



**AGENDA
for
U. T. BOARD OF REGENTS
SPECIAL CALLED MEETING
and
ACADEMIC RETREAT**

October 11-12, 2004
The Westin Galleria Dallas
Governor's Room, 21st Floor
13340 Dallas Parkway
Dallas, Texas

October 11

ACADEMIC RETREAT

- A. INTRODUCTION AND WELCOME 2:00 p.m.
Chairman Huffines
- B. Improving graduation rates and using incentives:
What we know about what works 2:15 p.m.
President Watts
President Natalicio
Pages 1 - 15
- C. Hiring, developing, and deploying the academic labor force 3:30 p.m.
President Mabry
- D. RECESS 4:30 p.m.
- Santa Rita Award Reception (6:30 p.m.) and Dinner (7:00 p.m.) (Black tie)

October 12

SPECIAL CALLED BOARD MEETING

- E. CALL TO ORDER IN OPEN SESSION 8:00 a.m.
Chairman Huffines
- F. CONSIDER AGENDA ITEM
- U. T. Southwestern Medical Center - Dallas: Approval of resolution concerning findings related to necessity and approval to acquire the assets and operations of Zale Lipshy University Hospital, Inc. and St. Paul University Hospital, Inc.; appropriation of funds and authorization of expenditure; and resolution regarding parity debt** **Action**
Chancellor Yudof
Dr. Shine
Dr. Wildenthal
- G. RECESS TO EXECUTIVE SESSION 8:30 a.m.
1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Texas Government Code Section 551.074
- a. **U. T. Dallas: Discussion and appropriate action related to the selection of finalists for president** *Chancellor Yudof*
Dr. Sullivan
Mr. Ron Zera,
SpencerStuart

b. **U. T. System: Consideration of personnel matters relating to appointment, employment, evaluation, assignment, and duties of officers or employees**

c. **U. T. System: Consideration of personnel matters relating to evaluation of presidents, U. T. System officers and employees**

2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Texas Government Code Section 551.071

U. T. System: Discussion of legal issues related to disclosure of private investment information under the Texas Public Information Act

*Mr. Collins
Ms. Bright*

H. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEM(S), IF ANY

I. ADJOURN

ACADEMIC RETREAT (continued)

J. RECONVENE ACADEMIC RETREAT

*10:00 a.m.
Chairman Huffines*

K. Accommodating growth

*10:00 a.m.
President García
President Cárdenas*

L. Transforming the commuter campus

*11:00 a.m.
President Spaniolo*

M. The future of graduate education: Who should have graduate programs, where is state policy moving, how can we recruit better graduate students?
Pages 16 - 17

*12:00 p.m. (Working Lunch)
President Romo
Executive Vice Chancellor
Sullivan*

N. Implementing the Washington Advisory Group report (panel)
Pages 18 - 26

*1:30 p.m.
President Jenifer
President Natalicio*

O. Developing campus performance targets

*2:30 p.m.
President Faulkner*

P. Concluding comments

*3:30 p.m.
Vice-Chairman Krier*

Q. ADJOURN

4:00 p.m.

U. T. Southwestern Medical Center - Dallas: Approval of resolution concerning findings related to necessity and approval to acquire the assets and operations of Zale Lipshy University Hospital, Inc. and St. Paul University Hospital, Inc.; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Wildenthal that the U. T. Board of Regents resolve that

- a. for U. T. Southwestern Medical Center - Dallas to become and remain a medical school of the first class, as required by Section 74.102 of the Texas Education Code, it must have excellent hospital facilities to serve its patients, and such hospital facilities must be financially strong and have access to adequate capital in order to remain competitive with the other best teaching hospitals in the country;
- b. integration of the Zale Lipshy University Hospital and St. Paul University Hospital (the "Hospitals") as an adjunct program of U. T. Southwestern Medical Center - Dallas would provide financial stability, access to inexpensive financing for new equipment, and cost savings through integration of inpatient and outpatient care services; and
- c. the Texas Legislature has charged the Board with the responsibility to manage and control U. T. Southwestern Medical Center - Dallas as necessary for it to be a medical school of the first class and it is hereby found that this statutory obligation may be accomplished only if the Hospitals are acquired and incorporated into U. T. Southwestern Medical Center - Dallas as teaching hospitals as an adjunct to its educational programs.

It is further recommended that approval be granted by the U. T. Board of Regents, on behalf of U. T. Southwestern Medical Center - Dallas, to

- a. acquire the assets of Zale Lipshy University Hospital, Inc. (Zale Lipshy) and St. Paul University Hospital, Inc. (St. Paul) at a price of \$170.3 million, subject to post-closing adjustment, which represents the fair market value of the assets as supported by independent business appraisals;
- b. appropriate funds and authorize the expenditure of up to \$52 million from Revenue Financing System Bond Proceeds and \$118.3 million from Institutional Funds, subject to post-closing adjustment and offsets of \$81 million in the purchase agreement, to complete the acquisition;

- c. approve an additional \$30 million of Revenue Financing System Equipment Financing for U. T. Southwestern Medical Center - Dallas for Fiscal Year 2005;
- d. authorize President Wildenthal or his designee to make related organizational changes including budget changes required to effect the acquisition and to establish rules and regulations for the control, management, and operations of the hospitals;
- e. submit the proposed transactions to the Texas Higher Education Coordinating Board and other governmental entities for approval, if necessary;
- f. acquire Zale Lipshy's interest in a ground lease with the Dallas County Hospital District; and
- g. authorize the Executive Vice Chancellor for Business Affairs, with approval by the Office of General Counsel and the Executive Vice Chancellor for Health Affairs, to complete the negotiation of all essential issues; to execute appropriate documents; instruments, and agreements; and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

It is further recommended that the U. T. Board of Regents resolve, in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, that

- a. parity debt shall be issued to pay the project's cost, including any 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. Southwestern Medical Center - Dallas, which is a "Member" as 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 \$82,000,000; and
- d. this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Regulations.

BACKGROUND INFORMATION

Based upon the Letter of Intent, dated August 9, 2004, between the U. T. Board of Regents; Zale Lipshy University Medical Center, Inc.; Zale Lipshy University Hospital, Inc. (Zale Lipshy); and St. Paul University Hospital, Inc. (St. Paul), a price of \$170,344,311 has been negotiated for the purchase of the assets of Zale Lipshy and St. Paul. The gross assets of Zale Lipshy are valued at \$93,029,363 while the gross assets of St. Paul were valued at \$77,314,948, as demonstrated in the attachment on Page 5. The purchase price is subject to a post-closing adjustment, which will be based on an external audit of the financial statements of each hospital as of the closing date of the transaction. Post-closing adjustments are not expected to exceed 10% of the negotiated purchase price.

The asset purchase price was determined by the fair market value appraisals of the assets of each hospital by CBiz Valuation Group, Inc., a nationally recognized valuation expert. The appraisals were based on the current financial condition of each hospital and an estimate of its future earnings. These estimates of future earnings were based on the most recent and historical financial statements, as well as several years of financial projections for each hospital.

For the negotiated purchase price, U. T. Southwestern Medical Center - Dallas will receive the working capital assets (cash, accounts receivable, inventory, etc.) and fixed assets of both hospitals. The fixed assets to be acquired include the acquisition of a leasehold interest occupied by Zale Lipshy. The ground lease, with the Dallas County Hospital District, has an annual rent of \$78,676.73 and, including the optional renewal, expires in 2085. The building is located at 5151 Harry Hines Boulevard, in Dallas, Texas. It is an 8-story, plus ground level, tertiary hospital licensed for 152 beds. It contains 279,000 gross square feet, located on 76,269 square feet of land. Additional improvements include site paving, open parking areas, and driving lanes. The hospital is located on the U. T. Southwestern Medical Center - Dallas campus and is adjacent to the Aston Ambulatory Center and Parkland Memorial Hospital. The acquisition of the leasehold interest (separately valued at \$48 million) has been submitted to the Texas Higher Education Coordinating Board for approval at the October 28-29, 2004, meeting. In addition to the leasehold interest, the fixed assets also include the furniture, fixtures, and equipment of the hospitals, primarily located at Zale Lipshy. In December, 2000, U. T. Southwestern Medical Center - Dallas purchased the land, building, and equipment of St. Paul and currently leases them back to the hospital.

The \$170,344,311 purchase price for the two hospitals will be offset by \$40,800,000 of cash and cash equivalents currently held by the hospitals. Of the remaining funds, up to \$52,000,000 will be financed by Revenue Financing System debt. The balance, after other adjustments of \$7,500,000 from accrued employee benefits, will come from institutional funds, including the elimination of \$32,700,000 of accounts receivable from the hospitals currently on the books of U. T. Southwestern Medical Center - Dallas. A Transaction Cash Flow chart is on Page 6.

U. T. Southwestern Medical Center - Dallas has been operating the hospitals through a management contract that began in 2003. Through this management contract, U. T. Southwestern Medical Center - Dallas has recruited new hospital administrators, consolidated operating and information systems, and significantly improved financial performance. A management structure is now in place that will allow for the efficient and effective management of both U. T. Southwestern Medical Center's outpatient physician practice and the hospitals. With the addition of new equipment, needed by both hospitals, funded by hospital cash flows and \$30,000,000 of equipment financing, the new management team will be able to upgrade the performance of the hospitals.

At the August 2004 meeting, the U. T. Board of Regents approved the use of debt under the Revenue Financing System Equipment Financing Program in the aggregate amount of \$86,360,000 for equipment purchases in Fiscal Year 2005. The \$30 million of equipment financing related to the hospitals was deferred pending Board approval of the hospital acquisitions. Approval of this item would increase the aggregate amount approved for equipment financing from \$86,360,000 to \$116,360,000 for Fiscal Year 2005.

Annual debt service on the \$82 million is projected to peak at \$10.7 million. Debt service will be repaid by revenues generated from the hospitals. Debt service coverage on the projects is projected to be at least 2.85 times.

The terms and conditions of the acquisition of the Zale Lipshy University Hospital, Inc. and St. Paul University Hospital, Inc. can be found on Pages 7-8. The hospital financial projections are found on Page 9.

As determined by the Board at its meeting in August 2004, the acquisition and integration of the Hospitals into U. T. Southwestern Medical Center - Dallas is critical to the continued performance of the education mission of U. T. Southwestern Medical Center - Dallas and the achievement of the statutory obligations of the Board to manage U. T. Southwestern Medical Center - Dallas as a medical school of the first class.

Asset Valuations in Support of the \$170.3M Purchase Price

	<u>St. Paul</u>	<u>Zale Lipshy</u>	<u>Total</u>
Cash	17.5	20.5	38.0
Medical Malpractice Cash Reserve	-	2.8	2.8
Accounts Receivable	29.7	19.7	49.4
Zale Building and Leasehold Interest *	-	48.0	48.0
Other Property, Plant, & Equipment *	16.2	12.8	29.0
inventory / Other	4.8	4.8	9.6
Intangible	<u>9.1</u>	<u>(15.6)</u>	<u>(6.5)</u>
Total Assets Acquired	77.3	93.0	170.3

* Based on Fair Market Value

Transaction Cash Flow for UT Southwestern

	<u>St. Paul</u>	<u>Zale Lipshy</u>	<u>Total</u>
Asset Purchase Price	77.3	93.0	170.3
Less Hospital Cash Reserves	(17.5)	(20.5)	(38.0)
Less Hospital Medical Malpractice Cash Reserve	-	(2.8)	(2.8)
Less Payables Owed by St. Paul to UT Southwestern	(32.7)	-	(32.7)
Less Sick Leave / PTO Paid by Hospitals to UT Southwestern	(5.7)	(1.8)	(7.5)
Less RFS Bond Financing Total	<u>-</u>	<u>(52.0)</u>	<u>(52.0)</u>
Total Cash Paid	21.4	16.0	37.4

The terms and conditions of the purchase of each hospital are as reflected in the transaction summary below:

Transaction Summary – Zale Lipshy University Hospital

Institution: U.T. Southwestern Medical Center at Dallas

Entity Purchased: Zale Lipshy University Hospital, Inc.

Property Address: 5151 Harry Hines Boulevard, Dallas, Texas

Type of Transaction: Purchase of the assets of the hospital, including working capital assets (cash, accounts receivable, inventory, etc.) and fixed assets (ground lease, building, equipment, etc.)

Buyer: Board of Regents of the University of Texas System

Seller – Business: Zale Lipshy University Hospital, Inc.

Seller – Lessor: Dallas County Hospital District

Purchase Price: \$93,029,363

Ground Rent: \$78,676.73 per year

Original Lease Term: 50 years, commenced in 1985

Extension Option: 50 years

Ownership of Improvements: UT Southwestern will own the improvements during the term of the lease and any extensions. Improvements will revert to the Dallas County Hospital District at the expiration of the ground lease.

Ownership of Land: Dallas County Hospital District

Main Improvement: Building – 279,000 gross square feet

Year Constructed: 1989

Remaining Economic Life of Improvement: 40 years (per appraisal)

Transaction Summary – St. Paul University Hospital

Institution: U.T. Southwestern Medical Center at Dallas

Entity Purchased: St. Paul University Hospital, Inc.

Property Address: 5909 Harry Hines Boulevard, Dallas, Texas

Type of Transaction: Purchase of the assets of the hospital, including working capital assets (cash, accounts receivable, inventory, etc.) and fixed assets (property lease from UT Southwestern and other fixed assets not owned by UT Southwestern)

Buyer: Board of Regents of the University of Texas System

Seller: St. Paul University Hospital, Inc.

Purchase Price: \$77,314,948

**University Hospitals
Financial Statement Projections (Combined)**

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>
Revenues						
Net patient revenue	277,124,953	295,037,917	313,183,902	329,598,872	346,133,920	362,794,191
Other operating revenue	<u>13,731,411</u>	<u>14,006,039</u>	<u>14,286,160</u>	<u>14,571,883</u>	<u>14,863,321</u>	<u>15,160,587</u>
Net operating revenue	290,856,364	309,043,956	327,470,063	344,170,755	360,997,241	377,954,778
Operating Expenses						
Labor expenses:						
Salaries, employees	128,037,691	130,659,221	135,905,749	141,033,004	146,292,592	152,130,787
Benefits ¹	10,535,430	10,845,660	11,566,580	12,203,758	12,858,440	13,600,630
Contract labor	<u>10,886,720</u>	<u>11,117,895</u>	<u>11,567,681</u>	<u>11,976,193</u>	<u>12,387,753</u>	<u>12,849,019</u>
Total labor	149,459,841	152,622,776	159,040,010	165,212,955	171,538,785	178,580,436
Supplies	71,721,416	76,179,051	81,441,066	86,617,442	92,185,149	98,178,592
Other Expenses:						
Professional fees	2,653,117	2,706,179	2,760,303	2,815,509	2,871,819	2,929,256
Information Resources	10,027,883	10,228,441	10,433,010	10,641,670	10,854,503	11,071,593
Purchased services	27,337,077	27,927,253	29,326,993	30,661,569	32,030,193	33,573,516
Depreciation and Amortization	14,977,346	17,986,806	21,009,857	22,027,649	24,377,578	24,760,788
Other	8,511,552	8,709,421	8,912,075	9,119,637	9,332,230	9,549,980
Total Other	<u>63,506,976</u>	<u>67,558,100</u>	<u>72,442,238</u>	<u>75,266,034</u>	<u>79,466,323</u>	<u>81,885,133</u>
Total operating expenses	284,688,233	296,359,926	312,923,314	327,096,432	343,190,258	358,644,160
Net operating income (loss)	6,168,131	12,684,030	14,546,748	17,074,323	17,806,984	19,310,618
Contributions	<u>2,000,000</u>	<u>3,000,000</u>	<u>4,000,000</u>	<u>5,000,000</u>	<u>6,000,000</u>	<u>7,000,000</u>
Earnings before Interest	8,168,131	15,684,030	18,546,748	22,074,323	23,806,984	26,310,618
Debt Service on RFS Bonds (\$52M)	3,404,278	4,826,588	4,827,050	4,827,625	4,828,100	4,828,263
Debt Service on RFS for new equip (\$30M)	3,200,000	5,918,750	5,743,750	5,568,750	5,393,750	5,218,750
Surplus after debt service	1,563,853	4,938,692	7,975,948	11,677,948	13,585,134	16,263,605

¹ Does not include a projected \$3.5M reduction in state employee benefit support (proportionality calculations in E&G budget)

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I WANT TO KNOW MORE ABOUT THE

U.T. PERMIAN BASIN GRADUATION ON-TRACK PROGRAM!

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SCHOOL, PRESENTLY ATTENDING: _____



YES!

UTEP’S MODEL FOR STUDENT SUCCESS

BUILDING THE FOUNDATION

GOAL: Raise aspirations, expectations and achievement levels in K-12 education and enhance preparation of pre-service and in-service teachers and principals

PRIMARY STRATEGY:

El Paso Collaborative for Academic Excellence

- A partnership including UTEP, El Paso Community College, 3 largest school districts in El Paso County, 6 rural school districts via Region XIX, the City of El Paso, El Paso County, the Greater El Paso and Hispanic Chambers of Commerce and a community-based inter-faith organization (EPISO)
- Founded in 1991
- Funded through major grants from federal agencies and foundations and a line item state appropriation

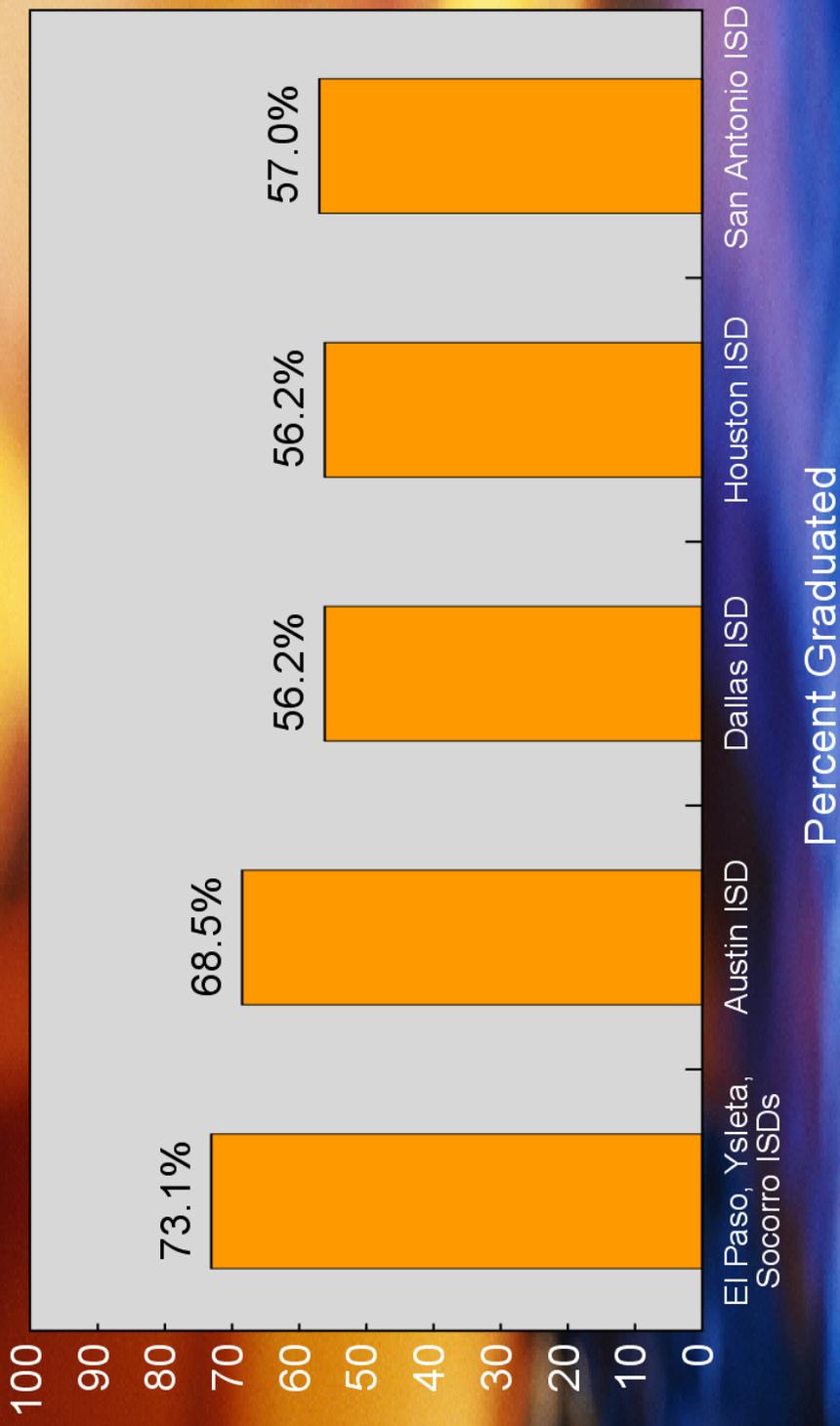
OTHER STRATEGIES

Include both externally funded and UTEP-sponsored outreach to schools, teachers, counselors, students, and parents on such topics as academic preparation, financial aid, and careers

METRICS

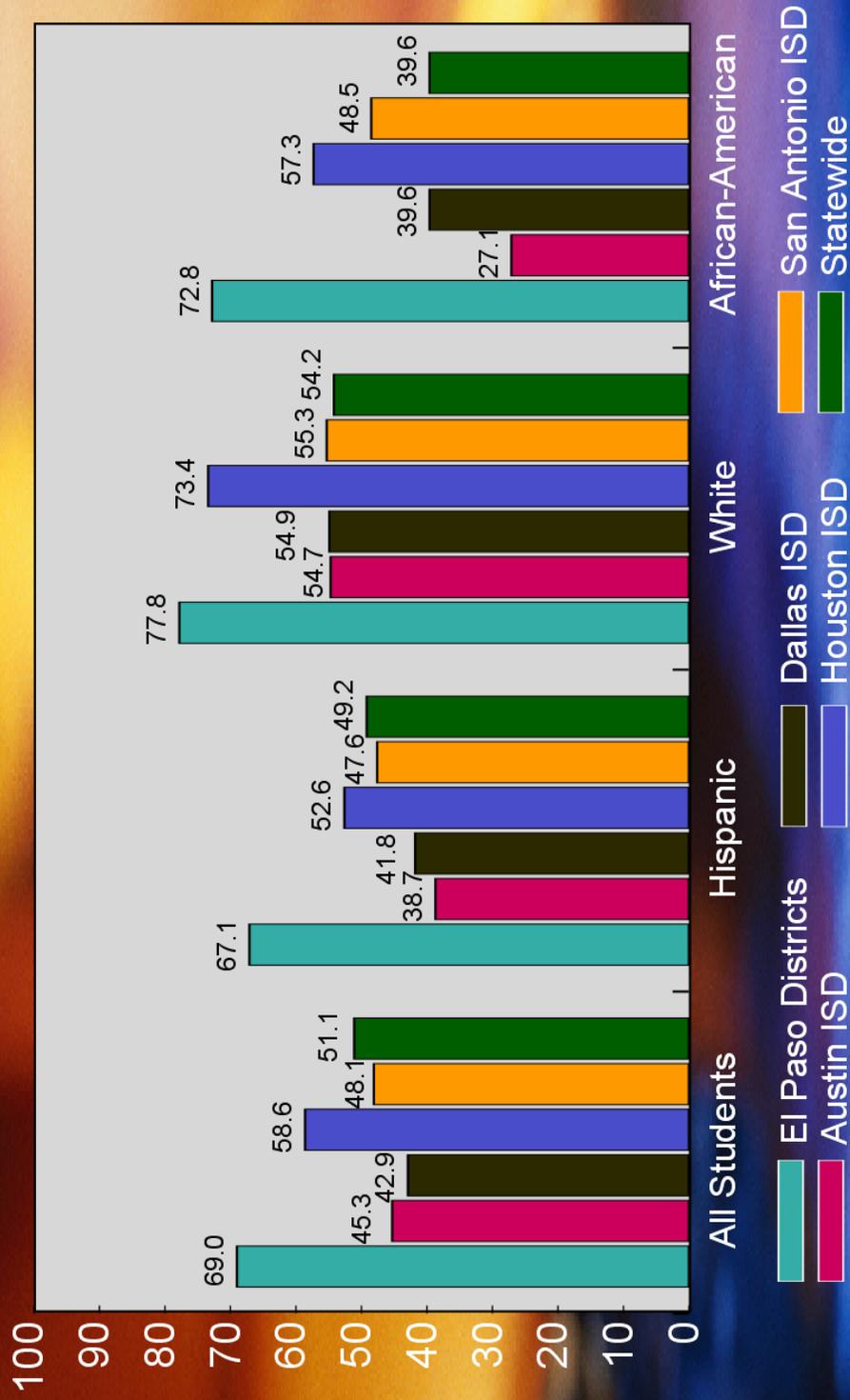
- High school graduation rates in El Paso and other major Texas metropolitan areas
- Recommended Curriculum completion rates in El Paso and other major Texas metropolitan areas
- TAAS Math Passing Rates—El Paso Districts
- Enrollment growth at UTEP
- Enrollment demographics at UTEP

Comparison of Graduation Rates Class of 2001



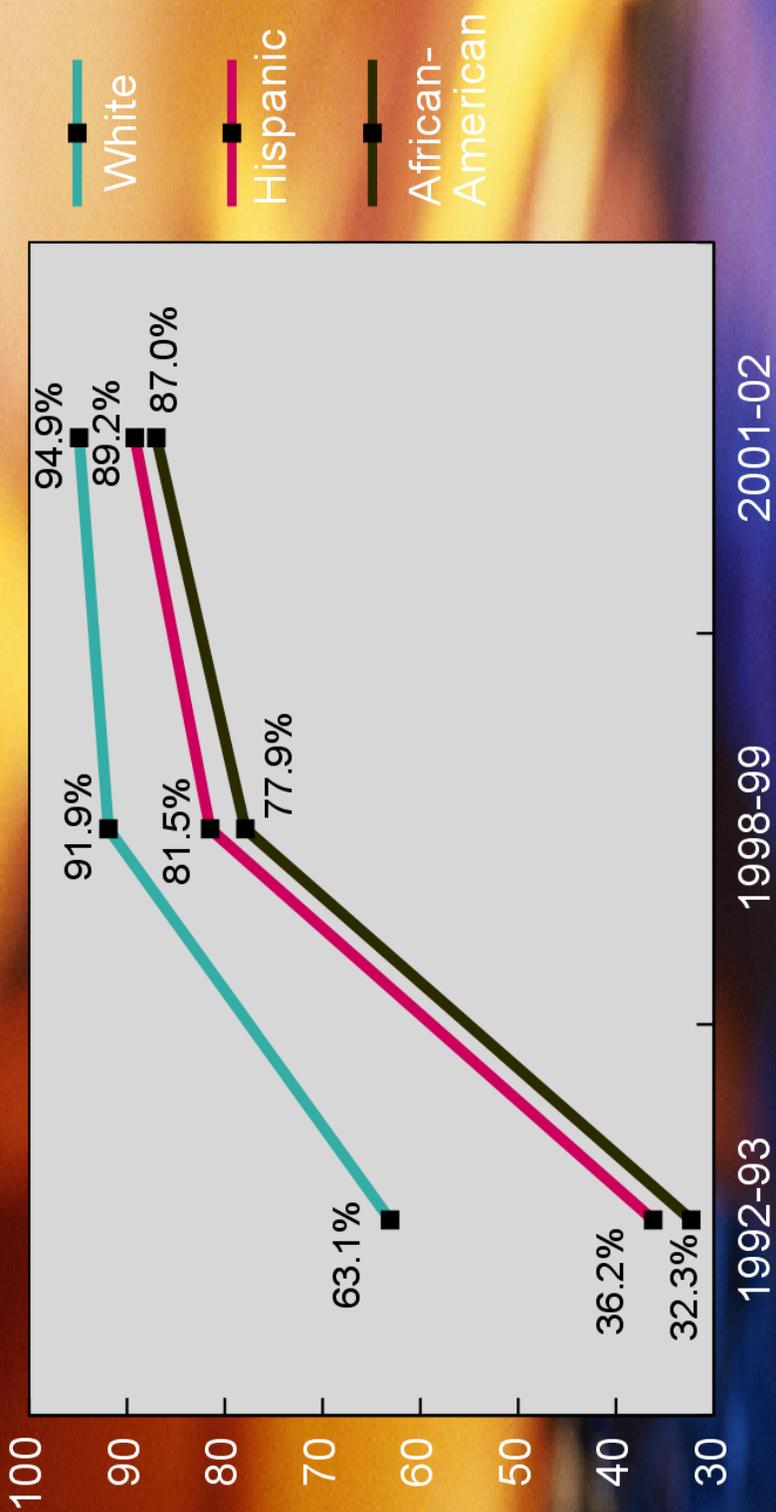
Percent Graduated

2001 Completion of Recommended High School Program or Higher El Paso Districts & Other Texas Cities

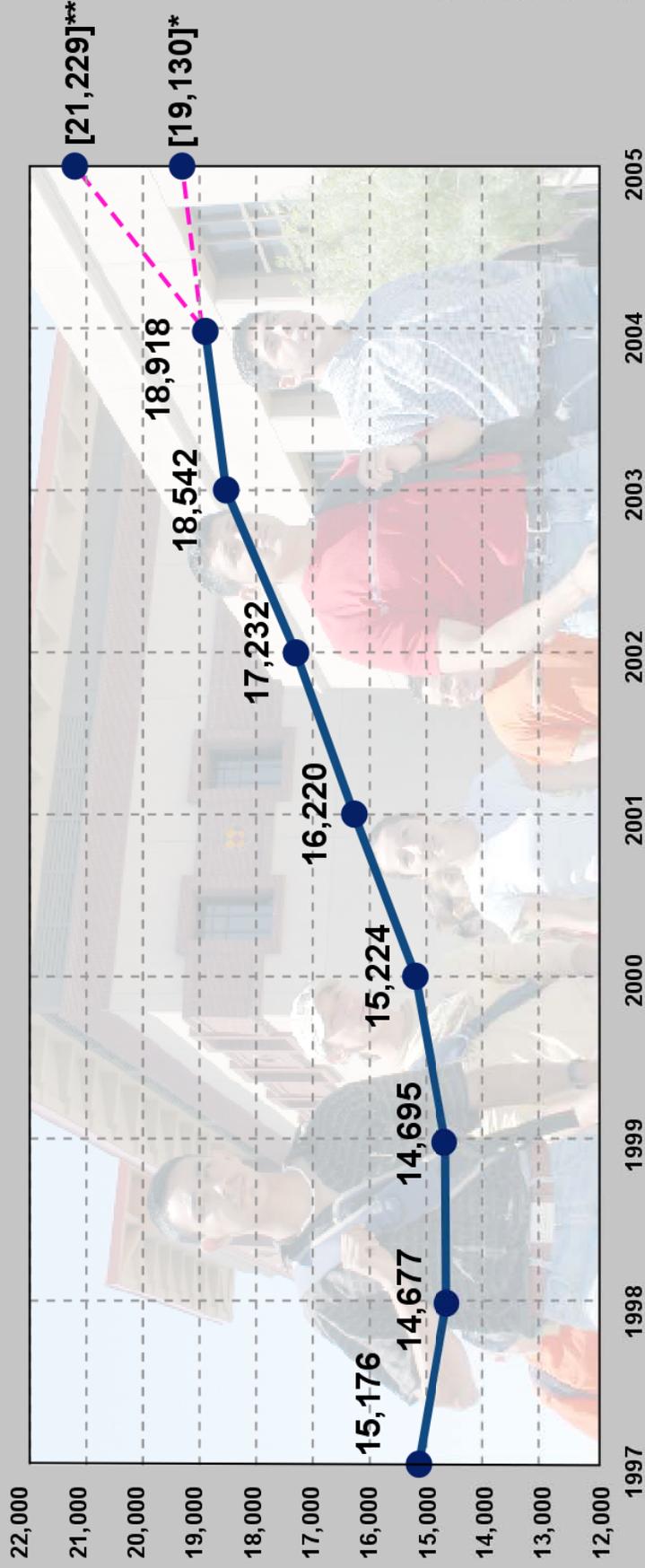


El Paso Districts*: TAAS Math Passing Rates

All Students



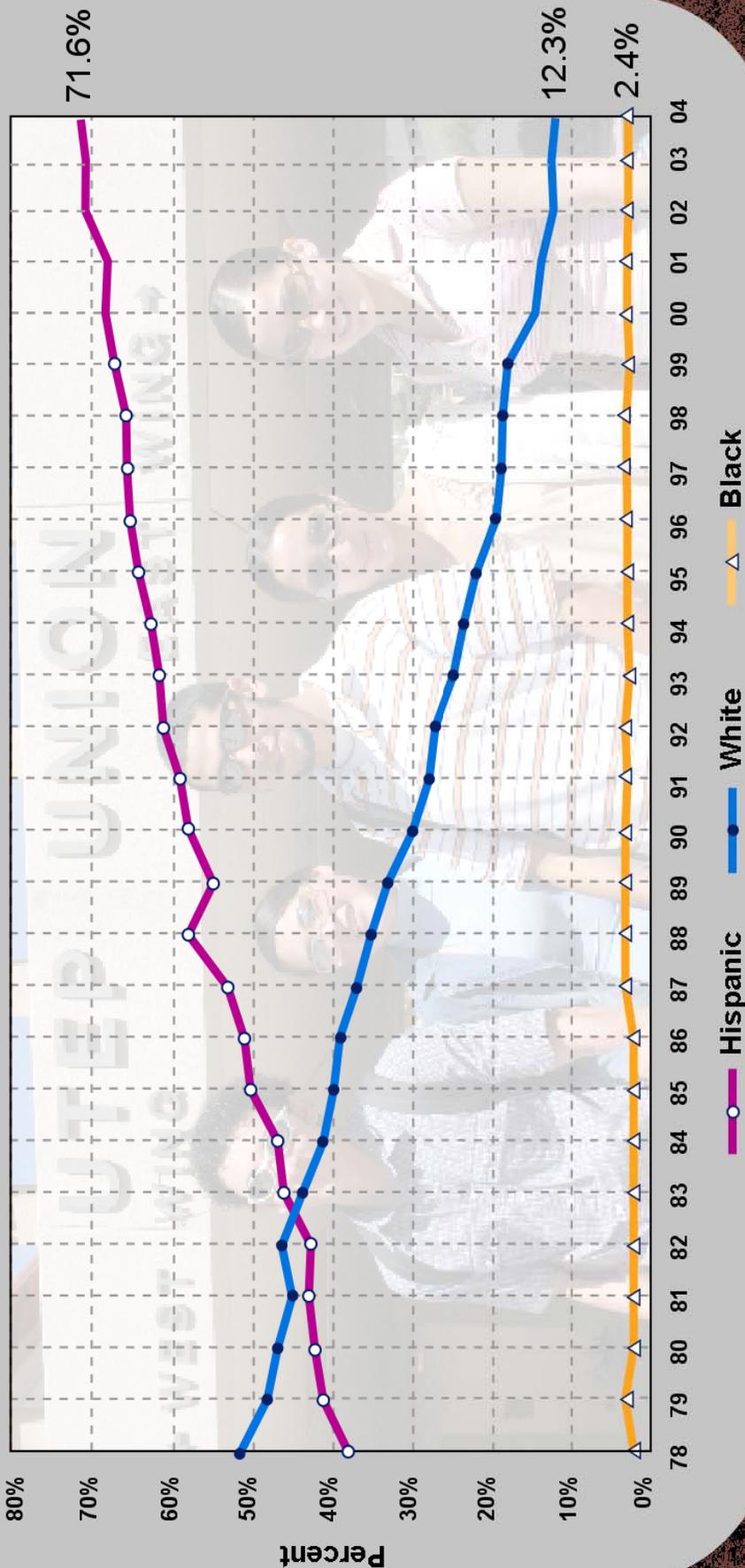
UTEP Enrollment Trends



* Coordinating Board enrollment projection

** UTEP's "Closing the Gaps" enrollment projection

UTEP Enrollment: Student Race/Ethnicity Trends



Largest U.S. Ethnic Groups Shown

Source: UTEP Center for Institutional Evaluation, Research and Planning

BUILDING THE FIRST-YEAR BRIDGE

GOAL: Enhance the experience of first-year students, increase first year student retention, and raise probability of degree completion

PRIMARY STRATEGY:
Entering Student Program

- A comprehensive support program for new students, including enhanced orientation, advising, and financial aid, clustered classes, University Seminar course, student development activities, and learning communities.
- Established in 1999
- Funded through grants from federal agencies and foundations and UTEP resource re-allocations

OTHER STRATEGIES

- Faculty development via the Center for Effective Teaching and Learning Active participation in a variety of national student success programs, e.g., The First Year Experience and National Survey of Student Engagement

METRICS

- Improvement in first-year retention

UTEP's One Year Persistence Rates

Entering Term	FTFTF*	Plus 1 Year	Percent
Fall 1996	1,394	908	63.20%
Fall 1997	1,468	947	64.50%
Fall 1998	1,606	1,124	69.50%
Fall 1999	1,780	1,240	69.70%
Fall 2000	1,976	1,345	68.10%
Fall 2001	2,107	1,457	69.20%
Fall 2002	2,225	1,582	71.10%

*FTFTF First-time full-time students that entered in the fall semester. Non-degree seeking students are included.

BUILDING A SOLID PATHWAY TO GRADUATION

GOAL: Increase overall graduation rates and time to degree

STRATEGIES:

- Direct Quality Enhancement Plan component of SACS re-accreditation toward better understanding of factors, both external (over which we have no control) and internal (which we can control), that affect students' progress toward degree completion
- Establish Student Success Task Force within UTEP's Centennial Commission planning process to conduct a comprehensive analysis of UTEP curricula, policies, and practices and their effect on student success.
- Anticipating increased transfer enrollment from the El Paso Community College, continue to build cooperative programs to make transfer seamless and increase the probability that transfer students will be successful in completing their UTEP degrees
- Utilize new tuition revenues to increase investment in advising, both to provide more support to students after their first year, and to learn more from these interactions about obstacles that students encounter in completing their degrees
- Develop tools to help students gain a better understanding of personal financial management, recognizing that finances play a major role in most UTEP students' progress toward a degree
- Develop a Senior Year Experience program to support students' transition from undergraduate degree to graduate/professional education or workplace

METRICS

- Consistent improvement in UTEP's six-year graduation rate, to 50% within 10 years
- Improvement in four-year graduation rate of EPCC transfers
- Sustained diversity among undergraduate degree recipients
- Sustained quality of the undergraduate experience



Comparable Institutions

Institution	Fall 2003 Enrollment	Percent Hispanic	One-Year Persistence Rate	Six-Year Graduation Rate
University of Texas – El Paso 	18,542	71%	69%	26%
University of Texas – Arlington	24,979	11%	68%	37%
University of Texas – Pan American	14,392	86%	65%	25%
University of Texas – San Antonio	24,665	46%	65%	29%
Florida International University	33,880	52%	82%	53%
New Mexico State University	16,174	41%	71%	46%
Northern Arizona University	18,824	11%	69%	50%
San Diego State University	33,676	20%	82%	44%
Texas Tech University	28,549	10%	82%	54%
University of Houston	35,066	18%	79%	39%

Graduation Rates

Although UTEP's students do not typically complete their degrees as quickly as their peers in more traditional settings, their determination to succeed is reflected in their persistence.



UTEP Students Persist — To Success

Overall Success Rate of First-Time Freshmen (Fall 1996 Cohort)

- 6-year graduation/persistence rate: 51.7%
(Have graduated or are still enrolled and working toward a degree)

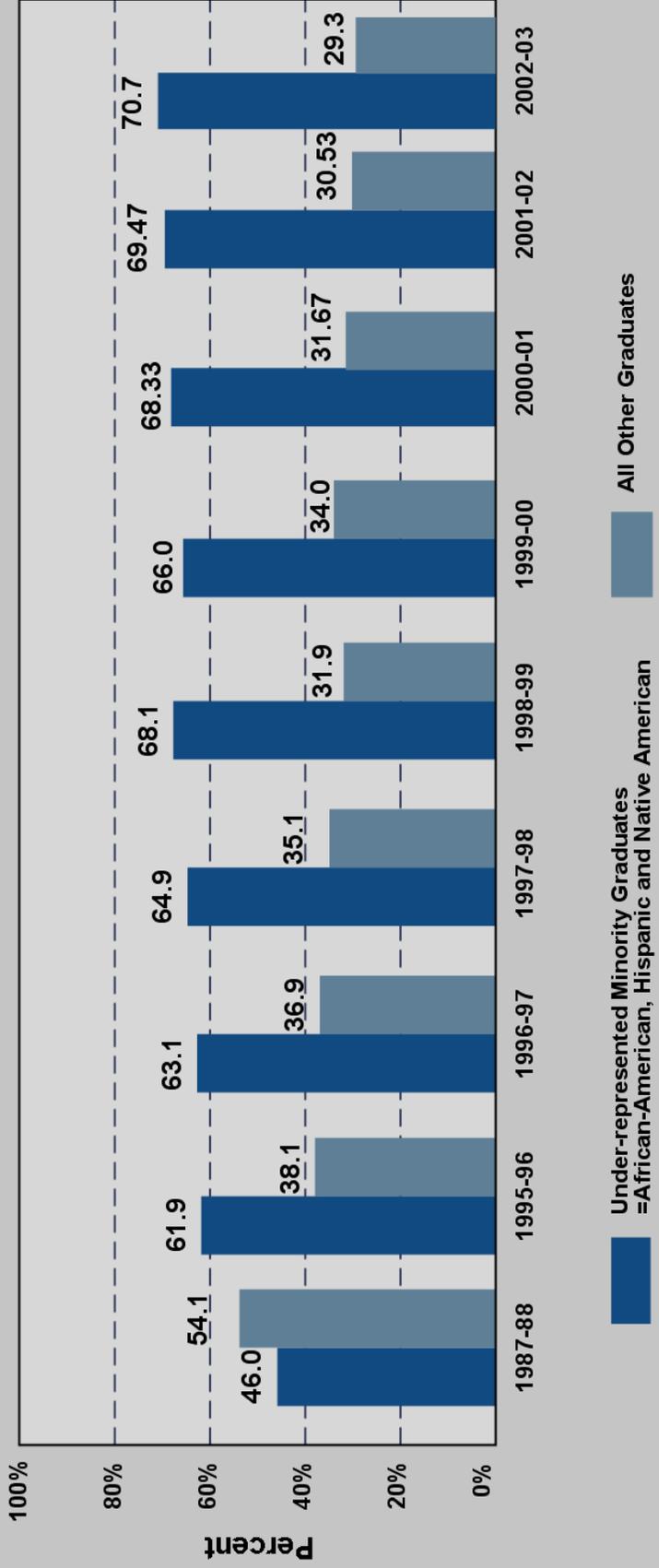
Graduation Rates of First-Time Freshmen (Fall 1993 Cohort)

- 6-year graduation rate: 24.4%
- 7-year graduation rate: 29.3%
- 8-year graduation rate: 33.3%
- 10-year graduation rate: 37.6%

Transfer Student Graduation Rate: Graduated in FY 2003 (Fall 1999 Cohort)

- 4-year transfer student graduation rate: 59.5%

UTEP Degrees Awarded to UG, Masters and Doctoral Under-Represented Minorities as a Percent of Total Degrees Awarded



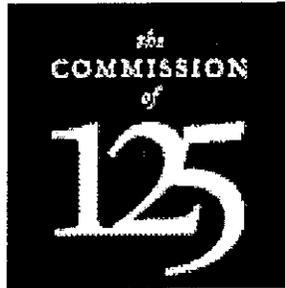
Source: IPEDS Completion Survey

Hispanic Science and Engineering Doctorate Recipients: 1997-2001*

Baccalaureate-Granting Institutions	Rank	No. of Students
University of Texas at Austin	1	74
University of California-Berkeley	2	73
Massachusetts Institute of Technology	3	53
University of California-Los Angeles	4	52
Florida International University	5	50
Texas A&M University Main Campus	6	50
University of Florida	7	50
Cornell University, All Campuses	8	45
Stanford University	9	42
University of Texas at El Paso 	10	41

*Recipients, 2001.

Source: National Science Foundation, Division of Science Resources Statistics



The Commission of 125
A Disciplined Culture of Excellence

September 30, 2004

Final Report

The University of Texas at Austin

The Commission of 125 is a group of citizens convened to express a vision of how The University of Texas can best serve Texas and the larger society during the next 25 years. The Commission was proposed during the 2001–2002 academic year, 125 years after the Constitution of 1876 mandated that Texas establish “a university of the first class.” In the spirit of that mandate, the group was named the Commission of 125.

Graduate Students

Recommendation Twelve

The University should recruit the very best graduate students from Texas, the nation, and the world. It should seek to create for all its graduate students an academic environment that is second to none in intellectual richness and diversity. Stipends for UT graduate students should be at least as high as those at the nation's other premier graduate schools.

The graduate and professional programs of The University of Texas make crucial contributions to the economic, intellectual, and cultural strength of Texas, the nation, and the world. In addition, UT's national and international reputation relies on the quality of its graduate and professional programs. The quality of graduate programs and graduate students can prove decisive in attracting high-quality faculty. Academic leaders and undergraduate students are keenly aware of the quality of graduate and professional programs at universities. In these interdependent ways, the quality of graduate and professional education has a profound effect on UT's national and international reputation. Moreover, graduate students play an enormous role in a university's teaching and research.

UT already is a distinguished institution. But if it is to realize its vision of excellence, it must have stellar graduate and professional programs.

Support for graduate students should be a high priority. If increased stipends cannot be provided for all programs, they should at least be offered for programs receiving special emphasis. It is important that UT's graduate programs include students from racial and ethnic minorities.

While graduate students play an important role in undergraduate education, The University should reduce its dependence on graduate students to serve as teachers at the undergraduate level. Moreover, undergraduate teaching requirements should not drive graduate school admission policy or diminish the intellectual experience for graduate students.

Faculty members should integrate graduate students into the intellectual life of their departments so that the students' intellectual and social experiences are more akin to those of academic peers. In addition, more must be done to foster a campus-wide social and intellectual community for graduate students.

The University of Texas at Dallas

Strategy for Continued Expansion of Externally Funded Research Activities

Four broad areas of investigation at UTD generate the majority of the university's externally funded research. These are:

1. Research on molecular, cellular, organic and mechanical systems, directed at improving human health;
2. Research on new atomic and molecular structures, directed at developing materials with mechanical and electrical properties that promise breakthrough advances in manufacturing, energy conservation/generation, and medical treatments;
3. Research on the design and construction of innovative systems and instrumentation, directed at developing devices and networks with improved sensitivity, durability, and information processing/transmitting capabilities, along with concurrent miniaturization and reduced costs of production,
4. Research on national security issues, directed at protecting human populations and crucial elements of civilization's basic material infrastructure against natural disasters, accidents, and terrorism.

Obviously, this overview does encompass all of the vital research being conducted at UTD. Likewise, any attempt to factor scientific and technical research into distinct domains necessarily ignores the pervasive interdisciplinary nature of advanced research. However, this organizing principle can be of assistance in grasping the major emphases of current and projected research at UTD.

1. Major projects in the domain of health-related research include:
 - a) Research by Professors Pace and Goodman on Sickle Cell Disease
 - b) Research by Professor Sherry on contrast agents for medical imaging
 - c) Research by Professors D'Mello, DeJong, Levene, and Gonzalez on the molecular and cellular causes and cures of various diseases
 - d) Research by Professors Lomber, Kilgard, and Atzori on fundamental aspects of neural functioning
 - e) Research by Professor Chapman on restoring and sustaining healthy brain functioning
 - f) Research by Professors Tobey and Sharma on treatments of deafness

- g) Research by Professors Owen and Underwood on mental health
- h) Research by Professor Loizou on engineering approaches to treatments of deafness
- i) Research by Professor Ober on mathematical algorithms for image processing

Much of this research takes in close, often formal, collaborations with physicians and researchers at UTSWMC, and expanding breadth and depth of these collaborations is at the forefront of UTD's strategy for further progress. Particular areas of immediate emphasis are the Metroplex Imaging Center, a collaboration of UTSWMC, UT Arlington, and UTD, and the development of research in engineering and natural science that complements the great scientific strengths of UTSWMC.

2. Major projects in the domain of materials research include:

- a) Research by Professors Baughman, Zakhidov, Ferraris and MacDiarmid on nanotechnology
- b) Research by Professors Gnade, Wallace, Kim, and Lee on electro-mechanical properties of materials
- c) Research by Professors Overzet and Goeckner on surface properties of compounds critical to advanced manufacturing

This research area will continue to be emphasized in future faculty hiring in both engineering and science, with many appointees holding joint appointments in the two schools, in recognition of the intrinsically interdisciplinary nature of this field. The completion of the Natural Sciences and Engineering Research Building facilities will strengthen our ability to recruit outstanding faculty in this field.

3. Major projects in the area of innovative systems and instrumentation include:

- a) Research by Professors Heelis, Hoffman and Earle on remote sensing devices for near-earth and interplanetary space research
- b) Research by Professors Fumagalli, Bastani and Farago on advancing capabilities of communication networks
- c) Research by Professor Maloberti on sensing devices

Further faculty hiring is planned in these areas to solidify UTD's current strong position.

4. Major projects in the area of security research include:

- a) Research by Professors Harabagiou and Moldovan on computer processing of natural language
- b) Research by Professor Harris on security of vital information and infrastructure resources.

These areas are a current focus of faculty hiring, aimed at bringing UTD up to a nationally competitive position in this vitally important research.

BUILDING RESEARCH CAPACITY AT UTEP

Background

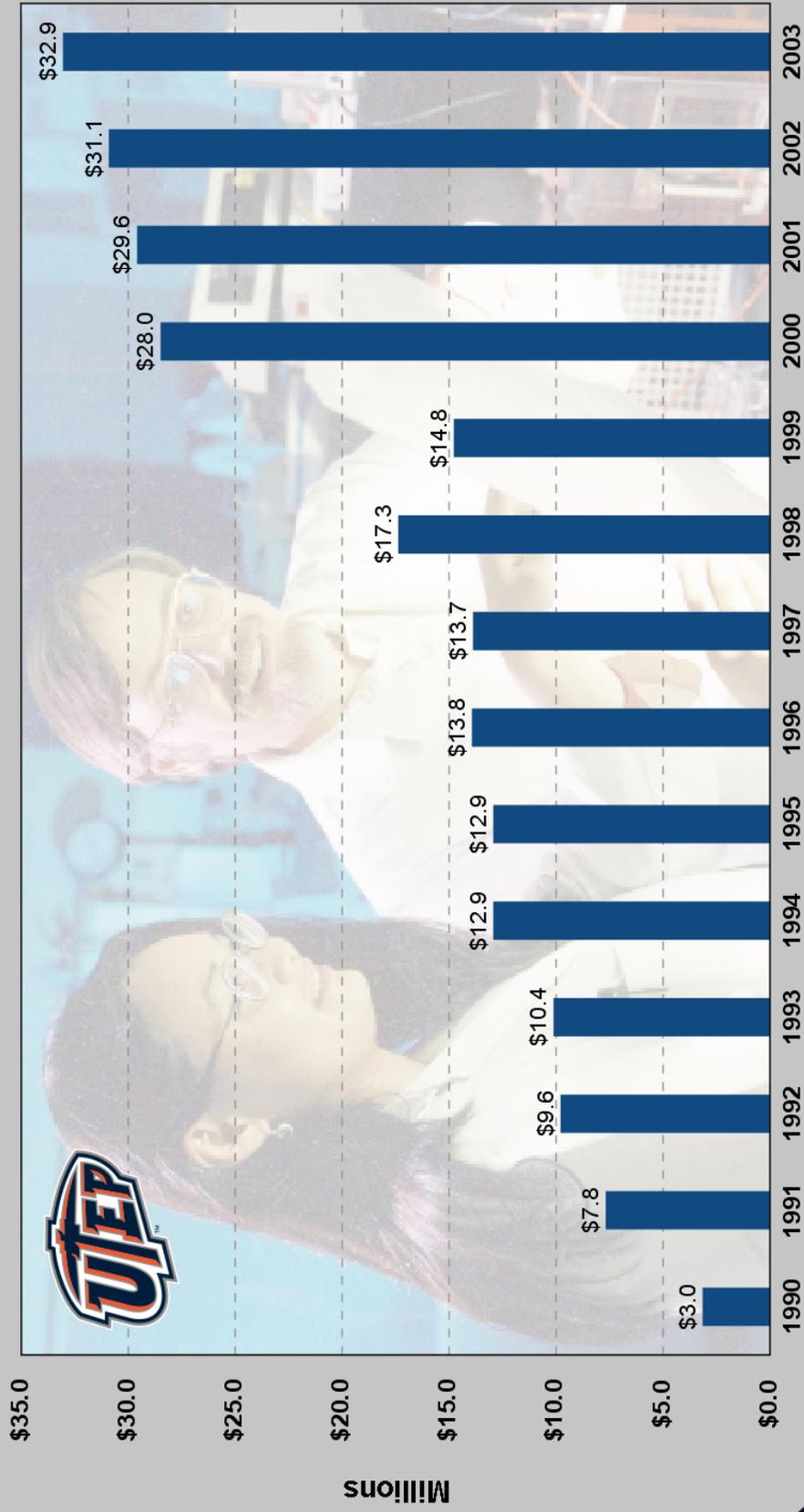
- Growth in Total Research Expenditures, 1990-2003
- UTEP's Annual Research Expenditures Ranking among UT System Academic Institutions, 2003
- UTEP's Ranking among all Texas Public Universities in Total Federal Funds, 2003

Report of the Washington Advisory Group (WAG)

- "UTEP's vision is nontraditional but exciting, with the twin goals of providing high quality education in a socially responsible way, and at the same time achieving national research prominence." (p. 76)
- "UTEP has successfully secured substantial federal set-aside funds to jump start its research expansion campaign and its private sector fund raising ability has been impressive considering the resources available in the great El Paso area. UTEP also has shown the capacity to recruit well and to take advantage of the unique opportunities arising from its border location. Taking this into account, we believe that UTEP can become a Carnegie Doctoral Research Extensive university and receive national recognition as a research capable, urban university in this decade. If it can secure the resources for the new faculty positions...and for the facilities they will require, UTEP should be able to reach Tier I status in 15 years or so." (p. 79)

Growth in Total Research Expenditures

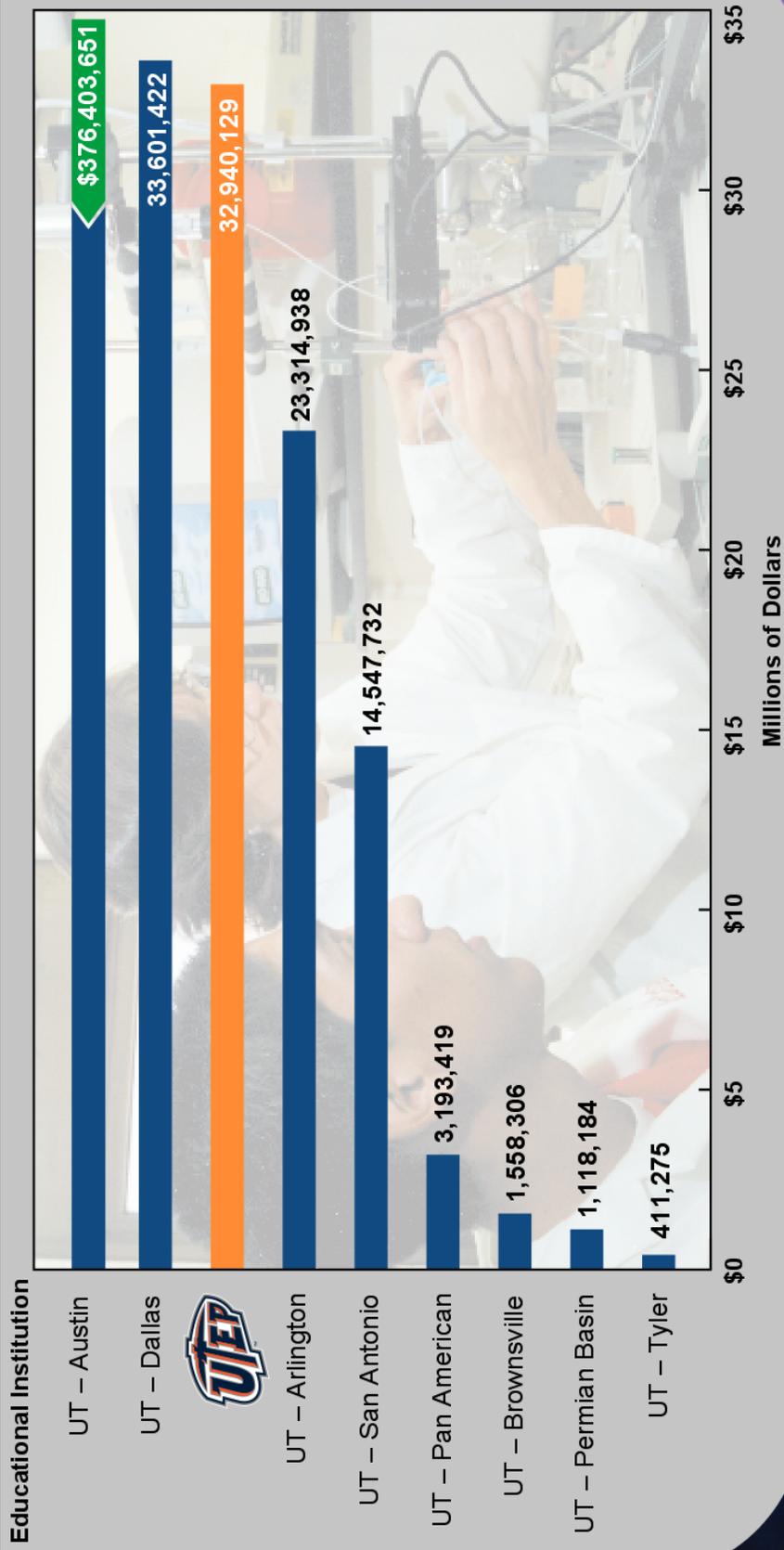
Fiscal Years 1990-2003



Source: Annual Financial Report

The University of Texas System Research Expenditures

(Including Indirect Costs) — Fiscal Year 2003



Source: THECB R&D Expenditures, April 2004
 Table 7, Total Expenditures for Other Research Related Programs, all sources of funds

Total Federal Funds Expenditures for Research and Other Research-Related Sponsored Programs

Top 10 Public Institutions of Higher Education: FY 2003

	Total Expenditures in Millions	State Rank
UT – Austin	\$240.54	1
Texas A & M and Services	\$178.02	2
University of Houston	\$34.24	3
Texas Tech	\$23.28	4
UT – El Paso	\$21.49	5
UT – Dallas	\$14.43	6
Sam Houston State	\$12.61	7
UT – San Antonio	\$10.05	8
Prairie View A & M	\$8.47	9
University of North Texas	\$8.33	10

Source: THECB Research Expenditures Report Fiscal Year 2003

UTEP's Response to the WAG Report

1. Widely circulated and discussed the WAG Report both on the campus and among UTEP supporters, to increase awareness of both opportunities and challenges.
2. Engaged consultants from UTMB to review institutional policies and practices in such areas as Research and Sponsored Projects, Human Resources and purchasing, and assess their impact on the growth of the research enterprise at UTEP.
3. Established a Research Task Force within the Centennial Commission planning process. Consisting of UTEP faculty, staff and students, the Task Force was charged to engage campus stakeholders in completing by December 2004 an analysis and set of recommendations to:
 - Define UTEP's broad strategic research directions for the next ten years
 - Provide a roadmap and timetable for research development in these areas
 - Identify available assets to support this research development
 - Identify new resources required to implement this research development
 - Sustain faculty participation in monitoring progress toward research development goals and "refreshing" the plan
 - Develop metrics to evaluate progress in implementing the plan
4. Commissioned the preparation of an Investment Model to determine the human resource and capital infrastructure required to increase UTEP's annual research expenditures from the current \$33 million to the \$100 million goal contained in the WAG report.

Building Research Capacity at UTEP: The Investment Model

