

Meeting No. 1,044

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

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March 10, 2009

Austin, Texas

MEETING NO. 1,044

TUESDAY, MARCH 10, 2009.--The members of the Board of Regents of The University of Texas System convened this special called meeting at 10:35 a.m. on Tuesday, March 10, 2009, in the Board Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Caven, presiding
Vice Chairman Huffines
Regent Barnhill
Regent Dannenbaum
Regent Foster
Regent Gary
Regent Longoria
Regent McHugh
Regent Dower, Student Regent, nonvoting

Absent

Vice Chairman Rowling*

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Caven called the meeting to order.

WELCOME TO REGENTS-DESIGNATE.--Chairman Caven welcomed Regent-Designate R. Steven Hicks, Regent-Designate Wm. Eugene "Gene" Powell, and Regent-Designate Robert L. Stillwell as observers to the open session portion of the Board meeting.

1. U. T. System Board of Regents: Appointment of Regent Janiece Longoria as Regental member to the Board of Directors of The University of Texas Investment Management Company (UTIMCO)

In accordance with the requirements of the Regents' *Rules and Regulations*, Rule 10402, the Board approved Chairman Caven's appointment of Regent Janiece Longoria to replace Vice Chairman Rowling on The University of Texas Investment Management Company (UTIMCO) Board of Directors to serve a term ending April 1, 2011, or until her successor is chosen and qualifies, or until her earlier resignation or removal.

*Vice Chairman Rowling submitted his resignation from the Board of Regents on February 5, 2009.

Pursuant to *Texas Education Code* Section 66.08, the Board of Regents shall appoint the nine directors of UTIMCO. At least three members of the U. T. System Board of Regents and the Chancellor shall be appointed to the UTIMCO Board of Directors by the Chairman of the Board of Regents, by and with the consent of the Board of Regents.

The appointment of Regent Longoria was found to be consistent with State law and the provisions of the UTIMCO Code of Ethics. Vice Chairman Rowling served on the UTIMCO Board of Directors from February 2005 until February 2009.

2. U. T. System Board of Regents: Adoption of resolution regarding enhanced academic efficiency and productivity

On May 21, 2008, Governor Perry convened a meeting of members of the Boards of Regents of all public institutions of higher education in Texas to discuss seven proposed "breakthrough solutions" related to higher education. Two solutions, related to putting State funding directly in the hands of students and creating new accrediting alternatives, were reported as beyond the purview of the State's public institutions of higher education and were not the subject of this discussion. The remaining five solutions are summarized as follows:

Breakthrough solution 1 – Measure teaching efficiency and effectiveness and publicly recognize extraordinary teachers

Breakthrough solution 2 – Recognize and reward extraordinary teachers

Breakthrough solution 3 – Split research and teaching budgets to encourage excellence

Breakthrough solution 4 – Require evidence of teaching skill for tenure

Breakthrough solution 5 – Use "results-based" contracts with students to measure quality

During a subsequent smaller telephone meeting of invited Regents, each public university system was asked to provide a summary of what was currently being done related to the proposed solutions. The University of Texas System responded, as requested, with detailed statements concerning the five proposals.

Additional meetings of invited Regents and higher education officials were held in December 2008 and February 2009 to further discuss higher education reforms. On January 13, 2009, a document titled *Higher Education Reforms* was sent to U. T. System calling for actions within specific timeframes.

Executive Vice Chancellor Prior provided the remarks set forth on the following page concerning efforts of the U. T. System to enhance academic efficiency and productivity in relation to the proposed higher education reforms described as "breakthrough solutions."

Remarks by Executive Vice Chancellor Prior on Higher Education Reforms
A University of Texas System Perspective

As requested, this report will provide The University of Texas System perspective on the proposed higher education reforms that arose from the Governor's Higher Education Summit last May (2008), and that have been the subject of subsequent meetings.

I will also report on some of the ways in which the U. T. System continuously seeks excellence in teaching, research, and service in a context of transparency, accountability, rewards, and incentives, thus addressing the topics of the reforms.

I would like to begin by stating unequivocally that the U. T. System, with its 15 diverse institutions, strongly embraces change and innovation.

All across the System, our institutions are continuously innovating to provide the very best educational experiences for our students.

Not surprisingly, our new Chancellor's leadership vision is for us to "strive for continual improvement if we are to achieve preeminence." He says to build a "state-of-the-art 21st century university system" we must have as our base "a paradigm of creative renewal."

Throughout our System, such creative renewal builds on educational processes, practices, and policies that have been evolved thoughtfully and systematically, that have been rigorously tested, and that are found to be effective.

The Board is aware that a series of "breakthrough solutions" later defined as "Higher Education Reforms" have been brought forward by Governor Perry. As noted in the Agenda Book, two of the solutions are not relevant to this discussion, and the other five solutions are listed as follows:

1. Measure teaching efficiency and effectiveness and publicly recognize extraordinary teachers
2. Recognize and reward extraordinary teachers
3. Split research and teaching budgets to encourage excellence
4. Require evidence of teaching skill for tenure
5. Use "results-based" contracts with students to measure quality.

At the request of the Governor's Office, we provided a summary of what is currently being done related to those concepts, which included more than 40 statements about current activity related to:

- teaching effectiveness
- evaluation of teaching
- recognition of outstanding faculty
- our Accountability Report
- teaching and research budgets
- the importance of teaching and tenure
- the Voluntary System of Accountability (VSA)
- the Southern Association of Colleges and Schools (SACS) accreditation focus on learning outcomes.

The U. T. System views these issues to be very important but differs in detail with some of the solutions in the proposed reforms in favor of proven and successful System policies and practices. Subsequently, and again at the request of the Governor's Office, we provided another detailed description of existing policies and practices in response to questions regarding implementation of specific suggested reform actions. Our response indicated different approaches and methods to achieve the same objectives, and though the U. T. System response was not exactly as described in the breakthrough reforms, it was nevertheless a comprehensive statement. It addressed, for example:

- faculty roles and teaching load reporting
- the annual Accountability Report
- an ongoing study of faculty activities
- faculty evaluations
- the importance placed on teaching
- the new U. T. System Regents' teaching awards
- teaching and tenure based upon comprehensive assessments.

On January 13, 2009, a document titled *Higher Education Reforms* was received from staff in the Governor's Office as a directive calling for specific actions by Systems and institutions on specific timelines. This list of reforms and dates can be found in the document provided to you under the broad headings of transparency, accountability, and incentives and rewards. (Dr. Prior's handout is on Page 9.) The topic of transparency requires that students evaluate faculty performance for each course, and that faculty make course syllabi available in a timely manner. The topic of accountability includes making a wide range of information available to prospective and current students about individual faculty, courses, and degree programs. The topic of incentives and rewards calls for faculty teaching awards based solely on student evaluations. It has been made clear that implementation of these reforms is not optional, with actions taken and updates of progress to be provided to the Governor's Office.

Accordingly, the U. T. System Office of Academic Affairs has been carefully considering and analyzing each of the reforms to understand their purpose, predict benefits, and identify potential unintended consequences.

As a very positive step forward, a meeting was held with Governor's staff last week to seek further understanding of the reforms, clarification of their objectives, to understand whether present and planned U. T. System policies and practices comply, and to what extent further action is necessary.

As the Regents will know, transparency, incentives and rewards, and accountability have been, and continue to be, key focus areas for the U. T. System. The structured linkage between the System Strategic Plan, institutional strategic plans, annual institutional compacts, annual presidential work plans, and the System's annual Accountability Report, which addresses all levels of the System, is a model for others.

As such, it is possible to report some important areas of compliance with the *Higher Education Reforms* where we believe our practices may be superior to those proposed, and some areas that are the focus of our continuous improvement practice. In our discussions with the Governor's staff, it appeared that we had a general, shared understanding, and in many areas, agreement, certainly regarding the transparency and incentives and rewards themes.

Considering first the transparency theme:

- We are in compliance with the reforms as stated for both faculty evaluations and course syllabi.
- We already conduct student evaluations of faculty for each course. Examples of faculty evaluation forms have already been forwarded to

the Governor's Office. It should be noted that different institutional, disciplinary missions, and modes of instruction mean there are necessarily differences in evaluation details.

- We are examining the suitability of a structured approach in which some evaluation questions are common across the System and then supplemented by others that are more targeted.
- U. T. System institutions that presently do not make student evaluations of faculty available online are addressing this issue.
- We agree on the importance of syllabus information for students and each course syllabus will be posted on the departmental or faculty Web site by the registration period for the semester in which the course will be taught.
- As part of our continuous improvement practice, we are currently engaged in an ongoing, comprehensive study of faculty activity. With the support of the U. T. System Faculty Advisory Council (FAC), the study will include a review of teaching, research, and service roles; System policies on teaching; teaching data for each institution and discipline; and research productivity.

Considering next the incentives and rewards theme:

- We have in place at each institution an annual faculty evaluation process in which teaching is one of several criteria. Each institution also gives awards that recognize excellence in teaching, based both on student and peer input.
- We have designed and introduced an entirely new system of teaching awards, following the Governor's first Summit last May. As you know, this Board has created and funded the Regents' Outstanding Teachers Awards with an extremely rigorous and objective selection process. The successful candidates must have clearly demonstrated their commitment to teaching, a sustained capability to deliver excellence to the undergraduate learning experience, sustained high performance in student exit (end-of-course) evaluations for more than one undergraduate degree course, evidence of high evaluation scores and trends, absence of grade inflation patterns, and positive written comments.
- We believe these awards, involving a total commitment by this System of \$10 million over the next five years, are among the most positive incentives to high-quality teaching in the nation.
- We believe that the selection process is very rigorous, comprehensive, and involves complementary factors such as student evaluations, peer review, and external reviews and is a much more reliable measure of teaching excellence than one based solely on student evaluations.

Finally, considering the accountability theme, it became clear in discussion with the Governor's staff that there remain opportunities for further clarification of objectives and the institutional actions that would be considered to be compliant. For example, one objective clearly described by the Governor's staff is the provision of information that will assist prospective students and families in their choice of institutions and degree programs. On the other hand, contrary to the original document, it was made clear that comparison of individual faculty was not an objective.

- We believe our annual Accountability Report contains a wealth of information, which describes activities and outcomes at both the System and institutional levels.
- We further believe our System's participation in the national Voluntary System of Accountability (VSA) addresses the key objective of providing a wide range of summary information in an attractive, easily accessible format to a wide variety of constituencies. This is done via a Web-based template where each institution provides data regarding several key topics, including institutional profile data, student success, student satisfaction, student learning outcomes, a college cost calculator, links to specific schools, colleges or degree programs, and other information prospective students may want to know about a particular institution.
- As a System, we are in various stages of implementation of the VSA, but we believe we are far ahead of others in the State. An important near-term goal is complete implementation by all System institutions.
- We believe that an important area of continuous improvement will be greater continuity of institutional and degree program information through Web sites, providing more local detail and complementing the VSA format.

In summary, the Board should know that we share the objectives of the *Higher Education Reforms* and are generally compliant with the spirit of many of them, but in many areas we are using approaches that we consider to be superior. At the very least, they are consistent with strongly held U. T. System principles and values that are successful in the pursuit of academic excellence. Very simply, we do not believe one size fits all. Some details of the reforms suggest fundamental differences about the way higher education should be organized and managed, especially with regard to the role of the faculty.

Moreover, there are widely and nationally accepted best practices and standards that we aim to exceed. Our reputation depends upon it. At the same time, you will know that we never reject change out-of-hand, and embrace continuous innovation linked closely to accountability.

We welcome the attention being drawn by the Governor's Office to various opportunities for improvement within the themes of transparency, accountability, and incentives and rewards.

Such issues are of critical importance to all public institutions and we will continue to assess the efficacy of our existing policies and practices.

Finally, let me reaffirm our commitment to creativity and innovation for educational excellence so that we serve the very best interests of generations of young Texans who seek opportunity through higher education.

HIGHER EDUCATION REFORMS
Actions at the Institutional or System Level

TRANSPARENCY

- I. Faculty Evaluations (Implement in the 2009 Spring Semester)
 - a. Institutions will conduct student evaluations of faculty for each course.
 - b. Evaluations will be tied to the faculty member (whether tenure/tenure track, lecturer, adjunct or graduate student) who is actually teaching the class, regardless of the instructor of record.
- II. Course Syllabus
 - a. Each course syllabus must be posted on the departmental or faculty web site by the registration period for the semester in which the course will be taught. (Must be available before spring registration for the 2009 Fall Semester)
 - b. On the first day of class, students must receive a course syllabus which contains all necessary elements of the course. (Immediate)

ACCOUNTABILITY

- III. Data Accessibility (No later than May 1, 2009)
 - a. On the departmental web site, institutions will incorporate three years' of information on each faculty member individually regarding the following:
 1. Salary and Benefit costs by academic year
 2. Number of students taught by academic year
 3. Average student evaluations scores by course
 4. Average percentage of A's and B's awarded by Class
 5. Articles published in National Peer Reviewed Journals by year
 6. Amount of Externally Funded research by year
 - b. Average SAT/ACT Scores and High School GPA for Graduates from each Degree program
 1. Average GRE/GMAT/MCAT/MDAT etc. for graduates from programs.
 2. Placement rates of graduates from Departmental program
 3. Starting salary for graduates from Departmental programs
- IV. Tenure Decisions (No later than June 1, 2009)
 - a. All tenure considerations must include a minimum average student evaluation score over a three-year period.
 - b. The Board of Regents will establish the minimum average score by college within each institution, after receiving recommendations from the institution(s).

INCENTIVES AND REWARDS (Plan designed by June 1, 2009, Implemented for 2009-2010 year)

- V. Teaching Excellence Awards
 - a. Institutions will provide financial rewards to at least the top 15% of teachers in our institutions based solely upon student evaluations.
 - b. All faculty; whether tenure/tenure track, lecturer, adjunct, or graduate student; are eligible.
 1. Participation in the program is voluntary.
 2. Only teachers who are teaching the class a minimum of 80% of the time are eligible.
 3. Only classes which have a minimum of 15 undergraduate students or 10 graduate students are eligible.
 4. The size of the reward should reflect the number of students in the course.

Noting the Board's commitment five years ago to transparency and accountability, and referencing the annual U. T. System Accountability and Performance Report, Vice Chairman Huffines remarked that the U. T. System leads the state, and probably the country, in transparency and accountability. Regent Dower asked about the Regents' Outstanding Teachers Awards with regard to how professors avoid the temptation to inflate grades to gain a favorable teaching evaluation from students and Dr. Prior responded that faculty in the U. T. System are not in the grade-inflating business, but there are checks and balances in place to detect such behavior. Also in reference to the Board-approved teaching awards, Vice Chairman Huffines asked if any other public university system in the state provides such awards without appropriations or taxpayer dollars and Dr. Prior responded there is not.

Regent Barnhill asked about the role of students in tenure decisions and Dr. Prior replied that award of tenure depends on a six-year probationary period during which time student evaluations of professors is one factor used to track teaching trends and patterns in teaching. In addressing a question from Regent Foster, Dr. Prior said while student evaluations of faculty are important, relying solely on such evaluations might not permit reaching the right conclusions.

In reply to a question from Chancellor Cigarroa concerning teaching excellence awards, Dr. Prior explained the composition of the external review committee, which will include two Regents, outside reviewers such as the President of The Academy of Medicine, Engineering and Science of Texas (TAMEST), and internal reviewers such as a Dean, faculty representatives, and two students.

Regent Gary asked about the feedback received from the Governor's Office to the U. T. System response to the Governor's higher education reforms and Dr. Prior commented the U. T. System is compliant in the area of transparency. He said a positive, initial response has been received on the matter of relying on comprehensive, not solely on student, evaluations to reward teaching excellence awards. Executive Vice Chancellor Prior said there are other areas of accountability to explore and conversations to continue with the Governor's Office to accomplish specific objectives.

Vice Chairman Huffines then moved that the Board adopt the following resolution. The motion was seconded and carried unanimously.

Resolution

Whereas, The University of Texas System Board of Regents is deeply committed to transparency and accountability and supports efforts to achieve enhanced efficiency and productivity related to academic performance;

Whereas, The U. T. System Board of Regents has supported important innovations in education and academic performance, including efforts to recognize and acknowledge outstanding contributions in these areas;

Whereas, The Board of Regents appreciates the efforts of Governor Perry to spark a broader discussion within Texas higher education of transparency, accountability, efficiency, and productivity through the introduction of the "Seven Breakthrough Solutions or Reforms for Higher Education" proposed by the Governor's Office; and

Whereas, The U. T. System institutions have made and continue to make significant progress toward even greater accountability.

Therefore, Be It Resolved, That the Board of Regents understands that a dialogue has begun between the Office of Academic Affairs and the Governor's Office with regard to the Higher Education Reforms and the actions that U. T. System may take going forward. The Board authorizes Dr. Prior to continue such discussions, which may result in the design and implementation of actions related to the Reforms that are consistent with U. T. System's mission of academic excellence.

3. U. T. Medical Branch – Galveston: Adoption of resolution on issues related to strategic direction for the clinical enterprise

On February 12, 2009, Chairman Caven announced that Vice Chairman Huffines, Regent Longoria, and Regent McHugh would serve on a Board Task Force related to the review of clinical operations and recommendations on redevelopment and strategic direction for The University of Texas Medical Branch at Galveston (UTMB). Later, Regent Foster also agreed to serve on the Task Force on UTMB Clinical Operations. Chairman Caven had appointed Regent McHugh to chair the Task Force, which would meet in Galveston on February 20, 2009, to hear public comments on the strategic direction for UTMB, prior to further discussion and action at a special called Board meeting on March 10, 2009.

Also on February 12, 2009, the Board heard a report from Kurt Salmon Associates (KSA), a leading national healthcare consulting group, engaged to review the impact of Hurricane Ike on the clinical operations of UTMB and to make recommendations on how best to redevelop this aspect of the institution.

To provide background for the Board's discussion of this critical issue, Chairman Caven called on Executive Vice Chancellor Shine to provide background on UTMB's clinical operations and the impact of Hurricane

Ike. Dr. Shine noted that 128 years ago, voters in Texas approved the establishment of a medical branch of the U. T. System on Galveston Island. He spoke about the leadership and preeminence of the institution in education, research, and patient care and about the significant contributions of The Sealy & Smith Foundation, which is dedicated to improving health on the Island. Dr. Shine also provided an overview on the finances of UTMB, noting contributions of general revenues from the State and describing the complex federal reimbursement process to the hospital through Medicare Disproportionate Share Hospital (DSH) payment, upper payment limits (UPL), and Medicaid. Dr. Shine described the risks and losses incurred by Hurricane Ike, including the reduction in force (RIF), the reestablishment of the teaching and research functions of the institution, and the reopening of the John Sealy Hospital. Executive Vice Chancellor Shine said Speaker Pro Tempore and State Representative Craig Eiland's proposal to restore hospital beds on the Island involved participation from President Callender and deserves merit.

He then addressed the losses from Hurricane Ike. Overall losses, including mitigation costs, were approximately \$667 million, \$60 million of which is covered by U. T. System insurance. The Federal Emergency Management Agency (FEMA) will pay about 75 percent of the remaining \$600 million and the balance of approximately \$150 million is being requested from the State of Texas. Dr. Shine spoke about the business interruption losses of approximately \$169 million that will be covered in part by insurance proceeds and said that excluding depreciation, the actual cost is approximately \$54.5 million. He then outlined assumptions to the resolution that would be read later in the meeting by Chancellor Cigarroa (see Pages 15 - 17) for a viable, long-term plan for UTMB.

Chairman Caven asked President Callender to comment on UTMB's current clinical enterprise and following his remarks, Dr. Callender said he joins Dr. Shine in recommending a plan that reestablishes the inpatient capacity on Galveston Island as the best course of action for moving forward. In reply to a question from Vice Chairman Huffines, Dr. Callender said that medical education is the founding mission of the institution and he explained the status of medical education on the Island. Regent McHugh asked President Callender to explain the focus on the clinical enterprise and said the clinical enterprise supports the academic and research enterprise. Dr. Callender explained that restoration of access to 550 hospital beds is needed to provide an adequate educational experience for UTMB students and residents and he asked members of the Board for their help to create a plan that provides access to that number of beds in the next couple of years. He noted the need to work closely with the Legislature if that is what the Board directs.

Regent Barnhill asked about the Level 1 trauma center and Dr. Callender defined the levels of service for trauma centers and said the institution wants to restore service over the course of time. Regent Dannenbaum asked about the long-range financial plan with regard to indigent care patients and

President Callender answered that while the surrounding counties are collaborating in indigent care, their responsibilities are limited by law. Dr. Callender stated that approximately two-thirds of unsponsored patients come from outside Galveston County.

Regent Longoria asked if indigent patients are being admitted to the hospital and Dr. Callender responded they are not routinely admitted because there is not a funding stream to support that care. Dr. Callender spoke about the payor mix in the county and said the ambulatory clinic at Victory Lakes offers a place to establish specialty clinics, with a full complement of services to patients on the mainland. Regent Dannenbaum noted the facilities at Victory Lakes are out of the flood area and Dr. Callender said the base elevation and platform for new buildings are adequate to accommodate a high surge level.

In response to a question from Regent Foster, Dr. Callender said the institution is working to get back to 110 Texas Department of Criminal Justice (TDCJ) beds available per day and funding is negotiated with TDCJ and the Legislature. Vice Chairman Huffines asked if the Legislature will adequately fund this and Dr. Callender said TDCJ understands what is needed and he is hopeful that negotiations will be successful.

In reply to a question from Regent Barnhill, President Callender said the TeleMedicine program is ongoing and he explained that in the program, knowledge is centrally-based without having to station high-cost personnel to individual sites.

Chairman Caven then called on Regent McHugh and other members of the Task Force on UTMB Clinical Operations to report on the February 20, 2009, meeting in Galveston, the public comments received, and their individual thoughts and reaction to the issues.

Regent McHugh reported that over 500 people attended the meeting and said comments were heard from about 50 people, with more comments received in writing. She summarized the comments as thoughtful and said the members of the Task Force listened. Regent McHugh recognized the leadership of Senator Jackson, Speaker Pro Tempore Eiland, Galveston County Judge Yarbrough, and Galveston Mayor Thomas who attended the meeting in Galveston. Vice Chairman Huffines, Regent Foster, and Regent Longoria also provided comments.

Chairman Caven thanked the Task Force members for their work, their individual review of the issues, and their comments and he said the formal work of the Task Force is concluded, setting the stage for consideration by the full Board of Regents.

Chairman Caven then called on Chancellor Cigarroa concerning his observations and recommendations to assist in the Board's discussion of the issues.

Remarks by Chancellor Cigarroa

I have had the opportunity to visit UTMB on two occasions since beginning my role as Chancellor of The University of Texas System. In my first week, I visited UTMB so that I could see first-hand the devastation caused by Hurricane Ike to our University as well as to the Galveston community, and to meet with President Callender, faculty, staff, students, residents, community leaders, and elected officials. I walked through the first two floors of John Sealy Hospital and I saw where the hospital was inundated with water causing a shutdown of operations because the pharmacy, blood bank, kitchen, and other core units could no longer function. One could still feel the valor and heroism of the UTMB employees as they worked in the midst of Hurricane Ike through the harshest of conditions to save lives in the absence of electricity, plumbing, or fresh air.

A common theme surfaced as I visited with the UTMB community. This theme centered on a profound loyalty and commitment to the mission of UTMB towards the education of health professionals, biomedical research, and clinical care. I also had an opportunity to see the need for renovations of the hospital irrespective of Hurricane Ike, and the dire need to mitigate against future storms.

My second visit to UTMB was to attend the public meeting with the Regental Task Force, U. T. System leadership, and the Galveston community.

During the past month, I have also had an opportunity to review the KSA report that outlined several models related to the clinical operations of UTMB. These models looked strictly at clinical operations and the financial projections were based solely on clinical revenues and expenditures, not including extramural support. All of these models projected significant financial losses and thus underscored the need for local, state, federal, and philanthropic extramural support to sustain the important mission of UTMB into the future.

The Office of Health Affairs asked Dr. Scott Kelley to look at the entire financial portfolio of UTMB to assess what additional financial support would be required to make UTMB into an institution of the first class once again, consistent with its mission of education, research, and clinical care.

Chancellor Cigarroa called on Executive Vice Chancellor Kelley to provide financial information and projections before making a recommendation for consideration by the Board. (Dr. Kelley's [PowerPoint presentation](#) and [handouts](#) on the cash flow forecast are on file in the Office of the Board of Regents.)

Vice Chairman Huffines stressed the importance of a partnership with the Legislature to adequately fund the proposed plan and Board members further discussed matters related to the financial proposal outlined by Dr. Kelley.

Chancellor Cigarroa recommended the following Resolution for consideration by the Board:

RESOLUTION

Whereas, The Board of Regents of The University of Texas System is unequivocally committed to a strong and vibrant future for UTMB;

Whereas, The Task Force established by the U. T. System Board of Regents to hear public comments on clinical operations at UTMB was deeply impressed by the broad-based and profound commitment of the UTMB community and its local and state elected leadership to the future of UTMB;

Whereas, The Board of Regents of the U. T. System recognizes and deeply appreciates the remarkable philanthropic support provided to UTMB, which will continue to be essential to its future success;

Whereas, UTMB has not benefitted from federal funds generated from disproportionate share hospital and upper payment limit programs in the past;

Whereas, State support over the past several biennia has been inadequate to sustain the financial integrity of UTMB in the face of healthcare inflation and the rapidly increasing volume and cost of providing unsponsored care;

Whereas, The Board of Regents of the U. T. System recognizes the extraordinary efforts of Dr. Callender and his staff to implement and maintain cost control measures in an effort to preserve UTMB's long-term future;

Whereas, The Board of Regents of the U. T. System must assure that plans for future clinical operations of UTMB indicate that sufficient capital, operating revenues, and reserves will be available to maintain the ongoing financial viability of the institution;

Whereas, A long-term comprehensive clinical plan is required to assure an adequate patient population to support the educational and research missions of UTMB; and

Whereas, Working with the U. T. System Administration, Dr. Callender and his staff have considered a range of alternative structural and physical configurations for UTMB.

Therefore, Be It Resolved, That:

- (1) The U. T. System will continue to work diligently with leadership at UTMB and with local, state, and federal officials to develop a financially viable healthcare delivery system for UTMB based on a robust and complete business plan, including continued cost containment and personnel management measures.
- (2) The Board of Regents of the U. T. System supports President Callender's recommendation to proceed with renovations and mitigation of the John Sealy Hospital to provide approximately 220 inpatient beds and a trauma center, and instructs U. T. System to work with UTMB management to plan for such renovations and mitigation, contingent on:
 - (a) restoration of the unfunded business interruption losses of UTMB resulting from Hurricane Ike, the availability and commitment of adequate funding from FEMA reimbursement, The Sealy & Smith Foundation, the State match for FEMA funds, and additional State capital support; and
 - (b) the availability and commitment of an adequate, well-defined, and reliable revenue stream to support the ongoing operations of the John Sealy Hospital, which may include a combination of general revenue, disproportionate share hospital, upper payment limit, indigent care, and/or formula funding, and the resolution of any legal impediments to the commitment of funds and resources.
- (3) President Callender, in collaboration with the U. T. System and in furtherance of UTMB's long-term viability, will develop a business plan for a new hospital tower with a modern emergency room, supporting facilities, and approximately 220 inpatient beds, contingent on:
 - (a) the availability and commitment of adequate funding from the State and The Sealy & Smith Foundation to support capital requirements for construction of the hospital tower;

- (b) the availability and commitment of an adequate, well-defined, and reliable revenue stream to support the ongoing operations of the hospital tower, which may include a combination of general revenue, disproportionate share hospital, upper payment limit, indigent care, and/or formula funding, and the resolution of any legal impediments to the commitment of funds and resources;
 - (c) the availability and commitment of adequate funding from a local hospital district and/or other local sources; and
 - (d) adequate debt capacity for UTMB to access supportable funding from U. T. System revenue financing system debt.
- (4) President Callender, in collaboration with the U. T. System, should continue to apply available and eligible FEMA dollars, along with additional State capital support, to the restoration of the remaining storm-damaged structures at UTMB.

Regent McHugh moved approval of the Resolution, which was seconded by Regents Gary and Longoria, and carried unanimously.

With a number of members of the news media present, Chairman Caven said the message to the public is that this Board is deeply committed to rebuilding on the Island but the decision is not the Board's alone. He said the decision is heavily contingent on needed funding from the Texas Legislature, the City of Galveston, Galveston County, Southeast Texas, and the federal government to be implemented. Chairman Caven said the U. T. System cannot continue without having the additional funding provided by other extramural sources to realize the vision and future of UTMB.

REMARKS BY VICE CHAIRMAN HUFFINES REGARDING FOOTBALL PLAYOFF SERIES AND TUITION.--Indicating that a playoff could generate revenue, Vice Chairman Huffines asked Executive Vice Chancellor Prior and University of Texas at Austin President Powers to provide a summary at a future Board meeting on the potential of a football playoff series as part of the Bowl Championship Series (BCS).

On the matter of tuition, Vice Chairman Huffines noted and expressed disappointment that other universities are setting tuition rates higher for the coming year than the rates for The University of Texas System institutions, which are capped at approximately a 4.95 percent increase.

On March 26, 2008, the Board of Regents approved tuition and fee charges for the U. T. System academic institutions effective for Fall 2008 and Fall 2009 and

for the health institutions effective for Academic and Fiscal Years 2008-2009 and 2009-2010. Tuition and fee charges for the U. T. System nursing schools effective for Fall 2008 were also approved at that time, and Fall 2009 rates were approved on February 12, 2009.

RECESS TO EXECUTIVE SESSION.--At 1:15 p.m., Chairman Caven announced the Board would recess to convene in Executive Session pursuant to *Texas Government Code* Sections 551.071 and 551.074 to consider those matters listed on the Executive Session agenda. It was necessary to conduct this special meeting because discussion of the agenda matters was of sufficient urgency to be considered prior to the next regularly scheduled meeting of the Board.

RECONVENE IN OPEN SESSION.--At 1:25 p.m., the Board reconvened in open session. No action was taken on matters discussed in Executive Session.

1. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees

No discussion was held on this item.

- 2a. U. T. System: Discussion of pending legal issues

No discussion was held on this item.

- 2b. U. T. System Board of Regents/U. T. Medical Branch – Galveston: Discussion of lawsuit titled Sandor, Puccetti, Lecornu, the Texas Faculty Association vs. The University of Texas System et al.

No action was taken on this item.

SCHEDULED MEETING.--The next regularly scheduled meeting will be held on May 13-14, 2009, in Austin, Texas.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 1:26 p.m.

/s/ Carol A. Felkel
Assistant Secretary to the Board of Regents

April 30, 2009