

OFFICE OF THE BOARD OF REGENTS
THE UNIVERSITY OF TEXAS SYSTEM
201 WEST SEVENTH STREET, AUSTIN, TEXAS 78701-2981
(512) 499-4402

MEMORANDUM

March 26, 1998

TO: Those Who Receive Official Copies of
the Regents' Rules and Regulations (List Attached)

FROM: Art Dilly *AD*

SUBJECT: Regents' Rules and Regulations, Part Two - Amendments

Please update your copy of the Regents' Rules and Regulations, Part Two by destroying the pages listed in Column "A" and substituting in lieu thereof the pages listed in Column "B":

"A"	"B"
Cover Page	Cover Page
Pages I-4, I-9, and I-10	Pages I-4, I-9, and I-10
Pages II-1, II-5, II-7, and II-8	Pages II-1, II-5, II-7, and II-8
Page III-8	Page III-8
Page IV-3	Page IV-3
Page VII-4	Page VII-4
Pages VIII-1, VIII-2, VIII-4, and VIII-5	Pages VIII-1, VIII-2, VIII-4, and VIII-5
Pages X-1 and X-2	Pages X-1 and X-2
Pages XI-1, XI-2, and XI-3	Pages XI-1, XI-2, and XI-3
Pages XII-1, XII-2, XII-3, XII-4, XII-5, XII-6, XII-10, XII-11, and XII-12	Pages XII-1, XII-2, XII-3, XII-4, XII-5, XII-6, XII-10, XII-11, and XII-12

The amendments approved at the February 12, 1998 meeting of the U. T. Board of Regents, as well as editorial amendments, have been incorporated on the revised pages.

AD/cf
Enclosures

Distribution List for Official Copies of
Regents' Rules and Regulations

Board of Regents	9
Office of the Board of Regents	3
Legislative Budget Board	1
Governor's Budget and Planning Office	1
Publications Clearing House	1
State Auditor - U. T. Austin Representative	1
Legislative Reference Library	1
System Administration	8
Chancellor	
Executive Vice Chancellor for Health Affairs	
Executive Vice Chancellor for Business Affairs	
Acting Vice Chancellor for Academic Affairs	
Executive Associate to the Chancellor	
Vice Chancellor and General Counsel	
Vice Chancellor for Governmental Relations	
Vice Chancellor for Development and External Relations	
Chief Administrative Officers of Component Institutions	15
Mr. Thomas G. Ricks	<u>1</u>
President and Chief Executive Officer	
UTIMCO	
TOTAL	41

NOTE: See July 6, 1988 letter from Coordinating Board which requests that only those amendments related to (1) academic work load and (2) faculty development leaves be sent to that office.

Addresses of State Officials Who Receive Copies
of the Regents' Rules and Regulations

Governor's Budget and Planning Office
711 Sam Houston Building
Austin, Texas 78711
INTERAGENCY MAIL

Mr. John Keel
Director, Legislative Budget Board
John H. Reagan Building
Third Floor
Austin, Texas 78701
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State Auditor's Office
Two Commodore Plaza
206 East 9th Street
Suite 1900
Austin, Texas 78701
INTERAGENCY MAIL

Ms. Sally Reynolds
Director
Legislative Reference Library
Room 207-B, Capitol Building
Austin, Texas 78711
INTERAGENCY MAIL

Publications Clearing House
Room 307, Archives Building
Texas State Library
Austin, Texas 78711
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Dr. Don Brown
Commissioner, Texas Higher
Education Coordinating Board
7745 Chevy Chase Drive, Building 5
Austin, Texas 78752
INTERAGENCY MAIL

(NOTE: Send only when there are
amendments related to (1) academic
work load or (2) faculty development
leaves.)

Mr. Thomas G. Ricks
President and Chief Executive Officer
The University of Texas Investment Management Co.
CTJ Hall

RULES AND REGULATIONS

OF THE

BOARD OF REGENTS

OF

THE UNIVERSITY OF TEXAS SYSTEM

FOR THE GOVERNMENT OF

THE UNIVERSITY OF TEXAS SYSTEM

PART TWO

Part Two was completely reissued as of June 1, 1988.
(Substantive amendments through February 12, 1998,
and editorial amendments through March 1998
have been issued with this cover sheet.)

Sec. 2. Fellowships, Scholarships, and Loan Funds.

- 2.1 After gifts for fellowships, scholarships, and loan funds have been accepted by the Board, as indicated previously, they are administered jointly by designated committees and the business office of each component institution.
- 2.2 In the case of scholarships and fellowships, the appropriate committee, or designated individual, receives applications, makes the necessary inquiries, and determines the award. The committee advises the institutional head of the award who, in turn, approves and forwards the notice of award to the business office. Payments on scholarships and fellowships are made through the business office of the component institution.
- 2.3 In the case of loan funds, the appropriate committee or designated person receives applications for loans, makes the necessary inquiries, and approves or declines the original loan as well as all renewals and extensions. The chairman notifies the business office of the granting of loans, and all records including notes, cash, accounts and collections are thereafter handled by that office. The principal of loan funds is kept intact insofar as possible. The chairman of the awarding committee may be requested by the business office to assist in collection of past due interest or principal.

Sec. 3. Academic Positions.

- 3.1 No endowment will be established or announced without prior approval by the Board or its designee(s). No initial appointment will be made to an endowed or named academic position without prior approval as a Request for Budget Change by the chief administrative officer after review and approval by the Executive Vice Chancellor for Health Affairs or the Vice Chancellor for Academic Affairs, as appropriate. Subsequent new or continuing appointments to the endowed or named academic positions may be approved as a part of the annual operating budget.

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 15% of each class of which nonresidents are a part provided that the admission of such nonresidents is on the basis of academic merit alone.

Sec. 9. Official Seal, Colors, Flag, Logo, and Mascot.

- 9.1 The official seal of the System shall be the seal held in the custody of the Executive Secretary to the Board on which shall be inscribed "Seal of The University of Texas." The official seal of each component institution shall consist of the System seal with such heraldic variations as may be approved by the Board upon recommendation of the chief administrative officer of the component institution, the appropriate Executive Vice Chancellor or Vice Chancellor and the Chancellor. This official seal shall be used for the purpose of certifying diplomas, official transcripts for students and for such other official purposes as may be approved by the Board, by System Administration, or by the chief administrative officer of a component institution. Provided, however, that if any component institution has previously adopted and presently uses an institutional seal, such component institution may continue to use such seal in lieu of the seal hereby provided for. Provided further, however, no component institution shall use as its official seal that seal approved herein as the official seal of the System, unless the full title of the institution as designated in the Rules and Regulations of the Board, Part One, Chapter VIII, Section 4, is also used as an integral part of the seal.
- 9.2 The official colors for the System shall be orange and white; provided, however, that a component institution may adopt one additional color to be used in connection with athletic and other activities of the institution when approved by the Board upon recommendation of the chief administrative officer of the component institution, the appropriate Executive Vice Chancellor or Vice Chancellor and the Chancellor.

9.3 The Texas State Flag shall be designated as the official flag of the System, and the official flag of each component institution shall be the Texas State Flag with a streamer with the official name of the component institution in white letters on an orange field, and a special occasion banner, as determined to be appropriate by the chief administrative officer in consultation with the appropriate Executive Vice Chancellor or Vice Chancellor. No component institution shall have or display any other flag as its official flag. Nothing in this Subsection shall be interpreted to prohibit display of other flags in a manner consistent with the Texas Flag Code, Article 6139c, Vernon's Texas Civil Statutes.

9.4 Each component institution may adopt a theme, a logo and a mascot, provided same are approved by the Board via the docket following recommendation of the chief administrative officer of the component institution, the appropriate Executive Vice Chancellor or Vice Chancellor and the Chancellor.

Sec. 10. Appropriations Act Riders.--The System will comply with the provisions of the current General Appropriations Act insofar as applicable.

CHAPTER II

ACCOUNTING, AUDITING, REPORTING, AND BUDGETARY CONTROL

Sec. 1. Types of Funds.

1.1 Current Funds.

- 1.11 General.--General Funds are those unrestricted operating funds which are available for any purpose. Such funds are expended in accordance with the budgets and appropriations approved by the Board. General Funds balances shall not be reappropriated from one fiscal year to another unless specific approval is given by the Executive Vice Chancellor for Health Affairs, if appropriate, the Chancellor and the Board.
- 1.12 Auxiliary Enterprises.--Auxiliary Enterprises Funds are those funds set aside for operating entities which exist to furnish specified services to students, faculty, or staff, and which charge fees that are directly related to the cost of the service.
- 1.13 Designated.--Designated Current Funds are those funds designated for special activities by the System. The income and expenditures are ordinarily related to a particular department. Expenditures follow the same programs as are found in the General and Restricted Current Funds. Such funds are subject to the same budgetary restrictions as General Funds although balances are automatically reappropriated at the end of each fiscal year.
- 1.14 Restricted.--Restricted Current Funds are those received from federal and local governments, state agencies, individuals,

vouchers, requisitions, etc., in the absence of the department head. These designations shall expire upon receipt of notification by the accounting office in writing from the department head or upon termination or transfer of the designee from the department.

Sec. 3. Auditing.

- 3.1 Internal auditors are responsible for reviewing, evaluating, and reporting on the institution's system of internal administrative and accounting controls and the efficiency and effectiveness of the operations when compared with established standards. The internal auditors are to have no authority or responsibility for the activities they audit. The objective of internal auditing is to assist the chief administrative officer in the effective discharge of his or her responsibilities by furnishing objective analyses, appraisals and recommendations concerning the activities reviewed. To accomplish these objectives, the internal auditor is authorized to have full, free and unrestricted access to all property, personnel and records. The examination of patient medical records must serve a genuine audit need; and individual patients should not be identified in any audit report. The Texas Internal Auditing Act, the Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors, Inc. and "College and University Business Administration" published by the National Association of College and University Business Officers shall serve as guidelines for internal audit activities.
- 3.2 Each institution is expected to maintain an internal audit staff unless otherwise exempt from this requirement by the Chancellor. The institutional internal auditor reports to the institutional chief administrative officer or the institutional audit committee. The institutional internal auditor submits an annual audit plan for approval by the chief administrative officer and forwards a copy to the appropriate Executive Vice Chancellor or Vice Chancellor and the System Director of Audits.
- 3.3 The System Director of Audits shall seek input into the System-wide audit plan from the institutional internal auditors. The implementation of the System-wide internal audit plan will be coordinated with the

- 4.3 Monthly financial reports, in the form prescribed by the Director of the Office of Budget and Fiscal Policy, shall be prepared by each institutional chief business officer and distributed to the chief administrative officer and the Director of the Office of Budget and Fiscal Policy. Copies of such monthly reports, verified under oath, shall be furnished semiannually to the Governor.

Sec. 5. Operating Budgets.

- 5.1 Operating Budgets for all the component institutions shall be approved annually by the Board within the budget estimates of income prepared by the chief business officer and the chief administrative officer and approved by the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for Academic Affairs, and the Chancellor.
- 5.2 General policies for the budget preparation shall be recommended by the Chancellor to the Board and shall be followed in preparing the budgets. Instructions for details of budget preparation shall be furnished to the chief administrative officers by System Administration.
- 5.3 The institutional chief administrative officer shall issue local instructions and shall furnish forms to the budget-recommending officials. Their recommendations for salaries, maintenance and operation, equipment, travel, and other pertinent items shall be reviewed by the chief administrative officer. The budget as finally recommended by the chief administrative officer shall be forwarded to the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for Academic Affairs, and the Chancellor for further review and recommendation to the Board.
- 5.4 Rules and procedures for budget administration shall be prepared by the Chancellor, with assistance of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor for Academic Affairs, approved by the Board, and shall be included in the completed budgets.

- 5.5 A copy of each budget, and any subsequent amendment thereto, shall be filed by the Executive Secretary to the Board with the Legislative Reference Library to be available for public inspection, and also with such other state offices as required by law.

Sec. 6. Legislative Budget Requests.

- 6.1 Legislative budget requests, biennial or otherwise, as may be required shall be submitted to the Texas Higher Education Coordinating Board, to the Legislative Budget Board, and to the Governor's Budget and Planning Office in the form and at the time prescribed.
- 6.2 These legislative budget requests shall be prepared in conformity with the same general procedures, as outlined above in Section 5, for the annual budgets in the following sequence:
 - 6.21 Approval of budget request writing policies by the Board upon recommendation of the Chancellor.
 - 6.22 Preparation of a recommended budget request of expenditures by the chief administrative officer in conformity with these policies.
 - 6.23 Approval of the completed budget request by the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for Academic Affairs, the Chancellor and the Board.

10.22 Allowances for meals and lodging (including per diem), transportation and related expenses shall be guided by the following as appropriate: provisions of the current Appropriations Act; the Travel Regulations Act of 1959 (Chapter 660, Texas Government Code), as amended; business procedure memoranda issued by the Executive Vice Chancellor for Business Affairs; approved institutional or System travel regulations; terms of grants and contracts which provide reimbursement; and restrictions placed on expenditures from the institutional source reimbursing the travel.

10.3 Institutional and System Administration Travel Regulations.--Component institutions and System Administration shall issue travel regulations covering authorization for travel and reimbursement for approved travel to implement applicable provisions of state law and regulations and the provisions of this Section for the guidance of all personnel concerned. Following administrative approval by the appropriate Executive Vice Chancellor or Vice Chancellor, each institutional policy will be included in the institutional Handbook of Operating Procedures.

Sec. 11. Insurance on Money and Securities; Fidelity Bonds.

11.1 Insurance on Money and Securities.--As approved by the Board, the System carries a blanket System-wide policy insuring against loss of money or securities at any of the component institutions. The premium paid by each institution is separately computed and is based on the coverage applicable at each institution. At the time any loss occurs at any institution, the Executive Vice Chancellor for Business Affairs shall be notified by the appropriate chief business officer and shall approve all loss claims and settlements. Any settlement over \$2,000 and under \$10,000 shall be reported to the Board for ratification. Settlements in the amount of \$10,000 or more must have the approval of the Board. Money and securities coverage may be combined with the blanket position fidelity bond.

- 3.4 The System has no obligation to comply with the Act or the rules and regulations issued thereunder in making purchases to which the Commission's authority does not extend, or for which the System's purchasing authority is not delegated from the Commission under the Act or expressly subject to rules by the Commission but rather is a different statute. With respect to such purchases not subject to the Act or the rules and regulations issued thereunder, the policies and procedures to be used by a System component shall be approved by its chief business officer pursuant to Section 5 below.

Sec. 4. Purchasing Procedures.

- 4.1 The official purchasing agent of each component institution shall promulgate procedures to facilitate and expedite the purchasing function. Such procedures shall be developed in accordance with sound business practices and applicable state law. Purchasing procedures shall be implemented only after appropriate review and approval for inclusion in the institutional Handbook of Operating Procedures, including review and approval of the chief business officer.
- 4.2 Closed or noncompetitive specifications shall not be used except in unusual instances clearly justified as being essential to efficient operating performance. Reports of all such exceptions shall be maintained by the chief business officer.

- Sec. 5. Purchase from or Sale to an Officer or Employee.--Purchase from, or sale to, any officer or employee of the System or a component of any supplies, materials, services, equipment, or property must have the prior approval of the chief administrative officer and the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for Academic Affairs, or the Chancellor, as appropriate. Any such purchases shall be made only if the cost is less than from any other known source. This Section does not apply to sales or purchases made at public auction and to a purchase(s) of \$1,000 or less of artwork or other product(s) created or crafted by an employee if the work is to be displayed on campus or is to be an award or memento.

such item of equipment is needed by any other department and, if so, to transfer and assign the equipment to such department.

- 8.2 If the chief business officer shall determine that the equipment is not needed for any department and that it is not practicable to store the equipment for possible future use, he or she shall proceed to sell the item concerned.
- 8.3 For items of little value or limited use where sale on competitive bids is not practicable, the chief business officer shall have the authority to dispose of the property on the basis of negotiated bids in amounts under \$2,000.
- 8.4 Sale of property estimated to bring \$2,000 or more shall be made on a basis of competitive bids.
- 8.5 Sales in amount of \$10,000 or more shall be approved in advance by the Chancellor and ratified by the Board through the institutional docket.
- 8.6 Sales to employees are governed by the provisions of Part Two, Chapter IV, Section 5 of these Rules.

Sec. 9. Transfer of Property.--Property may be transferred from one state agency to another when it becomes surplus. Such transfers from one component institution to another, or from a component institution to another state agency shall have the advance approval of the chief business officer concerned and shall be reported to the chief administrative officer. The chief business officer or his or her delegate shall advise departments and administrative offices as to the procedure to be followed in disposing of or acquiring property by this means.

CHAPTER VIII

PHYSICAL PLANT IMPROVEMENTS

Sec. 1. Institutional Committees.

- 1.1 Institutional Building Advisory Committees.--There may be an Institutional Building Advisory Committee for each component. The duties, composition, and appointment of the members of the Institutional Building Advisory Committee shall be set forth in the Handbook of Operating Procedures of each component. The Institutional Building Advisory Committee shall have no further direct responsibility after the construction contract is awarded but shall be available for consultation as the building progresses, as requested by the chief administrative officer, the appropriate Executive Vice Chancellor or Vice Chancellor, the Chancellor, or the project architect or engineer.
- 1.2 Ad Hoc Project Building Committee.--The chief administrative officer may appoint, according to the institutional Handbook of Operating Procedures, an Ad Hoc Project Building Committee composed of, but not limited to, representatives of the departments or divisions that will occupy the building. The chairperson of the Institutional Building Advisory Committee, or his or her delegate, shall be an ex officio member of each Ad Hoc Project Building Committee. The committee shall work with the Office of Facilities Planning and Construction to prepare a facility program in accordance with the Facilities Programming Guidelines maintained by the Office of Facilities Planning and Construction.

Sec. 2. Major Construction and Repair and Rehabilitation Projects.

- 2.1 General Requirements.
- 2.11 Subject to Subdivisions 2.12, 2.13, 2.14 and 2.15 of this Section and the general provisions of Part One, Chapter I, Section 9 and except as otherwise specified in these Rules and Regulations, the Chancellor with the advice of the appropriate Executive Vice Chancellor or Vice Chancellor and chief

- administrative officer is authorized to appoint architects, approve plans and execute contracts for all new construction projects exceeding \$300,000 and for major repair and renovation projects exceeding \$600,000 ("Major Projects") that have previously been approved or authorized by the Board.
- 2.12 Major Projects must be approved by the Board by being included in the approved Capital Improvement Program.
 - 2.13 Funding for Major Projects must be allocated and appropriated by the Board through the Capital Budget.
 - 2.14 Costs in excess of an amount equal to the Total Project Cost approved by the Board plus ten percent or any material change in the concept or scope of the project must be approved by the Board.
 - 2.15 Construction contracts executed and delivered on behalf of the Board for Major Projects shall comply with guidelines issued by the Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel. Payment and performance bonds, when required by law for contracts, shall be on a standard form approved by the Office of General Counsel.
 - 2.16 The Chancellor or delegate shall approve the construction contractor's estimates, sign change orders, and provide general supervision of all Major Projects. The Chancellor with the advice of the appropriate Executive Vice Chancellor or Vice Chancellor and chief administrative officer is authorized to increase the approved Total Project Cost not more than ten percent. To provide funding for the increase, the Chancellor may reallocate funding between or among approved projects at a single component if funding for such projects has previously been authorized in accordance with Subdivision 2.13 or approve funding from some other source available to the component.

- 2.25 Design Development Plans for Major Project new construction and for architecturally or historically significant repair and rehabilitation projects shall be submitted to the Board for approval upon the recommendation of the Chancellor. The Executive Officers and chief administrative officers shall be responsible for identifying to the Chancellor architecturally or historically significant major repair and rehabilitation projects. Upon approval of the Design Development Plans for Major Project new construction or an architecturally or historically significant repair and rehabilitation project, the Board will authorize expenditure of funds for the Project.
- 2.26 The Chancellor is authorized to approve Design Development Plans and authorize expenditure of funds for all other Major Project repair and renovation.
- 2.27 After approval of the Design Development Plans, the Chancellor is authorized to direct the preparation of the working drawings and specifications ("Construction Documents").
- 2.28 The Chancellor is authorized to approve the Construction Documents upon the recommendation of the chief administrative officer and the appropriate Executive Vice Chancellor or Vice Chancellor.

Sec. 3. Minor Construction and Repair and Rehabilitation Projects.

- 3.1 Delegation of Authority.--Subject to Subsections 3.2, 3.3, and 3.4 of this Section and the general provisions of Part One, Chapter I, Section 9 and except as otherwise specified in these Rules and Regulations, each chief administrative officer is authorized to appoint architects, approve plans and Construction Documents, and execute and deliver contracts, agreements, and other documents on behalf of the Board for all new construction projects of \$300,000 or less and for repair and rehabilitation projects of \$600,000 or less ("Minor Projects").

- 3.2 Required Review and Approval.--Minor Projects shall be subject to review as directed by the appropriate Executive Vice Chancellor or Vice Chancellor. If the Minor Project is to accommodate facility program changes requiring System approval or approval of the Texas Higher Education Coordinating Board, then (i) necessary facility program approvals must be secured in advance of requests for construction approval or must be included with the construction request; (ii) funds must have been approved through standard System budgetary procedures; and (iii) the project must have been approved by the component director of physical plant, chief business officer, and chief administrative officer.
- 3.3 Professional Services.--Subject to the provisions of Part One, Chapter I, Section 9 of these Rules and Regulations, each chief administrative officer is authorized to execute and deliver on behalf of the Board contracts and agreements with architects, engineers, and other professional service providers for Minor Projects previously approved in accordance with this Chapter. Contracts with architects and engineers shall comply with guidelines issued by the Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel.

Sec. 4. Bidding, Award of Contract, and Final Payment.

- 4.1 Advertisement for Bids.--The Chancellor with respect to Major Projects or the chief administrative officer with respect to Minor Projects (the "Responsible Administrator") is authorized to advertise for bids for construction projects. The Construction Documents must be approved by the Chancellor before the advertisement for bids for Major Projects.
- 4.2 Modification of Bids.--No bid may be changed, amended, or modified after the time for bid filing set out in the advertisement for bids. The substance of this requirement shall be stated in the advertisement for bids; provided, however, that this requirement shall not be construed to prohibit the submission or filing of more than one separate and independent bid by any bidder.

CHAPTER X

AUXILIARY ENTERPRISES

- Sec. 1. Auxiliary Enterprises are those operated primarily for service to students and staff. Such enterprises are expected to be self-supporting. Examples of such enterprises are residence halls, dining halls, student hospitals, student unions, book stores, which are supported through sales and/or usage fees, and activities supported from fees collected as voluntary or compulsory Student Services Fees.
- Sec. 2. Annual budgets for these activities shall be prepared and submitted through regular administrative channels, and expenditures shall be within budgets approved by administrative officials and the Board. Income of Auxiliary Enterprises is not deposited with the State Treasury, however, and any balances or deficits at the end of a fiscal year may be reappropriated for the succeeding year.
- Sec. 3. With the exception of intercollegiate athletic departments, to which the general and special provisions of the Appropriations Bill do not apply, the same regulations and applicable laws shall govern as apply to the budgeting and expenditure of general funds unless otherwise specifically authorized. The Board, upon recommendation of appropriate administrative officials, approves the regulations for the management and operation of athletic departments.
- Sec. 4. Rentals and related policies and rates for dormitories and housing facilities shall be approved in advance by the chief administrative officer, the appropriate Executive Vice Chancellor or Vice Chancellor, the Chancellor, and the Board.
- Sec. 5. Rules and regulations for the administration of dormitories, other housing facilities, dining halls, and other eating facilities, shall be promulgated by administrative officials and the chief administrative officer at the institution concerned.

- Sec. 6. The money values of meals, lodging, and other services the employees are authorized to receive in lieu of additional wages or salary, are recommended to the chief administrative officer by the chief business officer and approved by the appropriate Executive Vice Chancellor or Vice Chancellor, the Chancellor and the Board.
- Sec. 7. Statutory Provisions Currently in Effect.--Auxiliary Budgets shall comply with statutory provisions and rider provisions of the current Appropriations Act.
- Sec. 8. Student Publications.--Rules and regulations for the establishment, administration and operation of student publications shall be promulgated by administrative officials and the chief administrative officer at the institution concerned, provided that such rules and regulations shall not be effective until approved by the appropriate Executive Vice Chancellor or Vice Chancellor for inclusion in the institutional Handbook of Operating Procedures.
- Sec. 9. Student Center and Student Union Facilities.--Rules and regulations for the establishment, administration and operation of student center or union facilities shall be promulgated by administrative officials and the chief administrative officer at the institution concerned, provided that such rules and regulations shall not be effective until approved by the appropriate Executive Vice Chancellor or Vice Chancellor for inclusion in the institutional Handbook of Operating Procedures. Rules and regulations for the use of student center or union facilities shall be consistent with the provisions of the Regents' Rules and Regulations, Part One, Chapter VI, Section 6.
- Sec. 10. Intercollegiate Athletics Programs.--Rules and regulations governing the establishment, administration and operation of intercollegiate athletics programs shall be promulgated by administrative officials and the chief administrative officer at the institution concerned, provided that such rules and regulations shall not be effective until approved by the Executive Vice Chancellor for Health Affairs or the Vice Chancellor for Academic Affairs for inclusion in the institutional Handbook of Operating Procedures.
- Sec. 11. Employment of a Students' Attorney.
- 11.1 If an attorney is retained in any manner by a component institution or by a Students' Association or other agency of student government at any component institution of the System to serve as a students' attorney, said attorney shall not act as counsel of

CHAPTER XI

CONTRACT ADMINISTRATION

- Sec. 1. Delegation of Authority.--Subject to Subsection 1.1 and to the general provisions of Part One, Chapter I, Section 9 and except as otherwise provided in these Rules and Regulations, the Board delegates to the chief administrative officers authority to execute and deliver on behalf of the Board contracts and agreements of any kind or nature, including without limitation licenses issued to the Board or a component.
- 1.1 Business Aspects.--The chief business officer of the component or the Executive Vice Chancellor for Business Affairs, as appropriate, shall approve the business aspects of contracts or agreements prior to execution.
- 1.2 Applicability.--This Chapter applies to all contracts and agreements except contracts or agreements relating to personnel, faculty, athletics or athletic events, real properties (except the lease of space for use by a component), physical plant improvements, acceptance or administration of gifts or bequests, contracts and grants for sponsored research, contracts for legal services, and agreements to settle claims, disputes, or litigation.
- Sec. 2. Special Approval Processes.
- 2.1 Small Purchase Programs.--The Board delegates to each chief administrative officer authority to implement, manage, and oversee a small purchase program to allow purchases of routine supplies, services, and equipment to be made by specified employees. A small purchase program shall not permit any purchase for more than \$5,000. The small purchase program shall provide appropriate oversight and include all procedures necessary to assure compliance with these Rules and Regulations and applicable laws.

- 2.2 System Administration and System-Wide Contracts.-- Subject to Section 1, the Board delegates to the Executive Vice Chancellor for Business Affairs authority to execute and deliver on behalf of the Board contracts or agreements with third parties affecting only System Administration or, with the concurrence of the components affected, contracts for the benefit of all or a majority of the components.
- 2.3 Contracts Between or Among Components.--The Board delegates to the chief administrative officer authority to execute and deliver on behalf of the Board contracts or agreements between or among components for resources or services. Any such contract or agreement shall provide for the recovery of the cost of services and resources furnished.

Sec. 3. Legal Matters.

- 3.1 Contracts for Legal Services.--The Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board contracts for legal services and such other services as may be necessary or desirable in connection with the settlement or litigation of a dispute or claim after obtaining approvals as may be required by law.
- 3.2 Settlement of Disputes.--Except as provided in Subsection 3.3 of this Section, the Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board agreements settling any claim, dispute, or litigation subject to approval of System officials as set out below and compliance with all other legal requirements. The Vice Chancellor and General Counsel shall consult with the chief administrative officer and the appropriate Executive Vice Chancellor or Vice Chancellor with regard to all significant settlements that will be paid out of institutional funds. The Vice Chancellor and General Counsel shall consult

with the Office of Development and External Relations with respect to settlement of will contests and other matters relating to gifts and bequests administered by that Office.

<u>Amount</u>	<u>Additional Requirements</u>
\$150,000 or less	None
\$150,001 to \$300,000	Concurrence of the Chancellor or the appropriate Executive Vice Chancellor or Vice Chancellor
\$300,001 to \$500,000	Concurrence of the Chairman of the Board
More than \$500,000	Concurrence of the Board of Regents, the Executive Committee, or the appropriate standing committee of the Board

The amount of the settlement shall mean the amount claimed by U. T. System but not received pursuant to the settlement or, in the case of a claim against U. T. System, the total settlement amount to be paid by U. T. System.

- 3.3 Settlement of Claims and Disputes Relating to Construction Projects.--The Board delegates authority to execute all documents necessary or desirable to settle claims and disputes relating to construction projects to the System or component official designated in the construction contract to the extent funding for the project has been authorized in accordance with the provisions of Part Two, Chapter VIII of these Rules and Regulations.

CHAPTER XII

INTELLECTUAL PROPERTY

Sec. 1. Philosophy and Objectives.--While the discovery of patentable processes or inventions and the creation of other intellectual property is not the primary objective of the System, for any such discoveries or creations, it is the objective of the Board to provide an intellectual property policy that will encourage the development of inventions and other intellectual creations for the best interest of the public, the creator, and the research sponsor, if any, and that will permit the timely protection and disclosure of such intellectual property whether by development and commercialization after securing available protection for the creation, by publication, or both. The policy is further intended to protect the respective interests of all concerned by ensuring that the benefits of such property accrue to the public, to the inventor, to the System and to sponsors of specific research in varying degrees of protection, monetary return and recognition, as circumstances justify or require. Each component institution may develop in its Handbook of Operating Procedures additional policies and rules covering the subject matter of this Section not inconsistent with this Section or other policies or procedures adopted by the Board.

Sec. 2. General Policy.

- 2.1 The intellectual property policy shall apply to all persons employed by the U. T. System and the component institutions of the System, to anyone using System facilities under the supervision of System personnel, to undergraduates, to candidates for masters and doctoral degrees, and to postdoctoral and predoctoral fellows.
- 2.2 Except for intellectual property included in Subsections 2.3 and 2.4, this policy shall apply to and the Board may assert ownership in intellectual property of all types (including, but not limited to, any invention, discovery, trade secret, technology, scientific or technological development, and computer software) regardless of whether subject to protection under patent, trademark, copyright, or other laws.
- 2.3 The Board shall assert its interest in scholarly or educational materials, art works, musical compositions and dramatic and nondramatic literary works

related to the author's academic or professional field, regardless of the medium of expression, as follows:

- 2.31 Students, professionals, faculty and researcher authors.--The Board shall not assert ownership of works covered by this Subsection authored by students, professionals, faculty, and nonfaculty researchers. The Board encourages these authors to carefully manage their copyrights. The Board retains certain rights in these works as set forth in the Policy and Guidelines for Management and Marketing of Copyrighted Works.
- 2.32 Software.--The Board normally shall assert ownership in software as an invention; however, original software which is content covered by Subdivision 2.31, or that is integral to the presentation of such content, shall be owned in accordance with Subdivision 2.31.
- 2.4 Notwithstanding the provisions of Subsection 2.3, the Board shall have sole ownership of all intellectual property created by an employee who was hired specifically or required to produce it or commissioned by the System or a component institution of the System. Except as may be provided otherwise in a written agreement approved by the chief administrative officer of the component institution and the Chancellor, the provisions of Subdivision 5.23 relating to division of royalties shall not apply to intellectual property owned solely by the Board pursuant to this Subsection 2.4.
- 2.5 Any person who as a result of his or her activities creates intellectual property that is subject to this Policy, other than on government or other sponsored research projects where the grant agreements provide otherwise, should have a major role in the ultimate determination of how it is to be made public, whether by publication, by development and commercialization after securing available protection for the creation, or both.
- 2.6 The System, with the cooperation of the component institution, will provide review and management services for patentable inventions as well as other intellectual property either by its own staff, through a related foundation, or by other means.

- 2.7 It is a basic policy of the System that intellectual property be developed primarily to serve the public interest. This objective usually will require development and commercialization by exclusive licensing, but the public interest may best be promoted by the granting of nonexclusive licenses for the period of the patent. These determinations will be recommended and made in accordance with the administrative procedures hereinafter set out and with the approval of the Board.
- 2.8 Neither the facilities nor the resources of System or its component institutions may be used (i) to create, develop or commercialize intellectual properties unrelated to an individual's employment responsibilities (See Subsection 4.1); or (ii) to further develop or commercialize intellectual properties that have been released to an inventor (See Subdivision 5.22) except as the component institution's chief administrative officer and the appropriate Executive Vice Chancellor or Vice Chancellor may approve where System retains an interest under the terms of the release.

Sec. 3. Institutional Intellectual Property Advisory Committees, Office of General Counsel, and UTIMCO.

- 3.1 Intellectual Property Advisory Committees.--To help administer the intellectual property policy at each component institution and to make recommendations to chief administrative officers for further referral to the System Administration and the Board (in those cases when action by the System Administration and/or the Board is required), Institutional Intellectual Property Advisory Committees may be established. Each institution at its option may use the term "Patent Advisory Committee" in lieu of "Intellectual Property Advisory Committee."
- 3.2 Office of General Counsel.--The Office of General Counsel will have responsibility for all legal matters relating to intellectual property and will assist component institutions with respect to such matters. Among other responsibilities, the Office of General Counsel will secure protection for intellectual property when appropriate and will police infringements; maintain central databases and files of patent applications, issued patents, copyrights, licenses and agreements; coordinate with component institutions in negotiating and preparing license and

other agreements; review and approve as to form all agreements relating to intellectual property; and coordinate with and cooperate with UTIMCO in all such matters.

- 3.3 UTIMCO.--UTIMCO will assist component institutions in business and financial matters relating to intellectual property; coordinate with component institutions in evaluating royalty and/or equity transactions and review and approve agreements relating to equity transactions; represent System on boards of directors of entities in which the Board holds equity and the right to a board position; serve as a repository for certificates of shares in entities in which the Board holds equity and represent the System's interest with respect thereto; and coordinate with and cooperate with the Office of General Counsel in all such matters.

Sec. 4. Classification of Discoveries by Source of Support.

- 4.1 Intellectual property that is unrelated to the individual's employment responsibility and has been developed as a result of the individual's efforts on his or her own time with no System support or use of System's facilities.
- 4.2 Intellectual property that is related to the individual's employment responsibility, or has resulted either from activities performed by the individual on System time, or with support by state funds, or from using System facilities.
- 4.3 Intellectual property that has resulted from research supported by a grant or contract with the Federal Government or an agency thereof, a nonprofit or for profit nongovernmental entity or by a private gift to the System.

Sec. 5. Property Rights and Obligations.

- 5.1 Intellectual property unrelated to the individual's employment responsibility that is developed on an individual's own time and without System support or use of System facilities (see Subsection 4.1) is the exclusive property of the creator and the System has no interest in any such property and no claim to any profits resulting therefrom. Should the creator choose to offer the creation to the System, the chief administrative officer shall recommend whether the

System should support and finance a patent application or other available protective measures and manage the development and commercialization of the property. If the creator makes the offer after obtaining a patent or other protection, the chief administrative officer shall recommend whether the System should reimburse the creator for expenses in obtaining such protection. If the chief administrative officer so recommends and the creation is accepted for management by the System, the procedures to be followed and the rights of the parties shall be those set out in Subdivision 5.23.

5.2 Intellectual property either related to the individual's employment responsibility, or resulting from activities performed on System time, or with support by state funds, or from using System facilities is subject to ownership by the Board. (See Subsection 2.2.)

5.21 Before intellectual property covered by Subsection 4.2 is disclosed either to the public or for commercial purposes, and before publishing same, the creator shall submit a reasonably complete and detailed disclosure of such intellectual property to the chief administrative officer of the creator's institution for determination of the System's interest. A component institution may establish guidelines in its Handbook of Operating Procedures for submitting different categories of intellectual property to its Institutional Intellectual Property Advisory Committee and procedures to be followed by the Institutional Intellectual Property Advisory Committee in reviewing and evaluating such submissions. Such guidelines and procedures shall be consistent with this policy and shall be subject to approval as a part of the institutional Handbook. In those instances, however, where delay would jeopardize obtaining the appropriate protection for the property, the creator may request the approval of the chief administrative officer and the Office of General Counsel, to file a patent application or take other steps to obtain available protection prior to the administrative

review provided in the following two subdivisions. If the request is granted, the creator may proceed with the filing of a patent application or other available protective measures pending the determination of the System's interest; provided, however, that the creator shall be reimbursed for reasonable expenses in filing the patent application or taking other steps to obtain protection if the decision of the System is to assert and exploit its interests. Either the Chairman of the Institutional Intellectual Property Advisory Committee or the chief administrative officer shall notify the Office of General Counsel of any such application.

5.22 If the chief administrative officer recommends that the System not assert and exploit its interest, and that recommendation is approved by the Office of General Counsel and the appropriate Executive Vice Chancellor or Vice Chancellor, the creator shall be notified within one hundred eighty (180) days of the date of submission that he or she is free to obtain and exploit a patent or other intellectual property protection in his or her own right and the System shall not have any further rights, obligations or duties with respect thereto except that, in some instances the System may elect to impose certain limitations or obligations or retain income rights, dependent upon the degree of System support involved in the creation of such property.

5.23 With respect to intellectual property in which the System asserts an interest, the Office of General Counsel in consultation with the chief administrative officer (or his/her designee) shall decide how, when, and where the intellectual property is to be protected. If the System decides to patent or seek other available protection for such intellectual property, it may proceed either

intellectual property was created may elect, at its option and with the concurrence of the Chancellor, to share an equity interest with the creator(s) in the same manner as royalties are shared pursuant to Sub-division 5.23.

- 6.2 Consistent with Section 51.912, Texas Education Code, and subject to review and approval by the chief administrative officer of the component institution, the appropriate Executive Vice Chancellor or Vice Chancellor, the Chancellor and the Board, employees of the System who conceive, create, discover, invent or develop intellectual property may hold an equity interest in a business entity that has an agreement with the System relating to the research, development, licensing or exploitation of that intellectual property.
- 6.3 The System may negotiate, but shall not be obligated to negotiate, an equity interest on behalf of any employee as a part of an agreement between the System and a business entity relating to intellectual property conceived, created, discovered, invented, or developed by the employee and owned by the Board.
- 6.4 Dividend income and income from the sale or disposition of equity interests held by the Board pursuant to agreements relating to intellectual property shall belong to the System and shall be distributed in accordance with the provisions of Section 10.
- 6.5 Dividend income and income from the sale or disposition of an equity interest held by a System employee pursuant to an agreement between the System and a business entity relating to rights in intellectual property conceived, created, discovered, invented or developed by such employee shall belong to the employee.

Sec. 7. Business Participation.

- 7.1 Any System employee who conceives, creates, discovers, invents or develops intellectual property shall not serve as a member of the board of directors or other governing board or as an officer or an employee (other than as a consultant) of a business entity that has an agreement with the System relating to the research, development, licensing, or exploitation of that intellectual property without prior review and approval by the chief administrative officer of the component institution, the Chancellor and the Board as an agenda item.
- 7.2 When requested and authorized by the Board, an employee may serve on behalf of the Board as a member of the board of directors or other governing board of a business entity that has an agreement with the System relating to the research, development, licensing or exploitation of intellectual property.

Sec. 8. Reporting.

- 8.1 Any employee covered by Subsections 6.2, 7.1, or 7.2 shall report in writing to the chief administrative officer of the component institution, or to such other person as may be designated by the chief administrative officer, the name of any business entity as referred to therein in which the person has an interest or for which the person serves as a director, officer or employee and shall be responsible for submitting a revised written report upon any change in the interest or position held by such person in such business entity. These reports shall be accumulated in the office of the chief administrative officer or designee and then forwarded to the appropriate Executive Vice Chancellor or Vice Chancellor by September 1 of each year so that the Chancellor may file a report with the Board. Information in the report shall be included in the annual report required by Section 51.912(c), Texas Education Code.

Sec. 9. Approval of and Execution of Legal Documents Relating to Rights in Intellectual Property.

- 9.1 Agreements that grant an interest in Board intellectual property may be executed and delivered in accordance with the provisions of the Regents' Rules and Regulations, Part Two, Chapter XI, following any required review by the Office of General Counsel.
- 9.2 Any document altering substantially the basic intellectual property policy of the System as set out in the preceding Sections and other policies and guidelines that may be adopted by the Board shall have the advance approval of the chief administrative officer, the appropriate Executive Vice Chancellor or Vice Chancellor, the Chancellor, and the Board as an agenda item. Such an alteration in a sponsored research agreement shall not be considered substantial and the agreement may be executed and delivered as set forth in Section 9.1 if, in the judgment of the chief administrative officer and with the concurrence of the appropriate Executive Vice Chancellor or Vice Chancellor, the benefits from the level of funding for the proposed research and/or other consideration from the sponsor outweigh any potential disadvantage that may result from the policy deviation.
- 9.3 The Chancellor, the appropriate Executive Vice Chancellor or Vice Chancellor, the Vice Chancellor and General Counsel or the authorized representative of UTIMCO may execute, on behalf of the Board, legal documents relating to the Board's rights in intellectual property, including, but not limited to, declarations, affidavits, powers of attorney, disclaimers, and other such documents relating to patent applications and patents; applications, declarations, affidavits, affidavits of use, powers of attorney, and other such documents relating to trademarks; and other documents approved pursuant to Subsections 9.1 or 9.2. The chief administrative officer or designee may execute, on behalf of the Board, institutional applications for registration or recordation of transfers of ownership and other such documents relating to copyrights.

- 37.436 The U. T. System Administration also recognizes and supports comparable involvement by staff members and students, as is now the practice for evaluation of academic administrators at several U. T. System component institutions.
- 37.437 Additionally, the Chancellor and the Executive Vice Chancellor for Health Affairs should be sensitive to the importance of faculty input in the process of evaluating all administrators with direct or significant academic administrative responsibility.

Section 37 as approved requires annual evaluations of all employees as mandated by action of the U. T. Board of Regents in June 1982, codifies current practice with respect to the evaluation of probationary employees including classified employees and tenure-track teaching staff, and incorporates the "Guidelines for Periodic Performance Evaluation of Tenured Faculty" approved by the U. T. Board of Regents in November 1996 and amended in August 1997.

Chairman Evans expressed appreciation to Dr. Michael Siciliano, Chairman of the Faculty Advisory Council, who in earlier remarks had endorsed the inclusion of the post-tenure review guidelines in the Regents' Rules and Regulations.

3. U. T. Board of Regents - Regents' Rules and Regulations, Part Two; Amendments to Chapter XI, Section 1 (Contract Administration) and Chapter XII, Sections 2, 8, and 9 (Intellectual Property).--Approval was given to amend the Regents' Rules and Regulations, Part Two, Chapter XI, Section 1, regarding contract administration, and Chapter XII, Sections 2, 8, and 9, regarding intellectual property, to read as set out on Pages 16 - 19.

CHAPTER XI

CONTRACT ADMINISTRATION

Sec. 1. Delegation of Authority.--Subject to Subsection 1.1 and to the general provisions of Part One, Chapter I, Section 9 and except as otherwise provided in these Rules and Regulations, the Board delegates to the chief administrative officers authority to execute and deliver on behalf of the Board contracts and agreements of any kind or nature, including without limitation licenses issued to the Board or a component.

. . .

1.2 Applicability.--This Chapter applies to all contracts and agreements except contracts or agreements relating to personnel, faculty, athletics or athletic events, real properties (except the lease of space for use by a component), physical plant improvements, acceptance or administration of gifts or bequests, contracts and grants for sponsored research, contracts for legal services, and agreements to settle claims, disputes, or litigation.

. . . .

CHAPTER XII

INTELLECTUAL PROPERTY

. . .

Sec. 2. General Policy.

2.1 The intellectual property policy shall apply to all persons employed by the U. T. System and the component institutions of the System, to anyone using System facilities under the supervision of System personnel, to undergraduates, to candidates for masters and doctoral degrees, and to postdoctoral and predoctoral fellows.

. . .

- 2.3 The Board shall assert its interest in scholarly or educational materials, art works, musical compositions and dramatic and non-dramatic literary works related to the author's academic or professional field, regardless of the medium of expression, as follows:
- 2.31 Students, professionals, faculty and researcher authors.--The Board shall not assert ownership of works covered by this Subsection authored by students, professionals, faculty, and nonfaculty researchers. The Board encourages these authors to carefully manage their copyrights. The Board retains certain rights in these works as set forth in the Policy and Guidelines for Management and Marketing of Copyrighted Works.
 - 2.32 Software.--The Board normally shall assert ownership in software as an invention; however, original software which is content covered by Subdivision 2.31, or that is integral to the presentation of such content, shall be owned in accordance with Subdivision 2.31.
- 2.4 Notwithstanding the provisions of Subsection 2.3, the Board shall have sole ownership of all intellectual property created by an employee who was hired specifically or required to produce it or commissioned by the System or a component institution of the System. Except as may be provided otherwise in a written agreement approved by the chief administrative officer of the component institution and the Chancellor, the provisions of Subdivision 5.23 relating to division of royalties shall not apply to intellectual property owned solely by the Board pursuant to this Subsection 2.4.
- . . .
- 2.8 Neither the facilities nor the resources of System or its component institutions may be used (i) to create, develop or commercialize intellectual properties unrelated to an individual's employment responsibilities (See

Subsection 4.1); or (ii) to further develop or commercialize intellectual properties that have been released to an inventor (See Subdivision 5.22) except as the component institution's chief administrative officer and the appropriate Executive Vice Chancellor or Vice Chancellor may approve where System retains an interest under the terms of the release.

. . .

Sec. 8. Reporting.

- 8.1 Any employee covered by Subsections 6.2, 7.1, or 7.2 shall report in writing to the chief administrative officer of the component institution, or to such other person as may be designated by the chief administrative officer, the name of any business entity as referred to therein in which the person has an interest or for which the person serves as a director, officer or employee and shall be responsible for submitting a revised written report upon any change in the interest or position held by such person in such business entity. These reports shall be accumulated in the office of the chief administrative officer or designee and then forwarded to the appropriate Executive Vice Chancellor or Vice Chancellor by September 1 of each year so that the Chancellor may file a report with the Board. Information in the report shall be included in the annual report required by Section 51.912(c), Texas Education Code.

Sec. 9. Approval of and Execution of Legal Documents Relating to Rights in Intellectual Property.

- 9.1 Agreements that grant an interest in Board intellectual property may be executed and delivered in accordance with the provisions of the Regents' Rules and Regulations, Part Two, Chapter XI, following any required review by the Office of General Counsel.

- 9.2 Any document altering substantially the basic intellectual property policy of the System as set out in the preceding Sections and other policies and guidelines that may be adopted by the Board shall have the advance approval of the chief administrative officer, the appropriate Executive Vice Chancellor or Vice Chancellor, the Chancellor, and the Board as an agenda item. Such an alteration in a sponsored research agreement shall not be considered substantial and the agreement may be executed and delivered as set forth in Section 9.1 if, in the judgment of the chief administrative officer and with the concurrence of the appropriate Executive Vice Chancellor or Vice Chancellor, the benefits from the level of funding for the proposed research and/or other consideration from the sponsor outweigh any potential disadvantage that may result from the policy deviation.
- 9.3 The Chancellor, the appropriate Executive Vice Chancellor or Vice Chancellor, the Vice Chancellor and General Counsel or the authorized representative of UTIMCO may execute, on behalf of the Board, legal documents relating to the Board's rights in intellectual property, including, but not limited to, declarations, affidavits, powers of attorney, disclaimers, and other such documents relating to patent applications and patents; applications, declarations, affidavits, affidavits of use, powers of attorney, and other such documents relating to trademarks; and other documents approved pursuant to Subsections 9.1 or 9.2. The chief administrative officer or designee may execute, on behalf of the Board, institutional applications for registration or recordation of transfers of ownership and other such documents relating to copyrights.

The purposes of the amendments to the Regents' Rules and Regulations, Chapter XI, Section 1, relating to contract administration, and Chapter XII, Sections 2, 8, and 9, relating to intellectual property, are summarized below:

- a. Part Two, Chapter XI, Subsection 1.2 was amended to make delegation of authority apply to intellectual property agreements that grant an interest in Board intellectual property
- b. Part Two, Chapter XII, Subsection 2.1 was amended to make explicit the application of the Intellectual Property Policy to all students
- c. Part Two, Chapter XII, Subsection 2.3 was amended to broaden the application of the "scholarly works" exception to add teaching materials to those covered by this Section
- d. Part Two, Chapter XII, Subsection 2.4 was amended to clarify when the Board will own intellectual property that would otherwise be owned by a faculty member and when it need not share royalties with an inventor
- e. Part Two, Chapter XII, Subsection 2.8 was added to explicitly prohibit the use of System facilities to develop inventions released to the inventor except as expressly authorized
- f. Part Two, Chapter XII, Subsection 8.1 was amended to correct an outdated requirement for Board approval
- g. Part Two, Chapter XII, Subsections 9.1 and 9.2 were amended to allow all intellectual property agreements covered by this Chapter to be processed like other agreements
- h. Part Two, Chapter XII, Subsection 9.3 was amended to delegate authority to execute copyright registration applications and related documents to component executives.

See Item 4 below related to the Policy and Guidelines for Management and Marketing of Copyrighted Works.

4. U. T. System: Adoption of a Policy and Guidelines for Management and Marketing of Copyrighted Works.--As copyright assets of The University of Texas System have become a more important part of the U. T. Board of Regents' intellectual property, the management of these assets requires increased attention.

The marketing and management of copyright assets are significantly different from marketing and management of other forms of intellectual property, such as patents and trademarks, and need to be addressed specifically.

In accordance therewith, the Board adopted the Policy and Guidelines for Management and Marketing of Copyrighted Works for the U. T. System as set forth below.

See Page 15 related to the changes to the Regents' Rules and Regulations, Part Two, Chapter XII (Intellectual Property) dealing with ownership of copyrights.

POLICY AND GUIDELINES FOR MANAGEMENT AND MARKETING OF COPYRIGHTED WORKS

The U. T. Board of Regents (Board) finds that works protected by copyright created at the component institutions are valuable assets that promote and further the creation and dissemination of knowledge through research, teaching and publication. Careful management of these assets will benefit the authors, the citizens of Texas, state government, the component institutions, and the U. T. System.

1. Works authored by professionals, faculty, nonfaculty researchers (researchers who do not teach) and undergraduate and graduate students

If component institutions invest in copyright works that the authors will own under the U. T. System Intellectual Property Policy, they must protect their investments and, with the authors, manage author-owned copyrights to facilitate institutional access to the works and preserve rights to make nonprofit educational uses of them.

✓
AD:

✓ See attached from Francie Frederick. Believe you should review her comments on each page and indicate with a check mark or yellow slip your concurrence. I've put yellow stickys on several of the pages.

✓ In some instances FF just indicated VC and I believe it should be VC for AA so I tried to mark those in red.

Thanks.

mg
12/18/97

Editorial Amendments

Sec. 2. Fellowships, Scholarships, and Loan Funds.

- 2.1 After gifts for fellowships, scholarships, and loan funds have been accepted by the Board, as indicated previously, they are administered jointly by designated committees and the business office of each component institution.
- 2.2 In the case of scholarships and fellowships, the appropriate committee, or designated individual, receives applications, makes the necessary inquiries, and determines the award. The committee advises the institutional head of the award who, in turn, approves and forwards the notice of award to the business office. Payments on scholarships and fellowships are made through the business office of the component institution.
- 2.3 In the case of loan funds, the appropriate committee or designated person receives applications for loans, makes the necessary inquiries, and approves or declines the original loan as well as all renewals and extensions. The chairman notifies the business office of the granting of loans, and all records including notes, cash, accounts and collections are thereafter handled by that office. The principal of loan funds is kept intact insofar as possible. The chairman of the awarding committee may be requested by the business office to assist in collection of past due interest or principal.

Sec. 3. Academic Positions.

- 3.1 No endowment will be established or announced without prior approval by the Board or its designee(s). No initial appointment will be made to an endowed or named academic position without prior approval by the chief administrative officer after review and approval by the ~~Appropriate~~ Executive Vice Chancellor as a Request for Budget Change. Subsequent new or continuing appointments to the endowed or named academic positions may be approved as a part of the annual operating budget.

3/11/98

(A)

Insert (A)

app'l to
Chairs, etc?

for HA or the Chancellor
as appropriate

- 3.2 No negotiations or commitments implying the establishment of the endowment of an academic position will be undertaken by any faculty member or officer of the component institution until the proposal has been formally approved by the chief administrative officer.
- 3.3 The six categories of endowed and named academic positions and the minimum funding levels to establish the positions are: Distinguished University Chairs (\$2,000,000), Distinguished Chairs (\$1,000,000), Chairs (\$500,000), Distinguished Professorships (\$250,000), Professorships (\$100,000), and Fellowships (\$50,000). All agreements related to endowed academic positions made prior to April 14, 1988, will remain in effect unless a specific request for change is made by the donor and the institution and approved by the Board.
- 3.31 Whether an endowment has attained the minimum funding level necessary to establish a particular academic position will be determined by the total market value of contributions to the endowment in the form of gifts from donors or transfers of institutional funds at the time the contribution is made. Funding levels will not be determined by the amount of net sale proceeds received from a non-cash gift or by the current market value of the investments held in an endowment.
- 3.32 With the specific approval of the Board, a named academic position may be established without the above minimum funding levels only in accordance with agreements recommended by the Chancellor, the appropriate Executive Vice Chancellor and the Vice Chancellor for Development and External Relations. Such agreements must contain the provisions outlined in Subsections 3.33 and 3.34 below.
- 3.33 If an external entity requests that the Board establish a named academic position based upon the entity's agreement to hold and manage an endowment fund supporting the position, the entity must irrevocably agree to dedicate the endowment to the support of the academic position in perpetuity or for a specified term of years. The entity must agree to adhere to Board policies regarding

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 15% of each class of which nonresidents are a part provided that the admission of such nonresidents is on the basis of academic merit alone.

Sec. 9. Official Seal, Colors, Flag, Logo, and Mascot.

9.1 The official seal of the System shall be the seal held in the custody of the Executive Secretary to the Board on which shall be inscribed "Seal of The University of Texas." The official seal of each component institution shall consist of the System seal with such heraldic variations as may be approved by the Board upon recommendation of the chief administrative officer of the component institution, the ~~appropriate~~ Executive Vice Chancellor, and the Chancellor. This official seal shall be used for the purpose of certifying diplomas, official transcripts for students and for such other official purposes as may be approved by the Board, by System Administration, or by the chief administrative officer of a component institution. Provided, however, that if any component institution has previously adopted and presently uses an institutional seal, such component institution may continue to use such seal in lieu of the seal hereby provided for. Provided further, however, no component institution shall use as its official seal that seal approved herein as the official seal of the System, unless the full title of the institution as designated in the Rules and Regulations of the Board, Part One, Chapter VIII, Section 4, is also used as an integral part of the seal.

*Per ad 3/12 - OK
for HA if appropriate*



9.2 The official colors for the System shall be orange and white; provided, however, that a component institution may adopt one additional color to be used in connection with athletic and other activities of the institution when approved by the Board upon recommendation of the chief administrative officer of the component institution, the ~~appropriate~~ Executive Vice Chancellor and the Chancellor.

add keep me appropriate to VC on this page. 3/12

*for HA if appropriate
for HA VC for HA*

9.3 The Texas State Flag shall be designated as the official flag of the System, and the official flag of each component institution shall be the Texas State Flag with a streamer with the official name of the component institution in white letters on an orange field, and a special occasion banner, as determined to be appropriate by the chief administrative officer in consultation with the appropriate Executive Vice Chancellor. No component institution shall have or display any other flag as its official flag. Nothing in this Subsection shall be interpreted to prohibit display of other flags in a manner consistent with the Texas Flag Code, Article 6139c, Vernon's Texas Civil Statutes.

for HA or the Chancellor as appropriate

9.4 Each component institution may adopt a theme, a logo and a mascot, provided same are approved by the Board via the docket following recommendation of the chief administrative officer of the component institution, the appropriate Executive Vice Chancellor, and the Chancellor.

for HA if appropriate

Sec. 10. Appropriations Act Riders.--The System will comply with the provisions of the current General Appropriations Act insofar as applicable.

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CHAPTER II

ACCOUNTING, AUDITING, REPORTING, AND BUDGETARY CONTROL

Sec. 1. Types of Funds.

1.1 Current Funds.

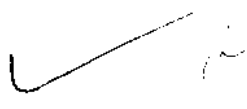
1.11 General.--General Funds are those unre-
stricted operating funds which are available
for any purpose. Such funds are expended in
accordance with the budgets and appropria-
tions approved by the Board. General Funds
balances shall not be reappropriated from
one fiscal year to another unless specific
approval is given by the ~~appropriate~~ Execu-
tive Vice Chancellor, the Chancellor and the
Board.

1.12 Auxiliary Enterprises.--Auxiliary Enter-
prises Funds are those funds set aside for
operating entities which exist to furnish
specified services to students, faculty, or
staff, and which charge fees that are
directly related to the cost of the service.

1.13 Designated.--Designated Current Funds are
those funds designated for special activi-
ties by the System. The income and expendi-
tures are ordinarily related to a particular
department. Expenditures follow the same
programs as are found in the General and
Restricted Current Funds. Such funds are
subject to the same budgetary restrictions
as General Funds although balances are auto-
matically reappropriated at the end of each
fiscal year.

1.14 Restricted.--Restricted Current Funds are
those received from federal and local gov-
ernments, state agencies, individuals,

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For HA of appropriate

vouchers, requisitions, etc., in the absence of the department head. These designations shall expire upon receipt of notification by the accounting office in writing from the department head or upon termination or transfer of the designee from the department.

Sec. 3. Auditing.

3.1 Internal auditors are responsible for reviewing, evaluating, and reporting on the institution's system of internal administrative and accounting controls and the efficiency and effectiveness of the operations when compared with established standards. The internal auditors are to have no authority or responsibility for the activities they audit. The objective of internal auditing is to assist the chief administrative officer in the effective discharge of his or her responsibilities by furnishing objective analyses, appraisals and recommendations concerning the activities reviewed. To accomplish these objectives, the internal auditor is authorized to have full, free and unrestricted access to all property, personnel and records. The examination of patient medical records must serve a genuine audit need; and individual patients should not be identified in any audit report. The Texas Internal Auditing Act, the Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors, Inc. and "College and University Business Administration" published by the National Association of College and University Business Officers shall serve as guidelines for internal audit activities.

3.2 Each institution is expected to maintain an internal audit staff unless otherwise exempt from this requirement by the Chancellor. The institutional internal auditor reports to the institutional chief administrative officer or the institutional audit committee. The institutional internal auditor submits an annual audit plan for approval by the chief administrative officer and forwards a copy to the appropriate Executive Vice Chancellor and the System Director of Audits.

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~~for HA in the Chancellor's appropriate~~

3.3 The System Director of Audits shall seek input into the System-wide audit plan from the institutional internal auditors. The implementation of the System-wide internal audit plan will be coordinated with the

for HA
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4.3 Monthly financial reports, in the form prescribed by the Director of the Office of Budget and Fiscal Policy, shall be prepared by each institutional chief business officer and distributed to the chief administrative officer and the Director of the Office of Budget and Fiscal Policy. Copies of such monthly reports, verified under oath, shall be furnished semiannually to the Governor.

Sec. 5. Operating Budgets.

5.1 Operating Budgets for all the component institutions shall be approved annually by the Board within the budget estimates of income prepared by the chief business officer and the chief administrative officer and approved by the ~~appropriate~~ Executive Vice Chancellor and the Chancellor.

(11)

5.2 General policies for the budget preparation shall be recommended by the Chancellor to the Board and shall be followed in preparing the budgets. Instructions for details of budget preparation shall be furnished to the chief administrative officers by System Administration.

5.3

The institutional chief administrative officer shall issue local instructions and shall furnish forms to the budget-recommending officials. Their recommendations for salaries, maintenance and operation, equipment, travel, and other pertinent items shall be reviewed by the chief administrative officer. The budget as finally recommended by the chief administrative officer shall be forwarded to the ~~appropriate~~ Executive Vice Chancellor and the Chancellor for further review and recommendation to the Board.

5.4 Rules and procedures for budget administration shall be prepared by the Chancellor, with assistance of the ~~appropriate~~ Executive Vice Chancellor, approved by the Board, and shall be included in the completed budgets.

Handwritten notes and signatures:
 5/11
 For H.A., THE EVC FOR B.A., THE VC for AA,
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- 5.5 A copy of each budget, and any subsequent amendment thereto, shall be filed by the Executive Secretary to the Board with the Legislative Reference Library to be available for public inspection, and also with such other state offices as required by law.

Sec. 6. Legislative Budget Requests.

- 6.1 Legislative budget requests, biennial or otherwise, as may be required shall be submitted to the Texas Higher Education Coordinating Board, to the Legislative Budget Board, and to the Governor's Budget and Planning Office in the form and at the time prescribed.
- 6.2 These legislative budget requests shall be prepared in conformity with the same general procedures, as outlined above in Section 5, for the annual budgets in the following sequence:
- 6.21 Approval of budget request writing policies by the Board upon recommendation of the Chancellor.
- 6.22 Preparation of a recommended budget request of expenditures by the chief administrative officer in conformity with these policies.
- 6.23 Approval of the completed budget request by the ~~Executive Vice Chancellor~~ Executive Vice Chancellor, the Chancellor and the Board.

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- 10.12 In addition, all foreign travel (with the exception of travel to United States possessions, Mexico, and Canada) that will use funds appropriated by the Legislature (including local educational and general funds) must also be submitted to the Governor through the Executive Vice Chancellor for Business Affairs and have the advance written approval of the Governor.
- 10.13 Requests for authorization to travel by administrative officers and staff of System Administration shall be approved by the Chancellor, appropriate Executive Vice Chancellor, or appropriate Vice Chancellor or designee.
- 10.2 Travel Expense Reimbursements.
- 10.21 Travel expenses shall be reimbursed only from funds appropriated or authorized for travel and pursuant to state law and regulations and approved institutional or System travel policies and procedures. The Chancellor, the Executive Vice Chancellors, the Vice Chancellors and the chief administrative officers shall plan the travel of all employees under their authority to achieve maximum economy and efficiency and are responsible for ensuring that the expenses of transportation, meals, lodging, and incidental items are the lowest possible considering all relevant circumstances.

10.22 Allowances for meals and lodging (including per diem), transportation and related expenses shall be guided by the following as appropriate: provisions of the current Appropriations Act; the Travel Regulations Act of 1959 (Chapter 660, Texas Government Code), as amended; business procedure memoranda issued by the Executive Vice Chancellor for Business Affairs; approved institutional or System travel regulations; terms of grants and contracts which provide reimbursement; and restrictions placed on expenditures from the institutional source reimbursing the travel.

10.3 Institutional and System Administration Travel Regulations.--Component institutions and System Administration shall issue travel regulations covering authorization for travel and reimbursement for approved travel to implement applicable provisions of state law and regulations and the provisions of this Section for the guidance of all personnel concerned. Following administrative approval by the ~~appropriate~~ Executive Vice Chancellor, each institutional policy will be included in the institutional Handbook of Operating Procedures.

Sec. 11. Insurance on Money and Securities; Fidelity Bonds.

11.1 ~~Insurance on Money and Securities.~~--As approved by the Board, the System carries a blanket System-wide policy insuring against loss of money or securities at any of the component institutions. The premium paid by each institution is separately computed and is based on the coverage applicable at each institution. At the time any loss occurs at any institution, the Executive Vice Chancellor for Business Affairs shall be notified by the appropriate chief business officer and shall approve all loss claims and settlements. Any settlement over \$2,000 and under \$10,000 shall be reported to the Board for ratification. Settlements in the amount of \$10,000 or more must have the approval of the Board. Money and securities coverage may be combined with the blanket position fidelity bond.

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The System has no obligation to comply with the Act or the rules and regulations issued thereunder in making purchases to which the Commission's authority does not extend, or for which the System's purchasing authority is not delegated from the Commission under the Act or expressly subject to rules by the Commission but rather is a different statute. With respect to such purchases not subject to the Act or the rules and regulations issued thereunder, the policies and procedures to be used by a System component shall be approved by its chief business officer pursuant to Section 5 below.

Sec. 4. Purchasing Procedures.

- 4.1 The official purchasing agent of each component institution shall promulgate procedures to facilitate and expedite the purchasing function. Such procedures shall be developed in accordance with sound business practices and applicable state law. Purchasing procedures shall be implemented only after appropriate review and approval for inclusion in the institutional Handbook of Operating Procedures, including review and approval of the chief business officer.
- 4.2 Closed or noncompetitive specifications shall not be used except in unusual instances clearly justified as being essential to efficient operating performance. Reports of all such exceptions shall be maintained by the chief business officer.

Sec. 5. Purchase from or Sale to an Officer or Employee.--Purchase from, or sale to, any officer or employee of the System or a component of any supplies, materials, services, equipment, or property must have the prior approval of the chief administrative officer and the ~~appropriate~~ Executive Vice Chancellor or the Chancellor. Any such purchases shall be made only if the cost is less than from any other known source. This Section does not apply to sales or purchases made at public auction.

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CHAPTER VI

STAFF BENEFITS

(Staff benefits may be subject to change by state and federal laws. Application in specific instances should be verified.)

Sec. 1. Teacher Retirement System.

Pursuant to Texas Government Code, Section 821.001 et seq., a person, unless eligible to participate and participating in the Optional Retirement Program (Section 2 below), employed by the System at least one-half time for a cumulative period of four and one-half months within one fiscal year must participate in the Teacher Retirement System of Texas.

Sec. 2. Optional Retirement Program.

- 2.1 Pursuant to Texas Government Code, Section 830.001 et seq., and subject to eligibility rules adopted by the Texas Higher Education Coordinating Board, the following employees are eligible to participate in the Optional Retirement Program (O.R.P.):
- 2.11 Full-time faculty members appointed at least four and one-half months.
 - 2.12 Full-time administrative personnel responsible for teaching and research faculty appointed for at least four and one-half months.
 - 2.13 The Chancellor and individuals employed full-time as Executive Vice Chancellors, Vice Chancellors, chief administrative officers, vice presidents, and professional librarians, or other full-time professional staff persons whose

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such item of equipment is needed by any other department and, if so, to transfer and assign the equipment to such department.

8.2 If the chief business officer shall determine that the equipment is not needed for any department and that it is not practicable to store the equipment for possible future use, he or she shall proceed to sell the item concerned.

8.3 For items of little value or limited use where sale on competitive bids is not practicable, the chief business officer shall have the authority to dispose of the property on the basis of negotiated bids in amounts under \$2,000.

8.4 Sale of property estimated to bring \$2,000 or more shall be made on a basis of competitive bids.

8.5 Sales in amount of \$10,000 or more shall be approved in advance by the Chancellor and ratified by the Board through the institutional docket.

8.6 Sales to employees are governed by the provisions of Part Two, Chapter IV, Section 5 of these Rules. ←

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Sec. 9. Transfer of Property.--Property may be transferred from one state agency to another when it becomes surplus. Such transfers from one component institution to another, or from a component institution to another state agency shall have the advance approval of the chief business officer concerned and shall be reported to the chief administrative officer. The chief business officer or his or her delegate shall advise departments and administrative offices as to the procedure to be followed in disposing of or acquiring property by this means.

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so will pick up their editorial
amendment in P.H. -
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CHAPTER VIII

PHYSICAL PLANT IMPROVEMENTS

Sec. 1. Institutional Committees.

1.1 Institutional Building Advisory Committees.--There may be an Institutional Building Advisory Committee for each component. The duties, composition, and appointment of the members of the Institutional Building Advisory Committee shall be set forth in the Handbook of Operating Procedures of each component. The Institutional Building Advisory Committee shall have no further direct responsibility after the construction contract is awarded but shall be available for consultation as the building progresses, as requested by the chief administrative officer, the ~~appropriate~~ Executive Vice Chancellor, the Chancellor, or the project architect or engineer.

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Ad Hoc Project Building Committee.--The chief administrative officer may appoint, according to the institutional Handbook of Operating Procedures, an Ad Hoc Project Building Committee composed of, but not limited to, representatives of the departments or divisions that will occupy the building. The chairperson of the Institutional Building Advisory Committee, or his or her delegate, shall be an ex officio member of each Ad Hoc Project Building Committee. The committee shall work with the Office of Facilities Planning and Construction to prepare a facility program in accordance with the Facilities Programming Guidelines maintained by the Office of Facilities Planning and Construction.

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Sec. 2. Major Construction and Repair and Rehabilitation Projects.

2.1 General Requirements.

2.11 Subject to Subdivisions 2.12, 2.13, 2.14 and 2.15 of this Section and the general provisions of Part One, Chapter I, Section 9 and except as otherwise specified in these Rules and Regulations, the Chancellor with the advice of the ~~appropriate~~ Executive Vice Chancellor and chief administrative officer

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is authorized to appoint architects, approve plans and execute contracts for all new construction projects exceeding \$300,000 and for major repair and renovation projects exceeding \$600,000 ("Major Projects") that have previously been approved or authorized by the Board.

2.12 Major Projects must be approved by the Board by being included in the approved Capital Improvement Program.

2.13 Funding for Major Projects must be allocated and appropriated by the Board through the Capital Budget.

2.14 Costs in excess of an amount equal to the Total Project Cost approved by the Board plus ten percent or any material change in the concept or scope of the project must be approved by the Board.

2.15 Construction contracts executed and delivered on behalf of the Board for Major Projects shall comply with guidelines issued by the Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel. Payment and performance bonds, when required by law for contracts, shall be on a standard form approved by the Office of General Counsel.

2.16 The Chancellor or delegate shall approve the construction contractor's estimates, sign change orders, and provide general supervision of all Major Projects. The Chancellor with the advice of the appropriate Executive Vice Chancellor and chief administrative officer is authorized to increase the approved Total Project Cost not more than ten percent. To provide funding for the increase, the Chancellor may reallocate funding between or among approved projects at a single component if funding for such projects has previously been authorized in accordance with Subdivision 2.13 or approve funding from some other source available to the component.

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- 2.25 Design Development Plans for Major Project new construction and for architecturally or historically significant repair and rehabilitation projects shall be submitted to the Board for approval upon the recommendation of the Chancellor. The Executive Officers and chief administrative officers shall be responsible for identifying to the Chancellor architecturally or historically significant major repair and rehabilitation projects. Upon approval of the Design Development Plans for Major Project new construction or an architecturally or historically significant repair and rehabilitation project, the Board will authorize expenditure of funds for the Project.
- 2.26 The Chancellor is authorized to approve Design Development Plans and authorize expenditure of funds for all other Major Project repair and renovation.
- 2.27 After approval of the Design Development Plans, the Chancellor is authorized to direct the preparation of the working drawings and specifications ("Construction Documents").
- 2.28 The Chancellor is authorized to approve the Construction Documents upon the recommendation of the chief administrative officer and the ~~appropriate~~ Executive Vice Chancellor *for HA, if appropriate.*

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Sec. 3. Minor Construction and Repair and Rehabilitation Projects

3.1 Delegation of Authority.--Subject to Subsections 3.2, 3.3, and 3.4 of this Section and the general provisions of Part One, Chapter I, Section 9 and except as otherwise specified in these Rules and Regulations, each chief administrative officer is authorized to appoint architects, approve plans and Construction Documents, and execute and deliver contracts, agreements, and other documents on behalf of the Board for all new construction projects of \$300,000 or less and for repair and rehabilitation projects of \$600,000 or less ("Minor Projects").

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CHAPTER X

AUXILIARY ENTERPRISES

- Sec. 1. Auxiliary Enterprises are those operated primarily for service to students and staff. Such enterprises are expected to be self-supporting. Examples of such enterprises are residence halls, dining halls, student hospitals, student unions, book stores, which are supported through sales and/or usage fees, and activities supported from fees collected as voluntary or compulsory Student Services Fees.
- Sec. 2. Annual budgets for these activities shall be prepared and submitted through regular administrative channels, and expenditures shall be within budgets approved by administrative officials and the Board. Income of Auxiliary Enterprises is not deposited with the State Treasury, however, and any balances or deficits at the end of a fiscal year may be reapropriated for the succeeding year.
- Sec. 3. With the exception of intercollegiate athletic departments, to which the general and special provisions of the Appropriations Bill do not apply, the same regulations and applicable laws shall govern as apply to the budgeting and expenditure of general funds unless otherwise specifically authorized. The Board, upon recommendation of appropriate administrative officials, approves the regulations for the management and operation of athletic departments.
- Sec. 4. Rentals and related policies and rates for dormitories and housing facilities shall be approved in advance by the chief administrative officer, the appropriate Executive Vice Chancellor, the Chancellor, and the Board.
- Sec. 5. Rules and regulations for the administration of dormitories, other housing facilities, dining halls, and other eating facilities, shall be promulgated by administrative officials and the chief administrative officer at the institution concerned.

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Sec. 6. The money values of meals, lodging, and other services the employees are authorized to receive in lieu of additional wages or salary, are recommended to the chief administrative officer by the chief business officer and approved by the appropriate Executive Vice Chancellor, the Chancellor and the Board.

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Sec. 7. Statutory Provisions Currently in Effect.--Auxiliary Budgets shall comply with statutory provisions and rider provisions of the current Appropriations Act.

Sec. 8. Student Publications.--Rules and regulations for the establishment, administration and operation of student publications shall be promulgated by administrative officials and the chief administrative officer at the institution concerned, provided that such rules and regulations shall not be effective until approved by the appropriate Executive Vice Chancellor for inclusion in the institutional Handbook of Operating Procedures.

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Sec. 9. Student Center and Student Union Facilities.--Rules and regulations for the establishment, administration and operation of student center or union facilities shall be promulgated by administrative officials and the chief administrative officer at the institution concerned, provided that such rules and regulations shall not be effective until approved by the appropriate Executive Vice Chancellor for inclusion in the institutional Handbook of Operating Procedures. Rules and regulations for the use of student center or union facilities shall be consistent with the provisions of the Regents' Rules and Regulations, Part One, Chapter VI, Section 6.

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Sec. 10. Intercollegiate Athletics Programs.--Rules and regulations governing the establishment, administration and operation of intercollegiate athletics programs shall be promulgated by administrative officials and the chief administrative officer at the institution concerned, provided that such rules and regulations shall not be effective until approved ~~by the appropriate Executive Vice Chancellor~~ for inclusion in the institutional Handbook of Operating Procedures.

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Sec. 11. Employment of a Students' Attorney.

11.1 If an attorney is retained in any manner by a component institution or by a Students' Association or other agency of student government at any component institution of the System to serve as a students' attorney, said attorney shall not act as counsel of

- 2.2 System Administration and System-Wide Contracts.-- Subject to Section 1, the Board delegates to the Executive Vice Chancellor for Business Affairs authority to execute and deliver on behalf of the Board contracts or agreements with third parties affecting only System Administration or, with the concurrence of the components affected, contracts for the benefit of all or a majority of the components.
- 2.3 Contracts Between or Among Components.--The Board delegates to the chief administrative officer authority to execute and deliver on behalf of the Board contracts or agreements between or among components for resources or services. Any such contract or agreement shall provide for the recovery of the cost of services and resources furnished.

Sec. 3. Legal Matters.

- 3.1 Contracts for Legal Services.--The Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board contracts for legal services and such other services as may be necessary or desirable in connection with the settlement or litigation of a dispute or claim after obtaining approvals as may be required by law.
- 3.2 Settlement of Disputes.--Except as provided in Subsection 3.3 of this Section, the Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board agreements settling any claim, dispute, or litigation subject to approval of System officials as set out below and compliance with all other legal requirements. The Vice Chancellor and General Counsel shall consult with the chief administrative officer and the ~~appropriate~~ Executive Vice Chancellor, with regard to all significant settlements that will be paid out of institutional funds. The Vice Chancellor and General Counsel shall consult with the Office of Development

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and External Relations with respect to settlement of will contests and other matters relating to gifts and bequests administered by that Office.

<u>Amount</u>	<u>Additional Requirements</u>
\$150,000 or less	None
\$150,001 to \$300,000	Concurrence of the Chancellor or the appropriate Executive Vice Chancellor <i>of 2 VC</i>
\$300,001 to \$500,000	Concurrence of the Chairman of the Board <i>of 2 VC</i>
More than \$500,000	Concurrence of the Board of Regents, the Executive Committee, or the appropriate standing committee of the Board <i>appropriate</i>

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The amount of the settlement shall mean the amount claimed by U. T. System but not received pursuant to the settlement or, in the case of a claim against U. T. System, the total settlement amount to be paid by U. T. System.

- 3.3 Settlement of Claims and Disputes Relating to Construction Projects.--The Board delegates authority to execute all documents necessary or desirable to settle claims and disputes relating to construction projects to the System or component official designated in the construction contract to the extent funding for the project has been authorized in accordance with the provisions of Part Two, Chapter VIII of these Rules and Regulations.

review provided in the following two subdivisions. If the request is granted, the creator may proceed with the filing of a patent application or other available protective measures pending the determination of the System's interest; provided, however, that the creator shall be reimbursed for reasonable expenses in filing the patent application or taking other steps to obtain protection if the decision of the System is to assert and exploit its interests. Either the Chairman of the Institutional Intellectual Property Advisory Committee or the chief administrative officer shall notify the Office of General Counsel of any such application.

5.22

If the chief administrative officer recommends that the System not assert and exploit its interest, and that recommendation is approved by the Office of General Counsel and the ~~appropriate~~ Executive Vice Chancellor, the creator shall be notified within one hundred eighty (180) days of the date of submission that he or she is free to obtain and exploit a patent or other intellectual property protection in his or her own right and the System shall not have any further rights, obligations or duties with respect thereto except that, in some instances the System may elect to impose certain limitations or obligations or retain income rights, dependent upon the degree of System support involved in the creation of such property.

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With respect to intellectual property in which the System asserts an interest, the Office of General Counsel in consultation with the chief administrative officer (or his/her designee) shall decide how, when, and where the intellectual property is to be protected. If the System decides to patent or seek other available protection for such intellectual property, it may proceed either

intellectual property was created may elect, at its option and with the concurrence of the Chancellor, to share an equity interest with the creator(s) in the same manner as royalties are shared pursuant to Sub-division 5.23.

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6.2 Consistent with Section 51.912, Texas Education Code, and subject to review and approval by the chief administrative officer of the component institution, the ~~appropriate~~ Executive Vice Chancellor, the Chancellor and the Board, employees of the System who conceive, create, discover, invent or develop intellectual property may hold an equity interest in a business entity that has an agreement with the System relating to the research, development, licensing or exploitation of that intellectual property.

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6.3 The System may negotiate, but shall not be obligated to negotiate, an equity interest on behalf of any employee as a part of an agreement between the System and a business entity relating to intellectual property conceived, created, discovered, invented, or developed by the employee and owned by the Board.

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6.4 Dividend income and income from the sale or disposition of equity interests held by the Board pursuant to agreements relating to intellectual property shall belong to the System and shall be distributed in accordance with the provisions of Section 10.

6.5 Dividend income and income from the sale or disposition of an equity interest held by a System employee pursuant to an agreement between the System and a business entity relating to rights in intellectual property conceived, created, discovered, invented or developed by such employee shall belong to the employee.

Would not make these edits since OMC working on amendments to this chapter for 1/98 mtg. I did not make these edits to Ch. 8.

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as an agenda item.

7.2 When requested and authorized by the Board, an employee may serve on behalf of the Board as a member of the board of directors or other governing board of a business entity that has an agreement with the System relating to the research, development, licensing or exploitation of intellectual property.

Sec. 8. Reporting.

8.1 Any employee covered by Subsections 6.2, 7.1, or 7.2 shall report in writing to the chief administrative officer of the component institution, or to such other person as may be designated by the chief administrative officer, the name of any business entity as referred to therein in which the person has an interest or for which the person serves as a director, officer or employee and shall be responsible for submitting a revised written report upon any change in the interest or position held by such person in such business entity. These reports shall be accumulated in the office of the chief administrative officer or designee and then forwarded to the appropriate Executive Vice Chancellor by September 1 of each year so that the Chancellor may file a report with the Board at its October meeting. After the report has been approved by the Board, the Chancellor shall prepare the report to the Governor and the Legislature required by Section 51.912(c), Texas Education Code.

Office of General Counsel

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Execution of Legal Documents Relating to
Actual Property.

d research agreements, except as provided
nd license agreements, except trademark
agreements on a standard form, that grant to
party an interest in intellectual property
approved by the Board on the institutional
following review by the Office of General
and approval by the chief administrative
and the appropriate Executive Vice Chancel-

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lor. Agreements such as clinical trial agreements,
pre-clinical laboratory studies, material transfer
agreements, nondisclosure agreements, and trademark
license agreements on a standard form that do not
require the review of the Office of General Counsel
may be executed and delivered in accordance with the
provisions of the Regents' Rules and Regulations,
Part Two, Chapter XI.

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Any document altering substantially the basic intel-
lectual property policy of the System as set out in
the preceding Sections and other policies and guide-
lines that may be adopted by the Board shall have the
advance approval of the chief administrative officer,
the appropriate Executive Vice Chancellor, the Chan-
cellor, and the Board as an agenda item. Such an
alteration in a sponsored research agreement shall
not be considered substantial and may be approved by
the Board on the institutional docket if, in the
judgment of the chief administrative officer and with
the concurrence of the appropriate Executive Vice
Chancellor, the benefits from the level of funding
for the proposed research and/or other consideration
from the sponsor outweigh any potential disadvantage
that may result from the policy deviation.

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if appropriate

for H.A. or the Chancellor
as appropriate

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The Chancellor, the appropriate Executive Vice Chan-
cellor, the Vice Chancellor and General Counsel or
the authorized representative of UTIMCO may execute,
on behalf of the Board, legal documents relating to
the Board's rights in intellectual property, includ-
ing, but not limited to, declarations, affidavits,
powers of attorney, disclaimers, and other such docu-
ments relating to patent applications and patents;
applications, declarations, affidavits, affidavits
of use, powers of attorney, and other such documents
relating to trademarks; applications for registration
of and other such documents relating to copyrights;
and license and assignment documents approved by the
Board pursuant to Subsections 9.1 or 9.2.

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MINUTES
8/14/97

7. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Authorization to Amend Chapter II (Administration), Section 3 (Chancellor); Delete Section 4 (Executive Vice Chancellor for Academic Affairs); Renumber Sections 5 and 6 (Executive Vice Chancellor for Health Affairs and Executive Vice Chancellor for Business Affairs); and Add New Section 6 (Vice Chancellor for Academic Affairs) Effective September 1, 1997, and Authorization for the Executive Secretary to the Board, in Consultation with the Vice Chancellor and General Counsel, to Make Such Editorial Changes in the Remainder of the Regents' Rules and Regulations as are Appropriate.--After careful review by the Chancellor, in consultation with Mr. Donald L. Evans, Chairman of the U. T. Board of Regents, and Mr. Lowell H. Lebermann, Jr., Chairman of the Academic Affairs Committee, a decision was made to restructure the reporting responsibilities related to the academic affairs programs in The University of Texas System to be effective September 1, 1997.

In order to reflect the organizational change in the management of the U. T. System Office of Academic Affairs, the Board amended the Regents' Rules and Regulations, Part One, Chapter II (Administration) as set forth below and authorized the Executive Secretary to the Board of Regents, in consultation with the Vice Chancellor and General Counsel, to make any editorial changes in the remainder of the Regents' Rules and Regulations as are appropriate to be consistent with the organizational and administrative changes set forth in these amendments.

- a. Section 3 (Chancellor) was amended to read as set forth below:

Sec. 3. Chancellor.

The Chancellor is the chief executive officer of The University of Texas System. The Chancellor reports to and is responsible to the Board of Regents of The University of Texas System. The Chancellor has direct line responsibility for all aspects of the U. T. System's operations and has direct operational responsibility for the management and conduct of the academic affairs of the

System. The chief administrative officers of the general academic institutions shall report to and are responsible to the Chancellor.

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- b. Present Section 4 (Executive Vice Chancellor for Academic Affairs) was deleted in its entirety.
 - c. Present Section 5 (Executive Vice Chancellor for Health Affairs) and Section 6 (Executive Vice Chancellor for Business Affairs) were renumbered as Sections 4 and 5, respectively.
 - d. A new Section 6 (Vice Chancellor for Academic Affairs) was added to read as follows:

Sec. 6. Vice Chancellor for Academic Affairs.

The Vice Chancellor for Academic Affairs reports to and is responsible to the Chancellor. The Vice Chancellor for Academic Affairs is responsible for the programs of the System related to academic affairs. The Vice Chancellor for Academic Affairs has direct access to the Board of Regents and is expected to work directly with the appropriate committees of the Board in discharging the duties of the office.

6.1 Appointment and Tenure.

The Vice Chancellor for Academic Affairs shall be appointed by the Board after nomination by the Chancellor. The Vice Chancellor for Academic Affairs shall hold office without fixed term, subject to the pleasure of the Chancellor. The Chancellor's actions concerning the Vice Chancellor for Academic Affairs are subject to review and approval by the Board.

6.2 Duties and Responsibilities.

The primary responsibilities of the Vice Chancellor for Academic Affairs include:

- 6.21 The provision of staff assistance to the Chancellor and the Executive Vice Chancellors in the execution of their responsibilities.

- 6.22 Submitting recommendations to the Chancellor regarding the maintenance of high academic quality in the general academic components of the System.
- 6.23 Reviewing and making recommendations on the budgets, academic planning and programs, facilities planning and construction, and personnel (both academic and nonacademic) of the academic components.
- 6.24 In consultation with the Chancellor, ensuring that appropriate internal controls are implemented and monitored in the general academic components of the System.
- 6.25 Ensuring that the governance requirements for accreditation not specifically covered elsewhere in these policies, procedures, and Rules and Regulations are met.
- 6.26 Reporting the accreditation status of the academic institutions to the Chancellor and to the Board of Regents periodically.
- 6.27 Performing such other duties as may be assigned by the Chancellor.

It was noted that the chief administrative officers of the academic components will report to and be responsible to the Chancellor. The position of Executive Vice Chancellor for Academic Affairs will be eliminated, and the Office of Academic Affairs will be managed by a Vice Chancellor for Academic Affairs who will provide staff assistance to the Chancellor regarding all aspects of academic affairs as outlined in the new Section 6, Chapter II, Part One of the Regents' Rules and Regulations. As a result of this reorganization, Dr. James P. Duncan has resigned his position as Executive Vice Chancellor for Academic Affairs effective August 31, 1997.

Chancellor Cunningham noted that Dr. Duncan has provided invaluable leadership for the U. T. System since 1983. His guidance, counseling, and support of the academic presidents and the diverse missions of the component institutions will continue to be of enormous benefit to the U. T. System and higher education in Texas for many years. After a year of administrative leave to prepare, Dr. Duncan will return to teaching as a member of the faculty of the College of Education at The University of Texas at Austin.

Chairman Evans pointed out that Dr. Duncan has provided invaluable leadership to the academic institutions and his leadership and dedicated service will have a lasting, positive effect on higher education.

Regent Lebermann stated that the decision to restructure the U. T. System Office of Academic Affairs came about after reviewing the policies of other universities and colleges and was designed to reduce administrative costs and make operations more efficient.

MATTERS RELATED TO THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY (UTIMCO)

U. T. System: Report on Investments for the Fiscal Quarter Ended May 31, 1997.--On behalf of The University of Texas Investment Management Company (UTIMCO), Regent Hicks, Chairman of the UTIMCO Board, summarized the Report on Investments for The University of Texas System for the fiscal quarter ending May 31, 1997, for the Permanent University Fund, Long Term Fund, Short/Intermediate Term Fund, and Separately Invested Assets.

Report by Regent Hicks on Behalf of UTIMCO

Mr. Chairman and members of the Board, I am pleased to summarize on behalf of UTIMCO the investments for The University of Texas System for the fiscal quarter ending May 31, 1997.

Item a on Page 33 presents the summary report for Permanent University Fund (PUF) investments. The PUF began the quarter with a market value of \$5.824 billion. During the quarter, income from the production of minerals on PUF Lands added \$26.4 million of new contributions to the Fund versus \$20.2 million for the second quarter of this fiscal year. In addition, total investment return was \$265.6 million of which \$66.9 million was income return and \$198.7 million was price return. Cash income of \$69.8 million was distributed to the Available University Fund (AUF) resulting in a quarter-end market value of \$6.049 billion.

OFFICE OF THE BOARD OF REGENTS
THE UNIVERSITY OF TEXAS SYSTEM
201 WEST SEVENTH STREET, AUSTIN, TEXAS 78701-2981
(512) 499-4402

MEMORANDUM

December 18, 1997

TO: Those Who Receive Official Copies of
the Regents' Rules and Regulations (List Attached)

FROM: Art Dilly *AD*

SUBJECT: Regents' Rules and Regulations, Part Two - Amendments

Please update your copy of the Regents' Rules and Regulations, Part Two by destroying the pages listed in Column "A" and substituting in lieu thereof the pages listed in Column "B":

"A"	"B"
Cover Page	Cover Page
Pages III-3 and III-4	Pages III-3 and III-4

The amendments approved at the November 13, 1997 meeting of the U. T. Board of Regents have been incorporated on the revised pages.

AD/cf

Enclosures

Distribution List for Official Copies of
Regents' Rules and Regulations

Board of Regents	9
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System Administration	8
Chancellor	
Executive Vice Chancellor for Health Affairs	
Executive Vice Chancellor for Business Affairs	
Acting Vice Chancellor for Academic Affairs	
Executive Associate to the Chancellor	
Vice Chancellor and General Counsel	
Vice Chancellor for Governmental Relations	
Vice Chancellor for Development and External Relations	
Chief Administrative Officers of Component Institutions	15
Mr. Thomas G. Ricks	<u>1</u>
President and Chief Executive Officer UTIMCO	
TOTAL	41

NOTE: See July 6, 1988 letter from Coordinating Board which requests that only those amendments related to (1) academic work load and (2) faculty development leaves be sent to that office.

Addresses of State Officials Who Receive Copies
of the Regents' Rules and Regulations

Governor's Budget and Planning Office
711 Sam Houston Building
Austin, Texas 78711
INTERAGENCY MAIL

Mr. John Keel
Director, Legislative Budget Board
John H. Reagan Building
Third Floor
Austin, Texas 78701
INTERAGENCY MAIL

State Auditor's Office
Two Commodore Plaza
206 East 9th Street
Suite 1900
Austin, Texas 78701
INTERAGENCY MAIL

Ms. Sally Reynolds
Director
Legislative Reference Library
Room 207-B, Capitol Building
Austin, Texas 78711
INTERAGENCY MAIL

Publications Clearing House
Room 307, Archives Building
Texas State Library
Austin, Texas 78711
INTERAGENCY MAIL

Dr. Don Brown
Commissioner, Texas Higher
Education Coordinating Board
7745 Chevy Chase Drive, Building 5
Austin, Texas 78752
INTERAGENCY MAIL

(NOTE: Send only when there are
amendments related to (1) academic
work load or (2) faculty development
leaves.)

Mr. Thomas G. Ricks
President and Chief Executive Officer
The University of Texas Investment Management Co.
CTJ Hall

Nov. 13, 1997

RULES AND REGULATIONS
OF THE
BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM
FOR THE GOVERNMENT OF
THE UNIVERSITY OF TEXAS SYSTEM

PART TWO

Part Two was completely reissued as of June 1, 1988.
(Substantive amendments through November 13, 1997,
have been issued with this cover sheet.)

- 2.4 Petty cash funds shall be provided only on approval of, and by arrangement of, the department with the chief business officer.

Sec. 3. Deposits with the State Treasurer.

- 3.1 The statutes and the current Appropriations Act require that all cash receipts accruing to component institutions be deposited in the State Treasury, with the exception of those funds named in Section 51.008 of the Texas Education Code, including those funds from auxiliary enterprises, noninstructional services, agency, designated and restricted funds, endowment funds, trust funds, other gift funds, student loan funds, funds retained under Chapter 145 of the Texas Education Code, and Constitutional College Building Amendment Funds.
- 3.2 Cash receipts that are required to be deposited in the State Treasury shall be so deposited in the manner prescribed in the statutes and the current Appropriations Act.
- 3.3 Component institutions of the System are authorized by the current Appropriations Act to establish Revolving Funds under certain prescribed procedures to facilitate the payment of nominal expenses and to pay bills within cash discount periods, as well as for regular monthly payrolls, weekly, and special payrolls.

Sec. 4. Local Institutional Funds.

- 4.1 All institutional funds not required to be deposited in the State Treasury must be deposited in official depository banks for safekeeping or invested as specified by law and by the applicable Rules and Regulations, Business Procedure Memoranda and Investment Policy Statements.
 - 4.11 Funds held in demand deposits, time deposits, or nonnegotiable certificates of deposit shall be deposited or invested only in banks with which the Board has a depository agreement. The Board delegates to UTIMCO or the Executive Vice Chancellor for

- Business Affairs authority to execute and deliver depository and custody agreements when such deposit agreements are with banks meeting the then current policies of the Board and are in substantially the form of a standard deposit agreement approved by the Board or, for other agreements, in a form approved by the Office of General Counsel. Subject to the provisions of Part One, Chapter I, Section 9 of these Rules and Regulations, the Board delegates to each chief administrative officer and the Executive Vice Chancellor for Business Affairs the authority to execute and deliver contracts for banking services with banks that have a depository agreement with the Board.
- 4.12 Requests for documentation specifying staff authorized to sign checks or initiate funds movements, or changes thereto, for all bank accounts, bank common trust funds, or money market funds shall be approved by each institutional chief administrative officer and chief business officer.
- 4.13 Local institutional funds shall be invested in funds approved by UTIMCO based on, at a minimum, the criteria specified in The University of Texas System Investment Policy Statements. UTIMCO shall administer pooled investment funds for the investment of local institutional funds as authorized by the Board. The chief business officer of any component institution may add or withdraw local institutional funds of the component to or from (i) demand deposits, time deposits, or nonnegotiable certificates of deposit as set forth in Subsection 4.11 of this Section, (ii) any common trust fund or money market fund approved by UTIMCO or (iii) any investment pool administered by UTIMCO for the investment of such funds on any established addition or withdrawal date of the pool.

It was expressly authorized that any contracts or other documents or instruments approved therein had been or shall be executed by the appropriate officials of the respective institution involved.

It was ordered that any item included in the Docket that normally is published in the institutional catalog be reflected in the next appropriate catalog published by the respective institution.

2. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter III, Section 2 (Deposits with Institutional Business Office), Section 3 (Deposits with the State Treasurer), and Section 4 (Local Institutional Funds). --In order to update current procedures, approval was given to amend the Regents' Rules and Regulations, Part Two, Chapter III, Sections 2 through 4, relating to deposits with the institutional business office, deposits with the State Treasurer, and local institutional funds, to read as set forth below:

✓ Sec. 2. Deposits with Institutional Business Office.

. . .

- 2.4 Petty cash funds shall be provided only on approval of, and by arrangement of, the department with the chief business officer.

✓ Sec. 3. Deposits with the State Treasurer.

. . .

- 3.3 Component institutions of the System are authorized by the current Appropriations Act to establish Revolving Funds under certain prescribed procedures to facilitate the payment of nominal expenses and to pay bills within cash discount periods, as well as for regular monthly payrolls, weekly, and special payrolls.

✓ Sec. 4. Local Institutional Funds.

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4.11 Funds held in demand deposits, time deposits, or nonnegotiable certificates of deposit shall be deposited or invested only in banks with which the Board has a depository agreement. The Board delegates to UTIMCO or the Executive Vice Chancellor for Business Affairs authority to execute and deliver depository and custody agreements when such deposit agreements are with banks meeting the then current policies of the Board and are in substantially the form of a standard deposit agreement approved by the Board or, for other agreements, in a form approved by the Office of General Counsel. Subject to the provisions of Part One, Chapter I, Section 9 of these Rules and Regulations, the Board delegates to each chief administrative officer and the Executive Vice Chancellor for Business Affairs the authority to execute and deliver contracts for banking services with banks that have a depository agreement with the Board.

4.12 Requests for documentation specifying staff authorized to sign checks or initiate funds movements, or changes thereto, for all bank accounts, bank common trust funds, or money market funds shall be approved by each institutional chief administrative officer and chief business officer.

. . . .

OFFICE OF THE BOARD OF REGENTS
THE UNIVERSITY OF TEXAS SYSTEM
201 WEST SEVENTH STREET, AUSTIN, TEXAS 78701-2981
(512) 499-4402

MEMORANDUM

September 25, 1997

TO: Those Who Receive Official Copies of
the Regents' Rules and Regulations (List Attached)

FROM: Art Dilly *AD*

SUBJECT: Regents' Rules and Regulations, Part Two - Amendments

Please update your copy of the Regents' Rules and Regulations, Part Two by destroying the pages listed in Column "A" and substituting in lieu thereof the pages listed in Column "B":

<u>"A"</u>	<u>"B"</u>
Cover Page	Cover Page
Page iii	Page iii
Page I-1	Page I-1
Pages II-2 and II-3	Pages II-2 and II-3
Pages III-1, III-2, III-4, and III-7	Pages III-1, III-2, III-2a, III-4, and III-7
Page IV-3	Page IV-3
Pages IX-2, IX-6, and IX-7	Pages IX-2, IX-6, IX-7, and IX-7a

The amendments approved at the August 14, 1997 meeting of the U. T. Board of Regents, as well as editorial amendments, have been incorporated on the revised pages.

AD/cf

Enclosures

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Vice Chancellor and General Counsel	
Vice Chancellor for Governmental Relations	
Vice Chancellor for Development and External Relations	
Chief Administrative Officers of Component Institutions	15
Mr. Thomas G. Ricks	<u>1</u>
President and Chief Executive Officer	
UTIMCO	
TOTAL	41

NOTE: See July 6, 1988 letter from Coordinating Board which requests that only those amendments related to (1) academic work load and (2) faculty development leaves be sent to that office.

Addresses of State Officials Who Receive Copies
of the Regents' Rules and Regulations

Governor's Budget and Planning Office
711 Sam Houston Building
Austin, Texas 78711
INTERAGENCY MAIL

Mr. John Keel
Director, Legislative Budget Board
John H. Reagan Building
Third Floor
Austin, Texas 78701
INTERAGENCY MAIL

State Auditor's Office
Two Commodore Plaza
206 East 9th Street
Suite 1900
Austin, Texas 78701
INTERAGENCY MAIL

Ms. Sally Reynolds
Director
Legislative Reference Library
Room 207-B, Capitol Building
Austin, Texas 78711
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Dr. Don Brown
Commissioner, Texas Higher
Education Coordinating Board
7745 Chevy Chase Drive, Building 5
Austin, Texas 78752
INTERAGENCY MAIL

(NOTE: Send only when there are
amendments related to (1) academic
work load or (2) faculty development
leaves.)

Mr. Thomas G. Ricks
President and Chief Executive Officer
The University of Texas Investment Management Co.
CTJ Hall

August 14, 1997

RULES AND REGULATIONS

OF THE

BOARD OF REGENTS

OF

THE UNIVERSITY OF TEXAS SYSTEM

FOR THE GOVERNMENT OF

THE UNIVERSITY OF TEXAS SYSTEM

PART TWO

Part Two was completely reissued as of June 1, 1988.
(Substantive amendments through August 14, 1997,
and editorial amendments through September 1997
have been issued with this cover sheet.)

<u>Chapter</u>		<u>Page</u>
VII.	Physical Properties	
Sec.	1. General Statement.....	VII-1
	2. Inventories.....	VII-1
	3. Motor Vehicles.....	VII-1
	4. Insurance on Property of the System.....	VII-2
	5. Safe and Vault Combinations.....	VII-3
	6. Police and Security Officers.....	VII-3
	7. Telephones.....	VII-3
	8. Disposal of Property of the System.....	VII-3
	9. Transfer of Property.....	VII-4
	10. Disposition of Abandoned and Unclaimed Personal Property.....	VII-5
VIII.	Physical Plant Improvements	
Sec.	1. Institutional Committees.....	VIII-1
	2. Major Construction and Repair and Rehabilitation Projects.....	VIII-1
	3. Minor Construction and Repair and Rehabilitation Projects.....	VIII-4
	4. Bidding, Award of Contract, and Final Payment.....	VIII-5
	5. Constitutional and Legislative Restrictions..	VIII-7
IX.	Matters Relating to Investments, Trusts, and Lands	
Sec.	1. Authority Regarding Assets.....	IX-1
	2. Authorizations Regarding Sales, Assignments, Conveyances, Receipt of Property, and Proxies.....	IX-3
	3. Policy for Investment and Management of the PUF.....	IX-5
	4. Policy for Investment and Management of U. T. Investment Pools.....	IX-6
	5. Policy for Investment and Management of Endowment, Trust, and Other Accounts Invested Through or Separate from U. T. Investment Pools.....	IX-7
	6. Matters Relating to Real Property.....	IX-7a

CHAPTER I

GENERAL

Sec. 1. Gifts to The University of Texas System.

- 1.1 The authority to accept gifts to the System or to any of the components is vested in the Board and delegated by the Board as specifically set out in this Section.
- 1.2 Unless otherwise approved by the Board, all gifts to the System or any component institution shall be made in accordance with all relevant laws and Board policies, including but not limited to, the provisions of the U. T. System Gifts Policy Guidelines and approved institutional policies.
- 1.3 The Board delegates to the Chancellor, the chief administrative officer, or a designee specified in writing, authority to accept gifts that are not processed or administered by the Office of Development and External Relations and that conform to all relevant laws and Board policies, including but not limited to the System Gifts Policy Guidelines and approved institutional policies, provided that such gifts have a value of \$500,000 or less (in cash or in kind). Such gifts that have a value of more than \$500,000 (in cash or in kind) must be submitted to the Board for approval via the docket.
- 1.4 The Board delegates to the Vice Chancellor for Development and External Relations, or a designee specified in writing, authority to accept all gifts of any value (either in cash or in kind) that conform to all relevant laws and Board policies, including but not limited to the System Gifts Policy Guidelines, and are processed or administered by the Office of Development and External Relations.

foundations, corporations, etc., or income derived from endowments, to be used only for a particular purpose or project, specified by the donor, such as research, conferences, scholarships, fellowships, etc. The period of use is usually designated in the agreement approved by the Board. The accounting for the funds will be on the accrual basis; however, in financial reporting, the amounts reported as revenues are limited to the expenditures. Unless otherwise specified, balances are automatically reappropriated at the end of each fiscal year.

- 1.2 Loan Funds.--Those funds that have been set aside for loans to be granted to students, faculty, or staff, including interest earned thereon.

- 1.3 Endowment and Similar Funds.
 - 1.31 Endowment Funds.--Those funds that donors have stipulated, as a condition of gift, that the principal is to be maintained inviolate in perpetuity, or in the case of "term" endowments to be maintained inviolate for a specified term. All endowment funds are administered by the Office of Development and External Relations of System Administration as provided in Part Two, Chapter IX of these Rules and Regulations.
 - 1.32 Quasi-endowment Funds.--Funds functioning as endowment as a result of determination by the Board that they are to be retained and invested. All quasi-endowment funds are administered by the Office of Development and External Relations of System Administration as provided in Part Two, Chapter IX of these Rules and Regulations.

- 1.4 Charitable Remainder Trusts and Pooled Income Funds.--Gift funds given to the Board of Regents of The University of Texas System, as Trustee, such as Charitable Remainder Trusts and Pooled Income Funds in which the donor has reserved an income interest either for the life of one or more individuals or for a term of years shall be administered by the Office of Development and External Relations.
- 1.5 Plant Funds.
 - 1.51 Unexpended Plant Funds.--Funds specified by the Board or by external sources for the acquisition, construction, or improvement of physical properties to be used for institutional purposes.
 - 1.52 Renewals and Replacement Funds.--Funds specified by the Board or by external sources to be used for the renewal and replacement of plant fund assets. A regular source for such funds shall be the portion of indirect cost allowances represented by use charges on buildings, other improvements and equipment allocated to sponsored programs. (See also Part Two, Chapter XI, Section 7.)
 - 1.53 Retirement of Indebtedness Funds.--Funds specified by the Board or by external sources to be set aside to meet debt service charges and the retirement of indebtedness on institutional plant assets.
 - 1.54 Investment in Plant Funds.--Funds invested in physical properties to be used for institutional purposes.
- 1.6 Agency Funds.--Those funds received and held by the System as custodian or fiscal agent for others. Agency funds shall be expended in accordance with the limitations of the agency agreement.

CHAPTER III

RECEIPT, CUSTODY, AND DISBURSEMENT OF MONEYS; TRAVEL
AUTHORIZATION, REIMBURSEMENT, AND INSTITUTIONAL REGULATIONS

Sec. 1. Receipts, Admission Tickets, and Charges.

- 1.1 No department, division, or individual staff member is authorized to receive money in the name of a component institution of the System unless authorized by the chief business officer and chief administrative officer.
- 1.2 An official receipt in the form prescribed by the chief business officer shall be issued to payors for all moneys received unless the chief business officer has specifically authorized exceptions for certain types of collections.
- 1.3 All moneys received shall be recorded and handled under appropriate internal accounting controls.
- 1.4 Any person who paid oil and gas royalties to the Board in a total amount of \$250,000 or more during a fiscal year, being September 1 to August 31, shall make timely oil and gas royalty payments to the Board by means of electronic funds transfer during the subsequent calendar year. Any person required to submit payments electronically shall also file the required Royalty Payment Summary (Form UT-3) by means of electronic transmission in a manner compatible with the equipment and facilities of the University Lands Accounting Office. The payor shall timely take all actions necessary to facilitate payment of oil and gas royalties by electronic funds transfer and electronic filing of the Form UT-3, including completing any documents required by the Comptroller of the State of Texas and the University Lands Accounting Office. Electronic funds transfers shall be made in accordance with applicable laws, including Section 404.095, Texas Government Code. This Subsection applies only to oil and gas royalties from Permanent University Fund lands to the extent authorized by Section 404.095, Texas Government Code.

- 1.5 Admission tickets, including complimentary tickets, shall have the price of admission indicated thereon, and all such tickets shall be prenumbered, except for certain events where the section, row, and seat number are shown. Admission tickets and coupon books shall be purchased for delivery to the institutional business office and issued to the department concerned. Unused tickets or books shall be returned along with a prescribed ticket report to the business office within 30 days from the date of the event, and a list showing the names of all persons receiving complimentary tickets shall be a part of the prescribed ticket report. The chief business officer may authorize an exception to the 30-day time limit for submitting ticket reports for a specified event or series of events, provided that the exception must be in writing, and must specify both the reason for the exception and the alternate due date for those ticket reports.
- 1.6 All unpaid (including complimentary, free, or discounted) charges for sales or service of auxiliary enterprises, organized activities, or service departments or similar activities shall be reported to and recorded by the chief business officer or his or her delegate under appropriate internal accounting controls. A list or other documentation showing the authorization and names of all persons receiving complimentary, free, or discounted goods or services and the values thereof shall be furnished to the business office within 30 days from the date such goods were issued or such services were rendered by any auxiliary enterprise, organized activity, or service department or similar activity.

Sec. 2. Deposits with Institutional Business Office.

- 2.1 Money received by all departments from all sources shall be deposited, using an official form, in the institutional business office, unless depositing directly to a special bank account has been specifically authorized by the Director of the Office of Budget and Fiscal Policy. The deposits shall be daily if the receipts are \$200 or more, and weekly even if the accumulation is less than \$200. Except for mail deposits authorized under Subdivisions 2.11 and 2.12, the deposit shall be made in person by a departmental representative to whom an official receipt is issued.

- 2.11 Mail deposits by on-campus departments are authorized if the amount of each deposit is less than \$100 and does not contain cash (currency).
- 2.12 Mail deposits by off-campus activities are authorized if such deposit does not contain cash (currency).
- 2.2 Departments or activities mailing deposits shall maintain adequate record of such deposits, including detailed description of negotiable instruments.
- 2.3 Cash overages or shortages shall be reported to the business office with each deposit. Cash overages shall be deposited in the business office.

- Business Affairs authority to execute and deliver depository and custody agreements when such deposit agreements are with banks meeting the then current policies of the Board and are in substantially the form of a standard deposit agreement approved by the Board or, for other agreements, in a form approved by the Office of General Counsel. Subject to the provisions of Part One, Chapter I, Section 9 of these Rules and Regulations, the Board delegates to each chief administrative officer and the Executive Vice Chancellor for Business Affairs the authority to execute and deliver contracts for banking services with banks that have a depository agreement with the Board.
- 4.12 Requests for documentation specifying staff authorized to sign checks or initiate funds movements, or changes thereto, for all bank accounts, bank common trust funds, or money market funds shall be approved by each institutional chief administrative officer and chief business officer with copies of the changes and/or authorization sent to the Director of the Office of Budget and Fiscal Policy.
- 4.13 Local institutional funds shall be invested in funds approved by UTIMCO based on, at a minimum, the criteria specified in The University of Texas System Investment Policy Statements. UTIMCO shall administer pooled investment funds for the investment of local institutional funds as authorized by the Board. The chief business officer of any component institution may add or withdraw local institutional funds of the component to or from (i) demand deposits, time deposits, or nonnegotiable certificates of deposit as set forth in Subsection 4.11 of this Section, (ii) any common trust fund or money market fund approved by UTIMCO or (iii) any investment pool administered by UTIMCO for the investment of such funds on any established addition or withdrawal date of the pool.

- 10.12 Requests for authorization to travel by administrative officers and staff of System Administration shall be approved by the Chancellor, appropriate Executive Vice Chancellor, or appropriate Vice Chancellor or designee.
- 10.2 Travel Expense Reimbursements.
 - 10.21 Travel expenses shall be reimbursed only from funds appropriated or authorized for travel and pursuant to state law and regulations and approved institutional or System travel policies and procedures. The Chancellor, the Executive Vice Chancellors, the Vice Chancellors and the chief administrative officers shall plan the travel of all employees under their authority to achieve maximum economy and efficiency and are responsible for ensuring that the expenses of transportation, meals, lodging, and incidental items are the lowest possible considering all relevant circumstances.

- 3.4 The System has no obligation to comply with the Act or the rules and regulations issued thereunder in making purchases to which the Commission's authority does not extend, or for which the System's purchasing authority is not delegated from the Commission under the Act or expressly subject to rules by the Commission but rather is a different statute. With respect to such purchases not subject to the Act or the rules and regulations issued thereunder, the policies and procedures to be used by a System component shall be approved by its chief business officer pursuant to Section 5 below.

Sec. 4. Purchasing Procedures.

- 4.1 The official purchasing agent of each component institution shall promulgate procedures to facilitate and expedite the purchasing function. Such procedures shall be developed in accordance with sound business practices and applicable state law. Purchasing procedures shall be implemented only after appropriate review and approval for inclusion in the institutional Handbook of Operating Procedures, including review and approval of the chief business officer.
- 4.2 Closed or noncompetitive specifications shall not be used except in unusual instances clearly justified as being essential to efficient operating performance. Reports of all such exceptions shall be maintained by the chief business officer.

Sec. 5. Purchase from or Sale to an Officer or Employee.--Purchase from, or sale to, any officer or employee of the System or a component of any supplies, materials, services, equipment, or property must have the prior approval of the chief administrative officer and the appropriate Executive Vice Chancellor or the Chancellor. Any such purchases shall be made only if the cost is less than from any other known source. This Section does not apply to sales or purchases made at public auction and to a purchase(s) of \$1,000 or less of artwork or other product(s) created or crafted by an employee if the work is to be displayed on campus or is to be an award or memento.

Rules and Regulations. This Chapter shall not apply to rights in intellectual property owned or controlled by the Board except as provided in this Subsection.

- 1.5 All assets of the Permanent University Fund, other than Permanent University Fund lands, shall be managed by UTIMCO or as otherwise directed by the Board.
- 1.6 All assets received for or held in an endowment fund (other than the Permanent University Fund), a fund functioning as an endowment, or a Charitable Remainder Trust or a Pooled Income Fund shall be managed by UTIMCO or as otherwise directed by the Board until such funds terminate.
- 1.7 All assets of Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund, the Vision Services Fund, and the Medical Liability Self-Insurance Fund ("consolidated System funds") shall be managed with respect to investment of such funds as set forth below:
 - 1.71 The Office of Business Affairs shall invest the Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund, and the Vision Services Fund in the same manner that chief business officers may invest the operating funds of each component.
 - 1.72 UTIMCO shall invest the Medical Liability Self-Insurance Fund in the Long Term Fund, Short/Intermediate Term Fund, and Short Term Fund as directed by the Vice Chancellor and General Counsel.
- 1.8 Assets that are not a part of the Permanent University Fund, an endowment fund, a fund functioning as an endowment, a life income or annuity fund, or consolidated System funds shall be managed as set forth in this Subsection:
 - 1.81 Tangible personal property shall be managed by the chief administrative officer.
 - 1.82 Intangible personal property consisting of securities, interests in businesses, and equity interests in technology transfer firms as set out in the Regents' Intellectual Property Policy shall be managed by UTIMCO. Other intangible personal property shall be managed by the chief administrative officer.

- 3.4 Policies with Respect to Stock Rights, Fractional Shares, and Proxies.
 - 3.41 Exercise of or sale of stock rights and warrants is to be made at the discretion of UTIMCO.
 - 3.42 Fractional shares which arise in connection with funds under control of UTIMCO shall be handled at its discretion.
 - 3.43 As a general rule, voting stocks held are to be voted by UTIMCO pursuant to its proxy voting policy.

Sec. 4. Policy for Investment and Management of U. T. Investment Pools.

- 4.1 The policies for the investment of funds for U. T. investment pools shall be those outlined in the applicable Investment Policy Statement.
- 4.2 The provisions of Sections 3.2, 3.3, and 3.4, with respect to the investment and management of the PUF, shall likewise apply to other U. T. investment pools.
- 4.3 The Medical Liability Self-Insurance Fund shall be administered in a manner consistent with all provisions of the Plan for Professional Medical Liability Self-Insurance.
- 4.4 Each pooled income fund established by U. T. shall be administered according to The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement, its trust indenture and applicable law.

Sec. 5. Policy for Investment and Management of Endowment, Trust, and Other Accounts Invested Through or Separate from U. T. Investment Pools.

- 5.1 Endowment funds and funds functioning as endowments will be managed in a manner consistent with the U. T. System Gifts Policy Guidelines, prudent person investment standards, and the Uniform Management of Institutional Funds Act (Title 10, Chapter 163, Texas Property Code). These funds will be managed separately and not commingled with the Long Term Fund if the terms of the instrument by which the fund was created preclude investment through the Long Term Fund. In addition, nonmarketable securities held by an endowment fund may be recorded as separately invested. All other endowment funds and funds functioning as endowments will be invested through the Long Term Fund.
- 5.2 Trust funds and other life income accounts will be invested and administered consistent with The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement, U. T. System Gifts Policy Guidelines, prudent person investment standards, and the Texas Trust Code (Title 9, Subtitle B, Texas Property Code).
- 5.3 The provisions of Sections 3.2, 3.3, and 3.4 with respect to the investment and management of the PUF, shall likewise apply to endowment and trust funds except that Subsection 3.21 shall be applied only when such funds are invested through a U. T. investment pool.
- 5.4 Other Accounts as defined in The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement shall be invested and administered consistent with that policy.

Sec. 6. Matters Relating to Real Property.

- 6.1 Management of Interests in Real Property Generally.-- All interests in real property owned or controlled by the Board shall be administered and managed by the System Real Estate Office, except Permanent University Fund lands, real properties used for institutional purposes, and real property investments managed by UTIMCO. "Institutional purposes" shall not include use solely to generate funds for the institution.
- 6.2 Management of Real Properties Used for Institutional Purposes.--All interests in real property owned or controlled by the Board and used for institutional purposes shall be administered and managed by the component, with the assistance and supervision of the System Real Estate Office.

2. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Approval of Amendments to Chapter I, Section 1 (Gifts to The University of Texas System), Subsection 1.3 and Chapter II, Section 1 (Types of Funds), Subsection 1.4.--The Board amended the Regents' Rules and Regulations, Part Two, Chapter I, Section 1, Subsection 1.3, relating to the authority of the Chancellor to accept certain gifts on behalf of The University of Texas System, and Chapter II, Section 1, Subsection 1.4, clarifying the authority of the Office of Development and External Relations to administer certain gifts with a reserved income interest, as set forth below:

a. Chapter I (General), Section 1, Subsection 1.3 was amended to read as follows:

✓ Sec. 1. Gifts to The University of Texas System.

. . . .

✓ .1.3 The Board delegates to the Chancellor, the chief administrative officer, or a designee specified in writing, authority to accept gifts that are not processed or administered by the Office of Development and External Relations and that conform to all relevant laws and Board policies, including but not limited to the System Gifts Policy Guidelines and approved institutional policies, provided that such gifts have a value of \$500,000 or less (in cash or in kind). Such gifts that have a value of more than \$500,000 (in cash or in kind) must be submitted to the Board for approval via the docket.

. . . .

- b. Chapter II (Accounting, Auditing, Reporting, and Budgetary Control), Section 1, Subsection 1.4 was amended to read as follows:

Sec. 1. Types of Funds.

. . . .

- ✓ 1.4 Charitable Remainder Trusts and Pooled Income Funds.--Gift funds given to the Board of Regents of The University of Texas System, as Trustee, such as Charitable Remainder Trusts and Pooled Income Funds in which the donor has reserved an income interest either for the life of one or more individuals or for a term of years shall be administered by the Office of Development and External Relations.

. . . .

The U. T. Board of Regents' authority to accept certain gifts made to the U. T. System, not a component institution, in an amount of \$500,000 or less and that are not a planned gift or bequest and do not set up an endowment has not been previously delegated by the U. T. Board of Regents. The purpose of the change to the Regents' Rules and Regulations, Part Two, Chapter I, Section 1, Subsection 1.3 is to delegate this authority to the Chancellor.

The amendment to the Regents' Rules and Regulations, Part Two, Chapter II, Section 1, Subsection 1.4 clarifies the authority of the Office of Development and External Relations to administer gifts with a reserved income interest, such as Charitable Remainder Trusts and Pooled Income Funds.

3. U. T. System: Approval of Amendments to the Guidelines for Periodic Performance Evaluation of Tenured Faculty.-- Chairman Evans reported that The University of Texas System Guidelines for Periodic Evaluation of Tenured Faculty were approved by the U. T. Board of Regents at the November 1996 meeting and called on Chancellor Cunningham to review the proposed changes to the Guidelines which were before the Board.

3. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter III, Section 1 (Receipts, Admission Tickets, and Charges).--In order to require payment of certain oil and gas royalties to the U. T. Board of Regents by electronic funds transfer, the Board, upon recommendation of the Business Affairs and Audit Committee, amended the Regents' Rules and Regulations, Part Two, Chapter III, Section 1, relating to receipts, admission tickets, and charges, by adding a new Subsection 1.4 and renumbering present Subsections 1.4 and 1.5 as Subsections 1.5 and 1.6 as follows:

Sec. 1. Receipts, Admission Tickets, and Charges.

. . . .

✓ 1.4 Any person who paid oil and gas royalties to the Board in a total amount of \$250,000 or more during a fiscal year, being September 1 to August 31, shall make timely oil and gas royalty payments to the Board by means of electronic funds transfer during the subsequent calendar year. Any person required to submit payments electronically shall also file the required Royalty Payment Summary (Form UT-3) by means of electronic transmission in a manner compatible with the equipment and facilities of the University Lands Accounting Office. The payor shall timely take all actions necessary to facilitate payment of oil and gas royalties by electronic funds transfer and electronic filing of the Form UT-3, including completing any documents required by the Comptroller of the State of Texas and the University Lands Accounting Office. Electronic funds transfers shall be made in accordance with applicable laws, including Section 404.095, Texas Government Code. This Subsection applies only to oil and gas royalties from Permanent University Fund lands to the extent authorized by Section 404.095, Texas Government Code.

✓ 1.5 Admission tickets, including complimentary tickets, shall have the price of admission indicated thereon, and all such tickets shall be prenumbered, except for certain events where the section, row, and seat number are shown. Admission tickets and coupon books shall be purchased for delivery to the institutional business office and issued to the department

concerned. Unused tickets or books shall be returned along with a prescribed ticket report to the business office within 30 days from the date of the event, and a list showing the names of all persons receiving complimentary tickets shall be a part of the prescribed ticket report. The chief business officer may authorize an exception to the 30-day time limit for submitting ticket reports for a specified event or series of events, provided that the exception must be in writing, and must specify both the reason for the exception and the alternate due date for those ticket reports.

- ✓ 1.6 All unpaid (including complimentary, free, or discounted) charges for sales or service of auxiliary enterprises, organized activities, or service departments or similar activities shall be reported to and recorded by the chief business officer or his or her delegate under appropriate internal accounting controls. A list or other documentation showing the authorization and names of all persons receiving complimentary, free, or discounted goods or services and the values thereof shall be furnished to the business office within 30 days from the date such goods were issued or such services were rendered by any auxiliary enterprise, organized activity, or service department or similar activity.

These amendments to the Regents' Rules and Regulations will provide a higher degree of internal control over a greater percentage of oil and gas royalties paid to the Permanent University Fund. In addition, payments made by electronic transfer are received by The University of Texas System University Lands Accounting Office for use in a more timely manner. The long-range plan is to require payors who pay oil and gas royalties of \$60,000 or more per year to make royalty payments by electronic funds transfer and provide the monthly payment summary report in an electronic format. This process will be implemented in stages to accommodate requirements of the State Comptroller's Office.

4. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter III (Receipt, Custody, and Disbursement of Moneys; Travel Authorization, Reimbursement, and Institutional Regulations), Section 4 and Chapter IX (Matters Relating to Investments, Trusts, and Lands), Sections 4 and 5.--Upon recommendation of the Business Affairs and Audit Committee, the Board amended the Regents' Rules and Regulations, Part Two, Chapters III and IX as follows:

- a. Chapter III, Section 4 (Local Institutional Funds), Subsection 4.13 was amended to read as set forth below:

✓ 4.13 Local institutional funds shall be invested in funds approved by UTIMCO based on, at a minimum, the criteria specified in The University of Texas System Investment Policy Statements. UTIMCO shall administer pooled investment funds for the investment of local institutional funds as authorized by the Board. The chief business officer of any component institution may add or withdraw local institutional funds of the component to or from (i) demand deposits, time deposits, or non-negotiable certificates of deposit as set forth in Subsection 4.11 of this Section, (ii) any common trust fund or money market fund approved by UTIMCO or (iii) any investment pool administered by UTIMCO for the investment of such funds on any established addition or withdrawal date of the pool.

- b. Chapter IX, Section 4 (Policy for Investment and Management of U. T. Investment Pools) was amended by deleting present Subsection 4.3 in its entirety, amending present Subsection 4.5, and renumbering present Subsections 4.4 and 4.5 as Subsections 4.3 and 4.4 to read as follows:

✓ 4.3 The Medical Liability Self-Insurance Fund shall be administered in a manner consistent with all provisions of the Plan for Professional Medical Liability Self-Insurance.

✓ 4.4 Each pooled income fund established by U. T. shall be administered according to The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement, its trust indenture and applicable law.

- c. Chapter IX, Section 5, was amended to read as set forth below:

✓
✓
Sec. 5. Policy for Investment and Management of Endowment, Trust, and Other Accounts Invested Through or Separate from U. T. Investment Pools.

✓
5.1 Endowment funds and funds functioning as endowments will be managed in a manner consistent with the U. T. System Gifts Policy Guidelines, prudent person investment standards, and the Uniform Management of Institutional Funds Act (Title 10, Chapter 163, Texas Property Code). These funds will be managed separately and not commingled with the Long Term Fund if the terms of the instrument by which the fund was created preclude investment through the Long Term Fund. In addition, nonmarketable securities held by an endowment fund may be recorded as separately invested. All other endowment funds and funds functioning as endowments will be invested through the Long Term Fund.

✓
5.2 Trust funds and other life income accounts will be invested and administered consistent with The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement, U. T. System Gifts Policy Guidelines, prudent person investment standards, and the Texas Trust Code (Title 9, Subtitle B, Texas Property Code).

✓
5.3 The provisions of Sections 3.2, 3.3, and 3.4 with respect to the investment and management of the PUF, shall likewise apply to endowment and trust funds except that Subsection 3.21 shall be applied only when such funds are invested through a U. T. investment pool.

5.4 Other Accounts as defined in The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement shall be invested and administered consistent with that policy.

In February 1997, the U. T. Board of Regents approved new Investment Policy Statements for the various funds under management by The University of Texas Investment Management Company (UTIMCO). These changes to the Regents' Rules and Regulations, Part Two, Chapters III and IX are necessary to conform with the definitions contained in the Investment Policy Statements.

5. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter III, Section 10 (Travel Authorization, Reimbursement, and Institutional Regulations), Subsection 10.1, Subdivision 10.12.--The Business Affairs and Audit Committee recommended and the Board amended the Regents' Rules and Regulations, Part Two, Chapter III, Section 10, Subsection 10.1, Subdivision 10.12, regarding travel authorization, reimbursement, and institutional regulations, by deleting present Subdivision 10.12 in its entirety and renumbering present Subdivision 10.13 as Subdivision 10.12 as follows:

Sec. 10. Travel Authorization, Reimbursement, and Institutional Regulations.

✓10.1 Authorization for Travel.--Authorization for travel from the city or town where the officer or employee is regularly stationed will be granted by the Board or as hereinafter delegated by the Board, only in advance, as follows:

✓10.11 Requests for authorization to travel shall be transmitted through proper administrative channels to the chief administrative officer or designee for advance written approval.

10.12 Requests for authorization to travel by administrative officers and staff of System Administration shall be approved by the Chancellor, appropriate Executive Vice Chancellor, or appropriate Vice Chancellor or designee.

. . . .

The deletion of current Subdivision 10.12, Subsection 10.1, Section 10, Chapter III, Part Two of the Regents' Rules and Regulations recognizes that the 75th Texas Legislature eliminated the requirement that all foreign travel (except to Mexico or Canada) be approved in advance by the Governor's Office.

6. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Approval to Amend Chapter IV, Section 5 (Purchase from or Sale to an Officer or Employee).--The Board amended the Regents' Rules and Regulations, Part Two, Chapter IV, Section 5, related to purchase from or sale to an officer or employee, as set forth below:

✓ Sec. 5. Purchase from or Sale to an Officer or Employee.--Purchase from, or sale to, any officer or employee of the System or a component of any supplies, materials, services, equipment, or property must have the prior approval of the chief administrative officer and the appropriate Executive Vice Chancellor or the Chancellor. Any such purchases shall be made only if the cost is less than from any other known source. This Section does not apply to sales or purchases made at public auction and to a purchase(s) of \$1,000 or less of artwork or other product(s) created or crafted by an employee if the work is to be displayed on campus or is to be an award or memento.

This revision to the Regents' Rules and Regulations simplifies the approval of the purchase of unique artwork and other materials created by an employee if the purchased materials are to be displayed on campus or given in recognition or appreciation of service or contributions and if the purchase price is \$1,000 or less.

MB
I believe the attached
3 sections can be
amended editorially
Note relationship to
attached memo to
RF — a

RRR
Part Two

foundations, corporations, etc., or income derived from endowments, to be used only for a particular purpose or project, specified by the donor, such as research, conferences, scholarships, fellowships, etc. The period of use is usually designated in the agreement approved by the Board. The accounting for the funds will be on the accrual basis; however, in financial reporting, the amounts reported as revenues are limited to the expenditures. Unless otherwise specified, balances are automatically reappropriated at the end of each fiscal year.

- 1.2 Loan Funds.--Those funds that have been set aside for loans to be granted to students, faculty, or staff, including interest earned thereon.
- 1.3 Endowment and Similar Funds.

~~RRR~~
editorial amendments
included
w/ 8-14-97 RRR
amendments
1.32
m/9/19/97 ✓

1.31 Endowment Funds.--Those funds that donors have stipulated, as a condition of gift, that the principal is to be maintained inviolate in perpetuity, or in the case of "term" endowments to be maintained inviolate for a specified term. All endowment funds are administered by the Office of Asset Management of System Administration as provided in Part Two, Chapter IX of these Rules and Regulations. *sk*

Quasi-endowment Funds.--Funds functioning as endowment as a result of determination by the Board that they are to be retained and invested. All quasi-endowment funds are administered by the Office of Asset Management of System Administration as provided in Part Two, Chapter IX of these Rules and Regulations. *sk*

→ Both of these to read:
Office of Development and External Relations

a
Per P. Youngdate
4/17/97

Rules and Regulations. This Chapter shall not apply to rights in intellectual property owned or controlled by the Board except as provided in this Subsection.

RRR
PART TWO
J
A POOLED INCOME FUND

1.5 All assets of the Permanent University Fund, other than Permanent University Fund lands, shall be managed by UTIMCO or as otherwise directed by the Board.

1.6 All assets received for or held in an endowment fund (other than the Permanent University Fund), a fund functioning as an endowment, or a life income or annuity fund shall be managed by UTIMCO or as otherwise directed by the Board until such funds terminate. CHARITABLE REMAINDER TRUST

1.7 All assets of Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund, the Vision Services Fund, and the Medical Liability Self-Insurance Fund ("consolidated System funds") shall be managed with respect to investment of such funds as set forth below:

1.71 The Office of Business Affairs shall invest the Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund, and the Vision Services Fund in the same manner that chief business officers may invest the operating funds of each component.

1.72 UTIMCO shall invest the Medical Liability Self-Insurance Fund in the Long Term Fund, Short/Intermediate Term Fund, and Short Term Fund as directed by the Vice Chancellor and General Counsel.

1.8 Assets that are not a part of the Permanent University Fund, an endowment fund, a fund functioning as an endowment, a life income or annuity fund, or consolidated System funds shall be managed as set forth in this Subsection:

1.81 Tangible personal property shall be managed by the chief administrative officer.

1.82 Intangible personal property consisting of securities, interests in businesses, and equity interests in technology transfer firms as set out in the Regents' Intellectual Property Policy shall be managed by UTIMCO. Other intangible personal property shall be managed by the chief administrative officer.

THE UNIVERSITY OF TEXAS SYSTEM

OFFICE OF THE BOARD OF REGENTS

BOX N - AUSTIN, TEXAS 78713-7325 (512) 499-4402

MEMORANDUM

DATE 4/16/97

TO: Paul Youngdale
FROM: Art Lilly
SUBJECT: Edits to RRR

Notice the attached three references to the Office of Asset Management from the RRR, Part Two, Chapter II, Sections 1.3 & 1.4. Should these references be edited to read "Office of Development and External Relations"? Other suggestions?

Thanks.

Art

111

OFFICE OF THE BOARD OF REGENTS
THE UNIVERSITY OF TEXAS SYSTEM
201 WEST SEVENTH STREET, AUSTIN, TEXAS 78701-2981
(512) 499-4402

MEMORANDUM

March 6, 1997

10
14

TO: Those Who Receive Official Copies of
the Regents' Rules and Regulations (List Attached)

FROM: Art Dilly *AD*

SUBJECT: Regents' Rules and Regulations, Part Two - Amendments

Please update your copy of the Regents' Rules and Regulations, Part Two by destroying the pages listed in Column "A" and substituting in lieu thereof the pages listed in Column "B":

<u>"A"</u>	<u>"B"</u>
Cover Page	Cover Page
Page I-1	Page I-1
Page VIII-2	Page VIII-2
Pages IX-1, IX-2, and IX-9	Pages IX-1, IX-2, and IX-9
Pages XI-2 and XI-3	Pages XI-2 and XI-3

The amendments approved at the February 6, 1997 meeting of the U. T. Board of Regents, as well as editorial amendments, have been incorporated on the revised pages.

AD/cf

Enclosures

Distribution List for Official Copies of
Regents' Rules and Regulations

Board of Regents	9
Office of the Board of Regents	3
Legislative Budget Board	1
Governor's Budget and Planning Office	1
Publications Clearing House	1
State Auditor - U. T. Austin Representative	1
Legislative Reference Library	1
System Administration	8
Chancellor	
Executive Vice Chancellor for Academic Affairs	
Executive Vice Chancellor for Health Affairs	
Executive Vice Chancellor for Business Affairs	
Executive Associate to the Chancellor	
Vice Chancellor and General Counsel	
Vice Chancellor for Governmental Relations	
Vice Chancellor for Development and External Relations	
Chief Administrative Officers of Component Institutions	15
Mr. Thomas G. Ricks	<u>1</u>
President and Chief Executive Officer	
UTIMCO	
 TOTAL	 41

NOTE: See July 6, 1988 letter from Coordinating Board which requests that only those amendments related to (1) academic work load and (2) faculty development leaves be sent to that office.

Addresses of State Officials Who Receive Copies
of the Regents' Rules and Regulations

Governor's Budget and Planning Office
711 Sam Houston Building
Austin, Texas 78711
INTERAGENCY MAIL

Mr. John Keel
Director, Legislative Budget Board
John H. Reagan Building
Third Floor
Austin, Texas 78701
INTERAGENCY MAIL

State Auditor's Office
Two Commodore Plaza
206 East 9th Street
Suite 1900
Austin, Texas 78701
INTERAGENCY MAIL

Ms. Sally Reynolds
Director
Legislative Reference Library
Room 207-B, Capitol Building
Austin, Texas 78711
INTERAGENCY MAIL

Publications Clearing House
Room 307, Archives Building
Texas State Library
Austin, Texas 78711
INTERAGENCY MAIL

Dr. Kenneth H. Ashworth
Commissioner, Texas Higher
Education Coordinating Board
7745 Chevy Chase Drive, Building 5
Austin, Texas 78752
INTERAGENCY MAIL

(NOTE: Send only when there are
amendments related to (1) academic
work load or (2) faculty development
leaves.)

Mr. Thomas G. Ricks
President and Chief Executive Officer
The University of Texas Investment Management Co.
CTJ Hall

Feb. 6, 1997

RULES AND REGULATIONS

OF THE

BOARD OF REGENTS

OF

THE UNIVERSITY OF TEXAS SYSTEM

FOR THE GOVERNMENT OF

THE UNIVERSITY OF TEXAS SYSTEM

PART TWO

Part Two was completely reissued as of June 1, 1988.
(Substantive amendments through February 6, 1997,
and editorial amendments through March 1997
have been issued with this cover sheet.)

CHAPTER I

GENERAL

Sec. 1. Gifts to The University of Texas System.

- 1.1 The authority to accept gifts to the System or to any of the components is vested in the Board and delegated by the Board as specifically set out in this Section.
- 1.2 Unless otherwise approved by the Board, all gifts to the System or any component institution shall be made in accordance with all relevant laws and Board policies, including but not limited to, the provisions of the U. T. System Gifts Policy Guidelines and approved institutional policies.
- 1.3 The Board delegates to the chief administrative officer, or a designee specified in writing, authority to accept gifts that are not processed or administered by the Office of Development and External Relations and that conform to all relevant laws and Board policies, including but not limited to the System Gifts Policy Guidelines and approved institutional policies, provided that such gifts have a value of \$500,000 or less (in cash or in kind). Such gifts that have a value of more than \$500,000 (in cash or in kind) must be submitted to the Board for approval via the docket.
- 1.4 The Board delegates to the Vice Chancellor for Development and External Relations, or a designee specified in writing, authority to accept all gifts of any value (either in cash or in kind) that conform to all relevant laws and Board policies, including but not limited to the System Gifts Policy Guidelines, and are processed or administered by the Office of Development and External Relations.

- is authorized to appoint architects, approve plans and execute contracts for all new construction projects exceeding \$300,000 and for major repair and renovation projects exceeding \$600,000 ("Major Projects") that have previously been approved or authorized by the Board.
- 2.12 Major Projects must be approved by the Board by being included in the approved Capital Improvement Program.
- 2.13 Funding for Major Projects must be allocated and appropriated by the Board through the Capital Budget.
- 2.14 Costs in excess of an amount equal to the Total Project Cost approved by the Board plus ten percent or any material change in the concept or scope of the project must be approved by the Board.
- 2.15 Construction contracts executed and delivered on behalf of the Board for Major Projects shall comply with guidelines issued by the Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel. Payment and performance bonds, when required by law for contracts, shall be on a standard form approved by the Office of General Counsel.
- 2.16 The Chancellor or delegate shall approve the construction contractor's estimates, sign change orders, and provide general supervision of all Major Projects. The Chancellor with the advice of the appropriate Executive Vice Chancellor and chief administrative officer is authorized to increase the approved Total Project Cost not more than ten percent. To provide funding for the increase, the Chancellor may reallocate funding between or among approved projects at a single component if funding for such projects has previously been authorized in accordance with Subdivision 2.13 or approve funding from some other source available to the component.

CHAPTER IX

MATTERS RELATING TO INVESTMENTS, TRUSTS, AND LANDS

- Sec. 1. Authority Regarding Assets.--Except as otherwise specified in these Rules and Regulations, the authority to manage and invest assets owned or controlled by the Board shall be as set forth in this Chapter.
- 1.1 The management and disposition of interests in real property owned or controlled by the Board, other than real property acquired and managed by UTIMCO for investment purposes, is governed by Section 6 of this Chapter and the remainder of this Chapter does not apply.
- 1.2 All assets received by the Board to establish, or that modify, an endowment (other than the Permanent University Fund), a fund functioning as an endowment, or a life income or annuity fund shall be accepted and processed by the Office of Development and External Relations and, after acceptance and processing, shall be delivered to the appropriate office for management.
- 1.3 All assets received by the Board through a bequest, a distribution from an account held in trust by others, or for the establishment or modification of any planned gift shall be accepted and processed by the Office of Development and External Relations and, after acceptance and processing, shall be delivered to the appropriate office for management. This Subsection and Subsection 1.2 shall not apply to additions to an existing endowment, a fund functioning as an endowment, or a life income or annuity fund if the addition does not change or modify the endowment or fund. Such additional gifts shall be accepted and processed by the chief administrative officer, or designee specified in writing.
- 1.4 Rights in intellectual property received by the Board through a gift or bequest shall be accepted and processed by the Office of Development and External Relations and, after acceptance and processing, shall be delivered to the appropriate office for management in accordance with Part Two, Chapter XII of these

Rules and Regulations. This Chapter shall not apply to rights in intellectual property owned or controlled by the Board except as provided in this Subsection.

- 1.5 All assets of the Permanent University Fund, other than Permanent University Fund lands, shall be managed by UTIMCO or as otherwise directed by the Board.
- 1.6 All assets received for or held in an endowment fund (other than the Permanent University Fund), a fund functioning as an endowment, or a life income or annuity fund shall be managed by UTIMCO or as otherwise directed by the Board until such funds terminate.
- 1.7 All assets of Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund, the Vision Services Fund, and the Medical Liability Self-Insurance Fund ("consolidated system funds") shall be managed with respect to investment of such funds as set forth below:
 - 1.71 The Office of Business Affairs shall invest the Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund, and the Vision Services Fund in the same manner that chief business officers may invest the operating funds of each component.
 - 1.72 UTIMCO shall invest the Medical Liability Self-Insurance Fund in the Long Term Fund, Short/Intermediate Term Fund, and Short Term Fund as directed by the Vice Chancellor and General Counsel.
- 1.8 Assets that are not a part of the Permanent University Fund, an endowment fund, a fund functioning as an endowment, a life income or annuity fund, or consolidated system funds shall be managed as set forth in this Subsection:
 - 1.81 Tangible personal property shall be managed by the chief administrative officer.
 - 1.82 Intangible personal property consisting of securities, interests in businesses, and equity interests in technology transfer firms as set out in the Regents' Intellectual Property Policy shall be managed by UTIMCO. Other intangible personal property shall be managed by the chief administrative officer.

- 6.6 Responsibilities of the Board Under Oil and Gas Leases and Other Documents Issued by the Board for Lease.--The Board delegates to the Executive Vice Chancellor for Business Affairs authority to take any action on behalf of the Board as may be necessary or desirable with regard to the management and administration of oil and gas leases and other instruments issued by the Board for Lease of University Lands, including without limitation, promulgating forms and requiring submission of documents, records, or reports to verify gross production, and disposition and market value of the production.
- 6.7 All Real Property Interests Held in the Name of the Board.--Title to all interests in real property, including leasehold interests, held for the use or benefit of the System, a component, or otherwise shall be held in the name of the Board.
- 6.8 Gifts and Bequests.--The Office of Development and External Relations or the chief administrative officer, as appropriate, shall coordinate the acceptance, receipt, and processing of all gifts or bequests of real estate with the System Real Estate Office and upon completion of such processing transfer same to the System Real Estate Office for management.
- 6.9 Rents, Mortgages, and Other Charges.--The Board delegates to the System Real Estate Office authority to collect, and account for, all rents, mortgages, and other charges relating to real property managed by that Office.

- 2.2 System Administration and System-Wide Contracts.-- Subject to Section 1, the Board delegates to the Executive Vice Chancellor for Business Affairs authority to execute and deliver on behalf of the Board contracts or agreements with third parties affecting only System Administration or, with the concurrence of the components affected, contracts for the benefit of all or a majority of the components.
- 2.3 Contracts Between or Among Components.--The Board delegates to the chief administrative officer authority to execute and deliver on behalf of the Board contracts or agreements between or among components for resources or services. Any such contract or agreement shall provide for the recovery of the cost of services and resources furnished.

Sec. 3. Legal Matters.

- 3.1 Contracts for Legal Services.--The Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board contracts for legal services and such other services as may be necessary or desirable in connection with the settlement or litigation of a dispute or claim after obtaining approvals as may be required by law.
- 3.2 Settlement of Disputes.--Except as provided in Subsection 3.3 of this Section, the Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board agreements settling any claim, dispute, or litigation subject to approval of System officials as set out below and compliance with all other legal requirements. The Vice Chancellor and General Counsel shall consult with the chief administrative officer and the appropriate Executive Vice Chancellor with regard to all significant settlements that will be paid out of institutional funds. The Vice Chancellor and General Counsel shall consult with the Office of Development

and External Relations with respect to settlement of will contests and other matters relating to gifts and bequests administered by that Office.

<u>Amount</u>	<u>Additional Requirements</u>
\$150,000 or less	None
\$150,001 to \$300,000	Concurrence of the Chancellor or the appropriate Executive Vice Chancellor
\$300,001 to \$500,000	Concurrence of the Chairman of the Board
More than \$500,000	Concurrence of the Board of Regents, the Executive Committee, or the appropriate standing committee of the Board

The amount of the settlement shall mean the amount claimed by U. T. System but not received pursuant to the settlement or, in the case of a claim against U. T. System, the total settlement amount to be paid by U. T. System.

- 3.3 Settlement of Claims and Disputes Relating to Construction Projects.--The Board delegates authority to execute all documents necessary or desirable to settle claims and disputes relating to construction projects to the System or component official designated in the construction contract to the extent funding for the project has been authorized in accordance with the provisions of Part Two, Chapter VIII of these Rules and Regulations.

REPORT AND RECOMMENDATIONS OF THE BUSINESS AFFAIRS AND AUDIT COMMITTEE (Pages 79 - 90).--Committee Chairman Smiley reported that the Business Affairs and Audit Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Business Affairs and Audit Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Approval of Chancellor's Docket No. 88 (Catalog Change).--Upon recommendation of the Business Affairs and Audit Committee, the Board approved Chancellor's Docket No. 88 in the form distributed by the Executive Secretary. It is attached following Page 143 in the official copies of the Minutes and is made a part of the record of this meeting.

It was expressly authorized that any contracts or other documents or instruments approved therein had been or shall be executed by the appropriate officials of the respective institution involved.

It was ordered that any item included in the Docket that normally is published in the institutional catalog be reflected in the next appropriate catalog published by the respective institution.

2. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter I (General), Chapter VIII (Physical Plant Improvements), Chapter IX (Matters Relating to Investments, Trusts, and Lands), and Chapter XI (Contract Administration) Relating to Authority of the Chief Administrative Officers to Accept Certain Gifts, Authority of the Chancellor to Approve Construction Funding, and Authority of the Vice Chancellor and General Counsel to Settle Legal Matters.--The Board, upon recommendation of The University of Texas System Process Review Committee and the Business Affairs and Audit Committee, amended the Regents' Rules and Regulations, Part Two, Chapters I, VIII, IX, and XI as set forth on Pages 80 - 83 in order to clarify (1) the authority of the chief administrative officers to accept certain gifts, including current purpose gifts of \$500,000 or less, (2) the authority of the Chancellor to approve funding for construction costs up to ten percent above the Total Project Cost approved by the U. T. Board of Regents, and (3) the authority of the Vice Chancellor and General Counsel to settle legal matters.

2/6/97
M.O.

- a. Part Two, Chapter I (General), Section 1, Subsection 1.3, relating to authority of the chief administrative officers to accept gifts, was amended to read as set forth below:
- 1.3 The Board delegates to the chief administrative officer, or a designee specified in writing, authority to accept gifts that are not processed or administered by the Office of Development and External Relations and that conform to all relevant laws and Board policies, including but not limited to the System Gifts Policy Guidelines and approved institutional policies, provided that such gifts have a value of \$500,000 or less (in cash or in kind). Such gifts that have a value of more than \$500,000 (in cash or in kind) must be submitted to the Board for approval via the docket.
- b. Part Two, Chapter VIII (Physical Plant Improvements), Section 2, Subsection 2.1, Subdivision 2.16, relating to construction funding requirements, was amended to read as follows:
- 2.16 The Chancellor or delegate shall approve the construction contractor's estimates, sign change orders, and provide general supervision of all Major Projects. The Chancellor with the advice of the appropriate Executive Vice Chancellor and chief administrative officer is authorized to increase the approved Total Project Cost not more than ten percent. To provide funding for the increase, the Chancellor may reallocate funding between or among approved projects at a single component if funding for such projects has previously been authorized in accordance with Subdivision 2.13 or approve funding from some other source available to the component.

- c. Part Two, Chapter IX (Matters Relating to Investments, Trusts, and Lands), Section 1, Subsections 1.2 and 1.3, relating to acceptance of certain gifts and bequests, were amended to read as follows:
- 1.2 All assets received by the Board to establish, or that modify, an endowment (other than the Permanent University Fund), a fund functioning as an endowment, or a life income or annuity fund shall be accepted and processed by the Office of Development and External Relations and, after acceptance and processing, shall be delivered to the appropriate office for management.
 - 1.3 All assets received by the Board through a bequest, a distribution from an account held in trust by others, or for the establishment or modification of any planned gift shall be accepted and processed by the Office of Development and External Relations and, after acceptance and processing, shall be delivered to the appropriate office for management. This Subsection and Subsection 1.2 shall not apply to additions to an existing endowment, a fund functioning as an endowment, or a life income or annuity fund if the addition does not change or modify the endowment or fund. Such additional gifts shall be accepted and processed by the chief administrative officer, or designee specified in writing.
- d. Part Two, Chapter IX (Matters Relating to Investments, Trusts, and Lands), Section 6, Subsection 6.8, relating to gifts and bequests, was amended to read as set forth below:
- 6.8 Gifts and Bequests.--The Office of Development and External Relations or the chief administrative officer, as appropriate, shall coordinate the acceptance, receipt, and processing of all gifts or bequests of real estate with the System Real Estate Office and upon completion of such processing transfer same to the System Real Estate Office for management.

e. Part Two, Chapter XI (Contract Administration), Section 3, Subsections 3.1 and 3.2, relating to legal matters, were amended to read as follows:

3.1 Contracts for Legal Services.--The Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board contracts for legal services and such other services as may be necessary or desirable in connection with the settlement or litigation of a dispute or claim after obtaining approvals as may be required by law.

3.2 Settlement of Disputes.--Except as provided in Subsection 3.3 of this Section, the Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board agreements settling any claim, dispute, or litigation subject to approval of System officials as set out below and compliance with all other legal requirements. The Vice Chancellor and General Counsel shall consult with the chief administrative officer and the appropriate Executive Vice Chancellor with regard to all significant settlements that will be paid out of institutional funds. The Vice Chancellor and General Counsel shall consult with the Office of Development and External Relations with respect to settlement of will contests and other matters relating to gifts and bequests administered by that Office.

<u>Amount</u>	<u>Additional Requirements</u>
\$150,000 or less	None
\$150,001 to \$300,000	Concurrence of the Chancellor or the appropriate Executive Vice Chancellor
\$300,001 to \$500,000	Concurrence of the Chairman of the Board

More than \$500,000

Concurrence of the Board of Regents, the Executive Committee, or the appropriate standing committee of the Board

The amount of the settlement shall mean the amount claimed by U. T. System but not received pursuant to the settlement or, in the case of a claim against U. T. System, the total settlement amount to be paid by U. T. System.

These amendments further implement actions taken by the U. T. Board of Regents at the May 1996 meeting where it was agreed in principle that the authority to execute a variety of contracts and agreements would be delegated to The University of Texas System Administration or component officials within specific guidelines, conditions, and restrictions. The authority to execute contracts and agreements was broadly implemented initially by actions taken by the U. T. Board of Regents at a special called meeting on August 29, 1996.

This overall initiative provides an efficient method for the U. T. Board of Regents to delegate certain contracting authority as authorized by Section 65.31(g) of the Texas Education Code.

The foregoing amendments contain substantive and editorial corrections as summarized below:

- a. Regents' Rules and Regulations, Part Two, Chapter I (General) -- Clarifies authority of the chief administrative officers to accept any gift in the amount of \$500,000 or less that is not a planned gift or bequest and does not establish or modify an endowment, a fund functioning as an endowment, or a life income or annuity fund.
- b. Regents' Rules and Regulations, Part Two, Chapter VIII (Physical Plant Improvements) -- Clarifies that the Chancellor may, in addition to reallocating funds among approved construction projects, approve other sources of funding for construction costs that exceed the Total Project Cost approved by the Board by up to ten percent.

- c. Regents' Rules and Regulations, Part Two, Chapter IX (Matters Relating to Investments, Trusts, and Lands) -- Clarifies that additions to planned gifts and gifts of real estate valued at \$500,000 or less that are not given to establish or modify an endowment or other planned gift shall be accepted and processed by the chief administrative officer.
 - d. Regents' Rules and Regulations, Part Two, Chapter XI (Contract Administration) -- Clarifies the authority of the Vice Chancellor and General Counsel to execute contracts for services that are necessary or desirable in connection with the settlement or litigation of claims and disputes.
3. U. T. System: Authorization to Renew the Catastrophic Commercial Property Insurance Coverage for the Comprehensive Property Protection Plan with Arkwright Mutual Insurance Company, Waltham, Massachusetts, Effective November 9, 1996 Through November 9, 1997.--Authorization was given to renew the catastrophic commercial property insurance coverage, which is an integral part of The University of Texas System Comprehensive Property Protection Plan, with Arkwright Mutual Insurance Company, Waltham, Massachusetts, for the period November 9, 1996 through November 9, 1997, with an annual premium of \$1,339,833, based on reported insured values of \$7.4 billion.

Since 1971, the policy of the U. T. System has been to acquire commercial property insurance only for buildings with revenue-producing activities or those buildings the revenues of which are pledged for the retirement of bond indebtedness. Effective November 9, 1995, the U. T. System initiated a Comprehensive Property Protection Plan that extended insurance coverage to all its buildings and contents.

The Comprehensive Property Protection Plan offers:

- a. A \$100,000 to \$250,000 per loss occurrence component deductible, except for a special wind/flood deductible for The University of Texas Medical Branch at Galveston resulting from a named tropical depression, storm, or hurricane

OFFICE OF THE BOARD OF REGENTS
THE UNIVERSITY OF TEXAS SYSTEM
201 WEST SEVENTH STREET, AUSTIN, TEXAS 78701-2981
(512) 499-4402

MEMORANDUM

January 24, 1997

TO: Those Who Receive Official Copies of
the Regents' Rules and Regulations (List Attached) ✓

FROM: Art Dilly *AD*

SUBJECT: Regents' Rules and Regulations, Part Two - Amendments

Please update your copy of the Regents' Rules and Regulations, Part Two by destroying the pages listed in Column "A" and substituting in lieu thereof the pages listed in Column "B":

<u>"A"</u>	<u>"B"</u>
Cover Page	Cover Page
Pages VIII-3 and VIII-5	Pages VIII-3 and VIII-5
Pages XI-1, XI-2, and XI-3	Pages XI-1, XI-2, and XI-3
Page XIII-1	Page XIII-1

The amendments approved at the November 14, 1996 meeting of the U. T. Board of Regents have been incorporated on the revised pages.

AD/cf

Enclosures

Distribution List for Official Copies of
Regents' Rules and Regulations

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System Administration	8
Chancellor	
Executive Vice Chancellor for Academic Affairs	
Executive Vice Chancellor for Health Affairs	
Executive Vice Chancellor for Business Affairs	
Executive Associate to the Chancellor	
Vice Chancellor and General Counsel	
Vice Chancellor for Governmental Relations	
Vice Chancellor for Development and External Relations	
Chief Administrative Officers of Component Institutions	15
Mr. Thomas G. Ricks	<u>1</u>
President and Chief Executive Officer UTIMCO	
 TOTAL	 41

NOTE: See July 6, 1988 letter from Coordinating Board which requests that only those amendments related to (1) academic work load and (2) faculty development leaves be sent to that office.

Addresses of State Officials Who Receive Copies
of the Regents' Rules and Regulations

Governor's Budget and Planning Office
711 Sam Houston Building
Austin, Texas 78711
INTERAGENCY MAIL

Mr. John Keel
Director, Legislative Budget Board
John H. Reagan Building
Third Floor
Austin, Texas 78701
INTERAGENCY MAIL

State Auditor's Office
Two Commodore Plaza
206 East 9th Street
Suite 1900
Austin, Texas 78701
INTERAGENCY MAIL

Ms. Sally Reynolds
Director
Legislative Reference Library
Room 207-B, Capitol Building
Austin, Texas 78711
INTERAGENCY MAIL

Publications Clearing House
Room 307, Archives Building
Texas State Library
Austin, Texas 78711
INTERAGENCY MAIL

Dr. Kenneth H. Ashworth
Commissioner, Texas Higher
Education Coordinating Board
7745 Chevy Chase Drive, Building 5
Austin, Texas 78752
INTERAGENCY MAIL

(NOTE: Send only when there are
amendments related to (1) academic
work load or (2) faculty development
leaves.)

Mr. Thomas G. Ricks
President and Chief Executive Officer
The University of Texas Investment Management Co.
CTJ Hall

Nov. 14, 1996

RULES AND REGULATIONS

OF THE

BOARD OF REGENTS

OF

THE UNIVERSITY OF TEXAS SYSTEM

FOR THE GOVERNMENT OF

THE UNIVERSITY OF TEXAS SYSTEM

PART TWO

Part Two was completely reissued as of June 1, 1988.
(Substantive amendments through November 14, 1996,
have been issued with this cover sheet.)

- 2.2 Major Projects Procedures.
- 2.21 Following Board approval of a Major Project and the Preliminary Project Cost, the Institutional Building Advisory Committee shall make recommendations to the chief administrative officer regarding priorities for new construction consistent with the needs of the component.
- 2.22 The facility program must be approved by the Chancellor.
- 2.23 The Chancellor, on behalf of the Board, will utilize the services of a project architect or engineer for each Major Project or portion thereof as may be desirable or required by law. Contracts with architects and engineers shall comply with guidelines issued by the Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel.
- 2.24 After approval of the facility program, the Chancellor or delegate is authorized to give the project architect or engineer the facility program and direct the preparation of schematic plans, exterior design and site plans, cost estimates, and other necessary and appropriate documents ("Schematic Plans"), and design development plans, elevations, and sections, outline specifications, cost estimates, and other related work to fix the design, dimensions, materials, and scope of the project in greater detail ("Design Development Plans"). Design Development Plans are referred to as Preliminary Plans in applicable rules of the Texas Higher Education Coordinating Board. The project architect or engineer shall work with the Ad Hoc Project Building Committee, if any, and the Office of Facilities Planning and Construction with regard to preparation of all plans and documents.

- 3.2 Required Review and Approval.--Minor Projects shall be subject to review as directed by the appropriate Executive Vice Chancellor. If the Minor Project is to accommodate facility program changes requiring System approval or approval of the Texas Higher Education Coordinating Board, then (i) necessary facility program approvals must be secured in advance of requests for construction approval or must be included with the construction request; (ii) funds must have been approved through standard System budgetary procedures; and (iii) the project must have been approved by the component director of physical plant, chief business officer, and chief administrative officer.
- 3.3 Professional Services.--Subject to the provisions of Part One, Chapter I, Section 9 of these Rules and Regulations, each chief administrative officer is authorized to execute and deliver on behalf of the Board contracts and agreements with architects, engineers, and other professional service providers for Minor Projects previously approved in accordance with this Chapter. Contracts with architects and engineers shall comply with guidelines issued by the Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel.

Sec. 4. Bidding, Award of Contract, and Final Payment.

- 4.1 Advertisement for Bids.--The Chancellor with respect to Major Projects or the chief administrative officer with respect to Minor Projects (the "Responsible Administrator") is authorized to advertise for bids for construction projects. The Construction Documents must be approved by the Chancellor before the advertisement for bids for Major Projects.
- 4.2 Modification of Bids.--No bid may be changed, amended, or modified after the time for bid filing set out in the advertisement for bids. The substance of this requirement shall be stated in the advertisement for bids; provided, however, that this requirement shall not be construed to prohibit the submission or filing of more than one separate and independent bid by any bidder.

CHAPTER XI

CONTRACT ADMINISTRATION

- Sec. 1. Delegation of Authority.--Subject to Subsection 1.1 and to the general provisions of Part One, Chapter I, Section 9 and except as otherwise provided in these Rules and Regulations, the Board delegates to the chief administrative officers authority to execute and deliver on behalf of the Board contracts and agreements of any kind or nature, including without limitation licenses issued to the Board or a component.
- 1.1 Business Aspects.--The chief business officer of the component or the Executive Vice Chancellor for Business Affairs, as appropriate, shall approve the business aspects of contracts or agreements prior to execution.
- 1.2 Applicability.--This Chapter applies to all contracts and agreements except contracts or agreements relating to personnel, faculty, athletics or athletic events, real properties (except the lease of space for use by a component), physical plant improvements, acceptance or administration of gifts or bequests, intellectual properties owned or controlled by the Board, contracts and grants for sponsored research, contracts for legal services, and agreements to settle claims, disputes, or litigation.
- Sec. 2. Special Approval Processes.
- 2.1 Small Purchase Programs.--The Board delegates to each chief administrative officer authority to implement, manage, and oversee a small purchase program to allow purchases of routine supplies, services, and equipment to be made by specified employees. A small purchase program shall not permit any purchase for more than \$5,000. The small purchase program shall provide appropriate oversight and include all procedures necessary to assure compliance with these Rules and Regulations and applicable laws.

- 2.2 System Administration and System-Wide Contracts.-- Subject to Section 1, the Board delegates to the Executive Vice Chancellor for Business Affairs authority to execute and deliver on behalf of the Board contracts or agreements with third parties affecting only System Administration or, with the concurrence of the components affected, contracts for the benefit of all or a majority of the components.
- 2.3 Contracts Between or Among Components.--The Board delegates to the chief administrative officer authority to execute and deliver on behalf of the Board contracts or agreements between or among components for resources or services. Any such contract or agreement shall provide for the recovery of the cost of services and resources furnished.

Sec. 3. Legal Matters.

- 3.1 Contracts for Legal Services.--The Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board contracts for legal services after obtaining any necessary approvals from the Office of the Attorney General.
- 3.2 Settlement of Disputes.--Except as provided in Subsection 3.3 of this Section, the Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board agreements for legal services with outside counsel and agreements settling any claim, dispute, or litigation with a third party in the following amounts. The Vice Chancellor and General Counsel shall consult with the chief administrative officer and the appropriate Executive Vice Chancellor with regard to all significant settlements that will be paid out of institutional funds. The Vice Chancellor and General

Counsel shall consult with the Office of Development and External Relations with respect to settlement of will contests and other matters relating to gifts and bequests administered by that Office.

<u>Amount</u>	<u>Additional Requirements</u>
\$150,000 or less	None
\$150,001 to \$300,000	Concurrence of the Chancellor or the appropriate Executive Vice Chancellor
\$300,001 to \$500,000	Concurrence of the Chairman of the Board
More than \$500,000	Concurrence of the Board of Regents, the Executive Committee, or the appropriate standing committee of the Board

- 3.3 Settlement of Claims and Disputes Relating to Construction Projects.--The Board delegates authority to execute all documents necessary or desirable to settle claims and disputes relating to construction projects to the System or component official designated in the construction contract to the extent funding for the project has been authorized in accordance with the provisions of Part Two, Chapter VIII of these Rules and Regulations.

CHAPTER XIII

CONTRACTS AND GRANTS FOR SPONSORED RESEARCH

- Sec. 1. Delegation of Authority.--Subject to the general provisions of Part One, Chapter I, Section 9, the Board delegates to each chief administrative officer authority to execute and deliver on behalf of the Board contracts or grant proposals for sponsored research, other than agreements that grant to a third party an interest in intellectual property owned or controlled by the Board, which agreements must be processed as required by Part Two, Chapter XII, Subsection 9.1 of these Rules and Regulations. Funds shall not be encumbered or expended prior to execution of the contract or grant by the chief administrative officer. The chief administrative officer may require that the chief business officer or delegate approve the business aspects of contracts or grant proposals for sponsored research prior to execution.
- Sec. 2. Budgets, Overhead Rates, and Specialized Rates.
- 2.1 Budget.--Expenditures under any contract or grant must conform to the detailed budget, if any, included in the proposal for such contract or grant, as such budget may be amended by authorized procedures.
- 2.2 Overhead Rates.--Proposals regarding overhead rates and specialized rates for fringe benefits, computers, services, and other facilities and equipment chargeable to cost-reimbursement contracts and grants shall be negotiated with the appropriate cognizant agency by the institution's chief business officer. The chief business officer shall send a copy of the final negotiated agreement to the Controller.

REPORT AND RECOMMENDATIONS OF THE BUSINESS AFFAIRS AND AUDIT COMMITTEE (Pages 83 - 127).--Committee Chairman Smiley reported that the Business Affairs and Audit Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Business Affairs and Audit Committee and approved in open session and without objection by the U. T. Board of Regents:

- 11/14/96
m.c.
1. U. T. System: Approval of Chancellor's Docket No. 87 (Catalog Change).--Upon recommendation of the Business Affairs and Audit Committee, the Board approved Chancellor's Docket No. 87 in the form distributed by the Executive Secretary. It is attached following Page 268 in the official copies of the Minutes and is made a part of the record of this meeting.

It was expressly authorized that any contracts or other documents or instruments approved therein had been or shall be executed by the appropriate officials of the respective institution involved.

It was ordered that any item included in the Docket that normally is published in the institutional catalog be reflected in the next appropriate catalog published by the respective institution.

To avoid any appearance of a possible conflict of interest, Regent Deily was recorded as abstaining from any vote on Items 1 and 2 on Page G - 4 of The University of Texas Medical Branch at Galveston Docket related to contracts with Houston Lighting & Power Company.

2. U. T. Board of Regents - Regents' Rules and Regulations: Amendments to Part One, Chapter I (Board of Regents), and Part Two, Chapter VIII (Physical Plant Improvements), Chapter XI (Contract Administration), and Chapter XIII (Contracts and Grants for Sponsored Research) to Comply with Previous Board Actions Relating to the Delegation of Selected Contract Approval Authority to Designated U. T. System Administration and Component Officials.--The Board, upon recommendation of The University of Texas System Process Review Committee and the Business Affairs and Audit Committee, amended the Regents' Rules and

- b. Part One, Chapter I, Section 9, Subsection 9.2 was amended by adding Subdivision 9.29, relating to contracts or agreements with foreign entities, as follows:

9.29 All contracts and agreements of any kind or nature with a foreign government or agency thereof and all contracts and agreements for sponsored research with a corporation or other entity organized and operating under the laws of a foreign state must be approved by the Board via the docket or the agenda.

- c. Part Two, Chapter VIII (Physical Plant Improvements), Section 2, Subsection 2.2, Subdivision 2.23, relating to contracts for the services of a project architect or engineer for major projects, was amended to read as set forth below:

1/11/6
✓2.23 The Chancellor, on behalf of the Board, will utilize the services of a project architect or engineer for each Major Project or portion thereof as may be desirable or required by law. Contracts with architects and engineers shall comply with guidelines issued by the Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel.

- d. Part Two, Chapter VIII, Section 3, Subsection 3.3, relating to contracts for professional services in connection with minor projects, was amended to read as follows:

1/11/6
3.3 Professional Services.--Subject to the provisions of Part One, Chapter I, Section 9 of these Rules and Regulations, each chief administrative officer is authorized to execute and deliver on behalf of the Board contracts and agreements with architects, engineers, and other professional service providers for Minor Projects previously approved in accordance with this Chapter. Contracts with architects and engineers shall comply with guidelines issued by the Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel.

- e. Part Two, Chapter XI (Contract Administration), Section 2, Subsection 2.1, relating to delegation of contracting authority for small purchases, was amended to read as set forth below:

2.1 Small Purchase Programs.--The Board delegates to each chief administrative officer authority to implement, manage, and oversee a small purchase program to allow purchases of routine supplies, services, and equipment to be made by specified employees. A small purchase program shall not permit any purchase for more than \$5,000. The small purchase program shall provide appropriate oversight and include all procedures necessary to assure compliance with these Rules and Regulations and applicable laws.

- f. Part Two, Chapter XI, Section 3, Subsection 3.2, relating to authority to settle claims and disputes, was amended as set forth below:

3.2 Settlement of Disputes.--Except as provided in Subsection 3.3 of this Section, the Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board agreements for legal services with outside counsel and agreements settling any claim, dispute, or litigation with a third party in the following amounts. The Vice Chancellor and General Counsel shall consult with the chief administrative officer and the appropriate Executive Vice Chancellor with regard to all significant settlements that will be paid out of institutional funds. The Vice Chancellor and General Counsel shall consult with the Office of Development and External Relations with respect to settlement of will contests and other matters relating to gifts and bequests administered by that Office.

<u>Amount</u>	<u>Additional Requirements</u>
\$150,000 or less	None
\$150,001 to \$300,000	Concurrence of the Chancellor or the appropriate Executive Vice Chancellor
\$300,001 to \$500,000	Concurrence of the Chairman of the Board
More than \$500,000	Concurrence of the Board of Regents, the Executive Committee, or the appropriate standing committee of the Board

- g. Part Two, Chapter XI, Section 3 was amended by adding Subsection 3.3, regarding authority to settle claims and disputes relating to construction contracts, as follows:

3.3 Settlement of Claims and Disputes Relating to Construction Projects.--The Board delegates authority to execute all documents necessary or desirable to settle claims and disputes relating to construction projects to the System or component official designated in the construction contract to the extent funding for the project has been authorized in accordance with the provisions of Part Two, Chapter VIII of these Rules and Regulations.

- h. Part Two, Chapter XIII (Contracts and Grants for Sponsored Research), Section 1, relating to delegation of contracting authority with respect to sponsored research and grant proposals, was amended to read as follows:

Sec. 1. Delegation of Authority.--Subject to the general provisions of Part One, Chapter I, Section 9, the Board delegates to each chief administrative officer authority to

execute and deliver on behalf of the Board contracts or grant proposals for sponsored research, other than agreements that grant to a third party an interest in intellectual property owned or controlled by the Board, which agreements must be processed as required by Part Two, Chapter XII, Subsection 9.1 of these Rules and Regulations. Funds shall not be encumbered or expended prior to execution of the contract or grant by the chief administrative officer. The chief administrative officer may require that the chief business officer or delegate approve the business aspects of contracts or grant proposals for sponsored research prior to execution.

- i. Part Two, Chapter XIII, Section 1, present Subsections 1.1 and 1.2, relating to intellectual property and foreign contracts, were deleted in their entirety.

The foregoing amendments contain substantive and minor editorial corrections for the record as summarized below:

- a. Regents' Rules and Regulations, Part One, Chapter I (Board of Regents) -- Clarifies the kinds of contracts and agreements that are not subject to the \$500,000 general limitation on delegated authority, specifies that contracts or grant proposals for sponsored research that do not include a license or grant of intellectual property are not subject to the \$500,000 general limitation on delegated authority, and clarifies that all contracts and agreements with foreign governments or entities must be approved by the Board via the docket or the agenda.
- b. Regents' Rules and Regulations, Part Two, Chapter VIII (Physical Plant Improvements) -- Clarifies that contracts for professional services in connection with construction projects must be on a standard form approved by the Office of General Counsel and conform to guidelines issued by the Office of General Counsel.

- c. Regents' Rules and Regulations, Part Two, Chapter XI (Contract Administration) -- Delegates authority to each chief administrative officer to implement, manage, and oversee a small purchase program to allow purchases of routine supplies, services, and equipment up to \$5,000 to be made by specified employees, deletes the requirement that foreign contracts be approved by the Board, which requirement is now found in the general provisions relating to delegation of contracting authority in Part One, Chapter I, Section 9 of the Regents' Rules and Regulations, and specifies that authority to settle claims and disputes relating to construction projects will be as provided in the construction contract. The authority to implement a small purchase program is in addition to the general authority to execute and deliver contracts subject to the limitations of Part One, Chapter I, Section 9 of the Regents' Rules and Regulations.
- d. Regents' Rules and Regulations, Part Two, Chapter XIII (Contracts and Grants for Sponsored Research) -- Clarifies delegation of authority to execute certain sponsored research agreements and grant proposals and deletes the requirement that foreign contracts be approved by the Board, which requirement is now found in the general provisions relating to delegation of contracting authority in Part One, Chapter I, Section 9 of the Regents' Rules and Regulations.
3. U. T. System: Approval of Bank Card Services Agreement Between the U. T. Board of Regents and National Data Payment Systems, Atlanta, Georgia, Effective January 1, 1997, and Authorization for the Chancellor to Execute the Agreement.--Pursuant to Part One, Chapter I, Section 9, Subsection 9.2, Subdivision 9.22 of the Regents' Rules and Regulations, contracts in excess of \$500,000 must be approved by the U. T. Board of Regents. The current contract for bank card processing with NationsBank (now Unified Merchant Services) expired March 1, 1996, and was renewed through January 1, 1997, to allow time to request proposals for the services.

I 1-1-1 1-1-1 1-1-1

OFFICE OF THE BOARD OF REGENTS
THE UNIVERSITY OF TEXAS SYSTEM
201 WEST SEVENTH STREET, AUSTIN, TEXAS 78701-2981
(512) 499-4402

MEMORANDUM

September 20, 1996

TO: Those Who Receive RRR Amendments (List Attached)
FROM: Art Dilly *AD*
SUBJECT: Regents' Rules and Regulations, Part Two - Amendments

Please update your copy of the Regents' Rules and Regulations, Part Two by destroying the pages listed in Column "A" and substituting in lieu thereof the pages listed in Column "B":

"A"	"B"
Cover Page	Cover Page
Pages i through iv	Pages i through iv
Pages I-1 through I-4	Pages I-1 through I-4
Pages III-3 and III-4	Pages III-3 and III-4
Pages IV-1 through IV-4	Pages IV-1 through IV-3
Pages V-9 through V-11	Pages V-9 through V-11
Pages VIII-1 through VIII-7	Pages VIII-1 through VIII-7
Pages IX-1, IX-2, IX-4, IX-5, and IX-7	Pages IX-1, IX-2, IX-4, IX-5, and IX-7 through IX-9
Pages XI-1 through XI-3	Pages XI-1 through XI-3
Pages XII-12 and XII-13	Pages XII-12 and XII-13
	Pages XIII-1 and XIII-2

The amendments approved at the August 8, 1996 and August 29, 1996 meetings of the U. T. Board of Regents, as well as editorial amendments, have been incorporated on the revised pages.

AD/cf

Enclosures

March 28, 1996

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Executive Vice Chancellor for Academic Affairs	
Executive Vice Chancellor for Health Affairs	
Executive Vice Chancellor for Business Affairs	
Executive Assistant to the Chancellor	
Vice Chancellor and General Counsel	
Vice Chancellor for Governmental Relations	
Vice Chancellor for Development and External Relations	
Chief Administrative Officers of Component Institutions	15
Mr. Thomas G. Ricks	1
President and Chief Executive Officer	
UTIMCO	
Chief of Staff, Office of the Chancellor, Texas A&M University System (Lancaster)	<u>1</u>
TOTAL	42

NOTE: See July 6, 1988 letter from Coordinating Board which requests that only those amendments related to (1) academic work load and (2) faculty development leaves be sent to that office.

Addresses of State Officials Who Receive Copies
of the Regents' Rules and Regulations

Governor's Budget and Planning Office
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Austin, Texas 78711
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Mr. John Keel
Director, Legislative Budget Board
Second Floor, Room 207A, Capitol
Austin, Texas 78711
INTERAGENCY MAIL

State Auditor's Office
Two Commodore Plaza
206 East 9th Street
Suite 1900
Austin, Texas 78701
INTERAGENCY MAIL

Ms. Sally Reynolds
Director
Legislative Reference Library
Room 207-B, Capitol Building
Austin, Texas 78711
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Publications Clearing House
Room 307, Archives Building
Texas State Library
Austin, Texas 78711
INTERAGENCY MAIL

Dr. Kenneth H. Ashworth
Commissioner, Texas Higher
Education Coordinating Board
7745 Chevy Chase Drive, Building 5
Austin, Texas 78752
INTERAGENCY MAIL

(NOTE: Send only when there are
amendments related to (1) academic
work load or (2) faculty development
leaves.)

Mr. Thomas G. Ricks
President and Chief Executive Officer
The University of Texas Investment Management Co.
CTJ Hall

Mr. W. C. Lancaster
Chief of Staff
Office of the Chancellor
The Texas A&M University System
College Station, Texas 77843-1117

August 29, 1996

RULES AND REGULATIONS

OF THE

BOARD OF REGENTS

OF

THE UNIVERSITY OF TEXAS SYSTEM

FOR THE GOVERNMENT OF

THE UNIVERSITY OF TEXAS SYSTEM

PART TWO

Part Two was completely reissued as of June 1, 1988.
(Substantive amendments through August 29, 1996,
and editorial amendments through September 1996
have been issued with this cover sheet.)

TABLE OF CONTENTS

<u>Chapter</u>		<u>Page</u>
I.	General	
Sec.	1. Gifts to The University of Texas System.....	I-1
	2. Fellowships, Scholarships, and Loan Funds....	I-4
	3. Academic Positions.....	I-4
	4. Tuition and Other Fees.....	I-7a
	5. Fiscal Year.....	I-7a
	6. Policy Against Discrimination.....	I-7a
	7. General Admission Policy.....	I-8
	8. Admission of Nonresident Students.....	I-8
	9. Official Seal, Colors, Flag, Logo, and Mascot.....	I-9
	10. Appropriations Act Riders.....	I-10
II.	Accounting, Auditing, Reporting, and Budgetary Control	
Sec.	1. Types of Funds.....	II-1
	2. Accounting.....	II-4
	3. Auditing.....	II-5
	4. Reporting.....	II-6
	5. Operating Budgets.....	II-7
	6. Legislative Budget Requests.....	II-8
III.	Receipt, Custody, and Disbursement of Moneys; Travel Authorization, Reimbursement, and Institutional Regulations	
Sec.	1. Receipts, Admission Tickets, and Charges.....	III-1
	2. Deposits with Institutional Business Office..	III-2
	3. Deposits with the State Treasurer.....	III-3
	4. Local Institutional Funds.....	III-3
	5. Vouchers for Expenditures.....	III-4a
	6. Cash Discounts.....	III-5
	7. Outstanding Checks.....	III-5
	8. Institutional Membership Dues.....	III-5
	9. Payrolls.....	III-6
	10. Travel Authorization, Reimbursement, and Institutional Regulations.....	III-6
	11. Insurance on Money and Securities; Fidelity Bonds.....	III-8

<u>Chapter</u>		<u>Page</u>
IV.	Purchasing	
Sec.	1. Purchasing Ethics.....	IV-1
	2. Contacts with the General Services Commission.....	IV-1
	3. Purchases of Supplies, Materials, Services, and Equipment.....	IV-2
	4. Purchasing Procedures.....	IV-3
	5. Purchase from or Sale to an Officer or Employee.....	IV-3
V.	Personnel	
Sec.	1. Classified Personnel.....	V-1
	2. General Personnel.....	V-5
	2.1 Leave for Military Duty.....	V-5
	2.2 Family and Medical Leave.....	V-6
	2.3 Overtime.....	V-6
	3. Employee Training, Education, and Develop- ment.....	V-7
	4. Other Regulations Concerning Personnel.....	V-15
VI.	Staff Benefits	
Sec.	1. Teacher Retirement System.....	VI-1
	2. Optional Retirement Program.....	VI-1
	3. Tax Sheltered Annuities.....	VI-2
	4. Employee Group Insurance and Health Benefits.	VI-3
	5. Workers' Compensation Insurance.....	VI-3
	6. Unemployment Compensation Insurance Program..	VI-4
	7. Social Security (Old Age and Survivors Insurance).....	VI-6
	8. Deferred Compensation Plan.....	VI-6
	9. U. S. Savings Bonds.....	VI-6
	10. Availability of Complete Benefit Descrip- tions.....	VI-6

<u>Chapter</u>		<u>Page</u>
VII.	Physical Properties	
Sec.	1. General Statement.....	VII-1
	2. Inventories.....	VII-1
	3. Motor Vehicles.....	VII-1
	4. Insurance on Property of the System.....	VII-2
	5. Safe and Vault Combinations.....	VII-3
	6. Police and Security Officers.....	VII-3
	7. Telephones.....	VII-3
	8. Disposal of Property of the System.....	VII-3
	9. Transfer of Property.....	VII-4
	10. Disposition of Abandoned and Unclaimed Personal Property.....	VII-5
VIII.	Physical Plant Improvements	
Sec.	1. Institutional Committees.....	VIII-1
	2. Major Construction and Repair and Rehabilitation Projects.....	VIII-1
	3. Minor Construction and Repair and Rehabilitation Projects.....	VIII-4
	4. Bidding, Award of Contract, and Final Payment.....	VIII-5
	5. Constitutional and Legislative Restrictions..	VIII-7
IX.	Matters Relating to Investments, Trusts, and Lands	
Sec.	1. Authority Regarding Assets.....	IX-1
	2. Authorizations Regarding Sales, Assignments, Conveyances, Receipt of Property, and Proxies.....	IX-3
	3. Policy for Investment and Management of the PUF.....	IX-5
	4. Policy for Investment and Management of U. T. Investment Pools.....	IX-6
	5. Policy for Investment and Management of Endowment and Trust Funds Invested Through or Separate from U. T. Investment Pools.....	IX-7
	6. Matters Relating to Real Property.....	IX-7

<u>Chapter</u>		<u>Page</u>
X.	Auxiliary Enterprises	
Sec.	1. Definition.....	X-1
	2. Annual Budgets.....	X-1
	3. Intercollegiate Athletic Departments.....	X-1
	4. Dormitories and Housing Facilities--Rentals, Related Policies and Rates.....	X-1
	5. Rules and Regulations for Administration of Dormitories.....	X-1
	6. Meals and Lodging for Employees.....	X-2
	7. Statutory Provisions Currently in Effect.....	X-2
	8. Student Publications.....	X-2
	9. Student Center and Student Union Facilities..	X-2
	10. Intercollegiate Athletics Programs.....	X-2
	11. Employment of a Students' Attorney.....	X-2
XI.	Contract Administration	
Sec.	1. Delegation of Authority.....	XI-1
	2. Special Approval Processes.....	XI-1
	3. Legal Matters.....	XI-2
XII.	Intellectual Property	
Sec.	1. Philosophy and Objectives.....	XII-1
	2. General Policy.....	XII-1
	3. Institutional Intellectual Property Advisory Committees, Office of General Counsel, and UTIMCO.....	XII-3
	4. Classification of Discoveries by Source of Support.....	XII-4
	5. Property Rights and Obligations.....	XII-4
	6. Equity Interests.....	XII-9
	7. Business Participation.....	XII-11
	8. Reporting.....	XII-11
	9. Approval of and Execution of Legal Documents Relating to Rights in Intellectual Property..	XII-12
	10. Income from Intellectual Property.....	XII-13
	11. Implementation of Intellectual Property Policy.....	XII-13
	12. Construction of Documents.....	XII-13
XIII.	Contracts and Grants for Sponsored Research	
Sec.	1. Delegation of Authority.....	XIII-1
	2. Budgets, Overhead Rates, and Specialized Rates.....	XIII-1

CHAPTER I

GENERAL

Sec. 1. Gifts to The University of Texas System.

- 1.1 The authority to accept gifts to the System or to any of the components is vested in the Board and delegated by the Board as specifically set out in this Section.
- 1.2 Unless otherwise approved by the Board, all gifts to the System or any component institution shall be made in accordance with all relevant laws and Board policies, including but not limited to, the provisions of the U. T. System Gifts Policy Guidelines and approved institutional policies.
- 1.3 The Board delegates to the chief administrative officer, or a designee specified in writing, authority to accept gifts that conform to all relevant laws and Board policies, including but not limited to the System Gifts Policy Guidelines and approved institutional policies, provided that such gifts are not processed, managed, or administered by the Office of Development and External Relations, are unrestricted or are restricted only as to a particular college, school, or unit, and have a value of less than \$500,000 (in cash or in kind).
- 1.4 The Board delegates to the Vice Chancellor for Development and External Relations, or a designee specified in writing, authority to accept all gifts of any value (either in cash or in kind) that conform to all relevant laws and Board policies, including but not limited to the System Gifts Policy Guidelines, and are processed or administered by the Office of Development and External Relations.

- 1.5 The Board delegates to the Vice Chancellor for Development and External Relations, or a designee specified in writing, authority to take any and all necessary or desirable actions relating to the administration and management of gifts accepted by the Office of Development and External Relations, including without limitation the modification or termination of trusts, endowments, and quasi-endowments as may be permitted by applicable law, policies and these Rules and Regulations.
- 1.6 The Board delegates to the chief administrative officer, or a designee specified in writing, authority to execute all necessary Internal Revenue Service forms, including without limitation IRS Forms 8283 and 8282, that relate to gifts accepted by the chief administrative officer or accepted by the Board as an agenda item.
- 1.7 The Board delegates to the Vice Chancellor for Development and External Relations, or a designee specified in writing, authority to execute all necessary Internal Revenue Service forms, including without limitation IRS Forms 8283 and 8282, that relate to gifts processed or administered by the Office of Development and External Relations.
- 1.8 The Office of Development and External Relations shall submit a report to the Board summarizing acceptance and approval by the Office of Development and External Relations of gifts and other actions which conform to all relevant laws and Board policies, including but not limited to, the Gifts Policy Guidelines no less frequently than annually.
- 1.9 Recommendations regarding the acceptance of gifts or other actions which do not conform to all relevant laws and Board policies, including but not limited to the Guidelines, shall be made through the Chancellor to the Board via the Agenda after review by the appropriate offices of the terms of the gifts, the nature of the donated assets and/or the requested action.

- 1.(10) Gifts to Establish Endowments.
 - 1.(10)1 Endowments will be established with gifts which have been completed for tax purposes or with a combination of such gifts and pledges at a minimum funding level of \$10,000. Endowments may be established to fund scholarship programs and other educational activities as well as the endowed academic positions specified in Section 3 below.
 - 1.(10)2 Should the Board determine at any time that an endowment fund is not of sufficient size and has no foreseeable prospects of growing to sufficient size to justify the continuing costs of maintenance of such fund as a separate fund, then in the Board's discretion the principal of such fund may be expended for or otherwise devoted to the accomplishment, as near as may be possible, of the purposes for which the fund was established.
- 1.(11) Except as provided in this Subsection, the preceding Subsections, or approved institutional policies, no member of the staff of any institution has the authority to accept gifts.
- 1.(12) Neither the System nor any of its component institutions will administer a gift for the benefit of any designated individual unless the donor is exempt from federal income taxes as defined by the Commissioner of Internal Revenue.
- 1.(13) Acceptance of all gifts of real estate shall be subject to the U. T. System Gifts Policy Guidelines and the Environmental Review Policy for Acquisitions of Real Estate. The Coordinating Board, for purposes of state funding, may review and approve as an addition to an institution's educational and general building and facilities inventory any improved real property acquired by gift or lease-purchase as provided in Section 61.058(d) of the Texas Education Code.
- 1.(14) Conduct Related to Gifts.
 - 1.(14)1 The Board will not serve as executor or administrator of an estate because of the potential for conflicts of interest and the scope of the required duties.
 - 1.(14)2 U. T. System and component institution employees who agree to serve as executor or administrator of a donor's estate which

- benefits a U. T. System component institution are immediately to notify the Office of Estates and Trusts of their appointment. Upon notification, the employee will be furnished a statement advising of the potential for conflicts of interest and directing that all communications pertaining to the estate between the employee and any office of the U. T. System or the component institutions shall be in writing.
- 1.(14)3 U. T. System and component institution employees should not knowingly act as witnesses to wills in which the U. T. System or a component institution is named as a beneficiary because their doing so may jeopardize the receipt of the bequest.
- 1.(14)4 Because of the potential for conflicts of interest, U. T. System and component institution employees who agree to serve as trustee of a trust benefiting a U. T. System component institution are immediately to notify the Office of Estates and Trusts of their appointment. Upon notification, the employee will be furnished with a statement advising of the potential for conflicts of interest and directing that all communications pertaining to the trust between the employee and any office of the U. T. System or the component institutions shall be in writing.
- 1.(14)5 Members of the Board are frequently persons of wide-ranging business interests. Therefore, a prudent, independent decision process may result in real estate transactions with or involving firms or organizations with whom a member of the Board is affiliated. Affiliation shall be interpreted within this Section to mean an employee, officer, director, or owner of five percent or more of the voting stock of a firm or organization. Unless the Board specifically finds that the transaction is in the best interest of the U. T. System or a component institution, no member of the Board or employee of the U. T. System may participate in any transaction with the U. T. System involving interests in real estate with which such Board member or employee is affiliated other than to convey a gift or bequest to the U. T. System.

Sec. 2. Fellowships, Scholarships, and Loan Funds.

- 2.1 After gifts for fellowships, scholarships, and loan funds have been accepted by the Board, as indicated previously, they are administered jointly by designated committees and the business office of each component institution.
- 2.2 In the case of scholarships and fellowships, the appropriate committee, or designated individual, receives applications, makes the necessary inquiries, and determines the award. The committee advises the institutional head of the award who, in turn, approves and forwards the notice of award to the business office. Payments on scholarships and fellowships are made through the business office of the component institution.
- 2.3 In the case of loan funds, the appropriate committee or designated person receives applications for loans, makes the necessary inquiries, and approves or declines the original loan as well as all renewals and extensions. The chairman notifies the business office of the granting of loans, and all records including notes, cash, accounts and collections are thereafter handled by that office. The principal of loan funds is kept intact insofar as possible. The chairman of the awarding committee may be requested by the business office to assist in collection of past due interest or principal.

Sec. 3. Academic Positions.

- 3.1 No endowment will be established or announced without prior approval by the Board or its designee(s). No initial appointment will be made to an endowed or named academic position without prior approval by the chief administrative officer after review and approval by the appropriate Executive Vice Chancellor as a Request for Budget Change. Subsequent new or continuing appointments to the endowed or named academic positions may be approved as a part of the annual operating budget.

- 2.4 Petty cash funds shall be provided only on approval of, and by arrangement of, the department with the chief business officer. Special petty cash fund bank accounts may be established only with the approval of the Director of the Office of Budget and Fiscal Policy.

Sec. 3. Deposits with the State Treasurer.

- 3.1 The statutes and the current Appropriations Act require that all cash receipts accruing to component institutions be deposited in the State Treasury, with the exception of those funds named in Section 51.008 of the Texas Education Code, including those funds from auxiliary enterprises, noninstructional services, agency, designated and restricted funds, endowment funds, trust funds, other gift funds, student loan funds, funds retained under Chapter 145 of the Texas Education Code, and Constitutional College Building Amendment Funds.
- 3.2 Cash receipts that are required to be deposited in the State Treasury shall be so deposited in the manner prescribed in the statutes and the current Appropriations Act.
- 3.3 Component institutions of the System are authorized by the current Appropriations Act to establish Revolving Funds under certain prescribed procedures to facilitate the payment of nominal expenses and to pay bills within cash discount periods, as well as for regular monthly payrolls, weekly, and special payrolls. Such Revolving Funds are authorized, subject to approval of the Director of the Office of Budget and Fiscal Policy.

Sec. 4. Local Institutional Funds.

- 4.1 All institutional funds not required to be deposited in the State Treasury must be deposited in official depository banks for safekeeping or invested as specified by law and by the applicable Rules and Regulations, Business Procedure Memoranda and Investment Policy Statements.
 - 4.11 Funds held in demand deposits, time deposits, or non-negotiable certificates of deposit shall be deposited or invested only in banks with which the Board has a depository agreement. The Board delegates to UTIMCO or the Executive Vice Chancellor for

- Business Affairs authority to execute and deliver depository and custody agreements when such deposit agreements are with banks meeting the then current policies of the Board and are in substantially the form of a standard deposit agreement approved by the Board or, for other agreements, in a form approved by the Office of General Counsel. Subject to the provisions of Part One, Chapter I, Section 9 of these Rules and Regulations, the Board delegates to each chief administrative officer and the Executive Vice Chancellor for Business Affairs the authority to execute and deliver contracts for banking services with banks that have a depository agreement with the Board.
- 4.12 Requests for documentation specifying staff authorized to sign checks or initiate funds movements, or changes thereto, for all bank accounts, bank common trust funds, or money market funds shall be approved by each institutional chief administrative officer and chief business officer with copies of the changes and/or authorization sent to the Director of the Office of Budget and Fiscal Policy.
- 4.13 Operating funds, as defined by The University of Texas System Operating Funds Investment Policy, shall be invested in compliance with that investment policy statement. Operating funds shall be invested in funds approved by UTIMCO based on, at a minimum, the criteria specified in The University of Texas System Operating Funds Investment Policy. UTIMCO shall administer pooled investment funds for the investment of operating funds as authorized by the Board. The chief business officer of any component institution may add or withdraw operating funds of the component to or from (i) demand deposits, time deposits, or non-negotiable certificates of deposit as set forth in Subsection 4.11 of this Section, (ii) any common trust fund or money market fund approved by UTIMCO or (iii) any investment pool administered by UTIMCO for the investment of such operating funds on any established addition or withdrawal date of the pool.

CHAPTER IV

PURCHASING

Sec. 1. Purchasing Ethics.

- 1.1 First consideration shall be given to the objectives and policies of the System and its component institutions.
- 1.2 Every effort shall be made to obtain the maximum ultimate value for each dollar of expenditure.
- 1.3 Honesty in sales representation shall be demanded, whether offered through the medium of oral or written statement, an advertisement, or a sample of the product.
- 1.4 Purchasing agents and their staffs and others authorized by or under these regulations to make purchases shall not accept personal gifts or gratuities that might in any way result in an obligation to individuals or firms seeking business.
- 1.5 All purchases, regardless of the source of funds, shall be made on a competitive basis unless otherwise authorized by law, U. T. System policy, or approved component policy.
- 1.6 No bidder shall receive special consideration or be allowed to revise a bid after the time set for opening bids.
- 1.7 Any violations of these purchasing ethics shall be reported promptly by the chief business officer to the Executive Vice Chancellor for Business Affairs.

Sec. 2. Contacts with the General Services Commission.--All contact, whether oral or written, with the General Services Commission and with vendors are handled through the official purchasing agents and the divisions, departments, or offices to whom the purchasing function has been specifically delegated, unless advance written authorization is obtained from the purchasing agent or the chief business officer for other persons to do so.

Sec. 3. Purchases of Supplies, Materials, Services, and Equipment.

- 3.1 In making purchases of supplies, materials, services, and equipment on behalf of the System, the General Services Commission (the "Commission") is required to comply with the State Purchasing and General Services Act, Article 3 of Article 601b, Vernon's Texas Civil Statutes (the "Act"), including the rules and regulations promulgated by the Commission thereunder.
- 3.2 The Act permits the Commission to delegate purchasing functions to a state agency, including an institution of higher education. The Act authorizes institutions of higher education to purchase materials, supplies, or equipment through group purchasing programs that offer discount prices to institutions of higher education, subject to rules to be promulgated by the Commission. In making purchases under such delegated authority or under such group purchasing programs subject to rules of the Commission, the System shall follow the Commission's applicable procedures or rules.
- 3.3 The Act provides that the Commission's authority does not extend to acquisition of:
- (a) specified categories of supplies, materials, services, or equipment for libraries operated as part of university systems or institutions of higher education;
 - (b) materials, supplies, or equipment purchased by state-owned hospitals or clinics through certain group purchasing programs;
 - (c) professional services or consulting services; or
 - (d) supplies, materials, services, or equipment for resale, for auxiliary enterprises, for organized activities relating to instructional departments, or from gifts or grants, including industrial or federal grants or contracts in support of research.

- 3.4 The System has no obligation to comply with the Act or the rules and regulations issued thereunder in making purchases to which the Commission's authority does not extend, or for which the System's purchasing authority is not delegated from the Commission under the Act or expressly subject to rules by the Commission but rather is a different statute. With respect to such purchases not subject to the Act or the rules and regulations issued thereunder, the policies and procedures to be used by a System component shall be approved by its chief business officer pursuant to Section 5 below.

Sec. 4. Purchasing Procedures.

- 4.1 The official purchasing agent of each component institution shall promulgate procedures to facilitate and expedite the purchasing function. Such procedures shall be developed in accordance with sound business practices and applicable state law. Purchasing procedures shall be implemented only after appropriate review and approval for inclusion in the institutional Handbook of Operating Procedures, including review and approval of the chief business officer.
- 4.2 Closed or noncompetitive specifications shall not be used except in unusual instances clearly justified as being essential to efficient operating performance. Reports of all such exceptions shall be maintained by the chief business officer.

Sec. 5. Purchase from or Sale to an Officer or Employee.--Purchase from, or sale to, any officer or employee of the System or a component of any supplies, materials, services, equipment, or property must have the prior approval of the chief administrative officer and the appropriate Executive Vice Chancellor or the Chancellor. Any such purchases shall be made only if the cost is less than from any other known source. This Section does not apply to sales or purchases made at public auction.

- 3.44 Advising and assisting employees with respect to continuing education and means by which they can increase their effectiveness;
 - 3.45 Evaluating all training and education activities to determine whether they are effective.
- 3.5 With these objectives and general program elements as a background, the establishment of four specific training programs is encouraged. The administration and implementation of the following training programs at the U. T. System Administration and each component are to be primarily the task and responsibility of the institutional human resources/personnel director or an individual designated by the chief administrative officer.
- 3.6 Higher Education Tuition Support Program.
- 3.61 Definition: This program will provide financial assistance for graduate or undergraduate level training leading to a degree. It provides for student enrollment and is to be for selected, qualified employees of the U. T. System. This program will be provided on the basis of institutional need and to the extent funds are available.
 - 3.62 Objective: To provide a college or university education for qualified employees as specifically required in their areas of employment.
 - 3.63 Program Elements: This training is to provide student enrollment in a graduate or undergraduate program leading to a degree that directly relates to that employee's current or future employment.
 - 3.64 Administration: Eligibility Requirements.
 - 3.641 Selected employees must have necessary academic qualifications to meet all entrance requirements of the college or university where training is provided.
 - 3.642 Degree training must be directly related to an existing job or job series.
 - 3.643 Selected employees should be scheduled for appointment to a job requiring the degree training on completion of schooling.

- 3.644 Selected employees must meet requirements and be recommended through the chief administrative officer and approved by the institutional human resources/personnel director or the Director of the Office of Human Resources.
 - 3.645 Selected employees on educational stipend shall be considered as employees and accrue vacation, sick leave, group insurances, and other benefits while in a student status.
 - 3.646 Participating employees must receive grades of "C" or better in undergraduate classes and "B" or better in graduate courses to continue eligibility.
- 3.65 Administration: Obligations. Employees who receive financial assistance under this program, in completion of either undergraduate or advanced degrees, will be obligated to fulfill the following terms and conditions:
- 3.651 An agreement to be bound by the rules and regulations contained herein and such other policies, rules, and procedures as may be promulgated by the employing entity.
 - 3.652 An agreement to return to the employing entity upon graduation and attainment of the degree and to remain in the employment for a period of time subsequent to graduation that is proportionate either to the period of time the employee has received financial assistance to attend college or university or to the amount of financial assistance received, or at the institution's option.

3.653 An agreement to execute a formal obligatory document between the employing entity and the recipient of assistance under this program, to repay in a lump sum or such alternate arrangement as the employing entity may prescribe, the amount of money expended for the cost of such college education if the individual for any reason, except circumstances beyond the individual's control, fails to complete the training or otherwise defaults in any provision of the agreement or agreements.

3.7 In-Service Training and Education Program.

3.71 Definition: Human resource development may include on-the-job training, training in preparation for future job responsibilities, and continuing training programs that are designed to increase job effectiveness.

3.72 Objectives: To equip an individual to perform job specific tasks and/or to equip the employee to deal with new technological and legal developments, to develop additional work capabilities, or increase the employee's level of effectiveness.

3.8 Outside Staff Development Program.

3.81 Definition: This program is to provide training through workshops, seminars, institutes, training sessions, extension courses, college or university courses (with or without academic credit), and other special programs or activities offered either within or outside the state. Such programs must be of concentrated, precise content and designed to improve the individual's professional or technical knowledge in the performance of the individual's present or prospective duties and responsibilities.

CHAPTER VIII

PHYSICAL PLANT IMPROVEMENTS

Sec. 1. Institutional Committees.

- 1.1 Institutional Building Advisory Committees.--There may be an Institutional Building Advisory Committee for each component. The duties, composition, and appointment of the members of the Institutional Building Advisory Committee shall be set forth in the Handbook of Operating Procedures of each component. The Institutional Building Advisory Committee shall have no further direct responsibility after the construction contract is awarded but shall be available for consultation as the building progresses, as requested by the chief administrative officer, the appropriate Executive Vice Chancellor, the Chancellor, or the project architect or engineer.
- 1.2 Ad Hoc Project Building Committee.--The chief administrative officer may appoint, according to the institutional Handbook of Operating Procedures, an Ad Hoc Project Building Committee composed of, but not limited to, representatives of the departments or divisions that will occupy the building. The chairperson of the Institutional Building Advisory Committee, or his or her delegate, shall be an ex officio member of each Ad Hoc Project Building Committee. The committee shall work with the Office of Facilities Planning and Construction to prepare a facility program in accordance with the Facilities Programming Guidelines maintained by the Office of Facilities Planning and Construction.

Sec. 2. Major Construction and Repair and Rehabilitation Projects.

- 2.1 General Requirements.
- 2.11 Subject to Subdivisions 2.12, 2.13, 2.14 and 2.15 of this Section and the general provisions of Part One, Chapter I, Section 9 and except as otherwise specified in these Rules and Regulations, the Chancellor with the advice of the appropriate Executive Vice Chancellor and chief administrative officer

- is authorized to appoint architects, approve plans and execute contracts for all new construction projects exceeding \$300,000 and for major repair and renovation projects exceeding \$600,000 ("Major Projects") that have previously been approved or authorized by the Board.
- 2.12 Major Projects must be approved by the Board by being included in the approved Capital Improvement Program.
- 2.13 Funding for Major Projects must be allocated and appropriated by the Board through the Capital Budget.
- 2.14 Costs in excess of an amount equal to the Total Project Cost approved by the Board plus ten percent or any material change in the concept or scope of the project must be approved by the Board.
- 2.15 Construction contracts executed and delivered on behalf of the Board for Major Projects shall comply with guidelines issued by the Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel. Payment and performance bonds, when required by law for contracts, shall be on a standard form approved by the Office of General Counsel.
- 2.16 The Chancellor or delegate shall approve the construction contractor's estimates, sign change orders, and provide general supervision of all Major Projects. To meet funding requirements in excess of the Total Project Cost approved by the Board, the Chancellor with the advice of the appropriate Executive Vice Chancellor and chief administrative officer is authorized to reallocate funding between or among approved projects at a single component if funding for such projects has previously been authorized in accordance with Subdivision 2.13, provided that costs do not exceed the Total Project Cost approved by the Board plus ten percent.

- 2.2 Major Projects Procedures.
- 2.21 Following Board approval of a Major Project and the Preliminary Project Cost, the Institutional Building Advisory Committee shall make recommendations to the chief administrative officer regarding priorities for new construction consistent with the needs of the component.
- 2.22 The facility program must be approved by the Chancellor.
- 2.23 The Chancellor, on behalf of the Board, will utilize the services of a project architect or engineer for each Major Project or portion thereof as may be desirable or required by law. The Chancellor is authorized to adopt a standard contract form or forms, subject to approval by the Office of General Counsel, for the employment of architects and engineers to provide professional services.
- 2.24 After approval of the facility program, the Chancellor or delegate is authorized to give the project architect or engineer the facility program and direct the preparation of schematic plans, exterior design and site plans, cost estimates, and other necessary and appropriate documents ("Schematic Plans"), and design development plans, elevations, and sections, outline specifications, cost estimates, and other related work to fix the design, dimensions, materials, and scope of the project in greater detail ("Design Development Plans"). Design Development Plans are referred to as Preliminary Plans in applicable rules of the Texas Higher Education Coordinating Board. The project architect or engineer shall work with the Ad Hoc Project Building Committee, if any, and the Office of Facilities Planning and Construction with regard to preparation of all plans and documents.

- 2.25 Design Development Plans for Major Project new construction and for architecturally or historically significant repair and rehabilitation projects shall be submitted to the Board for approval upon the recommendation of the Chancellor. The Executive Officers and chief administrative officers shall be responsible for identifying to the Chancellor architecturally or historically significant major repair and rehabilitation projects. Upon approval of the Design Development Plans for Major Project new construction or an architecturally or historically significant repair and rehabilitation project, the Board will authorize expenditure of funds for the Project.
- 2.26 The Chancellor is authorized to approve Design Development Plans and authorize expenditure of funds for all other Major Project repair and renovation.
- 2.27 After approval of the Design Development Plans, the Chancellor is authorized to direct the preparation of the working drawings and specifications ("Construction Documents").
- 2.28 The Chancellor is authorized to approve the Construction Documents upon the recommendation of the chief administrative officer and the appropriate Executive Vice Chancellor.

Sec. 3. Minor Construction and Repair and Rehabilitation Projects.

- 3.1 Delegation of Authority.--Subject to Subsections 3.2, 3.3, and 3.4 of this Section and the general provisions of Part One, Chapter I, Section 9 and except as otherwise specified in these Rules and Regulations, each chief administrative officer is authorized to appoint architects, approve plans and Construction Documents, and execute and deliver contracts, agreements, and other documents on behalf of the Board for all new construction projects of \$300,000 or less and for repair and rehabilitation projects of \$600,000 or less ("Minor Projects").

- 3.2 Required Review and Approval.--Minor Projects shall be subject to review as directed by the appropriate Executive Vice Chancellor. If the Minor Project is to accommodate facility program changes requiring System approval or approval of the Texas Higher Education Coordinating Board, then (i) necessary facility program approvals must be secured in advance of requests for construction approval or must be included with the construction request; (ii) funds must have been approved through standard System budgetary procedures; and (iii) the project must have been approved by the component director of physical plant, chief business officer, and chief administrative officer.
- 3.3 Professional Services.--Subject to the provisions of Part One, Chapter I, Section 9 of these Rules and Regulations, each chief administrative officer is authorized to execute and deliver on behalf of the Board contracts and agreements with architects, engineers, and other professional service providers for Minor Projects previously approved in accordance with this Chapter. Contracts with architects and engineers shall be on a standard form adopted by the Chancellor pursuant to Subdivision 2.22.

Sec. 4. Bidding, Award of Contract, and Final Payment.

- 4.1 Advertisement for Bids.--The Chancellor with respect to Major Projects or the chief administrative officer with respect to Minor Projects (the "Responsible Administrator") is authorized to advertise for bids for construction projects. The Construction Documents must be approved by the Chancellor before the advertisement for bids for Major Projects.
- 4.2 Modification of Bids.--No bid may be changed, amended, or modified after the time for bid filing set out in the advertisement for bids. The substance of this requirement shall be stated in the advertisement for bids; provided, however, that this requirement shall not be construed to prohibit the submission or filing of more than one separate and independent bid by any bidder.

- 4.3 Proposed Decision for Award.--The Responsible Administrator or delegate shall receive and open bids, and, with the project architect or engineer, if any, and others, tabulate and study such bids. After tabulation and study of the bids, the Responsible Administrator shall make a proposed decision for award.
- 4.4 Notice of Proposed Decision for Award.--In the event the lowest bidder is found to be not responsible, or other facts and circumstances necessitate award of contract to other than the lowest bidder, the bidder(s) submitting proposal(s) lower than the bidder to whom award is proposed shall be notified of the proposed decision for award. If the lowest bidder fails to timely file notice of protest, the proposed decision for award will be final.
- 4.5 Notice of Protest.--If the lowest bidder timely files notice of protest, the Responsible Administrator will hear the protest or will appoint a Hearing Officer who shall promptly convene and conduct a hearing and subsequently prepare and submit a report of his or her findings to the Responsible Administrator. The Responsible Administrator shall make a final decision based upon the records of the hearing before the Hearing Officer.
- 4.6 Award of Contract.--All contracts associated with construction projects shall be awarded by the Responsible Administrator. The contract must be signed by the contractor(s) and the Responsible Administrator.
- 4.7 Final Payment.--The Responsible Administrator or delegate shall inspect the completed building and is authorized to approve final payment.

Sec. 5. Constitutional and Legislative Restrictions.

- 5.1 Improvements Financed by Bonds.--Sections 17 and 18 of Article VII of the Texas Constitution (regarding the Permanent University Fund and the Higher Education Assistance Fund) require approval by the Legislature, or an agency designated by the Legislature, prior to the construction of physical improvements financed by bonds authorized under those Sections at components other than The University of Texas at Austin.
- 5.2 Texas Higher Education Coordinating Board.--Unless otherwise authorized by law, new construction projects in excess of \$300,000 and major repair and rehabilitation projects in excess of \$600,000 must be approved by the Texas Higher Education Coordinating Board. Format for submission will be as prescribed by the Coordinating Board. Submission will be prepared by the component, in consultation with and assisted by the Office of Facilities Planning and Construction, if necessary, and forwarded to System Administration for review, approval, and handling of submission. It is anticipated that necessary documents will be submitted to the Coordinating Board when the project scope and estimated cost are sufficiently defined to meet the Coordinating Board's requirements for approval. Normally, submission will be made after the Chancellor and the Board have approved the Design Development Plans and the related cost estimate.

CHAPTER IX

MATTERS RELATING TO INVESTMENTS, TRUSTS, AND LANDS

- Sec. 1. Authority Regarding Assets.--Except as otherwise specified in these Rules and Regulations, the authority to manage and invest assets owned or controlled by the Board shall be as set forth in this Chapter.
- 1.1 The management and disposition of interests in real property owned or controlled by the Board, other than real property acquired and managed by UTIMCO for investment purposes, is governed by Section 6 of this Chapter and the remainder of this Chapter does not apply.
 - 1.2 All assets received by the Board to establish an endowment (other than the Permanent University Fund), a fund functioning as an endowment, or a life income or annuity fund shall be accepted and processed by the Office of Development and External Relations and, after acceptance and processing, shall be delivered to the appropriate office for management.
 - 1.3 All assets received by the Board through a bequest, a distribution from an account held in trust by others, or any planned gift shall be accepted and processed by the Office of Development and External Relations and, after acceptance and processing, shall be delivered to the appropriate office for management.
 - 1.4 Rights in intellectual property received by the Board through a gift or bequest shall be accepted and processed by the Office of Development and External Relations and, after acceptance and processing, shall be delivered to the appropriate office for management in accordance with Part Two, Chapter XII of these Rules and Regulations. This Chapter shall not apply to rights in intellectual property owned or controlled by the Board except as provided in this Sub-section.
 - 1.5 All assets of the Permanent University Fund, other than Permanent University Fund lands, shall be managed by UTIMCO or as otherwise directed by the Board.

- 1.6 All assets received for or held in an endowment fund (other than the Permanent University Fund), a fund functioning as an endowment, or a life income or annuity fund shall be managed by UTIMCO or as otherwise directed by the Board until such funds terminate.
- 1.7 All assets of Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund, the Vision Services Fund, and the Medical Liability Self-Insurance Fund ("consolidated System funds") shall be managed with respect to investment of such funds as set forth below:
- 1.71 The Office of Business Affairs shall invest the Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund, and the Vision Services Fund in the same manner that chief business officers may invest the operating funds of each component.
- 1.72 UTIMCO shall invest the Medical Liability Self-Insurance Fund in the Long Term Fund, Short/Intermediate Term Fund, and Short Term Fund as directed by the Vice Chancellor and General Counsel.
- 1.8 Assets that are not a part of the Permanent University Fund, an endowment fund, a fund functioning as an endowment, a life income or annuity fund, or consolidated System funds shall be managed as set forth in this Subsection:
- 1.81 Tangible personal property shall be managed by the chief administrative officer.
- 1.82 Intangible personal property consisting of securities, interests in businesses, and equity interests in technology transfer firms as set out in the Regents' Intellectual Property Policy shall be managed by UTIMCO. Other intangible personal property shall be managed by the chief administrative officer.

the PUF or the Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said Board. In addition, custodian banks appointed by UTIMCO may assign and transfer securities and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any security owned by the Board.

- 2.5 Authority to Receive and Collect Money or Property.
- 2.51 UTIMCO is authorized and empowered to seek, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands due, payable, or belonging, or that may become due, payable, or belonging to the PUF or the Board from any person or persons as a result of any investment transaction and to execute any and all necessary or proper receipts, releases, and discharges therefor and any other instruments as may be necessary or appropriate from time to time relating to the handling, management, control, and disposition of any investment. The authority granted in this Subdivision does not include the authority to institute litigation on behalf of the Board.
- 2.52 The Vice Chancellor for Development and External Relations or the Director - Estates and Trusts is authorized to seek, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands due, payable, or belonging, or that may become due or payable to the Board from any person or persons as a result of, or relating to, a gift or bequest and to execute any and all necessary or proper receipts, releases, and discharges therefor and any other instruments as may be necessary or appropriate from time to time relating to the receipt, handling, management, control, and disposition of any asset acquired by gift or bequest unless and until such time as the Office of Estates and Trusts has delivered the asset to another office for management purposes as provided in these Rules and Regulations.

- 2.6 Authority to Execute Proxies and Consent to Modifications in Bond Indentures.--UTIMCO is authorized to consent to modifications in bond indentures and to execute proxies within the approved investment policies.
- 2.7 Authority to Deliver and Maintain Securities in Book-Entry Form.--Securities owned by the PUF or the Board may be delivered and maintained by a custodian bank or a member bank of the Federal Reserve System in book-entry form subject to applicable law.

Sec. 3. Policy for Investment and Management of the PUF.

- 3.1 The policies for the investment of funds for the Permanent University Fund shall be those outlined in The Permanent University Fund Investment Policy Statement.
- 3.2 Reports Regarding Asset Management.
 - 3.21 The investment performance of the PUF, as measured by an unaffiliated organization, shall be reported to the Board at least annually.
 - 3.22 The nature and extent of any investments in or business transacted with any firm with which a director, officer or employee of UTIMCO is affiliated will be reported to the Board annually.
- 3.3 UTIMCO is authorized to take any and all steps as may be considered necessary or advisable to protect the interest of the PUF in event of default or any other significant changes occurring with respect to any investment.

Sec. 5. Policy for Investment and Management of Endowment and Trust Funds Invested Through or Separate from U. T. Investment Pools.

- 5.1 Endowment funds and funds functioning as endowments will be managed in a manner consistent with the U. T. System Gifts Policy Guidelines, prudent person investment standards, and the Uniform Management of Institutional Funds Act (Title 10, Chapter 163, Texas Property Code). These funds will be managed separately and not commingled with the Long Term Fund if the terms of the instrument by which the fund was created preclude investment through the Long Term Fund. In addition, nonmarketable securities held by an endowment fund may be recorded as separately invested. All other endowment funds and funds functioning as endowments will be invested through the Long Term Fund.
- 5.2 Trust funds and other life income accounts will be invested and administered consistent with the U. T. System Gifts Policy Guidelines, prudent person investment standards, and the Texas Trust Code (Title 9, Subtitle B, Texas Property Code).
- 5.3 The provisions of Sections 3.2, 3.3, and 3.4 with respect to the investment and management of the PUF, shall likewise apply to endowment and trust funds except that Subsection 3.21 shall be applied only when such funds are invested through a U. T. investment pool.

Sec. 6. Matters Relating to Real Property.

- 6.1 Management of Interests in Real Property Generally.-- All interests in real property owned or controlled by the Board shall be administered and managed by the System Real Estate Office, except Permanent University Fund lands, real properties used for institutional purposes, and real property investments managed by UTIMCO. "Institutional purposes" shall not include use solely to generate funds for the institution.
- 6.2 Management of Real Properties Used for Institutional Purposes.--All interests in real property owned or controlled by the Board and used for institutional purposes shall be administered and managed by the component, with the assistance and supervision of the System Real Estate Office.

- 6.3 Management of Permanent University Fund Lands.-- Permanent University Fund lands shall be administered and managed by the West Texas Operations Office.
- 6.4 Delegation of Authority.--Subject to Subdivisions 6.41 and 6.42 of this Subsection and the general provisions of Part One, Chapter I, Section 9 and except as provided in Subdivision 6.43 or otherwise specified in these Rules and Regulations, the Board delegates to the Executive Vice Chancellor for Business Affairs the authority to execute and deliver on behalf of the Board contracts, agreements, and other documents or instruments regarding or conveying interests in, real property owned or controlled by the Board, including Permanent University Fund lands; real property acquired by purchase, gift, or bequest; and real property used for institutional purposes. The authority granted in this Subsection shall include all instruments necessary and convenient relating to the management, control, sale, lease, and disposition of any real property, including mineral interests, owned or controlled by the Board, and licenses, permits for activities on such lands, and instruments relating to mortgages.
- 6.41 The delegate shall comply with all guidelines issued by the Office of General Counsel.
- 6.42 The delegate shall consult with the institutional chief business officer prior to approving and executing any agreement or instrument relating to lands used for institutional purposes.
- 6.43 The authority granted by this Subsection 6.4 does not include authority to execute or deliver binding agreements relating to the acquisition of real property, except easements and other similar agreements necessary to implement projects approved by the Board in the Capital Improvement Program and the Capital Budget.
- 6.5 Delegation of Authority Regarding Space Leases.-- Subject to Subdivision 6.41 of this Section and the general provisions of Part One, Chapter I, Section 9, the Board delegates to each chief administrative officer the authority to execute and deliver on behalf of the Board lease agreements and related documents for the purpose of leasing space for use by the institution for institutional purposes.

- 6.6 Responsibilities of the Board Under Oil and Gas Leases and Other Documents Issued by the Board for Lease.--The Board delegates to the Executive Vice Chancellor for Business Affairs authority to take any action on behalf of the Board as may be necessary or desirable with regard to the management and administration of oil and gas leases and other instruments issued by the Board for Lease of University Lands, including without limitation, promulgating forms and requiring submission of documents, records, or reports to verify gross production, and disposition and market value of the production.
- 6.7 All Real Property Interests Held in the Name of the Board.--Title to all interests in real property, including leasehold interests, held for the use or benefit of the System, a component, or otherwise shall be held in the name of the Board.
- 6.8 Gifts and Bequests.--The Office of Development and External Relations shall accept and process real property received via a bequest or planned gift, from an account held in trust by others, or to establish an endowment, a fund functioning as an endowment, or a life income or annuity fund. The Office of Development and External Relations shall coordinate the acceptance, receipt, and processing of all such real estate with the System Real Estate Office and upon completion of such processing transfer same to the System Real Estate Office for management.
- 6.9 Rents, Mortgages, and Other Charges.--The Board delegates to the System Real Estate Office authority to collect, and account for, all rents, mortgages, and other charges relating to real property managed by that Office.

CHAPTER XI

CONTRACT ADMINISTRATION

- Sec. 1. Delegation of Authority.--Subject to Subsection 1.1 and to the general provisions of Part One, Chapter I, Section 9 and except as otherwise provided in these Rules and Regulations, the Board delegates to the chief administrative officers authority to execute and deliver on behalf of the Board contracts and agreements of any kind or nature, including without limitation licenses issued to the Board or a component.
- 1.1 Business Aspects.--The chief business officer of the component or the Executive Vice Chancellor for Business Affairs, as appropriate, shall approve the business aspects of contracts or agreements prior to execution.
- 1.2 Applicability.--This Chapter applies to all contracts and agreements except contracts or agreements relating to personnel, faculty, athletics or athletic events, real properties (except the lease of space for use by a component), physical plant improvements, acceptance or administration of gifts or bequests, intellectual properties owned or controlled by the Board, contracts and grants for sponsored research, contracts for legal services, and agreements to settle claims, disputes, or litigation.
- Sec. 2. Special Approval Processes.
- 2.1 Foreign Contracts.--A contract or agreement with a foreign government or agency thereof or with an institution, corporation, enterprise, or individual subject to the jurisdiction of a foreign government shall be submitted to the Board for approval as an item on the agenda or via the institutional docket, as determined by the appropriate Executive Vice Chancellor.

- 2.2 System Administration and System-Wide Contracts.-- Subject to Section 1, the Board delegates to the Executive Vice Chancellor for Business Affairs authority to execute and deliver on behalf of the Board contracts or agreements with third parties affecting only System Administration or, with the concurrence of the components affected, contracts for the benefit of all or a majority of the components.
- 2.3 Contracts Between or Among Components.--The Board delegates to the chief administrative officer authority to execute and deliver on behalf of the Board contracts or agreements between or among components for resources or services. Any such contract or agreement shall provide for the recovery of the cost of services and resources furnished.

Sec. 3. Legal Matters.

- 3.1 Contracts for Legal Services.--The Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board contracts for legal services after obtaining any necessary approvals from the Office of the Attorney General.
- 3.2 Settlement of Disputes.--The Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board agreements settling any claim, dispute, or litigation with a third party in the following amounts. The Vice Chancellor and General Counsel shall consult with the chief administrative officer and the appropriate Executive Vice Chancellor with regard to all significant settlements that will be paid out of institutional funds. The Vice Chancellor and General

Counsel shall consult with the Office of Development and External Relations with respect to settlement of will contests and other matters relating to gifts and bequests administered by that Office.

<u>Amount</u>	<u>Additional Requirements</u>
\$150,000 or less	None
\$150,001 to \$300,000	Concurrence of the Chancellor or the appropriate Executive Vice Chancellor
\$300,001 to \$500,000	Concurrence of the Chairman of the Board
More than \$500,000	Concurrence of the Board of Regents, the Executive Committee, or the appropriate standing committee of the Board

Sec. 9. Approval of and Execution of Legal Documents Relating to Rights in Intellectual Property.

- 9.1 Sponsored research agreements, except as provided below, and license agreements, except trademark license agreements on a standard form, that grant to a third party an interest in intellectual property shall be approved by the Board on the institutional docket following review by the Office of General Counsel and approval by the chief administrative officer and the appropriate Executive Vice Chancellor. Agreements such as clinical trial agreements, pre-clinical laboratory studies, material transfer agreements, nondisclosure agreements, and trademark license agreements on a standard form that do not require the review of the Office of General Counsel may be executed and delivered in accordance with the provisions of the Regents' Rules and Regulations, Part Two, Chapter XI.
- 9.2 Any document altering substantially the basic intellectual property policy of the System as set out in the preceding Sections and other policies and guidelines that may be adopted by the Board shall have the advance approval of the chief administrative officer, the appropriate Executive Vice Chancellor, the Chancellor, and the Board as an agenda item. Such an alteration in a sponsored research agreement shall not be considered substantial and may be approved by the Board on the institutional docket if, in the judgment of the chief administrative officer and with the concurrence of the appropriate Executive Vice Chancellor, the benefits from the level of funding for the proposed research and/or other consideration from the sponsor outweigh any potential disadvantage that may result from the policy deviation.
- 9.3 The Chancellor, the appropriate Executive Vice Chancellor, the Vice Chancellor and General Counsel or the authorized representative of UTIMCO may execute, on behalf of the Board, legal documents relating to the Board's rights in intellectual property, including, but not limited to, declarations, affidavits, powers of attorney, disclaimers, and other such documents relating to patent applications and patents; applications, declarations, affidavits, affidavits of use, powers of attorney, and other such documents relating to trademarks; applications for registration of and other such documents relating to copyrights; and license and assignment documents approved by the Board pursuant to Subsections 9.1 or 9.2.

Sec. 10. Income from Intellectual Property.

- 10.1 The portion of the net income the System retains from royalties and any other intellectual property-related income shall be used by the component institutions where the income-producing creation originated for research and other purposes approved by the Board in accordance with standard budgetary policies. At the option of a component institution, such income may be accumulated in an endowment fund with the income to be distributed to the component institution for such purposes as may be approved by the Board.
- 10.2 With the prior written approval of the chief administrative officer of the component institution, future royalties payable to a faculty member pursuant to Subdivision 5.23 may be assigned to the component institution by the faculty member and designated for use in research to be conducted by such faculty member.

Sec. 11. Implementation of Intellectual Property Policy.--The Office of General Counsel shall prepare and distribute to the component institutions such model agreements and recommended procedures as may be considered appropriate for the implementation of the provisions of this policy as well as other policies and guidelines adopted by the Board.

Sec. 12. Construction of Documents.--Unless otherwise required by law or the Regents' Rules and Regulations, each intellectual property agreement approved hereunder shall be construed in accordance with the Intellectual Property Policy in existence as of its approval date.

Editorial Amendment
Issued September 1996

CHAPTER XIII

CONTRACTS AND GRANTS FOR SPONSORED RESEARCH

- Sec. 1. Delegation of Authority.--Subject to Subsections 1.1 and 1.2 of this Section and to the general provisions of Part One, Chapter I, Section 9, the Board delegates to each chief administrative officer authority to execute and deliver on behalf of the Board contracts or grant proposals for sponsored research from or with third parties, including institutional support grants. Funds shall not be encumbered or expended prior to execution of the contract or grant by the chief administrative officer. The chief business officer or delegate must approve the business aspects of contracts or agreements prior to execution.
- 1.1 Intellectual Property.--Sponsored research agreements and license agreements shall be processed as required by Part Two, Chapter XII, Subsection 9.1 of these Rules and Regulations.
- 1.2 Foreign Contracts.--A contract for sponsored research from a foreign government or agency thereof or with an institution, enterprise, or individual subject to the jurisdiction of a foreign government shall be submitted to the Board for approval as an agenda item or via the institutional docket, as determined by the appropriate Executive Vice Chancellor.
- Sec. 2. Budgets, Overhead Rates, and Specialized Rates.
- 2.1 Budget.--Expenditures under any contract or grant must conform to the detailed budget, if any, included in the proposal for such contract or grant, as such budget may be amended by authorized procedures.
- 2.2 Overhead Rates.--Proposals regarding overhead rates and specialized rates for fringe benefits, computers, services, and other facilities and equipment chargeable to cost-reimbursement contracts and grants shall be negotiated with the appropriate cognizant agency by the institution's chief business officer. The chief business officer shall send a copy of the final negotiated agreement to the Controller.

- 2.3 Renewals and Replacements.--To the extent that indirect cost recoveries from the application of overhead rates are derived from use charges for buildings, other improvements, or equipment, the funds so derived shall be designated for renewals or replacements of such buildings, improvements, or equipment or for other purposes specified and approved in the budget processes as related to the indirect cost recoveries.

REPORT AND RECOMMENDATIONS OF THE BUSINESS AFFAIRS AND AUDIT COMMITTEE (Pages 17 - 29).--Committee Chairman Smiley reported that the Business Affairs and Audit Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Business Affairs and Audit Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Approval of Chancellor's Docket No. 86 (Catalog Change).--Upon recommendation of the Business Affairs and Audit Committee, the Board approved Chancellor's Docket No. 86 in the form distributed by the Executive Secretary. It is attached following Page 92 in the official copies of the Minutes and is made a part of the record of this meeting.

It was expressly authorized that any contracts or other documents or instruments approved therein had been or shall be executed by the appropriate officials of the respective institution involved.

It was ordered that any item included in the Docket that normally is published in the institutional catalog be reflected in the next appropriate catalog published by the respective institution.

To avoid any appearance of a possible conflict of interest, Regent Deily was recorded as abstaining from any vote on Items 1 - 5 on Page G - 3 of The University of Texas Medical Branch at Galveston Docket related to contracts with Houston Lighting & Power Company.

2. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter V, Section 3 (Employee Training, Education, and Development).--In order to clarify the guidelines to be followed by The University of Texas System component institutions when adopting programs relating to employee training, education, and development, the Board, upon recommendation of the Business Affairs and Audit Committee, amended the Regents' Rules and Regulations, Part Two, Chapter V, Section 3 regarding Employee Training, Education, and Development as set forth below:

✓ Sec. 3. Employee Training, Education, and Development.

3.6 Higher Education Tuition Support Program.

- 3.61 Definition: This program will provide financial assistance for graduate or undergraduate level training leading to a degree. It provides for student enrollment and is to be for selected, qualified employees of the U. T. System. This program will be provided on the basis of institutional need and to the extent funds are available.
- 3.62 Objective: To provide a college or university education for qualified employees as specifically required in their areas of employment.

Minutes
8/8/96

- 3.63 Program Elements: This training is to provide student enrollment in a graduate or undergraduate program leading to a degree that directly relates to that employee's current or future employment.
- 3.64 Administration: Eligibility Requirements.
- 3.641 Selected employees must have necessary academic qualifications to meet all entrance requirements of the college or university where training is provided.
- 3.642 Degree training must be directly related to an existing job or job series.
- 3.643 Selected employees should be scheduled for appointment to a job requiring the degree training on completion of schooling.
- 3.644 Selected employees must meet requirements and be recommended through the chief administrative officer and approved by the institutional human resources/personnel director or the Director of the Office of Human Resources.
- 3.645 Selected employees on educational stipend shall be considered as employees and accrue vacation, sick leave, group insurances, and other benefits while in a student status.
- 3.646 Participating employees must receive grades of "C" or better in undergraduate classes and "B" or better in graduate courses to continue eligibility.
- 3.65 Administration: Obligations. Employees who receive financial assistance under this program, in completion of either undergraduate or advanced degrees, will be obligated to fulfill the following terms and conditions:
- 3.651 An agreement to be bound by the rules and regulations contained herein and such other policies, rules, and procedures as may be promulgated by the employing entity.

- 3.652 An agreement to return to the employing entity upon graduation and attainment of the degree and to remain in the employment for a period of time subsequent to graduation that is proportionate either to the period of time the employee has received financial assistance to attend college or university or to the amount of financial assistance received, or at the institution's option.
- 3.653 An agreement to execute a formal obligatory document between the employing entity and the recipient of assistance under this program, to repay in a lump sum or such alternate arrangement as the employing entity may prescribe, the amount of money expended for the cost of such college education if the individual for any reason, except circumstances beyond the individual's control, fails to complete the training or otherwise defaults in any provision of the agreement or agreements.

3.7 In-Service Training and Education Program.

- 3.71 Definition: Human resource development may include on-the-job training, training in preparation for future job responsibilities, and continuing training programs that are designed to increase job effectiveness.
- 3.72 Objectives: To equip an individual to perform job specific tasks and/or to equip the employee to deal with new technological and legal developments, to develop additional work capabilities, or increase the employee's level of effectiveness.

CONSIDERATION OF EXECUTIVE COMMITTEE LETTER 96-23

1. U. T. Board of Regents: Approval for the Firm of Deloitte & Touche, LLP to Perform Audits of the Financial Statements of The University of Texas Investment Management Company (UTIMCO), the Permanent University Fund, and Other Investment Funds for the Fiscal Year Ended August 31, 1996.--Without objection, the Board approved the selection of Deloitte & Touche, LLP to perform audits of the financial statements of The University of Texas Investment Management Company (UTIMCO) and the investment funds managed by UTIMCO pursuant to the Investment Management Services Agreement approved by the U. T. Board of Regents at its February 1996 meeting.

Section 66.08 of the Texas Education Code, which authorizes the U. T. Board of Regents to contract with UTIMCO for the investment management of funds under its fiduciary care, requires that (a) the U. T. Board of Regents provide for an annual financial audit of the Permanent University Fund and (b) the audit be performed by the auditors of The University of Texas System and The Texas A&M University System (TAMUS) and be presented to the U. T. Board of Regents.

The approval of Deloitte & Touche, LLP by the U. T. Board of Regents follows a Request for Proposal process by UTIMCO and had the prior approval of the UTIMCO Audit and Ethics Committee and Board of Directors, the State Auditor, The Texas A&M University System, and the U. T. System Administration.

2. U. T. Board of Regents - Regents' Rules and Regulations, Parts One and Two: Amendments to Comply with Previous Board Actions Regarding the Delegation of Selected Contract Approval Authority to Designated U. T. System Administration and Component Officials Effective September 1, 1996.--Upon recommendation of the Chancellor, The University of Texas System Process Review Committee, and the Business Affairs and Audit Committee, the Board, without objection, amended the Regents' Rules and Regulations, Parts One and Two as set forth on Pages 3 - 26 to implement the U. T. Board of Regents' actions approved at the May 1996 meeting regarding the delegation of selected contract approval authority to designated U. T. System Administration and component officials effective September 1, 1996.

minutes
8/29/96

These amendments to the Regents' Rules and Regulations delegate the authority to execute a variety of contracts and agreements to selected U. T. System Administration or component officials within specific guidelines, conditions, and restrictions. Previously these contracts and agreements were approved or ratified by the U. T. Board of Regents via the Docket process, and the elimination of these items from the Docket will produce a significant savings in staff time at the components and expedite contract administration.

This delegation of authority is consistent with the cost-saving programs recommended by the System Process Review Committee, chaired by Regent Lebermann, and provides an efficient method for the U. T. Board of Regents to delegate contracting authority as authorized by Section 65.31(g) of the Texas Education Code. Implementation of this delegated authority will be monitored periodically through routine reviews and audits.

g. Part Two, Chapter I (General), Section 1 (Gifts to The University of Texas System), Subsection 1.1 was amended to read as follows:

✓ 1.1 The authority to accept gifts to the System or to any of the components is vested in the Board and delegated by the Board as specifically set out in this Section.

h. Part Two, Chapter I, Section 1 was amended by deleting present Subsections 1.3 and 1.4 and substituting the following in lieu thereof:

✓ 1.3 The Board delegates to the chief administrative officer, or a designee specified in writing, authority to accept gifts that conform to all relevant laws and Board policies, including but not limited to the System Gifts Policy Guidelines and approved institutional policies, provided that such gifts are not processed, managed, or administered by the Office of Development and External Relations, are unrestricted or are restricted only as to a particular college, school, or unit, and have a value of less than \$500,000 (in cash or in kind).

✓ 1.4 The Board delegates to the Vice Chancellor for Development and External Relations, or a designee specified in writing, authority to accept all gifts of any value (either in cash or in kind) that conform to all relevant laws and Board policies, including but not limited to the System Gifts Policy Guidelines, and are processed or administered by the Office of Development and External Relations.

i. Part Two, Chapter I, Section 1 was amended by adding new Subsections 1.5 through 1.7 as follows:

✓ 1.5 The Board delegates to the Vice Chancellor for Development and External Relations, or a designee specified in writing, authority to take any and all necessary or desirable actions relating to the administration and management of gifts accepted by the Office of Development and External Relations, including without limitation the modification or termination of trusts, endowments, and quasi-endowments as may be permitted by applicable law, policies and these Rules and Regulations.

J 1.6 The Board delegates to the chief administrative officer, or a designee specified in writing, authority to execute all necessary Internal Revenue Service forms, including without limitation IRS Forms 8283 and 8282, that relate to gifts accepted by the chief administrative officer or accepted by the Board as an agenda item.

✓ 147

The Board delegates to the Vice Chancellor for Development and External Relations, or a designee specified in writing, authority to execute all necessary Internal Revenue Service forms, including without limitation IRS Forms 8283 and 8282, that relate to gifts processed or administered by the Office of Development and External Relations.

j. ✓ Part Two, Chapter I, Section 1 was amended by renumbering present Subsections 1.5 through 1.(11) as Subsections 1.8 through 1.(14).

k. ✓ Part Two, Chapter I, Section 3, title and Subsection 3.1, relating to endowment of academic positions, was amended to read as follows:

Sec. 3. Academic Positions.

✓ 11/2

3.1 No endowment will be established or announced without prior approval by the Board or its designee(s). No initial appointment will be made to an endowed or named academic position without prior approval by the chief administrative officer after review and approval by the appropriate Executive Vice Chancellor as a Request for Budget Change. Subsequent new or continuing appointments to the endowed or named academic positions may be approved as a part of the annual operating budget.

1. Part Two, Chapter III (Receipt, Custody, and Disbursement of Moneys; Travel Authorization, Reimbursement, and Institutional Regulations), Section 4, Subsection 4.1, relating to local institutional funds, was amended to read as follows:

✓ 4.1

All institutional funds not required to be deposited in the State Treasury must be deposited in official depository banks for safekeeping or invested as specified by law and by the applicable Rules and Regulations, Business Procedure Memoranda and Investment Policy Statements.

4.11 Funds held in demand deposits, time deposits, or non-negotiable certificates of deposit shall be deposited or invested only in banks with which the Board has a depository agreement. The Board delegates to UTIMCO or the Executive Vice Chancellor for Business Affairs authority to execute and deliver depository and custody agreements when such deposit agreements are with banks meeting the then current policies of the Board and are in substantially the form of a standard deposit agreement approved by the Board or, for other agreements, in a form approved by the Office of General Counsel. Subject to the

provisions of Part One, Chapter I, Section 9 of these Rules and Regulations, the Board delegates to each chief administrative officer and the Executive Vice Chancellor for Business Affairs the authority to execute and deliver contracts for banking services with banks that have a depository agreement with the Board.

✓ m. Part Two, Chapter IV (Purchasing), present Section 1, relating to authority to obligate institutional funds, was deleted in its entirety.

✓ n. Part Two, Chapter IV was amended by renumbering present Section 2, relating to purchasing ethics, as Section 1 and amending renumbered Subsection 1.5 to read as set forth below:

1.5 All purchases, regardless of the source of funds, shall be made on a competitive basis unless otherwise authorized by law, U. T. System policy, or approved component policy.

✓ o. Part Two, Chapter IV was amended by renumbering present Sections 3 through 5, relating to certain purchasing guidelines, as Sections 2 through 4.

✓ p. Part Two, Chapter IV, present Section 6, relating to space leases, was deleted in its entirety.

✓ q. Part Two, Chapter IV was amended by renumbering present Section 7, relating to certain purchasing guidelines, as Section 5 to read as follows:

Sec. 5. Purchase from or Sale to an Officer or Employee.--Purchase from, or sale to, any officer or employee of the System or a component of any supplies, materials, services, equipment, or property must have the prior approval of the chief administrative officer and the appropriate Executive Vice Chancellor or the Chancellor. Any such purchases shall be made only if the cost is less than from any other known source. This Section does not apply to sales or purchases made at public auction.

- r. Part Two, present Chapter VIII (Physical Plant Improvements) was deleted in its entirety and the following substituted in lieu thereof:

CHAPTER VIII

PHYSICAL PLANT IMPROVEMENTS

Sec. 1. Institutional Committees.

- 1.1 Institutional Building Advisory Committees.--There may be an Institutional Building Advisory Committee for each component. The duties, composition, and appointment of the members of the Institutional Building Advisory Committee shall be set forth in the Handbook of Operating Procedures of each component. The Institutional Building Advisory Committee shall have no further direct responsibility after the construction contract is awarded but shall be available for consultation as the building progresses, as requested by the chief administrative officer, the appropriate Executive Vice Chancellor, the Chancellor, or the project architect or engineer.
- 1.2 Ad Hoc Project Building Committee.--The chief administrative officer may appoint, according to the institutional Handbook of Operating Procedures, an Ad Hoc Project Building Committee composed of, but not limited to, representatives of the departments or divisions that will occupy the building. The chairperson of the Institutional Building Advisory Committee, or his or her delegate, shall be an ex officio member of each Ad Hoc Project Building Committee. The committee shall work with the Office of Facilities Planning and Construction to prepare a facility program in accordance with the Facilities Programming Guidelines maintained by the Office of Facilities Planning and Construction.

Sec. 2. Major Construction and Repair and Rehabilitation Projects.

- 2.1 General Requirements.
- 2.11 Subject to Subdivisions 2.12, 2.13, 2.14 and 2.15 of this Section and the general provisions of Part One, Chapter I, Section 9 and except as otherwise specified in these Rules and Regulations, the Chancellor with the advice of the appropriate Executive Vice Chancellor and chief administrative officer is authorized to appoint architects, approve plans and execute contracts for all new construction projects exceeding \$300,000 and for major repair and

renovation projects exceeding \$600,000 ("Major Projects") that have previously been approved or authorized by the Board.

- 2.12 Major Projects must be approved by the Board by being included in the approved Capital Improvement Program.
- 2.13 Funding for Major Projects must be allocated and appropriated by the Board through the Capital Budget.
- 2.14 Costs in excess of an amount equal to the Total Project Cost approved by the Board plus ten percent or any material change in the concept or scope of the project must be approved by the Board.
- 2.15 Construction contracts executed and delivered on behalf of the Board for Major Projects shall comply with guidelines issued by the Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel. Payment and performance bonds, when required by law for contracts, shall be on a standard form approved by the Office of General Counsel.
- 2.16 The Chancellor or delegate shall approve the construction contractor's estimates, sign change orders, and provide general supervision of all Major Projects. To meet funding requirements in excess of the Total Project Cost approved by the Board, the Chancellor with the advice of the appropriate Executive Vice Chancellor and chief administrative officer is authorized to reallocate funding between or among approved projects at a single component if funding for such projects has previously been authorized in accordance with Subdivision 2.13, provided that costs do not exceed the Total Project Cost approved by the Board plus ten percent.

2.2

Major Projects Procedures.

- 2.21 Following Board approval of a Major Project and the Preliminary Project Cost, the Institutional Building Advisory Committee shall make recommendations to the chief administrative officer regarding priorities for new construction consistent with the needs of the component.
- 2.22 The facility program must be approved by the Chancellor.
- 2.23 The Chancellor, on behalf of the Board, will utilize the services of a project architect or engineer for each Major Project or portion thereof as may be desirable or required by law. The Chancellor is authorized to

adopt a standard contract form or forms, subject to approval by the Office of General Counsel, for the employment of architects and engineers to provide professional services.

- 2.24 After approval of the facility program, the Chancellor or delegate is authorized to give the project architect or engineer the facility program and direct the preparation of schematic plans, exterior design and site plans, cost estimates, and other necessary and appropriate documents ("Schematic Plans"), and design development plans, elevations, and sections, outline specifications, cost estimates, and other related work to fix the design, dimensions, materials, and scope of the project in greater detail ("Design Development Plans"). Design Development Plans are referred to as Preliminary Plans in applicable rules of the Texas Higher Education Coordinating Board. The project architect or engineer shall work with the Ad Hoc Project Building Committee, if any, and the Office of Facilities Planning and Construction with regard to preparation of all plans and documents.
- 2.25 Design Development Plans for Major Project new construction and for architecturally or historically significant repair and rehabilitation projects shall be submitted to the Board for approval upon the recommendation of the Chancellor. The Executive Officers and chief administrative officers shall be responsible for identifying to the Chancellor architecturally or historically significant major repair and rehabilitation projects. Upon approval of the Design Development Plans for Major Project new construction or an architecturally or historically significant repair and rehabilitation project, the Board will authorize expenditure of funds for the Project.
- 2.26 The Chancellor is authorized to approve Design Development Plans and authorize expenditure of funds for all other Major Project repair and renovation.
- 2.27 After approval of the Design Development Plans, the Chancellor is authorized to direct the preparation of the working drawings and specifications ("Construction Documents").
- 2.28 The Chancellor is authorized to approve the Construction Documents upon the recommendation of the chief administrative officer and the appropriate Executive Vice Chancellor.

Sec. 3. Minor Construction and Repair and Rehabilitation Projects.

- 3.1 Delegation of Authority.--Subject to Subsections 3.2, 3.3, and 3.4 of this Section and the general provisions of Part One, Chapter I, Section 9 and except as otherwise specified in these Rules and Regulations, each chief administrative officer is authorized to appoint architects, approve plans and Construction Documents, and execute and deliver contracts, agreements, and other documents on behalf of the Board for all new construction projects of \$300,000 or less and for repair and rehabilitation projects of \$600,000 or less ("Minor Projects").
- 3.2 Required Review and Approval.--Minor Projects shall be subject to review as directed by the appropriate Executive Vice Chancellor. If the Minor Project is to accommodate facility program changes requiring System approval or approval of the Texas Higher Education Coordinating Board, then (i) necessary facility program approvals must be secured in advance of requests for construction approval or must be included with the construction request; (ii) funds must have been approved through standard System budgetary procedures; and (iii) the project must have been approved by the component director of physical plant, chief business officer, and chief administrative officer.
- 3.3 Professional Services.--Subject to the provisions of Part One, Chapter I, Section 9 of these Rules and Regulations, each chief administrative officer is authorized to execute and deliver on behalf of the Board contracts and agreements with architects, engineers, and other professional service providers for Minor Projects previously approved in accordance with this Chapter. Contracts with architects and engineers shall be on a standard form adopted by the Chancellor pursuant to Subdivision 2.22.

Sec. 4. Bidding, Award of Contract, and Final Payment.

- 4.1 Advertisement for Bids.--The Chancellor with respect to Major Projects or the chief administrative officer with respect to Minor Projects (the "Responsible Administrator") is authorized to advertise for bids for construction projects. The Construction Documents must be approved by the Chancellor before the advertisement for bids for Major Projects.

- 4.2 Modification of Bids.--No bid may be changed, amended, or modified after the time for bid filing set out in the advertisement for bids. The substance of this requirement shall be stated in the advertisement for bids; provided, however, that this requirement shall not be construed to prohibit the submission or filing of more than one separate and independent bid by any bidder.
- 4.3 Proposed Decision for Award.--The Responsible Administrator or delegate shall receive and open bids, and, with the project architect or engineer, if any, and others, tabulate and study such bids. After tabulation and study of the bids, the Responsible Administrator shall make a proposed decision for award.
- 4.4 Notice of Proposed Decision for Award.--In the event the lowest bidder is found to be not responsible, or other facts and circumstances necessitate award of contract to other than the lowest bidder, the bidder(s) submitting proposal(s) lower than the bidder to whom award is proposed shall be notified of the proposed decision for award. If the lowest bidder fails to timely file notice of protest, the proposed decision for award will be final.
- 4.5 Notice of Protest.--If the lowest bidder timely files notice of protest, the Responsible Administrator will hear the protest or will appoint a Hearing Officer who shall promptly convene and conduct a hearing and subsequently prepare and submit a report of his or her findings to the Responsible Administrator. The Responsible Administrator shall make a final decision based upon the records of the hearing before the Hearing Officer.
- 4.6 Award of Contract.--All contracts associated with construction projects shall be awarded by the Responsible Administrator. The contract must be signed by the contractor(s) and the Responsible Administrator.
- 4.7 Final Payment.--The Responsible Administrator or delegate shall inspect the completed building and is authorized to approve final payment.

Sec. 5. Constitutional and Legislative Restrictions.

- 5.1 Improvements Financed by Bonds.-- Sections 17 and 18 of Article VII of the Texas Constitution (regarding the Permanent University Fund and the Higher Education Assistance Fund) require approval by the Legislature, or an agency designated by the Legislature, prior to the construction of physical improvements financed by bonds authorized under those Sections at components other than The University of Texas at Austin.
- 5.2 Texas Higher Education Coordinating Board.--Unless otherwise authorized by law, new construction projects in excess of \$300,000 and major repair and rehabilitation projects in excess of \$600,000 must be approved by the Texas Higher Education Coordinating Board. Format for submission will be as prescribed by the Coordinating Board. Submission will be prepared by the component, in consultation with and assisted by the Office of Facilities Planning and Construction, if necessary, and forwarded to System Administration for review, approval, and handling of submission. It is anticipated that necessary documents will be submitted to the Coordinating Board when the project scope and estimated cost are sufficiently defined to meet the Coordinating Board's requirements for approval. Normally, submission will be made after the Chancellor and the Board have approved the Design Development Plans and the related cost estimate.

s. Part Two, Chapter IX (Matters Relating to Investments, Trusts, and Lands), Section 1, relating to authority regarding assets, was amended to read as follows:

- Sec. 1. Authority Regarding Assets.--Except as otherwise specified in these Rules and Regulations, the authority to manage and invest assets owned or controlled by the Board shall be as set forth in this Chapter.
- 1.1 The management and disposition of interests in real property owned or controlled by the Board, other than real property acquired and managed by UTIMCO for investment purposes, is governed by Section 6 of this Chapter and the remainder of this Chapter does not apply.
 - 1.2 All assets received by the Board to establish an endowment (other than the Permanent University Fund), a fund functioning as an endowment, or a life income or annuity fund shall be accepted and processed by the Office of Development and External Relations and, after acceptance and processing, shall be delivered to the appropriate office for management.
 - 1.3 All assets received by the Board through a bequest, a distribution from an account held in trust by others, or any planned gift shall be accepted and processed by the Office of Development and External Relations and, after acceptance and processing, shall be delivered to the appropriate office for management.
 - 1.4 Rights in intellectual property received by the Board through a gift or bequest shall be accepted and processed by the Office of Development and External Relations and, after acceptance and processing, shall be delivered to the appropriate office for management in accordance with Part Two, Chapter XII of these Rules and Regulations. This Chapter shall not apply to rights in intellectual property owned or controlled by the Board except as provided in this Subsection.
 - 1.5 All assets of the Permanent University Fund, other than Permanent University Fund lands, shall be managed by UTIMCO or as otherwise directed by the Board.
 - 1.6 All assets received for or held in an endowment fund (other than the Permanent University Fund), a fund functioning as an endowment, or a life income or annuity fund shall be managed by UTIMCO or as otherwise directed by the Board until such funds terminate.

1.7 All assets of Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund, the Vision Services Fund, and the Medical Liability Self-Insurance Fund ("consolidated System funds") shall be managed with respect to investment of such funds as set forth below:

1.71 The Office of Business Affairs shall invest the Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund, and the Vision Services Fund in the same manner that chief business officers may invest the operating funds of each component.

1.72 UTIMCO shall invest the Medical Liability Self-Insurance Fund in the Long Term Fund, Short/Intermediate Term Fund, and Short Term Fund as directed by the Vice Chancellor and General Counsel.

1.8 Assets that are not a part of the Permanent University Fund, an endowment fund, a fund functioning as an endowment, a life income or annuity fund, or consolidated System funds shall be managed as set forth in this Subsection:

1.81 Tangible personal property shall be managed by the chief administrative officer.

1.82 Intangible personal property consisting of securities, interests in businesses, and equity interests in technology transfer firms as set out in the Regents' Intellectual Property Policy shall be managed by UTIMCO. Other intangible personal property shall be managed by the chief administrative officer.

✓ k. Part Two, Chapter IX, Section 2, relating to authorizations regarding sales, assignments, conveyances, receipt of property, and proxies, was amended by deleting present Subsection 2.5 in its entirety, renumbering present Subsections 2.6, 2.7, and 2.8 as Subsections 2.5, 2.6, and 2.7, and amending renumbered Subsection 2.5 to read as follows:

Sec. 2. Authorizations Regarding Sales, Assignments, Conveyances, Receipt of Property, and Proxies.

2.5 Authority to Receive and Collect Money or Property.

2.51 UTIMCO is authorized and empowered to seek, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands due, payable, or belonging, or that may become due,

payable, or belonging to the PUF or the Board from any person or persons as a result of any investment transaction and to execute any and all necessary or proper receipts, releases, and discharges therefor and any other instruments as may be necessary or appropriate from time to time relating to the handling, management, control, and disposition of any investment. The authority granted in this Subdivision does not include the authority to institute litigation on behalf of the Board.

2.52 The Vice Chancellor for Development and External Relations or the Director - Estates and Trusts is authorized to seek, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands due, payable, or belonging, or that may become due or payable to the Board from any person or persons as a result of, or relating to, a gift or bequest and to execute any and all necessary or proper receipts, releases, and discharges therefor and any other instruments as may be necessary or appropriate from time to time relating to the receipt, handling, management, control, and disposition of any asset acquired by gift or bequest unless and until such time as the Office of Estates and Trusts has delivered the asset to another office for management purposes as provided in these Rules and Regulations.

2.6 Authority to Execute Proxies and Consent to Modifications in Bond Indentures.-- UTIMCO is authorized to consent to modifications in bond indentures and to execute proxies within the approved investment policies.

2.7 Authority to Deliver and Maintain Securities in Book-Entry Form.--Securities owned by the PUF or the Board may be delivered and maintained by a custodian bank or a member bank of the Federal Reserve System in book-entry form subject to applicable law.

u. Part Two, Chapter IX was amended by adding a new Section 6 on matters relating to real property to read as set forth below:

Sec. 6. Matters Relating to Real Property.

6.1 Management of Interests in Real Property Generally.--All interests in real property owned or controlled by the Board shall be administered and managed by the System Real Estate Office, except Permanent University Fund lands, real properties

used for institutional purposes, and real property investments managed by UTIMCO. "Institutional purposes" shall not include use solely to generate funds for the institution.

- 6.2 Management of Real Properties Used for Institutional Purposes.--All interests in real property owned or controlled by the Board and used for institutional purposes shall be administered and managed by the component, with the assistance and supervision of the System Real Estate Office.
- 6.3 Management of Permanent University Fund Lands.--Permanent University Fund lands shall be administered and managed by the West Texas Operations Office.
- 6.4 Delegation of Authority.--Subject to Subdivisions 6.41 and 6.42 of this Subsection and the general provisions of Part One, Chapter I, Section 9 and except as provided in Subdivision 6.43 or otherwise specified in these Rules and Regulations, the Board delegates to the Executive Vice Chancellor for Business Affairs the authority to execute and deliver on behalf of the Board contracts, agreements, and other documents or instruments regarding or conveying interests in, real property owned or controlled by the Board, including Permanent University Fund lands; real property acquired by purchase, gift, or bequest; and real property used for institutional purposes. The authority granted in this Subsection shall include all instruments necessary and convenient relating to the management, control, sale, lease, and disposition of any real property, including mineral interests, owned or controlled by the Board, and licenses, permits for activities on such lands, and instruments relating to mortgages.
 - 6.41 The delegate shall comply with all guidelines issued by the Office of General Counsel.
 - 6.42 The delegate shall consult with the institutional chief business officer prior to approving and executing any agreement or instrument relating to lands used for institutional purposes.
 - 6.43 The authority granted by this Subsection 6.4 does not include authority to execute or deliver binding agreements relating to the acquisition of real property, except easements and other similar agreements necessary to implement projects approved by the Board in the Capital Improvement Program and the Capital Budget.

- 6.5 Delegation of Authority Regarding Space Leases.--Subject to Subdivision 6.41 of this Section and the general provisions of Part One, Chapter I, Section 9, the Board delegates to each chief administrative officer the authority to execute and deliver on behalf of the Board lease agreements and related documents for the purpose of leasing space for use by the institution for institutional purposes.
- 6.6 Responsibilities of the Board Under Oil and Gas Leases and Other Documents Issued by the Board for Lease.--The Board delegates to the Executive Vice Chancellor for Business Affairs authority to take any action on behalf of the Board as may be necessary or desirable with regard to the management and administration of oil and gas leases and other instruments issued by the Board for Lease of University Lands, including without limitation, promulgating forms and requiring submission of documents, records, or reports to verify gross production, and disposition and market value of the production.
- 6.7 All Real Property Interests Held in the Name of the Board.--Title to all interests in real property, including leasehold interests, held for the use or benefit of the System, a component, or otherwise shall be held in the name of the Board.
- 6.8 Gifts and Bequests.--The Office of Development and External Relations shall accept and process real property received via a bequest or planned gift, from an account held in trust by others, or to establish an endowment, a fund functioning as an endowment, or a life income or annuity fund. The Office of Development and External Relations shall coordinate the acceptance, receipt, and processing of all such real estate with the System Real Estate Office and upon completion of such processing transfer same to the System Real Estate Office for management.
- 6.9 Rents, Mortgages, and Other Charges.--The Board delegates to the System Real Estate Office authority to collect, and account for, all rents, mortgages, and other charges relating to real property managed by that Office.

y. Present Chapter XI (Contracts and Grants) of Part Two was deleted in its entirety and the following substituted in lieu thereof and the Regents' policy relating to Settlement of Claims and Litigation as approved at the May 1995 meeting of the U. T. Board of Regents was rescinded:

Chapter XI

CONTRACT ADMINISTRATION

- Sec. 1. Delegation of Authority.--Subject to Subsection 1.1 and to the general provisions of Part One, Chapter I, Section 9 and except as otherwise provided in these Rules and Regulations, the Board delegates to the chief administrative officers authority to execute and deliver on behalf of the Board contracts and agreements of any kind or nature, including without limitation licenses issued to the Board or a component.
- 1.1 Business Aspects.--The chief business officer of the component or the Executive Vice Chancellor for Business Affairs, as appropriate, shall approve the business aspects of contracts or agreements prior to execution.
- 1.2 Applicability.--This Chapter applies to all contracts and agreements except contracts or agreements relating to personnel, faculty, athletics or athletic events, real properties (except the lease of space for use by a component), physical plant improvements, acceptance or administration of gifts or bequests, intellectual properties owned or controlled by the Board, contracts and grants for sponsored research, contracts for legal services, and agreements to settle claims, disputes, or litigation.
- Sec. 2. Special Approval Processes.
- 2.1 Foreign Contracts.--A contract or agreement with a foreign government or agency thereof or with an institution, corporation, enterprise, or individual subject to the jurisdiction of a foreign government shall be submitted to the Board for approval as an item on the agenda or via the institutional docket, as determined by the appropriate Executive Vice Chancellor.
- 2.2 System Administration and System-Wide Contracts.--Subject to Section 1, the Board delegates to the Executive Vice Chancellor for Business Affairs authority to execute and deliver on behalf of the Board contracts or agreements with third parties affecting only System Administration or, with the concurrence of the components affected, contracts for the benefit of all or a majority of the components.

2.3 Contracts Between or Among Components.--
The Board delegates to the chief administrative officer authority to execute and deliver on behalf of the Board contracts or agreements between or among components for resources or services. Any such contract or agreement shall provide for the recovery of the cost of services and resources furnished.

Sec. 3. Legal Matters.

3.1 Contracts for Legal Services.--The Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board contracts for legal services after obtaining any necessary approvals from the Office of the Attorney General.

3.2 Settlement of Disputes.--The Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board agreements settling any claim, dispute, or litigation with a third party in the following amounts. The Vice Chancellor and General Counsel shall consult with the chief administrative officer and the appropriate Executive Vice Chancellor with regard to all significant settlements that will be paid out of institutional funds. The Vice Chancellor and General Counsel shall consult with the Office of Development and External Relations with respect to settlement of will contests and other matters relating to gifts and bequests administered by that Office.

<u>Amount</u>	<u>Additional Requirements</u>
\$150,000 or less	None
\$150,001 to \$300,000	Concurrence of the Chancellor or the appropriate Executive Vice Chancellor
\$300,001 to \$500,000	Concurrence of the Chairman of the Board
More than \$500,000	Concurrence of the Board of Regents, the Executive Committee, or the appropriate standing committee of the Board

w. Part Two, Chapter XII (Intellectual Property), Section 9; Subsection 9.1, regarding the approval of legal documents relating to rights in intellectual property, was amended to read as follows:

9.1 Sponsored research agreements, except as provided below, and license agreements, except trademark license agreements on a standard form, that grant to a third party an interest in intellectual property shall be approved by the Board on the institutional docket following review by the Office of General Counsel and approval by the chief administrative officer and the appropriate Executive Vice Chancellor. Agreements such as clinical trial agreements, pre-clinical laboratory studies, material transfer agreements, non-disclosure agreements, and trademark license agreements on a standard form that do not require the review of the Office of General Counsel may be executed and delivered in accordance with the provisions of the Regents' Rules and Regulations, Part Two, Chapter XI.

x. A new Chapter XIII to Part Two, relating to contracts and grants for sponsored research, was added to read as follows:

Chapter XIII

CONTRACTS AND GRANTS FOR SPONSORED RESEARCH

Sec. 1. Delegation of Authority.--Subject to Subsections 1.1 and 1.2 of this Section and to the general provisions of Part One, Chapter I, Section 9, the Board delegates to each chief administrative officer authority to execute and deliver on behalf of the Board contracts or grant proposals for sponsored research from or with third parties, including institutional support grants. Funds shall not be encumbered or expended prior to execution of the contract or grant by the chief administrative officer. The chief business officer or delegate must approve the business aspects of contracts or agreements prior to execution.

1.1 Intellectual Property.--Sponsored research agreements and license agreements shall be processed as required by Part Two, Chapter XII, Subsection 9.1 of these Rules and Regulations.

1.2 Foreign Contracts.--A contract for sponsored research from a foreign government or agency thereof or with an institution, enterprise, or individual subject to the jurisdiction of a foreign government shall be submitted to the Board for approval as an agenda item or via the institutional docket, as determined by the appropriate Executive Vice Chancellor.

Sec. 2. Budgets, Overhead Rates, and Specialized Rates.

- 2.1 Budget.--Expenditures under any contract or grant must conform to the detailed budget, if any, included in the proposal for such contract or grant, as such budget may be amended by authorized procedures.
- 2.2 Overhead Rates.--Proposals regarding overhead rates and specialized rates for fringe benefits, computers, services, and other facilities and equipment chargeable to cost-reimbursement contracts and grants shall be negotiated with the appropriate cognizant agency by the institution's chief business officer. The chief business officer shall send a copy of the final negotiated agreement to the Controller.
- 2.3 Renewals and Replacements.--To the extent that indirect cost recoveries from the application of overhead rates are derived from use charges for buildings, other improvements, or equipment, the funds so derived shall be designated for renewals or replacements of such buildings, improvements, or equipment or for other purposes specified and approved in the budget processes as related to the indirect cost recoveries.

For the record, the foregoing amendments contain substantive and minor editorial corrections as summarized below:

- a. Regents' Rules and Regulations, Part One, Chapter I (Board of Regents) -- Adds conditions generally applicable to the delegation of contracting authority, including a limitation specifying that delegated contracting authority applies only to consulting contracts with a value of less than \$250,000 and all other contracts with a value of less than \$500,000, except group purchases, the purchase of replacement equipment and routine supplies, and certain previously approved equipment purchases, for which no maximum contract value will apply; specifies that acquisitions must be made on a competitive basis unless otherwise authorized by law, U. T. System policy, or approved component policy; and amends the duties of the Executive Committee to allow the Executive Committee to approve contracts on behalf of the Board.
- b. Regents' Rules and Regulations, Part One, Chapter II (Administration) -- Updates the description of certain offices within the Office of Business Affairs and clarifies the duties of the Executive Vice Chancellor for Business Affairs; amends the duties of the Vice Chancellor and General Counsel as necessary to accomplish the delegation of authority; and specifies who the System Executive Officers are.
- c. Regents' Rules and Regulations, Part Two, Chapter I (General) -- Clarifies authority to accept, process, and administer gifts and bequests and delegates authority, subject to certain restrictions, to the chief administrative officer to make initial appointments to an endowed or named academic position.
- d. Regents' Rules and Regulations, Part Two, Chapter III (Receipt, Custody, and Disbursement of Moneys; Travel Authorization, Reimbursement, and Institutional Regulations) -- Clarifies contracting authority relating to depository agreements and banking services.
- e. Regents' Rules and Regulations, Part Two, Chapter IV (Purchasing) -- Deletes specific contracting authority previously assigned to the official purchasing agents of the components; deletes specific authority relating to space leases; and clarifies provisions relating to approval for purchase from or sale to an employee. The authority previously assigned to the official purchasing agents is now included in the more broad contracting authority delegated in Part Two, Chapter XI of the Regents' Rules and Regulations. Authority to enter into space leases is now included in Part Two, Chapter IX, Section 6, relating to the management and disposition of interests in real property.

- f. Regents' Rules and Regulations, Part Two, Chapter VIII (Physical Plant Improvements) -- Reorganizes the provisions of the Chapter; with regard to major construction projects, delegates to the Chancellor or his designee the authority to enter into contracts within parameters previously approved or authorized by the Board; incorporates certain provisions of the revised capital improvement process approved by the Board in December 1994; and delegates to the chief administrative officers, or designee, the authority to enter into contracts with regard to minor construction and repair and rehabilitation projects.
- g. Regents' Rules and Regulations, Part Two, Chapter IX (Matters Relating to Investments, Trusts, and Lands) -- Clarifies authority of the Office of Development and External Relations to accept, process, and administer certain assets received by gift or bequest and clarifies delegated authority relating to the management and disposition of real property interests owned or controlled by the Board.
- h. Regents' Rules and Regulations, Part Two, Chapter XI (Contract Administration) -- Delegates contracting authority generally to the chief administrative officers subject to specified conditions and restrictions; delegates contracting authority for System Administration and System-wide contracts to the Executive Vice Chancellor for Business Affairs; and delegates contracting authority relating to legal matters to the Vice Chancellor and General Counsel.
- i. Regents' Rules and Regulations, Part Two, Chapter XII (Intellectual Property) -- Clarifies the type of contracts to which Chapter XII applies and specifies certain types of intellectual property contracts and agreements that may be executed and delivered pursuant to the delegation of contracting authority in the Regents' Rules and Regulations, Part Two, Chapter XI.
- j. Regents' Rules and Regulations, Part Two, Chapter XIII (Contracts and Grants for Sponsored Research) -- Adds a new Chapter delegating authority to pursue grants and enter into contracts for sponsored research to the chief administrative officers. Provisions relating to contracts and grants for sponsored research previously found in Part Two, Chapter XI have been moved to this new Chapter.

Sec. 10. Income from Intellectual Property.

10.1 The portion of the net income the System retains from royalties and any other intellectual property-related income shall be used by the component institutions where the income-producing creation originated for research and other purposes approved by the Board in accordance with standard budgetary policies. At the option of a component institution, such income may be accumulated in an endowment fund ~~administered by the Office of Asset Management~~ with the income to be distributed to the component institution for such purposes as may be approved by the Board.

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10.2 With the prior written approval of the chief administrative officer of the component institution, future royalties payable to a faculty member pursuant to Subdivision 5.23 may be assigned to the component institution by the faculty member and designated for use in research to be conducted by such faculty member.

Sec. 11. Implementation of Intellectual Property Policy.--The Office of General Counsel shall prepare and distribute to the component institutions such model agreements and recommended procedures as may be considered appropriate for the implementation of the provisions of this policy as well as other policies and guidelines adopted by the Board.

Sec. 12. Construction of Documents.--Unless otherwise required by law or the Regents' Rules and Regulations, each intellectual property agreement approved hereunder shall be construed in accordance with the Intellectual Property Policy in existence as of its approval date.

Set use the "blue" version - a 3/27
afpd - figi
Tom Fike doesn't agree with this edit - said it should be 2 times or else edit or show in blue - what
Mc 3/27/96