



**INTERNAL AUDIT AND COMPLIANCE
SUBCOMMITTEE
THE UNIVERSITY OF TEXAS SYSTEM
BOARD OF REGENTS**

October 9, 2002

1:00 p.m.

Conference Room, 9th Floor, Ashbel Smith Hall

1. Welcome and Opening Remarks

Internal Audit

2. Agenda Topic for November Board of Regents' Meeting

➤ **2003 Audit Plan** [Action Item] (Tab 2)

3. Strategic Plan (Tab 3)

4. State Auditor's Office Activity (Tab 4)

5. State Auditor's Office Tracking System (Tab 5)

6. Audit Summaries (Tab 6)

Compliance

7. Program Status (Tab 7)

8. 2nd Annual Compliance Conference (Tab 8)

9. Recess to Executive Session According to Texas Government Code, Chapter 551, Section 551.074

Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees

10. Adjourn

Executive Summary

The University of Texas System-wide fiscal year 2003 Audit Plan (“*2003 Audit Plan*”) is a blueprint of the internal audit activities that will be performed by the internal audit function throughout The University of Texas System in FY 2003. Individual audit plans were prepared at each component and approved by the component Internal Audit Committee.

The Director of Audits provided direction to the internal audit directors prior to the preparation of the audit plans and provided formal feedback through conducting “audit hearings” with each component. The process of preparing the audit plans included identifying those areas considered to be specific to each component that are considered to be the most important and ensuring that activities with the greatest risk are audited.

The efforts of the internal audit function continue to expand into areas other than the performance of traditional audits. Examples of added services include consulting services and management audits in the institutions’ core business processes.

The *2003 Audit Plan* illustrates an economic and efficient use of internal audit resources, and addresses the risks of The University of Texas System by planning activities as follows:

Area	Audit Hours	% Of Total Hours
Key Financial and Operating Information	24,252	18%
Institutional Compliance Audits	18,044	13%
Information Technology Audits	20,640	15%
Core Business Processes	35,992	28%
Change in Management	6,985	5%
Follow-up	5,788	4%
Projects	23,494	17%
Total	135,195	100%

	Key Financial & Operating Information	Institutional Compliance	Information Technology	Core Business Processes	Change in Management	Follow-up	Projects	Total
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U. T. System Administration

	2,010	1,080	2,430	4,805	390	440	2,715	13,870
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Large Components:

U. T. Austin
 U. T. Southwestern
 U. T. Medical Branch at Galveston
 U. T. HSC - Houston
 U. T. HSC - San Antonio
 U. T. MDA Cancer Center

U. T. Austin	2,650	1,550	2,250	5,070	1,705	400	2,310	15,935
U. T. Southwestern	1,630	1,750	1,600	3,590	1,000	400	2,500	12,470
U. T. Medical Branch at Galveston	2,990	975	2,600	3,350	825	800	3,219	14,759
U. T. HSC - Houston	1,345	1,590	2,365	2,445	285	65	2,930	11,025
U. T. HSC - San Antonio	1,500	580	1,130	1,980	560	300	1,060	7,110
U. T. MDA Cancer Center	3,160	1,750	2,270	5,080	120	600	2,694	15,674
Subtotal	13,275	8,195	12,215	21,515	4,495	2,565	14,713	76,973

Mid-size Components:

U. T. Arlington
 U. T. Brownsville
 U. T. Dallas
 U. T. El Paso
 U. T. Pan American
 U. T. San Antonio

U. T. Arlington	855	1,580	600	1,730	120	550	645	6,080
U. T. Brownsville	700	820	900	710	150	460	842	4,582
U. T. Dallas	980	1,210	1,130	1,130	360	190	540	5,540
U. T. El Paso	3,050	1,190	1,550	2,700	1,175	755	1,452	11,872
U. T. Pan American	870	1,430	825	980	75	400	860	5,440
U. T. San Antonio	695	1,754	1,330	1,987	0	200	690	6,656
Subtotal	7,150	7,984	6,335	9,237	1,880	2,555	5,029	40,170

Small Components:

U. T. Permian Basin
 U. T. Tyler
 U. T. HC at Tyler

U. T. Permian Basin	325	165	100	100	50	0	65	805
U. T. Tyler	240	220	300	200	140	128	292	1,520
U. T. HC at Tyler	1,252	400	990	840	30	100	680	4,292
Subtotal	1,817	785	1,390	1,140	220	228	1,037	6,617

Consolidation of IT and Core Bus. Hours *

	(1,730)	(705)	(2,435)
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TOTAL

Percentage of Total

	24,252	18,044	20,640	35,992	6,985	5,788	23,494	135,195
	18%	13%	15%	28%	5%	4%	17%	100%

*1,730 hours represents the amount of hours that System Administration budgeted to assist the components in specific information technology audits or consulting projects. The components also included this number of hours in their 2003 audit plan; therefore, the amount is taken out in the consolidation. 705 hours represents the amount of hours that System Administration budgeted in the core business processes area to provide the internal audit function to U. T. Permian Basin. U. T. Permian Basin also budgeted this number of hours in their 2003 audit plan.

The University of Texas System

Internal Audit Strategic Plan

DRAFT

Mission Statement

Assist the Board of Regents and executive management in accomplishing their goals by providing assurance and consulting activities to evaluate and improve the processes of risk management, control, and governance.

Primary Initiatives

- Adequate and Sustained Audit Resources
- Responsiveness to Risk
- Effective Communication
- Collaboration and Partnerships
- Compliance with Standards and Requirements
- Completion of Plan of Work

Adequate and Sustained Audit Resources

Objective: *To provide a professional, well-trained, and motivated team, at an appropriate level, for the benefit of The University of Texas System in the delivery of audit services.*

Strategies:

- Establish processes to enhance career development
- Encourage attainment of related professional certifications
- Provide continuing professional education and development
- Establish suitable criteria for all positions
- Consider external sources of personnel or resources, when necessary
- Encourage participation in professional organizations
- Encourage the exploration and development of specializations

The University of Texas System

Internal Audit Strategic Plan

DRAFT

Responsiveness to Risk

Objective: *To become and remain informed and aware of risks in all environments that affect The University of Texas System and develop a plan of work that addresses those risks.*

Strategies:

- Perform specific risk assessment on an annual basis and update during year, as necessary
- Review and appraise the soundness of operating controls
- Exhibit a “risk focus” when performing audits and other activities
- Establish and maintain on-going communication with audit committee, executive management, and external auditors
- Maintain presence, relationships, and collaborations in critical administration and institutional entities

Effective Communication

Objective: *To provide a framework and process by which information can be exchanged and ideas expressed effectively.*

Strategies:

- Seek opportunities to be involved in planning and oversight committees, policy and guideline development, and other strategic efforts in an effort to promote internal controls, quality processes, and the alignment of resources early in the planning and implementation stages
- Develop a system-wide internal audit manual
- Develop a system-wide internal audit web site (include organization charts, contact information, presentations, training, information databases – significant findings, etc., audit programs, links to individual institution audit websites, etc.)
- Encourage support for TACUA through attendance at conference
- Establish and encourage participation on a listserv
- Enhance uses of liaison forms
- Provide guidance and training on appropriate topics, e.g., new IIA Standards

The University of Texas System

Internal Audit Strategic Plan

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Collaboration and Partnerships

Objective: *To foster an environment that actively opens communications and develops relationships between the internal auditing activity and other organizational units for purposes that include education and the accomplishment of goals and objectives.*

Strategies:

- Establish processes and goals for the development of collaborating activities at all internal auditing staff levels
- Develop and enhance roles of internal auditors to assist management via consultative activities
- Utilize education activities and forums to promote the internal audit activity as a resource
- Seek opportunities to coordinate audit activities with external reviewers to maximize audit coverage of institutional risks and minimize duplicated efforts

Compliance with Standards and Requirements

Objective: *To ensure the internal auditing activity is conducted in accordance with relevant professional standards and other external requirements.*

Strategies:

- Maintain an internal audit charter which addresses accountability, independence, and responsibilities
- Ensure proficiency of internal auditing staff
- Maintain an active function of quality assurance

Completion of Plan of Work

Objective: *To accomplish activities outlined in the approved plan of work, developed through risk assessment to add value and improve operations.*

Strategies:

- Define assurance and consulting activities to be accomplished based on risk assessment
- Report results of work to management

The University of Texas System
Internal Audit Strategic Plan

DRAFT

- Monitor accomplishment of plan
- Conduct follow-up activities

**The University of Texas System
State Auditor's Office Activity Summary
September 2002**

The table lists State Auditor's Office activity at each component. KPMG has a three-year contract with the State Auditor's Office to perform audits of Research and Student Financial Aid*.

Component	Audit Area	Date/Status of Fieldwork
U. T. Arlington	None	n/a
U. T. Austin	Research* Student Financial Aid* Salaries, Disaster Preparedness & Recovery, Financial	Report issued; returning for follow-up in the Fall. Waiting on draft report. Waiting on draft report.
U. T. Brownsville	Financial Review* Student Financial Aid*	Working on responses. Preliminary fieldwork complete; returning in November 2002.
U. T. Dallas	None	n/a
U. T. El Paso	Research*	Fieldwork scheduled for October 2002
U. T. Pan American	None	n/a
U. T. Permian Basin	None	n/a
U. T. San Antonio	Research*	Fieldwork scheduled to begin October 28, 2002.
U. T. Tyler	None	n/a
U. T. Southwestern Medical	Research* Performance Measures	Preliminary work completed; returning in October 2002. Waiting on draft report.
U. T. Medical Branch Galveston	Information Technology Benefits Proportional by Fund Report Research*	Waiting on draft report. Report issued August 2002. Preliminary work completed; returning in October 2002.
U. T. M. D. Anderson	Patient Information Security	Fieldwork completed in June; received request for additional information.
U. T. Health Science Center Houston	Information Technology	Draft report is expected by the September 30, 2002.
U. T. Health Science Center San Antonio	Performance Measures Review	Waiting on draft report.
U. T. Health Center Tyler	None	n/a

The University of Texas System

State Auditor's Office Findings/Recommendations Tracking System

Status as of the 4th Quarter of Fiscal Year 2002

The University of Texas System Administration Audit Office developed and maintains the *State Auditor's Office Significant Audit Findings/Recommendations* tracking system. This system identifies and monitors the status of the recommendations made by the State Auditor's Office that are related to The University of Texas System.

The applicable chief business officers provided the status of implementation as of the fourth quarter of fiscal year 2002; 16 recommendations were implemented and five were "in progress." These recommendations will be tracked until implementation. The recommendations and chief business officers' responses are attached to this summary.

Component	Report	Detailed on page	Report Date	In Progress as of 2nd Quarter FY 2002	New Recommendations	Implemented	In Progress as of 4th Quarter FY 2002
U. T. M. D. Anderson Cancer Center	Statewide Single Audit report for Year Ended August 31, 2001	3	5/02	2	1	1	
U. T. Arlington	Statewide Single Audit report for Year Ended August 31, 2001	4	5/02	1	1	1	
U. T. Austin	Statewide Single Audit report for Year Ended August 31, 2001	5	5/02	5	5	5	
U. T. El Paso	Statewide Single Audit report for Year Ended August 31, 2001	7	5/02	1	1	1	
U. T. Health Science Center at Houston	Statewide Single Audit report for Year Ended August 31, 2001	8	5/02	2	1	1	
U. T. Health Science Center at San Antonio	Statewide Single Audit report for Year Ended August 31, 2001	9	5/02	3	3	3	

The University of Texas System

State Auditor's Office Audit Findings/Recommendations Tracking System

Status as of the 4th Quarter of Fiscal Year 2002

Component	Report	Detailed on page	Report Date	In Progress as of 2nd Quarter FY 2002		In Progress as of 4th Quarter FY 2002	
				New Recommendations	Implemented	New Recommendations	Implemented
U. T. Medical Branch at Galveston	Contract Administration Review at the University of Texas Medical Branch at Galveston	10	2/02	5	2		
	Stalewide Single Audit report for Year Ended August 31, 2001		5/02				
U. T. San Antonio	An Audit Report on Management Controls at The University of Texas at San Antonio	12	2/98	0	1		
U. T. System	A Management Letter Concerning a Review of Facilities Planning at Four University Systems	13	8/99	0	1		
	Total			19	16		

State Auditor's Office
Significant Audit Findings / Recommendations

18-Sep-02

M.D. Anderson Cancer Center

Statewide Single Audit Report for Year Ended
August 31, 2001

Fiscal Year: 2002

Status: Implemented

Report Date: May 2002

Research and Development Cluster

M.D. Anderson should strengthen controls over the drawdown process to ensure that program costs are paid prior to the request for reimbursement, or monitor drawdown transactions to determine how much of the drawdown is on an advance basis. Controls should either ensure that costs are paid within three days of the receipt of the Federal funds or interest is calculated on Federal funds that are not paid within three days of receipt.

Update 4th Qrt. FY 2002: Implemented. M.D. Anderson concurs with the recommendation of the auditor that strengthening controls over the drawdown process is necessary. In December 2001, M.D. Anderson instituted changes to their drawdown procedures and will continue to review these changes and make adjustments as necessary to ensure they remain compliant.

Statewide Single Audit Report for Year Ended
August 31, 2001

Fiscal Year: 2002

Status: Pending

Report Date: May 2002

Research and Development Cluster

M.D. Anderson should seek further clarification from the Department of Health and Human Services (DHHS). The lack of response from DHHS cannot be interpreted as an approval.

Update 4th Qrt. FY 2002: In Process. M.D. Anderson concurs with the recommendation of the auditor to seek further clarification from DHHS for the plan confirmation system. M.D. Anderson, as noted by the auditor, has continued to work with DHHS, Division of Cost Allocation (DCA) in Washington, DC (national office) and Dallas, TX (regional office) to resolve the "approval" of the plan confirmation system under OASC-3. They are seeking this approval on two levels with DCA; (1) as a request for approval as an alternative effort reporting system under OASC-3 (this action is tabled pending proposed changes to OASC-3 by DHHS) and (2) incorporation of the plan confirmation system in the update of OASC-3 currently in final draft at DCA. Representatives of M.D. Anderson met with the National Director of DCA last November to review the status of the OASC-3 update. They discussed the unintentional delays to the update process caused by a change in administration at the Federal level and actions of the tragedy of September 11th and subsequent retirement that impacted the New York office dealing directly with the rewrite process. The results of that meeting are that the National Director is seeking senior governmental support to issue the updated OASC-3 document through the notice of proposed rulemaking process within the next few months. Subsequent to that process the updated OASC-3 document replacement will be issued in final form. At that time, the recommendation of the auditor above should be resolved.

U.T. Arlington

**Statewide Single Audit Report for Year Ended
August 31, 2001**

Fiscal Year: 2002

Status: Implemented

Report Date: May 2002

Student Financial Aid Cluster

UTA should ensure that all enrollment changes are reported accurately and in a timely manner to the guarantor, the lender, or USDE. UTA should review its procedures to ensure that the transfer students enrollment status and graduates status is communicated within time frames established by the regulations. This recommendation takes the place of a recommendation made in 2000.

Update 4th Qrt. FY 2002: Implemented. UTA has reviewed and modified its procedures to ensure all enrollment changes for the Federal Family Education Loan program are reported accurately and timely. In addition, UTA has increased the frequency of reporting to the National Student Loan Database System to nine times per year from three times per year in order to ensure reporting timeframes are met.

U.T. Austin

Statewide Single Audit Report for Year Ended August 31, 2001

Fiscal Year: 2002

Status: Implemented

Report Date: May 2002

Research and Development Cluster

We recommend U. T. Austin continue to focus on obtaining certifications prior to awarding the purchase orders.

Update 4th Qrt. FY 2002: Implemented. U. T. Austin will continue to focus on obtaining certifications prior to awarding purchase orders.

Statewide Single Audit Report for Year Ended August 31, 2001

Fiscal Year: 2002

Status: Implemented

Report Date: May 2002

Research and Development Cluster

We were informed by U. T. Austin that beginning September 2001 the cash position reports are now being maintained. We selected a sample of 5 cash draws for the month of September 2001 and noted the cash reports were maintained. Also, we noted the amount drawn was less than the negative cash position noted for the respective grant.

Update 4th Qrt. FY 2002: Implemented. Management agrees with the recommendation related to retention of cash position reports. As noted by KPMG, the University now maintains these reports.

Statewide Single Audit Report for Year Ended August 31, 2001

Fiscal Year: 2002

Status: Implemented

Report Date: May 2002

Research and Development Cluster

U. T. Austin should establish policies and procedures to ensure matching requirements are being met timely and to ensure program income is spent in accordance with the provisions of the respective grant agreements. The profile set-up could be configured to have required fields of information for matching and program income and reporting requirements. Reports should be available which identify the applicable grants and the related amounts. G&C could then monitor these reports on a periodic basis for compliance with matching and program income requirements.

Update 4th Qrt. FY 2002: Implemented. In August 2000 U. T. Austin's Office of the Vice President for Research established a task force consisting of representatives from the Office of the Vice President for Research, the Office of Sponsored Projects, the Office of Accounting, and the Office of Institutional Compliance. The task force is charged with assessing the policies and procedures of U. T. Austin and making any changes necessary to remove obstacles or barriers to conducting research at U. T. Austin, while maintaining compliance with all applicable rules and regulations.

The task force has been charged with examining the issue of cost sharing and matching, and has drafted recommendations. They are reviewing the communication with PI's through the course of a project. In addition U. T. Austin has tested and is utilizing a new electronic time keeping system, which will strengthen the ability to track contributed time on projects.

The issue of Program Income tracking was sent to the task force for prioritization; they concluded that U. T. Austin has few Federal programs with program income. The income is immaterial and adequate steps have been taken to fulfill program income requirements.

Statewide Single Audit Report for Year Ended
August 31, 2001

Fiscal Year: 2002

Status: Implemented

Report Date: May 2002

Student Financial Aid Cluster

A high percentage of graduates are not complying with exit counseling requirements prior to graduation. Also, the turn around time to mail the exit packets would appear to exceed the regulations intended time frame of 30 days. U. T. Austin should review its policies for holding exit counseling prior to graduation. Students who are unable to attend should be a low percentage and should receive their packets in a timely manner.

Update 4th Qrt. FY 2002: Implemented. U. T. Austin concurs with conducting exit counseling prior to graduation. The Student Loans Collections staff will develop initiatives to conduct exit interviews prior to graduation, in accordance with regulatory requirement set forth in 34 CFR, Part 674.42.

As per written agreement with the Office of Accounting and the Office of Student Financial Services (OSFS), responsibility for the exit interview activity will transfer to OSFS. OSFS has developed a web-based exit interview-counseling program to accommodate the Federal Perkins Loan requirements as required by 34 CFR, Part 674.42. The Student Loans Collections office will continue to store and retain control of original promissory notes. As the exit interview process includes completion of the counseling session, the distribution of the credit cost disclosure and a copy of the original promissory note, Student Accounts Receivable staff, and specifically Student Loans Collections staff, will work closely with OSFS to ensure the borrower completes the entire process as required.

Statewide Single Audit Report for Year Ended
August 31, 2001

Fiscal Year: 2002

Status: Implemented

Report Date: May 2002

Research and Development Cluster

U. T. Austin should establish effective controls to enforce its policies and procedures with regard to monthly personnel effort reports being reviewed by the principle investigator. The personnel effort reports are required to meet the following standards:

- Reflect as after-the-fact distribution of the actual activity of each employee,
- Account for the total activity for which each employee is compensated,
- Prepared at least monthly and coincide with one or more pay periods, and
- Signed by the employee.

Update 4th Qrt. FY 2002: Implemented. An electronic Effort Certification System (ECS) was developed, is operational, and is continuing to be tested. The ECS will ensure that all effort is certified in compliance with A-21 timelines, approved by a responsible and knowledgeable party, and consistent with Payroll and appointment records of where individuals were paid from.

U.T. El Paso

**Statewide Single Audit Report for Year Ended
August 31, 2001**

Fiscal Year: 2002

Status: Implemented

Report Date: May 2002

Student Financial Aid Cluster

U. T. El Paso should change its practice of interpreting "days" in department of Education regulations to mean business days as opposed to calendar days.

Update 4th Qrt. FY 2002: Implemented. Management concurred with the finding and system disbursement controls were updated to reflect the required timeline. This was implemented September 1, 2001.

U.T. Health Science Center at Houston

Statewide Single Audit Report for Year Ended
August 31, 2001

Fiscal Year: 2002

Status: Implemented

Report Date: May 2002

Research and Development Cluster

UTHSAH should strengthen controls over the drawdown process to ensure that program costs are paid prior to the request for reimbursement, or monitor drawdown transactions to determine how much of the drawdown is on an advance basis. Controls should either ensure that costs are paid within three days of the receipt of the Federal funds or interest is calculated on Federal funds that are not paid out within three days of receipt.

Update 4th Qrt. FY 2002: Implemented. Management implemented the recommended corrective action as of January 2002. In addition, the questioned costs of \$1,525 have been reimbursed to the federal government.

Statewide Single Audit Report for Year Ended
August 31, 2001

Fiscal Year: 2002

Status: Pending

Report Date: May 2002

Research and Development Cluster

UTHSCH should implement controls to ensure that cost transfers are not made for those efforts that have already been completed and signed.

Update 4th Qrt. FY 2002: Partially Implemented. As indicated in management's initial response to this finding, as of January 2002, cost transfers are no longer made when an effort report has already been completed and signed. Management has also taken additional corrective actions, not indicated in the initial response, which are also currently in progress. Specifically, formal policies and procedures relating to payroll adjustments, costs transfers and effort reports are being revised to ensure compliance and are expected to be in place during fiscal year 2003. In addition, the questioned costs of \$3,555 have been reimbursed to the federal government.

U.T. Health Science Center at San Antonio

Statewide Single Audit Report for Year Ended August 31, 2001

Fiscal Year: 2002

Status: Implemented

Report Date: May 2002

Research and Development Cluster

UTHSCSA should continue its effort to correct the logic error between the payroll effort reporting system and PeopleSoft. In addition, UTHSCSA should reevaluate their controls over payroll effort reporting to determine a more effective method for ensuring verification of time and effort reports performed. Management indicated corrections would be made retroactive to March 2001 for professional staff and July 2001 for classified staff.

Update 4th Qrt. FY 2002: Implemented. Corrections have been made retroactively to March 2001. Currently, the completion of time and effort reports is centrally monitored on a monthly basis by the institutional Grants Management Office with the use of automated management reports.

Statewide Single Audit Report for Year Ended August 31, 2001

Fiscal Year: 2002

Status: Implemented

Report Date: May 2002

Research and Development Cluster

UTHSCSA should strengthen procedures to ensure identified period of availability exceptions are corrected.

Update 4th Qrt. FY 2002: Implemented. Additional review has been implemented within the Grants Management Office at the time of the completion of the final financial reports and account closeout to ensure all transactions posted after the expiration date of the grant are within the period of availability.

Statewide Single Audit Report for Year Ended August 31, 2001

Fiscal Year: 2002

Status: Implemented

Report Date: May 2002

Research and Development Cluster

UTHSCSA should implement procedures to ensure that contractors receiving individual awards of \$100,000 or more certify that the organization and its principals are not suspended or debarred.

Update 4th Qrt. FY 2002: Implemented. The certification certificate is issued to and received back from all vendors who receive awards individually totaling \$100,000. The executed certificate is then retained along with the legal copy of the subsequent purchase order(s).

U.T. Medical Branch at Galveston

Contract Administration Review at The University of Texas Medical Branch at Galveston **Fiscal Year:** 2001-2002 **Status:** Implemented

Report Date: 2/15/02

To ensure compliance with state contract reporting requirements, the Medical Branch should consistently comply with all state contract reporting requirements.

Update 4th Qrt. FY 2002: Implemented. UTMB has reviewed its processes and is in compliance with state contract reporting requirements.

Contract Administration Review at The University of Texas Medical Branch at Galveston **Fiscal Year:** 2001-2002 **Status:** Pending

Report Date: 2/15/02

To ensure that contracts are adequately monitored, the Medical Branch should:

- Expand its contracting policies and procedures to provide detailed guidance to departments about how to monitor contracts.
- Provide regular training on contract monitoring to ensure that departments understand how to monitor contracts.
- Conduct periodic reviews to ensure that departments are monitoring contracts in accordance with contract monitoring policies and procedures.

Update 4th Qrt. FY 2002: In Progress. UTMB has drafted procedures and training materials to address these issues. These procedures and training will be implemented by 12/31/02.

Contract Administration Review at The University of Texas Medical Branch at Galveston **Fiscal Year:** 2001-2002 **Status:** Pending

Report Date: 2/15/02

To ensure that contract provisions hold contractors accountable, the Medical Branch should:

- Expand policies and procedures regarding contract provisions to ensure that contracts clearly convey sanctioning and spending restrictions and contractor performance.
- Provide regular training on its contracting policies and procedures to ensure that departments understand the required contract establishment process.

Update 4th Qrt. FY 2002: In Progress. All Contracts include provisions on contractor performance, spending restrictions, and/or sanctioning as appropriate and necessary considering the type and nature of the contract and risk associated therewith.

UTMB has also drafted procedures and training materials to ensure that all buyers and departmental personnel who are responsible for contract development and/or processing understand and are compliant with these requirements. These changes will be implemented by 12/31/02.

Contract Administration Review at The University of Texas Medical Branch at Galveston **Fiscal Year:** 2001-2002 **Status:** Implemented

Report Date: 2/15/02

To improve compliance with its contract procurement procedures, the Medical Branch should:

- Enforce its policy requiring inclusion of the logistics and acquisitions department in the procurement process for goods and services contracts prior to executing contracts.
- Establish and follow procedures requiring periodic oversight reviews to ensure that departments are routing contracts through the logistics and acquisitions department prior to execution.

Update 4th Qrt. FY 2002: Implemented. New Procedures have been put in place, and a Contract Routing Form is now being utilized which informs the authorized signatory that the proper review of the Contract has been completed by Logistics/Acquisition and Legal Affairs.

**Statewide Single Audit Report for Year Ended
August 31, 2001 - Follow-up**

Fiscal Year: 2002

Status: Pending

Report Date: May 2002

The University should strengthen controls over equipment to ensure compliance with Federal requirements in the following departments:

- Cancer Cause and Prevention Research
- Heart and Vascular Disease Research
- Diabetes, Endocrinology and Metabolism Research.

The State Auditor's Office reported in the May 2002 report that the University has begun implementing procedures to strengthen controls over equipment, including completing a complete inventory of fixed assets, bar coding equipment, and tracking the bar code tags in a database and reconciling that information with the information in the fixed asset management system. Projected completion of inventory and bar coding is March 2002 and projected reconciliation adjustments completion is August 2002.

Update 4th Qrt. FY 2002: In Progress. UTMB completed Phase I consisting of a wall to wall physical inventory of all capital and controlled equipment which included: bar-coding rooms of all UTMB owned and leased property; replacing old metal tags with bar-coded tags; and scanning the room numbers and associated asset numbers. The items scanned during Phase I were compared to UTMB's existing Fixed Asset Database. Departments were provided a listing of all active assets not scanned during the initial phase of physical inventory and were asked to locate or otherwise account for these items. The final report of the fiscal year 02 reconciliation of Annual Physical Inventory will be completed and forwarded to the State Comptroller's Office on September 20, 2002. This same method of conducting a centralized wall to wall physical inventory will be implemented for FY03 and forward.

U.T. San Antonio

An Audit Report on Management Controls at The University of Texas at San Antonio

Fiscal Year: 1997-1998

Status: Implemented

Report Date: 2/98

Management should determine whether efficiencies are gained if the accounting and student information systems are interactive. Management should also consider further use of automation to: 1) Identify student receivables for all three summer sessions. 2) Produce standardized accounts receivable formats to analyze delinquent accounts. In addition, the University's Accounting Department should produce a formal policies and procedures manual that includes accounts receivable administration. The University should evaluate its collection procedures to ensure all efforts are made to collect student receivables.

Status 3rd Qtr. FY 1998: In progress.

Update 1st Qtr. FY 1999: In Progress. We have implemented a formal policies and procedures manual, but the other aspects of the recommendation remain in-progress. UTSA has initiated a new task force to review Student Records Systems. A new system should solve the two remaining issues. Update 1st Qtr. FY 2000: In progress. Target date 7/1/01.

Update 2nd Qtr. FY 2000: In Progress. The UTSA Student Records System ("NATISIS") is not capable of changes needed. The Student Information System Task Force is looking for a new student system which should address A/R issues. Target implementation date 8/31/01.

Update 4th Qtr. FY 2000: In progress. The current UTSA Student Records System (NATISIS) is not capable of changes needed. We expect to begin implementation of our new student information system within the next several months. We expect it to take approximately 18 months for full implementation. UTSA has implemented two parts of the recommendation; UTSA evaluates its collection procedures to ensure all efforts are made to collect student receivables, and UTSA's Fiscal Services Office should produce a formal policies and procedures manual that includes accounts receivable administration.

Update 2nd Qtr. FY 2001: Partially Implemented. UTSA is currently implementing a new student records system which we fully expect will be able to identify student receivables and produce reports.

Update 4th Qtr. FY 2001: Partially Implemented. UTSA Staff recently attended SCT Accounts Receivable ("A/R") training and in a follow-up meeting reviewed the setup tables for aging. The new Student Records System will not only age accounts, but it will automatically output letters based upon the age and type of account. Once the implementation is complete, this audit recommendation will also be complete.

Update 2nd Qtr. FY 2002: Partially Implemented. UTSA expects to "go live" with the Accounts Receivable portion of SCT Banner System on March 15, 2002. The aging tables have been completed. All accounts receivables, including installments, Tuition and Fees, and loan balances will be tracked and analyzed.

Update 4th Qtr. FY 2002: Implemented. SCT Banner is installed and functioning.

U.T. System

A Management Letter Concerning a Review of Facilities Planning at Four University Systems

Fiscal Year: 1998-1999

Status: Implemented

Report Date: 8/30/99

University systems and their components could improve facility condition tracking and reporting by: 1) Working with the advisory committee to develop consistent standards for assessing and reporting the condition of university facilities, including deferred maintenance. 2) Transmitting component assessments to the system for review to ensure compliance with standards and for further management and oversight.

Status 1st Qtr. FY 2000 : In progress. Each U.T. System component manages deferred maintenance issues for their campus. U.T. System Office of Facilities Planning and Construction ("OFPC") assists campuses in their reporting of deferred maintenance through the Campus Master Plans submitted to the Coordinating Board and provides technical support to assist components in evaluating facility problems. UT OFPC does not have the staff or mission, however, to assess and report the conditions of facilities on each campus.

Update 2nd Qtr. FY 2000: In Progress. The Coordinating Board has assigned working committees, made up of various component personnel from around the state, to develop an improved definition of Deferred Maintenance and address other issues related to facility condition assessments and facility management. The recommendations of these committees, when adopted, should improve the uniformity and quality of information reported to the Coordinating Board and the information available to U.T. System. This issue is a long-term project, and OFPC will continue to play a more active role in oversight to develop and report more meaningful facility management information. OFPC will be developing a systematic program for tracking and reporting facility conditions of all its components later this year.

Update 4th Qtr. FY 2000: In progress. The U. T. System Office of Facilities Planning and Construction has established an advisory committee of campus facility directors with the purpose of procuring a campus-by-campus assessment of the existing facilities, using a common set of parameters. The current schedule is for the advisory committee to issue an RFQ in the 1st quarter of FY 2001 with an award to a consultant in the 2nd quarter of FY 2001. The actual assessment should be completed by January 2002.

Update 2nd Qtr. FY 2001: In progress. The advisory committee of facility directors established to develop a common set of parameters for facility management oversight has refined the emphasis of the consultant contract solicitation to stress the requirements of capital renewal to maintain the viability of our campuses. Capital renewal requirements will be quantified by projecting detailed life cycle costs of facility components in each building on all campuses. This approach will also provide a more standard statistical oversight model of the magnitude of deferred maintenance on each campus and will highlight specific areas in which to focus detailed facility assessments. The current schedule is for the advisory committee to issue a consultant solicitation with an award in the 3rd quarter of fiscal year 2001. The actual target for completion of the first report remains January 2002. As a follow up to the 2nd Qtr fiscal year 2000 status report, the Texas Higher Education Coordinating Board currently projects a July 2001 adoption of their committee reports related to deferred maintenance, condition assessments, replacement value and other issues of facility management.

Update 4th Qtr. FY2001: In progress. The U.T. System advisory committee of facility directors is evaluating statistical software model proposals that forecast capital renewal requirements and project the magnitude of deferred maintenance. A contract award is anticipated in the 4th quarter 2001 with a completion of the first System-wide report in March 2002. As a follow up to the 2nd Qtr fiscal year 2000 status report, the Texas Higher Education Coordinating Board currently projects a fall 2002 adoption of their committee reports related to deferred maintenance, condition assessments, replacement value and other issues of facility management. December 2002 Update: The contract was awarded with an effective date of October 23, 2001. The projected contract schedule calls for the initial System-wide report to be presented to the Facilities Planning and Construction Committee in April 2002 and to the Board of Regents in May.

Update 2nd Qtr. FY 2002: In progress. The U.T. System facilities renewal forecasting model contract is proceeding on schedule with an initial System-wide facilities assessment report to be presented to the Facilities Planning and Construction Committee in April 2002 and to the Board of Regents in May with a more thorough report in August. The model software installation and staff training will be accomplished during the months of June, July and August to allow the System component campuses to update their reports annually.

Update 4th Qrt. FY 2002: Implemented. The initial U.T. System Facilities Renewal Forecasting Model report was presented to the Regents in July 2002. The Model developed consistent reporting standards System-wide and provides annual reports of backlog and projected renewal requirements for each campus. All backlog and renewal data is entered and maintained on a System web-based server to facilitate easy reporting and monitoring.

THE UNIVERSITY OF TEXAS SYSTEM
SUMMARY OF INTERNAL AUDIT REPORTS
MAY, JUNE, JULY, AND AUGUST 2002

The University of Texas component internal audit departments and The University of Texas System Audit Office submitted 88 audit reports during May, June, July, and August for summarization and review. In fiscal year 2002, 262 reports have been issued. The following components submitted reports during the period:

Component	Reports Submitted in May, June, July, and August	Reports Submitted in FY 2002
UT System Administration	13	24
UT Arlington	6	18
UT Austin	3	12
UT Brownsville	2	7
UT Dallas	6	20
UT El Paso	2	10
UT Pan American	7	17
UT Permian Basin	3	8
UT San Antonio	3	8
UT Tyler	4	11
UT Southwestern	12	26
UTMB at Galveston	5	18
HSC Houston	2	7
HSC San Antonio	10	27
MDA Cancer Center	7	40
HC Tyler	3	9
Total	88	262

The 88 audit reports can be categorized by scope of audit work. In many cases, an audit covered more than one area of scope as defined by the *Standards for the Professional Practice of Internal Auditing*, such that the percentages below will sum to greater than 100%. The following table shows a breakdown between areas of scope:

<u>Areas of Scope</u>	<u>Number</u>	<u>Percentage</u>
Reliability and Integrity of Information	61	69%
Economy and Efficiency of Operations and/or Program Results	36	41%
Safeguarding of Assets	28	32%
Compliance with laws, regulations, and contracts	58	66%
Follow-up	7	8%

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MAY 2002

System Administration Audit Office

OIR NETWORK FOLLOW-UP (MAY 2002)

The objective of this audit was to determine the implementation status of recommendations and observations included in the Office of Information Resources Review of Risk Assessment and Mitigation Strategies audit report issued April 2000, to ensure that management actions have been effectively implemented or senior management has accepted the risk of not taking action. Two of the original four recommendations were implemented, one was not implemented, and one was no longer applicable. Also, of 63 best practice observations made during the audit, 29 were fully implemented, 11 were partially implemented, 20 were not yet implemented, and 3 were no longer necessary. OIR has been addressing these observations since the audit according to relative risk. For the observations not implemented, corrective action is planned to take place no later than August 31, 2003.

PROCUREMENT CARD AUDIT REPORT (MAY 2002)

The objectives of the audit were to determine that Procurement Card purchases were in compliance with applicable laws, rules, regulations, policies, and procedures; departmental controls over Procurement Cards are adequate and effective in safeguarding assets; and administrative controls over Procurement Cards are in place and functioning as intended, and to review the compliance monitoring plan and specialized training for Procard use at U. T. System Administration. Overall, purchases were in compliance with applicable laws, rules, regulations, policies, and procedures and controls appeared adequate. Recommendations were made to clarify policies and procedures, provide cardholder training, and ensure monitoring. Management agreed to implement all recommendations.

EMPLOYEE GROUP INSURANCE, MERCK-MEDCO PERFORMANCE STANDARDS REVIEW (MAY 2002)

This engagement was performed at the request of the Director of Employee Group Insurance (“EGI”). The purpose of the engagement was to review Merck-Medco’s process for reporting performance standards results to EGI. The review was intended to provide EGI with a general understanding of Merck-Medco’s processes for calculating, verifying, and monitoring the performance standards. One recommendation was made to include the Merck-Medco division responsible for administering the prescription drug plan as a party contractually bound in the contract. Management agreed to implement the recommendation.

OFFICE OF HISTORICALLY UNDERUTILIZED BUSINESS (“HUB”) DEVELOPMENT (MAY 2002)

This was a departmental audit that also included a review of the department’s compliance with HUB state reporting requirements. Overall, key financial information for the HUB Office appears accurate and reliable, and controls are adequate and effective in safeguarding assets. Reports compiled by the HUB Office appear to be in compliance with state reporting requirements; however, one report prepared by the HUB Office deviated from the reporting requirements in an effort by the department to properly report more

THE UNIVERSITY OF TEXAS SYSTEM
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MAY 2002

accurate HUB totals. Recommendations were made to maintain better supporting documentation, properly document any needed deviations from the reporting requirements, and ensure reports agree to source documents and are mathematically accurate. Management agreed to implement all recommendations.

UTPA-INTERCOLLEGIATE ATHLETICS AGREED-UPON PROCEDURES (MAY 2002)

The objective was to perform agreed-upon procedures to provide assurance that the President is made aware of all athletic expenditures, and to assist the University in exercising controls over athletic expenditures. Recommendations related to enhancing existing internal controls and to the compilation process of the Statement of Revenues and Expenditure ("SRE") were made in the report. No material adjustments to the SRE were required. Management agreed to implement the recommendations.

UTSA-INTERCOLLEGIATE ATHLETICS AGREED-UPON PROCEDURES FOLLOW-UP (MAY 2002)

The audit objective was to determine the implementation status of recommendations included in the University of Texas at San Antonio Intercollegiate Athletics Agreed-Upon Procedures for the Year Ended August 31, 2001 report issued in March 2002. The auditors concluded that of the seven recommendations reviewed, two were in place, three were in progress, and two were not in place. The institution, with the assistance of a consultant, will review the functions performed by the Athletic Business Office and determine the level of staffing needed to accomplish these functions.

The University of Texas at Arlington

MILITARY SCIENCE DEPARTMENTAL AUDIT (APRIL 2002)

This was a departmental audit. Military Science appears to have an awareness of internal controls and a desire to improve them wherever possible. Internal Audit made several recommendations to enhance internal controls. Management has agreed to implement them.

The University of Texas at Austin

ACCOUNTS PAYABLE SYSTEM (MAY 2002)

The objective of the audit was to evaluate automated controls within the DEFINE Accounts Payable system. Recommendations were made to enhance control over purchases and post-payment auditing. In addition, other recommendations were made regarding the custody of checks not mailed to vendors, improving system and training documentation, and updating the existing contingency plan. Management agreed with findings, and is planning or has completed implementation of all recommendations.

DEPARTMENT OF HISTORY (MAY 2002)

The objectives of the audit were to evaluate cash handling procedures, review revenues and expenditures for appropriateness, and determine compliance with applicable policies and procedures. Recommendations were made to enhance internal controls over cash handling

**THE UNIVERSITY OF TEXAS SYSTEM
SUMMARY OF AUDIT ACTIVITIES
MAY 2002**

procedures and strengthen compliance with certain University policies. Management agreed with all recommendations.

The University of Texas at Brownsville – no reports issued.

The University of Texas at Dallas

ACADEMIC AFFAIRS-UNIVERSITY EVENTS AND TRAVEL (MAY 2002)

The objectives of the audit were to provide assurance that an effectively designed compliance program has been implemented and that the area is in compliance with policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports. A compliance program has been implemented and is operating effectively; no recommendations were made.

INFORMATION RESOURCES COMPLIANCE (MAY 2002)

The objectives of the audit were to provide assurance that Information Resources is in compliance with the Texas Department of Information resources standards and to provide assurance that an effectively designed compliance program has been implemented. Information Resources is generally in compliance with the Texas Department of Information Resources standards, and a compliance program is in the process of being formally implemented; no recommendations were made.

STUDENT AFFAIRS-UNIVERSITY EVENTS AND TRAVEL (MAY 2002)

The objectives of the audit were to provide assurance that an effectively designed compliance program has been implemented and that the areas is in compliance with policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports. A compliance program has been implemented and is operating effectively; no recommendations were made.

The University of Texas at El Paso – no reports issued.

The University of Texas at Pan American – no reports issued.

The University of Texas of the Permian Basin

EQUIPMENT (MAY 2002)

The objective was to provide assurance to executive management of the accuracy and completeness of the institution's equipment inventory prior to annual certification of physical inventory to the State Property Accounting Office. The \$16,592,631 for personal inventory items, which was included in the \$73,190,860 total assets reported to the State Property Accounting Office, was fairly stated.

The University of Texas at San Antonio – no reports issued.

The University of Texas at Tyler – no reports issued.

**THE UNIVERSITY OF TEXAS SYSTEM
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The University of Texas Southwestern Medical Center at Dallas

AMBULATORY SERVICES COMPLIANCE RISKS (MAY 2002)

The audit objective was to assess the adequacy and effectiveness of controls over the Ambulatory Services Administration compliance risks of bloodborne pathogens exposure and communicable disease reporting. A program has been implemented that promotes clinic employee awareness to minimize exposure to bloodborne pathogens and that provides guidance for immediate treatment when exposures do occur. A system captures notifiable diseases for ambulatory services clinic patients and reports them to the mandated state and local authorities. Two recommendations were made for training and use of engineered control devices. Management agreed to implement the recommendations.

TRANSPLANT SERVICES CENTER (MAY 2002)

The audit objectives were to examine and evaluate the adequacy of the system of internal controls at Transplant Services. The system of internal control relating to Transplant Services is adequate to ensure proper accountability for revenues, expenditures, personnel, and fixed assets. The department is operating in an efficient way, and its financial data appears to be accurate and complete. No recommendations were made.

STUDENT ACTIVITIES (MAY 2002)

The audit objectives were to examine and evaluate the adequacy and effectiveness of the system of internal controls in Student Activities. An adequate system of internal controls exists to ensure proper accountability for revenues, inventory, and personnel. Recommendations were made to strengthen controls over expenditures, student employee paychecks and subledger reconciliations. Management agreed to implement the recommendations.

INVESTMENT AND ENDOWMENT INCOME (MAY 2002)

The audit objective was to determine the reliability and integrity of investment and endowment income as reported in the Annual Financial Report for FY 2001. Additionally, internal control over endowment revenue recognition procedures and compliance with a requirement stipulated under House Bill 1945 pertaining to Tobacco Settlement Fund Activity was reviewed. The Medical Center is providing appropriate oversight of the investment and endowment income activity. The processes appear to be in compliance with internal and external requirements. No recommendations were made.

PHYSICAL PLANT RENOVATIONS AND REPAIRS (MAY 2002)

The audit objective was to examine and evaluate the adequacy of the system of internal controls in the Physical Plant over the renovations and repairs process. The system of internal control relating to Physical Plant's renovations and repairs process does not fully ensure adequate accountability for revenues, expenditures, personnel, and fixed assets. Six recommendations were made to increase the control environment and ensure adequate accountability. Management agreed to implement the recommendations.

The University of Texas Medical Branch at Galveston – no reports issued.

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The University of Texas Health Science Center at Houston
REPORT ON OBSTETRICS AND GYNECOLOGY RESIDENCY PROGRAMS
REVIEW (APRIL 2002)

This was a review of the 2001 Annual Financial Report (AFR), which the OB/Gyn department submits to the Texas Higher Education Coordinating Board (Board). The purpose of the review was to gain assurances that State funds were used in accordance with the grant agreement, to confirm if revenues and expenditures were fairly presented, and to report the results of our review to the Board.

The department and audit's interpretation of the agreement's spending requirements differed. Accordingly, the audit department requested clarification from the Coordinating Board, who responded that the use of funds for the overall benefit of the Residency Program is acceptable, with certain restrictions. However, the restrictions are not clearly stated in the agreement, and verbal and written information received from the Board was inconsistent. Therefore, we were unable to give an opinion regarding the appropriateness of the expenditures as they relate to the grant agreement other than to say that the expenditures were related to and benefited the overall residency program. We recommended that future agreements include clarification regarding how funds may be used.

REPORT ON FAMILY PRACTICE RESIDENCY PROGRAM REVIEW (APRIL 2002)
We performed a review of the FY 2001 AFR, which Family Practice submits to the Texas Higher Education Coordinating Board. The purpose of the review was to gain assurances that State funds were used in accordance with the grant agreement, to confirm if revenues and expenditures were fairly presented, and to report the results of our review to the Board. We noted no discrepancies that would have a material affect on the AFR.

The University of Texas Health Science Center at San Antonio
LABORATORY ANIMAL RESOURCES FOLLOW-UP (APRIL 2002)

Follow-up procedures were performed to determine if management had implemented corrective action to ensure that internal controls were adequate and effective in safeguarding assets, and compliance with accreditation guidelines was achieved. Management has taken adequate corrective action on all seven of the prior audit recommendations.

FEDERAL INVENTION REPORTING (JANUARY 2002)

The audit objectives were to determine if patents and inventions were processed in accordance with applicable policies and procedures and reported in accordance with University of Texas Board of Regents and federal Bayh-Dole Act guidelines, and if royalty payments were processed in accordance with applicable policies and procedures.

A recommendation was made to the Grants Management Office related to reporting responsibilities and the need to implement procedures to ensure invention disclosures are

THE UNIVERSITY OF TEXAS SYSTEM
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made correctly in accordance with federal regulations. The Grants Management Office now has read access to the invention database maintained by the Office of Technology Ventures and will verify that disclosures are appropriately made in accordance with federal regulations.

A recommendation was made to the Office of Technology Ventures to evaluate future budget forecasts to ensure adequate funding is available to fund operating expenses in future years. The institution has committed institutional funds to the operations of OTV for FY 2003 and beyond to ensure that compliance efforts are adequately funded.

The University of Texas M. D. Anderson Cancer Center – no reports issued.

The University of Texas Health Center at Tyler – no reports issued.

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System Administration Audit Office – no reports issued.

The University of Texas at Arlington
NETWORK SUPPORT AUDIT (MAY 2002)

The objectives of this audit were to identify, document, and test control procedures that have been implemented to ensure the availability of the network to U. T. Arlington; and to determine if protection and integrity of the information in the network is adequate and consistent with management's intention. The vulnerability of the servers is minimized by appropriate security; however, security is not consistent throughout all areas of the University's infrastructure. Internal Audit made several recommendations related to the administration of network security and network disaster recovery. Management agreed to implement the recommendations.

SCHOOL OF SOCIAL WORK (MAY 2002)

This was a departmental audit. The School of Social Work appears to have an awareness of internal controls and a desire to improve them wherever possible. Internal Audit made recommendations to enhance internal controls. Management agreed to implement the recommendations.

The University of Texas at Austin – no reports issued.

The University of Texas at Brownsville
REVIEW OF THE OFFICE OF THE VICE PRESIDENT FOR ADMINISTRATION &
PARTNERSHIP AFFAIRS (APRIL 2002)

This was a departmental audit. In addition, procedures were performed to verify that proper clearance steps were taken in the termination of the previous Vice President's responsibilities for this department. The department's system of internal control was generally effective and termination procedures for the outgoing Vice President were properly completed. To further strengthen controls, recommendations were made for the department to prepare a risk assessment and implementation plan and make improvements to inventory and account reconciliation procedures. Management agreed to implement the recommendations.

REVIEW OF PHYSICAL PLANT (APRIL 2002)

This was a departmental audit. In addition, procedures were performed to verify that proper clearance steps were taken in the termination of the previous Director's responsibilities for this department. The department had an effective system of internal control and termination procedures for the outgoing Director were properly completed. To further strengthen controls, recommendations were made for the department to prepare a risk assessment and implementation plan, update their inventory subsidiary listing, and make improvements to account reconciliation procedures for cell phones and full-time employee leave accruals. Management agreed to implement the recommendations.

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The University of Texas at Dallas

QUALITY ASSURANCE REVIEW OF U. T. TYLER INTERNAL AUDIT (JUNE 2002)

The objective of this review was to determine whether the Internal Audit Department at U. T. Tyler was in compliance with the Standards for the Professional Practice of Internal Auditing, issued by The Institute of Internal Auditors. The U. T. Internal Audit Department did comply, on an overall basis, with the IIA Standards for Independence, Professional Proficiency, Scope of Work, Performance of Audit Work, and Management of the department.

The University of Texas at El Paso – no reports issued.

The University of Texas at Pan American

INSTITUTIONAL COMPLIANCE PROGRAM (MAY 2002)

The purpose of the audit was to examine the design and effectiveness of the institutional compliance program. The program continues to evolve; however, recommendations were made to: improve the monitoring and reporting plans; update the annual risk assessment and compliance manual; and enhance the Compliance Committee structure and meetings. Management agreed to implement the recommendations.

STUDENT HEALTH SERVICE (MAY 2002)

Recommendations were made in this departmental audit to improve internal controls over hazardous waste, cash handling, and property. Implementation of these recommendations will help ensure that inventory is properly accounted for, duties are segregated, activities and internal controls are monitored, and financial information is accurate. Management agreed to implement all recommendations.

ENGLISH DEPARTMENT (MAY 2002)

Recommendations were made in this departmental audit to improve internal controls over account reconciliations, outside employment, employee travel applications, and property. Implementation of these recommendations will help enhance operations and compliance with University policies and procedures. Management agreed to implement all recommendations.

COLLEGE OF SOCIAL AND BEHAVIORAL SCIENCE – DEAN'S OFFICE
(MAY 2002)

Recommendations were made in this departmental audit to improve internal controls over time reporting and property. Implementation of these recommendations will help enhance operations and compliance with University policies and procedures. Management agreed to implement all recommendations.

COLLEGE OF BUSINESS ADMINISTRATION – DEAN'S OFFICE (MAY 2002)

Recommendations were made in this departmental audit to improve internal controls over account reconciliations, policies and procedures, cash receipts, scholarships, time reporting, expenditures, and property. Implementation of these recommendations will help

THE UNIVERSITY OF TEXAS SYSTEM
SUMMARY OF AUDIT ACTIVITIES
JUNE 2002

ensure that inventory is properly accounted for, transactions are properly authorized, duties are segregated, activities and internal controls are monitored, and financial information is accurate. Management agreed to implement all recommendations.

COMMUNICATIONS DEPARTMENT (MAY 2002)

Recommendations were made in this departmental audit to improve internal controls over account reconciliations, policies and procedures, employee travel, cash handling, and property. Implementation of these recommendations will help ensure that inventory is properly accounted for, transactions are properly authorized, duties are segregated, activities and internal controls are monitored, and financial information is accurate. Implementation of these recommendations will help enhance operations and compliance with University policies and procedures. Management agreed to implement all recommendations.

The University of Texas of the Permian Basin – no reports issued.

The University of Texas at San Antonio

REGISTRAR GRADE PROCESS (MAY 2002)

The audit objective was to evaluate internal controls over the process for entering and changing student grades in the Registrar's Office. The department needed to improve controls over this process. Recommendations included a one-time review of all grade changes during a specified period of time, a verification process for detecting unauthorized changes, an audit log for review of all grade maintenance activity, an assessment of the number of people having grade change capabilities, and termination of the practice of sharing user IDs. Management is evaluating the best way to implement the recommendations.

The University of Texas at Tyler

UNIVERSITY POLICE DEPARTMENT FOLLOW-UP AUDIT (APRIL 2002)

The audit objective was to determine the implementation status of recommendations from the November 2001 University Police Department audit report. All recommendations were implemented.

PHYSICAL PLANT FOLLOW-UP AUDIT (APRIL 2002)

The audit objective was to determine the implementation status of recommendations on the significant findings from the May 2001 Physical Plant audit report. Three of the four recommendations were fully implemented and one recommendation related to the accuracy of the department's Monthly Performance Measures report was removed because it was no longer deemed appropriate due to a change in University policy.

ACADEMIC COMPUTING SERVICES (MAY 2002)

This departmental audit was performed as a result of the change in budget authority. The internal control structure within the department was not adequate or effective under prior management. Recommendations were made to improve the department's financial

**THE UNIVERSITY OF TEXAS SYSTEM
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stewardship, human resource management, and effective operations. New management has agreed to implement the recommendations.

VICE PRESIDENT FOR BUSINESS AFFAIRS (JUNE 2002)

This was a departmental audit. The internal control structure within the department is adequate and effective; however, recommendations were made to improve the department's financial stewardship and human resource management. Management has agreed to implement the recommendations.

The University of Texas Southwestern Medical Center at Dallas

DEPARTMENT OF PHARMACOLOGY (JUNE 2002)

This was a departmental audit. The system of internal control relating to Pharmacology is adequate to provide reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations. Three recommendations were made to improve accountability for revenue and expenditures. Management agreed to implement the recommendations.

NETWORK SECURITY (JUNE 2002)

The objective of this audit was to assess controls over network security at the Medical Center as of December 2001. Network security at the Medical Center is adequate; however, two recommendations were made to improve physical controls over network equipment closets and remote access interfaces. Management agreed to implement the recommendations.

BIOINSTRUMENTATION RESOURCE CENTER (MAY 2002)

The audit objective was to examine and evaluate the adequacy of the system of internal controls in the Bioinstrumentation Resource Center. Operations would be more efficient with an improved internal control system. Five recommendations from a prior audit remain outstanding. Three new recommendations were made to improve the internal control structure. Management agreed to implement all recommendations.

The University of Texas Medical Branch at Galveston – no reports issued.

The University of Texas Health Science Center at Houston – no reports issued.

The University of Texas Health Science Center at San Antonio

**SOUTHWEST TEXAS ADDICTION RESEARCH AND TECHNOLOGY (START)
CENTER (MAY 2002)**

The audit objectives were to determine if internal controls were adequate and effective in safeguarding assets; expenditures were properly accounted for, controlled, and recorded; and external grants and contracts were administered in compliance with federal regulations and specific grant terms. Management needs to enhance procedures over annual equipment inventory, documentation of vehicle use, monitoring of routine expenditures, petty cash, leave reporting, personnel evaluations, reimbursement of travel expenditures,

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effort committed by researchers, and allocation of salary. Management agreed to implement the recommendations.

LEGISLATIVE APPROPRIATIONS (JUNE 2002)

The audit objectives were to determine if the internal control system was adequate and effective in safeguarding assets, appropriations for the fiscal year 2001 were properly accounted for and recorded, and required reports were properly prepared and submitted. State appropriations for fiscal year 2001 were properly accounted for, recorded, and reconciled in conformity with state regulations.

The University of Texas M. D. Anderson Cancer Center – no reports issued.

The University of Texas Health Center at Tyler – no reports issued.

**THE UNIVERSITY OF TEXAS SYSTEM
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System Administration Audit Office

OFFICE OF THE CHANCELLOR (AUGUST 2002)

Key financial and operating information for the Chancellor's Office is reliable, and controls are adequate and effective in safeguarding assets. No recommendations were made.

FILENET SYSTEM AUDIT (JULY 2002)

The audit objective was to evaluate controls over the integrity and security of electronic business records stored in the FileNet System. FileNet users were generally satisfied with the system's performance and ability to segregate data; however, additional controls were needed to provide assurance that archived documents would be consistently available and only accessible by appropriate individuals. Recommendations for corrective action included implementing an off-site tape rotation plan, obtaining a server to test full-scale system recovery, improving password controls and monitoring, and documenting FileNet security policies. Management agreed to implement the recommendations.

The University of Texas at Arlington – no reports issued.

The University of Texas at Austin

TEXAS AQUATICS (JUNE 2002)

The objectives of this audit were to document and review business processes and determine compliance with University rules and regulations. Recommendations were made to: complete the office manual, including job descriptions; monitor and reconcile the bank account on a regular basis; modify the cash handling procedures; and enhance procedures for reconciliation, authorization, and custody of funds. Management agreed to implement the recommendations.

The University of Texas at Brownsville – no reports issued.

The University of Texas at Dallas

BIOLOGY (JULY 2002)

Recommendations were made in this departmental audit to: ensure account reconciliations are being performed; comply with procurement card procedures over cardholder activity reports; enhance controls over receipts; enhance controls over time reporting; ensure transactions are properly authorized; and enhance existing controls over departmental operations. Management agreed to implement the recommendations by August 31, 2002.

ASSOCIATE VICE PRESIDENT FOR FINANCE (JULY 2002)

No recommendations were made in this departmental audit. It appears that existing internal controls appear to be adequate and effective to provide reasonable assurance of sound management.

The University of Texas at El Paso – no reports issued.

**THE UNIVERSITY OF TEXAS SYSTEM
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The University of Texas at Pan American

TEXAS GRANT PROGRAM / FINANCIAL AID (MAY 2002)

The audit objective was to evaluate the Texas Grant Program for compliance with the Texas Higher Education Coordinating Board (“THECB”) requirements, and to evaluate the efficiency of the program operations. In addition, a departmental audit of the Financial Aid Office was performed. The Texas Grant Program was operating in accordance with requirements of the THECB and overall, the Financial Aid Office has an adequate and effective system of internal controls. Management has agreed to implement recommendations to enhance the verification process of student awards; to improve the control conscious environment; to submit travel vouchers in a timely manner; and to properly segregate duties.

The University of Texas of the Permian Basin

FOLLOW-UP AUDIT (JULY 2002)

The audit objective was to determine the implementation status of prior audit recommendations; 20 of the 27 recommendations have been implemented, four were partially implemented, and three had not been implemented. Management is monitoring all recommendations not fully implemented until resolution.

LABORATORY DIVISION (JULY 2002)

Recommendations were made in this departmental audit to improve internal controls over safeguarding of assets. Management agreed to implement all recommendations.

The University of Texas at San Antonio

SURPRISE CASH COUNTS (JUNE 2002)

The audit objectives were to ensure the permanent petty cash fund balances were fairly stated, to determine if the petty cash custodian was maintaining adequate control over the cash fund, and to ensure proper procedures were being followed. Adequate internal controls were in place to secure these funds and the cash balances were fairly stated in accordance with generally accepted accounting principles. Management agreed to implement recommendations for minor procedural improvements to strengthen the existing process.

The University of Texas at Tyler – no reports issued.

The University of Texas Southwestern Medical Center at Dallas

CAMPUS HOUSING (JULY 2002)

The audit objectives were to examine and evaluate the adequacy of the system of internal controls over Campus Housing, a department of Auxiliary Enterprises. A system of internal control exists within Campus Housing. Three recommendations were made to enhance the internal control structure related to expenditures, revenues, and safeguarding of assets. Management agreed to implement the recommendations.

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The University of Texas Medical Branch at Galveston

ANIMAL RESEARCH SUBJECT PROTECTION REVIEW (JULY 2002)

The purpose of this review was to assess the effectiveness of the institutional processes in place to help ensure compliance with the regulations, standards, and guidelines that govern the care and use of animal research subjects. Management has established an effective infrastructure and implemented effective controls to help ensure compliance with the regulations, standards, and guidelines that govern the care and use of animal research subjects.

CODING COMPLIANCE MONITORING PROGRAM DESIGN REVIEW (JULY 2002)

The objective of this review was to assess the adequacy of the design of the Coding Compliance Monitoring Program with a focus on the following key elements: planning strategies, risk assessment, audit process design, communication/reporting, and self-monitoring.

Overall, the program is well designed and all of the key elements have been incorporated into the program. Management has identified opportunities to improve the program's design to ensure that the following key areas are addressed: scope expansion, program effectiveness assessments, coding standards, follow-up review process, and billing data analysis. In addition, audit noted other opportunities for improvement in the following areas: documented corrective action plans and the corrected coding/claims resubmission process should be addressed. Full implementation of management's action plan to address the noted issues is expected by February 2003.

CLINICAL INTERFACE ENGINE (JULY 2002)

The purpose of this audit was to evaluate the reliability and integrity of the processes as well as the security of the Interface Engine. Recommendations were made related to functionally significant issues in the areas of vulnerability management, security management, backup management, and change control management. Full implementation of management's action plan to address these issues is expected by November 2002.

TDCJ-UTMB OUTPATIENT RETURN TO CLINIC VISITS (JULY 2002)

The purpose of this audit was to assess the effectiveness of the utilization review process for "return to clinic" visits to outpatient clinics. Recommendations were made related to the use of approved medical criteria and completion of documentation. Full implementation of management's action plan to address these issues is expected by November 2002.

OUTPATIENT TRANSCRIPTION SERVICES REVIEW (JULY 2002)

The purpose of this review was to help identify effective measures for achieving reductions in contracted outpatient transcription expenditures. The analysis indicated that substantial savings in outpatient transcription costs could be realized by adopting the following strategies: revise the transcription fee structure; revise clinic note and letter formats; increase monitoring of provider transcription utilization; and obtain the support of clinic

**THE UNIVERSITY OF TEXAS SYSTEM
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executive management, physician leadership, and the Health Information Committee. Adopting these strategies could result in an estimated 26% decrease in outpatient transcription expenditures in the coming fiscal year.

UTMB Clinics Administration is currently working with Health Information Management departmental management and physician leadership to implement their cost reduction plan by September 1, 2002.

The University of Texas Health Science Center at Houston – no reports issued.

The University of Texas Health Science Center at San Antonio

FACILITIES MANAGEMENT CONSTRUCTION AND BUILDING MAINTENANCE FOLLOW-UP (FEBRUARY 2002)

Follow-up procedures were performed to determine if management had implemented corrective action to ensure that the internal control system was adequate and effective in safeguarding assets; preventative maintenance was performed in a timely manner; construction projects were properly approved and monitored for safety, quality, and cost control; procedures were implemented to ensure costs of operations are recovered; and operations were performed in an efficient manner.

Management has taken adequate corrective action on eight of eleven prior audit recommendations. Management needs to implement procedures to ensure inspections are properly documented; projects are properly billed; and unused special items are properly accounted for. Management agreed to implement the remaining recommendations.

SOUTH TEXAS GERIATRIC EDUCATION CENTER (MAY 2002)

The audit objectives were to determine if the existing internal controls related to revenues and expenditures were adequate and effective in safeguarding assets; expenditures were appropriately supported and related; revenues were properly accounted for; and conferences sponsored by the South Texas Geriatric Education Center were managed appropriately.

Management needs to improve procedures to ensure expenditures are approved at the appropriate level and the ordering, authorization, and receiving functions related to purchases are properly segregated; account reconciliations are reviewed; purchases are related to the grant objectives and allowable per the grant agreement; revenues are properly accounted for; and conferences are properly managed. Management agreed to implement the recommendations.

TAXPAYER RELIEF ACT REPORTING (MAY 2002)

The audit objectives were to determine if information related to student tuition and fees was properly supported and reported in accordance with federal regulations; student loan interest payments were properly supported and reported in accordance with federal regulations; and the monitoring plan in place to achieve compliance was functioning

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effectively. Management needs to ensure supplemental tuition and fee information provided to students with form 1098T is accurate and adequately supported. Management agreed to implement the recommendation.

The University of Texas M. D. Anderson Cancer Center
SECURITY INCIDENT HANDLING PLAN (MARCH 2002)

The objective of this audit was to provide management with reasonable assurance that the Institution has an adequate and effective process for handling Information Security incidents. Security incident handling encompasses an organization's efforts to detect and respond to threats to its information assets. One recommendation was made to develop, document, and implement the appropriate suite of policies, procedures, and training material in accordance with current Department of Information Resources Guidelines. Management agreed to implement the recommendation.

DATACENTER PHYSICAL ENVIRONMENT (MARCH 2002)

The objective of this audit was to determine that adequate physical and environmental security exists for the Datacenter. The level of physical and environmental security maintained by the Communications and Computer Services Department is adequate and commensurate with the information being protected. Several recommendations were made to enhance the physical and environmental security including increasing security patrols by U. T. Police, developing procedures related to the timing and methods of obtaining additional fuel and lubricants for emergency generators, and performing complete integrity checks for mission critical data on backup media. Management is reviewing the recommendations.

PROCUREMENT CARD INTERNAL CONTROL ISSUES (MAY 2002)

Internal Audit, at the request of Biostatistics management, conducted an inquiry to determine if an employee made inappropriate charges to the Institutional Procurement Card. Internal Audit identified an internal control weakness and made a recommendation for improvement in the reconciliation of Procurement Card expenditures. Management is reviewing the recommendation.

ENTERTAINMENT EXPENSES (FEBRUARY 2002)

The objective of this audit was to verify that the controls for entertainment expenditures ensure they are properly authorized, classified, and supported. Five recommendations were made to ensure that adequate controls were established for entertainment expenditures. Recommendations were made to strengthen enforcement of policies and procedures related to spending maximums, approvals, and supporting documentation; develop policies and procedures defining fundraising activities; establish a mechanism to separate fundraising activities from institutional development activities; and establish guidance related to departmental holiday events. Management agreed to implement the recommendations.

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CHARGE CAPTURE - SURGERY (MAY 2002)

The objective of this audit was to assess the adequacy and effectiveness of controls over the capture of professional, operating room, and supply and equipment charges for Surgery. The controls established provide reasonable assurance that charges are captured accurately, completely, and timely. No recommendations were made.

COMPLIANCE PROGRAM – INSTITUTIONAL (MAY 2002)

The objective of this audit was to evaluate the design of the Risk Based Institutional Compliance Plan (ICP). The ICP was evaluated against the criteria stated in the 1998 U. T. System Action Plan to Ensure Institutional Compliance, the Federal Sentencing Guidelines, and the OIG Model Hospital Guidelines. The design of the ICP is in compliance with the majority of the criteria it was evaluated against. Recommendations were made to enhance the areas related to risk assessment, committee meetings, and monitoring of external reporting. Management is reviewing the recommendations.

The University of Texas Health Center at Tyler – no reports issued.

**THE UNIVERSITY OF TEXAS SYSTEM
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System Administration Audit Office

SECURITY AUDIT OF NETWORK REMOTE ACCESS (AUGUST 2002)

The objective of this audit was to determine whether security controls were adequate to detect and prevent unauthorized remote access to U. T. System Administration's computer network. Although the Office of Information Resources ("OIR") had made significant improvements to information security over the past two years, additional controls were needed to further reduce the risk of unauthorized remote access. OIR management agreed with the recommendations and developed plans for corrective action.

**OFFICE OF HUMAN RESOURCES AND SALARIES, WAGES, AND STAFF
BENEFITS AUDIT (AUGUST 2002)**

The objectives of the audit related to the payments of salaries, wages, staff benefits, and compliance were to: determine the reliability and integrity of the key financial information; assess the adequacy and effectiveness of internal controls; and review compliance with Fair Labor Standards Act guidelines. A change in management departmental audit was also performed.

The key financial information for salaries, wages, and staff benefits appears accurate and reliable, and controls appear adequate and effective in safeguarding assets. Payments appear to be made in accordance with the Fair Labor Standards Act guidelines. Areas for improvement include providing training to employees at System Administration and developing additional payroll controls when employees separate from System Administration.

The key financial information for the Office of Human Resources appears accurate and reliable, and controls appear adequate and effective in safeguarding assets. A recommendation was made for the Office of Human Resources to prepare an action plan to perform the items included in the System Administration Compliance Program Monitoring Plan for the Fair Labor Standards Act high-risk item. Management has agreed to implement the recommendations.

AUDIT OF TRAVEL AND ENTERTAINMENT EXPENDITURES (AUGUST 2002)

The objectives were to evaluate compliance with applicable policies, procedures, laws, and regulations relating to travel and entertainment expenditures; assess the reliability and integrity of financial information in regards to travel and entertainment expenditures; and to review for appropriateness, proper approval, and adequate supporting documentation. Overall, travel and entertainment expenditures selected for review were in compliance with applicable policies, procedures, laws, and regulations; appeared accurate and reliable; and had adequate supporting documentation. Recommendations were made to ensure proper approvals were obtained, to provide on-going training to employees, and to consider the development of policies and procedures for entertainment expenditures. Management agreed to implement the recommendations.

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DEVELOPMENT OFFICE CASH RECEIPTS AUDIT (AUGUST 2002)

The audit was requested by the Executive Director of Development due to the department's high employee turnover. The audit objective was to review internal controls over the cash receipts process and determine whether controls are adequate and effective in safeguarding assets. Internal controls over cash receipts appeared adequate and effective in safeguarding assets. A recommendation was made to immediately endorse checks received in the mail. Management agreed to implement the recommendations.

FOLLOW-UP AUDIT – 4TH QUARTER (AUGUST 2002)

The objective of this bi-annual follow-up audit was to determine the implementation status of audit recommendations to ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. Of the 29 recommendations reviewed, 22 were implemented, three were substantially implemented, two were partially implemented, and two were not implemented. Status will be determined on the remaining recommendations the first quarter of fiscal year 2003.

The University of Texas at Arlington

UNIVERSITY CENTER BURSAR'S OFFICE CASH COUNT (JULY 2002)

Internal Audit performed a cash count of the University Center Bursar's Office. The objective of this audit was to determine that the total cash and cash equivalents was equal to the amount of authorized working cash fund plus the receipts since the reconciliation of cash and cash equivalents. No exceptions were noted. Internal Audit concluded that the cash on hand agreed to the Bursar's Office records.

SWEET CENTER DEPARTMENTAL AUDIT (JULY 2002)

The objective of this audit was to determine if the Southwest Environmental Education Training Center (SWEET) has performed the action steps outlined in the Internal Control Training Course, Effectively Controlling Risks: A Balancing Act. SWEET appears to have an awareness of internal controls and a desire to improve them wherever possible. Internal Audit made several recommendations to enhance internal controls. Management agreed to implement them.

FINANCIAL AID SYSTEMS AUDIT (JULY 2002)

The objective of this audit was to identify, document, and test control procedures that have been implemented to ensure the input, processing, and output activities surrounding the Financial Aid System (FAS) are consistent with administration's expectations and are adequate to help ensure compliance with applicable laws and statutes. The Financial Aid applications include the processes of student loans, financial aid, and payment processing. Controls appear to be implemented and are supporting management's objectives. Management appears to be effectively monitoring and maintaining control activities to mitigate risks related to the data and applications that make up FAS. Internal Audit made several recommendations to enhance internal controls. Management agreed to address the recommendations.

**THE UNIVERSITY OF TEXAS SYSTEM
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The University of Texas at Austin – no reports issued.

The University of Texas at Brownsville – no reports issued.

The University of Texas at Dallas – no reports issued.

The University of Texas at El Paso

PEER REVIEW (JULY 2002)

A quality assurance review of the Office of Auditing and Consulting Services was performed in June 2002 to determine the department's compliance with The Institute of Internal Auditors' ("IIA") *Standards for the Professional Practice of Internal Auditing*. Based on the scope of the review, the department did comply, on an overall basis, with all the IIA *Standards*.

EQUIPMENT AUDIT (AUGUST 2002)

The audit objective was to provide assurance to executive management of the accuracy of the institution's equipment inventory prior to the annual certification of physical inventory to the State Property Accounting Office. The \$94,208,783 for personal inventory items, which was included in the \$296,593,585 (real and personal inventory) reported to the State Property Accounting Office, was fairly stated.

The University of Texas at Pan American – no reports issued.

The University of Texas of the Permian Basin – no reports issued.

The University of Texas at San Antonio

AMERICA READS (MAY 2002)

The audit objective was to evaluate internal controls over the America Reads payroll process for the student tutoring work program. Recommendations included control improvements to the processes for recording, approving, reconciling, and monitoring of student worker hours in this program. Management agreed to take corrective action by September 1, 2002.

The University of Texas at Tyler – no reports issued.

The University of Texas Southwestern Medical Center at Dallas

DEPARTMENT OF UROLOGY (AUGUST 2002)

The audit objectives were to examine and evaluate the adequacy of the system of internal controls at the Department of Urology. An adequate system of internal control exists within the department to provide reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. No recommendations were made.

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DEPARTMENT OF CELL BIOLOGY (AUGUST 2002)

The audit objectives were to examine and evaluate the adequacy of the system of internal controls and the effectiveness of the policies and procedures in Cell Biology.

Opportunities for enhancement of the internal controls over travel, policies and procedures, and safeguarding of assets were identified. Management agreed to implement the recommendations.

REPORT ON CONTRACT REPORTING REQUIREMENTS AND EXPENDITURES FOR ADVANCED RESEARCH (ARP), ADVANCED TECHNOLOGY (ATP) AND GRADUATE MEDICAL EDUCATION (GME) PROGRAMS (AUGUST 2002)

The audit objectives were to examine and evaluate the adequacy of the system of internal controls and financial reporting and audit requirements for the ARP, ATP and GME programs. The policies, procedures and internal controls relating to ARP/ATP/GME programs are adequate to ensure proper accountability for revenues and expenditures. Grant files were complete with required amended budgets, matching requirements, and accurate financial reporting. The ARP/ATP/GME programs are in compliance with prescribed rules and policies, and its financial data in the Medical Center accounting system was accurate and complete. One recommendation was made to strengthen controls related to monitoring of payments to other institutions for GME training. Management agreed to implement the recommendation.

The University of Texas Medical Branch at Galveston – no reports issued.

The University of Texas Health Science Center at Houston – no reports issued.

The University of Texas Health Science Center at San Antonio

MSRDP/DSRDP FINANCIAL REVIEW (MAY 2002)

The audit objectives were to determine whether: the MSRDP and DSRDP balances were presented fairly in the Annual Financial Report for fiscal year 2001; management complied with selected provisions of Business Procedure Memorandums Nos. 31-04-89 and 30-12-01; and if variances in MSRDP and DSRDP assets, revenues, and expenditures between fiscal years 2000 and 2001 were reasonable.

The MSRDP's "Summary of Operations" report, Schedule D-6, as well as the accounts receivable and the allowance for doubtful accounts for MSRDP and DSRDP, were fairly stated in all material respects in the Annual Financial Report for the fiscal year 2001. In addition, DSRDP maintained the required minimum fund balance; however, MSRDP had a deficient fund balance of approximately \$36 million.

Management recognizes the deficit fund balance and is striving to reduce it over a five to six year period of positive operating margins.

THE UNIVERSITY OF TEXAS SYSTEM
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SOUTH TEXAS BORDER INITIATIVES (JUNE 2002)

The audit objectives were to determine if South Texas Border Initiative (STBI) funds were properly accounted for and recorded; STBI funds were allocated and utilized in compliance with state legislative requirements; STBI program objectives and outcomes were met; and operations of the STBI administrative office were managed in an efficient and effective manner.

Recommendations were made regarding the need to develop procedures to ensure STBI appropriations are fully utilized; ensure that funds are appropriately applied to accomplish program objectives; and implement procedures to ensure information submitted in the STBI Progress Report to the State is accurate and progress reports required by the awardees are submitted in a timely manner. It was recommended that management consider expanding its accounting section to ensure fiscal program oversight maintains its effectiveness. Management concurred with the recommendations.

FAMILY NURSING CARE INTERNAL CONTROL REVIEW (JUNE 2002)

The audit objectives were to determine whether internal controls within the department were adequate to safeguard assets and ensure compliance with selected policies and procedures.

The audit noted four areas that need to be strengthened: management should develop procedures to ensure adequate segregation of duties over the cash receipts function and the accounts receivable function; controls and procedures related to safeguarding petty cash should be implemented; and management should implement procedures to ensure research participants are objectively selected to ensure the integrity of research data. Management has agreed to implement the recommendations.

The University of Texas M. D. Anderson Cancer Center

PROPERTY CONTROL (MAY 2002)

The objective of this audit was to review the adequacy and effectiveness of controls over the safeguarding of equipment to determine if the process of acquiring, tracking, and disposing of equipment is economical and efficient prior to the implementation of a new asset management system. Control weaknesses were identified that need to be addressed in the new asset management system. The control issues have been discussed with management and the auditors will continue to address them through the participation on the Equipment Compliance Committee.

The University of Texas Health Center at Tyler

CHIEF OF POLICE DEPARTMENTAL AUDIT (AUGUST 2002)

Recommendations were made in this departmental audit to improve controls and processes related to cash receipts, segregation of duties, and time sheet approvals within the department. Management agreed to implement all recommendations.

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CLINICS AGREED UPON PROCEDURES AUDIT (AUGUST 2002)

A finding of this departmental audit was inadequate controls over pharmaceutical medications maintained at clinic sites. All clinics restrict access to medication rooms and supply cabinets; however, procedures do not appear to be adequate to properly control medications in these areas. Recommendations to enhance procedures related to cash receipts, expenditures, time reporting, and account reconciliations were also made. Management agreed to implement all recommendations.

REVIEW OF ACCOUNTS IN WHICH THE VICE PRESIDENT OF MEDICAL EDUCATION HAS BUDGET AUTHORITY (AUGUST 2002)

A review of expenditures for the Vice President for Medical Education was performed due to his departure from the UTHCT on July 5, 2002. The objective of the expenditure testing was to determine if reimbursement for personal expenditures was required. It appeared that approximately \$500 in long distance charges should be reimbursed. The institution has received the reimbursement from the Vice President for Medical Education.

**The University of Texas System
System-wide Compliance Function**

**Institutional Compliance Quarterly Report
4th Quarter Fiscal Year 2002
June 1, 2002 – August 31, 2002**

Organizational Matters

The Internal Audit and Compliance Subcommittee of the Finance and Planning Committee of the Board of Regents had its initial meeting on June 21, 2002. The purpose of the subcommittee is to provide Board of Regent oversight to the internal audit and compliance activities of the UT System. The topics discussed included background on the programs and the current program status.

The System-wide Compliance Executive Committee met on June 6, 2002. The focus of this committee is to provide guidance and oversight to the System-wide Compliance Function. The topics discussed included the status of the implementation of institutional compliance programs at U. T. Austin and HSC Houston.

On June 18, 2002, the System-wide Compliance Function facilitated the meeting of the System-wide Compliance Committee. The focus of this committee is to serve as an advisory group to provide guidance to the System-wide Compliance Function. Members of the committee include knowledgeable staff in the high-risk areas from the component institutions. The topics discussed included the institutional quarterly compliance reports, internal audit's role in compliance, general compliance training, and updates from the high-risk working groups.

High-risk Activity

The System-wide Compliance Function facilitates regular meetings of the high-risk work groups. Following is a synopsis of progress made during the fourth quarter of FY 2002.

Basic Research

Chair: Dr. Juan Sanchez, Vice President for Research, U. T. Austin

Facilitator: Mr. Lon Heuer, Director of Audits, U. T. Austin

Accomplishments: The working group issued its final report on June 27, 2002. Eight functional areas were assessed in terms of potential risk including: Financial Issues, Animal Research, Institutional Review Board, Office of Sponsored Projects, Research Conflicts and Integrity, Technology Licensing, Training in Responsible Conduct of Research, and Biosafety. The group has developed an extensive website to assist each other in the continued process of review and adjustment to procedures and oversight in the management of risk. U. T. Austin's Director of Research Support

and Compliance Office spoke on the Research Risk Assessment Process in Washington, DC at the June 2002 meeting of the Council on Governmental Relations, an association of research institutions.

Endowments

Chair: Ms. Shirley Bird Perry, Vice Chancellor for Development and External Relations, U. T. System

Facilitators: Ms. Julie Lynch, Trust Officer, U. T. System
Ms. Kimberly Hagara, Assistant Director, U. T. System

Accomplishments: A videoconference training session was held on July 29, 2002 to assist the component institutions in the implementation of their Endowment Compliance Plans. The training session included risk assessment, specialized training programs, monitoring plans, and reporting.

Environmental Health & Safety (EH&S)

Chair: Dr. Robert Emery, Assistant VP for Research Administration and Executive Director EH&S, U. T. HSC – Houston

Facilitator: Ms. Kimberly Hagara, Assistant Director, U. T. System

Accomplishments: A semi-annual meeting for this working group was held on June 13, 2002. Topics discussed included the results of the recent set of peer reviews and the USA Patriot Act. Additionally, the working group developed strategies to address the compliance considerations of the USA Patriot Act. The System-wide Compliance Officer made a presentation to the South Texas Chapter of the Health Physics Society on the development of a comprehensive compliance program.

Fiscal Management

Chair: Mr. Kevin Dillon, Chief Financial Officer, U. T. HSC – Houston

Facilitator: Ms. Kimberly Hagara, Assistant Director, U. T. System

Accomplishments: An Equipment Compliance Plan for each component has been developed using the System-wide Equipment Compliance Standards. All components are finalizing their inventory counts. No components are at risk of losing funding this year or next because of missing equipment. This year the components preformed the most thorough and accurate inventory counts ever. One component is slightly over the 2% missing equipment threshold and is at risk of losing some funding in FY 2005.

Human Resources

Chair: Mr. Anthony Ramirez, Director of Human Resources, U. T. HSC – San Antonio

Facilitator: Ms. Sandra Neidhart, Assistant Director, U. T. System

Accomplishments: Monitoring plans of the identified high-risk items are currently being finalized. Additionally, a website is being developed to facilitate the sharing of information.

Intercollegiate Athletics

Chair: Ms. Lynn Hickey, Athletic Director, U. T. San Antonio

Facilitator: Mr. Richard St. Onge, Manager, U. T. System

Accomplishments: This group met on August 14, 2002 to review and enhance drafted monitoring plans. The group plans to continue face-to-face meetings to address the remaining four monitoring plans and to develop the specialized training plan. To date, ten of the fourteen high-risk area monitoring plans have been completed and approved by the group. Additionally, the group is developing a website to facilitate the sharing of information.

Medical Billing

Chair: Dr. John Sparks, Physician in Chief, U. T. HSC – Houston

Facilitator: Ms. Kimberly Hagara, Assistant Director, U. T. System

Accomplishments: This group met on July 30, 2002 to discuss medical billing issues in the areas of faculty and staff education, monitoring of outside billing arrangements, electronic medical records, and access to internal information. Additionally, the group discussed sharing of education curriculums and peer reviews. The group plans to meet again in November 2002.

Training Activity

The System-wide Compliance Function conducted the following training during the quarter:

- U. T. San Antonio - Presented a two-hour training seminar on the institutional compliance program to the compliance office, high risk area responsible parties, and the three working groups that support the executive compliance committee. Approximately 60 people participated.

- U. T. System Administration - Presented a two-hour training seminar on the institutional compliance program to the institutional compliance committee, the compliance office, and others. Approximately 25 people participated.

Action Plan Activity

The System-wide Compliance Function prepared to host the 2nd Annual Conference on Effective Compliance Systems in Higher Education. Preparation included arranging for the conference sponsorship, facilities, registration, and speakers. Announcements for the upcoming conference were distributed via email through the Association of College and University Auditors and the National Association of College and University Business Officers. The conference will be held in Austin on October 22-24, 2002.

The System-wide Compliance Function facilitated the development of the Risk Management Continuing Education Track at the Association of College and University Auditors Annual Conference to be held in October 2002. Members of the System-wide Compliance Committee, High-risk Working Groups, and System-wide Compliance Function are scheduled to make presentations. Topics will include:

- A Risk Management Partnership: The Assurance Continuum
- A Practical Application of the Risk Management Partnership: Implementing the Assurance Plan
- Risk Management in an Institutional Compliance Program: A Partnership between Management and Internal Auditing
- Storm Allison: Risk Management in a Natural Disaster
- Risk Management in Intercollegiate Athletics

Second Annual Conference on Effective Compliance Systems in Higher Education

October 22-24, 2002

(Including pre-conference and post-conference workshops)

**Joe C. Thompson Conference Center
The University of Texas at Austin
Austin, Texas**

Conference Abstract

The conference is sponsored by the Business Measurement & Assurance Services Center of the McCombs School of Business at The University of Texas at Austin, and The University of Texas System-wide Compliance Program.

Speakers include the implementers of the two major approaches to compliance in higher education, Charles G. Chaffin, System-wide Compliance Officer of The University of Texas System, and Steven M. Jung, Institutional Compliance Officer at Stanford University. In addition, the outgoing chancellor of The University of Texas System will discuss his perspective on institutional compliance, including expectations, achievements, and benefits. There will also be a presentation by Dr. Lori Pelliccioni from PricewaterhouseCoopers on selling the compliance program to even the most reluctant members of the collegiate community. During her presentation, Dr. Pelliccioni will discuss the results of her research in the area of institutional compliance in higher education. The conference will close with an address by Dean William Powers of The University of Texas at Austin School of Law. Dean Powers, who was Chair of the Special Investigation Committee of Enron Corp., will discuss the impact of Enron and similar situations on the collegiate organization.

Among the highlights of this conference will be the special interest discussion groups on Wednesday morning.

- ◆ **Basic Research** - Dr. Juan Sanchez, Vice President for Research at The University of Texas at Austin, and his colleagues will present the exemplary work they have done in the area of basic research compliance. This group presented a report on this process at the Council on Governmental Relations (GOCR) meeting in Washington, D.C. in June 2002 that generated much interest within the basic research community. They will also discuss the unexpected benefits they have reaped from their efforts.
- ◆ **Environmental Health and Safety** - Dr. Robert Emery, Executive Director of Environmental Health & Safety for The University of Texas – Houston Health Science Center and Assistant Professor of Occupational Health at The University of Texas – Houston School of Public Health, will lead the discussion on environmental and life safety issues. He will present his most

recent innovation in risk assessment for principal investigators. He will also discuss laboratory safety.

- ◆ **HIPAA** - Ms. Carrie King, Associate Vice President and Chief Compliance Officer at The University of Texas M.D. Anderson Cancer Center in Houston, will chair a discussion on HIPAA. She will present the work currently being done at M.D. Anderson Cancer Center as a catalyst to encourage a full discussion of the issues surrounding HIPAA.
- ◆ **Other Subject Areas** – While no formal discussion groups have been planned in other areas, there will be resource experts available for informal discussion in the following compliance areas: **Human Resources, NCAA (Intercollegiate Athletics), Student Financial Aid, Clinical Research, Medical Billing, Endowments, and Financial Issues.**

This year's conference is preceded and followed by two workshops dealing with the practical side of implementing an institutional compliance program in an institution of higher education.

- ◆ The pre-conference workshop will present a practical, affordable risk management methodology.
- ◆ The post-conference workshop will concentrate on the detailed tasks that must be completed to ensure the successful implementation of an institutional compliance program. The basis for this workshop is the book from the First Annual Effective Compliance Systems Conference in 2001 entitled, *Effective Compliance Systems: A Practical Guide for Educational Institutions*.

Conference Program

Tuesday, October 22, 2002

Pre-conference Workshop

9:00 AM to 12 Noon

Risk Management in Higher Education
David B. Crawford, author, lecturer,
educator

Conference Program

3:00 PM to 3:15 PM

Welcome and Opening Remarks
Charles G. Chaffin, The University
of Texas System-wide Compliance
Officer and Conference Chairman

3:15 PM to 4:00 PM

General Session – What the Governance Function and Executive Management Expect From an Effective Compliance Program

R.D. Burck, Immediate Former Chancellor of The University of Texas System, First System-wide Compliance Officer, and Special Assistant to the current Chancellor

4:00 PM to 5:00 PM

General Session – An Alternate Compliance Program: The Stanford University Institutional Compliance Program

Dr. Steven M. Jung, Director of Internal Audit and Institutional Compliance, Stanford University

5:30PM to 8:30PM

BBQ at the Salt Lick (Buses from the Thompson Center)

Wednesday, October 23, 2002

Conference Program (continued)

8:00 AM to 8:05 AM

Announcements

8:05 AM to 9:20AM

General Session- How to Reach the Unreachable

Dr. Lori Pelliccioni, Partner in the Healthcare Consulting Practice of PricewaterhouseCoopers and Principal Investigator for The Compliance Effectiveness Study

9:20 AM to 9:45 AM

Break

9:45 AM to 12 Noon

Special Interest Discussions

Basic Research – Moderated by **Dr. Juan Sanchez**, Vice President of Research, The University of Texas at Austin

Health and Safety - Moderated by **Dr. Robert Emery**, Executive Director of Environmental Health and Safety, The University of Texas Health Science Center at Houston

HIPAA - Moderated by **Ms. Carrie King**, JD, Chief Compliance and Privacy Officer, and **Ms. Carrie M. Gregg**, JD, Privacy Coordinator, M.D. Anderson Cancer Center

Other Subject Areas - Subject matter specialist will be available to answer questions and discuss issues in the following areas: **Human Resources, NCAA (Intercollegiate Athletics), Student Financial Aid, Clinical Research, Medical Billing, Endowments, and Financial Issues.**

12 Noon to 1:30 PM

Lunch and Exhibits

1:30 PM to 2:45 PM

General Session - **Compliance, Ethics, and Integrity in Organizations**

Dean William C. Powers, Jr., The University of Texas School of Law, and Chair of the Special Investigation Committee of Enron Corp.

2:45 PM to 3:00 PM

Closing Remarks

Charles G. Chaffin, Conference

Chairman

Thursday, October 24, 2002

Post-Conference Workshop

9:00 AM to 2:00 PM

**How to Implement an Effective
Compliance Program at Your Institution**
**David B. Crawford, Charles G. Chaffin,
and Scott Scarborough, authors of**
*Effective Compliance Systems: A Practical
Guide for Educational Institutions*

Registration Information

Fees:

Main conference and both workshops	TC03079A
\$225	
Main conference and Risk Management Workshop	TC03079B
\$200	
Main Conference and How to Implement Workshop	TC03079C
\$200	
Main Conference Only	TC03079D
\$150	

How to Register:

Registration for the conference may be done on-line, by fax, by phone, or by mail. A Visa, MasterCard, Discover, or American Express credit card is required to register on-line or by phone. If you wish to use a purchase order for registration, you must fax or mail a copy of the purchase order and the registration form to the address indicated below.

On-line: www.utexas.edu/cee/tcc/registration.html
Fax: 1-2-471-0647
Phone: 1-800-882-8784 or 1-2-471-3121
Mail: P.O. Box 7879, Austin, TX 78713-7879

Included in these fees are:

- ◆ Lunch on Tuesday, October 22, and Thursday, October 24, for workshop participants
- ◆ Lunch on Wednesday, October 23 for main conference participants

- ◆ Dinner on Tuesday, October 22 for all who registered for the main conference
- ◆ Snacks on all three days.

Conference materials will not be reproduced, but will be available on the conference website after the conference.

Hotel Information

We have not made arrangements with any specific hotel for the conference and please be aware that there are no hotels within walking distance of the conference center. The following hotels are conveniently located:

Days Inn University
3105 IH-35 N
Austin, TX
512-478-1631
\$69

Doubletree Club Hotel
1617 IH-35 N
Austin, TX
512-479-4000
<http://clubhotel.citysearch.com/>
\$109

Doubletree Guest Suites
303 West 15th Street
Austin, TX
512-478-7000
<http://doubletreeuniversity.citysearch.com/>
\$169

Doubletree Austin
6505 IH-35 N
Austin, TX
512-454-3737
\$139

Drury Inn
919 East Koenig Lane
Austin, TX
512-454-1144
\$75

Habitat Suites
500 E. Highland Mall Blvd.
Austin, TX
512-467-6000

\$127

Hawthorn Suites
935 La Posada
Austin, TX
512-459-3335
\$99-119

Hilton Hotel
2310 IH-35 N
Austin, TX
512-341-8200
\$89

Holiday Inn Express
7622 IH-35 N
Austin, TX
512-467-1701
\$79

Sheraton – Four Points
7800 IH-35 N
Austin, TX
512-836-8520
\$80 Single \$90 Double
Complimentary Full Hot Breakfast
Complimentary Airport Shuttle
Free Parking

The rates listed are the "standard" rates for a room, but most have special rates available. We've tried to include a pretty large range in terms of costs and amenities. For additional selections, go to http://www.austin.citysearch.com/section/hotels_visitors. Hotels and bed & breakfasts are listed by neighborhood. The neighborhoods we suggest are East, Hyde Park, University of Texas, and Downtown.

Airport Transportation Information

The Thompson Conference Center and all convenient hotels are approximately ten (10) miles from the Austin-Bergstrom International Airport. The Austin SuperShuttle provides transportation to the Central Austin area for approximately \$11 per person. Taxi service costs approximately \$25 each way. Numerous rental car companies are available at the airport.

Contact Persons

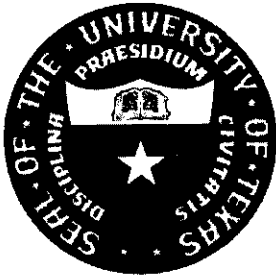
Chrissy Haas 512-499-4553
David Crawford 512-499-4767

Continuing Education Credit:

Continuing Education Credit will be given for the three separate sections of the conference in the following amounts:

Pre-Conference Workshop	3 Hours
Main Conference	7 Hours
Post- Conference Workshop	5 Hours

Forms will be available in the registration packets to claim continuing education credits.



**Student, Faculty, and Staff
Campus Life Committee**

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

October 9, 2002

2:00 p.m.

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

- | | | |
|-----------|--|---|
| 2:00 p.m. | 1. Welcome and Opening Remarks | <i>Chairman Craven
Chancellor Mark Yudof</i> |
| 2:05 p.m. | 2. Discussion of Issues and Priorities | <i>Committee Members
Special Advisory Members:</i> <ul style="list-style-type: none">• <i>Faculty Advisory Council</i>• <i>Employee Advisory Council</i>• <i>Student Advisory Council</i> |
| 2:50 p.m. | 3. Update on Council Agendas for the Year | <i>Advisory Council Chairs</i> |
| 3:20 p.m. | 4. Report on Management and Leadership Development Programs | <i>Executive Vice Chancellor
Kennedy</i> |
| 3:30 p.m. | 5. Adjourn | <i>Chairman Craven</i> |

U. T. Board of Regents: Proposed Amendments to the Guidelines for the Santa Rita Award and Inclusion of Guidelines in the Regents' Rules and Regulations, Part One, Chapter I

RECOMMENDATION

It is recommended that the "Guidelines for the Santa Rita Award" adopted by the Board in June 1967 be amended as set forth below in congressional style to conform to current selection practices. It is also recommended that the Regents' Rules and Regulations, Part One, Chapter I be amended to include the amended Guidelines as new Section 11.

Guidelines for the Santa Rita Award

I. Standards

A System-wide award that [~~which~~] 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 [~~his~~] 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. Participation by the recipient in the affairs of the 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 University System.

II. General Conditions

- A. The award, to be known as the "Santa Rita Award," will consist of a medallion [~~and a leather-bound edition of Santa Rita - The Highest Award,~~] to be presented no more frequently than annually[~~, preferably on or about May 28, the anniversary date of Santa Rita Number 1~~].
- B. The award shall be made on behalf of the Board of Regents of The University of Texas System.

- C. ~~[To be eligible an]~~ An individual ~~[must be nominated annually, but]~~ may receive the award only once.
- D. Posthumous awards may be given.
- E. No member of the Board of Regents shall be eligible to receive the Santa Rita Award until the termination of the member's ~~[his]~~ service.

III. ~~[Awards Committee]~~

~~The Santa Rita Awards Committee shall be composed of:~~

~~three members of the Board of Regents appointed annually by the Chairman of the Board of Regents;~~

~~the Chancellor of The University of Texas System; and the Director for Development of The University of Texas System, as ex-officio secretary to the committee without vote.~~

~~To the greatest extent possible, the identity of the appointed members of the committee shall be kept confidential. Communications to and from the committee shall be through the Director for Development or, if this is impracticable, the Chancellor.~~

IV.] Nominations for Awards

- A. Nominations for the award shall be forwarded to the Chairman of the Board of Regents or the Counsel and Secretary to the Board (Office of the Board of Regents, The University of Texas System, 201 West Seventh Street, Suite 820, Austin, Texas 78701-2981) ~~[Awards Committee through the Director for Development (Box 8060, University Station, Austin 78712).~~

~~Nominations made by members of the faculty or staff of The University of Texas System must be forwarded through the head of the member's component institution. The institutional head may attach such comments and recommendations as he deems advisable.]~~

- B. The nominator shall provide such supporting information and documentation as may be requested ~~[required]~~ by the Chairman or the Counsel and Secretary to the Board ~~[committee].~~

- ~~[C. Deadline for such nominations shall be January 15 of each year.]~~

IV[V]. Selection of Awardees

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

BACKGROUND INFORMATION

The "Guidelines for the Santa Rita Award" were adopted by the Board of Regents in June 1967 and amended in December 1975. The Guidelines contemplate that the award will be made every year, while actual practice has this prestigious award made as distinguished and deserving recipients are identified. While the anniversary date of Santa Rita No. 1 will be considered in the timing of the award, it is not always feasible to present the award "on or about May 28." The proposed amendments provide clarification to the awards process, conform the policy to actual practice that assures that the selection of an awardee is made in a public meeting as required by the Texas Open Meetings Act, and have been reviewed and approved by the Chancellor, the Vice Chancellor for Development and External Relations, and the Vice Chancellor and General Counsel. To provide ready access to the Guidelines, it is proposed they be added to the Regents' Rules and Regulations, Part One, Chapter I as a new Section 11.



THE UNIVERSITY OF TEXAS AT ARLINGTON

OFFICE OF THE PRESIDENT

UT System-Academic Affairs

September 6, 2002

SEP 10 2002

Dr. Edwin R. Sharpe
Executive Vice Chancellor for Academic Affairs
The University of Texas System
601 Colorado Street
Austin, Texas 78701-2982

to _____ for info return
to _____ please advise me
to _____ please handle

Reference University Center Addition
 The University of Texas at Arlington
 Project No. 301-TBD

Subject: Agenda Item – November 2002, Board of Regents Meeting
 Approval to Amend Capital Improvement Program (CIP)

Dear Ed:

I am requesting your approval of an agenda item for the November 2002 Board of Regents meeting to amend the FY 2002-2007 Capital Improvement Program, and the current Capital Budget to include the University Center Addition Project. The addition of approximately 5,000 gross square feet will provide much needed space in Campus Dining, expanding the current dining area for students on the Board Plan. The current space was programmed for approximately 750 students, and this fall semester, there are over 1,000 students on the Board Plan. With the new residence hall planned to open in August 2004, an additional 350 students will be participating in this popular program, placing additional demands on this space.

The Total Project Cost (TPC) is currently estimated to be \$1,800,000, and is based on a cost of approximately \$250/gsf. The project budget also includes approximately \$500,000 for the renovation of existing space in the University Center (Connections Café). I am proposing that the Project be financed with UT System Revenue Financing System Bond Proceeds, and that the annual debt service requirements be satisfied with Auxiliary Enterprise Balances.

I have attached the Project Planning Form, and CIP Worksheet to better define the scope of the project, and to provide cost/budget documentation supporting the TPC of \$1.80 million.

Dr. Edwin R. Sharpe
Executive Vice Chancellor for Academic Affairs
September 6, 2002
Page 2

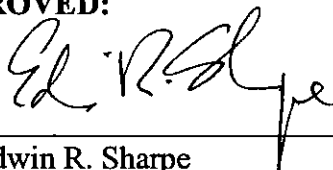
Should you have any questions, or require any additional information, please do not hesitate to contact me at your earliest convenience.

Sincerely,

Bob

Robert E. Witt
President

APPROVED:



Dr. Edwin R. Sharpe
Executive Vice Chancellor
for Academic Affairs

9-20-02

Date

Attachments

xc: M. Dan Williams, w/attachments
John D. Hall, w/attachments
Rusty Ward, w/attachments
Jeff L. Johnson, w/attachments
Philip R. Aldridge, Office of Finance, w/attachments
Sidney J. Sanders, Office of Facilities Planning and Construction, w/attachments



THE UNIVERSITY OF TEXAS AT ARLINGTON

OFFICE OF THE PRESIDENT

UT System-Academic Affairs

SEP 10 2002

to _____ for info return
to _____ please advise me
to _____ please handle

September 6, 2002

Dr. Edwin R. Sharpe
Executive Vice Chancellor for Academic Affairs
The University of Texas System
601 Colorado Street
Austin, Texas 78701-2982

Reference: Intramural and Recreation Complex – Phase I
The University of Texas at Arlington
Project No. 301-TBD

Subject: Agenda Item – November 2002, Board of Regents Meeting
Approval to Amend Capital Improvement Program (CIP)
Approval to Institutionally Manage Project, and
Design Development Approval

Dear Ed:

I am requesting your approval of an agenda item for the November 12-13, 2002, Board of Regents meeting to amend the FY 2002-2007 Capital Improvement Program, and the current Capital Budget with the addition of the Intramural and Recreation Complex – Phase I Project. I am also requesting your approval to allow the University to institutionally manage this project, and for the Design Development Plans to be presented to the Facilities Planning and Construction Committee for approval at the October 2002, meeting in order to maintain the current project schedule.

The Total Project Cost (TPC) is \$3,300,000. I am requesting that the Project be financed with UT System Revenue Financing System Bond Proceeds or Commercial Paper over a ten (10) year period, and that the debt be repaid with the fees collected from the recently implemented Campus Recreation Fee. I have attached a 10-Year Cash Flow Projection Report that demonstrates more than sufficient coverage over this ten-year period.

I have also attached a Project Planning Form and CIP Worksheet that provides the project description and justification, as well as a detailed budget estimate supporting the TPC of \$3.3 million.

Finally, F&S Partners (Dallas, Texas) were appointed as the Project Architect back in January of this year after a Request For Qualification (RFQ) process (November/December 2001) to prepare the Facility Program, and thereafter, the Schematic Design. F&S Partners have since completed these tasks, and are currently providing Design Development phase services. It is anticipated that the construction

Dr. Edwin R. Sharpe
Executive Vice Chancellor for Academic Affairs
September 6, 2002
Page 2

documents will be completed by November, allowing construction to commence shortly thereafter (December / January). It is imperative that we make these dates to take advantage of the growing season beginning in May for the newly planted grass-playing surface.

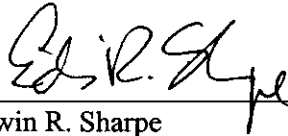
Should you have any questions, or require any additional information, please do not hesitate to contact me at your earliest convenience.

Sincerely,



Robert E. Witt
President

APPROVED:



Dr. Edwin R. Sharpe
Executive Vice Chancellor
for Academic Affairs

9-20-02

Date

Attachments

xc: M. Dan Williams, w/attachments
John D. Hall, w/attachments
Rusty Ward, w/attachments
Jeff L. Johnson, w/attachments
Sidney J. Sanders, Office of Facilities Planning and Construction, w/attachments
Philip R. Aldridge, Office of Finance, w/attachments



THE UNIVERSITY OF TEXAS AT ARLINGTON

OFFICE OF THE PRESIDENT

UT System-Academic Affairs

September 6, 2002

SEP 10 2002

to _____ for info return
to _____ please advise me
to _____ please handle

Dr. Edwin R. Sharpe
Executive Vice Chancellor for Academic Affairs
The University of Texas System
601 Colorado Street
Austin, Texas 78701-2982

Reference: New Residence Hall
The University of Texas at Arlington
Project No. 301-TBD

Subject: Agenda Item – November 2002, Board of Regents Meeting
Approval to Amend Capital Improvement Program (CIP)

Dear Ed:

I am requesting your approval of an agenda item for the November 2002 Board of Regents meeting to amend the FY 2002-2007 Capital Improvement Program, and the current Capital Budget with the addition of the New Residence Hall Project. As you are aware, UT-Arlington has added over 1,000 beds to its on-campus housing inventory in the last two (2) years, however, at the beginning of the Fall '02 Semester, there were still 273 students on the waiting list for an apartment, and 622 students on the waiting list for a residence hall room.

The Total Project Cost (TPC) is \$14,275,000, and I am proposing that the Project be financed with UT System Revenue Financing System Bond Proceeds over a twenty-year period. I have attached an economic analysis or cash flow analysis in the format provided by the UT System Office of Finance. As is evident, the cash flow is very attractive over this twenty-year period providing more than adequate debt coverage.

Overall, the Project consists of 350 beds with 75% of the beds configured in 3 private bedroom suites, and 25% of the beds configured in traditional double rooms. Other amenities will include; private baths, high-speed Ethernet for each student, expanded basic cable TV service, metro phone service, social lounges, on-site parking, card-access for enhanced security, and an attractively landscaped community.

The Project will be in close proximity to the University Center for convenient access to Campus Dining, as well as in close proximity to the campus-core (i.e. Central Library and several academic buildings).

Included in the TPC is \$1.6 million for the acquisition, abatement, and demolition of the College Oaks Apartments. This amount will also fund parking lot improvements thereafter to provide on-site parking for the students living in the new residence hall.

Dr. Edwin R. Sharpe
Executive Vice Chancellor for Academic Affairs
September 6, 2002
Page 2

I have also attached the Project Planning Form, and CIP Worksheet to better define the scope of the project, and to provide cost/budget documentation supporting the TPC of \$14.275 million.

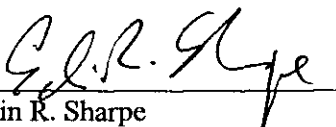
Should you have any questions, or require any additional information, please do not hesitate to contact me at your earliest convenience.

Sincerely,



Robert E. Witt
President

APPROVED:

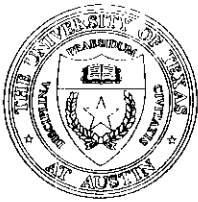


Dr. Edwin R. Sharpe
Executive Vice Chancellor
for Academic Affairs

9-20-02
Date

Attachments

xc: M. Dan Williams, w/attachments
John D. Hall, w/attachments
Rusty Ward, w/attachments
Jeff L. Johnson, w/attachments
Philip R. Aldridge, Office of Finance, w/attachments
Sidney J. Sanders, Office of Facilities Planning and Construction, w/attachments



OFFICE OF THE PRESIDENT
THE UNIVERSITY OF TEXAS AT AUSTIN

UT System-Academic Affairs

P.O. Box T • Austin, Texas 78713-8920
(512) 471-1232 • FAX (512) 471-8102

SEP 09 2002

to _____ for info return
to _____ please advise me
to _____ please handle

September 6, 2002

Dr. Edwin R. Sharpe
Executive Vice Chancellor for Academic Affairs
The University of Texas System
OHH 305 (P4300)

Subject: Experimental Science Building Renovation Phase I and II
The University of Texas at Austin
Project No. 102-906

Dear Ed:

I write to ask your assistance in presenting an agenda item at the November 2002 Board of Regents' meeting to amend the FY 2002-2007 Capital Improvement Program to add the Experimental Science Building Renovation – Phase II project at a Preliminary Project Cost of \$34,250,000 and to combine it with the Experimental Science Building Renovation – Phase I project for a new combined Preliminary Project Cost of \$35,000,000.

The Experimental Science Building Renovation – Phase I project is included in the FY 2002-2007 Capital Improvement Program and the FY 2002-2007 Capital Budget at a Preliminary Project Cost of \$750,000 with funding from Designated Tuition. Phase I will include the development of an overall program and cost estimate for subsequent phased work. The building will be renovated to support state-of-the-art research and teaching laboratories, classrooms, and offices.

The Experimental Science Building Renovation – Phase II project is included in the Future Projects list of the FY 2002-2007 Capital Improvement Program at an estimated project cost of \$26,000,000. Phase II will include renovation of approximately one third of the existing building to house urgently needed laboratories and support spaces for nanoscience.

Combining Phase I and Phase II will enable the project team to move immediately into design following approval of the facilities program. The Preliminary Project

Dr. Edwin R. Sharpe
Experimental Science Building Renovation Phase I and II
September 6, 2002
Page 2

Cost of \$35,000,000 for the combined project will be funded from Revenue Financing System Bonds.

Your assistance in this matter is greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry R. Faulkner", with a long horizontal flourish extending to the right.

Larry R. Faulkner
President

cc: Dr. Pat Clubb
Mr. Jeffery M. Kauffmann
Mr. John L. Rishling
Mr. Sidney J. Sanders



OFFICE OF THE PRESIDENT
THE UNIVERSITY OF TEXAS AT AUSTIN

UT System Academic Affairs

SEP 09 2002

P.O. Box T • Austin, Texas 78713-8920
(512) 471-1232 • FAX (512) 471-8102

to _____ for info return
to _____ please advise me
to _____ please handle

September 6, 2002

Dr. Edwin R. Sharpe
Executive Vice Chancellor for Academic Affairs
The University of Texas System
OHH 305 (P4300)

Subject: Performing Arts Center Infrastructure Upgrades – Phase I
The University of Texas at Austin


Dear Ed:

I write to ask your assistance in presenting an agenda item at the November 2002 Board of Regents' meeting to amend the FY 2002-2007 Capital Improvement Program to add the Performing Arts Center Infrastructure Upgrades - Phase I project at a Preliminary Project Cost of \$400,000.

The Performing Arts Center Infrastructure Upgrades project is included in the Future Projects list of the FY 2002-2007 Capital Improvement Program at an estimated project cost of \$15,000,000. Phase I of the project will include the development of an overall program and cost estimate for subsequent phased work. The building will be renovated in order to meet current life safety and accessibility code requirements. Other work to address building age and condition, and to update functional characteristics of the facility may be included if funding can be identified. The Preliminary Project Cost of \$400,000 for Phase I of the project will be funded from Designated Tuition.

Thank you for your assistance.

Sincerely,


Larry R. Faulkner
President

cc: Dr. Pat Clubb
Mr. Jeffery M. Kauffmann
Mr. John L. Rishling
Mr. Sidney J. Sanders

U. T. EL PASO: UNIVERSITY BOOKSTORE EXPANSION AND RENOVATION PROJECT

BACKGROUND INFORMATION

The University Bookstore has operated in the same space for approximately 25 years. Institutional growth and the significant expansion of degree programs have caused the University Bookstore to outgrow its current space. The cost of the expansion and renovation of the bookstore is estimated at \$800,000. While this project size is below the required review threshold of the U. T. Board of Regents, Board approval is sought for the issuance of bonds.



THE UNIVERSITY OF TEXAS AT ARLINGTON

OFFICE OF THE PRESIDENT

UT System-Academic Affairs

SEP 10 2002

September 6, 2002

to _____ for info return
to _____ please advise me
to _____ please handle

Dr. Edwin R. Sharpe
Executive Vice Chancellor for Academic Affairs
The University of Texas System
601 Colorado Street
Austin, Texas 78701-2982

Reference: Minor Construction & Minor Repair and Renovation Projects
The University of Texas at Arlington

Subject: Agenda Item – November 2002, Board of Regents Meeting
Approval to Issue Revenue Bonds to Finance Projects

Dear Ed:

I am requesting your approval of an agenda item for the November 2002 Board of Regents meeting to issue UT System Revenue Financing System Bond Proceeds totaling \$5.0 million to finance minor construction, and minor repair and renovation projects, all to be institutionally managed. The projects to be financed are the following.

Baseball Stadium Renovations (Phase II)	\$1,950,000
Activities Building Renovation for Kinesiology	\$1,500,000
Natural History Specimen Annex	\$ 700,000
Social Work C Renovation (for classrooms & offices)	\$ 450,000
Physical Plant Shops – Addition/Renovations	\$ 400,000
Total	<u>\$5,000,000</u>

The annual debt service will re-paid from the following two sources; Bookstore Commissions for the Baseball Stadium Renovations, and from Designated Tuition for the other four projects listed above.

Dr. Edwin R. Sharpe
Executive Vice Chancellor for Academic Affairs
September 6, 2002
Page 2

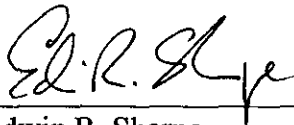
Should you have any questions, or require any additional information, please do not hesitate to contact me at your earliest convenience.

Sincerely,



Robert E. Witt
President

APPROVED:



Dr. Edwin R. Sharpe
Executive Vice Chancellor
for Academic Affairs

9-20-02

Date

xc: M. Dan Williams
John D. Hall
Rusty Ward
Jeff L. Johnson
Philip R. Aldridge, UT System Office of Finance
Sidney J. Sanders, UT System Office of Facilities Planning and Construction

U. T. General Academic Institutions 2001-2002 Post-Tenure Review Report

Of the 3,057 tenured members of the faculties of the general academic components, 413, or 13.5 percent, were subject to the six-year post-tenure review during the 2001-2002 academic year.

Of the 413 tenured faculty subject to review: 350, or 84.8 percent, had satisfactory ratings; 53, or 12.8 percent were not reviewed due to promotion, retirement, resignation, leave of absence, or other reasons; one, or 0.2 percent, have reviews still in progress; and nine, or 2.2 percent, received unsatisfactory reviews.

A summary table of the academic year 2001-2002 post-tenure reviews is shown below. Additional details are on file in the Office of Academic Affairs.

Component	Total	Subject to Review	Satisfactory	Unsatisfactory	Review in Progress	Not Reviewed Due to Promotion, Retirement, Leave of Absence, or Other Reasons
U. T. Arlington	401	51	37	1	0	13
U. T. Austin	1,390	170	158	4	0	8
U. T. Brownsville	138	16	14	1	1	0
U. T. Dallas	240	27	25	0	0	2
U. T. El Paso	274	42	33	1	0	8
U. T. Pan American	209	44	31	2	0	11
U. T. Permian Basin	42	5	5	0	0	0
U. T. San Antonio	282	48	37	0	0	11
U. T. Tyler	81	10	10	0	0	0
TOTAL	3,057	413	350	9	1	53
		13.5%	84.8%	2.2%	0.2%	12.8%

Follow-Up Report on Previous Post-Tenure Review Actions (Academic Years 1999, 2000, and 2001)

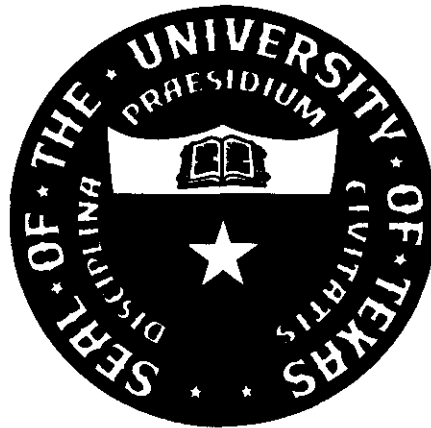
Over the past three academic years (1999, 2000, and 2001), 40 tenured faculty received less than satisfactory reviews. Of those faculty, 13 have successfully completed their professional development plans, eleven are still in progress and have not received second reviews, and 16 have resigned or retired.

Assessment of Student Learning Initiatives

Progress Report

2001-2002

THE UNIVERSITY OF TEXAS SYSTEM



Office of Academic Affairs
601 Colorado Street
Austin, Texas 78701-2982

Assessment Report University of Texas System 2001-2002

This report includes a review of the purpose and assumptions underlying the assessment process of the University of Texas System; the status of assessment within the System, including accomplishments during academic year 2001-2002 and changes to the 2000-2001 Assessment Plan; and two recommendations.

Background

During the Fall 2000 Semester, the Academic Affairs Committee of the Board of Regents requested that the University of Texas System implement a plan to assess student knowledge and skills developed in general education or core curriculum programs and other academic programs across the System. At that time, the assessment of student learning in all academic majors was conducted in only one component of the System, many professional programs in other components had begun to assess student learning, but no comprehensive assessment of the core curriculum had been conducted in any component, although one had tried. The Texas Higher Education Coordinating Board (THECB) had mandated, beginning Fall 1999, that core curricula across the State of Texas be organized according to a set of common THECB guidelines. THECB indicated that the programs were to be evaluated, but had not, and still has not, determined how that should occur.

Given the Board of Regents request, Executive Vice Chancellor Ed Sharpe began the process of developing a System-wide assessment of the core curriculum, appointing Dr. Raymond J. Rodrigues to guide the process. In the first year, assessment leaders were appointed on each campus, an Advisory Board of those leaders and representatives of the Faculty Advisory Council formed and began to meet, the assessment of writing was planned, assessment meetings and workshops were held on all campuses, and an assessment plan was created.

Purpose and Assumptions of Assessment:

The University of Texas System has committed itself to assess student learning in accordance with the best assessment practices identified by the literature and research in assessment (a sample bibliography is included in this report). *The primary purpose of academic assessment is to improve student learning.* Toward that end, we assume that:

1. *To be most meaningful, each institution must assess student learning within its own mission and context.*

The missions and contexts of the University of Texas components vary widely, ranging from major research universities with doctoral programs to regional

comprehensive universities, from institutions of a few thousand students to one of over 50,000 students, from open admissions to highly selective admissions criteria. Given such variation, the institutions have designed their academic programs within their missions and resources, with particular consideration for the characteristics and abilities of their students.

The abilities of students entering each component vary widely. Students who require some form of remedial education vary in percentage from over 70 percent of entering freshmen in one component to relatively few in some others. Annual year-to-year retention rates vary accordingly, ranging from the mid-50s to approximately 90 percent. Graduation rates also vary accordingly, with most students in some components graduating in four to six years and most students in other components requiring more than six years to complete a four year baccalaureate program. Understanding the reasons for attrition, retention, and graduation is an important aspect of assessment.

2. *A standardized test of student learning could not yield data sufficiently meaningful to guide curricular improvements in our components since their missions, students, and contexts vary so widely.*

A standardized test can satisfy the expectation that institutions be publicly accountable to their constituents. However, given the variations in student characteristics and institutional missions of the System components, assessment plans need to be designed to address the key questions that faculty, administrators, and support units have regarding how to help *their* students learn most effectively. To satisfy the need for accountability, we subscribe to public disclosure of the assessment results and actions taken to address those results. For the following reasons, though, we have chosen not to implement a System-wide standardized test to assess student learning:

- Standardized tests cannot reflect the variations in student characteristics and academic programs from component to component;
- Standardized test results will vary according to the admission standards of the components, with those students in components having the highest admission standards presenting the highest results and those in components with lower admission standards presenting lower results;
- Standardized test results cannot be sufficiently disaggregated to help faculty determine *why* specific results are not satisfactory and therefore cannot provide the information needed to improve student learning at those points where improvement is most needed.
- Unless a standardized test is treated as a high stakes test, student motivation to do well is not likely to be very high, and therefore the results may not reflect actual student abilities.

3. *If treated seriously and professionally, institutional assessment efforts will evolve over time.*

The initial step in assessment is determining what students should know, value, and be able to do when they complete a program. In the literature of assessment, these characteristics are typically referred to as “learning outcomes.” As faculty evaluate or assess the learning of their students, some learning outcomes may be quite high and may remain high year after year. Thus, repeatedly assessing them may not be necessary. Others, however, may not be as high or satisfactory as we want, so determining the causes for lower results will require more follow-up efforts. As faculty learn more about their students’ knowledge, abilities, and values, they may refine both their assessment questions and methods so that the assessments give them clearer results and give them the information that they need to improve their programs, whether through curricular or pedagogical changes. An assessment program that does not focus upon the key issues and questions about learning that an institution has is not serving the primary purpose of assessment, even though it may be meeting accountability requirements.

4. *Not all student learning occurs in the classroom alone.*

The Council on Higher Education Accreditation (CHEA), a consortium of regional accrediting bodies, has worked to determine how faculty support systems and student support systems within an institution can also be assessed. They recognize that many factors contribute to the education of a student, such as the library, advising, counseling, extracurricular activities, residence life, faculty development, administrative recognition of assessment efforts, and resource allocations. SACS expects all aspects of an institution to be assessed to determine the effectiveness of the total learning environment. Effective assessment programs will engage the full institution in examining the results and determining the most effective ways of improving upon them.

5. *For an institution to be accountable for the education it provides, assessment results and actions taken based upon those results must be made public.*

The most critical step in an assessment plan is the reflection upon the results and determination of appropriate actions needed to improve upon those results. Not only should the faculty of a given academic program take the time to determine how their program should be improved, but also other constituencies should be informed about and engaged in understanding the nature of those results and actions. Those constituencies range from institutional support units and administrations to governing boards, accrediting bodies, and parents. Students themselves may be informed of assessment results at those points where knowing how well they are learning can help them become better learners.

The assessment plan of the University of Texas System aligns itself with the higher education accreditation principles and guidelines of the Southern Association of Colleges and Schools (SACS). SACS' guiding principle on assessment is that "The institution identifies expected outcomes for its educational programs and its administrative and support services; assesses whether it achieves these outcomes; and provides evidence of improvement based on analysis of those results." Core Requirement 12 of the SACS guidelines expects that: "The institution has developed an acceptable Quality Enhancement Plan and demonstrates the plan is part of an ongoing planning and evaluation process." SACS explains the use of the Quality Enhancement Plan (QEP): "Engaging the wider community, the QEP is based upon a comprehensive and thorough analysis of the effectiveness of the learning environment for supporting student achievement and accomplishing the mission of the institution. It is used to outline a course of action for institutional improvement by addressing an issue – or issues – that contributes to institutional quality, with special attention to student learning." SACS does not specify how assessments are to be conducted, only that institutions present evidence that they assess their programs systematically.

The Status of Assessment in the University of Texas System

We chose to begin assessing the Core Curriculum in each component as a System-wide effort because the Core Curriculum appeared on the surface to be the most common academic program in all the components. To learn the most about how to conduct an assessment program across the System, we decided to begin with the assessment of student writing, then to assess mathematics, and then to move on to the remaining areas of the Core Curriculum. We recognize that SACS expects all academic programs to be assessed, not solely the Core Curriculum, and therefore we assume that all components will develop plans to assess the undergraduate majors, interdisciplinary programs where they exist, and graduate programs in preparation for future accreditation reviews and as is appropriate for institutions desiring to improve their educational programs. We also recognize that many professional programs already conduct academic assessments as part of their own professional accreditation programs. Each component has developed its assessment plans for continuing the assessment of student learning.

Appendix A is the 2000 – 2001 assessment plan for the University of Texas System. A primary purpose of that plan was to lay out a schedule of assessment activities (or goals) for the 2001-2002 academic year and beyond. The activities that were accomplished and those that were changed are summarized below.

Activities Accomplished during 2000-2001

1. **Inventory of Assessment Practices:** All components completed an inventory of current assessment procedures on each campus.

2. **Assessment Advisory Board:** The Assessment Advisory Board met four times during the year to share information, review plans, and continue planning the implementation of assessment procedures.
3. **Mathematics Assessment:** Two workshops were held for the mathematics faculty assigned to lead the mathematics efforts on each campus to learn about effective assessment methods and share ideas. The professor who chairs the mathematics assessment committee of the American Mathematics Association led the first workshop. As a result of the workshop, three of our faculty were selected to become a team representing the System and attend three national workshops on mathematics assessment sponsored by the AMA: Betty Travis (UTSA), Jerzy Mogilsky (UTB), and D. L. Hawkins (UTArI). The second workshop was held on the UTSA campus and led by that team.

Determining what areas to assess in mathematics posed the greatest problem. Not all students take the same mathematics courses, with core curriculum courses ranging from Introduction to College Algebra to Mathematics for Educators to Calculus. Despite the Coordinating Board core curriculum guidelines, not all mathematics courses are designed to meet those guidelines. In fact, it is not even desirable that all courses meet those guidelines, for students vary greatly in the ability and graduation goals. Therefore, the mathematics faculty have decided to assess those courses on their campuses that most closely meet the guidelines of the core curriculum. But they may change their plans in future years.

Each component is to assess mathematics during the 2002-2003 academic year and report the results and changes warranted to the UT System by December 1, 2003.

4. **Writing Assessment:** The assessment of writing was conducted on each campus by the end of the Spring Semester. The writing assessment teams on each campus developed a rubric or set of evaluation criteria to evaluate freshmen writing from those courses where the assessment would do the most good. For most components, the student writing was drawn from the second writing course. But not all writing courses in the core curriculum are identical in structure or semester required, so the campuses made determinations based upon their local context. The writing faculty are to review the results, make recommendations based upon their findings to the faculty and campus administration regarding curricular or pedagogical actions needed to improve student writing, and submit a report to the System summarizing the results and changes proposed or changes made by December 1, 2002.

Based upon the results of the first assessment, each campus will design and implement the next writing assessment for the 2002-2003 academic year.

In addition, it remains our intent to assess the writing of seniors within the next two years to determine whether their writing meets our expectations, and, if not, to implement changes to strengthen those areas where student writing is weak.

Three faculty members and I have been selected to offer a panel presentation on writing assessment across the University of Texas System at the December national conference of SACS in San Antonio. The faculty members are:

Linda Woodson, University of Texas at San Antonio
Lucas Niiler, University of Texas at Tyler
Beatrice Newman, University of Texas at Pan American

5. **The Remaining Core Curriculum Areas:** Each component has developed a plan for assessing the remaining areas of the core curriculum within the next few years and has submitted its plan to the System. These plans will build upon the experiences gained through the assessments of writing and mathematics as well as the knowledge gained through attending national workshops and reviewing the literature on assessment. We also assume that the components will develop assessments of the academic majors as well. In fact, a few are already proceeding with assessments of the majors, especially in the professional programs.

We note that there is great disparity in the nature of the core curriculum offerings despite the common objectives implied by the Core Curriculum guidelines. For example, in the Social and Behavioral Sciences category, students may select from a wide range of courses and may have taken few courses in common. Even courses that appear to be alike based upon their titles turn out to be quite different. For example, one U. S. government professor may concentrate upon constitutional law while another may focus upon the economic underpinnings of government and yet another upon the influence of historical events upon our government. In approving the Core Curricula that each institution was required to submit to the Coordinating Board, the Coordinating Board did not approve specific courses based upon whether they met the Core Curriculum guidelines. The result is great variation across all campuses in Texas.

6. **Assessment Governance:** Each component has determined how best to oversee assessment within its own governance and administrative structures. The procedures range from have assessment committees to building responsibility for assessment within existing governance and administrative structures. Institutional research procedures and other administrative functions are being associated with the assessment efforts within these structures.
7. **Assessment Website:** We continued to develop the assessment website as a resource for those conducting assessments on the campuses:
<http://ntmain.utb.edu/assessment>.

Changes to the 2000-2001 Assessment Plan Activities

During the course of the year, the following changes were made to the System assessment plan by the Assessment Advisory Board:

1. **Critical Thinking:** We decided not to assess “critical thinking” *per se*. First, “critical thinking” is not a separate component of the Texas Higher Education Coordinating Board’s guidelines on the core curriculum. Second, “critical thinking” is a broad, all-encompassing term that may be defined in a multitude of ways, and determining any specific definition for it would lead to valuable aspects that would not be assessed. And third, elements of “critical thinking” exist in all the categories of the Core Curriculum. Therefore, by assessing those categories, the components will also be assessing critical thinking.
2. **Assessment Conference:** We did not hold a System-wide assessment conference. First, we believed that an effective conference would be extremely costly, especially since we would want to involve as many faculty, support personnel, and administrators in such a conference. Second, two national organizations, the American Association of Colleges and Universities (AAC&U) and the American Association of Higher Education (AAHE) both hold national assessment conferences that draw upon the national experts and institutions from across the nation. Six of our components sent representatives to the AAC&U conference in Dallas and many of our components sent representatives to the AAHE conference in Boston. (Sally Andrade from UTEP and I both presented workshops at this conference.)

We did, however, hold an intensive two-day workshop on the U.T. Brownsville campus for the administrators responsible for leading assessment efforts (and others) from each component. Two national experts on assessment led the workshop: Barbara Wright from Connecticut and Cheryl Bullock from the University of Illinois.

We have not abandoned the idea of holding a System-wide assessment conference but will wait to determine whether, when, and how best to do so.

In short, with the exception of the “critical thinking” assessment and the System-wide assessment conference, all the goals of the 2001-2002 assessment plan have been accomplished.

Recommendations

1. **Assessment Advisory Board:** I recommend that the Assessment Advisory Board be given a new charge:

To establish criteria for, review, and monitor annual assessment reports from each component and to make recommendations to the University of Texas System regarding future assessment guidelines.

The purpose of the Advisory Board would not be to make judgments about the quality or nature of education in each of the components, but to assure that, as SACS expects, “The institution identifies expected outcomes for its educational programs and its administrative and support services; assesses whether it achieves these outcomes; and provides evidence of improvement based on analysis of those results.” The Advisory Board will enable the System to determine whether each component is indeed accountable for student learning within its own mission and context.

The Advisory Board may be chaired by a representative of the Executive Vice Chancellor for Academic Affairs. Representatives to the Board should be an appropriate mixture of administrators responsible for assessment and faculty, one representative only from each academic component.

2. **Purpose and process:**

I recommend that the University of Texas System endorse the regular, ongoing assessment of learning as a process based upon the best that research has to tell us about the assessment of learning and that assessment procedures continue to be built upon the missions and contexts of the University of Texas components. In so doing, the U.T. System will affirm its commitment to systematically determine how to most meaningfully help our students learn more effectively in all academic programs and affirm its commitment to the support of the administrative and support structures on each campus.

These two recommendations, taken together, can assure that our institutions are indeed accountable to their constituencies.

Respectfully submitted,

Raymond J. Rodrigues

August 2002

Selected Bibliography

The planning and implementation of academic assessments in the University of Texas System has been based upon a growing literature of assessment. A very limited selection of sources includes the following:

Angelo, Thomas A. "Doing Assessment As If Learning Matters Most," *AAHE Bulletin* 51 (9), 1999, 3-6.

Banta, Trudi W., Lund, J.P., Black, K.E., and Oblander, F. W. *Assessment in Practice*. San Francisco: Jossey-Bass. 1996.

Huot, Brian. "Toward a New Theory of Writing Assessment." *College Composition and Communication* 47 (4) 1996: 549-66.

Nichols, James O. and Karen W. Nichols. *General Education Assessment for Improvement of Student Academic Achievement: Guidance for Academic Departments and Committees*. New York: Agathon Press, 2001.

Ratcliffe, James L., D. Kent Johnson, Steven M. La Nasa, and Jerry G. Gaff. *The Status of General Education in the Year 2000: Summary of a National Survey*. Washington: AAC&U, 2001.

Steen, Lynn Arthur, "Assessing Assessment," in *Assessment Practice in Undergraduate Mathematics*. Bonnie Gold *et al.* (eds.). Washington: Mathematics Association of America, 1999.

Suskie, Linda. *Assessment to Promote Deep Learning*. Washington: AAHE, 2001.

NOTE: Additional sources, including research reports, position papers, and university reports, may be found on the System assessment website:
<http://ntmain.utb.edu/assessment>

Assessment Advisory Board, 2001-2002:

Ana Maria Rodriguez	Assessment Leader, University of Texas Pan American, Associate Provost
Jay Phillips	Assessment Leader, University of Texas Brownsville and Texas Southmost College, Dean of General and Developmental Studies
David O'Keeffe	Assessment Leader, University of Texas Tyler, Provost
Bill Fannin	Assessment Leader, University of Texas Permian Basin, Provost
Bill Lasher	Assessment Leader, University of Texas Austin, Associate Provost
Michael Coleman	Assessment Leader, University of Texas Dallas, Associate Provost
David Johnson	Assessment Leader, University of Texas San Antonio, Associate Provost
Pablo Arenaz	Assessment Leader, University of Texas El Paso, Associate Provost
Michael Moore	Assessment Leader, University of Texas Arlington, Associate Provost
Betty Travis	Faculty Advisory Council, University of Texas San Antonio, Professor
Corbett Gauldin	Faculty Advisory Council, University of Texas Permian Basin, Professor
Robert Nelsen	Faculty Advisory Council, University of Texas Arlington, Professor
Raymond Rodrigues	Chair, Special Assistant to the Executive Vice Chancellor

Writing Assessment Coordinators, 2001-2002

Lucas Niiler and David Strong	University of Texas Tyler
Linda Woodson	University of Texas San Antonio
Bob Sledd	University of Texas Brownsville and Texas Southmost College
Audrey Wick	University of Texas Arlington
Beatrice Newman	University of Texas Pan American
Mark Wildermuth	University of Texas Permian Basin
Carol Clark	University of Texas El Paso
Cynthia Haynes	University of Texas Dallas
David Charney and Linda Ferreira-Buckley	University of Texas Austin

Mathematics Assessment Coordinators, 2001-2002

D. L. Hawkins	University of Texas Arlington
Betty Travis	University of Texas San Antonio
Joe Guthrie	University of Texas El Paso
Jerzy Mogilski	University of Texas at Brownsville and Texas Southmost College
Efraim Armendariz	University of Texas Austin
Charles Wakefield	University of Texas Permian Basin
Robert Cranford	University of Texas Tyler
John Van Ness	University of Texas Dallas
Roger Knobel	University of Texas Pan American



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

October 10, 2002
8:30 a.m. – 10:00 a.m.
Board Room, 9th Floor, Ashbel Smith Hall
Austin, Texas

- 8:30 a.m. 1. **Welcome and Opening Remarks** *Chair Patrick Oxford*
- 8:35 a.m. 2. **November Board of Regents' Meeting Agenda Action Items**
- a. Proposed Facilities Planning and Construction Committee Action Items
 - 1. U. T. Southwestern Medical Center: Thermal Energy Plant Phase 2 *Dr. Kern Wildenthal
Mr. Sid Sanders*
 - 2. U. T. Health Science Center - Houston: Research Expansion Project *Dr. James Willerson*
 - 3. U. T. Health Science Center - Houston: "Indoor Air Quality at the Medical School" *Dr. Willerson
Dr. Sanders*
 - 4. U. T. Health Science Center - Houston: Student Housing Project *Dr. Willerson
Mr. Sanders*
 - 5. U. T. Health Center - Tyler: Camp Fannin Memorial *Dr. Ronald Garvey
Mr. Sanders*
 - b. Proposed Health Affairs Committee Agenda Action Items
 - 1. U. T. Medical Branch: Master of Occupational Therapy Degree *Dr. John Stobo*
 - 2. U. T. Health Science Center - San Antonio: Contribution from City of Edinburg to Medical Research Division of the Regional Academic Health Center (RAHC) *Dr. Francisco Cigarroa*
 - 3. U. T. M.D. Anderson Cancer Center: Leasehold acquisition *Dr. John Mendelsohn
Mr. Jim Wilson*
- 9:25 a.m. 3. **U. T. Health Science Center - San Antonio:** Outline of plans for capital campaign *Dr. Cigarroa*
4. **Informational Items**
- a. Proposed amendments to the guidelines for the Santa Rita Award and inclusion of guidelines in the Regents' Rules and Regulations
 - b. Brief report on the Lower Rio Grande Valley Regional Academic Health Center (RAHC)

9:35 a.m.

5. **Executive Session: Consultation with Attorney
Regarding Pending and/or Contemplated
Litigation or Settlement Offers - Texas
Government Code Section 551.071**

U. T. Health Science Center - Houston: Proposed
Settlement of Medical Liability Case

*Dr. Willerson
Mr. Mike Godfrey*

SOUTHWESTERN

THE UNIVERSITY OF TEXAS
SOUTHWESTERN MEDICAL CENTER
AT DALLAS

John A. Roan
Executive Vice President for Business Affairs

September 12, 2002

James C. Guckian, M.D.
Acting Vice Chancellor for Health Affairs
The University of Texas System
601 Colorado Street (OHH 211)
Austin, TX 78701-2982

HEALTH AFFAIRS OFFICE
C.I. SYSTEM
HAD # _____
SEP 16 2002

Re: Board of Regents Agenda – November 2002
Thermal Energy Plant Phase 2

Dear Dr. Guckian:

Please include an item on the Board of Regents' November agenda to change the funding source for the Thermal Energy Plant Phase 2, Capital Improvement Project. This project is included in our Capital Improvement Program approved by the Board of Regents in November 2001. The institution is managing the project.

The project is defined in the CIP as the construction of a high-voltage electrical power substation and distribution system, standby power generation and energy conservation projects. The total project cost for all work is \$30,000,000.


The source of funding identified in the CIP was "Performance Contracts". We are requesting that the funding source be changed to: "Local Funds - \$5,000,000", and "Revenue Bond Financing - \$25,000,000".

The Thermal Energy Plant Phase 2 project has been divided into two parts. Part 1 is the installation of energy efficient lighting that has straightforward energy savings not requiring a performance guarantee. Local funds will be used to purchase and install the lighting. Part 2 includes the high-voltage substation and distribution, standby power generation, and replacement of two aged steam chillers with new electrical chillers.

We are entering into a performance contract with TXU Energy Services for the Part 2 work, which has a guaranteed savings sufficient to cover debt service and a term of 10 years. Although the project is viable using TXU financing, Philip Aldridge has indicated that we could derive significant additional savings by using revenue bonds to finance the work.

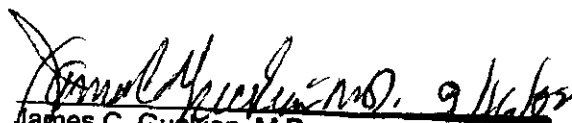
Please let me know if we can provide additional information.

Sincerely,


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

cc: John McConnell, M.D.
John Roan
Kirby Vahle
Philip Aldridge
Jeffery Kauffmann

APPROVED:


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



THE UNIVERSITY of TEXAS
HEALTH SCIENCE CENTER AT HOUSTON

HEALTH AFFAIRS OFFICE
U.T. SYSTEM

HAD # _____

JUL 26 2002

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

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

July 24, 2002

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

Dear Dr. Guckian:

I am thrilled to report to you that our fundraising efforts for the Research Expansion Project (also known as The Institute of Molecular Medicine Building) have reached the \$70 million threshold. As per our correspondence of last fall, this event should trigger the transfer of \$29 million in PUF resources back to our Research Expansion Project.

I respectfully request your assistance in placing an item on the agenda of the Board of Regents at the earliest possible time to restore the PUF funding for the Research Expansion Project to its \$50 million funding level, as initially allocated in January of 2000.

Our intent is to proceed with the Research Expansion Project prior to the Freeman Building Replacement. Thus, we require the full \$50 million in PUF funding in order to proceed. The \$29 million PUF allocation for the Freeman Building Replacement remains critical to our efforts to provide expanded and modern space for research in the basic sciences.

Thank you for your continued support.

Sincerely yours,

James T. Willerson, M.D.
President

Approved by:

James C. Guckian, M.D.

Date:

8/28/02

cc: Mr. John Porretto



THE UNIVERSITY of TEXAS
HEALTH SCIENCE CENTER AT HOUSTON

HEALTH AFFAIRS OFFICE
U.T. SYSTEMS

HAD# _____

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

OFFICE of the PRESIDENT SEP 16 2002 713 500 3010
7000 Fannin Street, 17th Floor 713 500 3059 fax
Houston, Texas 77030
James.T.Willerson@uth.tmc.edu

September 13, 2002

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

Dear Dr. Guckian:

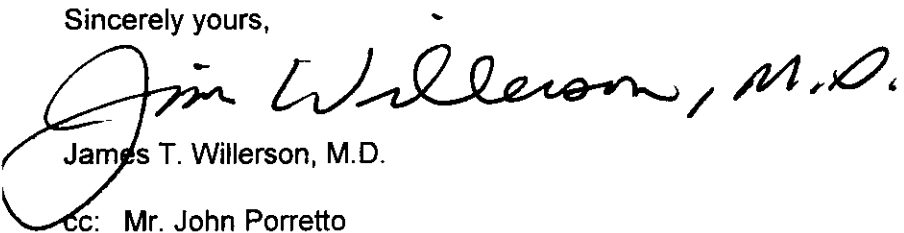
I am writing to request that an item be placed on the agenda of the November 2002 Board of Regents' meeting to amend the Capital Improvement Program by increasing the Total Project Cost of the project title, "Indoor Air Quality at the Medical School," from \$16,200,000 to \$26,200,000. The source of funds for the increase will be LoanStar proceeds from the State Energy Conservation Office.

We have signed a Memorandum of Understanding with the Energy Conservation Office reserving \$8.1 million in loan funds, pending the outcome of an independent energy assessment. The preliminary results of that study are available, and it appears that energy savings consequent to further indoor air quality upgrades will support this \$8.1 million request and perhaps a loan of as much as \$10.0 million. The precise amount of the increase to the CIP will be clarified through the Office of Facilities Planning and Construction's quarterly update process once the loan document is executed.

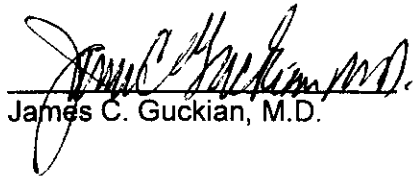
Board approval of this request in November will allow us to proceed promptly with Coordinating Board approval and thus amendment of OFPC's construction contract to execute this project. Approval of this amendment will permit us to achieve a milestone in our indoor air quality efforts by completing the retrofit of the Medical School Building laboratories.

Thank you for your consideration of this request.

Sincerely yours,


James T. Willerson, M.D.

cc: Mr. John Porretto

Approved by: 
James C. Guckian, M.D.

Date: 9/16/02



THE UNIVERSITY of TEXAS
HEALTH SCIENCE CENTER AT HOUSTON

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

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

August 28, 2002

HEALTH AFFAIRS OFFICE
U.T. SYSTEM

HAD # _____

SEP 09 2002

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

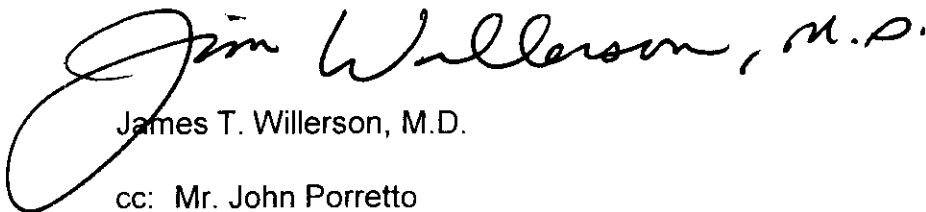
Dear Dr. Guckian:

I am writing to request that an item be placed on the agenda of the November 2002 meeting of the Board of Regents to amend the Capital Improvement Program by increasing the Total Project Cost of the Expansion of Student Housing Project from \$7,000,000 to \$28,700,000. The source of funds for this project will be U. T. Revenue Financing System bond proceeds.

Our preliminary plan is to construct between 300 and 325 garden style units, predominately one bedroom. The demand for our apartment complex continues to increase, with a current waiting list of 329 students. We can construct new units and continue to rent at levels below those prevailing in the area.

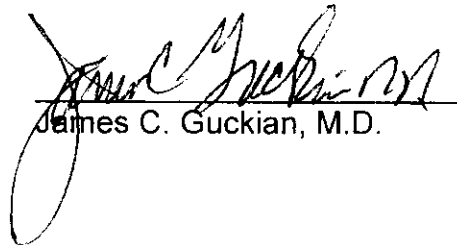
Thank you for your consideration of this request.

Sincerely yours,


James T. Willerson, M.D.

cc: Mr. John Porretto

Approved by:


James C. Guckian, M.D.

Date:

9/9/02



THE UNIVERSITY OF TEXAS
HEALTH CENTER
AT TYLER

Office of the President

June 27, 2002

Mrs. Shirley Bird Perry
Vice Chancellor for Development & External Relations
UT System
601 Colorado Street
Austin, TX 78701-2982

Dear Shirley Bird,

I would like to submit for approval the request for a permanent memorial honoring Camp Fannin veterans on the grounds of The University of Texas Health Center at Tyler. Enclosed you will find two copies of the architectural sketches for the Camp Fannin Memorial. The proposed location is in a grove of trees on the Health Center grounds, clearly visible from the entrance of the Health Center.

The members of Camp Fannin Association are dedicated to raising the funds for the memorial and have a tentative dedication date of April 4, 2003 during the 60th Anniversary Reunion of Camp Fannin Veterans. Their desire, and the Health Center's desire is to preserve the historical legacy of the World War II camp and to honor the 250,000 trainees who served their country in the time of its greatest need.

Using a star configuration, each point of the star will have a granite informational marker representing a branch of the U.S. Armed Services. In the center of the star will be a life-sized statue of a young trainee on a pedestal. The five-sided pedestal seating area will provide visitors to the memorial a place to reflect on the past and remember those who served in all wars.

Also enclosed you will find an insert of glossed sculpture photos by El Paso sculpturist Angela Mia. She would provide the bronzed soldier for the memorial located at the center of the star. Another picture of a similar bronzed soldier from Fort Benning, Georgia is enclosed in the packet as an example of the likeness of the soldier in the Camp Fannin memorial.

It is my understanding you will be visiting with Regent Clements regarding this request. Please notify Martha Whitehead, Senior Vice President for Compliance and University Affairs at 903-877-5762 should you have additional questions regarding this request. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Ronald F. Garvey".

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

U. T. Medical Branch - Galveston: Request for Authorization to Establish a Master of Occupational Therapy Degree; Approval to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria for Approval Are Met

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and President Stobo that authorization be granted to establish a Master of Occupational Therapy at U. T. Medical Branch - Galveston; to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to authorize the Acting Executive Vice Chancellor for Health Affairs to certify on behalf of the Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met.

The proposed master's degree program is consistent with the approved Table of Programs and institutional plans of U. T. Medical Branch - Galveston for offering quality degree programs to meet student needs.

A description of the degree program is included in the Background Information of this agenda item.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Medical Branch - Galveston will be amended to reflect this action.

BACKGROUND INFORMATION

Program Description

The proposal seeks to implement a Master of Occupational Therapy degree, an entry-level professional program in the School of Allied Health Sciences, to prepare generalist occupational therapy graduates for licensure and practice in the State of Texas. The program will target students with bachelor's degrees in Texas who seek careers in this established health and rehabilitation field. If approved, the first students would be admitted in August 2003. The proposed curriculum will require 82 semester credit hours of didactic coursework and 18 semester credit hours of clinical instruction, spanning eight semesters (30 months). Expected enrollment is 35-40 students in each entering class based on a 10-year average for the existing

bachelor's degree program. The Accreditation Council for Occupational Therapy Education requires that a professional program must be offered at the post-baccalaureate level in order to maintain accreditation after 2007.

Program Quality

The proposed program would continue a long-standing tradition of excellence established by the current baccalaureate program, which was one of the first in the Southwest and has graduated over 1,000 students in its 34-year history. Ninety percent of program graduates successfully complete the national certification examination on the first attempt and the attrition rate for program completion has been less than 1%.

There are 8.0 full time equivalent (FTE) faculty assigned as regular faculty in the current program. An increase of 2.0 FTE faculty positions is anticipated for the new program. Clinical and adjunct faculty from the U. T. Medical Branch - Galveston hospitals and clinics and other academic areas in rehabilitation augment this group. Collectively, this group of regular and adjunct faculty represents the most recognized and highly published occupational therapy scholars and academicians in the Southwest and compares favorably with the top 10 faculty groups in this area nationally.

The proposed program would admit students holding a baccalaureate degree from an accredited institution who have successfully completed 29 prerequisite credits in nine specified foundational areas. The proposed curriculum also includes interdisciplinary instruction, integrated practice, and community-based service-learning activities. The curriculum will focus on theory and practice in medical rehabilitation and occupational science (understanding lifestyles, habits, routines and time-use of daily life and their influences), treatment approaches and techniques, assistive technologies, service delivery systems, evidence-based decision-making, ethics, cultural awareness, communication skills, and medical jurisprudence.

Program Cost

The five year cost projection for the proposed program totals \$3,988,343. Of this amount, \$455,000 represents the estimated incremental cost above current expenditures for the existing baccalaureate program that the proposed program will replace. Approximately \$1.2 million of the total funding to support the program will come from formula income, \$2.6 million will be derived from reallocation of existing resources from the institution (including both legislative appropriations, and local income), \$26,000 from school and departmental program endowment funds, and \$168,758 from current federal grant funding that will overlap the projected start of the program. Additional potential sources of funding include endowments from estate bequests currently on file and committed to the program and anticipated

future grant awards, as well as faculty practice revenues. If realized fully during the five-year period, these would total an estimated \$145,000, for a total of \$4,139,758.

U. T. Health Science Center - San Antonio: Request for Authorization to Accept a Cash Contribution from the City of Edinburg, Hidalgo County, Texas for the Medical Research Division of the Regional Academic Health Center (RAHC) as Fulfillment of Operating Fund Requirements

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and President Cigarroa that the U. T. Health Science Center – San Antonio be authorized to accept a cash contribution of \$1 million from the City of Edinburg for operating expenses associated with the Medical Research Division of the Regional Academic Health Center (RAHC).

It is acknowledged that this contribution will fulfill the U. T. Board of Regents' requirement set forth at the November 11, 1998 meeting for local contribution of funds for operating expenses for this division of the RAHC.

BACKGROUND INFORMATION

The Board of Regents approved construction of the Hidalgo County Medical Research Division of the Regional Academic Health Center (RAHC) in November 1998 contingent on “(1) a gift of the land satisfactory to the U. T. System in its sole discretion, on which the facility will be constructed, and (2) the contribution of funds satisfactory to the U. T. System in its sole discretion for operating expenses from the Foundation, city and county governmental agencies, and the medical and business communities in the designated area.”

If accepted, this gift will fulfill the operating fund requirements. It is understood that an additional \$500,000 will be given over the next two years, if funding is available. The Board accepted a cash contribution in lieu of a gift of land on November 11, 1999.

The Hidalgo County Medical Research Division was redesignated the Medical Research Division of the Regional Academic Health Center (RAHC) on August 8, 2002.

U. T. M. D. Anderson Cancer Center: Request for Determination of Necessity and Authorization to Acquire, Through Condemnation Proceedings if Necessary, the Leasehold Interest in Suite 1180 of the Fannin Holcombe Building Located at 6900 Fannin Street, Houston, Harris County, Texas; Authorization to Take All Steps Needed to Acquire the Subject Leasehold Interest; and Authorization to Execute All Documents Related Thereto

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and President Mendelsohn that the U. T. Board of Regents:

- a. Approve acquisition, through condemnation proceedings if necessary, of the leasehold interest owned by FMB Management Group, L.L.C. or successors, assignees or sublessees in Suite 1180 of the Fannin Holcombe Building located at 6900 Fannin Street, Houston, Harris County, Texas, at a price not exceeding its fair market value as determined by an MAI appraisal or by the determination of the court
- b. Authorize the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to take all steps necessary to acquire the subject leasehold interest; to execute all documents, instruments, and other agreements; to initiate a condemnation action of the subject leasehold interest, if necessary, through the Office of General Counsel and the Office of the Attorney General; and to take all further actions deemed necessary or advisable to carry out the purpose and intent of this recommendation.

BACKGROUND INFORMATION

In May 2001, the U. T. Board of Regents approved the purchase of the Fannin Holcombe Building for the use and benefit of U. T. M. D. Anderson Cancer Center. The Building is located at 6900 Fannin Street, which provides excellent access to the U. T. M. D. Anderson Cancer Center campus and to the Texas Medical Center.

U. T. M. D. Anderson Cancer Center uses the Fannin Holcombe Building for institutional support that is necessary and integral to patient care, research, education, and prevention. In addition, the continued growth of the institution will require additional space for the relocation and consolidation of departments.

FMB Management Group, L.L.C., a tenant in the building at the time of purchase, occupies space on a floor that has been or is soon to be vacated by all other tenants. In order to make the entire floor available for the component institution to use and to utilize the floor in an efficient manner, condemnation is necessary because the tenant is unwilling to vacate voluntarily and there is no other space in the building to which the tenant can be relocated.

An appraisal report prepared by Bullitt-Hutchins, Inc., dated July 19, 2002, concluded that the leasehold estate value was \$90,000. The tenant requested \$399,000. During subsequent negotiations, the tenant reduced its demand to \$295,000, but there has been no movement below that amount.

U. T. Board of Regents: Proposed Amendments to the Guidelines for the Santa Rita Award and Inclusion of Guidelines in the Regents' Rules and Regulations, Part One, Chapter I

RECOMMENDATION

It is recommended that the "Guidelines for the Santa Rita Award" adopted by the Board in June 1967 be amended as set forth below in congressional style to conform to current selection practices. It is also recommended that the Regents' Rules and Regulations, Part One, Chapter I be amended to include the amended Guidelines as new Section 11.

Guidelines for the Santa Rita Award

I. Standards

A System-wide award that ~~[which]~~ 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 his 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. Participation by the recipient in the affairs of the 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 University System.

II. General Conditions

- A. The award, to be known as the "Santa Rita Award," will consist of a medallion ~~[and a leather-bound edition of Santa Rita - The Highest Award]~~ to be presented no more frequently than annually~~[, preferably on or about May 28, the anniversary date of Santa Rita Number 1].~~
- B. The award shall be made on behalf of the Board of Regents of The University of Texas System.

- C. ~~[To be eligible an]~~ An individual ~~[must be nominated annually, but]~~ may receive the award only once.
- D. Posthumous awards may be given.
- E. No member of the Board of Regents shall be eligible to receive the Santa Rita Award until the termination of the member's ~~[his]~~ service.

III. ~~[Awards Committee]~~

~~The Santa Rita Awards Committee shall be composed of:~~

~~three members of the Board of Regents appointed annually by the Chairman of the Board of Regents;~~

~~the Chancellor of The University of Texas System; and the Director for Development of The University of Texas System, as ex-officio secretary to the committee without vote.~~

~~To the greatest extent possible, the identity of the appointed members of the committee shall be kept confidential. Communications to and from the committee shall be through the Director for Development or, if this is impracticable, the Chancellor.~~

IV.] Nominations for Awards

- A. Nominations for the award shall be forwarded to the Chairman of the Board of Regents or the Counsel and Secretary to the Board (Office of the Board of Regents, The University of Texas System, 201 West Seventh Street, Suite 820, Austin, Texas 78701-2981) ~~[Awards Committee through the Director for Development (Box 8060, University Station, Austin 78712).~~

~~Nominations made by members of the faculty or staff of The University of Texas System must be forwarded through the head of the member's component institution. The institutional head may attach such comments and recommendations as he deems advisable.]~~

- B. The nominator shall provide such supporting information and documentation as may be requested ~~[required]~~ by the Chairman or the Counsel and Secretary to the Board ~~[committee].~~

[C. ~~Deadline for such nominations shall be January 15 of each year.~~]

IV[V]. Selection of Awardees

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

BACKGROUND INFORMATION

The "Guidelines for the Santa Rita Award" were adopted by the Board of Regents in June 1967 and amended in December 1975. The Guidelines contemplate that the award will be made every year, while actual practice has this prestigious award made as distinguished and deserving recipients are identified. While the anniversary date of Santa Rita No. 1 will be considered in the timing of the award, it is not always feasible to present the award "on or about May 28." The proposed amendments provide clarification to the awards process, conform the policy to actual practice that assures that the selection of an awardee is made in a public meeting as required by the Texas Open Meetings Act, and have been reviewed and approved by the Chancellor, the Vice Chancellor for Development and External Relations, and the Vice Chancellor and General Counsel. To provide ready access to the Guidelines, it is proposed they be added to the Regents' Rules and Regulations, Part One, Chapter I as a new Section 11.

A Brief Report on The Lower Rio Grande Valley Regional Academic Health Center October 1, 2002

The 75th Texas Legislature made a major commitment to improve education and health professional opportunities in the South Texas/Border Region by mandating the creation of a Regional Academic Health Center within Cameron, Starr, Hidalgo and Willacy Counties in the Lower Rio Grande Valley of Texas. The Regional Academic Health Center (RAHC) is a medical, educational and research endeavor in which programs are directed at distinctive regional needs and conducted in affiliation with health professionals and educational entities of the region. Pursuant to the Legislative mandate, The University of Texas System Board of Regents designated RAHC sites in Brownsville, Edinburg, Harlingen, and McAllen.

The University of Texas Health Science Center at San Antonio was assigned operational oversight of the Edinburg, Harlingen, and McAllen sites to develop third and fourth year medical education, residency training programs and medical research programs. Additionally, the Edinburg program includes pharmacy education and research programs.

The Brownsville site was placed under direction of the University of Texas Health Science Center at Houston School of Public Health to develop graduate education and research programs.

Program Planning and Implementation for Medical Education and Medical Research

The establishment of the RAHC comes at a time when a confluence of factors makes the need for medical education and medical research infrastructure in the Lower Rio Grande Valley particularly important and necessary. These factors include: one of the fastest growing populations in the country, disproportionate high rates of diseases, including diabetes, tuberculosis and liver cancer, and one of the most medically underserved areas in the country.

Although the University of Texas Health Science Center at San Antonio requested an operating budget of \$30.4 million in GRF for the FY 2002-2003 biennium only \$9.0 million was appropriated. This includes a continuation of a \$6 million base allocation from the previous legislative session and an additional \$3 million from the exceptional items appropriation. Given this significant funding shortfall for the FY 2002-2003 biennium, the priority was to focus the limited funds towards implementing the medical education component and towards ensuring excellent educational quality while meeting the accreditation standards. The funding shortfall from the State for the 2002-2003 biennium, resulted in no available funds for the RAHC Medical Research Division.

Construction of the RAHC Medical Research Division will be completed during the 2004-2005 biennium, however, without sufficient legislative appropriations to operate and equip the facility, the UTHSCSA will not be able to recruit the needed research faculty or even have a functional research facility. Major themes of research for this facility will focus on diseases that disproportionately affect the border population of South Texas—including diabetes and infectious diseases. The RAHC Medical Research Division will be the first of its kind biomedical research infrastructure in the Lower Rio

Grande Valley, and will include Biological Safety Level 3 laboratories and state-of-the-art animal resource facilities. This RAHC research campus will provide undergraduate, graduate and postgraduate research opportunities, particularly for local students interested in pursuing biomedical research careers.

Educational, clinical training and research programs will essentially be fully implemented and operational during the next biennium. The first group of twenty-four full-time medical students started at the RAHC on July 1, 2002. Also, the Internal Medicine Residency Program received accreditation and the first group of residents started on July 1, 2002. During each year of the 2004-2005 biennium, twenty-four third year and twenty-four fourth year medical students will be engaged in full-time clinical studies at the RAHC. In order for the RAHC to meet and maintain the accreditation requirements for operating as a geographically separate campus, the medical education programs and educational support services need to be comparable to the UTHSCSA medical school campus in San Antonio. Meeting these accreditation requirements (which are independent of class size) necessitates that the RAHC, in addition to maintaining and operating its educational facility (which was dedicated on June 28, 2002), also have in place a broad spectrum of professional and support staff. Critical elements include maintaining a medical library that meets accreditation standards, and a faculty base encompassing an extensive array of medical specialties. The RAHC's community-based faculty model, and its geographic distance from the main medical school campus in San Antonio, requires that the RAHC establish and maintain ongoing faculty development and interactive technologies to benefit the students and the faculty. Since the RAHC is not an independent medical school campus, ongoing support and educational oversight will continue to be provided by the medical school campus in San Antonio, specifically by the Office of the Medical Dean and the Clinical Departments in Family and Community Medicine, Internal Medicine, Obstetrics/Gynecology, Pediatrics, Psychiatry and Surgery.

Sufficient legislative appropriations will be crucial for the RAHC to be able to maintain and operate its medical student education programs. An operating budget of \$28.18 million in GRF is being requested for FY 2004-2005. (See below.) With the projected \$918,000 in tobacco endowment funds, the total budget request for RAHC Medical Education and Research Divisions is \$29.1 million.

Program Planning and Implementation for Public Health Programs

The Public Health Division of the RAHC is a unit of The University of Texas Health Science Center at Houston's School of Public Health. It includes a 16,580 ASF building constructed in Brownsville on the UT-Brownsville/Texas Southmost campus, using \$5 million of tuition revenue bond proceeds. The UT-Houston School of Public Health moved its faculty, staff, students and classes into the new building in January 2002, and the facility was dedicated on May 24, 2002.

Seven full-time faculty are providing a curriculum for 37 masters degree students and are fully involved in research and service activities in local communities. Two additional faculty searches are underway. A student recruitment program is underway to encourage qualified Valley residents to pursue a career in public health.

The Brownsville program is the fourth UTSPH regional campus offering the Master of Public Health (MPH) degree and operates in a manner similar to existing regional programs in El Paso, San Antonio, and Dallas. It focuses on addressing the particular public health education, research, and public service needs of the communities of the Lower Rio Grande Valley. In addition to basic MPH coursework, advanced and special topics courses focus on the unique health problems along the Texas/Mexico border and student practica/internships are placing students and faculty in the community working with public health practitioners.

General Revenue funding at the FY 2001 level of \$1 million per year is needed to support the full operation of the Public Health Division. An additional \$250,000 per year would permit recruitment of three more faculty members, increase the capacity to train graduate students by 25%, enable more laboratory-based research into causes and prevention of Valley health problems, and improve service activities benefiting local public health practitioners.

Due to escalating building costs, approximately 40% of the Public Health Division facility was shelled until new funding is identified. Shelled space includes all of the teaching/research laboratories, assistant dean's office, student commons, and two classrooms. An estimated \$3 million is needed to complete these facilities, including a Biological Safety Level 3 laboratory that will provide a state of the art facility in the Lower Rio Grande Valley to support research on infectious diseases.

On the basis of institutional priorities the UTHSC-Houston is requesting only a continuation of current program funding for the Public Health Division (\$1.5 million in GRF for FY 2004 – 2005). With the projected \$918,000 in tobacco endowment funds, the total budget requested for the RAHC Public Health Division is \$2.4 million.

Program Planning and Implementation for Pharmacy Programs

The Cooperative Pharmacy Program between The University of Texas at Austin College of Pharmacy and The University of Texas-Pan American received initial line item funding from the Texas Legislature and from UT-Pan American in April 2000. In November 2000, the UT System Board of Regents approved a cooperative pharmacy program as a component of the Lower Rio Grande Valley Regional Academic Health Center including \$5 million in PUF funding to provide office, laboratory and instructional space. The pharmacy program in the Valley is modeled after the Cooperative Pharmacy Program between UT-Austin College of Pharmacy and UT-El Paso whereby students may complete four years of the six-year pharmacy program at the cooperative institution.

The program consists of four pharmacy faculty and two additional faculty will be recruited in 2002-03. Since 2000, 36 students (32 Hispanics) have been admitted into the Pharmacy Scholars Program (early admission program). In Fall 2002, 14 UT-Pan American students began their first year of pre-pharmacy studies, 11 began their second year of pre-pharmacy coursework and 9 were admitted to the UT-Austin College of Pharmacy. Community support for student scholarships has increased significantly over the past two years.

The significant progress that has been made to date is the result of excellent support from The University of Texas Health Science Center and The University of Texas-Pan American.

The partnership between these institutions and The University of Texas at Austin College of Pharmacy has the potential to create a model that is truly unique throughout the country.

The University of Texas-Pan American is requesting an operating budget of \$1.9 million in GRF for FY 2004-2005 for the RAHC pharmacy program. (See below.)

RAHC Funding History

Construction Funds –

In 1999 the Texas Legislature allocated \$25.0 million in tuition revenue bonds (TRB) to construct a medical education building in Harlingen and \$5.0 million in TRB to construct a public health building in Brownsville. Additionally, in 2001 the Texas Legislature allocated \$25.5 million in TRB for a teaching-learning laboratory/continuing education center building in Harlingen.

The University of Texas System Board of Regents allocated \$20.0 million of PUF bond proceeds to construct a medical research building in Edinburg. This building will also include facilities for pharmacy programs. Also, \$5.0 million of PUF bond proceeds has been allocated by the Regents to construct a medical education facility in McAllen contingent upon a commitment of \$5.0 million in matching resources from the community.

The status of construction projects is summarized on the attached table.

Operational Funds –

The 76th Legislature appropriated a \$20 million endowment from tobacco settlement proceeds to the UT System for support of the RAHC. The Board of Regents allocated proceeds from half (\$10.0 million) of the endowment to the University of Texas Health Science Center at San Antonio for RAHC medical programs and proceeds from half (\$10.0 million) of the endowment to the University of Texas Health Science Center at Houston for public health programs.

In 2001 the Texas Legislature allocated \$9.0 million in general revenue funds (GRF) for the biennium to the University of Texas Health Science Center at San Antonio for RAHC medical programs. It should be noted that \$30.4 million in GRF was requested.

In 2001 the Texas Legislature also allocated \$1.5 million in GRF for the biennium to the University of Texas Health Science Center at Houston for RAHC public health programs. It should be noted that \$3.4 million in GRF was requested.

The Texas Legislature also approved \$600,000 in GRF for the biennium for RAHC pharmacy programs – \$2.0 million was requested. These funds were provided to the University of Texas – Pan American.

RAHC Appropriations Being Requested from the 78th Texas Legislature

As summarized above, exceptional start-up and development activities have occurred in medical education/training programs, the public health program and the pharmacy program. However, the medical research program has been slowed in its development due to inadequate funding. It should be noted that budget priorities within the RAHC programs will always favor education and training because these programs must meet national standards for accreditation. The following budgets are requested from the 78th Texas Legislature for full implementation of all RAHC programs including medical research.

RAHC Medical Education and Research Programs

UTHSC-San Antonio requests GRF operating funds of \$28.18 million for the biennium for RAHC medical programs—\$15.23 million for FY 2004 and \$12.95 million for FY 2005. This represents an increase of \$19.18 million for the biennium—\$10.73 million in FY 2004 and \$8.45 million in FY 2005.

With the projected \$918,000 in tobacco endowment funds, the total budget request for the RAHC Medical Education and Research Divisions is \$29.1 million.

RAHC Public Health Programs

UTHSC-Houston requests GRF operating funds of \$1.5 million for the biennium for RAHC public health programs—\$750,000 for FY 2004 and \$750,000 for FY 2005. On the basis of institutional priorities no increase in funds is requested for FY 2004 – 2005.

With the projected \$918,000 in tobacco endowment funds, the total budget request for the RAHC Public Health Division is \$2.4 million.

RAHC Pharmacy Program

UT-Pan American, on behalf of the RAHC pharmacy program, requests GRF operating funds of \$1.90 million for the biennium—\$950,000 for FY 2004 and \$950,000 for FY 2005. This represents an increase of \$1.30 million for the biennium—\$650,000 in FY 2004 and \$650,000 in FY 2005.

Thus, for all RAHC programs University of Texas institutions are requesting a total of \$31.58 million in GRF for the biennium—\$16.93 million for FY 2004 and \$14.65 million for FY 2005. This represents an increase of \$20.48 million in GRF for the biennium—\$11.38 million for FY 2004 and \$9.1 million for FY 2005.

**Status of RAHC Facilities Construction
October 1, 2002**

Location	Type of Construction ¹	Total Budget	Construction Budget	Construction Costs Per Gross Sq. Feet	Gross Sq. Feet (GSF)	Assignable Sq. Feet (ASF)	Construction Start	Construction Substantial Completion
Brownsville	administration, offices, classrooms, biological laboratory ²	\$5.0 million (tuition revenue bonds)	\$4.21 million	\$158	26,667	16,580	12/15/00	1/20/02
Harlingen	administration, offices, library, auditorium, thermal energy plant, instructional space	\$25.0 million (tuition revenue bonds)	\$18.39 million (includes thermal energy plant)	\$221	87,900	49,547	10/12/00	6/27/02
Edinburg	administration, offices, classrooms, medical research laboratories, vivarium, BSL ³ ₂	\$20.0 million (PUF)	(14.9 million)	(321)	(46,700)	(28,000)	(Feb. 2003)	(Aug. 2004)
Harlingen Teaching Learning Lab	offices, classrooms	\$25.5 million (tuition revenue bonds)	(17.75 million)	(260)	(68,270)	(37,550)	(July 2004)	(Mar. 2006)
TOTAL		75.5 million	(55.25 million)	(240)	(229,537)	(131,677)		

() Indicates an estimate

¹ All facilities will include an interactive electronic classroom.

² Most expensive space



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

October 9, 2002
3:30 p.m. – 5:00 p.m.
Board Room, 9th Floor, Ashbel Smith Hall
Austin, Texas

- | | | | |
|-----------|----|--|--------------------------|
| 3:30 p.m. | 1. | Welcome and Opening Remarks | <i>Chairman Clements</i> |
| 3:35 p.m. | 2. | Proposed Regents' Rule changes
[Action Item] (Item 2) | <i>Sid Sanders</i> |
| 3:45 p.m. | 3. | Design Development Approvals and Presentations (Item 3) | <i>Sid Sanders</i> |
| | a. | U. T. System: Presentation on Selection Process for Architects and Contractors [Information Item] | |
| | b. | U. T. Arlington: University Village West Apartments Phase III (Meadow Run Apartments) [Action Item] | |
| | c. | U. T. El Paso: Engineering/Science Complex [Action Item] | |
| | d. | U. T. Pan American: Education Complex Addition and Renovation [Action Item] | |
| | e. | U. T. Permian Basin: Acceptance of Outdoor Art [Action Item] | |
| | f. | U. T. Southwestern Medical Center - Dallas: North Campus Phase 4 [Information Item] | |
| | g. | U. T. Health Science Center – Houston: Mental Sciences Institute – Replacement Facility, Phase I [Action Item] | |
| | h. | U. T. Health Center – Tyler: Acceptance of Outdoor Art [Action Item] | |

4:35 p.m.

4. **Architecturally Significant Projects (Item 4)**

- a. To Be Considered as Architecturally Significant
 - 1) U. T. Arlington: New Residence Hall
 - 2) U. T. Arlington: Intramural Field Renovation
 - 3) U. T. Arlington: Addition to University Center
 - 4) U. T. Health Science Center – Houston: Mental Science Building - Roof Top Vivarium and Exterior Elevator
 - 5) U. T. Health Science Center – Houston: Mental Science Building - Perimeter Berms

Sid Sanders

4:45 p.m.

5. **Capital Improvement Program Amendments (Item 5)**

- a. U. T. Arlington: Minor Construction and Minor Repair and Renovation Projects [Information Item]
- b. U. T. Arlington: Addition to University Center [Information item]
- c. U. T. Arlington: Intramural Field Renovation [Information Item]
- d. U. T. Arlington: New Residence Hall [Information Item]
- e. U. T. Austin: Benedict/Mezes/Batts Renovation Phase I [Action Item]
- f. U. T. Austin: Jack S. Blanton Museum of Art – Phase I [Action Item]
- g. U. T. Austin: Experimental Science Building Renovation Phase II [Information Item]
- h. U. T. Austin: Performing Arts Center – Phase I - Infrastructure Upgrades [Information Item]

Sid Sanders

- i. U. T. Austin: Charter School [Information Item]
- j. U. T. Austin: Utility Infrastructure Expansion/Upgrade [Action Item]
- k. U. T. El Paso – Rest Room Renovation [Information Item]
- l. U. T. Permian Basin – Student Housing Phase II [Action Item]
- m. U. T. Tyler – Student Residence Home [Action Item]
- n. U. T. Southwestern Medical Center – Dallas: Thermal Energy Plant – Phase 2 [Action Item]
- o. U. T. Health Science Center – Houston: Medical School Building - Roof Top Vivarium and Exterior Elevator [Information Item]
- p. U. T. Health Science Center – Houston: Medical School Building - Perimeter Berms [Information Item]
- q. U. T. Health Science Center – Houston: Expansion of Student Housing [Action Item]
- r. U. T. Health Science Center – Houston: Freeman Replacement Building [Action Item]
- s. U. T. Health Science Center – Houston: Research Expansion Project [Action Item]
- t. U. T. Health Science Center – Houston: Indoor Air Quality at the Medical School [Action Item]

4:50 p.m. 6. **Design and Construction Update** (Item 6)

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

5:00 p.m. 8. **Adjourn**

Chairman Clements

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

**PROPOSED AMENDMENT OF REGENTS' RULES AND REGULATIONS
ITEM 2
October 9, 2002**

A proposed amendment of the Regents' Rules and Regulations, Part Two, Chapter VIII follows:

Sec. 2. Capital Improvement Program

...

2.4 Institutional Management of Major Projects

Adoption of the CIP includes authorization of institutional management of Major Projects so designated in the CIP. "Off-cycle" requests for institutional management shall be reviewed and approved by the Chancellor or Chancellor's delegate. Projects approved for institutional management will be included in the amended CIP. Projects designated for institutional management shall follow the process, authority, and approvals as outlined in Section 5 of this Chapter for the full amount stipulated in the CIP. Funding will be appropriated at the time of authorization of institutional management.

The additional language in Section 2, Subsection 2.4 clarifies what is authorized by "institutional management" for CIP projects in order to bring the Regents' Rules into alignment with actual practice. Specifically, this clarifies that, when a component is given the authority for institutional management of a CIP project, the institution may proceed with full implementation of the project without further approvals from the Board or U. T. System Administration, other than issuance of debt.

**U. T. SYSTEM BOARD OF REGENTS
FACILITIES PLANNING AND CONSTRUCTION COMMITTEE
DESIGN DEVELOPMENT APPROVALS AND PRESENTATIONS
ITEM 3
For Meeting October 9, 2002**

All are Action Items

UT SYSTEM

3a. Presentation on Selection Process for Architects and Contractors

UT ARLINGTON

3b. University Village West Apartments

- Increase project scope to include Phase III – Meadow Run Apartments
- Approve design development plans
- Approve increase to TPC from \$17,608,000 to \$26,508,000
- Approve additional appropriation and authorization of expenditure of \$8,900,000 from Revenue Financing System Bond Proceeds

UT EL PASO

3c. Engineering/Science Complex

- Approve design development plans
- Approve increase in TPC from \$6,000,000 to \$7,000,000
- Approve appropriation and authorization of expenditure of \$6,000,000 from Permanent University Fund Bond Proceeds and \$1,000,000 from Revenue Financing System Bond Proceeds
- Redesignate the project as Engineering Building Expansion

UT PAN AMERICAN

3d. Education Complex Addition and Renovation

- Approve design development plans
- Approve TPC of \$22,000,000
- Approve appropriation and authorization of expenditure of \$22,000,000 from Tuition Revenue Bond Proceeds

UT PERMIAN BASIN

3e. Acceptance of Outdoor Work of Art

UT SOUTHWESTERN MEDICAL CENTER – DALLAS

3f. North Campus Phase 4

- Additional Scope Design Review

UT HEALTH SCIENCE CENTER – HOUSTON

3g. Mental Sciences Institute – Replacement Facility, Phase I

- Approve design development plans
- Approve TPC of \$22,500,000
- Approve appropriation and authorization of expenditure of \$16,500,000 from Unexpended Plant Funds and \$6,000,000 from Hospital Revenues

UT HEALTH CENTER – TYLER

3h. Acceptance of Outdoor Work of Art

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

**A/E SELECTION LIST
ITEM 4
For Meeting October 9, 2002**

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

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

Item 4. To be Considered as Architecturally Significant

Component/Project	Project Cost	Project Type	Anticipated Delivery Method
U. T. Arlington New Residence Hall	\$14,275,000	New CIP	CSP
U. T. Arlington Intramural Field Renovation	\$3,300,000	New CIP	Inst.Mgmt.
U. T. Arlington Addition to University Center	\$1,800,000	New CIP	CSP
U. T. Health Science Center - Houston MSB – Roof Top Vivarium and Exterior Elevator	\$38,000,000	New CIP	CSP
U. T. Health Science Center - Houston MSB – Perimeter Berms	\$10,000,000	New CIP	CSP

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

CAPITAL IMPROVEMENT PROGRAM AMENDMENTS

Item 5

For Meeting October 9, 2002

All are Action Items unless noted otherwise

UT ARLINGTON

5a. Minor Construction and Minor Repair and Renovation Projects

Information Item with Action in Academic Affairs Committee

- These are five small renovations to be to be constructed using debt
- Add to CIP
- Authorize institutional management
- Appropriate funding and authorize expenditure of \$5,000,000 from Revenue Financing System Bond Proceeds

5b. Addition to University Center

Information Item with Action in Academic Affairs Committee

- Addition of approximately 5000 SF of dining area
- Add to CIP with PPC of \$1,800,000 with funding from Revenue Financing System Bond Proceeds

5c. Intramural Field Renovation

Information Item with Action in Academic Affairs Committee

- Add to CIP
- Approve design development plans
- Approve total project cost of \$3,300,000
- Authorize institutional management
- Appropriate funding and authorize expenditure of \$3,300,000 from Revenue Financing System Bond Proceeds

5d. New Residence Hall

Information Item with Action in Academic Affairs Committee

- Acquisition and demolition of College Oaks Apartments and construction of 350 bed facility
- Add to CIP with PPC of \$14,275,000 with funding from Revenue Financing System Bond Proceeds

UT AUSTIN

5e. Benedict/Mezes/Batts Renovation – Phase I

- Decrease TPC from \$32,000,000 to \$30,000,000
- Reduce appropriation of \$32,000,000 from Designated Tuition
- Revise funding source to \$30,000,000 from Revenue Financing System Bond Proceeds
- Appropriate funds and authorized expenditure of \$30,000,000 from Revenue Financing System Bond Proceeds

5f. Jack S. Blanton Museum of Art – Phase I

- Revise source of funds from \$32,000,000 from Gifts and Grants and \$26,500,000 in Designated Tuition to \$32,000,000 in Gifts and Grants and \$26,500,000 from Revenue Financing System Bond Proceeds
- Reduce appropriation of \$26,500,000 from Designated Tuition
- Appropriate funds and authorize expenditure of \$26,500,000 from Revenue Financing System Bond Proceeds

5g. Experimental Science Building Renovation Phase II

Information Item with Action in Academic Affairs Committee

- Phase I was for programming only at \$750,000
- Add to CIP and combine with Phase I with a PPC of \$35,000,000 with funding from Revenue Financing System Bond Proceeds

5h. Performing Arts Center Infrastructure Upgrades – Phase I

Information Item with Action in Academic Affairs Committee

- Phase I is for programming only. Phase II to follow
- Add to CIP with \$400,000 with funding from Designated Tuition

5i. Charter School

Information Item with Action in Academic Affairs Committee

- Add to CIP with PPC of \$750,000 with funding from Revenue Financing System Bond Proceeds

5j. Utility Infrastructure Expansion/Upgrade

- Increase TPC from \$36,500,000 to \$45,700,000 from Revenue Financing System Bond Proceeds

UT EL PASO

5k. Rest Room Renovation

Information Item with Action in Academic Affairs Committee

- Add to CIP
- Authorize institutional management
- Appropriate funding and authorize expenditure of \$200,000 from Revenue Financing System Bond Proceeds

UT PERMIAN BASIN

5l. Student Housing Phase II

- Increase TPC from \$4,800,000 to \$5,800,000 from Revenue Financing System Bond Proceeds
- Approve partial institutional management (\$1,000,000)
- Appropriate funding and authorize expenditure of \$1,000,000 from Revenue Financing System Bond Proceeds

UT TYLER

5m. Student Residence Home

- Appropriate funding and authorize expenditure of \$1,400,000 from Revenue Financing System Bond Proceeds

UT SOUTHWESTERN MEDICAL CENTER – DALLAS

5n. Thermal Energy Plant – Phase 2

- Change funding from \$30,000,000 from Performance Contracts to \$25,000,000 from Revenue Financing System Bond Proceeds and \$5,000,000 from Local Funds

UT HEALTH SCIENCE CENTER – HOUSTON

5o. Medical School Building – Roof Top Vivarium and Exterior Elevator

Information Item with Action in Health Affairs Committee

- Project from Remediation and Rebuilding from Tropical Storm Allison Master Plan
- Addition to CIP with funding of \$38,000,000 from Insurance Proceeds

5p. Medical School Building – Perimeter Berms

Information Item with Action in Health Affairs Committee

- Project from Remediation and Rebuilding from Tropical Storm Allison Master Plan
- Addition to CIP with funding of \$10,000,000 from Insurance Proceeds

5q. Expansion of Student Housing

- Increase PPC from \$7,000,000 to \$28,700,000 with funding from Revenue Financing System Bond Proceeds

5r. Freeman Replacement Building

- Change funding source from \$29,000,000 in Permanent University Fund Bond Proceeds and \$51,000,000 in Insurance Claims to \$80,000,000 from Insurance Claims

5s. Research Expansion Project

- Change funding source from \$21,000,000 in Permanent University Fund Bond Proceeds and \$99,000,000 in Gifts and Grants to \$50,000,000 in Permanent University Fund Bond Proceeds and \$70,000,000 in Gifts and Grants

5t. Indoor Air Quality at the Medical School

- Increase TPC from \$16,200,000 to \$26,200,000 with additional funding of \$10,000,000 from Gifts and Grants

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

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



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

OFFICE OF FACILITIES PLANNING AND CONSTRUCTION
DESIGN AND CONSTRUCTION UPDATE

OFPC - Active Projects

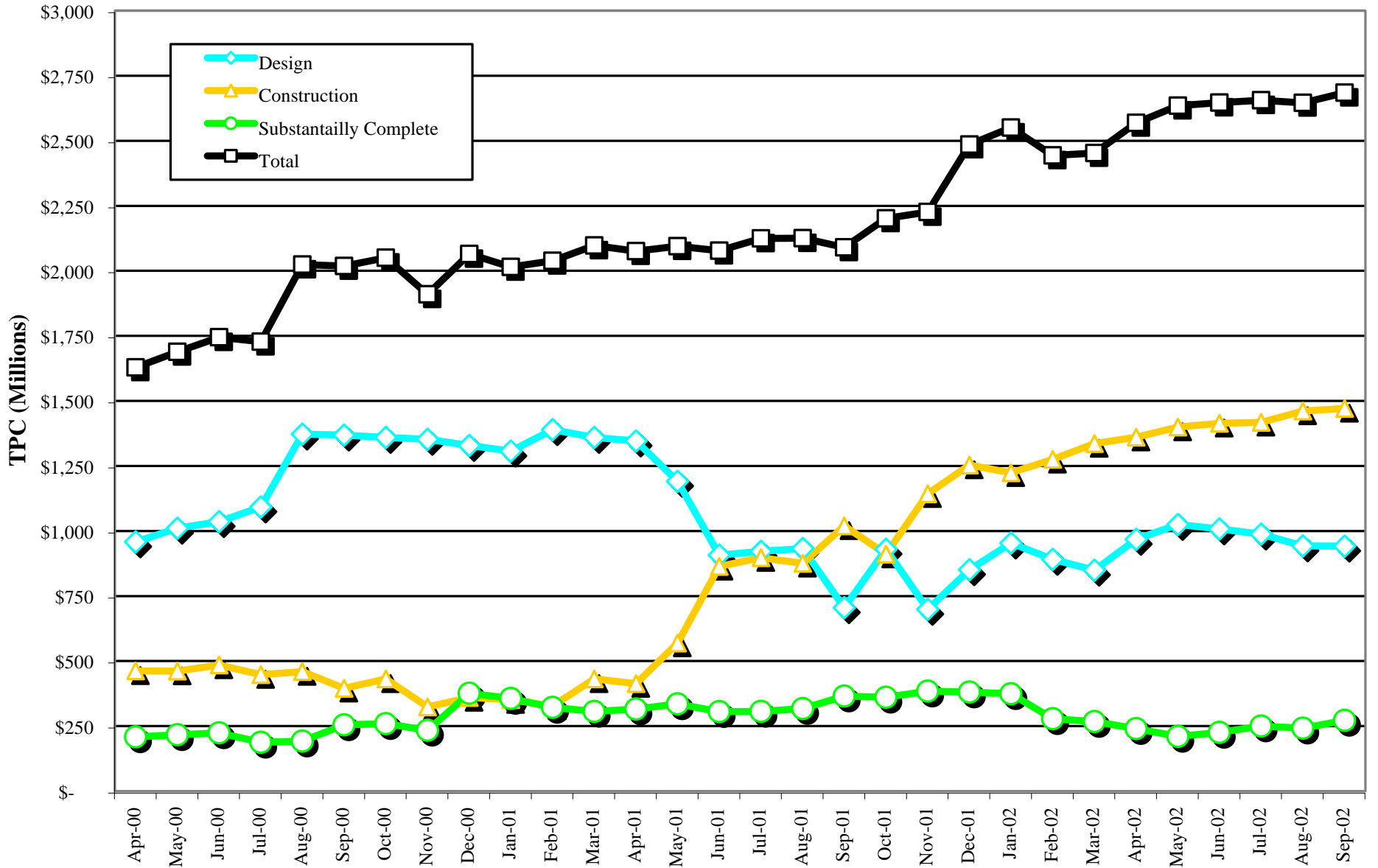
September 15, 2002

88 Total Active Projects	\$	2,684,825,541
38 Competitive Sealed Proposals	\$	482,835,502
28 Construction Manager at Risk	\$	1,331,757,950
21 Design-Build	\$	863,460,089
1 Performance Contract	\$	6,772,000
38 In Design	\$	941,516,345
21 Competitive Sealed Proposals	\$	334,493,595
15 Construction Manager at Risk	\$	477,622,750
2 Design-Build	\$	129,400,000
36 Under Construction	\$	1,471,032,107
16 Competitive Sealed Proposals	\$	143,341,907
10 Construction Manager at Risk	\$	743,705,200
10 Design-Build	\$	583,985,000
14 Substantially Complete	\$	272,277,089
1 Competitive Sealed Proposals	\$	5,000,000
3 Construction Manager at Risk	\$	110,430,000
9 Design-Build	\$	150,075,089
1 Performance Contract	\$	6,772,000

OFPC - Active Projects

September 15, 2002

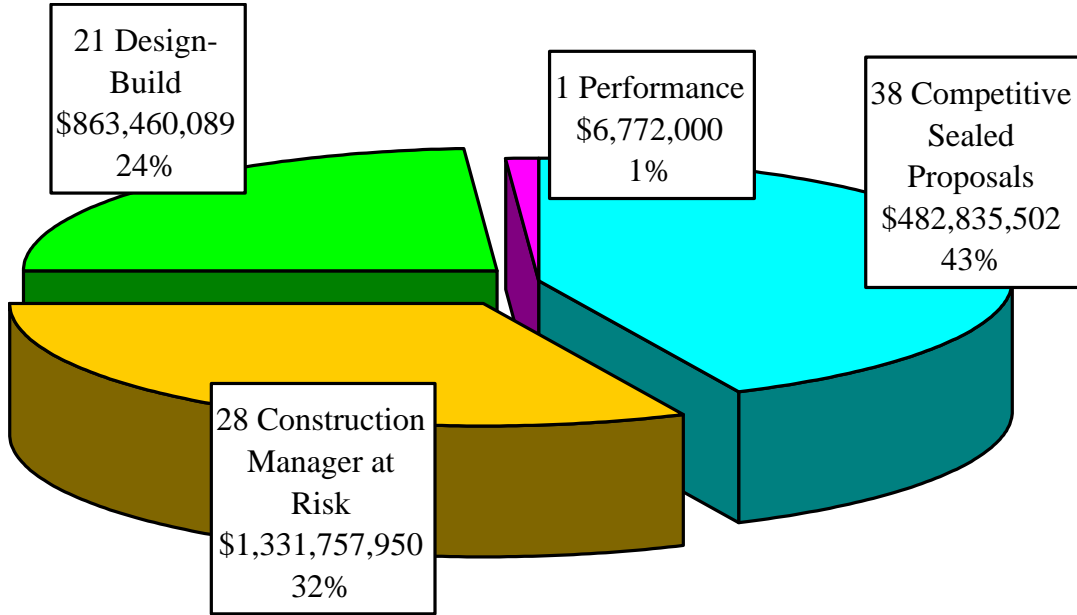
Total Project Cost Distribution By Month



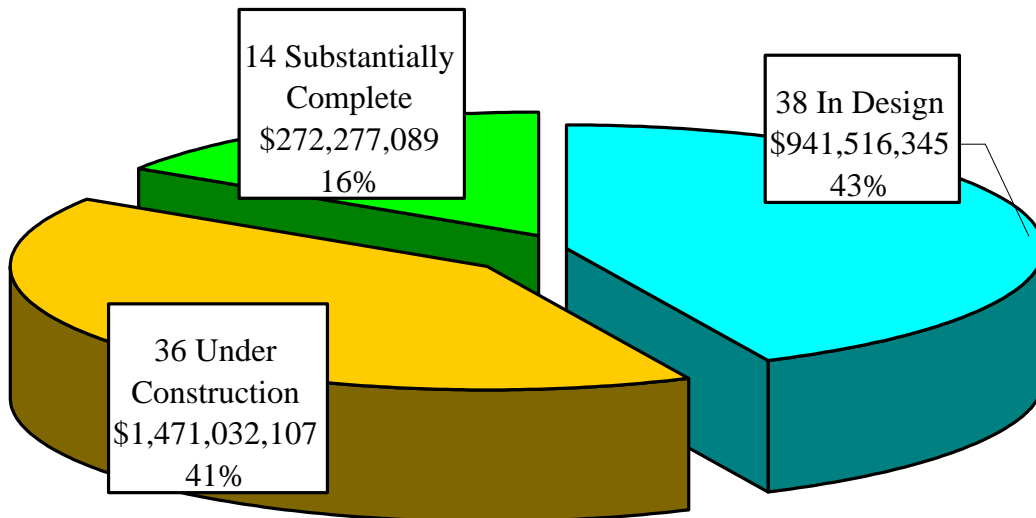
OFPC - Active Projects

September 15, 2002

By Delivery Method



By Project Status

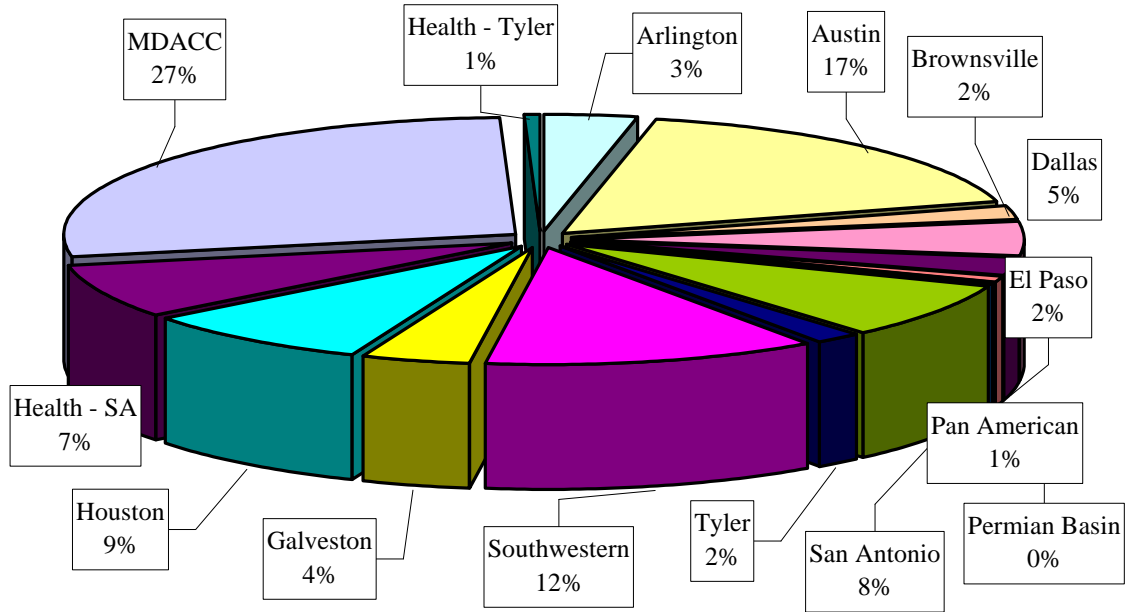


(Percentages are Based on NUMBER of Projects)

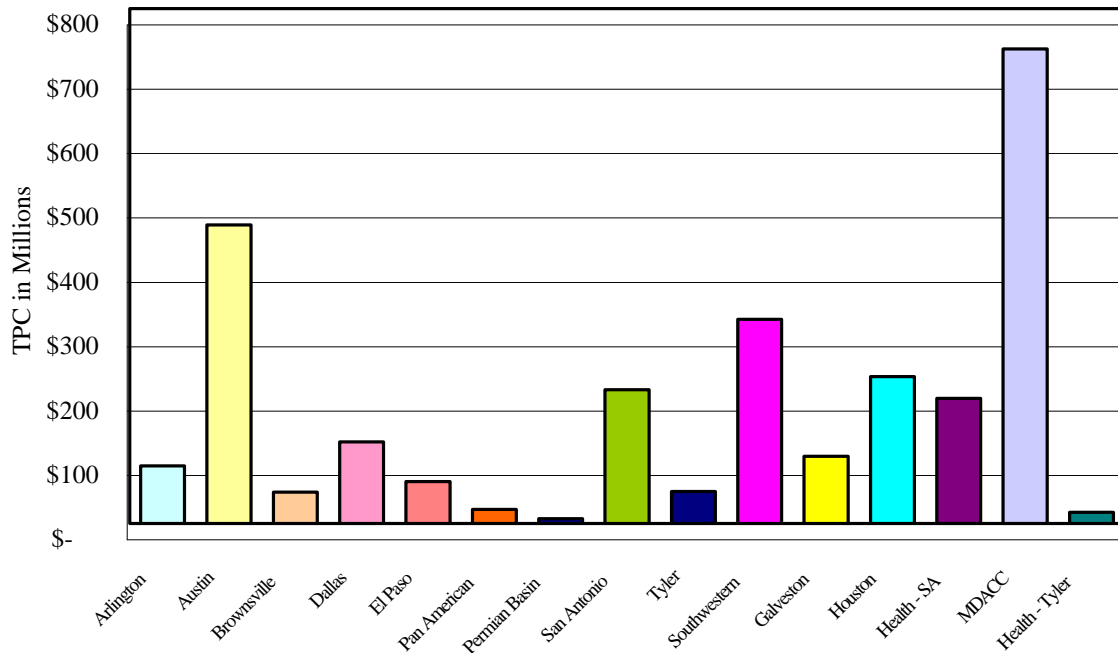
OFPC - Active Projects

September 15, 2002

By Institution & Total Project Cost



(Percentages are Based on TPC DOLLAR Volume of Projects)



OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

The University of Texas at Arlington

Project Status and Title	Total Project Cost
IN DESIGN	
Fine Arts Annex	\$5,000,000
Continuing Education and Workforce Development Center	\$9,784,400
Chemistry and Physics Building	\$34,635,945
	SUBTOTAL
	\$49,420,345
IN CONSTRUCTION	
University Village West Apartments	\$17,608,000
	SUBTOTAL
	\$17,608,000
SUBSTANTIALLY COMPLETE	
Residence Hall	\$22,588,089
	SUBTOTAL
	\$22,588,089
	TOTAL
	\$89,616,434

OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

The University of Texas at Austin

Project Status and Title	Total Project Cost
IN DESIGN	
Pharmacy Building Renovation - Phase I	\$250,000
Experimental Science Building Renovation - Phase I	\$750,000
Library Storage Facility	\$4,800,000
Institute for Geophysics and Bureau of Economic Geology/Additions and Renovations	\$6,800,000
Gregory Gymnasium Aquatics	\$12,360,000
Old Student Health Center Renovation - Phase I	\$17,009,000
Jack S. Blanton Museum of Art - Phase I	\$58,500,000
New Residence Hall and Food Service - Phase II	\$70,000,000
	SUBTOTAL \$170,469,000
IN CONSTRUCTION	
Indoor Practice Facility	\$4,000,000
Lee and Joe Jamail Texas Swimming Center Renovation - Phases I and II	\$5,300,000
McDonald Observatory Visitors' Center	\$5,750,000
Ransom Center Renovation	\$14,555,200
John A. and Katherine G. Jackson Geological Sciences Building	\$16,200,000
Benedict/Mezes/Batts Renovation - Phase I	\$32,000,000
Erwin Center Renovations / Fire and Life Safety / Basketball Practice Facility	\$52,500,000
Biological Science - Wet Lab Building	\$60,000,000
	SUBTOTAL \$190,305,200
SUBSTANTIALLY COMPLETE	
Parking Garage South	\$22,500,000
Parking Garage 6 and North Office Building A	\$29,260,000
Sarah M & Charles E Seay Building	\$51,170,000
	SUBTOTAL \$102,930,000
	TOTAL \$463,704,200

OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

The University of Texas at Brownsville	Total Project Cost
Project Status and Title	
IN DESIGN	
Education and Business Complex	\$26,010,000
SUBTOTAL	\$26,010,000
SUBSTANTIALLY COMPLETE	
Life Health Science Building - Phase I	\$22,500,000
SUBTOTAL	\$22,500,000
TOTAL	\$48,510,000

OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

The University of Texas at Dallas

Total Project
Cost

IN DESIGN

Founders/Founders Annex/Berkner Renovation

\$36,993,750

SUBTOTAL

\$36,993,750

IN CONSTRUCTION

McDermott Library Renovations - Phase II

\$3,000,000

Callier Center Satellite Facility

\$4,823,000

School of Management Building

\$38,000,000

SUBTOTAL

\$45,823,000

SUBSTANTIALLY COMPLETE

Campus Housing Phase VIII

\$14,000,000

Engineering and Computer Science Complex

\$30,000,000

SUBTOTAL

\$44,000,000

TOTAL \$126,816,750

OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

The University of Texas at El Paso

Total Project
Cost

IN DESIGN

Engineering/Science Complex	\$6,000,000
Academic Services Building	\$10,000,000
Biosciences Facility - Phase I	\$25,000,000

SUBTOTAL **\$41,000,000**

SUBSTANTIALLY COMPLETE

Larry K. Durham Sports Center	\$8,987,000
Miner Village	\$15,000,000

SUBTOTAL **\$23,987,000**

TOTAL **\$64,987,000**

OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

The University of Texas at Pan American

Total Project
Cost

Project Status and Title

IN DESIGN

Education Complex Addition and Renovation

\$22,000,000

SUBTOTAL

\$22,000,000

TOTAL

\$22,000,000

OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

The University of Texas of the Permian Basin

Total Project
Cost

Project Status and Title

IN DESIGN

Student Housing Phase II

\$4,800,000

SUBTOTAL

\$4,800,000

IN CONSTRUCTION

The Presidential Museum and Leadership Library

\$2,584,300

SUBTOTAL

\$2,584,300

TOTAL

\$7,384,300

OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

The University of Texas at San Antonio

Total Project
Cost

Project Status and Title

IN DESIGN

Student Housing Expansion \$19,000,000
Biotechnology, Sciences and Engineering Building \$64,700,000

SUBTOTAL \$83,700,000

IN CONSTRUCTION

Recreation/Wellness Center \$19,325,000
Downtown Campus Building - Phase III \$43,400,000
Academic Building - Phase III \$52,332,000

SUBTOTAL \$115,057,000

SUBSTANTIALLY COMPLETE

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

SUBTOTAL \$9,000,000

TOTAL \$207,757,000

OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

The University of Texas at Tyler

Total Project
Cost

Project Status and Title

IN DESIGN

Engineering, Sciences, and Technology Building -Phase I.

\$22,910,000

SUBTOTAL

\$22,910,000

IN CONSTRUCTION

David G. and Jacqueline M. Braithwaite Building

\$7,300,000

Patriot Center

\$19,300,000

SUBTOTAL

\$26,600,000

TOTAL

\$49,510,000

OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

The University of Texas Southwestern Medical Center at Dallas	Total Project Cost
Project Status and Title	
IN DESIGN	
Day Care Center	\$1,900,000
Central Pathology Lab	\$4,000,000
Hazardous Waste Handling Facility	\$4,800,000
Advanced Imaging Research and Diagnostic Center	\$30,000,000
	SUBTOTAL \$40,700,000
IN CONSTRUCTION	
The Bryan Williams, M.D. Student Center	\$10,920,000
North Campus Phase 4	\$255,000,000
	SUBTOTAL \$265,920,000
SUBSTANTIALLY COMPLETE	
Student Housing Project	\$10,500,000
	SUBTOTAL \$10,500,000
	TOTAL \$317,120,000

OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

The University of Texas Medical Branch at Galveston

Total Project
Cost

Project Status and Title

IN DESIGN

University Plaza Development

\$25,000,000

Research Facilities Expansion

\$48,000,000

SUBTOTAL

\$73,000,000

IN CONSTRUCTION

Utility Systems Upgrade

\$12,700,000

BSL - 4 Laboratory Facility & Keiller Building Research Support

\$18,500,000

SUBTOTAL

\$31,200,000

TOTAL \$104,200,000

OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

The University of Texas Health Science Center at Houston	Total Project Cost
Project Status and Title	
IN DESIGN	
Expansion of Student Housing	\$7,000,000
Mental Sciences Institute - Replacement Facility, Phase I	\$16,500,000
Research Expansion Project	\$120,000,000
	SUBTOTAL \$143,500,000
IN CONSTRUCTION	
Indoor Air Quality at the Medical School	\$16,200,000
Nursing & Biomedical Sciences Building / School of Nursing and Student Community Center	\$63,700,000
	SUBTOTAL \$79,900,000
SUBSTANTIALLY COMPLETE	
Brownsville Public Health Division of the RAHC	\$5,000,000
	SUBTOTAL \$5,000,000
	TOTAL \$228,400,000

OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

The University of Texas Health Science Center at San Antonio	Total Project Cost
Project Status and Title	
IN DESIGN	
Emergency, Fire & Life Safety Initiative, Phase I	\$9,000,000
Teaching/Learning Lab - Laredo	\$12,700,000
Student Services/Academic Administration Building	\$17,900,000
Sam and Ann Barshop Center for Longevity and Aging Studies	\$20,000,000
Medical Research Division of the of the Regional Academic Health Center	\$20,000,000
Teaching / Learning Lab RAHC Harlingen	\$25,500,000
	SUBTOTAL \$105,100,000
IN CONSTRUCTION	
D.D. Hachar Building (Laredo Campus Extension)	\$7,800,000
Childrens Cancer Research Center	\$49,500,000
	SUBTOTAL \$57,300,000
SUBSTANTIALLY COMPLETE	
Central Energy Plant & Conservation Retrofits	\$6,772,000
Harlingen Medical Education Division of the RAHC	\$25,000,000
	SUBTOTAL \$31,772,000
	TOTAL \$194,172,000

OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

The University of Texas M.D. Anderson Cancer Center

Total Project
Cost

IN DESIGN

HMB Replacement Facility

\$110,400,000

SUBTOTAL

\$110,400,000

IN CONSTRUCTION

HMB Parking Replacement Garage

\$21,600,000

South Campus Research Building

\$36,500,000

George and Cynthia Mitchell Basic Sciences Research Building

\$221,900,000

Ambulatory Clinical Building

\$347,000,000

SUBTOTAL

\$627,000,000

TOTAL \$737,400,000

OFPC - Active Projects

Board of Regents - Facilities Planning & Construction Committee

The University of Texas Health Center at Tyler

Total Project
Cost

IN DESIGN

Biomedical Research Wing Addition

\$11,513,250

SUBTOTAL

\$11,513,250

IN CONSTRUCTION

Electrical Distribution System Upgrade Phase III

\$2,370,000

Completion Third Floor Shell Space in the Ambulatory Care Center

\$3,627,000

SUBTOTAL

\$5,997,000

TOTAL

\$17,510,250

Office of Facilities Planning and Construction HUB Participation

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

Total OFPC Expenditures	Certified HUBS	Graduated HUBS	Non-Certified HUBS (4)	Adjusted HUBS (1)	HUB Non-Availability (2)	Non-HUB Companies
Building Construction \$275,454,460.04	\$27,000,916.27 9.80%	\$3,355,791.92 1.22%	\$31,090,322.41 11.29%	\$61,447,030.60 22.31%	\$3,188,832.00 1.16%	\$210,818,597.44 76.53%
Other Facilities (3) \$16,552,815.70	\$1,699,222.65 10.27%	\$396,973.00 2.40%	\$6,548,784.10 39.56%	\$8,644,979.75 52.23%	\$0.00 0.00%	\$7,907,835.95 47.77%
Commodities \$4,163,266.63	\$643,463.45 15.46%	\$0.00 0.00%	\$16,490.55 0.40%	\$659,954.00 15.85%	\$0.00 0.00%	\$3,503,312.63 84.15%
Other Services \$8,787,690.20	\$1,560,020.77 17.75%	\$252,826.82 2.88%	\$644,144.97 7.33%	\$2,456,992.56 27.96%	\$200,807.83 2.29%	\$6,129,889.81 69.76%
Professional Services \$32,795,390.01	\$3,206,181.61 9.78%	\$141,792.48 0.43%	\$220,383.63 0.67%	\$3,568,357.72 10.88%	\$714,123.16 2.18%	\$28,512,909.13 86.94%
Grand Totals: \$337,753,622.58	\$34,109,804.75 10.10%	\$4,147,384.22 1.23%	\$38,520,125.66 11.40%	\$76,777,314.63 22.73%	\$4,103,762.99 1.22%	\$256,872,544.96 76.05%

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

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

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

4. This number includes \$10.2M paid to Garza/Bomberger Architects on Design/Build Projects in San Antonio. This firm requested removal from the Texas Building and Procurement Certification List. Their HUB Subcontracting Plan originally reflected 100% HUB Participation and has now moved to Non-Certified HUB Status.



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

October 10, 2002

12:30 p.m.

Board Room, 9th Floor, Ashbel Smith Hall

-
- | | | | |
|-------|-------|--|------------------------------|
| 12:30 | 1. | Welcome and Opening Remarks | <i>Chairman Hunt</i> |
| | 2. | Agenda Topics for November Board of Regents' Meeting | |
| 12:35 | a. | Proposed Amendments to the Regents' <u>Rules</u>
Regarding: | |
| | i. | Meals and Lodging for Employees
[Action Item] (Tab 2a-i) | <i>Mr. Mike Godfrey</i> |
| | ii. | The Pay Plan [Action Item] (Tab 2a-ii) | <i>Ms. Florence Mayne</i> |
| | iii. | Delegation of Authority to Execute and
Deliver Contracts, Agreements, and
Documents [Action Item] (Tab 2a-iii) | <i>Ms. Florence Mayne</i> |
| | iv. | Purchase or License of Library Books
and Library Materials [Action Item]
(Tab 2a-iv) | <i>Ms. Florence Mayne</i> |
| | v. | Deferred Compensation [Action Item]
(Tab 2a-v) | <i>Mr. Kerry Kennedy</i> |
| | vi. | Retirement and Modified Service [Action
Item] (Tab 2a-vi) | <i>Ms. Francie Frederick</i> |
| | vii. | Nonresident Enrollment Limitations
[Action Item] (Tab 2a-vii) | <i>Dr. Mike Kerker</i> |
| | viii. | Outside Employment and Nonelective
Positions of Honor, Profit, or Trust
[Action Item] (Tab 2a-viii) | <i>Mr. Mike Godfrey</i> |
| 12:50 | b. | Proposed Revenue Financing System Bond
Transaction [Action Item] (Tab 2b) | <i>Mr. Philip Aldridge</i> |
| 1:00 | c. | Increase in Permanent University Fund Note
Program Authorization [Action Item] (Tab 2c) | <i>Mr. Philip Aldridge</i> |
| 1:05 | d. | UTIMCO Quarterly Report [Action Item] | <i>Mr. Bob Boldt</i> |
| 1:10 | e. | Annual Permanent University Fund Report
[Action Item] | <i>Mr. Bob Boldt</i> |
| 1:15 | f. | Approval of Investment Policies [Action Item] | <i>Mr. Bob Boldt</i> |
| 1:20 | g. | U. T. Arlington: Acquisition of Real Estate
[Action Item] (Tab 2g) | <i>Mr. Jim Wilson</i> |
| 1:25 | h. | U. T. Permian Basin: Acquisition of Leasehold
Interest [Action Item] (Tab 2h) | <i>Mr. Jim Wilson</i> |

1:30	i.	Approval of 2003 Audit Plan [<u>Action Item</u>] (Tab 2i)	<i>Mr. Charles Chaffin</i>
1:40	3.	Quarterly Permanent University Fund & Available University Fund Report (Tab 3)	<i>Mr. Philip Aldridge</i>
1:55	4.	Report on Implementation of Long Range Plan (Tab 4)	<i>Mr. Vance McMahan</i>
2:10	5.	UT TeleCampus Funding	<i>Dr. Ed Sharpe Dr. Darcy Hardy</i>
2:25	6.	Cash and Non-Cash Compensation (Tab 6)	<i>Mr. Kerry Kennedy Mr. Randy Wallace</i>
2:40	7.	Depreciation and Replacement Costs (Tab 7)	<i>Mr. Randy Wallace Mr. Sid Sanders</i>
2:50	8.	Energy Utility Task Force Update (Tab 8)	<i>Mr. Philip Aldridge</i>
3:05	9.	Background Report of Key Performance Measures Adopted by the Legislative Budget Board and Governor's Office of Budget and Planning (Tab 9)	<i>Mr. Randy Wallace Dr. Mike Kerker</i>
3:15	10.	Property Insurance Program Update	<i>Mr. Paul Pousson</i>
3:25	11.	Annual Historically Underutilized Business Report	<i>Mr. Lewis Wright</i>
3:26	14.	Adjourn	

Proposed Amendments to the Regents' Rules Regarding Meals and Lodging for Employees

BACKGROUND INFORMATION

The proposed deletion of outdated and unneeded language in Section 6, Chapter X, Part Two of the Regents' Rules and Regulations is the result of ongoing review of the Rules. The language was included in the Regents' Rules and Regulations prior to 1960 and approval of the value of meals, lodging, and other services "in lieu of additional wages or salary" by the Board of Regents is no longer practical or desirable. These valuation matters are handled pursuant to advice of tax counsel, following established federal laws and regulations.

RECOMMENDATION

[Sec. 6. Value of Services in Lieu of Compensation

~~The money values of meals, lodging, and other services that employees are authorized to receive in lieu of additional wages or salary are recommended to the president of the component institution by the chief business officer and approve by the appropriate Executive Vice Chancellor, the Chancellor, and the Board.]~~

Proposed Amendment to Regents' Rules and Regulations Regarding The Pay Plan

BACKGROUND INFORMATION

Proposed amendment of the Regents' Rules and Regulations, Part Two, Chapter V, Section 1, Subsection 1.2, Subdivision 1.22, Subparagraph 1.224 delegates to the Chancellor the authority to approve the annual System-wide pay plan. The previous process was to submit a summary of the pay plan for approval by the Board via the Docket each August.

The annual System-wide pay plan is a compilation of component institution pay plans and any additions, deletions, and changes that have been approved during the course of a fiscal year by the System Office of Human Resources or the Chancellor, in accordance with the Regents' Rules and Regulations. The process of approving changes to the System-wide pay plan is routine in nature and occurs throughout the fiscal year as needs occur at the component institutions. Pay plan changes are planned and reviewed carefully at the component level, reviewed by System Administration officials throughout the year, and implemented by the components after approval by the System Office of Human Resources or the Chancellor.

RECOMMENDATION

- 1.224 The System-wide Personnel Pay Plan shall be approved annually by the Chancellor [~~Board~~]. Subsequent changes to a component institution pay plan in a given fiscal year shall be processed as follows:
- (a) The System Office of Human Resources shall process requested amendments to a component institution pay plan based on the impact of the change upon the System-wide Personnel Pay Plan.
 - (b) The System Office of Human Resources is authorized to approve the following proposed changes to a component institution pay plan:
 - (1) The adjustment of a salary range within the established System-wide salary range, if the change will not change the System-wide Personnel Pay Plan.
 - (2) Deletion of a title.
 - (3) Change of a title.
 - (4) Change of a code number.
 - (5) Addition of a title that is in the System-wide Personnel Pay Plan if the salary range requested is within the established System-wide salary range.

- (c) The following proposed changes to a component institution pay plan require the approval of the System Office of Human Resources and the Chancellor or his or her delegate:
 - (1) The addition of a new title that is not included in the System-wide Personnel Pay Plan.
 - (2) The addition of a title that is included in the System-wide Personnel Pay Plan at a salary range not within the established System-wide Personnel Pay Plan range for the title.
 - (3) The adjustment of a salary range that would change the established System-wide range by setting a new System-wide minimum or maximum salary.
- (d) The System Office of Human Resources shall notify a component institution of the approval or disapproval of a requested pay plan change as soon as practicable. No requested change may be implemented until authorized in writing.

**Proposed Amendments to the Regents' Rules Regarding
Delegation of Authority to Execute and Deliver
Contracts, Agreements, and Documents**

BACKGROUND INFORMATION

The proposed amended of the Regents' Rules and Regulations, Part One, Chapter 1, Section 9, Subsection 9.2, Subdivision 9.25 will allow a delegate identified in an approved Regental policy and other Board action to make further limited delegation of authority as authorized by the Subdivision.

RECOMMENDATION

9.2 Delegation of Authority to Execute and Deliver Contracts, Agreements, and Documents

...

9.25 The primary delegate identified in these Rules and Regulations or in an official Board action may further delegate his or her delegated authority unless otherwise specified. Any such further delegation of authority must be made in writing and the primary delegate shall permanently maintain, or cause to be maintained, evidence of all such delegations. A delegate of the primary delegate may not further delegate such authority.

Proposed Amendment to the Regents' Rules Regarding Purchase or License of Library Books and Library Materials

BACKGROUND INFORMATION

Part One, Chapter I, Section 9, Subsection 9.2, Subdivision 9.22 of the Regents' Rules and Regulations limits an authorized delegate's authority to sign contracts on behalf of the U. T. Board of Regents to contracts with a value of \$1 million or less, except in the case of certain enumerated types of contracts.

Although a contract for the acquisition of library books and library materials does not clearly fall within one of the exceptions allowing delegated approval, such purchases are critical to the mission of the U. T. institutions, and often a particular journal, book, or other library material is available from only one source.

The libraries of the U. T. System institutions have collaborated in acquiring materials for the U. T. Digital Library since 1994. Because of the System-wide nature of many of the contracts for library books and materials for the U. T. Digital Library, some of the contracts exceed the \$1 million threshold. In addition, at some component institutions, purchasing agreements for routinely acquiring printed books and journals are approaching the limitation on delegated authority.

The proposed exception to the \$1 million limitation on contract delegation is recommended because the library materials provided by these contracts are essential to the academic and research missions of U. T. System institutions and because of the routine nature of the contracts.

RECOMMENDATION

9.22 All contracts or agreements, including purchase orders and vouchers, with a cost or monetary value to the U. T. System Administration or the component institution of more than \$1 million must be approved by the Executive Committee of the Board or approved by the Board via the Docket or the Agenda except the following, which do not require prior approval by the Executive Committee of the Board or the Board regardless of the contract amount:

...

9.22(10) Contracts or agreements for the purchase or license of library books and library materials.

Proposed Amendments to the Regents' Rule and Regulations Regarding Deferred Compensation

BACKGROUND INFORMATION

In 1996, a Deferred Compensation Plan was established as allowed by Internal Revenue Code Section 457(f) to benefit certain senior administrators selected by the Board to participate in the Plan. The initial Plan was drafted by tax counsel in the Office of General Counsel and approved by the Executive Vice Chancellor for Business Affairs to effect the Board's actions. Recent review of the Plan indicates the need for minor amendments which will require the signature of an official "recordkeeper". The proposed addition to the Regents' Rules will incorporate this benefit into the section describing similar benefits and delegate, for the record, the recordkeeping responsibility for the Plan to the Executive Vice Chancellor for Business Affairs. The Counsel and Secretary to the Board will continue to work closely with the Executive Vice Chancellor for Business Affairs to assure that the Board's actions with respect to individual compensation are implemented in a timely fashion.

RECOMMENDATION

Sec. 9. Deferred Compensation Plan

As authorized by Texas Government Code Chapter 609, any employee may participate in the Deferred Compensation Plan administered by the Employees Retirement System and established pursuant to Section 457(b) of the Internal Revenue Code of 1986, as amended.

Further, as authorized by Texas Revised Civil Statutes Annotated Article 6228a-5, Section 3(a), the Board has established a plan pursuant to Section 457(f) of the Internal Revenue Code of 1986, as amended, for the benefit of a select group of employees. Only employees designated by the Board as eligible employees may participate in the plan.

The Board delegates to the Executive Vice Chancellor for Business Affairs the power and authority to take all action and to make all decisions and interpretations that may be necessary or appropriate to administer and operate The University of Texas System Deferred Compensation Plan (the "Plan"), as further provided in the Plan. The Executive Vice Chancellor for Business Affairs will perform, or cause to be performed, such recordkeeping functions as necessary to administer and maintain the Plan in accordance with Section 457(f) of the Internal Revenue Code, consistent with Texas Revised Civil Statutes Annotated Article 6228a-5.

Proposed Amendments to the Regents' Rules and Regulations Regarding Retirement and Modified Service

BACKGROUND INFORMATION

The proposed amendments to the Regents' Rules and Regulations, Part One, Chapter III, Section 33, Subsection 33.2, delegate authority for U. T. System and institutional appointments to modified service to the Chancellor or institutional presidents, as appropriate, and remove the requirement for additional approvals by U. T. System officials and the U. T. Board of Regents.

The proposed amendment to Subsection 33.3 tracks State law which requires a finding of "best interest" regarding contracts with all higher education administrators.

Amendments to Subsection 33.4 are proposed to conform to State laws which speak only to the conditions for rehiring or appointment of Teacher Retirement System participants.

The deletion of current Subsections 33.5 and 33.6 is proposed as these provisions simply restate the need to comply with policy and the ability of the Board to make exceptions to policy.

RECOMMENDATION

Sec. 33. Retirement and Modified Service

...

33.2 Appointment of Retired Person

The [~~Board of Regents, upon the recommendation of the appropriate Executive Vice]~~ Chancellor or [~~Chancellor and, when appropriate,~~] the president, as appropriate, [~~of the affected component institution,~~] may appoint a person who has retired to modified service. Retirement is defined as withdrawal from employment with the U. T. [~~The University of Texas]~~ System or a component institution with a retirement benefit.

- 33.3 Finding of Best Interest Required ~~[Benefit to the System Recommendation for, and appointment to,]~~ Appointment to modified service shall be made only if the Chancellor or president finds the service of the individual is in the best interest of ~~[will result in a significant benefit to]~~ the System or a particular component institution.
- 33.4 Terms of Appointment to Modified Service
Appointment to modified service shall be without tenure, and for not more than one academic year ~~[and shall not exceed one-half time]~~. Appointments for Teacher Retirement System participants will be made in compliance with applicable law. The notice provisions of Subsection 6.7 of this Chapter shall not apply to nonrenewal of such appointments. If the System or a component institution determines that it is to the benefit of the System or the institution, it may offer reappointment to modified service.
- ~~[33.5 Duties, Workload, and Compensation
The duties, workload, salary rate, or compensation of an individual on modified service shall be in accordance with policies and procedures of The University of Texas System or the component institution.~~
- ~~33.6 Exceptions
Upon recommendation of the appropriate Executive Vice Chancellor, the Chancellor and, when appropriate, the president of the affected component institution, the Board of Regents may, by unanimous vote of the members present, make exceptions to this Section in special cases when the Board finds that the services of a particular individual will be of unique benefit to the System or a component institution.]~~

Proposed Repeal of Regents' Rules Regarding Admission of Nonresident Students

BACKGROUND INFORMATION

The current Regents' Rules limitation on nonresident enrollment is not a complete statement of applicable State law and, as worded, has greater application than State law. State law applies only to medical and dental schools (10% cap) and law schools (20% limitation for the School of Law at U. T. Austin) and also makes specific exceptions for degree programs not exempted in the Regents' Rules: an M.D./Ph.D. program at U. T. Southwestern Medical Center – Dallas and 6-year programs in oral and maxillofacial surgery.

The suggested change will conform the Regents' Rules to State law. The Offices of Academic Affairs and Health Affairs indicate the proposed repeal will have a very minimal impact on current enrollment practices.

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Acting Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part One, Chapter VI, Section 9 as set forth below be repealed and that remaining sections be renumbered:

Sec. 9. Admission of Nonresident Students

No nonresident of the State of Texas shall be enrolled as a new or transfer student in any school, college, or degree-granting program at any component institution of the System when all of the three following conditions occur: (1) when there is a limitation on the number of students who will be enrolled in the class of which such nonresident would be a member if he or she were enrolled; (2) when the result of enrolling such nonresident would be to increase to greater than 10% the percentage of nonresidents enrolled in the class of which such nonresident would be a member if he or she were enrolled; and (3) when at the time of the proposed enrollment of such nonresident, admission to the school, college, or degree-granting program is being denied to one or more Texas residents who have applied for admission and who reasonably demonstrate that they are probably capable of doing the quality of work that is necessary to obtain the usual degree awarded by the school, college, or degree-granting program. It is provided, however, that the nonresident enrollment at the School of Law, The University of Texas at Austin, may be equal to 20% of each class of which nonresidents are a part provided that the admission of such nonresidents is on the basis of academic merit alone.

**Proposed Amendments to the Regents' Rules
Regarding Outside Employment and Nonelective Positions
of Honor, Profit, or Trust**

BACKGROUND INFORMATION

The proposed amendment of the Regents' Rules and Regulations, Part One, Chapter III, Section 13 to add new Subsection 13.(10), regarding service on outside boards, outlines the requirement of approval for service pursuant to a policy to be promulgated by the Chancellor and provided to the U. T. Board of Regents.

RECOMMENDATION

Sec. 13. Outside Employment, Service on Outside Boards, and Nonelective Positions of Honor, Profit, or Trust

...

13.(10) Service on Outside Boards

It is recognized that the Chancellor and other Executive Officers of the System and the Presidents of component institutions may be asked to serve on the boards, councils or other governing or advisory bodies ("outside boards") of various business, civic, professional, and social organizations, both for profit and not-for-profit, and in compensated and non-compensated positions. Such service is generally deemed to be in the best interest of the System and the component institutions because it broadens the experience of the individuals involved and exposes the System and its component institutions to a larger audience of business, civic, professional, and social leaders.

To avoid conflicts of interest and to ensure that outside service does not distract from employment duties and obligations, the Chancellor shall promulgate a policy concerning approval of service on outside boards. The Chancellor shall provide a copy of the policy to the Board and shall notify the Board of any significant changes to the policy. Requests for approval of service on outside boards by the Chancellor or the Counsel and Secretary to the Board shall be made to the Chairman.

The University of Texas System Office of Finance



Revenue Financing System Series 2003 A&B

Finance and Planning Committee

October 10, 2002

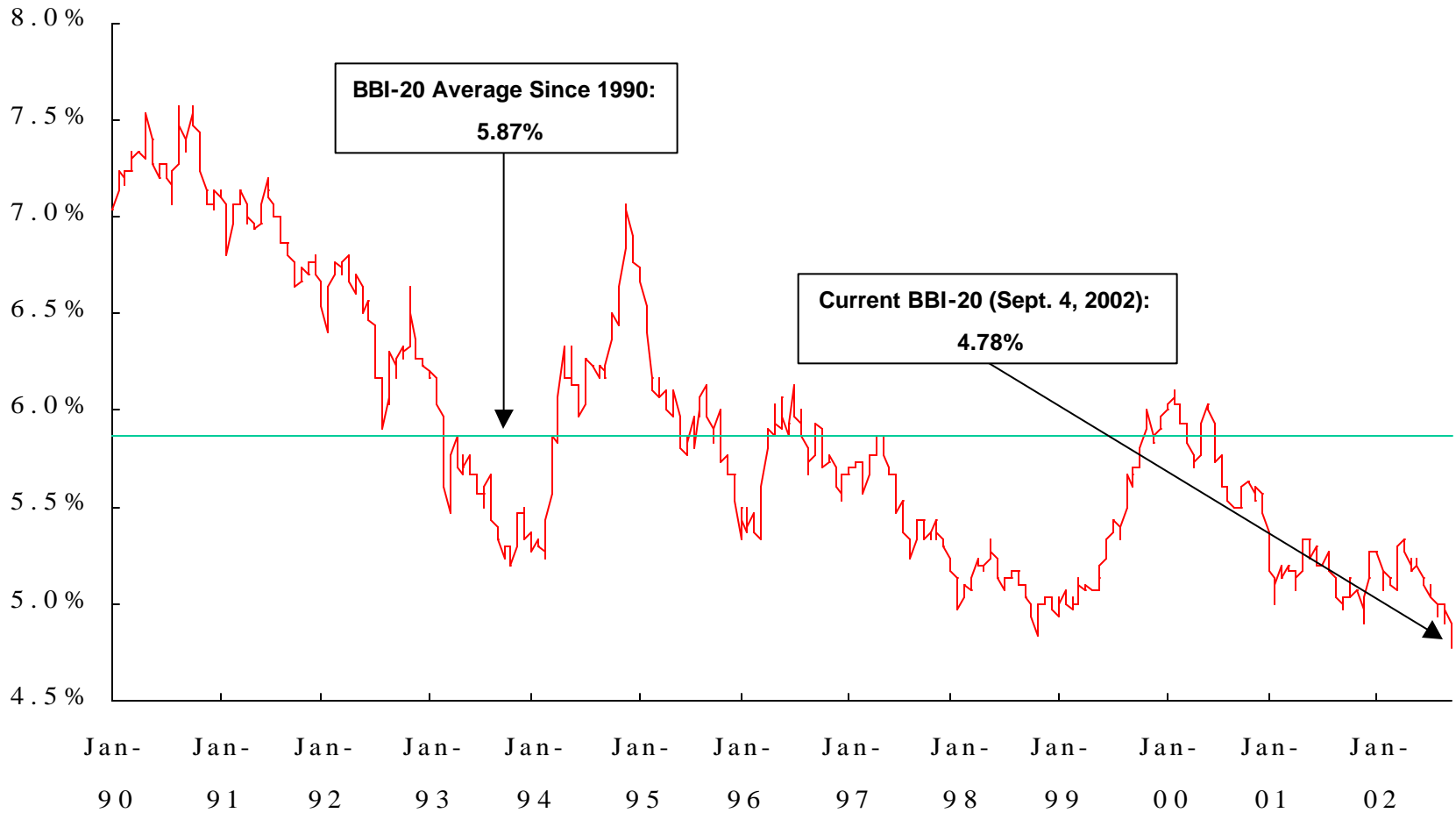
Transaction Summary

- The Office of Finance will be requesting Board of Regents approval in November to issue up to \$575 million of Revenue Financing System (RFS) debt.
 - To be issued in fiscal year 2003
 - Fixed-rate transaction with a maximum 30-year term
 - Interest rates are near all-time lows

- The purpose is to permanently finance approximately \$250 million of existing commercial paper, to permanently finance up to \$275 million of new projects, and to advance refund up to \$50 million of existing RFS Series, 1995A bonds (assuming 3% minimum present value savings).

- All projects to be financed must first receive requisite approvals from the Board of Regents and the Texas Higher Education Coordinating Board. The bonds must receive approval from the Attorney General's office and the Texas Bond Review Board.

Tax-Exempt Rates Since 1990



The University of Texas System Office of Finance



Request to Increase the Size of the PUF Flexible Rate Note Program

Finance and Planning Committee

October 10, 2002

Request and Background

- The Office of Finance is requesting approval to increase the authorized size of the PUF Flexible Rate Note (FRN) program to \$400 million.
- Similar to the RFS commercial paper program, the FRN program is used to provide low-cost financing for certain equipment purchases and interim financing for debt-funded capital projects.
- The FRN program was initiated in 1985 with a program authorization of \$100 million. The program was expanded to \$250 million in 1989.

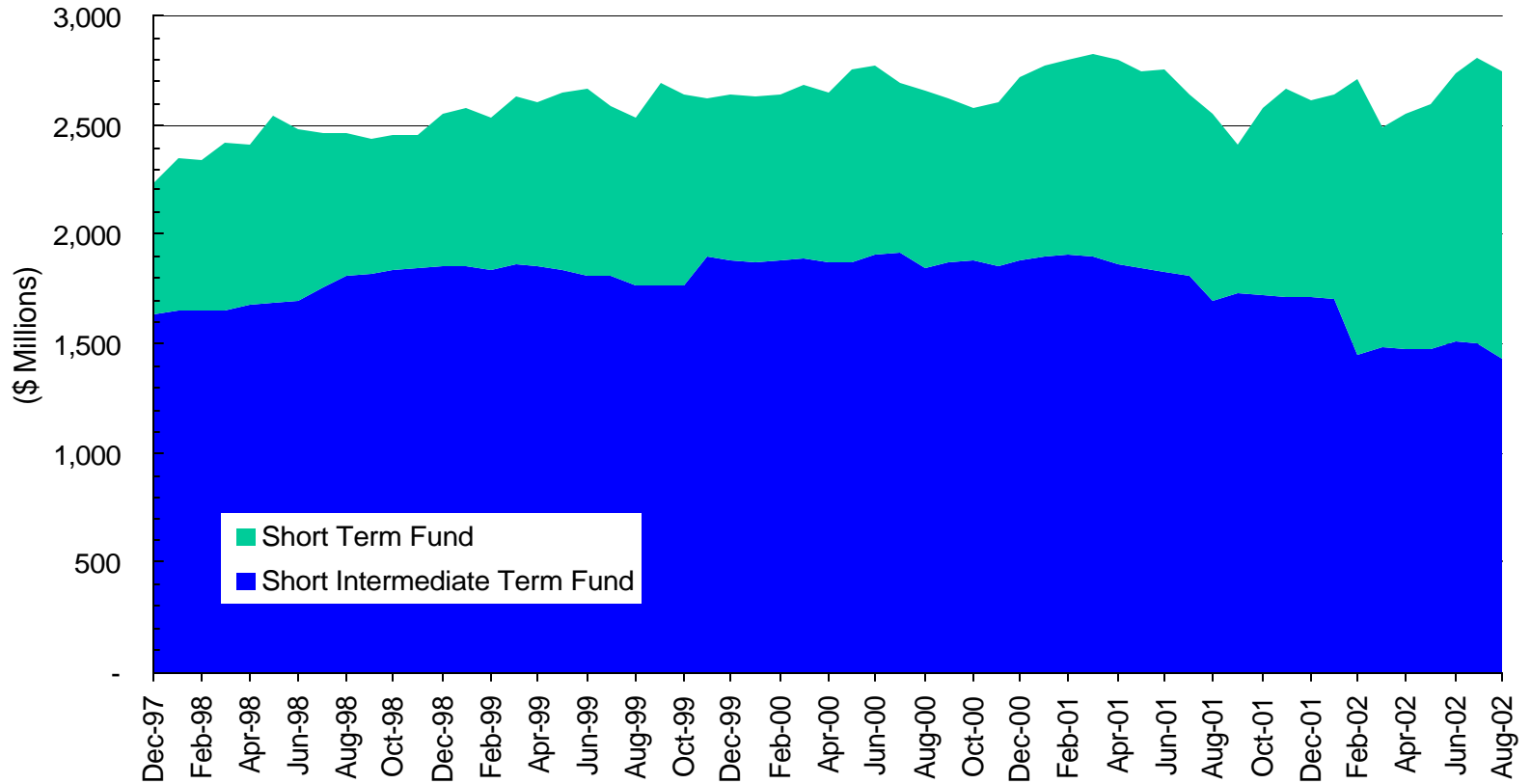
Rationale

- Greater use of the FRN program should reduce the PUF's cost of capital and provide greater flexibility to respond to changes in PUF assumptions.
- The authorized size of the FRN program has not been increased since 1989, while the CIP has grown dramatically.

Liquidity Status

- The credit rating agencies require that all short term debt issuers have access to liquidity to purchase the notes in the unlikely event that the notes cannot be remarketed to investors.
- The U.T. System currently has a liquidity agreement with Bank One for the FRN program that requires an annual fee of \$195,000. This agreement expires in May 2003.
- Today's bank liquidity market would require a fee of approximately 10 b.p., or \$400,000 per annum, assuming a \$400 million program authorization.
- In lieu of external liquidity, the Office of Finance has arranged for the Short Term Fund and the PUF to provide liquidity for the FRN program.
- Additional liquidity support is available through the Short Intermediate Term Fund.

Monthly Fund Balances



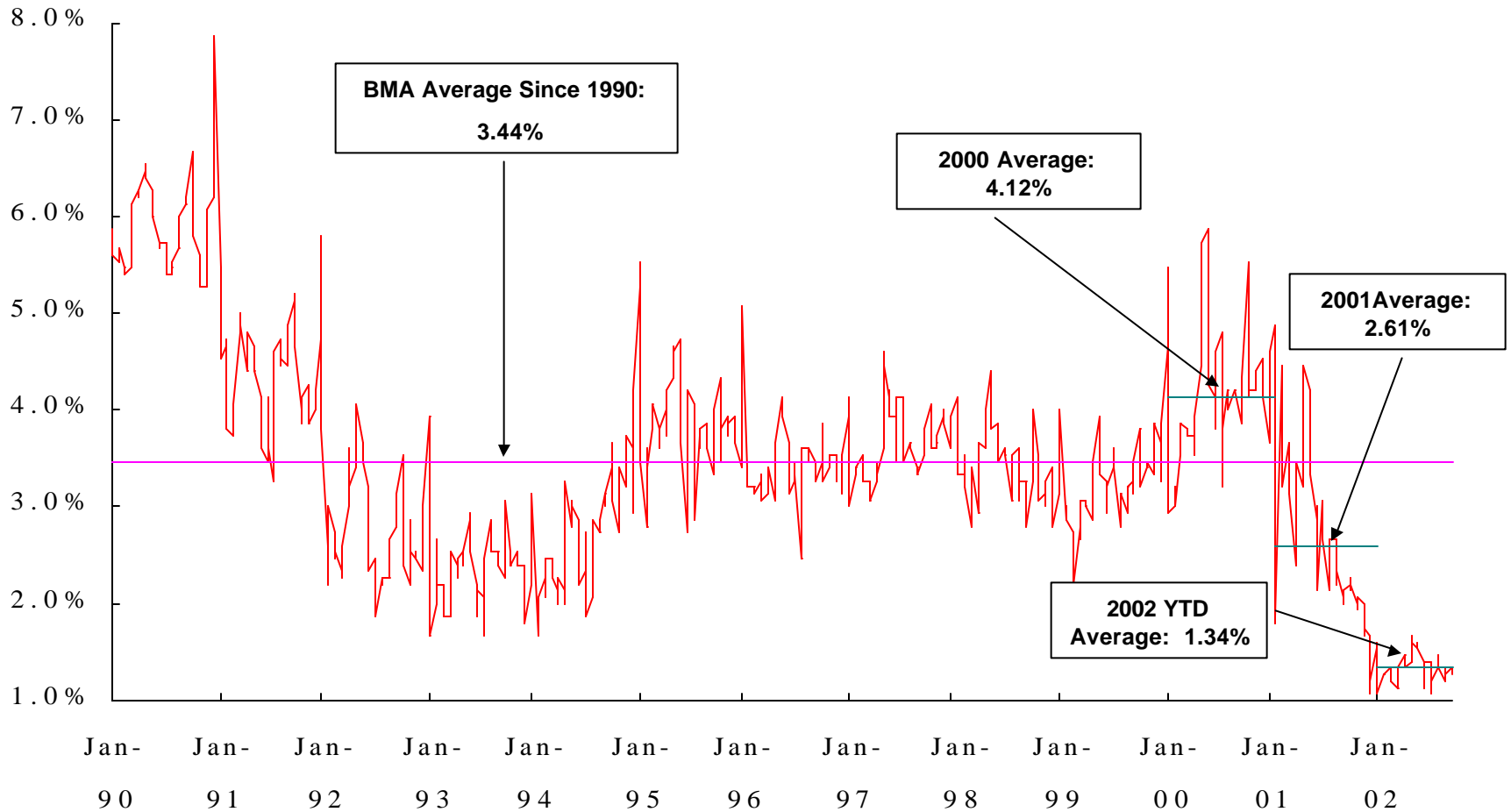
Risk Mitigation

- The maximum amount of PUF notes that can mature on any given day will be limited to \$40 million.
- The daily maximum coverage is 32.65 times (\$1.306 billion in the Short Term Fund divided by \$40 million daily limit).
- In reality, the coverage is much higher with the assets of the PUF and the Short Intermediate Term Fund standing behind the Short Term Fund. This provides almost \$10 billion of potential liquidity.
- Since the origination of the program in 1985, PUF notes have never failed to be remarketed.

Benefits of the FRN Program

- The PUF FRN program provides efficient access to the short-term tax-exempt debt market resulting in low-cost financing.
- By providing internal liquidity, the System saves approximately \$400,000 per annum versus obtaining external liquidity. The System also avoids other costs of renewing liquidity lines, principally legal fees, rating agency fees and internal costs.
- The PUF receives a market-based commitment fee that enhances the overall return of the fund.

Short Term Tax-Exempt Rates Since 1990



U. T. Arlington: Acquisition of Real Estate

BACKGROUND INFORMATION

U. T. Arlington wishes to acquire the College Oaks Apartments property, which consists of an approximately 1.03-acre site and a 47-unit apartment complex. The subject apartment complex was built in phases between 1961 and 1967. The property exists in a strategic location within the approved master plan acquisition zone for the U. T. Arlington campus, and is needed to complete an assemblage of property for expansion of existing on-campus student housing. After acquisition, the improvements will be demolished in order to construct a parking lot for a new residence hall.

RECOMMENDATION

- a. Determine that it is necessary for U. T. Arlington to acquire, through condemnation proceedings, if necessary, the real property located at 851, 901, and 905 Oak Street in Arlington, Tarrant County, Texas, at a price not exceeding its fair market value as determined by an MAI appraisal or by the determination of the court
- b. Authorize the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to take all steps necessary to acquire the subject leasehold interest; to execute all documents, instruments, and other agreements; to initiate a condemnation action of the subject leasehold interest, if necessary, through the Office of General Counsel and the Office of the Attorney General; and to take all such actions deemed necessary or desirable to carry out the purpose and intent of the foregoing recommendations.

U.T. Permian Basin: Acquisition of Leasehold Interest

BACKGROUND INFORMATION

The Falcon's Nest Apartments were constructed by the Odessa Housing Authority under a long-term ground lease to provide student housing on the U. T. Permian Basin campus. U. T. Permian Basin currently leases the apartments from the Odessa Housing Authority. The lease requires that U. T. Permian Basin cannot acquire additional student housing on campus unless it purchases the Housing Authority's leasehold interest. U.T. Permian Basin is requesting authority to purchase the apartments to expand and gain complete control to all student housing on campus.

The debt will be repaid with net revenues from U. T. Permian Basin's housing operation revenues. The annual debt service is projected to be \$467,877. The debt service coverage for the Falcon's Nest Apartments is expected to be at least 1.3 times. The overall debt service coverage for U. T. Permian Basin is expected to be at least 1.04 times.

RECOMMENDATION

- a. Acquire the Falcon's Nest Apartments located at 4901 E. University, Odessa, Texas, from the Odessa Housing Authority
- b. Submit a request to the Texas Higher Education Coordinating Board for approval of this transaction
- c. Appropriate funds and authorize expenditure of up to \$1,000,000 from Revenue Financing System Bond Proceeds
- d. Authorize the Executive Vice Chancellor for Business Affairs, the Executive Director of Real Estate, or the Assistance Vice Chancellor for Finance to execute all documents, instruments, and other agreements and to take all further actions deemed necessary or desirable to carry out the purpose and intent of the foregoing recommendations.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost including any project costs prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U.T. Permian Basin, which is a "Member" of such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U.T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of up to \$1,000,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

Approval of 2003 Audit Plan

Executive Summary

The University of Texas System-wide fiscal year 2003 Audit Plan (“2003 Audit Plan”) is a blueprint of the internal audit activities that will be performed by the internal audit function throughout The University of Texas System in FY 2003. Individual audit plans were prepared at each component and approved by the component Internal Audit Committee.

The Director of Audits provided direction to the internal audit directors prior to the preparation of the audit plans and provided formal feedback through conducting “audit hearings” with each component. The process of preparing the audit plans included identifying those areas considered to be specific to each component that are considered to be the most important and ensuring that activities with the greatest risk are audited.

The efforts of the internal audit function continue to expand into areas other than the performance of traditional audits. Examples of added services include consulting services and management audits in the institutions’ core business processes.

The *2003 Audit Plan* illustrates an economic and efficient use of internal audit resources, and addresses the risks of The University of Texas System by planning activities as follows:

Area	Audit Hours	% Of Total Hours
Key Financial and Operating Information	24,252	18%
Institutional Compliance Audits	18,044	13%
Information Technology Audits	20,640	15%
Core Business Processes	35,992	28%
Change in Management	6,985	5%
Follow-up	5,788	4%
Projects	23,494	17%
Total	135,195	100%

	Key Financial & Operating Information	Institutional Compliance	Information Technology	Core Business Processes	Change in Management	Follow-up	Projects	Total
U. T. System Administration	2,010	1,080	2,430	4,805	390	440	2,715	13,870
Large Components:								
U. T. Austin	2,650	1,550	2,250	5,070	1,705	400	2,310	15,935
U. T. Southwestern	1,630	1,750	1,600	3,590	1,000	400	2,500	12,470
U. T. Medical Branch at Galveston	2,990	975	2,600	3,350	825	800	3,219	14,759
U. T. HSC - Houston	1,345	1,590	2,365	2,445	285	65	2,930	11,025
U. T. HSC - San Antonio	1,500	580	1,130	1,980	560	300	1,060	7,110
U. T. MDA Cancer Center	3,160	1,750	2,270	5,080	120	600	2,694	15,674
Subtotal	13,275	8,195	12,215	21,515	4,495	2,565	14,713	76,973
Mid-size Components:								
U. T. Arlington	855	1,580	600	1,730	120	550	645	6,080
U. T. Brownsville	700	820	900	710	150	460	842	4,582
U. T. Dallas	980	1,210	1,130	1,130	360	190	540	5,540
U. T. El Paso	3,050	1,190	1,550	2,700	1,175	755	1,452	11,872
U. T. Pan American	870	1,430	825	980	75	400	860	5,440
U. T. San Antonio	695	1,754	1,330	1,987	0	200	690	6,656
Subtotal	7,150	7,984	6,335	9,237	1,880	2,555	5,029	40,170
Small Components:								
U. T. Permian Basin	325	165	100	100	50	0	65	805
U. T. Tyler	240	220	300	200	140	128	292	1,520
U. T. HC at Tyler	1,252	400	990	840	30	100	680	4,292
Subtotal	1,817	785	1,390	1,140	220	228	1,037	6,617
Consolidation of IT and Core Bus. Hours *			(1,730)	(705)				(2,435)
TOTAL	24,252	18,044	20,640	35,992	6,985	5,788	23,494	135,195
Percentage of Total	18%	13%	15%	28%	5%	4%	17%	100%

*1,730 hours represents the amount of hours that System Administration budgeted to assist the components in specific information technology audits or consulting projects. The components also included this number of hours in their 2003 audit plan; therefore, the amount is taken out in the consolidation. 705 hours represents the amount of hours that System Administration budgeted in the core business processes area to provide the internal audit function to U. T. Permian Basin. U. T. Permian Basin also budgeted this number of hours in their 2003 audit plan.

Prepared by System Audit Office, 9/02

The University of Texas System Office of Finance



Quarterly Permanent University Fund Update

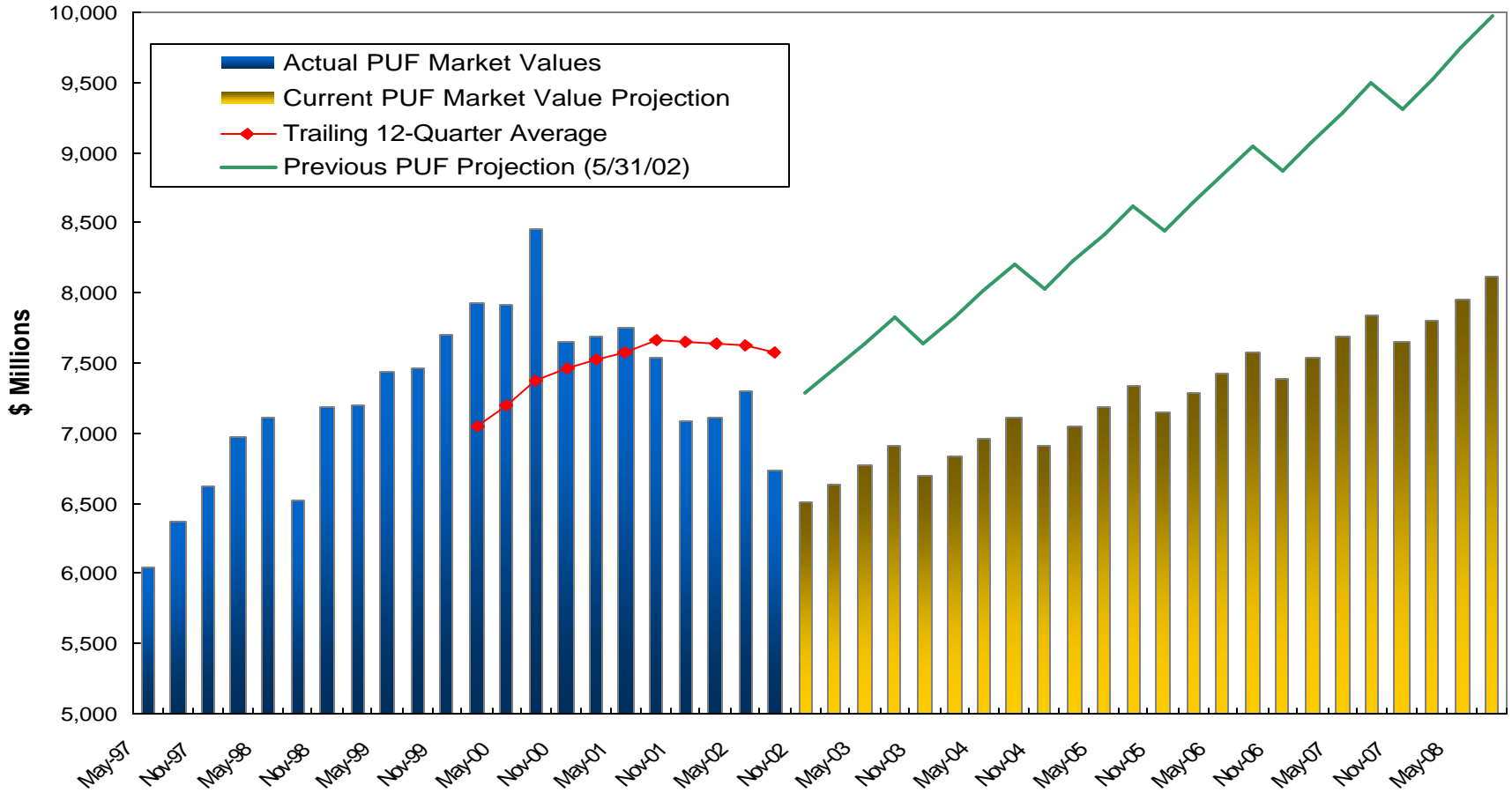
Finance and Planning Committee

October 10, 2002

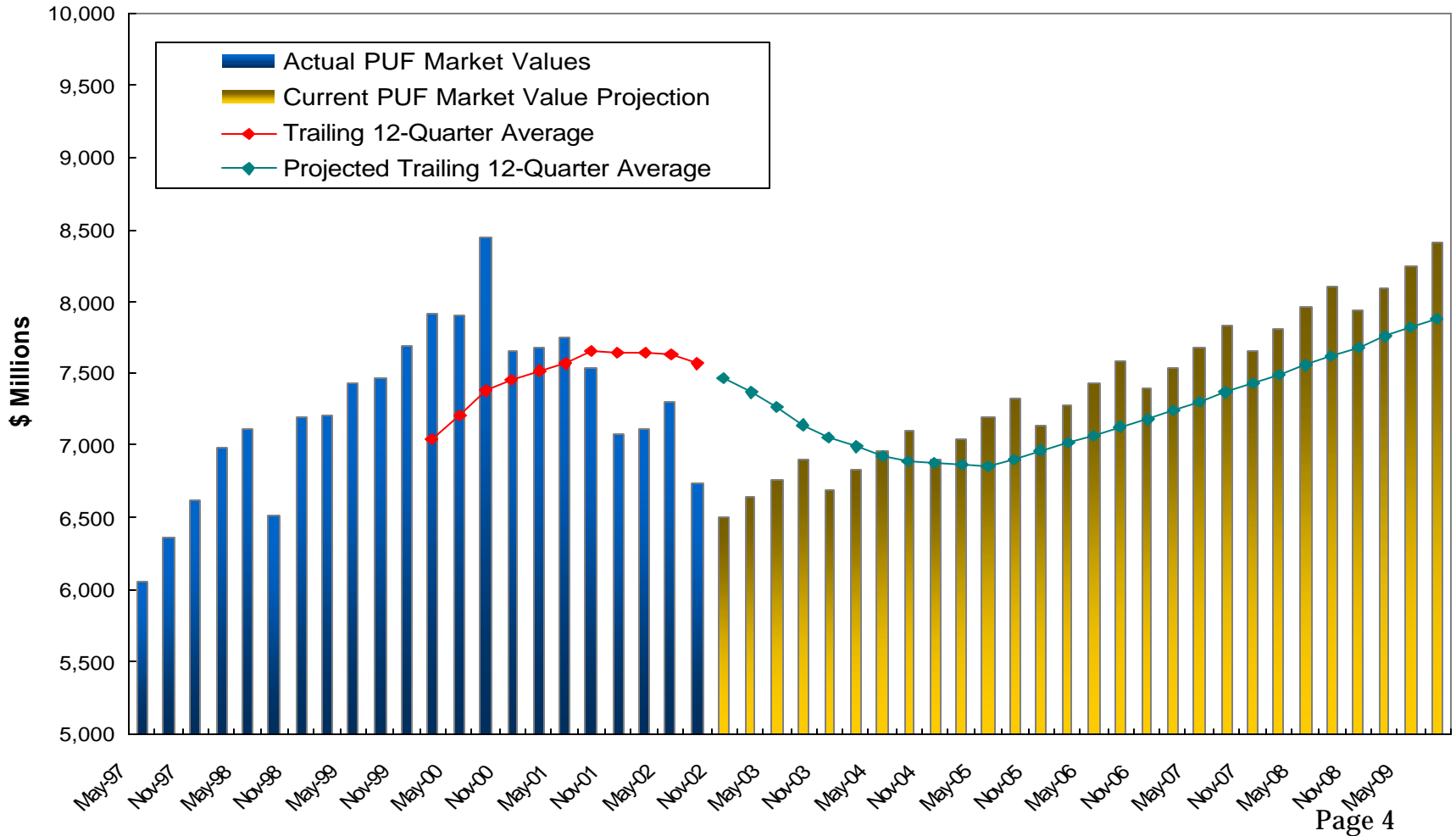
Executive Summary

- As of August 31, 2002, the market value of the PUF was \$6.7 billion, down from \$7.3 billion on May 31, 2002.
- On September 3, 2002, \$363.0 million was distributed to the AUF, representing 5.4% of the August 31st PUF market value.
- Based on a revised asset allocation approved by the UTIMCO Board on September 18, 2002, the expected average annual rate of return of the PUF is 7.40% through August 31, 2009. This compares to 9.35% previously projected.
- There is no PUF debt capacity based on the current assumptions. PUF distributions are projected to decline through FY 2006 and to be capped until FY 2014 because the purchasing power of the PUF will not have been maintained, as required by the Texas Constitution.

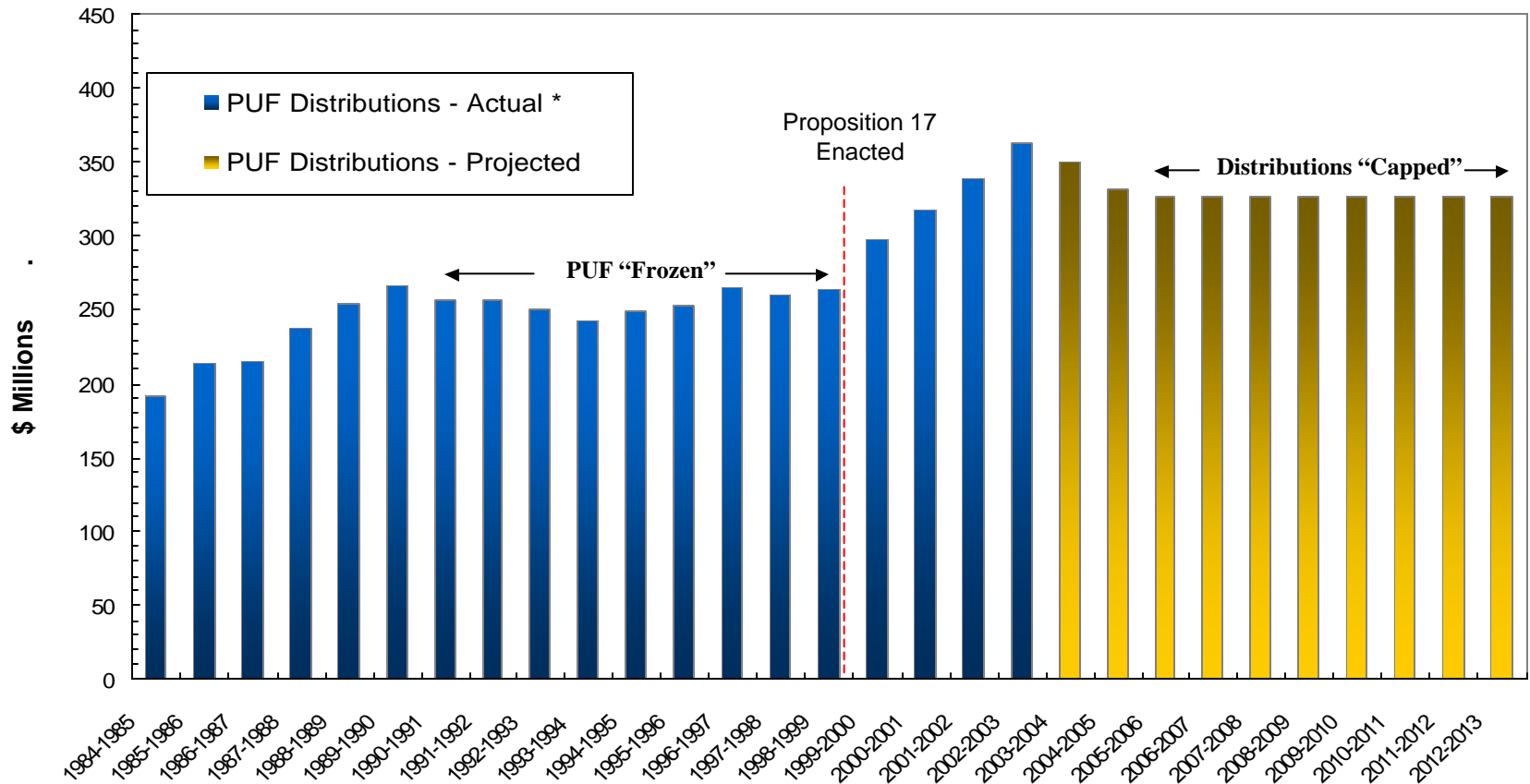
PUF Market Value Through August 31, 2002



PUF Market Value Through August 31, 2002



Permanent University Fund Distributions



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

PUF Debt Capacity Base Case Assumptions

- PUF Distribution equals 4.75% of the average PUF net asset value for the trailing 12 quarters, unless restricted by Constitutional purchasing power requirements.
- U.T. Austin Excellence Funds equal 45% of the income available to U.T. System.
- Includes all PUF projects approved through August 2002.
- Forecasted PUF distribution amounts provided by UTIMCO based on long-term expected average annual rate of return of 7.40% through August 31, 2009, starting from the PUF market value as of August 31, 2002. After August 31, 2009, the average annual rate of return is projected at 9.36%.
- Annual LERR appropriations of \$30 million are projected to continue from FY 2004 through FY 2009.
- New PUF debt service structured as 20-year, tax-exempt debt with level debt service.

PUF Debt Capacity-Base Case

Additional PUF Debt Capacity (\$0 Million)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cumulative Additional PUF Debt Capacity	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Available University Fund Operating Statement Forecast Data (\$ Millions)	Estimated	Projected						
	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
PUF Distribution Amount	\$338.43	\$363.02	\$349.80	\$332.00	\$326.24	\$326.24	\$326.24	\$326.24
Surface & Other Income	8.1	7.4	7.4	7.5	7.5	7.6	7.6	7.6
Divisible Income	346.5	370.4	357.2	339.5	333.7	333.8	333.8	333.9
UT System Share (2/3)	231.0	246.9	238.1	226.3	222.5	222.5	222.6	222.6
AUF Interest Income	8.1	6.1	6.3	7.9	8.7	9.1	8.9	8.0
Income Available to U.T.	239.1	253.1	244.4	234.3	231.2	231.6	231.4	230.6
TRANSFERS:								
UT Austin Excellence Funds (45%)	(107.2)	(114.8)	(110.0)	(105.4)	(104.1)	(104.2)	(104.1)	(103.8)
PUF Debt Service on Approved Projects	(67.2)	(75.5)	(99.2)	(102.0)	(105.1)	(108.3)	(111.4)	(114.3)
PUF Cash Defeasance/CPPP Insurance Funding	(59.0)	-	-	-	-	-	-	-
PUF Debt Service on Add. Debt Capacity	-	-	-	-	-	-	-	-
System Administration	(26.2)	(29.6)	(31.1)	(32.8)	(34.5)	(36.2)	(38.1)	(40.0)
Other	(2.5)	(4.5)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Debt Service (Bldg Rev)	(3.4)	(3.4)	(3.4)	-	-	-	-	-
Net Surplus/(Deficit)	(26.4)	25.3	(0.4)	(7.0)	(13.4)	(18.2)	(23.2)	(28.6)
Ending AUF Balance - System	49.8	75.0	74.7	67.7	54.2	36.1	12.8	(15.8)
PUF Debt Service Coverage	3.14:1	3.35:1	2.46:1	2.30:1	2.20:1	2.14:1	2.08:1	2.02:1

PUF Debt Capacity Sensitivities

Board-Determined	Board-Determined	Board-Determined	Market-Dependent	Market-Dependent	Projected Available University Fund Balance (\$ Millions)							Add Debt Capacity	Projected PUF Market Value in FY 2030
Annual LERR	U.T. Austin Excellence	PUF Distribution Rate	PUF Investment Return	Change in Tax-Exempt Rates	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010		
\$30 Million	45.0%	4.75%	9.35%	NA	74.7	67.7	54.2	36.0	12.8	-15.8	-50.3	None	22,821,958,850
\$30 Million	45.0%	4.75%	9.35%	NA	74.7	67.7	54.2	36.0	12.8	-15.8	-50.3	None	22,821,958,850
\$20 Million	45.0%	4.75%	9.35%	NA	75.6	70.3	59.5	44.9	26.3	3.3	-24.6	None	22,821,958,850
\$10 Million	45.0%	4.75%	9.35%	NA	76.5	73.0	64.8	53.8	39.7	22.3	1.0	None	22,821,958,850
None	45.0%	4.75%	9.35%	NA	77.4	75.6	70.1	62.7	53.2	41.4	26.6	None	22,821,958,850
\$30 Million	40.0%	4.75%	9.35%	NA	86.9	92.0	90.9	85.4	75.5	60.7	40.4	None	22,821,958,850
\$30 Million	45.0%	4.75%	9.35%	NA	74.7	67.7	54.2	36.0	12.8	-15.8	-50.3	None	22,821,958,850
\$30 Million	50.0%	4.75%	9.35%	NA	62.4	43.4	17.8	-12.9	-49.2	-91.2	-139.3	None	22,821,958,850
\$30 Million	45.0%	4.50%	9.35%	NA	67.7	54.1	34.0	9.0	-21.4	-57.4	-99.5	None	24,361,694,786
\$30 Million	45.0%	4.75%	9.35%	NA	74.7	67.7	54.2	36.0	12.8	-15.8	-50.3	None	22,821,958,850
\$30 Million	45.0%	5.00%	9.35%	NA	81.6	81.3	74.4	63.1	46.9	25.7	-1.2	None	21,361,460,126
\$30 Million	45.0%	4.75%	6.40%	NA	74.6	67.1	52.3	32.7	8.0	-22.1	-58.2	None	17,129,643,847
\$30 Million	45.0%	4.75%	7.40%	NA	74.7	67.7	54.2	36.0	12.8	-15.8	-50.3	None	22,821,958,850
\$30 Million	45.0%	4.75%	8.40%	NA	74.7	68.2	56.2	43.3	25.6	2.7	-25.9	None	29,343,771,026
\$30 Million	45.0%	4.75%	9.35%	+ 50 bps	72.7	64.2	49.1	29.1	3.8	-27.1	-64.2	None	22,821,958,850
\$30 Million	45.0%	4.75%	9.35%	NA	74.7	67.7	54.2	36.0	12.8	-15.8	-50.3	None	22,821,958,850
\$30 Million	45.0%	4.75%	9.35%	-50 bps	76.6	71.0	59.2	42.8	21.5	-4.8	-36.8	None	22,821,958,850

**RECOMMENDATIONS RELATED TO IMPLEMENTATION OF
THE UNIVERSITY OF TEXAS SYSTEM'S LONG-RANGE PLAN,
"SERVICE TO TEXAS IN THE NEW CENTURY"**

PREPARED FOR:

THE UNIVERSITY OF TEXAS BOARD OF REGENTS
COMMITTEE ON FINANCE AND PLANNING

*TVM Consulting
Austin, Texas*

SCOPE OF PROJECT

Under the contract between The University of Texas System (the “U.T. System” or “System”) and TVM Consulting (“Consultant”) dated May 30, 2001, and amended effective March 14, 2002, Consultant agreed to identify and make recommendations concerning issues related to the implementation of the U.T. System’s strategic plan, *Service to Texas in the New Century* (the “Long-Range Plan”), adopted by the Board of Regents (the “Board”) in November, 2000. This report is intended to help institutionalize strategic planning at the governing board level and to assist the process of setting and implementing strategic priorities.

The Long-Range Plan examined the demographic, economic and political factors affecting higher education in Texas and the U.T. System in particular. It set a strategic direction by setting clear goals in the areas of participation, success and academic and research excellence. The next step, and the one this report is intended to address, is to help identify the major policy priorities for the Finance and Planning Committee (the “Committee”) to pursue on behalf of the Board to reach the Long-Range Plan’s goals.¹ Given the breadth of the System’s goals and time constraints on members of the Committee, this report prioritizes areas that are most in need of action and oversight. The issues identified herein are, in general, ones that affect the System as a whole.

Strategic planning, done properly, should give an organization a clear idea of where it is going and how it intends to get there over a specified period of time. Planning at the System level should be dynamic, part of a continuous process of assessing and reassessing the external environment, the System’s capabilities, and the achievement of key benchmarks and the needs of the State of Texas. The Long-Range Plan should be periodically reviewed to ensure the goals, and means to accomplish them, are aligned with the highest priorities and the core values of the U.T. System. As with any plan, objectives must be coupled with responsibilities and timelines to ensure that all parties understand what needs to be done, who needs to do it and by when it should be accomplished. The Committee should actively assess progress made.

The Board should establish the strategic vision and priorities, but the Chancellor should drive the strategic planning process. He must work closely with the presidents of component institutions and the System’s many constituents to develop a strategic process and plan that respects and addresses the diversity of challenges facing the System.

¹ The recommendations in this report were derived through interviews with Board members, System officials, presidents and staff at U.T. academic and medical components, discussions with national higher education experts and various books and periodicals on the challenges facing higher education. I appreciate the kind cooperation of all those who participated in this effort.

The University of Texas System, with its heterogeneous mix of institutions, student bodies, and missions, presents a major strategic planning challenge. System leadership must tackle a broader set of issues and be receptive to a wider range of solutions. Almost all the most difficult issues in American higher education —increasing competition, declining state support, providing greater access, the debate over accountability, the changing nature of health care — are ones the System must deal with on daily basis. The U.T. System should not shrink from striving to be the “gold standard” for education in the State of Texas. Creatively using the diversity among its components to respond to these issues is the System’s toughest challenge and greatest opportunity.

BACKGROUND

The University of Texas System, like the rest of American higher education, must deal with a series of profound technological, social and economic forces that affect the very nature of the higher education enterprise.

New technologies are changing the delivery of knowledge and pedagogy. The concept of “seat time” as a measurement of learning is fading. New providers are entering the higher education market and, in some cases, challenging traditional institutions.² [Table One] State financial support is declining and price competition among institutions is increasing as students pay more of the bill. Demographic changes, particularly in fast-growing border states like Texas, are causing more students (many from non-traditional backgrounds) to need higher education to compete in the workplace, not just once, but throughout their working careers.

These changes are causing a re-evaluation of some fundamental concepts of higher education: who should pay for it, what should be taught, how and to whom-- and whether universities really know how much students are learning.

American education is moving from a publicly supported, regulated and protected environment to one increasingly dependent on private support and subject to market forces. Moving from a regulated to a market environment will require universities to adopt a more entrepreneurial approach to succeed. Education leaders must craft a new model of the university: one that is more accountable, autonomous and entrepreneurial, but still preserves the important values of the academy—access, freedom of inquiry and speech, and community service.

² The for-profit University of Phoenix now enrolls over 100,000 students in 58 campuses; foreign universities such as France’s INSEAD offer courses to US students; and publicly traded companies--such as Amazon.com, Sylvan, and Simon & Schuster--are successfully providing products and services typically associated with traditional higher education.

Many experts believe a wave of change is likely to transform higher education just as it has other key American institutions such as health care and communications. According to the American Council on Education, “[t]echnology, globalization, accelerating competition, the explosion of knowledge and the increasingly diverse nature of society are changing the way higher education thinks about itself and its work.”³ If higher education does not change its own decision-making and responsiveness, “there is a risk that the tidal wave of societal forces could sweep over the academy, both transforming higher education in unforeseen and unacceptable ways while creating new institutional forms to challenge both our experience and our concept of the university.”⁴

For the U.T. System to meet its goals of improving participation and success and enhancing academic and research excellence, it will have to pursue reforms that respond to these far-reaching changes. The Board’s long-term planning efforts should focus on policies designed to create a vibrant and diverse System that is more market-responsive, mission-centered and quality-conscious.

POLICY RECOMMENDATIONS

I. IMPLEMENT REFORMS TO MAKE THE U.T. SYSTEM MORE COST-EFFICIENT AND ENTREPRENEURIAL WHILE ENHANCING STUDENT ACCESS AND DIVERSITY

· Use Collaborations, Alliances and Enhanced Inter-Connectivity to Improve the Efficiency and Academic Strength of the U.T. System. Use the Combined Resources of the System to Build a “Learning Network.”

While there are a number of ongoing collaborative efforts within the System, the potential for optimizing resources and enhancing each institution’s comparative advantage through collaboration and alliances presents one of the most exciting opportunities for the U.T. System. A number of Board members cited the need to make better use of System resources as their top long-range priority.

Technology, public policy concerns and new market demands will likely drive universities toward new partnerships and collaborations. As technological advances make it easier to import content, universities can focus more on their core areas of expertise. Public demand for more efficient and focused institutions will cause universities to seek alliances based on common interests and complementary strengths. Competitive pressures will force universities to leverage their resources or risk being

³ American Council on Education, “Riding the Waves of Change,” *On Change IV*, 2000, p. 1.

⁴ James J. Duderstadt, *Higher Education for the 21st Century*, Address to the Colorado Commission on Higher Education, p. 13.

undercut by lower priced public colleges or for-profit schools that target the high-demand, high-profit programs.⁵

Former University of Michigan President James Duderstadt notes that businesses are moving away from the hierarchy of the organizational pyramid to “networked organizations of relatively autonomous components.”⁶

It is important for the academy to realize how profound this new network architecture is for learning organizations. Today’s learners can learn anywhere, anytime, acquiring knowledge and learning from sources at any location. Today, learners are in control of what, how and where they learn, and they will be increasingly in command of what they pay for the learning opportunity as well. The implications for this new networked learning architecture are manifold. First, it makes less and less sense for institutions to be comprehensive, to go it alone. Rather the key will be forming alliances, sharing resources, specializing in what they can really be good at and relying on other focused institutions to provide the rest.⁷

The movement toward networked organizations is also being driven by the pursuit of knowledge itself. Many of the most pressing social issues require a multidisciplinary approach. Geneticists and information technology experts collaborate on the mapping of the human genome. Neuroscientists are working with educators to improve literacy. Biologists, ecologists, economists, anthropologists and urban planners team to solve difficult biodiversity issues. Some prominent scholars, most notably Edward O. Wilson, argue that the humanities, the social sciences and natural sciences are on a convergent path as scholars discover the small number of fundamental natural laws that comprise the principles underlying every branch of learning.⁸

Federal agencies are encouraging collaboration across disciplines and are providing more money for such research.⁹ The National Science Foundation and the National Institutes of Health have both raised spending on research centers, which focus their efforts on interdisciplinary issues. The NIH increased its funding for research centers by 80% in the last four years.¹⁰

Making the development of collaborations and alliances a System-wide priority should help:

⁵ See, e.g., “Commercial Sites Outbid Medical Schools for Instructors in Continuing Education,” *Chronicle of Higher Education*, June 16, 2000.

⁶ James J. Duderstadt, *A University for the 21st Century*, (University of Michigan Press, 2000), p.308.

⁷ Ibid.

⁸ Edward O. Wilson, *Consilience: The Unity of Knowledge*, (Knopf, 1998).

⁹ “U.S. Agencies Look to Interdisciplinary Science,” *Chronicle of Higher Education*, June 14, 2002, p. A20.

¹⁰ Ibid.

improve academic quality and differentiation by allowing component universities to specialize and access the academic strengths of other institutions;

enhance the ability to compete for major research grants;

build a better and more aligned K-16 system by linking universities with community colleges and high schools; and

provide a vehicle for new revenue opportunities through private sector partnerships.

➤ *Intrasystem and intersystem collaboration*

The U.T. System should transform itself into a network of learning where the collective resources of the System create new efficiencies for all institutions and new learning opportunities for all students. In effect, component institutions should be the portal through which students access the array of learning opportunities available within the broader U.T. network. Components would offer mission-centered “programming” and rely on the network to supplement and enhance their resources. The added value of bringing in a star professor or developing new course software at, for example, U.T. Austin, should be shared with other campuses whenever possible, generating a quality effect throughout the System.

The UT TeleCampus provides an existing vehicle for improving interconnectivity. The Board should work closely with this effort to develop a long-term agenda to bring more programs on line, enhance access through dual enrollment and encourage broader participation of component universities.

Each component should be encouraged to contribute resources and expertise to support the “centers of excellence” at other U.T. campuses. The development and support of the centers of excellence is the single most important System initiative to create a more focused, market-responsive institutions. Mission differentiation and academic collaboration will create a System that is greater than the sum of its components.

Some new intersystem collaborations are emerging. For example, the University of Texas at Austin, Rice University in Houston, The University of Texas at Dallas and The University of Texas at Arlington —founded the Strategic Partnership for Research in Nanotechnology (SPRING) to work together on research projects, programs and conferences and the development of joint facilities and infrastructure. Such partnerships should be encouraged.

The U.T. System Digital Library Project, supported in part by a grant from the Board of Regents, has combined the System’s purchasing power and resources to improve access to scholarly information (such as journals, full-text data bases, and rare archives) for the entire UT System community, including distance learners. This

project is an excellent example of the power of collaboration within the U.T. System and its success will be crucial in enhancing online learning opportunities and scholarship.

Creating a collaborative, networked system may also help reframe some of the state debate on higher education. Lawmakers often feel constrained by the zero-sum nature of higher education funding where dollars given to a flagship university are dollars not spent improving quality at a local, emerging institution. State leaders concerned about the return on investment in higher education may welcome a broader approach that optimizes each tax dollar invested by spreading the benefits throughout the System.

System Action: Develop a plan to encourage, facilitate and reward those institutions that increase efficiency, enhance opportunity, or improve academic and research quality through academic collaborations. To move toward a more networked system, components will need incentives to engage in collaborative efforts beyond what they are already doing. A commitment to building the technological infrastructure, a rigorous assessment of resource allocation, and leadership from the highest levels will be necessary to realize this vision.

➤ **Community college/K-16 partnerships**

If recent trends continue, the majority of new students pursuing higher education will enroll first in a community college. The Texas Higher Education Coordinating Board (“THECB”) estimates that 60 percent of new students needed to reach the state’s participation goals will start in local two-year colleges. In Texas, 75 percent of minority freshmen and sophomores are enrolled in community colleges.¹¹ The growth in community college enrollment has not, however, led to more students transferring to, and graduating from, four-year schools. Approximately 11% of entering community college students graduate with a baccalaureate degree six years later.¹² [Table Two] To reach its participation goals, the System will have to work closely with community colleges on academic content and transfer issues.

Some components have moved forward with such partnerships. U.T. Dallas entered into an Articulation Agreement with Collin County Community College to encourage and facilitate the progress of students from the community college curricula to the more demanding UT-Dallas upper-division curriculum. U.T. Brownsville has taken such collaborations a step further. Through its co-location and partnership with Texas Southmost College, UTB provides students with a seamless pathway to reach the level of education they need. In 2000, 51% of students receiving an associate’s degree transferred to a higher level at the TSC/UTB partnership.

¹¹ Texas Association of Community Colleges, *Facts About Texas Community Colleges*, August 2000. <http://www.tacc.org/pdf/facts.pdf>

¹² Texas Higher Education Coordinating Board, *Baccalaureate Graduation Rates, Texas Public Colleges and Universities*, June 1999.

To make real progress in enhancing access, the System must target its efforts at the preK-12 level. The new U.T. System plan, “Every Child, Every Opportunity,” will help improve primary and secondary education in the State. U.T. El Paso’s work through the El Paso Collaborative and U.T. Pan American’s Advanced Placement program are models for institutions seeking to serve their community and working to improve the readiness of future applicants.

System Action: In line with its commitment to improving participation and success, the System should oversee the development of a new partnership with community colleges aimed at improving quality and simplifying articulation and transfer standards between community colleges and System institutions. Continue emphasis on K-12 partnerships.

➤ *Alliances with medical schools*

Many of the strongest public research institutions (UCLA, UC-San Diego, Michigan, Washington) have a university and a medical center on the same campus. Such an arrangement presents many advantages in competing for research funding. The academic and medical components of these institutions were “born together;” the U.T. System, however, developed along a different model. While there has been considerable community and legislative interest in merging academic and medical schools in cities like San Antonio, history suggests a true merger will be difficult to accomplish. According to a recent study on mergers in higher education, few mergers have actually occurred despite predictions that universities would be forced to merge to increase their resources and efficiency. The study argues that management and cultural challenges posed by merging have given way to the desire for something more fluid and temporary –strategic alliances that allow two or more institutions to combine their strengths to take advantage of market opportunities.¹³

A consultant hired by the U.T System to study a potential merger between the System’s academic and medical schools in San Antonio concluded that forming an alliance to achieve specific objectives (linkage between undergraduate and professional degree programs, recruiting of students and faculty, research grants) was preferable to a merger. The study noted that the two institutions had different missions, priorities and cultures and that a merger would distract them from critical priorities.

System Action: Develop a model of collaboration that leverages the complementary strengths of the System’s academic institutions and medical schools. Define priority areas for such alliances such as increasing competitiveness for federal research grants, enhancing access and diversity, improving the ability to attract private support, and/or enhancing academic quality in the “centers of excellence.”

¹³ James Martin and James E. Samuels, “We Were Wrong: Try Partnerships, Not Mergers,” *Chronicle of Higher Education*, May 17, 2002.

➤ *Private sector partnerships*

Public funding and subsidy accounted for much of higher education's boom in the 50's and 60's. The next wave of growth in higher education funding will be from private sources.¹⁴ The new programs will be "market-centered, targeting the most pressing educational demands, as determined by individual consumers that promise the greatest return on investment. Initiative in the next wave will often be commercial, combining the energies and skills of for profit vendors with the skills, prestige and education savvy of traditional colleges and universities."¹⁵

The American Council of Education notes that universities have moved beyond just leveraging their research capacities to generate new revenue through licenses, partnerships with industry and technology parks. Now institutions are using their own academic content (courses, curricula and teaching methods) to enter new markets and bring in more revenue. In many cases, technology is the primary vehicle to enable institutions to move in these directions and deliver instruction to new populations of students."¹⁶

As universities seek more private funding, they will lose the relative budget certainty of government appropriations. Higher education institutions will need to look at ways to stabilize cash flows through the establishment of centers, institutes and consultancy agreements.¹⁷ To make private sector alliances work, universities will also have to address difficult intellectual property, conflicts of interest, confidentiality, and indirect cost issues.

How to build such partnerships and retain institutional values will be one of the toughest issues facing universities and governing boards. "To compete in the market, [the modern research university] will have to operate more efficiently and radically improve student services. But to remain a great learning institution, it will have to continue to nurture learning for its own sake, transmit cultural values, encourage civic understanding, and foster other less quantifiable and profitable -- but still valuable -- features of the university."¹⁸

System Action: Encourage and facilitate, where appropriate, new private partnerships, with information technology firms, global learning organizations, other

¹⁴ Knight Higher Education Collaborative, "A Very Public Agenda," *Policy Perspectives*, vol. 8, no. 2, p. 4.

¹⁵ Ibid.

¹⁶ American Council on Education, "Capitalizing on the Curriculum," *Changing Enterprise Project*, Working Paper, p. 4.

¹⁷ Sheila Slaughter and Larry L. Leslie, *Academic Capitalism*, (Johns Hopkins Press, 1997), p. 220-221.

¹⁸ Mark Yudof, "Is the Public Research University Dead?" *Chronicle of Higher Education*, January 11, 2002, p. B24.

*businesses and foundations. Study how best to promote such alliances and respect traditional institutional values.*¹⁹

·Develop New Tools to Improve Allocation of Resources

As state funding continues to make up a smaller portion of many universities' budgets (including the U.T. System's), universities will have to increase efficiency and look to other sources to generate revenue. Obtaining the authority to price their services to the market will help as will pursuing private partnerships and implementing new cost control strategies. As more of education's cost shifts to students, universities will have to become more price competitive and focused on student services and outcomes.

Universities will also need to make their accounting more transparent. A national association of university business officers is working to develop a uniform methodology that would allow all colleges to show how much they spend to educate their students.²⁰ Higher education reformers are calling for replacing the cost-plus method of planning and financing in favor of a system that more selectively allocates resources.

Measuring the resource effectiveness of university courses and programs will be a major challenge for universities and governing boards. Accreditation agencies perform an extensive quality review of university courses and programs, but they do not examine an institution's allocation of resources. That process is properly left up to individual universities. Within the U.T. System, methods for evaluating resource allocation and programs effectiveness vary significantly from campus to campus. As universities become more entrepreneurial they will likely have to do what other successful organizations have done: aggressively redirect resources from lower priority areas to areas of higher priority.

One barrier that prevents universities from making swifter and more effective decisions about program and funding priorities is their outmoded governance structures, according to a report by RAND's Council for Aid to Education. Most universities are a "maze of hierarchical structures operating independently of one another." Since decision-makers have not had to choose among competing functions and programs, comprehensive information systems have not evolved to support such decisions. The report states that higher education officials "simply do not have the information they need to compare

¹⁹ Examples of some innovative partnerships include the Cambridge-MIT Institute (CMI), a strategic alliance between The University of Cambridge and The Massachusetts Institute of Technology (MIT), which will undertake education and research designed to improve the UK's competitiveness, productivity and entrepreneurship. Both UK government and industry fund the CMI alliance. Universitas 21 is an international network of 17 research-intensive universities in Europe, North America and East Asia, attempting to develop international curricula for graduates educated and trained to operate in a global professional workforce, with credentials that are internationally portable and accredited across a range of professional jurisdictions. The collaborative also seeks to provide partnership opportunities for new providers, including corporate universities, wishing to access a fast-growing international market for higher education and advanced training.

²⁰ "Business-Officers Group Develops Methodology to Help Colleges Explain Their Costs," *Chronicle of Higher Education*, February 12, 2002.

missions and functions and understand the trade-offs among the potential allocations being considered.”²¹

System Action: Assess whether the System and U.T. components have the analytical tools necessary to assess the cost of particular degree programs, the financial impact of programs over time, and whether such allocation of resources reflects the institution's mission-driven priorities.

· ***Create an Environment that Rewards Innovation and Experimentation***

While the forgoing reforms may help components respond to some of the changes in higher education, the U.T. System will need to create an environment where university leaders feel comfortable taking risks and exploring new visions of their institution’s future. The impact of new technology, greater competition and the need for lifelong learning means universities must develop new delivery systems and teaching methodologies. The blurring of distinction between education and training will encourage universities to become more responsive to social needs. And, the entry of more students from non-traditional backgrounds will challenge the ability of institutions to accommodate and educate a more diverse population.²² According to the American Council on Education, “if colleges and universities want to take charge of their futures, they must develop the capacities to change and change again in ways consistent with their mission and purpose.”²³

A study of the role of university governing boards in promoting change initiatives found that successful boards approached change as an ongoing, organic process, not as an event; were consistently reflective about their strategies and assumptions; understood that change requires holistic thinking about their institutions; and respected higher education’s collaborative approach to obtaining buy-in for the change agenda.²⁴

System Action: Examine ways to highlight and reward components that are willing to experiment with new approaches to emerging issues.

II. ENCOURAGE REGIONAL INTEGRATION AND GREATER PRIVATE SECTOR SUPPORT

The System should encourage component universities to integrate their missions, research focus and community service activities in line with regional economic strengths

²¹ Joseph L. Dionne and Thomas Kean, *Breaking the Social Contract: The Fiscal Crisis in Higher Education*, Report of the Commission on National Investment in Higher Education, Council for Aid to Education, 1997).

²² The so-called “traditional student” --those who have a high school diploma, enroll in college full time and depend on their parents for financial support—are now a decided minority according to the U.S. Department of Education. Only 27 percent of students are traditional, while the majority of students either work to support themselves, enroll part time or delay enrollment after high school.

²³ American Council on Education, “Riding the Waves of Change: Insights from Transforming Institutions,” *On Change V*, 2000.

²⁴ American Council on Education, “Riding the Waves of Change,” *On Change IV*, 2000.

and social needs. The implementation of the “centers of excellence” will be a key part of this effort. With the exception of Houston, the System has universities in or near Texas’ seven major population centers. As communities compete in the knowledge-based economy, they are increasingly looking to universities not just to address basic education, health and social needs, but also to serve as an engine for economic growth.²⁵ (The education and knowledge cluster was the second fastest growing cluster in the country during the last 10 years.)²⁶ System components should play a lead role in urban development and local business leaders should strengthen their commitment to universities through direct financial support and workforce development, research commercialization and other economic partnerships.

With the shift in state policy toward a user-fee model of financing higher education, businesses as well as students will have to pay more of education’s cost. As businesses become more dependent on regional universities to supply knowledge workers and drive economic growth, they will have to assume more of the financial responsibility for regional universities. With the exception of U.T. Austin, direct private support of academic components located in major urban growth areas is less than 5% of total revenues, and most of these funds are restricted in use.

Some research universities have pursued a new form of private giving called “venture philanthropy.”²⁷ Popular with high-tech entrepreneurs, this approach emphasizes management, measurement, and results. It views philanthropy as social venture capital, and emphasizes hands-on management, measurable objectives, clear results, and sustainable organizational development. This form of “engaged philanthropy” turns the donor and recipient into partners working toward specified outcomes. While this new approach poses a number of challenges to universities, it may be a vehicle for U.T. components to enhance their private support.

System Action: Encourage components to align missions with the comparative economic strengths and social needs of their region, intensify economic development efforts and enhance levels of private support.

III. PURSUE A NEW MODEL OF GOVERNANCE WITH THE STATE THAT REFLECTS THE CHANGING ROLE OF THE UNIVERSITY. THIS NEW MODEL SHOULD BE BUILT UPON THE PRINCIPLES OF AUTONOMY, ACCOUNTABILITY AND OPPORTUNITY.

Higher education has never been more important to the country’s prosperity, and, as a consequence, it is being subjected to new standards of public accountability and market

²⁵ Joint Study by the Initiative for Competitive Inner City and CEOs for Cities Revitalization Agenda *Leveraging Colleges and Universities: for Urban Economic Revitalization*, Spring 2002. This bipartisan group of mayors, corporate executives and university leaders argue that unleashing the local economic development capacity of urban universities should be a “national priority.”

²⁶ Ibid.

²⁷ See. e.g., Christine Letts, William Dyer, Allen Grossman, "Virtuous Capital: What Foundations Can Learn From Venture Capitalists," *Harvard Business Review*, March-April 1997.

relevance. Yet, at the same time, the state's ability to fund higher education is declining, suggesting that the low tuition, high state support model is becoming obsolete.

A prominent United States Senator has called for an enhanced federal role in holding colleges accountable for the graduation rates of their students.²⁸ The nation's governors, including Texas Governor Rick Perry, have placed higher education reform at the top of their agendas. The co-chairman of the Texas Legislature's select committee studying higher education has publicly urged universities to talk less about funding and focus more on eliminating poorly performing programs and showing concrete results.²⁹ One higher education expert put it bluntly: "Now that the health care industry has moved to managed care, outsiders often see higher education as the last refuge of a provider-driven enterprise designed more to satisfy the aspirations of administrators and faculty than students and society."³⁰

The states' ability to support higher education is under increasing strain. Nationally, state support of public colleges and universities increased by 13% from 1990 to 1998, but the proportion of state budgets devoted to higher education declined and the increases did not keep up with the rising costs of providing higher education.³¹

In Texas, real spending on public safety and corrections increased by 256 percent and health and human service expenditures increased by 149 percent from 1984-85 to 1998-99, while real higher education expenditures increased by only 31 percent.³² The percentage of the U.T. System's budget financed by state tax dollars has declined from 38% in 1988 to 23.7% today. Real state appropriations per student have remained relatively constant since the 1980's.

As entitlement programs (e.g., Medicaid, elder care, and K-12) consume the bulk of state resources and state budgets tighten, higher education is unlikely to sustain its state support, according to a recent national study.³³ An aging population means increasing resources will flow to health care and social security programs.

State spending for higher education will have to increase faster than state spending in other areas just to maintain current services. Since the percentage of the state budget dedicated to higher education has actually declined over the past decade, continuing to

²⁸ "Lieberman Calls for More Accountability from Colleges," *USA Today*, April 26, 2002.

²⁹ Sen. Steve Ogden, "Why Can't Colleges Make Ends Meet?" *Austin American Statesman*, January 29, 2001.

³⁰ Joseph C. Burke, "Accountability for Results: Ready or Not," *Trusteeship*, vol. 10, no.1, January/February 2002. p. 11.

³¹ National Association of State Budget Officers, *State Expenditure Report 1990* (Washington, D.C.: 1991), p. 15, tables 1-4; and National Association of State Budget Officers, *2000 State Expenditure Report, Summer 2001* (Washington, D.C.: 2001), p. 11, table 5.

³² Office of the Comptroller, State of Texas, "The Impact of the State Higher Education System on the Texas Economy," December 2000, <http://www.window.state.tx.us/specialrpt/highered/index.html>

³³ National Center for Public Policy and Higher Education, *Losing Ground*, May 2002.

fund current service levels for higher education would represent a significant shift in state budget trends.³⁴

Even in the past few years of healthy state budgets, public research universities made relatively little headway against the legacy of previous lean years. Thus, regardless of the economy, in the foreseeable future, students at public research universities will have to pay more of their own educational costs, and the role of such institutions will fundamentally change.³⁵

These trends suggest that the current governance model of higher education is coming to an end. Universities need more flexibility to respond to market demands and new ways to raise revenue. The State wants more accountability. And the public needs access to high education at a rate unprecedented in the State's history. The University of Texas System should take the lead in pursuing legislative reforms that will enable it to meet these challenges.

➤ *Institutional autonomy and accountability*

As economic and social pressures create a greater demand for efficiency, innovation, and responsiveness to student needs, universities will need to act swifter, with fewer constraints and greater autonomy. Transforming ideas tend to flourish where barriers and bureaucracy are limited. Universities will have to be given more freedom (and, in turn, grant more internally) if they are to generate the knowledge and ideas that civic and political leaders are counting upon. “[T]he movement toward greater operational and resource autonomy, coupled with higher accountability for results, is here...And, in my judgment, it will only build in the future,” states Benno Schmidt, vice chairman of CUNY Board of Trustees and chairman of Edison Schools.³⁶

In 2001, the Texas Legislature took an important step in enhancing autonomy with the passage of HB 1545 which freed higher education institutions from some state requirements in the areas of purchasing and personnel. Other areas that should be considered for deregulation include tuition pricing (as long as appropriate financial aid is assured to preserve access), indirect cost recovery (discussed below), financial management, and other academic reporting requirements. The desire for deregulation should be coupled with a recognition that the Board will have to do more to assure quality, prevent inappropriate duplication, and maintain the System's commitment to public service. It will need to avoid creating a new regulatory regime in place of the old one.

³⁴ Harold A. Hovey, *State Spending for Higher Education in the Next Decade*, The National Center for Public Policy and Higher Education, July 1999.

³⁵ Mark Yudof, “Is the Public Research University Dead?” *Chronicle of Higher Education*, January 11, 2002.

³⁶ American Council on Education, “The Futures Project; Policy for Higher Education in a Changing World,” A. Alfred Taubman Center for Public Policy and American Institutions, Brown University, February, 2001, p. 4.

As the need for highly qualified workers becomes more acute, many state leaders are calling for greater scrutiny of higher education's performance. They want universities to make their financial practices more transparent and their student outcomes more definitive. Students want more sophisticated information to guide their education choices. These trends could make universities subject to more state regulation unless they adopt a version of the model that has worked well in the K-12 educational system- more accountability in exchange for more flexibility. As discussed later in this paper, the U.T. System should continue to develop its own assessment system or run the risk of having one imposed upon it.

Some of these new models of governance are taking shape across the country. Virginia has proposed that each education institution enter into "institutional performance agreements" negotiated with the Governor's Office and the Legislature. The agreements are designed to encourage long term planning and greater efficiency by offering predictable funding, deregulation, and decentralization in exchange for institutional commitments to performance expectations, goals and measures. Charter colleges are another form of autonomy that gives public colleges a guaranteed, fixed amount of state spending and almost complete freedom to manage their own affairs in exchange for agreeing to certain performance goals.³⁷

System Action: Push for greater institutional autonomy and deregulation in exchange for implementing agreed standards for performance

➤ *Stable and flexible funding*

Opinions on the proper level of state higher education funding differ sharply. From the higher education perspective, state support, while maintaining rough parity with enrollment growth, has failed to fully keep up with costs, and represents a declining percentage of the overall operating budget. The state's commitment has decreased even more for large research universities, like U.T. Austin, which has seen its general revenue funding per full time student equivalent ("FTSE") decrease by 15% during the last 10 years. The Available University Fund, far from being the inexhaustible source of money for the U.T. and A&M Systems that some believe it to be, distributes less today in real dollars than it did in 1990.³⁸ [Table Three] The seven institutions that became eligible to receive Permanent University Funds ("PUF") in 1986 will soon receive almost half of all PUF bond allocations. Thus, the new demands on the PUF make it a far less lucrative

³⁷ For example, under a 10-year charter college agreement, the Colorado School of Mines receives administrative flexibility in exchange for meeting performance goals tied to its objectives. The college no longer operates under the state commission's system for evaluating colleges' performance, nor will it have to report on measures, like class size. Instead, it agreed to meet alternative goals, like having at least 90 percent of graduates employed in a field related to their studies within a year of graduation. The institution also has agreed to admit every qualified Colorado applicant, to annually increase the amount of financial aid it offers, and to survey alumni and employers about their satisfaction with the institution. *Chronicle of Higher Education*, June 7, 2002.

³⁸ The University of Texas System, Office of Business Affairs. The Legislature did approve, and the voters ratified, an amendment to allow the PUF to distribute funds based on the total return of all investments, effective January 2000.

source of funds for any one institution. Although tuition increases financed a significant amount of recent revenue growth, it is a limited resource for many institutions, particularly those who will enroll more first generation students from low-income families.

Many state lawmakers see a different picture. State spending per FTSE at public universities has been constant during the 90's, and the State put significant new funds into excellence programs, health insurance and financial aid. According to a THECB analysis commissioned by the Legislature, overall university spending during the 90's increased by 31% per FTSE. (The U.T. System estimates that real spending at U.T. components increased by 25% through tuition, fees, indirect cost reimbursements, etc.) A special legislative committee is examining how universities are spending their new revenue and whether the State is actually benefiting from the expenditure.

In light of the tumultuous debate over higher education excellence funding last session and the State's tight budget situation for 2003 (an estimated \$5 billion shortfall in financing current services), the System needs to present a unified legislative plan that states clearly the priorities of the System, the specific programs or initiatives that reflect the priorities, and the benefits accruing statewide from requested funding. Individual lobbying by component institutions will hurt the System's ability to pursue broader reforms.

In designing a new governing model with the State, higher education leaders should initiate a frank discussion on the proper level of state support for higher education. Topics discussed should include: (i) why costs continue to increase faster than inflation; (ii) what benefits the State realizes from its investment in higher education; (iii) what financial and programmatic accountability measures will protect the taxpayer's investment; and (iv) how to balance the desire to increase access to higher education with the need to elevate the State's emerging and existing flagship universities.

In Texas, constitutional provisions, state law, and federal court decisions restrict the use of almost 70% of general revenue.³⁹ [Table Four] Since higher education is not an entitlement, it is far more subject to the ups and downs of state revenue, though the State has consistently funded enrollment growth in recent years. Part of the new model for higher education could be an agreement on a base level of funding in exchange for certain performance measures that would allow institutions to operate with a greater degree of budget certainty. Universities would agree to price tuition at some rate (e.g., a certain percent of family income) to ensure that the doors of higher education remain open for all who want to pursue it.

State law restricts the Board's authority over general education funding. General revenue funds are appropriated directly to the universities primarily through state funding formulas. This funding scheme makes it difficult for the Board to fund System-wide priorities, address emergency needs or create incentives for excellence.⁴⁰ When U.T. El

³⁹ Texas Legislative Budget Board, *Fiscal Size-Up: 2002-2003 Biennium*, p. 8.

⁴⁰ Within the System, only U.T. Austin receives excellence funding through the Board-controlled AUF.

Paso needed a small match to obtain a major NSF grant, the Board had no ability to fund the match. The recently released U.T. System plan to improve K-12 education is an ambitious and innovative initiative, but the Board does not have any resources of its own to put behind the effort. If the State wants to make universities and governing boards more accountable for results, it should give them new authority to allocate resources to reward performance.

System Action: Work with State leaders on a long-term plan to address financial issues facing higher education. As part of the new compact with the State, seek to acquire more discretionary authority over funding to the System.

➤ **Student access/opportunity**

The most important factor in determining a person's income level is his level of education. Accordingly, higher education is increasingly seen as the gateway to economic and social mobility. A recent poll found 77% percent of the public believes that getting a college education is more important than it was 10 years ago and 87% agree that a college education has become as important as a high school diploma used to be.⁴¹ As part of any new state governance model, the U.T. System should strengthen its public commitment to creating opportunity and seeking diversity at all its institutions. The System should do its part to help Texas build a larger and more diverse education "pipeline" to reach its participation and graduation goals.⁴² [Table Five]

One of the major challenges facing the State as it seeks to encourage more students to pursue higher education is improving the preparation of high school students and fostering the alignment of curriculum, academic requirements, admissions procedures and student expectations throughout the K-16 system. The U.T. System has committed to pursue three major initiatives to enhance K-12 preparedness and post-secondary success: strengthening teacher preparation, creating high quality professional development programs and improving educational research. The details of this commitment are outlined in the U.T. System's "Every Child, Every Opportunity" plan.

System Action: As part of its public mission, the System should continue its commitment to improve participation and success through the creation of a more effective and aligned K-16 educational system.

⁴¹ John Immerwahr and Tony Foleno, "Great Expectations: How the Public and Parents-White, African-American, Hispanic-View Higher Education," *Public Agenda*, May, 2000.

⁴² The THECB's plan, "Closing the Gaps" sets the following state goals for the year 2015: increase by 500,000 the number of students attending colleges and universities; increase by 50% the number of students earning degrees, increase certificates and other identifiable measures of success; enhance the number of nationally ranked programs or services at Texas institutions; and increase the level of federal science and engineering research funding to Texas institutions by 50% to \$1.3 billion annually.

IV. DEVELOP A SET OF POLICIES AND INCENTIVES TO ASSESS AND REWARD THE ACHIEVEMENT OF ACADEMIC QUALITY

As universities are thrust into a more globally competitive environment, they are being asked to measure and certify student learning and institutional performance in new ways.⁴³ Greater student choice and the need to acquire marketable, verifiable skills creates a new emphasis on quality- how it is defined, measured and improved. Universities will no longer be judged solely on input and prestige measures (e.g., funding per student, average faculty salaries, teacher/student ratios, SAT scores of entering freshmen), but on output and outcomes. Some states are already requiring public universities to prove how well their students have mastered key skills.⁴⁴ As the former Chancellor of the University of North Carolina System, Michael Hooker, stated: “we cannot defend the university as providing something important for society if we cannot articulate what it is, explain why it is important, and demonstrate that we have, in fact, provided it to our students.”⁴⁵

The use of prestige as a proxy for quality is fading. A recent RAND study argues that universities shunning the pursuit of prestige in favor of reputation-building are the institutions transforming higher education at the beginning of the 21st century. Unlike the more diffuse and relative concept of prestige, reputation is achieved by meeting goals that are specific, measurable and “subject to considerably more control by the institution itself.” The RAND study notes that “because reputation-building institutions compete with one another for student enrollments on the basis of the services they provide rather than the prestige they confer, they are more concerned to continuously improve the quality and variety of those services.”⁴⁶

•Help Transform the System into a Learning Organization by Developing a More Robust Measurement of Student and Institutional Performance.

The System has started building the foundation for a strong assessment system to improve academic quality. At the urging of the Board, students are, for the first time, being assessed System-wide on their writing and math skills. At the institutional level, universities are, for the first time, being asked to set goals and focus their missions around the development of “centers of excellence”— programs designed to fit each institution’s comparative strengths.

⁴³ See, e.g., Robert M. Solow, “Let’s Quantify the Humanities,” *Chronicle of Higher Education*, April 19, 2002. p. B20.

⁴⁴ The State of Virginia required its public colleges and universities to measure student proficiency in writing and computer technology by 2002 with additional assessments in the fields of mathematical and quantitative reasoning, scientific reasoning, oral communications and critical thinking to be conducted in the future.

⁴⁵ Michael Hooker, “The Transformation of Higher Education,” in Oblinger, D. & Rush, S. (Eds.), *The Learning Revolution*, (Anker Publishing Company, Inc, 1997).

⁴⁶ Dominic J. Brewer, Susan M. Gates, and Charles A. Goldman, RAND, *In Pursuit of Prestige: Strategy and Competition in U.S. Higher Education*, (Transaction Publishers, 2001).

The System should build upon these efforts by developing a robust student and institutional accountability model. Students could be assessed on a common core of undergraduate courses, with more tailored assessments for the student's major or graduate field of study. Institutions could be measured against their own performance targets, a set of quality measures that take into account each institution's mission, character and goals. The U.T. System has already started building a foundation for such an assessment through its institutional accountability profiles.

Developing new accountability standards will be a complex task. But governing boards cannot ask presidents to manage what they don't measure and the kind of measures that customers of higher education want are changing. As one higher education expert noted: "the difficulty of measuring institutional performance is exceeded only by the necessity of doing so. The question is whether campus officials-- and boards--will lead or leave the action to others."⁴⁷

The U.T. System will have to address a number of difficult issues. How should academic quality be defined and measured at its diverse set of institutions? What are the benchmarks for important projects such as the centers of excellence? Should the System assess the "value added" of the education experience at each of its components and, if so, how can this be done? Can it use measures such as the National Survey of Student Engagement to more effectively measure student learning or should it work to develop its own set of standards?

System accountability data should not be used to pit one institution against another, but to determine best practices in teaching and learning and to help turn the System into a true "learning organization."

System Action: Develop a student and institutional accountability model that builds upon measures already in place. Engage students, faculty and university officials in a broad discussion of what the appropriate institutional goals and student outcomes are for each campus.

•Implement Specific Incentives that Reward the Achievement of Academic and Research Excellence

One of the major competitive limitations facing the System is the restriction on using State and PUF funds to reward excellence. General education funding is appropriated directly to the universities and is based largely on enrollment. Capital projects, financed through PUF bonds, are allocated through a process that encourages universities to seek funding for their most expensive project, but not necessarily their most important. To reach the System's goal of improving academic and research excellence and creating more "universities of the first choice," the Board needs new tools to encourage and reward quality in teaching, scholarship, and research. State and System resources should follow results, not just enrollment patterns. Giving the System additional power over

⁴⁷ Joseph C. Burke, *Accountability for Results: Ready or Not*, Trusteeship, vol. 10, no.1, January/February 2002.

some portion of state funding to reward excellence (as suggested above) and reviewing the current PUF allocation model to ensure capital decisions follow strategic priorities would place a greater premium on results.

System Action: Assess what powers the System has, under existing state law and regulation, to create incentives for excellence. If necessary, seek additional authority from the State to direct funds to reward excellence.

V. SEEK CHANGES IN STATE LAW TO BOOST THE SYSTEM'S RESEARCH CAPABILITIES. ENHANCE THE SYSTEM'S ROLE IN PURSUING LARGE-SCALE FEDERAL RESEARCH PROJECTS

The Long-Range Plan calls for U.T. System institutions to increase their federally funded research base by \$800 million by 2030. The Long-Range Plan notes that most of the future growth in research activity is likely to occur in major population centers where the U.T. System already has a strong presence.

The State of Texas does not receive its proportional amount of federal research dollars and current trends suggest that, without a new approach, the State is unlikely to increase its share of the federal research funding.⁴⁸ Though it ranks second in population, the State is sixth in the federal research funds (\$500 million less than California proportional to population).⁴⁹ [Table Six] The State ranks eighth in the amount of directed Congressional funding to higher education (earmarks).⁵⁰

The bulk of federal funds flowing to Texas are not for R&D purposes. Only 10 percent of the federal monies coming into the State are for research and development compared to 19 percent for California and 34 percent for Maryland.⁵¹ The disparity in research funding impacts the bottom line of universities. The University of California System takes in three times as much income from licensing of technology as the U.T. System.⁵²

Scholarly investigation, the development and transfer of knowledge for the social good, is at the heart of the university's mission and essential to the nation's success. Research excellence is closely tied to academic excellence. Texas awards 8,500 fewer advanced degrees than the national average and the State has 11 Ph.D. programs

⁴⁸ According to the Texas Higher Education Coordinating Board, while the total amount of federal R&D funding to Texas has increased, Texas' relative share of such funding has remained fairly constant, growing from 5.22% in 1985 to 5.36% in 1999.

⁴⁹ Texas Higher Education Coordinating Board, "Research Expenditures, September 1, 2000-August 31, 2001" and *Service to Texas in the New Century*, The University of Texas System Board of Regents, November, 2000.

⁵⁰ "A Record Year at the Federal Trough: Colleges Feast on \$1.67 Billion in Earmarks" *Chronicle of Higher Education*, p. A20.

⁵¹ RAND, *Discovery and Innovation: Federal Research and Development Activities in the Fifty States, District of Columbia, and Puerto Rico*, 2000.

⁵² *Report of the Technology Transfer Commission*, The University Of Texas System, February 11, 2002, p. E-2.

ranked in the top 10 nationally compared to California's 124.⁵³ The University of Texas at Austin has not had any faculty members elected to the prestigious National Academy of Sciences for six years.

The rate of return on capital investment in the U.S. is about 10 to 14 percent. The private rate of return on R&D investment is estimated to be between 25 and 30 percent with the return to society in general at 50 to 60 percent.⁵⁴ In major commercial sectors, including biomedical and information technologies, 19-31 percent of the new products and 11-20 percent of new processes introduced from 1986-1994 could not have been developed as quickly without the aid of recent academic research.⁵⁵ As Harvard President Lawrence Summers notes, products most valued in today's economy such as software and pharmaceuticals are those based on ideas that require an enormous investment to develop, but very little to keep making. They are often subject to network effects that reward those who achieve critical mass.⁵⁶

Although federal funding for R&D declined in the 90's, the recent trend is to increase federal outlays for the NIH and the NSF. The State of Texas and the U.T. System should take a new, aggressive approach to enhance the quality and extent of its federal research partnership.

· *Recapture Indirect Costs*

The State Comptroller estimates that the economic value of university research to the Texas economy, financed by federal and private sources, is \$4 billion annually. This sponsored research generates \$3.32 in economic activity for every research dollar spent.⁵⁷ Yet, Texas universities are only allowed to retain 50 percent of the indirect cost reimbursement payments associated with costs incurred in conducting federal and other research. (Indirect costs are administrative and facilities-related expenses –on items such as staff salaries, electricity, maintenance, and libraries-- incurred as a result of conducting a research project.)

Most other states and Texas medical schools retain 100 percent of indirect cost reimbursements. (Note: Indirect costs rates are negotiated with the federal government; universities typically recover less than their actual costs) This surcharge on research impairs Texas' competitiveness by taking away money that could be used to pursue larger research projects, fund seed money for new researchers, or finance the purchase of capital equipment. Eliminating state recapture of research reimbursement could generate as much as a \$118 million to the Texas economy.⁵⁸

⁵³ *Service to Texas in the New Century*, The University of Texas System Board of Regents, November, 2000.

⁵⁴ Duderstadt, *A University for the 21st Century*, p. 114.

⁵⁵ The University of California System, <http://www.ucop.edu/california-institutes/economic/benefits.htm>

⁵⁶ "The Father of Creative Destruction," *Wired*, March, 2002.

http://www.wired.com/wired/archive/10.03/schumpeter_pr.html

⁵⁷ Office of the State Comptroller, *Impact of the State Higher Education System on the Texas Economy*, December, 2000. <http://www.window.state.tx.us/specialrpt/highered/>

⁵⁸ Testimony of Chancellor Dan Burck before the Joint Interim Committee on Higher Education Excellence Funding, March 27, 2002.

System Action: Seek repeal of state recapture of indirect cost reimbursements.

· Work with State Leaders on a Strategy to Improve Higher Education's Research and Technology Transfer Capabilities and Put Texas on the Forefront of the Next Generation of Technologies

Component presidents consistently cite the lack of seed money as one of the biggest barriers to improving research competitiveness. Seed money serves as bridge funding for promising, early stage research, and later, as much-needed capital for early stage companies. The lack of a readily available pool of such funds can hurt universities' efforts to pursue major federal projects. For example, U.T. Austin wants to pursue a federal grant to build one the nation's largest high-performance computing centers. It has private support, but without access to the state seed monies other universities have, it has little chance of winning the project.

➤ *State research funding*

State research funding comes primarily from the Advanced Research Program (ARP) and the Advanced Technology Program (ATP). The Texas Legislature created the Advanced Research Program (ARP) and the Advanced Technology Program (ATP) in 1987 as competitive, peer-reviewed grants programs to fund scientific and engineering research projects of faculty members at Texas higher education institutions. In 2001, the ARP/ATP granted 371 proposals with awards averaging \$152,480.⁵⁹

The ARP/ATF spreads its funds across a number of programs and institutions. Some university presidents believe that a more focused funding strategy that provides matching funds and targets fewer, but more potentially lucrative research opportunities would be beneficial to the State.

Other states have been aggressive in funding and pursuing research efforts. California, for example, recently funded a new initiative, the California Institutes of Science and Innovation designed to spark the next generation of technological advances, train new high-tech leaders and mirror the collaboration between academia and industry that created Silicon Valley.⁶⁰ Each of the four institutes (scheduled to receive \$100 million a year for four years in state funds) will focus on basic and applied cross-disciplinary research in a field expected to play a major role in the future of California science and industry- biotechnology, nanosystems, and telecommunications.

Biotechnology, in particular, needs more public attention and support if it is to flourish in Texas. Despite being home to some of the nation's top medical institutions, Texas trails other states in biotech development. Biotechnology has not produced the return on investment necessary to induce the private sector to finance up-front costs; so many states have stepped in. Twenty-eight states report having one or more publicly supported seed

⁵⁹ Texas Higher Education Coordinating Board, *Advanced Research Program, Advanced Technology Program, Report of Awards*, May, 2002. <http://www.arpatp.com/archive/pdf/0069.pdf>

⁶⁰ The institutes will be designed to foster discovery in areas where the complexity of the research agenda requires the advantages of scope, scale, duration, equipment, and facilities that a comprehensive center can provide. California universities were encouraged to collaborate with each other in their proposals.

or venture funds that can invest in bioscience-related companies; five states offer publicly supported funds that invest exclusively in bioscience-related companies.⁶¹ If Texas wants to build a more robust research infrastructure, it will need more top-flight scientists and more state seed funding.

The most promising effort to jumpstart Texas' biotechnology industry is the Governor's Council on Science and Biotechnology Development. The Council's goal is to create a "seamless system of innovation from the laboratory to the marketplace in the rapidly developing areas of biotechnology-such as biopharmaceutical development, bioinformatics, geonomics and nanotechnology."⁶² The Council is charged with developing a strategy to increase both public and private research and development expenditures in the State.

➤ *Local venture capital*

Successful commercialization of university research in areas like biotechnology requires three factors: universities with a strong science curriculums that teach students and researchers to turn discoveries into products; the presence of venture capitalists committed to finding and commercializing local breakthroughs; and a network that brings together businesspeople, academics and venture capitalists.⁶³ The Board took an important step in improving the System's research commercialization by creating the Technology Transfer Commission ("TTC") in 2001. The TTC reviewed and recommended a number of policy changes to make System universities more internally focused on technology transfer. The next priority should be to attract more private capital to commercialize university research.⁶⁴ The TTC noted that the venture capital market in Texas is not as conducive to university start-ups as in other parts of the country, particularly in biotech. The lack of a local venture capital infrastructure to invest in start-up companies is a major barrier in attracting outside capital. U.T. Arlington President Bob Witt points out that while many universities are doing research that may have commercial applications, they don't have the necessary capital contacts or the technology transfer expertise.⁶⁵

⁶¹ Office of the Governor, State of Texas, *Background Paper, Governor's Council on Science and Biotechnology Development Committee Charges*,

<http://www.governor.state.tx.us/Biotech/committeecharges.htm>

⁶² Ibid.

⁶³ "So, You Want to Be a Biotech Hotbed?" *Business Week*, June 13, 2002.

⁶⁴ The U.T. System compares relatively well with The University of California System in the license income it derives from research investments --a 2.0% rate of return compared to 2.2% for the U.C. System. But the total amount of research expenditures is one-third of the U.C. System. Data on other universities' technology transfer efforts indicates the U.T. System has much room for growth. According to the Association of University Technology Managers and analysis by the Chronicle of Higher Education for the years 1996-2000, U.T. Austin, earned \$.01 of licensing income per dollar of research. Stanford University earned \$.08 cents and the University of Wisconsin earned \$.04. "Tech Transfer Scorecard," *Chronicle of Higher Education*, July 19, 2002.

⁶⁵ Venture capital amounts to a small share of the overall capital markets, but is crucial in the early stages of a company's development.⁶⁵ In 1999, Texas companies received \$160 million in venture capital investment, representing 3.1% of total U.S. venture capital invested in life science (down from 5.2% in 1996).

System Action: Work with the State on a plan to examine the effectiveness of state-funded research efforts, provide more seed money for university research efforts and create incentives to attract more venture capital to early-stage companies.

· *Develop a Coordinated, Strategic Research Effort in Washington.*

The Office of Federal Relations in Washington has raised the U.T. System's profile and enhanced its pursuit of federal dollars. The Office has strengthened relationships between System components and legislative and executive officials, helped secure more direct Congressional funding (earmarks) for the System, and tracked federal legislation and regulatory issues affecting higher education. With a non-administrative staff of only three people, the Office is still in its developing stage and lacks the staff and funding resources of competitor states like California.

An important next step for the Office is to take on a more proactive role with the development of strategic plan to link the System's strengths with emerging federal research priorities in areas such as nanotechnology, cybersecurity, bioterrorism and education. These areas align well with the expertise of System components. The Centers of Excellence concept, while still in its early stage of development, should also help give direction to the Office of Federal Relations' efforts to prioritize its research agenda.

System Action: Review the resources allocated its federal funding efforts and oversee the development of a federal research strategy.

· *Give the System a Greater Role in Multi-Institutional Research Projects*

The majority of federally-sponsored research has traditionally followed the single investigator model: merit reviewed research grants to individual faculty (or a small team) who developed specialized knowledge in an area of interest to a particular federal agency. Today, many federal agencies have begun to shift away from a highly specialized to a more multidisciplinary approach to research, particularly in the natural and social sciences. This trend should continue since a number of the current federal research priorities--information technology, nanotechnology, the science of learning, and biocomplexity -- are heavily interdisciplinary.⁶⁶ The new national effort to combat terrorism will also require the aggregation of expertise across discipline and institutions. Four of the state's major university systems -- Texas, Texas A&M, Texas Tech and Houston -- are working on an effort to craft a joint proposal to become one of the federally-funded homeland security centers.

Although some efforts at research coordination have taken place at the System level (e.g., the National Research Center for Plutonium, a university consortium that advises the U.S. Energy Department and the Pantex weapons plant in Amarillo and the

⁶⁶ "U.S. Agencies Look to Interdisciplinary Science," *Chronicle of Higher Education*, June 14, 2002, p. A20.

proposed bid to manage the Sandia National Laboratory in New Mexico), the System has had a traditionally modest role. While individual researchers and the vice presidents for research at component institutions should continue to drive research funding efforts, the System could play a more vigorous role in the development and coordination of large collaborative projects, the setting of federal strategy and the pursuit of policy changes that improve the System's research competitiveness. The System could also take a larger role in identifying emergent research opportunities.

No one person has such responsibility today. The Office of Federal Relations is in charge of monitoring and analyzing federal legislative and regulatory actions and acting as a liaison between university researchers and government agencies. The Office does not have the capacity to organize and oversee the multi-institutional research collaborations necessary to compete for major federal projects such as the homeland security centers. Since research issues cut across the duties of the Executive Vice Chancellors for Academic and Health Affairs, neither has the authority to drive policy in this area.

System Action: Create a position at the System Office to direct research policy and help coordinate efforts to obtain major research projects.

VI. FORMALIZE THE BOARD'S ROLE IN LONG-RANGE PLANNING

The Board of Regents has not engaged in consistent long-range planning and had no formalized process to examine long term issues facing the System until recently. The current Board has taken two important steps in that direction. It gave explicit planning authority to the Finance Committee, renaming it the Committee on Finance and Planning and it adopted, in November 2000, a new guiding plan for the System, *Service to Texas in the New Century*.

Building upon this progress, the Board should take additional steps to formalize its role in setting the strategic direction for the System.

· Regularly Assess the System's Operating Environment.

Sound strategic thinking involves determining the optimal way to respond to an organization's dynamic, changing environment. Any exercise in strategic planning at the Board level should regularly assess the internal and external forces influencing the U.T. System in particular and higher education in general. An environmental scan should be conducted to identify System strengths and weaknesses; track emerging social, economic and public policy trends; highlight the changing role of university; examine new models of learning and the implications of information technology; and look at changes in management, governance, and university organization. The Board should view strategic planning as an ongoing process, not as an end in itself.

•Assign Responsibilities and Establish Clear Benchmarks

Having assessed the U.T. System’s environment, examined its strengths and weaknesses, and identified its strategic issues and goals, the Board should work with the Chancellor to develop a plan of action that assigns responsibilities, set timelines and establishes benchmarks for System to reach its strategic goals. In that regard, the Board should review the current Regents’ Rules (Part One, Chapter II, Section 3.22) that address the Chancellor’s role in strategic planning. The Board may want to expand the scope of the issues addressed in the System’s strategic plan and clarify the Chancellor’s authority to implement the plan after acceptance by the Board.

The Board should be guided by a set of benchmarks to assess the accomplishment of its major objectives. While the broad goals of the System are set forth in the Long-Range Plan, the Board would benefit from having a set of intermediate benchmarks to know if the System is making proper progress. What is each institution’s target for improving graduation rates? How well are the component doing in improving teacher preparation, professional development and enhancing access? How should the System measure the success of each university’s center of excellence in improving academic and research excellence? How should the System evaluate each schools progress under the new assessment system?

•Take a Greater Role in Ensuring Harmonization of Strategic Planning at the System and Component Level

With the removal of the legislatively-mandated and budget-driven strategic planning process, universities now have the opportunity to conduct a more comprehensive process that defines institutional priorities, objectives and strategies. Some components have already begun to do so, others are still operating under their old Agency Strategic Plan. The Board should take a limited, but active, role in ensuring that each university’s plan reflects the System goals and clearly states that institution’s priorities and its strategies for building its centers of excellence. Giving the Board a regular opportunity to review each university’s strategic plan will enhance the Board’s understanding of its unique challenges and help develop a stronger consensus on each university’s mission and future.

For the Long-Range Plan to be effective, it needs to guide all major strategic decisions concerning the U.T. System. The Board should adopt a process that requires any major policy change to show conformity with the Long-Range Plan before it is approved.

•Convene Regular Meetings with University Presidents

According to both Board members and University presidents, some of the most helpful interactions in recent months have been the informal but frank conversations during the academic and health policy meetings. Major progress was made in defining the centers of excellence model through honest exchange among component presidents and Board members. As the Board pursues greater autonomy for its components, more responsibility will fall on the leaders of those institutions. The U.T. System is

fortunate to have a strong leadership team in place, but a number of those leaders seek a better understanding of the Board's intent and direction on major issues. Similarly, Board members need to understand the presidents' perspective and work with them as partners in progress instead of line managers. The recent academic and health component meetings were extremely valuable in establishing such a dialogue. The Board should include more opportunities for informal exchanges of ideas during its board and committee meetings.

Table One

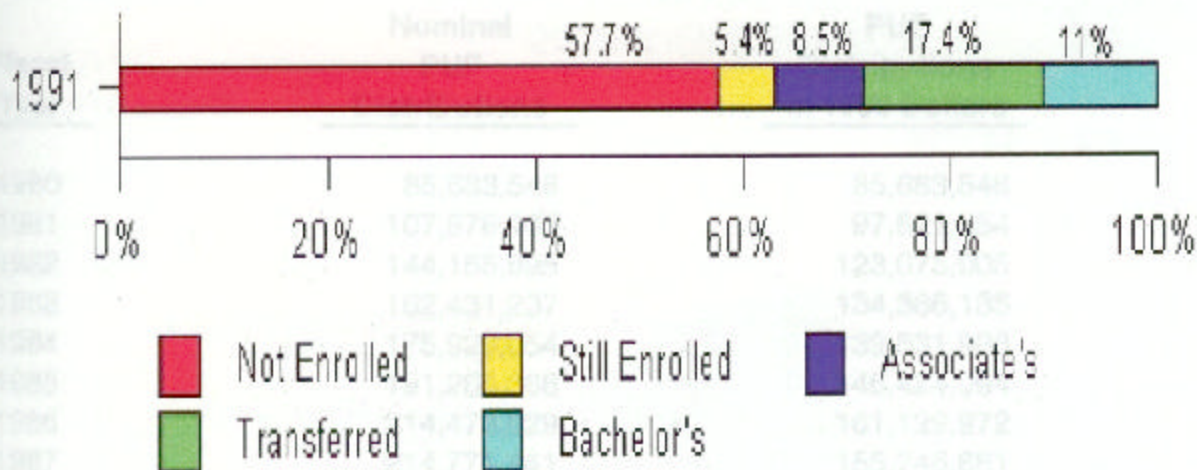
E-Business and Vendor Applications in the Higher Education Market	
Process Area	Sample of E-Business Vendors
On-line admission applications	Embark, CollegeNet, XAP
On-line student services	Campus Pipeline, MyBytes.com, Jenzabar
On-line textbooks	varsitybooks.com, textbooks.com, ecampus.com, efollet.com
On-line procurement	CommerceOne, Ariba
On-line alumni communities, contributions, and merchandising	Alumniconnections.com (from Harris Publications)
Tools and systems for on-line delivery and management	Blackboard, Centra, Convene, eCollege.com, WebCT, Eduprise.com
On-line content distributors	Caliber, UNEXT.com, Pensare
Learning portals	Asymetrix's click2learn.com, HungryMinds.com, Ziff-Davis's SmartPlanet.com, Blackboard.com

Source: Katz, R., Oblinger, D., eds., *The "E" is for Everything*, Educause, Jossey-Bass, 2000 p. 92.

Table Two

PUF Distributions to the Available University Funds
Nominal and Inflation-Adjusted to 1990

**Six-Year Baccalaureate/Transfer Rates
Texas Community & Technical Colleges
(Academic and Technical)**



Note: Transfers include recipients of associates' degrees who have transferred to another institution but have not obtained a bachelor's degree within the six-year period.

Source: Texas Higher Education Coordinating Board, *Baccalaureate Graduation Rates, Texas Public Colleges and Universities*, June 1999.

Effective September 1, 1997, a statutory amendment changed the distribution of income from unit to an equal split of income. The change reflected in this table distribution adjustment to the PUF of \$67,207,007, which is not reflected.

* Beginning in FY 2000, distributions were determined as a percentage of the total 12-month income of the PUF's net total.

Table Three

**PUF Distributions to the Available University Funds
Nominal and Inflation-Adjusted to 1980**

<u>Fiscal Year</u>	<u>Nominal PUF Distributions</u>	<u>PUF Distributions in 1980 Dollars</u>
1980	85,683,548	85,683,548
1981	107,676,905	97,621,854
1982	144,165,995	123,073,005
1983	162,431,237	134,366,135
1984	175,929,054	139,531,908
1985	191,265,366	146,424,094
1986	214,473,829	161,129,972
1987	214,771,441	155,746,681
1988	236,873,982	165,009,482
1989	254,333,926	169,057,543
1990	266,119,332	167,828,639
1991	257,659,365	155,943,709
1992	256,553,548	150,751,877
1993	250,251,366	142,765,719
1994	242,304,280	134,729,036
1995	249,534,119	134,969,904
1996	253,626,121	133,187,589
1997	265,186,299	136,127,299
1998	259,978,077	131,352,143
1999	263,914,794	130,470,785
2000	297,562,712	142,268,093
2001	317,081,112	147,404,917
2002	338,433,636	155,318,714 * based on CPI thru 4/02

* Effective September 1, 1997, a statutory amendment changed the distribution of income from cash to an accrual basis of accounting. This change resulted in a one-time distribution adjustment to the AUF of \$47,285,687, which is not reflected.

** Beginning in FY 2000, distributions were determined as a percentage of the trailing 12-quarter average of the PUF's net asset value.

Table Four

University Participation Rates (Texas)

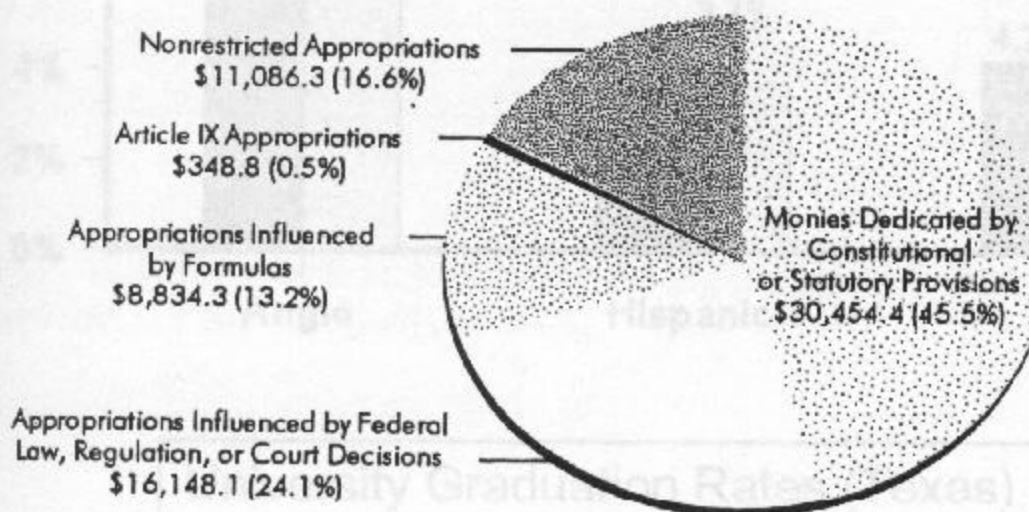
Gaps in University Participation Rates Continue to Remain Large

15-to-34 Population

**RESTRICTED APPROPRIATIONS FROM TEXAS
GENERAL REVENUE AND GENERAL REVENUE-DEDICATED FUNDS
2002-2003 BIENNIUM**

(IN MILLIONS)

TOTAL = \$66,871.9 MILLION

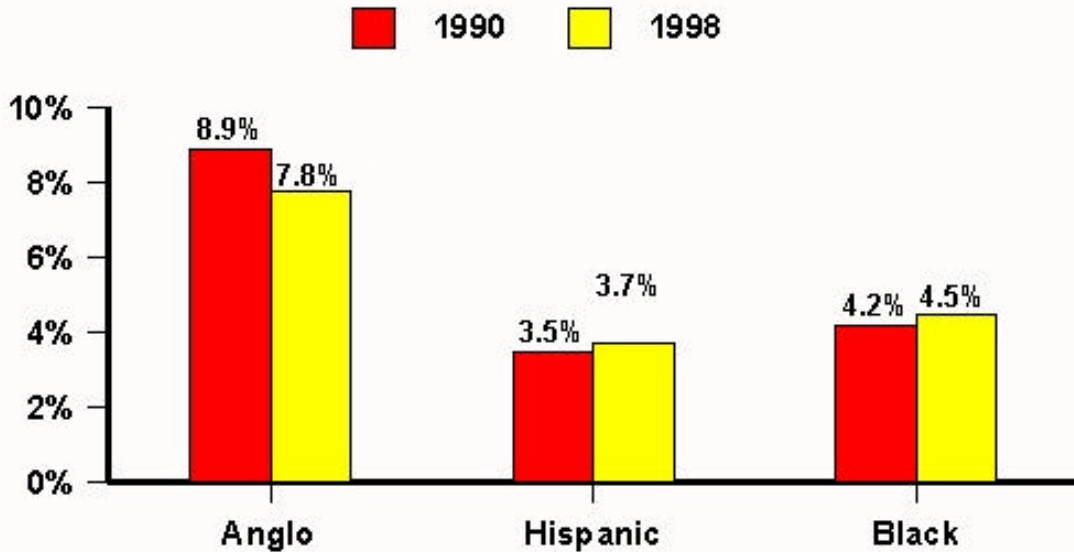


Source: Legislative Budget Board, *Fiscal Size-Up 2002-03*.

University Participation Rates (Texas)

Gaps in University Participation Rates Continue to Remain Large

15-to-34 Population

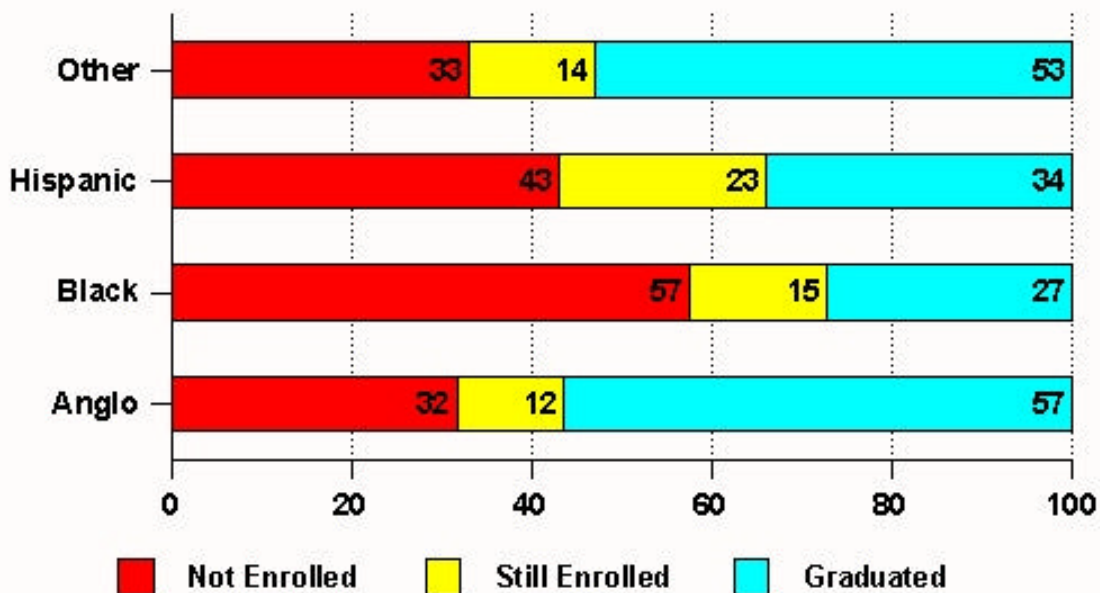


THECB 9/1999

University Graduation Rates (Texas)

Gaps are Largest at Universities

Public Universities - Fall 1992 Cohort



Source: Texas Higher Education Coordinating Board

THECB 9/1999

Table Six

State Rank in Federal Obligations and Federally Financed R&D (Dollars in Thousands)						
	Federal Obligations for Science and Engineering to Colleges and Universities		Federal Obligations for R&D in Science and Engineering to Colleges and Universities		Federally Financed R&D Expenditures at Colleges and Universities	
State	FY 1999	Rank	FY 1999	Rank	FY 1999	Rank
California	\$2,500,871	1	\$2,247,783	1	\$2,179,077	1
New York	\$1,450,921	2	\$1,269,773	2	\$1,334,210	2
Maryland	\$1,120,503	3	\$1,004,165	3	\$1,058,128	3
Pennsylvania	\$1,098,534	4	\$990,736	4	\$905,775	6
Massachusetts	\$1,047,036	5	\$937,608	5	\$1,018,574	4
Texas	\$972,851	6	\$834,557	6	\$975,753	5

Source: Texas Higher Education Coordinating Board, *Research Expenditures, September 1, 2000 – August 31, 2001*.

The University of Texas System
Review of Cash & Non-cash Elements of Presidents' Compensation
September 2002

Background

Following the August 7, 2002 Executive Session consideration of Presidents' compensation, Vice Chairman Hunt requested that the System Administration staff review each of the cash and non-cash elements comprising the institutional presidents' compensation for opportunities to simplify the compensation structure and provide appropriate and consistent System-wide policies. The current compensation structure has developed over the years and has been administered in the absence of a formal U. T. System policy resulting in inconsistent applications and some confusion as to the varying elements of compensation.

The review team was comprised of representatives from the Office of Business Affairs, Office of the Board of Regents, Controller's Office, Real Estate Office, Office of General Counsel, Health Affairs and Academic Affairs.

U. T. System Policy on Presidents' Compensation

To ensure institutional memory and provide for consistency with future presidents' appointments and compensation plans, the review team recommends that a U. T. System Policy on Presidents' Compensation be developed that includes the Board of Regents' approved recommendations and policies resulting from their adoption and modification of those recommendations set forth below. The proposed recommendations are prospective in nature and application and not intended to be applied retroactively. It is further recommended that the policy and recommendations be implemented during the 2003-2004 budget cycle.

Elements of Cash Compensation & Recommendations

Base Salary Rate

The base salary rate is set after comparing against published state and national compensation survey data for peer institutions. Comparable salaries are reported in the College & University Personnel Association (CUPA) and other nationally recognized surveys. These surveys typically exclude allowances such as car, housing, housekeeping, retirement plans, and other fringe benefits.

Practice Plan

The bylaws of the physician practice plans provide that the health institutions presidents' compensation can be supplemented by up to 30% of the presidents' salary from practice plan funds. While the supplement has always been paid, U. T. System policy specifies that the supplement is contingent on availability of funds in the practice plan. Practice plan supplements are included in national surveys of chief executive compensation.

Recommendation:

The practice plan salary supplement should continue to be reported as a separate element of the health presidents' compensation because of the special nature of the source of funding. Payments should not be retirement eligible.

Salary Supplement

This compensation element was originally a Housing Allowance, but was modified in fiscal year 2000 to a Salary Supplement, making it eligible for retirement benefits. The Salary Supplement has historically been paid to those presidents who are not provided a U. T. System-owned residence and it is paid in lieu of a housing allowance. There has been no consistent basis for calculating or determining the amount of the Supplement.

Three presidents are provided U. T. System-owned housing, and, as such, they do not currently receive a Salary Supplement. The non-cash value of providing this housing has historically been established at \$66,000, which has no correlation or comparability to the market value of the benefit. A market value analysis earlier this year established market values ranging from approximately \$9,000 to \$30,000 based on an allocation of business and personal use.

Recommendations:

- (A) The Salary Supplement should continue to be reported as a separate element of compensation.

A recent survey of peer research universities around the country revealed that over 90% provided their presidents with either a residence or a housing allowance. In addition, rolling the value of the Salary Supplement into the presidents' base salary rate would create comparability issues with state and national compensation surveys and comparisons with peer institutions. Including the Supplements in the base salary rate would substantially increase in the health institutions' overall compensation expense because the base salary rate is the basis for computing the 30% Practice Plan element of compensation. This increase would compound over the years as the presidents are given merit and legislatively mandated across-the-board increases in base salary rate.

- (B) The basis for the value of the Supplement should be market driven and established at the fair market rental value of a standardized model residence. The proposed model residence would contain 4,100 square feet of improvements and be valued as if located where each president owns, or leases, his or her personal residence. In the case of university-owned housing, the model residence would be valued as if situated where the institutionally owned residence is located. When a new president takes office, it is proposed that he or she should initially receive the most recent rental value determined for the location of the preceding residence until such time as he or she obtains permanent housing, with the expectation that such will be obtained within one year of hire date. If after one year permanent housing has not been obtained, the value of the Supplement will be adjusted to the fair market rental value of their current residence.
- (C) The value of the Salary Supplement shall not exceed the fair market rental value of the model residence priced at the location of the Bauer House.

- (D) To maintain the current presidents at their same level of cash compensation, any excess of their current Salary Supplement over the appraised fair market rental value of the model residence should be added to the president's base salary rate.
- (E) The three presidents currently provided U. T. System-owned residences should be provided a Salary Supplement and the option of leasing the System-owned residence from the U. T. System or purchasing a separate residence and moving from the System-owned house. Any lease with the U. T. System should be based on the current fair market value of the residence, or that portion of the residence that is being used for private purposes. The implementation of this recommendation will relieve the U. T. System of any potential Federal income tax issues associated with the presidents' personal use of the residence.

It is the intention of this recommendation that these three presidents will receive a net cash compensation benefit after the payment of federal income taxes associated with the Salary Supplement and the payment of the U. T. System lease payments.

- (F) The U. T. System policy on presidents' compensation should state that the System will provide each president with a Salary Supplement to cover the fair market cost of leasing a model residence.

Car Allowance

Every president receives a monthly car allowance of \$700.

Recommendations:

- (A) The \$8,400 annual car allowance should be rolled up and included in the presidents' base salary rate.
- (B) The U. T. System policy on presidents' compensation should include a statement that business use of the presidents' vehicles may be reimbursed by the institution in accordance with the latest published IRS guidelines and the State Travel Regulations Act (Tx. Government Code Sec. 660) and further state that no separate car allowance will be provided.

Tax Equity Adjustment

Currently four presidents' cash compensation includes a tax equity adjustment element that compensates the presidents for the Federal Income tax impact of their personal use of either U. T. System-provided housing, club memberships, or institutionally-provided housekeeping.

Recommendation:

The tax equity adjustments should be rolled up and included in the appropriate presidents' base salary rate and the U. T. System policy on presidents' compensation should specifically state that tax equity adjustments will not be provided and that personal use of institutional property, memberships, etc., should be appropriately reimbursed to the institution.

Maintenance & Utility Allowance

Only two presidents are provided a separate Maintenance & Utility Allowance.

Recommendation:

The Maintenance & Utility Allowance element of compensation should be rolled up and included in the respective presidents' base salary rate, and the U. T. System policy on presidents' compensation should note that all expenses associated with the presidents' residences are included in the Salary Supplement element of their compensation.

Housekeeping Allowance

Only one president receives a Housekeeping Allowance included in cash compensation. Provision for a full or part-time housekeeper (or the equivalent) is included in most, but not all, of the presidents' employment/appointment letters. (There is no agreement to provide for housekeeping services for the presidents of the Health Science Center at Houston, M. D. Anderson Cancer Center and the Health Center at Tyler.) While the housekeeping "is to be provided in accordance with U. T. System policy," no policy exists that addresses this component of the presidents' cash or non-cash compensation.

Recommendation:

Each president will receive in his or her base salary rate the market value of one half-time housekeeper (50% of the average mid-point of the housekeeper positions included in the U. T. System Classified Pay Plan plus benefits equal to 30% of the midpoint salary). The president will be responsible for the employment of the housekeeper and for the tax-related implications and expenses there associated or may reimburse the institution for the salary and appropriate benefits associated with the use of the institution's housekeeping staff. Each institution will continue to have the responsibility to provide appropriate support services for business-related functions held at the president's residence.

Elements of Non-cash Compensation & Recommendations

Club Membership Dues

The total amount of club membership dues paid by the institution on behalf of the presidents' is reflected as an element of the presidents' non-cash compensation. The amount of club dues reported ranges dramatically from zero for five of the presidents to over \$7,000.

Recommendations:

- (A) The non-cash value of club memberships should not be reflected as an element of the presidents' compensation.
- (B) A U. T. System-wide model policy or Business Procedure Memorandum for club memberships should be developed and used by each institution as the foundation for their institutional club membership policy that provides for the appropriate authorization and approval of club memberships, monitoring of personal expenditures and appropriate procedures for reimbursing the institution for any personal expenses incurred at clubs whose dues are paid by the institution.

The University of Texas System

Depreciation Recorded on Financial Statements vs. Capital Renewal Prepared by the Office of the Controller – September 2002

Purpose

At the August 2002 Board meeting, there was a discussion on depreciation expense recorded on the financial statements, which is anticipated to be in excess of \$300 million for 2002. Now that depreciation is recorded as an expense, and therefore has an effect on margin, questions are being raised regarding how depreciation recorded on the financial statements relates to on-going capital renewal. In addition, questions have arisen relating to how these items are reflected in the institutional budgets. In response to those discussions, this paper is meant to define the differences between the two bases of the costs of capital assets and the budgeting of those items.

Depreciation

Prior to the implementation of Governmental Accounting Standards Board (GASB) 35 in 2002, depreciation expense was not recorded on public higher education institutions' financial statements. GASB 35 requires that assets be depreciated over the useful life of the assets. Conceptually, the cost of property, plant and equipment is a long-term prepaid expense; the expense is prepaid in advance of utilization of the asset and therefore is recorded as a capitalized asset. As the economic life of the asset is utilized in operations, the cost of the asset is allocated as an expense in the form of depreciation. The recording of depreciation is an accounting process of allocating the cost of tangible capital assets, less salvage value (if any), over the estimated useful life of the asset in a systematic and rational matter. The Comptroller's Office of the State of Texas has mandated using the straight-line method of allocating depreciation for all State agencies and institutions of higher education. The straight-line method recognizes an equal amount of depreciation in each period of the service life of the asset.

GASB 35 also requires that the cumulative effect of recording depreciation expense of prior years be recognized on the financial statements; therefore, capital assets that had a book value of \$8 billion at the end of 2001 are anticipated to decrease approximately \$3.9 billion (49%) due to recording accumulated depreciation. While the book value of land, buildings, infrastructure, equipment, library books, museums and art collections, and construction in progress is estimated to be \$4 billion at the end of 2002, this in no way reflects the replacement value of these assets in current year dollars.

Capital Renewal

Capital renewal is defined as the reinvestment dollars in current year terms necessary to maintain a facility in (restore to) like-new condition. Capital renewal includes the costs that extend or restore the life of a building's subsystems and components. Capital renewal does not include preventative maintenance or minor recurring maintenance work for facilities and does not include the cost of the equipment located in the facilities.

Capital renewal requirements are always defined in current dollars and may be best estimated by dissecting a building into subsystems (such as roof, plumbing, electrical, etc.). Each subsystem has a predictable life, and although the actual life may vary, the overall capital renewal requirements may be estimated with reasonable accuracy.

Capital renewal may be best compared to depreciation when looking at the average annual capital renewal over an extended time period (perhaps 50 years). The recent Facility Renewal Model report generated an overall System-wide average requirement of 1.7% of current replacement value. In other words, in order to maintain the current condition and value (status quo) of all facilities over the next 50 years, The University of Texas System as a whole would need to place 1.7% of total current replacement value annually in a theoretical savings account to address capital renewal requirements as they occur. However, unlike depreciation, the capital renewal required for a building is a cyclical value depending upon time and the age of the subsystems. For example a new building requires no capital renewal in the first year but may need new paint in year 7, new carpet in year 10, new roof in year 20, new air conditioning equipment in year 25, etc.

As part of the Facility Renewal Model, a current replacement value (CRV) is calculated to develop meaningful indices. The CRV is calculated by restating the current building inventory in current construction dollars, or as though we rebuilt the entire building inventory in the current year. The CRV for U. T. System's buildings is currently estimated at \$13 billion.

Depreciation and Capital Renewal Impact on Institutional Budgets

Depreciation is not currently reflected in our institutional budgets for three reasons:

1. The primary purpose of budgeting for governmental entities is to establish limitations on expenditures. Purchases of capital assets, while not an expense, require commitments of resources that are subject to being limited by budget parameters whereas depreciation expense is not.
2. Budgets have historically been viewed as "sources" and "uses" of cash. Since depreciation is a non-cash item, depreciation expense is not currently reflected in the budgets.
3. Depreciation is recorded in the Investment in Plant fund group. Our current budgets, which are in a format consistent with the expectations of the Legislative Budget Board and Governor's Office of Budget, Planning, and Policy, include current funds only (Educational & General, Designated, Auxiliary, and Restricted).

In addition, while some portion of capital renewal might be budgeted in current funds in the E&G Capital Projects line, the vast majority would be recorded in the Investment in Plant Fund group, and therefore not all capital renewal is currently reflected on institutional budgets.

Beginning in 2003, the Office of the Controller will form a work group of budget personnel from select institutions to rethink the current budget methodology and format. This process would be similar to the GASB 35 Implementation Group that met numerous times over the last two years to change the presentation of the financial statements as a result of GASB 35.

Conclusion

Depreciation is an accounting term used to express the 'used-up' value of an asset on the financial statements based on a straight-line computation of the original book value; while capital renewal is a computation of necessary funds in current year dollars to maintain the building inventory in a like-new condition. Depreciation expense will occur evenly over the original life of the asset, while capital renewal is cyclical depending on the age and condition of the subsystem.

Therefore, the estimated remaining book value of \$4 billion reported on the balance sheet at the end of 2002 in no way reflects the CRV calculated in the Facility Renewal Model of \$13 billion. In addition, the depreciation expense reported on the financial statements does not correspond to the capital renewal required in the current year. However, the Office of the Controller is committed to investigate possible solutions to the between the newly revised financial statements and the current format of the budget.

The University of Texas System



**Energy Utility Task Force
FY 2002 Update**

Task Force Scope

The Energy Utility Task Force of the U.T. System was created in February 2001 to evaluate and recommend strategies to:

1. Reduce energy consumption
2. Lower maintenance and operating costs
3. Manage commodity price risk
4. Leverage the System's purchasing power as utility deregulation moves forward in Texas

Task Force Update

Status of Goals for FY 2002

Recommendation

Status

- | | | |
|--|---|---|
| 1. Establish Energy Management Plan templates with the State Energy Conservation Office (SECO) | ➤ | Completed – U.T. template will be used by SECO as a model for compliance with annual reporting requirements. |
| 2. Complete Energy Management Plans at each campus by 5/31/02 | ➤ | Completed |
| 3. Establish energy utilization benchmarks | ➤ | Completed – (Energy Utilization Index and Energy Cost Index) |
| 4. Refine energy data collection process | ➤ | Ongoing – We now have data from 1990-2003E and continue to refine the process. |
| 5. Encourage sponsorship of new energy efficient capital projects by incorporating energy savings into economics | ➤ | Substantial progress |

Task Force Update

Status of Energy Contracting Since 1/1/02

- Six component institutions have signed new electricity contracts since 1/1/02.
 - Most institutions continue to be served by the local utility.
 - Contract terms range from eight months to 36 months.
 - The provider of choice has turned out to be the General Land Office (through its agent, Reliant Energy Solutions).
- Several natural gas contracts have been signed as well.
 - U.T. Austin has locked-in a fixed price for 81% of its natural gas in FY 2003 at \$3.65 per MMBtu, well below the FY 2001 average price of \$5.52 per MMBtu.
 - Most other natural gas contracts are at a floating price.

Task Force Update

Selected Energy Efficient Projects for FY 2003

- Many of the components are planning or implementing significant energy-related capital projects. A few examples:
 - U.T. SWMC - Thermal Energy Plant, Phase II
 - Installation of new energy efficient lighting; new substation and electric distribution; addition of 12.7 MW of new natural gas-fired electric generation; addition of new high-efficiency electric chillers.
 - \$25.1 million of the capital cost will be financed with RFS debt and repaid entirely from energy savings guaranteed by TXU/ONCOR.
 - Other benefits include increased reliability, maintenance savings and a \$5 million reduction in future capital costs.
 - U.T. Austin – Utility Infrastructure Expansion/Upgrade
 - A series of projects designed to replace aging and undersized equipment including an upgrade to the capacity of the Harris Substation, an upgrade of the power plant switchgear, replacement of cooling tower #1 and possibly installing a 25 MW steam turbine.
 - Primary benefits include greater capacity (56 MVA to 100 MVA), greater reliability and higher efficiency (e.g., the new turbine is expected to be 7% more efficient than the existing one).

Task Force Update

FY 2003 Outlook

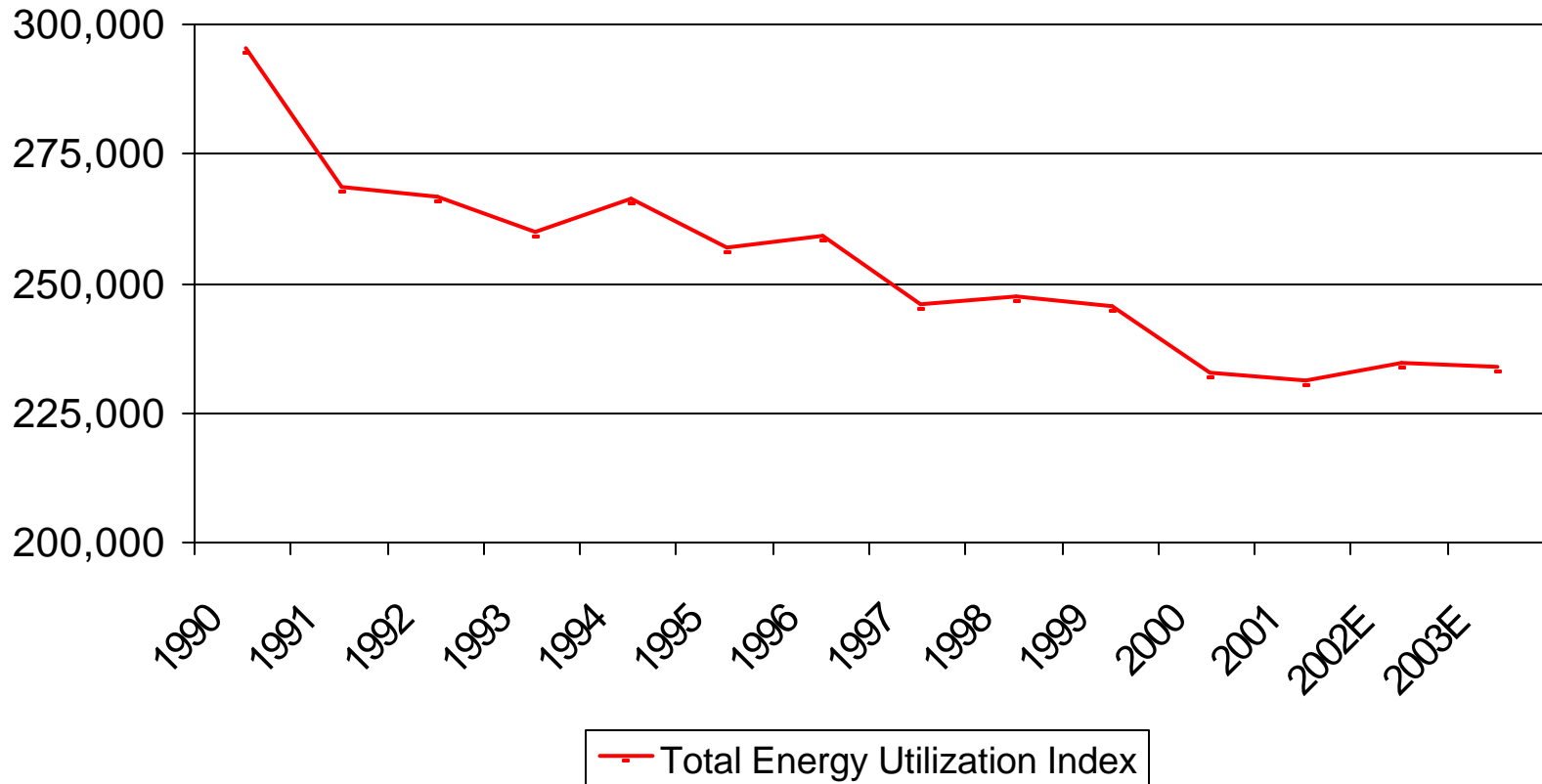
- System-wide energy data will be reported to the State Energy Conservation Office by October 31, 2002.
- The System is targeting a 2-4% decrease in projected energy utilization per square foot for FY 2003.
- Electricity and natural gas costs are lower than peak 2001-2002 levels, but still higher than historic norms.
- Enrollment growth continues to outpace growth in square footage.
- A higher mix of research space could limit further reductions in energy utilization per square foot.

Updated Energy Consumption and Costs

Fiscal Year	Electricity Usage (Gwh)	Natural Gas Usage (Bcf)	Electricity Cost (\$/Kwh)	Natural Gas Cost (\$/Mcf)	Total Electricity Cost (\$ millions)	Total Natural Gas Cost (\$ millions)	Other Energy Cost (\$ millions)	Steam and Hot Water Cost (\$ millions)	Chilled Water Cost (\$ millions)	Total Energy Cost (\$ millions)	Gross Square Footage	Total Energy Utilization Index (Btu / ft ² / yr.)	Total Energy Cost Index (\$ / ft ² / yr.)
1990	677	6.07	\$0.047	\$2.00	32.0	12.1	21.8	6.44	19.79	92.10	40.60	294,490	\$ 2.27
1991	698	5.34	\$0.049	\$1.93	34.5	10.3	22.1	5.79	19.89	92.65	41.59	267,467	\$ 2.23
1992	723	6.10	\$0.050	\$2.04	36.2	12.4	21.9	5.80	18.16	94.46	43.10	265,538	\$ 2.19
1993	759	5.85	\$0.051	\$2.51	38.9	14.7	20.4	6.56	19.14	99.75	43.39	258,814	\$ 2.30
1994	769	6.21	\$0.053	\$2.49	40.9	15.5	22.4	6.15	19.88	104.79	43.56	265,275	\$ 2.41
1995	809	6.04	\$0.049	\$1.93	39.4	11.7	24.1	4.44	18.01	97.62	44.31	255,897	\$ 2.20
1996	828	6.34	\$0.043	\$2.38	35.7	15.1	22.3	4.75	17.63	95.41	45.38	257,950	\$ 2.10
1997	917	6.67	\$0.044	\$2.72	40.7	18.2	24.6	3.29	12.38	99.13	48.40	245,050	\$ 2.05
1998	990	7.05	\$0.045	\$2.71	44.1	19.1	26.1	2.79	10.31	102.48	49.92	246,245	\$ 2.05
1999	995	6.89	\$0.044	\$2.46	43.6	17.3	25.3	3.08	11.65	81.57	51.13	244,387	\$ 1.56
2000	1,002	6.95	\$0.045	\$3.43	44.8	24.2	27.9	3.31	12.71	91.65	54.29	231,608	\$ 1.67
2001	1,034	7.06	\$0.057	\$5.88	58.6	41.5	29.4	5.96	13.69	149.21	55.65	230,224	\$ 2.68
2002E	1,066	7.28	\$0.058	\$3.93	62.2	28.7	31.6	5.59	14.44	142.47	56.49	233,769	\$ 2.52
2003E	1,104	7.35	\$0.057	\$4.17	62.9	30.6	33.7	5.94	15.19	148.35	57.84	232,908	\$ 2.56

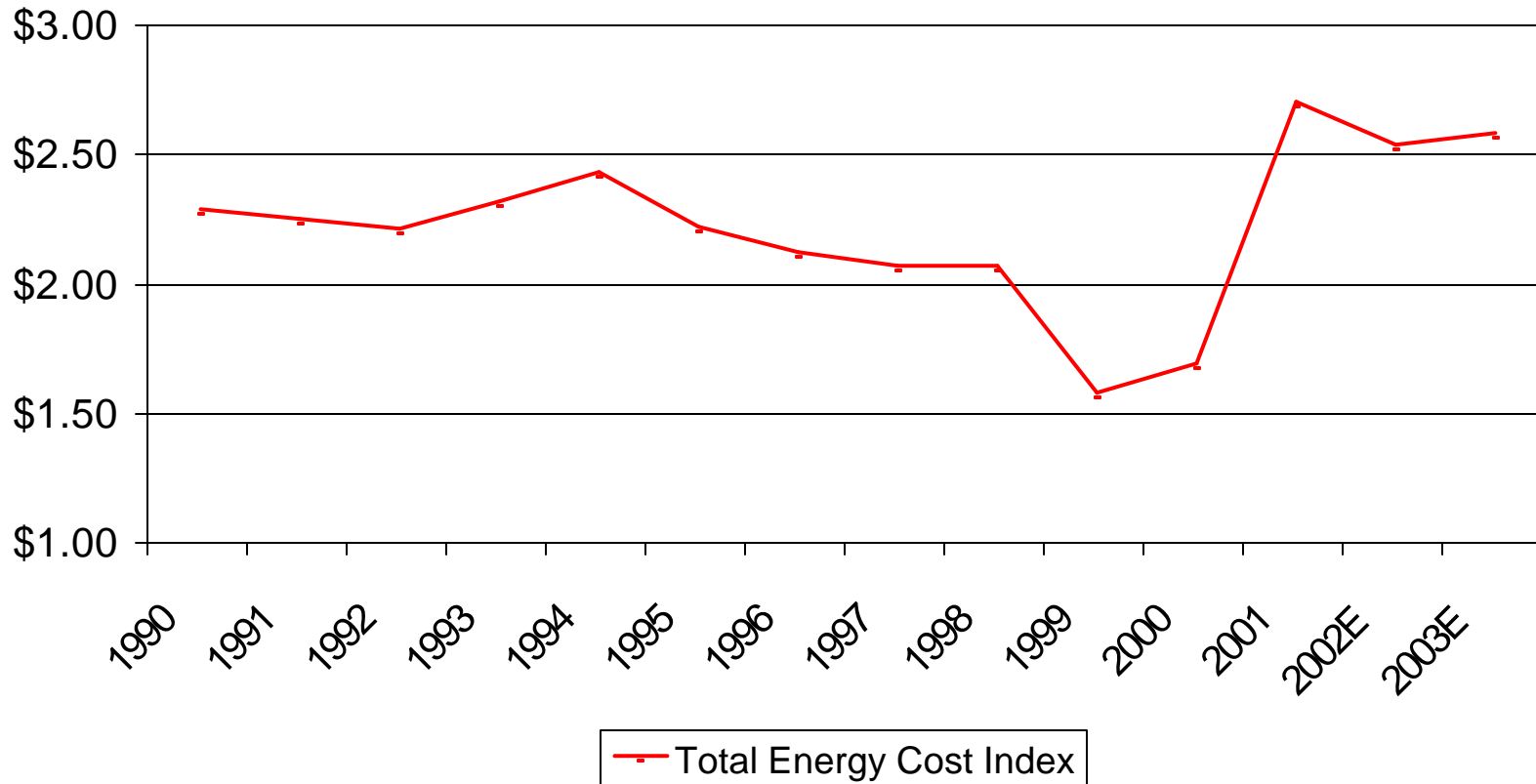
Updated Energy Utilization Indexes (EUI)

(Btu / ft² /year)



Updated Energy Cost Indexes (ECI)

(\$ / ft² / year)



THE UNIVERSITY OF TEXAS SYSTEM

**PERFORMANCE MEASURES
BACKGROUND INFORMATION**



FINANCE AND PLANNING COMMITTEE

SEPTEMBER 2002

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Key Performance Measures for U. T. Institutions	12

Background

Strategic Planning and Budgeting System (SPB)

In 1992, the Governor and the Legislative Budget Board (LBB) adopted a Strategic Planning and Budgeting system (SPB) to allocate state government resources. SPB recognizes relationships between funding and performance, between accountability and resource allocation and most importantly, between spending and results. To measure state agencies progress toward meeting state-identified goals and establish the relationship between state appropriations and results, a system of performance measurement was deemed a critical component of the SPB. As a practical matter, due to the nature of the funding mechanisms for institutions of higher education, the performance-based budgeting system has had minimal impact on higher education funding.

Strategic planning and budgeting structures serve as the starting point for developing an agency's biennial budget request. Agencies work with the LBB and GOBP to develop a budget structure that reflects the agencies strategic plans, goals and objectives, and spending priorities. Even though higher education is exempted from the state's strategic planning requirements, institutions still develop and follow approved budget structures.

Performance Measures

The Strategic Planning and Budgeting performance measurement system includes four types of performance measures: outcome, output, efficiency, and explanatory/input. The following are definitions of the measures:

<u>Outcome Measure</u>	A quantifiable indicator of the public and customer benefits from an agency's actions
<u>Output Measure</u>	A quantifiable indicator of the number of goods or services an agency produces
<u>Efficiency Measure</u>	A quantifiable indicator of productivity expressed in unit costs, units of time, or other ratio-based units
<u>Explanatory/Input Measure</u>	An indicator of factors, agency resources, or requests received that affect a state entity's performance.

Key Performance Measures

Institutions of higher education work with the LBB and GOBPP to determine which measures are deemed to be the most important. These "key" measures are included in the General Appropriations Act each biennium.

Performance Measures

Academic Institutions

✓ Indicates key performance measure for one or more U.T. component

Outcome Measures

- ✓ Percent of First-time, Full-time, Degree-seeking Freshmen Who Earn a Baccalaureate Degree Within Six Academic Years
- Percent of First-time, Full-time, Degree-seeking White Freshmen Who Earn a Baccalaureate Degree Within Six Academic Years (also for Hispanic, Black and Other Freshmen)
- ✓ Retention Rate of First-time, Full-time, Degree-seeking Freshmen Students After One Academic Year
- Retention Rate of First-time, Full-time, Degree-seeking White Freshmen Students After One Academic Year (also for Hispanic, Black and Other Freshmen)
- ✓ Amount Expended for Administrative Costs as a Percent of Operating Budget
- Percent of Semester Credit Hour Courses Completed
- ✓ Certification Rate of Teacher Education Graduates (formerly Pass Rate of ExCET Exam)
- Retention Rate of TASP Students Requiring Developmental Education After One Academic Year
- ✓ Percent of Baccalaureate Graduates Who Are First Generation College Graduates
- Percent of Incoming Full-time Undergraduate Transfer Students Who Graduate Within Four Years (Four year institutions only)
- ✓ Percent of Lower Division Courses Taught by Tenured or Tenure-Track Faculty
- ✓ State Licensure Exam Pass Rate of Law Graduates
- ✓ State Licensure Exam Pass Rate of Engineering Graduates
- ✓ State Licensure Exam Pass Rate of Nursing Graduates
- ✓ State Licensure Exam Pass Rate of Pharmacy Graduates
- State Licensure Exam Pass Rate of Veterinary Medicine Graduates
- ✓ Dollar Amount of External or Sponsored Research Funds (in millions)
- External or Sponsored Research Funds as a Percent of State Appropriations
- Amount of External Research Funds Expended as a Percentage of Funds Appropriated for Research
- ✓ Percent of Full-time, Degree-seeking Transfer Students Who Earn a Baccalaureate Degree Within Four Years (Upper-level Institutions Only)
- Percent of Full-time, Degree-seeking White Transfer Students Who Earn a Baccalaureate Degree Within Four Academic Years (also for Hispanic, Black and Other Transfer Students) (Upper level institutions only)
- ✓ Retention Rate of Full-time, Degree-seeking Transfer Students After One Academic Year (Upper level institutions only)
- Retention Rate of Full-time, Degree-seeking White Transfer Students After One Academic Year (also for Hispanic, Black and Other Transfer Students) (Upper level institutions only)
- Total Net Book Value of Inventoried Property Lost or Stolen
- Percent of Total Inventoried Property Reported as Lost or Stolen
- Percent of Endowed Chairs Unfilled for All or Part of the Fiscal Year
- Average Number of Months Endowed Chairs Remain Vacant

Output Measures

- Number of Undergraduate Degrees Awarded
- Number of Minority Graduates
- Number of Students Who Successfully Complete Developmental Education (formerly Number of Successfully Remediated Students)
- Number of Community College Transfer Graduates

Performance Measures Academic Institutions

✓ Indicates key performance measure for one or more U.T. component

Efficiency Measures

- Space Utilization Rate of Classrooms
- Space Utilization Rate of Labs

Explanatory/Input Measures

- Faculty/Student Ratio
- Number of Minority Students Enrolled
- Number of Community College Transfer Students Enrolled
- Number of Semester Credit Hours Completed
- Number of Semester Credit Hours
- Number of Students Enrolled as of the Twelfth Class Day

Performance Measures

Health-Related Institutions

✓ Indicates key performance measure for one or more U. T. component

Outcome Measures

- ✓ Percent of Medical School Students Passing Part 1 or Part 2 of the National Licensing Exam on the First Attempt
- ✓ Percent of Medical School Graduates Entering a Primary Care Residency
- ✓ Percent of Medical School Graduates Practicing Primary Care in Texas
- Percent of Medical School Graduates Practicing in Primary Care in a Texas Under-served Area
- ✓ Percent of Medical Residency Completers Practicing in Texas
- Total Gross Charges for Un-sponsored Charity Care Provided by Faculty
- Total Gross Charges for Patient Care (Excluding Un-sponsored Charity Care) Provided by Faculty
- Outpatient-related Charges as a Percent of All Charges by Faculty
- Percent of Patient Charges to Managed Care Contracts by Faculty
- ✓ Percent of Dental School Graduates Admitted to an Advanced Education Program in General Dentistry
- Percent of Charges to Medicare by Faculty
- ✓ Percent of Dental Students Passing Part 1 or Part 2 of the National Licensing Exam on the First Attempt
- Percent of Graduates in Family Practice in Texas
- ✓ Percent of Dental School Graduates Licensed in Texas
- Percent of Graduates Entering a Family Practice Residency
- Percent of Graduates Practicing in a Texas Dental Under-served Area
- ✓ Percent of Allied Health Graduates Passing the Certification/Licensure Examination on the First Attempt
- ✓ Percent of Allied Health Graduates Who are Licensed or Certified in Texas
- ✓ Percent of BSN Graduates Passing the National Licensing Exam on the First Attempt in Texas
- ✓ Percent of BSN Graduates Who are Licensed in Texas
- ✓ Percent of MSN Graduates Granted Advanced Practice Status in Texas
- ✓ Percent of Public Health School Graduates Who are Employed in Texas
- Percent of Pharmacy School Graduates Passing the National Licensing Exam on the First Attempt
- Percent of Pharmacy School Graduates Who are Licensed in Texas
- ✓ Administrative Cost as a Percent of Total Expenditures
- Total Value of Lost or Stolen Property
- Lost or Stolen Property as a Percent of Total Inventory
- ✓ Total External Research Expenditures
- External Research Expenditures as a Percent of State Appropriated Expenditures
- External Research Expenditures as a Percent of State Appropriations for Research
- Research Expenditures Supported by the Hughes Institute and VA Center
- Federal/State Ratio of Expenditures for Research and Development
- ✓ Total Gross Charges for Un-sponsored Charity Care Provided in State-owned Facilities
- ✓ Total Gross Charges (Excluding Un-sponsored Charity Care) Provided in State-owned Facilities
- State Support for Patient Care as a Percent of Charity Care

Performance Measures

Health-Related Institutions

✓ Indicates key performance measure for one or more U. T. component

Output Measures

- Total Number of Degrees or Certificates Awarded (All Schools)
- Minority Graduates as a Percent of Total Graduates (All Schools)
- Minority Graduates as a Percent of Total M.D./D.O Graduates
- ✓ Total Number of Outpatient Visits
- ✓ Total Number of Inpatient Days
- Number of Indigent Pregnant Women Seen by Faculty or Residents in a Clinic Setting
- ✓ Number of Combined M.D. / Ph.D. Graduates
- Minority Graduates as a Percent of Total Dental School Graduates
- Annual Event Hours of Distance Education
- ✓ Number of High School and Middle School Teachers Completing a STARS Program
- Number of High Schools and Middle Schools Represented by Teachers Completing a STARS Program
- Number of Programs in South Texas Area
- Number of Locations Served by Programs in South Texas Area
- Number of K-12 Students Participating in Programs in South Texas Area
- ✓ Number of Certificate, Associate, & Baccalaureate Degree Students Participating in Programs in South Texas Area
- ✓ Number of MD/DDS Students Participating in Programs in South Texas Area
- ✓ Number of Resident Physicians/Dentists Participating in Programs in South Texas Area

Efficiency Measures

- Net Revenue as a Percent of Gross Revenues
- Net Revenue per Equivalent Patient Day
- Operating Expenses per Equivalent Patient Day
- Personnel Expenses as a Percent of Operating Expenses

Explanatory/Input Measures

- Total Number of Post-doctoral Research Trainees (All Schools)
- ✓ Minority Admissions as a Percent of Total First-year Admissions (All Schools)
- Medical School Enrollment
- ✓ Minority Admissions as a Percent of Total M.D. Admissions
- Minority Admissions as a Percent of Total D.O. Admissions
- Total Number of Residents
- ✓ Minority Residents as a Percent of Total Residents
- Family Practice Residents as a Percent of Total Residents
- Graduate School Enrollment (Biomedical Sciences)
- Dental School Enrollment
- ✓ Minority Admissions as a Percent of Total Dental School Admissions
- Total Number of Residents in Advanced Dental Education Programs
- Allied Health Enrollment
- (Rural) Public Health School Enrollment
- Nursing School Enrollment
- Pharmacy School Enrollment

Description of Key Performance Measures – U. T. Institutions

Measure	Short Definition	Purpose/ Importance
ACADEMIC INSTITUTIONS		
Percent of First-time, Full-time, Degree-seeking Freshmen Who Earn a Baccalaureate Degree Within Six Academic Years	The percent of those students classified as first-time, full-time, degree-seeking freshmen, who earn a baccalaureate degree within six years of their entrance as freshmen.	This measure provides an indication of the persistence to graduation for a freshmen cohort.
Retention Rate of First-time, Full-time, Degree-seeking Freshmen Students After One Academic Year	Percent of first-time, full-time, degree-seeking freshmen who enter in the fall semester, who are still enrolled after one academic year.	This measure provides an indication of the rate at which students survive the freshmen year and continue as sophomores. Weaknesses in this area indicate a need for retention strategies. High retention rates generally translate into high graduation rates.
Amount Expended for Administrative Costs as a Percent of Operating Budget	The percentage of funds expended for administrative costs as a percent of operating budget. Administrative costs are Institutional Support expenditure items as designated in the institution's annual financial reports included in the following subcategories: executive management, fiscal operations, general administration and logistical services, administrative computing support, and public relations/development.	This measure provides an indicator of the proportion of the operating budget being spent on administrative costs.
Certification Rate of Teacher Education Graduates (formerly Pass Rate of ExCET Exam)	The percentage of the institution's undergraduate teacher education program graduates attempting the state licensing examination who become certified to teach by the State Board of Educator Certification (SBEC) either before graduation from the program, or within the twelve months immediately following graduation from the program.	This measure provides an indicator of the effectiveness of the institution's undergraduate teacher education program at producing certified teachers.
Percent of Baccalaureate Graduates Who Are First Generation College Graduates	Percentage of graduating baccalaureate students whose parents did not graduate from college. Parents are defined only as birth parents, adoptive parents, or legal guardians.	This measure provides an indicator of the proportion of graduates who are first generation in their family to graduate college. May be a factor of enhanced student services provided to students to increase their chances of success. When compared longitudinally, may indicate increased participation rates.
Percent of Lower Division Courses Taught by Tenured or Tenure-Track Faculty	The percent of lower division class sections taught by tenured or tenure-track faculty.	This measure provides an indication of the rate at which experienced teachers are used to teach lower division (freshmen and sophomore) classes at the institution.
State Licensure Exam Pass Rate of Law Graduates	The percentage of the institution's law program graduates attempting the state licensure examination that pass all parts either before graduation from the program or within the twelve months immediately following graduation.	This measure provides an indicator of the effectiveness of the institution's law program.

Description of Key Performance Measures – U. T. Institutions

Measure	Short Definition	Purpose/ Importance
State Licensure Exam Pass Rate of Engineering Graduates	The percentage of the institution's undergraduate engineering program graduates attempting the state licensing examination who pass all parts either before graduation from the program, or within the twelve months immediately following graduation or any required internship.	This measure provides an indicator of the effectiveness of the institution's undergraduate engineering program.
State Licensure Exam Pass Rate of Nursing Graduates	The percentage of the institution's nursing program graduates attempting the state licensing examination who pass all parts either before graduation from the program, or within the twelve months immediately following graduation from the program.	This measure provides an indicator of the effectiveness of the institution's nursing program.
State Licensure Exam Pass Rate of Pharmacy Graduates	The percentage of the institution's pharmacy program graduates attempting the licensing examination who pass all parts either before graduation from the program, or within the twelve months immediately following graduation from the program. All parts are defined as both the NAPLEX and the Texas Jurisprudence exam if both are attempted.	This measure provides an indicator of the effectiveness of the institution's pharmacy program.
Dollar Amount of External or Sponsored Research Funds (in millions)	The dollar value of funds expended for the conduct of research and development from sources other than appropriated state and local funds.	This measure provides an indicator of the level of research dollars generated; an indication of the scope of the institution's research mission.
Percent of Full-time, Degree-seeking Transfer Students Who Earn a Baccalaureate Degree Within Four Years (Upper-level Institutions Only)	The percent of those students classified as full-time, degree-seeking transfer students who transfer into the institution with at least 60 accepted semester credit hours, and earn a baccalaureate degree within four years of their entrance. Full-time is defined as taking 12 semester credit hours.	This measure provides an indication of the persistence to graduation for a transfer student cohort.
Retention Rate of Full-time, Degree-seeking Transfer Students After One Academic Year (Upper level institutions only)	Percent of full-time, degree-seeking transfer students who enter in the fall semester with at least 60 accepted semester credit hours, which are still enrolled after one academic year. Full-time is defined as taking 12 semester credit hours.	This measure provides an indication of the rate at which students survive the first year after transferring. Weaknesses in this area indicate a need for retention strategies. High retention rates generally translate into high graduation rates.

HEALTH-RELATED INSTITUTIONS

Percent of Medical School Students Passing Part 1 or Part 2 of the National Licensing Exam on the First Attempt	Students who pass part 1 or part 2 of the United States Medical Licensing Examination (USMLE) or the National Board of Osteopathic Medical Examiners (NBOME) Comprehensive Osteopathic Medical Licensing Examination (COMLEX) on the first attempt during the reporting period.	This measure is an indicator of the effectiveness of the institution's instructional program in preparing graduates for licensure.
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Description of Key Performance Measures – U. T. Institutions

Measure	Short Definition	Purpose/ Importance
Percent of Medical School Graduates Entering a Primary Care Residency	Doctor of Medicine (M.D.) Or Doctor of Osteopathy (D.O.) students who report just prior to graduation that they are entering an accredited post-graduate training program in primary care. Primary care is defined as family practice, general internal medicine (categorical only; exclude IM-preliminary and transitional first year), general pediatrics (categorical only), combined med-peds, and general obstetrics and gynecology (categorical only).	This measure is an indicator of the percent of graduates who will pursue post-graduate studies in primary care.
Percent of Medical School Graduates Practicing Primary Care in Texas	M.D./D.O. graduates who are practicing primary care at a Texas address as of August 31 of the current calendar year. Primary care is defined as family practice (or general practice), general internal medicine, general pediatrics, combined med-peds, and general obstetrics and gynecology. The definition includes (in the numerator) only those graduates who report to the Board of Medical Examiners that their primary and not secondary specialty is primary care.	This measure provides an indicator of the number of medical school graduates who remain in Texas to practice primary care.
Percent of Medical Residency Completers Practicing in Texas	Physicians who are practicing medicine at a Texas address two years after completing an institutionally affiliated and accredited residency-training program in Texas as of August 31 of the current calendar year.	This measure is an indicator of the number of physicians trained in Texas who remain in the state to practice medicine.
Percent of Dental School Graduates Admitted to an Advanced Education Program in General Dentistry	DDS students who report just prior to graduation that they have been admitted to an accredited advanced dental education program in general dentistry during the reporting period. An advanced dental education program in general dentistry is defined as a CODA -accredited general practice residency or an advanced education in general dentistry program.	This measure is an indicator of the effectiveness of the institution's DDS program in preparing its students for advanced dental education.
Percent of Dental Students Passing Part 1 or Part 2 of the National Licensing Exam on the First Attempt	Students who pass part 1 or part 2 of the National Board Dental Examination on the first attempt during the reporting period.	This measure is an indicator of the effectiveness of the institution's instructional program in preparing graduates for licensure.
Percent of Dental School Graduates Licensed in Texas	DDS graduates who are practicing dentistry at a Texas address as of August 31 of the current calendar year.	This measure provides an indicator of the number of dental school graduates who remain in Texas to practice dentistry.
Percent of Allied Health Graduates Passing the Certification/Licensure Examination on the First Attempt	Allied health graduates or eligible students in a discipline that offers or requires an external certification or licensure who pass the examination on the first attempt during the reporting period.	This measure is an indicator of the effectiveness of the institution's instructional program in preparing graduates for licensure.
Percent of Allied Health Graduates Who are Licensed or Certified in Texas	Allied health graduates in a discipline that offers or requires an external certificate or licensure who are licensed or certified to practice in Texas two years after completing their certificate or degree programs as of August 31 of the current calendar year.	This measure is an indicator of the number of allied health school graduates who remain in Texas to practice.

Description of Key Performance Measures – U. T. Institutions

Measure	Short Definition	Purpose/ Importance
Percent of BSN Graduates Passing the National Licensing Exam on the First Attempt in Texas	BSN graduates or eligible students who pass the National Council Licensure Exam on the first attempt in Texas during the reporting period	This measure is an indicator of the effectiveness of the institution's effectiveness in preparing students for licensure.
Percent of BSN Graduates Who are Licensed in Texas	BSN graduates who are licensed to practice nursing in Texas two years after completing their degree programs as of August 31 of the current calendar year.	This measure provides an indicator of the number of nursing school graduates who remain in Texas to practice.
Percent of MSN Graduates Granted Advanced Practice Status in Texas	MSN graduates who are certified for Advanced Practice Status in Texas two years after completing their degree programs as of August 31 of the current calendar year.	This measure is an indicator of the percent of graduates certified for advanced practice status.
Percent of Public Health School Graduates Who are Employed in Texas	Public Health graduates who are employed in Texas two years after completing their degree programs during the reporting period. The definition excludes master's degree graduates who are continuing in a Ph.D program.	This measure is an indicator of the effectiveness of the institution's
Administrative Cost as a Percent of Total Expenditures	The dollar amount of expenditures for Institutional Support as a percentage of Total Current Funds expenditures, excluding auxiliary enterprises and the results of service department operations during the reporting period. "Institutional Support" includes costs associated with executive management, fiscal operations, general administration and logistical services, administrative computing support, and public relations/development as defined by the National Association of College and University Business Officers.	This measure is an indicator of the proportion of the operating budget expended on administrative costs.
Total External Research Expenditures	The total expenditures for the conduct of research and development from external sources during the reporting period. The definition excludes expenditures of dollars appropriated directly to the institution or state funds transferred from other state agencies and institutions (e.g., Advanced Research or Advanced Technology Program Funds) or institutionally controlled funds. The exclusion of "expenditures of dollars appropriated directly to the institution" applies to both general revenue funds and local funds. The total may include indirect costs and fringe benefits.	This measure is an indicator of the level of research dollars generated and of the scope of the institution's research mission.
Total Gross Charges for Un-sponsored Charity Care Provided in State-owned Facilities	The total dollar amount of gross patient charges for un-sponsored charity care provided in hospitals and clinics owned, operated and funded by a health-related institution (including the Texas Department of Criminal Justice Hospital) during the reporting period. Use the definition of un-sponsored charity care included in Article III, Special Provisions of the General Appropriations Act that coincides with the reporting period.	This measure is an indicator of the amount of un-sponsored charity care provided in state-owned hospitals and clinics.

Description of Key Performance Measures – U. T. Institutions

Measure	Short Definition	Purpose/ Importance
Total Gross Charges (Excluding Un-sponsored Charity Care) Provided in State-owned Facilities	The total dollar amount of patient charges, excluding the total dollar amount of un-sponsored charity care, provided in hospitals or clinics owned, operated and funded by the health-related institutions (including the Texas Department of Criminal Justice Hospital) during the reporting period. Use the definition of un-sponsored charity care included in Article III, Special Provisions of the General Appropriations Act that coincides with the reporting period.	This measure is an indicator of the amount of patient charges provided by state-owned hospitals and clinics (not including un-sponsored charity care).
Total Number of Outpatient Visits	A “patient visit” occurs when an individual receives health care services from institutional faculty, post-graduate trainees, or pre-doctoral dental students at a hospital or clinic, affiliated with, contracted with, or owned, operated and funded by a health-related institution (including the Texas Department of Criminal Justice Hospital) during the reporting period. An “outpatient visit” occurs when the individual receives health care services, including emergency room services, but is not admitted to a hospital bed. One patient who initially visits an emergency room and is then referred to and receives health care services from another affiliated, or contracted, or owned outpatient facility would be counted as two outpatient visits. The definition includes visits to both on-site (on the premises of the hospital or institution) and off-site outpatient facilities. It includes outpatient visits previously reported as a separate measure under the Dental School.	This measure is an indicator of the number of outpatients who are treated and not admitted to a hospital bed.
Total Number of Inpatient Days	An “inpatient day” occurs when an individual, who is admitted by institutional faculty, or post-graduate trainee, occupies a hospital bed at the time that the official census is taken at each hospital affiliated with, contracted with, or owned, operated, and funded by a health-related institution (including the Texas Department of Criminal Justice Hospital) during the reporting period. One patient occupying one room for two nights would be counted as two inpatient days.	This measure is an indicator of the number of inpatient days provided by an affiliated hospital.
Number of Combined M.D. / Ph.D. Graduates	Number of combined M.D./Ph.D. medical scientist students graduated at UT Southwestern.	The purpose of this measure is to count, each year, the number of graduates from the institution's Medical Scientist Training Program.
Number of High School and Middle School Teachers Completing a STARS Program	Number of high school and middle-school teachers participating in a STARS activity. A STARS activity is any event listed in the STARS Brochure. Although the main geographic area served by STARS is North Texas (counties of Dallas, Tarrant, Collin, Denton and Rockwall) any teacher participating in a STARS activity will be included in the participation count.	This program gauges the impact of the STARS program for teachers and schools in Texas.

Description of Key Performance Measures – U. T. Institutions

Measure	Short Definition	Purpose/ Importance
Number of Certificate, Associate, & Baccalaureate Degree Students Participating in Programs in South Texas Area	Medical and dental graduates participating in residency training programs implemented in the South Texas Area for which state appropriations and/or external funds have been provided.	This measure is an indicator of certificate, associate, and baccalaureate degree student participation in state supported health professions education efforts in South Texas.
Number of MD/DDS Students Participating in Programs in South Texas Area	Medical and dental students and post-baccalaureate allied health, nursing and graduate students, or other education institutions' students participating in programs implemented in the South Texas Area for which state appropriations and/or external funds have been provided.	This measure is an indicator of student participation in South Texas.
Number of Resident Physicians/Dentists Participating in Programs in South Texas Area	Medical and dental graduates participating in residency training programs implemented in the South Texas Area for which state appropriations and/or external funds have been provided.	This measure is an indicator of resident participation in South Texas.
Minority Admissions as a Percent of Total First-year Admissions (All Schools)	New students enrolled in Coordinating Board-approved programs for the first time during the reporting period those identify themselves as Hispanic (all categories), Black, American-Indian, or Alaskan Native. The definition includes permanent residents of the U.S. but excludes non-U.S. residents and Asian-Americans.	This measure is an indicator of the effectiveness of the institution's recruiting efforts of minorities.
Minority Admissions as a Percent of Total M.D.Admissions	New students enrolled in the Doctor of Medicine degree program for the first time during the reporting period that identifies themselves as Hispanic (all categories), Black, American-Indian, or Alaskan Native. The definition includes permanent residents of the U.S. but excludes non-U.S. residents and Asian-Americans.	This measure is an indicator of the effectiveness of the institution's efforts to recruit minorities.
Minority Residents as a Percent of Total Residents	M.D. or D.O. residents as of July 1 of the current calendar year who identify themselves as Hispanic (all categories), Black, American-Indian, or Alaskan Native. The definition includes permanent residents of the U.S. but excludes non-U.S. residents and Asian-Americans.	This measure is an indicator of the effectiveness of the institution's efforts to attract minorities to its post-graduate residency training programs.
Minority Admissions as a Percent of Total Dental School Admissions	New students enrolled in the Doctor of Dentistry degree program for the first time during the reporting period that identifies themselves as Hispanic (all categories), Black, American-Indian, or Alaskan Native. The definition includes permanent residents of the U.S. but excludes non-U.S. residents and Asian-Americans.	This measure is an indicator of the effectiveness of the institution's recruiting efforts of minorities to its DDS program.

The University of Texas System

Key Performance Measures

Sources: FY 2001 Annual Strategy Measures Reports (due 11/1/2001), FY 2000-2003 General Appropriations Act

Performance Measure	2001 Actual	2002 Estimated	2003 Projected
General Academic Institutions			
<u>The Univ. of Texas at Arlington</u>			
• % 1st-time, Full-time, Degree-seeking Frsh Earn Degree in 6 Yrs	30.80%	30.60%	30.60%
• Retention Rate of 1st-time, Full-time, Degree-seeking Frsh after 1 Yr	68.80%	69.00%	70.30%
• Administrative Cost As a Percent of Total Expenditures	9.76%	10.60%	10.40%
• Certification Rate of Teacher Education Graduates	75.40%	62.70%	63.30%
• % of Baccalaureate Graduates Who Are 1st Generation College Graduates	53.80%	55.60%	55.60%
• % Lower Division Courses Taught by Tenured Faculty	32.20%	36.20%	36.40%
• State Licensure Pass Rate of Engineering Graduates	78.00%	79.00%	79.00%
• State Licensure Pass Rate of Nursing Graduates	92.20%	90.00%	90.00%
• Dollar Value of External or Sponsored Research Funds (in Millions)	11.62	9.00	10.00
<u>The Univ. of Texas at Austin</u>			
• % 1st-time, Full-time, Degree-seeking Frsh Earn Degree in 6 Yrs	70.30%	68.70%	68.70%
• Retention Rate of 1st-time, Full-time, Degree-seeking Frsh after 1 Yr	92.00%	90.30%	90.30%
• Administrative Cost As a Percent of Total Expenditures	5.80%	5.70%	5.70%
• Certification Rate of Teacher Education Graduates	78.00%	75.50%	75.50%
• % of Baccalaureate Graduates Who Are 1st Generation College Graduates	21.50%	29.00%	29.00%
• % Lower Division Courses Taught by Tenured Faculty	34.50%	40.00%	41.00%
• State Licensure Pass Rate of Law Graduates	93.40%	92.00%	92.00%
• State Licensure Pass Rate of Engineering Graduates	93.80%	90.00%	92.00%
• State Licensure Pass Rate of Nursing Graduates	96.00%	92.00%	92.00%
• State Licensure Pass Rate of Pharmacy Graduates	98.20%	98.00%	98.00%
• Dollar Value of External or Sponsored Research Funds (in Millions)	214.20	183.00	185.00
<u>The Univ. of Texas at Brownsville</u>			
• Administrative Cost As a Percent of Total Expenditures	9.80%	11.40%	11.40%
• Certification Rate of Teacher Education Graduates	42.00%	41.60%	42.00%
• % of Baccalaureate Graduates Who Are 1st Generation College Graduates	74.90%	75.80%	75.80%
<u>The Univ. of Texas at Dallas</u>			
• % 1st-time, Full-time, Degree-seeking Frsh Earn Degree in 6 Yrs	55.10%	52.00%	53.00%
• Retention Rate of 1st-time, Full-time, Degree-seeking Frsh after 1 Yr	77.80%	79.50%	80.90%
• Administrative Cost As a Percent of Total Expenditures	9.50%	9.50%	9.50%
• % of Baccalaureate Graduates Who Are 1st Generation College Graduates	45.70%	45.20%	45.20%
• % Lower Division Courses Taught by Tenured Faculty	28.60%	34.00%	35.00%
• Dollar Value of External or Sponsored Research Funds (in Millions)	11.50	12.40	13.00

The University of Texas System Key Performance Measures

Sources: FY 2001 Annual Strategy Measures Reports (due 11/1/2001), FY 2000-2003 General Appropriations Act

Performance Measure	2001 Actual	2002 Estimated	2003 Projected
<u>The Univ. of Texas at El Paso</u>			
• % 1st-time, Full-time, Degree-seeking Frsh Earn Degree in 6 Yrs	25.70%	25.50%	26.00%
• Retention Rate of 1st-time, Full-time, Degree-seeking Frsh after 1 Yr	68.10%	70.20%	71.40%
• Administrative Cost As a Percent of Total Expenditures	10.20%	9.60%	9.60%
• Certification Rate of Teacher Education Graduates	59.60%	79.90%	79.90%
• % of Baccalaureate Graduates Who Are 1st Generation College Graduates	62.40%	61.80%	61.80%
• % Lower Division Courses Taught by Tenured Faculty	40.10%	50.90%	51.00%
• State Licensure Pass Rate of Engineering Graduates	69.80%	82.40%	82.40%
• State Licensure Pass Rate of Nursing Graduates	94.70%	91.50%	92.00%
• Dollar Value of External or Sponsored Research Funds (in Millions)	24.60	13.10	13.60
<u>The Univ. of Texas - Pan American</u>			
• % 1st-time, Full-time, Degree-seeking Frsh Earn Degree in 6 Yrs	23.32%	27.00%	29.00%
• Retention Rate of 1st-time, Full-time, Degree-seeking Frsh after 1 Yr	60.73%	66.00%	67.00%
• Administrative Cost As a Percent of Total Expenditures	10.26%	10.50%	10.00%
• Certification Rate of Teacher Education Graduates	35.50%	32.30%	32.60%
• % of Baccalaureate Graduates Who Are 1st Generation College Graduates	58.32%	79.00%	79.00%
• % Lower Division Courses Taught by Tenured Faculty	40.70%	48.00%	49.00%
• State Licensure Pass Rate of Nursing Graduates	84.10%	91.80%	91.80%
• Dollar Value of External or Sponsored Research Funds (in Millions)	2.13	2.25	2.50
<u>The Univ. of Texas of the Permian Basin</u>			
• % 1st-time, Full-time, Degree-seeking Frsh Earn Degree in 6 Yrs	22.30%	31.00%	31.00%
• Retention Rate of 1st-time, Full-time, Degree-seeking Frsh after 1 Yr	56.30%	64.90%	64.90%
• Administrative Cost As a Percent of Total Expenditures	12.30%	12.50%	12.50%
• Certification Rate of Teacher Education Graduates	56.70%	68.30%	69.00%
• % of Baccalaureate Graduates Who Are 1st Generation College Graduates	35.00%	43.50%	43.50%
• % Lower Division Courses Taught by Tenured Faculty	47.60%	53.70%	53.70%
<u>The Univ. of Texas at San Antonio</u>			
• % 1st-time, Full-time, Degree-seeking Frsh Earn Degree in 6 Yrs	25.20%	26.70%	27.30%
• Retention Rate of 1st-time, Full-time, Degree-seeking Frsh after 1 Yr	63.50%	62.60%	63.70%
• Administrative Cost As a Percent of Total Expenditures	11.30%	11.40%	11.40%
• Certification Rate of Teacher Education Graduates	90.50%	90.00%	90.00%
• % of Baccalaureate Graduates Who Are 1st Generation College Graduates	58.50%	56.00%	56.00%
• % Lower Division Courses Taught by Tenured Faculty	28.80%	38.90%	38.90%
• State Licensure Pass Rate of Engineering Graduates	78.80%	66.00%	67.00%
• Dollar Value of External or Sponsored Research Funds (in Millions)	8.20	7.00	7.50

The University of Texas System

Key Performance Measures

Sources: FY 2001 Annual Strategy Measures Reports (due 11/1/2001), FY 2000-2003 General Appropriations Act

Performance Measure	2001 Actual	2002 Estimated	2003 Projected
<u>The Univ. of Texas at Tyler</u>			
• Retention Rate of 1st-time, Full-time, Degree-seeking Frsh after 1 Yr	60.00%	74.00%	75.00%
• Administrative Cost As a Percent of Total Expenditures	12.55%	14.90%	14.00%
• Certification Rate of Teacher Education Graduates	82.30%	88.00%	88.00%
• % of Baccalaureate Graduates Who Are 1st Generation College Graduates	41.00%	41.00%	41.00%
• % Lower Division Courses Taught by Tenured Faculty	65.00%	61.60%	61.60%
• State Licensure Pass Rate of Nursing Graduates	89.80%	98.00%	98.00%
Health Institutions			
<u>UT Southwestern Medical Center at Dallas</u>			
• % Medical School Students Passing NLE Part 1 of Part 2 on First Try	97.55%	97.90%	97.90%
• % Medical School Graduates Entering a Primary Care Residency	49.30%	58.00%	58.00%
• % Medical School Graduates Practicing Primary Care in Texas	24.78%	26.00%	26.00%
• Percent Allied Health Grads Passing Certif/Licensure Exam First Try	85.61%	95.00%	95.00%
• Percent Allied Health Graduates Licensed or Certified in Texas	91.51%	90.00%	90.00%
• Administrative (Instit Support) Cost As % of Total Expenditures	7.35%	5.75%	5.75%
• Number of Combined MD/PhD Graduates	12	8	8
• Minority Admissions as a Percent of Total First-year Admissions (all schools)	15.72%	14.10%	14.10%
• Minority Admissions as a Percent of Total MD Admissions	18.23%	15.00%	15.00%
• Minority Residents as a Percent of Total Residents	8.32%	15.00%	15.00%
• Total External Research Expenditures	206,917,732	176,017,680	176,017,680
• Number of HS and MS Teachers Completing a STARS Program	862	772	790
<u>UT Medical Branch at Galveston</u>			
• % Medical School Students Passing NLE Part 1 of Part 2 on First Try	87.70%	94.00%	94.00%
• % Medical School Graduates Entering a Primary Care Residency	52.10%	58.00%	58.00%
• % Medical School Graduates Practicing Primary Care in Texas	28.00%	52.00%	52.00%
• Percent Allied Health Grads Passing Certif/Licensure Exam First Try	93.00%	95.00%	95.00%
• Percent Allied Health Graduates Licensed or Certified in Texas	88.00%	89.00%	89.00%
• Percent BSN Grads Passing National Licensing Exam First Try in Texas	90.00%	97.00%	97.00%
• Percent of BSN Graduates Who Are Licensed in Texas	94.00%	95.00%	95.00%
• Percent of MSN Graduates Granted Advanced Practice Status in Texas	86.00%	90.00%	90.00%
• Administrative (Institutional Support) Cost As % of Total Expenditures	3.83%	3.42%	3.42%
• Minority Admissions as a Percent of Total First-year Admissions (all schools)	24.38%	23.00%	23.00%
• Minority Admissions as a Percent of Total MD Admissions	25.87%	25.00%	25.00%
• Total External Research Expenditures	76,782,961	79,450,628	79,450,628
• Percent of Medical Residency Completers Practicing in Texas	39.00%	50.00%	50.00%
• Total Gross Patient Chgs/Un-sponsored Charity Care/State Facility	185,443,000	189,861,000	189,861,000
• Total Gross Patient Charges (Excl Unspn Charity) in State Facilities	538,363,000	552,077,000	552,077,000
• Total Number of Outpatient Visits	760,765	770,271	770,271

The University of Texas System

Key Performance Measures

Sources: FY 2001 Annual Strategy Measures Reports (due 11/1/2001), FY 2000-2003 General Appropriations Act

Performance Measure	2001 Actual	2002 Estimated	2003 Projected
• Total Number of Inpatient Days	175,956	175,077	175,077
• Minority MD or DO Residents as a Percent of Total MD or DO Residents	15.00%	18.00%	18.00%
<u>UT Health Science Center at Houston</u>			
• % Medical School Students Passing NLE Part 1 of Part 2 on First Try	91.00%	94.00%	94.00%
• % Medical School Graduates Entering a Primary Care Residency	44.00%	58.00%	58.00%
• % Medical School Graduates Practicing Primary Care in Texas	28.00%	28.00%	28.00%
• % Dental School Grads Admitted to Advanced Educ'l Pgm/Gen Dentistry	7.30%	22.00%	22.00%
• % Dental School Students Passing NLE Part 1 or Part 2 First Try	96.50%	99.00%	99.00%
• Percent of Dental School Graduates Who Are Licensed in Texas	88.70%	90.00%	90.00%
• Percent Allied Health Grads Passing Certif/Licensure Exam First Try	97.40%	100.00%	100.00%
• Percent Allied Health Graduates Licensed or Certified in Texas	96.70%	98.00%	98.00%
• Percent BSN Grads Passing National Licensing Exam First Try in Texas	94.00%	95.00%	95.00%
• Percent of BSN Graduates Who Are Licensed in Texas	92.20%	97.00%	97.00%
• Percent of MSN Graduates Granted Advanced Practice Status in Texas	66.00%	65.00%	65.00%
• Percent of Public Health School Graduates Who Are Employed in Texas	62.20%	70.00%	72.00%
• Administrative (Instit Support) Cost As % of Total Expenditures	11.80%	10.45%	10.45%
• Minority Admissions as a Percent of Total First-year Admissions (all schools)	18.00%	16.00%	16.00%
• Minority Admissions as a Percent of Total MD Admissions	25.90%	15.00%	15.00%
• Minority MD or DO Residents as a Percent of Total MD or DO Residents	23.10%	24.00%	24.00%
• Minority Admissions as a Percent of Total Dental School Admissions	21.50%	10.00%	10.00%
• Total External Research Expenditures	113,676,963	108,789,000	108,789,000
• Total Gross Patient Chgs/Un-sponsored Charity Care/State Facility	26,122,355	22,932,222	22,932,222
• Total Gross Patient Charges (Excl Unspn Charity) in State Facilities	15,517,346	14,932,032	14,932,032
<u>UT Health Science Center at San Antonio</u>			
• % Medical School Students Passing NLE Part 1 of Part 2 on First Try	92.00%	94.50%	94.50%
• % Medical School Graduates Entering a Primary Care Residency	54.00%	58.00%	58.00%
• % Medical School Graduates Practicing Primary Care in Texas	45.00%	30.00%	30.00%
• % Dental School Grads Admitted to Advanced Educ'l Pgm/Gen Dentistry	17.00%	26.00%	26.00%
• % Dental School Students Passing NLE Part 1 or Part 2 First Try	97.00%	94.00%	94.00%
• Percent of Dental School Graduates Who Are Licensed in Texas	87.00%	90.00%	90.00%
• Percent Allied Health Grads Passing Certif/Licensure Exam First Try	93.40%	95.70%	95.70%
• Percent Allied Health Graduates Licensed or Certified in Texas	95.30%	90.00%	90.00%
• Percent BSN Grads Passing National Licensing Exam First Try in Texas	91.00%	94.00%	94.00%
• Percent of BSN Graduates Who Are Licensed in Texas	87.00%	98.00%	98.00%
• Percent of MSN Graduates Granted Advanced Practice Status in Texas	85.00%	85.00%	85.00%
• Administrative (Instit Support) Cost As % of Total Expenditures	6.60%	6.20%	6.20%
• Minority Admissions as a % of Total First-year Admissions (all schools)	34.40%	28.00%	28.00%

The University of Texas System

Key Performance Measures

Sources: FY 2001 Annual Strategy Measures Reports (due 11/1/2001), FY 2000-2003 General Appropriations Act

Performance Measure	2001 Actual	2002 Estimated	2003 Projected
• Minority Admissions as a Percent of Total MD Admissions	17.50%	26.00%	26.00%
• Minority MD or DO Residents as a Percent of Total MD or DO Residents	17.60%	26.00%	26.00%
• Minority Admissions as a Percent of Total Dental School Admissions	22.00%	22.00%	22.00%
• Total External Research Expenditures	91,000,000	82,000,000	82,000,000
• # Certif, Assoc, Bacc Degree Students Participating in Pgms in S TX Area	700	738	738
• # Med/Dent Students, Postbacc AH, N, Grad Stdnts Part. in Pgms in S TX	857	1,828	1,828
• # Resident Physicians and Dentists Participating in Pgms in S TX Area	150	144	144
<u>UT M.D. Anderson Cancer Center</u>			
• Total External Research Expenditures	136,270,789	132,125,000	136,232,000
• Percent of Medical Residency Completers Practicing in Texas	43.00%	39.00%	39.00%
• Total Gross Patient Chgs/Unsponsored Charity Care/State Facility	92,119,187	96,034,000	97,144,000
• Total Gross Patient Charges (Excl Unspn Charity) in State Facilities	1,065,122,273	1,041,170,000	1,170,283,000
• Administrative (Instit Support) Cost As % of Total Expenditures	7.50%	8.50%	8.50%
• Total Number of Outpatient Visits	469,068	487,473	511,847
• Total Number of Inpatient Days	137,204	144,026	148,901
• Minority Residents as a Percent of Total Residents	9.10%	15.00%	15.00%
<u>UT Health Center at Tyler</u>			
• Total External Research Expenditures	4,105,820	4,061,427	4,061,427
• Percent of Medical Residency Completers Practicing in Texas	100.00%	90.00%	90.00%
• Total Gross Patient Chgs/Unsponsored Charity Care/State Facility	20,264,853	16,177,269	16,177,269
• Total Gross Patient Charges (Excl Unspn Charity) in State Facilities	81,891,032	76,890,761	76,890,761
• Administrative (Instit Support) Cost As % of Total Expenditures	5.72%	6.50%	6.50%
• Total Number of Outpatient Visits	135,978	136,208	136,208
• Total Number of Inpatient Days	29,451	30,466	30,466
• Minority MD or DO Residents as a Percent of Total MD or DO Residents	13.00%	16.70%	16.70%