SCHEDULE OF EVENTS
FOR
BOARD OF REGENTS' MEETING

February 5-6, 2014
Austin, Texas

U. T. System Administration, Ashbel Smith Hall, 9th Floor, 201 West Seventh Street
Office of the Board of Regents: 512.499.4402

<u>Wednesday, February 5, 2014</u>

Finance and Planning Committee	*9:30 a.m.*
Joint Meeting of the Audit Committee and Finance Committee	*10:30 a.m.*
Audit, Compliance, and Management Review Committee	*11:00 a.m.*
Lunch	*12:00 p.m.*
Health Affairs Committee	*12:30 p.m.*
Technology Transfer and Research Committee	*1:30 p.m.*
Facilities Planning and Construction Committee	*2:30 p.m.*
Academic Affairs Committee	*3:30 p.m.*
Recess	*4:30 p.m.*

<u>Thursday, February 6, 2014</u>

Meeting of the Board - Open Session	*8:30 a.m.*
Recess to Executive Session and Working Lunch	*10:00 a.m.*
Meeting of the Board - Open Session	*1:00 p.m. approximately*
Adjourn	*1:30 p.m. approximately*

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

February 6, 2014
Austin, Texas

	Board Meeting	**Page**
CONVENE THE BOARD IN OPEN SESSION TO CONSIDER AGENDA ITEMS	*8:30 a.m.*	
1. **U. T. System Board of Regents: Approval of Consent Agenda items and referral of any items to the full Board or to Committee**	*8:32 a.m.* **Action**	**5**
2. **U. T. System Board of Regents: Update from Texas Higher Education Coordinating Board Commissioner Paredes and Chairman Hahn on higher education matters, including remarks on low-performing programs and capital projects**	*8:35 a.m.* **Report/Discussion** *Commissioner Paredes* *Chairman Hahn*	**6**
3. **U. T. System: Report on development performance for the U. T. System institutions**	*9:05 a.m.* **Report/Discussion** *Dr. Safady*	**7**
4. **U. T. System Board of Regents: Discussion and appropriate action regarding implementation of recommendations of the Advisory Task Force on Best Practices Regarding University-Affiliated Foundation Relationships, including a) renumbering Regents' *Rules and Regulations,* Rule 60304 (Internal Nonprofit Corporations) as Rule 60303, and revision and renumbering of Rule 60305 (External Nonprofit Corporations) as Rule 60304; b) adoption of new Rule 60305 (University-Affiliated Foundations); and c) approval of a model Memorandum of Understanding**	*9:30 a.m.* **Action**	**26**
5. **U. T. Permian Basin: Appointment of Dr. Charles A. Sorber as President Emeritus**	*9:40 a.m.* **Action**	**39**
STANDING COMMITTEE RECOMMENDATIONS AND REPORTS TO THE BOARD	*9:45 a.m.*	
RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551 (working lunch at noon)	*10:00 a.m.*	
1. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072		
U. T. Tyler: Discussion and appropriate action regarding authorization to purchase land and improvements at 3088 Old Omen Road, Tyler, Smith County, Texas, from Cambridge at Tyler Owner, LLC, for student housing, and resolution regarding parity debt	*President Mabry* *Mr. Tames*	
2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071		
a. U. T. System Board of Regents: Discussion with Counsel on pending legal issues		

b. U. T. System Board of Regents: Discussion regarding legal issues related to matters considered by the Select Committee on Transparency in State Agency Operations of the Texas House of Representatives

c. U. T. System: Discussion related to legal issues concerning compliance with the Texas Public Information Act

d. U. T. Austin: Discussion regarding legal issues related to pending review of the relationship between the School of Law and the Law School Foundation

e. U. T. System Board of Regents: Discussion of legal issues concerning proposed amendment of Regents' *Rules and Regulations*, Rule 10101 (Authority) and Rule 10403 (to be retitled as Public Statements on Behalf of the Board); and adoption of proposed new Rule 10801 (Policy on Transparency, Accountability, and Access to Information)

3. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073 *Dr. Safady*

a. U. T. Austin: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

b. U. T. Dallas: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

c. U. T. Pan American: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

d. U. T. Health Science Center - Houston: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

e. U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

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

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

b. U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding proposed terms of employment of Thomas A. Buchholtz, M.D., as Executive Vice President and Physician-in-Chief (Regents' *Rules and Regulations*, Rule 20204, regarding highly compensated employees)

1. U. T. System Board of Regents: Approval of Consent Agenda items and referral of any items to the full Board or to Committee

RECOMMENDATION

The Board will be asked to approve the Consent Agenda items located at the back of the book under the Consent Agenda tab.

2. <u>U. T. System Board of Regents: Update from Texas Higher Education Coordinating Board Commissioner Paredes and Chairman Hahn on higher education matters, including remarks on low-performing programs and capital projects</u>

<u>REPORT</u>

Texas Higher Education Coordinating Board Commissioner Paredes and Chairman Hahn will address the Board on higher education matters, including remarks on low-performing programs and capital projects.

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

REPORT

Vice Chancellor Safady will report on development performance of U. T. System institutions for Fiscal Year 2013 and make recommendations for advancing philanthropic support, using the PowerPoint presentation set forth on the following pages.

BACKGROUND INFORMATION

In 2004, Dr. Safady initiated an annual review of campus development/fundraising operations and the preparation of a report to offer each institution a customized assessment and framework for performance measurement and continuous improvement. This service is designed to assist each institution to achieve its strategic philanthropic objective. The annual review is aligned with the U. T. System's goals of efficiency, transparency, and accountability.

U. T. System Development Assessment FY 2013

Dr. Randa Safady
Vice Chancellor for External Relations

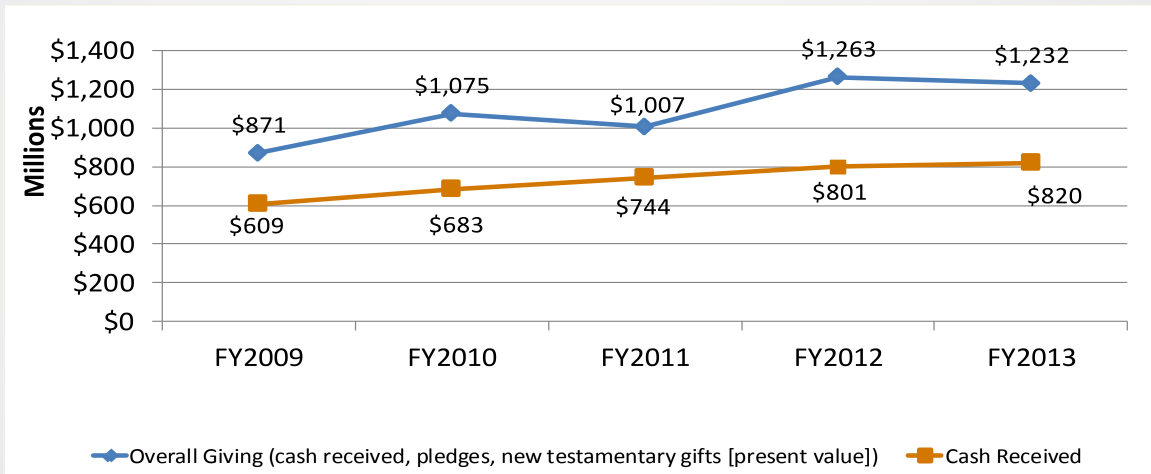
U. T. System Board of Regents' Meeting

February 2014

National Fundraising Environment in FY 2013

- Atlas for Giving forecasted a 1.6% increase in philanthropy
- Chronicle of Philanthropy predicts it will be 2018 before charitable giving is back to prerecession (2007) levels
- Increasing competition for donors (especially younger donors) and fundraising personnel

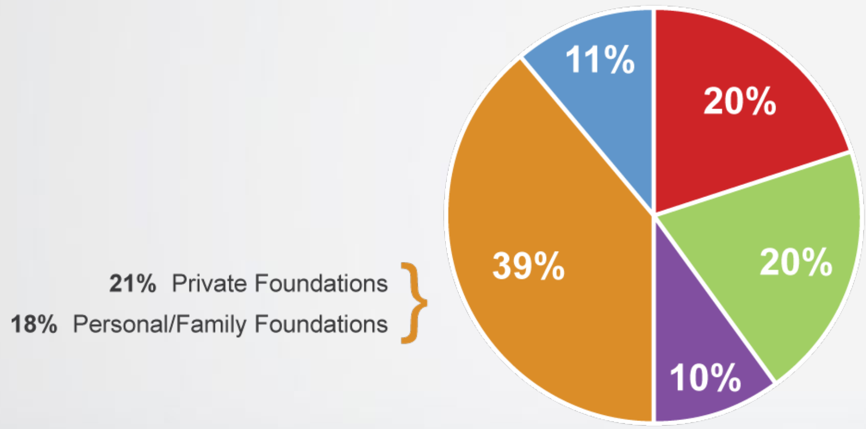
U. T. System Fundraising Summary and Five-Year Trend



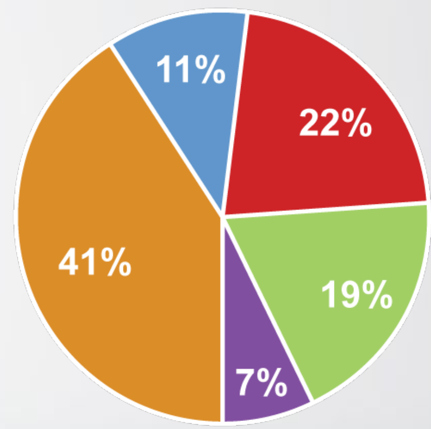
- FY 2013 was the highest year for cash received and second best year for overall giving
- Cash received increased 2.3% from FY 2012 while overall giving decreased 2.5%
- In the past two years more than $2.4B has been committed to U. T. System institutions

Sources of Giving

FY 2013



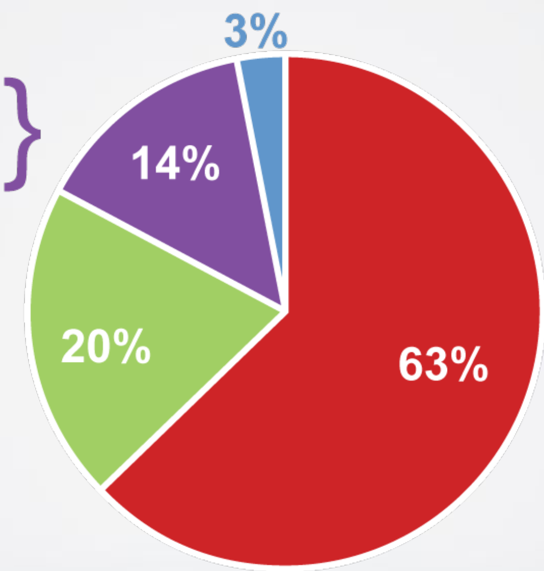
Average FY 2008-FY 2012



Alumni | Other Individuals | Corporations | Other Organizations | Foundations

Purpose of Gifts

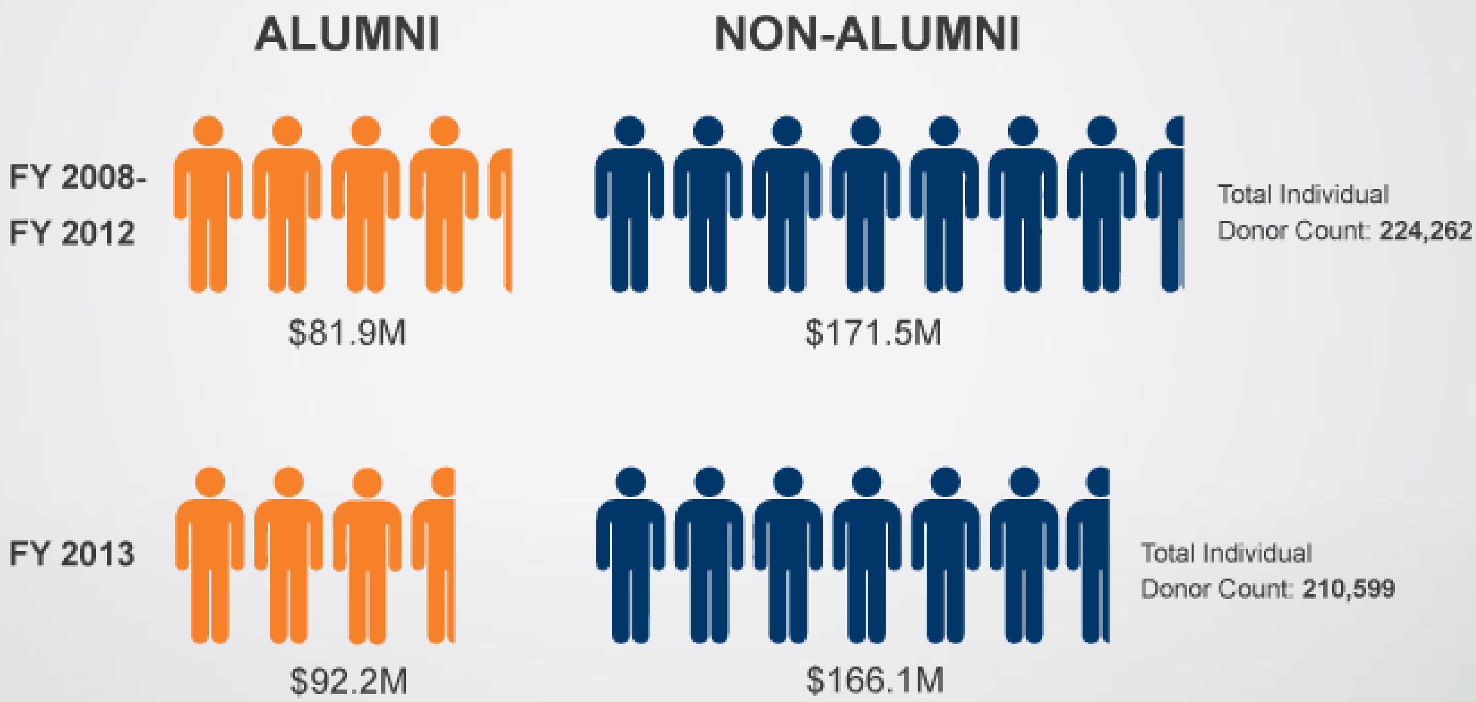
31% Research
29% Academic Programs, Faculty/Staff
28% Student Financial Aid



54% Research
20% Academic Programs, Faculty/Staff
10% Athletics
4% Student Financial Aid

Current Operations Unrestricted | Current Operations Restricted | Property, Buildings, Equipment | Endowment

Individual Donors



Alumni Participation

	Average FY 2008–2012	FY 2013	Percentage of Change
Alumni Participation*	7.6%	6.4%	-16.0%
Alumni Giving Amount	$81.9M	$92.2M	12.5%

*Alumni Participation = alumni donors divided by alumni of record

- 1,116,682 alumni of record
- Cash received from alumni increased 4.5% from FY 2012
- Fewest alumni donors in the past six years
- More funds from fewer donors

Planned Giving FY 2013

"I bequeath to The University of Texas at …."

– **252 individuals shared their intentions which reflect gifts with a present value of $96.0M**

– **U. T. System institutions received $52.6M from 190 realized bequests**

- Planned giving continues to grow in importance for donors and institutions
- Donors are using blended gifts to support U. T. System institutions
- Realized bequests represented 20.3% of gifts from individuals in FY 2013

Impact of Larger Gifts

	Average FY 2008–2012	FY 2013	Percentage of Change
Top 12* gifts as a percentage of cash received	20.6%	20.3%	-1.5%

* Top 12 = 3 largest gifts from individuals, foundations, corporations, and bequests

- 61 gifts of $1M or more; up slightly from 59 gifts in FY 2012

Academic Institutions FY 2013

Institutions	Overall Giving* (in millions)	Overall Giving as a % change from 5-year avg. FY 2008-2012	Cash Received (in millions)	Cash Received as a representative % of Educational & General (E&G) Expenditures
UTA	↑ $40.0	161.3%	↑ $16.8	3.4%
UTAUS	↑ $475.5	47.4%	↑ $291.0	13.5%
UTB	↑ $2.7	13.0%	$1.5	0.9%
UTD	↑ $33.2	12.8%	↑ $31.7	8.2%
UTEP	$30.4	1.2%	↑ $27.5	7.2%
UTPA	$4.6	-19.2%	$3.6	1.7%
UTPB	$3.6	-47.4%	$2.9	6.4%
UTSA	↑ $21.3	-11.5%	↑ $14.2	3.3%
UTT	↑ $9.7	69.9%	$2.6	2.6%

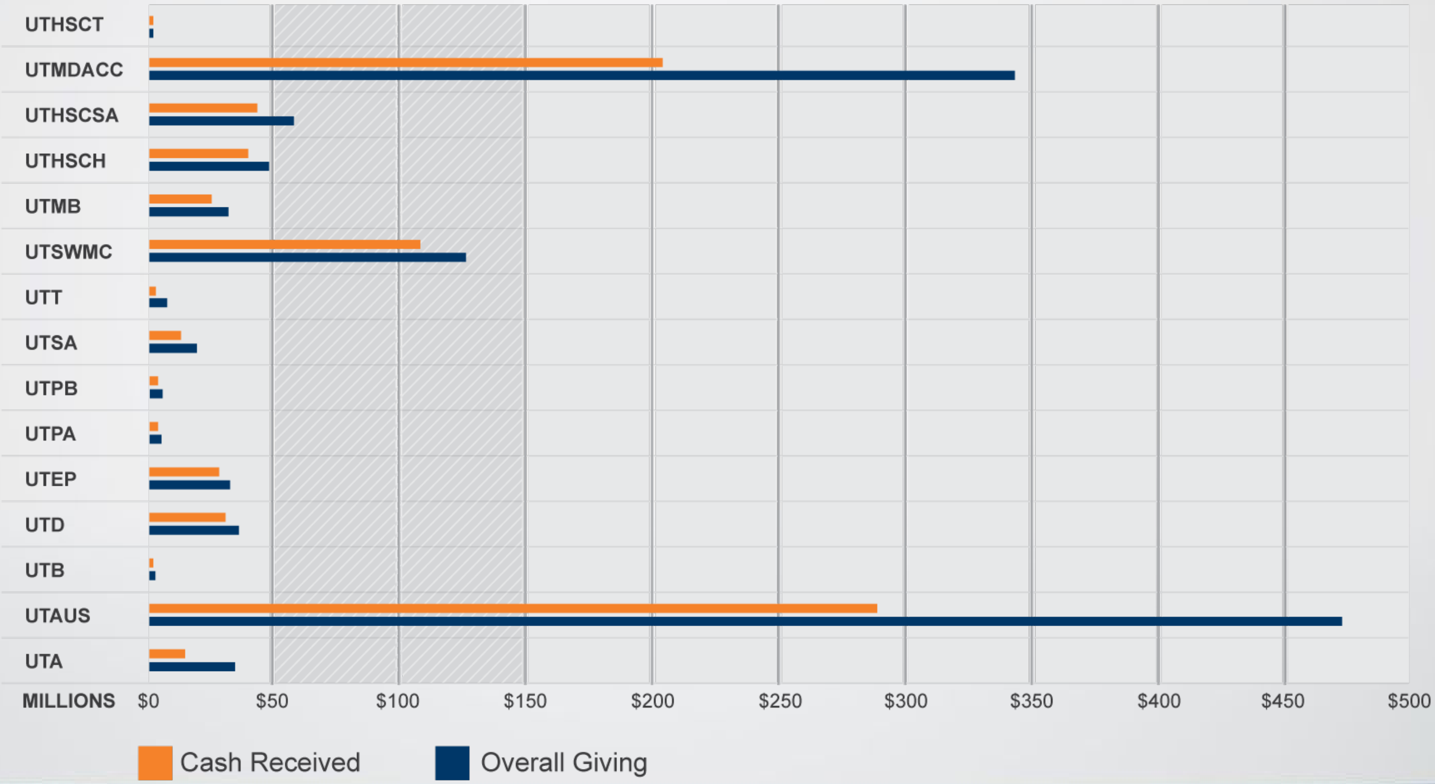
*Overall Giving = testamentary commitments (present value), pledges, and cash received ↑= increase from FY 2012

Health Institutions FY 2013

Institutions	Overall Giving* (in millions)	Overall Giving as a % change from 5-year avg. FY 2008-2012	Cash Received (in millions)	Cash Received as a representative % of Educational & General (E&G) Expenditures
UTSWMC	$128.1	-26.1%	$104.9	8.3%
UTMB	$35.2	-58.7%	$29.7	4.9%
UTHSCH	$48.8	-13.3%	$39.3	4.7%
UTHSCSA	↑ $56.9	-8.8%	↑ $37.6	5.1%
UTMDACC	↑ $337.2	42.9%	↑ $212.5	13.7%
UTHSCT	$1.7	-60.3%	↑ $1.5	4.9%

*Overall Giving = testamentary commitments (present value), pledges, and cash received ↑= increase from FY 2012

Fundraising Results FY2013



Fundraising Campaigns

Institution	Start date	End date
UTAUS	9/1/2006	8/31/2014
UTD	9/1/2009	12/31/2014
UTEP	1/1/2007	12/31/2014
UTSA	9/1/2008	8/31/2015
UTMB	9/1/2011	12/31/2017

- Combined campaign goals $4.0B
- Amount raised toward campaign goals $3.0B

Strength in Numbers

- Designed to increase fundraising capacity
  - Strength in Numbers I: $5M FY 2008 – FY 2009
  - Strength in Numbers II: $10M FY 2012 – FY 2014
    - FY 2012 and FY 2013 produced record-breaking years
    - 30 frontline officers were added along with 15 infrastructure personnel and support for 15 programs
    - Strength in Numbers II is in its final award year in FY 2014
- Strength in Numbers is the Board of Regents' investment to support continuous fundraising improvement and infrastructure among U. T. System institutions

Observations from FY 2013

- U. T. Austin and UTMDACC had exceptional fundraising years
  - Ranked respectively 8th and 16th nationally among all reporting public higher education institutions
- Individual donor count declined nationally among public universities and at U. T. System institutions
- Decrease in number of gifts and amount from appreciated assets
- Blended gifts (planned and outright gifts) impacted fundraising success
- Philanthropy among U. T. System institutions collectively represented 8.1% of Education & General (E&G) expenditures
- For every dollar invested in development, $8.18 was returned
- Presidents and Board of Regents made investments in development

Going Forward

- Align philanthropy and communications with institutional priorities appropriately to engage donors
- Importance of recruiting and retaining exceptional development leadership and staff members
- Explore innovations that factor in better segmentation and adapt to changing donor preferences such as social media, crowdfunding, donor-centric websites, mobile-optimized giving
- Implement recommendations from institutional development assessments
- Mature medical school development programs often account for 40-50% of overall university fundraising, thus U. T. Austin and U. T. Rio Grande Valley will have greater fundraising capacity over time

Going Forward (cont.)

- Institutions incorporate proven Strength in Numbers funded projects/personnel
- Continued investments in development are warranted as performance improves and innovations are needed to enhance outcomes
- Development budgets nationally are 1.4% of E&G expenditures and the median for U. T. System institutions remains at 0.8%

Going Forward (cont.)

- **The Center for Enhancing Philanthropy**
  - Training and Workshops FY2014
    - Leadership and succession planning workshop for advancement leaders
    - System Seminar February 23-25
      - Skill building alumni programs, annual giving, major gifts, stewardship, planned giving, etc.
    - Boot camp for new fundraising professionals
    - Expert faculty for use in Systemwide and customized workshops
  - Talent Management (recruit and retain high performing staff)
    - Work with Human Resources offices regarding career path issues, title, and compensation
    - Onboarding programs
    - National recruiting presence for U. T. System and institutions
  - Assessments, campaign planning, strategy, and reorganization models
  - Shared services among U. T. System institutions – Project South Texas, advancement services

4. U. T. System Board of Regents: Discussion and appropriate action regarding implementation of recommendations of the Advisory Task Force on Best Practices Regarding University-Affiliated Foundation Relationships, including a) renumbering Regents' *Rules and Regulations,* Rule 60304 (Internal Nonprofit Corporations) as Rule 60303, and revision and renumbering of Rule 60305 (External Nonprofit Corporations) as Rule 60304; b) adoption of new Rule 60305 (University-Affiliated Foundations); and c) approval of a model Memorandum of Understanding

RECOMMENDATION

The Chancellor concurs in the recommendation of Task Force Chairman Pejovich, the Vice Chancellor for External Relations, the Interim Vice Chancellor and General Counsel, and the General Counsel to the Board that the following steps to implement the recommendations of the Advisory Task Force on Best Practices Regarding University-Affiliated Foundation Relationships (Task Force) be approved.

a. Renumber Regents' *Rules and Regulations,* Rule 60304 (Internal Nonprofit Corporations) as Rule 60303 and revise and renumber Rule 60305 (External Nonprofit Corporations) as Rule 60304 as set forth on Page 27;

b. Adopt a new Rule 60305 (University-Affiliated Foundations) as set out on Pages 28 - 33; and

c. Approve a model Memorandum of Understanding (MOU) in substantially the form set forth on Pages 34 - 38, subject to appropriate input from U. T. System institutions and university-affiliated foundations.

BACKGROUND INFORMATION

On November 15, 2012, then Chairman Powell created the Task Force, and charged the Task Force with making recommendations to the U. T. System Board of Regents to assure that relationships between U. T. System institutions and the U. T. System and affiliated foundations are optimally structured to serve as a national model for public universities for the best management, compliance, and oversight practices.

Regent Pejovich presented the Task Force's report to the Board on August 22, 2013. The Task Force recommended that its recommendations be effected through revised Regents' *Rules and Regulations* and implemented through U. T. System policies. The proposed Rules address the Task Force recommendations and include a model MOU that will serve as the basis for discussions and documentation regarding relationships based upon best practices. Full implementation of the Rules and execution of the MOUs are targeted for May 2014, following consultation with individuals from U. T. System institutions and university-affiliated foundations.

Delegation to execute each MOU is granted to the President or Chancellor after approval by the appropriate Executive Vice Chancellor and the Vice Chancellor and General Counsel pursuant to new Rule 60305.

The University of Texas System
Rules and Regulations of the Board of Regents **Rule: ~~60305~~ 60304**

1. Title

External Nonprofit Corporations

2. Rule and Regulation

Sec. 1 Acceptance of Gifts or Bequests. The Board of Regents recognizes that there are legally incorporated nonprofit organizations (most having the word "foundation" in their charter) whose sole purpose is to benefit The University of Texas System, the institutions, or teaching, research, and other activities within those institutions. These organizations are administered by boards of directors independent from the control and supervision of the Board of Regents. Gifts or bequests from any such external organization to the University must be accepted and approved under gift acceptance policies.

Sec. 2 University-Affiliated Foundations. The relationships between the U. T. System and U. T. System institutions and nonprofit organizations classified as University-Affiliated Foundations is defined in Regents' Rule 60305.

The University of Texas System
Rules and Regulations of the Board of Regents **Rule: 60305**

1. Title

University-Affiliated Foundations

2. Rule and Regulation

Sec. 1 Importance and Mission Alignment. The independence and diversity of the U. T. System's affiliated university foundations is a great strength, one that uniquely reflects and serves the System's mission and community. At the same time, as a public entity entrusted with both private and public funds, the U. T. System's governing board has a responsibility to ensure that the development, management, and expenditure of resources that support U. T. System institutions are done in a manner consistent with federal, state, and local laws, and that the focus of university fundraising efforts by university personnel remain on funds to be administered by the university. The U. T. System also shares with its institutions and the affiliated foundations a special obligation to maintain the public's trust.

Each U. T. System institution and its university-affiliated foundations should assess, develop, and promote alignment between the university-affiliated foundation's and the institution's missions.

1.1 Memorandum of Understanding. Each U. T. System institution should engage its affiliated foundations in a process to review or develop a Memorandum of Understanding (MOU). The process should principally involve the institution and the affiliated foundation, including the chief executive of the university, the chief executive officer of the affiliated foundation, and the chair of the foundation board. Representatives of the U. T. System's Office of External Relations, Office of Academic Affairs or Office of Health Affairs, Office of General Counsel, and Office of the Board of Regents and the affiliated foundation's legal counsel should be engaged as necessary throughout the process.

The resulting proposed MOU should substantially comply with a model MOU developed with appropriate input from U. T. System institutions and university-affiliated foundations and approved by the Board of Regents. The MOU should also include the provisions listed in Section 1.2 below.

The MOU process should culminate in a formal adoption of the MOU between the System or the institution and affiliated foundation executed by the institutional President or the Chancellor after approval by the appropriate Executive Vice Chancellor and the Vice Chancellor and General Counsel.

1.2 MOU Provisions. The MOU should include provisions that:

a. Summarize the overall relationship between the foundation and the university and how the foundation's assets, functions, gift administration, or grant-making serve the university's mission.

b. Establish the President, or the President's designee, as the primary institutional staff contact for the university-affiliated foundation, and the institution's Chief Financial Officer, or the Chief Financial Officer's designee, as the primary financial contact for the university-affiliated foundation.

c. Define the foundation's role in fundraising, if any, and delineate, as appropriate, the respective oversight responsibilities of foundation and institutional personnel with regard to prospect management, gift acceptance and receipting, and stewardship. The primary focus of fundraising efforts by university-compensated personnel, including development professionals, deans, and faculty, should remain on funds to be directed to and administered by the university.

d. Identify specific services provided by the foundation, which might include fundraising, gift acceptance and advancement services, records and data management, investment services, real estate projects, or other activities in support of institutional functions and priorities, and any payments or consideration provided to the foundation in exchange for such services (precise fees or payments may be documented in separate agreements).

e. Describe any institutional resources provided for the use of the foundation. Resources might include budget allocations, staff support, office space, and technology. Recovery of costs associated with providing such resources should be at the same rates charged to university departments. Further, the institutions and university-affiliated foundations should use separate computers and computer systems to avoid the intermingling of data and information. If a database is shared for purposes of maximizing efficiency, accuracy of data, and prospect management, the rationale for sharing a database should be documented and approved in accordance with applicable policies of the Board of Regents (see Regents' Rule 10501), and appropriate steps should be taken and documented to protect the interests of both the U. T. System institution and the university-affiliated foundation, for example, by implementing separate gift-processing modules. (Because funding and fee structures may vary from year to year, the MOU may reference separate support or service agreements or disclosures.)

f. Identify a process to phase out any employment arrangements currently in place between any institution and its affiliated foundation whereby an institution and foundation share staff. Where extraordinary circumstances exist requiring the continuation of any such arrangement, establish terms under which foundation functions and operations may be staffed by university employees, including a description of reporting relationships and the role played by foundation staff or board members in hiring decisions, performance evaluation, and compensation decisions. Consistent with the guidance found in the Attorney General Opinion No. MW-373 (1981), U. T. System institutions lack the authority to place foundation employees on payroll or to provide them benefits reserved for state employees. (Because funding and fee structures may vary from year to year, the MOU may reference separate support or service agreements or disclosures.)

g. Describe records, including alumni and donor records, owned either by the institution or foundation and policies governing the use and sharing of such records, including public access under the Texas Public Information Act. The MOU should also include language related to the privacy of student information subject to the Family Educational Rights and Privacy Act (FERPA) and include procedures for providing and safeguarding any student information in full compliance with FERPA.

h. Define reciprocal responsibilities and mutual expectations regarding the frequency, content, and method of reporting between the university-affiliated foundation and its supported institution. This should include a requirement for an independent annual audit of the foundation and a requirement that the audit report be provided to the supported institution.

i. Describe the terms, process, and frequency by which foundation funds or grants will be provided to the university, including discretionary funds or funds intended to fund the compensation or benefits of university employees (not including transfers of funds for endowed faculty or administrative positions). This should also include requisition guidelines and annual limits for seeking foundation funds or support for the purchase of tickets to attend or sponsor third-party or institutional annual dinners, galas, auctions, or other donor-related functions, and provisions for the reimbursement of university employees for expenses incurred on behalf of the foundation.

j. Define terms for the foundation’s use of the university’s name, service marks, branding, and other proprietary university property, consistent with Board of Regents’ policy. (See U. T. System Trademark Licensing Policy).

k. Include statements regarding (a) practices to identify and appropriately manage potential conflicts of interests involving institutional staff, foundation staff, and foundation board members, and (b) practices to prevent the payment or accrual of impermissible benefits to university or university-affiliated foundation employees, directors, or officers. This should include a prohibition of the gift or loan of university-affiliated foundation property, services, funds, credit, or assets to university employees, families, or their representatives, except under circumstances whereby a specific program or strategy has received prior written approval by the Board of Regents.

l. Include information regarding gift or management fees assessed by the foundation.

m. Clearly define the extent of any liability arising out of the relationship.

n. Establish guidelines and the conditions under which the MOU may be terminated by the institution or foundation and outline a process for the orderly separation of an institution from a foundation and/or a foundation from an institution as well as the distribution of foundation assets consistent with its articles of incorporation and bylaws.

1.3 Periodic Assessment. Institutions and affiliated foundations should engage in periodic assessment of the role of the university-affiliated foundation and its relationship with its supported institution by revisiting the MOU process periodically.

1.4 Use of Name or Logo. Execution of an MOU is required for the continued approval for the use of the name or logo of any entity within the U. T. System by a university-affiliated foundation.

1.5 New Affiliated Foundation. Any new university-affiliated foundation seeking recognition by U. T. System or a U. T. System institution must execute an MOU as described above.

Sec. 2 Transparency. Institutions and their affiliated foundation(s) should work together to implement practices that increase transparency, openness, and disclosure to the supported institution and the public.

2.1 Each institution and its university-affiliated foundations should provide for the sharing, consistent with applicable laws and donor privacy, of financial information, audits, annual IRS filings, and other records with each other and outside parties.

2.2 Each institution and its university-affiliated foundations should work together to adopt a transparency statement oriented specifically to donors, alumni, and outside parties that

(a) clarifies the relationship between the institution and the university-affiliated foundation;

(b) explains the role that the private foundation plays in the university setting;

(c) lists each foundation's leadership, budget, and assets; and

(d) explains the difference between making a gift to the U. T. System, a U. T. institution, or the university-affiliated foundation.

2.3 Each institution and its university-affiliated foundations should adopt practices to assure the university is aware of foundation policies regarding gift or administrative fees, including the disclosure to donors or potential donors of any and all fees for endowment or non-endowment gifts, pledges, or bequests.

2.4 Each institution and its university-affiliated foundations should establish a practice to assure routine reports to donors.

2.5 Each institution should identify all affiliated foundations on its website, clearly noting their status as separate from the supported institution. Similarly, each university-affiliated foundation should have a well-developed website that provides public access to information about the foundation's mission, a list of foundation employees and board members, and clear contact information for the foundation.

Sec. 3 Governance. Each institution and university-affiliated foundation should:

(a) Ensure that the work of the foundation is aligned with the strategic priorities of the supported university.

(b) Collaborate to establish strong periodic orientation programs to educate new university officials and all new foundation board members about the foundation's mission, legal requirements, and fiduciary duties.

Sec. 4 Foundation Policies. University-affiliated foundations should adopt policies that are transparent, reflect best practices, and mitigate even the appearance of impropriety, unfairness, financial self-dealing, or fiscal imprudence.

Sec. 5 Donor Intent. Institutions and university-affiliated foundations should adopt and consistently apply gift acceptance policies, thoroughly document donor intent, and carefully review proposed gifts to ensure that donors' intentions can be fulfilled and that through the acceptance of gifts, institutions will not be subject to undue external influence, such as over academic programs and appointments, or to financial or compliance risk.

The policies should require consultation between the foundation and appropriate institution representatives prior to the foundation accepting gifts restricted for a) institution purposes other than those addressed in existing gift acceptance policies, or b) that may subject the institution to unusual conditions or requirements.

3. Definitions

University-Affiliated Foundations - Texas nonprofit trusts or corporations whose sole, primary, or operationally significant purpose is to provide financial support to a U. T. System institution.

4. Relevant Federal and State Statutes

Texas Business Organizations Code Section 22.353

*Texas Government Co*de Section 2255.001 – Rules (Private Donors or Organizations)

Texas Attorney General Opinion No. MW-373 (1981)

5. Relevant System Policies, Procedures, and Forms

Regents' *Rules and Regulations*, Rule 10501, Delegation to Act on Behalf of the Board

Regents' *Rules and Regulations*, Rule 30104, Conflict of Interest, Conflict of Commitment, and Outside Activities

Regents' *Rules and Regulations,* Rule 60101, Acceptance and Administration of Gifts

Regents' *Rules and Regulations,* Rule 60305, External Nonprofit Corporations

Regents' *Rules and Regulations,* Rule 60306, Use of University Resources

The University of Texas System Administration Policy UTS138, *Gift Acceptance Procedures*

Best Practices Regarding University-Affiliated Foundation Relationships – Advisory Task Force Report (2013)

MODEL
MEMORANDUM OF UNDERSTANDING

By this Memorandum of Understanding, THE UNIVERSITY OF TEXAS ______________ (“University”) and _________________ (“Foundation”) agree as follows:

1. The University and the Foundation deem it appropriate to, and do hereby, memorialize the relationship between the Foundation and the University, and agree mutually for the future regarding the respective roles, rights and obligations of the University and the Foundation in this relationship.
   [If Foundation has specialized or limited functions, those should be specified]

2. The Foundation is a nonprofit educational corporation chartered in Texas for the purposes of: supporting the educational undertakings of the University; furthering education, research and financial assistance to deserving recipients; accepting donations for particular objectives to accomplish such purposes; and cooperating with the advancement of the general welfare of the University as a whole. The policies of the Board of Directors of the Foundation include the activities of securing and administering funds for the benefit of the University.
   [If Foundation has a different corporate structure or specialized duties, those should be specified]

3. The Foundation agrees that, during the term of this Memorandum of Understanding, the Foundation will:

   (1) Accept gifts for the benefit of the University that may include: support for the procurement and retention of outstanding faculty members; financial support for students; the enrichment of the educational environment of the University; and, by other agreed upon activities, enhancement of the prestige of, and advancement of, the University; and utilization of its expertise, resources and personnel for such purposes;

   (2) Render other assistance to the University as may mutually appear desirable, including the following:
   - Develop an annual plan approved by the Foundation to raise funds and an annual plan to spend funds.
   - Base its spending plan on funds on hand.

- Pay to the University all direct costs borne by University to support Foundation projects.
- Direct its fundraising in cooperation with University fundraising efforts and in alignment with the University mission.

(3) Recognize the University as the sole beneficiary of its development activities and its educational support. The Foundation, its officers and directors understand that the Foundation may engage in fundraising for the Foundation's support. The Foundation will not sponsor or participate in any organized fundraising effort for the benefit of the University without first consulting with and receiving the approval of the President of the University, or his/her designee.

(4) Establish a website that provides public access to information about the Foundation's mission, a list of Foundation employees and board members, and clear contact information.

(5) Enact and enforce records retention procedures that ensure orderly management and retrieval of documents.

(6) Enact a policy to provide for public inspection of financial records and Foundation meeting minutes to the extent permissible by law.

[Other functions, including records and data management, or the provision of other services to University, should be specified. If the purposes of the Foundation are other than solely fundraising or if the University is not the sole beneficiary of the Foundation's activities, those modifications can be reflected in this section. For example, Sealy and Smith Foundation, Southwestern Medical Foundation and the UT Foundation have broader purposes.]

4. The University agrees that, during the term of this Memorandum of Understanding, the University may:

(1) provide reasonable space on or near its campus, as approved by the University President, to the Foundation for the purpose of carrying out its obligations hereunder and for its general operations on behalf of the University;

(2) provide the utilities and telephone services reasonably needed by the Foundation in carrying out its activities under this Memorandum of Understanding;

(3) permit reasonable use of University equipment and personnel as needed to coordinate the activities of the Foundation with the operations of the University and hereby expressly recognizes that the University President, officers and the employees may reasonably assist from time to time in development programs as may be needed or helpful in coordinating those Foundation activities with the operations of the University. Foundation employees may not be University employees, be carried on the payroll of the University or receive University employee-related benefits;

(4) provide access to alumni data, when appropriate, through the University's Office of Development or Alumni Relations and with the approval of the Vice President for Development or University Advancement, for the purposes of benefiting the fundraising efforts of the Foundation and the University.

[If University provides other support or resources, those should be specified. If the potential for conflicts of interest exist, a management plan should be specified]

Recovery of costs associated with providing such resources will be at the same rate charged to University departments and documented in separate support or service agreements.

5. The University and the Foundation are committed to transparency. All audits of the Foundation, as required by the Internal Revenue Code and as requested by the Foundation, shall be provided to the University as requested and to the public to the extent permissible by law. The University and the Foundation will provide information to the public, on each website, the nature of the relationship between the two entities and explain the difference between contributions to the two entities. Further, the University and the Foundation will establish a practice to provide routine reports to donors.

6. It is mutually agreed that the University and the Foundation will use separate computers and computer systems to avoid the intermingling of data and information. If it is mutually agreed that a database should be shared for purposes of maximizing efficiency, accuracy of data, and prospect management, the rationale for sharing such database should be documented and approved in accordance with Rules and Regulations of the Board of Regents Rule 10501.

7. It is mutually agreed that the University and the Foundation will not share staff. **[If shared staffing does occur, the following language should be added: The University and the Foundation find that there are extraordinary circumstances that require the existence of shared staff. University employees authorized to provide foundation support shall report to______. Further, such employees may assist in foundation functions and operations only to the extent as outlined below:]**

8. It is mutually agreed that the University and the Foundation will execute an annual written agreement by August 1 of each year for the next fiscal year (September 1 through August 31) specifying a “Management and Use Fee” to compensate the University for the utilization by the Foundation of equipment, utilities and office space and for the time spent by any University employees on Foundation matters authorized under Section 7, attached as Exhibit 1. (For purposes of the Annual Agreement, such time will be estimated based on the previous year’s actual time commitment.) Any direct costs beyond those covered by the Annual Agreement shall be agreed to in advance between the presidents of the Foundation and the University, or their designees.
[Other reporting obligations of the Foundation, including fundraising, funds transfer, expenditures, etc. should be specified. **]**

9. To protect any University of Texas System trademarks, Foundation may use the University trademarks specified in and subject to the restrictions contained in the attached trademark license, Exhibit 2.

10. Foundation shall comply with all applicable laws regarding privacy of student, alumni and donor records and shall also comply with all requirements of the Texas Public Information Act that may be applicable to Foundation due to its relationship with University.
[Applicability of the Texas Public Information Act (TPIA) to the Foundation will depend on specific factors, including the use by the Foundation of University resources or funds, and specific language may be tailored or added here to clarify the separate nature of the Foundation. However, the Office of the Attorney General has ultimate authority to determine the applicability of the TPIA.]

11. The University enters this arrangement with the Foundation with the expressed understanding that the University is not responsible for any debt, obligation or liabilities of the Foundation, its officers and/or trustees.

12. It is mutually agreed that the University and the Foundation will operate proactively to identify and appropriately manage potential conflicts of interest involving institutional officers and employees, foundation staff, and foundation board members. The conflict of interest provisions of both the University's policies and the Foundation's policies are expressly applicable to all interactions between the University and the Foundation. In cases where the conflict of interest policies of the University and the Foundation conflict, the more restrictive policy will control.

This agreement is effective immediately upon execution by the parties, and it shall remain in effect from year to year unless modified in writing by mutual agreement of the Foundation and the University or terminated by either the Foundation or the University upon giving written notice six (6) months prior to the end of a fiscal year of the University (by August 31).

Effective on this ____ day of ____________, 20--.

The ___________ Foundation

By:______________________________________ Date:____________

President

The University of Texas ______________

By:______________________________________ Date:____________

President [or designee]

Exhibit 1 – not attached

Exhibit 2 – not attached

5. U. T. Permian Basin: Appointment of Dr. Charles A. Sorber as President Emeritus

RECOMMENDATION

The Chancellor concurs in the recommendation of Executive Vice Chancellor for Academic Affairs and President Watts that the U. T. System Board of Regents appoint Dr. Charles A. Sorber as President Emeritus at U. T. Permian Basin. Approval of this recommendation is being requested in accordance with the Regents' *Rules and Regulations*, Rule 20301.

BACKGROUND INFORMATION

Dr. Charles A. Sorber served as the fourth president of U. T. Permian Basin from 1993 to 2001. He was Professor Emeritus in the Department of Civil, Architectural and Environmental Engineering at U. T. Austin. Among his previous faculty and administrative posts, he was Dean of the School of Engineering at The University of Pittsburgh, Associate Dean of Engineering in the College of Engineering at U. T. Austin, and Vice Chancellor for Special Engineering Programs at U. T. System. He earned a B.S. and M.S. degree in Sanitary Engineering at The Pennsylvania State University and held a Ph.D. in Engineering from U. T. Austin.

He also worked at U. T. System Administration as Interim Vice Chancellor for Special Engineering Programs and as the System's Special Engineering Advisor to coordinate U. T.'s bid to manage Los Alamos National Laboratory.

Dr. Sorber began his professional career with the U.S. Army, serving in a number of positions in Europe with the U.S. Army Medical Research and Development Command. His service earned him the Meritorious Service Medal with two Oak Leaf Clusters as well as other honors. He returned to U. T. Austin in 2001 where he held a number of positions. He was Interim President at U. T. Arlington from 2003 to 2004. In 2009, he was asked to come out of retirement to serve as Interim President of U. T. Pan American.

Dr. Sorber was active in a wide range of professional activities. He served as chair or member of a number of engineering committees including the National Research Council, the Stockholm Water Symposium, and the National Association of State Universities and Land Grant Colleges. He was named a Fellow in the American Society of Civil Engineers in 1991. Dr. Sorber served as President of the Water Environment Federation from 1992 to 1993.

He was a member of several honorary societies and received a number of awards for his teaching and professional services, including the Gordon Maskew Fair Award of the American Academy of Environmental Engineers & Scientists and the William J. Orchard Medal of the Water Environment Federation. In addition, he was named Outstanding Engineering Alumnus of The Pennsylvania State University and Distinguished Graduate of the College of Engineering at U. T. Austin.

Dr. Sorber authored or co-authored more than 130 papers and reports in the areas of land application of wastewater, wastewater reuse and disinfection, and in higher education.

Dr. Sorber passed away on October 18, 2013.

6. <u>U. T. System Board of Regents: Discussion and appropriate action regarding amendment of Regents' *Rules and Regulations*, Rule 10101 (Authority) and Rule 10403 (to be retitled as Public Statements on Behalf of the Board); and adoption of proposed new Rule 10801 (Policy on Transparency, Accountability, and Access to Information)</u>

<u>RECOMMENDATION</u>

Chairman Foster recommends amendments to the Regents' *Rules and Regulations*, Rule 10101 (Authority) and Rule 10403 (Procedure), and adoption of new Rule 10801 (Policy on Transparency, Accountability, and Access to Information), concerning access to and requests for information, email addresses and accounts for U. T. System business, and official statements and coordination of press activities, as set forth in congressional style on the following pages.

<u>BACKGROUND INFORMATION</u>

Proposed revisions to Rule 10101 contain clarifications to current language on Board authority and duties including a new Section 5 related to records and information management. Section 5 covers compliance with System policies on records retention and information management and on encryption, retention, destruction, and release of documents. Section 5 also mandates related training and the establishment of a U. T. System email address for each Regent. It is recommended that the Board require any email messages sent by a U. T. employee to a Regent on a matter of public policy or U. T. business be sent only to the Regent's U. T. email address.

Proposed changes to Rule 10403 clarify who may speak on behalf of the Board and the System and set the expectation that Regents will coordinate media contacts with the Office of External Relations.

Chairman Foster also recommends the enactment of a new Rule 10801, intended to complement the numerous ongoing U. T. System transparency initiatives including enhanced data-gathering, data management, and access to data through the U. T. System's electronic Productivity Dashboard.

- The proposed new Rule acknowledges the need for a comprehensive plan and the capacity to make voluminous documents and a growing repository of data readily available for review, as appropriate, by all requestors – including the public, representatives of the media, members of the Legislature, and members of the Board of Regents.

- The recommended new Rule envisions a plan for significantly improving data management and access with the goals of increasing transparency and accountability while reducing administrative burdens through an orderly and efficient method of records management and production. For members of the Board seeking information, the proposed Rule formalizes a request process that facilitates discussion with the Chairman, the Chancellor, and the requesting Regent to assist in avoiding duplication of efforts and to work together to set the scope and deadlines for production in the context of System strategic priorities. The proposed Rule is not intended to prevent a member of the Board from access to information or data the Regent deems necessary to fulfill his or her official duties but to ultimately make more information and data readily available for all.

- Benefits expected include providing quicker access to data in a format more conducive to analytical review; making the best information available to decision-makers to fulfill their responsibilities; reducing workload on U. T. System and institutional staff members; providing better access to and use of the increasing amounts of data being collected by the U. T. System Administration and the U. T. System institutions; and allowing researchers to identify important challenges, patterns, and opportunities.

- U. T. System Administration and U. T. System institutions currently provide Web access to a listing of all requests made under the Texas Public Information Act from at least early 2013. The new Rule directs the U. T. System to work to identify improvements to the websites. As one facet of the enhanced access, the U. T. System will pilot a phased program to provide access to the actual documents responsive to each of the requests, to the extent feasible and legally permitted. The existing System Administration website may be accessed at http://www.utsystem.edu/.

The University of Texas System
Rules and Regulations of the Board of Regents **Rule: 10101**

1. Title

Board Authority and Duties

2. Rule and Regulation

Sec. 1 Authority of the Board. The Legislature, which is given the duty and authority to provide for the maintenance, support, and direction of The University of Texas by Article VII, Section 10 of the Texas Constitution, has delegated the power and authority to govern, operate, support, and maintain ~~administer~~ The University of Texas System to the Board of Regents. (See *Texas Education Code* Section 65.11 et seq. and Section 51.352) Texas court cases construing these statutes have held that the Board has wide discretion in exercising its power and authority and that the rules adopted by the Board have the same force as statutes. The System's lands and buildings are State of Texas property subject to the control of the Board as the State's agent.

Sec. 2 Amendment or Suspension of Rules. The Regents' *Rules and Regulations* may be added to, amended, waived, or suspended by a majority of all of the members of the Board of Regents present at any regular meeting or at any special meeting called for that purpose.

Sec. 3 ~~Communication with Staff and Faculty~~ Duties and Responsibilities of Each Regent.

3.1 In carrying out the duties and responsibilities referenced in Section 1 above, it ~~It~~ is the responsibility of each Regent to be knowledgeable in some detail regarding the operations, management, finances, and effectiveness of the academic, research, and public service programs of the U. T. System, and each member ~~members~~ of the Board of Regents has the right and authority to inform himself/herself ~~themselves~~ as to the ~~their~~ duties, responsibilities, and obligations of the member in such a manner as they each may deem proper. Members of the Board of Regents are to be provided access to such information as in their individual judgments will enable them to fulfill their duties and responsibilities as Regents of the U. T. System. (Moved from Regents' Rule 10403, Section 5)

3.2 Information requests for data or for the compilation of information by an individual member of the Board will be processed in compliance with Regents' Rule 10801 concerning Transparency, Accountability, and Access to Information.

Sec. 4 Communication with Faculty, ~~and~~ Staff, and Administration. Members of the Board of Regents are to be provided access to such personnel as in their individual judgments will enable them to fulfill their duties and responsibilities as Regents of the U. T. System. The regular channel of communication from members of the Board to the faculty, staff, and administration is through the Chancellor, the appropriate Executive Vice Chancellor, and the president of the institution involved, and a copy of any communication sent by a Regent directly to any member of the faculty, staff, or administration should be furnished to the Chancellor, the appropriate Executive Vice Chancellor, and the president of the institution involved; however, individual Board members are not precluded from direct participation and communication with the presidents, faculty, staff, and students of the U. T. System. (Moved from Regents' Rule 10403, Section 5)

Sec. 5 Records and Information Management. Members of the Board of Regents shall comply with the Systemwide policies regarding records retention and information management, including System Administration policies on encryption, retention, destruction, and release of documents.

5.1 In addition to required training under State law, each member of the Board will be provided training on records and document management, including compliance with U. T. System records and retention policies.

5.2 U. T. System Administration will provide a U. T. System email address and account to each Regent at the beginning of service as a member of the Board of Regents. Members of the Board are strongly encouraged to use U. T. System email addresses for all communications related to public business or public policy over which the Board of Regents has supervision or control.

5.3 Any email messages sent by a U. T. System employee to a member of the Board of Regents and related to public policy or U. T. business will be sent to the Regent's U. T. System email address.

The University of Texas System
Rules and Regulations of the Board of Regents Rule: 10403

1. Title

~~Procedure~~ Public Statements on Behalf of the Board

2. Rule and Regulation

. . .

Sec. 10 ~~Political or~~ Public Statements on Controversial Matters. The Board of Regents acts to determine the ~~reserves to itself the responsibility for passing upon matters of a political or obviously controversial nature, which represent an~~ official position of the U. T. System or the Board of Regents on matters of an obviously controversial nature ~~any institution or department thereof~~.

10.1 Statements on such matters shall be made by the Chairman of the Board or the Chancellor.

10.2 Except as allowed under Section 10.1 ~~Without the advance approval of the Board~~, no Regent, officer, or employee ~~faculty or staff member~~ shall make or issue any public statement on ~~any political or other subject of~~ an obviously controversial ~~nature~~ subject which might reasonably be construed as a statement of the official position of the U. T. System or the Board of Regents without the advance approval of the Board ~~any institution or department thereof~~. Each institution's Handbook of Operating Procedures may specify the institutional officers authorized to speak on behalf of the institution.

10.3 It is not the intent of this policy statement to stifle the right of freedom of speech of anyone speaking in a personal capacity where that person makes it clear that he or she is not speaking for the U. T. System or the Board of Regents ~~any of the institutions~~. ~~Statements on matters of an emergency nature shall be cleared by the Chancellor with the Chairman of the Board~~. To the extent possible, Regents are expected to coordinate media contacts with and to provide advance notice to the U. T. System Office of External Relations regarding any media contacts and press statements.

. . . .

The University of Texas System
Rules and Regulations of the Board of Regents **Rule: 10801**

1. Title

Policy on Transparency, Accountability, and Access to Information

2. Rule and Regulation

Sec. 1 The Board of Regents and U. T. System Administration are committed to enhancing transparency, accountability, and access and disclosure of information to the public, the media, elected and appointed state and federal officials, and executive policy makers.

Sec. 2 To assist in achieving these goals, the Board wishes to provide maximum transparency to the public and its representatives to the fullest extent allowed by law while ensuring compliance with best governance practices and appropriate protection of confidential information and personal privacy. The Board acknowledges significant U. T. System leadership and progress in expanding access and transparency, supports these ongoing efforts, and recognizes that the efforts will require continuing and long-term commitment.

Sec. 3 The Board requires all U. T. System Administration, U. T. System institutional employees, and members of the Board to respond thoroughly and appropriately to all legal requests for information and in accordance with state and federal laws to all lawful requests. The Board expects all employees to work to achieve and maintain an environment of transparency, cooperation, and compliance with applicable law and policy. The Board will support staffing levels and acquisition of resources necessary and reasonable to implement and achieve the intent of this Rule.

Sec. 4 Enhancement of Access to and Analysis of Data and Information.

4.1 Importance of Data Collection, Retention, and Analysis. The U. T. System recognizes and supports the importance of data collection, retention, and analysis for purposes such as reviewing System operations and policies, guiding decision-making, improving productivity and efficiency, and evaluating performance outcomes.

4.2 Increase in the Amount of Data Available. The U. T. System recognizes that the amount of significant data being accumulated by the U. T. System and U. T. System institutions is expanding exponentially each year. The System further recognizes that current data collection and management systems in use are not sufficient to effectively manage and utilize all data becoming available.

4.3 Opportunities for Additional Enhancements. The U. T. System is continually looking for ways to enhance the performance of its institutions, to support access and success for all students, to improve educational outcomes, and to remain a national leader in providing access to data. As such, the U. T. System is committed to continue collecting additional data and finding and utilizing new, better and more expansive systems and software with which to manage and access these data. These improved systems and new software will greatly improve the ability to generate better informed decisions to enhance student success, to increase productivity and efficiency, and to facilitate access to and analysis of the data.

4.4 Framework for Advancing Excellence. The Framework, established in 2011, implemented a centralized data warehouse for the purposes of evaluating the progress of U. T. System institutions in achieving the goals set forth in the Framework. The data warehouse is a central source of information for the U. T. System Productivity Dashboard, which specifically supports the goals of transparency and efficiency as expressed in the Framework.

(Framework url: https://www.utsystem.edu/chancellor/speeches/a-framework-for-advancing-excellence-throughout-the-university-of-texas-system)

4.5 Information Accessible through Data Dashboard. The U. T. System Productivity Dashboard provides a rolling 10 years (where available) of data on the performance of all U. T. System institutions and is available free to the public. The Productivity Dashboard provides important data and metrics concerning students, faculty, research and technology transfer, health care, and productivity and efficiency.

(Productivity Dashboard url: http://data.utsystem.edu/)

Sec. 5 Processing Information Requests.

5.1 Requests by Members of the Public. To enhance transparency, U. T. System institutions and U. T. System Administration are expected to act in strict compliance with the Texas Public Information Act (TPIA) and applicable State and federal law in providing public access to governmental records.

5.2 Requests by Representatives of the Media. In addition to the public right of access to information through the TPIA, representatives of the media may utilize U. T. System Administration and institutional offices of external relations as an additional resource for questions.

5.3 Requests by Members of the Texas Legislature. The TPIA provides members of the Texas Legislature a special right of access to information needed for legislative purposes. U. T. System Administration and institutional offices of governmental affairs serve as additional resources for questions from members of the Legislature.

5.4 Requests by Members of the Board of Regents and Chancellor.

5.4.1 This process is not intended nor will it be implemented to prevent a member of the Board of Regents or the Chancellor from access to information or data that the Board member or Chancellor deems is necessary to fulfill his or her official duties and responsibilities.

5.4.2 Requests by an individual Regent for information shall be submitted to the Chancellor with a copy to the Board Chairman and General Counsel to the Board.

5.4.3 Information requests from or on behalf of an individual member of the Board of Regents seeking the compilation of significant quantities of information or data from a U. T. System institution will be reviewed by the Chairman of the Board and the Chancellor and, if necessary, discussed with the requesting Regent to determine the appropriate scope of the request and timing of the response to avoid inefficiencies and duplication of effort but shall also ensure that requests are fulfilled in a timely manner consistent with applicable law and policy.

5.4.4 Smaller requests for existing information or data that do not appear to require significant time or effort may be processed through the Office of the Board of Regents and the Chancellor's Office.

Sec. 6 Access to Requests for Information.

6.1 The U. T. System Administration is directed to look for opportunities to expand the existing U. T. System websites, established in 2012 to provide public access to requests for information and which include all Texas Public Information Act requests.

(Open Records website: http://www.utsystem.edu/open-records?src=uts-homepage)

6.2 It is the intent of the Board that documents responsive to those requests be made available electronically to the extent legal and feasible, with the Chancellor to set timelines for implementation, in consultation with the Chairman.

7. <u>U. T. System Board of Regents: Announcement by Chairman Foster of establishment of a new Task Force on Intellectual Property Issues</u>

Chairman Foster will announce the establishment of a new Task Force on Intellectual Property Issues.

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Committee Meeting: 2/5/2014

Board Meeting: 2/6/2014
Austin, Texas

Brenda Pejovich, Chairman
Wallace L. Hall, Jr.
R. Steven Hicks
Jeffery D. Hildebrand
Robert L. Stillwell

C. RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE,* CHAPTER 551 *11:30 a.m.*

Personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of officers or employees - *Texas Government Code* Section 551.074

Discussion with the Chief Audit Executive concerning personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of individual System Administration and institutional officers or employees involved in internal audit functions

D. ADJOURN *12:00 p.m.*

1. U. T. System: Report on the Fiscal Year 2013 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)

REPORT

See Item 7 beginning on Page 173 of the Finance and Planning Committee.

2. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

3. U. T. System Board of Regents: Approval to renew the contract with Deloitte & Touche LLP to provide financial auditing services for Fiscal Years 2014 and 2015

RECOMMENDATION

Regent Pejovich recommends approval for Deloitte & Touche LLP to provide independent auditing services for the financial statement audits of the U. T. System, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, U. T. Health Science Center - Tyler [pending Southern Association of Colleges and Schools (SACS) accreditation requirements and timeline], and of the funds managed by The University of Texas Investment Management Company (UTIMCO) for Fiscal Years 2014 and 2015.

Approval is requested for U. T. System staff to negotiate and enter into an auditing services contract amendment with Deloitte & Touche LLP to renew the contract for a two-year term pursuant to delegation of authority from the State Auditor's Office.

The contract with Deloitte & Touche, effective February 15, 2011, to provide audit services for Fiscal Year 2011 has an option to renew for four additional years. The last contract renewal amendment for a two-year term was effective February 15, 2012, and will expire on February 28, 2014.

BACKGROUND INFORMATION

On August 12, 2010, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche LLP to perform financial statement audits of U. T. System, U. T. M. D. Anderson Cancer Center, and the funds managed by UTIMCO for Fiscal Year 2011. The original contract, entered into as of February 15, 2011, was for one year with the option to renew for four additional one-year terms.

On February 9, 2012, the Board of Regents authorized renewal of the auditing services contract with Deloitte & Touche LLP to perform financial statement audits of U. T. System, U. T. M. D. Anderson Cancer Center, and the funds managed by UTIMCO for two additional years, Fiscal Year 2012 and Fiscal Year 2013.

On May 3, 2012, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche LLP to perform financial statement audits of U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler for Fiscal Years 2012 and 2013.

These audits are part of the overall U. T. System audit and are pursuant to delegation of authority from the Texas State Auditor's Office. The source of funding for this contract is Available University Funds, as approved for the prior contracts; however, the audit at U. T. Health Science Center - Tyler will be paid with institutional funds as it will be performed to meet SACS accreditation requirements.

4. <u>U. T. System: Update on implementation of initiatives to address recommendations from the Report on the Strategic Assessment of the U. T. System Internal Audit Services performed by Deloitte & Touche LLP</u>

REPORT

Chief Audit Executive Peppers will present an update on the implementation of initiatives developed to address the recommendations from the report on the Strategic Assessment of the U. T. System Internal Audit Services performed by Deloitte & Touche LLP, which was presented at the Audit, Compliance, and Management Review Committee meeting on May 8, 2013. A PowerPoint presentation is set forth on the following pages.

Strategic Initiatives of the U. T. System Audit Office

J. Michael Peppers, U. T. System Chief Audit Executive

U. T. System Board of Regents' Meeting

Audit, Compliance, and Management Review Committee (ACMRC)

February 2014

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External Strategic Assessment

- Deloitte was engaged to perform a strategic assessment of internal audit services across U. T. System and issued their report in March 2013.
- To address the 17 recommendations from the report, the U. T. System Audit Office developed eight key initiatives in three main areas to be implemented over a three-year period.

Vision and Strategy for Internal Audit

Year 1 – Foundation
- Institutional Audit Committee Alignment
- Pilot Metrics
- U. T. System Audit Office Reorganization
- Standardize Innovation Process
- Innovation Begins

Year 2 – Add Structure
- Standardized Risk Assessment
- Standardized Audit Methodology
- Formal Metrics, Continued Innovation
- Improved Internal Quality Review
- Formal Knowledge Management
- Specialty Audit

Year 3 – Produce More Value
- Standardized Audit Reports
- Enhanced Audit Committee Reporting
- Risk Management and Governance Assessment
- Formal Leadership Development

Governance

1. Strengthen independence and capability of institutional audit committee
   – Institutional audit committee guidance formalized in December 2013 and communicated to institutions by the Chancellor
   – Policy and charter changes in progress
2. Assess Systemwide and institutional risk management
3. Provide resources for governance

Processes, Resources and Capability Development

4. Organize mission and values into objectives, models and priorities
   - Initiatives and priorities announced in March 2013 and communicated to the institutions by the ACMRC Chairman and the Chancellor
   - Reorganized the U. T. System Audit Office to centrally manage development of standards, capabilities, and policies
   - Recruiting new positions in the U. T. System Audit Office
   - Developing a structured communication platform for internal audit leadership and teams
5. Enhance risk assessment methodology
6. Develop audit and reporting models
7. Quantify and improve team competency
   - Developing SharePoint portal for sharing audit knowledge across institutions
   - Developing one process to elevate significant issues to ACMRC

Success and Sustained Quality

8. Align internal audit metrics and quality program with improvement plans
   - Launched Systemwide pilot metrics for reporting to the institutional audit committees and the ACMRC
   - Starting the external quality assessment of institutional internal audit functions

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FINANCE AND PLANNING COMMITTEE

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Austin, Texas

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Alex M. Cranberg
Wallace L. Hall, Jr.
Brenda Pejovich
Wm. Eugene Powell

	Committee Meeting	Board Meeting	Page
B. CONVENE JOINT MEETING WITH AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE	*10:30 a.m.*		
7. **U. T. System: Report on the Fiscal Year 2013 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)**	*10:30 a.m.* **Report/Discussion** *Mr. Wallace* *Ms. Tracey Cooley, Deloitte & Touche* *Mr. Peppers*	Not on Agenda	**173**
C. ADJOURN	*11:00 a.m.*		

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 65 - 72 and the December Monthly Financial Report on Pages 73 - 97. The reports represent the consolidated and individual operating detail of the U. T. System institutions.

The Key Financial Indicators Report compares the Systemwide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2010 through May 2014. Ratios requiring balance sheet data are provided for Fiscal Year 2009 through Fiscal Year 2013.

THE UNIVERSITY OF TEXAS SYSTEM

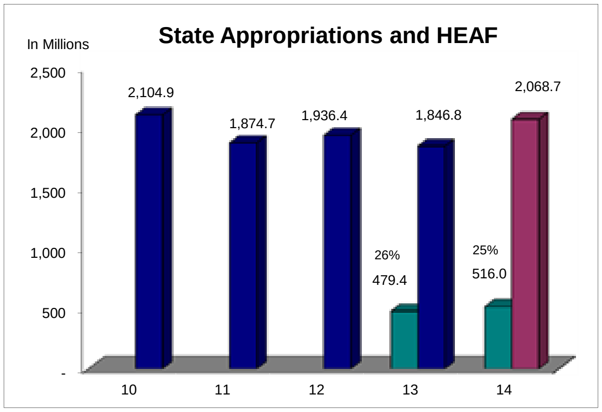
KEY FINANCIAL INDICATORS REPORT

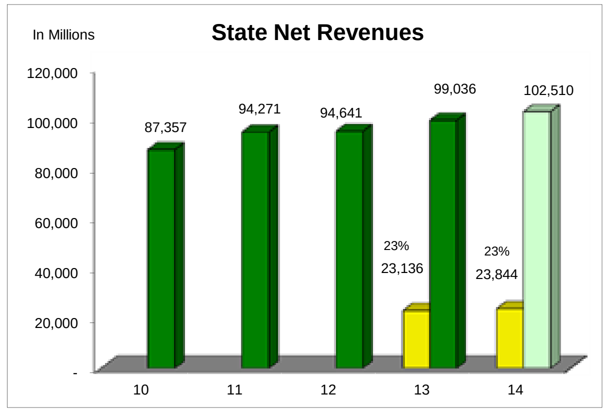
1ST QUARTER FY 2014

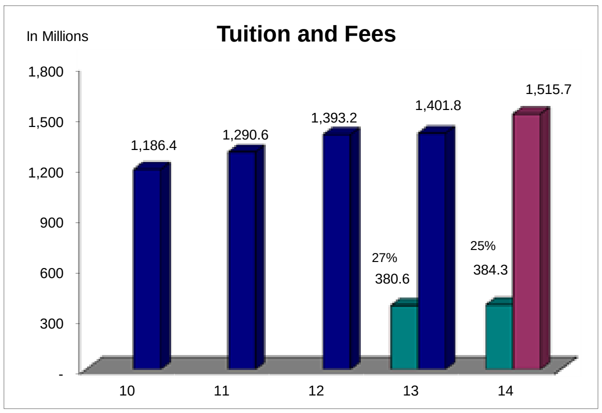
KEY

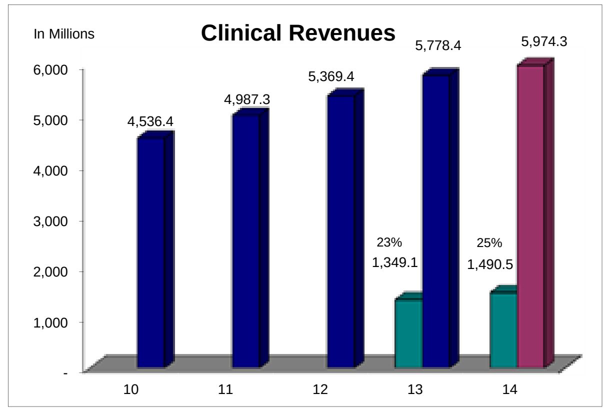
- Actual Annual Amounts
  (SOURCE: Annual Financial Reports)
- Adjustment to Actual Annual Amounts to exclude the Increase in Net OPEB Obligation
  (SOURCE: Annual Financial Reports)
- Budget amounts
  (SOURCE: Operating Budget Summary)
- Projected Amounts based on the average change of the previous three years of data
- Monthly Financial Report Year-to-Date Amounts
- Annual State Net Revenue Collections
  (SOURCE: Texas Revenue History by Source and Texas Net Revenue by Source, State Comptroller's Office)
- Year-to-Date State Net Revenue Collections
  (SOURCE: State Comptroller's Office)
- Estimated State Revenue Collections
  (SOURCE: Biennial Revenue Estimate, State Comptroller's Office)
- Annual and Quarterly Average of FTEs
  (SOURCE: State Auditor's Office Quarterly FTE Report)
- Year-to-Date Margin
  (SOURCE: Monthly Financial Report)
- Projected Amounts based on Monthly Financial Report
- Year-to-Date Margin
  (SOURCE: Monthly Financial Report)
- Target Normalized Rates
- Aaa Median
  (SOURCE: Moody's)
- A2 Median
  (SOURCE: Moody's)
- Good Facilities Condition Index (Below 5%)
- Fair Facilities Condition Index (5% - 10%)

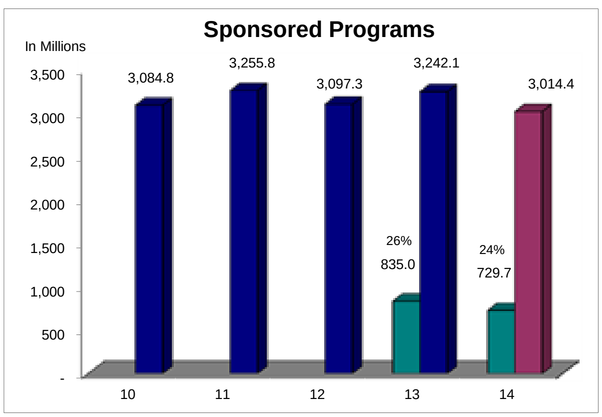
KEY INDICATORS OF REVENUES
ACTUAL 2010 THROUGH 2013
PROJECTED 2014
YEAR-TO-DATE 2013 AND 2014 FROM NOVEMBER MONTHLY FINANCIAL REPORT

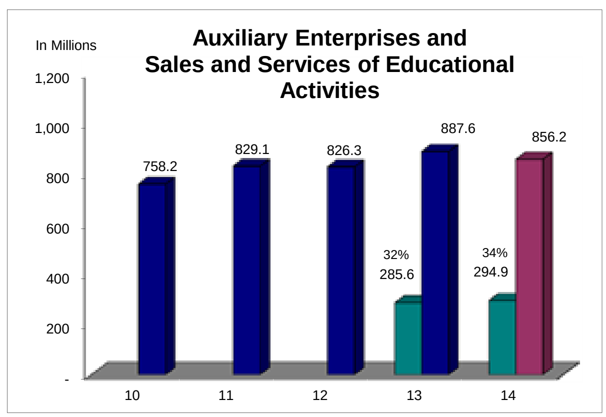


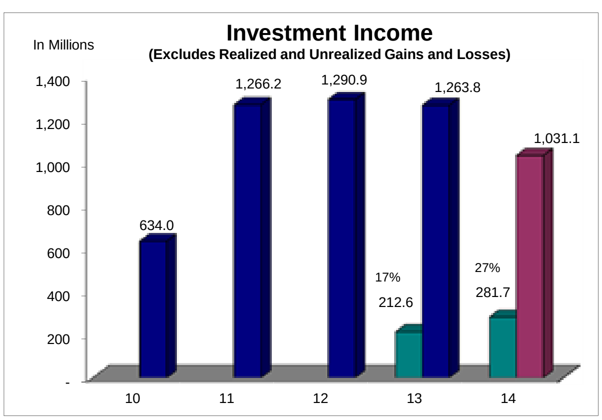


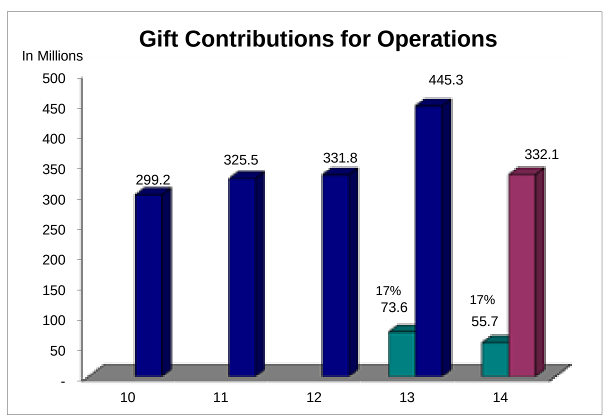




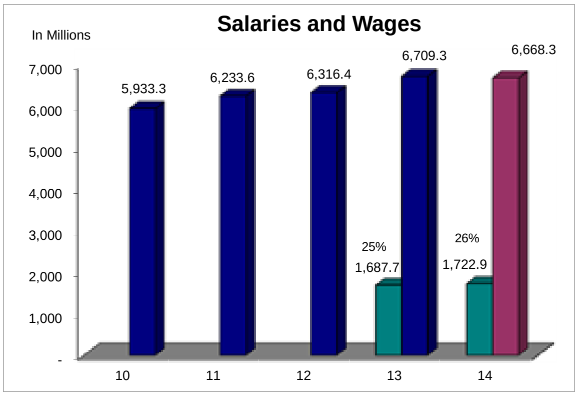


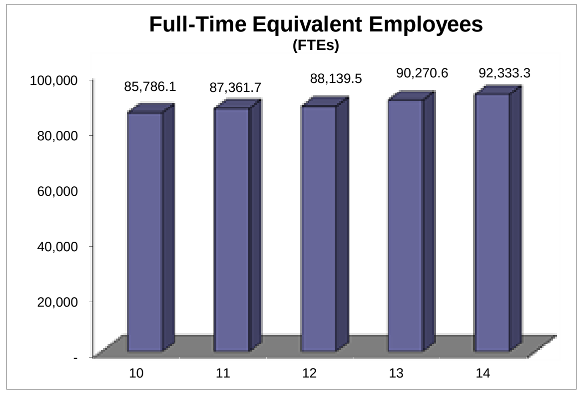


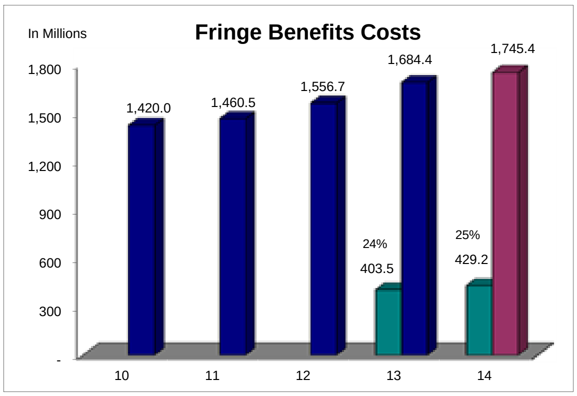


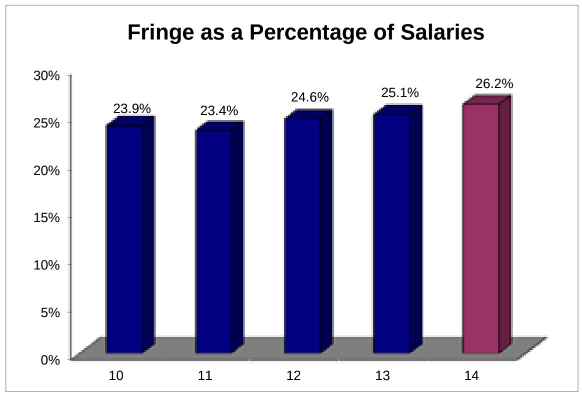


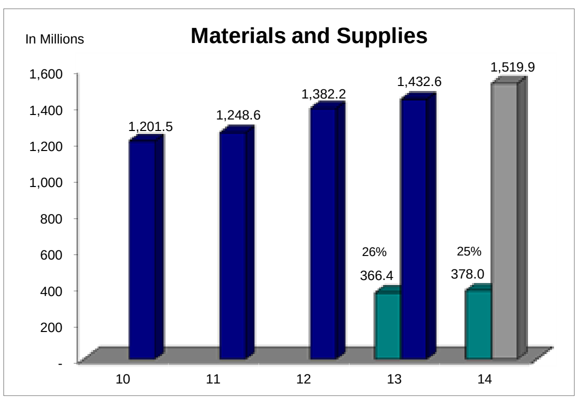
KEY INDICATORS OF EXPENSES
ACTUAL 2010 THROUGH 2013
PROJECTED 2014
YEAR-TO-DATE 2013 AND 2014 FROM NOVEMBER MONTHLY FINANCIAL REPORT

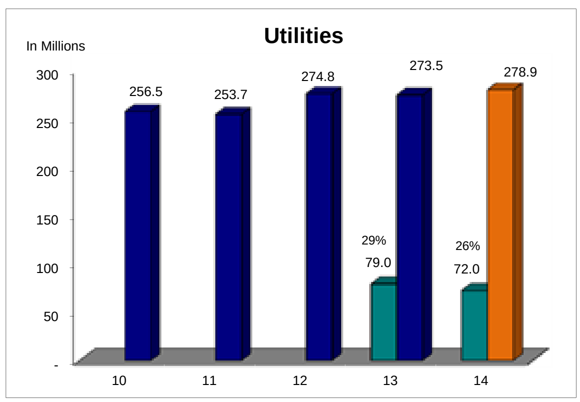


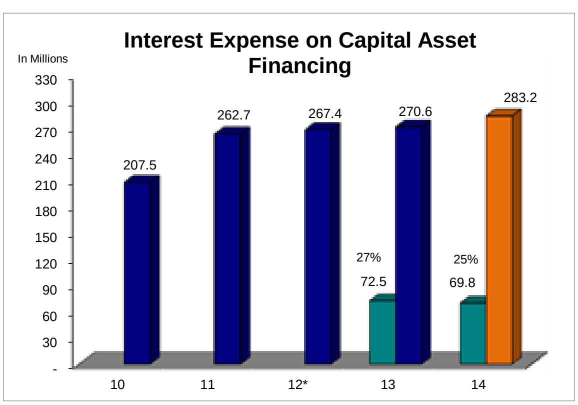


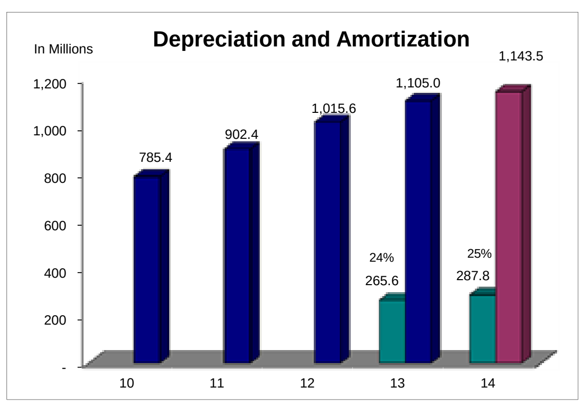






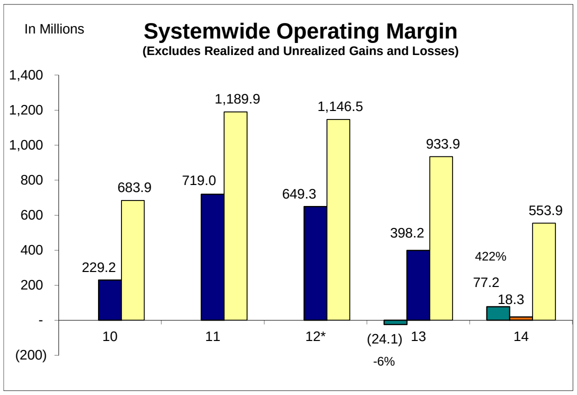


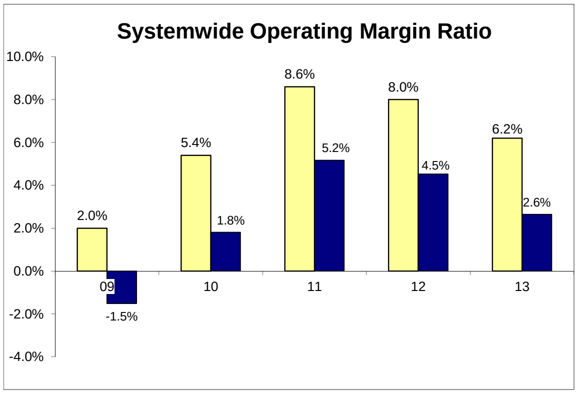


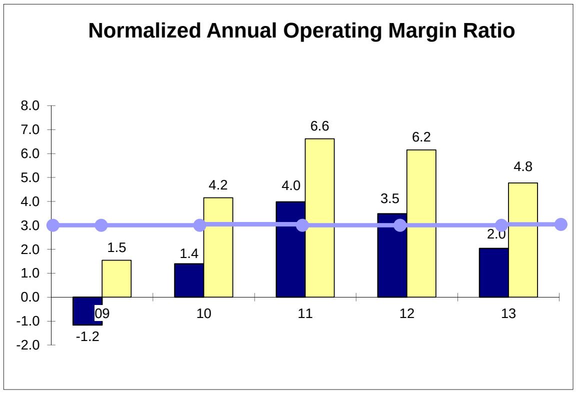


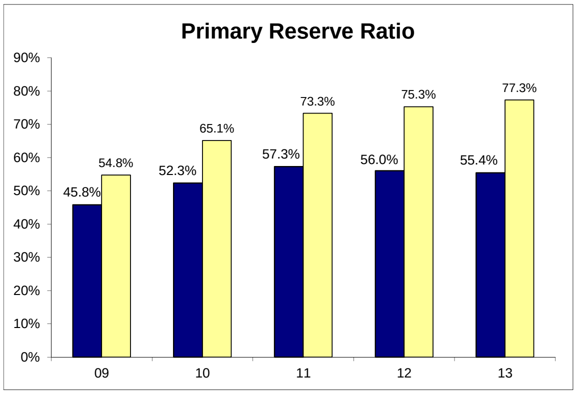
*Restated from prior year reports.

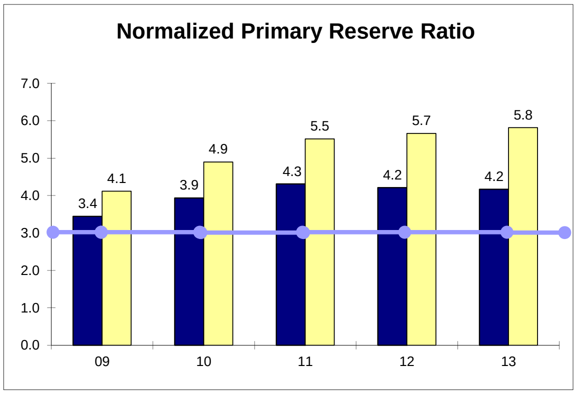
KEY INDICATORS OF RESERVES
ACTUAL 2009 THROUGH 2013
PROJECTED 2014
YEAR-TO-DATE 2013 AND 2014 FROM NOVEMBER MONTHLY FINANCIAL REPORT

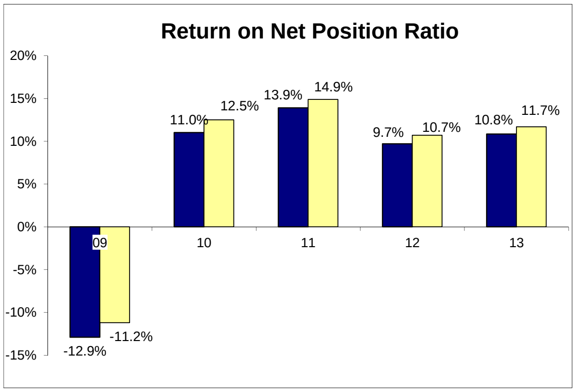


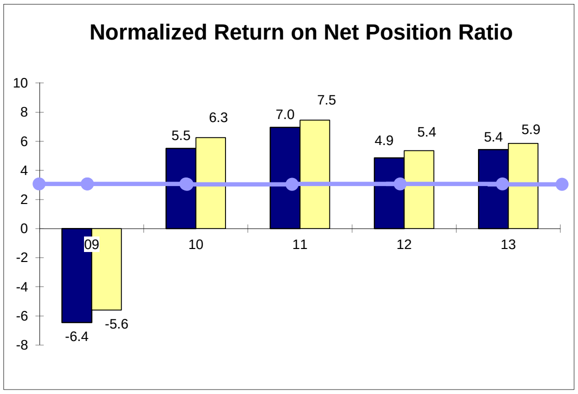






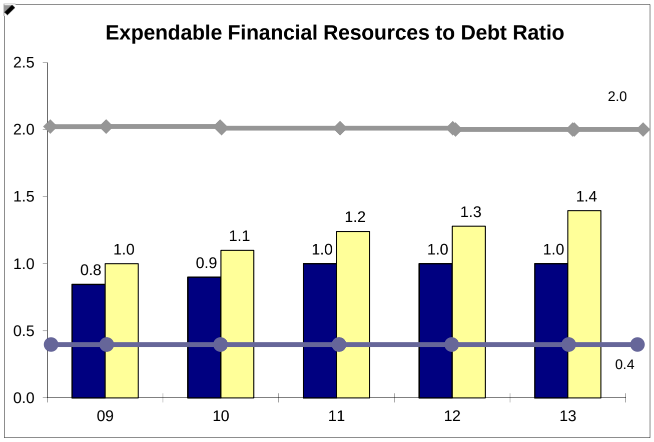


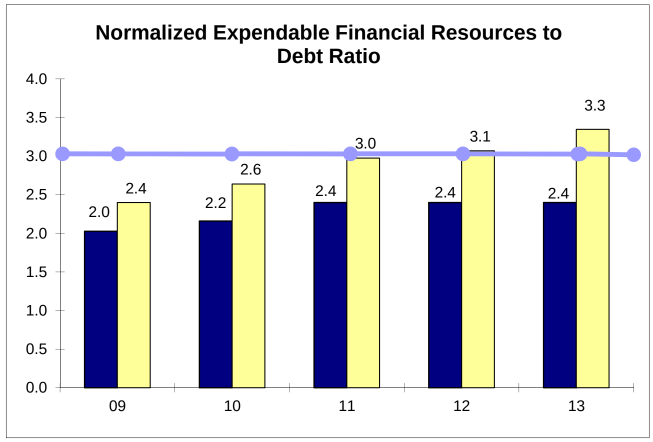


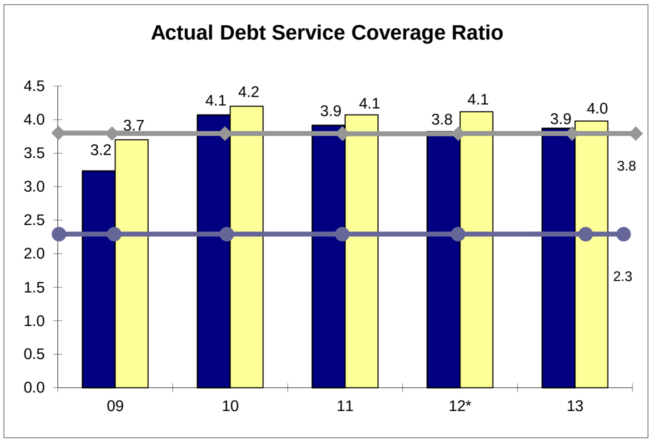


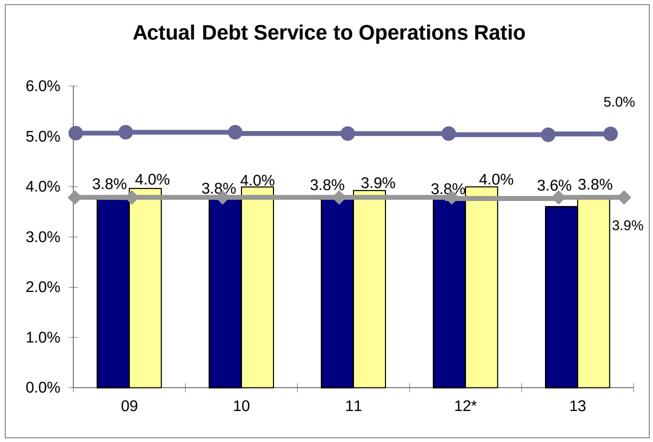
*Restated from prior year reports.

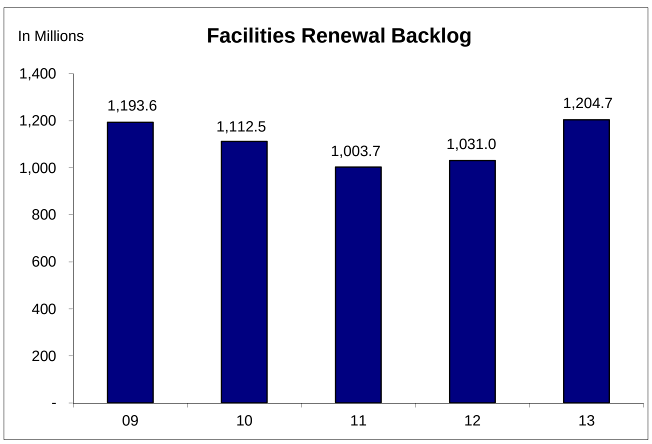
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2009 THROUGH 2013

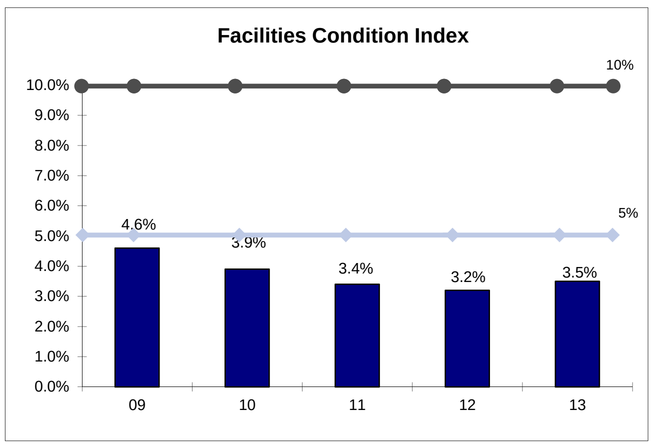






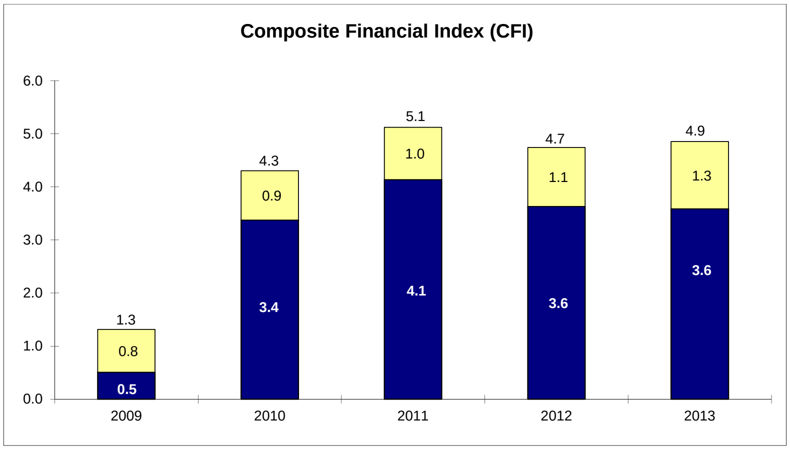




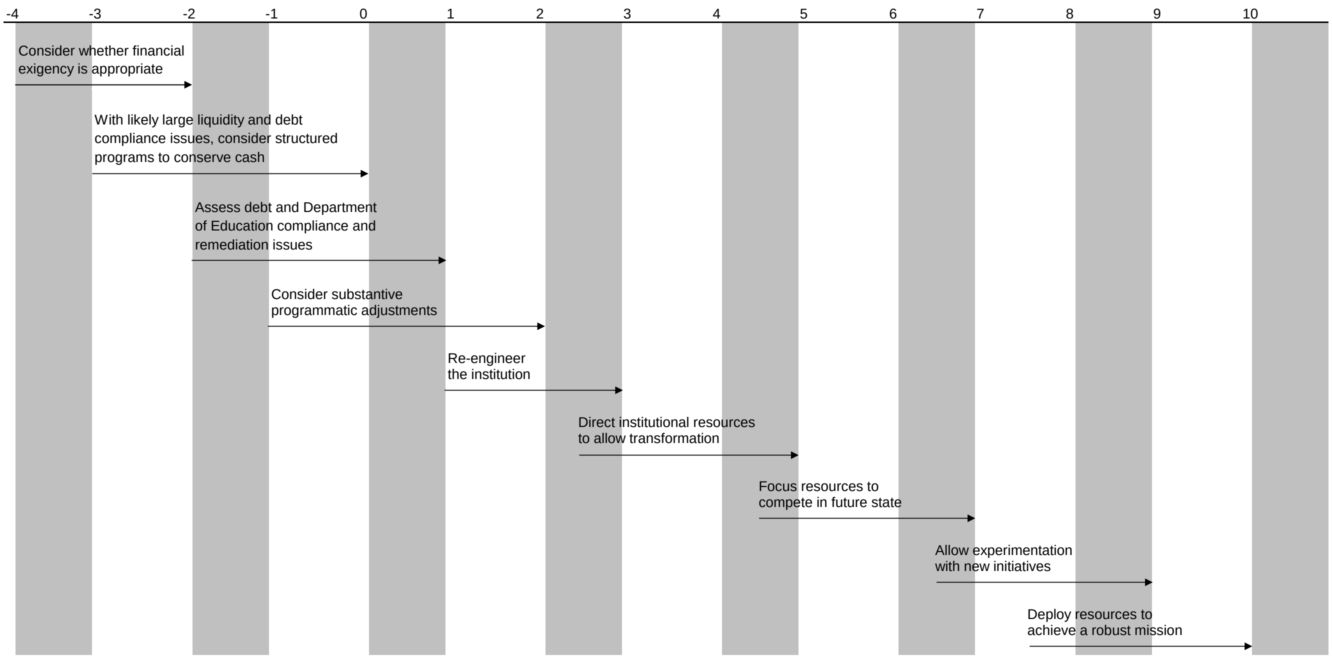


*Restated from prior year reports.

KEY INDICATORS OF FINANCIAL HEALTH
2009 THROUGH 2013

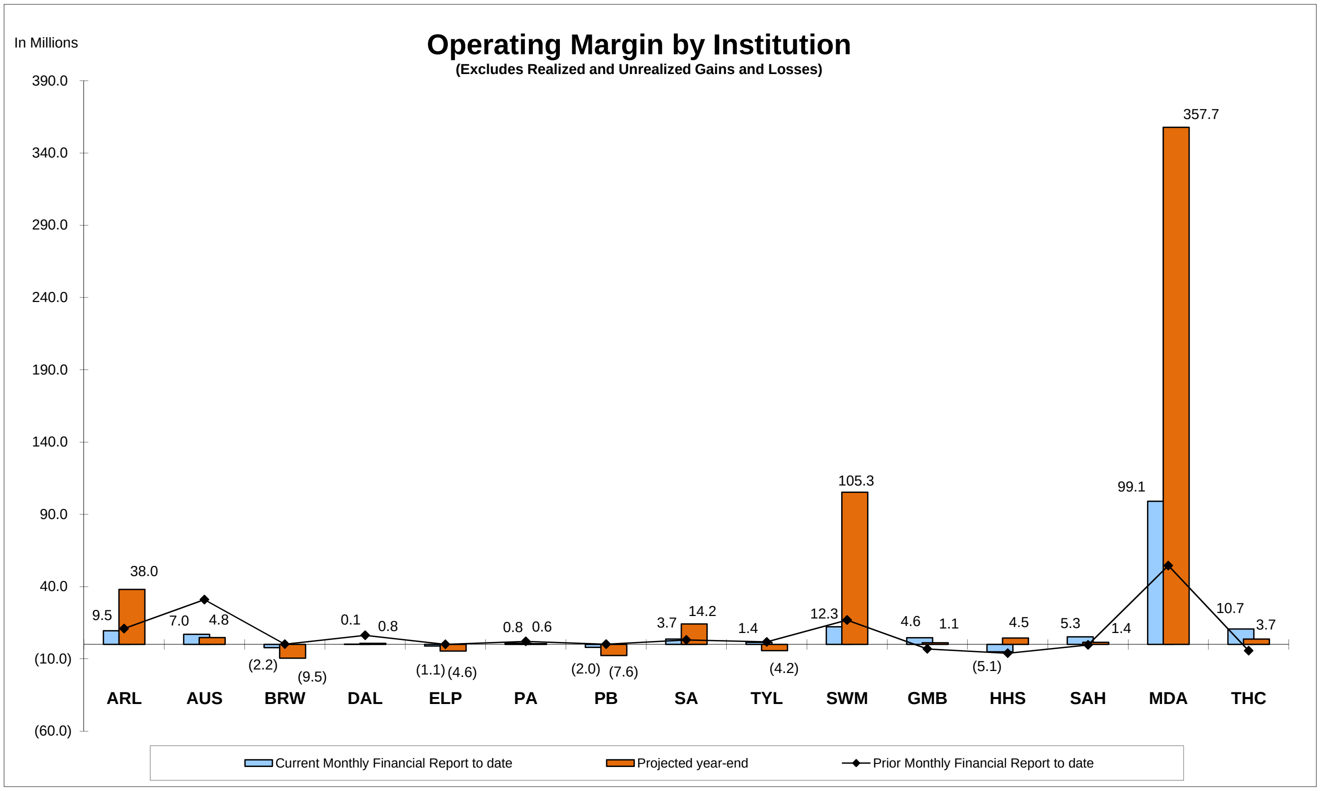


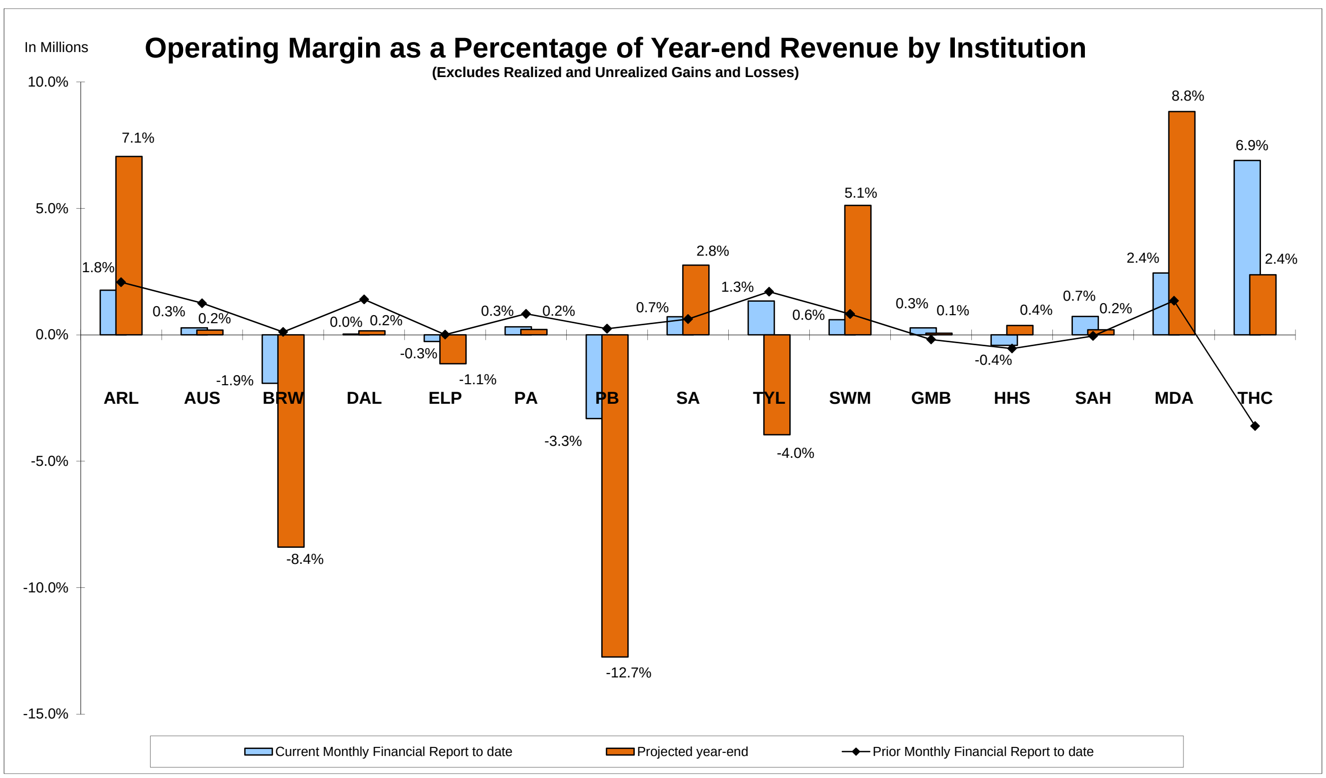
Scale for Charting CFI Performance



Source: Strategic Financial Analysis for Higher Education, Seventh Edition

KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2013 AND 2014 FROM NOVEMBER MONTHLY FINANCIAL REPORT
PROJECTED 2014 YEAR-END MARGIN





THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT

(unaudited)

DECEMBER 2013

201 Seventh Street, ASH 5th Floor
Austin, Texas 78701
512.499.4527
www.utsystem.edu/cont

THE UNIVERSITY OF TEXAS SYSTEM
MONTHLY FINANCIAL REPORT
(Unaudited)
FOR THE FOUR MONTHS ENDING
DECEMBER 31, 2013

The University of Texas System
Monthly Financial Report

Foreword

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

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

UNAUDITED

The University of Texas System Consolidated
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	500,498,160.49	499,750,361.56	747,798.93	0.1%
Sponsored Programs	897,347,624.27	911,198,612.49	(13,850,988.22)	-1.5%
Net Sales and Services of Educational Activities	194,429,260.73	184,011,608.89	10,417,651.84	5.7%
Net Sales and Services of Hospitals	1,529,743,317.28	1,385,283,907.55	144,459,409.73	10.4%
Net Professional Fees	436,984,812.58	402,199,070.05	34,785,742.53	8.6%
Net Auxiliary Enterprises	191,294,014.65	180,889,249.09	10,404,765.56	5.8%
Other Operating Revenues	105,351,811.12	82,566,171.73	22,785,639.39	27.6%
Total Operating Revenues	**3,855,649,001.12**	**3,645,898,981.36**	**209,750,019.76**	**5.8%**
Operating Expenses				
Salaries and Wages	2,311,822,596.19	2,248,749,450.00	63,073,146.19	2.8%
Payroll Related Costs	586,566,183.68	549,862,976.11	36,703,207.57	6.7%
Cost of Goods Sold	40,159,266.18	28,747,648.61	11,411,617.57	39.7%
Professional Fees and Services	114,799,071.13	121,321,698.69	(6,522,627.56)	-5.4%
Other Contracted Services	217,491,876.27	194,209,500.66	23,282,375.61	12.0%
Travel	45,482,885.22	44,580,287.11	902,598.11	2.0%
Materials and Supplies	497,815,446.23	475,671,329.90	22,144,116.33	4.7%
Utilities	92,851,596.16	98,948,229.92	(6,096,633.76)	-6.2%
Communications	49,787,029.76	42,661,109.11	7,125,920.65	16.7%
Repairs and Maintenance	83,204,430.85	85,771,220.42	(2,566,789.57)	-3.0%
Rentals and Leases	47,970,056.84	47,349,325.56	620,731.28	1.3%
Printing and Reproduction	11,059,862.13	8,988,671.59	2,071,190.54	23.0%
Bad Debt Expense	493,462.65	207,842.86	285,619.79	137.4%
Claims and Losses	2,422,090.26	2,399,274.34	22,815.92	1.0%
Increase in Net OPEB Obligation	178,537,029.00	165,738,185.00	12,798,844.00	7.7%
Scholarships and Fellowships	127,479,446.15	159,995,310.25	(32,515,864.10)	-20.3%
Depreciation and Amortization	383,477,195.07	352,952,771.93	30,524,423.14	8.6%
Federal Sponsored Program Pass-Through to Other State Agencies	3,872,190.73	10,138,429.82	(6,266,239.09)	-61.8%
State Sponsored Program Pass-Through to Other State Agencies	1,346,984.85	917,684.23	429,300.62	46.8%
Other Operating Expenses	129,489,709.72	115,440,280.93	14,049,428.79	12.2%
Total Operating Expenses	**4,926,128,409.07**	**4,754,651,227.04**	**171,477,182.03**	**3.6%**
Operating Loss	**(1,070,479,407.95)**	**(1,108,752,245.68)**	**38,272,837.73**	**3.5%**
Other Nonoperating Adjustments				
State Appropriations	699,300,280.66	640,790,744.90	58,509,535.76	9.1%
Nonexchange Sponsored Programs	62,814,341.94	137,415,810.48	(74,601,468.54)	-54.3%
Gift Contributions for Operations	134,551,409.75	106,609,217.26	27,942,192.49	26.2%
Net Investment Income	423,236,548.94	310,567,386.86	112,669,162.08	36.3%
Interest Expense on Capital Asset Financings	(91,692,191.20)	(95,928,313.80)	4,236,122.60	4.4%
Net Other Nonoperating Adjustments	**1,228,210,390.09**	**1,099,454,845.70**	**128,755,544.39**	**11.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**157,730,982.14**	**(9,297,399.98)**	**167,028,382.12**	**1,796.5%**
Adjusted Margin % including Depreciation & Amortization	**3.0%**	**-0.2%**		
Investment Gain (Losses)	1,373,229,095.40	790,389,195.30	582,839,900.10	73.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**1,530,960,077.54**	**781,091,795.32**	**749,868,282.22**	**96.0%**
Adj. Margin % with Investment Gains (Losses)	**23.4%**	**13.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**541,208,177.21**	**343,655,371.95**	**197,552,805.26**	**57.5%**
Adjusted Margin % excluding Depreciation & Amortization	**10.5%**	**7.1%**		

The University of Texas System
Comparison of Adjusted Income (Loss)
For the Four Months Ending December 31, 2013

	Including Depreciation and Amortization Expense					
	December Year-to-Date FY 2014		December Year-to-Date FY 2013	Variance		Fluctuation Percentage
U. T. System Administration	$ 33,081,254.98		$ (73,401,728.85)	106,482,983.83	(1)	145.1%
U. T. Arlington	12,158,672.85		10,938,514.65	1,220,158.20		11.2%
U. T. Austin	5,176,913.61		26,841,751.79	(21,664,838.18)	(2)	-80.7%
U. T. Brownsville	(2,864,523.20)		72,407.39	(2,936,930.59)	(3)	-4,056.1%
U. T. Dallas	396,214.81		1,278,258.01	(882,043.20)	(4)	-69.0%
U. T. El Paso	(1,459,671.99)		64,043.69	(1,523,715.68)	(5)	-2,379.2%
U. T. Pan American	3,103,093.06		3,716,859.09	(613,766.03)		-16.5%
U. T. Permian Basin	(2,760,801.61)	(6)	(3,056,435.37)	295,633.76		9.7%
U. T. San Antonio	3,159,222.31		5,452,860.43	(2,293,638.12)	(7)	-42.1%
U. T. Tyler	(275,486.71)	(8)	(83,407.31)	(192,079.40)		-230.3%
U. T. Southwestern Medical Center	16,234,629.62		30,660,153.62	(14,425,524.00)	(9)	-47.0%
U. T. Medical Branch - Galveston	1,090,275.84		(4,395,285.21)	5,485,561.05	(10)	124.8%
U. T. Health Science Center - Houston	(9,120,692.33)		(6,177,922.45)	(2,942,769.88)	(11)	-47.6%
U. T. Health Science Center - San Antonio	4,306,741.42		(2,458,883.19)	6,765,624.61	(12)	275.2%
U. T. M. D. Anderson Cancer Center	164,648,508.60		73,088,842.02	91,559,666.58	(13)	125.3%
U. T. Health Science Center - Tyler	9,049,458.55		(4,741,761.62)	13,791,220.17	(14)	290.8%
Elimination of AUF Transfer	(78,192,827.67)		(67,095,666.67)	(11,097,161.00)		-16.5%
Total Adjusted Income (Loss)	157,730,982.14		(9,297,399.98)	167,028,382.12		1,796.5%
Investment Gains (Losses)	1,373,229,095.40		790,389,195.30	582,839,900.10		73.7%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	**$ 1,530,960,077.54**		**$ 781,091,795.32**	**$ 749,868,282.22**		**96.0%**

	Excluding Depreciation and Amortization Expense			
	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
U. T. System Administration	$ 35,500,829.15	$ (71,145,980.75)	106,646,809.90	149.9%
U. T. Arlington	27,026,679.93	23,261,777.74	3,764,902.19	16.2%
U. T. Austin	105,843,580.28	115,175,085.12	(9,331,504.84)	-8.1%
U. T. Brownsville	(73,053.50)	2,761,821.51	(2,834,875.01)	-102.6%
U. T. Dallas	17,900,823.34	14,995,552.53	2,905,270.81	19.4%
U. T. El Paso	7,913,643.82	8,865,623.53	(951,979.71)	-10.7%
U. T. Pan American	8,412,251.59	8,770,706.50	(358,454.91)	-4.1%
U. T. Permian Basin	1,805,865.06	843,564.63	962,300.43	114.1%
U. T. San Antonio	18,397,181.27	19,646,967.41	(1,249,786.14)	-6.4%
U. T. Tyler	3,500,381.70	3,699,130.36	(198,748.66)	-5.4%
U. T. Southwestern Medical Center	55,181,257.56	65,910,719.11	(10,729,461.55)	-16.3%
U. T. Medical Branch - Galveston	36,352,553.18	26,104,714.79	10,247,838.39	39.3%
U. T. Health Science Center - Houston	9,812,773.47	12,366,600.33	(2,553,826.86)	-20.7%
U. T. Health Science Center - San Antonio	20,973,408.09	13,874,450.14	7,098,957.95	51.2%
U. T. M. D. Anderson Cancer Center	258,657,361.58	167,394,205.38	91,263,156.20	54.5%
U. T. Health Science Center - Tyler	12,195,468.36	(1,773,899.71)	13,969,368.07	787.5%
Elimination of AUF Transfer	(78,192,827.67)	(67,095,666.67)	(11,097,161.00)	-16.5%
Total Adjusted Income (Loss)	541,208,177.21	343,655,371.95	197,552,805.26	57.5%
Total Adjusted Income (Loss) Excluding Depreciation and Amortization	**$ 541,208,177.21**	**$ 343,655,371.95**	**$ 197,552,805.26**	**57.5%**

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Four Months Ending December 31, 2013

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

(1) *U. T. System Administration* - The $106.5 million (145.1%) increase in adjusted income as compared to adjusted loss for the same period last year was primarily due to increases in oil royalties and oil and gas lease bonus sales, which are a component of net investment income. Also contributing to the variance were increases in sponsored program revenue received for the 2014-2015 biennium for the Joint Admission Medical Program. Excluding depreciation and amortization expense, *U. T. System Administration's* adjusted income was $35.5 million or 11.9%. *U. T. System Administration* anticipates ending the year with a $50.2 million loss, which represents -7.1% of projected revenues and includes the accrual for Other Postemployment Benefits (OPEB) expense for the entire *U. T. System*.

(2) *U. T. Austin* – The $21.7 million (80.7%) decrease in adjusted income over the same period last year was primarily attributable to increases in depreciation and amortization expense and communications expense, as well as a decrease in gift contributions for operations. Excluding depreciation and amortization expense, *U. T. Austin's* adjusted income was $105.8 million or 12.1%.

(3) *U. T. Brownsville* – The $2.9 million (4,056.1%) increase in adjusted loss as compared to adjusted income for the same period last year was primarily attributable to state appropriations being held in trust by the Texas Higher Education Coordinating Board until the fall 2013 semester enrollment is certified as a result of the termination of the Texas Southmost College (TSC) partnership. As a result, *U. T. Brownsville* incurred a year-to-date loss of $2.9 million. Excluding depreciation and amortization expense, *U. T. Brownsville's* adjusted loss was $73,100 or -0.2%. *U. T. Brownsville* anticipates ending the year with a $9.2 million loss which represents -8.0% of projected revenues and includes $8.5 million of depreciation and amortization expense. The projected loss will diminish once the additional state appropriations are available.

(4) *U. T. Dallas* - The $0.9 million (69.0%) decrease in adjusted income over the same period last year was primarily attributable to a decrease in nonexchange sponsored program revenue as a result of the timing of revenue recognition of Texas Research Incentive Program funding in 2013 versus when the expenses were incurred. Excluding depreciation and amortization expense, *U. T. Dallas'* adjusted income was $17.9 million or 11.1%.

(5) *U. T. El Paso* - The $1.5 million (2,379.2%) increase in adjusted loss as compared to adjusted income for the same period last year was primarily attributable to increased depreciation and amortization expense due to growth of buildings and research infrastructure, and due to an increase in tuition exemption scholarship expense, primarily related to the Hazelwood and Hazelwood Legacy programs. As a result, *U. T. El Paso* incurred a year-to-date loss of $1.5 million. Excluding depreciation and amortization expense, *U. T. El Paso's* adjusted income was $7.9 million or 6.8%. *U. T. El Paso* anticipates ending the year with a $4.7 million loss which represents -1.2% of projected revenues and includes $28.3 million of depreciation and amortization expense.

(6) *U. T. Permian Basin* – The year-to-date loss of $2.8 million was primarily due to increases in salaries and wages, payroll related costs, and depreciation and amortization expense. The booming oil economy in Midland and Odessa has resulted in *U. T. Permian Basin* raising salaries to attract and retain personnel. Excluding depreciation and amortization expense, *U. T. Permian Basin's* adjusted income was $1.8 million or 8.6%. *U. T. Permian Basin* anticipates ending the year with a $6.9 million loss which represents -11.4% of projected revenues and includes $13.7 million of depreciation and amortization expense.

(7) *U. T. San Antonio* – The $2.3 million (42.1%) decrease in adjusted income over the same period last year was primarily attributable to decreased net student tuition revenue, which was the direct result of the more stringent enrollment standards that have been put in place. Excluding depreciation and amortization expense, *U. T. San Antonio's* adjusted income was $18.4 million or 11.0%.

(8) *U. T. Tyler* – The year-to-date loss of $0.3 million was primarily attributable to increases in salaries and wages and payroll related costs due to Innovation Academy, as well as an overall increase in faculty and staff. Excluding depreciation and amortization expense, *U. T. Tyler's* adjusted income was $3.5 million or 9.7%. *U. T. Tyler* anticipates ending the year with a $4.0 million loss, which represents -3.8% of projected revenues and includes $11.5 million of depreciation and amortization expense. The projected loss is the result of an increase in personnel and renovation projects across the campus. *U. T. Tyler's* use of prior year balances was approved by *U. T. System Administration* for 2014 for one-time nonrecurring expenses.

(9) _U. T. Southwestern Medical Center_ - The $14.4 million (47.0%) decrease in adjusted income over the same period last year was primarily attributable to increases in operating expenses including the following: other contracted services expense as a result of increased subcontracts and service maintenance contracts for software; materials and supplies expense for increased purchases of drugs, implants, software licenses, and chemicals and reagents; and depreciation and amortization expense mainly related to software and equipment. Excluding depreciation and amortization expense, *Southwestern's* adjusted income was $55.2 million or 8.0%.

(10) _U. T. Medical Branch - Galveston_ - The $5.5 million (124.8%) increase in adjusted income as compared to adjusted loss for the same period last year was primarily attributable to an increase in state appropriations. Excluding depreciation and amortization expense, *UTMB's* adjusted income was $36.4 million or 6.7%. *UTMB* is currently projecting a positive margin of $1.1 million for 2014, which represents 0.1% of projected revenues and includes depreciation and amortization expense of $106.8 million.

(11) _U. T. Health Science Center - Houston_ - The $2.9 million (47.6%) increase in adjusted loss over the same period last year was primarily due to the fact that no revenue from the Medicaid Section 1115 Demonstration program has been recognized thus far in 2014 as the milestones have not been met for recognition; however, expenses relating to the programs have been incurred. As a result, *UTHSC-Houston* incurred a year-to-date loss of $9.1 million. Excluding depreciation and amortization expense, *UTHSC-Houston's* adjusted income was $9.8 million or 2.6%. *UTHSC-Houston* anticipates ending the year with a positive margin of $4.5 million, which represents 0.4% of projected revenues and includes $58.2 million of depreciation and amortization expense.

(12) _U. T. Health Science Center - San Antonio_ - The $6.8 million (275.2%) increase in adjusted income as compared to adjusted loss over the same period last year was primarily due to the Delivery System Reform Incentive Payment (DSRIP) revenue received during the first quarter of 2014 with no corresponding DSRIP revenue in the first quarter of 2013. Additionally, net investment income increased due to a $2.3 million surrender of Vidacare stock associated with patent ventures. Excluding depreciation and amortization expense, *UTHSC-San Antonio's* adjusted income was $21.0 million or 8.5%. *UTHSC-San Antonio* anticipates ending the year with $2.2 million in adjusted income, which represents 0.3% of projected revenues and includes $50.0 million of depreciation and amortization expense.

(13) _U. T. M. D. Anderson Cancer Center_ - The $91.6 million (125.3%) increase in adjusted income over the same period last year was primarily attributable to an increase in net sales and services of hospitals as a result of increases in hospital admissions, patient and observation days, and outpatient visits. Excluding depreciation and amortization expense, *M. D. Anderson's* adjusted income was $258.7 million or 18.9%.

(14) _U. T. Health Science Center - Tyler_ - The $13.8 million (290.8%) increase in adjusted income as compared to adjusted loss for the same period last year was primarily attributable to $18.8 million of DSRIP revenue received during the first quarter of 2014 with no corresponding revenue in the first quarter of 2013. DSRIP related expenses associated with that revenue were only $4.2 million. Without DSRIP, *UTHSC-Tyler* would have incurred a loss of $5.6 million. Excluding depreciation and amortization expense, *UTHSC-Tyler* had adjusted income of $12.2 million or 19.8%. *UTHSC-Tyler* is currently projecting a positive margin of $3.7 million for 2014, which represents 2.4% of projected revenues and includes $9.5 million of depreciation and amortization expense.

GLOSSARY OF TERMS

OPERATING REVENUES:

NET STUDENT TUITION – All student tuition and fee revenues earned at the UT institution for educational purposes, net of tuition discounting.

SPONSORED PROGRAMS – Funding received from local, state and federal governments or private agencies, organizations or individuals, excluding Federal Pell Grant Program which is reported as nonoperating. Includes amounts received for services performed on grants, contracts, and agreements from these entities for current operations. This also includes indirect cost recoveries and pass-through federal and state grants.

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

NET SALES AND SERVICES OF HOSPITALS – Revenues (net of discounts, allowances, and bad debt expense) generated from UT health institution's daily patient care, special or other services, as well as revenues from health clinics that are part of a hospital.

NET PROFESSIONAL FEES – Revenues (net of discounts, allowances, and bad debt expense) derived from the fees charged by the professional staffs at UT health institutions as part of the Medical Practice Plans. These revenues are also identified as Practice Plan income. Examples of such fees include doctor's fees for clinic visits, medical and dental procedures, professional opinions, and anatomical procedures, such as analysis of specimens after a surgical procedure, etc.

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

OTHER OPERATING REVENUES – Other revenues generated from sales or services provided to meet current fiscal year operating expenses, which are not included in the preceding categories (e.g., certified nonprofit healthcare company revenues, donated drugs, interest on student loans, etc.) Other receipts for settlements, judgments and lawsuits are considered nonoperating revenues.

OPERATING EXPENSES:

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

PAYROLL RELATED COSTS – Expenses for all employee benefits paid by the institution or paid by the state on behalf of the institution. Includes supplemental retirement annuities.

COST OF GOODS SOLD – Purchases of goods for resale and raw materials purchased for use in the manufacture of products intended for sale to others.

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

OTHER CONTRACTED SERVICES – Payments for services rendered on a contractual basis by a person, firm, corporation or company that possess a lesser degree of learning and responsibility than that required for Professional Fees and Services. Includes such items as temporary employment expenses, janitorial services, dry cleaning services, etc.

TRAVEL – Payments for travel costs incurred by employees and board members for meetings and training.

MATERIALS AND SUPPLIES – Payments for consumable items. Includes, but is <u>not</u> limited to: computer consumables, office supplies, paper products, soap, lights, plants, fuels and lubricants, chemicals and gasses, medical supplies and copier supplies. Also includes postal services, and subscriptions and other publications not for permanent retention.

UTILITIES – Payments for the purchase of electricity, natural gas, water, and thermal energy.

COMMUNICATIONS - Electronically transmitted communications services (telephone, internet, computation center services, etc.).

REPAIRS AND MAINTENANCE – Payments for the maintenance and repair of equipment, furnishings, motor vehicles, buildings and other plant facilities, and waste disposal. Includes, but is <u>not</u> limited to repair and maintenance to copy machines, furnishings, equipment – including medical and laboratory equipment, office equipment and aircraft.

RENTALS AND LEASES – Payments for rentals or leases of furnishings and equipment, vehicles, land and office buildings (all rental of space).

PRINTING AND REPRODUCTION – Printing and reproduction costs associated with the printing/copying of the institution's documents and publications.

BAD DEBT EXPENSE – Expenses incurred by the university related to nonrevenue receivables such as non-payment of student loans.

CLAIMS AND LOSSES – Payments for claims from self-insurance programs. Other claims for settlements, judgments and lawsuits are considered nonoperating expenses.

INCREASE IN NET OPEB OBLIGATION – The change in the actuarially estimated liability of the cost of providing healthcare benefits to UT System's employees after they separate from employment (retire).

SCHOLARSHIPS AND FELLOWSHIPS – Payments made for scholarship grants to students authorized by law, net of tuition discounting.

FEDERAL SPONSORED PROGRAM PASS-THROUGHS TO OTHER STATE AGENCIES – Pass-throughs to other Texas state agencies, including other universities, of federal grants and contracts.

STATE SPONSORED PROGRAM PASS-THROUGHS TO OTHER STATE AGENCIES – Pass-throughs to other Texas state agencies, including Texas universities.

DEPRECIATION AND AMORTIZATION – Depreciation on capital assets and amortization expense on intangible assets.

OTHER OPERATING EXPENSES – Other operating expenses not identified in other line items above (e.g., certified non-profit healthcare company expenses, property taxes, insurance premiums, credit card fees, hazardous waste disposal expenses, meetings and conferences, etc.). Other claims for settlements, judgments and lawsuits are considered nonoperating expenses.

OPERATING LOSS – Total operating revenues less total operating expenses before other nonoperating adjustments like state appropriations.

OTHER NONOPERATING ADJUSTMENTS:

STATE APPROPRIATIONS – Appropriations from the State General Revenue fund, which supplement the UT institutional revenue in meeting operating expenses, such as faculty salaries, utilities, and institutional support.

NONEXCHANGE SPONSORED PROGRAMS – Funding received for the Federal Pell Grant Program, the portion of "state appropriations" funded by the American Recovery and Reinvestment Act, Texas Research Incentive Program (TRIP) and Enrollment Growth funding.

GIFT CONTRIBUTIONS FOR OPERATIONS – Consist of gifts from donors received for use in current operations, excluding gifts for capital acquisition and endowment gifts. Gifts for capital acquisition which can only be used to build or buy capital assets are excluded because they cannot be used to support current operations. Endowment gifts must be held in perpetuity and cannot be spent. The distributed income from endowment gifts must be spent according to the donor's stipulations.

NET INVESTMENT INCOME (on institutions' sheets) – Interest and dividend income on treasury balances, bank accounts, Short Term Fund, Intermediate Term Fund and Long Term Fund. It also includes distributed earnings from the Permanent Health Fund and patent and royalty income.

NET INVESTMENT INCOME (on the consolidated sheet) – Interest and dividend earnings of the Permanent University Fund, Short Term Fund, Intermediate Term Fund, Long Term Fund and Permanent Health Fund. This line item also includes the Available University Fund surface income, oil and gas royalties, and mineral lease bonus sales.

INTEREST EXPENSE ON CAPITAL ASSET FINANCINGS - Interest expenses associated with bond and note borrowings utilized to finance capital improvement projects by an institution. This consists of the interest portion of mandatory debt service transfers under the Revenue Financing System, Tuition Revenue bond and Permanent University Fund (PUF) bond programs. PUF interest expense is reported on System Administration as the debt legally belongs to the Board of Regents.

ADJUSTED INCOME (LOSS) including Depreciation and Amortization – Total operating revenues less total operating expenses including depreciation and amortization expense plus net other nonoperating adjustments.

ADJUSTED MARGIN % including Depreciation and Amortization – Percentage of Adjusted Income (Loss) including depreciation and amortization expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

AVAILABLE UNIVERSITY FUND TRANSFER – Includes Available University Fund (AUF) transfer to System Administration for Educational and General operations and to UT Austin for Excellence Funding. These transfers are funded by investment earnings from the Permanent University Fund (PUF), which are required by law to be reported in the PUF at System Administration. On the MFR, investment income for System Administration has been reduced for the amount of the System Administration transfer so as not to overstate investment income for System Administration. The AUF transfers are eliminated at the consolidated level to avoid overstating System-wide revenues, as the amounts will be reflected as transfers at year-end.

INVESTMENT GAINS (LOSSES) – Realized and unrealized gains and losses on investments.

ADJUSTED INCOME (LOSS) excluding Depreciation and Amortization – Total operating revenues less total operating expenses excluding depreciation and amortization expense plus net other nonoperating adjustments.

ADJUSTED MARGIN % excluding Depreciation and Amortization – Percentage of Adjusted Income (Loss) excluding depreciation and amortization expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

UNAUDITED

The University of Texas System Administration
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	10,206,794.00	-	10,206,794.00	100.0%
Net Sales and Services of Educational Activities	15,885,890.62	8,423,060.64	7,462,829.98	88.6%
Other Operating Revenues	19,740,305.34	25,229,713.92	(5,489,408.58)	-21.8%
Total Operating Revenues	**45,832,989.96**	**33,652,774.56**	**12,180,215.40**	**36.2%**
Operating Expenses				
Salaries and Wages	14,618,626.58	13,202,250.54	1,416,376.04	10.7%
Payroll Related Costs	3,800,624.79	3,269,174.46	531,450.33	16.3%
Professional Fees and Services	1,553,967.34	6,737,302.06	(5,183,334.72)	-76.9%
Other Contracted Services	15,173,658.19	5,785,721.80	9,387,936.39	162.3%
Travel	578,810.73	576,156.61	2,654.12	0.5%
Materials and Supplies	4,489,936.32	9,609,428.24	(5,119,491.92)	-53.3%
Utilities	141,044.92	162,844.58	(21,799.66)	-13.4%
Communications	3,263,722.17	3,061,385.36	202,336.81	6.6%
Repairs and Maintenance	1,625,956.88	2,116,616.06	(490,659.18)	-23.2%
Rentals and Leases	375,153.46	414,158.86	(39,005.40)	-9.4%
Printing and Reproduction	74,161.53	132,319.36	(58,157.83)	-44.0%
Claims and Losses	2,422,090.26	2,399,274.34	22,815.92	1.0%
Increase in Net OPEB Obligation	178,537,029.00	165,738,185.00	12,798,844.00	7.7%
Scholarships and Fellowships	210,200.00	145,500.00	64,700.00	44.5%
Depreciation and Amortization	2,419,574.17	2,255,748.10	163,826.07	7.3%
State Sponsored Program Pass-Through to Other State Agencies	859,058.85	903,186.10	(44,127.25)	-4.9%
Other Operating Expenses	13,687,975.72	10,019,328.95	3,668,646.77	36.6%
Total Operating Expenses	**243,831,590.91**	**226,528,580.42**	**17,303,010.49**	**7.6%**
Operating Loss	**(197,998,600.95)**	**(192,875,805.86)**	**(5,122,795.09)**	**-2.7%**
Other Nonoperating Adjustments				
State Appropriations	9,525,487.08	374,755.96	9,150,731.12	2,441.8%
Nonexchange Sponsored Programs	2,136,372.00	2,302,738.14	(166,366.14)	-7.2%
Gift Contributions for Operations	396,415.93	375,967.95	20,447.98	5.4%
Net Investment Income	223,669,898.97	124,638,185.64	99,031,713.33	79.5%
Interest Expense on Capital Asset Financings	(20,330,276.38)	(21,243,879.68)	913,603.30	4.3%
Net Other Nonoperating Adjustments	**215,397,897.60**	**106,447,768.01**	**108,950,129.59**	**102.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**17,399,296.65**	**(86,428,037.85)**	**103,827,334.50**	**120.1%**
Adjusted Margin % including Depreciation & Amortization	**6.2%**	**-53.6%**		
Available University Fund Transfer	15,681,958.33	13,026,309.00	2,655,649.33	20.4%
Adjusted Income (Loss) with AUF Transfer	**33,081,254.98**	**(73,401,728.85)**	**106,482,983.83**	**145.1%**
Adjusted Margin % with AUF Transfer	**11.1%**	**-42.1%**		
Investment Gain (Losses)	927,071,154.66	637,905,547.35	289,165,607.31	45.3%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$960,152,409.64**	**$564,503,818.50**	**$395,648,591.14**	**70.1%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**78.4%**	**69.5%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**35,500,829.15**	**(71,145,980.75)**	**106,646,809.90**	**149.9%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**11.9%**	**-40.8%**		

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The University of Texas at Arlington
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	74,126,436.53	70,754,873.88	3,371,562.65	4.8%
Sponsored Programs	22,776,765.71	25,773,545.47	(2,996,779.76)	-11.6%
Net Sales and Services of Educational Activities	6,397,362.80	6,159,471.47	237,891.33	3.9%
Net Auxiliary Enterprises	12,208,536.88	12,383,198.27	(174,661.39)	-1.4%
Other Operating Revenues	1,438,691.82	1,556,163.95	(117,472.13)	-7.5%
Total Operating Revenues	**116,947,793.74**	**116,627,253.04**	**320,540.70**	**0.3%**
Operating Expenses				
Salaries and Wages	78,100,086.67	76,685,283.33	1,414,803.34	1.8%
Payroll Related Costs	19,163,789.87	18,463,160.11	700,629.76	3.8%
Cost of Goods Sold	1,177.64	935.32	242.32	25.9%
Professional Fees and Services	2,021,187.13	2,722,184.38	(700,997.25)	-25.8%
Other Contracted Services	15,474,546.61	14,559,681.93	914,864.68	6.3%
Travel	2,331,848.61	2,198,267.09	133,581.52	6.1%
Materials and Supplies	6,695,470.41	8,333,424.89	(1,637,954.48)	-19.7%
Utilities	2,984,133.31	3,009,733.19	(25,599.88)	-0.9%
Communications	2,452,274.18	2,960,593.98	(508,319.80)	-17.2%
Repairs and Maintenance	3,639,443.21	3,621,578.99	17,864.22	0.5%
Rentals and Leases	1,117,433.73	1,359,579.10	(242,145.37)	-17.8%
Printing and Reproduction	848,973.15	463,738.68	385,234.47	83.1%
Bad Debt Expense	333,333.33	153,559.73	179,773.60	117.1%
Scholarships and Fellowships	10,805,507.46	10,194,172.52	611,334.94	6.0%
Depreciation and Amortization	14,868,007.08	12,323,263.09	2,544,743.99	20.6%
Federal Sponsored Program Pass-Through to Other State Agencies	60,275.52	335,682.04	(275,406.52)	-82.0%
State Sponsored Program Pass-Through to Other State Agencies	54,186.99	14,498.13	39,688.86	273.8%
Other Operating Expenses	2,225,230.52	2,566,147.39	(340,916.87)	-13.3%
Total Operating Expenses	**163,176,905.42**	**159,965,483.89**	**3,211,421.53**	**2.0%**
Operating Loss	**(46,229,111.68)**	**(43,338,230.85)**	**(2,890,880.83)**	**-6.7%**
Other Nonoperating Adjustments				
State Appropriations	39,414,461.00	38,132,797.67	1,281,663.33	3.4%
Nonexchange Sponsored Programs	15,000,000.00	15,000,000.00	-	-
Gift Contributions for Operations	3,808,576.72	1,733,712.16	2,074,864.56	119.7%
Net Investment Income	4,628,461.49	4,112,265.75	516,195.74	12.6%
Interest Expense on Capital Asset Financings	(4,463,714.68)	(4,702,030.08)	238,315.40	5.1%
Net Other Nonoperating Adjustments	**58,387,784.53**	**54,276,745.50**	**4,111,039.03**	**7.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**12,158,672.85**	**10,938,514.65**	**1,220,158.20**	**11.2%**
Adjusted Margin % including Depreciation & Amortization	**6.8%**	**6.2%**		
Investment Gain (Losses)	10,078,950.99	3,589,928.78	6,489,022.21	180.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**22,237,623.84**	**14,528,443.43**	**7,709,180.41**	**53.1%**
Adj. Margin % with Investment Gains (Losses)	**11.7%**	**8.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**27,026,679.93**	**23,261,777.74**	**3,764,902.19**	**16.2%**
Adjusted Margin % excluding Depreciation & Amortization	**15.0%**	**13.2%**		

UNAUDITED

The University of Texas at Austin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	155,000,000.00	160,166,666.67	(5,166,666.67)	-3.2%
Sponsored Programs	182,750,692.26	180,606,412.88	2,144,279.38	1.2%
Net Sales and Services of Educational Activities	129,755,505.44	129,763,489.41	(7,983.97)	-
Net Auxiliary Enterprises	107,614,344.13	103,721,665.27	3,892,678.86	3.8%
Other Operating Revenues	2,258,081.77	1,784,892.85	473,188.92	26.5%
Total Operating Revenues	**577,378,623.60**	**576,043,127.08**	**1,335,496.52**	**0.2%**
Operating Expenses				
Salaries and Wages	368,259,474.61	376,723,068.68	(8,463,594.07)	-2.2%
Payroll Related Costs	99,317,101.18	92,395,943.26	6,921,157.92	7.5%
Cost of Goods Sold	7,833,762.01	-	7,833,762.01	100.0%
Professional Fees and Services	10,327,344.41	10,363,728.20	(36,383.79)	-0.4%
Other Contracted Services	44,542,885.91	47,056,928.19	(2,514,042.28)	-5.3%
Travel	15,954,013.74	15,630,423.74	323,590.00	2.1%
Materials and Supplies	38,900,930.58	48,067,077.62	(9,166,147.04)	-19.1%
Utilities	30,590,705.24	32,398,307.04	(1,807,601.80)	-5.6%
Communications	26,001,652.19	20,130,053.17	5,871,599.02	29.2%
Repairs and Maintenance	17,531,264.85	15,826,816.56	1,704,448.29	10.8%
Rentals and Leases	6,682,290.81	6,329,339.94	352,950.87	5.6%
Printing and Reproduction	3,180,871.10	2,431,629.97	749,241.13	30.8%
Bad Debt Expense	(8,454.85)	-	(8,454.85)	100.0%
Scholarships and Fellowships	52,666,666.67	34,333,333.33	18,333,333.34	53.4%
Depreciation and Amortization	100,666,666.67	88,333,333.33	12,333,333.34	14.0%
Federal Sponsored Program Pass-Through to Other State Agencies	1,148,212.94	1,104,023.19	44,189.75	4.0%
Other Operating Expenses	31,098,443.90	30,791,413.97	307,029.93	1.0%
Total Operating Expenses	**854,693,831.96**	**821,915,420.19**	**32,778,411.77**	**4.0%**
Operating Loss	**(277,315,208.36)**	**(245,872,293.11)**	**(31,442,915.25)**	**-12.8%**
Other Nonoperating Adjustments				
State Appropriations	108,808,163.10	102,046,277.85	6,761,885.25	6.6%
Nonexchange Sponsored Programs	15,666,666.67	24,018,218.57	(8,351,551.90)	-34.8%
Gift Contributions for Operations	27,136,015.56	30,696,583.87	(3,560,568.31)	-11.6%
Net Investment Income	68,744,400.25	65,585,472.74	3,158,927.51	4.8%
Interest Expense on Capital Asset Financings	(16,055,951.28)	(16,728,174.80)	672,223.52	4.0%
Net Other Nonoperating Adjustments	**204,299,294.30**	**205,618,378.23**	**(1,319,083.93)**	**-0.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**(73,015,914.06)**	**(40,253,914.88)**	**(32,761,999.18)**	**-81.4%**
Adjusted Margin % including Depreciation & Amortization	**-9.2%**	**-5.0%**		
Available University Fund Transfer	78,192,827.67	67,095,666.67	11,097,161.00	16.5%
Adjusted Income (Loss) with AUF Transfer	**5,176,913.61**	**26,841,751.79**	**(21,664,838.18)**	**-80.7%**
Adjusted Margin % with AUF Transfer	**0.6%**	**3.1%**		
Investment Gain (Losses)	135,095,204.90	45,731,508.96	89,363,695.94	195.4%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$140,272,118.51**	**$72,573,260.75**	**$67,698,857.76**	**93.3%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**13.9%**	**8.0%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**105,843,580.28**	**115,175,085.12**	**(9,331,504.84)**	**-8.1%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**12.1%**	**13.3%**		

UNAUDITED

The University of Texas at Brownsville
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	10,572,192.89	12,479,523.43	(1,907,330.54)	-15.3%
Sponsored Programs	6,849,853.79	18,702,852.95	(11,852,999.16)	-63.4%
Net Sales and Services of Educational Activities	868,322.15	1,007,935.83	(139,613.68)	-13.9%
Net Auxiliary Enterprises	614,150.60	765,119.93	(150,969.33)	-19.7%
Other Operating Revenues	2,070.17	474.04	1,596.13	336.7%
Total Operating Revenues	**18,906,589.60**	**32,955,906.18**	**(14,049,316.58)**	**-42.6%**
Operating Expenses				
Salaries and Wages	16,363,915.22	23,275,421.35	(6,911,506.13)	-29.7%
Payroll Related Costs	4,818,410.33	6,378,913.59	(1,560,503.26)	-24.5%
Professional Fees and Services	528,387.02	404,030.82	124,356.20	30.8%
Other Contracted Services	199,903.98	352,109.20	(152,205.22)	-43.2%
Travel	284,919.19	364,256.13	(79,336.94)	-21.8%
Materials and Supplies	1,370,157.68	599,513.39	770,644.29	128.5%
Utilities	624,531.20	1,299,959.42	(675,428.22)	-52.0%
Communications	225,378.56	264,896.56	(39,518.00)	-14.9%
Repairs and Maintenance	1,052,823.50	527,767.92	525,055.58	99.5%
Rentals and Leases	297,674.22	670,821.37	(373,147.15)	-55.6%
Printing and Reproduction	71,457.58	95,204.13	(23,746.55)	-24.9%
Scholarships and Fellowships	3,658,141.49	21,743,510.02	(18,085,368.53)	-83.2%
Depreciation and Amortization	2,791,469.70	2,689,414.12	102,055.58	3.8%
Federal Sponsored Program Pass-Through to Other State Agencies	4,268.00	49,694.68	(45,426.68)	-91.4%
Other Operating Expenses	1,972,585.40	2,129,879.59	(157,294.19)	-7.4%
Total Operating Expenses	**34,264,023.07**	**60,845,392.29**	**(26,581,369.22)**	**-43.7%**
Operating Loss	**(15,357,433.47)**	**(27,889,486.11)**	**12,532,052.64**	**44.9%**
Other Nonoperating Adjustments				
State Appropriations	11,197,979.99	13,092,056.19	(1,894,076.20)	-14.5%
Nonexchange Sponsored Programs	1,539,321.32	15,148,812.27	(13,609,490.95)	-89.8%
Gift Contributions for Operations	111,218.34	152,445.46	(41,227.12)	-27.0%
Net Investment Income	523,620.29	505,768.33	17,851.96	3.5%
Interest Expense on Capital Asset Financings	(879,229.67)	(937,188.75)	57,959.08	6.2%
Net Other Nonoperating Adjustments	**12,492,910.27**	**27,961,893.50**	**(15,468,983.23)**	**-55.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**(2,864,523.20)**	**72,407.39**	**(2,936,930.59)**	**-4,056.1%**
Adjusted Margin % including Depreciation & Amortization	**-8.9%**	**0.1%**		
Investment Gain (Losses)	1,627,999.13	733,582.59	894,416.54	121.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(1,236,524.07)**	**805,989.98**	**(2,042,514.05)**	**-253.4%**
Adj. Margin % with Investment Gains (Losses)	**-3.6%**	**1.3%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**(73,053.50)**	**2,761,821.51**	**(2,834,875.01)**	**-102.6%**
Adjusted Margin % excluding Depreciation & Amortization	**-0.2%**	**4.5%**		

UNAUDITED

The University of Texas at Dallas
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	80,285,187.93	70,625,694.94	9,659,492.99	13.7%
Sponsored Programs	17,668,449.26	14,299,294.23	3,369,155.03	23.6%
Net Sales and Services of Educational Activities	3,661,284.86	3,330,717.20	330,567.66	9.9%
Net Auxiliary Enterprises	7,742,243.21	4,914,074.42	2,828,168.79	57.6%
Other Operating Revenues	706,026.15	747,169.89	(41,143.74)	-5.5%
Total Operating Revenues	**110,063,191.41**	**93,916,950.68**	**16,146,240.73**	**17.2%**
Operating Expenses				
Salaries and Wages	77,204,461.95	75,721,115.56	1,483,346.39	2.0%
Payroll Related Costs	17,673,344.85	16,137,198.68	1,536,146.17	9.5%
Professional Fees and Services	3,788,034.01	2,920,077.98	867,956.03	29.7%
Other Contracted Services	3,314,438.82	2,987,154.27	327,284.55	11.0%
Travel	1,760,188.10	1,895,890.49	(135,702.39)	-7.2%
Materials and Supplies	8,180,510.72	7,543,028.57	637,482.15	8.5%
Utilities	2,852,997.05	2,633,331.59	219,665.46	8.3%
Communications	217,435.43	275,385.41	(57,949.98)	-21.0%
Repairs and Maintenance	1,062,842.68	1,310,412.24	(247,569.56)	-18.9%
Rentals and Leases	1,457,747.51	1,018,181.80	439,565.71	43.2%
Printing and Reproduction	609,583.52	460,100.99	149,482.53	32.5%
Scholarships and Fellowships	16,536,362.64	12,869,837.80	3,666,524.84	28.5%
Depreciation and Amortization	17,504,608.53	13,717,294.52	3,787,314.01	27.6%
Federal Sponsored Program Pass-Through to Other State Agencies	6,374.69	13,686.35	(7,311.66)	-53.4%
Other Operating Expenses	4,419,931.73	4,145,779.87	274,151.86	6.6%
Total Operating Expenses	**156,588,862.23**	**143,648,476.12**	**12,940,386.11**	**9.0%**
Operating Loss	**(46,525,670.82)**	**(49,731,525.44)**	**3,205,854.62**	**6.4%**
Other Nonoperating Adjustments				
State Appropriations	36,960,163.93	33,512,032.91	3,448,131.02	10.3%
Nonexchange Sponsored Programs	3,661,917.78	11,771,700.82	(8,109,783.04)	-68.9%
Gift Contributions for Operations	4,239,445.77	4,526,978.48	(287,532.71)	-6.4%
Net Investment Income	6,381,611.35	5,682,669.96	698,941.39	12.3%
Interest Expense on Capital Asset Financings	(4,321,253.20)	(4,483,598.72)	162,345.52	3.6%
Net Other Nonoperating Adjustments	**46,921,885.63**	**51,009,783.45**	**(4,087,897.82)**	**-8.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**396,214.81**	**1,278,258.01**	**(882,043.20)**	**-69.0%**
Adjusted Margin % including Depreciation & Amortization	**0.2%**	**0.9%**		
Investment Gain (Losses)	13,144,077.22	5,735,478.20	7,408,599.02	129.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**13,540,292.03**	**7,013,736.21**	**6,526,555.82**	**93.1%**
Adj. Margin % with Investment Gains (Losses)	**7.8%**	**4.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**17,900,823.34**	**14,995,552.53**	**2,905,270.81**	**19.4%**
Adjusted Margin % excluding Depreciation & Amortization	**11.1%**	**10.0%**		

UNAUDITED

The University of Texas at El Paso
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	37,446,944.00	36,000,691.19	1,446,252.81	4.0%
Sponsored Programs	23,452,991.07	24,218,571.23	(765,580.16)	-3.2%
Net Sales and Services of Educational Activities	1,970,875.74	1,881,778.22	89,097.52	4.7%
Net Auxiliary Enterprises	10,092,460.21	10,778,337.74	(685,877.53)	-6.4%
Other Operating Revenues	26,004.85	44,162.96	(18,158.11)	-41.1%
Total Operating Revenues	**72,989,275.87**	**72,923,541.34**	**65,734.53**	**0.1%**
Operating Expenses				
Salaries and Wages	55,254,197.30	54,658,756.47	595,440.83	1.1%
Payroll Related Costs	14,204,351.42	13,561,040.57	643,310.85	4.7%
Professional Fees and Services	937,988.40	1,120,604.31	(182,615.91)	-16.3%
Other Contracted Services	7,075,461.45	6,893,493.81	181,967.64	2.6%
Travel	2,779,335.90	2,766,318.67	13,017.23	0.5%
Materials and Supplies	8,213,944.57	8,177,516.90	36,427.67	0.4%
Utilities	2,545,258.91	2,267,296.11	277,962.80	12.3%
Communications	235,962.49	229,487.55	6,474.94	2.8%
Repairs and Maintenance	2,183,911.77	2,295,321.61	(111,409.84)	-4.9%
Rentals and Leases	1,730,466.79	1,575,256.91	155,209.88	9.9%
Printing and Reproduction	455,891.58	539,873.97	(83,982.39)	-15.6%
Scholarships and Fellowships	7,342,970.64	25,249,274.93	(17,906,304.29)	-70.9%
Depreciation and Amortization	9,373,315.81	8,801,579.84	571,735.97	6.5%
Federal Sponsored Program Pass-Through to Other State Agencies	150,687.04	257,185.06	(106,498.02)	-41.4%
Other Operating Expenses	2,643,597.61	2,309,477.20	334,120.41	14.5%
Total Operating Expenses	**115,127,341.68**	**130,702,483.91**	**(15,575,142.23)**	**-11.9%**
Operating Loss	**(42,138,065.81)**	**(57,778,942.57)**	**15,640,876.76**	**27.1%**
Other Nonoperating Adjustments				
State Appropriations	33,513,552.00	30,594,136.00	2,919,416.00	9.5%
Nonexchange Sponsored Programs	2,957,844.00	22,999,432.95	(20,041,588.95)	-87.1%
Gift Contributions for Operations	2,329,808.18	2,717,670.46	(387,862.28)	-14.3%
Net Investment Income	4,589,566.56	4,380,042.33	209,524.23	4.8%
Interest Expense on Capital Asset Financings	(2,712,376.92)	(2,848,295.48)	135,918.56	4.8%
Net Other Nonoperating Adjustments	**40,678,393.82**	**57,842,986.26**	**(17,164,592.44)**	**-29.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**(1,459,671.99)**	**64,043.69**	**(1,523,715.68)**	**-2,379.2%**
Adjusted Margin % including Depreciation & Amortization	**-1.3%**	**-**		
Investment Gain (Losses)	10,015,988.13	3,304,135.86	6,711,852.27	203.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**8,556,316.14**	**3,368,179.55**	**5,188,136.59**	**154.0%**
Adj. Margin % with Investment Gains (Losses)	**6.8%**	**2.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**7,913,643.82**	**8,865,623.53**	**(951,979.71)**	**-10.7%**
Adjusted Margin % excluding Depreciation & Amortization	**6.8%**	**6.6%**		

UNAUDITED

The University of Texas-Pan American
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	23,389,068.41	22,903,677.42	485,390.99	2.1%
Sponsored Programs	18,983,287.65	20,525,643.47	(1,542,355.82)	-7.5%
Net Sales and Services of Educational Activities	1,634,710.27	2,357,744.65	(723,034.38)	-30.7%
Net Auxiliary Enterprises	2,863,827.41	2,943,223.59	(79,396.18)	-2.7%
Other Operating Revenues	526,486.38	398,639.51	127,846.87	32.1%
Total Operating Revenues	**47,397,380.12**	**49,128,928.64**	**(1,731,548.52)**	**-3.5%**
Operating Expenses				
Salaries and Wages	36,704,333.56	36,312,660.01	391,673.55	1.1%
Payroll Related Costs	10,582,455.71	9,794,761.60	787,694.11	8.0%
Cost of Goods Sold	100,774.08	111,937.55	(11,163.47)	-10.0%
Professional Fees and Services	635,877.96	618,998.58	16,879.38	2.7%
Other Contracted Services	714,387.27	937,786.29	(223,399.02)	-23.8%
Travel	1,283,654.61	1,151,128.10	132,526.51	11.5%
Materials and Supplies	3,885,118.85	5,176,529.70	(1,291,410.85)	-24.9%
Utilities	1,895,015.28	1,880,170.82	14,844.46	0.8%
Communications	373,778.23	420,874.04	(47,095.81)	-11.2%
Repairs and Maintenance	1,009,935.97	1,450,207.58	(440,271.61)	-30.4%
Rentals and Leases	195,587.38	240,278.62	(44,691.24)	-18.6%
Printing and Reproduction	212,074.29	252,597.28	(40,522.99)	-16.0%
Bad Debt Expense	13,856.76	14,879.06	(1,022.30)	-6.9%
Scholarships and Fellowships	6,368,557.01	26,002,436.19	(19,633,879.18)	-75.5%
Depreciation and Amortization	5,309,158.53	5,053,847.41	255,311.12	5.1%
Federal Sponsored Program Pass-Through to Other State Agencies	17,274.13	(10,443.38)	27,717.51	265.4%
Other Operating Expenses	3,645,433.45	3,689,962.85	(44,529.40)	-1.2%
Total Operating Expenses	**72,947,273.07**	**93,098,612.30**	**(20,151,339.23)**	**-21.6%**
Operating Loss	**(25,549,892.95)**	**(43,969,683.66)**	**18,419,790.71**	**41.9%**
Other Nonoperating Adjustments				
State Appropriations	26,842,789.80	24,875,200.09	1,967,589.71	7.9%
Nonexchange Sponsored Programs	1,111,895.54	22,408,676.94	(21,296,781.40)	-95.0%
Gift Contributions for Operations	646,511.83	526,437.27	120,074.56	22.8%
Net Investment Income	1,548,940.84	1,474,849.69	74,091.15	5.0%
Interest Expense on Capital Asset Financings	(1,497,152.00)	(1,598,621.24)	101,469.24	6.3%
Net Other Nonoperating Adjustments	**28,652,986.01**	**47,686,542.75**	**(19,033,556.74)**	**-39.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**3,103,093.06**	**3,716,859.09**	**(613,766.03)**	**-16.5%**
Adjusted Margin % including Depreciation & Amortization	**4.0%**	**3.8%**		
Investment Gain (Losses)	3,569,831.10	1,761,288.91	1,808,542.19	102.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**6,672,924.16**	**5,478,148.00**	**1,194,776.16**	**21.8%**
Adj. Margin % with Investment Gains (Losses)	**8.2%**	**5.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**8,412,251.59**	**8,770,706.50**	**(358,454.91)**	**-4.1%**
Adjusted Margin % excluding Depreciation & Amortization	**10.8%**	**8.9%**		

UNAUDITED

The University of Texas of the Permian Basin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	5,049,700.30	4,385,291.11	664,409.19	15.2%
Sponsored Programs	1,174,328.74	1,010,894.76	163,433.98	16.2%
Net Sales and Services of Educational Activities	392,356.36	372,616.50	19,739.86	5.3%
Net Auxiliary Enterprises	1,733,489.93	2,078,197.02	(344,707.09)	-16.6%
Other Operating Revenues	20,593.31	81,473.60	(60,880.29)	-74.7%
Total Operating Revenues	**8,370,468.64**	**7,928,472.99**	**441,995.65**	**5.6%**
Operating Expenses				
Salaries and Wages	7,685,126.00	7,024,394.21	660,731.79	9.4%
Payroll Related Costs	2,137,664.51	1,795,809.48	341,855.03	19.0%
Professional Fees and Services	751,939.69	444,284.17	307,655.52	69.2%
Other Contracted Services	627,771.11	959,463.11	(331,692.00)	-34.6%
Travel	479,485.62	382,772.99	96,712.63	25.3%
Materials and Supplies	1,406,087.27	1,348,990.34	57,096.93	4.2%
Utilities	537,261.81	617,563.60	(80,301.79)	-13.0%
Communications	204,506.62	222,735.17	(18,228.55)	-8.2%
Repairs and Maintenance	243,933.38	329,507.09	(85,573.71)	-26.0%
Rentals and Leases	88,801.96	64,461.63	24,340.33	37.8%
Printing and Reproduction	21,423.78	53,927.13	(32,503.35)	-60.3%
Bad Debt Expense	(6,345.00)	-	(6,345.00)	100.0%
Scholarships and Fellowships	2,995,143.73	4,118,285.72	(1,123,141.99)	-27.3%
Depreciation and Amortization	4,566,666.67	3,900,000.00	666,666.67	17.1%
Other Operating Expenses	265,550.51	298,367.60	(32,817.09)	-11.0%
Total Operating Expenses	**22,005,017.66**	**21,560,562.24**	**444,455.42**	**2.1%**
Operating Loss	**(13,634,549.02)**	**(13,632,089.25)**	**(2,459.77)**	**-**
Other Nonoperating Adjustments				
State Appropriations	9,702,742.68	9,569,391.67	133,351.01	1.4%
Nonexchange Sponsored Programs	1,667,398.63	1,838,594.62	(171,195.99)	-9.3%
Gift Contributions for Operations	498,357.70	245,250.16	253,107.54	103.2%
Net Investment Income	667,696.32	680,790.67	(13,094.35)	-1.9%
Interest Expense on Capital Asset Financings	(1,662,447.92)	(1,758,373.24)	95,925.32	5.5%
Net Other Nonoperating Adjustments	**10,873,747.41**	**10,575,653.88**	**298,093.53**	**2.8%**
Adjusted Income (Loss) including Depreciation & Amortization	**(2,760,801.61)**	**(3,056,435.37)**	**295,633.76**	**9.7%**
Adjusted Margin % including Depreciation & Amortization	**-13.2%**	**-15.1%**		
Investment Gain (Losses)	1,303,866.63	371,433.12	932,433.51	251.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(1,456,934.98)**	**(2,685,002.25)**	**1,228,067.27**	**45.7%**
Adj. Margin % with Investment Gains (Losses)	**-6.6%**	**-13.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**1,805,865.06**	**843,564.63**	**962,300.43**	**114.1%**
Adjusted Margin % excluding Depreciation & Amortization	**8.6%**	**4.2%**		

UNAUDITED

The University of Texas at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	58,824,429.28	68,875,902.32	(10,051,473.04)	-14.6%
Sponsored Programs	21,990,268.33	23,941,761.08	(1,951,492.75)	-8.2%
Net Sales and Services of Educational Activities	3,316,084.34	3,964,575.11	(648,490.77)	-16.4%
Net Auxiliary Enterprises	16,389,227.49	11,652,332.72	4,736,894.77	40.7%
Other Operating Revenues	1,501,181.97	1,364,439.43	136,742.54	10.0%
Total Operating Revenues	**102,021,191.41**	**109,799,010.66**	**(7,777,819.25)**	**-7.1%**
Operating Expenses				
Salaries and Wages	75,710,578.72	76,825,236.61	(1,114,657.89)	-1.5%
Payroll Related Costs	19,404,889.98	18,984,351.86	420,538.12	2.2%
Cost of Goods Sold	175,101.13	266,666.67	(91,565.54)	-34.3%
Professional Fees and Services	1,550,111.05	1,781,299.48	(231,188.43)	-13.0%
Other Contracted Services	4,193,248.92	4,251,741.79	(58,492.87)	-1.4%
Travel	3,915,197.47	3,642,332.30	272,865.17	7.5%
Materials and Supplies	8,881,044.89	9,676,395.40	(795,350.51)	-8.2%
Utilities	4,136,704.17	4,101,666.67	35,037.50	0.9%
Communications	839,118.33	647,546.82	191,571.51	29.6%
Repairs and Maintenance	3,646,026.00	3,580,145.11	65,880.89	1.8%
Rentals and Leases	1,500,819.29	1,407,663.78	93,155.51	6.6%
Printing and Reproduction	357,700.45	394,137.01	(36,436.56)	-9.2%
Bad Debt Expense	160,916.50	39,404.07	121,512.43	308.4%
Scholarships and Fellowships	16,549,852.86	16,527,478.96	22,373.90	0.1%
Depreciation and Amortization	15,237,958.96	14,194,106.98	1,043,851.98	7.4%
Federal Sponsored Program Pass-Through to Other State Agencies	297,597.27	540,043.63	(242,446.36)	-44.9%
Other Operating Expenses	2,570,003.11	4,273,759.09	(1,703,755.98)	-39.9%
Total Operating Expenses	**159,126,869.10**	**161,133,976.23**	**(2,007,107.13)**	**-1.2%**
Operating Loss	**(57,105,677.69)**	**(51,334,965.57)**	**(5,770,712.12)**	**-11.2%**
Other Nonoperating Adjustments				
State Appropriations	42,259,723.01	38,383,606.00	3,876,117.01	10.1%
Nonexchange Sponsored Programs	16,200,000.00	16,673,698.67	(473,698.67)	-2.8%
Gift Contributions for Operations	2,500,000.00	2,427,336.37	72,663.63	3.0%
Net Investment Income	4,820,719.31	5,045,779.28	(225,059.97)	-4.5%
Interest Expense on Capital Asset Financings	(5,515,542.32)	(5,742,594.32)	227,052.00	4.0%
Net Other Nonoperating Adjustments	**60,264,900.00**	**56,787,826.00**	**3,477,074.00**	**6.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**3,159,222.31**	**5,452,860.43**	**(2,293,638.12)**	**-42.1%**
Adjusted Margin % including Depreciation & Amortization	**1.9%**	**3.2%**		
Investment Gain (Losses)	13,471,077.76	5,566,538.67	7,904,539.09	142.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**16,630,300.07**	**11,019,399.10**	**5,610,900.97**	**50.9%**
Adj. Margin % with Investment Gains (Losses)	**9.2%**	**6.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**18,397,181.27**	**19,646,967.41**	**(1,249,786.14)**	**-6.4%**
Adjusted Margin % excluding Depreciation & Amortization	**11.0%**	**11.4%**		

UNAUDITED

The University of Texas at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	9,802,729.33	9,669,736.00	132,993.33	1.4%
Sponsored Programs	3,497,193.28	4,329,527.20	(832,333.92)	-19.2%
Net Sales and Services of Educational Activities	2,348,439.65	1,021,286.44	1,327,153.21	129.9%
Net Auxiliary Enterprises	972,254.11	1,316,572.35	(344,318.24)	-26.2%
Other Operating Revenues	75,750.95	69,908.94	5,842.01	8.4%
Total Operating Revenues	**16,696,367.32**	**16,407,030.93**	**289,336.39**	**1.8%**
Operating Expenses				
Salaries and Wages	16,716,744.47	15,498,893.99	1,217,850.48	7.9%
Payroll Related Costs	4,751,310.13	4,218,214.84	533,095.29	12.6%
Cost of Goods Sold	2,378.51	4,487.30	(2,108.79)	-47.0%
Professional Fees and Services	566,941.32	413,645.84	153,295.48	37.1%
Other Contracted Services	2,250,449.65	1,735,771.79	514,677.86	29.7%
Travel	633,211.99	559,941.16	73,270.83	13.1%
Materials and Supplies	2,027,464.34	2,119,153.84	(91,689.50)	-4.3%
Utilities	587,523.63	407,969.04	179,554.59	44.0%
Communications	617,542.19	347,176.70	270,365.49	77.9%
Repairs and Maintenance	696,424.47	589,931.64	106,492.83	18.1%
Rentals and Leases	76,328.46	94,711.29	(18,382.83)	-19.4%
Printing and Reproduction	167,234.39	196,810.06	(29,575.67)	-15.0%
Bad Debt Expense	94.35	-	94.35	100.0%
Scholarships and Fellowships	1,533,333.33	1,664,131.08	(130,797.75)	-7.9%
Depreciation and Amortization	3,775,868.41	3,782,537.67	(6,669.26)	-0.2%
Other Operating Expenses	639,904.69	616,227.46	23,677.23	3.8%
Total Operating Expenses	**35,042,754.33**	**32,249,603.70**	**2,793,150.63**	**8.7%**
Operating Loss	**(18,346,387.01)**	**(15,842,572.77)**	**(2,503,814.24)**	**-15.8%**
Other Nonoperating Adjustments				
State Appropriations	11,913,157.24	10,490,614.99	1,422,542.25	13.6%
Nonexchange Sponsored Programs	493,292.00	4,227,725.50	(3,734,433.50)	-88.3%
Gift Contributions for Operations	5,277,824.83	637,502.16	4,640,322.67	727.9%
Net Investment Income	1,554,173.91	1,642,526.49	(88,352.58)	-5.4%
Interest Expense on Capital Asset Financings	(1,167,547.68)	(1,239,203.68)	71,656.00	5.8%
Net Other Nonoperating Adjustments	**18,070,900.30**	**15,759,165.46**	**2,311,734.84**	**14.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**(275,486.71)**	**(83,407.31)**	**(192,079.40)**	**-230.3%**
Adjusted Margin % including Depreciation & Amortization	**-0.8%**	**-0.2%**		
Investment Gain (Losses)	4,005,783.61	1,371,384.14	2,634,399.47	192.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**3,730,296.90**	**1,287,976.83**	**2,442,320.07**	**189.6%**
Adj. Margin % with Investment Gains (Losses)	**9.3%**	**3.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**3,500,381.70**	**3,699,130.36**	**(198,748.66)**	**-5.4%**
Adjusted Margin % excluding Depreciation & Amortization	**9.7%**	**11.1%**		

UNAUDITED

The University of Texas Southwestern Medical Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	6,295,611.17	5,870,096.58	425,514.59	7.2%
Sponsored Programs	158,877,668.84	150,081,629.80	8,796,039.04	5.9%
Net Sales and Services of Educational Activities	3,106,220.62	3,758,585.94	(652,365.32)	-17.4%
Net Sales and Services of Hospitals	264,446,976.00	237,434,659.00	27,012,317.00	11.4%
Net Professional Fees	144,959,825.30	133,647,635.61	11,312,189.69	8.5%
Net Auxiliary Enterprises	6,470,583.93	5,916,669.11	553,914.82	9.4%
Other Operating Revenues	5,452,184.57	13,578,376.98	(8,126,192.41)	-59.8%
Total Operating Revenues	**589,609,070.43**	**550,287,653.02**	**39,321,417.41**	**7.1%**
Operating Expenses				
Salaries and Wages	354,037,982.28	335,248,768.35	18,789,213.93	5.6%
Payroll Related Costs	78,072,689.67	70,175,175.60	7,897,514.07	11.3%
Cost of Goods Sold	1,150,235.30	1,251,126.98	(100,891.68)	-8.1%
Professional Fees and Services	12,688,351.38	11,616,325.26	1,072,026.12	9.2%
Other Contracted Services	37,716,629.50	32,557,024.71	5,159,604.79	15.8%
Travel	3,354,278.05	2,742,162.33	612,115.72	22.3%
Materials and Supplies	94,043,786.50	82,915,895.86	11,127,890.64	13.4%
Utilities	7,913,450.71	7,839,611.92	73,838.79	0.9%
Communications	2,862,555.58	1,735,321.04	1,127,234.54	65.0%
Repairs and Maintenance	4,616,582.74	2,205,292.13	2,411,290.61	109.3%
Rentals and Leases	2,164,518.39	1,457,866.67	706,651.72	48.5%
Printing and Reproduction	1,014,596.83	172,846.98	841,749.85	487.0%
Scholarships and Fellowships	250,005.67	241,897.33	8,108.34	3.4%
Depreciation and Amortization	38,946,627.94	35,250,565.49	3,696,062.45	10.5%
Federal Sponsored Program Pass-Through to Other State Agencies	729,300.57	810,917.00	(81,616.43)	-10.1%
Other Operating Expenses	19,515,478.47	11,281,436.16	8,234,042.31	73.0%
Total Operating Expenses	**659,077,069.58**	**597,502,233.81**	**61,574,835.77**	**10.3%**
Operating Loss	**(69,467,999.15)**	**(47,214,580.79)**	**(22,253,418.36)**	**-47.1%**
Other Nonoperating Adjustments				
State Appropriations	56,294,625.72	50,969,022.63	5,325,603.09	10.4%
Nonexchange Sponsored Programs	-	9,250.00	(9,250.00)	-100.0%
Gift Contributions for Operations	10,281,977.93	8,695,940.00	1,586,037.93	18.2%
Net Investment Income	30,070,059.32	29,699,838.82	370,220.50	1.2%
Interest Expense on Capital Asset Financings	(10,944,034.20)	(11,499,317.04)	555,282.84	4.8%
Net Other Nonoperating Adjustments	**85,702,628.77**	**77,874,734.41**	**7,827,894.36**	**10.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**16,234,629.62**	**30,660,153.62**	**(14,425,524.00)**	**-47.0%**
Adjusted Margin % including Depreciation & Amortization	**2.4%**	**4.8%**		
Investment Gain (Losses)	73,452,949.13	18,499,255.32	54,953,693.81	297.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**89,687,578.75**	**49,159,408.94**	**40,528,169.81**	**82.4%**
Adj. Margin % with Investment Gains (Losses)	**11.8%**	**7.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**55,181,257.56**	**65,910,719.11**	**(10,729,461.55)**	**-16.3%**
Adjusted Margin % excluding Depreciation & Amortization	**8.0%**	**10.3%**		

UNAUDITED

The University of Texas Medical Branch at Galveston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	11,550,109.05	11,046,603.89	503,505.16	4.6%
Sponsored Programs	60,794,620.84	70,101,054.73	(9,306,433.89)	-13.3%
Net Sales and Services of Educational Activities	5,486,653.37	3,624,065.33	1,862,588.04	51.4%
Net Sales and Services of Hospitals	276,937,628.58	260,621,163.66	16,316,464.92	6.3%
Net Professional Fees	48,234,462.43	43,648,705.86	4,585,756.57	10.5%
Net Auxiliary Enterprises	2,094,753.71	2,065,056.45	29,697.26	1.4%
Other Operating Revenues	10,196,335.40	9,653,285.30	543,050.10	5.6%
Total Operating Revenues	**415,294,563.38**	**400,759,935.22**	**14,534,628.16**	**3.6%**
Operating Expenses				
Salaries and Wages	276,697,278.70	267,151,546.87	9,545,731.83	3.6%
Payroll Related Costs	71,732,219.62	69,064,799.92	2,667,419.70	3.9%
Cost of Goods Sold	24,012,463.11	20,135,571.90	3,876,891.21	19.3%
Professional Fees and Services	9,666,763.31	11,082,068.38	(1,415,305.07)	-12.8%
Other Contracted Services	25,302,476.61	27,353,867.98	(2,051,391.37)	-7.5%
Travel	2,362,149.37	2,103,942.33	258,207.04	12.3%
Materials and Supplies	43,572,248.82	40,480,206.04	3,092,042.78	7.6%
Utilities	8,467,921.75	12,688,308.19	(4,220,386.44)	-33.3%
Communications	2,875,113.49	2,799,927.63	75,185.86	2.7%
Repairs and Maintenance	13,009,687.53	17,901,272.64	(4,891,585.11)	-27.3%
Rentals and Leases	8,246,683.76	8,213,161.85	33,521.91	0.4%
Printing and Reproduction	347,488.14	384,638.30	(37,150.16)	-9.7%
Scholarships and Fellowships	1,737,143.83	1,405,754.12	331,389.71	23.6%
Depreciation and Amortization	35,262,277.34	30,500,000.00	4,762,277.34	15.6%
Federal Sponsored Program Pass-Through to Other State Agencies	543,579.03	1,154,974.69	(611,395.66)	-52.9%
Other Operating Expenses	15,274,850.02	11,540,858.18	3,733,991.84	32.4%
Total Operating Expenses	**539,110,344.43**	**523,960,899.02**	**15,149,445.41**	**2.9%**
Operating Loss	**(123,815,781.05)**	**(123,200,963.80)**	**(614,817.25)**	**-0.5%**
Other Nonoperating Adjustments				
State Appropriations	113,523,703.38	108,762,105.88	4,761,597.50	4.4%
Nonexchange Sponsored Programs	394,952.00	309,939.00	85,013.00	27.4%
Gift Contributions for Operations	1,381,135.54	1,245,232.11	135,903.43	10.9%
Net Investment Income	12,036,129.24	10,987,069.57	1,049,059.67	9.5%
Interest Expense on Capital Asset Financings	(2,429,863.27)	(2,498,667.97)	68,804.70	2.8%
Net Other Nonoperating Adjustments	**124,906,056.89**	**118,805,678.59**	**6,100,378.30**	**5.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**1,090,275.84**	**(4,395,285.21)**	**5,485,561.05**	**124.8%**
Adjusted Margin % including Depreciation & Amortization	**0.2%**	**-0.8%**		
Investment Gain (Losses)	34,155,262.64	7,509,108.24	26,646,154.40	354.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**35,245,538.48**	**3,113,823.03**	**32,131,715.45**	**1,031.9%**
Adj. Margin % with Investment Gains (Losses)	**6.1%**	**0.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**36,352,553.18**	**26,104,714.79**	**10,247,838.39**	**39.3%**
Adjusted Margin % excluding Depreciation & Amortization	**6.7%**	**5.0%**		

UNAUDITED

The University of Texas Health Science Center at Houston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	15,707,014.00	14,982,650.84	724,363.16	4.8%
Sponsored Programs	171,245,050.14	161,575,825.65	9,669,224.49	6.0%
Net Sales and Services of Educational Activities	9,206,299.01	8,239,547.43	966,751.58	11.7%
Net Sales and Services of Hospitals	20,194,042.72	20,986,381.47	(792,338.75)	-3.8%
Net Professional Fees	70,220,489.70	59,491,513.17	10,728,976.53	18.0%
Net Auxiliary Enterprises	8,141,127.17	7,673,145.74	467,981.43	6.1%
Other Operating Revenues	4,051,142.80	4,349,498.37	(298,355.57)	-6.9%
Total Operating Revenues	**298,765,165.54**	**277,298,562.67**	**21,466,602.87**	**7.7%**
Operating Expenses				
Salaries and Wages	226,374,605.09	200,678,419.18	25,696,185.91	12.8%
Payroll Related Costs	47,707,600.04	41,621,813.93	6,085,786.11	14.6%
Cost of Goods Sold	4,672,288.70	5,105,587.19	(433,298.49)	-8.5%
Professional Fees and Services	18,260,158.20	13,947,631.37	4,312,526.83	30.9%
Other Contracted Services	17,509,463.16	15,873,575.60	1,635,887.56	10.3%
Travel	2,889,208.02	2,648,207.86	241,000.16	9.1%
Materials and Supplies	16,326,729.61	19,681,990.49	(3,355,260.88)	-17.0%
Utilities	6,023,677.41	5,923,764.25	99,913.16	1.7%
Communications	1,535,440.08	1,357,717.82	177,722.26	13.1%
Repairs and Maintenance	3,253,759.81	2,272,025.50	981,734.31	43.2%
Rentals and Leases	7,519,629.34	6,950,237.04	569,392.30	8.2%
Printing and Reproduction	1,697,496.86	1,775,854.29	(78,357.43)	-4.4%
Bad Debt Expense	61.56	-	61.56	100.0%
Scholarships and Fellowships	2,421,323.59	2,472,138.82	(50,815.23)	-2.1%
Depreciation and Amortization	18,933,465.80	18,544,522.78	388,943.02	2.1%
Federal Sponsored Program Pass-Through to Other State Agencies	1,017,111.67	2,444,937.00	(1,427,825.33)	-58.4%
Other Operating Expenses	9,508,107.61	9,673,404.24	(165,296.63)	-1.7%
Total Operating Expenses	**385,650,126.55**	**350,971,827.36**	**34,678,299.19**	**9.9%**
Operating Loss	**(86,884,961.01)**	**(73,673,264.69)**	**(13,211,696.32)**	**-17.9%**
Other Nonoperating Adjustments				
State Appropriations	65,368,899.06	58,403,257.83	6,965,641.23	11.9%
Nonexchange Sponsored Programs	32,572.00	157,023.00	(124,451.00)	-79.3%
Gift Contributions for Operations	6,590,574.20	4,590,597.81	1,999,976.39	43.6%
Net Investment Income	9,547,083.10	8,345,054.52	1,202,028.58	14.4%
Interest Expense on Capital Asset Financings	(3,774,859.68)	(4,000,590.92)	225,731.24	5.6%
Net Other Nonoperating Adjustments	**77,764,268.68**	**67,495,342.24**	**10,268,926.44**	**15.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**(9,120,692.33)**	**(6,177,922.45)**	**(2,942,769.88)**	**-47.6%**
Adjusted Margin % including Depreciation & Amortization	**-2.4%**	**-1.8%**		
Investment Gain (Losses)	23,243,400.45	8,156,638.00	15,086,762.45	185.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**14,122,708.12**	**1,978,715.55**	**12,143,992.57**	**613.7%**
Adj. Margin % with Investment Gains (Losses)	**3.5%**	**0.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**9,812,773.47**	**12,366,600.33**	**(2,553,826.86)**	**-20.7%**
Adjusted Margin % excluding Depreciation & Amortization	**2.6%**	**3.5%**		

UNAUDITED

The University of Texas Health Science Center at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	11,430,513.00	11,093,274.33	337,238.67	3.0%
Sponsored Programs	89,433,928.54	92,521,362.72	(3,087,434.18)	-3.3%
Net Sales and Services of Educational Activities	8,661,743.00	8,223,311.77	438,431.23	5.3%
Net Professional Fees	48,131,711.05	46,842,437.38	1,289,273.67	2.8%
Net Auxiliary Enterprises	1,628,980.22	1,686,163.99	(57,183.77)	-3.4%
Other Operating Revenues	7,103,872.19	2,311,189.45	4,792,682.74	207.4%
Total Operating Revenues	**166,390,748.00**	**162,677,739.64**	**3,713,008.36**	**2.3%**
Operating Expenses				
Salaries and Wages	135,427,048.78	135,983,995.27	(556,946.49)	-0.4%
Payroll Related Costs	33,769,524.56	32,538,230.82	1,231,293.74	3.8%
Professional Fees and Services	5,052,886.77	4,783,216.38	269,670.39	5.6%
Other Contracted Services	6,688,408.77	4,789,766.22	1,898,642.55	39.6%
Travel	1,530,320.48	1,678,798.73	(148,478.25)	-8.8%
Materials and Supplies	11,706,759.34	12,504,608.06	(797,848.72)	-6.4%
Utilities	5,912,678.33	5,638,089.33	274,589.00	4.9%
Communications	3,802,518.59	3,366,695.12	435,823.47	12.9%
Repairs and Maintenance	1,546,647.51	1,642,214.21	(95,566.70)	-5.8%
Rentals and Leases	1,741,205.60	1,660,796.25	80,409.35	4.8%
Printing and Reproduction	574,190.05	796,998.51	(222,808.46)	-28.0%
Scholarships and Fellowships	2,835,387.25	2,501,710.87	333,676.38	13.3%
Depreciation and Amortization	16,666,666.67	16,333,333.33	333,333.34	2.0%
Federal Sponsored Program Pass-Through to Other State Agencies	666,666.67	591,666.67	75,000.00	12.7%
Other Operating Expenses	11,066,619.62	11,109,430.96	(42,811.34)	-0.4%
Total Operating Expenses	**238,987,528.99**	**235,919,550.73**	**3,067,978.26**	**1.3%**
Operating Loss	**(72,596,780.99)**	**(73,241,811.09)**	**645,030.10**	**0.9%**
Other Nonoperating Adjustments				
State Appropriations	58,074,807.33	54,748,725.33	3,326,082.00	6.1%
Nonexchange Sponsored Programs	400,000.00	550,000.00	(150,000.00)	-27.3%
Gift Contributions for Operations	7,692,008.87	7,871,899.04	(179,890.17)	-2.3%
Net Investment Income	13,849,205.53	10,897,514.37	2,951,691.16	27.1%
Interest Expense on Capital Asset Financings	(3,112,499.32)	(3,285,210.84)	172,711.52	5.3%
Net Other Nonoperating Adjustments	**76,903,522.41**	**70,782,927.90**	**6,120,594.51**	**8.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**4,306,741.42**	**(2,458,883.19)**	**6,765,624.61**	**275.2%**
Adjusted Margin % including Depreciation & Amortization	**1.7%**	**-1.0%**		
Investment Gain (Losses)	25,730,138.73	9,483,591.73	16,246,547.00	171.3%
Adj. Inc. (Loss) with Investment Gains (Losses)	**30,036,880.15**	**7,024,708.54**	**23,012,171.61**	**327.6%**
Adj. Margin % with Investment Gains (Losses)	**11.0%**	**2.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**20,973,408.09**	**13,874,450.14**	**7,098,957.95**	**51.2%**
Adjusted Margin % excluding Depreciation & Amortization	**8.5%**	**5.9%**		

UNAUDITED

The University of Texas M. D. Anderson Cancer Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	975,351.38	880,048.40	95,302.98	10.8%
Sponsored Programs	103,245,960.14	118,860,847.34	(15,614,887.20)	-13.1%
Net Sales and Services of Educational Activities	1,169,021.22	1,376,289.37	(207,268.15)	-15.1%
Net Sales and Services of Hospitals	949,944,956.41	851,312,506.76	98,632,449.65	11.6%
Net Professional Fees	121,951,004.95	115,131,338.70	6,819,666.25	5.9%
Net Auxiliary Enterprises	12,670,933.56	12,935,937.46	(265,003.90)	-2.0%
Other Operating Revenues	33,174,229.55	20,872,091.19	12,302,138.36	58.9%
Total Operating Revenues	**1,223,131,457.21**	**1,121,369,059.22**	**101,762,397.99**	**9.1%**
Operating Expenses				
Salaries and Wages	549,986,300.02	533,150,351.99	16,835,948.03	3.2%
Payroll Related Costs	152,718,991.78	145,500,591.95	7,218,399.83	5.0%
Cost of Goods Sold	2,175,978.41	1,844,698.65	331,279.76	18.0%
Professional Fees and Services	43,913,374.25	49,762,338.10	(5,848,963.85)	-11.8%
Other Contracted Services	30,776,221.10	25,958,608.12	4,817,612.98	18.6%
Travel	5,136,870.39	6,076,930.06	(940,059.67)	-15.5%
Materials and Supplies	241,412,668.41	214,889,018.85	26,523,649.56	12.3%
Utilities	16,663,648.55	17,276,819.17	(613,170.62)	-3.5%
Communications	4,063,585.10	4,621,821.44	(558,236.34)	-12.1%
Repairs and Maintenance	26,523,801.94	28,907,573.06	(2,383,771.12)	-8.2%
Rentals and Leases	14,390,970.13	15,587,838.32	(1,196,868.19)	-7.7%
Printing and Reproduction	1,409,664.18	830,410.29	579,253.89	69.8%
Scholarships and Fellowships	1,557,860.30	503,510.00	1,054,350.30	209.4%
Depreciation and Amortization	94,008,852.98	94,305,363.36	(296,510.38)	-0.3%
Federal Sponsored Program Pass-Through to Other State Agencies	(777,151.62)	2,769,531.33	(3,546,682.95)	-128.1%
State Sponsored Program Pass-Through to Other State Agencies	433,739.01	-	433,739.01	100.0%
Other Operating Expenses	10,072,309.26	10,405,660.56	(333,351.30)	-3.2%
Total Operating Expenses	**1,194,467,684.19**	**1,152,391,065.25**	**42,076,618.94**	**3.7%**
Operating Loss	**28,663,773.02**	**(31,022,006.03)**	**59,685,779.05**	**192.4%**
Other Nonoperating Adjustments				
State Appropriations	61,636,780.09	54,424,169.01	7,212,611.08	13.3%
Nonexchange Sponsored Programs	1,552,110.00	-	1,552,110.00	100.0%
Gift Contributions for Operations	61,604,923.43	40,063,668.57	21,541,254.86	53.8%
Net Investment Income	23,508,271.06	22,449,592.11	1,058,678.95	4.7%
Interest Expense on Capital Asset Financings	(12,317,349.00)	(12,826,581.64)	509,232.64	4.0%
Net Other Nonoperating Adjustments	**135,984,735.58**	**104,110,848.05**	**31,873,887.53**	**30.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**164,648,508.60**	**73,088,842.02**	**91,559,666.58**	**125.3%**
Adjusted Margin % including Depreciation & Amortization	**12.0%**	**5.9%**		
Investment Gain (Losses)	94,935,179.83	39,658,944.58	55,276,235.25	139.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**259,583,688.43**	**112,747,786.60**	**146,835,901.83**	**130.2%**
Adj. Margin % with Investment Gains (Losses)	**17.7%**	**8.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**258,657,361.58**	**167,394,205.38**	**91,263,156.20**	**54.5%**
Adjusted Margin % excluding Depreciation & Amortization	**18.9%**	**13.5%**		

UNAUDITED

The University of Texas Health Science Center at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2013

	December Year-to-Date FY 2014	December Year-to-Date FY 2013	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	42,873.22	15,630.56	27,242.66	174.3%
Sponsored Programs	4,399,771.68	4,649,388.98	(249,617.30)	-5.4%
Net Sales and Services of Educational Activities	568,491.28	507,133.58	61,357.70	12.1%
Net Sales and Services of Hospitals	18,219,713.57	14,929,196.66	3,290,516.91	22.0%
Net Professional Fees	3,487,319.15	3,437,439.33	49,879.82	1.5%
Net Auxiliary Enterprises	57,102.09	59,555.03	(2,452.94)	-4.1%
Other Operating Revenues	19,078,853.90	524,691.35	18,554,162.55	3,536.2%
Total Operating Revenues	**45,854,124.89**	**24,123,035.49**	**21,731,089.40**	**90.1%**
Operating Expenses				
Salaries and Wages	22,681,836.24	20,609,287.59	2,072,548.65	10.1%
Payroll Related Costs	6,711,215.24	5,963,795.44	747,419.80	12.5%
Cost of Goods Sold	35,107.29	26,637.05	8,470.24	31.8%
Professional Fees and Services	2,555,758.89	2,603,963.38	(48,204.49)	-1.9%
Other Contracted Services	5,931,925.22	2,156,805.85	3,775,119.37	175.0%
Travel	209,392.95	162,758.52	46,634.43	28.7%
Materials and Supplies	6,702,587.92	4,548,551.71	2,154,036.21	47.4%
Utilities	975,043.89	802,795.00	172,248.89	21.5%
Communications	216,446.53	219,491.30	(3,044.77)	-1.4%
Repairs and Maintenance	1,561,388.61	1,194,538.08	366,850.53	30.7%
Rentals and Leases	384,746.01	304,972.13	79,773.88	26.2%
Printing and Reproduction	17,054.70	7,584.64	9,470.06	124.9%
Scholarships and Fellowships	10,989.68	22,338.56	(11,348.88)	-50.8%
Depreciation and Amortization	3,146,009.81	2,967,861.91	178,147.90	6.0%
Federal Sponsored Program Pass-Through to Other State Agencies	7,994.82	76,531.56	(68,536.74)	-89.6%
Other Operating Expenses	883,688.10	589,146.86	294,541.24	50.0%
Total Operating Expenses	**52,031,185.90**	**42,257,059.58**	**9,774,126.32**	**23.1%**
Operating Loss	**(6,177,061.01)**	**(18,134,024.09)**	**11,956,963.08**	**65.9%**
Other Nonoperating Adjustments				
State Appropriations	14,263,245.25	12,412,594.89	1,850,650.36	14.9%
Gift Contributions for Operations	56,614.92	101,995.39	(45,380.47)	-44.5%
Net Investment Income	1,414,753.07	1,413,657.59	1,095.48	0.1%
Interest Expense on Capital Asset Financings	(508,093.68)	(535,985.40)	27,891.72	5.2%
Net Other Nonoperating Adjustments	**15,226,519.56**	**13,392,262.47**	**1,834,257.09**	**13.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**9,049,458.55**	**(4,741,761.62)**	**13,791,220.17**	**290.8%**
Adjusted Margin % including Depreciation & Amortization	**14.7%**	**-12.5%**		
Investment Gain (Losses)	2,328,230.49	1,010,830.85	1,317,399.64	130.3%
Adj. Inc. (Loss) with Investment Gains (Losses)	**11,377,689.04**	**(3,730,930.77)**	**15,108,619.81**	**405.0%**
Adj. Margin % with Investment Gains (Losses)	**17.8%**	**-9.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**12,195,468.36**	**(1,773,899.71)**	**13,969,368.07**	**787.5%**
Adjusted Margin % excluding Depreciation & Amortization	**19.8%**	**-4.7%**		

3. U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2013

INTRODUCTION

Financial analysis is performed from each institution's Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets. The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms, and consulting firms. The following ratios were analyzed: Composite Financial Index, Operating Expense Coverage, Annual Operating Margin, Expendable Resources to Debt, Debt Burden, Debt Service Coverage, and Full-time Equivalent (FTE) Student Enrollment (academic institutions only).

The Analysis of Financial Condition has been prepared since 1995 to track financial ratios to determine if the financial condition of the institutions is improving or declining. This analysis compares trends for Fiscal Year 2009 through Fiscal Year 2013.

REPORT

The Analysis of Financial Condition, which is set forth on Pages 99 - 157 that follow, is a broad annual financial evaluation that rates U. T. System institutions based on the factors analyzed as either “Satisfactory," “Watch," or “Unsatisfactory."

An Executive Summary of the report may be found on Pages 100 - 101. U. T. Permian Basin and U. T. Medical Branch - Galveston continue on "Watch" status and U. T. Health Science Center - Tyler's rating changed from "Satisfactory" to "Watch" for 2013. All other institutions' ratings remained "Satisfactory" for 2013.

2013 Analysis of Financial Condition

February 2014

The University of Texas System
2013 Analysis of Financial Condition

Executive Summary

The Analysis of Financial Condition (AFC) was performed from the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. Since debt is reported at the System level and not on the individual institution's books, debt was allocated to the appropriate institution, as provided by the Office of Finance.

The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms, and consulting firms. In addition to using individual ratios, a Composite Financial Index (CFI) is calculated using four commonly used ratios to form a composite score to help analyze the overall financial health of each institution. Use of a single score allows a weakness in a particular ratio to be offset by strength in another ratio. The four core ratios that make up the CFI are as follows:

- *Primary Reserve Ratio* – measures the financial strength of the institution by comparing expendable net position to total expenses (in days). This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function by using its expendable reserves without relying on additional net position generated by operations.
- *Annual Operating Margin Ratio* – indicates whether the institution has balanced annual operating expenses with revenues. Depreciation expense is included, as it is believed that inclusion of depreciation reflects a more complete picture of operating performance since it reflects use of physical assets.
- *Return on Net Position Ratio* – determines whether the institution is financially better off than in previous years by measuring economic return. As mentioned above, the debt reported at the system level was allocated to each institution in the calculation of this ratio. A temporary decline in this ratio may be appropriate and even warranted if it reflects a strategy to better fulfill the institution's mission. On the other hand, an improving trend in this ratio indicates that the institution is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility.
- *Expendable Resources to Debt Ratio* – determines if an institution has the ability to fund outstanding debt with existing net position balances should an emergency occur.

In addition to the CFI that includes the four core ratios mentioned above, the following ratios are presented:

- *Operating Expense Coverage Ratio* – measures an institution's ability to cover future operating expenses with available year-end balances (in months).
- *Debt Burden Ratio* – examines the institution's dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses.
- *Debt Service Coverage Ratio* – measures the actual margin of protection provided to investors by annual operations. *Moody's Investors Service* excludes actual investment income from its calculation of total operating revenue and instead, uses a normalized investment income. Moody's applies 5% of the average of the previous three years' market value of cash and investments to compute normalized investment income. This calculation is used by the Office of Finance, and in order to be consistent with their calculation of the debt service coverage ratio, normalized investment income is used as defined above for this ratio only.
- *Full-time Equivalent (FTE) Student Enrollment* – calculates total semester credit hours taken by students during the fall semester, divided by factors of 15 for undergraduate students, 12 for graduate and special professional students, and 9 for doctoral students to arrive at the FTE students represented by the course hours taken.

All of these ratios, including the CFI, only deal with the financial aspects of the institution and must be considered with key performance indicators in academics, infrastructure, and student and faculty satisfaction to understand a more complete measure of total institutional strength.

This report is meant to be a broad annual financial evaluation that rates the institutions as either “Satisfactory,” “Watch,” or “Unsatisfactory” based upon the factors analyzed. (See Appendix A – Definitions of Evaluation Factors). For institutions rated “Unsatisfactory,” the Chancellor and the appropriate Executive Vice Chancellors will request the institutions to develop a specific financial plan of action to improve the institution’s financial condition. By policy, institutions rated “Unsatisfactory” are not permitted to invest in the Intermediate Term Fund. Progress towards the achievement of the plans will be periodically discussed with the Chief Business Officer and President, and representatives from the U. T. System Offices of Business, Academic and/or Health Affairs, as appropriate.

U. T. Permian Basin, UTMB and UTHSC-Tyler were the only institutions rated less than “Satisfactory” for 2013. U. T. Permian Basin’s rating was maintained as “Watch” for 2013 based upon a CFI of 0.3, which was the lowest CFI of all the U. T. institutions, and an operating expense coverage ratio of 2.0 months, which was the lowest of the academic institutions and the lowest of all of the U. T. institutions with the exception of UTMB. The rating of “Watch” is consistent with both UTMB and UTHSC-Tyler which were rated as such and had similar performance ratios. Other factors supporting the rating were U. T. Permian Basin’s expendable resources to debt ratio, which was the lowest of all the U. T. institutions, and the debt burden ratio, which was the highest of all the U. T. institutions. Additionally, U. T. Permian Basin’s annual operating deficit for 2013 was ($6.0) million or (9.4%), which was the lowest percentage of all of the U. T. institutions with the exception of UTHSC-Tyler.

UTMB’s rating was maintained as “Watch;” however, if in the future UTMB can maintain an upward trend in the financial ratios over several years with no significant set-backs, then it is likely that UTMB’s rating would be upgraded. UTMB’s CFI decreased from 3.1 in 2012 to 2.2 in 2013. Although the operating expense coverage ratio increased by 0.5 months to 1.8 months in 2013, it still remained below U. T. System Administration’s benchmark of 2.0 months and was the lowest operating expense coverage ratio of all the U. T. institutions. UTMB has been rated less than “Satisfactory” since 1998.

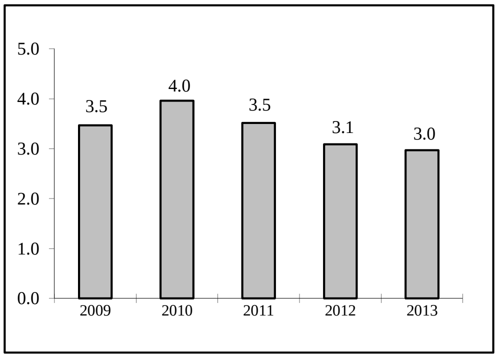
UTHSC-Tyler’s rating was downgraded from “Satisfactory” to “Watch” given the significant decline in operating performance and the impact of this decline on all of the ratios analyzed in the AFC, especially the CFI and the operating expense coverage ratio. UTHSC-Tyler’s annual operating deficit was ($16.7) million for 2013 or (13.9%) which was the lowest of all the U. T. institutions. UTHSC-Tyler’s CFI decreased from 2.7 in 2012 to 0.4 in 2013, which was lower than the CFIs for all of the U. T. institutions with the exception of U. T. Permian Basin. UTHSC-Tyler’s operating expense coverage ratio decreased from 3.9 months in 2012 to 2.1 months in 2013, which was only slightly above U. T. System Administration’s benchmark of 2.0 months. UTHSC-Tyler’s expendable resources to debt ratio was the lowest of all the health institutions. Finally, UTHSC-Tyler’s debt service coverage ratio was the lowest of all the U. T. institutions.

All of the other U. T. institutions were rated “Satisfactory” for 2013. The changes in the CFIs in 2013 for all of the institutions rated as “Satisfactory” varied with some increasing while others decreased. The decreases in the CFIs were primarily due to a decline in operating performance, while the increases were largely driven by the change in the fair value of investments, an improvement in operating performance and a reduction in the amount of debt outstanding. Four of the academic institutions received Texas Research Incentive Program (TRIP) funding in 2013. Given that these funds were received late in 2013, the institutions were not able to spend all of the TRIP funding in 2013. Therefore, in order to more appropriately match revenues with expenses the unspent TRIP funding was removed from 2013 nonexhcange sponsored programs revenue in the AFC and will be added to nonexchange sponsored programs revenue in 2014 when the 2014 AFC is prepared. The institutions that received TRIP funding are as follows: U. T. Arlington, U. T. Dallas, U. T. El Paso, and U. T. San Antonio. All of the health-related institutions received House Bill 4 (HB 4) supplemental funding in 2012. Some of the HB 4 supplemental funding was intended to cover expenses in 2013. Therefore, in order to properly match revenues with expenses a portion of the HB 4 funding received in 2012 was removed from revenues in 2012 and was added to 2013 revenues. This adjustment was made to all of the health-related institutions’ AFCs with the exception of UTHSC-Tyler. All of the HB4 supplemental funding was utilized by UTHSC-Tyler in 2012. The majority of the institutions rated as “Satisfactory” also experienced an improvement in the operating expense coverage ratio. The operating expense coverage ratios for the institutions rated “Satisfactory” were above U. T. System Administration’s benchmark of 2.0 months.

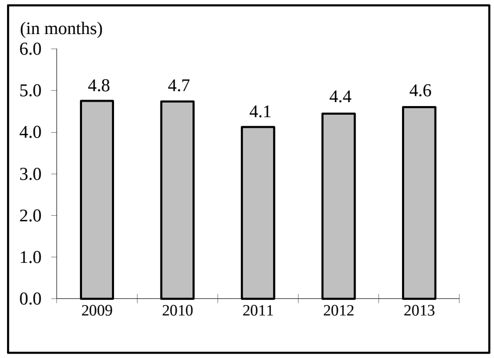
The University of Texas at Arlington
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

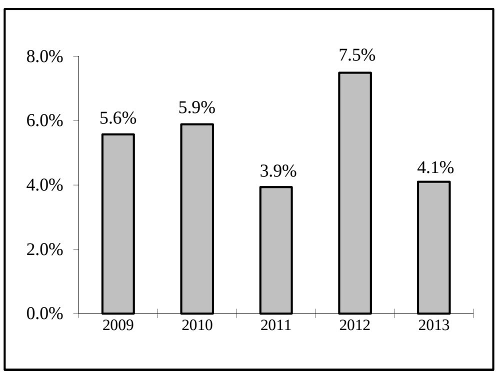
Composite Financial Index



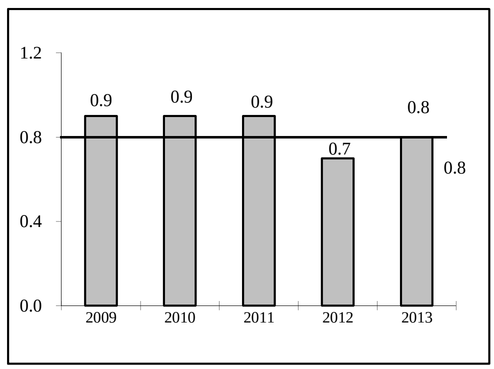
Operating Expense Coverage Ratio



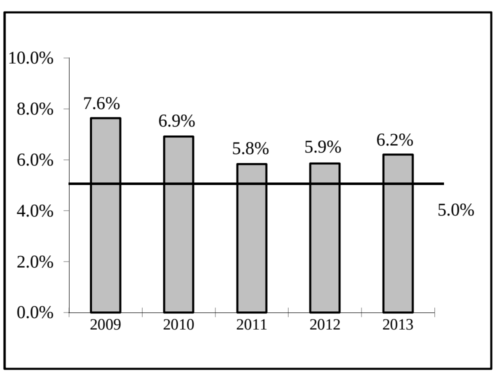
Annual Operating Margin Ratio



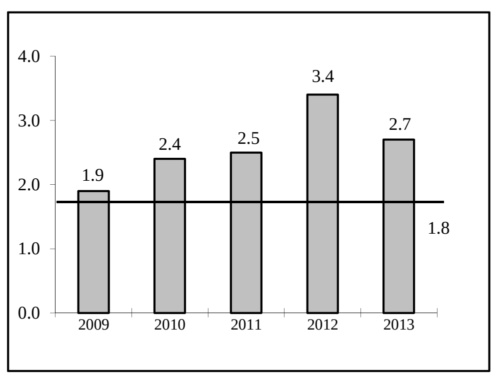
Expendable Resources to Debt Ratio



Debt Burden Ratio

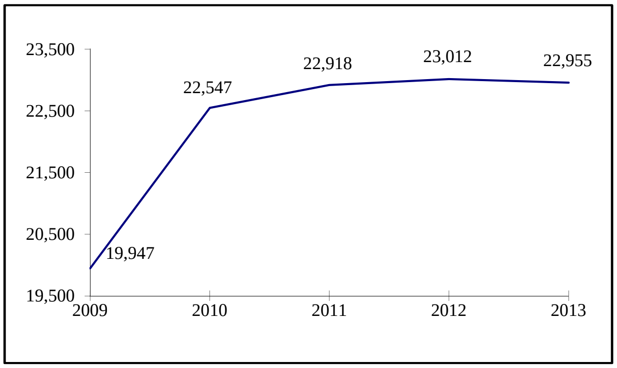


Debt Service Coverage Ratio



The University of Texas at Arlington
2013 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Arlington's CFI decreased slightly from 3.1 in 2012 to 3.0 in 2013 as a result of a decrease in the annual operating margin ratio, which was mostly offset by increases in the return on net position and the expendable resources to debt ratios. The changes in the annual operating margin ratio and the expendable resources to debt ratio are discussed below. The increase in the return on net position ratio was driven by a decrease in the amount of debt outstanding.

Operating Expense Coverage Ratio - U. T. Arlington's operating expense coverage ratio increased from 4.4 months in 2012 to 4.6 months in 2013 primarily due to the $19.8 million increase in total unrestricted net position, which was partially offset by the increase in total operating expenses (including interest expense) of $33.0 million. The increase in total unrestricted net position was largely attributable to normal operating activities in unrestricted funds, as well as the net increase in fair value allocated to unrestricted funds. The increase in total operating expenses was primarily due to the following: an $8.7 million increase in other contracted services as a result of an increase in the Academic Partnership Program, an increase in the meal plan due to the opening of the new Vandergriff Hall dormitory, recruitment fees related to the Asian Executive MBA Program, and a financial assessment; an $8.1 million increase in salaries and wages and payroll related costs attributable to merit increases given to faculty and staff, an increase in positions to support the PeopleSoft conversion, and growth in Development and Communications operating staff to increase enrollment; a $4.9 million increase in depreciation and amortization expense due to the completion of College Park; a $3.6 million increase in interest expense; a $2.8 million increase in scholarships and fellowships expense due to a change in the reporting of Pell Grants (see explanation below); and a $2.8 million increase in repairs and maintenance due to costs associated with the IRT Institute for Research Technologies project, information technology assessments and billing, software license maintenance fees, Maverick Stadium audio upgrade, the maintenance of The Heights on Pecan apartments, and the Library Voyager System maintenance.

Annual Operating Margin Ratio - U. T. Arlington's annual operating margin ratio decreased from 7.5% for 2012 to 4.1% for 2013 as a result of the growth in total operating expenses of $33.0 million outpacing the growth in total operating revenues of $16.4 million. The increase in total operating revenues was primarily due to the following: a $23.6 million increase in sponsored programs revenue (including nonexchange sponsored programs and excluding the unspent portion of Texas Research Incentive Program (TRIP) funding) attributable to a change in reporting Pell Grants in 2013 explained below; an $8.1 million increase in gifts for operations primarily as a result of a $7.5 million pledge received from Shimadzu Scientific Instruments; and a $6.2 million increase in auxiliary enterprises revenue due to the opening of the new Vandergriff Hall dormitory and related increase in the meal plan, and rental income from The Heights on Pecan apartments and the Lofts at College Park apartments. These increases in revenues were partially offset by the following: a decrease in net tuition and fees of $14.8 million caused by an increase in tuition discounting as a result of the change in reporting of Pell Grants discussed below; a $3.3 million decrease in other operating revenues; and a $2.9 million decrease in state appropriations.

In 2013 U. T. Arlington received a total of $1.2 million in TRIP funding from the Texas Higher Education Coordinating Board. U. T. Arlington spent only $4,000 of these funds in 2013. Therefore, in order to more appropriately match revenues with expenses the $1.2 million of unspent TRIP funding was removed from 2013 nonexchange sponsored program revenue on this report. When the 2014 Analysis of Financial Condition is prepared, the $1.2 million will be added to 2014 nonexchange sponsored program revenues to match the expenses incurred in 2014. Additionally, in 2013 the State Auditor's Office made a determination that Pell Grants should not be deferred to match the related tuition and fees. This resulted in the institutions reporting 2 years of activity in 2013 for both nonexchange sponsored programs revenue and scholarships and fellowships expense (a component of tuition discounting); however, this change has no impact on the annual operating margin.

Expendable Resources to Debt Ratio - U. T. Arlington's expendable resources to debt ratio increased from 0.7 in 2012 to 0.8 in 2013 due to growth in total unrestricted net position of $19.8 million, previously discussed, as well as a decrease in the amount of debt outstanding of $15.8 million.

Debt Burden Ratio - U. T. Arlington's debt burden ratio increased from 5.9% in 2012 to 6.2% in 2013 as a result of a $3.5 million increase in debt service payments.

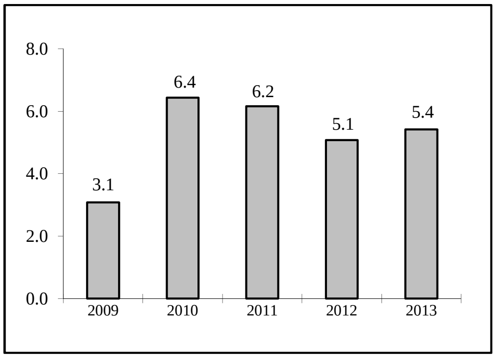
Debt Service Coverage Ratio - U. T. Arlington's debt service coverage ratio declined from 3.4 in 2012 to 2.7 in 2013. The decrease in this ratio was driven by the decrease in operating performance, mentioned in the annual operating margin ratio, as well as the increase in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Arlington's FTE student enrollment remained constant.

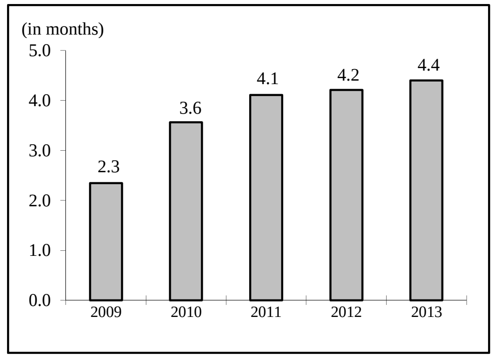
The University of Texas at Austin
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

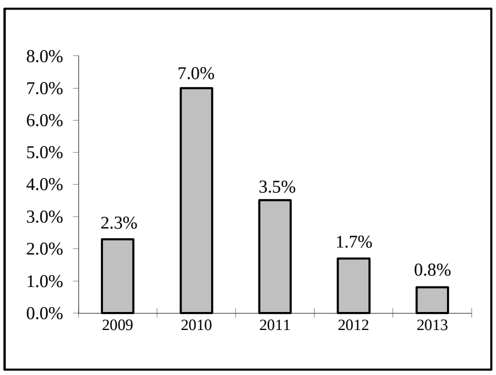
Composite Financial Index



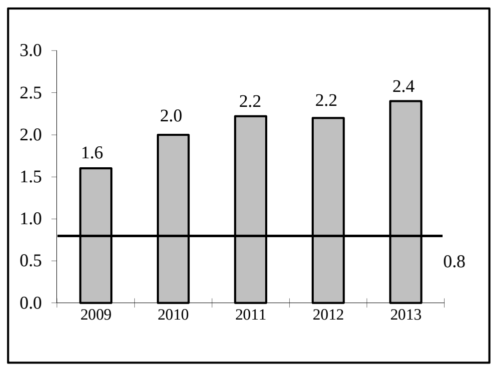
Operating Expense Coverage Ratio



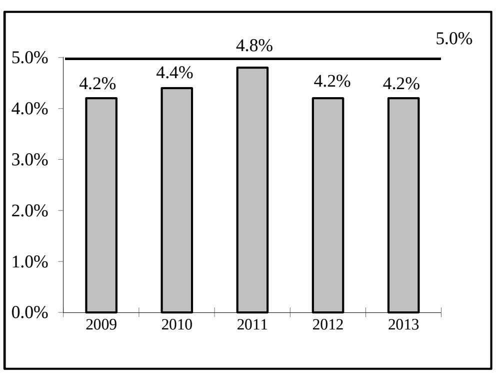
Annual Operating Margin Ratio



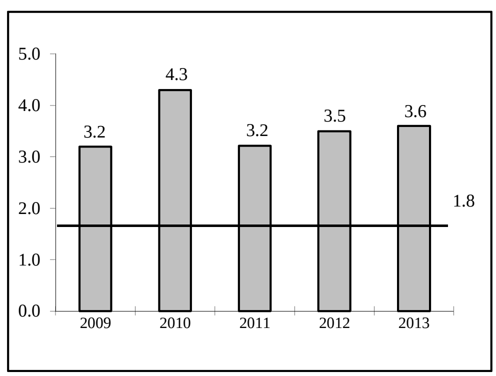
Expendable Resources to Debt Ratio



Debt Burden Ratio

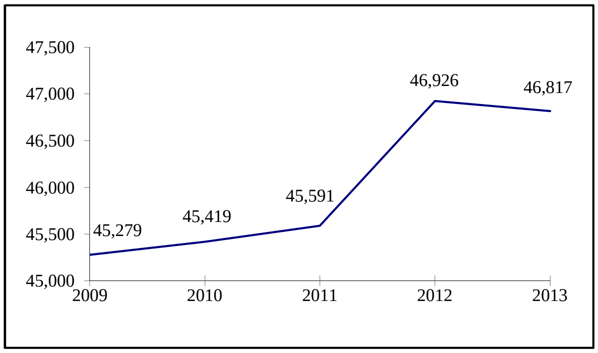


Debt Service Coverage Ratio



The University of Texas at Austin
2013 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Austin's CFI increased from 5.1 in 2012 to 5.4 in 2013 as a result of increases in the return on net position ratio and the expendable resources to debt ratio. The increase in the return on net position ratio was largely driven by the net increase in the fair value of investments in 2013 of $107.5 million as compared to a net decrease in 2012 of $61.8 million for a total increase between years of $169.3 million. The increase in the expendable resources to debt ratio is discussed below.

Operating Expense Coverage Ratio - U. T. Austin's operating expense coverage ratio increased from 4.2 months in 2012 to 4.4 months in 2013 due to a $102.2 million increase in total unrestricted net position, which was partially offset by an increase in total operating expenses (including interest expense) of $165.4 million. The increase in total unrestricted net position was primarily attributable to activity in educational and general funds, designated funds, and auxiliary enterprise funds including increases in investment income and the fair value of investments. Additionally, the transfer from the Available University Fund (AUF) increased $29.7 million over the prior year. The increase in total operating expenses was primarily due to the following: a $63.5 million increase in salaries and wages and payroll related costs attributable to a combination of the reallocation of service center activity, the timing of faculty salary recognition, merit increases, and new faculty and staff positions, as well as a $16.6 million increase in benefits related to salaries and wages overall; a $36.7 million increase in scholarships and fellowships due to a change in reporting Pell Grants (see explanation below); and a $31.9 million increase in depreciation and amortization expense primarily due to an adjustment made to the acquisition date entered into the inventory system for 4 large gifted software licenses, which resulted in a larger than normal increase in depreciation and amortization expense to bring accumulated depreciation and amortization up to the correct level in 2013.

Annual Operating Margin Ratio - U. T. Austin's annual operating margin ratio decreased from 1.7% for 2012 to. 0.8% for 2013 as a result of the $165.4 million growth in total operating expenses exceeding the $146.4 million growth in total operating revenues. The increase in total operating revenues was primarily due to the following: an increase of $29.7 million in the transfer from AUF; an increase of $27.1 million in net sales and services of educational activities primarily attributable to the recognition of service center revenue; an increase of $24.9 million in net tuition and fees due to the timing of tuition and fee recognition, and the rest was a result of a non-resident undergraduate and graduate tuition increase and higher overall enrollment; a $22.2 million increase in sponsored program revenue (including nonexchange sponsored programs) due to a change in reporting Pell Grants in 2013 explained below; a $13.2 million increase in net auxiliary enterprises revenue attributable to a $5.4 million increase in gate receipts for Athletics, a $4.1 million increase in revenue for the Division of Housing and Food, a $1.2 million increase in concessions income primarily at the Frank Erwin Center, a $1.1 million increase in food sales for Housing and Food and the AT&T Conference Center, a $0.9 million increase in ticket handling revenue for the Texas Box Office, a $0.9 million increase in medical service sales for University Health Services and the Pharmacy School, and a $0.6 million increase in convenience and process ordering fees charged by Athletics; and a $10.1 million increase in investment income (excluding realized gains/losses). The increase in total operating expenses is discussed in the operating expense coverage ratio above. The negative impact on margin of donated software licenses, which are required to be amortized over a three year license period, was a gross amount of $72.5 million for 2013. Excluding the amortization expense of the donated software licenses, the annual operating margin ratio would have been 3.7%.

In 2013 the State Auditor's Office made a determination that Pell Grants should not be deferred to match the related tuition and fees. This resulted in the institutions reporting 2 years of activity in 2013 for both nonexchange sponsored programs revenue and scholarships and fellowships expense; however, this change has no impact on the annual operating margin.

Expendable Resources to Debt Ratio - U. T. Austin's expendable resources to debt ratio increased from 2.2 in 2012 to 2.4 in 2013. The increase in this ratio was attributable to an increase of $110.3 million in total restricted expendable net position (excluding expendable for capital projects) and the increase in total unrestricted net position of $102.2 million as previously discussed, as well as a $27.6 million decrease in the amount of debt outstanding. The increase in restricted expendable net position was primarily due to the increase in the appreciation on the permanent endowment funds.

Debt Burden Ratio - U. T. Austin's debt burden ratio remained unchanged at 4.2% in 2013. The stability of this ratio was a result of the increased scholarships and fellowships expense, as discussed above, which is excluded from operating expenses for the calculation of this ratio and which lessened the impact of the increase in total operating expenses.

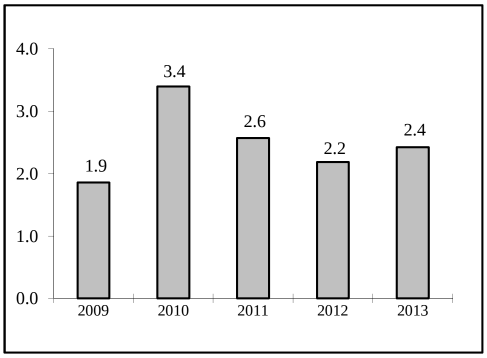
Debt Service Coverage Ratio - U. T. Austin's debt service coverage ratio increased slightly from 3.5 in 2012 to 3.6 in 2013. The slight increase was predominately due to the increase in AUF and nonexchange sponsored programs revenue (explained in operating sections above).

Full-Time Equivalent (FTE) Student Enrollment - U. T. Austin's FTE student enrollment slightly decreased in Fall 2013 returning to normal following a one-year spike in Fall 2012.

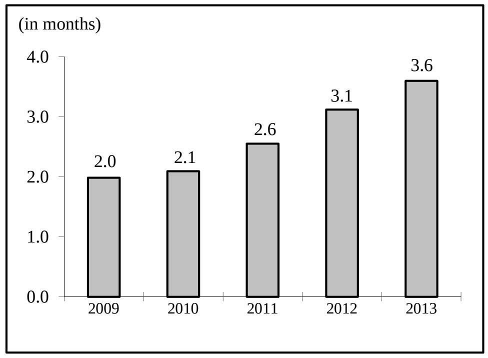
The University of Texas at Brownsville
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

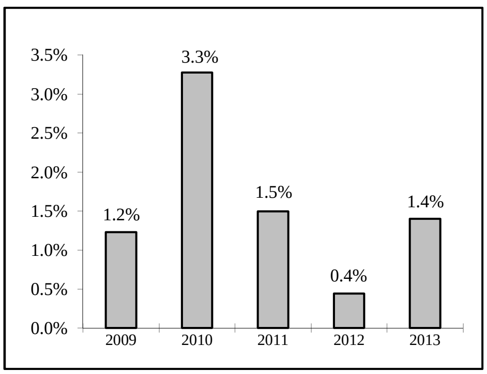
Composite Financial Index



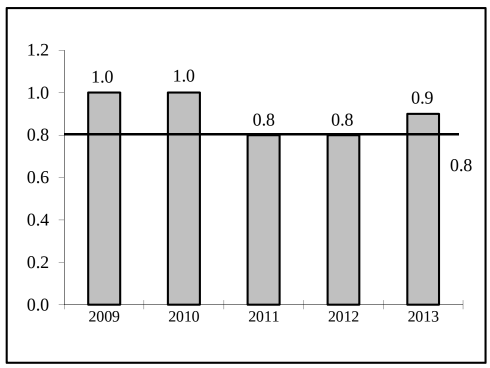
Operating Expense Coverage Ratio



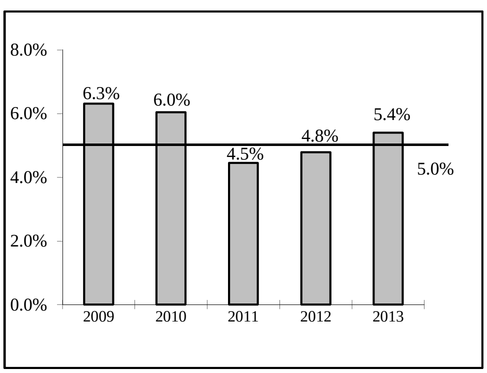
Annual Operating Margin Ratio



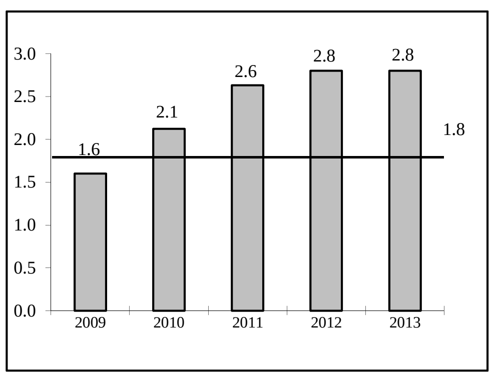
Expendable Resources to Debt Ratio



Debt Burden Ratio

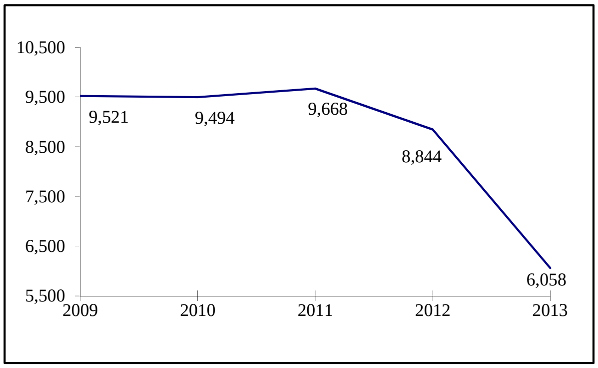


Debt Service Coverage Ratio



The University of Texas at Brownsville
2013 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Brownsville's CFI increased from 2.2 in 2012 to 2.4 in 2013 primarily due to increases in the return on net position and the expendable resources to debt ratios. The increase in the return on net position ratio was largely driven by an increase in the fair value of investments of $0.9 million in 2013 as compared to a decrease in the fair value of investments of $0.2 million for a net change between years of $1.1 million, as well as the improvement in operating performance as discussed in more detail in the annual operating margin ratio below. The increase in expendable resources to debt ratio is also discussed below.

Operating Expense Coverage Ratio - U. T. Brownsville's operating expense coverage ratio increased from 3.1 months in 2012 to 3.6 months in 2013 due to an increase of $5.8 million in total unrestricted net position combined with a $4.2 million decrease in total operating expenses (including interest expense). The increase in total unrestricted net position was attributable to normal operating activities in unrestricted current funds, as well as a transfer from restricted funds to unrestricted current funds resulting from the scholarship allowance. Additionally, prior to 2013, U. T. Brownsville classified all net position in unexpended plant funds as restricted. However, beginning in 2013 U. T. System requested all of the institutions to follow the same methodology for classifying net position in unexpended plant funds between restricted and unrestricted which resulted in U. T. Brownsville classifying $1.6 million as unrestricted in unexpended plant funds. The decrease in total operating expenses was primarily attributable to a decrease of $3.6 million in salaries and wages and payroll related costs as a result of the reduction in force implemented due to the end of the partnership between U. T. Brownsville and Texas Southmost College (TSC). Cost containment activities also contributed to the reduction in total operating expenses.

Annual Operating Margin Ratio - U. T. Brownsville's annual operating margin ratio increased from 0.4% for 2012 to 1.4% for 2013 due to a greater decrease in total operating expenses ($4.2 million) as compared to the decrease in total operating revenues ($2.6 million). The decrease in total operating revenues was largely attributable to a $14.1 million decrease in sponsored programs revenue (including nonexchange sponsored programs) resulting from the following: a reduction in the TSC contract due to a 50% decrease in TSC's student enrollment, a 52% decrease in semester credit hours (SCH) and the termination of several TSC contracts. The decrease in revenues was partially offset by a $9.2 million increase in net tuition and fees as students self-identified the institution of choice as part of the U. T. Brownsville and TSC separation process, which overall resulted in U. T. Brownsville experiencing a 6% increase in student enrollment and a 56% increase in semester credit hours. The decrease in total operating expenses is discussed above.

Expendable Resources to Debt Ratio - U. T. Brownsville's expendable resources to debt ratio increased slightly from 0.8 in 2012 to 0.9 in 2013. The small increase in this ratio was primarily attributable to the $5.8 million decrease in the amount of debt outstanding.

Debt Burden Ratio - U. T. Brownsville's debt burden ratio increased from 4.8% in 2012 to 5.4% in 2013 largely as a result of the decrease in total operating expenses previously discussed.

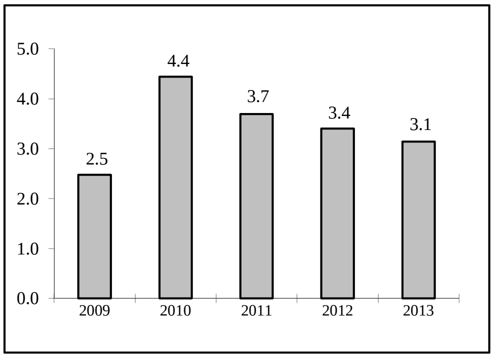
Debt Service Coverage Ratio - U. T. Brownsville's debt service coverage ratio remained unchanged at 2.8 in 2013. The stability of this ratio was attributable to the increase in the annual operating margin which was offset by the increase in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Brownsville's FTE student enrollment was 6,058 for Fall 2013. The 2013 fall semester was the first semester that U. T. Brownsville registered students separate from TSC as a result of the termination of the U. T. Brownsville and TSC partnership. Initial student enrollment forecast for the semester was 8,181. The actual student enrollment surpassed the forecast by 5% with a student headcount of 8,612. U. T. Brownsville expects the student enrollment to increase throughout the year.

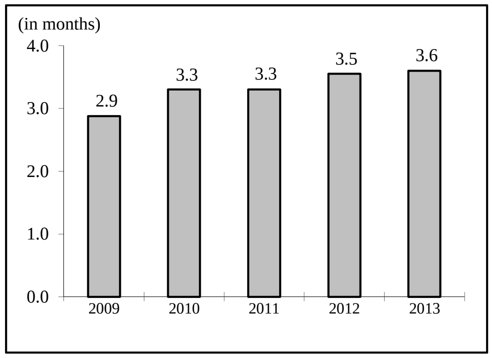
The University of Texas at Dallas
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

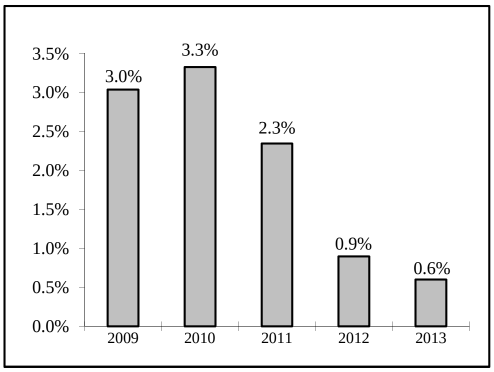
Composite Financial Index



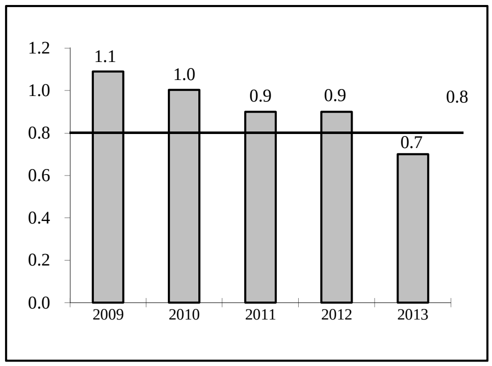
Operating Expense Coverage Ratio



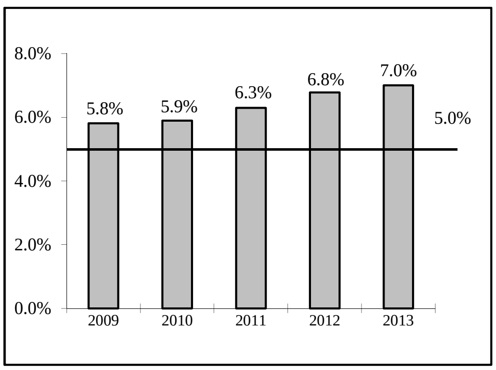
Annual Operating Margin Ratio



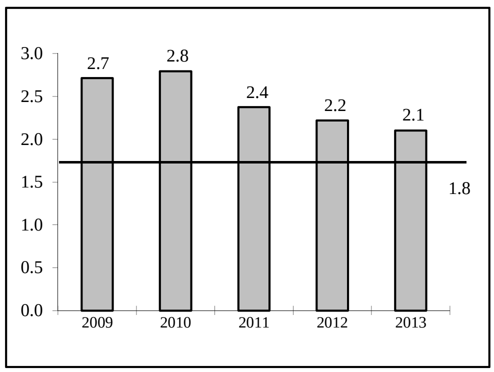
Expendable Resources to Debt Ratio



Debt Burden Ratio

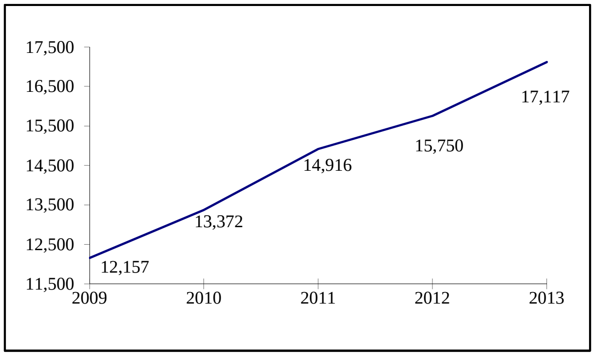


Debt Service Coverage Ratio



The University of Texas at Dallas
2013 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Dallas' CFI decreased from 3.4 in 2012 to 3.1 in 2013 largely due to decreases in the expendable resources to debt and primary reserve ratios. The decrease in the expendable resources to debt ratio is discussed in further detail below. The decrease in the primary reserve ratio was attributable to the increase in total operating expenses which is also discussed below.

Operating Expense Coverage Ratio - U. T. Dallas' operating expense coverage ratio increased from 3.5 months in 2012 to 3.6 months in 2013 primarily due to an increase in total unrestricted net position of $16.9 million, which was partially offset by growth in total operating expenses (including interest expense) of $51.5 million. The increase in total unrestricted net position was largely attributable to an increase in designated funds as a result of the Texas Research Incentive Program (TRIP) funding received late in 2013 and an increase in auxiliary enterprises primarily due to an increase in resident housing. The increase in total operating expenses was primarily due to the following: a $29.6 million increase in salaries and wages and payroll related costs resulting from overall growth, an increase in faculty, and increased costs for benefits, as well as merit increases; a $6.7 million increase in depreciation and amortization expense primarily attributable to several large buildings and additions to buildings that were placed into service in 2013, along with a full year of depreciation on buildings that were placed into service in the prior year; a $6.1 million increase due to an increase in noncapitalized furniture and equipment purchases, as well as increased purchases of parts for computers, motor vehicles, and an increase in facility hardware and materials; a $4.4 million increase in scholarships and fellowships as a result of increased enrollment; and a $3.1 million increase in other operating expenses attributable to increases in royalty payments, student recruitment expenses, credit card processing fees, postal service expenses, group student travel, meals and conference expenses, and meeting and seminar expenses.

Annual Operating Margin Ratio - U. T. Dallas' annual operating margin ratio decreased from 0.9% for 2012 to 0.6% for 2013 as the growth in total operating expenses of $51.5 million slightly outpaced the growth in total operating revenues of $50.8 million. The increase in total operating revenues was primarily due to the following: a $24.5 million increase in net tuition and fees as a result of a 5% increase in student enrollment and tuition increases of 3% for undergraduate and 7% for graduate students; a $9.6 million increase in sponsored programs revenue (including nonexchange sponsored programs and excluding the unspent portion of TRIP funding) due to an increase in TRIP funding; a $4.2 million increase in auxiliary enterprises revenue resulting from an increase in on-campus housing attributable to greater capacity from the new residence hall and thus higher occupancy, and an increase in commissions due to expanded food services; a $3.8 million increase in net sales and services of educational activities primarily due to increases in the Callier Center patient fees, miscellaneous external revenue and Callier professional services and contracts; a $3.1 million increase in other operating revenues largely attributable to increases in lease income earned by license agreement with Jassen Biotech for U. T. Dallas owned intellectual property, lease revenue for Waterview Park and lease revenue for the new English Learning School; and a $3.1 million increase in investment income (excluding realized gains/losses).

Late in 2013 U. T. Dallas received $10.2 million in TRIP funding from the Texas Higher Education Coordinating Board. Given that these funds were received so close to year-end, U. T. Dallas was not able to spend $5.0 million of these funds in 2013. Therefore, in order to more appropriately match revenues with expenses the $5.0 million of unspent TRIP funding was removed from 2013 nonexchange sponsored programs revenue on this report. When the 2014 Analysis of Financial Condition is prepared, the $5.0 million will be added to 2014 nonexchange sponsored programs revenues to match the expenses incurred in 2014.

Expendable Resources to Debt Ratio - U. T. Dallas' expendable resources to debt ratio decreased from 0.9 in 2012 to 0.7 in 2013. The decrease in this ratio was attributable to an increase of $95.1 million in the amount of debt outstanding. The increase in the amount of debt outstanding was related to the Student Living/Learning Center, parking structure, existing space renovations, and the Waterview Park student housing improvements purchase.

Debt Burden Ratio - U. T. Dallas' debt burden ratio increased from 6.8% in 2012 to 7.0% in 2013 primarily due to an increase in debt service payments of $4.4 million, which increase was partially offset by the increase in total operating expenses discussed above.

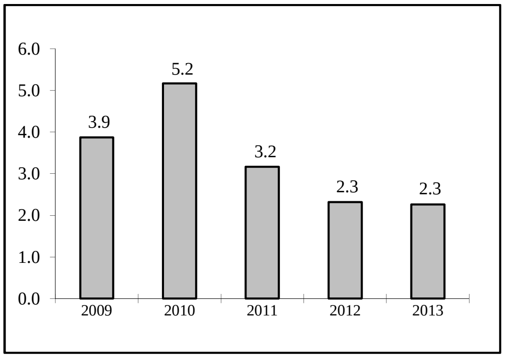
Debt Service Coverage Ratio - U. T. Dallas' debt service coverage ratio decreased from 2.2 in 2012 to 2.1 in 2013. The slight decrease in this ratio was attributable to the increase in debt service payments as mentioned above.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Dallas' overall student enrollment increased by 8.7% from 2012 to 2013. The upward trend in FTE student enrollment relative to gross enrollment reflects the effects of the university's guaranteed tuition plan, which encourages full-time status, federal and state eligibility requirements for aid for domestic students and visa requirements for international students. In the fall of 2013 undergraduate FTE rose 10% over the fall of 2012. FTE masters student enrollment increased 12.5% between 2012 and 2013.

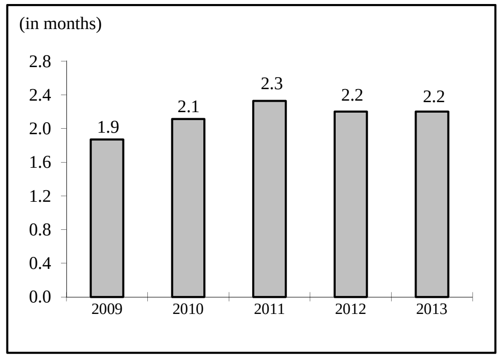
The University of Texas at El Paso
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

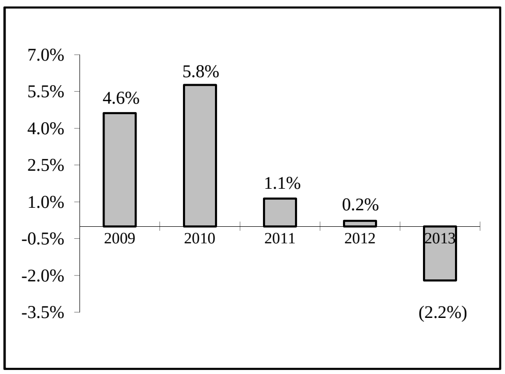
Composite Financial Index



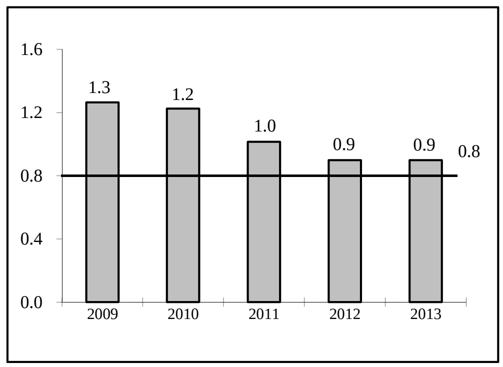
Operating Expense Coverage Ratio



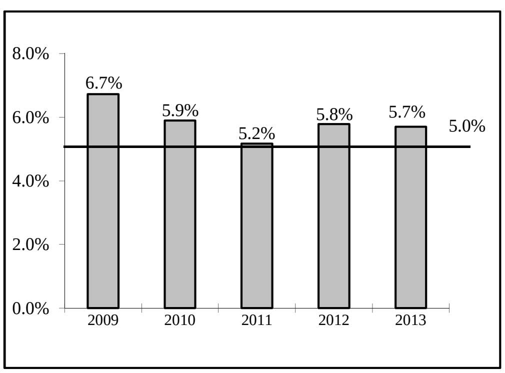
Annual Operating Margin Ratio



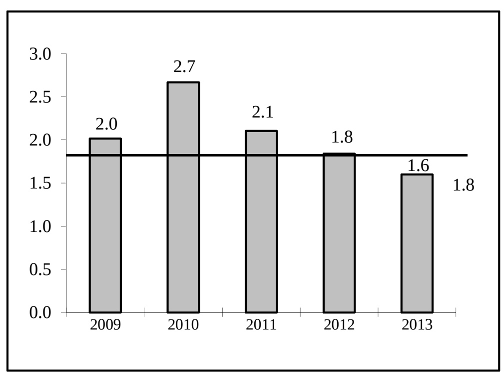
Expendable Resources to Debt Ratio



Debt Burden Ratio

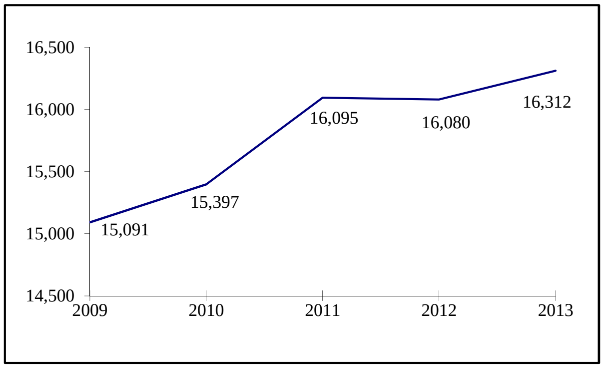


Debt Service Coverage Ratio



The University of Texas at El Paso
2013 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. El Paso's CFI remained stable at 2.3 in 2013. The decline in the annual operating margin ratio, as discussed below, was offset by an increase in the return on net position ratio. The increase in the return on net position ratio was primarily driven by an increase in the amount of bond proceeds transferred to U. T. El Paso for construction projects which contributed to a larger change in net position in 2013 as compared to 2012.

Operating Expense Coverage Ratio - U. T. El Paso's operating expense coverage ratio remained unchanged at 2.2 months in 2013. The stability of this ratio was attributable to the increase in total unrestricted net position of $3.2 million offsetting the increase in total operating expenses (including interest expense) of $20.8 million. The increase in total unrestricted net position was primarily due to the net increase in the fair value of investments allocated to designated funds. The increase in total operating expenses was largely attributable to the following: an $8.3 million increase in salaries and wages and payroll related costs as a result of merit increases and the hiring of new faculty; a $6.0 million increase in scholarships and fellowships expense due to a change in the reporting of Pell Grants (see explanation below); a $2.7 million increase in depreciation and amortization expense resulting from the recognition of a full year of depreciation expense on the Chemistry and Computer Science Building and the Engineering-Biological Sciences Complex, as well as the addition of the Swimming and Fitness Center Phase II which was placed into service in 2013; a $1.5 million increase in interest expense; and a $1.2 million increase in professional fees and contracted services due to an increase in educational and training fees under research programs, an increase in other contracted services related to payments for consulting services, and an increase in payments for travel for students performing research.

Annual Operating Margin Ratio - U. T. El Paso's annual operating margin ratio decreased from 0.2% for 2012 to (2.2%) for 2013 as the growth in total operating revenues of $11.6 million lagged behind the growth in total operating expenses of $20.8 million. The increase in total operating revenues was primarily due to the following: a $21.3 million increase in sponsored programs revenue (including nonexchange sponsored programs and excluding the unspent portion of Texas Research Incentive Program (TRIP) funding) attributable to a change in reporting Pell Grants in 2013 explained below; a $3.5 million increase in state appropriations; a $1.3 million increase in auxiliary enterprises revenue generated from an increase in game guarantees paid to the football program; a $1.2 million increase in sales and services of educational activities due to the addition of two new outreach programs; and a $0.8 million increase in investment income (excluding realized gains and losses). Operating revenues also reflect semester credit hour production of 2%, or $4.6 million, below that initially projected. These increases in revenues were partially offset by a decrease in net tuition and fees of $13.9 million caused by an increase in tuition discounting as a result of the change in reporting of Pell Grants discussed below, as well as an increase in Hazelwood Exemptions. The overall increase in exemptions of $1.4 million in 2013 was primarily due to increases of $0.3 million and $0.8 million for the Hazelwood Act and Hazelwood Legacy programs, respectively

U. T. El Paso was awarded $5.1 million in TRIP funds from the Texas Higher Education Coordinating Board during the last quarter of 2013. Although the funds were received and properly recorded as nonexchange sponsored revenue in the financial statements, U. T. System determined that since the funds were received late in the year, the unspent balance at year-end of $4.7 million would be removed from revenue in 2013 for the purposes of this report to more closely match revenues and expenses. When the 2014 Analysis of Financial Condition is prepared, the $4.7 million will be added to 2014 nonexchange sponsored programs revenue to match the expenses incurred in 2014. Additionally, in 2013 the State Auditor's Office made a determination that Pell Grants should not be deferred to match the related tuition and fees. This resulted in the institutions reporting 2 years of activity in 2013 for both nonexchange sponsored programs revenue and scholarships and fellowships expense (a component of tuition discounting); however, this change has no impact on the annual operating margin.

Expendable Resources to Debt Ratio - U. T. El Paso's expendable resources to debt ratio remained unchanged at 0.9 in 2013. The stability of this ratio was attributable to the increases in total unrestricted net position of $3.2 million, previously discussed, and the increase in total restricted expendable net position of $16.5 million (excluding the funds restricted for capital projects), which increases were offset by an increase of $20.9 million in the amount of debt outstanding. The increase in the total restricted expendable net position was primarily due to the increase in the appreciation on the endowment funds. The increase in the debt outstanding was related to the McIntyre Land Purchase, the Campus Transformation Project, and the purchase of University Towers.

Debt Burden Ratio - U. T. El Paso's debt burden ratio decreased slightly from 5.8% in 2012 to 5.7% in 2013 as a result of the increase in total operating expenses as previously discussed.

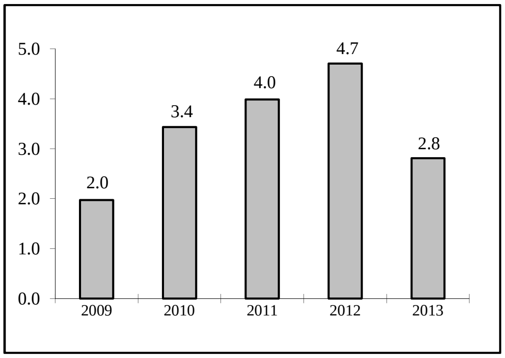
Debt Service Coverage Ratio - U. T. El Paso's debt service coverage ratio decreased from 1.8 in 2012 to 1.6 in 2013 due to the decline in operating performance as discussed in the annual operating margin ratio above.

Full-Time Equivalent (FTE) Student Enrollment - U. T. El Paso's FTE student enrollment continued to increase. Undergraduate enrollment increased by approximately 3%, offset by a decrease in graduate student enrollment of 9%.

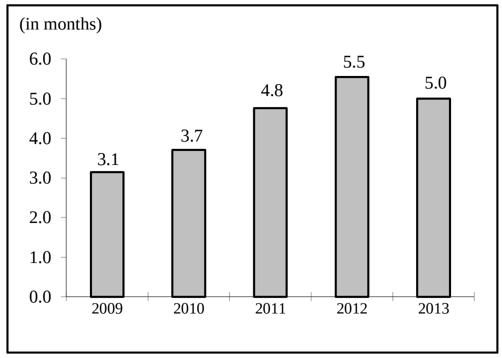
The University of Texas-Pan American
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

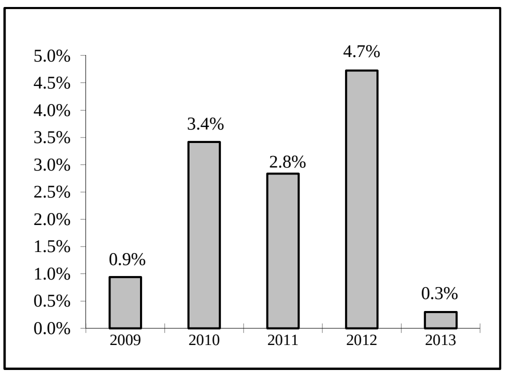
Composite Financial Index



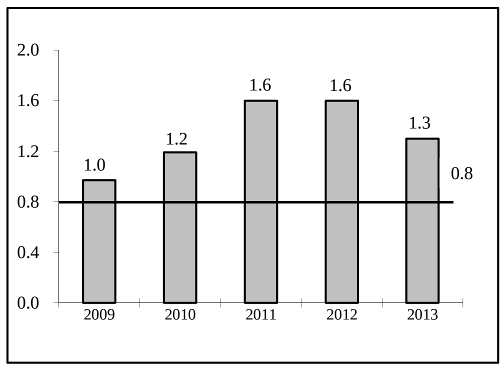
Operating Expense Coverage Ratio



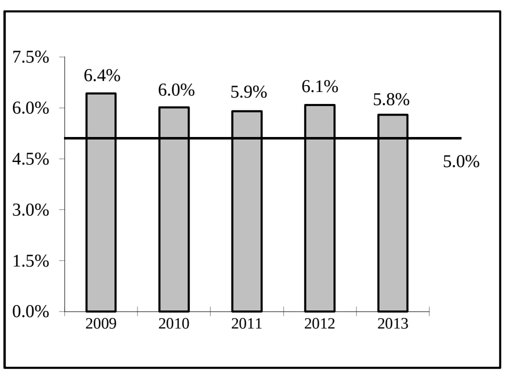
Annual Operating Margin Ratio



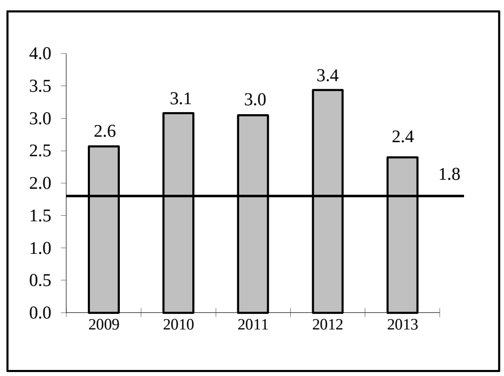
Expendable Resources to Debt Ratio



Debt Burden Ratio

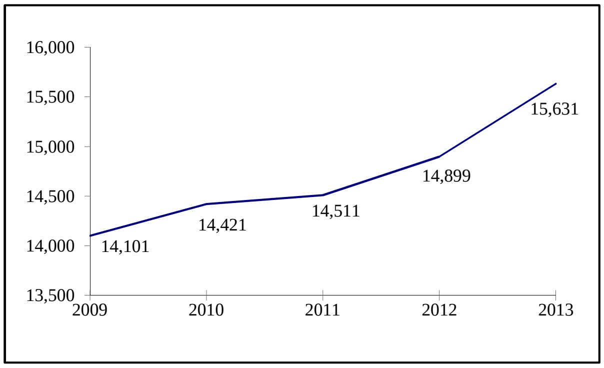


Debt Service Coverage Ratio



The University of Texas-Pan American
2013 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Pan American's CFI decreased from 4.7 in 2012 to 2.8 in 2013 and was caused by decreases in all four core ratios. The decreases in the annual operating margin ratio and the expendable resources to debt ratio are discussed below. The decreases in the return on net position ratio and the primary reserve ratio were both driven by the decline in operating performance. The change in total net position in 2013 was $3.0 million as compared to a change in total net position in 2012 of $50.6 million. The primary reserve ratio was also impacted by the exclusion of the net position restricted for capital projects from the calculation of this ratio beginning in 2013. This change was made to be consistent with the approach recommended by experts in the field of ratio analysis. The prior years were not restated for this change as the amounts were not computed consistently until 2013.

Operating Expense Coverage Ratio - U. T. Pan American's operating expense coverage ratio decreased from 5.5 months in 2012 to 5.0 months in 2013 due to a $5.9 million decrease in total unrestricted net position and a $9.9 million increase in total operating expenses (including interest expense). The decrease in total unrestricted net position was attributable to a decline in operating performance as discussed in the annual operating margin ratio below. Total operating expenses increased primarily due to the following: a $2.2 million increase in salaries and wages and payroll related costs as a result of one-time merit awards for faculty and staff; a $2.1 million increase in repairs and maintenance due to increased expenses for construction repair and maintenance projects, the Information Security Assurance Initiative Project-Deloitte IT Assessment, and increased costs for projects such as Energy Efficient Lighting and the Haggar Renovation; a $1.0 million increase in in non-capital expenditures associated mostly with the Campus Master Plan and to a lesser extent the Western Atlantic Conference (WAC) membership and the International Latin Studies program; a $0.9 million increase in depreciation and amortization expense attributable to the completion of several projects that were placed into service in 2013; and a $0.3 million increase in athletic expenses associated with the Western Atlantic Conference membership.

Annual Operating Margin Ratio - U. T. Pan American's annual operating margin ratio declined from 4.7% for 2012 to 0.3% for 2013 as a result of an increase in total operating expenses of $9.9 million while total operating revenues decreased by $1.3 million. The decrease in total operating revenues was primarily attributable to an $18.9 million decrease in net tuition and fees caused by an increase in tuition discounting as a result of the change in reporting of Pell Grants discussed below. This decrease in revenue was largely offset by the related increase in sponsored programs revenue (including nonexchange sponsored programs) of $16.4 million. Also offsetting the reduction in revenue was an increase in other operating revenues of $0.9 million and an increase in investment income (excluding realized gains/losses) of $0.6 million.

In 2013 the State Auditor's Office made a determination that Pell Grants should not be deferred to match the related tuition and fees. This resulted in the institutions reporting 2 years of activity in 2013 for both nonexchange sponsored programs revenue and scholarships and fellowships expense (a component of tuition discounting); however, this change has no impact on the annual operating margin.

Expendable Resources to Debt Ratio - U. T. Pan American's expendable resources to debt ratio decreased from 1.6 in 2012 to 1.3 in 2013. The decrease in this ratio was due to the decrease in both total unrestricted net position, as previously discussed, and a decrease in total restricted expendable net position. Beginning in 2013 funds classified as restricted expendable for capital projects are excluded from the total restricted expendable net position used in the calculation of this ratio. This change was made to be consistent with the approach recommended by experts in the field of ratio analysis. The prior years were not restated for this change as the amounts were not computed consistently until 2013. U. T. Pan American had $26.4 million in restricted expendable for capital projects in 2013.

Debt Burden Ratio - U. T. Pan American's debt burden ratio decreased from 6.1% in 2012 to 5.8% in 2013 as a result of the increase in total operating expenses.

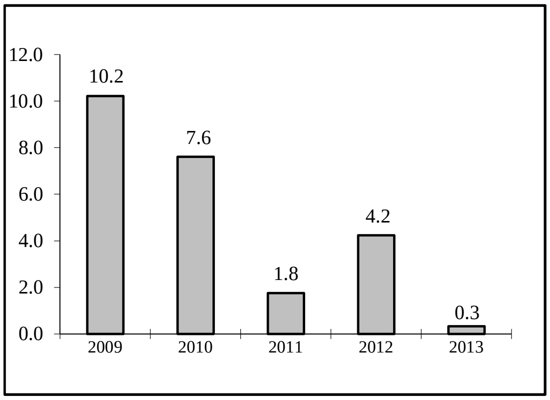
Debt Service Coverage Ratio - U. T. Pan American's debt service coverage ratio decreased from 3.4 in 2012 to 2.4 in 2013. The drop in this ratio was attributable to the decline in operating performance as discussed above.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Pan American's FTE student enrollment went up from 14,899 in Fall 2012 to 15,631 in Fall 2013, which was a 4.9% increase. A quality advisement program and several other student success initiatives are helping student retention and timely graduation.

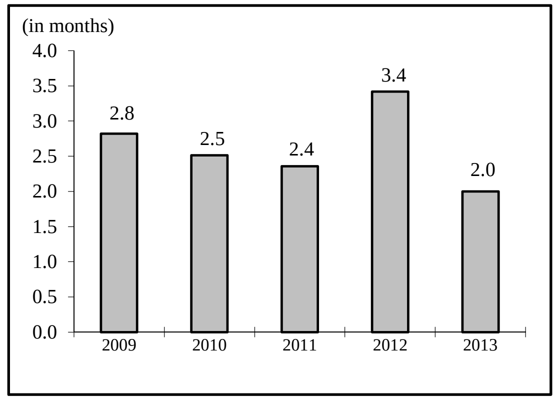
The University of Texas of the Permian Basin
2013 Summary of Financial Condition

Financial Condition: **Watch**

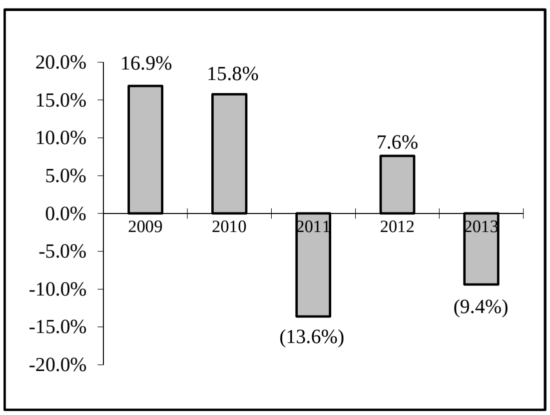
Composite Financial Index



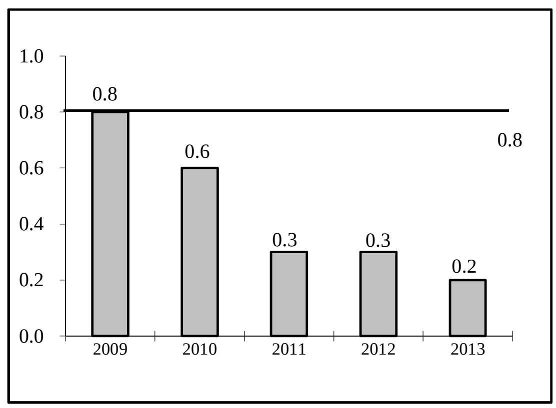
Operating Expense Coverage Ratio



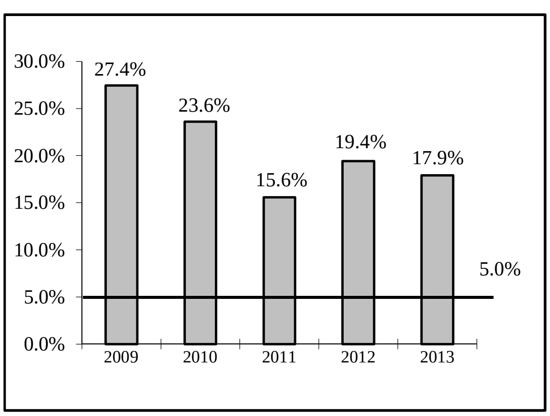
Annual Operating Margin Ratio



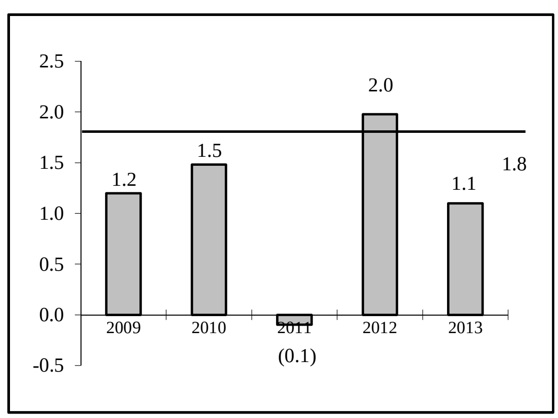
Expendable Resources to Debt Ratio



Debt Burden Ratio

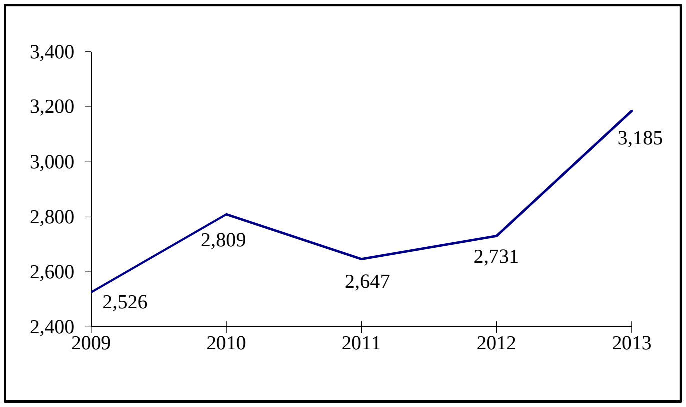


Debt Service Coverage Ratio



The University of Texas of the Permian Basin
2013 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Permian Basin's CFI declined from 4.2 in 2012 to 0.3 in 2013 as a result of decreases in all 4 core ratios. The decreases in the annual operating margin ratio and the expendable resources to debt ratio are discussed below. The decreases in the return on net position ratio and the primary reserve ratio were both driven by the decline in operating performance. The change in total net position in 2013 was ($8.2) million as compared to a change in total net position in 2012 of $18.4 million.

Operating Expense Coverage Ratio - U. T. Permian Basin's operating expense coverage ratio decreased from 3.4 months in 2012 to 2.0 months in 2013 due to a decrease of $2.3 million in total unrestricted net position and an increase of $19.9 million in total operating expenses (including interest expense). The decrease in total unrestricted net position was primarily attributable to the increase in total operating expenses, as well as a reduction in state appropriations. The increase in total operating expenses was primarily due to the following: a $13.9 million increase in scholarships and fellowships expense as a result of a $7.0 million error made in 2011 which caused 2012 expenses to be understated along with a change in the recording of Pell Grants (see explanation below); a $3.4 million increase in salaries and wages and payroll related costs resulting from a $2.9 million reduction in salaries and wages in 2012 to correct an error made in 2011, as well as merit increases; and a $1.4 million increase in depreciation and amortization expense attributable to the recognition of a full year of depreciation on the Falcon's Nest Addition.

A*nnual Operating Margin Ratio* - U. T. Permian Basin's annual operating margin ratio dropped from 7.6% for 2012 to (9.4%) for 2013 as the growth in total operating expenses of $19.9 million far exceeded the growth in total operating revenues of $9.8 million. The increase in total operating revenues was primarily due to the following: a $5.3 million increase in net tuition as a result of errors in the tuition discounting calculation in 2012; and a $4.1 million increase in sponsored programs revenue (including nonexchange sponsored programs) attributable to a change in reporting Pell Grants in 2013 as explained below.

In 2013 the State Auditor's Office made a determination that Pell Grants should not be deferred to match the related tuition and fees. This resulted in the institutions reporting 2 years of activity in 2013 for both nonexchange sponsored programs revenue and scholarships and fellowships expense (a component of tuition discounting); however, this change has no impact on the annual operating margin.

Expendable Resources to Debt Ratio - U. T. Permian Basin's expendable resources to debt ratio decreased from 0.3 in 2012 to 0.2 in 2013. The decrease in this ratio was due to decreases in both the total unrestricted net position, as mentioned above, and the total restricted expendable net position (excluding the portion restricted for capital projects). Beginning in 2013 funds classified as restricted expendable for capital projects are excluded from the total restricted expendable net position used in the calculation of this ratio. This change was made to be consistent with the approach recommended by experts in the field of ratio analysis. The prior years were not restated for this change as the amounts were not computed consistently until 2013. U. T. Permian Basin had ($4.3) million in restricted expendable for capital projects in 2013 as compared to $10.5 million in 2012.

Debt Burden Ratio - U. T. Permian Basin's debt burden ratio decreased from 19.4% in 2012 to 17.9% in 2013 as a result of the increase in total operating expenses (excluding scholarships expense).

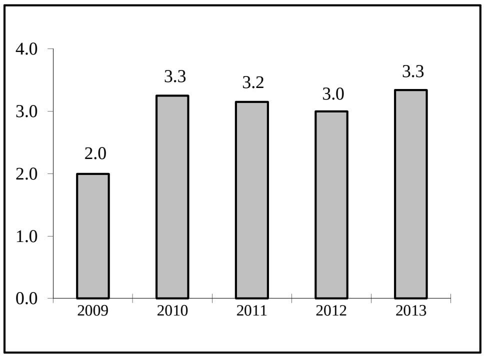
Debt Service Coverage Ratio - U. T. Permian Basin's debt service coverage ratio decreased from 2.0 in 2012 to 1.1 in 2013. The decrease in this ratio was due to the decline in operating performance as previously discussed.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Permian Basin's FTE student enrollment increase was attributable to increased participation in the on-line enrollment, principally Academic Partnerships, as well as Dual Credit and Early College High School enrollments.

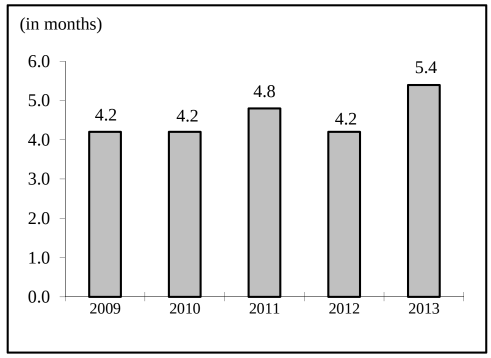
The University of Texas at San Antonio
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

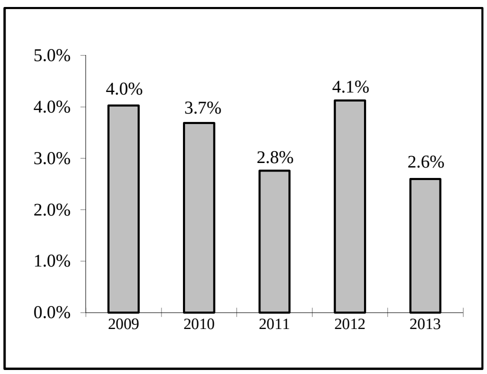
Composite Financial Index



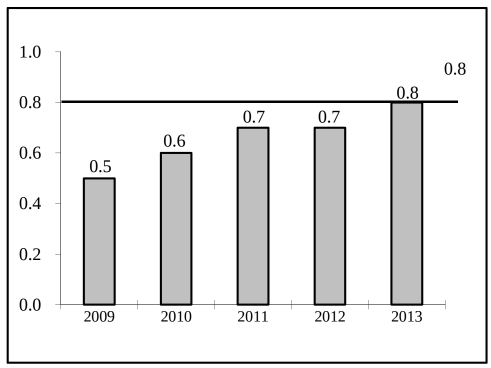
Operating Expense Coverage Ratio



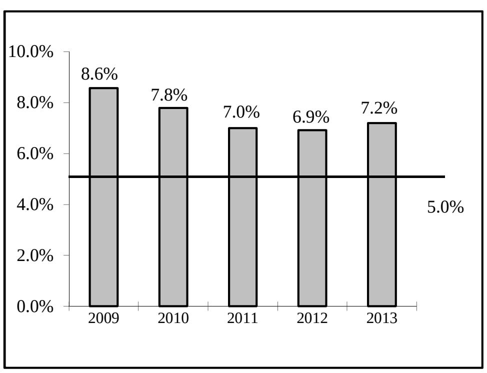
Annual Operating Margin Ratio



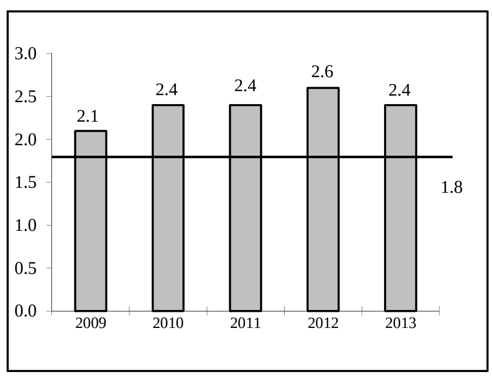
Expendable Resources to Debt Ratio



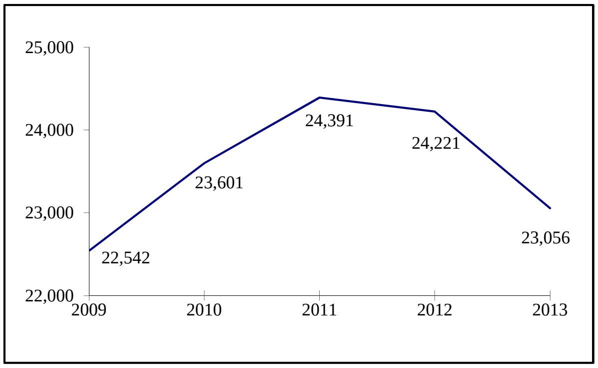
Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas at San Antonio
2013 Summary of Financial Condition
Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. San Antonio's CFI increased from 3.0 in 2012 to 3.3 in 2013 primarily as a result of an increase in the return on net position ratio. The increase in the return on net position ratio was largely driven by an $11.3 million reduction in the amount of debt outstanding.

Operating Expense Coverage Ratio - U. T. San Antonio's operating expense coverage ratio increased from 4.2 months in 2012 to 5.4 months in 2013 due to a $50.9 million increase in total unrestricted net position. The increase in total unrestricted net position was primarily attributable to an increase in the amount of unexpended plant funds classified as unrestricted primarily due to the use of a consistent methodology across all U. T. institutions for classifying unexpended plant funds between restricted and unrestricted funds as determined by U. T. System. Prior to 2013, U. T. San Antonio classified the majority of net position in unexpended plant funds as restricted. Also contributing to the increase in total unrestricted net position was normal operating activities in current unrestricted funds.

Annual Operating Margin Ratio - U. T. San Antonio's annual operating margin ratio decreased from 4.1% for 2012 to 2.6% for 2013 due to the growth in total operating expenses of $13.3 million exceeding the growth in total operating revenues of $5.7 million. The increase in total operating revenue was primarily attributable to the following: a $17.3 million increase in sponsored programs revenue (including nonexchange sponsored programs and excluding the unspent portion of Texas Research Incentive Program (TRIP) funding) attributable to a change in reporting Pell Grants in 2013 as explained below; and a $2.8 million increase in other operating revenues as a result of the Information Security Assurance Initiative Project-Deloitte IT Assessment. These increases in revenue were largely offset by a $12.2 million decrease in net tuition and fees caused by an increase in tuition discounting as a result of the change in reporting of Pell Grants as discussed below. The increase in total operating expenses was primarily due to the following: a $7.1 million increase in salaries and wages and payroll related costs attributable to merit increases and increased cost of benefits; a $2.4 million increase in scholarships and fellowships expense due to additional funds received for the TEXAS Grant Program; a $1.9 million increase in repairs and maintenance as a result of increased building repairs and maintenance due to various non-capitalized renovation projects related to refurbishing and renovating offices and increased computer repairs and maintenance as a result of expenses incurred to enhance computer security; a $1.8 million increase in depreciation and amortization expense related to various capital projects that were completed and placed into service in 2013; and a $1.1 million increase in professional fees and services attributable to increased enrollment in the Extended Education Program which generated increased expenses for educational training fees that are required for various certifications.

Late in 2013 U. T. San Antonio received $2.2 million in TRIP funding from the Texas Higher Education Coordinating Board. Given that these funds were received so close to year-end, U. T. San Antonio was not able to spend $0.6 million of these funds in 2013. Therefore, in order to more appropriately match revenues with expenses the $0.6 million of unspent TRIP funding was removed from 2013 nonexchange sponsored programs revenue. When the 2014 Analysis of Financial Condition is prepared, the $0.6 million will be added to 2014 nonexchange sponsored programs revenue. Additionally, in 2013 the State Auditor's Office made a determination that Pell Grants should not be deferred to match the related tuition and fees. This resulted in the institutions reporting 2 years of activity in 2013 for both nonexchange sponsored programs revenue and scholarships and fellowships expense (a component of tuition discounting); however, this change has no impact on the annual operating margin.

Expendable Resources to Debt Ratio - U. T. San Antonio's expendable resources to debt ratio increased from 0.7 in 2012 to 0.8 in 2013. The increase in this ratio was primarily due to the decrease in the debt outstanding.

Debt Burden Ratio - U. T. San Antonio's debt burden ratio increased from 6.9% in 2012 to 7.2% in 2013 as a result of a $2.0 million increase in debt service payments.

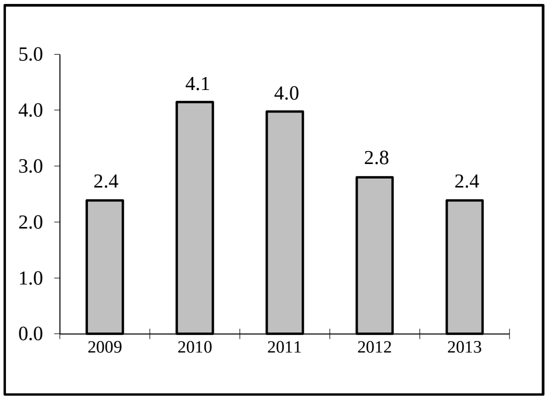
Debt Service Coverage Ratio - U. T. San Antonio's debt service coverage ratio decreased from 2.6 in 2012 to 2.4 in 2013. The decrease in this ratio was caused by both the reduction in operating performance, as discussed in the annual operating margin ratio, and the increase in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. San Antonio's FTE student enrollment decreased by 5%. The decline in enrollment was due to a smaller incoming class of undergraduates for Fall 2013 as a result of increased admission standards, combined with an increased number of students graduating during the 2012-2013 academic year.

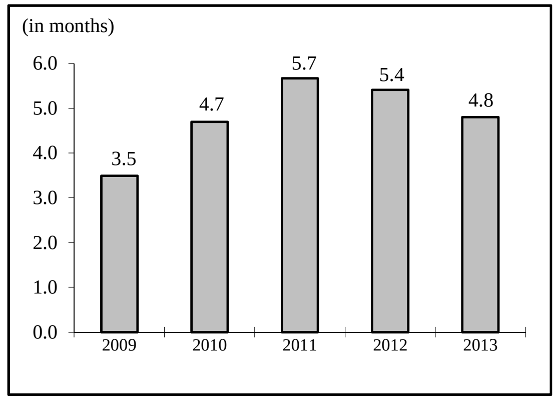
The University of Texas at Tyler
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

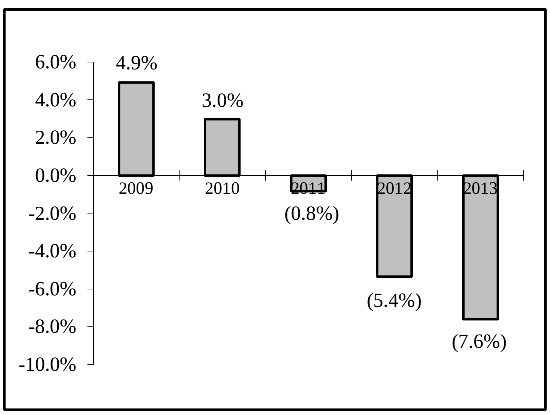
Composite Financial Index



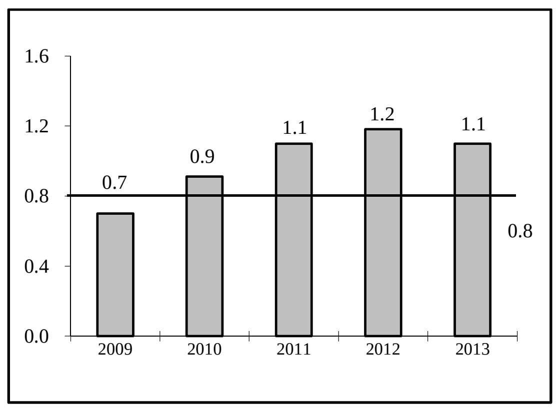
Operating Expense Coverage Ratio



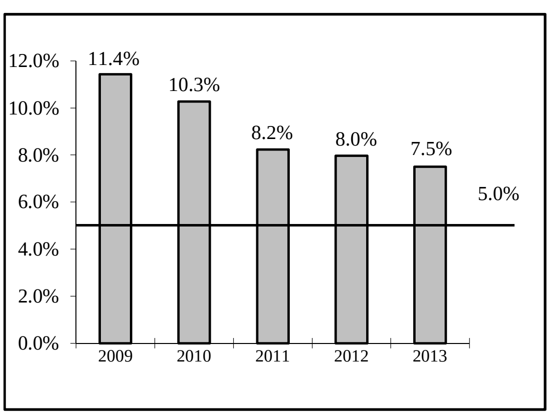
Annual Operating Margin Ratio



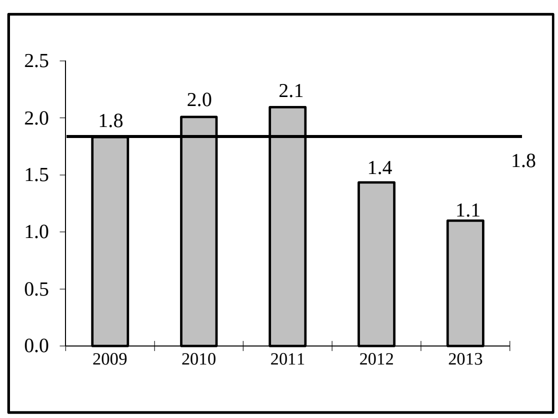
Expendable Resources to Debt Ratio



Debt Burden Ratio

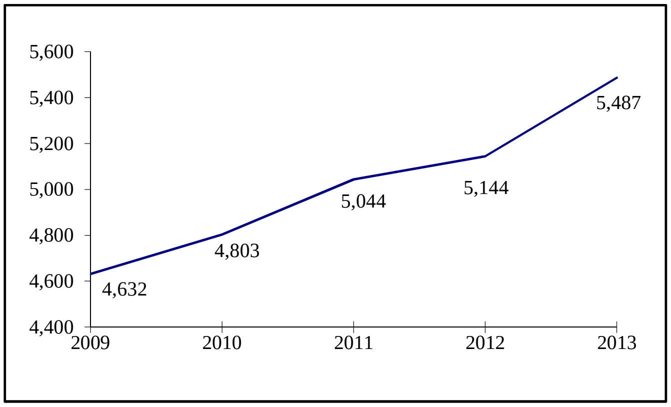


Debt Service Coverage Ratio



The University of Texas at Tyler
2013 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Tyler's CFI decreased from 2.8 in 2012 to 2.4 in 2013 largely due to decreases in the primary reserve and annual operating margin ratios. The reduction in the primary reserve ratio was due to decreases in both unrestricted net position and restricted expendable net position combined with the increase in total operating expenses, all of which are discussed below. The reduction in the annual operating margin is also discussed below.

Operating Expense Coverage Ratio - U. T. Tyler's operating expense coverage ratio decreased from 5.4 months in 2012 to 4.8 months in 2013 due to a $10.0 million increase in total operating expenses (including interest expense) combined with a small decrease in total unrestricted net position of $0.6 million. The increase in total operating expenses was primarily attributable to the following: a $4.1 million increase in salaries and wages and payroll related costs as a result of the addition of new faculty and staff, as well as one-time merit increases awarded in December; a $3.6 million increase in scholarships and fellowships due to a change in the reporting of Pell Grants (see explanation below); and a $1.6 million increase in materials and supplies as a result of increased purchases of computers and one-time information technology (IT) projects. U. T. Tyler's use of prior year balances was approved by U. T. System Administration for 2013 for one-time nonrecurring expenses, such as repairs and maintenance to the campus, a one-time merit bonus, and programming for Academic Partnerships. This approval was granted due to U. T. Tyler having adequate operating expense coverage.

Annual Operating Margin Ratio - U. T. Tyler's annual operating margin ratio declined from (5.4%) for 2012 to (7.6%) for 2013 due to the growth in total operating expenses of $10.0 million outpacing the growth in total operating revenues of $7.4 million. The increase in total operating revenues was primarily attributable to the following: a $4.2 million increase in sponsored programs revenue (including nonexchange sponsored programs) attributable to a change in the reporting of Pell Grants in 2013 explained below; a $1.3 million increase in net tuition and fees due to enrollment growth and an increase in designated tuition rates; a $0.5 million increase in other operating revenues as result of the Information Security Assurance Initiative Project-Deloitte IT Assessment; a $0.5 million increase in state appropriations; and a $0.4 million increase in gifts for operations.

In 2013 the State Auditor's Office made a determination that Pell Grants should not be deferred to match the related tuition and fees. This resulted in the institutions reporting 2 years of activity in 2013 for both nonexchange sponsored programs revenue and scholarships and fellowships expense (a component of tuition discounting); however, this change has no impact on the annual operating margin.

Expendable Resources to Debt Ratio - U. T. Tyler's expendable resources to debt ratio decreased from 1.2 in 2012 to 1.1 in 2013. The slight decrease in this ratio was primarily attributable to the small decrease in total unrestricted net position and the decrease in total restricted expendable net position (excluding the funds restricted for capital projects). Beginning in 2013 funds classified as restricted expendable for capital projects are excluded from the total restricted expendable net position used in the calculation of this ratio. This change was made to be consistent with the approach recommended by experts in the field of ratio analysis. The prior years were not restated for this change. U. T. Tyler had $3.7 million in restricted expendable for capital projects in 2013.

Debt Burden Ratio - U. T. Tyler's debt burden ratio decreased from 8.0% in 2012 to 7.5% in 2013 as a result of the increase in total operating expenses as previously discussed.

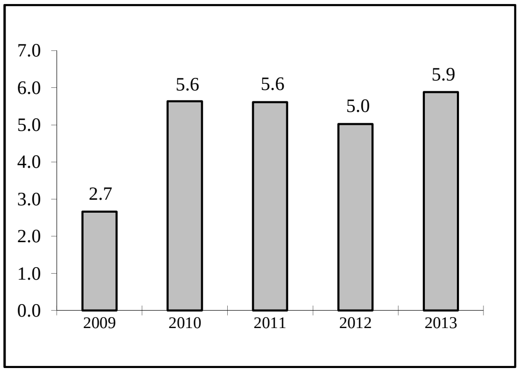
Debt Service Coverage Ratio - U. T. Tyler's debt service coverage ratio decreased from 1.4 in 2012 to 1.1 in 2013. The decrease in this ratio was driven by the decline in operating performance as discussed in the annual operating margin ratio.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Tyler's FTE student enrollment increased by 343 or 6.7% from 2012. This increase was due to continued efforts in student recruitment and retention.

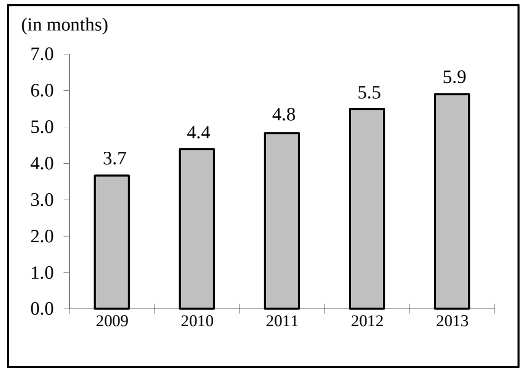
The University of Texas Southwestern Medical Center
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

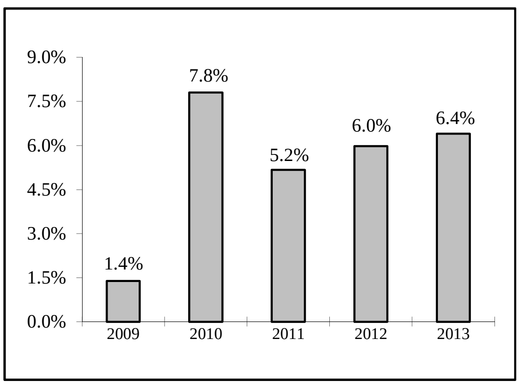
Composite Financial Index



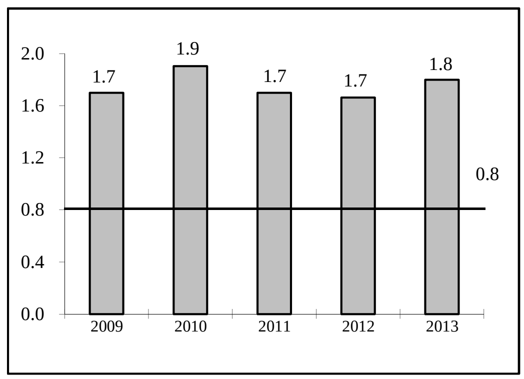
Operating Expense Coverage Ratio



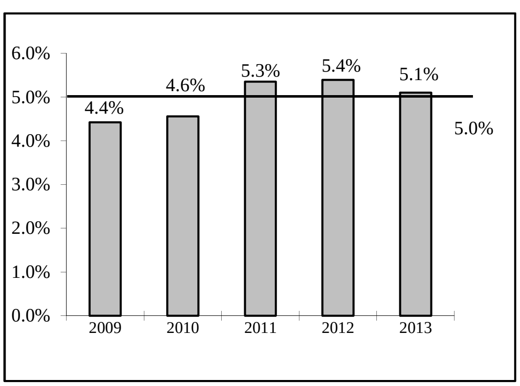
Annual Operating Margin Ratio



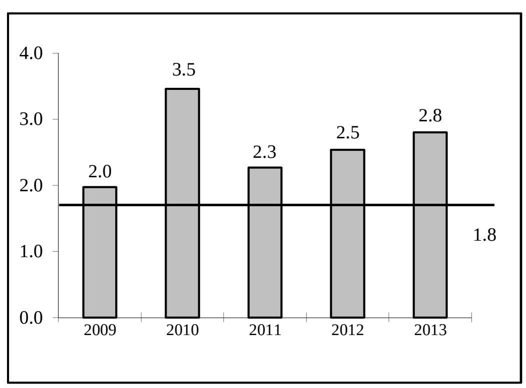
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Southwestern Medical Center
2013 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Southwestern Medical Center's (Southwestern) CFI increased from 5.0 in 2012 to 5.9 in 2013 primarily due to increases in the return on net position and expendable resources to debt ratios. The increase in the return on net position ratio was largely driven by the following: a $121.6 million increase in gifts and sponsored programs for capital acquisitions due to a capital contribution received from Southwestern Medical Foundation in 2013 for construction projects; the net increase in the fair value of investments of $51.8 million in 2013 as compared to a net decrease of $29.4 million in 2012 for a net change between years of $81.2 million; and an improvement in operating performance as discussed in the annual operating margin ratio below. The increase in the expendable resources to debt ratio is also discussed below.

Operating Expense Coverage Ratio - Southwestern's operating expense coverage ratio increased from 5.5 months in 2012 to 5.9 months in 2013 due to a $132.1 million increase in total unrestricted net position, which was partially offset by a $149.9 million increase in total operating expenses (including interest expense). The increase in total unrestricted net position was primarily attributable to an increase of $101.4 million in designated funds due to hospital and practice plan activity as a result of increased volumes in 2013 and an increase of $34.1 million in unrestricted net position in unexpended plant funds for the construction or remodel of the Park Cities Clinic, pathology lab, minor infrastructure projects, the Dean's minor capital projects, various ambulatory meaningful use projects, energy management projects, and IR software development projects. The increase in total operating expenses was primarily due to the following: a $79.0 million increase in salaries and wages and payroll related costs as a result of a 2.5% merit increase for faculty and staff; a $31.6 million increase in materials and supplies mostly due to increased costs for medical supplies, drugs, implants, laboratory supplies, organ acquisitions, computer software and licenses and the purchase of computer equipment not capitalized; a $12.3 million increase in other contracted services primarily attributable to increases in subcontract service contracts, vendor contract labor, reference laboratory, miscellaneous purchased services, blood and marrow services, and transcription services; a $10.9 million increase in professional fees and services as a result of increases in sub-recipient payments, contract labor, other professional services and legal services; and a $9.0 million increase in depreciation and amortization expense associated with equipment and software purchases, building additions and renovations, and the completion of various phases of several major projects.

Annual Operating Margin Ratio - Southwestern's annual operating margin ratio increased from 6.0% for 2012 to 6.4% for 2013 as the growth in total operating revenues of $169.7 million exceeded the growth in total operating expenses of $149.9 million. The increase in total operating revenues was primarily due to the following: a $76.4 million increase in net sales and services of hospitals resulting from a 5% increase in patient days and an increase of 45,206 in outpatient visits; a $34.2 million increase in other operating revenues mainly due to revenue from the Delivery System Reform Incentive Payments (DSRIP) program associated with the Medicaid Section 1115 Demonstration, meaningful use payments, and the Simmons Cancer Center Retail Pharmacy; a $17.8 million increase in sponsored programs revenue (including nonexchange sponsored programs) mostly attributable to increases in the contracts with Parkland Memorial Hospital, Children's Medical Center and the Veteran's Administration, along with an increase in the amount received from the Cancer Prevention and Research Institute of Texas (CPRIT); a $14.1 million increase in net professional fees driven by an increase in patient volumes; a $12.3 million increase in gifts for operations; and an $8.6 million increase in investment income (excluding realized gains and losses). In 2012 Southwestern received a total of $12.8 million in House Bill 4 (HB 4) supplemental funding of which half, or $6.4 million, was intended for use in 2013. Therefore, in order to more appropriately match revenues with expenses, $6.4 million of the HB 4 supplemental appropriation received in 2012 was removed from 2012 revenue and was added to 2013 revenue in this report.

Expendable Resources to Debt Ratio - Southwestern's expendable resources to debt ratio increased from 1.7 in 2012 to 1.8 in 2013. The small increase in this ratio was attributable to the increase in total unrestricted net position, discussed above, and a $21.7 million decrease in the amount of debt outstanding.

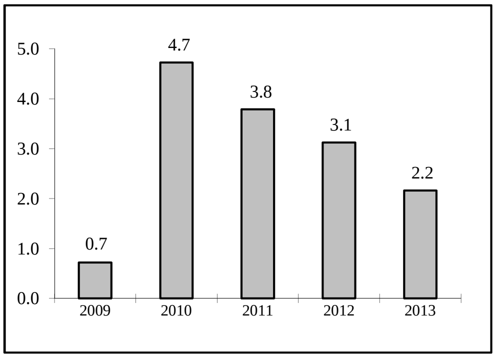
Debt Burden Ratio - Southwestern's debt burden ratio decreased from 5.4% in 2012 to 5.1% in 2013 as a result of the increase in total operating expenses as discussed above.

Debt Service Coverage Ratio - Southwestern's debt service coverage ratio increased from 2.5 in 2012 to 2.8 in 2013. The increase in this ratio was generated by the improvement in operating performance as previously discussed.

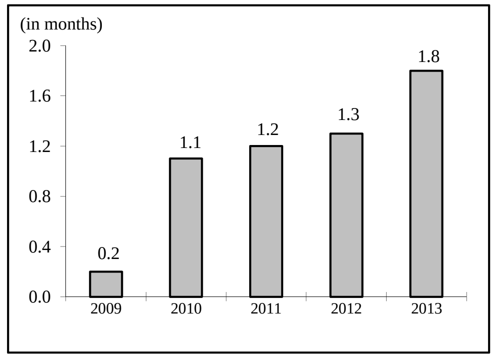
The University of Texas Medical Branch at Galveston
2013 Summary of Financial Condition

Financial Condition: **Watch**

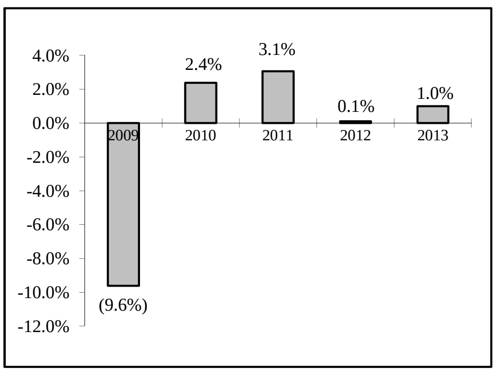
Composite Financial Index



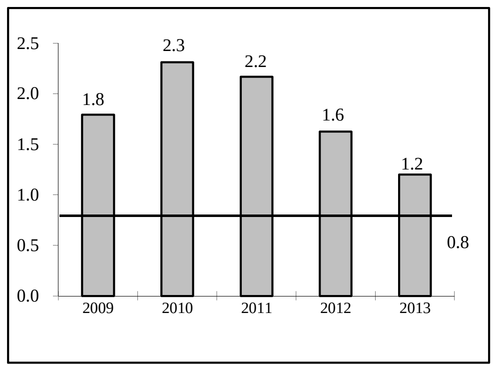
Operating Expense Coverage Ratio



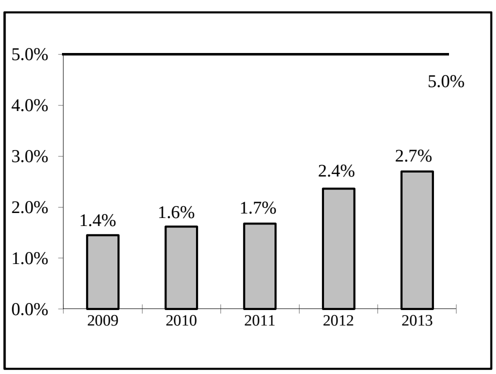
Annual Operating Margin Ratio



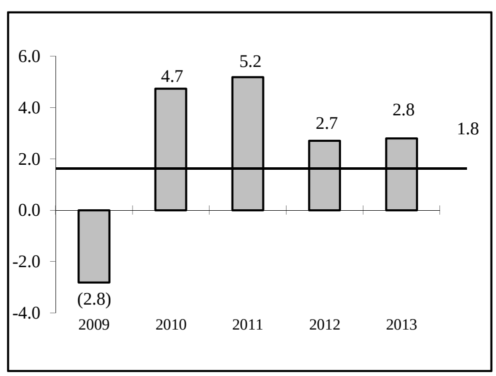
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Medical Branch at Galveston
2013 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Medical Branch - Galveston's (UTMB) CFI decreased from 3.1 in 2012 to 2.2 in 2013 primarily as a result of decreases in the return on net position and expendable resources to debt ratios. The decrease in the return on net position ratio was largely driven by a much smaller change in net position of $58.3 million in 2013 as compared to the change in net position in 2012 of $233.7 million. The smaller change in net position was primarily caused by the increase in anticipated bond proceeds in 2013 related to the Victory Lakes project as opposed to a decrease in anticipated bond proceeds in 2012. The decrease in the expendable resources to debt ratio is discussed below.

Operating Expense Coverage Ratio - UTMB's operating expense coverage ratio increased from 1.3 months in 2012 to 1.8 months in 2013 due to the increase in total unrestricted net position of $79.1 million, which was partially offset by the increase in total operating expenses (including interest expense) of $88.0 million. The increase in total unrestricted net position was primarily attributable to an increase of $77.6 million in the amount of unexpended plant funds classified as unrestricted as a result of the use of a consistent methodology across all U. T. institutions for classifying unexpended plant funds between restricted and unrestricted funds as determined by U. T. System. In prior years UTMB classified all unexpended plant funds as restricted expendable for capital projects. This change was implemented in 2013 with no restatement to prior years as the amounts were not computed consistently until 2013. The increase in total operating expenses was primarily due to the following: a $38.6 million increase in salaries and wages ($26.6 million or 3%) and payroll related costs ($12.0 million or 6%) as a result of salary administration and increases in full-time equivalents (FTEs) primarily within the Hospitals and Clinics; a $17.2 million increase in other contracted services attributable to increases in temporary employment contracts for the newly established international nursing program, temporary nurses and other temporary positions, and Correctional Managed Care (CMC) offsite care; a $10.8 million increase in depreciation and amortization expense resulting from the John Sealy Hospital Modernization project, the Basic Science Building Renovation and infrastructure being placed into service in 2013, along with purchases of clinical equipment, the completion of the financial system software upgrade projects, and an increase in leasehold improvements; a $10.7 million increase in other operating expenses caused by increased expenses associated with students and employee recruitment and non-employee charges, and increased insurance costs; and an increase of $4.2 million in materials and supplies primarily attributable to healthcare related items such as medical implants.

UTMB's operating expenses include those expenses incurred in the delivery of the Texas Department of Criminal Justice (TDCJ) contract. This contract is a cost reimbursement contract and as such is not expected to generate net position. Reviewing UTMB excluding the TDCJ contract expenses of $395.6 million presents a ratio that more clearly reflects UTMB's ability to meet future business obligations. The operating expense coverage ratio excluding the TDCJ contract is 2.4 months, as compared to 1.8 months when included.

Annual Operating Margin Ratio - UTMB's annual operating margin ratio increased from 0.1% for 2012 to 1.0% for 2013 due to the growth in total operating revenues of $102.2 million exceeding the growth in total operating expenses (including interest expense) of $88.0 million. The increase in total operating revenues was primarily driven by the following: a $64.9 million increase in net sales and services of hospitals as a result of an overall increase in rates of 11.4%, an increase in outpatient volumes, and an increase in the case mix index with emphasis on reducing the lag time for coders; a $12.5 million increase in other operating revenues primarily due to revenue from the Delivery System Reform Incentive Payments (DSRIP) program associated with the Medicaid Section 1115 Demonstration; a $4.1 million increase in net professional fees attributable to an overall increase in rates of 12.0% and an emphasis on reducing the lag time for coders; and a $3.7 million increase in net sales and services of educational activities primarily due to new contracts for Automated Office Equipment Leasing and for Fleet Services, combined with higher revenues in the Institute of Translational Services Clinical Research Center and the Early Childhood Intervention project which was new in 2013.

In 2012 UTMB received a total of $19.9 million in House Bill 4 (HB 4) supplemental funding, of which $15.4 million was intended for use in 2013. Therefore, in order to more appropriately match revenues with expenses, $15.4 million of the HB 4 supplemental appropriation received in 2012 was removed from 2012 revenues and was added to 2013 revenues in this report. Additionally, UTMB was appropriated $150.0 million in Federal Emergency Management Agency (FEMA) State Matching funds that were recognized in general revenue in 2009 and were excluded from the Analysis of Financial Condition (AFC) until the funds were available for operating activities. Since 2009 UTMB's revenues have been adjusted annually for the amount of FEMA State Matching funds spent on operating expenses. UTMB recognized $33.8 million of the FEMA State Matching funds in 2013.

Expendable Resources to Debt Ratio - UTMB's expendable resources to debt ratio decreased from 1.6 in 2012 to 1.2 in 2013. The decrease in this ratio was attributable to the decrease in total restricted expendable net position (excluding restricted expendable for capital projects) and the increase in the amount of debt outstanding. The decrease in total restricted expendable net position was primarily due to the change in the classification of unexpended plant funds between restricted and unrestricted net position in 2013 with no restatement to prior years, as discussed previously. The increase of $17.2 million in the amount of debt outstanding was related to Victory Lakes Specialty Care Center Expansion and campus infrastructure at Victory Lakes.

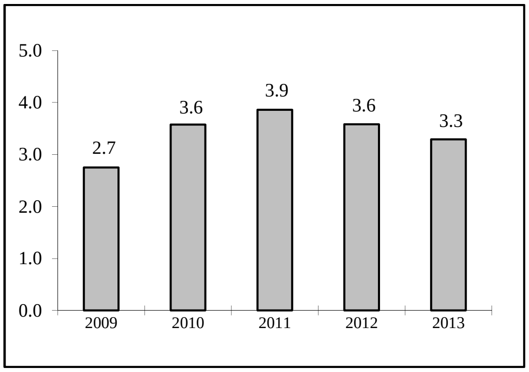
Debt Burden Ratio - UTMB's debt burden ratio increased from 2.4% in 2012 to 2.7% in 2013 as a result of an $8.1 million increase in debt service payments.

Debt Service Coverage Ratio - UTMB's debt service coverage ratio increased from 2.7 in 2012 to 2.8 in 2013. The increase in this ratio was due to the improvement in operating performance as discussed above.

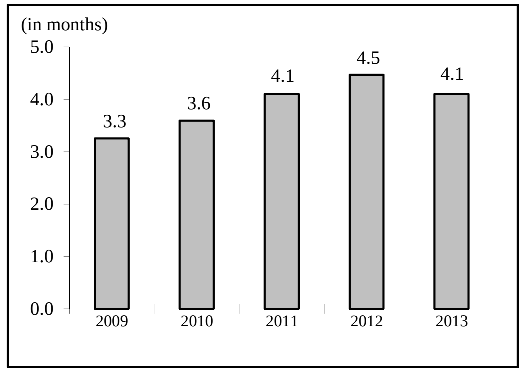
The University of Texas Health Science Center at Houston
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

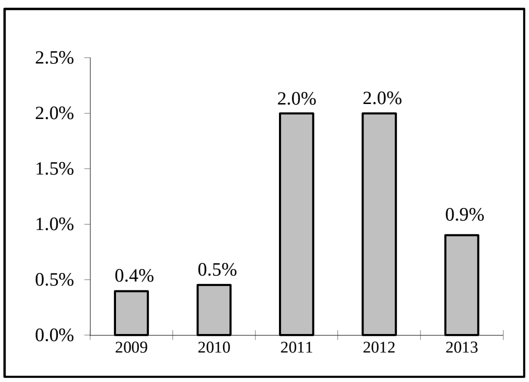
Composite Financial Index



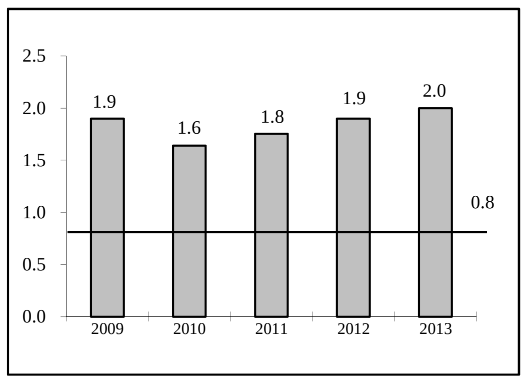
Operating Expense Coverage Ratio



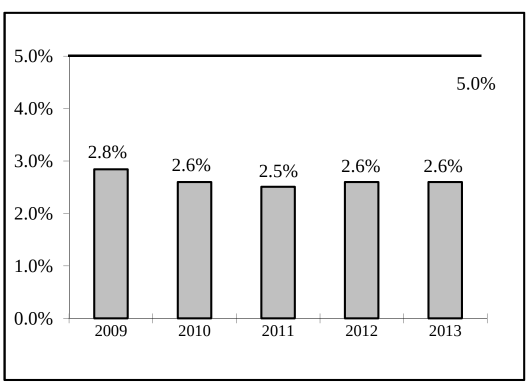
Annual Operating Margin Ratio



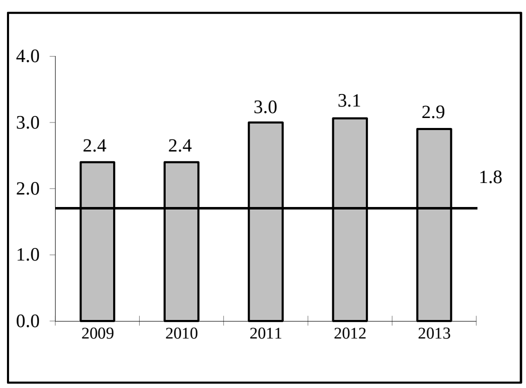
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Houston
2013 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - Houston's (UTHSC-Houston) CFI decreased from 3.6 in 2012 to 3.3 in 2013 as a result of decreases in the primary reserve, annual operating margin and return on net position ratios. The decrease in the primary reserve ratio was primarily driven by the $106.5 million increase in total operating expenses (including interest expense) as discussed below. The decrease in the return on net position ratio was the result of a smaller change in net position of $13.7 million in 2013 as compared to the change in net position of $30.8 million in 2012. The smaller change in net position in 2013 was primarily caused by UTHSC-Houston receiving $24.1 million in House Bill 4 (HB 4) supplemental funding during 2012 for use during the biennium. The decline in the annual operating margin ratio is discussed below.

Operating Expense Coverage Ratio - UTHSC-Houston's operating expense coverage ratio decreased from 4.5 months in 2012 to 4.1 months in 2013 due to an increase in total operating expenses (including interest expense) of $106.5 million. The increase in total operating expenses was primarily attributable to the expansion of the clinic operations. UTHSC-Houston added 17 new clinics in 2013 and as a result added 119 additional faculty/physicians and 420 staff. This growth was the primary driver of the following: an $81.3 million increase in salaries and wages and payroll related cost, a $2.6 million increase in other contracted services, a $2.6 million increase in rentals and leases, a $2.1 million increase in materials and supplies, and a $1.8 million increase in professional fees and services primarily attributable to an increase in the billing and collection costs of professional fees in the physician practice plan. In addition, UTHSC-Houston had a $9.2 million increase in depreciation and amortization expense primarily due to the recognition of a full year of depreciation on the School of Dentistry building which opened late in 2012 and the recognition of a full year of amortization on the SIS software purchased in 2012, as well as depreciation on new equipment purchased; an $8.6 million increase in other operating expenses primarily related to more detailed reporting of the U. T. System Medical Foundation which converted to PeopleSoft in 2013 allowing for more accurate financial reporting; a $1.5 million increase in interest expense; a $1.4 million increase in scholarships and fellowships as a result of more scholarships in 2013; and a $1.0 million increase in printing and reproduction costs associated with sponsored programs in order to supply classrooms with materials in compliance with funding requirements. These increases in expenses were partially offset by a $6.2 million decrease in cost of goods sold due to provider issues and a lower volume of sales in the Hemophilia/Thrombophilia Pharmacy Program.

Annual Operating Margin Ratio - UTHSC-Houston's annual operating margin ratio decreased from 2.0% for 2012 to 0.9% for 2013 as the growth in total operating revenues of $95.5 million lagged behind the growth in total operating expenses of $106.5 million. The increase in total operating revenues was primarily attributable to the expansion of clinic operations as described above. This growth was the primary driver of the following: a $37.4 million increase in net professional fees, including the receipt of uncompensated care payments associated with the Medicaid Section 1115 Demonstration; a $34.1 million increase in sponsored programs revenue (including nonexchange sponsored programs) due to increased contractual amounts with Memorial Hermann Hospital and Harris County Hospital District; and $15.9 million in new other operating revenues generated by revenue from the Delivery System Reform Incentive Payments (DSRIP) associated with the Medicaid Section 1115 Demonstration. In addition to the expansion of clinic operations UTHSC-Houston had a $2.9 million increase in gifts for operations; a $2.4 million increase in net sales and services of educational activities primarily attributable to increased revenue from other U. T. institutions for various restricted contracts, including increased support from M. D. Anderson for student stipends, personnel and operating expenses for the joint operation of the Graduate School of Biomedical Sciences; a $1.8 million increase in investment income (excluding realized gains and losses); and a $1.6 million increase in auxiliary enterprises revenue resulting from the addition of a new parking lot at the School of Dentistry in 2013, an increase in memberships at the recreational center and a 3% increase in student housing rates. In 2012 UTHSC-Houston received a total of $24.1 million in HB 4 supplemental funding of which $11.1 million was intended for use in 2013. Therefore, in order to more appropriately match revenues with expenses, $11.1 million of the HB 4 supplemental appropriation received in 2012 was removed from 2012 revenues and was added to 2013 revenues in this report.

Expendable Resources to Debt Ratio - UTHSC-Houston's expendable resources to debt ratio increased from 1.9 in 2012 to 2.0 in 2013. The increase in this ratio was due to growth in both total unrestricted net position of $9.9 million and total restricted expendable net position (excluding expendable for capital projects) of $11.5 million, as well as a decrease of $10.2 million in the amount of debt outstanding. The increase in total unrestricted net position was largely driven by the net increase in the fair value of investments allocated to designated funds. The increase in total restricted expendable net position (excluding expendable for capital projects) was primarily due to an increase in funds functioning as endowments-restricted.

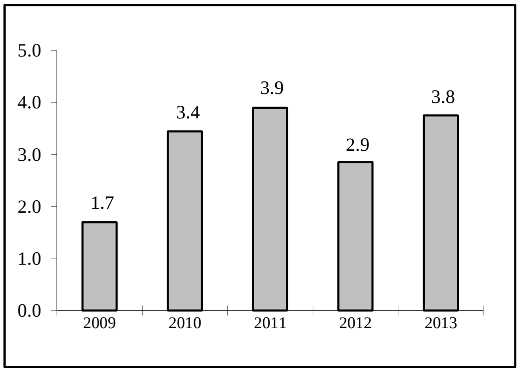
Debt Burden Ratio - UTHSC-Houston's debt burden ratio remained unchanged at 2.6% in 2013. The stability of this ratio was a result of an increase of $2.1 million in debt service payments offset by the increase in total operating expenses previously discussed.

Debt Service Coverage Ratio - UTHSC-Houston's debt service coverage ratio decreased from 3.1 in 2012 to 2.9 in 2013 due to the decline in operating performance, discussed above, and the increase in debt service payments.

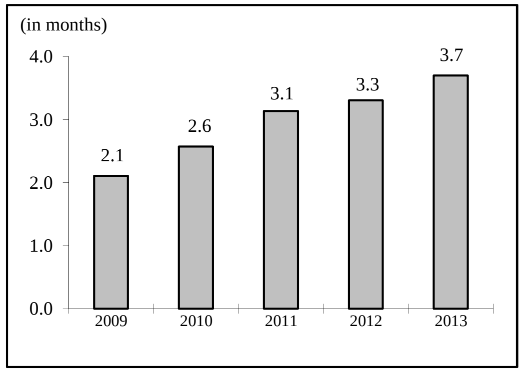
The University of Texas Health Science Center at San Antonio
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

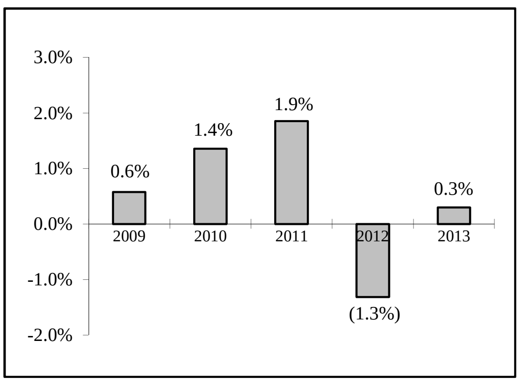
Composite Financial Index



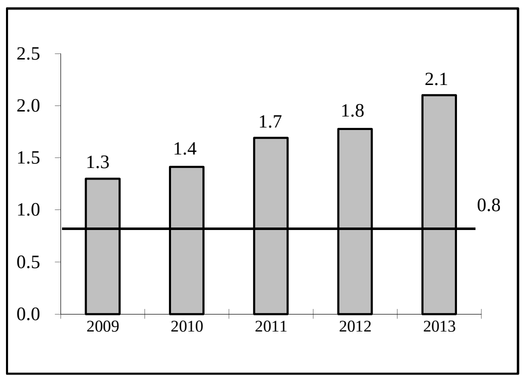
Operating Expense Coverage Ratio



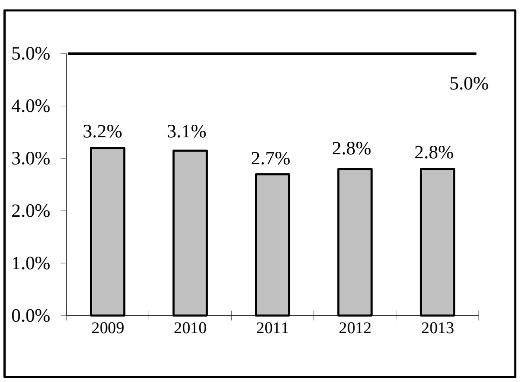
Annual Operating Margin Ratio



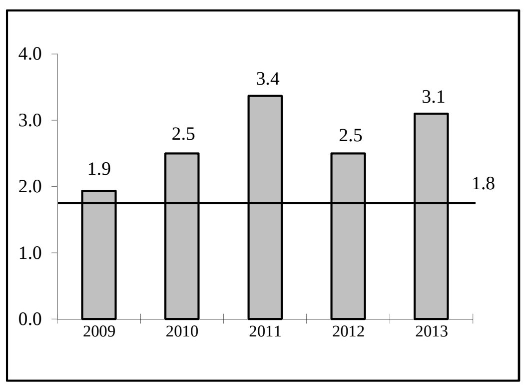
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at San Antonio
2013 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - San Antonio's (UTHSC-San Antonio) CFI increased from 2.9 in 2012 to 3.8 in 2013 as a result of increases in all four core ratios. The increase in the return on net position ratio was largely driven by the net increase in the fair value of investments of $20.1 million in 2013 as compared to a net decrease of $8.4 million in 2012, combined with an increase in bond proceeds transferred to UTHSC-San Antonio for capital projects. The increase in the primary reserve ratio was attributable to the growth in total expendable net position (both restricted, excluding restricted for capital projects, and unrestricted net position) while total operating expenses remained flat from 2012. The increases in the expendable resources to debt ratio and the annual operating margin ratio are discussed below.

Operating Expense Coverage Ratio - UTHSC-San Antonio's operating expense coverage ratio increased from 3.3 months in 2012 to 3.7 months in 2013 due to a $22.2 million increase in total unrestricted net position. The increase in total unrestricted net position was primarily attributable to operating activity in designated funds, including the recognition of Delivery System Reform Incentive Payment (DSRIP) program receipts in 2013 ($15.2 million) associated with the Medicaid Section 1115 Demonstration, as well as the net increase in the fair value of investments allocated to unrestricted funds ($3.1 million), planned cost containment, and efficiency measures implemented by the schools and administrative units.

Annual Operating Margin Ratio - UTHSC-San Antonio's annual operating margin ratio improved from (1.3%) for 2012 to 0.3% for 2013 as a result of growth in total operating revenues of $12.3 million and minimal growth in total operating expenses (including interest expense) of only $0.2 million. The increase in total operating revenues was primarily due to the following: an $11.9 million increase in other operating revenues due to the recognition of $15.2 million of DSRIP program receipts; an $8.9 million increase in local sponsored programs of which $3.8 million was associated with increases in clinical contracts in the physician practice plan; a $7.8 million increase in gifts for operations attributable to pledged gifts associated with the Cancer Therapy and Research Center (CTRC) Foundation along with the receipt of a large gift from the Greehey family; a $1.7 million increase in tuition and fees as a result of slight enrollment growth and rate increases previously approved by the U. T. System Board of Regents; and a $1.2 million increase in investment income. These increases in revenues were partially offset by decreases in the following: a $9.7 million decrease in federal sponsored programs revenue due to budget reductions at the national level; and a $7.7 million decrease in private sponsored programs associated with clinical trial activities. UTHSC-San Antonio's overall operations were impacted by a $6.2 million combined decrease in professional fees and local sponsored programs resulting from the loss of funding from Christus Santa Rosa due to the transition of the pediatrics program to other local hospital partners. Improvements in other clinical areas helped to absorb the pediatric losses.

In 2011, UTHSC-San Antonio received $8.0 million in House Bill 4 (HB 4) supplemental appropriations; $4.0 million of this HB 4 supplemental funding was intended for 2012 operations and $4.0 million was intended for 2013 operations. In 2012, UTHSC-San Antonio received additional HB 4 supplemental funding of $14.8 million of which half was intended for 2013. In order to more appropriately match revenues with expenses, the entire $8.0 million of the HB 4 supplemental appropriation received in 2011 was removed from 2011 revenues and $4.0 million was added to 2012 revenues and the remaining $4.0 million was added to 2013 revenues in this report. The $7.4 million of the HB 4 supplemental appropriations received in 2012 was removed from 2012 revenues and was added to 2013 revenues in this report. The total addition to 2013 revenues for the HB 4 supplemental funding received in 2011 and 2012 was $11.4 million.

Expendable Resources to Debt Ratio - UTHSC-San Antonio's expendable resources to debt ratio increased from 1.8 in 2012 to 2.1 in 2013. The increase in this ratio was attributable to increases in both total unrestricted net position of $22.2 million, as previously discussed, and total restricted expendable net position (excluding expendable for capital projects) of $21.6 million. The growth in total restricted expendable net position (excluding expendable for capital projects) was primarily due to the net increase in the fair value of investments in the endowment funds. A decrease of $11.1 million in the amount of debt outstanding also contributed to the increase in this ratio.

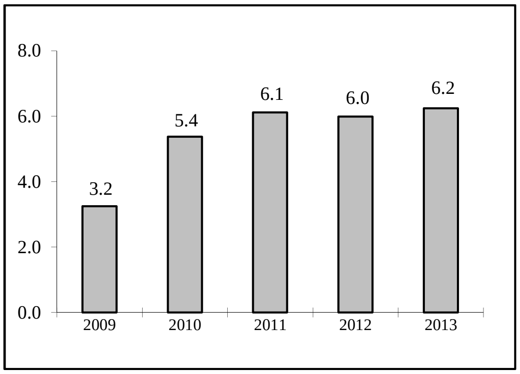
Debt Burden Ratio - UTHSC-San Antonio's debt burden ratio remained unchanged at 2.8% in 2013. The stability of this ratio was a result of the minimal changes in both total operating expenses and debt service payments.

Debt Service Coverage Ratio - UTHSC-San Antonio's debt service coverage ratio increased from 2.5 in 2012 to 3.1 in 2013. The increase in this ratio was generated by the improvement in operating performance as discussed above.

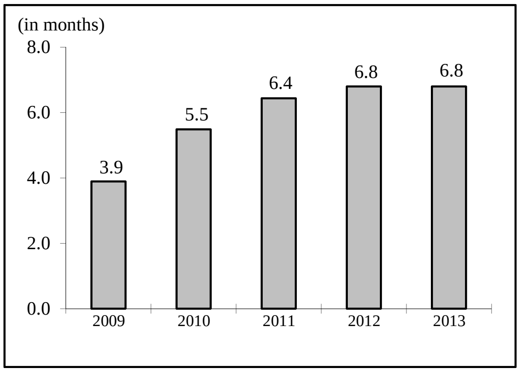
The University of Texas M. D. Anderson Cancer Center
2013 Summary of Financial Condition

Financial Condition: **Satisfactory**

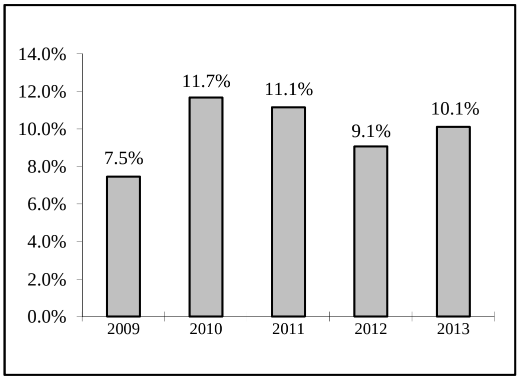
Composite Financial Index



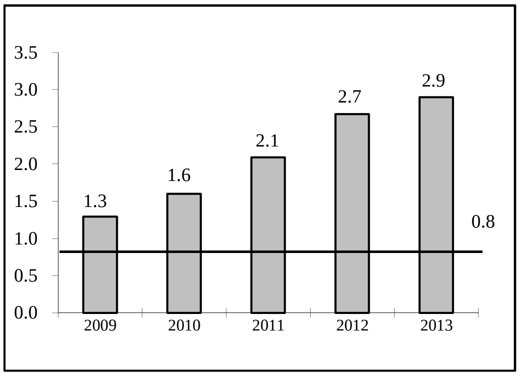
Operating Expense Coverage Ratio



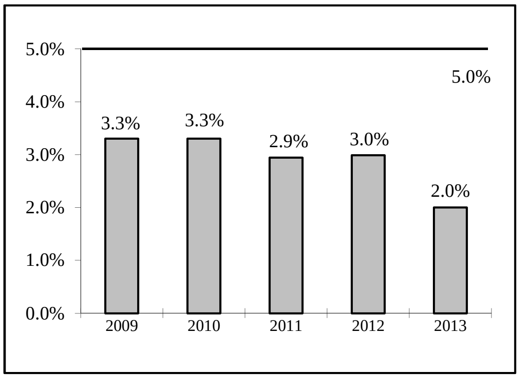
Annual Operating Margin Ratio



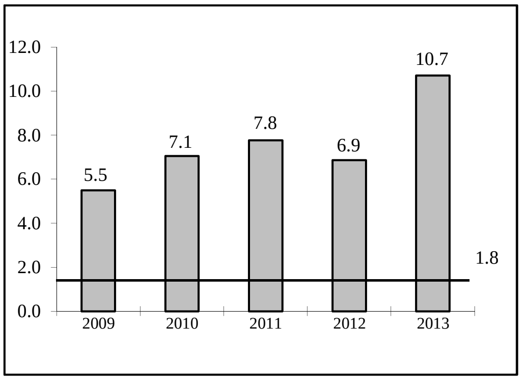
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas M. D. Anderson Cancer Center
2013 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. M. D. Anderson Cancer Center's (M. D. Anderson) CFI increased from 6.0 in 2012 to 6.2 in 2013 primarily as a result of an increase in the expendable resources to debt ratio as discussed below.

Operating Expense Coverage Ratio - M. D. Anderson's operating expense coverage ratio remained unchanged at 6.8 months in 2013. The stability of this ratio was attributable to the growth in total unrestricted net position of $148.5 million and the growth in total operating expenses (including interest expense) of $255.0 million. The increase in total unrestricted net position was largely driven by continued strong operating performance in both hospital and clinic operations combined with the net increase in the fair value of investments allocated to unrestricted funds. The increase in total operating expenses was primarily due to the following: a $174.8 million increase in salaries and wages and payroll related costs resulting from an increase in faculty, merit increases, and market and equity adjustments; a $26.3 million increase in professional fees and services mostly attributable to increased consulting services for the PeopleSoft conversion, Artificial Oncology Intelligence Project, and ICD-10 Implementation Program, increased professional services for the Moon Shot Program and Regional Care Center expansion, and increased professional fees for the Application Service Provider agreements and materials managed services; a $23.0 million increase in materials and supplies primarily due to increased pharmaceutical purchases to support increased patient census; a $13.8 million increase in other contracted services resulting from increased temporary personnel expenses for the Laptop Encryption project and Nursing service, advertising expenses, patient care research and transcription expenses, parking expenses and expenses for external communications/public relations; a $9.3 million increase in depreciation and amortization expense due to the recognition of a full year of depreciation expense on buildings that were placed into service in 2012, as well as the Alkek expansion, the South Campus Research Building Phase 3 and the ERP Project that were placed into service in 2013; and a $7.3 million increase in repairs and maintenance primarily attributable to the maintenance and repairs of buildings in the patient care facilities and research/educational space and the software licenses for Oracle/PeopleSoft.

Annual Operating Margin Ratio - M. D. Anderson's annual operating margin ratio increased from 9.1% for 2012 to 10.1% for 2013 as the growth in total operating revenues of $328.4 million exceeded the growth in total operating expenses of $255.0 million. The increase in total operating revenues was primarily due to the following: a $197.4 million increase in net sales and services of hospitals due to increased patient volumes and fee increases; a $98.4 million increase in gift contributions for operations due primarily to a $49.0 million gift received in June; a $22.7 million increase in net professional fees as a result of an overall increase in patient activity and volumes; a $19.3 million increase in other operating revenues generated from payments received from the Meaningful Use Incentive Program, increased revenue from the Cancer Network consulting agreements and the Proton Therapy Center, property management revenue from El Rio tenants, increased revenue from the Physician's Network/Services Corporation, increased international patient revenue and program income for the Radiation Physics Research and a $2.1 million increase in the recognition of Delivery System Reform Incentive Payment (DSRIP) program receipts associated with the Medicaid Section 1115 Demonstration; a $4.9 million increase in investment income (excluding realized gains and losses); and a $3.7 million increase in auxiliary enterprises revenue attributable to increased parking revenue and food and beverage sales as a result of increased occupancy in Braeswood, Pressler and Mid Campus Building I, as well as increased hotel revenue due to higher guest occupancy at the Rotary House. These increases in revenues were partially offset by a decrease in sponsored programs revenue (including nonexchange sponsored programs) of $19.7 million mostly due to the ending of the American Recovery and Reinvestment Act (ARRA) funding. In 2012 M. D. Anderson received a total of $17.4 million in House Bill 4 (HB 4) supplemental funding of which half or $8.7 million was intended for use in 2013. Therefore, in order to more appropriately match revenues with expenses, $8.7 million of the HB 4 supplemental appropriation received in 2012 was removed from 2012 revenues and added to 2013 revenues in this report.

Expendable Resources to Debt Ratio - M. D. Anderson's expendable resources to debt ratio increased from 2.7 in 2012 to 2.9 in 2013. The increase in this ratio was primarily attributable to the growth in total unrestricted net position of $148.5 million as discussed above.

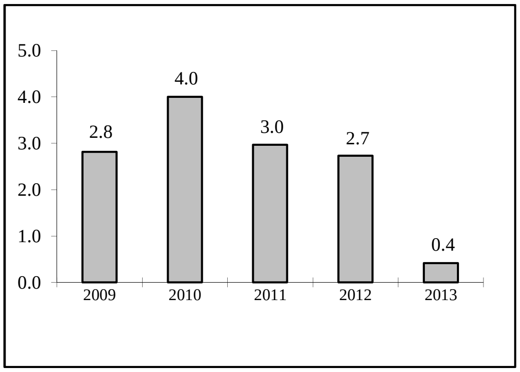
Debt Burden Ratio - M. D. Anderson's debt burden ratio decreased from 3.0% in 2012 to 2.0% in 2013 as a result of a decrease in debt service payments of $26.6 million and the increase in total operating expenses as previously mentioned.

Debt Service Coverage Ratio - M. D. Anderson's debt service coverage ratio increased significantly from 6.9 in 2012 to 10.7 in 2013. The sizeable increase in this ratio was generated by the improvement in operating performance combined with the decrease in debt service payments.

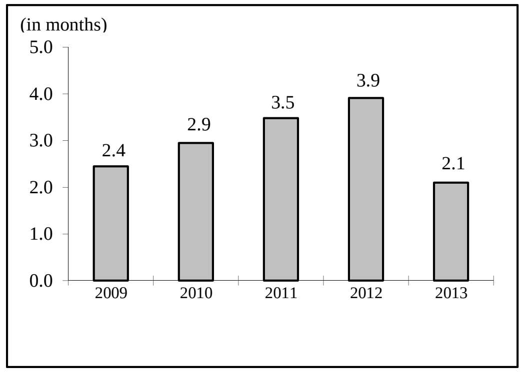
The University of Texas Health Science Center at Tyler
2013 Summary of Financial Condition

Financial Condition: **Watch**

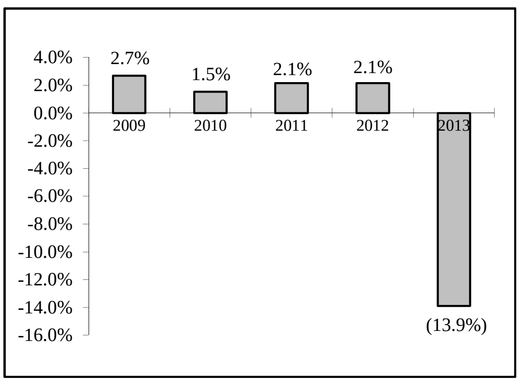
Composite Financial Index



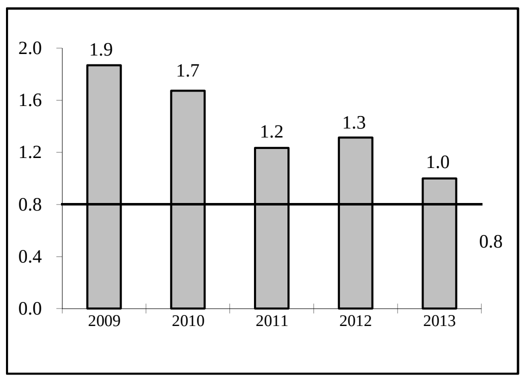
Operating Expense Coverage Ratio



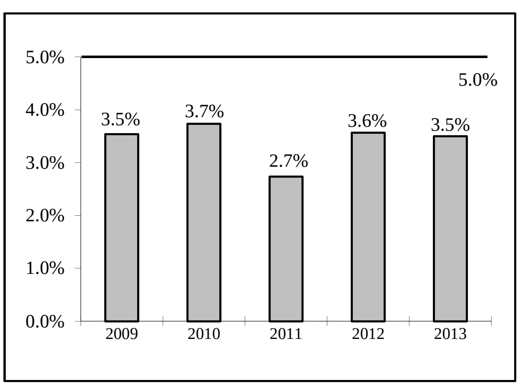
Annual Operating Margin Ratio



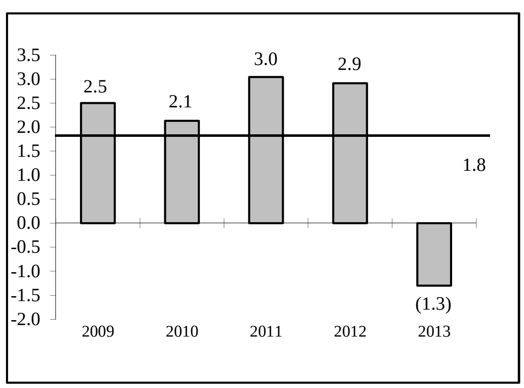
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Tyler
2013 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - Tyler's (UTHSC-Tyler) CFI decreased from 2.7 in 2012 to 0.4 in 2013 as a result of decreases in all four core ratios. The decreases in the annual operating margin ratio and the expendable resources to debt ratio are discussed below. The decrease in the return on net position was largely driven by the reduction in operating performance in 2013. The decrease in the primary reserve ratio resulted from both the decrease in total unrestricted net position and the increase in total operating expenses.

Operating Expense Coverage Ratio - UTHSC-Tyler's operating expense coverage ratio decreased from 3.9 months in 2012 to 2.1 months in 2013 due to a decrease of $15.7 million in total unrestricted net position and an increase in total operating expenses (including interest expense) of $15.6 million. The decrease in total unrestricted net position was primarily attributable to the decline in operating performance in current unrestricted funds including a $9.0 million decrease in state appropriations as all of the House Bill 4 (HB 4) supplemental funding was recognized in 2012. The increase in total operating expenses was mostly due to the following: an $8.0 million increase in salaries and wages and payroll related costs as a result of the addition of new specialty physicians related to the medical and academic program expansion and new employees hired for various Delivery System Reform Incentive Payment (DSRIP) projects associated with the Medicaid Section 1115 Demonstration and the Good Shepherd Medical Center Internal Medicine Residency Training Program contract; a $2.0 million increase in materials and supplies attributable to the new Rusk State Hospital contract, supplies and equipment related to various DSRIP projects, the purchase of supplies and non-capitalized equipment for the new allergy clinic in Longview and for the upper floors of the Academic Center; a $2.0 million increase in other contracted services resulting from a contract with Integrated Solutions for personnel to provide care for behavioral health residential patients related to the new Rusk State Hospital contract; a $1.3 million increase in repairs and maintenance due to increased maintenance contracts on various radiology equipment, including two Varian systems, as well as information technology contracts including Oracle and Presidio; a $1.0 million increase in professional fees and services caused by an increase in temporary nursing services, and an increase in consultants for software implementation; and a $0.9 million increase in other operating expenses resulting from a new promotional advertising campaign in 2013.

Annual Operating Margin Ratio - UTHSC-Tyler's annual operating margin ratio decreased substantially from 2.1% for 2012 to (13.9%) for 2013 as a result of the increase in total operating expenses of $15.6 million combined with a decrease in total operating revenues of $3.7 million. The decrease in total operating revenues was primarily due to the following: a $9.0 million decrease in state appropriations as UTHSC-Tyler recognized all of the House Bill 4 (HB 4) supplemental funding in 2012; a $1.0 million decrease in net professional fees attributable to an increase in bad debt reserves due to a transitioning of self-pay accounts from an outside third party contractor to in-house operations; and a $0.8 million decrease in net sales and services of hospitals attributable to a Medicare reserve recommended by Deloitte & Touche in their audit of the 2012 financial statements. These decreases in revenues were partially offset by the following: a $6.1 million increase in other operating revenues generated by the initial anchor payments for the Medicaid Section 1115 Demonstration; and a $1.1 million increase in sponsored programs revenue primarily as a result of an increase in the Good Shepherd Medical Center Internal Medicine Residency Training Program medical residents contract.

Expendable Resources to Debt Ratio - UTHSC-Tyler's expendable resources to debt ratio decreased from 1.3 in 2012 to 1.0 in 2013. The decrease in this ratio was due to the decrease in total unrestricted net position previously discussed.

Debt Burden Ratio - UTHSC-Tyler's debt burden ratio decreased slightly from 3.6% in 2012 to 3.5% in 2013 as a result of the increase in total operating expenses as discussed above.

Debt Service Coverage Ratio -UTHSC-Tyler's debt service coverage ratio declined significantly from 2.9 in 2012 to (1.3) in 2013. The decrease in this ratio was caused by the decline in operating performance as discussed in the annual operating margin ratio above.

Appendix A - Definitions of Evaluation Factors

1. **Composite Financial Index (CFI)** – The CFI measures the overall financial health of an institution by combining four core ratios into a single score. The four core ratios used to compute the CFI are as follows: primary reserve ratio, expendable resources to debt ratio, return on net position ratio, and annual operating margin ratio.

Core Ratio Values		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	/	0.133	=	Strength Factor	x	35.0%	=	Score
Annual Operating Margin	/	1.3%	=	Strength Factor	x	10.0%	=	Score
Return on Net Position	/	2.0%	=	Strength Factor	x	20.0%	=	Score
Expendable Resources to Debt	/	0.417	=	Strength Factor	x	35.0%	=	Score
						CFI	=	Total Score

2. **Operating Expense Coverage Ratio** – This ratio measures an institution's ability to cover future operating expenses with available year-end balances. This ratio is expressed in number of months coverage.

$$\frac{\text{Total Unrestricted Net Position}}{\text{Total Operating Expenses + Interest Expense on Debt}} * 12$$

3. **Annual Operating Margin Ratio** – This ratio indicates whether an institution is living within its available resources.

$$\frac{\text{Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+RAHC\&AUF Trans+/-TX Ent Fund+NSERB Appr+HEAF for Op Exp+/-UTMB Ike+/-TRIP+HB4–Op \& Int Exp}}{\text{Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+RAHC\&AUF Trans+/-TX Ent Fund+NSERB Approp+HEAF for Op Exp+/-UTMB Ike+/-TRIP+HB4}}$$

4. **Expendable Resources to Debt Ratio** – This ratio measures an institution's ability to fund outstanding debt with existing net position balances should an emergency occur. Debt capacity thresholds are provided by the Office of Finance and are based on formulas used by Moody's Investors Service. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. According to *Strategic Financial Analysis for Higher Education*, Seventh Edition, the amount of restricted expendable net position that will be invested in plant should be excluded in the calculation of this ratio. Therefore, beginning in 2013 the amount of restricted expendable for capital projects is excluded from the numerator. The minimum expendable resources to debt ratio is 0.8 times.

$$\frac{\text{Restricted Expendable Net Position (excluding expendable for capital projects) + Unrestricted Net Position}}{\text{Debt not on Institution's Books}}$$

5. **Debt Burden Ratio** – This ratio examines the institution's dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses. Debt capacity thresholds are provided by the Office of Finance and are based on formulas used by Moody's Investors Service. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. The maximum debt burden ratio is 5.0%.

$$\frac{\text{Debt Service Transfers}}{\text{Operating Exp. (excluding Scholarships Exp.) + Interest Exp.}}$$

Appendix A - Definitions of Evaluation Factors (Continued)

6. **Debt Service Coverage Ratio** – This ratio measures the actual margin of protection provided to investors by annual operations. Moody's excludes actual investment income from its calculation of total operating revenue and instead uses a normalized investment income. Moody's applies 5% of the average of the previous three years' market value of cash and investments to compute normalized investment income. In order to be consistent with the Office of Finance's calculation of the debt service coverage ratio, normalized investment income as defined above is used for the calculation of this ratio only. Debt capacity thresholds are provided by the Office of Finance and are based on formulas used by Moody's Investors Service. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. The minimum debt service coverage ratio is 1.8 times.

$$\frac{\text{Op Rev+GR+Op Gifts+NonexchSP+Norm Inv Inc+RAHC\&AUF Trans+/-TX Ent Fund+NSERB+Total HEAF+/-UTMB Ike+/-TRIP+HB4–Op Exp+Depr}}{\text{Debt Service Transfers}}$$

7. **Primary Reserve Ratio** - This ratio measures the financial strength of an institution by comparing expendable net position to total expenses. This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net position generated by operations. According to *Strategic Financial Analysis for Higher Education*, Seventh Edition, the amount of restricted expendable net position that will be invested in plant should be excluded in the calculation of this ratio. Therefore, beginning in 2013 the amount of restricted expendable for capital projects is excluded from the numerator.

$$\frac{\text{Expendable Net Position (excluding expendable for capital projects) + Unrestricted Net Position}}{\text{Total Operating Expenses + Interest Expense on Debt}}$$

8. **Return on Net Position Ratio –** This ratio determines whether the institution is financially better off than in previous years by measuring total economic return. An improving trend indicates that the institution is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility.

$$\frac{\text{Change in Net Position (Adjusted for Change in Debt not on Institution's Books)}}{\text{Beginning Net Position – Debt not on Institution's Books}}$$

9. **Full-Time Equivalent (FTE) Student Enrollment** - Total semester credit hours taken by students during the fall semester, divided by factors of 15 for undergraduate students, 12 for graduate and special professional students, and 9 for doctoral students to arrive at the full-time equivalent (FTE) students represented by the course hours taken.

Appendix A - Definitions of Evaluation Factors (Continued)

The categories, which are utilized to indicate the assessment of an institution's financial condition, are "Satisfactory," "Watch," and "Unsatisfactory." In most cases the rating is based upon the trends of the financial ratios unless isolated financial difficulties in particular areas are material enough to threaten the overall financial results.

Satisfactory – an institution assigned this assessment exhibits a general history of relatively stable or increasing financial ratios. The CFI remains relatively stable within the trend period. However, the CFI can fluctuate depending upon the underlying factors contributing to the fluctuation with respect to the overall mission of an institution. The CFI must be analyzed in conjunction with the trends in the other ratios analyzed. The operating expense coverage ratio should be at or above a two-month benchmark and should be stable or improving. The annual operating margin ratio could be both positive and negative during the trend period due to nonrecurring items. Some of these items include unexpected reductions in external sources of income, such as state appropriations, gifts and investment income, all of which are unpredictable and subject to economic conditions. The Office of Finance uses the expendable resources to debt ratio, debt burden ratio, and debt service coverage ratio, which are the same ratios the bond rating agencies calculate for U. T. System. Trends in these ratios can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. In general, an institution's expendable resources to debt and debt service coverage ratios should exceed the Office of Finance's standards of 0.8 times and 1.8 times, respectively, while the debt burden ratio should fall below the Office of Finance's standard of 5.0%. Full-time equivalent (FTE) student enrollment must be relatively stable or increasing. Isolated financial difficulties in particular areas may be evident, but must not be material enough to threaten the overall financial health of an institution.

Watch – an institution assigned this assessment exhibits a history of relatively unstable or declining financial ratios. The CFI is less stable and/or the fluctuations are not expected given the mission of an institution. The operating expense coverage ratio can be at or above a two-month benchmark, but typically shows a declining trend. Annual operating margin ratio is negative or near break-even during the trend period due to recurring items, material operating difficulties or uncertainties caused by either internal management decisions or external factors. Trends in the expendable resources to debt ratio, debt burden ratio, and debt service coverage ratio can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. FTE student enrollment can be stable or declining, depending upon competitive alternatives or recruitment and retention efforts. Isolated financial difficulties in particular areas may be evident and can be material enough to threaten the overall financial health of an institution.

Unsatisfactory – an institution assigned this assessment exhibits a history of relatively unstable financial ratios. The CFI is very volatile and does not support the mission of an institution. The operating expense coverage ratio may be below a two-month benchmark and shows a declining trend. The annual operating margin ratio is predominately volatile or negative during the trend period due to material operating difficulties or uncertainties caused by either internal management decisions or external factors. Trends in the expendable resources to debt ratio, debt burden ratio, and debt service coverage ratio can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. The FTE student enrollment can be stable or declining, depending upon competitive alternatives or recruitment and retention efforts. Widespread financial difficulties in key areas are evident and are material enough to further threaten the overall financial health of an institution. For institutions rated "Unsatisfactory," the Chancellor and the appropriate Executive Vice Chancellors will request the institutions to develop a specific financial plan of action to improve the institution's financial condition. By policy, institutions rated "Unsatisfactory" are not permitted to invest in the Intermediate Term Fund. Progress towards the achievement of the plans will be periodically discussed with the Chief Business Officer and President, and representatives from the U. T. System Offices of Business, Academic, and/or Health Affairs, as appropriate.

Appendix B - Calculation of Composite Financial Index
Academic Institutions
As of August 31, 2013

U. T. Arlington

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.50	/	0.133	=	3.76	x	35.0%	=	1.32
Annual Operating Margin	4.10%	/	1.3%	=	3.15	x	10.0%	=	0.32
Return on Net Position	6.70%	/	2.0%	=	3.35	x	20.0%	=	0.67
Expendable Resources to Debt	0.80	/	0.417	=	1.92	x	35.0%	=	0.67
							CFI		3.0

U. T. Austin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	1.10	/	0.133	=	8.27	x	35.0%	=	2.89
Annual Operating Margin	0.80%	/	1.3%	=	0.62	x	10.0%	=	0.06
Return on Net Position	4.50%	/	2.0%	=	2.25	x	20.0%	=	0.45
Expendable Resources to Debt	2.40	/	0.417	=	5.76	x	35.0%	=	2.01
							CFI		5.4

U. T. Brownsville

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.30	/	0.133	=	2.26	x	35.0%	=	0.79
Annual Operating Margin	1.40%	/	1.3%	=	1.08	x	10.0%	=	0.11
Return on Net Position	7.70%	/	2.0%	=	3.85	x	20.0%	=	0.77
Expendable Resources to Debt	0.90	/	0.417	=	2.16	x	35.0%	=	0.76
							CFI		2.4

U. T. Dallas

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.70	/	0.133	=	5.26	x	35.0%	=	1.84
Annual Operating Margin	0.60%	/	1.3%	=	0.46	x	10.0%	=	0.05
Return on Net Position	6.70%	/	2.0%	=	3.35	x	20.0%	=	0.67
Expendable Resources to Debt	0.70	/	0.417	=	1.68	x	35.0%	=	0.59
							CFI		3.1

U. T. El Paso

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.50	/	0.133	=	3.76	x	35.0%	=	1.32
Annual Operating Margin	-2.20%	/	1.3%	=	-1.69	x	10.0%	=	-0.17
Return on Net Position	3.60%	/	2.0%	=	1.80	x	20.0%	=	0.36
Expendable Resources to Debt	0.90	/	0.417	=	2.16	x	35.0%	=	0.76
							CFI		2.3

Appendix B - Calculation of Composite Financial Index
Academic Institutions
As of August 31, 2013
(continued)

U. T. Pan American

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.50	/	0.133	=	3.76	x	35.0%	=	1.32
Annual Operating Margin	0.30%	/	1.3%	=	0.23	x	10.0%	=	0.02
Return on Net Position	3.80%	/	2.0%	=	1.90	x	20.0%	=	0.38
Expendable Resources to Debt	1.30	/	0.417	=	3.12	x	35.0%	=	1.09
							CFI		2.8

U. T. Permian Basin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.40	/	0.133	=	3.01	x	35.0%	=	1.05
Annual Operating Margin	-9.40%	/	1.3%	=	-7.23	x	10.0%	=	-0.72
Return on Net Position	-1.70%	/	2.0%	=	-0.85	x	20.0%	=	-0.17
Expendable Resources to Debt	0.20	/	0.417	=	0.48	x	35.0%	=	0.17
							CFI		0.3

U. T. San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.60	/	0.133	=	4.51	x	35.0%	=	1.58
Annual Operating Margin	2.60%	/	1.3%	=	2.00	x	10.0%	=	0.20
Return on Net Position	8.90%	/	2.0%	=	4.45	x	20.0%	=	0.89
Expendable Resources to Debt	0.80	/	0.417	=	1.92	x	35.0%	=	0.67
							CFI		3.3

U. T. Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.80	/	0.133	=	6.02	x	35.0%	=	2.11
Annual Operating Margin	-7.60%	/	1.3%	=	-5.85	x	10.0%	=	-0.58
Return on Net Position	-0.60%	/	2.0%	=	-0.30	x	20.0%	=	-0.06
Expendable Resources to Debt	1.10	/	0.417	=	2.64	x	35.0%	=	0.92
							CFI		2.4

Appendix B - Calculation of Composite Financial Index
Health Institutions
As of August 31, 2013

Southwestern

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	1.00	/	0.133	=	7.52	x	35.0%	=	2.63
Annual Operating Margin	6.40%	/	1.3%	=	4.92	x	10.0%	=	0.49
Return on Net Position	12.50%	/	2.0%	=	6.25	x	20.0%	=	1.25
Expendable Resources to Debt	1.80	/	0.417	=	4.32	x	35.0%	=	1.51
							CFI		5.9

UTMB

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.30	/	0.133	=	2.26	x	35.0%	=	0.79
Annual Operating Margin	1.00%	/	1.3%	=	0.77	x	10.0%	=	0.08
Return on Net Position	2.90%	/	2.0%	=	1.45	x	20.0%	=	0.29
Expendable Resources to Debt	1.20	/	0.417	=	2.88	x	35.0%	=	1.01
							CFI		2.2

UTHSC-Houston

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.50	/	0.133	=	3.76	x	35.0%	=	1.32
Annual Operating Margin	0.90%	/	1.3%	=	0.69	x	10.0%	=	0.07
Return on Net Position	2.30%	/	2.0%	=	1.15	x	20.0%	=	0.23
Expendable Resources to Debt	2.00	/	0.417	=	4.80	x	35.0%	=	1.68
							CFI		3.3

UTHSC-San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.60	/	0.133	=	4.51	x	35.0%	=	1.58
Annual Operating Margin	0.30%	/	1.3%	=	0.23	x	10.0%	=	0.02
Return on Net Position	3.90%	/	2.0%	=	1.95	x	20.0%	=	0.39
Expendable Resources to Debt	2.10	/	0.417	=	5.04	x	35.0%	=	1.76
							CFI		3.8

M. D. Anderson

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.70	/	0.133	=	5.26	x	35.0%	=	1.84
Annual Operating Margin	10.10%	/	1.3%	=	7.77	x	10.0%	=	0.78
Return on Net Position	11.90%	/	2.0%	=	5.95	x	20.0%	=	1.19
Expendable Resources to Debt	2.90	/	0.417	=	6.95	x	35.0%	=	2.43
							CFI		6.2

UTHSC-Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.30	/	0.133	=	2.26	x	35.0%	=	0.79
Annual Operating Margin	-13.90%	/	1.3%	=	-10.69	x	10.0%	=	-1.07
Return on Net Position	-1.40%	/	2.0%	=	-0.70	x	20.0%	=	-0.14
Expendable Resources to Debt	1.00	/	0.417	=	2.40	x	35.0%	=	0.84
							CFI		0.4

Appendix C - Calculation of Expendable Net Position
Academic Institutions
As of August 31, 2013
(In Millions)

Institution	Restricted Expendable Net Position: Capital Projects	Restricted Expendable Net Position: Funds Functioning Restricted	Restricted Expendable Net Position: Other Expendable	Restricted Expendable Net Position: Total	Total Unrestricted Net Position	Total Expendable Net Position	Less: Restricted Exp for Cap. Projects	Total Exp. Net Position Excluding Cap. Projects
U. T. Arlington	$ 16.8	5.2	55.7	77.7	195.2	272.8	(16.8)	256.0
U. T. Austin	(1.9)	164.3	1,645.0	1,807.4	907.0	2,714.4	1.9	2,716.3
U. T. Brownsville	2.0	-	5.3	7.4	50.1	57.4	(2.0)	55.4
U. T. Dallas	13.2	18.0	150.9	182.2	135.7	317.9	(13.2)	304.7
U. T. El Paso	3.1	17.6	119.9	140.6	71.8	212.4	(3.1)	209.3
U. T. Pan American	26.4	1.2	18.1	45.8	105.2	151.0	(26.4)	124.6
U. T. Permian Basin	(4.3)	0.1	16.7	12.4	11.8	24.3	4.3	28.6
U. T. San Antonio	(4.0)	1.3	56.5	53.7	219.7	273.4	4.0	277.4
U. T. Tyler	3.7	0.4	38.8	42.9	44.3	87.2	(3.7)	83.6

Appendix C - Calculation of Expendable Net Position
Health Institutions
As of August 31, 2013
(In Millions)

Institution	Restricted Expendable Net Position: Capital Projects	Restricted Expendable Net Position: Funds Functioning Restricted	Restricted Expendable Net Position: Other Expendable	Restricted Expendable Net Position: Total	Total Unrestricted Net Position	Total Expendable Net Position	Less: Restricted Exp for Cap. Projects	Total Exp. Net Position Excluding Cap. Projects
Southwestern	$ 35.2	24.0	870.2	929.4	938.6	1,868.0	(35.2)	1,832.8
UTMB	10.8	28.7	199.3	238.8	250.5	489.4	(10.8)	478.6
UTHSC-Houston	4.2	23.8	150.4	178.5	381.3	559.8	(4.2)	555.6
UTHSC-San Antonio	(5.2)	8.5	196.6	199.9	226.9	426.8	5.2	432.0
M. D. Anderson	160.1	61.4	524.8	746.4	2,061.7	2,808.1	(160.1)	2,647.9
UTHSC-Tyler	(3.1)	0.9	18.3	16.2	23.8	39.9	3.1	43.0

Appendix D - Calculation of Annual Operating Margin
Academic Institutions
As of August 31, 2013
(In Millions)

		Less: Nonoperating Items					Other Adjustments						
Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.	Margin From SRECNA	Minus: Realized Gains/ (Losses)	Plus: AUF Transfer	Plus: TX Ent. Fund & NSERB	Plus: TRIP & Other	Plus: HEAF for Op. Exp.	Plus: Interest Expense	Annual Operating Margin
U. T. Arlington	$ 45.8	-	-	(0.9)	9.9	36.9	-	-	-	(1.2)	-	(13.9)	21.8
U. T. Austin	(69.0)	14.3	(43.6)	(5.1)	107.5	(142.1)	0.2	209.3	-	-	-	(46.9)	20.1
U. T. Brownsville	3.8	-	-	-	0.9	2.9	-	-	-	-	2.2	(2.8)	2.4
U. T. Dallas	12.9	0.8	-	(2.3)	4.5	10.0	1.9	-	11.6	(5.0)	-	(11.7)	2.9
U. T. El Paso	13.1	0.2	(0.7)	(0.1)	11.0	2.6	(1.6)	-	-	(4.0)	-	(8.5)	(8.3)
U. T. Pan American	2.2	0.1	-	(0.4)	1.9	0.7	0.8	-	-	-	4.3	(3.5)	0.7
U. T. Permian Basin	0.3	0.5	(0.4)	(0.4)	0.8	(0.3)	0.4	-	-	-	-	(5.2)	(6.0)
U. T. San Antonio	36.9	-	-	(0.2)	7.7	29.3	0.2	-	-	(0.6)	-	(15.7)	12.9
U. T. Tyler	(0.7)	-	-	-	3.4	(4.1)	-	-	-	-	-	(3.7)	(7.7)

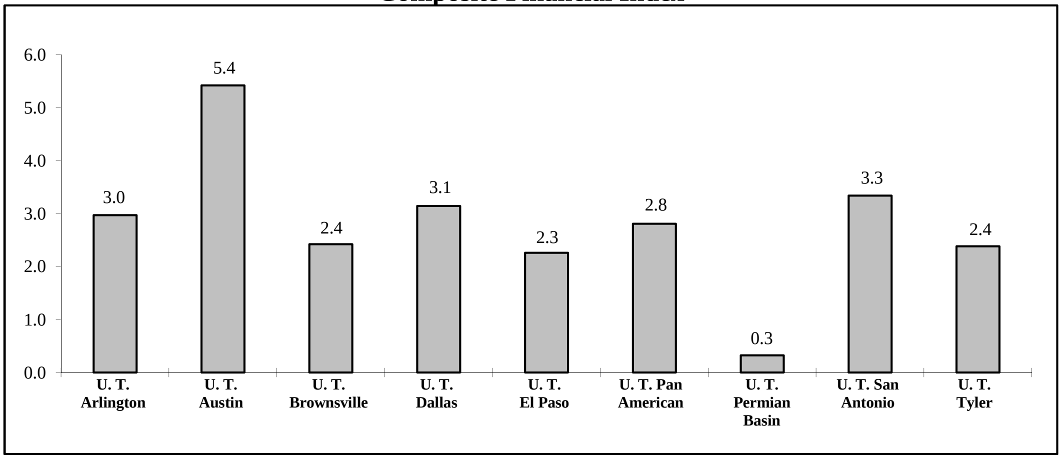
Appendix D - Calculation of Annual Operating Margin
Health Institutions
As of August 31, 2013
(In Millions)

Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items				Margin From SRECNA	Other Adjustments					Annual Operating Margin
		Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.		Minus: Realized Gains/ (Losses)	Plus: HB 4 Funding	Plus: RAHC Transfer	Plus: Ike Funding*	Plus: Interest Expense	
Southwestern	$ 194.3	2.1	(0.7)	(10.6)	51.8	151.7	4.9	6.4	-	-	(21.4)	131.9
UTMB	(5.2)	3.9	(0.1)	(2.6)	18.7	(25.2)	0.6	15.4	-	33.8	(7.4)	16.0
UTHSC-Houston	25.7	-	-	(0.7)	12.0	14.5	4.7	11.1	0.6	-	(11.8)	9.5
UTHSC-San Antonio	19.5	-	(1.1)	(0.4)	20.1	0.8	0.8	11.4	0.6	-	(9.6)	2.4
M. D. Anderson	546.1	0.2	(0.5)	2.1	68.0	476.2	36.9	8.7	-	-	(38.3)	409.7
UTHSC-Tyler	(13.0)	-	-	-	1.9	(14.9)	0.2	-	-	-	(1.6)	(16.7)

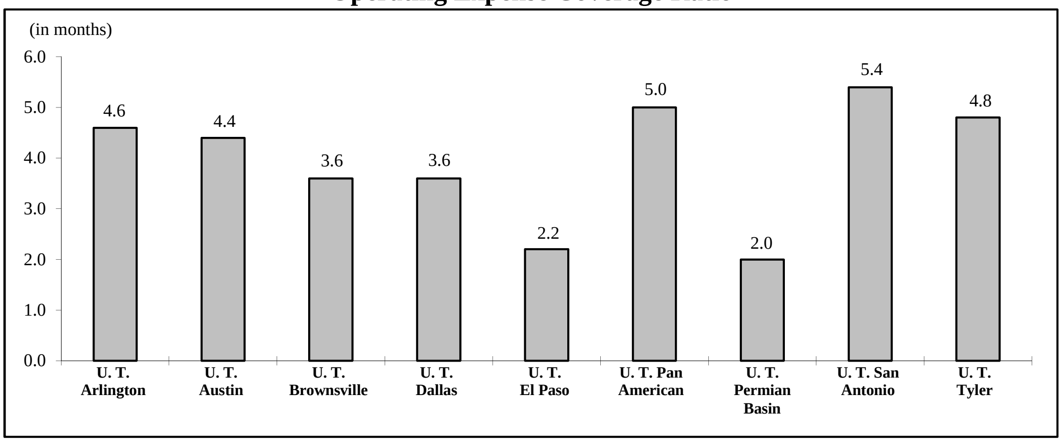
*UTMB was appropriated $150.0 million in FEMA State Matching funds that was recognized in general revenue in 2009 and was excluded from the Annual Operating Margin calculation in 2009. In 2013, UTMB spent $122.2 million of the FEMA State Matching funds of which $33.8 million was operating in nature; therefore, UTMB's Annual Operating Margin for 2013 was adjusted to include the $33.8 million. UTMB drew down the remaining amount of the FEMA State Matching funds in 2013.

Appendix E - Academic Institutions' Evaluation Factors
2013 Analysis of Financial Condition

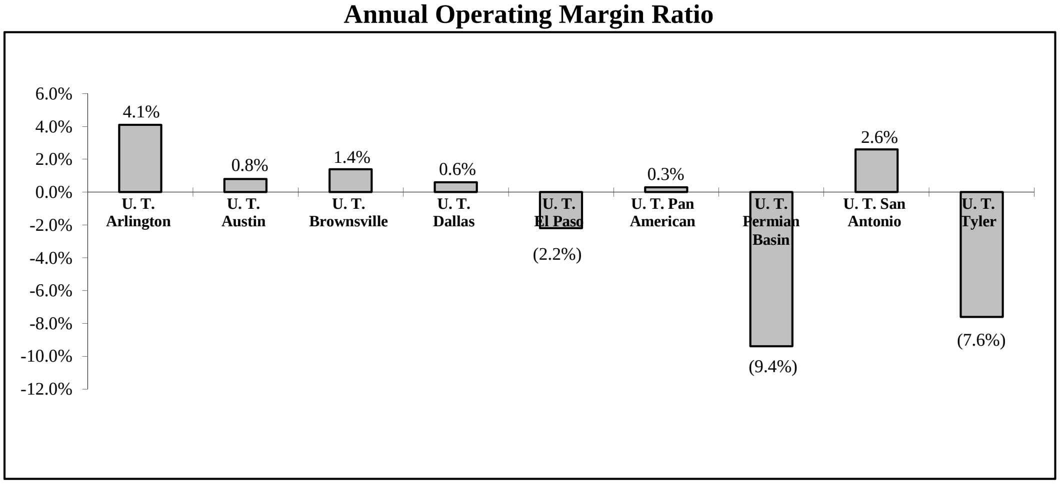
Composite Financial Index



Operating Expense Coverage Ratio

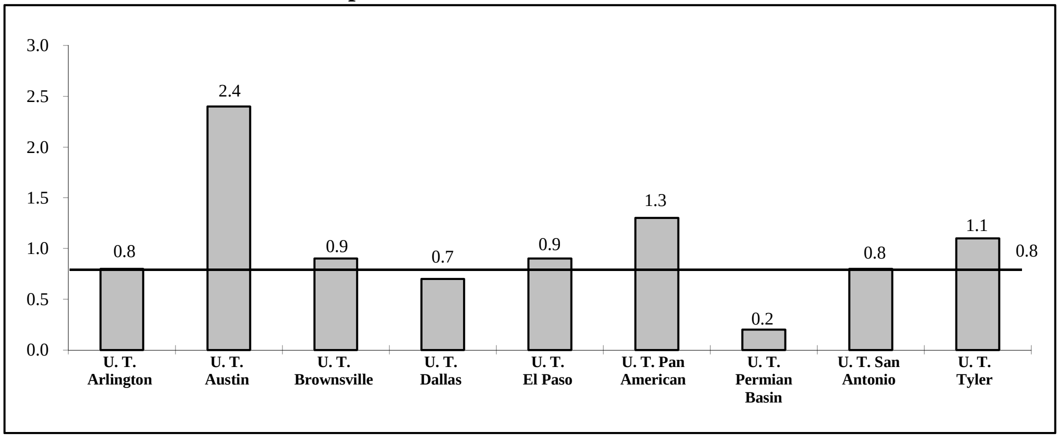


Annual Operating Margin Ratio

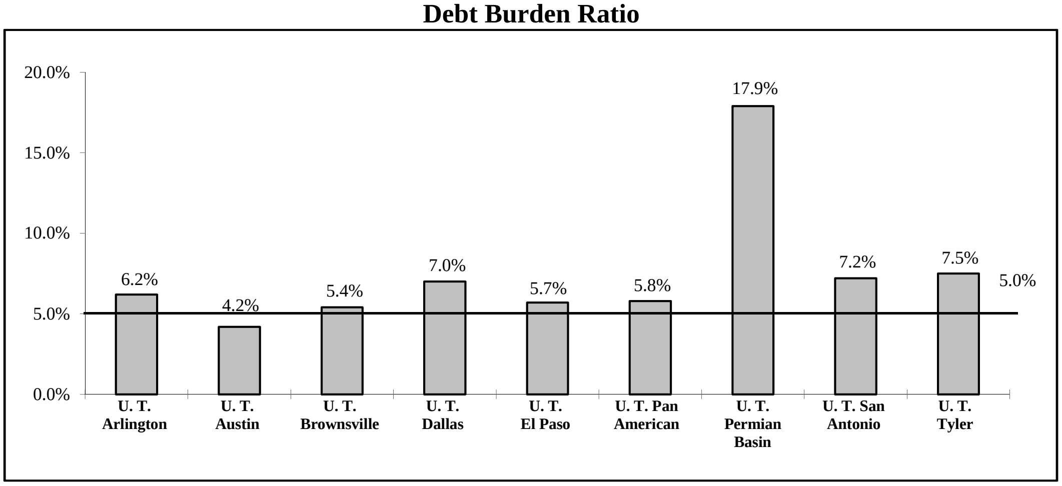


Appendix E - Academic Institutions' Evaluation Factors
2013 Analysis of Financial Condition

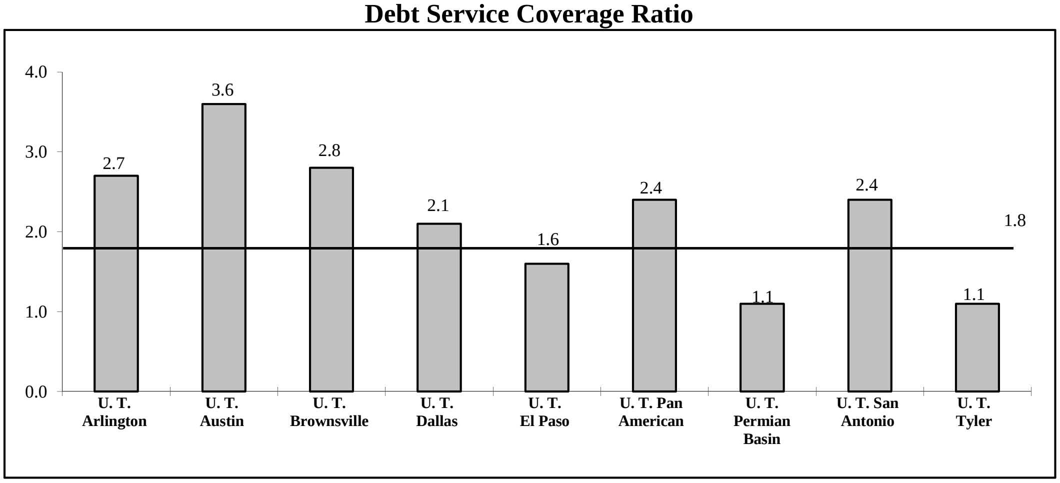
Expendable Resources to Debt Ratio



Debt Burden Ratio

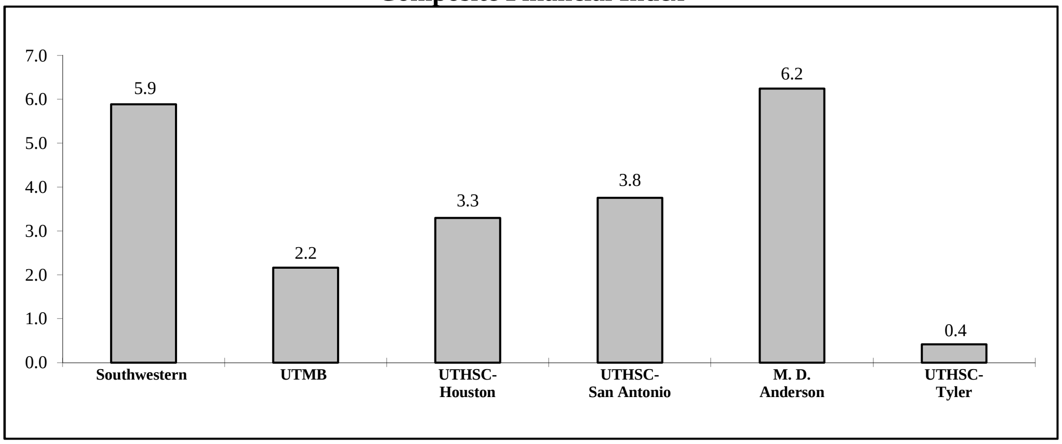


Debt Service Coverage Ratio

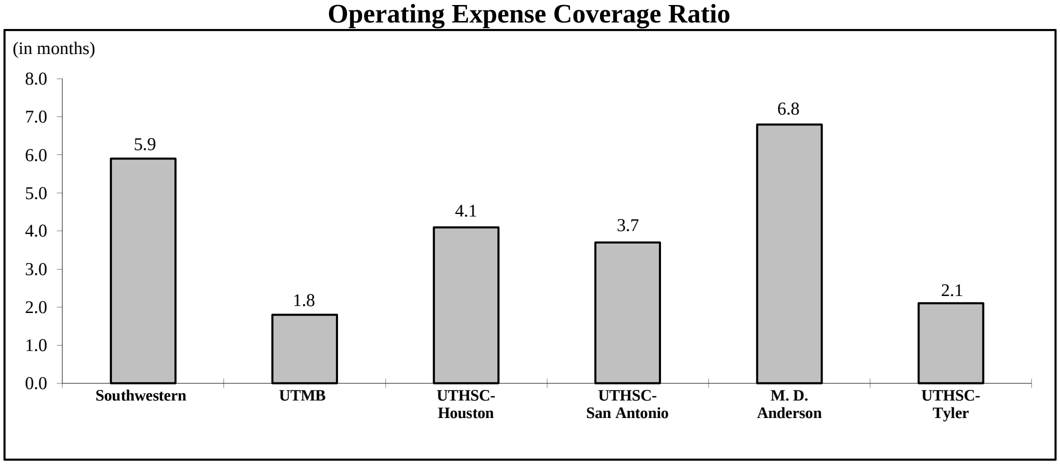


Appendix E - Health Institutions' Evaluation Factors
2013 Analysis of Financial Condition

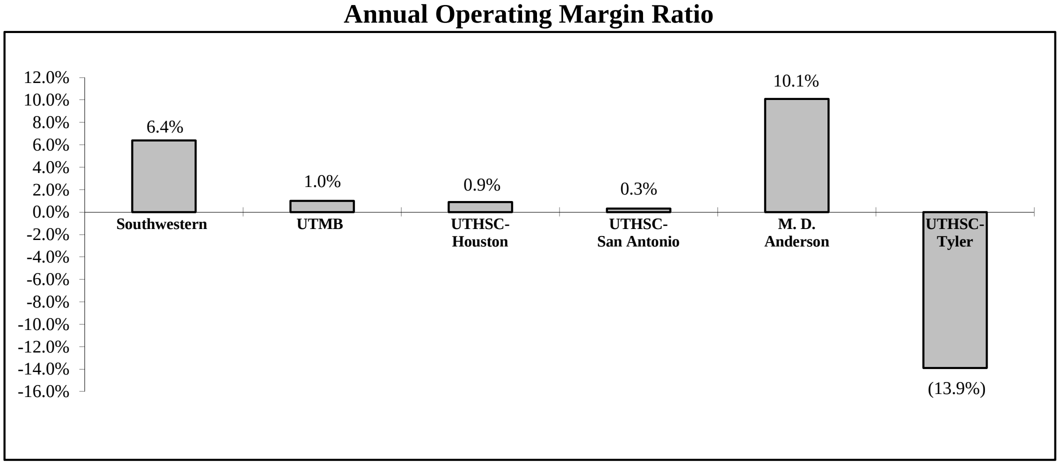
Composite Financial Index



Operating Expense Coverage Ratio

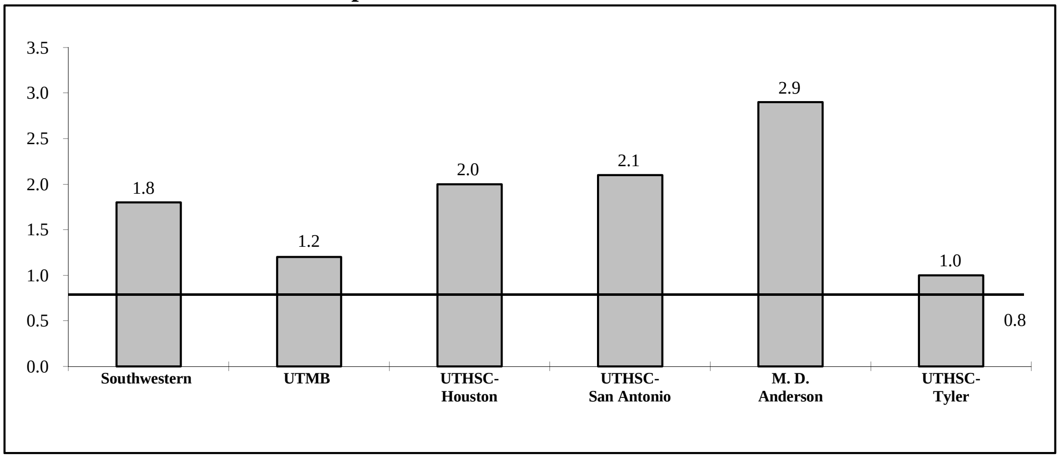


Annual Operating Margin Ratio

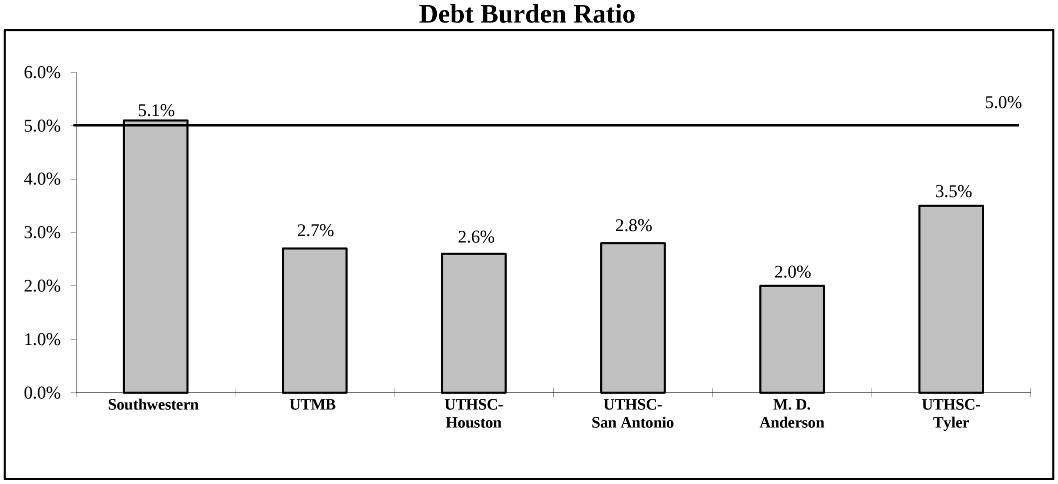


Appendix E - Health Institutions' Evaluation Factors
2013 Analysis of Financial Condition

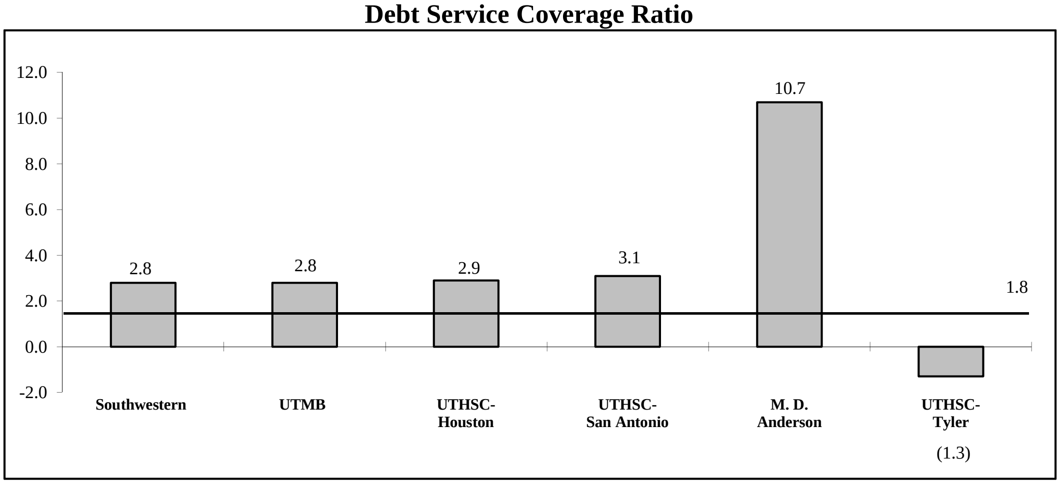
Expendable Resources to Debt Ratio



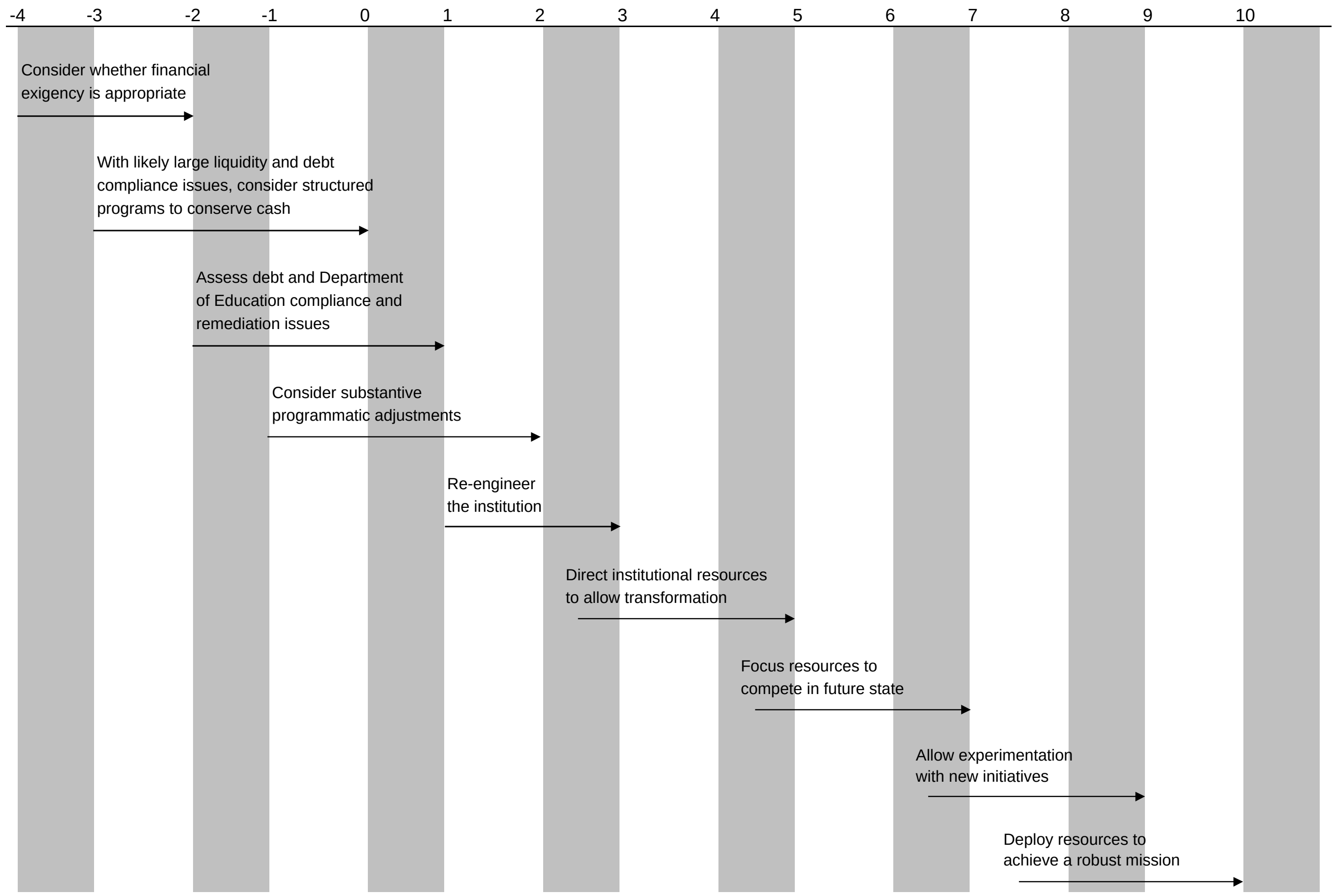
Debt Burden Ratio



Debt Service Coverage Ratio

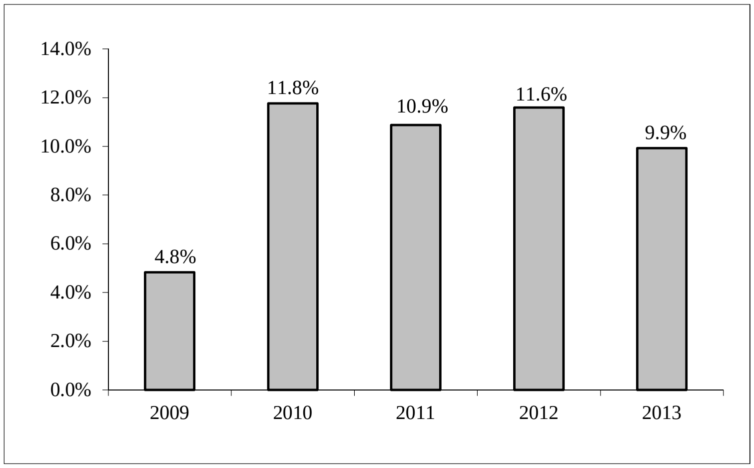


Appendix F - Scale for Charting CFI Performance



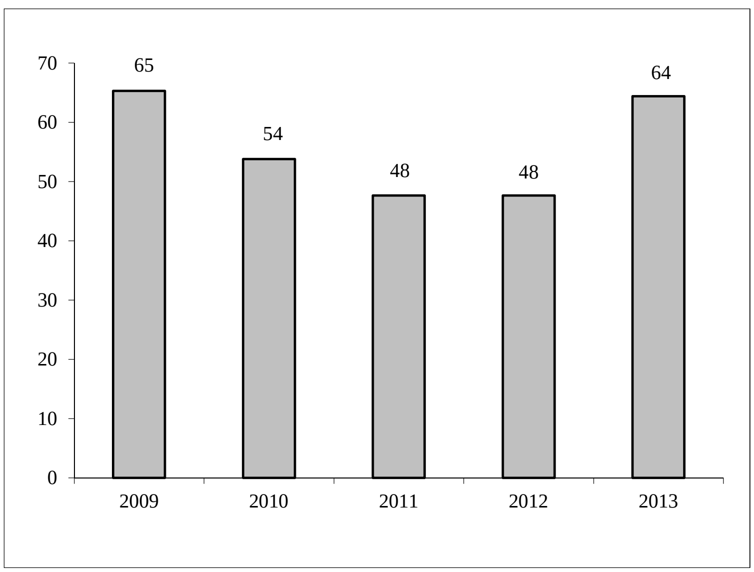
Appendix G - Key Hospital Operating Factors
The University of Texas Southwestern Medical Center

Annual Operating Margin Ratio



The decrease in the annual operating margin ratio from 11.6% for 2012 to 9.9% for 2013 was directly related to the fact that Southwestern was required to reduce the discounts and allowances by $14.0 million in 2012 as a result of the external audit which resulted in higher net revenue and operating margin in 2012. In 2013, net revenues increased as a result of volume and contract rate increases; however, additional personnel and supplies were required to care for the increased volume. In addition, there were increases in overhead expenses and support expenses passed from Southwestern to the hospitals.

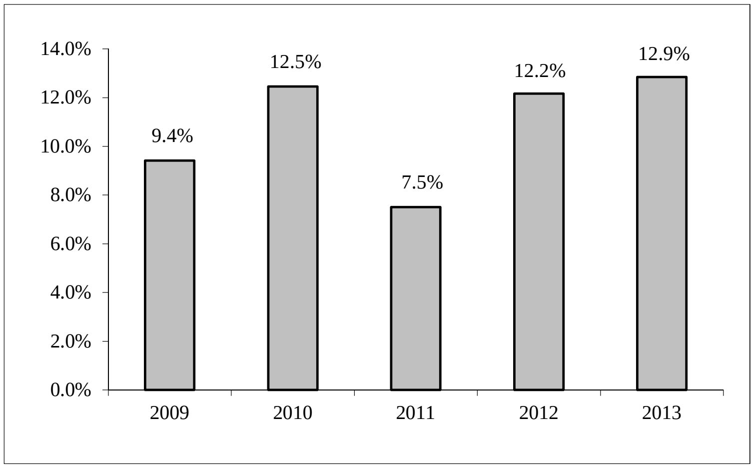
Net Accounts Receivable (in days)



The increase in net accounts receivable days from 48 to 64 was directly related to an increase in net patient revenue as a result of growth in the hospital in 2013. The hospitals generated additional inpatient and outpatient revenue for a total net patient revenue increase of $76.4 million. Due to the timing of the billing and collections cycle, net patient accounts receivable increased and net accounts receivable days increased by 16 days.

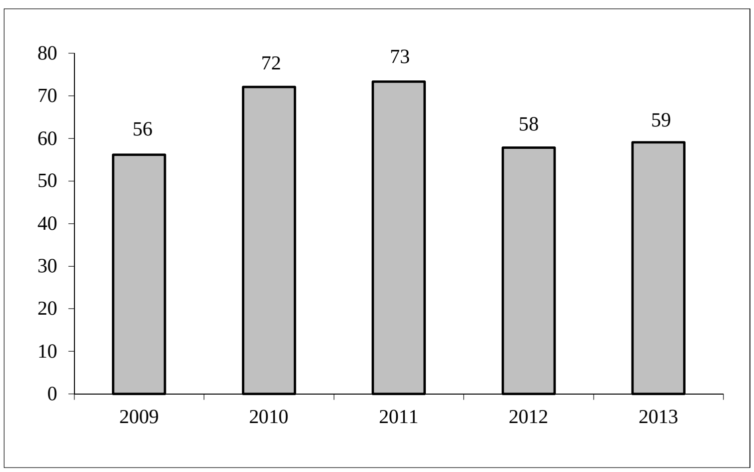
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Southwestern Medical Center

Annual Operating Margin Ratio



The annual operating margin ratio increased from 12.2% for 2012 to 12.9% for 2013 primarily due to increases in contractual income of $17.0 million, the receipt of Delivery System Reform Incentive Payments (DSRIP) of $9.4 million, and receipt of Meaningful Use payments of $10.2 million in 2013. Additionally, Southwestern received a professional liability insurance (PLI) rebate of $3.9 million in 2013 as compared to a rebate of $3.0 million in 2012.

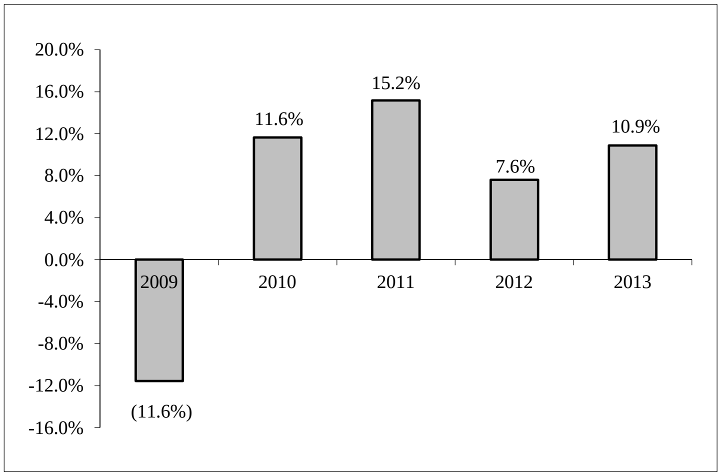
Net Accounts Receivable (in days)



Net accounts receivable (in days) increased by one day due to the increase in net patient revenues in 2013.

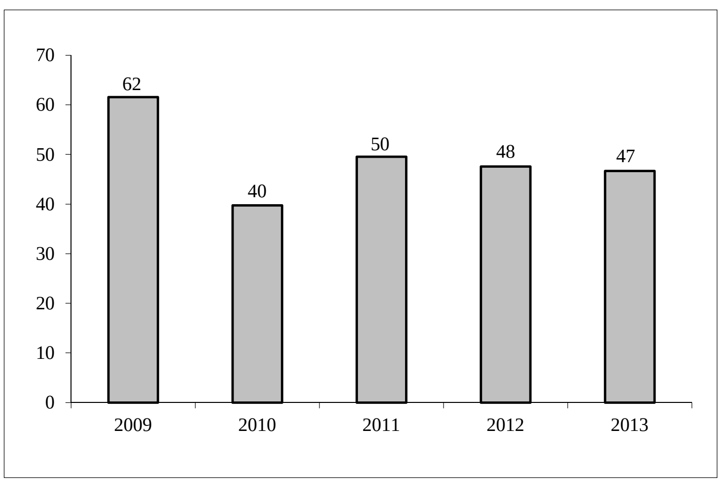
Appendix G - Key Hospital Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



UTMB Hospitals and Clinics' annual operating margin ratio increased from 7.6% for 2012 to 10.9% for 2013. The increase in this ratio was due to increases in net patient care revenue of $49.3 million, other operating revenue of $13.6 million, and general revenue of $9.8 million, offset by increases in total operating expenses of $23.6 million, institutional allocations of $13.8 million, depreciation expense of $4.3 million, and a decrease in grants and contracts of $1.8 million. The $13.6 million increase in other operating revenue was due to $5.5 million of revenue from the Delivery System Reform Incentive Payments (DSRIP) program associated with the Medicaid Section 1115 Demonstration, Meaningful Use payments of $4.2 million and the contract pharmacy program of $4.1 million.

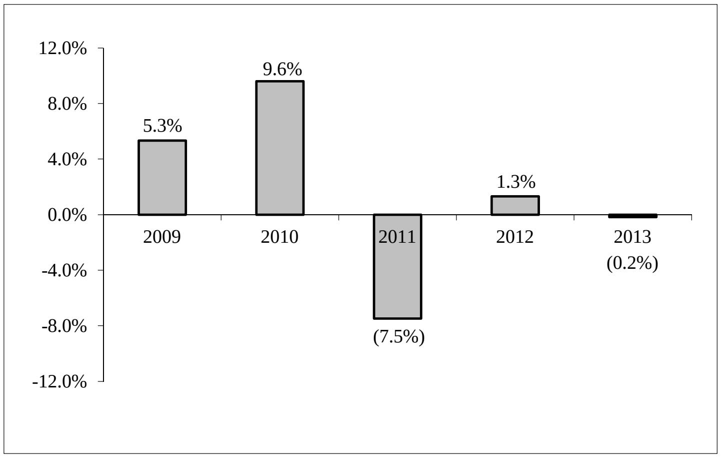
Net Accounts Receivable (in days)



Net accounts receivable in days remained virtually unchanged between 2012 and 2013. UTMB implemented a new billing system (Epic) in April 2013 and was able to restore days in accounts receivable to historical levels by year-end. System conversions such as this frequently result in increases in accounts receivable days for lengthy periods.

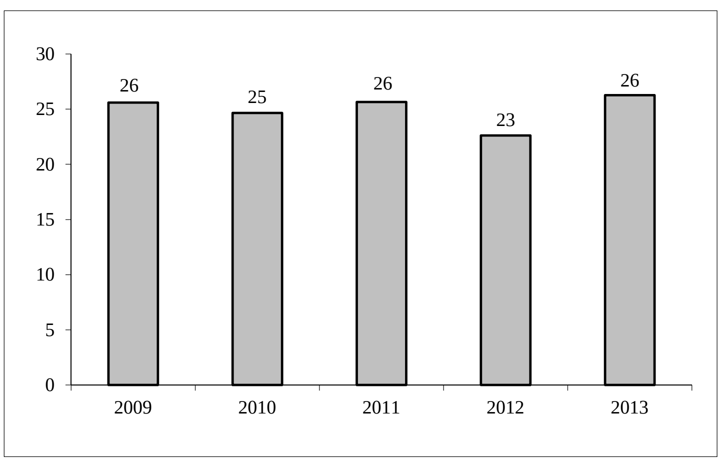
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



The annual operating margin ratio decreased to a deficit of 0.2% in 2013. Although net patient care revenue and grants and contract revenue increased by $4.1 million and $1.3 million, respectively, the majority of the loss was driven by an increase of $8.9 million in total operating expenses, primarily in salaries and wages. Additionally, UTMB received a professional liability insurance (PLI) rebate of $3.2 million in 2013, which was less than the PLI rebate received in 2012 of $3.6 million.

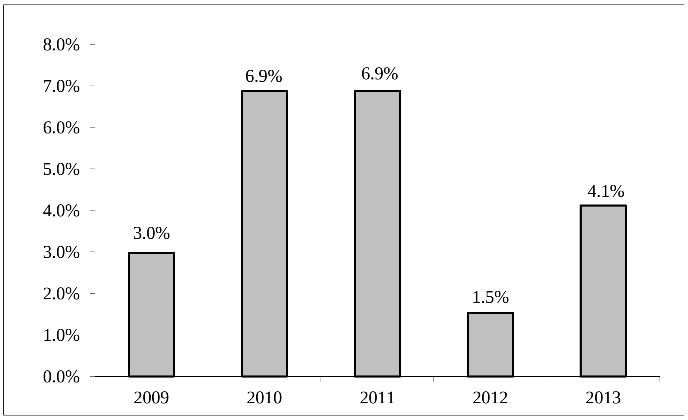
Net Accounts Receivable (in days)



Net accounts receivable (in days) increased slightly as a result of overall increases in rates of 12.0% in 2013.

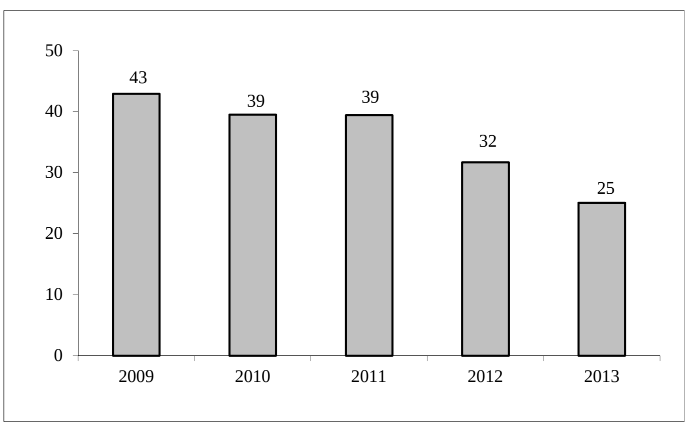
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The annual operating margin ratio increased from 1.5% for 2012 to 4.1% for 2013. U. T. Health Harris County Psychiatric Center (HCPC) was able to distribute fixed costs over additional beds as a result of increased funding from the State of Texas for acute care beds and contractual revenue to provide a competency restoration program which generated the improvement in the annual operating margin.

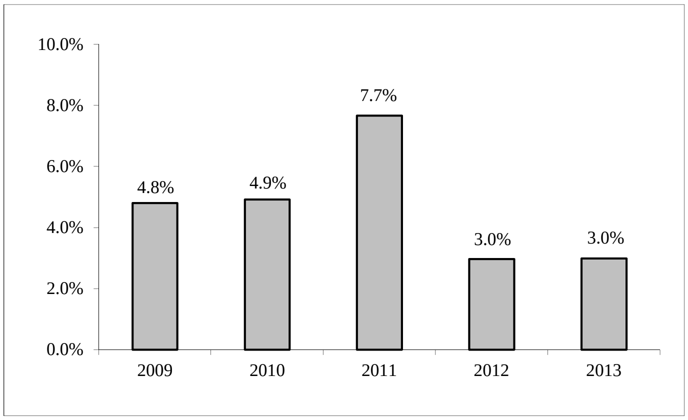
Net Accounts Receivable (in days)



Net accounts receivable days decreased from 32 days in 2012 to 25 days in 2013. This decrease in net accounts receivable days was attributable to HCPC's continued efforts to improve its billing and collections process, including identifying patients who qualify for indigent status and recognizing patient revenue bad debt.

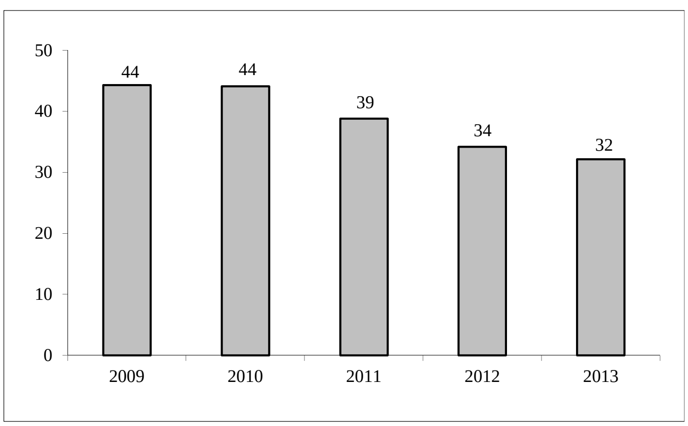
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The annual operating margin ratio remained unchanged at 3.0% for 2013. Although operating expenses increased dramatically as a result of the current clinical growth, which involves hiring many new faculty and acquiring and opening various new clinics especially in Family Medicine and Orthopaedics, operating revenues also increased. The operating revenues include an increase in professional fees revenue and contractual income especially at Memorial Hermann Hospital and Harris County Hospital District. Operating revenues also include approximately $16.0 million in recognized Delivery System Reform Incentive Payments (DSRIP) revenue related to various projects, some of which have not yet begun operations, as well as $9.8 million in uncompensated care revenue, which was an increase of $3.0 million over the Texas Upper Payment Limit (UPL) payments received in 2012. Both the DSRIP revenue and the uncompensated care revenue are associated with the Medicaid Section 1115 Demonstration. Additionally, UTHSC-Houston received a professional liability insurance (PLI) rebate of $1.3 million in 2013 as compared to a rebate of $1.7 million in 2012.

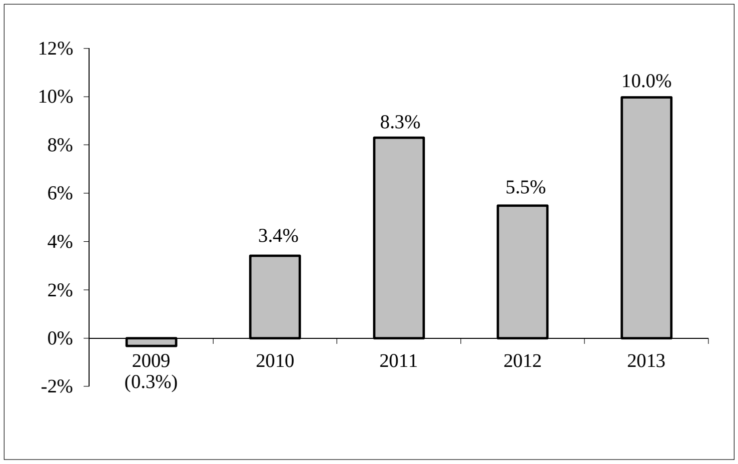
Net Accounts Receivable (in days)



The net accounts receivable (in days) decreased slightly compared to 2012. This was primarily due to the increase in average daily net patient revenue, consistent with the growth in the physician practice plan. In addition, efforts to collect more patient revenue on the front end have resulted in a slight decrease in net accounts receivable.

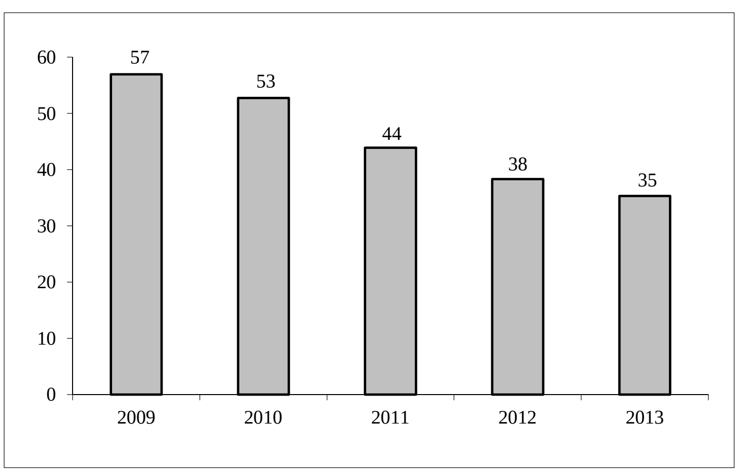
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at San Antonio

Annual Operating Margin Ratio



The annual operating margin comprises all medical clinical operations, including patient activities provided through the Cancer Therapy and Research Center (CTRC). Operations remained relatively flat in 2013 despite considerable challenges UTHSC-San Antonio faced with the transition of its pediatrics program from Christus Santa Rosa to University Hospital System. The increase in the annual operating margin ratio was primarily attributable to the Delivery System Reform Incentive Payment (DSRIP) program associated with the Medicaid Section 1115 Demonstration. Excluding DSRIP revenues, operating revenues remained relatively flat even with significant funding reductions from Christus Santa Rosa associated with the pediatrics program. Operating expenses remained relatively flat as well, yet efforts continue to align faculty salaries with a more productivity-based compensation plan. In addition, UTHSC-San Antonio received a professional liability insurance (PLI) rebate of $3.5 million in 2013 which approximated the rebate from 2012. UTHSC-San Antonio continues to reinvest incremental operating revenues towards recruitment efforts, addressing faculty compensation issues, expanding programs and departments, streamlining billing operations and patient services, as well as developing and implementing an infrastructure necessary to meet the goals and challenges of healthcare reform.

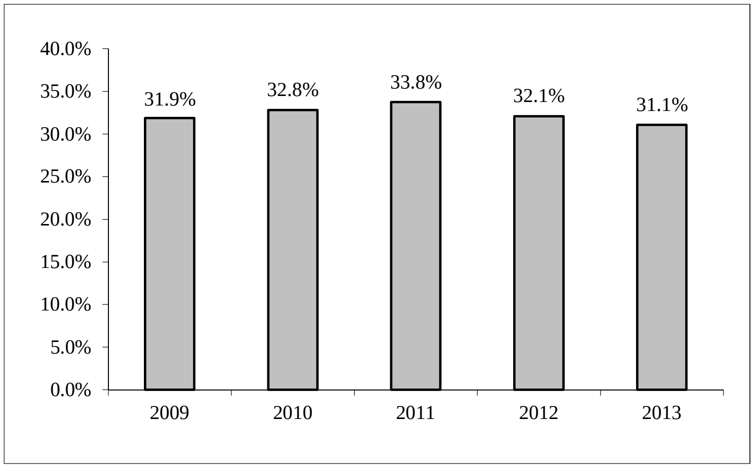
Net Accounts Receivable (in days)



The decrease in days outstanding of net receivables was attributable to the continued approach implemented by U. T. Medicine-San Antonio that aggressively served to accelerate the identification of bad debts during the collection cycle. The renewal of effective collection and pre-collection agency contracts in 2013 allowed for better management of accounts and sustaining a consistent write-off period of accounts to bad debt at 120 days.

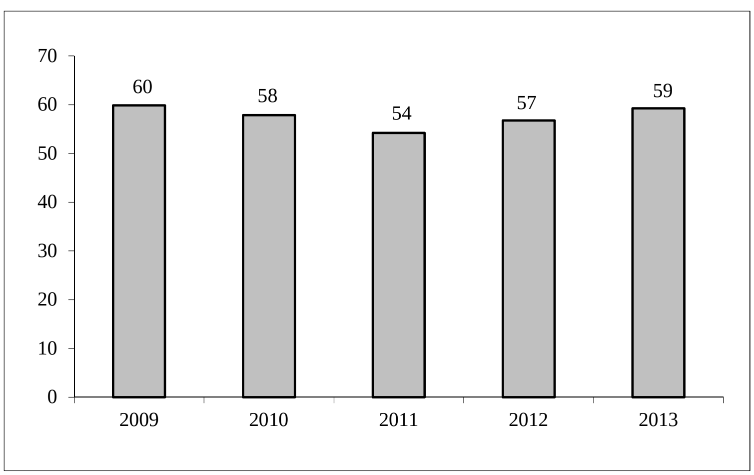
Appendix G - Key Hospital Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The annual operating margin ratio decreased from 32.1% for 2012 to 31.1% for 2013 as a result of operating expenses growing at a slightly higher rate than operating revenues. The increase in operating expenses was primarily attributable to increased personnel-related expenses resulting from employee growth and increased professional services expenses related to software implementation projects.

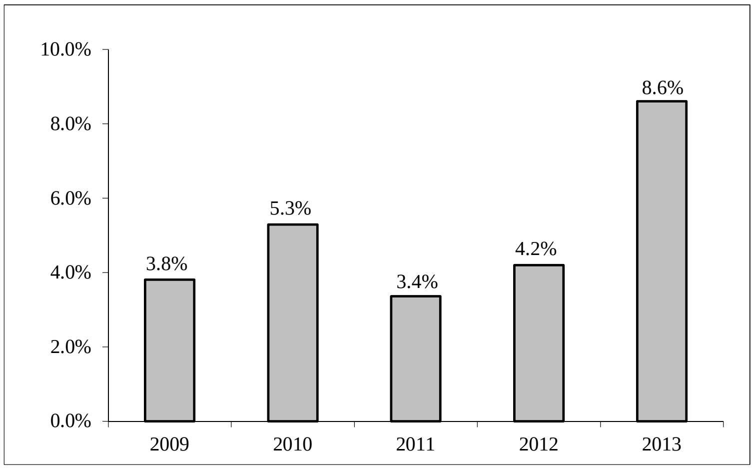
Net Accounts Receivable (in days)



In Fall 2012 all hospitals in Texas transitioned to Novitas Solutions, Inc. as the Medicare Administrative Contractor (MAC) for the Centers for Medicare and Medicaid Services (CMS). M. D. Anderson started experiencing payment delays in Medicare claims due to the following: the molecular pathology fee schedule was not finalized by CMS, increased requirements for Additional Documentation Requests for stem cell transplantation procedures even though the National Coverage Determination guidelines were met, and increased medically unlikely edits. Currently, M. D. Anderson has approximately $15.0 to $20.0 million in claims that are greater than 90 days past due and causing increased aging in the accounts receivable in days calculation.

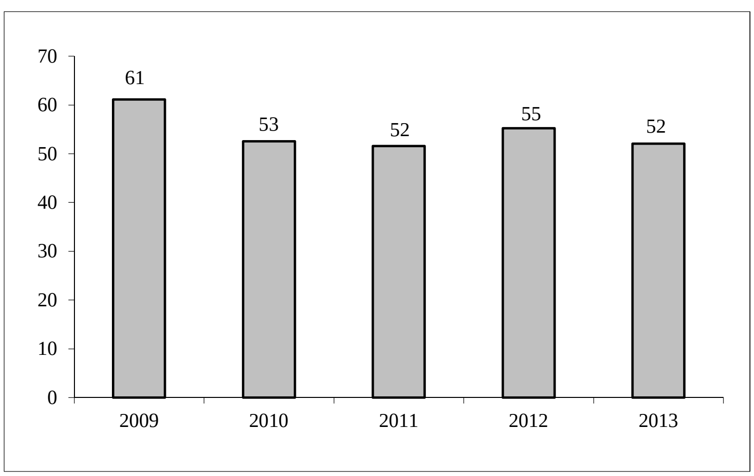
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The annual operating margin ratio increased from 4.2% for 2012 to 8.6% for 2013. The increase in this ratio was attributable to an overall increase in professional fee revenue and activity from 2012, as well as an increase in other revenue coupled with a slower growth rate in expenses. Additionally, in 2013 M. D. Anderson received a professional liability insurance (PLI) rebate of $2.3 million which was slightly higher than the rebate received in 2012 of $1.9 million.

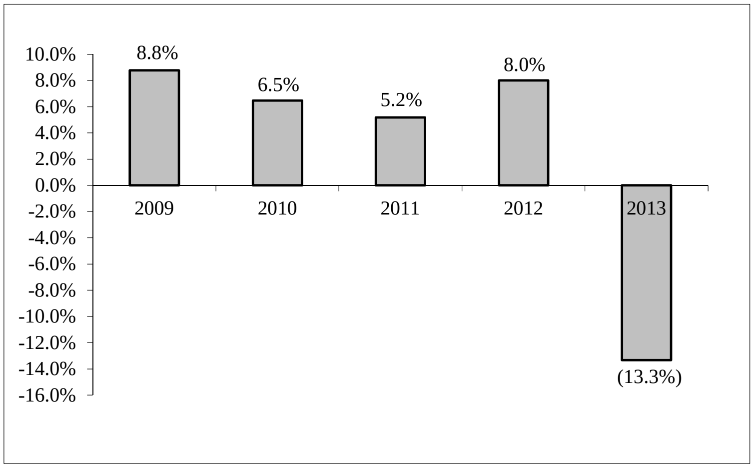
Net Accounts Receivable (in days)



The days in net accounts receivable decreased slightly between 2012 and 2013 from 55 days to 52 days due to the continued improvements in the business office operations and record collections for 2013.

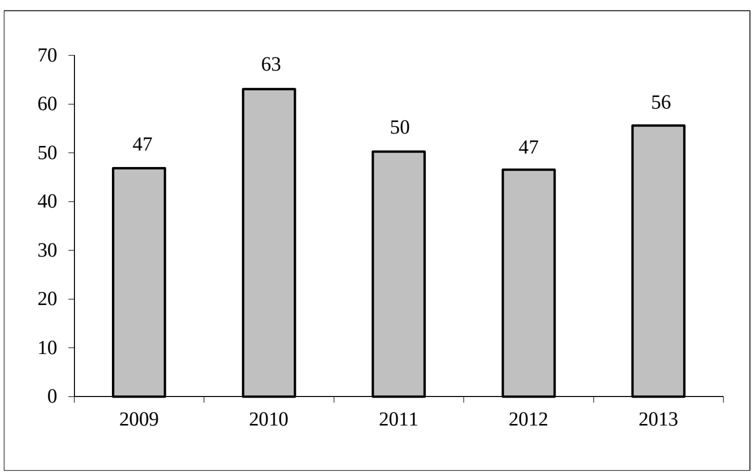
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The annual operating margin ratio declined from 8.0% for 2012 to (13.3%) for 2013. The decrease in this ratio was attributable to both a reduction in revenues and increased operating expenses. State appropriations decreased due to House Bill 4 (HB 4) supplemental funding received and fully recognized in 2012 with no such supplemental funding in 2013, which resulted in UTHSC-Tyler receiving 20% less in state funding in 2013. UTHSC-Tyler also invested in eight new faculty positions, many of whom were higher cost specialists. The total investment increased faculty salaries by 22.0%. The salaries for these new faculty positions are split 50/50 between the hospital and the practice plan. There was a $3.0 million reduction in federal reimbursements as a result of the Medicare Recovery Audit Contractor (RAC) recoupments and the Affordable Care Act (ACA) reform.

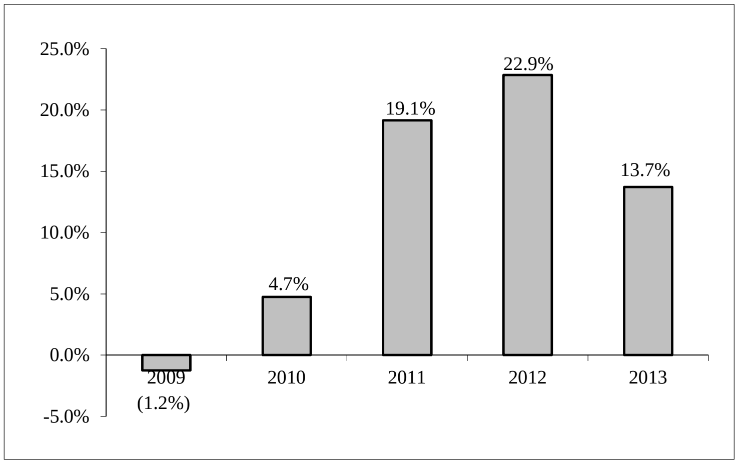
Net Accounts Receivable (in days)



Net accounts receivable in days increased from 47 days in 2012 to 56 days in 2013. Based upon increased gross revenue from the addition of eight new faculty and the continued growth of the cancer center, accounts receivable has grown. The conversion of many traditional Medicare patients into Medicare managed care programs has also delayed the reimbursement time period.

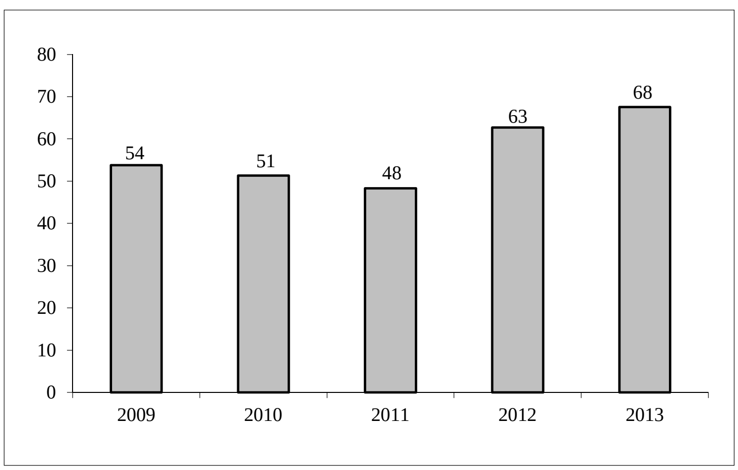
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The annual operating margin ratio decreased from 22.9% for 2012 to 13.7% for 2013. The increase of eight additional faculty reduced the overall operating margin. The new faculty are producing increased revenue, but not enough to offset the additional salary expenses. A two year growth period is required to equalize most new faculty's expense to net revenue. The salaries for these new faculty positions are split 50/50 between the hospital and the practice plan. Additionally, in 2013 UTHSC-Tyler received a professional liability insurance (PLI) rebate of $0.2 million which was comparable to the amount received in 2012.

Net Accounts Receivable (in days)



Net accounts receivable days increased from 63 days in 2012 to 68 days in 2013. Based upon increased gross revenue from the addition of eight new faculty and the continued growth of the cancer center, accounts receivable has grown. The conversion of many traditional Medicare patients into Medicare managed care programs has also delayed the reimbursement time period.

4. U. T. System: Approval of the Fiscal Year 2015 Budget Preparation Policies and Calendar for budget operations

RECOMMENDATION

With the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Executive Vice Chancellor for Health Affairs, the Chancellor recommends that the U. T. System Board of Regents approve the Budget Preparation Policies and Calendar on Page 161 for use in preparing the Fiscal Year (FY) 2015 Operating Budget for the U. T. System as set out below:

U. T. System Fiscal Year 2015 Budget Preparation Policies

1. General Guidelines - The regulations and directives included in the General Appropriations Act enacted by the 83rd Texas Legislature serve as the basis for these guidelines and policies. In preparing the draft of the FY 2015 Operating Budget, the president of each institution should adhere to guidelines and policies as detailed below and as included in the General Appropriations Act. The Chancellor will issue detailed instructions regarding the implementation of those regulations and directives into the institutional budget process.

   The president of each institution should examine the resources used at the institution and, where possible, redirect resources toward high priority mission critical activities and strategic competitive investments that are consistent with the goals and objectives included in the institution's Strategic Plan.

   Overall budget totals, including retaining reasonable reserves for potential future financial shortfall, must be limited to the funds available for the year from General Revenue Appropriations, Estimates of Educational and General Income, and limited use of institutional unappropriated balances.

2. Maintenance of Operating Margin and Use of Prior Year Balances - Institutions should make all reasonable efforts to maintain a favorable operating margin within the FY 2015 Operating Budget. Use of prior year balances should be limited to critical items, unique opportunities, or projects funded from prior year income committed for that purpose. Generally, balance usage should be reserved for nonrecurring activities. Balance usage cannot be recommended to the U. T. System Board of Regents for approval without the consent of the Chancellor, the appropriate Executive Vice Chancellor, and the Associate Vice Chancellor, Controller, and Chief Budget Officer.

3. Salary Guidelines - Recommendations regarding salary policy are subject to the following directives:

   A. Salaries Proportional by Fund - Unless otherwise restricted, payment for salaries, wages, and benefits paid from appropriated funds, including local funds and educational and general funds as defined in *Texas Education Code* Section 51.009 (a) and (c), shall be proportional to the source of funds.

B. Merit Increases and Promotions - Merit increases or advances in rank for faculty are to be on the basis of teaching effectiveness, research, and public service.

As defined in *Texas Education Code* Section 51.962, administrative and professional staff and classified staff must have been employed by the institution for at least six consecutive months immediately preceding the effective date of the increase to be eligible for a merit increase, and at least six months must have elapsed since the employee's last merit salary increase.

Merit increases or promotions for administrative and professional staff and classified staff are to be based on evaluation of performance in areas appropriate to work assignments. In accordance with the Regents' *Rules and Regulations*, performance appraisals are required to be conducted annually for all employees of the U. T. System. To verify compliance with this policy, U. T. System presidents and the Executive Vice Chancellor for Business Affairs for U. T. System Administration shall annually certify that all eligible employees (including staff and faculty) have completed performance appraisals. Subject to available resources and resolution of any major salary inequities, institutions should give priority to implementing merit salary increases for faculty and staff.

C. Other Increases - Equity adjustments, competitive offers, and increases to accomplish contractual commitments should also consider merit where appropriate, subject to available resources. Subject to guidance issued by the Chancellor, such increases should be noted and explained in the supplemental data accompanying the budget.

D. New Positions - Subject to available resources, new administrative and professional staff, classified staff, and faculty positions are to be requested only when justified by workloads or to meet needs for developing new programs.

E. Reporting - The Chancellor will issue guidance on reporting of salary changes and amounts. It is expected that required reports will encompass high-ranking staff covered by Regents' *Rules and Regulations*, Rules 20203 and 20204 along with those staff receiving significant changes in compensation.

4. Staff Benefits Guidelines - Recommendations regarding the State contribution for employee staff benefits such as group insurance premiums, teacher retirement, and optional retirement are subject to legislative determination via the General Appropriations Act. The Chancellor will issue instructions regarding the implementation of the benefits into the budget process.

5. Other Employee Benefits - Employer contributions to the self-insured Unemployment Compensation Fund are based on an actuarial study. Workers' Compensation Insurance rates are experience-rated for each institution.

Appropriate instructions will be issued regarding the implementation of Unemployment Compensation Fund and Workers' Compensation Insurance Benefits.

6. Other Operating Expenses Guidelines - Increases in Maintenance, Operation, Equipment, and Travel are to be justified by expanded workloads, for developing new programs, or for correcting past deferrals or deficiencies.

7. Calendar - In the event of unforeseen circumstances, authority is delegated to the Chancellor to modify the Calendar.

BACKGROUND INFORMATION

The U. T. System FY 2015 Budget Preparation Policies are consistent with the regulations and directives included in the General Appropriations Act enacted by the 83rd Texas Legislature and with general law. As written, this policy provides general direction to the U. T. System institutions.

THE UNIVERSITY OF TEXAS SYSTEM
FY 2015 OPERATING BUDGET CALENDAR

January 2014 – August 2014	Performance appraisal focal period
February 6, 2014	U. T. System Board of Regents takes appropriate action on budget preparation policies
April 14 - 25, 2014	Major goals, priorities, and resource allocation hearings with U. T. System Administration
May 12, 2014	Draft budget documents due to U. T. System
May 15 - 20, 2014	Technical budget review with U. T. System
June 2, 2014	Final budget documents due to U. T. System
June 2, 2014	Reports on highly compensated staff covered by Regents' Rules 20203 and 20204, high-ranking staff salaries, and institutional Top Ten salaries due to U. T. System
August 8, 2014	Operating Budget Summaries provided to the U. T. System Board of Regents
August 15, 2014	Salary change report due to U. T. System
August 21, 2014	U. T. System Board of Regents takes appropriate action on Operating Budget and President and Executive Officer compensation

5. U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended November 30, 2013

REPORT

The November 30, 2013 UTIMCO Performance Summary Report is attached on Page 163.

The Investment Reports for the quarter ended November 30, 2013, are set forth on Pages 164 - 167.

Item I on Page 164 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 4.80% versus its composite benchmark return of 5.23%. The PUF's net asset value increased by $772 million since the beginning of the year to $15,625 million. The increase was due to $317 million PUF Lands receipts, plus a net investment return of $709 million, less distributions to the Available University Fund (AUF) of $254 million.

Item II on Page 165 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 4.90% versus its composite benchmark return of 5.23%. The GEF's net asset value increased by $305 million during the fiscal year to $7,701 million.

Item III on Page 166 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was 4.05% versus its composite benchmark return of 4.30%. The net asset value increased during the quarter to $5,945 million due to net investment return of $228 million, plus net contributions of $241 million, less distributions of $44 million. All exposures were within their asset class and investment type ranges. Liquidity was within policy.

Item IV on Page 167 presents book and market values of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus and Fidelity money market fund, decreased by $99 million to $1,886 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $21 million versus $21 million at the beginning of the period; equities: $80 million versus $66 million at the beginning of the period; and other investments: $.4 million versus $142 million at the beginning of the period.

UTIMCO Performance Summary

November 30, 2013

	Net Asset Value 11/30/2013 (in Millions)	Periods Ended November 30, 2013 (Returns for Periods Longer Than One Year are Annualized)							
		Short Term		Year to Date		Historic Returns			
ENDOWMENT FUNDS		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs
Permanent University Fund	$ 15,625	1.21%	4.80%	4.80%	9.91%	11.13%	8.09%	11.40%	7.71%
General Endowment Fund		1.25	4.90	4.90	10.13	11.39	8.24	11.47	7.78
Permanent Health Fund	1,052	1.20	4.85	4.85	10.03	11.23	8.15	11.36	7.69
Long Term Fund	6,649	1.20	4.84	4.84	10.02	11.23	8.16	11.36	7.70
Separately Invested Funds	146	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	23,472								
OPERATING FUNDS									
Intermediate Term Fund	5,945	0.45	4.05	4.05	6.09	7.19	5.86	10.54	N/A
Debt Proceeds Fund	267	0.01	0.02	0.02	0.10	0.12	N/A	N/A	N/A
Short Term Fund	1,575	0.01	0.02	0.02	0.08	0.09	0.14	0.26	1.90
Total Operating Funds	7,787								
Total Investments	$ 31,259								
VALUE ADDED (1) (Percent)									
Permanent University Fund		0.70%	(0.43%)	(0.43%)	0.67%	0.17%	0.81%	1.86%	1.62%
General Endowment Fund		0.74	(0.33)	(0.33)	0.89	0.43	0.96	1.93	1.69
Intermediate Term Fund		0.47	(0.25)	(0.25)	1.84	1.88	1.78	2.28	N/A
Debt Proceeds Fund		-	0.01	0.01	0.04	0.04	N/A	N/A	N/A
Short Term Fund		-	0.01	0.01	0.02	0.01	0.04	0.14	0.22
VALUE ADDED (1) ($ IN MILLIONS)									
Permanent University Fund		$ 108	$ (64)	$ (64)	$ 92	$ 24	$ 340	$ 1,193	$ 2,116
General Endowment Fund		57	(24)	(24)	66	32	220	692	1,221
Intermediate Term Fund		28	(14)	(14)	97	98	270	526	N/A
Total Value Added		$ 193	$ (102)	$ (102)	$ 255	$ 154	$ 830	$ 2,411	$ 3,337

Footnote available upon request.

I. PERMANENT UNIVERSITY FUND

Investment Reports for Periods Ended November 30, 2013

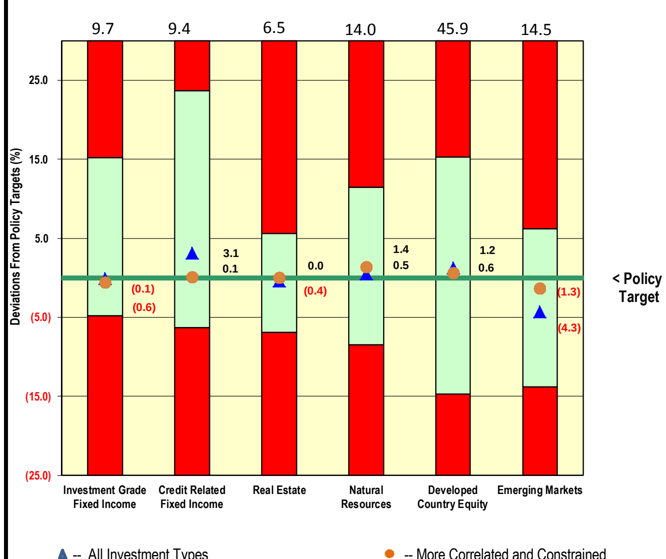
Prepared in accordance with *Texas Education Code* Sec. 51.0032

Summary of Capital Flows

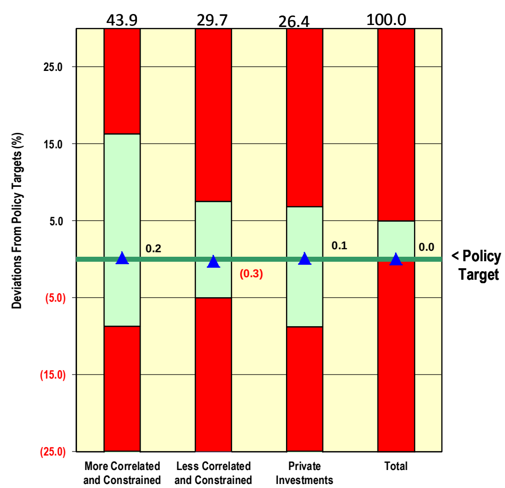
($ millions)	Fiscal Year Ended August 31, 2013	Quarter Ended November 30, 2013	Fiscal Year to Date August 31, 2014
Beginning Net Assets	$ 13,470	$ 14,853	$ 14,853
PUF Lands Receipts	857	317	317
Investment Return (Net of Expenses)	1,170	709	709
Distributions to AUF	(644)	(254)	(254)
Ending Net Assets	$ 14,853	$ 15,625	$ 15,625

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	0.56%	2.22%	-0.04%	-0.13%	-0.17%
Credit-Related	3.86%	4.69%	0.00%	0.00%	0.00%
Real Estate	5.32%	4.87%	0.00%	0.01%	0.01%
Natural Resources	-4.08%	0.61%	-0.18%	-0.37%	-0.55%
Developed Country	10.79%	11.05%	-0.01%	-0.02%	-0.03%
Emerging Markets	10.50%	10.04%	-0.17%	0.05%	-0.12%
Total More Correlated and Constrained	**5.16%**	**7.13%**	**-0.40%**	**-0.46%**	**-0.86%**
Less Correlated and Constrained	**5.39%**	**3.91%**	**0.02%**	**0.43%**	**0.45%**
Private Investments	**3.57%**	**3.51%**	**0.00%**	**-0.02%**	**-0.02%**
Total	**4.80%**	**5.23%**	**-0.38%**	**-0.05%**	**-0.43%**

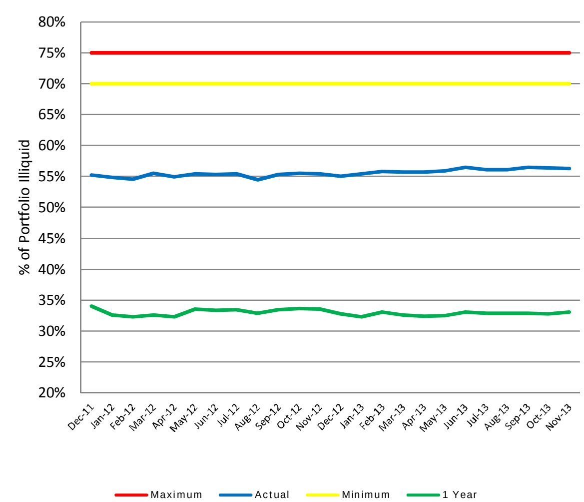
Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for PUF



Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for PUF



Permanent University Fund
Actual Illiquidity vs. Trigger Zones



II. GENERAL ENDOWMENT FUND

Investment Reports for Periods Ended November 30, 2013

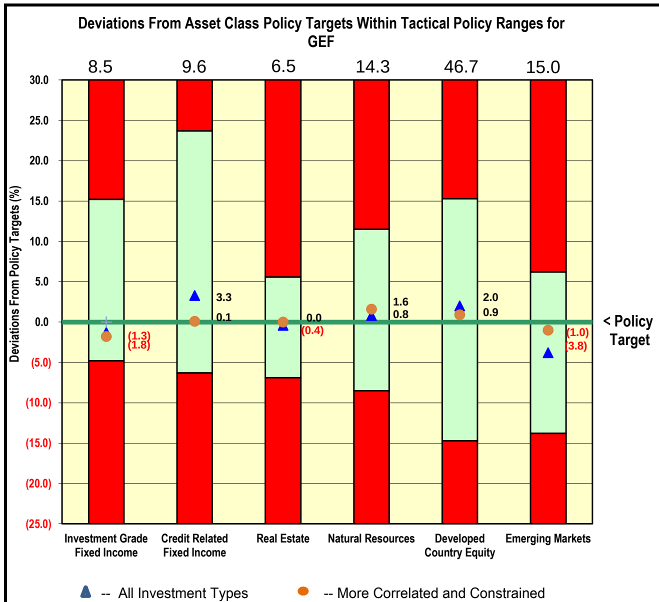
Prepared in accordance with *Texas Education Code* Sec. 51.0032

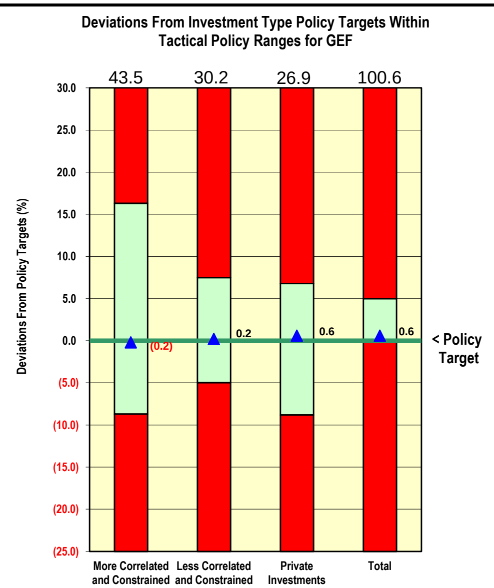
Summary of Capital Flows

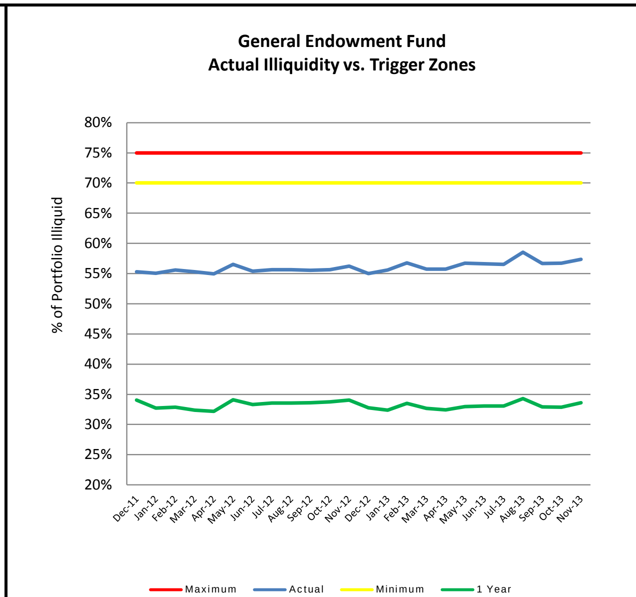
($ millions)	Fiscal Year Ended August 31, 2013	Quarter Ended November 30, 2013	Fiscal Year to Date August 31, 2014
Beginning Net Assets	$ 7,105	$ 7,396	$ 7,396
Contributions	166	35	35
Withdrawals	(152)	(1)	(1)
Distributions	(360)	(91)	(91)
Investment Return (Net of Expenses)	637	362	362
Ending Net Assets	$ 7,396	$ 7,701	$ 7,701

Fiscal Year to Date

	Returns: Portfolio	Returns: Policy Benchmark	Value Added: From Asset Allocation	Value Added: From Security Selection	Value Added: Total
More Correlated and Constrained:					
Investment Grade	0.76%	2.22%	-0.01%	-0.12%	-0.13%
Credit-Related	3.86%	4.69%	0.00%	0.00%	0.00%
Real Estate	5.34%	4.87%	0.00%	0.01%	0.01%
Natural Resources	-4.04%	0.61%	-0.20%	-0.37%	-0.57%
Developed Country	10.81%	11.05%	0.01%	-0.02%	-0.01%
Emerging Markets	11.14%	10.04%	-0.19%	0.11%	-0.08%
Total More Correlated and Constrained	**5.39%**	**7.13%**	**-0.39%**	**-0.39%**	**-0.78%**
Less Correlated and Constrained	**5.39%**	**3.91%**	**0.03%**	**0.42%**	**0.45%**
Private Investments	**3.57%**	**3.51%**	**0.00%**	**0.00%**	**0.00%**
Total	**4.90%**	**5.23%**	**-0.36%**	**0.03%**	**-0.33%**







III. INTERMEDIATE TERM FUND

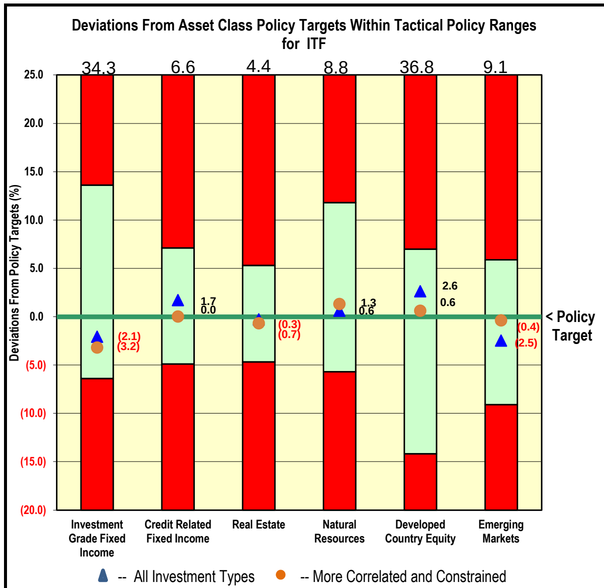
Investment Reports for Periods Ended November 30, 2013

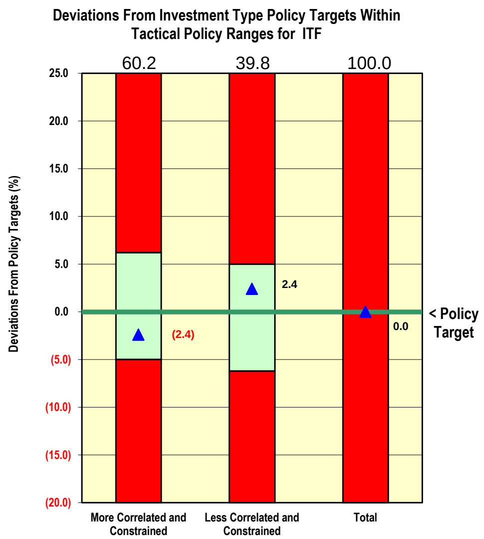
Prepared in accordance with *Texas Education Code* Sec. 51.0032

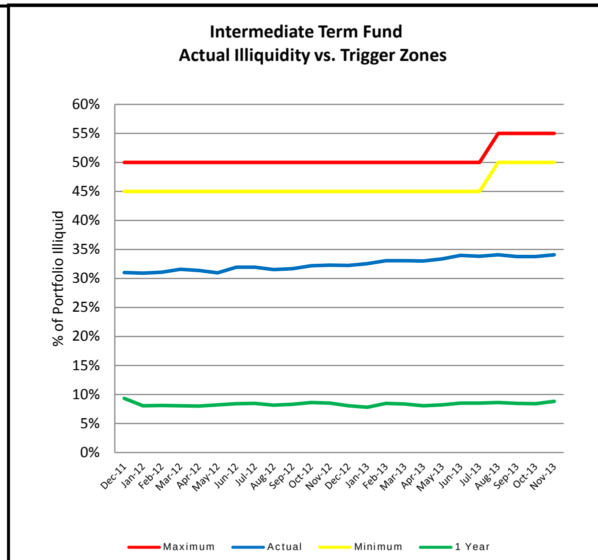
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2013	Quarter Ended November 30, 2013	Fiscal Year to Date August 31, 2013
Beginning Net Assets	$ 4,893	$ 5,520	$ 5,520
Contributions	694	264	264
Withdrawals	(158)	(23)	(23)
Distributions	(158)	(44)	(44)
Investment Return (Net of Expenses)	249	228	228
Ending Net Assets	$ 5,520	$ 5,945	$ 5,945

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	1.41%	2.22%	0.07%	-0.27%	-0.20%
Credit-Related	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	5.36%	4.87%	-0.04%	0.01%	-0.03%
Natural Resources	-3.90%	0.61%	-0.14%	-0.34%	-0.48%
Developed Country	10.80%	11.05%	0.01%	-0.01%	0.00%
Emerging Markets	9.77%	10.04%	-0.05%	-0.03%	-0.08%
Total More Correlated and Constrained	**3.19%**	**4.49%**	**-0.15%**	**-0.64%**	**-0.79%**
Less Correlated and Constrained	**5.39%**	**3.91%**	**0.03%**	**0.51%**	**0.54%**
Private Investments	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total	**4.05%**	**4.30%**	**-0.12%**	**-0.13%**	**-0.25%**







IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at November 30, 2013

Report prepared in accordance with *Texas Education Code* Sec. 51.0032

($ thousands)

	FUND TYPE															
	CURRENT PURPOSE				ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		OPERATING FUNDS (DEBT PROCEEDS AND (SHORT TERM FUND)		TOTAL	
	DESIGNATED		RESTRICTED													
ASSET TYPES																
Cash & Equivalents:	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Beginning value 08/31/13	-	-	1,722	1,722	46,491	46,491	2,562	2,562	675	675	51,450	51,450	1,933,413	1,933,413	1,984,863	1,984,863
Increase/(Decrease)	-	-	1,972	1,972	(9,769)	(9,769)	(326)	(326)	862	862	(7,261)	(7,261)	(92,066)	(92,066)	(99,327)	(99,327)
Ending value 11/30/13	-	-	3,694	3,694	36,722	36,722	2,236	2,236	1,537	1,537	44,189	44,189	1,841,347	1,841,347	1,885,536	1,885,536
Debt Securities:																
Beginning value 08/31/13	-	-	58	57	12,230	12,603	8,767	8,778	-	-	21,055	21,438	-	-	21,055	21,438
Increase/(Decrease)	-	-	2	3	(446)	(417)	(28)	136	-	-	(472)	(278)	-	-	(472)	(278)
Ending value 11/30/13	-	-	60	60	11,784	12,186	8,739	8,914	-	-	20,583	21,160	-	-	20,583	21,160
Equity Securities:																
Beginning value 08/31/13	1,161	5,249	1,496	1,867	40,261	44,709	12,534	13,685	-	-	55,452	65,510	-	-	55,452	65,510
Increase/(Decrease)	(1)	12,891	(1,223)	(1,598)	(896)	2,098	-	1,030	-	-	(2,120)	14,421	-	-	(2,120)	14,421
Ending value 11/30/13	1,160	18,140	273	269	39,365	46,807	12,534	14,715	-	-	53,332	79,931	-	-	53,332	79,931
Other:																
Beginning value 08/31/13	-	-	5,247	5,247	6	6	493	133	137,046	137,046	142,792	142,432	-	-	142,792	142,432
Increase/(Decrease)	-	-	(4,975)	(4,975)	-	-	11	(1)	(137,046)	(137,046)	(142,010)	(142,022)	-	-	(142,010)	(142,022)
Ending value 11/30/13	-	-	272	272	6	6	504	132	-	-	782	410	-	-	782	410
Total Assets:																
Beginning value 08/31/13	1,161	5,249	8,523	8,893	98,988	103,809	24,356	25,158	137,721	137,721	270,749	280,830	1,933,413	1,933,413	2,204,162	2,214,243
Increase/(Decrease)	(1)	12,891	(4,224)	(4,598)	(11,111)	(8,088)	(343)	839	(136,184)	(136,184)	(151,863)	(135,140)	(92,066)	(92,066)	(243,929)	(227,206)
Ending value 11/30/13	1,160	18,140	4,299	4,295	87,877	95,721	24,013	25,997	1,537	1,537	118,886	145,690	1,841,347	1,841,347	1,960,233	1,987,037

Details of individual assets by account furnished upon request.

UTIMCO 12/16/2013

6. U. T. System Board of Regents: Adoption of Resolution amending the Permanent University Fund Commercial Paper Note Program and repealing the Permanent University Fund Flexible Rate Note Program and authorization for officers of U. T. System to complete all transactions related thereto

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents adopt the resolution set forth on Pages 170 - 172:

a. amending the Resolution adopted by the Board of Regents on August 14, 2008, authorizing the issuance, sale, and delivery of the Board of Regents of The University of Texas System Permanent University Fund Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B, to increase the aggregate principal amount of such Commercial Paper Notes that may be outstanding at any time from $500 million to $750 million;

b. repealing the Amended and Restated Resolution adopted by the Board of Regents on November 13, 2002, authorizing the issuance, sale, and delivery of the Board of Regents of The University of Texas System Permanent University Fund Flexible Rate Notes, Series A; and

c. authorizing appropriate officers and employees of the U. T. System as set forth in the Resolution to take any and all actions necessary or desirable in order to carry out the terms and provisions of the Resolution, the Commercial Paper Notes and the agreements relating to the Commercial Paper Notes and the Flexible Rate Notes.

BACKGROUND INFORMATION

The U. T. System's Permanent University Fund (PUF) Flexible Rate Notes, Series A program was originally established in 1985 and was utilized to provide interim financing on projects approved by the Board of Regents until 2008.

On August 14, 2008, the Board of Regents approved a resolution authorizing the PUF Commercial Paper Note Program not to exceed $500 million outstanding at any one time. Because it is a more efficient borrowing mechanism, the U. T. System has utilized the PUF Commercial Paper Note Program in lieu of utilizing the PUF Flexible Rate Note Program since 2008.

Adoption of this resolution would repeal the resolution authorizing the $400 million PUF Flexible Rate Note Program and increase the maximum authorization of the PUF Commercial Paper Note Program from $500 million to $750 million. The increase in the PUF Commercial Paper Note Program is needed to facilitate the financing of capital projects reflected in the FY 2014-2019 CIP, including PUF allocations made by the U. T. System Board of Regents at the meeting on November 12, 2013. Increased PUF interim financing capacity will permit the U. T. System to continue to provide efficient interim financing and additional timing flexibility in accessing the long-term capital markets.

Liquidity for the Commercial Paper Note Program will continue to be provided by the U. T. System through the existing arrangement with The University of Texas Investment Management Company (UTIMCO).

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

RESOLUTION REPEALING THAT CERTAIN AMENDED AND RESTATED RESOLUTION ADOPTED BY THE BOARD OF REGENTS ON NOVEMBER 13, 2002 AUTHORIZING THE ISSUANCE FROM TIME TO TIME OF THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND FLEXIBLE RATE NOTES, SERIES A; AMENDING THAT CERTAIN RESOLUTION ADOPTED BY THE BOARD OF REGENTS ON AUGUST 14, 2008 AUTHORIZING THE ISSUANCE FROM TIME TO TIME OF THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND COMMERCIAL PAPER NOTES, SERIES A AND TAXABLE COMMERCIAL PAPER NOTES, SERIES B; AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

WHEREAS, Section 18 of Article VII of the Constitution of the State of Texas, as amended (the "Constitutional Provision"), authorizes the Board of Regents (the "Board") of The University of Texas System (the "System") to issue bonds and notes not to exceed a total amount of 20% of the cost value of investments and other assets of the Permanent University Fund, exclusive of real estate, at the time of issuance thereof and to pledge all or any part of its two-thirds interest in the Available University Fund to secure the payment of the principal of and interest on those bonds and notes, for the purpose of acquiring land, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under the Constitutional Provision or prior law, at or for the System administration and component institutions of the System as listed in the Constitutional Provision; and

WHEREAS, on November 13, 2002, the Board adopted an amended and restated resolution (the "Flexible Rate Notes Resolution") authorizing the issuance, pursuant to the Constitutional Provision, of its Permanent University Fund Flexible Rate Notes, Series A (the "Flexible Rate Notes"), in an aggregate principal amount outstanding at any time not to exceed $400,000,000, which are secured by a pledge of the Interest of the System in the Available University Fund; and

WHEREAS, on August 14, 2008, the Board adopted a resolution (the "Commercial Paper Notes Resolution") authorizing the issuance, pursuant to the Constitutional Provision, of its Permanent University Fund Commercial Paper Notes, Series A and its Permanent University Fund Taxable Commercial Paper Notes, Series B (collectively, the "Commercial Paper Notes"), in an aggregate principal amount outstanding at any time not to exceed $500,000,000, which are secured by a pledge of the Interest of the System in the Available University Fund; and

WHEREAS, capitalized terms used in this resolution (this "Resolution") and not otherwise defined shall have the meaning given to such terms in the Commercial Paper Notes Resolution; and

WHEREAS, prior to the adoption of the Commercial Paper Notes Resolution, the Board issued Flexible Rate Notes from time to time for its interim financing needs for eligible projects under the Constitutional Provision; and

WHEREAS, following the adoption of the Commercial Paper Notes Resolution, the Board began issuing Commercial Paper Notes for its interim financing needs for eligible projects under the Constitutional Provision; and

WHEREAS, the Board has not issued Flexible Rate Notes since its adoption of the Commercial Paper Notes Resolution, and there are no Flexible Rate Notes currently outstanding; and

WHEREAS, the Board desires to repeal the Flexible Rate Notes Resolution; and

WHEREAS, the Board desires to amend the Commercial Paper Notes Resolution for the purpose of increasing the aggregate principal amount of Commercial Paper Notes that may be outstanding at any time from $500,000,000 to $750,000,000; and

WHEREAS, pursuant to its terms, the Commercial Paper Notes Resolution may be amended at any time without notice to or the consent of any Holders of the Commercial Paper Notes for the purpose, among others, of increasing the amount of Commercial Paper Notes which may be outstanding thereunder.

NOW, THEREFORE BE IT RESOLVED, that the Flexible Rate Notes Resolution is hereby repealed and shall be of no further force or effect; and

BE IT FURTHER RESOLVED, that the Commercial Paper Notes Resolution is hereby amended to increase the aggregate principal amount of Commercial Paper Notes that may be outstanding thereunder at any time from $500,000,000 to $750,000,000, and, therefore, all references in the Commercial Paper Notes Resolution to $500,000,000 are hereby deleted and replaced with $750,000,000; and

BE IT FURTHER RESOLVED, that the Chairman of the Board, the General Counsel to the Board, each Authorized Representative and all other officers, employees, and agents of the Board, and each of them, shall be and they are hereby expressly severally authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver, in the name and under the seal and on behalf of the Board, all such agreements, documents and instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Commercial Paper Notes, each Dealer Agreement, the Issuing and Paying Agent Agreement, the Trust Agreement, the Offering Memorandum, the Master Notes and any other agreement, document or instrument relating to the Commercial Paper Notes and the Flexible Rate Notes; and

BE IT FURTHER RESOLVED, that each Authorized Representative is hereby severally authorized to approve, subsequent to the date of the adoption of this Resolution, any technical amendments to this Resolution as may be required by any rating agency as a condition to the granting of a rating on the Commercial Paper Notes and as may be required by the office of the Attorney General of the State of Texas as a condition to the approval of this Resolution and any other agreements and proceedings as required in connection therewith; and

BE IT FURTHER RESOLVED, the Board hereby reaffirms the Commercial Paper Notes Resolution, and the Commercial Paper Notes Resolution shall remain in full force and effect, as amended by this Resolution; and

BE IT FURTHER RESOLVED, that this Resolution is effective immediately upon its adoption; provided that, the amendments made hereby to the Commercial Paper Notes Resolution shall become effective upon the approval of this Resolution, and any other agreements and proceedings as may be required in connection therewith, by the Attorney General of the State of Texas.

ADOPTED AND APPROVED this the ___ day of February, 2014.

____
Chairman
Board of Regents of
The University of Texas System

Attest:

____
General Counsel to the
Board of Regents of
The University of Texas System

[SEAL]

7. <u>U. T. System: Report on the Fiscal Year 2013 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)</u>

REPORT

Mr. Randy Wallace, Associate Vice Chancellor, Controller, and Chief Budget Officer, will discuss the 2013 Annual Financial Report (AFR) highlights. A PowerPoint presentation on Pages 174 - 187 is included for additional detail. The AFR is available at http://www.utsystem.edu/cont/Reports_Publications/CONAFR/AuditedAFR13.pdf.

The AFR is comprised of the U. T. System Consolidated Financial Statements for the Year Ended August 31, 2013, including the Management's Discussion and Analysis that provides an overview of the financial position and activities of the U. T. System for the year ended August 31, 2013.

Ms. Tracey Guidry Cooley, Deloitte & Touche LLP, will report on the results of the audits of the U. T. System, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, U. T. Health Science Center - Tyler, and funds managed by The University of Texas Investment Management Company (UTIMCO) for Fiscal Year 2013. The PowerPoint presentation is set forth on Pages 188 - 205. The letter of required communications from Deloitte & Touche LLP to the U. T. System Board of Regents was provided to the Regents prior to the meeting.

BACKGROUND INFORMATION

On February 9, 2012, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche LLP to audit the U. T. System, U. T. M. D. Anderson Cancer Center, and funds managed by UTIMCO for the fiscal years ending August 31, 2012 and 2013. On May 3, 2012, the Board of Regents also authorized the same approval for stand-alone audits of U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler.

The Annual Financial Report is prepared in compliance with Governmental Accounting Standards Board pronouncements and State Comptroller of Public Accounts directives and filed with the oversight agencies on November 20 of each year as required by *Texas Government Code* Section 2101.011. Deloitte & Touche LLP issued an unqualified opinion on the U. T. System Consolidated Financial Statements on December 20, 2013.

Annual Financial Report Highlights Fiscal Year 2013

Randy Wallace, Associate Vice Chancellor
Controller and Chief Budget Officer

U. T. System Board of Regents'
Joint Meeting of the Finance and Planning and
Audit, Compliance, and Management Review Committee
February 2014

THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.
WWW.UTSYSTEM.EDU

Objectives

- Discuss Fiscal Year 2013 financial highlights of U. T. System's Annual Financial Report (AFR) by examining a three-year trend of changes in line items on:
  - *Statement of Net Position (SNP)*
  - *Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)*
  - *Statement of Cash Flows*
- Identify factors that contributed to these changes

Required in Annual Financial Report

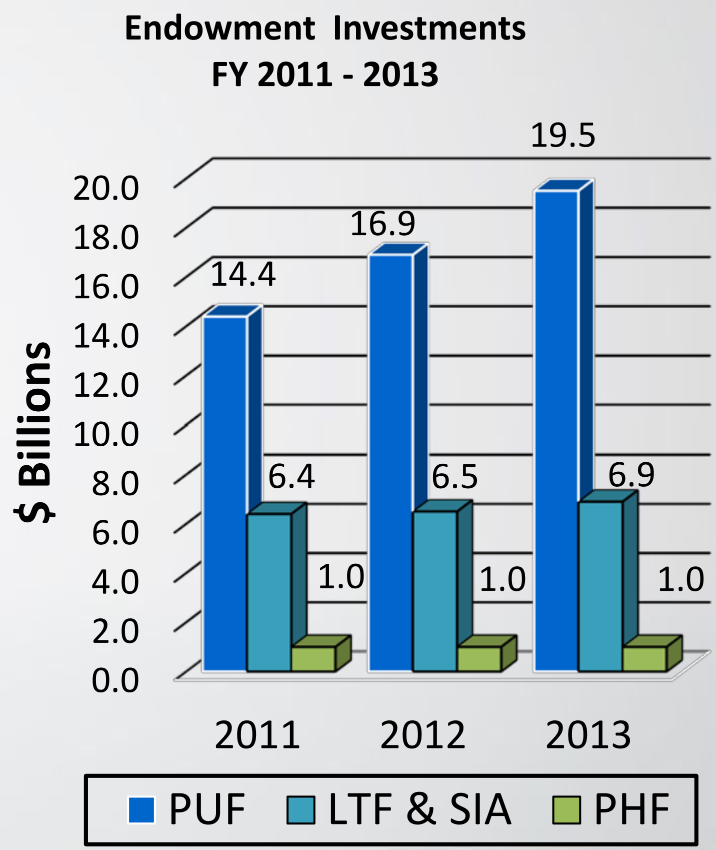
- Required supplemental information and financial statements include:
  - *Management's Discussion and Analysis (MD&A)*
  - *Statement of Net Position*
  - *SRECNP*
  - *Statement of Cash Flows*
  - *Notes to the Financial Statements*
  - *Required Supplementary Information*

Financial Position FY 2013

- Statement of net position still strong
  - Assets and Deferred Outflows over $54 billion
  - Net Position $37 billion
  - Operating results decreased
  - Cash position increased slightly
- U. T. System's financial position for FY 2013 increased as a result of current year operations primarily due to:
  - Net investment income, including unrealized gains
    - Continued strong mineral income from the Permanent University Fund (PUF) lands
    - $1.2 billion increase in the fair value of the PUF lands
    - More favorable market conditions

Statement of Net Position

($ in millions)		*Restated 2011	*Restated 2012	2013
Assets and Deferred Outflows:				
Current Assets	$	5,546.0	6,181.3	6,585.8
Noncurrent Investments		27,833.1	30,646.4	34,003.1
Capital/Intangible Assets, Net		11,785.4	12,422.5	13,144.6
Other Noncurrent Assets		511.1	274.7	379.2
Total Assets		45,675.6	49,524.9	54,112.7
Deferred Outflows		265.8	392.3	184.1
Total Assets and Deferred Outflows	$	45,941.4	49,917.2	54,296.8
Liabilities and Deferred Inflows:				
Current Liabilities	$	6,271.5	6,546.3	7,203.9
Noncurrent Liabilities		9,238.6	10,001.0	10,104.6
Total Liabilities		15,510.1	16,547.3	17,308.5
Deferred Inflows		10.2	9.2	8.2
Total Liabilities and Deferred Inflows	$	15,520.3	16,556.5	17,316.7
Net Position:				
Net Investment in Capital Assets	$	5,029.2	5,243.5	5,552.4
Restricted		22,016.1	24,633.5	27,841.2
Unrestricted		3,375.8	3,483.7	3,586.5
Total Net Position	$	30,421.1	33,360.7	36,980.1



Statement of Net Position (cont.)

($ in millions)		*Restated 2011	*Restated 2012	2013
Assets and Deferred Outflows:				
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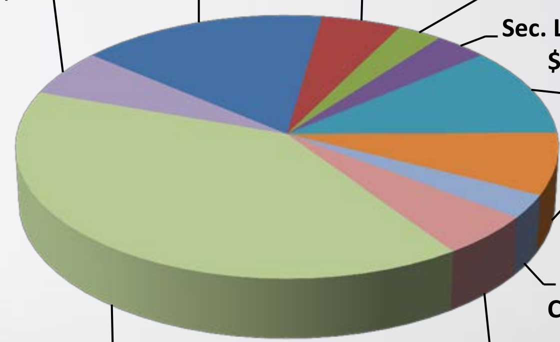
Liabilities and Deferred Inflows
$17.3 billion
(in billions)



Statement of Net Position (cont.)

($ in millions)		*Restated 2011	*Restated 2012	2013
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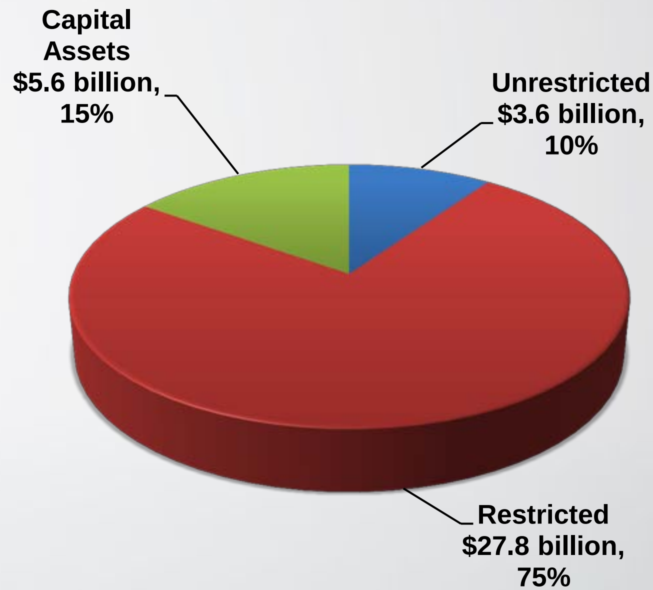
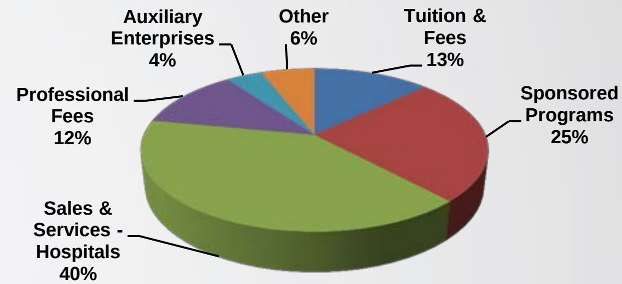
Net Position- $37.0 billion



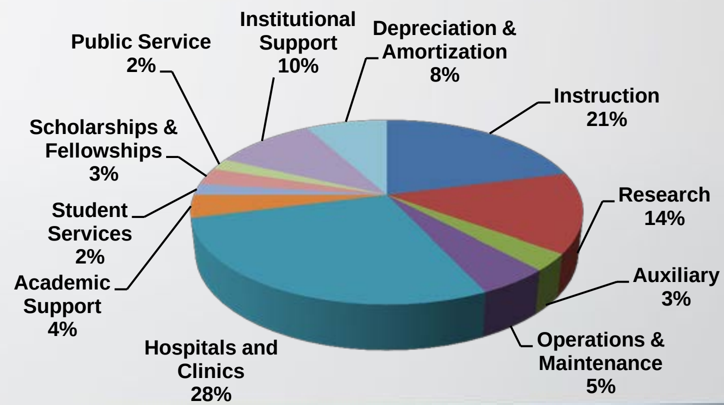
Statement of Revenues, Expenses, and Changes in Net Position

($ in millions)		2011	*Restated 2012	2013
Operating Revenues	$	10,059.3	10,454.3	11,041.7
Operating Expenses		(12,921.4)	(13,422.9)	(14,391.3)
Operating Loss		(2,862.1)	(2,968.6)	(3,349.6)
State Appropriations		1,857.3	1,919.0	1,829.4
Gifts & Nonexchange Grants		720.4	675.4	925.2
Net Investment Income		2,246.3	1,948.3	2,128.4
Net Incr./(Decr.) in Fair Value of Investments		1,896.9	1,619.1	2,135.1
Interest Expense		(262.7)	(267.4)	(270.6)
Net Other Nonop. Rev. (Exp.)		(32.8)	(48.9)	(47.8)
Income (Loss) Before Other Rev. Exp. Gains/(Losses) & Transfers		3,563.3	2,876.9	3,350.1
HEAF/Gifts for Endow.& Capital		370.4	397.3	491.4
Transfers and Other		(219.6)	(334.6)	(222.1)
Change in Net Position		3,714.1	2,939.6	3,619.4
Net Position, Beginning		26,707.0	30,421.1	33,360.7
Net Position, Ending	$	30,421.1	33,360.7	36,980.1

Operating Revenues - $11.0 billion



Operating Expenses - $14.4 billion



Statement of Revenues, Expenses, and Changes in Net Position (cont.)

($ in millions)		2011	*Restated 2012	2013
Operating Revenues	$	10,059.3	10,454.3	11,041.7
Operating Expenses		(12,921.4)	(13,422.9)	(14,391.3)
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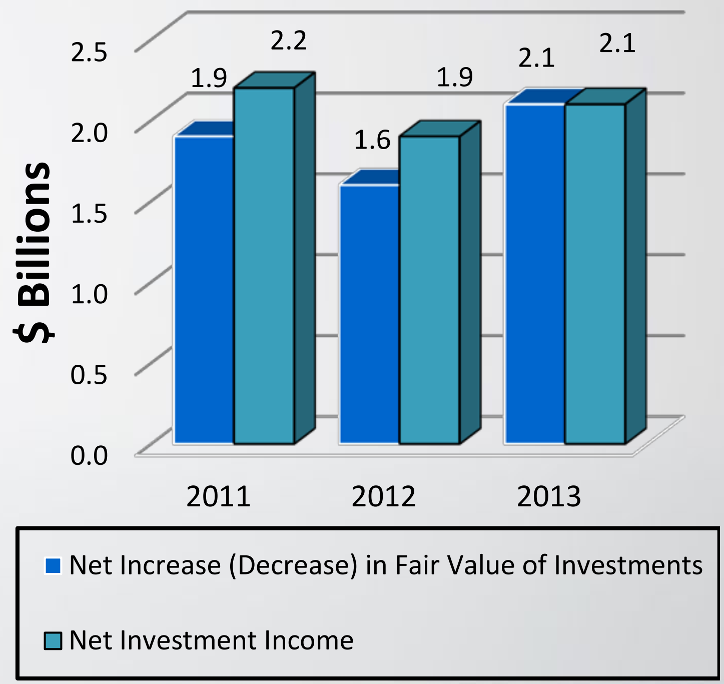
Investment Income
FY 2011 - 2013



Statement of Revenues, Expenses, and Changes in Net Position (cont.)

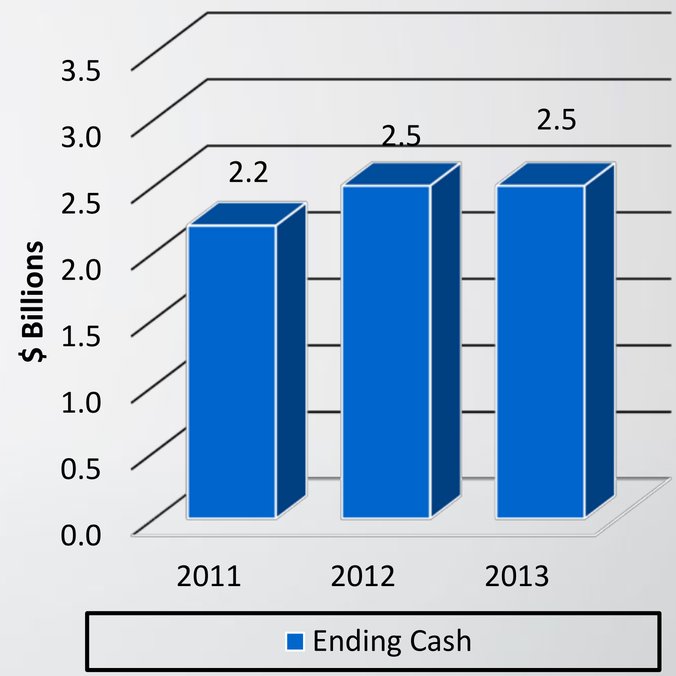
Operating Results
FY 2011 - 2013

		2011	*Restated 2012	2013
			($ in millions)	
Income before other revenue, expenses, gains/(losses) & transfers	$	3,563.3	2,876.9	3,350.1
Remove nonoperating items:				
Net increase in fair value of investments		(1,896.9)	(1,619.1)	(2,135.1)
Loss on sale of capital assets		41.6	14.7	21.5
Other nonoperating (income)/expense		(8.7)	34.2	26.4
Realized gains on investments		(980.2)	(657.4)	(864.6)
Net operating results	$	719.1	649.3	398.3

Cash Flows

($ in millions)		2011	2012	2013
Cash Flows:				
Cash received from operations	$	10,059.1	10,546.0	10,870.8
Cash expended for operations		(11,516.2)	(12,123.7)	(12,626.4)
Cash used for operating activities		(1,457.1)	(1,577.7)	(1,755.6)
Cash provided by noncapital financing activities		1,859.7	2,466.9	2,682.0
Cash used in capital & related financing activities		(1,160.0)	(1,473.1)	(1,797.9)
Cash provided by investing activities		371.1	867.4	939.1
Net increase (decrease) in cash & cash equivalents		(386.3)	283.5	67.6
Cash & cash equivalents, Beginning of the year		2,562.6	2,176.3	2,459.8
Cash & Cash equivalents, End of the year	$	2,176.3	2,459.8	2,527.4

The three-year trend of ending cash and cash equivalents



Permanent University Fund (PUF) Lands

PUF lands are considered an investment by U. T. System

- Fair Value (FV) of PUF lands is based on
  - Third party reserve study of proved reserves, and
  - Percentage of probable and possible reserves (starting in FY 2013)
- PUF lands' surface interests reported at estimated appraised value using American Society of Farm Managers and Rural Appraisers' trends issued by Texas A&M University
- Other real estate holdings are reported by:
  - Latest available appraised amount by State certified or licensed appraiser, or
  - Any other generally accepted industry standard

Looking Forward to FY 2014

- U. T. System appropriations for the 2014-15 biennium increased $249 million or 8% compared to the original appropriations for the 2012-13 biennium to offset some of the reductions made in the previous biennium
- OPEB will continue to reduce net position
- The Affordable Care Act of 2010 health care reform will affect the medical centers and our self insurance plan
  - Legislation increased the annual cost of providing health benefits to System's employees and retirees
- The Dell Medical School at U. T. Austin is scheduled to accept its first class in the fall of 2016
- South Texas medical school to be created, merging U. T. Brownsville and U. T. Pan American
  - Eligible for support from the PUF
  - Expected to enroll its first class in Fall 2016
  - 7,000 to 10,000 new jobs estimated in the Rio Grande Valley over the next several years
- PeopleSoft conversion preparation and testing continues

Upcoming Accounting Pronouncements

- GASB Statement No. 66, *Technical Corrections - 2012*, effective 2014
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective 2015
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective 2015
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective 2014
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* effective 2015

Deloitte.

Presentation to the U. T. System Board of Regents' Joint Meeting of the Audit, Compliance and Management Review Committee and the Finance and Planning Committee

George Scott, Lead Client Service Partner
Tracey Cooley, Director
Reem Samra, Director
Clancy Fossum, Senior Manager

Deloitte & Touche LLP
February 2014

Contents

Audit Status

- We have performed an audit of the consolidated financial statements of **The University of Texas System** (“the System”) for the year ended August 31, 2013, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. We issued our report containing an unqualified opinion on December 20, 2013. This report contained an emphasis of a matter paragraph which relates to the implementation of Government Accounting Standards Board (“GASB”) Statements No. 63 and No. 65.

- As a part of this audit process we also issued our report, dated December 20, 2013, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* for the year ended August 31, 2013.

- We completed our audits of the **PUF, GEF, LTF, ITF and PHF funds of UTIMCO** for the year ended August 31, 2013, and issued our reports containing unqualified opinions on October 31, 2013.

- We completed our audit of the **U. T. Medical Branch at Galveston, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Health Science Center at Tyler** for the year ended August 31, 2013, and issued our report containing an unqualified opinion on December 20, 2013.

- We have prepared the following comments to provide information about the external audit process in the context of your obligation to oversee the financial reporting and disclosure process for which management of the System, UTIMCO, and the U. T. System institutions with stand-alone audits are responsible.

Audit Scope

- Our audit scope was outlined in our External Audit Plan letter dated August 2013 and was not restricted in any manner.
- No significant changes resulted from the execution of the External Audit Plan
- Our auditing procedures addressed the areas of focus identified in our External Audit Plan; these areas included:
  - Valuation of Patient Accounts Receivable
  - Due To/From Third Party Settlements
  - Oil & Gas Reserve valuation and disclosure
  - Management Override of Controls

Audit Adjustments and Uncorrected Misstatements

- Our audit of the consolidated financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud.
- All proposed audit adjustments (whether recorded or not recorded) were reviewed with management and were determined, individually and in the aggregate, not to have a significant effect on the financial reporting process.

Uncorrected Misstatements – U. T. System

- There was one passed reclassification adjustment between "nonexpendable" and "expendable" restricted net position of $272 million identified during our audit of System Administration. This has no impact to total net position. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

Uncorrected Misstatements – U. T. Southwestern

- There was one passed adjustment identified during our audit related to a reclassification in the amount of $144 million at U. T. Southwestern of Contribution Accounts Receivable from “current” to “noncurrent” classifications on the balance sheet. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- There was one passed adjustment at U. T. Southwestern related to Patient Accounts Receivable (“A/R”) Credits that would decrease accounts payable and increase reserve for contractual for $17.5 million. U. T. Southwestern had reclassified all “credits” to A/R as “refunds,” whereas not all the credits are truly refunds. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- There was one passed disclosure identified at U. T. Southwestern in which footnote disclosures did not include a disclosure related to note payable by the Moncrief Foundation for $19 million. Management of the System has concluded that this proposed disclosure is immaterial to the financial statements taken as a whole.
- There was one passed adjustment identified at U. T. Southwestern in which the institution did not appropriately record accruals for invoices received after year end related to purchases (expenses and depreciable property) before year end, in the amount of $7 million. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

Uncorrected Misstatements – U. T. M. D. Anderson Cancer Center

- There was one passed reclassification adjustment related to cash at U. T. M. D. Anderson, discovered by U. T. M. D. Anderson personnel, in the amount of $24 million, which related to an overstatement of both the cash and liability accounts of the balance sheet. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- There was one passed adjustment at U. T. M. D. Anderson to reclassify the current portion of the MDA PRS deferred compensation plan from long-term account to short-term account, in the amount of $34 million. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

Uncorrected Misstatements – U. T. Austin

- There was one passed adjustment related to Accounts Payable at U. T. Austin, in the amount of $12 million, which related to an under-accrual of accounts payable at fiscal year-end. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

Uncorrected Misstatements – Multiple U. T. System Institutions

- There were a few passed adjustments related to Pell Grants at U. T. Austin ($22 million), U. T. Dallas ($7 million), U. T. El Paso, U. T. Arlington, and U. T. San Antonio (combined entry of $52 million), which relate to the deferral of revenue within the Tuition Discount and Allowances calculation for the fiscal year. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

- There was one passed adjustment related to capital assets across the U. T. System institutions, in the aggregated amount of approximately $9 million, which related to missing assets. U. T. System (per Texas Comptroller directions) labels certain missing capital assets as “missing” for a period of two years before these assets are written off of the books. However, generally accepted accounting principles require the entity to write off these assets as soon as they are missing – the total amount of these missing assets across the institutions is $9 million. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

- There was one passed adjustment related to prior year (FY12) disclosure amounts on the Annual Financial Report, which relates to the GASB 63 and 65 implementation. The “net position” change due to a change in accounting principle prior to FY12 was adjusted on the Statement of Revenues, Expenses, and Changes in Net Position for FY12, instead of a direct adjustment to FY12 beginning net position, in the amount of $21 million. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

Summary of Uncorrected Misstatements

Impact of Uncorrected Misstatements on FY13 Financial Statements (in $ millions)

Adjustment	Assets	Liabilities	Net Position	Revenues	Expenditures & Other
System-Wide FY12 GASB 65 Implementation Adjustment	-	-	-	-	-
System-Wide Reclassification between "Nonexpendable" and "Expendable" Restricted Net Position	-	-	$ 272.1	-	-
	-	-	(272.1)	-	-
System-Wide Missing Capital Assets	$ (9.0)	-		-	$ 9.0
UT-Austin Under-Accrual of AP	-	$ (11.6)		-	11.6
U.T. Southwestern Accounts Receivable Contribution Reclassification	144.2	-	-	-	-
	(144.2)	-	-	-	-
U.T. Southwestern Patient Accounts Receivable Credits - Reclassification	(17.5)	17.5	-	-	-
U.T. Southwestern Moncrief Foundation Notes Payable Disclosure	-	-	-	-	-
U.T. Southwestern Accounts Payable Accrual	4.7	(6.6)			1.9
MD Anderson Cash/Liability Classification Adjustment	(24.4)	24.4	-	-	-
MD Anderson - to reclassify the current portion of the MDA PRS deferred compensation plan from long-term account to short-term account.	33.7	33.7	-	-	-
	(33.7)	(33.7)			
UT Dallas Pell Grant Adjustment	-	-	-	$ 6.8	-
	-	-	-	(6.8)	-
UT El Paso, UT-San Antonio, & UT-Arlington Pell Grant Adjustment	-	-	-	51.9	-
	-	-	-	(51.9)	-
UT Austin Pell Grant Adjustment	-	-	-	21.7	-
	-	-	-	(21.7)	-
TOTAL Uncorrected Adjustments- Effect (in $ millions)	(46.2)	23.7	22.5	-	22.5
Original Total Amounts (in $ millions)	54,296.8	(17,316.7)	(36,980.1)	(11,041.7)	7,422.3
Total Amounts (if corrected; in $ millions)	54,250.6	(17,293.0)	(36,957.6)	(11,041.7)	7,444.8

Audit Adjustments and Uncorrected Misstatements – UTIMCO

- We did not identify any recorded audit adjustments or uncorrected misstatements during our audits of the PUF, GEF, LTF, ITF and PHF funds of UTIMCO.

Control-related Matters

- A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
- A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
- A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- No material weaknesses identified at the Systemwide level

Control-related Matters – U. T. System

Other deficiencies identified

- *Net Position Misclassification* – Within Systemwide Net Position testing, an endowment selected was not properly classified in terms of the appropriate restriction (i.e. permanent endowment, quasi-endowment, etc.). Even though there are controls in place to ensure the appropriate classification of the endowments added in the current year, there is no comprehensive control in place to ensure historical endowments are classified appropriately. We noted that there was a process to “clean up” the classifications of endowments in the current year due to a similar finding in the prior year’s audit; however, we still noted endowments that are not classified appropriately.

- *Other Post-Employment Benefits (OPEB) – Census Data Provided to Actuarial Specialists* – Certain data within the census data file that was submitted to the OPEB actuaries from the U. T. System Office of Employee Benefits (OEB) department did not agree to the actual personnel files maintained by U. T. System institutions or eligibility files at U. T. System OEB. These data differences are evidence of a control deficiency in the collection and review of the census data obtained from institutions. There are inadequate controls in place to verify the accuracy of the data included within the file (i.e., correct gender, eligibility status, etc.), or to determine that census data is provided as of the correct date from the U. T. System institutions. The errors appeared to have originated from the institutions, but U. T. System OEB has control over the data that is sent to the actuaries. There was a similar comment in the prior year.

Control-related Matters – U. T. System Institutions

Other deficiencies identified

- *Cash Reconciliation Processes* – At U. T. M. D. Anderson there were issues with the cash reconciliation process, from a timeliness perspective.
- *Patient Accounts Receivable Credits* – There is an issue at U. T. Southwestern, per the adjustment above, related to Patient Accounts Receivable Credits, in which the institution reclassified all “credits” to A/R as “refunds,” whereas not all the credits are truly refunds.
- *U. T. Permian Basin Controls* – There were certain controls that were not properly designed and implemented at U. T. Permian Basin at the time of audit testing. These areas include:
  - Controls related to monthly cash reconciliations (timeliness)
  - Recording of capital assets related to the proper approval of purchase orders during the procurement process as well as the annual asset inventory process
  - Approval of journal entries, in which the same person prepared and reviewed a particular entry tested by Deloitte
  - Lack of compliance monitoring of high-risk areas, as determined within the institutional risk assessment

Control-related Matters – Other Stand-alone Audits

- We did not identify any material weaknesses in our audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Health Science Center at Tyler, U. T. Medical Branch at Galveston, or the PUF, GEF, LTF, ITF and PHF funds of UTIMCO.

Additional Considerations: Benefits from the Audits

- The stand-alone audits of the System, the UTIMCO funds, and the selected health institutions allow for a more detailed look at the financial reporting processes than if the entities were only a part of the State's audit
- These more detailed procedures allow for identification of control areas for improvement without commissioning a special internal controls study
- Provides a public acknowledgement of the importance of transparent financial reporting
- Demonstrates the U. T. System Board of Regents' commitment to good governance

Deloitte.

TABLE OF CONTENTS FOR ACADEMIC AFFAIRS COMMITTEE

Committee Meeting: 2/5/2014

Board Meeting: 2/6/2014
Austin, Texas

R. Steven Hicks, Chairman
Ernest Aliseda
Alex M. Cranberg
Brenda Pejovich
Robert L. Stillwell

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

2. U. T. System: Authorization of $14 million of Permanent University Funds a) for a new Shared Services Initiative to create and implement a Student Information System (SIS) at U. T. Rio Grande Valley; b) to implement a SIS as a second business unit at U. T. Permian Basin; c) to expand the UTShare Human Resource and Finance enterprise system to include and support U. T. Rio Grande Valley; and d) to provide basic campus and implementation support to U. T. Rio Grande Valley and U. T. Permian Basin

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents authorize $14 million of Permanent University Funds (PUF):

a. for a new Shared Services Initiative to create and implement a Student Information System (SIS) at U. T. Rio Grande Valley, including implementation services, hardware/software, support, initial hosting, and disaster recovery;

b. to implement a SIS as a second business unit at U. T. Permian Basin;

c. to expand the UTShare Human Resource and Finance enterprise system to include and support U. T. Rio Grande Valley; and

d. to provide basic campus and implementation support to U. T. Rio Grande Valley and U. T. Permian Basin.

BACKGROUND INFORMATION

In creating U. T. Rio Grande Valley, updated technology is needed to achieve the goals for the new university. It is essential that a software and hosting solution be implemented to support the processing of student information and associated monies. This additional Shared Services Initiative project is consistent with the Framework for Advancing Excellence throughout the U. T. System.

To implement the SIS, U. T. System will leverage the Oracle Corporation site license approved by the Board on May 15, 2008, that makes available the higher education line of Oracle/PeopleSoft products (Human Resources, Financial, and Student Information Systems) for all U. T. System institutions. SIS is essential software for academic institutions to provide campus self-service, financial aid, recruiting and admissions, student administration, student financials, and student records. Additionally, U. T. System will rely on experience gained from the North Texas Student Information System Pilot Project implementation approved by the Board on August 23, 2007.

U. T. Permian Basin's existing SIS is no longer supportable and the campus will realize savings through a co-implementation with U. T. Rio Grande Valley instead of through a stand-alone implementation.

3. U. T. System Board of Regents: Approval to create the University College at U. T. Tyler and amendment of Regents' *Rules and Regulations*, Rule 40601, Section 1.12 to add Subsection (g) to include the University College

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor and General Counsel, and President Mabry that approval be granted for U. T. Tyler to create a University College and that the Regents' *Rules and Regulations*, Rule 40601, Section 1.12, concerning institutions comprising The University of Texas System, be amended to include the University College as set forth below in congressional style:

Sec. 1 Official Titles. The U. T. System is composed of the institutions and entities set forth below. To ensure uniformity and consistence of usage throughout the U. T. System, the institutions and their respective entities shall be listed in the following order and the following titles (short form of title follows) shall be used:

. . .

1.12 The University of Texas at Tyler (U. T. Tyler)

(a) The University of Texas at Tyler College of Arts and Sciences

(b) The University of Texas at Tyler College of Business and Technology

(c) The University of Texas at Tyler College of Education and Psychology

(d) The University of Texas at Tyler College of Engineering and Computer Science

(e) The University of Texas at Tyler College of Nursing and Health Sciences

(f) The University of Texas at Tyler Ben and Maytee Fisch College of Pharmacy

(g) The University of Texas at Tyler University College

BACKGROUND INFORMATION

This proposed amendment to the Regents' *Rules and Regulations*, Rule 40601 is to reflect the creation of the U. T. Tyler University College, which has been approved by the Executive Vice Chancellor for Academic Affairs pending approval by the Board.

U. T. Tyler proposes to create the University College, which would consist of a Department of Academic Success, Department of Educational Technology Services, and the Office of Instructional Design. The College would also offer a Bachelor of Applied Arts and Sciences (BAAS) academic degree, which is currently offered in the College of Business and Technology. Options in the BAAS degree would be expanded to include courses offered by other academic colleges, and the academic deans would participate in the program planning. Furthermore, the University College would be responsible for the coordination of the online, hybrid, and technology-enriched programs and courses at U. T. Tyler.

Texas Education Code Section 65.11 authorizes the Board of Regents to provide for the "administration, organization, and names of the institutions and entities in The University of Texas System in such a way as will achieve the maximum operating efficiency of such institutions and entities[.]"

4. **<u>U. T. Tyler: Update on the Patriots Applying Technology for Success and Savings (PATSS)</u>**

<u>REPORT</u>

President Mabry, U. T. Tyler, will present a report on the Patriots Applying Technology for Success and Savings (PATSS) program. President Mabry's presentation is set forth on the following pages.

Dr. Rodney H. Mabry

President

U. T. System Board of Regents' Meeting

Academic Affairs Committee

February 2014

TYLER The University of Texas at Tyler

What is PATSS?

- Project to transform teaching across campus
- HyFlex courses
  - 50/50 blend of face-to-face and online learning
  - Emphasis on project-based learning (PBL)
- Outcomes
  - Increased learning
  - Reduced costs
  - Increased student satisfaction

PATSS: Increased Learning

- Increased learning
  - In class, more student engagement with PBL
  - Out of class, more time on task with study flexibility
- Increased retention

The University of Texas at Tyler

PATSS: Increased Satisfaction

- Increased satisfaction with
  - Course material and methods
  - More flexible academic schedules
  - More flexible work schedules
  - Greater availability of faculty (online and in office)

PATSS: Reduced Costs

- For students
  - Reduced time to degree
  - Ability to work more with more flexible schedules
  - Commuters save fuel and time
- For university and state
  - Shorter time to degree
  - More degrees from more successful course completion and increased enrollment
  - Fewer buildings

Video

Why U. T. Tyler?

Size - Just Right

- 7,524 Enrollment
- Students from 45 states and 35 nations
- Two satellite campuses in Longview and Palestine

Six Colleges

- Arts & Sciences
- Business & Technology
- Education & Psychology
- Engineering & Computer Science
- Nursing & Health Sciences
- Ben and Maytee Fisch
  College of Pharmacy - Coming Fall 2015

Conceptual drawing, Ben and Maytee Fisch College of Pharmacy

We're All About Innovation

Our Vision

To be the premier public university in Texas focusing on undergraduate students who want a more innovative, personal educational experience in a park-like campus setting.

We Are All About Excellence

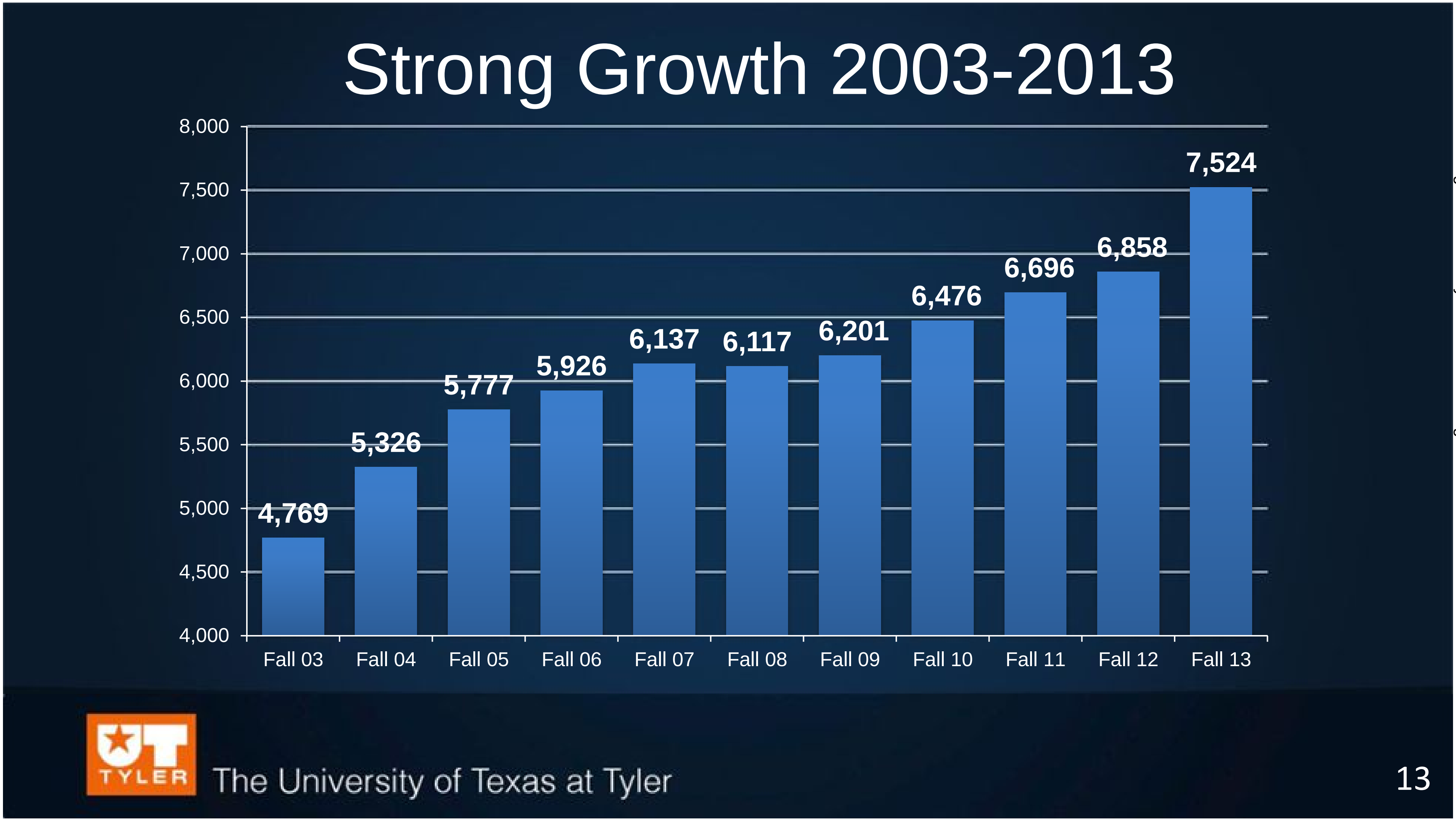
- Ranked 22nd among public, master's level universities in the West, 2013
- Ranked 1st in reputation among ranked Texas public master's universities by peers
- Lowest student-to-faculty ratio among ranked Texas institutions

Measurable Excellence

- State licensure pass rate for nursing: 95%
- Teacher certification pass rate: 94%
- Electrical engineering pass rate, FE Exam: 100%

The University of Texas at Tyler

- One of the best universities in Texas for personal attention
  – The College Database
- One of the best “high return on investment” universities in Texas
  – Affordable Colleges Online
- One of the best universities in the U.S. for veterans’ services.
  – Military Times


Strong Growth 2003-2013
8,000
7,500
7,000
6,500
6,000
5,500
5,000
4,500
4,000
4,769
5,326
5,777
5,926
6,137
6,117
6,201
6,476
6,696
6,858
7,524
Fall 03
Fall 04
Fall 05
Fall 06
Fall 07
Fall 08
Fall 09
Fall 10
Fall 11
Fall 12
Fall 13
UT TYLER
The University of Texas at Tyler
13

Top Majors for U. T. Tyler

1. Nursing
2. Business
3. Health and Kinesiology
4. Biology
5. Mechanical Engineering
6. Psychology
7. Teaching
8. Civil Engineering
9. Health Sciences
10. Electrical Engineering
11. Computer Science & Computer Information Systems

Academic Excellence

- Chemistry seniors scored in top 4% nationally on the College Board major field test
- Criminal justice seniors scored in the top 5% nationally on the College Board major field test

The University of Texas at Tyler

The Perfect Environment for PATSS

- Small class size
- History of building innovative learning environments
- Faculty willing to implement new teaching model, techniques

Investment

- PATSS is an $8 million project (over 5 years)
  - $4 million in Permanent University Funds (PUF) and $4 million local match
- Expenditures to date include
  - $231,000 in infrastructure improvements, including a classroom designed for flexible learning and lecture capture

The University of Texas at Tyler

Investment (cont.)

- $165,000 for software module designed to give students preparation for and support during HyFlex learning

- $144,000 in faculty training and course development

2013-14 Pilot Year

- 1,676 students
- 49 sections
- 31 separate courses
- 25 faculty members trained and participating

Early PATSS Results

- Students support increased flexibility
- Students report increased engagement
- Early academic reports are favorable
- Faculty willing to increase available courses
- Facility use effects beginning with nine "matched" classes in Spring 2014

Student Survey Responses

- **I can control the pace of my own learning**
  - 78% of students surveyed responded “Agree” or “Strongly Agree.”
- **The course was well organized**
  - 71.1% responded “Agree” or “Strongly Agree.”
- **I can organize my time better**
  - 70% of students surveyed responded “Agree” or “Strongly Agree.”

Video

Student Survey Comments

"I feel that it is much more organized…Time spent in class is more efficient and effective, and we are able to do engaging activities."

"Online lectures are nicely prepared and easy to understand."

"I love being able to do the homework on my own time."

"I learned so much more than I would in a straight-up lecture course or online course."

5. **U. T. System: Request to retain low-producing degree programs at U. T. San Antonio**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs that the following low-producing degree programs be retained at U. T. San Antonio:

Ph.D. in Business Administration - Accounting
Ph.D. in Business Administration - Finance
Ph.D. in Business Administration - Management and Organizational Studies
Ph.D. in Business Administration - Marketing
Ph.D. in Business Administration - Information Technology

BACKGROUND INFORMATION

Senate Bill 215, passed into law by the 83rd Texas Legislature, removed the Texas Higher Education Coordinating Board's (Coordinating Board) authority to close or consolidate degree programs. The Coordinating Board is only permitted to make recommendations, and Senate Bill 215 gave explicit authority over the closure or consolidation of programs to the governing boards of Texas public institutions of higher education.

In Fall 2013, the U. T. System Offices of Academic Affairs and Health Affairs collaborated on a review process for programs identified as low-producing and recommended by the Coordinating Board for closure or consolidation. The U. T. System review process for low-producing programs includes a recommended process that an institution may follow to proactively address low productivity well before a program is recommended for closure. It also documents the U. T. System-level review once a program is recommended for closure, which includes a thorough review of the quantitative data related to a degree program. Additionally, if an institution wishes to retain a low-producing program, it is allowed to present other relevant information such as indicators of the high quality of the program, regional access, and other considerations as appropriate.

In November 2013, the Coordinating Board staff issued a recommendation on low-producing programs at one U. T. System academic institution. The Coordinating Board staff recommended that five Ph.D. programs in Business Administration offered at U. T. San Antonio, some of which had not met the State threshold for the number of degrees conferred for a doctoral program, be consolidated into one Ph.D. in Business Administration.

The Coordinating Board standard for doctoral programs is 10 graduates over a five-year period. From FY 2008 - 2012, Accounting produced nine graduates, Finance produced 12 graduates, Management and Organizational Studies produced seven graduates, Marketing produced two graduates, and Information Technology produced nine graduates, totaling 39 graduates during the five-year period. Consolidating the five business administration Ph.D. programs into one would not, however, result in any cost savings to the University. The programs were originally designed to be efficient; all students take a common set of doctoral-level courses in research methods, statistics, and economics. In addition to this common set of courses, students take additional courses in their major area of emphasis. Nothing about the curricular structure would change if the degree programs were consolidated.

Following Board action, the Office of Academic Affairs will respond to the Coordinating Board by the required March 1, 2014 deadline.

6. U. T. System: Quarterly report on academic matters of interest to the U. T. System, including a discussion on research in computational sciences

REPORT

Executive Vice Chancellor Reyes will report on academic matters of interest to the U. T. System and then introduce Dr. J. Tinsley Oden, Associate Vice President for Research and Director of the Institute for Computational Engineering and Science at U. T. Austin, to discuss research in computational sciences. Dr. Oden's presentation is set forth on the following pages.

The University of Texas' Role in the Computational Revolution in Medicine, Engineering, and Science

J. Tinsley Oden,
Associate Vice President for Research, Director of the Institute for Computational Engineering and Science, U. T. Austin

U. T. System Board of Regents' Meeting

Academic Affairs Committee

February 2014

The University of Texas System
Nine Universities. Six Health Institutions. Unlimited Possibilities.
www.utsystem.edu

The Foundations of Science and Engineering: Basic Definitions and Questions

Definitions and Questions:

- What is Science?
- What is Medicine?
- What is Engineering?

Science: The activity concerned with the systematic acquisition of knowledge (the enterprise that builds and organizes knowledge in the form of testable explanations and predictions about the universe).

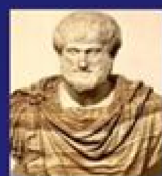
Medicine: The field of applied science, devoted to healing by diagnosis, treatment, and prevention of disease.

Engineering: The activity of applying scientific knowledge and practical knowledge for the benefit or needs of mankind.

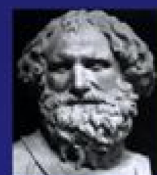
An Ancient Question and Debate

The historic debate in the philosophy of science on how knowledge is acquired

Socrates
469-399 BC
recollection-devine insight



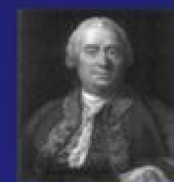
Aristotle
384-322 BC
reasoning demonstration



Archimedes
287-212 BC
mechanics - applications

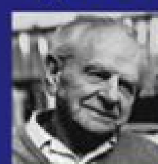
Sir Francis Bacon
1561-1626
learn by organized observations

. . .
Newton, Leibniz
. . .



David Hume
1711-1776
Skepticism - induction does not lead to knowledge

. . .
Maxwell, Einstein, Bohr, Darwin, Mendel
. . .



Sir Karl Popper
1902-1994
Principle of Falsification

Sir Arthur Eddington
1882-1944
Not accept experimental results

Edwin T. Jaynes
1922-1998
All scientific knowledge has been obtained by induction

The Classical Pillars of Science

I. OBSERVATION - Experimental Science (The use of human senses aided by instruments to observe natural events.)

II. THEORY - Induction, the use of hypotheses about causes of events (of physical events) to infer general principles from specific facts

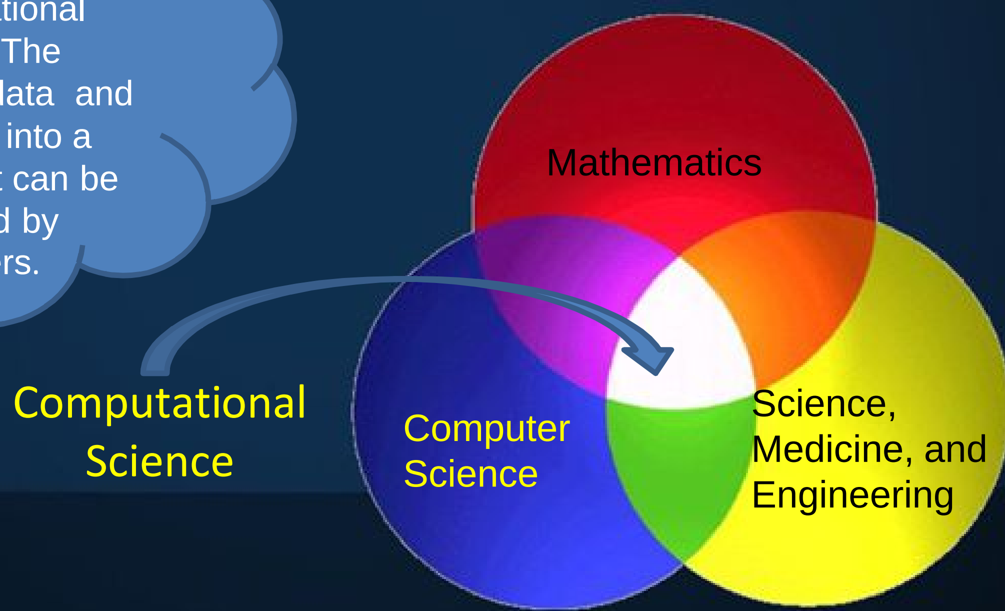
An inductive argument is *probable*, based on evidence. A deductive argument is supposed to be *certain*.

The Scientific Method (Oxford Dictionary)
"A method or procedure that has characterized natural science since the 17th century consisting of systematic observations, measurement, and experiment (# I) and the formulation, testing, and modification of hypotheses (# II)"

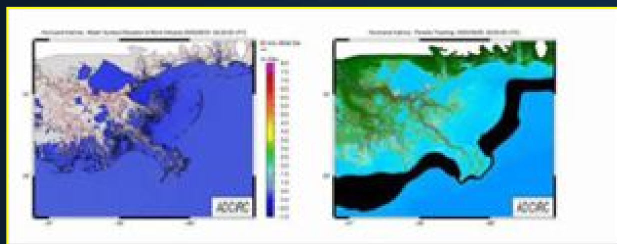
Is There a Third Pillar?

Computational Science: the discipline concerned with the use of computational methods and devices to enable scientific discovery, medical and engineering applications of science

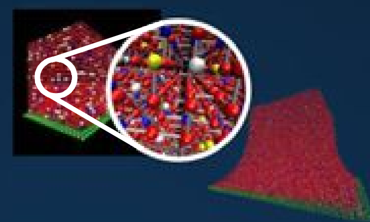
The Common Ground in Computational Science: The translation of data and hypotheses into a language that can be processed by computers.



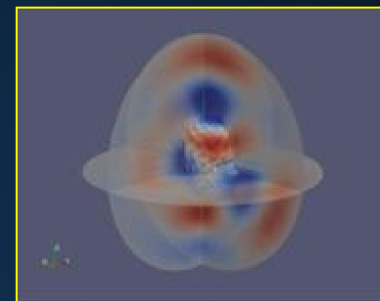
Research at ICES



Oil Spills

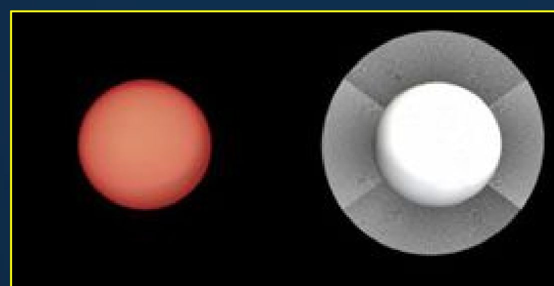


Polymerization



Communications Devices

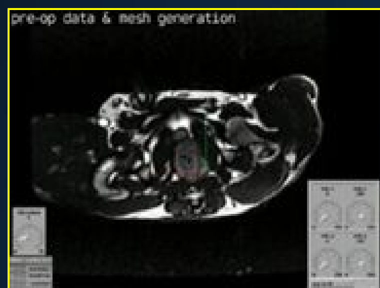
Subsurface Modeling



Mantle Convection

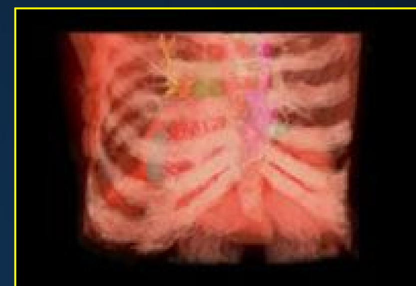
Earthquakes

Research at ICES (cont.)



Laser Treatment of Cancer

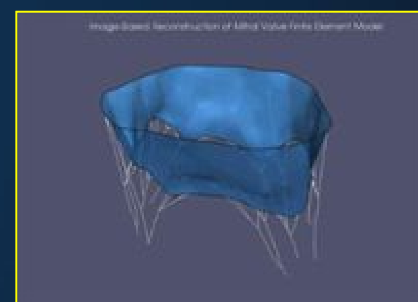
DNA Synthesis



Visualization & Image Processing

Drug Design

Aneurysm Blood Flow



Cardiovascular Modeling

Concluding Comments

Computational Science is regarded as the most important development in the 400,000 years of human existence. It will change forever the way science is done and have a profound impact on higher education worldwide.

TABLE OF CONTENTS FOR HEALTH AFFAIRS COMMITTEE

Committee Meeting: 2/5/2014

Board Meeting: 2/6/2014
Austin, Texas

Robert L. Stillwell, Chairman
Ernest Aliseda
Jeffery D. Hildebrand
Brenda Pejovich
Wm. Eugene Powell

1. <u>U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration</u>

<u>RECOMMENDATION</u>

The proposed Consent Agenda is located at the back of the book.

2. U. T. Health Science Center - San Antonio: Approval of preliminary authority for a Doctor of Medicine at The University of Texas Rio Grande Valley

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Henrich that the U. T. System Board of Regents approve

a. preliminary authority for U. T. Rio Grande Valley to include a Doctor of Medicine; and

b. notification of the proposal to the Texas Higher Education Coordinating Board.

BACKGROUND INFORMATION

The proposed Doctor of Medicine (M.D.) program will prepare physicians to be skilled clinicians, biomedical scientists, professional leaders, and innovators in the ongoing transformation of the health care system regionally and throughout Texas, as well as nationally and internationally. The program will also draw on partnering universities' well-regarded programs in nursing, physician assistants, and social work to educate young physicians in interprofessional team settings.

In addition to the numerous medical and surgical faculty that will be added, U. T. Brownsville and U. T. Pan American are jointly participating in a U. T. System initiative (ValleySTARS) to recruit new faculty to teach and to substantially address the scientific, education, and health-related problems faced by the community.

Once preliminary authority is approved, U. T. Rio Grande Valley will submit the degree proposal for approval by the U. T. System Board of Regents and notify the Coordinating Board.

3. U. T. M. D. Anderson Cancer Center: Request to a) approve engagement with an outside firm to serve as the external transformation team through Phase 1A of the Oncology Expert Advisor project; and b) approve funds and authorize expenditure of an amount not to exceed $15,000,000 from restricted gift funds

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for External Relations, and President DePinho that the U. T. System Board of Regents

a. approve engagement with an outside firm to serve as the external transformation team through Phase 1A of the Oncology Expert Advisor project at U. T. M. D. Anderson Cancer Center; and

b. approve funds and authorize expenditure of an amount not to exceed $15,000,000 from restricted gift funds.

BACKGROUND INFORMATION

U. T. M. D. Anderson Cancer Center's Moon Shots Program (Moon Shots) is designed to accelerate the reduction in mortality, and ultimately, to cure major cancer types. To help achieve this goal, M. D. Anderson has developed a customized, cognitive clinical decision support system called M. D. Anderson's Oncology Expert Advisor™ (OEA) powered by International Business Machines Corporation Watson Service. The Watson Service technology (IBM Watson) is IBM's third-generation cognitive computing system that uses unique natural language processing and deep quality assurance skills.

To evaluate the applicability of a cognitive computing tool for clinical decision support and the feasibility of an adaptive learning environment with big data infrastructure support, M. D. Anderson embarked on a leukemia pilot project to develop an OEA for leukemia, one of the designated Moon Shots diseases. M. D. Anderson scientists and clinicians, working side-by-side with IBM Watson software developers and engineers, have designed and developed the Leukemia OEA powered by IBM Watson. The contract was approved by the U. T. System Board of Regents on February 13, 2013 (Consent Agenda). On October 1, 2013, M. D. Anderson and IBM launched the Leukemia OEA for live system testing and clinical evaluation. The testing has progressed as planned and the initial results are positive.

The ultimate goal of M. D. Anderson is to have a tool that assists physicians in their care of patients across a majority of cancers, not only in specialty cancer centers but also in community practices. OEA is one of the first tools built on cognitive computing capability. While the initial project has proven the feasibility of the tool, what will also need to be established is the willingness of physicians outside of a specialty cancer center to use the tool in their everyday practices. If successful, M. D. Anderson's specialized knowledge could be accessed by community physicians to considerably reduce the customary delay between treatment discoveries made at M. D. Anderson and adoption in other health care settings. Using the other health care providers in the M. D. Anderson Cancer network, such as Banner Health in Phoenix, the contracted transformation team will assist in integrating and testing the tool into those delivery systems and, in doing so, establish the feasibility of a broad range, scalable application. This network infrastructure will also allow M. D. Anderson to capture data (e.g., treatment, response, and adverse events) from patients treated outside of a specialty cancer center so the clinical research can address gaps and optimize therapies for better outcomes.

It is expected that capabilities of the OEA will continually be enhanced as the core underlying IBM Watson technology improves and new functionalities are added. Importantly, it is recognized that OEA will be continually 'trained' by experts to remain up-to-date and relevant to the best practices in oncology.

In parallel with the Leukemia OEA system evaluation, M. D. Anderson is focusing on several partnership phases over the next few years, including:

- Phase 1A to establish the feasibility, know-how and infrastructure for getting M. D. Anderson oncology expertise into community practice (i.e., network democratization) using a cognitive clinical decision support system, such as OEA;

- Phase 1B to scale network democratization to include multiple oncology solutions and additional community practice partners; and

- Phase 2 to implement broad adoption into all network health care providers.

Through a Request for Proposal process, M. D. Anderson is currently working to identify an external transformation team, through the expertise of a professional services advisory firm, to execute the establishment and operation of a democratization network with limited community practice partners to assess, establish, and demonstrate the clinical, technical, financial, and regulatory feasibility of democratization using a cognitive clinical decision support system. Payment for the contracted services will be from restricted gift funds donated for this purpose.

It is anticipated that, if successful, additional contract requests will be sent to the U. T. System Board of Regents for consideration to support Phase 1B and Phase 2.

4. U. T. System: Request to reclassify the $3 million Revenue Cycle Loan Program to the Revenue Cycle Grant Program

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and the Executive Vice Chancellor for Business Affairs to reclassify the $3 million Revenue Cycle Loan Program to the Revenue Cycle Grant Program. The Revenue Cycle Grant Program is for the benefit of the six U. T. System health institutions.

BACKGROUND INFORMATION

On December 10, 2009, the U. T. System Board of Regents appropriated $5.5 million of Permanent University Fund (PUF) Bond Proceeds and created a $3 million fund for the Revenue Cycle Loan Program and a $2.5 million fund for the Revenue Cycle Grant Program.

These programs were established based on a report from a Revenue Cycle Task Force (Task Force) in 2009. The Task Force report appropriately acknowledged that small improvements in the efficiency and effectiveness of the revenue cycle operations within an environment of shrinking reimbursement and increasing operating costs can have a significant, positive impact on the financial statements.

In 2011, the Executive Vice Chancellor for Health Affairs authorized $1.25 million from the Revenue Cycle Grant Program for a computer-assisted coding software implementation. Five U. T. System health institutions have successfully implemented this software in the departments of radiology. Additional resources for implementing other coding areas (e.g., cardiology, pathology, and emergency medicine) would generate additional efficiencies in medical billing for professional fees.

In 2012, the Executive Vice Chancellor for Health Affairs authorized $1.25 million from the Revenue Cycle Grant Program for a clinical trials management system (CTMS) software implementation. Four U. T. System health institutions are actively implementing the software and additional resources for more interfaces and implementation time will allow for increased integration between this software and mission critical software systems (e.g., electronic medical records). Eventually, this CTMS software will be utilized by all U. T. System health institutions.

In November 2013, the Executive Vice Chancellor for Health Affairs received positive support from the six health presidents for the proposed reclassification and an allocation of the $3 million currently in the Revenue Cycle Loan Program to be used in these two software implementations described above. While maintaining the Revenue Cycle Loan Program could devote the same resources, experience has shown that the U. T. System health institutions are not motivated to take on additional debt, and as a result, these loan resources are not being accessed.

Per the Texas Constitution, PUF Bond Proceeds may only be used to fund capital and equipment items related to the educational mission of the U. T. System and U. T. System institutions. The $3 million proposed to be reclassified as grants would be used in a manner consistent with these restrictions.

5. U. T. M. D. Anderson Cancer Center: Introduction of recipient of the Breakthrough Prize in Life Sciences award for T-Cell Research and remarks by James Allison, Ph.D., Chair of the Department of Immunology

INTRODUCTION

President DePinho will introduce the recipient of the 2013 Breakthrough Prize in Life Sciences award, Dr. James Allison, Chair of U. T. M. D. Anderson Cancer Center's Department of Immunology, for remarks on his research in cancer immunotherapy. His presentation is set forth on the following pages.

REPORT

The Breakthrough Prize in Life Sciences is an award developed by entrepreneurs that recognizes researchers who are exceptionally advancing research that extends human life and cures deadly diseases like cancer. The award is designed to champion researchers who are seeking answers to the most puzzling questions in medicine and taking bold steps to develop cures.

On December 12, 2013, Dr. Allison was named the recipient of the 2013 Breakthrough Prize in Life Sciences award for the discovery of T-cell checkpoint blockade as an effective cancer therapy.

Immune Checkpoint Blockade in Cancer Therapy

Jim Allison, Chair, Department of Immunology
Executive Director, Immunotherapy Platform
Deputy Director, David H Koch Center for Applied Research for Genitourinary Oncology Research
Associate Director, Center for Cancer Immunology Research
U. T. M. D. Anderson Cancer Center

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U. T. System Board of Regents' Meeting
Health Affairs Committee
February 2014

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Why Immunotherapy?

Specificity

Memory

Adaptability

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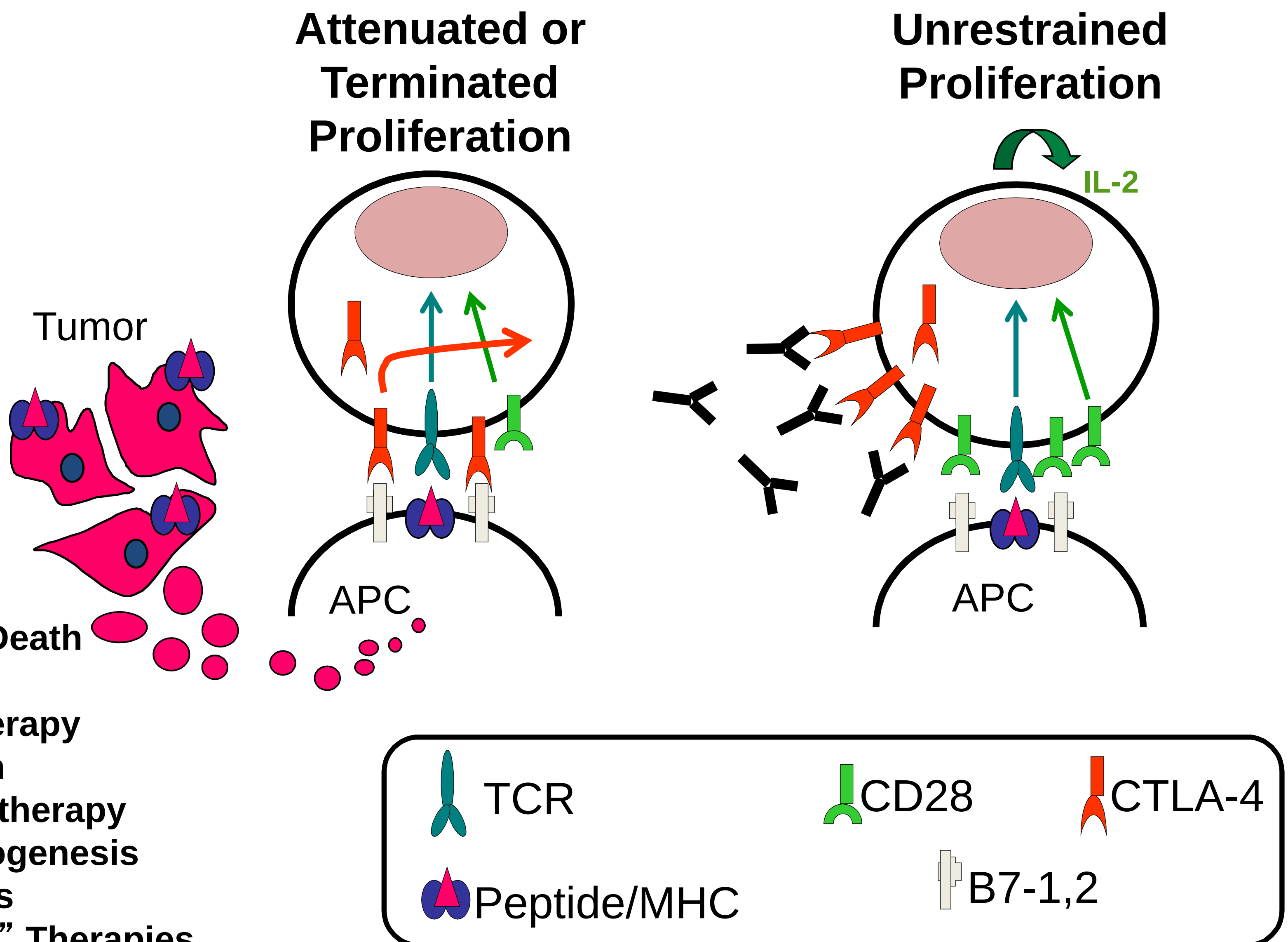
CTLA-4 Blockade Enhances Anti-tumor T cell Responses



Necrotic Death
Vaccines
Chemotherapy
Irradiation
Hormone therapy
Anti-angiogenesis
Antibodies
"Targeted" Therapies

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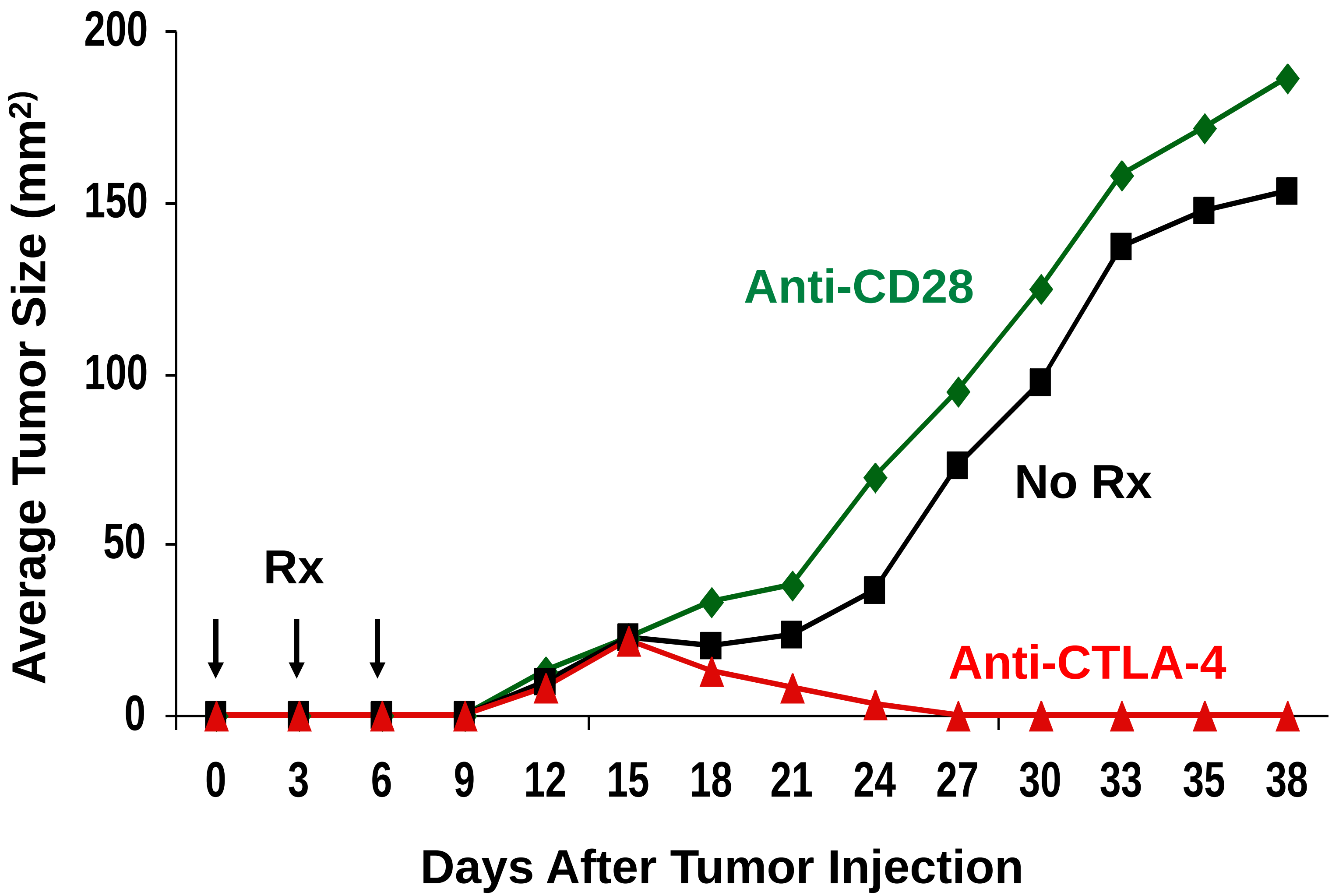
Anti-CTLA-4 Induces Regression of Tumors in Mice



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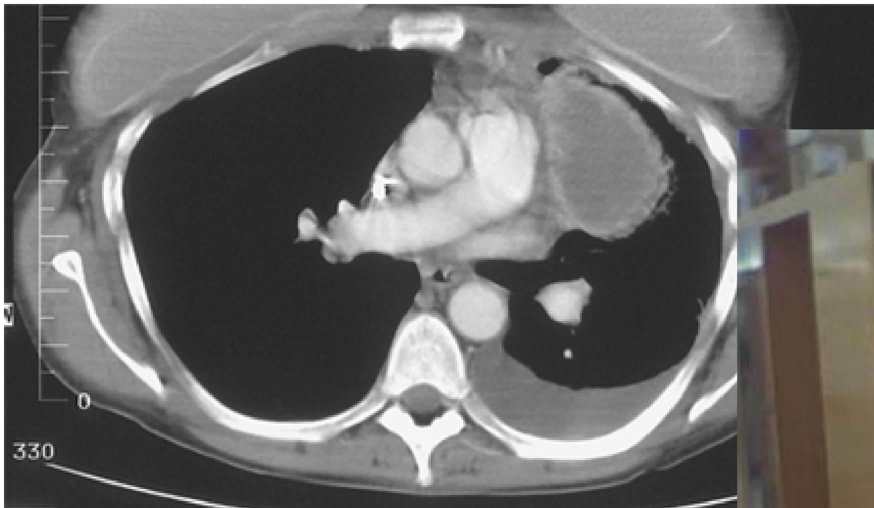
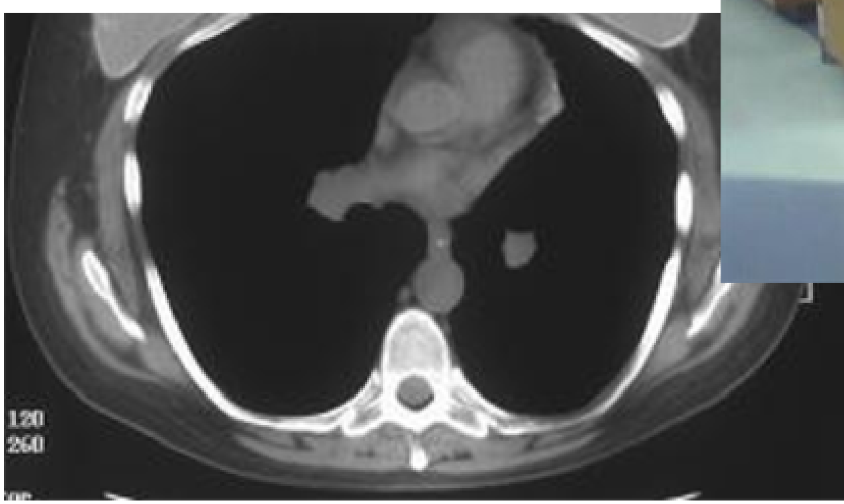
The Longest Surviving Melanoma Patient Treated with anti-CTLA-4?

May 2001, after progression on IL-2



10 years later



Ribas

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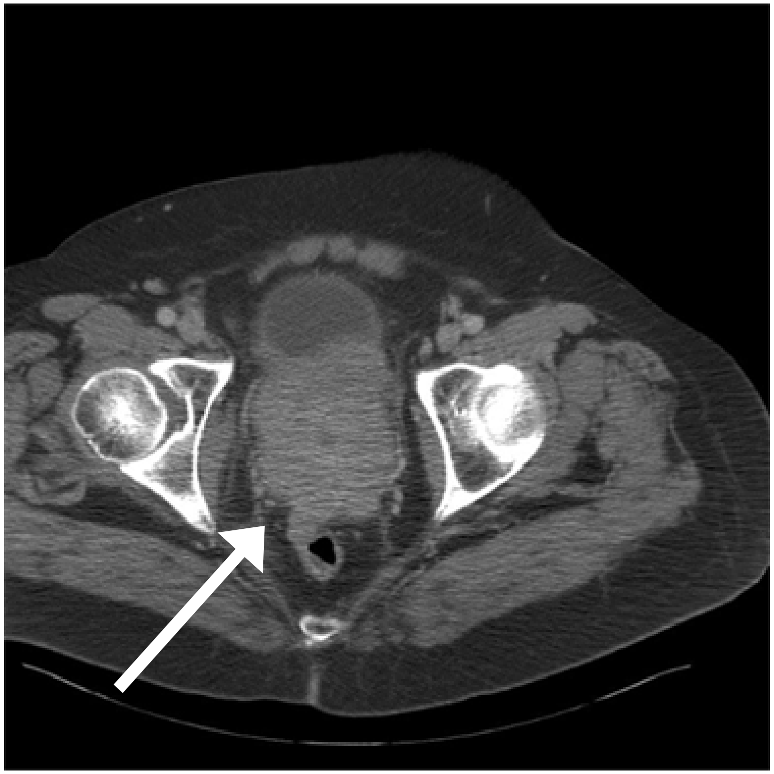
Anti-CTLA-4 can also be effective against Prostate Cancer

Screening



14 months

Phase III trials ongoing

BMS

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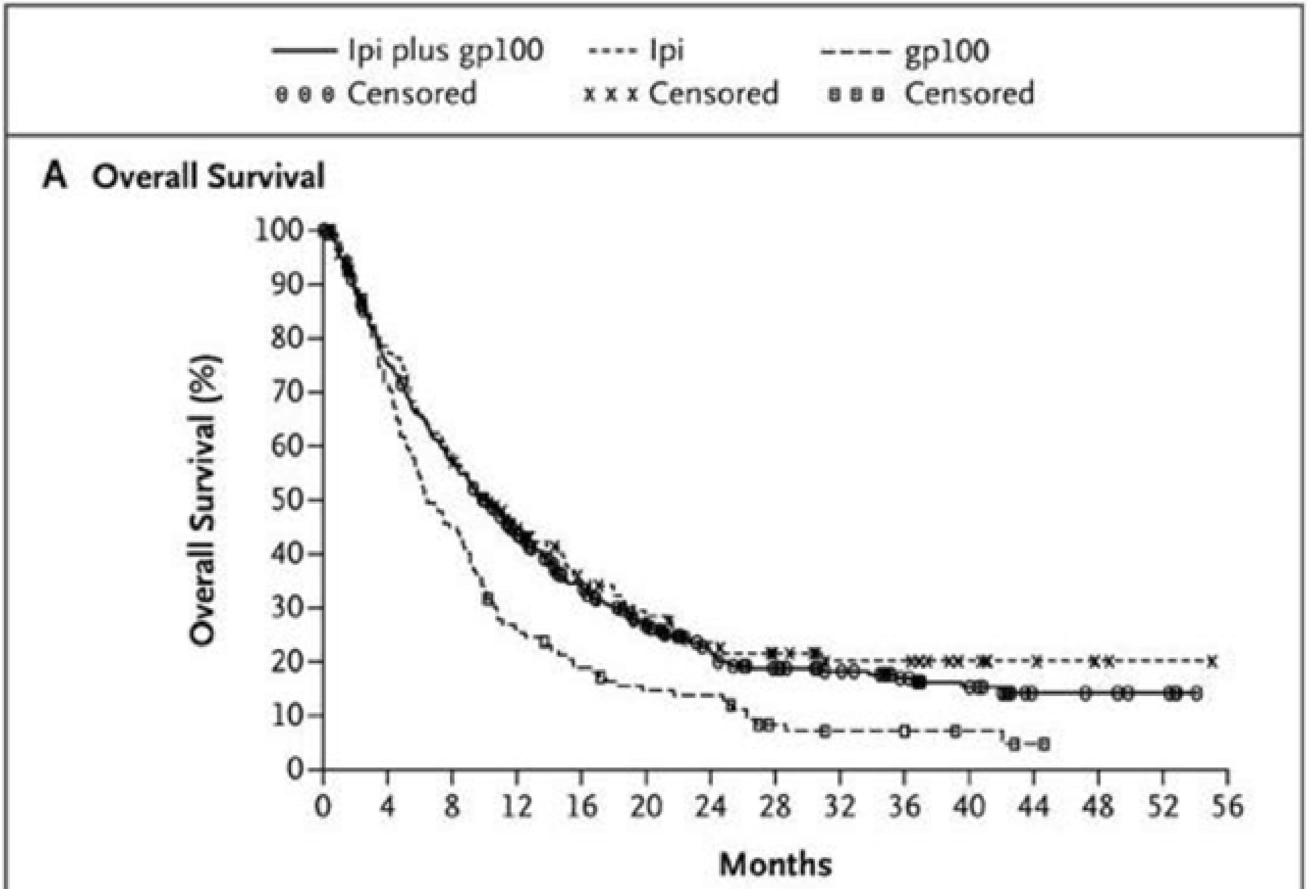
Anti-CTLA-4 Increases Survival of Patients with Metastatic Melanoma



No. at Risk

Ipi plus gp100	403	297	223	163	115	81	54	42	33	24	17	7	6	4	0
Ipi	137	106	79	56	38	30	24	18	13	13	8	5	2	1	0
gp100	136	93	58	32	23	17	16	7	5	5	3	1	0	0	0

Hodi et al. NEJM 2010

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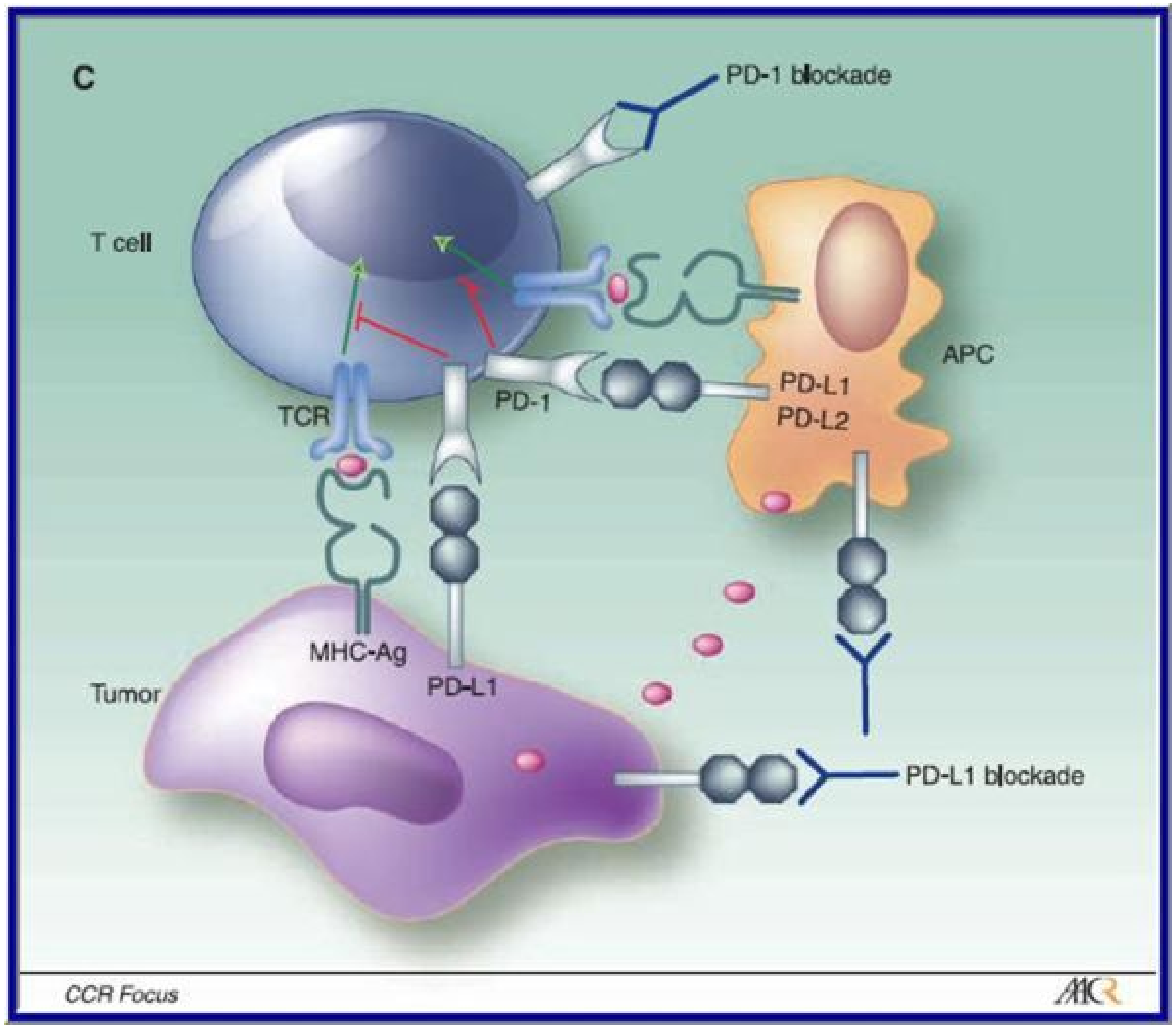
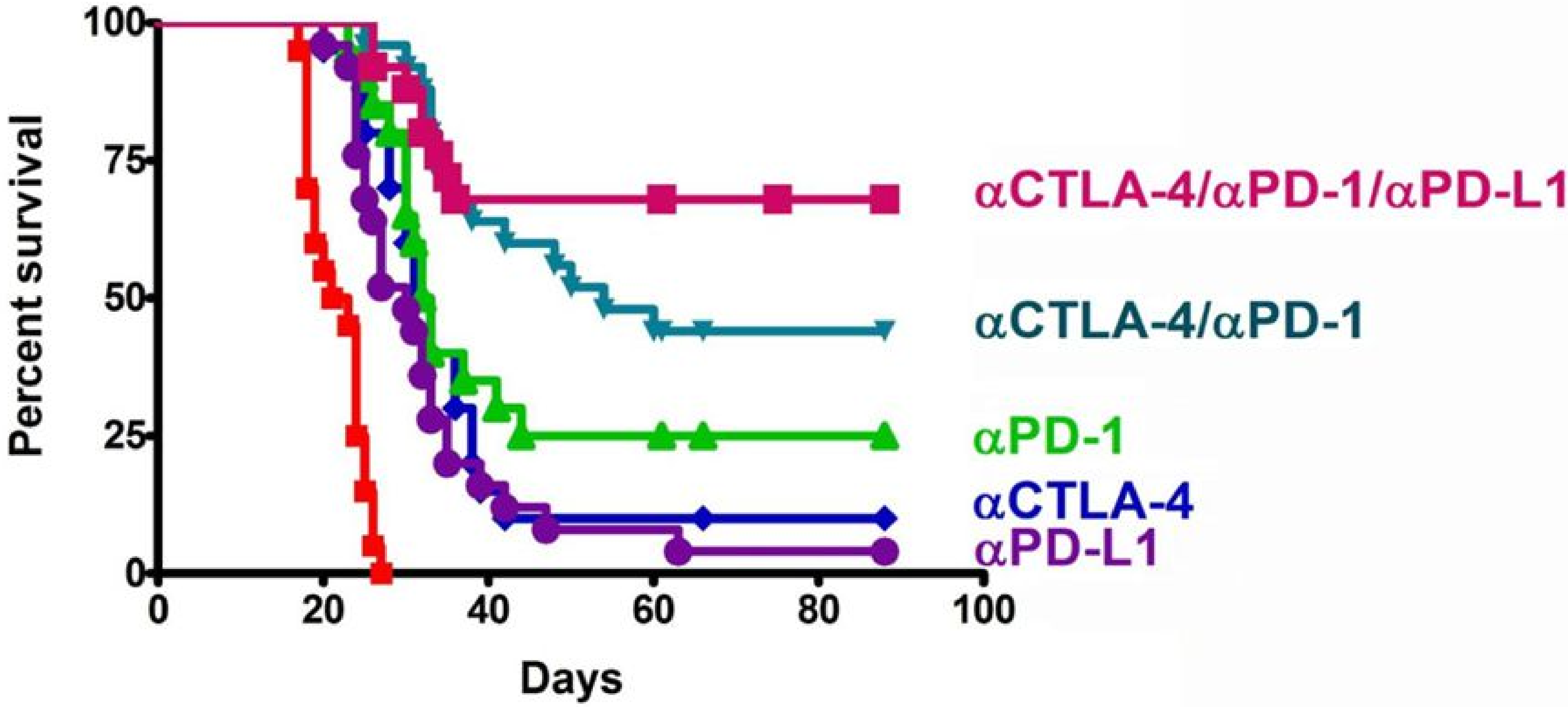
PD-1 also Inhibits T cell activation, but by a different mechanism

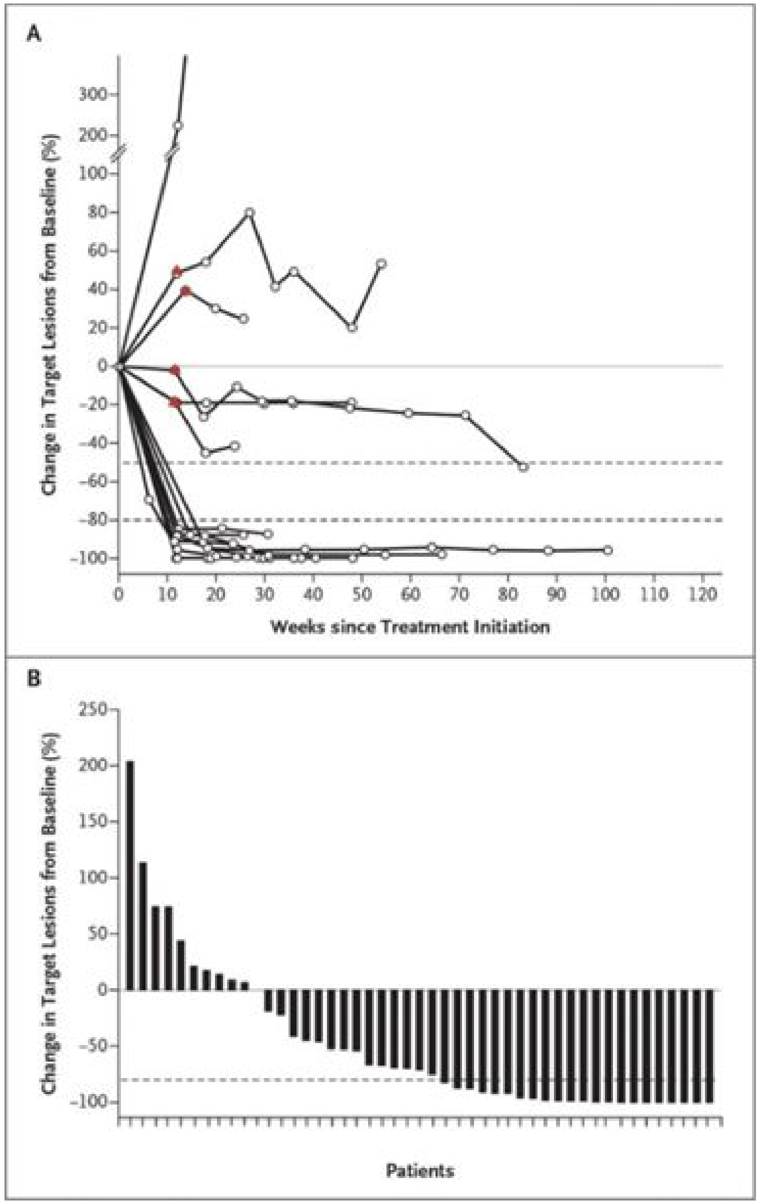


http://www.melanoma.org/community/mpip-melanoma-patients-information-page/video-how-anti-pd-1-therapy-works-imumne-system

Blockade of both CTLA-4 and PD-1/PD-L1 improves anti-tumor responses in Mice



Blockade of both CTLA-4 (Ipi) and PD-1 (Nivo) improves responses in Melanoma Patients



65% Clinical Activity

~50% Objective CR+PR

ASCO 2013
NEJM
6/2/2013

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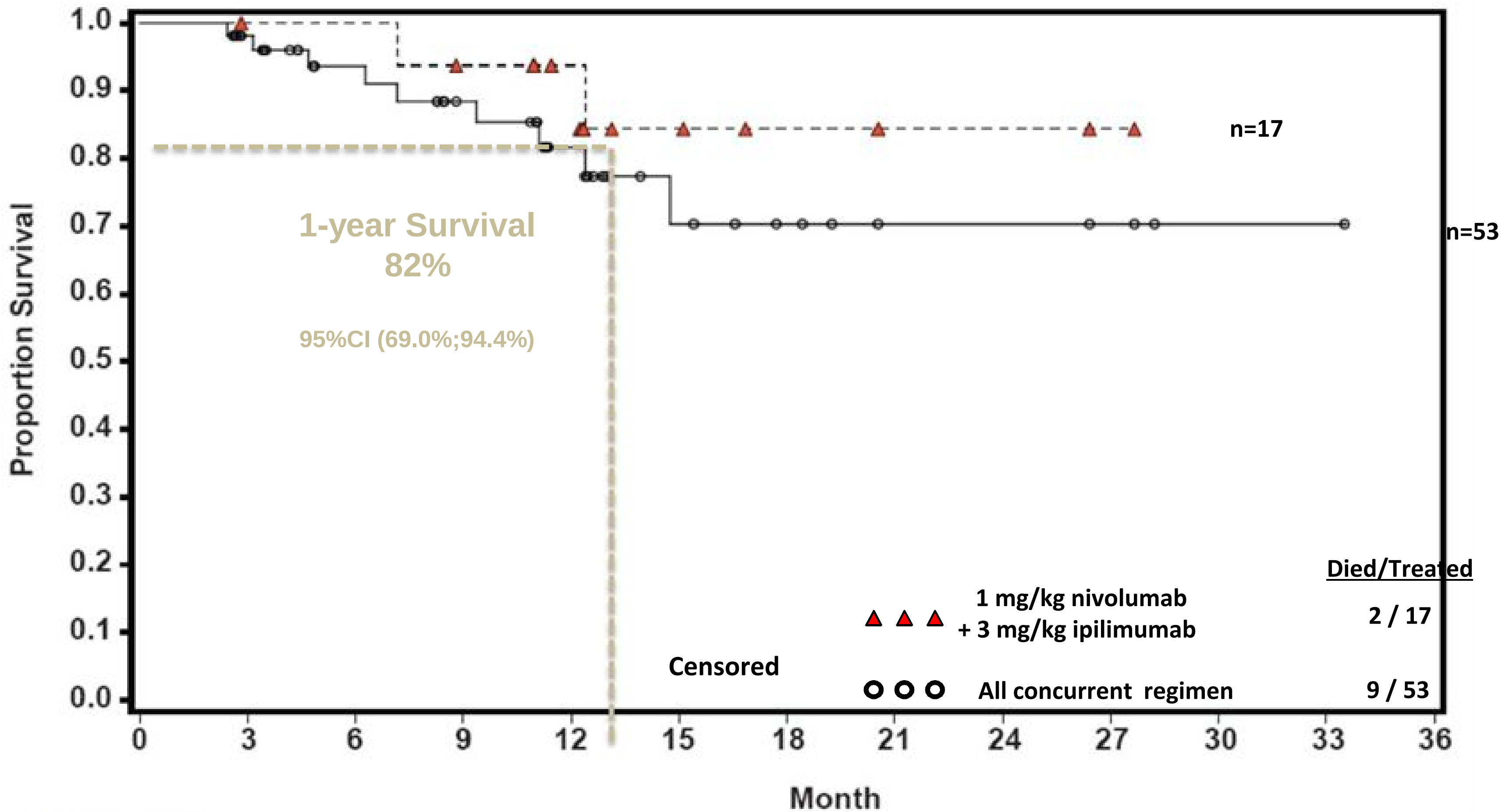
Preliminary Survival of Patients Treated with Ipilimumab + Nivolumab



Patients at Risk

1 mg + 3 mg	17	16	16	14	10	5	3	2	2	1	0	0	0
All concurrent	53	47	36	29	19	10	7	4	4	3	1	1	0

Wolchok, Hodi, BMS

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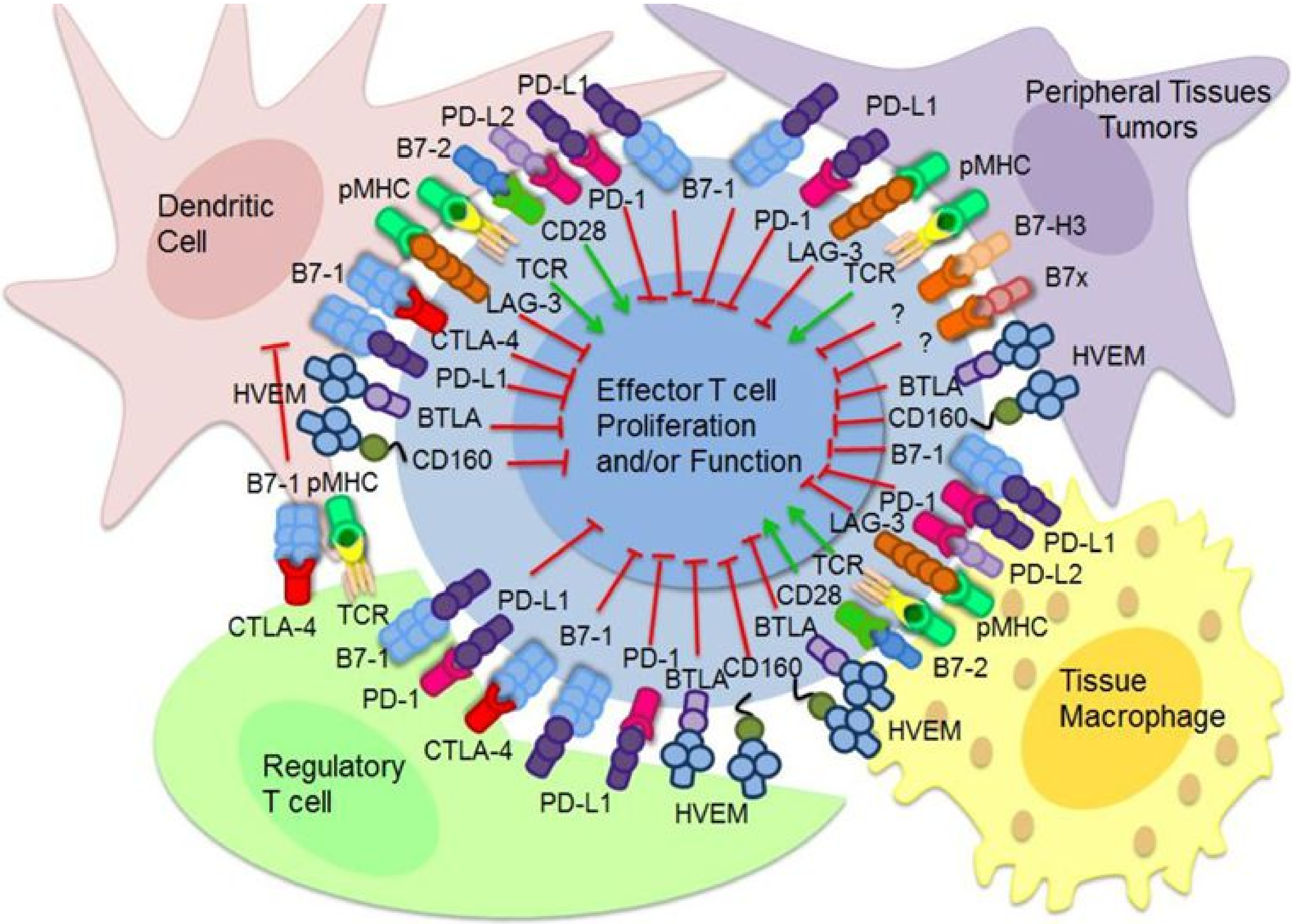
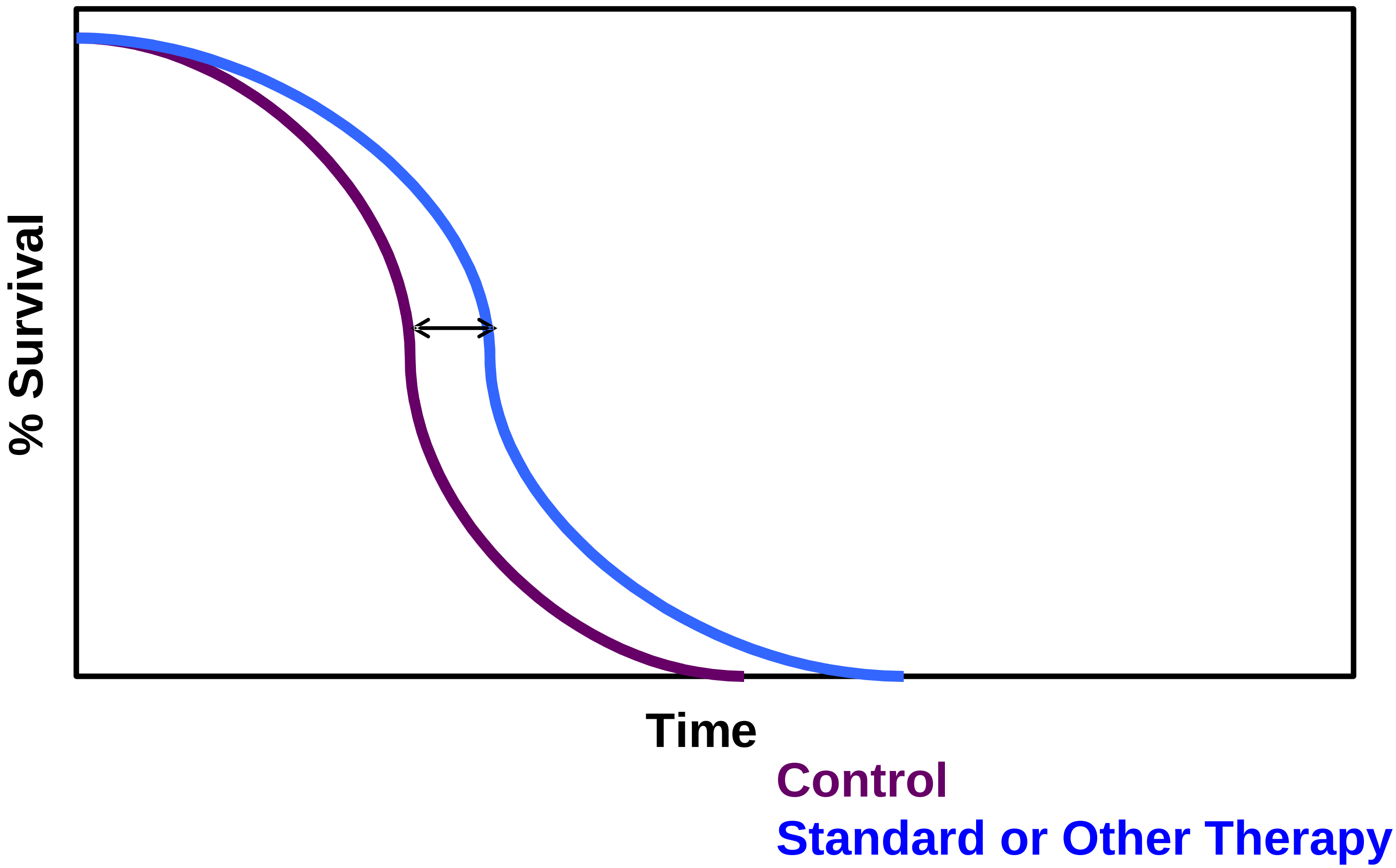
Mission of the U. T. M. D. Anderson Immunotherapy Platform

To accelerate development of immunotherapy treatments for cancer patients and to provide U. T. M. D. Anderson Cancer Center faculty access to expertise in immunotherapy and immune monitoring

- **To provide a centralized platform for immunologic studies across *all tumor types***
- **To form alliances with Pharma to ensure that U. T. M. D. Anderson gets newest drugs for our patients**
- **To provide immunologic data that can be integrated with genomics and proteomics data from other Platforms**


Dendritic Cell
Peripheral Tissues Tumors
Effector T cell Proliferation and/or Function
Regulatory T cell
Tissue Macrophage
PD-L1
PD-L2
B7-2
pMHC
PD-1
CD28
TCR
LAG-3
B7-1
CTLA-4
BTLA
CD160
HVEM
B7-H3
B7x
?
B7-1 pMHC

Improving Survival with Combination Therapy



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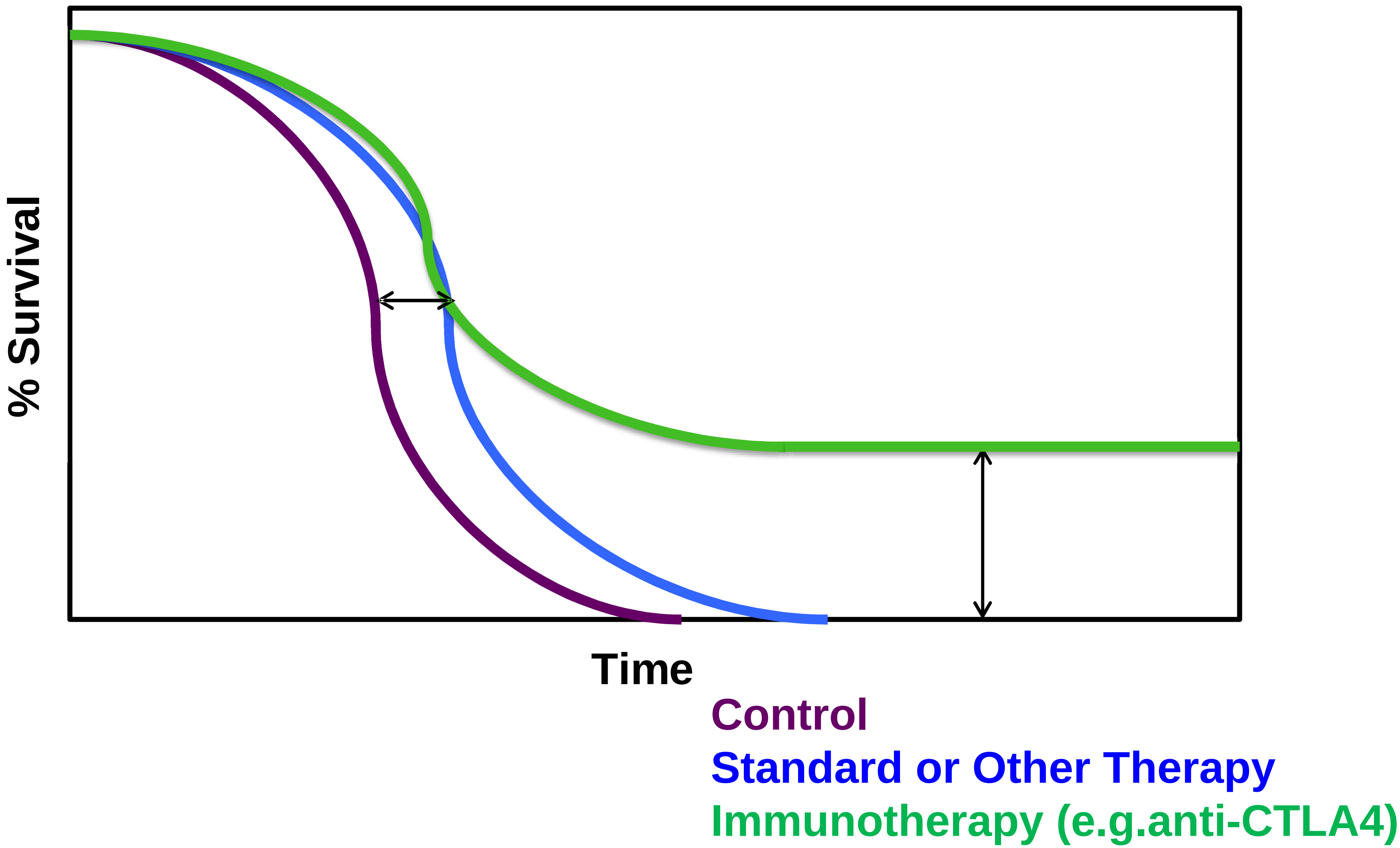
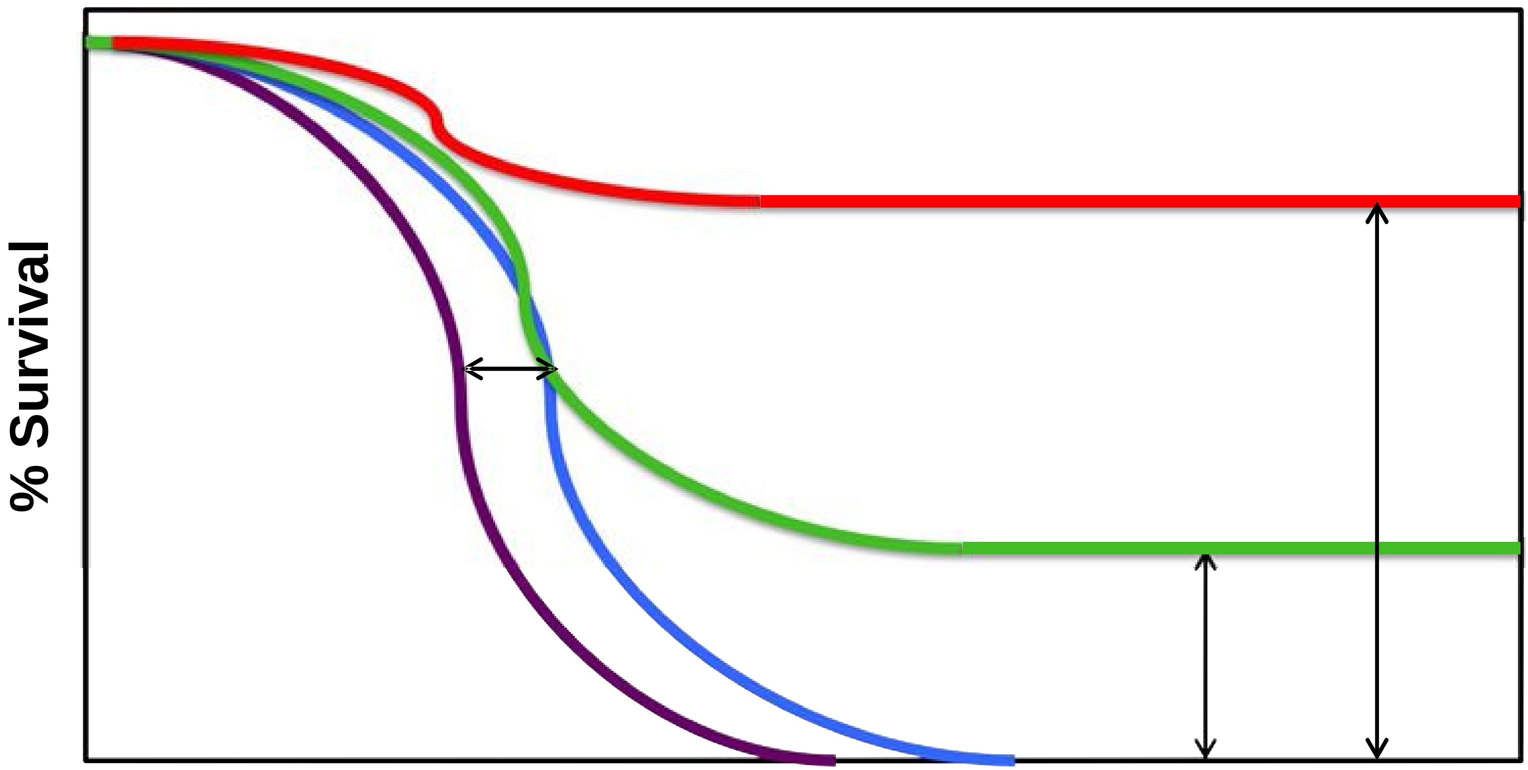
Improving Survival with Combination Therapy (cont.)



Meeting of the U. T. System Board of Regents - Health Affairs Committee

Improving Survival with Combination Therapy (cont.)



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FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

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Board Meeting: 2/6/2014
Austin, Texas

Alex M. Cranberg, Chairman
Ernest Aliseda
R. Steven Hicks
Wm. Eugene Powell
Robert L. Stillwell

	Committee Meeting	Board Meeting	Page
6. **U. T. Southwestern Medical Center: Radiation Therapy Building - Amendment of the FY 2014-2019 Capital Improvement Program to include project (Preliminary Board approval)**	*2:55 p.m.* **Action** *President Podolsky*	**Action**	**277**
<u>Design Development Approval</u>			
7. **U. T. Austin: Dell Medical School - Phase I - Amendment of the FY 2014-2019 Capital Improvement Program to revise funding sources; approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)**	*3:00 p.m.* **Action** *Mr. Dixon*	**Action**	**279**
8. **U. T. Tyler: College of Pharmacy Building - Amendment of the FY 2014-2019 Capital Improvement Program to increase total project cost; approval to revise funding sources; approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)**	*3:05 p.m.* **Action** *Mr. Dixon*	**Action**	**282**
9. **U. T. Health Science Center - San Antonio: South Texas Medical Academic Building - Approval of design development; and appropriation of funds and authorization of expenditure (Final Board approval)**	*3:10 p.m.* **Action** *Mr. Dixon*	**Action**	**285**
<u>Modifications to the CIP</u>			
10. **U. T. Dallas: Campus Landscape Enhancement Project Phase II - Amendment of the FY 2014-2019 Capital Improvement Program to increase total project cost; and appropriation of funds (Final Board approval)**	*3:15 p.m.* **Action** *Mr. Dixon*	**Action**	**287**
11. **U. T. El Paso: Campus Transformation Project - Amendment of the FY 2014-2019 Capital Improvement Program to increase total project cost; approval to revise funding sources; and appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)**	*3:20 p.m.* **Action** *Mr. Dixon*	**Action**	**289**
Adjourn	*3:30 p.m.*		

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

2. **U. T. System: Update on Space Utilization Efficiency**

REPORT

Mr. Stephen Harris, Director of Facilities Space Initiatives, will provide an update on space utilization trends at the U. T. System institutions based on certified data from the Texas Higher Education Coordinating Board for Fall 2013. This update will compare current data to data reviewed with the Facilities Planning and Construction Committee in February 2013. These continuing efforts related to space utilization support the Framework for Advancing Excellence throughout The University of Texas System: Action Plan, with a focus on Productivity and Efficiency, which charges institutional leadership to "develop criteria to assess and improve academic, research, and administrative space utilization and strategies, including productivity indices, and review of space utilization policies."

In addition, endeavors are proposed to integrate with the U. T. System Task Force on Academic and Facility Planning for the 21st Century, which will also address higher education space planning and evolving student needs as well as a review of anticipated near-term construction cost increases and the benefits of alternate project delivery methods, especially public-private partnerships.

3. U. T. Austin: Texas Advanced Computing Center Office Building - Amendment of the FY 2014-2019 Capital Improvement Program to include project (Preliminary Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2014-2019 Capital Improvement Program (CIP) to include the Texas Advanced Computing Center Office Building project at U. T. Austin as follows:

Project No.:	102-831	
Project Delivery Method:	Design-Build	
Substantial Completion Date:	March 2016	
Total Project Cost:	Source	Proposed
	Permanent University Fund Bond Proceeds	$10,000,000
	Gifts	$10,000,000
		$20,000,000

Investment Metrics:

- Increase staff to 150 with additional space for visiting researchers
- Provide for 1,500 square foot Visualization Lab on the J. J. Pickle Research Campus

BACKGROUND INFORMATION

The Texas Advanced Computing Center (TACC), located on the J. J. Pickle Research Campus, serves as a resource and service to the research and educational capabilities of U. T. Austin, U. T. System, and the nation through National Science Foundation funding. TACC conducts research in the field of advanced computing while conducting outreach to increase the awareness of the importance of advanced computing and computational science.

This TACC Office Building will consist of an approximately 39,000 gross square feet (GSF) three-story, freestanding building connected to the existing offices within the Research Office Complex Building by way of an enclosed, pedestrian walkway. The building will consist of a public first-level housing an open lobby/gathering space, reception area, 1,500 GSF visualization lab (an environment of large flat panel monitors offering an extremely high level of detail and quality for scientists to visualize and analyze data), an auditorium for 150, flexible training room for 50, large reconfigurable conference room, and break room/catering kitchen to be shared by TACC staff and public users. In addition to these public access spaces, the first level will also house a large storage room for TACC and required mechanical and electrical spaces. The two upper levels will consist of private office spaces for TACC. Each level will provide a minimum of 30 offices, a conference room for 16, an open student work area, and necessary support spaces.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date.

4. U. T. Austin: Townes Hall HVAC Renovation - Amendment of the FY 2014-2019 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2014-2019 Capital Improvement Program (CIP) to include the Townes Hall HVAC Renovation project at U. T. Austin as follows:

Project No.:	102-821	
Institutionally Managed:	Yes	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	August 2016	
Total Project Cost:	Source Designated Funds[1]	Proposed $10,000,000
Funding Note:	[1] Designated Funds from Designated Tuition	

a. approve a total project cost of $10,000,000 with funding from Designated Funds;

b. appropriate funds; and

c. authorize U. T. Austin to manage the project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

BACKGROUND INFORMATION

The heating, ventilation and air conditioning (HVAC) systems and significant portions of the electrical infrastructure in Townes Hall are in excess of 30 years old and are inefficient by current energy standards. This project will replace air handling units, chilled water pumps, general exhaust fans, building electrical switchgear, electrical distribution panes, emergency system panels, and electrical grounding systems. The HVAC and electrical infrastructure investments will ensure a high level of system reliability for the building. This project will be executed in three phases in the summer of 2014, 2015, and 2016.

This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be presented to the President for approval at a later date. It has been determined that this project would best be managed by U. T. Austin Facility Management personnel, who have the experience and capability to manage all aspects of the work, as the project requires extensive coordination with the building occupants.

5. U. T. Dallas: Campus Upgrades and Renovations - Amendment of the FY 2014-2019 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; authorization of institutional management; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Daniel that the U. T. System Board of Regents amend the FY 2014-2019 Capital Improvement Program (CIP) to include the Campus Upgrades and Renovations project at U. T. Dallas as follows:

Project No.:	302-828	
Institutionally Managed:	Yes	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	August 2016	
Total Project Cost:	Source	Proposed
	Revenue Financing System Bond Proceeds[1]	$8,000,000
Funding Note:	[1] Revenue Financing System debt proposed to be repaid from Designated Tuition	

a. approve a total project cost of $8,000,000 with funding from Revenue Financing System Bond Proceeds;

b. appropriate funds;

c. authorize U. T. Dallas to manage the project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts; and

d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $8,000,000.

BACKGROUND INFORMATION

Debt Service

The $8,000,000 in aggregate Revenue Financing System debt will be repaid from Designated Tuition. Annual debt service on the $8,000,000 Revenue Financing System debt is expected to be $520,000. The institution's debt service coverage is expected to be at least 2.4 times and average 2.8 times over FY 2014-2019.

Project Description

This project will convert and update existing space into modern, fully-functional modular laboratories, as well as offices and support spaces. The renovations will be predominantly in the Lloyd V. Berkner Hall, North/South Engineering and Computer Science Buildings, and Founders Building. This project will also provide repairs and improvements to campus infrastructure including the Central Energy Plant, Satellite Utility Plant, and campus hardscape.

This project is needed to support technology improvements in various research facilities that require more robust building infrastructure to support advanced equipment. The modular configuration of spaces will allow for ease of modification in the future.

This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the President at a later date. It has been determined that this project would best be managed by U. T. Dallas Facility Management personnel who have the experience and capability to manage all aspects of the work.

6. U. T. Southwestern Medical Center: Radiation Therapy Building - Amendment of the FY 2014-2019 Capital Improvement Program to include project (Preliminary Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Podolsky that the U. T. System Board of Regents amend the FY 2014-2019 Capital Improvement Program (CIP) to include the Radiation Therapy Building project at U. T. Southwestern Medical Center as follows:

Project No.:	303-829	
Institutionally Managed:	Yes	
Project Delivery Method:	Design-Build	
Substantial Completion Date:	March 2016	
Total Project Cost	Source	Proposed
	Revenue Financing System Bond Proceeds[1]	$40,000,000
	Hospital Revenues	$12,000,000
		$52,000,000
Funding Note:	[1] Revenue Financing System debt proposed to be repaid from Hospital Revenues	
Investment Metrics:	• Educate the next generation of leaders in patient care, biomedical science, and disease prevention • Conduct high-impact, internationally recognized research • Create clinical expansion necessary to keep pace with growing patient volume	

BACKGROUND INFORMATION

In FY 2013, the U. T. Southwestern Medical Center Department of Radiation Oncology grew to over 40,000 radiation treatments, with more than a 9% annual growth rate from FY 2008 to FY 2013. The consistently increasing patient volume and expanding research opportunities have presented challenges to patients, faculty, and staff. Construction of the proposed Radiation Therapy Building will allow the Department to expand clinical operations and will be the first phase of a consolidation of services, allowing the Department to reduce sites from four to three. Later phases will include expansion of the Radiation Oncology Building and potential construction of a heavy ion particle-based research center.

A potential site for the Radiation Therapy Building has been identified, and current plans are to bring the land acquisition to the Board for approval in May 2014. The proposed site will allow the University to move forward with the West Campus Master Plan as the Radiation Oncology Department will vacate one of the buildings planned for demolition on the West Campus.

The project will include an approximately 63,000 gross square feet building with seven conventional linear accelerators for radiation treatment for patients. The building will also include clinical space for appointments and consultations, as well as support space for academic faculty offices, training and meeting rooms, and other clinic functions.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date. It has been determined that this project would best be managed by U. T. Southwestern Medical Center Facilities Management personnel who have the experience and capability to manage all aspects of the work.

7. U. T. Austin: Dell Medical School - Phase I - Amendment of the FY 2014-2019 Capital Improvement Program to revise funding sources; approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Dell Medical School - Phase I project at U. T. Austin as follows:

Project No.: 102-772

Project Delivery Method: Construction Manager-at-Risk

Substantial Completion Date: June 2016

Total Project Cost:

Source	Current	Proposed
Revenue Financing System Bond Proceeds [1]	$334,500,000	$334,000,000
Available University Fund	$ 0	$ 250,000
Unexpended Plant Funds [2]	$ 0	$ 250,000
	$334,500,000	$334,500,000

Funding Notes:

[1] Revenue Financing System debt proposed to be repaid from office space rentals, parking revenues, and funds provided by the Available University Fund

[2] Unexpended Plant Funds from balances from Frank C. Erwin, Jr. Special Events Center operations

Investment Metrics:

- Incoming cohort of 50 medical students and total of 200 enrollment
- Incoming cohort of 25 Ph.D. students with total of 125 enrollment
- 175 residents increases to 350 residents over 10 years

a. amend the FY 2014-2019 Capital Improvement Program to revise the funding to $334,000,000 from Revenue Financing System (RFS) Bond Proceeds, $250,000 from Available University Fund (AUF), and $250,000 from Unexpended Plant Funds;

b. approve design development plans;

c. appropriate funds and authorize expenditure of $334,500,000 with funding of $334,000,000 from RFS Bond Proceeds, $250,000 from the AUF, and $250,000 from Unexpended Plant Funds; and

d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $334,000,000.

BACKGROUND INFORMATION

Debt Service

The $334,000,000 in aggregate RFS debt will be repaid from office space rentals, parking revenues, and funds provided by the AUF. Annual debt service on the $334,000,000 RFS debt is expected to be $22.5 million. The debt service coverage for the institution is expected to be at least 1.9 times and average 2.0 times over FY 2014-2019.

Previous Board Action

On May 9, 2013, the project was included in the CIP with a total project cost of $334,500,000 with funding from RFS Bond Proceeds.

Project Description

U. T. Austin seeks to construct the Dell Medical School - Phase 1 project to support the University's goal to create an internationally recognized medical school for high quality education, research, and health care, with accommodation for long-term growth. The new doctoral degree program in Medicine at the University, for which expansion of preliminary planning authority was approved by the Board on February 14, 2013, will educate physicians to be skilled clinicians, biomedical scientists, professional leaders, and innovators in the ongoing transformation of the health care system in Texas and nationally.

In addition to building a faculty dedicated to medicine, the program will draw on the University's existing teaching and research strengths in natural sciences, engineering, and relevant fields in the social sciences and humanities. The program in Medicine also will draw on the University's well-regarded programs in nursing, pharmacy, and social work to educate new physicians in interprofessional team settings that prepare them to function effectively in the health care system of the future, to provide acute and complex care safely and efficiently, and to maintain and improve the health of individuals in the community.

The Dell Medical School - Phase 1 project will be located in a new campus medical district of approximately 40 acres, bounded by Martin Luther King, Jr. Boulevard, Interstate Highway 35, 15th Street, and Trinity Street. The potential location for this district was identified in the U. T. Austin Campus Master Plan and was subsequently confirmed in the recent Medical District Master Plan. Of significance is the immediate adjacency of the proposed medical district to the existing University Medical Center Brackenridge, specifically because of the substantial investment in facilities in the Medical Center, which will continue to serve the new teaching hospital. The phased development of the medical district is being outlined in the master plan effort. There is additional room for future expansion of the district, when needed, into an adjacent, approximately 17 acres of the Central Campus, north of Martin Luther King, Jr. Boulevard.

This first phase of development will involve the construction of approximately 578,000 gross square feet (GSF) of new University buildings, including an Education and Administration Building, Research Building, and Medical Office Building 1. Additionally, Parking Garage 1 is targeted to house approximately 1,120 cars. The Education and Administration Building will also include approximately 8,000 GSF of renovation to the School of Nursing Building to accommodate simulation laboratory space to serve the entire medical district.

A 480,000 GSF teaching hospital will be concurrently constructed by Seton Healthcare in coordination with Central Health. The teaching hospital is not included as part of this project since it will not be constructed or financed by U. T. Austin.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 25-30 years
- Building Systems: 25-30 years
- Interior Construction: 10-20 years

The interior and exterior appearance and finish are consistent with other campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with similar types of medical schools.

8. U. T. Tyler: College of Pharmacy Building - Amendment of the FY 2014-2019 Capital Improvement Program to increase total project cost; approval to revise funding sources; approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Mabry that the U. T. System Board of Regents approve the recommendations for the College of Pharmacy Building project at U. T. Tyler as follows:

Project No.: 802-779

Project Delivery Method: Construction Manager-at-Risk

Substantial Completion Date: May 2015

Total Project Cost:

Source:	Current	Proposed
Revenue Financing System Bond	$22,500,000	$22,500,000
Proceeds[1]	$ 0	$ 4,000,000
Gifts	$22,500,000	$26,500,000

Funding Note: [1] Revenue Financing System debt proposed to be repaid from revenues generated by the pharmacy program

Investment Metrics:

- Enroll 84 pharmacy students in first year (2015)
- Enroll 414 pharmacy students by 2019
- Graduate first class in 2019
- Attain full accreditation in 2019

a. amend the FY 2014-2019 Capital Improvement Program (CIP) to increase the total project cost from $22,500,000 to $26,500,000;

b. revise funding sources to include Gifts;

c. approve design development plans;

d. appropriate funds and authorize expenditure of $22,500,000 from Revenue Financing System Bond Proceeds, and $4,000,000 from Gifts; and

e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. Tyler, which is a "Member" as such term is used in the Master Resolution, Possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $22,500,000.

BACKGROUND INFORMATION

Debt Service

The $22,500,000 in Revenue Financing System (RFS) debt will be repaid from revenues generated by the pharmacy program. Annual debt service on the $22,500,000 RFS debt is expected to be $1,805,458. U. T. Tyler will utilize accumulated reserves to cover initial operating deficits through FY 2016. After FY 2016, the project's debt service coverage is expected to be at least 1.6 times and average 3.3 times over FY 2017-2020.

Previous Board Action

On August 22, 2013, the project was included in the CIP with a total project cost of $22,500,000 with funding from RFS Bond Proceeds. On January 9, 2014, the Associate Vice Chancellor for Facilities Planning and Construction approved the redesignation of the project to the College of Pharmacy Building.

Project Description

This project will construct the W. T. Brookshire Pharmacy Building for the Ben and Maytee Fisch College of Pharmacy near the Robert R. Muntz Library. In accordance with the Campus Master Plan, the location will enable close working relationships between pharmacy faculty and students and other graduate and undergraduate faculty and students. The building will accommodate lecture halls, seminar rooms, classrooms, pharmacy practice areas, faculty offices, and associated support areas. The proposed increase in total project cost will add approximately 20,000 assignable square feet of shell space, bringing the building up to the proposed 60,000 gross square feet.

A joint U. T. Tyler and U. T. Health Science Center - Tyler self-supporting College of Pharmacy will build upon highly successful nursing, health, and medical programs offered by the two institutions and strengthen their capacity to offer additional health care degrees and to conduct sophisticated sponsored research in the future. The College of Pharmacy supports U. T. Tyler's goals listed in the Framework for Advancing Excellence throughout The University of Texas System: Action Plan and strongly supports U. T. Tyler's increased enrollment and retention targets and additional high demand professional programs to fill demonstrated regional workforce needs and pharmaceutical research capabilities.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 40-50 years
- Building Systems: 25-30 years
- Interior Construction: 10-20 years

The interior and exterior appearance and finish are consistent with other campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities.

9. U. T. Health Science Center - San Antonio: South Texas Medical Academic Building - Approval of design development; and appropriation of funds and authorization of expenditure (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Henrich that the U. T. System Board of Regents approve the recommendations for the South Texas Medical Academic Building project at U. T. Health Science Center - San Antonio as follows:

Project No.:	402-817	
Project Delivery Method:	Construction Manager-at-Risk	
Substantial Completion Date:	December 2015	
Total Project Cost:	Source Permanent University Fund Bond Proceeds	Current $54,000,000
Investment Metrics:	• Promote access to health professional education to a diverse student body • Develop first-class medical school to improve the health of the community	

a. approve design development plans; and

b. appropriate funds and authorize expenditure of $54,000,000 with funding from Permanent University Fund (PUF) Bond Proceeds.

BACKGROUND INFORMATION

Previous Board Action

On November 14, 2013, the project was included in the CIP with a total project cost of $54,000,000 with funding from PUF Bond Proceeds.

Project Description

This project will advance the goal to expand medical education as outlined in the Framework for Advancing Excellence throughout the U. T. System. The approximately 88,260 gross square feet (GSF) of space will be devoted to teaching facilities that promote faculty and student interaction at the earliest stages of medical school. The space will include lecture halls that can be converted to smaller breakout rooms for multiprofessional education and simulated patient cases. It will also have multiple small classrooms and seminar rooms for small group problem solving and "flipped classroom" learning. The project will include an auditorium, a digital library, and a clinical skills center for sophisticated testing of students' knowledge, skill, and values; preclinical M.D. labs; and a human structure lab to accommodate shifts in the technology of teaching of human anatomy. Consistent with accrediting body requirements, it will have a student lounge and study space. The building will make extensive use of online and distance learning as part of a region-wide Medical School interacting with and complementing facilities at Harlingen and Brownsville as well as supporting continuing professional education in the region.

The building will be completed in time to matriculate the first UT-RGV medical school class in the Summer/Fall 2016. The building will house core administrative facilities for the Dean's Office and approximately 30 faculty members. It will be constructed in an area of the U. T. Pan American campus that is adjacent to the medical research building previously constructed as part of the Regional Academic Health Center (RAHC). Its location is consistent with the campus plan for creation of a medical/health professions education and research complex. The building will become part of The University of Texas Rio Grande Valley when the University is established.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 40-50 years
- Building Systems: 25-30 years
- Interior Construction: 15-20 years

The interior and exterior appearance and finish are consistent with other campus buildings. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities.

10. U. T. Dallas: Campus Landscape Enhancement Project Phase II - Amendment of the FY 2014-2019 Capital Improvement Program to increase total project cost; and appropriation of funds (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Daniel that the U. T. System Board of Regents approve the recommendations for the Campus Landscape Enhancement Project Phase II at U. T. Dallas as follows:

Project No.:	302-765		
Project Delivery Method:	Competitive Sealed Proposals		
Substantial Completion Date:	June 2016		
Total Project Cost:	Source	Current	Proposed
	Gifts	\$10,000,000	\$10,000,000
	Unexpended Plant Funds[1]	\$ 5,000,000	\$10,000,000
		\$15,000,000	\$20,000,000
Funding Note:	[1] Unexpended Plant Funds from unrestricted Gifts, investment income and Designated Tuition		

a. amend the FY 2014-2019 Capital Improvement Program (CIP) to increase the total project cost from \$15,000,000 to \$20,000,000; and

b. appropriate funds of \$5,000,000 from Unexpended Plant Funds.

BACKGROUND INFORMATION

Previous Board Action

On February 14, 2013, the project was included in the CIP with a total project cost of \$15,000,000 with funding of \$10,000,000 from Gifts and \$5,000,000 from Unexpended Plant Funds. On October 14, 2013, the Chancellor approved design development documents and authorized expenditure of \$12,296,050 with funding of \$7,428,556 from Gifts and \$4,867,494 from Unexpended Plant Funds.

Project Description

The original project included phased build-out for landscape upgrades to enhance the area north of the original Mall project from the Plaza Core to the Administration Building, Rutford Promenade, Loop Road landscape, and to enhance the North-South and East-West pedestrian corridors across Campus. The proposed increase in total project cost will allow for additional build-out to allow pedestrian access to the dormitory project in the northwest portion of campus and the new Callier Richardson Expansion and Bioengineering and Science building sites on the north side of campus. This additional funding will also address pedestrian safety issues on major campus pathways.

It is the desire of the gift donor to improve the campus environment through extensive landscape improvements. These generous gifts continue the support of the original gift for construction of the new campus entry and Mall, a project that has had a transformative impact on the public realm of the campus and significant impact on the campus environment for the benefit of the student population.

This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Authorization of expenditure of the remaining funding will be presented to the Chancellor for approval at a later date. Not all of the gift funding authorized for expenditure is fully collected or committed at this time; however, the Office of Finance has determined that the institution has sufficient local funds to cover any shortfall.

11. U. T. El Paso: Campus Transformation Project - Amendment of the FY 2014-2019 Capital Improvement Program to increase total project cost; approval to revise funding sources; and appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Natalicio that the U. T. System Board of Regents approve the recommendations for the Campus Transformation Project at U. T. El Paso as follows:

Project No.: 201-751

Project Delivery Method: Construction Manager-at-Risk

Substantial Completion Date: May 2015

Total Project Cost:

Source	Current	Proposed
Revenue Financing System Bond Proceeds [1]	$15,000,000	$16,000,000
Permanent University Fund Bond Proceeds	$10,000,000	$10,000,000
Grants (TxDOT)	$ 0	$ 8,000,000
	$25,000,000	$34,000,000

Funding Notes: [1] Revenue Financing System Bond Proceeds to be repaid from Gifts and Designated Tuition

a. amend the FY 2014-2019 Capital Improvement Program (CIP) to increase the total project cost from $25,000,000 to $34,000,000;

b. revise funding sources to include Grants;

c. appropriate and authorize expenditure of $16,000,000 from Revenue Financing System (RFS) Bond Proceeds, $10,000,000 from Permanent University Fund (PUF) Bond Proceeds, and $8,000,000 from Grants; and

d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. El Paso, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $16,000,000.

BACKGROUND INFORMATION

Debt Service

The $16,000,000 in aggregate Revenue Financing System debt will be repaid from Gifts and Designated Tuition. Annual debt service on the $16,000,000 RFS debt is expected to be $982,000. The institution's debt service coverage is expected to be at least 1.6 times and average 2.0 times over FY 2014-2019.

Previous Board Actions

On August 23, 2012, the project was included in the Capital Improvement Program (CIP) with a total project cost of $25,000,000 with funding from RFS Bond Proceeds. On February 14, 2013, the Board approved design development plans and authorization of expenditure. On August 22, 2013, the Board approved $10,000,000 of PUF of Bond Proceeds to replace $10,000,000 from RFS Bond Proceeds.

Project Description

The Campus Transformation Project will complete the campus outdoor space reconfiguration begun more than 10 years ago to improve access and space utilization and to enhance the quality of campus life. This project is the culmination of a master planning and implementation process that has successfully leveraged the investments of a variety of strategic partners, including the City of El Paso and the Texas Department of Transportation (TxDOT).

The proposed increase in the total project cost is necessitated primarily by the expanded scope and costs related to replacing underground utility infrastructure improvements in the project area, including all hydronic, gas, water, electrical, and telecommunications lines, some of which are as much as 40 years old. These upgrades will greatly enhance the reliability of utility services and expand upon current capacity to better serve the campus needs in the future.

TABLE OF CONTENTS FOR TECHNOLOGY TRANSFER AND RESEARCH COMMITTEE

Committee Meeting: 2/5/2014
Austin, Texas

Wallace L. Hall, Jr., Chairman
Ernest Aliseda
Alex M. Cranberg
R. Steven Hicks
Jeffery D. Hildebrand

1. U. T. System: Update on the U. T. Horizon Fund portfolio

REPORT

Mr. Bryan Allinson, Executive Director of Technology Commercialization, will provide an update on the U. T. Horizon Fund portfolio.

The U. T. Horizon Fund completed a follow-on investment in M87, Inc., a U. T. Austin start-up to improve wireless communication technology. The company was the subject of a report to the Committee on February 13, 2013. Several other investments are being reviewed with advisors.

2. U. T. System: Report on proposed Innovation Framework to strengthen and advance industry and commercialization paths for the U. T. System institutions

REPORT

Dr. Patricia Hurn, Vice Chancellor for Research and Innovation, will report on the proposed new Innovation Framework designed to advance research collaboration and commercialization throughout the U. T. System.

BACKGROUND INFORMATION

Currently, the U. T. System research and commercialization engine drives $3.1 billion in total sponsored programs, including federal, state, and private research grants and contracts; receives a U.S. patent every two days; signs a commercialization agreement every three days; and starts a new company every nine days.

To advance our discovery enterprise to the next level of vibrancy, the proposed Innovation Framework will strengthen and advance industry and commercialization paths for emerging research within the U. T. System universities and academic health centers.

The proposed Innovation Framework comprises three initiatives designed to complement campus research and technology transfer programs, as well as the U. T. Horizon Fund that is moving toward realizing return on investment out of university innovation. The first initiative will focus on developing a deep understanding of research “product inventory” and propose creation of a research/commercialization data warehouse with analytical platforms.

The second initiative will capitalize on 2013's successful FreshAIR program and recommendations from FreshAIR's industry advisory group on how best to develop new academic-industry partnerships in the areas of biopharmaceuticals and biomedical devices.

And thirdly, a new approach to educating and advancing student and faculty entrepreneurs will be developed, a key ingredient in advancing novel research and products that impact the State's economy.

3. U. T. System: Report on Academic Analytics and SciVal, online information tools for publications and research funding

REPORT

Dr. Stephanie Huie, Vice Chancellor for Strategic Initiatives, will report on Academic Analytics and SciVal, online information tools for publications and research funding, including how the U. T. System institutions are utilizing those programs to enhance collaborations. A PowerPoint presentation is set forth on the following pages.

BACKGROUND INFORMATION

The U. T. System purchased Academic Analytics for U. T. System academic campuses and SciVal for the U. T. System health institutions in September 2012.

Academic Analytics is an online tool that provides information on publications and research funding relative to peers at the department and faculty levels.

SciVal, which is also an online tool, provides publication and research funding data along with a networking tool to help researchers form collaborations.

Academic Analytics and SciVal Overview

Stephanie Huie, Ph.D.
Vice Chancellor for Strategic Initiatives

U. T. System Board of Regents' Meeting
Technology Transfer and Research Committee
February 2014

Academic and Health Institutions’ Needs

- A need for faculty data to make strategic decisions to enhance quality, improve management, and reduce costs
- Institutions sought to:
  - Establish metrics on research and scholarly productivity of U. T. System faculty
  - Increase internal and external research collaboration
  - Make data easily accessible to institutional administrators
  - Benchmark consistent data across all U. T. System and peer institutions

What is Academic Analytics?

- Academic Analytics is an online tool that provides:
  - Publications of scholarly work such as books and journal articles
  - Citations to published journal articles
  - Research funding by federal agencies
  - Honorific awards bestowed upon faculty members
- Primary Users
  - Academic institutions
  - Office of Strategic Initiatives

What is Academic Analytics? (cont.)

- Academic Analytics purposes:
  - Program review and indicators of excellence
  - Peer identification/comparisons at the discipline level
  - Benchmarking performance and goal-setting
  - Metrics on faculty scholarly productivity at the discipline level
  - Source of data for dashboard metrics

What is SciVal?

- SciVal is an online tool that provides:
  - Faculty profiles
    - publications of scholarly work such as books and journal articles
    - citations to published journal articles
  - Social networking tool
  - Research funding by federal agencies
- Primary Users
  - Health Institutions
  - Office of Strategic Initiatives

What is SciVal? (cont.)

- SciVal purposes:
  - Networking/collaboration and interaction among faculty
  - Faculty development
  - Increase knowledge about research grant opportunities
  - Evaluate the contributions of faculty members
  - Identify faculty expertise/research strengths
  - Source of data for dashboard metrics

Agreements

- Academic Analytics
  - Five-year agreement: September 2012 to August 2017
  - Users: Academic institutions
  - Funding: $3,671,800; Years 1-5 (U. T. System)
- SciVal
  - Five-year agreement: December 2012 to November 2017
  - Users: Health institutions
  - Funding: $2,171,632; Years 1-2 (U. T. System); Years 3-5 (individual institutions)

How are Academic Institutions using Academic Analytics?

- U. T. El Paso
  - Using data in strategic metric dashboards for all programs/departments on campus
  - Benchmarking against peers and aspirational institutions
- U. T. Austin
  - Assessing program quality via the placement and productivity of Ph.D. graduates
  - Examining faculty productivity compared to peers in the field by program

How are Academic Institutions using Academic Analytics? (cont.)

- U. T. Dallas
  - Using tool for the program review process
  - Preparing to examine academic outcomes data to explore doctoral education outcomes
- U. T. Arlington
  - Determining how close certain U. T. Arlington programs are to being top programs in the country, and which programs can help U. T. Arlington take the next step higher as a research institution

How are Health Institutions using SciVal?

- U. T. M. D. Anderson Cancer Center
  - Assessing faculty productivity as a part of the recruitment process
  - Examining faculty productivity, promotion, and tenure through Academic Profiles portal
  - Identifying experts quickly and efficiently
  - Strengthening research relationships between U. T. M. D. Anderson and other institutions through enabling research collaborations

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How are Health Institutions using SciVal? (cont.)

- U. T. Southwestern Medical Center
  - Providing a mechanism to notify faculty, students, and other trainees of funding opportunities
  - Creating a mechanism to assist with publication reporting requirements to external agencies
  - Using SciVal for internal faculty productivity reporting

How are Health Institutions using SciVal? (cont.)

- U. T. Health Science Center - San Antonio
  - Integrating SciVal data into campus information systems
  - Using the Grants module for funding opportunity announcements
  - Increasing internal and external research collaborations

How are Health Institutions using SciVal? (cont.)

- U. T. Medical Branch - Galveston
  - Finding research funding
  - Expanding research collaborations
  - Using SciVal data with internal faculty profiles and Curriculum Vitaes
  - Utilizing the SciVal data in a research dashboard that monitors and reports on research faculty productivity and focus
  - Assessing the alignment of the research operation with the strategic direction

How is U. T. System using Academic Analytics and SciVal?

- Using data from SciVal and Academic Analytics as a source for metrics in
  - Topical dashboards (Faculty Productivity & Research and Technology Transfer)
  - Institutional profiles
  - College/Department profiles
  - Special topical dashboards (e.g., Emerging Research Universities)

4. U. T. System: Report on novel programs in education for innovation and entrepreneurship

REPORT

President Callender and President Romo will introduce the following presenters and provide a report on the status of faculty entrepreneurship and innovation grant funding provided by the U. T. System:

- **Dr. Cory Hallam**, Chief Commercialization Officer and Director of the Center for Innovation and Technology Entrepreneurship in the College of Engineering at U. T. San Antonio

- **Dr. Stanley Watowich**, Associate Professor in the Department of Biochemistry and Molecular Biology at U. T. Medical Branch - Galveston

The U. T. System Translational Research Advancement Network to Support, Fund, Organize, Roll-out and Motivate U. T. Innovations (TRANSFORM) Program

The creation and maintenance of a transformational and progressive entrepreneurial ecosystem within the university environment is essential to foster, support, develop, and commercialize new technologies.

Such an ecosystem will not only help to change academic mindsets and cultures, but will also result in higher competiveness in global markets, increased external funding via follow-up research dollars, an enhanced educational environment for students and faculty, increased marketability of U. T. graduates, and greater financial returns to the university via technology commercialization. These objectives coincide with goals to improve the State of Texas' economy and elevate the visibility and success of the U. T. System by implementing an entrepreneurial evolution at the university level.

Accepting the status quo in technology commercialization is not the answer to such a great transformative challenge. The creation and commercialization of intellectual property will have a high significance and impact on U. T. System as well as the State of Texas and any affiliated organizations, attracting further outside investments and improving the desirability of the U. T. System for students, faculty, and research partners alike.

Dr. Hallam will provide his insights on the U. T. TRANSFORM Program that addresses two major phases:

1. Education in innovation, entrepreneurship, and commercialization

2. Creation of a platform to identify promising and competitive technologies and to provide the inventors with an appropriate support network to help develop, seed fund, and commercialize these technologies. With a clear set of performance metrics, growth in awareness, participation, technology development, and commercialization will be tracked as the key indicators of U. T. System success at leading an entrepreneurial evolution in higher education.

Enhanced education and new platforms offered through U. T. TRANSFORM serve to improve the academic-industry ecosystem and complement existing programs offered through the U. T. System Office of Technology Commercialization, such as the U. T. Horizon Fund.

Summaries of two selected success stories, Hoot.Me and Molecular Match follow:

- Funds offered through U. T. TRANSFORM were utilized to launch a featured expert platform for massive open online discussion (MOOD) with U. T. Austin professor Dr. Robert Metcalfe (http://hoot.me/BobMetcalfe). This funding enabled questions and answers to be discoverable on Facebook's Open Graph platform, better enabling discoverability and optimization. In August 2013, **Hoot.Me** announced that it was acquired by Civitas Learning.

- Funds offered through U. T. TRANSFORM assisted in the development of prototype software, production of an instructional video, and to cover fees. With that funding, **Molecular Match** has a signed term sheet to acquire funds necessary to further develop the technology. Most importantly, development of the technology enables a new approach whereby doctors and patients can potentially make personalized medicine a reality.

The Texas CTSA Collaborative Innovation and Entrepreneurship Program

Dr. Stanley Watowich will review the Texas Clinical and Translational Science Awards (CTSA) funded by the National Institutes of Health (NIH) Center for Advancing Translational Sciences.

The emergence of cellular and molecular medicine provides academic health centers with unparalleled opportunities to re-engineer health research and patient care through innovation. However, implementing innovation typically requires entrepreneurship, and unique component skills that include management, team building, and risk acceptance. Without an integrated training program in these areas, biomedical investigators who seek to commercialize their discoveries and/or become entrepreneurs must find ways to acquire those skills.

Academic health centers generally are not organized to promote, teach, and sustain innovation and entrepreneurship, and as such may not reach their full potential to generate significant commercial innovations. The NIH CTSAs offer the resources, expertise, and vision to work with academic health centers to improve commercialization.

The U. T. System is the only system in the United States to receive four CTSA awards. U. T. System institutions receiving awards include U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Health Science Center - Houston, and U. T. Medical Branch - Galveston.

The Texas CTSA Collaborative Innovation and Entrepreneurship Program seeks to address major challenges faced by institutions as they seek to develop and commercialize discoveries in basic and translational research. Those challenges include:

1. Lack of support to establish sustainable infrastructure and promote, expand, and retain talent for health care entrepreneurship and successful commercialization of medical discoveries and inventions in Texas;

2. Lack of training in the innovative approaches and skills needed to promote and commercialize campus discoveries; and

3. Lack of early-stage support and partnering to facilitate the development and transfer of inventions and discoveries from the academic medical centers into successful commercial ventures.

The Texas CTSA Collaborative Innovation and Entrepreneurship Program provides opportunities for the U. T. System to expand health care entrepreneurship to commercialize campus discoveries and facilitate development and transfer of inventions, including two new ventures. The program also complements new programs offered through the Office of Technology Commercialization, including the U. T. Horizon Fund.

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THE UNIVERSITY OF TEXAS SYSTEM BOARD OF REGENTS
CONSENT AGENDA

Committee and Board Meetings:
February 5-6, 2014
Austin, Texas

HEALTH INSTITUTIONS

U. T. SYSTEM ADMINISTRATION

1. Minutes - **U. T. System Board of Regents**: Approval of Minutes of regular meetings held on November 14, 2013, and December 12, 2013; and the special called meeting held on January 13, 2014

2. UTIMCO Committee Appointments - **U. T. System Board of Regents**: Proposed appointment of member to the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company (UTIMCO)

   The University of Texas Investment Management Company (UTIMCO) Board of Directors recommends that the U. T. System Board of Regents approve the appointment of Robert L. Stillwell to the Audit and Ethics Committee of the UTIMCO Board of Directors. The other members of the Committee include James P. Wilson, R. Steven Hicks, and Charles W. Tate.

   Section 66.08 of the *Texas Education Code* requires that the U. T. System Board of Regents approve the appointment of members to the Audit and Ethics Committee of the UTIMCO Board of Directors. The UTIMCO Board of Directors recommended and approved this appointment on December 3, 2013, conditioned on approval of the U. T. System Board of Regents.

3. Contract (funds going out) - **U. T. System**: Multivista Systems, LLC (p/k/a Multivista FS, LLC) to provide construction photo documentation services

Agency:	Multivista Systems, LLC (p/k/a Multivista FS, LLC)
Funds:	Anticipated total cost may exceed $1,000,000 (with prior written approval of the University) over the life of the contract for services provided on an as-needed basis
Source of Funds:	Various funds approved for individual Capital Improvement Program projects
Period:	May 21, 2010 through August 31, 2015 (contract is being brought forward for Board approval as it is nearing the $1,000,000 threshold)
Description:	Multivista Systems, LLC (p/k/a Multivista FS, LLC) to provide construction photo documentation services

4. Other Matters - **U. T. System**: Approval to use Permanent University Funds (PUF) Bond Proceeds in lieu of Intermediate Term Funds (ITF)/Swap Proceeds

Approval is requested to use $406,513 of PUF Bond Proceeds in lieu of ITF/Swap Proceeds and to use PUF Bond Proceeds on future Valley STARs (Science and Technology Acquisition and Retention Program or Valley STARs) requests as needed in an amount not to exceed the original appropriation.

On August 25, 2011, the Board of Regents approved $30 million of ITF/Swap Proceeds for the Lower Rio Grande Valley Plan - Education and Health Initiatives including $9.5 million to establish a faculty recruitment program (Valley STARs).

5. Transfer of Funds - **U. T. System**: Amendment to the 2013-14 budget

The following Request for Budget Change has been administratively approved by the Executive Vice Chancellor for Business Affairs and is recommended for approval by the U. T. System Board of Regents:

Description	$ Amount	RBC #
Comprehensive Property Protection Plan Funds		
Amount of Transfer:	$ 1,000,000	155

From: Comprehensive Property Protection Plan-Fire and All Other Perils (CPPP-AOP) Fund

To: Automobile, Property and Liability Fund

Temporary transfer of funds from the CPPP-AOP self-insured Fund to provide funding for a self-insured Automobile, Property and Liability Fund to provide premium rate stability and long-term lower cost of insurance. The self-insured Auto Fund will repay the CPPP-AOP Fund as soon as possible from operating surplus. The recommended plan and loan was reviewed and approved by the Risk Management Executive Committee on October 10, 2013.

6. Real Estate Report - **U. T. System**: Summary Report of Separately Invested Assets managed by U. T. System

THE UNIVERSITY OF TEXAS SYSTEM
SEPARATELY INVESTED ASSETS
Managed by U. T. System
Summary Report at November 30, 2013

FUND TYPE

	Current Purpose Restricted		**Endowment and Similar Funds**		**Annuity and Life Income Funds**		**TOTAL**	
	Book	**Market**	**Book**	**Market**	**Book**	**Market**	**Book**	**Market**
Land and Buildings:								
Ending Value 08/31/2013	$ 1,760,493	$ 11,893,192	$ 98,038,185	$ 265,982,087	$ 1,601,467	$ 3,033,085	$ 101,400,145	$ 280,908,364
Increase or Decrease	(25,002)	(62,590)	(48,801)	574,656	-	-	(73,802)	512,066
Ending Value 11/30/2013	$ 1,735,491	$ 11,830,602	$ 97,989,385	$ 266,556,743	$ 1,601,467	$ 3,033,085	$ 101,326,343	$ 281,420,430
Other Real Estate:								
Ending Value 08/31/2013	$ 26,327	$ 26,327	$ 13,547	$ 13,547	$ -	$ -	$ 39.873	$ 39,873
Increase or Decrease	(3,614)	(3.,614)	-	-	-	-	(3,614)	(3,614)
Ending Value 11/30/2013	$ 22,713	$ 22,713	$ 13,547	$ 13,547	$ -	$ -	$ 36,260	$ 36,260

Report prepared in accordance with Sec. 51.0032 of the *Texas Education Code*.

Details of individual assets by account furnished on request.

Note: Surface estates are managed by the U. T. System Real Estate Office. Mineral estates are managed by U. T. System University Lands. The royalty interests received from the Estate of John A. Jackson for the John A. and Katherine G. Jackson Endowed Fund in Geosciences are managed by the U. T. Austin Geology Foundation, with the assistance of the Bureau of Economic Geology.

ACADEMIC INSTITUTIONS

7. Contract (funds coming in) - **U. T. Arlington**: Compass Group USA, Inc., Canteen Vending Services Division will provide vending machine products and services on the U. T. Arlington campus

Agency: Compass Group USA, Inc., Canteen Vending Services Division

Funds: Estimated royalty income for the first five years is $194,175

Period: December 4, 2013 through August 31, 2018, with option to extend for one additional period, not exceeding five years

Description: Operation and management of campus snack vending machines. In accordance with *Texas Education Code* Section 51.945, students were provided with an opportunity to comment prior to determination that this vending services provider should be selected by the institution. *Texas Government Code* Section 2203.005(a) requires all vending machine agreements to be approved by the Board.

8. Tenure Appointment - **U. T. Arlington**: Amendment to the 2013-14 budget

The following Request for Budget Change has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
COLLEGE OF ENGINEERING					
Mechanical and Aerospace Engineering					
Associate Professor					
Desheng Meng (T)	1/16-5/31	100	09	108,000	5615

9. Contract (funds coming in and funds going out) - **U. T. Austin**: Market Enginuity, Inc. to provide administration of KUT-FM Radio's public media underwriting operations

Agency: Market Enginuity, Inc.

Funds: Estimated total value of contract: $4,100,000 per fiscal year
Professional fee negotiated each year based on market conditions.
During first year of contract, professional fee is 25.5%.
Market Enginuity will earn 25.5% (estimated $1,045,500 per year).
U. T. Austin will earn 74.5% (estimated $3,054,500 per year).

Period: January 1, 2014 through December 31, 2016; with option to renew for two additional three-year periods

Description: Market Enginuity, Inc. to provide administrative services for KUT-FM Radio by securing local, regional, and national persons and entities interested in underwriting for the benefit of KUT-FM and its associated media channels and outlets. Market Enginuity was selected through the Request for Proposal process.

10. Contract (funds going out) - **U. T. Austin**: Assignment agreement with University of Louisville Athletic Association, Inc. regarding the assignment of Charles R. Strong's employment contract

Agency: University of Louisville Athletic Association, Inc.

Funds: $4,375,000

Source of Funds: Auxiliary Enterprise Funds

Period: January 24, 2014

Description: U. T. Austin will accept assignment of Charles R. Strong's employment contract with the University of Louisville Athletic Association, Inc. U. T. Austin will pay the University of Louisville Athletic Association, Inc. an assignment fee of $4,375,000 to acquire the opportunity to hire Coach Strong as the head football coach at U. T. Austin. The Board approved the terms of the assignment agreement on January 13, 2014.

11. Contract (funds going out) - **U. T. Austin**: Architexas - Architecture, Planning, and Historic Preservation, Inc. to perform professional historical architectural services

Agency: Architexas - Architecture, Planning, and Historic Preservation, Inc.

Funds: Anticipated total cost may exceed $1,000,000 (with prior written approval of the University) over the life of the contract for services provided on an as-needed basis

Source of Funds: Unexpended Plant Funds, Renovation and Renewal Funds, Available University Funds, and various other funds

Period: September 1, 2012 through August 31, 2017 (one-year contract with option to renew for four additional one-year periods). Contract is being brought forward for Board approval as it is nearing the $1,000,000 threshold.

Description: Architexas - Architecture, Planning, and Historic Preservation, Inc. to perform miscellaneous professional historical architectural services, with projects varying in scope and size. Separate service agreements will be executed for each project. Services were competitively procured.

12. Contract (funds going out) - **U. T. Austin**: Barnes Gromatzky Kosarek Architects to perform professional project programming, facilities space management, and feasibility studies services

Agency: Barnes Gromatzky Kosarek Architects

Funds: Anticipated total cost may exceed $1,000,000 (with prior written approval of the University) over the life of the contract for services provided on an as-needed basis

Source of Funds: Unexpended Plant Funds, Renovation and Renewal Funds, Available University Funds, and various other funds

Period: September 1, 2012 through August 31, 2017 (one-year contract with option to renew for four additional one-year periods). Contract is being brought forward for Board approval as it is nearing the $1,000,000 threshold.

Description: Barnes Gromatzky Kosarek Architects to perform miscellaneous professional project programming, facilities space management, and feasibility studies services, with projects varying in scope and size. Separate service agreements will be executed for each project. Services were competitively procured.

13. Contract (funds going out) - **U. T. Austin**: Coffee Crier Schenck & Hammond Architects to perform professional architectural services for multifunctional areas, classrooms, meeting rooms, auditoriums, and distance learning and audiovisual facilities

Agency: Coffee Crier Schenck & Hammond Architects

Funds: Anticipated total cost may exceed $1,000,000 (with prior written approval of the University) over the life of the contract for services provided on an as-needed basis

Source of Funds: Unexpended Plant Funds, Renovation and Renewal Funds, Available University Funds, and various other funds

Period: September 1, 2012 through August 31, 2017 (one-year contract with option to renew for four additional one-year periods). Contract is being brought forward for Board approval as it is nearing the $1,000,000 threshold.

Description: Coffee Crier Schenck & Hammond Architects to perform miscellaneous professional architectural services for multifunctional areas, classrooms, meeting rooms, auditoriums, and distance learning and audiovisual facilities, with projects varying in scope and size. Separate service agreements will be executed for each project. Services were competitively procured.

14. Contract (funds going out) - **U. T. Austin**: Hughes Associates, Inc. to perform professional engineering/fire alarm services

Agency: Hughes Associates, Inc.

Funds: Anticipated total cost may exceed $1,000,000 (with prior written approval of the University) over the life of the contract for services provided on an as-needed basis

Source of Funds: Unexpended Plant Funds, Renovation and Renewal Funds, Available University Funds, and various other funds

Period: September 1, 2012 through August 31, 2017 (one-year contract with option to renew for four additional one-year periods). Contract is being brought forward for Board approval as it is nearing the $1,000,000 threshold.

Description: Hughes Associates, Inc. to perform miscellaneous engineering/fire alarm services, with projects varying in scope and size. Separate service agreements will be executed for each project. Services were competitively procured.

15. Contract (funds going out) - **U. T. Austin**: Lonestar Environmental Services to perform professional environmental survey, testing, design documents, and/or monitoring services

Agency: Lonestar Environmental Services

Funds: Anticipated total cost may exceed $1,000,000 (with prior written approval of the University) over the life of the contract for services provided on an as-needed basis

Source of Funds: Unexpended Plant Funds, Renovation and Renewal Funds, Available University Funds, and various other funds

Period: September 1, 2012 through August 31, 2017 (one-year contract with option to renew for four additional one-year periods). Contract is being brought forward for Board approval as it is nearing the $1,000,000 threshold.

Description: Lonestar Environmental Services to perform miscellaneous professional environmental survey, testing, design documents and/or monitoring services, with projects varying in scope and size. Separate service agreements will be executed for each project. Services were competitively procured.

16. Contract (funds going out) - **U. T. Austin**: MEP Engineering, Inc. to perform professional mechanical, electrical, and plumbing engineering services and/or specialty services for gas/chemical/safety systems

Agency: MEP Engineering, Inc.

Funds: Anticipated total cost may exceed $1,000,000 (with prior written approval of the University) over the life of the contract for services provided on an as-needed basis

Source of Funds: Unexpended Plant Funds, Renovation and Renewal Funds, Available University Funds, and various other funds

Period: September 1, 2012 through August 31, 2017 (one-year contract with option to renew for four additional one-year periods). Contract is being brought forward for Board approval as it is nearing the $1,000,000 threshold.

Description: MEP Engineering, Inc. to perform miscellaneous professional mechanical, electrical, and plumbing engineering services and/or specialty services for gas/chemical/safety systems, with projects varying in scope and size. Separate service agreements will be executed for each project. Services were competitively procured.

17. Contract (funds going out) - **U. T. Austin**: Parsons Environment & Infrastructure Group, Inc. to perform professional architectural services for laboratory, research, and other related facilities

Agency: Parsons Environment & Infrastructure Group, Inc.

Funds: Anticipated total cost may exceed $1,000,000 (with prior written approval of the University) over the life of the contract for services provided on an as-needed basis

Source of Funds: Unexpended Plant Funds, Renovation and Renewal Funds, Available University Funds, and various other funds

Period: September 1, 2012 through August 31, 2017 (one-year contract with option to renew for four additional one-year periods). Contract is being brought forward for Board approval as it is nearing the $1,000,000 threshold.

Description: Parsons Environment & Infrastructure Group, Inc. to perform miscellaneous professional architectural services for laboratory, research, and other related facilities, with projects varying in scope and size. Separate service agreements will be executed for each project. Services were competitively procured.

18. Contract (funds going out) - **U. T. Austin**: Pfluger Associates Architects to perform professional architectural services for multifunctional areas, classrooms, meeting rooms, auditoriums, distance learning and audiovisual facilities

Agency: Pfluger Associates Architects

Funds: Anticipated total cost may exceed $1,000,000 (with prior written approval of the University) over the life of the contract for services provided on an as-needed basis

Source of Funds: Unexpended Plant Funds, Renovation and Renewal Funds, Available University Funds, and various other funds

Period: September 1, 2012 through August 31, 2017 (one-year contract with option to renew for four additional one-year periods). Contract is being brought forward for Board approval as it is nearing the $1,000,000 threshold.

Description: Pfluger Associates Architects to perform miscellaneous professional architectural services for multifunctional areas, classrooms, meeting rooms, auditoriums, distance learning and audiovisual facilities, with projects varying in scope and size. Separate service agreements will be executed for each project. Services were competitively procured.

19. Contract (funds going out) - **U. T. Austin**: Wiss, Janney, Elstner Associates, Inc. to perform professional engineering or architectural waterproofing services

Agency: Wiss, Janney, Elstner Associates, Inc.

Funds: Anticipated total cost may exceed $1,000,000 (with prior written approval of the University) over the life of the contract for services provided on an as-needed basis

Source of Funds: Unexpended Plant Funds, Renovation and Renewal Funds, Available University Funds, and various other funds

Period: September 1, 2012 through August 31, 2017 (one-year contract with option to renew for four additional one-year periods). Contract is being brought forward for Board approval as it is nearing the $1,000,000 threshold.

Description: Wiss, Janney, Elstner Associates, Inc. to perform miscellaneous professional engineering or architectural waterproofing services, with projects varying in scope and size. Separate service agreements will be executed for each project. Services were competitively procured.

20. Tenure Appointments - **U. T. Austin**: Amendments to the 2012-13 budget

The following Request for Budget Change has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
College of Natural Sciences					
Marine Science					
Professor					
Robert W. Dickey (T)	8/5-8/31	100	01	150,000	5377

21. Tenure Appointments - **U. T. Austin**: Amendments to the 2013-14 budget

The following Requests for Budget Changes have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
College of Natural Sciences					
Mathematics					
Professor					
Chair					
Stephen G. Walker (T)	9/1-5/31	100	09	240,000	5502
	9/1-5/31	SUPL	09	10,000	
	9/1-5/31	SUPL	09	10,000	
School of Social Work					
Social Work					
Professor					
David W. Springer (T)	9/1-5/31	100	09	100,000	5537
College of Liberal Arts					
Psychology					
Professor					
Bertram Gawronski (T)	1/1-5/31	100	09	165,000	5509

College of Liberal Arts					
Rhetoric and Writing					
Associate Professor					
Jacqueline M. Henkel (T)	9/1-5/31	50	09	67,507	5532

22. Emeritus Appointments - **U. T. Austin**: Approval of emeritus titles

John D. Dollard, from Professor to Professor Emeritus, Department of Mathematics (RBC No. 5575) -- amendment to the 2013-14 budget

Bradley R. Petersen, from Associate Professor to Associate Professor Emeritus, Department of Art and Art History (RBC No. 5608) -- amendment to the 2013-14 budget

Philip D. Magnus, from R. P. Doherty, Jr. - Welch Regents Chair in Chemistry and Professor to R. P. Doherty, Jr. - Welch Regents Chair Emeritus in Chemistry, Department of Chemistry (RBC No. 5609) -- amendment to the 2013-14 budget

John W. Barnes, from Cullen Trust for Higher Education Endowed Professorship in Engineering #6 to Cullen Trust for Higher Education Endowed Professor Emeritus in Engineering #6, Department of Mechanical Engineering (RBC No. 5651) -- amendment to the 2013-14 budget

Philip S. Schmidt, from Donald J. Douglass Centennial Professorship in Engineering and Distinguished Teaching Professor to Donald J. Douglass Centennial Professor Emeritus in Engineering and Distinguished Teaching Professor Emeritus, Department of Mechanical Engineering (RBC No. 5650) -- amendment to the 2013-14 budget

23. Request for Budget Change - **U. T. Austin**: Transfer $3,700,000 from UTIL - Utility Plant Operating Income account to UTIL - PPA - Replace Cooling Tower 7 All Expenses account to replace Cooling Tower 7 (RBC No. 5548) -- amendment to the 2013-14 budget

24. Request for Budget Change - **U. T. Austin**: Transfer $1,902,250 from VPBA - Flat Rate Tuition account to various Flat Rate Tuition Operating Income accounts to distribute Summer Enhancement Program funds to offset additional costs incurred by academic units in support of the Summer Enhancement Program initiative offered through the Provost's Office to expand and improve course offerings during summer sessions (RBC No. 5549) -- amendments to the 2012-13 budget

Description	$ Amount	RBC #
VPBA - Flat Rate Tuition		
Amount of Transfer:	1,902,250	5549

From:	Designated Funds - Flat Rate Tuition - Flat Rate Tuition and Fees	1,902,250
To:	Designated Funds -	
	Architecture - Flat Rate Tuition - Operating Income	26,250
	Jackson School of Geosciences - Flat Rate Tuition - Operating Income	27,000
	Nursing - Flat Rate Tuition - Operating Income	76,500
	Business - Flat Rate Tuition - Operating Income	149,500
	School of Information - Flat Rate Tuition - Operating Income	1,500
	Pharmacy - Flat Rate Tuition - Operating Income	8,500
	Communication - Flat Rate Tuition - Operating Income	194,750
	Liberal Arts - Flat Rate Tuition - Operating income	88,250
	LBJ School - Flat Rate Tuition - Operating Income	750
	Education - Flat Rate Tuition - Operating Income	3,750
	Natural Sciences - Flat Rate Tuition - Operating Income	1,234,000
	Social Work - Flat Rate Tuition - Operating Income	91,500

25. Request for Budget Change - **U. T. Austin**: Transfer $4,000,000 from VPBA - Reserve for Academic Enhancement Initiatives Operating Income account to PMCS - Repair and Renovation Control Allocated for Budget account to supplement the annual repair and renovation budget (RBC No. 5589) -- amendment to the 2013-14 budget

26. Request for Budget Change - **U. T. Austin**: Transfer $516,740 from Dynamic Testing Center Operating Income account to various Dynamic Testing Center accounts to budget testing fee income received by the Dynamic Testing Center. The Dynamic Testing Center is part of the National Science Foundation (NSF) nationwide Network for Earthquake Engineering Simulation, through which the NSF has funded the set up and operation of numerous earthquake research centers around the United States (RBC No. 5590) -- amendment to the 2013-14 budget

Description	$ Amount	RBC #
College of Engineering (CE) - Dynamic Testing Center		
Amount of Transfer:	516,740	5590

From:	Revolving Funds - CE - Dynamic Testing Center Operating Income	516,740
To:	Revolving Funds - CE - Dynamic Testing Center - Administrative and Professional Salaries	92,711
	CE - Dynamic Testing Center - Fringe Benefits	77,671
	CE - Dynamic Testing Center - Classified Salaries	37,348
	CE - Dynamic Testing Center - Wages	168,676
	CE - Dynamic Testing Center - Maintenance, Operation, and Equipment	40,334
	CE - Dynamic Testing Center - Foreign Travel	6,000
	CE - Dynamic Testing Center - Travel	94,000

27. Request for Budget Change - **U. T. Austin**: Transfer $706,038 from UCS - University Charter School Operating Income account to UCS - University Charter School Faculty Salaries, Administrative and Professional Salaries, Classified Salaries, and Fringe Benefits accounts to include changes in State formula funding during the last legislative session (Based on the Texas Education Agency's revised 2013-14 Estimate of State Aid Entitlement Template for Charter Schools, The University of Texas - University Charter School will receive this additional allotment from the State)

Description		$ Amount	RBC #
UCS - University Charter School			
	Amount of Transfer:	706,038	5592
From:	Designated Funds - UCS - University Charter School Operating Income	706,038	
To:	Designated Funds - UCS - University Charter School Faculty Salaries	400,000	
	UCS - University Charter School Administrative and Professional Salaries	110,000	
	UCS - University Charter School Classified Salaries	69,000	
	UCS - University Charter School Fringe Benefits	127,038	

28. Request for Budget Change - **U. T. Austin**: Transfer $2,338,768 from Higher Education: Hazlewood Supplemental Appropriation to HB Hazlewood Exemption account. The 83rd Texas Legislature allocated these funds to partially reimburse institutions of higher education for the costs associated with the Legacy Program, which extends the State of Texas tuition exemption for qualified veterans to the veterans' spouses and dependent children (RBC No. 5678) -- amendment to the 2013-14 budget

29. Employment Agreement - **U. T. Austin**: Men's Athletics Director Employment Agreement for Stephen W. Patterson

The following Agreement has been executed, has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. System Board of Regents. The terms of the agreement have been previously approved by the Board of Regents. Mr. Patterson's total annual compensation will be in excess of $250,000. Such employment under this Agreement is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which U. T. Austin is a member, the Regents' *Rules and Regulations*, and the policies of U. T. Austin. The violation of such constitution, bylaws, rules, regulations, or policies shall be grounds for suspension without pay or dismissal (Regents' *Rules and Regulations,* Rule 10501, Section 2.2.12 - Athletic Employment Agreements).

Item: Men's Athletics Director Employment Agreement

Proposed: **Guaranteed compensation:**

Annual Salary: $1,400,000

Automobile: option of two dealer cars or $7,500 annually in lieu of one of the cars

Social Club Membership: The University of Texas Club, The University of Texas Golf Club, Headliners Club of Austin

Nonguaranteed compensation:

Performance Incentives:

No NCAA or Big 12 Conference major infraction in Men's Athletics - $100,000 at beginning of following fiscal year

Intercollegiate Athletics operated with financial solvency - $100,000 at beginning of following fiscal year

Source of Funds: Intercollegiate Athletics

Description:	Agreement for employment of Stephen W. Patterson as Men's Athletics Director following the standard athletics director employment contract prepared by the Office of General Counsel
Period:	November 25, 2013 through August 31, 2019 (five full fiscal years beyond the partial first year)

30. Employment Agreement - **U. T. Austin**: Head Football Coach Employment Agreement for Charles R. Strong

The following Head Football Coach Employment Agreement has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. System Board of Regents. If the Agreement is approved, total annual compensation for Head Coach Strong will be in excess of $250,000. Such employment under the Agreement is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas at Austin is a member, the Regents' *Rules and Regulations*, and the policies of The University of Texas at Austin. Any violation of the provisions of such constitution, bylaws, rules, regulations, or policies shall be grounds for suspension without pay and/or dismissal (Regents' *Rules and Regulations,* Rule 10501, Section 2.2.12 - Board Approval).

Item: Head Football Coach Employment Agreement

Proposed: **Guaranteed compensation:**

Annual Salary:
- FY 2014-15: $5,000,000 annually
- FY 2015-16: $5,100,000 annually
- FY 2016-17: $5,200,000 annually
- FY 2017-18: $5,300,000 annually
- FY 2018-19: $5,400,000 annually

Automobile: option of two dealer cars or $7,500 in lieu of one of the cars annually

Social club membership: The University of Texas Club, The University of Texas Golf Club, Headliners Club of Austin

Speaking: $30,000 annually

Tickets:
- One suite and six football tickets
- Four season tickets to men's sports
- Four season tickets to women's sports

Nonguaranteed compensation:

Sports Camps and Clinics: TBD

Incentives:
- Team performance incentives: maximum of $550,000 annually
- Team academic performance Incentives: maximum of $150,000 annually
- National Coach of the Year: $100,000 annually
- Any additional national coaching award other than National Coach of the Year: $50,000 annually
- Top 5 ranking in final poll: 3% of that year's annual salary
- Top 10 ranking in final poll: 2% of that year's annual salary

Source of Funds: Intercollegiate Athletics

Description: Agreement for employment of Charles R. Strong as Head Football Coach.

Period: January 24, 2014 through January 24, 2019

31. Employment Agreement - **U. T. Austin**: Assistant Football Coach Agreement for Vance Bedford

The following Assistant Football Coach Agreement has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. System Board of Regents. If the Agreement is approved, total potential compensation for the entire length of the contract plus one 1-year extension for Assistant Football Coach Bedford will be in excess of $1,000,000. Such employment under the Agreement is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas at Austin is a member, the Regents' *Rules and Regulations*, and the policies of The University of Texas at Austin. Any violation of the provisions of such Constitution, bylaws, rules, regulations, or policies shall be grounds for suspension without pay and/or dismissal (Regents' *Rules and Regulations,* Rule 20204, Section 3 - Board Approval).

See summary and Term Sheet below:

Item: Assistant Football Coach Agreement

Proposed: **Guaranteed compensation:**

Annual Salary:
- FY 2013-14: $760,000 annually
- FY 2014-15: $760,000 annually
- FY 2015-16: $760,000 annually

Automobile: option of one dealer car or $7,500 annually

Camp: $10,000 annually

Social club membership: The University of Texas Golf Club

Speaking: $30,000 annually

Nonguaranteed compensation:

Team performance incentives: maximum of $160,000 annually
Ranks 2-10 nationally: maximum of $17,000 annually
Wins Broyles Assistant Coach of the Year: $25,000 annually

Source of Funds: Intercollegiate Athletics

Description: Agreement for employment of Vance Bedford as Assistant Football Coach

Period: January 21, 2014 through January 31, 2016

Term Sheet

Football Assistant Coaching Staff

Name: Bedford, Vance
Title: Assistant Coach

Provisions	Terms
Effective Date	January 21, 2014
Expiration Date	January 31, 2016
Renewal	University may renew the contract provisions and terms as mutually agreed upon for one additional year.
Duties	Serve as assistant coach for football.
Annual Base Salary Year 1	$760,000
Year 2	At the discretion of the University, increases to base may be implemented
Other Guaranteed Cash Comp	
Camp	$10,000 Paid on 6/1 and 8/1 ($5K each)
Speaking	30,000—Paid December 1
Product Endorsement	NA
Other Cash Comp (Performance Incentives)	
Win Big 12 Championship	$20,000
Appearance in non-major Bowl Game	$20,000
Win non-major Bowl Game	$20,000
-or-	
Appearance in one of six major Bowl Games	$30,000
Wins one of six major Bowl Games	$30,000
-or-	
Appearance in Semi-Final Championship	$40,000
Wins Semi-Final Championship	$40,000
-or-	
Wins Football Championship Game	$140,000
Ranks 2-5 Nationally	$17,000
Ranks 6th-10th Nationally	$10,000
Wins Broyles Assistant Coach of the Year	$25,000
Non Cash Compensation	
Automobile	Dealer Car. At discretion of the University, a stipend may be offered in lieu of a dealer car
Memberships	UT Golf Club

Provisions	Terms
Termination	
Involuntary with cause	All compensation ends with the effective date of the termination.
Involuntary without cause	UT pays base salary remaining on contract
Voluntary	Incumbent pays 25% of base salary remaining on contract at the discretion of the Athletic Director and Head Football Coach

32. Employment Agreement - **U. T. Austin**: Assistant Football Coach Agreement for Bruce Chambers

The following Assistant Football Coach Agreement has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. System Board of Regents. If the Agreement is approved, total potential compensation for the entire length of the contract plus one 1-year extension for Assistant Football Coach Chambers will be in excess of $1,000,000. Such employment under the Agreement is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas at Austin is a member, the Regents' *Rules and Regulations*, and the policies of The University of Texas at Austin. Any violation of the provisions of such constitution, bylaws, rules, regulations, or policies shall be grounds for suspension without pay and/or dismissal (Regents' *Rules and Regulations,* Rule 20204, Section 3 - Board Approval).

See summary and Term Sheet below:

Item: Assistant Football Coach Agreement

Proposed: **Guaranteed compensation:**

Annual Salary:
FY 2013-14: $260,000 annually
FY 2014-15: $260,000 annually
FY 2015-16: $260,000 annually

Automobile: option of one dealer car or $7,500 annually

Camp: $10,000 annually

Social club membership: The University of Texas Golf Club

Speaking: $5,000 annually

Nonguaranteed compensation:

Team performance incentives: maximum of $155,000 annually
Ranks 2-10 nationally: maximum of $17,000 annually
Wins Broyles Assistant Coach of the Year: $25,000 annually

Source of Funds: Intercollegiate Athletics

Description: Agreement for employment of Bruce Chambers as Assistant Football Coach

Period: January 21, 2014 through January 31, 2016

Term Sheet

Football Assistant Coaching Staff

Name: Chambers, Bruce
Title: Assistant Coach

Provisions		Terms
Effective Date		January 21, 2014
Expiration Date		January 31, 2016
Renewal		University may renew the contract provisions and terms as mutually agreed upon for one additional year.
Duties		Serve as assistant coach for football.
Annual Base Salary	Year 1	$260,000
	Year 2	At the discretion of the University, increases to base may be implemented.
Other Guaranteed Cash Comp		
	Camp	$10,000 Paid on 6/1 and 8/1 ($5K each)
	Speaking	$5,000—Paid on 12/1
	Product Endorsement	NA
Other Cash Comp (Performance Incentives)		
	Win Big 12 Championship	$15,000
	Appearance in non-major Bowl Game	$10,000
	Win non-major Bowl Game	$10,000
-or-		
	Appearance in one of six major Bowl Games	$30,000
	Wins one of six major Bowl Games	$30,000
-or-		
	Appearance in Semi-Final Championship	$40,000
	Wins Semi-Final Championship	$40,000
-or-		
	Wins Football Championship Game	$140,000
	Ranks 2-5 Nationally	$17,000
	Ranks 6th-10th Nationally	$10,000
	Wins Broyles Assistant Coach of the Year	$25,000
Non Cash Compensation		
	Automobile	Dealer Car. At discretion of the University, a stipend may be offered in lieu of a dealer car
	Memberships	UT Golf Club

Provisions		Terms
Termination		
	Involuntary with cause	All compensation ends with the effective date of the termination.
	Involuntary without cause	UT pays base salary remaining on contract
	Voluntary	Incumbent pays 25% of base salary remaining on contract at the discretion of the Athletic Director and Head Football Coach

33. <u>Employment Agreement - **U. T. Austin**: Assistant Football Coach Agreement for Brian Jean-Mary</u>

The following Assistant Football Coach Agreement has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. System Board of Regents. If the Agreement is approved, total potential compensation for the entire length of the contract plus one 1-year extension for Assistant Football Coach Jean-Mary will be in excess of $1,000,000. Such employment under the Agreement is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas at Austin is a member, the Regents' *Rules and Regulations*, and the policies of The University of Texas at Austin. Any violation of the provisions of such constitution, bylaws, rules, regulations, or policies shall be grounds for suspension without pay and/or dismissal (Regents' *Rules and Regulations,* Rule 20204, Section 3 - Board Approval).

<u>See summary and Term Sheet below:</u>

Item: Assistant Football Coach Agreement

Proposed: **Guaranteed compensation:**

Annual Salary:
FY 2013-14: $300,000 annually
FY 2014-15: $300,000 annually
FY 2015-16: $300,000 annually

Automobile: option of one dealer car or $7,500 annually

Camp: $10,000 annually

Social club membership: The University of Texas Golf Club

Speaking: $5,000 annually

Nonguaranteed compensation:

Team performance incentives: maximum of $155,000 annually
Ranks 2-10 nationally: maximum of $17,000 annually
Wins Broyles Assistant Coach of the Year: $25,000 annually

Source of Funds: Intercollegiate Athletics

Description: Agreement for employment of Brian Jean-Mary as Assistant Football Coach

Period: January 21, 2014 through January 31, 2016

Term Sheet

Football Assistant Coaching Staff

Name: Jean-Mary, Brian
Title: Assistant Coach

Provisions		Terms
Effective Date		January 21, 2014
Expiration Date		January 31, 2016
Renewal		University may renew the contract provisions and terms as mutually agreed upon for one additional year.
Duties		Serve as assistant coach for football.
Annual Base Salary	Year 1	$300,000
	Year 2	At the discretion of the University, increases to base may be implemented
Other Guaranteed Cash Comp		
	Camp	$10,000 Paid on 6/1 and 8/1 ($5K each)
	Speaking	$5,000—Paid December 1
	Product Endorsement	NA
Other Cash Comp (Performance Incentives)		
	Win Big 12 Championship	$15,000
	Appearance in non-major Bowl Game	$10,000
	Win non-major Bowl Game	$10,000
	-or-	
	Appearance in one of six major Bowl Games	$30,000
	Wins one of six major Bowl Games	$30,000
	-or-	
	Appearance in Semi-Final Championship	$40,000
	Wins Semi-Final Championship	$40,000
	-or-	
	Wins Football Championship Game	$140,000
	Ranks 2-5 Nationally	$17,000
	Ranks 6th-10th Nationally	$10,000
	Wins Broyles Assistant Coach of the Year	$25,000
Non-Cash Compensation		
	Automobile	Dealer Car. At discretion of the University, a stipend may be offered in lieu of a dealer car
	Memberships	UT Golf Club

Provisions		Terms
Termination		
	Involuntary with cause	All compensation ends with the effective date of the termination.
	Involuntary without cause	UT pays base salary remaining on contract
	Voluntary	Incumbent pays 25% of base salary remaining on contract at the discretion of the Athletic Director and Head Football Coach

34. Employment Agreement - **U. T. Austin**: Assistant Football Coach Agreement for Tommie Robinson

The following Assistant Football Coach Agreement has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. System Board of Regents. If the Agreement is approved, total potential compensation for the entire length of the contract plus one 1-year extension for Assistant Football Coach Robinson will be in excess of $1,000,000. Such employment under the Agreement is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas at Austin is a member, the Regents' *Rules and Regulations*, and the policies of The University of Texas at Austin. Any violation of the provisions of such constitution, bylaws, rules, regulations, or policies shall be grounds for suspension without pay and/or dismissal (Regents' *Rules and Regulations,* Rule 20204, Section 3 - Board Approval)

See summary and Term Sheet below:

Item: Assistant Football Coach Agreement

Proposed: **Guaranteed compensation:**

Annual Salary:
FY 2013-14: $185,000 annually
FY 2014-15: $335,000 annually
FY 2015-16: $335,000 annually

Automobile: option of one dealer car or $7,500 annually

Camp: $10,000 annually

Social club membership: The University of Texas Golf Club

Speaking: $5,000 annually

Nonguaranteed compensation:

Team performance incentives: maximum of $155,000 annually
Ranks 2-10 nationally: maximum of $17,000 annually
Wins Broyles Assistant Coach of the Year: $25,000 annually

Source of Funds: Intercollegiate Athletics

Description: Agreement for employment of Tommie Robinson as Assistant Football Coach

Period: January 21, 2014 through January 31, 2016

Term Sheet

Football Assistant Coaching Staff

Name: Robinson, Tommie
Title: Assistant Coach

Provisions		Terms
Effective Date		January 21, 2014
Expiration Date		January 31, 2016
Renewal		University may renew the contract provisions and terms as mutually agreed upon for one additional year.
Duties		Serve as assistant coach for football.
Annual Base Salary	Year 1	$185,000
	Year 2	$335,000
Other Guaranteed Cash Comp		
	Camp	$10,000 Paid on 6/1 and 8/1 ($5K each)
	Speaking	$5,000—Paid December 1
	Product Endorsement	NA
Other Cash Comp (Performance Incentives)		
	Win Big 12 Championship	$15,000
	Appearance in non-major Bowl Game	$10,000
	Win non-major Bowl Game	$10,000
	-or-	
	Appearance in one of six major Bowl Games	$30,000
	Wins one of six major Bowl Games	$30,000
	-or-	
	Appearance in Semi-Final Championship	$40,000
	Wins Semi-Final Championship	$40,000
	-or-	
	Wins Football Championship Game	$140,000
	Ranks 2-5 Nationally	$17,000
	Ranks 6th-10th Nationally	$10,000
	Wins Broyles Assistant Coach of the Year	$25,000
Non-Cash Compensation		
	Automobile	Dealer Car. At discretion of the University, a stipend may be offered in lieu of a dealer car
	Memberships	UT Golf Club

Provisions		Terms
Termination		
	Involuntary with cause	All compensation ends with the effective date of the termination.
	Involuntary without cause	UT pays base salary remaining on contract
	Voluntary	Incumbent pays 25% of base salary remaining on contract at the discretion of the Athletic Director and Head Football Coach

35. <u>Employment Agreement - **U. T. Austin**: Assistant Football Coach Agreement for Christopher Rumph</u>

The following Assistant Football Coach Agreement has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. System Board of Regents. If the Agreement is approved, total potential compensation for the entire length of the contract plus one 1-year extension for Assistant Football Coach Rumph will be in excess of $1,000,000. Such employment under the Agreement is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas at Austin is a member, the Regents' *Rules and Regulations*, and the policies of The University of Texas at Austin. Any violation of the provisions of such constitution, bylaws, rules, regulations, or policies shall be grounds for suspension without pay and/or dismissal (Regents' *Rules and Regulations,* Rule 20204, Section 3 - Board Approval).

<u>See summary and Term Sheet below:</u>

Item: Assistant Football Coach Agreement

Proposed: **Guaranteed compensation:**

Annual Salary:
FY 2013-14: $400,000 annually
FY 2014-15: $400,000 annually
FY 2015-16: $400,000 annually

Automobile: option of one dealer car or $7,500 annually

Camp: $10,000 annually

Social club membership: The University of Texas Golf Club

Speaking: $5,000 annually

Nonguaranteed compensation:

Team performance Incentives: maximum of $155,000 annually
Ranks 2-10 nationally: maximum of $17,000 annually
Wins Broyles Assistant Coach of the Year: $25,000 annually

Source of Funds: Intercollegiate Athletics

Description: Agreement for employment of Christopher Rumph as Assistant Football Coach

Period: January 21, 2014 through January 31, 2016

Term Sheet

Football Assistant Coaching Staff

Name: Rumph, Christopher
Title: Assistant Coach

Provisions		Terms
Effective Date		January 21, 2014
Expiration Date		January 31, 2016
Renewal		University may renew the contract provisions and terms as mutually agreed upon for one additional year.
Duties		Serve as assistant coach for football.
Annual Base Salary	Year 1	$400,000
	Year 2	At the discretion of the University, increases to base may be implemented
Other Guaranteed Cash Comp		
	Camp	$10,000 Paid on 6/1 and 8/1 ($5K each)
	Speaking	$5,000—Paid December 1
	Product Endorsement	NA
Other Cash Comp (Performance Incentives)		
	Win Big 12 Championship	$15,000
	Appearance in non-major Bowl Game	$10,000
	Win non-major Bowl Game	$10,000
	-or-	
	Appearance in one of six major Bowl Games	$30,000
	Wins one of six major Bowl Games	$30,000
	-or-	
	Appearance in Semi-Final Championship	$40,000
	Wins Semi-Final Championship	$40,000
	-or-	
	Wins Football Championship Game	$140,000
	Ranks 2-5 Nationally	$17,000
	Ranks 6th-10th Nationally	$10,000
	Wins Broyles Assistant Coach of the Year	$25,000
Non-Cash Compensation		
	Automobile	Dealer Car. At discretion of the University, a stipend may be offered in lieu of a dealer car
	Memberships	UT Golf Club

Provisions		Terms
Termination		
	Involuntary with cause	All compensation ends with the effective date of the termination.
	Involuntary without cause	UT pays base salary remaining on contract
	Voluntary	Incumbent pays 25% of base salary remaining on contract at the discretion of the Athletic Director and Head Football Coach

36. Employment Agreement - **U. T. Austin**: Assistant Football Coach Agreement for Leslie Koenning

The following Assistant Football Coach Agreement has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. System Board of Regents. If the Agreement is approved, total potential compensation for the entire length of the contract plus one 1-year extension for Assistant Football Coach Koenning will be in excess of $1,000,000. Such employment under the Agreement is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas at Austin is a member, the Regents' *Rules and Regulations*, and the policies of The University of Texas at Austin. Any violation of the provisions of such constitution, bylaws, rules, regulations, or policies shall be grounds for suspension without pay and/or dismissal (Regents' *Rules and Regulations,* Rule 20204, Section 3 - Board Approval).

See summary and Term Sheet below:

Item: Assistant Football Coach Agreement

Proposed: **Guaranteed compensation:**

Annual Salary:
FY 2013-14: $335,000 annually
FY 2014-15: $335,000 annually
FY 2015-16: $335,000 annually

Automobile: option of one dealer car or $7,500 annually

Camp: $10,000 annually

Social club membership: The University of Texas Golf Club

Speaking: $5,000 annually

Nonguaranteed compensation:

Team performance Incentives: maximum of $155,000 annually
Ranks 2-10 nationally: maximum of $17,000 annually
Wins Broyles Assistant Coach of the Year: $25,000 annually

Source of Funds: Intercollegiate Athletics

Description: Agreement for employment of Leslie Koenning as Assistant Football Coach

Period: January 21, 2014 through January 31, 2016

Term Sheet

Football Assistant Coaching Staff

Name: Koenning, Leslie
Title: Assistant Coach

Provisions		Terms
Effective Date		January 21, 2014
Expiration Date		January 31, 2016
Renewal		University may renew the contract provisions and terms as mutually agreed upon.
Duties		Serve as assistant coach for football.
Annual Base Salary	Year 1	$335,000
	Year 2	At the discretion of the University, increases to base may be implemented
Other Guaranteed Cash Comp		
	Camp	$10,000 Paid on 6/1 and 8/1 ($5K each)
	Speaking	$5,000—Paid December 1
	Product Endorsement	NA
Other Cash Comp (Performance Incentives)		
	Win Big 12 Championship	$15,000
	Appearance in non-major Bowl Game	$10,000
	Win non-major Bowl Game	$10,000
-or-		
	Appearance in one of six major Bowl Games	$30,000
	Wins one of six major Bowl Games	$30,000
-or-		
	Appearance in Semi-Final Championship	$40,000
	Wins Semi-Final Championship	$40,000
-or-		
	Wins Football Championship Game	$140,000
	Ranks 2-5 Nationally	$17,000
	Ranks 6th-10th Nationally	$10,000
	Wins Broyles Assistant Coach of the Year	$25,000
Non-Cash Compensation		
	Automobile	Dealer Car. At discretion of the University, a stipend may be offered in lieu of a dealer car
	Memberships	UT Golf Club

Provisions		Terms
Termination		
	Involuntary with cause	All compensation ends with the effective date of the termination.
	Involuntary without cause	UT pays base salary remaining on contract
	Voluntary	Incumbent pays 25% of base salary remaining on contract at the discretion of the Athletic Director and Head Football Coach

37. Employment Agreement - **U. T. Austin**: Assistant Football Coach Agreement for Christopher Vaughn

The following Assistant Football Coach Agreement has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. System Board of Regents. If the Agreement is approved, total potential compensation for the entire length of the contract plus one 1-year extension for Assistant Football Coach Vaughn will be in excess of $1,000,000. Such employment under the Agreement is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas at Austin is a member, the Regents' *Rules and Regulations*, and the policies of The University of Texas at Austin. Any violation of the provisions of such constitution, bylaws, rules, regulations, or policies shall be grounds for suspension without pay and/or dismissal (Regents' *Rules and Regulations,* Rule 20204, Section 3 - Board Approval).

See summary and Term Sheet below:

Item: Assistant Football Coach Agreement

Proposed: **Guaranteed compensation:**

Annual Salary:
FY 2013-14: $245,000 annually
FY 2014-15: $245,000 annually
FY 2015-16: $245,000 annually

Automobile: option of one dealer car or $7,500 annually

Camp: $10,000 annually

Social club membership: The University of Texas Golf Club

Speaking: $5,000 annually

Nonguaranteed compensation:

Team performance Incentives: maximum of $155,000 annually
Ranks 2-10 nationally: maximum of $17,000 annually
Wins Broyles Assistant Coach of the Year: $25,000 annually

Source of Funds: Intercollegiate Athletics

Description: Agreement for employment of Christopher Vaughn as Assistant Football Coach

Period: January 21, 2014 through January 31, 2016

Term Sheet

Football Assistant Coaching Staff

Name: Vaughn, Christopher
Title: Assistant Coach

Provisions		Terms
Effective Date		January 21, 2014
Expiration Date		January 31, 2016
Renewal		University may renew the contract provisions and terms as mutually agreed upon for one additional year.
Duties		Serve as assistant coach for football.
Annual Base Salary	Year 1	$245,000
	Year 2	At the discretion of the University, increases to base may be implemented
Other Guaranteed Cash Comp		
	Camp	$10,000 Paid on 6/1 and 8/1 ($5K each)
	Speaking	$5,000—Paid December 1
	Product Endorsement	NA
Other Cash Comp (Performance Incentives)		
	Win Big 12 Championship	$15,000
	Appearance in non-major Bowl Game	$10,000
	Win non-major Bowl Game	$10,000
	-or-	
	Appearance in one of six major Bowl Games	$30,000
	Wins one of six major Bowl Games	$30,000
	-or-	
	Appearance in Semi-Final Championship	$40,000
	Wins Semi-Final Championship	$40,000
	-or-	
	Wins Football Championship Game	$140,000
	Ranks 2-5 Nationally	$17,000
	Ranks 6th-10th Nationally	$10,000
	Wins Broyles Assistant Coach of the Year	$25,000
Non Cash Compensation		
	Automobile	Dealer Car. At discretion of the University, a stipend may be offered in lieu of a dealer car
	Memberships	UT Golf Club

Provisions		Terms
Termination		
	Involuntary with cause	All compensation ends with the effective date of the termination.
	Involuntary without cause	UT pays base salary remaining on contract
	Voluntary	Incumbent pays 25% of base salary remaining on contract at the discretion of the Athletic Director and Head Football Coach

38. Employment Agreement - **U. T. Austin**: Assistant Football Coach Agreement for Steven S. Watson

The following Assistant Football Coach Agreement has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. System Board of Regents. If the Agreement is approved, total potential compensation for the entire length of the contract plus one 1-year extension for Assistant Football Coach Watson will be in excess of $1,000,000. Such employment under the Agreement is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas at Austin is a member, the Regents' *Rules and Regulations*, and the policies of The University of Texas at Austin. Any violation of the provisions of such constitution, bylaws, rules, regulations, or policies shall be grounds for suspension without pay and/or dismissal. (Regents' *Rules and Regulations,* Rule 20204, Section 3 - Board Approval)

See summary and Term Sheet below:

Item: Assistant Football Coach Agreement

Proposed: **Guaranteed compensation:**

Annual Salary:
FY 2013-14: $610,000 annually
FY 2014-15: $610,000 annually
FY 2015-16: $610,000 annually

Automobile: option of one dealer car or $7,500 annually

Camp: $10,000 annually

Social club membership: The University of Texas Golf Club

Speaking: $30,000 annually

Nonguaranteed compensation:

Team performance Incentives: maximum of $155,000 annually
Ranks 2-10 nationally: maximum of $17,000 annually
Wins Broyles Assistant Coach of the Year: $25,000 annually

Source of Funds: Intercollegiate Athletics

Description: Agreement for employment of Steven S. Watson as Assistant Football Coach

Period: January 21, 2014 through January 31, 2016

Term Sheet

Football Assistant Coaching Staff

Name: Watson, Steven S
Title: Assistant Coach

Provisions		Terms
Effective Date		January 21, 2014
Expiration Date		January 31, 2016
Renewal		University may renew the contract provisions and terms as mutually agreed upon for one additional year.
Duties		Serve as assistant coach for football.
Annual Base Salary	Year 1	$610,000
	Year 2	At the discretion of the University, increases to base may be implemented
Other Guaranteed Cash Comp		
	Camp	$10,000 Paid on 6/1 and 8/1 ($5K each)
	Speaking	$30,000—Paid December 1
	Product Endorsement	NA
Other Cash Comp (Performance Incentives)		
	Win Big 12 Championship	$15,000
	Appearance in non-major Bowl Game	$10,000
	Win non-major Bowl Game	$10,000
	-or-	
	Appearance in one of six major Bowl Games	$30,000
	Wins one of six major Bowl Games	$30,000
	-or-	
	Appearance in Semi-Final Championship	$40,000
	Wins Semi-Final Championship	$40,000
	-or-	
	Wins Football Championship Game	$140,000
	Ranks 2-5 Nationally	$17,000
	Ranks 6th-10th Nationally	$10,000
	Wins Broyles Assistant Coach of the Year	$25,000
Non Cash Compensation		
	Automobile	Dealer Car. At discretion of the University, a stipend may be offered in lieu of a dealer car
	Memberships	UT Golf Club

Provisions		Terms
Termination		
	Involuntary with cause	All compensation ends with the effective date of the termination.
	Involuntary without cause	UT pays base salary remaining on contract
	Voluntary	Incumbent pays 25% of base salary remaining on contract at the discretion of the Athletic Director and Head Football Coach.

39. Employment Agreement - **U. T. Austin**: Assistant Football Coach Agreement for Gregory J. Wickline

The following Assistant Coach Agreement has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. System Board of Regents. If the Agreement is approved, total potential compensation for the entire length of the contract plus one 1-year extension for Assistant Football Coach Wickline will be in excess of $1,000,000. Such employment under the Agreement is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas at Austin is a member, the Regents' *Rules and Regulations*, and the policies of The University of Texas at Austin. Any violation of the provisions of such constitution, bylaws, rules, regulations, or policies shall be grounds for suspension without pay and/or dismissal. (Regents' *Rules and Regulations,* Rule 20204, Section 3 - Board Approval)

See summary and Term Sheet below:

Item: Assistant Football Coach Agreement

Proposed: **Guaranteed compensation:**

Annual Salary:
FY 2013-14: $535,000 annually
FY 2014-15: $535,000 annually
FY 2015-16: $535,000 annually

Automobile: option of one dealer car or $7,500 annually

Camp: $10,000 annually

Social club membership: The University of Texas Golf Club

Speaking: $30,000 annually

Nonguaranteed compensation:

Team performance incentives: maximum of $160,000 annually
Ranks 2-10 nationally: maximum of $17,000 annually
Wins Broyles Assistant Coach of the Year: $25,000 annually

Source of Funds: Intercollegiate Athletics

Description: Agreement for employment of Gregory J. Wickline as Assistant Football Coach.

Period: January 21, 2014 through January 31, 2016

Term Sheet

Football Assistant Coaching Staff

Name: Wickline, Gregory, J
Title: Assistant Coach

Provisions		Terms
Effective Date		January 21, 2014
Expiration Date		January 31, 2016
Renewal		University may renew the contract provisions and terms as mutually agreed upon for one additional year.
Duties		Serve as assistant coach for football.
Annual Base Salary	Year 1	$535,000
	Year 2	At the discretion of the University, increases to base may be implemented
Other Guaranteed Cash Comp		
	Camp	$10,000 Paid on 6/1 and 8/1 ($5K each)
	Speaking	30,000—Paid December 1
	Product Endorsement	NA
Other Cash Comp (Performance Incentives)		
	Win Big 12 Championship	$20,000
	Appearance in non-major Bowl Game	$20,000
	Win non-major Bowl Game	$20,000
	-or-	
	Appearance in one of six major Bowl Games	$30,000
	Wins one of six major Bowl Games	$30,000
	-or-	
	Appearance in Semi-Final Championship	$40,000
	Wins Semi-Final Championship	$40,000
	-or-	
	Wins Football Championship Game	$140,000
	Ranks 2-5 Nationally	$17,000
	Ranks 6th-10th Nationally	$10,000
	Wins Broyles Assistant Coach of the Year	$25,000
Non Cash Compensation		
Automobile		Dealer Car. At discretion of the University, a stipend may be offered in lieu of a dealer car
	Memberships	UT Golf Club

Provisions		Terms
Termination		
	Involuntary with cause	All compensation ends with the effective date of the termination.
	Involuntary without cause	UT pays base salary remaining on contract
	Voluntary	Incumbent pays 25% of base salary remaining on contract at the discretion of the Athletic Director and Head Football Coach

40. Employment Agreement - **U. T. Austin**: Assistant Football Coach Agreement for Patrick Moorer

The following Assistant Football Coach Agreement has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. System Board of Regents. If the Agreement is approved, total potential compensation for the entire length of the contract plus one 1-year extension for Assistant Football Coach Moorer will be in excess of $1,000,000. Such employment under the Agreement is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas at Austin is a member, the Regents' *Rules and Regulations*, and the policies of The University of Texas at Austin. Any violation of the provisions of such constitution, bylaws, rules, regulations, or policies shall be grounds for suspension without pay and/or dismissal (Regents' *Rules and Regulations,* Rule 20204, Section 3 – Board Approval).

See summary and Term Sheet below:

Item: Assistant Football Coach Agreement

Proposed: **Guaranteed compensation:**

Annual Salary:
FY 2013-14: $330,000 annually
FY 2014-15: $330,000 annually
FY 2015-16: $330,000 annually

Automobile: option of one dealer car or $7,500 annually

Social Club Membership: The University of Texas Golf Club

Nonguaranteed compensation:

Team performance incentives: maximum of $155,000 annually
Ranks 2-10 nationally: maximum of $17,000 annually

Source of Funds: Intercollegiate Athletics

Description: Agreement for employment of Patrick Moorer as Assistant Football Coach

Period: January 21, 2014 through January 31, 2016

Term Sheet

Football Assistant Coaching Staff

Name: Moorer, Patrick
Title: Assistant Coach

Provisions		Terms
Effective Date		January 21, 2014
Expiration Date		January 31, 2016
Renewal		University may renew the contract provisions and terms as mutually agreed upon for one additional year.
Duties		Serve as assistant coach for football.
Annual Base Salary	Year 1	$330,000
	Year 2	At the discretion of the University, increases to base may be implemented
Other Guaranteed Cash Comp		
	Camp	NA
	Speaking	NA
	Product Endorsement	NA
Other Cash Comp (Performance Incentives)		
	Win Big 12 Championship	$15,000
	Appearance in non-major Bowl Game	$10,000
	Win non-major Bowl Game	$10,000
	-or-	
	Appearance in one of six major Bowl Games	$30,000
	Wins one of six major Bowl Games	$30,000
	-or-	
	Appearance in Semi-Final Championship	$40,000
	Wins Semi-Final Championship	$40,000
	-or-	
	Wins Football Championship Game	$140,000
	Ranks 2-5 Nationally	$17,000
	Ranks 6th-10th Nationally	$10,000
Non Cash Compensation		
	Automobile	Dealer Car. At discretion of the University, a stipend may be offered in lieu of a dealer car
	Memberships	UT Golf Club

Provisions		Terms
Termination		
	Involuntary with cause	All compensation ends with the effective date of the termination.
	Involuntary without cause	UT pays base salary remaining on contract
	Voluntary	Incumbent pays 25% of base salary remaining on contract at the discretion of the Athletic Director and Head Football Coach

41. Lease - **U. T. Austin**: Authorization to extend the lease of space on campus to the United States Postal Service for use as a retail postal facility; and finding of a public purpose

Description:	Extension of the lease of approximately 3,436 square feet in the West Mall Office Building on U. T. Austin's main campus in Austin, Travis County, Texas, for use as a retail postal facility by the United States Postal Service
Lessee:	United States Postal Service, an independent agency of the United States of America
Term:	The original lease term commenced on September 1, 1998, and by prior extensions continues through February 28, 2014; the proposed extension term commences March 1, 2014, and ends on February 29, 2016
Lease Income:	Rent is a nominal $1 per year in exchange for the benefits to U. T. Austin described below
Public Purpose:	The lease will restrict use of the space to the operation of a U.S. Postal Service retail facility. Location of the facility on the main campus provides student, faculty, and staff at U. T. Austin with easy access to postal services. U. T. Austin will retain the right to terminate the lease on 30 days notice if the space is not used as a retail postal facility. Staff at U. T. Austin therefore believes that the lease serves a public purpose specific to the mission of the institution and requests that the Board of Regents makes a finding of fact to that effect and authorizes the lease.

42. Advisory Council - **U. T. Austin**: Rename the Blanton Museum of Art - Museum Council as the Blanton National Leadership Board

The following request to approve the renaming of the Blanton Museum advisory board has been approved by the Chancellor, the Executive Vice Chancellor for Academic Affairs, and the Vice Chancellor for External Relations in accordance with Regents' *Rules and Regulations*, Rule 60302 and is submitted for approval by the U. T. System Board of Regents:

Item:	Blanton National Leadership Board
Effective:	September 1, 2014
Description:	The Jack S. Blanton Museum of Art requests authorization to rename the Blanton Museum of Art - Museum Council as the Blanton National Leadership Board. The Museum has gained national prominence and collaborates with museums all over the U.S. and the world. The new name and rebranding of the Board will reflect a broader membership as the Museum reaches out to recruit prospective Board members from local, national, and international

corporate and philanthropic leaders, alumni, arts leaders, and art collectors. The current Museum Council is a 24-member advisory board. The goal is to increase the membership to 80-100 members. The group's role will remain advisory to the museum director and its bylaws will be updated to reflect the change in name.

43. Emeritus Appointment - **U. T. Brownsville**: Appointment of Charles Dameron from Professor, College of Liberal Arts, to Professor Emeritus in the College of Liberal Arts (RBC No. 5704) -- amendment to the 2013-14 budget

44. Foreign Contract (funds coming in) - **U. T. Dallas**: Renewal of contract to provide INFOTEC, a Mexican Federal Government Public Trust, with instructional and program support for INFOTEC's Information Communication and Technology (ICT) Master's program; and Collaboration Agreement between U. T. Dallas and INFOTEC for the purpose of future collaborative efforts

Agency: INFOTEC, a Mexican Federal Government Public Trust

Funds: $625,000 estimated

Period: January 1, 2014 through December 31, 2015

Description: Naveen Jindal School of Management Executive Education program will provide continued instruction and program support for INFOTEC's Information Communication and Technology (ICT) Master's program by providing short seminar programs and diploma programs. The ICT Master's program was managed for INFOTEC by the U. T. Dallas Naveen Jindal School of Management Executive Education in 2012-2013. Subcontracted instructors will be experienced faculty from other U.S. universities who have provided this training in previous years. They will go to Mexico to provide instruction and program support for U. T. Dallas under the agreement. The limited foreign travel by U. T. Dallas staff and faculty will be approved by the U. T. Dallas International Oversight Committee. Travel security for all participants will be provided by INFOTEC.

U. T. Dallas desires to extend its previous agreement with INFOTEC under the same terms previously approved by the Board of Regents on July 11, 2012, until such time U. T. Dallas is able to negotiate and enter into a new agreement with INFOTEC, which will expire on December 31, 2015.

In addition, U. T. Dallas and INFOTEC desire to enter into a zero-dollar collaboration agreement for the purpose of entering into future collaborative efforts and programs.

45. Emeritus Appointments - **U. T. El Paso**: Approval of emeritus titles

George D. Meyers from Professor of English to Professor Emeritus, College of Liberal Arts (RBC No. 5659) -- amendment to the 2013-14 budget

Cheryl E. Martin from Professor of History to Professor Emerita, College of Liberal Arts (RBC No. 5658) -- amendment to the 2013-14 budget

Joanne T. Ellzey from Professor of Biological Sciences to Professor Emerita, College of Science (RBC No. 5656) -- amendment to the 2013-14 budget

Marion L. Ellzey from Professor of Chemistry to Professor Emeritus, College of Science (RBC No. 5657) -- amendment to the 2013-14 budget

Ana H. Macias from Professor of Teacher Education to Professor Emerita, College of Education (RBC No. 5661) -- amendment to the 2012-13 budget

Willie R. Parish from Professor of Art to Professor Emeritus, College of Liberal Arts (RBC No. 5660) -- amendment to the 2012-13 budget

Shelley S. Armitage from Professor of English to Professor Emerita, College of Liberal Arts (RBC No. 5662) -- amendment to the 2012-13 budget

Donald E. Moss from Professor of Psychology to Professor Emeritus, College of Liberal Arts (RBC No. 5663) -- amendment to the 2012-13 budget

46. Tenure Appointment - **U. T. Pan American**: Amendments to the 2013-14 budget

The following Requests for Budget Changes have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

			Full-time Salary		
Description	Effective Date	% Time	No. Mos.	Rate $	RBC #
Manufacturing Engineering Professor Anil Srivastava (T)	11/1-5/31	100	09	150,000	4609
Biology Department Professor Christopher Taylor (T)	2/1-5/31	100	09	97,500	5710
Biology Department Professor Faiz Faizur Rahman (T)	2/1-5/31	100	09	155,000	5711

47. Request for Budget Change - **U. T. Pan American**: Transfer $512,394 from the Texas Higher Education Coordinating Board to the Hazlewood Legacy Act - HB 1025 fund for the allocation of the HB 1025 Hazlewood appropriation for 2013/2014 for the purpose of reimbursing costs associated with the Hazlewood Legacy Program (RBC No. 5587) -- amendments to the 2013-14 budget

48. Report - **U. T. Permian Basin**: No items for Consent Agenda

49. Request for Budget Change - **U. T. San Antonio**: Transfer $2,487,428 from the Texas Higher Education Coordinating Board to the Hazlewood Legacy Act - HB 1025 fund for the allocation of the HB 1025 Hazlewood appropriation for 2013/2014 for the purpose of reimbursing costs associated with the Hazlewood Legacy Program (RBC No. 5605) -- amendment to the 2013-14 budget

50. Request for Budget Change - **U. T. San Antonio**: Transfer $838,000 from Campus Reserves account to the PeopleSoft Project account to fund the extension of three consultant service contracts based on the UTShare project go live date of March 1, 2014, with phased deployment sequences through September 1, 2014 (RBC No. 5606) -- amendment to the 2013-14 budget

51. Report - **U. T. Tyler**: No items for Consent Agenda

HEALTH INSTITUTIONS

52. Contract (funds going out) - **U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler**: Master agreement between U. T. System and Morris & Dickson Co., LCC for the supply of pharmaceutical products to the named institutions. This group buy was negotiated by the U. T. System Supply Chain Alliance and provides for enhancements to pricing and other terms under a supply agreement competitively procured by Premier, an external group purchasing organization

Agency:	Morris & Dickson Co., LLC
Funds:	Total contract spend by U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler during the anticipated eight-year duration of the agreement is estimated at $756,000,000
Sources of Funds:	U. T. Southwestern Medical Center: patient income U. T. Medical Branch - Galveston: Educational and General Revenue Fund U. T. Medical Branch - Galveston Correctional Managed Care: Texas Department of Criminal Justice U. T. Health Science Center - Tyler: General Revenue Fund and patient income
Period:	The initial term of this agreement is for a period of five years, commencing November 1, 2013, and continuing through October 31, 2018, including an option for three 12-month renewals subject to U. T. System Board of Regents' approval.
Description:	The master agreement aggregates the demand for pharmaceutical products at the named institutions and leverages this demand to secure better supply terms than individual institutions could achieve.

This contract ordinarily would qualify for exemption from approval by the U. T. System Board of Regents under one or more Regents' Rules. Regents' Rule 10501, Section 2.2.7 exempts any purchase made under a group purchasing program that follows applicable statutory and regulatory standards. The U. T. System Executive Vice Chancellor for Health Affairs, however, requested that this contract be presented to the Board for approval because of the size of the anticipated contract amount.

53. Contract (funds going out) - **U. T. Southwestern Medical Center:** SPM Marketing and Communications, Inc.

Agency:	SPM Marketing and Communications, Inc.
Funds:	$4,347,000

Period: September 1, 2013 through August 31, 2014

Source of Funds: Designated Funds

Description: SPM Marketing and Communications, Inc. will provide multimedia brand image campaign services

54. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: Texas Department of State Health Services

Agency: Texas Department of State Health Services (TDSHS)

Funds: $4,215,400

Period: November 1, 2013 through August 31, 2014

Description: U. T. Medical Branch - Galveston to provide comprehensive preventative and primary medical care services to low-income Texas residents not eligible for Medicaid or other TDSHS programs

55. Approval of Dual Position of Honor, Trust, or Profit - **U. T. Medical Branch - Galveston**: Appointment by Governor Perry of Ben Raimer, M.D., Senior Vice President, Health Policy and Regulative Affairs, as Chair of the Health and Human Services Council

The following item has been approved by the Executive Vice Chancellor for Health Affairs in accordance with the Regents' *Rules and Regulations*, Rule 30103.

It has been determined that the holding of this office or position is of benefit to the State of Texas and The University of Texas, and there is no conflict between holding this position and the appointment with the University.

The Board is also asked to find that holding this position is of benefit to the State of Texas and the University, and that there is no conflict between the position and the University.

Name: Ben Raimer, M.D.

Title: Senior Vice President, Health Policy and Regulative Affairs

Position: Chair, Health and Human Services Council

Period: November 18, 2013 through February 1, 2015

Compensation: Per diem expenses only

Description: Governor Perry has appointed Dr. Raimer to the Health and Human Services Council to serve as Chair. The Health and Human Services Council helps develop policies and rules for the Texas Health and Human Services Commission and makes recommendations regarding the management and operation of the commission.

56. Appointments - **U. T. Health Science Center - Houston**: Amendment to the 2013-14 budget

The following Requests for Budget Changes have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
MEDICAL SCHOOL					
Department of Surgery, Division of General Surgery					
Assistant Professor					
Eric Haas, M.D.	4/1	100	12		N/A
Base Salary				533,333	
Supplement				192,000	
Augmentation				106,667	
Total Salary				832,000	
Clinical Incentive				333,333	
Total Compensation				1,165,333	
MEDICAL SCHOOL					
Department of Orthopaedic Surgery					
Associate Professor					
Kenneth B. Mathis, M.D.	6/1	100	12		N/A
Base Salary				1,000,000	
Supplement				0	
Augmentation				200,000	
Total Salary				1,200,000	
Clinical Incentive				0	
Total Compensation				1,200,000	

U. T. Health Science Center - Houston has determined and documented that the level of compensation for these appointments are at a level paid to similarly qualified people based on performance of comparable duties in the organization and in the market from which this position would normally be recruited, and will be paid from Designated Funds. An external market study for each appointment has been performed supporting this compensation level.

57. Emerita Appointment - **U. T. Health Science Center - Houston**: Appointment of Paula N. O'Neill from Professor to Professor Emerita in the School of Dentistry (RBC No. 5632) -- amendment to the 2013-14 budget

58. Other Matters - **U. T. Health Science Center - Houston**: Appointment and reappointment of Members of the Board of Directors of The University of Texas System Medical Foundation, Inc.

In accordance with the Articles of Incorporation, approval by the U. T. System Board of Regents is recommended for the following individuals from U. T. Health Science Center - Houston to the Board of Directors of The University of Texas System Medical Foundation, Inc.

Appointment Commencing January 1, 2014

Name and Title	Term Expires
Omotola Hope, M.D., Assistant Professor, Neurology - Clinical	December 31, 2014

Reappointments Commencing January 1, 2014

Name and Title	Term Expires
Keely G. Smith, M.D., Assistant Professor, Pediatrics - Clinical	December 31, 2014
Patricia M. Butler, M.D., Vice Dean for Educational Programs	December 31, 2014

The University of Texas System Medical Foundation, Inc. is a nonprofit corporation organized strictly for educational and scientific purposes. The Foundation functions within the framework of U. T. Health Science Center - Houston for the purpose of training graduate medical students, referred to as house staff or residents. As part of the training, house staff are contracted with and paid a stipend plus fringe benefits for services by local hospitals participating in the Affiliated Hospitals Residency Training Program.

The Bylaws and Articles of Incorporation of The University of Texas System Medical Foundation, Inc. provide that directors succeeding the initial directors shall be appointed by the U. T. System Board of Regents for terms of one year and provide that each director shall hold office until a successor has been appointed and qualified. Recommendations for appointment as follows: Dr. Butler, President; Dr. Smith, Vice President; and Dr. Hope, Secretary/Treasurer.

59. Lease - **U. T. Health Science Center - San Antonio**: Authorization to lease space from The Carrington Company, a California corporation, for a family medicine clinic

Description: Lease of approximately 11,334 square feet of medical office space at 3939 Medical Drive, San Antonio, Texas, for use as a family medicine clinic

Lessor: The Carrington Company, a California corporation

Term: The lease is estimated to commence on February 1, 2014, and the initial term is for a period of 66 months. U. T. Health Science Center - San Antonio has the option, exercisable in its discretion, to renew the lease for one five-year renewal term.

Lease Costs: $816,048 in rent during the initial term. There is no rent due during the first six months of the term; during months 7 through 42, the rental rate is $14 per square foot annually and during months 43 through 66, the rental rate is $15 per square foot annually. Rent for the renewal option period will be $935,055 ($16.50 per square foot annually). In addition to the rent, U. T. Health Science Center - San Antonio will pay its pro rata share of operating expenses which, in 2014, are estimated to be $7.31 per square foot annually. The Lessor is providing a tenant allowance of $56,670 for improvements to the premises.

Source of Funds: Delivery System Reform Incentive Payment funds and clinic revenue

60. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: Cardinal Health 110, Inc. and Cardinal Health 411, Inc., to provide full line wholesale pharmaceutical distribution services

Agency: Cardinal Health 110, Inc. and Cardinal Health 411, Inc.

Funds: This fifth amendment increases the cap amount of the contract to $2,850,260,000

Sources of Funds: Hospital patient income

Period: Amendment 5 renews the agreement for an additional 36 months, through October 31, 2016

Description: Vendor provides full line wholesale pharmaceutical distribution services

The initial agreement and the first four amendments were not presented for approval to the U. T. System Board of Regents as they were determined to qualify for exemption under one or more Regents' Rules. Regents' Rule 10501, Section 2.2.7 exempts any purchase made under a group purchasing program that follows applicable statutory and regulatory standards. The U. T. System Executive Vice Chancellor for Health Affairs, however, requested that this contract be presented to the Board for approval, because of the size of the anticipated contract amount.

61. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: PGA Tour, Inc. for marketing rights

Agency: PGA Tour, Inc.

Funds: Total cost of sponsorship and marketing rights under this agreement is estimated to be $5,000,000

Source of Funds: Hospital patient income

Period: Three-year term beginning May 1, 2014

Description: PGA Tour, Inc. is the organizer of men's professional golf tournaments played in the United States. U. T. M. D. Anderson Cancer Center would like to enter into a sponsorship and marketing contract with PGA Tour, Inc. that would provide certain marketing rights in connection with the professional golf tournaments and media outlets operated and managed by PGA Tour, Inc.

U. T. M. D. Anderson Cancer Center is currently negotiating the terms of the marketing relationship, and requests:

- authorization to enter into a sponsorship and marketing contract with PGA Tour, Inc.; and
- delegation to the President of U. T. M. D. Anderson Cancer Center, following review and approval by the Chancellor, Executive Vice Chancellor for Health Affairs, Vice Chancellor for External Relations, and the Vice Chancellor and General Counsel, of authority to execute the contract and all associated documents and to take such other actions necessary to accomplish the transaction.

62. Report - **U. T. Health Science Center - Tyler**: See Item 52 on Page 357