
(for the future)
Post-graduation experience (employment)



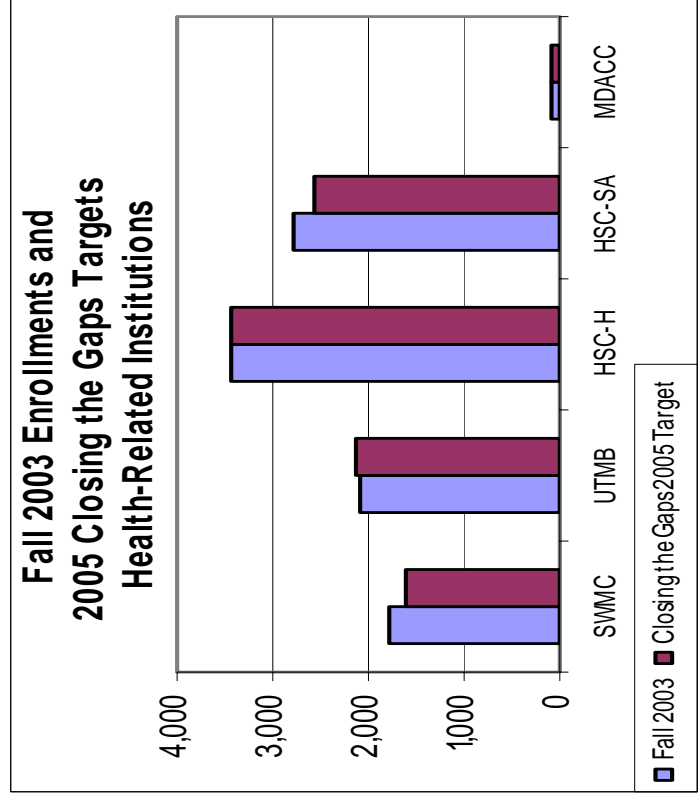
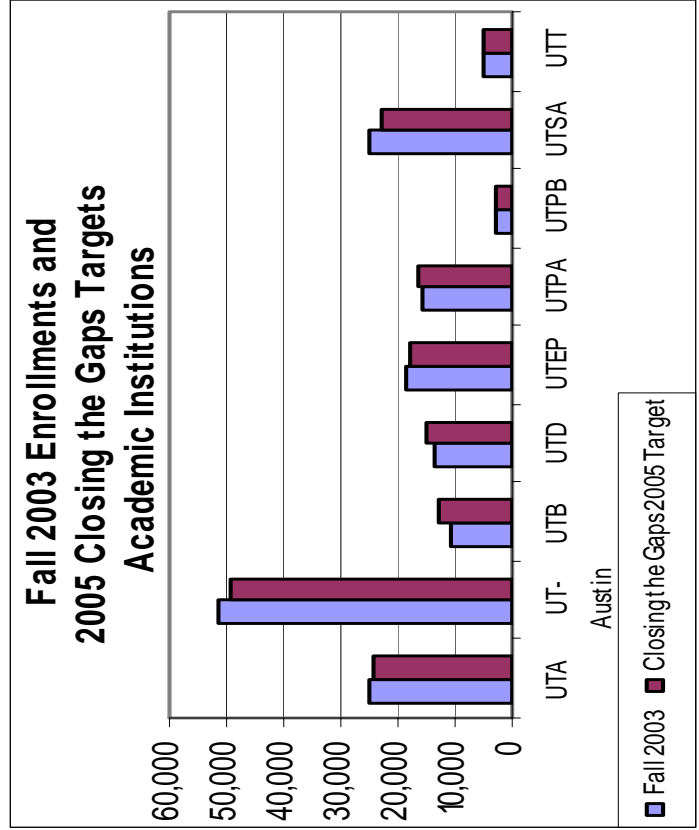
<b>Related Measures</b>
(for the future)
Teaching quality
(for the future)
Information technology resources to enhance teaching
Space utilization rates



# Example: Student Access and Success

## Closing the Gaps Goals

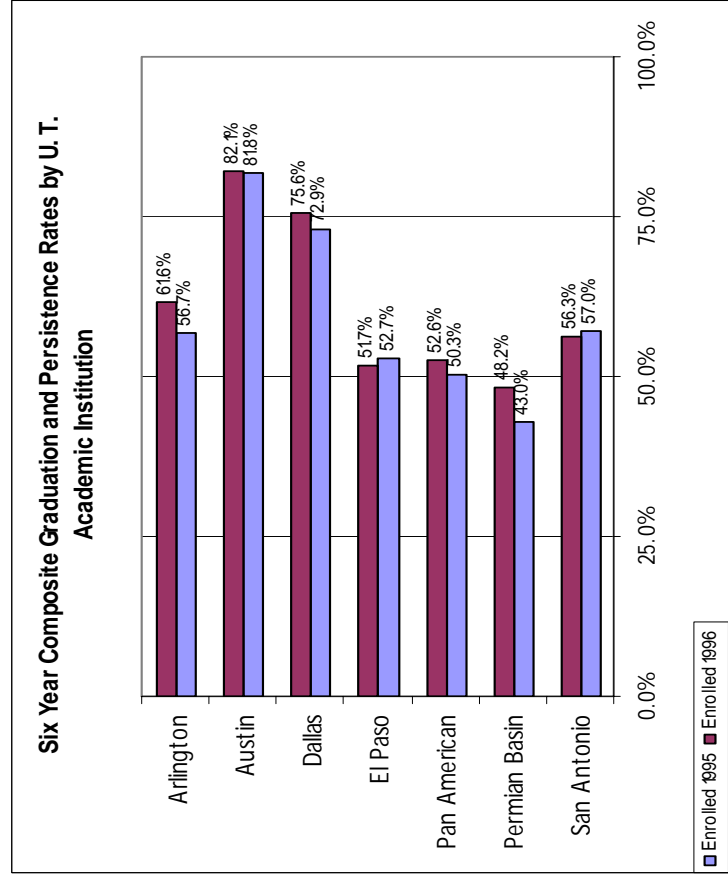
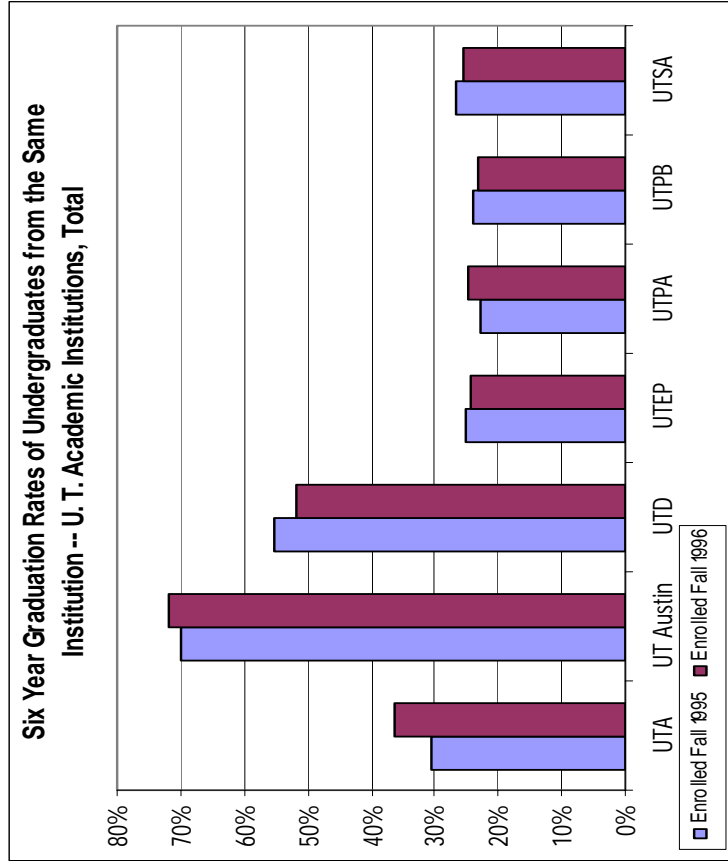
- Total fall 2003 U. T. System enrollment of 177,944 exceeds combined target of 175,442 for 2005
- 38% of all public higher education enrollments in state
- 5% increase over 2002

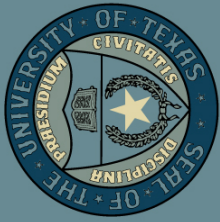




# Example: Student Access and Success

## Closing the Gaps Goals

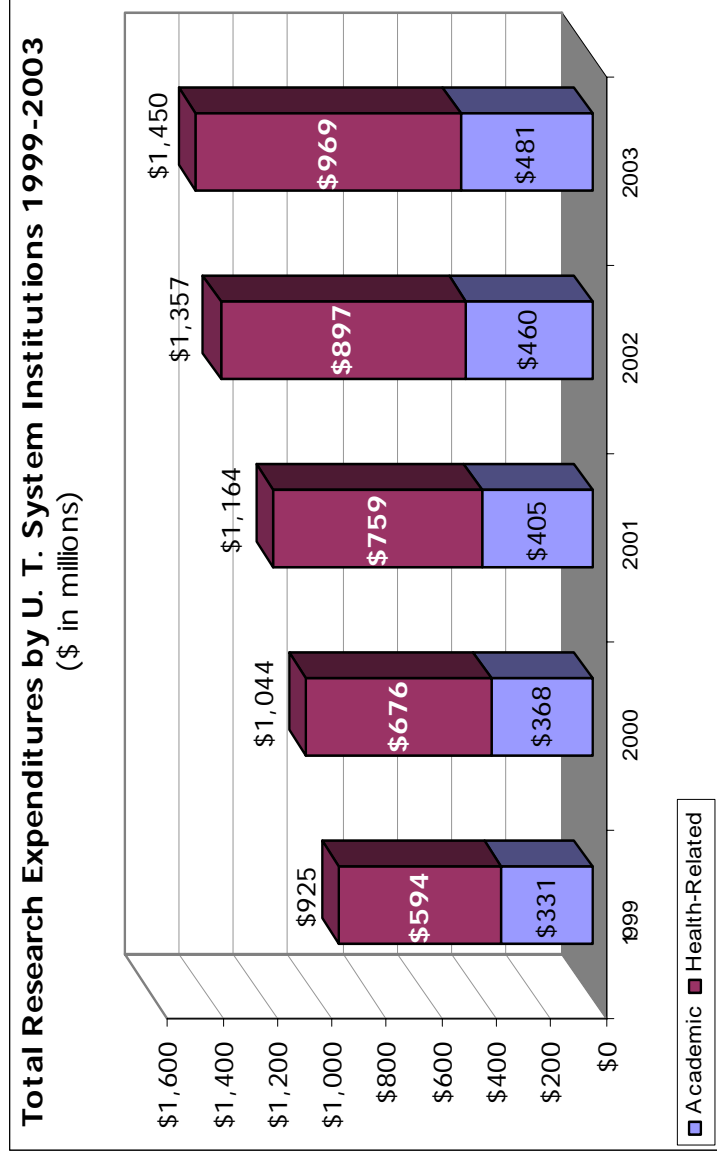




# Example: Teaching, Research, and Health Care Excellence

## Research Funding Trends

- Total research expenditures = \$1,450,370,000 in FY 2003
- 57% increase from 1999 level to 2003
- 25% of all university and health-related research expenditures in state
- 14.2% average annual increase

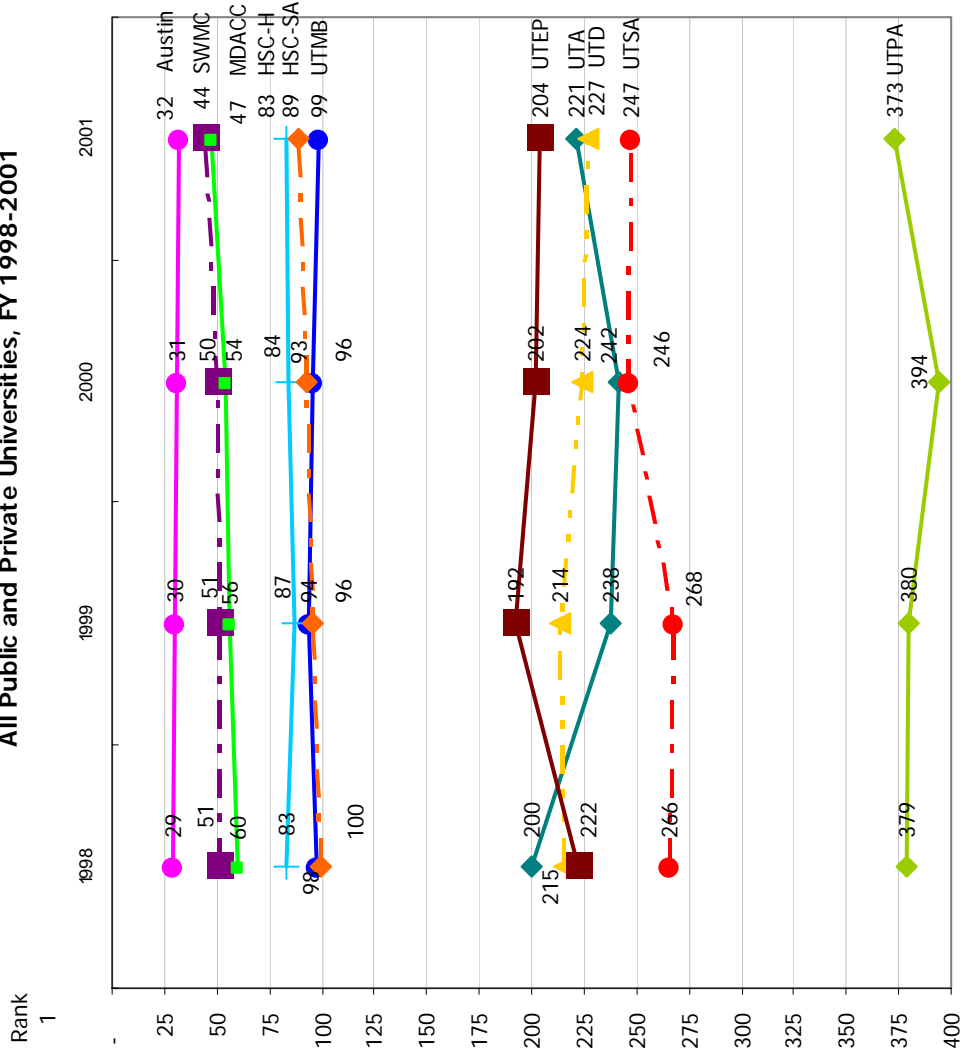




# Example: Teaching, Research, and Health Care Excellence

## Rankings: Example

National Ranking, Total R&D Expenditures  
All Public and Private Universities, FY 1998-2001



- Of 625 ranked institutions,
- 3 U. T. institutions are in the top 50 of all public and private research universities in total research expenditures.
- 3 are in the top 51-100.

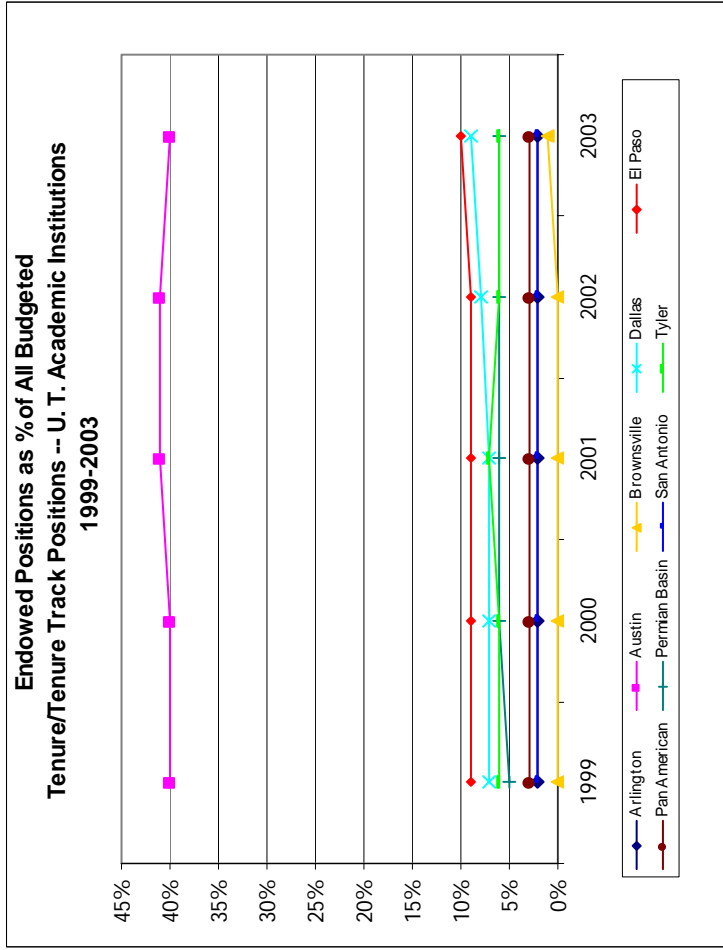
Source: The Top American Research Universities, 2003, The Center, University of



# Example: Teaching, Research, and Health Care Excellence

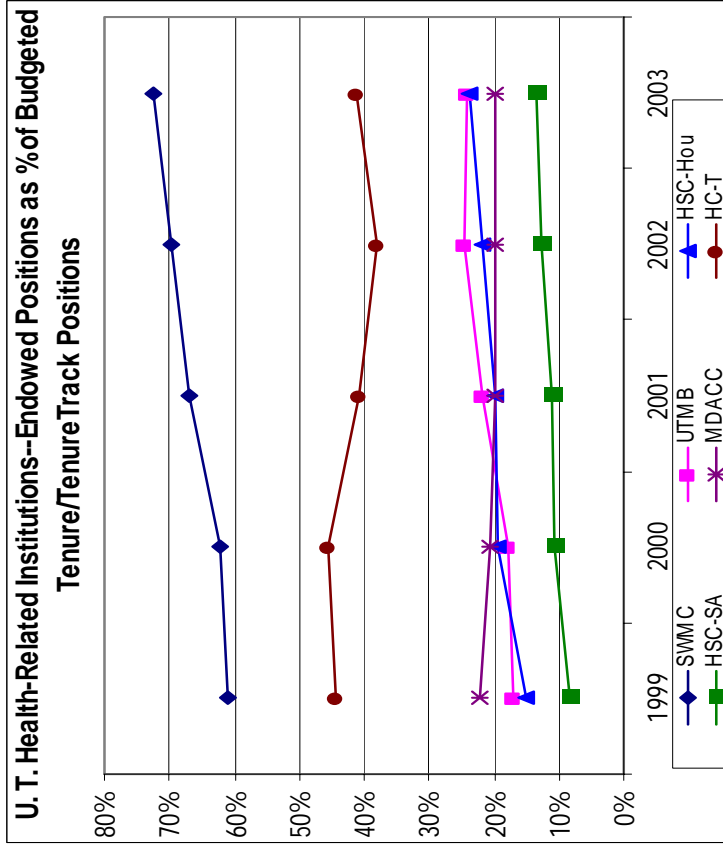
## Endowed Faculty Positions

### Academic



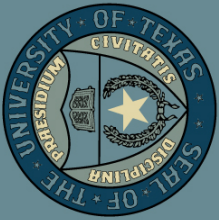
- # positions increased average of 21% 1999 - 2003

### Health



- # positions increased average of 27% 1999 - 2003





# Example: Collaborations with and Service to Communities

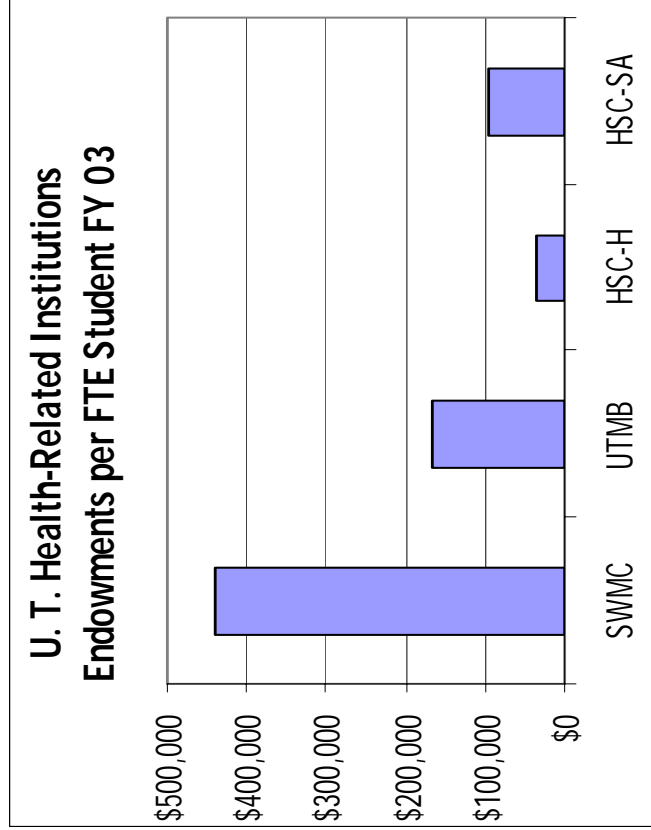
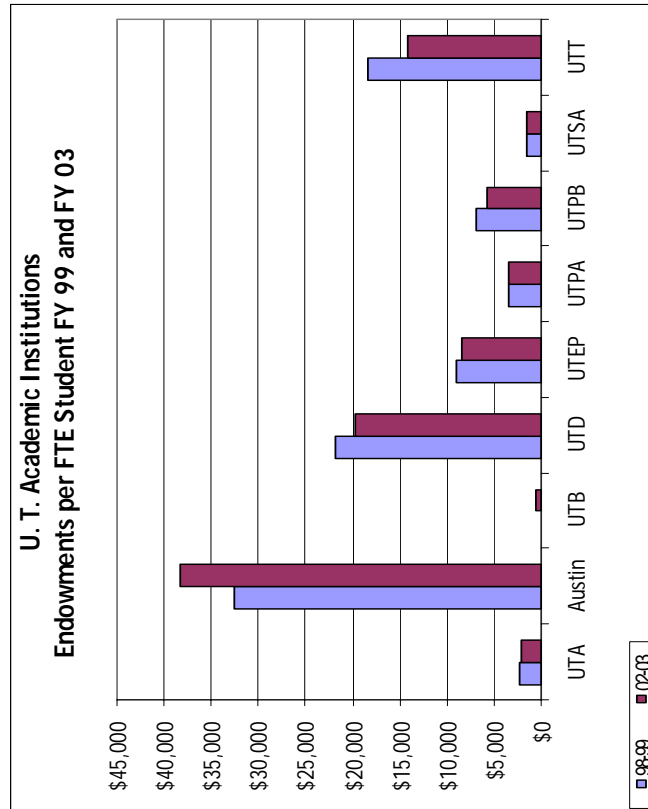
## Economic Impact: Example

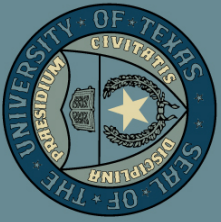
<b>Economic Impact of U. T. Academic and Health Institutions Examples from Recent Studies</b>			
	<b>Financial Impact</b>	<b>Jobs</b>	<b>Year of Study</b>
<b>U. T. Arlington</b>	<b>\$487 million in Metroplex</b>	<b>8,995</b>	<b>2002</b>
<b>U. T. El Paso</b>	<b>\$349 million in region</b>	<b>4,871</b>	<b>2002</b>
<b>U. T. Pan American</b>	<b>\$276 million in region</b>	<b>5,376</b>	<b>2002</b>
<b>U. T. Permian Basin</b>	<b>\$99 million in region</b>	<b>5,376</b>	<b>2002</b>
<b>U. T. San Antonio</b>	<b>\$852 million in Texas</b>	<b>9,335</b>	<b>2003</b>
<b>U. T. Medical Branch</b>	<b>\$934 million in SE Texas</b>	<b>25,403</b>	<b>2002</b>
<b>M. D. Anderson</b>	<b>\$2.4 billion in Texas</b>	<b>35,469</b>	<b>2003</b>



# Example: Organizational Efficiency and Productivity

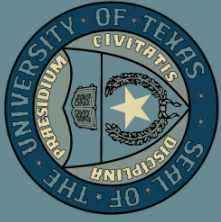
## Endowment Ratios: Example





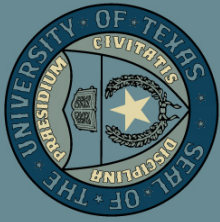
# Implications and Next Steps: Enhancing the Framework

- **Modular**
  - Revise easily; add, remove, or reorder measures
- **Annual updates**
  - Maintain 5-year longitudinal horizon
- **Trend lines and peer comparisons**
  - Use in setting performance targets
- **Relational database**
  - Sort by date, measure, institution



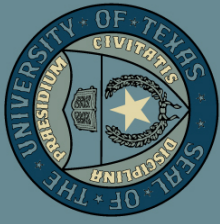
# Implications and Next Steps: Just the Beginning...

- **Use of the report**
  - Almanac and ready reference
  - Highlight key issues; reflect state priorities
  - Highlight successes; pursue any problems
  - Connection to major System initiatives -- learning assessment, tuition accountability
- **Set future goals**
  - Work with EVCs and presidents to analyze trend lines, comparisons for institutional planning and consequences
  - Relation to Compacts
  - Relation to State goals and accountability framework



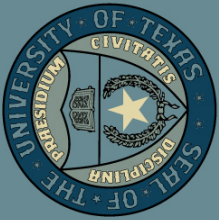
# Some Implications for Future Planning

- **Student Access and Success**
  - Improve persistence and graduation rates
  - Reverse decline in numbers of degrees in high-priority health fields
  - Obtain and use data on student learning outcomes and post-graduation employment
- **Teaching, Research, and Health Care Excellence**
  - Expand research collaborations
  - Increase private support for endowed faculty positions
  - Enhance organization for and productivity of technology transfer activities



# Some Implications for Future Planning

- **Service to and Collaborations with Communities**
  - Strengthen commitment to help improve K-16 education and increase numbers of certified teachers
  - Measure the economic impact of U. T. institutions and special initiatives
  - Refine measures of endowment growth
- **Organizational Efficiency and Productivity**
  - Refine display of financial information, including revenues from key sources and expenses on key purposes
  - Improve methodology to collect and analyze information about faculty and staff
  - Enhance measurement of facilities data, to reflect work of Capital Planning Task Force



# Next Steps

March 2004	Post report on Web; distribution
April 2004	Analysis and recommendations by Academic and Health Affairs, based on: Presidents' comments Peer comparisons
June 2004	Recommendations on new or revised measures from working groups : Data integrity and comparability Health-related institutions Student data Research and technology transfer Faculty and staff data Organizational efficiency and productivity
July 2004	Confirm state-required measures
Aug. – Nov. 2004	Data updates and analysis
Dec. 17, 2004	Board and Coordinating Board approval of accountability plans
February 2005	2005 report to Board

# The University of Texas System Accountability and Performance Report 2003-04

## Highlights

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Institutional Profiles .....	24

### Introduction

This new, annual report provides an accountability framework for The University of Texas System Board of Regents, U. T. System offices and institutions, the Legislature, and the public. The report's framework is derived from the U. T. System's planning context, based on state, regional, and local needs, including those identified in the Texas Higher Education Coordinating Board's *Closing the Gaps* higher education master plan. The report focuses on data related to System goals and priorities articulated in its long-range plan, "Service to Texas in the 21<sup>st</sup> Century," and individual institution missions, long-range plans, goals, and priorities.

This new framework reflects the U. T. System's ongoing commitment to foster continuous improvement, good management, and transparency within the component institution and System functions that contribute to its academic, health care, and service missions. The report provides information and analysis that demonstrate how U.T. institutions add value, contribute to state goals, and how they compare with peers. It emphasizes results and implications for future planning, to support continued improvement by the System and component institutions.

As a new endeavor, the data displayed in the first edition of this report provide a baseline of institutional performance; multi-year information is displayed where available to establish trend lines. Each institution will develop performance targets, which will be included in the next editions of this report, as a point of comparison to the trend lines in performance on the selected list of indicators identified here.

The report will provide the basis for reviewing institutions and establishing benchmarks for future performance. It will be used by the System in conjunction with other documents such as each of

the institution's Compact and each president's Presidential Work Plan, to evaluate performance and establish expectations of each institution.

The U. T. System expects this report to be used as an almanac and ready reference on broad trends in institutional performance and to support management decision making and planning. It will highlight key issues, successes, and topics that require attention, and contribute to future goal setting, but will not substitute for the more detailed planning information, fact books, and web-based resources available from each institution.

Data in this report come from System and legislatively mandated reports, including annual data provided to the Texas Higher Education Coordinating Board and the Legislative Budget Board, and from other information gathered from U. T. System institutions. The goal is to integrate and focus the information previously disseminated through several different performance reports. The report emphasizes results and the service the U. T. System provides to Texas.

Performance measures provide a 360-degree, longitudinal view of activities that support the educational, research, and health care missions of U. T. institutions. These measures are organized in five main sections:

- I. Student Access and Success;
- II. Teaching, Research, and Health Care Excellence;
- III. Service to and Collaborations with Communities;
- IV. Organizational Efficiency and Productivity;
- V. Institutional Profiles (including rankings and other comparisons with peer institutions).

Within this framework, measures are tailored to the specific missions of academic and health-related institutions, with considerable overlap in types of measures:



- Academic Institutions – 69 measures
- Health-Related Institutions – 48 measures
- System – 15 measures

Approximately half of all measures are outcome- or input-related. Others provide context, or track progress that ultimately translates into outcomes.

The period of reporting is FY 1999 to FY 2003, as longitudinal data are available. (Basic, preliminary fall 2003 enrollment data are noted, below.) Each section of the report includes a discussion of implications for future planning and measures for future development. Comparisons to peer institu-

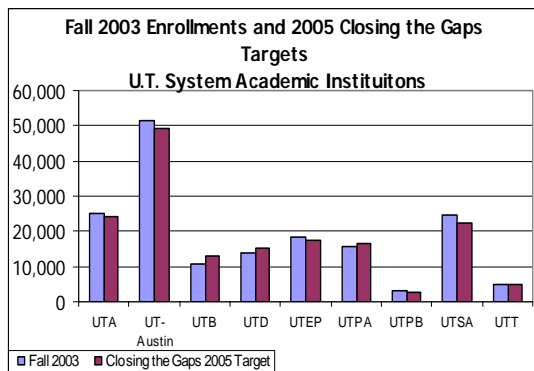
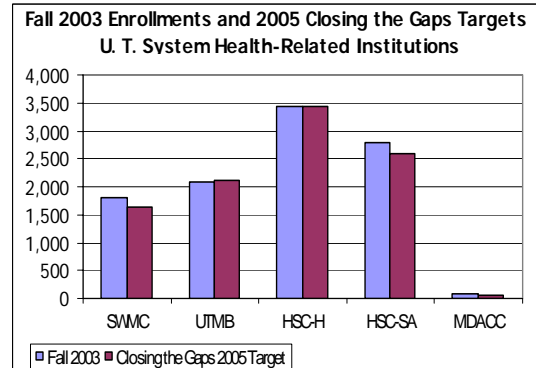
tions are based on a selection of measures used in this report. Analysis of trend data and comparisons will be used to set future performance targets and identify areas of strength and areas where improvement is needed.

This summary highlights key findings, but does not cover every performance measure for every institution. Readers are encouraged to consult the full report for an index of all measures and complete detail about each institution.

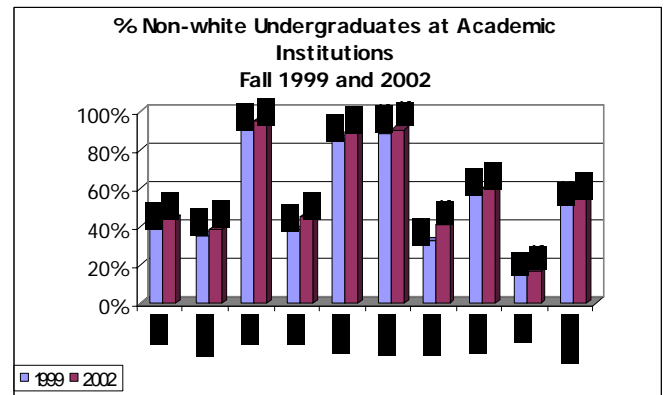
## Student Access and Success

### The U. T. System Contributions to *Closing the Gaps* Goals

**Enrollment.** 177,944 students were enrolled in the U. T. System in fall 2003 (12<sup>th</sup> day count). This represents 37.6 percent of all public university enrollments, 15.5 percent of all public and private higher education enrollments, and 75 percent of all health institution enrollments, and in Texas. This was nearly a 5 percent increase over fall 2002 enrollments, about the same as the statewide increase of 4.92 percent. Although the THECB does not set targets for university systems, collectively fall 2003 enrollments in the U. T. System exceeded by 2,500 students the aggregate enrollment projection of 175,442 for 2005.



**Diversity.** At all U. T. academic institutions and all but one health-related institution, the number of Black and Hispanic students increased between 2000 and 2002. U. T. El Paso, U. T. Pan American, U. T. San Antonio, U. T. Brownsville, and U. T. Austin were among the top 25 institutions with the greatest increase in Hispanic students.



Degrees awarded. In 2002, U. T. institutions conferred 20,877 degrees, a 4.8 percent increase over 2000. These represent 26.5 percent of all degrees conferred by public institutions in Texas in 2002. Between 2000 and 2002, the overall state total production of doctoral degrees declined; at U. T. institutions, the total decreased from 1,065 in 2000 to 1,009 in 2002. In high-priority fields (as defined by the Texas Higher Education Coordinating Board) in 2002, U. T. institutions conferred 2,923 degrees and certificates in high-priority technical fields; 2,198 degrees in high-priority health fields, and 3,329 graduate-level education degrees.

Degrees awarded to Black and Hispanic students. U. T. institutions conferred 7.8 percent of the undergraduate degrees received by Black students in 2002. U. T. institutions conferred 26 percent of the degrees received by Hispanic students in 2002.

### **U. T. Academic Institutions Undergraduate Student Performance Measures**

Enrollment of first-time, full-time degree-seeking undergraduates. Between fall 1998 and 2001, undergraduate enrollment increased by 20.5 percent to 16,554. On average, first-time students are 52 percent female; at Brownsville and Tyler, students are over 60 percent female. Between fall 1998 and 2002, the proportion of non-white students increased from 52 percent to 56 percent.

Ethnic composition of first-time, full-time undergraduates compared with general high school graduate ethnic composition. Overall, 44 percent of first-time, full-time U. T. undergraduates in fall 2001 were White, 35 percent were Hispanic, 12 percent were Asian, 4.5 percent were Black, and 4 percent were International. Statewide, 49.9 percent of high school graduates in 2002 were White, 33.1 percent Hispanic, 13.3 percent Black, and 3.4 Asian. U. T. institutions collectively exceeded the statewide proportion of Hispanic students, who comprise the majority of students at U. T. Brownsville, U. T. El Paso, and U. T. Pan American. U. T. institutions collectively lagged behind the state-wide enrollment of Blacks (4.5 percent to 13.3 percent) except at U. T. Arlington, where 13.5 percent of first-time, full-time students were Black, slightly above the state average among high school graduates.

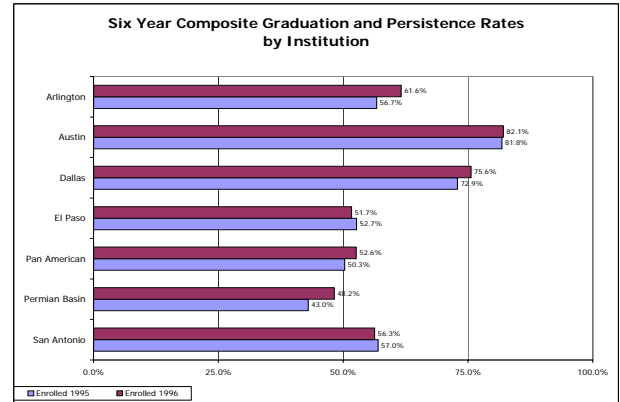
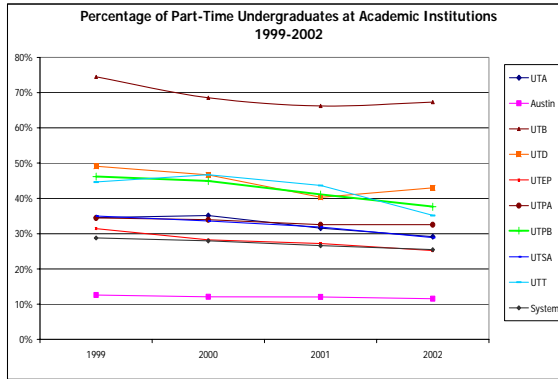
Top-10 percent high school graduates enrolled at U. T. institutions (contextual measure). Between fall 1999 and 2002, the proportion of top-10 percent students increased at U. T. Austin, U. T. Dallas, and U. T. El Paso. Although the proportion declined over this four-year period, over 15 percent of students enrolled in fall 2002 at Arlington, Permian Basin, and Tyler came from the top 10 percent of their high school class.

U. T. Hispanic-Serving Institutions. The presence of Hispanic-Serving Institutions (HSIs) in a university system is another indicator of its contributions to promoting access to students from diverse backgrounds. The U. T. System includes six Hispanic-Serving Institutions: U. T. Brownsville, U. T. El Paso, U. T. Pan American, U. T. Permian Basin, U. T. San Antonio, and U. T. Health Science Center-San Antonio. No other public, four-year system in the country, except the California State University System, includes this number of HSIs. The CSU System includes nine HSIs (of 24 total universities); the Texas A&M University System includes three HSIs (of 10 total universities); and the City University of New York has four (of 11). The Texas State University System, the University of Houston, and the New Mexico State University System each have one HSI.

Total fall undergraduate headcount and demographic trends. Enrollment increased at every U. T. academic institution between fall 1999 and 2002, from a total of 106,434 to 121,335. Fifty-four percent of all undergraduates were female in fall 2002; at U. T. Brownsville, U. T. Permian Basin, and U. T. Tyler, females outnumber male students by nearly two to one. The average age of students has changed little since 1999; students average 21 years old at U. T. Austin; 23 at U. T. El Paso, U. T. Pan American, U. T. Brownsville, and U. T. Permian Basin; and 27 to 28 years old at U. T. Tyler.

The proportion of non-White students increased at every U. T. academic institution between fall 1999 and 2002. In fall 2002, 45 percent of undergraduates were White; 35 percent Hispanic; 10 percent Asian, and 5 percent Black. U. T. Brownsville (94 percent), U. T. El Paso (74 percent), and U. T. Pan American (87 percent) serve the largest proportion of Hispanic students; U. T. Permian Basin (35 percent) and U. T. San Antonio (48 percent) also serve large proportions of Hispanic students.

Part-time students (contextual measure). Part-time students comprise a significant portion of undergraduate enrollments – 25.5 percent in 2002; over time this ratio has decreased. Nationally, an average 22 percent of undergraduates enrolled at four-year institutions attend part time. Institutions with comparatively more part-time students include U. T. Brownsville (67.3 percent); U. T. Dallas (43 percent); and U. T. Permian Basin (37.7 percent). U. T. Austin has the least (11.6 percent). However, comparatively few first-time degree students begin part-time – 5.1 percent overall in fall 2002. This contrasts with the national average of 21 percent for first-time degree students.



**Affordability, financial aid, and average net tuition.**

In academic year 2002-03, nearly 60 percent of U. T. academic institutions' undergraduates received some form of financial assistance, totaling \$629 million. The total number of awards was 213,789; 53 percent loans; 45 percent scholarships and grants; and 2 percent work-study. Forty-three percent of all awards came from federal sources; 27 percent from institutional funds, 19 percent from state funds, and 11 percent from private sources. Tuition and fees vary significantly among institutions; on average, tuition and fees per semester credit hour in 2002-03 cost \$132. After taking financial aid into account, the average discounted semester credit hour cost \$91, a 31 percent discount.

success among students across the System, with more than 50 percent of students persisting or graduating within six years at all institutions except U. T. Permian Basin.

**First-year persistence rates.** According to the American College Testing Program, the first-year persistence rate nationally for four-year public institutions averaged 71.9 percent in 2001. U. T. Austin (91 percent) and U. T. Dallas (78 percent) exceeded this average, but rates at other U. T. institutions were in the mid-50 percent to mid-60 percent range. The rates have increased at the majority of U. T. academic institutions between 1999 and 2002. Female students' persistence exceeded males' at every institution except U. T. Tyler.

**Transfer students' graduation rates.** At all but two academic institutions, students who transferred to a U. T. institution with 30 or more semester credits in fall 1998 graduated within four years at rates generally in the mid-30 percent to mid-50 percent range – higher than a six-year graduation rate for students matriculating at and graduating from the same institution. At U. T. Austin, the transfer graduation rate of 60.7 percent did not exceed the six-year graduation rate of 71.9 percent.

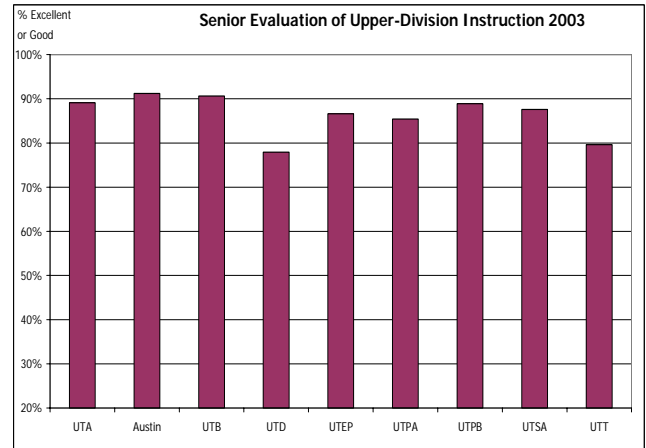
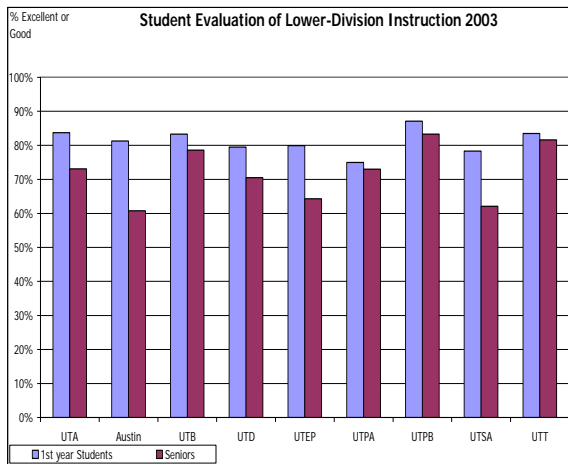
**Five- and six- year graduation rates.** Five-year and six-year graduation rates for students entering and graduating from the same U. T. institution are increasing at most U. T. academic institutions, with more female than male students graduating in six years. However, only U. T. Austin (71.9% for fall 1996 entering class) and U. T. Dallas (51.8% for 1996 entering class) are above the national average six-year graduation rate of 50.7 percent; the rate at U. T. El Paso, U. T. Pan American, U. T. Permian Basin, and U. T. San Antonio is in the mid-20 percent range.

**Undergraduate degree production.** In academic year 2001-02, U. T. academic institutions conferred 20,079 baccalaureate degrees, up from 18,896 in AY 1998-99. The System produces approximately one-third of the baccalaureate degrees conferred each year in Texas. Fifty-seven percent of degrees went to female students, 49 percent were conferred on non-White students, 30 percent to Hispanic students, 9.4 percent to Asian students, and 4.5 percent to Black students. Four U. T. institutions rank in the top 10 nationally in granting degrees to Hispanic students: U. T. Pan American (2<sup>nd</sup>), U. T. El Paso (3<sup>rd</sup>), U. T. San Antonio (4<sup>th</sup>), and U. T. Austin (6<sup>th</sup>).

**Composite persistence/graduation rates.** These rates take into account students who were still enrolled or had graduated at the same institution or at another Texas institution. This measure shows more

**Licensure pass rates.** Teacher certification exam pass rates by students from U. T. academic institutions from 1999 to 2002 have been in the mid-80 percent to mid-90 percent range; rates have been somewhat lower at U. T. Pan American. Pass rates for nursing and engineering exams have been in the mid-80 to 90 percent range; the engineering pass rate for Tyler was 100 percent from 1999 through 2002. Accounting exam pass rates have been in the 30 to 40 percent range for most U. T. academic institutions; similar to the statewide average of 41 percent in 2002.

Student outcomes – satisfaction with teaching, advising, and educational experience. The U. T. System academic institutions participate in the National Survey of Student Engagement. Items from this survey have been included in this report in lieu of pending results from the System’s learning assessment pilot project. Overall, in the 2003 survey, a large majority of first-year students and seniors rated their instruction as “good or excellent.” First-year students consistently rate lower-division instruction higher than do seniors. Seniors consistently rate upper-division instruction higher than lower-division instruction.



The proportion of first-year students saying they would attend the same institution again is generally in the low- to mid-80 percent range; it increased slightly at four institutions between 2002 and 2003. Overall, seniors reported a slightly lower level of satisfaction, but it also increased over this period at four institutions. This parallels the national trend, which averaged 81 percent in 2002 and 82 percent in 2003. At U. T. Arlington and U. T. Austin, over 90 percent of first-year students rated their educational experience as “good” or “excellent” in 2003, as did 91 percent of seniors at U. T. Austin.

## U. T. Academic Institution Graduate and Professional Students

Average GRE scores. Between 1999 and 2002, the average of quantitative and verbal GRE scores has increased for graduate students enrolling at most U. T. academic institutions. GRE scores are useful indicators of student preparation and selectivity, but are not required by all programs.

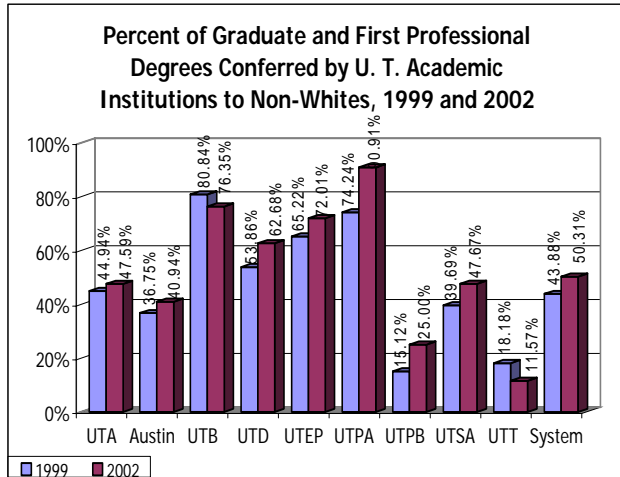
Enrollment. Graduate and professional student headcount has increased by almost 24 percent from 26,134 in fall 1999 to 32,069 in fall 2002. At U. T. Arlington, it nearly doubled from 3,883 to 6,172. 51 percent of students are female overall, in proportions over 60 percent at U. T. Brownsville, U. T. Pan American, U. T. Permian Basin, and U. T. Tyler.

Ethnicity. In fall 2002, 54 percent of graduate and professional students at U. T. academic institutions were non-White, up from 47 percent in 1999, including over 70 percent of students at U. T. Brownsville and U. T. Pan American.

Degrees conferred. Between 1999 and 2002, the number of graduate and professional degrees

conferred increased by 7 percent from 7,664 to 8,203, with larger increases at U. T. Pan American (49 percent), U. T. San Antonio (31 percent), and U. T. Dallas (23 percent). This increase trails the 24 percent increase in enrollments and should be expected to grow in future years.

Over this period, the ethnic diversity of students receiving degrees increased at most institutions. In 2002, 50 percent of graduate and professional degrees were conferred on non-white students. Sixteen percent went to Hispanic students, 3 percent to Black students, 16 percent to Asian students, and 25 percent to International students. Three U. T. institutions are ranked in the top 10 nationally of schools awarding master’s or doctoral degrees to Hispanic students: U. T. Austin (Ph.D. – 4<sup>th</sup>), U. T. Pan American (Master’s – 5<sup>th</sup>), U. T. El Paso (Master’s – 10<sup>th</sup>).

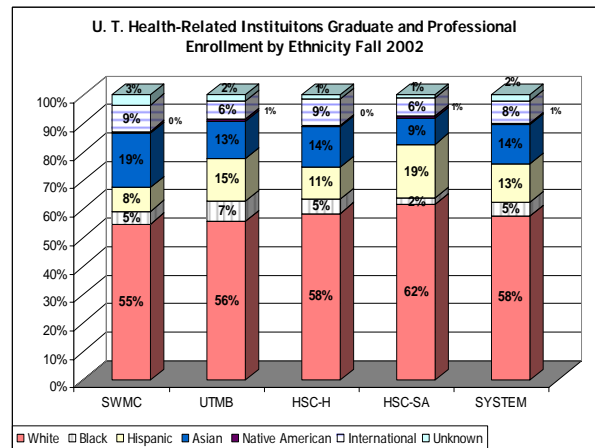
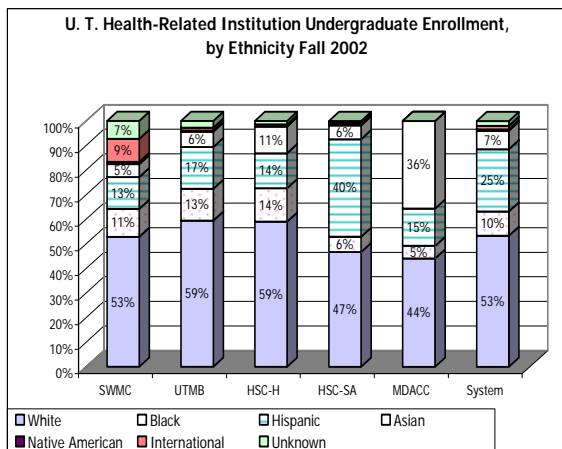


**Degrees in High-Priority Fields.** In 2002, U. T. academic institutions conferred 1,773 degrees in high priority technical fields, an increase from 1,659 in 1999. Three hundred and seventeen degrees were conferred in high-priority health fields, a decrease from 357 in 1999. At the same time, the number of graduate-level nursing degrees increased at U. T. Austin and U. T. Pan American, and U. T. Brownsville graduated its first class of 12 nursing students in 2002. U. T. academic institutions conferred 1,327 graduate education degrees in 2002, up from 1,217 in 1999.

### U. T. Health-Related Institutions Performance Measures

**Undergraduate enrollment.** Total enrollments increased from 1,955 to 2,120 between 1999 and 2002. The number of nursing students increased from 325 to 450 at U. T. Medical Branch Galveston, 186 to 281 at the U. T. Health Science Center-Houston, and from 416 to 528 at the U. T. Health Science Center-San Antonio. 80 percent of students were female in fall 2002. The proportion of non-white students increased between 1999 and 2002, from 41.5 percent to 46.7 percent.

female in 2002, and 40.3 percent were non-White, an increase from 32.9 percent in 1999. At U. T. Health Science Center-San Antonio, the proportion of Hispanic students in Biomedical Sciences nearly doubled, from 9 percent to 17 percent; and more than doubled in allied health, from 13 percent to 32 percent.



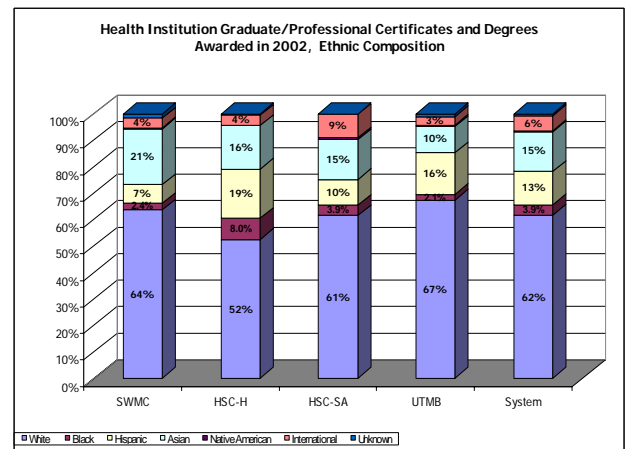
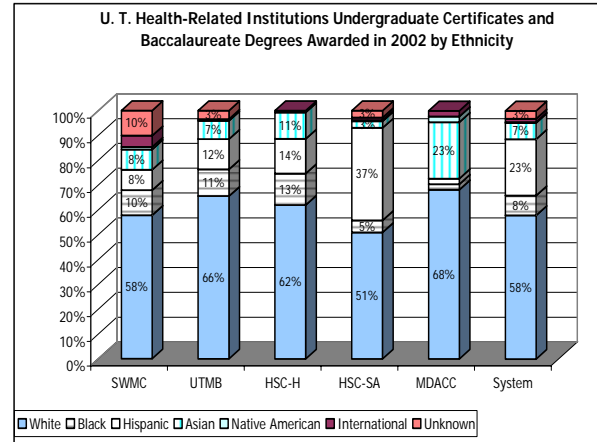
**Graduate and professional enrollment.** Total enrollments changed from 7,274 in 1999 to 7,668 in 2002. Between 1999 and 2002, the number of allied health students at U. T. Southwestern Medical Center more than doubled from 63 to 134, and nearly tripled at U. T. Medical Branch from 71 to 198. Overall, 54.4 percent of students were

**Licensure exam pass rates.** In allied health, dentistry, and medicine, pass rates exceed, and, in many cases, are significantly higher than, 90 percent. One hundred percent of students from the U. T. Health Science Center-Houston and U. T. M. D. Anderson Cancer Center passed the Allied Health examination. Pass rates for nursing exams were lower for Advance Practice nursing, in the mid-70 percent range.

**Degrees conferred.** A total of 1,074 undergraduate degrees and certificates were conferred by U. T.

health-related institutions in 2002, from 1,048 in 1999. Seventy-one percent went to female students, and 37.1 percent went to non-white students. Overall, the number of graduate and professional degrees conferred declined slightly between 1999 and 2002, from a total of 1,724 to 1,712. Fifty-three percent went to female students, and 38.3 percent went to non-white students, the same proportion as in 1999.

**Graduation rates (contextual measure).** The U. T. System has analyzed graduation rates for full-time students at health-related institutions. The years to complete programs vary considerably, as do the numbers of students enrolled. In some fields, such as allied health and public health, significant numbers of students attend part time. In others, such as the joint M.D./Ph.D. program at Southwestern Medical Center, work on the Ph.D. lengthens the time to graduation in the M.D. Graduation rates generally range from the mid-70 percent to 100 percent, and have increased slightly in nearly all programs for cohorts matriculating from 1998 to 2001.



### Student Access and Success: Implications for Future Planning

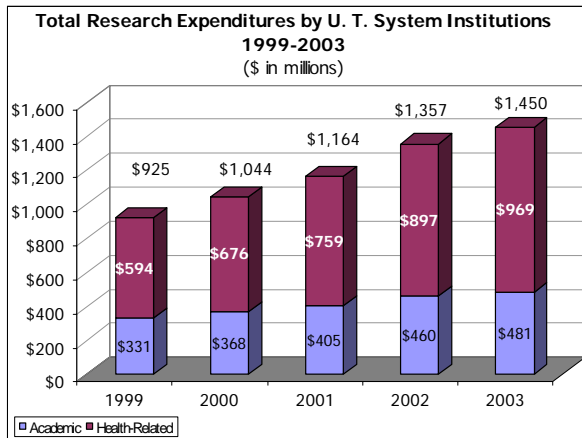
- The U. T. System must continue its commitment to improve the rates of undergraduate student persistence and graduation.
- The System should make it a high priority to continue to address the decline in production of degrees in high-priority health-related fields, particularly nursing degrees.
- Addressing the relationship between ethnicity and increased student access and success must remain a priority for the System.
- Development of data on student learning outcomes and post-graduation experience, particularly employment trends, should be a priority.

### Measures for Future Development

- Measures of affordability: tuition trends, net cost of attendance, impact of federal tax credits and deductions.
- Refine enrollment forecasts.
- Number and percent increase of first-time, full-time degree-seeking first-generation freshmen.
- Persistence and graduation rates of first-generation freshmen.
- Number of community college transfer students enrolled on 12<sup>th</sup> day of class.
- Student learning outcomes (academic undergraduates).
- Student satisfaction (refine NSSE questions).
- Graduate/professional student satisfaction.
- Post-graduation experience of undergraduate and graduate/professional students, for example, surveys of job placement, employer satisfaction.
- Entrance examination trends for graduate and professional programs, e.g., law.
- Refine and expand information on graduation rates.
- Nursing program transfer patterns (associate to RN, BSN).
- Satisfaction of medical students (AAMC or TMA survey data).

## Teaching, Research, and Health Care Excellence

U. T. System research trends: total research and research-related expenditures. In 2003, research expenditures totaled \$1.45 billion, an increase of 57 percent over expenditures of \$925 million in 1999. Health-related institutions generated approximately two-thirds of the total.

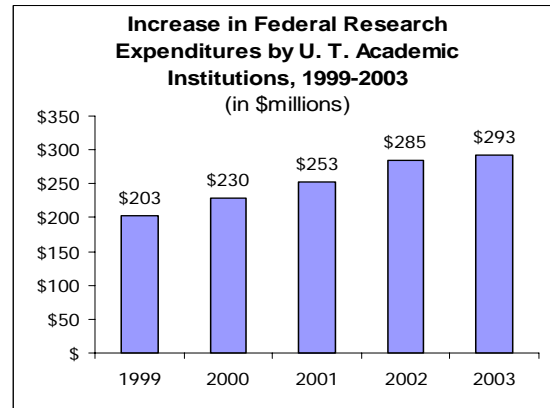


National ranking. For the period FY 1998 to FY 2001, total R&D expenditures of three U. T. System institutions – Austin, Southwestern Medical Center, and M. D. Anderson Cancer Center – have been in the top 50 among 625 ranked public and private research universities. Three institutions have been in the top 51 to 100 – the Health Science Center-Houston, the Health Science Center-San Antonio, and the Medical Branch at Galveston.

### Academic Institutions

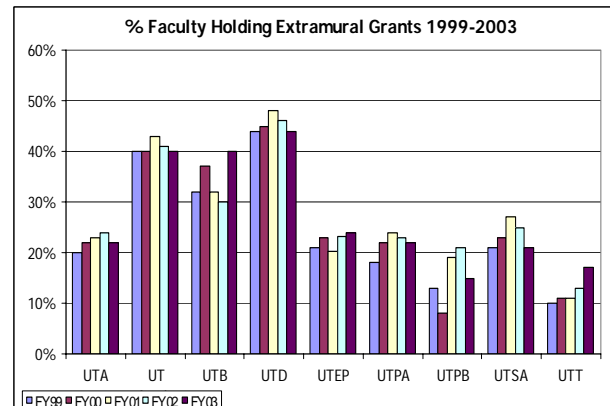
Research expenditures. In 2003, U. T. academic institutions' research and research-related expenditures totaled \$480.9 million, a 4.6 percent increase over the previous year. Between 1999 and 2003, research and research-related expenditures have averaged an 11.3 percent annual increase. Among Texas institutions, U. T. Austin ranks second in research and development expenditures. In 2002, U. T. academic institutions' expenditures comprised 23 percent of the total of Texas public institution research and research-related expenditures in 2002 of \$2.044 billion. In FY 2003, the federal government provided 61 percent of these funds, 21 percent came from private sources, and the State provided 18 percent.

Federal research expenditures. Between 1999 and 2003, federal research expenditures for all U. T. academic institutions increased by 44.2 percent.



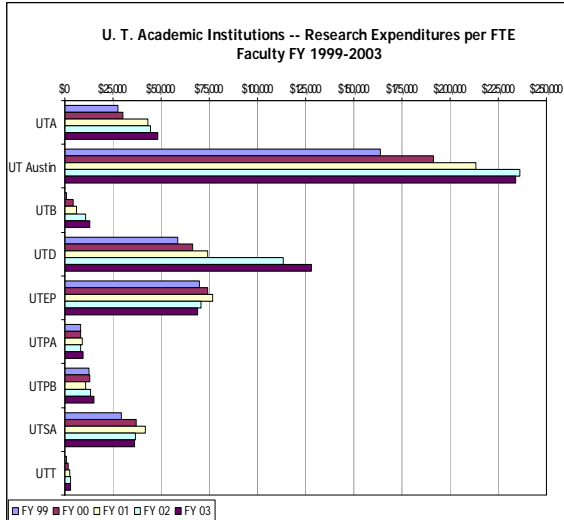
Appropriated research funds in relation to sponsored research funds. State appropriations for research to U. T. academic institutions equaled 4 percent of total sponsored research funding in FY 2000 and FY 2002. These appropriations provide leverage for additional funds.

Faculty holding extramural grants. The number of external grants held by tenure/tenure-track faculty has increased at most U. T. academic institutions between 1999 and 2003. The proportion of faculty holding grants has also increased at U. T. Arlington, U. T. Brownsville, U. T. El Paso, U. T. Pan American, U. T. Permian Basin, and U. T. Tyler.

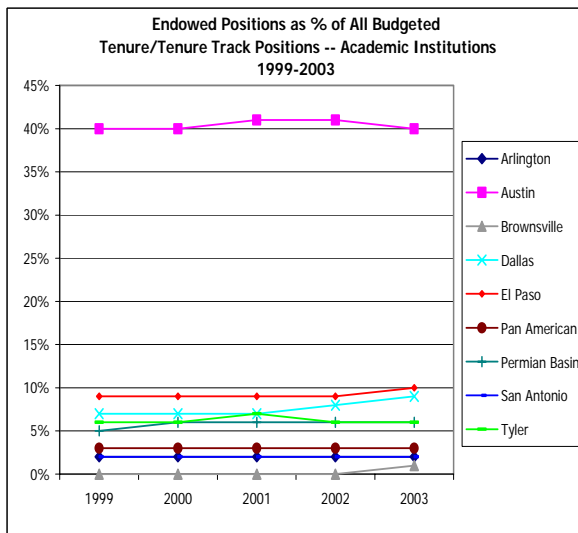


Research expenditures per FTE faculty. From FY 1999 to 2003, this ratio has increased at most U. T. academic institutions, with greater proportionate growth at U. T. Arlington, U. T. Austin, U. T. Brownsville, U. T. Dallas, U. T. San Antonio, and U. T. Tyler.





**Endowed faculty positions.** The ratio of endowed to budgeted faculty positions illustrates the impact of endowed professorships and chairs in supplementing the faculty positions that institutions are able to support with State appropriations, tuition, grants, and other sources of funding. These positions help institutions compete for, recruit, and retain top faculty who help institutions achieve excellence in targeted fields. Over the period FY 1999-2003, U. T. academic institutions have increased the number of endowed positions by an average of 21 percent. These endowments reflect the specific fundraising environment for each institution, which is influenced by local and regional economic conditions. With the addition of U. T. Brownsville's three positions in 2003, every U. T. institution now has endowed positions.



**Faculty awards and honors.** The faculty of the U. T. System receive a wide range of honors and awards. Those listed here are perpetual, lifetime honors received by faculty members on or before September 1, 2003.

Cumulative Honors – U. T. Academic Institutions				
	Total	UTA	UT Austin	UTD
Nobel Prize	3		2	1
Pulitzer Prize	1		1	
National Academy of Sciences	19		17	2
National Academy of Engineering	45		44	1
American Acad. of Arts & Sciences	35		34	1
American Law Institute	23		23	
American Academy of Nursing	22	9	13	

Faculty at U. T. academic institutions receive many other prestigious awards and honors detailed in the full report.

**Technology transfer: System trends.** Together, U. T. System institutions disclosed 474 new inventions in 2002, up from 455 in 2001. One hundred and one patents were issued in 2002, up from 99 in 2001. The numbers decreased in licenses and options executed (109 to 97) and in public start-up companies formed (18 to 16). Net revenue from intellectual property was unchanged at \$13.8 million. According to the U.S. Patent and Trademark Office, when academic and health-related institution patents are combined, the U. T. System ranked fourth in 2001 and fifth in 2002 in the number of patents issued. The University of California System topped the list with 402 in 2001 and 431 in 2002.

**Technology transfer: academic institutions.** From 2001 to 2002, new invention disclosures increased from 113 to 116. The number of patents issued remained stable at 28. Licenses and options executed declined from 42 to 25, and the number of new public start-up companies decreased from 11 to five. Net intellectual property revenue increased from \$1.4 million to \$2.6 million. U. T. Austin was among the top five institutions signing exclusive license agreements in Texas in FY 2002.

**FTE student/faculty ratio.** Although the numbers of FTE students and FTE faculty have increased over the past five years at all U. T. System academic institutions, the ratio of FTE students to FTE faculty has increased at seven of the institutions.



Student : Faculty Ratio		
	98-99	02-03
UTA	19 : 1	22 : 1
Austin	20 : 1	21 : 1
UTB	37 : 1	39 : 1
UTD	18 : 1	22 : 1
UTEP	18 : 1	19 : 1
UTPA	19 : 1	21 : 1
UTPB	17 : 1	17 : 1
UTSA	25 : 1	24 : 1
TTT	11 : 1	13 : 1

The ratio of FTE students to FTE faculty has remained constant at U. T. Permian Basin and has declined slightly at U. T. San Antonio.

Teaching of lower division classes. Both tenure/tenure-track and non-tenure-track professional faculty contribute to lower division teaching. Teaching by both groups is necessary to cover all scheduled classes. In fall 2002, the proportion of lower-division semester credit hours taught by tenure/tenure-track faculty ranged from 30 percent at U. T. Dallas to 72 percent at U. T. Tyler. Between fall 1999 and 2002, the proportion of lower-division semester credit hours taught by professional faculty has increased at all U. T. academic institutions except San Antonio and Tyler.

Postdoctoral appointments.

The number of postdoctoral fellows at an institution is a measure of the size and growth of its advanced research programs. These numbers are indicative of the service U. T. academic institutions provide in preparing researchers who are likely to make the discoveries that advance fields in the future.

Postdoctoral Fellows		
	FY 99	FY 03
UTA	16	30
Austin	246	233
UTB	0	6
UTD	29	39
UTEP	4	7
UTPB	0	2
UTSA	4	19

The number of postdoctoral fellows has increased substantially at Arlington, Brownsville, Dallas, El Paso, and San Antonio.

Externally funded research and educational collaborations. The U. T. System has made it a high priority to increase the research and educational collaborations among U. T. institutions as well as with organizations and schools outside of U. T. These collaborations achieve economies of scale and greatly improve the quality of research by leveraging faculty, external funding, and facilities resources beyond the scope that any individual institution could bring to bear on a research problem. Specific examples from each institution are described in the full report.

Faculty salary trends (contextual measure). To remain competitive, certain U. T. System academic institutions pay faculty slightly more on average than the average of four-year institutions in the 10 most populous states. U. T. Austin and U. T. Dallas on average pay faculty with rank of Professor more than the national average and the 10 most populous states averages. The average salary for Associate Professors at U. T. Austin, U. T. Dallas, and U. T. San Antonio is higher than the 10 most populous states average and the national average. Faculty members with the rank of Assistant Professor on average earn comparatively more than their counterparts nationally or in the 10 most populous states. Instructors at U. T. System institutions are paid more on average than their counterparts nationally or in the 10 most populous states.

Post-tenure review trends (contextual measure). The post-tenure review process is designed to assess the continued professional development and productivity of faculty after they achieve tenure. In academic year 2001-02, of the 413 tenured faculty subject to review, 350, or 84.7 percent, had satisfactory ratings; 53, or 12.8 percent were not reviewed due to promotion, retirement, resignation, leave of absence, or other reasons; nine, or 2.2 percent, received unsatisfactory review; one, or 0.2 percent, had a review still in progress. In academic year 2002-03, 335 cases were reviewed; 93.7 percent were satisfactory; 0.9 percent (three cases) were unsatisfactory; 3 percent were not reviewed due to promotion, retirement, or other reasons; and 2.4 percent of the reviews are still in progress.

## U. T. Health-Related Institutions

**Research funding.** In 2003, U. T. health institution research and research-related expenditures totaled \$969.4 million, an 8 percent increase over the previous year. Between 1999 and 2003, research and research-related expenditures have increased 63.2 percent.

Among Texas health-related institutions, U. T. health-related institutions ranked first in research and development expenditures in FY 2002 with a total of \$897 million. These expenditures comprised 43 percent of the total of Texas public university and health institution research and research-related expenditures in 2002 of \$2.087 billion. For FY 2002, five U. T. health institutions are among the top 10 Texas public institutions in research expenditures.

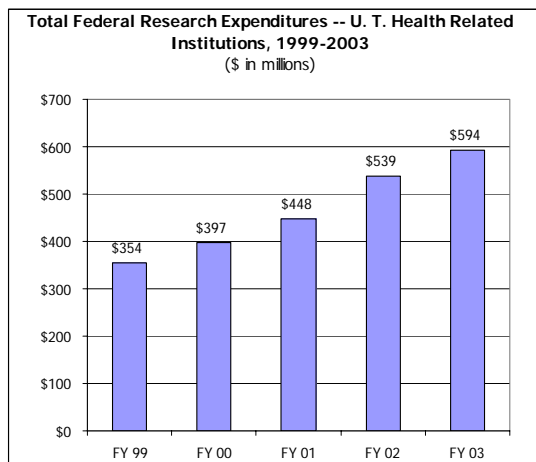
### Top 10 Texas Public Institutions in Research and Research-Related Expenditures, FY 2002

Texas A&M*	1*
U. T. Austin	2
U. T. Southwestern Medical Center	3
U. T. M. D. Anderson Cancer Center	4
U. T. Health Science Center-Houston	5
U. T. Health Science Center-San Antonio	6
U. T. Medical Branch at Galveston	7
University of Houston	8
Texas Tech University	9
Texas A&M System Health Science Center	10

\*Includes Texas A&M Extension Services

Sixty-two percent of research funds came from the federal government in FY 2003, 25 percent from private sources, and 13 percent from the state.

**Federal research funding.** Federal research expenditures by U. T. health-related institutions increased by 68 percent, from \$353.6 million to \$594.6 million between FY 1999 and 2003.



### External research expenditures as a percentage of formula-derived general appropriations revenue.

Comparing external research expenditures to formula-derived general revenue illustrates the scope of research activities at health institutions and the leveraging effect of state support.

Research Expenditures/General Revenue		
	FY 99	FY 03
SWMC	224%	342%
UTMB	113%	169%
HSC-H	112%	138%
HSC-SA	86%	119%
MDACC	741%	1164%
HC-T	308%	266%

Between 1999 and 2003, the proportion of research expenditures to formula-derived general revenue has increased at each health institution, with the exception of the Health Center at Tyler. For three institutions, Southwestern Medical Center, M. D. Anderson Cancer Center, and the Health Center at Tyler, research expenditures exceed by more than 200 percent the amount of formula-derived general revenue.

**Faculty holding external grants.** In health-related institutions, faculty of many appointment types hold extramural grants to conduct research.

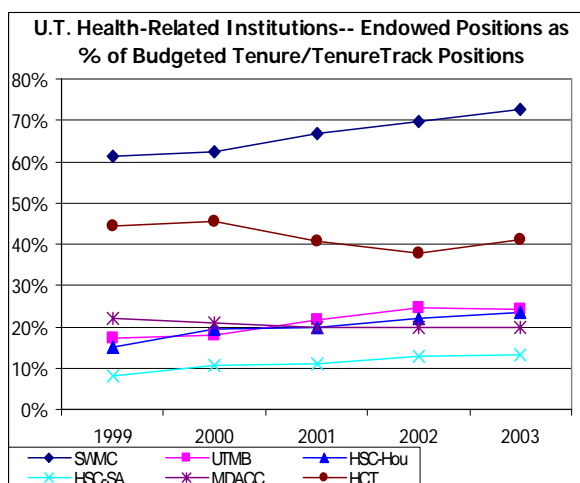
Contributions of both tenure/tenure-track and non-tenure/tenure-track faculty to research are measured by the proportion of faculty holding grants in a given year. This measure illustrates success irrespective of the size of a particular grant.

% Faculty Holding Extramural Grants (All Sources and Types) FY 2003		
SWMC	% T/TT Faculty	85%
	% NT Research Faculty	27%
UTMB	% T/TT Faculty	50%
	% NT Research Faculty	19%
HSC-H	% T/TT Faculty	52%
	% NT Research Faculty	24%
HSC-SA	% T/TT Faculty	82%
	% NT Research Faculty	94%
MDACC	% T/TT Faculty	26%
	% NT Research Faculty	21%
HC-T	% NT Research Faculty	66%

**External research expenditures per FTE faculty.** The ratio of the dollar amount of external research expenditures to FTE faculty in a given year illustrates the success of the faculty in acquiring research funding.

External Research Expenditures per FTE Tenure/Tenure-Track Faculty		
	FY 01	FY 03
	Exp Amt / FTE Faculty	Exp Amt / FTE Faculty
SWMC	\$426,200	\$ 497,799
UTMB	140,135	207,416
HSC-H	232,699	268,734
HSC-SA	243,256	244,827
MDACC	283,720	341,719
HC-T	354,945	317,829

**Endowed faculty positions.** Over the period FY 1999-2003, U. T. health-related institutions have increased the number of endowed positions by an average of 27 percent. At U. T. Southwestern Medical Center, over 70 percent of tenure/tenure-track faculty positions were endowed in FY 2003.



**Faculty awards and honors.** The faculty of the U. T. System receive a wide range of honors and awards. Those listed here are perpetual, lifetime awards received by faculty members on or before September 1, 2003.

Cumulative Honors – Health-Related Institutions						
	Total	SWMC	UTMB	HSC-H	HSC-SA	MDACC
Nobel Prize	5	4		1		
National Acad. of Sciences	16	15		1		
American Acad. of Arts and Sciences	14	12		2		
American Acad. of Nursing	23		6	9	9	
Institute of Medicine	24	16	2	4	1	1
Internat'l Assoc. for Dental Research	3				3	

**Technology transfer.** Between 2001 and 2002, technology transfer outcomes increased modestly among U. T. health-related institutions. New invention disclosures increased from 342 to 385; at U. T. Southwestern Medical Center they increased from 155 to 128 and at the Health Science Center-Houston from 30 to 44. New patents issued increased from 71 to 73 overall from 23 to 32 at Southwestern Medical Center. The number of licenses and options executed increased from 67 to 72, with an increase at M. D. Anderson from 10 to 18. New public start-up companies increased from 7 to 11; at M. D. Anderson the number increased from 2 to 6. Net revenue from intellectual property decreased slightly, from \$12.3 million to \$11.1 million.

**FTE student/faculty ratios.** The number of faculty and students has increased slightly at U. T. health-related institutions over the past three years. The student/faculty ratios range from 2 to 1 at Southwestern Medical Center and Medical Branch, to 3 to 1 at the Health Science Centers at Houston and San Antonio. M. D. Anderson Cancer Center admits a small number of undergraduates, but serves hundreds of students collaboratively with the Health Science Center-Houston.

**Graduate medical education: accredited resident programs.** The number of resident programs and number of residents in these programs is a measure of the contribution health institutions make to education and development of medical professionals.

Accredited Resident Programs and Residents at U. T. Health-Related Institutions AY 2002-03		
	Programs	Students
SWMC	78	1,149
UTMB	52	543
HSC-H	53	761
HSC-SA	53	700
MDACC	12	100
HC-T	2	24

With the exception of Southwestern Medical Center, the number of accredited resident programs has remained stable over the past five years. The number of residents in accredited programs has increased substantially at three U. T. health-related institutions, notably at M. D. Anderson, where the number of residents nearly doubled, and at the Health Science Center-San Antonio, where residents increased from 586 to 700 over the past five years.

**Clinical and hospital care.** This measure illustrates the scope of hospital and clinical care provided by U. T. health-related institution faculty.

**Care Provided by U. T. Health-Related Institution Faculty at State-Owned and Affiliated Facilities**

	FY 99	FY 02	% change 99-02
Hospital Admissions	58,339	63,801	9.4
Hospital Days	1,177,062	1,244,338	5.7
Clinic Visits	5,034,342	5,002,639	-0.6
Charges For Un-Sponsored Charity Care	\$436,859,456	\$557,096,840	36.6%

In 2001, U. T. health-related institutions provided nearly 90 percent of all charity care provided by public health-related institutions in Texas.

Patient satisfaction.

Patient satisfaction is an important element of U. T. System health-related institutions' service. Each institution, except the Medical Branch at Galveston, designs its own satisfaction rating system; these may focus on particular departments, e.g., Patient Affairs at M. D. Anderson, or the Dental Branch clinics at the Health Science Center-Houston. The Medical Branch at Galveston works with the national healthcare industry satisfaction and measurement improvement company, Press Ganey Associates, Inc., to survey its patients. Satisfaction scores, summarized in the full report, are generally very high, and in most cases show improvement over time.

Externally funded research and educational collaborations.

The U. T. System has made it a high priority to increase the research and educational collaborations among U. T. institutions as well as organizations and schools outside of U. T. These collaborations achieve economies of scale, and greatly improve the quality of research by leveraging faculty, external funding, and facilities resources beyond the scope that any individual institution could bring to bear on a research problem. Specific examples from each institution are described in the full report.

Post-tenure review.

This review process provides the means to assess and enhance the continued vitality of faculty throughout their careers. In a total of eight cases out of 145 in 2002, faculty were considered in need of additional support or marginal, and two were considered unsatisfactory. In 2003, four cases out of 147 were considered in need of additional support or marginal; two were considered unsatisfactory. In these cases, the department head and post-tenure review committee developed a remediation plan with the faculty member; progress will be monitored in 2004.

**Teaching, Research, and Health Care: Implications for Future Planning**

- The U. T. System should emphasize the priority of research collaborations between academic and health-related institutions.
- Private support for endowed faculty positions should be a System priority.
- The organization, support, goals, and pace of technology transfer require attention and further development.
- Measurement of the number of faculty grants should be refined, and reasons for declines in numbers should be analyzed.

**Measures for Future Development**

- The U. T. System should develop a methodology and process to collect data on all sponsored expenditures, by source and type, including research, training, and public service.
- For the health-related institutions, a performance measure related to citations in national/international indices should be developed.
- Measures of teaching excellence (student evaluations, awards, other indicators) require further development. These should be related to data on student learning in the section on student access and success.
- Information technology support and resources contribute significantly to faculty success in teaching and research. A context or progress measure should be developed reflecting trends in: technical infrastructure, distance education, and faculty training.
- Data on faculty FTEs and salaries should be refined and simplified so that faculty effort related to key areas of activity – teaching, research, and clinical care, can be clearly described and tracked.

## Service to and Collaborations with Communities

### The U. T. System's Contribution to Teacher Preparation

Teacher preparation is a major responsibility of U. T. academic institutions. The quality of teacher and administrator graduates is a key factor in the supply of well qualified high school graduates. Teacher education programs are, thus, a critical lynchpin in the state's K-16 system.

<b>Number of Initially Certified Teachers from U. T. System Institutions and Texas 1993–2002</b>				
	1993	2002	# Chg 93-02	% Chg 93-02
UTA	272	471	199	73.2%
UT Austin	512	487	-25	-4.9
UTB	153	239	86	56.2
UTD	136	148	12	8.8
UTEP	454	535	81	17.8
UTPA	482	665	183	38.0
UTPB	152	144	-8	-5.3
UTSA	349	603	254	72.8
UTT	281	219	-62	-22.1
U. T. System	2,791	3,511	720	25.8%
TEXAS	13,119	17,927	4,808	36.6%

Over the past decade, the U. T. System has been the largest producer of teachers in Texas when compared to all other state higher education institution systems. In 2002, U. T. System institutions produced 3,511 certified teachers, 20 percent of the teachers trained in Texas that year. Between 1993 and 2002, the U. T. System increased the production of teachers by 720, or 26 percent, including a 73 percent increase at U. T. Arlington, 56 percent at U. T. Brownsville, and a 73 percent increase at U. T. San Antonio. However, while the System's contribution to the number of teachers has increased and is the largest in the state, proportionately, the System is currently producing a lower percentage of teachers than it has in past years.

Teachers trained at U. T. System institutions are becoming increasingly diverse. U. T. institutions produced a greater percentage of both Black and Hispanic teachers in 2002 than in any previous year.

The success of teachers, reflected in their ongoing retention rates, is an important measure of the impact of U. T. teacher preparation programs. Teachers graduating from U. T. System institution programs return to teaching in greater proportions than the state average. Six of nine institutions had retention rates of 93 percent or greater. The System average was 93.2 percent, compared with 91.8 percent for the state as a whole.

Every Child, Every Advantage is a System-wide program to enhance the quality of education in public schools. The initiatives are designed to: 1) strengthen university-based teacher preparation programs; 2) produce high-quality professional development and instructional tools for current teachers; and 3) create research-based instructional programs for elementary and secondary schools.

Institutions throughout the U. T. System participate in various aspects of these initiatives, which include the establishment of an elementary charter school in East Austin. With support from the Houston Endowment and the Meadows Foundation, teacher-training materials are developed and disseminated and a review course for high school students preparing for the state-required Assessment of Knowledge and Skills test (TAKS) is offered via the UT TeleCampus. Another Houston Endowment funded project, which will assess the quality of teacher preparation programs by analyzing the academic growth of students in classes taught by recently certified teachers, involves all nine U. T. academic institutions.

K-16 collaborations. Each U. T. System academic institution and health-related institution engages in many collaborations with K-12 schools and community colleges, affecting thousands of students and teachers each year. The full report provides detail on examples from each institution.

## Economic Impact

System-level perspective. Higher education institutions make a substantial impact on the economy of their communities, region, and state. Across Texas and the nation, this is considered one of the most important roles that public higher education institutions play in their communities. This impact on private intellectual capital is felt by individuals in their increased earning capacity, employment prospects, and economic security. Public returns are felt by communities in which educated individuals reside as workers.

Communities, regions, and the state gain economically from the increased productivity and consumption of students and graduates. Society also gains economic capital from the presence of higher education institutions as employers, as consumers of business products, and as the source of new business ideas.

According to a 2000 Lasker Foundation study on the impact of health research, the increase in life expectancy associated with the prevention and treatment of disease in the 1970s and 1980s totaled \$57 trillion. This study estimated that medical research which reduced deaths from cancer by just one-fifth would be worth \$10 trillion. Based on such estimates, this study suggests that “research generating even modest advances against major killer diseases is bound to be a superb investment.” More locally, the Texas Comptroller’s 2003 report on the economic impact of higher education concluded that the six U. T. health-related institutions contribute more than \$2 billion in health care services to the state.

A 2002 U. T. System study estimated that its institutions contribute over \$8 billion to the state’s economy annually, including both the value of resources attracted from outside the state and the increased productivity of people attending and graduating from U. T. institutions. It is also noteworthy that U. T. academic institutions are present in three of the top 20 cities in the Milken Institute’s 2003 ranking of best performing cities – Brownsville-Harlingen (8); McAllen-Edinburg (9); and San Antonio (18). Tyler was ranked as the second-best performing small city, noted as home to a major health research facility and university (U. T. Tyler and U. T. Health Center-Tyler).

U. T. System institution economic impact. For communities, the impact of a local institution, a particular program, creation of a new business, or employment of local residents can be more meaningful than aggregate statistics. Individual institutions periodically conduct impact studies from

which the following brief summaries are drawn. Additional specific examples of community service and collaborations are presented in the full report, and the full-length studies are available from the U. T. System or individual institutions.

### Economic Impact of U. T. Academic and Health-Related Institutions Examples from Recent Studies

	Financial Impact	Jobs	Year of Study
Arlington	\$487 million	8,995	2002
El Paso	\$349 million	4,871	2002
Pan American	\$276 million	5,376	2002
Permian Basin	\$99 million	5,376	2002
San Antonio	\$852 million	9,335	2003
Medical Branch	\$934 million	25,403	2002
M. D. Anderson	\$2.4 billion	35,469	2003

Collaborations with business, nonprofit, and community organizations. Each U. T. System institution engages in many collaborations with business, nonprofit, and community organizations, affecting thousands of citizens each year. The full report provides descriptions of examples of these activities from each institution.

Historically Underutilized Business program: System-wide trends. The U. T. System takes very seriously its responsibility and commitment to contribute to community and statewide economic development by including historically underutilized businesses among its suppliers of goods and services.

### HUB Expenditures as % of Total Expenditures

	Total Exp.	Total HUB Exp.	HUB % of Total
System	\$1,680,788,310	\$246,191,857	14.6%
State	\$9,013,971,755	\$1,174,918,905	13.0%

Over the past five years, the U. T. System has increased its HUB procurement expenditures from 13.6 percent to 14.6 percent of total expenditures. As a proportion of total expenditures, the FY 2003 U. T. System HUB expenditures also exceeded the state’s average (13 percent).

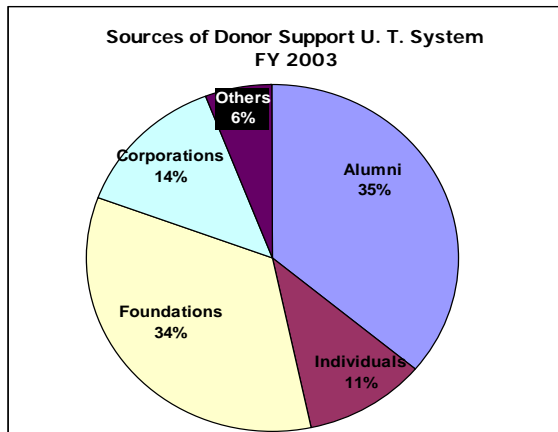
In FY 2003 the U. T. System exceeded overall HUB goals in procurement expenditures for heavy construction and commodities; this is an improvement from FY 1999, when only the goal in commodities expenditures was exceeded. Between FY 1999 and FY 2003, total U. T. System HUB expenditures increased by 76 percent.



Academic institutions' HUB trends. Between FY 1999 and 2003, U. T. academic institutions' HUB expenditures increased 40.3 percent, from \$41.3 million to \$58 million. In terms of proportion of HUB expenditures, San Antonio, Dallas, El Paso, Arlington, Pan American, and Austin were among top 50 state spending agencies in 2003.

Health-related institutions' HUB trends. Between FY 1999 and 2003, U. T. health-related institutions' HUB expenditures increased 37 percent, from \$73 million to \$100 million. In terms of proportion of HUB expenditures, all six health-related institutions were among top 50 state spending agencies in 2003. Southwestern Medical Center, the Medical Branch at Galveston, and M. D. Anderson Cancer Center each made total HUB purchases in excess of \$27 million in FY 2003.

Private support: System-wide trends. Private philanthropy plays an increasingly critical role in the ability of U. T. institutions to meet their teaching, research, and clinical care roles. Private philanthropic support of U. T. System institutions has increased over the period 1999 to 2003.



Collectively, in FY 2002 (the latest year for which comparative data are available), U. T. institutions ranked third in the nation for total voluntary support, after the University of California System and the University of Southern California.

Although required national accounting changes prevent specific longitudinal comparisons in the years between 1999 and 2003, private philanthropic support of U. T. System institutions has increased over this period, from \$350 million to \$590 million. During this period, alumni giving increased at five academic and three health-related institutions in the U. T. System. These increases are particularly noteworthy given the recent national downward trends in private giving. For example, for the period

ending June, 2002, alumni giving dropped by 13.6 percent nationally.

Donor support of U. T. System institutions.

<b>Donor Support of U. T. Academic Institutions</b> (\$ in thousands)				
FY 99	FY 00	FY 01	FY 02	FY 03
\$162,915	\$282,276	\$231,909	\$205,890	\$351,085

<b>Donor Support of U. T. Health-Related Institutions</b> (\$ in thousands)				
FY 99	FY 00	FY 01	FY 02	FY 03
\$186,228	\$264,816	\$247,869	\$283,193	\$237,199

Service to the health profession community: educational programs for non-U. T. medical personnel. Providing continuing education and professional development to the health profession community is an important service that U. T. health-related institutions provide. Through these medical, nursing, and dental programs, tens of thousands of professionals benefit from the clinical based research and experience of U. T. health-related institution faculty. In FY 2003, U. T. health-related institutions offered over 2,000 programs for the professionals in the medical community, serving over 70,000 participants.

Citizen awareness and satisfaction. In March 2003, the U. T. System commissioned a survey of public attitudes toward higher education in Texas. Key findings from this survey relate to opinions about higher education generally, and about U. T. institutions. The results are similar to those from a spring 2003 national survey of opinions about higher education.

**Attitudes about the U. T. System Value,  
Importance to the Economy, and Accessibility**

Percent of parents of college age or younger children who agreed that “an education at a U. T. System school is a very good value for the money.”	88%
Respondents who agreed or strongly agreed that “the U. T. System is critical to the economy of Texas.”	82%
Respondents who volunteered that “geographical accessibility/many campuses” is the best thing about the U. T. System.	1 in 4
Respondents who were unaware that the U. T. health-related institutions provide over \$1 billion annually in health care for uninsured Texans.	2 of 3
Respondents who named The University of Texas at Austin when asked to give the first college or university that came to mind when thinking about higher education.	25%

<b>Attitudes about higher education in Texas</b>	
Respondents naming K-12 schools as the “single most important priority for the state to spend our tax dollars on.” Health care was in second place at 22.6 percent.	50%
Respondents who say that higher education is the most important priority for the state.	12%
Respondents who believe that the portion of the Texas state budget going to higher education should be increased.	74%
Respondents identifying two major ways universities can improve lives of Texans: 1) education initiatives to improve K-12 schools. 2) economic development and creating more jobs.	45% 40%
Respondents who expressed a strong interest in spreading funds out more equally among all Texas colleges and universities, rather than concentrating them on a few institutions to make them world-class research and teaching institutions.	88%
Those agreeing with the statement that “families like mine can’t afford college.”	45%
Parents of college-age children who believe that loans and grants exist that could make college affordable for “families like us.”	85%

*Source: “Public Attitudes Toward Higher Education in Texas,” A Survey for the University of Texas Foundation, March 2003.*

**Service to and Collaborations with Communities: Implications for Future Planning**

- The U. T. System makes a strong and positive impact on the communities in which its institutions reside, their surrounding regions, and the state as a whole.
- The U. T. System will continue its commitment to help improve K-16 education, including documentation of specific outputs in terms of numbers of teachers produced and retention of teachers in the field. Increasing the number and quality of certified teachers for Texas schools should remain a priority. The System will, in addition, consider further study of specific impacts in terms of numbers of students and teachers involved in collaborative projects.
- General economic impact studies have been conducted periodically by several U. T. System institutions over the past few years, and in conjunction with the state-level study by the Comptroller of Public Accounts. For the future, the U. T. System will measure the economic impact of major new investments, for example through its partnership with Texas Instruments and Sematech in the Metroplex, and in the San Antonio Life Sciences Institute. As these initiatives grow and mature, this assessment of return on investment will include such areas as: grant and contract funding leveraged, patent applications and awards, new start-up companies, and jobs created.
- Achieving increases in private support must be a System priority.

**Measures for Future Development**

- Expand and refine the methodology to assess the U. T. System’s impact on K-12 education.
- Develop measures to track and assess continuing and distance education trends.
- Refine the methodology and provide additional data on endowment growth.



## Organizational Efficiency and Productivity

### U. T. System Overview

Key revenues and expenses. Revenue and expense trends by themselves are not measures of performance, but they establish an operational baseline that provides a context for assessing financial performance in future studies of U. T. System efficiency and quality.

<b>U. T. System Key Revenues and Expenses</b>					
Consolidated Totals (\$ in billions)					
	FY 99	FY 00	FY 01	FY 02	FY 03
Revenues	\$5.3	\$5.9	\$6.4	\$6.6	\$7.3
Expenses	\$5.1	\$5.6	\$6.1	\$6.8	\$7.3

#### Expenses for System Administration operations.

<b>Total Expenses for System Administration Operations</b>					
(\$ in thousands)					
	FY 99	FY 00	FY 01	FY 02	FY 03
Expenses	\$16,964	\$30,676	\$35,730	\$40,727	\$48,829
% change from previous year	41.7%	80.8%	16.5%	14.0%	19.9%

Bond rating. The Revenue Financing System (RFS) is the primary debt program for the U. T. System. The RFS is supported by a System-wide pledge of all legally available revenues and balances to secure payment of debt issued on behalf of component institutions of the System. The U. T. System is the only public institution of higher

education to receive the highest possible credit ratings from all three major rating agencies. RFS debt is currently rated Aaa/AAA/AAA by Moody's, Standard & Poor's, and Fitch, respectively, representing the highest possible credit ratings for long-term debt. The RFS bond rating was upgraded to Aaa by Moody's in 2000 and to AAA by both Standard & Poor's and Fitch in 1997, and has remained at those levels since.

System Administration employee demographic trends. This measure addresses the U. T. System's commitment to supporting a diverse working environment.

#### **U. T. System Administration Staff Demographic Composition, 2002-03**

	Headcount	% of Total	Composition Texas Workforce – Capital Area, 2002
White	436	78.0%	66.8%
Black	36	6.4	6.8
Hispanic	69	12.3	22.6
Asian	12	2.2	All other groups:
Native American	2	0.4	3.8%
International	4	0.7	
<b>Total Employees</b>	<b>559</b>		

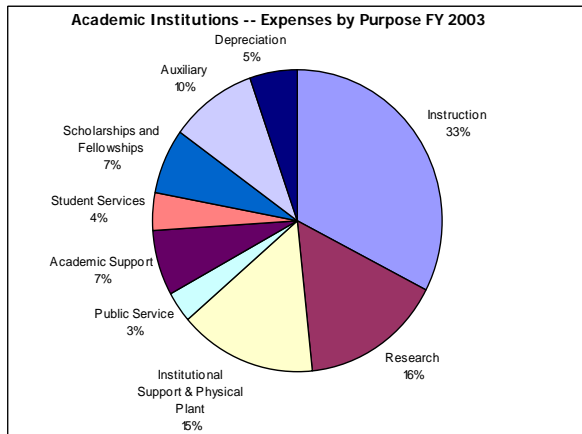
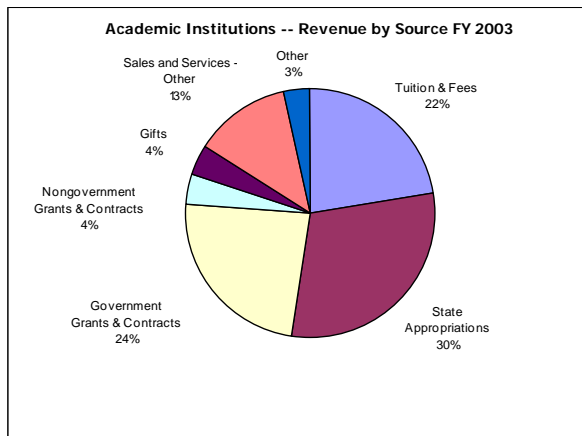
Comparison with the Capital Area workforce pattern in 2000, the most recent data available, shows that the U. T. System Administration's total employee group includes approximately 10 percent more White workers than the region as a whole, and 10 percent fewer Hispanic workers.

## U. T. Academic Institutions

### Key revenues and expenses.

#### Key Revenues and Expenses – Academic Institutions Consolidated Totals (\$ in billions)

	FY 99	FY 00	FY 01	FY 02	FY 03
Revenues	\$1.8	\$2.3	\$2.3	\$2.3	\$2.4
Expenses	\$1.8	\$1.9	\$2.1	\$2.3	\$2.5



Because of mandated changes in financial reporting requirements, revenue and expense categories from

FY 2002 onward differ from those used earlier. Therefore, longitudinal comparisons before FY 2002 are not reliable. State appropriations provide just over 30 percent of revenue to academic institutions. The next largest source of revenue is government grants and contracts followed by tuition and fees. One third of expenses were allocated to instructional purposes.

Adjusted revenue per FTE student and FTE faculty. Adjusted total revenue includes tuition, fees, and State appropriations. This measure illustrates the trends in state support and tuition in proportion to numbers of instructional faculty and students at U. T. System institutions. It is one indication of resources available to serve students and to recruit and retain faculty.

Between 1999 and 2003, revenue per full-time equivalent student has held steady or decreased at seven U. T. System academic institutions. Adjusted total revenue per full-time equivalent instructional faculty has decreased at two institutions, and increased at seven institutions.

Appropriated funds per FTE student and FTE faculty. Appropriated funds per FTE student have held steady or increased slightly at all U. T. System academic institutions. Appropriated funds have increased per FTE instructional faculty.

#### Appropriated Funds per FTE Student and FTE Faculty

	(\$ in thousands)			
	Per Student		Per Faculty	
	FY99	FY 03	FY 99	FY 03
UTA	\$6	\$6	\$112	\$123
UT Austin	6	6	120	132
UTB*	3	4	114	161
UTD	7	7	133	145
UTEP	6	6	101	106
UTPA	6	6	114	126
UTPB	8	9	130	148
UTSA	5	5	117	120
UTT	7	9	78	117

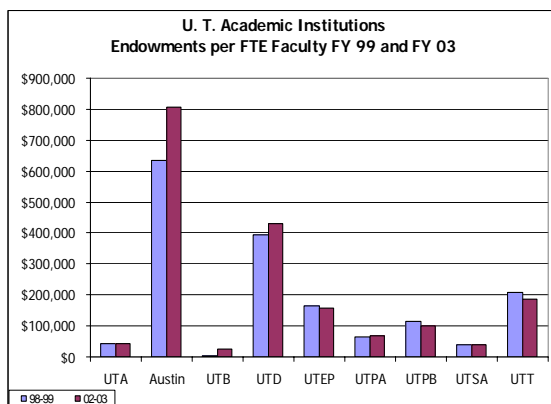
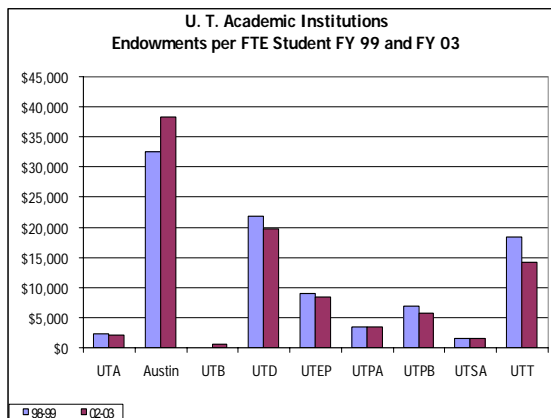
\*Includes Texas Southmost College students

Endowments: System Overview.

<b>U. T. System Endowments</b>				
(\$ in billions)				
	Market Value		% change 99-03	# Endowments 8/31/03
	8/31/99	8/31/03		
Academic	\$1.7	\$2.2	27%	5,169
Health-Related	\$1.5	\$1.5	3%	1,795
<b>Total</b>	<b>\$3.2</b>	<b>\$3.7</b>	<b>16%</b>	<b>6,964</b>

Taken together, the value of U. T. System endowments totaled \$3.7 billion as of August 31, 2003, as reported to the Council in Aid to Education. This represents an increase of 16 percent from 1999.

Endowments: academic institutions. The dollar value and number of endowments have grown substantially over the past five years at all U. T. System institutions. The ratios of these endowments to FTE students and FTE faculty illustrate the impact of these funds in the support of teaching, research, and other activities that serve students and faculty.



Administrative costs in relation to total expenses. Administrative Cost Measures are reported to the Legislative Budget Board by each institution as an annual performance measure. Total expenses defined by the LBB exclude expenses of auxiliary enterprises and service departments. Administrative costs also exclude expenses of service departments.

For most academic institutions, administrative expenses comprise between 9 and 12 percent of total expenses. This variation is largely a function of size, with larger institutions gaining economies of scale that cause administrative expenses to be a smaller portion of total expenses. These expenses have remained essentially level at Arlington and Austin. Administrative expenses as a proportion of total expenses decreased or held steady between 1999 and 2003 at Arlington, Brownsville, Dallas, Pan American, Permian Basin, San Antonio, and Tyler.

<b>Administrative Costs as % of Total Expenses</b>		
	FY 99	FY 03
UTA	10.5%	10.3%
UT Austin	5.9%	6.3
UTB	15.0%	10.6
UTD	9.3%	8.7
UTEP	9.0%	10.3
UTPA	11.7%	8.7
UTPB	13.7%	11.9
UTSA	11.1%	11.1
UTT	16.9%	15.8

Facilities: utilization of classrooms. According to the 2002 THECB report on classroom use, four U. T. institutions (San Antonio, Austin, Brownsville, and Permian Basin) were in the top 10 in Texas for average number of hours of classroom use, with San Antonio first in the state [THECB Fall 2002 Classroom and Class Lab Utilization Summaries, March 14, 2003]. Four U. T. institutions (Arlington, Brownsville, San Antonio, and Austin) were also in the top 10 in Texas in hours of use of class laboratory space, with Arlington first in the state.

Construction projected for FY 2004-FY 2009. The U. T. System's Capital Improvement Program, approved by the Board of Regents in August 2003, identifies high-priority capital building and renewal needs. The CIP currently manages \$4.59 billion in new construction, repairs, and renovations, including \$1.349 billion for academic institutions. For the future, student enrollment gains may increase at a faster rate than the CIP. This will pose policy, resource, and student service challenges for U. T. institutions and the System.

Facilities condition index. A facilities condition index of 0.05 or less is considered to be a good rating, 0.10 is median, and a rating of 0.15 or more is substandard. The FCI of all academic institutions is "good" or "median."

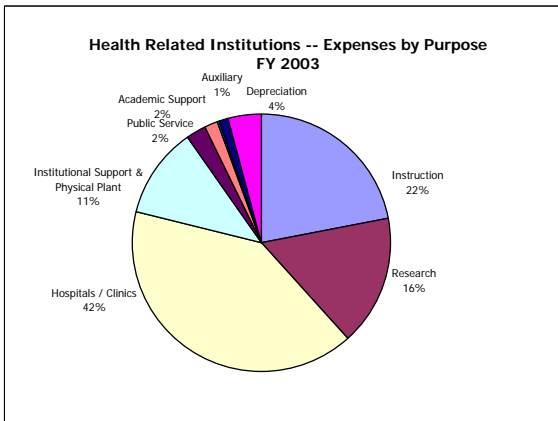
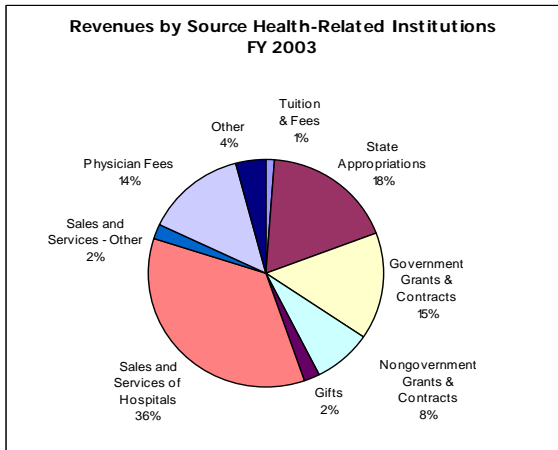
## U. T. Health-Related Institutions

Key revenues and expenses.

### Key Revenues and Expenses – U. T. Health-Related Institutions

Consolidated Totals  
(\$ in billions)

	FY 99	FY 00	FY 01	FY 02	FY 03
Revenues	\$3.4	\$3.8	\$4.2	\$4.5	\$4.7
Expenses	\$3.4	\$3.7	\$4.0	\$4.4	\$4.7



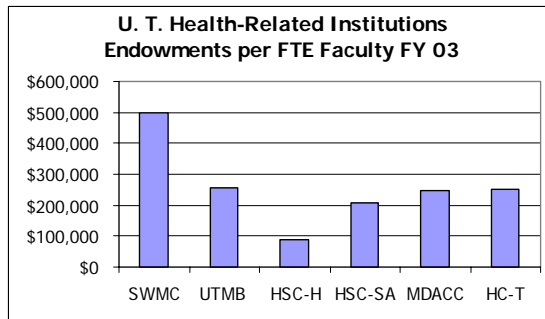
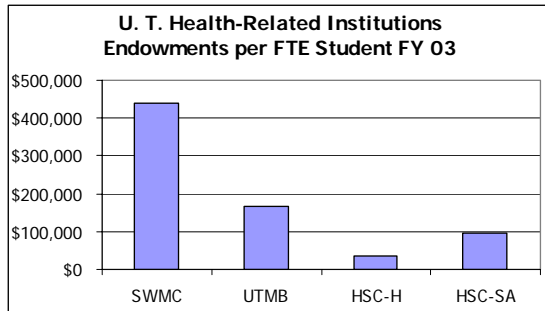
Patient care revenue. The U. T. System health-related institutions provide a very significant portion of health services to Texans throughout the state. Since 1998, total patient care revenue has increased to over \$2 billion, reflecting the growing

base of patients and scope of service by U. T. institutions.

These measures compare state support through general revenue to the productivity of clinic and hospital care. They provide a base trend line to evaluate changes in future years.

	FY 99	FY 00	FY 01	FY 02
<b>General Revenue Per Hospital Admission</b>				
UTMB	\$3,121	\$3,357	\$3,280	\$3,155
MDACC	4,038	6,268	5,894	4,793
UTHC-T	4,264	4,492	4,691	4,981
HCPC*	3,639	3,978	3,715	3,544
* (Harris County Psychiatric Center)				
<b>Amount of General Revenue Per Patient Day</b>				
UTMB	\$596	\$639	\$614	\$592
MDACC	525	832	810	667
HC-T	531	560	601	653
HCPC	360	378	357	336
<b>Amount of General Revenue Per Hospital Outpatient and Clinic Visit</b>				
UTMB	\$122	\$138	\$136	\$130
MDACC	161	242	232	179
HC-T	117	125	114	140
<b>Hospital General Revenue As a Percent of Hospital Charity Care Provided</b>				
UTMB	49%	57%	61%	47%
MDACC	80	119	119	79
HC-T	127	102	82	101
HCPC	92	99	86	79

Endowments: health-related institutions. The total value of endowments for the benefit of health-related institutions has grown substantially at several U. T. health-related institutions. The ratio of these endowments to FTE students and FTE faculty illustrate the impact of these funds in the support of teaching, research, and other activities that serve students and faculty.



Administrative costs in relation to total expenses. Administrative Cost Measures are reported to the Legislative Budget Board by each institution as an annual performance measure. Total expenses defined by the LBB exclude expenses of auxiliary enterprises and service departments. Administrative costs also exclude expenses of service department.

	Administrative Costs as % of Total Expenses	
	FY 99	FY 03
SWMC	6%	6%
UTMB	4	4
HSC-H	10	10
HSC-SA	6	5
MDACC	8	9
HC-T	6	7

For most health-related institutions, administrative expenses comprise between 4 percent and 8 percent of total expenses. Reflecting efforts to operate efficiently, these costs have decreased or increased very little, over the past five years. Between 1999 and 2003, administrative expenses as a proportion of total expenses have decreased or remained level at Southwestern Medical Center, the Health Science Center-Houston, Health Science Center-San Antonio, and the Health Center-Tyler. Over this period, they have increased by one percentage point at the Medical Branch at Galveston and M. D. Anderson Cancer Center, which both own and operate large hospitals.

Practice plan and clinical revenue related to faculty activity: net operating margin. Practice plan revenue is an important resource for institutions. It supports faculty and other salaries at the U. T. health-related institutions and is necessary to operate the clinical enterprise of these institutions. The net operating margin of faculty practice plans illustrates the scale and overall productivity of practice plans on an annual basis.

	Net Operating Margin of Faculty Practice Plans (\$ in thousands)	
	FY 99	FY 03
SWMC	\$21,084	\$11,510
UTMB	1,873	11,222
HSC-H	(8,377)	11,475
HSC-SA	8,852	14,952
MDACC	9,189	19,651
HC-T	347	1,762

Gross clinical billings and net collections. Gross clinical billings illustrate the volume of care faculty provide. Net collections differ due to varying contractual allowances, the provision of indigent care, and billing and collection practices, among other issues. In four of six cases, the net collections per FTE clinical faculty have increased over the past four years.

	Gross Clinical Billings Per FTE Clinical Faculty	
	FY 99	FY 02
SWMC	\$1,562,021	\$2,570,805
UTMB	876,888	1,303,391
HSC-H	938,953	1,244,127
HSC-SA	753,996	940,779
MDACC	928,866	684,608
HC-T	585,313	503,005
	Net Collections Per Clinical Faculty	
	FY 99	FY 02
SWMC	\$ 462,213	\$ 737,131
UTMB	292,677	397,010
HSC-H	246,613	365,754
HSC-SA	282,437	421,341
MDACC	351,331	252,299
HC-T	251,524	162,769

Professional development of faculty and staff. Programs and the ways participants are counted vary among institutions. Institution investments in staff and faculty professional development are important means to retain valued employees and ensure and improve quality of services. In FY 2003, health-related institutions invested \$2.5 million in professional development activities such as continuing clinical education, information technology training, compliance training, and other programs for faculty and staff.

Facilities: research space.

**Research Space FY 2003 – Health-Related institutions**

	Research Expenditures *	Research E&G Sq. Ft.**	Research Exp. per Sq. Ft. of Research Space
SWMC	\$215,435,988	629,103	\$342.4
UTMB	91,918,879	445,878	206.1
HSC-H	106,265,515	368,535	288.3
HSC-SA	88,949,435	399,232	222.8
MDACC	216,237,983	485,193	445.7
HC-T	8,232,841	39,612	207.8

\* Includes funding for clinical trials

\*\* Excludes research space used for clinical trials.

Facilities Condition Index. Nationally, a facilities condition index of 0.05 or less is considered to be a good rating, 0.10 is median, and a rating of 0.15 or more is substandard. The FCI of all health-related institutions is “good” or “median.”

Construction projected for FY 2004-FY 2009.

Between August 2000 and August 2003 the CIP of the health-related institutions has nearly doubled, from \$1.764 billion to \$3.243 billion.

**Organizational Efficiency and Productivity: Implications for Future Planning**

- The U. T. System expects to refine the measures and comparative benchmarks it will use in the future to assess the productivity and efficiency of its operations, based on forthcoming recommendations from task forces on efficiency and productivity studies and on capital planning, which were established in late 2003.
- Investment of resources in recruiting, retaining, and developing faculty and staff is and will be a critical success factor for U. T. institutions. This report provides a framework for the future assessment of the effectiveness of these investments.
- The U. T. System will continue to depend on a combination of tuition, tuition revenue bonds, appropriations, private donations, and patient care revenues to obtain resources necessary to achieve its goals in teaching, research, health care, and service.
- Using these funds most efficiently will present an increasingly important challenge as demands to serve students and patients continue to grow.
- The description and analysis of U. T. System institutions’ endowments deserve additional attention and refinement.
- The U. T. System currently lacks a consistent, centralized system for analyzing staff trends including trends in salaries, FTEs, and professional development for employees in various classes. These issues are being addressed by the U. T. System as part of a state-wide agency adjustment to reporting on staffing trends and deserve additional attention for the future.

**Measures for Future Development**

- Refine the methodology for collecting and analyzing all faculty and staff (HR) data.
- Develop a methodology to track and analyze internal staff promotion trends.
- Refine space utilization models.
- Develop a measure to track the number of clinical trials (health-related institutions) and related space use measures.
- Consider adding a measure of energy use ratios.

## Institutional Profiles

Institutional ranking highlights. The full accountability report includes an extensive discussion of rankings and individual institutional profiles compared with peer institutions. Highlights of rankings are provided here.

There is no single accepted overall ranking of research universities, in part because institutions differ significantly in the variety of programs offered and in the different roles they play in each state's

higher education infrastructure. Rankings depend on what a particular study wishes to emphasize. The various national ranking systems are intended to serve differing purposes: some focus on institutions as a whole, some on the research quality of individual graduate programs, and others on the under-graduate experience. For these reasons, the lists of top schools are not identical across the rankings systems.

### U. T. Academic institutions

<b>U. T. System</b>	#2 in FY 2001 federal science and engineering funding	NSF R&D Survey 2003
<b>Doctoral institutions</b>		
Arlington	4 <sup>th</sup> tier	US News, 2003
Austin	17 <sup>th</sup> among top public universities; 53 <sup>rd</sup> among all universities	US News, 2003
	In top 25 of all public and private research universities (625 total); in top 15 public research universities (370 ranked);	Lombardi Center, 2003
	28 <sup>th</sup> in federal science and engineering funding	NSF 2003
Dallas	3 <sup>rd</sup> tier	US News, 2003
El Paso	4 <sup>th</sup> tier	US News, 2003
<b>Master's institutions</b>		
Brownsville	4 <sup>th</sup> tier, western regional universities	US News, 2003
Pan American	4 <sup>th</sup> tier, western regional universities	US News, 2003
Permian Basin	4 <sup>th</sup> tier, western regional universities	US News, 2003
San Antonio	3 <sup>rd</sup> tier, western regional universities	US News, 2003
Tyler	2 <sup>nd</sup> tier, western regional universities	US News, 2003

#### Ranking and honors highlights:

A number, but not all, of U. T. System institutions have programs or faculty that have achieved high national recognition in their fields. Highlights are listed below; more detail is available in the full report.

#### U. T. Arlington

- 9 programs ranked by National Research Council in 1995.
- 21 fellows of national engineering professional societies (2003).

#### U. T. Austin

- 2 Nobel prize holders.
- Highest number of National Academies of Science and Engineering members of any institution in Texas (55 in 2003).
- Over 25 programs ranked 20<sup>th</sup> or higher in 1995 National Research Council ranking of doctoral programs.

#### U. T. Dallas

- 1 Nobel prize holder.
- 2 members of the National Academies of Science.
- 6 programs ranked by National Research Council in 1995.

#### U. T. El Paso

- 1 program ranked by NRC in 1995.

## U. T. Health-Related Institutions

SWMC	#44 in FY 2001 federal science and engineering expenditures In top 30 of all public and private research universities (625 ranked)	NSF Survey of R&D, 2003 Lombardi Center, 2003
UTMB	#99 in FY 2001 science and engineering expenditures In top 26-50 of public research universities (370 ranked)	NSF, 2003 Lombardi Center, 2003
HSC-H	#83 in FY 2001 science and engineering expenditures In top 26-50 of public research universities	NSF, 2003 Lombardi Center, 2003
HSC-SA	#89 in FY 2001 science and engineering expenditures In top 26-50 of public research universities	NSF, 2003 Lombardi Center, 2003
MDACC	#1 cancer hospital #47 in FY 2001 science and engineering expenditures In top 26-50 of all public and private research universities	US News, 2003 NSF, 2003 Lombardi Center, 2003

### Ranking and honors highlights:

A number, but not all, of U. T. System institutions have programs or faculty that have achieved high national recognition in their fields. Highlights are listed below; more detail is available in the full report.

#### U. T. Southwestern Medical Center

- 4 faculty hold Nobel prizes (2003).
- 14 faculty are members of National Academy of Sciences (top 10% of American medical schools, 2003).
- 12 members of the American Academy of Arts and Sciences (top 10% of American medical schools, 2003).
- 15 Institute of Medicine members (top 10% of American medical schools, 2003).
- 7 programs ranked by NRC in 1995; Pharmacology ranked #2.
- #2 in citations for impact in biology and biochemistry, and molecular biology and genetics (Science Watch, 2002).

#### U. T. Medical Branch at Galveston

- 5 programs ranked by National Research Council in 1995.

#### U. T. Health Science Center-Houston

- 1 Nobel Prize winner.
- 1 National Academy of Science member.
- 4 Institute of Medicine members (2002).
- 3 American Academy of Arts and Sciences members (2002).
- 6 programs ranked by National Research Council in 1995.

#### U. T. Health Science Center-San Antonio

- 1 Institute of Medicine member.
- 4 programs ranked by the National Research Council in 1995.

#### U. T. M. D. Anderson Cancer Center

- 1 Institute of Medicine member.



## **2. U. T. Board of Regents: Report of the Capital Planning Task Force**

Members of the Capital Planning Task Force will present a final report using two PowerPoint presentations attached on Pages 4.1 – 4.34. The Capital Planning Task Force was established in September 2003 by Chairman Miller and is co-chaired by Vice-Chairman Hunt and Vice-Chairman Krier. The purpose of the Task Force is to assess the need for capital funding at the U. T. System academic institutions (Academic Institutions) through Fiscal Year 2030, in light of record enrollment growth and the statewide "Closing the Gaps" initiative, and to identify strategies to fund the needed infrastructure to accommodate expected enrollment growth.

### **REPORT**

"Closing the Gaps" is the Texas Higher Education Coordinating Board's (THECB) statewide master plan that established goals of closing the gaps in higher education by 2015 for 1) participation; 2) success; 3) educational excellence; and 4) funded research. For the purpose of this analysis, the "gaps are closed" when enrollment rates for African-American and Hispanic students equal the enrollment rate for Anglos on a county-by-county basis. The Task Force focused solely on capital necessary to close the gaps for participation and success. Not included in this analysis are capital necessary to close the gaps for excellence and research, and costs such as faculty salaries, utilities, and other general operating expenses.

Based on projections from the Texas State Data Center, the Academic Institutions will be required to add 116,000 to 180,000 new students by 2030 to close the gaps. None of this growth is projected to occur at U. T. Austin. Without benefit of greater space utilization, the Academic Institutions will need to add 18.1 million to 27.2 million square feet of new educational and general (E&G) space to close the gaps by 2030 and eliminate the current space deficit. By 2030, the total capital cost for the U. T. System to accommodate projected enrollment growth and the current space deficit could range from an expected \$4.7 billion to as high as \$7.2 billion.

The \$4.7 billion of capital needed for new infrastructure to close the gaps by 2030 does not include repair and renovation of existing E&G space, projected to total \$2.3 billion through 2030. Therefore, total capital needed to close the gaps for the Academic Institutions, including capital renewal, is at least \$7.0 billion. The statewide capital needed to close the gaps will be more than \$20 billion.

Capital needs could be reduced through greater space utilization and greater use of distance learning applications. The model includes a conservative assumption that each new student will require 145 gross square feet of E&G space. This is below the statewide average of 151 square feet and the generally accepted THECB planning factor of 160 square feet. The Task Force also looked at a much more aggressive space utilization scenario for the Academic Institutions of 113.5 gross square feet of E&G space per student.

Existing funding sources at the Academic Institutions include the following: Permanent University Fund Bonds; Higher Education Assistance Fund (HEAF) Bonds; Tuition Revenue Bonds; Revenue Financing System Bonds; Philanthropy/Gifts; and Local Taxing Districts. Potential funding options include General Revenue; General Obligation Bonds; Legislative Appropriation Bonds; K-12 Funding Formula; HEAF Funding; and Local Taxing Districts.

Through existing funding sources, the U. T. System estimates that it can meet approximately \$2.8 billion (40%) of the \$7.0 billion capital infrastructure funding needed to close the gaps by 2030 for participation and success. Greater space utilization could reduce the total funding needed by \$2.4 billion (34% of the total), assuming 113.5 square feet per student rather than the baseline of 145 square feet. Even under this aggressive space utilization scenario, the Academic Institutions will need an additional \$1.8 billion (26% of the total) through 2030 to fund the capital necessary to close the gaps for participation and success.



## THE UNIVERSITY OF TEXAS SYSTEM

# Capital Planning Task Force: Assessing the Need for Capital Required to Close the Gaps at U. T. System Academic Institutions

*March 11, 2004*



## Membership

- The Capital Planning Task Force was established in September by Chairman Miller and is co-chaired by Vice-Chairman Hunt, Chairman of the Finance and Planning Committee, and Vice-Chairman Krier, Chairman of the Academic Affairs Committee.
- Support Staff:
  - Steve Murdock, State Demographer of Texas
  - U. T. System representatives: Joe Stafford, Vice Provost, U. T. San Antonio; Terry Sullivan; Pedro Reyes; Philip Aldridge; Sid Sanders; Ashley Smith; Francie Frederick; Terry Hull; Geri Malandra

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## Purpose

The purpose of the Capital Planning Task Force is to:

- Assess the need for capital funding at the U. T. System academic institutions through Fiscal Year (FY) 2030, in light of record enrollment growth and the statewide “Closing the Gaps” initiative.
- Identify strategies to fund the needed infrastructure to accommodate expected enrollment growth at the U. T. System academic institutions.

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## Closing the Gaps

- “Closing the Gaps” is the Texas Higher Education Coordinating Board’s (THECB) statewide master plan that established goals of closing the gaps in higher education by 2015 for 1) participation; 2) success; 3) educational excellence; and 4) funded research.
- For the purpose of this analysis, the “gaps are closed” when enrollment rates for African-American and Hispanic students equal the enrollment rate for Anglos on a county-by-county basis.

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## Closing the Gaps, cont.

- This task force is focused on capital needed to close the gaps for participation and success.
- Capital necessary to close the gaps for excellence and research is not included in this analysis.
- Additional costs such as faculty salaries, utilities, and other general operating expenses needed to support increased enrollment are not included.
- For the purposes of this study, U. T. Austin' enrollment is assumed to be capped at year 2000 levels. Therefore, U. T. Austin's cost to close the gaps for participation and success is "limited" to capital renewal of existing space and capital required to account for its space deficit (based on the THECB's space formula).

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## Methodology for Enrollment Projections

- Four enrollment scenarios were initially developed based on two population forecasts and two participation rates from the Texas State Data Center. Population was forecast using standard birth and death rates. The scenarios are:
  - **"0.5 w/Closure 2015"** -- Migration rate of ½ the rate for the 1990's and a full closing of the gap in enrollment rates by 2015
  - **"1.0 w/Closure 2015"** -- Migration rate equal to the rate for the 1990's and a full closing of the gap in enrollment rates by 2015
  - **"0.5 w/Closure 2030"** -- Migration rate of ½ the rate for the 1990's and a full closing of the gap in enrollment rates by 2030
  - **"1.0 w/Closure 2030"** -- Migration rate equal to the rate for the 1990's and a full closing of the gap in enrollment rates by 2030

\* Migration rate is the net increase in population from movement into and out of the state.

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## Methodology for Enrollment Projections, Cont.

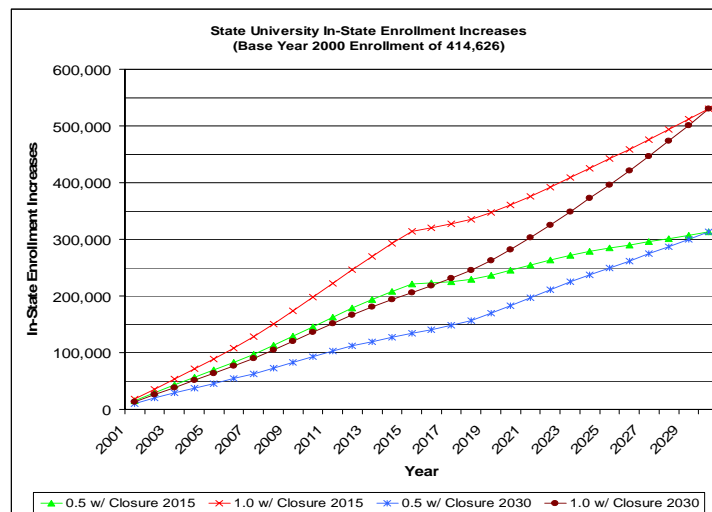
- Enrollments of out-of-state or nonresident students are not included in any of the scenarios.
- Each state university's market share by county is held constant (at 2000 levels) throughout the projection period.\*
- The U. T. System projections assume capped enrollment at U. T. Austin and Texas A&M College Station.
- No change in admissions requirements are included.

\* For example, U. T. El Paso enrolled 82.5% of the students from El Paso County that attended a four-year Texas public university in 2000. The model assumes that it will maintain that 82.5% market share through 2030.

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## Four Statewide Enrollment Scenarios



8



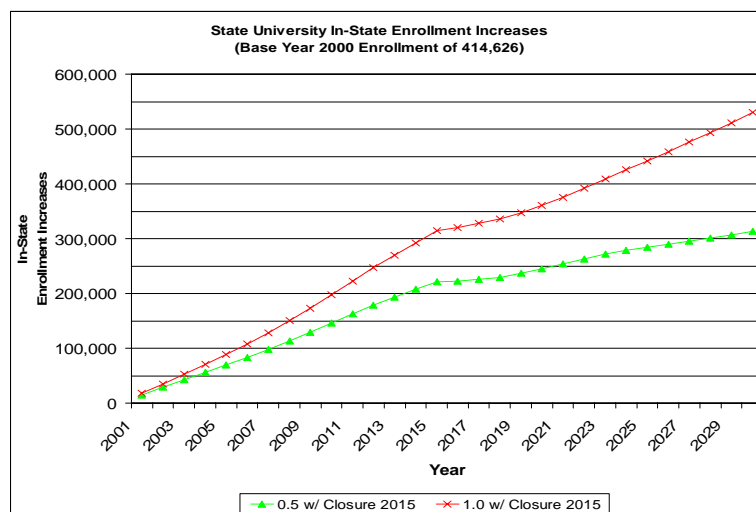
## Two Enrollment Scenarios: Most Likely and Aggressive

- Four enrollment scenarios were narrowed to two:
  - The current trend in statewide enrollment growth most closely tracks with the “1.0 w/closure 2030” enrollment scenario; however, net migration is not expected to continue at the high 1990’s rate of growth.
  - Therefore, “0.5 w/closure 2015” has been deemed to be the most likely scenario for enrollment growth.
  - The “1.0 w/closure 2015” scenario represents an aggressive high growth case.

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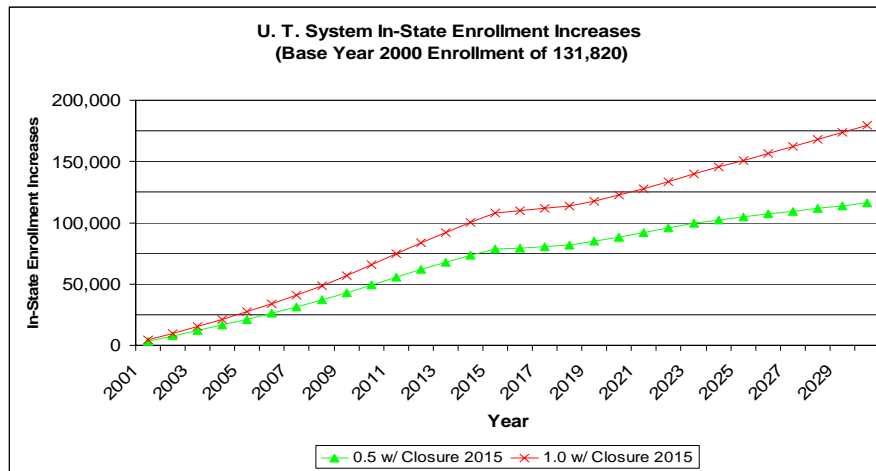
## Two Statewide Enrollment Projections



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## Enrollment Projections for U.T. System Academic Institutions



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## Base In-State Enrollment for 2000 and Projected Increases by U. T. System Institution for Most Likely Scenario

Projected Increases	Base Enrollment	Enrollment Increase					
	2000	2005	2010	2015	2020	2025	2030
U. T. Arlington	20,544	3,724	8,922	15,106	18,114	21,233	23,407
U. T. Austin *	48,008	0	0	0	0	0	0
U. T. Brownsville	2,623	1,371	3,042	4,586	5,043	6,321	7,099
U. T. Dallas	9,378	1,359	3,532	6,171	7,790	8,954	9,319
U. T. El Paso	15,386	1,698	4,148	6,324	6,817	8,603	9,968
U. T. San Antonio	17,547	5,879	12,590	19,275	20,706	23,290	25,304
U. T. Tyler	3,459	625	976	1,287	1,413	1,681	1,874
U. T. Pan American	12,682	5,835	14,659	24,245	26,656	32,480	36,811
U. T. Permian Basin	2,193	812	1,335	1,784	1,815	2,152	2,402
<b>U. T. System Total</b>	<b>131,820</b>	<b>21,303</b>	<b>49,204</b>	<b>78,778</b>	<b>88,354</b>	<b>104,714</b>	<b>116,184</b>

\* For the purposes of this analysis, U. T. Austin's enrollment is capped at Year 2000 levels.

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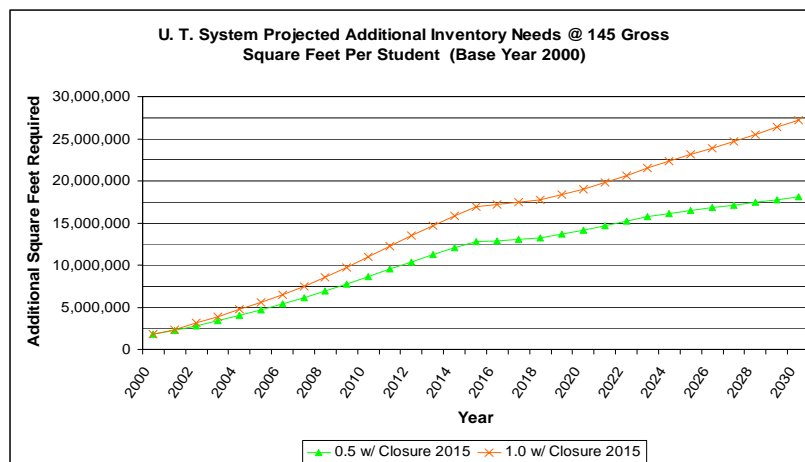
## Assumptions for Capital Inventory Needs

- The model includes the conservative assumption that, on average, each new student will require 145 gross square feet of educational and general (E&G) space:
  - The statewide average and the U. T. System average for Fall 2002 was 151 square feet per student and 147 square feet per student, respectively.
  - The THECB has informally determined that each student needs 160 square feet.
- The calculations also include a closing of the space deficit based on the THECB's space formula.

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## Capital Inventory Projections for U. T. System Academic Institutions (w/o U. T. Austin)



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## Assumptions for Capital Cost Requirements

- New E&G space is assumed to cost an average of \$264 per square foot.\* The average cost per square foot is based on a constant mix of E&G space as surveyed at UTARL, UTD, UTEP, and UTSA.
- The \$264 per E&G square foot cost is derived as follows:
  - Classrooms – 34.9% of total space @ \$245 per square foot
  - Dry Lab – 15.4% of total space @ \$260 per square foot
  - Wet Lab – 12.3% of total space @ \$380 per square foot
  - General Use\*\* – 37.4% of total space @ \$245 per square foot
  - Plus, an additional \$30 per square foot for related infrastructure

\* Construction costs vary by region with a range of about 15% around the \$264 average.

\*\* General Use space includes faculty and TA office space, support space, libraries, etc.

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## Assumptions for Capital Cost Requirements, cont.

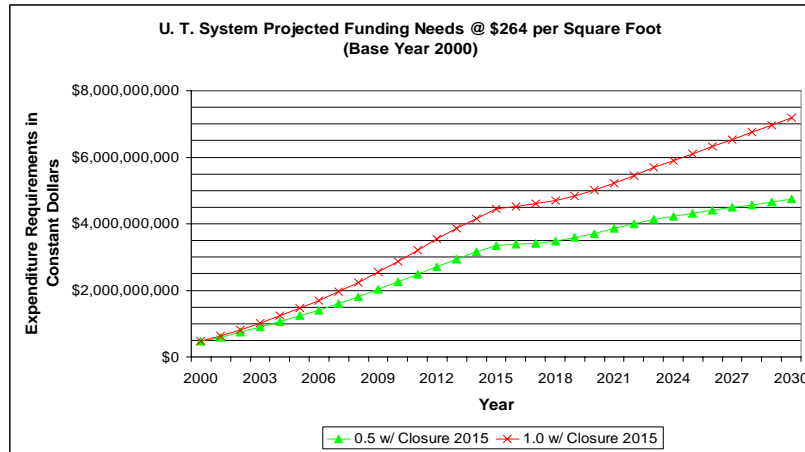
- The capital cost requirement is assumed to average \$264 per square foot. The cost varies by U. T. System academic institution based on regional construction cost differences:

Category / Campus	Arlington and Dallas	Brownsville and Pan Am	El Paso	Permian Basin	San Antonio	Tyler
Classrooms	\$260	\$228	\$238	\$238	\$250	\$243
Dry Lab	\$276	\$242	\$252	\$252	\$265	\$257
Wet Lab	\$403	\$353	\$369	\$369	\$388	\$376
General Use	\$260	\$228	\$238	\$238	\$250	\$243
Weighted Avg.	\$280	\$246	\$256	\$256	\$269	\$261

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## Capital Cost Projections for U. T. System Academic Institutions (w/o U. T. Austin)



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## Implications for the U. T. System – Closing the Gap for Participation and Success

- Based on projections from the Texas State Data Center, the U. T. System academic institutions will need to add 116,000 to 180,000 new students by 2030 in order to close the gap. None of this growth is projected to occur at U. T. Austin.
- Without benefit of greater space utilization, the U. T. System would need to add 18.1 million to 27.2 million square feet of new E&G space to close the gap by 2030 and eliminate the current space deficit.
- By 2030, the total capital cost for the U. T. System to accommodate projected enrollment growth and the current space deficit could range from \$4.7 billion to as high as \$7.2 billion.

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## Additional Issues to be Addressed by the U. T. System

### What do we know?

- The cost to construct new E&G space to close the gap by 2030 at U. T. System academic institutions is conservatively estimated to be \$4.7 billion.

### What else do we need to know?

- What is the cost to repair and renovate existing academic E&G space (capital renewal)?
- What can be done to reduce the projected need for space per student while meeting the needs of enrollment growth?

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## Cost for Capital Renewal for U. T. System Academic Institutions

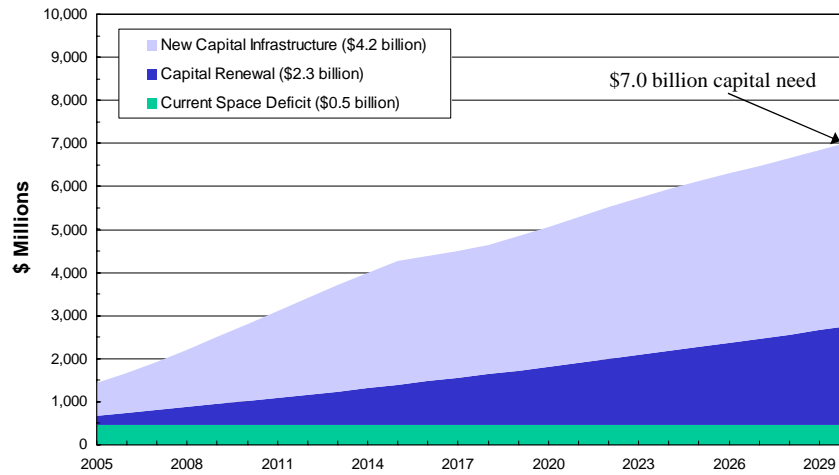
- The \$4.7 billion of capital needed for new infrastructure to close the gap by 2030 does not include repair and renovation of existing E&G space, expected to total \$2.3 billion through 2030. \*
- Therefore, the total capital need for the academic institutions, including capital renewal, would be \$7.0 billion.

\* The cost for capital renewal is estimated at \$3.43 per square foot per year based on data provided by the U. T. System Office of Facilities Planning and Construction.

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## Total Capital Needs with Capital Renewal for U. T. System Academic Institutions (w/o U. T. Austin)



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## Strategies to Reduce Capital Need at U. T. System Academic Institutions

- What can be done to reduce this \$7.0 billion capital need?
  1. Capitalize on tuition flexibility to improve space utilization at the academic institutions. This could include a change in the way that classrooms are scheduled at our academic institutions.
  2. Increase utilization of space through distance learning, thereby reducing the need for capital.

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## Greater Space Utilization

- The model includes a conservative assumption that, on average, each new student will require 145 gross square feet of E&G space.
- This is below the FY 2002 statewide average of 151 square feet and the generally accepted THECB planning factor of 160 square feet.
- For U. T. System academic institutions, an aggressive alternative space utilization scenario would use 118 square feet per student.\*

\* Calculated for Fall 2002 based on weighted average for U. T. System academic institutions excluding U. T. Austin (at 242 square feet per student due to significant research space), U. T. San Antonio (at 78 square feet per student, the lowest in the state), and U. T. Brownsville (that shares space with Texas Southmost College).

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## More Aggressive Space Utilization

U. T. System Institution	Fall 2002 Actual E&G Square Footage per Student
U. T. Arlington	123
U. T. Dallas	113
U. T. El Paso	117
U. T. Pan American	115
U. T. Permian Basin	132
U. T. Tyler	118
<b>Weighted Average</b>	<b>118</b>

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## Increased Use of Distance Learning - UT TeleCampus

- The UT TeleCampus has been successful in working with U. T. System institutions to develop and deploy high-quality web-based courses and programs.
- The UT TeleCampus has experienced average enrollment growth of 40% per year since 1999 and is projecting 10,000 enrollments in FY 2004 and 12,500 enrollments in FY 2005.
- The UT TeleCampus infrastructure is scalable to support anticipated growth.

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## Technology Mediated Course Facility Model – UT TeleCampus

- Although as many as 75% of the UT TeleCampus students may never attend a class on campus, predicting the impact of technology-mediated course redesign on future construction needs is difficult.
- One possible scenario is a “hybrid replacement model”:
  - A standard course with three class meetings per week would be reduced to one per week (with two classes online).
  - The majority of coursework would be performed online.
  - Would require integration into the curriculum.

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## Impact of Hybrid Replacement Model on Capital Needs – UT TeleCampus

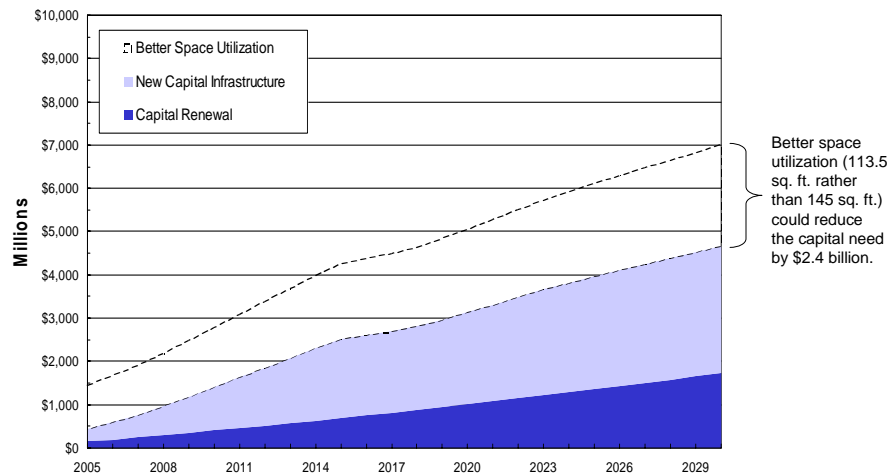
- A 22.5% adoption rate of the hybrid replacement model, for undergraduates only, would produce a 3.8% reduction in E&G capital needs. \*
- This improvement in capital efficiency, if achieved, could further reduce the required E&G space for new students from 118 square feet to 113.5 square feet. This is an aggressive scenario.

\* Assumes a 14.9% reduction in future classroom space, a 2.3% reduction in future assembly space, and a 4.5% reduction in future library space. The model assumes no reductions in required lab space or general use space.

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## Breakdown of Capital Needs at 113.5 Square Feet per Student



28



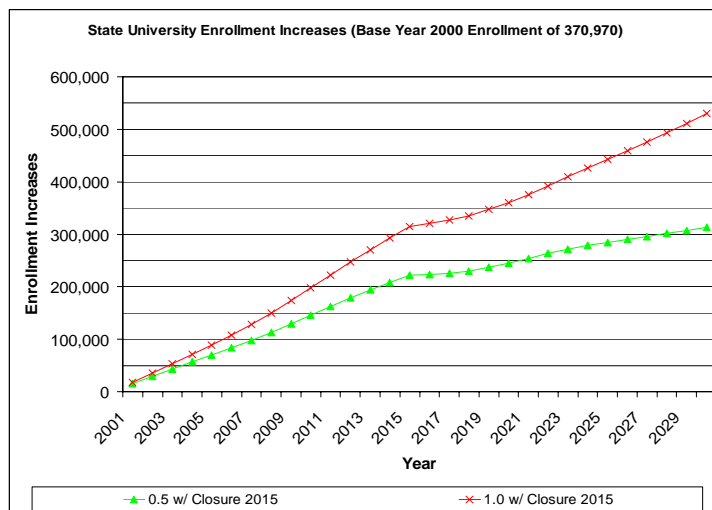


## Appendix A

# Statewide Data and Implications (All Public Universities in Texas)



## Statewide Enrollment Projections



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## Projected Increases in In-State Enrollment for Selected State Universities (Main Campuses)

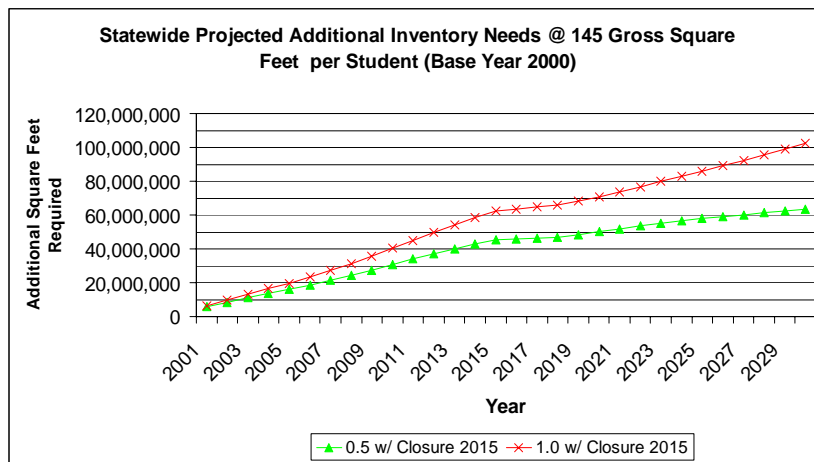
Projected Increases *	Base Enrollment	Enrollment Increase					
	2000	2005	2010	2015	2020	2025	2030
Texas Tech University	24,717	4,744	7,157	8,947	9,448	10,836	11,553
Texas A&M University	38,650	0	0	0	0	0	0
University of Houston	30,774	6,142	14,662	24,092	27,598	32,745	36,173
University of North Texas	24,957	3,766	8,795	14,055	16,721	19,154	20,737
Texas State University	20,776	5,071	10,018	14,560	16,444	19,073	21,129

\* Increases are for main campuses only.

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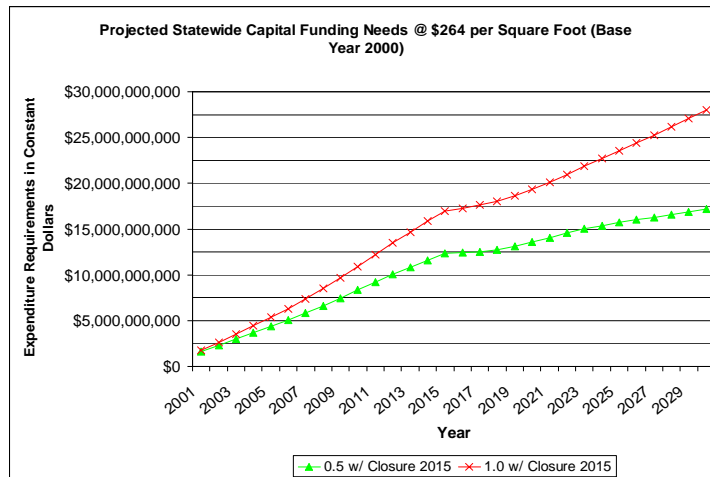
## Capital Inventory Needs for all State Universities in Texas



32



## Capital Cost Requirements for all State Universities in Texas



33



## Implications for the State of Texas – Closing the Gap for Participation and Success

- Based on projections from the Texas State Data Center, Texas academic institutions will need to add 313,000 to 530,000 new students by 2030 in order to close the gap for participation and success.
- Without benefit of greater space utilization, Texas academic institutions will need to add 63.6 million to 102.3 million square feet of new E&G space to close the gap by 2030.
- By 2030, the total capital cost for the Texas academic institutions to accommodate projected enrollment growth and the current space deficit could range from \$17.2 billion to \$28.0 billion.

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## Appendix B

### U. T. Austin Data



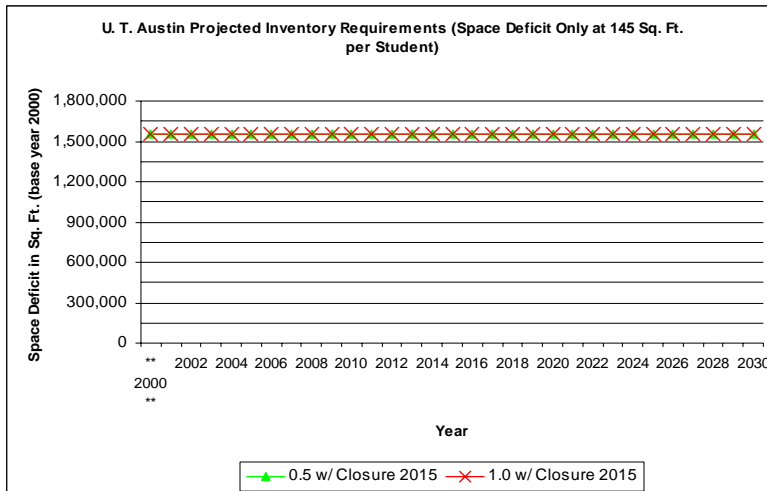
### U. T. Austin – Closing the Gaps

- For the purposes of this study, U. T. Austin's enrollment is assumed to be capped at Year 2000 levels.
- Therefore, U. T. Austin's cost to close the gaps for participation and success is "limited" to \$2.0 billion through 2030 -- \$1.5 billion for capital renewal of existing space and \$0.5 billion to account for its space deficit (based on the THECB's space formula).
- In addition, U. T. Austin will bear a significant cost to fulfill the THECB's goals of closing the gaps in excellence and research. This is not a part of the scope of this study.

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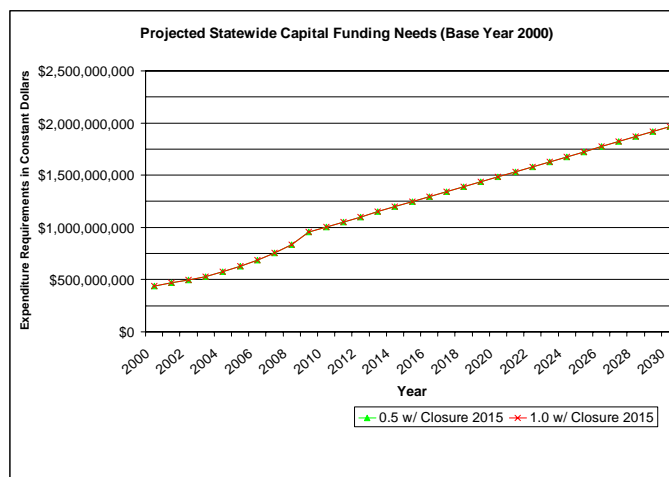
## Capital Inventory Projections for U. T. Austin (Space Deficit Only)



37



## Capital Cost Requirements for U. T. Austin (Capital Renewal and Space Deficit Only)



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## THE UNIVERSITY OF TEXAS SYSTEM

### Capital Planning Task Force: Potential Capital Funding Sources and Strategies to Close the Gaps at the U. T. System Academic Institutions

*March 11, 2004*



## Funding Dilemma for the U. T. System

- Depending upon space utilization, the U. T. System academic institutions will need to fund as much as \$7.0 billion through 2030 to close the gaps for participation and success. \*
- The statewide capital needs will be more than \$20 billion.
- This presentation focuses on existing and potential funding sources for U. T. System academic institutions.

\* This does not include \$2.0 billion at U. T. Austin for capital costs related to capital renewal and space deficit.

2



## Existing Funding Sources for Capital Projects

1. Permanent University Fund (PUF) Bonds
2. Higher Education Assistance Fund (HEAF) Bonds
3. Tuition Revenue Bonds
4. Revenue Financing System Bonds \*
5. Philanthropy/Gifts
6. Local Taxing Districts
7. Infrastructure Funding Formula \*\*

\* Includes designated tuition, among other revenues, as a source of repayment.

\*\* Cannot be used for capital construction. Used only for buildings maintenance, grounds maintenance, physical plant oversight, custodial services, and utilities.

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## Existing Source #1: Permanent University Fund Bonds

- All U. T. institutions except U. T. Brownsville and U. T. Pan American are eligible to finance capital projects with PUF bonds.
- PUF debt capacity is affected by capital market returns and a variety of other factors and the amount available to finance capital projects varies from year to year.
- The AUF spending policy set by the Board of Regents provides that at least 45% of the U. T. System share be provided to U. T. Austin to fund excellence programs.

continued>

4



## Existing Source #1: Permanent University Fund Bonds, continued

- Since 1985, 56% of PUF allocations have been directed to U. T. academic institutions and 44% to the U. T. health institutions.
- The forecasted real return on the PUF (after distributions and the effect of inflation) is not expected to keep up with enrollment growth.
- Based on current projections of PUF debt capacity and historical allocation percentages, it is projected the PUF will be able to meet approximately 10% of the identified capital needs for the U. T. System academic institutions.

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## Existing Source #2: Higher Education Assistance Fund (HEAF) Bonds

- U. T. Brownsville and U. T. Pan American are eligible to finance capital projects with HEAF bonds as provided by the Texas Constitution (Article VII, Section 17).
- The total amount of HEAF appropriations may be increased every five years. The next opportunity is September 1, 2005.
- HEAF appropriations are allocated based on a formula consisting of space deficit, facilities condition, and institutional complexity. The formula may be adjusted every five years.

continued>

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## Existing Source #2: Higher Education Assistance Fund (HEAF) Bonds, cont.

- Institutions may expend HEAF appropriations directly for the purposes provided in the Constitution.
- HEAF institutions may also issue HEAF bonds secured by up to 50% of their HEAF appropriation with the HEAF bonds maturing in 10 years or less.
- Currently, U. T. Brownsville and U. T. Pan American receive a total of \$7.1 million annually. Assuming this amount remains constant, the HEAF is projected to meet less than 1% of the U. T. System academic institutions' funding needs.

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## Existing Source #3: Tuition Revenue Bonds

- Since 1993, the U. T. System academic institutions (w/o U. T. Austin) have been authorized to issue \$452.6 million of tuition revenue bonds ("TRBs").

Legislative Session	U. T. System Academic Institutions (w/o U. T. Austin)
1993	\$136,000,000
1997	\$159,800,000
2001	\$156,809,695
2003	-
Total	\$452,609,695

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## Existing Source #3: Tuition Revenue Bonds, continued

- Upon the issuance of long-term TRB debt, the U. T. System is dependent upon biennial legislative appropriations for reimbursement of debt service.
- Since TRB debt service is reimbursed at actual cost (with no margin), TRBs have a negative effect on the System's credit profile.
- Since 1993, the System academic institutions have been authorized an average of \$41.2 million annually (\$452,609,695 / 11 years). Assuming this amount remains constant, TRBs are expected to meet 9% of the capital funding needs for the U. T. System academic institutions.

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## Existing Source #4: Revenue Financing System Bonds

- Chapter 55 of the Texas Education Code authorizes the U. T. System Board of Regents (Board) to issue revenue bonds to acquire, purchase, construct and equip property and buildings and to pledge any or all revenues.
- Under the U. T. System Revenue Financing System (RFS), the Board must make a finding that each institution has the financial capacity to satisfy its direct obligations before any additional RFS debt can be issued. This debt capacity varies widely by institution and is not transferable.
- Based on debt utilization in the Fiscal Year 2004-09 Capital Improvement Plan (CIP), excluding U. T. Austin, RFS debt is expected to continue to meet 14% of the U. T. System academic institutions' E&G capital funding needs.

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## Source #5: Gifts and Grants

- Gifts and grants are an important source of capital funding, although the ability to generate gift and grant funding varies by institution.
- Based on the FY 2004-09 CIP, gifts and grants are funding 6% of the E&G capital projects at the academic institutions, excluding U. T. Austin. For purposes of this analysis, it has been assumed that gifts and grants will continue to meet 6% of the identified E&G capital funding needs for the U. T. System academic institutions.

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## Source #6: Local Taxing Districts

- U. T. Brownsville has a unique partnership with Texas Southmost College (TSC), whereby they share common capital infrastructure funded from various sources.
- Unlike U. T. System institutions, TSC is authorized to issue bonds supported by local ad valorem tax receipts to fund E&G capital projects.
- TSC has issued approximately \$20 million of tax-supported bonds for E&G capital purposes in the past 20 years, or about \$1 million per year. It has been assumed that local taxing districts will continue to meet less than 1% of the identified funding needs.

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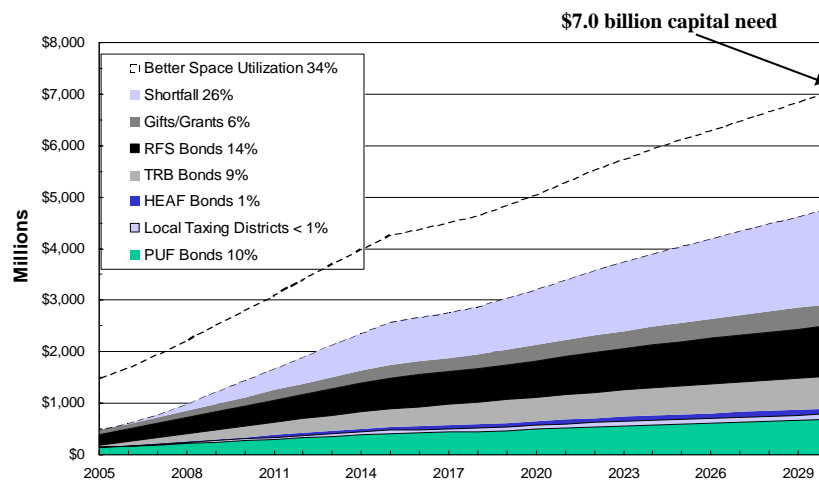
## Source #7: Infrastructure Funding Formula

- Almost 18% of statewide general revenue formula funds flow through the Infrastructure Formula, which is established in the Appropriations Bill.
- The Infrastructure Formula provides approximately \$100 million per year to U. T. System academic institutions. The funds are used for buildings maintenance, grounds maintenance, physical plant oversight, custodial services, and utilities.
- The Texas Constitution (Article VII, Section 18(i)), prohibits, with limited exceptions, the use of General Revenue for capital construction projects.

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## Estimated Existing Capital Funding Sources





## Potential Funding Options to Meet Capital Shortfall

1. General Revenue
2. General Obligation Bonds
3. Legislative Appropriation Bonds
4. K-12 Funding Formula
5. HEAF Funding
6. Local Taxing Districts

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## Potential Option #1: General Revenue

- The Texas Constitution limits the ability of PUF-eligible and HEAF-eligible institutions to receive general revenue for capital purposes.
- The U. T. System academic institutions do receive approximately \$100 million per year of general revenue under the Infrastructure Formula for buildings maintenance, grounds maintenance, physical plant oversight, custodial services, and utilities.
- General revenue can be used for capital construction purposes based on “demonstrated need”, which requires a two-thirds vote of each house of the Legislature.
- Alternatively, general revenue could be used to reimburse higher education institutions for capital expenditures. The Tuition Revenue Bonds (TRB) financing structure was developed in the early 1970's to fund capital projects and comply with the Constitutional restrictions.



## Potential Option #1: General Revenue, continued

- Pros:
  - Uses an existing funding mechanism (General Appropriations Act).
  - May not require a Constitutional change.
  - Positive credit impact on the U. T. System compared to TRBs.
  
- Cons:
  - Limited general revenue available.
  - Funding uncertainty due to biennial appropriations process.

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## Potential Option #2: General Obligation Bonds

General obligation bonds would require voter approval of a Constitutional amendment authorizing the issuance of general obligation bonds to fund capital infrastructure.

- Pros:
  - Debt service to be paid from general revenue.
  - Debt would be an obligation of the State rather than the U. T. System.
  
- Cons:
  - Would require voter approval to comply with Article VII, Section 17 & 18 of the Texas Constitution.

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## Potential Option #3: Legislative Appropriation Bonds

Legislative appropriation bonds would also require voter approval of a Constitutional amendment. Debt service would be subject to biennial appropriations.

- Pros:
  - Debt service paid from general revenue.
  
- Cons:
  - Would require voter approval to comply with Article VII, Section 17 & 18 of the Texas Constitution.
  - Higher debt service costs compared to general obligation debt.
  - Credit impact likely to be similar to TRBs.

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## Potential Option #4: K-12 Funding Formula

- Higher education could pursue a funding formula similar to the K-12 formula which guarantees a specified amount per student, up to a maximum rate, to fund debt service on instructional facilities.
  
- The K-12 formula variables include average daily attendance, the school district's bond tax rate and taxable property value.
  
- The State provides financial assistance to guarantee a level of capital funding per K-12 student based on the level of local tax effort to pay debt service on eligible bonds used to finance capital infrastructure.

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## Potential Option #4: K-12 Funding Formula, continued

- Pros:
  - Based off of an existing funding mechanism used statewide.
  - Guarantees a minimum amount of funding for all institutions.
  - Positive credit impact on the U.T. System.
  
- Cons:
  - K-12 funding mechanism is subject of current legislative debate – equity is in the eye of the beholder.
  - Local funding source might need to be identified.
  - Funding subject to biennial appropriations process.

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## Potential Option #5: Expansion of HEAF Funding

- Amend Article VII, Section 17 (the HEAF provision) of the Texas Constitution to provide for the issuance of general obligation bonds by eligible higher education institutions to fund capital infrastructure.
  
- Seek voter approval of Constitutional amendment authorizing a maximum statewide amount of debt to be issued to fund capital infrastructure at eligible higher education institutions.
  
- Debt to be allocated among institutions based on formulas derived by the THECB based on projected growth in students.

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## Potential Option #5: Expansion of HEAF Funding, continued

- Pros:
  - Amends existing Constitutional provision.
  - Debt service costs to the State likely to be less than existing TRB structure.
  - General obligation debt does not dilute institutional credit ratios.
  - Formulas could allocate funding based on projected student growth and be adjusted periodically for actual results.
  - All higher education capital funding could be allocated on an equitable formula based on FTE growth.
  
- Cons:
  - Would require voter approval of a Constitutional amendment.
  - The State would have to identify revenue sources to repay debt.

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## Potential Option #6: Local Taxing Districts

- U. T. Brownsville has a unique partnership with TSC, whereby TSC is authorized to issue bonds supported by local ad valorem tax receipts to fund E&G capital projects that benefit both institutions. The UTB/TSC model could be expanded and applied to other U. T. System institutions.
  
- The 78<sup>th</sup> Legislature (Senate Bill 800) authorized \$15 million of bonds to be issued through a local taxing district for the benefit of the Texas A&M System Health Science Center in Temple. The debt is to be repaid from taxes assessed through a newly created local taxing district. This model could also be applied for the benefit of U. T. System institutions.

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## Potential Option #6: Local Taxing Districts, continued

- Pros:
  - Builds on existing funding models at UTB/TSC and the Texas A&M University System Health Science Center.
  - No Constitutional changes required.
  - Positive credit impact on the U. T. System.
  
- Cons:
  - Requires approval of new taxes on a district by district basis.

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## Conclusions

- Through its existing funding sources, the System estimates that it can meet approximately \$2.8 billion (40%) of the \$7.0 billion capital infrastructure funding needed to close the gap by 2030 for participation and success.
  
- Greater space utilization could reduce the total funding need by \$2.4 billion (34% of the total), assuming 113.5 square feet per student rather than the baseline of 145 square feet.
  
- Even under this aggressive space utilization scenario, the U. T. System academic institutions will need an additional \$1.8 billion through 2030 (26%) to fund the capital necessary to close the gaps for participation and success.

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## Funding Recommendations

- In an effort to meet the needs of Texans and close the gaps in higher education for participation and success, the U. T. System looks forward to working with private and public partners to develop funding mechanisms that can:
  - Ensure that all students will have adequate classroom, research and library space in which to learn.
  - Create funding certainty so that the minimum capital needs of higher education institutions can be met.
  - Be less costly to the State compared to existing funding options.
  - Mitigate the potentially significant credit concerns associated with such large funding needs.

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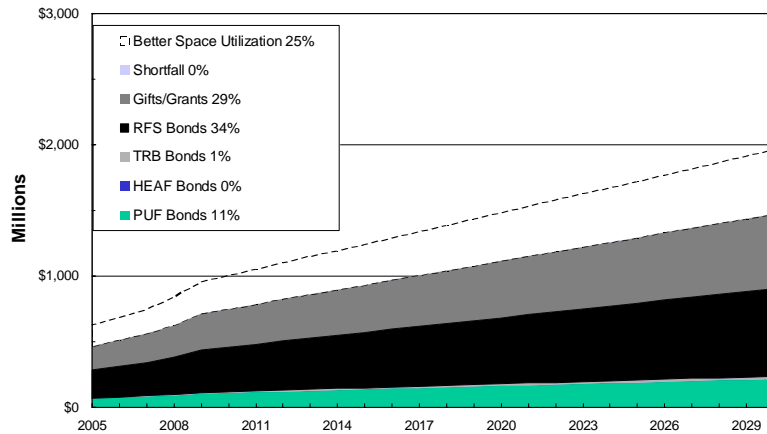


## Appendix

### Funding Data for U. T. Austin



## Capital Funding for U. T. Austin (Capital Renewal and Space Deficit) \*



\* U. T. Austin's ability to self-fund these capital needs is highly dependent upon its ability to continue to access RFS debt going forward. U. T. Austin's credit profile has been in decline due to greater utilization of RFS debt in recent years. 29

3. **U. T. Board of Regents: Adoption of a Resolution authorizing the issuance, sale, and delivery of Permanent University Fund Bonds, Series 2004, and authorization to complete all related transactions**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Interim Vice Chancellor for Business Affairs that the U. T. Board of Regents:

- a. adopt a Resolution, substantially in the form presented to the Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Permanent University Fund Bonds, Series 2004, in one or more installments in an aggregate principal amount not to exceed \$500,000,000 to be used to refund a portion of the outstanding Permanent University Fund Bonds, Series 1997, to refund the outstanding Permanent University Fund Flexible Rate Notes, Series A, and to pay the costs of issuance; and
- b. authorize appropriate officers and employees of U. T. System as set forth in the Resolution to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such bonds.

BACKGROUND INFORMATION

Adoption of the Resolution, which is available for review on-line at <http://www.utsystem.edu/bor/AgendaBook/3-11-04Meetingpage.htm> or in hard copy upon request, would authorize the advance refunding of a portion of the outstanding Permanent University Fund (PUF) Bonds, Series 1997, maturing July 1, 2009 through July 1, 2018, provided the refunding exceeds a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds in advance of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. The Series 1997 Bonds were structured with an optional redemption and can be called on July 1, 2008, at par. Adoption of this resolution will provide the flexibility to select the particular bonds to be refunded depending on market conditions at the time of pricing provided the refunding achieves the minimum 3% savings threshold.

The Resolution would also authorize the refunding of the PUF Flexible Rate Notes, Series A, currently outstanding in the aggregate amount of \$400,000,000. The PUF Flexible Rate Note program is used to provide interim financing for PUF projects approved by the Board. Adoption of the Resolution will permit the interim financing provided through the Notes to be replaced with long-term financing provided through the issuance of the Series 2004 Bonds.

Proceeds from the Series 2004 Bonds will be used to purchase U.S. government or other eligible securities to be placed in one or more escrow accounts. Proceeds from the escrowed securities will be used to redeem the refunded Series 1997 Bonds and the refunded Flexible Rate Notes.

The proposed Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

Note: Based on the opinion of outside bond counsel, the Resolution is required to be provided to the Board to comply with applicable provisions of the Texas Government Code. The proposed Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel and is available on-line at <http://www.utsystem.edu/bor/AgendaBook/3-11-04Meetingpage.htm>. Following approval of the Resolution by the Board, succeeding resolutions that are in substantially the same form will not have to be made available as part of the agenda materials.

ADDITIONAL AGENDA ITEM  
SPECIAL CALLED MEETING OF THE BOARD OF REGENTS  
MARCH 11, 2004

4. U. T. Board of Regents: Adoption of a Resolution related to the Mid-campus Acquisition Program at U. T. M. D. Anderson Cancer Center, specifically 1303 Eaton, Lots 8-12, Block 17, Institute Addition; 7123 Selma Street, Lots 8 and 9, Block 20, Institute Addition; and 7213 Cecil Street, Lot 8, Block 21, Institute Addition, City of Houston, Harris County, Texas

RECOMMENDATION

It is recommended that the U. T. Board of Regents adopt the following proposed Resolution related to the Mid-campus Acquisition Program at U. T. M. D. Anderson Cancer Center.

RESOLUTION

WHEREAS, In December 1989, the Board of Regents of The University of Texas System authorized a program for expansion of The University of Texas M. D. Anderson Cancer Center campus to enable the Cancer Center to fulfill its future needs for construction of facilities and infrastructure required to carry out its mission; the original authorization was expanded by the Board in February 1995; in 1999, the acquisition zone was authorized by the Texas Legislature during its 76th Regular Session; the boundaries of the expansion zone, which is known as the "Mid-campus Area", are Braeswood Boulevard on the north, Fannin Street on the west, Old Spanish Trail on the south, and the Texas Medical Center parking lots on the east; and the expansion zone is delineated in U. T. M. D. Anderson's approved master plan for future campus development; and

WHEREAS, U. T. M. D. Anderson Cancer Center has been successful in purchasing all but three of the parcels of land required to fulfill its foreseeable needs in the Mid-campus Area through negotiated acquisitions and exchanges and the City of Houston has begun construction of a new bridge over Braes Bayou that will facilitate access between the Main Campus and the Mid-campus Area; and

WHEREAS, The mission of U. T. M. D. Anderson Cancer Center, as approved by the Board of Regents in May 2000, is to eliminate cancer in Texas, the nation, and the world through outstanding integrated programs in patient care, research, education, and prevention; and

WHEREAS, A need exists at this time to provide the land and infrastructure necessary for an office building to house information technology, patient billing, federal grant administration, and other required business activities of U. T. M. D. Anderson Cancer Center necessary to fulfill its mission.

THEREFORE, BE IT RESOLVED, That the U. T. Board of Regents recognizes its right and responsibility to secure the land and also recognizes the desirability of negotiation for these acquisitions and urges the U. T. System Real Estate Office and U. T. M. D. Anderson Cancer Center to make all reasonable efforts to negotiate the purchase the three remaining parcels of land necessary to complete the Mid-campus acquisition program, (generally identified as 1303 Eaton, Lots 8-12, Block 17, Institute Addition; 7123 Selma, Lots 8 & 9, Block 20, Institute Addition; and 7213 Cecil, Lot 8, Block 21, Institute Addition, City of Houston, Harris County, Texas), at prices not to exceed fair market value as determined by independent appraisals.

BE IT FURTHER RESOLVED, That in the event negotiated purchases cannot be accomplished, the Board of Regents will consider a request from U. T. M. D. Anderson Cancer Center to exercise the Board's right of eminent domain to acquire the outstanding parcels at a meeting of the Board following a report outlining unsuccessful attempts to acquire each parcel.