SCHEDULE OF EVENTS
FOR
BOARD OF REGENTS' MEETING

February 11-12, 2015
Austin, Texas

Wednesday, February 11, 2015

Audit, Compliance, and Management Review Committee	*9:00 a.m.*
Joint Audit and Finance Committees	*9:45 a.m.*
Finance and Planning Committee	*10:15 a.m.*
Technology Transfer and Research Committee	*11:00 a.m.*
Lunch	*12:00 p.m.*
Academic Affairs Committee	*12:30 p.m.*
Health Affairs Committee	*1:30 p.m.*
Facilities Planning and Construction Committee	*2:30 p.m.*
Recess	*3:30 p.m.*

Thursday, February 12, 2015

Meeting of the Board - Open Session	*8:30 a.m.*
Recess to Executive Session and Working Lunch	*10:00 a.m.*
Meeting of the Board - Open Session	*2:15 p.m. approximately*
Adjourn	*2:30 p.m. approximately*

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

February 11-12, 2015
Austin, Texas

		Page
February 11, 2015		
COMMITTEE MEETINGS	*9:00 a.m. - 3:30 p.m.*	
RECESS	*3:30 p.m.*	
February 12, 2015		
CONVENE THE BOARD IN OPEN SESSION	*8:30 a.m.*	
WELCOME TO CHANCELLOR MCRAVEN AND CHANCELLOR'S REMARKS	*Chancellor McRaven*	
CONSIDER AGENDA ITEMS	*9:00 a.m.*	
1. **U. T. System Board of Regents: Approval of Consent Agenda items and referral of any items to the full Board or to Committee**	*9:00 a.m.* **Action**	**6**
2. **U. T. System Board of Regents: Proposed appointment to the Board of Directors of The University of Texas Investment Management Company (UTIMCO)**	*9:10 a.m.* **Action**	**7**
3. **U. T. System Board of Regents: Discussion and appropriate action regarding amendment of Regents' *Rules and Regulations*, Rule 30104 to clarify current requirements and definitions related to Conflict of Interest, Conflict of Commitment, and Outside Activities**	*9:15 a.m.* **Action**	**8**
4. **U. T. System Board of Regents: Approval of proposed new Regents' *Rules and Regulations*, Rule 50801, regarding Student Learning Assessment and Outcomes**	*9:20 a.m.* **Action**	**12**
5. **U. T. System Board of Regents: Amendment to the Regents' *Rules and Regulations*, Rule 70101 (Authority to Accept and Manage Assets), Section 11, regarding authority to sell securities received as gifts and/or bequests**	*9:25 a.m.* **Action**	**17**
6. **U. T. System Board of Regents: Delegation of authority to the Chancellor to approve certain contracts for U. T. Rio Grande Valley**	*9:30 a.m.* **Action**	**18**
7. **U. T. System: Report on development performance for the U. T. System institutions**	*9:35 a.m.* **Report** *Dr. Safady*	**19**
STANDING COMMITTEE RECOMMENDATIONS AND REPORTS TO THE BOARD	*9:50 a.m.*	
RECOGNITION OF RETIRING REGENTS		

RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551 (working lunch at noon) *10:00 a.m.*

1. Deliberation Regarding Security Devices or Security Audits – Section 551.076

   U. T. System Board of Regents: Discussion and appropriate action regarding safety and security issues, including security audits and the deployment of security personnel and devices

   Dr. Kelley
   Director Heidingsfield
   Chief David Carter, U. T. Austin

2. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072

   a. U. T. Austin: Discussion and appropriate action to modify the prior authorization for transactions for the master development, ground leasing, and related partial sales pertaining to approximately 109 acres and improvements located at the southwest corner of West Braker Lane and North MoPac Expressway, Austin, Travis County, Texas, to Hines Interests Limited Partnership, or a related entity, for commercial development purposes

   b. U. T. Austin: Discussion and appropriate action to enter into an academic affiliation agreement with the Texas State Historical Association (TSHA) and to lease approximately 7,500 square feet of office and storage space located at a) 3001 Lake Austin Boulevard, b) Walter Webb Hall on the institution's main campus, and c) the West Pickle Research Center, all in Austin, Travis County, Texas, to TSHA to support the institution's teaching, research, and publication opportunities regarding Texas history; and finding of public purpose

   c. U. T. Dallas: Discussion and appropriate action regarding authorization to lease approximately 4.2 acres of vacant land located at the northeast corner of Waterview Parkway and Synergy Park Boulevard in Richardson, Collin County, Texas, to the Richardson Chamber of Commerce, and/or assigns, for a term of 40 years plus construction time for the construction and operation of an office and event facility building with related parking facilities, and authorization to lease a portion of the space in the to-be-constructed building for general office and event use by U. T. Dallas

3. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071

   a. U. T. System Board of Regents: Discussion with Counsel on pending legal issues

   b. U. T. Brownsville: Discussion and appropriate action regarding legal issues related to pending litigation (*Saenz, et al. v. City of Brownsville, et al.)*

   c. U. T. System Board of Regents: Discussion and appropriate action regarding legal issues related to the Office of the Attorney General's investigation and report on the relationship between the U. T. Austin School of Law and the Law School Foundation and related to compensation and benefits for employees of the Law School

d. U. T. System Board of Regents: Discussion and appropriate action regarding legal issues related to independent investigation of admissions practices at U. T. Austin by Kroll Associates

e. U. T. System Board of Regents: Discussion and appropriate action regarding legal issues related to settlements involving resignation from tenured positions

f. U. T. System Board of Regents: Discussion and appropriate action regarding legal issues related to the Board's statutory responsibility to take all actions necessary to provide for an orderly completion of the affairs of U. T. Brownsville and U. T. Pan American

g. U. T. System Board of Regents: Discussion and appropriate action regarding legal issues related to eVerify system

h. U. T. System Board of Regents: Discussion and appropriate action regarding legal issues related to confidentiality of executive session and legal compliance

4. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073

a. U. T. Austin: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

b. U. T. Pan American: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

c. U. T. San Antonio: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

5. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074

a. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of U. T. System and institutional employees including employees covered by Regents' *Rules and Regulations*, Rule 20204, regarding compensation for highly compensated employees, and Rule 20203, regarding compensation for key executives

b. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees and related personnel aspects of the operating budget for Fiscal Year 2015

c. U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding proposed increases in compensation for Thomas Buchholtz, M.D., Executive Vice President and Physician-in-Chief, and Ethan Dmitrovsky, M.D., Provost and Executive Vice President (Regents' *Rules and Regulations*, Rule 20204, regarding compensation for highly compensated employees)

d. U. T. Austin: Discussion and appropriate action concerning individual personnel matters related to the appointment of a president, including discussion of individual candidates to be invited to interview

RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS	*2:15 p.m. approximately*
ADJOURN	*2:30 p.m. approximately*

1. U. T. System Board of Regents: Approval of Consent Agenda items and referral of any items to the full Board or to Committee

RECOMMENDATION

The Board will be asked to approve the Consent Agenda items located at the back of the book under the Consent Agenda tab.

2. U. T. System Board of Regents: Proposed appointment to the Board of Directors of The University of Texas Investment Management Company (UTIMCO)

RECOMMENDATION

Chairman Paul Foster recommends the appointment of Chancellor William H. McRaven to The University of Texas Investment Management Company (UTIMCO) Board of Directors.

BACKGROUND INFORMATION

Texas Education Code Section 66.08 and Regents' *Rules and Regulations*, Rule 10402, Section 4 require that the U. T. System Board of Regents appoint seven members to the UTIMCO Board of Directors. Three of the seven must be members of the Board of Regents, three must have a substantial background and expertise in investments, and one must be a qualified individual as determined by the Board, which may include the Chancellor of the U. T. System. Two additional members are appointed by The Texas A&M University System Board of Regents.

The approved UTIMCO Bylaws allow the Chancellor of the U. T. System to serve as a Director so long as he or she remains Chancellor. The Bylaws also allow the Chancellor to serve as Vice Chairman for Policy.

Chancellor McRaven is recommended to replace Chancellor Cigarroa, who served on the UTIMCO Board of Directors and as Vice Chairman for Policy from February 2, 2009, until his resignation as Chancellor effective January 4, 2015.

3. U. T. System: Discussion and appropriate action regarding amendment of Regents' *Rules and Regulations*, Rule 30104 to clarify current requirements and definitions related to Conflict of Interest, Conflict of Commitment, and Outside Activities

RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor and General Counsel and the General Counsel to the Board that Regents' *Rules and Regulations*, Rule 30104, regarding Conflict of Interest, Conflict of Commitment, and Outside Activities, be amended to clarify certain existing requirements and definitions as set forth in congressional style on the following pages.

BACKGROUND INFORMATION

Regents' Rules 30103 and 30104 related to Standards of Conduct and Conflict of Interest were amended on July 11, 2012, to implement new policies concerning conflicts and outside activities and to require the creation of a database to aid in the prevention of conflicts and the management of potential conflicts. Following the work of a panel of individuals across the U. T. System, the implementing policy, U. T. Systemwide Policy UTS180, was amended to reflect the changes in the Regents' Rules.

The proposed changes are recommended to bring the language of the U. T. Systemwide Policy and the Regents' Rule into alignment and to clarify the existing requirements. Following one year's experience with the Rule and Policy, a review of UTS180 is anticipated. Any changes to the Policy will be circulated to the institutions for review prior to implementation.

The University of Texas System
Rules and Regulations of the Board of Regents **Rule: 30104**

1. Title

Conflict of Interest, Conflict of Commitment, and Outside Activities

2. Rule and Regulation

Sec. 1 Primary Responsibility. The primary responsibility of employees of the U. T. System Administration and each of the U. T. institutions is the accomplishment of the duties and responsibilities assigned to one's position of appointment.

Sec. 2 Outside Work or Activity. Employees may engage in work or activity with outside entities and individuals, including governmental agencies, industry, or other educational institutions so long as such work or activity complies, as applicable, with the approval and disclosure requirements of Section 5 below and does not violate State laws or U. T. System Administration or U. T. institution rules or policies governing the conduct of employees, including ethics standards and provisions prohibiting conflicts of interest, conflicts of commitment, and the use of State resources.

Sec. 3 Unmanaged Conflicts of Interest Prohibited. U. T. System Administration and U. T. institution employees may not have a direct or indirect interest, including financial and other interests, or engage in a business transaction or professional activity, or incur any obligation of any nature that is in substantial conflict with the proper discharge of the employee's duties in the public interest.

Sec. 4 Conflicts of Commitment Prohibited. Activities on behalf of outside entities or individuals must not interfere with a U. T. System Administration or U. T. institution employee's fulfillment of his/her duties and responsibilities to the University. Such conflicts of commitment may arise regardless of the location of these activities (on or off campus), the type of outside entity (individual, for-profit, not-for-profit, or government), or the level of compensation (compensated or unpaid).

Sec. 5 Approval and Disclosure Requirements. U. T. System Administration and each institution shall adopt policies that clearly delineate the nature and amount of permissible outside work or activities. The policies shall include provisions to prevent, identify, and ~~resolve~~ manage conflicts of interest and conflicts of commitment and shall include specific processes for disclosing such work or outside activities, as well as the procedures for obtaining and documenting institutional approval to carry out such engagements, consistent with this Rule.

5.1 Approval Required for Compensated Outside Work or Activity and for Outside Board Service. No full-time member of the faculty or administrative and professional staff employed by the U. T. System or any of the institutions on a 12-month or nine-month basis shall be employed in any outside work or activity or receive from an outside source any compensation, or serve on an outside board until a description of the nature and extent of the employment or activity and the range of any compensation has been timely filed with and approved by the president of the institution, or his or her designee(s), or by the Chancellor or his or her designee(s) for U. T. System Administration employees, as set forth in the policies of the U. T. System or the *Handbook of Operating Procedures* of each institution. Filings and approvals for the presidents will be made to the appropriate Executive Vice Chancellor. Filings and approvals for the Chancellor, the General Counsel to the Board, and the Chief Audit Executive will be made to the Chairman of the Board.

5.2 Additional Financial Disclosures. All officers and employees shall, in a timely manner, furnish such additional written financial disclosures as may be required by State or federal authorities or by U. T. System Administration or institutional authorities.

5.3 Electronic Database. Disclosure of outside activity, documentation of requests for approval, and subsequent approvals required under Section 5.1, above, shall be maintained in an electronic database, following guidelines provided by U. T. System Administration.

~~5.4 Effective Date. U. T. System Administration and each institution shall have approved policies implementing the provisions of Section 5 in place no later than January 15, 2013.~~

Sec. 6 Free Advice. Even in the case of employees specifically engaged only in residence work, there exists an obligation, usually intermittent, to furnish expert knowledge and counsel for public benefit free of charge, provided that the meeting of this obligation by an employee does not interfere with his or her regular duties, and provided further that in meeting this obligation an employee shall avoid undue competition with legitimate private agencies.

Sec. 7 Separation of Activities. If a U. T. System Administration or U. T. institution employee ~~works in a private capacity~~ engages in any outside activity, the employee must make it clear to those who employ him or her that the work is unofficial and that the name of the U. T. System or any of the institutions is not in any way to be connected with the employee's name, except when used to identify the member as the author of work related to the employee's academic or research area as more fully described in Rule 90101 of the Regents' *Rules and Regulations* concerning general rules for intellectual property. No employee engaged in outside ~~remunerative~~ activities shall use in connection therewith the official stationery of the System, give as a business address any building or department of the U. T. System or any of the institutions, or any University telephone extension.

Sec. 8 Use of University Property. U. T. System Administration and U. T. institutional property may only be used for State purposes appropriate to the System or institutional mission.

Sec. 9 Opinions for Advertising Purposes. Every employee ~~who gives professional opinions~~ must protect the U. T. System ~~or any of the~~ and U. T. institutions against the use of ~~such~~ opinions for advertising purposes.

Sec. 10 Noncompliance. Noncompliance with this Rule subjects an employee to disciplinary action, including termination, in accord with applicable procedures.

3. Definitions

Compensation – any form of benefit including but not limited to salary, retainer, honoraria, intellectual property rights, or royalties, or promised, deferred, or contingent interest.[1]

[1] Sponsored or reimbursed travel is included for consistency with Public Health Service regulations and UTS175 governing conflicts of interest in research [42 CFR Sec. 50.603, definition of "significant financial interest," at (2)]. It does not apply to travel that is reimbursed or sponsored by a Federal, state, or local government agency, an institution of higher education, an academic teaching hospital, a medical center, or a research institute that is affiliated with an institution of higher education.

4. <u>U. T. System Board of Regents: Approval of proposed new Regents' *Rules and Regulations*, Rule 50801, regarding Student Learning Assessment and Outcomes</u>

<u>RECOMMENDATION</u>

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that proposed new Regents' *Rules and Regulations*, Rule 50801, regarding Student Learning Assessment and Outcomes, be adopted to ensure that each U. T. System institution and U. T. System Administration have internal policies that incorporate Student Learning Assessment and Outcomes. The proposed Rule is set forth on the following pages.

<u>BACKGROUND INFORMATION</u>

Student learning is the knowledge, skills, and attitudes that students acquire as a result of an educational experience and should always be at the forefront of what institutions of higher education do. Determining whether a student has learned a particular concept or skill set and to what extent she/he has learned it is a critical component of the higher education enterprise. The proposed Regents' Rule seeks to ensure that U. T. System institutions engage thoroughly in the assessment of student learning outcomes. The results of those assessments inform the public of the value added by the higher education experience and should also be used by the institutions as part of their commitment to continuous quality improvement.

The University of Texas System
Rules and Regulations of the Board of Regents **Rule: 50801**

1. Title

Student Learning Assessment and Outcomes

2. Rule and Regulation

Sec. 1 Board Commitment. The Board of Regents and U. T. System Administration are committed to the principles and practices of continuous improvement as a means of ensuring institutional effectiveness and ongoing enhancement of all academic programs. Assessing student learning -- the outcomes of an institution's educational programs -- is at the heart of these efforts.

Sec. 2 Purpose. The purpose of this Rule is to (a) ensure that U. T. System institutions design and implement appropriate strategies for assessing student learning outcomes and for using assessment findings for continuous improvement of teaching and learning, and (b) set forth general principles and guidelines for the implementation of learning outcomes assessment at U. T. System institutions.

Sec. 3 Rationale. Outcomes assessment is based on explicit learning goals or expectations associated with particular educational programs. It involves the systematic collection and analysis of data -- both qualitative and quantitative -- to determine how well student performance matches goals or expectations. The major purpose of outcomes assessment is to improve student learning.

Sec. 4 Principles and Guidelines.

4.1 Student learning outcomes assessment should be used to inform the continuous improvement of teaching and learning of the core objectives of the Texas Core Curriculum for the undergraduate degree programs offered at each U. T. System institution.

4.2 Assessment of student learning outcomes at the program level should be designed, implemented, and interpreted by the faculty most directly associated with the program. Administrators should provide coordination, support, professional development opportunities, and technical assistance, as needed. Each institution should establish mechanisms for monitoring the extent and effectiveness of learning outcomes assessment in its educational programs. Internal and external reviews of the assessment process should be conducted, as appropriate.

4.3 Student learning outcomes assessment provides data about student achievement. Taken in the aggregate, learning assessment data may inform the ongoing improvement of instruction, but should not be used in the evaluation of individual faculty or staff members.

4.4 Students should be informed on the course syllabus of the learning outcomes associated with the course and should be informed in program materials of the learning outcomes associated with the degree program. Findings from course-embedded assessments should be shared with students to assist them in meeting established learning goals. The goal of an effective assessment system is to establish a “culture of assessment,” in which both faculty and students regard outcomes assessment as a critical part of the teaching and learning process.

4.5 Given the multifaceted, cumulative nature of learning, assessment is most effective when multiple strategies are employed. Direct measures of student performance -- such as comprehensive examinations, problem-solving exercises, demonstrations, observations of student skill, research projects, analysis of student work through portfolios -- assess students’ learning in relation to particular program goals. Indirect measures of student learning, such as responses from students and alumni on surveys or in interviews, may provide indirect evidence of student learning.

4.6 Direct assessments of student learning are generally linked to particular learning goals or desired outcomes in terms of the acquisition of knowledge, skills, and understanding. Such goals need not be regarded as unchangeable; rather, they are likely to evolve and change as increasing amounts of data become available on actual learning outcomes and on the expectations of employers, graduate programs, and students themselves.

Sec. 5 Requirements.

5.1 In accordance with the *Principles of Accreditation: Foundations for Quality Enhancement* as promulgated by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), the accrediting body for all U. T. System institutions, U. T. System institutions will develop and implement methods for assessing the most important student learning outcomes in the following areas:

- Undergraduate Programs
  - General Education
  - Academic Majors
- Graduate and Professional Programs
  - Master's
  - Doctoral
  - Professional

System institutions should also assess, as appropriate, certificates, concentrations, and co-curricular programs in accordance with the requirements of SACSCOC.

5.2 Assessment findings should be systematically analyzed and used as a basis for making changes in curriculum, instruction, advising, or other aspects of an educational program to improve student learning and success.

5.3 The academic institutions shall administer the Collegiate Learning Assessment (CLA+) on an annual basis to assess the critical thinking, complex reasoning, and writing skills of students. A convenience sample of first-time entering students and graduating seniors should be selected. Institutions should strive to achieve a sample size sufficient to provide external validity within a 90% confidence interval.

5.4 As relevant to an institution's degree program offerings, each institution will collect initial licensure/certification exam pass rates for graduates from the following programs: engineering, nursing, teaching, law, pharmacy, accounting, medicine, and dentistry and use the information as part of each program's continuous improvement process.

Sec. 6 Implementation

6.1 Implementation of the provisions of this policy at the U. T. System institutions is in keeping with the *Principles of Accreditation: Foundations for Quality Enhancement* as promulgated by the SACSCOC.

6.2 On a schedule that aligns with its reaffirmation of accreditation with SACSCOC, each institution shall submit an assessment report on student learning outcomes to the Office of Academic Affairs or to the Office of Health Affairs.

3. Definitions

Texas Core Curriculum 2014 – Statement of purpose: students will gain a foundation of knowledge of human cultures and the physical and natural world, develop principles of personal and social responsibility for living in a diverse world, and advance intellectual and practical skills that are essential for all learning. Core objectives: critical thinking skills, communication skills, empirical and quantitative skills, teamwork, social responsibility, and personal responsibility.

Collegiate Learning Assessment (CLA+) – A standardized assessment that evaluates the critical-thinking and written-communication skills of college students. It measures analysis and problem solving, analytic reasoning, and critical reading and evaluation, in addition to writing mechanics and effectiveness. The assessment consists of open-ended questions, is administered to students online, and controls for incoming academic ability.

5. U. T. System Board of Regents: Amendment to the Regents' *Rules and Regulations*, Rule 70101 (Authority to Accept and Manage Assets), Section 11, regarding authority to sell securities received as gifts and/or bequests

RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor for External Relations and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Rule 70101 (Authority to Accept and Manage Assets), Section 11, regarding authority to sell securities received as gifts and/or bequests, be amended as set forth below in congressional style.

Sec. 11. Authority to Execute Securities Transactions - Development and Gift Planning Services. The Associate Vice Chancellor for Development and Gift Planning Services, the Director of Gift Planning Services, and the Director of Endowment Compliance and Development Operations shall be authorized to sell, for and on behalf of the Board of Regents, any and all securities received as gifts and/or bequests, registered in the name of the Board, or in any other form of registration of such securities held for the account of the Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts managed and controlled by said Board.

BACKGROUND INFORMATION

The proposed amendment to Rule 70101 will ensure the availability at all times of at least one person in the Office of Development and Gift Planning Services who is authorized to issue sale instructions to brokers and other entities that hold securities that have been transferred into the name of the Board of Regents as gifts or bequests, are registered in the name of the Board, or are held for account of the Board in whatever manner.

6. U. T. System Board of Regents: Delegation of authority to the Chancellor to approve certain contracts for U. T. Rio Grande Valley

RECOMMENDATION

The Chancellor, the Executive Vice Chancellor for Academic Affairs, and the Executive Vice Chancellor for Business Affairs concur with the recommendation of the Vice Chancellor and General Counsel that the U. T. System Board of Regents delegate authority to the Chancellor or his delegate to approve contracts, with a value of less than $5 million, for U. T. Rio Grande Valley that would otherwise require approval by the Board of Regents pursuant to the Regents' *Rules and Regulations*, Rule 10501, Delegation to Act on Behalf of the Board.

This delegation is recommended to be conditioned upon a requirement that the Chancellor provide a quarterly report to the Board of Regents of those contracts approved under this delegation of authority. The recommended delegation is to be effective February 12, 2015, and to terminate April 30, 2016.

BACKGROUND INFORMATION

The University of Texas Rio Grande Valley was created by the Texas Legislature in 2013 under Senate Bill 24. Guiding principles for the new university were enacted by the Board of Regents on July 10, 2013. Senate Bill 24 requires the Board to provide for the maximum operating efficiency of U. T. Rio Grande Valley.

Regents' Rule 10501 requires that certain contracts, particularly some contracts valued at $1 million or more, must be approved by the Board of Regents. If approved, this delegation of authority will facilitate the expeditious and efficient handling of contracts needed to establish and begin operations of U. T. Rio Grande Valley.

7. U. T. System: Report on development performance for the U. T. System institutions

REPORT

Vice Chancellor Safady will report on development performance of the U. T. System institutions for Fiscal Year 2014 and make recommendations for advancing philanthropic support, using the PowerPoint presentation set forth on the following pages.

Development Assessment FY 2014

Dr. Randa Safady
Vice Chancellor for External Relations

U. T. System Board of Regents' Meeting
February 2015

The University *of* Texas System
Nine Universities. Six Health Institutions. Unlimited Possibilities.
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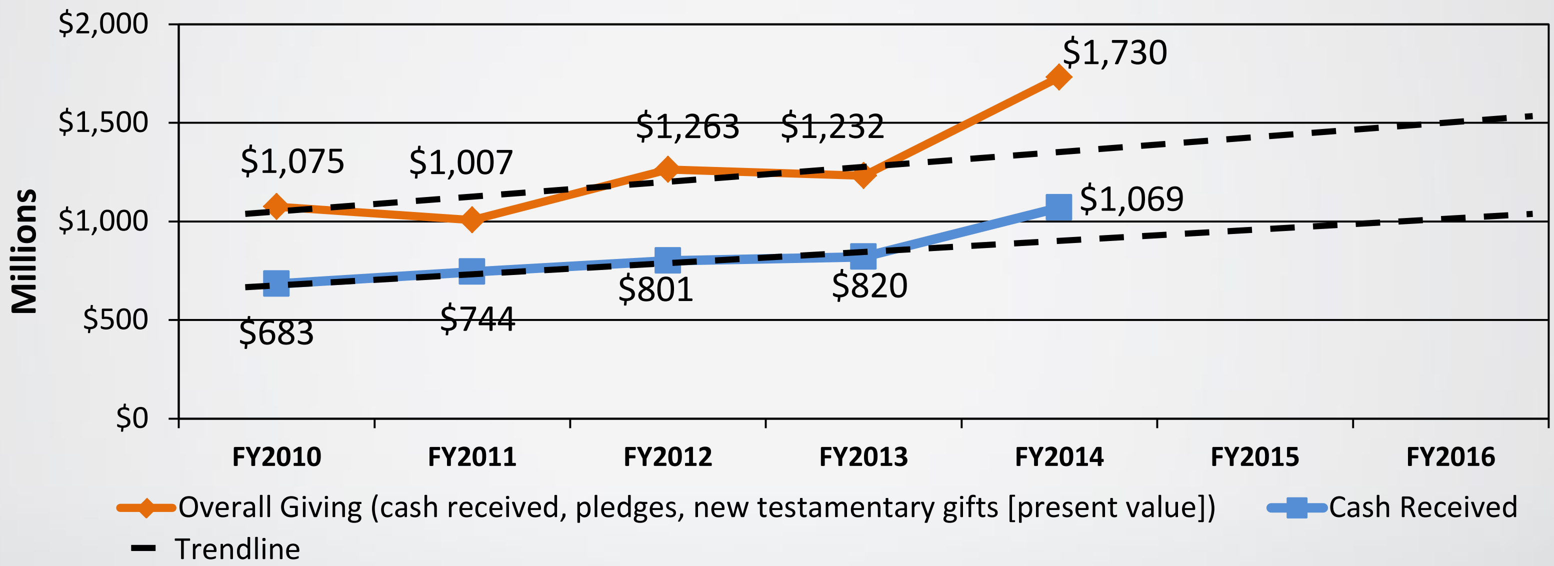
By the Numbers

Record Year for U. T. institutions

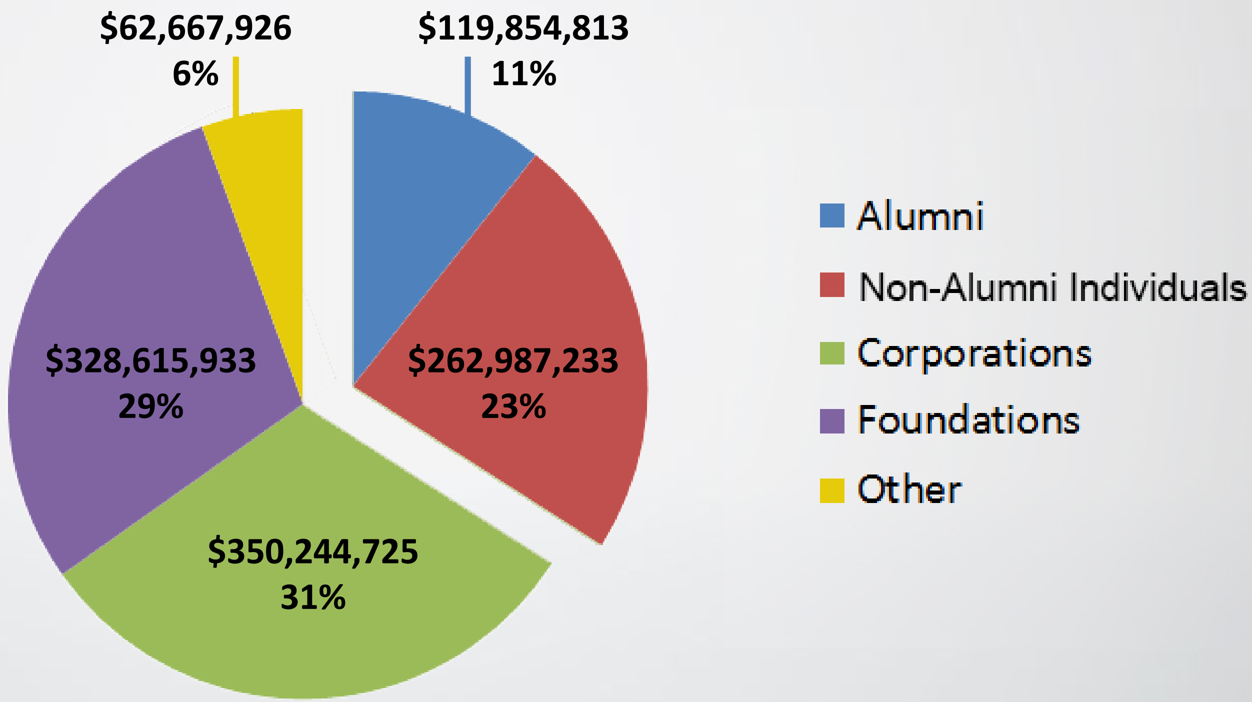
- $1.7 billion overall giving ($1.2 billion in FY 2013)
- $1.0 billion cash received ($820 million in FY 2013)
- $162 million in new testamentary commitments at present value ($96 million in FY 2013)
- 167,209 non-alumni donors (137,603 in FY 2013)
- $10.46 the collective return on investment for $1 invested in development ($8.18 in FY 2013)
- #1 - U. T. Austin's rank nationally among all public universities for cash received

Fundraising Summary and Five-year Trend



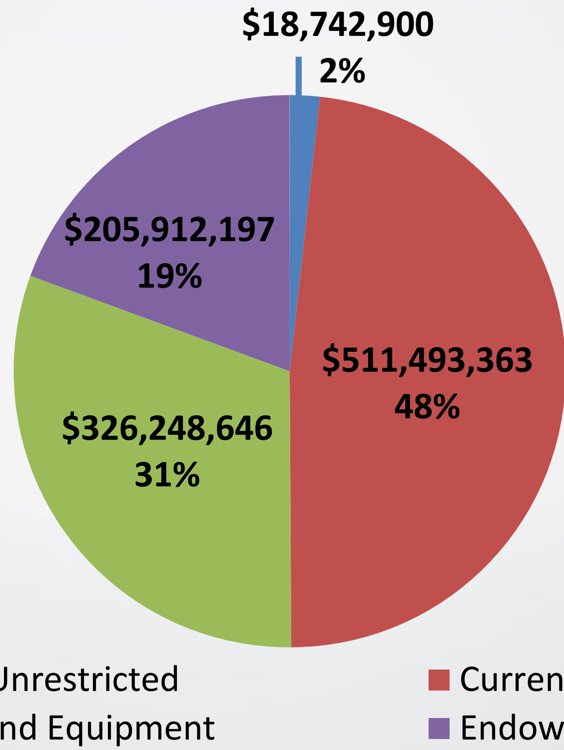
- 61% increase in overall giving from FY 2010 to FY 2014
- 44% increase in cash received from FY 2010 to FY 2014

Sources of Giving



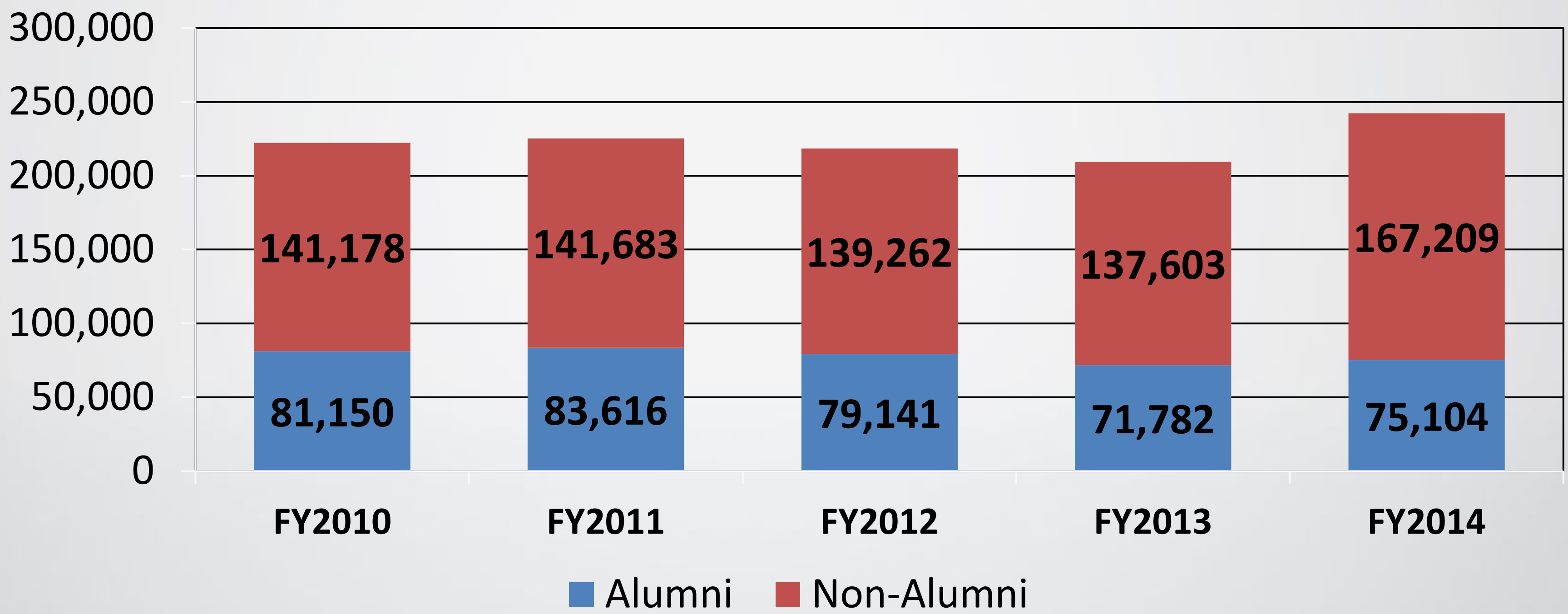
Purpose of Gifts

Research	40%
Student Financial Aid	25%
Academic Programs	18%
Faculty/Staff	8%



Research	61%
Academic Programs	11%
Athletics	8%
Student Financial Aid	5%

Individual Donors (Alumni and Non-Alumni)



Academic Institutions FY 2014

Institutions	Overall Giving* (in millions) FY 2014	Overall Giving as a % change from 5-year average FY 2009-2013	Cash Received (in millions) FY 2014	Cash Received as a representative % of Educational & General (E&G) Expenditures
UTA	$20.6	0.5%	$15.0	3.2%
UTAUS	↑$875.6	154.7%	↑ $529.4	25.2%
UTB	$1.7	-26.9%	↑ $1.5	1.3%
UTD	↑ $66.5	104.1%	↑ $55.6	9.9%
UTEP	$20.6	-33.6%	$18.5	4.8%
UTPA	$4.4	-18.9%	$3.9	1.7%
UTPB	↑$11.9	87.6%	↑$6.6	13.0%
UTSA	↑ $23.9	-6.3%	↑ $15.5	3.6%
UTT	↑ $9.9	88.2%	↑ $5.9	5.7%

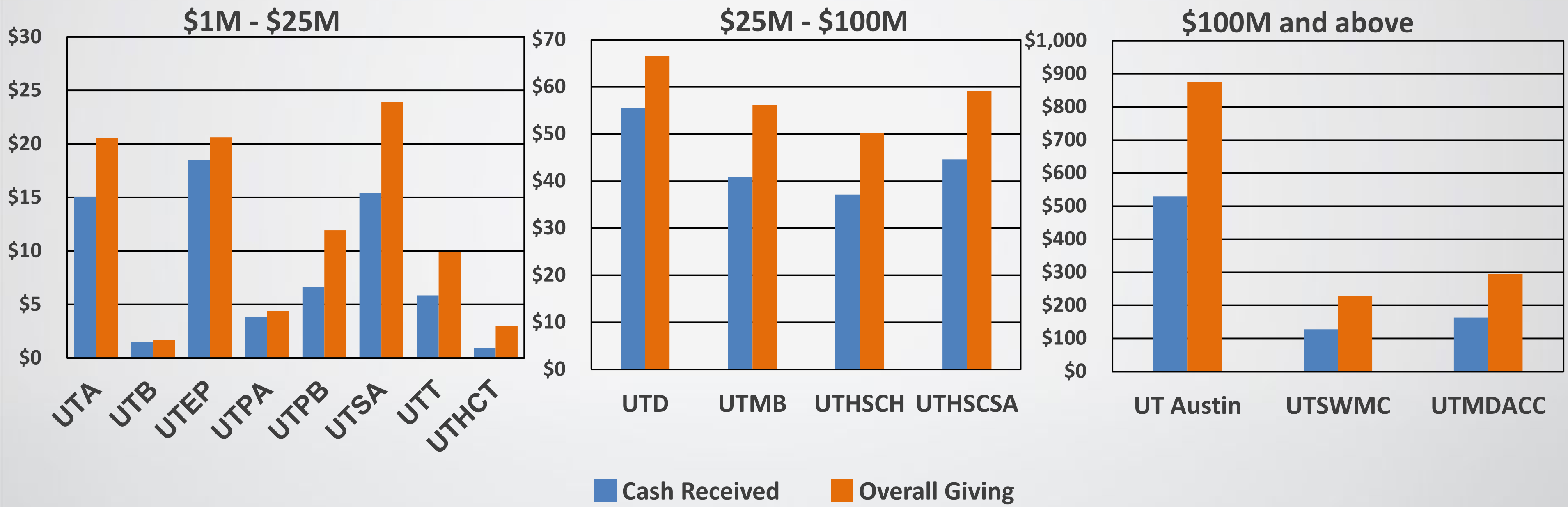
*Overall Giving = testamentary commitments (present value), pledges, and cash received   ↑ = increase from FY 2013

Health Institutions FY 2014

Institutions	Overall Giving* (in millions) FY2014	Overall Giving as a % change from 5-year average FY 2009-2013		Cash Received (in millions)	Cash Received as a representative % of Educational & General (E&G) Expenditures
UTSWMC	↑$228.9	45.0%		↑$127.9	8.0%
UTMB	↑$56.2	-33.9%		↑ $41.0	6.8%
UTHSCH	↑$50.2	-1.2%		$37.2	4.1%
UTHSCSA	↑ $59.2	19.0%		↑ $44.6	5.3%
UTMDACC	$294.6	9.5%		$163.2	10.2%
UTHSCT	↑ $3.0	29.1%		↑ $0.9	2.3%

*Overall Giving = testamentary commitments (present value), pledges, and cash received ↑= increase from FY 2013

FY 2014 Fundraising Grouped by Levels



Investing in Philanthropy

- Strength in Numbers
  - Regents' investment to increase fundraising capacity
  - Strength in Numbers I: $5 million FY 2008 – FY 2009
  - Strength in Numbers II: $10 million FY 2012 – FY 2014
- Collectively institutional development budgets exceed $100 million in FY 2014 representing 1% of Education and General Expenditures
- For every dollar invested in development, $10.46 was returned
- Additional resources are making a difference

Where Do We Need to Pay Attention?

- Growing the base of support – demographics
- Aligning philanthropy with institutional priorities
- Donor-centric approach to philanthropy – culture
- Large gifts via collaborative and leveraged solutions
- Leadership and succession plans
- Recruitment and retention of high performing staff
- Donor advised funds
- Trends in philanthropy and communications

Where Can We Change?

- Maximize performance of existing personnel and incorporate best practices
- Recruit and retain high performers
- Strategic leadership
- Improved stewardship
- Invest appropriately in philanthropy
- Communicate effectively
- Adapt to successful trends in philanthropy

Adding Value

The Center for Enhancing Philanthropy

- Partnering with U. T. System Institutions
  - Advancement Academy with four learning tracks
    - Leadership and Management
    - Major and Principal Gifts
    - Annual Giving and Alumni Relations
    - Advancement Services and Constituent Relations
  - Talent Management (recruiting, retaining, and developing superior professionals)
  - Performance assessments, metrics, campaign planning, strategy, and reorganization models.
- Special Projects Fundraising

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FOR
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

Committee Meeting: 2/11/2015

Board Meeting: 2/12/2015
Austin, Texas

Brenda Pejovich, Chairman
Wallace L. Hall, Jr.
R. Steven Hicks
Jeffery D. Hildebrand
Robert L. Stillwell

	Committee Meeting	Board Meeting	Page
C. CONVENE JOINT MEETING WITH FINANCE AND PLANNING COMMITTEE			
4. **U. T. System: Report on the Fiscal Year 2014 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)**	*9:45 a.m.* **Report/Discussion** *Mr. Wallace* *Ms. Tracey Cooley, Deloitte & Touche* *Mr. Peppers*	Not on Agenda	**53**
D. ADJOURN JOINT MEETING	*10:15 a.m.*		

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

2. <u>U. T. System Board of Regents: Discussion and appropriate action regarding amendment of Regents' *Rules and Regulations*, Rule 20401 (Audit and Compliance) to more accurately reflect current responsibilities of the U. T. System Chief Audit Executive</u>

<u>RECOMMENDATION</u>

The Chancellor concurs in the recommendation of the General Counsel to the Board and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Rule 20401, regarding Audit and Compliance, be amended as set forth in congressional style on the following pages to more accurately reflect current responsibilities of the U. T. System Chief Audit Executive.

<u>BACKGROUND INFORMATION</u>

These proposed Regents' Rule amendments clarify the duties of the U. T. System Chief Audit Executive to include assuring that an effective internal audit function is in place Systemwide. This oversight is exercised primarily through the establishment and review of audit standards and practices at U. T. System Administration and at all U. T. System institutions and apprising the Audit, Compliance, and Management Review Committee of significant noncompliance with those standards and practices.

The University of Texas System
Rules and Regulations of the Board of Regents **Rule: 20401**

1. Title

Audit and Compliance Programs

2. Rule and Regulation

Sec. 1 Audit Program. The Chancellor, as chief executive officer of the U. T. System, is responsible for ensuring the implementation of appropriate audit procedures for the U. T. System. Accordingly, the U. T. System Chief Audit Executive (CAE) prepares an executive summary of all internal audit activity by the U. T. System internal auditors and the institutional internal auditors for the Chancellor.

1.1 U. T. System Chief Audit Executive's Responsibilities. The U. T. System ~~Chief Audit Executive~~ CAE is charged with assuring that an effective internal audit function is in place Systemwide ~~is responsible for coordinating the effective auditing of the U. T. System as set out in Section 1.1 (b) below~~. The U. T. System CAE accomplishes this through oversight of the following activities at U. T. System Administration and all U. T. System institutions:

(a) Proposing a charter for the Audit, Compliance, and Management Review Committee (ACMRC) to be reviewed and approved by the Committee.

(b) Developing a Systemwide internal audit plan based on a comprehensive risk assessment and coordinating the implementation of the audit plan with the chief audit executives at all U. T. System institutions.

(c) Providing support and advice to each institution's internal audit committee. This includes:

(i) interviewing all candidates for an open institutional CAE position,

(ii) participating in the annual performance review for each institution's CAE, and

(iii) participating, with the institution's president and chair of the institution's audit committee, in any decision to terminate the employment of an institution's CAE.

(d) Establishing the standards and methodology to be followed by all U. T. System internal auditors in:

(i) preparation of the annual institutional audit plan,

(ii) documentation required for all internal audit work papers,

(iii) establishment of a standard internal audit reporting format, and

(iv) provision of direction concerning findings that must be reported to the ACMRC.

(e) Establishing a quality assurance and improvement program that includes monitoring and assessments, to the extent considered necessary by the CAE, to evaluate the internal auditors' conformance with prescribed standards.

(f) Providing ~~The Chief Audit Executive provides~~ audit assistance to the Chancellor, the Executive Vice Chancellors, and the Vice Chancellors in the exercise of their responsibilities.

(g) Providing information to the ACMRC in Executive Session concerning personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of individual U. T. System employees involved in internal audit functions.

1.2 Appointment and Evaluation of the CAE. ~~(a)~~The Chief Audit Executive shall be appointed by the ACMRC ~~Audit, Compliance, and Management Review Committee~~ after nomination by the Chancellor. The Chief Audit Executive shall hold office subject to the pleasure of the ACMRC ~~Audit, Compliance, and Management Review Committee~~ and the Chancellor. The Chancellor's actions regarding the Chief Audit Executive are subject to review and approval by the ACMRC ~~Audit, Compliance, and Management Review Committee~~.

~~(b) The primary responsibilities of the Chief Audit Executive include developing a Systemwide internal audit plan based on a Systemwide risk assessment and coordinating the implementation of this plan with the institutional internal auditors. This Systemwide audit plan is submitted to the Audit, Compliance, and Management Review Committee for review and approval after the Chancellor's review and approval. Responsibilities of the Chief Audit Executive also include conducting audits of the System including the revenue produced from the Permanent University Fund lands and formulating policies for the internal audit activity at each institution.~~

1.3~~1.2~~ The U. T. System internal auditors are the internal auditors for the U. T. System and augment the audit work of the institutional internal auditor and the State Auditors at the institutions of the U. T. System.

Sec. 2 Compliance Program. The Chancellor, as chief executive officer of the U. T. System, is responsible for ensuring the implementation of a compliance program for the U. T. System. Accordingly, the Systemwide Compliance Officer prepares an executive summary of all compliance activity of the institutions, The University of Texas Investment Management Company (UTIMCO), and System Administration.

2.1 Systemwide Compliance Officer's Responsibilities. The Systemwide Compliance Officer is responsible, and will be held accountable for, apprising the Chancellor and the ACMRC ~~Audit, Compliance, and Management Review Committee~~ of the institutional compliance functions and activities at System Administration, UTIMCO, and at each of the institutions as set out in Section 2.1 (b) below. The Systemwide Compliance Officer provides institutional compliance assistance to the Chancellor, the Executive Vice Chancellors, the Vice Chancellors, and the Chief Compliance Officer of UTIMCO in the exercise of their responsibilities.

(a) The Systemwide Compliance Officer shall be appointed by the Chancellor. The Systemwide Compliance Officer is the senior compliance official of the U. T. System; provides assistance and advice covering all institution, UTIMCO, and System

Administration compliance programs; and shall hold office without fixed term, subject to the pleasure of the Chancellor.

(b) The primary responsibilities of the Systemwide Compliance Officer include developing an infrastructure for the effective operation of the U. T. System Institutional Compliance Program; chairing the Systemwide Compliance Committee and the Compliance Officers Council; and prescribing the format for the annual risk based compliance plan and the quarterly compliance status reports to be submitted by each institution, UTIMCO, and System Administration.

3. **U. T. System: Report on the Systemwide internal audit activities, including status of Priority Findings and discussion of audit coverage in the area of procurement**

REPORT

Chief Audit Executive Peppers will report on Systemwide Priority Findings. A PowerPoint presentation is set forth on the following pages. Chief Audit Executive Peppers will also discuss internal audit coverage in the area of procurement.

BACKGROUND INFORMATION

The significant findings process previously reported to the Audit, Compliance, and Management Review Committee was suspended at the end of FY 2012 while a workgroup comprised of chief audit executives and System Audit Office management members was given the charge to reevaluate the process surrounding this level of finding, including the term used, the definition and criteria used, and related reporting. The term Priority Finding was selected and a more robust definition and criteria for this level of finding was developed.

A Priority Finding is defined as “an issue identified by an audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a U. T. System institution or the U. T. System as a whole." A Priority Findings Matrix was developed to aid chief audit executives in the determination of a Priority Finding. The matrix provides three categories of standard factors to consider, each alone with the potential to result in a Priority Finding. They are: Qualitative Risk Factors (evaluates the probability and consequences across seven high risks), Operational Control Risk Factors (evaluates operational vulnerability to risks by considering the existence of management oversight and effective alignment of operations), and Quantitative Risk Factors (evaluates the level of financial exposure or lost revenue).

U. T. Systemwide Priority Findings

Mr. J. Michael Peppers, U. T. System Chief Audit Executive

U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
February 2015

The University *of* Texas System
Nine Universities. Six Health Institutions. Unlimited Possibilities.
www.UTSYSTEM.edu

Priority Finding Definition

- An issue identified by an audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a U. T. System institution or the U. T. System as a whole.

Priority Finding Criteria

- A Priority Findings Matrix was developed to aid chief audit executives in the determination of a Priority Finding.
- The matrix provides three categories of standard factors to consider, each alone with the potential to result in a Priority Finding.
  - Qualitative Risk Factors: evaluates the probability and consequences across seven high risks,
  - Operational Control Risk Factors: evaluates operational vulnerability to risks by considering the existence of management oversight and effective alignment of operations, and
  - Quantitative Risk Factors: evaluates the level of financial exposure or lost revenue.
- The classification of a Priority Finding is validated by the institutional audit committee and the U. T. System Audit Office.

Priority Finding Organizational Areas

General

- Governance
- Finance
- Information Technology
- Research
- Human Resources
- Facilities Management
- Property Management
- Supply Chain
- Legal
- Risk Management
- Public Services

Academic

- Admissions
- Student Services
- Academic Support
- Instruction
- Colleges
- Athletics
- University Relations
- University Development
- Auxiliary Services

Health

- Medical School
- Basic Science
- Clinical Science Education
- Clinical Programs
- Medical Ethics – Law
- Clinical Care
- Physician Care
- Biomedical
- Pharmacy
- Quality
- Medical Data & Clinical Reporting Management
- Revenue Cycle
- Medical Staff
- Provider
- Practice Plan
- Compliance

Priority Finding Risk Factors

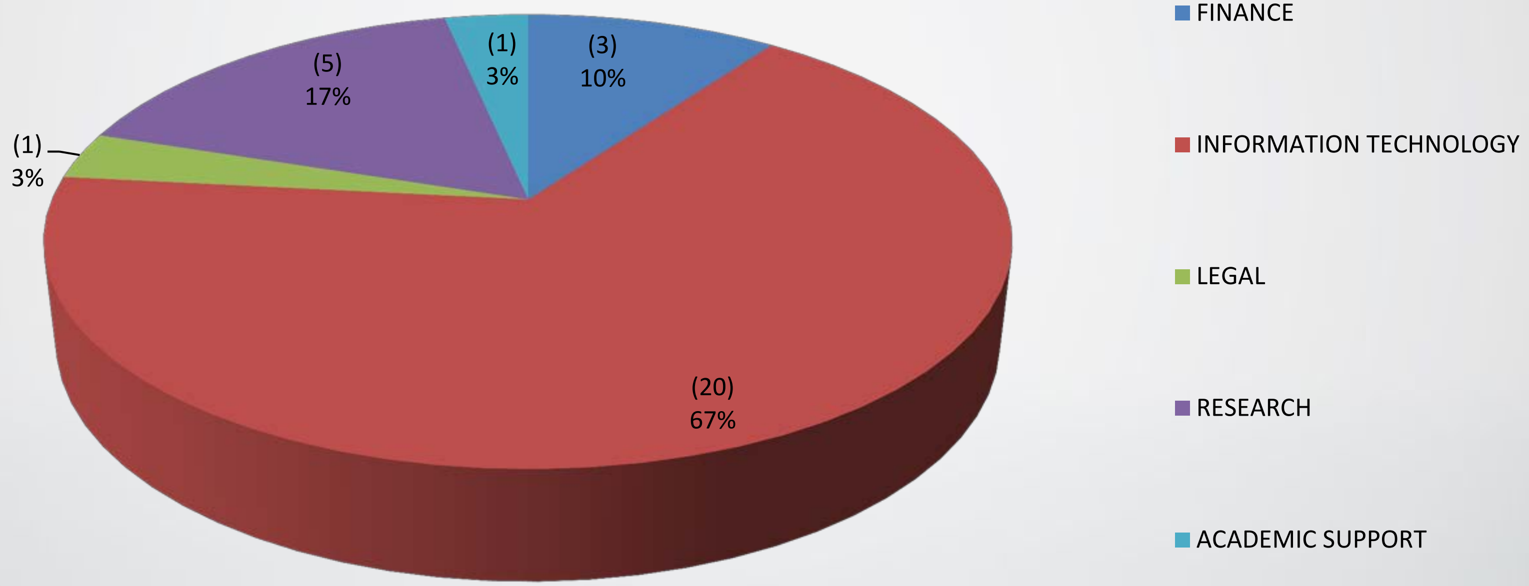
- Reputation
- Information Security
- Compliance
- Accomplishment of Management's Objectives
- Effectiveness and Efficiency
- Capital Impact
- Life Safety
- Management Oversight
- Operational Alignment
- Designed Controls
- Payments/Expenditures
- Lost Revenue

Priority Findings Status as of January 26, 2015

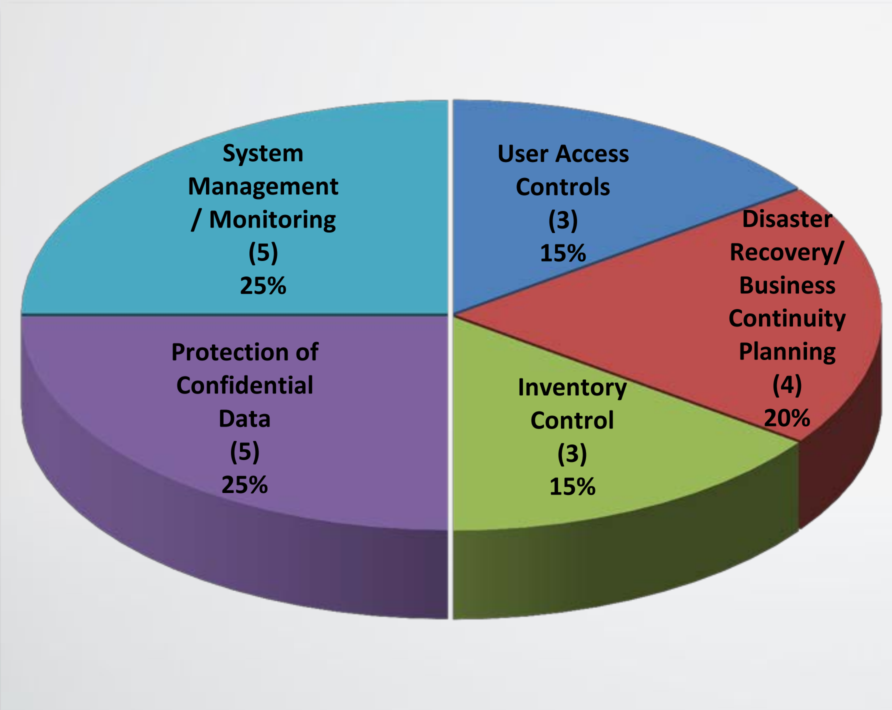
Organizational Area / INSTITUTION	General: FINANCE	General: INFORMATION TECHNOLOGY	General: LEGAL	General: RESEARCH	Academic: ACADEMIC SUPPORT	TOTAL	PAST DUE	Risk Factors: REPUTATION	Risk Factors: INFORMATION SECURITY	Risk Factors: COMPLIANCE	Risk Factors: LIFE SAFETY	Risk Factors: MANAGEMENT OVERSIGHT	Risk Factors: OPERATIONAL ALIGNMENT	Risk Factors: PAYMENTS / EXPENDITURES
U. T. Arlington	1	3	0	0	0	4	1	X	X	X		X		
U. T. Austin	2	5	0	0	0	7	0	X	X	X		X		
U. T. Brownsville	0	0	0	0	0	0	0							
U. T. Dallas	0	5	0	0	0	5	0	X	X		X	X	X	
U. T. El Paso	0	1	0	1	1	3	0	X	X	X		X		X
U. T. Pan American	0	0	0	0	0	0	0							
U. T. Permian Basin	0	0	0	0	0	0	0							
U. T. San Antonio	0	2	0	1	0	3	0		X	X				
U. T. Tyler	0	0	0	0	0	0	0							
U. T. Southwestern	0	0	0	0	0	0	0							
U. T. Medical Branch	0	0	1	0	0	1	0			X		X		
U. T. HSC Houston	0	0	0	0	0	0	0							
U. T. HSC San Antonio	0	0	0	0	0	0	0							
U. T. MDACC	0	4	0	3	0	7	0	X	X	X				
U. T. HSC Tyler	0	0	0	0	0	0	0							
U. T. System	0	0	0	0	0	0	0							
TOTALS	3	20	1	5	1	30	1							

Past Due: The recommendation made to address the Priority Finding was not fully implemented by the approved implementation date.

Priority Findings by Organizational Area



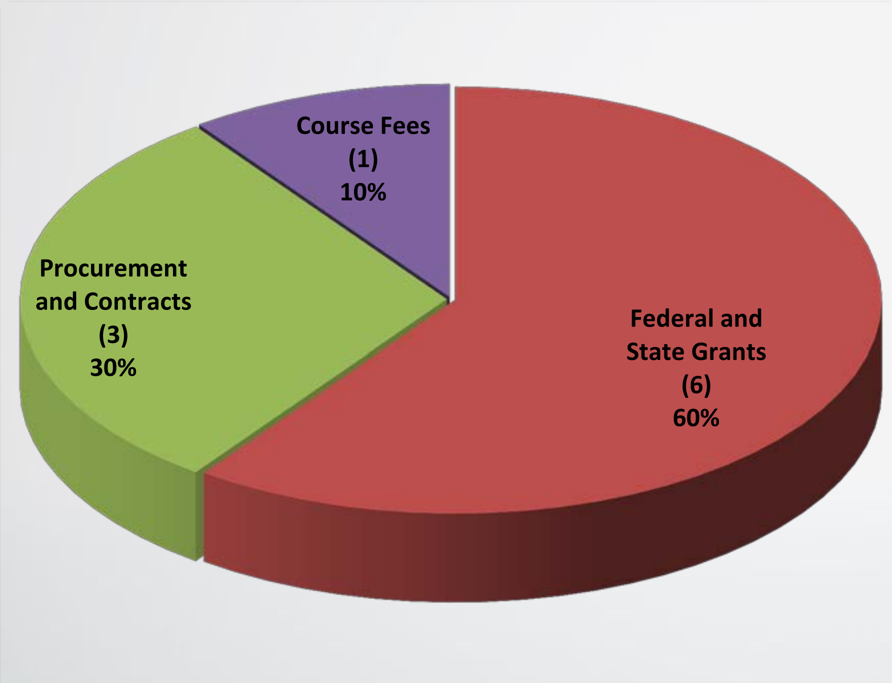
IT Related Priority Findings



The 20 IT related Priority Findings fall under five themes:

- *System Management and Monitoring* (5): Change management, system configuration standards, timely patch management, and network and system monitoring weaknesses were noted.
- *Protection of Confidential Data* (5): Some confidential data was not identified so that protection and monitoring procedures could be applied, and improvements were needed to ensure encryption is applied when required (no specific breach incidents were cited in these audits).
- *Disaster Recovery and Business Continuity Planning* (4): Plans were outdated or not tested.
- *User Access Controls* (3): Highly-privileged access beyond the minimum needed was noted, along with opportunities to improve controls over management of system-level service accounts (used by database or operating systems rather than individuals). Technical limitations prevented full compliance with password management policies.
- *Hardware Inventory Controls* (3): Hardware devices were not inventoried, limiting the ability to enforce required controls, such as encryption and software licensing.

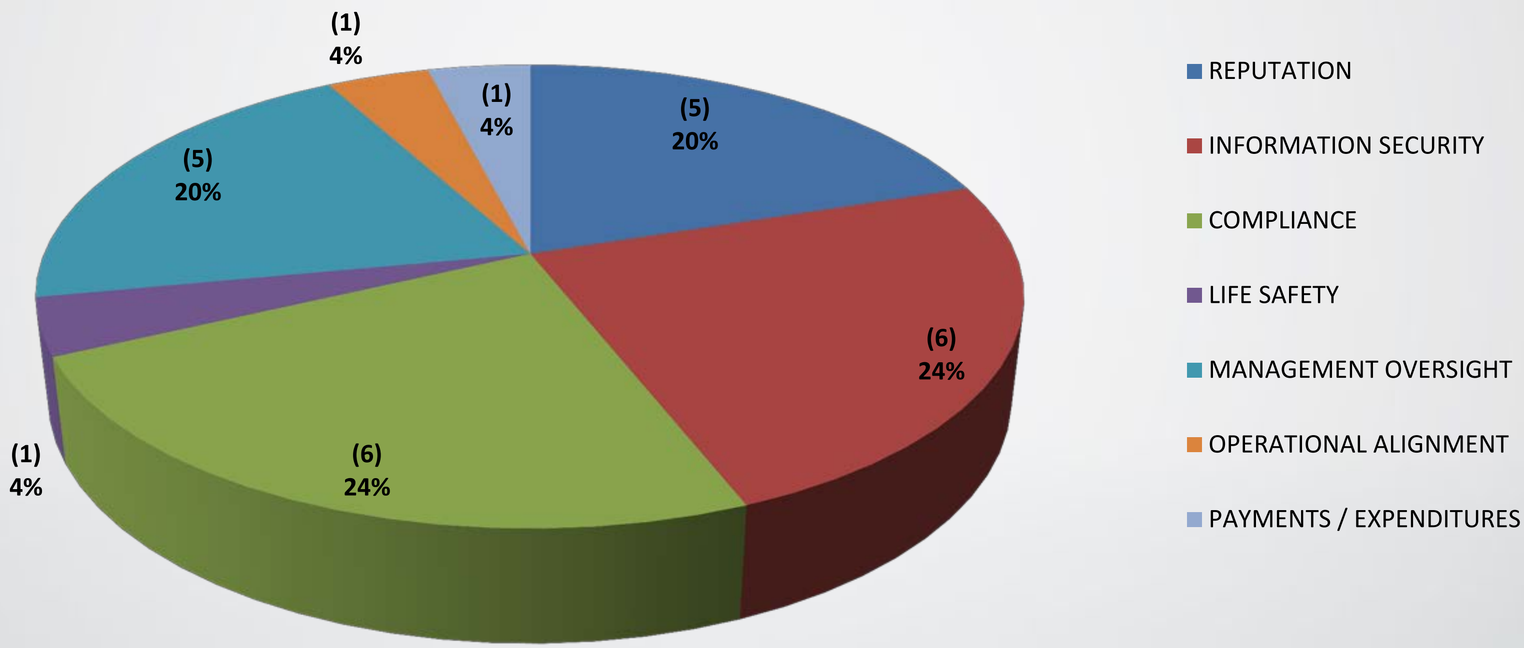
Non-IT Related Priority Findings



The 10 Non-IT related Priority Findings fall under three themes:

- *Federal and State Funds* (6): Errors in calculation of Title IV returns and withdrawals; untimely return of funds; inconsistent access controls over user accounts; erroneous calculation of drawdowns; lack of monitoring controls over effort reporting and other required financial reports.
- *Procurement and Contracts* (3): Conflict of interest not recognized/ managed; sole source procurement without adequate justification; inability to readily identify and track documents with Business Associate Agreements.
- *Course Fees* (1): Certain student fees assessed without appropriate approvals.

Priority Findings Risk Factors



Other Findings Not Ranked Priority

- Will begin consistently ranking at all institutions
- High, Medium, or Low – all assessed and monitored by the institutional audit committees
- Tagged with organizational areas, like Priority Findings, to assist in identifying trends by institution and Systemwide

4. **U. T. System: Report on the Fiscal Year 2014 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)**

REPORT

See Item 1 on Page 56 of the Finance and Planning Committee.

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FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 2/11/2015

Board Meeting: 2/12/2015
Austin, Texas

Jeffery D. Hildebrand, Chairman
Alex M. Cranberg
Wallace L. Hall, Jr.
Brenda Pejovich
Wm. Eugene Powell

		Committee Meeting	Board Meeting	Page
5.	**U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended November 30, 2014, including report on impact of oil prices on investment portfolio**	*10:30 a.m.* **Report/Discussion** *Mr. Mark Warner, Senior Managing Director, UTIMCO*	**Report**	**119**
6.	**U. T. System Board of Regents: Report on activities of the University Lands Advisory Board**	*10:40 a.m.* **Report/Discussion** *Regent Cranberg* *Dr. Kelley*	Not on Agenda	**125**
7.	**U. T. System: Authorization of $6,337,000 of Permanent University Funds to refresh and upgrade the Lonestar Supercomputing System infrastructure; the Shared Intrusion and Anomaly Detection services; the U. T. System Network simulation and monitoring capabilities; and the U. T. Austin Dell Medical School firewall infrastructure**	*10:45 a.m.* **Action** *Dr. Kelley*	**Action**	**126**
8.	**U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2014**	*10:55 a.m.* **Report/Discussion** *Mr. Wallace*	Not on Agenda	**137**
C.	**ADJOURN**	*11:00 a.m.*		

1. U. T. System: Report on the Fiscal Year 2014 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)

REPORT

Mr. Randy Wallace, Associate Vice Chancellor, Controller, and Chief Budget Officer, will discuss the 2014 Annual Financial Report (AFR) highlights. Mr. Wallace's PowerPoint presentation on Pages 57 - 68 is included for additional detail. The AFR is available at http://www.utsystem.edu/cont/Reports_Publications/CONAFR/AuditedAFR14.pdf.

The AFR is comprised of the U. T. System Consolidated Financial Statements for the Year Ended August 31, 2014, including the Management's Discussion and Analysis that provides an overview of the financial position and activities of the U. T. System for the year ended August 31, 2014.

Ms. Tracey Guidry Cooley, Deloitte & Touche LLP, will report on the results of the audits of the U. T. System, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, U. T. Health Science Center - Tyler, and funds managed by UTIMCO for Fiscal Year 2014. Deloitte's PowerPoint presentation is set forth on Pages 69 - 81.

BACKGROUND INFORMATION

On February 6, 2014, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche LLP to audit the U. T. System, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler, and funds managed by UTIMCO for the fiscal years ending August 31, 2014 and 2015.

The Annual Financial Report is prepared in compliance with Governmental Accounting Standards Board pronouncements and State Comptroller of Public Accounts directives and filed with the oversight agencies on November 20 of each year as required by *Texas Government Code* Section 2101.011. Deloitte & Touche LLP issued an unqualified opinion on the U. T. System Consolidated Financial Statements on December 20, 2014.

Annual Financial Report Highlights Fiscal Year 2014

Mr. Randy Wallace, Associate Vice Chancellor,
Controller, Chief Budget Officer

U. T. System Board of Regents'
Joint Meeting of the Finance and Planning Committee and
Audit, Compliance, and Management Review Committee
February 2015

Objectives

- Discuss Fiscal Year 2014 financial highlights of U. T. System's Annual Financial Report (AFR) by examining a three-year trend of changes in line items on:
  - Statement of Net Position (SNP)
  - Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)
  - Statement of Cash Flows
- Identify factors that contributed to these changes

Required in Annual Financial Report

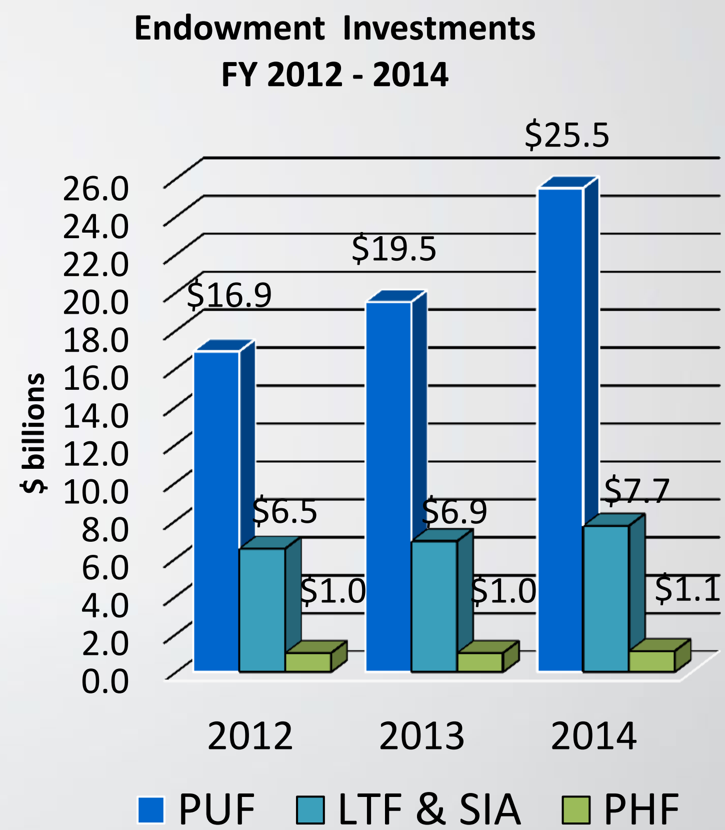
- Required supplemental information and financial statements include:
  - Management's Discussion and Analysis (MD&A)
  - Statement of Net Position
  - SRECNP
  - Statement of Cash Flows
  - Notes to the Financial Statements
  - Required Supplementary Information

Financial Position FY 2014

- Statement of net position still strong
  - Assets and Deferred Outflows over $64 billion
  - Net Position $45 billion
  - Operating results increased
  - Cash position increased slightly
- U. T. System's financial position for FY 2014 increased as a result of current year operations primarily due to:
  - Net investment income, including unrealized gains
    - Continued strong mineral income from the Permanent University Fund (PUF) lands
    - $3.3 billion increase in the fair value of the PUF lands
    - More favorable market conditions

Statement of Net Position

($ in millions)		2012	2013	2014
Assets and Deferred Outflows:				
Current Assets	$	6,181.3	6,585.8	7,367.6
Noncurrent Investments		30,646.4	34,003.1	42,240.8
Capital/Intangible Assets, Net		12,422.5	13,144.6	14,057.5
Other Noncurrent Assets		274.7	379.2	335.4
Total Assets		49,524.9	54,112.7	64,001.3
Deferred Outflows		392.3	184.1	249.2
Total Assets and Deferred Outflows	$	49,917.2	54,296.8	64,250.5
Liabilities and Deferred Inflows:				
Current Liabilities	$	6,546.3	7,203.9	8,121.6
Noncurrent Liabilities		10,001.0	10,104.6	11,051.1
Total Liabilities		16,547.3	17,308.5	19,172.7
Deferred Inflows		9.2	8.2	7.1
Total Liabilities and Deferred Inflows	$	16,556.5	17,316.7	19,179.8
Net Position:				
Net Investment in Capital Assets	$	5,243.5	5,552.4	6,109.2
Restricted		24,633.5	27,841.2	35,119.7
Unrestricted		3,483.7	3,586.5	3,841.8
Total Net Position	$	33,360.7	36,980.1	45,070.7



Statement of Net Position (cont.)

($ in millions)	2012	2013	2014
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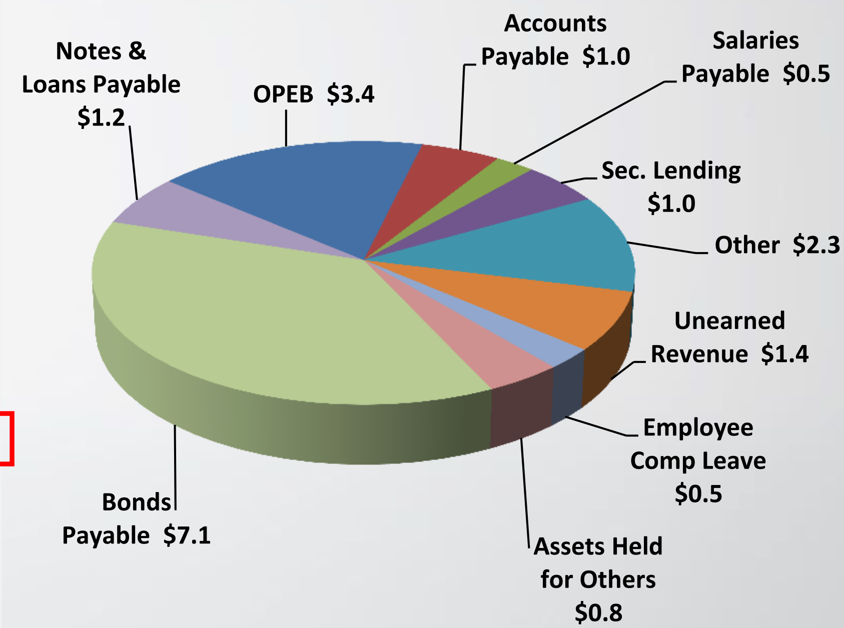
Liabilities and Deferred Inflows
$19.2 billion (in billions)



Statement of Net Position (cont.)

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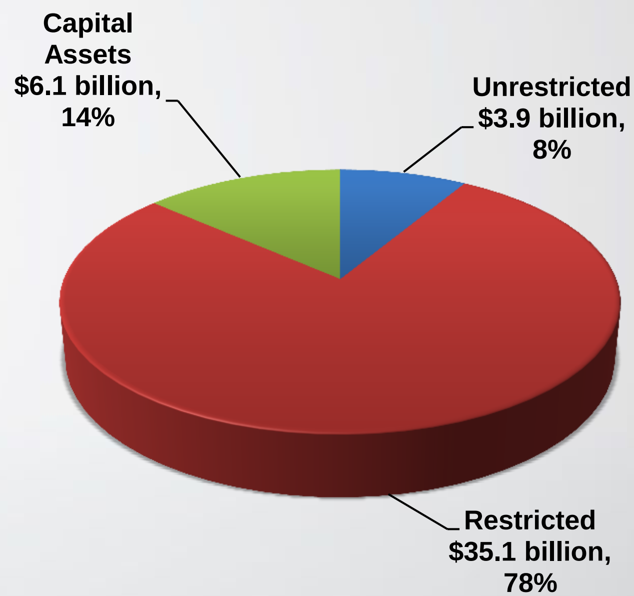
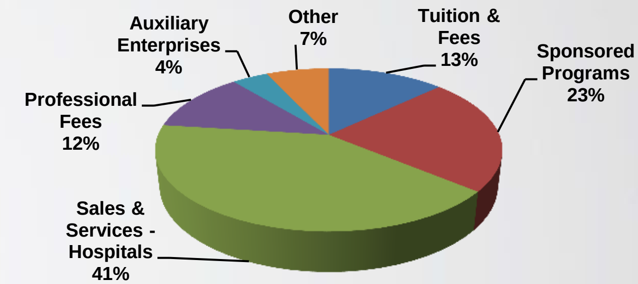
Net Position- $45.1 billion



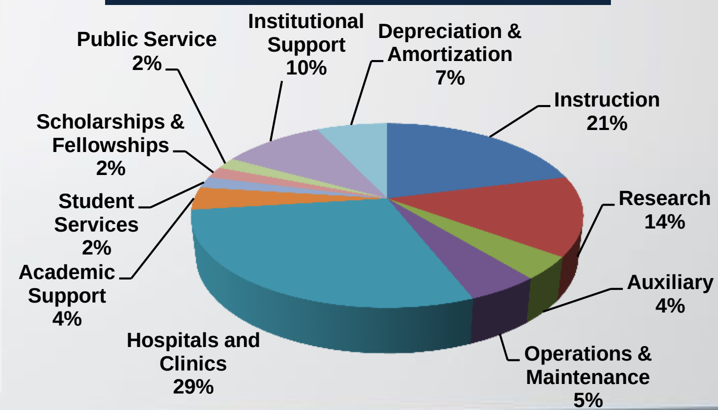
Statement of Revenues, Expenses, and Changes in Net Position

($ in millions)		2012	2013	2014
Operating Revenues	$	10,454.3	11,041.7	11,643.1
Operating Expenses		(13,422.9)	(14,391.3)	(14,943.5)
Operating Loss		(2,968.6)	(3,349.6)	(3,300.4)
State Appropriations		1,919.0	1,829.4	2,045.0
Gifts & Nonexchange Grants		675.4	925.2	751.9
Net Investment Income		1,948.3	2,128.4	3,159.7
Net Incr./(Decr.) in Fair Value of Investments		1,619.1	2,135.1	5,436.3
Interest Expense		(267.4)	(270.6)	(258.3)
Net Other Nonop. Rev. (Exp.)		(48.9)	(47.8)	(37.7)
Income (Loss) Before Other Rev. Exp. Gains/(Losses) & Transfers		2,876.9	3,350.1	7,796.5
HEAF/Gifts for Endow.& Capital		397.3	491.4	731.1
Transfers and Other		(334.6)	(222.1)	(437.0)
Change in Net Position		2,939.6	3,619.4	8,090.6
Net Position, Beginning		30,421.1	33,360.7	36,980.1
Net Position, Ending	$	33,360.7	36,980.1	45,070.7

Operating Revenues - $11.6 billion



Operating Expenses - $14.9 billion



Statement of Revenues, Expenses, and Changes in Net Position (cont.)

($ in millions)		2012	2013	2014
Operating Revenues	$	10,454.3	11,041.7	11,643.1
Operating Expenses		(13,422.9)	(14,391.3)	(14,943.5)
Operating Loss		(2,968.6)	(3,349.6)	(3,300.4)
State Appropriations		1,919.0	1,829.4	2,045.0
Gifts & Nonexchange Grants		675.4	925.2	751.9
Net Investment Income		1,948.3	2,128.4	3,159.7
Net Incr./(Decr.) in Fair Value of Investments		1,619.1	2,135.1	5,436.3
Interest Expense		(267.4)	(270.6)	(258.3)
Net Other Nonop. Rev. (Exp.)		(48.9)	(47.8)	(37.7)
Income (Loss) Before Other Rev. Exp. Gains/(Losses) & Transfers		2,876.9	3,350.1	7,796.5
HEAF/Gifts for Endow.& Capital		397.3	491.4	731.1
Transfers and Other		(334.6)	(222.1)	(437.0)
Change in Net Position		2,939.6	3,619.4	8,090.6
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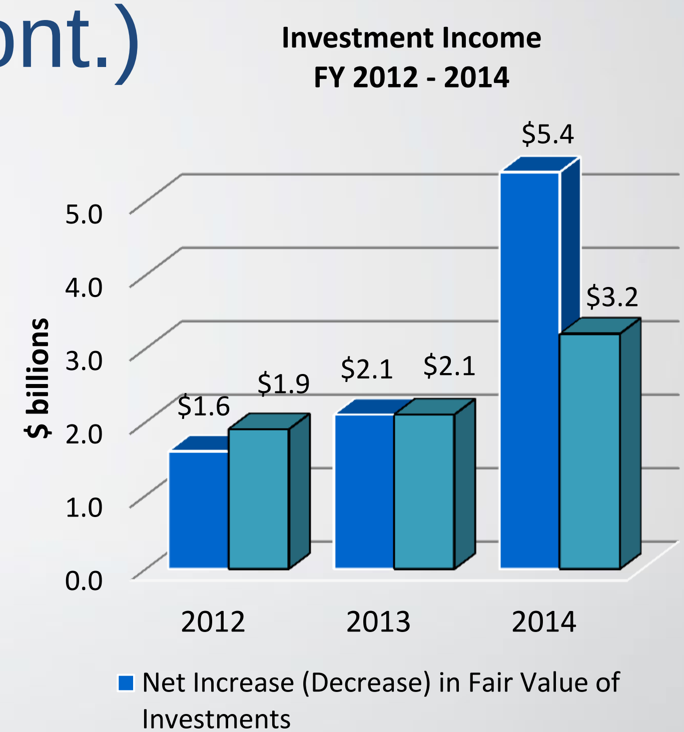


Statement of Revenues, Expenses, and Changes in Net Position (cont.)

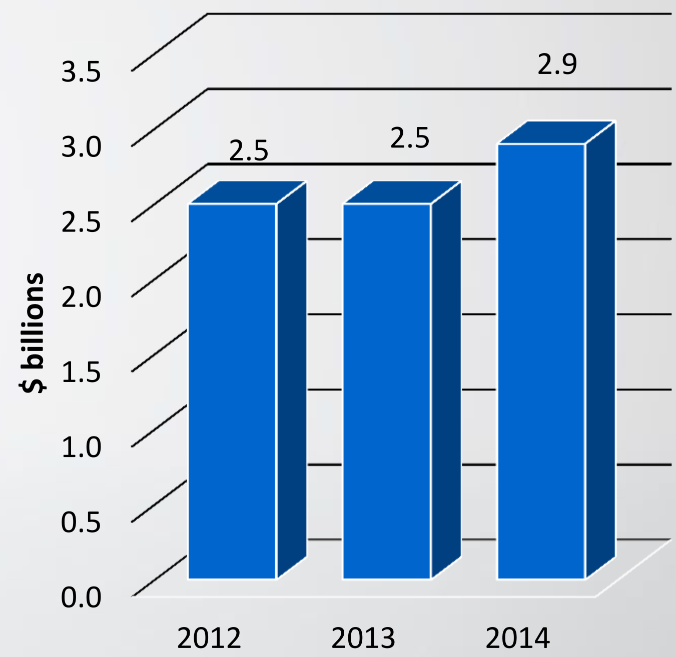
Operating Results
FY 2012 - 2014

		2012	2013	2014
			($ in millions)	
Income before other revenue, expenses, gains/(losses) & transfers	$	2,876.9	3,350.1	7,796.5
Net increase in fair value of investments		(1,619.1)	(2,135.1)	(5,436.3)
Loss on sale of capital assets		14.7	21.5	35.3
Other nonoperating (income)/expense		34.2	26.4	2.3
Realized gains on investments		(657.4)	(864.6)	(1,497.5)
Net operating results	$	649.3	398.3	900.3

Cash Flows

($ in millions)		2012	2013	2014
Cash Flows:				
Cash received from operations	$	10,546.0	10,870.8	11,776.2
Cash expended for operations		(12,123.7)	(12,626.4)	(13,280.4)
Cash used for operating activities		(1,577.7)	(1,755.6)	(1,504.2)
Cash provided by noncapital financing activities		2,466.9	2,682.0	2,171.2
Cash used in capital & related financing activities		(1,473.1)	(1,797.9)	(1,353.0)
Cash provided by investing activities		867.4	939.1	1,040.0
Net increase (decrease) in cash & cash equivalents		283.5	67.6	354.0
Cash & cash equivalents, Beginning of the year		2,176.3	2,459.8	2,527.4
Cash & Cash equivalents, End of the year	$	2,459.8	2,527.4	2,881.4

The three-year trend of ending cash and cash equivalents



Permanent University Fund (PUF) Lands

PUF lands are considered an investment by U. T. System

- Fair Value (FV) of PUF lands is based on
  - Third party reserve study of proved reserves, and
  - Percentage of probable and possible reserves (starting in FY 2013)
- PUF lands' surface interests reported at estimated appraised value using American Society of Farm Managers and Rural Appraisers' trends issued by Texas A&M University
- Other real estate holdings are reported by:
  - Latest available appraised amount by State certified or licensed appraiser, or
  - Any other generally accepted industry standard

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Presentation to The University of Texas System Board of Regents' Joint Meeting of the Audit, Compliance, and Management Review Committee and the Finance and Planning Committee

George Scott, Lead Client Service Partner
Tracey Cooley, Director
Robert Cowley, Partner
Blake Brunson, Manager

Deloitte & Touche LLP
February 2015

This report is intended solely for the information and use of management, the Internal Audit Committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Contents

Audit Status

- We have performed an audit of the consolidated financial statements of **The University of Texas System** for the year ended August 31, 2014, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. We issued our report containing an unqualified opinion on December 19, 2014. This report contained an emphasis of matter paragraph which relates investments with fair values that have been estimated by management in the absence of readily determinable fair values.
- As a part of this audit process we also issued our report, dated December 19, 2014, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* for the year ended August 31, 2014.
- We completed our audits of the **PUF, GEF, LTF, ITF and PHF funds of UTIMCO** for the year ended August 31, 2014 and issued our reports containing unqualified opinions on October 31, 2014.
- We completed our audit of the **U. T. Medical Branch - Galveston, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, and U. T. Health Science Center - Tyler** for the year ended August 31, 2014 and issued our reports each containing an unqualified opinion on or around December 18, 2014.
- We have prepared the following comments to provide information about the external audit process in the context of your obligation to oversee the financial reporting and disclosure process for which management of the System, UTIMCO, and the U. T. institutions with stand-alone audits are responsible.

Audit Scope

- Our audit scope was outlined in our External Audit Plan letter dated August 2014 and was not restricted in any manner.
- No significant changes resulted from the execution of the External Audit Plan.
- Our auditing procedures addressed the areas of focus identified in our External Audit Plan; these areas included:
  - Valuation of Patient Accounts Receivable
  - Due To/From Third Party Settlements
  - Oil & Gas Reserve valuation and disclosure
  - Management Override of Controls

Audit Adjustments and Uncorrected Misstatements

- Our audit of the consolidated financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud.
- All proposed audit adjustments (whether recorded or not recorded) were reviewed with management and were determined, individually and in the aggregate, not to have a significant effect on the financial reporting process.

Summary of Uncorrected Misstatements

- There were two passed adjustments identified during our audit of U. T. Austin:
  - The first adjustment related to the reversal of the negative cash reclassification to Accounts Payable (“AP”), which should have been offset against positive cash at year-end, with an overall effect of $40.7M. Management and the System have concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
  - The second adjustment related to the reclassification of a $35.0M payment from Sales and Service Revenue (Operating) to Contributions for Operations Revenue (Non-Operating) at year-end. Management and the System have concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- There was one passed adjustment identified during our audit of U. T. M. D. Anderson. This adjustment related to a reclassification of the Physician’s Referral Service (“PRS”) Deferred Compensation Plan from long term asset and liability to short term in the amount of $40.3M. There was a similar passed adjustment in the prior year. Management and the System have concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- U. T. M. D. Anderson changed the reporting for their matched portion of endowments in Fiscal Year (“FY”) 2014 and reported a retrospective adjustment to FY 2013 balances. U. T. System’s financials reflect this change prospectively beginning in FY 2014.

Summary of Uncorrected Misstatements (cont.)

- U. T. M. D. Anderson recorded two adjustments, however these adjustments were not booked in time to be reflected in U. T. System's consolidated Annual Financial Report ("AFR"). As such, they are reflected on U. T. System's passed adjustments list.
  - There was a $31.7M entry recorded at U. T. M. D. Anderson that represents a correction of credit balances in patient accounts receivable that relate to true refunds or overpayments.
  - There was an $11.0M entry recorded at U. T. M. D. Anderson that represents a revenue true-up, which was identified as part of the consolidation process.
- There was one passed adjustment related to capital assets across the U. T. System institutions, in the aggregated amount of approximately $12.8M, which related to missing assets. U. T. System (per Texas Comptroller directions) labels certain missing capital assets as "missing" for a period of two years before these assets are written off of the books. However, Generally Accepted Accounting Principles require the entity to write off these assets as soon as they are missing – the total amount of these missing assets across the institutions is $12.8M. Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- There was one passed adjustment identified during our audit of U. T. San Antonio. The cash recorded in the general ledger as "cash in bank" of $8.7M varied from the audited cash balance of ($3.9M), which resulted in a difference of $12.6M. Since we noted that the audited ending cash balance was negative, the $3.9M should have been reclassified to AP as of August 31, 2014.

Summary of Uncorrected Misstatements (cont.)

- There was one passed adjustment identified during our audit of U. T. El Paso. On April 30, 2014, U. T. El Paso had a payroll receivable related to funds owed to them from the State Comptroller's Office. The amount owed was $9.1M and was recorded as being received. Then, on May 2, 2014, the funds from the State Comptroller's Office were actually received, and, in the PeopleSoft Cash Module, all wire deposits are automatically recorded to cash. So, this resulted in the amount owed from the State Comptroller's Office as being recognized twice.
- There was one passed adjustment identified during our audit of U. T. Heath Science Center - San Antonio. A negative balance was in Noncurrent Restricted - Cash and Cash Equivalents at UTHSCSA for August 31, 2014. This amount should instead be reclassified to Current Cash and Cash Equivalents to be offset against the positive cash balance recorded Systemwide. Note the total reclassification is the amount of negative cash displayed on the face of the Systemwide AFR ($11.5M).
- There was one passed adjustment identified during our audit of U. T. Southwestern Medical Center. UTSWMC did not appropriately record accruals for invoices received after year-end related to purchases (expenses and depreciable property) before year-end for a factual and extrapolated total of $10.7M.

Summary of Uncorrected Misstatements (cont.)

Schedule of Uncorrected Adjustments (in $ millions)

Adjustment	Assets	Liabilities	Net Position	Revenues	Expenditures & Other
UT Austin - Reversing of the negative cash classification to AP	$ (40.7)	$ (40.7)	-	-	-
UT Austin - Reclassification of payment received from Operating to Non-Operating Revenue	-	-	-	$ 35.0	-
	-	-	-	(35.0)	-
MD Anderson - Reclassification of the PRS Deferred Compensation Plan from long term ("LT") asset and liability to short term ("ST"):					
LT Liabilities and LT Assets	(40.3)	(40.3)	-	-	-
ST Assets and ST Liabilities	40.3	40.3	-	-	-
MD Anderson - Correction of credit balances in patient accounts receivable	(31.7)	(31.7)	-	-	-
MD Anderson - Revenue true-up which was identified as part of the consolidation process	11.0	-	-	$ 11.0	-
Systemwide Missing Capital Assets	(12.8)	-	-	-	$ 12.8
UT San Antonio - Cash in Bank	(8.7)	3.9	-	-	12.6
UT El Paso - Payroll Receivable double counted	(9.1)	-	-	-	9.1
HSC San Antonio - Negative cash balance	11.5	-	-	-	-
	(11.5)	-	-	-	-
UT Southwestern - AP Accrual	$ -	$ 10.7	-	-	$ 10.7
Total Uncorrected Adjustments - Effect (in $ millions)	(92.0)	(57.8)	-	11.0	45.2
Original Total Amounts (in $ millions)	64,250.5	19,179.9	45,070.7	11,643.1	3,552.5
Total Amounts (if corrected; in $ millions)	64,158.5	19,122.1	45,070.7	11,654.1	3,597.7

Control-related Matters

- A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
- A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
- A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- No material weaknesses identified at the Systemwide level

Control-related Matters – Systemwide Significant Deficiency

- Deloitte & Touche has identified a significant deficiency ("SD") related to the Bank Reconciliation and Journal Entry Review Process – Post-PeopleSoft Implementation – across multiple academic institutions.
- U. T. System had multiple control deficiencies across the academic institutions as a result of the implementation of the new PeopleSoft/UTShare System ("UTShare"). After the go-live date of May 1, 2014, through the end of FY 2014 (August 31, 2014), the aggregated deficiencies resulted in the SD. We noted the following:
  - Monthly bank reconciliations – Multiple academic institutions did not perform or review bank reconciliations on their various cash accounts in a timely manner. Further, we noted significant unreconciled items on bank reconciliations as of August 31, 2014. With the implementation of UTShare, institutions had challenges obtaining reports that had the appropriate reconciling information needed to prepare the monthly reconciliations.
  - Journal entry approvals – We noted a lack of evidence of supervisory review and approval for journal entries made directly to the institutions' respective general ledgers.
- The lack of timely performance of monthly reconciliations of cash accounts and a lack of review of journal entries could potentially lead to significant misstatements on the U. T. System AFR.

Control-related Matters – Other Stand-Alone Audits

- We did not identify any material weaknesses in our audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Health Science Center - Tyler, U. T. Medical Branch - Galveston, or the PUF, GEF, LTF, ITF and PHF funds of UTIMCO.

Deloitte.

2. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

3. U. T. System: Key Financial Indicators Report and Monthly Financial Report

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 84 - 91 and the December Monthly Financial Report on Pages 92 - 116. The reports represent the consolidated and individual operating detail of the U. T. System institutions.

The Key Financial Indicators Report compares the Systemwide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2011 through December 2014. Ratios requiring balance sheet data are provided for Fiscal Year 2010 through Fiscal Year 2014.

THE UNIVERSITY OF TEXAS SYSTEM

KEY FINANCIAL INDICATORS REPORT

NOVEMBER 2014

KEY

Actual Annual Amounts
(SOURCE: Annual Financial Reports)

Adjustment to Actual Annual Amounts to exclude the Increase in Net OPEB Obligation
(SOURCE: Annual Financial Reports)

Budget amounts
(SOURCE: Operating Budget Summary)

Projected Amounts based on the average change of the previous three years of data

Monthly Financial Report Year-to-Date Amounts

Annual State Net Revenue Collections
(SOURCE: Texas Revenue History by Source and Texas Net Revenue by Source, State Comptroller's Office)

Year-to-Date State Net Revenue Collections
(SOURCE: State Comptroller's Office)

Estimated State Revenue Collections
(SOURCE: Biennial Revenue Estimate, State Comptroller's Office)

Annual and Quarterly Average of FTEs
(SOURCE: State Auditor's Office Quarterly FTE Report)

Year-to-Date Margin
(SOURCE: Monthly Financial Report)

Projected Amounts based on Monthly Financial Report

Year-to-Date Margin
(SOURCE: Monthly Financial Report)

Target Normalized Rates

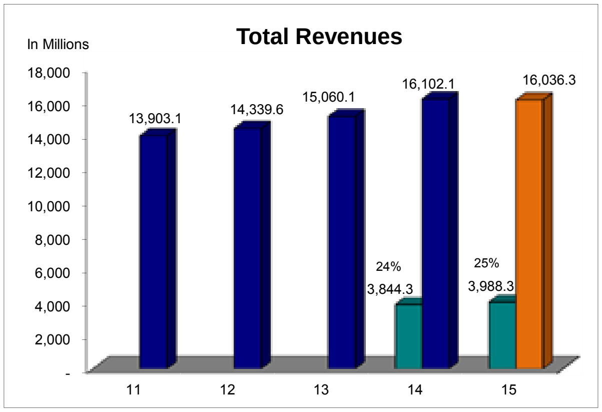
Aaa Median
(SOURCE: Moody's)

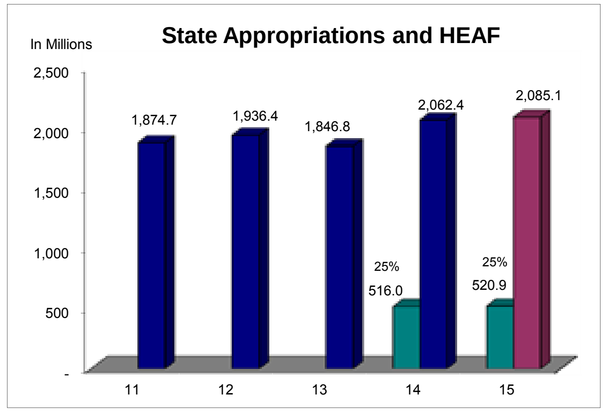
A2 Median
(SOURCE: Moody's)

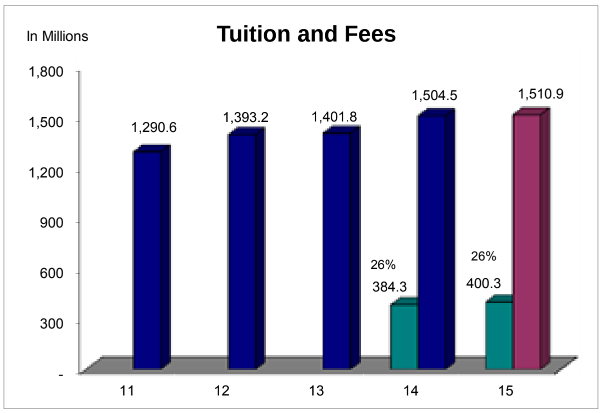
Good Facilities Condition Index (Below 5%)

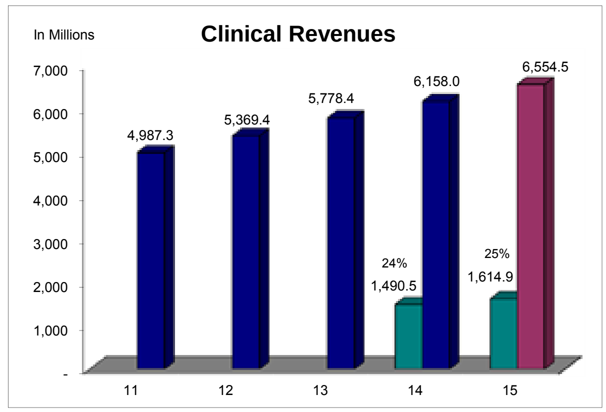
Fair Facilities Condition Index (5% - 10%)

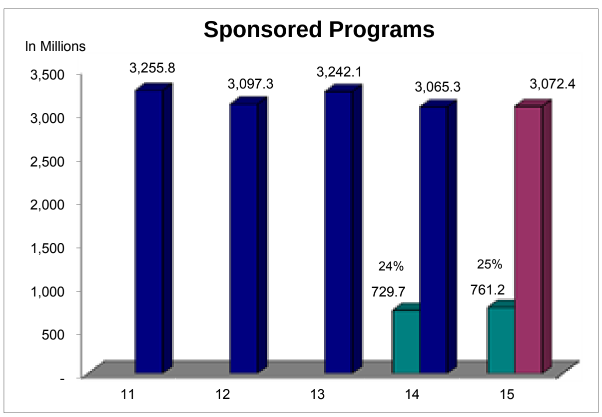
KEY INDICATORS OF REVENUES
ACTUAL 2011 THROUGH 2014
PROJECTED 2015
YEAR-TO-DATE 2014 AND 2015 FROM NOVEMBER MONTHLY FINANCIAL REPORT

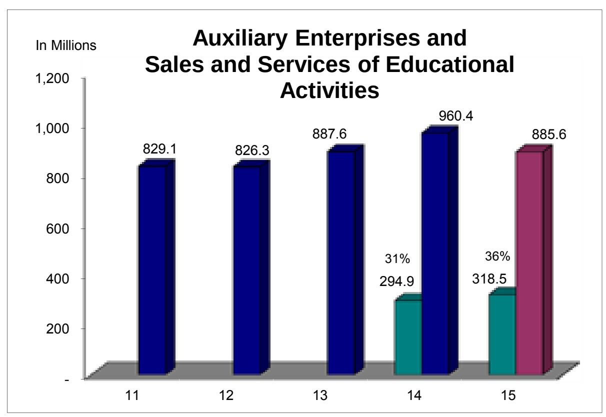


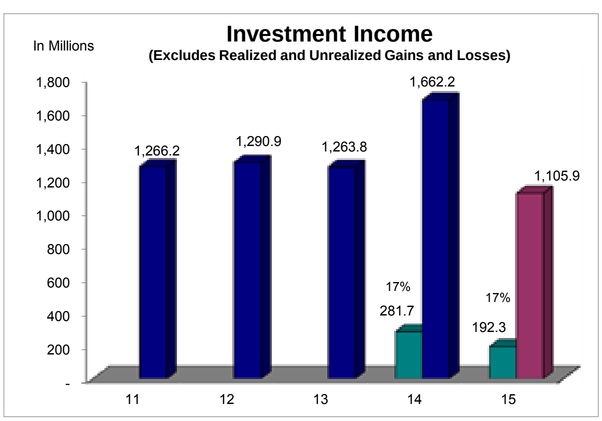


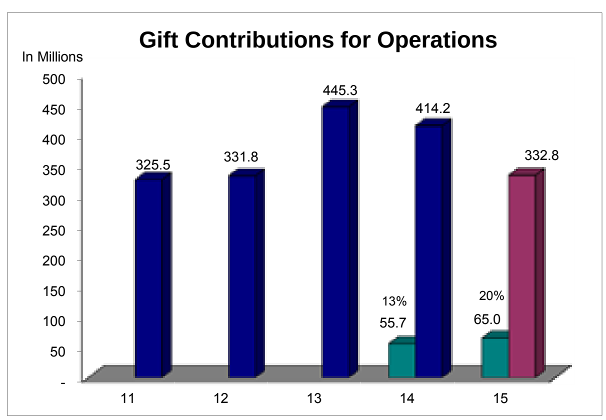




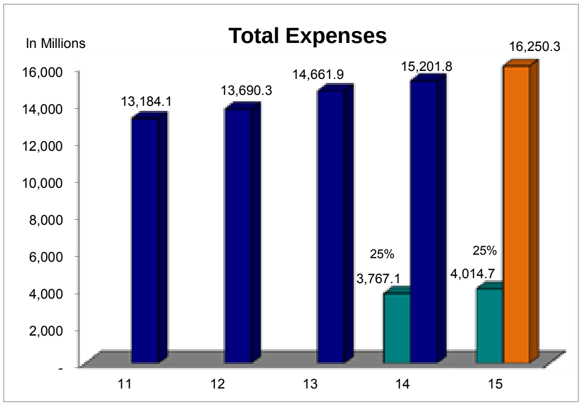


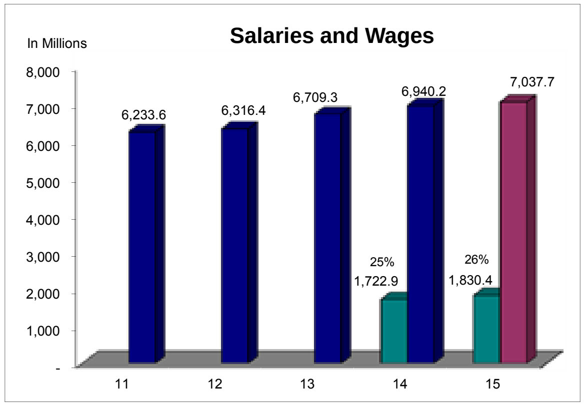


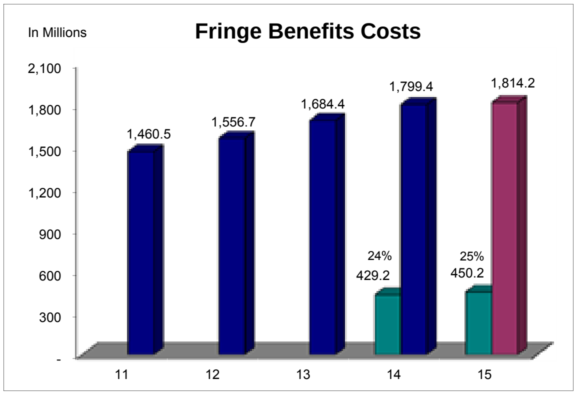


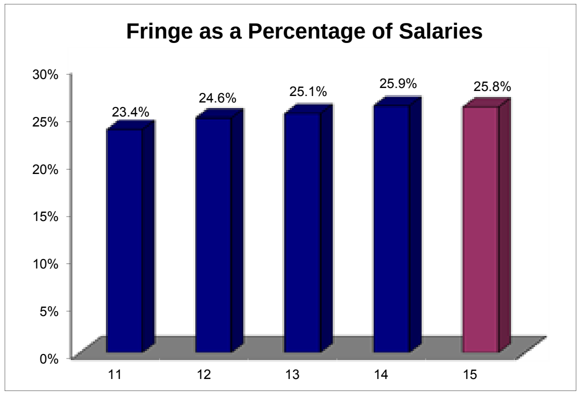


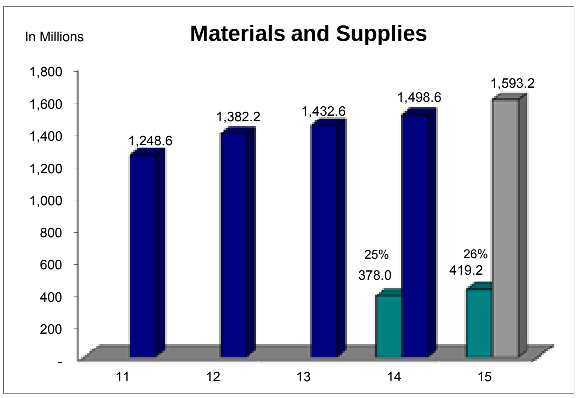
KEY INDICATORS OF EXPENSES
ACTUAL 2011 THROUGH 2014
PROJECTED 2015
YEAR-TO-DATE 2014 AND 2015 FROM NOVEMBER MONTHLY FINANCIAL REPORT

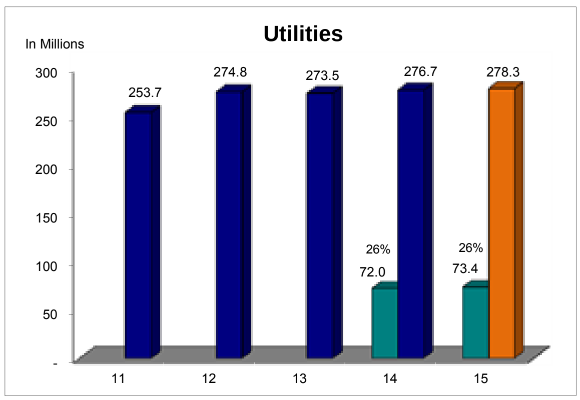


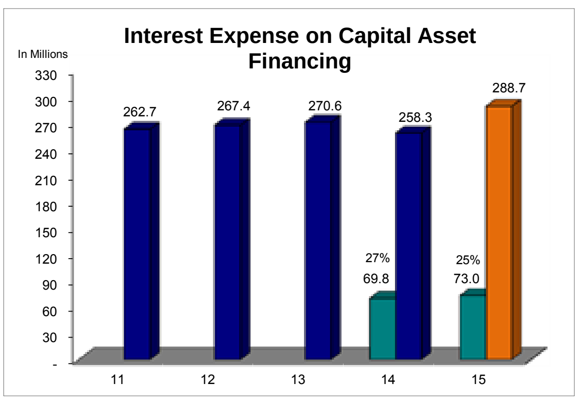


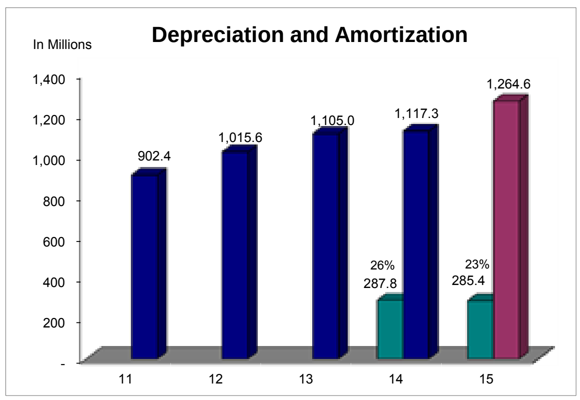




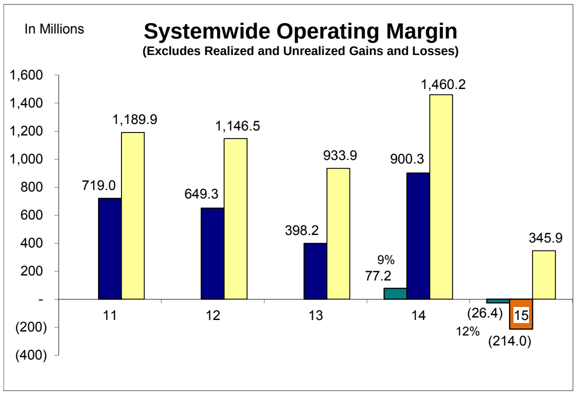


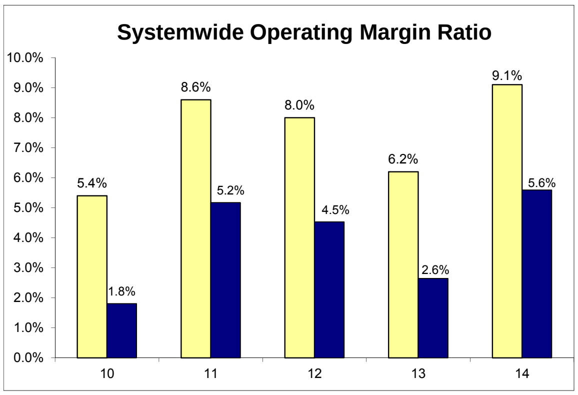


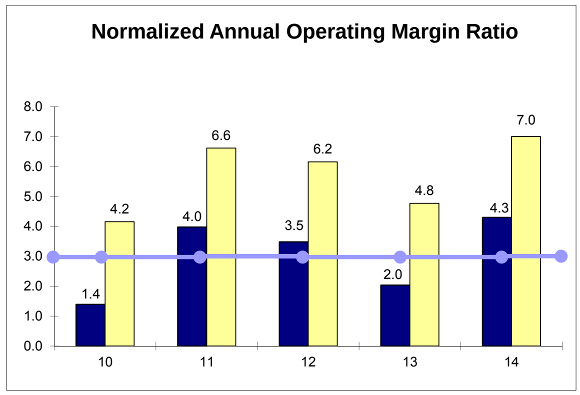


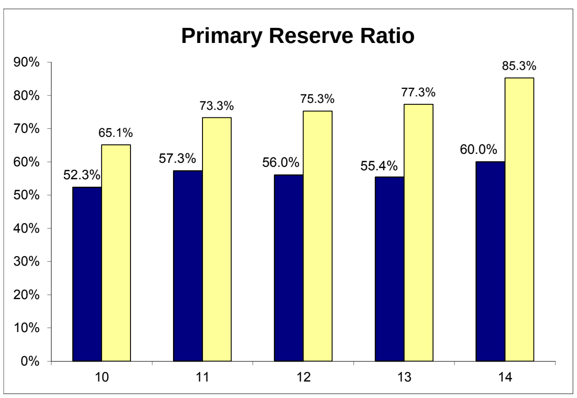


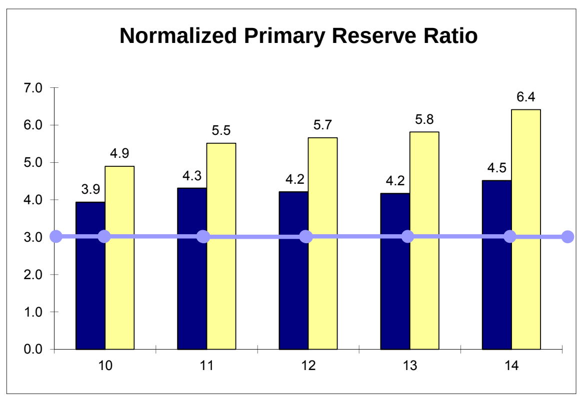
KEY INDICATORS OF RESERVES
ACTUAL 2010 THROUGH 2014
PROJECTED 2015
YEAR-TO-DATE 2014 AND 2015 FROM NOVEMBER MONTHLY FINANCIAL REPORT

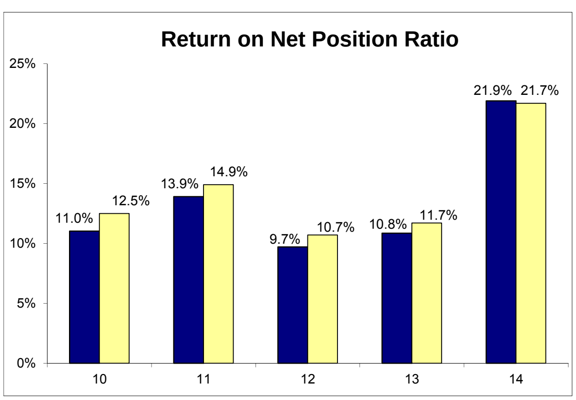


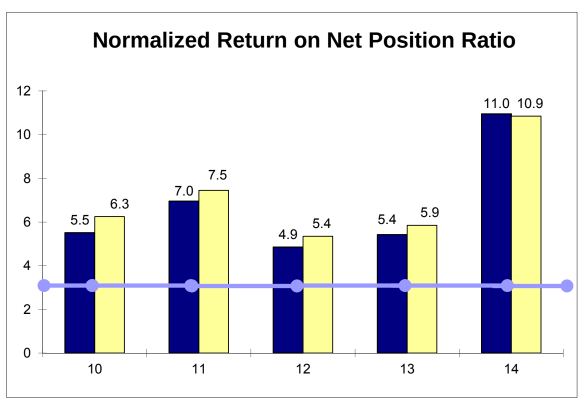




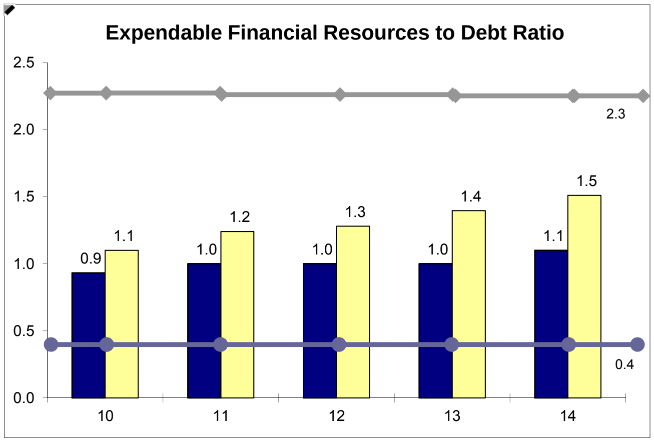


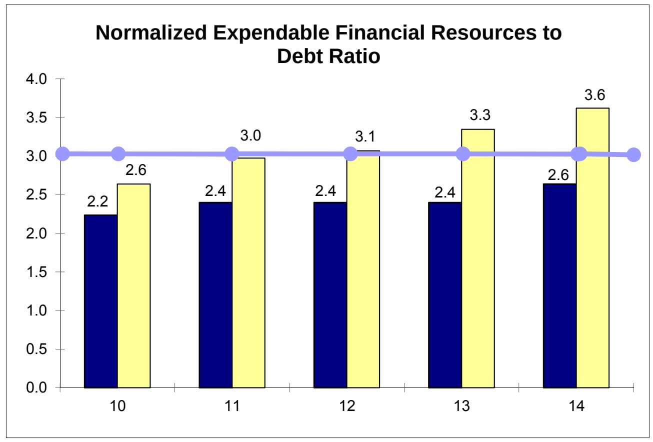


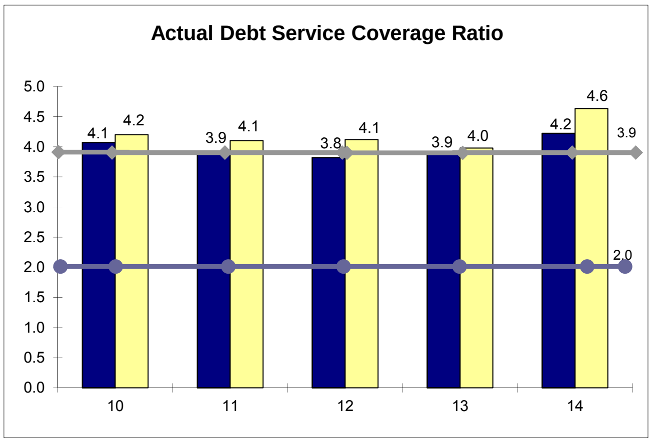


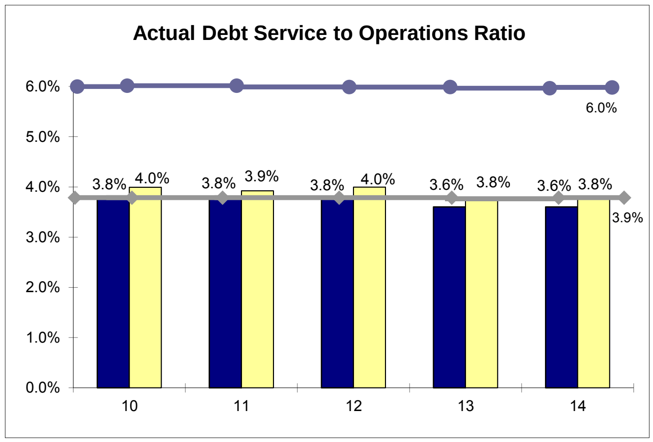


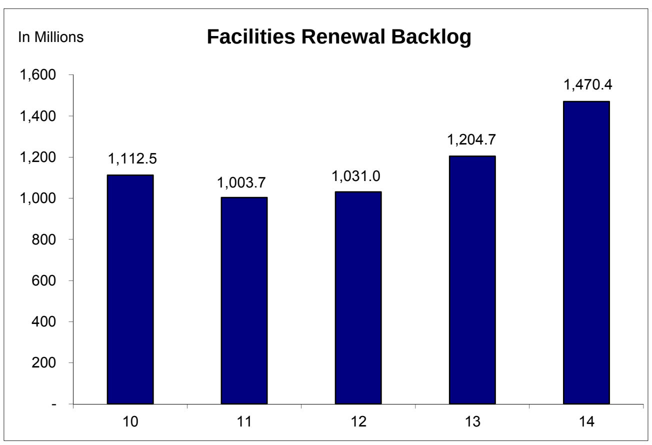
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2010 THROUGH 2014

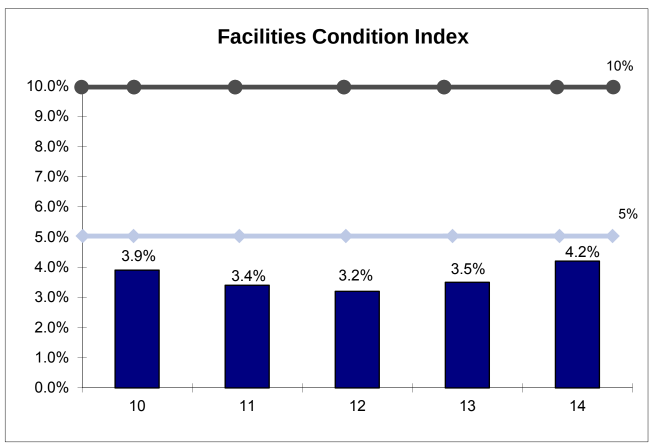




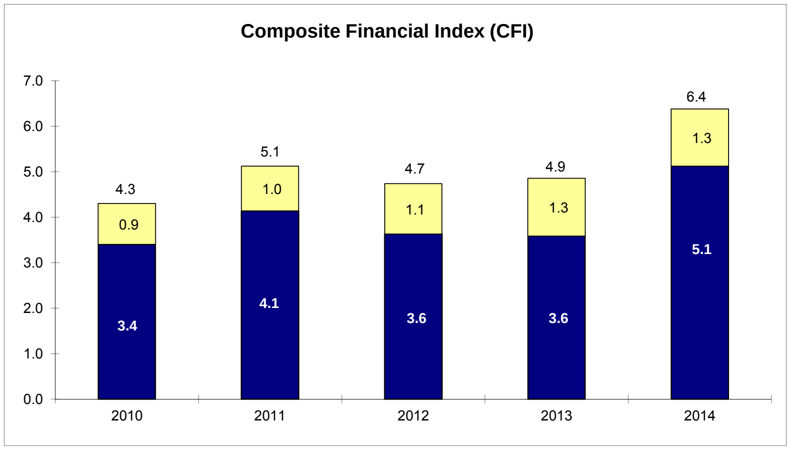




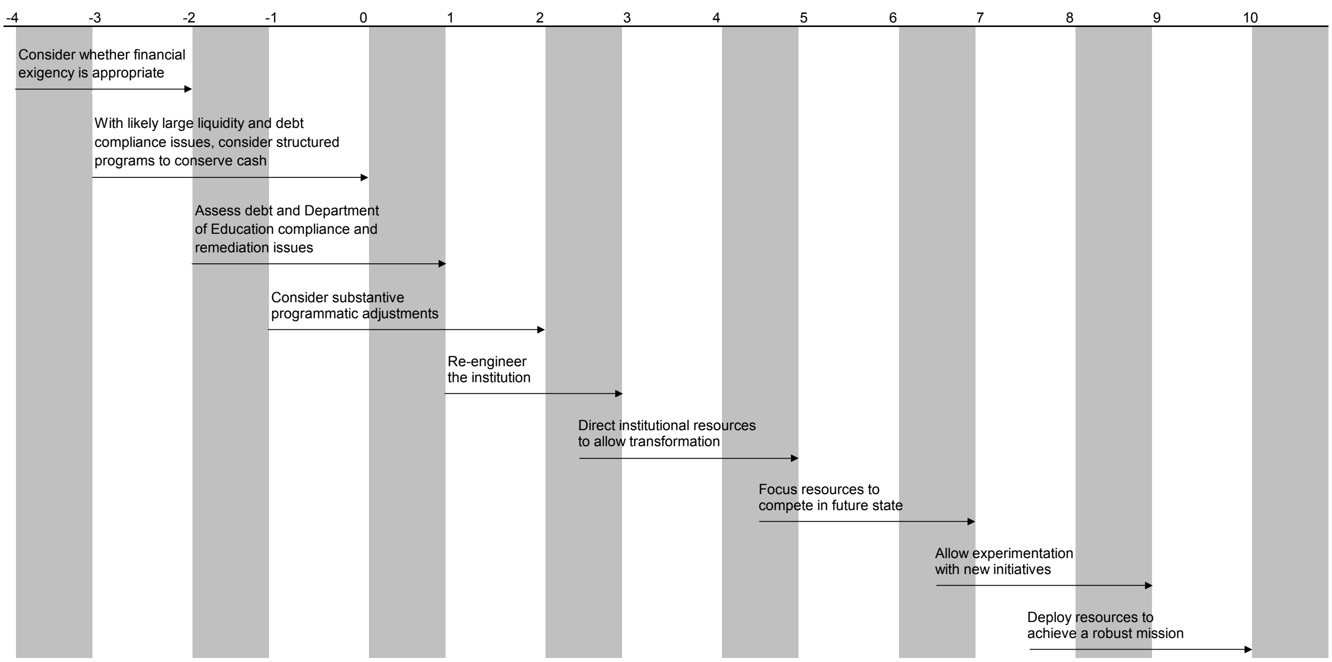




KEY INDICATORS OF FINANCIAL HEALTH
2010 THROUGH 2014

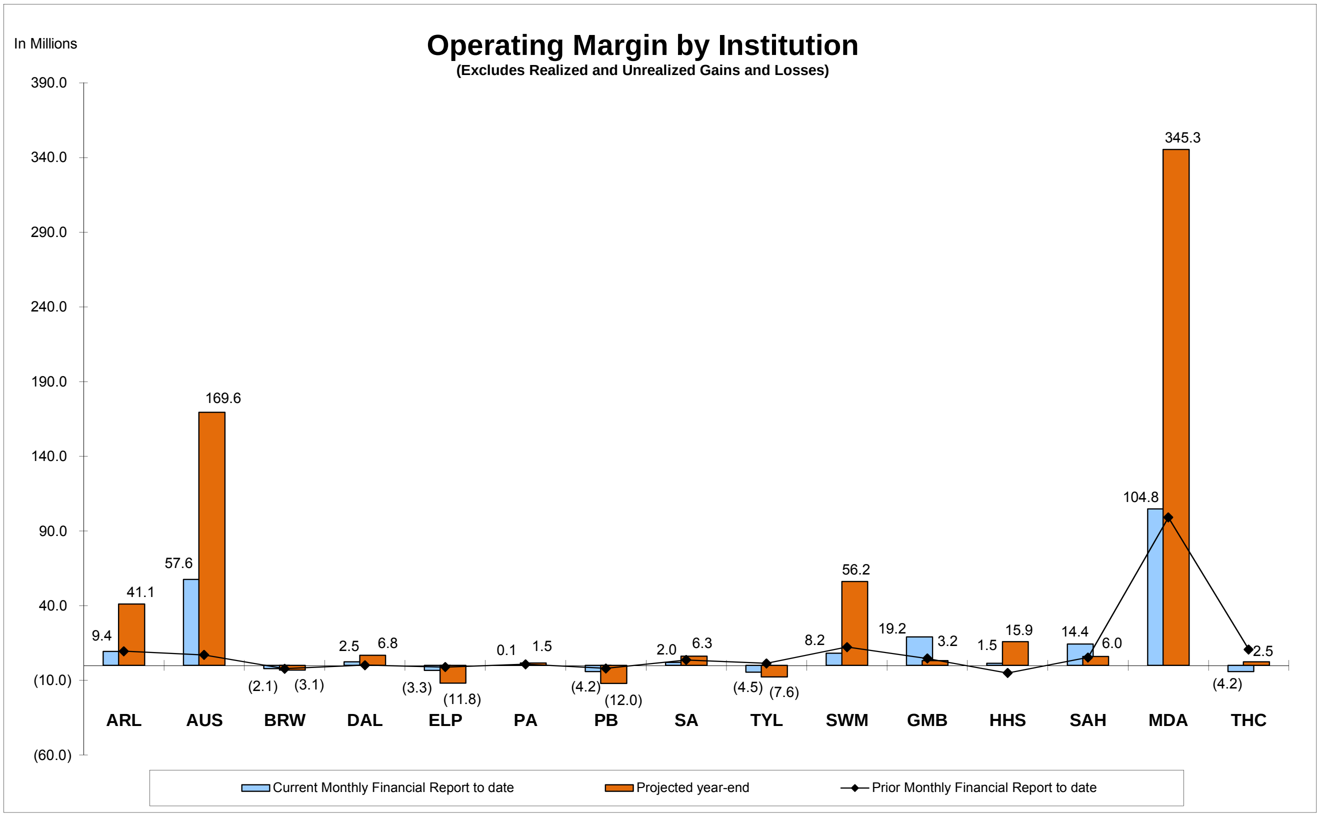


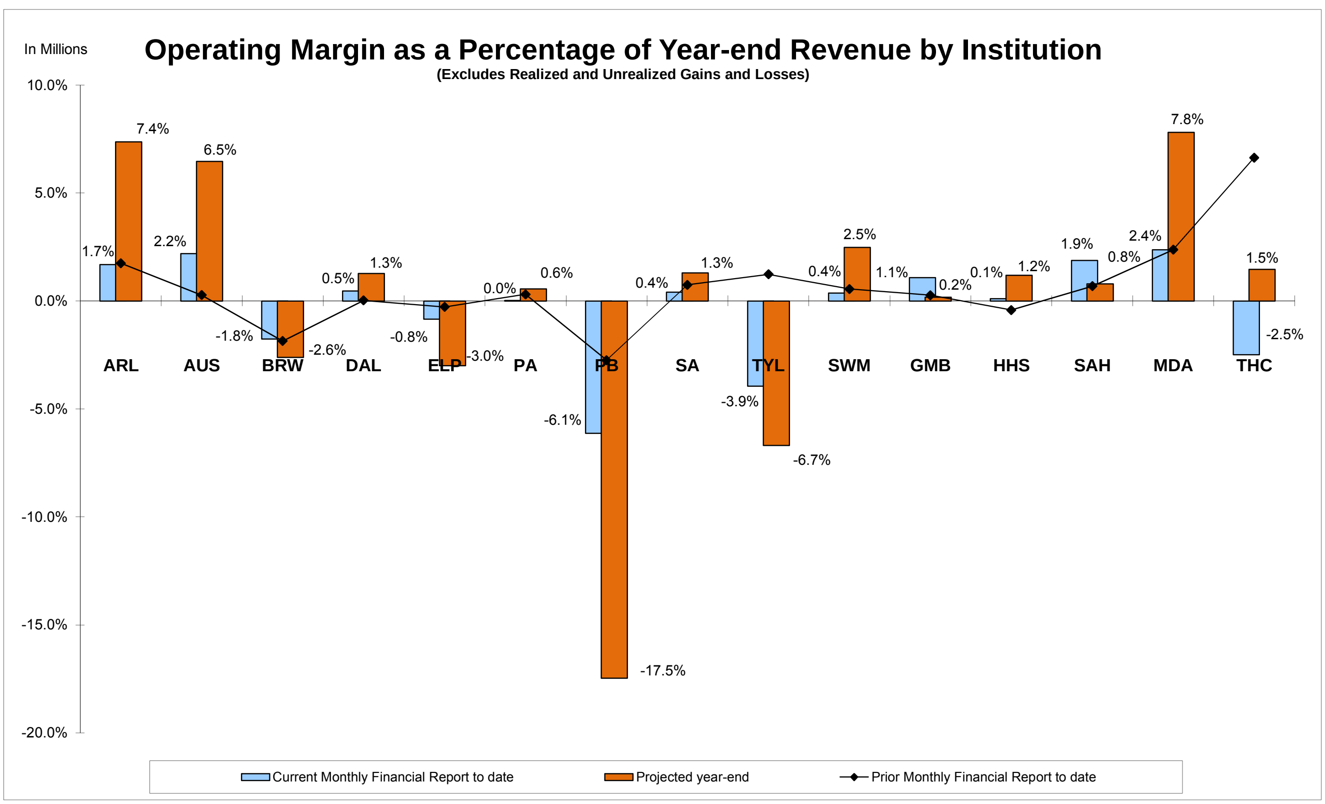
Scale for Charting CFI Performance



Source: Strategic Financial Analysis for Higher Education, Seventh Edition

KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2014 AND 2015 FROM NOVEMBER MONTHLY FINANCIAL REPORT
PROJECTED 2015 YEAR-END MARGIN





THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT

(unaudited)

DECEMBER 2014

201 Seventh Street, ASH 5th Floor
Austin, Texas 78701
512.499.4527
www.utsystem.edu/cont

THE UNIVERSITY OF TEXAS SYSTEM
MONTHLY FINANCIAL REPORT
(Unaudited)
FOR THE FOUR MONTHS ENDING
December 31, 2014

The University of Texas System
Monthly Financial Report

Foreword

The Monthly Financial Report (MFR) compares the results of operations between the current year-to-date cumulative amounts and the prior year-to-date cumulative amounts. Explanations are provided for institutions having the largest variances in Adjusted Income (Loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. In addition, although no significant variance may exist, institutions with losses may be discussed.

The data is reported in three sections: (1) Operating Revenues, (2) Operating Expenses, and (3) Other Nonoperating Adjustments. Presentation of state appropriation revenues are required under GASB 35 to be reflected as nonoperating revenues, so all institutions will report an Operating Loss prior to this adjustment. The MFR provides an Adjusted Income (Loss), which takes into account the nonoperating adjustments associated with core operating activities. An Adjusted Margin (as a percentage of operating and nonoperating revenue adjustments) is calculated for each period and is intended to reflect relative operating contributions to financial health.

UNAUDITED

The University of Texas System Consolidated
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	530,218,124.72	500,498,160.49	29,719,964.23	5.9%
Sponsored Programs	931,405,276.68	897,347,624.27	34,057,652.41	3.8%
Net Sales and Services of Educational Activities	151,625,077.89	194,429,260.73	(42,804,182.84)	-22.0%
Net Sales and Services of Hospitals	1,668,709,446.99	1,529,743,317.28	138,966,129.71	9.1%
Net Professional Fees	502,080,102.84	436,984,812.58	65,095,290.26	14.9%
Net Auxiliary Enterprises	201,309,636.28	191,294,014.65	10,015,621.63	5.2%
Other Operating Revenues	123,605,063.84	105,351,811.12	18,253,252.72	17.3%
Total Operating Revenues	**4,108,952,729.24**	**3,855,649,001.12**	**253,303,728.12**	**6.6%**
Operating Expenses				
Salaries and Wages	2,433,262,192.32	2,311,822,596.19	121,439,596.13	5.3%
Payroll Related Costs	617,121,413.79	586,566,183.68	30,555,230.11	5.2%
Cost of Goods Sold	42,042,866.43	40,159,266.18	1,883,600.25	4.7%
Professional Fees and Services	133,463,445.81	114,799,071.13	18,664,374.68	16.3%
Other Contracted Services	237,484,363.50	217,491,876.27	19,992,487.23	9.2%
Travel	44,170,752.22	45,482,885.22	(1,312,133.00)	-2.9%
Materials and Supplies	546,104,695.81	497,815,446.23	48,289,249.58	9.7%
Utilities	90,498,317.59	92,851,596.16	(2,353,278.57)	-2.5%
Communications	51,192,089.88	49,787,029.76	1,405,060.12	2.8%
Repairs and Maintenance	96,331,256.22	83,204,430.85	13,126,825.37	15.8%
Rentals and Leases	54,585,747.67	47,970,056.84	6,615,690.83	13.8%
Printing and Reproduction	11,335,500.01	11,059,862.13	275,637.88	2.5%
Bad Debt Expense	278,850.82	493,462.65	(214,611.83)	-43.5%
Claims and Losses	11,155,805.41	2,422,090.26	8,733,715.15	360.6%
Increase in Net OPEB Obligation	186,623,401.67	178,537,029.00	8,086,372.67	4.5%
Scholarships and Fellowships	109,785,716.73	127,479,446.15	(17,693,729.42)	-13.9%
Depreciation and Amortization	382,345,773.58	383,477,195.07	(1,131,421.49)	-0.3%
Federal Sponsored Program Pass-Through to Other State Agencies	5,375,462.76	3,872,190.73	1,503,272.03	38.8%
State Sponsored Program Pass-Through to Other State Agencies	1,287,138.47	1,346,984.85	(59,846.38)	-4.4%
Other Operating Expenses	142,077,650.42	129,489,709.72	12,587,940.70	9.7%
Total Operating Expenses	**5,196,522,441.11**	**4,926,128,409.07**	**270,394,032.04**	**5.5%**
Operating Loss	**(1,087,569,711.87)**	**(1,070,479,407.95)**	**(17,090,303.92)**	**-1.6%**
Other Nonoperating Adjustments				
State Appropriations	701,311,686.44	699,300,280.66	2,011,405.78	0.3%
Nonexchange Sponsored Programs	63,283,423.35	62,814,341.94	469,081.41	0.7%
Gift Contributions for Operations	186,347,875.24	134,551,409.75	51,796,465.49	38.5%
Net Investment Income	317,918,898.87	423,236,548.94	(105,317,650.07)	-24.9%
Interest Expense on Capital Asset Financings	(95,236,430.07)	(91,692,191.20)	(3,544,238.87)	-3.9%
Net Other Nonoperating Adjustments	**1,173,625,453.83**	**1,228,210,390.09**	**(54,584,936.26)**	**-4.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**86,055,741.96**	**157,730,982.14**	**(71,675,240.18)**	**-45.4%**
Adjusted Margin % including Depreciation & Amortization	**1.6%**	**3.0%**		
Investment Gain (Losses)	(603,081,311.54)	1,373,229,095.40	(1,976,310,406.94)	-143.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(517,025,569.58)**	**1,530,960,077.54**	**(2,047,985,647.12)**	**-133.8%**
Adj. Margin % with Investment Gains (Losses)	**-10.8%**	**23.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**468,401,515.54**	**541,208,177.21**	**(72,806,661.67)**	**-13.5%**
Adjusted Margin % excluding Depreciation & Amortization	**8.7%**	**10.5%**		

The University of Texas System
Comparison of Adjusted Income (Loss)
For the Four Months Ending December 31, 2014

	Including Depreciation and Amortization Expense					
	December Year-to-Date FY 2015		December Year-to-Date FY 2014	Variance		Fluctuation Percentage
U. T. System Administration	$ (91,027,206.38)		$ 33,081,254.98	(124,108,461.36)	(1)	-375.2%
U. T. Arlington	10,531,543.66		12,158,672.85	(1,627,129.19)		-13.4%
U. T. Austin	52,757,380.95		5,176,913.61	47,580,467.34	(2)	919.1%
U. T. Brownsville	(2,900,271.29)	(3)	(2,864,523.20)	(35,748.09)		-1.2%
U. T. Dallas	5,004,829.91		396,214.81	4,608,615.10	(4)	1,163.2%
U. T. El Paso	(3,626,672.07)		(1,459,671.99)	(2,167,000.08)	(5)	-148.5%
U. T. Pan American	220,748.33		3,103,093.06	(2,882,344.73)	(6)	-92.9%
U. T. Permian Basin	(2,080,466.22)	(7)	(2,760,801.61)	680,335.39		24.6%
U. T. San Antonio	4,014,345.30		3,159,222.31	855,122.99	(8)	27.1%
U. T. Tyler	(4,255,007.35)		(275,486.71)	(3,979,520.64)	(9)	-1,444.5%
U. T. Southwestern Medical Center	27,791,591.37		16,234,629.62	11,556,961.75	(10)	71.2%
U. T. Medical Branch - Galveston	19,308,679.28		1,090,275.84	18,218,403.44	(11)	1,671.0%
U. T. Health Science Center - Houston	5,526,927.42		(9,120,692.33)	14,647,619.75	(12)	160.6%
U. T. Health Science Center - San Antonio	15,597,668.71		4,306,741.42	11,290,927.29	(13)	262.2%
U. T. M. D. Anderson Cancer Center	133,775,077.36		164,648,508.60	(30,873,431.24)		-18.8%
U. T. Health Science Center - Tyler	3,499,906.31		9,049,458.55	(5,549,552.24)	(14)	-61.3%
Elimination of AUF Transfer	(88,083,333.33)		(78,192,827.67)	(9,890,505.66)		-12.6%
Total Adjusted Income (Loss)	86,055,741.96		157,730,982.14	(71,675,240.18)		-45.4%
Investment Gains (Losses)	(603,081,311.54)		1,373,229,095.40	(1,976,310,406.94)		-143.9%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	**$ (517,025,569.58)**		**$ 1,530,960,077.54**	**$ (2,047,985,647.12)**		**-133.8%**

	Excluding Depreciation and Amortization Expense			
	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
U. T. System Administration	$ (86,324,804.12)	$ 35,500,829.15	(121,825,633.27)	-343.2%
U. T. Arlington	25,468,147.77	27,026,679.93	(1,558,532.16)	-5.8%
U. T. Austin	132,757,380.95	105,843,580.28	26,913,800.67	25.4%
U. T. Brownsville	(56,265.92)	(73,053.50)	16,787.58	23.0%
U. T. Dallas	24,181,314.72	17,900,823.34	6,280,491.38	35.1%
U. T. El Paso	6,577,788.67	7,913,643.82	(1,335,855.15)	-16.9%
U. T. Pan American	6,509,221.35	8,412,251.59	(1,903,030.24)	-22.6%
U. T. Permian Basin	2,263,066.03	1,805,865.06	457,200.97	25.3%
U. T. San Antonio	19,162,787.26	18,397,181.27	765,605.99	4.2%
U. T. Tyler	(229,896.02)	3,500,381.70	(3,730,277.72)	-106.6%
U. T. Southwestern Medical Center	74,406,373.67	55,181,257.56	19,225,116.11	34.8%
U. T. Medical Branch - Galveston	52,623,440.77	36,352,553.18	16,270,887.59	44.8%
U. T. Health Science Center - Houston	25,353,938.13	9,812,773.47	15,541,164.66	158.4%
U. T. Health Science Center - San Antonio	33,097,668.71	20,973,408.09	12,124,260.62	57.8%
U. T. M. D. Anderson Cancer Center	233,523,053.91	258,657,361.58	(25,134,307.67)	-9.7%
U. T. Health Science Center - Tyler	7,171,632.99	12,195,468.36	(5,023,835.37)	-41.2%
Elimination of AUF Transfer	(88,083,333.33)	(78,192,827.67)	(9,890,505.66)	-12.6%
Total Adjusted Income (Loss)	468,401,515.54	541,208,177.21	(72,806,661.67)	-13.5%
Total Adjusted Income (Loss) Excluding Depreciation and Amortization	**$ 468,401,515.54**	**$ 541,208,177.21**	**$ (72,806,661.67)**	**-13.5%**

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Four Months Ending December 31, 2014

Explanations are provided for institutions having the largest variances in adjusted income (loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. Explanations are also provided for institutions with a current year-to-date adjusted loss and/or a projected year-to-date loss.

(1) *U. T. System Administration* - The $124.1 million (375.2%) decrease over the same period last year was primarily due to decreases in oil royalties and mineral lease bonus sales, which are a component of net investment income. Also contributing to the variance was a decrease in sponsored program revenue received for the 2014-2015 biennium for the Joint Admission Medical Program as it was all recognized in 2014, and an increase in claims paid for the Dental Supplemental Insurance Plan and the Self-Insured Dental Plan. Excluding depreciation and amortization expense, *U. T. System Administration's* adjusted loss was $86.3 million or -41.3% of projected revenues. *U. T. System Administration* anticipates ending the year with a $332.9 million loss, -60.5% of projected revenues, and includes $14.1 million of depreciation and amortization expense, as well as a $559.9 million accrual for Other Postemployment Benefits (OPEB) expense for the entire *U. T. System*.

(2) *U. T. Austin* - The $47.6 million (919.1%) increase in adjusted income over the same period last year was attributable to decreases in depreciation and amortization expense and scholarships and fellowships expense, as well as an increase in the funding from the Available University Fund primarily for operations and the new medical school. The decrease in depreciation and amortization expense was due to gifted software licenses that were fully amortized in 2014. Scholarships and fellowships expense decreased due to a lower estimate used in 2015 to more closely approximate the 2014 actual results. Excluding depreciation and amortization expense, *U. T. Austin's* adjusted income was $132.8 million or 15.3% of projected revenues.

(3) *U. T. Brownsville* - *U. T. Brownsville* incurred a year-to-date loss of $2.9 million which was primarily attributable to $1.9 million of *U. T. Rio Grande Valley* related expenses and a decrease in student enrollment for the fall semester. Excluding depreciation and amortization expense, *U. T. Brownsville's* adjusted loss was $56,000 or -0.2% of projected revenues. *U. T. Brownsville* anticipates ending the year with a $3.9 million loss, -3.3% of projected revenues and includes $8.5 million of depreciation and amortization expense.

(4) *U. T. Dallas* - The $4.6 million (1,163.2%) increase in adjusted income over the same period last year was primarily attributable to an increase in gift contributions for operations due to a large gift from the Communities Foundation of Texas. Excluding depreciation and amortization expense, *U. T. Dallas'* adjusted income was $24.2 million or 12.8% of projected revenues.

(5) *U. T. El Paso* - The $2.2 million (148.5%) increase in adjusted loss as compared to the same period last year was attributable to an increase in tuition exemption scholarship expense, primarily related to the Hazelwood and Hazelwood Legacy programs. Also contributing to the variance was an increase in salaries and wages due to a 2.5% merit pool increase implemented in 2015, and an increase in depreciation expense related to the rapid growth of buildings and research infrastructure on campus. As a result, *U. T. El Paso* incurred a year-to-date loss of $3.6 million. Excluding depreciation and amortization expense, *U. T. El Paso's* adjusted income was $6.6 million or 5.6% of projected revenues. *U. T. El Paso* anticipates ending the year with a $12.0 million loss, -3.0% of projected revenues and includes $30.0 million of depreciation and amortization expense.

(6) *U. T. Pan American* - The $2.9 million (92.9%) decrease in adjusted income over the same period last year was primarily due to the following: an increase in materials and supplies attributable to the purchase of library furniture, Blackboard Managed Hosting Storage, soccer and track complex equipment, and lab computers; an increase in depreciation expense resulting from the Fine Arts Complex and the Student Academic Center which were placed into service late in 2014; and a decrease in state appropriations. Excluding depreciation and amortization expense, *U. T. Pan American's* adjusted income was $6.5 million or 8.4% of projected revenues.

(7) *U. T. Permian Basin* - *U. T. Permian Basin* incurred a year-to-date loss of $2.1 million which was primarily attributable to increases in salaries and wages, and professional fees and services. Salaries and wages increased as a result of merit increases and additional adjunct faculty to support enrollment growth. Professional fees and services increased due to payments to the Academic Partnership for recruitment assistance. Excluding depreciation and amortization expense, *U. T. Permian Basin's* adjusted loss was $2.3 million or 8.8% of projected revenues. *U. T. Permian Basin* anticipates ending the year with an $11.1 million loss, -15.4% of projected revenues and includes $13.0 million of depreciation and amortization expense.

(8) *U. T. San Antonio* - The $0.9 million (27.1%) increase in adjusted income over the same period last year was primarily attributable to a decrease in repairs and maintenance expense due to decreased computer software maintenance, and decreased grounds maintenance as a result of the completion of the Wayfinding project. Excluding depreciation and amortization expense, *U. T. San Antonio's* adjusted income was $19.2 million or 11.7% of projected revenues.

(9) *U. T. Tyler* - The $4.0 million (1,444.5%) increase in adjusted loss over the same period last year was primarily attributable to a decrease in gift contributions for operations due to a large gift received in 2014 with no comparable gifts received thus far in 2015, and an increase in salaries and wages expense due to merit and market increases. As a result, *U. T. Tyler* incurred a year-to-date loss of $4.3 million. Excluding depreciation and amortization expense, *U. T. Tyler's* adjusted loss was $230,000 or -0.6% of projected revenues. *U. T. Tyler* anticipates ending the year with a $4.5 million loss, -3.9% of projected revenues and includes $12.1 million of depreciation and amortization expense.

(10) *U. T. Southwestern Medical Center* - The $11.6 million (71.2%) increase in adjusted income over the same period last year was primarily attributable to an increase in gift contributions for operations due to a multi-year pledge received from the Hamon Charitable Foundation in support of the Advanced Imaging Research Center. Excluding depreciation and amortization expense, *Southwestern's* adjusted income was $74.4 million or 9.6% of projected revenues.

(11) *U. T. Medical Branch - Galveston* - The $18.2 million (1,671.0%) increase in adjusted income over the same period last year was primarily attributable to increased net sales and services of hospitals due to increased volumes related to the Angleton Danbury Campus, Texas Department of Criminal Justice Hospital and Contracts, UTMB Hospitals and Clinics, and Victory Lakes. Additionally, other operating revenues increased due to Delivery System Reform Incentive Payment (DSRIP) revenues received for milestones accomplished in 2015. Excluding depreciation and amortization expense, *UTMB's* adjusted income was $52.6 million or 8.7% of projected revenues.

(12) *U. T. Health Science Center - Houston* - The $14.6 million (160.6%) increase in adjusted income over the same period last year was primarily attributable to an increase in net professional fees related to an increase in gross charge volumes due to the growth of the physician practice plan combined with the recognition of uncompensated care revenue, and an increase in gift contributions for operations primarily due to new pledges in 2015 for stem cell therapeutics research. Excluding depreciation and amortization expense, *UTHSC-Houston's* adjusted income was $25.4 million or 5.8% of projected revenues.

(13) *U. T. Health Science Center - San Antonio* - The $11.3 million (262.2%) increase in adjusted income over the same period last year was primarily due to increased practice plan revenues, uncompensated care incentive funds, and South Texas DSRIP contract revenue. Excluding depreciation and amortization expense, *UTHSC-San Antonio's* adjusted income was $33.1 million or 12.4% of projected revenues.

(14) *U. T. Health Science Center - Tyler* - The $5.5 million (61.3%) decrease in adjusted income over the same period last year was primarily attributable to $11.3 million of DSRIP revenue recognized so far in 2015, as compared to $18.8 million of DSRIP revenue recognized as of December 2013. Excluding depreciation and amortization expense, *UTHSC-Tyler's* adjusted income was $7.2 million or 12.1% of projected revenues.

GLOSSARY OF TERMS

OPERATING REVENUES:

NET STUDENT TUITION - All student tuition and fee revenues earned at the UT institution for educational purposes, net of tuition discounting.

SPONSORED PROGRAMS - Funding received from local, state and federal governments or private agencies, organizations or individuals, excluding Federal Pell Grant Program which is reported as nonoperating. Includes amounts received for services performed on grants, contracts, and agreements from these entities for current operations. This also includes indirect cost recoveries and pass-through federal and state grants.

NET SALES AND SERVICES OF EDUCATIONAL ACTIVITIES - Revenues that are related to the conduct of instruction, research, and public service and revenues from activities that exist to provide an instructional and laboratory experience for students that create goods and services that may be sold.

NET SALES AND SERVICES OF HOSPITALS - Revenues (net of discounts, allowances, and bad debt expense) generated from UT health institution's daily patient care, special or other services, as well as revenues from health clinics that are part of a hospital.

NET PROFESSIONAL FEES - Revenues (net of discounts, allowances, and bad debt expense) derived from the fees charged by the professional staffs at UT health institutions as part of the Medical Practice Plans. These revenues are also identified as Practice Plan income. Examples of such fees include doctor's fees for clinic visits, medical and dental procedures, professional opinions, and anatomical procedures, such as analysis of specimens after a surgical procedure, etc.

NET AUXILIARY ENTERPRISES - Revenues derived from a service to students, faculty, or staff in which a fee is charged that is directly related to, although not necessarily equal to the cost of the service (e.g., bookstores, dormitories, dining halls, snack bars, inter-collegiate athletic programs, etc.).

OTHER OPERATING REVENUES - Other revenues generated from sales or services provided to meet current fiscal year operating expenses, which are not included in the preceding categories (e.g., certified nonprofit healthcare company revenues, donated drugs, interest on student loans, etc.) Other receipts for settlements, judgments and lawsuits are considered nonoperating revenues.

OPERATING EXPENSES:

SALARIES AND WAGES - Expenses for all salaries and wages of individuals employed by the institution including full-time, part-time, longevity, hourly, seasonal, etc. Includes salary augmentation and incentive compensation.

PAYROLL RELATED COSTS - Expenses for all employee benefits paid by the institution or paid by the state on behalf of the institution. Includes supplemental retirement annuities.

COST OF GOODS SOLD - Purchases of goods for resale and raw materials purchased for use in the manufacture of products intended for sale to others.

PROFESSIONAL FEES AND SERVICES - Payments for services rendered on a fee, contract, or other basis by a person, firm, corporation, or company recognized as possessing a high degree of learning and responsibility. Includes such items as services of a consultant, legal counsel, financial or audit fees, medical contracted services, guest lecturers (not employees) and expert witnesses.

OTHER CONTRACTED SERVICES - Payments for services rendered on a contractual basis by a person, firm, corporation or company that possess a lesser degree of learning and responsibility than that required for Professional Fees and Services. Includes such items as temporary employment expenses, janitorial services, dry cleaning services, etc.

TRAVEL - Payments for travel costs incurred by employees and board members for meetings and training.

MATERIALS AND SUPPLIES - Payments for consumable items. Includes, but is <u>not</u> limited to: computer consumables, office supplies, paper products, soap, lights, plants, fuels and lubricants, chemicals and gasses, medical supplies and copier supplies. Also includes postal services, and subscriptions and other publications not for permanent retention.

UTILITIES - Payments for the purchase of electricity, natural gas, water, and thermal energy.

COMMUNICATIONS - Electronically transmitted communications services (telephone, internet, computation center services, etc.).

REPAIRS AND MAINTENANCE - Payments for the maintenance and repair of equipment, furnishings, motor vehicles, buildings and other plant facilities, and waste disposal. Includes, but is <u>not</u> limited to repair and maintenance to copy machines, furnishings, equipment - including medical and laboratory equipment, office equipment and aircraft.

RENTALS AND LEASES - Payments for rentals or leases of furnishings and equipment, vehicles, land and office buildings (all rental of space).

PRINTING AND REPRODUCTION - Printing and reproduction costs associated with the printing/copying of the institution's documents and publications.

BAD DEBT EXPENSE - Expenses incurred by the university related to nonrevenue receivables such as non-payment of student loans.

CLAIMS AND LOSSES - Payments for claims from self-insurance programs. Other claims for settlements, judgments and lawsuits are considered nonoperating expenses.

INCREASE IN NET OPEB OBLIGATION - The change in the actuarially estimated liability of the cost of providing healthcare benefits to UT System's employees after they separate from employment (retire).

SCHOLARSHIPS AND FELLOWSHIPS - Payments made for scholarship grants to students authorized by law, net of tuition discounting.

FEDERAL SPONSORED PROGRAM PASS-THROUGHS TO OTHER STATE AGENCIES - Pass-throughs to other Texas state agencies, including other universities, of federal grants and contracts.

STATE SPONSORED PROGRAM PASS-THROUGHS TO OTHER STATE AGENCIES - Pass-throughs to other Texas state agencies, including Texas universities.

DEPRECIATION AND AMORTIZATION - Depreciation on capital assets and amortization expense on intangible assets.

OTHER OPERATING EXPENSES - Other operating expenses not identified in other line items above (e.g., certified non-profit healthcare company expenses, property taxes, insurance premiums, credit card fees, hazardous waste disposal expenses, meetings and conferences, etc.). Other claims for settlements, judgments and lawsuits are considered nonoperating expenses.

OPERATING LOSS - Total operating revenues less total operating expenses before other nonoperating adjustments like state appropriations.

<u>OTHER NONOPERATING ADJUSTMENTS</u>:

STATE APPROPRIATIONS - Appropriations from the State General Revenue fund, which supplement the UT institutional revenue in meeting operating expenses, such as faculty salaries, utilities, and institutional support.

NONEXCHANGE SPONSORED PROGRAMS - Funding received for the Federal Pell Grant Program, the portion of "state appropriations" funded by the American Recovery and Reinvestment Act, Texas Research Incentive Program (TRIP) and Enrollment Growth funding.

GIFT CONTRIBUTIONS FOR OPERATIONS - Consist of gifts from donors received for use in current operations, excluding gifts for capital acquisition and endowment gifts. Gifts for capital acquisition which can only be used to build or buy capital assets are excluded because they cannot be used to support current operations. Endowment gifts must be held in perpetuity and cannot be spent. The distributed income from endowment gifts must be spent according to the donor's stipulations.

NET INVESTMENT INCOME (on institutions' sheets) - Interest and dividend income on treasury balances, bank accounts, Short Term Fund, Intermediate Term Fund and Long Term Fund. It also includes distributed earnings from the Permanent Health Fund and patent and royalty income.

NET INVESTMENT INCOME (on the consolidated sheet) - Interest and dividend earnings of the Permanent University Fund, Short Term Fund, Intermediate Term Fund, Long Term Fund and Permanent Health Fund. This line item also includes the Available University Fund surface income, oil and gas royalties, and mineral lease bonus sales.

INTEREST EXPENSE ON CAPITAL ASSET FINANCINGS - Interest expenses associated with bond and note borrowings utilized to finance capital improvement projects by an institution. This consists of the interest portion of mandatory debt service transfers under the Revenue Financing System, Tuition Revenue bond and Permanent University Fund (PUF) bond programs. PUF interest expense is reported on System Administration as the debt legally belongs to the Board of Regents.

ADJUSTED INCOME (LOSS) including Depreciation and Amortization - Total operating revenues less total operating expenses including depreciation and amortization expense plus net other nonoperating adjustments.

ADJUSTED MARGIN % including Depreciation and Amortization - Percentage of Adjusted Income (Loss) including depreciation and amortization expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

AVAILABLE UNIVERSITY FUND TRANSFER - Includes Available University Fund (AUF) transfer to System Administration for Educational and General operations and to UT Austin for Excellence Funding. These transfers are funded by investment earnings from the Permanent University Fund (PUF), which are required by law to be reported in the PUF at System Administration. On the MFR, investment income for System Administration has been reduced for the amount of the System Administration transfer so as not to overstate investment income for System Administration. The AUF transfers are eliminated at the consolidated level to avoid overstating System-wide revenues, as the amounts will be reflected as transfers at year-end.

INVESTMENT GAINS (LOSSES) - Realized and unrealized gains and losses on investments.

ADJUSTED INCOME (LOSS) excluding Depreciation and Amortization - Total operating revenues less total operating expenses excluding depreciation and amortization expense plus net other nonoperating adjustments.

ADJUSTED MARGIN % excluding Depreciation and Amortization - Percentage of Adjusted Income (Loss) excluding depreciation and amortization expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

UNAUDITED

The University of Texas System Administration
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	1,125,000.00	10,206,794.00	(9,081,794.00)	-89.0%
Net Sales and Services of Educational Activities	16,335,133.63	15,885,890.62	449,243.01	2.8%
Other Operating Revenues	23,633,813.34	19,740,305.34	3,893,508.00	19.7%
Total Operating Revenues	**41,093,946.97**	**45,832,989.96**	**(4,739,042.99)**	**-10.3%**
Operating Expenses				
Salaries and Wages	17,292,811.03	14,618,626.58	2,674,184.45	18.3%
Payroll Related Costs	4,179,107.86	3,800,624.79	378,483.07	10.0%
Professional Fees and Services	3,899,605.72	1,553,967.34	2,345,638.38	150.9%
Other Contracted Services	11,185,820.89	15,173,658.19	(3,987,837.30)	-26.3%
Travel	419,803.65	578,810.73	(159,007.08)	-27.5%
Materials and Supplies	10,114,697.63	4,489,936.32	5,624,761.31	125.3%
Utilities	122,917.43	141,044.92	(18,127.49)	-12.9%
Communications	3,992,207.02	3,263,722.17	728,484.85	22.3%
Repairs and Maintenance	5,478,526.44	1,625,956.88	3,852,569.56	236.9%
Rentals and Leases	1,252,157.42	375,153.46	877,003.96	233.8%
Printing and Reproduction	115,525.18	74,161.53	41,363.65	55.8%
Claims and Losses	11,155,805.41	2,422,090.26	8,733,715.15	360.6%
Increase in Net OPEB Obligation	186,623,401.67	178,537,029.00	8,086,372.67	4.5%
Scholarships and Fellowships	177,000.00	210,200.00	(33,200.00)	-15.8%
Depreciation and Amortization	4,702,402.26	2,419,574.17	2,282,828.09	94.3%
State Sponsored Program Pass-Through to Other State Agencies	976,717.93	859,058.85	117,659.08	13.7%
Other Operating Expenses	15,633,621.21	13,687,975.72	1,945,645.49	14.2%
Total Operating Expenses	**277,322,128.75**	**243,831,590.91**	**33,490,537.84**	**13.7%**
Operating Loss	**(236,228,181.78)**	**(197,998,600.95)**	**(38,229,580.83)**	**-19.3%**
Other Nonoperating Adjustments				
State Appropriations	641,900.89	9,525,487.08	(8,883,586.19)	-93.3%
Nonexchange Sponsored Programs	2,074,186.32	2,136,372.00	(62,185.68)	-2.9%
Gift Contributions for Operations	39,150,762.51	396,415.93	38,754,346.58	9,776.2%
Net Investment Income	109,564,693.54	223,669,898.97	(114,105,205.43)	-51.0%
Interest Expense on Capital Asset Financings	(22,760,848.19)	(20,330,276.38)	(2,430,571.81)	-12.0%
Net Other Nonoperating Adjustments	**128,670,695.07**	**215,397,897.60**	**(86,727,202.53)**	**-40.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**(107,557,486.71)**	**17,399,296.65**	**(124,956,783.36)**	**-718.2%**
Adjusted Margin % including Depreciation & Amortization	**-55.9%**	**6.2%**		
Available University Fund Transfer	16,530,280.33	15,681,958.33	848,322.00	5.4%
Adjusted Income (Loss) with AUF Transfer	**(91,027,206.38)**	**33,081,254.98**	**(124,108,461.36)**	**-375.2%**
Adjusted Margin % with AUF Transfer	**-43.5%**	**11.1%**		
Investment Gain (Losses)	(353,869,398.71)	927,071,154.66	(1,280,940,553.37)	-138.2%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**(444,896,605.09)**	**$960,152,409.64**	**(1,405,049,014.73)**	**-146.3%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**307.2%**	**78.4%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**(86,324,804.12)**	**35,500,829.15**	**(121,825,633.27)**	**-343.2%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**-41.3%**	**11.9%**		

UNAUDITED

The University of Texas at Arlington
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	76,553,005.32	74,126,436.53	2,426,568.79	3.3%
Sponsored Programs	22,245,342.42	22,776,765.71	(531,423.29)	-2.3%
Net Sales and Services of Educational Activities	7,692,271.44	6,397,362.80	1,294,908.64	20.2%
Net Auxiliary Enterprises	12,168,193.39	12,208,536.88	(40,343.49)	-0.3%
Other Operating Revenues	1,545,147.43	1,438,691.82	106,455.61	7.4%
Total Operating Revenues	**120,203,960.00**	**116,947,793.74**	**3,256,166.26**	**2.8%**
Operating Expenses				
Salaries and Wages	80,680,415.86	78,100,086.67	2,580,329.19	3.3%
Payroll Related Costs	18,268,123.34	19,163,789.87	(895,666.53)	-4.7%
Cost of Goods Sold	3,059.68	1,177.64	1,882.04	159.8%
Professional Fees and Services	2,986,863.49	2,021,187.13	965,676.36	47.8%
Other Contracted Services	15,538,832.28	15,474,546.61	64,285.67	0.4%
Travel	1,871,208.27	2,331,848.61	(460,640.34)	-19.8%
Materials and Supplies	7,224,072.77	6,695,470.41	528,602.36	7.9%
Utilities	3,075,297.12	2,984,133.31	91,163.81	3.1%
Communications	2,426,201.75	2,452,274.18	(26,072.43)	-1.1%
Repairs and Maintenance	4,001,009.52	3,639,443.21	361,566.31	9.9%
Rentals and Leases	959,382.56	1,117,433.73	(158,051.17)	-14.1%
Printing and Reproduction	470,338.66	848,973.15	(378,634.49)	-44.6%
Bad Debt Expense	206,090.60	333,333.33	(127,242.73)	-38.2%
Scholarships and Fellowships	10,405,532.19	10,805,507.46	(399,975.27)	-3.7%
Depreciation and Amortization	14,936,604.11	14,868,007.08	68,597.03	0.5%
Federal Sponsored Program Pass-Through to Other State Agencies	881,459.84	60,275.52	821,184.32	1,362.4%
State Sponsored Program Pass-Through to Other State Agencies	38,132.68	54,186.99	(16,054.31)	-29.6%
Other Operating Expenses	3,431,945.09	2,225,230.52	1,206,714.57	54.2%
Total Operating Expenses	**167,404,569.81**	**163,176,905.42**	**4,227,664.39**	**2.6%**
Operating Loss	**(47,200,609.81)**	**(46,229,111.68)**	**(971,498.13)**	**-2.1%**
Other Nonoperating Adjustments				
State Appropriations	39,875,428.33	39,414,461.00	460,967.33	1.2%
Nonexchange Sponsored Programs	15,000,000.00	15,000,000.00	-	-
Gift Contributions for Operations	2,106,411.88	3,808,576.72	(1,702,164.84)	-44.7%
Net Investment Income	4,993,377.74	4,628,461.49	364,916.25	7.9%
Interest Expense on Capital Asset Financings	(4,243,064.48)	(4,463,714.68)	220,650.20	4.9%
Net Other Nonoperating Adjustments	**57,732,153.47**	**58,387,784.53**	**(655,631.06)**	**-1.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**10,531,543.66**	**12,158,672.85**	**(1,627,129.19)**	**-13.4%**
Adjusted Margin % including Depreciation & Amortization	**5.8%**	**6.8%**		
Investment Gain (Losses)	(3,016,182.87)	10,078,950.99	(13,095,133.86)	-129.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**7,515,360.79**	**22,237,623.84**	**(14,722,263.05)**	**-66.2%**
Adj. Margin % with Investment Gains (Losses)	**4.2%**	**11.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**25,468,147.77**	**27,026,679.93**	**(1,558,532.16)**	**-5.8%**
Adjusted Margin % excluding Depreciation & Amortization	**14.0%**	**15.0%**		

UNAUDITED

The University of Texas at Austin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	161,666,666.63	155,000,000.00	6,666,666.63	4.3%
Sponsored Programs	181,936,713.44	182,750,692.26	(813,978.82)	-0.4%
Net Sales and Services of Educational Activities	82,883,582.68	129,755,505.44	(46,871,922.76)	-36.1%
Net Auxiliary Enterprises	112,718,598.10	107,614,344.13	5,104,253.97	4.7%
Other Operating Revenues	1,880,508.20	2,258,081.77	(377,573.57)	-16.7%
Total Operating Revenues	**541,086,069.05**	**577,378,623.60**	**(36,292,554.55)**	**-6.3%**
Operating Expenses				
Salaries and Wages	357,193,426.32	368,259,474.61	(11,066,048.29)	-3.0%
Payroll Related Costs	95,762,680.46	99,317,101.18	(3,554,420.72)	-3.6%
Cost of Goods Sold	7,404,126.14	7,833,762.01	(429,635.87)	-5.5%
Professional Fees and Services	10,480,814.63	10,327,344.41	153,470.22	1.5%
Other Contracted Services	44,509,749.62	44,542,885.91	(33,136.29)	-0.1%
Travel	13,565,561.16	15,954,013.74	(2,388,452.58)	-15.0%
Materials and Supplies	35,664,527.63	38,900,930.58	(3,236,402.95)	-8.3%
Utilities	24,936,979.81	30,590,705.24	(5,653,725.43)	-18.5%
Communications	25,172,320.40	26,001,652.19	(829,331.79)	-3.2%
Repairs and Maintenance	16,411,849.00	17,531,264.85	(1,119,415.85)	-6.4%
Rentals and Leases	7,132,284.90	6,682,290.81	449,994.09	6.7%
Printing and Reproduction	3,222,517.55	3,180,871.10	41,646.45	1.3%
Bad Debt Expense	1,287.59	(8,454.85)	9,742.44	115.2%
Scholarships and Fellowships	40,000,000.00	52,666,666.67	(12,666,666.67)	-24.1%
Depreciation and Amortization	80,000,000.00	100,666,666.67	(20,666,666.67)	-20.5%
Federal Sponsored Program Pass-Through to Other State Agencies	1,256,513.68	1,148,212.94	108,300.74	9.4%
Other Operating Expenses	36,644,851.78	31,098,443.90	5,546,407.88	17.8%
Total Operating Expenses	**799,359,490.67**	**854,693,831.96**	**(55,334,341.29)**	**-6.5%**
Operating Loss	**(258,273,421.62)**	**(277,315,208.36)**	**19,041,786.74**	**6.9%**
Other Nonoperating Adjustments				
State Appropriations	108,196,264.80	108,808,163.10	(611,898.30)	-0.6%
Nonexchange Sponsored Programs	15,866,666.67	15,666,666.67	200,000.00	1.3%
Gift Contributions for Operations	43,029,168.56	27,136,015.56	15,893,153.00	58.6%
Net Investment Income	72,765,402.77	68,744,400.25	4,021,002.52	5.8%
Interest Expense on Capital Asset Financings	(16,910,033.56)	(16,055,951.28)	(854,082.28)	-5.3%
Net Other Nonoperating Adjustments	**222,947,469.24**	**204,299,294.30**	**18,648,174.94**	**9.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**(35,325,952.38)**	**(73,015,914.06)**	**37,689,961.68**	**51.6%**
Adjusted Margin % including Depreciation & Amortization	**-4.5%**	**-9.2%**		
Available University Fund Transfer	88,083,333.33	78,192,827.67	9,890,505.66	12.6%
Adjusted Income (Loss) with AUF Transfer	**52,757,380.95**	**5,176,913.61**	**47,580,467.34**	**919.1%**
Adjusted Margin % with AUF Transfer	**6.1%**	**0.6%**		
Investment Gain (Losses)	(112,058,709.50)	135,095,204.90	(247,153,914.40)	-182.9%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**(59,301,328.55)**	**$140,272,118.51**	**(199,573,447.06)**	**-142.3%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**-7.8%**	**13.9%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**132,757,380.95**	**105,843,580.28**	**26,913,800.67**	**25.4%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**15.3%**	**12.1%**		

UNAUDITED

The University of Texas at Brownsville
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	9,940,645.50	10,572,192.89	(631,547.39)	-6.0%
Sponsored Programs	7,008,748.80	6,849,853.79	158,895.01	2.3%
Net Sales and Services of Educational Activities	749,779.28	868,322.15	(118,542.87)	-13.7%
Net Auxiliary Enterprises	582,046.49	614,150.60	(32,104.11)	-5.2%
Other Operating Revenues	8,659.04	2,070.17	6,588.87	318.3%
Total Operating Revenues	**18,289,879.11**	**18,906,589.60**	**(616,710.49)**	**-3.3%**
Operating Expenses				
Salaries and Wages	17,301,922.57	16,363,915.22	938,007.35	5.7%
Payroll Related Costs	4,987,531.95	4,818,410.33	169,121.62	3.5%
Professional Fees and Services	376,944.82	528,387.02	(151,442.20)	-28.7%
Other Contracted Services	291,784.36	199,903.98	91,880.38	46.0%
Travel	511,591.66	284,919.19	226,672.47	79.6%
Materials and Supplies	1,754,876.61	1,370,157.68	384,718.93	28.1%
Utilities	663,046.96	624,531.20	38,515.76	6.2%
Communications	81,289.96	225,378.56	(144,088.60)	-63.9%
Repairs and Maintenance	294,511.64	1,052,823.50	(758,311.86)	-72.0%
Rentals and Leases	1,130,822.51	297,674.22	833,148.29	279.9%
Printing and Reproduction	112,953.90	71,457.58	41,496.32	58.1%
Scholarships and Fellowships	3,175,653.94	3,658,141.49	(482,487.55)	-13.2%
Depreciation and Amortization	2,844,005.37	2,791,469.70	52,535.67	1.9%
Federal Sponsored Program Pass-Through to Other State Agencies	58,390.61	4,268.00	54,122.61	1,268.1%
Other Operating Expenses	1,540,829.38	1,972,585.40	(431,756.02)	-21.9%
Total Operating Expenses	**35,126,156.24**	**34,264,023.07**	**862,133.17**	**2.5%**
Operating Loss	**(16,836,277.13)**	**(15,357,433.47)**	**(1,478,843.66)**	**-9.6%**
Other Nonoperating Adjustments				
State Appropriations	13,463,366.01	11,197,979.99	2,265,386.02	20.2%
Nonexchange Sponsored Programs	466,575.81	1,539,321.32	(1,072,745.51)	-69.7%
Gift Contributions for Operations	143,557.00	111,218.34	32,338.66	29.1%
Net Investment Income	794,257.85	523,620.29	270,637.56	51.7%
Interest Expense on Capital Asset Financings	(931,750.83)	(879,229.67)	(52,521.16)	-6.0%
Net Other Nonoperating Adjustments	**13,936,005.84**	**12,492,910.27**	**1,443,095.57**	**11.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**(2,900,271.29)**	**(2,864,523.20)**	**(35,748.09)**	**-1.2%**
Adjusted Margin % including Depreciation & Amortization	**-8.7%**	**-8.9%**		
Investment Gain (Losses)	(1,405,155.31)	1,627,999.13	(3,033,154.44)	-186.3%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(4,305,426.60)**	**(1,236,524.07)**	**(3,068,902.53)**	**-248.2%**
Adj. Margin % with Investment Gains (Losses)	**-13.6%**	**-3.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**(56,265.92)**	**(73,053.50)**	**16,787.58**	**23.0%**
Adjusted Margin % excluding Depreciation & Amortization	**-0.2%**	**-0.2%**		

UNAUDITED

The University of Texas at Dallas
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	89,507,292.02	80,285,187.93	9,222,104.09	11.5%
Sponsored Programs	19,536,624.64	17,668,449.26	1,868,175.38	10.6%
Net Sales and Services of Educational Activities	4,624,612.37	3,661,284.86	963,327.51	26.3%
Net Auxiliary Enterprises	9,928,994.03	7,742,243.21	2,186,750.82	28.2%
Other Operating Revenues	1,786,779.64	706,026.15	1,080,753.49	153.1%
Total Operating Revenues	**125,384,302.70**	**110,063,191.41**	**15,321,111.29**	**13.9%**
Operating Expenses				
Salaries and Wages	87,081,127.55	77,204,461.95	9,876,665.60	12.8%
Payroll Related Costs	20,218,892.63	17,673,344.85	2,545,547.78	14.4%
Professional Fees and Services	3,104,356.55	3,788,034.01	(683,677.46)	-18.0%
Other Contracted Services	6,677,344.93	3,314,438.82	3,362,906.11	101.5%
Travel	1,788,253.09	1,760,188.10	28,064.99	1.6%
Materials and Supplies	8,586,257.75	8,180,510.72	405,747.03	5.0%
Utilities	3,951,149.78	2,852,997.05	1,098,152.73	38.5%
Communications	186,026.85	217,435.43	(31,408.58)	-14.4%
Repairs and Maintenance	1,528,084.51	1,062,842.68	465,241.83	43.8%
Rentals and Leases	2,249,050.75	1,457,747.51	791,303.24	54.3%
Printing and Reproduction	767,363.67	609,583.52	157,780.15	25.9%
Scholarships and Fellowships	16,494,143.35	16,536,362.64	(42,219.29)	-0.3%
Depreciation and Amortization	19,176,484.81	17,504,608.53	1,671,876.28	9.6%
Federal Sponsored Program Pass-Through to Other State Agencies	-	6,374.69	(6,374.69)	-100.0%
Other Operating Expenses	6,666,226.84	4,419,931.73	2,246,295.11	50.8%
Total Operating Expenses	**178,474,763.06**	**156,588,862.23**	**21,885,900.83**	**14.0%**
Operating Loss	**(53,090,460.36)**	**(46,525,670.82)**	**(6,564,789.54)**	**-14.1%**
Other Nonoperating Adjustments				
State Appropriations	40,213,303.76	36,960,163.93	3,253,139.83	8.8%
Nonexchange Sponsored Programs	7,583,599.00	3,661,917.78	3,921,681.22	107.1%
Gift Contributions for Operations	8,321,722.49	4,239,445.77	4,082,276.72	96.3%
Net Investment Income	7,376,897.98	6,381,611.35	995,286.63	15.6%
Interest Expense on Capital Asset Financings	(5,400,232.96)	(4,321,253.20)	(1,078,979.76)	-25.0%
Net Other Nonoperating Adjustments	**58,095,290.27**	**46,921,885.63**	**11,173,404.64**	**23.8%**
Adjusted Income (Loss) including Depreciation & Amortization	**5,004,829.91**	**396,214.81**	**4,608,615.10**	**1,163.2%**
Adjusted Margin % including Depreciation & Amortization	**2.6%**	**0.2%**		
Investment Gain (Losses)	5,120,140.65	13,144,077.22	(8,023,936.57)	-61.0%
Adj. Inc. (Loss) with Investment Gains (Losses)	**10,124,970.56**	**13,540,292.03**	**(3,415,321.47)**	**-25.2%**
Adj. Margin % with Investment Gains (Losses)	**5.2%**	**7.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**24,181,314.72**	**17,900,823.34**	**6,280,491.38**	**35.1%**
Adjusted Margin % excluding Depreciation & Amortization	**12.8%**	**11.1%**		

UNAUDITED

The University of Texas at El Paso
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	38,442,172.00	37,446,944.00	995,228.00	2.7%
Sponsored Programs	24,935,932.39	23,452,991.07	1,482,941.32	6.3%
Net Sales and Services of Educational Activities	1,965,144.58	1,970,875.74	(5,731.16)	-0.3%
Net Auxiliary Enterprises	9,153,757.41	10,092,460.21	(938,702.80)	-9.3%
Other Operating Revenues	31,997.22	26,004.85	5,992.37	23.0%
Total Operating Revenues	**74,529,003.60**	**72,989,275.87**	**1,539,727.73**	**2.1%**
Operating Expenses				
Salaries and Wages	56,623,296.07	55,254,197.30	1,369,098.77	2.5%
Payroll Related Costs	15,480,804.30	14,204,351.42	1,276,452.88	9.0%
Professional Fees and Services	1,399,121.03	937,988.40	461,132.63	49.2%
Other Contracted Services	6,798,102.79	7,075,461.45	(277,358.66)	-3.9%
Travel	2,503,903.02	2,779,335.90	(275,432.88)	-9.9%
Materials and Supplies	8,557,303.52	8,213,944.57	343,358.95	4.2%
Utilities	2,637,176.73	2,545,258.91	91,917.82	3.6%
Communications	563,461.00	235,962.49	327,498.51	138.8%
Repairs and Maintenance	2,303,087.67	2,183,911.77	119,175.90	5.5%
Rentals and Leases	1,955,526.65	1,730,466.79	225,059.86	13.0%
Printing and Reproduction	446,436.25	455,891.58	(9,455.33)	-2.1%
Scholarships and Fellowships	5,778,085.66	7,342,970.64	(1,564,884.98)	-21.3%
Depreciation and Amortization	10,204,460.74	9,373,315.81	831,144.93	8.9%
Federal Sponsored Program Pass-Through to Other State Agencies	527,999.98	150,687.04	377,312.94	250.4%
State Sponsored Program Pass-Through to Other State Agencies	24,234.09	-	24,234.09	100.0%
Other Operating Expenses	3,075,130.79	2,643,597.61	431,533.18	16.3%
Total Operating Expenses	**118,878,130.29**	**115,127,341.68**	**3,750,788.61**	**3.3%**
Operating Loss	**(44,349,126.69)**	**(42,138,065.81)**	**(2,211,060.88)**	**-5.2%**
Other Nonoperating Adjustments				
State Appropriations	34,437,588.00	33,513,552.00	924,036.00	2.8%
Nonexchange Sponsored Programs	2,460,484.86	2,957,844.00	(497,359.14)	-16.8%
Gift Contributions for Operations	2,019,845.91	2,329,808.18	(309,962.27)	-13.3%
Net Investment Income	4,411,505.09	4,589,566.56	(178,061.47)	-3.9%
Interest Expense on Capital Asset Financings	(2,606,969.24)	(2,712,376.92)	105,407.68	3.9%
Net Other Nonoperating Adjustments	**40,722,454.62**	**40,678,393.82**	**44,060.80**	**0.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**(3,626,672.07)**	**(1,459,671.99)**	**(2,167,000.08)**	**-148.5%**
Adjusted Margin % including Depreciation & Amortization	**-3.1%**	**-1.3%**		
Investment Gain (Losses)	(8,583,697.31)	10,015,988.13	(18,599,685.44)	-185.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(12,210,369.38)**	**8,556,316.14**	**(20,766,685.52)**	**-242.7%**
Adj. Margin % with Investment Gains (Losses)	**-11.2%**	**6.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**6,577,788.67**	**7,913,643.82**	**(1,335,855.15)**	**-16.9%**
Adjusted Margin % excluding Depreciation & Amortization	**5.6%**	**6.8%**		

UNAUDITED

The University of Texas-Pan American
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	23,967,053.40	23,389,068.41	577,984.99	2.5%
Sponsored Programs	19,268,459.89	18,983,287.65	285,172.24	1.5%
Net Sales and Services of Educational Activities	1,788,867.48	1,634,710.27	154,157.21	9.4%
Net Auxiliary Enterprises	3,164,686.32	2,863,827.41	300,858.91	10.5%
Other Operating Revenues	578,574.73	526,486.38	52,088.35	9.9%
Total Operating Revenues	**48,767,641.82**	**47,397,380.12**	**1,370,261.70**	**2.9%**
Operating Expenses				
Salaries and Wages	37,889,868.53	36,704,333.56	1,185,534.97	3.2%
Payroll Related Costs	11,053,679.32	10,582,455.71	471,223.61	4.5%
Cost of Goods Sold	126,804.67	100,774.08	26,030.59	25.8%
Professional Fees and Services	486,954.61	635,877.96	(148,923.35)	-23.4%
Other Contracted Services	876,512.80	714,387.27	162,125.53	22.7%
Travel	1,653,010.80	1,283,654.61	369,356.19	28.8%
Materials and Supplies	4,951,010.81	3,885,118.85	1,065,891.96	27.4%
Utilities	1,811,771.10	1,895,015.28	(83,244.18)	-4.4%
Communications	399,055.46	373,778.23	25,277.23	6.8%
Repairs and Maintenance	1,144,789.13	1,009,935.97	134,853.16	13.4%
Rentals and Leases	506,464.73	195,587.38	310,877.35	158.9%
Printing and Reproduction	102,002.05	212,074.29	(110,072.24)	-51.9%
Bad Debt Expense	14,475.25	13,856.76	618.49	4.5%
Scholarships and Fellowships	5,351,076.75	6,368,557.01	(1,017,480.26)	-16.0%
Depreciation and Amortization	6,288,473.02	5,309,158.53	979,314.49	18.4%
Federal Sponsored Program Pass-Through to Other State Agencies	(31,803.88)	17,274.13	(49,078.01)	-284.1%
Other Operating Expenses	3,695,696.76	3,645,433.45	50,263.31	1.4%
Total Operating Expenses	**76,319,841.91**	**72,947,273.07**	**3,372,568.84**	**4.6%**
Operating Loss	**(27,552,200.09)**	**(25,549,892.95)**	**(2,002,307.14)**	**-7.8%**
Other Nonoperating Adjustments				
State Appropriations	26,455,306.16	26,842,789.80	(387,483.64)	-1.4%
Nonexchange Sponsored Programs	619,675.19	1,111,895.54	(492,220.35)	-44.3%
Gift Contributions for Operations	548,199.33	646,511.83	(98,312.50)	-15.2%
Net Investment Income	1,533,476.50	1,548,940.84	(15,464.34)	-1.0%
Interest Expense on Capital Asset Financings	(1,383,708.76)	(1,497,152.00)	113,443.24	7.6%
Net Other Nonoperating Adjustments	**27,772,948.42**	**28,652,986.01**	**(880,037.59)**	**-3.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**220,748.33**	**3,103,093.06**	**(2,882,344.73)**	**-92.9%**
Adjusted Margin % including Depreciation & Amortization	**0.3%**	**4.0%**		
Investment Gain (Losses)	(2,348,835.97)	3,569,831.10	(5,918,667.07)	-165.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(2,128,087.64)**	**6,672,924.16**	**(8,801,011.80)**	**-131.9%**
Adj. Margin % with Investment Gains (Losses)	**-2.8%**	**8.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**6,509,221.35**	**8,412,251.59**	**(1,903,030.24)**	**-22.6%**
Adjusted Margin % excluding Depreciation & Amortization	**8.4%**	**10.8%**		

UNAUDITED

The University of Texas of the Permian Basin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	5,581,771.44	5,049,700.30	532,071.14	10.5%
Sponsored Programs	2,340,774.83	1,174,328.74	1,166,446.09	99.3%
Net Sales and Services of Educational Activities	764,095.80	392,356.36	371,739.44	94.7%
Net Auxiliary Enterprises	981,278.72	1,733,489.93	(752,211.21)	-43.4%
Other Operating Revenues	36,655.66	20,593.31	16,062.35	78.0%
Total Operating Revenues	**9,704,576.45**	**8,370,468.64**	**1,334,107.81**	**15.9%**
Operating Expenses				
Salaries and Wages	9,301,240.68	7,685,126.00	1,616,114.68	21.0%
Payroll Related Costs	1,905,021.31	2,137,664.51	(232,643.20)	-10.9%
Cost of Goods Sold	4,642.63	-	4,642.63	100.0%
Professional Fees and Services	1,608,291.19	751,939.69	856,351.50	113.9%
Other Contracted Services	1,315,144.24	627,771.11	687,373.13	109.5%
Travel	355,403.90	479,485.62	(124,081.72)	-25.9%
Materials and Supplies	1,602,462.70	1,406,087.27	196,375.43	14.0%
Utilities	839,511.94	537,261.81	302,250.13	56.3%
Communications	208,236.08	204,506.62	3,729.46	1.8%
Repairs and Maintenance	522,541.77	243,933.38	278,608.39	114.2%
Rentals and Leases	150,562.25	88,801.96	61,760.29	69.5%
Printing and Reproduction	27,687.76	21,423.78	6,263.98	29.2%
Bad Debt Expense	-	(6,345.00)	6,345.00	100.0%
Scholarships and Fellowships	3,104,131.25	2,995,143.73	108,987.52	3.6%
Depreciation and Amortization	4,343,532.25	4,566,666.67	(223,134.42)	-4.9%
Other Operating Expenses	484,606.07	265,550.51	219,055.56	82.5%
Total Operating Expenses	**25,773,016.02**	**22,005,017.66**	**3,767,998.36**	**17.1%**
Operating Loss	**(16,068,439.57)**	**(13,634,549.02)**	**(2,433,890.55)**	**-17.9%**
Other Nonoperating Adjustments				
State Appropriations	9,720,929.72	9,702,742.68	18,187.04	0.2%
Nonexchange Sponsored Programs	805,082.74	1,667,398.63	(862,315.89)	-51.7%
Gift Contributions for Operations	4,647,514.03	498,357.70	4,149,156.33	832.6%
Net Investment Income	718,190.42	667,696.32	50,494.10	7.6%
Interest Expense on Capital Asset Financings	(1,903,743.56)	(1,662,447.92)	(241,295.64)	-14.5%
Net Other Nonoperating Adjustments	**13,987,973.35**	**10,873,747.41**	**3,114,225.94**	**28.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**(2,080,466.22)**	**(2,760,801.61)**	**680,335.39**	**24.6%**
Adjusted Margin % including Depreciation & Amortization	**-8.1%**	**-13.2%**		
Investment Gain (Losses)	(1,118,039.54)	1,303,866.63	(2,421,906.17)	-185.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(3,198,505.76)**	**(1,456,934.98)**	**(1,741,570.78)**	**-119.5%**
Adj. Margin % with Investment Gains (Losses)	**-13.1%**	**-6.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**2,263,066.03**	**1,805,865.06**	**457,200.97**	**25.3%**
Adjusted Margin % excluding Depreciation & Amortization	**8.8%**	**8.6%**		

UNAUDITED

The University of Texas at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	62,556,856.82	58,824,429.28	3,732,427.54	6.3%
Sponsored Programs	19,250,256.74	21,990,268.33	(2,740,011.59)	-12.5%
Net Sales and Services of Educational Activities	4,041,509.88	3,316,084.34	725,425.54	21.9%
Net Auxiliary Enterprises	14,899,657.68	16,389,227.49	(1,489,569.81)	-9.1%
Other Operating Revenues	933,469.06	1,501,181.97	(567,712.91)	-37.8%
Total Operating Revenues	**101,681,750.18**	**102,021,191.41**	**(339,441.23)**	**-0.3%**
Operating Expenses				
Salaries and Wages	75,286,310.89	75,710,578.72	(424,267.83)	-0.6%
Payroll Related Costs	18,128,234.56	19,404,889.98	(1,276,655.42)	-6.6%
Cost of Goods Sold	42,555.89	175,101.13	(132,545.24)	-75.7%
Professional Fees and Services	1,455,066.28	1,550,111.05	(95,044.77)	-6.1%
Other Contracted Services	5,009,253.04	4,193,248.92	816,004.12	19.5%
Travel	3,004,093.52	3,915,197.47	(911,103.95)	-23.3%
Materials and Supplies	10,181,985.60	8,881,044.89	1,300,940.71	14.6%
Utilities	4,433,333.33	4,136,704.17	296,629.16	7.2%
Communications	867,256.27	839,118.33	28,137.94	3.4%
Repairs and Maintenance	2,595,095.63	3,646,026.00	(1,050,930.37)	-28.8%
Rentals and Leases	748,253.75	1,500,819.29	(752,565.54)	-50.1%
Printing and Reproduction	415,662.18	357,700.45	57,961.73	16.2%
Bad Debt Expense	50,000.00	160,916.50	(110,916.50)	-68.9%
Scholarships and Fellowships	13,175,791.38	16,549,852.86	(3,374,061.48)	-20.4%
Depreciation and Amortization	15,148,441.96	15,237,958.96	(89,517.00)	-0.6%
Federal Sponsored Program Pass-Through to Other State Agencies	367,307.62	297,597.27	69,710.35	23.4%
Other Operating Expenses	3,697,414.91	2,570,003.11	1,127,411.80	43.9%
Total Operating Expenses	**154,606,056.81**	**159,126,869.10**	**(4,520,812.29)**	**-2.8%**
Operating Loss	**(52,924,306.63)**	**(57,105,677.69)**	**4,181,371.06**	**7.3%**
Other Nonoperating Adjustments				
State Appropriations	41,028,742.00	42,259,723.01	(1,230,981.01)	-2.9%
Nonexchange Sponsored Programs	15,575,715.00	16,200,000.00	(624,285.00)	-3.9%
Gift Contributions for Operations	2,321,508.70	2,500,000.00	(178,491.30)	-7.1%
Net Investment Income	3,277,407.47	4,820,719.31	(1,543,311.84)	-32.0%
Interest Expense on Capital Asset Financings	(5,264,721.24)	(5,515,542.32)	250,821.08	4.5%
Net Other Nonoperating Adjustments	**56,938,651.93**	**60,264,900.00**	**(3,326,248.07)**	**-5.5%**
Adjusted Income (Loss) including Depreciation & Amortization	**4,014,345.30**	**3,159,222.31**	**855,122.99**	**27.1%**
Adjusted Margin % including Depreciation & Amortization	**2.4%**	**1.9%**		
Investment Gain (Losses)	27,445,467.71	13,471,077.76	13,974,389.95	103.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**31,459,813.01**	**16,630,300.07**	**14,829,512.94**	**89.2%**
Adj. Margin % with Investment Gains (Losses)	**16.4%**	**9.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**19,162,787.26**	**18,397,181.27**	**765,605.99**	**4.2%**
Adjusted Margin % excluding Depreciation & Amortization	**11.7%**	**11.0%**		

UNAUDITED

The University of Texas at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	12,461,378.67	9,802,729.33	2,658,649.34	27.1%
Sponsored Programs	5,120,319.64	3,497,193.28	1,623,126.36	46.4%
Net Sales and Services of Educational Activities	995,415.02	2,348,439.65	(1,353,024.63)	-57.6%
Net Auxiliary Enterprises	1,833,002.11	972,254.11	860,748.00	88.5%
Other Operating Revenues	34,527.95	75,750.95	(41,223.00)	-54.4%
Total Operating Revenues	**20,444,643.39**	**16,696,367.32**	**3,748,276.07**	**22.4%**
Operating Expenses				
Salaries and Wages	18,855,268.28	16,716,744.47	2,138,523.81	12.8%
Payroll Related Costs	4,839,575.97	4,751,310.13	88,265.84	1.9%
Cost of Goods Sold	3,459.01	2,378.51	1,080.50	45.4%
Professional Fees and Services	941,938.25	566,941.32	374,996.93	66.1%
Other Contracted Services	1,843,531.03	2,250,449.65	(406,918.62)	-18.1%
Travel	515,592.17	633,211.99	(117,619.82)	-18.6%
Materials and Supplies	2,952,038.48	2,027,464.34	924,574.14	45.6%
Utilities	742,026.66	587,523.63	154,503.03	26.3%
Communications	645,585.27	617,542.19	28,043.08	4.5%
Repairs and Maintenance	1,015,218.90	696,424.47	318,794.43	45.8%
Rentals and Leases	201,686.40	76,328.46	125,357.94	164.2%
Printing and Reproduction	507,961.01	167,234.39	340,726.62	203.7%
Bad Debt Expense	6,997.38	94.35	6,903.03	7,316.4%
Scholarships and Fellowships	1,415,598.55	1,533,333.33	(117,734.78)	-7.7%
Depreciation and Amortization	4,025,111.33	3,775,868.41	249,242.92	6.6%
Federal Sponsored Program Pass-Through to Other State Agencies	23,303.00	-	23,303.00	100.0%
Other Operating Expenses	817,634.80	639,904.69	177,730.11	27.8%
Total Operating Expenses	**39,352,526.49**	**35,042,754.33**	**4,309,772.16**	**12.3%**
Operating Loss	**(18,907,883.10)**	**(18,346,387.01)**	**(561,496.09)**	**-3.1%**
Other Nonoperating Adjustments				
State Appropriations	12,020,285.24	11,913,157.24	107,128.00	0.9%
Nonexchange Sponsored Programs	64,827.00	493,292.00	(428,465.00)	-86.9%
Gift Contributions for Operations	2,432,256.11	5,277,824.83	(2,845,568.72)	-53.9%
Net Investment Income	1,541,500.12	1,554,173.91	(12,673.79)	-0.8%
Interest Expense on Capital Asset Financings	(1,405,992.72)	(1,167,547.68)	(238,445.04)	-20.4%
Net Other Nonoperating Adjustments	**14,652,875.75**	**18,070,900.30**	**(3,418,024.55)**	**-18.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**(4,255,007.35)**	**(275,486.71)**	**(3,979,520.64)**	**-1,444.5%**
Adjusted Margin % including Depreciation & Amortization	**-11.7%**	**-0.8%**		
Investment Gain (Losses)	(2,005,524.93)	4,005,783.61	(6,011,308.54)	-150.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(6,260,532.28)**	**3,730,296.90**	**(9,990,829.18)**	**-267.8%**
Adj. Margin % with Investment Gains (Losses)	**-18.1%**	**9.3%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**(229,896.02)**	**3,500,381.70**	**(3,730,277.72)**	**-106.6%**
Adjusted Margin % excluding Depreciation & Amortization	**-0.6%**	**9.7%**		

UNAUDITED

The University of Texas Southwestern Medical Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	7,416,692.33	6,295,611.17	1,121,081.16	17.8%
Sponsored Programs	175,715,550.75	158,877,668.84	16,837,881.91	10.6%
Net Sales and Services of Educational Activities	3,359,454.84	3,106,220.62	253,234.22	8.2%
Net Sales and Services of Hospitals	296,196,307.20	264,446,976.00	31,749,331.20	12.0%
Net Professional Fees	157,538,528.11	144,959,825.30	12,578,702.81	8.7%
Net Auxiliary Enterprises	7,880,071.97	6,470,583.93	1,409,488.04	21.8%
Other Operating Revenues	10,825,887.41	5,452,184.57	5,373,702.84	98.6%
Total Operating Revenues	**658,932,492.61**	**589,609,070.43**	**69,323,422.18**	**11.8%**
Operating Expenses				
Salaries and Wages	385,804,060.43	354,037,982.28	31,766,078.15	9.0%
Payroll Related Costs	88,350,177.61	78,072,689.67	10,277,487.94	13.2%
Cost of Goods Sold	1,987,513.50	1,150,235.30	837,278.20	72.8%
Professional Fees and Services	14,152,314.13	12,688,351.38	1,463,962.75	11.5%
Other Contracted Services	39,572,673.03	37,716,629.50	1,856,043.53	4.9%
Travel	3,331,882.73	3,354,278.05	(22,395.32)	-0.7%
Materials and Supplies	119,875,977.52	94,043,786.50	25,832,191.02	27.5%
Utilities	8,465,215.41	7,913,450.71	551,764.70	7.0%
Communications	3,883,158.57	2,862,555.58	1,020,602.99	35.7%
Repairs and Maintenance	3,459,243.93	4,616,582.74	(1,157,338.81)	-25.1%
Rentals and Leases	2,033,375.88	2,164,518.39	(131,142.51)	-6.1%
Printing and Reproduction	965,951.85	1,014,596.83	(48,644.98)	-4.8%
Scholarships and Fellowships	847,490.67	250,005.67	597,485.00	239.0%
Depreciation and Amortization	46,614,782.30	38,946,627.94	7,668,154.36	19.7%
Federal Sponsored Program Pass-Through to Other State Agencies	526,020.56	729,300.57	(203,280.01)	-27.9%
Other Operating Expenses	14,669,986.65	19,515,478.47	(4,845,491.82)	-24.8%
Total Operating Expenses	**734,539,824.77**	**659,077,069.58**	**75,462,755.19**	**11.4%**
Operating Loss	**(75,607,332.16)**	**(69,467,999.15)**	**(6,139,333.01)**	**-8.8%**
Other Nonoperating Adjustments				
State Appropriations	57,390,619.12	56,294,625.72	1,095,993.40	1.9%
Gift Contributions for Operations	25,067,925.74	10,281,977.93	14,785,947.81	143.8%
Net Investment Income	31,648,832.99	30,070,059.32	1,578,773.67	5.3%
Interest Expense on Capital Asset Financings	(10,708,454.32)	(10,944,034.20)	235,579.88	2.2%
Net Other Nonoperating Adjustments	**103,398,923.53**	**85,702,628.77**	**17,696,294.76**	**20.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**27,791,591.37**	**16,234,629.62**	**11,556,961.75**	**71.2%**
Adjusted Margin % including Depreciation & Amortization	**3.6%**	**2.4%**		
Investment Gain (Losses)	(54,565,330.70)	73,452,949.13	(128,018,279.83)	-174.3%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(26,773,739.33)**	**89,687,578.75**	**(116,461,318.08)**	**-129.9%**
Adj. Margin % with Investment Gains (Losses)	**-3.7%**	**11.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**74,406,373.67**	**55,181,257.56**	**19,225,116.11**	**34.8%**
Adjusted Margin % excluding Depreciation & Amortization	**9.6%**	**8.0%**		

UNAUDITED

The University of Texas Medical Branch at Galveston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	12,355,021.31	11,550,109.05	804,912.26	7.0%
Sponsored Programs	61,827,478.25	60,794,620.84	1,032,857.41	1.7%
Net Sales and Services of Educational Activities	6,291,634.45	5,486,653.37	804,981.08	14.7%
Net Sales and Services of Hospitals	306,818,318.04	276,937,628.58	29,880,689.46	10.8%
Net Professional Fees	53,738,828.88	48,234,462.43	5,504,366.45	11.4%
Net Auxiliary Enterprises	2,413,122.46	2,094,753.71	318,368.75	15.2%
Other Operating Revenues	26,857,927.62	10,196,335.40	16,661,592.22	163.4%
Total Operating Revenues	**470,302,331.01**	**415,294,563.38**	**55,007,767.63**	**13.2%**
Operating Expenses				
Salaries and Wages	293,159,130.36	276,697,278.70	16,461,851.66	5.9%
Payroll Related Costs	77,296,210.07	71,732,219.62	5,563,990.45	7.8%
Cost of Goods Sold	25,067,681.63	24,012,463.11	1,055,218.52	4.4%
Professional Fees and Services	10,715,420.62	9,666,763.31	1,048,657.31	10.8%
Other Contracted Services	34,994,337.46	25,302,476.61	9,691,860.85	38.3%
Travel	2,334,786.36	2,362,149.37	(27,363.01)	-1.2%
Materials and Supplies	47,719,760.41	43,572,248.82	4,147,511.59	9.5%
Utilities	11,433,657.27	8,467,921.75	2,965,735.52	35.0%
Communications	2,983,602.73	2,875,113.49	108,489.24	3.8%
Repairs and Maintenance	14,682,883.98	13,009,687.53	1,673,196.45	12.9%
Rentals and Leases	9,073,994.05	8,246,683.76	827,310.29	10.0%
Printing and Reproduction	461,486.22	347,488.14	113,998.08	32.8%
Scholarships and Fellowships	2,508,177.74	1,737,143.83	771,033.91	44.4%
Depreciation and Amortization	33,314,761.49	35,262,277.34	(1,947,515.85)	-5.5%
Federal Sponsored Program Pass-Through to Other State Agencies	280,924.73	543,579.03	(262,654.30)	-48.3%
Other Operating Expenses	13,976,803.52	15,274,850.02	(1,298,046.50)	-8.5%
Total Operating Expenses	**580,003,618.64**	**539,110,344.43**	**40,893,274.21**	**7.6%**
Operating Loss	**(109,701,287.63)**	**(123,815,781.05)**	**14,114,493.42**	**11.4%**
Other Nonoperating Adjustments				
State Appropriations	115,577,117.97	113,523,703.38	2,053,414.59	1.8%
Nonexchange Sponsored Programs	405,838.80	394,952.00	10,886.80	2.8%
Gift Contributions for Operations	2,075,874.26	1,381,135.54	694,738.72	50.3%
Net Investment Income	13,420,647.93	12,036,129.24	1,384,518.69	11.5%
Interest Expense on Capital Asset Financings	(2,469,512.05)	(2,429,863.27)	(39,648.78)	-1.6%
Net Other Nonoperating Adjustments	**129,009,966.91**	**124,906,056.89**	**4,103,910.02**	**3.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**19,308,679.28**	**1,090,275.84**	**18,218,403.44**	**1,671.0%**
Adjusted Margin % including Depreciation & Amortization	**3.2%**	**0.2%**		
Investment Gain (Losses)	(17,371,273.33)	34,155,262.64	(51,526,535.97)	-150.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**1,937,405.95**	**35,245,538.48**	**(33,308,132.53)**	**-94.5%**
Adj. Margin % with Investment Gains (Losses)	**0.3%**	**6.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**52,623,440.77**	**36,352,553.18**	**16,270,887.59**	**44.8%**
Adjusted Margin % excluding Depreciation & Amortization	**8.7%**	**6.7%**		

UNAUDITED

The University of Texas Health Science Center at Houston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	16,778,653.17	15,707,014.00	1,071,639.17	6.8%
Sponsored Programs	194,453,817.47	171,245,050.14	23,208,767.33	13.6%
Net Sales and Services of Educational Activities	10,541,855.12	9,206,299.01	1,335,556.11	14.5%
Net Sales and Services of Hospitals	20,604,083.45	20,194,042.72	410,040.73	2.0%
Net Professional Fees	95,711,317.45	70,220,489.70	25,490,827.75	36.3%
Net Auxiliary Enterprises	8,976,653.08	8,141,127.17	835,525.91	10.3%
Other Operating Revenues	4,823,732.71	4,051,142.80	772,589.91	19.1%
Total Operating Revenues	**351,890,112.45**	**298,765,165.54**	**53,124,946.91**	**17.8%**
Operating Expenses				
Salaries and Wages	248,832,461.90	226,374,605.09	22,457,856.81	9.9%
Payroll Related Costs	50,618,039.84	47,707,600.04	2,910,439.80	6.1%
Cost of Goods Sold	5,178,311.24	4,672,288.70	506,022.54	10.8%
Professional Fees and Services	17,645,727.59	18,260,158.20	(614,430.61)	-3.4%
Other Contracted Services	25,522,472.57	17,509,463.16	8,013,009.41	45.8%
Travel	3,415,822.44	2,889,208.02	526,614.42	18.2%
Materials and Supplies	17,525,027.56	16,326,729.61	1,198,297.95	7.3%
Utilities	5,828,453.79	6,023,677.41	(195,223.62)	-3.2%
Communications	1,719,995.65	1,535,440.08	184,555.57	12.0%
Repairs and Maintenance	3,606,465.20	3,253,759.81	352,705.39	10.8%
Rentals and Leases	10,280,779.17	7,519,629.34	2,761,149.83	36.7%
Printing and Reproduction	1,821,655.14	1,697,496.86	124,158.28	7.3%
Bad Debt Expense	-	61.56	(61.56)	-100.0%
Scholarships and Fellowships	2,519,504.10	2,421,323.59	98,180.51	4.1%
Depreciation and Amortization	19,827,010.71	18,933,465.80	893,544.91	4.7%
Federal Sponsored Program Pass-Through to Other State Agencies	2,377,473.16	1,017,111.67	1,360,361.49	133.7%
Other Operating Expenses	13,207,487.34	9,508,107.61	3,699,379.73	38.9%
Total Operating Expenses	**429,926,687.40**	**385,650,126.55**	**44,276,560.85**	**11.5%**
Operating Loss	**(78,036,574.95)**	**(86,884,961.01)**	**8,848,386.06**	**10.2%**
Other Nonoperating Adjustments				
State Appropriations	66,600,655.14	65,368,899.06	1,231,756.08	1.9%
Nonexchange Sponsored Programs	96,601.29	32,572.00	64,029.29	196.6%
Gift Contributions for Operations	10,338,842.34	6,590,574.20	3,748,268.14	56.9%
Net Investment Income	10,404,313.28	9,547,083.10	857,230.18	9.0%
Interest Expense on Capital Asset Financings	(3,876,909.68)	(3,774,859.68)	(102,050.00)	-2.7%
Net Other Nonoperating Adjustments	**83,563,502.37**	**77,764,268.68**	**5,799,233.69**	**7.5%**
Adjusted Income (Loss) including Depreciation & Amortization	**5,526,927.42**	**(9,120,692.33)**	**14,647,619.75**	**160.6%**
Adjusted Margin % including Depreciation & Amortization	**1.3%**	**-2.4%**		
Investment Gain (Losses)	(15,716,338.41)	23,243,400.45	(38,959,738.86)	-167.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(10,189,410.99)**	**14,122,708.12**	**(24,312,119.11)**	**-172.1%**
Adj. Margin % with Investment Gains (Losses)	**-2.4%**	**3.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**25,353,938.13**	**9,812,773.47**	**15,541,164.66**	**158.4%**
Adjusted Margin % excluding Depreciation & Amortization	**5.8%**	**2.6%**		

UNAUDITED

The University of Texas Health Science Center at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	11,934,822.33	11,430,513.00	504,309.33	4.4%
Sponsored Programs	101,690,237.26	89,433,928.54	12,256,308.72	13.7%
Net Sales and Services of Educational Activities	8,312,892.16	8,661,743.00	(348,850.84)	-4.0%
Net Professional Fees	56,698,371.52	48,131,711.05	8,566,660.47	17.8%
Net Auxiliary Enterprises	1,930,357.43	1,628,980.22	301,377.21	18.5%
Other Operating Revenues	5,907,006.84	7,103,872.19	(1,196,865.35)	-16.8%
Total Operating Revenues	**186,473,687.54**	**166,390,748.00**	**20,082,939.54**	**12.1%**
Operating Expenses				
Salaries and Wages	140,860,628.24	135,427,048.78	5,433,579.46	4.0%
Payroll Related Costs	34,886,355.04	33,769,524.56	1,116,830.48	3.3%
Professional Fees and Services	4,982,431.06	5,052,886.77	(70,455.71)	-1.4%
Other Contracted Services	5,301,361.46	6,688,408.77	(1,387,047.31)	-20.7%
Travel	1,616,436.99	1,530,320.48	86,116.51	5.6%
Materials and Supplies	12,611,827.78	11,706,759.34	905,068.44	7.7%
Utilities	5,833,333.33	5,912,678.33	(79,345.00)	-1.3%
Communications	4,625,522.87	3,802,518.59	823,004.28	21.6%
Repairs and Maintenance	2,085,114.04	1,546,647.51	538,466.53	34.8%
Rentals and Leases	1,800,392.54	1,741,205.60	59,186.94	3.4%
Printing and Reproduction	554,715.39	574,190.05	(19,474.66)	-3.4%
Scholarships and Fellowships	2,971,039.65	2,835,387.25	135,652.40	4.8%
Depreciation and Amortization	17,500,000.00	16,666,666.67	833,333.33	5.0%
Federal Sponsored Program Pass-Through to Other State Agencies	500,000.00	666,666.67	(166,666.67)	-25.0%
Other Operating Expenses	12,896,850.71	11,066,619.62	1,830,231.09	16.5%
Total Operating Expenses	**249,026,009.10**	**238,987,528.99**	**10,038,480.11**	**4.2%**
Operating Loss	**(62,552,321.56)**	**(72,596,780.99)**	**10,044,459.43**	**13.8%**
Other Nonoperating Adjustments				
State Appropriations	58,745,015.67	58,074,807.33	670,208.34	1.2%
Nonexchange Sponsored Programs	416,666.67	400,000.00	16,666.67	4.2%
Gift Contributions for Operations	9,590,415.78	7,692,008.87	1,898,406.91	24.7%
Net Investment Income	12,332,114.67	13,849,205.53	(1,517,090.86)	-11.0%
Interest Expense on Capital Asset Financings	(2,934,222.52)	(3,112,499.32)	178,276.80	5.7%
Net Other Nonoperating Adjustments	**78,149,990.27**	**76,903,522.41**	**1,246,467.86**	**1.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**15,597,668.71**	**4,306,741.42**	**11,290,927.29**	**262.2%**
Adjusted Margin % including Depreciation & Amortization	**5.8%**	**1.7%**		
Investment Gain (Losses)	(20,558,396.41)	25,730,138.73	(46,288,535.14)	-179.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(4,960,727.70)**	**30,036,880.15**	**(34,997,607.85)**	**-116.5%**
Adj. Margin % with Investment Gains (Losses)	**-2.0%**	**11.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**33,097,668.71**	**20,973,408.09**	**12,124,260.62**	**57.8%**
Adjusted Margin % excluding Depreciation & Amortization	**12.4%**	**8.5%**		

UNAUDITED

The University of Texas M. D. Anderson Cancer Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	1,012,882.98	975,351.38	37,531.60	3.8%
Sponsored Programs	89,791,330.15	103,245,960.14	(13,454,629.99)	-13.0%
Net Sales and Services of Educational Activities	773,687.21	1,169,021.22	(395,334.01)	-33.8%
Net Sales and Services of Hospitals	1,025,901,043.18	949,944,956.41	75,956,086.77	8.0%
Net Professional Fees	133,421,731.28	121,951,004.95	11,470,726.33	9.4%
Net Auxiliary Enterprises	14,600,084.15	12,670,933.56	1,929,150.59	15.2%
Other Operating Revenues	31,520,134.18	33,174,229.55	(1,654,095.37)	-5.0%
Total Operating Revenues	**1,297,020,893.13**	**1,223,131,457.21**	**73,889,435.92**	**6.0%**
Operating Expenses				
Salaries and Wages	580,959,849.68	549,986,300.02	30,973,549.66	5.6%
Payroll Related Costs	163,645,142.64	152,718,991.78	10,926,150.86	7.2%
Cost of Goods Sold	2,187,334.53	2,175,978.41	11,356.12	0.5%
Professional Fees and Services	56,220,759.03	43,913,374.25	12,307,384.78	28.0%
Other Contracted Services	34,725,203.02	30,776,221.10	3,948,981.92	12.8%
Travel	7,071,444.91	5,136,870.39	1,934,574.52	37.7%
Materials and Supplies	249,735,233.25	241,412,668.41	8,322,564.84	3.4%
Utilities	14,903,548.93	16,663,648.55	(1,760,099.62)	-10.6%
Communications	3,136,257.73	4,063,585.10	(927,327.37)	-22.8%
Repairs and Maintenance	35,464,239.21	26,523,801.94	8,940,437.27	33.7%
Rentals and Leases	14,715,678.13	14,390,970.13	324,708.00	2.3%
Printing and Reproduction	1,319,574.76	1,409,664.18	(90,089.42)	-6.4%
Scholarships and Fellowships	1,856,504.00	1,557,860.30	298,643.70	19.2%
Depreciation and Amortization	99,747,976.55	94,008,852.98	5,739,123.57	6.1%
Federal Sponsored Program Pass-Through to Other State Agencies	(1,451,161.38)	(777,151.62)	(674,009.76)	-86.7%
State Sponsored Program Pass-Through to Other State Agencies	248,053.77	433,739.01	(185,685.24)	-42.8%
Other Operating Expenses	10,698,594.48	10,072,309.26	626,285.22	6.2%
Total Operating Expenses	**1,275,184,233.24**	**1,194,467,684.19**	**80,716,549.05**	**6.8%**
Operating Loss	**21,836,659.89**	**28,663,773.02**	**(6,827,113.13)**	**-23.8%**
Other Nonoperating Adjustments				
State Appropriations	62,456,936.51	61,636,780.09	820,156.42	1.3%
Nonexchange Sponsored Programs	1,847,504.00	1,552,110.00	295,394.00	19.0%
Gift Contributions for Operations	34,461,956.68	61,604,923.43	(27,142,966.75)	-44.1%
Net Investment Income	25,127,805.00	23,508,271.06	1,619,533.94	6.9%
Interest Expense on Capital Asset Financings	(11,955,784.72)	(12,317,349.00)	361,564.28	2.9%
Net Other Nonoperating Adjustments	**111,938,417.47**	**135,984,735.58**	**(24,046,318.11)**	**-17.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**133,775,077.36**	**164,648,508.60**	**(30,873,431.24)**	**-18.8%**
Adjusted Margin % including Depreciation & Amortization	**9.4%**	**12.0%**		
Investment Gain (Losses)	(41,434,009.50)	94,935,179.83	(136,369,189.33)	-143.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**92,341,067.86**	**259,583,688.43**	**(167,242,620.57)**	**-64.4%**
Adj. Margin % with Investment Gains (Losses)	**6.7%**	**17.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**233,523,053.91**	**258,657,361.58**	**(25,134,307.67)**	**-9.7%**
Adjusted Margin % excluding Depreciation & Amortization	**16.4%**	**18.9%**		

UNAUDITED

The University of Texas Health Science Center at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2014

	December Year-to-Date FY 2015	December Year-to-Date FY 2014	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	43,210.80	42,873.22	337.58	0.8%
Sponsored Programs	5,158,690.01	4,399,771.68	758,918.33	17.2%
Net Sales and Services of Educational Activities	505,141.95	568,491.28	(63,349.33)	-11.1%
Net Sales and Services of Hospitals	19,189,695.12	18,219,713.57	969,981.55	5.3%
Net Professional Fees	4,971,325.60	3,487,319.15	1,484,006.45	42.6%
Net Auxiliary Enterprises	79,132.94	57,102.09	22,030.85	38.6%
Other Operating Revenues	13,200,242.81	19,078,853.90	(5,878,611.09)	-30.8%
Total Operating Revenues	**43,147,439.23**	**45,854,124.89**	**(2,706,685.66)**	**-5.9%**
Operating Expenses				
Salaries and Wages	26,140,373.93	22,681,836.24	3,458,537.69	15.2%
Payroll Related Costs	7,501,836.89	6,711,215.24	790,621.65	11.8%
Cost of Goods Sold	37,377.51	35,107.29	2,270.22	6.5%
Professional Fees and Services	3,006,836.81	2,555,758.89	451,077.92	17.6%
Other Contracted Services	3,322,239.98	5,931,925.22	(2,609,685.24)	-44.0%
Travel	211,957.55	209,392.95	2,564.60	1.2%
Materials and Supplies	7,047,635.79	6,702,587.92	345,047.87	5.1%
Utilities	820,898.00	975,043.89	(154,145.89)	-15.8%
Communications	301,912.27	216,446.53	85,465.74	39.5%
Repairs and Maintenance	1,738,595.65	1,561,388.61	177,207.04	11.3%
Rentals and Leases	395,335.98	384,746.01	10,589.97	2.8%
Printing and Reproduction	23,668.44	17,054.70	6,613.74	38.8%
Scholarships and Fellowships	5,987.50	10,989.68	(5,002.18)	-45.5%
Depreciation and Amortization	3,671,726.68	3,146,009.81	525,716.87	16.7%
Federal Sponsored Program Pass-Through to Other State Agencies	59,034.84	7,994.82	51,040.02	638.4%
Other Operating Expenses	939,970.09	883,688.10	56,281.99	6.4%
Total Operating Expenses	**55,225,387.91**	**52,031,185.90**	**3,194,202.01**	**6.1%**
Operating Loss	**(12,077,948.68)**	**(6,177,061.01)**	**(5,900,887.67)**	**-95.5%**
Other Nonoperating Adjustments				
State Appropriations	14,488,227.12	14,263,245.25	224,981.87	1.6%
Gift Contributions for Operations	91,913.92	56,614.92	35,299.00	62.3%
Net Investment Income	1,478,195.19	1,414,753.07	63,442.12	4.5%
Interest Expense on Capital Asset Financings	(480,481.24)	(508,093.68)	27,612.44	5.4%
Net Other Nonoperating Adjustments	**15,577,854.99**	**15,226,519.56**	**351,335.43**	**2.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**3,499,906.31**	**9,049,458.55**	**(5,549,552.24)**	**-61.3%**
Adjusted Margin % including Depreciation & Amortization	**5.9%**	**14.7%**		
Investment Gain (Losses)	(1,596,027.41)	2,328,230.49	(3,924,257.90)	-168.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**1,903,878.90**	**11,377,689.04**	**(9,473,810.14)**	**-83.3%**
Adj. Margin % with Investment Gains (Losses)	**3.3%**	**17.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**7,171,632.99**	**12,195,468.36**	**(5,023,835.37)**	**-41.2%**
Adjusted Margin % excluding Depreciation & Amortization	**12.1%**	**19.8%**		

4. U. T. System: Approval of allocation of $30.2 million of Intermediate Term Fund proceeds for Systemwide projects

RECOMMENDATION

The Chancellor concurs with the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Executive Vice Chancellor for Health Affairs that $30.2 million of Intermediate Term Fund proceeds be allocated to the following U. T. Systemwide projects:

a. $6.0 million to fund the Regents' Outstanding Teaching Awards at both the U. T. System academic and health institutions;

b. $10.25 million for the Lower Rio Grande Valley Plan - Education and Health Initiatives (the LRGV Plan); and

c. $13.95 million for additional strategic initiatives to be determined by the Chancellor, which initiatives will be brought back for approval by the Board of Regents prior to funds being committed.

BACKGROUND INFORMATION

The University of Texas System Allocation Policy for Non-Endowment Funds was approved by the U. T. System Board of Regents on November 10, 2005, and effective on February 1, 2006, as part of the centralization of non-endowment funds. The Allocation Policy is intended to ensure that sufficient liquidity is available at all times to meet the needs of the U. T. System institutions and U. T. System Administration, while ensuring that all funds not needed for short-term liquidity purposes are invested with an appropriate time horizon to enhance the total return of the non-endowment funds. Non-endowment funds are invested in the Intermediate Term Fund (ITF) and Short Term Fund (STF) pursuant to the Allocation Policy.

From February 1, 2006 through August 31, 2014, the total value-added from the centralization of non-endowment funds is $1.1 billion.

The Allocation Policy permits sharing of investment returns from the ITF if the total investment return on the ITF in a fiscal year (and since ITF inception) is in excess of the national Consumer Price Index ("CPI-U") published by the Bureau of Labor Statistics plus 3.0%. The amount in excess of the CPI-U plus 3.0% is split with 90% of the excess return being retained by the institutions and 10% being distributed to System Administration. The funds distributed to System Administration are to be used exclusively for strategic initiatives that benefit the institutions, and all expenditures of the funds by System Administration require approval of the Board of Regents.

For Fiscal Year 2014 (and for the period since ITF inception), the total investment return on the ITF was in excess of CPI-U plus 3.0%. The 10% portion of the ITF excess return in Fiscal Year 2014 to be distributed to System Administration for Systemwide projects is $30.2 million. For Fiscal Year 2014, the total investment return on the ITF of 10.45% significantly exceeded the CPI-U plus 3.0% threshold of 4.75%.

On August 25, 2011, the U. T. System Board of Regents approved a $10 million investment in the Regents' Outstanding Teaching Awards for Fiscal Years 2012-2017. The Board approved funding a portion of the Teaching Awards as excess returns are generated on the Intermediate Term Fund. Of the authorized amount, $4.0 million has been funded to date. The requested amount of $6.0 million will be sufficient to fund the balance of the Regents' Outstanding Teaching Awards for Fiscal Years 2015-2017.

On August 25, 2011, the U. T. System Board of Regents also approved a $30 million investment in "The Lower Rio Grande Valley Plan - Education and Health Initiatives (the LRGV Plan)" to enhance higher educational and health opportunities in the LRGV and South Texas. The Board approved funding a portion of the LRGV Plan as excess returns are generated on the Intermediate Term Fund. Of the initiatives in the LRGV Plan, $19.75 million has been funded to date. The requested amount of $10.25 million will be sufficient to fund the balance of initiatives in the LRGV Plan.

5. U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended November 30, 2014, including report on impact of oil prices on investment portfolio

REPORT

Mr. Mark Warner, Senior Managing Director of UTIMCO, will report on the following performance and investment reports and on the impact of oil prices on the investment portfolio.

The November 30, 2014 UTIMCO Performance Summary Report is attached on Page 120.

The Investment Reports for the quarter ended November 30, 2014, are set forth on Pages 121 - 124.

Item I on Page 121 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was negative .62% versus its composite benchmark return of negative .85%. The PUF's net asset value increased by $168 million during the quarter to $17,533 million. The increase was due to $276 million PUF Lands receipts, less a net investment return of negative $108 million. No distribution was made to the Available University Fund (AUF) during the quarter.

Item II on Page 122 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was negative .32% versus its composite benchmark return of negative .85%. The GEF's net asset value decreased by $86 million during the quarter to $8,239 million.

Item III on Page 123 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was negative 1.04% versus its composite benchmark return of negative 2.05%. The net asset value increased during the quarter to $6,774 million due to net contributions of $231 million, less net investment return of negative $51 million and distributions of $186 million.

All exposures were within their asset class and investment type ranges. Liquidity was within policy.

Item IV on Page 124 presents book and market values of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus and Fidelity money market fund, decreased by $281 million to $1,976 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $20 million versus $21 million at the beginning of the period; equities: $74 million versus $81 million at the beginning of the period; and other investments: $2 million versus $10 million at the beginning of the period.

UTIMCO Performance Summary

November 30, 2014

	Net Asset Value 11/30/2014 (in Millions)	Periods Ended November 30, 2014 (Returns for Periods Longer Than One Year are Annualized)							
		Short Term		Year to Date		Historic Returns			
		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs
ENDOWMENT FUNDS									
Permanent University Fund	$ 17,533	1.14%	(0.62%)	(0.62%)	7.61%	9.16%	9.68%	9.12%	7.12%
Permanent Health Fund	1,097								
Long Term Fund	7,142								
General Endowment Fund	8,239	1.26%	(0.32%)	(0.32%)	7.44%	9.02%	9.75%	9.19%	7.17%
Separately Invested Funds	159								
Total Endowment Funds	25,931								
OPERATING FUNDS									
Intermediate Term Fund	6,774	0.70%	(1.04%)	(1.04%)	4.02%	5.04%	6.56%	6.44%	N/A
Short Term Fund and Debt Proceeds Fund	1,914								
Total Operating Funds	8,688								
Total Assets Under Management	$ 34,619								
VALUE ADDED (1) (Percent)									
Permanent University Fund		0.53%	0.23%	0.23%	1.11%	1.56%	1.19%	1.42%	1.63%
General Endowment Fund		0.65%	0.53%	0.53%	0.94%	1.42%	1.26%	1.49%	1.68%
Intermediate Term Fund		0.31%	1.01%	1.01%	1.47%	1.94%	1.76%	2.37%	N/A
VALUE ADDED (1) ($ IN MILLIONS)									
Permanent University Fund		$125	$68	$158	$160	$158	$353	$1,302	$2,552
General Endowment Fund		54	27	48	39	48	168	710	1,432
Intermediate Term Fund		19	13	41	27	41	272	616	-
Total Value Added		$198	$108	$247	$226	$247	$793	$2,628	$3,984

Footnote available upon request.

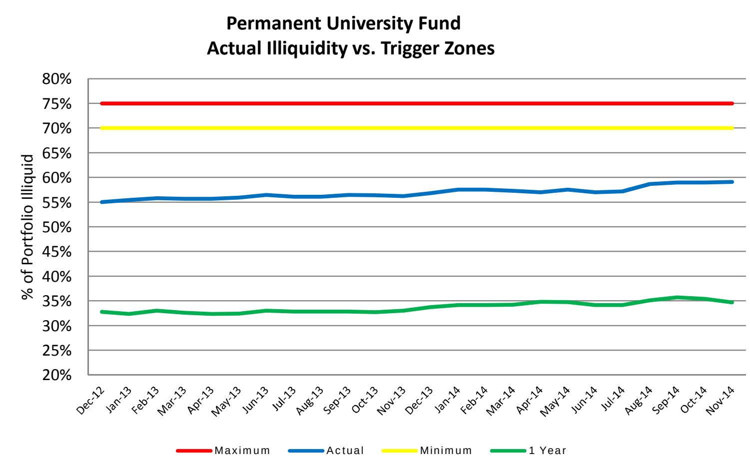
UTIMCO 1/6/2015

I. PERMANENT UNIVERSITY FUND
Investment Reports for Periods Ended November 30, 2014
Prepared in accordance with *Texas Education Code* Sec. 51.0032

	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	7.8%	7.2%	-0.68%	-3.13%	0.09%	0.09%	0.18%
Credit-Related	0.1%	0.0%	-2.58%	-2.67%	0.00%	0.00%	0.00%
Real Estate	2.5%	2.5%	-1.73%	0.76%	-0.01%	-0.06%	-0.07%
Natural Resources	6.9%	7.5%	-17.06%	-13.19%	-0.01%	-0.33%	-0.34%
Developed Country	15.2%	14.0%	3.90%	-0.12%	0.02%	0.56%	0.58%
Emerging Markets	9.2%	10.0%	-7.89%	-7.31%	0.02%	-0.07%	-0.05%
Total More Correlated and Constrained	**41.7%**	**41.2%**	**-3.91%**	**-4.77%**	**0.11%**	**0.19%**	**0.30%**
Less Correlated and Constrained	**30.2%**	**30.0%**	**1.54%**	**0.59%**	**0.02%**	**0.26%**	**0.28%**
Private Investments	**28.1%**	**28.8%**	**2.15%**	**3.38%**	**-0.01%**	**-0.34%**	**-0.35%**
Total	**100.0%**	**100.0%**	**-0.62%**	**-0.85%**	**0.12%**	**0.11%**	**0.23%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2014	Quarter Ended November 30, 2014	Fiscal Year to Date August 31, 2015
Beginning Net Assets	$14,853	$17,365	$17,365
PUF Lands Receipts	1,129	276	276
Investment Return (Net of Expenses)	2,260	(108)	(108)
Distributions to AUF	(877)	0	0
Ending Net Assets	$17,365	$17,533	$17,533



II. GENERAL ENDOWMENT FUND

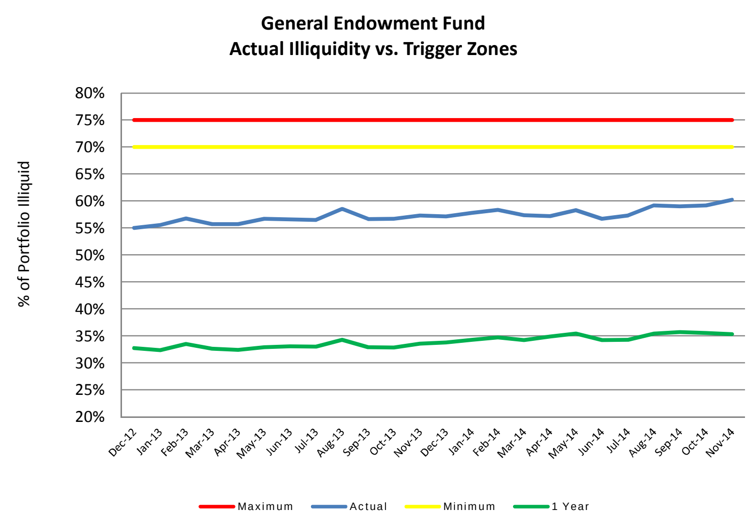
Investment Reports for Periods Ended November 30, 2014

Prepared in accordance with *Texas Education Code* Sec. 51.0032

	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	6.2%	7.2%	-0.20%	-3.13%	0.12%	0.10%	0.22%
Credit-Related	0.1%	0.0%	-2.58%	-2.67%	0.00%	0.00%	0.00%
Real Estate	2.5%	2.5%	-1.74%	0.76%	-0.01%	-0.06%	-0.07%
Natural Resources	6.9%	7.5%	-17.00%	-13.19%	0.00%	-0.33%	-0.33%
Developed Country	15.4%	14.0%	3.90%	-0.12%	0.04%	0.56%	0.60%
Emerging Markets	9.6%	10.0%	-5.40%	-7.31%	0.03%	0.18%	0.21%
Total More Correlated and Constrained	**40.7%**	**41.2%**	**-3.22%**	**-4.77%**	**0.18%**	**0.45%**	**0.63%**
Less Correlated and Constrained	**30.7%**	**30.0%**	**1.54%**	**0.59%**	**0.02%**	**0.25%**	**0.27%**
Private Investments	**28.6%**	**28.8%**	**2.15%**	**3.38%**	**-0.04%**	**-0.33%**	**-0.37%**
Total	**100.0%**	**100.0%**	**-0.32%**	**-0.85%**	**0.16%**	**0.37%**	**0.53%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2014	Quarter Ended November 30, 2014	Fiscal Year to Date August 31, 2015
Beginning Net Assets	$7,396	$8,325	$8,325
Contributions	225	39	39
Withdrawals	(13)	(2)	(2)
Distributions	(371)	(97)	(97)
Investment Return (Net of Expenses)	1,088	(26)	(26)
Ending Net Assets	$8,325	$8,239	$8,239

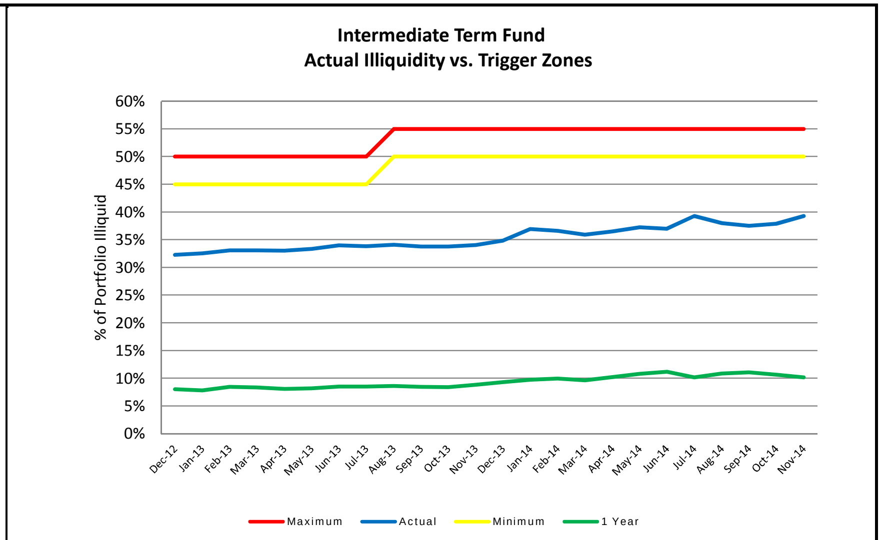


III. INTERMEDIATE TERM FUND
Investment Reports for Periods Ended November 30, 2014
Prepared in accordance with *Texas Education Code* Sec. 51.0032

	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	28.8%	30.0%	-1.64%	-3.13%	0.05%	0.40%	0.45%
Credit-Related	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	3.0%	3.0%	-1.73%	0.76%	-0.01%	-0.08%	-0.09%
Natural Resources	6.4%	7.0%	-16.87%	-13.19%	0.03%	-0.28%	-0.25%
Developed Country	9.6%	9.0%	4.04%	-0.12%	0.01%	0.37%	0.38%
Emerging Markets	5.9%	6.0%	-5.42%	-7.31%	0.00%	0.11%	0.11%
Total More Correlated and Constrained	**53.7%**	**55.0%**	**-3.08%**	**-4.19%**	**0.08%**	**0.52%**	**0.60%**
Less Correlated and Constrained	**46.3%**	**45.0%**	**1.54%**	**0.59%**	**-0.01%**	**0.42%**	**0.41%**
Private Investments	**0.0%**	**0.0%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total	**100.0%**	**100.0%**	**-1.04%**	**-2.05%**	**0.07%**	**0.94%**	**1.01%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2014	Quarter Ended November 30, 2014	Fiscal Year to Date August 31, 2015
Beginning Net Assets	$5,520	$6,665	$6,665
Contributions	2,111	651	651
Withdrawals	(1,391)	(420)	(420)
Distributions	(186)	(51)	(51)
Investment Return (Net of Expenses)	611	(71)	(71)
Ending Net Assets	$6,665	$6,774	$6,774



IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at November 30, 2014

Report prepared in accordance with *Texas Education Code* Sec. 51.0032

($ thousands)

FUND TYPE

	CURRENT PURPOSE												OPERATING FUNDS			
	DESIGNATED		RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		(DEBT PROCEEDS AND (SHORT TERM FUND)		TOTAL	
ASSET TYPES																
Cash & Equivalents:	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Beginning value 08/31/14	-	-	2,264	2,264	52,477	52,477	1,984	1,984	956	956	57,681	57,681	2,199,434	2,199,434	2,257,115	2,257,115
Increase/(Decrease)	-	-	12,094	12,094	(7,856)	(7,856)	(198)	(198)	611	611	4,651	4,651	(285,850)	(285,850)	(281,199)	(281,199)
Ending value 11/30/14	-	-	14,358	14,358	44,621	44,621	1,786	1,786	1,567	1,567	62,332	62,332	1,913,584	1,913,584	1,975,916	1,975,916
Debt Securities:																
Beginning value 08/31/14	-	-	18	18	11,333	12,124	8,584	8,815	-	-	19,935	20,957	-	-	19,935	20,957
Increase/(Decrease)	-	-	(5)	(4)	(23)	(227)	(925)	(958)	-	-	(953)	(1,189)	-	-	(953)	(1,189)
Ending value 11/30/14	-	-	13	14	11,310	11,897	7,659	7,857	-	-	18,982	19,768	-	-	18,982	19,768
Equity Securities:																
Beginning value 08/31/14	1,160	9,934	1,801	1,797	44,506	53,756	14,122	15,411	-	-	61,589	80,898	-	-	61,589	80,898
Increase/(Decrease)	-	651	(920)	(940)	(3,534)	(3,520)	(2,001)	(2,955)	-	-	(6,455)	(6,764)	-	-	(6,455)	(6,764)
Ending value 11/30/14	1,160	10,585	881	857	40,972	50,236	12,121	12,456	-	-	55,134	74,134	-	-	55,134	74,134
Other:																
Beginning value 08/31/14	-	-	6,868	6,868	6	6	535	109	3,051	3,051	10,460	10,034	-	-	10,460	10,034
Increase/(Decrease)	-	-	(6,546)	(6,546)	-	-	2	2	(1,381)	(1,381)	(7,925)	(7,925)	-	-	(7,925)	(7,925)
Ending value 11/30/14	-	-	322	322	6	6	537	111	1,670	1,670	2,535	2,109	-	-	2,535	2,109
Total Assets:																
Beginning value 08/31/14	1,160	9,934	10,951	10,947	108,322	118,363	25,225	26,319	4,007	4,007	149,665	169,570	2,199,434	2,199,434	2,349,099	2,369,004
Increase/(Decrease)	-	651	4,623	4,604	(11,413)	(11,603)	(3,122)	(4,109)	(770)	(770)	(10,682)	(11,227)	(285,850)	(285,850)	(296,532)	(297,077)
Ending value 11/30/14	1,160	10,585	15,574	15,551	96,909	106,760	22,103	22,210	3,237	3,237	138,983	158,343	1,913,584	1,913,584	2,052,567	2,071,927

Details of individual assets by account furnished upon request.

6. U. T. System Board of Regents: Report on activities of the University Lands Advisory Board

REPORT

Regent Cranberg, Chairman of the University Lands Advisory Board (ULAB), and Executive Vice Chancellor Kelley will report on activities related to the ULAB.

BACKGROUND INFORMATION

The ULAB was established by the Board of Regents on May 15, 2014, and the Regents' *Rules and Regulations*, Rule 10402, regarding Committees and Other Appointments, was subsequently editorially amended to include the ULAB.

On July 10, 2014, the U. T. System Board of Regents appointed the following members to the ULAB:

For terms of two years:

- Regent Cranberg, who has agreed to serve as Chairman;
- Regent Hildebrand; and
- Texas A&M University System Regent Morris Foster.

For terms of three years:

- Mr. Thomas L. Carter, Jr., President, CEO, and Chairman of Black Stone Minerals Company LP; and
- Mr. Frank D. Tsuru, CEO and President of M3Midstream LLC.

Executive Vice Chancellor for Business Affairs Scott Kelley serves as an *ex officio*, nonvoting member.

ULAB members advise the Board on operations and management of the University Lands Office, including hiring the University Lands Chief Executive, reviewing and recommending budgets to the Board, and providing strategic direction.

7. U. T. System: Authorization of $6,337,000 of Permanent University Funds to refresh and upgrade the Lonestar Supercomputing System infrastructure; the Shared Intrusion and Anomaly Detection services; the U. T. System Network simulation and monitoring capabilities; and the U. T. Austin Dell Medical School firewall infrastructure

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents authorize $6,337,000 of Permanent University Funds (PUF) to refresh and upgrade:

a. the Lonestar Supercomputing System infrastructure - $3,000,000;

b. the Shared Intrusion and Anomaly Detection services - $2,395,000;

c. the U. T. System Network simulation and monitoring capabilities - $442,000; and

d. the U. T. Austin Dell Medical School firewall infrastructure - $500,000.

Technical descriptions of each project are included in the documents on the following pages.

BACKGROUND INFORMATION

On November 11, 2010, the U. T. System Board of Regents approved a $3,000,000 investment in the original construction of the Lonestar 4 Supercomputing System platform located at the Texas Advanced Computing Center (TACC) that has reached the end of its operating life. The growth of utilization has also challenged the performance of the important computing asset deployed as part of the U. T. Research Cyberinfrastructure (UTRC) project. The proposed $3,000,000 will form the base investment of the Lonestar 5 Supercomputing System platform for the next four years.

On November 10, 2011, the U. T. System Board of Regents approved an allocation of Available University Funds to invest in information security enhancements across U. T. System. The U. T. System Network (Network) continues to provide services to all U. T. System institutions. The demand for network capacity and speed has continued to grow. As part of this growth, U. T. System needs to remain vigilant in management of security risks. The Network expansion and upgrades have surpassed the capabilities of U. T. System's current Intrusion Detection System (IDS) hardware. This hardware, originally launched in 2009, has proven to be highly effective at identifying incidents of malware activity, high risk security vulnerabilities, and outbound transmission of unencrypted sensitive data. Since its inception, the Network has resulted in a tenfold reduction in mistaken outbound transmission of unencrypted sensitive data. The requested $2,395,000 will be used to upgrade IDS equipment and software to maintain current services and will accommodate the new network bandwidth implementation.

With the growth and expansion of the Network, management and capacity planning issues continue to challenge Network technicians. The complexity of contemporary networks require a robust set of tools to manage and plan for network growth. In addition, U. T. System needs to stay ahead of potential security risks as hackers explore and exploit areas of vulnerability. The request for $442,000 will provide for a set of tools to augment the traffic monitoring system as well as simulation and modeling software to assist in managing and planning network growth.

As the U. T. Austin Dell Medical School emerges, a new network architecture needs to be explored. Increased security levels are required as part of the Health Insurance Portability and Accountability Act (HIPAA). To achieve the level of protection required by law while maintaining the necessary level of cost-effective flexibility, the proposed $500,000 will fund the upgrade of firewalls in the primary and secondary data centers at U. T. Austin. The newer firewall technology will permit the use of a newer technology that allows technicians to meet the requirement to segment and isolate Medical School network traffic.

Lonestar Supercomputing System Infrastructure

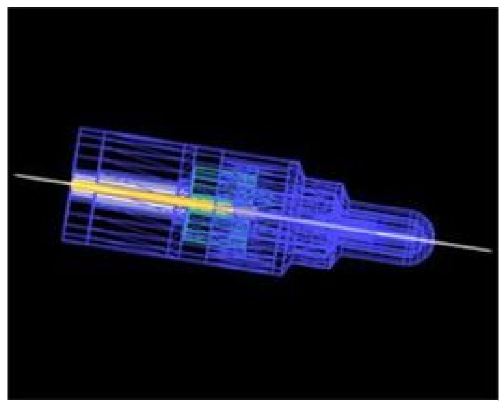
Objective

The existing U. T. System supercomputing system, Lonestar 4, is nearing the end of its life and requires a hardware refresh. The goals for this project are to replace the existing hardware to allow for substantially greater computing performance, provide greater access to the supercomputing system for U. T. System researchers, and meet a broader collection of U. T. System institutional needs.

Background

Since 2011, the Texas Advanced Computing Center (TACC) has operated a shared supercomputing resource on behalf of U. T. Austin, U. T. System, and the National Science Foundation (NSF). Deployed as part of the U. T. Research Cyberinfrastructure (UTRC) project, Lonestar 4 offers 302 TeraFlops of supercomputing performance on 1888 nodes housed in TACC's Commons Center datacenter at the U. T. Austin Pickle Research campus. This shared resource has enabled science and engineering research across U. T. System for the last four years.

For example, Michelle Mathis, a research medical physicist on the dosimetry team at U. T. M. D. Anderson Cancer Center, recently used 250,000 Lonestar 4 CPU hours to design ionization chambers for combined MRI and cancer radiotherapy systems. These combined systems allow for smaller and more accurate doses of radiation to be applied, making the fight against cancer safer and more effective.


Prototype ionization chamber design

Issues

- Components of Lonestar 4 are beginning to fail after four years of hard service. These parts are becoming increasingly hard to replace as time goes on and will soon no longer be under warranty.
- Specifically, the core high-speed InfiniBand network switch infrastructure is regularly losing interface ports to hardware failure.
- The performance of Lonestar 4's compute nodes now substantially lags performance available today.

2010 Investment (current)

On November 11, 2010, the U. T. System Board of Regents approved a $3,000,000 investment in the original construction of Lonestar 4. This investment was combined with $3,000,000 from U. T. Austin, $3,000,000 from NSF, and $3,000,000 from other institutions and U. T. Austin faculty to allow for deployment of a substantial computing resource. This investment equated to $750,000 per year in high-quality computing resources, which came at a significant discount unmatched in the marketplace. As a result of this investment, TACC has delivered 261M CPU hours to the U. T. System research community, supporting 553 unique projects and 738 unique users. A steady annual increase has been seen in both the number of users and the number of CPU hours used, with roughly a doubling of the number of CPU hours over the life of Lonestar 4. TACC's reach extends broadly into U. T. System, enabling research to users from:

Lonestar 4 Supercomputing System Infrastructure (cont.)

- University of Texas at Arlington
- University of Texas at Austin
- University of Texas at Brownsville
- University of Texas at Dallas
- University of Texas at El Paso
- University of Texas-Pan American
- University of Texas at San Antonio
- University of Texas at Tyler
- University of Texas Health Science Center at Houston
- University of Texas Health Science Center at San Antonio
- University of Texas Medical Branch at Galveston
- University of Texas M. D. Anderson Cancer Center
- University of Texas Southwestern Medical Center

2015 Investment (proposed)

TACC proposes U. T. System invest $3,000,000 in the construction and deployment of Lonestar 5 in late Spring 2015. TACC is working with U. T. Austin, U. T. System, and other institutional and faculty partners to aggregate sufficient funds to deploy a substantial new resource. There is a plan to purchase between 1000 and 2000 node with Intel's latest Xeon "Haswell" architecture CPUs to deliver between 800 TeraFlops and 1.6 PetaFlops of peak floating-point performance. Such a system would be between 2.7 and 5.5 times as powerful as the Lonestar 4 system it will replace. Lonestar 5 will also provide nearly three times as much memory bandwidth as Lonestar 4, a critical factor in performance of most scientific applications.

This investment would equate to $750,000 per year for four years and would give U. T. System researchers ongoing access to critical high-performance computing capability for the next four years.

Accountability

TACC has proven itself to be a reliable operator of High Performance Computing (HPC) services through the UTRC project for the last four years and has provided detailed statistics on delivery and utilization of HPC resources as part of this work. TACC also works with the UTRC Advisory Committee to determine future directions for hardware resources within the project.

Value Statement

Lonestar 4 has provided substantial value to the U. T. System research community over the last four years. Ongoing access to HPC systems is critical for scientific research at all U. T. System institutions. Pooled funding between U. T. System, U. T. Austin, NSF, and other institutions provides for a larger and more capable resource than any one institution can manage alone.

Prepared by: The Office of Systemwide Information Services
January 2015

Shared Intrusion and Anomaly Detection Service

Objective

The existing U. T. System shared intrusion and anomaly detection infrastructure is nearing its end of life and is in need of a hardware refresh. Below are the specific goals for this project:

1. Upgrade existing shared intrusion and anomaly detection infrastructure to accommodate higher speed networks (e.g., 100 Gigabits per second).
2. Implement a shared intrusion and anomaly detection infrastructure that can scale with the demands of the U. T. System over the next three years.
3. Ensure security services are extended to the shared data centers: Arlington Data Center (ARDC); Texas Advanced Computing Center (TACC); and Houston Data Center (HDC).

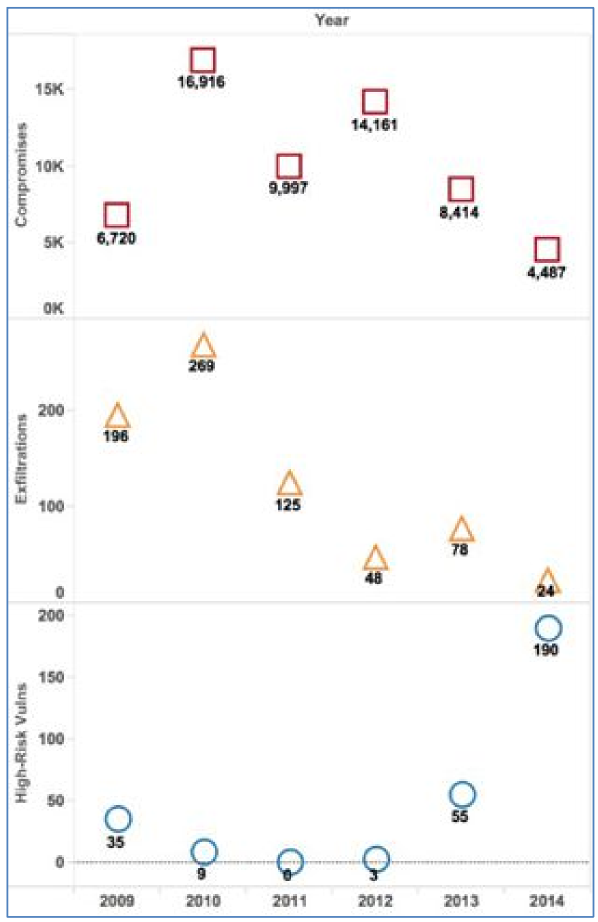
Background

Since 2009, the U. T. Austin Information Security Office has managed a shared intrusion and anomaly detection service for all U. T. System institutions connected to the U. T. System managed network.

The U. T. Austin Information Security Office has been able to share the security research of the team and a now commercialized incident management tool (Panopticon) is available 24x7x365 to provide a virtually automated security service to the U. T. System institutions.

This shared intrusion and anomaly detection service has been instrumental in defending the U. T. System institutions. Specifically, it has helped to control outbreak situations; developed shared intelligence across U. T. System with respect to quickly evolving malicious attacks; and has proactively detected sensitive data exfiltration events (e.g., social security numbers, credit card numbers, medical record numbers). U. T. System is using a now commercialized detection capability (Senf) and has proactively identified high-risk vulnerabilities across U. T. System before system compromises have occurred.

Please note the table to the right, which depicts the number of compromises, data exfiltration events, and high-risk vulnerabilities that have been reported to the U. T. System institutions via Senf since March 2009. Data through August 2014 is also included.



In several cases, U. T. System institutions have been able to augment their local security controls based on findings from the shared intrusion and anomaly detection service. In other cases, some U. T. System institutions have been able to decommission their local externally-facing intrusion detection services in lieu of this service.

Prepared by: The Office of Systemwide Information Services
January 2015

Shared Intrusion and Anomaly Detection Service (cont.)

Issues

- The current service was designed for a network based on 10-Gigabits per second connectivity and the tremendous growth of the U. T. System network (commodity and research networks) in recent years has not allowed the service to properly keep pace.
- The current hardware used by the service is almost four years old. Given the extreme environments these devices are subjected to, the recommended lifecycle is three to four years. Please note that the vendor does provide generous trade-in credit for this hardware.
- The current design does not provide security coverage for the U. T. System shared data centers (ARDC, TACC, and HDC) and it is important to do so given how extensively leveraged these facilities are today.

2011 investment (current)

On November 10, 2011, the U. T. System Board of Regents approved an allocation of Available University Funds to invest in information security enhancements across U. T. System and the following investment was made to refresh the shared intrusion and anomaly detection infrastructure:

Sourcefire Intrusion Detection Hardware & Software Licenses	**$811,878**
Ixia/Anue Traffic Aggregation Hardware & Optics	**$504,034**
Total	**$1,315,912**

This investment equated to $329,000 per year in high quality incident response services. This pricing is unmatched in the marketplace. To completely outsource this function to a qualified third party would cost approximately $1,000,000-$3,000,000 per year for a network the size of the U. T. System network and there would be no investment in staff development or cross-campus collaboration occurring. Additionally, a third party would not be as familiar as the existing body of local security professionals with the unique business functions of the U. T. System.

2015 Investment (proposed)

The following investment is recommended for a 2015 purchase:

Sourcefire Intrusion Detection Hardware & Software Licenses	**$995,000**
Ixia/Anue Traffic Aggregation Hardware & Optics	**$1,400,000**
Total	**$2,395,000**

The cost for this investment is 82% greater than the previous purchase, but the aggregate bandwidth consumption has grown by 180% since 2009 and is expected to continue to grow at a rapid pace over the next four years.

U. T. System Office of Telecommunications Services (OTS) staff will install three intrusion detection arrays and three traffic aggregation chassis at the three major U. T. System network egress points (in Austin, Dallas, and Houston). OTS staff will also configure the new traffic aggregation hardware such that shared data center traffic will also benefit from the shared intrusion and anomaly detection service – a new offering.

It should also be noted that the traffic aggregation hardware would be of significant use to OTS in analyzing and troubleshooting the U. T. System network.

Prepared by: The Office of Systemwide Information Services
January 2015

Shared Intrusion and Anomaly Detection Service (cont.)

This investment would equate to approximately $598,750 per year for four years and would provide not only high quality security hardware, but would also include the incident response services of the U. T. Austin Information Security Office. Additionally, this investment ensures that the three U. T. System shared data centers are properly covered.

Accountability

The U. T. Austin Information Security Office has proven to be a reliable partner in managing this service over the years. Operationally, the service has performed remarkably well and the U. T. Austin Information Security Office has been quick to share summary reports with U. T. System Chief Information Security Officers every month.

If this proposal is approved, the U. T. Austin Information Security Office is prepared to procure hardware in early 2015, with a deployment goal of March 2015 (to Austin, Dallas, and Houston).

Value Statement

This service has provided value to U. T. System institutions in a variety of ways over the years. Specifically, it has:

- helped institutions to identify poor administrative practices that previously went undetected;
- provided institutions with a failsafe for internal security controls;
- saved institutions time required for incident response and reverse-engineering of malicious code;
- allowed institutions to limit impact of a system compromise, by being able to prevent access to known external command and control botnets; and
- evolved awareness and skillset of institutions of real-time threats.

Prepared by: The Office of Systemwide Information Services
January 2015

U. T. System Network Simulation and Monitoring Capabilities

Objective

The U. T. System Network (Network) provides high-speed production and research networks to the institutions (10 and 100 Gigabit per second). Below are the specific goals for this project:

1. Add the capability to simulate the Network to increase reliability and facilitate growth.
2. Add network use and capacity monitoring to assist with proactive forecasting for future architectures.
3. Build a foundation for future information security deployments at strategic locations within the Network that are not traditional egress points.

Background

U. T. System operates a trans-Texas network for both production and research needs. Reliance on the Network has increased with its growth in both size and complexity. Furthermore, as technologies and downstream applications are changing at rapid rates, it is essential that forecasting tools are in place to understand usage, predict growth patterns, and plan for the future.

Issues

- Network engineers are not able to simulate changes to the current production Network, which has resulted in unexpected outages.
- Inability to measure and differentiate types of traffic to plan for efficient growth for some U. T. institutions.
- Increasing need for information security monitoring closer to some U. T. System's institutions (e.g., to identify intra-campus issues).

2015 Investment (proposed)

The following investment is recommended: $442,000, as more fully described below.

Network Monitoring & Modeling Tools for OTS	
Juniper Software Collection & Modeling (2-yr license)	$126,000
El Paso Traffic Aggregator + Collection Capability	$100,000
San Antonio Traffic Aggregator + Collection Capability	$108,000
Valley Traffic Aggregator + Collection Capability	$108,000
Total	$442,000

1. Software to simulate and model the Network, enabling staff to test changes prior to deployment on the running Network.
2. Traffic monitoring systems at El Paso, San Antonio, and the Rio Grande Valley (Network flow monitoring servers); Austin, Dallas, and Houston already have traffic monitoring systems in place.
3. Construct the foundation for monitoring at El Paso, San Antonio, and the Rio Grande Valley (fiber optic network tap equipment). Those areas are currently monitored less granularly from Austin, Dallas, and Houston.

Prepared by: The Office of Systemwide Information Services
January 2015

U. T. System Network Simulation and Monitoring Capabilities (cont.)

Accountability

U. T. System Office of Telecommunication Services (OTS) has successfully implemented complex, large-scale projects with U. T. System funding focused on:

a. building and operating the current Network;
b. building and operating the U. T. Research Cyberinfrastructure (UTRC) project;
c. support previous network security implementations in three cities; and
d. support the U. T. System Shared Services Initiatives.

Value Statement

The proposal enhances value by:

- increasing the reliability of the U. T. System Network used by all institutions;
- providing network utilization information to support the expanding academic, health, and research missions; and
- building the foundation for future information security monitoring.

Prepared by: The Office of Systemwide Information Services
January 2015

U. T. Austin Dell Medical School Firewall Infrastructure

Objective

As the U. T. Austin Dell Medical School comes online, it is necessary to enhance network security for the University Data Centers (UDC), and, to begin preparations for the data centers and participating units to support the higher security levels that the Health Insurance Portability and Accountability Act (HIPAA) requires. Below are the specific goals for this project:

1. Upgrade existing data center firewalls that are past vendor support.
2. Upgrade campus network backbone to support multiple security levels for different uses.
3. Add backbone firewalls to begin enforcement of security levels for medical and other sensitive data.

Background

Due to its size and diversity, U. T. Austin operates a federated network. Network security is enforced at the unit/department level, with the exception of the UDC, which provides network security as part of its overall services. This posture has enabled tailored approaches to network security that offers more isolation than could be achieved by a single firewall at the border of campus. With over 250,000 devices connected across campus, the campus network represents similar risks of the public Internet.

Issues

- High performance firewalls necessary for the UDC are expensive. That cost is reflected in the rates charged to customers locating servers in the data centers and can discourage usage leading to poor decisions on server location and operations.
- Unit/department level firewalls offer more isolation than a border firewall, but they do not provide an overarching security policy for sensitive data, such as medical records, that a border firewall can provide. Multiple borders are needed across the campus network for different security domains.

2015 Investment (proposed)

The following investment is recommended for a 2015 purchase: $500,000

1. Upgrade the firewalls in the primary and backup data centers to modern/supported versions.
2. Upgrade the campus network backbone to support multiple security levels for different uses (introduction of multi-protocol labeled switching in core routers). This seed funding would enable units to make their own local investments in capable network equipment for their buildings when they wish to work with the medical school on sensitive data. For example, units in different buildings, such as Psychology, Anthropology, and the Dell Medical School, could all share the same brain scans securely. The Dell Medical School and the UDC will be capable of sharing information securely as part of this investment.
3. Acquire a firewall to implement multiple borders, or security levels, for the campus network (inter-VRF filtering).

Prepared by: The Office of Systemwide Information Services
January 2015

U. T. Austin Dell Medical School Firewall Infrastructure (cont.)

Accountability

U. T. Austin ITS Networking and Telecommunications (N&T) has previously implemented projects with U. T. System funding for:

a. backup network operations center;
b. data center network upgrades/capacity increases to reduce cost and encourage centralization;
c. U. T. Research Cyberinfrastructure (UTRC); and
d. support for numerous Information Security Office projects funded by U. T. System.

If this proposal is approved, U. T. Austin is prepared to procure hardware in the summer of 2015, with completed deployment by January 2016.

Value Statement

This proposal enhances value by:

- keeping data center cost recovery charged to units low, further encouraging server migration to the UDC, as opposed to local information technology (IT) closets, where they are more secure and professionally operated;
- providing the seed funding to enable multi-discipline/department participation with the new Dell Medical School, while keeping regular academic traffic segregated from sensitive medical data; and
- enabling the campus network backbone to provide isolation and more advanced security features for networks critical to university operations (such as those used to operate building HVAC/electrical/security systems).

Prepared by: The Office of Systemwide Information Services
January 2015

8. U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2014

INTRODUCTION

Financial analysis is performed from each institution's Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets. The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms, and consulting firms. The following ratios were analyzed: Composite Financial Index, Operating Expense Coverage, Annual Operating Margin, Expendable Resources to Debt, Debt Burden, Debt Service Coverage, and Full-Time Equivalent (FTE) Student Enrollment (academic institutions only).

The Analysis of Financial Condition has been prepared since 1995 to track financial ratios to determine if the financial condition of the institutions is improving or declining. This analysis compares trends for Fiscal Year 2010 through Fiscal Year 2014.

REPORT

The 2014 Analysis of Financial Condition, which is set forth on the following pages, is a broad annual financial evaluation that rates U. T. System institutions based on factors analyzed as either “Satisfactory," “Watch," or “Unsatisfactory."

An Executive Summary of the report may be found on Pages 139 - 140. For the first time since 1997, all 15 institutions were rated "Satisfactory." The ratings of U. T. Permian Basin, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler were upgraded from “Watch” to “Satisfactory” as a result of an improvement in their financial condition in 2014.

2014 Analysis of Financial Condition

February 2015

The University of Texas System
2014 Analysis of Financial Condition

Executive Summary

The Analysis of Financial Condition (AFC) was performed from the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. Since debt is reported at the System level and not on the individual institution's books, debt was allocated to the appropriate institution, as provided by the Office of Finance.

The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms, and consulting firms. In addition to using individual ratios, a Composite Financial Index (CFI) is calculated using four commonly used ratios to form a composite score to help analyze the overall financial health of each institution. Use of a single score allows a weakness in a particular ratio to be offset by strength in another ratio. The four core ratios that make up the CFI are as follows:

- *Primary Reserve Ratio* – measures the financial strength of the institution by comparing expendable net position to total expenses (in days). This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function by using its expendable reserves without relying on additional net position generated by operations.
- *Annual Operating Margin Ratio* – indicates whether the institution has balanced annual operating expenses with revenues. Depreciation expense is included, as it is believed that inclusion of depreciation reflects a more complete picture of operating performance since it reflects use of physical assets.
- *Return on Net Position Ratio* – determines whether the institution is financially better off than in previous years by measuring economic return. As mentioned above, the debt reported at the system level was allocated to each institution in the calculation of this ratio. A temporary decline in this ratio may be appropriate and even warranted if it reflects a strategy to better fulfill the institution's mission. On the other hand, an improving trend in this ratio indicates that the institution is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility.
- *Expendable Resources to Debt Ratio* – determines if an institution has the ability to fund outstanding debt with existing net position balances should an emergency occur.

In addition to the CFI that includes the four core ratios mentioned above, the following ratios are presented:

- *Operating Expense Coverage Ratio* – measures an institution's ability to cover future operating expenses with available year-end balances (in months).
- *Debt Burden Ratio* – examines the institution's dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses.
- *Debt Service Coverage Ratio* – measures the actual margin of protection provided to investors by annual operations. *Moody's Investors Service* excludes actual investment income from its calculation of total operating revenue and instead, uses a normalized investment income. Moody's applies 5% of the average of the previous three years' market value of cash and investments to compute normalized investment income. This calculation is used by the Office of Finance, and in order to be consistent with their calculation of the debt service coverage ratio, normalized investment income is used as defined above for this ratio only.
- *Full-time Equivalent (FTE) Student Enrollment* – calculates total semester credit hours taken by students during the fall semester, divided by factors of 15 for undergraduate students, 12 for graduate and special professional students, and 9 for doctoral students to arrive at the FTE students represented by the course hours taken.

All of these ratios, including the CFI, only deal with the financial aspects of the institution and must be considered with key performance indicators in academics, infrastructure, and student and faculty satisfaction to understand a more complete measure of total institutional strength.

This report is meant to be a broad annual financial evaluation that rates the institutions as either “Satisfactory,” “Watch,” or “Unsatisfactory” based upon the factors analyzed. (See Appendix A – Definitions of Evaluation Factors). For institutions rated “Unsatisfactory,” the Chancellor and the appropriate Executive Vice Chancellors will request the institutions to develop a specific financial plan of action to improve the institution’s financial condition. By policy, institutions rated “Unsatisfactory” are not permitted to invest in the Intermediate Term Fund. Progress towards the achievement of the plans will be periodically discussed with the Chief Business Officer and President, and representatives from the U. T. System Offices of Business, Academic and/or Health Affairs, as appropriate.

U. T. Permian Basin’s, UTMB’s and UTHSC-Tyler’s ratings were all upgraded from “Watch” to “Satisfactory” as a result of an improvement in their financial condition in 2014. U. T. Permian Basin’s CFI improved from 0.3 in 2013 to 2.3 in 2014. The operating expense coverage ratio increased by 0.4 months to 2.4 months, which was higher than U. T. System Administration’s benchmark of 2.0 months. In addition, the annual operating deficit was near breakeven for 2014 as compared to a ($6.0) million deficit for 2013.

UTMB’s CFI increased from 2.2 in 2013 to 3.1 in 2014. The operating expense coverage ratio increased by 0.5 months to 2.3 months in 2014, which showed improvement in each of the last five years and exceeded U. T. System Administration’s benchmark of 2.0 months for the first time in the past five years. The annual operating margin remained positive at $7.4 million or 0.4%. The last time that UTMB was rated “Satisfactory” was in 1997.

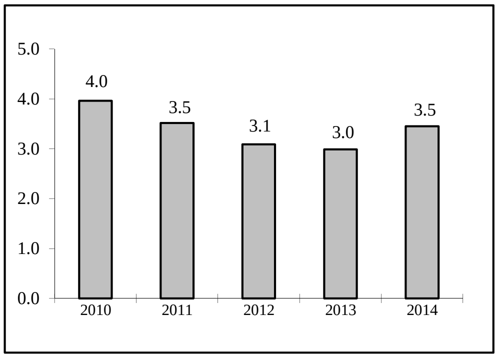
UTHSC-Tyler’s CFI increased from 0.4 in 2013 to 3.3 in 2014. The operating expense coverage ratio increased by 0.4 months to 2.5 months in 2014, which was above the benchmark of 2.0 months established by U. T. System Administration. The annual operating margin was $1.7 million or 1.1% for 2014 which was a significant improvement over the deficit of ($16.7) million or (13.9%) for 2013. Although UTHSC-Tyler was removed from “Watch,” there is still concern over UTHSC-Tyler’s core operations. While UTHSC-Tyler's operating performance improved significantly in 2014, it is important to note the sizeable impact net Delivery System Reform Incentive Payments (DSRIP) revenue had on UTHSC-Tyler's operating results. If the net DSRIP revenue had not been recognized in 2014, UTHSC-Tyler's annual operating deficit would have been ($13.6) million or (10.2%). UTHSC-Tyler is working diligently to improve the margin from core operations by the time DSRIP is expected expire in fiscal year 2017.

All of the other U. T. institutions’ ratings remained “Satisfactory” for 2014. The majority of the CFIs in 2014 for all of the other institutions rated as “Satisfactory” increased either as a result of an increase in the fair value of investments or an increase in the operating margin. The majority of the institutions rated as “Satisfactory” also experienced an improvement in the operating expense coverage ratio due to a growth in unrestricted net position, also as a result of an increase in the fair value of investments or an increase in the operating margin. The operating expense coverage ratios for the institutions rated “Satisfactory” were above U. T. System Administration’s benchmark of 2.0 months.

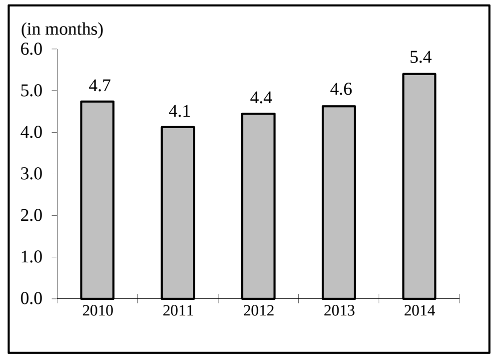
The University of Texas at Arlington
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

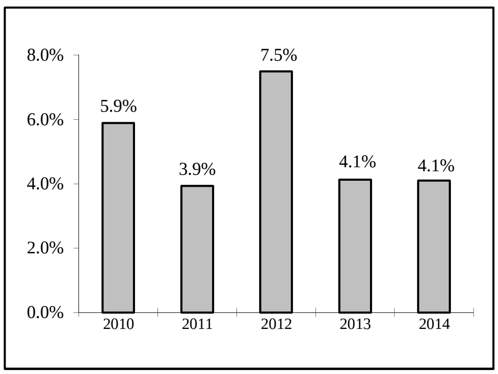
Composite Financial Index



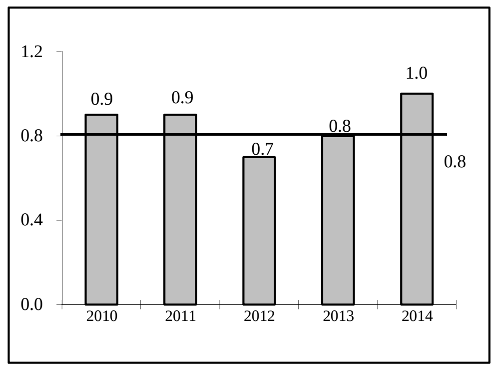
Operating Expense Coverage Ratio



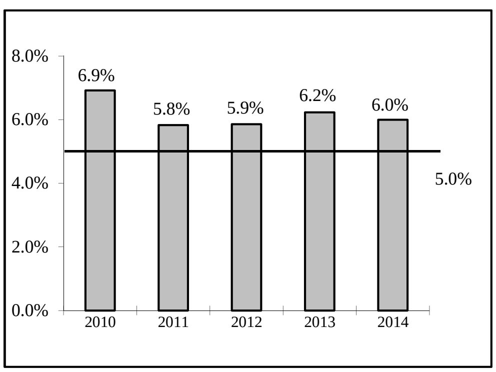
Annual Operating Margin Ratio



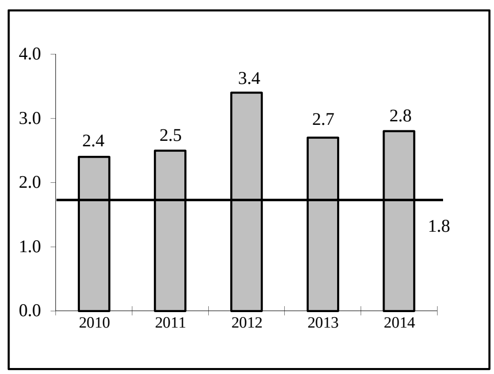
Expendable Resources to Debt Ratio



Debt Burden Ratio

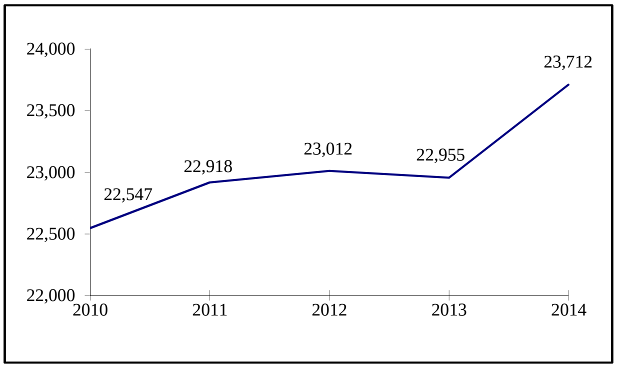


Debt Service Coverage Ratio



The University of Texas at Arlington
2014 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Arlington's CFI increased from 3.0 in 2013 to 3.5 in 2014 primarily as a result of increases in the primary reserve and the expendable resources to debt ratios. The increase in the primary reserve ratio was generated by growth in both total restricted expendable net position (excluding restricted expendable for capital projects) and total unrestricted net position, which are discussed below. The increase in the expendable resources to debt ratio is also discussed below.

Operating Expense Coverage Ratio - U. T. Arlington's operating expense coverage ratio increased from 4.6 months in 2013 to 5.4 months in 2014 due to the growth in total unrestricted net position of $39.1 million, which was partially offset by a $13.5 million increase in total operating expenses (including interest expense). The increase in total unrestricted net position was primarily attributable to the operating activity in designated funds as a result of an increase in net tuition and fees, a decrease in transfers out for capital asset purchases, and an increase in the fair value of investments allocated to designated funds. The increase in total operating expenses was largely driven by the following: a $9.4 million increase in salaries and wages and payroll related costs as a result of faculty recruitment and retention efforts, as well as merit increases and corresponding increases in payroll related costs; a $3.0 million increase in depreciation and amortization expense due to the recognition of a full year of depreciation expense on College Park, as well as the completion of various projects that were placed into service in 2014; a $2.2 million increase in other operating expenses primarily resulting from increases in discounts on credit cards, membership fees, other fees, insurance, official occasion expenses, increased Educational Program support for projects and pass-through expenses; a $1.9 million increase in other contracted services mostly attributable to contracted services fro the Academic Partnership Program; and a $1.4 million increase in professional fees and services primarily due to an increase in instructors fees for Enterprise Development and an increase in other professional fees, including executive searches and the Asia Business Programs. These increases in expenses were partially offset by decreases in the following: a $2.1 million decrease in scholarships and fellowships resulting from the change in reporting of Pell Grants in 2013; a $1.0 million decrease in rentals and leases caused by the cessation of leases for the PeopleSoft HR/Finance project co-location site and other office space leases; and a $0.9 million decrease in interest expense.

Annual Operating Margin Ratio - Although U. T. Arlington's annual operating margin ratio remained unchanged at 4.1% for 2014, the annual operating margin actually increased by $0.5 million. The stability of this ratio was a result of the growth in total operating expenses of $13.5 million almost completely offsetting the growth in total operating revenues of $14.0 million. The increase in total operating revenues was primarily due to the following: a $28.8 million increase in net tuition and fees resulting from a decrease in tuition discounting due to the change in reporting of Pell Grants in 2013; a $6.6 million increase in net sales and services of educational activities largely driven by an increase in Texas Department of Transportation (TXDOT) revenue, which is considered a vendor relationship, an increase in Global Academic Initiative for the Asia Business Programs and an increase in registration for Enterprise Development; a $5.3 million increase in state appropriations; and a $1.8 million increase in net investment income (excluding realized gains/losses). These increases in revenues were partially offset by the following: a decrease of $27.4 million in sponsored program revenue (including nonexchange sponsored programs and including the adjustment for the portion of Texas Research Incentive Program (TRIP) funding received in 2013 but not included until 2014) primarily due to the change in reporting of Pell Grants in 2013; and a decrease in gifts for operations of $2.5 million as a result of a pledge received from Shimadzu Scientific Instruments in 2013.

Late in 2013 U. T. Arlington received $1.2 million in TRIP funding from the Texas Higher Education Coordinating Board. Given that these funds were received so close to year-end, U. T. Arlington spent only $4,000 of these funds in 2013. Therefore, in order to more appropriately match revenues with expenses the $1.2 million of unspent TRIP funding was removed from 2013 nonexchange sponsored program revenue and was added to 2014 nonexchange sponsored program revenue.

Expendable Resources to Debt Ratio - U. T. Arlington's expendable resources to debt ratio increased from 0.8 in 2013 to 1.0 in 2014. The increase in this ratio was attributable to the growth in both total unrestricted net position of $39.1 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $12.2 million, as well as a decrease of $16.1 million in the amount of debt outstanding. The increase in total restricted expendable net position (excluding restricted expendable for capital projects) was primarily due to increases in investment income and the fair value of investments in restricted funds, as well as the increase in the fair value of investments in endowment funds.

Debt Burden Ratio - U. T. Arlington's debt burden ratio decreased from 6.2% in 2013 to 6.0% in 2014 as a result of a $0.4 million decrease in debt service payments and the $13.5 million increase in total operating expenses, as previously discussed.

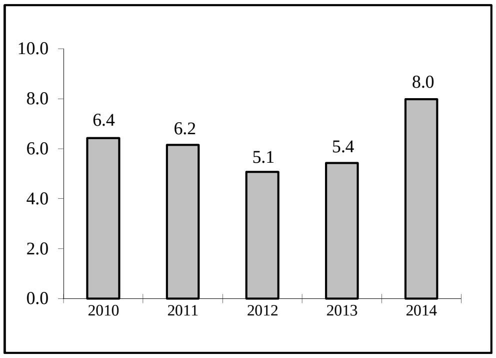
Debt Service Coverage Ratio - U. T. Arlington's debt service coverage ratio increased from 2.7 in 2013 to 2.8 in 2014. The increase in this ratio was attributable to the slight improvement in operating performance and the decrease in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Arlington's FTE student enrollment increased 3.3% due to increased enrollment in Master's Graduate Programs and on-line Academic Partnership Programs.

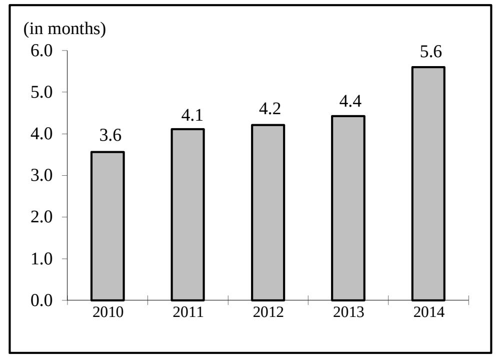
The University of Texas at Austin
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

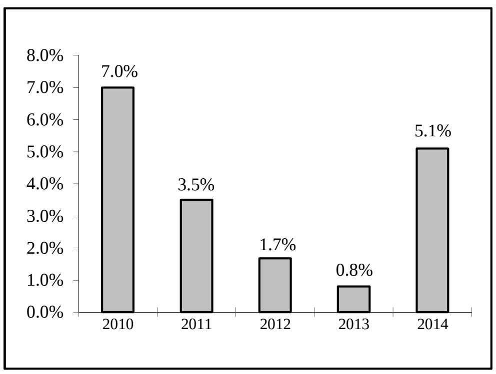
Composite Financial Index



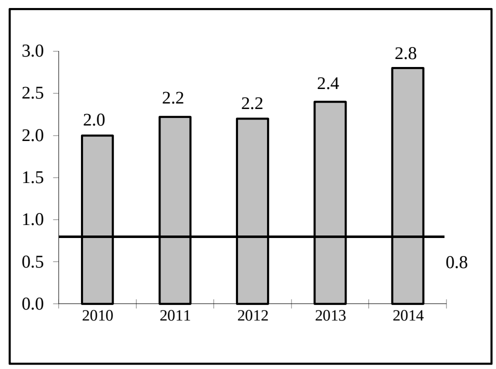
Operating Expense Coverage Ratio



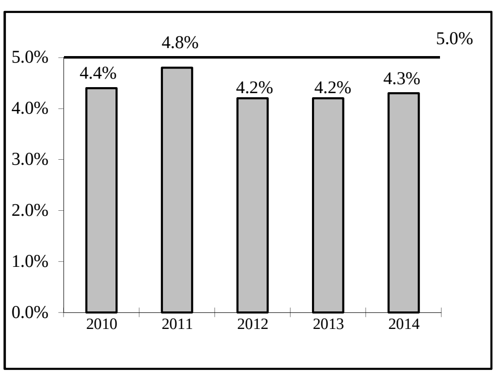
Annual Operating Margin Ratio



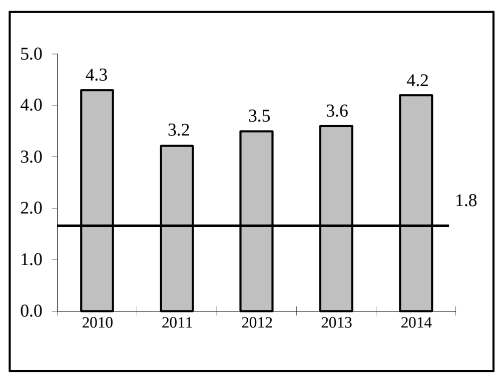
Expendable Resources to Debt Ratio



Debt Burden Ratio

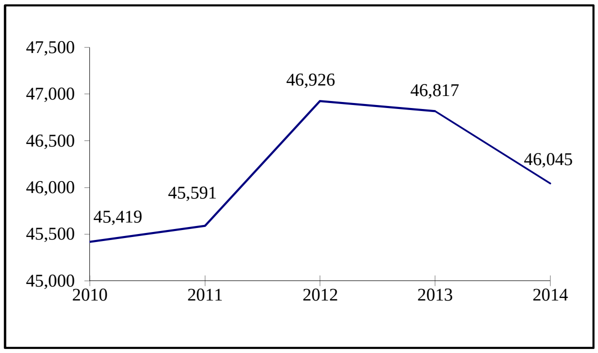


Debt Service Coverage Ratio



The University of Texas at Austin
2014 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Austin's CFI increased from 5.4 in 2013 to 8.0 in 2014 as a result of increases in all 4 core ratios. The increase in the return on net position ratio was largely attributable to the following: an improvement in operating performance, as discussed below; the net increase in the fair value of investments of $265.4 million in 2014 as compared to $107.5 million in 2013; an increase of $231.5 million in gifts and sponsored programs for capital acquisitions primarily due to a $212.0 million gift from MA Photo Acquisition, LLC for the Magnum Photo Collection for the Harry Ransom Center; and an $833.7 million increase in bond proceeds transferred to U. T. Austin for the Dell Medical School and Rowling Hall. The increase in the primary reserve ratio was due to the growth in both total unrestricted net position and total restricted expendable net position (excluding expendable for capital projects) combined with a decrease in total operating expenses, discussed below. The increases in the expendable resources to debt and annual operating margin ratios are discussed below.

Operating Expense Coverage Ratio - U. T. Austin's operating expense coverage ratio increased from 4.4 months in 2013 to 5.6 months in 2014 due to the growth in total unrestricted net position of $210.3 million combined with a decrease in total operating expenses (including interest expense) of $47.0 million. The increase in total unrestricted net position was primarily driven by the activity in educational and general funds and designated funds, including an increase in state appropriations and increases in investment income and the fair value of investments, as well as an increase in unrestricted funding intended for capital projects. Additionally, the transfer from the Available University Fund (AUF) increased $33.5 million over the prior year. The decrease in total operating expenses was largely attributable to a $53.0 million decrease in depreciation and amortization expense due to an adjustment made in 2013 to correct the accumulated amortization of 4 large gifted software licenses which resulted in larger than normal amortization in 2013 and only a partial year left to amortize in 2014.

Annual Operating Margin Ratio - U. T. Austin's annual operating margin ratio increased from 0.8% for 2013 to 5.1% for 2014 due to an increase in total operating revenues of $61.6 million and a decrease in total operating expenses of $47.0 million as mentioned above. The increase in total operating revenues was primarily generated by the following: a $55.0 million increase in net sales and services of educational activities largely due to program income from Central Health for the operations of the Dell Medical School; a $33.5 million increase in the transfer from the AUF; a $21.7 million increase in state appropriations; a $13.1 million increase in gifts for operations primarily as a result of a $5.0 million pledge from the Dell Foundation for the new medical school and a $5.0 million pledge from the O'Donnell Foundation for the Texas Advanced Computing Center (TACC); and a $7.7 million increase in net investment income (excluding realized gains/losses). These increases in revenues were partially offset by decreases in the following: a $50.8 million decrease in sponsored program revenue (including nonexchange sponsored programs) primarily due to the purchase of the Stampede Super Computer at TACC in 2013 which caused a $24.8 million spike in 2013 activity with no comparable purchase in 2014, a decrease in activity related to Dr. Barufaldi's Texas Education Agency (TEA) Awards totaling $9.8 million for the Texas MSP Professional Development Network program, and the change in reporting of Pell Grants in 2013; and a $15.4 million decrease in net tuition and fees resulting from the effect of the change in reporting of Pell Grants in 2013 and the impact on tuition discounting.

Expendable Resources to Debt Ratio - U. T. Austin's expendable resources to debt ratio increased from 2.4 in 2013 to 2.8 in 2014. The increase in this ratio was attributable to increases in both total unrestricted net position of $210.3 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $380.1 million. The growth in total restricted expendable net position (excluding restricted expendable for capital projects) was primarily due to increases in gifts for operations, investment income, the net increase in the fair value of investments, and gifts and sponsored programs for capital acquisitions in restricted funds.

Debt Burden Ratio - U. T. Austin's debt burden ratio increased slightly from 4.2% in 2013 to 4.3% in 2014 as a result of a $1.7 million increase in debt service payments.

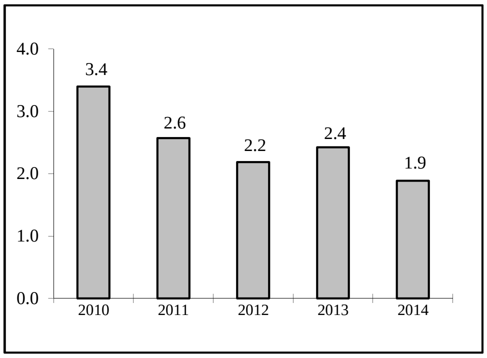
Debt Service Coverage Ratio - U. T. Austin's debt service coverage ratio increased from 3.6 in 2013 to 4.2 in 2014. The increase in this ratio was generated by the improvement in operating performance as discussed in the annual operating margin ratio above.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Austin's FTE student enrollment decreased in Fall 2014 for the second year in a row as part of a continuing trend returning rates to normal following a large spike in Fall 2012, which was attributed to an effort to improve the admissions yield rate as part of the Enrollment Management and Graduation Rate Initiatives.

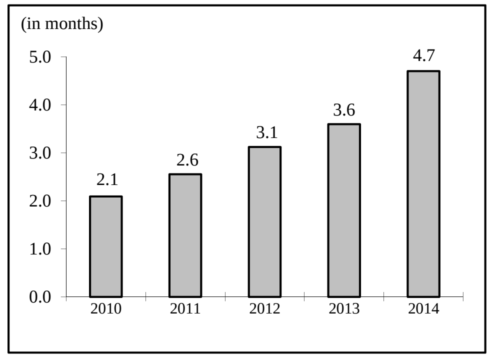
The University of Texas at Brownsville
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

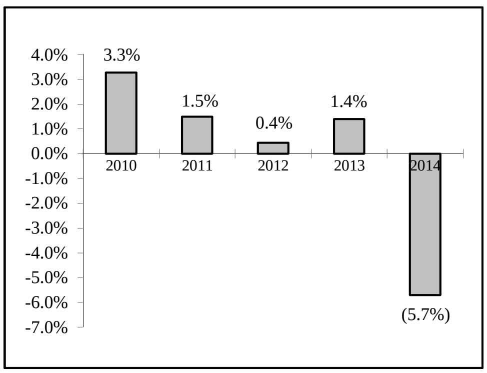
Composite Financial Index



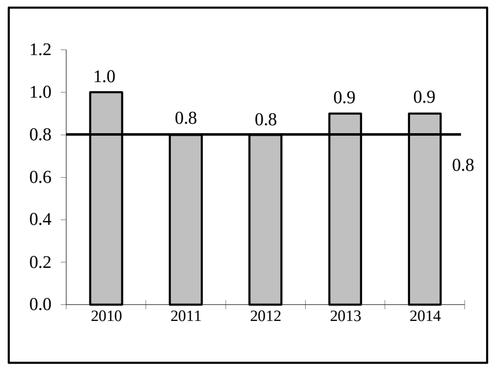
Operating Expense Coverage Ratio



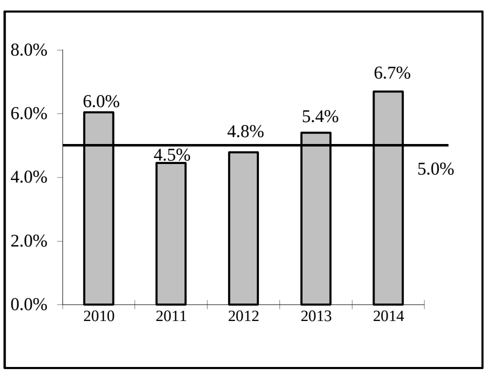
Annual Operating Margin Ratio



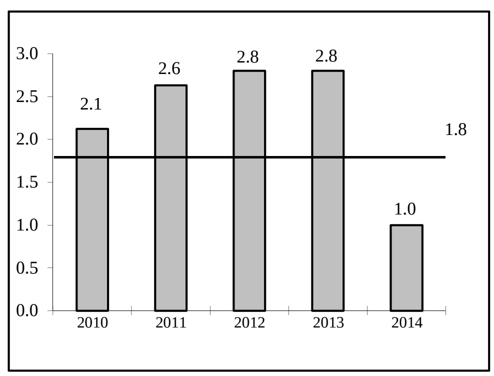
Expendable Resources to Debt Ratio



Debt Burden Ratio

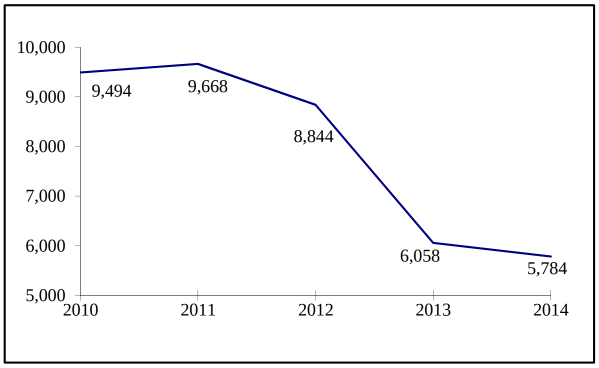


Debt Service Coverage Ratio



The University of Texas at Brownsville
2014 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Brownsville's CFI decreased from 2.4 in 2013 to 1.9 in 2014 primarily as a result of a decrease in the annual operating margin ratio which is discussed below.

Operating Expense Coverage Ratio - U. T. Brownsville's operating expense coverage ratio increased from 3.6 months in 2013 to 4.7 months in 2014 due to the reduction in total operating expenses (including interest expense) of $41.7 million. The decrease in total operating expenses was primarily attributable to the following: a $23.5 million decrease in scholarships and fellowships as result of a 30% decrease in overall semester credit hour enrollment due to the end of the partnership with Texas Southmost College (TSC) combined with the change in reporting of Pell Grants in 2013; and a $21.8 million decrease in salaries and wages and payroll related costs due to a reduction in force implemented in 2013 as a direct result of the termination of the partnership between U. T. Brownsville and TSC.

Annual Operating Margin Ratio - U. T. Brownsville's annual operating margin ratio decreased significantly from 1.4% for 2013 to (5.7%) for 2014 as the reduction in total operating revenues of $50.7 million exceeded the reduction in total operating expenses of $41.7 million. The decrease in total operating revenues was primarily attributable to a $53.8 million decrease in sponsored program revenue (including nonexchange sponsored programs) resulting from the termination of the partnership between U. T. Brownsville and TSC, the change in reporting of Pell Grants in 2013, and the Biomedical American Recovery and Reinvestment Act (ARRA) grant which ended in 2013. In addition, U. T. Brownsville incurred one-time costs associated with the termination of the partnership with TSC in the amount of $4.6 million and also incurred one-time costs of $1.8 million in preparation for the formation of the new university, U. T. Rio Grande Valley. If the one-time costs were eliminated, the annual operating margin ratio would have been (0.3%).

Expendable Resources to Debt Ratio - U. T. Brownsville's expendable resources to debt ratio remained unchanged at 0.9 in 2014. The stability of this ratio was due to a decrease in total unrestricted net position of $1.7 million combined with a decrease of $0.3 million in the amount of debt outstanding. The decrease in total unrestricted net position was directly related to the reduction in operating performance as discussed above.

Debt Burden Ratio - U. T. Brownsville's debt burden ratio increased from 5.4% in 2013 to 6.7% in 2014 as a result of the decrease in total operating expenses as previously discussed. Due to the termination of the partnership with TSC, debt service payments increased as a result of acquiring additional buildings from TSC.

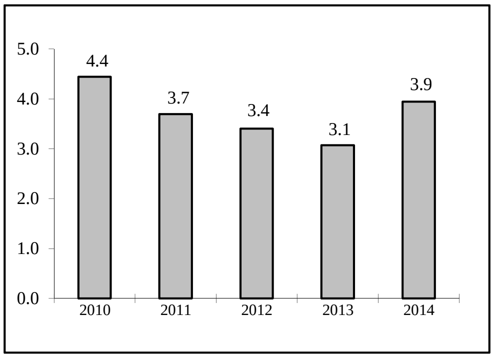
Debt Service Coverage Ratio - U. T. Brownsville's debt service coverage ratio decreased from 2.8 in 2013 to 1.0 in 2014. The sizeable decrease in this ratio was attributable to the reduction in operating performance as discussed in the annual operating margin ratio. As previously mentioned, U. T. Brownsville's operating performance was affected by the one-time costs incurred with the termination of the partnership between U. T. Brownsville and TSC in the amount of $4.6 million and one-time costs incurred of $1.8 million in preparation for U. T. Rio Grande Valley. If these one-time costs were eliminated, the debt service coverage ratio would have been 2.0.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Brownsville's FTE student enrollment decreased 4.5% from 6,058 in the fall of 2013 to 5,784 in the fall of 2014 as a result of increased admission standards from the previous two years. In addition, since U. T. Brownsville no longer offers remedial courses, enrollment was affected by the new more rigorous TSI state exam.

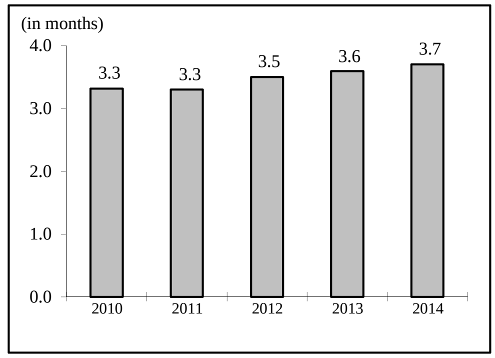
The University of Texas at Dallas
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

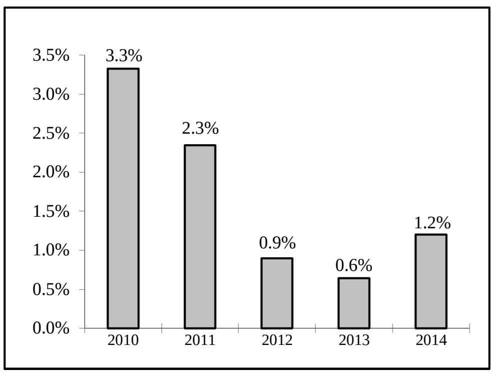
Composite Financial Index



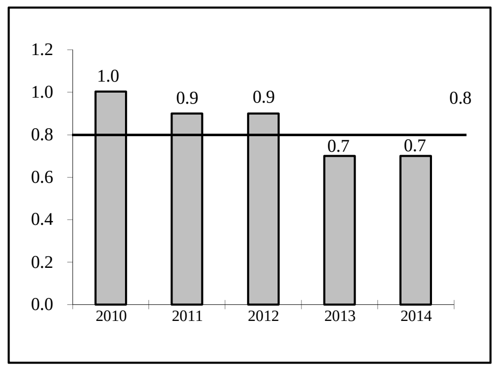
Operating Expense Coverage Ratio



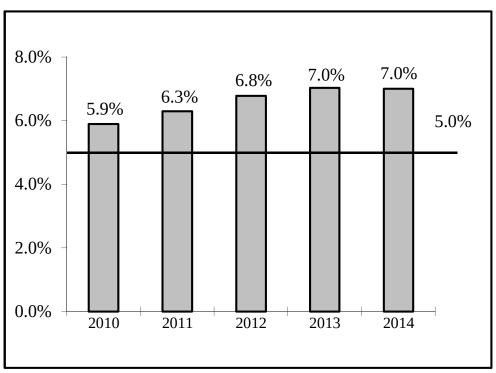
Annual Operating Margin Ratio



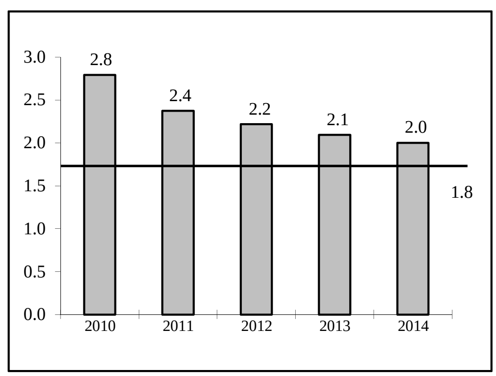
Expendable Resources to Debt Ratio



Debt Burden Ratio

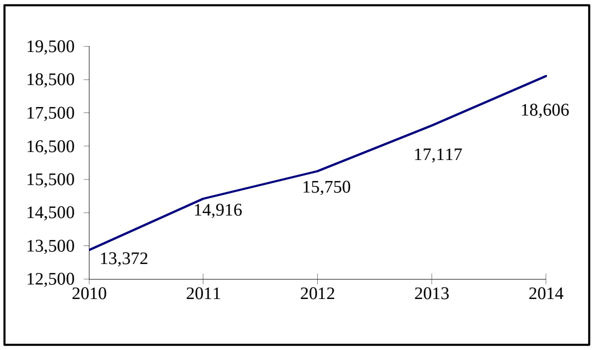


Debt Service Coverage Ratio



The University of Texas at Dallas
2014 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Dallas' CFI increased from 3.1 in 2013 to 3.9 in 2014 primarily due to an increase in the return on net position ratio. The increase in the return on net position ratio was largely driven by improved operating performance and an increase in additions to permanent endowments.

Operating Expense Coverage Ratio - U. T. Dallas' operating expense coverage ratio increased from 3.6 months in 2013 to 3.7 months in 2014 due to the growth in total unrestricted net position of $19.2 million, which was largely offset by the increase in total operating expenses (including interest expense) of $50.9 million. The increase in total unrestricted net position was primarily attributable to an increase in student fees resulting from enrollment growth, additional housing revenue generated from the Waterview Park Apartments and the Student Housing Living/Learning Center, and an increase in unrestricted funds functioning as endowments. The increase in total operating expenses was due to the following: a $24.2 million increase in salaries and wages and payroll related costs as a result of an increase in new faculty hires and merit increases; a $9.7 million increase in depreciation and amortization expense attributable to the recognition of a full year of depreciation expense on buildings that were placed into service in 2013, combined with the Jindal School of Management Phase II, the Student Housing Living/Learning Center Phase IV, and the Parking Structure Phase III which were all placed into service in 2014; a $5.0 million increase in other contracted services due to increases in on-line database purchases, electronic/resource sharing publication subscriptions, research and peer reviewed articles for students, as well as an increase in Time Warner cable/Wi-Fi services for University Village, services to clean and encapsulate the accessible supply ductwork to Jonsson Academic Center, diagnostic lab fees and pavement services; a $4.3 million increase in scholarships and fellowships due to a change in the reporting of Pell Grants which should have occurred in 2013 but U. T. Dallas did not incorporate until 2014; a $2.9 million increase in rentals and leases as a result of increased lease expenses for Synergy Park North Center and various information technology related equipment; and a $1.8 million increase in other operating expenses due to increases in expenses and registration fees for meetings, conferences and seminars, insurance premiums, and fees and other charges.

Annual Operating Margin Ratio - U. T. Dallas' annual operating margin ratio increased from 0.6% for 2013 to 1.2% for 2014 as a result of the growth in total operating revenues of $54.3 million exceeding the growth in total operating expenses of $50.9 million. The increase in total operating revenues was primarily due to the following: an $18.6 million increase in net tuition and fees generated by an increase in enrollment and an increase in tuition; a $13.7 million increase in net investment income (excluding realized gains/losses); a $12.6 million increase in state appropriations; a $6.1 million increase in gifts for operations mostly due to a $5.0 million gift received from the Communities Foundation of Texas in 2014; a $4.2 million increase in auxiliary enterprises revenue driven by increased revenue from the Waterview Park Apartments and the Student Housing Living/Learning Center; a $4.1 million increase in net sales and services of educational activities largely attributable to increased revenue generated from Synergy Park North Center; and a $3.6 million increase in sponsored program revenue primarily due to a change in the reporting of Pell Grants which should have occurred in 2013 but U. T. Dallas did not incorporate until 2014. The variance on sponsored program revenue includes nonexchange sponsored programs and the adjustment for the portion of the Texas Research Incentive Program (TRIP) funding received in 2013 but not included until 2014. These increase in revenue were partially offset by a decrease in other operating revenues of $3.7 million primarily due to a decrease in lease income from the license agreement with Janssen Biotech for U. T. Dallas owned intellectual property and the Waterview Park ground lease.

Late in 2013 U. T. Dallas received $10.2 million in TRIP funding from the Texas Higher Education Coordinating Board. Given that these funds were received so close to year-end, U. T. Dallas was not able to spend $5.0 million of these funds in 2013. Therefore, in order to more appropriately match revenues with expenses the $5.0 million of unspent TRIP funding was removed from 2013 nonexchange sponsored program revenue and was added to 2014 nonexchange sponsored program revenue.

Expendable Resources to Debt Ratio - U. T. Dallas' expendable resources to debt ratio remained unchanged at 0.7 in 2014. The stability of this ratio was attributable to the growth in total unrestricted net position of $19.2 million, as previously discussed, and the growth in total restricted expendable net position (excluding restricted expendable for capital projects) of $44.3 million, offset by an increase in the amount of debt outstanding of $91.3 million. The majority of the increase in total restricted expendable net position (excluding restricted expendable for capital projects) was primarily due to the appreciation on the endowment funds and increase in restricted gifts for operations. The increase in debt outstanding was related to a variety of projects including the Student Housing Living/Learning Center Phase IV, the Parking Structure Phase III, the Jindal School of Management Phase II, and existing space renovations.

Debt Burden Ratio - U. T. Dallas' debt burden ratio was 7.0% in 2013 and 2014. This ratio remained unchanged due to the increase of $3.2 million in debt service payments which was offset by the growth in total operating expenses.

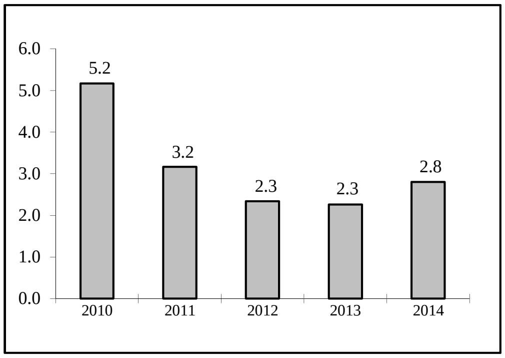
Debt Service Coverage Ratio - U. T. Dallas' debt service coverage ratio decreased from 2.1 in 2013 to 2.0 in 2014 as a result of the increase in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Dallas' FTE student enrollment increased by 8.7% from 2013 to 2014. The upward trend in FTE student enrollment relative to gross enrollment reflects the effects of the university's guaranteed tuition plan, which encourages full-time status, federal and state eligibility requirements for aid for domestic students and visa requirements for international students. In the fall of 2014, undergraduate FTEs rose 9.1% over the fall of 2013 while the FTEs for masters student enrollment increased by 9.7%.

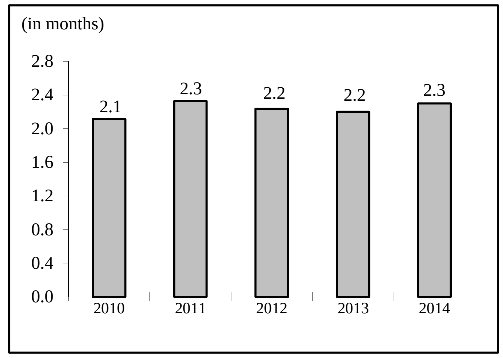
The University of Texas at El Paso
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

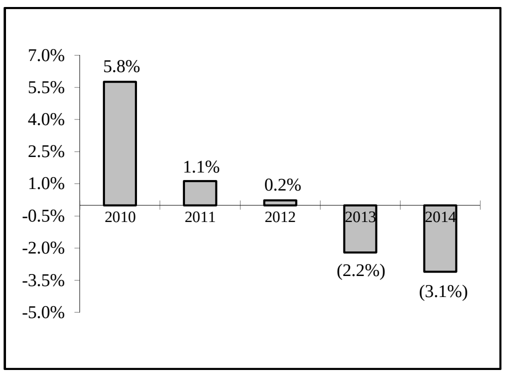
Composite Financial Index



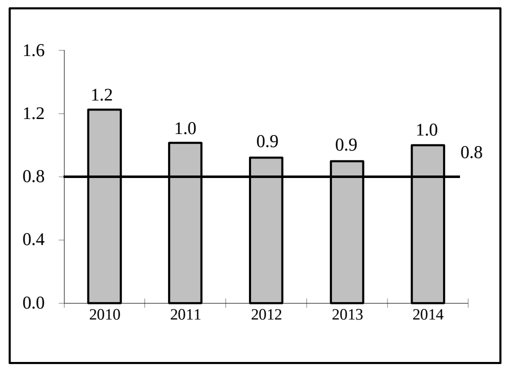
Operating Expense Coverage Ratio



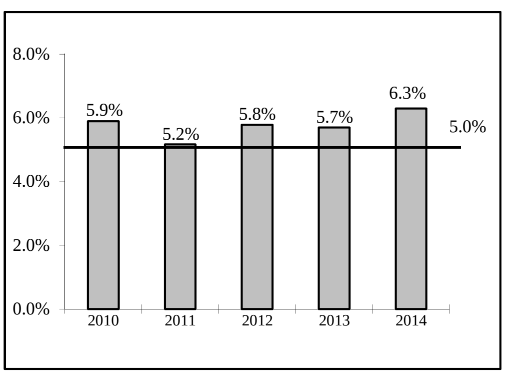
Annual Operating Margin Ratio



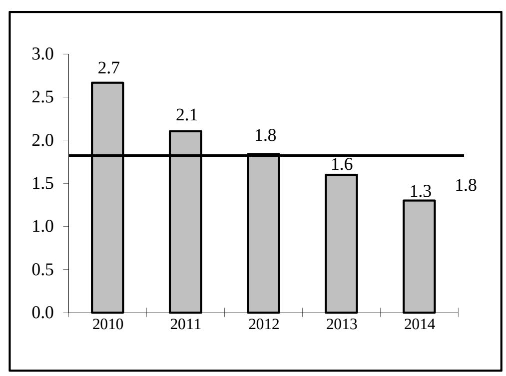
Expendable Resources to Debt Ratio



Debt Burden Ratio

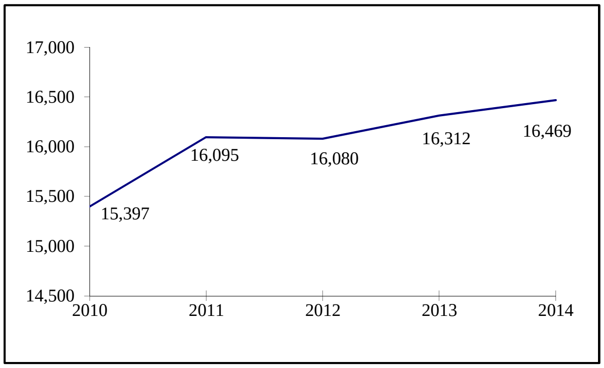


Debt Service Coverage Ratio



The University of Texas at El Paso
2014 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. El Paso's CFI increased from 2.3 in 2013 to 2.8 in 2014 as a result of increases in the primary reserve and return on net position ratios. The increase in the primary reserve ratio was a result of the growth in both total unrestricted net position and total restricted expendable net position (excluding restricted expendable for capital projects) discussed below. The increase in the return on net position ratio was largely attributable to a decrease in the amount of debt outstanding as compared to an increase in the prior year.

Operating Expense Coverage Ratio - U. T. El Paso's operating expense coverage ratio increased from 2.2 months in 2013 to 2.3 months in 2014 due to the growth in total unrestricted net position of $4.1 million, which was mostly offset by the increase in total operating expenses (including interest expense) of $3.7 million. The increase in total unrestricted net position was primarily attributable to an increase in unrestricted funding in unexpended plant funds. The increase in total operating expenses was largely driven by the following: a $5.4 million increase in salaries and wages and payroll related costs primarily as a result of new faculty lines, tenure promotions, mid-year faculty market adjustments, summer salaries for the College of Science, new lines in the Border Biomedical Research Center, salaries for temporary employees related to the PeopleSoft implementation, bonuses and increased salaries expense in Intercollegiate Athletics, and increased benefits expenses due to the increased salaries expenses and an average 7.0% increase in Higher Education Group Insurance; a $0.6 million increase in depreciation and amortization expense resulting from various capital projects that were placed into service in 2014, as well as the recognition of a full year of depreciation expense on the Swimming and Fitness Center Phase II; a $0.6 million increase in travel primarily due to increases in research related travel; a $0.6 million increase in professional fees and services largely attributable to consulting expenses incurred due to the implementation of PeopleSoft on May 1, 2014. These increases in expenses were partially mitigated by a decrease of $3.0 million in scholarships and fellowships as a result of the change in the reporting of Pell Grants in 2013.

Annual Operating Margin Ratio - U. T. El Paso's annual operating margin ratio decreased from (2.2%) for 2013 to (3.1%) for 2014 as the growth in total operating expenses of $3.7 million exceeded the growth in total operating revenues of $0.2 million. The increase in total operating revenues was primarily driven by increases in the following: a $17.6 million increase in net tuition and fees resulting from the change in the method of Pell Grant recognition in 2013, which was offset by tuition discounting; a $5.8 million increase in other operating revenues largely attributable to a pending reimbursement from the state for payroll expenses; and a $1.2 million increase in net sales and services of educational activities generated by increases in on-line courses through the P3 Program. These increases in revenues were almost completely offset by decreases in the following: a $19.4 million decrease in sponsored program revenue (including nonexchange sponsored programs and including the adjustment for the portion of Texas Research Incentive Program (TRIP) funding received in 2013 but not included until 2014); a $2.4 million decrease in gifts for operations; and a $1.3 million decrease in auxiliary enterprises primarily due to reduced season ticket sales and gate receipts for athletic events.

During the last quarter of 2013 U. T. El Paso received $5.1 million in Texas Research Incentive Program (TRIP) funding from the Texas Higher Education Coordinating Board. Given that these funds were received so close to year-end, U. T. El Paso was not able to spend $4.7 million of these funds in 2013. Therefore, in order to more appropriately match revenues with expenses the $4.7 million of unspent TRIP funding was removed from 2013 nonexchange sponsored program revenue and was added to 2014 nonexchange sponsored program revenue.

Expendable Resources to Debt Ratio - U. T. El Paso's expendable resources to debt ratio increased from 0.9 in 2013 to 1.0 in 2014. The increase in this ratio was due to the growth in both total unrestricted net position of $4.1 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $18.5 million, as well as a decrease of $4.5 million in the amount of debt outstanding. The increase in total restricted expendable net position (excluding restricted expendable for capital projects) was primarily attributable to an increase in the appreciation on the endowment funds.

Debt Burden Ratio - U. T. El Paso's debt burden ratio increased from 5.7% in 2013 to 6.3% in 2014 as a result of a $2.5 million increase in debt service payments.

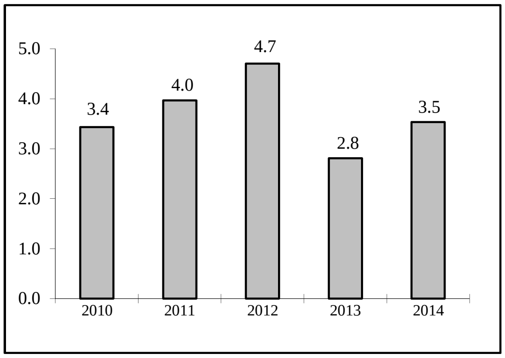
Debt Service Coverage Ratio - U. T. El Paso's debt service coverage ratio decreased from 1.6 in 2013 to 1.3 in 2014. The decrease in this ratio resulted from the reduction in operating margin, as discussed in the annual operating margin ratio, combined with the increase in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. El Paso's FTE student enrollment slightly. Undergraduate semester credit hours increased by 1.3%.

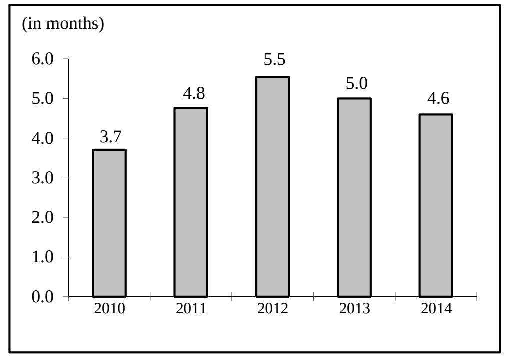
The University of Texas-Pan American
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

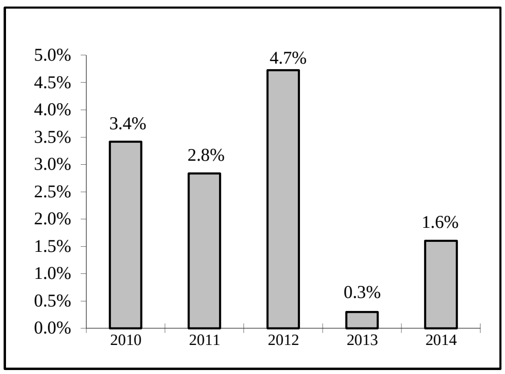
Composite Financial Index



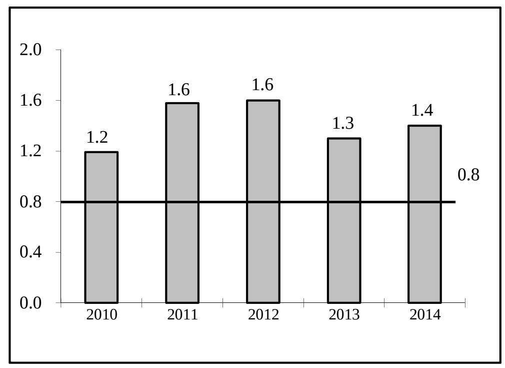
Operating Expense Coverage Ratio



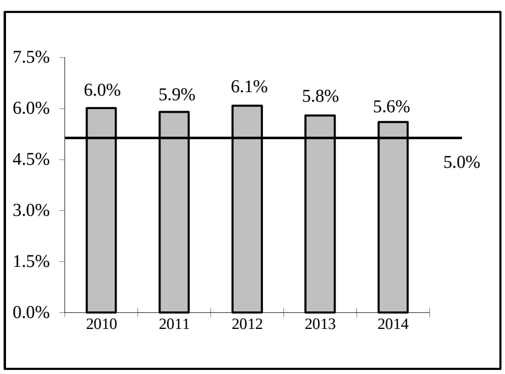
Annual Operating Margin Ratio



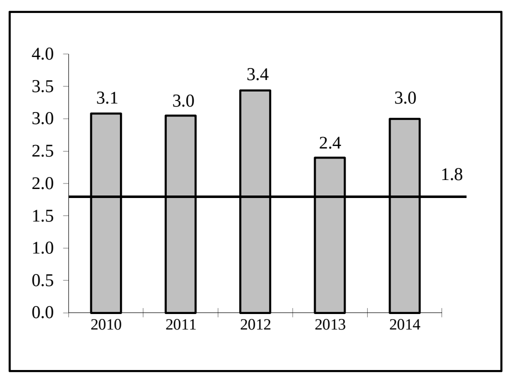
Expendable Resources to Debt Ratio



Debt Burden Ratio

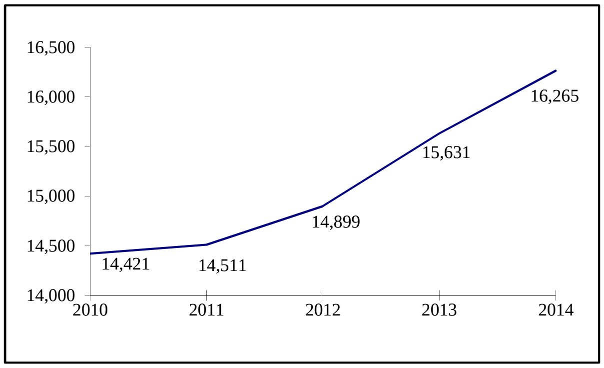


Debt Service Coverage Ratio



The University of Texas-Pan American
2014 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Pan American's CFI increased from 2.8 in 2013 to 3.5 in 2014 primarily as a result of an increase in the return on net position ratio. The increase in the return on net position ratio was largely attributable to the increase in operating performance, as discussed below, and the net increase in the fair value of investments of $8.0 million in 2014 as compared to $1.9 million in 2013. Additionally, the debt outstanding decreased by $7.4 million.

Operating Expense Coverage Ratio - U. T. Pan American's operating expense coverage ratio decreased from 5.0 months in 2013 to 4.6 months in 2014 primarily due to a $15.9 million increase in total operating expenses (including interest expense). The increase in total operating expenses was largely attributable to the following: a $9.8 million increase in salaries and wages and payroll related costs as a result of a 3.0% merit salary adjustment for faculty and staff; and an $8.2 million increase in scholarships and fellowships directly related to a 4.0% increase in student enrollment and additional financial aid awarded for the TEXAS Grant and Pell Grant programs. These increases in expenses were partially offset by a decrease in repairs and maintenance of $2.8 million due to one-time projects which occurred in 2013 with no comparable projects in 2014.

Annual Operating Margin Ratio - U. T. Pan American's annual operating margin ratio increased from 0.3% for 2013 to 1.6% for 2014 as a result of the growth in total operating revenues of $19.4 million exceeding the growth in total operating expenses of $15.6 million. Total operating revenues increased primarily due to a $27.5 million increase in net tuition and fees caused by a decrease in tuition discounting as a result of the change in reporting of Pell Grants in 2013, as well as a 4.0% increase in student enrollment. This increase in revenue was partially offset by the related decrease in federal nonexchange sponsored programs of $17.6 million. Also contributing to the increase in total operating revenues was an increase in state appropriations of $4.7 million and an increase in sponsored programs (excluding nonexchange sponsored programs) of $7.0 million. Federal sponsored programs increased primarily due to increased funding for capital equipment purchases and new awards, while state sponsored program pass-throughs from state agencies increased as a result of an increase in the TEXAS Grant Program.

Expendable Resources to Debt Ratio - U. T. Pan American's expendable resources to debt ratio increased from 1.3 in 2013 to 1.4 in 2014. The increase in this ratio was attributable to a decrease of $7.4 million in the amount of debt outstanding.

Debt Burden Ratio - U. T. Pan American's debt burden ratio decreased from 5.8% in 2013 to 5.6% in 2014 as a result of the increase in total operating expenses as previously discussed.

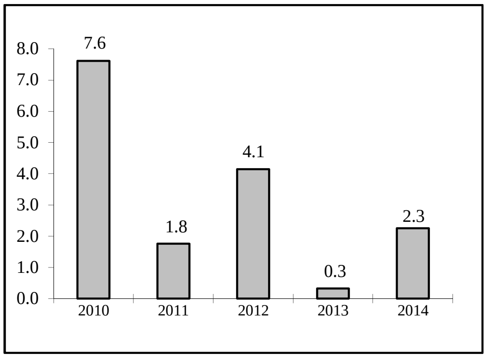
Debt Service Coverage Ratio - U. T. Pan American's debt service coverage ratio increased from 2.4 in 2013 to 3.0 in 2014. The increase in this ratio was a result of the improved operating performance, as mentioned above, and relatively stable debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Pan American's FTE student enrollment increased from 15,631 in Fall 2013 to 16,265 in Fall 2014, which was a 4.1% increase. Overall enrollment went up from 20,053 in Fall 2013 to 21,015 in Fall 2014, a 4.8% increase. A quality advisement program and several other student success initiatives are helping student retention and timely graduation.

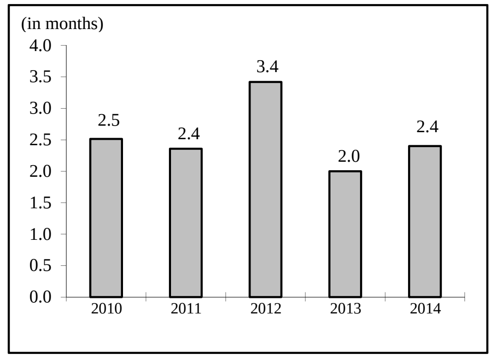
The University of Texas of the Permian Basin
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

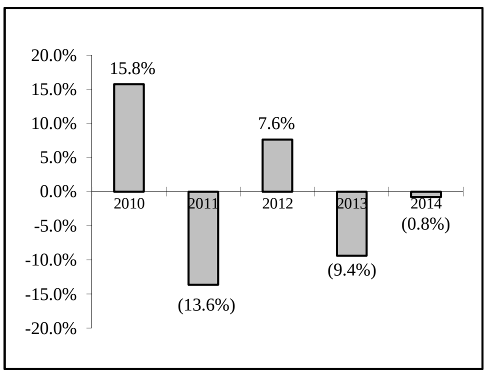
Composite Financial Index



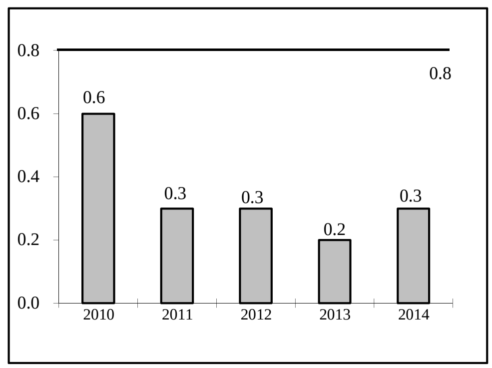
Operating Expense Coverage Ratio



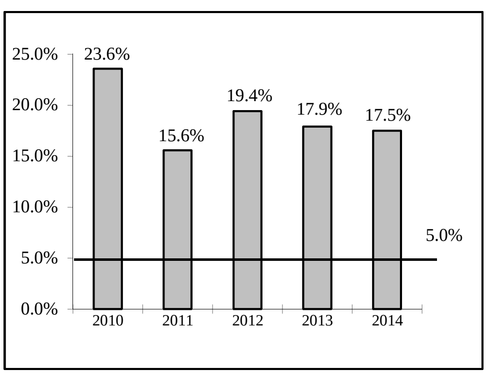
Annual Operating Margin Ratio



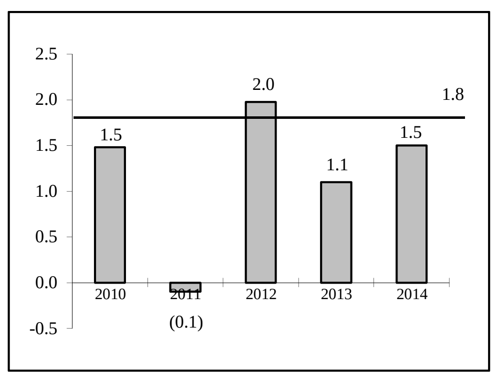
Expendable Resources to Debt Ratio



Debt Burden Ratio

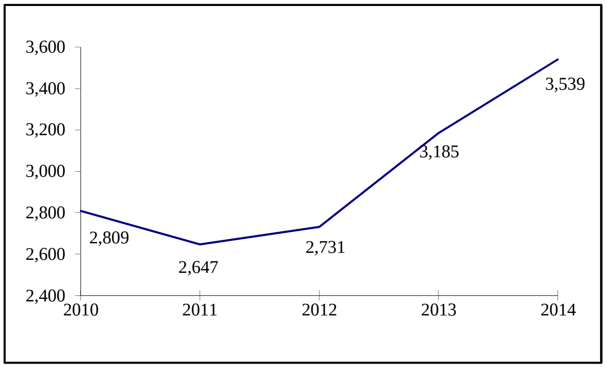


Debt Service Coverage Ratio



The University of Texas of the Permian Basin
2014 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Permian Basin's CFI increased from 0.3 in 2013 to 2.3 in 2014 as a result of increases in the return on net position, annual operating margin and primary reserve ratios. The increase in the return on net position ratio was primarily driven by the improvement in operating performance, a larger net increase in the fair value of investments, and an increase in the amount of bond proceeds transferred to U. T. Permian Basin for capital projects. The increase in the annual operating margin ratio is discussed below. The increase in the primary reserve ratio was largely attributable to the growth in total unrestricted net position and total restricted expendable net position (excluding restricted expendable for capital projects), which are also discussed in more detail below.

Operating Expense Coverage Ratio - U. T. Permian Basin's operating expense coverage ratio increased from 2.0 months in 2013 to 2.4 months in 2014 due to an increase in total unrestricted net position of $2.9 million. The growth in total unrestricted net position was primarily attributable to an increase in net tuition and fees resulting from a 19.0% increase in student headcount and a 21.0% increase in semester credit hours (SCH), as well as tuition now correctly being reported on an accrual basis.

A*nnual Operating Margin Ratio* - U. T. Permian Basin's annual operating margin ratio improved from (9.4%) for 2013 to (0.8%) for 2014 due to the growth in total operating revenues of $8.5 million outpacing the growth in total operating expenses (including interest expense) of $3.1 million. The increase in total operating revenues was primarily attributable to an $8.6 million increase in net tuition and fees, as discussed above, and a $2.1 million increase in state appropriations. These increases in operating revenues were partially offset by a $1.0 million decrease in sponsored program revenue (including nonexchange sponsored programs) due to the change in reporting of Pell Grants in 2013 and a $0.7 million decrease in gifts for operations as a result of a decrease in new pledges for 2014 as compared to new pledges in 2013. The increase in total operating expenses was mostly due to the following: a $4.1 million increase in salaries and wages and payroll related costs attributable to merit increases and additional adjunct faculty to support the 21.0% enrollment growth; a $0.7 million increase in professional fees and services resulting from payments for the Academic Partnership for assistance in obtaining enrollments in certain online courses; a $0.5 million increase in utilities due to the expansion of student housing; and a $0.4 million increase in other operating expenses primarily attributable to increases in insurance costs, grant expenses related to pass-throughs and participation fees, and a change in reporting of registration fees from travel to other operating expenses. These increases in operating expenses were partially offset by decreases in the following: a $1.6 million decrease in scholarships and fellowships resulting from the change in reporting of Pell Grants in 2013; a $0.5 million decrease in other contracted services largely due to a decrease of grant and HVAC service contracts; and a $0.5 million decrease in repairs and maintenance primarily as a result of increased expenses in 2013 for sidewalks and Turf Specialties. The Turf Specialties expense was reimbursed in 2014.

Expendable Resources to Debt Ratio - U. T. Permian Basin's expendable resources to debt ratio increased from 0.2 in 2013 to 0.3 in 2014. The increase in this ratio was generated by the growth in both total unrestricted net position of $2.9 million, as previously discussed, and total restricted expendable net position (excluding restricted expendable for capital projects) of $4.3 million, which was largely offset by an increase of $15.1 million in the amount of debt outstanding. The increase in total restricted expendable net position (excluding restricted expendable for capital projects) was primarily attributable to the increase in appreciation on the endowment funds. The increase in the debt outstanding was related to the Student Housing Phase VI project.

Debt Burden Ratio - U. T. Permian Basin's debt burden ratio decreased from 17.9% in 2013 to 17.5% in 2014 as a result of the increase in total operating expenses, as discussed above.

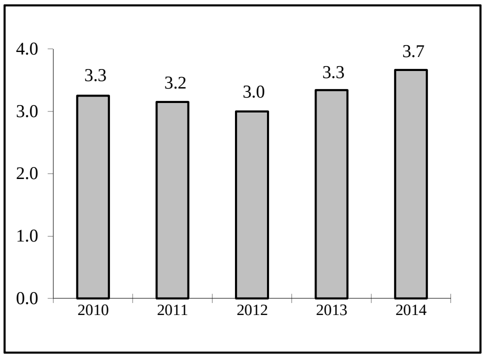
Debt Service Coverage Ratio - U. T. Permian Basin's debt service coverage ratio increased from 1.1 in 2013 to 1.5 in 2014. The increase in this ratio was attributable to the improvement in operating performance as discussed in the annual operating margin ratio.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Permian Basin's FTE student enrollment increased as a result of dual credit and the Academic Partnership programs. U. T. Permian Basin had an 88.0% increase in headcount and a 50.0% increase in semester credit hours (SCH) in dual credit students. The students enrolled in the Academic Partnership programs increased 208.0% in headcount and 430.0% in SCH.

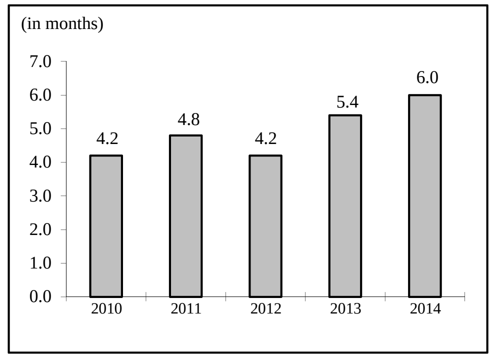
The University of Texas at San Antonio
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

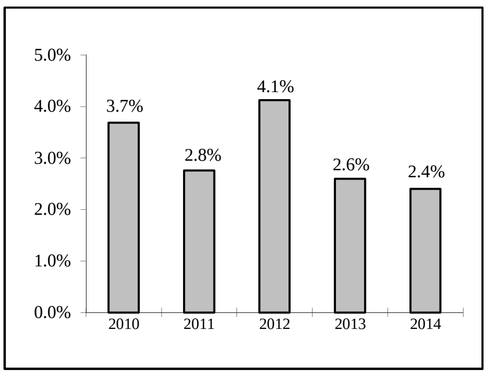
Composite Financial Index



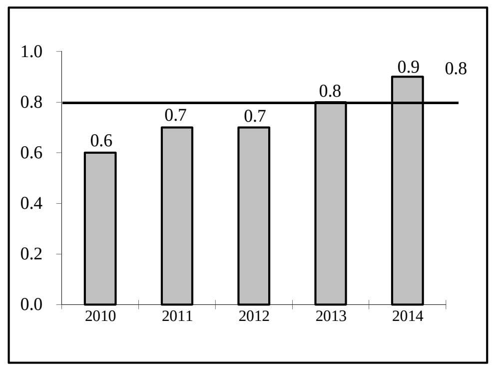
Operating Expense Coverage Ratio



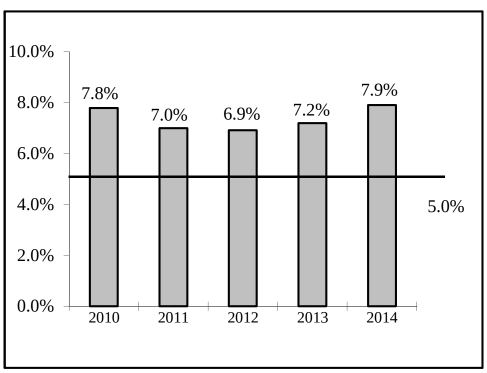
Annual Operating Margin Ratio



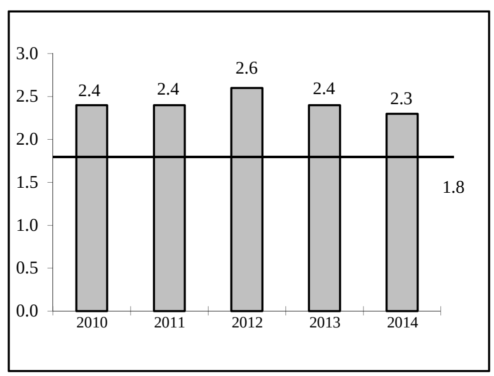
Expendable Resources to Debt Ratio



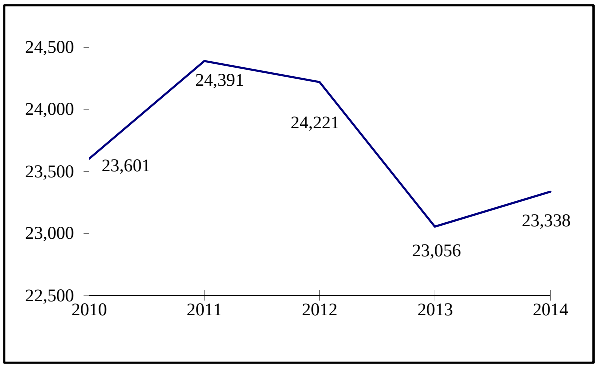
Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas at San Antonio
2014 Summary of Financial Condition
Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. San Antonio's CFI increased from 3.3 in 2013 to 3.7 in 2014 largely as a result of an increase in the primary reserve ratio. The increase in the primary reserve ratio was driven by increases in total unrestricted net position and restricted expendable net position (excluding restricted expendable for capital projects), combined with the decrease in total operating expenses, all of which are discussed in more detail below.

Operating Expense Coverage Ratio - U. T. San Antonio's operating expense coverage ratio increased from 5.4 months in 2013 to 6.0 months in 2014 due to an increase in total unrestricted net position of $21.7 million and a decrease in total operating expenses (including interest expense) of $10.6 million. The growth in total unrestricted net position was primarily attributable to the operating activity in designated and auxiliary funds, as well as the increase in the fair value of investments allocated to designated and auxiliary funds. The decrease in total operating expenses was largely due to the following: a $13.8 million decrease in scholarships and fellowships as a result of the change in reporting of Pell Grants in 2013; a $3.8 million decrease in repairs and maintenance due to a reduction in expenses for grounds maintenance that was outsourced and larger non-recurring expenses in 2013 for computer security initiatives and office renovations; a $1.5 million decrease in travel attributable to a reduction in travel expenses related to the PeopleSoft project; a $1.4 million decrease in materials and supplies primarily due to a reduction in expenses for computer equipment as compared to the prior year when computer equipment was purchased in conjunction with the Information Security Assurance Initiative; and a $1.3 million decrease in professional fees and services for educational services related to programs like the Africa reading project which were contracted and expired in 2013. These decrease in expenses were partially offset by increases in the following: a $4.6 million increase in depreciation and amortization expense largely due to San Saba Hall, the Park West Facilities, intramural field improvements and roadway improvements which were completed and placed into service in 2014, as well as the recognition of a full year of depreciation expense on projects that were placed into service in the prior year; a $3.0 million increase in salaries and wages and payroll related costs as a result of a 2.0% merit increase; a $1.4 million increase in other operating expenses driven by increases in professional membership dues, official occasions and conference workshops/seminars; and a $1.4 million increase in other contracted services resulting from the outsourcing of housekeeping and grounds keeping services.

Annual Operating Margin Ratio - U. T. San Antonio's annual operating margin ratio decreased from 2.6% for 2013 to 2.4% for 2014 due to a larger decrease in total operating revenues of $11.6 million as compared to the decrease in total operating expenses of $10.6 million. The decrease in total operating revenues was attributable to the following: a $33.1 million decrease in sponsored program revenue (including nonexchange sponsored programs and including the adjustment for the portion of Texas Research Incentive Program (TRIP) funding received in 2013 but not included until 2014) primarily due to the change in reporting of Pell Grants in 2013 and decreased federal activity, with the largest decreases in funding from the Department of Health and Human Services, National Science Foundation and Department of Homeland Security; and a $2.4 million decrease in other operating revenues largely caused by revenue received in the prior year for the Information Security Assurance Initiative. These decreases in revenues were partially offset by increases in the following: a $10.4 million increase in state appropriations; a $5.7 million increase in auxiliary enterprises revenue as a result of revenue generated from a new dormitory that was placed into service in August 2013, as well as increases in parking and meal revenue; a $3.8 million increase in net tuition and fees related to a decrease in tuition discounting associated with the change in the reporting of Pell Grants in 2013; an increase in gifts for operations of $1.9 million; an increase in net investment income (excluding realized gains/losses) of $1.1 million; and a $1.0 million increase in net sales and services of educational activities due to increases in course and instructor fees, as well as program income and conference registration revenue.

Late in 2013 U. T. San Antonio received $2.2 million in TRIP funding from the Texas Higher Education Coordinating Board. Given that these funds were received so close to year-end, U. T. San Antonio was not able to spend $0.6 million of these funds in 2013. Therefore, in order to more appropriately match revenues with expenses the $0.6 million of unspent TRIP funding was removed from 2013 nonexchange sponsored program revenue and was added to 2014 nonexchange sponsored program revenue.

Expendable Resources to Debt Ratio - U. T. San Antonio's expendable resources to debt ratio increased from 0.8 in 2013 to 0.9 in 2014. The slight increase in this ratio was due to the growth in both total unrestricted net position of $21.7 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $16.2 million combined with a decrease of $17.3 million in the amount of debt outstanding. The increase in total restricted expendable net position (excluding restricted expendable for capital projects) was largely driven by the activity in restricted funds, as well as an increase in the appreciation on endowment funds.

Debt Burden Ratio - U. T. San Antonio's debt burden ratio increased from 7.2% in 2013 to 7.9% in 2014 due to an increase in debt service payments of $3.3 million and the decrease in total operating expenses as previously discussed.

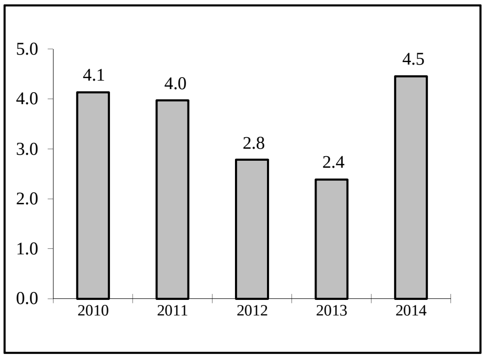
Debt Service Coverage Ratio - U. T. San Antonio's debt service coverage ratio decreased from 2.4 in 2013 to 2.3 in 2014. The change in this ratio was attributable to the decline in operating performance as discussed in the annual operating margin ratio.

Full-Time Equivalent (FTE) Student Enrollment - U. T. San Antonio's FTE student enrollment was higher than 2013 due to an increase in undergraduate semester credit hours.

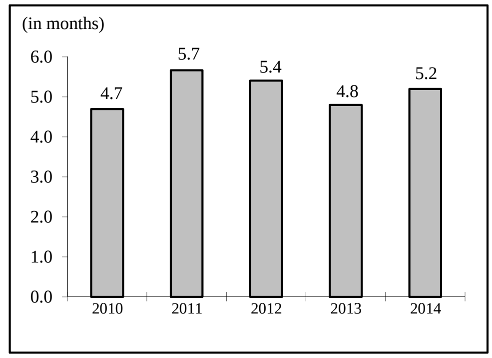
The University of Texas at Tyler
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

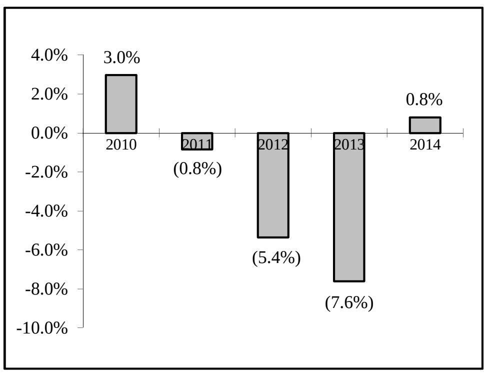
Composite Financial Index



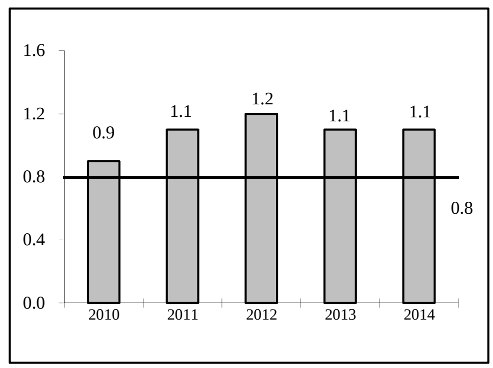
Operating Expense Coverage Ratio



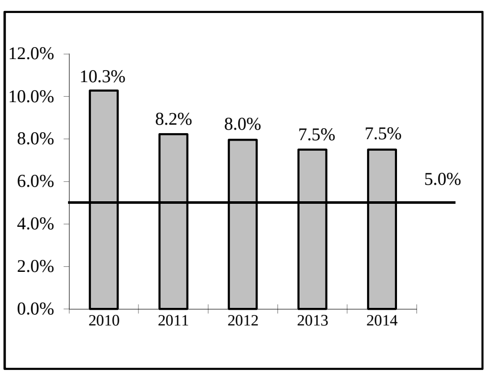
Annual Operating Margin Ratio



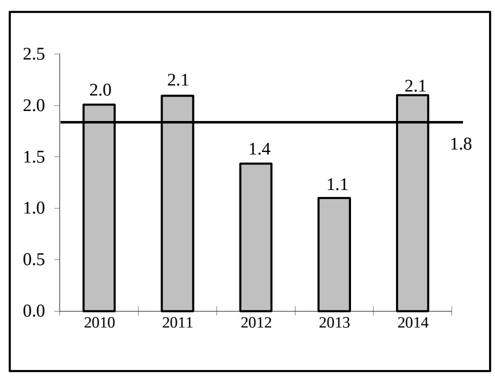
Expendable Resources to Debt Ratio



Debt Burden Ratio

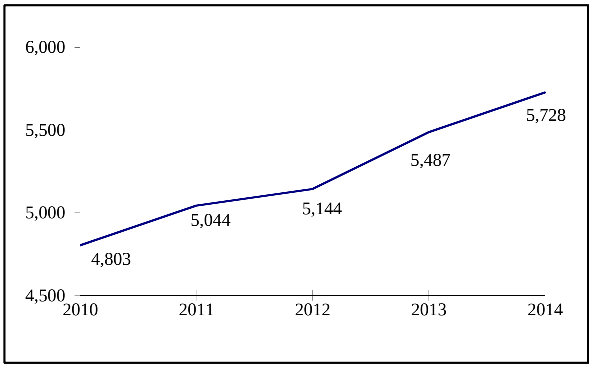


Debt Service Coverage Ratio



The University of Texas at Tyler
2014 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Tyler's CFI increased from 2.4 in 2013 to 4.5 in 2014 due to increases in the return on net position, annual operating margin and primary reserve ratios. The increase in the return on net position ratio was largely driven by an increase in the amount of bond proceeds transferred to U. T. Tyler for the purchase of Eagles Landing and the construction of the College of Pharmacy building. The improvement in the annual operating margin ratio is discussed below. The increase in the primary reserve ratio was primarily a result of the growth in total unrestricted net position and the growth in total restricted expendable net position (excluding expendable for capital projects), which are also discussed below.

Operating Expense Coverage Ratio - U. T. Tyler's operating expense coverage ratio increased from 4.8 months in 2013 to 5.2 months in 2014 due to the growth in total unrestricted net position of $5.1 million, which was partially offset by an increase in total operating expenses (including interest expense) of $4.8 million. The increase in total unrestricted net position was primarily attributable to the net increase in the fair value of investments allocated to designated funds and funds allocated for the music building. The increase in total operating expenses was largely due to the following: a $5.6 million increase in salaries and wages and payroll related costs as a result of merit increases and market adjustments combined with staffing for the addition of the College of Pharmacy and Ingenuity Center; a $1.7 million increase in other contracted services generated by increases in the payments for the Academic Partnership program as well as the Medical Services Management Fee; and a $0.8 million increase in other operating expenses primarily due to conference related expenses. These increases in expenses were partially mitigated by a decrease of $3.5 million in scholarships and fellowships expense as a result of the change in reporting of Pell Grants in 2013.

Annual Operating Margin Ratio - U. T. Tyler's annual operating margin ratio improved from (7.6%) for 2013 to 0.8% for 2014 due to the growth in total operating revenues of $13.4 million outpacing the growth in total operating expenses of $4.8 million. The increase in total operating revenues was largely attributable to the following: a $5.5 million increase in net tuition and fees driven by continued enrollment growth; a $4.9 million increase in state appropriations; a $4.6 million increase in gifts for operations due to the recognition of the Fisch gift for the College of Pharmacy; and a $1.2 million increase in auxiliary enterprises revenue as a result of increases in housing, food and vending revenues related to the growth in enrollment. These increases in revenues were partially offset by decreases in the following: a $1.9 million decrease in sponsored program revenue (including nonexchange sponsored programs) primarily due to the change in reporting of Pell Grants in 2013; and a $0.7 million decrease in other operating revenues attributable to one-time funding in 2013 for Information Security Assurance Initiative and MS license renewal agreement with U. T. Austin.

Expendable Resources to Debt Ratio - U. T. Tyler's expendable resources to debt ratio remained unchanged at 1.1 in 2014. The stability of this ratio was a result of the growth in both total unrestricted net position of $5.1 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $12.1 million offset by an increase of $22.0 million in the amount of debt outstanding. The increase in restricted expendable net position (excluding restricted expendable for capital projects) was largely attributable to the Fisch gift for the College of Pharmacy combined with an increase in the appreciation on the endowment funds. The increase in debt outstanding was related to funding for the College of Pharmacy and the Cambridge apartment acquisition.

Debt Burden Ratio - U. T. Tyler's debt burden ratio was 7.5% in both 2013 and 2014. This ratio remained unchanged due to the increase in debt service payments of $0.7 million which was offset by the increase in operating expenses.

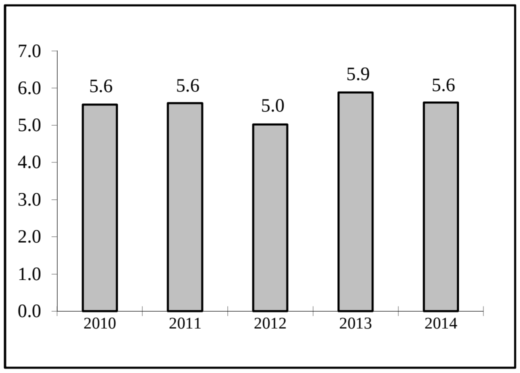
Debt Service Coverage Ratio - U. T. Tyler's debt service coverage ratio increased from 1.1 in 2013 to 2.1 in 2014 as a result of the improvement in the annual operating margin as discussed above.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Tyler's FTE student enrollment increased by 241 or 4.4% from 2013. This increase was due to continued efforts in student recruitment and retention.

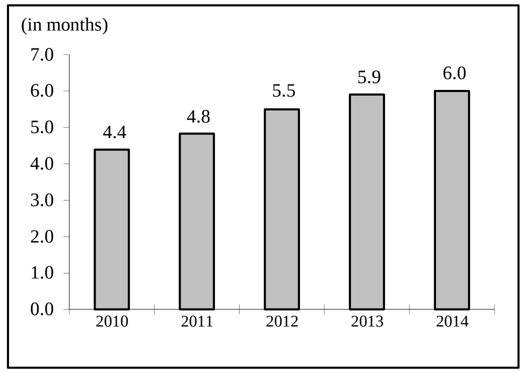
The University of Texas Southwestern Medical Center
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

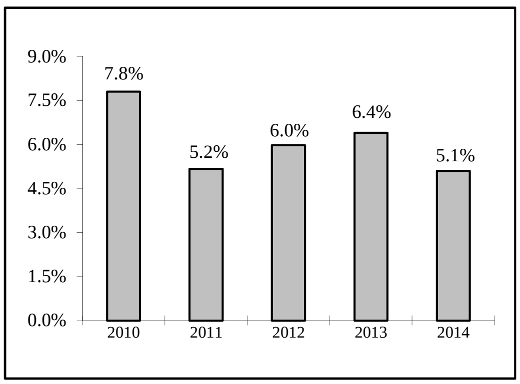
Composite Financial Index



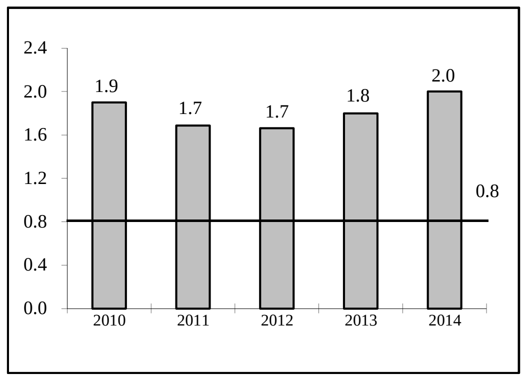
Operating Expense Coverage Ratio



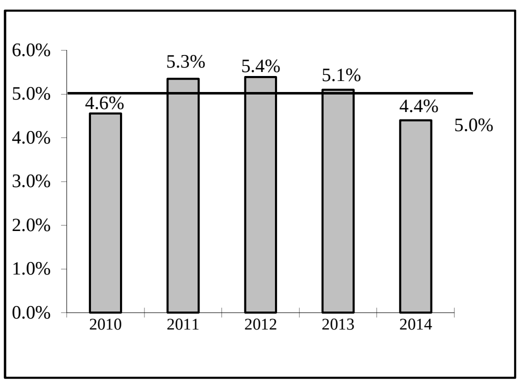
Annual Operating Margin Ratio



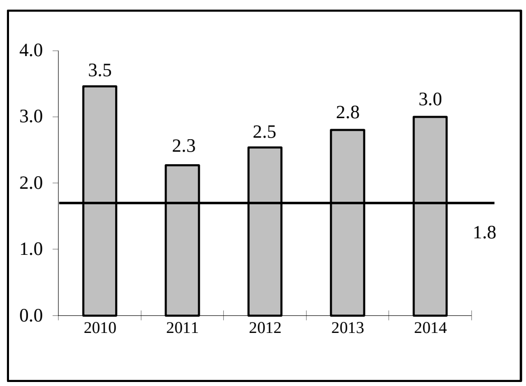
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Southwestern Medical Center
2014 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Southwestern Medical Center's (Southwestern) CFI decreased from 5.9 in 2013 to 5.6 in 2014 largely as a result of a decrease in the primary reserve ratio. The reduction in the primary reserve ratio was driven by the increase in total operating expenses as discussed below.

Operating Expense Coverage Ratio - Southwestern's operating expense coverage ratio increased from 5.9 months in 2013 to 6.0 months in 2014 due to an increase in total unrestricted net position of $107.0 million, which was largely offset by the increase in total operating expenses (including interest expense) of $185.5 million. The growth in total unrestricted net assets was primarily attributable to the improved operating results of the physician practice plan and the hospitals. Total operating expenses increased largely due to the following: a $97.8 million increase in salaries and wages and payroll related costs as a result of a 3.0% merit pool for faculty and staff; a $32.8 million increase in materials and supplies primarily related to the increase in patient volumes, which resulted in higher costs for drugs, chemical reagents, implants, medical supplies, and medical instruments, as well as increased expenses for furniture and equipment not capitalized; a $27.6 million increase in other contracted services largely due to increases in miscellaneous purchased services ($9.9 million), vendor contract labor ($6.2 million), and the reclassification of some expenses ($9.1 million) from other operating expenses; and a $25.5 million increase in depreciation and amortization expense primarily as a result of decreasing the useful life of the St. Paul Hospital building and garage which will be replaced with the William P. Clements Jr. University Hospital scheduled to open in December 2014, along with the depreciation and amortization expense associated with various equipment and software purchases.

Annual Operating Margin Ratio - Southwestern's annual operating margin ratio decreased from 6.4% for 2013 to 5.1% for 2014 as the growth in total operating expenses of $185.5 million exceeded the growth in total operating revenues of $166.4 million. The increase in total operating revenues was primarily driven by the following: a $76.6 million increase in net sales and services of hospitals resulting from an increase of approximately 10,800 in outpatient visits over the prior year; a $38.5 million increase in net professional fees largely attributable to increased patient volumes; a $23.3 million increase in state appropriations; a $21.8 million increase in sponsored program revenues primarily due to increases in the contracts with Parkland Memorial Hospital and Children's Medical Center along with sizeable grants received from the Howard Hughes Medical Institute and Coam Cancer Sponsored Research; and a $7.0 million increase in gifts for operations largely due to a one-time gift received for Brain Research in 2014.

Expendable Resources to Debt Ratio - Southwestern's expendable resources to debt ratio increased from 1.8 in 2013 to 2.0 in 2014. The increase in this ratio resulted from the growth in both total unrestricted net position of $107.0 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $43.3 million, and a reduction of $40.4 million in the amount of debt outstanding. The increase in restricted expendable net position (excluding restricted expendable for capital projects) was largely driven by the increase in the appreciation on endowment funds.

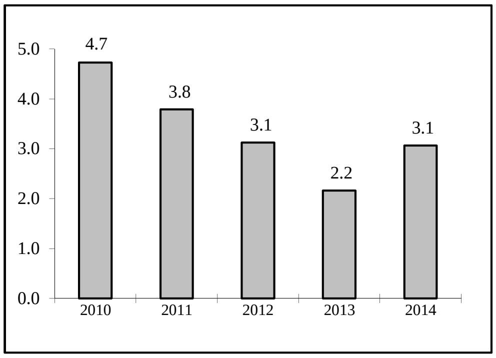
Debt Burden Ratio - Southwestern's debt burden ratio decreased from 5.1% in 2013 to 4.4% in 2014 due to a decrease of $5.5 million in debt service payments and the increase in total operating expenses previously discussed.

Debt Service Coverage Ratio - Southwestern's debt service coverage ratio increased from 2.8 in 2013 to 3.0 in 2014. The increase in this ratio was attributable to the decrease in debt service payments.

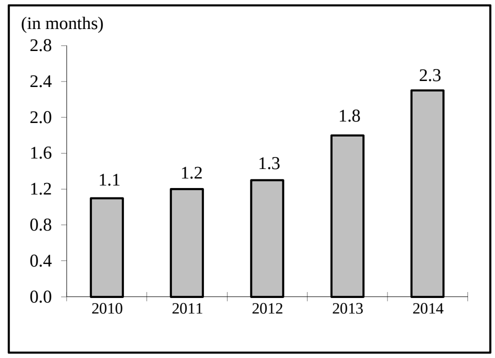
The University of Texas Medical Branch at Galveston
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

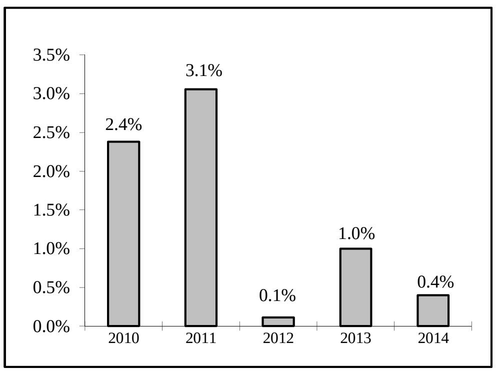
Composite Financial Index



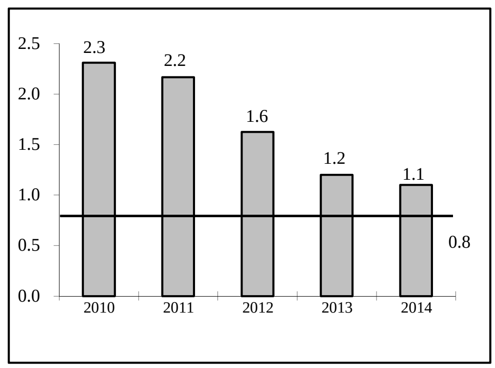
Operating Expense Coverage Ratio



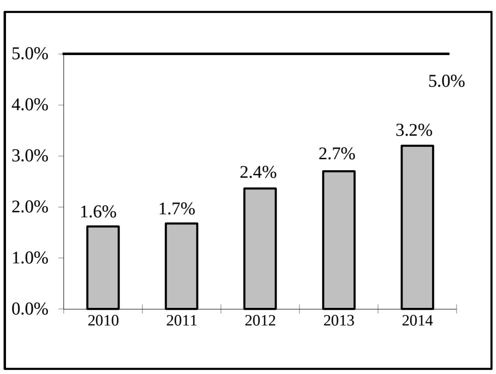
Annual Operating Margin Ratio



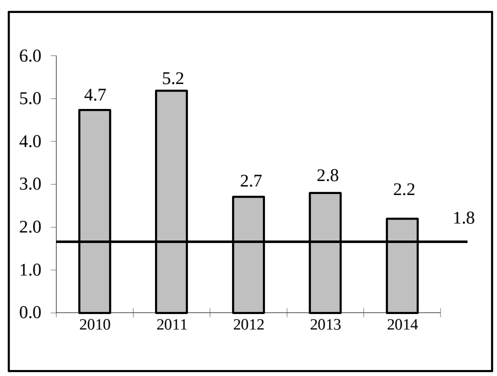
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Medical Branch at Galveston
2014 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Medical Branch - Galveston's (UTMB) CFI increased from 2.2 in 2013 to 3.1 in 2014 due to an increase in the return on net position ratio. The increase in the return on net position ratio was largely driven by a greater change in net position of $293.5 million in 2014. The larger change in net position was primarily driven by the following: a $110.6 million increase in the amount of bond proceeds transferred to UTMB for the Victory Lakes Specialty Care Center Expansion, the Jennie Sealy Replacement Hospital and Hurricane *Ike* recovery projects; a $70.2 million increase in gifts and sponsored programs for capital acquisitions primarily related to the Jennie Sealy Replacement Hospital and Hurricane *Ike* recovery projects; the net increase in fair value of investments of $62.6 million in 2014 as compared to $18.7 million in 2013 for a change between years of $43.9 million; and an increase in state appropriations of $34.8 million.

Operating Expense Coverage Ratio - UTMB's operating expense coverage ratio increased from 1.8 months in 2013 to 2.3 months in 2014 as a result of an increase in total unrestricted net position of $70.1 million, which was partially offset by a $56.1 million increase in total operating expenses (including interest expense). The increase in total unrestricted net position was largely attributable to a $54.1 million increase in unexpended plant funds as a result of funding for capital initiatives and a $14.1 million increase in educational and general funds associated with hospital operations. Total operating expenses increased primarily due to the following: a $55.3 million increase in salaries and wages ($44.3 million or 5%) and payroll related costs ($11.0 million or 5%) as a result of merit increases and salary administration to reward performance and aid in retaining and attracting talent; a $7.7 million increase in cost of goods sold attributable to increased cost of flu vaccines, new protocols for Hepatitis C, and some increases in floor stock, as well as the pharmacy department making compounded products to address back orders and national shortages; a $5.7 million increase in material and supplies due to an increase in medical/surgical supplies for Sentry Program pharmacies and increased patient volume; and a $4.4 million increase in depreciation and amortization expense. These increases in expenses were partially offset by decreases in the following: a $9.3 million decrease in other contracted services attributable to a modification in intercompany labor costs which resulted in an increase in salaries and wages and a decrease in other contracted services over the prior year; and a $9.2 million decrease in other operating expenses mainly due to decreases in federal subcontracts and the hospital contract with the physician practice plan.

UTMB's operating expenses include those expenses incurred in the delivery of the Texas Department of Criminal Justice (TDCJ) contract. This contract is a cost reimbursement contract and as such is not expected to generate net position. Reviewing UTMB excluding the TDCJ contract expenses of $439.5 million presents a ratio that more clearly reflects UTMB's ability to meet future business obligations. The operating expense coverage ratio excluding the TDCJ contract would equal 3.1 months as compared to 2.3 months when included.

Annual Operating Margin Ratio - UTMB's annual operating margin ratio decreased from 1.0% for 2013 to 0.4% for 2014 as a result of the growth in total operating expenses of $56.1 million outpacing the growth in total operating revenues of $47.5 million. Total operating revenues increased primarily due to the following: a $47.1 million increase in net sales and services of hospitals attributable to an increase in volume as evidenced by an increase in admissions of 5.4% and an increase in outpatient visits of 8.3%, as well as an estimated 5.0% rate increase effective mid-February 2014; a $34.8 million increase in state appropriations; and a $13.6 million increase in other operating revenues primarily due to an increase in the Delivery System Reform Incentive Payments associated with the Medicaid Section 1115 Demonstration combined with an increase in contract pharmacy revenue as the number of contract pharmacies increased from 6 to 16 as part of the Sentry Program;. These increases in revenues were partially offset by a decrease in sponsored programs revenue of $16.0 million primarily due to contracts that were not renewed and a reduction in federal support for the Child Health and Dental program, as well as support from FEMA.

Expendable Resources to Debt Ratio - UTMB's expendable resources to debt ratio decreased slightly from 1.2 in 2013 to 1.1 in 2014. The decrease in this ratio was attributable to an increase of $155.8 million in the amount of debt outstanding related to the capital projects mentioned in the CFI above. This increase in debt outstanding was partially offset by an increase in total restricted expendable net position (excluding restricted expendable for capital projects) of $33.0 million and an increase in total unrestricted net position of $70.1 million as discussed above. The increase in restricted expendable net position (excluding restricted expendable for capital projects) was primarily due to an increase in the appreciation on endowment funds.

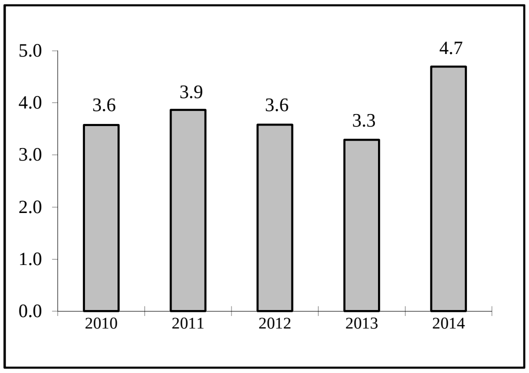
Debt Burden Ratio - UTMB's debt burden ratio increased from 2.7% in 2013 to 3.2% in 2014 as a result of a $9.9 million increase in debt service payments.

Debt Service Coverage Ratio - UTMB's debt service coverage ratio decreased from 2.8 in 2013 to 2.2 in 2014. The decrease in this ratio was due to both the decrease in the annual operating margin, as previously discussed, and the increase in debt service payments.

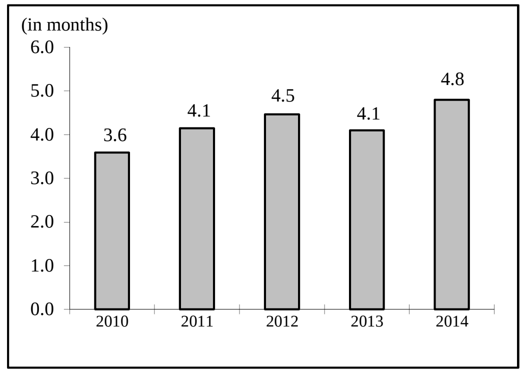
The University of Texas Health Science Center at Houston
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

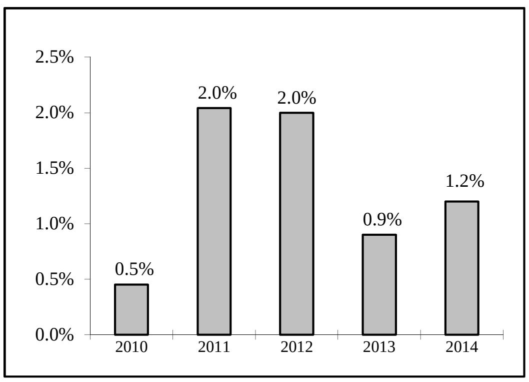
Composite Financial Index



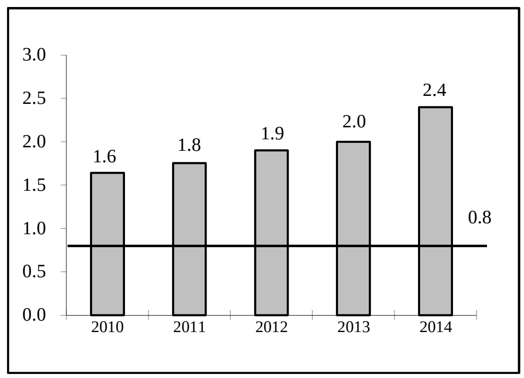
Operating Expense Coverage Ratio



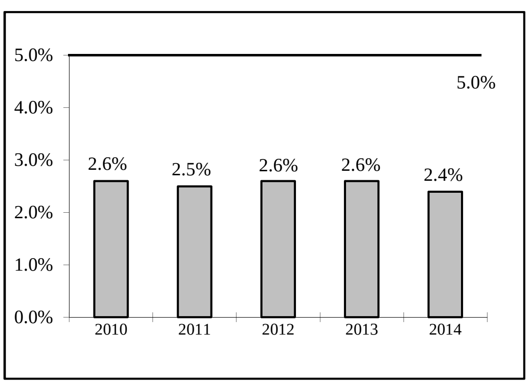
Annual Operating Margin Ratio



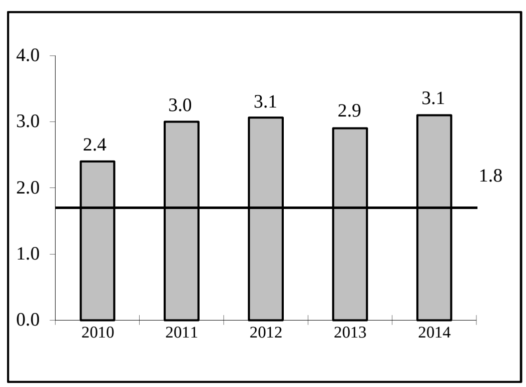
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Houston
2014 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - Houston's (UTHSC-Houston) CFI increased from 3.3 in 2013 to 4.7 in 2014 as a result of increases in the primary reserve, return on net position, and expendable resources to debt ratios. The increase in the primary reserve ratio was largely driven by the $98.3 million increase in total unrestricted net position as discussed below. The increase in the return on net position was the result of a larger change in net position of $104.5 million in 2014 as compared to the change in net position in 2013 of $13.7 million. The larger change in net position in 2014 was primarily caused by the expansion of clinic operations and a larger net increase in the fair value of investments of $47.8 million in 2014 as compared to $12.0 million in 2013.

Operating Expense Coverage Ratio - UTHSC-Houston's operating expense coverage ratio increased from 4.1 months in 2013 to 4.8 months in 2014 due to the growth in total unrestricted net position of $98.3 million, which was a 25.8% increase over the prior year. The increase in total unrestricted net position was partially mitigated by the growth in total operating expenses of 8.9% or $98.3 million (including interest expense). The net increase in the fair value of investments allocated to designated funds and growth in the physician practice plan were the primary contributors to the increase in total unrestricted net position. The increase in total operating expenses was largely attributable to the expansion of the clinic operations. The operating expenses that comprised the majority of the increase are as follows: a net $66.3 million increase in salaries and wages and payroll related costs associated with approximately 110 new faculty/staff physicians and 345 additional staff; a $22.2 million increase in other contracted services as a result of a change in the reporting of amounts paid to temporary employment agencies from salaries and wages to other contracted services; a $5.0 million increase in rentals and leases due to the growth and expansion of the clinics; and a $4.1 million increase in federal sponsored program pass-throughs to other state agencies attributable to new subcontracts with Texas A&M Engineering Experiment Station, U. T. Austin and U. T. M. D. Anderson Cancer Center.

Annual Operating Margin Ratio - UTHSC-Houston's annual operating margin ratio increased from 0.9% for 2013 to 1.2% for 2014 as a result of the increase in total operating revenues of $103.2 million exceeding the growth in total operating expenses of $98.3 million. The increase in total operating revenues was primarily due to the following: a $37.0 million increase in sponsored programs revenue (including nonexchange sponsored programs) primarily attributable to expanded contracted services with Memorial Hermann Hospital and Harris County Hospital District; a $36.5 million increase in net professional fees due to higher gross charge volumes resulting from increased faculty recruitment and growth in the physician practice plan; a $31.3 million increase in state appropriations; and a $12.6 million increase in other operating revenues primarily attributable to an increase of $12.0 million in Delivery System Reform Incentive Payments.

Expendable Resources to Debt Ratio - UTHSC-Houston's expendable resources to debt ratio increased from 2.0 in 2013 to 2.4 in 2014. The increase in this ratio was due to growth in both total unrestricted net position of $98.3 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $14.9 million. The increase in total restricted expendable net position (excluding restricted expendable for capital projects) was primarily attributable to the increase in the appreciation on the endowment funds.

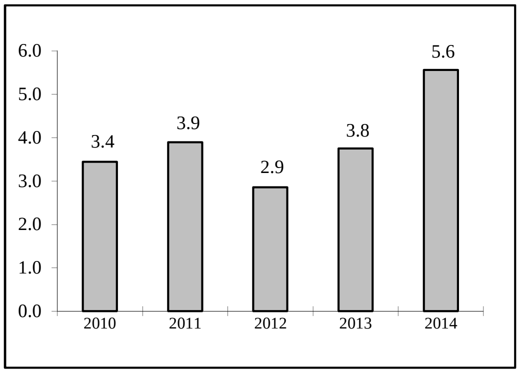
Debt Burden Ratio - UTHSC-Houston's debt burden ratio decreased from 2.6% in 2013 to 2.4% in 2014 as a result of the increase in total operating expenses previously discussed.

Debt Service Coverage Ratio - UTHSC-Houston's debt service coverage ratio increased from 2.9 in 2013 to 3.1 in 2014. The increase in this ratio was attributable to the improvement in operating performance as discussed in the annual operating margin ratio above.

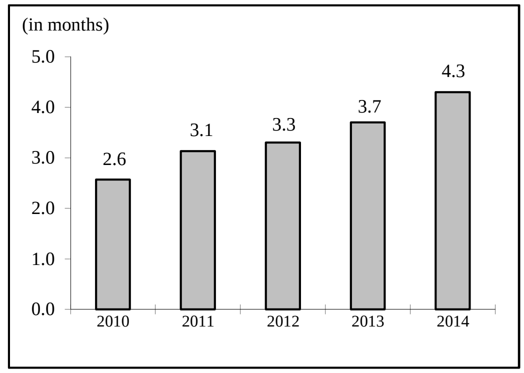
The University of Texas Health Science Center at San Antonio
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

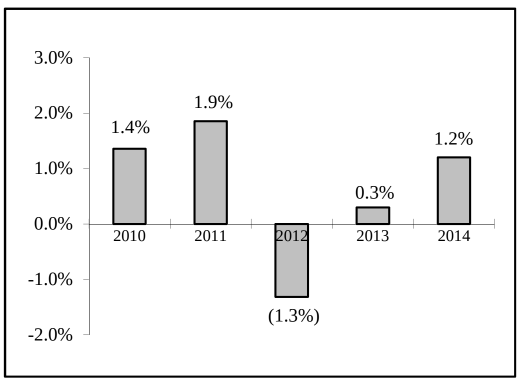
Composite Financial Index



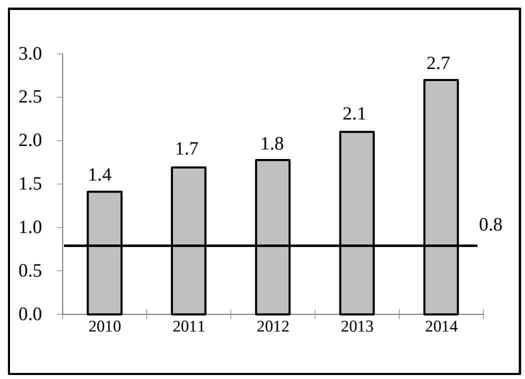
Operating Expense Coverage Ratio



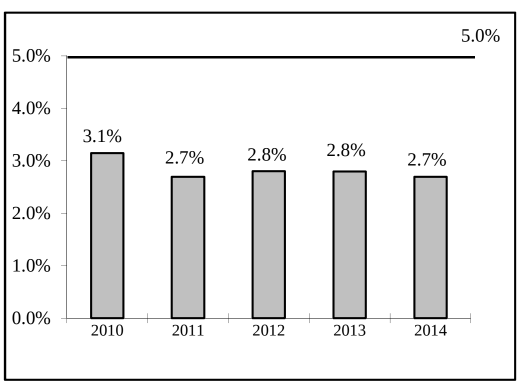
Annual Operating Margin Ratio



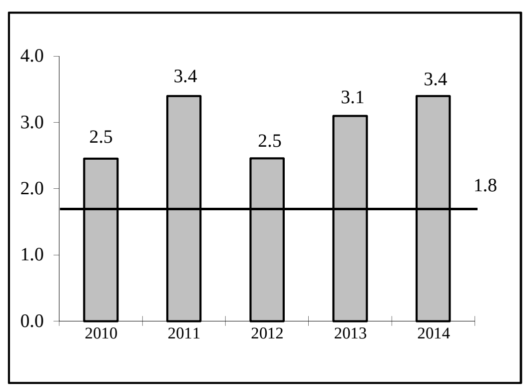
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at San Antonio
2014 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - San Antonio's (UTHSC-San Antonio) CFI increased from 3.8 in 2013 to 5.6 in 2014 primarily due to increases in the return on net position, expendable resources to debt and primary reserve ratios. The increase in the return on net position ratio was attributable to a larger change in net position of $140.0 million in 2014 as compared to the change in net position in 2013 of $30.6 million. The larger change in net position was primarily driven by a decrease in anticipated bond proceeds in 2014 as opposed to a large increase in anticipated bond proceeds in 2013. Anticipated proceeds reduce net position as the bonds have not yet been issued. The net increase in the fair value of investments of $62.5 million in 2014 as compared to $20.1 million in 2013, and the $21.2 million increase in state appropriations also contributed to the increase in the return on net position ratio. The increase in the primary reserve ratio resulted from the growth in total unrestricted net position and total restricted expendable net position (excluding restricted expendable for capital projects) as discussed below. The factors contributing to the increase in the expendable resources to debt ratio are also mentioned below.

Operating Expense Coverage Ratio - UTHSC-San Antonio's operating expense coverage ratio increased from 3.7 months in 2013 to 4.3 months in 2014 due to a net increase in total unrestricted net position of $45.9 million which included an increase in total operating expenses (including interest expense) of $20.3 million discussed below. The growth in total unrestricted net position was primarily attributable to the net increase in the fair value of investments allocated to designated funds, an increase in state appropriations, and the overall operating activity in designated funds discussed below.

Annual Operating Margin Ratio - UTHSC-San Antonio's annual operating margin ratio increased from 0.3% for 2013 to 1.2% for 2014 as the growth in total operating revenues of $27.4 million outpaced the growth in total operating expenses of $20.3 million. The increase in total operating revenues was primarily attributable to the following: a $21.2 million increase in state appropriations; and a $10.5 million increase in net professional fees resulting from the implementation of the *Patients First* initiative to increase clinical activity as recommended by the Institutional Sustainability Task Force (ISTF). Total operating expenses increased largely due to the following: a $13.0 million increase in other contracted services as a result of expenses for projects related to the Delivery System Reform Incentive Payments (DSRIP) associated with the Medicaid Section 1115 Demonstration, as well as increased payments to sub-recipients related to federal sponsored programs; an $8.9 million increase in salaries and wages and payroll related costs attributable to staff merit increases, faculty performance-based compensation plans, and recruitment efforts; and, a $2.5 million increase in professional fees and services primarily associated with engaged consulting services to gain efficiencies within the clinical enterprise and administrative operations.

Expendable Resources to Debt Ratio - UTHSC-San Antonio's expendable resources to debt ratio increased from 2.1 in 2013 to 2.7 in 2014. The increase in this ratio was a result of increases in both total unrestricted net position of $45.9 million, as discussed above, and total restricted expendable net position (excluding restricted expendable for capital projects) of $47.4 million, as well as a decrease of $11.7 million in the amount of debt outstanding. The growth in total restricted expendable net position was primarily due to an increase in the investment appreciation on endowment funds.

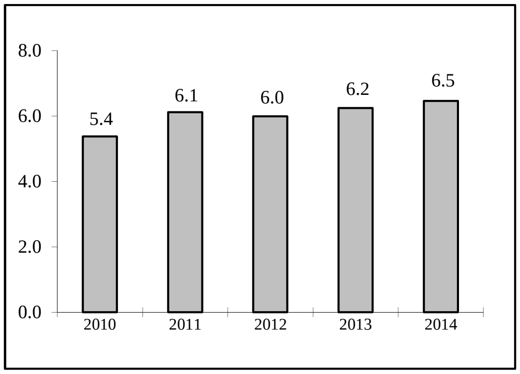
Debt Burden Ratio - UTHSC-San Antonio's debt burden ratio decreased from 2.8% in 2013 to 2.7% in 2014 as a result of flat debt service requirements and the increase in total operating expenses previously discussed, indicating a lower dependency on borrowed funds to support operations.

Debt Service Coverage Ratio - UTHSC-San Antonio's debt service coverage ratio increased from 3.1 in 2013 to 6.4 in 2014 due to the improvement in operating performance as discussed in the annual operating margin ratio above.

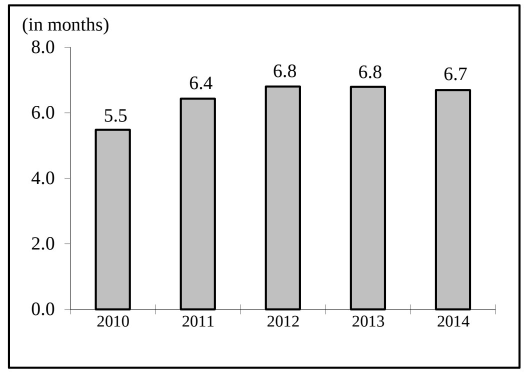
The University of Texas M. D. Anderson Cancer Center
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

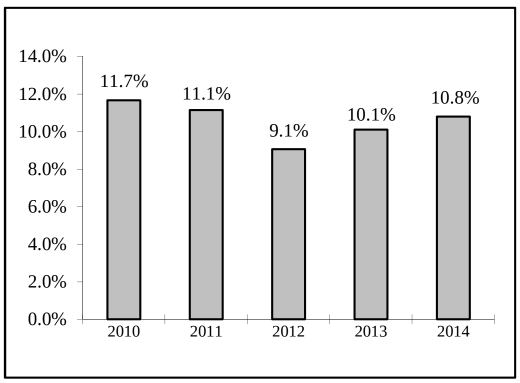
Composite Financial Index



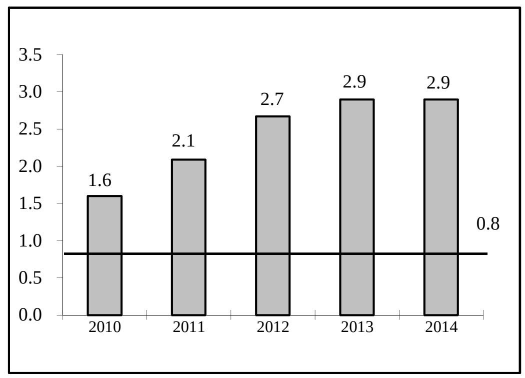
Operating Expense Coverage Ratio



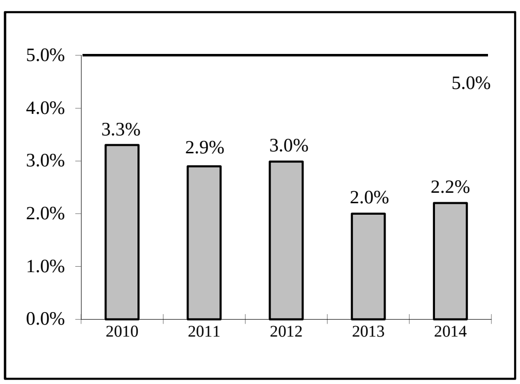
Annual Operating Margin Ratio



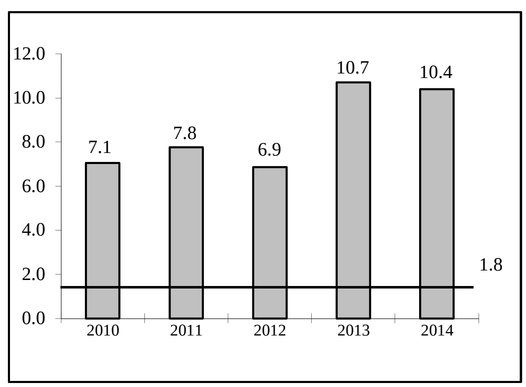
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas M. D. Anderson Cancer Center
2014 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. M. D. Anderson Cancer Center's (M. D. Anderson) CFI increased from 6.2 in 2013 to 6.5 in 2014 primarily as a result of an increase in the return on net position and annual operating margin ratios. The increase in the return on net position ratio was largely driven by the net increase in the fair value of investments of $204.4 million in 2014 as compared to $68.0 million in 2013 for a change between years of $136.4 million, and improved operating performance discussed below.

Operating Expense Coverage Ratio - M. D. Anderson's operating expense coverage ratio decreased slightly from 6.8 months in 2013 to 6.7 months in 2014 primarily due to an increase in total operating expenses (including interest expense) of $92.7 million. The increase in total operating expenses was largely attributable to the following: a $39.4 million increase in salaries and wages and payroll related costs resulting from merit increases, as well as the retainment and recruitment of world class investigators; a $35.8 million increase in materials and supplies primarily due to an increase in the purchase of patient chargeable drugs resulting from the growth in hospital activities combined with an increase in patient-charged medical supplies, such as blood products and transplant tissues, which was also a direct result of the increase in patient volumes related to perioperative services; a $20.9 million increase in other contracted services as a result of increased advertising expenses, increased postal expenses for the University Cancer Foundation gifts, and increased bank fees due to a delay in posting credit card fees in 2013; an $11.1 million increase in depreciation and amortization expense due to the recognition of a full year of depreciation expense on buildings that were placed into service in 2013, as well as buildings that were placed into service in 2014 such as the R. Lee Clark Clinic, the R. E. Bob Smith building, the Radiology Outpatient Center expansion and the Mid Campus Building 1 Phase 3; and a $5.2 million increase in rentals and leases primarily attributable to rent for the Life Science Plaza which was not a part of M. D. Anderson in 2013, and the Woodlands and Bay Area leases. These increases in expenses were partially offset by a decrease of $21.0 million in professional fees and services due to the following: costs related to the EPIC project that were previously expensed were moved to Construction in Progress as the EPIC project transitioned from the preliminary project phase to the application development phase requiring these expenses to be capitalized; decreases in consulting expenses for the CARE System Upgrade and for the ERP Integration; and decreased marrow donor expenses and legal expenses.

Annual Operating Margin Ratio - M. D. Anderson's annual operating margin ratio increased from 10.1% for 2013 to 10.8% for 2014 as the growth in total operating revenues of $133.2 million outpaced the growth in total operating expenses of $92.7 million. The increase in total operating revenues was primarily due to the following: a $146.9 million increase in net sales and services of hospitals due to increased patient volumes and fee increases; a $30.8 million increase in state appropriations; a $24.0 million increase in other operating revenues largely attributable to an increase in revenues from the international patient program, the recognition of $10.9 million in Delivery System Reform Incentive Payments (DSRIP) associated with the Medicaid Section 1115 Demonstration as compared to $1.6 million in DSRIP revenue recognized in 2013, and consulting fee revenue from the Center for Global Oncology and the Immunology Platform per a collaboration agreement with Pfizer and Glaxo Smith Kline; an increase in investment income of $15.3 million; and a $9.9 million increase in net professional fees resulting from increased patient activity and volumes. These revenue increases were partially offset by a decrease of $55.1 million in gifts for operations primarily due to gifts received from Hill and Johnson in 2013 with no such comparable gifts in 2014.

Expendable Resources to Debt Ratio - M. D. Anderson's expendable resources to debt ratio remained unchanged at 2.9 in 2014. The stability of this ratio was attributable to the relatively small growth in total unrestricted net position of only $19.1 million or 0.9% as well as an increase in debt of only $11.0 million.

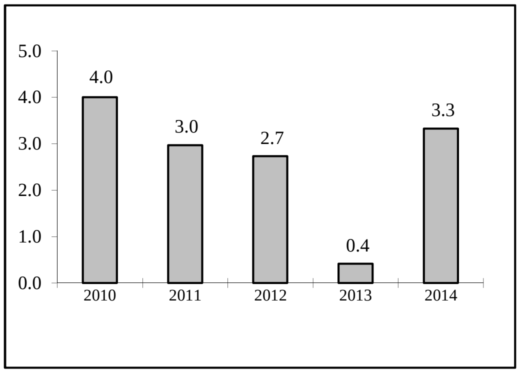
Debt Burden Ratio - M. D. Anderson's debt burden ratio increased from 2.0% in 2013 to 2.2% in 2014 due to an increase of $6.9 million in debt service payments.

Debt Service Coverage Ratio - M. D. Anderson's debt service coverage ratio decreased from 10.7 in 2013 to 10.4 in 2014 as a result of the increase in debt service payments.

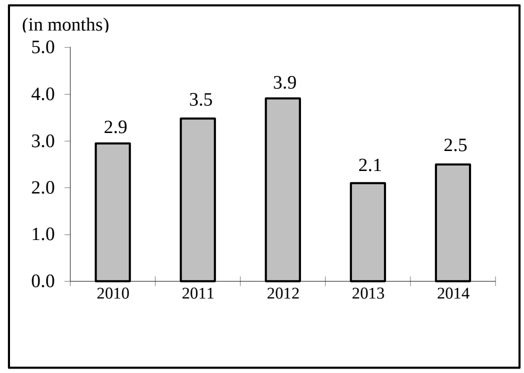
The University of Texas Health Science Center at Tyler
2014 Summary of Financial Condition

Financial Condition: **Satisfactory**

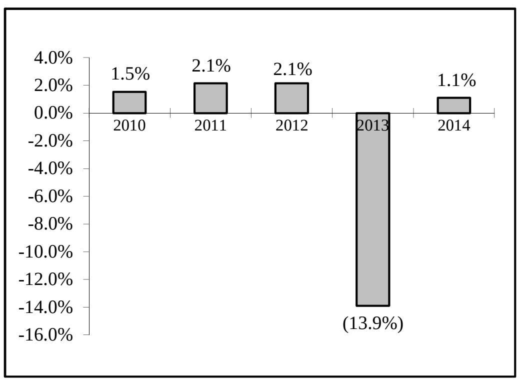
Composite Financial Index



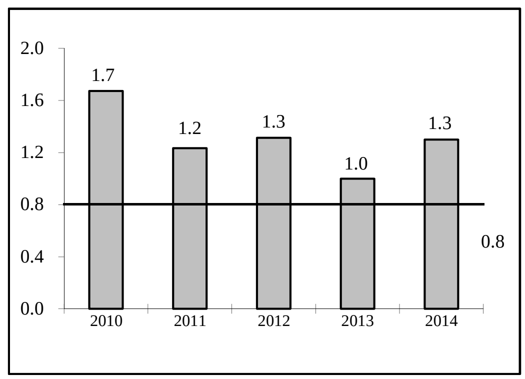
Operating Expense Coverage Ratio



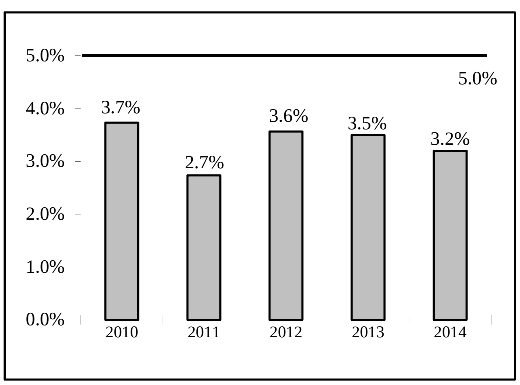
Annual Operating Margin Ratio



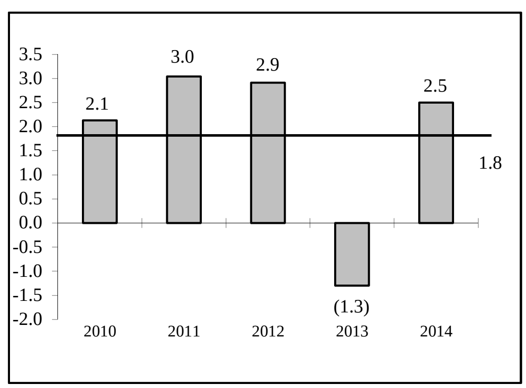
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Tyler
2014 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - Tyler's (UTHSC-Tyler) CFI increased significantly from 0.4 in 2013 to 3.3 in 2014 as a result of increases in the return on net position, annual operating margin, and expendable resources to debt ratios. The increase in the return on net position ratio was largely driven by the improvement in operating performance. The increases in the annual operating margin and expendable resources to debt ratios are discussed below.

Operating Expense Coverage Ratio - UTHSC-Tyler's operating expense coverage ratio increased from 2.1 months in 2013 to 2.5 months in 2014 due to an increase in total unrestricted net position of $8.9 million, which was partially offset by the increase in total operating expenses (including interest expense) of $22.4 million. The growth in total unrestricted net position was primarily attributable to $15.4 million of net Delivery System Reform Incentive Payments (DSRIP) associated with the Medicaid Section 1115 Demonstration recognized in 2014. The increase in total operating expenses was largely due to the following: a $9.3 million increase in salaries and wages and payroll related costs as a result of additional employees hired for DSRIP related projects and physicians for the behavioral health program; a $6.8 million increase in other contracted services due to DSRIP project expenses, as well as expenses related to a contract for staffing and food service for the behavioral health program; a $3.5 million increase in materials and supplies primarily attributable to increases in pharmacutical drugs and medical supplies related to the behavioral health expansion and new clinic openings, supplies for the catheterization lab for the new cardiologist, and non-capitalized equipment for the Academic Center completion; a $1.0 million increase in repairs and maintenance largely due to increased information technology maintenance and service contracts purchased, several repairs to physical plant, increased equipment repairs and service agreements for new equipment in pathology, and non-capital expenses related to behavioral health and other hospital remodeling; and a $1.0 million increase in depreciation and amortization expense primarily as a result of the Academic Center Phase II which was placed into service in 2014, as well as the recognition of a full year of depreciation and amortization expense on projects that were placed into service in 2013.

Annual Operating Margin Ratio - UTHSC-Tyler's annual operating margin ratio improved significantly from (13.9%) for 2013 to 1.1% for 2014 as the growth in total operating revenues of $40.8 million exceeded the growth in total operating expenses of $22.4 million. The increase in total operating revenues was primarily due to the following: a $21.2 million increase in other operating revenues resulting from a $21.1 million increase in DSRIP revenue recognized as compared to the prior year; a $10.9 million increase in net sales and services of hospitals due a 6.0% increase in inpatient admissions, a 12.0% increase in outpatient clinic visits, a 7.0% increase in ancillary visits, the addition of 7 new faculty members and higher physician productivity, and a 14.0% increase in net collections from the Patient Financial Services due to new processes and leadership; and a $7.3 million increase in state appropriations. The increase in operating expenses was discussed above.

While UTHSC-Tyler's operating performance improved significantly in 2014, it is important to note the sizeable impact net DSRIP revenue had on UTHSC-Tyler's operating results. UTHSC-Tyler recognized $15.4 million of net DSRIP revenue as compared to $4.5 million (including the initial anchor payment) in 2013. If the net DSRIP revenue had not been recognized in 2014, then UTHSC-Tyler's annual operating margin would have been ($13.6) million or (10.2%).

Expendable Resources to Debt Ratio - UTHSC-Tyler's expendable resources to debt ratio increased from 1.0 in 2013 to 1.3 in 2014. The increase in this ratio was due to the increase in both total unrestricted net position of $8.9 million, as discussed above, and the increase in total restricted expendable net position (excluding restricted expendable for capital projects) of $1.3 million, combined with a decrease of $2.0 million in the amount of debt outstanding.

Debt Burden Ratio - UTHSC-Tyler's debt burden ratio decreased from 3.5% in 2013 to 3.2% in 2014 as a result of the increase in total operating expenses as previously discussed.

Debt Service Coverage Ratio -UTHSC-Tyler's debt service coverage ratio increased substantially from (1.3) in 2013 to 2.5 in 2014. The increase in this ratio was attributable to the improvement in operating performance as discussed in the annual operating margin ratio above.

Appendix A - Definitions of Evaluation Factors

1. **Composite Financial Index (CFI)** – The CFI measures the overall financial health of an institution by combining four core ratios into a single score. The four core ratios used to compute the CFI are as follows: primary reserve ratio, expendable resources to debt ratio, return on net position ratio, and annual operating margin ratio.

Core Ratio Values		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	/	0.133	=	Strength Factor	x	35.0%	=	Score
Annual Operating Margin	/	1.3%	=	Strength Factor	x	10.0%	=	Score
Return on Net Position	/	2.0%	=	Strength Factor	x	20.0%	=	Score
Expendable Resources to Debt	/	0.417	=	Strength Factor	x	35.0%	=	Score
						CFI	=	Total Score

2. **Operating Expense Coverage Ratio** – This ratio measures an institution's ability to cover future operating expenses with available year-end balances. This ratio is expressed in number of months coverage.

$$\frac{\text{Total Unrestricted Net Position}}{\text{Total Operating Expenses + Interest Expense on Debt}} * 12$$

3. **Annual Operating Margin Ratio** – This ratio indicates whether an institution is living within its available resources.

$$\frac{\text{Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+RAHC\&AUF Trans+NSERB Appr+HEAF for Op Exp+TRIP–Op \& Int Exp}}{\text{Op Rev+GR+Op Gifts+NonexchSP+Inv Inc+RAHC\&AUF Trans+NSERB Approp+HEAF for Op Exp+TRIP}}$$

4. **Expendable Resources to Debt Ratio** – This ratio measures an institution's ability to fund outstanding debt with existing net position balances should an emergency occur. Debt capacity thresholds are provided by the Office of Finance and are based on formulas used by Moody's Investors Service. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. According to *Strategic Financial Analysis for Higher Education*, Seventh Edition, the amount of restricted expendable net position that will be invested in plant should be excluded in the calculation of this ratio. Therefore, beginning in 2013 the amount of restricted expendable for capital projects is excluded from the numerator. The minimum expendable resources to debt ratio is 0.8 times.

$$\frac{\text{Restricted Expendable Net Position (excluding expendable for capital projects) + Unrestricted Net Position}}{\text{Debt not on Institution's Books}}$$

5. **Debt Burden Ratio** – This ratio examines the institution's dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses. Debt capacity thresholds are provided by the Office of Finance and are based on formulas used by Moody's Investors Service. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. The maximum debt burden ratio is 5.0%.

$$\frac{\text{Debt Service Transfers}}{\text{Operating Exp. (excluding Scholarships Exp.) + Interest Exp.}}$$

Appendix A - Definitions of Evaluation Factors (Continued)

6. **Debt Service Coverage Ratio** – This ratio measures the actual margin of protection provided to investors by annual operations. Moody's excludes actual investment income from its calculation of total operating revenue and instead uses a normalized investment income. Moody's applies 5% of the average of the previous three years' market value of cash and investments to compute normalized investment income. In order to be consistent with the Office of Finance's calculation of the debt service coverage ratio, normalized investment income as defined above is used for the calculation of this ratio only. Debt capacity thresholds are provided by the Office of Finance and are based on formulas used by Moody's Investors Service. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. The minimum debt service coverage ratio is 1.8 times.

$$\frac{\text{Op Rev+GR+Op Gifts+NonexchSP+Norm Inv Inc+RAHC\&AUF Trans+NSERB+Total HEAF+TRIP–Op Exp+Depr}}{\text{Debt Service Transfers}}$$

7. **Primary Reserve Ratio** - This ratio measures the financial strength of an institution by comparing expendable net position to total expenses. This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net position generated by operations. According to *Strategic Financial Analysis for Higher Education*, Seventh Edition, the amount of restricted expendable net position that will be invested in plant should be excluded in the calculation of this ratio. Therefore, beginning in 2013 the amount of restricted expendable for capital projects is excluded from the numerator.

$$\frac{\text{Expendable Net Position (excluding expendable for capital projects) + Unrestricted Net Position}}{\text{Total Operating Expenses + Interest Expense on Debt}}$$

8. **Return on Net Position Ratio –** This ratio determines whether the institution is financially better off than in previous years by measuring total economic return. An improving trend indicates that the institution is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility.

$$\frac{\text{Change in Net Position (Adjusted for Change in Debt not on Institution's Books)}}{\text{Beginning Net Position – Debt not on Institution's Books}}$$

9. **Full-Time Equivalent (FTE) Student Enrollment** - Total semester credit hours taken by students during the fall semester, divided by factors of 15 for undergraduate students, 12 for graduate and special professional students, and 9 for doctoral students to arrive at the full-time equivalent (FTE) students represented by the course hours taken.

Appendix A - Definitions of Evaluation Factors (Continued)

The categories, which are utilized to indicate the assessment of an institution's financial condition, are "Satisfactory," "Watch," and "Unsatisfactory." In most cases the rating is based upon the trends of the financial ratios unless isolated financial difficulties in particular areas are material enough to threaten the overall financial results.

Satisfactory – an institution assigned this assessment exhibits a general history of relatively stable or increasing financial ratios. The CFI remains relatively stable within the trend period. However, the CFI can fluctuate depending upon the underlying factors contributing to the fluctuation with respect to the overall mission of an institution. The CFI must be analyzed in conjunction with the trends in the other ratios analyzed. The operating expense coverage ratio should be at or above a two-month benchmark and should be stable or improving. The annual operating margin ratio could be both positive and negative during the trend period due to nonrecurring items. Some of these items include unexpected reductions in external sources of income, such as state appropriations, gifts and investment income, all of which are unpredictable and subject to economic conditions. The Office of Finance uses the expendable resources to debt ratio, debt burden ratio, and debt service coverage ratio, which are the same ratios the bond rating agencies calculate for U. T. System. Trends in these ratios can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. In general, an institution's expendable resources to debt and debt service coverage ratios should exceed the Office of Finance's standards of 0.8 times and 1.8 times, respectively, while the debt burden ratio should fall below the Office of Finance's standard of 5.0%. Full-time equivalent (FTE) student enrollment must be relatively stable or increasing. Isolated financial difficulties in particular areas may be evident, but must not be material enough to threaten the overall financial health of an institution.

Watch – an institution assigned this assessment exhibits a history of relatively unstable or declining financial ratios. The CFI is less stable and/or the fluctuations are not expected given the mission of an institution. The operating expense coverage ratio can be at or above a two-month benchmark, but typically shows a declining trend. Annual operating margin ratio is negative or near break-even during the trend period due to recurring items, material operating difficulties or uncertainties caused by either internal management decisions or external factors. Trends in the expendable resources to debt ratio, debt burden ratio, and debt service coverage ratio can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. FTE student enrollment can be stable or declining, depending upon competitive alternatives or recruitment and retention efforts. Isolated financial difficulties in particular areas may be evident and can be material enough to threaten the overall financial health of an institution.

Unsatisfactory – an institution assigned this assessment exhibits a history of relatively unstable financial ratios. The CFI is very volatile and does not support the mission of an institution. The operating expense coverage ratio may be below a two-month benchmark and shows a declining trend. The annual operating margin ratio is predominately volatile or negative during the trend period due to material operating difficulties or uncertainties caused by either internal management decisions or external factors. Trends in the expendable resources to debt ratio, debt burden ratio, and debt service coverage ratio can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. The FTE student enrollment can be stable or declining, depending upon competitive alternatives or recruitment and retention efforts. Widespread financial difficulties in key areas are evident and are material enough to further threaten the overall financial health of an institution. For institutions rated "Unsatisfactory," the Chancellor and the appropriate Executive Vice Chancellors will request the institutions to develop a specific financial plan of action to improve the institution's financial condition. By policy, institutions rated "Unsatisfactory" are not permitted to invest in the Intermediate Term Fund. Progress towards the achievement of the plans will be periodically discussed with the Chief Business Officer and President, and representatives from the U. T. System Offices of Business, Academic, and/or Health Affairs, as appropriate.

Appendix B - Calculation of Composite Financial Index
Academic Institutions
As of August 31, 2014

U. T. Arlington

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.60	/	0.133	=	4.51	x	35.0%	=	1.58
Annual Operating Margin	4.10%	/	1.3%	=	3.15	x	10.0%	=	0.32
Return on Net Position	7.20%	/	2.0%	=	3.60	x	20.0%	=	0.72
Expendable Resources to Debt	1.00	/	0.417	=	2.40	x	35.0%	=	0.84
							CFI		3.5

U. T. Austin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	1.40	/	0.133	=	10.53	x	35.0%	=	3.68
Annual Operating Margin	5.10%	/	1.3%	=	3.92	x	10.0%	=	0.39
Return on Net Position	15.60%	/	2.0%	=	7.80	x	20.0%	=	1.56
Expendable Resources to Debt	2.80	/	0.417	=	6.71	x	35.0%	=	2.35
							CFI		8.0

U. T. Brownsville

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.40	/	0.133	=	3.01	x	35.0%	=	1.05
Annual Operating Margin	-5.70%	/	1.3%	=	-4.38	x	10.0%	=	-0.44
Return on Net Position	5.20%	/	2.0%	=	2.60	x	20.0%	=	0.52
Expendable Resources to Debt	0.90	/	0.417	=	2.16	x	35.0%	=	0.76
							CFI		1.9

U. T. Dallas

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.70	/	0.133	=	5.26	x	35.0%	=	1.84
Annual Operating Margin	1.20%	/	1.3%	=	0.92	x	10.0%	=	0.09
Return on Net Position	14.20%	/	2.0%	=	7.10	x	20.0%	=	1.42
Expendable Resources to Debt	0.70	/	0.417	=	1.68	x	35.0%	=	0.59
							CFI		3.9

U. T. El Paso

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.60	/	0.133	=	4.51	x	35.0%	=	1.58
Annual Operating Margin	-3.10%	/	1.3%	=	-2.38	x	10.0%	=	-0.24
Return on Net Position	6.20%	/	2.0%	=	3.10	x	20.0%	=	0.62
Expendable Resources to Debt	1.00	/	0.417	=	2.40	x	35.0%	=	0.84
							CFI		2.8

Appendix B - Calculation of Composite Financial Index
Academic Institutions
As of August 31, 2014
(continued)

U. T. Pan American

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.50	/	0.133	=	3.76	x	35.0%	=	1.32
Annual Operating Margin	1.60%	/	1.3%	=	1.23	x	10.0%	=	0.12
Return on Net Position	9.20%	/	2.0%	=	4.60	x	20.0%	=	0.92
Expendable Resources to Debt	1.40	/	0.417	=	3.36	x	35.0%	=	1.18
							CFI		3.5

U. T. Permian Basin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.50	/	0.133	=	3.76	x	35.0%	=	1.32
Annual Operating Margin	-0.80%	/	1.3%	=	-0.62	x	10.0%	=	-0.06
Return on Net Position	7.50%	/	2.0%	=	3.75	x	20.0%	=	0.75
Expendable Resources to Debt	0.30	/	0.417	=	0.72	x	35.0%	=	0.25
							CFI		2.3

U. T. San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.70	/	0.133	=	5.26	x	35.0%	=	1.84
Annual Operating Margin	2.40%	/	1.3%	=	1.85	x	10.0%	=	0.18
Return on Net Position	8.80%	/	2.0%	=	4.40	x	20.0%	=	0.88
Expendable Resources to Debt	0.90	/	0.417	=	2.16	x	35.0%	=	0.76
							CFI		3.7

U. T. Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.90	/	0.133	=	6.77	x	35.0%	=	2.37
Annual Operating Margin	0.80%	/	1.3%	=	0.62	x	10.0%	=	0.06
Return on Net Position	11.00%	/	2.0%	=	5.50	x	20.0%	=	1.10
Expendable Resources to Debt	1.10	/	0.417	=	2.64	x	35.0%	=	0.92
							CFI		4.5

Appendix B - Calculation of Composite Financial Index
Health Institutions
As of August 31, 2014

Southwestern

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.90	/	0.133	=	6.77	x	35.0%	=	2.37
Annual Operating Margin	5.10%	/	1.3%	=	3.92	x	10.0%	=	0.39
Return on Net Position	11.70%	/	2.0%	=	5.85	x	20.0%	=	1.17
Expendable Resources to Debt	2.00	/	0.417	=	4.80	x	35.0%	=	1.68
							CFI		5.6

UTMB

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.30	/	0.133	=	2.26	x	35.0%	=	0.79
Annual Operating Margin	0.40%	/	1.3%	=	0.31	x	10.0%	=	0.03
Return on Net Position	13.20%	/	2.0%	=	6.60	x	20.0%	=	1.32
Expendable Resources to Debt	1.10	/	0.417	=	2.64	x	35.0%	=	0.92
							CFI		3.1

UTHSC-Houston

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.60	/	0.133	=	4.51	x	35.0%	=	1.58
Annual Operating Margin	1.20%	/	1.3%	=	0.92	x	10.0%	=	0.09
Return on Net Position	10.10%	/	2.0%	=	5.05	x	20.0%	=	1.01
Expendable Resources to Debt	2.40	/	0.417	=	5.76	x	35.0%	=	2.01
							CFI		4.7

UTHSC-San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.70	/	0.133	=	5.26	x	35.0%	=	1.84
Annual Operating Margin	1.20%	/	1.3%	=	0.92	x	10.0%	=	0.09
Return on Net Position	13.60%	/	2.0%	=	6.80	x	20.0%	=	1.36
Expendable Resources to Debt	2.70	/	0.417	=	6.47	x	35.0%	=	2.27
							CFI		5.6

M. D. Anderson

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.70	/	0.133	=	5.26	x	35.0%	=	1.84
Annual Operating Margin	10.80%	/	1.3%	=	8.31	x	10.0%	=	0.83
Return on Net Position	13.50%	/	2.0%	=	6.75	x	20.0%	=	1.35
Expendable Resources to Debt	2.90	/	0.417	=	6.95	x	35.0%	=	2.43
							CFI		6.5

UTHSC-Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.30	/	0.133	=	2.26	x	35.0%	=	0.79
Annual Operating Margin	1.10%	/	1.3%	=	0.85	x	10.0%	=	0.08
Return on Net Position	13.60%	/	2.0%	=	6.80	x	20.0%	=	1.36
Expendable Resources to Debt	1.30	/	0.417	=	3.12	x	35.0%	=	1.09
							CFI		3.3

Appendix C - Calculation of Expendable Net Position
Academic Institutions
As of August 31, 2014
(In Millions)

Institution	Restricted Expendable Net Position: Capital Projects	Restricted Expendable Net Position: Funds Functioning Restricted	Restricted Expendable Net Position: Other Expendable	Restricted Expendable Net Position: Total	Total Unrestricted Net Position	Total Expendable Net Position	Less: Restricted Exp for Cap. Projects	Total Exp. Net Position Excluding Cap. Projects
U. T. Arlington	$ 15.0	4.6	68.4	88.0	234.2	322.2	(15.0)	307.3
U. T. Austin	89.7	217.8	1,971.6	2,279.0	1,117.3	3,396.4	(89.7)	3,306.7
U. T. Brownsville	0.1	-	6.2	6.4	48.4	54.7	(0.1)	54.6
U. T. Dallas	16.9	20.3	192.9	230.1	155.0	385.1	(16.9)	368.2
U. T. El Paso	7.0	18.6	137.5	163.1	75.9	239.0	(7.0)	231.9
U. T. Pan American	11.8	1.3	20.3	33.4	102.8	136.1	(11.8)	124.4
U. T. Permian Basin	9.5	0.1	21.0	30.6	14.7	45.4	(9.5)	35.8
U. T. San Antonio	0.1	1.4	72.5	74.0	241.4	315.4	(0.1)	315.3
U. T. Tyler	10.4	0.5	50.9	61.8	49.4	111.2	(10.4)	100.8

Appendix C - Calculation of Expendable Net Position
Health Institutions
As of August 31, 2014
(In Millions)

Institution	Restricted Expendable Net Position: Capital Projects	Restricted Expendable Net Position: Funds Functioning Restricted	Restricted Expendable Net Position: Other Expendable	Restricted Expendable Net Position: Total	Total Unrestricted Net Position	Total Expendable Net Position	Less: Restricted Exp for Cap. Projects	Total Exp. Net Position Excluding Cap. Projects
Southwestern	$ 20.2	26.9	910.5	957.6	1,045.6	2,003.3	(20.2)	1,983.1
UTMB	39.1	31.8	229.3	300.1	320.6	620.7	(39.1)	581.7
UTHSC-Houston	1.6	27.4	161.8	190.8	479.6	670.4	(1.6)	668.8
UTHSC-San Antonio	(0.4)	14.8	237.7	252.2	272.8	525.0	0.4	525.4
M. D. Anderson	173.2	67.1	585.0	825.3	2,080.8	2,906.0	(173.2)	2,732.9
UTHSC-Tyler	(1.0)	1.0	19.5	19.5	32.7	52.2	1.0	53.2

Appendix D - Calculation of Annual Operating Margin
Academic Institutions
As of August 31, 2014
(In Millions)

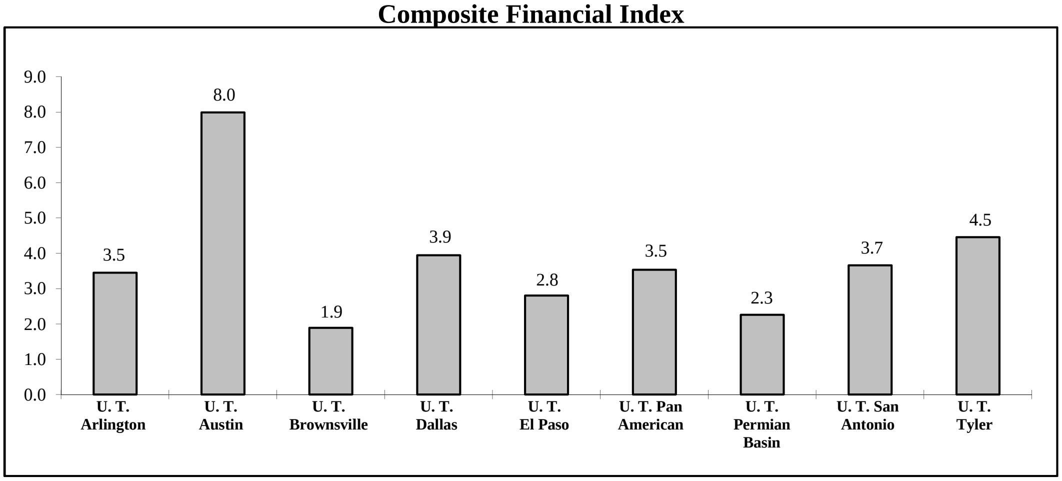
		Less: Nonoperating Items					Other Adjustments						
Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.	Margin From SRECNA	Minus: Realized Gains/ (Losses)	Plus: AUF Transfer	Plus: NSERB	Plus: TRIP & Other	Plus: HEAF for Op. Exp.	Plus: Interest Expense	Annual Operating Margin
U. T. Arlington	$ 59.2	-	(0.2)	(0.4)	25.6	34.1	-	-	-	1.2	-	(13.0)	22.3
U. T. Austin	247.9	12.4	(11.0)	(23.6)	265.4	4.7	71.9	242.8	-	-	-	(46.8)	128.8
U. T. Brownsville	(7.6)	-	(0.2)	4.0	2.1	(13.6)	0.1	-	-	6.1	3.6	(2.7)	(6.7)
U. T. Dallas	36.3	-	-	(2.3)	28.6	10.1	2.7	-	6.5	5.0	-	(12.6)	6.3
U. T. El Paso	21.1	0.6	(0.4)	(0.1)	32.1	(11.0)	(3.4)	-	-	4.0	-	(8.2)	(11.8)
U. T. Pan American	14.5	0.9	(0.2)	(0.4)	8.0	6.1	1.5	-	-	-	2.9	(3.3)	4.2
U. T. Permian Basin	8.3	0.1	-	-	3.2	5.0	0.3	-	-	-	-	(5.2)	(0.5)
U. T. San Antonio	62.7	-	(0.2)	(0.2)	25.5	37.5	3.1	-	-	(6.3)	-	(16.2)	11.8
U. T. Tyler	14.6	-	-	-	9.9	4.7	-	-	-	-	-	(3.8)	0.9

Appendix D - Calculation of Annual Operating Margin
Health Institutions
As of August 31, 2014
(In Millions)

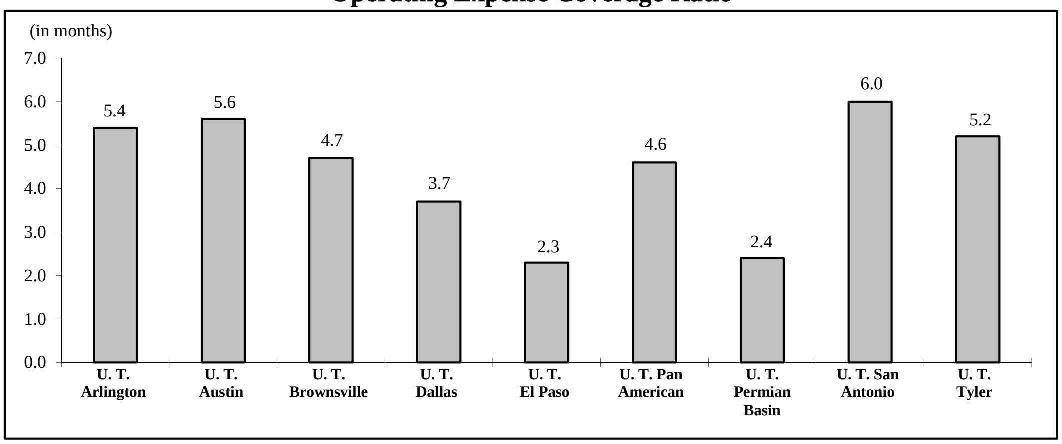
Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items — Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.	Margin From SRECNA	Other Adjustments — Minus: Realized Gains/ (Losses)	Plus: RAHC Transfer	Plus: Interest Expense	Annual Operating Margin
Southwestern	$ 313.6	0.6	(0.2)	(5.4)	181.8	136.8	4.3	-	(19.8)	112.7
UTMB	80.2	0.4	(1.1)	(1.2)	62.6	19.4	4.9	-	(7.1)	7.4
UTHSC-Houston	77.3	1.7	-	(0.4)	47.8	28.3	3.1	0.6	(11.4)	14.4
UTHSC-San Antonio	80.5	-	(0.1)	(0.5)	62.5	18.6	0.5	0.6	(9.1)	9.6
M. D. Anderson	729.7	-	(0.4)	(0.9)	204.4	526.7	39.5	-	(37.0)	450.2
UTHSC-Tyler	8.5	-	-	-	4.5	4.0	0.8	-	(1.5)	1.7

Appendix E - Academic Institutions' Evaluation Factors
2014 Analysis of Financial Condition

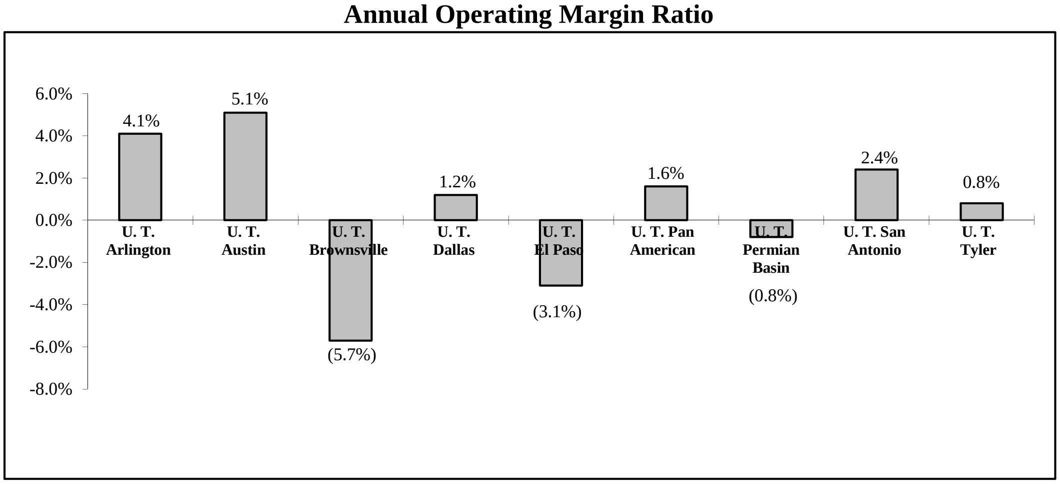
Composite Financial Index



Operating Expense Coverage Ratio

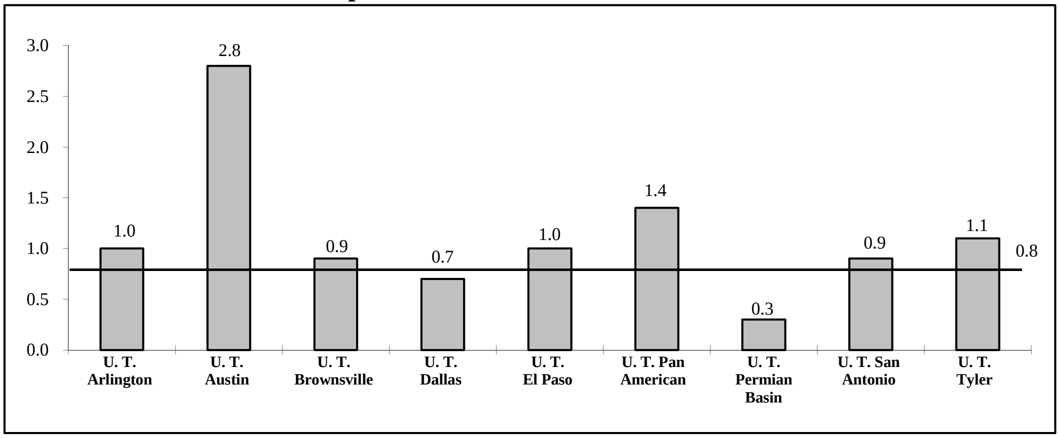


Annual Operating Margin Ratio

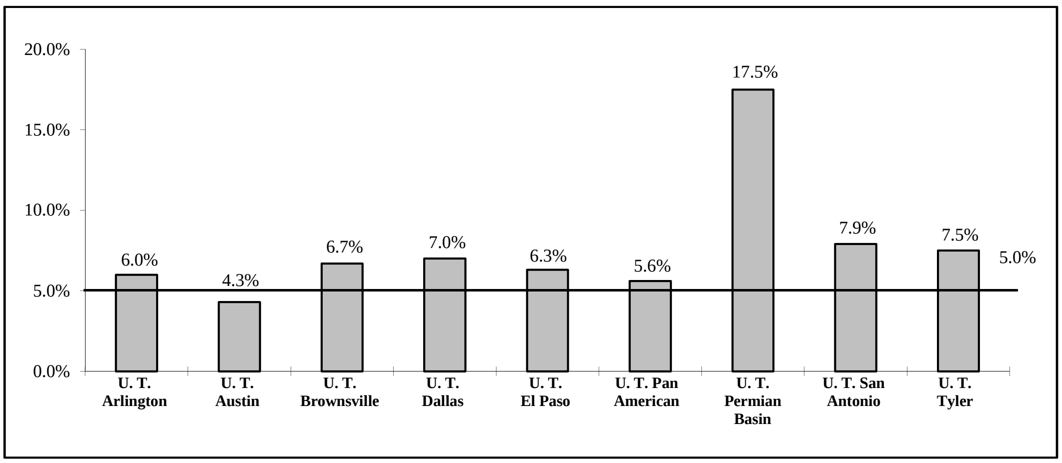


Appendix E - Academic Institutions' Evaluation Factors
2014 Analysis of Financial Condition

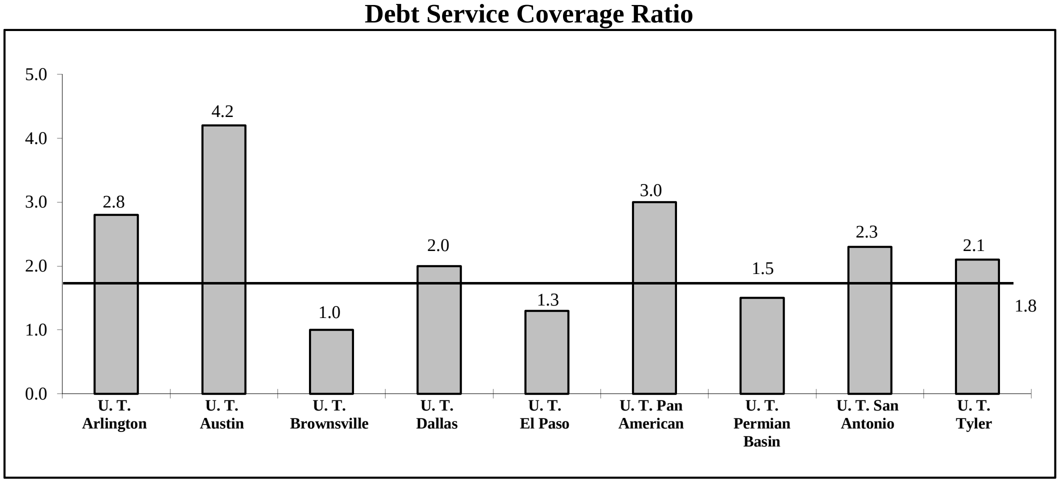
Expendable Resources to Debt Ratio



Debt Burden Ratio

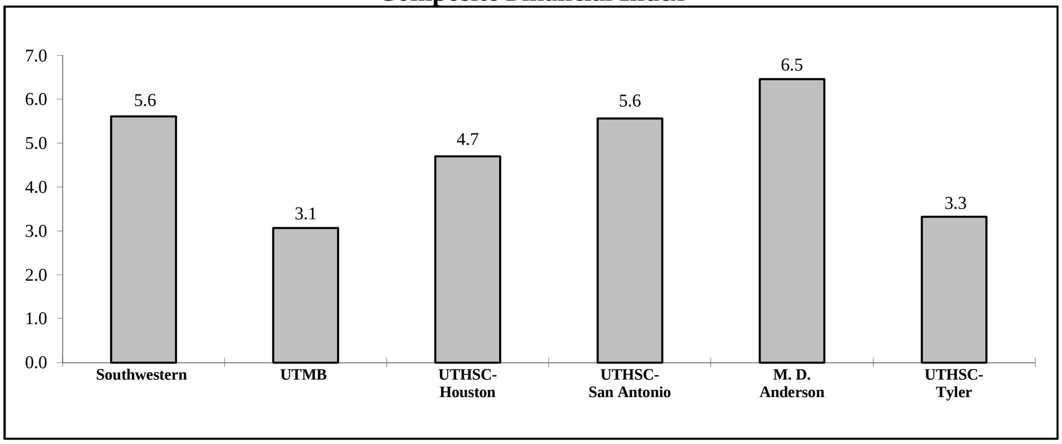


Debt Service Coverage Ratio

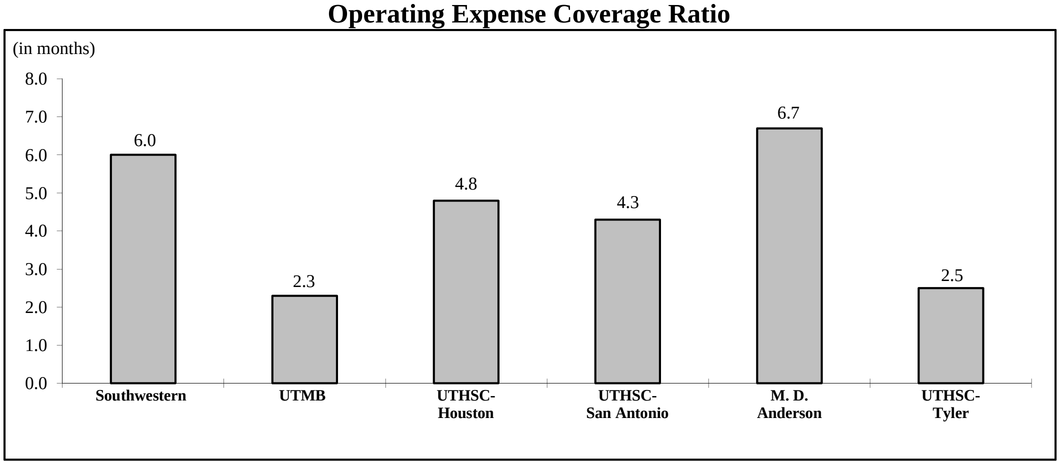


Appendix E - Health Institutions' Evaluation Factors
2014 Analysis of Financial Condition

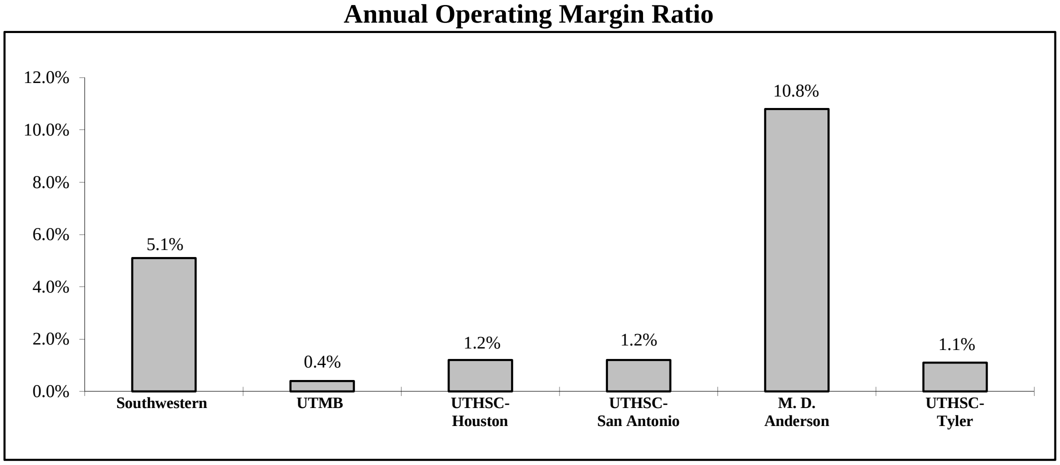
Composite Financial Index



Operating Expense Coverage Ratio

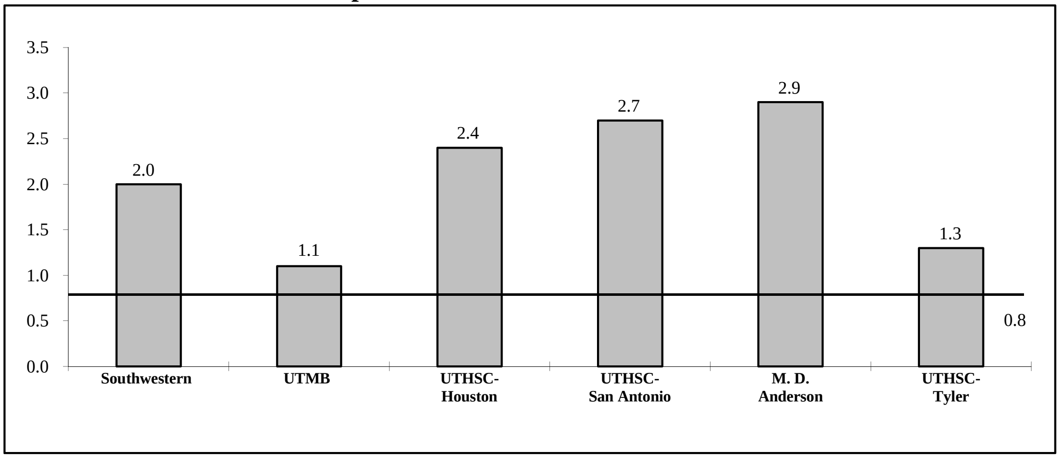


Annual Operating Margin Ratio

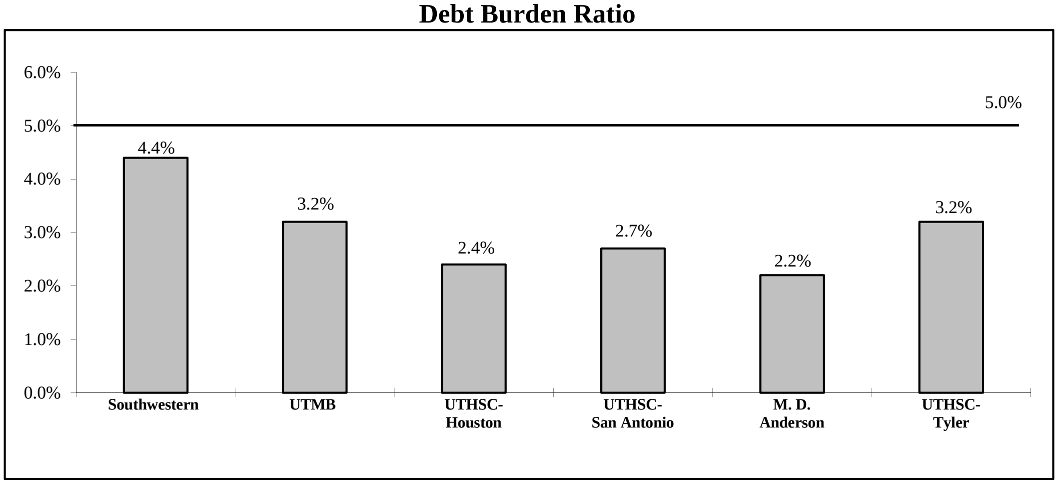


Appendix E - Health Institutions' Evaluation Factors
2014 Analysis of Financial Condition

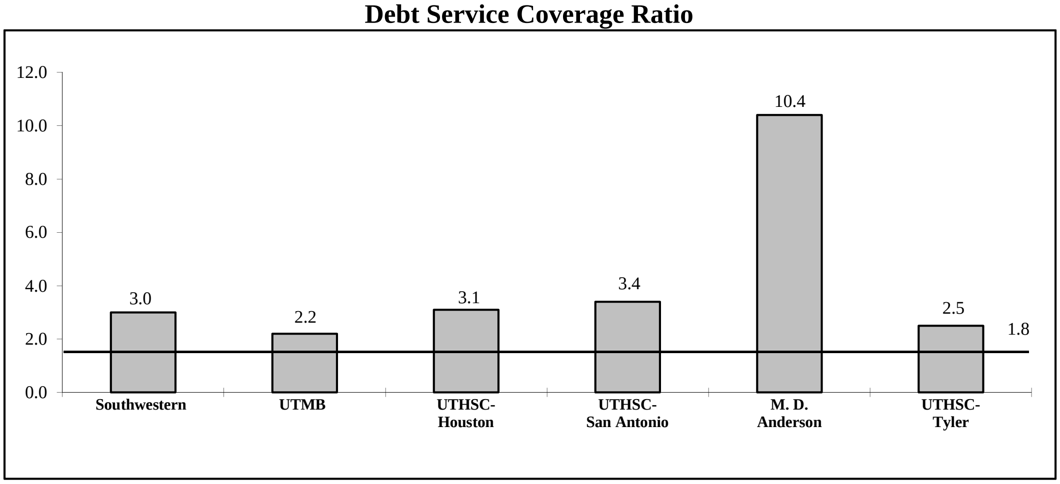
Expendable Resources to Debt Ratio



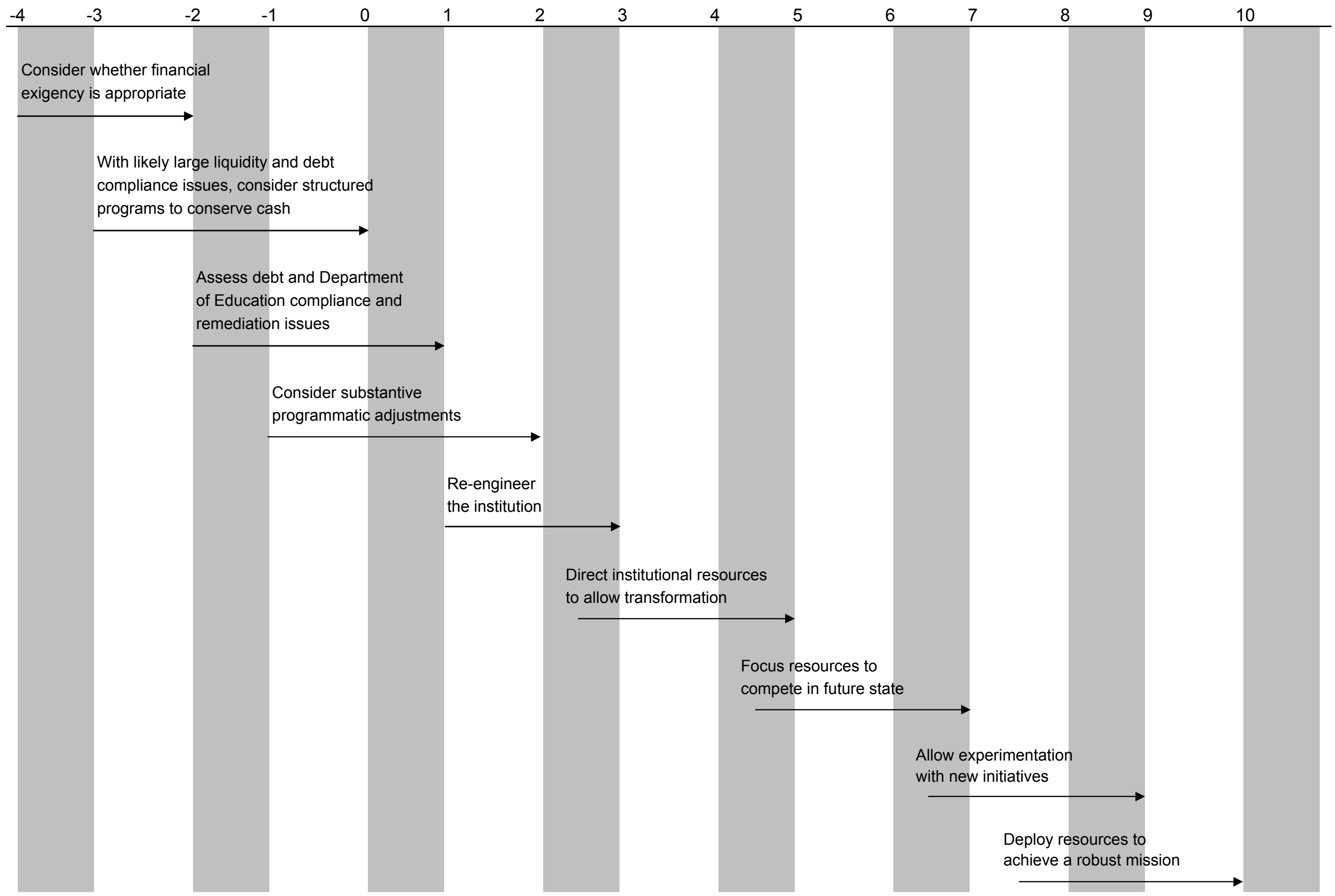
Debt Burden Ratio



Debt Service Coverage Ratio

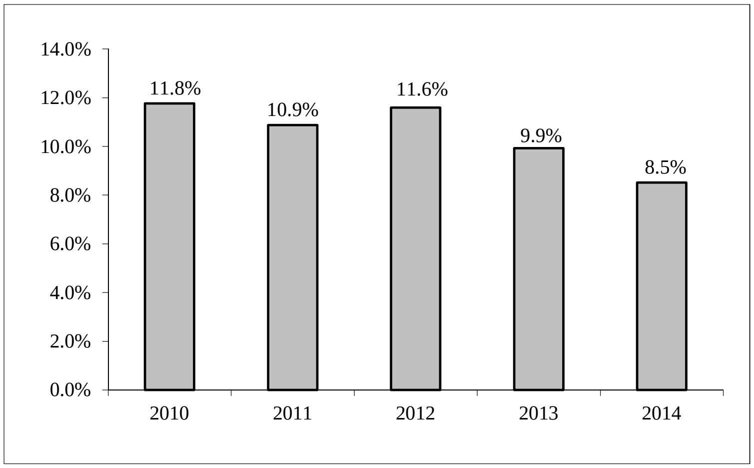


Appendix F - Scale for Charting CFI Performance



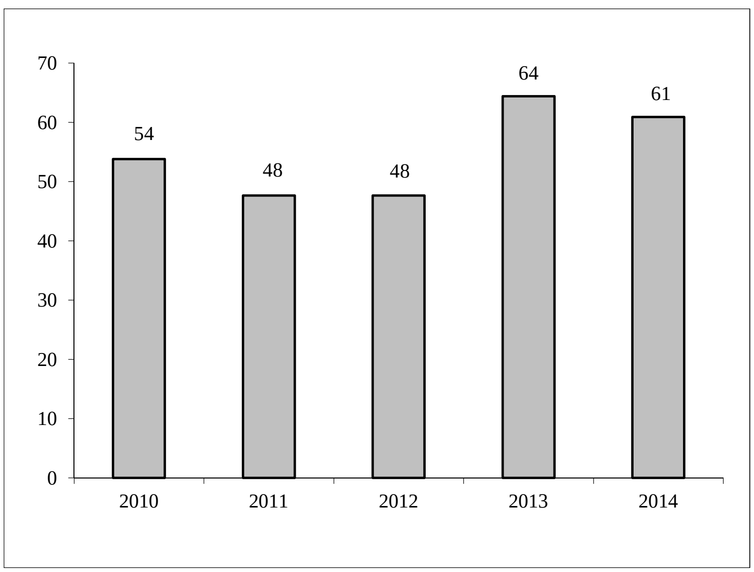
Appendix G - Key Hospital Operating Factors
The University of Texas Southwestern Medical Center

Annual Operating Margin Ratio



The annual operating margin ratio decreased from 9.9% for 2013 to 8.5% for 2014 as the growth in total operating revenues of $79.8 million (10.6%) lagged behind the growth in total operating expenses of $83.7 million (12.3%). The increase in total operating expenses, which exceeded the growth in volume, was driven by additional costs for information resources, plant and engineering and other fixed costs. Much of this increase was associated with the preparation of infrastructure and systems for the new Clements University Hospital.

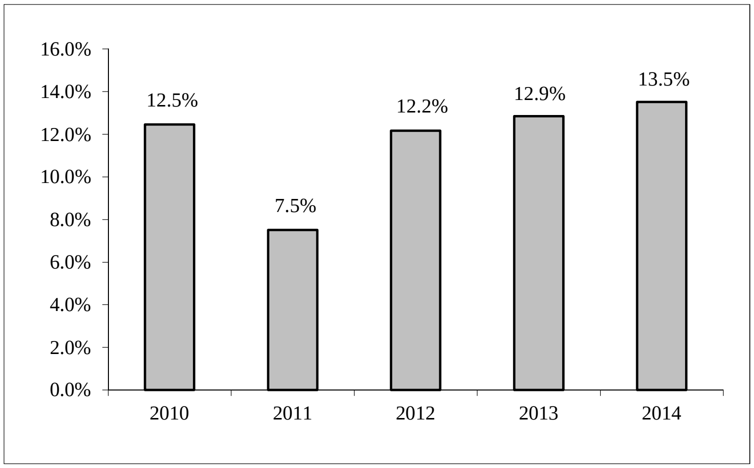
Net Accounts Receivable (in days)



The decrease in net accounts receivable days from 64 in 2013 to 61 in 2014 was attributable to continued improvement in the revenue cycle operations. Patient collections were almost $800.0 million in 2014. The mix of revenue and accounts shifted from larger inpatient accounts to more smaller outpatient accounts needing additional resources. As part of the improvement plan, a clinical documentation improvement program was implemented as well as increased training and improvement initiatives with coding staff. While this resulted in improved collections, it has also served to slow the progress of reducing the overall days in accounts receivable.

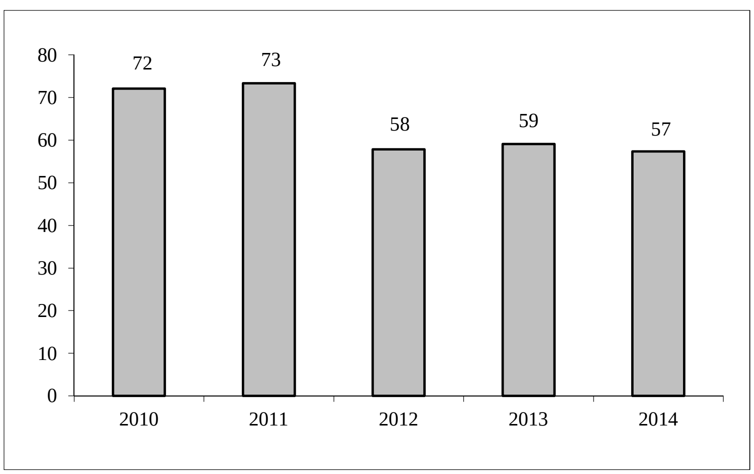
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Southwestern Medical Center

Annual Operating Margin Ratio



The annual operating margin ratio increased from 12.9% for 2013 to 13.5% for 2014 primarily due to $5.6 million Medicaid reimbursement under the Affordable Care Act (ACA) and an increase of $19.0 million related to contractual income. Southwestern also received an additional $2.8 million in Delivery System Reform Incentive Payments in 2014.

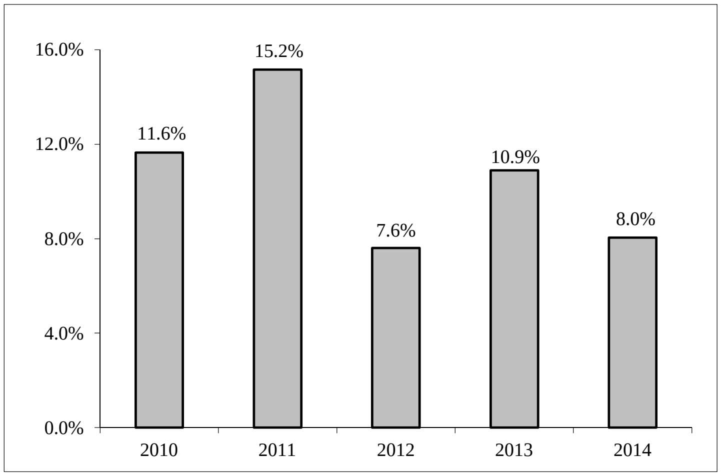
Net Accounts Receivable (in days)



Net accounts receivable (in days) decreased from 59 days in 2013 to 57 days in 2014. This decrease was attributable to an increase in patient revenues of $38.0 million mainly due to billing efficiency and other additional collections, which consisted of the affiliated hospital appealed collections and the ACA payment.

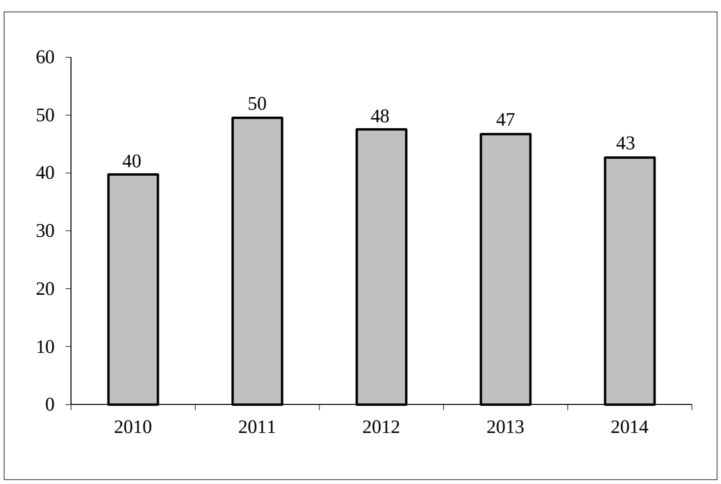
Appendix G - Key Hospital Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



UTMB Hospitals and Clinics' annual operating margin ratio decreased from 10.9% for 2013 to 8.0% for 2014. The hospitals and clinics experienced operating revenue increases of 8.2% due to volume, case mix and general revenue increases. However, operating expenses increased by 11.7% which outpaced the growth in operating revenues. The increases in operating expenses occurred mainly in the following: depreciation and amortization expense, salaries and wages and payroll related costs, medical supplies and pharmacy as a result of higher volumes.

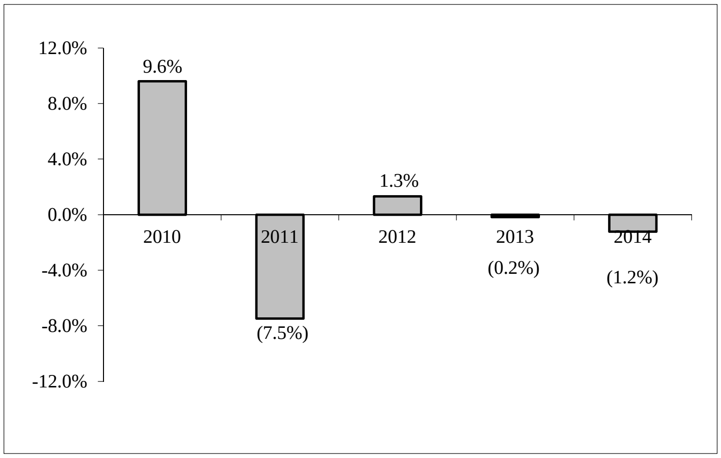
Net Accounts Receivable (in days)



Net accounts receivable in days decreased 8.5% between 2013 and 2014 from 47 days to 43 days. This decrease was partially due to enhancements to the billing and collection processes under the new billing system implemented on April 1, 2013.

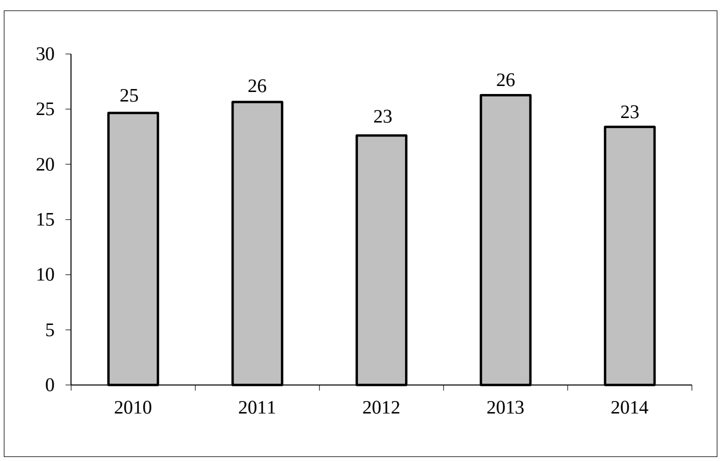
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



The annual operating margin ratio decreased from (0.2%) for 2013 to (1.2%) for 2014. Although operating revenues increased by 1.8%, operating expenses increased by 2.9%. The increase in operating expenses was primarily due to salaries and wages and payroll related costs related to incentive accruals as a result of the implementation of the new faculty compensation plan. In 2014 UTMB received a professional liability insurance (PLI) rebate of $1.3 million which was less than the PLI rebate received in 2013 of $3.2 million.

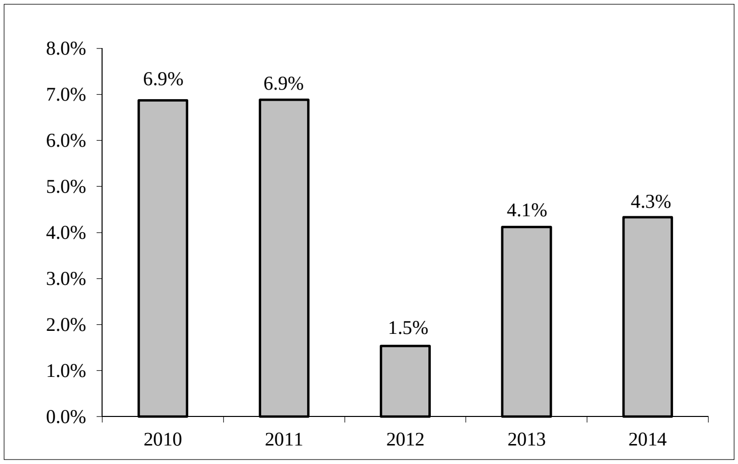
Net Accounts Receivable (in days)



Net accounts receivable in days decreased 11.5% between 2013 and 2014 from 26 days to 23 days. This decrease was partially due to enhancements to the billing and collection processes under the new billing system implemented on April 1, 2013.

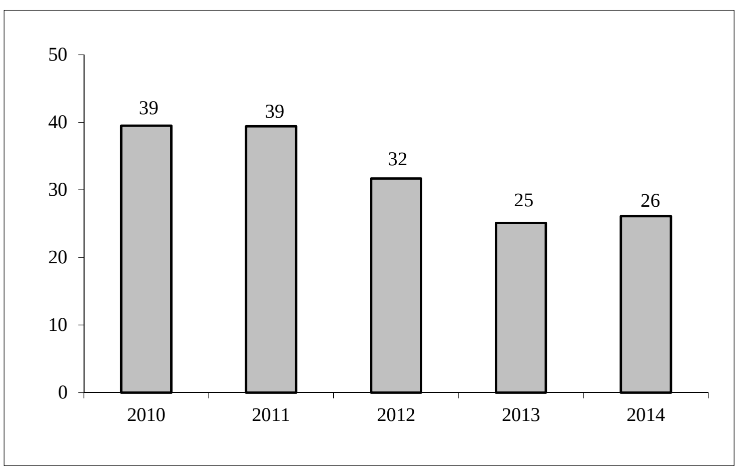
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The annual operating margin ratio increased from 4.1% for 2013 to 4.3% for 2014 primarily because the hospital was able to distribute fixed costs over additional beds as a result of increased funding from the State of Texas to provide a longer term treatment program.

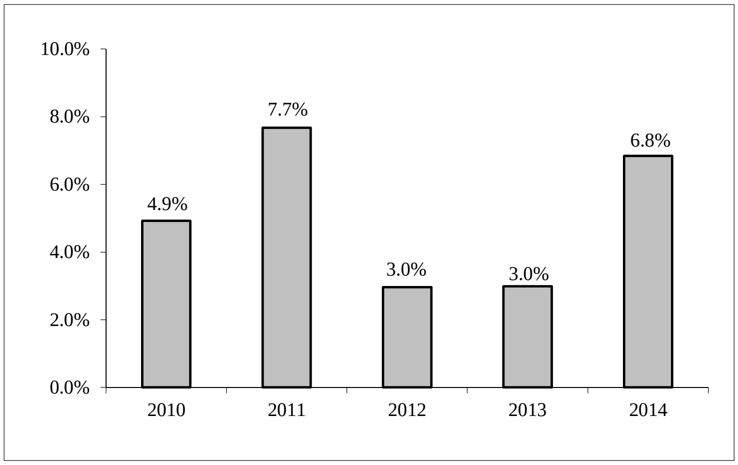
Net Accounts Receivable (in days)



The net accounts receivable in days remained relatively constant over the last two years. The hospital continued to improve its billing and collection processes, including reviewing and working denials from managed care companies, identifying patients who qualify for indigent status, and recognizing patient bad debts.

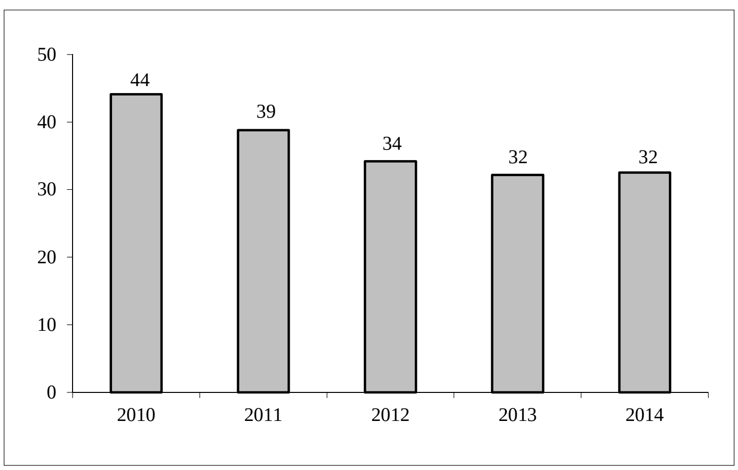
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The annual operating margin ratio increased from 3.0% for 2013 to 6.8% for 2014 primarily due to the growth of the physician practice plan. The physician practice plan recognized an increase in operating expenses of 17.1% while operating revenues increased 21.9%. Although operating expenses increased in total, primarily due to the addition of faculty and the acquisition and opening of new clinics, there were significant expense reductions in some departments (Internal Medicine, Diagnostic Imaging, Obstetrics/Gynecology, Pediatrics and Neurology). Operating revenues increased due to increases in professional fee revenue, contractual income, Delivery System Reform Incentive Payments, uncompensated care revenue associated with the Medicaid Section 1115 Demonstration Program, and Affordable Care Act payments.

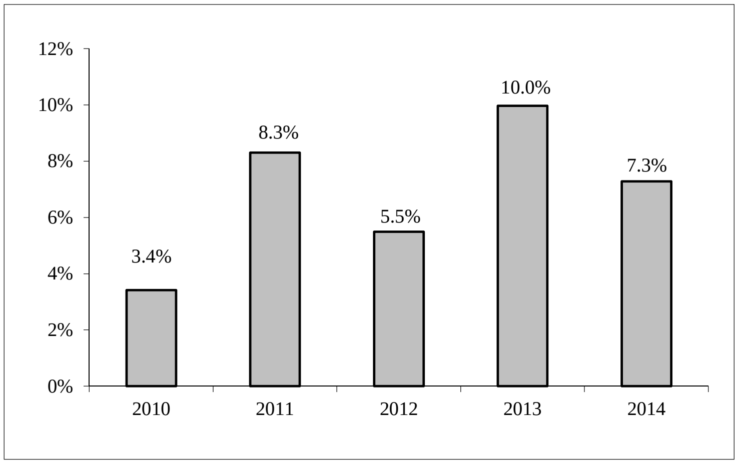
Net Accounts Receivable (in days)



Net accounts receivable (in days) remained constant at 32 days from 2013 to 2014. The practice plan has focused heavily on improving the revenue cycle in the last two years, adding a vice president for the Revenue Cycle and adjusting contractual terms with McKesson. Decreasing charge lag and increasing/improving timely follow-up are among the issues focused on to improve collection rates.

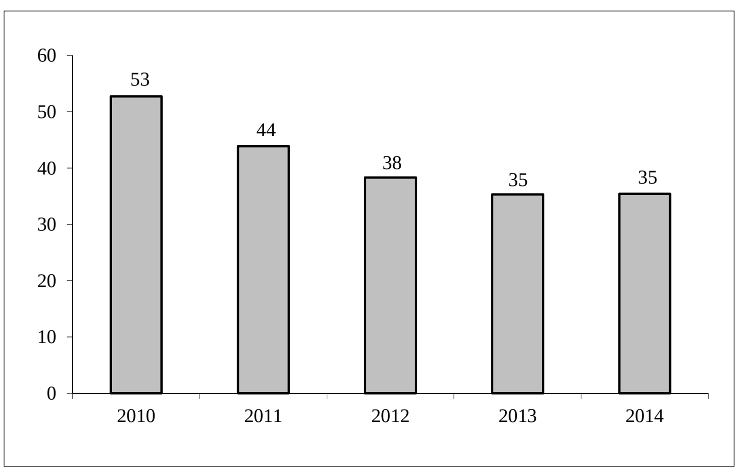
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at San Antonio

Annual Operating Margin Ratio



The annual operating margin comprises all medical clinical operations, including patient activities provided through the Cancer Therapy and Research Center. The decrease in the annual operating margin ratio was primarily attributable to the Delivery System Reform Incentive Payment (DSRIP) program associated with the Medicaid Section 1115 Demonstration. DSRIP activity generated $15.0 million more in revenues and $19.1 million more in operating expenses, thus largely contributing to the $3.9 million decrease in overall operating margin. Excluding DSRIP activity, operations remained relatively flat from the prior year. Operating revenues increased by $27.5 million over the prior year, $14.0 million of which was due to accounting changes associated with contracts with University Health System (UHS), while operating expenses increased by $25.0 million due to service requirements associated with UHS contracts, consulting engagements targeted at clinical expansion and enhancement activities, and faculty recruitments and compensation efforts aligned with productivity-based compensation plans. In addition, UTHSC-San Antonio received a professional liability insurance (PLI) rebate of $2.3 million less in 2014 than in 2013. UTHSC-San Antonio continues to be committed to reinvesting incremental operating revenues towards recruitment efforts, addressing faculty compensation issues, expanding programs and departments, streamlining billing operations and patient services, as well as developing and implementing an infrastructure necessary to meet the goals and challenges of healthcare reform.

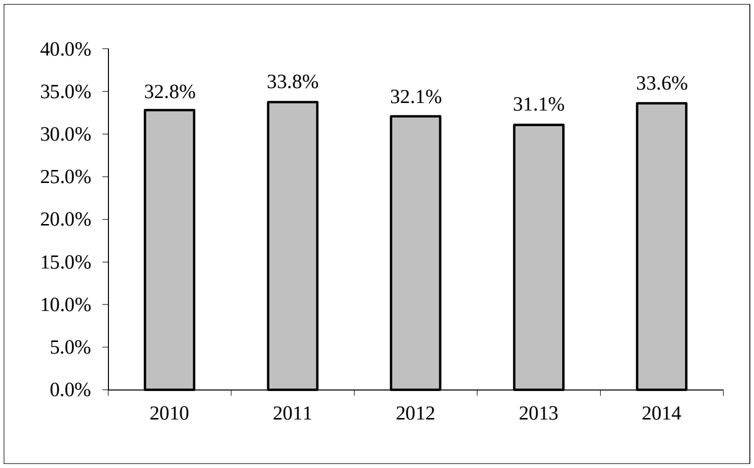
Net Accounts Receivable (in days)



The sustainment of days outstanding of net receivables was attributable to the continued approach implemented by U. T. Medicine-San Antonio that aggressively serves to accelerate the identification of bad debts during the collection cycle. The continued use of effective collection and pre-collection agency contracts in 2014 allowed for better management of accounts and sustaining a consistent write-off period of accounts to bad debt at 120 days.

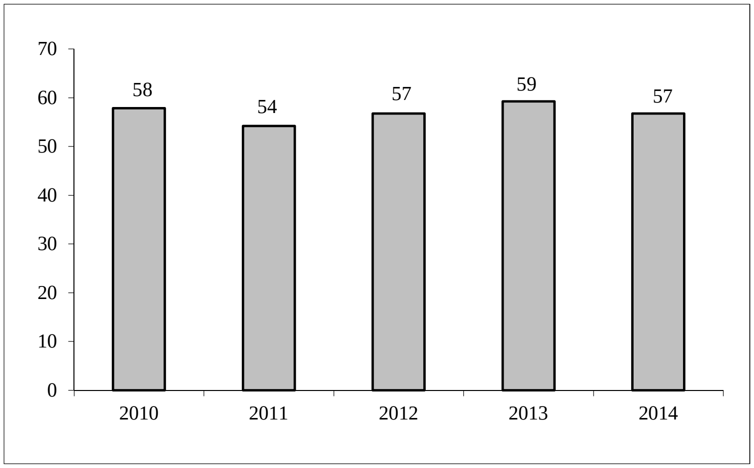
Appendix G - Key Hospital Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The annual operating margin ratio increased from 31.1% for 2013 to 33.6% for 2014. The increase in this ratio was due to continued efforts to increase patient volumes while managing the growth in operating costs. Additionally, the hospital received $9.2 million more net revenue from the Delivery System Reform Incentive Payment associated with the Medicaid Section 1115 Demonstration program in 2014 than 2013.

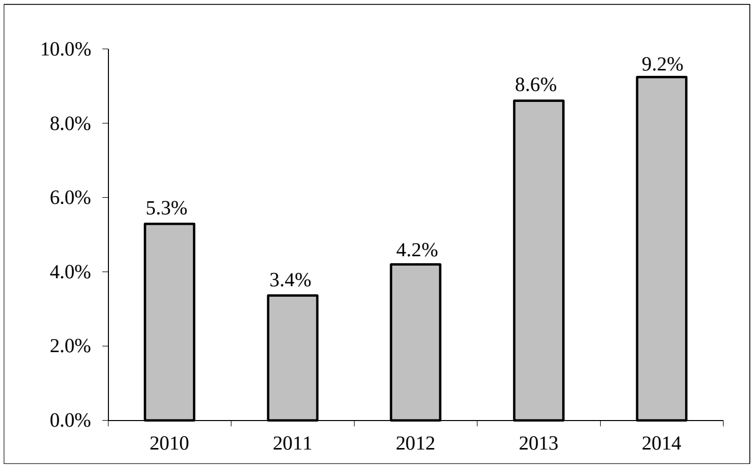
Net Accounts Receivable (in days)



The accounts receivable measured in days declined from 59 days in 2013 to 57 days in 2014 due to internal efforts to accelerate coding, billing and cash collection efforts ahead of ICD-10 and Epic implementations. Further gains in these areas were slowed by extended appeals reviews with various managed care and governmental payors.

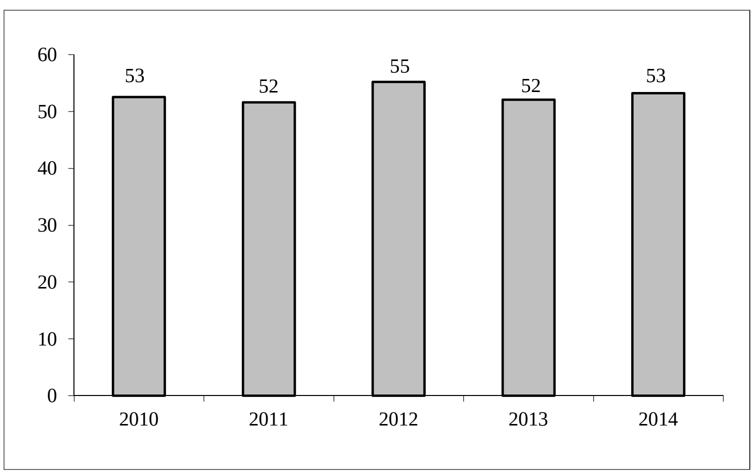
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The increase in the annual operating margin ratio from 8.6% for 2013 to 9.2% for 2014 was attributable to an overall increase in patient activity and volumes as compared to 2013 coupled with a slower growth rate in expenses during 2014.

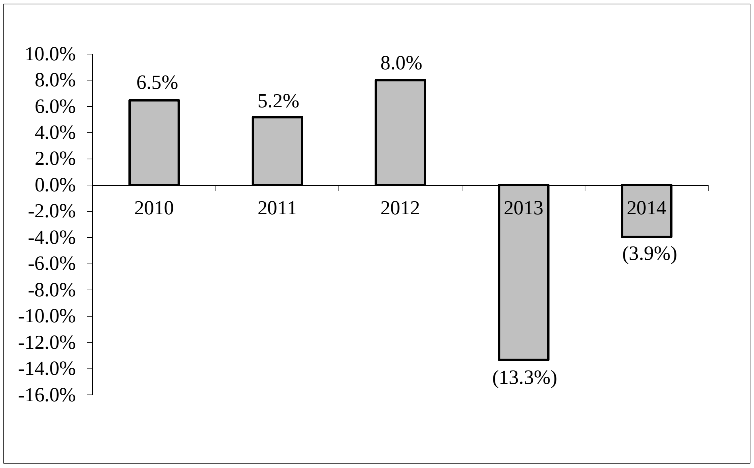
Net Accounts Receivable (in days)



The accounts receivable measured in days increased slightly from 52 days in 2013 to 53 days in 2014 due to claims under external extended appeals reviews with various managed care and governmental payors.

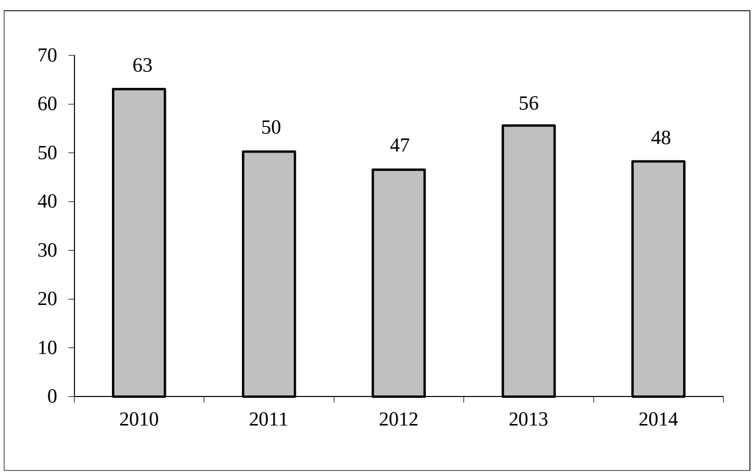
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The improvement in the annual operating margin ratio was primarily due to a $7.4 million increase in net patient billings, a $2.4 million increase in contractual revenue, and a $7.3 million increase in general appropriations. The main factor contributing to the increase in patient billings was the growth in cardiology and oncology services. The increase in contractual revenue was attributable to the behavioral health contract with the Department of State Health Services). These revenue increases were partially offset by a $9.0 million increase in expenses primarily due to the following: a $6.5 million increase in personnel costs; a $3.0 million increase in supplies; and a $1.0 million increase in repairs and maintenance.

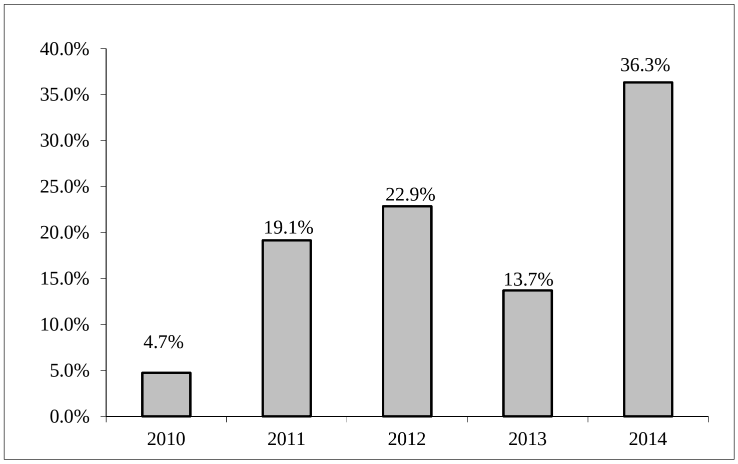
Net Accounts Receivable (in days)



Net accounts receivable decreased by 8 days primarily due to a 14.5% increase in net collections, which includes a 4.0% increase in bad debt as compared to a 12.7% increase in gross patient billings. The collection responsibilities for several payor types were moved from outside collection services to in-house operations, which resulted in better performing collection efforts.

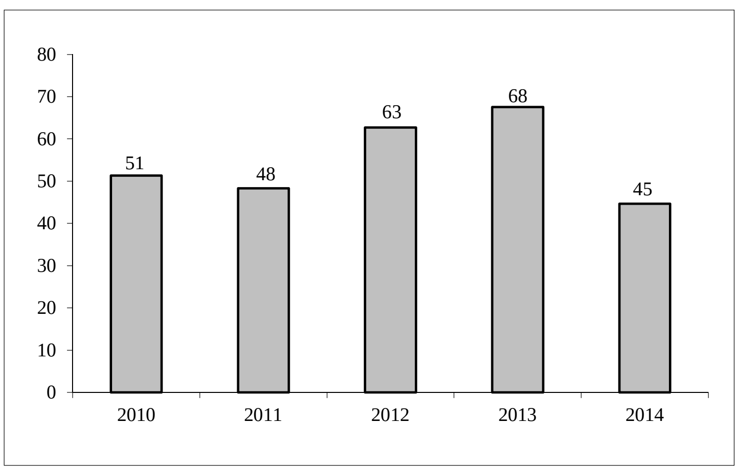
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The significant increase in the annual operating margin ratio was primarily due to net revenue of $15.4 million from the Delivery System Reform Incentive Payment (DSRIP) associated with the Medicaid Section 1115 Demonstration program as compared to $2.1 million in net revenue from DSRIP in 2013 excluding anchor payments. Net patient revenues also increased $1.3 million as a result of increased cardiology and oncology volumes, which contributed to the improvement in the annual operating margin ratio.

Net Accounts Receivable (in days)



Net accounts receivable decreased by 23 days primarily due to a 14.8% increase in net collections. The collection responsibilities for several payor types were moved from outside collection services to in-house operations, which resulted in better performing collection efforts.

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Robert L. Stillwell

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7. **U. T. Pan American: Request to approve the honorific naming of a new proposed entry plaza to the baseball stadium as the Coach Al and Joann Ogletree Plaza in honor of former baseball coach and head coach emeritus, Alfred H. Ogletree and his late wife**	*1:15 p.m.* **Action** *Interim President Rodríguez* *Dr. Safady*	**Action**	**229**
8. **U. T. System: Follow-up reports on activities to support and encourage returning veterans**	*1:20 p.m.* **Discussion** *Dr. Reyes*	Not on Agenda	
Adjourn	*1:30 p.m.*		

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

2. U. T. Arlington: Report on the new Strategic Plan and Vision Statement

REPORT

President Karbhari will report on the new strategic plan for U. T. Arlington. The strategic plan identifies four areas of emphasis designed to support the activities, plans, and programs for the next five years. In addition, six guiding aspirations will position the University to offer a transformative educational experience to students. Dr. Karbhari's PowerPoint presentation is set forth on the following pages.

BACKGROUND INFORMATION

This is the first strategic discussion of President Karbhari's goals and vision for U. T. Arlington. U. T. Arlington's Strategic Plan for Research was approved by the Board of Regents on March 31, 2010, and an updated Strategic Plan for Research was approved on May 9, 2013.

The four areas of emphasis in the Strategic Plan for U. T. Arlington are:

- Health and the Human Condition
- Sustainable Urban Communities
- Global Environmental Impact
- Data-Driven Discovery

The six guiding aspirations are:

- Transform the student experience by enhancing access and ensuring success
- Enhance impactful research and scholarship
- Build on faculty excellence to strengthen academic programs
- Strengthen collaboration with corporate and nonprofit sectors
- Enhance visibility and impact through global engagement
- Lead in creativity, innovation, and entrepreneurship

UNIVERSITY OF TEXAS ARLINGTON

Bold Solutions – Global Impact
A Strategic Plan for U. T. Arlington's Future

Vistasp Karbhari, President

U. T. System Board of Regents' Meeting
Academic Affairs Committee
February 2015

A University of Choice

- › 7,000 employees
- › 180 degree programs
- › 9,700 graduates in 2013 - 2014

- 10,500 beds on or around campus

- $13.6 billion economic impact annually (2012)

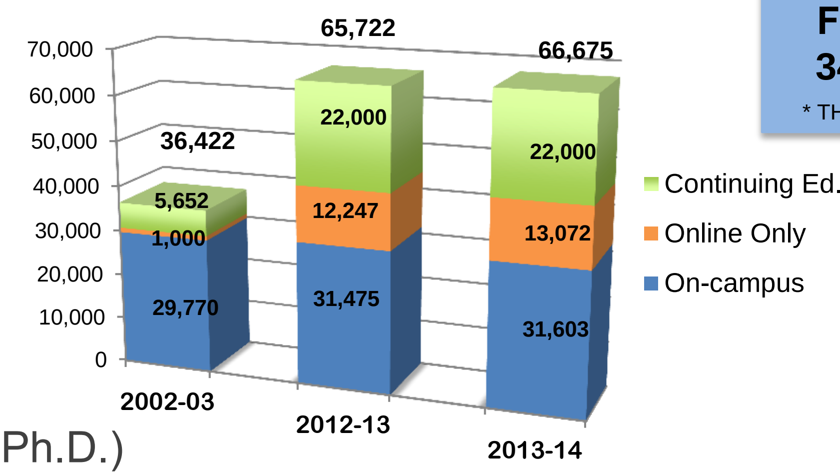
UNIVERSITY OF TEXAS ARLINGTON

Student Segments

As of 1/20/14
Unique degree seeking student count: 47,179

- Degree seeking, non-degree seeking
- In-state, out-of-state, international
- Face-to-face, hybrid, completely online
- Undergraduate, Master's, Doctoral (DNP, Ph.D.)
- Traditional, nontraditional

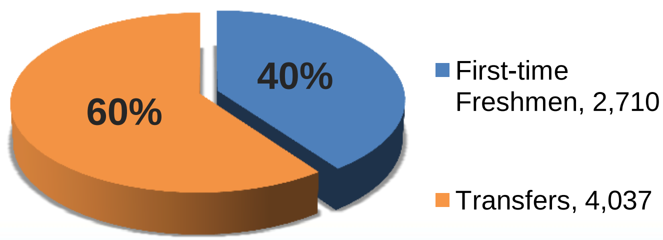
Unduplicated Student Headcount



Fall '14
34,899*
* THECB Count

New Incoming Students

By Mode of Entry, Fall 2014



* THECB Count

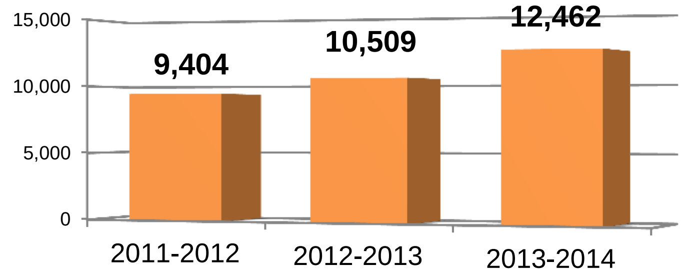
A Future Built on IDEAS

I: **Innovation** in delivery of education – Nursing, Learning Innovation and Networked Knowledge (LINK) Laboratory

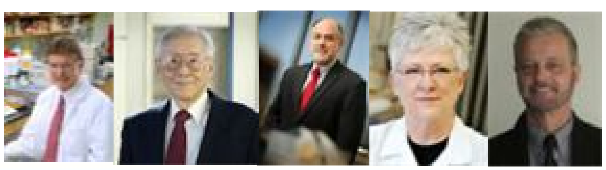
- Impactful research – 10 members in the National Academy of Inventors $28.6 million in research awards in August-October 2014

SMART Hospital

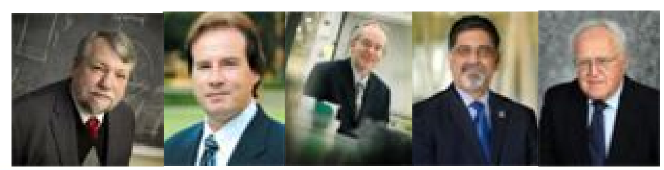
Online Nursing Enrollment



George Siemens



NAI
NATIONAL ACADEMY OF INVENTORS

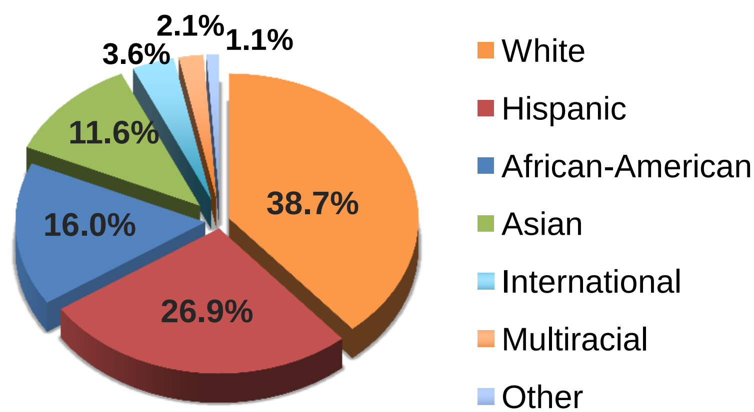


A Future Built on IDEAS

D: Diversity – Ranked 5th most diverse public research university in the nation.
- Highest-profile Hispanic-serving institution in North Texas
- Growing international population

Student Ethnicity

Fall 2014



A Future Built on IDEAS

E: Excellence – Highest degree production ratio of all U. T. System institutions.

- Asia Executive MBA is one of the largest and most reputed
- Renowned faculty: Two National Academy of Engineering, One National Academy of Science, 10 National Academy of Inventors, fellows, and awards
- Nationally ranked programs


Nai Chen Yuen


David Nygren (2014)


Ken Reifsnider (2015)

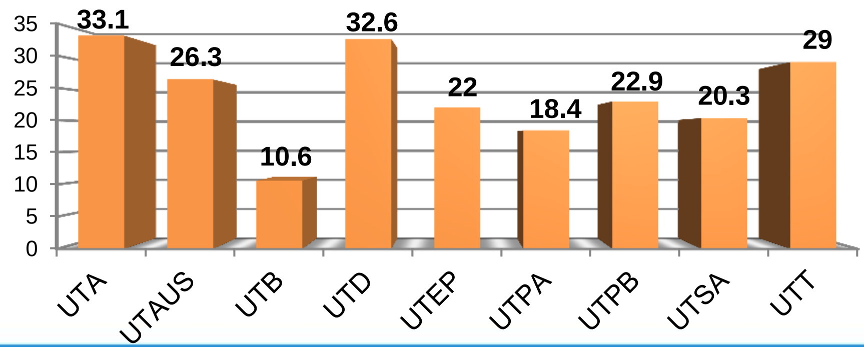

Jessica Stevens


Emmanuel Fordjour


Formula SAE Racing Team

Degree Production Ratio, 2012-13

Bachelor's Degrees Awarded per 100 Full-Time Equivalent Undergraduates Enrolled 4 Years Earlier



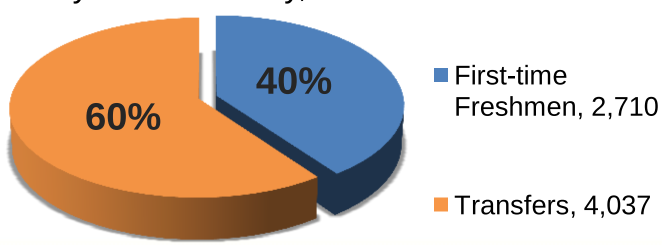
A Future Built on IDEAS

A: **Access** – 7th fastest growing public research institution – *Chronicle of Higher Education* (2013)

- Innovative programs to develop pipelines and pathways for student success through GO Centers, “Bound for Success,” STEM Academy
- Degree and non-degree seeking students
- Division for Enterprise Development (DED) hosts the nation’s largest OSHA education center
- New Division of Global Outreach and Extended Studies

New Incoming Students

By Mode of Entry, Fall 2014

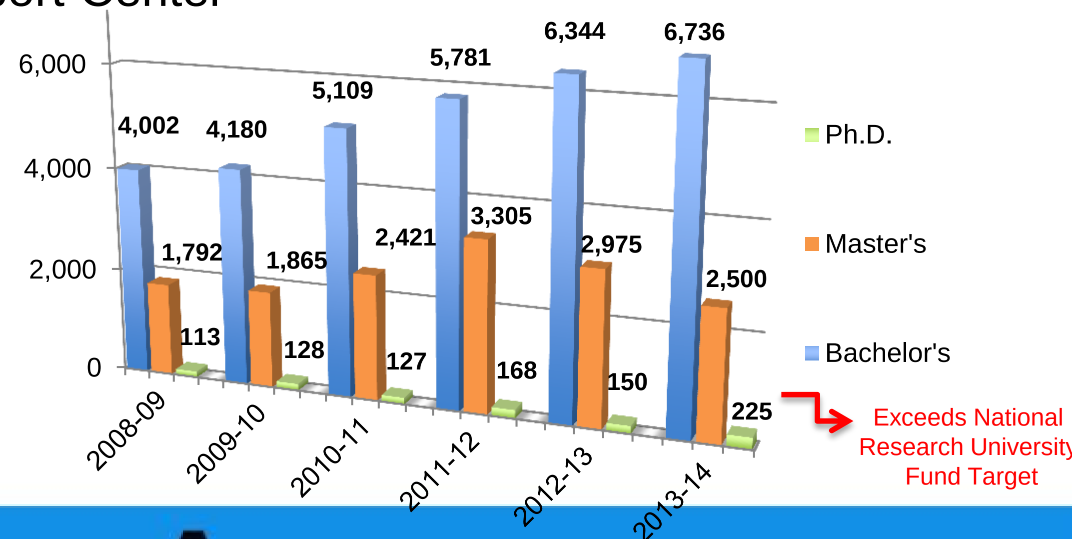


A Future Built on IDEAS

S: Students – Committed to student success

- College of Nursing has National Council Licensure Examination (NCLEX) results higher than Texas and national average
- University College, First-year Interest Groups (FIGs), First-year Experience (FYE) Course (MAVS 1000)
- Career Development/Support Center

Degrees Awarded



Strategic Plan | 2020

Focus

- Global Impact through Enabling a Sustainable Megacity

- Megacities pose an unprecedented need for bold solutions on a global scale
- U. T. Arlington is uniquely positioned to address epic challenges facing growing urban regions
- Pressing issues include improving health care, addressing aspects related to the built environment and creating more livable communities, managing our natural resources, and harnessing the proliferation of data
- U. T. Arlington will leverage expertise in these critical areas to help emerging megacities like the DFW Metroplex become more sustainable economic and cultural centers that raise the prospects for prosperity and sustainability while enhancing the quality of life

Strategic Plan | 2020 (cont.)

Focus

- Global Impact through Enabling a Sustainable Megacity

Guiding Themes

- Health and the Human Condition
- Sustainable Urban Communities
- Global Environmental Impact
- Data-Driven Discovery for the Enhancement of Knowledge

Guiding Theme: **Health and the Human Condition**

- Health management as broadly defined in physical, mental, emotional, and social contexts
- Health innovations, including diagnostic, prognostic, and enabling technologies

Key Initiatives:

1. Establish a new College of Nursing and Health Innovation to enhance health sciences focus
2. Develop closer collaborations between UTA and the health sector through joint projects and appointments
3. Establish a Center for Engineering in Medicine to enhance translational research
4. Enhance research foci in bioengineering, neurosciences, kinesiology, gerontology, and computational sciences, supporting the thrust through cluster and targeted hires
5. Enhance the health focus in the College of Business
6. Enhance the reach and impact of programs involving the School of Social Work

Guiding Theme: **Sustainable Urban Communities**

- Foster sustainable urban communities through a focus on natural, built, socioeconomic and cultural environments
- Understand and interpret demographic change and the broad spectrum of human capital

Key Initiatives:

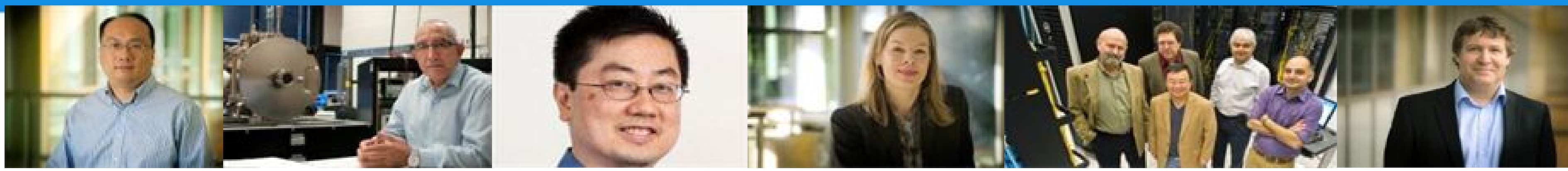
1. Establish a new college integrating the School of Architecture and the School of Urban and Public Affairs
2. Develop a new construction management degree
3. Develop a new architectural engineering degree to meet critical workforce needs
4. Establish an Institute for Sustainability
5. Establish a department/school of Resource Engineering
6. Enhance research, teaching, and outreach in the area of urban communities through integration of efforts of existing centers and through key hires

Guiding Theme: **Global Environmental Impact**

- Address global challenges such as effects of climate change, energy, water, disasters, and pollution
- Develop solutions through analysis of global population dynamics, environmental economics and history

Key Initiatives:

1. Enhance the Shimadzu Institute for Research Technology to enable greater research in areas related to environmental science and build faculty strength in this area
2. Establish a cross-cutting institute to enable key thrusts in water and environmental impact
3. Develop strengths in areas related to environmental policy
4. Develop new programs focused on water resources, conservation, pollution, and disaster mitigation
5. Establish a department/school of Resource Engineering
6. Enhance the continuing and professional education efforts aimed at environmental effects, regulation, and compliance



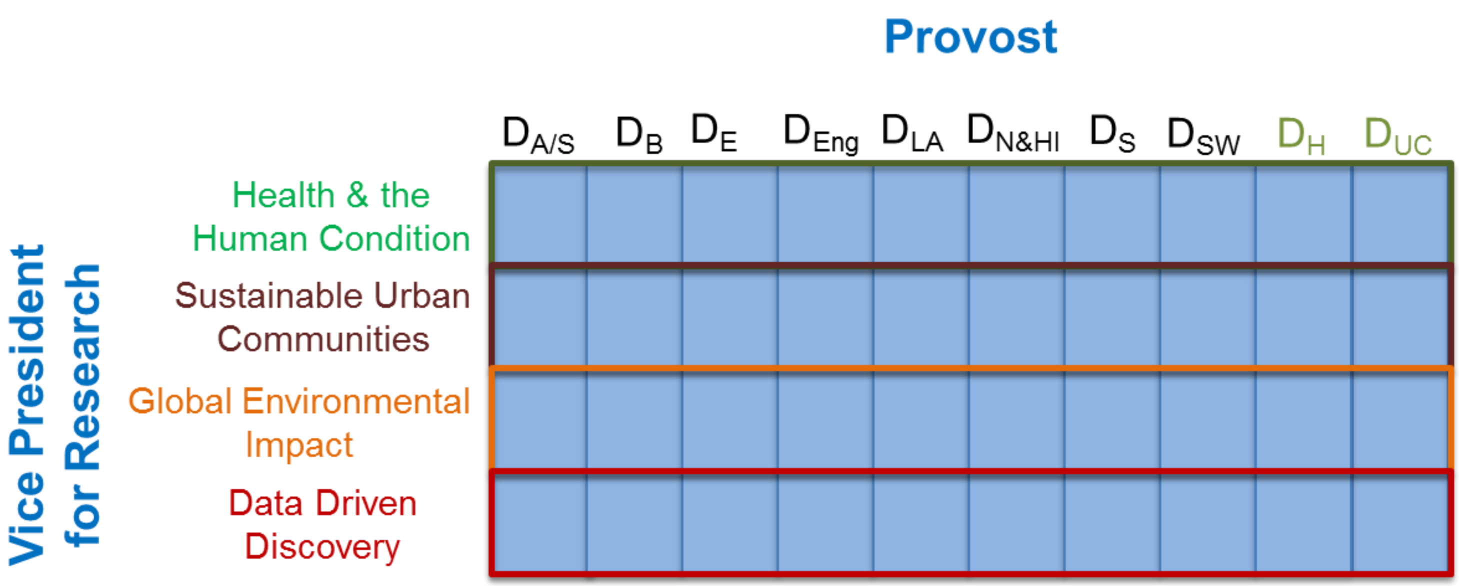
Guiding Theme: **Data-Driven Discovery for Knowledge Enhancement**

- Develop methods of data analytics and science to use “big data” from multiple fields
- Use big data sets to discover new knowledge and enhance current knowledge

Key Initiatives:

1. Establish a new degree in data analytics in the College of Business to meet workforce needs
2. Establish true multidisciplinary degrees in “data science”
3. Establish an Institute for the Predictive Performance of Materials and Structures as a national center of excellence to enable diagnostic and prognostic capabilities
4. Establish a Center for Modeling, Simulation, and Visualization
5. Establish thrusts in the digital humanities and media and digital communications
6. Develop strengths in data security and resilience through collaborations among the Colleges

Matrix Structure to Enhance Integration



- Encourages integration of efforts
- Provides a focus for hires
- Enables better synthesis of research and instruction

Strategic Plan | 2020 (cont.)

Focus
- Global Impact through Enabling a Sustainable Megacity

Guiding Themes
- Health and the Human Condition
- Sustainable Urban Communities
- Global Environmental Impact
- Data-Driven Discovery and Enhancement of Knowledge

Guiding Aspirations
- Transform the student experience by enhancing access and ensuring success
- Enhance impactful research and scholarship
- Build on faculty excellence to strengthen academic programs
- Strengthen collaboration with corporate and nonprofit sectors
- Enhance visibility and impact through global engagement
- Lead in creativity, innovation, and entrepreneurship

Be the Model 21st Century Urban Research University

Guiding Aspirations

Define the 21st Century Urban Research University

UTA will be a leader in the discovery, integration, and application of information and knowledge while setting new standards for a transformative educational experience not bound by confines of time, space, and location.

Strategic Plan | 2020 (cont.)

Focus
- Global Impact through Enabling a Sustainable Megacity

Guiding Themes
- Health and the Human Condition
- Sustainable Urban Communities
- Global Environmental Impact
- Data-Driven Discovery and Enhancement of Knowledge

Guiding Aspirations
- Transform the student experience by enhancing access and ensuring success
- Enhance impactful research and scholarship
- Build on faculty excellence to strengthen academic programs
- Strengthen collaboration with corporate and nonprofit sectors
- Enhance visibility and impact through global engagement
- Lead in creativity, innovation, and entrepreneurship

Be the Model 21st Century Urban Research University

Operational Priorities
- Undergraduate education
- Graduate education
- Professional/continuing education globally
- Research and economic development
- Faculty and staff
- Infrastructure and resources

Defining Who We Are

6 Guiding Aspirations
Principles we will live by
Direct our Progress

6 Operational Priorities
Key aspects we follow
Provide Logistical Direction

8 "Maverick Imperatives"
Define What We Do

1. Be Progressive	Educate Beyond the Classroom
2. Be Empowering	Create Lifelong Educational Paths
3. Be Responsible	Ensure Student Success
4. Be Wise	Cultivate Faculty and Staff
5. Be Pioneering	Transform Research Capabilities
6. Be Ambitious	Serve the Community Near and Far
7. Be Daring	Re-imagine Institutional Infrastructure
8. Be Creative	Be THE Innovation Destination

Some Key Targets for 2020

	Fall 2013	2014-2015	Fall 2020
Enrollment (THECB*)	33,278	34,899 (Fall 2014)	> 43,000
Freshman retention rate	75%		> 90%
6-year graduation rate	44%		> 60%
Endowment	$101.7 M	$117.8 M	> $500 M
Research expenditures	$77.7 M	$28.6M in Aug-Oct*	> $150 M
NAE/NAS/IOM	1	2 (3*)	
NAI	8	10	20
Ph.D.s awarded	150	225	> 250
U.S. News & World Report Ranking	N/R	N/R	Top 150
U.S. News & World Report Eng Ranking	N/R	100	Top 75
Professional and continuing education	22,000	22,000	> 45,000
Tenure stream faculty FTE	610		> 1500
Non-tenure stream faculty FTE	578		

* Excludes on-line out-of-state students

UNIVERSITY OF TEXAS ARLINGTON

Vision Statement

The University of Texas at Arlington is an internationally recognized research university, distinguished by excellence and access through transformative knowledge production and education based on scholarship, collaboration, innovation, creativity, and global impact.

3. U. T. Arlington: Approval of preliminary authority for a Doctor of Philosophy in Kinesiology

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Karbhari that the U. T. System Board of Regents approve

a. preliminary authority for U. T. Arlington to include a Doctor of Philosophy (Ph.D.) in Kinesiology; and

b. notification of the proposal to the Texas Higher Education Coordinating Board.

BACKGROUND INFORMATION

U. T. Arlington's College of Nursing and Health Innovation requests preliminary authority for a Doctor of Philosophy (Ph.D.) in Kinesiology. This Ph.D. will build upon the Department of Kinesiology's and the Center for Healthy Living and Longevity's existing research, education, and community outreach initiatives in health and disease across the lifespan, as well as the College of Nursing and Health Innovation's and the University's strategic theme of "health and the human condition."

Graduates of the program will be prepared as researchers who generate new knowledge in and apply existing knowledge to the prevention, assessment, and treatment of chronic diseases, motor difficulties, and musculoskeletal injuries. The multidisciplinary curriculum will incorporate basic and clinical science approaches to identify disease markers and mechanisms, as well as evidence-based interventions designed to prevent and treat specific health conditions such as chronic illnesses and injuries in vulnerable and 'at-risk' populations (e.g., obese persons, older adults, minority persons). Three areas of specialization will be available:

- movement and rehabilitation sciences
- applied physiology
- physical education

Graduates of the Ph.D. in Kinesiology are expected to have very good job opportunities in the future. The U.S. Department of Labor Bureau of Labor Statistics Employment Projections estimates 6,000 new postsecondary teaching jobs between 2012 and 2022 (an average of 600 per year) in the general area of recreation and fitness studies, which includes health and physical education, human performance, kinesiology, and physical education.

Regarding the supply over the five-year period 2009-2013, the National Center for Educational Statistics indicates institutions of higher education nationally graduated on average about 225 doctorates in the general field of health and physical education/fitness.[1] These two sets of data

[1] The number of doctoral graduates was obtained from the National Center for Educational Statistics IPEDS database using the 4-digit CIP code 31.05 Health and Physical Education/Fitness and the following level of degree designations: Doctorate Degrees, Doctorate Degree-Research/Scholarship, and Doctorate Degree-Other.

suggest a wide gap between the number of future job openings and the number of individuals prepared at the doctoral level to fill openings.

Once preliminary authority has been approved, U. T. Arlington will submit the degree program for approval by the U. T. System Board of Regents and the Texas Higher Education Coordinating Board.

4. **U. T. System Board of Regents: Approval to create the School of Arts, Technology, and Emerging Communication at U. T. Dallas and amendment of the Regents' *Rules and Regulations*, Rule 40601, Section 1.6 to add Subsection (j) to include the new School**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor and General Counsel, and President Daniel that approval be granted to create the School of Arts, Technology, and Emerging Communication at U. T. Dallas and to amend the Regents' *Rules and Regulations*, Rule 40601, Section 1.6, concerning institutions comprising The University of Texas System, to include the School of Arts, Technology, and Emerging Communication as set forth below in congressional style:

Sec. 1. Official Titles. The U. T. System is composed of the institutions and entities set forth below. To ensure uniformity and consistence of usage throughout the U. T. System, the institutions and their respective entities shall be listed in the following order and the following titles (short form of title follows) shall be used:

. . .

1.6 The University of Texas at Dallas (U. T. Dallas)

(a) The University of Texas at Dallas School of Arts and Humanities

(b) The University of Texas at Dallas School of Behavioral and Brain Sciences

(c) The University of Texas at Dallas Callier Center for Communication Disorders

(d) The University of Texas at Dallas Erik Jonsson School of Engineering and Computer Science

(e) The University of Texas at Dallas School of Interdisciplinary Studies

(f) The University of Texas at Dallas Honors College

(g) The University of Texas at Dallas Naveen Jindal School of Management

(h) The University of Texas at Dallas School of Natural Sciences and Mathematics

(i) The University of Texas at Dallas School of Economic, Political and Policy Sciences

(j) The University of Texas at Dallas School of Arts, Technology, and Emerging Communication

BACKGROUND INFORMATION

The proposed amendment to the Regents' *Rules and Regulations*, Rule 40601, reflects the creation of a new academic school at U. T. Dallas. The new School of Arts, Technology, and Emerging Communication (ATEC) will administer the Arts and Technology degree programs and the Emerging Media and Communication (EMAC) degree programs. These programs, currently housed in the School of Arts and Humanities, have been successful in attracting students, with a total enrollment of 1,300 students in ATEC and EMAC programs combined. The School is being established to better manage the rapidly growing programs and to create more visibility for the technology elements of the programs.

A dean will be hired to provide leadership and administration of the new School, and current faculty and staff supporting the ATEC and EMAC programs will transfer to the School.

The new School has been approved by the Executive Vice Chancellor for Academic Affairs pending approval by the Board. Upon approval by the Board of Regents, the Office of Academic Affairs will notify the Texas Higher Education Coordinating Board of the change so that U. T. Dallas administrative unit structure can be updated.

Texas Education Code Section 65.11 authorizes the Board of Regents to provide for the "administration, organization, and names of the institutions and entities in The University of Texas System in such a way as will achieve the maximum operating efficiency of such institutions and entities[.]"

5. U. T. Permian Basin: Approval regarding proposed revision to Mission Statement and a new Vision Statement

RECOMMENDATION

The Chancellor concurs with the recommendation of the Executive Vice Chancellor for Academic Affairs and President Watts that proposed changes to the U. T. Permian Basin Mission Statement and a new Vision Statement as set forth below in congressional style be approved by the U. T. System Board of Regents and forwarded to the Texas Higher Education Coordinating Board for approval.

Proposed Revised Mission Statement

The University of Texas of the Permian Basin is a general academic university of The University of Texas System. The University of Texas System is committed to pursue high-quality educational opportunities for the enhancement of the human resources of Texas, the nation, and the world through intellectual and personal growth. The mission of The University of Texas of the Permian Basin is to provide quality education to all qualified students in a supportive in-person and online educational environment; to promote excellence in teaching, research, and service; and to serve as a resource for the intellectual, social, economic, ~~and~~ technological advancement, and health care of the diverse constituency in Texas and the region.

Proposed Vision Statement

The University aspires to be a vibrant student-focused center of excellence for learning, culture, and economic development, preparing students for leadership and success in a complex and changing world.

BACKGROUND INFORMATION

U. T. Permian Basin undertook a strategic planning process in Spring 2005 by instituting the President's listening tour. President Watts and other University administrators visited community leaders in 19 West Texas communities asking how the University could best meet the needs of West Texas in the coming 30 years. Information from the listening tour was transcribed and provided to a special task force known as the Group of Thirty, which consisted of 30 community leaders from West Texas. The Group of Thirty developed a list of directions recommended to U. T. Permian Basin to follow in its strategic planning.

The University's standing Budget and Planning Committee has taken the Group of Thirty's recommendations, the strategies and strategic initiatives from The University of Texas System Strategic Plan for 2007-2017, and drafted a new University strategic plan. A key element in the institution's strategic planning is its mission statement.

Since 2007, the University has added degree programs in nursing and significantly expanded its online offerings. The Committee, which consists of representatives from the administration, the Faculty Senate, the Student Government, and the staff, recommended the proposed changes to the Mission Statement to the University community. The proposed revised Statement provides a more concise and succinct statement of the University's mission on which its strategic planning can focus as compared to the current Statement.

The previous Mission Statement was approved by the Board of Regents on November 9, 2007, as part of the institution's Strategic Plan. The new changes in the Mission Statement reflect the progress made so far in the implementation of recommendations made by the Group of Thirty.

In 2013, the Texas Legislature repealed *Texas Education Code* Section 61.051(e), which directed the Texas Higher Education Coordinating Board to review the mission statements of public institutions, typically, every four years. However, each institution is still required to have a mission statement under *Texas Education Code* Section 51.359. Additionally, Section 51.352 of the Code, regarding the Responsibility of Governing Boards, requires governing boards to “insist on clarity of focus and mission of each institution under its governance." Thus, pursuant to Regents' *Rules and Regulations*, Rule 10402, proposed changes to academic institution mission statements are to be reviewed by the Academic Affairs Committee for recommendation to the Board.

Pursuant to a directive by the Board of Regents on March 26, 2008, Mission Statements must include a statement regarding the commercialization of university discoveries.

6. U. T. Rio Grande Valley: Approval to establish the U. T. Rio Grande Valley Development Board

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Bailey that the U. T. System Board of Regents approve the establishment of the U. T. Rio Grande Valley Development Board to assist in the development plans and programs of the institution with an emphasis on increasing private support for U. T. Rio Grande Valley.

BACKGROUND INFORMATION

U. T. Rio Grande Valley, the first new major public university of the 21st century in Texas, needs an organized, active, involved group of community and business leaders from the Rio Grande Valley and beyond to support proactive, strategic fundraising efforts. Members of these important advisory groups will serve as champions for the new University and model philanthropic leadership for the community, assuring that U. T. Rio Grande Valley has the resources it will need to become a leader in student success, teaching, research, and health care.

The U. T. Rio Grande Valley Development Board will serve as one of the highest-level volunteer opportunities at the University and will assist in the overall development plans and programs of the institution with an emphasis on raising private support for University-wide priorities. A small group of individuals will be identified who will serve as the inaugural members of the new Board and who can help identify additional prospective members. An organizational meeting of the new Board will be scheduled to draft bylaws in accordance with guidelines outlined by the U. T. System Office of General Counsel.

Proposed approval of this development board is pursuant to Regents' *Rules and Regulations*, Rule 60301, relating to development boards of U. T. System institutions.

7. <u>U. T. Pan American: Request to approve the honorific naming of a new proposed entry plaza to the baseball stadium as the Coach Al and Joann Ogletree Plaza in honor of former baseball coach and head coach emeritus, Alfred H. Ogletree and his late wife</u>

<u>RECOMMENDATION</u>

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and Interim President Rodríguez that the U. T. System Board of Regents approve the honorific naming of a new proposed entry plaza to the U. T. Pan American baseball stadium as the Coach Al and Joann Ogletree Plaza. This recommendation is to recognize former baseball coach and head coach emeritus, Alfred H. Ogletree, for his outstanding achievements, contributions, and dedication to the U. T. Pan American Bronc baseball team.

<u>BACKGROUND INFORMATION</u>

Mr. Alfred H. "Al" Ogletree is considered the “father of Bronc baseball,” serving as the baseball head coach at U. T. Pan American from 1969 to 1997. During his 28 years as head coach at U. T. Pan American, Coach Ogletree recorded a 1,084-618-1 (.637) record and guided the Broncs to the post-season 10 times. In 1971, Coach Ogletree led U. T. Pan American to their first-ever NCAA College World Series appearance, where they finished fourth overall. He retired in 1997, finishing with 1,217 wins in his 41 years of coaching collegiate baseball.

Coach Olgetree has received numerous honors for his career as a college baseball coach, which include being inducted into the Austin High School Hall of Fame, Texas A&M University Hall of Fame, American Baseball Coaches Association Hall of Fame, Rio Grande Valley Hall of Fame, Central Texas Semi-Pro Hall of Fame, University of Dallas Hall of Fame, Sul Ross State University Hall of Fame, Texas Sports Hall of Fame, and U. T. Pan American's inaugural Athletics Hall of Fame, where he currently serves on the Board.

Al and Joann Ogletree were married for 62 years when she passed away on May 21, 2014, at the age of 83. In addition to caring for their five children, Mrs. Ogletree mentored many young couples during the baseball seasons, serving as a matriarch for the U. T. Pan American baseball team.

The new proposed plaza to the U. T. Pan American baseball stadium, once built, will be prominently located at the main entry way into the stadium. The new addition will stand approximately 16 feet high and approximately 61 feet in length. It will consist of three arches measuring 12 feet in height. The project has an estimated total cost of $250,000 - $400,000 and is anticipated to be funded through philanthropic efforts.

This naming proposal is consistent with the Regents' *Rules and Regulations*, Rule 80307, relating to the honorific naming of facilities to recognize an extraordinarily well-respected individual who continues to be an avid supporter of U. T. Pan American.

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Wm. Eugene Powell

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5. **U. T. System: Approval to amend Regents' *Rules and Regulations*, Rule 40601, Sections 1.13 - 1.14 and 1.16 - 1.18 to align the names of the schools, add hospitals and clinics, and acknowledge names currently in use at U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, U. T. Health Science Center - San Antonio, U. T. M. D. Anderson Cancer Center, and U. T. Health Science Center - Tyler**	*1:52 p.m.* **Action** *Dr. Greenberg*	**Action**	**251**
6. **U. T. System: Approval of $5 million from the Available University Fund (AUF) to support U. T. System initiatives to be led by the Associate Vice Chancellor for Population Health to improve the health of Texans**	*1:55 p.m.* **Action** *Dr. Greenberg* *Dr. David L. Lakey*	**Action**	**255**
7. **U. T. System: Report on activities and accomplishments of the Galveston National Laboratory and preparedness for infectious diseases**	*2:10 p.m.* **Report/Discussion** *Dr. Callender* *Dr. James Le Duc*	Not on Agenda	**265**
8. **U. T. System: Report on the Diabetes Obesity Control initiative and discussion regarding Phase I implementation**	*2:20 p.m.* **Report/Discussion** *Dr. Greenberg*	Not on Agenda	**275**
Adjourn	*2:30 p.m.*		

1. <u>U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration</u>

<u>RECOMMENDATION</u>

The proposed Consent Agenda is located at the back of the book.

2. <u>U. T. Health Science Center - Houston: Discussion and appropriate action regarding authorization to form a shared ownership management services organization with Memorial Hermann Health System, a Texas nonprofit corporation, to support the physician billing and collections and electronic health records needs of UT Physicians, U. T. Health Science Center - Houston's faculty group practice, and Memorial Hermann Medical Group, a Memorial Hermann Health System affiliate</u>

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel that permission be granted to U. T. Health Science Center - Houston, through its UT Physicians certified nonprofit health care corporation, to move forward with the initial corporate formation with Memorial Hermann Health System, a Texas nonprofit corporation, of a shared ownership (50% each) management services organization, to support the physician billing and collections and electronic health records needs of U. T. Health Science Center - Houston's faculty group practice and Memorial Hermann Medical Group, a Memorial Hermann affiliate employing approximately 200 physicians.

BACKGROUND INFORMATION

U. T. Health Science Center - Houston seeks approval to begin development, in partnership with long-time hospital affiliate Memorial Hermann Health System (MHHS), of a shared, best-in-class physicians' management services organization (MSO) that: (a) supports the organizations' physicians, (b) ensures full and fair reimbursement from payers, and (c) provides maximum quality and “ease of use” to patients.

The proposed MSO would provide administrative support services to physicians employed by both the Health Science Center and MHHS, focused primarily on the physicians' revenue cycle and integration of clinical information technology (particularly, a common electronic health record [EHR]).

The Health Science Center and MHHS expect that patient safety and quality, care coordination, cost containment, and other issues can be enhanced through tighter integration and alignment of health information systems, EHR, and other Information Technology (IT) platforms. A key element of the value proposition is that U. T. Health Science Center - Houston and MHHS can better implement and sustain these large, complex systems together than separately.

This collaboration will not effect a change of employment status of the Health Science Center faculty to the MSO or any other entity. U. T. Health Science Center - Houston will remain the employer of its faculty -- only U. T. Health Science Center - Houston's Medical School Dean, department chairs, division chiefs, and other senior faculty will manage the faculty. Similarly, MHHS (or its affiliates) will remain the employer of its physicians. The business model is set forth on Slide 8 of the following PowerPoint presentation.

The proposed MSO does not contemplate any change in U. T. Health Science Center - Houston's current handling of the Health Science Center's approximately $20 million per month of net physician professional fee collections (i.e., funds received directly from payers into a Health Science Center-controlled lock box, at Health Science Center-controlled clinics, etc.)

It is anticipated that U. T. Health Science Center - Houston and MHHS will each invest $4 million to fund projected start-up expenses and to provide 12-18 months of working capital for the initial phases of operations. U. T. Health Science Center - Houston's initial investment into the MSO will come from UT Physicians' cash reserves. It is expected that the MSO will begin to generate funds that recover some of its costs by the end of this start-up timeframe.

Finally, none of the activities of the proposed MSO involve support of business functions for MHHS's hospitals or other, non-physician ancillary services.

Management Services Organization (MSO) Joint Venture between The University of Texas Health Science Center at Houston (UTHSC-H) and Memorial Hermann Health System (MHHS)

Giuseppe N. Colasurdo, M.D., President
The University of Texas Health Science Center at Houston

U. T. System Board of Regents' Meeting
Health Affairs Committee
February 2015

UTHSC-H & MHHS

Facts and Figures

- Over 1.5 million patient visits at more than 125 locations, including hospitals, clinics and other facilities

- MHHS – Texas Medical Center campus
  - Currently undergoing $700 million expansion
  - Ranked this year by University Healthsystem Consortium as one of the top 12 teaching hospitals in the country

UHC

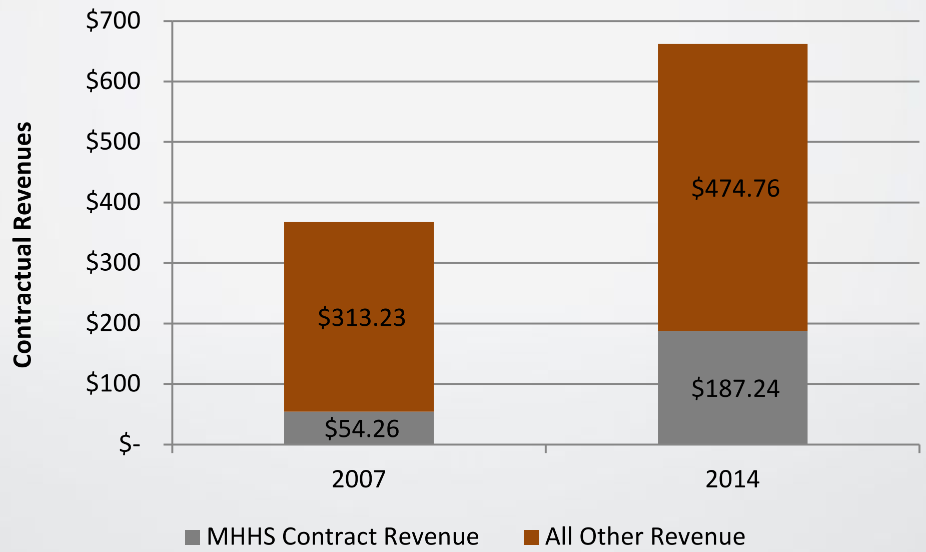
UTHSC-H Medical School Breakdown of Revenues

($ in millions)

MHHS Contract Revenue Contribution

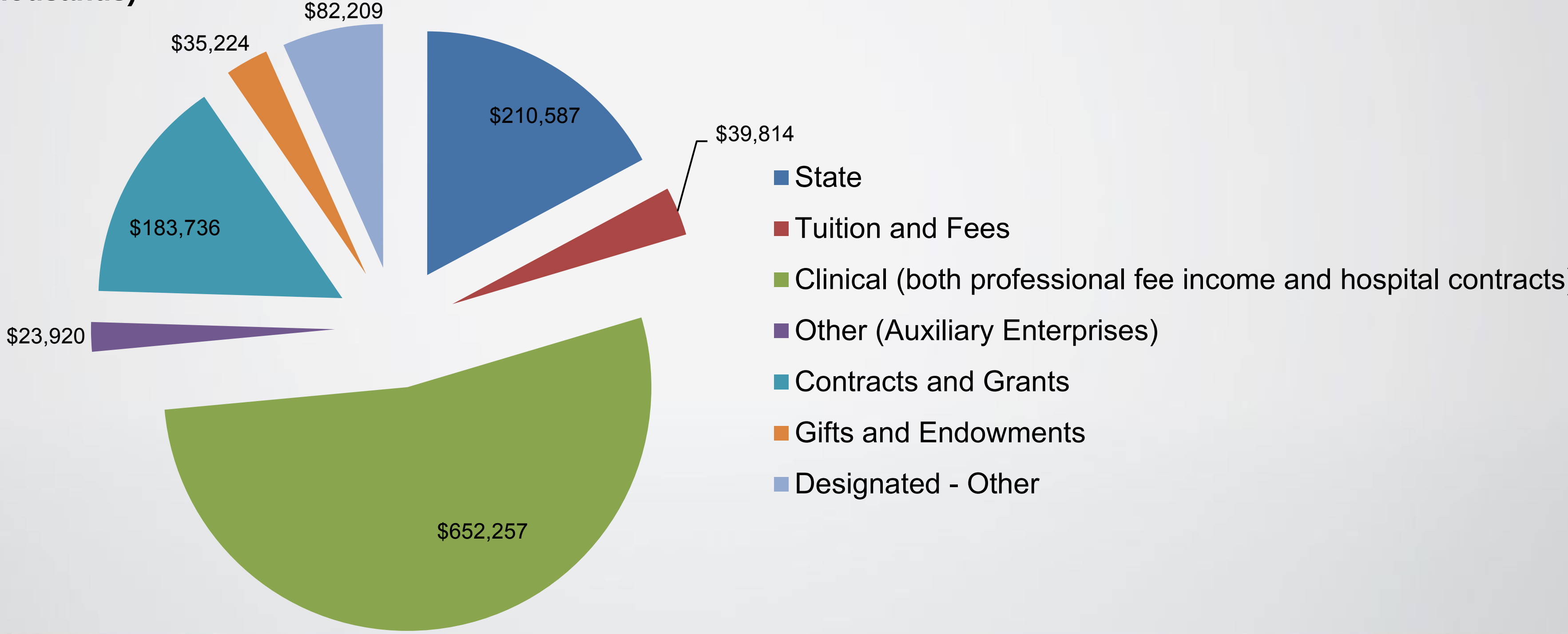
FY 2007 – 15% of total revenue provided by MHHS

FY 2014 – 28% of total revenue provided by MHHS



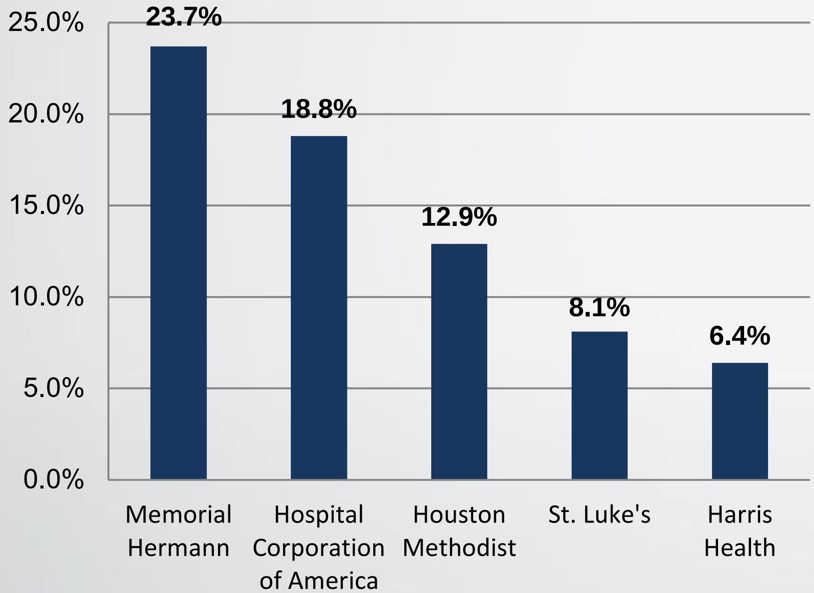
UTHSC-H FY 2014 Revenues By Source

($ in thousands)



MHHS

Inpatient Market Share Trends (Greater Houston Area)

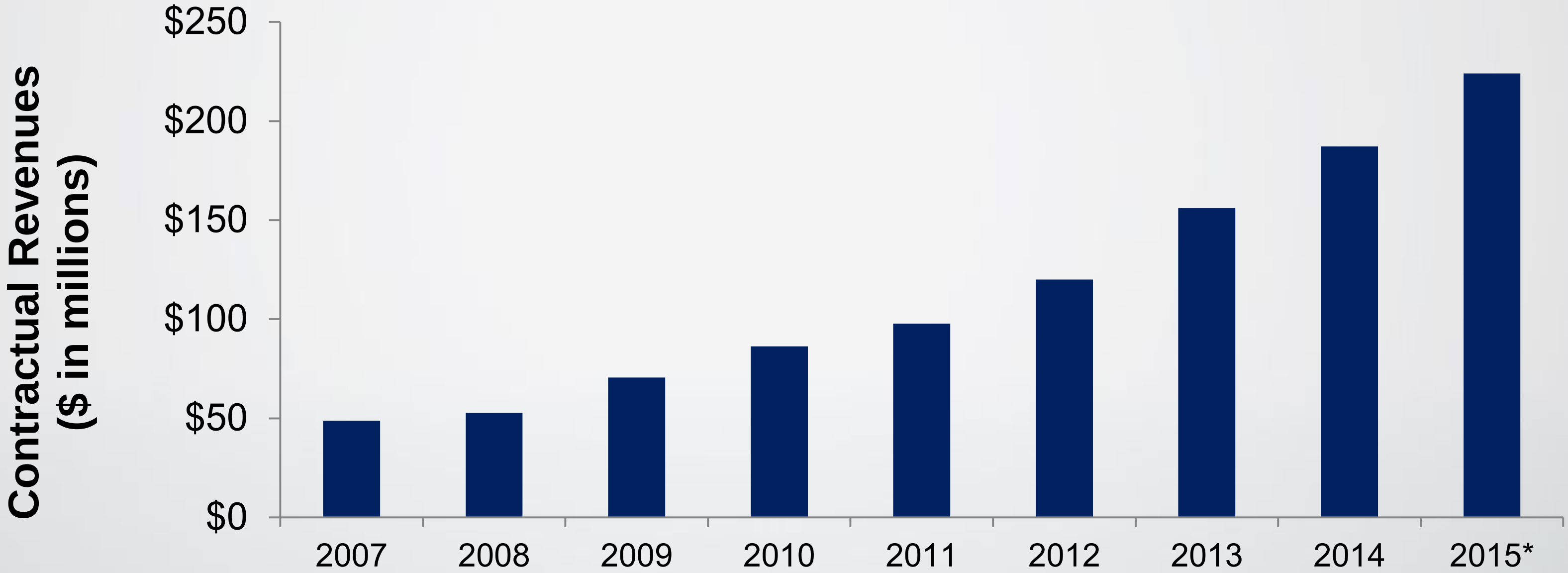


A Decade of Strategy Execution

Fiscal Year 2002		Fiscal Year 2012
113,206	Inpatient Admissions	134,064
156,712	Adjusted Admissions	256,175
$1,606,655	Net Operating Revenue ($000s)	$3,894,273
$230,919	Operating Cash Flow ($000s)	$473,764
$97,012	Operating Income ($000s)	$171,282
$2,062,393	Total Assets ($000s)	$4,530,497
$375,650	Cash/Investments ($000s)	$1,416,200

($ in thousands)

UTHSC-H Contractual Revenues from MHHS



*Projected

MSO Strategic Intent

To effectively and efficiently provide clinical integration, revenue cycle, administrative, and technology services to UTHSC-H Physicians, MHHS physicians, and other providers in the Houston market, allowing physicians to provide patient-centric quality care across a more clinically integrated network.

Strategic Value
- Deliver a streamlined interaction with patients, leading to a better patient experience
- Create a competitive advantage in marketplace for physician practices, payers, and patients
- Build a stronger, more permanent relationship between MHHS and UTHSC-H

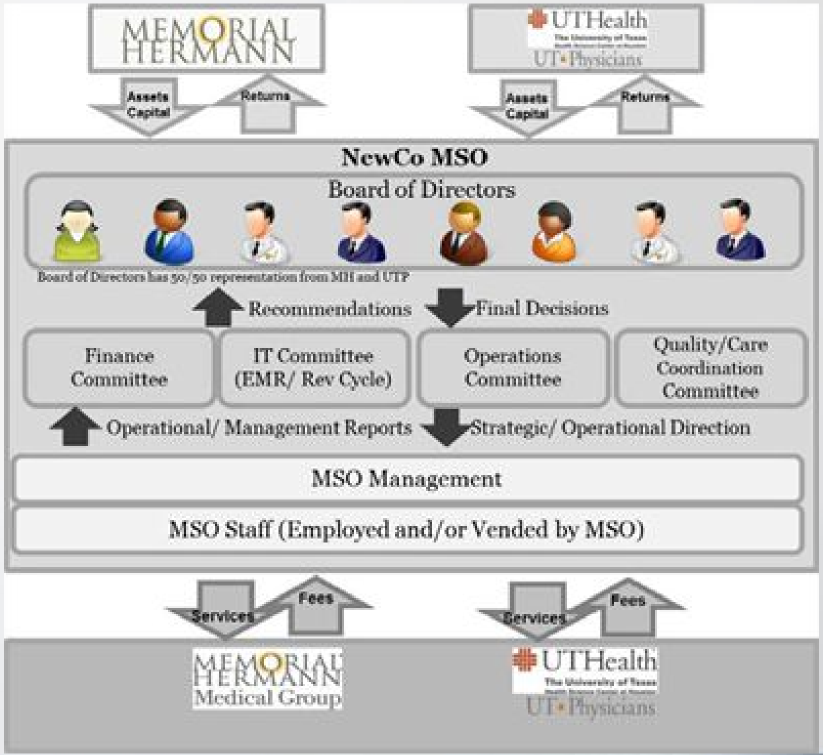
Clinical Value
- Improve quality of care and patient safety
- Enhance the ability to share data across facilities and the continuum of care
- Improve clinical integration
- Allow physicians to focus more on patient care

Financial Value
- Leverage capital expenditures across organizations
- Lower operating costs
- Increase collections per Relative Value Unit
- Increase patient retention

High-Level Business Model

<u>Board of Directors</u>
Comprised of equal representation from MHHS and UTHSC-H. Charged with making decisions on the management and operations of the MSO.

<u>MSO Management/Staff</u>
Employment decisions are still to be determined. Some key revenue cycle and electronic medical records (EMR) executive resources to be included within MSO employment.



Key Benefit Drivers

- **Non-quantified Benefits**
  - Operational Efficiencies (e.g., shared scheduling and payment follow-up personnel)
  - Improved Continuity and Quality of Care (e.g., more "visible," shared EMR information)
  - Improved Patient Experience (e.g., fewer "hand-offs" between UT's and MHHS's systems)
- **Enhanced Revenue Base**
  - More referrals within UTHSC-H and MHHS Physician Groups
  - Physician Productivity (e.g., better, more sophisticated EMR that's shared)
  - Charge Accuracy / Lost Charges Improvement
- **Increased Collection Yield**
  - Reduction in Bad Debts
  - Reduction in Denial Write-offs

3. U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding authorization to negotiate and enter into a co-location agreement with Memorial Hermann Health System, a Texas nonprofit corporation, and/or its designee to identify, develop, and set forth general principles regarding the leasing of clinical space to relocate and expand its clinical services in the greater Houston metropolitan area

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, the Vice Chancellor and General Counsel, and President DePinho that the U. T. System Board of Regents authorize U. T. M. D. Anderson Cancer Center to negotiate and enter into a co-location agreement with Memorial Hermann Health System, a Texas nonprofit corporation (Memorial Hermann), and/or its designee to identify, develop, and set forth general principles regarding the leasing of space by M. D. Anderson to relocate and expand its clinical services in the greater Houston metropolitan area.

BACKGROUND INFORMATION

M. D. Anderson's Houston suburban strategy includes an ongoing program created to advance the institution's mission to eliminate cancer by collaborating with community hospitals and health systems to improve the quality of cancer care in Houston by establishing suburban outpatient clinics throughout the greater Houston metropolitan area. One of the aims of this strategy is to provide better regional access for patients to the institution's best practices, leading edge technologies, patient treatment protocols, education, research and the institution's unique multidisciplinary approach to patient care.

Beginning in 2004, the institution leased just over 121,500 rentable square feet of space for M. D. Anderson's suburban facilities in six locations around the greater Houston metropolitan area; the lease for each location was secured based on demand for services in the respective submarket. As services expanded beyond radiation oncology and chemotherapy, additional space for support services such as laboratory, pharmacy, and diagnostic services was needed to meet patient care requirements at some locations. Accordingly, over the past several years the amount of leased space has increased. In locations where available lease space was not proximate to existing leased facilities, patients are required to travel to multiple buildings to complete their visits. Today, the institution leases just under 206,400 rentable square feet of space in five facilities to meet the needs of the suburban outpatient clinics in the greater Houston metropolitan area, many of which are operated in co-located facilities and based on existing relationships with St. Luke's Health and Christus Health. However, these existing relationships are dissolving due to mergers and the realignment of institutional alliances, and therefore, the leases for these co-located existing facilities will not be renewed.

Knowing that the base terms of the existing leases will begin to expire in 2017, the institution has strategically evaluated how best to provide replacement facilities necessary to meet the needs of patients in the greater Houston metropolitan area. Accordingly, the institution determined that there is further benefit to leasing additional facilities beyond those requiring relocation based on the following considerations: (1) the historical performance of the suburban facilities, (2) the projected population growth for metropolitan Houston and the surrounding areas, (3) the effect that federal law requirements will likely have on the delivery of cancer care, and (4) the financial implications associated with M. D. Anderson building its own permanent facilities.

Key conclusions drawn by M. D. Anderson regarding its regional cancer care program include:

- The population will continue to grow in the greater Houston area with most of that growth occurring in suburban communities, away from the Texas Medical Center. This population growth will include an increase in the “65 and over” age group - the age group most likely to need cancer care and less able to travel to the Texas Medical Center for treatment.

- M. D. Anderson serves about 25% of the cancer patients within the Houston area.

- Services provided at suburban locations outside of M. D. Anderson's Texas Medical Center Campus (TMC Campus) currently make up more than 15% of M. D. Anderson's overall new patient volumes.

- If the institution simply maintains its current market share, M. D. Anderson will need to expand its suburban facilities to continue to serve patients in neighboring communities to match population growth.

- Having recently entered into a relationship with Memorial Hermann to provide specialized breast cancer screening services, it would be to M. D. Anderson's benefit to identify opportunities to co-locate suburban facilities on or near Memorial Hermann campus sites to expand the institution's reach to patients in the greater Houston metropolitan area.

- These co-locations will facilitate patients having direct and proximate access to M. D. Anderson for oncology care in a geographically distributed approach across the greater Houston metropolitan area. Increased patient access will provide a stronger patient base for the institution's clinical research, as well as provide increased patient referrals to the main M. D. Anderson campus for the more complicated cancer cases.

- Shifting demographics, realignment of alliances, and industry factors support leasing of facilities in lieu of ownership.

In summary, M. D. Anderson proposes to collaborate with Memorial Hermann to develop and lease up to nine Houston area suburban facilities to position M. D. Anderson strategically, yet flexibly, to expand its patient services. Entering into a definitive agreement with Memorial Hermann to identify, develop, and lease space either on or proximate to Memorial Hermann health care campuses provides a sound strategy for positioning M. D. Anderson to meet the needs of cancer patients throughout the greater Houston metropolitan area. These contemplated facilities will additionally provide, where appropriate, cancer care services to enhance the services provided by M. D. Anderson physicians that staff Memorial Hermann breast imaging centers in the greater Houston area.

The lease agreements would be executed with Memorial Hermann as lessor or, as needs dictate, directly with a developer/landlord agreed upon by the parties for the respective property. The duration of each lease will vary by location. This strategy allows M. D. Anderson to be flexible in locating and sizing outpatient facilities to accommodate the level of services needed and the neighboring population. Specific leases will be brought to the Board of Regents for authorization as and when sufficient information is known.

4. <u>U. T. Southwestern Medical Center: Approval to establish a Doctor of Philosophy degree program in Organic Chemistry in the Graduate School of Biomedical Sciences</u>

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Podolsky that authorization, pursuant to the Regents' *Rules and Regulations*, Rule 40307, related to academic program approval standards, be granted to

a. establish a Doctor of Philosophy (Ph.D.) degree program in Organic Chemistry in the Graduate School of Biomedical Sciences at U. T. Southwestern Medical Center; and

b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

BACKGROUND INFORMATION

Program Description

U. T. Southwestern Medical Center proposes to establish a Ph.D. degree program in Organic Chemistry to be administered by the Graduate School of Biomedical Sciences. On August 22, 2013, preliminary planning authority for this degree program was approved by the Board of Regents via the Consent Agenda.

This degree program will prepare organic chemists for careers in drug discovery and development and will provide them the opportunity to obtain positions in the pharmaceutical industry, in government regulatory agencies, or as independent researchers in academic or government settings. For this research focus, success requires an education that integrates organic chemistry with biology and biochemistry.

The mission of the Organic Chemistry Graduate Program is to provide students with the experience and knowledge needed to address the most important problems in organic chemistry, natural products, and drug discovery. A particular focus will be placed on the scientific interface between chemistry and biology. Students will receive training through rigorous courses taught by experts in their fields, through in-depth thesis projects, and through exposure to broader areas of science found at U. T. Southwestern Medical Center.

One of the major objectives of the Organic Chemistry Graduate Program will be to ensure that all students learn from other scientists and research groups. All of the research groups will be highly collaborative, with the goal that students emerge from training having a strong foundation in organic chemistry complemented by a breadth of knowledge that results from collaborative projects. Research projects will focus on all topics of organic chemistry that generally impact biology in various ways. Students may focus on studying natural products with biological activity;

others may develop synthetic methodology that could be useful in drug development; and some may focus on the mechanism of action of drugs while others may seek to develop new pharmaceutical agents. Overall, the objective is to produce students who are independent scientists, capable of tackling the most important problems in chemistry and biology.

Need and Student Demand

Even without an independent organic chemistry program, the institution has 15 students who are enrolled and working in organic chemistry research groups; one of whom is expected to defend his dissertation within the next six months. While there are chemistry graduate programs in Texas, none have an organic chemistry focus. The Organic Chemistry Graduate Program will be only the third organic chemistry program in the country associated with a medical school. It will be unique in that students will have the opportunity for research and training involving chemists, biologists, and clinicians.

Chemists are highly employable, even in a relatively weak economy. Over the last decade, in the context of high nationwide unemployment, chemists have enjoyed unemployment rates generally less than 4%, with peak unemployment in 2011 at 4.5%. Current unemployment among all chemists is 4.2%, currently falling and roughly half of the overall unemployment rate (source: *Chemistry and Engineering News* [C&EN] Nov. 5, 2012). Job prospects for biomedical Ph.D.s are similarly robust, with only 2% unemployment (source: *Science*, 2012:338, 1405). Furthermore, salaries for chemists are well above national averages, with average salaries for Ph.D. chemists over $100,000 and average starting industrial salaries of $88,000 (source: *C&EN*, Sep. 24, 2012).

As of 2011, Texas was the third largest employer of chemists nationwide, indicating continuing demand for trained scientists (source: U.S. Bureau of Labor Statistics). Nationally, the U.S. Bureau of Labor Statistics projects a growth rate of 6% for chemists and material scientists from 2012-2022. Although the growth rate is slower than average for all occupations, chemists with advanced degrees are expected to experience better opportunities. Statistics from the American Chemistry Council show that by 2018, the American chemical industry (oil, gas, pharmaceuticals) will post record trade surpluses. Socioeconomic trends with an aging population are projected to expand need and create demand for pharmaceuticals and thus, enhance demand for Ph.D.s in organic chemistry. Additionally, the synthetic chemistry skills acquired by students through this program will translate to the areas of material science and alternative energy, two areas of rapid job growth.

Program Quality

A core of 10 full-time faculty members is already in place. All are currently affiliated with the Biological Chemistry graduate program, which houses the Chemistry Track. The majority of the faculty members have primary appointments in the Department of Biochemistry. All have doctorates in chemistry or medicinal chemistry and will supervise doctoral dissertations. The projected faculty to student ratio is 4:1. No new faculty members are required for this program.

Chart 1 - Faculty Publications and Other Scholarly Accomplishments 2009 to 2014

Faculty Member	Refereed Papers	Book Chapters	Books	Patents
Totals:	212	8	2	30
Average # per Faculty Member per Year:	**4.24**	**0.16**	**0.04**	**0.6**

The 10 faculty members have also been productive in procuring external funding. All grants and contracts for which these faculty members have been or are primary investigator, co-investigator, collaborator, or mentor of a predoctoral or postdoctoral trainee during the past five years have generated $97.7 million. If one counts only the grants/contracts for which the Organic Chemistry faculty members are in the primary investigator role, the total funding they have generated has been $47.2 million (including indirect costs).

Revenue and Expenses

Projected Enrollment	**5-Year Total**
Number of Students Used for Formula Funding Calculation	119
Total Number of Students	119
Expenses	**5-Year Total**
Faculty	
Salaries	$984,249
Benefits (25%)	$246,062
Graduate Students	
GRA Salaries	$1,263,668
GRA Benefits (25%)	$315,917
Staff & Administration	
Graduate Coordinator Salary	$56,000
Administrative Staff Salaries	$150,510
Staff Benefits (25%)	$51,627
Other Expenses	
Supplies and Materials	$5,000
Total Expenses	**$3,073,033**

Revenue	5-Year Total
From Student Enrollment	
Formula Funding	$839,360
Tuition and Fees	$531,097
From Grant Funds	
Indirect Cost Recovery	$1,702,576
Total Revenue	**$3,073,033**

All expenses are considered reallocated as no new faculty is projected to be hired for this program. The Program Coordinator and Clerical/Staff responsibilities will be handled on a part-time basis by existing faculty and staff.

Coordinating Board Criteria

The proposed program meets all applicable Coordinating Board criteria for new doctoral degree programs.

5. U. T. System: Approval to amend Regents' *Rules and Regulations*, Rule 40601, Sections 1.13 - 1.14 and 1.16 - 1.18 to align the names of the schools, add hospitals and clinics, and acknowledge names currently in use at U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, U. T. Health Science Center - San Antonio, U. T. M. D. Anderson Cancer Center, and U. T. Health Science Center - Tyler

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, and Presidents Podolsky, Callender, Henrich, DePinho, and Calhoun that approval be granted to amend the Regents' *Rules and Regulations*, Rule 40601, Sections 1.13 - 1.14 and 1.16 - 1.18, concerning institutions comprising The University of Texas System, to align the names of the schools, add hospitals and clinics, and acknowledge names currently in use at U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, U. T. Health Science Center - San Antonio, U. T. M. D. Anderson Cancer Center, and U. T. Health Science Center - Tyler, as set forth below in congressional style. There are no changes to U. T. Health Science Center - Houston entities, but Section 1.15 is listed below to show uniformity.

Sec. 1. Official Titles. The U. T. System is composed of the institutions and entities set forth below. To ensure uniformity and consistence of usage throughout the U. T. System, the institutions and their respective entities shall be listed in the following order and the following titles (short form of title follows) shall be used: . . .

1.13 The University of Texas Southwestern Medical Center (U. T. Southwestern Medical Center)

(a) The University of Texas Southwestern Graduate School of Biomedical Sciences (U. T. Southwestern G.S.B.S.)

(b) The University of Texas Southwestern Medical School (U. T. Southwestern Medical School)

(c) The University of Texas Southwestern School of Health Professions (U. T. Southwestern - School of Health Professions)

(d) The University of Texas Southwestern Medical Center University Hospitals and Clinics (U. T. Southwestern - University Hospitals and Clinics)

1.14 The University of Texas Medical Branch at Galveston (U. T. Medical Branch - Galveston)

(a) The University of Texas Graduate School of Biomedical Sciences at Galveston (U. T. G.S.B.S. - Galveston)

(b) The University of Texas Hospitals at Galveston (U. T. Hospitals - Galveston)

(c) The University of Texas School of Nursing at Galveston (U. T. Nursing School - Galveston)

(d) The University of Texas Medical Branch at Galveston School of Health Professions (U. T. School of Health Professions - Galveston)

(e) The University of Texas Medical School at Galveston (U. T. Medical School - Galveston)

~~(f) The University of Texas Marine Biomedical Institute at Galveston (U. T. Marine Biomedical Institute - Galveston)~~

~~(g) The University of Texas Institute for the Medical Humanities at Galveston (U. T. Medical Humanities Institute - Galveston)~~

1.15 The University of Texas Health Science Center at Houston (U. T. Health Science Center - Houston)

(a) The University of Texas School of Dentistry at Houston (U. T. School of Dentistry - Houston)

(b) The University of Texas Graduate School of Biomedical Sciences at Houston (U. T. G.S.B.S. - Houston)

(c) The University of Texas Medical School at Houston (U. T. Medical School - Houston)

(d) The University of Texas School of Biomedical Informatics at Houston (U. T. Biomedical Informatics - Houston)

(e) The University of Texas School of Nursing at Houston (U. T. Nursing School - Houston)

(f) The University of Texas School of Public Health at Houston (U. T. Public Health School - Houston)

1.16 The University of Texas at Health Science Center at San Antonio (U. T. Health Science Center - San Antonio)

(a) The University of Texas Health Science Center at San Antonio School of Dentistry ~~at San Antonio~~ (U. T. School of Dentistry - San Antonio)

(b) The University of Texas Health Science Center at San Antonio Graduate School of Biomedical Sciences ~~at San Antonio~~ (U. T. G.S.B.S. - San Antonio)

(c) The University of Texas Health Science Center at San Antonio School of Health Professions (U. T. ~~Health Science Center - San Antonio~~ School of Health Professions - San Antonio)

(d) The University of Texas Health Science Center at San Antonio School of Medicine (U. T. ~~Health Science Center - San Antonio~~ School of Medicine - San Antonio)

(e) The University of Texas Health Science Center at San Antonio School of Nursing ~~at San Antonio~~ (U. T. School of Nursing ~~School -~~ San Antonio)

1.17 The University of Texas M. D. Anderson Cancer Center (U. T. M. D. Anderson Cancer Center)

(a) The University of Texas M. D. Anderson Hospital (U. T. M. D. Anderson Hospital)

(b) The University of Texas M. D. Anderson Science Park (U. T. M. D. Anderson Science Park)

~~(c) The University of Texas M. D. Anderson Tumor Institute (U. T. M. D. Anderson Tumor Institute)~~

(~~d~~c) The University of Texas M. D. Anderson Cancer Center School of Health Professions (U. T. M. D. Anderson School of Health Professions)

(d) The University of Texas Graduate School of Biomedical Sciences at Houston (U. T. G.S.B.S. - Houston)

1.18 The University of Texas Health Science Center at Tyler (U. T. Health Science Center - Tyler)

(a) The University of Texas Health Science Center at Tyler School of Medical Biological Sciences (U. T. Health Science Center - Tyler School of Medical Biological Sciences)

(b) The University of Texas Health Science Center at Tyler Hospital (U. T. Health Northeast)

BACKGROUND INFORMATION

U. T. G.S.B.S. - Houston, listed in 1.15(b) and 1.17(d), is a joint venture school between U. T. Health Science Center - Houston and U. T. M. D. Anderson Cancer Center.

The proposed amendments to the Regents' *Rules and Regulations*, Rule 40601 are to align the names of the schools within the health institutions and acknowledge the names currently in use, which have been approved by the Executive Vice Chancellor for Health Affairs pending approval by the Board.

Texas Education Code Section 65.11 authorizes the Board of Regents to provide for the "names of the institutions and entities in The University of Texas System in such a way as will achieve the maximum operating efficiency of such institutions and entities[.]"

6. U. T. System: Approval of $5 million from the Available University Fund (AUF) to support U. T. System initiatives to be led by the Associate Vice Chancellor for Population Health to improve the health of Texans

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs and the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents approve $5 million from the Available University Fund (AUF) to be deployed over Fiscal Years 2015-2017 to develop initiatives to be led by the Associate Vice Chancellor for Population Health to improve the health of Texans.

Executive Vice Chancellor Greenberg will introduce the Associate Vice Chancellor for Population Health, David L. Lakey, M.D., for remarks. Dr. Lakey's presentation is set forth on the following pages.

BACKGROUND INFORMATION

Population health focuses on attaining and maintaining health in a population or a community. In traditional health care, the predominant focus is on sick care, addressing acute illness in one patient at a time. Population health analyzes population-level data on health status, health factors, and behaviors as the determinants of health outcomes at the population level. Evidence-based interventions are assessed and selected based on their relevance and potential impact in a given population. After the results of pilot interventions are analyzed, the most impactful best practices can then be replicated and brought to scale to improve the health of ever broader populations.

In 2014, U. T. System convened meetings involving all of the health science centers in Texas, public health officials, and mental health experts. Findings from these meetings established that the health of Texas is less than optimal and the healthy economy would be healthier when fueled by healthier Texans.

Significant differences in health outcomes exist in Texas depending on education, income, race, ethnicity, and geographic location. Notable concentrations of poor health outcomes exist in East Texas, South Texas, and across the rural areas. Local efforts to improve health struggle in isolation. The Associate Vice Chancellor for Population Health has the requisite experience and professional stature to foster collaborations and systems approaches to deploying population health initiatives that will effectively and efficiently improve the health of Texas.

The requested funding will support the development and implementation of a sustainable population health strategic plan to identify and assess current conditions and assets, provide analytical expertise, and support collaborative efforts throughout Texas. This effort embodies the mission of academic medicine to improve health.

Improving the Health of Texans

David L. Lakey, M.D.

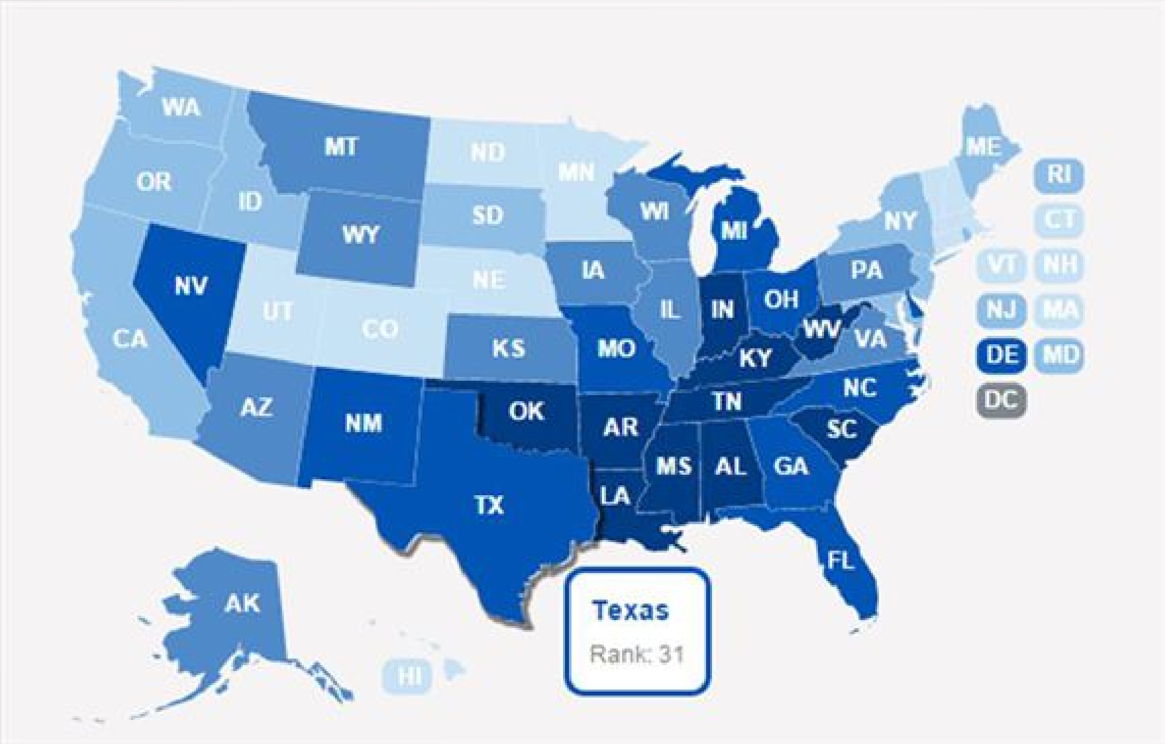
Associate Vice Chancellor for Population Health

U. T. System Board of Regents' Meeting

Health Affairs Committee

February 2015

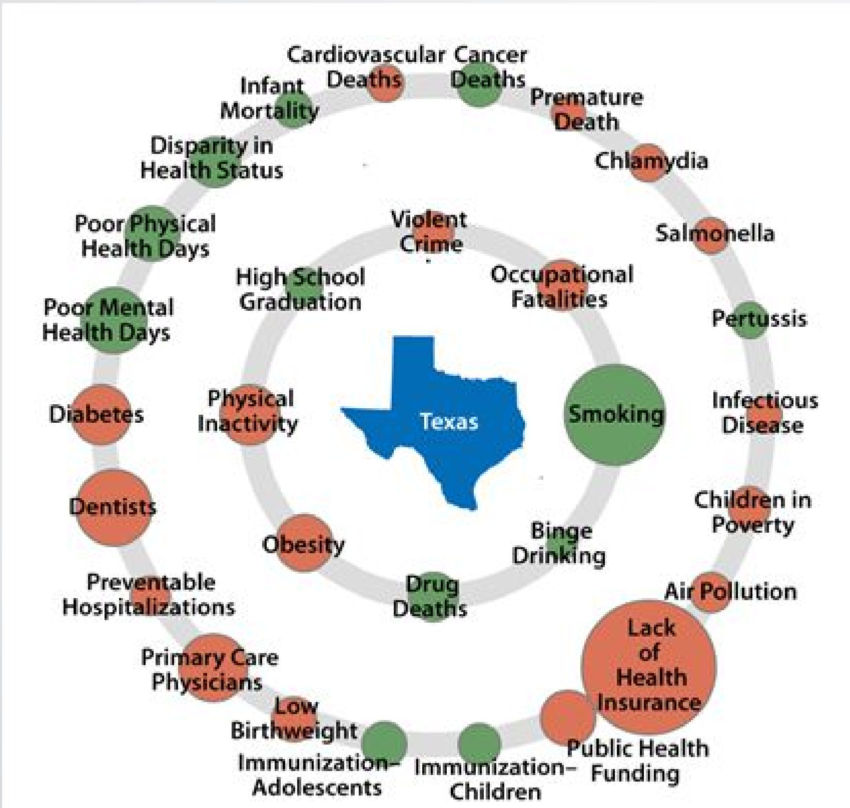
Overall State Health Rankings



Source: America's Health Rankings,
United Health Foundation 2014 Annual Report

THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.
WWW.UTSYSTEM.EDU

Core Measure Impact



Shows the impacts of core measures on the state's overall ranking

Texas – 2014
Overall Ranking

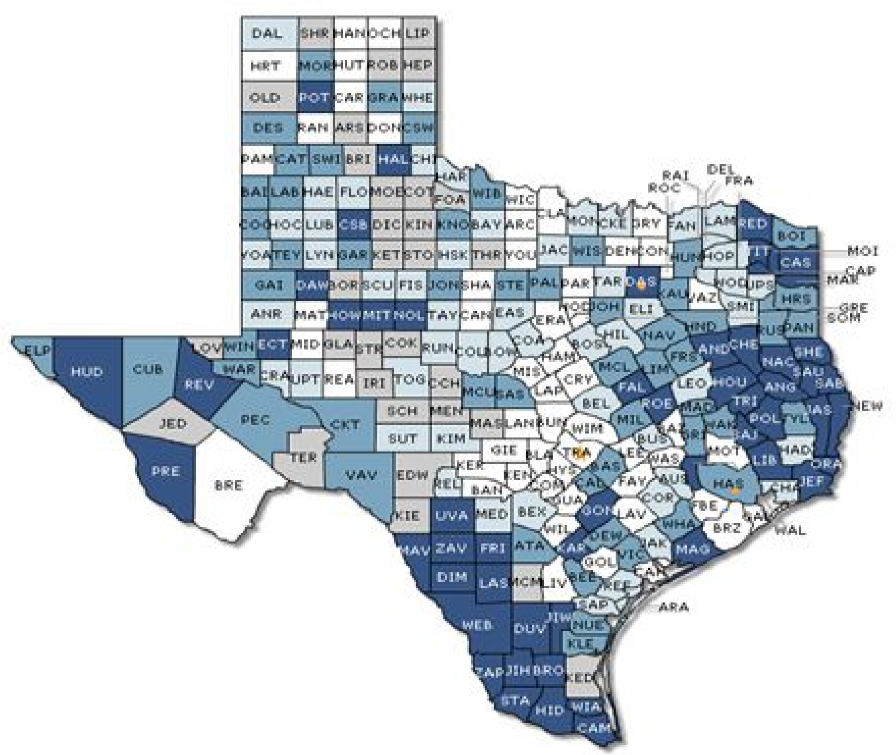
31

Positively impacts the state's rank

Negatively impacts the state's rank

Source: America's Health Rankings,
United Health Foundation 2014 Annual Report

Texas County Health Rankings



Rank 1-56

Rank 57-112

Rank 113-167

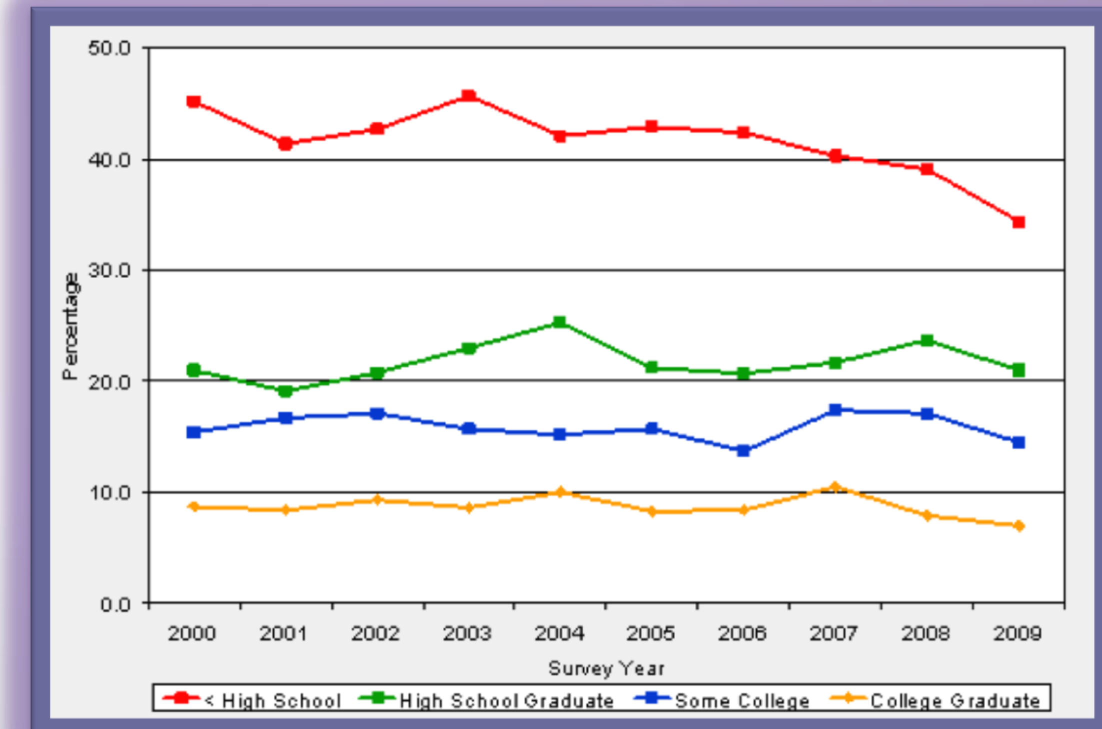
Rank 168-223

Not Ranked

Source: County Health Rankings,
Robert Wood Johnson Foundation, University of Wisconsin

General Health "Fair to Poor" in Texas by Education

2000 – 2009 Behavioral Risk Factor Surveillance System



Annual potentially preventable deaths based on average death rates for the three states with the lowest rates for each cause

Centers for Disease Control and Prevention

MMWR

Morbidity and Mortality Weekly Report

Weekly / Vol. 63 / No. 17

May 2, 2014

Potentially Preventable Deaths from the Five Leading Causes of Death — United States, 2008–2010

Paula W. Yoon, ScD[1], Brigham Bastian[2], Robert N. Anderson, PhD[2], Janet L. Collins, PhD[3], Harold W. Jaffe, MD[4]

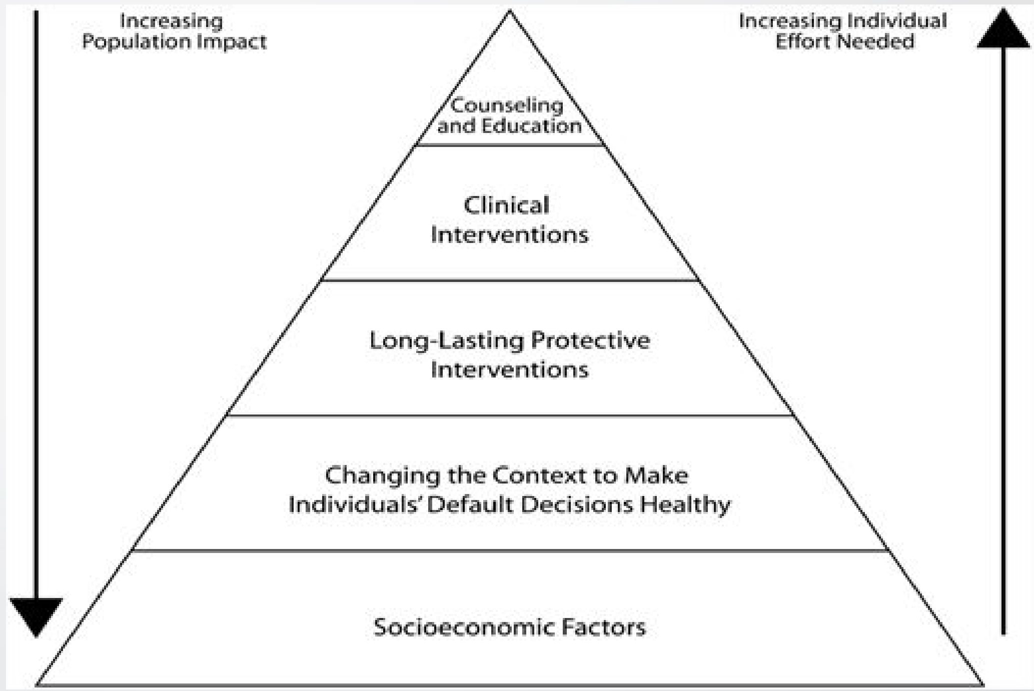
(Author affiliations at end of text)

Potentially Preventable Deaths in Texas

	Observed	Expected	Potentially Preventable	Percent Preventable Texas	Percent Preventable United States
Heart Disease	19,939	12,683	7,256	36%	34%
Cancer	27,141	22,143	4,998	18%	21%
Chronic Lower Respiratory Disease	5,061	3,139	1,922	38%	39%
CVD/ Stroke	4,254	2,471	1,783	42%	33%
Unintentional Injury	7,612	4,551	3,061	40%	39%

The Health Impact Pyramid

A Framework for Public Health Action



Source: Thomas Frieden, MD, MPH, American Journal of Public Health, 04/2010, Vol. 100, no. 4

Partnerships to Improve Health

7. U. T. System: Report on activities and accomplishments of the Galveston National Laboratory and preparedness for infectious diseases

REPORT

Dr. Callender will introduce James Le Duc, Ph.D., Director of the Galveston National Laboratory (GNL) and Professor in the School of Medicine at U. T. Medical Branch - Galveston (UTMB), who will report on GNL's activities and accomplishments using the PowerPoint set forth on the following pages.

BACKGROUND INFORMATION

The ongoing epidemic of the Ebola virus in West Africa has thrust the GNL into the headlines throughout Texas and across the nation. UTMB faculty has been involved in both the on-the-ground response to the epidemic and in the conduct of critical research to develop effective drugs to treat the disease and vaccines to prevent infection. Dr. James Le Duc will provide a summary of the important work taking place at UTMB, including the involvement of UTMB faculty and staff in statewide, national, and international committees and organizations that are focused on combatting this deadly disease. Dr. Le Duc also will provide a summary of the research that is underway in the biocontainment laboratories at the GNL. That overview will include information on:

- Progress made in the development of a novel class of drug (small interfering RNA) that has shown great promise in treating Ebola infection in laboratory animals, with clinical trials recently begun in humans;
- A summary of studies with a vaccine candidate that has proven effective in both preventing infection in laboratory animals when challenged with the live Ebola virus and even proved beneficial when administered to animals after infection; and
- Progress in using human monoclonal antibodies, ZMapp™, and other formulations to treat an Ebola infection.

In addition to work on Ebola, UTMB is involved in research on other infectious disease threats to Texas and the nation, including chikungunya virus, Middle Eastern Respiratory Syndrome (MERS coronavirus), and avian influenza.

UPDATE: The Work of the Galveston National Laboratory at UTMB

James W. Le Duc, Ph.D.
Director, Galveston National Laboratory
Board of Regents' Meeting
Health Affairs Committee
February 2015

utmb Health
Galveston National Laboratory

GNL Involvement with Ebola

Dr. Tom Ksiazek – Headed up contact tracing for the Centers for Disease Control and Prevention (CDC) in Sierra Leone for six weeks August-September 2014; providing ongoing counsel to CDC and other organizations.

Dr. James Le Duc – Member of World Health Organization (WHO) Emergency Committee on Ebola, member of the Global Outbreak and Alert Response Network (GOARN) Steering Committee, speaker at National Academy of Sciences conference on U.S. Ebola research strategy, and numerous additional advisory roles.

Ksiazek and Le Duc – Texas Task Force on Infectious Disease Preparedness and Response.

Ebola Research Underway

Anti-filovirus small interfering RNAs (siRNA) – a novel class of drug developed in collaboration with Tekmira Pharmaceuticals that has shown great promise in laboratory animals against the latest strain of Ebola-Zaire from the current outbreak.

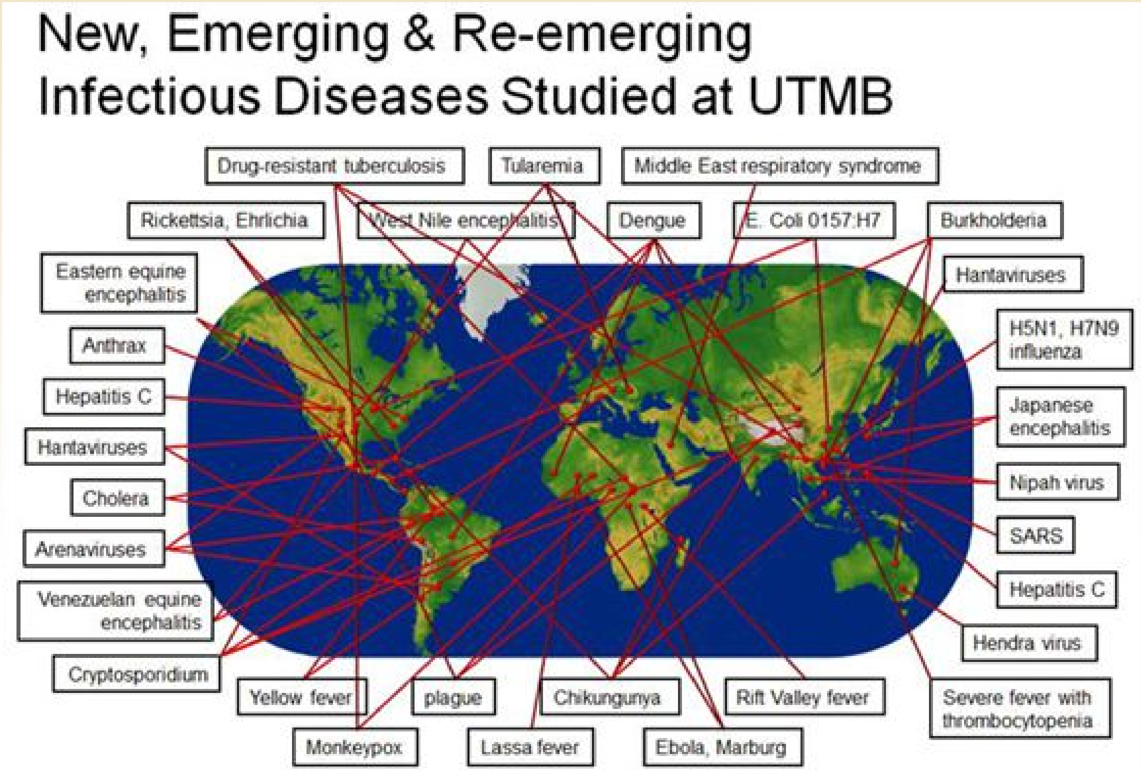
- Recently began clinical trials in humans

Recombinant Vesicular Stomatitis Virus (rVSV) – a vaccine candidate that has proven effective at protecting laboratory animals challenged with Ebola and has shown promising results even after animals have shown signs of infection. Developed with Profectus BioSciences.

- Entering Phase 1 clinical trials soon

Studies of fully human anti-filovirus monoclonal antibodies (ZMapp™) – conducted in collaboration with Dr. James Crowe, Jr., Vanderbilt University, and corporate partner Mapp Biopharmaceutical.

Other Infectious Disease Research



National Institutes of Health (NIH) Funding Activity

2014 U.S. Medical School Microbiology Research Funding	
HARVARD UNIVERSITY	$29,118,137
UNIVERSITY OF WASHINGTON	$24,613,651
UTMB	**$23,195,225**
UNIVERSITY OF NORTH CAROLINA	$22,728,538
YALE UNIVERSITY	$20,528,227
MOUNT SINAI HOSPITAL	$20,120,414
OREGON HEALTH AND SCIENCE UNIVERSITY	$17,577,288
EMORY UNIVERSITY	$16,784,035
UNIVERSITY OF CALIFORNIA, LOS ANGELES	$15,215,387
CORNELL UNIVERSITY	$15,208,160

UTMB is ranked third nationally for NIH funding for Microbiology research with just over $23 million in 2014.

In addition, GNL received $14 million in funding from the NIH for operational expenses in 2014.

Source: Blue Ridge Institute for Medical Research

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Galveston National Laboratory

Task Order Activity
Animal Models of Infectious Disease

UTMB was awarded the National Institutes of Allergy and Infectious Diseases (NIAID) Animal Models of Infectious Disease (AMoID) contract from the NIH in March 2010. To date UTMB has been awarded eight AMoID task orders.

In 2015 there are six active AMoID task orders worth an estimated $22.9 million:

- Task Order A07 – "Development of a Diabetic Mouse Model for Proof of Concept Testing"
- Task Order A64 – "Mouse Models for Therapeutics Testing Against Filoviruses"
- Task Order A68 – "Refinement of Small Model Potency Assays for Filovirus Challenge Material"
- Task Order A71 – "Evaluation of Therapeutics and Vaccines in Mouse Models of Dengue Virus"
- Task Order C12 – "Infectivity and Lethality of Filovirus Strain(s) in Nonhuman Primates following Intramuscular Challenge"
- Task Order D04 – "World Reference Center for Emerging Viruses and Arboviruses"

Infectious Disease Research at the GNL

- Hundreds of people working on funded projects to learn more about the pathology of infectious diseases and to develop diagnostics, therapeutics, and vaccines

- Collaborations with dozens of universities both nationally and internationally

- Work in conjunction with biocontainment labs around the world

Projects are funded by:

Plus dozens of additional foundations, universities, partnerships, and private interests.

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Galveston National Laboratory

Translational Projects and Corporate Collaborations

The GNL has significant expertise in the development of diagnostics.

- Current collaboration with Cepheid on an Ebola assay that can detect Ebola from a drop of blood within an hour
- Human trials are about to begin in West Africa
- This project is funded in part by over $3 million in grants from private foundations

Cepheid®

utmb Health
Galveston National Laboratory

utmb Health
National Biocontainment
Training Center

The primary mission of the National Biocontainment Training Center (NBTC) is to prepare the worldwide community of infectious disease and biosecurity research scientists to work safely in high-containment research laboratories.

More than 7,000 training courses have been provided to people from 34 different countries, 70 different universities, government agencies, and corporations.

NBTC provides training to U.S. military personnel in the U.S. and abroad, and have been involved in training NASA personnel.

NBTC is funded by U.S. Department of Defense Grants, half of which expired in 2014.

8. U. T. System: Report on the Diabetes Obesity Control initiative and discussion regarding Phase I implementation

REPORT

Dr. Raymond Greenberg, Executive Vice Chancellor for Health Affairs, will provide a report on the U. T. Systemwide Diabetes Obesity Control initiative and discuss Phase I implementation.

BACKGROUND INFORMATION

Lynda Chin, M.D., Chair at U. T. M. D. Anderson Cancer Center's Department of Genomic Medicine and a Chancellor's Health Fellow, introduced a proposal at the August 20, 2014 Board of Regents' meeting to improve care of patients with diabetes through improved data collection, management, analysis, and application.

On November 6, 2014, the Board of Regents approved $5 million from the Available University Fund to support Phase 1 of the U. T. Systemwide Diabetes Obesity Control initiative (Project DOC) and delegated authority for the Office of Health Affairs and the Office of General Counsel to contract with selected entities to create a Technology Core. Funds provide operational project support within the U. T. System Office of Health Affairs and the contract for hire of an external multifunction consultant team to implement this initiative.

Following a thorough Request for Proposal process, PricewaterhouseCoopers, LLC, International Business Machines Corporation, and AT&T Corporation were selected as the multifunction consultant team to implement this initiative.

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FOR
FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

Committee Meeting: 2/11/2015

Board Meeting: 2/12/2015
Austin, Texas

Alex M. Cranberg, Chairman
Ernest Aliseda
R. Steven Hicks
Wm. Eugene Powell
Robert L. Stillwell

	Committee Meeting	Board Meeting	Page
7. **U. T. M. D. Anderson Cancer Center: Renovate Outpatient Clinics - Main Building - Floor 10 - Amendment of the FY 2015-2020 Capital Improvement Program to include project; approval of total project cost; authorization of institutional management; and appropriation of funds (Final Board approval)**	*3:00 p.m.* **Action** *Mr. Dixon*	**Action**	**286**
Design Development Approval			
8. **U. T. Dallas: Brain Performance Institute - Amendment of the FY 2015-2020 Capital Improvement Program to decrease total project cost; approval to revise funding sources; approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)**	*3:05 p.m.* **Action** *Mr. Dixon*	**Action**	**288**
9. **U. T. Medical Branch - Galveston: Building 17 Expansion - Approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)**	*3:10 p.m.* **Action** *Mr. Dixon*	**Action**	**291**
Modifications to the CIP			
10. **U. T. Austin: Renovate Moore-Hill Dormitory - Amendment of the FY 2015-2020 Capital Improvement Program to increase total project cost; and appropriation of funds and authorization of expenditure (Final Board approval)**	*3:15 p.m.* **Action** *Mr. Dixon*	**Action**	**294**
11. **U. T. M. D. Anderson Cancer Center: RHI (Rotary House International) Renovations and Repairs - Amendment of the FY 2015-2020 Capital Improvement Program to increase total project cost; and appropriation of funds and authorization of expenditure (Final Board approval)**	*3:18 p.m.* **Action** *Mr. Dixon*	**Action**	**296**
Report/Discussion			
12. **U. T. Health Science Center - Houston and U. T. M. D. Anderson Cancer Center: Update and discussion concerning space needs for health institutions in Houston**	*3:20 p.m.* **Report/Discussion** *President Colasurdo* *President DePinho* *Mr. Dixon*	Not on Agenda	
Adjourn	*3:30 p.m.*		

1. <u>**U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration**</u>

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

2. U. T. Health Science Center - San Antonio: MARC North Clinical Facility - Amendment of the FY 2015-2020 Capital Improvement Program to include project (Preliminary Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Henrich that the U. T. System Board of Regents amend the FY 2015-2020 Capital Improvement Program (CIP) to include the MARC North Clinical Facility project at U. T. Health Science Center - San Antonio as follows:

Project No.: 402-908

Project Delivery Method: Construction Manager-at-Risk

Substantial Completion Date: November 2016

Total Project Cost:

Source	Proposed
Revenue Financing System Bond Proceeds[1]	$ 8,940,000
Medical Services, Research and Development Plan/Professional Fees	$ 7,810,000
	$16,750,000

Funding Note: [1]Revenue Financing System (RFS) proposed to be repaid from clinical revenues

Investment Metrics:

- Expand primary care and multispecialty services tailored to needs of patients
- Increase patient visits by almost 50,000 within five years
- Increase clinical fee-for-service revenues by $1.9 million in one year and grow to $6.5 million by Year Five
- Reduce current space deficit of 224,400 square feet

BACKGROUND INFORMATION

This proposed project will provide a new ambulatory multispecialty clinical services center in North San Antonio. This clinical facility will serve as a gateway for referring patients who need additional services by improving patient access. The facility will provide services not provided at the Medical Arts and Research Center (MARC); provide expanded teaching venues for students and trainees; enhance clinical research; and expand the patient base of private and commercial patients. The project will construct an approximately 18,000 gross square foot commercial-grade facility to include exam rooms, conference rooms, offices for physicians, waiting rooms, and a full-service imaging center with an MRI, CT Scan, and general X-ray facilities.

U. T. Health Science Center - San Antonio has embarked on a clinical transformation plan that includes expanding and diversifying the services of the institution's thriving academic medical practice throughout San Antonio. The current primary outpatient practice site, the MARC in the South Texas Medical Center, will expand its functional clinical space locations beyond the South Texas Medical Center. This proposed satellite clinic will provide services in a developing location where demographic studies have shown a need for both high quality primary care and subspecialty medical services.

Proposed purchase of the land required for this project is included as Consent Agenda Item 63 on Page 393.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date.

3. U. T. Health Science Center - San Antonio: MARC Plaza - Amendment of the FY 2015-2020 Capital Improvement Program to include project (Preliminary Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Henrich that the U. T. System Board of Regents amend the FY 2015-2020 Capital Improvement Program (CIP) to include the MARC Plaza project at U. T. Health Science Center - San Antonio as follows:

Project No.:	402-909	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	October 2016	
Total Project Cost:	Source	Proposed
	Revenue Financing System Bond Proceeds[1]	$16,000,000
Funding Note:	[1] Revenue Financing System (RFS) proposed to be repaid from parking fees and income from converted clinic space	
Investment Metrics:	• Reduce lease costs by over $1.3 million per year • Replace 25,000 square feet of office space with revenue generating clinical space • Reduce current space deficit of 224,440 square feet	

BACKGROUND INFORMATION

This proposed project includes a 75,000 gross square foot office building that will house personnel from the billing services operation and information technology operations, currently housed in leased space, and faculty and staff from the seventh and eighth floors of the Medical Arts and Research Center (MARC). The building will include offices, open work spaces, conference rooms, break rooms, and training rooms. A parking structure will provide 200 surface lot spaces with the capacity to expand as needed.

The Clinical Transformation, Phase I project approved by the Board on November 6, 2014, will convert faculty offices and administrative space to new functional clinical space in the MARC. This proposed project will provide necessary space for faculty and staff displaced by the expansion of new functional clinic space in the MARC. The project will also provide an opportunity to reduce overall administrative costs and consolidate operations currently in leased space.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date.

4. U. T. M. D. Anderson Cancer Center: Mays Clinic - Replace Outside Air Handling Units - Amendment of the FY 2015-2020 Capital Improvement Program to include project; approval of total project cost; authorization of institutional management; and appropriation of funds (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President DePinho that the U. T. System Board of Regents amend the FY 2015-2020 Capital Improvement Program (CIP) to include the Mays Clinic - Replace Outside Air Handling Units project at U. T. M. D. Anderson Cancer Center as follows:

Project No.:	703-X63	
Institutionally Managed:	Yes	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	January 2017	
Total Project Cost:	Source	Proposed
	Hospital Revenues	$6,000,000

a. approve a total project cost of $6,000,000 with funding from Hospital Revenues;

b. authorize U. T. M. D. Anderson Cancer Center to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts; and

c. appropriate funds.

BACKGROUND INFORMATION

This proposed project will replace the existing outside air handling units (OAHUs) for the Lowry and Peggy Mays Ambulatory Clinical Building (Mays Clinic). The four existing OAHUs and related control systems will be replaced with new OAHUs and control systems. Also included will be the acquisition and installation of a temporary OAHU to facilitate the removal and the installation of the new OAHUs.

In early Calendar Year 2014, one of the existing OAHUs underwent emergency repairs due to failure of the inlet cone, which collapsed and was drawn into the fan, causing extensive damage to the fan, motor, structural support, and housing. Subsequent investigation revealed that failure was due to corrosion caused by condensation and moisture carryover. Inspection of remaining OAHUs indicated the same degree of corrosion.

Pursuant to a Memorandum of Understanding effective August 26, 2004, U. T. M. D. Anderson Cancer Center has delegated authority for institutional management of construction projects under the continued oversight of the Office of Facilities Planning and Construction. This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the President for approval at a later date.

5. U. T. M. D. Anderson Cancer Center: Renovate Diagnostic Imaging Area A - Main Building - Floor 3 - Amendment of the FY 2015-2020 Capital Improvement Program to include project; approval of total project cost; authorization of institutional management; and appropriation of funds (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President DePinho that the U. T. System Board of Regents amend the FY 2015-2020 Capital Improvement Program (CIP) to include the Renovate Diagnostic Imaging Area A - Main Building - Floor 3 project at U. T. M. D. Anderson Cancer Center as follows:

Project No.:	703-X64	
Institutionally Managed:	Yes	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	December 2016	
Total Project Cost:	Source	Proposed
	Hospital Revenues	$4,800,000

a. approve a total project cost of $4,800,000 with funding from Hospital Revenues;

b. authorize U. T. M. D. Anderson Cancer Center to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts; and

c. appropriate funds.

BACKGROUND INFORMATION

The proposed project will include extensive renovations of Diagnostic Imaging Area A on Floor 3 of the Main Building, which occupies approximately 14,300 gross square feet. Infrastructure renovations are needed to replace inner-lined ductwork, to replace obsolete air terminal boxes and control systems, and to ensure that the infrastructure systems can meet the needs of new diagnostic imaging equipment. Reconfiguration of interior partitions and the replacement of finishes are also included in the project.

This area of the Main Building was last renovated over 20 years ago. The proposed renovations will provide the opportunity to address patient access and flow issues that developed as the Main Building was extended to accommodate the sky bridge to the Lowry and Peggy Mays Ambulatory Clinical Building on the third floor.

Pursuant to a Memorandum of Understanding effective August 26, 2004, U. T. M. D. Anderson Cancer Center has delegated authority for institutional management of construction projects under the continued oversight of the Office of Facilities Planning and Construction. This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the President for approval at a later date.

6. U. T. M. D. Anderson Cancer Center: Renovate Outpatient Clinics - Main Building - Floor 7 - Amendment of the FY 2015-2020 Capital Improvement Program to include project; approval of total project cost; authorization of institutional management; and appropriation of funds (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President DePinho that the U. T. System Board of Regents amend the FY 2015-2020 Capital Improvement Program (CIP) to include the Renovate Outpatient Clinics - Main Building - Floor 7 project at U. T. M. D. Anderson Cancer Center as follows:

Project No.:	703-X65	
Institutionally Managed:	Yes	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	December 2018	
Total Project Cost:	Source Hospital Revenues	Proposed $9,047,500

a. approve a total project cost of $9,047,500 with funding from Hospital Revenues;

b. authorize U. T. M. D. Anderson Cancer Center to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts; and

c. appropriate funds.

BACKGROUND INFORMATION

The proposed project will provide extensive renovation of approximately 33,600 gross square feet of outpatient clinics located on Floor 7 of the Main Building, R. Lee Clark Clinic, and Margaret and Ben Love Clinic. The project will include demolition of interior partitions as well as removal of the ceiling and replacement of infrastructure systems that serve these areas, including mechanical, electrical, plumbing, information technology, life safety, and air distribution. The project will also include reconfiguration of interior partitions and the replacement of finishes.

This project will facilitate the expansion of the Gastrointestinal Center, the consolidation and expansion of the Endocrine Center currently split across four outpatient clinics, and the Child and Adolescent Center. In addition, removal of the aged inner-lined ductwork will improve air quality, and replacement of the air terminal units will aid in controlling energy costs.

Pursuant to a Memorandum of Understanding effective August 26, 2004, U. T. M. D. Anderson Cancer Center has delegated authority for institutional management of construction projects under the continued oversight of the Office of Facilities Planning and Construction.

This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the President for approval at a later date.

7. U. T. M. D. Anderson Cancer Center: Renovate Outpatient Clinics - Main Building - Floor 10 - Amendment of the FY 2015-2020 Capital Improvement Program to include project; approval of total project cost; authorization of institutional management; and appropriation of funds (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President DePinho that the U. T. System Board of Regents amend the FY 2015-2020 Capital Improvement Program (CIP) to include the Renovate Outpatient Clinics - Main Building - Floor 10 project at U. T. M. D. Anderson Cancer Center as follows:

Project No.:	703-X66	
Institutionally Managed:	Yes	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	June 2017	
Total Project Cost:	Source Hospital Revenues	Proposed $8,500,000

a. approve a total project cost of $8,500,000 with funding from Hospital Revenues;

b. authorize U. T. M. D. Anderson Cancer Center to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts; and

c. appropriate funds.

BACKGROUND INFORMATION

The proposed project will provide extensive renovation of approximately 21,700 gross square feet of outpatient clinics that are located in the interconnected Main Building, R. Lee Clark Clinic, and Margaret and Ben Love Clinic. The project will include demolition of interior partitions, removal of the ceiling, and replacement of infrastructure systems that serve this area including mechanical, electrical, plumbing, information technology, life safety, and air distribution. The project will also include reconfiguration of interior partitions and the replacement of finishes.

The project will facilitate the relocation of the Brain and Spine Center to co-locate with the Head and Neck Center. This will enhance the care of patients who are seen in both centers, facilitate faculty collaboration, and enhance patient experience with the Skull Base Program, which is jointly managed by the two Centers.

Pursuant to a Memorandum of Understanding effective August 26, 2004, U. T. M. D. Anderson Cancer Center has delegated authority for institutional management of construction projects under the continued oversight of the Office of Facilities Planning and Construction.

This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the President for approval at a later date.

8. U. T. Dallas: Brain Performance Institute - Amendment of the FY 2015-2020 Capital Improvement Program to decrease total project cost; approval to revise funding sources; approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Daniel that the U. T. System Board of Regents approve the recommendations for the Brain Performance Institute project at U. T. Dallas as follows:

Project No.: 302-766

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: May 2017

Total Project Cost:

Source	Current	Proposed
Gifts	$33,100,000	$18,416,300
Permanent University Fund Bond Proceeds[1]	$ 0	$ 3,870,000
Unexpended Plant Funds[2]	$ 0	$ 3,713,700
Revenue Financing System Bond Proceeds[3]	$ 0	$ 3,000,000
	$33,100,000	$29,000,000

Funding Notes:

[1] Permanent University Fund (PUF) from previously approved U. T. System Research Incentive Program (UTRIP) funding

[2] Unexpended Plant Funds from Texas Research Incentive Program (TRIP) matching funds

[3] Revenue Financing System (RFS) debt proposed to provide interim financing. RFS debt expected to be repaid from Gifts and will be supplemented with Designated Tuition, if necessary

Investment Metrics:

- Attract outstanding tenure-track faculty to support the University's Strategic Plan Imperative of growing to a total of 610 tenure-track faculty by 2017
- Attract research funding in support of the University's Strategic Plan Imperative of achieving over $100 million per year in research expenditures by 2017

a. amend the FY 2015-2020 Capital Improvement Program (CIP) to decrease the total project cost from $33,100,000 to $29,000,000;

b. revise funding sources to include PUF Bond Proceeds, Unexpended Plant Funds, and RFS Bond Proceeds;

c. approve design development plans;

d. appropriate funds and authorize expenditure of $29,000,000 with funding of $18,416,300 from Gifts, $3,870,000 from PUF Bond Proceeds, $3,713,700 from Unexpended Plant Funds, and $3,000,000 from RFS Bond Proceeds; and

e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $3,000,000.

BACKGROUND INFORMATION

Debt Service

The $3,000,000 in RFS debt is expected to be repaid from Gifts. RFS debt will be issued, if necessary, to provide interim financing pending gift collections. As gifts are collected, they will be used to retire interim financing. Designated Tuition will be used to supplement gift receipts, if necessary, to fund interest expense on the interim financing. The debt service coverage for the institution is expected to be at least 1.4 times and average 2.3 times over FY 2015-2020.

Previous Board Action

On February 14, 2013, the project was included in the CIP with a total project cost of $33,100,000 with funding from Gifts.

Project Description

This project involves construction of the national headquarters building for the Brain Performance Institute adjacent to the Center for BrainHealth (CBH) and in close proximity to U. T. Southwestern Medical Center. The Brain Performance Institute was conceived by U. T. Dallas visionaries, leaders at the University's Center for BrainHealth, cognitive neuroscience experts, research clinicians, and community advocates to address diminishing cognitive brainpower that affects every sector of society across the lifespan.

This three-story, iconic building will be approximately 62,000 gross square feet of combined educational, office, and clinical spaces with a focus on research. It will house all of the programmatic functions including those designed for veterans, executives, teens, and those suffering from brain injury and disease. The Live Lobby located on the first floor will include a reception area, retail bookstore, coffee shop, an interactive media wall, two large brain exercise rooms, and approximately 4,000 square feet of shell space for a future MRI suite. A large multifunction room capable of seating up to 150 patrons will also be included. The second and third floors will include small and large classrooms, a large simulation lab and testing area, clinician offices, staff offices, and an administrative suite.

The Brain Performance Institute, an extension of the Center for BrainHealth at U. T. Dallas, will be the transformational epicenter for cognitive brain performance where the patented, scientifically-proven technologies and methodologies developed by the scientists and clinicians at the CBH will be utilized to maximize and extend brain performance at all ages in health, brain injury, and brain disease. The CBH is the research home to more than 130 scientists, research clinicians, and graduate students. The location is an ideal site, adjacent to the U. T. Southwestern campus where many BrainHealth faculty have joint appointments. Locating the Brain Performance Institute in close proximity to the CBH is mission-critical to furthering the translation of the latest research findings at the CBH into immediate application.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 50-75 years
- Building Systems: 25-30 years
- Interior Construction: 10-20 years

The interior and exterior appearance and finish are consistent with other campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities.

9. U. T. Medical Branch - Galveston: Building 17 Expansion - Approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Callender that the U. T. System Board of Regents approve the recommendations for the Building 17 Expansion project at U. T. Medical Branch - Galveston (UTMB) as follows:

Project No.:	601-818	
Project Delivery Method:	Construction Manager-at-Risk	
Substantial Completion Date:	March 2017	
Total Project Cost:	Source:	Current
	Permanent University Fund Bond Proceeds	$30,500,000
	Revenue Financing System Bond Proceeds[1]	$11,500,000
		$42,000,000
Funding Note:	[1] Revenue Financing System debt to be repaid from Hospital Revenues	

Investment Metrics:

- Maintain competitive position in research funding by containing operating costs of the Animal Resource Center through consolidation of animal facilities
- Mitigate critical research assets from future flood damage
- Address facility deficiency issues and assure accreditation

a. approve design development plans;

b. appropriate funds and authorize expenditure of $30,500,000 from Permanent University Fund (PUF) Bond Proceeds and $11,500,000 from Revenue Financing System (RFS) Bond Proceeds; and

c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- UTMB, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $11,500,000.

BACKGROUND INFORMATION

Debt Service

The $11,500,000 in Revenue Financing System (RFS) debt will be repaid from Hospital Revenues. Annual debt service on the $11,500,000 RFS debt is expected to be $791,000. The debt service coverage for the institution is expected to be at least 2.3 times and average 2.7 times over FY 2015-2020.

Previous Board Action

On December 12, 2013, the project was added to the Capital Improvement Program (CIP) with a total project cost of $42,000,000 with funding of $30,500,000 from PUF Bond Proceeds and $11,500,000 from RFS Bond Proceeds.

Project Description

The project will construct a six-story, 93,000 gross square foot addition to the current Building 17. The project will replace critical research support space lost to Hurricane Ike in 2008, move critical functions to an elevation of 25 feet above mean sea level, and provide centrally-located vivarium space for functions that support all of UTMB's animal research. The ground floor will house noncritical functions such as lobby and meeting space. Floors 2, 3, and 4 will house animals and related facilities such as cage washing, veterinary support, pharmacy, and mechanical space. Floors 5 and 6, to be shelled during initial construction, will be dedicated to laboratory and office space.

Former Building 18, which was essential to UTMB's research pursuits, was heavily damaged during Hurricane Ike and was recently demolished, compromising to an even greater extent UTMB's already stressed animal research facilities. This proposed expansion of Building 17 is the final major component in the institution's $1.2 billion recovery and rebuilding from the hurricane.

Building 17, formerly called the Multi-Purpose Research Building, then the Research Facilities Expansion, and now called the Research Building, located at 105 11th Street, was constructed in 2005 following Board of Regents' approval on February 9, 2000.

Beyond the existing renovation and mitigation efforts underway at UTMB, construction of this proposed facility is the highest priority for UTMB to assure greater opportunities for scientific collaboration, while providing a safe and secure location for staff and critical research assets. Maintaining adequately sized and state-of-the-art animal research facilities is critical to obtaining new grant awards in the current, highly competitive environment.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 50-75 years
- Building Systems: 25-30 years
- Interior Construction: 10-20 years

The interior and exterior appearance and finish are consistent with other campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities.

10. U. T. Austin: Renovate Moore-Hill Dormitory - Amendment of the FY 2015-2020 Capital Improvement Program to increase total project cost; and appropriation of funds and authorization of expenditure (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Renovate Moore-Hill Dormitory project at U. T. Austin as follows:

Project No.:	102-777		
Institutionally Managed:	Yes		
Project Delivery Method:	Competitive Sealed Proposals		
Substantial Completion Date:	August 2015		
Total Project Cost:	Source	Current	Proposed
	Auxiliary Enterprises Balances[1]	$8,800,000	$14,800,000
Funding Note:	[1]Auxiliary Enterprises Balances from revenues collected from Division of Housing and Food Services Auxiliary Balances		

a. amend the FY 2015-2020 Capital Improvement Program (CIP) to increase the total project cost from $8,800,000 to $14,800,000; and

b. appropriate and authorize expenditure of an additional $6,000,000 from Auxiliary Enterprises Balances.

BACKGROUND INFORMATION

Previous Board Actions

On August 22, 2013, the project was included in the CIP with funding of $8,000,000 from Auxiliary Enterprises Balances. On October 31, 2013, the President approved design development plans and authorized expenditure of funds. On March 27, 2014, the President approved an increase in the total project cost to $8,800,000 with additional funding of $800,000 from Auxiliary Enterprises Balances.

Project Description

The original scope of the project upgraded mechanical systems in the building, including replacement of induction units in 209 student rooms and replacement of two air handlers. Select portions of the electrical and plumbing systems were replaced and upgraded and existing built-in furnishings in the student rooms were removed and new room finishes were provided.

The proposed increase in total project cost will renovate 15 community bathrooms, two accessible community bathrooms, four single bathrooms, and 10 Americans with Disabilities Act (ADA) compliant student rooms. Student rooms will also receive additional finish work.

Moore-Hill Dormitory's infrastructure is increasingly difficult to maintain due to age. Replacement of the existing systems will ensure that student occupants experience a long-term safe, healthy, and comfortable living environment. Upgrading and maintaining the facilities is necessary to remain competitive in the student housing market and provide quality on-campus housing.

11. U. T. M. D. Anderson Cancer Center: RHI (Rotary House International) Renovations and Repairs - Amendment of the FY 2015-2020 Capital Improvement Program to increase total project cost; and appropriation of funds and authorization of expenditure (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President DePinho that the U. T. System Board of Regents approve the recommendations for the RHI (Rotary House International) Renovations and Repairs project at U. T. M. D. Anderson Cancer Center as follows:

Project No.:	703-758		
Institutionally Managed:	Yes		
Project Delivery Method:	Design-Build		
Substantial Completion Date:	February 2016		
Total Project Cost:	Source	Current	Proposed
	Revenue Financing System Bond Proceeds[1]	$ 9,000,000	$ 9,000,000
	Auxiliary Enterprises Balances[2]	$ 9,200,000	$19,000,000
		$18,200,000	$28,000,000
Funding Notes:	[1] Revenue Financing System (RFS) debt to be repaid from hotel revenues [2] Auxiliary Enterprises Balances from hotel revenues		

a. amend the FY 2015-2020 Capital Improvement Program (CIP) to increase the total project cost from $18,200,000 to $28,000,000; and

b. appropriate and authorize expenditure of an additional $9,800,000 from Auxiliary Enterprises Balances.

BACKGROUND INFORMATION

Previous Board Actions

On August 23, 2007, the project was included in the CIP with a total project cost of $18,200,000 with funding from Hospital Revenues. On November 15, 2012, the Board approved the revision of funding to $9,000,000 from Revenue Financing System (RFS) Bond Proceeds and $9,200,000 from Auxiliary Enterprises Balances.

Project Description

The proposed increase in funding will include approximately 40,000 gross square feet of renovations to the lobby areas on levels one and two, replacement of the fan coil units and controls in the patient rooms and common areas, upgrades to the fire alarm system, and repairs to the building's exterior waterproofing system.

The original project renewed 322 guest rooms, suites, and guest room corridors in the existing RHI facility.

TABLE OF CONTENTS FOR TECHNOLOGY TRANSFER AND RESEARCH COMMITTEE

Committee Meeting: 2/11/2015

Board Meeting: 2/12/2015
Austin, Texas

Wallace L. Hall, Jr., Chairman
Ernest Aliseda
Alex M. Cranberg
R. Steven Hicks
Jeffery D. Hildebrand

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, referred for Committee consideration

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book.

2. <u>U. T. System: Report and discussion on the Institute for Transformational Learning's (ITL) program development and technology initiatives</u>

REPORT

Dr. Steven Mintz, Executive Director of the U. T. System Institute for Transformational Learning (ITL), and Dr. Marni Baker Stein, Chief Innovation Officer, will report on the ITL's program development and technology initiatives. Their PowerPoint presentation is set forth on the following pages.

BACKGROUND INFORMATION

Established in Fall 2012 and endowed with $50 million, the ITL has a bold mandate to make higher education more affordable, accessible, and effective by leading transformational initiatives powered by technology. The ITL seeks to dramatically increase student success through the design and delivery of breakthrough programming models that are student-centered, competency-based, and industry-aligned and through the development of the next generation learning environments and student lifecycle management technologies, analytics, and services needed to power the future of higher education at scale.

A presentation on the ITL was made to the Committee on November 5, 2014.

The Institute for Transformational Learning (ITL)

Dr. Steven Mintz, Executive Director
Dr. Marni Baker Stein, Chief Innovation Officer

U. T. System Board of Regents' Meeting

Technology Transfer and Research Committee

February 2015

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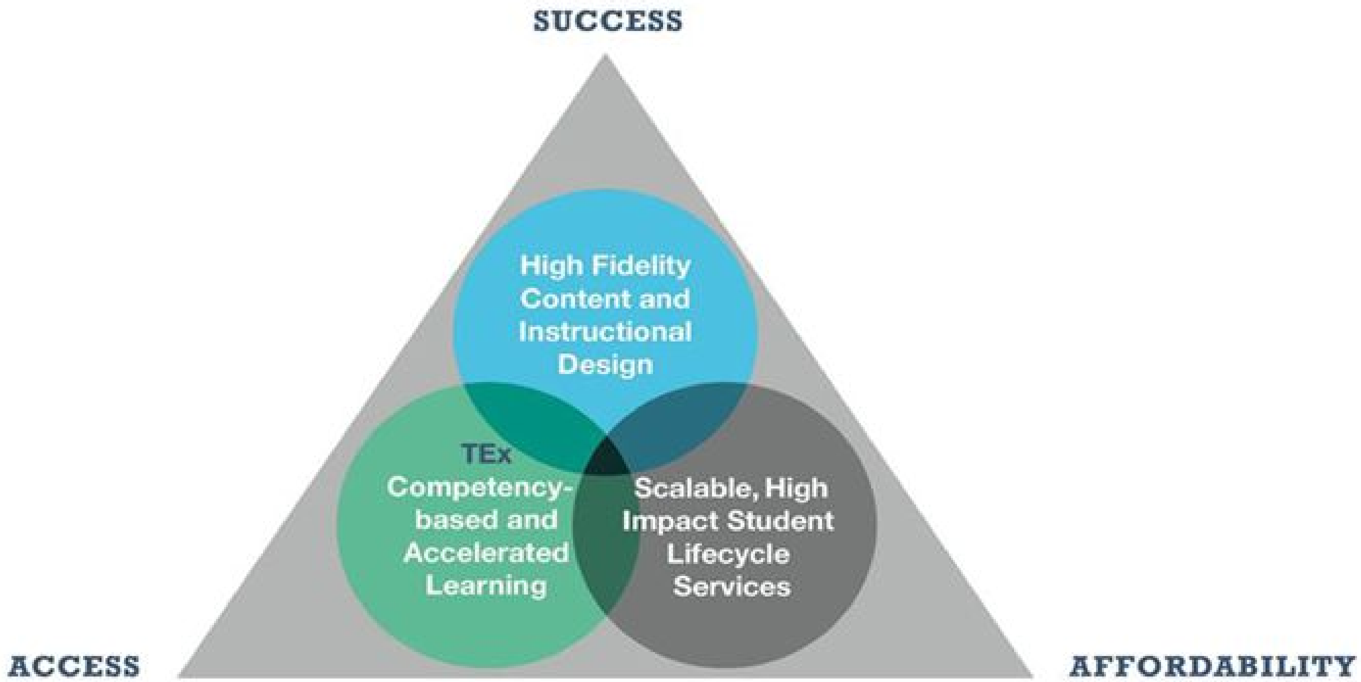

SUCCESS
High Fidelity Content and Instructional Design
TEx
Competency-based and Accelerated Learning
Scalable, High Impact Student Lifecycle Services
ACCESS
AFFORDABILITY


High Employer Demand
Strong Brand
Few Competitors
High Unmet Student Demand

Competency-based, Cross-Institutional Programming at Scale:

In Progress: BS in Biomedical Science

Spring 14 | **Fall 14** | **Spring 15** | **Fall 15** | **Spring 16** | **Fall 16** | **Spring 17** | **Fall 17**

Program parameters, partners, and business model defined, roadmap planned, competency-map outlined

Program content designed/developed, faculty and staff trained

Program live – curricular and staffing theories and metrics refined

Programming strategy continues to evolve – marketing and industry recruitment strategies are continuously improving

Progress to Date

- Interagency agreement signed to support the ITL – U. T. Rio Grande Valley partnership
- Program competencies defined and aligned with medical school outcomes and admissions standards
- 3 year accelerated and 4 year traditional models blueprinted and year one schedule and supporting services defined
- Year one instructional modules in production and on track for Fall 2015 launch
- Industry advisory and super reviewer committee identified
- Partnerships to support outcomes assessment and licensing distribution to high schools identified and agreements in progress

Goals

- Significantly increase program completion rates across all student profiles
- Significantly increase student engagement and accelerate time to degree
- Increase total enrollments to: 5,000+ FTE (through programming and licensing "curriculum as a service" partnerships)

Competency-based, Cross-Institutional Programming at Scale:

In Progress: Next Generation Medical School

Spring 14	Fall 14	Spring 15	Fall 15	Spring 16	Fall 16	Spring 17	Fall 17
	Program parameters, partners, and business model defined, roadmap planned, competency-map outlined	Program content designed/developed, faculty and staff trained			**Program live** – curricular and staffing theories and metrics refined	Programming strategy continues to evolve – marketing and industry recruitment strategies are continuously improving	

Progress to Date

- Interagency agreement signed to support the ITL – U. T. Health Science Center - San Antonio partnership
- Competency-based education (CBE) curriculum projects complete supporting U. T. Rio Grande Valley School of Medicine and U. T. Austin Dell Medical School – program competencies defined and aligned with medical school outcomes and admissions standards
- Medical School year one and two program blueprints in progress for a tech supported, personalized, and adaptive approach for U. T. Health Science Center - San Antonio and U. T. Rio Grande Valley
- Instructional module production schedule in progress for Summer 2016 launch
- Industry advisory and super reviewer committee identified

Goals

- Significantly increase student engagement, improve success, and accelerate time to degree
- Licensing individual modules and “curriculum as a service” to schools across the country and globally

Competency-based, Cross-Institutional Programming at Scale:
On the Horizon: Degree Completion

Spring 14

Fall 14 — Business model/strategy defined, execution roadmap planned, request for programming proposals released to identify campus partners

Spring 15 — Industry and foundation outreach, host institution partnership development, initiative marketing begins

Fall 15 — Program modules designed/developed, programming faculty and support staff recruited and trained

Spring 16

Fall 16 — **Programs live (possible)** – curricular and staffing theories and metrics refined

Spring 17

Fall 17 — **Programming strategy continues to evolve** – marketing and industry recruitment strategies are continuously improving

Goals

- Develop 8 competency-based undergraduate degrees in partnership with academic institutions
- Significantly increase program completion across all student profiles
- Significantly improve student engagement, outcomes, and accelerate time to degree
- Grow total enrollments to: 25,000+ FTE
- ITL operated in partnership with participating academic institutions
- Tuition revenue flows into participating academic institutions (ITL program operation expense allocated)

Total Educational Experience for Competency-based Education: TEx

Spring 14 | Fall 14 | Spring 15 | Fall 15 | Spring 16 | Fall 16 | Spring 17 | Fall 17

Design, engineering, and integration partners identified and contracted, system cross-contextual UX design and requirements defined, first prototypes emerge

Foundational release live and course/module building begins in the ecosystem

TEx live to support programming – releases continue UI/UX and functionality evolves

Continuous, data-driven improvement of the ecosystem and the educational experiences it supports

Opportunities

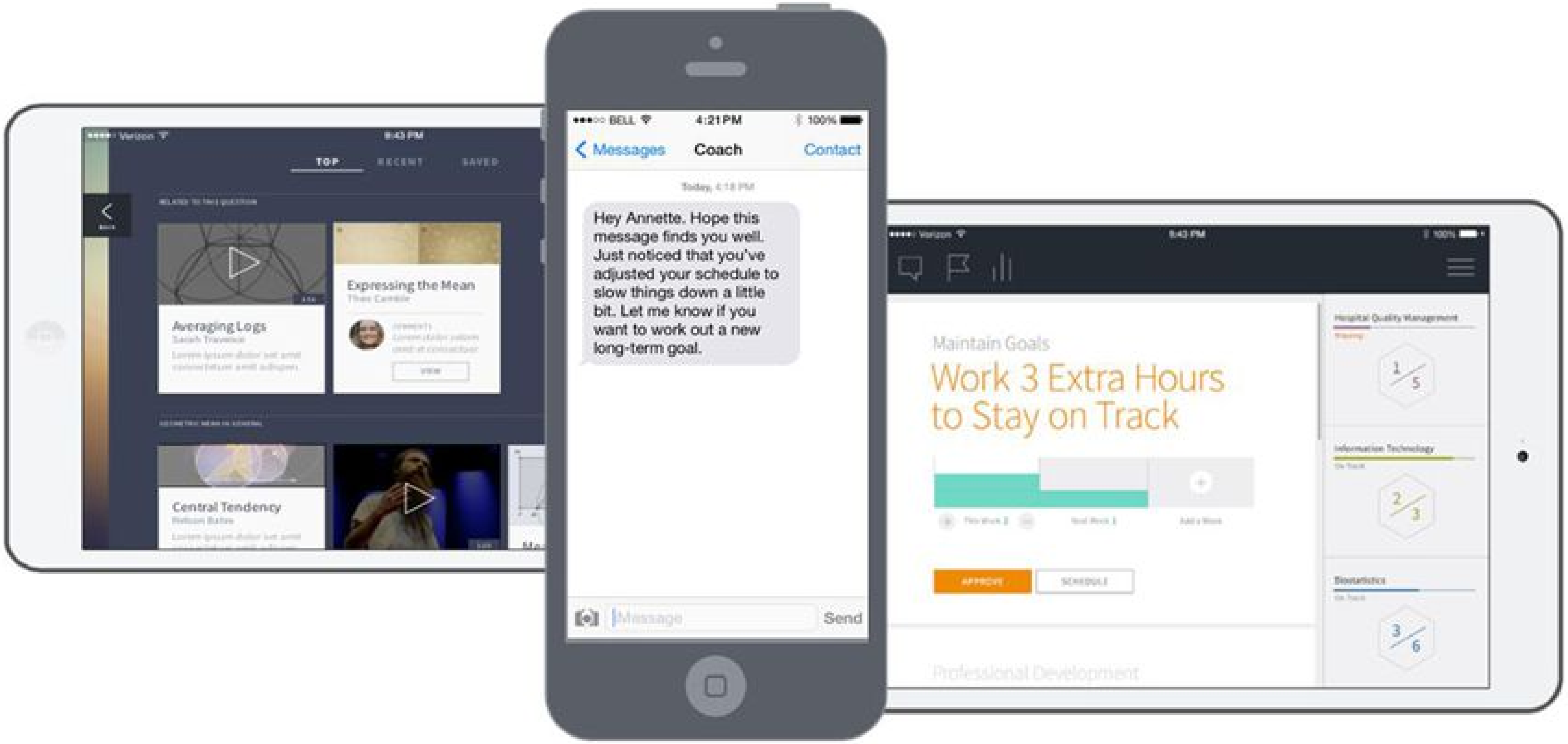
- Develop first of its kind ecosystem to support mobile first, personalized, and adaptive learning capable of supporting high impact CBE initiatives across the U. T. System and beyond (programming and curriculum as a service)
- Define next generation methodologies for student lifecycle management and instructional design
- Collaborate (within Texas and nationally) with innovation-minded systems and institutions interested in growing CBE or outcomes-driven education at scale
- Internet of Things partnerships to enhance the student experience (Apple, Google, Samsung)
- Engine next generation operations, academic, and learning research

Threats

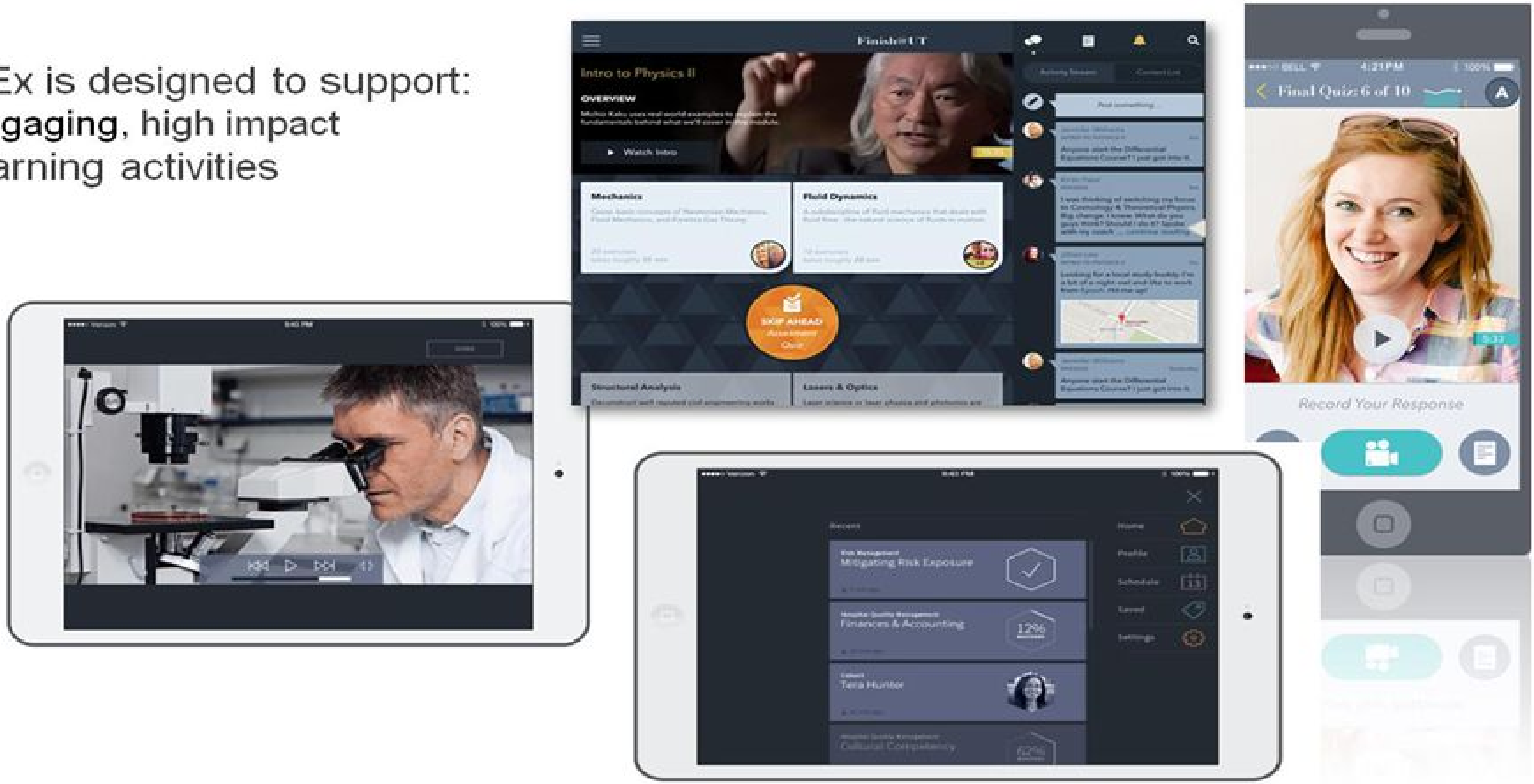
- Speed of contracting
- Coordination of complex project involving subject matter experts, design, engineering, and integration partners
- Careful selection and continual alignment of partners

TEx is designed to support: competency-based and accelerated education

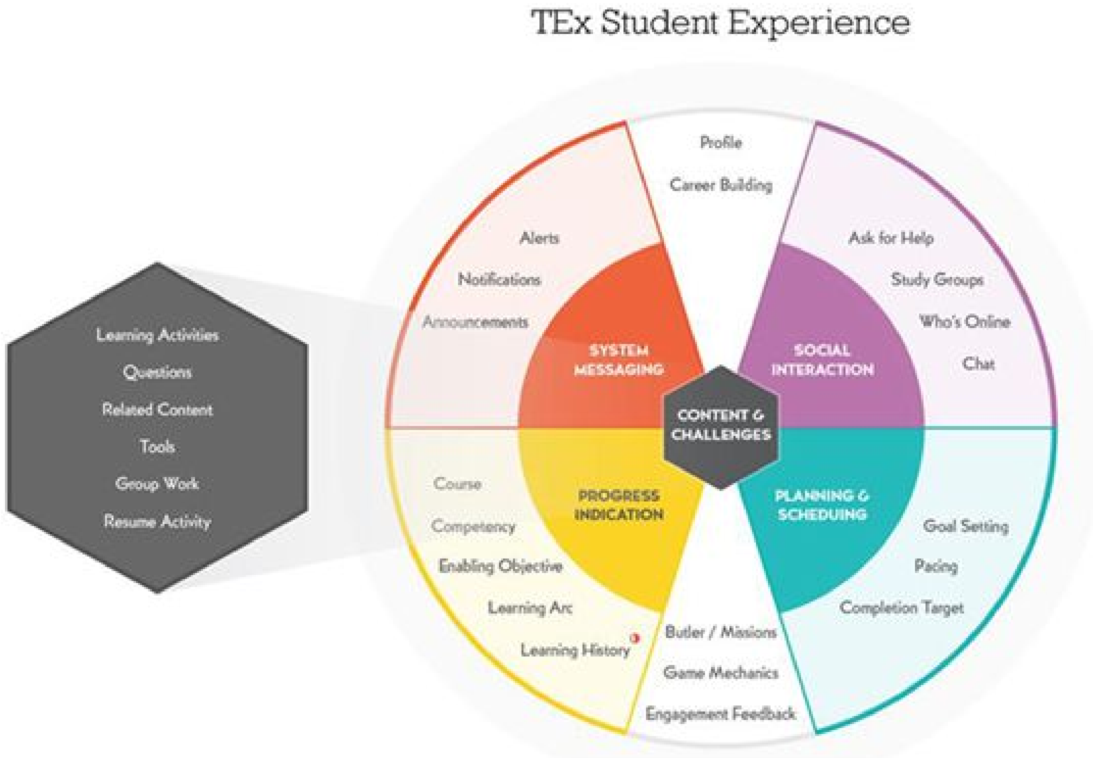
TEx is designed to support: personalized, just-in-time services



TEx is designed to support:
engaging, high impact
learning activities



TEx is designed to support the total educational experience – at scale



3. **U. T. System: Report on the U. T. System Innovation Framework 2014 initiative to create a U. T. Systemwide research experts tool to promote research collaboration**

REPORT

Dr. Stephanie Bond Huie, Vice Chancellor for Strategic Initiatives, will report on the U. T. System Innovation Framework 2014 initiative to create a Systemwide research experts tool through a live demonstration of the products in development - a website and federated search engine called "Influuent at the University of Texas System." Dr. Huie will demonstrate the capabilities of the website and search engine to promote increased research collaborations across all U. T. System institutions, across disciplines, and to facilitate the formation of public-private partnerships.

BACKGROUND INFORMATION

The Board approved funding for the construction of a U. T. Systemwide Research Experts Data Warehouse with big data analytics structures on May 15, 2014. The first phase of this initiative called for the creation of a Systemwide research experts search engine for both business and industry and for internal collaborations. Progress on the development of these Board-funded tools will be demonstrated.

4. U. T. System: Discussion and appropriate action regarding report and recommendations from the Task Force on Intellectual Property Issues

RECOMMENDATION

The Chancellor, the Executive Vice Chancellor for Academic Affairs, and the Executive Vice Chancellor for Health Affairs concur in the recommendation of the Vice Chancellor for Research and Innovation and the Vice Chancellor and General Counsel that the U. T. System Board of Regents accept the report and recommendations of the U. T. System Task Force on Intellectual Property Issues. The report, titled Task Force on Intellectual Property: Disposition, Practices, and Mechanisms of Implementation, is set forth on Pages 313 - 339.

U. T. Arlington President Karbhari, Co-Chair of the Board of Regents' Task Force on Intellectual Property Issues, will present the report of the Task Force. Dr. Karbhari's PowerPoint presentation is set forth on Pages 340 - 346, with the Task Force's conclusions and recommended actions set forth on Pages 343 - 346.

BACKGROUND INFORMATION

The Task Force on Intellectual Property (IP) Issues, created by Chairman Foster on February 6, 2014, was charged with examining the intent, current language, workability, and requirements of the U. T. System Board of Regents' *Rules and Regulations* governing the disposition and management of research-derived IP at U. T. System institutions. The Task Force was also asked to recommend any needed changes or revisions to the Rules.

If approved, the Task Force's recommendations will be effected in part through the Regents' *Rules and Regulations*, presented to the Board for approval, and implemented through U. T. System policies.

A presentation on the Task Force activities, key findings, and recommendations was made to the Committee on August 20, 2014.

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Nine Universities. Six Health Institutions. Unlimited Possibilities.

Task Force on Intellectual Property: Disposition, Practices, and Mechanisms of Implementation

REPORT

August 2014

U.T. System Task Force on Intellectual Property: Disposition, Practices, and Mechanisms of Implementation

The University of Texas System

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I. Letter to Chairman of the Board

Chairman Paul L. Foster
The Board of Regents
The University of Texas System
Ashbel Smith Hall, Suite 820
201 West 7th Street
Austin, Texas 78701-2981

Dear Chairman Foster:

The Task Force on Intellectual Property (IP) is pleased to present its report, which examines the intent, rationale, current language, and workability of the U.T. System Board of Regents' *Rules and Regulations* 90000 series on research-derived IP at U.T. System institutions.

Currently, the U.T. System research engine drives $2.5 B in total sponsored research programs (federal, state and private grants and contracts), receives a U.S. patent every two days, signs a commercialization agreement every three days and starts a new company every nine days. In FY 2012 alone, 110 new patent licenses were executed across the U.T. System, generating total revenue of $64.8M. The continued vibrancy of the university discovery mission is linked to the strength of academic-industry partnerships. To foster such partnerships, a culture of open innovation with efficient avenues for transferring science into technology must flourish. Furthermore, achieving the right balance between protection of institutional IP interest and the engagement of industry will enable the U.T. System to continue a leading role in discovery and innovation in the state, nation and the world.

The report makes seven recommendations:

1. The Board of Regents' *Rules and Regulations (Rules)* concerning IP should be re-written to promote industry engagement and enhance brevity, simplicity of language, and clarity of intent.

2. The *Rules* should affirm student ownership of student-created IP.

3. U.T. System must strengthen faculty and student Incentives to pursue entrepreneurship. Particularly, commercialization and discovery efforts should be considered in institutional processes related to promotion and tenure.

4. The current 50%-50% allocation of net license revenue required in the *Rules* should be re-configured so as to provide maximum flexibility to each U.T. System institution but also recognize the importance of multi-investigator and multi-disciplinary discovery.

5. In collaboration with its institutions, the U.T. System Administration should be charged to carry out a systematic assessment of how to best advance, and resource, the mission of the institutional Offices of Technology Commercialization and the process of commercialization of discovery.

6. The U.T. System should appraise strategies for using university facilities in more aggressive academic-industry partnerships within the confines of applicable I.R.S. laws and regulations. Opportunities may exist to better deploy U.T. System facilities in connection with sponsored research.

7. The U.T. System Institute for Transformational Learning (ITL) should be charged with, as part of its ongoing study, an assessment of the present state of educational technology development and how IP and commercialization in this area is currently managed at each U.T. institution, and to project the future state. This assessment is required for future recommendations concerning IP related to education technologies, particularly distance and hybrid online learning.

Implementation of these recommendations will strongly advance the discovery enterprise and its commercialization at all of our institutions, empower academic-industry partnerships and potentially reap great benefits for U.T. System and our state.

Please feel free to call on any or all of us if we can be of assistance.

Respectfully submitted,

Members, Intellectual Property Task Force

II. Executive Summary

The Task Force was created to evaluate the intent, rationale, current language, workability and requirements of the The University of Texas System (U.T. System) Board of Regents' *Rules and Regulations* related to the disposition and management of research-derived IP at U.T. System institutions and to recommend changes or revisions of the Regents' *Rules* to the Board of Regents. Five Task Force meetings were held in Austin at U.T. System from March through May, 2014. The following findings emerged over the course of these meetings.

First, the general posture of the Regents' *Rules* allows for numerous types of commercialization and sponsored research arrangements as desired by the U.T. institutions. However, there are prominently stated default rules that appear to mandate ownership of IP by the Board of Regents in all cases, obscuring potential flexibility in certain limited instances. The Task Force believes this default language significantly hinders attracting the volume and depth of sponsored research partnerships that might otherwise materialize. Second, the standing of IP created by students or related to educational technologies at U.T. System institutions is not clear in the present *Rules*. Third, faculty and student incentives to commercialize research products could be strengthened. Fourth, institutional offices of technology commercialization may not be fully positioned to advance campus commercialization objectives. Lastly, opportunities may exist to deploy U.T. System facilities in a more aggressive fashion in connection with sponsored research than may currently be in effect.

Based on these findings, this report makes seven recommendations:

1. The Board of Regents' *Rules and Regulations* concerning IP should be re-written to promote industry engagement and enhance brevity, simplicity of language, and clarity of intent.

2. The *Rules* should affirm student ownership of student-created IP.

3. U.T. System must strengthen faculty and student Incentives to pursue entrepreneurship. Particularly, commercialization and discovery efforts should be considered in institutional processes related to promotion and tenure.

4. The current 50%-50% allocation of net license revenue required in the *Rules* should be re-configured so as to provide maximum flexibility to each U.T. System institution but also recognize the importance of, and maintain a balance between, multi-investigator and multi-disciplinary discovery.

5. In collaboration with its institutions, the U.T. System Administration should be charged to systematically assess how to best advance, and resource, the mission(s) and functions of the institutional Offices of Technology Commercialization and each office's process of commercialization of discovery.

6. The U.T. System should evaluate and appraise strategies for using university facilities in more aggressive academic-industry partnerships within the confines of applicable I.R.S. laws and regulations. Opportunities may exist to better deploy U.T. System facilities in connection with sponsored research.

7. The U.T. System Institute for Transformational Learning (ITL) should be charged with, as part of its ongoing study, an assessment of the present state of educational technology development and how IP and commercialization in this area is currently managed at each U.T. institution, and to project the future state. This assessment is required for future recommendations for IP related to education technologies, particularly distance and hybrid online learning.

Implementing these recommendations will strongly advance the discovery enterprise and enhance commercialization at all of our institutions, empower and foster academic-industry partnerships and potentially reap great benefits for U.T. System and our state.

III. Charge to the Task Force

Currently, the U.T. System research engine drives $2.5 B in total sponsored research programs (federal, state and private grants and contracts), receives a U.S. patent every two days, executes a commercialization agreement every three days and starts a new company every nine days. In FY 2012 alone, 110 new patent licenses were executed across the U.T. System, and, together with existing licenses generated total revenue in excess of $64.8M. The continued vibrancy of the university discovery mission is linked to the strength of academic-industry partnerships. To foster such partnerships, a culture of open innovation with efficient avenues for transferring science into technology must flourish.

Recent recommendations from the U.T. System Task Force on Engineering Education for Texas in the 21st Century included the need to review opportunities for, and barriers to, expanding industry engagement that supports research, and reviewing and proposing potential modifications to U.T. System's position and rules for IP. Achieving the right balance between protecting institutional IP interests and engagement of industry and the commercialization of discovery is a primary goal that will enable U.T. System institutions to continue playing a leading role in discovery and innovation in the state, nation, and the world.

The Task Force was created to evaluate the intent, rationale, current language, workability and requirements of the U.T. System Board of Regents' *Rules and Regulations* related to the disposition and management of research-derived IP (Series 90000) at U.T. System institutions and to recommend changes or revisions to the Regents' *Rules* to the Board of Regents. Specific aspects of the charge included:

- Review Regents' *Rules* concerning IP, propose and consider future revisions in the context of applicable federal and state law;
- Consider best practices in public university systems or peer organizations for the disposition and management of IP;
- Evaluate new and emerging models of flexible IP ownership as implemented by peer universities and academic health institutions;
- Review Regents' *Rules*, propose revisions or new rules concerning IP relative to education-based inventions, specifically online and distance education technologies and materials;

- Review Regents' *Rules*, propose and consider future revisions concerning IP of student origin;
- Review potential impact of any such changes in disposition and management of IP to researchers at all levels, including potential philanthropic support from grateful faculty and student innovators;
- Consider potential impact for industry partnerships; and
- Consider contract review processes that insure the timely execution of transactions.

IV. Task Force Membership

- Regent Wallace L. Hall, Jr., Task Force Co-Chair and Regent, U.T. System Board of Regents
- Dr. Vistasp M. Karbhari, Task Force Co-Chair and President, The University of Texas at Arlington
- Dr. David E. Daniel, President, The University of Texas at Dallas
- Regent Nash Horne, Student Regent, U.T. System Board of Regents
- Dr. Roberto Osegueda, Vice President of Research and Sponsored Projects, The University of Texas at El Paso
- Dr. Gregory L. Fenves, Executive Vice President and Provost, The University of Texas at Austin
- Dr. Sadiq Shah, Vice Provost for Research and Sponsored Projects, The University of Texas-Pan American
- Dr. Cory R.A. Hallam, Chief Commercialization Officer, Office of Commercialization and Innovation, The University of Texas at San Antonio
- Dr. Frank Grassler, Vice President for Technology Development, The University of Texas Southwestern Medical Center
- Dr. Ferran Prat, Vice President Strategic Industry Ventures, The University of Texas M. D. Anderson Cancer Center

(Ex officio):

- Dr. Francisco G. Cigarroa, Chancellor, U.T. System
- Dr. Patricia D. Hurn, Vice Chancellor for Research and Innovation, U.T. System
- Dr. Dale E. Klein, Associate Vice Chancellor for Research, Academic Affairs, U.T. System
- Mr. Evan E. Fitzmaurice, Attorney, Office of General Counsel, U.T. System
- Mr. Bryan Allinson, Special Consultant Technology Commercialization, U.T. System

V. Study Process

Five Task Force meetings were held in Austin at U.T. System from March through May, 2014. Each meeting was held for two to three hours, and members participated either face-to-face or by conference call. Prior to the first task force meeting, all U.T. System campus faculty were surveyed for non-structured comments on local experiences with university IP processes by electronic survey. All participation from faculty was voluntary, and responses were collected with anonymity, identified only by campus location unless the faculty member chose to provide an e-mail address in their response. All survey data were analyzed by the U.T. Office of Strategic Initiatives and made available to the Task Force. All documents and recommended readings provided to the Task Force in advance of a meeting were archived by Microsoft SharePoint for Task Force use throughout the meeting period.

Agendas, meeting work plans and guest speaker credentials for all meetings are found in ***Appendix A***.

VI. Task Force Findings

Key overall findings of the Task Force are summarized as follows.

1. Results of review of the language, tone and organization of current Regent's *Rules*.

   Industry-sponsored research is growing in importance in the face of reduced availability of federal funding for university research. The Regents' *Rules* are perceived by many, including potential industry partners, to be an obstacle to crafting workable sponsored research arrangements with U.T. System institutions.

   The Regents' *Rules* have been amended over twenty times since 1985, when the Board of Regents first implemented a comprehensive IP program for the U.T. System by replacing the then-existing "Patent Policy" with three policies regarding license agreements, sponsored research agreements and marketing.

   As part of a detailed review of current Regents' *Rules* (***Appendix B***), their general posture was found to be more flexible than initially meets the eye and allowed for numerous types of commercialization and sponsored research arrangements as desired by the U.T. institutions. However, plainly and prominently stated default rules that appear to mandate ownership of IP by the Board of Regents in all cases obscures this flexibility. This default language is believed to significantly hinder attracting the volume and depth of sponsored research partnerships that might otherwise materialize.

   The Regents' *Rules* should reflect sponsored research policies that are adaptable to the highly varied circumstances that characterize the broad portfolio of research at U.T. System institutions and in industry, both in terms of style and content.

   Subject to the Bayh-Dole Act of 1980 and its restrictions, Regents' *Rules* that are meant to encourage and strengthen university-industry partnerships should recognize that industry, which is paying for research, prefers to own all IP resulting from the university's work. Depending on the nature of the research, this preference is not necessarily seen as unreasonable or objectionable in certain cases.

   While the university brings a wealth of background knowledge, capability, and frequently, its own background IP to bear on a project, doctrinaire default rules mandating ownership of IP by the Board of Regents in all cases may not indicate the actual willingness of U.T. System institutions to negotiate in this regard. This willingness is reflected in the existing Regents' *Rules*, but can only be found in guidelines and procedures buried deep within the *Rules* and in external U.T. System-wide Policies and guidelines established by the Office of General Counsel (OGC).

Examination of the latter reveals a preference in sponsored research arrangements for an option to negotiate for either an exclusive or nonexclusive right to a license to develop and commercialize any IP resulting from the project for a royalty in an amount to be negotiated. Arrangements that reflect deviation from this policy, such as a non-exclusive license or exclusive license from inception, or even outright assignment of IP created during the project, require special approvals of such deviations from policy, which are frequently given at U.T. institutions. Unfortunately, potential industry sponsors may be unwilling to wade deeply into the procedures described in these documents, particularly if already deterred by the initial provisions of the Regents' *Rules* mandating what appears erroneously to be an inflexible Board ownership, without the appearance of any likelihood of variation.

The Task Force found that industrial support of research will be earned only if timely and efficient processes exist to manage IP issues at the institutional level. Industry partners desire rapid decisions about IP, without unnecessarily prolonged processes with institutional commercialization offices.

2. Standing of IP created by students at U.T. System institutions is not clear in the present *Rules*.

   The Task Force recognized long-standing concerns that the *Rules* are not clear on the subject of ownership of IP created by students. These concerns are magnified by the blanket presumption in the *Rules* that the Board of Regents owns IP created by U.T. System employees and individuals using the resources and facilities of U.T. System. A specific concern is that the Board of Regents could claim to own IP created by non-employee students who do not use U.T. System resources and facilities, or who solely use commonly provided resources and facilities for the use of which the students have paid tuition and fees. The Task force found no evidence that this was the intent of the *Rules*; however greater clarity on this issue would be important.

   The Task Force studied the positions of numerous research-intensive universities and university systems regarding student-created IP. In general, registered undergraduate or graduate students using commonly provided resources and facilities (for which they have paid tuition and fees) should be allowed to own the IP they create, unless (a) they are also employees and the IP is developed within the scope of their employment, in which case they must observe the IP rules governing institutional employees, (b) they work on an institutional project or under a work for hire contract with their institution, (c) they choose to participate in a project in which any IP created has been committed to a governmental, philanthropic or corporate sponsor, or (d) they jointly create the IP with a non-student, in which case the *Rules* and applicable law would dictate ownership.

3. If research commercialization is to grow within U.T. System and become part of the dominant discovery culture at each U.T. institution, faculty and student incentives in this area must be strong.

   The Task Force identified that U.T. institutions currently use a variety of practices to incentivize research commercialization and to encourage faculty and students to more actively engage in the pursuit of entrepreneurship in research. Data and definition for number of disclosures, licenses, and revenue by U.T. institutions for the years 2009-2013 were studied (*Appendix C*). In May 2014, the U.T. Board of Regents approved and created resources for the creation of a U.T. System-wide Entrepreneurship Academy that would provide education and training in this important area to faculty and students at all U.T.

institutions. Recognizing the importance of commercialization and creation of IP should be included as significant positive factors when evaluating research impact during promotion and tenure processes.

Also studied was the allocation of licensing royalty income as an incentive for faculty to translate their research into use. The current *Rules* allocate licensing and equity revenues in a 50-50 division between the IP creator and U.T. System institution, subject to readjustment if approved by the Board of Regents. The Task Force evaluated practices in this regard at numerous peer institutions. The Task Force finds that the 50-50 split does not allow each U.T. institution maximum flexibility, diminishes the importance of balancing multi-investigator and multi-disciplinary discovery and notes that some peer institutions provide less generous arrangements. A better approach would be to allocate income to the IP creator (net of the costs of licensing) from within a narrow distribution range, thus empowering each U.T. System institution to determine the precise allocation between creator and institution.

4. If industry-sponsored research is to grow and prosper as part of each university's discovery portfolio, then institutional offices of technology commercialization must be adequately funded and positioned to advance this objective.

   Each U.T. System institution has different needs, assets, aspirations, and opportunities in the area of commercialization and the creation of IP, but each shares a need for resources and investment that will allow them to achieve their highest potential in discovery to commercialization and will foster and nurture strong and longstanding industry research partnerships.

   Institutional offices of technology transfer and commercialization require significant resources and consistent operational funding streams, if they are to fully carry out their mission in a competitive landscape. The Task Force reviewed a variety of creative, cost-effective mechanisms by which universities and academic health centers across the country advance commercialization of research. There are many such mechanisms, and developing best practices in this area could confer considerable strategic and competitive advantage to U.T. institutions.

5. Opportunities may exist to deploy U.T. System facilities in a more aggressive fashion in connection with sponsored research than may currently be in effect.

   The Task Force studied I.R.S. laws and regulations concerning tax-exempt bonds and the private use complications that arise in connection with sponsored research agreements relating to bond-financed facilities. After consultation with U.T. System outside bond counsel, the Task Force found that such considerations may not prove to be a definitive hurdle to crafting policies in the *Rules* that better incentivize sponsored research in this regard. A clear, quantitative understanding should be created and established as to how "safe harbors" within the private use realm can be reported and employed within relevant buildings at each U.T. System campus. Such understanding could allow institutional leadership to take better advantage of opportunities for industry partnerships.

6. Standing of educational technology as IP at U.T. System institutions is not clear in the present *Rules*.

   U.T. System faculty and students are increasingly engaged in developing novel technologies and potentially commercializable educational products, particularly in online, distance and adaptive personalized education technologies. Currently, inadequate data are available on the level and intensity of this activity across U.T. System institutions. The ITL is best situated to assess and quantify the present state of these efforts, and is currently conducting a study of this activity and capabilities. Once data are available to better understand the present state of activity at U.T. institutions and to project future opportunities, the Task Force will need to evaluate the *Rules* relating to copyright ownership in order to best permit the deployment and exploitation of new models of learning.

VII. Recommendations

A significant barrier to attracting more industry-sponsored research appears to be the real or perceived obstacles related to U.T. System's IP rules and guidelines. Some of the obstacles are real, and others are matters of perception and lore by both industry partners and by faculty, students, and administrators in U.T. System institutions.

The IP Task Force presents seven recommendations aimed at addressing this concern, specifically to: (1) revise the Board of Regents' *Rules and Regulations* concerning IP, (2) affirm student ownership of student-created IP, (3) strengthen faculty and student incentives to pursue entrepreneurship, (4) increase flexibility at U.T. System institutions by reconfiguring the existing 50%-50% allocation of net license and equity proceeds, (5) perform a systematic assessment of how to best advance Offices of Technology Commercialization and the process of commercialization at each U.T. System institution, (6) appraise strategies for using university facilities in more aggressive industry partnerships within the confines of applicable state and I.R.S. laws and regulations, and (7) task the ITL, as part of its ongoing study, to assess the present state of educational technology development and how IP and commercialization in this area is currently managed at each U.T. institution, and to project the future state.

Recommendation 1: Revise the Board of Regents' Rules and Regulations Concerning IP

The Board of Regents' *Rules and Regulations* Concerning Intellectual Property (IP) should be re-written to simplify the language, clarify the intent and shorten the policy while promoting strong and longstanding industry engagements.

The Regents' *Rules* should more explicitly recognize the importance of translating research into commercialization and/or use by society as a mission of the U.T. System and its component institutions, and emphasize the high value placed on partnerships with the private sector. The language should be revised to emphasize flexibility and adaptability, rather than appearing inflexible and "automatic," by didactically vesting all IP rights in the Board of Regents without clearly indicating the broad variety of commercialization and sponsored research arrangements available at institutions.

In addition, the Regents' *Rules* should be preceded by a new preamble that clearly states the key values of welcoming industry partnerships in discovery, seeking out innovative academic-industry co-development of IP, and of adapting to unique, favorable circumstances wherever feasible. In addition, the preamble should describe key principles that will guide existing and new institutional documents and processes related to IP and discovery commercialization. Recommended language for such a preamble is contained in *Appendix D*.

Recommendation 2: Affirm Student Ownership of Student-Created IP

The Board of Regents' *Rules and Regulations* concerning IP created by students are confusing as to whether students actually own the IP they create.

The *Rules* should be revised to clearly articulate the ownership status of IP arising from undergraduate and graduate student work. New language should state that students, defined as registered undergraduate or graduate students, own the IP they create in courses and extra-curricular activities. This clear statement would address circumstances where the students are using resources and facilities of U.T. System institutions commonly provided for the student's use for which they have paid tuition and fees.

In contrast, the new language would reflect that a student would *not* own the IP that he/she creates if:

1) the student is also an employee *and* the IP is developed within the scope of his/her employment, in which case the student will observe the normal rules governing employees;

2) the student works on an institutional project or under a work-for-hire contract with a U.T. System institution;

3) the student chooses to participate in research which results in the creation of IP that has been committed to a governmental, philanthropic or corporate sponsor; or

4) the student jointly creates the IP with a non-student, in which case the *Rules* and applicable law would dictate ownership.

Recommendation 3: Strengthen Faculty and Student Incentives to Pursue Entrepreneurship

Commercialization and discovery efforts should be considered in promotion and tenure.

We recommend that the U.T. System and its institutions explore ways to increase incentives for faculty and students to more actively engage in the discovery process by pursuing entrepreneurship and commercialization of research. For example, commercialization and creation of IP are well-recognized as integral parts of discovery at our universities, and as such, they should be considered as a factor in assessing research impact in institutional processes to determine promotion and tenure.

Recommendation 4: Reconfigure the 50%-50% Allocation of Net License and Equity Revenue Between Researchers and Institutions in Order to Increase Flexibility at U.T. System Institutions

Provide maximum flexibility to each U.T. System institution while recognizing the importance of multi-investigator and multi-disciplinary discovery, as appropriate, to better align the U.T. System institutions with peer institutions.

In those instances where a U.T. System institution licenses rights in IP to third parties, the allocation of income (net of the costs of licensing) set forth in the Regents' *Rules* should be reallocated to provide flexibility to the U.T. System institutions as to how such income may be distributed.

The Regents' *Rules* currently allocate 50% to the creator(s) and 50% to U.T. System or U.T. System institution of such income derived from license fees, pre-paid royalties, milestone payments and many other types of arrangements.

We recommend that this division of income be revised to give each U.T. institution maximum flexibility and better align U.T. System institutions with peer institutions, while recognizing the importance of multi-investigator and multi-disciplinary discovery.

Specifically, the Regents' *Rules* should be revised to reflect that an allocation range of 30-50%, rather than a flat 50%, can be disbursed to the creator(s), and that each individual U.T. System institution would determine the actual share within that range. The remaining 50%-70% would be disbursed to the U.T. System institution in its sole discretion.

The same change would apply when the U.T. System institution elects to share an equity interest, dividend income, or the proceeds of the sale of an equity interest with the creator(s) or when any U.T. System institution receives equity interests as partial or total compensation for the rights conveyed in agreements with business entities relating to rights in IP.

Recommendation 5: Carry Out a Systematic Assessment of How to Best Advance Offices of Technology Commercialization and the Process of Commercialization of Discovery at Each U.T. System Institution

Each U.T. System institution has different needs, assets, aspirations, and opportunities in the area of commercialization and the creation of IP, but each shares a need for sufficient resources and investment that will allow them to achieve their highest potential in discovery to commercialization and strong industry research partnerships.

Institutional offices of technology transfer and commercialization require significant resources and consistent operational funding streams, if they are to fully carry out their mission in a competitive landscape. The Task Force reviewed a variety of creative, cost-effective mechanisms by which universities and academic health centers across the country advance commercialization of research. There are many such mechanisms, and developing best practices in this area could confer considerable strategic and competitive advantage for U.T. institutions.

U.T. System should carry out a systematic assessment of how best to advance offices of technology commercialization, and more generally, the processes of discovery commercialization at each U.T. institution and across and between- U.T. System institutions. The assessment should be guided by the knowledge that each institution has different needs, assets, and opportunities in the area of commercialization and the creation of IP. These differences, as well as similarities, should be assessed and communicated.

The importance of proof-of-concept funding, and how to prioritize and align such funding relative to the marketplace, should be determined. In addition, the importance and potential impact of a U.T. System-wide entrepreneur-in-residence program should be evaluated. Best practices from organizations outside U.T. System should be included in the assessment.

Based on the conclusions of this assessment, U.T. System should consider the best mechanisms by which to provide resources that will incentivize, promote and support U.T. institutions to achieve their highest potential in discovery commercialization and strong industry research partnerships.

Recommendation 6: Appraise Strategies For Using University Facilities In More Aggressive Industry Partnerships Within the Confines of Applicable I.R.S. Laws and Regulations

Opportunities may exist to deploy U.T. System facilities in a more aggressive fashion than may currently be in effect in connection with sponsored research.

I.R.S. laws and regulations concerning tax-exempt bonds and the private use complications that arise in connection with sponsored research agreements relating to bond-financed facilities are rife with complexity, but U.T. System, in collaboration with its institutions, should appraise strategies for commercialization and academic-industry opportunities concerning university facilities that are consistent with state and federal law.

A clear, quantitative understanding should be developed of how "safe harbors" can be reported and employed within relevant buildings at each U.T. System campus so that administrators can take advantage of opportunities that may exist to craft additional arrangements with industry sponsors.

Recommendation 7: Task the ITL to Assess the Present State of Educational Technology Development and How IP and Commercialization in this Area is Currently Managed at Each U.T. Institution, and to Project the Future State

Rapidly emerging educational technology will continue to alter the landscape for instruction and pedagogical activity across the U.T. System in coming years.

U.T. System faculty and students are increasingly engaged in developing novel technologies and potentially commercializable educational products, and this trend should be strongly encouraged.

At present, inadequate data are currently available on the level and intensity of this activity across U.T. System institutions. As such, the need and path forward for revision of the Regents' *Rules* and IP-related processes is unclear, although it would appear at a minimum that the Regents' *Rules* relating to copyright ownership may not be ideally constructed to best accommodate these new models of learning.

As part of its ongoing study, the ITL should assess and quantify educational technology development, IP and commercialization in the present state at each U.T. institution, and project the future state. The ITL should present the results of this appraisal and projection to the Task Force in Fall, 2014. Further recommendations will be advanced at that time.

VIII. FOLLOW UP ACTIONS

If the U.T. System Board of Regents believes that the conclusions presented by the IP Task Force warrant serious consideration for implementation, the following actions are recommended:

1. Develop new IP language for Series 90000 of Regents' *Rules*, which is succinct, simplified, clear and conveys the importance of discovery and of commercialization as a fundamental mission of the U.T. System.

2. Amend the present Regents' *Rules* to include language addressing recommendations 2 through 4.

3. Task the U.T. System Office of Technology Commercialization, in collaboration with all U.T. institutions, to systematically evaluate how best to advance the mission of the institutional offices of technology transfer and commercialization. Once a detailed plan has been developed, the resources necessary to support such advancement need to be identified.

4. The U.T. System, in collaboration with its institutions, should carry out an appraisal of strategies and "safe harbors" for best deployment of U.T. System facilities relevant to sponsored research and commercialization.

5. The U.T. System ITL should be charged, as part of its ongoing study, to assess the present state of educational technology development and how IP and commercialization in this area is currently managed at each U.T. institution, and to project the future state. This assessment is required for future recommendations for IP related to educational technologies, particularly distance and hybrid online learning.

Appendix A. Summary of Meeting Agenda and Presenters

<u>March 21, 2014:</u>

- Welcome and introductions
- Review of Task Force Charge and Intent
- Review of Current Regents *Rules* and Implications for University IP
    - Presentation and Discussion Lead: Evan E. Fitzmaurice, Attorney, U.T. System Office General Counsel and Office of Technology Commercialization
- Briefing on federal law relevant to university federally funded vs. non-federally funded IP
    - Presentation and Discussion Lead: Evan E. Fitzmaurice, Attorney, U.T. System Office General Counsel and Office of Technology Commercialization
- Discussion of how Regent's *Rules* and relevant are used in practice at U.T. Institutions (all)

<u>April 4, 2014:</u>

- Summary of previous meeting key points and any continued discussion on legal aspects for consideration in revising Regents' *Rules*
    - Presentation and Discussion Lead: Evan E. Fitzmaurice, Attorney, U.T. System Office General Counsel and Office of Technology Commercialization
- Review of quantitative data from Association of University Technology Managers for U.T. Institutions
    - Presentation and Discussion Lead: Bryan Allinson MBA, Special Consultant Technology Commercialization, U.T. System
- Synopsis and comments on IP practices and commercialization models at Georgia Tech University, Iowa State University, North Carolina State, Pennsylvania State University, University of Arizona, University of Colorado, University of Iowa Research Foundation, University of Michigan and University of Minnesota
    - Presentation and Discussion Lead: Bryan Allinson MBA, Special Consultant Technology Commercialization, U.T. System
- Deeper discussion of practices and experiences, Phone interviews
    - Dr. Ronald Huss, Associate Vice President for Research and Technology Transfer and Director, Office of Technology Management, Pennsylvania State University.

      Ron received his B.A. in biochemistry from the University of Wisconsin-Madison and his Ph.D. in biochemistry from the University of Illinois, Urbana-Champaign. He worked in the biotechnology industry for over 12 years as a research scientist, group leader, project manager, director of research and business development. Recently, the Industrial Research Office (IRO) and the Intellectual Property Office (IPO) at Penn State have merged to form a new Office of Technology Management (OTM). This is the first step in realizing an aggressive new vision at Penn State for technology development and translation to the market. OTM will focus on fostering an ecosystem for technology innovation and translation; it will be responsible not just for the successful marketing of Penn State IP and much more vigorous licensing to corporations and to start-up companies, but also for assisting faculty interested in doing more market relevant research. As of March 2014, Ron is leading a process to auctioning of many of Penn State's under-performing and/or underutilized patents (LINK: http://news.psu.edu/story/306440/2014/03/04/research/penn-state-auction-intellectual-property-licenses)

- o Dr. Lisa Lorenzen, executive director of the Iowa State University Research Foundation (ISURF), a non-profit corporation that manages IP including patents, copyrights, and materials on behalf of Iowa State University.

  Before becoming executive director of ISURF, Lorenzen coordinated Iowa State campus activities for industry visitors and managed economic development grant programs. She has a background in genetics and worked as a computational biologist with the bioinformatics group at Pioneer Hi-Bred International, Inc. Her work as executive director of ISURF focuses on technology transfer and economic development. Lisa has a PhD in Genetics from Iowa State University. Lisa is involved with industry-university collaborations, including Iowa Experimental Program to Stimulate Competitive Research (EPSCoR), a federal program designed to improve the research capacity of eligible states or regions, making them nationally competitive for future grants. (LINK: http://vimeo.com/71576858)

<u>April 18, 2014:</u>

- Summary of previous meeting key points and any continued discussion on practices and models around the U.S. for consideration in revising Regents' *Rules*
  - o Presentation and Discussion Lead: Bryan Allinson MBA, Special Consultant Technology Commercialization, U.T. System
- Continuation of phone interviews with National IP leaders
  - o Carl Gulbrandsen, Managing Director, Wisconsin Alumni Research Foundation serving University of Wisconsin, Madison WI.

    Mr. Gulbrandsen is the Managing Director of Wisconsin Alumni Research Foundation, the patent management organization for the University of Wisconsin Madison. Mr. Gulbrandsen received his B.A. degree from St. Olaf College, Northfield, Minnesota. He received a Ph.D. degree in physiology from the University of Wisconsin –Madison and a J.D. degree from the University of Wisconsin Law School. He is admitted to practice law in the State of Wisconsin and before the United States Patent and Trademark Office. From 1981 until 1992 he was in the private practice of law. Mr. Gulbrandsen's law practice concentrated on IP with a specialty in patent prosecution and litigation. In 1992 Mr. Gulbrandsen became General Counsel of Lunar Corporation and Bone Care International, Inc. Lunar Corporation is a medical device company. Bone Care International, Inc. is a pharmaceutical company. Both companies are located in Madison, Wisconsin and sell products based on technology arising from research conducted at the University of Wisconsin ¬ Madison. Mr. Gulbrandsen is a member of the Licensing Executive Society, the American Intellectual Property Law Association, the Wisconsin State Bar and the American Bar Association. He is also a member of the Executive Committee of the Wisconsin Technology Council. He is a member of the Patent Public Advisory Council for the United States Patent and Trademark Office.

  - o Doug Hockstad, Director, Office of Technology Transfer at University of Arizona, Tucson AZ.

Mr. Hockstad is the new Director of the revitalized Office of Technology Transfer at the University Of Arizona as of March 2013. The Office of Technology Transfer helps to accomplish the broader University of Arizona mission by providing a variety of services to faculty that protects IP whilst sharing important knowledge and discoveries with the world through technology commercialization. Mr. Hockstad joined UA after having served as Associate Director, Software & Engineering Licensing in the University of Michigan's Office of Technology Transfer. In this role, along with his primary responsibility for managing software and other copyright-related IP created across the entire U of M campus, he also managed the office's information technology requirements, and served as the liaison between OTT and the College of Engineering. Mr. Hockstad holds a BSE in Computer Engineering from the University of Michigan.

- Eric Lium, Vice President and Executive Director of Mount Sinai Innovation Partners serving Mount Sinai Hospital, New York NY.

  Dr. Lium, a 16-year veteran with an extensive background in the academic, technology and medical sectors facilitates the real-world application and commercialization of Mount Sinai discoveries and the development of research partnerships with industry. Dr. Lium previously held the post of Assistant Vice Chancellor for Innovation, Technology and Alliances at the University of California, San Francisco, where he led a team of scientists, attorneys, and business development professionals responsible for advancing UCSF’s research, instruction, and public service missions through the development of public-private research partnerships, management and licensing of technologies for commercialization, and entrepreneurship training and support. During his nearly nine year tenure at UCSF, Dr. Lium was twice the recipient of grants from the National Science Foundation. Prior to his service at UCSF, Dr. Lium served in senior roles in information services companies focused on the pharmaceutical, biotechnology, and engineering sectors. In 2001, he co-founded LabVelocity, software and information services company that provided life science research organizations with solutions to accelerate experimental design, as well as technology-based sales and marketing solutions for research tool vendors. In 2013, Dr. Lium testified before the U.S. House of Representatives’ Committee on Science, Space and Technology, Subcommittee on Research on the importance of technology transfer at universities, research institutes and laboratories, and approaches to foster innovation and commercialization. Dr. Lium earned master’s degrees in the arts and philosophy, and a PhD from the Integrated Program in Cellular, Molecular and Biophysical Studies at Columbia University; Dr. Lium served as a post-doctoral research scientist at Columbia and at the G.W. Hooper Foundation at UCSF, and graduated cum laude from Gonzaga University with a B.S. in Biology.

- Jay Schrankler, Executive Director, Office of Technology Commercialization at University of Minnesota, Minneapolis-St. Paul MN.

  During his 26 years at Honeywell, Jay Schrankler held key management and executive roles spanning the Aerospace Business to the Automation and Control

Solutions business. After successfully leading Honeywell's $1.1B Global Environmental Controls Business as Vice President and General Manager, he spent five years as the Vice President of Honeywell's Automation and Control Solutions Business ($13B in sales) IP licensing and marketing business. He built this business from scratch by licensing Honeywell's technology as well as its renowned trademark. In April 2007, he was appointed the Executive Director of the University of Minnesota's new Office for Technology Commercialization. Schrankler's group is responsible for mining the University for key inventions and determining the best route to commercialization. This comes in the form of technology licenses and in new venture startup companies created by the University's Venture Center. As an undergraduate at the University of Minnesota he studied electrical engineering before getting master's degrees in Electrical Engineering and in Computer Science at the University of Wisconsin. He has also completed executive management certifications at Harvard University and UCLA. Schrankler also has held engineering positions at both 3M and Unisys Corp.

- Wendy Streitz, Executive Director, Research Policy Analysis & Coordination at University of California, Oakland CA.

  Ms. Streitz focuses on UC-wide technology transfer coordination, UC patent & related IP policy development, IP manager meetings, tech transfer advisory committee (TTAC), UC policy guidance, web-based tools and resources and IP in clinical trials. Prior to joining the University of California, Ms. Streitz was Associate Director, Intellectual Property and Technology Transfer at Auburn University in Alabama, where her caseload included technologies from both the physical and life sciences. Prior to that, she spent twelve years at Westinghouse Electric Corporation, holding leadership positions in signal processing. She received a MS in electrical engineering from The Johns Hopkins University and BSE from Harvey Mudd College.

<u>May 7, 2014:</u>

- Consideration of IP rules and potential revisions relative to U.T. System institutional tax exempt status
  - Presenters and Discussion Leads: Victoria N. Ozimek, Partner Bracewell & Giuliani

    Ms. Ozimek's practice focuses on advising clients regarding tax aspects of the issuance of tax-exempt and tax credit obligations. She servers a tax counsel on governmental and conduit financings, where she works with issuers and borrowers to review and structure proposed new money and refunding obligations. She received a JD from Harvard Law School, a BA from Tulane University and is a member of the bar of the State of Texas.

  - R. Todd Greenwalt, Partner, Bracewell & Giuliani.

    Mr. Greenwalt's practice focuses on governmental entities and tax-exempt organizations, advising clients with regard to tax-exempt financings and other business transactions, and resolving tax-exempt status issues. He received a JD from the University of California at Los Angeles, BS from the University of Arizona and is a member of the bar of the State of Texas.

- Discussion of Student IP Rule Revisions
    - Presenter and Discussion Leads: Jim Phillips, Managing Attorney, Office of General Counsel, U.T. System and Dr. Dale Klein, Associate Vice Chancellor for Research, Office of Academic Affairs, U.T. System
- Creation of a potential preamble to the Regents' *Rules* that could address overlying sponsored research philosophy of the U.T. System and its Institutions
    - Presenter and Discussion Leads: Dr. Patricia Hurn, Vice Chancellor for Research and Innovation, U.T. System and Evan E. Fitzmaurice, Attorney, Office General Counsel and Office of Technology Commercialization, U.T. System

<u>May 30, 2014:</u>

- Discussion and Action: Emerging Recommendations from the IP Task Force (all)
- Discussion of IP Issues around educational technologies for U.T. System institutions and for the Institute for Transformational Learning
    - Presenter and Discussion Lead: Marni Baker Stein, Chief Innovation Officer, Institute for Transformational Learning, U.T. System
- Discussion and Action: Recommendations and Future Planning

Appendix B. The Intellectual Property Landscape: Series 90000 of the Regents' Rules and Regulations and Related Law

The Default Board of Regents Ownership Rule: Rule 90101, Section 2
"The Board of Regents automatically owns the intellectual property created by individuals subject to this Rule that is described in Sections 3, 5, and 6 below and in Rule 90102, Sections 2 and 3. Accordingly, all individuals subject to this Rule must assign and do hereby assign their rights in such intellectual property to the Board of Regents. Moreover, individuals subject to this Rule who create such intellectual property (creators) shall promptly execute and deliver all documents and other instruments as are reasonably necessary to reflect the Board of Regents' ownership of such intellectual property. A creator of intellectual property owned by the Board of Regents has no independent right or authority to convey, assign, encumber, or license such intellectual property to any entity other than the Board."

Individuals Subject to Default Ownership Rule: Rule 90101, Section 2
- All U.T. System Employees
- Works for Hire and Institutional Projects
- Anyone Using U.T. System or Institutional Facilities and Resources
- Undergraduate and Graduate Students, Visiting Scientists and Faculty
- Masters and Doctoral Candidates
- Post- and Pre-Doctoral Fellows

IP Subject to Default Ownership Rule: Rule 90102, Section 2
"Intellectual property either developed within the course and scope of employment of the individual or resulting from activities performed on U.T. System time, or with support of State funds, or from using facilities or resources owned by the U.T. System or any U.T. System institution (other than incidental use) is owned by the Board of Regents."

Definition of Intellectual Property: Rule 90101, Section 3
- "This Rule applies to all types of intellectual property, including, but not limited to, any invention, discovery, creation, know-how, trade secret, technology, scientific or technological development, research data, works of authorship, and computer software regardless of whether subject to protection under patent, trademark, copyright, or other laws."
- Current Exceptions to Default Rule: Certain Copyrights, Nonconforming Arrangements and Inventor-Owned IP

Determination of U.T. System's Interest: Rule 90102, Section 2.1
"Before intellectual property subject to ownership by the Board of Regents is disclosed to any party outside the U.T. System, to the public generally, or for commercial purposes, and before publishing same, the creator shall submit a reasonably complete and detailed disclosure of such intellectual property to the president of the creator's institution for determination of the U.T. System's interest. The institution will regularly and promptly communicate with the creator during this decision-making process."

Invention Disclosure System: Rule 90102, Section 2.1

- Creators Submit Disclosure to Technology Transfer Office (Technology Evaluation Worksheet)
- Technology Commercialization Professionals Review and Evaluate Technology
- Office of Technology Commercialization Submits Its Recommendation to Institution President
- President Informs Creators If Board of Regents will Assert Its Ownership Interest

Infrastructure at Larger Institutions: Rule 90102, Section 2.1

- Larger U.T. System Institutions have a dedicated office to commercialize inventions, oversee their patent portfolio, seek patent protection and commercialize inventions
- Office of Technology Commercialization
- Staff size and expertise varies depending on the size of the Institution
- Each Institution promulgates own Invention Disclosure Form

Technology Evaluation Worksheet: Rule 90102, Section 2.1

- Creator Scientific Profile
  - Inventor Recognition, Track Record
- Primary Hurdles
  - Known Bar Dates, First Disclosure
- Commercial Potential
  - Ability to Define Invention, Perceived Need of Invention, Any Potential Licensees
- Scientific and Technical Merits
  - Stage of Invention, Available Data, Crowded Prior Art?

Election Not to Assert Ownership Interest: Rule 90102, Section 2.2

- If the Institution's president elects not to assert U.T. System's interest, OGC and the primary creator are notified in writing within 20 business days
- IP is released to the creator, except where prohibited by law, contractual obligations or requirements
- Institution's president may elect to impose certain limitations or obligations
- Typically, retain 5% to 40% and a royalty-free, non-exclusive license to use the invention for patient care, academically related purposes and non-profit research

Protection and Commercialization of Regents' IP: Rule 90102, Section 2.4

- Each Institution Decides If, How, When and Where to Seek Patent Protection and to Commercialize
- Mandatory Assignment From Employee, Faculty, Student to Board of Regents

Allocation of Royalty Income on Regents' IP: Rule 90102, Section 2.5

- Recapture of patenting and licensing costs comes "off the top" when an Institution commercializes IP
- Remainder is split:
  - 50% to Creator(s) (40% at UTHSCSA)
  - 50% to the Institution
- The split is subject to adjustment (with prior approval of the Board of Regents)
- Per Rule 90103, equity may also be shared with employee creator(s) at the discretion of the Institution

Bayh-Dole Act of 1980: Facilitates and Complicates IP Transfer

- Pre-Bayh-Dole, federal government asserted ownership over IP it funded
- A non-exclusive license was the best that industry could expect, which created poor incentives to licensing
- Consequently, federal money was regarded as "tainting" research at the university level
- Bayh-Dole gave IP ownership back to the universities, subject to several requirements

Bayh-Dole Act of 1980: University Requirements

- Disclose Invention to Federal Agency
- Claim Title to Invention
- File a Patent Application
- Give Preference to Granting Licenses to Small Businesses
- Require Exclusive Licensee to Manufacture in U.S.
- Share Royalties with Inventor(s)
- Use Balance of Royalties and Income to Support University Mission

Bayh-Dole Act of 1980: Prohibition on Assignment

Intellectual property rights to subject inventions arising from experimental, developmental or research work conducted at U.T. System institutions that are funded in whole or in part by the federal government may not be assigned without approval from the applicable federal agency.

35 U.S.C. 202(c) (7) (A)

Bayh-Dole Act of 1980: Government Retention Rights

- Right to a Nonexclusive, Nontransferable, Irrevocable, Paid-Up License
- Right to Require University to Assign Invention to Government if University Fails Certain Criteria

Bayh-Dole Act of 1980: U.T. System Research Activity

- $1,258,130,858 of $2,530,714,494 total U.T. System revenue expenditures in 2013, or <u>49.72%</u>, came from federal (i.e., Bayh-Dole) sources
- Consequently, none of the intellectual property resulting from this funding may be assigned by U.T. System without approval from the applicable federal agency

Sponsored Research: Rule 90102, Section 3

"Intellectual property resulting from research supported by a grant or contract with the government (federal and/or state), or an agency thereof, with a nonprofit or for-profit nongovernmental entity, or by a private gift or grant to the U.T. System or any U.T. System institution is owned by the Board of Regents."

Nonconformance With IP Guidelines: Rule 90102, Section 3.1

"Administrative approval of such grants and contracts containing provisions inconsistent with this Rule or other policies and guidelines adopted by the Board imply a decision that the value to the U.T. System or any U.T. System institution of receiving the grant or performing the contract outweighs the impact of any nonconforming provisions on the intellectual property policies and guidelines of the U.T. System or any U.T. System institution."

Agreements That Do Not Conform to the Rules: Rule 90105, Section 2
"Any agreement that deviates substantially from the basic intellectual property Rule of the U.T. System as set out in the Regents' Rules and Regulations may be executed and delivered . . . if, in the judgment of the institution's president and after any required review by the U.T. System Office of General Counsel, the benefits from the level of funding for proposed research and/or other consideration from a sponsor, licensee, or other party outweigh any potential disadvantage that may result from the Rule deviation."

UTS 125: Processing of Intellectual Property Agreements
"This policy provides the steps to follow to process legal documents, contracts, or grant proposals for sponsored research, including institutional support grants and licenses, grants and options, or other conveyances of intellectual property owned or controlled by the Board of Regents as outlined in Rule 90105 of the Regents' *Rules and Regulations*."

Sponsored Research Agreements Not Requiring U.T. System Review Prior to Execution
"Sponsored research agreements, clinical trial agreements, material transfer agreements, and laboratory studies that do not conform to the U.T. System Intellectual Property Policy or Guidelines, provided that, prior to execution of any such agreement, (i) each such agreement has been approved by the president of the institution or approved designee, and (ii) the president or approved designee has executed a Form G for that agreement approving the agreement with full knowledge of the scope of the deviations from the U.T. System Intellectual Property Policy or Guidelines."

UTS 125, Section 2.7

Agreements Requiring OGC Review and Approval Prior to Execution
"OGC shall approve all of the agreements listed above when the dollar amount exceeds $1,000,000. The request for OGC approval must be accompanied by a letter from the president or designee in a form specific for the type of agreement submitted (i.e., Forms A-E, F, G, or Q). . . After OGC approval is granted, OGC will send a courtesy copy of each agreement to both Executive Vice Chancellors."

UTS 125, Section 3.1

Select Criteria For Approval of "Form G Agreements": UTS 125, Section 4

- Fair Value Required: In the event that funding is conditioned on the grant to the sponsor of a royalty-free, nonexclusive license or other substantial intellectual property right, it is important that fair value be received for such rights because the State of Texas cannot subsidize private research.
- Limits on Rights: Any grant of rights, whether in data, inventions, or intellectual property, should be limited to results of research.
- Academic Interests: The proposed research should comport with legitimate academic and university research interests, should not incur unrelated business income tax liability, and should not be conducted solely for the proprietary interests of the sponsor.
- Commercial Benefits: The likelihood of patentable inventions and significant potential commercial benefits arising from the research should be carefully considered.

Sponsored Research: OGC Forms, Guidelines and Checklists

- OGC has developed a model sponsored research agreement.
- The Board of Regents should own the rights to all patentable discoveries, unpatentable technology, technical know-how, and other intellectual property that results from the research project.
- The sponsoring entity may have an option to negotiate for either an exclusive or nonexclusive right to a license to develop and commercialize any intellectual property resulting from the project for a royalty in an amount to be negotiated.
- License agreements that result from the exercise of options in the sponsored research contracts are subject to approval as set forth in the intellectual property policies and guidelines and should contain the provisions set forth in the model license agreement provided by the OGC, pursuant to the policy statement and guidelines for agreements licensing UT System Intellectual Property.

Clinical Trial Exception to Typical IP Ownership and Licensing Regime

- All of the inventions reasonably anticipated or contemplated to be developed pursuant to the clinical study statement of work will be owned by the sponsor.
- In addition, all rights to inventions and discoveries arising from research conducted under this Agreement, other than as a direct result of the performance of the work conducted using the study drug in accordance with the protocol provided by Sponsor may potentially be negotiable as an exclusive, world-wide, royalty-bearing license.
- This is a unique arrangement specific to the realities of certain clinical trials.

Major Issues If Sponsor Owns IP

- Bayh-Dole: Guarantee NO federal funds used in research; if so, jeopardize future federal funding
- Ensure open dissemination of research results
- Institution/Faculty need unfettered publication rights; demanded in all research agreements
- Ensure availability of future research: Cannot restrict faculty's research rights
- Ensure public interest is met: Education and Research Mission
- Diligent Commercialization Requirements Essential

Major Issues If Sponsor Owns IP: Significant Tax Considerations

- Private Inurement, University Mission and I.R.S. Tax Exempt Status
- Unrelated Business Income Tax (UBIT) Liability
- I.R.S. Rev. Proc. 2007-47: Tax-Exempt Bonds and Private Business Use Restrictions
- Article III, Section 51 of the Texas Constitution

Appendix C. Disclosures, Licenses, and Revenue by U.T. System Institutions for the Years 2009-2012

The table below illustrates the number of disclosures, licenses, and revenue by U.T. System Institutions for the years 2009-2012.

Institution	Type	New Invention Disclosures			Licenses Executed			License Income Received		
		2009-10	2010-11	2011-12	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12
UT Arlington	Academic	49	43	49	4	5	5	$73,434	$329,415	$116,062
UT Austin	Academic	182	157	168	32	27	10	$14,315,073	$25,641,730	$20,333,183
UT Brownsville	Academic	0	3	1	0	0	0	$0	$0	$0
UT Dallas	Academic	64	49	66	5	8	8	$40,000	$107,900	$35,000
UT El Paso	Academic	18	20	26	1	0	1	$7,836	$0	$13,944
UT HSC - Houston	Health	63	72	67	20	15	18	$3,804,925	$3,833,430	$3,256,505
UT HSC - San Antonio	Health	25	36	47	7	9	9	$1,923,847	$1,226,971	$572,399
UT HSC - Tyler	Health	0	0	2	0	0	0	$0	$0	$0
UT MD Anderson Cancer Center	Health	132	132	147	14	14	24	$10,083,759	$17,731,000	$28,316,648
UT Medical Branch - Galveston	Health	40	51	58	19	8	12	$1,154,394	$949,305	$1,084,381
UT Pan American	Academic	9	9	8	1	0	1	$0	$5,359	$53,571
UT Permian Basin	Academic	0	0	0	0	0	0	$0	$0	$0
UT San Antonio	Academic	30	47	26	4	5	1	$6,667	$6,666	$18,783
UT Southwestern Medical Center	Health	101	100	107	31	35	21	$6,899,652	$15,527,768	$7,509,112
UT Tyler	Academic	0	0	2	0	0	0	$0	$0	$0
	Totals	**713**	**719**	**774**	**138**	**126**	**110**	**$38,309,487**	**$65,359,544**	**$61,309,587**

New Invention Disclosures as defined by AUTM
A disclosure is a signed document whereby a faculty member or members is/are formally assigning IP rights to the institution. Represents the number of disclosures, no matter how comprehensive, that are submitted during the survey year requested and are counted as received by the institution.

Licenses Executed as defined by AUTM
The number of licenses that were executed in the year indicated for all technologies. Each agreement, exclusive or non-exclusive, is counted separately. Licenses to software or biological material end-users of $1,000 or more are counted per license, or as 1 license, or 1/each for each major software or biological material product (at manager's discretion) if the total number of end-user licenses would unreasonably skew the institution's data. Licenses for technology protected under U.S. plant patents (US PP) or plant variety protection certificates (U.S. PVPC) may be counted in a similar manner to software or biological material products as described above, at manager's discretion. Material Transfer Agreements are not counted as Licenses/Options.

License Income Received as defined by AUTM
License Income Received includes: license issue fees, payments under options, annual minimums, running royalties, termination payments, the amount of equity received when cashed-in, and software and biological material end-user license fees equal to $1,000 or more, but not research funding, patent expense reimbursement, a valuation of equity not cashed-in, software and biological material end-user license fees less than $1,000, or trademark licensing royalties from university insignia. License Income also does not include income received in support of the cost to make and transfer materials under Material Transfer Agreements.

Data and definitions were collected from the AUTM Survey.

Appendix D. Sample Preamble to the Regent's Rules

1. Title

Rules for Intellectual Property: Preamble, Scope, Authority

2. Rule and Regulation

Sec. 1 Preamble. The Board of Regents promulgates these *Rules* on intellectual property to serve the public good, promote partnerships with the private sector, encourage innovation, promote the engagement of faculty, staff and students in research, and foster economic development. The Board of Regents recognizes the high importance of discovery commercialization as a core mission and that the University of Texas System will only attract industrial support of research if timely and efficient processes exist to manage intellectual property. These *Rules* are intended to be adaptable to the highly varied circumstances that characterize industry and the portfolio of research at U.T. System institutions. In all cases, U.T. System institutions will strive to enable the ease of intellectual property creation, protection, management and transfer to society within an environment that ensures the highest quality and integrity of academic activity, teaching and research. The fundamental principles that guide these *Rules* on intellectual property are:

1.1 The successful deployment of intellectual property developed through teaching, research, discovery, creative activities and application of knowledge, whether through sponsored research, licensing or other types of transactions or arrangements, allows for a dissemination of knowledge and technology that is in the broad public benefit and comports with the mission of the U.T. System;

1.2 Sponsored research is very important to the vitality and competitiveness of U.T. System institutions, the State of Texas and our nation. All U.T. System institutions shall encourage and strengthen university-industry partnerships, efficiently and expeditiously protect and manage intellectual property created from these partnerships and remain understanding, flexible and open to try to accommodate the varied circumstances and needs of potential industry sponsors;

1.3 U.T. System institutions should expect that when industry is underwriting sponsored research, industry commences negotiations with the expectation of speed in the execution of critical agreements, clear financial outcomes and ownership of all intellectual property resulting from the work.

1.4 Sponsored research is frequently tightly integrated with the educational mission at many U.T. System institutions but must not necessarily abridge publication and research rights, impinge upon the dissemination of research results, including student theses and dissertations, nor diminish an environment of academic and research integrity;

1.5 The primary research-related duties of members of the faculty at U.T. System institutions are to teach, study, investigate, discover, create, disseminate, develop professionally and infuse new knowledge into their classes and teaching;

1.6 Commercialization of technology enhances the reputation of the U.T. System; and

1.7 Compliance with applicable federal laws and regulations, the Texas Constitution and other applicable laws of the State of Texas is essential for successful U.T. System technology commercialization.

Conclusions and Recommended Actions: Regents' Task Force on Intellectual Property (IP) Issues

Vistasp Karbhari, Ph.D.

President, U. T. Arlington

U. T. System Board of Regents' Meeting

Technology Transfer and Research Committee

February 2015

The Task Force Purpose

- Examine the intent, rationale, language, and workability of the U. T. System Board of Regents' *Rules and Regulations,* Series 90000, on IP
- Recommend changes or revision in the Rules
  - Consider any limitations posed by the Rules that would impact academic-industry partnerships
  - Foster a philosophy and culture of innovation
  - Assure that U. T. System continues its leading role in discovery

Charge and Methods

- Consider best practices in public university systems or peer organizations
- Evaluate new and emerging models of flexible IP ownerships
- Propose revisions in particular areas of interest, including
  - IP of student origin
  - IP related to emerging educational technologies and inventions

Conclusions

1. The Series 90000 of the Regents' Rules should be revised to promote industry engagement and to enhance brevity, simplicity of language, and clarity of intent.
2. Student ownership of student-created IP should be asserted in the Regents' Rules.
3. Faculty and student incentives to pursue entrepreneurship need to be strengthened. Faculty incentives should include, but not be limited to, consideration of commercialization and entrepreneurship activities in promotion and tenure.
4. The 50%-50% allocation of net license and equity revenues should be reconfigured to increase each institution's flexibility in allocation.

Conclusions (cont.)

5. A Systemwide assessment is needed that will determine how best to advance the mission, goals, practices, and resources of institutional offices of technology transfer and commercialization.
6. Strategies for use of university facilities in industry partnerships should be reappraised with directions for improvement.
7. A study of how IP related to institutional educational technologies is currently managed, and its projected future state, should be implemented.

Recommended Actions

1. Develop new language for Series 90000 of the Regents' Rules consistent with these recommendations and present revisions to the Board of Regents for approval.
2. Task the U. T. System Office of Technology Commercialization, in collaboration with all U. T. System institutions, to evaluate institutional discovery commercialization and to create a Systemwide plan and resourcing recommendations for advancement. This plan will be presented to the Board for further action.

Recommended Actions (cont.)

3. The U. T. System, in collaboration with its institutions, will carry out an appraisal of strategies and “safe harbors” for the best deployment of U. T. System facilities relevant to sponsored research and commercialization.
4. Task the U. T. System Institute for Transformational Learning, in collaboration with all U. T. System institutions, to assess the present and future state of IP related to educational technology. The resulting report is to be presented to the IP Task Force for further recommendations to the Board.

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U. T. SYSTEM ADMINISTRATION

1. Minutes - **U. T. System Board of Regents**: Approval of Minutes of the regular meeting held on November 5-6, 2014, and the special called meeting held on December 15, 2014

2. Resolution - **U. T. System Board of Regents**: Adoption of resolution regarding the list of Key Management Personnel authorized to negotiate, execute, and administer classified government contracts (Managerial Group) to reflect appointment of William H. McRaven, Adm. (Ret.), as Chancellor of the U. T. System, effective January 5, 2015, and the retirement of Susan W. Sedwick, Associate Vice President for Research and Director, Office of Sponsored Projects, U. T. Austin, effective January 31, 2015

   To comply with the Department of Defense National Industrial Security Program Operating Manual (NISPOM) requirements, it is recommended that the Board of Regents approve the revised resolution set forth below regarding exclusion of individuals from the list of Key Management Personnel (KMP) authorized to negotiate, execute, and administer classified government contracts. The revision reflects the appointment of William H. McRaven, Adm. (Ret.), as Chancellor of the U. T. System, effective January 5, 2015, and the retirement of Susan W. Sedwick, Associate Vice President for Research and Director, Office of Sponsored Projects, U. T. Austin, effective January 31, 2015.

   A Resolution amending the Managerial Group list was last adopted by the Board of Regents on May 15, 2014.

   NISPOM defines KMP as "officers, directors, partners, regents, or trustees." The Manual requires that the senior management official and the Facility Security Officer must always be designated as part of the Managerial Group and be cleared at the level of the Facility Clearance. Other officials or KMPs, as determined by the Defense Security Service, must be granted Personal Security Clearances or be formally excluded by name from access to classified material.

   RESOLUTION

   BE IT RESOLVED:

   a. That those persons occupying the following positions at The University of Texas System and The University of Texas at Austin shall be known as the Managerial Group, having the authority and responsibility for the negotiation, execution, and administration of Department of Defense (DoD) or User Agency contracts, as described in DoD 5220.22-M, "National Industrial Security Program Operating Manual" (NISPOM):

      William H. McRaven, Adm. (Ret.), Chancellor, The University of Texas System
      ~~Francisco G. Cigarroa, M.D., Chancellor, The University of Texas System~~
      William C. Powers, Jr., President, The University of Texas at Austin

Juan Miguel Sanchez, Vice President for Research, The University of Texas at Austin
~~Susan W. Sedwick, Associate Vice President for Research and Director~~, ~~Office of Sponsored Projects, The University of Texas at Austin~~
Neil S. Fox II, Facility Security Officer, The University of Texas System

The Chief Executive Officer (i.e., the Chancellor) and the members of the Managerial Group have been processed, or will be processed, for a personnel security clearance for access to classified information to the level of the facility security clearance granted to this institution, as provided for in the NISPOM.

The Managerial Group is hereby delegated all of the Board's duties and responsibilities pertaining to the protection of classified information under classified contracts of the DoD or User Agencies of the NISPOM awarded to U. T. System, including U. T. Austin.

b. That the following named members of the U. T. System Board of Regents shall not require, shall not have, and can be effectively excluded from access to all classified information in the possession of U. T. System, including U. T. Austin, and do not occupy positions that would enable them to affect adversely the policies and practices of the U. T. System, including U. T. Austin, in the performance of classified contracts for the Department of Defense or User Agencies of the NISPOM awarded to the U. T. System, including U. T. Austin, and need not be processed for a personnel security clearance:

Members of the U. T. System Board of Regents:

Paul L. Foster, Chairman
William Eugene Powell, Vice Chairman
R. Steven Hicks, Vice Chairman
Ernest Aliseda
Alex M. Cranberg
Wallace L. Hall, Jr.
Jeffery D. Hildebrand
Brenda Pejovich
Robert L. Stillwell
David Maximilian Richards, Student Regent from June 1, 2014 to May 31, 2015 (nonvoting)

3. Contract (funds coming in) - **U. T. System**: Provide Sharyland Distribution and Transmission Services, L.L.C. with a power line easement

Agency:	Sharyland Distribution and Transmission Services, L.L.C.
Funds:	Projected revenue for the duration of the project is $1,230,652

Period: February 1, 2015 through January 31, 2025

Description: Provide a new power line easement on existing poles but allowing for increased capacity of 345,000 volts or more across 4,826.09 rods in portions of Sections 30, 31, 32, 39, 40, 41, 47, and 48, Block 09, Sections 17, 18, 20, 21, 22, 23, 25, and 26, Block 10, Sections 11, 12, 10, and 13, and Block 12, University Lands Survey, Andrews County, Texas.

4. Contract (funds coming in) - **U. T. System**: Provide Plains Pipeline, L.P. with a pipeline easement

Agency: Plains Pipeline, L.P.

Funds: Projected revenue for the duration of the project is $1,597,027

Period: February 1, 2015 through January 31, 2025

Description: Provide a new pipeline easement on University Lands in Loving County, Block 19, Sections 6, 5, 4, 3, 2, 1; Block 20, Sections 6, 5, 4, 3; Winkler County, Block 20, Sections 3, 2, 1; and Block 21, Sections 6, 5, 4, 3, 2, 11, 12.

5. Contract (funds going out) - **U. T. System**: Agreement between U. T. System and Collaborative Clinical Research Solutions, Inc. for services in implementing a multi-institutional clinical trials network

Agency: Collaborative Clinical Research Solutions, Inc. (CCRS)

Funds: $3,700,000

Source of Funds: Available University Funds approved by the Board of Regents on May 15, 2014, to support initiatives of the U. T. System Innovation Framework 2014

Period: U. T. System's proposed agreement with CCRS would have a term of two years

Description: The May 15, 2014 Board approval referenced above included plans as part of the FreshAIR initiative for creation of a centralized network and “hub and spoke model” for clinical trials across U. T. System to enhance speed and decrease administrative complexity for trial initiation and management and to increase the number of multisite clinical trials. Subsequent to the May 15, 2014 approval, the U. T. System Office of Health Affairs conducted a competitive procurement that resulted in selection of CCRS as the provider whose services in implementing an appropriate clinical trials network would achieve the best value for U. T. System.

Authorization is requested (1) to enter into an Agreement with CCRS to create a centralized network for clinical trials across the U. T. System, and (2) to delegate authority to the Executive Vice Chancellor for Business Affairs to execute all documents, instruments, and other agreements, following review and approval by the Vice Chancellor for Research and Innovation, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel and to take all further actions necessary or advisable to carry out the purpose and intent of, and to accomplish, the foregoing transaction.

6. Contract (funds going out) **- U. T. System**: iLab Solutions, LLC to provide licensing and hosting of multi-institutional research core collaboration and management software

Agency:	iLab Solutions, LLC
Funds:	Total licensing-related cost for the duration of the contract and all extensions is estimated at $3,800,000. Most of the cost would be paid to iLab under the terms of the contract; the remainder would cover license implementation support costs incurred by U. T. System.
Source of Funds:	Permanent University Funds approved by the Board on November 14, 2013 (originally scheduled to be deployed over Fiscal Years 2014 and 2015) to support the new U. T. System Research Core Infrastructure Initiative of the U. T. System Innovation Framework 2014.
Period:	Licensing implementation is expected to be executed over a period of five years (2015-2019).
Description:	The Board approval referenced above included plans to purchase a U. T. Systemwide license for research core management software. The proposed agreement builds on, and improves the business terms of, an existing contract between U. T. M. D. Anderson Cancer Center and iLab Solutions, LLC, which resulted from a competitive procurement conducted by U. T. M. D. Anderson Cancer Center. Support for the conclusion that building on the existing contract achieves best value for U. T. System has been documented. The agreement has been made subject to approval by the U. T. System Board of Regents.

7. Request for Budget Change - **U. T. System**: Grant budget authority of $432,000 from Permanent University Fund (PUF) Management funds to pay professional service expenses associated with the executive search for a chief executive officer of University Lands (RBC No. 167) -- amendment to the 2014-2015 budget

8. Request for Budget Change - **U. T. System**: Grant budget authority of $385,967 from Permanent University Fund (PUF) Management funds to pay professional service expenses associated with the preparation of a summary of estimated recoveries for undeveloped reserves on PUF Lands (RBC No. 168) -- amendment to the 2014-2015 budget

9. Lease - **U. T. System**: Authorization to lease space at 4201 North State Highway 161, Irving, Dallas County, Texas, from Atlas Office 161, LP, for office use by U. T. System Administration Shared Information Services

Description:	Lease of approximately 27,235 rentable square feet of office space at 4201 North State Highway 161, Irving, Dallas County, Texas, for office space for U. T. System Administration Shared Information Services
Lessor:	Atlas Office 161, LP, or assigns
Term:	The lease is estimated to commence on June 1, 2015, and the initial term is for a period of 67 months. U. T. System Administration has the option, exercisable in its discretion, to renew the lease for two five-year renewal terms.
Lease Cost:	Approximately $2,430,724 in rent during the initial term. Rent for the renewal option period will be 95% of then-current market rate. In addition to the rent, U. T. System Administration will pay for the cost of growth of operating expenses and its pro rata share of the electricity expense, which in 2015 is estimated to be approximately $1.90 per square foot or $51,750 annually.
Tenant Improvements:	Lessor is providing a turnkey tenant build-out utilizing standard building materials.
Source of Funds:	Available University Fund

10. Other Fiscal Matters - **U. T. System**: Approval of aggregate amount of $3,000,000 of supplemental equipment financing for Fiscal Year 2015 and resolution regarding parity debt

On August 21, 2014, the U. T. System Board of Regents approved a total of $171,570,000 of Revenue Financing System (RFS) Equipment Financing for Fiscal Year 2015. The Executive Vice Chancellor for Business Affairs recommends approval of this item authorizing an additional $3,000,000 of RFS Equipment Financing for U. T. San Antonio to finance a video board for its Convocation Center along with minor capital projects involving life safety renovations and locker room additions to be repaid with auxiliary revenue generated by athletics. The institution therefore requests that the Board resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System the findings that are stated below:

- parity debt shall be issued to fund all or a portion of the project, including any costs prior to the issuance of such parity debt;
- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the RFS Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
- U. T. San Antonio, which is a "Member" as such term is used in the RFS Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of parity debt in an aggregate amount of $3,000,000; and
- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

11. Other Fiscal Matters - **U. T. System**: Approval to use Permanent University Fund (PUF) Bond Proceeds in lieu of Intermediate Term Funds (ITF) Swap Proceeds on future Valley Science and Technology Acquisition and Retention Program (Valley STARs) requests

Approval is requested to use $3,000,000 of PUF Bond Proceeds in lieu of ITF/Swap Proceeds on future Valley Science and Technology Acquisition and Retention Program (Valley STARs) requests as needed in an amount not to exceed the original appropriation.

On August 25, 2011, the Board of Regents approved $30,000,000 of ITF/Swap Proceeds for the Lower Rio Grande Valley Plan - Education and Health Initiatives including $9,500,000 to establish a faculty recruitment program known as Valley STARs.

12. <u>Other Fiscal Matters - **U. T. System**: Approval of funding for expansion of Collegiate Education, Intervention, and Recovery Programs at each U. T. System academic institution</u>

Approval is requested to fund expansion of Collegiate Education, Intervention, and Recovery Programs at each of the U. T. System academic institutions and to authorize appropriation of $2,398,800 of Available University Funds to U. T. Austin over the next five years for that purpose.

Implementation of Collegiate Recovery Centers at each of the U. T. System academic institutions is in progress and the campus centers have begun to operate and provide support to students. These centers have been established under the direction of the award-winning Center for Students in Recovery at U. T. Austin. To provide additional support for these recovery centers and to extend the initiative into alcohol and drug prevention and intervention activities, more direction from U. T. Austin will be required and additional resources are needed.

13. <u>Real Estate Report - **U. T. System**: Summary Report of Separately Invested Assets Managed by U. T. System</u>

THE UNIVERSITY OF TEXAS SYSTEM
SEPARATELY INVESTED ASSETS
Managed by U. T. System
Summary Report at November 30, 2014

FUND TYPE

	Current Purpose Restricted		Endowment and Similar Funds		Annuity and Life Income Funds		TOTAL	
	Book	**Market**	**Book**	**Market**	**Book**	**Market**	**Book**	**Market**
Land and Buildings:								
Ending Value 08/31/14	$ 1,735,185	$ 12,980,254	$ 97,942,623	$ 271,760,449	$ 1,601,467	$ 2,923,079	$ 101,279,275	$ 287,663,782
Increase or Decrease	(75,002)	(370,365)	3	(427,966)	-	-	(75,000)	(798,332)
Ending Value 11/30/2014	$ 1,660,183	$ 12,609,889	$ 97,942,626	$ 271,332,483	$ 1,601,467	$ 2,923,079	$ 101,204,275	$ 286,865,450
Other Real Estate:								
Ending Value 08/31/14	$ 14,480	$ 14,480	$ 9	$ 9	$ -	$ -	$ 14,489	$ 14,489
Increase or Decrease	(3,353)	(3,353)	-	-	-	-	(3,353)	(3,353)
Ending Value 11/30/2014	$ 11,127	$ 11,127	$ 9	$ 9	$ -	$ -	$ 11,135	$ 11,135

Report prepared in accordance with Sec. 51.0032 of the *Texas Education Code*.
Details of individual assets by account furnished on request.

Note: Surface estates are managed by the U. T. System Real Estate Office. Mineral estates are managed by U. T. System University Lands. The royalty interests received from the Estate of John A. Jackson for the John A. and Katherine G. Jackson Endowed Fund in Geosciences are managed by the U. T. Austin Geology Foundation, with the assistance of the Bureau of Economic Geology.

ACADEMIC INSTITUTIONS

14. Request for Budget Change - **U. T. Arlington**: Tenure Appointments -- amendment to the 2014-2015 budget

The following Requests for Budget Changes (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
School of Architecture and Urban and Public Affairs					
Architecture and Urban and Public Affairs					
Dean					
Nan Ellin (T)	1/5-8/31	100	12	225,000	6515
	1/5-8/31	SUPL	01	15,000	
College of Science					
Biology					
Chair and Professor					
Clay Clark (T)	7/1-8/31	100	12	170,000	6542

15. Contract (funds going out) - **U. T. Austin**: Amendment to contract with Sasaki Associates, Inc. for development of the Campus Master Plan to include the College of Liberal Arts Master Plan

Agency:	Sasaki Associates, Inc.
Funds:	$4,539,250
Source of Funds:	Available University Funds
Period:	October 1, 2010 through June 30, 2015
Description:	The proposed work is a $440,000 amendment to the existing Campus Master Plan contract with Sasaki Associates, Inc. For the amendment, Sasaki agrees to furnish master planning services required to create a new College of Liberal Arts Master Plan for U. T. Austin. The contract is for professional services and, based on qualifications, Sasaki was competitively selected from among 11 respondents to the Request for Qualifications to create a new Campus Master Plan.

16. Request for Budget Change - **U. T. Austin**: Transfer $3,397,000 from College of Engineering-Unallocated accounts to Microelectronics and Engineering Research Center-Preliminary Design, All Expenses account for clean room build-out (RBC No. 6599) -- amendment to the 2014-2015 budget

17. Request for Budget Change - **U. T. Austin**: Transfer $6,000,000 from VPBA-Reserve for Academic Enhancement Initiatives, Operating Income account to PMCS-Repair and Renovation Control, Allocated for Budget account for facility condition repairs (RBC No. 6600) -- amendment to the 2014-2015 budget

18. Request for Budget Change - **U. T. Austin**: Tenure Appointments -- amendment to the 2012-2013 budget

The following Requests for Budget Changes (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

			Full-time Salary		
Description	Effective Date	% Time	No. Mos.	Rate $	RBC #
College of Liberal Arts					
Department of History					
Professor					
Steven Mintz (T)	1/16-5/31	0	9	142,500	6387
School of Information					
Associate Professor					
Lecia J. Barker (T)	1/16-8/31	100	9	80,000	6389

Note: Appointments to be retroactive to January 16, 2013, to correct clerical errors in processing the recommendations.

19. Request for Budget Change - **U. T. Austin**: Tenure Appointment -- amendment to the 2013-2014 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

			Full-time Salary		
Description	Effective Date	% Time	No. Mos.	Rate	RBC #
Cockrell School of Engineering					
Department of Chemical Engineering					
Associate Professor					
Delia Milliron (T)	6/1-8/31	100	9	120,000	6388

Note: Appointment to be retroactive to June 1, 2014, to correct a clerical error in processing the recommendation.

20. Request for Budget Change - **U. T. Austin**: Approval of Emeritus Titles

Steven Bryant from Associate Professor to Associate Professor Emeritus, Butler School of Music in the College of Fine Arts (RBC No. 6583) -- amendment to the 2013-2014 budget

Hunter March from Professor to Professor Emeritus, Butler School of Music in the College of Fine Arts (RBC No. 6584) -- amendment to the 2013-2014 budget

Harvey Pittel from Professor to Professor Emeritus, Butler School of Music in the College of Fine Arts (RBC No. 6585) -- amendment to the 2013-2014 budget

Mark I. Alpert from Professor to the Foley's Professor Emeritus in Retailing in the College of Business (RBC No. 6586) -- amendment to the 2014-2015 budget

Kimberly Kline from Professor to Julian C. Barton Professor Emerita in Nutrition, Department of Nutritional Sciences in the College of Natural Sciences (RBC No. 6587) -- amendment to the 2014-2015 budget

Michael C. Singer from Professor to Professor Emeritus, Department of Integrative Biology in the College of Natural Sciences (RBC No. 6588) -- amendment to the 2014-2015 budget

Karen Uhlenbeck from Professor to Sid W. Richardson Foundation Regents Chair Emerita in Mathematics #3 in the College of Natural Sciences (RBC No. 6589) -- amendment to the 2014-2015 budget

Gail Minault from Professor to Professor Emerita, Department of History in the College of Liberal Arts (RBC No. 6590) -- amendment to the 2014-2015 budget

Marilla Svinicki from Professor to Professor Emerita, Department of Educational Psychology in the College of Education (RBC No. 6597) -- amendment to the 2014-2015 budget

Hans Mark from Professor to John J. McKetta Centennial Energy Chair Emeritus in Engineering, Department of Aerospace Engineering and Engineering Mechanics in the Cockrell School of Engineering (RBC No. 6591) -- amendment to the 2014-2015 budget

John Mirowsky from Professor to Professor Emeritus, Department of Sociology in the College of Liberal Arts (RBC No. 6592) -- amendment to the 2014-2015 budget

Bryan Roberts from Professor to C.B. Smith, Sr. Centennial Chair Emeritus in United States-Mexico Relations #1, Department of Sociology in the College of Liberal Arts (RBC No. 6593) -- amendment to the 2014-2015 budget

Catherine Ross from Professor to Professor Emerita, Department of Sociology in the College of Liberal Arts (RBC No. 6594) -- amendment to the 2014-2015 budget

Edmund T. Emmer from Professor to Professor Emeritus, Department of Educational Psychology in the College of Education (RBC No. 6595) -- amendment to the 2014-2015 budget

Nancy Kwallek from Professor to Gene Edward Mikeska Endowed Chair Emerita for Interior Design in the School of Architecture (RBC No. 6596) -- amendment to the 2014-2015 budget

21. Employment Agreement **- U. T. Austin**: Head Softball Coach Employment Agreement for Connie S. Clark

The following Head Softball Coach Employment Agreement has been approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents. If the Agreement is approved, total compensation for the contract period for Connie S. Clark will be in excess of $1 million. Such employment under the Agreement is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas at Austin is a member, the Regents' *Rules and Regulations*, and the policies of The University of Texas at Austin. Any violation of the provisions of such constitution, bylaws, rules, regulations, or policies shall be grounds for suspension without pay and/or dismissal (Regents' *Rules and Regulations*, Rule 10501, Section 2.2.12 - Board Approval).

Item: Head Softball Coach Employment Agreement for Connie S. Clark

Proposed: **Guaranteed compensation:**

Annual Salary:
FY 2015-16: $188,000 annually
FY 2016-17: $194,000 annually
FY 2017-18: $200,000 annually

Social club membership: The University of Texas Club,
The University of Texas Golf Club

Athletic Product Endorsement:
FY 2015-16: $25,000
FY 2016-17: $27,500
FY 2017-18: $30,000

Nonguaranteed compensation:

Sports Camps and Clinics: Based Upon Net Proceeds

Incentives:
(a) $10,000 in any contract year in which the team wins or ties for the Big 12 Championship
(b) $4,000 in any contract year in which the team participates in NCAA Regional
(c) $6,000 in any contract year in which the team participates in NCAA Super Regional
(d) $8,000 in any contract year in which the team participates in NCAA College World Series
(e) $10,000 in any contract year in which the team places Runner-up in NCAA College World Series
(f) $25,000 in any contract year in which the team places 1st or ties for 1st for the end of year NCAA National Championship
(g) $2,000 in any contract year in which the Coach is named Big 12 Coach of the Year
(h) $5,000 in any contract year in which the Coach is named National Coach of the Year
(i) Grade Point Average (GPA) and Academic Progress Rate, up to $5,000 each based upon the determination of the Women's Athletics Council

Source of funds: Intercollegiate Athletics

Description: Proposed new contract for Head Softball Coach Connie S. Clark

Period: September 1, 2015 to August 31, 2018

22. Request for Budget Change - **U. T. Brownsville**: Approval of Emeritus Title of Alan F. J. Artibise from Provost and Vice President for Academic Affairs to Provost Emeritus, Office of the Provost (RBC No. 6546) -- amendment to the 2014-2015 budget

23. Facilities Planning and Construction - **U. T. Dallas**: Modular Buildings - Approval of design development; authorization of institutional management; and appropriation and authorization of expenditure of funds

Item:	Approve design development plans; authorize U. T. Dallas to manage the project budgets, appoint architects, approve facility programs, prepare final plans, and award contract; and appropriate and authorize expenditure of $8,000,000 from previously approved Permanent University Fund (PUF) Bond Proceeds
Funds:	$8,000,000 from PUF Bond Proceeds
Substantial Completion Date:	August 2015
Description:	On November 6, 2014, the Board approved $8,000,000 of PUF Bond Proceeds to construct modular buildings to address urgent engineering research and academic space needs. U. T. Dallas has determined that it is more cost effective to purchase one large pre-engineered building containing 30,000 gross square feet (GSF) and a second building at a separate location containing 4,000 GSF.

24. Request for Budget Change - **U. T. El Paso**: Approval of Emeritus Titles

Ellen H. Courtney from Associate Professor to Associate Professor Emerita, Languages and Linguistics Department in the College of Liberal Arts (RBC No. 6604) -- amendment to the 2013-2014 budget

Lawrence E. Murr from Professor to Professor Emeritus, Metallurgical and Materials Engineering Department in the College of Engineering (RBC No. 6605) -- amendment to the 2013-2014 budget

Fernando Garcia-Nuñez from Professor to Professor Emeritus, Languages and Linguistics Department in the College of Liberal Arts (RBC No. 6606) -- amendment to the 2013-2014 budget

Brian H. Giza from Associate Professor to Associate Professor Emeritus, Teacher Education Department in the College of Education (RBC No. 6607) -- amendment to the 2013-2014 budget

Rachelle R. Thiewes from Professor to Professor Emerita, Art Department in the College of Liberal Arts (RBC No. 6608) -- amendment to the 2013-2014 budget

John C. McClure from Professor to Professor Emeritus, Metallurgical and Materials Engineering Department in the College of Engineering (RBC No. 6603) -- amendment to the 2014-2015 budget

Arturo Pacheco from Professor to Professor Emeritus, Educational Leadership and Foundations Department in the College of Education (RBC No. 6618) -- amendment to the 2014-2015 budget

William Doyle Smith from Associate Professor to Associate Professor Emeritus, Economics and Finance Department in the College of Business Administration (RBC No. 6619) -- amendment to the 2014-2015 budget

Z. Anthony Kruszewski from Professor to Professor Emeritus, Political Science Department in the College of Liberal Arts (RBC No. 6620) -- amendment to the 2014-2015 budget

Joseph H. Pierluissi from Professor to Professor Emeritus, Electrical and Computer Engineering Department in the College of Engineering (RBC No. 6621) -- amendment to the 2014-2015 budget

Marcia T. Fountain from Professor to Professor Emerita, Music Department in the College of Liberal Arts (RBC No. 6622) -- amendment to the 2015-2016 budget

25. Lease - **U. T. El Paso**: Authorization to ground lease approximately 7.6 acres of unimproved real property at 3003 North Mesa Drive, solely or in conjunction with approximately 4.66 acres of land and improvements located at 3333 North Mesa Drive, El Paso, El Paso County, Texas, to Hunt Development Group, LLC, for the construction and operation of a mixed-use development

Description:	Ground lease to Hunt Development Group, LLC, of approximately 7.6 acres of unimproved real property at 3003 North Mesa Drive, solely or in conjunction with approximately 4.66 acres of land and improvements located at 3333 North Mesa Drive, El Paso, El Paso County, Texas, for the construction and operation of a mixed-use development. The agreement will initially be structured as an option to lease; Lessee will pay to U. T. El Paso a $10,000 option fee (applicable to future rent if Lessee exercises its option to ground lease the property) as consideration for the right to evaluate during a 120-day period the feasibility of a mixed-use development on the property. During the 120-day period, Lessee may exercise an exclusive option to ground lease the property.

Mixed-use development will be defined in the ground lease agreement to mean a development meeting the following guidelines: (1) class A quality construction, operation, and maintenance, (2) incorporates at least two of the three following uses: retail, multifamily, and office, (3) no more than 50% of the site may be dedicated to office use, (4) the maximum size of any single retail tenant shall be no more than 50,000 square feet, and (5) incorporates architectural elements sympathetic to the Bhutanese architectural style, characteristic of the buildings on the U. T. El Paso campus. Lessee shall have a period of up to five years following the commencement date of the lease to begin construction of the improvements.

Lessee: Hunt Development Group, LLC, a Texas limited liability company or its permitted assignee. Lessee was selected based on a Request for Proposal process.

Term: Forty years plus three 10-year extension options, commencing on or about June 1, 2015.

Lease Income: Initial annual base rent shall be equal to 6.25% of the fair market value of the highest and best use of the property as established by an appraisal performed by a mutually agreed upon licensed and certified appraiser. The institution will not obtain an appraisal for the premises until Lessee exercises its option to lease one or both properties; however the U. T. System Real Estate Office estimates the annual rents will be between $175,000 to $250,000 for 3003 North Mesa and could be as much as $400,000 total if the premises includes 3333 North Mesa. The annual base rent shall be increased by 15% on the fifth anniversary of the commencement date and every fifth anniversary thereafter during the term (Periodic Increase). On each of the 25th and 50th anniversaries of the commencement date, in lieu of the Periodic Increase, annual base rent shall be adjusted to an amount equal to the then-current fair market value of the property, multiplied by 6.25% per annum.

26. Purchase **- U. T. El Paso**: Authorization to purchase a tract of unimproved land consisting of approximately 0.145 acres located at 1612 Hawthorne Street, El Paso, El Paso County, Texas, from the Estate of Seok Lee Brown for future campus expansion

Description:	Purchase of approximately 0.145 acres of unimproved land located at 1612 Hawthorne Street, El Paso, El Paso County, Texas, and authorization for the Executive Director of Real Estate to execute all documents, instruments, and other agreements, and to take all further actions deemed necessary or advisable to purchase the property. This parcel is adjacent to the institution's main campus and will be used for future campus expansion. This property was included in the 2011 Campus Master Plan, and will be brought to the Board of Regents for approval at a future meeting.
Seller:	Estate of Seok Lee Brown
Purchase Price:	$73,000. The fair market value of the property is $79,500 as established by an independent appraisal performed by Ralph Sellers and Associates on October 31, 2014.
Source of Funds:	Institutional Funds

27. Request for Budget Change **- U. T. Pan American**: Transfer $4,084,000 from Designated Tuition account to Building Alterations - Unexpended Plant Funds account for various projects including Health Sciences and Human Services East remodel, Science Building retro commissioning, and various smaller projects (RBC No. 6571) -- amendment to the 2014-2015 budget

28. Request for Budget Change **- U. T. Permian Basin**: New Hire with Tenure -- amendment to the 2014-2015 budget

The following personnel action involving new hire with tenure appointment has been administratively approved by the Executive Vice Chancellor for Academic Affairs.

			Full-time Salary		
Description	Effective Date	% Time	No. Mos.	Rate $	RBC #
College of Business and Engineering					
Accounting Department					
Associate Professor					
Roy Counts (T)	1/1-5/31	100	09	130,000	6639

29. Request for Budget Change **- U. T. Permian Basin**: Approval of Emeritus Title of Michael J. Robinson from Ellen & Bill Noël Distinguished Professor for Energy Research to Ellen & Bill Noël Distinguished Professor Emeritus, Chemistry in the College of Arts and Sciences (RBC No. 6645) -- amendment to the 2014-2015 budget

30. Other Matters **- U. T. Permian Basin**: Proposal to accept invitation from the Lone Star Conference and to negotiate and finalize terms for athletic conference membership

Authorization is requested for U. T. Permian Basin to accept an invitation from the Lone Star Conference (LSC) to become a member, and to negotiate and finalize terms for athletic conference membership.

Officials of the LSC contacted U. T. Permian Basin in January 2015 to initiate a discussion about the possibility of U. T. Permian Basin leaving the Heartland Conference to join the LSC. President Watts and Steven Aicinena, Athletic Director at U. T. Permian Basin, have engaged in several discussions with Brian May, Chairman of the LSC Presidents, regarding U. T. Permian Basin joining the LSC. The formal invitation to join the LSC as a member was extended on January 16, 2015. U. T. Permian Basin plans to participate in the Heartland Conference until August 2016, the proposed effective date for joining the LSC.

Current members of the LSC are: Angelo State University, West Texas A&M University, Texas A&M University-Kingsville, Texas A&M University-Commerce, Cameron University, Texas Woman's University, Eastern New Mexico University, Tarleton State University, and Midwestern State University.

The LSC represents a more prestigious and competitive conference for U. T. Permian Basin. The LSC is geographically more compact, and thus, travel costs and time away from campus for student athletes should be less than in the Heartland Conference. U. T. Permian Basin has determined that a move to this new conference is consistent with the University's strategic plan to continue to grow the institution. Competing in the new conference would leverage U. T. Permian Basin's efforts to upgrade the competitiveness of its intercollegiate sports teams, particularly in men's and women's basketball. In addition, the LSC, unlike the Heartland Conference, supports intercollegiate football. Following Board of Regents' approval of its Football Initiative Business Plan on December 12, 2013, U. T. Permian Basin began recruiting football players, and will begin competing in National Collegiate Athletic Association (NCAA) Division II Football in September 2016.

There are no exit fees involved with U. T. Permian Basin's departure from the Heartland Conference. The LSC has also agreed to waive the entry fee. The annual dues to the LSC will be $20,000, which will be covered through athletic department funds.

31. Request for Budget Change **- U. T. Rio Grande Valley**: Transfer of tenure appointments from U. T. Brownsville and U. T. Pan American

The following personnel actions involving new award of tenure appointments for the faculty previously holding tenure status at U. T. Brownsville or U. T. Pan American have been administratively approved by the Executive Vice Chancellor for Academic Affairs.

College, Department, and Name	From	To
College of Business and Entrepreneurship		
Abebe, Michael	Transfer	Associate Professor (T)
Adams, Russell	Transfer	Associate Professor (T)
Ahluwalia, Punit	Transfer	Associate Professor (T)
Akindayomi, Akinloye	Transfer	Associate Professor (T)
Anabila, Andrew	Transfer	Associate Professor (T)
Andoh-Baidoo, Francis	Transfer	Associate Professor (T)
Arney, Janna	Transfer	Professor (T)
Brown, Cynthia	Transfer	Professor (T)
Coyle, E. Thomas	Transfer	Associate Professor (T)
Cruthirds, Kevin	Transfer	Associate Professor (T)
Darcy, John	Transfer	Professor (T)
Davila, Alberto	Transfer	Professor (T)
Espahbodi, Hassanali	Transfer	Professor (T)
Firat, Fuat	Transfer	Professor (T)
Galy, Edith	Transfer	Associate Professor (T)
Guo, Chiquan	Transfer	Associate Professor (T)
Hazarika, Gautam	Transfer	Associate Professor (T)
Hughes, Jerald	Transfer	Associate Professor (T)
Jackson, Dave	Transfer	Professor (T)
Johnson, Jennie	Transfer	Associate Professor (T)
Jung, Joo	Transfer	Associate Professor (T)
Kaynak, Hale	Transfer	Professor (T)
Kroll, Mark	Transfer	Professor (T)
Liao, Qinyu	Transfer	Associate Professor (T)
Liu, Lai	Transfer	Professor (T)
Lovett, Marvin	Transfer	Professor (T)
Lovett, Steve	Transfer	Associate Professor (T)
Minor, Michael	Transfer	Professor (T)
Mollick, Andre	Transfer	Professor (T)
Mora, Marie	Transfer	Professor (T)
Ozuna, Teofilo	Transfer	Professor (T)
Rhi-Perez, Pablo	Transfer	Associate Professor (T)
Sargent, John	Transfer	Professor (T)
Sargent, Linda	Transfer	Professor (T)
Simpson, Penny	Transfer	Professor (T)
Singh, Anil	Transfer	Associate Professor (T)
Sturges, David	Transfer	Associate Professor (T)
Sun, Jun	Transfer	Associate Professor (T)
Vasquez, Arturo	Transfer	Professor (T)

College of Business and Entrepreneurship (cont.)		
Wang, Bin	Transfer	Associate Professor (T)
Wang, Lei	Transfer	Associate Professor (T)
Wu, Sibin	Transfer	Associate Professor (T)
Zhou, Haiyan	Transfer	Professor (T)
Zolfagharian, Mohammadali	Transfer	Associate Professor (T)
College of Education and P-16 Integration		
Abrego, Jesus	Transfer	Associate Professor (T)
Almaguer, Isela	Transfer	Associate Professor (T)
Alvarado, Victor	Transfer	Professor (T)
Brickman, Stephanie	Transfer	Associate Professor (T)
Bussert-Webb, Kathy	Transfer	Professor (T)
Carlson, Ralph	Transfer	Professor (T)
Castro, Veronica	Transfer	Associate Professor (T)
Chamberlain, Steven	Transfer	Associate Professor (T)
Corbeil, Joseph	Transfer	Associate Professor (T)
Curts, James	Transfer	Associate Professor (T)
De Los Santos, Miguel	Transfer	Associate Professor (T)
Deleon, Leticia	Transfer	Associate Professor (T)
Diaz, Zulmaris	Transfer	Associate Professor (T)
Duarte, Georgianna	Transfer	Professor (T)
Esquierdo, Jennifer	Transfer	Associate Professor (T)
Estrada, Veronica	Transfer	Professor (T)
Farruggio, Peter	Transfer	Associate Professor (T)
Fielding, Cheryl	Transfer	Professor (T)
Freeberg, Diamantina	Transfer	Professor (T)
Garcia, Criselda	Transfer	Associate Professor (T)
Gawenda, Peter	Transfer	Professor (T)
Guajardo, Francisco	Transfer	Professor (T)
Guerrero, Michael	Transfer	Professor (T)
Hernandez, Rosalinda	Transfer	Associate Professor (T)
Jones, Irma	Transfer	Professor (T)
Kranz, Peter	Transfer	Professor (T)
Lowdermilk, John	Transfer	Associate Professor (T)
Lowe, Jerry	Transfer	Professor (T)
Medrano, Hilda	Transfer	Professor (T)
Menchaca-Ochoa, Velma	Transfer	Professor (T)
Mercuri, Sandra	Transfer	Associate Professor (T)
Mills, Shirley	Transfer	Associate Professor (T)
Morgan, Bobbette	Transfer	Professor (T)
Neumann, Jacob	Transfer	Associate Professor (T)
Ostorga, Alcione	Transfer	Associate Professor (T)
Pan, Cheng-Chang	Transfer	Associate Professor (T)
Pena, Carmen	Transfer	Associate Professor (T)
Ramirez, Reynaldo	Transfer	Associate Professor (T)
Reyes, Maria	Transfer	Professor (T)

College of Education and P-16 Integration (cont.)		
Rodriguez, Alma	Transfer	Associate Professor (T)
Saenz, Laura	Transfer	Associate Professor (T)
Sale, Robert	Transfer	Professor (T)
Schall, Janine	Transfer	Associate Professor (T)
Shen, Yih-Jiun	Transfer	Associate Professor (T)
Shirvani, Hossein	Transfer	Associate Professor (T)
Silva, Hilda	Transfer	Associate Professor (T)
Simonsson, Marie	Transfer	Associate Professor (T)
Sparrow, Gregory	Transfer	Associate Professor (T)
Telese, James	Transfer	Professor (T)
Tevis, Martha	Transfer	Professor (T)
Valdes-Corbeil, Maria	Transfer	Associate Professor (T)
Viren, Vejoya	Transfer	Associate Professor (T)
Watt, Karen	Transfer	Professor (T)
Whitacre, Michael	Transfer	Associate Professor (T)
Wimberly, Cynthia	Transfer	Associate Professor (T)
Yznaga, Selma	Transfer	Associate Professor (T)
College of Engineering and Computer Science		
Abraham, John	Transfer	Professor (T)
Ben Ghalia, Mounir	Transfer	Professor (T)
Bose, Subhash	Transfer	Professor (T)
Brazier, Pearl	Transfer	Professor (T)
Butler, Alley	Transfer	Professor (T)
Caruntu, Dumitru	Transfer	Associate Professor (T)
Chen, Zhixiang	Transfer	Professor (T)
Chu, Mark	Transfer	Associate Professor (T)
Crown, Stephen	Transfer	Professor (T)
Edinbarough, Immanuel	Transfer	Professor (T)
Foltz, Heinrich	Transfer	Professor (T)
Fowler, Richard	Transfer	Professor (T)
Freeman, Robert	Transfer	Professor (T)
Fu, Bin	Transfer	Professor (T)
Fuentes, Arturo	Transfer	Professor (T)
Gonzalez, Miguel	Transfer	Professor (T)
Huq, Hasina	Transfer	Associate Professor (T)
Iglesias-Leon, Juan	Transfer	Professor (T)
Islam, Nazmul	Transfer	Associate Professor (T)
Jones, Robert	Transfer	Professor (T)
Khan, Fitratullah	Transfer	Professor (T)
Kuang, Weidong	Transfer	Associate Professor (T)
Kumar, Sanjay	Transfer	Associate Professor (T)
Kumar, Sanjeev	Transfer	Professor (T)
Kypuros, Javier	Transfer	Professor (T)
Lawrence-Fowler, Wendy	Transfer	Professor (T)
Lee, Kye-Hwan	Transfer	Associate Professor (T)

College of Engineering and Computer Science (cont.)

Lei, Hansheng	Transfer	Associate Professor (T)
Li, Jianzhi	Transfer	Associate Professor (T)
Lozano, Andres	Transfer	Associate Professor (T)
Lozano, Karen	Transfer	Professor (T)
Makhlouf, AbdelSalam	Transfer	Professor (T)
Mihut, Dorina	Transfer	Associate Professor (T)
Nambiar, Rajiv	Transfer	Associate Professor (T)
Peng, Jun	Transfer	Associate Professor (T)
Qubbaj, Ala	Transfer	Professor (T)
Quweider, Mahmoud	Transfer	Professor (T)
Schweller, Robert	Transfer	Associate Professor (T)
Son, Jae	Transfer	Associate Professor (T)
Srivastava, Anil	Transfer	Professor (T)
Timmer, Douglas	Transfer	Professor (T)
Vasquez, Horacio	Transfer	Associate Professor (T)
Zhang, Liyu	Transfer	Associate Professor (T)
Zhou, Yong	Transfer	Associate Professor (T)

College of Fine Arts

Ballatori, Cristina	Transfer	Associate Professor (T)
Bradley, Robert	Transfer	Associate Professor (T)
Braithwaite, Jean	Transfer	Associate Professor (T)
Brownlow, James	Transfer	Professor (T)
Carren, David	Transfer	Associate Professor (T)
Cripps, Cynthia	Transfer	Associate Professor (T)
Dabrowski, Peter	Transfer	Professor (T)
Darsow, Frederick	Transfer	Associate Professor (T)
Davis, Virginia	Transfer	Associate Professor (T)
Davis, Wendell	Transfer	Professor (T)
De Ghize, Susan	Transfer	Associate Professor (T)
Farris, Marcus	Transfer	Associate Professor (T)
Field, Philip	Transfer	Professor (T)
Fitzsimmons, Susan	Transfer	Professor (T)
Gilbert, Robert	Transfer	Associate Professor (T)
Gomez, Carlos	Transfer	Professor (T)
Grabowski, Thomas	Transfer	Associate Professor (T)
Guerra, Dahlia	Transfer	Professor (T)
Guist, Jonathan	Transfer	Associate Professor (T)
Hunter-Holly, Daniel	Transfer	Associate Professor (T)
Hurley-Glowa, Susan	Transfer	Associate Professor (T)
Lyles, Donald	Transfer	Associate Professor (T)
Macias, Elena	Transfer	Associate Professor (T)
Martinez, Kurt	Transfer	Associate Professor (T)
McNabb, Carol	Transfer	Professor (T)
Nevill, Thomas	Transfer	Associate Professor (T)
O'Neil, Lorne	Transfer	Professor (T)
Pace, Lorenzo	Transfer	Professor (T)

College of Fine Arts (cont.)

Pagan, Joel	Transfer	Associate Professor (T)
Perez, Laura	Transfer	Associate Professor (T)
Phillips, Richard	Transfer	Professor (T)
Quantz, Michael	Transfer	Professor (T)
Ramirez, Mark	Transfer	Associate Professor (T)
Roeder, Scott	Transfer	Associate Professor (T)
Santiago, Reynaldo	Transfer	Professor (T)
Saxon, Kenneth	Transfer	Associate Professor (T)
Schneider, Steven	Transfer	Professor (T)
Shackelford, Dana	Transfer	Associate Professor (T)
Sweigart, Donna	Transfer	Associate Professor (T)
Wiley, Eric	Transfer	Professor (T)
Williamson, Eric	Transfer	Professor (T)
Zwerling, Philip	Transfer	Associate Professor (T)

College of Health Affairs

Blankenship, Charlene	Transfer	Associate Professor (T)
Chen, Roy	Transfer	Associate Professor (T)
Conatser, Phillip	Transfer	Associate Professor (T)
Diaz, Maria	Transfer	Associate Professor (T)
Faver, Catherine	Transfer	Professor (T)
Feldman, Janis	Transfer	Associate Professor (T)
Fischer, Jerome	Transfer	Professor (T)
Garrido, Emilio	Transfer	Associate Professor (T)
Glover, Noreen	Transfer	Professor (T)
Hansmann, Sandra	Transfer	Associate Professor (T)
Huerta, Carolina	Transfer	Professor (T)
Isokawa, Masako	Transfer	Professor (T)
Jorgensen, Layne	Transfer	Professor (T)
Karabulut, Murat	Transfer	Associate Professor (T)
Kazansky, Alexander	Transfer	Associate Professor (T)
Ledingham, Christopher	Transfer	Associate Professor (T)
Lehker, Michael	Transfer	Professor (T)
Marini, Irmo	Transfer	Professor (T)
Mata, Zelma	Transfer	Associate Professor (T)
Mata-Pistokache, Theresa	Transfer	Associate Professor (T)
Miller, Ava	Transfer	Professor (T)
Miller, Eva	Transfer	Professor (T)
Nair, Saraswathy	Transfer	Associate Professor (T)
Nieto, Beatriz	Transfer	Associate Professor (T)
Oh, Jung-IL	Transfer	Associate Professor (T)
Otto, Debra	Transfer	Associate Professor (T)
Pasupuleti, Sudershan	Transfer	Professor (T)
Ramirez, Noe	Transfer	Associate Professor (T)
Reed, Bruce	Transfer	Professor (T)
Ronnau, John	Transfer	Professor (T)
Saladin, Shawn	Transfer	Associate Professor (T)
Sanchez, M	Transfer	Professor (T)

College of Health Affairs (cont.)

Schwarzbach, Andrea	Transfer	Associate Professor (T)
Scoggin, Angela	Transfer	Professor (T)
Tamez, Eloisa	Transfer	Professor (T)
Tijerina, Sandra	Transfer	Associate Professor (T)
Wang, Bailey	Transfer	Professor (T)
Wang, Lin	Transfer	Associate Professor (T)
Wells, Shirley	Transfer	Associate Professor (T)
Zarei, Masoud	Transfer	Associate Professor (T)

College of Liberal Arts

Agbese, Aje-Ori	Transfer	Associate Professor (T)
Alianak, Sonia	Transfer	Associate Professor (T)
Anderson-Mejias, Pamela	Transfer	Professor (T)
Appiahene-Gyamfi, Joseph	Transfer	Professor (T)
Ardalani, Elvia	Transfer	Associate Professor (T)
Balci, Tamer	Transfer	Associate Professor (T)
Barrow, Clyde	Transfer	Professor (T)
Belau, Linda	Transfer	Professor (T)
Benham, Grant	Transfer	Professor (T)
Birk, Megan	Transfer	Associate Professor (T)
Britten, Thomas	Transfer	Associate Professor (T)
Brown, Ben	Transfer	Professor (T)
Brown, Danika	Transfer	Associate Professor (T)
Brown, Peter	Transfer	Associate Professor (T)
Broz, William	Transfer	Associate Professor (T)
Cameron, Ed	Transfer	Associate Professor (T)
Campney, Brent	Transfer	Associate Professor (T)
Chang, Yanrong	Transfer	Associate Professor (T)
Charlton, Colin	Transfer	Associate Professor (T)
Charlton, Jonikka	Transfer	Associate Professor (T)
Chen, Xi	Transfer	Associate Professor (T)
Christensen, Matthew	Transfer	Associate Professor (T)
Cole, Deborah	Transfer	Associate Professor (T)
Cook, John	Transfer	Associate Professor (T)
Correa-Cabrera, Guadalupe	Transfer	Associate Professor (T)
Cortina, Maria	Transfer	Associate Professor (T)
Croyle, Kristin	Transfer	Professor (T)
Cummins, Amy	Transfer	Associate Professor (T)
Daniel, Clay	Transfer	Associate Professor (T)
Dantzker, Mark	Transfer	Professor (T)
Davila, Mario	Transfer	Associate Professor (T)
Davila-Montes, Jose	Transfer	Associate Professor (T)
del Rio, Eduardo	Transfer	Associate Professor (T)
Diaz, Walter	Transfer	Professor (T)
DiazBarriga, Miguel	Transfer	Professor (T)
Dominguez, Diana	Transfer	Associate Professor (T)
Donner, William	Transfer	Associate Professor (T)
Dooley, Sheila	Transfer	Associate Professor (T)

College of Liberal Arts (cont.)

Dorsey, Margaret	Transfer	Associate Professor (T)
Eisenman, Russell	Transfer	Associate Professor (T)
English, Linda	Transfer	Associate Professor (T)
Eom, Minhee	Transfer	Associate Professor (T)
Ernst, Frederick	Transfer	Professor (T)
Falk, Louis	Transfer	Professor (T)
Faubion, Michael	Transfer	Associate Professor (T)
Fisher, David	Transfer	Associate Professor (T)
Frost, James	Transfer	Associate Professor (T)
Garcia, Juliet	Transfer	Professor (T)
Garrett, Terence	Transfer	Professor (T)
Gasquoine, Philip	Transfer	Professor (T)
Gilson, Gregory	Transfer	Associate Professor (T)
Gonzalez, Genaro	Transfer	Professor (T)
Graham, Margaret	Transfer	Associate Professor (T)
Guerra, Ramon	Transfer	Associate Professor (T)
Hamilton, Lee	Transfer	Associate Professor (T)
Hartley, Deborah	Transfer	Associate Professor (T)
Hay, Amy	Transfer	Associate Professor (T)
Hernandez, Jose	Transfer	Associate Professor (T)
Hinojosa, Servando	Transfer	Associate Professor (T)
Hirai, Michiyo	Transfer	Associate Professor (T)
Horowitz, Mark	Transfer	Associate Professor (T)
Hovey, Joseph	Transfer	Professor (T)
Hovey, Laura	Transfer	Associate Professor (T)
Johnson, Robert	Transfer	Professor (T)
Jones, Cynthia	Transfer	Associate Professor (T)
Joseph, Harriett	Transfer	Professor (T)
Jou, Jerwen	Transfer	Professor (T)
Keller, Christopher	Transfer	Associate Professor (T)
Knight, Thomas	Transfer	Associate Professor (T)
LaLonde-Romano, Suzanne	Transfer	Associate Professor (T)
Lang, Yong	Transfer	Professor (T)
Laprade, Douglas	Transfer	Professor (T)
Lavariega-Monforti, Jessica	Transfer	Associate Professor (T)
Leach, Stephen	Transfer	Associate Professor (T)
Lemanski, Jennifer	Transfer	Associate Professor (T)
Levinson, Irving	Transfer	Associate Professor (T)
Lopez-Garcia, Dania	Transfer	Associate Professor (T)
Lynch, Cynthia	Transfer	Associate Professor (T)
Martin, Luz	Transfer	Associate Professor (T)
Martinez, Javier	Transfer	Associate Professor (T)
Martinez, Jose	Transfer	Professor (T)
McMahon, Marci	Transfer	Associate Professor (T)
Mcquillen, Jeffrey	Transfer	Associate Professor (T)
Mejias, Hugo	Transfer	Professor (T)
Miles, Caroline	Transfer	Associate Professor (T)
Miller, Christopher	Transfer	Professor (T)

College of Liberal Arts (cont.)

Mitchell, Rebecca	Transfer	Associate Professor (T)
Newman, Beatrice	Transfer	Professor (T)
Newman, John	Transfer	Associate Professor (T)
Noe, Joe	Transfer	Associate Professor (T)
Noor, Ronny	Transfer	Professor (T)
Pearson, Thomas	Transfer	Associate Professor (T)
Polinard, Jerry	Transfer	Professor (T)
Rathbun, Lyon	Transfer	Associate Professor (T)
Reed, Michael	Transfer	Professor (T)
Rehman, Sharaf	Transfer	Professor (T)
Resendiz, Rosalva	Transfer	Associate Professor (T)
Rodriguez, Havidan	Transfer	Professor (T)
Ryabov, Igor	Transfer	Associate Professor (T)
Saavedra, Dora	Transfer	Associate Professor (T)
Saka, Paul	Transfer	Associate Professor (T)
Samponaro, Philip	Transfer	Associate Professor (T)
Schneider, Gary	Transfer	Associate Professor (T)
Selber, Gregory	Transfer	Associate Professor (T)
Selber, Kimberly	Transfer	Associate Professor (T)
Skowronek, Russell	Transfer	Professor (T)
Stephenson, Mimosa	Transfer	Professor (T)
Strong, William	Transfer	Professor (T)
Thomson, Shawn	Transfer	Associate Professor (T)
Vega-Sampayo, Elena	Transfer	Associate Professor (T)
Vincentnathan, Lynn	Transfer	Professor (T)
Waite, Charles	Transfer	Associate Professor (T)
Wasike, Ben	Transfer	Associate Professor (T)
Weaver, Michael	Transfer	Associate Professor (T)
Wei, Yong-Kang	Transfer	Associate Professor (T)
Weimer, Amy	Transfer	Associate Professor (T)
Wenzel, James	Transfer	Associate Professor (T)
White, Thomas	Transfer	Associate Professor (T)
Wilson, Steve	Transfer	Associate Professor (T)
Wimberly, Cory	Transfer	Associate Professor (T)
Winkel, Mark	Transfer	Associate Professor (T)
Wirts, Kristine	Transfer	Associate Professor (T)
Yaworsky, William	Transfer	Associate Professor (T)
Zemrani, Aziza	Transfer	Associate Professor (T)

College of Sciences

Balogh, Andras	Transfer	Professor (T)
Benacquista, Matthew	Transfer	Professor (T)
Benavides, Jude	Transfer	Associate Professor (T)
Bernard, John	Transfer	Professor (T)
Bhat, Narayan	Transfer	Professor (T)
Bhatta, Dambaru	Transfer	Professor (T)
Bhatti, Muhammad	Transfer	Professor (T)
Bouniaev, Mikhail	Transfer	Professor (T)

College of Sciences (cont.)

Bracken, Paul	Transfer	Professor (T)
Brush, Timothy	Transfer	Professor (T)
Chakraborty, Santanu	Transfer	Associate Professor (T)
Chipara, Dorina	Transfer	Associate Professor (T)
Chipara, Mircea	Transfer	Associate Professor (T)
Cintra-Buenrostro, Carlos	Transfer	Associate Professor (T)
Contreras, Rogelio	Transfer	Associate Professor (T)
Corpuz, Edgar	Transfer	Associate Professor (T)
Creighton, Teviet	Transfer	Associate Professor (T)
Debnath, Lokenath	Transfer	Professor (T)
Deyoe, Hudson	Transfer	Professor (T)
Diaz, Mario	Transfer	Professor (T)
Dimakis, Nicholas	Transfer	Associate Professor (T)
Dukes, Phillip	Transfer	Associate Professor (T)
Ebaseh-Onofa, Benjamin	Transfer	Associate Professor (T)
Edwards, Robert	Transfer	Professor (T)
Farooqui, Mohammed	Transfer	Professor (T)
Faulkes, Zen	Transfer	Associate Professor (T)
Feng, Baofeng	Transfer	Professor (T)
Feria Arroyo, Teresa	Transfer	Associate Professor (T)
Galstyan, Anahit	Transfer	Associate Professor (T)
Gkioulekas, Eleftherios	Transfer	Associate Professor (T)
Guevara, Natalia	Transfer	Associate Professor (T)
Gunn, Scott	Transfer	Professor (T)
Gutierrez-Gonzales, Jose	Transfer	Associate Professor (T)
Hanke, Andreas	Transfer	Associate Professor (T)
Heise, Elizabeth	Transfer	Associate Professor (T)
Heller, William	Transfer	Associate Professor (T)
Hicks, David	Transfer	Associate Professor (T)
Ibrahim, Elamin	Transfer	Professor (T)
Jenet, Fredrick	Transfer	Associate Professor (T)
Knobel, Roger	Transfer	Associate Professor (T)
Kuang, Anxiu	Transfer	Professor (T)
Lin, Wei	Transfer	Associate Professor (T)
Lowe, Kristine	Transfer	Associate Professor (T)
Macossay-Torres, Javier	Transfer	Associate Professor (T)
Mar, Arnulfo	Transfer	Associate Professor (T)
Martirosyan, Karen	Transfer	Associate Professor (T)
Materon, Luis	Transfer	Professor (T)
Mazariegos Alfaro, Ruben	Transfer	Associate Professor (T)
McDonald, John	Transfer	Associate Professor (T)
Mogilski, Jerzy	Transfer	Associate Professor (T)
Mohanty, Soumya	Transfer	Associate Professor (T)
Moore, Henry	Transfer	Associate Professor (T)
Mukherjee, Soma	Transfer	Associate Professor (T)
Musin, Oleg	Transfer	Professor (T)
Persans, Michael	Transfer	Associate Professor (T)
Pierce, Virgil	Transfer	Associate Professor (T)

College of Sciences (cont.)

Poletaeva, Elena	Transfer	Associate Professor (T)
Provenzano, Daniele	Transfer	Associate Professor (T)
Qiao, Zhijun	Transfer	Professor (T)
Rahman, Abdullah	Transfer	Professor (T)
Rakhmanov, Malik	Transfer	Associate Professor (T)
Ramirez, Olga	Transfer	Professor (T)
Rampersad-Ammons, Joanne	Transfer	Associate Professor (T)
Riahi, Daniel	Transfer	Professor (T)
Romano, Joseph	Transfer	Professor (T)
Roy, Ranadhir	Transfer	Associate Professor (T)
Roychowdhury, Mrinal	Transfer	Associate Professor (T)
Smith, Kenneth	Transfer	Associate Professor (T)
Summy, Kenneth	Transfer	Professor (T)
Taylor, Christopher	Transfer	Professor (T)
Taylor, Monty	Transfer	Professor (T)
Terry, Matthew	Transfer	Associate Professor (T)
Tidrow, Steven	Transfer	Associate Professor (T)
Trad, Tarek	Transfer	Associate Professor (T)
Trant, John	Transfer	Professor (T)
Tsay, Jenq-Jong	Transfer	Associate Professor (T)
Vatchev, Vesselin	Transfer	Associate Professor (T)
Villalobos, Cristina	Transfer	Professor (T)
Vitek, Christopher	Transfer	Associate Professor (T)
Wang, Xiaohui	Transfer	Associate Professor (T)
Yagdjian, Karen	Transfer	Professor (T)
Yanev, George	Transfer	Associate Professor (T)
Yi, Taeil	Transfer	Associate Professor (T)
Yoon, Jasang	Transfer	Associate Professor (T)
Zaidan, Frederic	Transfer	Associate Professor (T)
Zeng, Liang	Transfer	Associate Professor (T)
Zieschang, Paul-Hermann	Transfer	Professor (T)

32. Foreign Contract (funds going out) **- U. T. San Antonio**: University College London to provide residential space for U. T. San Antonio's College of Liberal and Fine Arts London Study Abroad Program

Agency:	University College London (UCL)
Funds:	Fiscal Year 2015 agreement costs are expected to be £11,970 GBP (approximately $18,715 USD), based on payment to UCL for residential rooms at a cost of £38 GBP (approximately $59 USD) per night for a total of 315 room nights. Future annual costs are expected to be similar.
Source of Funds:	Designated Tuition and Fees
Period:	July 18, 2015 through August 8, 2015; Agreement recurs annually for up to 10 years
Description:	Residential space lease agreement for U. T. San Antonio's College of Liberal and Fine Arts London Study Abroad Program

33. Request for Budget Change **- U. T. San Antonio**: Approval of Emeritus Title of Dorothy Flannagan from Dean of the Graduate School and Professor to Professor and Dean Emeritus, Department of Psychology in the College of Liberal and Fine Arts (RBC No. 6666) -- amendment to the 2014-2015 budget

34. Request for Budget Change **- U. T. Tyler**: Transfer $500,000 from VPBA-Designated Tuition account to College Pharmacy Building account to fund information technology and security upgrade (RBC No. 6490) -- amendment to the 2014-2015 budget

35. Request for Budget Change **- U. T. Tyler**: Transfer $890,863 from Designated Tuition account for furniture purchases and expenses associated with the addition of the College of Pharmacy to Blackboard Inc., which enables students, faculty, and staff to interact in an online classroom environment to the College Pharmacy Building account (RBC No. 6556) -- amendment to the 2014-2015 budget

HEALTH INSTITUTIONS

36. Contract (funds coming in) **- U. T. Southwestern Medical Center**: Professional services agreement between Children's Medical Center of Dallas and Pedi-Ortho Health Corporation, a Texas nonprofit corporation affiliated with Texas Scottish Rite Hospital for Children

Agency:	Children's Medical Center of Dallas and Pedi-Ortho Health Corporation
Funds:	$3,400,000
Period:	September 1, 2014 through August 31, 2016
Description:	U. T. Southwestern Medical Center will provide the services of pediatric orthopedic physicians and assign them to work at Children's Medical Center of Dallas.

37. Contract (funds coming in) **- U. T. Southwestern Medical Center**: To provide clinical laboratory services for patients at Dallas County Hospital District

Agency:	Dallas County Hospital District
Funds:	$3,000,000
Period:	January 1, 2015 through December 31, 2015
Description:	U. T. Southwestern Medical Center will provide clinical laboratory services for patients at Dallas County Hospital District.

38. Contract (funds coming in) **- U. T. Southwestern Medical Center**: To provide administrative oversight and direct clinical research activities in the Altshuler Center for Education and Research at Dallas Metrocare Services

Agency:	Dallas Metrocare Services
Funds:	$4,016,503
Period:	March 1, 2015 through February 28, 2019
Description:	U. T. Southwestern Medical Center will provide administrative oversight and direct clinical research activities in the Altshuler Center for Education and Research at Dallas Metrocare Services.

39. Contract (funds going out) - **U. T. Southwestern Medical Center**: Baylor College of Medicine Center for Collaborative and Interactive Technologies will provide design and development of online continuing medical education products

Agency:	Baylor College of Medicine Center for Collaborative and Interactive Technologies
Funds:	$1,358,445
Source of Funds:	Restricted (Restricted Expandable) Funds - Federal, State, Local and Private Contracts and Grants
Period:	June 1, 2014 through June 30, 2017
Description:	Baylor College of Medicine Center for Collaborative and Interactive Technologies will provide design and development of online continuing medical education products.

40. Interagency Agreement - **U. T. Southwestern Medical Center**: Interagency agreement with the Texas Health and Human Services Commission for participation in Health and Human Services Commission's Network Access Improvement Program

Agency:	Texas Health and Human Services Commission
Funds:	Intergovernmental transfer from U. T. Southwestern Medical Center to the Texas Health and Human Services Commission of up to $9,955,440 and project payments to U. T. Southwestern Medical Center up to $20,000,000
Period:	On the latest date a party signs and continues until completion of the final reconciliation, no later than August 31, 2017
Description:	Interagency agreement is for participation in Health and Human Services Commission's Network Access Improvement Program that includes federal matching funds. This program is focused on serving Managed Medicaid patients. Upon meeting certain project metrics, U. T. Southwestern Medical Center will receive project payments.

41. Purchase Order - **U. T. Southwestern Medical Center**: Purchase from FEI Company of a customized scios cryostage laboratory instrument used for the characterization and analysis of specimens

Agency:	FEI Company
Funds:	$1,100,000
Source of Funds:	Restricted Funds - Gifts and Federal, State, Local and Private Contracts and Grants
Description:	FEI Company will provide a customized scios cryostage laboratory instrument used for the characterization and analysis of specimens, which will be further used with a companion titan halo filed emission gun scanning transmission electron microscope.

42. Purchase Order - **U. T. Southwestern Medical Center**: Purchase from FEI Company of a customized titan halo filed emission gun scanning transmission electron microscope

Agency:	FEI Company
Funds:	$3,430,000
Source of Funds:	Restricted Funds - Gifts and Federal, State, Local and Private Contracts and Grants
Description:	FEI Company will provide a customized titan halo filed emission gun scanning transmission electron microscope.

43. Request for Budget Change - **U. T. Southwestern Medical Center**: New Hires with Tenure -- amendment to the 2014-2015 budget

The following personnel actions involving new hires with tenure appointments have been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel actions have been included in the 2015 Annual Operating Budget and are consistent with the Regents' *Rules and Regulations*, Rule 31007.

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
Southwestern Medical School					
Emergency Medicine					
Professor					
Deborah Diercks (T)	9/1-8/31	100	12	380,000	6452
Southwestern Medical School					
Neurology and Neurotherapeutics					
Professor					
Marc Diamond (T)	10/1-8/31	100	12	350,000	6416
Southwestern Medical School					
Physical Medicine & Rehabilitation					
Professor					
Kathleen Bell (T)	9/25-8/31	100	12	310,000	6363

44. Request for Budget Change - **U. T. Southwestern Medical Center**: Approval of Emeritus Title of Peter Roland from Professor to Professor Emeritus, Department of Otolaryngology in the Medical School (RBC No. 6644) -- amendment to the 2014-2015 budget

45. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: To provide health care services to eligible women, infants, and children to Department of State Health Services

Agency:	Department of State Health Services, State of Texas
Funds	$7,610,624
Period:	October 1, 2014 through September 30, 2015
Description:	U. T. Medical Branch - Galveston to provide supplemental food benefits, nutrition education, and counseling to enhance good health care at no cost to low-income pregnant and postpartum women, infants, and children identified to be at nutritional risk.

46. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: To provide anesthesiology, pediatric intensive care, and pediatric hospitalist services to Driscoll Children's Hospital

Agency:	Driscoll Children's Hospital
Funds:	$63,836,587 for initial term
Period:	September 1, 2014 through August 31, 2019, with unlimited optional one-year renewals
Description:	U. T. Medical Branch - Galveston will provide anesthesiology, pediatric intensive care, and pediatric hospitalist services for pediatric patients treated at Driscoll Children's Hospital. Services include informatics, administrative, and medical director services.

47. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: To provide radiation oncology services to SJ Medical Center, LLC dba St. Joseph Medical Center

Agency:	SJ Medical Center, LLC dba St. Joseph Medical Center (SJMC)
Funds:	$2,027,700
Period:	March 1, 2015 through February 28, 2018
Description:	U. T. Medical Branch - Galveston will provide radiation oncology services for patients treated at St. Joseph Medical Center's main campus located at 1401 St. Joseph Parkway, Houston, Texas. Services include administrative support, medical director services, and clinical staffing such as nursing, radiation therapists, dosimetry, physics, and medical billing support.

48. Contract (funds going out) - **U. T. Medical Branch - Galveston**: Aztec Facility Services, Inc. to perform custodial cleaning and maintenance environmental services for nonclinical space on campus

Agency:	Aztec Facility Services, Inc.
Funds:	Not to exceed a total of $31,000,000 (capped at $12,000,000 for initial four-year term, $9,000,000 for first three-year extension term, and $10,000,000 for second three-year extension term)

Source of Funds:	Combination of Federal, State, and Patient Income funds
Period:	Initial Term: February 8, 2013 through August 31, 2017 First Extension Term: September 1, 2017 through August 31, 2020 Second Extension Term: September 1, 2020 through August 31, 2023
Description:	This contract amends the original contract under which Aztec performs custodial cleaning and maintenance services for U. T. Medical Branch - Galveston facilities. The services were competitively procured and originally covered primarily clinical space, making the original contract exempt from Board approval under Regents' *Rules and Regulations*, Rule 10501, Section 2.2.15. The contract is now being amended to cover nonclinical space, making this contract subject to Board approval.

49. Contract (funds going out) - **U. T. Medical Branch - Galveston**: Texas Gulf Refrigeration, Inc. to provide equipment and related services on as-needed basis

Agency:	Texas Gulf Refrigeration, Inc., a Texas corporation
Funds:	Not to exceed $2,000,000, including optional renewals
Source of Funds:	Education and General; Hospital Patient Income
Period:	September 1, 2014 through August 31, 2016, with option to renew for two additional one-year periods
Description:	Texas Gulf Refrigeration, Inc. will provide heating, ventilation, and air conditioning systems equipment; other equipment, including generators, fuel tanks, I-line panels, and accessory items; and related services including delivery, installation, and maintenance on as-needed basis for emergency and normal operating conditions.

50. Contract (funds going out) - **U. T. Medical Branch - Galveston**: Seton Family of Hospitals to provide clinical education experiences for medical students

Agency:	Seton Family of Hospitals f/k/a Seton Healthcare and its affiliate Seton/UT Southwestern University Physicians Group f/k/a CTMF, Inc. (Seton)
Funds:	Approximately $12,000,000 for the initial term and extension
Source of Funds:	Designated Tuition
Period:	The original agreement was effective September 1, 2010, and amended August 1, 2011. This amendment extends the agreement to August 31, 2017.
Description:	Seton to provide clinical education, training, faculty, and facilities for selected third- and fourth-year medical students in exchange for financial support provided by U. T. Medical Branch - Galveston.

51. Contract (funds going out) - **U. T. Medical Branch - Galveston**: General Electric Company, GE Healthcare Division, to provide a program for equipment maintenance and repair services of diagnostic imaging equipment

Agency:	General Electric Company, GE Healthcare Division
Funds:	Estimated $18,373,373, from July 1, 2007 through December 31, 2019
Source of Funds:	Primary: Education and General, Hospital Patient Income Secondary: Designated Funds, Correctional Managed Care
Period:	The original agreement was executed July 1, 2007, with a three-year term. The agreement has been amended twice, extending the term through July 31, 2018, and adding additional equipment as warranties expired. The third amendment will extend the termination of the agreement until December 31, 2019.

Description: U. T. Medical Branch - Galveston secures diagnostic imaging equipment through a competitive process, resulting in the acquisition of substantial GE equipment. In 2007, General Electric Company, GE Healthcare Division was selected to provide U. T. Medical Branch - Galveston equipment maintenance and repair services for the GE diagnostic imaging equipment because of the expertise GE brings to servicing and maintaining this highly technical equipment used in patient care.

U. T. Medical Branch - Galveston believed that the servicing contract qualified from exemption from Board review under Regents' *Rules and Regulations*, Rule 10501, Section 2.2.5, regarding Routine Supplies. This was an error U. T. Medical Branch - Galveston recently recognized, resulting in the submission of the third amendment for Board approval. The annual servicing costs under the agreement have averaged approximately $2 million per year. The third amendment will extend the contract for an additional year and four months in exchange for GE providing $484,000 in upgrades to existing equipment, prolonging the useful life and eliminating the need for acquisition of replacement equipment. Total contract cost from inception through the end of 2019 is estimated to be $18,373,373.

52. Request for Budget Change - **U. T. Medical Branch - Galveston**: New Hire with Tenure -- amendment to the 2014-2015 budget

The following personnel action involving new hire with tenure appointment has been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel action has been included in the 2015 Annual Operating Budget and is consistent with the Regents' *Rules and Regulations*, Rule 31007.

			Full-time Salary		
Description	Effective Date	% Time	No. Mos.	Rate $	RBC #
Academic Enterprise					
Surgery					
Professor and Chair					
Douglas Tyler (T)	10/1-8/31	100	12	600,000	6305

53. Lease - **U. T. Medical Branch - Galveston**: Authorization to extend the lease of space at 2785 Gulf Freeway South, League City, Galveston County, Texas, from Inland American League City Bay Colony Limited Partnership, for use as a medical clinic

Description:	Extension of the lease of approximately 6,262 square feet of space in a building located at 2785 Gulf Freeway South, League City, Galveston County, Texas. The value of the initial term of the lease, which commenced on December 27, 2009, did not exceed $1 million. Board of Regents' approval was not required at that time; however, the combined value of the current extension term and the initial term exceeds $1 million and Board of Regents' approval is now required. The lease extension agreement contains a provision stating that the agreement is valid up to the combined initial term and extension term cumulative consideration amount of $1 million.
Lessor:	Inland American League City Bay Colony Limited Partnership, an Illinois limited partnership
Term:	The initial contract term was from December 27, 2009 to December 31, 2014. This extension term will be from January 1, 2015 through December 31, 2019.
Lease Cost:	Approximately $855,272 in base rent plus estimated operating expenses over the extension term. Total base rent paid by U. T. Medical Branch - Galveston during the initial term was $782,750, plus operating expenses. The current operating expense estimate is approximately $20,164 per year.
Source of Funds:	Patient Revenue

54. Contract (funds coming in) - **U. T. Health Science Center - Houston**: To provide resources to aid in the diagnosis of child abuse and neglect for the Texas Department of Family and Protective Services

Agency:	Texas Department of Family and Protective Services
Funds:	$2,500,816
Period:	September 1, 2014 through August 31, 2015
Description:	Interagency contract to create resources that will improve access to medical professionals with expertise in the diagnosis of child abuse or neglect for the Texas Department of Family and Protective Services.

55. Contract (funds going out) - **U. T. Health Science Center - Houston**: Gubener Plastinate GmbH from Heidelberg, Germany, to provide plastination services for medical specimens

Agency:	Gubener Plastinate GmbH
Funds:	$1,261,000
Period:	November 1, 2014 through May 31, 2016
Source of Funds:	Designated Funds – Sales and Services of Educational Activities such as continuing education and performing arts
Description:	Upon request, Gubener Plastinate will provide plastination services for medical specimens. The vendor was selected from two bidders: Gubener Plastinate GmbH from Heidelberg, Germany, and Corcoran Laboratories, Inc. from Traverse City, Michigan, following a competitive bid process.

56. Foreign Contract - **U. T. Health Science Center - Houston**: To provide the opportunity for students from South University of Science and Technology of China to earn a Master of Health Informatics degree from U. T. Health Science Center - Houston

Agency:	South University of Science and Technology of China (SUSTC)
Funds:	No funds will be exchanged under the agreement. Qualified SUSTC students who participate in the program will enroll and pay tuition at U. T. Health Science Center - Houston.
Period:	Term of five years
Description:	Program agreement between U. T. Health Science Center - Houston and SUSTC to provide the opportunity for qualified SUSTC students to earn a Bachelor of Science degree from SUSTC and a Master of Health Informatics degree from U. T. Health Science Center - Houston over the course of five years of study. All enrolled students will come to U. T. Health Science Center - Houston for at least a portion of the program, with the possibility of some online courses.

57. Request for Budget Change - **U. T. Health Science Center - Houston**: New Hire with Tenure -- amendment to the 2014-2015 budget

The following personnel action involving new hire with tenure appointment has been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel action has been included in the 2015 Annual Operating Budget and is consistent with the Regents' *Rules and Regulations*, Rule 31007.

			Full-time Salary		
Description	Effective Date	% Time	No. Mos.	Rate $	RBC #
Medical School					
Integrative Biology and Pharmacology					
Professor					
Xiaodong Cheng (T)	1/1-8/31	100	12	180,000	6638

58. Request for Budget Change - **U. T. Health Science Center - Houston**: Approval of Emeritus Titles

Pauline J. Duke from Clinical Professor to Professor Emeritus, Orthodontics in the School of Dentistry (RBC No. 6478) -- amendment to the 2014-2015 budget

Ralph F. Frankowski from Professor to Professor Emeritus, Biostatistics in the School of Public Health (RBC No. 6560) -- amendment to the 2014-2015 budget

Robert J. Hardy from Professor to Professor Emeritus, Biostatistics in the School of Public Health (RBC No. 6561) -- amendment to the 2014-2015 budget

59. Other Matters - **U. T. Health Science Center - Houston**: Appointment of members of the Board of Directors of The University of Texas System Medical Foundation, Inc.

In accordance with the Articles of Incorporation, approval by the U. T. System Board of Regents is recommended for the following individuals from U. T. Health Science Center - Houston to the Board of Directors of The University of Texas System Medical Foundation, Inc.

Appointment Commencing January 1, 2015

Name and Title	Term Expires
Patricia M. Butler, M.D., Vice Dean for Educational Programs	December 31, 2015
Keely G. Smith, M.D., Assistant Professor, Pediatrics - Clinical	December 31, 2015
Omotola Hope, M.D., Assistant Professor, Neurology - Clinical	December 31, 2015

The University of Texas System Medical Foundation, Inc. is a nonprofit corporation organized strictly for educational and scientific purposes. The Foundation functions within the framework of U. T. Health Science Center - Houston for the purpose of training graduate medical students, referred to as house staff or residents. As part of the training, house staff are contracted with and paid a stipend plus fringe benefits for services by local hospitals participating in the Affiliated Hospitals Residency Training Program.

The Bylaws and Articles of Incorporation of The University of Texas System Medical Foundation, Inc. provide that directors succeeding the initial directors shall be appointed by the U. T. System Board of Regents for terms of one year and provide that each director shall hold office until a successor has been appointed and qualified. Recommendations for appointment are as follows: Dr. Butler, President; Dr. Smith, Vice President; and Dr. Hope, Secretary/Treasurer.

60. Contract (funds coming in) **- U. T. Health Science Center - San Antonio**: To sell contractual and intellectual property assets relating to tissue recovery services to GenCure, a Texas nonprofit entity

Agency:	GenCure
Funds:	$1,900,000 minimum. The first payment of $280,000 is due within thirty days of closing, and quarterly installments of $70,000 will be paid over a period of seven years.
Period:	February 13, 2015 through February 28, 2022
Description:	U. T. Health Science Center - San Antonio will sell to GenCure, by means of an Asset Purchase Agreement, tissue recovery contracts with 30 hospitals and four trademarks belonging to "Allograft Resources," a department of the U. T. Health Science Center - San Antonio Transplant Center, at a minimum purchase price of $1.9 million.

61. Request for Budget Change **- U. T. Health Science Center - San Antonio**: Tenure Appointment -- amendment to the 2014-2015 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
School of Medicine					
Greehey Children's Cancer Research Institute					
Director and Professor					
Peter James Houghton (T)	12/1-8/31	100	12	500,000	6568

62. Request for Budget Change **- U. T. Health Science Center - San Antonio**: Approval of Emeritus Titles

Helen Hazuda from Professor to Professor Emeritus, Medicine in the School of Medicine (RBC No. 6555) -- amendment to the 2014-2015 budget

Rajam Ramamurthy from Clinical Professor to Professor Emeritus, Pediatrics in the School of Medicine (RBC No. 6557) -- amendment to the 2014-2015 budget

Robert Reddick from Professor and Chair to Professor Emeritus, Pathology in the School of Medicine (RBC No. 6558) -- amendment to the 2014-2015 budget

63. Purchase **- U. T. Health Science Center - San Antonio**: Authorization to purchase a tract of unimproved land consisting of approximately 2.05 acres located approximately at the 25700 Block of Old Fredericksburg Road, Boerne, Bexar County, Texas, from Smith Business Park, LLC for development and operation of a medical clinic; and parity debt resolution

Description: Purchase of a tract of unimproved land consisting of approximately 2.05 acres located approximately at the 25700 Block of Old Fredericksburg Road, Boerne, Bexar County, Texas; and authorization for the Executive Director of Real Estate to execute all documents, instruments, and other agreements, and to take all further actions deemed necessary or advisable to purchase the property. The property will be used by the institution for the development and operation of a medical clinic.

Seller:	Smith Business Park, LLC, a Texas limited liability company
Purchase Price:	$2,050,000 not to exceed fair market value as established by independent appraisals, plus all due diligence expenses, closing costs, and expenses to complete the acquisition as deemed necessary by the Executive Director of Real Estate. The appraisals are confidential pursuant to *Texas Education Code* Section 51.951.
Source of Funds:	Revenue Financing System bonds repaid out of clinic revenues. Debt service for the acquisition is estimated to be $150,843 annually. The institution's debt service coverage ratio is expected to be at least 3.1 times through the term of the bonds. The institution therefore requests that the Board resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System the findings that are stated below:

- parity debt shall be issued to fund all or a portion of the purchase price, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the RFS Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;

- U. T. Health Science Center - San Antonio, which is a "Member" as such term is used in the RFS Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of parity debt in an aggregate amount of $2,050,000; and

- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

64. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: J. T. Vaughn Construction, LLC to provide job order contracting services

Agency:	J. T. Vaughn Construction, LLC
Funds:	The cost of each Job Order Project will be established through the development of a Guaranteed Maximum Price (GMP). Total fees under this contract, including all available renewal periods, will not exceed $6,000,000.
Source of Funds:	Hospital patient income
Period:	The initial term of the contract is for 24 months beginning October 1, 2014. The agreement may be renewed for three additional 12-month periods.
Description:	A job order contracting agreement. Vendor will provide general and specific construction services for minor construction, repair rehabilitation, or alteration of U. T. M. D. Anderson Cancer Center's facilities within the greater Houston area. Services were competitively procured.

65. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: PricewaterhouseCoopers, LLC to provide professional services related to auditing information technology system controls

Agency:	PricewaterhouseCoopers, LLC
Funds:	The total cost of services under this agreement, including all renewals, will not exceed $5,000,000.
Source of Funds:	Hospital patient income
Period:	The term of this agreement will be for a period of 36 months, commencing on February 2, 2015, and continuing through February 1, 2018. The agreement includes the option for two 12-month renewals.
Description:	Vendor will provide professional services related to auditing information technology (IT) system controls and assisting U. T. M. D. Anderson Cancer Center's Internal Audit Department with IT systemic audit risk assessment processes to mitigate gaps. Services were competitively procured.

66. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: MasterWord Services, Inc. to provide medical written translation and interpretation services

Agency:	MasterWord Services, Inc.
Funds:	The total cost of services under this agreement, including all renewals, will not exceed $6,000,000.
Source of Funds:	Hospital patient income
Period:	The term of this agreement will be for a period of 36 months, commencing on February 13, 2015, and continuing through February 12, 2018. The agreement includes the option for two 12-month renewals.
Description:	Vendor will provide medical written translation and interpretation services, medical oral translation, and medical American Sign Language interpretation. Vendor will also provide electronic and/or Web-based scheduling assistance in conjunction with these services. Services were competitively procured.

67. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: MediFit Corporate Services, Inc. to provide fitness center management services

Agency:	MediFit Corporate Services, Inc.
Funds:	The total cost of services under this agreement, including all renewals, will not exceed $2,847,149.
Source of Funds:	Hospital patient income
Period:	The term of this agreement will be for a period of 36 months, commencing on May 1, 2015, and continuing through April 30, 2018. The agreement includes the option for two 12-month renewals.
Description:	Vendor will provide management for the operations of the U. T. M. D. Anderson Cancer Center Health and Fitness Center. Services provided will include managing administrative operations, providing instructional personnel for various health and fitness classes, and conducting regular equipment inspection. Services were competitively procured.

68. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: TMP Worldwide Advertising & Communications, LLC to provide recruitment advertising agency services

Agency:	TMP Worldwide Advertising & Communications, LLC
Funds:	This seventh amendment increases the cap amount of the contract from $2,400,000 to $4,000,000.
Source of Funds:	Hospital patient income
Period:	The contract commenced on September 1, 2011, and the current term ends on August 31, 2015. One 12-month renewal option remains.
Description:	Vendor provides recruitment ad agency services to subsidize marketing and strategic advertising functions for the purpose of sourcing, recruiting, hiring, and retaining qualified employees. Services provided by the vendor include development of a recruitment marketing plan; media planning, buying, and integration; creative production; and market trend reporting. The initial agreement was competitively bid.

69. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: CATCH Global Foundation to provide content integration services for child health education programs

Agency:	CATCH Global Foundation
Funds:	The total cost of goods and services under this agreement will not exceed $3,300,000.
Source of Funds:	Restricted Gifts
Period:	The term of this agreement will be for a period of 48 months, commencing on September 1, 2014, and continuing through August 31, 2018.
Description:	In support of the co-branded CATCH health education program, the CATCH Global Foundation will integrate content provided by U. T. M. D. Anderson Cancer Center through curriculum development and content digitization, as well as provide program operations support. U. T. M. D. Anderson Cancer Center will be given recognition as a Founding Partner of the CATCH Global Foundation and a seat on the Board of Directors. The CATCH Global Foundation is a 501(c)3 public charity founded in 2014 with a mission to improve children’s health worldwide by developing, disseminating, and sustaining the CATCH platform.

70. Request for Budget Change **- U. T. M. D. Anderson Cancer Center**: Approval of Emeritus Title of James Cox from Professor to Professor Emeritus in the Department of Radiation Oncology (RBC No. 6661) -- amendment to the 2015-2016 budget

71. Lease **- U. T. M. D. Anderson Cancer Center**: Authorization to extend the term of three leases located at 8030, 8032, and 8066 El Rio Street, Houston, Harris County, Texas, to Lonza Walkersville, Inc. for medical laboratory, research development, pharmaceutical manufacturing, and general office use

Description:	Extension of three current leases totaling 17,267 rentable square feet located at 8030, 8032, and 8066 El Rio Street, Houston, Harris County, Texas. Lonza Walkersville, Inc. originally leased space from the prior owner, WGH Plaza del Oro, L.L.C., until the property was purchased by the U. T. System Board of Regents on November 27, 2012.
Lessee:	Lonza Walkersville, Inc. (“Lonza”), a Delaware corporation
Term:	The original term under the prior owner for 8030 and 8032 El Rio commenced on August 1, 2010, and expired on July 31, 2013. The extended term of 57 months for 8030 and 8032 El Rio commenced on August 1, 2013, and expires August 30, 2018, with no further options to extend after expiration. The original term under the prior owner for 8066 El Rio commenced on February 1, 2004, and expired on January 31, 2014. The extended term of 51 months for 8066 El Rio commenced on February 1, 2014, and expires August 30, 2018, with no further options to extend after expiration. The termination option may be exercised after April 30, 2017, with 90-days’ notice.
Lease Income:	The base rent for the extension term starts at a weighted average rate of $20.48 per square foot for an initial, annual rental of $353,640 with annual increases of 5%. The total aggregate of base rent for the extension term will be $1,720,177. Lessee responsible for operating expenses, and any increases in operating expenses for the property.

72. Report **- U. T. Health Science Center - Tyler**: No items for Consent Agenda

ADDITIONAL CONSENT AGENDA ITEM
MEETING OF THE BOARD
FEBRUARY 11-12, 2015

<u>Contract (funds going out) **- U. T. System**: STAMATS, Inc. to provide marketing and communication services for U. T. Rio Grande Valley, including development of enrollment materials, website and digital resources, brand collateral, and communication plans</u>

Agency:	STAMATS, Inc.
Funds:	$2,700,000, including $900,000 for the initial term and $1,800,000 under the amended contract, of which up to $1,100,000 will be paid to a subcontractor for media purchases
Source of Funds:	Available University Funds allocated by the Board of Regents on May 15, 2014
Period:	The initial contract term commenced on May 28, 2014. The amended contract term commenced on September 9, 2014, and expires on August 31, 2016, with the option to renew for one 12-month period.
Description:	Following the May 15, 2014 allocation by the Board of Regents of $5,000,000 to support a two-year marketing and communications initiative to launch U. T. Rio Grande Valley, the institution contracted with STAMATS, Inc, a national thought leader in higher education integrated marketing, to coordinate and produce much of its early marketing and communication efforts, with a contract cap of $900,000. To continue this work, U. T. System proposes to amend the contract with STAMATS, Inc. for an additional $1,800,000, for a total contract amount of $2,700,000. Of the additional $1,800,000, up to $1,100,000 will be paid to a subcontracted firm for media purchases.

ADDITIONAL CONSENT AGENDA ITEM
MEETING OF THE BOARD
FEBRUARY 11-12, 2015

Adoption of Mascot - **U. T. Rio Grande Valley**: Request to approve Vaqueros as Mascot

The following proposed mascot has been approved by the Chancellor, the Executive Vice Chancellor for Academic Affairs, and the Vice Chancellor for External Relations and is submitted for approval by the U. T. System Board of Regents in accordance with Regents' *Rules and Regulations*, Rule 40801.

The process to select the colors and mascot for The University of Texas Rio Grande Valley (UTRGV) began in July 2014. Over the course of four months, the U. T. System Office of External Relations, UTRGV President Guy Bailey, and an external agency with significant national experience in developing collegiate and professional sports athletics branding worked with students, faculty, staff, alumni, and community members to gather input for ideas on an athletics nickname, colors, and mascot for the new university. During that time, President Bailey reviewed numerous suggestions, received input from over 15,000 survey responses, and spoke with many different groups across the Rio Grande Valley. Additionally, President Bailey convened several representative committees to offer ideas and comments. He took every opinion into consideration before making his final recommendation to the U. T. System Board of Regents.

On November 6, 2014, the Board of Regents unanimously approved Dr. Bailey's recommendation to approve the Vaqueros as the athletic nickname for UTRGV. Further, in acknowledgement of the uniqueness of the UTRGV model of a new university, the Board allowed UTRGV to use two colors (blue and green) in addition to the U. T. System colors of orange and white rather than the one additional color allowed by Regents' Rule 40801.

Following that approval, a new committee composed of students, faculty, and staff from U. T. Brownsville and U. T. Pan American was appointed by President Bailey to take on the important task of determining the look of the Vaqueros, including how the nickname and colors would translate to team uniforms. Chris King, UTRGV Athletics Director, served as chair for the committee and Eric Rickabaugh, owner of Rickabaugh Graphics, provided guidance.

The committee, which included professors of history and art, provided insight into the colors and the look of the Vaqueros, staying true to the historical significance. Rickabaugh used the committee's feedback to create an array of potential designs, while also ensuring UTRGV's new brand was unique.

Two final concepts were shared with the UTRGV leadership team and focus groups that included U. T. Brownsville and U. T. Pan American students, head coaches, student athletes, alumni, and donors. The feedback gathered through these sessions was used to put the final touches on the new Vaqueros mark.

The final concept of the athletics branding initiative, as seen on the following pages, includes primary and secondary marks, a new Vaqueros mascot, and a custom font developed specifically for the department of intercollegiate athletics.

Upon approval by the U. T. System Board of Regents, a formal UTRGV Vaqueros Brand Management Style Guide Manual and Licensing Sheet will be finalized. All marks are controlled under a licensing program administered by the U. T. System Office of Trademark Licensing and Strategic Marketing Affiliates. Any use of the marks will require written approval from Strategic Marketing Affiliates.

UTRGV plans a public launch of the UTRGV Vaqueros brand in early March 2015, pending Board of Regents' approval.

UTRGV VAQUEROS ATHLETIC BRAND

PROPOSED COLORS

UTRGV GREEN
(PANTONE 348)

UTRGV NAVY
(PANTONE 289)

UTRGV ORANGE
(PANTONE 1655)

#0 UTRGV VAQUEROS

ATHLETIC BRAND PRIMARY MARK

STATE OF TEXAS SHAPE HIDDEN
INSIDE LEGS OF THE HORSE

#1 UTRGV VAQUEROS

ATHLETIC PRIMARY BRANDING

#1 UTRGV VAQUEROS

ATHLETIC BRANDING FAMILY

VAQUEROS™

UTRGV™

RGV™

UNIVERSITY OF TEXAS
RIO GRANDE VALLEY™

#1 UTRGV VAQUEROS

ATHLETIC BRANDING FAMILY

RGV™

VAQUEROS

RGV™

RGV™

#1 UTRGV VAQUEROS

NON 3D TYPE OPTION IN WHITE

UTRGV™

V™

RGV™

UNIVERSITY OF TEXAS
RIO GRANDE
VALLEY™

#1 UTRGV VAQUEROS

NON 3D TYPE OPTION IN WHITE

UTRGV™

V™

RGV™

UNIVERSITY OF TEXAS
RIO GRANDE
VALLEY™

#1 UTRGV VAQUEROS

ATHLETIC BRAND IN ONE COLOR OPTIONS

#1 UTRGV VAQUEROS

COLOR LOGOS ON A DARK BACKGROUND

UTRGV™

V™

RGV™

™

#1 UTRGV VAQUEROS

APPAREL/UNIFORM APPLICATIONS

#1 UTRGV VAQUEROS