

Meeting No. 1,004

THE MINUTES OF THE BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

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March 28, 2006

Austin, Texas

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MEETING NO. 1,004

TUESDAY, MARCH 28, 2006.--The members of the Board of Regents of The University of Texas System convened this special called meeting at 9:20 a.m. on Tuesday, March 28, 2006, on the Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Huffines, presiding
Vice Chairman Clements
Vice Chairman Krier
Regent Barnhill
Regent Caven
Regent Estrada
Regent Haley
Regent McHugh
Regent Rowling

Absent

Regent Craven

Counsel and Secretary Frederick

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Huffines called the meeting to order and provided the following remarks:

Remarks by Chairman Huffines

Today is a busy day for The University of Texas System. The fourth annual U. T. System Conference for Effective Compliance Systems in Higher Education kicks off at 1:30 this afternoon with a joint presentation by Audit, Compliance, and Management Review Committee Chairman Estrada and The University of Texas at Austin President Powers on the value of compliance in today's business environment. This event will be well attended and is responsive to the continuing interest, support, and direction from the Board concerning compliance. The conference is at the Radisson Hotel downtown.

As you know, the U. T. System has worked hard to be the national leader in higher education compliance, and we continue to seek out the best practices to assure compliance and efficiency. You have all seen the headlines addressing potential problems in California and here in Texas related to expenses, salaries, benefits, and compensation packages. While the U. T. System has long had written policies that cover appropriate reimbursement for travel and other expenses and these matters are regularly audited, the

headlines are a reminder that we need to be certain that our expectations concerning compliance with State laws and U. T. policies on appropriate expenditures are very clear and that policies and practices convey the standards of conduct expected and require adherence to those standards.

Last year, the U. T. System Audit Office performed a routine audit of System Administration officers' travel and entertainment expenses as part of the annual audit plan. That audit was completed in December and revealed no problems. The audit did suggest that review of the Chancellor's business expenses and travel be done by an employee not reporting to him and, at mutual consent, a new structure for independent review by the Counsel and Secretary with at least quarterly review by the Chairman was put in place effective January 1 of this year (2006). This process is working well and should be the model for the type of review of the expenses and reimbursements for the U. T. institutions as well.

I have asked Chancellor Yudof, Vice Chancellor Burgdorf, and Counsel and Secretary Frederick to review current policies and make recommendations to the Board in May (2006) for needed policies or policy revisions to include a workable plan for similar periodic reviews for the presidents.

SPECIAL ITEMS

1. U. T. System Board of Regents: Appointment of Regent Caven as a member of the Academic Affairs Committee

Chairman Huffines announced his appointment of Regent Caven as a member of the Academic Affairs Committee. For the record, the composition of the Committee follows:

Cyndi Taylor Krier, Chairman
John W. Barnhill, Jr.
H. Scott Caven, Jr.
Judith L. Craven, M.D.
Robert A. Estrada
Colleen McHugh

2. U. T. System: Authorization to purchase the Texas Advanced Computing Center (TACC) Lonestar system upgrade to provide high performance computing (HPC) systems and services, appropriation of funds and authorization of expenditure, and delegation regarding future charges

The Board appropriated funds and authorized the purchase of the Texas Advanced Computing Center (TACC) Lonestar system upgrade, including the following:

- a. approval of a total equipment upgrade cost of \$1 million annually for three years with funding from Permanent University Fund (PUF) Bond Proceeds;
- b. authorization for TACC to provide high performance computing (HPC) systems and services to University of Texas System researchers for an initial period of three years, during which time TACC will train and support researchers from U. T. System institutions and will measure the impact of HPC resources on their research funding and output;
- c. appropriation and authorization of expenditure of funds with the understanding that U. T. System institutions other than The University of Texas at Austin will not pay for computer usage for the first three years; and
- d. delegation to the Chancellor the authority to determine appropriate future charges for institutions other than U. T. Austin.

Chairman Huffines asked that the project be brought back to the Board at the end of year three (2009) for evaluation before a partnership collaboration is implemented and before any more funds are put into the project.

Dell, Inc., is offering U. T. System an opportunity to purchase the upgrade, converting the Lonestar system from 1,000 processors and 6 teraflops to 1,800 dual-core processors (3,600 processor cores total) and at least 35 teraflops. This upgrade, which has been endorsed by the President at The University of Texas at Dallas and the Vice Presidents for Research at The University of Texas at Arlington, U. T. Austin, and The University of Texas at El Paso, will make the TACC Lonestar system one of the most powerful academic HPC systems in the U.S., providing U. T. System researchers with a unique capability and competitive edge. Current TACC equipment is being utilized by The University of Texas Southwestern Medical Center at Dallas.

TACC reports to the Vice President for Research at U. T. Austin and is located on the J. J. Pickle Research Campus.

3. U. T. System: Reimbursement to U. T. Arlington for the purchase price of real property and improvements located at 200 East Loop 820, Fort Worth, Tarrant County, Texas, the site of the Data Center, and appropriation and authorization of expenditure

The Board approved

- a. reimbursement to The University of Texas at Arlington for the purchase price of real property and improvements located at 200 East Loop 820, Fort Worth, Tarrant County, Texas, the site of the Data Center. The reimbursement will be funded with \$8.445 million from Permanent University Fund (PUF) Bond Proceeds;
- b. reflection in the records of The University of Texas System Board of Regents that the title to the Data Center is held by the U. T. System Board of Regents for the U. T. System and not for the benefit of any individual institution;
- c. authorization for the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to execute all documents, instruments, and other agreements, and to take all further actions including actions necessary to determine fee and governance structure, if needed, as deemed necessary or advisable to carry out the purpose and intent of the foregoing actions; and
- d. appropriation and authorization of expenditure of funds.

Reimbursement to U. T. Arlington for the purchase of the Data Center using PUF funds allows all institutions utilizing the Data Center to have free access to the space, subject to an appropriate pro rata operations support fee. Alternatively, U. T. System will explore funding operations of the Data Center from U. T. System funds.

The Data Center was originally leased by U. T. Arlington, with an option to purchase, and was purchased by the U. T. System Board of Regents in January 2006 with funds supplied by U. T. Arlington. The U. T. System Board of Regents approved the purchase on August 11, 2005, to preserve U. T. Arlington's investment in improvements previously made to the Data Center and to avoid anticipated increased acquisition costs for purchase of the facility at a later date. The purchase price of \$8.445 million for the facility was paid with U. T. Arlington Reserves. The structure is a highly desirable and secure facility for use as a data center. In addition, the size (51,200 square feet) provides the capacity to serve needs well beyond those of U. T. Arlington. For the Data Center to be fully utilized, however, upgrades to the HVAC and utility systems are needed.

The potential uses of the Data Center for U. T. System Administration include the collocation of computers currently located in U. T. System Administration buildings. The U. T. System Office of Telecommunication Services may place the servers used to provide backup web services in the Data Center.

The University of Texas at Tyler is participating in a study to determine if it can share in an implementation of an enterprise resource planning (ERP) system with The University of Texas at Dallas and U. T. Arlington.

The University of Texas at Austin considered use of the Data Center, but strongly leans to The University of Texas M. D. Anderson Cancer Center data center at this time. U. T. Austin will use the selected facility to house an alternate computer and to provide a backup copy of its major database as well as other data. The copy process would be over the network.

There may be an opportunity to implement centralized course management systems for two or more institutions. U. T. Dallas and The University of Texas at El Paso have both indicated that if such a service were provided, the institutions would like to use it. The University of Texas at Brownsville is a candidate due to current use of a remotely hosted Blackboard site in Washington, D.C.

The University of Texas Medical Branch at Galveston has a reputation for outsourcing and, while not likely a large user, would consider the Data Center. For the health institutions, a centralized, very secure data storage service that could be used for drug trial data would be timely.

U. T. Dallas and The University of Texas at Southwestern Medical Center at Dallas plan to use the Data Center as a collocation center for 1) computer services that are simultaneously also running on computers on the respective campus, 2) disaster recovery, and 3) computer program development.

4. U. T. System: Approval to renew contract with Deloitte & Touche LLP to provide independent audit services for the Annual Financial Report for fiscal year ending August 31, 2006

Upon motion by Regent Estrada, seconded by Vice Chairman Clements, the Board

- a. directed that the contract with Deloitte & Touche LLP for audit services related to The University of Texas System Annual Financial Report for the fiscal year ending August 31, 2006, be extended for an additional year effective April 1, 2006;

- b. authorized the Executive Vice Chancellor for Business Affairs, Dr. Scott C. Kelley, to negotiate with Deloitte & Touche on the terms of the contract renewal and execute a renewal, consistent with the discussions today (March 28); and
- c. approved that Available University Funds (AUF) be used to fund the contract renewal for the additional year.

The motion carried unanimously.

Prior to the vote and on behalf of the Audit, Compliance, and Management Review Committee, Regent Estrada led a discussion concerning possible renewal and source of funding for a renewal if directed. The potential benefits of renewal (such as improving governance by assuring that reported financial information is accurate and reliable, improving internal controls over financial reporting by benefiting from external assessment reported in the management letters for each institution and U. T. System Administration, and providing regular access to Deloitte's expertise concerning best accounting and auditing practices and ability to reference audited financial statements in debt offerings) were weighed against the costs (such as accounting and internal audit time and effort in addition to the fee) and the concern that additional audit work is not needed as the first audit did not result in material adjustments to the financial statements.

A contract with Deloitte & Touche LLP was negotiated to provide the audit of the U. T. System Annual Financial Report for the fiscal year ending August 31, 2005. The contract commenced on August 30, 2004, and terminated on April 1, 2006. Subject to *Texas Government Code* Section 321.020, Article IX, Section 6.34 of the 2006-2007 General Appropriations Act, and the approval by the State Auditor for the delegation of authority to U. T. System to contract with a private auditor, the current contract gave the U. T. System the option to renew the contract for two additional one-year terms provided that exercise of the option is conditional upon U. T. System and Deloitte & Touche reaching mutual agreement on the renewal terms.

On July 16, 2004, the U. T. System Board of Regents selected Deloitte & Touche to perform an audit of the consolidated System-wide financial statements excluding the stand-alone audit of The University of Texas Investment Management Company (UTIMCO) financial statements. A contract was entered into as of August 30, 2004, for the independent audit of the U. T. System Annual Financial Statements for the fiscal year ending August 31, 2005.

On December 20, 2005, Deloitte & Touche LLP issued an unqualified opinion stating that the financial statements presented fairly, in all material respects, the financial position of the U. T. System as of August 31, 2005, and its

changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the U.S.

The audit report was considered during the joint meeting of the Audit, Compliance, and Management Review Committee and the Finance and Planning Committee on February 8, 2006.

The contract for the System-wide financial statement audit for FY 2005 was negotiated at \$1,800,000 plus reimbursement for expenses not to exceed \$140,000, for a cumulative fee cap of \$1,940,000.

The fee for a contract for a System-wide audit of FY 2006 is estimated in the range of \$2,000,000 to \$2,050,000 (plus expenses) or an approximate 11.1% to 13.8% increase over the previous fee.

5. U. T. System: Consideration of possible designation of the U. T. Medical Branch - Galveston Clinic Facility (League City) project as architecturally or historically significant

The University of Texas Medical Branch at Galveston Clinic Facility (League City) was not designated as architecturally or historically significant. (The project will be considered for redesignation as the Victory Lakes Ambulatory Care Center at a future date.)

6. U. T. System Board of Regents: Approval of Annual Financial Assessment Schedule for the UT TeleCampus

The Board approved the Annual Financial Assessment Schedule for the UT TeleCampus for the fiscal years ending August 31, 2010, as forth on Page 9.

As the centralized support and coordination unit of the U. T. System for online education, the UT TeleCampus assists the U. T. System institutions in taking their courses and programs online, allowing them to reach new students. The enrollments in these courses generate tuition, fees, and formula funding, all of which is retained by the campus offering the class.

In addition to creating new enrollments to the institutions, the TeleCampus operation is dedicated to providing services and support to the students, faculty, and staff across the U. T. System.

The TeleCampus derives a portion of its annual operating budget by invoicing the institutions for these services via the UT TeleCampus Annual Financial Assessment Schedule. The assessed amount is based on the number of course sections that were offered through the TeleCampus in the previous three semesters combined. The number of sections is converted to a dollar

amount based on the TeleCampus Assessment Schedule. The Annual Financial Assessment is not a student fee, as the institutions are solely responsible for this payment to the TeleCampus.

This method of returning some of the value generated for the campuses by courses offered through the TeleCampus became effective in FY 2002.

The Assessment Schedule is designed around "steps." Each step represents the total number of course sections offered through the TeleCampus in the previous three semesters. In addition to the steps, there is an annual incremental increase built into the schedule. In the assessment model created and approved in 2002, an institution would pay 9% more each year if it held its course offerings constant. This "ramp-up" feature was built into the schedule by design so that over time, the TeleCampus would become less reliant on the Available University Fund (AUF).

The current year is the final year of the 2002 Assessment Schedule. As noted on the attached Schedule, the new values to the Schedule add two additional steps to the course section category and continue the annual increases (at 5%) to the Year 2010, when additional review of the model will be appropriate.

UT TeleCampus Annual Financial Assessment Schedule

effective FY 2006-2007

Prior Assessment Values

Current Values

# of Course Sections	<u>Prior Assessment Values</u>					<u>Current Values</u>			
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
0	\$5,000	\$7,800	\$8,580	\$9,438	\$10,382	\$10,901.10	\$11,446.16	\$12,018.46	\$12,619.39
1 to 5	\$12,000	\$16,800	\$18,480	\$20,328	\$22,361	\$23,479.05	\$24,653.00	\$25,885.65	\$27,179.94
6 to 10	\$18,000	\$21,600	\$23,760	\$26,136	\$28,750	\$30,187.50	\$31,696.88	\$33,281.72	\$34,945.80
11 to 15	\$24,000	\$27,600	\$30,360	\$33,396	\$36,736	\$38,572.80	\$40,501.44	\$42,526.51	\$44,652.84
16 to 20	\$24,000	\$30,360	\$33,396	\$36,736	\$40,409	\$42,429.45	\$44,550.92	\$46,778.47	\$49,117.39
21 to 25	\$36,000	\$41,400	\$45,540	\$50,094	\$55,103	\$57,858.15	\$60,751.06	\$63,788.61	\$66,978.04
26 to 30	\$36,000	\$44,298	\$48,728	\$53,601	\$58,961	\$61,909.05	\$65,004.50	\$68,254.73	\$71,667.46
31 to 35	\$36,000	\$47,399	\$52,139	\$57,353	\$63,088	\$66,242.40	\$69,554.52	\$73,032.25	\$76,683.86
36 to 40	\$36,000	\$50,717	\$55,788	\$61,367	\$67,504	\$70,879.20	\$74,423.16	\$78,144.32	\$82,051.53
41 to 45	\$36,000	\$54,267	\$59,694	\$65,663	\$72,229	\$75,840.45	\$79,632.47	\$83,614.10	\$87,794.80
46 to 50	\$36,000	\$58,066	\$63,872	\$70,259	\$77,285	\$81,149.25	\$85,206.71	\$89,467.05	\$93,940.40
51 to 55	\$36,000	\$62,130	\$68,343	\$75,178	\$82,695	\$86,829.75	\$91,171.24	\$95,729.80	\$100,516.29
56 to 60	\$36,000	\$66,479	\$73,127	\$80,440	\$88,484	\$92,908.20	\$97,553.61	\$102,431.29	\$107,552.86
61 to 65	\$36,000	\$71,133	\$78,246	\$86,071	\$94,678	\$99,411.90	\$104,382.50	\$109,601.62	\$115,081.70
66 to 70	-----	-----	-----	-----	-----	\$104,382.50	\$109,601.62	\$115,081.70	\$120,835.79
71 to 75	-----	-----	-----	-----	-----	\$109,601.62	\$115,081.70	\$120,835.79	\$126,877.58

Prepared by UT TeleCampus
March 2006

7. U. T. System: Approval of tuition and fee plans for the academic institutions effective for Fall 2006 and Fall 2007 and for the health institutions effective for Academic and Fiscal Years 2006-2007 and 2007-2008; and approval of maximum energy fees

Chairman Huffines said The University of Texas System leads the country in a collaborative process to include students in discussions about tuition and fee plans and he thanked the students for their work and input. Chairman Huffines then called on Chancellor Yudof who provided an overview of tuition, explaining that one portion of tuition is set by the Legislature (statutory tuition), currently set at \$50 per semester credit hour. He said the portion over which the Board has authority is called Designated Tuition, and he noted the Board also approves fees. Chancellor Yudof said the Board has had tuition-setting authority since 2003 and has gone through two prior tuition-setting cycles.

Chancellor Yudof said over the last 20 years, public universities nationwide have experienced an overall decrease in state funding in terms of real dollars, yet student enrollment for U. T. System academic institutions is increasing at over 20%. Per student general revenue support is down to \$6,000. He discussed changes in higher education that affect the increasing costs of education including the rise in science and technology, the rise in campus entrepreneurship, and the rise in individuals' mobility.

Chancellor Yudof said the responsibility of the Board is to maintain and enhance the quality of education received by students on all 15 campuses, simultaneously carrying the research and technology transfer functions that are vital to the economic well-being of Texas.

Chancellor Yudof then called on Executive Vice Chancellor Sullivan for comments on the U. T. System tuition rates and the impact of increasing energy costs on the institutional operating budgets that would be reflected in the campus proposals.

Dr. Sullivan said the Board created a tuition-setting process that requires student participation. As a result, students have had a significant role in determining priorities for the use of additional tuition dollars and they supported the tuition rate requests from their campuses. Tuition flexibility has allowed strengthening of the quality of academic programs and student services by hiring faculty, academic advisors, and financial aid counselors and by updating and improving classrooms and technologies to make them safer and to bring them up to modern technological standards. Dr. Sullivan said before the advent of tuition flexibility, tuition rates were determined exclusively by the semester credit hour; now timely graduation is encouraged by rewarding students who are working to graduate sooner. She explained that encouragement takes several forms including flat-rate tuition, tuition rebates and, for the first time this year, guaranteed tuition for a set number of

years. Dr. Sullivan said highlights of the campus proposals would include expansion of flat-rate tuition, discounts for off-peak classes, financial assistance, and higher nonresident tuition at The University of Texas at Austin.

Regent Haley inquired how Designated Tuition gets spent and Executive Vice Chancellor Sullivan replied that the campuses are careful to spend those tuition dollars how they were intended. Chancellor Yudof confirmed a lot of data exists on this.

Executive Vice Chancellor Sullivan then called on the following presidents for presentations on their tuition and fee proposals. Each president was accompanied by the Student Body president for each of the campuses represented.

President Spaniolo, Mr. Josh Sawyer
(The University of Texas at Arlington)
President Powers, Mr. Omar Ochoa
(The University of Texas at Austin)
President García, Mr. Michael Camarillo
(The University of Texas at Brownsville)
President Daniel, Mr. Basheer Benhalim
(The University of Texas at Dallas)
Provost Richard S. Jarvis (attended for President Natalicio),
Mr. Art Gloria (The University of Texas at El Paso)
President Cárdenas, Mr. Edward Adrian Sandoval
(The University of Texas - Pan American)
President Watts, Ms. Myrna Wallace-Servera
(The University of Texas of the Permian Basin)
President Romo, Mr. Jason Palasota
(The University of Texas at San Antonio)
President Mabry, Mr. Austin O'Kelly
(The University of Texas at Tyler)
President Wildenthal, Mr. Folahan Ayoola
(The University of Texas Southwestern Medical Center at Dallas)

President Spaniolo said the primary use of increased tuition at U. T. Arlington is to attract top scholars and to increase enrollment. He and many other presidents said one of their biggest challenges is the retention of top faculty and staff.

President Powers emphasized officials at U. T. Austin are stewards of state funds and as such, are obliged to keep costs accessible and not let the quality of the educational experience erode. Benchmarked against 12 U.S. public universities, President Powers said U. T. Austin is still a bargain with tuition and fees at 9/12 for resident students and 12/12 for nonresident students. He said for students from families who earn below \$40,000/year, there will be no increase; there is a 75% offset in financial aid for families with

incomes of \$40-\$60,000; and families in the \$60-\$80,000 income bracket will see a 50% offset. He clarified the energy charge is temporary in that it is a two-year proposal. President Powers said all undergraduate programs are charged flat-rate tuition, and graduating on time is more crucial to the cost of an education than the tuition increases being discussed today.

President García said U. T. Brownsville has the second lowest tuition in the U. T. System and is the only open admissions university in the System. She said most students are first generation and are part-time students, therefore the focus will be to move students forward to full-time status to reduce the time to graduation. Dr. García reported that while enrollment has continued to increase, the number of faculty has not grown. She said flat-rate tuition was implemented last fall and is working well and she listed the benefits of tuition dollars include new faculty, more classes, new degree programs, and new student jobs to retain students and increase graduation rates. Regarding the utility contract, Dr. García said the current contract is nearing completion and will be more difficult to negotiate.

President Daniel said the proposed energy fee of \$150 for two years is a cap but it is not known what energy costs at U. T. Dallas will realistically be. He spoke of the transparency of the tuition-setting process and of the positive effects of the flattening of tuition and fees that has more than doubled the number of students taking 15 semester credit hours or more.

Dr. Richard S. Jarvis, Provost, Professor, and Vice President for Academic Affairs presented the tuition plan for U. T. El Paso on behalf of President Natalicio. Dr. Jarvis said the tuition and fee increase is minimized as much as possible by operating cost savings that will be largely consumed by increasing utility costs.

President Cárdenas said U. T. Pan American is proposing the highest tuition increase but has the lowest tuition in the U. T. System and the second lowest tuition in the state. She said the institution is not proposing an energy fee.

President Watts outlined programs to which U. T. Permian Basin is committed for students that require additional resources and he said with the increased tuition, the institution will target student support and student success, the cash-for-college program to encourage graduation, and a proposed energy fee.

President Romo said U. T. San Antonio is the fastest growing university in the State of Texas, the faculty:student ratio is 23.6:1, and classroom utilization is high. Dr. Romo reviewed utility costs and ways the institution is addressing rising energy needs and costs.

President Mabry said U. T. Tyler has grown 60% in the last four years, yet State support has declined \$500/student since the last biennium and the proposed tuition increase does not make up for the State shortfall.

Chairman Huffines then called on Executive Vice Chancellor Shine who said applicant pools for the health institutions are at record highs, as is diversity. He said the way in which matching programs for medical schools has changed is to handle early acceptances because of the competition. Although tuition represents a relatively small portion of the budget of the health institutions, there is the desire to attract the best students and help them obtain their education without excessive debt.

Following a short lunch break, and in response to a question from Regent McHugh regarding utilization of energy fees, Chairman Huffines called on President Powers and President Daniel to discuss how the energy fee is being utilized at their institutions. Both presidents explained the energy fee is temporary and President Daniel elaborated the fee is a maximum fee that would be the actual auditable energy expense above and beyond the compensation received by the State for that purpose. Vice Chairman Krier requested the resulting motion clarify the energy fee is a maximum fee.

Regent Estrada asked that the public be reminded that the maximum tuition is seldom what students pay because of financial aid and Chairman Huffines agreed financial aid is substantial. Regent Caven said he was troubled by the public perception that the media headlines will not accurately reflect this message and he requested a proactive approach be taken regarding informing the media and involving state and community leaders. Chairman Huffines called on President Cárdenas to respond. Dr. Cárdenas said she had corresponded with many state legislators in an effort to help them understand the issues regarding tuition and fees. Regent Caven commended President Cárdenas for her efforts and asked that a member of her staff contact the media and community representatives to clarify the tuition increase is not just recommended by, but demanded by, the U. T. Pan American Student Body.

In search for new ways to continue excellence at the U. T. System institutions at the most reasonable cost, Regent Barnhill encouraged the sharing of creative ideas regarding cost-cutting measures, payment for critically needed new faculty positions, provision of competitive salaries, funding of infrastructure issues, coverage of rising utility costs, and funding the 20% set aside to offer students financial aid. He suggested to the presidents a comprehensive program to inform the public in their communities of the economic values of higher tuition, the absolute need for tuition increases as legislative funding decreases, and continued emphasis of availability of financial aid.

For the benefit of new Regents and guests, Chairman Huffines asked President Powers to explain the set aside for financial aid at U. T. Austin, which is substantially more than the 20% mandated by law. Chairman Huffines said three years ago, 28% was set aside. He clarified those families with household incomes less than \$40,000 paid no tuition increase. The

median household income in the State of Texas is \$42,000-\$43,000. President Powers explained that families with incomes of two times the median household income would pay only 50% of the tuition increase.

Regent Haley said he has been involved in the tuition-setting process as a student who opposed tuition deregulation who then served on a tuition advisory committee at U. T. Austin, and now as a Regent, he is reassured that the responsibility is taken seriously and that the process is comprehensive and consultative and serves as a benchmark for the country. Regent Haley said he supports the tuition increases.

Vice Chairman Krier asked President Powers to clarify keeping the enrollment at U. T. Austin at a higher rather than lower level and President Powers responded that in the short term, students generate revenue that helps balance the budget. President Powers said the quality of the education at the U. T. System institutions is fragile, takes time to build, and the presidents are trying to balance budgets in the long run as well as in the short term.

Chairman Huffines asked President Powers to address the proposed raising of the low, undergraduate out-of-state tuition. President Powers said the proposal includes a tuition charge of 3.2 times the in-state tuition for entering freshmen over two years. Regent Caven asked how many out-of-state students are at U. T. Austin, and President Powers responded 8% and that figure includes international students. Vice Chairman Krier asked if the 40/60/80 discount/financial aid package applies to out-of-state students and President Powers said although they have financial aid available, the money set aside under statute is not used for that purpose nor is the 7-8% voluntarily set aside by the campus available for out-of-state students.

Regent Haley asked about the tuition-setting process at U. T. Arlington and President Spaniolo said students were involved in the consultative process and have embraced the proposal. He believes the incentives and transparency have been well received.

Vice Chairman Clements expressed concern about the lack of classrooms in the summer at U. T. San Antonio and President Romo said the efforts to reach junior high and high school students have made for crowded facilities.

Regent Rowling suggested other campuses could explore the model of U. T. El Paso of a four-year, fixed-rate tuition as long as students take 30 credit hours a year to speed up graduation rates. Chairman Huffines said U. T. Dallas has a similar proposal and he commended President Daniel for his proposal on the community college partnership.

Vice Chairman Krier referenced the Texas Tech University model that requires students to take a certain number of semester credit hours in the fall

or in the spring to be eligible for the tuition discount and explained U. T. Permian Basin has implemented a similar model that stretches classes over the summer, especially attractive for students who work. President Watts said it is working well.

Regent McHugh praised the presidents, saying conscientious study was a theme throughout the presentations and as a parent, the best thing we can give our children is a good education. Chairman Huffines commended the presidents on their proposals and incentives and said the proposals are aligned with improving graduation rates. He concluded by thanking the Student Body presidents; saying their efforts are impressive and he applauded their leadership. He said there can be no critics of the process.

Chancellor Yudof then recommended that the Board of Regents approve proposed tuition and fee charges for the U. T. System academic institutions effective for Fall 2006 and Fall 2007 as proposed in the institutional proposals contained on Pages 32 – 122 of the Agenda materials, as clarified by the presidents. He further recommended that any proposed tuition increases for the purpose of energy costs become instead maximum energy fees. In addition, Chancellor Yudof recommended that the Board of Regents approve proposed tuition and fee charges for the health institutions effective for Academic and Fiscal Years 2006-2007 and 2007-2008 as proposed in the institutional proposals on Pages 123 – 146 of the Agenda materials.

Regent McHugh moved that the Chancellor's recommendations be approved. The motion was seconded by Regent Barnhill and carried unanimously. For the record, Regents Craven, Estrada, and Rowling were not present to vote.

Vice Chairman Krier said she supported the recommendations and said each proposal is locally driven; what might work for one campus might not work for another, and she suggested their uniqueness might be an aspect of tuition deregulation that might have been overlooked. She said putting tuition and graduation initiatives side-by-side, graduating in four to five years still results in a lower tuition.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 1:40 p.m.

/s/ Francie A. Frederick
Counsel and Secretary to the Board

May 10, 2006