



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

**August 23-24, 2023
Austin, Texas**

Wednesday, August 23, 2023

CONVENE THE BOARD IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551

1:00 p.m.

1. Individual Personnel Matters Relating to Officers or Employees – Section 551.074
 - a. **U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions including interim presidents); U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors); other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive); Board members; and U. T. System and institutional employees**
 - b. **U. T. San Antonio: Discussion regarding individual personnel matters associated with duties and responsibilities of the president and other university administrators regarding strategic issues related to real property**
 - c. **U. T. Rio Grande Valley: Discussion regarding individual personnel matters associated with duties and responsibilities of the president and other university administrators regarding strategic issues related to real property**
2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071
 - a. **U. T. System Board of Regents: Discussion with Counsel on pending legal issues**
 - b. **U. T. System Board of Regents: Discussion and appropriate action regarding legal issues concerning pending legal claims by and against U. T. System**
 - c. **U. T. Health Science Center - San Antonio: Discussion and appropriate action regarding legal responsibilities concerning authorization to lease approximately 20,000 or more square feet of space in a to-be-built medical office building located at 6111 Via Mercado, San Antonio, Bexar County, Texas**
 - d. **U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding legal issues associated with the purchase and acquisition of certain assets from Bellicum Pharmaceuticals, Inc. for mission related purposes**

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3. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072
 - a. **U. T. Health Science Center - San Antonio: Discussion and appropriate action regarding authorization to lease approximately 20,000 or more square feet of space in a to-be-built medical office building located at 6111 Via Mercado, San Antonio, Bexar County, Texas from an entity likely involving Lincoln Property Commercial Services Enterprises, Inc., and SASP Management, L.L.C. or related entities, for clinical, research and educational uses**
 - b. **U. T. Medical Branch - Galveston: Discussion and possible appropriate action regarding the purchase of real property consisting of approximately 4.40 acres and an approximately 373,070 square-foot hospital building and related parking garage currently leased to U. T. Medical Branch and located at 200 Blossom Street, Webster, Harris County, Texas, from HC 200 Blossom Street, LLC or related entity, for mission purposes to include clinical, research, and educational uses**
 - c. **U. T. San Antonio: Discussion regarding strategic issues related to real property**
 - d. **U. T. Rio Grande Valley: Discussion regarding strategic issues related to real property**

RECONVENE THE BOARD IN OPEN SESSION FOR POSSIBLE ACTION ON EXECUTIVE SESSION ITEMS, IF ANY, TO TAKE ACTION ON AGENDA ITEMS, AND TO CONVENE COMMITTEE MEETINGS 1:55 p.m.

1. **U. T. System Board of Regents: Discussion and appropriate action regarding proposed revision to Regents' *Rules and Regulations*, Rule 70202 (Interest Rate Swap Policy), Section 9 and Definitions** 7

PUBLIC HEARING OPPORTUNITY, PURSUANT TO *TEXAS EDUCATION CODE* SECTION 54.0513, REGARDING PROPOSED ONE-YEAR EXTENSION OF PREVIOUSLY APPROVED CHANGES TO DESIGNATED TUITION FOR NON-RESIDENT AND GRADUATE STUDENTS AT ACADEMIC INSTITUTIONS AND PROPOSED CHANGES TO DESIGNATED TUITION AT HEALTH INSTITUTIONS 2:00 p.m.

COMMITTEE MEETINGS 2:15 p.m. – 5:15 p.m.

RECESS 5:15 p.m.

Thursday, August 24, 2023

CONVENE THE BOARD IN OPEN SESSION TO CONSIDER AGENDA ITEMS 9:00 a.m.

STANDING COMMITTEE RECOMMENDATIONS AND REPORTS TO THE BOARD 9:05 a.m.

2. **U. T. System Board of Regents: Approval of Consent Agenda and consideration of any item referred to the full Board** 8

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RECESS TO EXECUTIVE SESSION PURSUANT TO <i>TEXAS GOVERNMENT CODE</i> , CHAPTER 551	10:00 a.m.
1. Individual Personnel Matters Relating to Officers or Employees – Section 551.074	
a. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions including interim presidents); U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors); other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive); Board members; and U. T. System and institutional employees	

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- b. U. T. Austin: Discussion and appropriate action regarding proposed acquisition of the property consisting of all units and common areas in the Two Thousand Whitis Place Condominiums located at 2000 Whitis Avenue, Austin, Travis County, Texas, including consideration of the use of eminent domain to condemn specific units if necessary, from various owners for future campus expansion**

RECONVENE THE BOARD IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS AND TO CONSIDER AGENDA ITEMS

*11:30 a.m.
approximately*

- 11. U. T. System: Discussion and appropriate action regarding a) the nonpersonnel aspects of the operating budgets for Fiscal Year 2024, including Permanent University Fund Bond Proceeds allocations for Library, Equipment, Repair and Rehabilitation Projects, for the Faculty Science and Technology Acquisition and Retention program, and for capital expenses for Stephen F. Austin State University and Internal Lending Program funds for Stephen F. Austin State University, and b) finding that expenditure of AUF is appropriate**

23

- 12. U. T. System: Discussion and appropriate action regarding personnel aspects of the U. T. System Administration and institutional operating budgets for Fiscal Year 2024**

25

ADJOURN

*12:00 p.m.
approximately*

1. **U. T. System Board of Regents: Discussion and appropriate action regarding proposed revision to Regents' Rules and Regulations, Rule 70202 (Interest Rate Swap Policy), Section 9 and Definitions**

RECOMMENDATION

The Chancellor, the Executive Vice Chancellors for Academic Affairs, Health Affairs, and Business Affairs, and the Vice Chancellor and General Counsel recommend that the U. T. System Board of Regents approve revisions to Regents' *Rules and Regulations*, Rule 70202 (Interest Swap Policy), Section 9, as shown below and make conforming changes to the Rule's Definitions to include the Effective Federal Funds Rate and the Secured Overnight Financing Rate and to delete the London Interbank Offered Rate (LIBOR):

- Sec. 9 Basis Risk. Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the U. T. System. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, any index used as part of a swap shall be a recognized market index, including but not limited to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index, the Effective Federal Funds Rate (EFFR), or the Secured Overnight Financing Rate (SOFR) ~~London Interbank Offered Rate (LIBOR).~~

BACKGROUND INFORMATION

Regents' Rule 70202 sets forth the policy governing the use of interest rate swaps in connection with U. T. System's management of its debt programs. The proposed revision updates references to examples of market indices to be used as part of an interest rate swap to remove reference to London Interbank Offered Rate, which was discontinued on June 30, 2023, and add references to the Effective Federal Funds Rate and the Secured Overnight Financing Rate.

The proposed revisions do not impact the full-time equivalent (FTE) employee count Systemwide and are budget-neutral. The proposed Rules change was reviewed by the institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

2. **U. T. System Board of Regents: Approval of Consent Agenda and consideration of any item referred to the full Board**

RECOMMENDATION

The Board will be asked to approve the Consent Agenda beginning on [Page 352](#).

3. **U. T. System Board of Regents: Discussion and appropriate action regarding proposed revision to Regents' Rules and Regulations to amend and retitle Rule 10701 (Policy Against Discrimination) and take other action to comply with applicable law**

RECOMMENDATION

It is recommended that the U. T. System Board of Regents take the following actions:

a) Approve the following revisions to Regents' *Rules and Regulations*, Rule 10701:

1. Title

~~Policy Against Discrimination~~ Compliance with Laws Related to Race, Color, National Origin, Ethnicity, Religion, Sex, Age, Veteran Status, or Disability

2. Rule and Regulation

Sec. 1 To the extent provided by applicable law, no person shall be excluded from participation in, denied the benefits of, or be subject to discrimination under, any program or activity sponsored or conducted by The University of Texas System or any of the institutions, on the basis of race, color, national origin, ethnicity, religion, sex, age, veteran status, or disability.

Sec. 2 Unless required by federal law or permitted by Texas Education Code Section 51.3525, an institution may not maintain a diversity, equity, and inclusion (DEI) office or engage in other conduct prohibited by Section 51.3525 and must adopt policies and procedures for appropriately disciplining an employee or contractor of the institution who engages in prohibited conduct.

The Board authorizes the Chancellor to submit required reports to the Texas Legislature and Texas Higher Education Coordinating Board each fiscal year certifying compliance with Section 51.3525, to testify before legislative committees regarding compliance with Section 51.3525, and to take other actions needed to ensure compliance with Section 51.3525.

b) Authorize the General Counsel to the Board to review existing Regents' Rules and make additional revisions as necessary to comply with Texas Education Code Section 51.3525, other applicable law, and controlling caselaw. This recommendation is based upon the June 29, 2023, United States Supreme Court decision prohibiting the use of race as a factor in student admissions and will formally document the repeal of Regents' Rule 40304 authorizing plans that consider an applicant's race or ethnicity as part of an institution's admissions or financial assistance policies.

BACKGROUND INFORMATION

In response to discussions during the Texas 88th Legislative Session regarding diversity, equity, and inclusion (DEI) practices and policies at institutions of higher education, the U. T. System

Board of Regents took action on February 22, 2023, to pause any new DEI initiatives and review all existing DEI policies. On June 17, 2023, Governor Abbott signed Senate Bill 17, codified as Texas Education Code Section 51.3525, limiting diversity, equity, and inclusion policies and initiatives at public institutions of higher education. The legislation requires the Board to ensure that institutions comply with the new law and adopt policies to appropriately discipline employees or institutional contractors who do not comply. The legislation also contains certain requirements regarding compliance reporting as well as scheduled compliance audits by the State Auditor.

The proposed revisions articulate the Board's commitment to compliance with Section 51.3525 and delegate authority to the Chancellor to take necessary action to ensure compliance on behalf of the Board.

Additional proposed language acknowledges the impact of the United States Supreme Court's June 29, 2023, decision prohibiting the use of an applicant's race as a factor in student admissions and directs the General Counsel to the Board to make changes in other Regents' Rules as necessary to comply with this decision as well as applicable state and federal law. Accordingly, Regents' Rule 40304 allowing plans that consider an applicant's race or ethnicity as part of an institution's admissions or financial assistance policies will be deleted.

These revisions and the underlying legislation have the potential to impact full-time equivalent (FTE) employee counts and budgets upon implementation. The proposed Rules change was reviewed by the institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

4. **U. T. System Board of Regents: Discussion and appropriate action regarding proposed revision to Regents' Rules and Regulations, Rule 31002, Section 1 (Notice to Nontenured Faculty); Rule 31007 (Tenure); Rule 31008 (Termination of a Faculty Member); and Rule 31102 (Evaluation of Tenured Faculty) and additional action to comply with state law**

RECOMMENDATION

The Chancellor, the Executive Vice Chancellors for Academic Affairs and Health Affairs, and the Vice Chancellor and General Counsel recommend the Board take the following actions to assure compliance with Senate Bill 18, Texas Legislature, 88th Regular Session, codified as *Texas Education Code* [Section 51.942](#), amended effective September 1, 2023, and retitled as Faculty Tenure:

- a) Revise Regents' Rule 31002 at the last sentence of Section 1 as follows:

Sec. 1 Notice to Nontenured Faculty.

....

The notice required by this ~~Section~~ ~~Subsection~~ is not applicable where termination of employment is for good cause as defined in under Rule 31008, ~~Section 4~~ of the Regents' *Rules and Regulations*.

- b) Amend Regents' Rule 31007 to add additional language to Sections 1 and 6 as follows:

Sec. 1 Granting of Tenure. Tenure denotes a status of continuing appointment as a member of the faculty at an institution of The University of Texas System. The granting of tenure means the entitlement of a faculty member of an institution of higher education to continue in the faculty member's academic position unless dismissed by the institution for good cause in accordance with Regents' Rule 31008. The granting of tenure may not be construed to create a property interest in any attribute of a faculty position beyond a faculty member's continuing employment, including the faculty member's regular annual salary and any privileges incident to the faculty member's status as a tenured professor.

....

Sec. 6 Board Approval. The award of tenure may be granted only by ~~is subject to approval of the Board of Regents,~~ on the recommendation of the institutional president and the Chancellor.

- c) Amend Regents' Rule 31008 as follows and renumber prior Section 4 and the remaining sections as appropriate:

Sec. 1 Termination for Good Cause. Termination by an institution of the employment of a faculty member who has been granted tenure and of all other faculty members before the expiration of the stated period of appointment, except as is otherwise provided in Rule 31007, Section 5, and *Texas Education Code* [Section 51.943](#),

or by resignation or retirement, will be only for good cause shown, as further detailed below.

Such termination may be made at any time after providing the faculty member with appropriate due process in conformance with the institution's policies, on a determination that:

(a) the faculty member has engaged in one of the following forms of conduct and the faculty conduct is serious or egregious in nature such that the president determines it is in the best interest of the institution to separate the implicated faculty:

(1) exhibited professional incompetence;

(2) continually or repeatedly failed to perform duties or meet professional responsibilities of the faculty member's position;

(3) failed to successfully complete any post-tenure review professional development program;

(4) engaged in conduct involving moral turpitude that adversely affects the institution or the faculty member's performance of duties or meeting of responsibilities;

(5) violated laws or university system or institution policies substantially related to the performance of the faculty member's duties;

(6) been convicted of a crime affecting the fitness of the faculty member to engage in teaching, research, service, outreach, or administration;

(7) engaged in unprofessional conduct that adversely affects the institution or the faculty member's performance of duties or meeting of responsibilities; or

(8) falsified the faculty member's academic credentials;

(b) there is actual financial exigency or the phasing out of the institution's programs requiring elimination of the faculty member's position as determined following Regents' Rule 31003 and any relevant institutional policy; or

(c) there is other good cause as defined in the institution's policies, which are subject to approval by the Chancellor, Executive Vice Chancellor for Academic Affairs or Health Affairs, and the Vice Chancellor and General Counsel.

....

Sec. 3 Response to Allegation. If the president determines that the allegations are supported by evidence that justifies the initiation of termination procedures, the president will meet with the faculty member, explain the allegations and

supporting evidence, and give the faculty member a reasonable amount of time, as determined by the president to respond either orally or in writing.

Sec. 4 Authorization for Summary Dismissal. ~~In cases of incompetency or gross immorality where the facts are admitted, or in cases of felony conviction, the hearing procedures of Section 4 of this Rule shall not apply, and dismissal by the president will follow.~~ The institutional policies and procedures adopted pursuant to this Rule will include a process for the summary dismissal of a tenured faculty member upon a finding that the faculty member committed serious misconduct, as defined by institutional policies, at any time after providing the faculty member with appropriate due process required by state law, including providing the faculty member with written notice of the allegations against the faculty member together with an explanation of the evidence supporting dismissal and an opportunity for the faculty member to respond to the allegations in a hearing with a designated administrator.

The designated administrator must consider the faculty member's response, must make a written determination of whether the institution will proceed with the summary dismissal, and must promptly provide the faculty member a copy of the written determination. If the decision is in favor of summary dismissal, the written determination must state that clearly and include the effective date of the dismissal and information regarding the faculty member's opportunity for a post-dismissal appeal. If the decision is against summary dismissal, the written determination must state that clearly.

Following a designated administrator's written determination to summarily dismiss a faculty member, the former faculty member must be provided with the opportunity for a post-dismissal appeal in accordance with the institution's policies and procedures.

Institutional policies adopted pursuant to this Rule must be approved by the Chancellor, Executive Vice Chancellor for Academic Affairs or Health Affairs, and the Vice Chancellor and General Counsel.

....

d) Amend Regents' Rule 31102, at Subsection 5.2 to add new language as follows:

5.2 Comprehensive Periodic Evaluations. Comprehensive periodic evaluations are required in compliance with *Texas Education Code* [Section 51.942](#).

....

(h) Communication of Results. Results of the evaluation will be communicated in writing to the faculty member, the department chair/dean, the chief academic officer, and the president for review and appropriate action.

(i) Uses. Possible uses of the information contained in the report include the following:

- (1) The evaluation may be used to determine salary recommendations, nominations for awards, or other forms of performance recognition.
- (2) For individuals whose performance indicates they would benefit from additional institutional support or a remediation plan, the evaluation shall be used to provide such support or a remediation plan (e.g., teaching effectiveness assistance, counseling, or mentoring in research issues/service expectations). Schools/colleges and/or departments, in consultation with a peer committee, shall monitor individuals receiving such support for evidence of improvement and, if there is insufficient improvement, shall take action under (3) or Section 5.3 below, if appropriate, for termination or other appropriate disciplinary action.
- (3) For individuals who receive an unsatisfactory rating in any area of any evaluation conducted under the comprehensive periodic evaluation policy, the process must provide for a short-term development plan that includes performance benchmarks for returning to satisfactory performance. Such individuals ~~Individuals whose performance is unsatisfactory~~ may be subject to further review and/or to appropriate administrative action. Institutional policies shall provide procedures for appeals.
- (4) If incompetence, neglect of duty, or other good cause is determined to be present, appropriate disciplinary action may be taken under Section 5.3 below.

It is further recommended that the Board of Regents direct the General Counsel to the Board to submit these Rules amendments to the Texas Higher Education Coordinating Board prior to September 1, 2023, and to submit any substantive revisions to these Rules annually, prior to each September 1.

BACKGROUND INFORMATION

Senate Bill 18, which amended *Texas Education Code* [Section 51.942](#), effective September 1, 2023, requires several amendments to current Regents' Rules related to the award of tenure, requirements for the comprehensive periodic evaluation of tenured faculty, and the details associated with termination for cause of a tenured faculty member or a nontenured faculty member during the term of his or her appointment. It is anticipated that institutional policies will be modified with input from faculty and following System guidance to facilitate implementation of these revisions.

The proposed revisions do not impact the full-time equivalent (FTE) employee count systemwide and are budget-neutral.

The proposed Rules changes were reviewed by the institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council and were also distributed by the presidents to faculty at each institution for advice and comment.

5. **U. T. System Board of Regents: Discussion and appropriate action regarding proposed revision to Regents' Rules and Regulations to amend Rules 40401 (Assessment, Collection, Delegation, and Waiver of Tuition, Fees, and Charges) and 50101 (Student Conduct and Discipline) regarding nonpayment of tuition, fees, or other charges**

RECOMMENDATION

It is recommended that the U. T. System Board of Regents take the following actions to approve the repositioning of language as follows:

- a) Approve the following addition to Regents' *Rules and Regulations*, Rule 40401 to reposition language related to the nonpayment of tuition, fees, and charges in a more relevant Rule:

Sec. 6 In the event of nonpayment of university tuition, fees, or other charges, an institution may take actions permissible under federal or state laws or regulations.

- b) Approve the deletion of Section 3 (Penalties for Nonpayment), Regents' *Rules and Regulations*, Rule 50101.

BACKGROUND INFORMATION

Regents' Rule 50101 currently includes, in a Rule otherwise related to the student disciplinary process, certain remedies in the event of nonpayment of tuition, fees, and charges by a student. The proposed revisions move this topic to Regents' Rule 40401, a rule discussing tuition, fees, and charges, and provide general authority for an institution to act in the event of nonpayment to the extent not in conflict with federal or state laws or policies.

The proposed revisions do not impact the full-time equivalent (FTE) employee count Systemwide and are budget-neutral. The proposed Rules change was reviewed by the institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

6. **U. T. System Board of Regents: Discussion and appropriate action regarding proposed revision to Regents' Rules and Regulations, Rule 80103 (Solicitation), Section 2, regarding exceptions to prohibition on solicitation**

RECOMMENDATION

The Chancellor, the Executive Vice Chancellors for Academic Affairs, Health Affairs, and Business Affairs, and the Vice Chancellor and General Counsel recommend that the U. T. System Board of Regents approve revisions to Regents' *Rules and Regulations*, Rule 80103 (Solicitation), Section 2 as shown below:

...

Sec. 2 Exceptions to Prohibition. The following activities shall not be deemed Solicitations prohibited by this Rule when conducted in accordance with the approved rules and regulations of the U. T. System Administration or any of the institutions. Such activities must be conducted in a manner that does not disturb or interfere with the academic programs or administrative activities of the U. T. System Administration or any of the institutions or any program or activity that is conducted by or is authorized by the U. T. System Administration or any of the institutions; does not interfere with entry to or exit from a building, structure, or facility; does not interfere with the flow of pedestrians or vehicular traffic on sidewalks or streets or at places of ingress and egress to and from property, buildings, or facilities; does not harass, or intimidate the person or persons being solicited; and does not violate applicable State, federal, or local laws or regulations:

...

2.6 Sale of Items at Events. The sale or offer for sale by the U. T. System Administration or any of the institutions or a subcontractor, under an approved written agreement, of food, drink, art, souvenirs, novelty items, and programs, or other items related to participation at athletic contests, arts festivals, summer camps, or other programs or events sponsored or authorized by the U. T. System Administration or any of the institutions.

....

BACKGROUND INFORMATION

Regents' Rule 80103 generally prohibits solicitation on property owned or controlled by the U. T. System or any of the institutions. Section 2 provides a number of exceptions to this prohibition including the general sale, under written agreement, of items at sponsored programs or events, such as food, drink, or souvenirs at athletic events. The proposed revisions would also specifically include in this exception the sale of art at university-sponsored arts festivals and items related to sponsored or authorized events, including summer camps.

The proposed revisions do not impact the full-time equivalent (FTE) employee count Systemwide and are budget-neutral. The proposed Rules change was reviewed by the institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

7. **U. T. System Board of Regents: Discussion and appropriate action regarding proposed revision to Regents' Rules and Regulations, Rule 80301 (Capital Improvement Program), regarding major projects**

RECOMMENDATION

The Chancellor, the Executive Vice Chancellors for Academic Affairs, Health Affairs, and Business Affairs, the Vice Chancellor and General Counsel, and the General Counsel to the Board recommend that the U. T. System Board of Regents approve revisions to Regents' *Rules and Regulations*, Rule 80301 (Capital Improvement Program), to add a new Section 4, incorporate the definition of Major Project into the text, and renumber the remaining Sections accordingly:

...

Sec. 4 Major Projects.

- a. A Major Project is any project that meets one or more of the following criteria: 1) new building construction with a total project cost of \$10 million or more, 2) road, paving, and repair and rehabilitation projects with a total project cost of \$10 million or more, and 3) any project determined by the Board to be architecturally or historically significant.
- b. An institution's dollar threshold for defining a Major Project may be increased from \$10 million up to \$25 million by the Chancellor, in consultation with the Executive Vice Chancellor for Business Affairs, if it is determined that the institution has the expertise to plan, design, and implement such projects.

BACKGROUND INFORMATION

Rule 80301 sets forth rules for the administration of U. T. System's Capital Improvement Program. In doing so, the Rule defines Major Project and establishes additional requirements for the management of those projects.

Currently a major project is defined as one with a total project cost of at least \$10 million or a project determined by the Board to be architecturally or culturally significant. The proposed revision would allow flexibility to increase an institution's cost threshold to up to \$25 million if it is determined that the institution has the expertise to plan, design, and implement such projects; such determinations would be recorded in a summary chart accessible from the Rule. This approach is consistent with the flexibility provided in *Regents' Rule* 10501 for Board contract approval thresholds.

The proposed revisions do not impact the full-time equivalent (FTE) employee count Systemwide and are budget-neutral. The proposed Rules change was reviewed by the institutional presidents and representatives of the Student Advisory Council, the Faculty Advisory Council, and the Employee Advisory Council.

8. U. T. System Board of Regents: Discussion and appropriate action regarding higher education affordability

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Academic Affairs recommend that the U. T. System Board of Regents certify that U. T. general academic institutions will maintain total resident undergraduate academic costs including tuition, mandatory academic fees, all academic-related general fees, and college course fees at the current levels for the next two academic years, at levels as approved by the Board on May 4, 2023.

BACKGROUND INFORMATION

The U. T. System understands the value of offering world-class, affordable higher education opportunities within the state and remains fully committed to controlling costs for students wherever possible. However, the cost of providing high-quality education continues to increase. In an effort to hold tuition flat for students and their families, the U. T. System joined with five other major university systems in the state to request an increased state investment.

With an unprecedented revenue surplus for the State of Texas for the 2024-2025 biennium, the Texas Legislature, 88th Regular Session, was able to approve significant additional state funding for general academic institutions, contingent on an institution's adoption of policies to maintain total resident undergraduate academic cost including tuition, mandatory academic fees, all academic-related general fees, and college course fees at currently approved levels for the next two academic years. The Chancellor and Executive Vice Chancellor for Academic Affairs have confirmed that all U. T. academic institutions have adopted such policies.

The recommended Board action will further document the Board's commitment to partner with the State of Texas to ensure public institutions of higher education in Texas continue to be some of the most affordable in the nation.

9. U. T. System: Discussion and appropriate actions regarding the establishment of the Regents' Research Excellence Program and the allocation and expenditure of \$55 million of Available University Funds and additional funding from the Internal Lending Program and other sources

RECOMMENDATION

The Chancellor and the Executive Vice Chancellors for Academic Affairs and Business Affairs recommend that the U. T. System Board of Regents:

- a. Adopt a goal for the U. T. System to accelerate its national research prominence and the state's economy through the establishment of the Regents' Research Excellence Program to enhance the U. T. System's global research competitiveness;
- b. authorize the allocation of \$55 million of Available University Funds (AUF) for the Regents' Research Excellence Program in furtherance of U. T. System Administration's responsibility to provide oversight and coordination of the activities of the U. T. System;
- c. authorize the expenditure of up to \$25 million in each year of the 2024-2025 biennium to be funded from the Internal Lending Program and other available sources serving as the matching allocation of institutional funds required under Art. III, Sec. 56 of the *General Appropriations Act*; and
- d. find that expenditure of AUF for the purpose of providing oversight and coordination of the activities of the U. T. System is appropriate and that the expenditure benefits a broad number of U. T. System institutions.

BACKGROUND INFORMATION

The establishment of the U. T. System Regents' Research Excellence Program is proposed to permanently maintain and enhance the research competitiveness of the U. T. System and the U. T. institutions. The Program will provide the support required to continue to enhance the competitiveness of Texas and its research universities and will assure that the U. T. System and U. T. institutions achieve national research prominence at the highest levels and continue to help drive the state's innovation economy. The Program will provide recurring funding for the salaries and benefits of U. T. System research-active faculty and postdoctoral fellows needed to accelerate the rate of growth of high-quality research. The Chancellor will take steps necessary to implement the program if approved.

Since August 2004, the U. T. System Board of Regents has approved allocations of Permanent University Fund bond proceeds for the Science and Technology Acquisition and Retention program (STARs program), designed to help U. T. System institutions attract and retain the best qualified faculty by funding research start-up costs, including state-of-the-art research equipment and laboratory renovations. While the STARs program has been instrumental in helping U. T. institutions attract and retain high-quality faculty through research facilities and equipment, additional funds made available through the Regents' Research Excellence Program

are needed to accelerate the pace of faculty hiring. This additional investment in the overall research capacity and success of the U. T. System is consistent with and contemplated by the actions of the Texas 88th Legislature and Governor Abbott.

Art. III, Sec. 56 of the General Appropriations Act provides up to \$25 million in General Revenue funding to the Core Research Support Fund, provided the eligible institutions receive an equal matching allocation of institutional funds. The allocation of up to \$25 million under subsection (c) will serve as the institutional match needed to access the up to \$25 million in additional state funding. The amount of funding provided to U. T. System institutions from the Core Research Support Fund depends on whether House Bill 1595, 88th Legislature, Regular Session, takes effect with the adoption of an amendment to the Texas Constitution.

The Executive Vice Chancellor for Business Affairs has determined that, following distribution of funds based on Board approval of this item, revenues generated through the Internal Lending Program will exceed amounts needed to maintain a sufficient interest rate buffer, to meet principal and interest due on external debt, and to provide necessary liquidity.

Advance notice of this proposed System initiative funded with Available University Funds was provided to the Legislative Budget Board as required by Rider 7, Page III-70 of the current *General Appropriations Act*.

10. **U. T. System Board of Regents: Discussion and appropriate action regarding the establishment of Stephen F. Austin State University, a member of The University of Texas System**

RECOMMENDATION

The Chancellor, the Executive Vice Chancellors for Academic Affairs and Business Affairs, the Vice Chancellor and General Counsel, and the General Counsel to the Board recommend that The University of Texas System Board of Regents take the following actions regarding the establishment of Stephen F. Austin State University, a member of The University of Texas System:

- a. establish Stephen F. Austin State University, a member of The University of Texas System, to begin operation on September 1, 2023, as a general academic teaching institution of the first class;
- b. ratify existing approvals and adoptions of policies made by the Stephen F. Austin State University Board of Regents necessary to the operation of an institution of higher education for use by Stephen F. Austin State University, a member of The University of Texas System;
- c. delegate authority to the Chancellor to take any action needed to facilitate the transfer of operations from Stephen F. Austin State University to Stephen F. Austin State University, a member of The University of Texas System;
- d. delegate authority to the General Counsel to the Board to make amendments to the *Regents' Rules and Regulations* to reflect the affiliation with Stephen F. Austin, a member of The University of Texas System; and
- e. add Stephen F. Austin State University, a member of The University of Texas System, to the listing in Regents' Rule 40404 of the U. T. institutions eligible and authorized by the Board to charge reduced tuition at a rate equal to the statutory rate for Texas residents, plus \$30 per semester credit hour, for citizens of the State of Louisiana, subject to the approval of the Texas Higher Education Coordinating Board, and find that this rate is in the best interest of the institution, effective for students first registering for the Spring semester 2024.

BACKGROUND INFORMATION

On November 29, 2022, the Stephen F. Austin State University Board of Regents approved an affiliation with The University of Texas System. On May 10, 2023, Governor Abbott signed legislation requiring that the U. T. System Board of Regents establish Stephen F. Austin State University, a member of The University of Texas System (SFA), as a general academic teaching institution of the first class and establish a date of operations. On July 27, 2023, the U. T. System Board of Regents assumed management and control of SFA to comply with conditions of continued accreditation set by the Southern Association of Colleges and Schools Commission on Colleges.

The item recommends the delegation of authority to the Chancellor to take actions necessary to facilitate transfer of operations to the newly established institution and to the General Counsel to the Board to amend Regents' Rules to reflect SFA's inclusion in The University of Texas System. The recommended Board actions also include an initial ratification of previous Stephen F. Austin Board actions to ensure continuity in the operation of the new institution. U. T. System offices will continue to work with SFA to ensure existing policies are consistent with systemwide standards and requirements to the extent possible.

A specific recommendation seeks authorization regarding tuition rates for out-of-state students from Louisiana to allow the new institution to offer reduced tuition as was the practice of the previous institution. Existing students and students registered for classes for Fall 2023 will continue to benefit from the previous institution's discounted tuition rates for out-of-state students.

11. **U. T. System: Discussion and appropriate action regarding a) the nonpersonnel aspects of the operating budgets for Fiscal Year 2024, including Permanent University Fund Bond Proceeds allocations for Library, Equipment, Repair and Rehabilitation Projects, for the Faculty Science and Technology Acquisition and Retention program, and for capital expenses for Stephen F. Austin State University and Internal Lending Program funds for Stephen F. Austin State University, and b) finding that expenditure of AUF is appropriate**

RECOMMENDATION

Chancellor Milliken, with the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the presidents of the U. T. institutions, recommends

- a) approval of the nonpersonnel aspects of the U. T. System Operating Budgets for Fiscal Year 2024, including Educational and General Funds, Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical, Dental, Nursing, and Allied Health Faculty Services, Research and Development Plans;
- b) that the Chancellor be authorized to make editorial corrections to the approved budget and that subsequent adjustments be reported to the U. T. System Board of Regents through the Consent Agenda subject to the requirements of the Budget Rules and Procedures;
- c) appropriation of PUF Bond Proceeds in the amount of \$41.2 million directly to the institutions and U. T. System Administration to fund LERR Projects for Fiscal Year 2024;
- d) appropriation of \$35.8 million of PUF Bond Proceeds to provide additional funding to build and enhance research infrastructure to attract and retain the best qualified faculty through the Faculty STARs program. Funding authorized may be used by institutions in either the Faculty STARs or the Rising STARs programs to take advantage of recruitment and retention opportunities presented by the institutions;
- e) allocation of \$45 million of PUF Bond Proceeds in Fiscal Year 2024 to fund capital expenses at Stephen F. Austin State University (SFA);
- f) allocation of \$25.5 million from the Internal Lending Program (ILP) be appropriated to SFA for Fiscal Years 2024 – 2027, with \$3.5 million of the allocated funding (\$0.5 million in Fiscal Year 2024, \$1.0 million annually in Fiscal Years 2025 - 2027) to support programs within the Arthur Temple College of Forestry and Agriculture and the remaining \$22 million (\$5.5 million annually in Fiscal Years 2024 -2027) to support transition expenses; and
- g) find that expenditure of AUF for the purpose of providing operational support to the U. T. System institutions and identified in the U. T. System Administration Operating Budget for Fiscal Year 2024 as Direct Campus Support is appropriate under the U. T. System's responsibilities to oversee and coordinate the activities and operations of the U. T. institutions, with the intent that expenditures will benefit all academic and health institutions.

BACKGROUND INFORMATION

Executive Vice Chancellor Jonathan Pruitt and Assistant Vice Chancellor Derek Horton will present the following recommended items:

Fiscal Year 2024 Operating Budgets

Allocations from Permanent University Fund (PUF) Bond Proceeds

- Fiscal Year 2024 Library, Equipment, Repair and Rehabilitation (LERR) Budget
- Fiscal Year 2024 Faculty Science and Technology Acquisition and Retention (STARs) program
- Fiscal Year 2024 support for capital expenses for Stephen F. Austin State University (SFA)

Allocations from the Internal Lending Program (ILP) Funds

Fiscal Year 2024 - 2027 support for Stephen F. Austin State University

Budget materials titled "Operating Budget Summaries and Reserve Allocations for Library, Equipment, Repair and Rehabilitation and Faculty STARs" will be available online at <https://utsystem.edu/offices/budget-and-planning/operating-budget-summaries>.

Included in the U. T. System Administration Operating Budget for Fiscal Year 2024 is a \$3.5 million allocation of AUF for Direct Campus Support to provide assistance to U. T. academic institutions.

The appropriation of PUF Bond Proceeds for LERR and STARs will be presented in the Fiscal Year 2024 LERR Budget and is subject to the budget rules and expenditure guidelines adopted therein. The allocation of LERR funds to the U. T. institutions was developed from prioritized lists of projects submitted by the institutions and reviewed by U. T. System Administration staff. The allocation for both LERR and STARs includes year one of a four year commitment made to SFA for these programs as it joins the U. T. System.

The \$25.5 million of ILP for operations and the \$45 million of PUF Bond Proceeds being requested for capital expenses were part of the commitment made to SFA as it joins the U. T. System. The leadership of SFA will identify and communicate PUF-eligible projects to U. T. System Administration. The allocation of PUF Bond Proceeds for this purpose does not have a specific expiration date.

The PUF Bond Proceeds appropriated as indicated above must be spent in accordance with Article VII, Section 18 of the Texas Constitution. PUF Bond Proceeds may only be used for acquiring land either with or without permanent improvements, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment, and acquiring library books and library materials.

Executive Vice Chancellor Jonathan Pruitt has determined that for the distribution of ILP to SFA and for amounts included in the U. T. System Administration Operating Budget based on Board approval of this item, revenues generated through the ILP will exceed amounts needed to maintain a sufficient interest rate buffer to meet principal and interest due on external debt and to provide necessary liquidity.

12. **U. T. System: Discussion and appropriate action regarding personnel aspects of the U. T. System Administration and institutional operating budgets for Fiscal Year 2024**

RECOMMENDATION

Chancellor Milliken concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Executive Vice Chancellor for Business Affairs that approval be granted regarding personnel aspects of the U. T. System Administration operating budget for Fiscal Year 2024 as included in the previous Agenda Item.

See also the Executive Session items related to the individual personnel aspects of the U. T. System Operating Budgets.