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FOR  
VOLUME 2  
August 19-20, 2009**

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<b>MEETING OF THE BOARD</b>			
2.	U. T. System Board of Regents: Possible discussion and appropriate action regarding Santa Rita Award	1:50 p.m. <b>Action</b> <i>Chairman Huffines</i>	1  1
5.	U. T. System: Approval of the nonpersonnel aspects of the operating budgets for Fiscal Year 2010, including the Permanent University Fund Bond Proceeds allocation for Library, Equipment, Repair and Rehabilitation Projects and an allocation for the Science and Technology Acquisition and Retention Program	11:05 a.m. <b>Action</b> <i>Chancellor Cigarroa</i>	3  2
<b>AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE</b>			
1.	U. T. System: Report on the internal audit plan for the Fiscal Year 2009 U. T. System Consolidated Annual Financial Report	9:15 a.m. <b>Report</b> <i>Mr. Chaffin</i>	9  22
4.	U. T. System: Report on the Systemwide internal audit activities, including the audit of internal controls over the Permanent University Fund and audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Pan American	9:35 a.m. <b>Report</b> <i>Mr. Eloy Alaniz, U. T. Pan American Mr. Chaffin</i>	12  29
5.	U. T. System: Report on the Systemwide Compliance Office work plans for Fiscal Years 2010 and 2011	9:40 a.m. <b>Report</b> <i>Mr. Plutko</i>	17  44
7.	U. T. System: Report on Systemwide institutional compliance activities	9:55 a.m. <b>Report</b> <i>Mr. Plutko</i>	17  51
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2.	U. T. System: Key Financial Indicators Report and Monthly Financial Report	2:03 p.m. <b>Report</b> <i>Dr. Kelley</i>	55  18
4.	U. T. System: Approval to exceed the full-time equivalent limitation on employees paid from appropriated funds	2:15 p.m. <b>Action</b> <i>Mr. Wallace</i>	80  28

<u>Item #</u>		<u>Board/Committee Meetings</u>	<u>Page</u>	<u>Vol. 1 page reference</u>
<b>FINANCE AND PLANNING COMMITTEE (cont.)</b>				
10.	<b>U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt</b>	<i>2:51 p.m.</i> <b>Action</b> <i>Mr. Aldridge</i>	<b>85</b>	<b>100</b>
<b>HEALTH AFFAIRS COMMITTEE</b>				
4.	<b>U. T. System: Report and discussion related to changes to faculty practice plan bylaws</b>	<i>4:35 p.m.</i> <b>Report</b> <i>Dr. Shine</i> <i>Ms. Thomas</i>	<b>110</b>	<b>125</b>
5.	<b>U. T. System: Role of public health programs in the U. T. System</b>	<i>4:40 p.m.</i> <b>Report</b> <i>Dr. Roberta B. Ness,</i> <i>Dean, School of</i> <i>Public Health,</i> <i>U. T. Health Science</i> <i>Center – Houston</i>	<b>241</b>	<b>125</b>
<b>FACILITIES PLANNING AND CONSTRUCTION COMMITTEE</b>				
1.	<b>U. T. San Antonio: 2009 Campus Master Plan Update</b>	<i>3:00 p.m.</i> <b>Report</b> <i>Mr. O'Donnell</i> <i>President Romo</i> <i>Mr. Carl L.</i> <i>Gromatzky,</i> <i>Barnes Gromatzky</i> <i>Kosarek Architects</i>	<b>256</b>	<b>127</b>
<b>STUDENT, FACULTY, AND STAFF CAMPUS LIFE COMMITTEE</b>				
	<b>U. T. System: Annual Meeting with Officers of the U. T. System Faculty Advisory Council</b>	<i>9:35 a.m.</i> <b>Report</b> <i>Dr. Thomas Albrecht,</i> <i>U. T. Medical</i> <i>Branch – Galveston</i> <i>Dr. Murray Leaf,</i> <i>U. T. Dallas</i>	<b>284</b>	<b>161</b>

1. U. T. System Board of Regents: Possible discussion and appropriate action regarding Santa Rita Award (cont.)

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

**Rule: 10601**

1. **Title**

Guidelines for the Santa Rita Award

2. **Rule and Regulation**

Sec. 1 Standards. A Systemwide award that may be made annually to an individual who has made valuable contributions over an extended period to The University of Texas System in its developmental efforts. An individual is defined as a person, as opposed to a corporation, charitable trust, foundation, and like entities. The recipient may be judged on the basis of a broad list of criteria, primary among which will be a demonstrated concern for the principles of higher education generally, as well as deep commitment to the furtherance of the purposes and objectives of The University of Texas System specifically.

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

Sec. 2 General Conditions. The following general conditions apply to the award:

2.1 The award, to be known as the "Santa Rita Award," will consist of a medallion to be presented no more frequently than annually.

2.2 The award shall be made on behalf of the Board of Regents of The University of Texas System.

2.3 An individual may receive the award only once.

2.4 Posthumous awards may be given.

2.5 No member of the Board of Regents shall be eligible to receive the Santa Rita Award until the termination of the member's service.

Sec. 3 Nominations for Awards. Nominations for the award shall be forwarded to the Chairman of the Board of Regents or the

1. U. T. System Board of Regents: Possible discussion and appropriate action regarding Santa Rita Award (cont.)

**The University of Texas System**

**Rules and Regulations of the Board of Regents**

**Rule: 10601**

General Counsel to the Board (Office of the Board of Regents, The University of Texas System, 201 West Seventh Street, Suite 820, Austin, Texas 78701-2981). The nominator shall provide such supporting information and documentation as may be requested by the Chairman or the General Counsel to the Board.

- Sec. 4 Selection of Awardees. Awards shall be made, upon recommendation of the Chairman of the Board following consultation with others including the Chancellor and other appropriate U. T. System officials, by a majority vote of members present at a Board of Regents' meeting at which a quorum is present.



5. U. T. System: Approval of the nonpersonnel aspects of the operating budgets for Fiscal Year 2010, including the PUF Bond Proceeds allocation for LERR Projects and an allocation for the STARs Program

Presented to the U. T. System Board of Regents  
August 2009

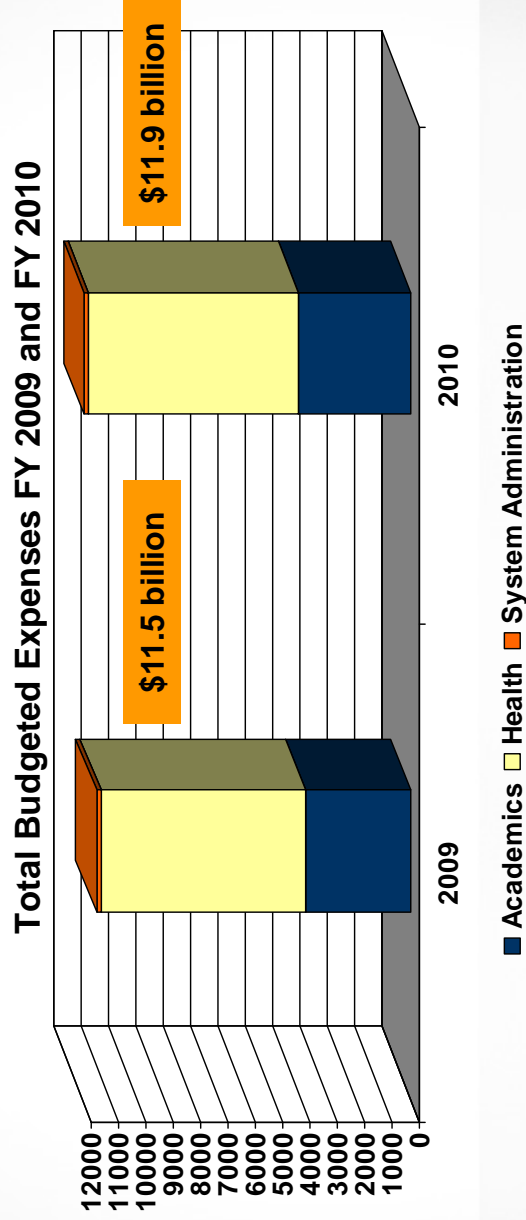
# The University of Texas System Fiscal Year 2010 Operating Budget



THE UNIVERSITY OF TEXAS SYSTEM  
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# Total Budgeted Expenses

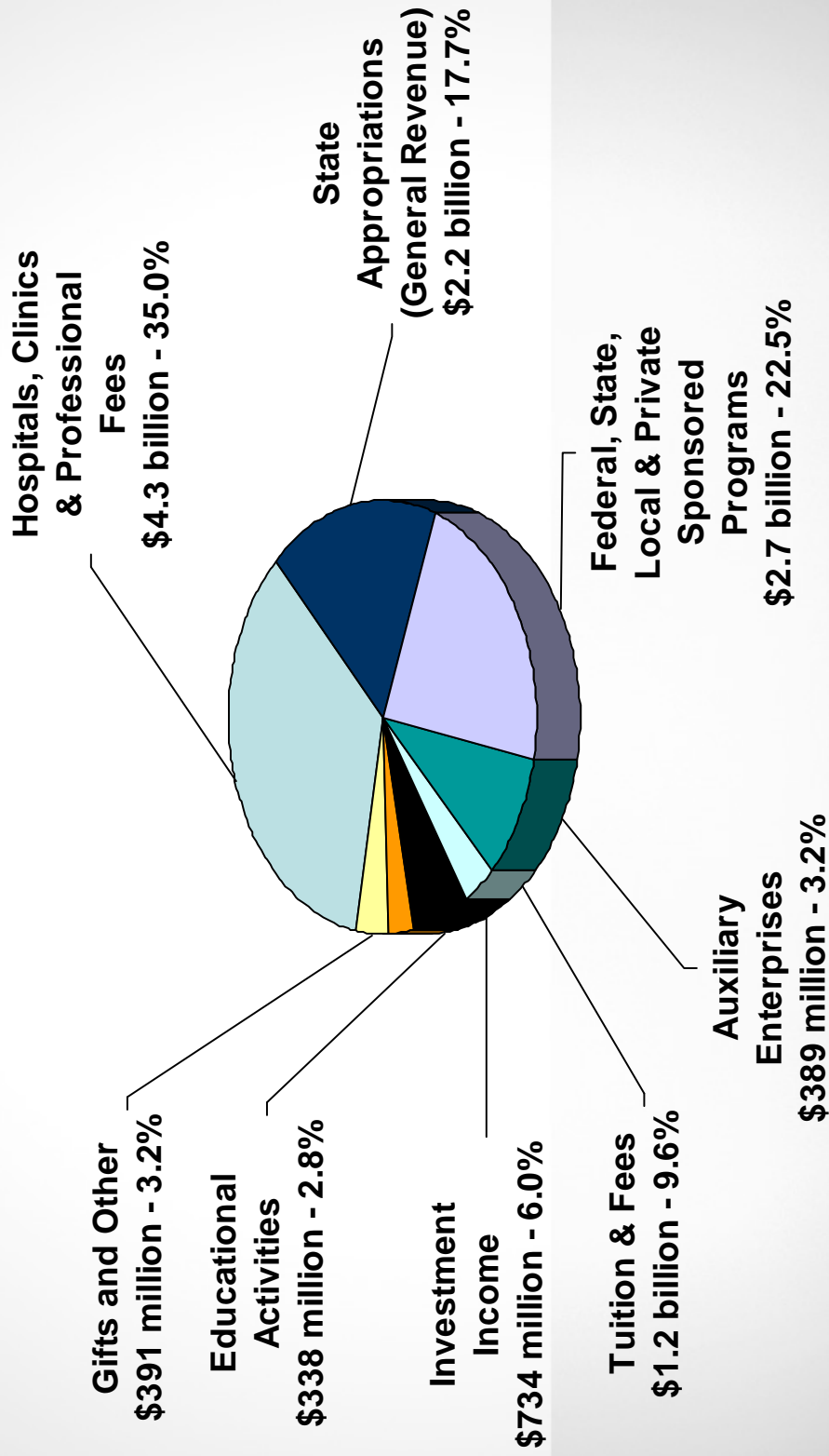
- U. T. System: Approval of the nonpersonnel aspects of the operating budgets for Fiscal Year 2010, including the PUF Bond Proceeds allocation for LERR Projects and an allocation for the STARs Program (cont.)



Budgeted Expenses  
 FY 2010 - \$11.9 billion  
 \$446 million more than FY 2009  
 3.9% more than FY 2009



# Where the Money Comes From Fiscal Year 2010



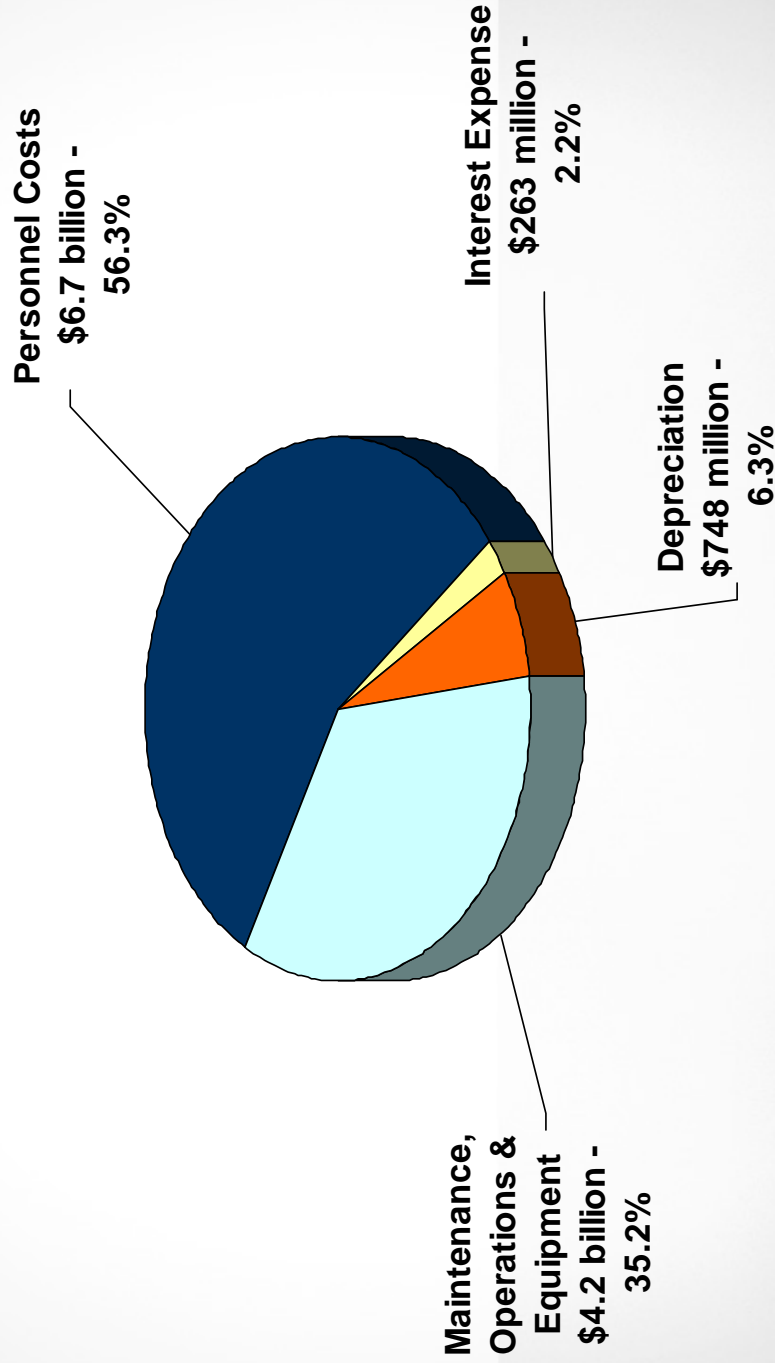
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# Where the Money Goes

## Fiscal Year 2010 (By Expense Type)

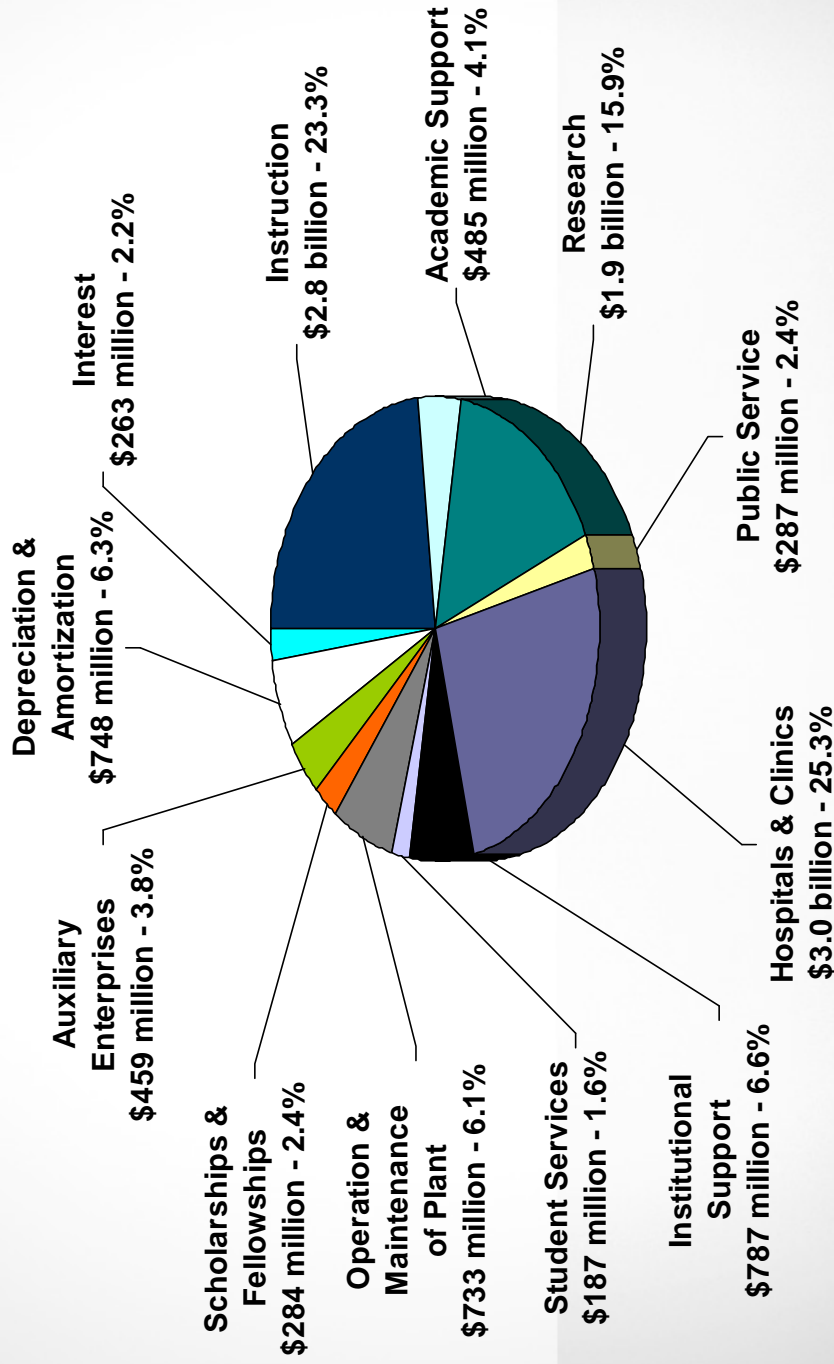


**\$11.9 Billion**



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# Where the Money Goes Fiscal Year 2010 (By Function)

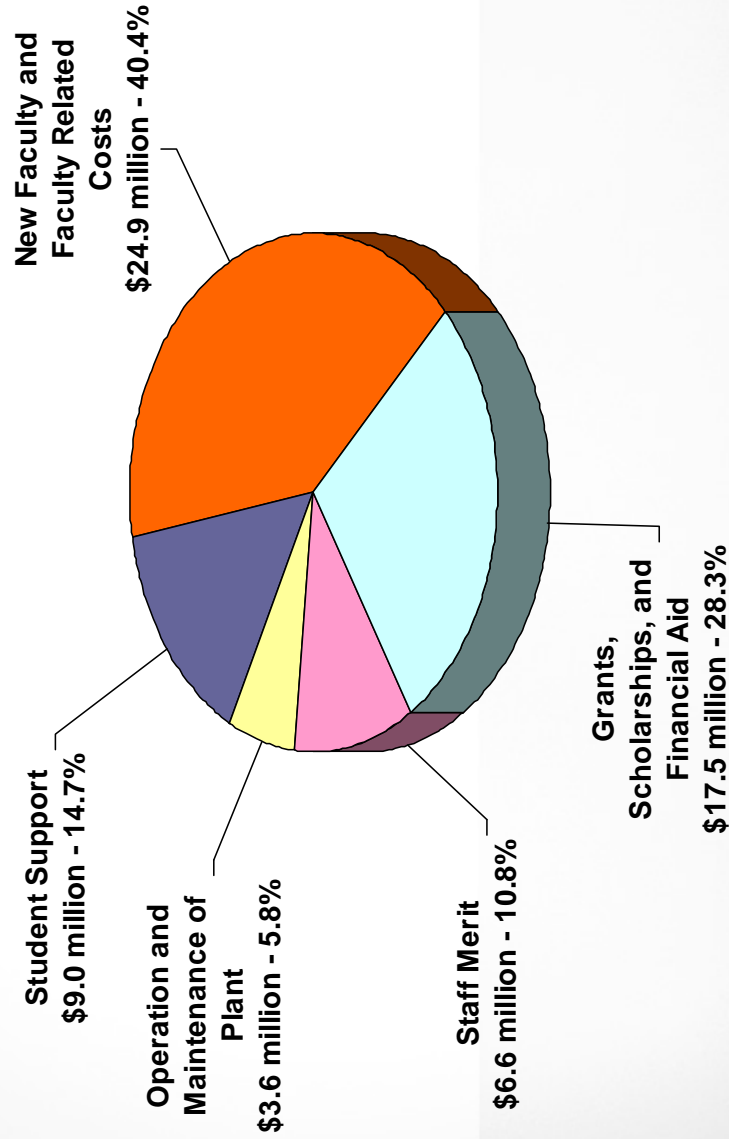


**\$11.9 Billion**



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# Use of Flexible Tuition Revenue Increase – Fiscal Year 2010



## \$61.6 Million Increase



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5. U. T. System: Approval of the nonpersonnel aspects of the operating budgets for Fiscal Year 2010, including the PUF Bond Proceeds allocation for LERR Projects and an allocation for the STARs Program (cont.)

## Budgeted Expenses Academic Institutions (in millions)

	Fiscal Year 2009	Fiscal Year 2010	Dollar & Percent Change
U. T. Arlington	\$ 385.6	\$ 409.0	\$ 23.4 6.1%
U. T. Austin	1,983.6	2,062.6	79.0 4.0%
U. T. Brownsville	138.9	147.6	8.7 6.3%
U. T. Dallas	309.1	353.0	43.9 14.2%
U. T. El Paso	295.0	334.7	39.7 13.4%
U. T. Pan American	235.2	243.8	8.6 3.7%
U. T. Permian Basin	46.2	48.7	2.5 5.4%
U. T. San Antonio	389.2	430.3	41.1 10.6%
U. T. Tyler	81.3	87.2	5.9 7.2%
<b>Total Academic</b>	<b>\$3,864.1</b>	<b>\$4,116.9</b>	<b>\$252.8 6.5%</b>





5. U. T. System: Approval of the nonpersonnel aspects of the operating budgets for Fiscal Year 2010, including the PUF Bond Proceeds allocation for LERR Projects and an allocation for the STARs Program (cont.)

## Budgeted Expenses Health Institutions (in millions)

	Fiscal Year 2009	Fiscal Year 2010	Dollar & Percent Increase
U. T. Southwestern Dallas	\$ 1,485.5	\$ 1,601.0	7.8%
U. T. MB Galveston	1,612.1	1,491.5	(7.5%)
U. T. HSC Houston	780.7	855.9	9.6%
U. T. HSC San Antonio	674.4	759.7	12.7%
U. T. MD Anderson	2,804.3	2,846.2	1.5%
U. T. HSC Tyler	118.1	123.0	4.2%
<b>Total Health</b>	<b>\$7,475.1</b>	<b>\$7,677.3</b>	<b>2.7%</b>





5. U. T. System: Approval of the nonpersonnel aspects of the operating budgets for Fiscal Year 2010, including the PUF Bond Proceeds allocation for LERR Projects and an allocation for the STARs Program (cont.)

# The University of Texas System Administration



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# System Administration Budget Highlights

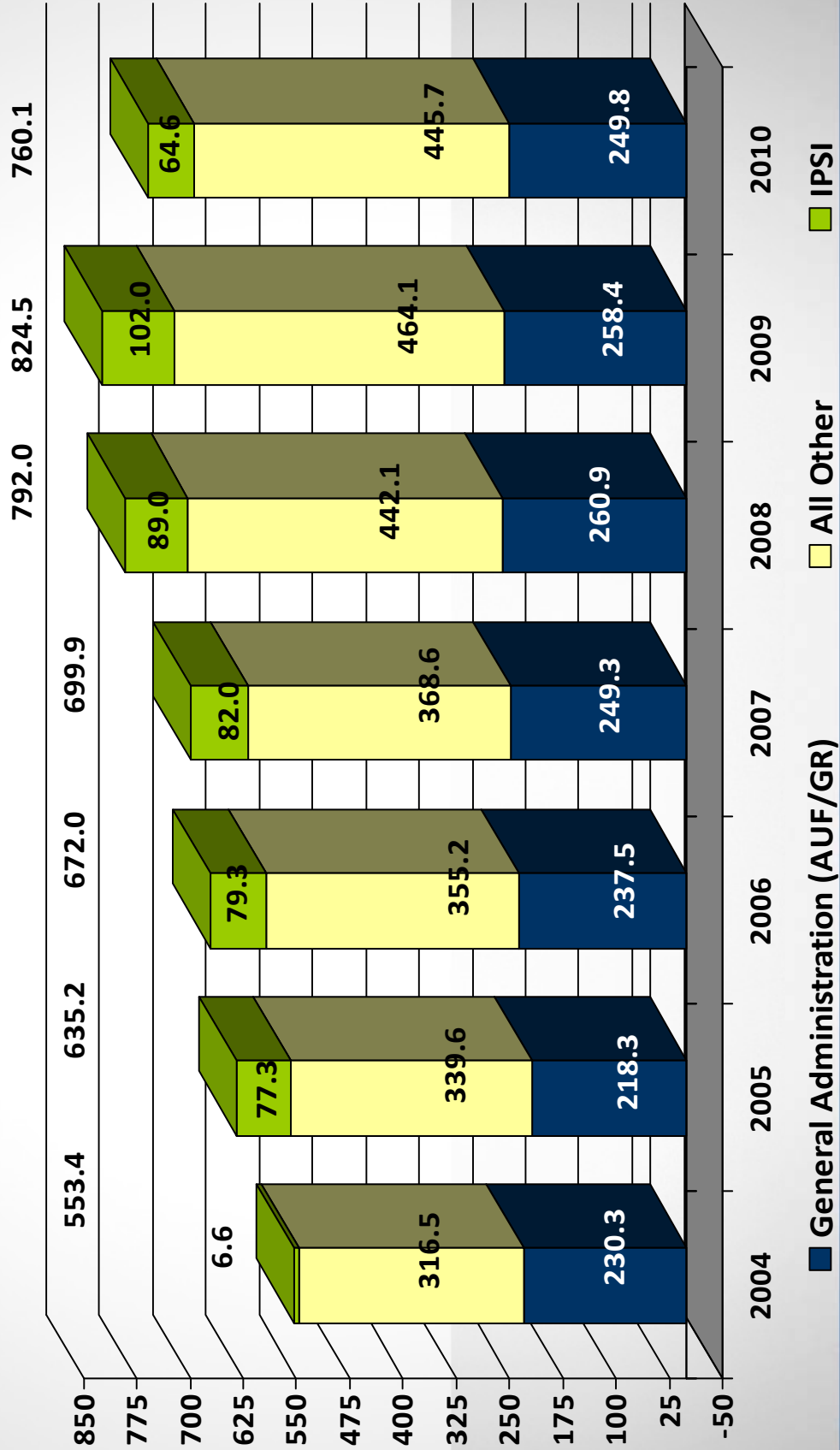
## System Administration – Fiscal Year 2010

- 760.1 Full-time Equivalents (FTEs) in FY 2010 for System Administration.
- Of that total, 510.3 FTEs are in self-supporting departments that support themselves through revenue generated such as Office of Facilities Planning and Construction, Office of Employee Benefits, Workers' Compensation Insurance or receive external grants like the Institute for Public School Initiatives.
- Overall FTEs in Self Supporting departments have decreased by 55.8 FTEs from 566.1 in FY 2009 to 510.3 in FY 2010 due to:
  - **13.0 positions eliminated in the Office of Facilities Planning and Construction and 1.0 in the related HUB area due to the slowdown of new construction as a result of the current economic conditions.**
  - **36.5 positions eliminated in FY 2010 in Contracts and Grants primarily due to the phase out of the multiyear Texas Reading First Initiative grant.**
  - **13.9 existing vacant positions eliminated throughout the organization as a result of the flexible hiring freeze.**



5. U. T. System: Approval of the nonpersonnel aspects of the operating budgets for Fiscal Year 2010, including the PUF Bond Proceeds allocation for LERR Projects and an allocation for the STARs Program (cont.)

# Budgeted FTEs Fiscal Years 2004-2010



## System Administration Budget Highlights

### General Administration – Fiscal Year 2010

- 249.8 FTEs, a decrease of 8.6 as a result of the flexible hiring freeze, to meet strategic initiatives in support of academic institutions; to meet requests for services; and to provide financial oversight.

Business Affairs (1)      Academic Affairs (2)  
Controller (1)            System Audit Office (1)  
Shared Services (1)  
HUB (1)

- FY 2010 General Administration budget decreased by \$0.6 million or 1.6% over FY 2009



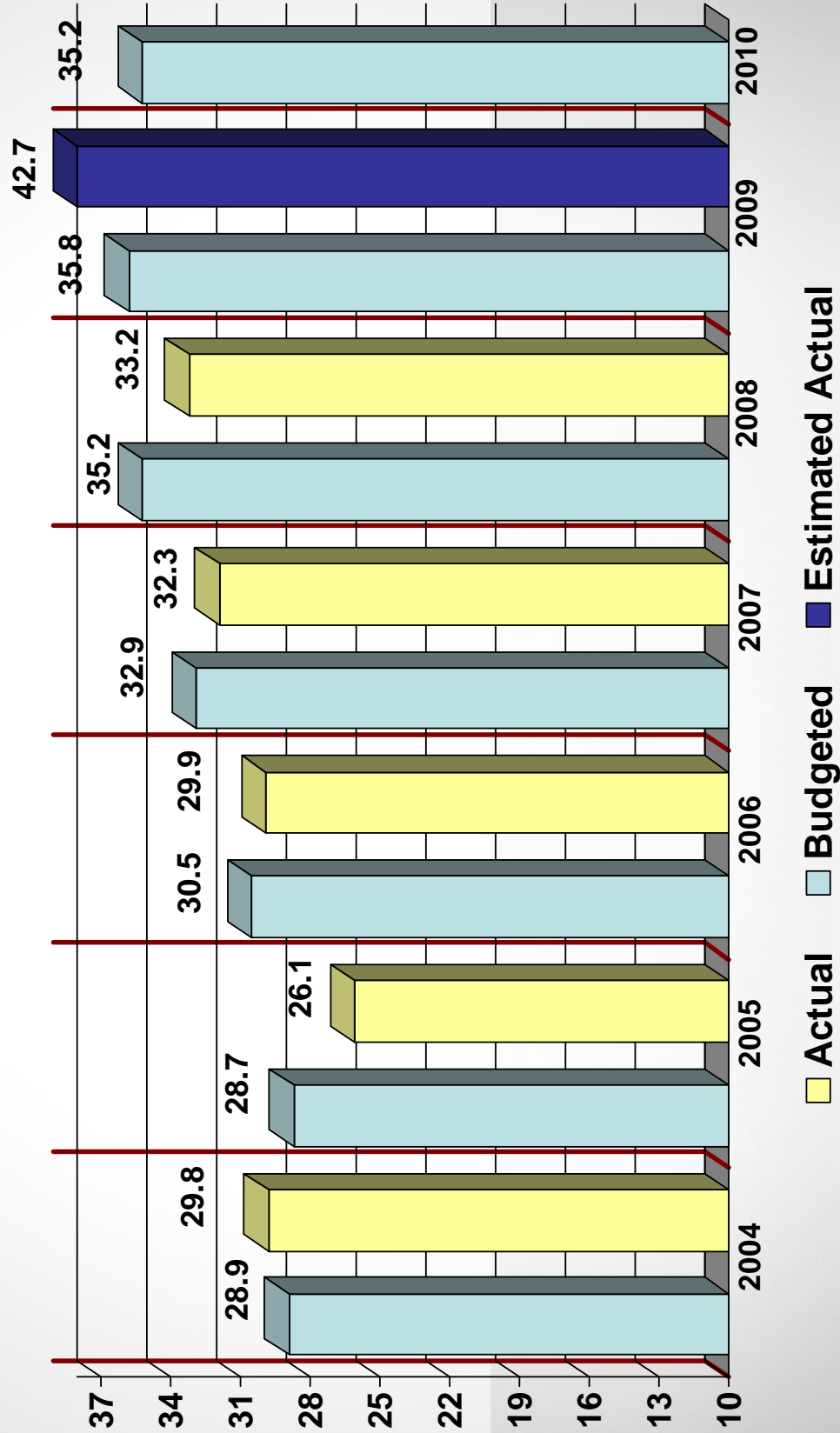
# System Administration Budget Highlights

## General Administration Budget

	FTEs	Total
<b>FY 2009 Original Budget</b>	<b>258.4</b>	<b>\$35,759,430</b>
<b>FY 2009 Staffing Changes</b>	<b>(1.1)</b>	<b>21,828</b>
<b>FY 2009 Merit Salary Adjustments</b>	<b>-</b>	<b>285,859</b>
<b>FY 2010 Positions Eliminated</b>	<b>(8.0)</b>	<b>(520,919)</b>
<b>FY 2010 Other Salary Changes</b>	<b>0.5</b>	<b>(5,606)</b>
<b>Staff Benefits</b>	<b>-</b>	<b>185,000</b>
<b>UT TeleCampus</b>	<b>-</b>	<b>(485,127)</b>
<b>M&amp;O/Travel/Other</b>	<b>-</b>	<b>(56,589)</b>
<b>Total Adjustments</b>	<b>(8.6)</b>	<b>(575,554)</b>
<b>Fiscal Year 2010 Budget</b>	<b>249.8</b>	<b>35,183,876</b>
<b>Decrease over Fiscal Year 2009 Budget</b>		<b>(1.61%)</b>



# UT System Administration Budgeted & Actual Expenditures FY 2004-2010



5. U. T. System: Approval of the nonpersonnel aspects of the operating budgets for Fiscal Year 2010, including the PUF Bond Proceeds allocation for LERR Projects and an allocation for the STARs Program (cont.)



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5. U. T. System: Approval of the nonpersonnel aspects of the operating budgets for Fiscal Year 2010, including the PUF Bond Proceeds allocation for LERR Projects and an allocation for the STARs Program (cont.)

# Library, Equipment, Repair and Rehabilitation



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# Library, Equipment, Repair and Rehabilitation – Fiscal Year 2010

5. U. T. System: Approval of the nonpersonnel aspects of the operating budgets for Fiscal Year 2010, including the PUF Bond Proceeds allocation for LERR Projects and an allocation for the STARs Program (cont.)

Academic		Health
U. T. Arlington	\$ 1,250,000	U. T. Southwestern Dallas \$ 1,260,000
U. T. Austin	3,375,000	U. T. MB Galveston 1,300,000
U. T. Dallas	1,250,000	U. T. HSC Houston 1,260,000
U. T. El Paso	1,250,900	U. T. HSC San Antonio 1,260,000
U. T. Permian Basin	518,000	U. T. MD Anderson 1,260,000
U. T. San Antonio	1,250,000	U. T. HSC Tyler 1,260,000
U. T. Tyler	507,000	
<b>Total</b>	<b>\$ 9,400,000</b>	<b>Total \$ 7,600,000</b>

Library Collection Enhancement Program	\$ 2,000,000	U. T. HSC Houston School of Public Health \$ 1,000,000
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**TOTAL LERR Funded Projects \$20,000,000**





5. U. T. System: Approval of the nonpersonnel aspects of the operating budgets for Fiscal Year 2010, including the PUF Bond Proceeds allocation for LERR Projects and an allocation for the STARS Program (cont.)

# Faculty Science and Technology Acquisition and Retention (STARS) Program



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## Faculty STARs Fiscal Year 2010

Faculty STARs Program – Academic Institutions	\$15,000,000
Faculty STARs Program – Health Institutions	\$15,000,000

### Benefits of Faculty STARs

- Recruit and retain best faculty in the nation
- Develop and strengthen research capacity
- Pending and issued patents
- Encourage future research and excellence
- Collaboration with outside entities



The University of Texas System  
PUF Debt Capacity

	Actual	Projected											
	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	
Additional PUF Debt Capacity				\$61.0	\$61.0	\$61.0	\$61.0	\$61.0	\$61.0	\$61.0	\$61.0	\$61.0	
Cumulative PUF Debt Capacity				\$61.0	\$122.0	\$183.0	\$244.0	\$305.0	\$366.0	\$427.0	\$488.0	\$549.0	
<b>Available University Fund Operating Statement Forecast Data (\$ Millions)</b>													
PUF Distribution Amount	\$448.9	\$530.9	\$516.4	\$494.2	\$455.6	\$473.7	\$467.6	\$467.6	\$467.6	\$467.6	\$467.6	\$467.6	
Surface & Other Income	15.1	15.1	13.2	13.2	13.2	13.2	13.2	13.2	13.4	13.7	14.0	14.2	
Divisible Income	464.1	546.0	529.6	507.4	468.7	486.9	480.7	480.7	481.0	481.3	481.5	481.8	
UT System Share (2/3)	309.4	364.0	353.0	338.3	312.5	324.6	320.5	320.5	320.7	320.8	321.0	321.2	
AUF Interest Income	11.3	6.4	4.0	5.7	10.1	13.0	14.2	14.8	14.0	12.5	10.5	8.0	
Income Available to U.T.	320.6	370.4	357.1	343.9	322.6	337.5	334.7	335.2	334.6	333.3	331.5	329.2	
TRANSFERS:													
UT Austin Excellence Funds (45%)	(142.5)	(165.3)	(160.7)	(154.8)	(145.2)	(151.9)	(150.6)	(150.9)	(150.6)	(150.0)	(149.2)	(148.1)	
PUF Debt Service *	(98.8)	(102.3)	(119.4)	(112.8)	(135.3)	(146.8)	(156.7)	(166.5)	(176.3)	(186.2)	(196.0)	(205.8)	
System Administration	(34.2)	(34.8)	(33.0)	(33.0)	(33.0)	(33.0)	(33.0)	(33.0)	(33.0)	(33.0)	(33.0)	(33.0)	
Other	(44.3)	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	
Net Surplus/(Deficit)	0.7	64.9	40.9	40.3	6.1	2.8	(6.7)	(16.2)	(26.4)	(36.9)	(47.7)	(58.8)	
Ending AUF Balance - System	107.9	172.8	213.6	253.9	260.0	262.8	256.1	239.8	213.4	176.5	128.8	69.9	
PUF Debt Service Coverage	3.24:1	3.62:1	2.99:1	3.05:1	2.39:1	2.30:1	2.14:1	2.01:1	1.90:1	1.79:1	1.69:1	1.60:1	
Unused Constitutional Limit	839.0	605.8	496.8	244.8	142.3	158.6	181.2	211.0	248.5	294.5	349.4	414.0	

\* Includes debt service on outstanding PUF debt and projected debt service on Additional PUF Debt Capacity and \$50 million of annual LERR/STARs funding.

1. U. T. System: Report on the internal audit plan for the Fiscal Year 2009  
U. T. System Consolidated Annual Financial Report

# **Audit of the U. T. System Consolidated Annual Financial Report (AFR) Fiscal Year Ending August 31, 2009**

**Mr. Charles Chaffin, Chief Audit Executive  
August 2009**



**THE UNIVERSITY of TEXAS SYSTEM**  
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**U. T. System Board of Regents  
Meeting**

**Audit, Compliance, and  
Management Review (ACMR)  
Committee**



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## Background

- Until 1989, the State Auditor's Office (SAO) provided audit opinions on each of the U. T. System institution's financial statements.
- After 1989, the SAO provided an audit opinion only on the State of Texas Combined Annual Financial Report.
- In July 2004, the U. T. System Board of Regents (Board) approved the first external audit of the U. T. Systemwide financial statements.
- In 2007, the Board elected to discontinue the external auditor engagement, but expressed confidence in the financial audit work performed by institutional and U. T. System Administration auditors.
- In 2008, the ACMR Committee members agreed that the question of hiring an independent financial auditor should be revisited by the Committee each August.

# Overview



THE UNIVERSITY OF TEXAS SYSTEM  
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- Internal audit of the Fiscal Year 2009 financial statements will be coordinated by the U. T. System Audit Office.
- U. T. Permian Basin, U. T. San Antonio, U. T. Tyler, and U. T. Health Science Center – Houston will conduct procedures as part of the Southern Association of Colleges and Schools (SACS) accreditation reporting requirements.
- Financial statements of the UTIMCO funds and U. T. M. D. Anderson Cancer Center will still be performed by external auditors.
- Institutional internal audit reports will be due in January 2010.
- Report will be made to ACMR Committee in February 2010.





## Importance of the Financial Audit

- The audit provides assurance to internal and external stakeholders that the financial information is fairly presented.
- Accuracy of the financial information is fundamental in determining how the institution is functioning.
- Financial information is used to determine debt capacity and overall financial strength of the institutions.
- The external audits of the UTIMCO funds and U. T. M. D. Anderson Cancer Center, the internal audits of key financial information at the other U. T. institutions, the SAO's limited audit procedures at selected U. T. institutions, and follow-up on prior year findings provides limited assurance as to the reliability and integrity of U. T. System's financial reporting.

## Audit Objectives

### Audit Objectives:

- Perform risk-based audits of the U. T. institutions, U. T. System Administration, and U. T. System Consolidated Financial Statements to determine whether they are materially accurate.
- Report individual audit results to institutional executive management and summarized findings to the ACMR Committee.



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# Audit Approach

## Audit Approach:

- Identify, test and report on key controls over the major financial line items, including tuition & fees, physician & hospital revenue, sponsored programs, and payroll & non-payroll expenses, etc.
- Test the higher-risk and larger dollar items, such as tuition and patient revenue and receivables, to identify and report any potential material misstatements.
- Perform analytical procedures at year-end to ensure reasonableness of financial statement line items.
- Review the consolidation of institutional financial information to ensure appropriate reporting to the State.
- Coordinate with other internal auditors to understand the impact of any potential adjustments to the U. T. System Consolidated Financial Statements.



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## Internal Audit Hours

- Approximately 20,000 hours or 16% of the U. T. Systemwide annual audit plan resources were spent on the Fiscal Year 2008 financial audit work.

4. U. T. System: Report on the Systemwide internal audit activities, including the audit of internal controls over the Permanent University Fund and audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Pan American



# **THE UNIVERSITY OF TEXAS - PAN AMERICAN**

**Mr. Eloy Alaniz  
Director of Internal Audits  
Office of Internal Audits**

**U. T. System Board of Regents' Meeting  
Audit, Compliance, and Management Review Committee  
August 19, 2009**

4. U. T. System: Report on the Systemwide internal audit activities, including the audit of internal controls over the Permanent University Fund and audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Pan American (con't)



## Internal Audit Reporting Structure

- Director of internal audit reports administratively to the president
- Director of internal audit reports functionally to the Audit Committee

4. U. T. System: Report on the Systemwide internal audit activities, including the audit of internal controls over the Permanent University Fund and audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Pan American (con't)



## Internal Audit Committee

- Dr. Charles A. Sorber, Interim President and Chair
- Dr. Paul Sale, Provost/Vice President (VP) for Academic Affairs
- Dr. John A. Edwards, VP for Enrollment and Student Services
- Mr. James Langabeer, VP for Business Affairs
- Mr. Bob Lim, VP for Information Technology
- Ms. Janice Odom, VP for University Advancement
- Vacant, VP for Community Engagement
- Mr. Kenneth Everhard, CPA, External Member
- The committee meets quarterly with last meeting held July 1, 2009

4. U. T. System: Report on the Systemwide internal audit activities, including the audit of internal controls over the Permanent University Fund and audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Pan American (con't)



## Internal Audit Department

- Mr. Eloy R. Alaniz, CPA, CIA, CISA, Director
- Ms. Isabel Benavides, CIA, CGAP, CFE, Assistant Director
- Ms. Lilia St. Clair, CPA, Internal Auditor III
- Mr. Joe Gomez, MS, Information Systems Auditor III
- Mr. Khalil Abdullah, Internal Auditor I
- Ms. Sally Tobin, Administrative Secretary III
- Internal Audit issues an average of 12 reports per year

4. U. T. System: Report on the Systemwide internal audit activities, including the audit of internal controls over the Permanent University Fund and audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Pan American (con't)



## High Risk Areas Audited in FY 2009

### **Institutional High Risk Areas**

- Procurement/Procurement Cards
- Student Fees
- Other Variable Revenues
- Monitoring of Statement of Account Reconciliations

### **Compliance High Risk Areas**

- Payment Card Data Industry Standards (PCI)

### **Information Technology High Risk Areas**

- Oracle System Financial and Human Resource System
- Banner Student Information System





## Internal Audit External Quality Assurance Review

Most recent quality assurance review was performed in April 2007

- Found to “generally conform” with the Institute of Internal Auditing Standards, Code of Ethics, and the Texas Internal Auditing Act
- Areas identified for further improvement (*all have been addressed at this time*):
  - Obtain staff with expertise in the information technology audit area
  - Develop a certification policy
  - Modify employee performance evaluation process
  - Meet with senior management to keep informed about institutional activities, management concerns and the risk assessment process
  - Make a request to the audit committee for an increase in staff salaries
- A follow-up Quality Assurance Review was conducted in July 2009 with results currently pending



4. U. T. System: Report on the Systemwide internal audit activities, including the audit of internal controls over the Permanent University Fund and audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Pan American (con't)



## Fiscal Year 2008 Annual Financial Report Audit Significant Finding

### Background

As part of The University of Texas – Pan American (UTPA) Fiscal Year 2008 Annual Financial Report (AFR) Audit, controls over the account certification process were tested based on criteria from the UT System Policy 142.1 Section 3. Certification, which include:

- Account Owner provides an annual subcertification to the Financial Reporting Officer
- Financial Reporting Officer determines at what level the subcertification is required (e.g. dean, department head, etc.)
- Subcertifications confirm that reconciliations have been completed on all statements of accounts for the 12 months ended August 31<sup>st</sup> yearly



## FY 2008 AFR Audit Significant Finding (cont.)

### Significant Finding

A deficiency in internal control was identified that was considered significant, but not a material weakness to the AFR.

- Some UTPA project managers were found to be certifying their accounts when in fact, they had not completed their reconciliations. As a result, the subcertification process was deemed not to be reliable and the departmental account reconciliations area was considered to be high-risk for potential fraud. Specifically:
  - A sample of 25 subcertified project accounts were tested to verify that the account reconciliations were, in fact, completed for the month of August 2008
  - Of the 25 project accounts tested, 14 (or 56%) were not completely reconciled
  - Additionally, seven of those 14 project accounts were also not reconciled for the month of July and/or the entire fiscal year



**FY 2008 AFR Audit  
Significant Finding (cont.)**

**Potential Causes:**

- Decentralization of account reconciliations
- Inaccurate/unreliable subcertifications
- Lack of adequate staff training
- Lack of personnel to complete reconciliations

**Potential Consequences:**

The result of not completing account reconciliations increases the likelihood of :

- Fraud
- Misappropriation of funds
- Negative publicity

**Recent Actual Fraud** – Former UTPA employee accused of embezzling \$10K

4. U. T. System: Report on the Systemwide internal audit activities, including the audit of internal controls over the Permanent University Fund and audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Pan American (cont')



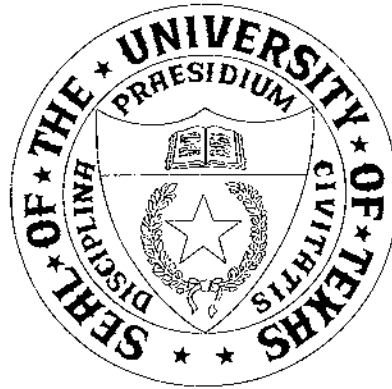
## FY 2008 AFR Audit Significant Finding (cont.)

### **Corrective Actions**

- A Monitoring Plan for Segregation of Duties and Reconciliation of Accounts based on U. T. System Policy 142.1 was developed and approved
- Details of the Monitoring Plan were communicated to all UTPA Divisions
- Account Reconciliation Training began in June 2009
- Account reconciliations will be completed monthly and all project managers will certify monthly to their respective directors/deans
- Directors/deans will report those who failed to certify or reconcile their accounts to their respective vice presidents on a monthly basis
- Directors/deans will validate the account reconciliations through quarterly inspections
- Directors/deans will provide quarterly results to the Comptroller and Office of Internal Audits
- The Office of Internal Audits will test the effectiveness of the monitoring plan and validate reconciliations at year end

4. U. T. System: Report on the Systemwide internal audit activities, including the audit of internal controls over the PUF and audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Pan American

**The University of Texas Investment Management Company  
Permanent University Fund (PUF) Internal Controls Audit Report  
FY 2009**



**June 2009**

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE  
702 COLORADO STREET, CLB 3.100  
AUSTIN, TX 78701  
(512) 499-4390

4. U. T. System: Report on the Systemwide internal audit activities, including the audit of internal controls over the PUF and audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Pan American (con't)



**The University of Texas System**

Nine Universities. Six Health Institutions. Unlimited Possibilities.

**System Audit Office**

201 West Seventh Street, Austin, Texas 78701-2981  
Phone: 512-499-4390 Fax: 512-499-4426

June 19, 2009

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

The University of Texas at Tyler

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

Mr. Bruce Zimmerman  
Chief Executive Officer and Chief Investment Officer  
The University of Texas Investment Management Company (UTIMCO)  
401 Congress Avenue, Suite 2800  
Austin, Texas 78701

Dear Mr. Zimmerman:

We have performed an audit of UTIMCO's internal controls over financial reporting related to the Permanent University Fund (PUF). The audit objectives were to provide assurance to UTIMCO management and the UTIMCO Board of Directors' Audit and Ethics Committee that internal controls over financial reporting are adequately documented and to determine whether these controls are sufficient and functioning as intended. We also followed up on open recommendations from a previous audit of internal controls over financial reporting.

Our audit was conducted in accordance with the guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The results of the audit are detailed in the attached report. We appreciate the assistance provided by your staff and hope the information presented in our report is helpful.

Sincerely,

  
Charles G. Chaffin  
Chief Audit Executive

[www.utisystem.edu](http://www.utisystem.edu)

cc: Dr. Francisco G. Cigarroa, Chancellor  
Cathy Iberg, UTIMCO President and Deputy Chief Investment Officer  
Joan Moeller, UTIMCO Managing Director of Accounting, Finance &  
Administration  
Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs  
Philip Aldridge, Vice Chancellor for Finance and Business Development

4. U. T. System: Report on the Systemwide internal audit activities, including the audit of internal controls over the PUF and audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Pan American (con't)



The University of Texas Investment Management Company  
UTIMCO Permanent University Fund Internal Controls Audit Report  
Fiscal Year 2009

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## AUDIT REPORT

June 2009

### Background

Created in March 1996, The University of Texas Investment Management Company (UTIMCO) is the first external investment corporation formed by a public university system and oversees various investment funds for The University of Texas (UT) and Texas A&M University Systems. UTIMCO's mission is to provide competitive, innovative, and effective asset management and financial advisory services to its clients within the UT and Texas A&M University Systems.

Although not required by law to do so, UTIMCO was the first entity associated with UT System to voluntarily adopt certain provisions required of public companies by Section 404 of the Sarbanes-Oxley Act of 2002 to demonstrate its commitment to providing accurate and reliable financial information. To meet these provisions, UTIMCO prepared extensive documentation detailing each financial reporting process and internal controls associated with its corporate operations and investment funds, including the Permanent University Fund (PUF). The PUF, established by the Texas Constitution in 1876 with land grants, is a public endowment contributing to the support of certain institutions of the UT and Texas A&M University Systems.

The System Audit Office has previously performed audit work on the documented internal controls for the financial reporting processes over the PUF in fiscal years 2005 and 2006. This audit was performed by request of the Audit, Compliance, and Management Review Committee of the UT System Board of Regents and was limited to the internal controls over financial reporting for the PUF only.

### Audit Objectives

The objectives of this audit were to provide assurance to UTIMCO management and the UTIMCO Board of Directors' Audit and Ethics Committee that internal controls over PUF financial reporting are adequately documented and to determine whether these controls are sufficient and functioning as intended. Follow-up procedures were also performed on open recommendations from the audit of internal controls over financial reporting performed in FY 2005.

### Audit Scope and Methodology

All process narratives, written by UTIMCO staff, which describe the procedures and identify the key controls associated with financial reporting for the PUF, were obtained and reviewed (see complete list of processes at *Appendix A*). The audit team then met with UTIMCO employees, as necessary, for additional information to determine whether the documentation presented an accurate reflection of the procedures performed and whether the key controls identified were described adequately. Lastly, the audit team selected certain key controls from each process and tested these controls to determine whether the controls are functioning as intended.

The scope of this audit encompassed activity related to the PUF occurring primarily in FY 2009 and some occurring at the end of fiscal year 2008. Our audit was conducted in accordance with the guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and the Committee of Sponsoring Organizations' internal control framework.



4. U. T. System: Report on the Systemwide internal audit activities, including the audit of internal controls over the PUF and audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Pan American (con't)



The University of Texas Investment Management Company  
UTIMCO Permanent University Fund Internal Controls Audit Report  
Fiscal Year 2009

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### Audit Results

Audit procedures performed included reviewing relevant documents, conducting selective testing on a sample basis, and interviewing key personnel. Overall, the financial reporting processes for the PUF were adequately documented and the controls tested appear to be adequate and are functioning as intended. Although they do not require management responses, the following are items of note as result of the audit.

#### Daily Reports Prepared and/or Sent Electronically

Certain process narratives include internal controls that involve various daily reports to be prepared by an accounting staff member and reviewed by a senior staff member or accounting manager, who then distributes the reports via e-mail to the investment staff for review. UTIMCO does not save the daily report e-mails distributed due to the large size and frequency of the electronic report files. Although evidence of these daily controls is not retained, the audit team observed that these controls are being performed through the review of e-mails sent during the timeframe of the audit and concluded that UTIMCO continues to perform these daily controls, as documented in the process narratives.

#### Process Narrative Documentation

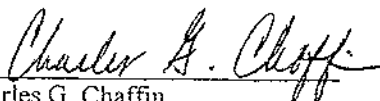
UTIMCO has prepared extensive documentation detailing the processes and internal controls associated with the PUF, the other investment funds under its management, and the UTIMCO Corporation. During the audit, we noted, in limited instances, that a few of the procedures within the PUF process narratives did not clearly reflect or slightly differed from the actual procedures currently being performed. In addition, some of the process narratives are written in a generalized manner in order to apply to all of the investment funds or investment mandate types. Due to the process narratives being dynamic documents that include a robust level of detail, minor differences between the documentation and current practices are to be expected. UTIMCO should continue its existing practice of updating the process narratives for differences identified or procedural changes on a periodic basis.

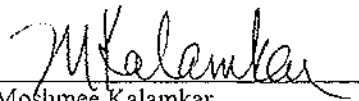
### Follow-Up Results

Follow-up procedures were performed on the three remaining open recommendations from a previous UTIMCO audit of internal controls over financial reporting. These recommendations included establishing dollar limits for purchase approvals, establishing a policy requiring multiple bids for purchases over a certain dollar limit, and linking risks identified from a risk assessment to the controls to mitigate these risks in the internal controls process documentation and developing a policy for the frequency of updating the risk assessment. All three recommendations were verified to have been fully implemented.

### Conclusion

Overall, the PUF financial reporting processes were adequately documented, and the controls tested appear to be adequate and are working as intended. We would like to thank UTIMCO management and staff for their support and assistance during this audit and commend UTIMCO for its continuing commitment to provide accurate and reliable financial information.

  
Charles G. Chaffin  
Chief Audit Executive

  
Moshmee Kalamkar  
Manager of Audits

4. U. T. System: Report on the Systemwide internal audit activities, including the audit of internal controls over the PUF and audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Pan American (con't)



The University of Texas Investment Management Company  
UTIMCO Permanent University Fund Internal Controls Audit Report  
Fiscal Year 2009

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## Appendix A Processes Narratives for the PUF

1. PUF Contributions
2. PUF Distributions
3. External Manager Trading
4. Securities Lending
5. Investment Income
6. Fund Asset Based Expenditures
7. Fund Non-Asset Based Expenditures
8. Accounting Close and Reporting
9. Publicly Traded Securities Valuation
10. Internally Traded Fixed Income Securities
11. Internally Traded Equities (including Exchange-Traded Funds)
12. Derivatives Valuation
13. Internally Traded Futures, Foreign Exchange Contracts, Options, and Swaps
14. More Correlated and Constrained Commingled Type Funds Due Diligence
15. Other Investment Funds Trading
16. Other Investment Funds Valuation
17. Less Correlated and Constrained Due Diligence for Hedge Funds
18. Less Correlated and Constrained Purchases
19. Less Correlated and Constrained Valuation
20. Less Correlated and Constrained Sales
21. Private Investments Due Diligence
22. Private Investments Purchases
23. Private Investments Valuation
24. Private Investments Cash Distributions
25. Private Investments Stock Distributions
26. Investment Funds Information Technology Systems

**THE UNIVERSITY OF TEXAS SYSTEM  
SYSTEMWIDE COMPLIANCE OFFICE**

5. U. T. System: Report on the Systemwide Compliance Office work plans for Fiscal Years 2010 and 2011

**COMPLIANCE WORK PLAN FOR FISCAL YEARS 2010 and 2011**

<b>PLAN OBJECTIVES</b>	<b>AUTHORITATIVE GUIDANCE</b>
<p><b>I. RESEARCH CONFLICTS OF INTEREST</b></p> <ul style="list-style-type: none"> <li>• Study and make recommendations regarding policy, practice, procedures, and enforcement of the UT System institutions' research conflicts of interest policies.</li> <li>• Collaborate with the Office of General Counsel (OGC) to develop a model policy with performance standards/principles which will enhance and standardize institutional compliance for research conflicts of interest.</li> <li>• Devise a state-of-the-art policy implementation process with standardized procedures combined with legal/compliance oversight.</li> </ul>	<ul style="list-style-type: none"> <li>• National Science Foundation</li> <li>• Public Health Services Act</li> <li>• National Institutes of Health</li> <li>• Office of Research Integrity</li> <li>• Department of Justice</li> </ul>
<p><b>II. VENDOR RELATIONS</b></p> <ul style="list-style-type: none"> <li>• Study and make recommendations regarding policy, practice, procedures, and enforcement of the UT System institutions' policies on vendor relations.</li> <li>• Collaborate with OGC to develop a model policy and guidelines to govern and offer guidance on the interactions between the institutions and personnel with vendors providing financial support for educational activities, educational materials, preceptorships, fellowships, scholarships, and other similar areas.</li> </ul>	<ul style="list-style-type: none"> <li>• Anti-kickback Statute</li> <li>• PhRMA Code on Interactions with Healthcare Professionals</li> <li>• OIG Program Guidance for Pharmaceutical Manufacturers</li> <li>• ACCME Standards for Commercial Support</li> </ul>
<p><b>III. RECOVERY AUDIT CONTRACTOR PROGRAM</b></p> <ul style="list-style-type: none"> <li>• Collaborate with the Office of Health Affairs to develop a best practices framework to deal with CMS Claim Review Programs with a particular focus on the Recovery Audit Contractor (RAC) Program.</li> <li>• Design an interdisciplinary team model to provide overall guidance and direction to oversee RAC readiness and coordinate the intricate RAC appeals process.</li> </ul>	<ul style="list-style-type: none"> <li>• Medicare Prescription Drug, Improvement and Modernization Act (MMA, 2003)</li> <li>• Tax Relief and Health Care Act (2006)</li> </ul>

**THE UNIVERSITY OF TEXAS SYSTEM  
SYSTEMWIDE COMPLIANCE OFFICE**

**COMPLIANCE WORK PLAN FOR FISCAL YEARS 2010 and 2011**

5. U. T. System: Report on the Systemwide Compliance Office work plans for Fiscal Years 2010 and 2011 (cont')

<u>PLAN OBJECTIVES</u>	<u>AUTHORITATIVE GUIDANCE</u>
<p><b>IV. EXPORT CONTROLS COMPLIANCE</b></p> <ul style="list-style-type: none"> <li>• Collaborate with the Office of Research and Technology Transfer to develop a model UT System Export Controls program for the benefit of the institutions.</li> </ul>	<ul style="list-style-type: none"> <li>• Department of State/ITAR</li> <li>• Department of Treasury/OFAC</li> <li>• Department of Commerce/EAR</li> </ul>
<p><b>V. CLINICAL RESEARCH BILLING COMPLIANCE</b></p> <ul style="list-style-type: none"> <li>• Collaborate with the Office of Health Affairs to develop a model UT System Clinical Research Billing Compliance program for the benefit of the institutions.</li> <li>• Conduct a compliance effectiveness review once the enhanced program is in place.</li> </ul>	<ul style="list-style-type: none"> <li>• Medicare General Rules</li> <li>• Medicare Investigational Devices</li> <li>• Medicare National Coverage Determinations</li> <li>• Medicare Secondary Payor Rules</li> <li>• Medicaid General Rules</li> </ul>
<p><b>VI. HITECH ACT HIPAA PROVISIONS</b></p> <ul style="list-style-type: none"> <li>• Collaborate with the Office of Health Affairs and OGC to study and prepare for the major revisions to the HIPAA Privacy and Security Rules delineated in the new provisions.</li> <li>• Update changes to the Notice of Privacy Practices (NOPP), standard Business Associate Agreements (BAA), and other mechanisms.</li> <li>• Develop a Breach Notification Policy and other policies as required.</li> </ul>	<ul style="list-style-type: none"> <li>• Health Information Technology for Economic and Clinical Health Act (HITECH Act, 2009)</li> </ul>
<p><b>VII. SYSTEMWIDE COMPLIANCE PROGRAM CHARTER</b></p> <ul style="list-style-type: none"> <li>• Develop an action plan in collaboration with the Institutional Compliance Officers to implement the new Systemwide Compliance Program Charter and implement the same.</li> <li>• Revise U. T. System Policy UTS119, Institutional Compliance Program.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance Charter for the Systemwide Compliance Office (2009)</li> <li>• U. T. System Policy UTS119, Institutional Compliance Program</li> </ul>

**THE UNIVERSITY OF TEXAS SYSTEM  
SYSTEMWIDE COMPLIANCE OFFICE**

**COMPLIANCE WORK PLAN FOR FISCAL YEARS 2010 and 2011**

5. U. T. System: Report on the Systemwide Compliance Office work plans for Fiscal Years 2010 and 2011 (con't)

<u>PLAN OBJECTIVES</u>	<u>AUTHORITATIVE GUIDANCE</u>
<p><b>VIII. VIRTUAL COMPLIANCE ACADEMY</b></p> <ul style="list-style-type: none"> <li>• Establish a “Virtual Compliance Academy” to serve as an education and communication tool to vet and discuss compliance programs objectives and initiatives, to provide professional development opportunities, and to sponsor compliance continuing education webinars on emerging topics.</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>

5. U. T. System: Report on the Systemwide Compliance Office work plans for Fiscal Years 2010 and 2011 (cont')

**THE UNIVERSITY OF TEXAS SYSTEM  
SYSTEMWIDE INFORMATION SECURITY COMPLIANCE OFFICE  
INFORMATION SECURITY COMPLIANCE WORK PLAN FOR FISCAL YEARS 2010 and 2011**

<u>PLAN OBJECTIVES</u>	<u>AUTHORITATIVE GUIDANCE</u>
<p><b>I. PROGRAM METRICS AND INDEX</b></p> <ul style="list-style-type: none"> <li>• Work through the Chief Information Security Officers Council (CISOC) to refine the assessment criteria and methodology for each element used in calculating the Information Security Program Index (ISPI).</li> <li>• Identify possible resources and pools of expertise for assessing infrastructures that impact institutional information security readiness.</li> <li>• Work through the CISOC to revise currently collected metrics to ensure collected metrics support the ISPI.</li> <li>• In collaboration with each CISO, update each institution's ISPI throughout the year to reflect changes in the institution's security environment and preparedness.</li> <li>• Deploy an online method to make each institution's ISPI data available to the institution's CISO at all times.</li> <li>• Monitor compliance with federal, state, and university information security and reporting requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Texas Administrative Code 202.70-78 Security Standards for Institutions of Higher Education</li> <li>• Consensus Audit Guidelines (CAG)</li> <li>• U. T. System Policy UTS165, Information Resources Use and Security Policy</li> <li>• International Organization for Standardization (ISO)</li> <li>• ISO 17799 and ISO 27001 Information Security Standards</li> <li>• National Institute of Standards and Technology (NIST)</li> <li>• NIST 800 Series Security Standards</li> <li>• Health Insurance Portability and Accountability Act (HIPAA) Security Rules</li> <li>• Payment Card Industry Data Security Standard (PCI DSS)</li> </ul>
<p><b>II. PROGRAM AND REPORTING CYCLE REFINEMENT</b></p> <ul style="list-style-type: none"> <li>• Establish a CISOC working group to re-evaluate and recommend standards and best practices upon which the U. T. System Baseline Standard for Information Security Programs is to be based to ensure efficiency and effectiveness of security practices at U. T. institutions.</li> <li>• Continue working with institutional CISOs to improve quality of reporting and alignment of reports with institutional security strategies.</li> <li>• Revise program reporting cycle timeline to align with semesters.</li> <li>• Revise instructions for creation and submission of the required Annual Report and Information Security Program document.</li> </ul>	<ul style="list-style-type: none"> <li>• U. T. System Policy UTS165, Information Resources Use and Security Policy</li> <li>• Consensus Audit Guidelines</li> <li>• ISO 17799 and ISO 27001 Information Security Standards</li> <li>• NIST 800 Series Security Standards</li> </ul>

5. U. T. System: Report on the Systemwide Compliance Office work plans for Fiscal Years 2010 and 2011 (cont')

**THE UNIVERSITY OF TEXAS SYSTEM  
SYSTEMWIDE INFORMATION SECURITY COMPLIANCE OFFICE  
INFORMATION SECURITY COMPLIANCE WORK PLAN FOR FISCAL YEARS 2010 and 2011**

<u>PLAN OBJECTIVES</u>	<u>AUTHORITATIVE GUIDANCE</u>
<p><b>III. RISK MANAGEMENT</b></p> <ul style="list-style-type: none"> <li>• Collaborate with Texas A&amp;M University, Texas Department of Information Resources and other Texas public universities on revision of ISAAC risk assessment tool.</li> <li>• Implement improved HIPAA module on existing ISAAC risk assessment tool.</li> <li>• Implement new PCI module on existing ISAAC risk assessment tool.</li> <li>• Provide troubleshooting and training assistance to institutions as needed to support ISAAC.</li> <li>• Distribute and implement recommendations and guidelines coming from the CISO working group evaluating risk assessment processes to be used when institutions outsource IT products and services.</li> </ul>	<ul style="list-style-type: none"> <li>• Texas Administrative Code 202.72 Managing Security Risks</li> <li>• U. T. System Policy UTS165, Information Resources Use and Security Policy</li> <li>• HIPAA Security Rules</li> <li>• PCI DSS</li> </ul>
<p><b>IV. CONFIGURATION MANAGEMENT</b></p> <ul style="list-style-type: none"> <li>• Coordinate configuration management deployment and training across the U. T. System.</li> <li>• Implement a shared service instance of configuration management software for use by U. T. institutions that choose this approach to deployment.</li> <li>• Work with all U. T. institutions to facilitate sharing of templates and other configuration management resources to leverage the skills and development efforts of staff across the U. T. System</li> </ul>	<ul style="list-style-type: none"> <li>• U. T. System Policy UTS165, Information Resources Use and Security Policy</li> <li>• Consensus Audit Guidelines</li> <li>• HIPAA Security Rules</li> <li>• PCI DSS</li> </ul>



5. U. T. System: Report on the Systemwide Compliance Office work plans for Fiscal Years 2010 and 2011 (con't)

**THE UNIVERSITY OF TEXAS SYSTEM  
SYSTEMWIDE INFORMATION SECURITY COMPLIANCE OFFICE  
INFORMATION SECURITY COMPLIANCE WORK PLAN FOR FISCAL YEARS 2010 and 2011**

<u>PLAN OBJECTIVES</u>	<u>AUTHORITATIVE GUIDANCE</u>
<p><b>V. POLICY AND GUIDANCE</b></p> <ul style="list-style-type: none"> <li>• Revise U. T. System Policy UTS165, Information Resources Use and Security Policy.</li> <li>• Work with CISOC members to assess the need for policy relating to server registration, configuration management, or other topic areas.</li> <li>• Publish E-discovery procedures guidelines.</li> <li>• Implement IT Security Procurement Guideline.</li> <li>• Collaborate with the Texas Department of Information Resources (DIR) on various policy working groups addressing information security issues.</li> <li>• Implement uniform incident reporting methodology for SIRS, DIR's incident reporting tool and revise the U. T. System reporting requirements to clarify which incidents must be reported and the time frame for such reporting.</li> <li>• Develop individual and agency notification requirement guidelines.</li> <li>• Collaborate with various Educause special interest groups and working groups on security and compliance guidance and policy for institutions of higher education.</li> </ul>	<ul style="list-style-type: none"> <li>• U. T. System Administration Policy INT155, Formulation and Adoption of Policies by UT System Administration</li> <li>• From U. T. Mission, Vision, Role, and Values statement: "Exert leadership on national and state higher education policies."</li> <li>• Family Education Rights and Privacy Act (FERPA)</li> <li>• Texas Business and Commerce Code Chapter 48, Unauthorized Use of Identifying Information</li> <li>• Texas Penal Code Chapter 33, Computer Crimes</li> </ul>

5. U. T. System: Report on the Systemwide Compliance Office work plans for Fiscal Years 2010 and 2011 (con't)

**THE UNIVERSITY OF TEXAS SYSTEM  
SYSTEMWIDE INFORMATION SECURITY COMPLIANCE OFFICE  
INFORMATION SECURITY COMPLIANCE WORK PLAN FOR FISCAL YEARS 2010 and 2011**

<u>PLAN OBJECTIVES</u>	<u>AUTHORITATIVE GUIDANCE</u>
<p><b>VI. TRAINING AND OUTREACH</b></p> <ul style="list-style-type: none"> <li>• Administer and promote the U. T. System – SANS online training program.</li> <li>• Work with CISOC to develop curriculum for CISO continuing education.</li> <li>• Develop training and awareness materials for the revised UTS165.</li> <li>• Collaborate with the Office of Research and Technology, Office of Health Affairs and Office of Academic Affairs along with outside organizations to obtain and develop training materials and presentations that will be effective in raising the awareness of researchers about threats to intellectual property.</li> <li>• Maintain outreach to faculty, employee and student groups at U. T. institutions by speaking to various organizations.</li> <li>• Use contracted SANS online training to build internal staff skills.</li> </ul>	<ul style="list-style-type: none"> <li>• U. T. System Policy UTS165, Information Resources Use and Security Policy</li> <li>• U. T. System Administration Policy INT155, Formulation and Adoption of Policies by UT System Administration</li> </ul>

## 7. U. T. System: Report on Systemwide institutional compliance activities

### **The University of Texas System Institutional Compliance Program Report Summary Third Quarter, Fiscal Year 2009**

#### **Background**

The University of Texas (U. T.) Systemwide Institutional Compliance Program (Program) was established in 1998 to ensure that the entire U. T. System, including its 15 institutions, System Administration, and UTIMCO, operates in compliance with all applicable laws, policies, and regulations governing higher education institutions. The responsibilities for the Program are outlined in the *Action Plan to Ensure Institutional Compliance* (Action Plan) approved by the Board of Regents in 1998 and updated in 2003. The Action Plan delegates to the Systemwide Compliance Officer the responsibility for apprising the Chancellor and the Board of Regents of the compliance programs and activities at System Administration and at each of the institutions. The Action Plan also provides that the Compliance Officers at System Administration and at each institution are responsible for a risk-based process that builds compliance consciousness into daily business processes, monitors the effectiveness of those processes, and communicates instances of noncompliance to appropriate administrative officers for corrective, restorative, and/or disciplinary action.

As of September 2008 the Systemwide Compliance Officer is Mr. Larry Plutko.

#### **Systemwide Program Activity**

As outlined in the Action Plan, the Systemwide Compliance Office provides support to the institutional compliance officers by:

- Facilitating best practice identification
- Providing training and support to the institutions on those practices
- Identifying emerging issues
- Working with institutions on reported instances of noncompliance
- Reporting Systemwide compliance activities
- Coordinating Systemwide compliance efforts
- Advancing the discipline of compliance in higher education/health care

During the third quarter of Fiscal Year 2009 (Q309), the Systemwide Program focused its efforts in the following areas:

#### **1. Systemwide Compliance Program planning documents**

The Systemwide Compliance Office reviewed several draft planning documents with the Systemwide Executive Compliance Committee (ECC). These foundational documents included an expanded vision of the Systemwide Compliance Program; a Systemwide Compliance Charter; an Environmental Assessment of compliance trends, new laws and regulations; and an FY10/FY11 Work Plan for Systemwide Compliance and Information

## 7. U. T. System: Report on Systemwide institutional compliance activities (con't)

Security. All but the Systemwide Compliance Charter were ratified by the ECC and were reviewed with a majority of the institutional compliance officers. The ratified documents will be reviewed by the Board of Regents (BOR) in August.

### 2. Coordinating the Systemwide information security initiative

The Fiscal Year 2010-2011 Systemwide Information Security Compliance Office Information Security Compliance Work Plan was published and presented to the institutional information security officers. U. T. institutions began deploying configuration management software funded by the U. T. Board of Regents, and U. T. Dallas, U. T. Brownsville, and U. T. Health Science Center – Houston completed an initial installation of several thousand computers. Six other institutions are scheduled to begin deployment of the software during the summer with others following in fiscal year 2010.

A second draft of an Information Security Program Index scoring tool was presented to the U. T. information security officers for review, editing and feedback. Use of the tool, which will be used to assess and report on institutional information security program status, will begin this summer. Also in the quarter, a member of the U. T. Systemwide Information Security Compliance staff co-authored E-Discovery Guidelines that will be published by Educause.

### 3. Research Conflicts of Interest Committee

The Office of the Chancellor has charged the Research Conflicts of Interest Committee with studying and making recommendations with regard to the policy, practice, procedure, and enforcement of The University of Texas System institutions' research conflicts of interest compliance. Due to the complexity of the project, four subcommittees were established with membership from System Administration and the institutions to:

- (a) create a model policy and disclosure form,
- (b) fashion guidelines for reviewing submitted disclosures, the management/resolution of conflicts, enforcement/sanctions, and certification of the process to the Board of Regents and the Presidents,
- (c) research an electronic solution which may include electronic forms, searchable database and information storage, and
- (d) educate stakeholders on guidelines for completing declarations, training modules, and marketing/rollout of the program

The expectation is to have the model policy and disclosure form completed in September with the other deliverables rolled out in the Fall/Early Winter of 2009.

### 4. Other activities during the quarter included:

- Site visits to meet with key leadership and compliance stakeholders at U. T. San Antonio, U. T. Dallas, U. T. Tyler, UTIMCO, and U. T. Austin
- Continuing collaboration with Health Affairs on medical billing education and guidance through the work of the Medical Billing Compliance Advisory Committee
- Hiring an Assistant Systemwide Compliance Officer, Charles J. Wolf, M.D.

## 7. U. T. System: Report on Systemwide institutional compliance activities (con't)

- Attending executive compliance committee meetings at several institutions
- Coordination of and participation in the Seventh Conference for Effective Compliance Systems in Higher Education held in Austin, May 31 – June 3, 2009
- Identifying and highlighting emerging compliance issues through *In the News* email publication

### **Institutional Program Activity**<sup>1</sup>

Per the Action Plan, the compliance officers at System Administration and each institution have the following responsibilities:

- Actively engage an institutional Executive Compliance Committee that meets at least quarterly
- Perform annual compliance risk assessments
- Provide campus-wide compliance training and promote compliance awareness
- Assist in specialized training for high-risk compliance areas
- Continuously monitor and inspect the institution's high-risk compliance activities
- Manage the institution's confidential reporting mechanisms (hotline, etc.)
- Report compliance activities and significant compliance issues to executive management, the Systemwide Compliance Officer, and the Board of Regents

Following is a summary of institutional progress in implementing these elements of an effective compliance program:

#### **Executive Compliance Committees**

Each institution has an Executive Compliance Committee (ECC) that meets regularly to oversee its institutional compliance program. Quarterly meetings were held at each institution, with the exception of the U. T. Health Science Center – Houston which holds monthly meetings. During the period, Systemwide Compliance Office representatives attended ECC meetings at U. T. Austin, U. T. San Antonio, and U. T. Health Science Center – San Antonio in order to support the compliance officers in enhancing the role of the ECC.

#### **Risk Assessments**

ECCs review their institution's identified compliance risks and approve the designation of "institutionally significant" compliance risks – risks that, if realized, would have a significant impact on the ability to achieve the goals and objectives of the institution. Most institutions have identified between eight and fifteen institutionally significant areas of high risk, with multiple high-risk exposures contained within those areas. Common risk areas of focus during the quarter included: information security, conflicts of interest, medical billing, clinical research, patient privacy (HIPAA), environmental health and safety (including hazardous materials, lab safety, fire safety, campus safety, select agents), export control, animal care, human subject care, endowment management, fiscal/financial and asset management, time and effort reporting, cost sharing, construction procurement, financial aid, family educational rights and privacy (FERPA), human resources, contract management, and investment management.

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<sup>1</sup> Details regarding activities at the institutional level are published in the *Institutional Compliance Program 3<sup>rd</sup> Quarter Status Report for Fiscal Year 2009*.

## 7. U. T. System: Report on Systemwide institutional compliance activities (con't)

### **Training and Awareness**

General compliance training is conducted using a variety of formats including online, classroom, and written materials. Employees are typically scheduled to receive general compliance training during new employee orientation and refresher training thereafter on an annual or biannual basis. All institutions provide a Standards of Conduct guide to new employees either electronically or in hardcopy form. During the quarter, compliance officers have been effective at ensuring that general compliance training and Standards of Conduct guides are delivered to the appropriate personnel in a timely manner.

### **Specialized Training**

During the quarter, institutions conducted specialized training in many high compliance risk areas, including: basic research (including human subject research, animal care and use, contracts and grants, and export controls), clinical research, medical billing, lab safety (including hazardous waste, biosafety, select agents, and radiation safety), information security, endowments, construction safety, account management, purchasing, HIPAA and FERPA.

### **Monitoring Activities**

A designated individual is assigned accountability for each high-risk compliance area and is responsible for creating a risk management process that evaluates current activities and identifies changes that will improve the assurance of compliance as necessary. That process should include monitoring activities, which are procedures performed to verify that the risk management process for a compliance institutional high risk is being carried out as designed on a continual basis.

Compliance effectiveness reviews were conducted in many of the high-risk areas during the third quarter of FY 2009, including: basic research (time and effort reporting, non-allowable costs, research involving human subjects, and animal care and use), medical billing, campus and lab safety, select agents, hazardous chemicals, fire safety, asset management, investment due diligence, investment risk management, and information security.

In addition, various assurance activities (e.g. internal audits and subject matter peer reviews) were performed on many of the high-risk compliance areas to verify and validate that operations are performing in compliance with applicable laws, regulations, policies and procedures.

### **Institutional Organizational Matters**

U. T. Health Science Center – Tyler negotiated a Memorandum of Understanding with U. T. Southwestern Medical Center – Dallas whereby U. T. Southwestern Medical Center – Dallas will provide services to include coding audits and education, quality assurances, and MD Audit configuration to U. T. Health Science Center – Tyler.

The U. T. Health Science Center – Houston Assistant Vice President Auditing & Advisory Services continues to oversee the Institutional Healthcare Billing Compliance program.

U. T. Southwestern Medical Center – Dallas reports hiring three positions during the quarter (including a Privacy Officer) though one HIPAA auditor position remains open. U. T. Medical

## 7. U. T. System: Report on Systemwide institutional compliance activities (con't)

Branch – Galveston reports that it secured approval to rehire a coder affected by the post-Ike reduction-in-force, bringing the compliance office staff to 9 FTEs.

### **Institutional Action Plan Activities**

At the beginning of each fiscal year, institutional compliance officers prepare an Action Plan, identifying areas in which the compliance office will focus its attention and activities. During the third quarter of FY 2009, action plan activities included the following: consulting with high-risk area responsible parties, facilitating risk assessments in high-risk areas, reviewing and updating risk management and monitoring plans, performing compliance effectiveness reviews and obtaining certification letters of high-risk compliance areas, facilitating general compliance training, managing investigations of alleged noncompliance, updating standards of conduct guides, and publishing a compliance newsletter.



**THE UNIVERSITY OF TEXAS SYSTEM  
OFFICE OF THE CONTROLLER**

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**MONTHLY FINANCIAL REPORT**  
*(unaudited)*

**JUNE 2009**



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**THE UNIVERSITY OF TEXAS SYSTEM**  
**MONTHLY FINANCIAL REPORT**  
**(Unaudited)**  
**FOR THE TEN MONTHS ENDING**  
**JUNE 30, 2009**

**The University of Texas System  
Monthly Financial Report**

**Foreword**

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

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

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

UNAUDITED

The University of Texas System  
Comparison of Operating Results and Margin  
For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 1,201,063,699	\$ 1,114,050,611	\$ 87,013,088	7.8%
Sponsored Programs	2,260,001,831	1,996,471,075	263,530,756	13.2%
Net Sales and Services of Educational Activities	285,821,617	250,676,695	35,144,922	14.0%
Net Sales and Services of Hospitals	2,511,157,921	2,467,022,634	44,135,287	1.8%
Net Professional Fees	839,346,498	810,503,818	28,842,680	3.6%
Net Auxiliary Enterprises	319,640,172	295,516,267	24,123,905	8.2%
Other Operating Revenues	125,543,985	124,303,125	1,240,860	1.0%
<b>Total Operating Revenues</b>	<b><u>7,542,575,723</u></b>	<b><u>7,058,544,225</u></b>	<b><u>484,031,498</u></b>	<b><u>6.9%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	4,616,661,949	4,352,153,934	264,508,015	6.1%
Payroll Related Costs	1,141,743,198	1,079,542,520	62,200,678	5.8%
Professional Fees and Contracted Services	370,236,977	254,278,556	115,958,421	45.6%
Other Contracted Services	410,590,406	350,809,633	59,780,773	17.0%
Scholarships and Fellowships	535,602,736	489,429,366	46,173,370	9.4%
Travel	98,707,213	104,293,930	(5,586,717)	-5.4%
Materials and Supplies	980,007,190	956,981,700	23,025,490	2.4%
Utilities	235,733,674	238,386,239	(2,652,565)	-1.1%
Telecommunications	95,588,101	82,985,565	12,602,536	15.2%
Repairs and Maintenance	166,429,217	145,300,883	21,128,334	14.5%
Rentals and Leases	97,279,065	89,255,859	8,023,206	9.0%
Printing and Reproduction	24,437,253	23,277,476	1,159,777	5.0%
Bad Debt Expense	304,289	45,983	258,306	561.7%
Claims and Losses	13,885,789	6,417,234	7,468,555	116.4%
Federal Sponsored Programs Pass-Throughs	21,580,595	24,434,229	(2,853,634)	-11.7%
Depreciation and Amortization	615,196,856	567,453,092	47,743,764	8.4%
Other Operating Expenses	338,013,483	307,823,740	30,189,743	9.8%
<b>Total Operating Expenses</b>	<b><u>9,761,997,991</u></b>	<b><u>9,075,569,939</u></b>	<b><u>686,428,052</u></b>	<b><u>7.6%</u></b>
<b>Operating Loss</b>	<b><u>(2,219,422,268)</u></b>	<b><u>(2,017,025,714)</u></b>	<b><u>(202,396,554)</u></b>	<b><u>-10.0%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	1,643,118,888	1,622,453,129	20,665,759	1.3%
Gift Contributions for Operations	226,743,985	304,516,558	(77,772,573)	-25.5%
Net Investment Income	483,293,084	714,726,824	(231,433,740)	-32.4%
Interest Expense on Capital Asset Financings	(159,214,250)	(137,971,972)	(21,242,278)	-15.4%
<b>Net Other Nonoperating Adjustments</b>	<b><u>2,193,941,707</u></b>	<b><u>2,503,724,539</u></b>	<b><u>(309,782,832)</u></b>	<b><u>-12.4%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>(25,480,561)</b>	<b>486,698,825</b>	<b>(512,179,386)</b>	<b>-105.2%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>-0.3%</b>	<b>5.0%</b>		
Investment Gains (Losses)	(4,000,442,948)	178,806,092	(4,179,249,040)	-2,337.3%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>\$ (4,025,923,509)</b>	<b>\$ 665,504,917</b>	<b>\$ (4,691,428,426)</b>	<b>-704.9%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>-68.3%</b>	<b>6.7%</b>		
<b>Adjusted Income (Loss) with Investment Gains (Losses) excluding Depreciation</b>	<b>(3,410,726,653)</b>	<b>1,232,958,009</b>	<b>(4,643,684,662)</b>	<b>-376.6%</b>
<b>Adjusted Margin (as a percentage) with Investment Gains (Losses) excluding Depreciation</b>	<b>-57.9%</b>	<b>12.5%</b>		

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

The University of Texas System  
 Comparison of Adjusted Income (Loss)  
 For the Ten Months Ending June 30, 2009

	Including Depreciation and Amortization Expense				Fluctuation Percentage
	June	June	Variance		
	Year-to-Date FY 2009	Year-to-Date FY 2008			
UT System Administration	\$ 69,349,356	\$ 291,839,925	\$ (222,490,569)	(1)	-76.2%
UT Arlington	11,837,718	4,439,447	7,398,271	(2)	166.6%
UT Austin	46,562,577	64,272,460	(17,709,883)	(3)	-27.6%
UT Brownsville	(378,397)	153,342	(531,739)	(4)	-346.8%
UT Dallas	6,538,780	13,250,586	(6,711,806)	(5)	-50.7%
UT El Paso	5,984,273	4,896,513	1,087,760		22.2%
UT Pan American	(1,370,563) (6)	(1,682,256)	311,693		18.5%
UT Permian Basin	10,524,784	10,134,423	390,361		3.9%
UT San Antonio	5,345,954	31,368,201	(26,022,247)	(7)	-83.0%
UT Tyler	5,602,766	4,685,654	917,112		19.6%
UT Southwestern Medical Center - Dallas	7,116,349	63,651,326	(56,534,977)	(8)	-88.8%
UT Medical Branch - Galveston	(166,653,087)	(41,456,361)	(125,196,726)	(9)	-302.0%
UT Health Science Center - Houston	4,809,343	19,677,731	(14,868,388)	(10)	-75.6%
UT Health Science Center - San Antonio	(2,952,347) (11)	(9,227,543)	6,275,196		68.0%
UT M. D. Anderson Cancer Center	113,028,214	150,809,179	(37,780,965)	(12)	-25.1%
UT Health Science Center - Tyler	2,161,219	(447,135)	2,608,354	(13)	583.3%
Elimination of AUF Transfer	(142,987,500)	(119,666,667)	(23,320,833)		-19.5%
Total Adjusted Income (Loss)	(25,480,561)	486,698,825	(512,179,386)		-105.2%
Investment Gains (Losses)	(4,000,442,948)	178,806,092	(4,179,249,040)	(14)	-2,337.3%
<b>Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization</b>	<b>\$ (4,025,923,509)</b>	<b>\$ 665,504,917</b>	<b>\$ (4,691,428,426)</b>		<b>-704.9%</b>

	Excluding Depreciation and Amortization Expense				Fluctuation Percentage
	June	June	Variance		
	Year-to-Date FY 2009	Year-to-Date FY 2008			
UT System Administration	\$ 77,552,735	\$ 297,107,731	\$ (219,554,996)		-73.9%
UT Arlington	33,746,934	26,311,559	7,435,375		28.3%
UT Austin	174,623,063	178,850,885	(4,227,822)		-2.4%
UT Brownsville	4,681,846	4,858,179	(176,333)		-3.6%
UT Dallas	25,003,866	30,360,214	(5,356,348)		-17.6%
UT El Paso	19,444,622	17,518,210	1,926,412		11.0%
UT Pan American	9,174,468	10,940,120	(1,765,652)		-16.1%
UT Permian Basin	13,761,917	13,176,931	584,986		4.4%
UT San Antonio	31,891,614	53,299,295	(21,407,681)		-40.2%
UT Tyler	12,285,998	11,139,588	1,146,410		10.3%
UT Southwestern Medical Center - Dallas	69,044,611	120,761,673	(51,717,062)		-42.8%
UT Medical Branch - Galveston	(104,940,251)	14,902,822	(119,843,073)		-804.2%
UT Health Science Center - Houston	37,104,487	51,171,400	(14,066,913)		-27.5%
UT Health Science Center - San Antonio	23,297,653	12,631,916	10,665,737		84.4%
UT M. D. Anderson Cancer Center	297,596,442	325,537,729	(27,941,287)		-8.6%
UT Health Science Center - Tyler	8,433,790	5,250,332	3,183,458		60.6%
Elimination of AUF Transfer	(142,987,500)	(119,666,667)	(23,320,833)		-19.5%
Total Adjusted Income (Loss)	589,716,295	1,054,151,917	(464,435,622)		-44.1%
Investment Gains (Losses)	(4,000,442,948)	178,806,092	(4,179,249,040)		-2,337.3%
<b>Total Adjusted Income (Loss) with Investment Gains (Losses) Excluding Depreciation and Amortization</b>	<b>\$ (3,410,726,653)</b>	<b>\$ 1,232,958,009</b>	<b>\$ (4,643,684,662)</b>		<b>-376.6%</b>

THE UNIVERSITY OF TEXAS SYSTEM  
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT  
For the Ten Months Ending June 30, 2009

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

- (1) UT System Administration – The \$222.5 million (76.2%) decrease in adjusted income over the same period last year was primarily due to decreased net investment income resulting from unfavorable market conditions. Excluding depreciation expense, *UT System Administration's* adjusted income was \$77.6 million or 39.2%.
- (2) UT Arlington – The \$7.4 million (166.6%) increase in adjusted income over the same period last year was primarily attributable to increased student tuition and fees and sponsored programs. Student tuition and fees increased due to the increase in the tuition rate and sponsored programs increased due to an increase in the indirect cost recovery rate and an increase in state pass-through revenues from the Texas Higher Education Coordinating Board. Excluding depreciation expense, *UT Arlington's* adjusted income was \$33.7 million or 9.4%.
- (3) UT Austin – The \$17.7 million (27.6%) decrease in adjusted income over the same period last year was primarily due to an increase in salaries and wages and payroll related costs as a result of merit increases. Interest expense also increased due to the increase in capital projects. Excluding depreciation expense, *UT Austin's* adjusted income was \$174.6 million or 9.4%.
- (4) UT Brownsville – The \$532,000 (346.8%) decrease in adjusted income over the same period last year was due to decreased enrollment as a result of the Student Academic Performance (SAP) standards implemented in the spring of 2008. As a result, *UT Brownsville* experienced a \$378,000 year-to-date loss. Excluding depreciation expense, *UT Brownsville's* adjusted income was \$4.7 million or 3.5%.
- UT Brownsville* projects a year-end loss of \$4.3 million which represents -2.8% of projected revenues. This forecast includes \$6.1 million of depreciation expense and \$1.2 million in General Revenue Appropriations from House Bill 4586. *UT Brownsville* anticipates the operating deficit will increase \$3.9 over the remainder of the year primarily due to noncapital costs for furnishings and equipment, as well as increased utility expenses and operating costs for the Student Recreation Center which was placed in service in May 2009 and the Library and Child Care Center which will be placed in service in August 2009 and November 2009, respectively. In addition, *UT Brownsville* had a slight decrease in summer enrollment. The majority of the negative margin was anticipated and approved in the original 2009 budget. The use of prior year balances was approved because *UT Brownsville* put in place a number of recruitment, retention, and marketing strategies which, if successful, will return enrollment and positive margins for 2010.
- (5) UT Dallas – The \$6.7 million (50.7%) decrease in adjusted income over the same period last year was due to an increase in salaries and wages, a decrease in gift contributions for operations and net investment income, and an increase in interest expense. Salaries and wages increased as a result of merit increases and additional full-time equivalents (FTEs). Gift contributions for operations decreased due to a one-time gift of \$3 million received in 2008. Net investment income decreased as a result of the current economic downturn and interest expense increased due to an increase in capital projects. Excluding depreciation expense, *UT Dallas'* adjusted income was \$25 million or 8.7%.
- (6) UT Pan American – The \$1.4 million year-to-date loss was primarily attributable to an increase in salaries and wages and payroll related costs as a result of merit increases. *UT Pan American* anticipates ending the year with a \$3 million negative margin which represents -1.1% of projected revenues. This forecast includes \$12.8 million of depreciation expense. Excluding depreciation expense, *UT Pan American's* adjusted income was \$9.2 million or 4%.
- (7) UT San Antonio - The \$26 million (83%) decrease in adjusted income over the same period last year was primarily due to an increase in salaries and wages, materials and supplies, and interest expense. Salaries and wages increased due to merit increases and the hiring of several funded positions that were vacant at this time last year. Materials and supplies increased due to noncapital costs associated with the University Center Phase III, Engineering Building and the Library Expansion. Interest expense increased due to the increase in capital projects. Excluding depreciation expense, *UT San Antonio's* adjusted income was \$31.9 million or 8.5%.
- (8) UT Southwestern Medical Center - Dallas – The \$56.5 million (88.8%) decrease in adjusted income over the same period last year was primarily due to a decrease in gift contributions for operations and an increase in salaries and wages and payroll related costs. Gift contributions for operations decreased due to the current economic downturn

## 2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

and a one-time gift of \$27.8 million from University Medical Center that was received in 2008. Salaries and wages and payroll related costs in the physician practice plan increased due to additional FTEs to support volume increases. Excluding depreciation expense, *Southwestern's* adjusted income was \$69 million or 5.5%.

- (9) *UT Medical Branch - Galveston* – The \$125.2 million (302%) increase in adjusted loss over the same period last year was primarily due to the business disruption in revenue generating activities and expenses related to Hurricane *Ike*. Operating revenues decreased \$91.1 million and operating expenses increased \$38.5 million. Patient care revenue decreased \$160.5 million, with decreases in admissions of 53%, patient days of 61%, and clinic visits of 24% as compared to last year. Sponsored programs increased due to the receipt of \$98.8 million from the Federal Emergency Management Agency (FEMA) which was offset by decreased activity on grant projects as a result of Hurricane *Ike* and a reduction in the School of Medicine contract with the John Sealy Hospital. Expenses related to the recovery from Hurricane *Ike* totaled \$124.4 million. As a result, *UTMB* experienced a \$166.7 million year-to-date loss which includes \$24.9 million in Correctional Managed Care (CMC) losses. Excluding depreciation expense, *UTMB's* adjusted loss was \$104.9 million or -9.1%.

*UTMB* projects a year-end loss of approximately \$129.5 million, which represents -9.1% of projected revenues. This forecast includes \$77.8 million of depreciation expense. The projection includes the impact of the reduction in force and \$17 million of Graduate Medical Education (GME) funding that will be received in 2009, but does not yet include the impact of the impairment of capital assets as a result of Hurricane *Ike* or the related commercial insurance proceeds that will partially offset the impairments. The projection also does not include the \$150 million of FEMA matching General Revenue Appropriations from House Bill 4586 as these appropriations can only be used as matching funds for FEMA qualified projects. The projection is also based on expectations of improved financial performance in the hospitals and clinics and sustaining favorable variances in the academic enterprise.

- (10) *UT Health Science Center – Houston* – The \$14.9 million (75.6%) decrease in adjusted income over the same period last year was primarily attributable to increased salaries and wages due to salary increases and approximately 160 vacant positions that were filled in 2009. In addition, gift contributions for operations and investment income were down due to the current economic downturn. Excluding depreciation, *UTHSC-Houston's* adjusted income was \$37.1 million or 5.4%.
- (11) *UT Health Science Center – San Antonio* – The \$3 million year-to-date loss was primarily attributable to the physician practice plan. The physician practice plan incurred a year-to-date loss of \$8.3 million attributable to a \$4.7

million loss incurred by the Cancer Therapy Research Center (CTRC) due to increased clinical operations and billing delays resulting from the integration of the nonprofit healthcare corporation (UT Medicine) into *UTHSC-San Antonio*; a \$200,000 loss resulting from the School of Medicine's planned expansion efforts and reinvestment in faculty, as well as the preparation for the opening of the Medical Arts and Research Center (MARC) in the fall of 2009; and \$3.4 million in interest expense on debt service for the MARC building. *UTHSC-San Antonio* anticipates the physician practice plan's operating loss will decrease during the remainder of the year as cost-cutting efforts and billing and revenue enhancement measures are implemented. *UTHSC-San Antonio* anticipates ending the year with a \$6.1 million negative margin, which represents -0.9% of projected revenues and includes \$31.5 million of depreciation expense. This projected loss is primarily due to the preparation for the opening of the MARC. The use of prior year balances to support this projected year-end loss was anticipated and approved in the 2009 budget. Excluding depreciation expense, *UTHSC-San Antonio's* adjusted income was \$23.3 million or 4.1%.

- (12) *UT M. D. Anderson Cancer Center* – The \$37.8 million (25.1%) decrease in adjusted income over the same period last year was primarily attributable to the business disruption in revenue generating activities related to Hurricane *Ike*, an increase in indigent patients, delays in payments from patients and insurance companies, and an increase in salaries, wages, and payroll related costs due to salary increases and additional FTEs. There was also a \$47.4 million decrease in gift contributions for operations due to the current economic downturn. Excluding depreciation expense, *M. D. Anderson's* adjusted income was \$297.6 million or 12.3%. *M. D. Anderson's* Executive Committee instituted a hiring freeze in March 2009, implemented a 10% reduction in overall expenses in May 2009, and is focusing on increasing clinical revenues. *M. D. Anderson* anticipates ending the year with a positive margin of \$134.7 million, which represents 4.6% of projected revenues and includes \$221.5 million of depreciation expense.

- (13) *UT Health Science Center – Tyler* – The \$2.6 million (583.3%) increase in adjusted income over the same period last year was primarily attributable to increased State appropriations partially as a result of \$1.5 million in General Revenue Appropriations from House Bill 4586. Excluding depreciation expense, *UTHSC-Tyler's* adjusted income was \$8.4 million or 8%.

- (14) *Investment Gains (Losses)* - The majority of the \$4.2 billion (2,337.3%) decrease in investment gains relates to the Permanent University Fund of \$2.2 billion, the Long Term Fund of \$1.1 billion, and the Permanent Health Fund of \$205.9 million.



## GLOSSARY OF TERMS

### **OPERATING REVENUES:**

STUDENT TUITION AND FEES – All student tuition and fee revenues earned at the UT institution for educational purposes.

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

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

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

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

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

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

### **OPERATING EXPENSES:**

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

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

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

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

SCHOLARSHIPS AND FELLOWSHIPS – Payments made for scholarship grants to students authorized by law.

TRAVEL – Payments for travel costs incurred during travel by employees, board or commission members and elected/appointed officials on state business.

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

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

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

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

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

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

## 2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

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

**CLAIMS AND LOSSES** – Payments for claims from self-insurance programs. Other claims for settlements and judgments are considered other operating expenses.

**FEDERAL SPONSORED PROGRAMS PASS-THROUGHS** – Pass-throughs to other Texas state agencies, including other universities, of federal grants and contracts.

**STATE SPONSORED PROGRAMS PASS-THROUGHS** – Pass-throughs to other Texas state agencies, including Texas universities.

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

**OTHER OPERATING EXPENSES** – Other operating expenses not identified in other line items above (e.g., certified non profit healthcare company expenses, property taxes, insurance premiums, credit card fees, hazardous waste disposal expenses, meetings and conferences, etc.).

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

### **OTHER NONOPERATING ADJUSTMENTS:**

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

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

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

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

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

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

**ADJUSTED MARGIN (as a percentage) including Depreciation** – Percentage of Adjusted Income (Loss) including depreciation expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

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

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

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

**ADJUSTED MARGIN (as a percentage) excluding Depreciation** – Percentage of Adjusted Income (Loss) excluding depreciation expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

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

UNAUDITED

The University of Texas System Administration  
Comparison of Operating Results and Margin  
For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Sponsored Programs	\$ 15,500,385	\$ 22,007,474	\$ (6,507,089)	-29.6%
Net Sales and Services of Educational Activities	31,133,780	12,451,573	18,682,207	150.0%
Other Operating Revenues	1,115,745	11,025,940	(9,910,195)	-89.9%
<b>Total Operating Revenues</b>	<b><u>47,749,910</u></b>	<b><u>45,484,987</u></b>	<b><u>2,264,923</u></b>	<b><u>5.0%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	28,197,903	28,990,060	(792,157)	-2.7%
Employee Benefits and Related Costs	6,158,800	6,115,189	43,611	0.7%
Professional Fees and Contracted Services	5,771,950	2,218,003	3,553,947	160.2%
Other Contracted Services	12,469,368	9,533,879	2,935,489	30.8%
Scholarships and Fellowships	651,200	483,000	168,200	34.8%
Travel	1,518,311	1,656,798	(138,487)	-8.4%
Materials and Supplies	2,929,206	3,826,838	(897,632)	-23.5%
Utilities	358,825	442,654	(83,829)	-18.9%
Telecommunications	3,083,523	2,837,939	245,584	8.7%
Repairs and Maintenance	1,234,065	720,589	513,476	71.3%
Rentals and Leases	792,256	709,645	82,611	11.6%
Printing and Reproduction	221,029	246,781	(25,752)	-10.4%
Claims and Losses	13,885,789	6,417,234	7,468,555	116.4%
Depreciation and Amortization	8,203,379	5,267,806	2,935,573	55.7%
Other Operating Expenses	6,530,379	3,925,642	2,604,737	66.4%
<b>Total Operating Expenses</b>	<b><u>92,005,983</u></b>	<b><u>76,092,057</u></b>	<b><u>15,913,926</u></b>	<b><u>20.9%</u></b>
<b>Operating Loss</b>	<b><u>(44,256,073)</u></b>	<b><u>(30,607,070)</u></b>	<b><u>(13,649,003)</u></b>	<b><u>-44.6%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	768,357	768,357	-	0.0%
Gift Contributions for Operations	894,426	813,721	80,705	9.9%
Net Investment Income	119,144,172	328,503,334	(209,359,162)	-63.7%
Interest Expense on Capital Asset Financings	(36,232,694)	(36,172,125)	(60,569)	-0.2%
<b>Net Other Nonoperating Adjustments</b>	<b><u>84,574,261</u></b>	<b><u>293,913,287</u></b>	<b><u>(209,339,026)</u></b>	<b><u>-71.2%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>40,318,188</b>	<b>263,306,217</b>	<b>(222,988,029)</b>	<b>-84.7%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>23.9%</b>	<b>70.1%</b>		
Available University Fund Transfer	29,031,168	28,533,708	497,460	1.7%
<b>Adjusted Income (Loss) with AUF Transfer</b>	<b>69,349,356</b>	<b>291,839,925</b>	<b>(222,490,569)</b>	<b>-76.2%</b>
<b>Adjusted Margin % with AUF Transfer</b>	<b>35.1%</b>	<b>72.2%</b>		
Investment Gains (Losses)	(3,449,782,355)	94,714,496	(3,544,496,851)	-3,742.3%
<b>Adj. Inc. (Loss) with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>\$ (3,380,432,999)</b>	<b>\$ 386,554,421</b>	<b>\$ (3,766,987,420)</b>	<b>-974.5%</b>
<b>Adj. Margin % with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>103.9%</b>	<b>77.5%</b>		
<b>Adjusted Income (Loss) with AUF Transfer excluding Depreciation</b>	<b>77,552,735</b>	<b>297,107,731</b>	<b>(219,554,996)</b>	<b>-73.9%</b>
<b>Adjusted Margin (as a percentage) with AUF Transfer excluding Depreciation</b>	<b>39.2%</b>	<b>73.5%</b>		

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

UNAUDITED

The University of Texas at Arlington  
 Comparison of Operating Results and Margin  
 For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 153,644,817	\$ 140,197,679	\$ 13,447,138	9.6%
Sponsored Programs	59,903,291	44,196,815	15,706,476	35.5%
Net Sales and Services of Educational Activities	11,499,563	11,407,015	92,548	0.8%
Net Auxiliary Enterprises	21,538,711	20,711,101	827,610	4.0%
Other Operating Revenues	7,345,974	6,235,414	1,110,560	17.8%
<b>Total Operating Revenues</b>	<b><u>253,932,356</u></b>	<b><u>222,748,024</u></b>	<b><u>31,184,332</u></b>	<b><u>14.0%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	163,951,555	151,263,641	12,687,914	8.4%
Employee Benefits and Related Costs	36,385,913	33,890,537	2,495,376	7.4%
Professional Fees and Contracted Services	2,947,123	3,302,284	(355,161)	-10.8%
Other Contracted Services	8,333,415	8,003,065	330,350	4.1%
Scholarships and Fellowships	46,503,585	38,737,028	7,766,557	20.0%
Travel	4,852,619	4,533,416	319,203	7.0%
Materials and Supplies	17,249,433	17,301,506	(52,073)	-0.3%
Utilities	9,339,671	10,461,596	(1,121,925)	-10.7%
Telecommunications	5,586,602	5,353,086	233,516	4.4%
Repairs and Maintenance	7,136,943	5,967,454	1,169,489	19.6%
Rentals and Leases	2,575,281	2,513,678	61,603	2.5%
Printing and Reproduction	2,183,958	1,988,481	195,477	9.8%
Federal Sponsored Programs Pass-Thrus	1,673,602	1,930,267	(256,665)	-13.3%
Depreciation and Amortization	21,909,216	21,872,112	37,104	0.2%
Other Operating Expenses	8,242,251	8,358,643	(116,392)	-1.4%
<b>Total Operating Expenses</b>	<b><u>338,871,167</u></b>	<b><u>315,476,794</u></b>	<b><u>23,394,373</u></b>	<b><u>7.4%</u></b>
<b>Operating Loss</b>	<b><u>(84,938,811)</u></b>	<b><u>(92,728,770)</u></b>	<b><u>7,789,959</u></b>	<b><u>8.4%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	92,937,157	92,475,902	461,255	0.5%
Gift Contributions for Operations	1,783,344	1,921,130	(137,786)	-7.2%
Net Investment Income	8,615,468	7,732,146	883,322	11.4%
Interest Expense on Capital Asset Financings	(6,559,440)	(4,960,961)	(1,598,479)	-32.2%
<b>Net Other Nonoperating Adjustments</b>	<b><u>96,776,529</u></b>	<b><u>97,168,217</u></b>	<b><u>(391,688)</u></b>	<b><u>-0.4%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>11,837,718</b>	<b>4,439,447</b>	<b>7,398,271</b>	<b>166.6%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>3.3%</b>	<b>1.4%</b>		
Investment Gains (Losses)	(23,587,341)	7,493,683	(31,081,024)	-414.8%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ (11,749,623)</b>	<b>\$ 11,933,130</b>	<b>\$ (23,682,753)</b>	<b>-198.5%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>-3.5%</b>	<b>3.6%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>33,746,934</b>	<b>26,311,559</b>	<b>7,435,375</b>	<b>28.3%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>9.4%</b>	<b>8.1%</b>		

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

UNAUDITED

The University of Texas at Austin  
 Comparison of Operating Results and Margin  
 For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 457,068,490	\$ 434,119,141	\$ 22,949,349	5.3%
Sponsored Programs	422,343,162	390,102,411	32,240,751	8.3%
Net Sales and Services of Educational Activities	139,438,023	132,157,079	7,280,944	5.5%
Net Auxiliary Enterprises	179,931,020	158,786,859	21,144,161	13.3%
Other Operating Revenues	4,475,717	3,078,922	1,396,795	45.4%
<b>Total Operating Revenues</b>	<b><u>1,203,256,412</u></b>	<b><u>1,118,244,412</u></b>	<b><u>85,012,000</u></b>	<b><u>7.6%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	814,846,390	755,739,549	59,106,841	7.8%
Employee Benefits and Related Costs	189,860,484	177,922,960	11,937,524	6.7%
Professional Fees and Contracted Services	28,191,783	21,792,799	6,398,984	29.4%
Other Contracted Services	64,058,822	56,112,096	7,946,726	14.2%
Scholarships and Fellowships	180,004,411	172,391,029	7,613,382	4.4%
Travel	33,601,387	34,040,487	(439,100)	-1.3%
Materials and Supplies	103,601,971	100,085,662	3,516,309	3.5%
Utilities	62,360,463	60,697,017	1,663,446	2.7%
Telecommunications	41,018,776	31,859,752	9,159,024	28.7%
Repairs and Maintenance	27,814,178	22,519,334	5,294,844	23.5%
Rentals and Leases	13,506,254	11,267,561	2,238,693	19.9%
Printing and Reproduction	8,751,709	8,005,251	746,458	9.3%
Federal Sponsored Programs Pass-Thrus	3,381,687	4,098,899	(717,212)	-17.5%
Depreciation and Amortization	128,060,486	114,578,425	13,482,061	11.8%
Other Operating Expenses	75,633,101	73,811,914	1,821,187	2.5%
<b>Total Operating Expenses</b>	<b><u>1,774,691,902</u></b>	<b><u>1,644,922,735</u></b>	<b><u>129,769,167</u></b>	<b><u>7.9%</u></b>
<b>Operating Loss</b>	<b><u>(571,435,490)</u></b>	<b><u>(526,678,323)</u></b>	<b><u>(44,757,167)</u></b>	<b><u>-8.5%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	282,326,038	274,705,277	7,620,761	2.8%
Gift Contributions for Operations	93,632,809	83,107,398	10,525,411	12.7%
Net Investment Income	133,217,380	134,756,147	(1,538,767)	-1.1%
Interest Expense on Capital Asset Financings	(34,165,660)	(21,284,706)	(12,880,954)	-60.5%
<b>Net Other Nonoperating Adjustments</b>	<b><u>475,010,567</u></b>	<b><u>471,284,116</u></b>	<b><u>3,726,451</u></b>	<b><u>0.8%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>(96,424,923)</b>	<b>(55,394,207)</b>	<b>(41,030,716)</b>	<b>-74.1%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>-5.6%</b>	<b>-3.4%</b>		
Available University Fund Transfer	142,987,500	119,666,667	23,320,833	19.5%
<b>Adjusted Income (Loss) with AUF Transfer</b>	<b>46,562,577</b>	<b>64,272,460</b>	<b>(17,709,883)</b>	<b>-27.6%</b>
<b>Adjusted Margin % with AUF Transfer</b>	<b>2.5%</b>	<b>3.7%</b>		
Investment Gains (Losses)	(135,134,217)	29,332,313	(164,466,530)	-560.7%
<b>Adj. Inc. (Loss) with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>\$ (88,571,640)</b>	<b>\$ 93,604,773</b>	<b>\$ (182,176,413)</b>	<b>-194.6%</b>
<b>Adj. Margin % with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>-5.1%</b>	<b>5.3%</b>		
<b>Adjusted Income (Loss) with AUF Transfer excluding Depreciation</b>	<b>174,623,063</b>	<b>178,850,885</b>	<b>(4,227,822)</b>	<b>-2.4%</b>
<b>Adjusted Margin (as a percentage) with AUF Transfer excluding Depreciation</b>	<b>9.4%</b>	<b>10.3%</b>		

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

UNAUDITED

The University of Texas at Brownsville  
 Comparison of Operating Results and Margin  
 For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 14,671,646	\$ 12,525,253	\$ 2,146,393	17.1%
Sponsored Programs	84,439,902	80,617,343	3,822,559	4.7%
Net Sales and Services of Educational Activities	897,132	938,152	(41,020)	-4.4%
Net Auxiliary Enterprises	1,019,771	1,018,533	1,238	0.1%
Other Operating Revenues	11,173	55,936	(44,763)	-80.0%
<b>Total Operating Revenues</b>	<b><u>101,039,624</u></b>	<b><u>95,155,217</u></b>	<b><u>5,884,407</u></b>	<b><u>6.2%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	54,898,971	50,715,564	4,183,407	8.2%
Employee Benefits and Related Costs	13,451,332	12,330,405	1,120,927	9.1%
Professional Fees and Contracted Services	1,681,640	1,765,292	(83,652)	-4.7%
Scholarships and Fellowships	38,580,691	37,113,778	1,466,913	4.0%
Travel	996,609	997,672	(1,063)	-0.1%
Materials and Supplies	5,276,333	4,263,719	1,012,614	23.7%
Utilities	2,908,721	3,113,349	(204,628)	-6.6%
Telecommunications	1,364,794	1,486,846	(122,052)	-8.2%
Repairs and Maintenance	1,366,563	980,636	385,927	39.4%
Rentals and Leases	1,669,978	1,634,782	35,196	2.2%
Printing and Reproduction	282,916	284,593	(1,677)	-0.6%
Bad Debt Expense	29,787	35,983	(6,196)	-17.2%
Federal Sponsored Programs Pass-Thrus	29,620	47,101	(17,481)	-37.1%
Depreciation and Amortization	5,060,243	4,704,837	355,406	7.6%
Other Operating Expenses	6,248,944	5,547,329	701,615	12.6%
<b>Total Operating Expenses</b>	<b><u>133,847,142</u></b>	<b><u>125,021,886</u></b>	<b><u>8,825,256</u></b>	<b><u>7.1%</u></b>
<b>Operating Loss</b>	<b><u>(32,807,518)</u></b>	<b><u>(29,866,669)</u></b>	<b><u>(2,940,849)</u></b>	<b><u>-9.8%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	32,609,224	29,911,758	2,697,466	9.0%
Gift Contributions for Operations	323,332	331,597	(8,265)	-2.5%
Net Investment Income	945,335	1,186,501	(241,166)	-20.3%
Interest Expense on Capital Asset Financings	(1,448,770)	(1,409,845)	(38,925)	-2.8%
<b>Net Other Nonoperating Adjustments</b>	<b><u>32,429,121</u></b>	<b><u>30,020,011</u></b>	<b><u>2,409,110</u></b>	<b><u>8.0%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>(378,397)</b>	<b>153,342</b>	<b>(531,739)</b>	<b>-346.8%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>-0.3%</b>	<b>0.1%</b>		
Investment Gains (Losses)	(3,967,181)	655,491	(4,622,672)	-705.2%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ (4,345,578)</b>	<b>\$ 808,833</b>	<b>\$ (5,154,411)</b>	<b>-637.3%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>-3.3%</b>	<b>0.6%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>4,681,846</b>	<b>4,858,179</b>	<b>(176,333)</b>	<b>-3.6%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>3.5%</b>	<b>3.8%</b>		

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

UNAUDITED

The University of Texas at Dallas  
 Comparison of Operating Results and Margin  
 For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 133,785,877	\$ 118,642,336	\$ 15,143,541	12.8%
Sponsored Programs	43,239,485	41,691,663	1,547,822	3.7%
Net Sales and Services of Educational Activities	6,264,501	6,264,096	405	0.0%
Net Auxiliary Enterprises	5,143,788	4,549,635	594,153	13.1%
Other Operating Revenues	5,099,977	6,030,590	(930,613)	-15.4%
<b>Total Operating Revenues</b>	<b><u>193,533,628</u></b>	<b><u>177,178,320</u></b>	<b><u>16,355,308</u></b>	<b><u>9.2%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	132,082,513	121,838,425	10,244,088	8.4%
Employee Benefits and Related Costs	27,394,606	25,755,486	1,639,120	6.4%
Professional Fees and Contracted Services	3,287,817	2,685,410	602,407	22.4%
Other Contracted Services	8,843,938	8,346,306	497,632	6.0%
Scholarships and Fellowships	46,567,070	40,213,317	6,353,753	15.8%
Travel	3,066,582	2,863,180	203,402	7.1%
Materials and Supplies	12,719,131	12,651,109	68,022	0.5%
Utilities	6,875,899	6,862,001	13,898	0.2%
Telecommunications	1,258,672	1,146,922	111,750	9.7%
Repairs and Maintenance	3,196,463	3,411,111	(214,648)	-6.3%
Rentals and Leases	1,448,797	1,219,485	229,312	18.8%
Printing and Reproduction	1,047,256	1,049,933	(2,677)	-0.3%
Federal Sponsored Programs Pass-Thrus	227,220	779,776	(552,556)	-70.9%
Depreciation and Amortization	18,465,086	17,109,628	1,355,458	7.9%
Other Operating Expenses	9,235,019	8,559,222	675,797	7.9%
<b>Total Operating Expenses</b>	<b><u>275,716,069</u></b>	<b><u>254,491,311</u></b>	<b><u>21,224,758</u></b>	<b><u>8.3%</u></b>
<b>Operating Loss</b>	<b><u>(82,182,441)</u></b>	<b><u>(77,312,991)</u></b>	<b><u>(4,869,450)</u></b>	<b><u>-6.3%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	76,337,692	75,574,619	763,073	1.0%
Gift Contributions for Operations	7,719,468	8,813,250	(1,093,782)	-12.4%
Net Investment Income	10,565,651	11,581,460	(1,015,809)	-8.8%
Interest Expense on Capital Asset Financings	(5,901,590)	(5,405,752)	(495,838)	-9.2%
<b>Net Other Nonoperating Adjustments</b>	<b><u>88,721,221</u></b>	<b><u>90,563,577</u></b>	<b><u>(1,842,356)</u></b>	<b><u>-2.0%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>6,538,780</b>	<b>13,250,586</b>	<b>(6,711,806)</b>	<b>-50.7%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>2.3%</b>	<b>4.9%</b>		
Investment Gains (Losses)	(18,295,814)	968,098	(19,263,912)	-1,989.9%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ (11,757,034)</b>	<b>\$ 14,218,684</b>	<b>\$ (25,975,718)</b>	<b>-182.7%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>-4.4%</b>	<b>5.2%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>25,003,866</b>	<b>30,360,214</b>	<b>(5,356,348)</b>	<b>-17.6%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>8.7%</b>	<b>11.1%</b>		

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

UNAUDITED

The University of Texas at El Paso  
 Comparison of Operating Results and Margin  
 For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 87,085,307	\$ 78,883,188	\$ 8,202,119	10.4%
Sponsored Programs	79,245,971	73,004,021	6,241,950	8.6%
Net Sales and Services of Educational Activities	4,042,738	3,394,024	648,714	19.1%
Net Auxiliary Enterprises	19,838,307	18,362,215	1,476,092	8.0%
Other Operating Revenues	41,553	322,218	(280,665)	-87.1%
<b>Total Operating Revenues</b>	<b><u>190,253,876</u></b>	<b><u>173,965,666</u></b>	<b><u>16,288,210</u></b>	<b><u>9.4%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	119,995,041	110,963,846	9,031,195	8.1%
Employee Benefits and Related Costs	28,391,913	26,692,564	1,699,349	6.4%
Professional Fees and Contracted Services	793,438	843,038	(49,600)	-5.9%
Other Contracted Services	13,013,122	12,224,959	788,163	6.4%
Scholarships and Fellowships	57,127,738	51,872,675	5,255,063	10.1%
Travel	5,233,740	5,241,256	(7,516)	-0.1%
Materials and Supplies	17,301,171	16,953,316	347,855	2.1%
Utilities	6,436,753	6,413,549	23,204	0.4%
Telecommunications	523,410	614,891	(91,481)	-14.9%
Repairs and Maintenance	2,985,263	2,962,889	22,374	0.8%
Rentals and Leases	3,099,381	2,521,329	578,052	22.9%
Printing and Reproduction	929,556	763,178	166,378	21.8%
Federal Sponsored Programs Pass-Thrus	731,022	208,768	522,254	250.2%
Depreciation and Amortization	13,460,349	12,621,697	838,652	6.6%
Other Operating Expenses	4,906,608	4,777,113	129,495	2.7%
<b>Total Operating Expenses</b>	<b><u>274,928,505</u></b>	<b><u>255,675,068</u></b>	<b><u>19,253,437</u></b>	<b><u>7.5%</u></b>
<b>Operating Loss</b>	<b><u>(84,674,629)</u></b>	<b><u>(81,709,402)</u></b>	<b><u>(2,965,227)</u></b>	<b><u>-3.6%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	79,155,745	76,346,093	2,809,652	3.7%
Gift Contributions for Operations	6,578,449	5,445,658	1,132,791	20.8%
Net Investment Income	7,832,208	8,210,121	(377,913)	-4.6%
Interest Expense on Capital Asset Financings	(2,907,500)	(3,395,957)	488,457	14.4%
<b>Net Other Nonoperating Adjustments</b>	<b><u>90,658,902</u></b>	<b><u>86,605,915</u></b>	<b><u>4,052,987</u></b>	<b><u>4.7%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>5,984,273</b>	<b>4,896,513</b>	<b>1,087,760</b>	<b>22.2%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>2.1%</b>	<b>1.9%</b>		
Investment Gains (Losses)	(8,773,677)	2,412,311	(11,185,988)	-463.7%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ (2,789,404)</b>	<b>\$ 7,308,824</b>	<b>\$ (10,098,228)</b>	<b>-138.2%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>-1.0%</b>	<b>2.7%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>19,444,622</b>	<b>17,518,210</b>	<b>1,926,412</b>	<b>11.0%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>6.9%</b>	<b>6.6%</b>		



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

UNAUDITED

The University of Texas - Pan American  
 Comparison of Operating Results and Margin  
 For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 73,469,505	\$ 65,696,300	\$ 7,773,205	11.8%
Sponsored Programs	79,265,901	65,411,063	13,854,838	21.2%
Net Sales and Services of Educational Activities	3,551,390	4,517,763	(966,373)	-21.4%
Net Auxiliary Enterprises	4,031,419	4,211,236	(179,817)	-4.3%
Other Operating Revenues	2,877,751	1,911,847	965,904	50.5%
<b>Total Operating Revenues</b>	<b><u>163,195,966</u></b>	<b><u>141,748,209</u></b>	<b><u>21,447,757</u></b>	<b><u>15.1%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	87,910,182	82,609,915	5,300,267	6.4%
Employee Benefits and Related Costs	22,740,989	19,292,507	3,448,482	17.9%
Professional Fees and Contracted Services	1,210,679	1,551,216	(340,537)	-22.0%
Other Contracted Services	5,042,647	4,928,169	114,478	2.3%
Scholarships and Fellowships	71,688,213	60,133,358	11,554,855	19.2%
Travel	3,811,719	4,012,539	(200,820)	-5.0%
Materials and Supplies	9,770,494	9,413,422	357,072	3.8%
Utilities	6,404,901	5,830,542	574,359	9.9%
Telecommunications	940,218	748,925	191,293	25.5%
Repairs and Maintenance	2,021,155	1,629,888	391,267	24.0%
Rentals and Leases	704,351	675,722	28,629	4.2%
Printing and Reproduction	293,561	257,265	36,296	14.1%
Bad Debt Expense	270,000	10,000	260,000	2,600.0%
Federal Sponsored Programs Pass-Thrus	78,897	111,344	(32,447)	-29.1%
Depreciation and Amortization	10,545,031	12,622,376	(2,077,345)	-16.5%
Other Operating Expenses	4,323,547	3,335,474	988,073	29.6%
<b>Total Operating Expenses</b>	<b><u>227,756,584</u></b>	<b><u>207,162,662</u></b>	<b><u>20,593,922</u></b>	<b><u>9.9%</u></b>
<b>Operating Loss</b>	<b><u>(64,560,618)</u></b>	<b><u>(65,414,453)</u></b>	<b><u>853,835</u></b>	<b><u>1.3%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	63,028,789	63,237,208	(208,419)	-0.3%
Gift Contributions for Operations	1,227,058	1,694,648	(467,590)	-27.6%
Net Investment Income	2,419,438	2,944,808	(525,370)	-17.8%
Interest Expense on Capital Asset Financings	(3,485,230)	(4,144,467)	659,237	15.9%
<b>Net Other Nonoperating Adjustments</b>	<b><u>63,190,055</u></b>	<b><u>63,732,197</u></b>	<b><u>(542,142)</u></b>	<b><u>-0.9%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>(1,370,563)</b>	<b>(1,682,256)</b>	<b>311,693</b>	<b>18.5%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>-0.6%</b>	<b>-0.8%</b>		
Investment Gains (Losses)	(6,582,271)	296,178	(6,878,449)	-2,322.4%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ (7,952,834)</b>	<b>\$ (1,386,078)</b>	<b>\$ (6,566,756)</b>	<b>-473.8%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>-3.6%</b>	<b>-0.7%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>9,174,468</b>	<b>10,940,120</b>	<b>(1,765,652)</b>	<b>-16.1%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>4.0%</b>	<b>5.2%</b>		

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

UNAUDITED

The University of Texas of the Permian Basin  
Comparison of Operating Results and Margin  
For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 13,251,118	\$ 12,257,919	\$ 993,199	8.1%
Sponsored Programs	6,496,979	5,695,934	801,045	14.1%
Net Sales and Services of Educational Activities	316,862	312,226	4,636	1.5%
Net Auxiliary Enterprises	2,803,422	2,465,671	337,751	13.7%
Other Operating Revenues	112,575	334,534	(221,959)	-66.3%
<b>Total Operating Revenues</b>	<b><u>22,980,956</u></b>	<b><u>21,066,284</u></b>	<b><u>1,914,672</u></b>	<b><u>9.1%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	16,647,986	14,834,868	1,813,118	12.2%
Employee Benefits and Related Costs	3,817,747	3,455,684	362,063	10.5%
Professional Fees and Contracted Services	791,852	1,875,460	(1,083,608)	-57.8%
Other Contracted Services	1,338,919	1,422,151	(83,232)	-5.9%
Scholarships and Fellowships	6,759,515	6,714,748	44,767	0.7%
Travel	732,358	723,038	9,320	1.3%
Materials and Supplies	2,269,274	2,249,755	19,519	0.9%
Utilities	1,834,107	1,932,741	(98,634)	-5.1%
Telecommunications	344,097	310,425	33,672	10.8%
Repairs and Maintenance	1,147,663	513,981	633,682	123.3%
Rentals and Leases	392,198	287,368	104,830	36.5%
Printing and Reproduction	124,387	144,071	(19,684)	-13.7%
Depreciation and Amortization	3,237,133	3,042,508	194,625	6.4%
Other Operating Expenses	690,417	730,681	(40,264)	-5.5%
<b>Total Operating Expenses</b>	<b><u>40,127,653</u></b>	<b><u>38,237,479</u></b>	<b><u>1,890,174</u></b>	<b><u>4.9%</u></b>
<b>Operating Loss</b>	<b><u>(17,146,697)</u></b>	<b><u>(17,171,195)</u></b>	<b><u>24,498</u></b>	<b><u>0.1%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	26,430,308	26,338,289	92,019	0.3%
Gift Contributions for Operations	1,012,641	858,190	154,451	18.0%
Net Investment Income	1,344,102	892,683	451,419	50.6%
Interest Expense on Capital Asset Financings	(1,115,570)	(783,544)	(332,026)	-42.4%
<b>Net Other Nonoperating Adjustments</b>	<b><u>27,671,481</u></b>	<b><u>27,305,618</u></b>	<b><u>365,863</u></b>	<b><u>1.3%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>10,524,784</b>	<b>10,134,423</b>	<b>390,361</b>	<b>3.9%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>20.3%</b>	<b>20.6%</b>		
Investment Gains (Losses)	(721,848)	6,194	(728,042)	-11,754.0%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ 9,802,936</b>	<b>\$ 10,140,617</b>	<b>\$ (337,681)</b>	<b>-3.3%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>19.2%</b>	<b>20.6%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>13,761,917</b>	<b>13,176,931</b>	<b>584,986</b>	<b>4.4%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>26.6%</b>	<b>26.8%</b>		

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

UNAUDITED

The University of Texas at San Antonio  
 Comparison of Operating Results and Margin  
 For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 162,408,154	\$ 153,680,081	\$ 8,728,073	5.7%
Sponsored Programs	79,674,596	66,966,222	12,708,374	19.0%
Net Sales and Services of Educational Activities	5,018,101	5,804,045	(785,944)	-13.5%
Net Auxiliary Enterprises	17,939,418	14,898,130	3,041,288	20.4%
Other Operating Revenues	1,375,157	1,573,711	(198,554)	-12.6%
<b>Total Operating Revenues</b>	<b><u>266,415,426</u></b>	<b><u>242,922,189</u></b>	<b><u>23,493,237</u></b>	<b><u>9.7%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	156,966,377	141,470,708	15,495,669	11.0%
Employee Benefits and Related Costs	37,799,405	34,952,806	2,846,599	8.1%
Professional Fees and Contracted Services	3,773,465	3,038,348	735,117	24.2%
Other Contracted Services	7,937,698	5,850,278	2,087,420	35.7%
Scholarships and Fellowships	58,562,037	53,405,819	5,156,218	9.7%
Travel	5,378,790	5,331,180	47,610	0.9%
Materials and Supplies	23,865,950	16,957,469	6,908,481	40.7%
Utilities	10,112,500	9,268,833	843,667	9.1%
Telecommunications	2,552,454	2,399,793	152,661	6.4%
Repairs and Maintenance	7,756,135	5,463,587	2,292,548	42.0%
Rentals and Leases	2,392,803	2,328,357	64,446	2.8%
Printing and Reproduction	1,002,614	881,351	121,263	13.8%
Federal Sponsored Programs Pass-Thrus	2,972,990	2,792,905	180,085	6.4%
Depreciation and Amortization	26,545,660	21,931,094	4,614,566	21.0%
Other Operating Expenses	10,360,096	6,335,039	4,025,057	63.5%
<b>Total Operating Expenses</b>	<b><u>357,978,974</u></b>	<b><u>312,407,567</u></b>	<b><u>45,571,407</u></b>	<b><u>14.6%</u></b>
<b>Operating Loss</b>	<b><u>(91,563,548)</u></b>	<b><u>(69,485,378)</u></b>	<b><u>(22,078,170)</u></b>	<b><u>-31.8%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	95,884,043	95,260,538	623,505	0.7%
Gift Contributions for Operations	6,088,074	5,611,906	476,168	8.5%
Net Investment Income	6,670,315	7,776,242	(1,105,927)	-14.2%
Interest Expense on Capital Asset Financings	(11,732,930)	(7,795,107)	(3,937,823)	-50.5%
<b>Net Other Nonoperating Adjustments</b>	<b><u>96,909,502</u></b>	<b><u>100,853,579</u></b>	<b><u>(3,944,077)</u></b>	<b><u>-3.9%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>5,345,954</b>	<b>31,368,201</b>	<b>(26,022,247)</b>	<b>-83.0%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>1.4%</b>	<b>8.9%</b>		
Investment Gains (Losses)	(29,987,250)	2,538,509	(32,525,759)	-1,281.3%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ (24,641,296)</b>	<b>\$ 33,906,710</b>	<b>\$ (58,548,006)</b>	<b>-172.7%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>-7.1%</b>	<b>9.6%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>31,891,614</b>	<b>53,299,295</b>	<b>(21,407,681)</b>	<b>-40.2%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>8.5%</b>	<b>15.2%</b>		

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

UNAUDITED

The University of Texas at Tyler  
 Comparison of Operating Results and Margin  
 For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 27,376,050	\$ 25,370,790	\$ 2,005,260	7.9%
Sponsored Programs	13,293,139	9,471,718	3,821,421	40.3%
Net Sales and Services of Educational Activities	1,341,501	1,029,836	311,665	30.3%
Net Auxiliary Enterprises	3,054,605	3,211,969	(157,364)	-4.9%
Other Operating Revenues	122,839	99,491	23,348	23.5%
<b>Total Operating Revenues</b>	<b><u>45,188,134</u></b>	<b><u>39,183,804</u></b>	<b><u>6,004,330</u></b>	<b><u>15.3%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	30,754,201	27,870,532	2,883,669	10.3%
Employee Benefits and Related Costs	7,711,604	7,159,556	552,048	7.7%
Professional Fees and Contracted Services	846,487	1,004,132	(157,645)	-15.7%
Other Contracted Services	3,494,686	2,953,636	541,050	18.3%
Scholarships and Fellowships	11,580,510	10,230,494	1,350,016	13.2%
Travel	1,206,638	1,411,094	(204,456)	-14.5%
Materials and Supplies	3,734,198	5,137,168	(1,402,970)	-27.3%
Utilities	1,520,585	1,732,033	(211,448)	-12.2%
Telecommunications	475,961	496,207	(20,246)	-4.1%
Repairs and Maintenance	1,330,713	1,675,106	(344,393)	-20.6%
Rentals and Leases	264,947	302,185	(37,238)	-12.3%
Printing and Reproduction	552,998	476,539	76,459	16.0%
Bad Debt Expense	2,957	-	2,957	100.0%
Federal Sponsored Programs Pass-Thrus	507,894	-	507,894	100.0%
Depreciation and Amortization	6,683,232	6,453,934	229,298	3.6%
Other Operating Expenses	1,481,315	1,280,036	201,279	15.7%
<b>Total Operating Expenses</b>	<b><u>72,148,926</u></b>	<b><u>68,182,652</u></b>	<b><u>3,966,274</u></b>	<b><u>5.8%</u></b>
<b>Operating Loss</b>	<b><u>(26,960,792)</u></b>	<b><u>(28,998,848)</u></b>	<b><u>2,038,056</u></b>	<b><u>7.0%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	30,616,985	30,550,571	66,414	0.2%
Gift Contributions for Operations	668,559	1,279,721	(611,162)	-47.8%
Net Investment Income	3,254,274	3,293,170	(38,896)	-1.2%
Interest Expense on Capital Asset Financings	(1,976,260)	(1,438,960)	(537,300)	-37.3%
<b>Net Other Nonoperating Adjustments</b>	<b><u>32,563,558</u></b>	<b><u>33,684,502</u></b>	<b><u>(1,120,944)</u></b>	<b><u>-3.3%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>5,602,766</b>	<b>4,685,654</b>	<b>917,112</b>	<b>19.6%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>7.0%</b>	<b>6.3%</b>		
Investment Gains (Losses)	(5,024,976)	136,777	(5,161,753)	-3,773.8%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ 577,790</b>	<b>\$ 4,822,431</b>	<b>\$ (4,244,641)</b>	<b>-88.0%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>0.8%</b>	<b>6.5%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>12,285,998</b>	<b>11,139,588</b>	<b>1,146,410</b>	<b>10.3%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>15.4%</b>	<b>15.0%</b>		

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

UNAUDITED

The University of Texas Southwestern Medical Center at Dallas

Comparison of Operating Results and Margin

For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 17,582,924	\$ 16,967,097	\$ 615,827	3.6%
Sponsored Programs	344,225,951	314,672,357	29,553,594	9.4%
Net Sales and Services of Educational Activities	6,699,153	5,626,095	1,073,058	19.1%
Net Sales and Services of Hospitals	329,776,035	278,446,965	51,329,070	18.4%
Net Professional Fees	308,640,881	299,119,894	9,520,987	3.2%
Net Auxiliary Enterprises	14,003,173	13,828,704	174,469	1.3%
Other Operating Revenues	5,948,038	6,074,546	(126,508)	-2.1%
<b>Total Operating Revenues</b>	<b><u>1,026,876,155</u></b>	<b><u>934,735,658</u></b>	<b><u>92,140,497</u></b>	<b><u>9.9%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	625,867,912	575,181,810	50,686,102	8.8%
Employee Benefits and Related Costs	169,389,204	156,420,084	12,969,120	8.3%
Professional Fees and Contracted Services	19,179,343	14,793,719	4,385,624	29.6%
Other Contracted Services	69,374,398	64,341,155	5,033,243	7.8%
Scholarships and Fellowships	6,171,973	5,625,039	546,934	9.7%
Travel	7,550,162	8,037,478	(487,316)	-6.1%
Materials and Supplies	165,432,366	153,162,417	12,269,949	8.0%
Utilities	28,274,426	26,278,443	1,995,983	7.6%
Telecommunications	6,313,769	6,168,899	144,870	2.3%
Repairs and Maintenance	12,361,780	11,757,031	604,749	5.1%
Rentals and Leases	6,258,358	8,136,520	(1,878,162)	-23.1%
Printing and Reproduction	2,793,899	2,415,801	378,098	15.7%
Federal Sponsored Programs Pass-Thrus	1,193,332	685,902	507,430	74.0%
Depreciation and Amortization	61,928,262	57,110,347	4,817,915	8.4%
Other Operating Expenses	45,617,591	37,487,352	8,130,239	21.7%
<b>Total Operating Expenses</b>	<b><u>1,227,706,775</u></b>	<b><u>1,127,601,997</u></b>	<b><u>100,104,778</u></b>	<b><u>8.9%</u></b>
<b>Operating Loss</b>	<b><u>(200,830,620)</u></b>	<b><u>(192,866,339)</u></b>	<b><u>(7,964,281)</u></b>	<b><u>-4.1%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	146,468,255	148,698,389	(2,230,134)	-1.5%
Gift Contributions for Operations	23,138,041	66,990,514	(43,852,473)	-65.5%
Net Investment Income	55,135,943	57,197,631	(2,061,688)	-3.6%
Interest Expense on Capital Asset Financings	(16,795,270)	(16,368,869)	(426,401)	-2.6%
<b>Net Other Nonoperating Adjustments</b>	<b><u>207,946,969</u></b>	<b><u>256,517,665</u></b>	<b><u>(48,570,696)</u></b>	<b><u>-18.9%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>7,116,349</b>	<b>63,651,326</b>	<b>(56,534,977)</b>	<b>-88.8%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>0.6%</b>	<b>5.3%</b>		
Investment Gains (Losses)	(96,690,155)	1,913,046	(98,603,201)	-5,154.3%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ (89,573,806)</b>	<b>\$ 65,564,372</b>	<b>\$ (155,138,178)</b>	<b>-236.6%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>-7.8%</b>	<b>5.4%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>69,044,611</b>	<b>120,761,673</b>	<b>(51,717,062)</b>	<b>-42.8%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>5.5%</b>	<b>10.0%</b>		

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

UNAUDITED

The University of Texas Medical Branch at Galveston  
Comparison of Operating Results and Margin  
For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 15,870,921	\$ 14,871,487	\$ 999,434	6.7%
Sponsored Programs	290,735,938	214,491,559	76,244,379	35.5%
Net Sales and Services of Educational Activities	1,032,318	1,603,852	(571,534)	-35.6%
Net Sales and Services of Hospitals	451,328,533	588,120,595	(136,792,062)	-23.3%
Net Professional Fees	88,240,865	111,933,299	(23,692,434)	-21.2%
Net Auxiliary Enterprises	3,476,650	8,930,311	(5,453,661)	-61.1%
Other Operating Revenues	8,365,760	10,170,983	(1,805,223)	-17.7%
<b>Total Operating Revenues</b>	<b><u>859,050,985</u></b>	<b><u>950,122,086</u></b>	<b><u>(91,071,101)</u></b>	<b><u>-9.6%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	641,531,600	672,262,375	(30,730,775)	-4.6%
Employee Benefits and Related Costs	153,107,074	159,625,710	(6,518,636)	-4.1%
Professional Fees and Contracted Services	107,345,729	20,579,970	86,765,759	421.6%
Other Contracted Services	101,321,519	55,724,633	45,596,886	81.8%
Scholarships and Fellowships	5,233,142	6,685,142	(1,452,000)	-21.7%
Travel	4,879,165	7,314,437	(2,435,272)	-33.3%
Materials and Supplies	117,241,605	158,309,059	(41,067,454)	-25.9%
Utilities	24,578,417	31,099,704	(6,521,287)	-21.0%
Telecommunications	13,294,806	12,701,165	593,641	4.7%
Repairs and Maintenance	31,502,155	28,519,724	2,982,431	10.5%
Rentals and Leases	16,401,889	14,497,591	1,904,298	13.1%
Printing and Reproduction	1,195,370	2,057,461	(862,091)	-41.9%
Federal Sponsored Programs Pass-Thrus	2,807,548	6,182,949	(3,375,401)	-54.6%
Depreciation and Amortization	61,712,836	56,359,183	5,353,653	9.5%
Other Operating Expenses	34,558,159	46,325,238	(11,767,079)	-25.4%
<b>Total Operating Expenses</b>	<b><u>1,316,711,014</u></b>	<b><u>1,278,244,341</u></b>	<b><u>38,466,673</u></b>	<b><u>3.0%</u></b>
<b>Operating Loss</b>	<b><u>(457,660,029)</u></b>	<b><u>(328,122,255)</u></b>	<b><u>(129,537,774)</u></b>	<b><u>-39.5%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	258,859,477	254,747,695	4,111,782	1.6%
Gift Contributions for Operations	12,008,098	7,325,946	4,682,152	63.9%
Net Investment Income	25,606,613	29,159,174	(3,552,561)	-12.2%
Interest Expense on Capital Asset Financings	(5,467,246)	(4,566,921)	(900,325)	-19.7%
<b>Net Other Nonoperating Adjustments</b>	<b><u>291,006,942</u></b>	<b><u>286,665,894</u></b>	<b><u>4,341,048</u></b>	<b><u>1.5%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>(166,653,087)</b>	<b>(41,456,361)</b>	<b>(125,196,726)</b>	<b>-302.0%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>-14.4%</b>	<b>-3.3%</b>		
Investment Gains (Losses)	(32,298,595)	774,040	(33,072,635)	-4,272.7%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ (198,951,682)</b>	<b>\$ (40,682,321)</b>	<b>\$ (158,269,361)</b>	<b>-389.0%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>-17.7%</b>	<b>-3.3%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>(104,940,251)</b>	<b>14,902,822</b>	<b>(119,843,073)</b>	<b>-804.2%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>-9.1%</b>	<b>1.2%</b>		

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

UNAUDITED

The University of Texas Health Science Center at Houston  
 Comparison of Operating Results and Margin  
 For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 22,771,758	\$ 20,981,333	\$ 1,790,425	8.5%
Sponsored Programs	283,514,710	254,238,143	29,276,567	11.5%
Net Sales and Services of Educational Activities	28,360,243	29,551,921	(1,191,678)	-4.0%
Net Sales and Services of Hospitals	29,631,070	25,358,891	4,272,179	16.8%
Net Professional Fees	105,249,772	98,030,062	7,219,710	7.4%
Net Auxiliary Enterprises	18,637,427	18,130,779	506,648	2.8%
Other Operating Revenues	37,516,754	31,278,611	6,238,143	19.9%
<b>Total Operating Revenues</b>	<b><u>525,681,734</u></b>	<b><u>477,569,740</u></b>	<b><u>48,111,994</u></b>	<b><u>10.1%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	323,931,698	292,315,064	31,616,634	10.8%
Employee Benefits and Related Costs	72,832,493	68,105,095	4,727,398	6.9%
Professional Fees and Contracted Services	70,357,881	60,023,110	10,334,771	17.2%
Other Contracted Services	29,309,423	31,279,878	(1,970,455)	-6.3%
Scholarships and Fellowships	3,115,025	3,235,271	(120,246)	-3.7%
Travel	5,593,520	5,302,207	291,313	5.5%
Materials and Supplies	44,629,647	46,064,275	(1,434,628)	-3.1%
Utilities	14,728,462	14,506,629	221,833	1.5%
Telecommunications	2,289,798	2,231,927	57,871	2.6%
Repairs and Maintenance	5,882,888	4,182,895	1,699,993	40.6%
Rentals and Leases	9,889,327	9,873,386	15,941	0.2%
Printing and Reproduction	3,256,513	3,013,328	243,185	8.1%
Federal Sponsored Programs Pass-Thrus	5,384,298	6,230,633	(846,335)	-13.6%
Depreciation and Amortization	32,295,144	31,493,669	801,475	2.5%
Other Operating Expenses	54,401,689	44,829,000	9,572,689	21.4%
<b>Total Operating Expenses</b>	<b><u>677,899,351</u></b>	<b><u>622,686,367</u></b>	<b><u>55,212,984</u></b>	<b><u>8.9%</u></b>
<b>Operating Loss</b>	<b><u>(152,217,617)</u></b>	<b><u>(145,116,627)</u></b>	<b><u>(7,100,990)</u></b>	<b><u>-4.9%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	139,856,383	138,890,885	965,498	0.7%
Gift Contributions for Operations	10,443,482	13,743,769	(3,300,287)	-24.0%
Net Investment Income	13,258,825	18,984,468	(5,725,643)	-30.2%
Interest Expense on Capital Asset Financings	(6,531,730)	(6,824,764)	293,034	4.3%
<b>Net Other Nonoperating Adjustments</b>	<b><u>157,026,960</u></b>	<b><u>164,794,358</u></b>	<b><u>(7,767,398)</u></b>	<b><u>-4.7%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>4,809,343</b>	<b>19,677,731</b>	<b>(14,868,388)</b>	<b>-75.6%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>0.7%</b>	<b>3.0%</b>		
Investment Gains (Losses)	(42,360,279)	1,622,336	(43,982,615)	-2,711.1%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ (37,550,936)</b>	<b>\$ 21,300,067</b>	<b>\$ (58,851,003)</b>	<b>-276.3%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>-5.8%</b>	<b>3.3%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>37,104,487</b>	<b>51,171,400</b>	<b>(14,066,913)</b>	<b>-27.5%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>5.4%</b>	<b>7.9%</b>		

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

UNAUDITED

The University of Texas Health Science Center at San Antonio

Comparison of Operating Results and Margin

For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 21,189,688	\$ 19,375,000	\$ 1,814,688	9.4%
Sponsored Programs	209,390,024	186,299,213	23,090,811	12.4%
Net Sales and Services of Educational Activities	43,822,050	32,961,014	10,861,036	33.0%
Net Professional Fees	91,553,202	71,265,557	20,287,645	28.5%
Net Auxiliary Enterprises	3,156,817	3,297,077	(140,260)	-4.3%
Other Operating Revenues	10,247,167	9,366,641	880,526	9.4%
<b>Total Operating Revenues</b>	<b><u>379,358,948</u></b>	<b><u>322,564,502</u></b>	<b><u>56,794,446</u></b>	<b><u>17.6%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	287,251,658	264,303,243	22,948,415	8.7%
Employee Benefits and Related Costs	69,787,321	64,505,783	5,281,538	8.2%
Professional Fees and Contracted Services	14,943,083	13,187,618	1,755,465	13.3%
Other Contracted Services	20,615,184	25,293,749	(4,678,565)	-18.5%
Scholarships and Fellowships	3,057,626	2,588,668	468,958	18.1%
Travel	4,818,493	4,504,009	314,484	7.0%
Materials and Supplies	34,240,931	29,364,505	4,876,426	16.6%
Utilities	12,583,333	11,645,833	937,500	8.1%
Telecommunications	7,916,930	7,048,286	868,644	12.3%
Repairs and Maintenance	2,818,013	2,666,309	151,704	5.7%
Rentals and Leases	3,951,395	2,266,117	1,685,278	74.4%
Printing and Reproduction	1,557,373	1,581,934	(24,561)	-1.6%
Federal Sponsored Programs Pass-Thrus	1,166,667	500,000	666,667	133.3%
Depreciation and Amortization	26,250,000	21,859,459	4,390,541	20.1%
Other Operating Expenses	70,832,295	57,938,195	12,894,100	22.3%
<b>Total Operating Expenses</b>	<b><u>561,790,302</u></b>	<b><u>509,253,708</u></b>	<b><u>52,536,594</u></b>	<b><u>10.3%</u></b>
<b>Operating Loss</b>	<b><u>(182,431,354)</u></b>	<b><u>(186,689,206)</u></b>	<b><u>4,257,852</u></b>	<b><u>2.3%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	143,072,277	141,757,235	1,315,042	0.9%
Gift Contributions for Operations	16,931,945	14,052,030	2,879,915	20.5%
Net Investment Income	25,043,525	24,978,205	65,320	0.3%
Interest Expense on Capital Asset Financings	(5,568,740)	(3,325,807)	(2,242,933)	-67.4%
<b>Net Other Nonoperating Adjustments</b>	<b><u>179,479,007</u></b>	<b><u>177,461,663</u></b>	<b><u>2,017,344</u></b>	<b><u>1.1%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>(2,952,347)</b>	<b>(9,227,543)</b>	<b>6,275,196</b>	<b>68.0%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>-0.5%</b>	<b>-1.8%</b>		
Investment Gains (Losses)	(30,967,773)	5,481,251	(36,449,024)	-665.0%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ (33,920,120)</b>	<b>\$ (3,746,292)</b>	<b>\$ (30,173,828)</b>	<b>-805.4%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>-6.4%</b>	<b>-0.7%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>23,297,653</b>	<b>12,631,916</b>	<b>10,665,737</b>	<b>84.4%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>4.1%</b>	<b>2.5%</b>		



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

UNAUDITED

The University of Texas M. D. Anderson Cancer Center  
 Comparison of Operating Results and Margin  
 For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 887,444	\$ 483,007	\$ 404,437	83.7%
Sponsored Programs	236,948,779	216,726,011	20,222,768	9.3%
Net Sales and Services of Educational Activities	1,464,752	1,928,322	(463,570)	-24.0%
Net Sales and Services of Hospitals	1,657,983,466	1,540,696,697	117,286,769	7.6%
Net Professional Fees	235,104,752	221,538,603	13,566,149	6.1%
Net Auxiliary Enterprises	24,869,411	22,983,297	1,886,114	8.2%
Other Operating Revenues	40,098,538	35,677,901	4,420,637	12.4%
<b>Total Operating Revenues</b>	<b><u>2,197,357,142</u></b>	<b><u>2,040,033,838</u></b>	<b><u>157,323,304</u></b>	<b><u>7.7%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	1,088,698,278	1,018,618,069	70,080,209	6.9%
Employee Benefits and Related Costs	290,781,061	271,575,118	19,205,943	7.1%
Professional Fees and Contracted Services	100,975,067	102,025,911	(1,050,844)	-1.0%
Other Contracted Services	56,523,424	57,376,557	(853,133)	-1.5%
Travel	15,056,970	17,941,969	(2,884,999)	-16.1%
Materials and Supplies	405,411,328	370,459,468	34,951,860	9.4%
Utilities	44,925,219	45,308,398	(383,179)	-0.8%
Telecommunications	7,813,100	6,681,612	1,131,488	16.9%
Repairs and Maintenance	54,910,764	49,667,913	5,242,851	10.6%
Rentals and Leases	32,966,225	30,237,125	2,729,100	9.0%
Federal Sponsored Programs Pass-Thrus	1,141,382	813,748	327,634	40.3%
Depreciation and Amortization	184,568,228	174,728,550	9,839,678	5.6%
Other Operating Expenses	3,185,744	2,684,897	500,847	18.7%
<b>Total Operating Expenses</b>	<b><u>2,286,956,790</u></b>	<b><u>2,148,119,335</u></b>	<b><u>138,837,455</u></b>	<b><u>6.5%</u></b>
<b>Operating Loss</b>	<b><u>(89,599,648)</u></b>	<b><u>(108,085,497)</u></b>	<b><u>18,485,849</u></b>	<b><u>17.1%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	139,254,429	140,575,528	(1,321,099)	-0.9%
Gift Contributions for Operations	44,101,638	91,457,651	(47,356,013)	-51.8%
Net Investment Income	38,007,295	45,684,026	(7,676,731)	-16.8%
Interest Expense on Capital Asset Financings	(18,735,500)	(18,822,529)	87,029	0.5%
<b>Net Other Nonoperating Adjustments</b>	<b><u>202,627,862</u></b>	<b><u>258,894,676</u></b>	<b><u>(56,266,814)</u></b>	<b><u>-21.7%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>113,028,214</b>	<b>150,809,179</b>	<b>(37,780,965)</b>	<b>-25.1%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>4.7%</b>	<b>6.5%</b>		
Investment Gains (Losses)	(116,011,601)	30,157,178	(146,168,779)	-484.7%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ (2,983,387)</b>	<b>\$ 180,966,357</b>	<b>\$ (183,949,744)</b>	<b>-101.6%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>-0.1%</b>	<b>7.7%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>297,596,442</b>	<b>325,537,729</b>	<b>(27,941,287)</b>	<b>-8.6%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>12.3%</b>	<b>14.0%</b>		

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

UNAUDITED

The University of Texas Health Science Center at Tyler  
 Comparison of Operating Results and Margin  
 For the Ten Months Ending June 30, 2009

	June Year-to-Date <u>FY 2009</u>	June Year-to-Date <u>FY 2008</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Sponsored Programs	\$ 11,783,618.00	\$ 10,879,128.00	\$ 904,490	8.3%
Net Sales and Services of Educational Activities	939,510	729,682	209,828	28.8%
Net Sales and Services of Hospitals	42,438,817	34,399,486	8,039,331	23.4%
Net Professional Fees	10,557,026	8,616,403	1,940,623	22.5%
Net Auxiliary Enterprises	196,233	130,750	65,483	50.1%
Other Operating Revenues	789,267	1,065,840	(276,573)	-25.9%
<b>Total Operating Revenues</b>	<b><u>66,704,471</u></b>	<b><u>55,821,289</u></b>	<b><u>10,883,182</u></b>	<b><u>19.5%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	43,129,684	43,176,265	(46,581)	-0.1%
Employee Benefits and Related Costs	12,133,252	11,743,036	390,216	3.3%
Professional Fees and Contracted Services	8,139,640	3,592,246	4,547,394	126.6%
Other Contracted Services	8,913,843	7,419,122	1,494,721	20.1%
Travel	410,150	383,170	26,980	7.0%
Materials and Supplies	14,334,152	10,782,012	3,552,140	32.9%
Utilities	2,491,392	2,792,917	(301,525)	-10.8%
Telecommunications	811,191	898,890	(87,699)	-9.8%
Repairs and Maintenance	2,964,476	2,662,436	302,040	11.3%
Rentals and Leases	965,625	785,008	180,617	23.0%
Printing and Reproduction	244,114	111,509	132,605	118.9%
Federal Sponsored Programs Pass-Thrus	284,436	51,937	232,499	447.7%
Depreciation and Amortization	6,272,571	5,697,467	575,104	10.1%
Other Operating Expenses	1,766,328	1,897,965	(131,637)	-6.9%
<b>Total Operating Expenses</b>	<b><u>102,860,854</u></b>	<b><u>91,993,980</u></b>	<b><u>10,866,874</u></b>	<b><u>11.8%</u></b>
<b>Operating Loss</b>	<b><u>(36,156,383)</u></b>	<b><u>(36,172,691)</u></b>	<b><u>16,308</u></b>	<b><u>0.0%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	35,513,729	32,614,785	2,898,944	8.9%
Gift Contributions for Operations	192,621	1,069,429	(876,808)	-82.0%
Net Investment Income	3,201,372	3,313,000	(111,628)	-3.4%
Interest Expense on Capital Asset Financings	(590,120)	(1,271,658)	681,538	53.6%
<b>Net Other Nonoperating Adjustments</b>	<b><u>38,317,602</u></b>	<b><u>35,725,556</u></b>	<b><u>2,592,046</u></b>	<b><u>7.3%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>2,161,219</b>	<b>(447,135)</b>	<b>2,608,354</b>	<b>583.3%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>2.0%</b>	<b>-0.5%</b>		
Investment Gains (Losses)	(257,615)	304,191	(561,806)	-184.7%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ 1,903,604</b>	<b>\$ (142,944)</b>	<b>\$ 2,046,548</b>	<b>1431.7%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>1.8%</b>	<b>-0.2%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>8,433,790</b>	<b>5,250,332</b>	<b>3,183,458</b>	<b>60.6%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>8.0%</b>	<b>5.7%</b>		

4. U. T. System: Approval to exceed the full-time equivalent limitation on employees paid from appropriated funds

**The University of Texas System  
Fiscal Year 2010 Request to Exceed Full-time Equivalent Limitations on Appropriated Funds**

Function	Faculty FTE Increase	Staff FTE Increase	Total FTE Increase from Appropriated Funds	Source of Funds	Justification
<b>U. T. Brownsville</b>					
Instruction	124.28	26.36	150.64	Education and General	It is necessary to request authorization to exceed the limit for FTEs which are associated and paid with the Texas Southmost College contract.
Academic Support	0.65	36.77	37.42	Education and General	It is necessary to request authorization to exceed the limit for FTEs which are associated and paid with the Texas Southmost College contract.
Research	-	2.11	2.11	Education and General	It is necessary to request authorization to exceed the limit for FTEs which are associated and paid with the Texas Southmost College contract.
Public Service	2.04	3.90	5.94	Education and General	It is necessary to request authorization to exceed the limit for FTEs which are associated and paid with the Texas Southmost College contract.
Institutional Support	-	39.55	39.55	Education and General	It is necessary to request authorization to exceed the limit for FTEs which are associated and paid with the Texas Southmost College contract.
Student Support	-	22.07	22.07	Education and General	It is necessary to request authorization to exceed the limit for FTEs which are associated and paid with the Texas Southmost College contract.
Operations and Maintenance of Plant	-	5.10	5.10	Education and General	It is necessary to request authorization to exceed the limit for FTEs which are associated and paid with the Texas Southmost College contract.
Scholarships and Fellowships	-	0.99	0.99	Education and General	It is necessary to request authorization to exceed the limit for FTEs which are associated and paid with the Texas Southmost College contract.
<b>TOTAL</b>	<b>126.97</b>	<b>136.85</b>	<b>263.82</b>		

4. U. T. System: Approval to exceed the full-time equivalent limitation on employees paid from appropriated funds (cont.)

**The University of Texas System  
Fiscal Year 2010 Request to Exceed Full-time Equivalent Limitations on Appropriated Funds**

Function	Faculty FTE Increase	Staff FTE Increase	Total FTE Increase from Appropriated Funds	Source of Funds	Justification
<b>U. T. Dallas</b>					
Instruction	42.00	-	42.00	Education and General	This will allow for additional faculty, retain quality of education, and maintain faculty/student ratio. The FY10 cap is less than the estimated FY09 FTE average by 35 FTEs. The request exceeds the FY08-09 FTE cap by 17.4 FTEs.
Academic Support	-	8.00	8.00	Education and General	With the increased faculty, additional administrative support is needed.
Research	-	25.00	25.00	Education and General	Research funding continues to increase and will support additional research scientists in providing enhanced research functions, as U. T. Dallas continues toward the strategic goal of becoming a Tier 1 University.
Institutional Support	-	11.00	11.00	Education and General	Additional staff are needed to provide support and improve services in several key administrative areas.
Student Support	-	2.00	2.00	Education and General	With increasing enrollment, additional support staff are needed to provide quality support and additional services to students.
Operations and Maintenance of Plant	-	15.00	15.00	Education and General	Additional staff are needed to help maintain operations and provide security for additional buildings coming online during FY10 including the Student Housing Living-Learning Center.
<b>TOTAL</b>	<b>42.00</b>	<b>61.00</b>	<b>103.00</b>		
<b>U. T. El Paso</b>					
Instruction	20.00	-	20.00	Education and General	Additional full-time faculty are needed to meet the increased demand as a result of increased enrollment.
Research	25.00	8.00	33.00	Education and General	Increase in research faculty and full-time staff to support the continued commitment to strategic research initiatives.
Institutional Support	-	7.00	7.00	Education and General	Additional full-time staff required to meet the increased volume of transactions and services.
Academic Support	-	12.00	12.00	Education and General	Additional full-time staff required to assist faculty members with increased administrative functions due to increased enrollment.
<b>TOTAL</b>	<b>45.00</b>	<b>27.00</b>	<b>72.00</b>		

4. U. T. System: Approval to exceed the full-time equivalent limitation on employees paid from appropriated funds (cont.)

**The University of Texas System  
Fiscal Year 2010 Request to Exceed Full-time Equivalent Limitations on Appropriated Funds**

Function	Faculty FTE Increase	Staff FTE Increase	Total FTE Increase from Appropriated Funds	Source of Funds	Justification
<b>U. T. Pan American</b>					
Instruction	3.00	2.50	5.50	Education and General	Additional faculty and staff to cover increase in enrollment and expansion of academic programs.
Institutional Support	-	3.75	3.75	Education and General	Additional staff is needed to provide support and improve services in Human Resources, Campus Sustainability, and Information Technology.
Academic Support	-	1.00	1.00	Education and General	Additional staff is needed to provide support in the Graduate Office.
<b>TOTAL</b>	<b>3.00</b>	<b>7.25</b>	<b>10.25</b>		
<b>U. T. Permian Basin</b>					
Instruction	13.70	1.00	14.70	Education and General	Needed for academic program growth, new degrees, and program enhancement.
Academic Support	-	3.15	3.15	Education and General	Needed for expansion of student support programs; information security.
Institutional Support	-	5.30	5.30	Education and General	Needed for increased reaccreditation, audit, purchasing, and other institutional support requirements.
Student Support	-	5.40	5.40	Education and General	Needed for the expansion of student services programs to meet needs of growing campus, retention, enrollment management, and admissions.
Operation and Maintenance of Plant	-	10.00	10.00	Education and General	Needed for multiple campus construction projects requiring campus management and liaison; continuation of efforts to staff Police at needed levels.
<b>TOTAL</b>	<b>13.70</b>	<b>24.85</b>	<b>38.55</b>		

4. U. T. System: Approval to exceed the full-time equivalent limitation on employees paid from appropriated funds (cont.)

**The University of Texas System  
Fiscal Year 2010 Request to Exceed Full-time Equivalent Limitations on Appropriated Funds**

Function	Faculty FTE Increase	Staff FTE Increase	Total FTE Increase from Appropriated Funds	Source of Funds	Justification
<b>U. T. San Antonio</b>					
Instruction	52.10	-	52.10	Education and General	Faculty hiring has increased relative to enrollment as a critical priority to allow sufficient course sections and support research initiatives.
Institutional Support	-	25.00	25.00	Education and General	Staffing levels are increasing to keep up with growth in enrollment and other university missions: public service, research, and new facilities.
Operations and Maintenance of Plant	-	11.00	11.00	Education and General	Staffing levels are increasing to keep up with growth in enrollment and other university missions: public service, research, and new facilities.
Research	-	7.00	7.00	Education and General	Staffing levels are increasing to keep up with growth in enrollment and other university missions: public service, research, and new facilities.
Student Support	-	5.00	5.00	Education and General	Staffing levels are increasing to keep up with growth in enrollment and other university missions: public service, research, and new facilities.
Public Service	-	6.00	6.00	Education and General	Staffing levels are increasing to keep up with growth in enrollment and other university missions: public service, research, and new facilities.
<b>TOTAL</b>	<b>52.10</b>	<b>54.00</b>	<b>106.10</b>		
<b>U. T. Southwestern Medical Center - Dallas</b>					
Research	9.00	16.00	25.00	Education and General	To provide appropriate staff for new special item, Institute for Genetic and Molecular Disease.
Instruction	7.30	-	7.30	Education and General	To provide appropriate staff for additional formula funding.
Instruction	12.00	-	12.00	Education and General	To provide appropriate staff for additional formula funding for Graduate Medical Education.
Research	0.90	1.60	2.50	Education and General	To provide appropriate staff for additional formula funding.
Operations and Maintenance of Plant	-	3.20	3.20	Education and General	To provide appropriate staff for additional formula funding.
<b>TOTAL</b>	<b>29.20</b>	<b>20.80</b>	<b>50.00</b>		

4. U. T. System: Approval to exceed the full-time equivalent limitation on employees paid from appropriated funds (cont.)

**The University of Texas System  
Fiscal Year 2010 Request to Exceed Full-time Equivalent Limitations on Appropriated Funds**

Function	Faculty FTE Increase	Staff FTE Increase	Total FTE Increase from Appropriated Funds	Source of Funds	Justification
<b>U. T. Health Science Center - San Antonio</b>					
Instruction	73.30	54.70	128.00	Education and General	Increase is related to \$22.5 million in enhanced Instruction and Operations formula General Revenue over the prior biennium, as well as enhanced exceptional item General Revenue funding for the Regional Academic Health Center (\$6.5 million).
Research	29.90	13.10	43.00	Education and General	Increase is related to new exceptional item General Revenue funding for the San Antonio Life Sciences Institute (\$4 million).
Operations and Maintenance of Plant		20.10	20.10	Education and General	Increase is related to \$4 million in enhanced Infrastructure formula General Revenue over the prior biennium as well as increased square footage from newly constructed buildings.
<b>TOTAL</b>	<b>103.20</b>	<b>87.90</b>	<b>191.10</b>		

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt

**A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF BOND ENHANCEMENT AGREEMENTS RELATING TO PERMANENT UNIVERSITY FUND DEBT AND AUTHORIZING AND APPROVING OTHER INSTRUMENTS AND PROCEDURES RELATING TO SAID AGREEMENTS**

August 20, 2009

WHEREAS, the Board of Regents (the "Board") of The University of Texas System (the "System") is the governing body of the System, an institution of higher education under the *Texas Education Code* and an agency of the State of Texas (the "State"); and

WHEREAS, the Permanent University Fund is a constitutional fund and public endowment created in the Texas Constitution of 1876, as created, established, implemented and administered pursuant to Sections 10, 11, 11a, 11b, 15 and 18 of Article VII of the Constitution of the State, as amended, and by other applicable present and future constitutional and statutory provisions, and further implemented by the provisions of Chapter 66, *Texas Education Code*, as amended, the "Permanent University Fund"); and

WHEREAS, the Available University Fund is defined by the Constitution of the State and consists of distributions made to it from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund land, as determined by the Board pursuant to Section 18 of Article VII of the Constitution of the State (the "Available University Fund"); and

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

WHEREAS, the Constitutional Provision also provides that out of the Interest of the System in the Available University Fund there shall be appropriated an annual sum sufficient to pay the principal and interest due on PUF Debt, and the remainder of the Interest of the System in the Available University Fund (the "Residual AUF") shall be appropriated for the support and maintenance of The University of Texas at Austin and the System Administration; and

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning as set forth in Exhibit A hereto; and

WHEREAS, the Board has previously entered into certain Executed Master Agreements (as defined herein) with certain counterparties setting forth the terms and conditions applicable to each Confirmation (as defined herein) to be executed thereunder; and

WHEREAS, the Board hereby desires to ratify the U.T. System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B, and to severally authorize each Authorized Representative (as defined in the U.T. System's Interest Rate Swap Policy) to enter into Bond Enhancement Agreements (as defined herein) from time to time, all as provided in this Resolution.



10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

NOW THEREFORE BE IT RESOLVED, that

**SECTION 1. DEFINITIONS.** Capitalized terms used in this Resolution and not otherwise defined shall have the meanings given in Exhibit A attached hereto and made a part hereof.

**SECTION 2. AUTHORIZATION OF BOND ENHANCEMENT AGREEMENTS.**

(a) Delegation. Each Authorized Representative is hereby severally authorized to act on behalf of the Board in accepting and executing new or amended confirmations under one or more of the Master Agreements (each, a "Confirmation" and, collectively with the applicable Master Agreement, a "Bond Enhancement Agreement") when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution and the U.T. System Interest Rate Swap Policy and either (i) the transaction is expected to reduce the net interest to be paid by the Board with respect to any then outstanding PUF Debt or PUF Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at that time. The delegation to each Authorized Representative to execute and deliver Bond Enhancement Agreements on behalf of the Board under this Resolution shall expire on September 1, 2010.

(b) Authorizing Law and Treatment as Credit Agreement. The Board hereby determines that any such Bond Enhancement Agreement entered into by an Authorized Representative pursuant to this Resolution is necessary or appropriate to place the Board's obligations with respect to its outstanding PUF Debt or PUF Debt anticipated to be issued in the future on the interest rate, currency, cash flow or other basis set forth in such Bond Enhancement Agreement as approved and executed on behalf of the Board by an Authorized Representative. Each Bond Enhancement Agreement constitutes a "bond enhancement agreement" under Section 65.461 of the *Texas Education Code* ("Section 65.461"). Pursuant to Section 65.461, a Bond Enhancement Agreement authorized and executed by an Authorized Representative under this Resolution shall not be considered a "credit agreement" under Chapter 1371 of the *Texas Government Code*, as amended ("Chapter 1371"), unless specifically designated as such by such Authorized Representative. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and this Resolution has not previously been submitted to the Attorney General by an Authorized Representative, such Authorized Representative shall submit this Resolution to the Attorney General for review and approval in accordance with the requirements of Chapter 1371 as the proceedings authorizing Bond Enhancement Agreements entered into by the Board pursuant to this Resolution.

(c) Costs; Maximum Term. The costs of any Bond Enhancement Agreement and the amounts payable thereunder, including but not limited to any amounts payable by the Board as a result of terminating a Bond Enhancement Agreement, shall be payable from the Residual AUF as a cost of the support and maintenance of System administration or from any other source that is legally available to make such payments.

The maximum term of each Bond Enhancement Agreement authorized by this Resolution shall not exceed the maturity date of the then outstanding related PUF Debt or the related PUF Debt anticipated to be issued in the future, as applicable.

(d) Notional Amount. The notional amount of any Bond Enhancement Agreement authorized by this Resolution shall not at any time exceed the aggregate principal amount of the then outstanding related PUF Debt or related PUF Debt anticipated to be issued in the future, as

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applicable; provided that the aggregate notional amount of multiple Bond Enhancement Agreements relating to the same PUF Debt may exceed the principal amount of the related PUF Debt if such Bond Enhancement Agreements are for different purposes, as evidenced for example by different rates for calculating payments owed, and the aggregate notional amount of any such Bond Enhancement Agreements for the same purpose otherwise satisfies the foregoing requirements.

(e) Early Termination. No Confirmation entered into pursuant to this Resolution shall contain early termination provisions at the option of the counterparty except upon the occurrence of an event of default or an additional termination event, as prescribed in the applicable Master Agreement. In addition to subsections (a) and (b) of Section 5 hereof, each Authorized Representative is hereby severally authorized to terminate any Bond Enhancement when, in his or her judgment, such termination is in the best interests of the Board given the market conditions at that time.

(f) Maximum Rate. No Bond Enhancement Agreement authorized by this Resolution shall be payable at a rate greater than the maximum rate allowed by law.

(g) Credit Enhancement. An Authorized Representative may obtain credit enhancement for any Bond Enhancement Agreement if such Authorized Representative, as evidenced by a certificate delivered to the General Counsel to the Board, has determined that after taking into account the cost of such credit enhancement, such credit enhancement will reduce the amount payable by the Board pursuant to such Bond Enhancement Agreement; provided that the annual cost of credit enhancement on any Bond Enhancement Agreement entered into pursuant to this Resolution may not exceed 0.50% of the notional amount of such Bond Enhancement Agreement.

**SECTION 3. AUTHORIZATION FOR SPECIFIC TRANSACTIONS.** In addition to the authority otherwise granted in this Resolution, each Authorized Representative is hereby severally granted continuing authority to enter into the following specific transactions pursuant to a Confirmation (or other agreement or instrument deemed necessary by an Authorized Representative) upon satisfaction of the following respective conditions:

(A) Floating-to-fixed rate interest rate swap transactions under which the Board would pay an amount based upon a fixed rate of interest and the counterparty would pay an amount based upon a variable rate of interest with respect to PUF Debt then outstanding bearing interest at a variable rate and any PUF Debt anticipated to be issued in the future that will bear interest at a variable rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that (i) the synthetic fixed rate to the Board pursuant to the swap transaction is lower than the rate available to the Board for comparable fixed rate debt at the time of the swap transaction, and (ii) if the variable rate being paid or expected to be paid by the Board on the applicable PUF Debt is computed on a basis different from the calculation of the variable rate to be received under the swap transaction over the stated term of such swap transaction, the basis risk of the transaction is expected to be minimal based upon historical relationships between such bases.

(B) Fixed-to-floating rate interest rate swap transactions under which the Board would pay an amount based upon a variable rate of interest and the counterparty would pay an amount based upon a fixed rate of interest, with respect to PUF Debt then outstanding bearing interest at a fixed rate or PUF Debt anticipated to be issued in the future that will bear interest at a fixed rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that converting such portion of fixed rate PUF Debt to a variable rate pursuant to the fixed-to-floating interest rate swap transaction would be beneficial to the System by (i)

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lowering the anticipated net interest cost on the PUF Debt to be swapped against or (ii) assisting in the System's asset/liability management by matching a portion of its variable rate assets with variable rate PUF Debt.

(C) Basis swap transactions under which the Board would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, and the counterparty would pay a variable rate of interest computed on a different basis, such as a designated maturity of the London Interbank Offered Rate ("LIBOR"), with respect to a given principal amount of PUF Debt then outstanding or PUF Debt anticipated to be issued in the future, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that by entering into the basis swap transaction the Board is expected to be able to (i) achieve spread income or upfront cash payments, (ii) preserve call option and advance refunding capability on its PUF Debt, (iii) lower net interest cost by effecting a percent of LIBOR synthetic refunding without issuing additional bonds or acquiring credit enhancement, (iv) lower net interest cost on PUF Debt by layering tax risk on top of a traditional or synthetic fixed rate financing, (v) preserve liquidity capacity, or (vi) avoid the mark to market volatility of a fixed-to-floating or floating-to-fixed swap in changing interest rate environments.

(D) Interest rate locks, caps, floors, and collars for the purpose of limiting the exposure of the Board to adverse changes in interest rates in connection with outstanding PUF Debt or additional PUF Debt anticipated to be issued in the future. Prior to entering into such a transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that such transaction is expected to limit or eliminate such exposure.

**SECTION 4. APPLICATION OF PAYMENTS RECEIVED UNDER BOND ENHANCEMENT AGREEMENTS.**

(a) General. Except as provided in subsection (b) hereof, to the extent the Board receives payments pursuant to a Bond Enhancement Agreement, such payments shall be applied for any lawful purpose.

(b) Payments under Chapter 1371 Credit Agreements. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and such Bond Enhancement Agreement is executed and delivered pursuant to Chapter 1371, to the extent that the Board receives payments pursuant to such a Bond Enhancement Agreement, such payments shall be applied as follows: (i) to pay (A) debt service on the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement, or (B) the costs to be financed by the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement; provided that, if applicable, such costs shall have been approved for construction by the Board and that the applicable projects have received the required approval or review of the Texas Higher Education Coordinating Board to the extent and as required by the provisions of Section 61.058 of the *Texas Education Code*; (ii) to pay other liabilities or expenses that are secured on parity with or senior to the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement; or (iii) to the extent that costs set forth in (i) and (ii) have been satisfied, for any other lawful purpose.

**SECTION 5. BOND ENHANCEMENT AGREEMENTS IN CONNECTION WITH ANTICIPATED PUF DEBT.**

(a) Requirement to Terminate or Modify Agreement for Non-issuance of Anticipated PUF Debt. In the event a Bond Enhancement Agreement is entered into under this Resolution in

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

connection with the anticipated issuance of PUF Debt and such PUF Debt is not actually issued on or prior to the effective date of such agreement, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement in such event (i) to delay the effective date of such Bond Enhancement Agreement; or (ii) to replace such anticipated PUF Debt with any then outstanding PUF Debt having the same types of interest rates (fixed or variable) as the anticipated PUF Debt.

(b) Requirement to Terminate or Modify Agreement for Notional Amount in Excess of Anticipated PUF Debt as Issued. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of PUF Debt and such Bond Enhancement Agreement has a notional amount that at any time exceeds the principal amount to be outstanding of such anticipated PUF Debt as actually issued, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement (i) to reduce the notional amount of such Bond Enhancement as appropriate so that such notional amount does not exceed at any time the principal amount to be outstanding of such anticipated PUF Debt as actually issued or (ii) supplement or replace all or a portion of such anticipated PUF Debt with any then outstanding PUF Debt having the same types of interest rates (fixed or variable) as the anticipated PUF Debt as necessary to ensure that the notional amount of such Bond Enhancement Agreement does not exceed at any time the principal amount of the applicable PUF Debt.

(c) Board Recognition of Anticipated Parity Debt. No Bond Enhancement Agreement may be entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of PUF Debt unless such anticipated issuance of future debt shall have been recognized by official action of the Board pursuant to either (i) the Board's prior adoption of a resolution authorizing the issuance of such debt, including but not limited to a resolution delegating the parameters of such issuance to an Authorized Representative or a resolution authorizing the issuance of commercial paper notes, (ii) the Board's prior approval of its then current Capital Improvement Program contemplating the financing of the projects to be financed by such anticipated issuance of debt and the amount of such debt to be issued, or (iii) the Board's action pursuant to subsection (e) hereof with respect to PUF Debt anticipated to be issued to refund outstanding PUF Debt.

(d) Required Description of Anticipated PUF Debt. To the extent that a Bond Enhancement Agreement is entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of PUF Debt, an Authorized Representative must also deliver to the General Counsel to the Board at the time such agreement is entered into a certificate with respect to such anticipated PUF Debt stating: (i) the anticipated issuance date of such PUF Debt or a range of anticipated dates of up to six months for such issuance, provided that such date or range of dates may not be more than the lesser of seventy-two (72) months after the date of the applicable Confirmation or the latest date contemplated for the issuance of such PUF Debt in the Board's then current Capital Improvement Program; (ii) whether such PUF Debt will bear interest at a fixed or variable rate; (iii) if such PUF Debt will bear interest at a fixed rate, what fixed interest rate or range of interest rates with respect to such PUF Debt is anticipated; (iv) if such PUF Debt will bear interest at a variable rate, what basis is anticipated to be used to compute such variable rate; (v) the assumed maturity schedule and amortization for such PUF Debt, including the assumed interest cost; (vi) the anticipated purposes for which the proceeds of such PUF Debt will be used; and (vii) for PUF Debt anticipated to be issued for new money projects, a list or description of such projects anticipated to be financed, provided that each such project must be contemplated for financing with PUF Debt by the Board's then current Capital Improvement Program or have otherwise received Board approval for financing.

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

(e) Board's Statement of Intent to Issue Advance Refunding Debt for Savings. If the conditions in this Resolution are otherwise satisfied, the Board hereby authorizes each Authorized Representative to enter into a Bond Enhancement Agreement in connection with PUF Debt anticipated to be issued for the purpose of advance refunding any existing PUF Debt, provided that as certified by an Authorized Representative to the General Counsel to the Board, such new issue of PUF Debt, when taking into consideration the effect of such Bond Enhancement Agreement, is anticipated to result in a present value savings in connection with such advance refunding of at least 3.0% (determined in the manner set forth in the resolution approved by the Board authorizing the issuance of such new issue of PUF Debt), and in such event, the Board hereby declares its intention to cause such new PUF Debt to be issued. No such certification or declaration shall be applicable in connection with PUF Debt anticipated to be issued for the purpose of currently refunding any existing PUF Debt within ninety (90) days of the date of issuance of such new PUF Debt.

**SECTION 6. MASTER AGREEMENTS.**

(a) New Master Agreements. Each Authorized Representative is hereby severally authorized to enter into ISDA Master Agreements (the "New Master Agreements") with counterparties satisfying the ratings requirements of the System's Interest Rate Swap Policy. Such New Master Agreements shall be in substantially the same form as the Executed Master Agreements, with such changes as, in the judgment of an Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable (i) to carry out the intent of the Board as expressed in this Resolution, (ii) to receive approval of this Resolution by the Attorney General of the State of Texas, if pursuant Section 2(b) of this Resolution, an Authorized Representative elects to designate any Bond Enhancement Agreement entered into by the Board pursuant to this Resolution as a "credit agreement" under Chapter 1371, (iii) to accommodate the credit structure or requirements of a particular counterparty or (iv) to incorporate comments received or anticipated to be received from any credit rating agency relating to a New Master Agreement. Each Authorized Representative is authorized to enter into such New Master Agreements and to enter into Confirmations thereunder in accordance with this Resolution and in furtherance of and to carry out the intent hereof.

(b) Amendments to Master Agreements. Each Authorized Representative is hereby further severally authorized to enter into amendments to the Master Agreements to allow Confirmations thereunder to be issued and entered into with respect to any then outstanding PUF Debt or PUF Debt anticipated to be issued in the future and to make such other amendments in accordance with the terms of the respective Master Agreements as in the judgment of such Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable to allow the Board to achieve the benefits of the Bond Enhancement Agreements in accordance with and subject to the System's Interest Rate Swap Policy and this Resolution.

**SECTION 7. ADDITIONAL AUTHORIZATION; RATIFICATION OF SWAP POLICY.**

(a) Additional Agreements and Documents Authorized. Each Authorized Representative and all officers or officials of the Board are severally authorized to execute and deliver such other agreements and documents as are contemplated by this Resolution and the Master Agreements or are otherwise necessary in connection with entering into Confirmations and Bond Enhancement Agreements as described in this Resolution, as any such officer or official shall deem appropriate, including without limitation, officer's certificates, legal opinions, and credit support documents.

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

(b) Further Actions. All officers or officials of the Board and its agents and counsel are authorized to take all such further actions, to execute and deliver such further instruments and documents in the name and on behalf of the Board to pay all such expenses as in his or her judgment shall be necessary or advisable in order fully to carry out the purposes of this Resolution.

(c) Swap Policy. The Board has reviewed and hereby ratifies and affirms the U.T. System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B.

*[Remainder of page intentionally left blank]*

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

## EXHIBIT A

### DEFINITIONS

As used in this Resolution the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

“Authorized Representative” shall have the meaning given to such term in the System’s Interest Rate Swap Policy (a copy of which is attached hereto as Exhibit B).

“Available University Fund” shall have the meaning given to such term in the recitals to this Resolution.

“Board” shall have the meaning given to such term in the recitals to this Resolution.

“Bond Enhancement Agreement” shall have the meaning given to such term in Section 2(a) hereof.

“Chapter 1371” shall have the meaning given to such term in Section 2(b) hereof.

“Confirmation” shall have the meaning given to such term in Section 2(a) hereof.

“Constitutional Provision” shall have the meaning given to such term in the recitals to this Resolution.

“Executed Master Agreements” shall mean the following existing and fully executed ISDA Master Agreements currently in effect between the Board and the respective counterparty noted below (copies of which are attached hereto as Exhibit C):

- (i) ISDA Master Agreement with Bank of America, N.A., dated as of December 1, 2007;
- (ii) ISDA Master Agreement with Goldman Sachs Capital Markets, L.P., dated as of December 1, 2007;
- (iii) ISDA Master Agreement with JPMorgan Chase Bank, National Association, dated as of December 1, 2007;
- (iv) ISDA Master Agreement with Merrill Lynch Capital Services, Inc., dated as of December 1, 2007;
- (v) ISDA Master Agreement with Morgan Stanley Capital Services Inc., dated as of December 1, 2007;
- (vi) ISDA Master Agreement with the Royal Bank of Canada dated as of May 22, 2008; and
- (vii) ISDA Master Agreement with UBS AG, dated as of April 1, 2008.

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

“Interest of the System” shall have the meaning given to such term in the recitals to this Resolution.

“ISDA” shall mean the International Swaps and Derivatives Association, Inc.

“LIBOR” shall have the meaning given to such term in clause (C) of Section 3 hereof.

“Master Agreements” shall mean, collectively, the Executed Master Agreements and any New Master Agreements.

“New Master Agreements” shall have the meaning given to such term in Section 6(a) hereof.

“Permanent University Fund” shall have the meaning given to such term in the recitals to this Resolution.

“PUF Debt” shall have the meaning given to such term in the recitals to this Resolution.

“Residual AUF” shall have the meaning given to such term in the recitals to this Resolution.

“Section 65.461” shall have the meaning given to such term in Section 2(b) hereof.

“State” shall have the meaning given to such term in the recitals to this Resolution.

“System” shall have the meaning given to such term in the recitals to this Resolution.



10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

**EXHIBIT B**

**INTEREST RATE SWAP POLICY  
OF THE UNIVERSITY OF TEXAS SYSTEM**

[On file with the Board]

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

**EXHIBIT C**

**EXECUTED MASTER AGREEMENTS**

[On file with the Board]

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt

**A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF BOND ENHANCEMENT AGREEMENTS RELATING TO REVENUE FINANCING SYSTEM DEBT AND AUTHORIZING AND APPROVING OTHER INSTRUMENTS AND PROCEDURES RELATING TO SAID AGREEMENTS**

August 20, 2009

**WHEREAS**, the Board of Regents (the "Board") of The University of Texas System (the "System") is the governing body of the System, an institution of higher education under the *Texas Education Code* and an agency of the State of Texas; and

**WHEREAS**, on February 14, 1991, the Board adopted the First Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System and amended such resolution on October 8, 1993, and August 14, 1997 (referred to herein as the "Master Resolution"); and

**WHEREAS**, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution or as set forth in Exhibit A hereto; and

**WHEREAS**, the Master Resolution establishes the Revenue Financing System comprised of the institutions now or hereafter constituting components of the System that are designated "Members" of the Financing System by action of the Board and pledges the Pledged Revenues attributable to each Member of the Financing System to the payment of Parity Debt to be outstanding under the Master Resolution; and

**WHEREAS**, the Board has adopted Supplemental Resolutions to the Master Resolution authorizing the issuance of Parity Debt thereunder as special, limited obligations of the Board payable solely from and secured by a lien on and pledge of Pledged Revenues pledged for the equal and proportionate benefit and security of all owners of Parity Debt; and

**WHEREAS**, the Board has previously entered into certain Executed Master Agreements (as defined herein) with certain counterparties setting forth the terms and conditions applicable to each Confirmation (as defined herein) executed or to be executed thereunder; and

**WHEREAS**, the Board hereby desires to ratify the System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B, and to severally authorize each Authorized Representative (as defined in the System's Interest Rate Swap Policy) to enter into Bond Enhancement Agreements (as defined herein) from time to time, all as provided in this Resolution.

**NOW THEREFORE BE IT RESOLVED**, that

**SECTION 1. DEFINITIONS.** In addition to the definitions set forth in the preamble of this Resolution, the terms used in this Resolution and not otherwise defined shall have the meanings given in the Master Resolution or in Exhibit A to this Resolution attached hereto and made a part hereof.

**SECTION 2. AUTHORIZATION OF BOND ENHANCEMENT AGREEMENTS.**

(a) Delegation. Each Authorized Representative is hereby severally authorized to act on behalf of the Board in accepting and executing new or amended confirmations under one or more of the Master Agreements (each, a "Confirmation", and collectively with the applicable Master Agreement, a "Bond Enhancement Agreement") when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution and the System's Interest Rate Swap Policy and either (i) the transaction is expected

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

to reduce the net interest to be paid by the Board with respect to any then outstanding Parity Debt or Parity Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at that time. The delegation to each Authorized Representative to execute and deliver Bond Enhancement Agreements on behalf of the Board under this Resolution shall expire on September 1, 2010.

(b) Authorizing Law and Treatment as Credit Agreement. The Board hereby determines that any such Bond Enhancement Agreement entered into by an Authorized Representative pursuant to this Resolution is necessary or appropriate to place the Board's obligations with respect to its outstanding Parity Debt or Parity Debt anticipated to be issued in the future on the interest rate, currency, cash flow or other basis set forth in such Bond Enhancement Agreement as approved and executed on behalf of the Board by an Authorized Representative. Each Bond Enhancement Agreement constitutes a "Credit Agreement" as defined in the Master Resolution and a "bond enhancement agreement" under Section 65.461 of the *Texas Education Code* ("Section 65.461"). Pursuant to Section 65.461, a Bond Enhancement Agreement authorized and executed by an Authorized Representative under this Resolution shall not be considered a "credit agreement" under Chapter 1371 of the *Texas Government Code*, as amended ("Chapter 1371"), unless specifically designated as such by such Authorized Representative. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and this Resolution has not previously been submitted to the Attorney General by an Authorized Representative, such Authorized Representative shall submit this Resolution to the Attorney General for review and approval in accordance with the requirements of Chapter 1371 as the proceedings authorizing Bond Enhancement Agreements entered into by the Board pursuant to this Resolution.

(c) Maximum Term. The maximum term of each Bond Enhancement Agreement authorized by this Resolution shall not exceed the maturity date of the then outstanding related Parity Debt or the related Parity Debt anticipated to be issued in the future, as applicable.

(d) Notional Amount. The notional amount of any Bond Enhancement Agreement authorized by this Resolution shall not at any time exceed the aggregate principal amount of the then outstanding related Parity Debt and related Parity Debt anticipated to be issued in the future, as applicable; provided that the aggregate notional amount of multiple Bond Enhancement Agreements relating to the same Parity Debt may exceed the principal amount of the related Parity Debt if such Bond Enhancement Agreements are for different purposes, as evidenced for example by different rates for calculating payments owed, and the aggregate notional amount of any such Bond Enhancement Agreements for the same purpose otherwise satisfies the foregoing requirements.

(e) Early Termination. No Confirmation entered into pursuant to this Resolution shall contain early termination provisions at the option of the counterparty except upon the occurrence of an event of default or an additional termination event, as prescribed in the applicable Master Agreement. In addition to subsections (a) and (b) of Section 6 hereof, each Authorized Representative is hereby severally authorized to terminate any Bond Enhancement when, in his or her judgment, such termination is in the best interests of the Board given the market conditions at that time.

(f) Maximum Rate. No Bond Enhancement Agreement authorized by this Resolution shall be payable at a rate greater than the maximum rate allowed by law.

(g) Credit Enhancement. An Authorized Representative may obtain credit enhancement for any Bond Enhancement Agreement if such Authorized Representative, as evidenced by a certificate delivered to the General Counsel to the Board, has determined that after taking into account the cost of such credit enhancement, such credit enhancement will reduce the amount payable by the Board pursuant to such

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

Bond Enhancement Agreement; provided that the annual cost of credit enhancement on any Bond Enhancement Agreement entered into pursuant to this Resolution may not exceed 0.50% of the notional amount of such Bond Enhancement Agreement.

**SECTION 3. BOND ENHANCEMENT AGREEMENTS AS PARITY DEBT.** The costs of any Bond Enhancement Agreement and the amounts payable thereunder shall be payable out of Pledged Revenues and each Bond Enhancement Agreement shall constitute Parity Debt under the Master Resolution, except to the extent that a Bond Enhancement Agreement provides that an obligation of the Board thereunder shall be payable from and secured by a lien on Pledged Revenues subordinate to the lien securing the payment of the Parity Debt. The Board determines that this Resolution shall constitute a Supplemental Resolution to the Master Resolution and as required by Section 5(a) of the Master Resolution, the Board further determines that upon the delivery of the Bond Enhancement Agreements authorized by this Resolution it will have sufficient funds to meet the financial obligations of the System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System and that the Members on whose behalf such Bond Enhancement Agreements are entered into possess the financial capacity to satisfy their Direct Obligations after taking such Bond Enhancement Agreements into account.

**SECTION 4. AUTHORIZATION FOR SPECIFIC TRANSACTIONS.** In addition to the authority otherwise granted in this Resolution, each Authorized Representative is hereby severally granted continuing authority to enter into the following specific transactions pursuant to a Confirmation (or other agreement or instrument deemed necessary by an Authorized Representative) upon satisfaction of the following respective conditions:

(A) Floating-to-fixed rate interest rate swap transactions under which the Board would pay an amount based upon a fixed rate of interest and the counterparty would pay an amount based upon a variable rate of interest with respect to Parity Debt then outstanding bearing interest at a variable rate and Parity Debt anticipated to be issued in the future that will bear interest at a variable rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that (i) the synthetic fixed rate to the Board pursuant to the swap transaction is lower than the rate available to the Board for comparable fixed rate debt at the time of the swap transaction, and (ii) if the variable rate being paid or expected to be paid by the Board on the applicable Parity Debt is computed on a basis different from the calculation of the variable rate to be received under the swap transaction over the stated term of such swap transaction, the basis risk of the transaction is expected to be minimal based upon historical relationships between such bases.

(B) Fixed-to-floating rate interest rate swap transactions under which the Board would pay an amount based upon a variable rate of interest and the counterparty would pay an amount based upon a fixed rate of interest, with respect to Parity Debt then outstanding bearing interest at a fixed rate and Parity Debt anticipated to be issued in the future that will bear interest at a fixed rate, as applicable. Prior to entering into such transaction an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that converting such portion of fixed rate Parity Debt to a variable rate pursuant to the fixed-to-floating interest rate swap transaction would be beneficial to the System by (i) lowering the anticipated net interest cost on the Parity Debt to be swapped against or (ii) assisting in the System's asset/liability management by matching a portion of its variable rate assets with variable rate Parity Debt.

(C) Basis swap transactions under which the Board would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, and the counterparty would pay a variable rate of interest computed on a different basis, such as the London Interbank Offered Rate ("LIBOR"), with respect to a designated maturity or principal

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

amount of outstanding Parity Debt and Parity Debt anticipated to be issued in the future, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that by entering into the basis swap transaction the Board is expected to be able to (i) achieve spread income or upfront cash payments, (ii) preserve call option and advance refunding capability on its Parity Debt, (iii) lower net interest cost by effecting a percent of LIBOR synthetic refunding without issuing additional bonds or acquiring credit enhancement, (iv) lower net interest cost on Parity Debt by layering tax risk on top of a traditional or synthetic fixed rate financing, (v) preserve liquidity capacity, or (vi) avoid the mark to market volatility of a fixed-to-floating or floating-to-fixed swap in changing interest rate environments.

(D) Interest rate locks, caps, floors, and collars for the purpose of limiting the exposure of the Board to adverse changes in interest rates in connection with outstanding Parity Debt or additional Parity Debt anticipated to be issued in the future. Prior to entering into such a transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that such transaction is expected to limit or eliminate such exposure.

**SECTION 5. APPLICATION OF PAYMENTS RECEIVED UNDER BOND ENHANCEMENT AGREEMENTS.**

(a) General. Except as further limited by subsection (b) hereof, to the extent the Board receives payments pursuant to a Bond Enhancement Agreement, such payments shall be applied for any lawful purpose.

(b) Payments under Chapter 1371 Credit Agreements. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and such Bond Enhancement Agreement is executed and delivered pursuant to Chapter 1371, to the extent that the Board receives payments pursuant to such a Bond Enhancement Agreement, such payments shall be applied as follows: (i) to pay (A) debt service on the Parity Debt or anticipated issuance of Parity Debt related to the Bond Enhancement Agreement, or (B) the costs to be financed by the Parity Debt or anticipated issuance of Parity Debt related to the Bond Enhancement Agreement; provided that, if applicable, such costs shall have been approved for construction by the Board and that the applicable projects have received the required approval or review of the Texas Higher Education Coordinating Board to the extent and as required by the provisions of Section 61.058 of the *Texas Education Code*; (ii) to pay other liabilities or expenses that are secured on parity with or senior to the Parity Debt or anticipated issuance of Parity Debt related to the Bond Enhancement Agreement; or (iii) to the extent that costs set forth in (i) and (ii) have been satisfied, for any other lawful purpose.

**SECTION 6. BOND ENHANCEMENT AGREEMENTS IN CONNECTION WITH ANTICIPATED PARITY DEBT.**

(a) Requirement to Terminate or Modify Agreement for Non-issuance of Anticipated Parity Debt. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of Parity Debt and such Parity Debt is not actually issued on or prior to the effective date of such agreement, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement in such event to (i) delay the effective date of such Bond Enhancement Agreement; or (ii) replace such anticipated Parity Debt with any then outstanding Parity Debt having the same types of interest rates (fixed or variable) as the anticipated Parity Debt.

(b) Requirement to Terminate or Modify Agreement for Notional Amount in Excess of Anticipated Parity Debt as Issued. In the event a Bond Enhancement Agreement is entered into under this

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

Resolution in connection with the anticipated issuance of Parity Debt and such Bond Enhancement Agreement has a notional amount that at any time exceeds the principal amount to be outstanding of such anticipated Parity Debt as actually issued, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement to (i) reduce the notional amount of such Bond Enhancement as appropriate so that such notional amount does not exceed at any time the principal amount to be outstanding of such anticipated Parity Debt as actually issued or (ii) supplement or replace all or a portion of such anticipated Parity Debt with any then outstanding Parity Debt having the same types of interest rates (fixed or variable) as the anticipated Parity Debt as necessary to ensure that the notional amount of such Bond Enhancement Agreement does not exceed at any time the principal amount of the applicable Parity Debt.

(c) Board Recognition of Anticipated Parity Debt. No Bond Enhancement Agreement may be entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of Parity Debt unless such anticipated issuance of future debt shall have been recognized by official action of the Board pursuant to either (i) the Board's prior adoption of a resolution authorizing the issuance of such debt, including, but not limited to, a resolution delegating the parameters of such issuance to an Authorized Representative or a resolution authorizing the issuance of commercial paper notes, (ii) the Board's prior approval of its then current Capital Improvement Program contemplating the financing of the projects to be financed by such anticipated issuance of debt and the amount of such debt to be issued, or (iii) the Board's action pursuant to subsection (e) hereof with respect to Parity Debt anticipated to be issued to refund outstanding Parity Debt.

(d) Required Description of Anticipated Parity Debt. To the extent that a Bond Enhancement Agreement is entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of Parity Debt, an Authorized Representative must also deliver to the General Counsel to the Board at the time such agreement is entered into a certificate with respect to such anticipated Parity Debt stating: (i) the anticipated issuance date of such Parity Debt or a range of anticipated dates of up to six months for such issuance, provided that such date or range of dates may not be more than the lesser of seventy-two (72) months after the date of the applicable Confirmation or the latest date contemplated for the issuance of such Parity Debt in the Board's then current Capital Improvement Program; (ii) whether such Parity Debt will bear interest at a fixed or variable rate; (iii) if such Parity Debt will bear interest at a fixed rate, what fixed interest rate or range of interest rates with respect to such Parity Debt is anticipated; (iv) if such Parity Debt will bear interest at a variable rate, what basis is anticipated to be used to compute such variable rate; (v) the assumed maturity schedule and amortization for such Parity Debt, including the assumed interest cost; (vi) the anticipated purposes for which the proceeds of such Parity Debt will be used; and (vii) for Parity Debt anticipated to be issued for new money projects, a list or description of such projects anticipated to be financed, provided that each such project must be contemplated for financing with Parity Debt by the Board's then current Capital Improvement Program or have otherwise received Board approval for financing.

(e) Board's Statement of Intent to Issue Refunding Debt for Savings. If the conditions in this Resolution are otherwise satisfied, the Board hereby authorizes each Authorized Representative to enter into a Bond Enhancement Agreement in connection with Parity Debt anticipated to be issued for the purpose of advance refunding any existing Parity Debt, provided that as certified by an Authorized Representative to the General Counsel to the Board, such new issue of Parity Debt, when taking into consideration the effect of such Bond Enhancement Agreement, is anticipated to result in a present value savings in connection with such advance refunding of at least 3.0% (determined in the manner set forth in a supplemental resolution approved by the Board authorizing the issuance of additional Parity Debt), and in such event, the Board hereby declares its intention to cause such Parity Debt to be issued. No such certification

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

or declaration shall be applicable in connection with Parity Debt anticipated to be issued for the purpose of currently refunding any existing Parity Debt within ninety (90) days of the date of issuance of such new Parity Debt.

**SECTION 7. MASTER AGREEMENTS.**

(a) New Master Agreements. Each Authorized Representative is hereby severally authorized to enter into ISDA Master Agreements (the "New Master Agreements") with counterparties satisfying the ratings requirements of the System's Interest Rate Swap Policy. Such New Master Agreements shall be in substantially the same form as the Executed Master Agreements, with such changes as, in the judgment of an Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable (i) to carry out the intent of the Board as expressed in this Resolution, (ii) to receive approval of this Resolution by the Attorney General of the State of Texas, if pursuant Section 2(b) of this Resolution, an Authorized Representative elects to designate any Bond Enhancement Agreement entered into by the Board pursuant to this Resolution as a "credit agreement" under Chapter 1371, (iii) to accommodate the credit structure or requirements of a particular counterparty or (iv) to incorporate comments received or anticipated to be received from any credit rating agency relating to a New Master Agreement. Each Authorized Representative is authorized to enter into such New Master Agreements and to enter into Confirmations thereunder in accordance with this Resolution and in furtherance of and to carry out the intent hereof.

(b) Amendments to Master Agreements. Each Authorized Representative is hereby further severally authorized to enter into amendments to the Master Agreements to allow Confirmations thereunder to be issued and entered into with respect to any then outstanding Parity Debt or Parity Debt anticipated to be issued in the future and to make such other amendments in accordance with the terms of the respective Master Agreements as in the judgment of such Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable to allow the Board to achieve the benefits of the Bond Enhancement Agreements in accordance with and subject to the System's Interest Rate Swap Policy and this Resolution.

**SECTION 8. ADDITIONAL AUTHORIZATION; RATIFICATION OF SWAP POLICY.**

(a) Additional Agreements and Documents Authorized. Each Authorized Representative and all officers or officials of the Board are severally authorized to execute and deliver such other agreements and documents as are contemplated by this Resolution and the Master Agreements or are otherwise necessary in connection with entering into Confirmations and Bond Enhancement Agreements as described in this Resolution, as any such officer or official shall deem appropriate, including without limitation, officer's certificates, legal opinions, and credit support documents.

(b) Further Actions. All officers or officials of the Board and its agents and counsel are authorized to take all such further actions, to execute and deliver such further instruments and documents in the name and on behalf of the Board to pay all such expenses as in his or her judgment shall be necessary or advisable in order fully to carry out the purposes of this Resolution.

(c) Swap Policy. The Board has reviewed and hereby ratifies and affirms the System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B.

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10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

## EXHIBIT A

### DEFINITIONS

As used in this Resolution the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Authorized Representative" – As defined in the System's Interest Rate Swap Policy (a copy of which is attached hereto as Exhibit B).

"Board" – The Board of Regents of The University of Texas System.

"Bond Enhancement Agreement" – Collectively, each Confirmation and the applicable Master Agreement.

"Chapter 1371" – Chapter 1371 of the *Texas Government Code*, as amended.

"Confirmation" – Each confirmation entered into by an Authorized Representative on behalf of the Board pursuant to this Resolution.

"Executed Master Agreements" – The following existing and fully executed ISDA Master Agreements currently in effect between the Board and the respective counterparty noted below (copies of which are attached hereto as Exhibit C):

(i) ISDA Master Agreement with Bank of America, N.A., dated as of December 6, 2005;

(ii) ISDA Master Agreement with JPMorgan Chase Bank, National Association, dated as of May 2, 2006;

(iii) ISDA Master Agreement with Merrill Lynch Capital Services, Inc., dated as of May 1, 2006;

(iv) ISDA Master Agreement with Morgan Stanley Capital Services Inc., dated as of December 6, 2005;

(v) ISDA Master Agreement with UBS AG, dated as of November 1, 2007; and

(vi) ISDA Master Agreement with Royal Bank of Canada, dated as of April 4, 2008.

"ISDA" – The International Swaps and Derivatives Association, Inc.

"LIBOR" – London Interbank Offered Rate.

"Master Agreements" – Collectively, the Executed Master Agreements and any New Master Agreements.

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

"Master Resolution" – The First Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991, and amended on October 8, 1993, and August 14, 1997.

"New Master Agreements" – Any ISDA Master Agreements entered into by an Authorized Representative pursuant to Section 7(a) of this Resolution.

"Section 65.461" – Section 65.461 of the *Texas Education Code*.

"System" – The University of Texas System.

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

**EXHIBIT B**

**INTEREST RATE SWAP POLICY  
OF THE UNIVERSITY OF TEXAS SYSTEM**

[On File with the Board]

10. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt (cont.)

**EXHIBIT C**

**EXECUTED MASTER AGREEMENTS**

[On File with the Board]

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4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws

**AMENDED AND RESTATED  
BYLAWS OF  
THE UNIVERSITY OF TEXAS  
SOUTHWESTERN MEDICAL CENTER AT DALLAS  
MSRDP FACULTY PRACTICE PLAN**

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

**AMENDED AND RESTATED  
BYLAWS OF  
THE UNIVERSITY OF TEXAS  
SOUTHWESTERN MEDICAL CENTER AT DALLAS  
MSRDP FACULTY PRACTICE PLAN**

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4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## **ARTICLE I PURPOSE**

The Purpose of the MSRDP Faculty Practice Plan ("Plan") is to manage and hold in trust the professional income of faculty members at The University of Texas Southwestern Medical Center at Dallas (UT Southwestern). The Plan's goal is to promote excellence in teaching, research, clinical service, and administration through clinical practice and compensation strategies that will contribute to and safeguard the Institution's continued growth in excellence. The Plan sets forth a general framework for compensating faculty that will attract and retain outstanding faculty by rewarding performance, clinical innovation and productivity, research, teaching, and administrative excellence; providing fairness and consistency in compensation determinations; and aligning faculty performance with the Institution's mission.

## **ARTICLE II DEFINITIONS**

- 2.1 **Board of Directors or Board** means the advisory board that makes recommendations to the President of the Institution regarding the direction and management of this Plan as set forth in these Bylaws.
- 2.2 **Board of Regents or Regents** means the governing body of The University of Texas System, which has the ultimate jurisdiction and responsibility to govern, operate, support, and maintain each institution of The University of Texas System.
- 2.3 **Chair of the Board** means the President of the Institution.
- 2.4 **Executive Vice Chancellor for Health Affairs** of The University of Texas System means the individual appointed to that position by the Regents who has the authority granted by the *Rules and Regulations* of the Board of Regents and the specific responsibilities set forth in these Bylaws.
- 2.5 **Institution** means The University of Texas Southwestern Medical Center at Dallas.
- 2.6 **Institutional Trust Fund** means the fund established for the deposit and distribution of revenues generated and disbursed according to this Plan.
- 2.7 **Member** means faculty members who are designated to participate in this Plan by the President or a designee, as more fully described in section 3.1.
- 2.8 **Plan** means this MSRDP Faculty Practice Plan, otherwise known as the Medical Service Research and Development Plan ("MSRDP").

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

2.9 **President** means the person appointed by the Regents to serve as President of the Institution and who shall act as Chair of the Board of the Plan. All references to the President herein also refer to the President's role and actions as Chair of the Board.

2.10 **Senior Clinical Administrator** means the officer or individual within the Institution with significant clinical experience and expertise who is appropriately qualified to perform the functions of the role to which he or she is appointed. The Senior Clinical Administrator for purposes of these bylaws is the Vice President for Medical Affairs.

### **ARTICLE III MEMBERS**

3.1 **Membership.** Membership in the Plan is mandatory for each faculty member whose appointment is 50% or greater, if the Member generates professional income as defined in section 8.3. Other part-time faculty members may become Members upon recommendation of the department chair and approval of the President or a designee. This Plan may apply to faculty members who do not generate professional income, as determined by the President at the time of appointment or reappointment of the Member.

3.1.1 All Members shall be entitled to vote upon business brought before the membership and be eligible for election or appointment to a committee of the Plan.

3.1.2 A Member leaving the faculty for any reason terminates membership in the Plan without recourse.

3.2 **Memorandum of Appointment and Agreement of Participation.** A Memorandum of Appointment and an Agreement of Participation assigning professional income to the Plan shall be executed annually between each Member and the Institution, in a form prescribed by the Executive Vice Chancellor for Health Affairs, and are a condition for membership and participation in the Plan. Any delay, error or failure to execute these two documents does not relieve a Member of the requirement that all of his or her professional income shall be assigned to the Plan.

3.3 **Meeting of the Members.** The Members shall meet in general session at least annually in the fall at a place designated by the President, and at other times at the call of the President. Notice of the annual meeting shall be distributed to each Member at least 14 days prior to the meeting. At least 30 days prior to the annual meeting, the President shall appoint a four (4) member nominating committee, two of whom are the co-chairpersons of the Clinical Chair Advisory Committee (see Section 6.1.6), to submit nominations for members-at-large (see Section 4.2.2.D) to the Members. At least two Members for each open at-large position will be proposed by the nominating committee. Nominations for members-at-large may be made from the floor if the Member nominated has agreed to the nomination. At its annual meeting, the Members shall elect two (2)



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

members-at-large each year to serve on the Board for a three (3) year term. The Board may elect to conduct the election of members-at-large by electronic vote prior to the annual meeting (see Section 3.3.7) provided that the Members have the opportunity to submit additional nominations prior to distribution of the electronic ballots.

- 3.3.1 Special meetings may be called by the Board, the President, or upon written petition of one-third (1/3) of the Members, subject to 14 days notice in writing to all Members. The time, place, and date, of the meeting shall be determined by the Board, and the group requesting the special meeting shall state the purpose.
- 3.3.2 The President or in his or her absence, the Vice-Chair, shall preside.
- 3.3.3 The Secretary of the Board shall serve as Secretary of the Plan.
- 3.3.4 Twenty-five (25) Members shall constitute a quorum.
- 3.3.5 Proxies shall not be allowed.
- 3.3.6 Unless otherwise specified herein, a simple majority of a quorum present and voting shall constitute a prevailing vote.
- 3.3.7 Mail or electronic votes may be called at the discretion of the President. On matters requiring a vote of the Members, at least fourteen calendar days before the deadline for completion of voting, the Secretary shall provide to each voter, either through the mail or electronically, a mail ballot or instructions for voting electronically, accompanied by background information prepared by the Secretary as the Board may direct, and a deadline for the return of the mail ballots or for electronic voting.
  - A. In the case of mail ballots, each voter shall receive a plain envelope in which to enclose a marked ballot, and a second envelope addressed to the Secretary to be used for the return of the sealed ballot. The envelope addressed to the Secretary shall have a space for the signature of the voter. Ballots lacking this validating signature shall be deemed void.
  - B. For electronic voting, the Secretary shall utilize a system that verifies each voter's identity and maintains security.
- 3.3.8 Minutes of each meeting shall be prepared by the Secretary, published and circulated to each member of the Board and the Executive Vice Chancellor for Health Affairs, and shall be available to each Member upon request. Posting the minutes on a website satisfies this requirement.
- 3.3.9 The rules of order for meetings shall be the current edition of *Robert's Rules of Order*.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## **ARTICLE IV BOARD OF DIRECTORS**

4.1 **Powers.** The membership, governance, and scope of authority of the advisory Board are prescribed herein.

4.2 **Composition and Officers.** The Board shall be composed as follows:

### 4.2.1 Officers of the Board

- A. The Chair shall be the President of the Institution.
- B. The Vice Chair shall be a Senior Clinical Administrator, such as a Vice President or Executive Vice President for Clinical Affairs, Dean of the Southwestern Medical School or similarly titled and skilled senior level administrator who is qualified to serve, as determined by the President.
- C. The Treasurer shall be the Chief Business Officer of the Institution or other similarly skilled senior level administrator who is qualified to serve, as determined by the President.
- D. The Secretary shall be the Executive Director of the Plan serving as an ex-officio, non-voting member of the Board; however, if the Executive Director of the Plan is a Member, he or she shall be a voting member of the Board.

### 4.2.2 Other Directors

- A. Dean of Southwestern Medical School;
- B. The Vice President of Medical Affairs and the Executive Vice President for Clinical Affairs, or other Senior Clinical Administrators the President may appoint.
- C. All Chairpersons of clinical departments;
- D. Six (6) members-at-large. Two (2) members-at-large will be elected by the Members at each annual meeting and will serve a term of three (3) years. Such members may serve no more than two consecutive three - year terms, but may be eligible to serve after an interval of one year;
- E. The Chief Legal Officer of the Institution shall serve as an ex-officio, non-voting member of the Board;
- F. The Chief Medical Officer of the Plan shall serve as an ex-officio member of the Board, with vote.
- G. Other persons may be appointed by the President as ex-officio members of the Board without vote; and

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)
- H. No clinical department shall have more than three (3) voting members of the Board. Officers of the Board and Members serving on the Board by virtue of their administrative titles shall not be counted when determining clinical department representation on the Board.
- 4.3 **Vacancy.** If a vacancy exists for a member-at-large, the Board shall appoint a replacement until the next annual election by the Members.
- 4.4 **Annual Meeting.** The Board will assume its responsibilities at the beginning of each new fiscal year in September, although at large members will not rotate until later in the fall.
- 4.5 **Meetings.** The Board shall meet at least quarterly, on call of the Chair, or on the written petition of one-half (1/2) of the Board. Minutes and attendance of all meetings and standing committees shall be recorded, and a copy, including all committee reports and attendance, shall be provided to the Executive Vice Chancellor for Health Affairs, if requested. Special meetings shall be held when called by the President or at the request of one-half (1/2) of the Board.
- 4.6 **Manner of Meetings.** Meetings may be held in a manner determined by the President, including in-person meetings, teleconference, or written unanimous consent. Minutes of meetings by teleconference shall be prepared and filed in the same manner as any other meeting. A written consent in lieu of a meeting shall be in writing, describe the action to be taken, signed by each director, and authorized by the Board. Such consent shall have the same force and effect as a unanimous vote at a meeting.
- 4.7 **Quorum.** One-half (1/2) of the Board shall constitute a quorum. A simple majority vote of directors present and voting shall prevail, provided, however, that any action taken by the Board is subject to approval by the President.
- 4.8 **Reports.** The Board shall report its actions, in writing, to the Members at the Members' annual meeting. Department chair members of the Board shall be responsible for disseminating information on Board actions to Members in their departments on at least a quarterly basis.

## ARTICLE V THE PRESIDENT AND CHAIR OF THE BOARD

- 5.1 **Authority.** The direction and management of the Plan and the control and disposition of its assets shall be vested in the President, who shall act as Chair of the Board, subject to the authority of the Executive Vice Chancellor for Health Affairs and/or the Regents, as set forth in these Bylaws and the Regents' *Rules and Regulations*, The University of Texas System policies, and Institution policies. The President may approve exceptions to the Plan to meet special teaching, research or clinical service requirements. The President shall have the authority to:



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)
  - 5.1.1 Make recommendations regarding faculty compensation, subject to the approval of the Executive Vice Chancellor for Health Affairs;
  - 5.1.2 Appoint a designee to carry out certain functions described herein;
  - 5.1.3 Appoint officers and directors to the Board as set forth in section 4.2, and ensure that all presidential appointees to the Board or committees described in Article VI have the appropriate skill and experience to carry out the duties assigned;
  - 5.1.4 Oversee committees of the Plan to ensure that each committee is diligently performing its assigned duties;
  - 5.1.5 Issue administrative procedures further defining implementation of this Plan, subject to the approval of the Executive Vice Chancellor for Health Affairs;
  - 5.1.6 Review amendments to the Plan proposed by the Members or the Board; propose amendments as appropriate to the Board, the Members, the Executive Vice Chancellor for Health Affairs, or the Regents; and transmit amendments to the Executive Vice Chancellor for Health Affairs, or the Regents, as appropriate; and
  - 5.1.7 Take such other action on behalf of the Plan and the Members as deemed necessary, in consultation with the Board.
- 5.2 **Consultation Requirements.** The President or a designee shall consult with the Faculty Compensation Advisory Committee and representative faculty groups, such as the Institution Faculty Senate, as appropriate, regarding proposed substantive revisions to the Faculty Compensation Plan described in section 9.1 of these Bylaws, before submitting such revisions to the Executive Vice Chancellor for Health Affairs for approval.

## ARTICLE VI COMMITTEES

- 6.1 **Standing Committees of the Board.** Members of the following standing committees shall be appointed by the President, in consultation with the Board, except as specifically designated herein. Appointed members may include both members of the Board and non-Board members of the Board. The President shall appoint the chair of each committee. Committee appointments are for one year and may be renewed for additional terms at the discretion of the President. All committees shall report to the Board, including Institutional committees that perform the described duties on behalf of the Plan. Appointed committee members who are not Members of the Plan shall serve as ex-officio, non-voting members. The committee chair may invite guests to any meeting.
  - 6.1.1 The **Executive Committee** shall be chaired by the President and shall include the officers of the Board, and three additional members appointed by the President to make recommendations or decisions between meetings on behalf of the Board. One of the appointed members shall be the elected co-chair of the Clinical Chair Advisory Committee.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

6.1.2 The **Budget and Finance Committee** shall be chaired by the Executive Vice President for Business Affairs (Chief Business Officer). A chairperson of a clinical department appointed by the President in consultation with the clinical department chairs shall serve as vice chair. The Committee shall consist of the Executive Director of the Plan, the Dean of the Southwestern Medical School, a faculty Senate representative who is a Member, and six to eight other members appointed by the President; at least one member shall not be a department chair. The duties of the Budget and Finance Committee shall include, but not be limited to:

- A. Developing annual operating and capital budgets for the Plan for approval by the Board;
- B. Reviewing and approving unbudgeted expenditures greater than \$25,000 for approval by the Board;
- C. Reviewing and approving financial reports for presentation to the Board;
- D. Reviewing the financial impact of proposed programs and services, and proposed capital investments, and reporting findings to the Board for approval; and
- E. Recommending to the Board any action necessary to address budgetary changes or shortfalls.

6.1.3 The **Compliance, Ethics and Professional Affairs Committee** shall be chaired by a Senior Clinical Administrator appointed by the President and shall consist of six to eight members appointed by the President; at least one member shall not be a department chair. The Compliance Officer of the Institution shall report to this Committee. The duties of the Compliance, Ethics and Professional Affairs Committee shall include, but not be limited to:

- A. Developing and overseeing compliance plans, including training of faculty and staff, to assure that billing and collecting comply with local, state and federal statutes, rules and guidelines;
- B. Reviewing compliance reports and making appropriate recommendations to the Board;
- C. Reviewing findings of the Audit Committee and the Institutional Compliance Committee and making appropriate recommendations to the Board;
- D. Reviewing departmental guidelines for supervision of residents and documentation standards and making appropriate recommendations to the Board;
- E. Making recommendations to the Audit Committee and the Institutional Compliance Committee; and
- F. Complying with the Institutional Compliance Plan.
- G. Reviewing and recommending action to the Board concerning



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

membership in the Plan not expressly required by the Bylaws;

- H. Developing and overseeing a plan that assures appropriate credentialing and peer review of all Members of the Plan, including policies for credentialing and re-credentialing practitioners;
- I. Reviewing and approving (i.e. credentialing) providers for participation within the provisions of the credentialing policies;
- J. Recommending termination of participating practitioners and providers as necessary; and

6.1.4 The **Audit Committee** shall be chaired by the President. Members shall include the officers of the Board and an independent, external member with financial expertise. The duties of the Audit Committee shall include, but not be limited to:

- A. Developing and overseeing an annual audit plan, to include audits of any entity contracted for business operations of the Plan;
- B. Reviewing audit reports and ensuring that findings and recommendations of the auditor are forwarded to the appropriate committees or departments;
- C. Monitoring the implementation of and compliance with the recommended corrective action, if any; and
- D. Making recommendations to the Board and the Institutional Audit Committee Board, as appropriate.

6.1.5 The **Faculty Compensation Advisory Committee** shall advise the Board on matters related to compensation. The co-chairs of the committee shall be the Dean of Southwestern Medical School and the Vice President of Medical Affairs (or similar Senior Clinical Administrator appointed by the President). The committee shall provide advice related to developing mechanisms for obtaining faculty input. A member of the Institution's Faculty Senate who is a Member of the Plan shall be appointed to the Faculty Compensation Advisory Committee.

6.1.6 The **Clinical Chairs Advisory Committee** shall be co-chaired by a clinical department chair elected by the voting members of the Committee and a Senior Clinical Administrator appointed by the President. Membership shall include nine clinical department chairs elected to three year terms, the Dean of Southwestern Medical School, and other Senior Clinical Administrators appointed by the President. The duties of the Clinical Chairs Advisory Committee shall include, but not be limited to:

- A. Provide advice to the clinical administration senior and executive staff on all aspects of the management of the clinical practice;
- B. Evaluate faculty activities at all practice sites. Practice issues which receive ongoing review include those which insure that approved practice standards regarding provision of patient services are being followed; establishing and

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

enforcing requirements regarding appropriate timing and response to requests for consultations; evaluating and monitoring roles of fellows and other health care professionals in the provision of patient care including consultation at multiple sites; and regularly reviewing the progress of the Clinical Initiative program to gauge the level of satisfaction with care and make improvements as needed;

- C. Receive reports regarding the status of contract negotiations with Parkland Health and Hospital System, Children's Medical Center, The North Texas Veterans Administration Hospital as well as individual managed care companies. The Committee will make recommendations to administrative officers directing the negotiations;
- D. Receive updates from the Dean regarding the status of chair and senior administrative searches;
- E. Receive and comment on updates regarding the status of the UT Southwestern University Hospital and clinics, including clinical building and renovation projects;
- F. Advise the President on Plan Committee appointments; and
- G. Appoint at least one member of the Committee to all ad hoc committees investigating charges against a faculty member related to clinical activities.

6.1.7 The **Revenue Cycle Committee** shall be chaired by the Chairman of a Clinical Department appointed by the President. Six to eight Members shall be appointed by the President in consultation with the Clinical Chair Advisory Committee. Senior administrators over Plan billing operations and finance may serve as ex-officio members at the discretion of the Chair. The duties of the Revenue Cycle Committee shall include, but not be limited to:

- A. Provide oversight of patient financial services.
- B. Monitor administrative and clinical functions that contribute to the capture and collection of patient service revenue.
- C. Insure the implementation and continuation of a single standard of excellence in the performance of registration, scheduling, coding, billing, resolving claim rejections/denials, follow-up on unpaid insurance claims and patient balances.
- D. Reviewing billing and collection activities and making appropriate recommendations to the Board; and
- E. Developing professional fee schedules for approval by the Board.

6.1.8 The **Parkland Hospital Liaison Committee** shall be co-chaired by a Clinical Department chair and a Senior Clinical Administrator, both appointed by the President. The Dean of Southwestern Medical School and the Executive Director

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

of the Plan, and other Senior Clinical Administrators appointed by the President shall be members. In consultation with the Clinical Chair Advisory Committee, the President shall appoint six to eight additional members who are active physician leaders at Parkland. The duties of the Parkland Hospital Liaison Committee shall include, but not be limited to:

- A. Provide a forum for the discussion and evaluation of clinical, educational or operational issues at Parkland that may affect the relationship with UT Southwestern.
- B. Make recommendations to UT Southwestern and Parkland administration about issues at Parkland Hospital.

6.1.9 The **Ambulatory Services Committee** shall be co-chaired by the Chairman of a Clinical Department appointed by the President and the Senior Clinical Administrator for the University Clinics. In consultation with the Clinical Chair Advisory Committee, the President shall appoint six to eight additional members who are active physician leaders at the University Hospital and one or more Senior Clinical Administrators. The duties of the Ambulatory Services Committee shall include, but not be limited to:

- A. Provide a forum in which coordination of university hospital outpatient clinic and faculty practice issues can be discussed.
- B. Recommend standards with regard to patient and referring physician satisfaction, operations, scheduling, access, space utilization, information resources, resource utilization, and faculty and employee standards.
- C. Monitor the performance of individual clinics with regard to the above standards and provide recommendations to clinic medical directors to decrease variance in performance.
- D. Developing and overseeing a quality improvement and patient safety program in conjunction with University Hospital overall quality and safety initiatives.

6.1.10 The **Pediatric Practice Affairs Committee** shall be co-chaired by a Clinical Department chair and a member of the Plan who serves as the senior most physician executive position at Children's Medical Center, both appointed by the President. The Dean of Southwestern Medical School and the Executive Director of the Plan, and other Senior Clinical Administrators appointed by the President shall be members. In consultation with the Clinical Chair Advisory Committee, the President shall appoint six to eight additional members who are active physician leaders at Children's Medical Center. The duties of the Pediatric Practice Affairs Committee shall include, but not be limited to:

- A. Provide a forum for the discussion and evaluation of clinical, educational or operational issues at Children's Medical Center that may affect the relationship with UT Southwestern.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)
  - B. Make recommendations to UT Southwestern and hospital administration about issues at Children’s Medical Center.
  - C. Provide input to UT Southwestern and Children’s Medical Center on the development and fulfillment of performance measures in the physician services contract with the hospital.
- 6.2 **Meetings of Standing Committees.** Standing committees shall meet at least quarterly or on the call of the chair of the committee, keep minutes of the meetings, and report actions and recommendations, in writing, to the Board.
- 6.3 **Additional Committees.** The President, in consultation with the Board, may create other standing and *ad hoc* committees from among the directors or the Members to make recommendations upon specific matters. Committees may also be created at the request of a majority of the Members. Appointment to these committees shall be noted in the minutes of the Board, including any restriction on membership. The minutes shall be kept of committee meetings, and recommendations shall be submitted to the Board in writing. The Board may eliminate a standing committee as circumstances change, subject to the prior approval of the Executive Vice Chancellor for Health Affairs.

## ARTICLE VII BUSINESS OPERATIONS

- 7.1 **Operating Budget.** The Budget and Finance Committee shall prepare an annual operating budget for all income and expenditures of the Plan, and for the Central Services Administration (CSA) assessment, for approval by the Board. Such approval shall be in accordance with the Budget Rules and Procedures of the Regents.
- 7.2 **Executive Director.** The President, in consultation with the Board, shall appoint an Executive Director of the Plan who shall serve as the general administrative officer and business manager of the Plan at the pleasure of the President.
  - 7.2.1 The Executive Director shall be under the direction and supervision of the President or a designee.
  - 7.2.2 The Executive Director shall prepare financial reports for the Plan, which shall be submitted to the Board at each regular meeting. Quarterly financial reports shall be submitted to and in a format approved by the Executive Vice Chancellor for Health Affairs.
  - 7.2.3 The Executive Director shall maintain detailed records of all operational and financial information regarding the Plan.
- 7.3 **Chief Medical Officer.** The President, in consultation with the Board, shall appoint a Chief Medical Officer of the Plan who shall serve as the liaison between the Board and the Members to provide leadership in the development of business and operational

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

strategies related to the Plan. The Chief Medical Officer shall oversee the credentialing, quality of care, and patient safety functions of the Plan.

- 7.4 **Business Office.** A Business Office shall be maintained for the Plan under the direction of the President or a designee, consistent with the rules, regulations, and policies of The University of Texas System and Institutional policies.
- 7.4.1 The President, in consultation with the Board, and subject to Regents' *Rules*, may contract with an entity to administer the business operations of the Plan, including but not limited to, strategic development, marketing, billing for and collection of professional fees, contracting for professional services, clinic operations, credentialing, and managed care operations. Contract oversight, reporting, corporate compliance, and financial audit of the entity are the responsibilities of the appropriate officers or committees of the Board. Contracting with an outside entity for billing and collection of professional fees requires the prior approval of the Executive Vice Chancellor for Health Affairs.
- 7.4.2 Except as provided in section 7.4.1 above, professional fees and Plan-related technical fees shall be centrally billed and collected by the business office for the Plan, in accordance with procedures developed by the Board and applicable policies of The University of Texas System and the Institution. All personnel in the business office who have responsibilities for billing and collection for professional services of the Members shall be under the control of and assigned for personnel matters to the Executive Director.
- 7.4.3 All collections received from the professional services of Members and all monies received from other sources of professional income described in section 8.3 below shall be deposited in the Institutional Trust Fund.
- 7.5 **Authorized Professional Business Expenditures.** Professional business expenditures authorized by the Regents are set forth in Appendix A.

## ARTICLE VIII INSTITUTIONAL TRUST FUND

- 8.1 **Fund.** An Institutional Trust Fund has been established for the receipt and disbursement of Plan income.
- 8.2 **Audit.** The Institutional Trust Fund shall be audited in accordance with rules, regulations, and policies of The University of Texas System and the Institution. The cost of the audit shall be paid from the Institutional Trust Fund.
- 8.3 **Sources of Income.**
- 8.3.1 Pursuant to the Member's Memorandum of Appointment and Agreement of Participation with the Institution for participation in the Plan, each Member shall

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

assign all professional income (including any technical component) to the Institutional Trust Fund, including, but not limited to:

- A. Professional fees (and any other monies or material considerations provided in the context of medical services to patients) generated for all patient care services rendered by full-time faculty Members regardless of where rendered;
- B. Professional fees (and any other monies or material considerations provided in the context of medical services to patients) generated for all patient care services rendered by part-time faculty Members, if such fees are generated in connection with the Member's appointment;
- C. Fees for all court appearances, depositions, expert testimony, or legal consultations; and
- D. Gifts of cash or cash equivalents provided in the context of patient-care activities.

8.3.2 The following are not professional income and may be retained by the Member:

- A. Honoraria, defined as payments by entities outside The University of Texas System for occasional lectures and similar public appearances beyond normal academic responsibilities to the Institution, that are not in return for other services related to the Member's appointment to the faculty and that are in compliance with Section 36.07 of the *Texas Penal Code*, whether given directly or indirectly;
- B. Royalties, defined as shares or proceeds for contributions as authors or inventors, as permitted under The University of Texas System's copyright and patent policies;
- C. Payment for editing scientific publications;
- D. Prizes, defined as gifts in recognition of personal achievement and not for services rendered;
- E. Income from a profession or activity unrelated to the training and experience which is the individual's qualification for appointment to the faculty, as determined by the department chair in consultation with the President; and
- F. Tangible and non-tangible non-cash gifts, only as permitted by state law or The University of Texas System or Institution policy or rule.

8.3.3 Payments to Members from pharmaceutical, medical device, biotechnology, or related industries, as well as stipends for serving on boards of directors or advisory boards, shall be addressed in an Institutional policy governing such activities and the receipt of such payments. The policy also shall address



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

conflicts of interest, conflicts of commitment with faculty responsibilities related to income from outside professional activities, and the maximum income that the Member can retain from outside professional activities. The policy must be approved by the Executive Vice Chancellor for Health Affairs.

8.3.4 Income may be accepted from voluntary and part-time faculty who are not Members of the Plan, at the discretion of the individual, upon the recommendation of the department chair, and approval of the President.

8.3.5 Other income not specifically described above shall be reported to the President or a designee, who shall determine whether such income will be considered professional income.

8.4 **Reports.** Each Member shall file a report annually regarding outside professional activities from which the Member retained income in accordance with institutional policy. The policy must be approved by the Executive Vice Chancellor for Health Affairs.

8.5 **Determination of Professional Fees.** The Revenue Cycle Committee shall prepare a fee schedule, which shall be used for billing purposes, subject to approval by the President, in consultation with the Board. Substantive changes in the fee schedule must be approved by the President. Guidelines for discounting fees, if any, will be developed by the Board.

## ARTICLE IX FACULTY COMPENSATION

9.1 **Components of Faculty Compensation.** The Institution's Faculty Compensation Plan ("Compensation Plan") is a separate document that describes a process to compensate faculty performance and maintain and enhance faculty excellence in support of patient care, education, and research. The Compensation Plan shall be comprised of three major components with subparts as determined by the President after consulting with faculty as required in section 5.2. The three components are (a) Base Salary, (b) Supplemental Compensation, and (c) Incentive Compensation. The term total compensation refers to the aggregate compensation derived from these three components.

9.1.1 **Base Salary.** Base Salary is that part of a Member's salary based on a Member's academic rank. Base Salary shall be designated annually in the Member's Memorandum of Appointment. Base Salary may be derived from any reasonable method, such as salary survey results by nationally recognized organizations that are commonly relied upon by university health institutions to establish similar types of compensation.

9.1.2 **Supplemental Compensation.** Supplemental Compensation is that part of a Members' annual fixed compensation stated in the Memorandum of Appointment that is determined by a Member's area of practice or specialty, administrative duties while performed, and other positions, tasks, responsibilities or contributions that are

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

duly assigned to the Member and for which compensation is not received as either Base Salary or Incentive Compensation.

9.1.3 **Incentive Compensation.** Incentive compensation, if any, is that part of a Member's compensation for performance that is not fixed and is determined through the application of an established and equitably applied formula that rewards outstanding performance and productivity and also factors in any negative aspects of a Members' performance or productivity. Incentive compensation may be based on any aspect of a Member's duties, such as teaching, research, public service, clinical productivity, awards of grants or other types of research funding, service to the institution or any other facet of job performance. Departmental incentive plans, must be approved by the Dean of Southwestern Medical School and the Executive Director of the Plan prior to the beginning of each new fiscal year.

9.2 **Appeal of Compensation Determination.** A Member may appeal a compensation determination according to the appeals procedure set forth in the Compensation Plan.

9.3 **Compensation Plan.** The Compensation Plan is subject to approval by the Executive Vice Chancellor for Health Affairs.

## ARTICLE X GENERAL PROVISIONS

10.1 **Compliance and Ethics.** Each Member shall abide by the ethical standards and principles of the state and national professional associations of the Member's discipline. Each Member shall comply with federal, state and local laws and regulations.

10.2 **Sarbanes-Oxley Act of 2002.** The Board and the Executive Director shall, with respect to the operation of the Plan, implement the spirit of the Sarbanes-Oxley Act of 2002, consistent with The University of Texas System and Institution policies and rules related to financial activities and reporting, and the codes of ethics of the System and the Institution.

10.3 **Amendments.** These Bylaws have been developed within the standard format approved by the Regents. Substantive amendments may be made only upon approval by the Regents. Non-substantive amendments may be approved upon written request of the Executive Vice Chancellor for Health Affairs. All proposed amendments shall be submitted to the Executive Vice Chancellor for Health Affairs, who will determine whether the approval of the Regents is required.

10.3.1 Recommendations for amendments to these Bylaws may be made by a simple majority of the Members voting at a special meeting called for the purpose, the Board, or the President.

10.3.2 Recommendation for substantive amendments to these Bylaws requires a two-thirds vote of a quorum of the Members at any regular meeting of the Members



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

or a meeting called specifically for this purpose, provided that the proposed amendments shall have been submitted by written notice (which may be by email or other electronic communication) to the Members not less than thirty days prior to the meeting at which the amendment is brought to a vote.

10.3.3 Notice of proposed amendments to these Bylaws shall include the complete text of the proposed amendments.

10.3.4 Substantive amendments shall become effective upon approval of the Regents. Non-substantive amendments may be approved by the Executive Vice Chancellor for Health Affairs, and shall become effective upon such approval.

10.4 **Dissolution.** The Plan may be dissolved by the Regents or by applicable law. All monies residual in the Institutional Trust Fund shall be used to discharge obligations of the Plan with the balance to become the property of the Institution.

10.5 **Plan is Not a Contract.** This Plan does not constitute a contract or grant any rights beyond which any person is already entitled. The Regents retain the right to modify or terminate the Plan at any time.

Approved by The University of Texas System Board of Regents:

\_\_\_\_\_, 2009

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## APPENDIX A

### AUTHORIZED PROFESSIONAL BUSINESS EXPENDITURES

<u>Authorized Business Expense</u>	<u>Maximum</u>
1. Malpractice Insurance	U. T. System self-insurance rates
2. Official travel, including registration fees (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with policy and limits, established by U. T. System and the Institution not to exceed actual expense
3. Faculty Development Leave	In accordance with the Regents' <i>Rules and Regulations</i> and Institutional Policy
4. Uniforms or Lab Coats	Through Institutional purchasing
5. Membership Dues in Professional Scientific Organizations, Faculty Clubs, Medical Center clubs, or equivalent	In accordance with Institutional policy. Faculty Clubs, Medical Center clubs, or equivalent with President's approval
6. Texas State Clinical License Fee, including Texas Medical Board License	Annual fee; reimbursement expenditure only
7. Medically-Related Educational Aids	In accordance with Institutional policy
8. Base Salary, Supplemental Compensation and Incentive Compensation	In accordance with Institutional and U. T. System Policy
9. Purchase, maintenance and operation of equipment and operation of U. T. System facilities	In accordance with Institutional policy
10. Ordinary and necessary business expenses incurred by the Member in earning the professional fees charged by said Member, excluding entertainment (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with Institutional policy

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

<u>Authorized Business Expense</u>	<u>Maximum</u>
11. Registration fees and tuition incident to attendance at meetings and courses as requested or approved by Institution	In accordance with Institutional policy
12. Consultant fees and expenses, including guest speakers at official institutionally sponsored or approved meetings	In accordance with U. T. System and Institutional policy
13. Expenses incident to faculty or staff recruitment (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with Institutional policy
14. Establishment or endowment of programs, professorships, or chairs	In accordance with U. T. System and Institutional policy
15. Support of academic programs and projects involving education, research or patient care	In accordance with Institutional policy
16. Institutional participation in community, organizations or events	In accordance with Institutional policy
17. Official Institutional Functions and Official Entertainment Official entertainment is defined as business-related events or expenditures which are of documented benefit to the Institution or The U. T. System.	In accordance with Institutional policy, provided, however, prior presidential approval is required for any expenditures greater than \$2,500 A quarterly report of all expenditures approved in this category shall be filed with the Executive Vice Chancellor for Health Affairs.
<ul style="list-style-type: none"> <li>• No MSRDP/PRS funds may be expended for the benefit of any single individual person or Member except as herein approved.</li> <li>• All requests for reimbursement must contain adequate documentation and must be signed by the person seeking reimbursement.</li> <li>• All expenditures are subject to the <i>Rules and Regulations</i> of the Board of Regents of The U. T. System and applicable institutional regulations and procedures. This list of authorized expenditures may be periodically amended by action of the Executive Vice Chancellor for Health Affairs.</li> </ul>	

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

**AMENDED AND RESTATED  
BYLAWS OF  
THE UNIVERSITY OF TEXAS  
MEDICAL BRANCH AT GALVESTON  
MSRDP FACULTY PRACTICE PLAN  
SCHOOL OF MEDICINE**

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

**AMENDED AND RESTATED  
BYLAWS OF  
THE UNIVERSITY OF TEXAS  
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SCHOOL OF MEDICINE**

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## **ARTICLE I PURPOSE**

The Purpose of the MSRDP Faculty Practice Plan-School of Medicine ("Plan") is to manage and hold in trust the professional income of School of Medicine faculty members at The University of Texas Medical Branch at Galveston ("Institution"). The Plan's goal is to promote excellence in teaching, research, clinical service, and administration through clinical practice and compensation strategies that will contribute to and safeguard the Institution's continued growth in excellence. The Plan sets forth a general framework for compensating School of Medicine faculty and certain key administrators as determined by the President in order to attract and retain outstanding faculty and administrators by rewarding performance, clinical innovation and productivity, research, teaching, and administrative excellence; providing fairness and consistency in compensation determinations; and aligning faculty performance with the Institution's mission.

## **ARTICLE II DEFINITIONS**

- 2.1 **Board of Directors or Board** means the advisory board that makes recommendations to the President of the Institution regarding the direction and management of this Plan as set forth in these Bylaws.
- 2.2 **Board of Regents or Regents** means the governing body of The University of Texas System, which has the ultimate jurisdiction and responsibility to govern, operate, support, and maintain each institution of The University of Texas System.
- 2.3 **Chair of the Board** means the President of The University of Texas Medical Branch at Galveston.
- 2.4 **Executive Vice Chancellor for Health Affairs** of The University of Texas System means the individual appointed to that position by the Regents who has the authority granted by the Rules and Regulations of the Board of Regents and the specific responsibilities set forth in these Bylaws.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)
- 2.5 **Institution** means The University of Texas Medical Branch at Galveston (UTMB).
- 2.6 **Institutional Trust Fund** means the fund established for the deposit and distribution of revenues generated and disbursed according to this Plan.
- 2.7 **Member** means School of Medicine faculty members who are designated to participate in this Plan by the President or a designee, as more fully described in section 3.1.
- 2.8 **Plan** means this MSRDP Faculty Practice Plan-School of Medicine, otherwise known as the Medical Service Research and Development Plan (“MSRDP”).
- 2.9 **President** means the person appointed by the Regents to serve as President of The University of Texas Medical Branch at Galveston and who shall act as Chair of the Board of the Plan. All references to the President herein also refer to the President’s role and actions as Chair of the Board.
- 2.10 **Senior Clinical Administrator** means the officer or individual within the Institution with significant clinical experience and expertise who is appropriately qualified to perform the functions of the role to which he or she is appointed. For purposes of these bylaws, the Chief Physician Executive Officer, appointed by the President after consultation with the Board, shall be the Senior Clinical Administrator.

### **ARTICLE III MEMBERS**

- 3.1 **Membership.** Membership in the Plan is mandatory for each School of Medicine faculty member whose appointment is 50% or greater, if the Member generates professional income as defined in section 8.3. Other part-time faculty members may become Members upon recommendation of the department chair and approval of the President or a designee. This Plan may apply to School of Medicine faculty members who do not generate professional income, as determined by the President at the time of appointment or reappointment of the Member.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

3.1.1 All Members shall be entitled to vote upon business brought before the membership and be eligible for election or appointment to a committee of the Plan.

3.1.2 A Member leaving the faculty for any reason terminates membership in the Plan without recourse.

3.2 **Memorandum of Appointment and Agreement of Participation.** A Memorandum of Appointment and an Agreement of Participation assigning professional income to the Plan shall be executed annually between each Member and the Institution, in a form prescribed by the Executive Vice Chancellor for Health Affairs, and are a condition for membership and participation in the Plan. Any delay, error or failure to execute these two documents does not relieve a Member of the requirement that all of his or her professional income shall be assigned to the Plan.

3.3 **Meeting of the Members.** The Members shall meet in general session at least annually (the “Annual Meeting”) in the month of September at a place designated by the President, and at other times at the call of the President. Notice of the Annual Meeting shall be distributed to each Member at least 14 days prior to the meeting. At least 30 days prior to the Annual Meeting, the President shall appoint a nominating committee to submit nominations for members-at-large to the Members. Nominations for members-at-large may be made from the floor if the Member nominated has agreed to the nomination. At its Annual Meeting, the Members shall elect two (2) members-at-large to serve on the Board.

3.3.1 Special meetings may be called by the Board, the President, or upon written petition of one-third of the Members, subject to 14 days notice in writing to all Members. The time, place, and date of the meeting shall be determined by the Board, and the group requesting the special meeting shall state the purpose.

3.3.2 The President or in his or her absence, the Vice-Chair (per 4.2.1.B, the Dean of Medicine), shall preside.

3.3.3 The Secretary of the Board shall serve as Secretary of the Plan.

3.3.4 Fifty (50) of the Members shall constitute a quorum.

3.3.5 Proxies shall not be allowed.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

3.3.6 Unless otherwise specified herein, a simple majority of a quorum present and voting shall constitute a prevailing vote.

3.3.7 Mail or electronic votes may be called at the discretion of the President. On matters requiring a vote of the Members, at least fourteen calendar days before the deadline for completion of voting, the Secretary shall provide to each voter, either through the mail or electronically, a mail ballot or instructions for voting electronically, accompanied by background information prepared by the Secretary as the Board may direct, and a deadline for the return of the mail ballots or for electronic voting.

A. In the case of mail ballots, each voter shall receive a plain envelope in which to enclose a marked ballot, and a second envelope addressed to the Secretary to be used for the return of the sealed ballot. The envelope addressed to the Secretary shall have a space for the signature of the voter. Ballots lacking this validating signature shall be deemed void.

B. For electronic voting, the Secretary shall utilize a system that verifies each voter's identity and maintains security.

3.3.8 Minutes of each meeting shall be prepared by the Secretary, published and circulated to each member of the Board and the Executive Vice Chancellor for Health Affairs, and shall be available to each Member upon request. Posting the minutes on a website satisfies this requirement.

3.3.9 The rules of order for meetings shall be the current edition of *Robert's Rules of Order*.

## ARTICLE IV BOARD OF DIRECTORS

4.1 **Powers.** The membership, governance, and scope of authority of the advisory Board are prescribed herein.

4.2 **Composition and Officers.** The Board shall be composed as follows:

4.2.1 Officers of the Board

A. The Chair shall be the President.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- B. The Vice Chair shall be the Dean of the School of Medicine.
- C. The Treasurer shall be the Chief Business and Finance Officer of the Institution or other similarly skilled senior level administrator who is qualified to serve, as determined by the President.
- D. The Secretary shall be the Executive Director of the Plan, serving as an ex-officio, non-voting member of the Board; however, if the Executive Director of the Plan is a Member, he or she shall be a voting member of the Board.

4.2.2 Other Directors

- A. Senior Clinical Administrator with one vote;
- B. Chairpersons of the clinical departments;
- C. Two (2) members-at-large will be elected by the Members at their Annual Meeting. Such members may serve no more than two consecutive two-year terms, but may be eligible to serve after an interval of one year;
- D. Three (3) Members appointed by the President: one member who shall represent the highest grossing professional income department; one member who shall represent the lowest grossing professional income department; and, if applicable, one member who shall be a representative of the Austin Program.
- E. The Chief Legal Officer shall serve as an ex-officio, non-voting member of the Board;
- F. Other persons may be appointed by the President as ex-officio members of the Board with/without vote; and
- G. No clinical department shall have more than three (3) voting members of the Board.
- H. The Executive Vice President/Chief Executive Officer of the Health System shall serve as a member of the Board with one vote.
- I. The Chief Medical Officer of the Health System shall serve as an ex-officio, non-voting member of the Board.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

J. Chief Nursing Officer of the Health System shall serve as an ex-officio, non-voting member of the Board.

- 4.3 **Vacancy.** If a vacancy exists for a member-at-large, the Board shall appoint a replacement until the next Annual Meeting election by the Members.
- 4.4 **Assumption of Responsibilities.** New members to the Board will assume their responsibilities annually at the Board's first meeting following the Annual Meeting.
- 4.5 **Meetings.** The Board shall meet at least quarterly, on call of the Chair, or on the written petition of one-half (1/2) of the Board. Minutes and attendance of all meetings and standing committees shall be recorded, and a copy, including all committee reports and attendance, shall be provided to the Executive Vice Chancellor for Health Affairs, if requested. Special meetings shall be held when called by the President or at the request of Twenty five percent (25%) of the Board's directors.
- 4.6 **Manner of Meetings.** Meetings may be held in a manner determined by the President, including in-person meetings, teleconference, or written unanimous consent. Minutes of meetings by teleconference shall be prepared and filed in the same manner as any other meeting. A written consent in lieu of a meeting shall be in writing, describe the action to be taken, signed by each director, and authorized by the Board. Such consent shall have the same force and effect as a unanimous vote at a meeting.
- 4.7 **Quorum.** One-half (1/2) of the Board shall constitute a quorum. A simple majority vote of directors present and voting shall prevail, provided, however, that any action taken by the Board is subject to approval by the President.
- 4.8 **Reports.** The Board shall report its actions, in writing, to the Members at the Members' Annual Meeting. The report may be made by any electronic means.

## ARTICLE V THE PRESIDENT AND CHAIR OF THE BOARD

- 5.1 **Authority.** The direction and management of the Plan and the control and disposition of its assets shall be vested in the President, who shall act as Chair of the Board, subject to the authority of the Executive Vice Chancellor

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

for Health Affairs and/or the Regents, as set forth in these Bylaws and the Regents' Rules and Regulations, The University of Texas System policies, and Institution policies. The President may approve exceptions to the Plan to meet special teaching, research or clinical service requirements. The President shall have the authority to:

5.1.1 Make recommendations regarding faculty compensation, subject to the approval of the Executive Vice Chancellor for Health Affairs;

5.1.2 Appoint a designee to carry out certain functions described herein;

5.1.3 Appoint officers and directors to the Board as set forth in section 4.2, and ensure that all presidential appointees to the Board or committees described in Article VI have the appropriate skill and experience to carry out the duties assigned;

5.1.4 Oversee committees of the Plan to ensure that each committee is diligently performing its assigned duties;

5.1.5 Issue administrative procedures further defining implementation of this Plan, subject to the approval of the Executive Vice Chancellor for Health Affairs;

5.1.6 Review amendments to the Plan proposed by the Members or the Board; propose amendments as appropriate to the Board, the Members, the Executive Vice Chancellor for Health Affairs, or the Regents; and transmit amendments to the Executive Vice Chancellor for Health Affairs, or the Regents, as appropriate; and

5.1.7 Take such other action on behalf of the Plan and the Members as deemed necessary, in consultation with the Board.

5.2 **Consultation Requirements.** The President or a designee shall consult with the Faculty Compensation Advisory Committee and representative faculty groups, such as Members who are representatives in the Faculty Senate, as appropriate, regarding proposed substantive revisions to the Faculty Compensation Plan described in section 9.1 of these Bylaws, before submitting such revisions to the Executive Vice Chancellor for Health Affairs for approval.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## ARTICLE VI COMMITTEES

6.1 **Standing Committees of the Board.** Members of the following standing committees shall be appointed by the President, in consultation with the Board, except as specifically designated herein. The President shall appoint the chair of each committee. Committee appointments are for two years and may be renewed for additional two year terms at the discretion of the President. All committees shall report to the Board, including Institutional committees that perform the described duties on behalf of the Plan.

6.1.1 The **Executive Committee** shall be chaired by the President and shall include the officers of the Board and any additional members appointed by the President to make recommendations or decisions between meetings on behalf of the Board.

6.1.2 The **Budget and Finance Committee** shall be chaired by the Dean of the School of Medicine or under exceptional circumstances in his/her absence, the Senior Clinical Administrator, and shall consist of the Institution's Chief Business and Finance Officer, a faculty Senate representative who is a Member, and sixteen (16) other members appointed by President; at least one member shall not be a department chair. The duties of the Budget and Finance Committee shall include, but not be limited to:

- A. Developing annual operating and capital budgets for the Plan for approval by the Board;
- B. Reviewing and making appropriate recommendations regarding unbudgeted expenditures greater than Twenty Five Thousand Dollars (\$25,000.00) for approval by the Board;
- C. Reviewing and making appropriate recommendations regarding financial reports for presentation to the Board;
- D. Reviewing billing and collection activities and making appropriate recommendations to the Board;
- E. Reviewing the financial impact of proposed programs and services, and proposed capital investments, and reporting findings to the Board for approval;
- F. Developing professional fee schedules for approval by the

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

Board; and

- G. Recommending to the Board any action necessary to address budgetary changes or shortfalls.

6.1.3 The **Institutional Compliance Committee** shall act as the Compliance and Ethics Committee of the Plan. The duties of the Compliance and Ethics Committee shall include, but not be limited to:

- A. Developing and overseeing compliance plans, including training of faculty and staff, to assure that billing and collecting comply with local, state and federal statutes, rules and guidelines;
- B. Reviewing compliance reports and making appropriate recommendations to the Board;
- C. Reviewing findings of Professional Affairs and Audit Committees and making appropriate recommendations to the Board;
- D. Reviewing departmental guidelines for supervision of residents and documentation standards and making appropriate recommendations to the Board;
- E. Making recommendations to the Audit Committee; and
- F. Complying with the Institutional Compliance Plan.

6.1.4 The **Professional Affairs Committee** shall be appointed by the President and be chaired by the Senior Clinical Administrator and shall include the UTMB Hospitals Chief of Staff ,the members of the UTMB Hospitals Medical Staff Executive Committee , and include at least one member who is not a department chair. The Dean of Medicine shall be an ex officio member of the committee without a vote. The duties of the Professional Affairs Committee shall include, but not be limited to:

- A. Reviewing and recommending action to the Board concerning membership in the Plan not expressly required by the Bylaws;
- B. Developing and overseeing a plan that assures appropriate credentialing and peer review of all Members of the Plan; and
- C. Developing and overseeing a quality improvement and patient safety program.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

6.1.5 The **Audit Committee** shall be chaired by the President. The Institutional Audit Committee shall act as the audit committee for the Plan. Members shall also include the officers of the Board and an independent, external member with financial expertise. The duties of the Audit Committee shall include, but not be limited to:

- A. Developing and overseeing an annual audit plan, to include audits of any entity contracted for business operations of the Plan;
- B. Reviewing audit reports and ensuring that findings and recommendations of the auditor are forwarded to the appropriate committees or departments;
- C. Monitoring the implementation of and compliance with the recommended corrective action, if any; and
- D. Making recommendations to the Board, as appropriate.

6.1.6 The **Faculty Compensation Advisory Committee** shall advise the Board on matters related to compensation. The Faculty Compensation Advisory Committee may include members of, and may receive advice from, the medical school faculty compensation committee. The chair of the committee shall be the Senior Clinical Administrator. The committee shall provide advice related to developing mechanisms for obtaining faculty input. A member of the Institution's Faculty Senate who is a Member of the Plan shall be appointed to the Faculty Compensation Advisory Committee

6.2 **Meetings of Standing Committees.** Standing committees shall meet at least quarterly or on the call of the chair of the committee, keep minutes of the meetings, and report actions and recommendations, in writing, to the Board.

6.3 **Additional Committees.** The President, in consultation with the Board, may create other standing and *ad hoc* committees from among the directors or the Members to make recommendations upon specific matters. Committees may also be created at the request of a majority of the Members. Appointment to these committees shall be noted in the minutes of the Board, including any restriction on membership. The minutes shall be kept of committee meetings, and recommendations shall be submitted to the Board in writing. The Board may eliminate a standing committee as circumstances change, subject to the prior approval of the Executive Vice Chancellor for Health Affairs.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## **ARTICLE VII BUSINESS OPERATIONS**

- 7.1 **Operating Budget.** The Budget and Finance Committee shall prepare an annual operating budget for all income and expenditures of the Plan for approval by the Board. Such approval shall be in accordance with the Budget Rules and Procedures of the Regents.
- 7.2 **Executive Director.** The President, in consultation with the Board, shall appoint an Executive Director of the Plan who shall serve as the general administrative officer and business manager of the Plan at the pleasure of the President.
  - 7.2.1 The Executive Director shall be under the direction and supervision of the President or a designee.
  - 7.2.2 The Executive Director shall prepare financial reports for the Plan, which shall be submitted to the Board at each regular meeting. Quarterly financial reports shall be submitted to and in a format approved by the Executive Vice Chancellor for Health Affairs.
  - 7.2.3 The Executive Director shall maintain detailed records of all operational and financial information regarding the Plan.
- 7.3 **Senior Clinical Administrator and Chief Medical Officer of the Plan.** The President, in consultation with the Board, shall appoint a Senior Clinical Administrator and a Chief Medical Officer of the Plan. The Senior Clinical Administrator shall serve as the liaison between the Board and the Members to provide leadership in the development of business and operational strategies related to the Plan. The Chief Medical Officer of the Plan shall oversee the credentialing, quality of care, and patient safety functions of the Plan and may also be the Chief Medical Officer of the Health System.
- 7.4 **Business Office.** A Business Office shall be maintained for the Plan under the direction of the President or a designee, consistent with the rules, regulations, and policies of The University of Texas System and Institutional policies.
  - 7.4.1 The President, in consultation with the Board, and subject to Regents' Rules, may contract with an entity to administer the business



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

operations of the Plan, including but not limited to, strategic development, marketing, billing for and collection of professional fees, contracting for professional services, clinic operations, credentialing, and managed care operations. Contract oversight, reporting, corporate compliance, and financial audit of the entity are the responsibilities of the appropriate officers or committees of the Board. Contracting with an outside entity for billing and collection of professional fees requires the prior approval of the Executive Vice Chancellor for Health Affairs.

7.4.2 Except as provided in section 7.4.1 above, professional fees and Plan-related technical fees shall be centrally billed and collected by the business office for the Plan, in accordance with procedures developed by the Board and applicable policies of The University of Texas System and the Institution. All personnel in the business office who have responsibilities for billing and collection for professional services of the Members shall be under the control of and assigned for personnel matters to the Executive Director.

7.4.3 All collections received from the professional services of Members and all monies received from other sources of professional income described in section 8.3 below shall be deposited in the Institutional Trust Fund.

7.5 **Authorized Professional Business Expenditures.** Professional business expenditures authorized by the Regents are set forth in Appendix A.

## ARTICLE VIII INSTITUTIONAL TRUST FUND

8.1 **Fund.** An Institutional Trust Fund has been established for the receipt and disbursement of Plan income.

8.2 **Audit.** The Institutional Trust Fund shall be audited in accordance with rules, regulations, and policies of The University of Texas System and the Institution. The cost of the audit shall be paid from the Institutional Trust Fund.

8.3 **Sources of Income.**

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

8.3.1 Pursuant to the Member's Memorandum of Appointment and Agreement of Participation with the Institution for participation in the Plan, each Member shall assign all professional income (including any technical component) to the Institutional Trust Fund, including, but not limited to:

- A. Professional fees (and any other monies or material consideration provided in the context of medical services to patients) generated for all patient care services rendered by full-time faculty Members regardless of where rendered;
- B. Professional fees (and any other monies or material considerations provided in the context of medical services to patients) generated for all patient care services rendered by part-time faculty Members, if such fees are generated in connection with the Member's appointment. For clarification purposes, a Member who is part-time faculty (as contrasted with a part-time, non-Member in section 8.3.4) shall have one hundred percent (100%) of the Member's UTMB-related professional fees assigned to the Plan;
- C. Fees for all court appearances, depositions, expert testimony, or legal consultations; and
- D. Gifts of cash or cash equivalents provided in the context of patient-care activities.

8.3.2 Notwithstanding any other provision to the contrary, the following are not professional income and may be retained by the Member:

- A. Honoraria, defined as payments by entities outside The University of Texas System for occasional lectures and similar public appearances beyond normal academic responsibilities to the Institution, that are not in return for other services related to the Member's appointment to the faculty and that are in compliance with Section 36.07 of the Texas Penal Code, whether given directly or indirectly;
- B. Royalties, defined as shares or proceeds for contributions as authors or inventors, as permitted under The University of Texas System's copyright and patent policies;



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- C. Payment for editing scientific publications;
- D. Prizes, defined as gifts in recognition of personal achievement and not for services rendered;
- E. Income from a profession or activity unrelated to the training and experience which is the individual's qualification for appointment to the faculty, as determined by the department chair in consultation with the President; and
- F. Tangible and non-tangible non-cash gifts, only as permitted by state law or The University of Texas System or Institution policy or rule.

8.3.3 Payments to Members from pharmaceutical, medical device, biotechnology, or other health related industries, as well as stipends for serving on boards of directors or advisory boards, shall be addressed in an Institutional policy governing such activities and the receipt of such payments. The policy also shall address conflicts of interest, conflicts of commitment with faculty responsibilities related to income from outside professional activities, and the maximum income that the Member can retain from outside professional activities. The policy must be approved by the Executive Vice Chancellor for Health Affairs.

8.3.4 Income may be accepted from voluntary and part-time faculty who are not Members of the Plan, at the discretion of the individual, upon the recommendation of the department chair, and approval of the President.

8.3.5 Other income not specifically described above shall be reported to the President or a designee, who shall determine whether such income will be considered professional income.

8.4 **Reports.** Each Member shall file a report annually regarding outside professional activities from which the Member retained income in accordance with institutional policy. The policy must be approved by the Executive Vice Chancellor for Health Affairs.

8.5 **Determination of Professional Fees.** The Budget and Finance Committee shall prepare a fee schedule, which shall be used for billing purposes, subject to approval by the President, in consultation with the Board. Substantive

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

changes in the fee schedule must be approved by the President. Guidelines for discounting fees, if any, will be developed by the Board.

## ARTICLE IX FACULTY COMPENSATION

- 9.1 **Components of Faculty Compensation.** The Institution's Faculty Compensation Plan ("Compensation Plan") is a separate document that describes a process to compensate faculty performance and maintain and enhance faculty excellence in support of patient care, education, and research. The Compensation Plan shall be comprised of three major components with subparts as determined by the President after consulting with faculty as required in section 5.2. The three components are (a) Base Salary, (b) Supplemental Compensation, and (c) Incentive Compensation. The term total compensation refers to the aggregate compensation derived from these three components.
  - 9.1.1 Base Salary. Base Salary is that part of a Member's salary based on a Member's academic rank. Base Salary shall be designated annually in the Member's Memorandum of Appointment. Base Salary may be derived from any reasonable method, such as salary survey results by nationally recognized organizations that are commonly relied upon by university health institutions to establish similar types of compensation.
  - 9.1.2 Supplemental Compensation. Supplemental Compensation is that part of a Members' annual fixed compensation stated in the Memorandum of Appointment that is determined by a Member's area of practice or specialty, administrative duties while performed, and other positions, tasks, responsibilities or contributions that are duly assigned to the Member and for which compensation is not received as either Base Salary or Incentive Compensation.
  - 9.1.3. Incentive Compensation. Incentive compensation, if any, is that part of a Member's compensation for performance that is not fixed and is determined through the application of an established and equitably applied formula that rewards outstanding performance and productivity and also factors in any negative aspects of a Members' performance or productivity. Incentive compensation may be based on any aspect of a Member's duties, such as teaching, research, public service, clinical



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

productivity, awards of grants or other types of research funding, teaching, service to the institution or any other facet of job performance.

- 9.2 **Appeal of Compensation Determination.** A Member may appeal a compensation determination according to the appeals procedure set forth in the Compensation Plan.
- 9.3 **Compensation Plan.** The Compensation Plan is subject to approval by the Executive Vice Chancellor for Health Affairs.

## **ARTICLE X GENERAL PROVISIONS**

- 10.1 **Compliance and Ethics.** Each Member shall abide by the ethical standards and principles of the state and national professional associations of the Member's discipline. Each Member shall comply with federal, state and local laws and regulations.
- 10.2 **Sarbanes-Oxley Act of 2002.** The Board and the Executive Director shall, with respect to the operation of the Plan, implement the spirit of the Sarbanes-Oxley Act of 2002, consistent with The University of Texas System and Institution policies and rules related to financial activities and reporting, and the codes of ethics of the System and the Institution.
- 10.3 **Amendments.** These Bylaws have been developed within the standard format approved by the Regents. Substantive amendments may be made only upon approval by the Regents. Non-substantive amendments may be approved upon written request of the Executive Vice Chancellor for Health Affairs. All proposed amendments shall be submitted to the Executive Vice Chancellor for Health Affairs, who will determine whether the approval of the Regents is required.
  - 10.3.1 Recommendations for amendments to these Bylaws may be made by greater than Fifty percent (50.001%) of the Members voting at a special meeting called for the purpose, the Board, or the President.
  - 10.3.2 Recommendation for substantive amendments to these Bylaws requires a two-thirds (2/3) vote of a quorum of the Members at any regular meeting of the Members or a meeting called specifically for this purpose, provided that the proposed amendments shall have



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

been submitted by written notice (which may be by email or other electronic communication) to the Members not less than thirty days prior to the meeting at which the amendment is brought to a vote.

10.3.3 Notice of proposed amendments to these Bylaws shall include the complete text of the proposed amendments.

10.3.4 Substantive amendments shall become effective upon approval of the Regents. Non-substantive amendments may be approved by the Executive Vice Chancellor for Health Affairs, and shall become effective upon such approval.

10.4 **Dissolution.** The Plan may be dissolved by the Regents or by applicable law. All monies residual in the Institutional Trust Fund shall be used to discharge obligations of the Plan with the balance to become the property of the Institution.

10.5 **Plan is Not a Contract.** This Plan does not constitute a contract or grant any rights beyond which any person is already entitled. The Board of Regents retains the right to modify or terminate the Plan at any time.

Approved by The University of Texas System Board of Regents:

\_\_\_\_\_, 2009

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## APPENDIX A

### AUTHORIZED PROFESSIONAL BUSINESS EXPENDITURES

<u>Authorized Business Expense</u>	<u>Maximum</u>
1. Malpractice Insurance	U. T. System self-insurance rates
2. Official travel, including registration fees (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with policy and limits, established by U. T. System and the Institution not to exceed actual expense
3. Faculty Development Leave	In accordance with the Regents' Rules and Regulations and Institutional Policy
4. Uniforms or Lab Coats	Through Institutional purchasing
5. Membership Dues in Professional Scientific Organizations, Faculty Clubs, Medical Center clubs, or equivalent	In accordance with Institutional policy. Faculty Clubs, Medical Center clubs, or equivalent with President's approval
6. Texas State Clinical License Fee, including Texas Medical Board License	Annual fee; reimbursement expenditure only
7. Medically-Related Educational Aids	In accordance with Institutional policy
8. Base Salary, Supplemental Compensation, and Incentive Compensation, including key administrators	In accordance with Institutional and U. T. System Policy
9. Purchase, maintenance and operation of equipment and operation of U. T. System facilities	In accordance with Institutional policy
10. Ordinary and necessary business expenses incurred by the Member in earning the professional fees charged by said Member, excluding entertainment (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with Institutional policy

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

<u>Authorized Business Expense</u>	<u>Maximum</u>
11. Registration fees and tuition incident to attendance at meetings and courses as requested or approved by Institution	In accordance with Institutional policy
12. Consultant fees and expenses, including guest speakers at official institutionally sponsored or approved meetings	In accordance with U. T. System and Institutional policy
13. Expenses incident to faculty or staff recruitment (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with Institutional policy
14. Establishment or endowment of programs, professorships, or chairs	In accordance with U. T. System and Institutional policy
15. Support of academic programs and projects involving education, research or patient care	In accordance with Institutional policy
16. Institutional participation in community, organizations or events	In accordance with Institutional policy
17. Official Institutional Functions and Official Entertainment Official entertainment is defined as business-related events or expenditures which are of documented benefit to the Institution or The U. T. System.	In accordance with Institutional policy, provided, however, prior presidential approval is required for any expenditures greater than \$2,500. A quarterly report of all expenditures approved in this category shall be filed with the Executive Vice Chancellor for Health Affairs.

- No MSRDP funds may be expended for the benefit of any single individual person or Member except as herein approved.
- All requests for reimbursement must contain adequate documentation and must be signed by the person seeking reimbursement.
- All expenditures are subject to the Rules and Regulations of the Board of Regents of The U. T. System and applicable institutional regulations and procedures. This list of authorized expenditures may be periodically amended by action of the Executive Vice Chancellor for Health Affairs.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

**AMENDED AND RESTATED BYLAWS OF  
THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON  
MEDICAL SERVICE RESEARCH AND DEVELOPMENT PLAN  
(MSRDP)  
FACULTY PRACTICE PLAN**

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

**AMENDED AND RESTATED BYLAWS OF  
THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON  
MSRDP FACULTY PRACTICE PLAN**

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Appendix B Medical School Compensation Plan



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## **ARTICLE I PURPOSE**

The Purpose of the MSRDP Faculty Practice Plan ("Plan") is to manage and hold in trust the professional income of faculty members at The University of Texas Medical School at Houston, a part of The University of Texas Health Science Center at Houston ("Institution"). The Plan's goal is to promote excellence in teaching, research, clinical service, and administration through clinical practice and compensation strategies that will contribute to and safeguard the Institution's continued growth in excellence. The Plan sets forth a general framework for compensating faculty that will attract and retain outstanding faculty by rewarding performance, clinical innovation and productivity, research, teaching, and administrative excellence; providing fairness and consistency in compensation determinations; and aligning faculty performance with the Institution's mission.

## **ARTICLE II DEFINITIONS**

- 2.1 **Board of Directors ("Board")** means the advisory board that makes recommendations to the President of the Institution regarding the direction and management of this Plan as set forth in these Bylaws.
- 2.2 **Board of Regents ("Regents")** means the governing body of The University of Texas System, which has the ultimate jurisdiction and responsibility to govern, operate, support, and maintain each institution of The University of Texas System.
- 2.3 **Chair of the Board** is the President of the Institution.
- 2.4 **Executive Vice Chancellor for Health Affairs** of The University of Texas System is the individual appointed to that position by the Regents who has the authority granted by the Rules and Regulations of the Board of Regents and the specific responsibilities set forth in these Bylaws.
- 2.5 **Institution** is The University of Texas Health Science Center at Houston.
- 2.6 **Institutional Trust Fund** is the fund established for the deposit and distribution of revenues generated and disbursed according to this Plan.
- 2.7 **Members** are faculty members who are designated to participate in this Plan by the President or a designee, as more fully described in section 3.1.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)
- 2.8 **Plan** is this MSRDP Faculty Practice Plan, otherwise known as the Medical Service Research and Development Plan (“MSRDP”).
- 2.9 **President** is the person appointed by the Regents to serve as President of the Institution and who shall act as Chair of the Board of the Plan. All references to the President herein also refer to the President’s role and actions as Chair of the Board.
- 2.10 **Senior Clinical Administrator** is the officer or individual within the Institution with significant clinical experience and expertise who is appropriately qualified to perform the functions of the role to which he or she is appointed. The Senior Clinical Administrator is the Executive Vice Dean for Clinical Affairs.

### **ARTICLE III MEMBERS**

- 3.1 **Membership.** Membership in the Plan is mandatory for each faculty member whose appointment is 50% or greater, if the Member generates professional income as defined in section 8.3. Other part-time faculty members may become Members upon recommendation of the department chair and approval of the President or his/her designee. This Plan may apply to faculty members who do not generate professional income, as determined by the President at the time of appointment or reappointment of the Member.
- 3.1.1** All Members shall be entitled to vote upon business brought before the membership and shall be eligible for election or appointment to a committee of the Plan.
- 3.1.2** A Member leaving the faculty for any reason terminates membership in the Plan without recourse.
- 3.2 **Memorandum of Appointment and Agreement of Participation.** A Memorandum of Appointment and an Agreement of Participation assigning professional income to the Plan shall be executed annually between each Member and the Institution, in a form prescribed by the Executive Vice Chancellor for Health Affairs, and are a condition for membership and participation in the Plan. Any delay, error or failure to execute these documents does not relieve a Member of the requirement that all of his or her professional income shall be assigned to the Plan.
- 3.3 **Meeting of the Members.** The Members shall meet in general session at least annually, in the month of January at a place designated by the President, and at other times at the call of the President. Notice of the annual meeting shall be distributed to each Member at least 14 days prior to the meeting. At least 30 days prior to the annual meeting, the



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

President shall appoint a nominating committee to submit nominations for members-at-large to the Members. Nominations for Board members-at-large may be made from the floor if the Member nominated has agreed to the nomination. At its annual meeting, the Members shall elect members-at-large to serve two-year terms on the Board.

- 3.3.1 Special meetings may be called by the Board, the President, or upon written petition of one-third of the Members, subject to 14 days notice in writing to all Members. The time, place, and date, of the meeting shall be determined by the Board, and the group requesting the special meeting shall state the purpose.
- 3.3.2 The President or, in his or her absence, the Vice-Chair shall preside.
- 3.3.3 The Secretary of the Board shall serve as Secretary of the Plan.
- 3.3.4 One-third of the Members shall constitute a quorum.
- 3.3.5 Proxies shall not be allowed.
- 3.3.6 Unless otherwise specified herein, a simple majority of a quorum present and voting shall constitute a prevailing vote.
- 3.3.7 Mail or electronic votes may be called at the discretion of the President. On matters requiring a vote of the Members, at least fourteen calendar days before the deadline for completion of voting, the Secretary shall provide to each voter, either through the mail or electronically, a mail ballot or instructions for voting electronically, accompanied by background information prepared by the Secretary as the Board may direct, and a deadline for the return of the mail ballots or for electronic voting.
  - A. In the case of mail ballots, each voter shall receive a plain envelope in which to enclose a marked ballot, and a second envelope addressed to the Secretary to be used for the return of the sealed ballot. The envelope addressed to the Secretary shall have a space for the signature of the voter. Ballots lacking this validating signature shall be deemed void.
  - B. For electronic voting, the Secretary shall utilize a system that verifies each voter's identity and maintains security.
  - C. Provided that a quorum of a membership responds within the deadline stated for the vote, the issue(s) submitted for electronic or mail vote will be decided by a simple majority of the members voting. Electronic or mail voting will continue until a quorum of the members responds.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

3.3.8 Minutes of each meeting shall be prepared by the Secretary, published and circulated to each member of the Board and the Executive Vice Chancellor for Health Affairs, and shall be available to each Member upon request. Posting the minutes on a website satisfies this requirement.

3.3.9 The rules of order for meetings shall be the current edition of *Robert's Rules of Order*.

#### ARTICLE IV BOARD OF DIRECTORS

4.1 **Powers.** The membership, governance, and scope of authority of the advisory Board are prescribed herein.

4.2 **Composition and Officers.** The Board shall be composed as follows:

4.2.1 Officers of the Board

- A. The Chair shall be the President of the Institution.
- B. The Vice Chair shall be the Dean of the Medical School or similarly titled and skilled senior level administrator who is qualified to serve, as determined by the President.
- C. The Treasurer shall be the Chief Business Officer of the Institution or other similarly skilled senior level administrator who is qualified to serve, as determined by the President.
- D. The Secretary shall be the Executive Director of the Plan, serving as ex-officio, non-voting member of the Board; however, if the Executive Director of the Plan is a physician Member, he or she shall be a voting member of the Board.

4.2.2 Other Directors

- A. Senior Clinical Administrator;
- B. Chairpersons of all clinical departments;
- C. A total of four members-at-large will be elected by the Members to serve staggered terms. Such members may serve no more than two consecutive two-year terms, but may be eligible to serve again after an interval of one year. Each member so selected must devote at least 25% of his or her time to the clinical practice of medicine;



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- D. Two members appointed from clinical departments by the President: one from a department with a budget below the mean of all clinical department budgets and one member from a department with a budget at or above the mean of all clinical departments. Each member so selected must devote at least 25% of his or her time to the clinical practice of medicine. Such members may serve no more than two consecutive two-year terms, but may be eligible to serve again after an interval of one-year.
- E. The Chief Legal Officer of the Institution shall serve as an ex-officio, non-voting member of the Board;
- F. The Chief Medical Officer of the Plan, if different from the Executive Vice Dean for Clinical Affairs, shall serve as a member of the Board with vote;
- G. Other persons may be appointed by the President as ex-officio members of the Board without vote; and
- H. No clinical department shall have more than four voting members of the Board.

4.3 **Vacancy.** If a vacancy exists for a member-at-large, the Board shall appoint a replacement until the next annual election by the Members.

4.4 **Annual Meeting.** The Board will assume its responsibilities annually at its annual meeting.

4.5 **Meetings.** The Board shall meet at least quarterly, on call of the Chair, or on the written petition of 51% of the Board. Minutes of all meetings of the Board and its standing committees shall be recorded and a copy of these along with copies of committee reports and attendance rolls shall be provided to the Executive Vice Chancellor for Health Affairs, if requested. Special meetings shall be held when called by the President or at the request of 51% of the directors.

4.6 **Manner of Meetings.** Board meetings may be held in a manner determined by the President, including in-person meetings, teleconference, or written unanimous consent. Minutes of meetings by teleconference shall be prepared and filed in the same manner as any other meeting. A written consent in lieu of a meeting shall, describe the action to be taken, and be signed by each director, and authorized by the Board. Such consent shall have the same force and effect as a unanimous vote at a meeting.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

4.7 **Quorum.** One-half of the Board shall constitute a quorum. A simple majority vote of directors present and voting shall prevail, provided, however, that any action taken by the Board is subject to approval by the President.

4.8 **Reports.** The Board shall report its actions, in writing, in electronic or paper format, to the Members at the Members' annual meeting.

## **ARTICLE V THE PRESIDENT AND CHAIR OF THE BOARD**

5.1 **Authority.** The direction and management of the Plan and the control and disposition of its assets shall be vested in the President, who shall act as Chair of the Board, subject to the authority of the Executive Vice Chancellor for Health Affairs and/or the Regents, as set forth in these Bylaws and the Regents' Rules and Regulations, The University of Texas System policies, and Institution policies. The President may approve exceptions to the Plan to meet special teaching, research or clinical service requirements. The President shall have the authority to:

5.1.1 Make recommendations regarding faculty compensation, subject to the approval of the Executive Vice Chancellor for Health Affairs;

5.1.2 Appoint a designee to carry out certain functions described herein;

5.1.3 Appoint officers and directors to the Board as set forth in section 4.2, and ensure that all presidential appointees to the Board or committees described in Article VI have the appropriate skill and experience to carry out the duties assigned;

5.1.4 Oversee committees of the Plan to ensure that each committee is diligently performing its assigned duties;

5.1.5 Issue administrative procedures further defining implementation of this Plan, subject to the approval of the Executive Vice Chancellor for Health Affairs;

5.1.6 Review amendments to the Plan proposed by the Members or the Board; propose amendments as appropriate to the Board, the Members, the Executive Vice Chancellor for Health Affairs, or the Regents; and transmit amendments to the Executive Vice Chancellor for Health Affairs, or the Regents, as appropriate; and

5.1.7 Take such other action on behalf of the Plan and the Members as deemed necessary, in consultation with the Board.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

5.2 **Consultation Requirements.** The President or a designee shall consult with representative faculty groups, such as the Faculty Compensation Advisory Committee and/or the Medical School Faculty Senate, regarding proposed substantive revisions to the Faculty Compensation Plan described in section 9.1 of these Bylaws, before submitting such revisions to the Executive Vice Chancellor for Health Affairs for approval.

## ARTICLE VI COMMITTEES

6.1 **Standing Committees of the Board.** Members of the following standing committees shall be appointed by the President, in consultation with the Board, except as specifically designated herein. The President shall appoint the chair of each committee. Committee appointments are for two years and may be renewed for additional two year terms at the discretion of the President. All committees shall report to the Board, including Institutional committees that perform the described duties on behalf of the Plan.

6.1.1 The **Executive Committee** shall be chaired by the President and shall include the officers of the Board and four additional Board Members appointed by the President to make recommendations or decisions between meetings on behalf of the Board.

6.1.2 The **Budget and Finance Committee** shall be chaired by the Chief Business Officer of the Institution and shall consist of the Dean of the Medical School, the Executive Vice Dean for Clinical Affairs, a faculty representative appointed by the Faculty Senate who is a Member, and four other members appointed by the President; at least one member shall not be a department chair. The duties of the Budget and Finance Committee shall include, but not be limited to:

- A. Developing annual operating and capital budgets for the Plan for approval by the Board;
- B. Reviewing and approving unbudgeted expenditures greater than \$25,000 for approval by the Board;
- C. Reviewing and approving financial reports for presentation to the Board;
- D. Reviewing billing and collection activities and making appropriate recommendations to the Board;
- E. Reviewing the financial impact of proposed programs and services, and proposed capital investments, and reporting findings to the Board for

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

approval;

- F. Developing professional fee schedules for approval by the Board; and
- G. Recommending to the Board any action necessary to address budgetary changes or shortfalls.

6.1.3 The **Compliance and Ethics Committee** shall be chaired by the Dean of the Medical School and shall consist of four members appointed by the President; at least one member shall not be a department chair. The Medical School Compliance Officer shall report to this Committee. If there is an Institutional Compliance Committee, that Committee may act as the Compliance and Ethics Committee of the Plan, at the discretion of the Board. The duties of the Compliance and Ethics Committee shall include, but not be limited to:

- A. Developing and overseeing compliance plans, including training of faculty and staff, to assure that billing and collecting comply with local, state and federal statutes, rules and guidelines;
- B. Reviewing compliance reports and making appropriate recommendations to the Board;
- C. Reviewing findings of Professional Affairs and Audit Committees and making appropriate recommendations to the Board;
- D. Reviewing departmental guidelines for supervision of residents and documentation standards and making appropriate recommendations to the Board;
- E. Making recommendations to the Audit Committee; and
- F. Complying with the Institutional Compliance Plan.

6.1.4 The **Professional Affairs Committee** shall be chaired by the Senior Clinical Administrator or Chief Medical Officer and shall include four members appointed by the President. At least one member shall not be a department chair. If there is an Institutional Professional Affairs Committee, that committee may act as the Professional Affairs Committee of the Plan, at the discretion of the Board. The duties of the Professional Affairs Committee shall include, but not be limited to:

- A. Reviewing and recommending action to the Board concerning membership in the Plan not expressly required by the Bylaws;



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- B. Developing and overseeing a plan that assures appropriate credentialing and peer review of all Members of the Plan; and
- C. Developing and overseeing a quality improvement and patient safety program.

6.1.5 The **Audit Committee** shall be chaired by the President. Members shall include the officers of the Board and an independent external member with financial expertise. If the Institution has an Institutional Audit Committee, that committee may serve as the Audit Committee of the Plan, at the discretion of the Board. If the Plan has its own Audit Committee, the Committee shall conduct its proceedings and decision-making consistent with the charter of the Institution's Audit Committee. The duties of the Audit Committee shall include, but not be limited to:

- A. Developing and overseeing an annual audit plan, to include audits of any entity contracted for business operations of the Plan;
- B. Reviewing audit reports and ensuring that findings and recommendations of the auditor are forwarded to the appropriate committees or departments;
- C. Monitoring the implementation of and compliance with the recommended corrective action, if any; and
- D. Making recommendations to the Board, as appropriate.

6.1.6 The **Faculty Compensation Advisory Committee** shall advise the Board on matters related to compensation. The co-chairs of the committee shall be the Senior Clinical Administrator and the Chair of the Medical School Faculty Senate.

6.2 **Meetings of Standing Committees.** Standing committees shall meet at least quarterly or on the call of the chair of the committee, keep minutes of the meetings, and report actions and recommendations, in writing, to the Board.

6.3 **Additional Committees.** The President, in consultation with the Board, may create other standing and *ad hoc* committees from among the directors or the Members to make recommendations upon specific matters. Committees may also be created at the request of a majority of the Members. Appointment to these committees shall be noted in the minutes of the Board, including any restriction on membership. The minutes shall be kept of committee meetings, and recommendations shall be submitted to the Board in

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

writing. The Board may eliminate a standing committee as circumstances change, subject to the prior approval of the Executive Vice Chancellor for Health Affairs.

## ARTICLE VII BUSINESS OPERATIONS

- 7.1 **Operating Budget.** The Budget and Finance Committee shall prepare an annual operating budget for all income and expenditures of the Plan for approval by the Board. Such approval shall be in accordance with the Budget Rules and Procedures of the Regents.
- 7.2 **Executive Director.** The President, in consultation with the Board, shall appoint an Executive Director of the Plan who shall serve as the general administrative officer and business manager of the Plan at the pleasure of the President.
  - 7.2.1 The Executive Director shall be under the direction and supervision of the President or his/her designee.
  - 7.2.2 The Executive Director shall cause to be prepared financial reports for the Plan, which shall be submitted to the Board at each regular meeting. Quarterly financial reports shall be submitted to and in a format approved by the Executive Vice Chancellor for Health Affairs.
  - 7.2.3 The Executive Director shall maintain detailed records of all operational and financial information regarding the Plan.
- 7.3 **Chief Medical Officer.** The President, in consultation with the Board, shall appoint a Chief Medical Officer of the Plan who shall serve as the liaison between the Board and the Members to provide leadership in the development of business and operational strategies related to the Plan. The Chief Medical Officer shall oversee the credentialing, quality of care, and patient safety functions of the Plan.
- 7.4 **Business Office.** A Business Office shall be maintained for the Plan under the direction of the President or a designee, consistent with the rules, regulations, and policies of The University of Texas System and Institutional policies.
  - 7.4.1 The President, in consultation with the Board, and subject to Regents' Rules, may contract with an entity to administer the business operations of the Plan, including but not limited to, strategic development, marketing, billing for and collection of professional fees, contracting for professional services, clinic operations, credentialing, and managed care operations. Contract oversight,



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

reporting, corporate compliance, and financial audit of the entity are the responsibilities of the appropriate officers or committees of the Board. Contracting with an outside entity for billing and collection of professional fees requires the prior approval of the Executive Vice Chancellor for Health Affairs.

7.4.2 Except as provided in section 7.4.1 above, professional fees and Plan-related technical fees shall be centrally billed and collected by the Business Office for the Plan, in accordance with procedures developed by the Board and applicable policies of The University of Texas System and the Institution. All personnel in the business office who have responsibilities for billing and collection for professional services of the Members shall be under the control of and assigned for personnel matters to the Executive Director.

7.4.3 All collections received from the professional services of Members and all monies received from other sources of professional income described in section 8.3 below shall be deposited in the Institutional Trust Fund.

7.5 **Authorized Professional Business Expenditures.** Professional business expenditures authorized by the Regents are set forth in Appendix A

## ARTICLE VIII INSTITUTIONAL TRUST FUND

8.1 **Fund.** An Institutional Trust Fund has been established for the receipt and disbursement of Plan income.

8.2 **Audit.** The Institutional Trust Fund shall be audited in accordance with rules, regulations, and policies of The University of Texas System and the Institution. The cost of the audit shall be paid from the Institutional Trust Fund.

8.3 **Sources of Income.**

8.3.1 Pursuant to the Member's Memorandum of Appointment and Agreement of Participation with the Institution for participation in the Plan, each Member shall assign all professional income (including any technical component) to the Institutional Trust Fund, including, but not limited to:

- A. Professional fees (and any other monies or material considerations provided in the context of medical services to patients) generated for all patient care services rendered by full-time faculty regardless of where rendered;



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- B. Professional fees (and any other monies or material considerations provided in the context of medical services to patients) generated for all patient care services rendered by all part-time faculty who are Members, if such fees are generated in connection with the Member's appointment (derived from activities performed as a faculty member at the Institution while using institutional resources).
- C. Fees for all court appearances, depositions, expert testimony, or legal consultations regardless of where or when rendered or where or when the subject of the testimony or consultation occurred;
- D. Gifts of cash or cash equivalents provided in the context of patient-care activities; and
- E. Regular payments from pharmaceutical companies, even if characterized as honoraria or another term.

8.3.2 The following are not professional income and may be retained by the Member:

- A. Honoraria, defined as payments by entities outside The University of Texas System for service on scientific review panels related to granting agencies, foundations, and other non-profit organizations, occasional lectures and similar public appearances beyond normal academic responsibilities to the Institution, that are not in return for other services related to the Member's appointment to the faculty and that are in compliance with Section 36.07 of the Texas Penal Code, whether given directly or indirectly;
- B. Royalties, defined as shares or proceeds for contributions as authors or inventors, as permitted under The University of Texas System's copyright and patent policies;
- C. Payment for editing scientific publications;
- D. Prizes, defined as gifts in recognition of personal achievement and not for services rendered;
- E. Income from a profession or activity unrelated to the training and experience which is the individual's qualification for appointment to the faculty, as determined by the department chair in consultation with the President; and

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

F. Tangible and non-tangible non-cash gifts, only as permitted by state law or The University of Texas System or Institution policy or rule.

8.3.3 Payments to Members from pharmaceutical, medical device, biotechnology, or related industries, as well as stipends for serving on boards of directors or advisory boards, shall be addressed in Institutional policies governing such activities and the receipt of such payments. These policies shall also address conflicts of interest, conflicts of commitment with faculty responsibilities related to income from outside professional activities, and the maximum income that the Member can retain from outside professional activities. The Institutional policies must be approved by the Executive Vice Chancellor for Health Affairs.

8.3.4 Income may be accepted from voluntary and part-time faculty who are not Members of the Plan, at the discretion of the individual, upon the recommendation of the department chair, and approval of the President.

8.3.5 Other income not specifically described above shall be reported to the President or a designee, who shall determine whether such income will be considered professional income.

8.4 **Reports.** Each Member shall file a report annually regarding outside professional activities from which the Member retained income in accordance with institutional policies. The Institutional policies must be approved by the Executive Vice Chancellor for Health Affairs.

8.5 **Determination of Professional Fees.** The Budget and Finance Committee shall prepare a fee schedule, which shall be used for billing purposes, subject to approval by the President, in consultation with the Board. Substantive changes in the fee schedule must be approved by the President. Guidelines for discounting fees, if any, will be developed by the Board.

## ARTICLE IX FACULTY COMPENSATION

9.1 The Medical School's Faculty Compensation Plan ("Compensation Plan") is a separate document that describes a process to compensate faculty performance and maintain and enhance faculty excellence in support of patient care, education, and research. The Compensation Plan shall be comprised of the following major components with subparts determined by the President after consulting with faculty as required in section 5.2. The components are (a) Base Salary, (b) Supplemental Compensation – including Augmentation, and (c) Incentive Compensation. The term total compensation refers to



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

the aggregate compensation derived from these components. The format and contents of the Compensation Plan shall be determined by the Institution and approved by the UT System Executive Vice Chancellor for Health Affairs. Amendments or changes to the Compensation Plan become official MSRDP policy coincident with their approval and supersede any previous versions of the Compensation Plan.

9.1.1 **Base Salary.** Base Salary is that part of a Member's salary based on a Member's academic rank and contributions to the departmental missions. Base Salary shall be designated annually in the Member's Memorandum of Appointment. Base Salary may be derived from any reasonable method, such as salary survey results by nationally recognized organizations that are commonly relied upon by university health institutions to establish similar types of compensation.

9.1.2 **Supplemental Compensation.** Supplemental Compensation is that part of a Members' annual compensation stated in the Memorandum of Appointment that is determined by a Member's area of practice or specialty, administrative duties while performed, and other positions, tasks, responsibilities, or contributions that are duly assigned to the Member and for which compensation is not received as either Base Salary or Incentive Compensation.

9.1.4 **Incentive Compensation.** Incentive Compensation, if any, is that part of a Member's compensation for performance that is not fixed and is determined through the application of an established and equitably applied process that rewards outstanding performance and productivity and also factors in any negative aspects of a Members' performance or productivity. Incentive compensation may be based on any aspect of a Member's duties, such as teaching, research, public service, clinical productivity, awards of grants or other types of research funding, teaching, service to the institution or any other facet of job performance.

9.2 **Appeal of Compensation Determination.** A Member may appeal a compensation determination according to the appeals procedure set forth in the Compensation Plan.

9.3 **Compensation Plan.** The Compensation Plan is subject to approval by the Executive Vice Chancellor for Health Affairs.

## ARTICLE X GENERAL PROVISIONS

10.1 **Compliance and Ethics.** Each Member shall abide by the ethical standards and principles of the state and national professional associations of the Member's discipline. Each Member shall comply with federal, state and local laws and regulations.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

10.2 **Sarbanes-Oxley Act of 2002.** The Board and the Executive Director shall, with respect to the operation of the Plan, implement the spirit of the Sarbanes-Oxley Act of 2002, consistent with The University of Texas System and Institution policies and rules related to financial activities and reporting, and the codes of ethics of the System and the Institution.

10.3 **Amendments.** These Bylaws have been developed within the standard format approved by the Regents. Substantive amendments may be made only upon approval by the Regents. Non-substantive amendments may be approved upon written request by the Executive Vice Chancellor for Health Affairs. All proposed amendments shall be submitted to the Executive Vice Chancellor for Health Affairs, who will determine whether the approval of the Regents is required.

10.3.1 Recommendations for non-substantive amendments to these Bylaws may be made by 51% of the Members voting at a special meeting called for the purpose, or by the Board, or the President.

10.3.2 Recommendation for substantive amendments to these Bylaws requires a two-thirds vote of a quorum of the Members at any regular meeting of the Members or a meeting called specifically for this purpose, provided that the proposed amendments shall have been submitted by written notice (which may be by email or other electronic communication) to the Members not less than thirty days prior to the meeting at which the amendment is brought to a vote.

10.3.3 Notice of proposed amendments to these Bylaws shall include the complete text of the proposed amendments.

10.3.4 Amendments considered substantive include, but are not limited to, those pertaining to faculty compensation, plan membership, and board composition or authority, and other amendments as determined to be substantive by the President or the Board.

10.3.5 Substantive amendments shall become effective upon approval of the Regents. Non-substantive amendments may be approved by the Executive Vice Chancellor for Health Affairs, and shall become effective upon such approval.

10.4 **Dissolution.** The Plan may be dissolved by the Regents or by applicable law. All monies residual in the Institutional Trust Fund shall be used to discharge obligations of the Plan with the balance to become the property of the Institution.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

10.5 **Plan is Not a Contract.** This Plan does not constitute a contract or grant any rights beyond which any person is already entitled. The Board of the Plan and the Regents retain the right to modify the Plan at any time.

Adopted by the Members: \_\_\_\_\_, 2009

Approved by The University of Texas System Board of Regents:

\_\_\_\_\_, 2009



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## APPENDIX A

### AUTHORIZED PROFESSIONAL BUSINESS EXPENDITURES

Effective \_\_\_\_\_, 2009

<u>Authorized Business Expense</u>	<u>Maximum</u>
1. Malpractice Insurance	U. T. System Self-insurance rates
2. Official travel, including registration fees (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with policy and limits, established by U. T. System and Institution not to exceed actual expense
3. Faculty Development Leave	In accordance with the Regents' <i>Rules and Regulations</i> and Institutional Policy
4. Uniforms or Lab Coats	Through Institutional purchasing
5. Membership Dues in Professional Scientific Organizations, Faculty Clubs, Medical Center clubs, or equivalent	In accordance with Institutional policy. Faculty Clubs, Medical Center clubs, or equivalent with President's approval
6. Texas State Clinical License Fee, including Texas Medical Board License	Annual renewal fee; reimbursement expenditure only
7. Medically-Related Educational Aids	In accordance with Institutional policy
8. Base Salary, Augmentation, Supplemental Compensation, and Incentive Compensation	In accordance with Institutional and U. T. System Policy
9. Purchase, maintenance and operation of equipment and operation of U. T. System facilities	In accordance with Institutional policy
10. Ordinary and necessary business expenses incurred by the Member in earning the professional fees charged by said Member, excluding entertainment (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with Institutional policy

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

Authorized Business Expense

Maximum

11.	Registration fees and tuition incident to attendance at meetings and courses as requested or approved by Institution	In accordance with Institutional policy
12.	Consultant fees and expenses, including guest speakers at official institutionally sponsored or approved meetings	In accordance with U. T. System and Institutional policy
13.	Expenses incident to faculty or staff recruitment (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with Institutional policy
14.	Establishment or endowment of programs, professorships, or chairs	In accordance with U. T. System policy
15.	Support of academic programs and projects involving education, research or patient care	In accordance with Institutional policy
16.	Institutional participation in community organizations or events	In accordance with Institutional policy
17.	Official Institutional Functions and Official Entertainment. Official entertainment is defined as business-related events or expenditures which are of documented benefit to the Institution or The U. T. System.	In accordance with Institutional policy; provided, however, prior presidential approval is required for any expenditures greater than \$2,500. A quarterly report of all expenditures approved in this category shall be filed with the Executive Vice Chancellor for Health Affairs.

- No MSRDP funds may be expended for the benefit of any single individual person or Member except as herein approved.
- All requests for reimbursement must contain adequate documentation and must be signed by the person seeking reimbursement.
- All expenditures are subject to the *Rules and Regulations* of the Board of Regents of the U. T. System and applicable institutional regulations and procedures. This list of authorized expenditures may be amended periodically by action of the Executive Vice Chancellor for Health Affairs.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## **APPENDIX B**

### **MEDICAL SCHOOL COMPENSATION PLAN**

Effective \_\_\_\_\_, 2009

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

**AMENDED AND RESTATED**

**BYLAWS OF**

**THE UNIVERSITY OF TEXAS**

**HEALTH SCIENCE CENTER AT SAN ANTONIO**

**MSRDP FACULTY PRACTICE PLAN**

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

**AMENDED AND RESTATED  
BYLAWS OF  
THE UNIVERSITY OF TEXAS  
HEALTH SCIENCE CENTER AT SAN ANTONIO  
MSRDP FACULTY PRACTICE PLAN**

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4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## **ARTICLE I PURPOSE**

The Purpose of the MSRDP Faculty Practice Plan (“Plan”) is to manage and hold in trust the professional income of faculty members at The University of Texas Health Science Center at San Antonio. The Plan’s goal is to promote excellence in teaching, research, clinical service, and administration through clinical practice and compensation strategies that will contribute to and safeguard the Institution’s continued growth in excellence. The Plan sets forth a general framework for compensating faculty that will attract and retain outstanding faculty by rewarding performance, clinical innovation and productivity, research, teaching, and administrative excellence; providing fairness and consistency in compensation determinations; and aligning faculty performance with the Institution’s mission.

## **ARTICLE II DEFINITIONS**

- 2.1 **Board of Directors or Board** means the advisory board that makes recommendations to the President of the Institution regarding the direction and management of this Plan as set forth in these Bylaws.
- 2.2 **Board of Regents or Regents** means the governing body of The University of Texas System, which has the ultimate jurisdiction and responsibility to govern, operate, support, and maintain each institution of The University of Texas System.
- 2.3 **Chair of the Board** means the President of the Institution.
- 2.4 **Executive Vice Chancellor for Health Affairs** of The University of Texas System means the individual appointed to that position by the Regents who has the authority granted by the *Rules and Regulations* of the Board of Regents and the specific responsibilities as set forth in these Bylaws.
- 2.5 **Institution** means The University of Texas Health Science Center at San Antonio.
- 2.6 **Institutional Trust Fund** means the fund established for the deposit and distribution of revenues generated and disbursed according to this Plan.
- 2.7 **Member** means faculty members who are designated to participate in this Plan by the President or a designee, as more fully described in section 3.1.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- 2.8 **Plan** means this MSRDP Faculty Practice Plan, otherwise known as the Medical Service, Research and Development Plan (“MSRDP”).
- 2.9 **President** means the person appointed by the Regents to serve as President of the Institution and who shall act as Chair of the Board of the Plan. All references to the President herein also refer to the President’s role and actions as Chair of the Board.
- 2.10 **Senior Clinical Administrator** means the officer or individual within the Institution with significant clinical experience and expertise who is appropriately qualified to perform the functions of the role to which he or she is appointed. The Associate Dean for Clinical Affairs is the Senior Clinical Administrator for purposes of this document.

**ARTICLE III  
MEMBERS**

- 3.1 **Membership.** Membership in the Plan is mandatory for each faculty member whose appointment is 50% or greater, if the Member generates professional income as defined in section 8.3. Other part-time faculty members may become Members upon recommendation of the department chair and approval of the President or a designee. This Plan may apply to faculty members who do not generate professional income, as determined by the President at the time of appointment or reappointment of the Member.
- 3.1.1 All Members shall be entitled to vote upon business brought before the membership and be eligible for election or appointment to a committee of the Plan.
- 3.1.2 A Member leaving the faculty for any reason terminates membership in the Plan without recourse.
- 3.2 **Memorandum of Appointment and Agreement of Participation.** A Memorandum of Appointment and an Agreement of Participation assigning professional income to the Plan shall be executed annually between each Member and the Institution, in a form prescribed by the Executive Vice Chancellor for Health Affairs, and are a condition for membership and participation in the Plan. Any delay, error or failure to execute these two documents does not relieve a Member of the requirement that all of his or her professional income shall be assigned to the Plan.
- 3.3 **Meeting of the Members.** The Members shall meet in general session at least annually in January at a place designated by the President, and at other times at the call of the President. Notice of the annual meeting shall be distributed to each Member at least 14 days prior to the meeting. At least 30 days prior to the annual meeting, the President shall appoint a nominating committee to submit nominations for members-at-large to the Members. Nominations for members-at-

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

large may be made from the floor if the Member nominated has agreed to the nomination. At its annual meeting, the Members shall elect three members-at-large to serve on the Board.

- 3.3.1 Special meetings may be called by the Board, the President, or upon written petition of one-fourth of the Members, subject to 14 days notice in writing to all Members. The time, place and date of the meeting shall be determined by the Board, and the group requesting the special meeting shall state the purpose.
- 3.3.2 The President or in his or her absence, the Vice-Chair, shall preside.
- 3.3.3 The Secretary of the Board shall serve as Secretary of the Plan.
- 3.3.4 One-fourth of the Members shall constitute a quorum.
- 3.3.5 Proxies shall not be allowed.
- 3.3.6 Unless otherwise specified herein, a simple majority of a quorum present and voting shall constitute a prevailing vote.
- 3.3.7 Mail or electronic votes may be called at the discretion of the President. On matters requiring a vote of the Members, at least 14 calendar days before the deadline for completion of voting, the Secretary shall provide to each voter, either through the mail or electronically, a mail ballot or instructions for voting electronically, accompanied by background information prepared by the Secretary as the Board may direct, and a deadline for the return of the mail ballots or for electronic voting.
  - A. In the case of mail ballots, each voter shall receive a plain envelope in which to enclose a marked ballot, and a second envelope addressed to the Secretary to be used for the return of the sealed ballot. The envelope addressed to the Secretary shall have a space for the signature of the voter. Ballots lacking this validating signature shall be deemed void.
  - B. For electronic voting, the Secretary shall utilize a system that verifies each voter's identity and maintains security.
- 3.3.8 Minutes of each meeting shall be prepared by the Secretary, published and circulated to each member of the Board and the Executive Vice Chancellor for Health Affairs, and shall be available to each Member upon request. Posting the minutes on a website satisfies this requirement.
- 3.3.9 The rules of order for the meetings shall be the current edition of *Robert's Rules of Order*.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

**ARTICLE IV  
BOARD OF DIRECTORS**

- 4.1 **Powers.** The membership, governance, and scope of authority of the advisory Board are prescribed herein.
- 4.2 **Composition and Officers.** The Board shall be composed as follows:
- 4.2.1 Officers of the Board.
- A. The Chair shall be the President of the Institution.
  - B. The Vice-Chair shall be the Dean of the School of Medicine or similarly titled and skilled senior level administrator who is qualified to serve, as determined by the President.
  - C. The Treasurer shall be the Executive Vice President for Business Affairs and Chief Financial Officer of the Institution or other similarly skilled senior level administrator who is qualified to serve, as determined by the President.
  - D. The Secretary shall be the Executive Director of the Plan, serving as an ex officio, nonvoting member of the Board; however, if the Executive Director of the Plan is a Member, he or she shall be a voting member of the Board.
- 4.2.2 Other Directors
- A. Senior Clinical Administrator;
  - B. Chairpersons of all clinical departments;
  - C. Three members-at-large will be elected by the Members at their annual meeting. Such members may serve no more than two consecutive two-year terms, but may be eligible to serve after an interval of one year;
  - D. The Chief Legal Officer of the Institution shall serve as an ex officio, nonvoting member of the Board;
  - E. The Chief Medical Officer of the Plan shall serve as an ex officio member of the Board without vote;
  - F. The Senior Executive Vice President and Chief Operating Officer of the Institution shall serve as an ex officio, nonvoting member of the Board;



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

G. Other persons may be appointed by the President as ex officio members of the Board without vote; and

H. No clinical department shall have more than two voting members of the Board.

4.3 **Vacancy.** If a vacancy exists for a member-at-large, the Board shall appoint a replacement until the next annual election by the Members.

4.4 **Annual Meeting.** The Board will assume its responsibilities annually at its January meeting.

4.5 **Meetings.** The Board shall meet at least quarterly, on call of the Chair, or on the written petition of two-thirds of the Board. Minutes and attendance of all meetings and standing committees shall be recorded, and a copy, including all committee reports and attendance, shall be provided to the Executive Vice Chancellor for Health Affairs, if requested. Special meetings shall be held when called by the President or at the request of two-thirds of the directors.

4.6 **Manner of Meetings.** Meeting may be held in a manner determined by the President, including in-person meetings, teleconference, or written unanimous consent. Minutes of meetings by teleconference shall be prepared and filed in the same manner as any other meeting. A written consent in lieu of a meeting shall be in writing, describe the action to be taken, signed by each director, and authorized by the Board. Such consent shall have the same force and effect as a unanimous vote at a meeting.

4.7 **Quorum.** One-half of the Board shall constitute a quorum. A simple majority vote of directors present and voting shall prevail, provided, however, that any action taken by the Board is subject to approval by the President.

4.8 **Reports.** The Board shall report its actions, in writing, to the Members at the Members' annual meeting.

## ARTICLE V THE PRESIDENT AND CHAIR OF THE BOARD

5.1 **Authority.** The direction and management of the Plan and the control and disposition of its assets shall be vested in the President, who shall act as Chair of the Board, subject to the authority of the Executive Vice Chancellor for Health Affairs and/or the Regents, as set forth in these Bylaws and the Regents' *Rules and Regulations*, The University of Texas System policies, and Institution policies. The President may approve exceptions to the Plan to meet special teaching, research or clinical service requirements. The President shall have the authority to:

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- 5.1.1 Make recommendations regarding faculty compensation, subject to the approval of the Executive Vice Chancellor for Health Affairs;
  - 5.1.2 Appoint a designee to carry out certain functions described herein;
  - 5.1.3 Appoint officers and directors of the Board as set forth in section 4.2, and ensure that all presidential appointees to the Board or committees described in Article VI have the appropriate skill and experience to carry out the duties assigned;
  - 5.1.4 Oversee committees of the Plan to ensure that each committee is diligently performing its assigned duties;
  - 5.1.5 Issue administrative procedures further defining implementation of this Plan, subject to the approval of the Executive Vice Chancellor for Health Affairs;
  - 5.1.6 Review amendments to the Plan proposed by the Members or the Board; propose amendments as appropriate to the Board, the Members, the Executive Vice Chancellor for Health Affairs, or the Regents; and transmit amendments to the Executive Vice Chancellor for Health Affairs, or the Regents, as appropriate; and
  - 5.1.7 Take such other action on behalf of the Plan and the Members as deemed necessary, in consultation with the Board.
- 5.2 **Consultation Requirements.** The President or a designee shall consult with the Faculty Compensation Advisory Committee and representative faculty groups, such as the Institution Faculty Senate, as appropriate, regarding proposed substantive revisions to the Faculty Compensation Plan described in section 9.1 of these Bylaws, before submitting such revisions to the Executive Vice Chancellor for Health Affairs for approval.

## ARTICLE VI COMMITTEES

- 6.1 **Standing Committees of the Board.** Members of the following standing committees shall be appointed by the President, in consultation with the Board, except as specifically designated herein. The President shall appoint the chair of each committee. Committee appointments are for two years and may be renewed for additional two year terms at the discretion of the President. All committees shall report to the Board, including Institutional committees that perform the described duties on behalf of the Plan.
- 6.1.1 The **Budget and Finance Committee** shall be chaired by the Dean, School of Medicine, and shall consist of the Senior Executive Vice President and Chief Operating Officer, the Executive Vice President for



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

Business Affairs and Chief Financial Officer, the School of Medicine Associate Dean for Finance, a faculty Senate or similar faculty organization representative who is a Member, and five other members appointed by the President; at least one member shall not be a department chair. The duties of the Budget and Finance Committee shall include, but not be limited to:

- A. Developing annual operating and capital budgets for the Plan for approval by the Board;
- B. Reviewing and approving unbudgeted expenditures greater than \$25,000 for approval by the Board;
- C. Reviewing and approving financial reports for presentation to the Board;
- D. Reviewing billing and collection activities and making appropriate recommendations to the Board;
- e
- E. Reviewing the financial impact of proposed programs and services, and proposed capital investments, and reporting findings to the Board for approval;
- F. Developing professional fee schedules for approval by the Board; and
- G. Recommending to the Board any action necessary to address budgetary changes or shortfalls.

6.1.2 The **Compliance and Ethics Committee** shall be the Institutional Compliance Committee. The Compliance Officer of the Institution shall report to this Committee. The duties of the Compliance and Ethics Committee shall include, but not be limited to:

- A. Developing and overseeing compliance plans, including training of faculty and staff, to assure that billing and collection comply with local, state and federal statutes, rules and guidelines;
- B. Reviewing compliance reports and making appropriate recommendations to the Board;
- C. Reviewing findings of Professional Affairs and Audit Committees and making appropriate recommendations to the Board;
- D. Reviewing departmental guidelines for supervision of residents and documentation standards and making appropriate recommendations to the Board;
- E. Making recommendations to the Audit Committee; and

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

F. Complying with the Institutional Compliance Plan.

6.1.3 The **Professional Affairs Committee** shall be chaired by the Chief Medical Officer and shall include no less than 10 members appointed by the President; at least one member shall not be a department chair. If there is an Institutional Professional Affairs Committee, that committee may act as the Professional Affairs Committee of the Plan. The duties of the Professional Affairs Committee shall include but not be limited to:

- A. Reviewing and recommending action to the Board concerning membership in the Plan not expressly required by the Bylaws;
- B. Developing and overseeing a plan that assures appropriate credentialing and peer review of all Members of the Plan; and
- C. Developing and overseeing a quality improvement and patient safety program.

6.1.4 The **Audit Committee** shall be chaired by the President. Members shall include the officers of the Board and an independent, external member with financial expertise. The Institutional Audit Committee shall serve as the Audit Committee of the Plan, in the discretion of the Board. If the Plan has its own Audit Committee, the Committee shall conduct its proceedings and decision-making consistent with the charter of the Institution's Audit Committee. The duties of the Audit Committee shall include, but not be limited to:

- A. Developing and overseeing an annual audit plan, to include audits of any entity contracted for business operations of the Plan;
- B. Reviewing audit reports and ensuring that findings and recommendations of the auditor are forwarded to the appropriate committees or departments;
- C. Monitoring the implementation of and compliance with the recommended corrective action, if any; and
- D. Making recommendations to the Board, as appropriate.

6.1.5 The **Faculty Compensation Advisory Committee** shall advise the Board on matters related to compensation. The chair of the committee shall be the Dean, School of Medicine. The committee shall provide advice related to developing mechanisms for obtaining faculty input. A member of the Institution's Faculty Senate who is a Member of the Plan shall be appointed to the Faculty Compensation Advisory Committee.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- 6.2 **Meetings of Standing Committees.** Standing committees shall meet at least quarterly or on the call of the chair of the committee, keep minutes of the meetings, and report actions and recommendations, in writing, to the Board.
- 6.3 **Additional Committees.** The President, in consultation with the Board, may create other standing and *ad hoc* committees from among the directors or the Members to make recommendations upon specific matters. Committees may also be created at the request of a majority of the Members. Appointment to these committees shall be noted in the minutes of the Board, including any restriction on membership. The minutes shall be kept of committee meetings, and recommendations shall be submitted to the Board in writing. The Board may eliminate a standing committee as circumstances change, subject to the prior approval of the Executive Vice Chancellor for Health Affairs.

## ARTICLE VII BUSINESS OPERATIONS

- 7.1 **Operating Budget.** The Budget and Finance Committee shall prepare an annual operating budget for all income and expenditures of the Plan for approval by the Board. Such approval shall be in accordance with the Budget Rules and Procedures of the Regents.
- 7.2 **Executive Director.** The President, in consultation with the Board, shall appoint an Executive Director of the Plan who shall serve as the general administrative officer and business manager of the Plan at the pleasure of the President.
- 7.2.1 The Executive Director shall be under the direction and supervision of the President or a designee.
- 7.2.2 The Executive Director shall prepare financial reports for the Plan, which shall be submitted to the Board at each regular meeting. Quarterly financial reports shall be submitted to and in a format approved by the Executive Vice Chancellor for Health Affairs.
- 7.2.3 The Executive Director shall maintain detailed records of all operational and financial information regarding the Plan.
- 7.3 **Chief Medical Officer.** The President, in consultation with the Board, shall appoint a Chief Medical Officer of the Plan who shall serve as the liaison between the Board and the Members to provide leadership in the development of business and operational strategies related to the Plan. The Chief Medical Officer shall oversee the credentialing, quality of care, and patient safety functions of the Plan.
- 7.4 **Business Office.** A Business Office shall be maintained for the Plan under the direction of the President or a designee, consistent with the rules, regulations and policies of The University of Texas System and Institutional policies.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

7.4.1 The President, in consultation with the Board, and subject to Regents' *Rules*, may contract with an entity to administer the business operations of the Plan, including but not limited to, strategic development, marketing, billing for and collection of professional fees, contracting for professional services, clinic operations, credentialing, and managed care operations. Contract oversight, reporting, corporate compliance, and financial audit of the entity are the responsibilities of the appropriate officers or committees of the Board. Contracting with an outside entity for billing and collection of professional fees requires the prior approval of the Executive Vice Chancellor for Health Affairs.

7.4.2 Except as provided in section 7.4.1 above, professional fees and Plan-related technical fees shall be centrally billed and collected by the business office for the Plan, in accordance with procedures developed by the Board and applicable policies of The University of Texas System and the Institution. All personnel in the business office who have responsibilities for billing and collection for professional services of the Members shall be under the control of and assigned for personnel matters to the Executive Director.

7.4.3 All collections received from the professional services of Members and all monies received from other sources of professional income described in section 8.3 below shall be deposited in the Institutional Trust Fund.

7.5 **Authorized Professional Business Expenditures.** Professional business expenditures authorized by the Regents are set forth in Appendix A.

## ARTICLE VIII INSTITUTIONAL TRUST FUND

8.1 **Fund.** An Institutional Trust Fund has been established for the receipt and disbursement of Plan income.

8.2 **Audit.** The Institutional Trust Fund shall be audited in accordance with the rules, regulations, and policies of The University of Texas System and the Institution. The cost of the audit shall be paid from the Institutional Trust Fund.

8.3 **Sources of Income.**

8.3.1 Pursuant to the Member's Memorandum of Appointment and Agreement of Participation with the Institution for participation in the Plan, each Member shall assign all professional income (including any technical component) to the Institutional Trust Fund, including, but not limited to:

A. Professional fees (and any other monies or material considerations provided in the context of medical services to patients) generated for

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

all patient care services rendered by full-time faculty Members regardless of where rendered;

- B. Professional fees (and any other monies or material considerations provided in the context of medical services to patients) generated for all patient care services rendered by part-time faculty Members, if such fees are generated in connection with the Member's appointment;
- C. Fees for all court appearances, depositions, expert testimony, or legal consultations; and
- D. Gifts of cash or cash equivalents provided in the context of patient-care activities.

8.3.2 The following are not professional income and may be retained by the Member:

- A. Honoraria, defined as payments by entities outside The University of Texas System for occasional lectures and similar public appearances beyond normal academic responsibilities to the Institution, that are not in return for other services related to the Member's appointment to the faculty and that are in compliance with Section 36.07 of the *Texas Penal Code*, whether given directly or indirectly;
- B. Royalties, defined as shares or proceeds for contributions as authors or inventors, as permitted under The University of Texas System's copyright and patent policies;
- C. Payment for editing scientific publications;
- D. Prizes, defined as gifts in recognition of personal achievement and not for services rendered;
- E. Income from a profession or activity unrelated to the training and experience which is the individual's qualification for appointment to the faculty, as determined by the department chair in consultation with the Dean of the School of Medicine and the President; and
- F. Tangible and non-tangible noncash gifts, only as permitted by State law or The University of Texas System or Institution policy or rule.

8.3.3 Payments to Members from pharmaceutical, medical device, biotechnology, or related industries, as well as stipends for serving on boards of directors or advisory boards, shall be addressed in an Institutional policy governing such activities and the receipt of such



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

payments. The policy also shall address conflicts of interest, conflicts of commitment with faculty responsibilities related to income from outside professional activities, and the maximum income that the Member can retain from outside professional activities. The policy must be approved by the Executive Vice Chancellor for Health Affairs.

8.3.4 Income may be accepted from voluntary and part-time faculty who are not Members of the Plan, at the discretion of the individual, upon the recommendation of the department chair, and approval of the President.

8.3.5 Other income not specifically described above shall be reported to the President or a designee, who shall determine whether such income will be considered professional income.

8.4 **Reports.** Each Member shall file a report annually regarding outside professional activities from which the Member retained income in accordance with institutional policy. The policy must be approved by the Executive Vice Chancellor for Health Affairs.

8.5 **Determination of Professional Fees.** The Budget and Finance Committee shall prepare a fee schedule, which shall be used for billing purposes, subject to approval by the President, in consultation with the Board. Substantive changes in the fee schedule must be approved by the President. Guidelines for discounting fees, if any, will be developed by the Board.

## ARTICLE IX FACULTY COMPENSATION

9.1 **Components of Faculty Compensation.** The Institution's Faculty Compensation Plan ("Compensation Plan") is a separate document that describes a process to compensate faculty performance and maintain and enhance faculty excellence in support of patient care, education, and research. The Compensation Plan shall be comprised of three major components with subparts as determined by the President after consulting with faculty as required in section 5.2. The three components are (a) Base Salary, (b) Supplemental Compensation, and (c) Incentive Compensation. The term total compensation refers to the aggregate compensation derived from these three components.

9.1.1 Base Salary. Base Salary is that part of a Member's salary based on a Member's academic rank. Base Salary shall be designated annually in the Member's Memorandum of Appointment. Base Salary may be derived from any reasonable method, such as salary survey results by nationally recognized organizations that are commonly relied upon by university health institutions to establish similar types of compensation.

9.1.2 Supplemental Compensation. Supplemental Compensation is that part of a Member's annual fixed compensation stated in the Memorandum of

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

Appointment that is determined by a Member's area of practice or specialty, administrative duties while performed, and other positions, tasks, responsibilities or contributions that are duly assigned to the Member and for which compensation is not received as either Base Salary or Incentive Compensation.

9.1.3 **Incentive Compensation.** Incentive compensation, if any, is that part of a Member's compensation for performance that is not fixed and is determined through the application of an established and equitably applied formula that rewards outstanding performance and productivity and also factors in any negative aspects of a Member's performance or productivity. Incentive compensation may be based in any aspect of a Member's duties, such as teaching, research, public service, clinical productivity, awards of grants or other types of research funding, teaching, service to the institution or any other facet of job performance.

9.2 **Appeal of Compensation Determination.** A Member may appeal a compensation determination according to the appeals procedure set forth in the Compensation Plan.

9.3 **Compensation Plan.** The Compensation Plan is subject to approval by the Executive Vice Chancellor for Health Affairs.

## ARTICLE X GENERAL PROVISIONS

10.1 **Compliance and Ethics.** Each Member shall abide by the ethical standards and principles of the state and national professional associations of the Member's discipline. Each Member shall comply with federal, state and local laws and regulations.

10.2 **Sarbanes-Oxley Act of 2002.** The Board and the Executive Director shall, with respect to the operation of the Plan, implement the spirit of the Sarbanes-Oxley Act of 2002, consistent with The University of Texas System and Institution policies and rules related to financial activities and reporting, and the codes of ethics of the System and the Institution.

10.3 **Amendments.** These Bylaws have been developed within the standard format approved by the Regents. Substantive amendments may be made only upon approval by the Regents. Nonsubstantive amendments may be approved upon written request of the Executive Vice Chancellor for Health Affairs. All proposed amendments shall be submitted to the Executive Vice Chancellor for Health Affairs, who will determine whether the approval of the Regents is required.

10.3.1 Recommendations for amendments to these Bylaws may be made by two-thirds of the Members voting at a special meeting called for the purpose, the Board, or the President.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- 10.3.2 Recommendations for substantive amendments to these Bylaws requires a two-thirds vote of a quorum of the Members at any regular meeting of the Members or a meeting called specifically for this purpose, provided that the proposed amendments shall have been submitted by written notice (which may be by email or other electronic communication) to the Members not less than 30 days prior to the meeting at which the amendment is brought to a vote.
- 10.3.3 Notice of proposed amendments to these Bylaws shall include the complete text of the proposed amendments.
- 10.3.4 Substantive amendments shall become effective upon approval of the Regents. Nonsubstantive amendments may be approved by the Executive Vice Chancellor for Health Affairs, and shall become effective upon such approval.
- 10.4 **Dissolution.** The Plan may be dissolved by the Regents or by applicable law. All monies residual in the Institutional Trust Fund shall be used to discharge obligations of the Plan with the balance to become the property of the Institution.
- 10.5 **Plan is Not a Contract.** This Plan does not constitute a contract or grant any rights beyond which any person is already entitled. The Regents retain the right to modify or terminate the Plan at any time.

Approved by The University of Texas System Board of Regents:



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## APPENDIX A

### AUTHORIZED PROFESSIONAL BUSINESS EXPENDITURES

<u>Authorized Business Expense</u>	<u>Maximum</u>
1. Malpractice Insurance	U.T. System self-insurance rates
2. Official travel, including registration fees (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with policy and limits, established by U.T. System and the Institution not to exceed actual expense
3. Faculty Development Leave	In accordance with the Regents' <i>Rules and Regulations</i> and Institutional policy
4. Uniforms or Lab Coats	Through Institutional purchasing
5. Membership Dues in Professional Scientific Organizations, Faculty Clubs, Medical Center clubs, or equivalent	In accordance with Institutional policy. Faculty Clubs, Medical Center clubs, or equivalent with President's approval
6. Texas State Clinical License Fee, including Texas Medical Board License	Annual fee; reimbursement expenditure only
7. Medically-Related Educational Aids	In accordance with Institutional policy
8. Base Salary, Supplemental Compensation, and Incentive Compensation	In accordance with Institutional and U.T. System policy
9. Purchase, maintenance and operation of equipment and operation of U.T. System facilities	In accordance with Institutional policy
10. Ordinary and necessary business expenses incurred by the Member in earning the professional fees charged by said Member, excluding entertainment (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with Institutional policy
11. Registration fees and tuition incident to attendance at meetings and courses as requested or approved by Institution	In accordance with Institutional policy
12. Consultant fees and expenses, including guest speakers at official institutionally sponsored or approved meetings	In accordance with U.T. System and Institutional policy
13. Expenses incident to faculty or staff recruitment (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with Institutional policy

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

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|--|--|
| 14. Establishment or endowment of programs, professorships, or chairs  | In accordance with U.T. System and Institutional policy  |
| 15. Support of academic programs and projects involving education, research or patient care  | In accordance with Institutional policy  |
| 16. Institutional participants in community, organizations or events   | In accordance with Institutional policy  |
| 17. Official Institutional Functions and Official Entertainment. Official entertainment is defined as business-related events or expenditures which are of documented benefit to the Institution or the U.T. System. | In accordance with Institutional policy, provided, however, prior presidential approval is required for any expenditures greater than \$2,500. A quarterly report of all expenditures approved in this category shall be filed with the Executive Vice Chancellor for Health Affairs |

- No MSRDP/PRS funds may be expended for the benefit of any single individual person or Member except as herein approved.
- All requests for reimbursement must contain adequate documentation and must be signed by the person seeking reimbursement.
- All expenditures are subject to the *Rules and Regulations* of the Board of Regents of the U.T. System and applicable institutional regulations and procedures. This list of authorized expenditures may be periodically amended by action of the Executive Vice Chancellor for Health Affairs.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

**AMENDED AND RESTATED  
BYLAWS OF  
THE UNIVERSITY OF TEXAS  
M. D. ANDERSON CANCER CENTER  
PHYSICIANS REFERRAL SERVICE FACULTY PRACTICE PLAN**

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

**AMENDED AND RESTATED  
BYLAWS OF  
THE UNIVERSITY OF TEXAS  
M. D. ANDERSON CANCER CENTER  
PHYSICIANS REFERRAL SERVICE FACULTY PRACTICE PLAN**

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## **ARTICLE I PURPOSE**

The Purpose of the Physicians Referral Service Faculty Practice Plan ("Plan") is to manage and hold in trust the professional income of faculty members at The University of Texas M. D. Anderson Cancer Center. The Plan's goal is to promote excellence in teaching, research, clinical service, and administration through clinical practice and compensation strategies that will contribute to and safeguard the Institution's continued growth in excellence. The Plan sets forth a general framework for compensating faculty that will attract and retain outstanding faculty by rewarding performance, clinical innovation and productivity, research, teaching, and administrative excellence; providing fairness and consistency in compensation determinations; and aligning faculty performance with the Institution's mission.

## **ARTICLE II DEFINITIONS**

- 2.1 **Board of Directors or Board** means the advisory board that makes recommendations to the President of the Institution regarding the direction and management of this Plan as set forth in these Bylaws. The Board of Directors is also known as the PRS Executive Council.
- 2.2 **Board of Regents or Regents** means the governing body of The University of Texas System, which has the ultimate jurisdiction and responsibility to govern, operate, support, and maintain each institution of The University of Texas System.
- 2.3 **Chair of the Board** means the President of the Institution.
- 2.4 **Executive Vice Chancellor for Health Affairs** of The University of Texas System means the individual appointed to that position by the Regents who has the authority granted by the *Rules and Regulations* of the Board of Regents and the specific responsibilities set forth in these Bylaws.
- 2.5 **Institution** means The University of Texas M. D. Anderson Cancer Center.
- 2.6 **Institutional Trust Fund** means the fund established for the deposit and distribution of revenues generated and disbursed according to this Plan.
- 2.7 **Member** means faculty members who are designated to participate in this Plan by the President or a designee, as more fully described in section 3.1.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)
- 2.8 **Plan** means this MSRDP or PRS Faculty Practice Plan, otherwise known as the Medical Service, Research and Development Plan (“MSRDP”) or, with respect to The University of Texas M. D. Anderson Cancer Center, the Physicians Referral Service (“PRS”).
- 2.9 **President** means the person appointed by the Regents to serve as President of the Institution and who shall act as Chair of the Board of the Plan. All references to the President herein also refer to the President’s role and actions as Chair of the Board.
- 2.10 **PRS Executive Council** means the Board of Directors or Board, as defined in 2.1 above.
- 2.11 **Senior Clinical Administrator** means the officer or individual within the Institution with significant clinical experience and expertise who is appropriately qualified to perform the functions of the role to which he or she is appointed. For purposes of these PRS bylaws, the Executive Vice President & Physician-in-Chief is the Senior Clinical Administrator.

### ARTICLE III MEMBERS

- 3.1 **Membership.** Membership in the Plan is mandatory for each faculty member whose appointment is 50% or greater, if the Member generates professional income as defined in section 8.3. Other part-time faculty members may become Members upon recommendation of the department chair and approval of the President or a designee. This Plan may apply to faculty members who do not generate professional income, as determined by the President at the time of appointment or reappointment of the Member.
- 3.1.1 All Members shall be entitled to vote upon business brought before the membership and be eligible for election or appointment to a committee of the Plan.
- 3.1.2 A Member leaving the faculty for any reason terminates membership in the Plan without recourse.
- 3.2 **Memorandum of Appointment and Agreement of Participation.** A Memorandum of Appointment and an Agreement of Participation assigning professional income to the Plan shall be executed annually between each Member and the Institution, in a form prescribed by the Executive Vice Chancellor for Health Affairs, and are a condition for membership and participation in the Plan. Any delay, error or failure to execute these two documents does not relieve a Member of the requirement that all of his or her professional income shall be assigned to the Plan.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

3.3 **Meeting of the Members.** The Members shall meet in general session at least annually in November at a place designated by the President, and at other times at the call of the President. Notice of the annual meeting shall be distributed to each Member at least 14 days prior to the meeting. At least 30 days prior to the annual meeting, the President shall appoint a nominating committee to submit nominations for members-at-large to the Members. Nominations for members-at-large may be made from the floor if the Member nominated has agreed to the nomination. At its annual meeting, the Members shall elect up to four members-at-large to serve on the Board.

3.3.1 Special meetings may be called by the Board, the President, or upon written petition of one-third of the Members, subject to 14 days notice in writing to all Members. The time, place, and date of the meeting shall be determined by the Board, and the group requesting the special meeting shall state the purpose.

3.3.2 The President or in his or her absence, the Vice-Chair, shall preside.

3.3.3 The Secretary of the Board shall serve as Secretary of the Plan.

3.3.4 Five percent of the Members shall constitute a quorum.

3.3.5 Proxies shall not be allowed.

3.3.6 Unless otherwise specified herein, a simple majority of a quorum present and voting shall constitute a prevailing vote.

3.3.7 Mail or electronic votes may be called at the discretion of the President. On matters requiring a vote of the Members, at least fourteen calendar days before the deadline for completion of voting, the Secretary shall provide to each voter, either through the mail or electronically, a mail ballot or instructions for voting electronically, accompanied by background information prepared by the Secretary as the Board may direct, and a deadline for the return of the mail ballots or for electronic voting.

A. In the case of mail ballots, each voter shall receive a plain envelope in which to enclose a marked ballot, and a second envelope addressed to the Secretary to be used for the return of the sealed ballot. The envelope addressed to the Secretary shall have a space for the signature of the voter. Ballots lacking this validating signature shall be deemed void.

B. For electronic voting, the Secretary shall utilize a system that verifies each voter's identity and maintains security.

3.3.8 Minutes of each meeting shall be prepared by the Secretary, published and circulated to each member of the Board and the Executive Vice

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

Chancellor for Health Affairs, and shall be available to each Member upon request. Posting the minutes on a website satisfies this requirement.

3.3.9 The rules of order for meetings shall be the current edition of *Robert's Rules of Order*.

**ARTICLE IV  
BOARD OF DIRECTORS**

4.1 **Powers.** The membership, governance, and scope of authority of the advisory Board are prescribed herein.

4.2 **Composition and Officers.** The Board shall be composed as follows:

4.2.1 Officers of the Board

- A. The Chair shall be the President of the Institution.
- B. The Vice-Chair shall be a Senior Clinical Administrator, such as the Executive Vice President & Physician-in-Chief or similarly titled and skilled senior level administrator who is qualified to serve, as determined by the President.
- C. The Treasurer shall be the Chief Business Officer of the Institution or other similarly skilled senior level administrator who is qualified to serve, as determined by the President.
- D. The Secretary shall be the Executive Director of the Plan, serving as an ex officio, nonvoting member of the Board; however, if the Executive Director of the Plan is a Member, he or she shall be a voting member of the Board.

4.2.2 Other Directors

- A. The Executive Vice President & Provost;
- B. Nine Clinical Division Heads from the following Divisions: Surgery, Cancer Medicine, Internal Medicine, Pediatrics, Cancer Prevention, Diagnostic Imaging, Radiation Oncology, Pathology and Laboratory Medicine, and Anesthesiology and Critical Care;
- C. Up to four members-at-large may be elected by the Members at their annual meeting. Such members may serve no more than two consecutive two-year terms, but may be eligible to serve after an interval of one year;



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- D. Nine Members each elected from one of the following Divisions: Surgery, Cancer Medicine, Internal Medicine, Pediatrics, Cancer Prevention, Diagnostic Imaging, Radiation Oncology, Pathology and Laboratory Medicine, and Anesthesiology and Critical Care. The faculty members of each of these Divisions shall develop a process, approved by the President, to nominate and elect these Members for two-year terms. In the event that an elected Member cannot complete his or her term, the runner-up from the previous election in that Division will serve the remainder of that term;
- E. The Chief Legal Officer of the Institution shall serve as an ex officio, nonvoting member of the Board;
- F. The Chief Medical Officer of the Plan shall serve as an ex officio member of the Board, with vote;
- G. The Chair of the Faculty Senate;
- H. Other persons may be appointed by the President as ex officio members of the Board without vote; and
- I. No clinical department shall have more than four voting members of the Board.

4.3 **Vacancy.** If a vacancy exists for a member-at-large, the Board shall appoint a replacement until the next annual election by the Members.

4.4 **Annual Meeting.** The Board will assume its responsibilities annually at its September meeting.

4.5 **Meetings.** The Board shall meet at least quarterly, on call of the Chair, or on the written petition of one-half of the Board. Minutes and attendance of all meetings and standing committees shall be recorded, and a copy, including all committee reports and attendance, shall be provided to the Executive Vice Chancellor for Health Affairs, if requested. Special meetings shall be held when called by the President or at the request of 50% of the directors.

4.6 **Manner of Meetings.** Meetings may be held in a manner determined by the President, including in-person meetings, teleconference, or written unanimous consent. Minutes of meetings by teleconference shall be prepared and filed in the same manner as any other meeting. A written consent in lieu of a meeting shall be in writing, describe the action to be taken, signed by each director, and authorized by the Board. Such consent shall have the same force and effect as a unanimous vote at a meeting.

4.7 **Quorum.** One-half of the Board shall constitute a quorum. A simple majority vote of directors present and voting shall prevail, provided, however, that any action taken by the Board is subject to approval by the President.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- 4.8 **Reports.** The Board shall report its actions, in writing, to the Members at the Members' annual meeting and by electronic posting on the PRS website.

**ARTICLE V  
THE PRESIDENT AND CHAIR OF THE BOARD**

- 5.1 **Authority.** The direction and management of the Plan and the control and disposition of its assets shall be vested in the President, who shall act as Chair of the Board, subject to the authority of the Executive Vice Chancellor for Health Affairs and/or the Regents, as set forth in these Bylaws and the Regents' *Rules and Regulations*, The University of Texas System policies, and Institution policies. The President may approve exceptions to the Plan to meet special teaching, research or clinical service requirements. The President shall have the authority to:
- 5.1.1 Make recommendations regarding faculty compensation, subject to the approval of the Executive Vice Chancellor for Health Affairs;
  - 5.1.2 Appoint a designee to carry out certain functions described herein;
  - 5.1.3 Appoint officers and directors to the Board as set forth in section 4.2, and ensure that all presidential appointees to the Board or committees described in Article VI have the appropriate skill and experience to carry out the duties assigned;
  - 5.1.4 Oversee committees of the Plan to ensure that each committee is diligently performing its assigned duties;
  - 5.1.5 Issue administrative procedures further defining implementation of this Plan, subject to the approval of the Executive Vice Chancellor for Health Affairs;
  - 5.1.6 Review amendments to the Plan proposed by the Members or the Board; propose amendments as appropriate to the Board, the Members, the Executive Vice Chancellor for Health Affairs, or the Regents; and transmit amendments to the Executive Vice Chancellor for Health Affairs, or the Regents, as appropriate; and
  - 5.1.7 Take such other action on behalf of the Plan and the Members as deemed necessary, in consultation with the Board.
- 5.2 **Consultation Requirements.** The President or a designee shall consult with the Faculty Compensation Advisory Committee and representative faculty groups, such as the Institution Faculty Senate, as appropriate, regarding proposed substantive revisions to the Faculty Compensation Plan described in section 9.1 of these Bylaws, before submitting such revisions to the Executive Vice Chancellor for Health Affairs for approval.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## ARTICLE VI COMMITTEES

6.1 **Standing Committees of the Board.** Members of the following standing committees shall be appointed by the President, in consultation with the Board, except as specifically designated herein. The President shall appoint the chair of each committee. Committee appointments are for two years and may be renewed for additional two year terms at the discretion of the President. All committees shall report to the Board, including Institutional committees that perform the described duties on behalf of the Plan.

6.1.1 The **Budget and Finance Committee** shall be chaired by the Senior Clinical Administrator and shall consist of the Chief Financial Officer, a Faculty Senate or similar faculty organization representative who is a Member, and at least three other members appointed by the President; at least one member shall not be a department chair. The duties of the Budget and Finance Committee shall include, but not be limited to:

- A. Developing annual operating and capital budgets for the Plan for approval by the Board;
- B. Reviewing and approving unbudgeted expenditures greater than \$25,000. for approval by the Board;
- C. Reviewing and approving financial reports for presentation to the Board;
- D. Reviewing the financial impact of proposed programs and services, and proposed capital investments, and reporting findings to the Board for approval;
- E. Recommending to the Board any action necessary to address budgetary changes or shortfalls.

6.1.2 The **Compliance and Ethics Committee** – The Institutional Compliance Committee shall act as the Compliance and Ethics Committee of the Plan. The duties of the Compliance and Ethics Committee shall include, but not be limited to:

- A. Developing and overseeing compliance plans, including training of faculty and staff, to assure that billing and collecting comply with local, state and federal statutes, rules and guidelines;
- B. Reviewing compliance reports and making appropriate recommendations to the Board;
- C. Reviewing findings of Professional Affairs and Audit Committees and making appropriate recommendations to the Board;

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- D. Reviewing departmental guidelines for supervision of residents and documentation standards and making appropriate recommendations to the Board;
- E. Making recommendations to the Audit Committee; and
- F. Complying with the Institutional Compliance Plan.

6.1.3 The **Professional Affairs Committee** – The Institutional Executive Committee of the Medical Staff shall act as the Professional Affairs Committee of the Plan. The duties of the Professional Affairs Committee shall include, but not be limited to:

- A. Reviewing and recommending action to the Board concerning membership in the Plan not expressly required by the Bylaws;
- B. Developing and overseeing a plan that assures appropriate credentialing and peer review of all Members of the Plan; and
- C. Developing and overseeing a quality improvement and patient safety program.

6.1.4 The **Audit Committee** – The Institutional Audit Committee shall serve as the Audit Committee of the Plan. The duties of the Audit Committee shall include, but not be limited to:

- A. Developing and overseeing an annual audit plan, to include audits of any entity contracted for business operations of the Plan;
- B. Reviewing audit reports and ensuring that findings and recommendations of the auditor are forwarded to the appropriate committees or departments;
- C. Monitoring the implementation of and compliance with the recommended corrective action, if any; and
- D. Making recommendations to the Board, as appropriate.

6.1.5 The **Faculty Compensation Advisory Committee** shall advise the Board on matters related to compensation. The chairs of the committee shall be the Executive Vice President & Physician-in-Chief and the Executive Vice President & Provost. The committee shall provide advice related to developing mechanisms for obtaining faculty input. A member of the Institution's Faculty Senate who is a Member of the Plan shall be appointed to the Faculty Compensation Advisory Committee. The duties of the Faculty Advisory Compensation Committee shall include, but not be limited to:



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- A. Reviewing and advising the Executive Council on compensation policies and programs for faculty members, including base salary and other salary components, minimum starting salaries, merit increases and ranges, benchmarking, promotional salary increments, salary compression, compensation rewards, punitive actions on individual compensation, and PRS supplemental annuity pay percentages and eligibility; and
- B. Developing, implementing and reviewing faculty benefit programs provided by the Plan and making related recommendations to the Executive Council.

6.2 **Meetings of Standing Committees.** Standing committees shall meet at least quarterly or on the call of the chair of the committee, keep minutes of the meetings, and report actions and recommendations, in writing, to the Board.

6.3 **Additional Committees.** The President, in consultation with the Board, may create other standing and *ad hoc* committees from among the directors or the Members to make recommendations upon specific matters. Committees may also be created at the request of a majority of the Members. Appointment to these committees shall be noted in the minutes of the Board, including any restriction on membership. The minutes shall be kept of committee meetings, and recommendations shall be submitted to the Board in writing. The Board may eliminate a standing committee as circumstances change, subject to the prior approval of the Executive Vice Chancellor for Health Affairs. Additional Standing Committees presently include the Clinical Revenue Cycle Committee and the PRS Retirement Board, as described below.

6.3.1 The **Clinical Revenue Cycle Committee** shall be chaired by a voting Member of the Plan who is appointed by the President. The duties of the Clinical Revenue Cycle Committee shall include, but not be limited to:

- A. Reviewing and monitoring business operations related to the patient revenue cycle;
- B. Providing input and guidance on development of policies and procedures for revenue, managed care contracting, collections and claims adjustment;
- C. Disseminating revenue cycle information to the faculty, the Faculty Senate, the Institutional Clinical Council, the PRS Executive Council, and the Institutional Management Committee;
- D. Reviewing billing audit information;
- E. Reviewing billing and collection activities and making recommendations to the Executive Council; and



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- F. Developing professional fee schedules for review and approval by the Executive Council.

6.3.2 The **PRS Retirement Board** shall be chaired by a voting Member of the Plan who is appointed by the President. In addition to membership expectations in Section 6.4 below, the President shall also appoint at least two retired faculty members and at least two individuals who are not and have not been employed by the Institution to the PRS Retirement Board. The duties of the PRS Retirement Board shall include, but not be limited to:

- A. Monitoring and assessing custodial and investment management of the PRS retirement plans;
- B. Recommending investment policy and performance objectives to the Executive Council;
- C. Monitoring changes, with appropriate legal and professional assistance, in federal and state laws that may alter fund management; and
- D. Reporting annually to the President and the Executive Council on performance of the PRS retirement plans and related activities.

6.4 **Standing Committee Membership.** In addition to the membership requirements in other sections of this Article, membership of Standing Committees may also include:

- 6.4.1 At least two members of the Executive Council, as voting members;
- 6.4.2 The PRS Medical Director, as a voting member;
- 6.4.3 The PRS Executive Director, as an ex officio, nonvoting member;
- 6.4.4 At least three Members holding a rank below the level of Department Chair shall serve on each Standing Committee, as voting members;
- 6.4.5. Whenever possible, one Member with vote from each of the following Institutional Divisions: Surgery, Cancer Medicine, Internal Medicine, Pediatrics, Cancer Prevention, Diagnostic Imaging, Radiation Oncology, Pathology and Laboratory Medicine, and Anesthesiology and Critical Care; and
- 6.4.6. If approved by the President, members of Institutional Basic Science Faculty as ex officio, nonvoting members.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## ARTICLE VII BUSINESS OPERATIONS

- 7.1 **Operating Budget.** The Budget and Finance Committee shall prepare an annual operating budget for all income and expenditures of the Plan for approval by the Board. Such approval shall be in accordance with the Budget Rules and Procedures of the Regents.
- 7.2 **Executive Director.** The President, in consultation with the Board, shall appoint an Executive Director of the Plan who shall serve as the general administrative officer and business manager of the Plan at the pleasure of the President.
- 7.2.1 The Executive Director shall be under the direction and supervision of the President or a designee.
- 7.2.2 The Executive Director shall prepare financial reports for the Plan, which shall be submitted to the Board at each regular meeting. Quarterly financial reports shall be submitted to and in a format approved by the Executive Vice Chancellor for Health Affairs.
- 7.2.3 The Executive Director shall maintain detailed records of all operational and financial information regarding the Plan.
- 7.3 **Chief Medical Officer.** The President, in consultation with the Board, shall appoint a Chief Medical Officer of the Plan who shall serve as the liaison between the Board and the Members to provide leadership in the development of business and operational strategies related to the Plan. The Chief Medical Officer shall oversee the credentialing, quality of care, and patient safety functions of the Plan.
- 7.4 **Business Office.** A Business Office shall be maintained for the Plan under the direction of the President or a designee, consistent with the rules, regulations, and policies of The University of Texas System and Institutional policies.
- 7.4.1 The President, in consultation with the Board, and subject to Regents' *Rules*, may contract with an entity to administer the business operations of the Plan, including but not limited to, strategic development, marketing, billing for and collection of professional fees, contracting for professional services, clinic operations, credentialing, and managed care operations. Contract oversight, reporting, corporate compliance, and financial audit of the entity are the responsibilities of the appropriate officers or committees of the Board. Contracting with an outside entity for billing and collection of professional fees requires the prior approval of the Executive Vice Chancellor for Health Affairs.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

7.4.2 Except as provided in section 7.4.1 above, professional fees and Plan-related technical fees shall be centrally billed and collected on behalf of the Plan by the business office for the Institution, in accordance with procedures developed by the Board and applicable policies of The University of Texas System and the Institution. All personnel in the business office who have responsibilities for billing and collection for professional services of the Members shall be under the control of and assigned for personnel matters to the director of the Institution's business office.

7.4.3 All collections received from the professional services of Members and all monies received from other sources of professional income described in section 8.3 below shall be deposited in the Institutional Trust Fund.

7.5 **Authorized Professional Business Expenditures.** Professional business expenditures authorized by the Regents are set forth in Appendix A.

**ARTICLE VIII  
INSTITUTIONAL TRUST FUND**

8.1 **Fund.** An Institutional Trust Fund has been established for the receipt and disbursement of Plan income.

8.2 **Audit.** The Institutional Trust Fund shall be audited in accordance with rules, regulations, and policies of The University of Texas System and the Institution. The cost of the audit shall be paid from the Institutional Trust Fund.

8.3 **Sources of Income.**

8.3.1 Pursuant to the Member's Memorandum of Appointment and Agreement of Participation with the Institution for participation in the Plan, each Member shall assign all professional income (including any technical component) to the Institutional Trust Fund, including, but not limited to:

A. Professional fees (and any other monies or material considerations provided in the context of medical services to patients) generated for all patient care services rendered by full-time faculty Members regardless of where rendered;

B. Professional fees (and any other monies or material considerations provided in the context of medical services to patients) generated for all patient care services rendered by part-time faculty Members, if such fees are generated in connection with the Member's appointment;

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- C. Fees for all court appearances, depositions, expert testimony, or legal consultations; and
- D. Gifts of cash or cash equivalents provided in the context of patient-care activities. Such gifts, if accepted, shall be promptly delivered to the office of the Executive Director and will then be credited to the recipient's Department for research use, to be divided 50/50 between the recipient's research account and the Department's research account.

8.3.2 The following are not professional income and may be retained by the Member:

- A. Honoraria, defined as payments by entities outside The University of Texas System for occasional lectures and similar public appearances beyond normal academic responsibilities to the Institution, that are not in return for other services related to the Member's appointment to the faculty and that are in compliance with Section 36.07 of the *Texas Penal Code*, whether given directly or indirectly;
- B. Royalties, defined as shares or proceeds for contributions as authors or inventors, as permitted under The University of Texas System's copyright and patent policies;
- C. Payment for editing scientific publications;
- D. Prizes, defined as gifts in recognition of personal achievement and not for services rendered;
- E. Income from a profession or activity unrelated to the training and experience which is the individual's qualification for appointment to the faculty, as determined by the department chair in consultation with the President; and
- F. Tangible and non-tangible noncash gifts, only as permitted by State law or The University of Texas System or Institution policy or rule.

8.3.3 Payments to Members from pharmaceutical, medical device, biotechnology, or related industries, as well as stipends for serving on boards of directors or advisory boards, shall be addressed in an Institutional policy governing such activities and the receipt of such payments. The policy also shall address conflicts of interest, conflicts of commitment with faculty responsibilities related to income from outside professional activities, and the maximum income that the Member can



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

retain from outside professional activities. The policy must be approved by the Executive Vice Chancellor for Health Affairs.

- 8.3.4 Income may be accepted from voluntary and part-time faculty who are not Members of the Plan, at the discretion of the individual, upon the recommendation of the department chair, and approval of the President.
- 8.3.5 Other income not specifically described above shall be reported to the President or a designee, who shall determine whether such income will be considered professional income.
- 8.4 **Reports.** Each Member shall file a report annually regarding outside professional activities from which the Member retained income in accordance with institutional policy. The policy must be approved by the Executive Vice Chancellor for Health Affairs.
- 8.5 **Determination of Professional Fees.** The Clinical Revenue Cycle Committee shall prepare a fee schedule, which shall be used for billing purposes, subject to approval by the President, in consultation with the Board. Substantive changes in the fee schedule must be approved by the President. Guidelines for discounting fees, if any, will be developed by the Board.

**ARTICLE IX  
FACULTY COMPENSATION**

- 9.1 **Components of Faculty Compensation.** The Institution's Faculty Compensation Plan ("Compensation Plan") is a separate document that describes a process to compensate faculty performance and maintain and enhance faculty excellence in support of patient care, education, and research. The Compensation Plan shall be comprised of three major components with subparts as determined by the President after consulting with faculty as required in section 5.2. The three components are (a) Base Salary, (b) Supplemental Compensation, and (c) Incentive Compensation. The term total compensation refers to the aggregate compensation derived from these three components.
  - 9.1.1 **Base Salary.** Base Salary is that part of a Member's salary based on a Member's academic rank and specialty. Base Salary shall be designated annually in the Member's Memorandum of Appointment. Base Salary may be derived from any reasonable method, such as salary survey results by nationally recognized organizations that are commonly relied upon by university health institutions to establish similar types of compensation.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

9.1.2 Supplemental Compensation. Supplemental Compensation is that part of a Members' annual fixed compensation stated in the Memorandum of Appointment that is determined by a Member's administrative duties while performed, and other positions, tasks, responsibilities or contributions that are duly assigned to the Member and for which compensation is not received as either Base Salary or Incentive Compensation.

9.1.3. Incentive Compensation. Incentive compensation, if any, is that part of a Member's compensation for performance that is not fixed and is determined through the application of an established and equitably applied formula that rewards outstanding performance and productivity and also factors in any negative aspects of a Members' performance or productivity. Incentive compensation may be based on any aspect of a Member's duties, such as teaching, research, public service, clinical productivity, awards of grants or other types of research funding, teaching, service to the institution or any other facet of job performance.

9.2 **Appeal of Compensation Determination.** A Member may appeal a compensation determination according to the appeals procedure set forth in the Compensation Plan.

9.3 **Compensation Plan.** The Compensation Plan is subject to approval by the Executive Vice Chancellor for Health Affairs.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

**ARTICLE X  
GENERAL PROVISIONS**

- 10.1 **Compliance and Ethics.** Each Member shall abide by the ethical standards and principles of the state and national professional associations of the Member's discipline. Each Member shall comply with federal, state and local laws and regulations.
- 10.2 **Sarbanes-Oxley Act of 2002.** The Board and the Executive Director shall, with respect to the operation of the Plan, implement the spirit of the Sarbanes-Oxley Act of 2002, consistent with The University of Texas System and Institution policies and rules related to financial activities and reporting, and the codes of ethics of the System and the Institution.
- 10.3 **Amendments.** These Bylaws have been developed within the standard format approved by the Regents. Substantive amendments may be made only upon approval by the Regents. Nonsubstantive amendments may be approved upon written request of the Executive Vice Chancellor for Health Affairs. All proposed amendments shall be submitted to the Executive Vice Chancellor for Health Affairs, who will determine whether the approval of the Regents is required.
- 10.3.1 Recommendations for amendments to these Bylaws may be made by two-thirds of the Members voting at a special meeting called for the purpose, the Board, or the President.
- 10.3.2 Recommendation for substantive amendments to these Bylaws requires a two-thirds vote of a quorum of the Members at any regular meeting of the Members or a meeting called specifically for this purpose, provided that the proposed amendments shall have been submitted by written notice (which may be by email or other electronic communication) to the Members not less than thirty days prior to the meeting at which the amendment is brought to a vote.
- 10.3.3 Notice of proposed amendments to these Bylaws shall include the complete text of the proposed amendments.
- 10.3.4 Substantive amendments shall become effective upon approval of the Regents. Nonsubstantive amendments may be approved by the Executive Vice Chancellor for Health Affairs, and shall become effective upon such approval.
- 10.4 **Dissolution.** The Plan may be dissolved by the Regents or by applicable law. All monies residual in the Institutional Trust Fund shall be used to discharge obligations of the Plan with the balance to become the property of the Institution.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

10.5 **Plan is Not a Contract.** This Plan does not constitute a contract or grant any rights beyond which any person is already entitled. The Regents retain the right to modify or terminate the Plan at any time.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## APPENDIX A

### AUTHORIZED PROFESSIONAL BUSINESS EXPENDITURES

<u>Authorized Business Expense</u>	<u>Maximum</u>
1. Malpractice Insurance	U. T. System self-insurance rates
2. Official travel, including registration fees (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with policy and limits, established by U. T. System and the Institution not to exceed actual expense
3. Faculty Development Leave	In accordance with the Regents' <i>Rules and Regulations</i> and Institutional policy
4. Uniforms or Lab Coats	Through Institutional purchasing
5. Membership Dues in Professional Scientific Organizations, Faculty Clubs, Medical Center clubs, or equivalent	In accordance with Institutional policy. Faculty Clubs, Medical Center clubs, or equivalent with President's approval
6. Texas State Clinical License Fee, including Texas Medical Board License	Annual fee; reimbursement expenditure only
7. Medically-Related Educational Aids	In accordance with Institutional policy
8. Base Salary, Supplemental Compensation, and Incentive Compensation	In accordance with Institutional and U. T. System policy
9. Purchase, maintenance and operation of equipment and operation of U. T. System facilities	In accordance with Institutional policy
10. Ordinary and necessary business expenses incurred by the Member in earning the professional fees charged by said Member, excluding entertainment (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with Institutional policy

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

<u>Authorized Business Expense</u>	<u>Maximum</u>
11. Registration fees and tuition incident to attendance at meetings and courses as requested or approved by Institution	In accordance with Institutional policy
12. Consultant fees and expenses, including guest speakers at official institutionally sponsored or approved meetings	In accordance with U. T. System and Institutional policy
13. Expenses incident to faculty or staff recruitment (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with Institutional policy
14. Establishment or endowment of programs, professorships, or chairs	In accordance with U. T. System and Institutional policy
15. Support of academic programs and projects involving education, research or patient care	In accordance with Institutional policy
16. Institutional participation in community, organizations or events	In accordance with Institutional policy
17. Official Institutional Functions and Official Entertainment Official entertainment is defined as business-related events or expenditures which are of documented benefit to the Institution or the U. T. System.	In accordance with Institutional policy, provided, however, prior presidential approval is required for any expenditures greater than \$2,500 A quarterly report of all expenditures approved in this category shall be filed with the Executive Vice Chancellor for Health Affairs.
<ul style="list-style-type: none"> <li>• No MSRDP/PRS funds may be expended for the benefit of any single individual person or Member except as herein approved.</li> <li>• All requests for reimbursement must contain adequate documentation and must be signed by the person seeking reimbursement.</li> <li>• All expenditures are subject to the <i>Rules and Regulations</i> of the Board of Regents of the U. T. System and applicable institutional regulations and procedures. This list of authorized expenditures may be periodically amended by action of the Executive Vice Chancellor for Health Affairs.</li> </ul>	

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

**BYLAWS OF  
THE UNIVERSITY OF TEXAS  
HEALTH SCIENCE CENTER AT TYLER  
MSRDP FACULTY PRACTICE PLAN**

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

**BYLAWS OF  
THE UNIVERSITY OF TEXAS  
HEALTH SCIENCE CENTER AT TYLER  
MSRDP FACULTY PRACTICE PLAN**

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4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## **ARTICLE I PURPOSE**

The Purpose of the MSRDP Faculty Practice Plan ("Plan") is to manage and hold in trust the professional income of faculty members at The University of Texas Health Science Center at Tyler. The Plan's goal is to promote excellence in teaching, research, clinical service, and administration through clinical practice and compensation strategies that will contribute to and safeguard the Institution's continued growth in excellence. The Plan sets forth a general framework for compensating faculty that will attract and retain outstanding faculty by rewarding performance, clinical innovation and productivity, research, teaching, and administrative excellence; providing fairness and consistency in compensation determinations; and aligning faculty performance with the Institution's mission.

## **ARTICLE II DEFINITIONS**

- 2.1 **Board of Directors or Board** means the advisory board that makes recommendations to the President of the Institution regarding the direction and management of this Plan as set forth in these Bylaws.
- 2.2 **Board of Regents or Regents** means the governing body of The University of Texas System, which has the ultimate jurisdiction and responsibility to govern, operate, support, and maintain each institution of The University of Texas System.
- 2.3 **Chair of the Board** means the President of the Institution.
- 2.4 **Executive Vice Chancellor for Health Affairs** of The University of Texas System means the individual appointed to that position by the Regents who has the authority granted by the *Rules and Regulations* of the Board of Regents and the specific responsibilities set forth in these Bylaws.
- 2.5 **Institution** means The University of Texas Health Science Center at Tyler.
- 2.6 **Institutional Trust Fund** means the fund established for the deposit and distribution of revenues generated and disbursed according to this Plan.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)
  
- 2.7 **Member** means faculty members who are designated to participate in this Plan by the President or a designee, as more fully described in section 3.1.
  
- 2.8 **Plan** means this MSRDP Faculty Practice Plan, otherwise known as the Medical Service, Research and Development Plan (“MSRDP”).
  
- 2.9 **President** means the person appointed by the Regents to serve as President of the Institution and who shall act as Chair of the Board of the Plan. All references to the President herein also refer to the President’s role and actions as Chair of the Board.
  
- 2.10 **Senior Clinical Administrator** means the officer or individual within the Institution with significant clinical experience and expertise who is appropriately qualified to perform the functions of the role to which he or she is appointed.

### **ARTICLE III MEMBERS**

- 3.1 **Membership.** Membership in the Plan is mandatory for each faculty member whose appointment is 50% or greater, if the Member generates professional income as defined in section 8.3. Other part-time faculty members may become Members upon recommendation of the department chair and approval of the President or a designee. This Plan may apply to faculty members who do not generate professional income, as determined by the President at the time of appointment or reappointment of the Member.
  - 3.1.1 All Members shall be entitled to vote upon business brought before the membership and be eligible for election or appointment to a committee of the Plan.
  - 3.1.2 A Member leaving the faculty for any reason terminates membership in the Plan without recourse.
  
- 3.2 **Memorandum of Appointment and Agreement of Participation.** A Memorandum of Appointment and an Agreement of Participation assigning professional income to the Plan shall be executed annually between each Member and the Institution, in a form prescribed by the Executive Vice Chancellor for Health Affairs, and are a condition for membership and



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

participation in the Plan. Any delay, error or failure to execute these two documents does not relieve a Member of the requirement that all of his or her professional income shall be assigned to the Plan.

- 3.3 **Meeting of the Members.** The Members shall meet in general session at least annually in September at a place designated by the President, and at other times at the call of the President. Notice of the annual meeting shall be distributed to each Member at least 14 days prior to the meeting. At least 30 days prior to the annual meeting, the President shall appoint a nominating committee to submit nominations for members-at-large to the Members. [Nominations for members-at-large may be made from the floor if the Member nominated has agreed to the nomination.] At its annual meeting, the Members shall elect two members-at-large to serve on the Board.

- 3.3.1 Special meetings may be called by the Board, the President, or upon written petition of one-third of the Members, subject to 14 days notice in writing to all Members. The time, place, and date of the meeting shall be determined by the Board, and the group requesting the special meeting shall state the purpose.

- 3.3.2 The President or in his or her absence, the Vice-Chair, shall preside.

- 3.3.3 The Secretary of the Board shall serve as Secretary of the Plan.

- 3.3.4 One-fourth of the Members shall constitute a quorum.

- 3.3.5 Proxies shall not be allowed.

- 3.3.6 Unless otherwise specified herein, a simple majority of a quorum present and voting shall constitute a prevailing vote.

- 3.3.7 Mail or electronic votes may be called at the discretion of the President. On matters requiring a vote of the Members, at least fourteen calendar days before the deadline for completion of voting, the Secretary shall provide to each voter, either through the mail or electronically, a mail ballot or instructions for voting electronically, accompanied by background information prepared by the Secretary as the Board may direct, and a deadline for the return of the mail ballots or for electronic voting.

- A. In the case of mail ballots, each voter shall receive a plain envelope in which to enclose a marked ballot, and a second envelope addressed to the Secretary to be used for the return of

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

the sealed ballot. The envelope addressed to the Secretary shall have a space for the signature of the voter. Ballots lacking this validating signature shall be deemed void.

- B. For electronic voting, the Secretary shall utilize a system that verifies each voter's identity and maintains security.
- 3.3.8 Minutes of each meeting shall be prepared by the Secretary, published and circulated to each member of the Board and the Executive Vice Chancellor for Health Affairs, and shall be available to each Member upon request. Posting the minutes on a website satisfies this requirement.
- 3.3.9 The rules of order for meetings shall be the current edition of *Robert's Rules of Order*.

#### **ARTICLE IV BOARD OF DIRECTORS**

- 4.1 **Powers.** The membership, governance, and scope of authority of the advisory Board are prescribed herein.
- 4.2 **Composition and Officers.** The Board shall be composed as follows:
- 4.2.1 Officers of the Board
- A. The Chair shall be the President of the Institution.
- B. The Vice-Chair shall be the Senior Clinical Administrator, such as the Dean of the School of Medicine or similarly titled and skilled senior level administrator who is qualified to serve, as determined by the President.
- C. The Treasurer shall be the Chief Business Officer of the Institution or other similarly skilled senior level administrator who is qualified to serve, as determined by the President.
- D. The Secretary shall be the Executive Director of the Plan, serving as an ex officio, nonvoting member of the Board; however, if the Executive Director of the Plan is a Member, he or she shall be a voting member of the Board.
- 4.2.2 Other Directors



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- A. Chairpersons of clinical departments;
- B. Four members-at-large will be elected by the Members (with two elected each year with two-year terms);
- C. Two members appointed by the President with vote with one-year terms;
- D. The Chief Legal Officer of the Institution shall serve as an ex officio, nonvoting member of the Board;
- E. The Chief of Staff shall serve as an ex officio, nonvoting member of the Board;
- F. Other persons may be appointed by the President as ex officio members of the Board without vote.

4.3 **Vacancy.** If a vacancy exists for a member-at-large, the Board shall appoint a replacement until the next annual election by the Members.

4.4 **Annual Meeting.** The Board will assume its responsibilities annually at its November meeting.

4.5 **Meetings.** The Board shall meet at least quarterly, on call of the Chair, or on the written petition of one-half of the Board. Minutes and attendance of all meetings and standing committees shall be recorded, and a copy, including all committee reports and attendance, shall be provided to the Executive Vice Chancellor for Health Affairs, if requested. Special meetings shall be held when called by the President or at the request of 50% of the directors.

4.6 **Manner of Meetings.** Meetings may be held in a manner determined by the President, including in-person meetings, teleconference, or written unanimous consent. Minutes of meetings by teleconference shall be prepared and filed in the same manner as any other meeting. A written consent in lieu of a meeting shall be in writing, describe the action to be taken, signed by each director, and authorized by the Board. Such consent shall have the same force and effect as a unanimous vote at a meeting.

4.7 **Quorum.** One-half of the Board shall constitute a quorum. A simple majority vote of directors present and voting shall prevail, provided, however, that any action taken by the Board is subject to approval by the President.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)
- 4.8 **Reports.** The Board shall report its actions, in writing, to the Members at the Members' annual meeting.

## ARTICLE V THE PRESIDENT AND CHAIR OF THE BOARD

- 5.1 **Authority.** The direction and management of the Plan and the control and disposition of its assets shall be vested in the President, who shall act as Chair of the Board, subject to the authority of the Executive Vice Chancellor for Health Affairs and/or the Regents, as set forth in these Bylaws and the Regents' *Rules and Regulations*, The University of Texas System policies, and Institution policies. The President may approve exceptions to the Plan to meet special teaching, research or clinical service requirements. The President shall have the authority to:
  - 5.1.1 Make recommendations regarding faculty compensation, subject to the approval of the Executive Vice Chancellor for Health Affairs;
  - 5.1.2 Appoint a designee to carry out certain functions described herein;
  - 5.1.3 Appoint officers and directors to the Board as set forth in section 4.2, and ensure that all presidential appointees to the Board or committees described in Article VI have the appropriate skill and experience to carry out the duties assigned;
  - 5.1.4 Oversee committees of the Plan to ensure that each committee is diligently performing its assigned duties;
  - 5.1.5 Issue administrative procedures further defining implementation of this Plan, subject to the approval of the Executive Vice Chancellor for Health Affairs;
  - 5.1.6 Review amendments to the Plan proposed by the Members or the Board; propose amendments as appropriate to the Board, the Members, the Executive Vice Chancellor for Health Affairs, or the Regents; and transmit amendments to the Executive Vice Chancellor for Health Affairs, or the Regents, as appropriate; and
  - 5.1.7 Take such other action on behalf of the Plan and the Members as deemed necessary, in consultation with the Board.
- 5.2 **Consultation Requirements.** The President or a designee shall consult with the Faculty Compensation Advisory Committee and representative faculty groups, such as the Institution Faculty Senate, as appropriate,



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

regarding proposed substantive revisions to the Faculty Compensation Plan described in section 9.1 of these Bylaws, before submitting such revisions to the Executive Vice Chancellor for Health Affairs for approval.

## **ARTICLE VI COMMITTEES**

6.1 **Standing Committees of the Board.** Members of the following standing committees shall be appointed by the President, in consultation with the Board, except as specifically designated herein. The President shall appoint the chair of each committee. Committee appointments are for two years and may be renewed for additional two year terms at the discretion of the President. All committees shall report to the Board, including Institutional committees that perform the described duties on behalf of the Plan.

6.1.1 The **Executive Committee** shall be chaired by the President and shall include the officers of the Board, the directors and additional members appointed by the President to make recommendations or decisions between meetings on behalf of the Board.

6.1.2 The **Budget and Finance Committee** shall be chaired by the Chief Business Officer and shall consist of a committee of the whole of the Executive Committee and a faculty representative of the Clinical Faculty Assembly if none is on the Executive Committee. The duties of the Budget and Finance Committee shall include, but not be limited to:

- A. Developing annual operating and capital budgets for the Plan for approval by the Board;
- B. Reviewing and approving unbudgeted expenditures greater than \$25,000 for approval by the Board;
- C. Reviewing and approving financial reports for presentation to the Board;
- D. Reviewing billing and collection activities and making appropriate recommendations to the Board;
- E. Reviewing the financial impact of proposed programs and services, and proposed capital investments, and reporting findings to the Board for approval;

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

- F. Developing professional fee schedules for approval by the Board; and
- G. Recommending to the Board any action necessary to address budgetary changes or shortfalls.

6.1.3 The **MSRDP Compliance and Ethics Committee** shall be made up of the Institutional Compliance Committee and MSRDP business will be a regular agenda item for review and discussion. The Institutional Compliance Committee through the Senior Clinical Administrator will report all findings to the MSRDP Executive Committee and Board. The duties of the Institutional Compliance Committee with regard to the MSRDP shall include, but not be limited to:

- A. Developing and overseeing compliance plans, including training of faculty and staff, to assure that billing and collecting comply with local, state and federal statutes, rules and guidelines;
- B. Reviewing compliance reports and making appropriate recommendations to the Board;
- C. Reviewing findings of Professional Affairs and Audit Committees and making appropriate recommendations to the Board;
- D. Reviewing departmental guidelines for supervision of residents and documentation standards and making appropriate recommendations to the Board;
- E. Making recommendations to the Audit Committee; and
- F. Complying with the Institutional Compliance Plan.

6.1.4 The **Professional Affairs Committee** shall be chaired by the Senior Clinical Administrator and shall include a committee of the whole of the Executive Committee. The duties of the Professional Affairs Committee shall include, but not be limited to:

- A. Reviewing and recommending action to the Board concerning membership in the Plan not expressly required by the Bylaws;
- B. Developing and overseeing a plan that assures appropriate credentialing and peer review of all Members of the Plan; and
- C. Developing and overseeing a quality improvement and patient safety program.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

6.1.5 The **Audit Committee** shall be the Institutional Audit Committee and a report shall be made to the MSRDP Executive Committee and Board as to any audit issues including, but not be limited to:

- A. Developing and overseeing an annual audit plan, to include audits of any entity contracted for business operations of the Plan;
- B. Reviewing audit reports and ensuring that findings and recommendations of the auditor are forwarded to the appropriate committees or departments;
- C. Monitoring the implementation of and compliance with the recommended corrective action, if any; and
- D. Making recommendations to the Board, as appropriate.

6.1.6 The **Faculty Compensation Advisory Committee** shall meet quarterly to determine if the plan is working as it should and to advise the Board on matters related to compensation. The chair of the Faculty Compensation Committee shall be a member of the MSRDP appointed by the President. The committee shall provide advice related to developing mechanisms for obtaining faculty input. The committee, one of which shall be a member of the Clinical Faculty Assembly, shall be appointed by the President and approved by the Executive Committee of the Board of Directors.

6.2 **Meetings of Standing Committees.** Standing committees shall meet at least quarterly or on the call of the chair of the committee, keep minutes of the meetings, and report actions and recommendations, in writing, to the Board.

6.3 **Additional Committees.** The President, in consultation with the Board, may create other standing and *ad hoc* committees from among the directors or the Members to make recommendations upon specific matters. Committees may also be created at the request of a majority of the Members. Appointment to these committees shall be noted in the minutes of the Board, including any restriction on membership. The minutes shall be kept of committee meetings, and recommendations shall be submitted to the Board in writing. The Board may eliminate a standing committee as circumstances change, subject to the prior approval of the Executive Vice Chancellor for Health Affairs.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## ARTICLE VII BUSINESS OPERATIONS

- 7.1 **Operating Budget.** The Budget and Finance Committee shall prepare an annual operating budget for all income and expenditures of the Plan for approval by the Board. Such approval shall be in accordance with the Budget Rules and Procedures of the Regents.
- 7.2 **Executive Director.** The President, in consultation with the Board, shall appoint an Executive Director of the Plan who shall serve as the general administrative officer and business manager of the Plan at the pleasure of the President.
  - 7.2.1 The Executive Director shall be under the direction and supervision of the President or a designee.
  - 7.2.2 The Executive Director shall prepare financial reports for the Plan, which shall be submitted to the Board at each regular meeting. Quarterly financial reports shall be submitted to and in a format approved by the Executive Vice Chancellor for Health Affairs.
  - 7.2.3 The Executive Director shall maintain detailed records of all operational and financial information regarding the Plan.
- 7.3 **Senior Clinical Administrator.** The President, in consultation with the Board, shall appoint a Senior Clinical Administrator of the Plan who shall serve as the liaison between the Board and the Members to provide leadership in the development of business and operational strategies related to the Plan. The Senior Clinical Administrator shall oversee the credentialing, quality of care, and patient safety functions of the Plan in consultation with the Chief of Staff of UTHSCT Hospital.
- 7.4 **Business Office.** A Business Office shall be maintained for the Plan under the direction of the President or a designee, consistent with the rules, regulations, and policies of The University of Texas System and Institutional policies.
  - 7.4.1 The President, in consultation with the Board, and subject to Regents' *Rules*, may contract with an entity to administer the business operations of the Plan, including but not limited to, strategic development, marketing, billing for and collection of professional



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

fees, contracting for professional services, clinic operations, credentialing, and managed care operations. Contract oversight, reporting, corporate compliance, and financial audit of the entity are the responsibilities of the appropriate officers or committees of the Board. Contracting with an outside entity for billing and collection of professional fees requires the prior approval of the Executive Vice Chancellor for Health Affairs.

7.4.2 Except as provided in section 7.4.1 above, professional fees and Plan-related technical fees shall be centrally billed and collected by the business office for the Plan, in accordance with procedures developed by the Board and applicable policies of The University of Texas System and the Institution. All personnel in the business office who have responsibilities for billing and collection for professional services of the Members shall be under the control of and assigned for personnel matters to the Executive Director or his designee in the Business Office.

7.4.3 All collections received from the professional services of Members and all monies received from other sources of professional income described in section 8.3 below shall be deposited in the Institutional Trust Fund.

7.5 **Authorized Professional Business Expenditures.** Professional business expenditures authorized by the Regents are set forth in Appendix A.

## ARTICLE VIII INSTITUTIONAL TRUST FUND

8.1 **Fund.** An Institutional Trust Fund has been established for the receipt and disbursement of Plan income.

8.2 **Audit.** The Institutional Trust Fund shall be audited in accordance with rules, regulations, and policies of The University of Texas System and the Institution. The cost of the audit shall be paid from the Institutional Trust Fund.

8.3 **Sources of Income.**

8.3.1 Pursuant to the Member's Memorandum of Appointment and Agreement of Participation with the Institution for participation in

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

the Plan, each Member shall assign all professional income (including any technical component) to the Institutional Trust Fund, including, but not limited to:

- A. Professional fees (and any other monies or material considerations provided in the context of medical services to patients) generated for all patient care services rendered by full-time faculty Members regardless of where rendered;
- B. Professional fees (and any other monies or material considerations provided in the context of medical services to patients) generated for all patient care services rendered by part-time faculty Members, if such fees are generated in connection with the Member's appointment;
- C. Fees for all court appearances, depositions, expert testimony, or legal consultations; and
- D. Gifts of cash or cash equivalents provided in the context of patient-care activities.

8.3.2 The following are not professional income and may be retained by the Member:

- A. Honoraria, defined as payments by entities outside The University of Texas System for occasional lectures and similar public appearances beyond normal academic responsibilities to the Institution, that are not in return for other services related to the Member's appointment to the faculty and that are in compliance with Section 36.07 of the *Texas Penal Code*, whether given directly or indirectly;
- B. Royalties, defined as shares or proceeds for contributions as authors or inventors, as permitted under The University of Texas System's copyright and patent policies;
- C. Payment for editing scientific publications;
- D. Prizes, defined as gifts in recognition of personal achievement and not for services rendered;
- E. Income from a profession or activity unrelated to the training and experience which is the individual's qualification for



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

appointment to the faculty, as determined by the department chair in consultation with the President; and

- F. Tangible and non-tangible noncash gifts, only as permitted by State law or The University of Texas System or Institution policy or rule.

8.3.3 Payments to Members from pharmaceutical, medical device, biotechnology, or related industries, as well as stipends for serving on boards of directors or advisory boards, shall be addressed in an Institutional policy governing such activities and the receipt of such payments. The policy also shall address conflicts of interest, conflicts of commitment with faculty responsibilities related to income from outside professional activities, and the maximum income that the Member can retain from outside professional activities. The policy must be approved by the Executive Vice Chancellor for Health Affairs.

8.3.4 Income may be accepted from voluntary and part-time faculty who are not Members of the Plan, at the discretion of the individual, upon the recommendation of the department chair, and approval of the President.

8.3.5 Other income not specifically described above shall be reported to the President or a designee, who shall determine whether such income will be considered professional income.

8.4 **Reports.** Each Member shall file a report annually regarding outside professional activities from which the Member retained income in accordance with institutional policy. The policy must be approved by the Executive Vice Chancellor for Health Affairs.

8.5 **Determination of Professional Fees.** The Budget and Finance Committee shall prepare a fee schedule, which shall be used for billing purposes, subject to approval by the President, in consultation with the Board. Substantive changes in the fee schedule must be approved by the President. Guidelines for discounting fees, if any, will be developed by the Board.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## ARTICLE IX FACULTY COMPENSATION

- 9.1 **Components of Faculty Compensation.** The Institution's Faculty Compensation Plan ("Compensation Plan") is a separate document that describes a process to compensate faculty performance and maintain and enhance faculty excellence in support of patient care, education, and research. The Compensation Plan shall be comprised of three major components with subparts as determined by the President after consulting with faculty as required in section 5.2. The three components are (a) Base Salary, (b) Supplemental Compensation, and (c) Incentive Compensation. The term total compensation refers to the aggregate compensation derived from these three components.
  - 9.1.1 Base Salary. Base Salary is that part of a Member's salary based on a Member's academic rank. Base Salary shall be designated annually in the Member's Memorandum of Appointment. Base Salary may be derived from any reasonable method, such as salary survey results by nationally recognized organizations that are commonly relied upon by university health institutions to establish similar types of compensation.
  - 9.1.2 Supplemental Compensation. Supplemental Compensation is that part of a Members' annual fixed compensation stated in the Memorandum of Appointment that is determined by a Member's area of practice or specialty, administrative duties while performed, and other positions, tasks, responsibilities or contributions that are duly assigned to the Member and for which compensation is not received as either Base Salary or Incentive Compensation.
  - 9.1.3. Incentive Compensation. Incentive compensation, if any, is that part of a Member's compensation for performance that is not fixed and is determined through the application of an established and equitably applied formula that rewards outstanding performance and productivity and also factors in any negative aspects of a Members' performance or productivity. Incentive compensation may be based on any aspect of a Member's duties, such as teaching, research, public service, clinical productivity, awards of grants or other types of research funding, teaching, service to the institution or any other facet of job performance.



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)
  
- 9.2 **Appeal of Compensation Determination.** A Member may appeal a compensation determination according to the appeals procedure set forth in the Compensation Plan.
  
- 9.3 **Compensation Plan.** The Compensation Plan is subject to approval by the Executive Vice Chancellor for Health Affairs.

## ARTICLE X GENERAL PROVISIONS

- 10.1 **Compliance and Ethics.** Each Member shall abide by the ethical standards and principles of the state and national professional associations of the Member's discipline. Each Member shall comply with federal, state and local laws and regulations.
  
- 10.2 **Sarbanes-Oxley Act of 2002.** The Board and the Executive Director shall, with respect to the operation of the Plan, implement the spirit of the Sarbanes-Oxley Act of 2002, consistent with The University of Texas System and Institution policies and rules related to financial activities and reporting, and the codes of ethics of the System and the Institution.
  
- 10.3 **Amendments.** These Bylaws have been developed within the standard format approved by the Regents. Substantive amendments may be made only upon approval by the Regents. Nonsubstantive amendments may be approved upon written request of the Executive Vice Chancellor for Health Affairs. All proposed amendments shall be submitted to the Executive Vice Chancellor for Health Affairs, who will determine whether the approval of the Regents is required.
  - 10.3.1 Recommendations for amendments to these Bylaws may be made by greater than 50% of the Members voting at a special meeting called for the purpose, the Board, or the President.
  
  - 10.3.2 Recommendation for substantive amendments to these Bylaws requires a two-thirds vote of a quorum of the Members at any regular meeting of the Members or a meeting called specifically for this purpose, provided that the proposed amendments shall have been submitted by written notice (which may be by email or other electronic communication) to the Members not less than thirty days prior to the meeting at which the amendment is brought to a vote.

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

10.3.3 Notice of proposed amendments to these Bylaws shall include the complete text of the proposed amendments.

10.3.4 Substantive amendments shall become effective upon approval of the Regents. Nonsubstantive amendments may be approved by the Executive Vice Chancellor for Health Affairs, and shall become effective upon such approval.

10.4 **Dissolution.** The Plan may be dissolved by the Regents or by applicable law. All monies residual in the Institutional Trust Fund shall be used to discharge obligations of the Plan with the balance to become the property of the Institution.

10.5 **Plan is Not a Contract.** This Plan does not constitute a contract or grant any rights beyond which any person is already entitled. The Regents retain the right to modify or terminate the Plan at any time.

*Approved by The University of Texas System Board of Regents:*

*Approved by the UTHSCT MSRDP Membership:*

August 1, 2008

4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

## APPENDIX A

### AUTHORIZED PROFESSIONAL BUSINESS EXPENDITURES

<u>Authorized Business Expense</u>	<u>Maximum</u>
1. Malpractice Insurance	U. T. System self-insurance rates
2. Official travel, including registration fees (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with policy and limits, established by U. T. System and the Institution not to exceed actual expense
3. Faculty Development Leave	In accordance with the Regents' <i>Rules and Regulations</i> and Institutional policy
4. Uniforms or Lab Coats	Through Institutional purchasing
5. Membership Dues in Professional Scientific Organizations, Faculty Clubs, Medical Center clubs, or equivalent	In accordance with Institutional policy. Faculty Clubs, Medical Center clubs, or equivalent with President's approval
6. Texas State Clinical License Fee, including Texas Medical Board License	Annual fee; reimbursement expenditure only
7. Medically-Related Educational Aids	In accordance with Institutional policy
8. Base Salary, Supplemental Compensation, and Incentive Compensation	In accordance with Institutional and U. T. System policy
9. Purchase, maintenance and operation of equipment and operation of U. T. System facilities	In accordance with Institutional policy
10. Ordinary and necessary business expenses incurred by the Member in earning the professional fees charged by said Member, excluding entertainment (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with Institutional policy



4. U. T. System: Report and discussion related to changes to faculty practice plan bylaws (cont.)

<u>Authorized Business Expense</u>	<u>Maximum</u>
11. Registration fees and tuition incident to attendance at meetings and courses as requested or approved by Institution	In accordance with Institutional policy
12. Consultant fees and expenses, including guest speakers at official institutionally sponsored or approved meetings	In accordance with U. T. System and Institutional policy
13. Expenses incident to faculty or staff recruitment (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with Institutional policy
14. Establishment or endowment of programs, professorships, or chairs	In accordance with U. T. System and Institutional policy
15. Support of academic programs and projects involving education, research or patient care	In accordance with Institutional policy
16. Institutional participation in community, organizations or events	In accordance with Institutional policy
17. Official Institutional Functions and Official Entertainment Official entertainment is defined as business-related events or expenditures which are of documented benefit to the Institution or the U. T. System.	In accordance with Institutional policy, provided, however, prior presidential approval is required for any expenditures greater than \$2,500. A quarterly report of all expenditures approved in this category shall be filed with the Executive Vice Chancellor for Health Affairs.

- No MSRDP/PRS funds may be expended for the benefit of any single individual person or Member except as herein approved.
- All requests for reimbursement must contain adequate documentation and must be signed by the person seeking reimbursement.
- All expenditures are subject to the *Rules and Regulations* of the Board of Regents of the U. T. System and applicable institutional regulations and procedures. This list of authorized expenditures may be periodically amended by action of the Executive Vice Chancellor for Health Affairs.



## **Role of Public Health Programs in the U. T. System**

**Roberta B. Ness, M.D., M.P.H.  
Dean**

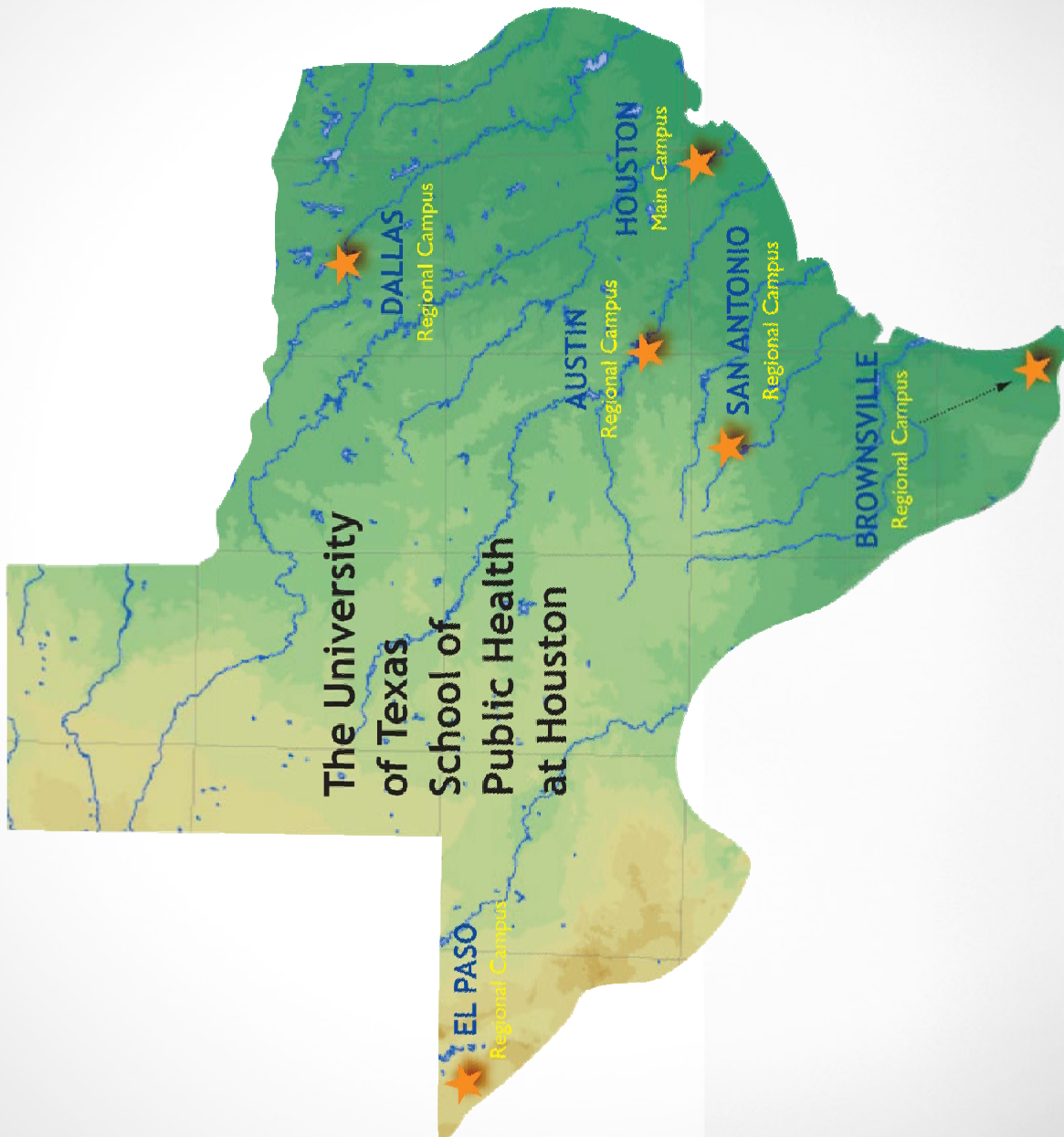
**The University of Texas School of Public Health at Houston**

U. T. System Board of Regents' Meeting  
Health Affairs Committee  
August 2009



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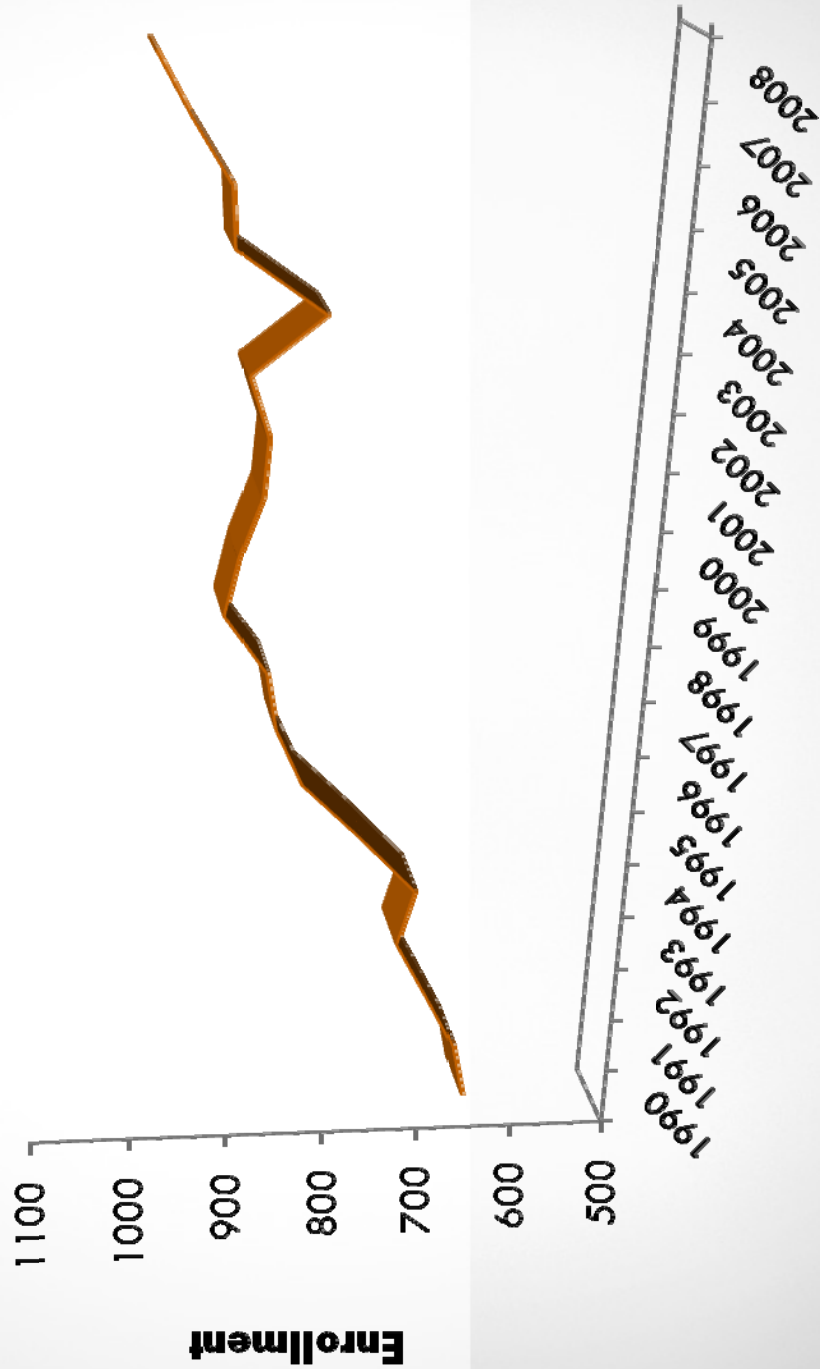
5. U. T. System: Role of public health programs in the U. T. System (cont.)



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# Growth in Student Enrollment



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# New and Innovative Educational Opportunities

Program	Partner Affiliation
MSN/MPH	UTHSCH School of Nursing
MD/MPH	UTHSCH Medical School (5 yr)
	UTHSCSA Medical School (4 yr)
	Baylor College of Medicine (5 yr)
JD/MPH	University of Houston Bates Law School
MSW/MPH	University of Houston School of Social Work
MSSW/MPH	UT Austin School of Social Work
MS/MPH	UTHSCH School of Health Information Science
PhD/MPH	UTHSCH School of Health Information Science
MBA/MPH	UTB/TSC School of Business
<b>In Progress</b>	
MD/MPH	UT Southwestern Medical Center
	Texas Tech University at El Paso
PhD/MPH	UT Southwestern Medical Center
	UTMB Graduate School
	UT Austin (Kinesiology)
MBA/MPH	UT San Antonio
MPA/MPH	UT Southwestern Medical Center



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# Types of Collaborations

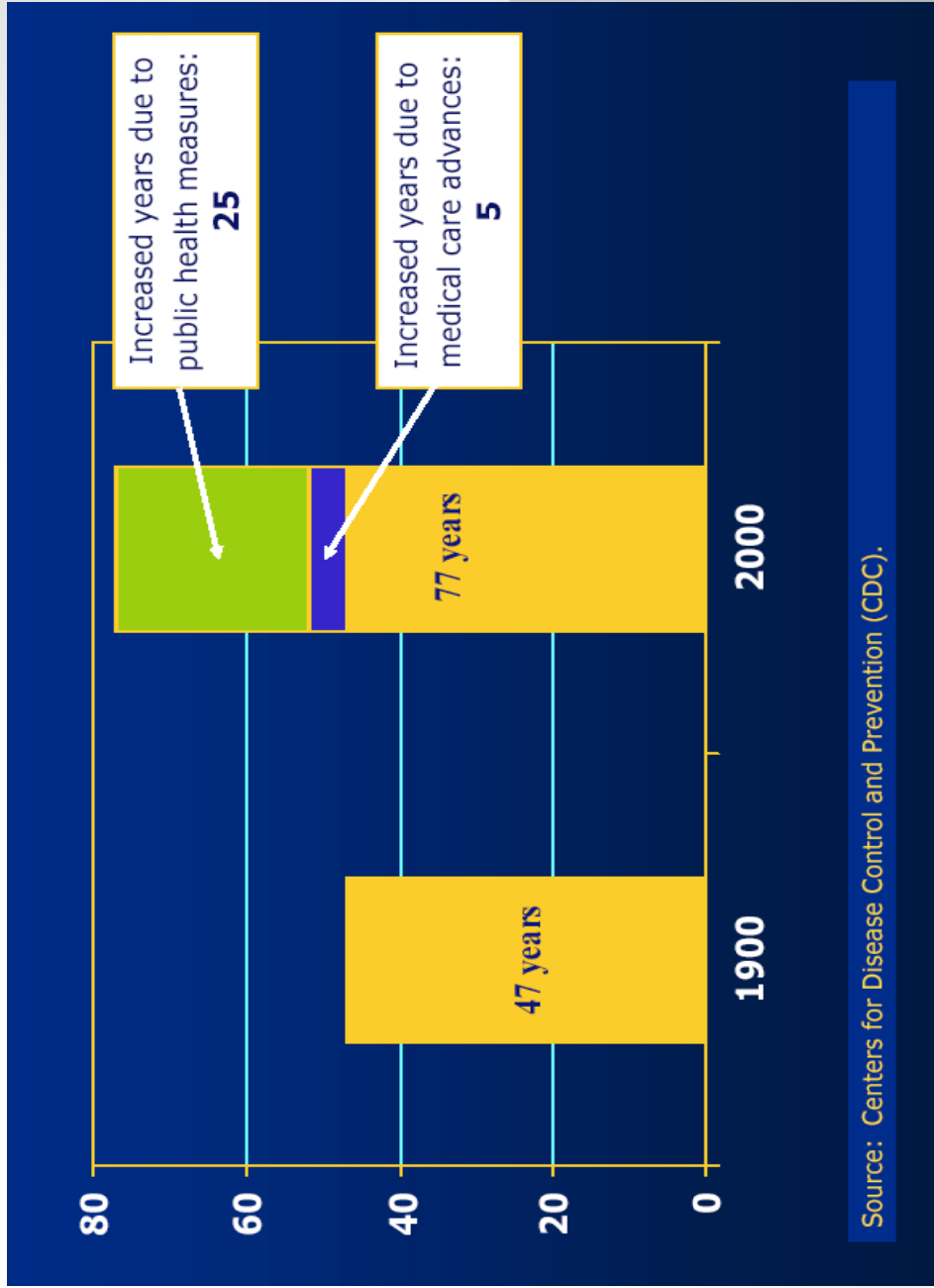
171 collaborative subcontracts

- 70 in Texas
  - 40 health institutions, medical or public health schools, hospitals or providers
  - 14 academic institutions
  - 16 state, county, city, or other agencies
- 101 outside Texas



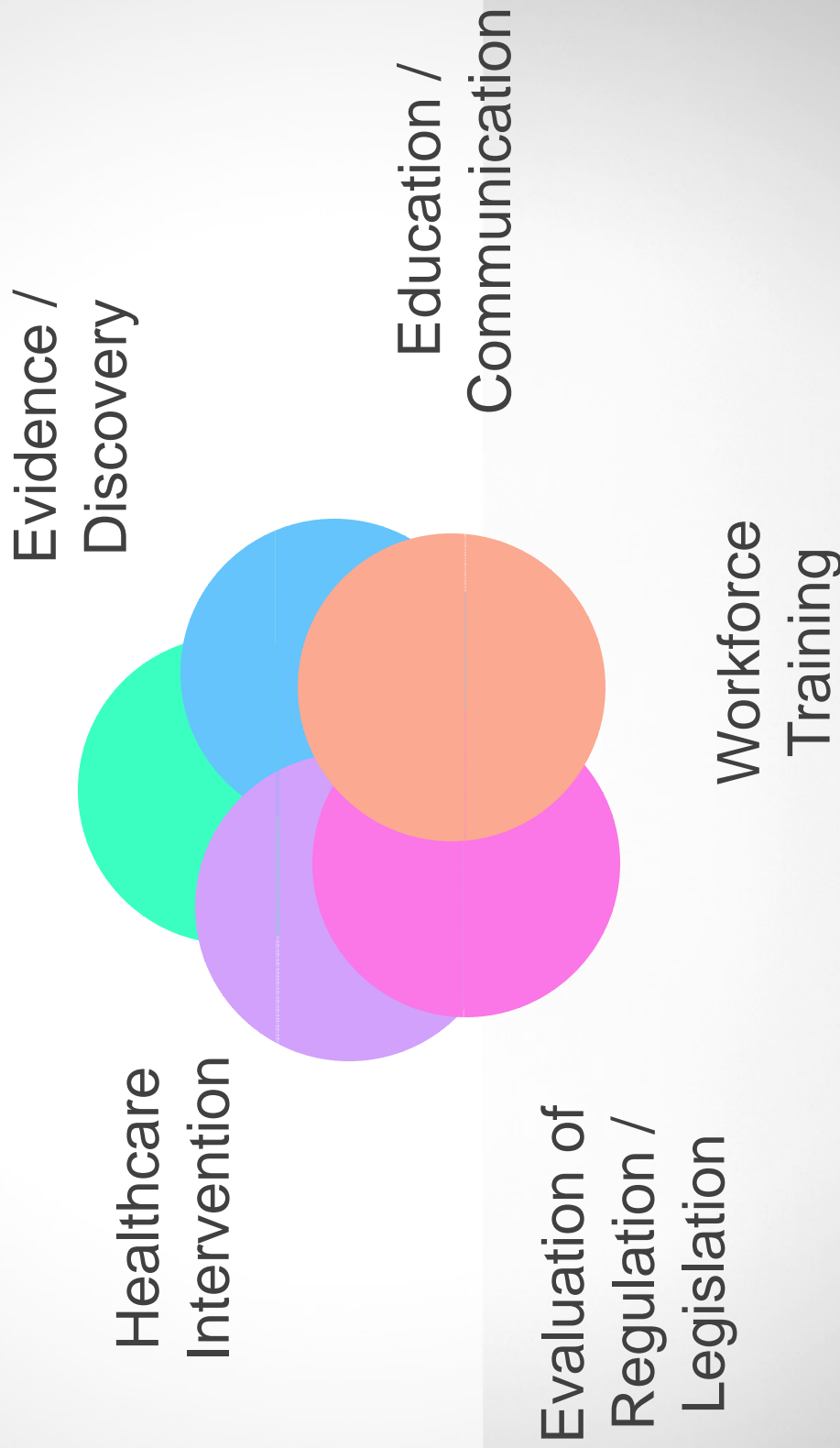
# Power of Prevention

Prevention accounts for 25 of 30 years of life gained in the past century



Source: Centers for Disease Control and Prevention (CDC).

# Role of Academia in Prevention



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## Grant to Target Rio Grande Valley \$7 Million Will Help Fight Diabetes, Obesity

In the Lower Rio Grande Valley of Texas, researchers at The University of Texas School of Public Health Brownsville Regional Campus have teamed with community organizations, radio and television stations, churches and other groups to establish a program, “Tu Salud, ¡Si Cuenta!” that addresses the problem of obesity among the area’s low-income Hispanic population.



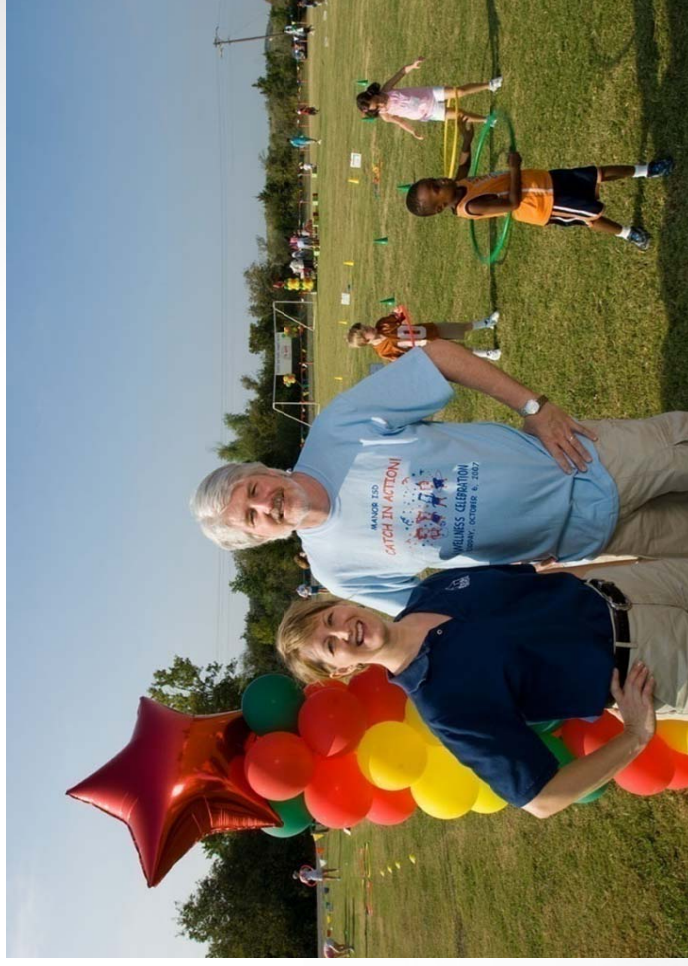


# Childhood Obesity Prevention

## Texas Awarded \$2 Million Robert Wood Johnson Foundation Childhood Obesity Prevention Grant

Texas is one of three states recently awarded \$2 million by the Robert Wood Johnson Foundation (RWJF) to evaluate the effectiveness of childhood obesity prevention policies.

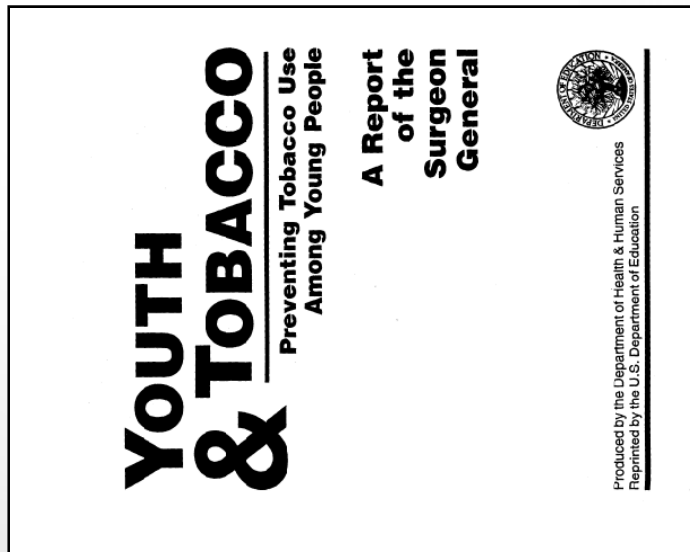
The Michael & Susan Dell Center for Advancement of Healthy Living at The University of Texas School of Public Health Austin Regional Campus and The Texas A&M Health Science Center School of Rural Public Health will collaborate with the Texas Health Institute and other partners in Live Smart Texas, a statewide coalition of more than 80 organizations, including state agencies, policy institutes, academic institutions, community organizations and advocacy groups committed to eliminating childhood obesity in Texas.



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Cheryl L. Perry, Ph.D., regional dean of the U. T. School of Public Health Austin Regional Campus, is regarded as one of the leading researchers in the country in childhood and adolescent health promotion. She was recently tapped to be senior writer for the U.S. Surgeon General's 2012 report on adolescents and smoking.



## New center to offer advanced training in healthcare management

HOUSTON – (April 15, 2008) The University of Texas School of Public Health announced today the creation of the Texas Medical Center’s first center for healthcare management education and research.



George Fleming

Established with a leadership gift from attorney and philanthropist George Fleming, on behalf of his late father, the George McMillan Fleming Center for Healthcare Management at the U. T. School of Public Health will offer M.P.H. and DrPH/Ph.D. programs with a healthcare management concentration to current and future leaders of institutions in the Texas Medical Center and worldwide.



## ORIGINAL CONTRIBUTION

## Outcomes in Hypertensive Black and Nonblack Patients Treated With Chlorthalidone, Amlodipine, and Lisinopril

Jackson T. Wright, Jr, MD, PhD

J. Kay Dunn, PhD

Jeffrey A. Cutler, MD

Barry R. Davis, MD, PhD

William C. Cashman, MD

Charles E. Ford, PhD

L. Julian Haywood, MD

Frans H. H. Leenen, MD, PhD

Karen L. Margolis, MD, MPH

Vasilios Papademetriou, MD

Jeffrey L. Probstfield, MD

Paul K. Whelton, MD

Gabriel B. Habib, MD

for the ALLHAT Collaborative

Research Group

**C**ARDIOVASCULAR DISEASE (CVD) has become the leading cause of morbidity and mortality worldwide, and elevated blood pressure (BP) is a leading contributor to this phenomenon.<sup>1,2</sup> The population of blacks with hypertension has the highest morbidity and mortality from hypertension of any population group in the United States and is among the highest in the world.<sup>3,4</sup> Mortality related to hypertension and the risk of end-stage renal disease (ESRD), coronary heart disease (CHD), heart failure (HF), and stroke are increased in the black compared with the white population in the United States.<sup>5,6</sup> While the benefits of limited

**Context** Few cardiovascular outcome data are available for blacks with hypertension treated with angiotensin-converting enzyme (ACE) inhibitors or calcium channel blockers (CCBs).

**Objective** To determine whether an ACE inhibitor or CCB is superior to a thiazide-type diuretic in reducing cardiovascular disease (CVD) incidence in racial subgroups.

**Design, Setting, and Participants** Prespecified subgroup analysis of ALLHAT, a randomized, double-blind, active-controlled, clinical outcome trial conducted between February 1994 and March 2002 in 33 357 hypertensive US and Canadian patients aged 55 years or older (95% black) with at least 1 other cardiovascular risk factor.

**Interventions** Antihypertensive regimens initiated with a CCB (amlodipine) or an ACE inhibitor (lisinopril) vs a thiazide-type diuretic (chlorthalidone). Other medications were added to achieve goal blood pressures (BPs) less than 140/90 mm Hg.

**Main Outcome Measures** The primary outcome was combined fatal coronary heart disease (CHD) or nonfatal myocardial infarction (MI), analyzed by intention-to-treat. Secondary outcomes included all-cause mortality, stroke, combined CVD (CHD death, nonfatal MI, stroke, angina, coronary revascularization, heart failure [HF], or peripheral vascular disease), and end-stage renal disease.

**Results** No significant difference was found between treatment groups for the primary CHD outcome in either racial subgroup. For amlodipine vs chlorthalidone only, HF was the only prespecified clinical outcome that differed significantly (overall, relative risk [RR], 1.37; 95% confidence interval [CI], 1.24-1.51; blacks, RR, 1.46; 95% CI, 1.24-1.73; nonblacks, RR, 1.32; 95% CI, 1.17-1.49;  $P < .001$  for each comparison) with no difference in treatment effects by race ( $P = .38$  for interaction). For lisinopril vs chlorthalidone, results differed by race for systolic BP (greater decrease in blacks with chlorthalidone), stroke, and combined CVD outcomes ( $P < .001$ ,  $P = .01$ , and  $P = .04$ , respectively, for interactions). In blacks and nonblacks, respectively, the RRs for stroke were 1.40 (95% CI, 1.17-1.68) and 1.00 (95% CI, 0.85-1.17) and for combined CVD were 1.19 (95% CI, 1.09-1.30) and 1.06 (95% CI, 1.00-1.13). For HF, the RRs were 1.30 (95% CI, 1.10-1.54) and 1.13 (95% CI, 1.00-1.28), with no significant interaction by race. Time-dependent BP adjustment did not significantly alter differences in outcome for lisinopril vs chlorthalidone in blacks.

**Conclusions** In blacks and nonblack subgroups, rates were not lower in the amlodipine or lisinopril groups than in the chlorthalidone group for either the primary CHD or any other prespecified clinical outcome, and diuretic-based treatment resulted in the lowest risk of heart failure. While the improved outcomes with chlorthalidone were more pronounced for some outcomes in blacks than in nonblacks, thiazide-type diuretics remain the drugs of choice for initial therapy of hypertension in both black and nonblack hypertensive patients.

JAMA. 2005;293:1595-1608

www.jama.com

Author Affiliations are listed at the end of this article. Western Reserve University, 11000 Euclid Ave, Bowdoin Hall, Fifth Floor, Cleveland, OH 44116 (Jackson, PhD, General Clinical Research Center, Case Western Reserve Univ).

(Reprinted) JAMA, April 6, 2005—Vol 293, No. 13 1595

Downloaded from www.jama.com on April 13, 2008

For editorial comment see p 1663.

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# Human Genetics Center

The mission of the Human Genetics Center is to understand the genetic etiology of the common chronic diseases including: cardiovascular disease, diabetes, and various vision disorders. This objective is pursued and accomplished in multiple human populations.

Understanding the genetics of these diseases involves:

- locating and characterizing genes underlying the common chronic diseases,
- characterizing the extent and utility of DNA variation within and among populations and determining how these patterns of variation evolved in both time and space,
- establishing the impact of gene variation on the health of individuals, families and populations.



Eric Boerwinkle, PhD, Kozmetsky Family Chair in Human Genetics, UT School of Public Health, in his lab.



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## Legislative Support

The University of Texas School of Public Health received an additional \$9.5 million in funding for the biennium, in response to our request to expand the public health education, community service and research capacity at the Houston campus and the regional campuses in Brownsville, San Antonio, El Paso, Austin and Dallas. This special item was financed with funds from the American Recovery and Reinvestment Act (ARRA).



**SAVE the DATE**

THE UNIVERSITY of TEXAS  
SCHOOL of PUBLIC HEALTH

★

**40th**

**ANNIVERSARY**

**GALA DINNER and SYMPOSIUM**

THE UNIVERSITY of TEXAS  
SCHOOL of PUBLIC HEALTH

Please join us as we bring the six UT School of Public Health campuses spread across Texas together for the premier event in Houston that celebrates our past, present and future.

**GALA DINNER**  
Thursday, September 17, 2009  
The Omni Houston Hotel  
Four Riverway  
Houston, Texas 77056  
6 pm to 9 pm

★

**SYMPOSIUM**  
Friday, September 18, 2009  
The University of Texas School of Public Health  
Reuel A. Stallones Building  
1200 Herman Pressler  
Houston, Texas 77030  
8:30 am to 1:30 pm

★

Detailed invitations will be mailed at a later date.

★

Printed on 100% recycled paper. Recycling process is chlorine-free.

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The University of Texas at San Antonio  
Campus Master Plan



Barnes Gromatzky Kosarek Architects with Michael Dennis & Associates



**THE CAMPUS PLAN IN SUPPORT OF THE STRATEGIC PLAN**

*Strategic Initiative I: Enriching Educational Experience to Enable Student Success*

*Strategic Initiative II: Serving Society through Creativity, Expanded Research, and Innovation*

*Strategic Initiative III: Promoting Access and Affordability*

*Strategic Initiative IV: Serving the Public through Community Engagement*

*Strategic Initiative V: Expanding Resources and Infrastructure*







1. U. T. San Antonio: 2009 Campus Master Plan Update (cont.)

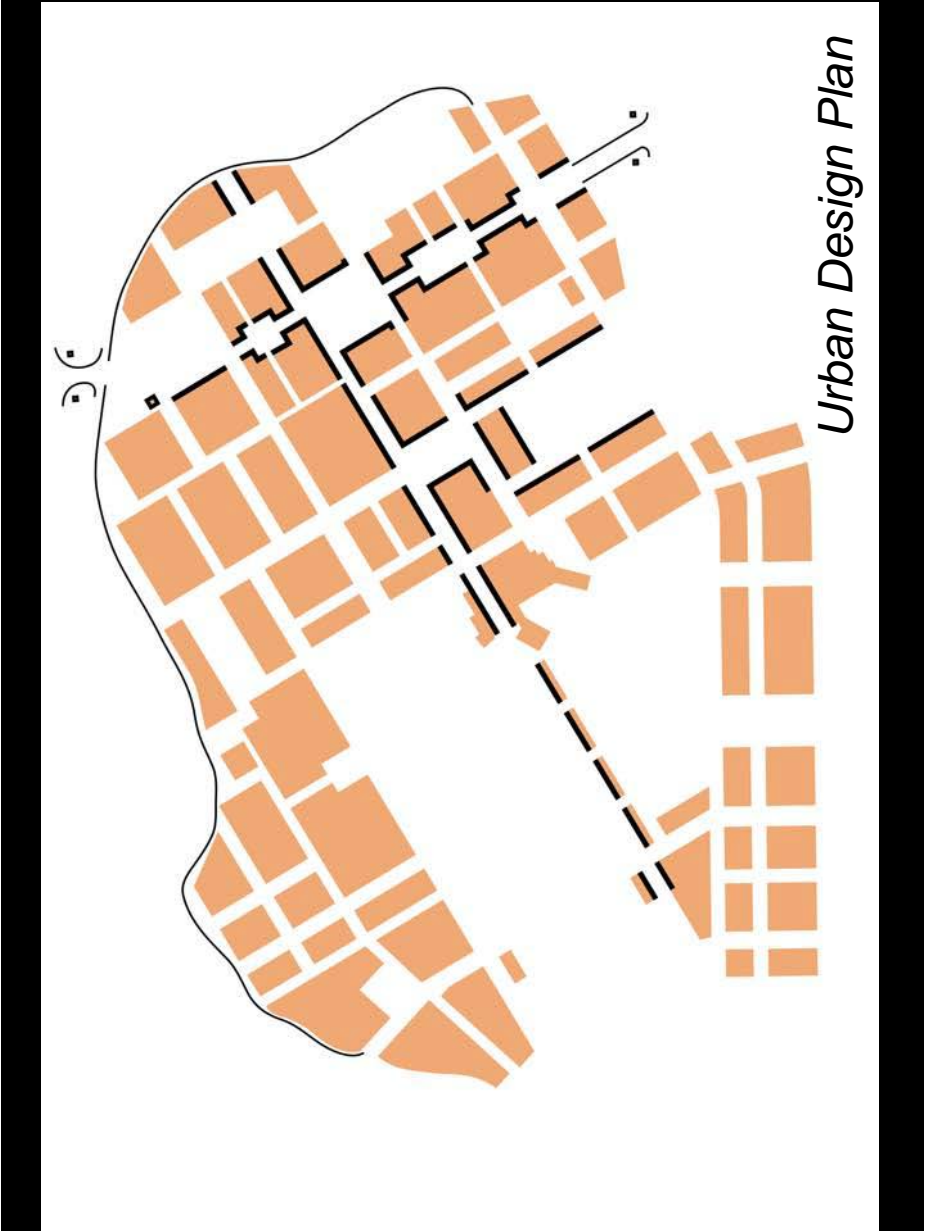


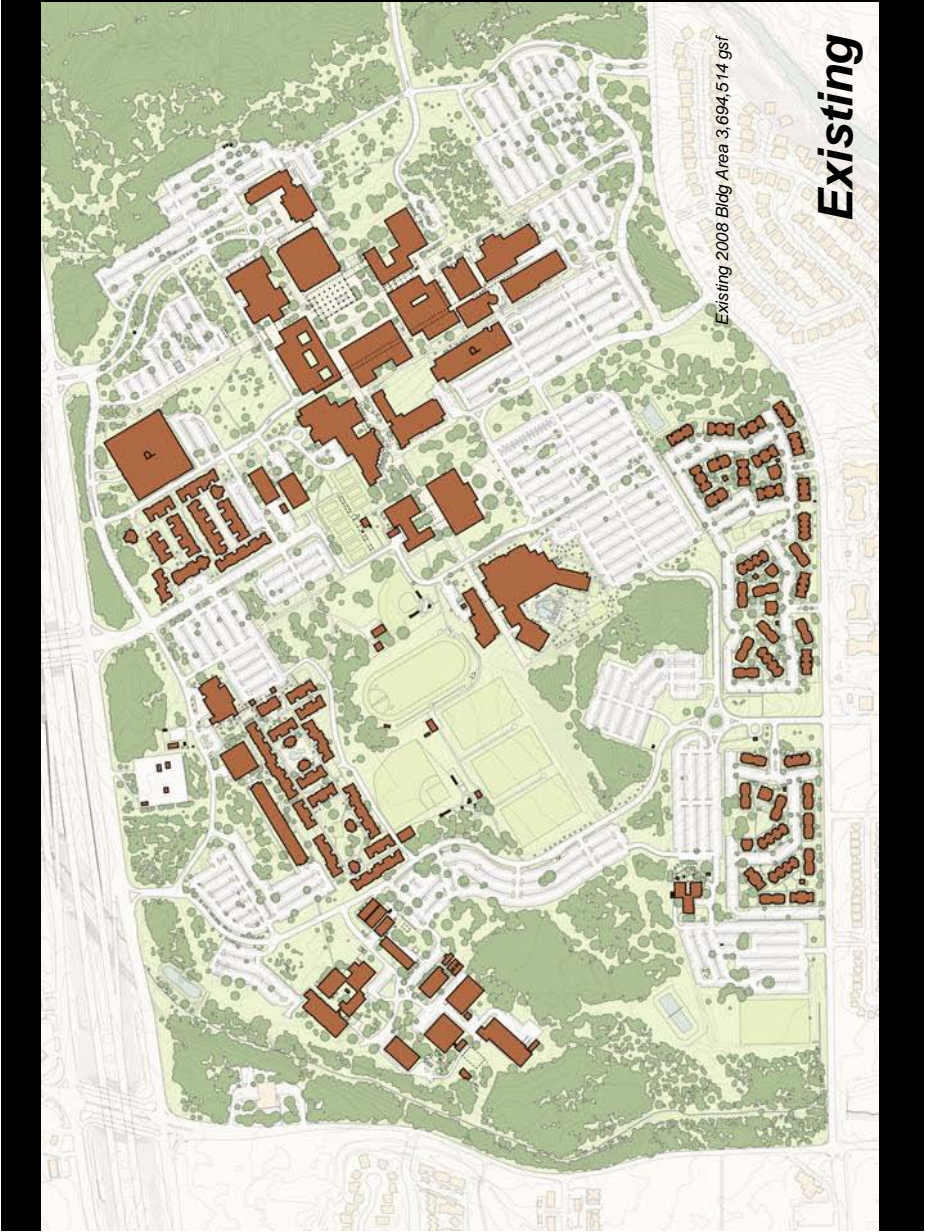




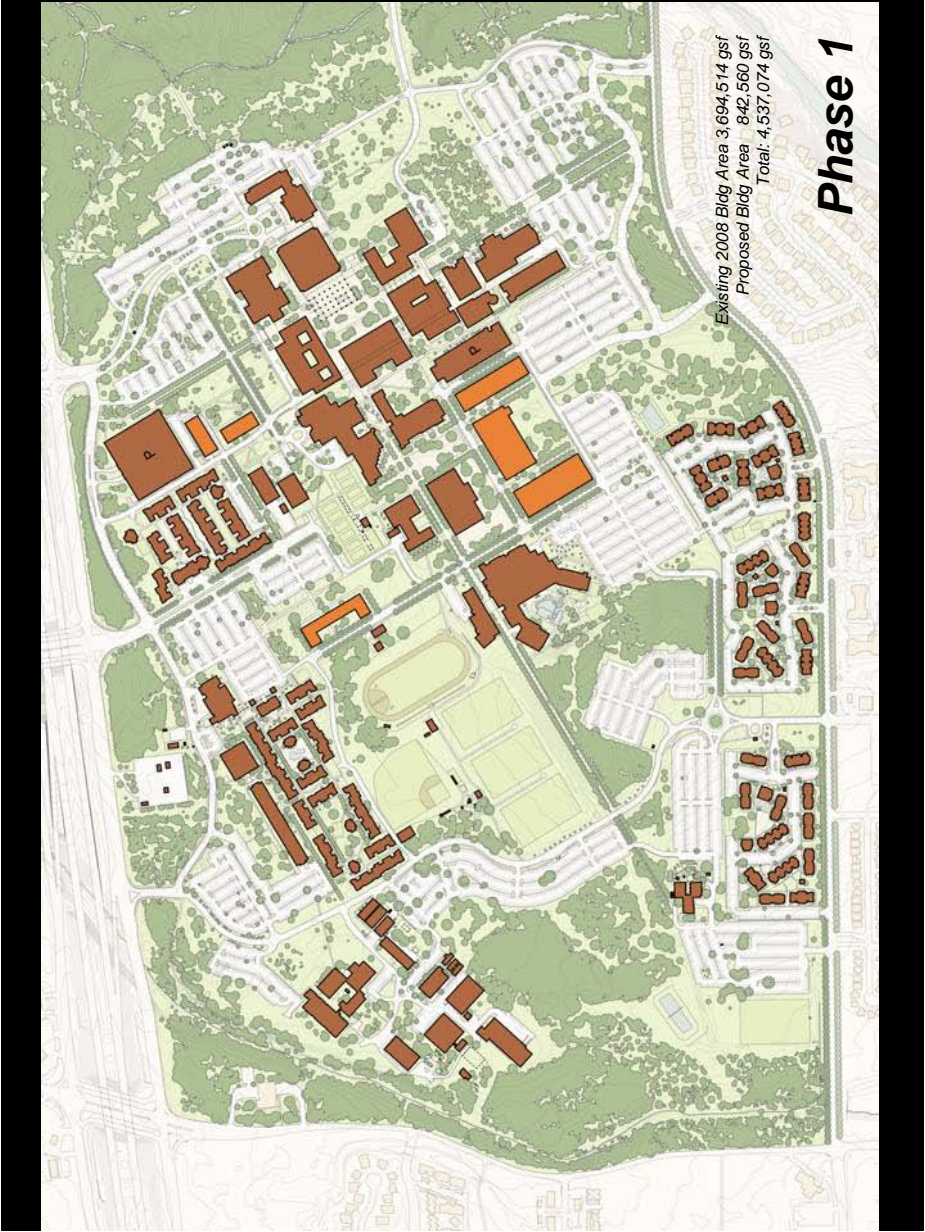


*Historic Academic Core*









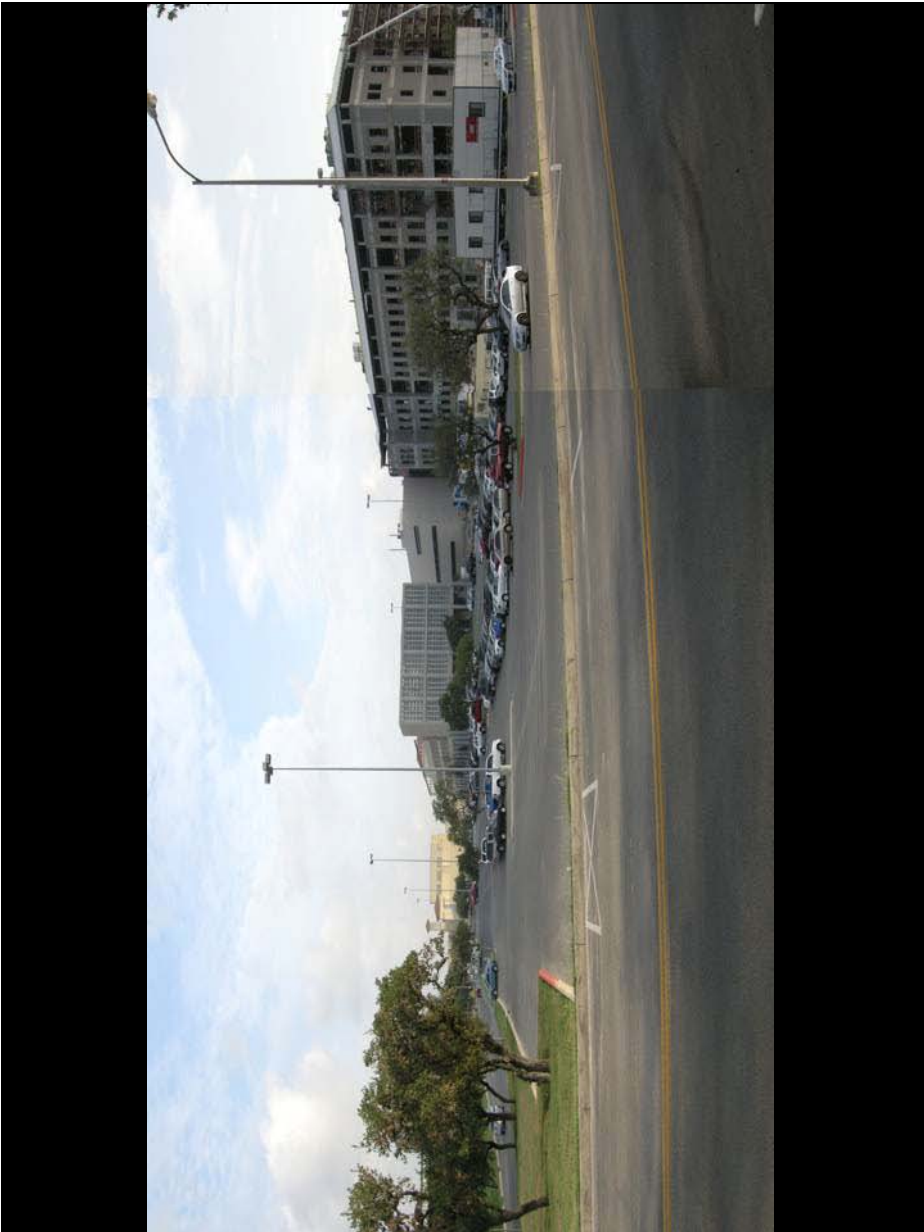


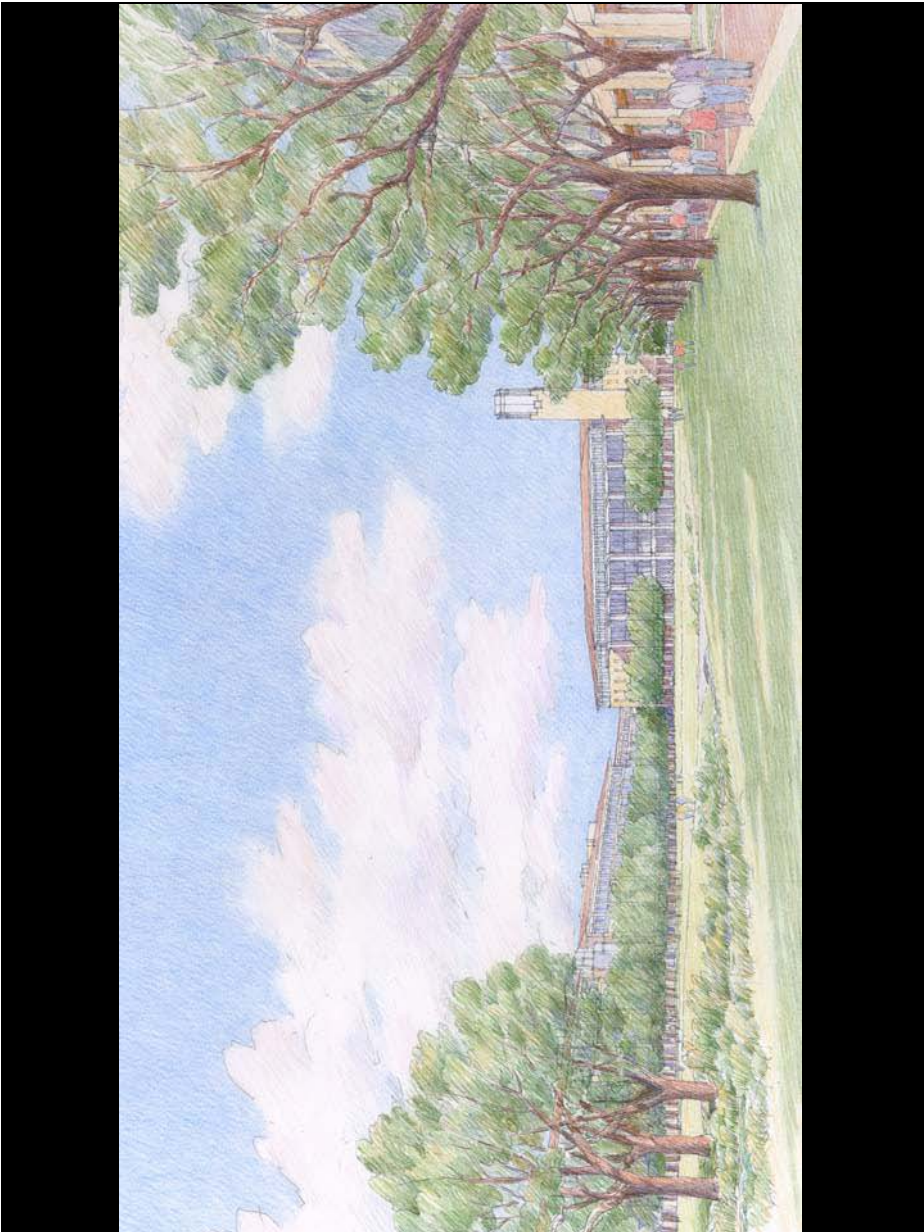




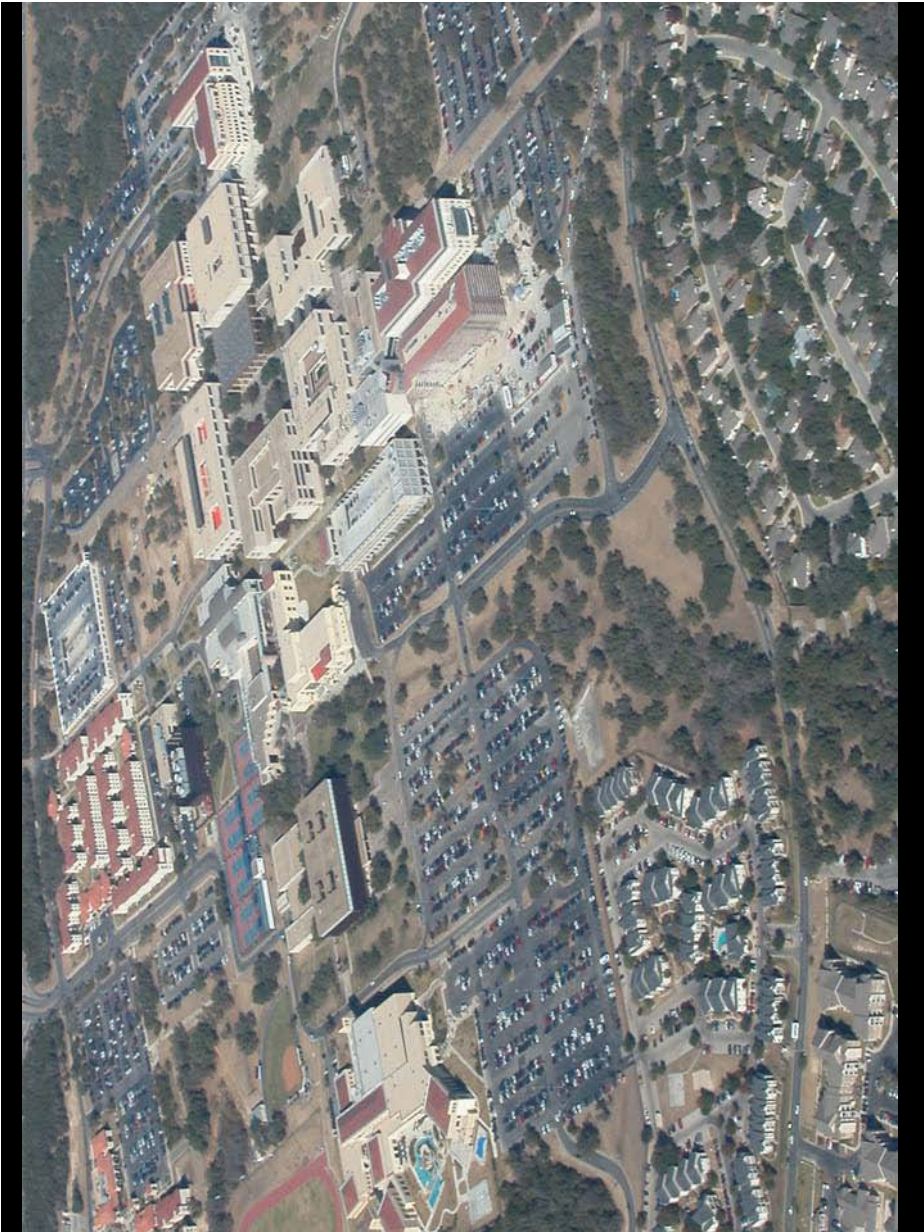








1. U. T. San Antonio: 2009 Campus Master Plan Update (cont.)









1. U. T. San Antonio: 2009 Campus Master Plan Update (cont.)



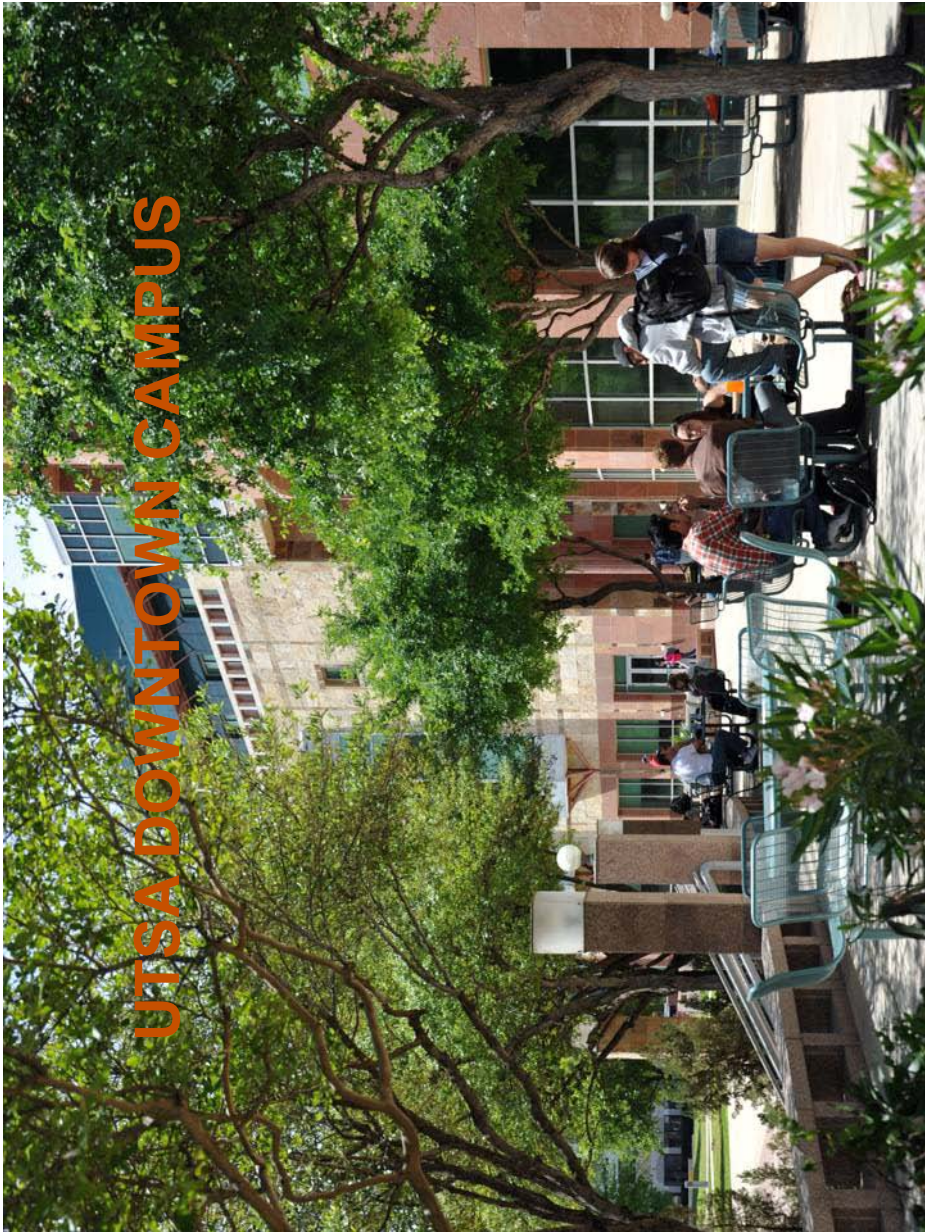








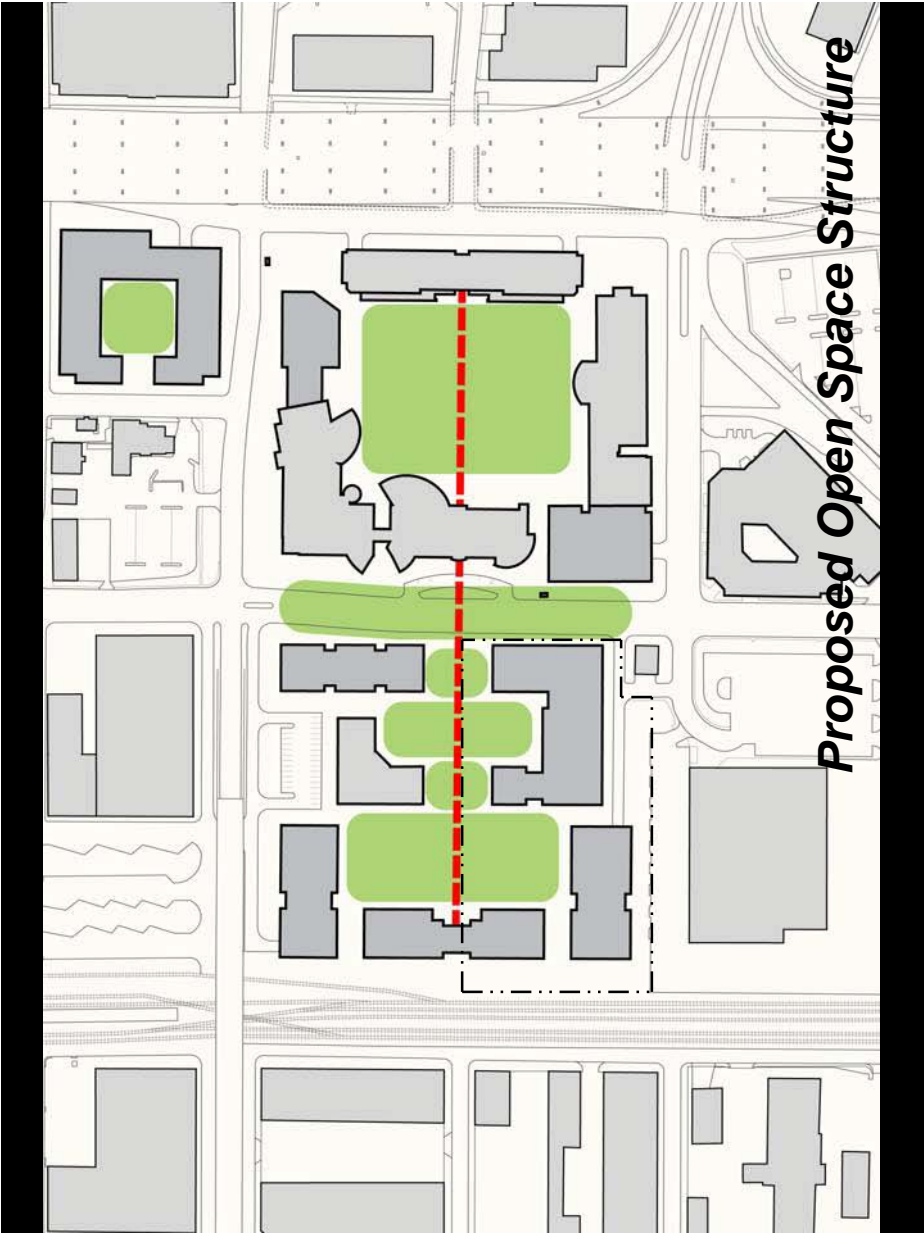






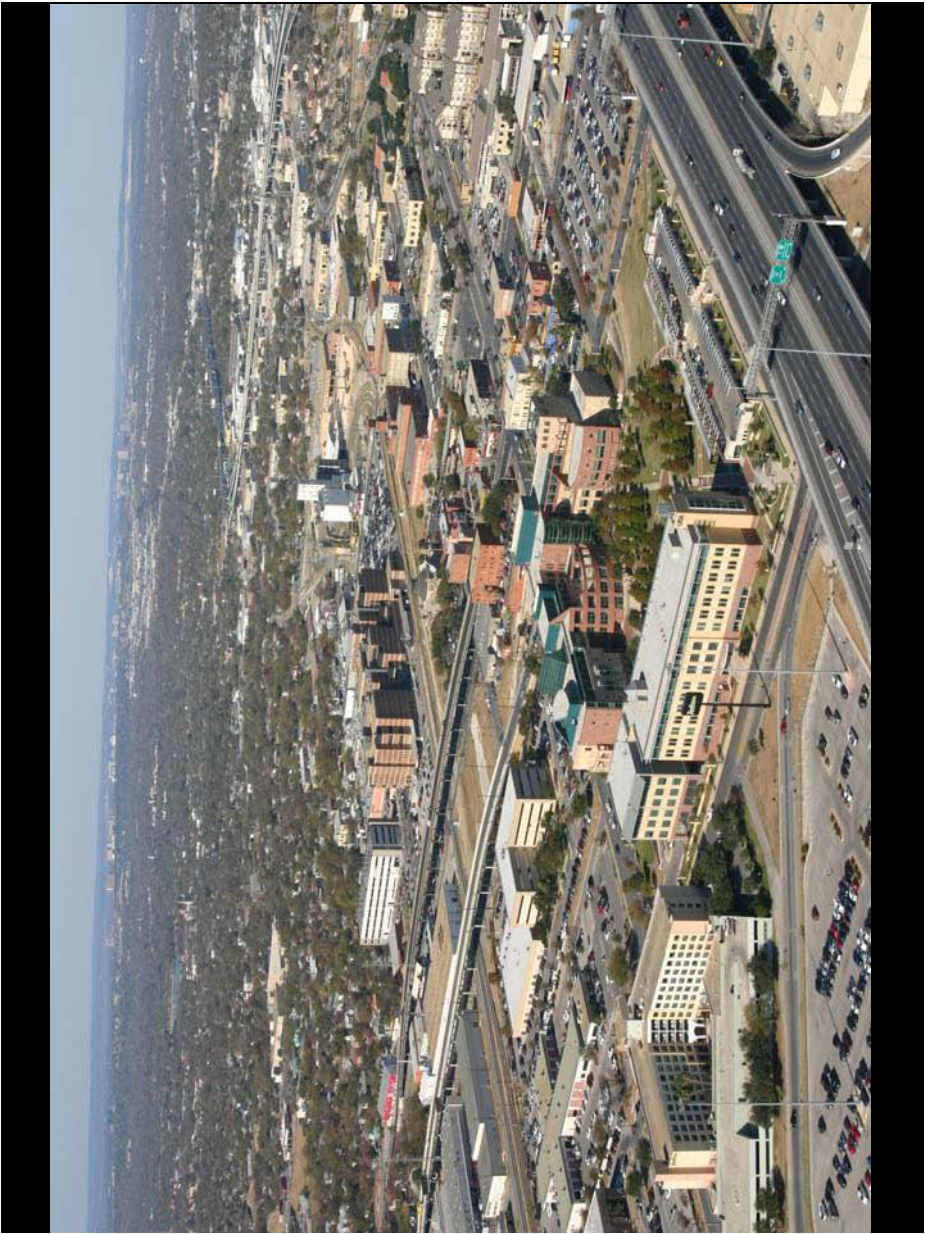








1. U. T. San Antonio: 2009 Campus Master Plan Update (cont.)







The University of Texas at San Antonio  
Campus Master Plan



Barnes Gromatzky Kosarek Architects with Michael Dennis & Associates

# U. T. System Faculty Advisory Council Annual Report

Dr. Thomas Albrecht, Chair

August 2009



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*Nine Universities. Six Health Institutions. Unlimited Possibilities.*

Board of Regents'  
Meeting  
Campus Life  
Committee





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## What is the Faculty Advisory Council?

- The University of Texas System Faculty Advisory Council (FAC) is a selected faculty representative advisory group that works with and on behalf of U. T. System.



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## Mission Statement

- The mission of the FAC is to provide a forum for communicating ideas and information between faculty, the Board of Regents, and the Executive Officers of U. T. System.



## Charge to The University of Texas System Faculty Advisory Council

The FAC is charged with:

1. Identifying issues of concern to the faculty, Board of Regents, or well-being of the U. T. System.
2. Responding to issues at the request of the Board of Regents, Chancellor, U. T. System Administration, and/or FAC membership.
3. Conducting fact-finding, background exploration, exposition, analysis, deliberation on issues, and to develop recommendations and/or action plans.
4. Disseminating information to the Board of Regents, faculty, and administrators of U. T. System components.







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## FAC Activities 2008-2009

- Conversations
- Discussion of Issues
- Development of Resolutions



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## Conversations

- With Regents
- With Legislators
  - State Representative Trey Martinez Fischer
  - State Representative Joaquin Castro

# Conversations



- U. T. System Administration
  - Chancellor Francisco Cigarroa
  - Executive Vice Chancellor Ken Shine
  - Executive Vice Chancellor David Prior
  - General Counsel to the Board of Regents Francie Frederick
  - Vice Chancellor Barry McBee
  - Vice Chancellor Barry Burgdorf
  - Coordinating Board Commissioner Raymond Paredes
- Texas Faculty Association
  - Director Tom Johnson

## Discussion of Issues



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- Compensation Plans on Health Campuses
- Faculty Review of Campus Policies & Procedures
- Financial Exigency
- Reduction in Force
- Regents' Rule 31003 and others
- Health Insurance Benefits
- Graduation Rates
- Faculty Recruitment & Retention



## Resolutions



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- Resolution I: Interpretation of Regents', Rules 31003 and 40101
- Resolution II: Preservation of faculty governance during a reduction in force
- Resolution III: FAC opposing to any change in law expanding the ability to carry firearms on U. T. campuses



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## Ongoing and Future Activities

- Increase our conversations with Regents and Legislators
- Assist Executive Vice Chancellor Shine in the development of consistent U. T. policies for health campuses
- Respond to reports that involve faculty issues and provide input as needed
- Increase interaction with the Student and Employee Advisory Councils
- Exploring closer communications with the Board of Regents
- Monitor development and implementation of compensation and practice plans on the health campuses

U. T. System Faculty Advisory Council

Resolution I

It is the view of the University of Texas Faculty Advisory Council that Regents' *Rule* 31003, abandonment of academic positions or programs, must be interpreted in the light of Rule 40101 which gives faculty the "major role" in regard to "general academic policies and welfare" and related matters (2. Section 3) and in the light of the further provisions that assign these faculty responsibilities to the faculty governance organization.

Specifically, to assure transparency and maintain confidence in the commitment of the U. T. System and the Board of Regents to the preservation of tenure, academic freedom, and participatory governance, key concepts of Rule 31003 should be interpreted as follows:

I. Clarifications of Regents Rules:

- In Section 3.1-- Committee evaluating programs and positions. We suggest that the faculty appointments be made from recommendations submitted to the president by the faculty governance body. The faculty should constitute at least 50 percent of the committee.
- In Section 3.2 --Evaluation of programs. The committee will provide a written report of its analysis of programs.
- In Section 3.3 -- Evaluation of specific positions to be eliminated. The committee will provide a written report explaining individual positions to be eliminated in relation to its assessment of programs.
- In Section 3.5 --Recommendation. Reasons given for termination, if acted upon, should be provided in the written notice of termination.
- In Sections 3.7 and 3.8 --Appeals. The Regents' *Rules* state that the president should appoint a hearing committee for appeals. This committee should have all faculty membership. If campus policies do not establish an alternative procedure for this purpose, we suggest that the faculty appointments be made from recommendations submitted to the president by the faculty governance body.

II. In specific reference to Section 3, Elimination Due to Financial Exigency, we recommend the following:

- No faculty position should be terminated unless a clear case is made that all other remedies have been considered.
- Every campus shall have a stated policy on termination for exigency that has been approved by the faculty governance organization (placed in the HOP). If there is no such policy, or if the policy does not include the following points, the following should apply:
- Exigency should be clearly explained in financial and budgetary terms (cost and benefits).

U. T. System: Annual Meeting with Officers of the U. T. System Faculty Advisory Council  
(con't)

- Terminations should be explained in relation to the campus exigency.
- Faculty involvement in decisions should be substantial.
- The appropriate faculty governance body, as determined by the Faculty Senate/Council, should be involved in decisions.
- The Committee making the recommendations should be independent of administrators making recommendations for termination. For example, if Chairs make recommendations, these recommendations should be reviewed by a unit-wide committee with no less than half of its membership being faculty.
- The president shall choose faculty committee members from a list provided by the faculty governance body.
- There should be due process.
- The written termination notice to the individual should specify the reasons for termination of that individual in relation to the stated exigency.
- Membership of the recommendation committee should be publicly known.
- This entire process should be transparent.
- Faculty positions should not be terminated when the exigency could be remedied with managerial or budgetary changes.
- The process should give discernable preference to faculty with tenure.

It is a basic principle of due process that the principles underlying a rule or standard be applicable in the same way for all who are affected.

### Resolution II

The evaluations applied in the U. T. Medical Branch - Galveston case appear to have been based on the interests of the departments rather than the interests of the campus as a whole. The fact that a high proportion of tenured faculty selected for termination at U. T. Medical Branch - Galveston are members of the Academic Senate and the U. T. System Faculty Advisory Council, including the Chair-Elect of the Faculty Advisory Council, suggests that a low value is placed on governance service. The mission of the University requires effective faculty governance, and faculty participation in a wide range of committees under the governance purview. It is essential for effective faculty governance that the several units on a campus make their faculty available to participate in such bodies for the good of the entire campus, and not restrict their evaluation of faculty to the benefits they produce for the individual unit/department alone. Failure to recognize this principle should be regarded as inconsistent with Regents' *Rules* recognition of the importance of participatory management involving both faculty and administration.

### Resolution III

The U. T. System Faculty Advisory Council strongly opposes any change in law which would expand the ability to carry firearms on campus by any personnel other than law enforcement officers.