

THE UNIVERSITY OF TEXAS SYSTEM  
BOARD OF REGENTS  
FACILITIES PLANNING AND CONSTRUCTION  
COMMITTEE



July 1, 2002



**FACILITIES PLANNING AND  
CONSTRUCTION COMMITTEE  
THE UNIVERSITY OF TEXAS SYSTEM  
BOARD OF REGENTS  
AGENDA**

July 1, 2002  
2:15 p.m. – 4:00 p.m.  
Board Room, 9th Floor, Ashbel Smith Hall  
Austin, Texas

- |           |    |  |                          |
|-----------|----|--|--------------------------|
| 2:15 p.m. | 1. | <b>Welcome and Opening Remarks</b>   | <i>Chairman Clements</i> |
| 2:18 p.m. | 2. | <b>Facilities Renewal Model</b><br>[Information only] (Item 2)   | <i>Sid Sanders</i>       |
| 2:45 p.m. | 3. | <b>Design Development Approvals and Presentations</b> [All Action Items](Item 3) <ul style="list-style-type: none"><li>a. U. T. Arlington: Fine Arts Annex</li><li>b. U. T. El Paso: Academic Services Building</li><li>c. U. T. El Paso: Biosciences Facility</li><li>d. U. T. Pan American: Education Complex Addition and Renovation</li><li>e. U. T. M. D. Anderson Cancer Center: HMB Replacement Facility</li><li>f. U. T. Health Center – Tyler: Biomedical Research Wing Addition</li></ul>  | <i>Sid Sanders</i>       |
| 3:25 p.m. | 4. | <b>Architecturally Significant Projects</b> (Item 4) <ul style="list-style-type: none"><li>a. Architect Selection [Action Item]<ul style="list-style-type: none"><li>1) U. T. Health Science Center – Houston: Research Expansion Project (Institute of Molecular Medicine)</li></ul></li><li>b. To Be Considered as Architecturally Significant<ul style="list-style-type: none"><li>1) U. T. San Antonio: University Center Expansion Phase III</li><li>2) U. T. Health Science Center – Houston: Expansion of Student Housing</li></ul></li></ul> | <i>Sid Sanders</i>       |

3:35 p.m.

5. **Miscellaneous Action and Informational Items** (Item 5)

Sid Sanders

- a. U. T. System: Ashbel Smith/Colorado Building Fire Protection Systems – Add to Capital Improvement Program [Action Item]
- b. U. T. System: Institutionally Managed Project Approval Clarification [Action Item]
- c. U. T. Arlington: Continuing Education and Workforce Development Center – Increase Total Project Cost [Action Item]
- d. U. T. Arlington: Science Building - Increase Total Project Cost and Non-honorific Name Change [Action Item]
- e. U. T. Austin: Biological Science – Wet Lab Building – Increase Total Project Cost [Action Item]
- f. U. T. Pan American: Campus Entrance/Visitors' Center: Change Funding [Action Item]
- g. U. T. Pan American: Administrative Offices Renovation - Change Funding [Action Item]
- h. U. T. San Antonio: Biotechnology, Sciences and Engineering Building – Design review of south elevation [Information item]
- i. U. T. San Antonio: University Center Expansion Phase III – Add to Capital Improvement Program [Information item]
- j. U. T. San Antonio: Student Housing Expansion – Phase I – Increase Total Project Cost [Action item]
- k. U. T. Tyler: Student Health and Kinesiology: Honorific Naming [Action Item]

- l. U. T. Southwestern Medical Center –  
Dallas: Southwestern Medical Park  
Apartments – Combine projects  
[Action Item]
- m. U. T. Health Science Center –  
Houston: Indoor Air Quality at the  
Medical School – Change Funding  
[Action Item]
- n. U. T. Health Science Center –  
Houston: Mental Sciences Institute –  
Replacement Facility, Phase I –  
Increase Total Project Cost [Action  
Item]
- o. U. T. Health Science Center –  
San Antonio: Redesignation of  
Program Names for RAHC's  
*[Information item]*

3:55 p.m. 6. **Design and Construction Update** (Item 6)

7. **HUB Report** (Item 7)

4:00 p.m. 8. **Adjourn**

*Chairman Clements*

# **The University of Texas System Facilities Renewal Model**

## **I. Purpose of the Study**

This report is the culmination of a System-wide project to estimate and document backlog of capital renewal needs and to project future facility renewal requirements for each campus. At the request of the Chancellor, the Office of Facilities Planning and Construction initiated this study in 2000. The System includes almost 58 million gross square feet of space in some 1400 buildings with a current replacement value for buildings alone of almost \$12.5 billion. With an investment of such magnitude it is essential to understand the capital renewal needs, both current backlog needs as determined by the existing conditions of this facility inventory and predictable future needs as the inventory continues to age.

In order to accomplish this study an advisory committee that included the Physical Plant Directors/Vice Presidents of three academic and three health institutions was assembled. The advisory committee, working with OFPC, developed the objectives for this project, designed the Request for Qualifications, selected the software contractor for the project and provided on-going oversight during the study.

In October 2001 Pacific Partners Consulting Group was selected to prepare a statistically valid, predictive, model for facility renewal. The model establishes lifecycles for the major building systems and estimated costs to renew those systems as well as forecasting future renewal requirements. Working with the advisory committee, Pacific Partners customized the model assumptions and output reports for the specific circumstances of The University of Texas System campuses. With these customized assumptions, a detailed study of the facilities for each campus was conducted on a building-by-building and subsystem-by-subsystem basis.

From January 2002 through April 2002 OFPC and Pacific Partners worked extensively with the facility management staff of each campus beginning with substantial training on data collection needed for the model. The campus staff then worked with Pacific Partners to input all pertinent facility data including, building name, building size, building type, occupancy date, subsystem types within the building, history of capital renewal within each building, etc. Pacific Partners then ran the model and provided the campus with initial reports of predicted renewal needs. The campus staff used these initial results to do more detailed, targeted evaluations of the conditions of those facility subsystems identified by the model. The results of the detailed evaluations were then fed back into the model, in many cases extending the life of a subsystem that the model had predicted should be requiring renewal. This process was repeated multiple times for each campus in an attempt to obtain the most refined information.

## **II. Goals of the Study**

- Develop a credible model to predict annual financial requirements for facilities renewal and document the existing backlog of renewal requirements in a consistent way for all campuses.
- Provide a basis for a financial plan that will address renewal needs as well as current backlog needs.
- Deliver a model to each campus with associated staff training so that facility renewal needs can be updated annually and progress in meeting those needs can be measured.
- Provide a planning tool for campus use which provides a useful life "systems" profile of each building, as a way of predicting future funding needs and assist in project planning and packaging in order to maximize financial resources.
- Provide an assessment tool with clear, common definitions of terms for institutions to manage facility fiscal needs, allow management oversight, the ability to benchmark facility conditions over time and benchmark UT System with its peer institutions.

## **III. Essential Concepts of the Study**

- All building subsystems within a building type have predictable lifecycles beyond which capital renewal will be required.
- By tailoring the model assumptions to type and quality of construction that has been installed it is possible to predict current (backlog) and future capital renewal needs for a given inventory of facilities.
- A building subsystem is included in the backlog if it meets any of the following conditions: (1) The subsystem has already failed. (2) The subsystem is past its useful life and is functioning, but with substantial degradation of efficiency or performing at substantial increased maintenance cost. (3) The subsystem is past its useful life and is continuing to perform, but has a substantial risk of near-term failure.
- A predictive model based on building type and subsystem lifecycle allows facility management staff to better plan and optimize the allocation of available resources.

## **IV. Results of the Study**

Each campus will receive a status report profiling the facility condition of that campus. This report will identify the capital renewal needs for the campus that are currently in backlog. It will also give the average annual renewal needs as well as actual renewal curve. Each campus will be responsible for updating the model annually. The update will consist of noting changes in the physical plant and infrastructure that have occurred during the prior twelve months including renovations, additions, new construction, minor capital projects and 'special repair' projects. Experience has shown this process to take just a few days.

Included with the report is a licensed copy of this model and guidelines for maintaining the database and generating future reports. A System-wide, consolidated report and model have also been developed.

## **V. Conclusions**

- System-wide we currently have a total backlog of \$800 million; however, for a System of our size it is not unreasonable. Our facility conditions are apparently better than the University of California and Oregon University, two other systems for which we have indices.
- Component facility conditions are closely correlated to age of inventory.
- Health components, on average, are in better condition due to regulatory requirements, programmatic changes, and available revenue streams, and lower average age.
- To maintain current facility condition on average, we need to invest \$80 million annually for Academic E&G facilities and \$110 million annually for Health facilities.
- We are entering a window of increasing capital renewal needs for the next 10 years that includes an anticipated \$900 million in the next 5 years.

## **VI. Recommendations**

- Each component develops a prioritized plan on how to approach its renewal needs.
- Such a plan may include phasing facilities out of service.
- Such a plan may recommend new construction over renewal due to institutional mission, i.e., research, science, technology, and educational need change dramatically over 30 to 40 years.
- Presentation to the Texas Higher Education Coordinating Board as a preferred model for documentation and reporting of capital renewal needs.

**U. T. SYSTEM BOARD OF REGENTS  
FACILITIES PLANNING AND CONSTRUCTION COMMITTEE**

**PRESENTATIONS AND AGENDA ITEMS  
For Meeting July, 2002**

All are Action Items

<b>Component</b>	<b>Project</b>	<b>Action</b>
3a U. T. Arlington	Fine Arts Annex	<ol style="list-style-type: none"> <li>1. Approve Design Development plans</li> <li>2. Approve TPC of \$5,000,000</li> <li>3. Approve appropriation and expenditure of funds (\$5,000,000 from Revenue Financing System Bond Proceeds)</li> </ol>
3b U. T. El Paso	Academic Services Building	<ol style="list-style-type: none"> <li>1. Approve Design Development plans</li> <li>2. Approve TPC of \$10,000,000</li> <li>3. Approve appropriation and expenditure of funds (\$10,000,000 from Permanent University Fund Bond Proceeds)</li> </ol>
3c U. T. El Paso	Biosciences Facility	<ol style="list-style-type: none"> <li>1. Approve Design Development plans</li> <li>2. Approve TPC of \$25,000,000</li> <li>3. Approve appropriation and expenditure of funds (\$12,750,000 from Tuition Revenue Bond Proceeds, \$5,750,000 from Revenue Financing System Bond Proceeds and \$6,500,000 from Permanent University Fund Bond Proceeds)</li> </ol>
3d U. T. Pan American	Education Complex Addition and Renovation	<ol style="list-style-type: none"> <li>1. Approve Design Development plans</li> <li>2. Approve TPC of \$22,000,000</li> <li>3. Approve appropriation and expenditure of funds (\$22,000,000 from Tuition Revenue Bond Proceeds)</li> </ol>



3e	U. T. M. D. Anderson Cancer Center	HMB Replacement Facility	<ol style="list-style-type: none"> <li>1. Approve Design Development plans</li> <li>2. Approve TPC of \$110,400,000</li> <li>3. Approve appropriation and expenditure of funds (\$85,000,000 from Revenue Financing System Bond Proceeds and \$25,400,000 from Hospital Revenues)</li> </ol>
3f	U. T. Health Center Tyler	Biomedical Research Wing Addition	<ol style="list-style-type: none"> <li>1. Approve Design Development plans</li> <li>2. Approve TPC of \$11,513,000</li> <li>3. Approve appropriation and expenditure of funds (\$11,513,000 from Tuition Revenue Bond Proceeds)</li> </ol>

**U. T. SYSTEM BOARD OF REGENTS  
FACILITIES PLANNING AND CONSTRUCTION COMMITTEE**

**Review of**

**ARCHITECTURALLY SIGNIFICANT PROJECTS  
(Projects of Special Interest)**

**For Meeting July 1, 2002**

4a. Architectural Selection

<b>Component/Project</b>	<b>Date Designated</b>	<b>Anticipated FPCC Selection</b>
<b>U. T. Austin</b> Jack S. Blanton Museum of Art	January 2000	October 2000
<b>U. T. Austin</b> Biological Science - Wet Lab Building	January 2000	October 2000
<b>U. T. San Antonio</b> Engineering/Biotechnology Building – Phase III	April 2000	January 2001
<b>U. T. M. B. Galveston</b> University Plaza Development	October 2001	April 2002
<b>U. T. HSC Houston</b> Research Expansion Project (Institute of Molecular Medicine)	January 2002	<b>July 1, 2002</b>
<b>U. T. HSC San Antonio</b> Hidalgo County Medical Research Division of the RAHC	April 2000	January 2001
<b>U. T. HSC San Antonio</b> Sam and Ann Barshop Center for Longevity and Aging Studies	April 2001	October 2001
<b>U. T. M. D. Anderson Cancer Center</b> Ambulatory Clinical Building	April 2000	October 2000

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**U. T. SYSTEM BOARD OF REGENTS  
FACILITIES PLANNING AND CONSTRUCTION COMMITTEE**

**A/E SELECTION LIST**

**For Meeting July 1, 2002**

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Repair & Rehabilitation – “R&R”  
Competitive Sealed Proposal – “CSP”  
Design-Build – “D-B”

New Construction – “New”  
Construction Management at Risk – “CMR”  
Construction Managed by Institution – “Inst. Mgmt.”

Item 4b. To be Considered as Architecturally Significant

<b>Component/Project</b>	<b>Project Cost</b>	<b>Project Type</b>	<b>Anticipated Delivery Method</b>
<b>U. T. San Antonio</b> University Center Expansion Phase III	\$2,000,000	New CIP	CSP
<b>U. T. Health Science Center - Houston</b> Expansion of Student Housing	\$7,000,000	New	CMR

**U. T. SYSTEM BOARD OF REGENTS  
FACILITIES PLANNING AND CONSTRUCTION COMMITTEE**

**MISCELLANEOUS ACTION AND AGENDA ITEMS  
For Meeting July, 2002**

**All are Action Items unless noted otherwise**

<b>Component</b>	<b>Project</b>	<b>Action</b>
5a U. T. System	Ashbel Smith/Colorado Building Fire Protection Systems	1. Approve amending the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to include this project at a preliminary project cost of \$3,180,000 with funding of \$1,892,000 from Available University Funds and \$1,288,000 from Permanent University Fund Bond Proceeds
5b U. T. System	Capital Improvement Program	1. Approve amending the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to clarify the delegation of actions and approvals associated with designation of authorization for Institutional Management of projects within the Capital Improvement Program
5c U. T. Arlington	Continuing Education and Workforce Development Center	1. Approve increase in TPC from \$8,584,000 to \$9,784,000 2. Approve appropriation and expenditure of additional funds (\$1,200,000 from Revenue Financing System Bond Proceeds)
5d U. T. Arlington	Science Building	1. Approve increase in PPC from \$29,635,945 to \$34,635,945 (\$5,000,000 from Revenue Financing System Bond Proceeds) 2. Approve the re-designation to the "Chemistry and Physics Building"
5e U. T. Austin	Biological Science – Wet Lab Building	1. Approve increase in TPC from \$52,000,000 to \$60,000,000 2. Approve appropriation and expenditure of additional funds (\$8,000,000 from Designated Tuition)

5f U. T. Pan American	Campus Entrance / Visitors' Center	<ol style="list-style-type: none"> <li>1. Approve funding change (from \$3,325,000 in Tuition Revenue Bond Proceeds to \$2,107,000 in Tuition Revenue Bond Proceeds and \$1,218,000 in Higher Education Funds)</li> <li>2. Approve appropriation and expenditure of funds (\$2,107,000 in Tuition Revenue Bond Proceeds and \$1,218,000 in Higher Education Funds)</li> </ol>
5g U. T. Pan American	Administrative Offices Renovation	<ol style="list-style-type: none"> <li>1. Approve funding change (for a TPC of \$5,037,000) from \$2,262,000 in Unexpended Plant Funds, \$2,500,000 in Higher Education Funds and \$275,000 in Tuition Revenue Bond Proceeds to \$2,262,000 in Unexpended Plant Funds, \$1,493,000 in Tuition Revenue Bond Proceeds and \$1,282,000 in Higher Education Funds</li> <li>2. Approve a reduction in appropriation of \$1,218,000 from Higher Education Funds</li> <li>3. Approve additional appropriation and expenditure of funds of \$1,218,000 from Tuition Revenue Bond Proceeds</li> </ol>
5h U. T. San Antonio	Biotechnology, Sciences and Engineering Building	Informational item: Design review of south elevation
5i U. T. San Antonio	University Center Expansion Phase III	Informational item: Action item from Academic Affairs Committee to approve amending the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget to include this project at a preliminary project cost of \$20,000,000 with funding from Revenue Financing System Bond Proceeds
5j U. T. San Antonio	Student Housing Expansion Phase I	<ol style="list-style-type: none"> <li>1. Approve increase in TPC from \$16,200,000 to \$19,000,000</li> <li>2. Approve appropriation and expenditure of funds (\$2,800,000 from Revenue Financing System Bond Proceeds)</li> </ol>

5k	U. T. Tyler	Student Health and Kinesiology	1. Authorize the honorific naming of "Patriot Center"
5l	U. T. Southwestern Medical Center – Dallas	Southwestern Medical Park Apartments	<ol style="list-style-type: none"> <li>1. Approve combining this project with the "Student Housing" project from the FY 2000-2005 Capital Improvement Program</li> <li>2. Approve the revised TPC of \$19,250,000</li> <li>3. Approve appropriation and expenditure of additional funds (\$8,750,000 from Revenue Financing System Bond Proceeds)</li> <li>4. Approve designation of the combined project as "Southwestern Medical Park Apartments"</li> </ol>
5m	U. T. HSC - Houston	Indoor Air Quality at the Medical School	<ol style="list-style-type: none"> <li>1. Approve funding change (from \$12,600,000 in Permanent University Fund Bond Proceeds and \$3,600,000 from Hospital Revenues to \$13,301,541 in Permanent University Fund Bond Proceeds, and \$2,898,453 from Hospital Revenues)</li> <li>2. Approve additional appropriation and expenditure of funds (\$701,541 from Permanent University Fund Bond Proceeds)</li> <li>3. Approve a reduction in appropriation of \$701,541 from Hospital Revenues</li> <li>4. Approve a reduction in appropriation of \$701,541 from Permanent University Fund Bond Proceeds from the Medical School Building/ Cladding Repairs project</li> </ol>
5n	U. T. HSC - Houston	Mental Sciences Institute – Replacement Facility, Phase I	<ol style="list-style-type: none"> <li>1. Approve increase in TPC from \$16,500,000 to \$22,500,000</li> <li>2. Approve appropriation and expenditure of funds</li> </ol>
5o	U. T. HSC – San Antonio	Harlingen Medical Education Division of the RAHC and Hidalgo County Medical Research Division of the RAHC	Informational item: Action item from Health Affairs Approve re-designation of facility names

# THE UNIVERSITY OF TEXAS SYSTEM

## BOARD OF REGENTS FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

### *Academic Component Institutions*

*The University of Texas at Arlington  
The University of Texas at Austin  
The University of Texas at Brownsville  
The University of Texas at Dallas  
The University of Texas at El Paso  
The University of Texas - Pan American  
The University of Texas of the Permian Basin  
The University of Texas at San Antonio  
Institute of Texas Cultures  
The University of Texas at Tyler*



### *Health Component Institutions*

*The University of Texas Southwestern Medical Center at Dallas  
The University of Texas Medical Branch at Galveston  
The University of Texas Health Science Center at Houston  
The University of Texas Health Science Center at San Antonio  
The University of Texas M.D. Anderson Cancer Center  
The University of Texas Health Center at Tyler*

**OFFICE OF FACILITIES PLANNING AND CONSTRUCTION**

**DESIGN AND CONSTRUCTION UPDATE**

## OFPC - Active Projects

May 15, 2002

<b>87 Total Active Projects</b>	<b>\$</b>	<b>2,634,829,634</b>
36 Competitive Sealed Proposals	\$	413,204,595
29 Construction Manager at Risk	\$	1,359,462,950
21 Design-Build	\$	855,390,089
1 Performance Contract	\$	6,772,000
<b>44 In Design</b>	<b>\$</b>	<b>1,025,030,345</b>
24 Competitive Sealed Proposals	\$	286,275,595
16 Construction Manager at Risk	\$	538,222,750
4 Design-Build	\$	200,532,000
<b>31 Under Construction</b>	<b>\$</b>	<b>1,399,409,200</b>
11 Competitive Sealed Proposals	\$	121,929,000
10 Construction Manager at Risk	\$	733,410,200
10 Design-Build	\$	544,070,000
<b>12 Substantially Complete</b>	<b>\$</b>	<b>210,390,089</b>
1 Competitive Sealed Proposals	\$	5,000,000
3 Construction Manager at Risk	\$	87,830,000
7 Design-Build	\$	110,788,089
1 Performance Contract	\$	6,772,000

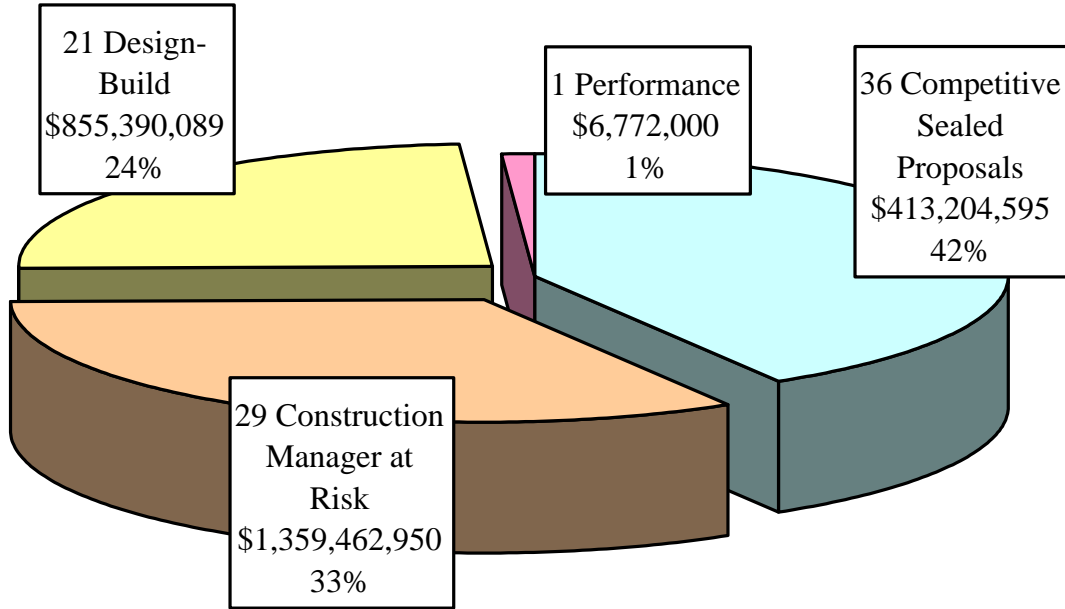


# OFPC - Active Projects

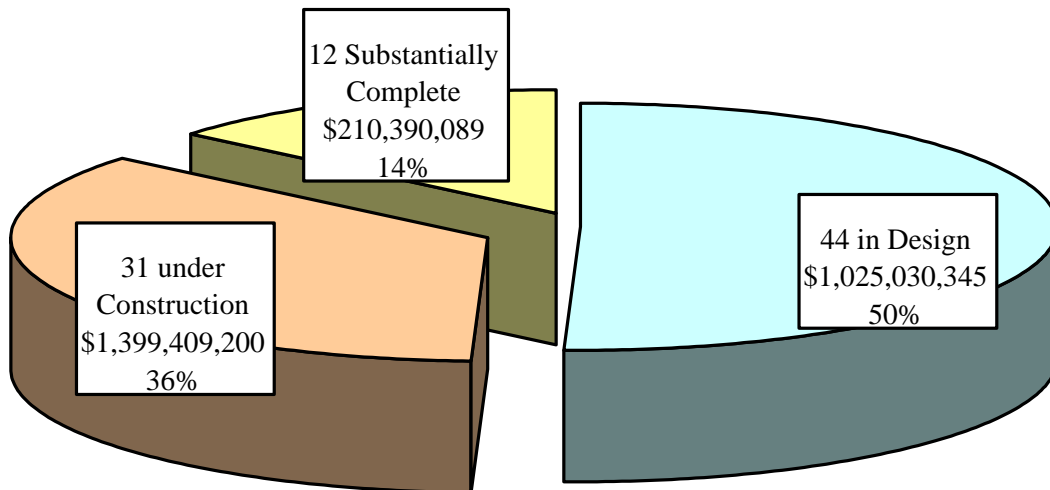
May 15, 2002

(Percentages are Based on NUMBER of Projects)

## By Delivery Method



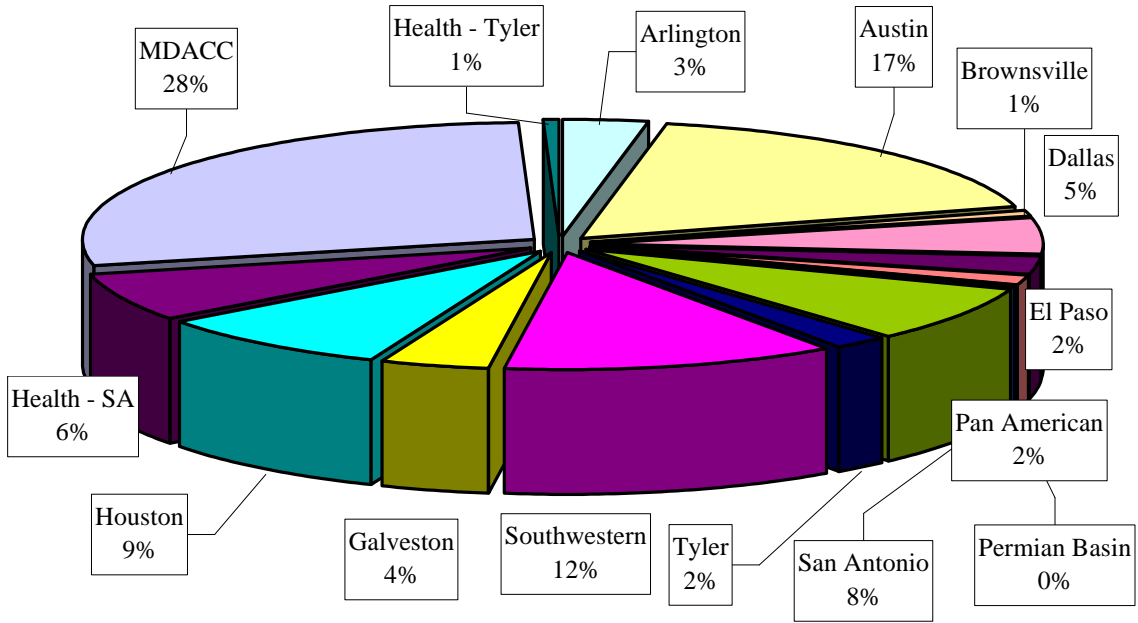
## By Project Status



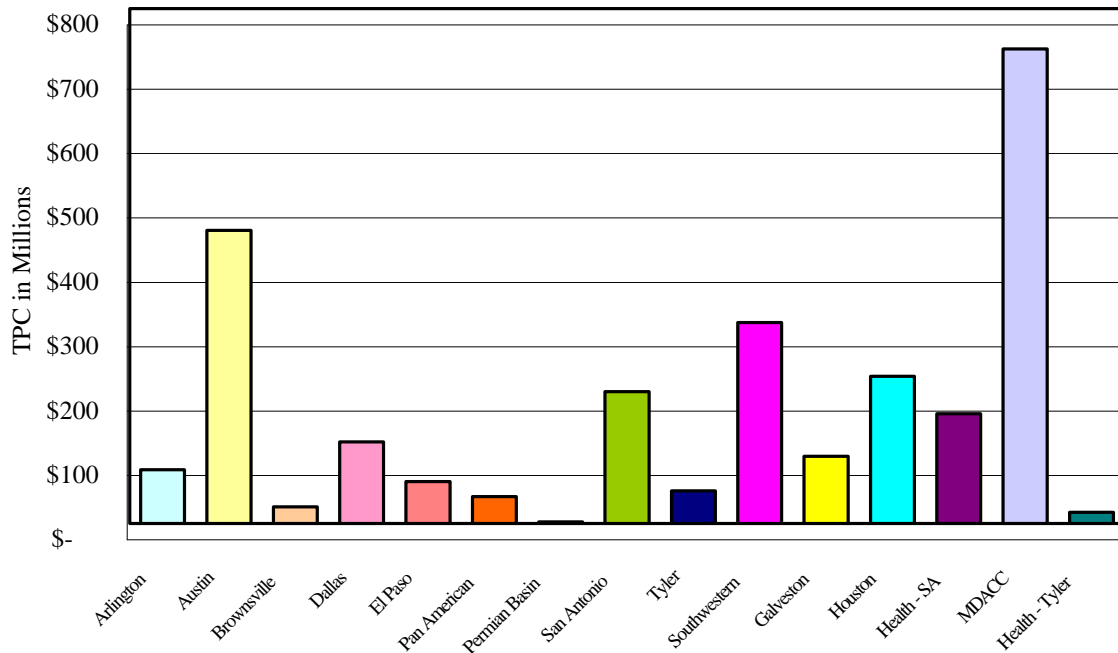
# OFPC - Active Projects

May 15, 2002

## By Institution



(Percentages are Based on DOLLAR Volume of Projects)



# OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

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## The University of Texas at Arlington

Total Project  
Cost

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Project Status and Title

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### IN DESIGN

Fine Arts Annex	\$5,000,000
Continuing Education and Workforce Development Center	\$8,584,400
Science Building, Phase I	\$29,635,945

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**SUBTOTAL** **\$43,220,345**

### IN CONSTRUCTION

University Village West Apartments	\$17,608,000
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**SUBTOTAL** **\$17,608,000**

### SUBSTANTIALLY COMPLETE

Residence Hall	\$22,588,089
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**SUBTOTAL** **\$22,588,089**

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**TOTAL** **\$83,416,434**

# OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

## The University of Texas at Austin

Project Status and Title	Total Project Cost
<b>IN DESIGN</b>	
Pharmacy Building Renovation - Phase I	\$250,000
Library Storage Facility	\$4,800,000
Institute for Geophysics and Bureau of Economic Geology/Additions and Renovations	\$6,800,000
Gregory Gymnasium Aquatics	\$12,360,000
Old Student Health Center Renovation - Phase I	\$17,009,000
Benedict/Mezes/Batts Renovation - Phase I	\$32,000,000
Jack S. Blanton Museum of Art - Phase I	\$58,500,000
New Residence Hall and Food Service - Phase II	\$70,000,000
	<b>SUBTOTAL</b>
	<b>\$201,719,000</b>
<b>IN CONSTRUCTION</b>	
Indoor Practice Facility	\$4,000,000
Lee and Joe Jamail Texas Swimming Center Renovation - Phases I and II	\$5,300,000
McDonald Observatory Visitors' Center	\$5,750,000
Ransom Center Renovation	\$14,555,200
John A. and Katherine G. Jackson Geological Sciences Building	\$16,500,000
Biological Science - Wet Lab Building	\$52,000,000
Erwin Center Renovations/Fire and Life Safety/Basketball Practice Facility	\$52,500,000
	<b>SUBTOTAL</b>
	<b>\$150,605,200</b>
<b>SUBSTANTIALLY COMPLETE</b>	
Parking Garage South	\$22,500,000
Parking Garage 6 and North Office Building A	\$29,260,000
Sarah M & Charles E Seay Building	\$51,170,000
	<b>SUBTOTAL</b>
	<b>\$102,930,000</b>
	<b>TOTAL</b>
	<b>\$455,254,200</b>

# OFPC - Active Projects

*Board of Regents - Facilities Planning & Construction Committee*

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## The University of Texas at Brownsville

Total Project  
Cost

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Project Status and Title

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**IN DESIGN**

Education and Business Complex

\$26,010,000

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**SUBTOTAL**

**\$26,010,000**

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**TOTAL**

**\$26,010,000**

# OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

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## The University of Texas at Dallas

Total Project  
Cost

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Project Status and Title

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### IN DESIGN

Founders/Founders Annex/Berkner Renovation

\$36,993,750

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**SUBTOTAL**

**\$36,993,750**

### IN CONSTRUCTION

McDermott Library Renovations - Phase II

\$3,000,000

Callier Center Satelite Facility

\$4,823,000

Engineering and Computer Science Complex

\$30,000,000

School of Management Building

\$38,000,000

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**SUBTOTAL**

**\$75,823,000**

### SUBSTANTIALLY COMPLETE

Campus Housing Phase VIII

\$14,000,000

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**SUBTOTAL**

**\$14,000,000**

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**TOTAL \$126,816,750**

# OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

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## The University of Texas at El Paso

Total Project  
Cost

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Project Status and Title

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### IN DESIGN

Engineering/Science Complex

\$6,000,000

Academic Services Building

\$10,000,000

Biosciences Facility - Phase I

\$25,000,000

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**SUBTOTAL**

**\$41,000,000**

### IN CONSTRUCTION

Larry K. Durham Sports Center

\$8,987,000

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**SUBTOTAL**

**\$8,987,000**

### SUBSTANTIALLY COMPLETE

Miner Village

\$15,000,000

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**SUBTOTAL**

**\$15,000,000**

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**TOTAL**

**\$64,987,000**

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# OFPC - Active Projects

*Board of Regents - Facilities Planning & Construction Committee*

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## The University of Texas at Pan American

Total Project  
Cost

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Project Status and Title

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### IN DESIGN

Education Complex Addition and Renovation

\$24,350,000

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**SUBTOTAL**

**\$24,350,000**

### SUBSTANTIALLY COMPLETE

General Classroom & Computer Center Building

\$17,200,000

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**SUBTOTAL**

**\$17,200,000**

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**TOTAL**

**\$41,550,000**



# OFPC - Active Projects

*Board of Regents - Facilities Planning & Construction Committee*

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## The University of Texas of the Permian Basin

Total Project  
Cost

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Project Status and Title

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### IN CONSTRUCTION

The Presidential Museum

\$2,525,000

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**SUBTOTAL**

**\$2,525,000**

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**TOTAL**

**\$2,525,000**

# OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

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## The University of Texas at San Antonio

Total Project  
Cost

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Project Status and Title

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### IN DESIGN

Student Housing Expansion	\$16,200,000
Academic Building - Phase III	\$52,332,000
Biotechnology, Sciences and Engineering Building	\$64,700,000

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**SUBTOTAL \$133,232,000**

### IN CONSTRUCTION

Recreation/Wellness Center	\$19,325,000
Downtown Campus Building - Phase III	\$43,400,000

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**SUBTOTAL \$62,725,000**

### SUBSTANTIALLY COMPLETE

1604 Campus Utility & Energy Infrastructure Upgrade	\$9,000,000
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**SUBTOTAL \$9,000,000**

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**TOTAL \$204,957,000**

# OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

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## The University of Texas at Tyler

Total Project  
Cost

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Project Status and Title

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### IN DESIGN

Student Resident Home	\$1,400,000
Nursing Building	\$7,300,000
Engineering, Sciences, and Technology Building -Phase I.	\$22,910,000

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<b>SUBTOTAL</b>	<b>\$31,610,000</b>
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### IN CONSTRUCTION

Student Health and Kinesiology Building	\$19,300,000
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<b>SUBTOTAL</b>	<b>\$19,300,000</b>
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<b>TOTAL</b>	<b>\$50,910,000</b>
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# OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

<b>The University of Texas Southwestern Medical Center at Dallas</b>	Total Project Cost
Project Status and Title	
<b>IN DESIGN</b>	
Day Care Center	\$1,900,000
Central Pathology Lab	\$4,000,000
Advanced Imaging Research and Diagnostic Center	\$30,000,000
	<b>SUBTOTAL \$35,900,000</b>
<b>IN CONSTRUCTION</b>	
The Bryan Williams, M.D. Student Center	\$10,920,000
North Campus Phase 4	\$255,000,000
	<b>SUBTOTAL \$265,920,000</b>
<b>SUBSTANTIALLY COMPLETE</b>	
Student Housing Project	\$10,500,000
	<b>SUBTOTAL \$10,500,000</b>
	<b>TOTAL \$312,320,000</b>

# OFPC - Active Projects

*Board of Regents - Facilities Planning & Construction Committee*

---

## The University of Texas Medical Branch at Galveston

Total Project  
Cost

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Project Status and Title

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### IN DESIGN

University Plaza Development

\$25,000,000

Research Facilities Expansion

\$48,000,000

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**SUBTOTAL**

**\$73,000,000**

### IN CONSTRUCTION

Utility Systems Upgrade

\$12,700,000

BSL - 4 Laboratory Facility & Keiller Building Research Support

\$18,500,000

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**SUBTOTAL**

**\$31,200,000**

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**TOTAL    \$104,200,000**

# OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

<b>The University of Texas Health Science Center at Houston</b>	Total Project Cost
Project Status and Title	
<b>IN DESIGN</b>	
Mental Sciences Institute - Replacement Facility, Phase I	\$16,500,000
Research Expansion Project	\$120,000,000
	<b>SUBTOTAL \$136,500,000</b>
<b>IN CONSTRUCTION</b>	
Indoor Air Quality at the Medical School	\$16,200,000
Nursing & Biomedical Sciences Building / School of Nursing and Student Community Center	\$63,700,000
	<b>SUBTOTAL \$79,900,000</b>
<b>SUBSTANTIALLY COMPLETE</b>	
Brownsville Public Health Division of the RAHC	\$5,000,000
Medical School Building Limestone Cladding Repairs	\$7,400,000
	<b>SUBTOTAL \$12,400,000</b>
	<b>TOTAL \$228,800,000</b>

# OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

<b>The University of Texas Health Science Center at San Antonio</b>	Total Project Cost
Project Status and Title	
<b>IN DESIGN</b>	
Emergency, Fire & Life Safety Initiative, Phase I	\$9,000,000
Teaching/Learning Lab - Laredo	\$12,700,000
Student Services/Academic Administration Building	\$17,900,000
Medical Research Division of the of the Regional Academic Health Center	\$20,000,000
Sam and Ann Barshop Center for Longevity and Aging Studies	\$22,000,000
	<b>SUBTOTAL \$81,600,000</b>
<b>IN CONSTRUCTION</b>	
D.D. Hachar Building (Laredo Campus Extension)	\$7,800,000
Harlingen Medical Education Division of the RAHC	\$25,000,000
Childrens Cancer Research Center	\$49,500,000
	<b>SUBTOTAL \$82,300,000</b>
<b>SUBSTANTIALLY COMPLETE</b>	
Central Energy Plant & Conservation Retrofits	\$6,772,000
	<b>SUBTOTAL \$6,772,000</b>
	<b>TOTAL \$170,672,000</b>

# OFPC - Active Projects

*Board of Regents - Facilities Planning & Construction Committee*

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## The University of Texas M.D. Anderson Cancer Center

Total Project  
Cost

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Project Status and Title

### IN DESIGN

HMB Parking Replacement Garage

\$21,600,000

HMB Replacement Facility

\$110,400,000

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**SUBTOTAL**

**\$132,000,000**

### IN CONSTRUCTION

South Campus Clinical Research Facility

\$36,500,000

George and Cynthia Mitchell Basic Sciences Research Building

\$221,900,000

Ambulatory Clinical Building

\$347,000,000

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**SUBTOTAL**

**\$605,400,000**

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**TOTAL \$737,400,000**



# OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

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## The University of Texas Health Center at Tyler

Total Project  
Cost

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Project Status and Title

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### IN DESIGN

Completion Third Floor Shell Space in the Ambulatory Care Center \$3,627,000

Biomedical Research Wing Addition \$11,513,250

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**SUBTOTAL \$15,140,250**

### IN CONSTRUCTION

Electrical Distribution System Upgrade Phase III \$2,370,000

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**SUBTOTAL \$2,370,000**

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**TOTAL \$17,510,250**

## Office of Facilities Planning and Construction HUB Participation

Fiscal Year 2002  
Reporting Period: Sep 1, 2001 - May 31, 2002

Total OFPC Expenditures	Certified HUBS	Graduated HUBS	Non-Certified HUBS (4)	Adjusted HUBS (1)	HUB Non-Availability (2)	Non-HUB Companies
<b>Building Construction</b> \$175,950,790.64	\$12,312,747.30 7.00%	\$2,071,989.29 1.18%	\$23,357,615.79 13.28%	\$37,742,352.38 21.45%	\$2,475,021.00 1.41%	\$135,733,417.26 77.14%
<b>Other Facilities (3)</b> \$15,116,313.70	\$1,599,998.67 10.58%	\$396,973.00 2.63%	\$4,887,948.30 32.34%	\$6,884,919.97 45.55%	\$0.00 0.00%	\$8,231,393.73 54.45%
<b>Commodities</b> \$1,327,361.58	\$319,637.06 24.08%	\$0.00 0.00%	\$12,431.35 0.94%	\$332,068.41 25.02%	\$0.00 0.00%	\$995,293.17 74.98%
<b>Other Services</b> \$10,584,524.48	\$1,197,678.48 11.32%	\$148,944.44 1.41%	\$349,487.51 3.30%	\$1,696,110.43 16.02%	\$151,776.88 1.43%	\$8,736,637.17 82.54%
<b>Professional Services</b> \$23,945,009.68	\$2,164,462.01 9.04%	\$116,703.78 0.49%	\$29,900.04 0.12%	\$2,311,065.83 9.65%	\$235,247.00 0.98%	\$21,398,696.85 89.37%
<b>Grand Totals:</b> \$226,924,000.08	\$17,594,523.52 7.75%	\$2,734,610.51 1.21%	\$28,637,382.99 12.62%	\$48,966,517.02 21.58%	\$2,862,044.88 1.26%	\$197,895,541.32 87.21%

1. Adjusted HUB Expenditures represents total minority participation (Certified, Graduated, and Non-Certified HUB Expenditures.)

2. HUB Non-Availability Expenditures represent payments made on contracts where HUBS were not available.

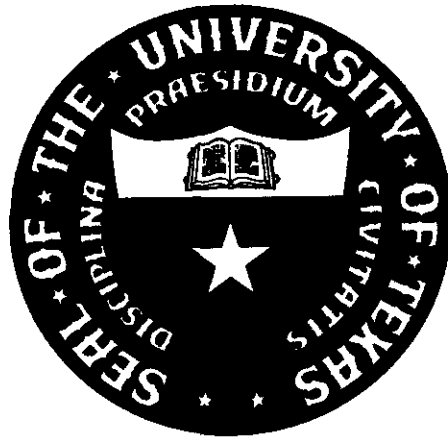
3. New State Comptroller Object Code (includes sports facilities and parking garages)

4. This number includes \$8M paid to Garza/Bomberger Architects on Design/Build Projects in San Antonio. This firm requested removal from the Texas Building and Procurement Certification List. Their HUB Subcontracting Plan originally reflected 100% HUB Participation and has now moved to Non-Certified HUB Status.

**THE UNIVERSITY OF TEXAS SYSTEM**

**BOARD OF REGENTS**

**HEALTH AFFAIRS COMMITTEE MEETING**



**July 2, 2002**



**HEALTH AFFAIRS COMMITTEE  
THE UNIVERSITY OF TEXAS SYSTEM  
BOARD OF REGENTS  
AGENDA**

July 2, 2002  
8:00 a.m. – 10:30 a.m.  
Board Room, 9<sup>th</sup> Floor, Ashbel Smith Hall  
Austin, Texas

- |           |   |   |
|-----------|---|---|
| 8:00 a.m. | 1. <b>Welcome and Opening Remarks</b>   | <i>Chair Patrick Oxford</i>   |
| 8:05 a.m. | 2. <b>Contracts with consultants regarding compliance with the Security and Privacy Provisions of the Health Insurance Portability and Accountability Act (HIPAA) and SB11</b>  | <i>Ms. Amy Shaw Thomas<br/>Ms. Florence Mayne<br/>Mr. Bob Presley</i>             |
| 8:15 a.m. | 3. <b>Update on Telemedicine</b><br>a. Collaboration with Mexico and Mexican Medical Schools in Telemedicine<br>b. U. T. System-wide plan to deliver health service to the underserved via telemedicine and telemedicine in Homeland Defense. | <i>Dr. Guckian<br/>Dr. John Stobo<br/><br/>Dr. Ben Raimer<br/>Mr. Larry Jones</i> |
| 8:45 a.m. | 4. <b>Proposed Cessation of Operation of Texas Universities Health Plan (Health Maintenance Organization)[Action Item] (Tab 4)</b>  | <i>Dr. Guckian<br/>Mr. Tom Wise<br/>Ms. Patsy Nichols</i>                         |
| 8:50 a.m. | 5. <b>Update on planning for and funding of repair, renovation, and remediation of storm damage to U. T. Health Science Center – Houston</b>  | <i>Dr. James Willerson<br/>Mr. Sid Sanders</i>                                    |
| 9:00 a.m. | 6. <b>Request to increase project cost of Mental Sciences Institute-Replacement Facility, Phase I: U. T. Health Science Center – Houston (Tab 6)</b>  | <i>Dr. Willerson<br/>Mr. Sanders</i>  |
| 9:05 a.m. | 7. <b>Request to transfer PUF resources allocated for Medical School Building/Limestone Cladding Repairs to Indoor Air Quality at the Medical School Building project: U. T. Health Science Center – Houston (Tab 7)</b>                      | <i>Dr. Willerson<br/>Mr. Sanders</i>  |
| 9:10 a.m. | 8. <b>Purchase of building and adjacent land: U. T. Southwestern Medical Center – Dallas (Tab 8)</b>  | <i>Dr. Kern Wildenthal<br/>Mr. Jim Wilson</i>                                     |
| 9:15 a.m. | 9. <b>Request to combine Student Housing Phase 1 project with Student Housing Phase 2 project: U. T. Southwestern Medical Center – Dallas (Tab 9)</b>   | <i>Dr. Wildenthal<br/>Mr. Sanders</i>   |

- 9:20 a.m. 10. **Request to approve plans for HMB Replacement Facility in FY2002-2007 Capital Improvement Program and FY2002 Capital Budget: U. T. M. D. Anderson Cancer Center (Tab 10)** *Dr. John Mendelsohn  
Mr. Sanders*
- 9:25 a.m. 11. **Request to approve plans for Biomedical Research Wing Addition project in FY2002-2007 Capital Improvement Program: U. T. Health Center – Tyler (Tab 11)** *Dr. Ronald Garvey  
Mr. Sanders*
- 9:30 a.m. 12. **Request for authority to enter into food services contract: U. T. Health Center – Tyler (Tab 12)** *Dr. Garvey*
- 9:35 a.m. 13. **Naming of Divisions of the Regional Academic Health Center [Action Item] (Tab 13)** *Dr. Francisco Cigarroa  
Dr. Willerson*
- 9:40 a.m. 14. **Medical Liability Benefit Plan Premiums [Action Item] (Tab 14)** *Mr. Cullen Godfrey*
- 9:50 a.m. 15. **Executive Session: Consultation with Attorney Regarding Pending and/or Contemplated Litigation or Settlement Offers – Texas Government Code Section 551.071**  
U. T. Medical Branch - Galveston: Proposed Settlement of Medical Liability Case *Mr. Godfrey  
Dr. Stobo  
Dr. Guckian*
- 10:00 a.m. 16. **Joint meeting with Academic Affairs Committee Report on Senate Bill 1840 Project to Conduct a Feasibility Study of the Operation of The University of Texas at San Antonio and The University of Texas Health Science Center-San Antonio as a Single Research University and Related Discussion (Tab 16)** *Dr. Carol Aschenbrener*
- 10:30 a.m. 17. **Adjourn** *Chair Oxford*

June 13, 2002

## Texas Universities Health Plan, Inc. (TUHP)

A brief history of TUHP and its proposal to sell some of its assets (HMO membership) and to cease operations appear below. The Board of Directors of TUHP proposes to execute an Asset Sale and Purchase Agreement, close the transaction on or before August 31, 2002, and obtain approval of the Texas Department of Health and Human Services to assign its contract for the State Children's Health Insurance Plan (SCHIP) on or before August 31, 2002.

Patsy Nichols of Fulbright and Jaworski has provided legal counsel to TUHP.

TUHP presently plans to become inactive and cease business operations but retain its assets and HMO certificate. This proposed transaction is submitted to the Health Affairs Committee on July 2, 2002, for approval.

### History

1. On August 8, 1996 the Executive Committee of the U.T. Board of Regents approved establishment of TUHP, Inc., a Texas nonprofit corporation, and authorized TUHP to apply for and hold the license for a Health Maintenance Organization (HMO) owned jointly by U.T. System and Texas Tech in accordance with the Bylaws developed by the Office of General Counsel. Additionally, the Board of Regents authorized transfer of funds not to exceed \$8 million from the Physician Practice Plans at each U.T. health component to TUHP. Approval of transfer of funds included the provision that upon dissolution of TUHP all remaining operational funds and reserves will be remitted back to the respective U.T. System health component practice plan as directed by the Office of Health Affairs.

The sole corporate member of TUHP is the U.T. System, and the duties of the member were delegated to the Executive Vice Chancellor for Health Affairs.

Operationally, reserves from the U.T. System Medical Professional Liability Plan were refunded to the practice plan of each health component on July 15, 1997, and that amount totaling \$3,060,418 in aggregate was transferred to TUHP. An additional \$850,000 in U.T. institutional funds (\$150,000 from five components and \$100,000 from U.T.H.C.-Tyler) was used to establish TUHP. The total contributed by U.T. System was \$3,910,418 and by Texas Tech was \$1,884,362.

Initial capitalization totaled \$5,794,780, which was allocated as follows:

U.T.S.M.C.	\$ 432,664
U.T.M.B.	2,161,259
U.T.H.S.C.-H.	555,535
U.T.H.S.C.- S.A.	387,137
U.T.M.D.A.C.C.	192,869
U.T.H.C.-T.	180,954
Texas Tech HSC	1,884,362

2. The Board of Directors of TUHP are:

Dr. James C. Guckian, Chairman, U.T. System  
Ms. Dana M. Malone, U.T. System  
Mr. R. Carlton Presley, U.T. System  
Mr. Hugh Wilfong II, U.T.M.D.A.C.C.  
Dr. Stuart Rosenberg, U.T.S.M.C.  
Mr. E. J. Pederson, U.T.M.B.  
Mr. Paul P. Cooper, III, University Care Plus (U.T.H.S.C.-H.)  
Mr. Robert Payne, University Physicians Group (U.T.H.S.C.-S.A.)  
Mr. Rick Hefner, U.T.H.C.-T.  
Dr. David R. Smith, Texas Tech University Health Sciences Center  
Mr. Elmo Cavin, Texas Tech University Health Sciences Center  
Mr. Jim Laible, Texas Tech University Health Sciences Center

3. An additional capital contribution of \$1,500,000 was required in 2000. Again, reserve funds from the U.T. System Medical Professional Liability Plan were refunded to the Faculty Physician Practice Plans and the funds were transferred to TUHP. The total amount transferred to TUHP from the practice plans to date is \$5,410,418 (\$8 million was approved by the Regents in 1996).

No institutional funds were used in this capital contribution. Texas Tech was not required to make an additional contribution because of its large initial contribution and the small number of members in its part of the HMO.

4. The TUHP Board of Directors voted on June 27, 2001 to seek a buyer for the corporation, HMO certificate, or members in the HMO. The Directors also voted to cease operations by August 31, 2002.
5. On May 22, 2002, the Directors of TUHP reviewed and approved terms for assignment of the contract for the only remaining members of TUHP, State Children's Health Insurance Plan, to Superior Health Plan, Inc. in return for \$500,000. The assignment of the contract is scheduled to be completed by August 31, 2002.

# TEXAS UNIVERSITIES HEALTH PLAN, INC.

## Balance Sheet

as of March 31, 2002

### ASSETS

#### Current Assets

Cash	\$	2,082,044	
Restricted Cash		250,000	
Prepaid Expense		49,647	
Other Receivables		45,124	
Premium Receivables		5,368,118	
<i>Total Current Assets</i>			<u>\$ 7,794,934</u>

#### Fixed Assets

\$ 91,090

### **TOTAL ASSETS**

\$ 7,886,024

### LIABILITIES AND NET ASSETS

#### Current Liabilities

Accounts Payable	\$	52,647	
Other Accrued Expenses		11,385	
Admin Fee Payable		32,683	
Medical (Capitation) Payable		4,922,829	
<i>Total Current Liabilities</i>			<u>\$ 5,019,543</u>

#### Net Assets

\$ 2,866,481

### **TOTAL LIABILITIES AND NET ASSETS**

\$ 7,886,024





**THE UNIVERSITY of TEXAS**  
HEALTH SCIENCE CENTER AT HOUSTON

**James T. Willerson, MD**  
*Edward Randall III Chair in Internal Medicine*  
*Alkek-Williams Distinguished Professor*

OFFICE of the PRESIDENT 713 500 3010  
7000 Fannin Street, 17th Floor 713 500 3059 fax  
Houston, Texas 77030  
James.T.Willerson@uth.tmc.edu

June 7, 2002

James C. Guckian, M.D.  
Acting Executive Vice Chancellor for Health Affairs  
The University of Texas System  
601 Colorado Street  
Austin, Texas 78701

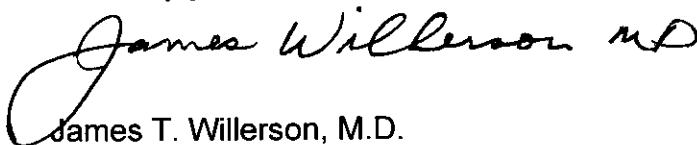
Dear Dr. Guckian:

I am writing to request that an item be placed on the agenda of the August 7-8, 2002 meeting of the Board of Regents to amend the Capital Improvement Program by increasing the Total Project Cost of the Mental Sciences Institute-Replacement Facility, Phase I from \$16.5 million to \$22.5 million. The source of funds for the \$6 million additional will be Harris County Psychiatric Center.

Through programming of this facility, it has become clear that a facility to replace essential functions presently located in the existing Mental Sciences Institute cannot be replaced for an amount less than \$22.5 million. By the terms of our Memorandum of Understanding with M. D. Anderson, we must vacate the existing facility by October of 2004.

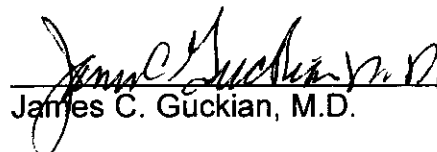
It is critical that we amend the CIP in order to meet deadlines and to provide the minimal replacement space required for the activities of the Mental Sciences Institute.

Sincerely yours,

  
James T. Willerson, M.D.

cc: Mr. John Porretto

Approved by:

  
James C. Guckian, M.D.

Date: 6-14-02

G:Word/MSI amend CIP-Revised - August Agenda



**THE UNIVERSITY of TEXAS**  
HEALTH SCIENCE CENTER AT HOUSTON

OFFICE of the PRESIDENT

**James T. Willerson, MD**  
*Edward Randall III Professor of Internal Medicine*

7000 Fannin Street, 17th Floor 713 500 3010  
Houston, Texas 77030 713 500 3059 fax  
James.T.Willerson@uth.tmc.edu

June 7, 2002

**HEALTH AFFAIRS OFFICE**  
**U. T. SYSTEM**  
HAD # \_\_\_\_\_

JUN 13 2002

James C. Guckian, M.D.  
Acting Executive Vice Chancellor for Health Affairs  
The University of Texas System  
601 Colorado Street  
Austin, Texas 78701

Dear Dr. Guckian:

I am writing to request that an item be placed on the agenda of the August 7-8, 2002 meeting of the Board of Regents to transfer \$704,541 in PUF resources appropriated in 1997 for the project titled, "Medical School Building/Limestone Cladding Repairs" to the project titled, "Indoor Air Quality at the Medical School Building."

The cladding project was completed at a considerably lower cost than the initial appropriation of \$10 million. Transfers of \$2.6 million have previously been approved. The requested action would move all remaining monies not required for completion of the cladding project to the Indoor Air Quality project.

Approval of this request will assist us in our multi-year effort to correct the serious indoor air quality situation in the Medical School Building.

Sincerely yours,

*Jim Willerson, M.D.*  
James T. Willerson, M.D.

cc: Mr. John Porretto

Approved by: *James C. Guckian, M.D.*  
James C. Guckian, M.D.  
6/14/02

Date: \_\_\_\_\_

THE UNIVERSITY OF TEXAS  
SOUTHWESTERN MEDICAL CENTER  
AT DALLAS

HEALTH AFFAIRS OFFICE  
UT SWMC  
HAD # \_\_\_\_\_

MAY 20 2002

Kern Wildenthal, M.D., Ph.D.  
President

May 17, 2002

Dr. James Guckian  
Acting Executive Vice Chancellor for Health Affairs  
The University of Texas System  
601 Colorado Street  
Austin, Texas 78701

RE: Item for Board of Regents' Agenda  
Committee Meetings, July 1-2, 2002

Dear Dr. Guckian:

UT Southwestern requests the Board of Regents approve at its July 1-2, 2002 committee meetings, the purchase of a building and land located at 6161 Harry Hines Blvd, Dallas, Texas.


The subject property is comprised of a medical office/hospital building with approximately 102,000 square feet of gross building area and 118,800 square feet of land. The building is divided into approximately 35,000 square feet of medical offices and 50,000 square feet dedicated to a 64 bed hospital wing. The remaining area is common area and an atrium. The property is contiguous to UT Southwestern-owned property on both sides of the building and land. The proposed purchase price for the property is \$11,445,000, plus applicable fees and closing costs. There is the possibility the university will be responsible for a mortgage pre-payment penalty estimated to be \$400,000. The source of acquisition funding will be local cash balances.


The purchase of the St. Paul Medical Center campus in December, 2000, and subsequent revisions of the campus master plan incorporating St. Paul, has escalated the importance of acquiring the property at this time. The property is within the acquisition area established by the Texas State Legislature during the 60<sup>th</sup> Legislature - Regular Session. House Bill 287, Chapter 73 authorizes the Board of Regents of The University of Texas System to acquire by purchase, exchange, gift or otherwise certain properties to be used for campus expansion and University purposes in The University of Texas System.

We are working with the UT System Real Estate Office and Office of General Counsel on this acquisition and will provide required documentation which includes appraisals, a Phase I environmental report, commitment for title insurance, etc. John Roan's office can provide additional information at your request.

I recommend your approval and support of this letter and forwarding to the Board of Regents and appropriate University of Texas System officers and offices to be placed on the agenda for the committee meetings on July 1-2, 2002.

Sincerely yours,

  
Kern Wildenthal, M.D., Ph.D.  
KW: sy

Approved:  5/20/02  
James C. Guckian, M.D.  
Acting Executive Vice Chancellor for Health Affairs

U.T. Southwestern Medical Center - Dallas: Request for Authorization to Purchase Property Located at 6161 Harry Hines Boulevard, Dallas, Texas, Dallas County, Texas; and Authorization to Execute All Documents Related Thereto

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Wildenthal that authorization be granted by the U. T. Board of Regents, on behalf of U. T. Southwestern Medical Center – Dallas, to purchase the real property located at 6161 Harry Hines Boulevard, Dallas, Dallas County, Texas, from Harry Hines Medical Center, Ltd., for \$11,445,000.

It is further recommended that the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate be authorized to execute all documents, instruments and other agreements and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

The subject property is comprised of 161,192 square feet of land and approximately 103,395 square feet of improvements located adjacent to The U. T. Southwestern Medical Center – Dallas campus. The improvements include hospital, medical office and related support facilities. The acquisition is in an area targeted for expansion of the campus in Southwestern's master plan. The property is currently leased and will net in excess of \$900,000 per year for Southwestern until the lease is terminated. Upon termination of the lease, the facility will be used by Southwestern for office and clinical purposes.

The leased fee value of the property has been estimated by two independent appraisers to be \$11,500,000. The appraisals indicate that the land is worth approximately \$970,000 and the estimated cost to replace the existing improvements is between \$14,985,000 and \$16,950,000. In addition to the purchase price, Southwestern may be required to pay a prepayment penalty of approximately \$400,000 if it pays off the existing mortgage on the property instead of assuming that obligation.

Action on this item is being requested at this time because one of the conditions for the sale is that the closing must occur not later than August 1, 2002. Approval by the Texas Higher Education Coordinating Board is not required because acquisition of the property was authorized by the Texas Legislature during its 60<sup>th</sup> Regular Session in 1967. The source of funding for the purchase will be from the recovery of indirect costs from grants and interest earned on time deposits.

THE UNIVERSITY OF TEXAS  
SOUTHWESTERN MEDICAL CENTER  
AT DALLAS

Kern Wildenthal, M.D., Ph.D.  
President

June 12, 2002

Dr. James C. Guckian  
Acting Vice Chancellor for Health Affairs  
The University of Texas System  
601 Colorado Street  
Austin, Texas 78701

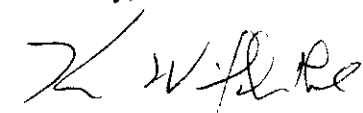
Dear Dr. Guckian:

This letter is to request that an item be placed on the agenda for the August 2002 Board of Regents meeting, to combine the Student Housing Phase 1 project with the Phase 2 project. The Board approved the Student Housing Phase 1 project in August 2000 in the amount of \$10,500,000 along with the appropriation of funding and authorization to spend funds.

The second phase of student housing, titled The Southwestern Medical Park Apartments, is included in the Board approved FY 2002-2007 Capital Improvement Program with a total project cost of \$8,750,000, with funding from Revenue Financing System Bond Proceeds. The purpose of this agenda item is to combine the two projects and approve the revised total project cost of \$19,250,000.

Your assistance in this matter is greatly appreciated.


Sincerely,



Kern Wildenthal, M.D., Ph.D.

xc: Mr. John Roan  
Dr. John McConnell  
Mr. Kirby Vahle  
Mr. Jeff Kauffmann

**APPROVED:**

---

James C. Guckian, M.D.  
Acting Executive Vice Chancellor 6/14/02  
for Health Affairs

THE UNIVERSITY OF TEXAS  
MD ANDERSON  
CANCER CENTER

Office of the President

June 7, 2002

HEALTH AFFAIRS OFFICE  
U.T. SYSTEM

HAD # \_\_\_\_\_

JUN 11 2002

James Guckian, M.D.  
Executive Vice Chancellor for Health Affairs  
The University of Texas System  
601 Colorado Street, OHH Room 214  
Austin, TX 78701-2982

Dear Dr. Guckian:

The campus master plan for The University of Texas M. D. Anderson Cancer Center envisions development of the Houston Main Building site for ambulatory care expansion, faculty offices, and future growth of inpatient services. M. D. Anderson Cancer Center included the HMB Replacement Facility in the FY 2002-2007 Capital Improvement Program and FY 2002 Capital Budget at a total project cost of \$110,400,000 for this purpose.

The HMB Replacement Facility will be constructed south of the existing Houston Main Building along Pressler Avenue and will contain approximately 355,000 gross square feet of space. The HMB Replacement Facility includes Faculty and Administrative Offices, Prevention Clinics, Behavioral Sciences, Café Food Service, Conference Center, and Materials Management, including a dock. A bridge will allow connection of the HMB Replacement Facility and the Ambulatory Clinic Building on levels two through eight. In addition, a basement level service corridor will connect the HMB Replacement Facility and the Ambulatory Clinic Building to facilitate distribution of materials and equipment. Visitors, faculty and staff utilizing the HMB Replacement Facility will be able to park vehicles at the new HMB Parking Replacement Garage, which is under construction on the Houston Main Building site. Visitor parking will be available beneath the Ambulatory Clinic Building.

The HMB Replacement Facility design will incorporate building materials similar to the Ambulatory Clinic Building, which is also under construction on the Houston Main Building site. However, the HMB Replacement Facility will include distinct features that will provide a separate, independent identity from the Ambulatory Clinical Building. Visible from the north, the front face will distinguish the HMB Replacement Facility from the Ambulatory Clinic Building while complimenting the planned future courtyard.

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*A Comprehensive Cancer Center designated by the National Cancer Institute  
located in the Texas Medical Center*

The HMB Replacement Facility is scheduled for completion during 2004. It is anticipated that the contractors for the HMB Replacement Facility and the Ambulatory Clinical Building will complete construction within the same general time-period, which will facilitate coordination of moves by various departments and supporting functions.

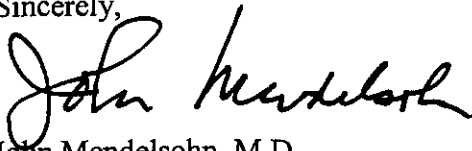
It is requested that an agenda item be submitted for the August 2002 meeting of the Board of Regents to obtain approval for the following:

- Approve a total project cost of \$110,400,000 for the HMB Replacement Facility.
- Appropriate funds and authorize expenditure of \$85,000,000 from Revenue Bonds and \$25,400,000 from local Hospital Revenues for the HMB Replacement Facility.
- Approve Design Development plans, authorize preparation of Construction Documents, and authorize award of contracts for the HMB Replacement Facility.
- Authorize U. T. M. D. Anderson Cancer Center to submit the HMB Replacement Facility to the Texas Higher Education Coordinating Board for their approval.

A proposed agenda item in the format requested by the Office of General Counsel is attached.

We would be pleased to provide any additional information which may be needed in support of this request.

Sincerely,

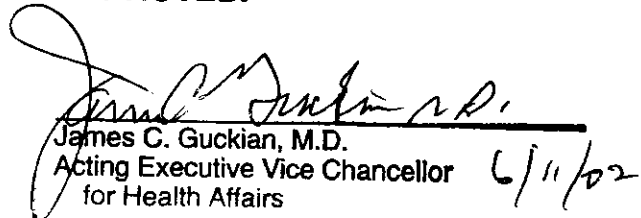


John Mendelsohn, M.D.  
President

JM/jr  
Attachment

cc: Kerry L. Kennedy  
Cullen M. Godfrey  
Leon Leach  
Margaret Kripke, Ph.D.  
David Callender, M.D.

**APPROVED:**



James C. Guckian, M.D.  
Acting Executive Vice Chancellor  
for Health Affairs 6/11/02



U. T. M. D. Anderson Cancer Center: Request for approval of the following: (1) Approve a total project cost of \$110,400,000 for the HMB Replacement Facility; (2) Appropriate funds and authorize expenditure of \$85,000,000 from Revenue Bonds and \$25,400,000 from local Hospital Revenues for the HMB Replacement Facility; (3) Approve Design Development plans, authorize preparation of Construction Documents, and authorize award of contracts for the HMB Replacement Facility; and, (4) Authorize U. T. M. D. Anderson Cancer Center to submit the HMB Replacement Facility to the Texas Higher Education Coordinating Board for their approval.

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and the Office of General Counsel, on behalf of The University of Texas M. D. Anderson Cancer Center, that the Board approve and/or authorize the following items:

- Approve a total project cost of \$110,400,000 for the HMB Replacement Facility;
- Appropriate funds and authorize expenditure of \$85,000,000 from Revenue Bonds and \$25,400,000 from local Hospital Revenues for the HMB Replacement Facility;
- Approve Design Development plans, authorize preparation of Construction Documents, and authorize award of contracts for the HMB Replacement Facility; and,
- Authorize U. T. M. D. Anderson Cancer Center to submit the HMB Replacement Facility to the Texas Higher Education Coordinating Board for their approval.

### BACKGROUND INFORMATION

The campus master plan for The University of Texas M. D. Anderson Cancer Center envisions development of the Houston Main Building site for ambulatory care expansion, faculty offices, and future growth of inpatient services. M. D. Anderson Cancer Center included the HMB Replacement Facility in the FY 2002-2007 Capital Improvement Program and FY 2002 Capital Budget at a total project cost of \$110,400,000 for this purpose.

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THE UNIVERSITY OF TEXAS  
**HEALTH CENTER**  
AT TYLER

**FAXED**  
6-10-02  
dma

Office of the President

HEALTH AFFAIRS OFFICE  
U.T. SYSTEM

HAD # \_\_\_\_\_

JUN 13 2002

## Memorandum

June 10, 2002

To: James C. Guckian, M.D.,  
Acting Executive Vice Chancellor for Health Affairs

From: Ronald F. Garvey, M.D., MBA,  
President, U. T. Health Center at Tyler

Re: Biomedical Research Wing Addition  
The University of Texas Health Center at Tyler  
Project No. 801-062

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The University of Texas Health Center at Tyler recommends that an item be placed on the agenda for the August 2002 Board of Regents' meeting regarding the approval of the Biomedical Research Wing Addition project. The purpose of the agenda item is to approve the design development plan, the Total Project Cost (TPC), and appropriate funding.

This project is included in the FY 2002 – 2007 Capital Improvement Program and has a TPC of \$11,513,250. The project will be funded from \$11,513,250 in Tuition Revenue Bonds.

The current project schedule, following the August 2002 Board approval and the October 2002 Coordinating Board approval, calls for commencement of construction in April 2003 with substantial completion in September 2004.

Your assistance with this matter is appreciated.

Sincerely,

*Ronald F. Garvey*  
Ronald F. Garvey, M.D., MBA  
President

xc: Mr. Sidney Sanders  
Ms. Vickie Noble

**APPROVED:**

*James C. Guckian*  
James C. Guckian, M.D.  
Acting Executive Vice Chancellor  
for Health Affairs 6/14/02

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Equal Opportunity/Affirmative Action Institution



Office of the President

June 13, 2002

James Guckian, M.D.  
Acting Executive Vice Chancellor for Health Affairs  
The University of Texas System  
Health Affairs  
O. Henry Hall, 204  
601 Colorado Street  
Austin, Texas 78701-4400


**Re:** Agenda Item for August U. T. System Board of Regents Meeting

Dear Dr. Guckian:

Please add the following agenda item to the August Board of Regents meeting pursuant to Part One, Chapter I, Section 9.22 of the Regents' Rules and Regulations. This is a request for authority for U. T. Health Center at Tyler's president to negotiate the contract to finality for food services with a cost that could possibly be more than \$1,000,000. This authority is subject to the approval by the University of Texas System Office of General Counsel and the University of Texas System Health Affairs Office. The RFP is to be opened on July 9 to award the contract for September 1, 2002, through August 31, 2003.

Management of Food Service on U. T. Health Center at Tyler campus

APPROVED:

  
James C. Guckian, M.D.  
Acting Executive Vice Chancellor  
for Health Affairs

Sincerely,

  
Ronald F. Garvey, M.D., MBA  
President

:dma

cc: Francie Frederick, Executive Secretary to the Board of Regents



U. T. Health Science Center - San Antonio - Regional Academic Health Center (RAHC) - Harlingen Medical Education Division (Project No. 402-994); Hidalgo County Medical Research Division (Project No. 402-996); Amendment to the FY 2002-2007 Capital Improvement Program and the FY 2002-2003 Capital Budget Request Approval to Re-designate the Facility Names

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and President Cigarroa that approval be granted to the U. T. Health Science Center – San Antonio – Regional Academic Health Center (RAHC) to re-designate the Harlingen Medical Education Division to the Medical Education Division and to re-designate the Hidalgo County Medical Research Division to the Medical Research Division.

BACKGROUND INFORMATION

The Regional Academic Health Center (RAHC) was established by the U. T. Board of Regents at their meeting on November 11, 1998. Funding was approved at the U. T. Board of Regents meeting on May 13, 1999.

The proposed name change will eliminate the redundancy of having the location name in the division names.

## *Tillinghast - Towers Perrin*

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June 11, 2002

Mr. Robert Presley  
Section Manager  
Medical Liability Law  
The University of Texas System  
Office of General Council  
201 West Seventh Street  
Austin, Texas 78701

Dear Mr. Presley:

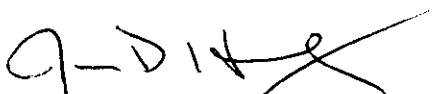
It is our understanding that The University of Texas Self-Insurance Plan management is considering the payment of a \$25 million dividend from Plan assets in August, 2002. The dividend will be returned to Plan Members. You have asked if we believe that current Plan assets are sufficient to make the return.

As of our August 31, 2001 evaluation of the Plan liabilities, Plan assets exceeded Plan liabilities (inclusive of the contingency reserve) by \$129.4 million on a nominal basis, and as much as \$151.3 million if liabilities are discounted at a 7% rate of return (see page 7 of our April 4, 2002 report). We also understand that Plan assets are \$233 million as of March 31, 2002 (an increase of about \$2 million since August 31, 2001); there has been no material change in Plan exposure; and the Plan is charging rates developed in our January 2002 report. In addition, loss and loss expense payments from September 1, 2001 through March 31, 2002 total approximately \$13.5 million and are estimated at about \$4.0 million for the balance of the fiscal period ending August 31, 2002 – a combined result slightly less than expected. Based on this information and exclusive of the proposed dividend, we would expect the excess of Plan assets over Plan liabilities to be about the same relative to the position at August 31, 2001 noted above.

Considering the circumstances, we believe the proposed payment of the \$25 million dividend will not pose a problem to the program.

If you have any questions, please call.

Sincerely,

  
James D. Hurley, ACAS, MAAA

JDH:js

U. T. System: Recommendation for Approval to Increase the Institutional Premium Charge of The University of Texas System Professional Medical Liability Benefit Plan Effective September 1, 2002 and Return a Portion of Excess Plan Reserves to Participating U. T. System Health Components

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel that the premium rates for The University of Texas System Professional Medical Liability Benefit Plan ("Plan") be increased by 12.5% for U. T. System faculty physicians and 4% for resident physicians effective September 1, 2002. It is proposed that 50% of the premium be based on head count and the other 50% be based on the actuarially determined experience of each U. T. System health component over the life of the Plan, and that the revised experience factor be phased in over a two-year period.

It is further recommended that an actuarially determined portion of excess reserves from the Plan be returned to the participating U. T. System components.

RISK CLASS 1

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$ 2,004	\$ 1,080	\$ 1,985	\$ 997	-0.9%	-7.7%
UTSMCDAL	1,800	972	1,833	920	1.8%	-5.3%
UTMB	2,532	1,368	2,705	1,357	6.8%	-0.8%
UTHSCHOU	2,208	1,200	2,440	1,226	10.5%	2.1%
UTHSCSA	2,148	1,164	2,201	1,107	2.5%	-4.9%
UTHCTY	2,304	1,248	2,441	1,226	5.9%	-1.8%

RISK CLASS 2

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$ 2,508	\$ 1,356	\$ 3,107	\$ 1,561	23.9%	15.1%
UTSMCDAL	2,256	1,224	2,868	1,440	27.1%	17.7%
UTMB	3,168	1,716	4,234	2,123	33.6%	23.7%
UTHSCHOU	2,760	1,500	3,819	1,918	38.4%	27.9%
UTHSCSA	2,688	1,452	3,445	1,733	28.2%	19.3%
UTHCTY	2,880	1,560	3,820	1,919	32.6%	23.0%



RISK CLASS 3

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$ 4,008	\$ 2,172	\$ 4,963	\$ 2,493	23.8%	14.8%
UTSMCDAL	3,600	1,956	4,582	2,301	27.3%	17.6%
UTMB	5,064	2,748	6,783	3,392	33.6%	23.4%
UTHSCHOU	4,416	2,388	6,101	3,064	38.2%	28.3%
UTHSCSA	4,296	2,328	5,503	2,768	28.1%	18.9%
UTHCTY	4,608	2,496	6,102	3,065	32.4%	22.8%

RISK CLASS 4

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$ 9,324	\$ 5,052	\$ 9,232	\$ 4,637	-1.0%	-8.2%
UTSMCDAL	8,376	4,536	8,522	4,280	1.7%	-5.7%
UTMB	11,772	6,384	12,579	6,309	6.9%	-1.2%
UTHSCHOU	10,272	5,568	11,348	5,700	10.5%	2.4%
UTHSCSA	9,984	5,412	10,235	5,149	2.5%	-4.9%
UTHCTY	10,716	5,808	11,349	5,701	5.9%	-1.8%

RISK CLASS 5

	<u>CURRENT RATES</u>		<u>RECOMMENDED RATES</u>		<u>RATE CHANGE</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UTMDACC	\$13,032	\$ 7,056	\$13,600	\$ 6,831	4.4%	-3.2%
UTSMCDAL	11,700	6,336	12,554	6,304	7.3%	-0.5%
UTMB	16,464	8,916	18,531	9,294	12.6%	4.2%
UTHSCHOU	14,352	7,776	16,717	8,397	16.5%	8.0%
UTHSCSA	13,968	7,572	15,078	7,585	7.9%	0.2%
UTHCTY	14,976	8,124	16,718	8,398	11.6%	3.4%

BACKGROUND INFORMATION

Pursuant to the authority of Chapter 59 of the Texas Education Code, the U. T. Board of Regents adopted The University of Texas System Professional Medical Liability Benefit Plan to provide coverage for certain medical staff and medical students of the U. T. System. The Plan went into effect on April 1, 1977, and is funded by the payment of premiums from the Faculty Physician Practice Plans of the component health institutions of the U. T. System. It is recommended that the U. T. Board of Regents approve a 12.5% increase for the U. T. System faculty physicians and a 4% increase for resident physicians in premium rates for the Plan effective

September 1, 2002. The increased premiums will be allocated on the basis of 50% attributable to physician head count and the remaining 50% based on the experience factor for each U. T. System health component for the life of the Plan. The revised experience factor adjustment will be phased in over a two-year period.

There are currently 6,114 staff and resident physicians of the U. T. System covered by the Plan, with basic liability limits of \$500,000 per claim for staff physicians and \$100,000 for residents. A total of 3,345 medical students are enrolled in the Plan by paying \$25 a year for \$25,000 coverage.

Actuaries from Tillinghast-Tower and Perrin, the nation's largest medical liability self-insurance plan actuarial firm, have reviewed the Plan's 25-year experience and recommend experience-based premiums related to the claims loss of each U. T. System health component. For the preceding five years, premiums have been reduced by 15%, the imputed value of Texas tort reform. Actual experience has not borne out that imputed discount. The absence of that imputed discount from this year's actuarial calculations is the reason for the increase in proposed premiums. Even with the recommended rate increase, the Plan's premium rates will still remain approximately 50% below the rate of commercial insurers for similar coverage.

The Plan has excess reserves well above the actuarially projected risks associated with the Plan, and it is also recommended that a return of \$25 million, representing a portion of such excess reserves, be returned to each participating U. T. System health component, proportionately to the premiums paid for fiscal year 2001-2002. This will be the sixth consecutive year for such partial return of Plan excess reserves.

**The University of Texas Health Science Center at San Antonio**

7703 Floyd Curl Drive San Antonio, Texas 78229-3900

Office of the President – MSC 7834



May 23, 2002

✓ James C. Guckian, MD  
Acting Executive Vice Chancellor for Health Affairs  
Edwin R. Sharpe, PhD  
Executive Vice Chancellor for Academic Affairs  
The University of Texas System  
601 Colorado Street  
Austin, Texas 78701-2982

HEALTH AFFAIRS OFFICE  
UT SYSTEM  
Phone (210) 567-2000  
HAD # \_\_\_\_\_

UT System-Academic Affairs

MAY 29 2002

to \_\_\_\_\_ for info return  
to \_\_\_\_\_ please advise me  
to \_\_\_\_\_ please handle

RE: Update on SB 1840 Project to Conduct a Feasibility Study of the Operation of UTSA and UTHSCSA as a Single Research University.

Dear Dr. Guckian and Dr. Sharpe:

As you know, SB 1840 requires The University of Texas Board of Regents, with the assistance of the Texas Higher Education Coordinating Board, to conduct a feasibility study of the operation of The University of Texas Health Science Center at San Antonio and The University of Texas San Antonio as a single research institution. This report is due to the Texas Legislature no later than October 1, 2002. We therefore request that an information item be placed on the agenda of the July 1-2, 2002 Board of Regents Committee meetings in Austin, with Board action scheduled for the meeting on August 7-8, 2002.

The Board of Regents delegated responsibility for the feasibility study through the Chancellor and the Executive Vice Chancellors for Academic and Health Affairs. The Presidents of each institution jointly developed a Project Team to assist with the study. The University of Texas System, with the concurrence of the Presidents and the Executive Vice Chancellors for Academic and Health Affairs, contracted with a consultant, Carol A. Aschenbrener, MD, to conduct the study.

Senate Bill 1840 specifically requires that the study include:

1. Consultation with students, faculty, and administrators at both institutions to obtain input regarding any concerns those persons may have regarding the proposed change in the operations of the institutions.
2. Identification and evaluation of the potential benefits and advantages concerning the change.
3. Evaluation and recommendations concerning any legal, administrative, or practical problems concerning the proposed change.
4. Completion of the study and report of the results of the study to the Legislature on or before October 1, 2002. The report must include the Board's recommendations

concerning the proposed change in the operation of the institutions and, if the Board determines it appropriate, must:

- a. Establish a proposed timeline for implementing the proposed change; and
- b. Identify specific actions necessary to implement the proposed change.

With your approval, an oral report by Dr. Aschenbrener will be provided at the Board of Regents Committee Meetings in July.

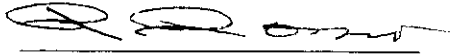
Thank you for your assistance.

Sincerely yours,



Francisco G. Cigarro, MD

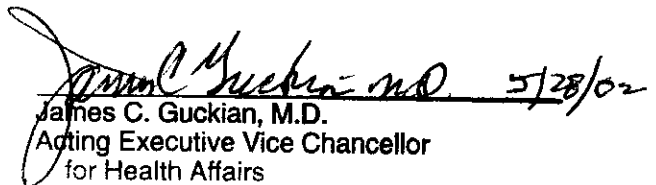
President, The University of Texas Health Science Center at San Antonio



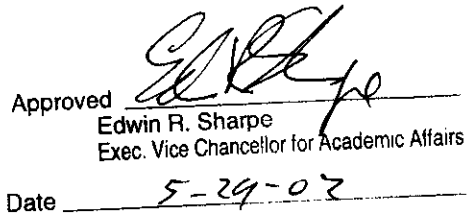
Ricardo Romo, PhD

President, The University of Texas at San Antonio

**APPROVED:**



James C. Guckian, M.D. 5/28/02  
Acting Executive Vice Chancellor  
for Health Affairs



Approved Edwin R. Sharpe  
Exec. Vice Chancellor for Academic Affairs  
Date 5-29-02

AN ACT

relating to a study regarding the operation of The University of Texas at San Antonio and The University of Texas Health Science Center at San Antonio as a single research university.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter C, Chapter 65, Education Code, is amended by adding Section 65.47 to read as follows:

Sec. 65.47. STUDY REGARDING THE OPERATION OF THE UNIVERSITY OF TEXAS AT SAN ANTONIO AND THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AS SINGLE RESEARCH UNIVERSITY. (a) The board, with the assistance of the Texas Higher Education Coordinating Board, shall conduct a study to evaluate the feasibility and potential benefits of operating The University of Texas at San Antonio and The University of Texas Health Science Center at San Antonio as a single research university.

(b) In conducting the study, the board shall:

(1) consult with students, faculty, and administrators at both institutions to obtain input regarding any concerns those persons may have regarding the proposed change in the operation of the institutions;

(2) identify and evaluate the potential benefits and advantages concerning the proposed change; and

(3) evaluate and make recommendations concerning any legal, administrative, or practical problems concerning the proposed change.

(c) The board shall complete the study and report the results of the study to the legislature on or before October 1, 2002. The report must include the board's recommendations concerning the proposed change in the operation of the institutions and, if the board determines appropriate, must:

(1) establish a proposed timeline for implementing the proposed change; and

(2) identify specific actions necessary to implement the proposed change.

(d) This section expires September 1, 2003.

SECTION 2. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2001.

\_\_\_\_\_  
President of the Senate

I hereby certify that S.B. No. 1840 passed the Senate on May 16, 2001, by the following vote: Yeas 30, Nays 0, one present, not voting.

\_\_\_\_\_  
Speaker of the House

\_\_\_\_\_  
Secretary of the Senate

I hereby certify that S.B. No. 1840 passed the House on May 23, 2001, by the following vote: Yeas 145, Nays 0, two present, not voting.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor



**SPECIAL COMMITTEE ON  
MINORITIES AND WOMEN**

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

July 1, 2002  
1:30 p.m.

Board Room, 9th Floor, Ashbel Smith Hall  
Austin, Texas

- |           |  |   |
|-----------|--|---|
| 1:30 p.m. | <b>1. Call to Order and Introductory Comments</b>  | <i>Chairman Judith Craven</i>                   |
|           | a. Welcome to Student Advisory<br>Committee Members                                      |   |
|           | b. Perspectives on the April 1 Dinner<br>Meeting with Component Presidents               |   |
| 1:40 p.m. | <b>2. Updates</b>  |   |
|           | a. Annual Report on Human Resources  | <i>Mrs. Shirley Bird Perry</i>                  |
|           | b. "Every Child, Every Advantage"<br>Initiative  | <i>Dr. Edwin R. Sharpe</i>                      |
|           | c. Advanced Placement Program  | <i>Dr. Barbara E. Breier</i>                    |
| 1:50 p.m. | <b>3. Report on the U. T. System Management &amp;<br/>Leadership Development Program</b> | <i>Mr. R. D. Burck<br/>Mr. Kerry L. Kennedy</i> |
| 2:10 p.m. | <b>4. General Discussion</b>   | <i>Chairman Craven</i>                          |
| 2:15 p.m. | <b>5. Adjournment</b>  | <i>Chairman Craven</i>                          |



**Academic Affairs Committee  
THE UNIVERSITY OF TEXAS SYSTEM  
BOARD OF REGENTS  
Agenda**

July 2, 2002  
10:00 a.m.- 12:00 p.m.  
Board Room, 9<sup>th</sup> Floor  
Ashbel Smith Hall  
Austin, TX

- |            |    |   |   |
|------------|----|---|---|
| 10:00 a.m. | 1. | <b>Welcome and Opening Remarks</b>  | <i>Chairman Krier</i>   |
| 10:05 a.m. | 2. | <b>Report on Senate Bill 1840 Project to Conduct a Feasibility Study of the Operation of The University of Texas at San Antonio and The University of Texas Health Science Center San Antonio as a Single Research University and Related Discussion</b><br>(Tab 2) | <i>Dr. Carol Aschenbrener,<br/>Consultant</i>   |
| 10:40 a.m. | 3. | <b>Discussion of “Closing The Gaps” Plan and U. T. System Collaboration with the Texas Higher Education Coordinating Board (THECB)</b>  | <i>Dr. Martin Basaldua,<br/>Vice-Chair of THECB<br/>Dr. Don Brown,<br/>Commissioner of Higher<br/>Education</i> |
| 11:10 a.m. | 4. | <b>August Board of Regents’ Meeting Agenda Items</b>  |   |
|            | a. | U. T. Arlington: <ul style="list-style-type: none"><li>• Doctor of Philosophy in Nursing</li><li>• Master of Arts in Communication</li></ul> <u>[Action Item]</u><br>(Tab 4a)   | <i>Dr. Witt</i>   |
|            | b. | U. T. El Paso: <ul style="list-style-type: none"><li>• Doctor of Philosophy in International Business</li><li>• Doctor of Philosophy in Civil Engineering</li></ul> <u>[Action Item]</u><br>(Tab 4b)  | <i>Dr. Natalicio</i>  |

- c. U. T. San Antonio: *Dr. Romo*
- Doctor of Philosophy in Cell and Molecular Biology
  - Doctor of Philosophy in Environmental Science and Engineering
- [Action Item]  
(Tab 4c)

- d. U. T. San Antonio: *Mr. Sanders*
- Addition to Capital Improvement Program
- [Action Item]  
(Tab 4d)

- 11:30 a.m. 5. **Presentation by The Honorable Roberto Gutierrez on his Proposal for a Law School in the Valley and Related Discussion** *The Honorable Roberto Gutierrez, Member of the Texas House of Representatives*
- 11:50 a.m. 6. **Consideration of the Resolution Regarding an Urban Education Collaboration between the U. T. System and the University of Houston System** *Dr. Sharpe*  
[Action Item]  
(Tab 6)
- 12:00 p.m. 7. **Adjourn** *Chairman Krier*



**The University of Texas Health Science Center at San Antonio**

7703 Floyd Curl Drive San Antonio, Texas 78229-3900

Office of the President - MSC 7834



HEALTH AFFAIRS OFFICE  
UT SYSTEM  
Phone (210) 567-2000  
HAD # \_\_\_\_\_

May 23, 2002

UT System-Academic Affairs

✓ James C. Guckian, MD  
Acting Executive Vice Chancellor for Health Affairs  
Edwin R. Sharpe, PhD  
Executive Vice Chancellor for Academic Affairs  
The University of Texas System  
601 Colorado Street  
Austin, Texas 78701-2982

MAY 29 2002

to \_\_\_\_\_ for info return  
to \_\_\_\_\_ please advise me  
to \_\_\_\_\_ please handle

RE: Update on SB 1840 Project to Conduct a Feasibility Study of the Operation of UTSA and UTHSCSA as a Single Research University.

Dear Dr. Guckian and Dr. Sharpe:

As you know, SB 1840 requires The University of Texas Board of Regents, with the assistance of the Texas Higher Education Coordinating Board, to conduct a feasibility study of the operation of The University of Texas Health Science Center at San Antonio and The University of Texas San Antonio as a single research institution. This report is due to the Texas Legislature no later than October 1, 2002. We therefore request that an information item be placed on the agenda of the July 1-2, 2002 Board of Regents Committee meetings in Austin, with Board action scheduled for the meeting on August 7-8, 2002.

The Board of Regents delegated responsibility for the feasibility study through the Chancellor and the Executive Vice Chancellors for Academic and Health Affairs. The Presidents of each institution jointly developed a Project Team to assist with the study. The University of Texas System, with the concurrence of the Presidents and the Executive Vice Chancellors for Academic and Health Affairs, contracted with a consultant, Carol A. Aschenbrener, MD, to conduct the study.

Senate Bill 1840 specifically requires that the study include:

1. Consultation with students, faculty, and administrators at both institutions to obtain input regarding any concerns those persons may have regarding the proposed change in the operations of the institutions.
2. Identification and evaluation of the potential benefits and advantages concerning the change.
3. Evaluation and recommendations concerning any legal, administrative, or practical problems concerning the proposed change.
4. Completion of the study and report of the results of the study to the Legislature on or before October 1, 2002. The report must include the Board's recommendations

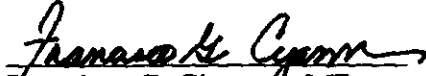
concerning the proposed change in the operation of the institutions and, if the Board determines it appropriate, must:

- a. Establish a proposed timeline for implementing the proposed change; and
- b. Identify specific actions necessary to implement the proposed change.

With your approval, an oral report by Dr. Aschenbrener will be provided at the Board of Regents Committee Meetings in July.

Thank you for your assistance.

Sincerely yours,

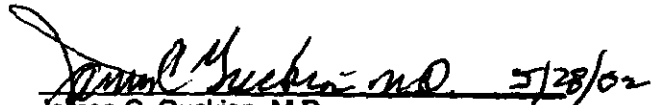


Francisco G. Cigarro, MD  
President, The University of Texas Health Science Center at San Antonio

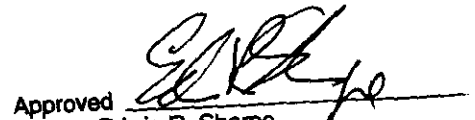


Ricardo Romo, PhD  
President, The University of Texas at San Antonio

APPROVED:



James C. Guckian, M.D. 5/28/02  
Acting Executive Vice Chancellor  
for Health Affairs



Approved  
Edwin R. Sharpe  
Exec. Vice Chancellor for Academic Affairs  
Date 5-29-02

1-1 AN ACT

1-2 relating to a study regarding the operation of The University of  
1-3 Texas at San Antonio and The University of Texas Health Science  
1-4 Center at San Antonio as a single research university.

1-5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-6 SECTION 1. Subchapter C, Chapter 65, Education Code, is  
1-7 amended by adding Section 65.47 to read as follows:

1-8 Sec. 65.47. STUDY REGARDING THE OPERATION OF THE UNIVERSITY  
1-9 OF TEXAS AT SAN ANTONIO AND THE UNIVERSITY OF TEXAS HEALTH SCIENCE  
1-10 CENTER AS SINGLE RESEARCH UNIVERSITY. (a) The board, with the  
1-11 assistance of the Texas Higher Education Coordinating Board, shall  
1-12 conduct a study to evaluate the feasibility and potential benefits  
1-13 of operating The University of Texas at San Antonio and The  
1-14 University of Texas Health Science Center at San Antonio as a  
1-15 single research university.

1-16 (b) In conducting the study, the board shall:

1-17 (1) consult with students, faculty, and administrators  
1-18 at both institutions to obtain input regarding any concerns those  
1-19 persons may have regarding the proposed change in the operation of  
1-20 the institutions;

1-21 (2) identify and evaluate the potential benefits and  
1-22 advantages concerning the proposed change; and

1-23 (3) evaluate and make recommendations concerning any  
1-24 legal, administrative, or practical problems concerning the  
1-25 proposed change.

2-1 (c) The board shall complete the study and report the  
2-2 results of the study to the legislature on or before October 1,  
2-3 2002. The report must include the board's recommendations  
2-4 concerning the proposed change in the operation of the institutions  
2-5 and, if the board determines appropriate, must:

2-6 (1) establish a proposed timeline for implementing the  
2-7 proposed change; and

2-8 (2) identify specific actions necessary to implement  
2-9 the proposed change.

2-10 (d) This section expires September 1, 2003.

2-11 SECTION 2. This Act takes effect immediately if it receives  
2-12 a vote of two-thirds of all the members elected to each house, as  
2-13 provided by Section 39, Article III, Texas Constitution. If this  
2-14 Act does not receive the vote necessary for immediate effect, this  
2-15 Act takes effect September 1, 2001.

\_\_\_\_\_  
President of the Senate

I hereby certify that S.B. No. 1840 passed the Senate on  
May 16, 2001, by the following vote: Yeas 30, Nays 0, one present,  
not voting.

\_\_\_\_\_  
Speaker of the House

\_\_\_\_\_  
Secretary of the Senate

I hereby certify that S.B. No. 1840 passed the House on  
May 23, 2001, by the following vote: Yeas 145, Nays 0, two  
present, not voting.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor

The University of Texas at Arlington  
Ph.D. in Nursing

The University of Texas at Arlington proposes a Ph.D. in Nursing to be administered by the School of Nursing.

*Healthy People 2010*, the national health agenda for the United States, calls for the elimination of health disparities among Americans and requires access to health services for all citizens. As the population of the U. S. has become more diverse, there is a need for educators, practicing nurses, and researchers with greater skills and understanding of culturally related health care. Increasingly, sub-populations within the U. S., whether defined by age, gender, ethnicity, financial status, clinical health problems, or geography, are targets for specialized health care.

Currently, no doctoral program in Texas has as its primary goal the preparation of nurse scientists who have the knowledge and skills to integrate nursing and related health disciplines for the purpose of designing and testing nursing interventions with culturally diverse populations. Similarly, there are no doctoral programs in Texas that have as their goal the preparation of faculty who are able to assist students gain knowledge in caring for diverse and/or vulnerable populations. The proposed program is specifically designed to prepare nurse scientists and to increase the number of faculty to meet the health needs of a rapidly changing and culturally diverse population.

### **Program Description**

The proposed program initially includes two major areas of study: Academic Role Development and Health Services Research.

The Academic Role Development area provides opportunities for students to develop knowledge and skills required for a successful academic role (faculty, dean, director) in institutions of higher education preparing nursing students who are capable of careers in a culturally diverse society.

The Health Services Research area provides opportunities for students to develop knowledge and skills required for a successful role in health research focused on culturally diverse and/or vulnerable populations.

### **Program Quality**

The PhD program in Nursing was designed using the “indicators of quality in research-focused doctoral programs in Nursing” and will be evaluated in accordance with these indicators (American Association of Colleges of Nursing, Nov., 2001). The excellence of the undergraduate and graduate programs in nursing at UTA has been consistently demonstrated through a ten year average pass rate of 92% on the national licensing exam (BSN program) and national certification exam pass rates between 96 and 100% (MSN

program) for the past three years. The MSN program is ranked in the top 23% of all graduate programs in nursing in *US News and World Report*. External funding for the school has grown from \$255,300 in 1996 to \$1,442,393 in 2000-2001. Forty-two doctorally prepared faculty have a variety of scholarship initiatives in which doctoral students will become involved. The full cadre of nurse practitioner and administrative faculty hold certifications in their area and are practicing clinicians.

### **Program Cost**

Estimated expenditures for the first five years of the program are \$1,892,240. The largest anticipated expenditure will be \$1,338,081 for 9.5 new faculty. In addition, \$151,200 will be expended for 5 graduate assistants. The institution will commit \$243,000 in existing resources in addition to \$1,655,000 in formula funding to finance the first five years of the program.

The University of Texas at Arlington  
Master of Arts in Communication

The University of Texas at Arlington proposes to establish a Master of Arts in Communication program.

The proposed Master of Arts in Communication degree will be designed to enhance and update the skills and knowledge base of media professionals. The introduction of new technologies has resulted in rapid change in media professions. A recent trend in the media professions involving the convergence of the various communications fields (e.g., speech, journalism, public relations) has also caused changes in media professional roles. The proposed program will emphasize an integrated approach to the discipline, incorporating the varied fields represented in the UTA Department of Communication. As a result, the program will be uniquely situated to prepare traditional graduate students and already employed professionals for the rapidly changing media professions.

**Program Description**

The proposed Master of Arts in Communication degree has both thesis and non-thesis options. The thesis option consists of 24 hours of organized course work and a 6 credit hour thesis. The non-thesis option requires 33 hours of organized coursework and a 3 credit hour final project. Individual courses will integrate theory and research from the various communication fields. The majority of organized courses will be offered in the late afternoon and evening, to ensure that employed professionals are able to complete the degree in a reasonable period of time.

**Program Quality**

Faculty in the Department of Communication are active in scholarly research and publication, and all faculty who will supervise student theses have significant records of research accomplishment. External reviewers for the 1999 departmental program review praised the unique, integrated focus of the undergraduate Communication program and judged it to be well suited to the needs of the profession. They also noted the tremendous asset of our geographic location with its multiple media outlets, creating an opportunity they judged to be “unparalleled among public universities in the nation.”

**Program Cost**

Estimated expenditures for the first five years of the program are \$660,800. The largest expenditures will be \$409,000 for two new tenure-track faculty members and \$107,500 for 4 graduate teaching assistants. State formula funding projected for years 3 through 5 of the program is expected to total \$301,294. Tuition revenue from the first five years of the program is expected to total \$216,000.

The University of Texas at El Paso  
Ph.D. in International Business

The University of Texas at El Paso proposes a Ph.D. in International Business to be administered by the College of Business Administration.

Increasingly, business students must not only master new technologies that are being developed, they must also understand the global economic and business environments that transcend national boundaries. Within this context, the Texas border is increasingly important to the state of Texas and the United States. The passage of the North American Free Trade Agreement has brought the region to the forefront of state, national, and international attention and offers a long-standing prototype of interdependence across traditional boundaries.

Students enrolled in the proposed program will have special opportunities to develop the kind of global perspectives that the 21<sup>st</sup> century demands, not only through specific course content but also through the settings in which they will complete their studies. The region has over 350 multi-national business facilities and provides an ideal vantage point to examine contemporary international business situations in which diverse business groups interact globally.

The proposed program capitalizes on UTEP's border location to serve as an intellectual resource in the development of globalized business ventures that represent a vital element of the economic future of Texas and the border region.

Finally, the proposed program will not only help address the critical shortage of Hispanic Ph.D. trained faculty but will also help close the gap in participation rates across the State for minority students. The program also enhances UTEP's position as a nationally and internationally recognized center for research and education related to the U.S.-Mexico border region.

**Program Description**

The proposed program consists of 69 credit hours beyond the bachelor's level, or a minimum of 45 hours beyond the master's level. While the program is designed for individuals with significant formal business training, it will accommodate individuals from a broad variety of disciplinary backgrounds. Students will complete coursework that emphasizes the latest developments in business theory, quantitative techniques, research methodologies, and empirical evidence in the field of international business. In addition, the program will build on the unique assets available in the El Paso-Ciudad Juarez border region to address transnational manufacturing and supply chain and capital flow issues.

### **Program Quality**

The existing UTEP Business faculty has an established record of scholarly accomplishments and research productivity. Current research and outreach programs are linked to research centers on campus and have systematically involved graduate students.

All programs currently offered by the College of Business Administration are accredited by the AACSB International.

### **Program Cost**

Estimated expenditures for the first five years of the program are \$2,484,250. This includes \$1,197,000 for four new faculty positions, \$888,000 for additional teaching assistant positions, \$110,000 for additional staff, and \$289,250 for improved facilities, equipment, and library resources. UTEP will commit \$1,624,500 of existing resources in addition to \$859,750 in formula funding to finance the first five years of the program.



The University of Texas at El Paso  
Ph.D. in Civil Engineering

The University of Texas at El Paso proposes a Ph.D. in Civil Engineering to be administered by the Department of Civil Engineering.

The most recent report by the American Society of Civil Engineers on America's infrastructure provides a discouraging assessment of the state of infrastructure in the United States. The report's analysis of the infrastructure situation in Texas highlights specific concerns for roads and bridges, water, and transit. For example, the report states that 27% of Texas roads are in poor condition, 22% of bridges are structurally deficient or functionally obsolete, 26% of urban freeways are congested, and of the 818 "high hazard" dams in Texas, 49% are structurally deficient. The report also suggests that Texas must invest \$6.4 billion over the next 20 years to upgrade sewage treatment plants and improve water pollution control systems. In the border region of Texas the situation is even more serious, with problems complicated by low economic and education levels and high population growth.

Because the severity of the infrastructure deficiencies are greater in the border region while the area is becoming increasingly more economically important to Texas and the nation, there is a pressing need for research on infrastructure systems that addresses the needs of the region explicitly.

The combination of population growth and neglected infrastructure will over the next several decades require enormous investments in infrastructure development and improvement. This in turn will place substantial pressure on Texas institutions of higher education to produce qualified civil engineering graduates. Expanding the number of graduates will require the recruitment of substantial numbers of new faculty. Moreover, if universities are to achieve the state goal of dramatically increasing the number of minority graduates, it will be important to not only expand but to diversify the current faculty.

The proposed program is designed to sustain research activities in infrastructure systems that will help the region and the state resolve the massive infrastructure development challenges anticipated in the next several decades and to address a critical state and national shortage of Hispanics in engineering fields.

**Program Description**

The proposed program consists of 72 credit hours beyond the bachelor's level (or at least 48 hours beyond the master's). The program focuses on infrastructure engineering systems, a critical area for research and education in the border region. The proposed program emphasizes research and education on environmental, transportation, and structural systems. This emphasis complements existing UTEP Ph.D. programs in

Environmental Science and Engineering, Materials Science and Engineering, and Geological Sciences.

**Program Quality**

The UTEP Civil Engineering faculty has a remarkable and consistent record of scholarly accomplishment and research activity. The department currently generates about \$1 million per year in externally supported research.

**Program Cost**

Estimated expenditures for the first five years of the program are \$1,700,00. This includes \$585,000 for two new faculty positions, \$558,000 for additional teaching assistant positions, \$175,000 for additional staff, and \$382,000 for equipment, library resources, and supplies. UTEP will commit \$1,196,000 of existing resources in addition to \$504,000 in formula funding to finance the first five years of the program.

The University of Texas at San Antonio  
Ph.D. in Cell and Molecular Biology

The University of Texas at San Antonio proposes a Ph.D. in Cell and Molecular Biology be administered by the Department of Biology.

In recent years there has been dynamic growth throughout the world, the nation, and Texas in Biotechnology and Biomedicine. Consequently, there is a critical need for more trained professionals who can sustain this growth into the foreseeable future.

Cell and Molecular Biology is the basic core upon which Biotechnology and Biomedicine have developed and evolved. Advances in these fields will provide critical information to the scientific community for the development of new approaches to diagnosing and treating human injuries, disease, and inherited factors. The new knowledge the scientific community has about the human genome was obtained by the use of cell and molecular biological techniques. Continuation of the research on the human genome project and related areas will require advanced knowledge of cell and molecular biology.

The proposed program is designed to meet the challenges of the Biotechnology and Biomedical revolution by providing students the range of skills in the disciplines of cell, molecular, and developmental biology that will prepare them to become leaders of research and development efforts in biotechnology industries, academic institutions, and biomedical research facilities throughout Texas and the nation.

### **Program Description**

The proposed program consists of 90 credit hours beyond the bachelor's level. The primary objective of the proposed program is to provide students with advanced academic and research training in all aspects of cellular function, especially those that pertain to molecular functioning of biochemical systems. Areas of emphasis of the program include biochemistry, cellular biology, molecular biology, developmental biology, immunology, virology, and molecular genetics.

One of the unique features of the program is the opportunity students will have for interdisciplinary study with the Departments of Computer Science and the College of Engineering. In addition, faculty and students will have the opportunity to engage in collaborative research efforts with The University of Texas Health Science Center - San Antonio and other biomedical and biotechnology research institutes and industries in San Antonio.

### **Program Quality**

The UTSA Department of Biology currently has 27 tenured or tenure-track faculty members. Nineteen of these faculty members will form the core faculty for this program.

The Biology faculty has a consistent record of scholarly accomplishment and research activity.

**Program Cost**

Estimated expenditures for the first five years of the program are \$2,250,000. This includes \$1,800,000 for direct student support, \$125,000 for program administration, \$200,000 for staff support, and \$125,000 for library resources. UTSA will commit \$720,000 of existing resources for the first two years of the program. It is anticipated that by year three the program will be self-sufficient through a combination of state formula funding and federal funding.

The University of Texas at San Antonio  
Ph.D. in Environmental Science and Engineering

The University of Texas at San Antonio proposes a Ph.D. in Environmental Science and Engineering to be administered jointly by the Departments of Earth and Environmental Science and Civil and Environmental Engineering.

The population of the world is expected to increase to over 10 billion before 2050, twice the number of people that are on the earth today. Where will these people live? What will they eat and where will their food be produced? What will be the source of clean water for these people? What will happen to all the waste they produce? These are all environmental science and engineering issues and questions that will require answers from trained environmental scientist and engineers.

The growth in the need for Ph.D. trained environmental scientists and engineers is unequivocal. The National Science Board, the steering body that develops priorities for the National Science Foundation, has identified environmental education and research as one of the three top priorities for the first decade of the 21<sup>st</sup> century.

The proposed program in Environmental Science and Engineering is designed to meet the environmental challenges of the coming decades, both through training environmental scientists and engineers and through research that will have global, national, and regional implications.

### **Program Description**

Students must have a master's degree to be admitted to the proposed program. The program consists of 60 credit hours beyond the master's level. The primary emphasis of the program will be on natural resources, including water resources, land resources, and air resources. Within these broad areas special emphasis will be given to water quality, water pollution control, land conservation and restoration, waste disposal, air pollution control, and global changes.

### **Program Quality**

The UTSA Department of Earth and Environmental Science currently has 11 faculty members, all of whom will be involved in the proposed program. The Civil and Environmental Engineering Department currently has eight faculty, all of whom will be involved in the program. In addition, three faculty from the Departments of Biology and Chemistry will also be involved with the program. The faculty from these departments have an excellent record of scholarship and research.

## **Program Cost**

Estimated expenditures for the first five years of the program are \$4,270,000. This includes \$2,400,000 for direct student support, \$645,000 for new faculty, \$485,000 for staff support, and \$220,000 for library and Information Technology resources, and \$300,000 for equipment. UTSA will commit \$1,246,000 of existing resources for the first two years of the program, and an additional \$1,083,393 of institutional and federal funds for years three through five. It is anticipated that \$2,074,580 of state formula funding will be available for years three through five.



The University of Texas ★ San Antonio

Office of the President

June 12, 2002

Dr. Edwin R. Sharpe  
Vice Chancellor for Academic Affairs  
The University of Texas System  
O. Henry Hall, 601 Colorado Street  
Austin, Texas 78701

RE: University Center Expansion Phase III  
The University of Texas at San Antonio

Dear Dr. Sharpe:

We respectfully request Board of Regents approval to add The University Center Expansion Phase III to the FY 2002 - 2007 Capital Improvement Program and FY 2002 Capital Budget. This addition will be the third phase to be constructed on our campus with the first and second phases being completed in 1986 and 1996. The Total Project Cost (TPC) of \$20,000,000 will be funded by Revenue Bond Proceeds retired by student fees. This project will require a student referendum with Legislative approval.

Your assistance in this matter is greatly appreciated.

Sincerely,

Ricardo Romo  
President

xc: Dr. Rosalie Ambrosino, UTSA  
David R. Larson, UTSA  
Mike Kerker, UT System  
Sidney J. Sanders, OFPC  
Jeff Kaufmann, OFPC  
Philip Aldridge, UT System  
Richard DeLeon, OFPC  
Patrick Rogers, OFPC  
Jeff Rogers, OFPC  
Ysabel Trinidad, UTSA  
Charles Lampe, UTSA

**[DRAFT of resolution for August meetings of the UH and UTS Boards of Regents]**

**RESOLUTION**

**WHEREAS:**

The economic and social health of any society depends on a well-educated citizenry, and this educational imperative is even more critical in the present knowledge-based and global economy;

Texas lags behind other large states and the national average in many key measurements of economic and social vitality, such as the educational level of the workforce, high school graduation rates, university attendance rates, the percentage of adults with a college degree, and per capita income;

Given the reality of demographic change in Texas, and the fact that the fastest growing groups have had the lowest educational achievement rates, the State will fall even further behind in the early 21st Century unless current trends are reversed;

Population growth and demographic change represent a great opportunity for Texas to develop one of the world's most dynamic economies and most vibrant societies, so long as pressing educational challenges are addressed successfully;

Texas higher education, through an initiative administered by the Texas Higher Education Coordinating Board, is committed to a comprehensive program of "Closing the Gaps" in educational participation and achievement at all levels;

The University of Houston System and The University of Texas System are major participants in the Closing the Gaps initiative and related efforts to assist the State's elementary and secondary schools in fulfilling their educational missions;

Both of these university systems have established records of excellence in educational research; development and implementation of research-based instructional programs; innovative teacher education and professional development programs; addressing the educational needs of disadvantaged students and underrepresented segments of the population; and fostering collaboration with the public schools on many fronts;

Together, the UH and UT Systems have a presence in all of the State's major urban areas, where the key educational challenges facing Texas are exhibited in their fullest and most complex forms;

The Board of Regents of both the UH and UT Systems affirm that one of the central responsibilities of public higher education institutions is to focus their resources on advancing a state's economic strength and diversification as well as its social vitality and coherence, and that these worthy goals are often best pursued through collaborative efforts involving partnerships among diverse institutions and organizations; and



By combining their efforts in dealing with many aspects of the serious educational issues facing Texas, the UH and UT systems are well-positioned to create synergies that offer the likelihood of far greater progress than either system could achieve working alone.

THEREFORE, BE IT RESOLVED THAT:

The Boards of Regents of The University of Houston System and The University of Texas System are committed to an expanded series of collaborative efforts between the two systems in order to better address the need for Texas to “Close the Gaps” in all levels of educational participation and achievement;

To further these new collaborations, the two Boards of Regents establish the UH/UT Alliance for Educational Progress, a partnership that will build on the diverse strengths of institutions in each university system to encourage a broad range of collaborations among faculty and administrators, with goals that include:

- enhancing teacher training for the public schools;
- improving professional development of current teachers;
- expanding Advanced Placement offerings in the public schools;
- introducing new curricula and instructional methods to the classroom, consistent with research-based best practices;
- strengthening programs of outreach to educationally, economically or socially disadvantaged students;
- creating and promoting innovative approaches to delivering first-class educational services in a pluralistic urban setting; and
- fostering the concept and practice of education as a seamless continuum that extends, in a formal sense, from pre-kindergarten through advanced university studies, but is, in the truest sense, a lifelong challenge and adventure that is the birthright of all members of a democratic society.

Approved by the Board of Regents of The University of Houston System on August xx, 2002.

(Signed)

Approved by the Board of Regents of The University of Texas System on August xx, 2002.

(Signed)

# **Finance and Planning Committee**

THE UNIVERSITY OF TEXAS SYSTEM  
BOARD OF REGENTS



July 2, 2002



**FINANCE AND PLANNING COMMITTEE  
THE UNIVERSITY OF TEXAS SYSTEM  
BOARD OF REGENTS  
AGENDA**

July 2, 2002  
12:45 p.m.

Board Room, 9<sup>th</sup> Floor, Ashbel Smith Hall

- 
- |            |    |   |  |
|------------|----|---|--|
| 12:45 p.m. | 1. | <b>Welcome and Opening Remarks</b>  | <i>Chairman Hunt</i>                     |
|            | 2. | <b>Agenda Topics for August Board of Regents' Meeting</b>   |  |
| 12:50 p.m. | a. | Increase in Commercial Paper Program Authorization [ <u>Action Item</u> ] (Tab 2a)  | <i>Mr. Philip Aldridge</i>               |
| 1:00 p.m.  | b. | Equipment Financing Program for 2003 [ <u>Action Item</u> ] (Tab 2b)  | <i>Mr. Philip Aldridge</i>               |
| 1:05 p.m.  | c. | Payout Methodology and Rate for Long Term Fund / Permanent Health Fund [ <u>Action Item</u> ]   | <i>Mr. Bob Boldt<br/>Ms. Cathy Iberg</i> |
| 1:20 p.m.  | d. | UTIMCO Quarterly Report [ <u>Action Item</u> ]  | <i>Mr. Bob Boldt</i>                     |
| 1:25 p.m.  | e. | UTIMCO Annual Budget and Management Fee Schedule [ <u>Action Item</u> ]   | <i>Mr. Bob Boldt</i>                     |
| 1:35 p.m.  | f. | Non-Personnel Aspects of the Operating Budgets for the Fiscal Year Ending August 31, 2003 [ <u>Action Item</u> ] (Tab 2f)             | <i>Mr. R.D. Burck</i>                    |
| 1:55 p.m.  | g. | Full-Time Equivalent Limitation of Employees Paid from Appropriated Funds [ <u>Action Item</u> ] (Tab 2g)                             | <i>Mr. Randy Wallace</i>                 |
| 2:00 p.m.  | h. | Proposed Amendments to the Regents' Rules Regarding Insurance on Money and Securities; Fidelity Bonds [ <u>Action Item</u> ] (Tab 2h) | <i>Mr. Phil Dendy</i>                    |
| 2:10 p.m.  | i. | Update on Comprehensive Property Protection and Tropical Storm Allison Recovery [ <u>Action Item</u> ] (Tab 2i)                       | <i>Mr. Paul Pousson</i>                  |
| 2:30 p.m.  | 3. | <b>Facility Assessment and Capital Renewal Study (Tab 3)</b>  | <i>Mr. Sid Sanders</i>                   |
| 2:50 p.m.  | 4. | <b>Quarterly Permanent University Fund/Available University Fund Report (Tab 4)</b>   | <i>Mr. Philip Aldridge</i>               |
| 2:55 p.m.  | 5. | <b>Projected Permanent University Fund Bond Defeasance</b>  | <i>Mr. Philip Aldridge</i>               |
| 3:00 p.m.  | 6. | <b>Out-of-State Students/Tuition Issues (Tab 6)</b>   | <i>Dr. Mike Kerker</i>                   |
| 3:10 p.m.  | 7. | <b>Deregulation Update (Tab 7)</b>  | <i>Mr. Roger Starkey</i>                 |
| 3:15 p.m.  | 8. | <b>Adjourn</b>  |  |

# **The University of Texas System Office of Finance**

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## **Request to Increase the Size of the RFS Commercial Paper Program**

**Finance and Planning Committee**

**July 2, 2002**

# Request

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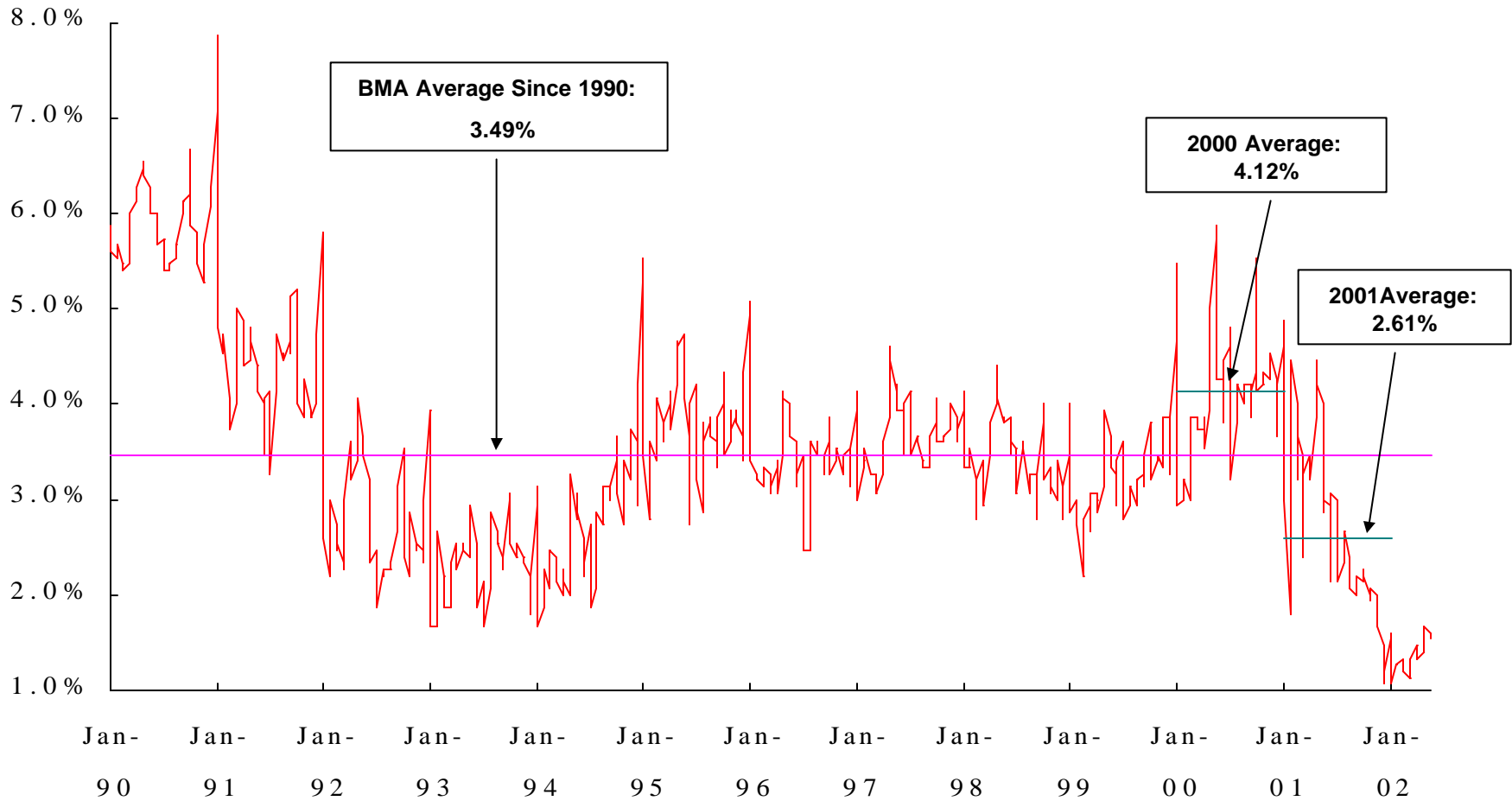
- The Office of Finance is requesting approval to increase the authorized size of the Revenue Financing System Commercial Paper Note, Series A program to \$750 million.
- The commercial paper program is used to provide low-cost financing for certain equipment purchases and interim financing for debt-funded capital projects.
- The commercial paper program was initiated in 1990 with a program authorization of \$100 million. The program authorization was increased to \$150 million in 1993; to \$250 million in 1995, and to \$350 million in 1997.

# Rationale

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- The authorized size of the commercial paper program has not been increased since 1997.
- The requested increase in the commercial paper program is commensurate with the growth in the CIP since 1997.
- In addition, the attractiveness of commercial paper has grown in recent years due to low interest rates and the increased awareness and utilization of equipment financing by the component institutions (in lieu of higher-cost vendor financing).

# Short Term Tax-Exempt Rates Since 1990



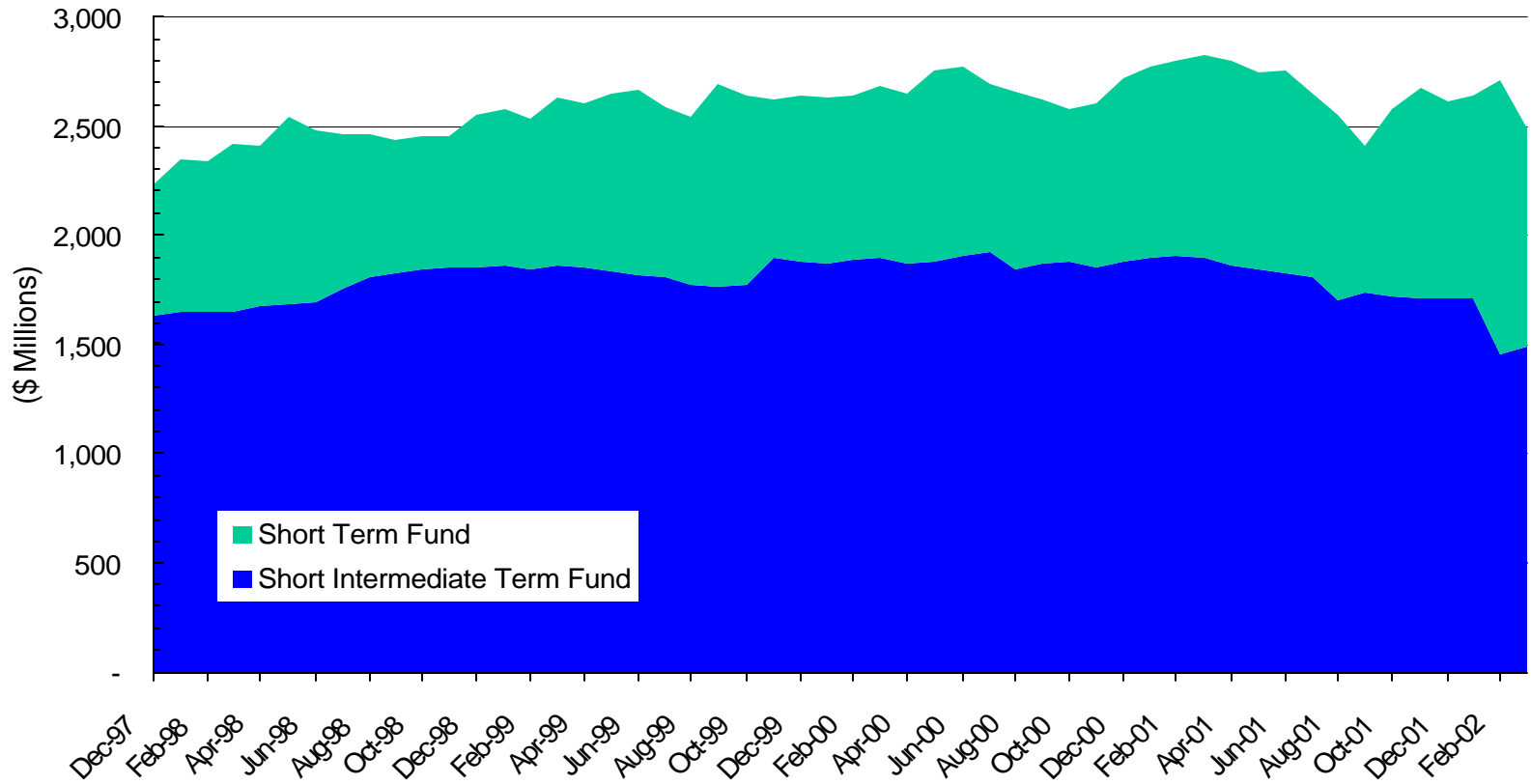
# Liquidity Status

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- The credit rating agencies require that all commercial paper issuers have access to liquidity to purchase the notes in the unlikely event that the notes cannot be remarketed to investors.
- The U.T. System utilizes the Short Intermediate Term Fund (“SITF”) for liquidity purposes.
- The SITF also provides liquidity for \$81.7 million of RFS Bonds, Series 2001A. This commitment amount declines semi-annually.
- Additional liquidity support is available through the Short Term Fund (“STF”).



# STF and SITF Monthly Fund Balances



# Risk Mitigation

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- The maximum amount of notes that can mature on any given day will be \$75 million. Including interest at the maximum rate allowed by law, 15%, for the maximum number of days, 270, results in a total maximum daily amount due of \$83.32 million.
- The daily maximum coverage is 18 times (\$1.5 billion divided by \$83.32 million).
- The invested STF and SITF fund balances have increased by \$300 million since 1997.
- Since the origination of the program in 1990, U.T. System commercial paper notes have never failed to be remarketed.

# Benefits of the Commercial Paper Program

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- The RFS commercial paper program provides extremely efficient access to the short-term tax-exempt market resulting in low-cost financing to institutions.
- By providing internal liquidity, the System saves a minimum of \$750,000 per annum versus obtaining external liquidity. The System also avoids other costs of renewing liquidity lines, principally legal fees, rating agency fees and internal costs.
- The SITF receives a market-based commitment fee that enhances the overall return of the fund.

## Approval of Equipment Financing FY 2003

- On behalf of the component institutions, the Office of Finance is requesting \$49,838,000 of equipment financing for FY 2003.
- In 1994, the Board of Regents approved the use of Revenue Financing System (RFS) debt as an alternative to vendor lease purchase financing.
- The component institutions request equipment financing each year at the August Board meeting.
- To qualify, the equipment must have an aggregate value of \$100,000 or more and have a useful life of at least three years.
- The Board approves the aggregate amount of equipment financing.

Institution	FY03 Requested Equipment Financing	FY02 Requested Equipment Financing	Debt Service Coverage FY03 – FY07 Min. to Max.	Use of Funds
U.T. Arlington	\$4,000,000	\$2,500,000	2.2 – 2.5	Computers, HVAC, Security, Vehicles, Elevators
U.T. Austin	\$2,500,000	\$4,100,000	1.6 – 1.9	Academic and Research Computers and Equipment
U.T. El Paso	\$2,030,000	\$7,915,000	1.3 – 2.2	Vehicles, Network Upgrades, HVAC, Smart Card
SMC Dallas	\$8,125,000	\$2,000,000	2.3 – 2.9	Radiology Oncology Equipment
UTMB Galveston	\$10,000,000	\$10,000,000	3.3 – 4.4	Hospital and Clinic Equipment
HSC San Antonio	\$1,000,000	\$0	1.3 – 1.5	Clinical Equipment
M.D. Anderson	\$20,000,000	\$5,000,000	3.2 – 6.9	Diagnostic Imaging, Radiation, Research Equipment
HC Tyler	\$1,513,000	\$0	1.6 – 2.4	Medical/Clinical Equipment
System Administration	\$200,000	\$200,000	N/A	Office Equipment
<b>Total</b>	<b>\$49,368,000</b>	<b>\$31,715,000</b>	<b>2.0 – 3.0</b>	

**Non-Personnel Aspects of the Operating Budgets for the Fiscal Year Ending August 31, 2003 and Permanent University Fund Bond Proceeds Reserve Allocation for Library, Equipment, Repair and Rehabilitation Projects**

This agenda item recommends approval of the non-personnel aspects of the U. T. System Operating Budget for fiscal year 2003. The Chancellor will give a presentation in support of the Operating Budget recommendations. The personnel aspects of the fiscal year 2003 budget, including Executive Compensation, will be considered in Executive Session at the August Board of Regents' meeting.

An appropriation of Permanent University Fund Bond Proceeds Reserves in the amount of \$30 million is being recommended. This recommendation will be distributed and discussed at the Finance and Planning Committee meeting. The allocation of these reserves to the U. T. System component institutions was developed from prioritized lists of projects submitted by the component institutions and reviewed by U. T. System Administration staff.

Fiscal year 2003 funds from these reserves not expended or obligated by contract/purchase order within six months after the close of fiscal year 2003 are to be available for future System-wide reallocation unless specific authorization to continue obligating the funds is given by the Executive Vice Chancellor for Business Affairs on recommendation of the president and the appropriate executive vice chancellor.

# **THE UNIVERSITY OF TEXAS SYSTEM**

## **OPERATING BUDGET FISCAL YEAR 2003**



*PRESENTATION TO*

**The University of Texas System  
FINANCE AND PLANNING COMMITTEE**

**July 2002**

**THE UNIVERSITY OF TEXAS SYSTEM**

**PROPOSED FY 2003 BUDGET  
(Millions Of Dollars)**

**METHOD OF FINANCING**

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Dollar &amp; Percent Increase/Decrease</u>	
GENERAL REVENUE	\$ 1,507.6	\$ 1,546.9	\$ 39.3	2.6%
EDUCATIONAL AND GENERAL INCOME	1,479.9	1,664.0	184.1	12.4%
OTHER SOURCES OF EDUCATIONAL AND GENERAL OPERATING FUNDS	259.8	275.4	15.6	6.0%
FUNDING FROM PRIOR YEAR BALANCES FOR OPERATIONS & CAPITAL PROJECTS	16.8	65.0	48.2	286.9%
SYSTEM OFFICES	26.1	27.1	1.0	3.9%
DESIGNATED FUNDS				
MSRDP/DSRDP/PRS/AHFSP	769.7	877.7	108.0	14.0%
OTHER DESIGNATED ACTIVITIES	904.5	986.0	81.5	9.0%
AUXILIARY ENTERPRISES	305.5	329.4	23.9	7.8%
CURRENT RESTRICTED				
SPONSORED RESEARCH & SERVICES	831.2	931.3	100.1	12.0%
PRIVATELY SPONSORED RESEARCH	131.2	152.1	20.9	15.9%
GIFTS AND GRANTS	<u>220.0</u>	<u>248.8</u>	<u>28.8</u>	<u>13.1%</u>
<b>TOTAL BUDGET</b>	<u><u>\$ 6,452.3</u></u>	<u><u>\$ 7,103.7</u></u>	<u><u>\$ 651.4</u></u>	<u><u>10.1%</u></u>

Note:

See Pages 2 and 3 for comments.

**THE UNIVERSITY OF TEXAS SYSTEM**  
**FY 2003 BUDGET**  
**COMMENTS ON METHOD OF FINANCING**

- Net **GENERAL REVENUE** increased \$39.3 million as a result of increases in funding for staff group insurance and tuition revenue bonds. General Revenue decreased as a percent of the Total Expenditure Budget from 23.6% in Fiscal Year 2002 to 22.1% in Fiscal Year 2003.
- The net increase of \$184.1 million in **EDUCATIONAL AND GENERAL INCOME** is the result of increased income from patients, overhead recovery and tuition. Overall Patient Income increased \$133.0 million or 12.4% over FY 2002 largely due to increases at U. T. MB Galveston (\$28.8 million) and U. T. MD Anderson (\$92.8 million). Income from overhead recovery increased by 15.1% (\$26.0 million) while tuition revenue grew 12.3% (\$24.8 million).
- **OTHER SOURCES OF EDUCATIONAL AND GENERAL OPERATING FUNDS** increased \$15.6 million. The increase primarily results from growth in the Available University Fund distribution to U. T. Austin (\$9.6 million).
- **FUNDING FROM PRIOR YEAR BALANCES** including that used for capital projects increased \$48.2 million due to planned uses of fund balance for capital projects at U. T. MD Anderson.
- **SYSTEM OFFICES** - funding requirements show an increase of \$1.0 million or 3.9% due to primarily to salary increases and staff benefits.
- **DESIGNATED FUNDS** increased 11.3%. Estimates of Practice Plan revenues increased by \$107.9 million or 14.0%. Other Designated Funds increased 9.0% or \$81.5 million due in large part to increases in Designated Tuition and fees at academic institutions and miscellaneous other designated income.
- Increase of \$23.9 million in **AUXILIARY ENTERPRISES** is due to increased fees and charges necessary to cover anticipated operating costs.



**THE UNIVERSITY OF TEXAS SYSTEM**  
**FY 2003 BUDGET**  
**COMMENTS ON METHOD OF FINANCING**

- **SPONSORED RESEARCH AND SERVICES** has increased 12.0% or \$100.1 million as a result of increased research activities and overly conservative budgeting for Fiscal Year 2002. The greatest increases occurred at U. T. MD Anderson (\$32.0 million), U. T. Austin (\$24.0 million) and U. T. Southwestern (\$16.7 million).
  
- **PRIVATELY SPONSORED RESEARCH** shows a net increase of \$20.9 million or 15.9%. The largest increases were at U. T. MD Anderson (\$11.0 million) and U. T. Southwestern (\$9.7 million).
  
- **GIFTS AND GRANTS** has increased \$28.8 million or 13.1% primarily resulting from increases at U. T. MD Anderson (\$14.5 million) and U. T. Austin (\$9.3 million).

**PROPOSED FY 2003 BUDGET  
(Millions Of Dollars)**

**EXPENDITURES**

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Dollar &amp; Percent Increase/Decrease</u>	
INSTRUCTION & ACADEMIC SUPPORT	\$ 1,071.3	\$ 1,112.3	\$ 41.0	3.8%
RESEARCH	153.5	176.6	23.1	15.0%
PUBLIC SERVICE	17.2	17.6	0.4	2.7%
HEALTH CARE	862.5	933.1	70.6	8.2%
INSTITUTIONAL SUPPORT	268.9	292.0	23.1	8.6%
STUDENT SERVICES	35.8	37.5	1.7	4.9%
STAFF BENEFITS	338.2	391.5	53.3	15.8%
OPERATIONS & MAINTENANCE OF PLANT	369.1	384.7	15.6	4.2%
SCHOLARSHIPS & FELLOWSHIPS	56.5	61.8	5.3	9.3%
CAPITAL PROJECTS	91.0	144.1	53.1	58.4%
SYSTEM OFFICES	26.1	27.1	1.0	3.9%
DESIGNATED				
MSRDP/DSRDP/PRS/AHFSP	769.2	861.2	92.0	11.9%
OTHER DESIGNATED ACTIVITIES	829.4	917.3	87.9	10.6%
AUXILIARY ENTERPRISES	309.5	331.0	21.5	7.0%
CURRENT RESTRICTED FUNDS				
SPONSORED RESEARCH AND SERVICES	831.2	931.3	100.1	12.0%
PRIVATELY SPONSORED RESEARCH	131.2	152.1	20.9	15.9%
OTHER GIFTS AND GRANTS	220.0	248.8	28.8	13.1%
<b>TOTAL BUDGET</b>	<b><u>\$ 6,380.6</u></b>	<b><u>\$ 7,020.0</u></b>	<b><u>\$ 639.4</u></b>	<b><u>10.0%</u></b>

Note:

See Page 5 and 6 for comments.

**THE UNIVERSITY OF TEXAS SYSTEM**  
**FY 2003 BUDGET**  
**COMMENTS ON EXPENDITURES**

- **INSTRUCTION & ACADEMIC SUPPORT** increased \$41.0 million or 3.8% primarily due to merit and state-mandated salary increases awarded to faculty and staff.
- **RESEARCH** increased \$23.1 million or 15.0% due primarily to U. T. MD Anderson (\$20.0 million). The increase results from a change in the budgeting methodology for recruitment and research startup funds and the reclassification of basic science faculty from Instruction to Research to more closely align the budget with their function.
- **PUBLIC SERVICE** increased by \$0.4 million or 2.7%.
- **HEALTH CARE** increased \$70.6 million or 8.2% due increases in patient care expenditures at U. T. MB Galveston and U. T. MD Anderson.
- **INSTITUTIONAL SUPPORT** increased \$23.1 million or 8.6%. Academic institutions increased \$7.7 million and health institutions increased \$15.4 million. Increases are due to merit and mandated salary increases, new initiatives, and new staff.
- **STUDENT SERVICES** increased \$1.8 million or 4.9%.
- **STAFF BENEFITS** increased \$46.5 million or 15.8% due primarily to the rising cost of premium sharing for employees.
- **OPERATIONS & MAINTENANCE OF PLANT** increased \$15.6 million or 4.2% primarily due to anticipated debt service on H.B. 658 tuition revenue bonds (\$24.0 million) offset by declines in utility expenditures paid from Educational and General funds.
- **SCHOLARSHIPS & FELLOWSHIPS** increased \$5.3 million or 9.3% largely due to growth in scholarships budgeted at U. T. Austin (\$4.4 million).
- **EDUCATIONAL AND GENERAL CAPITAL PROJECTS** have increased \$53.1 million or 58.4% due largely to planned expenditures at U. T. MD Anderson (\$42.0 million) and U. T. MB Galveston (\$11.2 million).
- **SYSTEM OFFICES** - funding requirements show an increase of \$1.0 million or 3.9% due to salary increases, staff benefits, and new initiatives.

**THE UNIVERSITY OF TEXAS SYSTEM**  
**FY 2003 BUDGET**  
**COMMENTS ON EXPENDITURES**

- **DESIGNATED FUND** increases of \$179.9 million or 11.2% are due to Practice Plan increases of \$90.8 million, increased expenses associated with fees collected such as the U. T. Austin infrastructure charge and the information technology and library fees at U. T. Arlington and U. T. Dallas, and miscellaneous increases in Other Designated Activities.
- **AUXILIARY ENTERPRISES** increased by \$21.5 million or 7.0% due to increases in operating costs and debt service.
- **CURRENT RESTRICTED FUNDS** expenditures track the increased revenue for these funds.

## GLOSSARY OF TERMS

### -- METHOD OF FINANCING --

**GENERAL REVENUE** -- Appropriations from the State General Revenue fund, which supplement the U. T. component institutional revenue in meeting operating expenditures such as Faculty Salaries, Utilities, and Institutional Support. Also includes Higher Education Assistance Fund (HEAF) appropriations that are a source of state appropriated general revenue to U. T. Brownsville and U. T. Pan American. HEAF funds are appropriated for construction, library, and equipment expenditures for Texas public universities that do not benefit from the Permanent University Fund (PUF) bond proceeds.

**EDUCATIONAL AND GENERAL INCOME** -- Revenues earned at the U. T. component institution for services provided or investments made. The categories include Tuition, net of Texas Public Education Grant (TPEG) funds and Skiles Act Fees (tuition allowed to be set aside for debt service), Student Fees, Overhead on Sponsored Projects (Indirect Cost Recoveries), Interest on Time Deposits, Organized Activities Related to Instruction (U. T. Dallas Callier Center), Other Income, and Income from Patients.

**OTHER SOURCES OF EDUCATIONAL AND GENERAL OPERATING FUNDS** -- Transfers from other fund groups or agencies, or funds from federal and state sources (other than the General Revenue Fund). The categories are as follows:

Available University Fund (U. T. Austin) -- Annual transfer of funds from the Available University Fund (AUF) to U. T. Austin for current operations.

Transfers from Other Fund Groups -- Earnings from other fund groups, such as Designated Funds, needed to maintain the operating level of expenditures in Educational and General Funds.

Texas Southmost College (TSC) Contract (U. T. Brownsville) -- A source of revenue unique to U.T. Brownsville, associated with the educational partnership between Texas Southmost College and U. T. Brownsville for TSC community college programs.

H.C.P.C. Funding -- Funding for the Harris County Psychiatric Center hospital operated by U. T. HSC Houston. The Texas Department of Mental Health & Mental Retardation (TDMHMR) and Harris County contract with U. T. HSC Houston to operate this facility.

State Grants and Contracts -- Funding received from the State of Texas or other states. Examples include TEXAS Grants and Advanced Technology and Advanced Research grants received from the Texas Higher Education Coordinating Board.

Medicare/Medicaid Cost Settlements -- Payments to hospitals, laboratories, or intermediaries resulting from Medicare/Medicaid tentative or final audit settlements due to determination of final reimbursement and/or audit adjustments.

**FUNDING FROM PRIOR YEAR BALANCES FOR OPERATIONS AND CAPITAL PROJECTS** -- Balances from prior fiscal year activity in Educational and General Funds needed to balance the current year's Operating Budget. Also included are funds from prior fiscal year balances that are specifically earmarked for capital project expenditures.

**SYSTEM OFFICES** -- Funds from General Revenue and the Available University Fund (AUF) to help fund U. T. System Administration offices.

**DESIGNATED FUNDS** -- Revenues that "administration" has designated for specific purposes (not to be confused with "Restricted" Funds which are specified for a particular use by "outside donors"). The categories are as follows:

## GLOSSARY OF TERMS

### -- METHOD OF FINANCING --

MSRDP/PRS, DSRDP -- Medical Services Research and Development Plan/Physicians' Referral Service/Dental Services Research and Development Plan. These plans are trust funds established by the U. T. Board of Regents that operate under approved bylaws, authorizing the specific types of expenditures that can be made. The revenue in these plans is derived from the physicians' or dentists' fees for services to patients.

Allied Health Faculty Services Plan – This plan is similar to MSRDP/PRS and DSRDP plans as defined above with the exception that the revenue is derived from practitioner fees. Practitioners are defined as Physical Therapists, Prosthetists/Orthotists, Registered Dieticians, Medical Technologists and Rehabilitation Counselors.

Designated Activities -- Revenues related to various U. T. component institution programs (e.g., Texas Department of Criminal Justice (TDCJ) contract, continuing education programs, TPEG programs, etc.). Examples of revenues include TDCJ contract income at U.T.M.B. Galveston, and Designated Tuition charged to students upon registration and used for operational purposes. Distributions of income from the Tobacco settlement endowments established by the 76th Legislature are also included.

**AUXILIARY ENTERPRISES** -- Revenues derived from self-supporting U. T. component institution enterprises (e.g., bookstores, dormitories, inter-collegiate athletic programs, etc.), as well as Student Service Fees used to supplement the operations of enterprises which are not fully self-supporting.

**CURRENT RESTRICTED FUNDS** -- Federal, State, Local, and Private awards used for purposes specified by the "donors" in the agreements. The categories include Sponsored Research and Services, Privately Sponsored Research, and Other Gifts and Grants. Restricted gift income related to pledges should also be reported here.

## GLOSSARY OF TERMS

### -- SUMMARY OF EXPENDITURES --

**INSTRUCTION & ACADEMIC SUPPORT**—Expenditures for salaries, wages, and all other costs related to those engaged in the teaching function including the operating cost of instructional departments. This would include the salaries of faculty, teaching assistants, lecturers and teaching equipment. Library materials and related salaries are also included.

**RESEARCH** -- Expenditures for salaries and wages and other cost associated with the support of research conducted by faculty members.

**PUBLIC SERVICE** -- Expenditures for activities providing non-instructional services beneficial to individuals and groups external to the institution.

**HEALTH CARE** -- Expenditures of U. T. health-related institutions with teaching hospital affiliations for costs associated with operating the entity (i.e., labs, pharmacies, personnel salaries, etc.)

**INSTITUTIONAL SUPPORT** -- Expenditures for central executive-level activities concerned with management and long-range planning for the entire institution, such as the governing board, planning and programming, and legal services; fiscal operations, including the investment office; administrative data processing; space management; employee personnel and records; logistical activities that provide procurement, storerooms, safety, security, printing, and transportation services to the institution; support services to faculty and staff that are not operated as auxiliary enterprises; and activities concerned with community and alumni relations, including development and fund raising.

**STUDENT SERVICES** -- Expenditures for offices of admissions and of the registrar and activities with the primary purpose of contributing to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program.

**STAFF BENEFITS** -- Expenditures for premiums or costs of staff benefits programs, including group insurance premiums, Old Age and Survivors Insurance, Workers' Compensation Insurance, and Unemployment Compensation Insurance.

**OPERATION & MAINTENANCE OF PLANT** -- Expenditures of current operating funds for the operation and maintenance of the physical plant. It includes all expenditures for operations established to provide services and maintenance related to grounds and facilities. Also included are utilities, fire protection, property insurance, and similar items. Specifically included are: salaries, wages, supplies materials and other expenses necessary to keep each building in good appearance and usable condition. Also includes expenses necessary to keep the buildings in a clean and sanitary condition, provide upkeep of all lands designated as campus proper (improved and unimproved) not occupied by actual buildings. Tuition and revenue related debt service are budgeted in this area.

**SCHOLARSHIPS & FELLOWSHIPS** -- Expenditures for scholarships and fellowships in the form of grants to students, resulting from selection by the institution or from an entitlement program.

**CAPITAL PROJECTS** -- Funds used for major repair, rehabilitation, and renovation of existing buildings and facilities, as well as funds to supplement major capital projects. Sources of funding typically include Educational and General funds or HEAF.

**SYSTEM OFFICES** -- Expenditures for salaries, wages, supplies, equipment, travel, and other miscellaneous categories necessary to carry out the day-to-day operations at U. T. System Administration.

**DESIGNATED FUNDS** -- Expenditures that "administration" has designated for specific purposes (not to be confused with "Restricted" Funds which are specified for a particular use by outside "donors"). The categories are as follows:

## GLOSSARY OF TERMS

### -- SUMMARY OF EXPENDITURES --

MSRDP/PRS, DSRDP -- Medical Services Research and Development Plan/Physicians' Referral Service/ Dental Services Research and Development Plan. These plans are trust funds established by the U. T. Board of Regents that operate under approved bylaws, authorizing the specific types of expenditures that can be made. The expenditures in these plans come from the services provided by physicians or dentists to patients and include outlays for supplies, equipment, salaries, and staff benefits.

Allied Health Faculty Services Plan – This plan is similar to MSRDP/PRS and DSRDP plans as defined above with the exception that the expenditures result from practitioners' services.

Designated Activities -- Expenditures related to various U. T. component institution programs (e.g., TDCJ contract, continuing education programs, TPEG programs, etc.) and Designated Tuition used for operational purposes. Examples of expenditures include payments for TDCJ hospital and managed care expenses, food, materials, and instructors at U. T. Medical Branch Galveston. Tobacco settlement endowment earnings are used for education, research and patient care. Debt service transfers to U. T. System Administration to pay bondholders, who helped finance related capital projects are also shown in this area.

**AUXILIARY ENTERPRISES** -- Expenditures of self-supporting component institution enterprises (e.g., bookstores, dormitories, inter-collegiate athletic programs, etc.). The outlays also include debt service transfers to U. T. System Administration to pay bondholders, who helped finance related capital projects in this area.

**CURRENT RESTRICTED FUNDS** -- Expenses related to Federal, State, Local, and Private awards used for purposes specified by the "donors" in the agreements. The categories include Sponsored Research and Services, Privately Sponsored Research, and Other Gifts and Grants.



**Request to Exceed the Full-Time Equivalent Limitation  
on Employees Paid from Appropriation Funds**

This request is in accordance with Article IX, Section 6.14 of Senate Bill 1 (General Appropriations Act) passed by the 77<sup>th</sup> Texas Legislature, Regular Session. This rider places a limit on the number of full-time equivalent (FTE) employees paid from Appropriated Funds that an institution may employ without written approval of the Governor and the Legislative Budget Board. In order to exceed the FTE limitation, a request must be submitted by the governing board and must include the date on which the board approved the request, a statement justifying the need to exceed the limitation, the source of funds to be used to pay the salaries, and an explanation as to why the functions of the proposed additional FTEs cannot be performed within current staffing levels.

<b>Component</b>	<b>S.B. 1 FTE Limitation</b>	<b>Estimated Average FTE FY2003</b>	<b>Requested Increase In Number of FTEs</b>
U. T. System Administration	223.80	258.40	34.60
U. T. Arlington	1,921.50	2,047.00	125.50
U. T. Brownsville	294.20	759.90	465.70
U. T. Dallas	1,163.50	1,304.80	141.30
U. T. El Paso	1,510.60	1,604.22	93.62
U. T. Pan American	1,257.00	1,394.35	137.35
U. T. Permian Basin	248.50	262.10	13.60
U. T. San Antonio	1,638.30	1,753.30	115.00
U. T. Tyler	353.30	393.30	40.00
U. T. SWMC - Dallas	1,669.50	1,739.50	70.00
U. T. H.S.C. – San Antonio	2,248.10	2,351.90	130.80
U. T. MDA Cancer Center	7,861.40	8,859.40	998.00

# Proposed Amendments to the Regents' Rules Regarding Insurance on Money and Securities, Fidelity Bonds

## **BACKGROUND INFORMATION**

Currently, the U. T. System purchases a crime insurance policy covering losses to money and securities. Coverage for losses arising from employee dishonesty has been included in this insurance policy, making the purchase of a blanket position fidelity bond unnecessary.

Part Two, Chapter III, Section 11 of the Regents' Rules and Regulations specifies the authority to purchase insurance on money and securities and to settle claims made against that policy. The section also specifies purchase authority and claims settlement procedures if U. T. System should decide to purchase a blanket position fidelity bond in lieu of employee dishonesty insurance.

The proposed changes to Part Two, Chapter III, Section 11 of the Regents' Rules and Regulations remove language regarding the purchase of bonds that is now outdated due to recent statutory changes and make the policy and settlement approval requirements consistent with those for other types of insurance as specified in Part Two, Chapter VII, Section 4 of the Regents' Rules and Regulations. Among those requirements are provisions for large partial settlements, which may be approved by the Chancellor.

## **RECOMMENDED CHANGES**

Sec. 11. Insurance on Money and Securities; Fidelity Bonds.

11.1 Insurance on Money and Securities.--

11.11 The [As approved by the Board, the] System carries a blanket System-wide crime insurance policy insuring against loss of money or securities, including loss caused by employee dishonesty, at any of the component institutions. The terms of the policy shall be negotiated by the U. T. System Administration Director of Business and Administrative Services. The purchase or renewal of the policy shall be approved by the Executive Vice Chancellor for Business Affairs if the premium is in excess of \$100,000. [The premium paid by each institution is separately computed and is based on the coverage applicable at each institution.]

11.12 At the time any loss occurs at any institution, the U. T. System Administration Director of Business and Administrative Services [Executive Vice Chancellor for Business Affairs] shall be notified by the appropriate Chief Business Officer. The U. T. System Administration Director of Business and Administrative Services [and] shall approve all loss claims and settlements up to \$50,000. Any settlement over \$50,000 [ \$2,000] and up to \$500,000 [under \$10,000] shall be approved by the Executive Vice Chancellor for Business Affairs. Notification of the settlement will be given to the Board at the discretion of the Executive Vice Chancellor for Business Affairs. Settlements over \$500,000 and up to \$1,000,000 shall be approved by the Executive Vice Chancellor for Business Affairs and shall be reported to the Board for ratification. Settlements in excess [the amount] of \$1,000,000 [\$10,000 or more] must have the approval of the Board. [Money and securities coverage may be combined with the blanket position fidelity bond.]

11.13 If a loss is so extensive that partial settlements in excess of \$1,000,000 are necessary, the Chancellor is delegated authority to execute all documents related to the partial settlement or adjustment. The Board will be notified by the Chancellor of all partial settlements made in excess of \$500,000. Final settlement of claims in excess of \$1,000,000 will require approval of the Board.

## 11.2 Fidelity Bonds.

11.21 If the System discontinues its employee dishonesty insurance coverage, [As approved by the Board,] the System may purchase, in accordance with all applicable State laws, [shall carry] a blanket position (fidelity) bond covering [that shall cover] employees of all component institutions. [All employees shall be covered in the amount of not less than \$5,000 each. For total coverage in excess of \$10,000, approval of the State Auditor is necessary.]

~~[11.22] [The Secretary of State and the State Comptroller of Public Accounts shall be each furnished with an original of the bond.]~~

11.22 [11.23] The premium for the bond shall be [is] prorated to the component institutions on the basis of the number of employees covered for which a premium charge is made and the excess coverage thereon.

11.23 [11.24] At the time a loss occurs, the U. T. System Administration Director of Business and Administrative Services shall be notified by the appropriate Chief Business Officer. The U. T. System Administration Director of Business and Administrative Services shall approve all loss claims and settlements up to \$50,000. Any settlement over \$50,000 and up to \$500,000 shall be approved by the Executive Vice Chancellor for Business Affairs. Notification of the settlement will be given to the Board at the discretion of the Executive Vice Chancellor for Business Affairs. Settlements over \$500,000 and up to \$1,000,000 shall be approved by the Executive Vice Chancellor for Business Affairs and shall be reported to the Board for ratification. Settlements in excess of \$1,000,000 [the Executive Vice Chancellor for Business Affairs shall be notified by the chief business officer and shall approve all loss claims and settlements. Any settlement over \$2,000 and under \$10,000 shall be reported to the Board for ratification. Settlements in the amount of \$10,000 or more] must have the approval of the Board.

11.24 [11.25] If a loss is so extensive that partial settlements in excess of \$1,000,000 are necessary, the Chancellor is delegated authority to execute all documents related to the partial settlement or adjustment. The Board will be notified by the Chancellor of all partial settlements made in excess of \$500,000. Final settlement of claims in excess of \$1,000,000 will require approval of the Board. [The blanket position fidelity bond coverage may be combined with money and securities coverage.]

# **Update on Comprehensive Property Protection Program (CPPP) and Tropical Storm Allison Recovery**

## **History and Background**

The CPPP was established in 1995 as a means of financing catastrophic property losses. The program combines a \$5 million Self Insurance Fund that was initially funded by the Board of Regents and a commercial property insurance policy. Major losses that have been reported under this program are the Welch Hall fire of 1996, the Recreation Center fire of 2001 and damage from Tropical Storm Allison in 2001. The current CPPP fund balance is \$2.8 million.

In November 2001, the CPPP insurance policy renewed in a severely hardened insurance market. The premium increased significantly, and the policy now excludes losses caused by wind, flood and terrorism.

## **“Non-Named Windstorm” Tornado Coverage**

Prior to binding coverage, U.T. System’s insurance broker represented that, subject to the \$5 million deductible, the policy would cover a loss caused by a tornado as long as the tornado was not spawned by a named windstorm. U. T. System Administration has recently learned that this is not the case and that the CPPP insurance policy does not include coverage for tornadoes.

The current policy covers our most frequent type of loss, fire, and other perils excluding wind and flood. In the event of a “non-named windstorm” tornado loss, the CPPP Self-Insurance Fund will continue to finance this exposure under the current 5-year payback schedule (50% paid by component with the loss, 50% paid by all components). However, the maximum annual financing available through the CPPP Self Insurance Fund is \$5 million.

The broker has been put on notice that if a wind loss that exceeds our deductible occurs, we have been damaged and expect coverage based on their representations.

## **Restructure of CPPP**

Prior to the discovery of the tornado exclusion, U. T. System Administration and the Risk Management Advisory Committee had been exploring options to reduce premiums and U. T. System’s dependency on insurance market cycles by taking advantage of our ability to fund losses with low-cost debt and increasing our deductible. In cooperation with Office of Finance staff, we created a financial model that evaluated several deductible options using loss projections developed by our actuary.

The results of the model indicated that self-insurance was the most cost-effective means of financing the majority U. T. System’s projected losses given the current cost of insurance. This study and the new knowledge of the tornado exclusion have led us to examine alternative structures for the CPPP program and to re-enter the insurance market to seek tornado coverage.

The recommended new structure of the CPPP consists of two distinct programs. One is a total self-insurance program that covers losses caused by named windstorms and flood. To protect the self-insurance fund, component institutions in the Tier 1 wind zone and/or Flood Zone A would be required to purchase Texas Windstorm Association and National Flood Insurance Program policies. Because these policies provide an underlying layer of protection for the program, the institutions that purchase these policies would receive direct credit to offset their annual fund contributions.

The second program would cover fire and all other perils, including “non-named windstorm” tornadoes, if cost effective. This program includes insurance, but with a significant deductible. In order to finance the self-insurance portion of this program and, component institutions would make annual contributions to self-insurance funds in addition to premiums. Both programs would continue to require institutional deductibles ranging from \$100,000 to \$250,000 per occurrence before being eligible to receive program funds.

Exhibits 1 and 2 provide a textual and graphical overview of each program. The lower portion of each exhibit includes each component’s estimated, annual premium and fund contributions in the columns that are shaded in yellow. It also includes an example of annual fund replenishment and debt service payments if a large loss should occur. These columns are shaded in blue.

The critical elements of each program such as ultimate cost, deductibles, coverage terms and conditions, etc. are subject to change and will not be finalized until the insurance marketing process is complete. The recommended programs have been reviewed with the Chief Business Officers of each component institution or their delegates. All institutions support both the Fire and All Other Perils and Named Windstorm and Flood programs.

It is recommended that the Board of Regents authorize the Executive Vice Chancellor for Business Affairs or his delegates to move forward with the proposed new structure of the CPPP. Implementation of the Fire and All Other Perils program may occur as early as mid-August if we are able to cancel and rewrite the existing policy at more favorable terms.

It is further recommended that the Board of Regents allocate \$5.5 million of Available University Fund monies to the CPPP to offset the cost of fund contributions to the component institutions for the first year. The institutions experienced approximately a 300% increase in premiums this fiscal year. The new structure would result in an additional \$3 million annual expense for the component institutions.

The program will be evaluated every year and consideration will be given to purchasing insurance with lower retentions if premium costs significantly decrease.

**Tropical Storm Allison Recovery – UTHSC Houston**  
**Summary of Financial Impact**

**(\$ in Millions)**

• Facilities (Physical Damage)	\$103.0
• Business Interruption (BI)	\$ 10.0
• Mitigation (Preventative Measures)	<u>\$ 60.0</u>
• Total Estimated Costs	\$173.0

**Funding Sources**

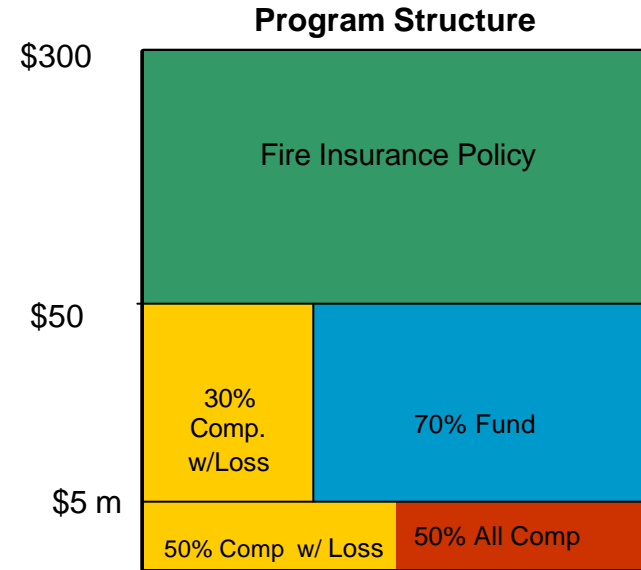
• Insurance	\$ 76.0*
• Institutional Funds (BI Absorption)	\$ 10.0
• FEMA (Facilities and Mitigation)	\$ 61.0
• Legislative/Other	<u>\$ 26.0</u>
	\$173.0

\* Insurance has already paid \$22 million. Total payments from our insurers could range from \$51 million to \$103 million. Anticipated date for final settlement is late summer or early fall 2002.

# Fire and All Other Perils Program - \$50 million Deductible

## Program Description

- \$300 million limits
  - \$50 million annual aggregate deductible
  - Policy premium ~ \$2.5 million
  - Annual Fund contribution \$2.5 million
- Deductible
- 1st \$5 million – 50%/50% as in current program (5 yr.)
  - \$5 million to \$50 million – Debt Financing
    - Debt Service - 30% component with loss, 70% fund
- Advantages
- Increased benefit if favorable loss experience
  - Reduced dependency on insurance market cycles
- Disadvantages
- Greater exposure if poor loss experience



## Loss Scenario: \$34 mill. Fire Loss at UTSA

Institution	Total Insured Values	Premium	Annual Fund Contribution	Total Annual Payments	Annual Fund Replenishment 5 Years	Annual Fund Replenishment 5 Years	Annual Debt Payment (30% of \$29 mill. debt)	Annual Net Fund Payment (70% of \$29 mill. debt)	Total Insurance Payment
UT Arlington	\$622,731,456	\$ 106,889	\$ 106,889	\$ 213,777		\$ 21,378			
UT Austin	\$4,477,008,205	\$ 768,455	\$ 768,455	\$ 1,536,909		\$ 153,691			
UT Brownsville	\$28,259,090	\$ 4,851	\$ 4,851	\$ 9,701		\$ 970			
UT Dallas	\$282,202,120	\$ 48,438	\$ 48,438	\$ 96,877		\$ 9,688			
UT El Paso	\$458,621,375	\$ 78,720	\$ 78,720	\$ 157,440		\$ 15,744			
UT Pan American	\$315,580,829	\$ 54,168	\$ 54,168	\$ 108,336		\$ 10,834			
UT Permian Basin	\$86,463,468	\$ 14,841	\$ 14,841	\$ 29,682		\$ 2,968			
UT San Antonio	\$440,434,631	\$ 75,598	\$ 75,598	\$ 151,197	\$ 500,000	\$ 15,120	\$ 759,000		
UT Tyler	\$125,198,901	\$ 21,490	\$ 21,490	\$ 42,979		\$ 4,298			
UT SWMC Dallas	\$1,460,366,719	\$ 250,664	\$ 250,664	\$ 501,328		\$ 50,133			
UT MB Galveston	\$2,007,949,450	\$ 344,654	\$ 344,654	\$ 689,308		\$ 68,931			
UT HSC Houston	\$903,995,854	\$ 155,166	\$ 155,166	\$ 310,332		\$ 31,033			
UT HSC SA	\$829,602,131	\$ 142,397	\$ 142,397	\$ 284,794		\$ 28,479			
UT MDACC	\$2,209,257,025	\$ 379,207	\$ 379,207	\$ 758,414		\$ 75,841			
UT HC Tyler	\$236,748,170	\$ 40,637	\$ 40,637	\$ 81,273		\$ 8,127			
UT System Admin.	\$80,552,091	\$ 13,826	\$ 13,826	\$ 27,653		\$ 2,765			
<b>TOTALS</b>	<b>\$14,564,971,514</b>	<b>\$ 2,500,000</b>	<b>\$ 2,500,000</b>	<b>\$ 5,000,000</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 759,000</b>	<b>\$ 1,769,000</b>	<b>\$ -</b>

\*Premium and Fund Contribution amounts subject to change depending on insurance quotes, final coverages and values.

# Named Windstorm and Flood Program – \$50 million Self Insurance Program

## Program Description

- NFIP and Texas Windstorm Assoc. policies primary
- Self Insurance Fund - \$50 million program
- Annual Fund contribution \$3 million (risk weighted – location, 10% all non-coastal/flood plane locations)

## Debt Financing

- Debt Service - 40% component with loss, 60% fund

## Advantages

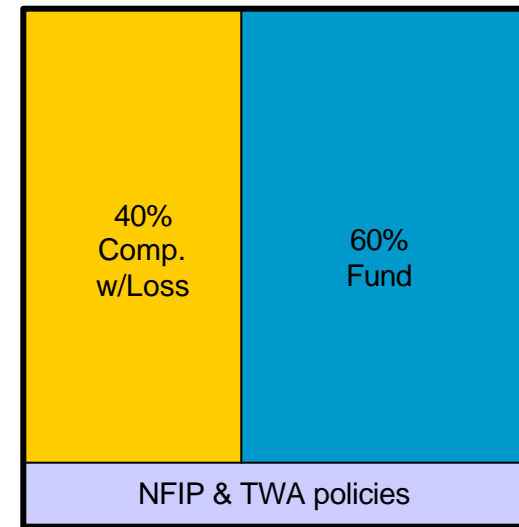
- Some level of wind and flood coverage in place
- Avoids costly premium expense
- Reduces dependency on market cycles

## Disadvantages

- Does not address losses in excess of \$50 million

\$50 m

## Program Structure



## Loss Scenario: \$115 mill. Wind/Flood Loss at UTHSC Houston

Institution	Total Insured Values	Annual Fund Contribution	Total Annual Payments by Components	Annual Debt Payment (40% of \$50 mill. debt)	Annual Net Fund Payment (60% of \$50 mill. debt)	Total Uninsured Loss
UT Arlington	\$615,672,337	\$ 24,870	\$ 24,870			
UT Austin	\$4,355,853,945	\$ 242,329	\$ 242,329			
UT Brownsville	\$28,259,090	\$ 32,669	\$ 32,669			
UT Dallas	\$278,902,120	\$ 11,266	\$ 11,266			
UT El Paso	\$429,608,601	\$ 17,354	\$ 17,354			
UT Pan American	\$315,580,829	\$ 110,215	\$ 110,215			
UT Permian Basin	\$68,696,366	\$ 2,775	\$ 2,775			
UT San Antonio	\$440,434,631	\$ 18,245	\$ 18,245			
UT Tyler	\$91,578,037	\$ 3,699	\$ 3,699			
UT SWMC Dallas	\$906,063,268	\$ 38,596	\$ 38,596			
UT MB Galveston	\$1,239,786,896	\$ 1,433,261	\$ 1,433,261			
UT HSC Houston	\$487,229,358	\$ 611,019	\$ 611,019	\$ 1,750,000		\$ 65,000,000
UT HSC SA	\$457,743,864	\$ 18,491	\$ 18,491			
UT MDACC	\$1,223,728,028	\$ 427,100	\$ 427,100			
UT HC Tyler	\$150,818,057	\$ 6,092	\$ 6,092			
UT System Admin.	\$49,943,181	\$ 2,017	\$ 2,017			
<b>TOTALS</b>	<b>\$11,139,898,607</b>	<b>\$ 3,000,000</b>	<b>\$ 3,000,000</b>	<b>\$ 1,750,000</b>	<b>\$ 2,600,000</b>	<b>\$ 65,000,000</b>

\*Fund Contribution amounts will change depending on insured values reported prior to program implementation.



# **The University of Texas System Facilities Renewal Model**

## **I. Purpose of the Study**

This report is the culmination of a System-wide project to estimate and document backlog of capital renewal needs and to project future facility renewal requirements for each campus. At the request of the Chancellor, the Office of Facilities Planning and Construction initiated this study in 2000. The System includes almost 58 million gross square feet of space in some 1400 buildings with a current replacement value for buildings alone of almost \$12.5 billion. With an investment of such magnitude it is essential to understand the capital renewal needs, both current backlog needs as determined by the existing conditions of this facility inventory and predictable future needs as the inventory continues to age.

In order to accomplish this study an advisory committee that included the Physical Plant Directors/Vice Presidents of three academic and three health institutions was assembled. The advisory committee, working with OFPC, developed the objectives for this project, designed the Request for Qualifications, selected the software contractor for the project and provided on-going oversight during the study.

In October 2001 Pacific Partners Consulting Group was selected to prepare a statistically valid, predictive, model for facility renewal. The model establishes lifecycles for the major building systems and estimated costs to renew those systems as well as forecasting future renewal requirements. Working with the advisory committee, Pacific Partners customized the model assumptions and output reports for the specific circumstances of The University of Texas System campuses. With these customized assumptions, a detailed study of the facilities for each campus was conducted on a building-by-building and subsystem-by-subsystem basis.

From January 2002 through April 2002 OFPC and Pacific Partners worked extensively with the facility management staff of each campus beginning with substantial training on data collection needed for the model. The campus staff then worked with Pacific Partners to input all pertinent facility data including, building name, building size, building type, occupancy date, subsystem types within the building, history of capital renewal within each building, etc. Pacific Partners then ran the model and provided the campus with initial reports of predicted renewal needs. The campus staff used these initial results to do more detailed, targeted evaluations of the conditions of those facility subsystems identified by the model. The results of the detailed evaluations were then fed back into the model, in many cases extending the life of a subsystem that the model had predicted should be requiring renewal. This process was repeated multiple times for each campus in an attempt to obtain the most refined information.

## **II. Goals of the Study**

- Develop a credible model to predict annual financial requirements for facilities renewal and document the existing backlog of renewal requirements in a consistent way for all campuses.
- Provide a basis for a financial plan that will address renewal needs as well as current backlog needs.
- Deliver a model to each campus with associated staff training so that facility renewal needs can be updated annually and progress in meeting those needs can be measured.
- Provide a planning tool for campus use which provides a useful life "systems" profile of each building, as a way of predicting future funding needs and assist in project planning and packaging in order to maximize financial resources.
- Provide an assessment tool with clear, common definitions of terms for institutions to manage facility fiscal needs, allow management oversight, the ability to benchmark facility conditions over time and benchmark UT System with its peer institutions.

## **III. Essential Concepts of the Study**

- All building subsystems within a building type have predictable lifecycles beyond which capital renewal will be required.
- By tailoring the model assumptions to type and quality of construction that has been installed it is possible to predict current (backlog) and future capital renewal needs for a given inventory of facilities.
- A building subsystem is included in the backlog if it meets any of the following conditions: (1) The subsystem has already failed. (2) The subsystem is past its useful life and is functioning, but with substantial degradation of efficiency or performing at substantial increased maintenance cost. (3) The subsystem is past its useful life and is continuing to perform, but has a substantial risk of near-term failure.
- A predictive model based on building type and subsystem lifecycle allows facility management staff to better plan and optimize the allocation of available resources.

## **IV. Results of the Study**

Each campus will receive a status report profiling the facility condition of that campus. This report will identify the capital renewal needs for the campus that are currently in backlog. It will also give the average annual renewal needs as well as actual renewal curve. Each campus will be responsible for updating the model annually. The update will consist of noting changes in the physical plant and infrastructure that have occurred during the prior twelve months including renovations, additions, new construction, minor capital projects and 'special repair' projects. Experience has shown this process to take just a few days.

Included with the report is a licensed copy of this model and guidelines for maintaining the database and generating future reports. A System-wide, consolidated report and model have also been developed.

## **V. Conclusions**

- System-wide we currently have a total backlog of \$800 million; however, for a System of our size it is not unreasonable. Our facility conditions are apparently better than the University of California and Oregon University, two other systems for which we have indices.
- Component facility conditions are closely correlated to age of inventory.
- Health components, on average, are in better condition due to regulatory requirements, programmatic changes, and available revenue streams, and lower average age.
- To maintain current facility condition on average, we need to invest \$80 million annually for Academic E&G facilities and \$110 million annually for Health facilities.
- We are entering a window of increasing capital renewal needs for the next 10 years that includes an anticipated \$900 million in the next 5 years.

## **VI. Recommendations**

- Each component develops a prioritized plan on how to approach its renewal needs.
- Such a plan may include phasing facilities out of service.
- Such a plan may recommend new construction over renewal due to institutional mission, i.e., research, science, technology, and educational need change dramatically over 30 to 40 years.

- Presentation to the Texas Higher Education Coordinating Board as a preferred model for documentation and reporting of capital renewal needs.



# Quarterly Permanent University Fund Update

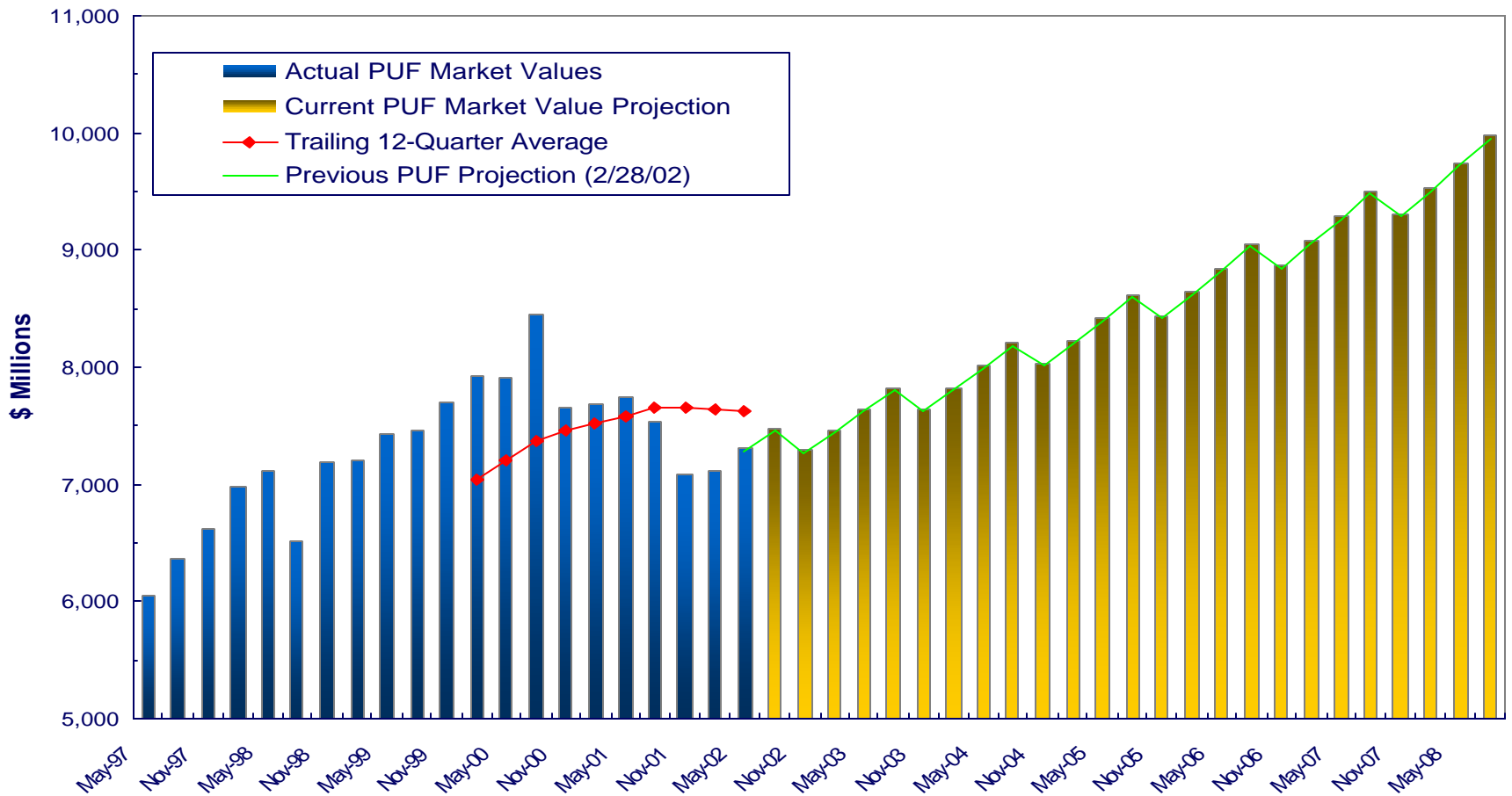
Board of Regents of The University of Texas System  
Finance and Planning Committee

July 2, 2002

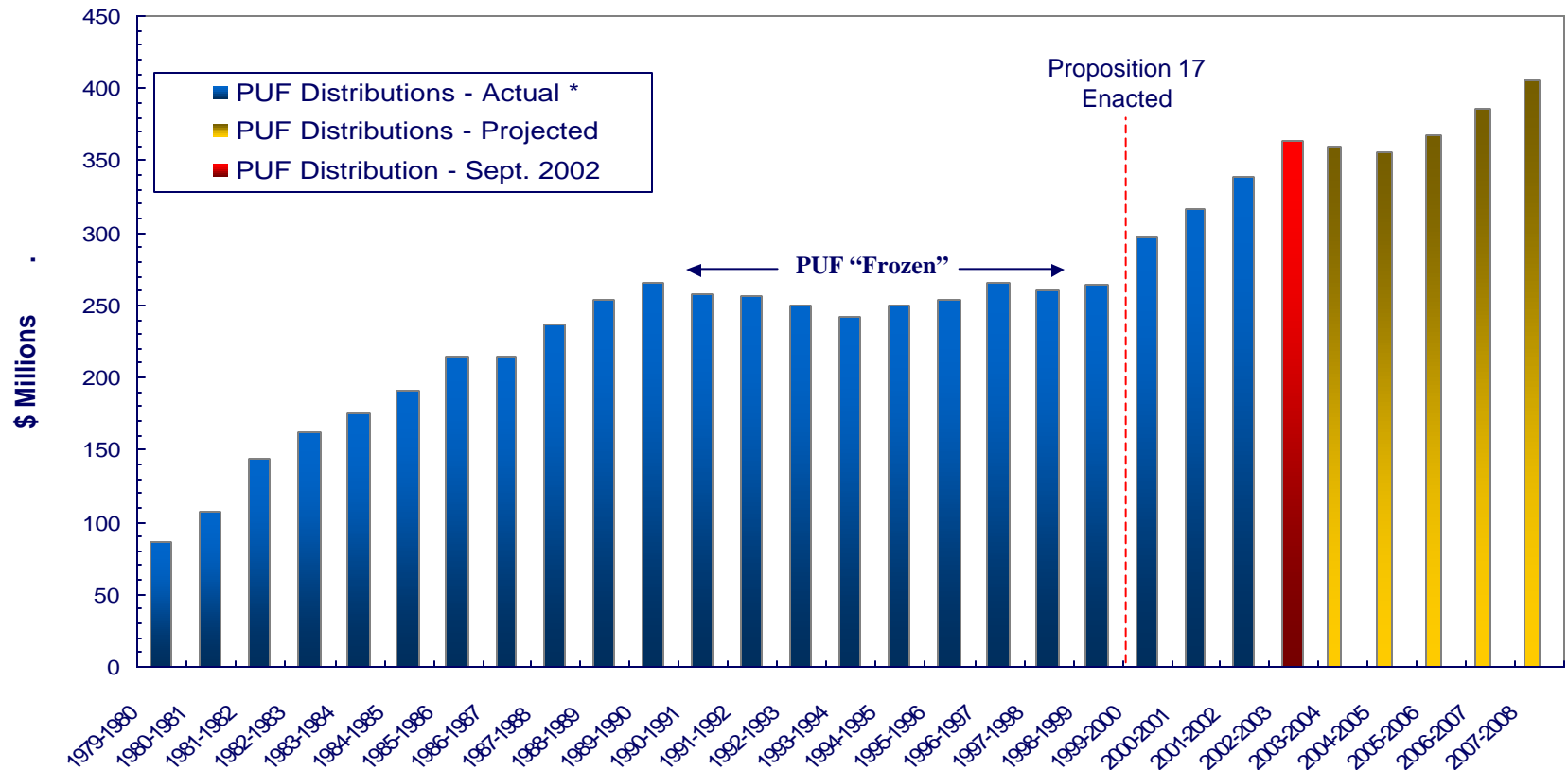
# Quarterly Permanent University Fund Update – Executive Summary

- **As of May 31, 2002, the market value of the PUF was \$7.303 billion. The FY 2003 distribution to the AUF will be \$363.0 million, an increase of \$24.6 million over the \$338.4 million distributed during FY 2002.**
- **The current PUF debt capacity is projected as \$115.2 million, up from \$102.7 million projected in April 2002. This increase is primarily the result of higher than forecasted returns on the PUF and greater projected utilization of variable rate debt.**
- **The current analysis incorporates the revised PUF debt service as a result of the Series 2002A and Series 2002B refundings. The analysis also incorporates the proposed \$50 million cash defeasance of outstanding PUF debt during FY 2002. Similar cash defeasances of outstanding debt were accomplished in FY 1998, FY 1999, and FY 2000, thereby reducing future debt service payable from the AUF.**

# Permanent University Fund – Market Value Through May 31, 2002



# Permanent University Fund Distributions



\* Effective September 1, 1997, a statutory amendment changed the distribution of income from cash to an accrual basis, resulting in a one-time distribution adjustment to the AUF of \$47.3 million, which is not reflected.



# Permanent University Fund – Debt Capacity

## *Base Case Assumptions*

- PUF Distribution equals 4.75% of the PUF net asset value for the trailing 12 quarters, beginning FY 2003.
- U.T. Austin Excellence Funds equal 45% of the income available to U.T. System.
- AUF balance never falls below \$45 million. Includes all PUF projects approved through May 2002.
- Forecasted PUF distribution amounts provided by UTIMCO based on long-term expected average annual rate of return of 9.35%, starting from the PUF market value as of May 31, 2002.
- Annual LERR appropriations of \$30 million are projected to continue from FY 2003 through FY 2008.
- Includes PUF Refunding Bonds, Series 2002A and PUF Bonds, Series 2002B. Remaining new PUF debt service structured as 20-year, tax-exempt debt with level debt service.
- The analysis includes the proposed \$50 million cash defeasance of outstanding PUF debt in July 2002. A \$9 million cash defeasance of PUF debt was accomplished in December 2001.
- Projected debt service costs based on current forward interest rates (averaging approximately 5.40%). This analysis assumes the PUF arbitrage exemption is permanently restored.

# Permanent University Fund – Debt Capacity

## Base Case

Additional PUF Debt Capacity (\$115.2 Million)		\$0.0	\$115.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cumulative Additional PUF Debt Capacity		\$0.0	\$115.2	\$115.2	\$115.2	\$115.2	\$115.2	\$115.2
<b>Available University Fund Operating Statement Forecast Data (\$ Millions)</b>	<b>Actual</b>	<b>Estimated</b>	<b>Projected</b>					
	<b>FY 01</b>	<b>FY 02</b>	<b>FY 03</b>	<b>FY 04</b>	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>	<b>FY 08</b>
PUF Distribution Amount	\$317.08	\$338.43	\$363.02	\$359.10	\$356.06	\$367.89	\$386.02	\$405.42
Surface & Other Income	9.3	7.3	7.4	7.4	7.5	7.5	7.6	7.6
Divisible Income	326.3	345.8	370.4	366.5	363.6	375.4	393.6	413.0
UT System Share (2/3)	217.6	230.5	246.9	244.3	242.4	250.3	262.4	275.3
AUF Interest Income	12.4	8.2	8.2	10.7	12.0	12.9	13.8	14.7
Income Available to U.T.	229.9	238.7	255.1	255.1	254.4	263.2	276.2	290.1
TRANSFERS:								
UT Austin Excellence Funds (45%)	(102.5)	(107.2)	(114.8)	(114.8)	(114.5)	(118.4)	(124.3)	(130.5)
PUF Debt Service on Approved Projects	(60.7)	(67.2)	(75.8)	(102.1)	(104.5)	(107.5)	(110.5)	(113.4)
PUF Cash Defeasance of Outstanding Debt		(59.0)	-	-	-	-	-	-
PUF Debt Service on Add. Debt Capacity	-	-	(6.2)	(9.6)	(9.6)	(9.6)	(9.6)	(9.6)
System Adm	(28.1)	(26.2)	(28.7)	(30.2)	(31.9)	(33.5)	(35.2)	(37.0)
Other	(2.1)	(2.5)	(4.5)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Debt Service (Bldg Rev)	(3.4)	(3.4)	(3.4)	(3.4)	-	-	-	-
Net Surplus/(Deficit)	33.1	(26.8)	21.7	(6.1)	(7.1)	(6.9)	(4.4)	(1.5)
Ending AUF Balance - System	76.2	49.4	71.0	65.0	57.8	51.0	46.5	45.0
PUF Debt Service Coverage	3.79:1	3.13:1	3.11:1	2.28:1	2.23:1	2.25:1	2.30:1	2.36:1

# Permanent University Fund – Debt Capacity Sensitivities

Board-Determined	Board-Determined	Board-Determined	Market-Dependent	Market-Dependent	Additional Debt Capacity (\$ Millions)						TOTAL	Projected PUF
Annual LERR	U.T. Austin Excellence	PUF Distribution Rate	PUF Investment Return	Change in Tax-Exempt Rates	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY 2008	Market Value in FY 2030
\$30 Million	45.0%	4.75%	9.35%	NA	115.2	0.0	0.0	0.0	0.0	0.0	115.2	26,675,867,618
<b>\$30 Million</b>	45.0%	4.75%	9.35%	NA	115.2	0.0	0.0	0.0	0.0	0.0	115.2	26,675,867,618
<b>\$20 Million</b>	45.0%	4.75%	9.35%	NA	125.2	10.0	10.0	10.0	10.0	10.0	175.2	26,675,867,618
<b>\$10 Million</b>	45.0%	4.75%	9.35%	NA	135.2	20.0	20.0	20.0	20.0	20.0	235.2	26,675,867,618
<b>None</b>	45.0%	4.75%	9.35%	NA	145.2	30.0	30.0	30.0	30.0	30.0	295.2	26,675,867,618
\$30 Million	<b>40.0%</b>	4.75%	9.35%	NA	287.1	0.0	0.0	0.0	0.0	0.0	287.1	26,675,867,618
\$30 Million	<b>45.0%</b>	4.75%	9.35%	NA	115.2	0.0	0.0	0.0	0.0	0.0	115.2	26,675,867,618
\$30 Million	<b>50.0%</b>	4.75%	9.35%	NA								26,675,867,618
								"Negative" Debt Capacity				
\$30 Million	45.0%	<b>4.50%</b>	9.35%	NA	40.0	0.0	0.0	0.0	0.0	0.0	40.0	28,481,484,725
\$30 Million	45.0%	<b>4.75%</b>	9.35%	NA	115.2	0.0	0.0	0.0	0.0	0.0	115.2	26,675,867,618
\$30 Million	45.0%	<b>5.00%</b>	9.35%	NA	191.4	0.0	0.0	0.0	0.0	0.0	191.4	24,970,913,292
\$30 Million	45.0%	4.75%	<b>8.35%</b>	NA	93.2	0.0	0.0	0.0	0.0	0.0	93.2	20,344,355,136
\$30 Million	45.0%	4.75%	<b>9.35%</b>	NA	115.2	0.0	0.0	0.0	0.0	0.0	115.2	26,675,867,618
\$30 Million	45.0%	4.75%	<b>10.35%</b>	NA	138.9	0.0	0.0	0.0	0.0	0.0	138.9	34,871,978,682
\$30 Million	45.0%	4.75%	9.35%	<b>+ 50 bps</b>	92.9	0.0	0.0	0.0	0.0	0.0	92.9	26,675,867,618
\$30 Million	45.0%	4.75%	9.35%	<b>NA</b>	115.2	0.0	0.0	0.0	0.0	0.0	115.2	26,675,867,618
\$30 Million	45.0%	4.75%	9.35%	<b>-50 bps</b>	139.1	0.0	0.0	0.0	0.0	0.0	139.1	26,675,867,618

## **Out-of-State Students / Tuition Issues**

At the Academic President's Retreat, several areas concerning the out-of-state students and tuition issues were discussed. As a result of those discussions, it was noted that the General Appropriations Act (see Attachment A) limits enrollment to 10 percent nonresident in medical and dental programs and 20 percent in law programs, while the U. T. Board of Regents' Rules and Regulations extend similar limitations to all programs within the U. T. System component institutions (See Attachment B).

The recommendation to propose changes to the Regents' Rules and Regulations to remove the language extending the limitations to all programs will be discussed.

General Appropriations Act  
Special Provisions Relating Only to State Agencies  
of Higher Education

**Section 13. Limitation of Nonresident Enrollment in Certain State-supported Professional Schools.**

1. None of the funds appropriated by this Act may be expended for the establishment, operation, or maintenance, or for the payment of any salaries to the employees in, any wholly or partially state-supported medical, dental, or law school which: (a) imposes a limitation on the number of students that it admits, (b) in an academic semester denies admission to one or more Texas residents who apply for admission and who reasonably demonstrate that they are probably capable of doing the quality of work that is necessary to obtain the usual degree awarded by such school, and (c) in the same academic semester admits, as either class, nonresidents of the State of Texas in a number greater than 10 percent of the class of which such nonresidents are a part. Limitation of nonresident enrollment at The University of Texas Law School, Texas Tech University School of law, and the University of Houston Law Center may be increased to 20 percent of the class of which nonresidents are a part provided that the admission of such nonresident students is on the basis of academic merit alone. By the provisions of this paragraph it is intended to withhold funds appropriated by this Act from state-supported medical, dental, and law schools which limit their enrollments and which fill more than 10 percent of their classes with non-resident students in the case of medical and dental schools, and 20 percent in the case of the University of Texas Law School, Texas Tech University Law School and the University of Houston Law Center, when the result of admitting a nonresident denies admission to a qualified Texas applicant. This provision shall not apply to the funds appropriated to the Coordinating Board for the funding of Baylor College of Medicine or to funds appropriated for tuition equalization grants for student attending private colleges.
2. In addition, The University of Texas Southwestern Medical Center at Dallas may admit up to 25 competitively recruited medical students in each entering class for a specialized six-year program of clinical and research training designed to lead to the MD and PhD degrees irrespective of whether those student are Texas residents.
3. Texas medical schools may enroll up to 6 competitively recruited medical students, who already possess the DDS degree, in each second year medical school class for a specialized six year program in oral and maxillofacial surgery comprised of the last three years of medical school and a three year residency program irrespective of whether those student are Texas residents.

Board of Regents' Rules and Regulations  
Part Two, Subchapter One, Section 8

....

Sec. 8. Admission of Nonresident Students.--No nonresident of the State of Texas shall be enrolled as a new or transfer student in any school, college, or degree-granting program at any component institution of the System when all of the three following conditions occur: (1) when there is a limitation on the number of students who will be enrolled in the class of which such nonresident would be a member if he or she were enrolled; (2) when the result of enrolling such nonresident would be to increase to greater than 10% the percentage of nonresidents enrolled in the class of which such nonresident would be a member if he or she were enrolled; and (3) when at the time of the proposed enrollment of such nonresident, admission to the school, college, or degree-granting program is being denied to one or more Texas residents who have applied for admission and who reasonably demonstrate that they are probably capable of doing the quality of work that is necessary to obtain the usual degree awarded by the school, college, or degree-granting program. It is provided, however, that the nonresident enrollment at the School of Law, The University of Texas at Austin, may be equal to 15% of each class of which nonresidents are a part provided that the admission of such nonresidents is on the basis of academic merit alone.

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## **Deregulation Update**

### *Executive Summary*

During the past few months, various staff members with the U.T. System Administration and the U.T. component institutions have developed potential deregulation issues to be considered during the 78<sup>th</sup> session of the legislature.

The list of issues contains suggestions for improvements in policies and procedures affecting academic oversight, financial management, human resources, information technology, procurement, reporting and other administrative matters. Items included represent initiatives to gain efficiencies, minimize costs, increase revenue, or remove obstacles to an institution's ability to respond to needs or opportunities to better serve the public.

There are currently fifty-two potential deregulation issues on the list. Sixteen of the fifty-two issues were considered during the last legislative session, but not implemented.

The fifty-two deregulation issues, if fully implemented, would result in savings or cost avoidance in excess of \$12 million annually. This savings estimate is based on all funds of the U.T. System components. The estimate does not include an assessment of impact on other institutions of higher education. In general, however, the impact on other colleges and universities in Texas would be consistent with the impact on the U.T. System.

Since these issues affect not only U. T. components, but also colleges and universities throughout Texas, the list of issues has been forwarded to the other University Systems in Texas for their consideration.

The Board of Regents will consider the final report during the August Board meeting.

## Higher Education Deregulation Issues for the 78<sup>th</sup> Legislature

<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
A-1	<p><b>Modify Texas Academic Skills Program (TASP).</b> Requirements for the Texas Academic Skills Program (TASP) should be reexamined. The Texas Assessment of Academic Skills (TAAS) exit exam from high school and/or local placement exams may be more effective tools for guiding students into appropriate college level courses. In any case, individual component institutions should be responsible for guiding students into appropriate entry-level courses and accountable for the effectiveness of their course advising processes. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Minimal Savings
A-2	<p><b>Review doctoral hour limit.</b> Current law imposes a 100 semester credit hour cap on fundable hours for each doctoral student with certain exceptions. Managing the exceptions and maintaining the data system to ensure compliance has added significant administrative costs to the operation of doctoral granting institutions of higher education. It would be appropriate to reassess the public benefits resulting from this requirement. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Minimal Savings
A-3	<p><b>Review undergraduate hour limit.</b> Current law imposes a credit hour cap on fundable hours for each undergraduate student with certain exceptions. Managing the exceptions and maintaining the data systems to ensure compliance has added significant administrative costs to the operations of component institutions. It would be appropriate to reassess the public benefits resulting from this requirement. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Minimal Savings

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## Higher Education Deregulation Issues for the 78<sup>th</sup> Legislature

<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
A-4	<p><b>Review Appropriations Act rider capping non-resident enrollment at certain professional schools.</b> This rider precludes the expenditure of appropriated funds for state-supported medical, dental or law schools if more than 10 percent of a class is composed of nonresidents. The rider further stipulates that the limitation of nonresident enrollment at the University of Texas Law School, Texas Tech Law School and the University of Houston Law Center may be increased to 20 percent of the class. The governing board of an institution should make decisions on limitations of enrollment of nonresidents. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue this issue during the next legislative session.</b></p>	None
A-5	<p><b>Modify faculty development leave limitations.</b> Under current law, governing boards must approve development leaves for faculty members. This function could be handled at presidential level. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue this issue during the next legislative session.</b></p>	Minimal Savings
FM-1	<p><b>Exempt institutions of higher education from state mandated FTE and travel caps.</b> <u>Employment Cap</u> - The Appropriations Act places a limitation on employment levels for institutions of higher education. Institutions of higher education do not receive funding on a per employee basis. Each institution receives an appropriation to carry out its education and research missions. This employment limitation does not take into consideration exceptional items that were funded by the legislature. <u>Travel Reduction</u> - The Appropriations Act limits travel expenditures to 100% of the prior year's travel expenditures. The Appropriations Act also increased travel lodging rates and the cost of airfare and rental cars has continued to rise. Since most of the state business meetings are held in Austin, travel is required for representatives of component institutions outside of the Austin area. Because the cost of travel is increasing and the travel necessary to attend critical meetings cannot be jeopardized, the travel limitation should be reconsidered for institutions of higher education. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Minimal Savings

## Higher Education Deregulation Issues for the 78<sup>th</sup> Legislature

<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
FM-2	<p><b>Allow educational and general funds to be accounted for and treated separately from general revenue funds.</b> The current requirement to deposit tuition and certain other cash receipts in the State Treasury requires time-consuming procedures at both state universities and The State Comptroller's Office. This funds transfer process creates redundancies and additional tasks that would be unnecessary if these funds were retained and accounted for locally by the component institutions.</p> <p>The issue of potential negative impact on the general revenue fund needs to be addressed. [Legislative Change]</p> <p><b>RECOMMENDATION: Discuss with the Comptroller and possibly pursue during the next legislative session.</b></p>	Significant Savings
FM-3	<p><b>Consider elimination of state reimbursable payroll processing by institutions of higher education and allow reimbursement based only on summary reporting.</b> Currently, institutions of higher education process their payrolls for all employees (both General Revenue (GR) and all other fund groups) on in-house payroll systems. Institutions then submit detailed payroll transactions to The State Comptroller's Office on employees to be paid from GR funds appropriated to the institution or to be paid from local funds held in the State Treasury. This proposal would eliminate the detailed reporting of payroll information required for GR reimbursement of salaries and OASI benefits and allow summary reporting in order to receive GR fund reimbursement. Detailed payroll data reporting is currently contained in the Human Resources Information System (HRIS). Therefore, detailed reporting for reimbursement is redundant, burdensome and costly. [Agency Change and Legislative Change]</p> <p><b>RECOMMENDATION: Discuss with the Comptroller and possibly pursue during the next legislative session.</b></p>	Moderate Savings
FM-4	<p><b>Permit discounting of designated tuition and mandatory fees for classes taught during off-peak hours (1pm-4pm).</b> Most students choose to take classes in the morning hours. Students may opt for afternoon classes if there is a financial incentive to do so. Allowing component institutions to discount tuition and fees may provide for better utilization of classroom space that is currently underutilized most afternoons during fall and spring semesters.[Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Better utilization of classroom space

## Higher Education Deregulation Issues for the 78<sup>th</sup> Legislature

<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
FM-5	<p><b>Modify Regulations - Convert to per diem allowances for both meals and lodging, similar to the federal reimbursement process.</b> The current system requires detailed receipt retention for documentation of lodging and meal expenses. This change would reduce record collection and retention requirements currently required, and would simplify the reimbursement and audit processes related to travel reimbursements.[Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Moderate Savings
FM-6	<p><b>Eliminate requirement to hold state health endowment fund distributions in the State Treasury.</b> Currently, state health endowment fund income (tobacco settlement funds) is retained in the State Treasury. Component institutions make expenditures on programs funded by the state health endowment and then file for reimbursement with the State Comptrollers Office. Allowing these funds to be held locally will allow elimination of the time consuming process of filing for reimbursement and allow for a more efficient operation of the program.[Agency Change and Legislative Change]</p> <p><b>RECOMMENDATION: Discuss with the Comptroller and possibly pursue during the next legislative session.</b></p>	Minimal Savings
FM-7	<p><b>Authorize debit cards not only for students, but also for faculty and staff.</b> Current law limits the use of debit card programs to students enrolled at an institution. Removing this limitation would allow faculty and staff to participate in a debit card program. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Minimal Savings
FM-8	<p><b>Eliminate Appropriations Act rider prohibiting funds being expended to replace or duplicate the Driscoll Children’s Hospital in caring for children with special healthcare needs.</b> This provision has the potential to limit UT medical students and residency training activities in pediatrics at the new Regional Academic Health Center at Harlingen and other training sites to be opened in south Texas. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	None

## Higher Education Deregulation Issues for the 78<sup>th</sup> Legislature

<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
FM-9	<p><b>Allow the Board for Lease of University Lands to meet by telephone conference call.</b> The Board for Lease of University Lands has responsibility for leasing oil and gas rights on University Lands. The Board is composed of two University of Texas Regents, one Texas A&amp;M Regent and the Land Commissioner. Although the Board is composed primarily of members of governing boards of institutions of higher education, the Board is not authorized to meet by telephone conference call like governing boards of institutions of higher education.</p> <p>The Board for Lease of University Lands has only two regularly scheduled meetings a year. There are occasions that a meeting of the Board is necessary for the purpose of conducting a single item of business that needs to be taken care of prior to the next regularly scheduled meeting. Members of the Board are never located in the same city and are therefore required to travel to the meeting site at state or university expense. This is an inefficient use of state and university funds.</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Minimal Savings
FM-10	<p><b>Allow funds appropriated for South Texas Border Initiative (STBI) programs to be used for appropriate administrative support for programs in the specified regions, by departments on the UTHSCSA campus.</b> Current Appropriation Act provisions (Article III; Rider 2,f) restrict the use of STBI funds on administrative support costs in the specified regions as well as on the UTHSCSA campus. This lack of funding available for administrative support prevents the UTHSCSA from providing adequate and quality services to the STBI programs, as well as compromises the quality of administrative support provided to other institutional programs. By enabling the UTHSCSA to utilize a portion of South Texas funding for administrative support, we can bring the level of services provided to these programs to an appropriate level and not continue to redirect administrative support funding appropriated for other institutional programs to STBI. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Moderate Savings

## Higher Education Deregulation Issues for the 78<sup>th</sup> Legislature

<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
FM-11	<p><b>Eliminate or modify state law relating to privacy of medical records .</b> In 2001, the legislature passed SB 11 relating to protecting the privacy of medical records. Prior to the passage of this bill, Congress addressed this issue by passing the Health Insurance Portability and Accountability Act (HIPAA). The state statute will have a major impact on all U. T. components because of onerous compliance issues and vague and conflicting interpretations of state law and federal regulations (HIPAA).</p> <p>The U. T. Health components are expected to expend over \$3 million in consultant and legal fees to come into compliance with HIPAA and SB 11. This amount does not include the ongoing costs of compliance. Additionally, it is estimated that U. T. academic institutions will spend at least \$480,000 to become compliant with both statutes; again, this does not include the ongoing costs of compliance.</p> <p>While much of these costs relate to the federal statute (HIPAA), the state statute is much more onerous and will require additional expenditures to comply. Furthermore, the state statute, in most people’s judgment, does not add measurably to protection of the privacy of health information. Texas is the only state with a medical privacy statute that goes beyond the requirements of HIPAA.</p> <p>The state statute should be amended to be consistent with HIPAA or should be repealed. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Significant Savings

## Higher Education Deregulation Issues for the 78<sup>th</sup> Legislature

<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
FM-12	<p><b>Authorize institutions of higher education to enter into contingency fee contracts and hire outside counsel for technology development or transfer matters.</b> Current state law severely restricts the use of contingent fee contracts for outside counsel. Yet, for matters such as patent infringement lawsuits, such lawsuits are too expensive to maintain if outside counsel must be engaged on an hourly fee basis. Thus, institutions may forego instituting a patent infringement lawsuit because of the financial risk to the institution. If outside counsel could instead be hired on a contingent fee basis, the outside counsel, instead of the institution, bears the risk of an unfavorable outcome in the lawsuit and the institution no longer has a disincentive to pursue the litigation.</p> <p>Additionally, state law requires a state agency to obtain the approval of the Attorney General before hiring outside counsel, unless the state agency has other authorization for hiring counsel. Texas Education Code Ch. 153, enacted in the last legislative session, gives institutions of higher education broad authority to engage in technology transfer activities, which include patent licensing, and evidences the legislature’s interest in encouraging the economic growth and diversification of the state by encouraging technology development.</p> <p>Providing authorization in Texas Education Code Ch. 153 for the hiring of outside counsel will mean that Attorney General approval is no longer required and will allow institutions of higher education to more quickly address legal issues related to technology development as the issues arise. With the rapid and ever changing nature of technology development, the ability to react quickly is essential.</p> <p>These changes will allow institutions of higher education to engage outside counsel to assist with legal matters related to technology development on a contingent fee basis, an hourly rate basis, or any other basis that the governing board considers appropriate and will not be required to first obtain the approval of the Attorney General before hiring outside counsel. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Potential revenue enhancement and efficiency

## Higher Education Deregulation Issues for the 78<sup>th</sup> Legislature

<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
HR-1	<p><b>Allow employees to accumulate State compensatory time, with prior supervisory approval, regardless of where the work is performed. For purposes of leave accounting, a home office will be considered to be the same as an employee’s regular worksite, if the employee is participating in an approved telecommuting program.</b> Under current law, an employee of a state agency may not accumulate state compensatory time for work performed away from an employee's place of employment. The employee's personal residence may not be considered the employee's place of employment. This would provide equal benefits for employees who telecommute and may encourage them to telecommute during peak workload times.[Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Moderate Savings
HR-2	<p><b>Permit institutions of higher education to be exempted from mandated across-the-board salary increases provided there is a pay for performance program in place at the institution.</b> A large percentage of salary costs at component institutions are covered by funds generated by the institution. This is especially true at many of the health component institutions where a significant percentage of revenue is self-generated, as opposed to appropriated. The state mandated salary increase hampers an institution’s ability to recognize employee performance through merit compensation because the funds necessary for the program must be used to comply with mandated salary increases.[Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Significant - The savings varies based on the amount of the mandated across-the-board increase, the amount of funding provided by the State, and the timing of the increase.
HR -3	<p><b>Exempt institutions of higher education from the requirement that the state fully subsidize the cost of automatic (basic insurance) coverage for all eligible employees/retirees based upon "state contribution amount" legislated each biennium.</b> The fixed cost of mandated state insurance contribution restricts an employer's ability to address alternative funding/cost-sharing initiatives for health insurance costs. This prevents an opportunity to determine the balance between a competitive benefit plan (one that will attract and retain employees) and one that must remain cost effective. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Minimal Savings

## Higher Education Deregulation Issues for the 78<sup>th</sup> Legislature

<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
HR-4	<p><b>Authorize the governing boards of institutions of higher education to reduce or waive tuition and fees for employees and their dependents who satisfy admission requirements for a given institution.</b> This would provide a significant benefit for employees that are similar to tuition waivers found in other institutions of higher education, and increase the competitiveness of Texas state colleges and universities with institutions offering such benefits. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue this issue during the next legislative session.</b></p>	Significant Savings - While there would be costs associated with reducing tuition and fees for employees and their dependents, this proposed legislative change could greatly enhance recruitment and retention of faculty and staff.
HR-5	<p><b>Modify State law to require 10 years of service to continue group insurance coverage upon retirement or separation for all employees hired after September 1, 2003.</b> Current State law allows retirees who are eligible for retirement under the Teacher Retirement System (TRS) or Optional Retirement Program (ORP) to maintain or enroll in U. T. group retiree insurance benefits after three years in service. This measure will result in a cost savings because U. T. System would not be required to pay for the cost of lifetime premium sharing or group insurance participation for those hired after September 1, 2003, who have worked less than 10 years. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Moderate Savings
HR-6	<p><b>Allow employees to collect both hazardous duty pay and longevity pay.</b> Under current law, employees who receive hazardous duty pay, such as police officers, are not entitled to receive longevity pay as other employees. All employees should be allowed to receive longevity pay, as a reward for their continued service to the state in addition to hazardous duty pay if they are commissioned police officers during the time they are serving in positions designated as hazardous. This change will provide an added incentive to valuable, experienced employees and will make it easier to retain them in the workforce. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Minimal Cost



## Higher Education Deregulation Issues for the 78<sup>th</sup> Legislature

<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
HR-7	<p><b>Increase vacation accrual for new employees to eight hours per month.</b> Under current law, new employees only accrue 7 hours per month for vacation leave. Increasing the minimum accrual to 8 hours per month will provide new employees a full day off per month. This will help to attract and retain valuable employees. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p> <p>The proposal is to collapse the first two categories on the state vacation accrual table to create one category such that eligible new state employees with 0 to 5 years will accrue vacation at 8 hours per month for full time employment. There will be no modification to the remainder of the table.</p>	Minimal Cost
HR-8	<p><b>Change the rehire waiting period for Teacher Retirement System (TRS) retirees from one calendar year to 30 days.</b> Under current law, institutions of higher education must wait one year before they can rehire a TRS retiree. Changing the waiting period to 30 days would allow institutions to bring back valuable and experienced employees to help them fulfill their educational mission. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during next legislative session.</b></p>	Minimal savings
HR-9	<p><b>Allow Optional Retirement Program (ORP) participants to transfer to the Teacher Retirement System (TRS) retirement plan.</b> A recent change in Federal law (Economic Growth and Tax Relief Reconciliation Act of 2001) allows for individuals to transfer retirement systems, if permitted by state law. State law could be changed to allow ORP members to transfer to the TRS System. This would allow employees an additional incentive to remain employed by component institutions if they felt they would benefit from the change. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session provided that a favorable private letter ruling is received from the Internal Revenue Service. This measure could require significant cost to transfer participants.</b></p>	Unable to determine financial impact. Potential savings in reduction of matching, but potential cost overall.

## Higher Education Deregulation Issues for the 78<sup>th</sup> Legislature

<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
IT-1	<p><b>Eliminate institutions of higher education from Department of Information Resources (DIR) oversight.</b> Currently, institutions of higher education are included in the definition of "state agency" as it relates to information technology projects. This causes institutions of higher education to be subject to administrative requirements of the DIR, which are clearly designed for administrative state agencies, rather than institutions of higher education. This change will remove higher education from burdensome rules of DIR in a manner similar to how HB 1545 removed higher education from General Service Commission purchasing regulations. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue this issue during the next legislative session.</b></p>	Moderate Savings
IT-2	<p><b>Exempt institutions of higher education from proposed Department of Information (DIR) rules concerning accessibility of information.</b> These rules are designed with a typical state agency, not institutions of higher education in mind. This proposed rule may threaten intellectual property rights and it also has the potential for thwarting the creation of curriculum materials for distance education classes. [Legislative and Agency Change]</p> <p><b>RECOMMENDATION: Discuss with the Department of Information Resources and pursue this issue during the next legislative session.</b></p>	Moderate Savings
IT-3	<p><b>Eliminate or modify Legislative Budget Board (LBB) requirement that agencies must gain approval from the LBB before purchasing any information technology (IT) item.</b> Currently, the LBB requires that all purchase requests not previously approved under the biennial operating plan process be approved by the LBB. Institutions of higher education may purchase hundreds of items such as PCs in a fiscal year. Although like items can be grouped and approval requested only once for the entire group, purchase requests are normally submitted individually throughout the year. [Agency Change]</p> <p><b>RECOMMENDATION: Discuss with the Legislative Budget Board.</b></p>	Minimal Savings

## Higher Education Deregulation Issues for the 78<sup>th</sup> Legislature

<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
IT-4	<p><b>Exempt higher education from required use of the West Texas Disaster Recovery and Operations Center (WTDROC).</b> The Appropriations Act provides that the Department of Information Resources (DIR) manage the operations of a disaster recovery and operations data center on the campus of Angelo State University. The Appropriations Act also requires all state agencies and institutions of higher education to utilize the center for testing disaster recovery plans, for disaster recovery services and for data center operations. If an agency or institution does not wish to use the center for these services, they must obtain a waiver from the Legislative Budget Board (LBB). An agency or institution must show that the requested service requirements cannot be provided at a reasonable cost. It is impractical and not cost effective to move computing facilities of institutions of higher education to a West Texas facility. The time, effort and expense needed to complete the studies necessary for a waiver are burdensome. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Significant Savings
IT-5	<p><b>Exempt institutions of higher education from the requirement to submit a Biennial Operating System (BOP) or Information Technology Strategic Plan to the Legislative Budget Board (LBB).</b> The LBB Biennial Operating Plan (BOP) reporting system, ABEST, is an inappropriate tool for collecting biennial operation plan information for institutions of higher education because of the significant differences in funding sources and mechanisms between institutions of higher education and other state agencies. As a result, the BOP provides little value in terms of providing information for analytical use. Creating the BOP is a very time consuming process that should not be performed if the resulting information is of little use either to the state or to the institution.</p> <p>Additionally, HB 1545 exempted higher education from creation of an agency strategic plan. The BOP is now part of the agency strategic plan, and by extension it should also be exempted. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Moderate Savings

## Higher Education Deregulation Issues for the 78<sup>th</sup> Legislature

<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
PRO-1	<p><b>Discuss several rule changes with the Texas Building and Procurement Commission.</b> These issues include: elimination of the requirement to print a vendor's franchise tax statement prior to award of bid; require the vendor awarded the contract for credit card procurements to report credit card expenditures with HUB's; require vendor agreement to contain a contract clause that payments for vendor indebtedness to the state be withheld from payments due the vendor. [Agency Change]</p> <p><b>RECOMMENDATION: Discuss with the Texas Building and Procurement Commission.</b></p>	Moderate Savings
RPT-1	<p><b>Discuss reduction in duplicate reporting with the Legislative Budget Board (LBB).</b> Require a review of new reporting requirements to determine if the information is available in an existing report and require preparation of a fiscal note estimating cost to the state for the new report. The Higher Education Coordinating Board has been very successful in reducing the impact of their reporting requirements for institutions of higher education. A significant part of this success may be attributed to a policy that requires all proposed new reporting requirements be submitted to a committee that reviews the proposal and determines if other sources for the required data exist. A similar review process for reporting requirements generated by other state agencies and the legislature could be implemented to ensure that data sources are being effectively utilized to provide needed information. [Agency Change]</p> <p><b>RECOMMENDATION: Discuss with the Legislative Budget Board.</b></p>	Undetermined
RPT-2	<p><b>Review contract workforce reporting with the State Auditors office.</b> This legislation could be fine-tuned so that large entities and corporations do not have to be reported as part of the contract workforce. The State Auditors' rules implementing the legislation have created additional review and analysis, and appear to have expanded upon the original intent of the legislation. [Legislative and Agency Change]</p> <p><b>RECOMMENDATION: Discuss with the State Auditors office and possibly pursue during the next legislative session.</b></p>	Minimal Savings
RPT-3	<p><b>Discuss additional improvements in the composition of the Legislative Appropriations Request (LAR) with the Legislative Budget Board (LBB).</b> The LBB has requested user input into the LAR submission process in the past which has helped to improve the process; however, there are still changes that can be made to make the reporting process less burdensome. [Agency Change]</p> <p><b>RECOMMENDATION: Discuss with the Legislative Budget Board.</b></p>	Minimal Savings

## Higher Education Deregulation Issues for the 78<sup>th</sup> Legislature

<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
RPT-4	<p><b>Eliminate the requirement for the Legislative Budget Board Non-resident Bidders Report.</b> The Non-resident Bidder Report is not a report of bidders, but a report of awarded vendors that reside outside of Texas. Texas is in a global marketplace with advertising of procurement opportunities in the Texas Marketplace. This report seems outdated since we do not solicit just in Texas or in the USA. [Legislative Change]</p> <p><b>RECOMMENDATION: Discuss with the Legislative Budget Board and possibly pursue during the next legislative session.</b></p>	Minimal Savings
RPT-5	<p><b>Eliminate the Binding Encumbrance Report.</b> Quarterly reporting of binding encumbrances is of little value to the state or to any agency of the state, because appropriations do not lapse on a quarterly basis. Current policy allows the Comptroller to "sweep" General Revenue (GR) funds two years after those funds are appropriated. This should be sufficient incentive for agencies and institutions to manage GR expenditures efficiently prior to that known deadline. [Legislative Change]</p> <p><b>RECOMMENDATION: Discuss with the Comptroller and Legislative Budget Board and possibly pursue during the next legislative session.</b></p>	Minimal Savings
RPT-6	<p><b>Consolidate reporting of financial/budgetary information.</b> Currently, The Higher Education Coordinating Board (THECB), The Comptroller's Office, LBB and other agencies request financial information separately, creating redundant reporting efforts. THECB, Comptroller's Office, LBB and other agencies could download the information from annual financial reports that agencies are required to post on their websites. This would enhance uniformity of amounts reported and eliminate reporting efforts. [Agency Change]</p> <p><b>RECOMMENDATION: Discuss with the Legislative Budget Board.</b></p>	Moderate Savings
RPT-7	<p><b>Consolidate vehicle fleet management plan reporting requirements (HB 3125, 76<sup>th</sup> Legislature).</b> All agencies and institutions currently report costs associated with vehicle fleet management to the Texas Building and Procurement Commission. Every effort should be made to review data required under existing reports and new reports required by HB 3125 in order to eliminate redundancies and data requirements that are irrelevant to any on-going reporting purpose. [Agency Change]</p> <p><b>RECOMMENDATION: Discuss with the Texas Building and Procurement Commission.</b></p>	Minimal Savings

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<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
RPT-8	<p><b>Modernize the Uniform Statewide Accounting System (USAS).</b> USAS was created to facilitate state agency accounting processes. However, there are significant problems involved in its use including: a) duplicate record keeping is required to facilitate reconciliation between USAS and agency accounting systems; b) significant staff hours are involved in the reconciliation process and in seeking reimbursement of local funds for state payments; c) faulty electronic communication, and changing USAS payment requirements, payment scheduling, and online audits delay payments; d) the USAS is not user friendly. [Agency Change]</p> <p><b>RECOMMENDATION: Discuss with the Comptroller of Public Accounts.</b> Due to the numerous financial reporting changes that went into effect in FY 2002 (GASB 34/35), the Uniform Statewide Accounting System (USAS) is currently being reviewed by the Comptroller of Public Accounts. The Comptroller’s office is taking input from state agencies and institutions of higher education on the redesign of the USAS.</p>	Moderate Savings
RPT-9	<p><b>Consider centralization and standardization of contractor reporting.</b> Several state agencies, including the LBB, State Auditors’ office and members of the Legislature, require the reporting of similar contractor information at differing intervals using several different reporting methods. Each state agency or institution of higher education is required to provide very similar information about contractors on a daily, quarterly, annual, or "upon request" basis. A uniform set of data with consistently defined categories of contractor information reported on a quarterly basis to one central office would save time and money. [Legislative and Agency Change]</p> <p><b>RECOMMENDATION: Discuss with the Legislative Budget Board and possibly pursue during the next legislative session.</b></p>	Minimal Savings

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<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
RPT-10	<p><b>Exempt institutions of higher education from statewide capital expenditure plan reporting as specified in the General Appropriations Act.</b> Institutions of higher education are already required to submit capital planning information to the Texas Higher Coordinating Board for project approval; therefore resubmitting capital planning information to the Bond Review Board is inefficient. Institutions of higher education prepare a capital improvement plan and many of the projects included in a component institutions' capital improvement plan are funded with sources other than debt and therefore do not impact debt capacity. Additionally, debt issued by institutions of higher education is typically secured by the revenues of that institution; therefore, it does not impact the state's debt capacity. Exemption from this reporting requirement will save time and reduce paperwork. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session</b></p>	Minimal Savings
RPT-11	<p><b>Modify requirement for institutions of higher education to submit construction/capital projects to the Texas Higher Education Coordinating Board (THECB) for review.</b> Texas higher education systems have a thorough review process for all construction/capital projects and all projects must be approved by the respective Board of Regents. Submission of projects to the THECB for review is a duplication of work and has a significant impact on project schedules. Institutions with processes in place should only be required to submit an annual plan of projects to the THECB.[Agency Change]</p> <p><b>RECOMMENDATION: Discuss with the Texas Higher Education Coordinating Board (THECB).</b></p>	Minimal Savings
RPT-12	<p><b>Eliminate the LBB Quarterly Investment Report.</b> The information contained in this report is contained in a number of other areas, including the University of Texas Investment Management Company (UTIMCO) website and the UTIMCO Annual Report.[Legislative Change]</p> <p><b>RECOMMENDATION: Discuss with the Legislative Budget Board and possibly pursue during the next legislative session.</b></p>	Minimal Savings
RPT-13	<p><b>Eliminate recycled products reporting.</b> Currently, all state agencies/institutions are required to report annually all purchases of recycled, remanufactured, and environmentally sensitive products to the Texas Building and Procurement Commission and in the agency/institutions' annual financial report. Data gathering for these reports is difficult and cumbersome.[Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Minimal Savings

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<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
RPT-14	<p><b>Eliminate contract reporting requirement.</b> State law requires that all agencies/institutions report not later than the 10<sup>th</sup> day after entering into a contract for \$14,000 or more for: a) consulting services; b) professional services; c) construction services; and d) major information systems (over \$100,000). U. T. System institutions enter into many different types of contracts that exceed \$14,000. Hundreds of hours are spent gathering information and entering data on spreadsheet forms for submission to the Legislative Budget Board.[Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Minimal Savings
RPT-15	<p><b>Eliminate Uniform Statewide Accounting System (USAS) to Automated Budget and Evaluation System of Texas (ABEST) Annual Reconciliation.</b> Extensive time and effort is spent recording and reconciling these reports. It is unclear what value this process has for any agency/institution. [Agency Change]</p> <p><b>RECOMMENDATION: Discuss with the Comptroller of Public Accounts.</b></p> <p>Due to the numerous financial reporting changes that went into effect in FY 2002 (GASB 34/35), the Uniform Statewide Accounting System (USAS) is currently being reviewed by the Comptroller of Public Accounts. The Comptroller’s office is taking input from state agencies and institutions of higher education on the redesign of the USAS.</p>	Minimal Savings
RPT-16	<p><b>Clarify reporting requirements on donations for scholarships and endowed programs.</b> The Appropriations Act stipulates that a state university that fails to award a scholarship created or endowed by a donor, must report that fact to the donor and the Texas Higher Education Coordinating Board (THECB). Additionally, the Appropriations Act states that if a state university, within five years of receiving a donation, diminishes its financial support from local funds for a program created or endowed by a donor, the institution shall notify the donor, the THECB and the Legislative Budget Board. Upon request of the donor, the university must return the donation or endowment. The reporting requirements should be modified to be consistent with donor agreements.</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Minimal Savings



## Higher Education Deregulation Issues for the 78<sup>th</sup> Legislature

<i>Ref #</i>	<i>Issue</i>	<i>Est. Cost Savings/Revenue Enhancement, All Funds</i>
RPT-17	<p><b>Clarify reporting requirements on endowed chairs that are unfilled.</b> The Appropriations Act states that for each endowed chair that remains unfilled for a period of three consecutive years, the institution must provide a report to the donor disclosing the vacant status of the chair. Furthermore, institutions must report to the Legislative Budget Board the average length of time endowed chairs have remained unfilled and the percent of endowed chairs unfilled within the fiscal year being reported. The reporting requirements should be modified to be consistent with donor agreements. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Minimal Savings
RPT-18	<p><b>Provide an exception to the Public Information Act for information regarding major donors to institutions of higher education.</b> These records often contain personal data about donors and their gifts that the donor would prefer not be made public, sometimes because he or she has asked to remain anonymous. This would protect the privacy and financial investment decisions of donors. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Minimal Savings
RPT-19	<p><b>Modify financial disclosure statement filings for outgoing members of the Board of Regents.</b> Under current law, members of governing bodies who hold office on January 1 must file a financial disclosure statement with the Texas Ethics Commission by the end of April of that year even if he or she leaves the appointed position on February 1. Since most appointments expire in the early part of the year, it would seem preferable to move the triggering date to April 1. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Minimal Savings
RPT-20	<p><b>Modify requirement to send Board of Regent minutes to other state agencies.</b> Copies of the minutes of meetings are available on the University of Texas System Board of Regents web site. [Legislative Change]</p> <p><b>RECOMMENDATION: Pursue during the next legislative session.</b></p>	Minimal Savings