



TABLE OF CONTENTS FOR MEETING OF THE BOARD

Board Meeting: 5/12-13/2004
Austin, Texas

<u>WEDNESDAY, MAY 12</u>	Page
A. COMMITTEE MEETINGS	9:00 a.m. - 3:45 p.m.
B. CALL TO ORDER IN OPEN SESSION	3:45 p.m. <i>Chairman Miller</i>
C. U. T. System: Annual meeting with the Student Advisory Council	3:45 p.m. Discussion <i>Mr. Chance</i>
D. RECESS	4:45 p.m.
<u>THURSDAY, MAY 13</u>	
E. RECONVENE IN OPEN SESSION	8:30 a.m. 11
F. APPROVAL OF MINUTES	8:32 a.m. Action 11
G. AGENDA ITEMS	
1. U. T. System: Briefing on Legislative Issues	8:35 a.m. Report/Discussion 11 <i>Mr. Smith</i>
2. U. T. System: Update on Activities of the National Center for Educational Accountability	8:50 a.m. Report 12 <i>Mr. Tom Luce</i>
3. U. T. Board of Regents: Approval of Resolution Honoring Ambassador Pamela P. Willeford	9:05 a.m. Action 13
4. U. T. Board of Regents: Update on Regents' <u>Rules and Regulations</u> revision project	9:07 a.m. Report 13 <i>Mr. Martinez</i>
H. RECESS FOR MEETINGS OF STANDING COMMITTEES	9:10-9:30 a.m. 14
I. RECONVENE MEETING OF THE BOARD	
5. U. T. System: Report on the Washington Advisory Group and request to accept report	10:30 a.m. Report 15 <i>Dr. Frank Press</i> <i>Dr. Joe B. Wyatt</i>

- J. RECESS TO EXECUTIVE SESSION 11:30 a.m. 16
1. U. T. Board of Regents: Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Texas Government Code Section 551.071
 - a. **U. T. Health Science Center – Houston: Discussion and appropriate action regarding proposed settlement of insurance proceeds related to Tropical Storm Allison** *Mr. Godfrey*
 - b. **U. T. System: Discussion and appropriate action related to pending State claims against Medco** *Mr. Godfrey*
 2. U. T. Board of Regents: Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property - Texas Government Code Section 551.072

U. T. System: Authorization to execute an amendment to surface lease no. 6762 between the Board of Regents of The University of Texas System and Domaine Cordier U.S.A., Inc., covering approximately 1,110 acres of land located in Pecos County, Texas, to provide for a fixed royalty *Mr. Aldridge*
Mr. Hartmann
 3. U. T. Board of Regents: Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Texas Government Code Section 551.074
 - a. **U. T. System: Consideration of personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents, U. T. System Executive Officers, and employees** *Chancellor Yudof*
Dr. Shine
Dr. Sullivan
 - b. **U. T. System: Consideration of personnel matters relating to evaluation of presidents and U. T. System officers and employees** *Chancellor Yudof*
Dr. Sullivan
 - c. **U. T. Dallas and U. T. Pan American: Consideration of individual personnel matters related to Presidential Searches**
- K. RECONVENE IN OPEN SESSION FOR ACTION ON EXECUTIVE SESSION ITEMS 12:50 p.m. approximately
- Adjourn** 1:00 p.m. approximately

WEDNESDAY, MAY 12

- A. COMMITTEE MEETINGS 9:00 a.m. – 3:45 p.m.
- B. CALL TO ORDER IN OPEN SESSION
- C. ANNUAL MEETING WITH THE U. T. SYSTEM STUDENT ADVISORY COUNCIL

The University of Texas System Student Advisory Council will meet with the Board to discuss accomplishments of the Council and plans for the future.

AGENDA

1. Executive and Standing Committee Member Introductions
2. Chairperson's Report and Overview
3. Executive Committee and Standing Committee Remarks and Recommendations

The Student Advisory Council met April 4-5, 2004, to finalize the recommendations set forth on Pages 2 - 10. Council members scheduled to attend are:

Vice-Chair: Mr. Emmanuel Gomez, U. T. El Paso, Accounting [Chair Jeremy Chance is unable to attend this meeting.]

Academic Affairs Committee: Mr. Carlos Rangel, U. T. Pan American, International Business

Campus Life Committee: Mr. Brian J. Haley, U. T. Austin, Government

Finance and Planning Committee: Mr. Josh Warren, U. T. Arlington, Interdisciplinary Studies

Health and Graduate Affairs Committee: Ms. Marian J. Barber, U. T. Austin, History

Legislative Affairs Committee: Ms. Jennifer Brannan, U. T. Health Science Center – Houston, Medical Student

Technology and Facilities Planning Committee: Mr. Luis Galvan, U. T. Permian Basin, Biology

BACKGROUND INFORMATION

The University of Texas System Student Advisory Council was established in 1989 to provide input to the U. T. Board of Regents working through and with the Chancellor and U. T. System Administration on issues of student concern. The operating guidelines of the Council require that recommendations have a multicomponent focus and that the Council explore individual campus issues with component administrators prior to any consideration. The Student Advisory Council consists of three student representatives from each U. T. System component institution enrolling students and meets quarterly, usually in Austin. The Standing Committees of the Council are: Academic Affairs, Campus Life, Finance and Planning, Health and Graduate Affairs, Legislative Affairs, and Technology/Facilities Planning.

- D. RECESS

**The University of Texas System
Student Advisory Council**



2003-2004

Recommendations and Report to the

Board of Regents

of the

University of Texas System

April 15, 2004

**Jeremy Chance,
Chairman**

THE UNIVERSITY OF TEXAS SYSTEM

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Chancellor Mark G. Yudof
Chancellor, University of Texas System
601 Colorado St.
Austin, TX 78701

Dear Chancellor Yudof:

As the 2003-2004 term of the University of Texas System Student Advisory Council draws to a close, I have had the opportunity to reflect on the accomplishments of the council as well as the unmet challenges for which the students of the University of Texas System need your help and the help of the UT System Administration to continue meeting our constitutional mandate to “create a University of the First Class for the People of Texas.”

Contained in the attached report are both our recommendations and a record of accomplishments for the past academic year. We ask that the members of the Board of Regents, as well as the Chancellor and his staff, carefully review and consider these, as they represent the collective voice of the students enrolled in our great University System. Over the past year UTSSAC has faced many challenging issues which affect students. This year we addressed issues such as tuition deregulation and the consequent rise in tuition, the loss of healthcare coverage for graduate students, the 'B-on-time' program, an education budget shortfall for the state, downsizing of UTSSAC representation from 3 to 2 students, and the upcoming UT System Compact. While addressing these important issues, we have also developed an unprecedented outreach project, 'United To Serve'. This is our opportunity to create a sense of community for all components of the UT System. We have the chance to make our mark as student government leaders on the entire UT System.

I look forward to May 12th and look back on all we have accomplished with a sense of overwhelming pride. I believe that this year as a council we have achieved more than any previous year. None of this would have been possible without the contributions of each and every UTSSAC representative. I would like to give a special thanks to Linda Williams, Dr. Pedro Reyes, and Dr. Edward Baldwin. Without their guidance, much of what we have accomplished would not have been possible. Finally, I would like to thank the 2003-2004 UTSSAC Executive Council. Without the drive and perseverance of the officers and chairs then this year would not have been such a success. I am excited about the direction we are headed. I take from this lasting experience a feeling of camaraderie and accomplishment. The State of Texas is truly blessed with the best and brightest leaders of tomorrow.

Sincerely yours,

Jeremy Chance
2003-2004 Chair UTSSAC

Technology and Facilities Planning Committee RECOMMENDATIONS

I. Technological Changes:

UT System should remain on the cutting edge of technology. It is crucial that each component has access to equivalent technological resources to provide an equal and excellent educational environment.

We, the members of the Technology and Facilities Planning Committee of UTSSAC, urge the UT System to make enhancement of its technological capabilities a top priority in order to accomplish these goals:

1. Each component should have the technological infrastructure to offer students courses anytime of the week. This would allow for maximum usage of facilities and potentially lower individual class sizes, promoting closer student-faculty relationships.
2. Investment in technology would enable all UT System components to approach the leading edge of higher education. This will allow growth in all fields of academics as we continue to strive for excellence.

II. The University of Texas System Digital Library (UTsDL):

UTsDL was created in 1994 to provide universal access to library services and information resources by all students and faculty in the System. The UTsDL is incorporated into every individual campus library, allowing each component better access to scholarly journals, electronic books, and primary citation databases in core academic disciplines.

We, the members of the Technology and Facilities Planning Committee of UTSSAC, encourage increased support of the UTsDL in order to achieve:

1. An extensive list of journals and electronic resources that can be utilized by both students and faculty.
2. Cooperation among the health science centers to maximize access to electronic resources at minimum cost to the System and the individual components.
3. A high level of academic excellence that will propel the UT System and its components further into the 21st century.

III. Maximizing Existing Facilities:

Each component faces different challenges in maximizing the use of existing facilities and the planning of new ones. We, the members of the Technology and Facilities Planning Committee of UTSSAC, would like to commend each component for including students' voices in these processes. We encourage the UT System and its components to continually involve students in these proactive roles.

Finance and Planning Committee RECOMMENDATIONS

I. Number of UTSSAC representatives from each component:

When a representative from a component is elected as an officer, that component then only has one representative to serve on the six UTSSAC committees. In an effort to address budget concerns, UTSSAC has considerably cut costs this year. When each component has two representatives, the Council experiences significant turnover each year.

The University of Texas System Student Advisory Council respectfully requests that the Board of Regents asks the System to restore the third representative to UTSSAC from each component.

II. Student involvement in decision making:

The number of students enrolled in the University of Texas System increases each year. State spending in areas such as public safety and corrections has increased over 258% in the last 15 years while state spending in higher education has only increased by 39% during the same period. The number of students enrolled in higher education in the state has increased greatly each year. The proportion students pay for the cost of their education in the University of Texas System has increased steadily for some time, students, in most cases, now providing at, or near, the majority of the funding for their education. Students have a stake not only in the short-term, but also long-term, success and evolution of their institutions. The University of Texas System affirmed its belief in involving students in the decision-making process by placing several students on the UT System Commission on Tuition. The results of involving student leadership in this critical decision-making process garnered not only positive results, but also much praise and support for the University of Texas System.

Discussion between student leaders from all 15 UT System component institutions reveals varying levels of involvement of students in the compact process, the tuition setting process and other strategic planning efforts.

The University of Texas System Student Advisory Council respectfully requests that the Board of Regents reaffirms its commitment to involve students in the planning process at every level. Furthermore, the Council respectfully requests that the Board communicate this commitment to the president of each component institution along with the specific request that students be involved as quickly and fully as possible in any short- or long- term planning efforts in a manner reflecting their position as primary investors as well as stakeholders in the institution.

Health and Graduate Affairs Committee RECOMMENDATIONS

I. Graduate and Professional Excellence:

Many UT System graduate and professional programs are among the most-respected, competitive and productive in the nation. Leading-edge research, innovation, discoveries and inventions are attributable in great part to the effort of graduate and professional students. The UT System and its components benefit from the work-product of graduate and professional students in many different ways – including advanced academic reputation, new sources of funding and economic gain from patents and copyrights and other sources. In this age of information and knowledge, current graduate and professional students will undoubtedly be cast in future positions of leadership in their chosen fields of expertise. The University of Texas System Student Advisory Council respectfully requests that:

1. Recruitment of the best and the brightest graduate and professional students continue to be a primary focus of the System and all its components, to be accomplished through offering innovative and competitive incentives such as tuition and fee assistance and health care benefits.
2. Retention of current graduate and professional students continue to be a major emphasis by providing:
 - a. The most conducive learning environment through well-devised institutional policies.
 - b. The most highly qualified professors, instructors, researchers and support staff.
 - c. The best equipment and educational facilities crucial for maintaining the highest quality education possible.
 - d. Programs that promote and foster teaching excellence as well as research excellence.
 - e. Innovative avenues for collaboration among UT components, private enterprise, government and the community.
 - f. Comprehensive and coherent institutional assistance in competing for research funding from various sources.
3. Completion of graduate and professional programs in a timely fashion be encouraged and facilitated by the System and all components.
4. System-wide celebration of National Graduate and Professional Student Appreciation Week be encouraged in April of each year, including observances at all components that include graduate or professional students.

II. Health insurance for all students:

Health insurance coverage provides crucial benefits to the community as well as to individuals. The nine academic and six health related institutions have nearly 180,000 students. The larger the pool of healthy individuals enrolled in a health plan the lower the cost to the entity paying for the coverage and the greater the benefits to individual subscribers. Many students are covered under their parents' insurance plans. The insurance industry standard age to which students may continue to be covered on such plans is expected to be reduced to 22 years of age. An increasing number of students are compelled to go without health insurance. Without financial help many

students would be unable to afford even reasonably priced health insurance. Recent legislation has forced System components to explore ways to continue to provide health insurance to graduate student workers. All students in the System's Health Science Centers and all international students throughout the System are currently required to carry health insurance. Students from the Health Science Centers report that the requirement has been beneficial.

The University of Texas System Student Advisory Council respectfully requests that the System:

1. Perform a full cost-benefit analysis, component by component, of the possibility of extending the insurance requirement so that all undergraduate, graduate and professional students carry health insurance, under four possible scenarios:
 - a. All currently uninsured students covered by MEGA Life
 - b. All currently uninsured students covered by another provider of student health insurance
 - c. All currently uninsured students covered by expansion of the self-insured UT Select
 - d. All currently uninsured students covered through a combination of MEGA Life and UT Select

2. Perform a full scale cost-benefit analysis of defraying the cost of required insurance through a system of grants and financial aid under three possible scenarios:
 - a. 100% for all students, regardless of income
 - b. Sliding scale:
 - 100%- Families at annual incomes of \$40,000 or less
 - 75% - Families at annual incomes of \$40,000 to \$60,000
 - 50% - Families at annual incomes of \$60,000 to \$80,000
 - 50% - Independent students and graduate students
 - c. A fixed-dollar amount grant

Analysis should include effects of each scenario upon premiums and deductibles for existing subscribers to UT Select. We further request that analysis include discussion with insurers about their willingness to decrease premiums and deductibles, expand coverage and benefits, and improve customer service in light of the potentially dramatic increase of membership of healthy persons in the pool of insured.

**Academic Affairs Committee
RECOMMENDATIONS**

I. Assessment Measures:

We, the members of the Academic Affairs committee of UTSSAC, strongly believe in the utility of student learning assessment. The information obtained should be used to compare the value of education between different UT component institutions, with the goal of making degrees equitable between institutions, without interfering with component specialization. The results should be used for improvement of education, not for punitive purposes. Nor should they be used in any manner that infringes on academic freedom.

II. National Survey of Student Engagement:

We, the members of the Academic Affairs committee of UTSSAC, strongly recommend that the National Survey of Student Engagement be better publicized to students in order to make them aware of the impact that their participation has in the development of a quality education. In addition, we recommend that the results be made readily available to students at each component via the institution's website.

Legislative Affairs Committee RECOMMENDATIONS

I. Texas-B-On-Time:

Students in the University of Texas System applaud the intentions of the Texas State Legislature in the creation of the “Texas B-On-Time” loan forgiveness program. Education of its residents must be a top priority for Texas, and programs that encourage Texans to seek higher education, and assist them in doing so, should be continued. Since the “Texas B-On-Time” program is new this year, we understand that time will be needed to work out all the details and implement the legislation effectively. We strongly encourage the Board of Regents to evaluate the implementation of “Texas-B-On-Time” and to consider recommending the following improvements to the program, as suggested by the Legislative Committee:

1. Remove the limit on the number of credit hours allowed to meet the loan forgiveness criteria. Limiting the number of hours that students may take under the “Texas B-On-Time” program may discourage students from obtaining a double major, a concentration or a minor. As long as students meet the time and GPA requirements, they should be encouraged to make the most of their education.
2. Require a contribution from private institutions with participating students. One of three sources of funding for “Texas B-On-Time” is a 5% set aside of designated tuition, above the level of \$46 per semester credit hour, charged to students at institutions of higher education. In order to prevent students at public institutions from funding the education of students at more expensive private institutions, private institutions should be required to contribute an equitable amount of money to the funding for “Texas-B-On-Time.”

II. Tuition Deregulation and Accountability:

The UTSAC Legislative Committee is pleased to report that the majority of institutions within the UT System solicited student input regarding tuition increases and considered student suggestions. We appreciate the efforts of the Board of Regents in reviewing and approving these proposals. Students have taken it in good faith that the institutions, will use the tuition increases solely for the purposes described in each components justification plan. In that vein, we offer the following recommendation:

1. We request that the Board of Regents carefully tracks the flow of money generated by tuition increases and holds the component institutions accountable for the use of that money, as indicated by each institution.

III. Student on Board of Regents:

We support and recommend that a student be appointed to the UT System Board of Regents as a voting member. We do not support discontinuation of the SAC at such a time as a student regent is added. UTSSAC provides a useful forum for students from the various components to share ideas and make recommendations to the Board of Regents.

Student Campus Life Committee
RECOMMENDATION

I. United To serve – First University of Texas System Outreach Activity:

The student leadership within the University of Texas System Student Advisory Council has begun the challenging task of developing a UT System-wide outreach activity. United To serve is a joint venture among students, faculty, and administrators. It is the inaugural outreach activity of the University of Texas System Student Advisory Council, or UTSSAC, coordinated by the Campus Life committee of UTSSAC. The United To serve coordinating committees have been established at every component institution. We are planning to make this project an annual event within all 15 components with the common goal of serving the local communities which nurture our great institutions. The chancellor and presidents of the UT System have pledged their full support.

Therefore, we greatly appreciate your participation and request your support for future United To serve events. We believe this will be an opportunity for the University of Texas System to shine as a beacon of compassion and community for the whole country.

THURSDAY, MAY 13

- E. RECONVENE IN OPEN SESSION

- F. APPROVAL OF MINUTES OF REGULAR MEETING HELD FEBRUARY 3-4, 2004, AND SPECIAL MEETINGS HELD MARCH 11 AND APRIL 19, 2004
(Available on-line at <http://www.utsystem.edu/bor/meetings/minuteslistinghomepage.htm>)

- G. AGENDA ITEMS

- 1. **U. T. System: Briefing on Legislative Issues**

REPORT

Mr. Ashley Smith, Vice Chancellor for Governmental Relations, will update the Board on the status of legislative issues submitted by the component institutions and U. T. System Executive Officers for inclusion in the System's legislative agenda for the 79th Texas Legislature. The legislative issues report is included on Pages 11.1 – 11.6. These issues are designed to enhance performance of the U. T. mission to provide high quality educational opportunities.

Additionally, Vice Chancellor Smith will update the Board on the package of deregulation recommendations.

Report on Possible Legislative and Regulatory Issues For the 79th Legislature

INTRODUCTION

As part of a biennial process, the U. T. System Administration has requested and received from the component institutions suggestions of possible legislative and regulatory issues for consideration by the Board of Regents and for possible presentation to the legislature or appropriate regulatory bodies in 2005. The institutions submitted approximately 100 issues, including ideas for regulatory relief and requests for tuition revenue bonds for particular projects. This report describes generally the issues and the process by which the issues are being considered. It is the intent of System Administration to present a final report for the Board's consideration at the August 2004 meeting.

EXECUTIVE SUMMARY

The Office of Governmental Relations (OGR) solicited, received, and analyzed the general legislative and regulatory issues submitted by component institutions. From the OGR analysis of the issues, performed under the guidance of the Chancellor, Executive Vice Chancellors, and other Executive Officers, five themes emerged:

1. Ensuring students' access to high quality education and facilitating academic success (e.g. "closing the gaps").

- Providing infrastructure in response to enrollment growth
- Enhancing affordability
- Facilitating higher graduation rates

2. Enhancing institutional competitiveness for educators and researchers.

- Competing for the best faculty
- Effectively using special funding
- Maximizing external funding

3. Providing excellence in health care.

- Strengthening the health care workforce
- Supporting graduate medical education
- Advancing health care through research

4. Strengthening services to public elementary and secondary education.

- Improving K-12 student performance
- Creating incentives for teacher retention

5. Improving efficiency of operations and productive use of resources.

- Preserving and updating infrastructure
- Attracting and retaining human resources
- Improving financial management and providing transparency
- Obtaining regulatory relief
- Providing for accountability and measuring performance

The five themes, each of which is considered in more detail below, are consistent with public expectations of higher education, with the accountability system adopted by the Board, and with the Coordinating Board publication, *Closing the Gaps*.

Three parallel processes are converging for presentation to the Board, at the August 2004 meeting, of a complete, unified report on possible issues for legislative or regulatory consideration: (1) consideration of legislative issues raised by individual component institutions or System administrators; (2) consideration of areas in need of reasonable regulatory relief to improve efficiency and productivity; and (3) consideration of requests for tuition revenue bonds.

Some of the issues raised by the component institutions or by System administrators are clearly deserving of attention by legislative and executive policy-makers, examples of which are:

- Full funding of the existing or modified formulae by which general revenue appropriations are made to higher education for academic and for health institutions
- Appropriate support for graduate medical education (GME)
- Adequate funding of health care for the indigent and the incarcerated
- Regulatory relief where appropriate
- Approval of tuition revenue bonds to support necessary infrastructure.

DISCUSSION

Process

It has long been the practice of System Administration to prepare, in advance of each legislative regular session, a report for approval by the Board of Regents on issues affecting System institutions that merit the attention of legislative policymakers. The current process began in January 2004 with the component institutions submitting to the Office of Governmental Relations a description of possible issues requiring legislative (or in some cases, administrative) action, including for each issue a description of the background, an analysis of the issue, and a description of the impact of statutory changes on the issue. At the same time in separate but parallel processes, component institutions submitted to OGR “deregulation” issues (that is, issues in which a change in or elimination of regulatory control would empower the institutions to be more efficient or productive) and submitted to the Office of Facilities Planning and Construction those projects for which the respective institutions would propose financing by tuition revenue bonds (TRBs).

OGR staff grouped the general legislative issues by subject matter and by institution for review by Executive Officers, and those groupings were shared with the component institutions. As the unifying themes began to emerge, those themes were presented to the Governmental Relations Advisory Committee (GRAC), composed of the governmental relations officers of each of the component institutions. At a March 23 meeting of the GRAC, the component institutions were offered the opportunity to comment on the proposed classification of their respective issues and to make other

suggestions concerning the organization and arrangement of the issues. From those suggestions, the descriptions of the themes, and the classification of issues under those themes, have continued to evolve with further review and input by the Chancellor and Executive Vice Chancellors.

All of these various issues, including deregulatory issues and TRBs, are in the process of being classified under one or more of these themes for analysis. Following full review and analysis by the Chancellor and Executive Vice Chancellors, a final, detailed report on proposed legislative and regulatory issues will be presented to the Board for its consideration at the August 2004 meeting.

Issues

1. *Ensuring students' access to high quality education and facilitating academic success (e.g., "closing the gaps").*

Components of The University of Texas System, which already account for more than one-third of the total number of enrolled students in Texas public universities, must grow infrastructure and services in order for those students to have access to high-quality programs and to succeed in those programs. This is, in large part, a funding issue.

Increased funding for both academic and health institutions through appropriate formulae would permit the adding of faculty, which permits the reduction of student-teacher ratios, increasing course availability, and increasing research opportunities, all of which facilitate higher quality education. Increased funding would permit enhancement of the advising function, which would yield greater graduation rates and produce more timely graduations, which would reduce costs. Many of these results will be accomplished through good stewardship of the resources available through deregulated tuition, but designated tuition is not the only source of support for bringing about these results.

Accordingly, the expansion of services and infrastructure may be facilitated by imposition of fees recommended by individual components, approved by referenda of the appropriate student body, and authorized by the legislature or facilitated by modifications of funding formulae.

Tuition revenue bonds (TRBs) are a possible source of funds for infrastructure development of the applicable campuses, including both new administrative and instructional space as well as repair and rehabilitation. Examples of TRBs for this purpose are:

- Ft. Worth Campus, Phase I, U. T. Arlington
- Classroom buildings, U. T. Pan American
- College of Health Sciences Complex, U. T. El Paso
- Capacity Completion Package, Two-year to Four-year Transition, U. T. Tyler
- Center for Master Teaching, U. T. Brownsville

2. Enhancing institutional competitiveness for educators and researchers.

The highest quality education demands the best faculty. Attracting and retaining top-quality faculty is in part determined by salary, but also by institutional support for research. Increased formula funding support yields higher salaries, and increased special funding yields more attractive research opportunities. Both sources of funding work to enable institutions to compete for and retain the best people, in addition to creating circumstances in which faculty can do their job in the best possible way. In addition, the creation of incentives for external support would leverage the return on appropriated funds for these purposes.

Although approximately two-thirds of research by U. T. System component institutions is health-related, other university research is both a critically necessary teaching model and an economic development engine for the State of Texas. University research, and the technology transfer that comes from university research, contribute more than a billion dollars a year to the Texas economy. The public expects their universities to be an engine for economic development, and the Coordinating Board seeks to expand federal funding for university research in Texas as a means of closing the gaps.

Adequate financial support is the primary method by which the state can achieve a greater number of top-tier research institutions to secure the state's educational and economic health. The state would benefit, for example, from the creation or continued support of centers of excellence for technology, science, and engineering, including leading-edge issues such as wireless networking (U. T. Austin), nanotechnology (U. T. Dallas), and energy security (U. T. Permian Basin).

System Administration is interested in creative uses of available excellence funds and creative means of financing to encourage synergy between the System's academic and health institutions in order to leverage the strength of both while increasing the institutional competitiveness of both for educators and researchers. In addition, as institutions attract additional, high-quality faculty, available excellence funds could be used to underwrite start-up packages for the equipment and materials needed by new or existing faculty, particularly in science and engineering.

Although System Administration intends to pursue creative methods of financing synergistic programs in these areas, tuition revenue bonds are a possible source of funding for research, laboratory, and classroom space that would support the goal of enhancing institutional competitiveness for educators and researchers. An example of tuition revenue bonds for this purpose is:

- Biotechnology, Sciences, and Engineering Research Center Building, U. T. San Antonio

3. Providing excellence in health care.

The mission statement for The University of Texas System includes this mission: "To provide excellent, affordable, and compassionate patient care through hospitals and clinics that are of central importance to programs of teaching, scholarship, research, and service associated with medicine and related health sciences." The furtherance of that

mission involves both strengthening the health care workforce as well as providing direct care, including care for the indigent and the incarcerated. The full funding of the formula for health institutions is critical to success in meeting the goals and expectations for excellence in health care. Of great priority among the specific challenges for U. T. System health institutions is support for graduate medical education (GME) and indigent care.

Although much direct care is accomplished through teaching programs, which is a cost-efficient model for service delivery, the current legal structure and financial support for graduate medical education programs results in Texas being not competitive for federal dollars and other external support, being not competitive for students, and not developing a sufficient number of doctors to serve the health care needs of Texans. Experience in other states shows that GME is a promising strategy to bring into the state additional doctors, since studies show that more than 80% of doctors tend to practice where they receive graduate medical education.

In addition, adequate state appropriated funding is critically necessary to sustain the delivery of uncompensated services to the indigent (System institutions currently provide over \$1 billion a biennium in uncompensated care) as well as to accommodate the growth in corrections care.

Strengthening the health care workforce could be facilitated by funding programs that would address the state's shortage of nurses, as well as by funding the Regional Academic Health Center in the Lower Rio Grande Valley and the Laredo Campus Extension of The University of Texas Health Science Center at San Antonio. In addition, enhancing public health education would support this goal.

Excellence in health care demands related research, and the public has expressed desire for health-related and biotechnology research. This research, and the technology transfer that results from the research, offers the opportunity for significant economic development in Texas.

As with other goals of the System, tuition revenue bonds are a possible source of funding for health-related infrastructure and initiatives. Examples of tuition revenue bonds for this purpose are:

- National Biocontainment Laboratory at U. T. Medical Branch–Galveston
- Dental Branch Replacement Building at U. T. Health Science Center–Houston
- South Texas Research Tower at U. T. Health Science Center–San Antonio

4. Strengthening services to public elementary and secondary education.

Another component of the mission statement of The University of Texas System is “to render service to the public that produces economic, technical, social, cultural, and educational benefits through interactions with individuals and with local, Texas, national, and international organizations and communities.” The component universities accomplish that mission primarily through high-quality teacher preparation and professional development programs, through research-based instructional programs for elementary and secondary schools, and through collaborations with K-12 schools and community colleges.

Some initiatives suggested by component institutions require appropriated funds for continuation or implementation. However, many services provided by System institutions to elementary and secondary schools are largely funded from external sources.

5. Improving efficiency of operations and productive use of resources.

As stewards of public property and public tax dollars, the U. T. System has an obligation to operate efficiently and to use the available resources productively. Operating efficiently and getting the most out of available funds require repeated review and analysis of administrative regulations imposed on the operation of U. T. System components, and there are many areas of regulatory relief that could be provided by law in order to save costs and improve efficiency and productivity. Staff has identified more than 30 items of possible regulatory relief. Examples of regulatory relief range from eliminating redundant reporting requirements to providing flexibility in fleet vehicle management.

The effort to improve efficiency and productivity frequently involves preserving, updating, and providing for the security of the public property. Accordingly, good stewardship of resources demands the satisfaction of particular needs to make life safety improvements at some of the campuses.

In addition to capital and capital resources, human resources must be preserved so that the System components may attract and retain qualified staff. The System may have a better chance at doing so if changes are authorized in regard to insurance, leave, retirement, and other benefits.

As the most proactive entity in higher education regarding accountability, the System seeks to improve and provide transparency in fiscal matters, including the manner in which funds are handled and accounted for, and there may be significant benefit to give the System greater freedom to transfer and allocate funds in a transparent fiscal process with high accountability. Building upon the Governor's Executive Order in relation to accountability, a single statewide accountability process would likely best serve the state's needs.

2. **U. T. System: Update on Activities of the National Center for Educational Accountability**

REPORT

Mr. Thomas W. Luce, Chairman of the Board of the National Center for Educational Accountability (NCEA), will present an update on activities of the Center following the PowerPoint presentation on Pages 12.1 – 12.8.

In August 2001, the Board authorized the creation of the NCEA in Austin, Texas, and approved participation by U. T. Austin in activities of the NCEA. The NCEA, as a support foundation for the benefit of U. T. Austin and other related public purposes, is housed at U. T. Austin under a lease arrangement in space shared by the U. T. Austin Center for Educational Accountability, the U. T. Austin unit that carries out efforts contemplated by the NCEA and the parties. These units are located adjacent to the U. T. Austin J. J. Pickle Research Campus in north Austin.

National
Center for
Educational
Accountability



An Update on NCEA

May 13, 2004

Presentation to The University of Texas System, Board of Regents
Tom Luce, Founder and Chairman
NCEA and Just for the Kids

National
Center for
Educational
Accountability

Bringing you up-to-date on your
investment in improving K-12
education

The National Center for Educational Accountability (NCEA) was formed in 2001 by:

- The University of Texas at Austin
- Just for the Kids
- Education Commission of the States

We believe you improve public education by helping public schools:

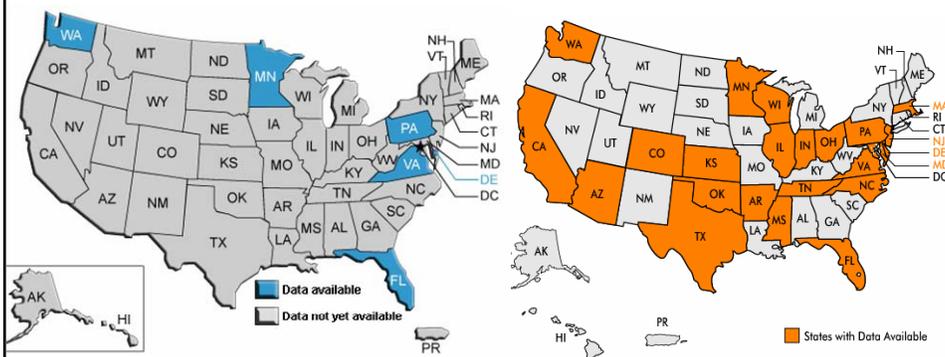
- Use data as a first step to improvement
- Identify Best Practices
- Implement Best Practices

Current major initiatives:

- School Information Partnership
- JFTK School Improvement Model Expansion
- National Collaborative Projects
- Data and Research Development

**Just for the Kids tools now available on
Just4kids.org and *SchoolResults.org***

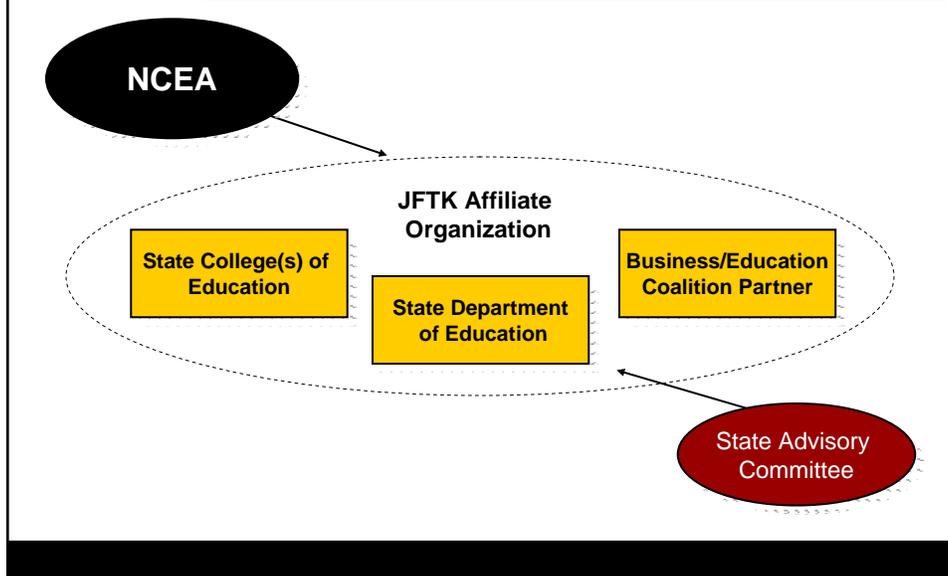
Data Acquisition Status



www.schoolresults.org

www.just4kids.org

JFTK State Affiliate Structure



JFTK State Affiliate Expansion

States with affiliate:

Arkansas (1,3)	Hawaii (2)	Michigan (4)	Tennessee (1,3)
California (1,3)	Illinois (1,3)	New Jersey (1,3)	Texas (1,3)
Colorado (1,3)	Massachusetts (1,3)	Oklahoma (1,4)	Washington (1,3)
Florida (1,3)			

States with affiliate in development:

Alabama (4)	Louisiana (2,4)	Minnesota (1,4)	Virginia (1,4)
Arizona (1)	Maryland (1)	New Mexico	

States where affiliate targeted:

Connecticut	Idaho	Oregon	Ohio (1,4)
Delaware (1)	Indiana (2)	New York (4)	Pennsylvania (1,4)
Georgia (2)	Mississippi (2,4)	North Carolina (1,4)	

Foreign country with affiliate:

Mexico (1)

Key: 1-Data on web; 2-Data in house; 3-Best practice study complete or underway; 4-Best practice study in 2004-05

Sistema de Información para la Mejora Escolar (SIME)
Primarias del Distrito Federal

Interpretación de las Gráficas

Seleccione por	Escuela Delegación	Dirección Sector	Zona Turno
----------------	--------------------	------------------	------------

Opportunity Gap Bars		Top Comparable Schools		Multi-Year Summary	
6º Grado Aritmética	6º Grado Geometría	6º Grado Lógica	6º Grado Oral	6º Grado Lectura	6º Grado Global

DANIEL RAMIREZ PEREZ (01 - 06) 09DPR5128A
XOCHIMILCO

Oportunidad de Mejorar
Muestra la diferencia entre el desempeño de tu escuela y las 10 mejores escuelas comparables o sobresalientes.

Las 10 Mejores Escuelas
Muestra los datos de tu escuela y de las 10 mejores escuelas comparables o sobresalientes.

Desempeño Histórico
Muestra el comportamiento de los resultados a lo largo de varios años de tu escuela y de las 10 mejores escuelas comparables o sobresalientes.

Haz clic en uno de los marcadores que se encuentran arriba para ver los resultados de tu escuela.
Haz clic para ver y imprimir el Resumen de Oportunidad de Mejora de tu escuela.

- Initiated with help from Ph.D. UT Alumni – Silvia Ortega, Subsecretaria de Servicios Educativos
- Mexico City Federal District schools (Distrito Federal) now online —1,200,000 students
- After review by the Public Education Ministry and National Institute for Education Evaluation, expansion to additional districts proposed
- NCEA scheduled to present NCEA best practice study process to a group of potential partners in Mexico City in June 2004

2004 and Projected 2005 Best Practice Studies

Best Practices of High-Performing School Systems

Navigation: JFTK, NCAEA, Home, The Framework, Methodology, National Studies, State Studies, Tools, Contact Us

The Framework

ORGANIZING THEMES	DISTRICT PRACTICES	SCHOOL PRACTICES	CLASSROOM PRACTICES
CURRICULUM & ACADEMIC GOALS			
STAFF SELECTION, LEADERSHIP & CAPACITY BUILDING			
INSTRUCTIONAL PROGRAMS, PRACTICES & ARRANGEMENTS			
MONITORING, EVALUATION, ANALYSIS & USE OF DATA			
RECOGNITION, INTERVENTION & ADJUSTMENTS			

About The Framework
 The *Best Practice Framework* provides an organizational schema to examine the practices of consistently high-performing school systems in a variety of settings. By providing a template through which multiple national and state studies present their results, *The Framework* helps focus educators on the practices and strategies that are found in high-performing school systems rather than on any single school's method of enacting a practice.

Through *The Framework*, the National Center has created the unique method to compare practices at high-performing schools within or across states. Rigorous school selection and research criteria—including multiple-year performance data and comparison schools—have led to the identification and study of high-performing schools across the country.

The Framework is made up of:
 The Themes
 The School Levels
 The Practices
 The Supports

2004 Studies

- Arkansas
- California
- Colorado
- Florida
- Illinois
- Massachusetts
- New Jersey
- Tennessee
- Texas
- Washington

2005 Studies

- Alabama
- Louisiana
- Michigan
- Minnesota
- New York
- North Carolina
- Ohio
- Oklahoma
- Pennsylvania
- Virginia

Best Practice Studies: University and Research Partners

Existing partners:

- | | |
|---|--|
| The University of Texas at Austin | Florida Atlantic University |
| University of Arkansas | Illinois State University School of Education |
| The California State University System | Tennessee State University |
| Colorado State University Research and Development Center | Washington School Research Center (WRSC) at Seattle Pacific University |

Partners in development:

- | | |
|---|--|
| The University of Alabama, Birmingham | The Renaissance Group (Consortium of Teacher Education Colleges) |
| State University of New York (SUNY) at Albany | Rutgers University (New Jersey) |

Strategic Partnerships

- Education Commission of the States
- U. T. Austin and other Colleges of Education
- Council of Chief State School Officers
- The Business Roundtable
- National School Boards Association
- The Education Trust

NCEA/UT Current Initiatives

- Study of UT System Colleges of Education
- Develop NCEA Research Agenda
- Promote Use of NCEA Databases by Third Party Researchers
- Convene Research Partners from Other State Colleges of Education

NCEA Current Board of Directors

Executive Committee:

Tom Luce, Chairman

Founder, Just for the Kids

Terry Kelley, Vice-Chairman

Former Bank One Regional Chairman and CEO

Dr. Barbara Byrd-Bennett

Chief Executive Officer of the Cleveland Municipal School District

Dr. Larry Faulkner

President of The University of Texas at Austin

The Honorable Jim Hunt

Former Governor of North Carolina

Dr. Ted Sanders

President of the Education Commission of the States

Board Members:

John Anderson

Former IBM Exec. and Vice Chairman of New American Schools

Carolyn Bacon

Executive Director of The O'Donnell Foundation

Lee Blitch

Former AT&T Executive and President of the San Francisco C.O.C.

The Honorable Bill Brock

Former U.S. Secretary of Labor and Chairman of Bridges Learning Systems

Ken Duberstein

President of The Duberstein Group, Inc. and Former Chief of Staff for President Reagan

The Honorable Jim Edgar

Former Governor of Illinois

Charley Ellis

Managing Partner, Partners of '63

Tom Englbous

Chairman and CEO of Texas Instruments

John Hitt

President of the University of Central Florida

Dr. G. Thomas Houllhan

Executive Director, Council of Chief State School Officers

Roberts Jones

President Education & Workforce Policy, LLC

Dr. Manuel J. Justiz

Dean of School of Education at The University of Texas at Austin

Kerry Killinger

President, Chairman and CEO Washington Mutual

Charles B. Reed

Chancellor, California State University System

Marilyn Reznick

Vice President of Education Programs for the AT&T Foundation

The Honorable Richard Riley

Former Secretary of Education

Ed Rust Jr.

Chairman and CEO of State Farm Insurance Companies

Dr. Sara Martinez Tucker

President of the National Hispanic Scholarship Fund

Robin Willner

Director of Corporate Community Relations, IBM Corporation

Larry Yost

Chairman and CEO of ArvinMeritor, Inc.

3. **U. T. Board of Regents: Approval of Resolution Honoring Ambassador Pamela P. Willeford**

RECOMMENDATION

It is recommended that the Board approve the following resolution to recognize the leadership of former Texas Higher Education Coordinating Board Chairman Pamela P. Willeford.

RESOLUTION

WHEREAS, The Honorable Pamela P. Willeford, Ambassador to Switzerland and to the Principality of Liechtenstein, served the State of Texas as Chair of the Texas Higher Education Coordinating Board from 1998 to 2003 with visionary leadership;

WHEREAS, In October 2000, under the leadership of Chair Willeford, the Texas Higher Education Coordinating Board adopted *Closing the Gaps by 2015*, a plan to close educational gaps in student participation, student success, excellence, and research within Texas, as well as between Texas and other states; and

WHEREAS, The U. T. Board of Regents is committed to the goals of *Closing the Gaps* and desires to salute the work of Ambassador Willeford, the members of the Texas Higher Education Coordinating Board, and the Coordinating Board staff, including Commissioner of Higher Education Don W. Brown.

THEREFORE, BE IT RESOLVED, That on behalf of The University of Texas System, the Board expresses profound and deep appreciation and gratitude to Ambassador Willeford and those individuals instrumental in the conception and implementation of *Closing the Gaps*.

4. **U. T. Board of Regents: Update on Regents' Rules and Regulations revision project**

REPORT

Mr. Art Martinez, Assistant Secretary to the Board of Regents, will provide an update concerning the Regents' Rules and Regulations revision project.

H. RECESS FOR MEETINGS OF THE STANDING COMMITTEES AND
COMMITTEE REPORTS TO THE BOARD

The Standing Committees of the Board of Regents of The University of Texas System will meet as set forth below to consider recommendations on those matters on the agenda for each Committee listed in the Agenda Book. At the conclusion of each Standing Committee meeting, the report of that Committee will be formally presented to the Board for consideration and action.

Executive Committee: Chairman Miller
No items

Audit, Compliance, and Management Review Committee: Chairman Estrada
No items

Finance and Planning Committee: Chairman Hunt
Agenda Book Page 30

Academic Affairs Committee: Chairman Krier
Agenda Book Page 40

Health Affairs Committee: Chairman Clements
Agenda Book Page 58

Facilities Planning and Construction Committee: Chairman Huffines
Agenda Book Page 67

- I. RECONVENE MEETING OF THE BOARD TO CONTINUE CONSIDERATION OF AGENDA ITEM

5. **U. T. System: Report on the Washington Advisory Group and request to accept report**

REPORT

The Washington Advisory Group. LLC (WAG) was engaged by the U. T. System to study the research capabilities of eight of the academic institutions. This report, which is in two separate volumes mailed to the Board on April 16, 2004, will highlight the recommendations made by the expert consultants for identifying research opportunities and hiring priorities.

The Board will be asked to accept the Report at the meeting.

Dr. Frank Press and Dr. Joe B. Wyatt will present two PowerPoint reports, which follow on Pages 15.1 – 15.27.

The University of Texas System Research Capability Expansion

May 13, 2004

1

Charge to WAG

“possibilities for further expansion of research...
additional resources needed....opportunities for
collaboration...pressures of enrollment [growth]...
likely time frame for research enhancement...not
realistic to expect substantial increases in state
appropriations”

2

Overview: Common Aspirations

Goal: Tier 1 status

Need	Now
<ul style="list-style-type: none">•Top 100 U.S. Universities•Research - \$100M/year•300-400 New Faculty (each with research expenditures of \$230K/year)	<ul style="list-style-type: none">•None in Top 200•Research - \$15-30M/year

Goal laudable, difficult to achieve, but efforts will improve all institutions

3

Overview: Issues and Challenges for the Universities

- Counting on formula funding of enrollment growth to pay for new research active faculty
- Tuition increases as a source of funds
- All must compete for and recruit new faculty
- All must improve quality of graduate students
- Developing funding sources for research: federal, state, industry, philanthropy
- Realistic strategic plans
- Collaboration and partnerships

4

Overview: Actions by UT System and Supervisory Board

- Allow universities to undertake Ph.D. programs if they can be accredited by regional or national Boards
- Provide guidance for enrollment growth and admissions standards
- Sabbatical policies matching peer universities
- Require balanced executive teams (S&T and other fields)
- Monitor strategic plans, metrics, progress

5

Institution: UT Arlington

Strengths

- Broad base in science and engineering fields
- Know-how to increase research capacity
- Location in technologically advanced region
- Quality of its engineering graduates
- UTA's position as a Carnegie Research Extensive Institution provides a solid base for its transition to a research university.

6

Institution: UT Arlington

Weaknesses

- Heavy faculty teaching loads
- Management of past instabilities in enrollment
- Lacks coherent, strategic research plan
- Lacks organized, large scale development plan
- Low level of sponsored research
- Weakness in biological research and insufficient coverage of fields that NIH supports

7

Institution: UT Arlington

Current Research Strength & Expansion Capabilities

- Chemistry
- Computer Science and Computer Engineering
- Psychology and Neurosciences
- Nationally recognized High Energy Physics
- Automation Research and Robotics Institute

8

Institution: UT Arlington

Actions and Priorities

- Build strong development program: launch campaign
- Branding the university
- Greater percentage of faculty should pursue research support from federal agencies
- Joint programs with UTA, UTD, UTSWMC

9

Institution: UT Arlington

Issues and Conclusions

- Build up of Biology, in NIH fundable fields
- Focus required in materials science and engineering
- Understaffed engineering faculty in departments
- Develop reward structure and incentives for research accomplishments
- UTA can achieve Tier 1 status in 10-15 years

10

Institution: UT Dallas

Strengths

- Faculty know-how in building research programs
- Project Emmitt provides 5 year funding head start to Tier 1 status
- Community capable of philanthropic support
- Excellent undergraduate student body & educational offerings
- Collaboration with UTSWMC in disease-centric science and technology

11

Institution: UT Dallas

Weaknesses

- Not a broad-based university in science and engineering
- Low levels of external research funding
- Historic inability to raise large philanthropic contributions in affluent community
- Small size of research faculty

12

Institution: UT Dallas

Expansion Capabilities

- Brain & behavioral sciences
- IT (especially communications)
- Advanced materials & nanotechnology
- Management science & operations research
- Joint projects with UT Arlington and UTSWMC

13

Institution: UT Dallas

Actions & Priorities

- Recruit president experienced in building research universities
- Broaden disciplinary base in engineering, science and math

14

Institution: UT Dallas

Issues & Conclusions

- Gain access to Dallas philanthropic support
- Expand S&E faculty and fields of coverage
- UTD can achieve Tier 1 status in 10-15 years.

15

Institution: UT El Paso

Strengths

- Growing research base and demonstrated ability to attract quality faculty
- Using federal set-asides to jump start research expansion to Carnegie Research Extensive and Tier 1 status
- Well chosen interdisciplinary areas
- Fundraising ability and strong local support
- “Urban University” concept

16

Institution: UT El Paso

Weaknesses

- Lack of Ph.D. programs in critical areas of science & engineering
- Economically depressed area
- Few quality nearby institutions for collaboration
- Student retention

17

Institution: UT El Paso

Noteworthy Attributes

- Center of Excellence on U.S./Mexican border policy and issues
- Border biomedical research center
- Focus on science & engineering relevant to regional opportunities and needs
- Focus on border social and economic development programs
- Annual fundraising in top 200 nationally

18

Institution: UT El Paso

Expansion Directions

- Environmental S&E, energy, structural Bio
- Biology and Border Biomedical Research
- Geosciences, Computer science & engineering, Structural Biology
- Geographical information systems
- Add Ph.D. programs in S&E
- Achieve critical mass of faculty in strategic areas and basic fields

19

Institution: UT El Paso

Issues and Conclusions

- Needs to find reliable, high stature biomedical partner
- Close to Carnegie Research-Extensive status, can achieve in a few years
- Can progress to Tier 1 in about 15 years

20

Institution: UT San Antonio

Strengths

- Four years of major reforms instituted by new President
- Community desires top ranked university
- Proximity and linkage with high stature local research institutions
- Ten new endowed chairs as a base for development campaign

21

Institution: UT San Antonio

Weaknesses

- Lack of S&E research experience at the top
- Low level of research
- Subcritical size of many departments
- Lack of Ph.D. programs in strategic departments
- Recruitment rates, anticipated research efficiency, facility planning – overly ambitious

22

Institution: UT San Antonio

Noteworthy Attributes

- Rapid enrollment growth
- Focus areas in biological sciences, neurosciences, biomedical engineering and other areas that make for good linkages to excellent local institutions

23

Institution: UT San Antonio

Current Research Strength & Expansion Capabilities

- Neurosciences
- Cell and Molecular biology
- Microbial pathogenesis
- Bioinformatics and genomics, biomedical engineering
- Research programs in College of Education

24

Institution: UT San Antonio

Actions and Priorities

- Build on biological sciences, chemistry and biomedical engineering
- Ph.D. granting authority in basic S&E when they can be accredited
- Don't weaken basic fields to build interdisciplinary
- Develop realistic and credible strategic plan for student and research expansion
- Needs strong development program

25

Institution: UT San Antonio

Issues and Conclusions

- Scale back goals to achievable levels
- Slow recruiting plans
- Control enrollment growth
- Might achieve Carnegie Research-Extensive status by end of decade
- Can reach Tier 1 status in about 20 years

26

UT Developing Campuses

Issues for Consideration in Research Expansion
for the Future of the Four Campuses

May 13, 2004

1

Overview - Regional Role

- South, East, and West Texas regions are economically underdeveloped relative to state and national metrics
- Regional economic development highly dependent on strong university education, research, and outreach programs

2

Overview - Regional Role (cont.)

- Economic development opportunities linked to implementable research in health, education (K-12), and business-related topics
- Strong community leadership involvement and support exists throughout – exceptional at UT Tyler and UT Brownsville/TSC

3

Overview: Regional Impact

- The four institutions represent a very substantial direct contribution to the economies of their regions (jobs and purchases)
- The four educate much of the college-educated workforce in their regions

4

Overview – Regional Impact (cont.)

- The four educate/certify many/most teachers in their regions who then educate K-12 students who enter a regional college or directly enter the regional workforce
- Research performed at the four fuels innovational and qualitative improvement in regional businesses, K-12 schools, and health care delivery

5

Overview: Competitive Position

- For FY2000, only UTPA at 378th ranked among the top 589 U.S. universities in research expenditures (National Science Foundation rankings)
- For FY2002, research expenditure totals were:
 - UTPA \$2.606 M
 - UTB \$1.287 M
 - UTPB \$0.981 M
 - UTT \$0.376 M

(Texas Higher Education Coordinating Board)

6

Overview: Research Initiation/Collaboration

- Regional research collaborations could be more fully developed to the benefit of community citizenry, businesses and institutions (students and faculty)
- Three of the four campuses (UTB, UTPA, and UTT) have RAHC or UTHC neighbors, affording diverse collaborative research opportunities

7

Overview: Research Initiation/Collaboration

(cont.)

- All four campuses have additional research opportunities in collaboration with research-intensive Texas campuses and other research agencies (federal and state)
- Nationally competitive research initiation/collaboration stimulus and review needed for all four campuses

8

Overview: Research Transition Issues

- Transition of faculty culture and institutional facilities toward carefully selected research program development opportunities required (some now underway)
- Departmental leadership for nationally competitive research transition relatively untested

9

Overview – Research Transition Issues (cont.)

- Oversight (with outside peer review) of research programs, faculty appointments, and facility investments needed during transition
- Transitional priorities must include balance of investment in evolving research programs and burgeoning educational programs

10

Overview: Transitional Constraints

- Education mission critical: largely non-traditional students (part-time, commuters, family responsibilities, employed, high financial need)
- Limited on-campus student housing (grad & undergrad)

11

Overview: Transitional Constraints (cont.)

- Rapid enrollment increases have led to high faculty teaching loads
- Faculty cultures and standards generally focused on teaching much more than research
- Without research opportunities, research-skilled faculty difficult to recruit and to retain if recruited

12

Institution: UT Brownsville/TSC

Distinctions

- Successful melding of university and community college leadership and culture
- Internationally recognized gravitational-wave physics research faculty and program a model for other departments/ universities

13

Institution: UT Brownsville/TSC

Distinctions (cont.)

- Strong community linkages for economic development, K-12 education, and international commerce (new ITEC campus)
- Co-located RAHC facility with Public Health research focus

14

Institution: UT Brownsville/TSC

Issues

- Very rapid growth in non-traditional student population strains all resources
- Faculty vacancies, particularly Education, exacerbate teaching load pressures

15

Institution: UT Brownsville/TSC

Issues (cont.)

- Articulation between TSC curriculum and UTB undergraduate curriculum needs improvement
- Collaboration opportunities with UTPA underdeveloped

16

Institution: UT Pan American

Distinctions

- Active Ph.D. program in Business with international focus
- Research programs in School of Education having strong qualitative impact on regional K-12 schools, therefore, incoming college students

17

Institution: UT Pan American

Distinctions (cont.)

- Developing research strength in Engineering, Science, and Mathematics led by capable and energetic faculty
- Potential research synergy with on-site RAHC Research Facility (UTSA)
- Core faculty capability in Arts and Humanities

18

Institution: UT Pan American

Issues

- Presidential search underway
- New strategic plan needed for priority academic growth areas and facilities planning
- Policy for teaching loads/research release time needs revision

19

Institution: UT Pan American

Issues (cont.)

- Mentoring efforts for younger tenure-track faculty needs strengthening
- Collaborations with UTB a missed opportunity

20

Institution: UT Permian Basin

Distinctions

- Superb Fine Arts facility for educational and community outreach programs
- John Ben Shepperd Public Leadership Institute gives UTPB statewide visibility among prospective students and parents
- School of Business, with strong leadership and research potential, moving to first UTPB professional accreditation

21

Institution: UT Permian Basin

Distinctions (cont.)

- Strong relationship with Midland College for course offerings and space use (other CC relationships developing)
- Distance-learning ranks second in Texas for number of on-line courses

22

Institution: UT Permian Basin

Issues

- Incomplete strategic plan for the future
- Lack of promulgated policies on criteria for faculty promotion, renewal, and tenure that include research
- Poor overall faculty research productivity (82% of faculty submitted no proposals last year)

23

Institution: UT Permian Basin

Issues (cont.)

- Lowest teaching loads among four campuses – most faculty have research waivers
- Little faculty accountability for producing research proposals – one faculty member accounted for over 70% of funded research last year
- Minimal collaboration with research-intensive, Ph.D.-granting universities

24

Institution: UT Tyler

Distinctions

- High academic quality undergraduates: SAT & GPA metrics
- Strong and developing collaboration with UTHCT in graduate research, educational programs, and “tech transfer” (new Biomedical Institute)

25

Institution: UT Tyler

Distinctions (cont.)

- Some effective linkages to other Ph.D.-granting institutions to “bootstrap” indigenous doctoral programs and enhance graduate “feeder” role
- Early recognition of catalytic role in health, K-12 education, and business sectors for regional economic development

26

Institution: UT Tyler

Issues

- Classroom capacities restricted (buildings designed for smaller, upper-division class sizes)
- Laboratory space for teaching and research inadequate in science and engineering (constrained elsewhere)

27

Institution: UT Tyler

Issues (cont.)

- Limited on-campus student housing
- Academic performance “gap” issues for community college transfer students suggests regular, focused coordination required

28

- J. RECESS TO EXECUTIVE SESSION
1. U. T. Board of Regents: Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Texas Government Code Section 551.071
- a. **U. T. Health Science Center – Houston: Discussion and appropriate action regarding proposed settlement of insurance proceeds related to Tropical Storm Allison**
 - b. **U. T. System: Discussion and appropriate action related to pending State claims against Medco**
2. U. T. Board of Regents: Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property - Texas Government Code Section 551.072
- U. T. System: Authorization to execute an amendment to surface lease no. 6762 between the Board of Regents of The University of Texas System and Domaine Cordier U.S.A., Inc., covering approximately 1,110 acres of land located in Pecos County, Texas, to provide for a fixed royalty**
3. U. T. Board of Regents: Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Texas Government Code Section 551.074
- a. **U. T. System: Consideration of personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents and U. T. System officers and employees**
 - b. **U. T. System: Consideration of personnel matters relating to evaluation of presidents and U. T. System officers and employees**
 - c. **U. T. Dallas and U. T. Pan American: Consideration of individual personnel matters related to Presidential Searches**
- K. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEMS
- L. ADJOURN



**TABLE OF CONTENTS
FOR
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW
COMMITTEE**

Committee Meeting: 5/12/2004

Austin, Texas

Board Meeting: 5/13/2004

Austin, Texas

Robert A. Estrada, Chairman

Rita C. Clements

Judith L. Craven, M.D.

Woody L. Hunt

Cyndi Taylor Krier

	Committee Meeting	Board Meeting	Page
A. CONVENE	<i>1:00 p.m. Chairman Estrada</i>		
B. RECESS TO EXECUTIVE SESSION	<i>1:00 p.m.</i>		17
1. U. T. Board of Regents: Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – <u>Texas Government Code Section 551.071</u>	<i>Mr. Godfrey</i>	Not on Agenda	
2. U. T. Board of Regents: Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – <u>Texas Government Code Section 551.074</u>		Not on Agenda	
a. U. T. System: Evaluation and duties of System and component employees involved in audit and compliance functions			
b. U. T. M. D. Anderson Cancer Center: Discussion of individual personnel issues	Report <i>Mr. Dan Fontaine Ms. Carrie Lyons Dr. Shine</i>		
C. RECONVENE IN OPEN SESSION			
1. U. T. System: Report on Status of Sarbanes-Oxley initiative and revised Sarbanes-Oxley Action Plan	<i>1:10 p.m.</i> Report <i>Mr. Wallace Mr. Chaffin</i>	Not on Agenda	17
2. U. T. System: Report on Management Audit of University Lands - West Texas Operations	<i>1:17 p.m.</i> Report <i>Mr. Chaffin Ms. Hagara Mr. Hartmann</i>	Not on Agenda	17

	Committee Meeting	Board Meeting	Page
3. U. T. System: Report on status of segregation of duties and Account Reconciliation Compliance	1:25 p.m. Report <i>Ms. Neidhart</i>	Not on Agenda	18
4. U. T. System: Report on System-wide Audit Activity (Red, Yellow, Green Report)	1:30 p.m. Report <i>Mr. Chaffin</i>	Not on Agenda	20
5. U. T. System: Report on Peer Reviews	1:38 p.m. Report <i>Mr. Chaffin</i> <i>Mr. Mike Peppers</i> <i>Mr. Mike Chrissinger</i>	Not on Agenda	21
6. U. T. System: Report on status of policies and procedures for the receipt, retention, and treatment of complaints received regarding internal controls or auditing matters	1:45 p.m. Report <i>Ms. Fisher</i>	Not on Agenda	21
7. U. T. System: Report on status of System-wide Institutional Compliance Program including Compliance Program Peer Reviews	1:50 p.m. Report <i>Mr. Chaffin</i> <i>Ms. Jody Nelsen</i>	Not on Agenda	25
8. U. T. System: Report on the 3rd Effective Compliance Systems in Higher Education Conference	1:55 p.m. Report <i>Ms. Fisher</i>	Not on Agenda	29
Adjourn	2:00 p.m.		

- A. CONVENE
- B. RECESS TO EXECUTIVE SESSION
- C. RECONVENE IN OPEN SESSION

1. **U. T. System: Report on Status of Sarbanes-Oxley initiative and revised Sarbanes-Oxley Action Plan**

REPORT

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, and Mr. Randy Wallace, Assistant Vice Chancellor - Controller and Chief Budget Officer, will update the Audit, Compliance, and Management Review Committee on the status of the initiative and the Action Plan to Implement the "Spirit" of the Sarbanes-Oxley Act of 2002, including the hiring of an independent audit firm to perform a financial statement audit of the U. T. System. The Action Plan was approved by the Audit, Compliance, and Management Review Committee on November 12, 2003.

2. **U. T. System: Report on Management Audit of University Lands - West Texas Operations**

REPORT

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer; Ms. Kimberly Hagara, Assistant Director of System-wide Compliance; and Mr. Steve Hartmann, Executive Director of West Texas Operations, will report on the results of the Management Audit of University Lands - West Texas Operations.

University Lands - West Texas Operations (ULWTO), a division of the Office of Business Affairs of The University of Texas System, is responsible for managing the University Lands. This includes management in the areas of the Oil, Gas, and Mineral Interests, Surface Interests, and Accounting for University Lands revenue. Additionally, ULWTO manages the Trust Mineral interests for endowments benefiting U. T. System institutions. ULWTO has 44 budgeted employees located in Midland and Austin with an operating budget of \$3.2 million for Fiscal Year 2004.

The objectives of the management review were to

- determine whether ULWTO is actively maximizing income from both the surface and minerals;
- determine whether the staffing level is appropriate;
- determine whether best practices have been applied; and
- determine whether the \$4.7 million investment with the Bureau of Economic Geology (BEG) for Reservoir Characterization Studies has yielded an acceptable return on investment.

The management audit report was issued on March 29, 2004 and was sent to members of the Board on April 2.

3. **U. T. System: Report on status of segregation of duties and Account Reconciliation Compliance**

REPORT

Ms. Sandra Neidhart, Assistant Director of Audits, U. T. System Audit Office, will report on the results of inspections of segregation of duties and account reconciliation compliance activities at each institution. A summary of the inspections is located on Page 19.

**COMPONENT INSPECTION REPORTS
EVALUATION OF STATUS OF IMPLEMENTATION
FEBRUARY 9, 2004**

Background

In June 1999, the Executive Vice Chancellor for Business Affairs of The University of Texas System requested that all institutions implement a monitoring plan for the high-risk area related to financial reconciliations and segregation of duties to ensure that funds were properly accounted for and to reduce the risk of fraud.

In February 2004, as a follow-up to the departmental fraud at the University of North Texas, the System Audit Office requested that the component internal audit departments conduct an inspection of the institutional compliance procedures related to financial reconciliations and segregation of duties at the departmental level. The U. T. System experienced a similar fraud in 1993 which led to the requirement for Internal Control Training, departmental risk assessments, and departmental audits. With the commencement of the Compliance Program in 1998, this issue was designated as System-wide high-risk area.

An inspection is less than an audit and is designed to determine what management says is in place at a particular time. Following the Compliance Program requirements for a high-risk area, the February inspections focused on the following areas: responsible party, risk assessment, training, monitoring, and audits of the high-risk area.

Red, Yellow, Green Designation Guidelines

Based on the reports from the components, the status of the implementation of the required elements of this high-risk compliance area were graded as follows:

Green - There is positive assurance that the program has been implemented, and it is ready to be audited. The report might have minor recommendations to improve the process.

Yellow - Most of the elements are in place, and there is evidence that the institution has taken this area seriously, but has not kept current and needs to improve. The institution has a management responsibilities handbook (MRH), has training, has done some monitoring, but the MRH may not be current, training not recently conducted, or monitoring not current.

Red - Significant parts of the program are not in place. Examples would be that the institution has no MRH or has not updated it in many years, there is no training or no records of training being kept, and/or no monitoring except through internal audits of departments.

Results

Preliminary, draft reports have been provided and a summary of the evaluations are listed below. Final reports, with recommendations and management responses, will be issued for each component and System Administration.

Component	Grade
The University of Texas at Austin	
The University of Texas Medical Branch at Galveston	
The University of Texas M. D. Anderson Cancer Center	
The University of Texas at Brownsville	
The University of Texas-Pan American	
The University of Texas at San Antonio	
The University of Texas Health Science Center at Houston	
The University of Texas Health Science Center at San Antonio	
The University of Texas Health Center at Tyler	
The University of Texas at Arlington	
The University of Texas at Dallas	
The University of Texas at El Paso	
The University of Texas of the Permian Basin	
The University of Texas at Tyler	
The University of Texas Southwestern Medical Center at Dallas	
The University of Texas System Administration	

4. **U. T. System: Report on System-wide Audit Activity (Red, Yellow, Green Report)**

REPORT

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, will report on System-wide audit activity (Red, Yellow, Green Report) for the second quarter, including progress toward audit plan completion.

The second quarter activity report on the Status of Outstanding Significant Recommendations is located on Pages 20.1 to 20.4. Additionally, a list of other audit reports that have been issued by the System-wide audit program, the State Auditor's Office, and the Comptroller of Public Accounts follows on Pages 20.5 to 20.6.

There are two types of audit findings/recommendations: reportable and significant. A "reportable" audit finding/recommendation should be included in an audit report if it is material to the operation, financial reporting, or legal compliance of the audited activity, and the corrective action has not been fully implemented. "Significant" audit findings/recommendations are reportable audit findings/recommendations that are deemed significant at the institutional level by each U. T. component internal audit committee or designee.

Significant audit findings/recommendations are submitted to and tracked by the System Audit Office. Quarterly, the chief business officers are asked for the status of implementation; the internal audit directors verify implementation. A summary report is provided to the Audit, Compliance, and Management Review Committee of the U. T. Board of Regents. Additionally, the Committee members receive a detailed summary of "new" significant recommendations quarterly.

Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	1st Quarter		2nd Quarter		Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")	
			Ranking	# of Significant Findings	Ranking	# of Significant Findings				
1	1998-07	UTHSC - Houston	Federal Contracts & Grants Review		1		1	5/31/2004	Satisfactory	C
2	2000-04	UTHSC - Houston	Medical Service Research & Development Plan Summary of Operations Review		1		1	8/31/2004	Satisfactory	C
3	2000-09	UTAUS	Federal Funds Principal Investigators		4		0	12/31/2003	Completed	C
4	2001-04	UTPA	Internet Security		1		1	5/31/2004	Satisfactory	O
5	2001-08	UTMDACC - Houston	Lotus Notes Environment		3		3	4/1/2005	Satisfactory	O
6	2001-10	UTHSC - San Antonio	Information Security		1		1	9/1/2004	Satisfactory	C, O
7	2001-10	UTMDACC - Houston	Disaster Recovery/Business Continuity Planning		1		1	6/30/2004	Satisfactory	O
8	2001-11	UTTY	Information Technology General Security Review		2		2	9/1/2004	Unsatisfactory	O
9	2002-02	UTHSC - Houston	Environmental & Physical Safety Compliance Program Review		1		1	5/31/2004	Satisfactory	C
10	2002-04	UTB	General Controls Audit of Information Technology		1		1	3/31/2004	Satisfactory	O
11	2002-05	UTARL	Network Support Audit		2		2	8/31/2004	Satisfactory	O
12	2002-05	UTSYS ADM	Office of Information Resources Follow-up		1		1	5/1/2004	Satisfactory	O
13	2002-07	UTHSC - Houston	Healthcare Billing Compliance Review		1		1	5/31/2004	Satisfactory	F, C
14	2002-08	UTHSC - San Antonio	Institutional Compliance Program		2		2	6/30/2004	Satisfactory	C
15	2002-08	UTSYS ADM	Travel and Entertainment Expenditures		1		1	8/31/2004	Satisfactory	O, C
16	2002-09	UTAUS	Travel		2		1	5/31/2004	Satisfactory	O, C
17	2002-09	UTSA	Change in Management Departmental Reviews		1		0	12/31/2003	Completed	O
18	2002-10	UTAUS	Unit Heads		1		1	5/1/2004	Satisfactory	O, C
19	2002-10	UTB	Workforce Training and Continuing Education Audit		1		0	2/1/2004	Completed	F,O
20	2002-10	UTSYS ADM	UTHC - Tyler Clinical Trials		1		1	1/1/2005	Satisfactory	O, F
21	2002-11	UTMDACC - Houston	Audit of Temporary Personnel				1	6/1/2004	-	O
22	2003-02	UTMDACC - Houston	Audit of Change Management				1	9/1/2004	-	O
23	2003-02	UTSYS ADM	Employee Group Insurance - Benefits and Eligibility Systems		1		1	6/1/2004	Satisfactory	O

20.1

Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	1st Quarter		2nd Quarter		Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance	
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")	
24	2003-03	UTPA	General Controls		6		5	5/31/2004	Satisfactory	O
25	2003-05	UTMB - Galveston	Delivery of Operating Room Services		2		2	11/30/2004	Satisfactory	O
26	2003-05	UTMB - Galveston	Pulmonary Care Services		3		0	1/31/2004	Completed	O
27	2003-05	UTMB - Galveston	School of Nursing Change of Management		3		0	11/31/03	Completed	C
28	2003-05	UTHSC - Houston	Harris County Psychiatric Center Vulnerability Assessment		6		0	5/31/2004	Completed	C, O
29	2003-06	UTARL	Internal Audit Office Peer Review		1		1	5/31/2004	Satisfactory	C,O
30	2003-06	UTAUS	University Data Center		1		1	5/31/2004	Satisfactory	O
31	2003-06	UTD	General Controls		2		2	5/31/2004	Satisfactory	C,O
32	2003-07	UTMDACC - Houston	Audit of Payroll Operations				1	12/1/2004	-	O
33	2003-08	UTPA	Center for International Programs		2		1	5/31/2004	Satisfactory	F, C
34	2003-08	UTMB - Galveston	Pharmacy Costs of Goods Sold Review		2		1	6/30/2004	Satisfactory	O, F
35	2003-08	UTMB - Galveston	School of Medicine Office of Student Affairs		5		2	8/31/2004	Satisfactory	C, O
36	2003-08	UTSYS ADM	Office of Information Resources Backup and Recovery		1		0	1/9/2004	Completed	O
37	2003-08	UTSYS ADM	System Available Balances		2		1	7/1/2004	Satisfactory	F
38	2003-09	UTB	Institutional Advancement/Development Office		2		0	12/31/2003	Completed	O
39	2003-09	UTB	Student Activities		2		0	10/1/2003	Completed	O
40	2003-09	UTB	Lab Safety		3		3	8/31/2004	Satisfactory	O
41	2003-09	UTSA	Athletics NCAA Compliance		1		0	1/31/2004	Completed	C
42	2003-09	UTHSC - Houston	Quality Assessment of The Office of Auditing and Advisory Services				8	-	-	C, O
43	2003-09	UTHC - Tyler	Medical Services, Research and Development Plan AFR		3		2	6/1/2004	Satisfactory	O, F
44	2003-09	UTHC - Tyler	General Information Technology Controls		6		6	7/15/2004	Satisfactory	O
45	2003-10	UTD	Internal Audit Office Peer Review		2		1	9/1/2004	N/A - cannot determine until budget process completed	F, C, O
46	2003-10	UTMB - Galveston	Hospital Patient Financial Services Credit Balances Review				1	3/1/2004	-	C, O
47	2003-11	UTAUS	Harry Ransom Humanities Res Ctr		1		1	8/31/2004	Satisfactory	F
48	2003-11	UTSA	Research Development				1	3/31/2004	-	O

20.2

Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	1st Quarter		2nd Quarter		Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance	
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")	
49	2003-11	UTMB - Galveston					1	3/1/2004	-	C, O
50	2003-12	UTARL					2	1/5/2004	-	C
51	2003-12	UTD					1	5/31/2004	-	C, O
52	2003-12	UTPB					1	8/31/2004	-	F
53	2004-01	UTSA					3	3/1/2004	-	C, O
54	2004-01	UTMDACC - Houston					1	8/31/2005	-	O
55	2004-01	UTMDACC - Houston					1	12/1/2004	-	O
56	2004-02	UTAUS					3	8/31/2004	-	C
57	2004-02	UTMB - Galveston					4	7/31/2004	-	F, O
58	2004-02	UTMDACC - Houston					2	9/1/2004	-	F, C
59	2004-02	UTHC - Tyler					2	7/1/2004	-	F, O
60	2004-03	UTB					1	12/1/2004	-	C, O
61	2004-03	UTB					1	7/1/2004	-	O
62	2004-03	UTD					1	12/31/2004	-	C, O
Totals				86			89			

20.3

Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	1st Quarter		2nd Quarter		Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance
			Ranking	# of Significant Findings	Ranking	# of Significant Findings			Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")

STATE AUDITOR'S OFFICE AUDITS

1	2002-05	UTMDACC - Houston		1		1	8/31/2004	Satisfactory	n/a
2	2002-09	UTB		1		1	4/30/2004	Satisfactory	n/a
3	2002-11	UTMB - Galveston				3	4/20/2005	-	n/a
4	2002-11	UTHSC - Houston				3	6/30/2003	-	n/a
5	2002-11	UTMDACC - Houston				3	4/20/2005	-	n/a
6	2003-02	UTAUS		7		4	12/31/2004	Satisfactory	n/a
7	2003-04	UTEP				1	4/30/2004	-	n/a
8	2003-04	UTSA		1		1	4/30/2004	Satisfactory	n/a
9	2003-08	System		1		0	10/31/2004	Completed	n/a
10	2004-02	UTSA				4	12/31/2004	-	n/a
Totals					11	21			

n/a - State Auditor's Office recommendations are significant by definition.

Color Legend:

 Any audit with institutionally significant findings. Not necessarily a failure - just an area that needs high level attention.

 A red audit becomes a yellow when significant progress has been made.

 All issues have been appropriately resolved.

Note: **Completed** - The component Internal Audit Director deems the significant issues have been appropriately addressed and resolved.

Satisfactory - The component Internal Audit Director believes that the significant issues are in the process of being addressed in a timely and appropriate fashion.

Unsatisfactory - The component Internal Audit Director does not feel that the significant issues are being addressed in a timely and appropriate fashion.

Information Received from Internal Audit Directors and Chief Business Officers

Consolidated by: System Audit Office

March 2004

* OTHER U. T. SYSTEM AUDITS COMPLETED - 12/2003 through 2/2004

Month Received by System	Institution	Audit
2003 - 12	UT Austin	Applied Research Laboratories
2003 - 12	UT Austin	Bureau of Business Research (BBR)
2003 - 12	UT Austin	Center for Women's Studies
2003 - 12	UT Austin	Department of Finance
2003 - 12	UT Austin	Division of Instructional Innovation and Assessment
2003 - 12	UT Austin	Extension Instructions & Materials Center
2003 - 12	UT Austin	Germanic Studies
2003 - 12	UT Austin	Information Technology Services
2003 - 12	UT Austin	Institute for Fusion Studies
2003 - 12	UT Austin	Marshall Center for Human Resources
2003 - 12	UT Austin	MCC Building Administration
2003 - 12	UT Austin	Office of University Relations
2003 - 12	UT Austin	Plant Resource Center
2003 - 12	UT Austin	Population Research Center
2003 - 12	UT Austin	Spanish and Portuguese
2003 - 12	UT Austin	Technology, Literacy and Culture Program
2003 - 12	UT Austin	The Department of Government
2003 - 12	UT Dallas	Annual Financial Report
2003 - 12	UT Dallas	Office of the Dean of the Erik Jonsson School of Engineering & Computer Science
2003 - 12	UT Dallas	Sponsored Program Revenues
2003 - 12	UT Dallas	Texas Education Agency (TEA)-Memorandum of Understanding
2003 - 12	UT El Paso	Follow-Up: Model Institutions for Excellence
2003 - 12	UT Permian Basin	Advanced Technology Program Grant
2003 - 12	HSC San Antonio	Family Practice Residency Program Audit Report
2003 - 12	HSC San Antonio	General Controls Review Audit
2004 - 01	UT Arlington	Annual Financial Report Review
2004 - 01	UT Arlington	Departmental Audit-Office of Finance and Administration
2004 - 01	UT Arlington	Departmental Audit-Office of the Provost
2004 - 01	UT Arlington	Outsourced Operations-Food Service Audit
2004 - 01	UT Arlington	Review of Assessment Services
2004 - 01	UT Austin	Biological Sciences
2004 - 01	UT Austin	Center for Agile Technologies (CAT)
2004 - 01	UT Austin	Center for Nano & Molecular Science & Technology
2004 - 01	UT Austin	Civil Engineering
2004 - 01	UT Austin	Department of Advertising
2004 - 01	UT Austin	Department of Computer Sciences
2004 - 01	UT Austin	Department of Electrical and Computer Engineering
2004 - 01	UT Austin	Department of Philosophy
2004 - 01	UT Austin	Division of Rhetoric and Composition
2004 - 01	UT Austin	Petroleum and Geosystems Engineering
2004 - 01	UT Austin	Slavic Languages and Literature
2004 - 01	UT Austin	Texas Archeological Research Lab
2004 - 01	UT Austin	University Research Alliance
2004 - 01	UT Dallas	Follow-Up of Prior Audit Recommendations
2004 - 01	UT El Paso	Accounts Receivable
2004 - 01	UT El Paso	Follow-Up: Information Technology
2004 - 01	UT El Paso	Information Technology Department
2004 - 01	UT San Antonio	Payroll Compliance Program
2004 - 01	UT Southwestern	Institutional Animal Care and Use Committee Review
2004 - 01	UT Southwestern	Internal Quality Assessment Review
2004 - 01	HC Tyler	Family Practice Residency Program AFR Audit FYE 8/31/03
2004 - 01	HC Tyler	Graduate Medical Education Program AFR Audit FYE 8/31/03

Month Received by System	Institution	Audit
2004 - 02	UT Dallas	Segregation of Duties and Account Reconciliations
2004 - 02	UT San Antonio	Endowment Compliance Program
2004 - 02	UT Tyler	Automated Budget System of Texas (ABEST)
2004 - 02	UT Tyler	Carl D. Perkins Vocational & Technical Act Grant FYE 8/31/03
2004 - 02	UT Tyler	Compliance Inspection: Account Reconciliations & Segregation of Duties
2004 - 02	UT Tyler	Environmental Health & Safety Dept Lab Safety Audit FYE 8/31/03
2004 - 02	UT Tyler	IT Vulnerability Report - Action Plan Phase 2
2004 - 02	UT Tyler	IT Vulnerability Report - Phase 2
2004 - 02	UT Tyler	Review of the Annual Financial Report FYE 8/31/03
2004 - 02	HSC San Antonio	Inspection of Reconciliation Monitoring Procedures
2004 - 02	MD Anderson	ARP/ATP Compliance
2004 - 02	MD Anderson	External Financial Audit
2004 - 02	MD Anderson	Follow-Up Review - Round #1
2004 - 02	MD Anderson	General Lab Software Project
2004 - 02	MD Anderson	IT Vulnerability Report - Action Plan Phase 2
2004 - 02	HC Tyler	Inventories Audit FY 2003
2004 - 02	HC Tyler	Office of Pre-Award Services Department Audit FY 2004
2004 - 02	HC Tyler	Office of the President
2004 - 02	UT System	External Relations Change in Management Audit Report FY 2003
2004 - 02	UT System	Office of Health Affairs Change in Management Audit Report
2004 - 02	UT System	System Administration Endowment Compliance Audit Report FY 2004
2004 - 02	UT System	UTIMCO General Controls Audit
2004 - 02	UT System	Vice Chancellor for Admin Change in Management Dept Audit Report

*** STATE AUDITOR'S OFFICE AUDITS COMPLETED - 12/2003 through 2/2004 - NO RECOMMENDATIONS**

Report Issuance Date	Institution	Audit
		No reports completed in this category for this time period.

*** COMPTROLLER OF PUBLIC ACCOUNTS AUDITS COMPLETED - 12/2003 through 2/2004**

Report Issuance Date	Institution	Audit
		No reports completed in this category for this time period.

5. **U. T. System: Report on Audit Peer Reviews**

REPORT

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, will update the Audit, Compliance, and Management Review Committee on Audit Peer Review activities at U. T. System Administration and at each component.

Audit Peer Review reports will be presented by Mr. Mike Peppers, Director of Audit Services at U. T. Medical Branch - Galveston, and Mr. Mike Chrissinger, Director of Internal Audits at U. T. Pan American.

6. **U. T. System: Report on status of policies and procedures for the receipt, retention, and treatment of complaints received regarding internal controls or auditing matters**

REPORT

Ms. Kristi Fisher, System-wide Compliance Supervisor, will report on U. T. System policies and procedures for handling "hotline" reports of suspected non-compliance or wrongdoing. The procedures are described on Pages 22 - 24.

SYSTEM-WIDE COMPLIANCE HOTLINE

POLICIES AND PROCEDURES

Background

In November 2003, the Audit, Compliance, and Management Review Committee of the U. T. System Board of Regents approved an Action Plan to Implement the Spirit of the Sarbanes-Oxley Act of 2002 (Action Plan). The Action Plan requires the establishment of a mechanism (at System Administration and each component institution) for the confidential reporting of concerns or issues involving financial statement preparation and auditing. Additionally, the Action Plan calls for establishing a policy that insures non-retaliation against those who report wrongdoing.

Each University of Texas System (“U. T. System”) component institution has implemented a compliance hotline that provides a confidential mechanism for employees to report instances of suspected non-compliance: (1) outside the normal chain of command; and (2) in a manner that preserves anonymity and assures non-retaliation. Employees should use the institution’s hotline when they are not satisfied with their supervisors' response to a compliance issue, or if they fear retaliation by their supervisors. Employees are encouraged to address compliance concerns through the institution’s normal administrative channels. In the event that the suspected non-compliance is clearly significant or widespread, generally applies to the U. T. System in its entirety, or the caller is uncomfortable reporting the matter to his/her own institution, an additional reporting mechanism may be required.

Objectives

The objective of the System-wide Compliance Hotline (“hotline”) is to provide a confidential reporting mechanism that can address broad, sensitive, or significant non-compliance reports. The System-wide compliance hotline also provides a mechanism for reporting suspected non-compliance directly to the Audit, Compliance, and Management Review Committee of the Board of Regents (“ACMRC”).

The objectives of this document are to:

- Establish a compliance hotline at the system-wide level, including call triage, investigation, and reporting procedures;
- Establish procedures for disseminating component-specific reports received via the system-wide hotline to the appropriate affected component institution(s); and
- Establish a mechanism for reporting suspected non-compliance to the ACMRC.

The procedures within this policy are intended to serve as internal guidelines for administrators to effectively address allegations of wrongdoing.

Supervision

The System-wide Compliance Office and the System Audit Office will jointly supervise the system-wide compliance hotline. The hotline service will be outsourced to an independent third-party provider, The Network, through a standing agreement that includes all U. T. System component entities. Personnel who are trained and employed by The Network will receive the hotline calls. All system-wide compliance hotline calls received by The Network will be logged and reported to the following individuals (System Triage Team) for investigation and response:

- (a) System-wide Compliance Officer / Director of Audits
- (b) Vice Chancellor for Administration
- (c) Vice Chancellor and General Counsel
- (d) Vice Chancellor for Business Affairs

Investigation

Procedures for responding to hotline calls will vary based on the nature of the report and the affected entities. The Network will notify the System Triage Team within 24 hours of receiving a hotline call. After recording the call, the System-wide Compliance Officer will discuss the reported issue with the System Triage Team to determine the appropriate disposition of the issue.

As a general rule, calls regarding suspected non-compliance at a specific component institution will be disseminated to that institution's triage team for investigation and resolution. Although component institutions will be notified of System-wide hotline calls relating to their institution, the System Triage Team may elect to handle the investigation of extraordinary situations through alternate channels. If the compliance issue involves alleged fraud, the investigation will proceed in accordance with the U. T. System fraud policy (Business Procedure Memorandum No. 50). If the call involves a complaint or other management issue, rather than a compliance issue, the complaint will be forwarded to the institutional president for resolution.

The System-wide Compliance Officer is responsible for tracking the disposition of all system-wide hotline calls received. Individuals charged with the investigation and resolution of hotline compliance issues will be responsible for keeping the System-wide Compliance Officer informed of the status of their investigation.

Resolution

All hotline compliance issues shall be resolved as quickly as possible. If the caller identifies himself/herself, the System-wide Compliance Officer (or designee) shall make a follow-up call to the individual within five (5) business days to inform him/her that the compliance issue is being investigated. If the issue has been resolved, that fact shall be communicated to the caller. Confidential information obtained during an investigation shall not be disclosed to the caller.

Reporting

All system-wide hotline calls received will be recorded and tracked by the System-wide Compliance Officer (or designee) and reviewed on a monthly basis. Calls regarding significant compliance issues, particularly those involving financial misstatements or questionable accounting or audit matters, will be reported to the Executive Compliance Committee and the ACMRC on at least a quarterly basis. All records relating to reports made under the provisions of this policy, including notes and correspondence related to investigations, will be retained in accordance with the U. T. System Administration records retention schedule.

Confidentiality

Individuals who report suspected violations or improper financial or operational activities may choose to remain anonymous. If anonymity is requested, no attempt shall be made to identify the individual. However, facts revealed during the course of an investigation may indicate the identity of the reporting individual and, therefore, the anonymity of that individual cannot always be guaranteed. Information provided by the individual, or obtained in the course of investigation, shall be treated as confidential and privileged to the extent permitted by applicable law, including the Texas Public Information Act.

Non-retaliation

Under no circumstances shall a U. T. System employee, supervisor, or officer penalize an individual who provides a report in good faith. U. T. System policy authorizes and encourages employees to provide confidential information regarding possible illegal activities in the workplace without fear of retaliation.

Complaints

While complaints or grievances should be reported in accordance with institutional grievance procedures, the System-wide Compliance hotline is not a complaint hotline. Calls to the hotline should be made in good faith to report misconduct rather than employee dissatisfaction. Only matters involving compliance with a federal or State law, rule, regulation or a U. T. System policy will be investigated.

False Reports

Reports should be made in good faith and to facilitate investigation and corrective action. Any U. T. System employee who knowingly and intentionally files a false report or uses the mechanisms of this policy to make false allegations, or who knowingly and intentionally makes false statements within the course of an investigation, may be subject to disciplinary action in accordance with established institutional policies and procedures.

7. **U. T. System: Report on status of System-wide Institutional Compliance Program including Compliance Program Peer Reviews**

REPORT

Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, will update the Audit, Compliance, and Management Review Committee on the quarterly report of the System-wide Compliance Program, located on Pages 26 - 27. Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis.

Mr. Chaffin will then brief the Committee on the Compliance Program Peer Review process. Ms. Jody Nelsen, Associate Vice President for Administration and Compliance at U. T. Dallas, will discuss the results of Compliance Program Peer Reviews conducted at U. T. Dallas and U. T. Pan American.

A schedule of component peer reviews is located on Page 28.

The University of Texas System

Institutional Compliance Program 2nd Quarter Report Summary Fiscal Year 2004

Program Executive Summary

The purpose of the Institutional Compliance Program is to ensure that the U. T. System, its 15 institutions and UTIMCO are in compliance with all applicable laws, policies, and regulations of the numerous bodies responsible for oversight of higher education institutions. This is achieved through institutional compliance risk assessments, awareness education, and ongoing monitoring. The System-wide Compliance Officer, Mr. Charles Chaffin, is responsible for apprising the Chancellor and Board of Regents of the institutional compliance functions and activities. Each institution has appointed a compliance officer and established an appropriate reporting mechanism for program activities, using Compliance Committees that meet on average quarterly. During the 2nd quarter, 16 of 17 institutional Compliance Committees met. Additionally, no significant organizational changes occurred during the 2nd quarter.

Summary of Quarter Activity

The following monitoring activities were conducted by many of the institutions during the quarter:

Clinical Billing (medical billing that is not appropriately documented and coded) – Quality assurance reviews of clinical providers' documentation and development of documentation guidance and tools.

Endowments (adherence to terms of endowment agreement) – Reviews of policies and procedures; development of expenditure policies; regular review of endowment accounts and expenditures; and review of revenue and expenditure statistics.

Environmental Health & Safety (proper use and handling of dangerous materials, lab safety, and fire safety) - Continual oversight through identification and investigation of safety issues; recommendations for solutions; promotion of safety awareness and monitoring of resolution follow-up; and periodic inspections of labs and buildings.

Fiscal Matters (proper segregation of duties, reconciliations, and inventory counts) – Review of certification by responsible parties that appropriate segregation of duties is maintained and reconciliations completed; completion of an equipment physical inventory and review of the reconciliation of records.

Health Insurance Portability & Accountability Act (adherence to laws and regulations related to confidentiality and security of healthcare data) – Review of policies, procedures and forms; periodic department reviews for appropriate management of patient privacy requests.

Human Resources (adherence to all applicable and required rules, regulations and laws including equal opportunity/affirmative action, leave administration, and fair hiring

practices) – Reviews of policies and procedures; verification of employment information at time of employment; review of vacation/sick leave usage reports; and ongoing training to enhance compliance.

Information Resources/Security (systems integrity/continuity/availability, security regulations, and external access) – Reviews of policies and procedures; performance of detailed vulnerability analysis; periodic penetration testing; testing of back-up and disaster recovery procedures; and periodic monitoring of network activities.

Research (research not conducted in accordance with approved protocol or federal regulations) – Review of all human subject research, consents and forms by the Institutional Review Board; periodic inspection of animal laboratories and reviews of animal research protocols; review of policies and procedures on a periodic basis; and review of conflict of interest forms and management plans.

Assurance activities including inspections, audits and peer reviews, were conducted by several institutions and addressed the following areas: employment discrimination, use and protection of state resources, endowment compliance, conflict of interest and ethics, account reconciliation/procard use, and HIPAA. Additionally, two institutional compliance programs were the subject of peer reviews to assess the status of the program and identify opportunities for improvement.

Training activities were conducted in the areas of environmental health & safety, HIPAA, endowments, general compliance areas and research.

Action Plan Activities

Each institution developed an Action Plan and included the following activities within the focus for FY 2004: enhancement of General Compliance Training and specialized training in high-risk areas; enhancement of compliance awareness and available materials; updating of the compliance risk assessment to include new risks; revision of the Standards of Conduct Guide or Compliance Manual; and enhancement of the confidential reporting line tracking system.

Several of the items identified in the Action Plans are nearing completion, with the others in progress at this time.

**U. T. System-wide Compliance Program
Peer Review Schedule**

	On-Site Assessment Dates	Institution	Status
1	Dec. 8-9	UT Dallas	Completed
2	Feb. 9-11	UT Pan American	Completed
3	Feb. 24-26	UTHSC San Antonio (*training review)	Completed*
4	Apr. 6-8	UTHSC Houston	Completed
5	May 5-7	UT El Paso	In Progress
6	May 17-19	UT Tyler	Confirmed
7	May 24-26	UTHC Tyler	Confirmed
8	June (mid)	UT San Antonio	Scheduling
9	June	UT System Administration	Scheduling
10	June	UT Southwestern	Tentative
11	June	UT Austin	Tentative
12	July	UT MD Anderson	Tentative
13	July	UTMB Galveston	Tentative
14	July	UT Arlington	Tentative
15	August	UT Permian Basin	Tentative
16	August	UT Brownsville	Tentative
17	August	UTIMCO	Tentative

8. **U. T. System: Report on the 3rd Effective Compliance Systems in Higher Education Conference**

REPORT

Ms. Kristi Fisher, U. T. System-wide Compliance Supervisor, will present an overview and results of the 3rd Effective Compliance Systems in Higher Education Conference. The University of Texas System-wide Compliance Program was the primary sponsor of the event, which was held April 20 - 22, 2004, in Austin.



REVISED
5/7/04

TABLE OF CONTENTS
FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 5/12/2004
Austin, Texas
Board Meeting: 5/13/2004
Austin, Texas

Woody L. Hunt, Chairman
John W. Barnhill, Jr.
H. Scott Caven, Jr.
James Richard Huffines
Cyndi Taylor Krier

	Committee Meeting	Board Meeting	Page
Convene	11:30 a.m. Chairman Hunt		
1. U. T. System: Approval of <u>Docket No. 117</u>	Not on Agenda	Action	30
2. U. T. System: Monthly Financial Report	11:30 a.m. Report Mr. Wallace	Not on Agenda	30
3. U. T. Board of Regents: Report on Investments for quarter ended February 29, 2004, and Performance Report by Ennis Knupp + Associates	11:35 a.m. Report Mr. Boldt Mr. Steve Voss Mr. Mike Sebastian	Report	31
4. U. T. System: Permanent University Fund quarterly update	11:45 a.m. Report Mr. Aldridge	Not on Agenda	32
5. U. T. Board of Regents: Approval of annual distributions from the Permanent University Fund, the Permanent Health Fund, and the Long Term Fund	11:50 a.m. Action Mr. Boldt	Action	33
6. U. T. System: Authorization to establish a deferred compensation plan under <u>Internal Revenue Code</u> Section 457(b), to delegate authority to administer the plan, and to authorize conforming changes to Part Two, Chapter VI, Section 9 (Deferred Compensation Plan) of the Regents' <u>Rules and Regulations</u>	11:55 a.m. Action Ms. Mayne	Action	37
7. U. T. Board of Regents: Adoption of Fifth Supplemental Resolution to the Master Resolution establishing the Revenue Financing System Taxable Commercial Paper Note Program and authorization for officers of U. T. System to complete all transactions related thereto	12:00 p.m. Action Mr. Aldridge	Action	38

	Committee Meeting	Board Meeting	Page
8. Approval to amend the Permanent University Fund and General Endowment Fund Investment Policy Statements (New Item)	12:05 p.m. Action <i>Mr. Boldt</i>	Not on Agenda	39a
9. Approval to amend the Short Intermediate Term Fund Investment Policy Statement (New Item)	12:10 p.m. Action <i>Mr. Boldt</i>	Not on Agenda	39i
10. Presentation of Restatement of Historical Endowment Policy Portfolio Returns (New Item)	12:15 p.m. Report <i>Mr. Boldt</i>	Not on Agenda	39k
Adjourn	12:30 p.m.		

1. **U. T. System: Approval of Docket No. 117**

RECOMMENDATION

It is recommended that Docket No. 117, printed on green paper at the back of the Agenda Book beginning on Page Docket - 1, be approved.

It is also recommended that the Board confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to appropriate officials of the respective institution involved.

2. **U. T. System: Monthly Financial Report**

The Monthly Financial Report has been prepared since 1990 to track the financial results of the U. T. System component institutions. The March Monthly Financial Report representing the operating results of the institutions follows on Pages 30.1 - 30.25.

REPORT

The Monthly Financial Report 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.

Consistent with a request at the February 2004 U. T. Board of Regents' meeting, this Report includes the most current information available.

Monthly Financial Report

(Unaudited)

System Office:

*The University of Texas System
Administration*

Academic Components:

*The University of Texas
at Arlington*

*The University of Texas
at Austin*

*The University of Texas
at Brownsville*

*The University of Texas
at Dallas*

*The University of Texas
at El Paso*

*The University of Texas –
Pan American*

*The University of Texas
of the Permian Basin*

*The University of Texas
at San Antonio*

*The University of Texas
at Tyler*

Health Components:

*The University of Texas
Southwestern Medical Center at
Dallas*

*The University of Texas Medical
Branch at Galveston*

*The University of Texas Health
Science Center at Houston*

*The University of Texas Health
Science Center at San Antonio*

*The University of Texas
M.D. Anderson Cancer Center*

*The University of Texas Health
Center at Tyler*

March 2004

**THE UNIVERSITY OF TEXAS SYSTEM
MONTHLY FINANCIAL REPORT
(Unaudited)
FOR THE TWO MONTHS ENDING
March 31, 2004**

**The University of Texas System
Monthly Financial Report**

Foreword

The Monthly Financial Report (MFR) for 2004 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.

In 2004 Long Term Fund (LTF) distributions are being paid entirely from current year investment earnings, rather than a portion being paid from transfers of prior period earnings, as was the case in 2003. This LTF distribution is reflected net of distributions to institutions on System Administration and as positive investment income by the institutions. This prevents double counting of the same income at the system-wide level.

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
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003 (Restated)	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$533,436,437	\$473,607,087	\$59,829,350	12.6%
Sponsored Programs	1,137,330,996	1,065,785,178	71,545,818	6.7%
Net Sales and Services of Educational Activities	86,357,331	83,530,793	2,826,538	3.4%
Net Sales and Services of Hospitals	1,051,146,814	918,969,258	132,177,556	14.4%
Net Professional Fees	410,644,381	368,165,705	42,478,676	11.5%
Net Auxiliary Enterprises	151,702,673	148,945,544	2,757,129	1.9%
Other Operating Revenues	107,911,907	128,845,713	(20,933,806)	-16.2%
Total Operating Revenues	3,478,530,539	3,187,849,278	290,681,261	9.1%
Operating Expenses				
Salaries and Wages	2,239,936,757	2,130,057,474	109,879,283	5.2%
Payroll Related Costs	544,754,734	552,545,649	(7,790,915)	-1.4%
Professional Fees and Contracted Services	100,827,507	94,530,214	6,297,293	6.7%
Other Contracted Services	180,921,994	170,973,832	9,948,162	5.8%
Scholarships and Fellowships	308,772,579	273,457,467	35,315,112	12.9%
Travel	44,014,410	43,011,175	1,003,235	2.3%
Materials and Supplies	450,082,804	429,510,114	20,572,690	4.8%
Utilities	90,881,825	88,082,373	2,799,452	3.2%
Telecommunications	33,788,857	33,768,298	20,559	0.1%
Repairs and Maintenance	67,037,624	57,225,710	9,811,914	17.1%
Rentals and Leases	43,971,716	40,895,312	3,076,404	7.5%
Printing and Reproduction	19,375,812	20,416,352	(1,040,540)	-5.1%
Bad Debt Expense	9	3,131	(3,122)	-99.7%
Claims and Losses	3,469,870	3,897,187	(427,317)	-11.0%
Federal Sponsored Programs Pass-Throughs	12,225,460	12,843,082	(617,622)	-4.8%
Depreciation and Amortization	201,353,794	188,138,521	13,215,273	7.0%
Other Operating Expenses	238,483,986	231,670,960	6,813,026	2.9%
Total Operating Expenses	4,579,899,738	4,371,026,851	208,872,887	4.8%
Operating Loss	(1,101,369,199)	(1,183,177,573)	81,808,374	6.9%
Other Nonoperating Adjustments				
State Appropriations	949,932,762	965,544,357	(15,611,595)	-1.6%
Gift Contributions for Operations	112,421,007	117,280,480	(4,859,473)	-4.1%
Net Investment Income	259,273,331	232,809,597	26,463,734	11.4%
Interest Expense on Capital Asset Financings	(53,826,498)	(49,544,276)	(4,282,222)	-8.6%
Net Other Nonoperating Adjustments	1,267,800,602	1,266,090,158	1,710,444	0.1%
Adjusted Income (Loss)	166,431,403	82,912,585	83,518,818	100.7%
Adjusted Margin (as a percentage)	3.5%	1.8%		
Long Term Fund Transfer	0	0	0	0.0%
Available University Fund Transfer	0	0	0	0.0%
Realized Investment Gains (Losses)	776,076,731	(309,206,854)	1,085,283,585	351.0%
Adj. Inc. (Loss) with Transfers & Realized Gains (Losses)	\$942,508,134	(\$226,294,269)	\$1,168,802,403	516.5%
Adj. Margin % with Transfers & Realized Gains (Losses)	16.9%	-5.4%		

The University of Texas System
Comparison of Year-to-Date FY 2004 Adjusted Income (Loss)
to Year-to-Date FY 2003 Adjusted Income (Loss)
For the Seven Months Ending March 31, 2004

	<u>Year-to-Date FY2004 Adjusted Income (Loss)</u>	<u>Year-to-Date FY2003 Adjusted Income (Loss) (Restated)</u>	<u>Variance of Current Year-to-Date to Prior Year-to-Date</u>	<u>Fluctuation Percentage</u>
U. T. System Administration	\$59,546,051	\$68,833,241	(\$9,287,190)	-13.5%
U. T. Arlington	10,780,684	9,504,394	1,276,290	13.4%
U. T. Austin	91,171,273	70,751,497	20,419,776	28.9% (1)
U. T. Brownsville	2,110,088	1,241,713	868,375	69.9%
U. T. Dallas	(1,557,868) (2)	417,373	(1,975,241)	-473.3%
U. T. El Paso	2,180,521	1,687,295	493,226	29.2%
U. T. Pan American	6,453,362	3,749,269	2,704,093	72.1% (3)
U. T. Permian Basin	159,237	183,238	(24,001)	-13.1%
U. T. San Antonio	4,623,941	3,165,314	1,458,627	46.1%
U. T. Tyler	(517,695) (4)	(411,722)	(105,973)	-25.7%
U. T. Southwestern Medical Center - Dallas	5,074,881	(1,485,097)	6,509,978	453.6% (5)
U. T. Medical Branch - Galveston	(14,787,929)	(30,700,132)	15,912,203	51.8% (6)
U. T. Health Science Center - Houston	8,570,790	(10,992,868)	19,563,658	178.0% (7)
U. T. Health Science Center - San Antonio	16,001,123	8,241,007	7,760,116	94.2% (8)
U. T. M. D. Anderson Cancer Center	38,436,920	30,936,529	7,500,391	24.2%
U. T. Health Center - Tyler	1,979,357	(4,351,348)	6,330,705	145.5% (9)
Elimination of AUF Transfer	(63,793,333)	(67,907,118)	4,113,785	6.1%
Total Adjusted Income (Loss)	166,431,403	82,912,585	83,518,818	100.7%
Realized Investment Gains (Losses)	776,076,731	(309,206,854)	1,085,283,585	351.0% (10)
Total Adjusted Income (Loss) with Transfers and Realized Gains (Losses)	\$942,508,134	(\$226,294,269)	\$1,168,802,403	516.5%

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Seven Months Ending March 31, 2004

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.

- (1) U. T. Austin – The \$20.4 million (28.9%) increase in adjusted income over the same period last year was primarily due to a \$17 million increase in fall and spring tuition rates and fees. Additionally benefits expense decreased by \$4.6 million due to a decline in group insurance premiums, premium sharing and changes in eligibility requirements.
- (2) U. T. Dallas – The \$1.6 million year-to-date net loss was primarily due to decreased state appropriations and increased depreciation expense. Two new buildings were placed into service in 2003, the Callier North building and the School of Management building. U. T. Dallas is anticipating ending the year with a \$2 million negative margin, due to the increased depreciation expense and decreased state appropriations. U. T. Dallas is in the process of realigning budget spending authority to curtail operating expenses during the remainder of the year to alleviate the negative impact of the reduced appropriations.
- (3) U. T. Pan-American - The \$2.7 million (72.1%) increase in adjusted income over the same period last year was primarily due to additional revenues resulting from a 9% increase in both headcount and semester credit hours for the fall and spring semesters, as well as an increase in statutory designated tuition rates.
- (4) U. T. Tyler - The \$518,000 year-to-date net loss was primarily due to the furnishing of two new buildings placed into service in the first month of the year, the Herrington Patriot Center and the Braithwaite Nursing Building. The new buildings created temporarily higher materials costs related to outfitting the buildings with furniture and equipment. In addition, U. T. Tyler awarded \$1 million of additional institutionally funded scholarships as compared to last year. An anticipated increase in summer enrollment will allow U. T. Tyler to end the year with a small positive margin.
- (5) U. T. Southwestern Medical Center – Dallas – The \$6.5 million (453.6%) increase in adjusted income over the same period last year was primarily due to increased gift contributions of \$5.8 million from prior year levels. The largest gifts were for the Clinical Services Initiative, the Continuing Education program, and the Alliance for Cellular Signaling program.
- (6) U. T. Medical Branch – Galveston – The \$15.9 million (51.8%) improvement in adjusted loss over the same period last year was primarily due to reduced expenses from reductions in force, reduction of discretionary expenses, process improvements and efficiency gains. While it appears that expenses have increased slightly between years, this increase is overstated given the inflationary pressures in clinical operations and the fact that total patient care volumes have grown 8%. Volume driven revenue increases typically result in increased patient expenses. UTMB Galveston has also implemented revenue enhancements through increased pricing, improved documentation and coding, renegotiation of managed care contracts, improved eligibility screening and improved follow-up. UTMB Galveston is performing better financially despite the significant revenue reductions by the state.

UTMB Galveston's management is projecting a negative margin of \$27 million for 2004. This projected loss includes \$45.3 million in noncash depreciation expense; therefore, cash flow from operations is projected to be a positive \$18.3 million. Additionally, the \$27 million loss does not include nonoperating revenue for capital gifts from the Sealy Smith Foundation of \$20.6 million. UTMB Galveston is the sole beneficiary of the Sealy Smith Foundation, and Foundation gifts are integral to UTMB Galveston's financial success. The positive effects of UTMB Galveston's revenue improvement and cost reduction plans implemented to offset the effects of the financial challenges discussed above have not fully taken effect. UTMB Galveston will continue to have narrow margins as over 80% of clinical revenues are generated from government payors whose rate increases are not keeping pace with inflation. UTMB Galveston will continue to modify revenue enhancement and cost reduction plans as necessary to achieve financial goals for FY2004.
- (7) U. T. Health Science Center – Houston – The \$19.6 million (178%) increase in adjusted income over the same period last year was primarily due to decreased expenses in other contracted services of \$7.9 million and materials and supplies of \$3.6 million as a result of expense controls in place to limit spending as part of the cost-cutting plan. Additionally, there was an

attributable to an increase in the fee schedule and improved collection efforts.

- (8) U. T. Health Science Center – San Antonio – The \$7.8 million (94.2%) increase in adjusted income over the same period last year was primarily due to a \$3.6 million increase in net investment income due to the sale of a security and higher returns on investments. Additionally, there was a \$5.5 million increase in contractual revenues resulting from new contracts with the Veterans' Administration Hospital.
- (9) U. T. Health Center – Tyler – The \$6.3 million (145.5%) increase in adjusted income over the same period last year was primarily due to increased state appropriations of \$2.3 million due to North East Texas Initiative (NETI) funding being available for current operations, rather than capital expenditures. NETI is the collaborative effort of 15 higher education institutions to bring distance learning instruction to 50 rural Northeast Texas counties. The NETI network was brought on-line in 2003. Additionally, gift contributions increased \$1.4 million due to a large gift from the Emaline Chamblee estate. Net sales and services of hospitals increased \$1.1 million due to rate increases in January and August 2003. Professional fees and contracted services expense decreased \$719,000 due to lower contract nursing charges as UTHC – Tyler has hired more full-time nurses.
- (10) Realized Investment Gains (Losses) – The \$1,085.3 million (351%) improvement in realized investment gains/(losses) over the same period last year was due to improved financial market conditions. Of the \$776.1 million year-to-date gains, \$499.3 million related to the Permanent University Fund (PUF), \$222.4 million related to the Long Term Fund (LTF) and \$54.4 million related to the Permanent Health Fund (PHF).

GLOSSARY OF TERMS

OPERATING REVENUES:

STUDENT TUITION AND FEES – All student tuition and fee revenues earned at the U.T. component institution for educational purposes.

SPONSORED PROGRAMS – Funding received from local, state and federal governments or private agencies, organizations or individuals. 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 U.T. 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 U.T. 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 non profit healthcare company revenues, donated drugs, interest on student loans, etc.)

TOTAL OPERATING REVENUES – U.T. component institutionally generated funding needed to meet current fiscal year operating expenses.

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.

PAYROLL RELATED COSTS – Expenses for all employee benefits paid by the institution or paid by the state on behalf of the institution.

PROFESSIONAL FEES AND CONTRACTED 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 Contracted Services. Includes such items as temporary employment expenses, fully insured medical plans expenses, janitorial services, dry cleaning services, etc.

SCHOLARSHIPS AND FELLOWSHIPS – Payments made for scholarship grants to students authorized by law.

TRAVEL – Payments for travel costs incurred during travel by employees, board or commission members and elected/appointed officials on state business.

MATERIALS AND SUPPLIES – Payments for consumable items. Includes, but is not 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, thermal energy and waste disposal.

TELECOMMUNICATIONS - 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. Includes, but is not 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 and judgments are considered nonoperating expenses.

FEDERAL SPONSORED PROGRAMS PASS-THROUGHS – Pass-throughs to other Texas state agencies, including other universities, of federal grants and contracts.

STATE SPONSORED PROGRAMS PASS-THROUGHS – Pass-throughs to other Texas state agencies, including Texas universities.

DEPRECIATION AND AMORTIZATION – Estimated depreciation and amortization expense.

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.).

TOTAL OPERATING EXPENSES – Total operating expenses for U.T. System component institution.

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

OTHER NONOPERATING ADJUSTMENTS:

STATE APPROPRIATIONS – Appropriations from the State General Revenue fund, which supplement the U.T. component institutional revenue in meeting operating expenses, such as faculty salaries, utilities, and institutional support. Also includes Higher Education Assistance Funds (HEAF), which is a source of state appropriated general revenue to U.T. Brownsville and U.T. Pan American. HEAF funds are appropriated for construction, library and equipment expenses for Texas public universities that do not benefit from the Permanent University Fund (PUF) bond proceeds.

GIFT CONTRIBUTIONS FOR OPERATIONS – Consist of public and private gifts used in current operations, excluding gifts for capital acquisition and endowment gifts.

NET INVESTMENT INCOME – Interest and dividend income, Long Term Fund and Permanent Health Fund distributions paid from current year income and patent and royalty income.

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.

NET OTHER NONOPERATING ADJUSTMENTS – Sum of the other nonoperating adjustments.

ADJUSTED INCOME (LOSS) – Total operating revenues less total operating expenses plus net other nonoperating adjustments.

ADJUSTED MARGIN (as a percentage) – Percentage of Adjusted Income (Loss) divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

LONG TERM FUND TRANSFER – At the institutional level, includes Long Term Fund fixed payouts approved by the Board of Regents less amounts reported as Net Investment Income. Investment income and realized gains and losses are recognized by System Administration when earned; however, the institutions do not recognize the income until their fixed payout is received. On the MFR, investment income for System Administration has been reduced for the amount of the transfer so as not to overstate investment income.

AVAILABLE UNIVERSITY FUND TRANSFER – Includes Available University Fund (AUF) transfer to System Administration for Educational and General operations and to U.T. 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.

REALIZED INVESTMENT GAINS (LOSSES) – Realized gains and losses on endowment funds managed by UTIMCO.

TOTAL ADJUSTED INCOME (LOSS) WITH TRANSFERS AND REALIZED GAINS (LOSSES) – Total Adjusted Income including LTF and AUF Transfers and Realized Gains (Losses).

UNAUDITED
The University of Texas System Administration
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	<u>March</u> <u>Year-to-Date</u> <u>FY 2004</u>	<u>March</u> <u>Year-to-Date</u> <u>FY 2003</u>	<u>Variance of</u> <u>Current Year-to-Date</u> <u>to Prior Year-to-Date</u>	<u>Fluctuation</u> <u>Percentage</u>
Operating Revenues				
Sponsored Programs	\$ 1,071,500	\$0	\$1,071,500	100.00%
Net Sales and Services of Educational Activities	6,038,897	9,630,658	(3,591,761)	-37.3%
Other Operating Revenues	16,463,941	41,044,601	(24,580,660)	-59.9%
Total Operating Revenues	<u>23,574,338</u>	<u>50,675,259</u>	<u>(27,100,921)</u>	<u>-53.5%</u>
Operating Expenses				
Salaries and Wages	12,758,177	11,866,474	891,703	7.5%
Employee Benefits and Related Costs	2,579,242	2,438,314	140,928	5.8%
Professional Fees and Contracted Services	2,580,247	3,123,883	(543,636)	-17.4%
Other Contracted Services	4,263,675	3,492,477	771,198	22.1%
Scholarships and Fellowships	66,657	0	66,657	100.0%
Travel	486,488	374,139	112,349	30.0%
Materials and Supplies	3,555,796	2,085,553	1,470,243	70.5%
Utilities	16,766	15,416	1,350	8.8%
Telecommunications	461,337	604,008	(142,671)	-23.6%
Repairs and Maintenance	487,912	300,610	187,302	62.3%
Rentals and Leases	282,842	280,566	2,276	0.8%
Printing and Reproduction	98,747	115,610	(16,863)	-14.6%
Claims and Losses	3,469,870	3,897,187	(427,317)	-11.0%
Depreciation and Amortization	875,204	925,981	(50,777)	-5.5%
Other Operating Expenses	1,270,399	6,315,572	(5,045,173)	-79.9%
Total Operating Expenses	<u>33,253,359</u>	<u>35,835,790</u>	<u>(2,582,431)</u>	<u>-7.2%</u>
Operating Loss	<u>(9,679,021)</u>	<u>14,839,469</u>	<u>(24,518,490)</u>	<u>-165.2%</u>
Other Nonoperating Adjustments				
State Appropriations	582,742	534,550	48,192	9.0%
Gift Contributions for Operations	328,040	592,896	(264,856)	-44.7%
Net Investment Income	69,202,429	106,641,012	(37,438,583)	-35.1%
Interest Expense on Capital Asset Financings	(17,172,891)	(18,205,603)	1,032,712	5.7%
Net Other Nonoperating Adjustments	<u>52,940,320</u>	<u>89,562,855</u>	<u>(36,622,535)</u>	<u>-40.9%</u>
Adjusted Income (Loss)	43,261,299	104,402,324	(61,141,025)	-58.6%
Adjusted Margin (as a percentage)	46.2%	65.9%		
Long Term Fund Transfer	0	(50,904,934)	50,904,934	100.0%
Available University Fund Transfer	16,284,752	15,335,851	948,901	6.2%
Adjusted Income (Loss) with Transfers	59,546,051	68,833,241	(9,287,190)	-13.5%
Adjusted Margin % with Transfers	54.1%	56.0%		
Realized Investment Gains (Losses)	776,076,731	(309,206,854)	1,085,283,585	351.0%
Adj. Inc. (Loss) with Transfers & Realized Gains (Losses)	\$835,622,782	(\$240,373,613)	\$1,075,996,395	447.6%
Adj. Margin % with Transfers & Realized Gains (Losses)	94.3%	-129.0%		

UNAUDITED
The University of Texas at Arlington
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$64,777,168	\$59,001,137	\$5,776,031	9.8%
Sponsored Programs	29,487,026	27,033,668	2,453,358	9.1%
Net Sales and Services of Educational Activities	3,178,112	3,363,872	(185,760)	-5.5%
Net Auxiliary Enterprises	11,266,272	9,880,489	1,385,783	14.0%
Other Operating Revenues	2,753,623	2,757,026	(3,403)	-0.1%
Total Operating Revenues	111,462,201	102,036,192	9,426,009	9.2%
Operating Expenses				
Salaries and Wages	77,499,342	75,931,632	1,567,710	2.1%
Employee Benefits and Related Costs	17,177,522	19,148,894	(1,971,372)	-10.3%
Professional Fees and Contracted Services	1,368,790	1,162,914	205,876	17.7%
Other Contracted Services	2,992,061	3,169,394	(177,333)	-5.6%
Scholarships and Fellowships	28,803,161	25,898,824	2,904,337	11.2%
Travel	1,630,074	1,571,222	58,852	3.7%
Materials and Supplies	9,415,159	8,536,397	878,762	10.3%
Utilities	3,663,653	3,502,815	160,838	4.6%
Telecommunications	1,422,159	1,219,742	202,417	16.6%
Repairs and Maintenance	4,410,145	3,147,594	1,262,551	40.1%
Rentals and Leases	1,003,866	1,033,602	(29,736)	-2.9%
Printing and Reproduction	1,335,149	1,358,903	(23,754)	-1.7%
Depreciation and Amortization	5,964,153	4,966,753	997,400	20.1%
Other Operating Expenses	3,359,473	2,842,965	516,508	18.2%
Total Operating Expenses	160,061,171	153,501,131	6,560,040	4.3%
Operating Loss	(48,598,970)	(51,464,939)	2,865,969	5.6%
Other Nonoperating Adjustments				
State Appropriations	59,273,297	60,468,179	(1,194,882)	-2.0%
Gift Contributions for Operations	1,098,459	900,189	198,270	22.0%
Net Investment Income	1,914,377	1,141,262	773,115	67.7%
Interest Expense on Capital Asset Financings	(2,906,479)	(2,142,356)	(764,123)	-35.7%
Net Other Nonoperating Adjustments	59,379,654	60,367,274	(987,620)	-1.6%
Adjusted Income (Loss)	10,780,684	8,902,335	1,878,349	21.1%
Adjusted Margin (as a percentage)	6.2%	5.4%		
Long Term Fund Transfer	0	602,059	(602,059)	-100.0%
Adjusted Income (Loss) with Transfers	\$10,780,684	\$9,504,394	\$1,276,290	13.4%
Adjusted Margin % with Transfers	6.2%	5.8%		

UNAUDITED
The University of Texas at Austin
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date <u>FY 2004</u>	March Year-to-Date <u>FY 2003</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$240,912,224	\$220,391,800	\$20,520,424	9.3%
Sponsored Programs	219,340,263	212,849,818	6,490,445	3.0%
Net Sales and Services of Educational Activities	45,068,219	40,920,377	4,147,842	10.1%
Net Auxiliary Enterprises	88,873,385	88,127,027	746,358	0.8%
Other Operating Revenues	2,836,194	2,565,678	270,516	10.5%
Total Operating Revenues	<u>597,030,285</u>	<u>564,854,700</u>	<u>32,175,585</u>	<u>5.7%</u>
Operating Expenses				
Salaries and Wages	430,327,969	429,569,442	758,527	0.2%
Employee Benefits and Related Costs	95,314,005	99,915,168	(4,601,163)	-4.6%
Professional Fees and Contracted Services	16,653,301	14,114,871	2,538,430	18.0%
Other Contracted Services	26,885,846	23,670,611	3,215,235	13.6%
Scholarships and Fellowships	85,250,352	75,738,966	9,511,386	12.6%
Travel	14,707,267	13,609,272	1,097,995	8.1%
Materials and Supplies	49,633,300	52,197,656	(2,564,356)	-4.9%
Utilities	24,725,732	24,781,131	(55,399)	-0.2%
Telecommunications	7,228,432	6,892,779	335,653	4.9%
Repairs and Maintenance	12,281,163	12,637,490	(356,327)	-2.8%
Rentals and Leases	7,250,582	7,002,083	248,499	3.5%
Printing and Reproduction	5,588,816	6,176,166	(587,350)	-9.5%
Federal Sponsored Programs Pass-Thrus	1,038,904	1,264,130	(225,226)	-17.8%
Depreciation and Amortization	46,583,864	46,647,728	(63,864)	-0.1%
Other Operating Expenses	26,475,497	24,866,191	1,609,306	6.5%
Total Operating Expenses	<u>849,945,030</u>	<u>839,083,684</u>	<u>10,861,346</u>	<u>1.3%</u>
Operating Loss	<u>(252,914,745)</u>	<u>(274,228,984)</u>	<u>21,314,239</u>	<u>7.8%</u>
Other Nonoperating Adjustments				
State Appropriations	190,350,677	188,218,284	2,132,393	1.1%
Gift Contributions for Operations	41,214,978	42,576,283	(1,361,305)	-3.2%
Net Investment Income	58,218,309	28,207,174	30,011,135	106.4%
Interest Expense on Capital Asset Financings	(9,491,279)	(8,539,045)	(952,234)	-11.2%
Net Other Nonoperating Adjustments	<u>280,292,685</u>	<u>250,462,696</u>	<u>29,829,989</u>	<u>11.9%</u>
Adjusted Income (Loss)	27,377,940	(23,766,288)	51,144,228	215.2%
Adjusted Margin (as a percentage)	3.1%	-2.9%		
Long Term Fund Transfer	0	26,610,667	(26,610,667)	-100.0%
Available University Fund Transfer	63,793,333	67,907,118	(4,113,785)	-6.1%
Adjusted Income (Loss) with Transfers	\$91,171,273	\$70,751,497	\$20,419,776	28.9%
Adjusted Margin % with Transfers	9.6%	7.7%		

UNAUDITED
The University of Texas at Brownsville
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date <u>FY 2004</u>	March Year-to-Date <u>FY 2003</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$6,487,588	\$4,982,069	\$1,505,519	30.2%
Sponsored Programs	58,388,507	52,112,224	6,276,283	12.0%
Net Sales and Services of Educational Activities	1,278,452	3,017,047	(1,738,595)	-57.6%
Net Auxiliary Enterprises	431,830	292,644	139,186	47.6%
Other Operating Revenues	4,019	12,245	(8,226)	-67.2%
Total Operating Revenues	<u>66,590,396</u>	<u>60,416,229</u>	<u>6,174,167</u>	<u>10.2%</u>
Operating Expenses				
Salaries and Wages	23,759,424	23,412,662	346,762	1.5%
Employee Benefits and Related Costs	4,573,048	4,680,585	(107,537)	-2.3%
Professional Fees and Contracted Services	929,072	998,047	(68,975)	-6.9%
Scholarships and Fellowships	36,514,016	31,157,656	5,356,360	17.2%
Travel	358,842	390,927	(32,085)	-8.2%
Materials and Supplies	1,860,570	2,055,155	(194,585)	-9.5%
Utilities	1,205,168	1,031,491	173,677	16.8%
Telecommunications	698,401	636,021	62,380	9.8%
Repairs and Maintenance	402,849	420,541	(17,692)	-4.2%
Rentals and Leases	1,125,377	1,423,339	(297,962)	-20.9%
Printing and Reproduction	210,771	209,628	1,143	0.5%
Depreciation and Amortization	1,682,744	1,791,494	(108,750)	-6.1%
Other Operating Expenses	4,770,700	4,177,399	593,301	14.2%
Total Operating Expenses	<u>78,090,982</u>	<u>72,397,694</u>	<u>5,693,288</u>	<u>7.9%</u>
Operating Loss	<u>(11,500,586)</u>	<u>(11,981,465)</u>	<u>480,879</u>	<u>4.0%</u>
Other Nonoperating Adjustments				
State Appropriations	13,519,806	13,495,213	24,593	0.2%
Gift Contributions for Operations	224,076	121,977	102,099	83.7%
Net Investment Income	507,980	240,931	267,049	110.8%
Interest Expense on Capital Asset Financings	(641,188)	(707,397)	66,209	9.4%
Net Other Nonoperating Adjustments	<u>13,610,674</u>	<u>13,150,724</u>	<u>459,950</u>	<u>3.5%</u>
Adjusted Income (Loss)	2,110,088	1,169,259	940,829	80.5%
Adjusted Margin (as a percentage)	2.6%	1.6%		
Long Term Fund Transfer	0	72,454	(72,454)	-100.0%
Adjusted Income (Loss) with Transfers	\$2,110,088	\$1,241,713	\$868,375	69.9%
Adjusted Margin % with Transfers	2.6%	1.7%		

UNAUDITED
The University of Texas at Dallas
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	<u>March Year-to-Date FY 2004</u>	<u>March Year-to-Date FY 2003</u>	<u>Variance of Current Year-to-Date to Prior Year-to-Date</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Student Tuition and Fees	\$49,798,588	\$43,029,307	\$6,769,281	15.7%
Sponsored Programs	19,866,937	15,584,253	4,282,684	27.5%
Net Sales and Services of Educational Activities	2,428,667	2,363,650	65,017	2.8%
Net Auxiliary Enterprises	3,071,170	2,628,999	442,171	16.8%
Other Operating Revenues	1,996,061	3,113,655	(1,117,594)	-35.9%
Total Operating Revenues	<u>77,161,423</u>	<u>66,719,864</u>	<u>10,441,559</u>	<u>15.6%</u>
Operating Expenses				
Salaries and Wages	59,903,805	57,130,186	2,773,619	4.9%
Employee Benefits and Related Costs	11,469,802	13,265,720	(1,795,918)	-13.5%
Professional Fees and Contracted Services	1,092,169	1,210,742	(118,573)	-9.8%
Other Contracted Services	2,976,578	2,900,986	75,592	2.6%
Scholarships and Fellowships	22,296,556	16,814,155	5,482,401	32.6%
Travel	1,472,995	1,225,311	247,684	20.2%
Materials and Supplies	6,684,635	7,098,467	(413,832)	-5.8%
Utilities	3,353,097	3,027,787	325,310	10.7%
Telecommunications	824,620	807,770	16,850	2.1%
Repairs and Maintenance	2,121,802	1,650,854	470,948	28.5%
Rentals and Leases	403,343	713,229	(309,886)	-43.4%
Printing and Reproduction	543,132	555,422	(12,290)	-2.2%
Federal Sponsored Programs Pass-Thrus	155,135	256,127	(100,992)	-39.4%
Depreciation and Amortization	6,569,500	5,486,577	1,082,923	19.7%
Other Operating Expenses	3,066,857	2,747,441	319,416	11.6%
Total Operating Expenses	<u>122,934,026</u>	<u>114,890,774</u>	<u>8,043,252</u>	<u>7.0%</u>
Operating Loss	<u>(45,772,603)</u>	<u>(48,170,910)</u>	<u>2,398,307</u>	<u>5.0%</u>
Other Nonoperating Adjustments				
State Appropriations	38,826,141	42,366,488	(3,540,347)	-8.4%
Gift Contributions for Operations	2,497,624	2,969,351	(471,727)	-15.9%
Net Investment Income	4,698,223	2,522,756	2,175,467	86.2%
Interest Expense on Capital Asset Financings	(1,807,253)	(1,573,885)	(233,368)	-14.8%
Net Other Nonoperating Adjustments	<u>44,214,735</u>	<u>46,284,710</u>	<u>(2,069,975)</u>	<u>-4.5%</u>
Adjusted Income (Loss)	(1,557,868)	(1,886,200)	328,332	17.4%
Adjusted Margin (as a percentage)	-1.3%	-1.6%		
Long Term Fund Transfer	0	2,303,573	(2,303,573)	-100.0%
Adjusted Income (Loss) with Transfers	(\$1,557,868)	\$417,373	(\$1,975,241)	-473.3%
Adjusted Margin % with Transfers	-1.3%	0.4%		

UNAUDITED
The University of Texas at El Paso
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$ 35,807,051	\$33,090,911	\$2,716,140	8.2%
Sponsored Programs	50,247,545	48,204,087	2,043,458	4.2%
Net Sales and Services of Educational Activities	2,259,251	2,049,770	209,481	10.2%
Net Auxiliary Enterprises	12,696,984	14,817,508	(2,120,524)	-14.3%
Other Operating Revenues	72,109	98,445	(26,336)	-26.8%
Total Operating Revenues	101,082,940	98,260,721	2,822,219	2.9%
Operating Expenses				
Salaries and Wages	59,736,124	61,486,089	(1,749,965)	-2.8%
Employee Benefits and Related Costs	13,353,568	15,758,693	(2,405,125)	-15.3%
Professional Fees and Contracted Services	2,844,742	5,116,975	(2,272,233)	-44.4%
Other Contracted Services	6,094,756	5,283,593	811,163	15.4%
Scholarships and Fellowships	37,058,236	34,945,296	2,112,940	6.0%
Travel	2,689,728	2,812,697	(122,969)	-4.4%
Materials and Supplies	9,386,198	10,070,672	(684,474)	-6.8%
Utilities	3,026,471	3,165,789	(139,318)	-4.4%
Telecommunications	505,166	672,954	(167,788)	-24.9%
Repairs and Maintenance	1,891,623	1,616,780	274,843	17.0%
Rentals and Leases	743,744	698,672	45,072	6.5%
Printing and Reproduction	331,550	441,261	(109,711)	-24.9%
Federal Sponsored Programs Pass-Thrus	191,123	389,527	(198,404)	-50.9%
Depreciation and Amortization	5,293,497	4,825,565	467,932	9.7%
Other Operating Expenses	3,004,362	2,129,891	874,471	41.1%
Total Operating Expenses	146,150,888	149,414,454	(3,263,566)	-2.2%
Operating Loss	(45,067,948)	(51,153,733)	6,085,785	11.9%
Other Nonoperating Adjustments				
State Appropriations	42,271,815	48,242,519	(5,970,704)	-12.4%
Gift Contributions for Operations	3,052,715	2,773,682	279,033	10.1%
Net Investment Income	3,690,347	2,216,408	1,473,939	66.5%
Interest Expense on Capital Asset Financings	(1,766,408)	(1,842,855)	76,447	4.1%
Net Other Nonoperating Adjustments	47,248,469	51,389,754	(4,141,285)	-8.1%
Adjusted Income (Loss)	2,180,521	236,021	1,944,500	823.9%
Adjusted Margin (as a percentage)	1.5%	0.2%		
Long Term Fund Transfer	0	1,451,274	(1,451,274)	-100.0%
Adjusted Income (Loss) with Transfers	\$2,180,521	\$1,687,295	\$493,226	29.2%
Adjusted Margin % with Transfers	1.5%	1.1%		

UNAUDITED
The University of Texas-Pan American
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$ 28,552,321	\$24,753,731	\$3,798,590	15.3%
Sponsored Programs	45,830,255	42,850,782	2,979,473	7.0%
Net Sales and Services of Educational Activities	3,054,402	3,696,565	(642,163)	-17.4%
Net Auxiliary Enterprises	4,383,512	3,804,066	579,446	15.2%
Other Operating Revenues	655,506	345,395	310,111	89.8%
Total Operating Revenues	82,475,996	75,450,539	7,025,457	9.3%
Operating Expenses				
Salaries and Wages	40,947,905	38,854,685	2,093,220	5.4%
Employee Benefits and Related Costs	9,488,635	9,833,482	(344,847)	-3.5%
Professional Fees and Contracted Services	370,544	408,306	(37,762)	-9.2%
Other Contracted Services	2,933,455	2,367,954	565,501	23.9%
Scholarships and Fellowships	39,879,971	37,718,312	2,161,659	5.7%
Travel	1,283,066	1,250,041	33,025	2.6%
Materials and Supplies	6,652,456	6,227,715	424,741	6.8%
Utilities	2,691,395	2,203,657	487,738	22.1%
Telecommunications	526,873	619,026	(92,153)	-14.9%
Repairs and Maintenance	804,237	848,687	(44,450)	-5.2%
Rentals and Leases	250,730	237,974	12,756	5.4%
Printing and Reproduction	419,226	413,708	5,518	1.3%
Depreciation and Amortization	3,893,564	4,304,048	(410,484)	-9.5%
Other Operating Expenses	2,012,328	2,322,906	(310,578)	-13.4%
Total Operating Expenses	112,194,305	107,615,198	4,579,107	4.3%
Operating Loss	(29,718,309)	(32,164,659)	2,446,350	7.6%
Other Nonoperating Adjustments				
State Appropriations	35,684,856	35,322,009	362,847	1.0%
Gift Contributions for Operations	792,622	536,021	256,601	47.9%
Net Investment Income	1,397,279	1,332,540	64,739	4.9%
Interest Expense on Capital Asset Financings	(1,703,086)	(1,609,189)	(93,897)	-5.8%
Net Other Nonoperating Adjustments	36,171,671	35,581,381	590,290	1.7%
Adjusted Income (Loss)	6,453,362	3,416,722	3,036,640	88.9%
Adjusted Margin (as a percentage)	5.4%	3.0%		
Long Term Fund Transfer	0	332,547	(332,547)	-100.0%
Adjusted Income (Loss) with Transfers	\$6,453,362	\$3,749,269	\$2,704,093	72.1%
Adjusted Margin % with Transfers	5.4%	3.3%		

UNAUDITED
The University of Texas of the Permian Basin
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$ 6,136,189	\$5,323,606	\$812,583	15.3%
Sponsored Programs	3,803,369	3,365,489	437,880	13.0%
Net Sales and Services of Educational Activities	156,096	136,174	19,922	14.6%
Net Auxiliary Enterprises	651,739	397,370	254,369	64.0%
Other Operating Revenues	174,232	80,583	93,649	116.2%
Total Operating Revenues	10,921,625	9,303,222	1,618,403	17.4%
Operating Expenses				
Salaries and Wages	7,747,814	7,261,835	485,979	6.7%
Employee Benefits and Related Costs	1,714,799	1,713,834	965	0.1%
Professional Fees and Contracted Services	597,390	569,000	28,390	5.0%
Other Contracted Services	545,616	470,356	75,260	16.0%
Scholarships and Fellowships	4,479,982	3,722,322	757,660	20.4%
Travel	419,134	272,130	147,004	54.0%
Materials and Supplies	1,529,447	1,284,302	245,145	19.1%
Utilities	862,818	849,849	12,969	1.5%
Telecommunications	231,683	204,660	27,023	13.2%
Repairs and Maintenance	223,763	251,729	(27,966)	-11.1%
Rentals and Leases	197,599	110,767	86,832	78.4%
Printing and Reproduction	229,979	147,521	82,458	55.9%
Depreciation and Amortization	1,275,435	1,211,231	64,204	5.3%
Other Operating Expenses	480,709	351,588	129,121	36.7%
Total Operating Expenses	20,536,168	18,421,124	2,115,044	11.5%
Operating Loss	(9,614,543)	(9,117,902)	(496,641)	-5.4%
Other Nonoperating Adjustments				
State Appropriations	9,599,177	8,969,408	629,769	7.0%
Gift Contributions for Operations	525,373	422,000	103,373	24.5%
Net Investment Income	326,823	164,064	162,759	99.2%
Interest Expense on Capital Asset Financings	(677,593)	(457,605)	(219,988)	-48.1%
Net Other Nonoperating Adjustments	9,773,780	9,097,867	675,913	7.4%
Adjusted Income (Loss)	159,237	(20,035)	179,272	894.8%
Adjusted Margin (as a percentage)	0.7%	-0.1%		
Long Term Fund Transfer	0	203,273	(203,273)	-100.0%
Adjusted Income (Loss) with Transfers	\$159,237	\$183,238	(\$24,001)	-13.1%
Adjusted Margin % with Transfers	0.7%	1.0%		

UNAUDITED
The University of Texas at San Antonio
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date <u>FY 2004</u>	March Year-to-Date <u>FY 2003</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$ 59,368,273	\$46,900,000	\$12,468,273	26.6%
Sponsored Programs	42,048,869	38,166,564	3,882,305	10.2%
Net Sales and Services of Educational Activities	2,266,376	2,120,193	146,183	6.9%
Net Auxiliary Enterprises	2,984,837	2,531,650	453,187	17.9%
Other Operating Revenues	368,632	351,059	17,573	5.0%
Total Operating Revenues	<u>107,036,987</u>	<u>90,069,466</u>	<u>16,967,521</u>	<u>18.8%</u>
Operating Expenses				
Salaries and Wages	66,577,859	60,280,163	6,297,696	10.4%
Employee Benefits and Related Costs	14,885,686	14,794,253	91,433	0.6%
Professional Fees and Contracted Services	1,388,994	1,363,853	25,141	1.8%
Other Contracted Services	943,405	1,223,251	(279,846)	-22.9%
Scholarships and Fellowships	38,052,975	32,052,799	6,000,176	18.7%
Travel	1,744,968	1,884,763	(139,795)	-7.4%
Materials and Supplies	7,104,128	6,917,582	186,546	2.7%
Utilities	3,336,667	2,552,289	784,378	30.7%
Telecommunications	1,176,439	1,238,618	(62,179)	-5.0%
Repairs and Maintenance	2,664,996	2,561,186	103,810	4.1%
Rentals and Leases	1,435,782	776,945	658,837	84.8%
Printing and Reproduction	688,217	733,966	(45,749)	-6.2%
Federal Sponsored Programs Pass-Thrus	1,993,741	2,129,720	(135,979)	-6.4%
Depreciation and Amortization	6,502,531	5,960,825	541,706	9.1%
Other Operating Expenses	2,127,237	2,022,305	104,932	5.2%
Total Operating Expenses	<u>150,623,625</u>	<u>136,492,518</u>	<u>14,131,107</u>	<u>10.4%</u>
Operating Loss	<u>(43,586,638)</u>	<u>(46,423,052)</u>	<u>2,836,414</u>	<u>6.1%</u>
Other Nonoperating Adjustments				
State Appropriations	47,982,543	48,230,099	(247,556)	-0.5%
Gift Contributions for Operations	1,353,306	1,962,930	(609,624)	-31.1%
Net Investment Income	1,886,872	1,622,191	264,681	16.3%
Interest Expense on Capital Asset Financings	(3,012,142)	(2,677,601)	(334,541)	-12.5%
Net Other Nonoperating Adjustments	<u>48,210,579</u>	<u>49,137,619</u>	<u>(927,040)</u>	<u>-1.9%</u>
Adjusted Income (Loss)	4,623,941	2,714,567	1,909,374	70.3%
Adjusted Margin (as a percentage)	2.9%	1.9%		
Long Term Fund Transfer	0	450,747	(450,747)	-100.0%
Adjusted Income (Loss) with Transfers	\$4,623,941	\$3,165,314	\$1,458,627	46.1%
Adjusted Margin % with Transfers	2.9%	2.2%		

UNAUDITED
The University of Texas at Tyler
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date <u>FY 2004</u>	March Year-to-Date <u>FY 2003</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$ 8,823,452	\$6,671,847	\$2,151,605	32.2%
Sponsored Programs	5,231,695	4,384,729	846,966	19.3%
Net Sales and Services of Educational Activities	278,237	205,781	72,456	35.2%
Net Auxiliary Enterprises	731,140	633,549	97,591	15.4%
Other Operating Revenues	149,494	236,258	(86,764)	-36.7%
Total Operating Revenues	<u>15,214,018</u>	<u>12,132,164</u>	<u>3,081,854</u>	<u>25.4%</u>
Operating Expenses				
Salaries and Wages	12,991,079	12,958,691	32,388	0.2%
Employee Benefits and Related Costs	3,055,516	3,227,194	(171,678)	-5.3%
Professional Fees and Contracted Services	989,939	617,774	372,165	60.2%
Other Contracted Services	1,251,116	1,037,394	213,722	20.6%
Scholarships and Fellowships	6,225,811	5,323,497	902,314	16.9%
Travel	463,680	360,784	102,896	28.5%
Materials and Supplies	2,694,438	1,358,916	1,335,522	98.3%
Utilities	565,677	544,282	21,395	3.9%
Telecommunications	232,377	213,789	18,588	8.7%
Repairs and Maintenance	741,282	436,414	304,868	69.9%
Rentals and Leases	76,880	75,758	1,122	1.5%
Printing and Reproduction	292,477	344,253	(51,776)	-15.0%
Bad Debt Expense	9	803	(794)	-98.9%
Depreciation and Amortization	2,275,000	1,575,000	700,000	44.4%
Other Operating Expenses	476,273	476,974	(701)	-0.1%
Total Operating Expenses	<u>32,331,554</u>	<u>28,551,523</u>	<u>3,780,031</u>	<u>13.2%</u>
Operating Loss	<u>(17,117,536)</u>	<u>(16,419,359)</u>	<u>(698,177)</u>	<u>-4.3%</u>
Other Nonoperating Adjustments				
State Appropriations	15,271,541	14,930,545	340,996	2.3%
Gift Contributions for Operations	495,261	256,991	238,270	92.7%
Net Investment Income	1,433,185	418,842	1,014,343	242.2%
Interest Expense on Capital Asset Financings	(600,146)	(370,431)	(229,715)	-62.0%
Net Other Nonoperating Adjustments	<u>16,599,841</u>	<u>15,235,947</u>	<u>1,363,894</u>	<u>9.0%</u>
Adjusted Income (Loss)	(517,695)	(1,183,412)	665,717	56.3%
Adjusted Margin (as a percentage)	-1.6%	-4.3%		
Long Term Fund Transfer	0	771,690	(771,690)	-100.0%
Adjusted Income (Loss) with Transfers	(\$517,695)	(\$411,722)	(\$105,973)	-25.7%
Adjusted Margin % with Transfers	-1.6%	-1.4%		

UNAUDITED
The University of Texas Southwestern Medical Center at Dallas
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$ 8,944,793	\$8,124,491	\$820,302	10.1%
Sponsored Programs	207,421,280	189,152,164	18,269,116	9.7%
Net Sales and Services of Educational Activities	11,925,796	7,313,965	4,611,831	63.1%
Net Professional Fees	119,019,108	105,326,252	13,692,856	13.0%
Net Auxiliary Enterprises	4,344,097	4,144,741	199,356	4.8%
Other Operating Revenues	5,726,209	6,266,470	(540,261)	-8.6%
Total Operating Revenues	357,381,283	320,328,083	37,053,200	11.6%
Operating Expenses				
Salaries and Wages	238,223,127	223,921,588	14,301,539	6.4%
Employee Benefits and Related Costs	67,362,625	64,346,582	3,016,043	4.7%
Professional Fees and Contracted Services	7,597,121	6,706,533	890,588	13.3%
Other Contracted Services	33,560,773	25,123,187	8,437,586	33.6%
Scholarships and Fellowships	4,360,534	4,180,043	180,491	4.3%
Travel	3,926,481	3,905,148	21,333	0.5%
Materials and Supplies	49,709,330	47,016,983	2,692,347	5.7%
Utilities	10,072,777	10,696,114	(623,337)	-5.8%
Telecommunications	3,413,194	2,940,109	473,085	16.1%
Repairs and Maintenance	3,788,998	2,516,872	1,272,126	50.5%
Rentals and Leases	3,477,293	2,947,743	529,550	18.0%
Printing and Reproduction	1,320,612	1,370,562	(49,950)	-3.6%
Federal Sponsored Programs Pass-Thru	655,763	171,460	484,303	282.5%
Depreciation and Amortization	19,338,809	16,935,054	2,403,755	14.2%
Other Operating Expenses	15,815,586	14,111,202	1,704,384	12.1%
Total Operating Expenses	462,623,023	426,889,180	35,733,843	8.4%
Operating Loss	(105,241,740)	(106,561,097)	1,319,357	1.2%
Other Nonoperating Adjustments				
State Appropriations	67,700,217	64,612,504	3,087,713	4.8%
Gift Contributions for Operations	17,722,454	11,938,466	5,783,988	48.4%
Net Investment Income	29,439,891	25,124,989	4,314,902	17.2%
Interest Expense on Capital Asset Financings	(4,545,941)	(4,760,326)	214,385	4.5%
Net Other Nonoperating Adjustments	110,316,621	96,915,633	13,400,988	13.8%
Adjusted Income (Loss)	5,074,881	(9,645,464)	14,720,345	152.6%
Adjusted Margin (as a percentage)	1.1%	-2.3%		
Long Term Fund Transfer	0	8,210,367	(8,210,367)	-100.0%
Adjusted Income (Loss) with Transfers	\$5,074,881	(\$1,435,097)	\$6,509,978	453.6%
Adjusted Margin % with Transfers	1.1%	-0.3%		

UNAUDITED
The University of Texas Medical Branch at Galveston
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	<u>March</u> <u>Year-to-Date</u> <u>FY 2004</u>	<u>March</u> <u>Year-to-Date</u> <u>FY 2003</u>	<u>Variance of</u> <u>Current Year-to-Date</u> <u>to Prior Year-to-Date</u>	<u>Fluctuation</u> <u>Percentage</u>
Operating Revenues				
Student Tuition and Fees	\$ 6,284,307	\$5,220,955	\$1,063,352	20.4%
Sponsored Programs	97,411,158	104,392,366	(6,981,208)	-6.7%
Net Sales and Services of Hospitals	390,373,763	363,646,778	26,726,985	7.3%
Net Professional Fees	57,037,984	54,404,918	2,633,066	4.8%
Net Auxiliary Enterprises	4,334,562	4,205,623	128,939	3.1%
Other Operating Revenues	12,991,876	10,557,487	2,434,389	23.1%
Total Operating Revenues	<u>568,433,650</u>	<u>542,428,127</u>	<u>26,005,523</u>	<u>4.8%</u>
Operating Expenses				
Salaries and Wages	384,891,692	375,555,044	9,336,648	2.5%
Employee Benefits and Related Costs	95,187,202	100,107,835	(4,920,633)	-4.9%
Professional Fees and Contracted Services	12,186,594	7,245,045	4,941,549	68.2%
Other Contracted Services	42,712,555	45,255,898	(2,543,343)	-5.6%
Scholarships and Fellowships	2,452,034	2,183,226	268,808	12.3%
Travel	2,878,247	3,684,438	(806,191)	-21.9%
Materials and Supplies	82,914,631	85,733,285	(2,818,654)	-3.3%
Utilities	12,500,774	12,345,525	155,249	1.3%
Telecommunications	5,720,425	5,821,961	(101,536)	-1.7%
Repairs and Maintenance	15,322,527	16,216,891	(894,364)	-5.5%
Rentals and Leases	5,699,020	6,112,869	(413,849)	-6.8%
Printing and Reproduction	1,331,062	1,193,070	137,992	11.6%
Federal Sponsored Programs Pass-Thrus	595,206	728,758	(133,552)	-18.3%
Depreciation and Amortization	27,501,659	28,065,185	(563,526)	-2.0%
Other Operating Expenses	65,151,902	66,325,934	(1,174,032)	-1.8%
Total Operating Expenses	<u>757,045,530</u>	<u>756,574,964</u>	<u>470,566</u>	<u>0.1%</u>
Operating Loss	<u>(188,611,880)</u>	<u>(214,146,837)</u>	<u>25,534,957</u>	<u>11.9%</u>
Other Nonoperating Adjustments				
State Appropriations	159,810,390	167,575,150	(7,764,760)	-4.6%
Gift Contributions for Operations	2,858,128	2,193,189	664,939	30.3%
Net Investment Income	12,941,315	10,827,795	2,113,520	19.5%
Interest Expense on Capital Asset Financings	(1,785,882)	(1,093,842)	(692,040)	-63.3%
Net Other Nonoperating Adjustments	<u>173,823,951</u>	<u>179,502,292</u>	<u>(5,678,341)</u>	<u>-3.2%</u>
Adjusted Income (Loss)	(14,787,929)	(34,644,545)	19,856,616	57.3%
Adjusted Margin (as a percentage)	-2.0%	-4.8%		
Long Term Fund Transfer	0	3,944,413	(3,944,413)	-100.0%
Adjusted Income (Loss) with Transfers	(\$14,787,929)	(\$30,700,132)	\$15,912,203	51.8%
Adjusted Margin % with Transfers	-2.0%	-4.2%		

UNAUDITED
The University of Texas Health Science Center at Houston
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$ 8,198,571	\$8,059,107	\$139,464	1.7%
Sponsored Programs	130,519,644	130,780,847	(261,203)	-0.2%
Net Sales and Services of Educational Activities	5,262,540	5,245,620	16,920	0.3%
Net Sales and Services of Hospitals	19,020,373	19,437,835	(417,462)	-2.1%
Net Professional Fees	58,711,844	51,107,216	7,604,628	14.9%
Net Auxiliary Enterprises	7,317,990	7,494,846	(176,856)	-2.4%
Other Operating Revenues	19,828,041	19,907,280	(79,239)	-0.4%
Total Operating Revenues	248,859,003	242,032,751	6,826,252	2.8%
Operating Expenses				
Salaries and Wages	178,223,413	179,813,643	(1,590,230)	-0.9%
Employee Benefits and Related Costs	39,859,640	41,556,295	(1,696,655)	-4.1%
Professional Fees and Contracted Services	30,406,442	31,719,157	(1,312,715)	-4.1%
Other Contracted Services	11,044,611	18,971,590	(7,926,979)	-41.8%
Scholarships and Fellowships	1,350,497	1,767,123	(416,626)	-23.6%
Travel	2,188,254	2,315,165	(126,911)	-5.5%
Materials and Supplies	10,969,643	14,598,538	(3,628,895)	-24.9%
Utilities	3,919,888	3,570,550	349,338	9.8%
Telecommunications	1,759,569	1,898,470	(138,901)	-7.3%
Repairs and Maintenance	1,837,891	2,240,973	(403,082)	-18.0%
Rentals and Leases	5,582,381	5,000,711	581,670	11.6%
Printing and Reproduction	2,430,962	2,934,694	(503,732)	-17.2%
Federal Sponsored Programs Pass-Thrus	6,124,204	6,587,222	(463,018)	-7.0%
Depreciation and Amortization	8,603,382	9,637,890	(1,034,508)	-10.7%
Other Operating Expenses	24,755,135	23,738,455	1,016,680	4.3%
Total Operating Expenses	329,055,912	346,352,804	(17,296,892)	-5.0%
Operating Loss	(80,196,909)	(104,320,053)	24,123,144	23.1%
Other Nonoperating Adjustments				
State Appropriations	80,356,232	84,620,504	(4,264,272)	-5.0%
Gift Contributions for Operations	4,454,887	3,804,527	650,360	17.1%
Net Investment Income	6,060,335	5,380,048	680,287	12.6%
Interest Expense on Capital Asset Financings	(2,103,755)	(1,670,869)	(432,886)	-25.9%
Net Other Nonoperating Adjustments	88,767,699	92,134,210	(3,366,511)	-3.7%
Adjusted Income (Loss)	8,570,790	(12,185,843)	20,756,633	170.3%
Adjusted Margin (as a percentage)	2.5%	-3.6%		
Long Term Fund Transfer	0	1,192,975	(1,192,975)	-100.0%
Adjusted Income (Loss) with Transfers	\$8,570,790	(\$10,992,868)	\$19,563,658	178.0%
Adjusted Margin % with Transfers	2.5%	-3.3%		

UNAUDITED
The University of Texas Health Science Center at San Antonio
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$ 9,168,792	\$7,963,667	\$1,205,125	15.1%
Sponsored Programs	111,427,856	100,330,654	11,097,202	11.1%
Net Sales and Services of Educational Activities	1,675,388	1,692,314	(16,926)	-1.0%
Net Professional Fees	45,427,388	43,892,751	1,534,637	3.5%
Net Auxiliary Enterprises	1,053,404	1,041,650	11,754	1.1%
Other Operating Revenues	31,242,102	29,078,455	2,163,647	7.4%
Total Operating Revenues	199,994,930	183,999,491	15,995,439	8.7%
Operating Expenses				
Salaries and Wages	138,049,679	133,194,534	4,855,145	3.6%
Employee Benefits and Related Costs	35,606,914	35,337,847	269,067	0.8%
Professional Fees and Contracted Services	7,636,354	7,414,600	221,754	3.0%
Other Contracted Services	8,393,891	7,881,476	512,415	6.5%
Scholarships and Fellowships	1,981,797	1,955,248	26,549	1.4%
Travel	2,183,774	2,315,579	(131,805)	-5.7%
Materials and Supplies	13,198,641	12,800,663	397,978	3.1%
Utilities	3,512,519	3,390,434	122,085	3.6%
Telecommunications	5,323,984	5,229,370	94,614	1.8%
Repairs and Maintenance	883,625	576,787	306,838	53.2%
Rentals and Leases	1,213,741	1,108,459	105,282	9.5%
Printing and Reproduction	911,702	1,014,917	(103,215)	-10.2%
Federal Sponsored Programs Pass-Thrus	445,507	650,484	(204,977)	-31.5%
Depreciation and Amortization	11,083,333	10,754,349	328,984	3.1%
Other Operating Expenses	57,295,489	54,460,307	2,835,182	5.2%
Total Operating Expenses	287,720,950	278,085,054	9,635,896	3.5%
Operating Loss	(87,726,020)	(94,085,563)	6,359,543	6.8%
Other Nonoperating Adjustments				
State Appropriations	80,215,151	83,105,079	(2,889,928)	-3.5%
Gift Contributions for Operations	9,298,852	8,485,644	813,208	9.6%
Net Investment Income	15,448,083	10,646,854	4,801,229	45.1%
Interest Expense on Capital Asset Financings	(1,234,943)	(1,083,157)	(151,786)	-14.0%
Net Other Nonoperating Adjustments	103,727,143	101,154,420	2,572,723	2.5%
Adjusted Income (Loss)	16,001,123	7,068,857	8,932,266	126.4%
Adjusted Margin (as a percentage)	5.2%	2.5%		
Long Term Fund Transfer	0	1,172,150	(1,172,150)	-100.0%
Adjusted Income (Loss) with Transfers	\$16,001,123	\$8,241,007	\$7,760,116	94.2%
Adjusted Margin % with Transfers	5.2%	2.9%		

UNAUDITED
The University of Texas M. D. Anderson Cancer Center
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date <u>FY 2004</u>	March Year-to-Date <u>FY 2003</u>	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$ 177,120	\$94,459	\$82,661	87.5%
Sponsored Programs	111,052,863	92,348,658	18,704,205	20.3%
Net Sales and Services of Educational Activities	881,154	1,034,744	(153,590)	-14.8%
Net Sales and Services of Hospitals	610,713,048	505,961,131	104,751,917	20.7%
Net Professional Fees	122,428,110	106,990,736	15,437,374	14.4%
Net Auxiliary Enterprises	9,039,250	8,468,212	571,038	6.7%
Other Operating Revenues	11,175,437	11,025,353	150,084	1.4%
Total Operating Revenues	865,466,982	725,923,293	139,543,689	19.2%
Operating Expenses				
Salaries and Wages	473,487,853	404,271,838	69,216,015	17.1%
Employee Benefits and Related Costs	123,899,632	116,743,058	7,156,574	6.1%
Professional Fees and Contracted Services	11,816,225	9,670,394	2,145,831	22.2%
Other Contracted Services	33,331,760	27,855,497	5,476,263	19.7%
Travel	7,276,611	6,734,612	541,999	8.0%
Materials and Supplies	185,053,648	161,941,041	23,112,607	14.3%
Utilities	16,268,239	15,380,458	887,781	5.8%
Telecommunications	3,937,491	4,382,612	(445,121)	-10.2%
Repairs and Maintenance	18,151,635	10,688,059	7,463,576	69.8%
Rentals and Leases	14,103,776	12,227,657	1,876,119	15.3%
Printing and Reproduction	3,129,408	2,843,499	285,909	10.1%
Federal Sponsored Programs Pass-Thrus	584,619	445,144	139,475	31.3%
Depreciation and Amortization	50,581,902	42,055,916	8,525,986	20.3%
Other Operating Expenses	27,015,044	23,214,430	3,800,614	16.4%
Total Operating Expenses	968,637,843	838,454,215	130,183,628	15.5%
Operating Loss	(103,170,861)	(112,530,922)	9,360,061	8.3%
Other Nonoperating Adjustments				
State Appropriations	87,096,725	85,779,705	1,317,020	1.5%
Gift Contributions for Operations	24,949,145	37,632,176	(12,683,031)	-33.7%
Net Investment Income	33,939,423	19,329,048	14,610,375	75.6%
Interest Expense on Capital Asset Financings	(4,377,512)	(2,760,699)	(1,616,813)	-58.6%
Net Other Nonoperating Adjustments	141,607,781	139,980,230	1,627,551	1.2%
Adjusted Income (Loss)	38,436,920	27,449,308	10,987,612	40.0%
Adjusted Margin (as a percentage)	3.8%	3.2%		
Long Term Fund Transfer	0	3,487,221	(3,487,221)	-100.0%
Adjusted Income (Loss) with Transfers	\$38,436,920	\$30,936,529	\$7,500,391	24.2%
Adjusted Margin % with Transfers	3.8%	3.5%		

UNAUDITED
The University of Texas Health Center at Tyler
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2004

	March Year-to-Date FY 2004	March Year-to-Date FY 2003	Variance of Current Year-to-Date to Prior Year-to-Date	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	\$ 4,182,229	\$4,228,875	(46,646)	-1.1%
Net Sales and Services of Educational Activities	605,744	740,063	(134,319)	-18.1%
Net Sales and Services of Hospitals	31,039,630	29,923,514	1,116,116	3.7%
Net Professional Fees	8,019,947	6,443,832	1,576,115	24.5%
Net Auxiliary Enterprises	522,501	477,170	45,331	9.5%
Other Operating Revenues	1,474,431	1,405,723	68,708	4.9%
Total Operating Revenues	45,844,482	43,219,177	2,625,305	6.1%
Operating Expenses				
Salaries and Wages	34,811,495	34,548,968	262,527	0.8%
Employee Benefits and Related Costs	9,226,898	9,677,895	(450,997)	-4.7%
Professional Fees and Contracted Services	2,369,583	3,088,120	(718,537)	-23.3%
Other Contracted Services	2,991,896	2,270,168	721,728	31.8%
Travel	304,801	304,947	(146)	0.0%
Materials and Supplies	9,720,784	9,587,189	133,595	1.4%
Utilities	1,160,184	1,024,786	135,398	13.2%
Telecommunications	326,707	386,409	(59,702)	-15.5%
Repairs and Maintenance	1,023,176	1,114,243	(91,067)	-8.2%
Rentals and Leases	1,124,760	1,144,938	(20,178)	-1.8%
Printing and Reproduction	514,002	563,172	(49,170)	-8.7%
Federal Sponsored Programs Pass-Thrus	384,874	193,584	191,290	98.8%
Depreciation and Amortization	3,329,217	2,994,925	334,292	11.2%
Other Operating Expenses	1,406,995	1,567,400	(160,405)	-10.2%
Total Operating Expenses	68,695,372	68,466,744	228,628	0.3%
Operating Loss	(22,850,890)	(25,247,567)	2,396,677	9.5%
Other Nonoperating Adjustments				
State Appropriations	21,391,452	19,074,121	2,317,331	12.1%
Gift Contributions for Operations	1,555,087	114,158	1,440,929	1262.2%
Net Investment Income	1,883,708	1,657,832	225,876	13.6%
Interest Expense on Capital Asset Financings	0	(49,416)	49,416	100.0%
Net Other Nonoperating Adjustments	24,830,247	20,796,695	4,033,552	19.4%
Adjusted Income (Loss)	1,979,357	(4,450,872)	6,430,229	144.5%
Adjusted Margin (as a percentage)	2.8%	-6.9%		
Long Term Fund Transfer	0	99,524	(99,524)	-100.0%
Adjusted Income (Loss) with Transfers	\$1,979,357	(\$4,351,348)	\$6,330,705	145.5%
Adjusted Margin % with Transfers	2.8%	-6.8%		

3. U. T. Board of Regents: Report on Investments for quarter ended February 29, 2004, and Performance Report by Ennis Knupp + Associates

REPORTS

Pages 31.1 - 31.7 contain the Summary Reports on Investments for the three months ended February 29, 2004.

Item I on Pages 31.1 - 31.2 reports summary activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the three months was 8.34%. The PUF's net investment return for the 12 months ended February 29, 2004, was 31.74%. The PUF's net asset value increased by \$563.8 million since the beginning of the quarter to \$8,218.9 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return, offset by a decrease for the payment of one-quarter of the PUF's annual distribution.

Item II on Pages 31.3 - 31.5 reports summary activity for the General Endowment Fund (GEF), the Permanent Health Fund (PHF), and Long Term Fund (LTF). The GEF's net investment return for the three months was 8.22%. The GEF's net investment return for the 12 months ended February 29, 2004, was 32.56%. The GEF's net asset value increased \$291.9 million since the beginning of the quarter to \$4,244.5 million.

Item III on Page 31.6 reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was 1.20% for the three months. The SITF's net asset value decreased by \$260.3 million since the beginning of the quarter to \$1,106.2 million. This decrease in net asset value includes withdrawals from the SITF and distributions.

Item IV on Page 31.7 presents book and market value of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of component operating funds held in the Dreyfus money market fund, increased by \$466.2 million to \$2,274.9 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$286.7 million versus \$109.0 million at the beginning of the period; equities: \$210.5 million versus \$298.1 million at the beginning of the period; and other investments: \$6.2 million versus \$14.4 million at the beginning of the period.

A Performance Report on investments for the quarter ended February 29, 2004, as prepared by Ennis Knupp + Associates is attached on Pages 31.8 - 31.99. (Blank pages included in the report were not copied.)

I. PERMANENT UNIVERSITY FUND (1)

a.) Summary Investment Report at February 29, 2004 (2)

(\$ millions)

	FY02-03		FY03-04	
	Full Year	1st Qtr	2nd Qtr	Year-to-Date
Beginning Net Assets	6,738.3	7,244.8	7,655.1	7,244.8
PUF Lands Receipts (3)	102.1	27.8	23.7	51.5
Investment Return	787.6	475.9	634.3	1,110.2
Expenses	(20.2)	(6.4)	(7.2)	(13.6)
Distributions to AUF	(363.0)	(87.0)	(87.0)	(174.0)
Ending Net Assets	<u>7,244.8</u>	<u>7,655.1</u>	<u>8,218.9</u>	<u>8,218.9</u>
AUF Distribution:				
From PUF Investments	338.4	87.0	87.0	174.0
From Surface Income	8.1	0.8	2.3	3.1
Total	<u>346.5</u>	<u>87.8</u>	<u>89.3</u>	<u>177.1</u>
Total Net Investment Return	12.02%	6.60%	8.34%	15.49%

(1) Report prepared in accordance with Texas Education Code Sec. 51.0032.

(2) General - The Investment Summary Report excludes PUF Lands mineral and surface interests with estimated August 31, 2003 values of \$822.4 million and \$163.9 million, respectively.

(3) PUF Land Receipts - As of February 29, 2004: 1,089,255 acres under lease; 519,061 producing acres; 3,073 active leases; and 2,076 producing leases.

I. PERMANENT UNIVERSITY FUND (continued)

b.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended February 29, 2004

	<u>Asset Allocation</u>	<u>Endowment Neutral Policy Portfolio</u>	<u>Actual Net Investment Return</u>
Cash and Cash Equivalents	-1.7%	0.0%	0.25%
U.S. Equities	34.3%	25.0%	7.67%
Global Equities	21.8%	17.0%	13.84%
Equity Hedge Funds	11.2%	10.0%	7.50%
Absolute Return Hedge Funds	9.6%	15.0%	5.10%
Commodities	3.1%	3.0%	10.59%
Fixed Income	11.0%	15.0%	3.92%
Total Marketable Securities	<u>89.3%</u>	<u>85.0%</u>	8.48%
Private Capital	10.7%	15.0%	7.31%
Total	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	8.34%

II. GENERAL ENDOWMENT FUND (1)(2)

a.) Summary Investment Report at February 29, 2004

(\$ millions)

	FY02-03		FY03-04		Year-to-Date
	Full Year	1st Qtr	2nd Qtr		
Beginning Net Assets	3,293.2	3,584.8	3,952.6	3,584.8	3,584.8
Net Contributions	(79.0)	209.5	135.8	345.3	345.3
Investment Return	423.5	257.5	327.1	584.6	584.6
Expenses	(5.8)	(2.6)	(2.6)	(5.2)	(5.2)
Allocations (3)	(47.1)	(96.6)	(168.4)	(265.0)	(265.0)
Ending Net Assets	3,584.8	3,952.6	4,244.5	4,244.5	4,244.5

Net Asset Value per Unit

109.488

118.428

118.428

118.428

Units and Percentage Ownership

(End of Period):

PHF	7,263,383	20.8%	7,174,022	19.9%	7,091,271	19.8%	7,091,271	19.8%
LTF	27,696,705	79.2%	28,926,791	80.1%	28,749,330	80.2%	28,749,330	80.2%
Total	34,960,088	100.0%	36,100,813	100.0%	35,840,601	100.0%	35,840,601	100.0%

Total Net Investment Return

12.81%

6.83%

8.22%

15.61%

(1) Report prepared in accordance with Texas Education Code Sec. 51.0032.

(2) On March 1, 2001, the Permanent Health Fund (PHF) and Long Term Fund (LTF) purchased units in the newly created General Endowment Fund (GEF). The initial number of units was based on the PHF's and LTF's contribution of its net values as of February 28, 2001.

(3) The GEF allocates its net investment income and realized gain (loss) to its unit holders based on their ownership of GEF units at month end. The allocated amounts are reinvested as GEF contributions. The allocation is proportional to the percentage of ownership by the unit holders, and therefore, no additional units are purchased.

II. GENERAL ENDOWMENT FUND (continued)

b.) Unit Holders' Summary Investment Report at February 29, 2004 (1)

(\$ millions)

	FY02-03 Full Year	FY03-04		Year-to-Date
		1st Qtr	2nd Qtr	
PERMANENT HEALTH FUND				
Beginning Net Assets	698.2	745.0	785.6	745.0
Investment Return	86.0	50.4	64.2	114.6
Expenses	(0.7)	(0.2)	(0.1)	(0.3)
Distributions (Payout)	(38.5)	(9.6)	(9.7)	(19.3)
Ending Net Assets	745.0	785.6	840.0	840.0
Net Asset Value per Unit (2)	0.908489	0.958104	1.024378	1.024378
No. of Units (End of Period)	820,000,000	820,000,000	820,000,000	820,000,000
Distribution Rate per Unit	0.04700	0.01175	0.01175	0.02350
Total Net Investment Return	12.67%	6.76%	8.15%	15.45%
LONG TERM FUND				
Beginning Net Assets	2,595.1	2,839.8	3,167.0	2,839.8
Net Contributions	59.6	165.1	17.2	182.3
Investment Return	332.1	204.4	260.5	464.9
Expenses	(3.1)	(3.3)	(0.9)	(4.2)
Distributions (Payout)	(143.9)	(39.0)	(39.2)	(78.2)
Ending Net Assets	2,839.8	3,167.0	3,404.6	3,404.6
Net Asset Value per Unit (2)	5.114	5.388	5.761	5.761
No. of Units (End of Period)	555,329,487	587,747,101	591,003,265	591,003,265
Distribution Rate per Unit	0.25800	0.066125	0.066125	0.132250
Total Net Investment Return	12.78%	6.76%	8.14%	15.45%

(1) The Permanent Health Fund (PHF) and Long Term Fund (LTF) are internal mutual funds for the pooled investment of endowment funds. The PHF is comprised of endowments for health-related institutions of higher education and the LTF is comprised of privately raised endowments and other long-term funds of U. T. System components.

(2) The asset allocation of the PHF and LTF is representative of the asset allocation for the GEF. A nominal amount of cash is held in PHF and LTF to pay expenses incurred separately by these funds.

II. GENERAL ENDOWMENT FUND (continued)

c.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended February 29, 2004

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return
Cash and Cash Equivalents	-1.9%	0.0%	0.25%
U.S. Equities	33.3%	25.0%	7.69%
Global Equities	22.2%	17.0%	13.89%
Equity Hedge Funds	11.5%	10.0%	7.42%
Absolute Return Hedge Funds	10.2%	15.0%	5.08%
Commodities	3.2%	3.0%	10.72%
Fixed Income	11.4%	15.0%	3.85%
Total Marketable Securities	89.9%	85.0%	8.49%
Private Capital	10.1%	15.0%	5.84%
Total	100.0%	100.0%	8.22%

III. SHORT INTERMEDIATE TERM FUND (1)

Summary Investment Report at February 29, 2004

(\$ millions)

	FY02-03	FY03-04		Year-to-Date
	Full Year	1st Qtr	2nd Qtr	
Beginning Net Assets	1,435.9	1,435.3	1,366.5	1,435.3
Net Contributions (Withdrawals)	26.6	(73.4)	(267.4)	(340.8)
Investment Return	25.8	12.9	14.6	27.5
Expenses	(0.7)	(0.2)	(0.1)	(0.3)
Distributions of Income	(52.3)	(8.1)	(7.4)	(15.5)
Ending Net Assets	1,435.3	1,366.5	1,106.2	1,106.2
Net Asset Value per Unit	9.917	9.947	10.000	10.000
No. of Units (End of Period)	144,736,640	137,378,810	110,618,420	110,618,420
Total Net Investment Return	1.64%	0.88%	1.20%	2.09%

(1) Report prepared in accordance with Texas Education Code Sec. 51.0032.

PERFORMANCE REPORT

Independent
advice for
the institutional
investor

The University of
Texas System

Quarter Ending
February 29, 2004

ENNISKNUPP

CONTENTS

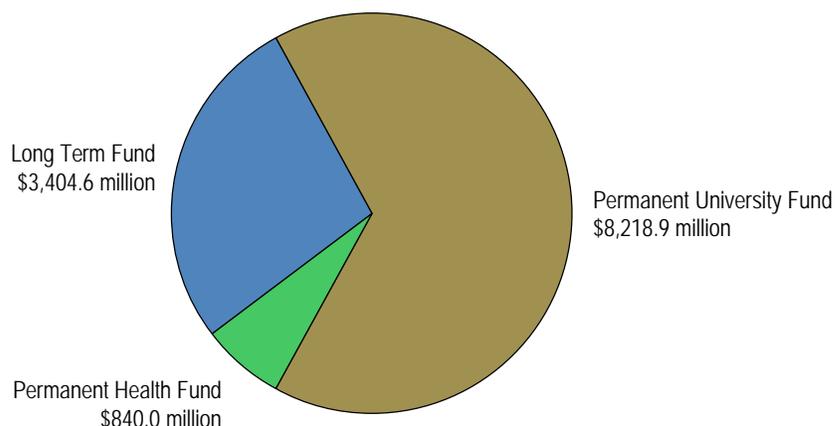
- 1 Executive Summary
- 2 Permanent University Fund
- 3 General Endowment Fund
- 4 Operating Funds
- 5 Appendix

All data found in this report has been provided by UTIMCO and Russell Mellon, except for the BGI index fund data shown for the Operating Funds, which has been provided by BGI. All rates of return contained in this report are net-of-fees and annualized for time periods greater than one year.

EXECUTIVE SUMMARY

As of February 29, 2004

ENDOWMENT FUNDS AS OF 2/29/04*



Permanent University Fund: State endowment fund contributing to the support of 18 institutions and 6 agencies of the U.T. System and the Texas A&M University System

Permanent Health Fund: An internal U.T. System mutual fund for the pooled investment of state endowment funds for health-related institutions of higher education. The Fund currently purchases units in the General Endowment Fund in exchange for its contribution of investment assets.

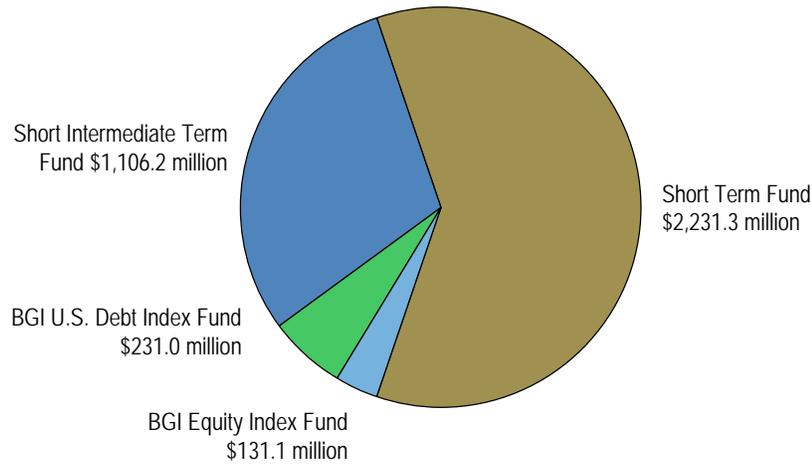
Long Term Fund: An internal U.T. System mutual fund for the pooled investment of over 5,000 privately raised endowments and other long-term funds of the 15 component institutions of the U.T. System. The Fund currently purchases units in the General Endowment Fund in exchange for its contribution of investment assets.

General Endowment Fund: Comprised wholly of the Permanent Health Fund and the Long Term Fund. Both the PHF and LTF purchase units in the General Endowment Fund in exchange for the contribution of investment assets.

*Information regarding the U.T. System's Separately Invested Funds is not provided in this report.

As of February 29, 2004

OPERATING FUNDS AS OF 2/29/04



Short Term Fund (Dreyfus Fund): A money market mutual fund consisting of the working capital and other operating fund balances held by U.T. System institutions with an investment horizon of less than one year.

Short Intermediate Term Fund: An internal U.T. System mutual fund for the pooled investment of the operating funds held by U.T. System institutions with an investment horizon greater than one year and less than five years.

Institutional Index Funds: Consist of index funds for the investment of U.T. System institutions' permanent working capital and long-term capital reserves.

EXECUTIVE SUMMARY

As of February 29, 2004

SUMMARY OF CHANGES

The U.T. System Board of Regents adopted new investment policies for the PUF and GEF on December 19, 2003. As a result, beginning January 1, 2004, the asset allocations and investment performance of the PUF and GEF will be compared to these new policies, including changes to the Endowment Performance Benchmark.

The changes that have been made to the Endowment Performance Benchmark as of January 1, 2004, are summarized in the table at the bottom of the page. A comprehensive comparison of the PUF and GEF asset allocations to the new Policy Targets can be found on pages 11 and 47, respectively. Changes to the classifications of assets include:

- A new classification of Equity Hedge Funds was created to represent the hedge and structured funds formerly part of the domestic and international public equity asset classes
- Global ex-U.S. Equities includes all international public equity investment accounts, both developed market and emerging market managers
- Asset classifications for Venture Capital and Private Equity were created to distinguish between the investment types included in the Private Capital asset class; however, performance was provided by UTIMCO at the Total Private Capital asset class level.
- A new classification, Commodities, was created
- The Inflation Hedging asset classification was eliminated
- REIT investment strategies were moved to the U.S. Equities category
- The table below highlights the asset class benchmark changes that took place during the quarter.

ENDOWMENT PERFORMANCE BENCHMARK CHANGES

	Current Policy Target	Former Policy Target	Current Benchmark; (Former Benchmark)
U.S. Equities	25.0 %	31.0 %	Russell 3000; (Wilshire 5000)
Global ex-U.S. Equities	17.0	19.0	MSCI All Country World ex-U.S.; (No Change)
Equity Hedge Funds	10.0	0.0	90 Day T-Bills + 4%; (N/A - New Component)
Absolute Return Hedge Funds	15.0	10.0	90 Day T-Bills + 3%; (90 Day T-Bills + 4%)
Private Capital	15.0	15.0	Venture Economics Private Capital; (Wilshire 5000 + 4%)
Commodities	3.0	--	GSCI minus 1%; (N/A - New Component)
Fixed Income	15.0	15.0	Lehman Brothers Aggregate Bond Index; (No change)
Inflation Hedging	--	10.0	N/A - Component Eliminated; (Inflation Hedging Benchmark)
Performance Benchmark	100.0%	100.0%	Changes take place as of January 1, 2004

As of February 29, 2004

**ENDOWMENT FUNDS RETURN SUMMARY
ENDING 2/29/04**

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04
Permanent University Fund	8.3%	31.7%	5.3%	6.1%
Endowment Performance Benchmark**	6.6	31.3	4.9	5.8
Long Term Fund	8.1	32.4	5.8	7.6
Endowment Performance Benchmark**	6.6	31.3	4.9	5.8
Permanent Health Fund	8.1	32.3	5.7	--
Endowment Performance Benchmark**	6.6	31.3	4.9	--

**OPERATING FUNDS RETURN SUMMARY
ENDING 2/29/04**

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04
Short Term Fund	0.2%	1.1%	2.1%	3.6%
ML 90-day T-Bill	0.3	1.1	2.2	3.6
Short Intermediate Term Fund	1.2	2.4	3.5	4.7
Composite Index	1.3	2.3	4.9	5.6
BGI U.S. Debt Index Fund	2.9	4.7	7.4	--
LB Aggregate Bond Index	2.9	4.5	7.4	--
BGI Equity Index Fund	8.7	38.6	-1.0	--
S&P 500 Index	8.7	38.5	-1.0	--

ENDOWMENT FUNDS PERFORMANCE BENCHMARK

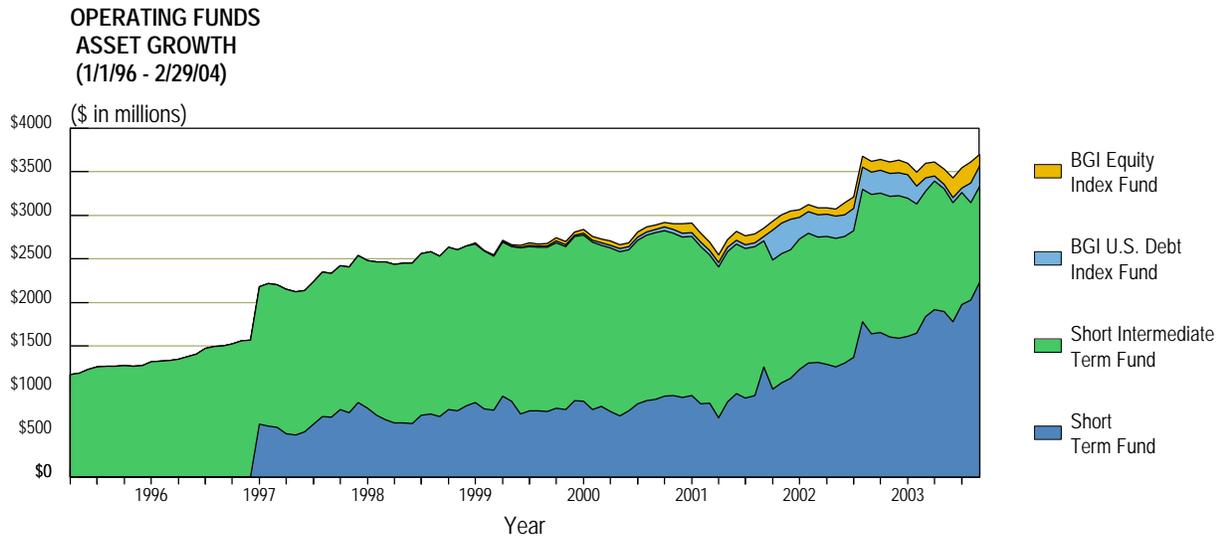
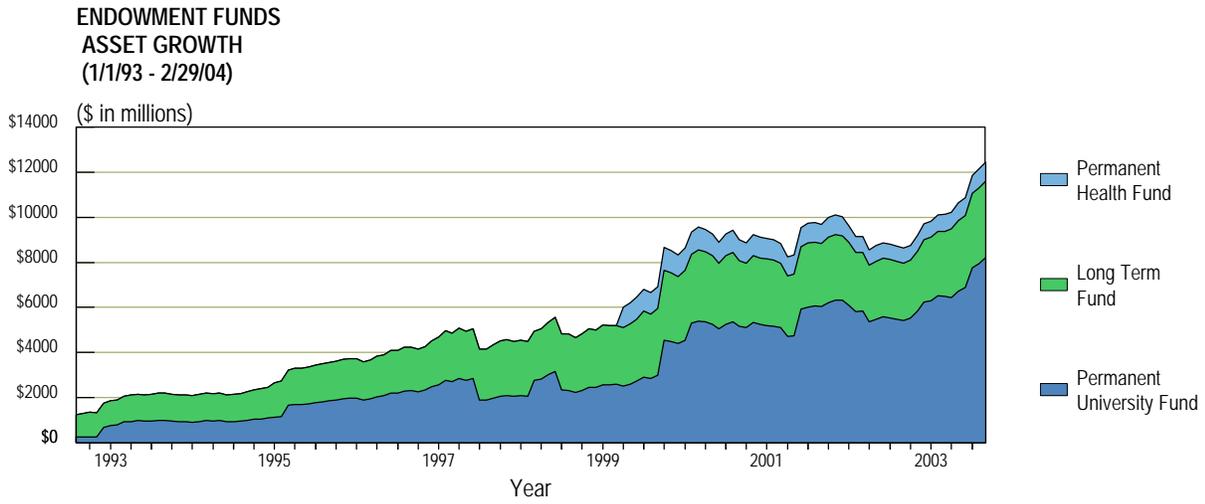
The Endowment Policy Portfolio reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. The return is the weighted sum of the benchmark returns for each asset category as described in the Investment Policy Statements approved by the Board of Regents on December 19, 2003. Performance prior to January 1, 2004, represents historical policy portfolio data provided by UTIMCO. Detailed information on the current and historical composition of the Policy Portfolio can be found in Appendix II.

* Time-period represents the total return for the fiscal quarter ending 2/29/04.

** Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical policy portfolio data provided by UTIMCO.

EXECUTIVE SUMMARY

As of February 29, 2004



- The allocation growth charts above depict the growth of assets experienced by the endowment and operating funds since data was available.

As of February 29, 2004

**MAJOR MARKETS' RATES OF RETURN
ENDING 2/29/04**

	Since 11/30/03*	1 Year Ending 2/29/04
Russell 3000 Stock Index	8.2%	41.3%
MSCI All-Country World Ex-U.S. Free	12.1	55.9
LB Aggregate Bond Index	2.9	4.5

- The U.S. equity market advanced in the fiscal second quarter by a measure of 8.2%. All major capitalization, style, and sector indices posted positive returns as a multitude of economic indicators signaled improving economic characteristics during most of the quarter. Reports early in the quarter indicated declining unemployment rates, the ISM manufacturing index reached its highest level since 1983 in January, construction activity advanced, and consumer confidence levels continued to improve. The outlook began to pale slightly in February, however, when it was reported that the trade gap widened more than expected, retail sales began to dip, new jobless claims crept up, and consumer confidence began to fall. For the three-month period ending February 29, 2004, value stocks outperformed their growth counterparts and the general market. On a sector basis, energy, telecom, and financial stocks led the market outperformers, and technology, consumer discretionary, and industrial stocks led the laggards.
- Non-U.S. stocks performed better than their U.S. counterparts, advancing 12.1%. Emerging markets (+15.6%) outpaced developed markets (+11.9%), as the major European markets (United Kingdom, France, and Germany) underperformed. South Korea, Mexico, and Russia earned strong returns among the emerging markets.
- The domestic bond market made consistent advances through February as the Aggregate Bond Index ended the quarter up 2.9%. Corporate bonds outperformed government and mortgage-backed bonds. Within the corporate bond market, lower grade credits marginally outperformed investment grade bonds despite a weak February which saw negative returns in the high yield market. The Federal Reserve's overnight lending rate remained unchanged during the period at 1.00%.

*Time-period represents the total return for the fiscal quarter ending 2/29/04.

PERMANENT UNIVERSITY FUND

\$8,219 Million

As of February 29, 2004

RETURN SUMMARY ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Permanent University Fund	8.3%	31.7%	5.3%	6.1%	9.8%	8/31/91
Endowment Performance Benchmark**	6.6	31.3	4.9	5.8	11.2	
U.S. Equities	7.7	40.0	2.8	4.2	11.1	8/31/91
U.S. Equity Performance Benchmark	8.1	42.1	0.7	1.1	11.0	
Global Ex US Equities	13.8	59.1	4.2	1.5	6.7	3/31/93
MSCI AC World Ex- U.S. Free Index	12.1	55.9	2.7	2.9	6.5	
Equity Hedge Funds	--	--	--	--	4.3	12/31/03
90-Day T-Bill + 4%	--	--	--	--	0.8	
Absolute Return Hedge Funds	5.1	25.1	11.2	--	13.3	2/29/00
Absolute Return Benchmark	1.1	5.1	6.3	--	7.3	
Private Capital***	7.3	8.9	-7.7	4.6	9.8	1/31/89
Private Capital Benchmark	6.5	44.1	3.9	4.7	15.9	
Commodities	--	--	--	--	8.2	12/31/03
Goldman Sachs Commodity Index - 1%	--	--	--	--	7.7	
Total Fixed Income	3.9	9.1	8.6	7.1	9.2	8/31/85
LB Aggregate Bond Index	2.9	4.5	7.4	7.2	8.7	

- The Permanent University Fund outperformed the Endowment Performance Benchmark by 1.7 percentage points in the fiscal quarter ending February 29, 2004. Each asset class except U.S. equities outperformed its benchmark and contributed to the result.
- One-year performance also exceeded the benchmark despite the significant underperformance produced by the Private Capital component. This underperformance was offset by the positive effects produced by the global ex-U.S. equity, equity and absolute return hedge funds, fixed income, and inflation hedging segments.

* Time-period represents the total return for the fiscal quarter ending 2/29/04.

** Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical policy portfolio data provided by UTIMCO.

*** Actual returns for the private capital component are presented on a time-weighted basis. The Private Capital benchmark represents the Venture Economics Private Capital Benchmark beginning January 1, 2004; returns through December 31, 2003 represent the Wilshire 5000 +4%.

As of February 29, 2004

POLICY COMPLIANCE
ASSET ALLOCATION AS OF 2/29/04
(\$ in millions)

	Total	Percent of Total	Policy	Policy Ranges	In Compliance?
U.S. Equities	\$ 2,823	34.3 %	25.0 %	15 - 45%	Yes
Non-U.S. Developed Equity	\$ 1,074	13.1 %	10.0 %	5 - 15%	Yes
Emerging Markets Equity	716	8.7	7.0	0 - 10	Yes
Global ex U.S. Equities	\$ 1,791	21.8 %	17.0 %	5 - 25%	Yes
Total Traditional Equity	\$ 4,614	56.1 %	42.0 %	20 - 60%	Yes
Equity Hedge Funds	\$ 781	9.5 %	10.0 %	5 - 15%	Yes
Absolute Return Hedge Funds	792	9.6	15.0	10 - 20	No
Total Hedge Funds	\$ 1,573	19.1 %	25.0 %	15 - 25%	Yes
Private Equity	\$ 768	9.3 %	9.0 %	0 - 10%	Yes
Venture Capital	109	1.3	6.0	5 - 15	No
Total Private Capital	\$ 878	10.6 %	15.0 %	5 - 15%	Yes
Commodities	\$ 251	3.1 %	3.0 %	0 - 5 %	Yes
Fixed Income	902	11.0	15.0	10 - 30	Yes
Cash	--	--	--	0 - 5	Yes
Total Permanent University Fund	\$ 8,219	100.0 %	100.0 %		

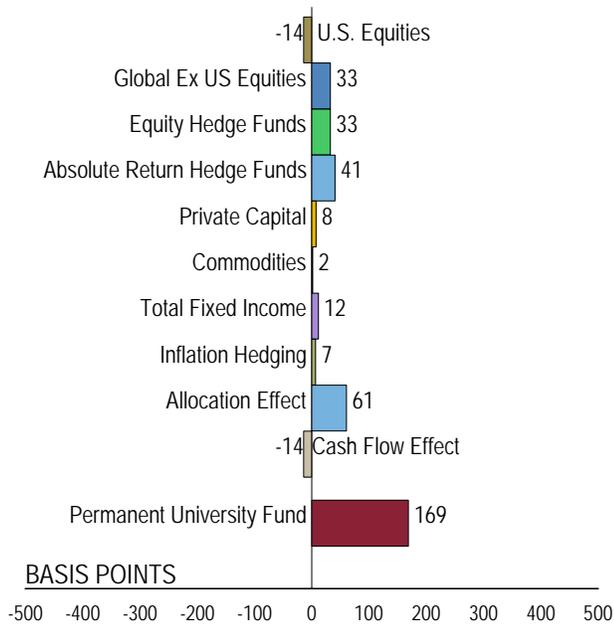
- The table above summarizes and compares the actual asset allocation of the Permanent University Fund to the U.T. System Policy Targets adopted December 19, 2003. As of the end of the fiscal quarter, the actual allocation to the absolute return hedge funds category (9.6%) was below the allowable minimum of 10.0%, and the allocation to venture capital (1.3%) was below the allowable minimum of 5.0%.
- The largest deviation from Policy was the Fund's overweight of U.S. equities. This, combined with the overweight allocations to non-U.S. developed and emerging market equities, resulted in a 14.1 percentage point greater allocation to traditional equity than the Policy's 42.0%. Additionally, the PUF held an underweight allocation in both the Total Hedge Funds and Total Private Capital segments, and a 4.0 percentage point underweight of fixed income securities.
- The PUF grew by over \$570 million in the fiscal second quarter. Besides the classification changes that took place during the quarter and are summarized on page 4, the PUF's allocation to fixed income continued to decline. The component's allocation began the fiscal year at 14.3% as of August 31, and ended the second quarter at 11.0%.

PERMANENT UNIVERSITY FUND

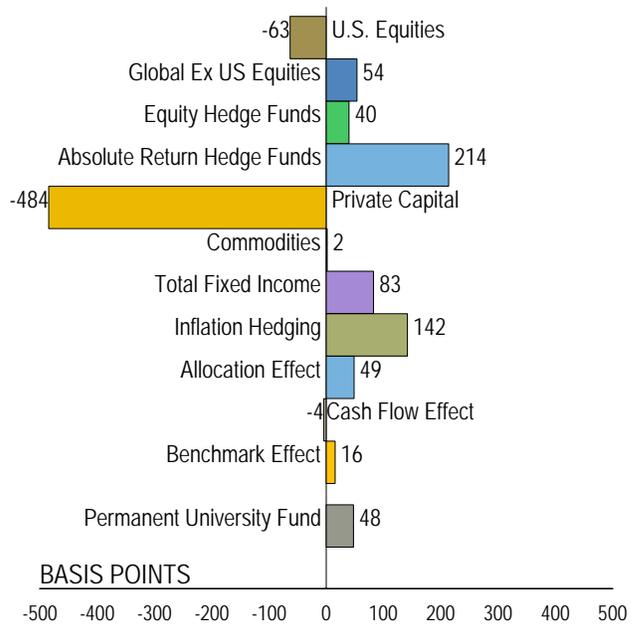
\$8,219 Million

As of February 29, 2004

**TOTAL FUND ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04**



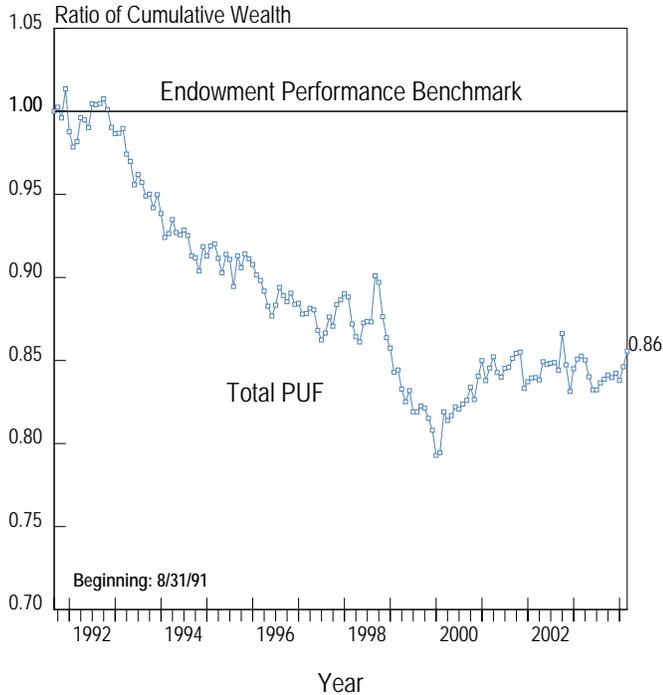
**TOTAL FUND ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04**



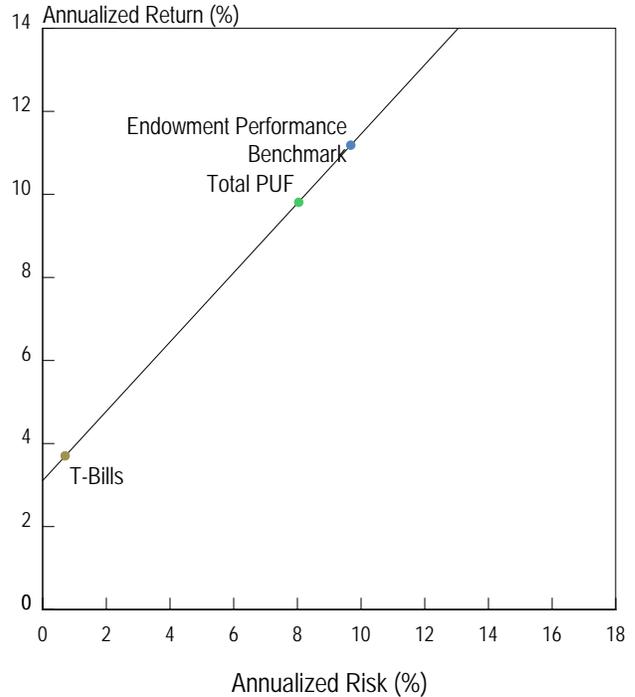
- The Performance Attribution exhibits shown above measure the source of the deviation of a fund's performance from that of its benchmark. Each bar on the graph represents the contribution made by the component to the total difference in performance (shown at the bottom of the exhibit). A positive value for a component indicates a positive contribution to the aggregate relative performance. A negative value indicates a detrimental impact. The asset class bar amounts are determined by multiplying the relative return of that asset class (actual return - policy benchmark return) by its policy weight. "Allocation Effect" details the degree to which the Fund's asset allocation differed from that of its policy, and what impact this had on performance. "Cash Flow Effect" details what impact any movement in Fund assets had on performance. "Benchmark Effect" details the impact of differences between the composition of the Total Fund benchmark and the benchmarks of the individual asset classes.
- As shown in the three-month exhibit, the favorable performance earned by most of the asset classes benefited performance, collectively offsetting the negative impact produced by the U.S. Equity component's trailing results. The Permanent University Fund also benefited from the overweight allocations to the traditional equity asset classes and the underweight of fixed income securities.
- The one-year attribution analysis shows a similar asset-class relative return story; however, the Private Capital component significantly underperformed its benchmark and offset much of the value-added produced by components such as Absolute Return Hedge Funds, Inflation Hedging, and Fixed Income.

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
12 YEARS 6 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
12 YEARS 6 MONTHS ENDING 2/29/04



- The Ratio of Cumulative Wealth graph above illustrates the Total Permanent University Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the Fund underperformed its benchmark since inception. A period of underperformance from 1993-1999 led to the result, but the effect has been tempered by recent improved performance.
- The Risk Return graph above exhibits the risk return characteristics of the Total Permanent University Fund, relative to that of the Performance Benchmark. As shown, the Fund has underperformed its benchmark at a comparatively lower level of risk.

PERMANENT UNIVERSITY FUND

\$8,219 Million

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	Permanent University Fund	Endowment Performance Benchmark**	Return Difference
	Return	Return	
1991 (4 months)	6.4%	7.8%	-1.4
1992	7.2	7.4	-0.2
1993	10.8	16.5	-5.7
1994	-0.4	2.4	-2.8
1995	26.3	27.0	-0.7
1996	12.7	15.7	-3.0
1997	21.0	20.2	0.8
1998	13.4	17.7	-4.3
1999	9.8	18.7	-8.9
2000	5.5	-1.6	7.1
2001	-6.1	-4.7	-1.4
2002	-7.6	-8.4	0.8
2003	24.5	25.6	-1.1
2004 (2 months)	4.7	2.5	2.2
Trailing 1-Year	31.7%	31.3%	0.4
Trailing 3-Year	5.3	4.9	0.4
Trailing 5-Year	6.1	5.8	0.3
Trailing 10-Year	9.7	10.6	-0.9
Since Inception (8/31/91)	9.8	11.2	-1.4

- The table above compares the annual return history of the Permanent University Fund to that of its performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

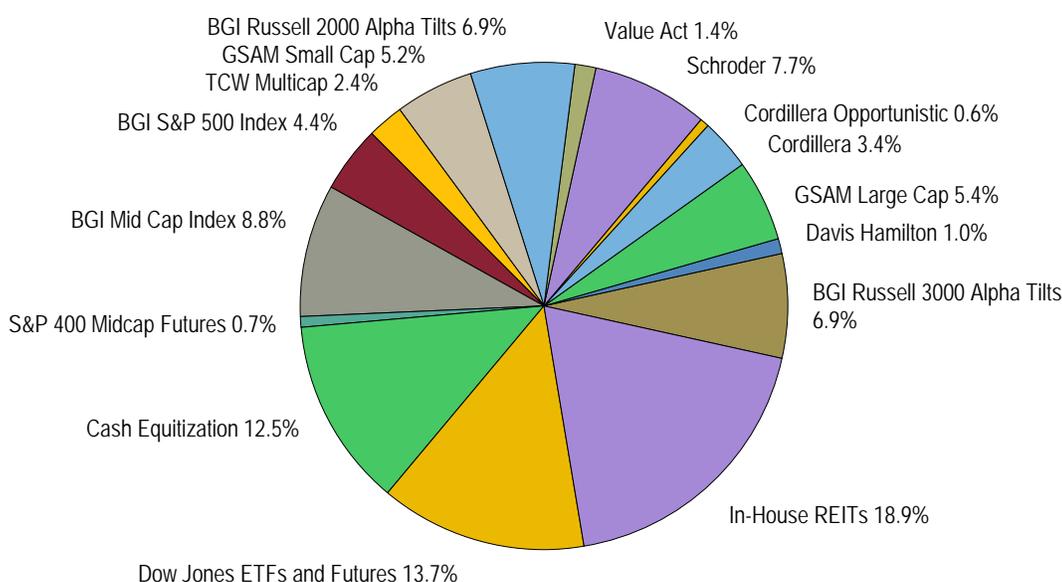
** Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical policy portfolio data provided by UTIMCO.

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
U.S. Equities	7.7%	40.0%	2.8%	4.2%	11.1%	8/31/91
U.S. Equity Performance Benchmark**	8.1	42.1	0.7	1.1	11.0	

MANAGER ALLOCATION AS OF 2/29/04



- The table above details the trailing-period performance of the total domestic equity component relative to the Performance Benchmark.
- The graph above details the allocation to each manager of the U.S. equity component as of quarter-end. Beginning January 1, 2004, REIT investments are included in the U.S. equity component's allocation and performance calculation. In conjunction with this classification change, hedge and structured active domestic equity managers have been moved to a new Equity Hedge Funds asset class.
- The TCW Multicap investment was funded during the quarter.

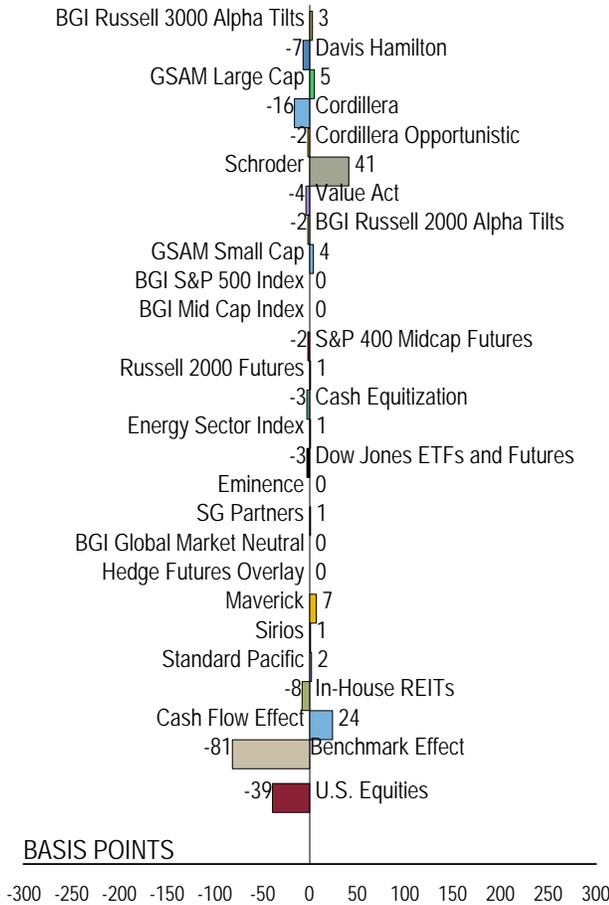
* Time period represents the total return for the fiscal quarter ending 2/29/04.

** The U.S. Equity Performance Benchmark represents the return of the Russell 3000 Index beginning January 1, 2004. Returns through December 31, 2003, represent the Wilshire 5000 Index.

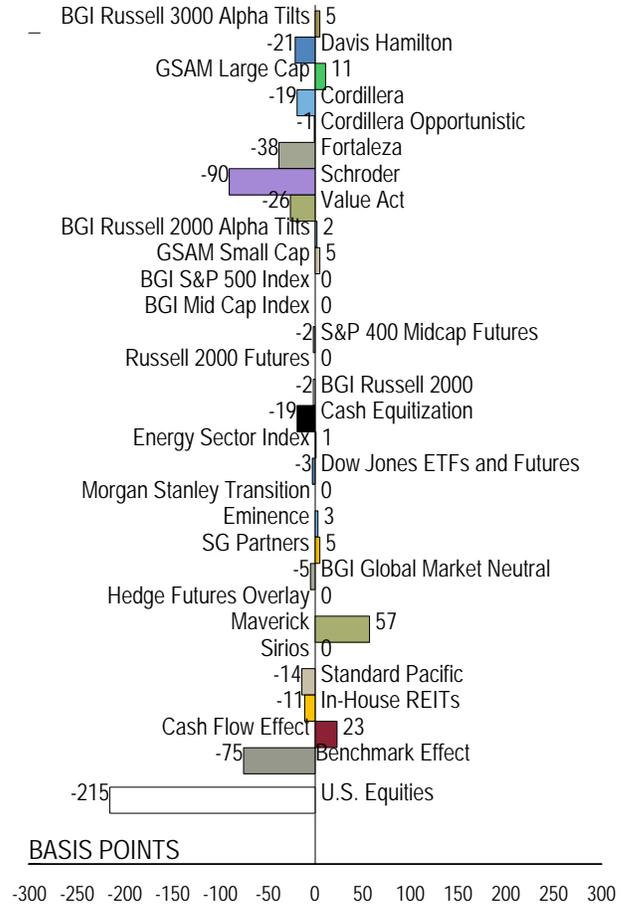
\$2,823 Million

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04

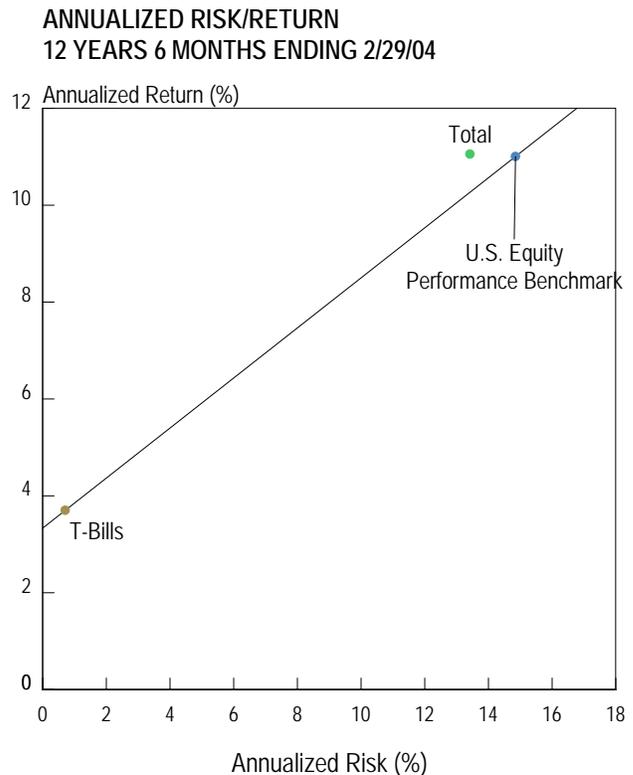
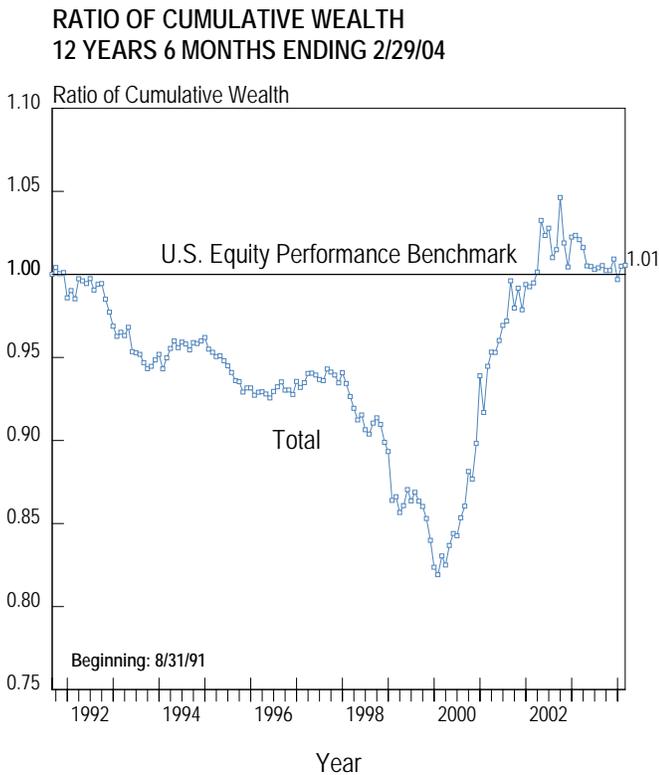


MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04



- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "U.S. Equities" represents the component's performance relative to the U.S. Equities Performance Benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the U.S. equity benchmark.
- As shown in the three-month exhibit, relative performance was mixed across investment styles. The greatest contributor was the Schroder small cap portfolio which earned a return that exceeded the benchmark by over five percentage points. The Cordillera small cap portfolio, on the other hand, was the largest single detractor. The benchmark effect is a result of the market-trailing returns earned by mid-cap stocks and the hedge fund benchmarks of T-bills + 4%.

As of February 29, 2004



- The Ratio of Cumulative Wealth graph above illustrates the domestic equity component's cumulative performance relative to that of the U.S. Equity Performance Benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, significant relative-performance gains made since the beginning of 2000 have led to the component's outperformance.
- The Risk Return graph above exhibits the risk return characteristics of the total domestic equity component, relative to that of the U.S. Equity Performance Benchmark. As shown, the component slightly outperformed its benchmark while incurring a lower level of risk.

\$2,823 Million

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	U.S. Equities	U.S. Equity Performance Benchmark	Return Difference
	Return	Return	
1991 (4 months)	5.9%	7.5%	-1.6
1992	7.1	9.0	-1.9
1993	9.3	11.3	-2.0
1994	1.0	-0.1	1.1
1995	32.1	36.4	-4.3
1996	21.7	21.2	0.5
1997	32.0	31.3	0.7
1998	17.2	23.4	-6.2
1999	13.9	23.6	-9.7
2000	1.6	-10.9	12.5
2001	-5.7	-11.0	5.3
2002	-18.6	-20.9	2.3
2003	28.4	31.7	-3.3
2004 (2 months)	4.4	3.5	0.9
Trailing 1-Year	40.0%	42.1%	-2.1
Trailing 3-Year	2.8	0.7	2.1
Trailing 5-Year	4.2	1.1	3.1
Trailing 10-Year	11.5	10.9	0.6
Since Inception (8/31/91)	11.1	11.0	0.1

- The table above compares the annual return history of the total U.S. equity component to that of the U.S. Equity Performance Benchmark.

* The annual returns in this exhibit represent calendar-year periods.

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
BGI Russell 3000 Alpha Tilts	8.6%	--%	--%	--%	15.6%	8/31/03
Russell 3000 Index	8.2	--	--	--	15.1	
Davis Hamilton	4.2	27.3	-3.4	-0.6	9.8	12/31/93
S&P 500 Index	8.7	38.5	-1.0	-0.1	11.2	
GSAM Large Cap	9.5	41.2	0.2	--	-2.1	2/29/00
S&P 500 Index	8.7	38.5	-1.0	--	-2.9	
Cordillera	2.0	61.7	-3.4	9.3	10.4	12/31/93
Russell 2000 Growth Index	5.6	64.9	1.9	2.9	5.9	
Cordillera Opportunistic	4.5	--	--	--	20.6	9/30/03
Russell 2000 Index	7.4	--	--	--	20.6	
Schroder	12.9	52.2	7.7	14.2	12.4	12/31/93
Russell 2000 Index	7.4	64.4	8.7	9.8	9.9	
Value Act	4.7	--	--	--	8.1	7/31/03
Russell 2000 Index	7.4	--	--	--	23.8	
BGI Russell 2000 Alpha Tilts	7.1	63.2	--	--	11.9	12/31/01
Russell 2000 Index	7.4	64.4	--	--	10.1	
GSAM Small Cap	8.5	65.8	12.2	--	6.7	2/29/00
Russell 2000 Index	7.4	64.4	8.7	--	1.7	
TCW Multicap	--	--	--	--	1.2	1/31/04
Russell 3000 Index	--	--	--	--	1.4	
BGI S&P 500 Index	8.7	38.6	-1.0	-0.1	11.5	10/31/92
S&P 500 Index	8.7	38.5	-1.0	-0.1	11.4	
BGI Mid Cap Index	6.4	49.7	7.8	12.3	14.9	11/30/92
S&P 400 Mid Cap Index	6.4	49.7	7.7	12.3	14.4	
S&P 400 Midcap Futures	5.9	--	--	--	17.8	9/30/03
S&P 400 Mid Cap Index	6.4	--	--	--	18.4	
Cash Equitization	8.3	37.1	-1.4	--	-1.4	2/28/01
S&P 500 Index	8.7	38.5	-1.0	--	-1.0	
Energy Sector Index	16.9	--	--	--	19.5	8/31/03
ML 90-day T-Bill	0.3	--	--	--	0.5	
Dow Jones ETFs and Futures	8.3	--	--	--	7.8	10/31/03
Dow Jones Industrial Average	8.7	--	--	--	8.8	
In-House REITs	8.7	48.6	20.9	--	22.0	11/30/99
Wilshire Real Estate Securities Index	9.2	47.2	18.5	--	20.8	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

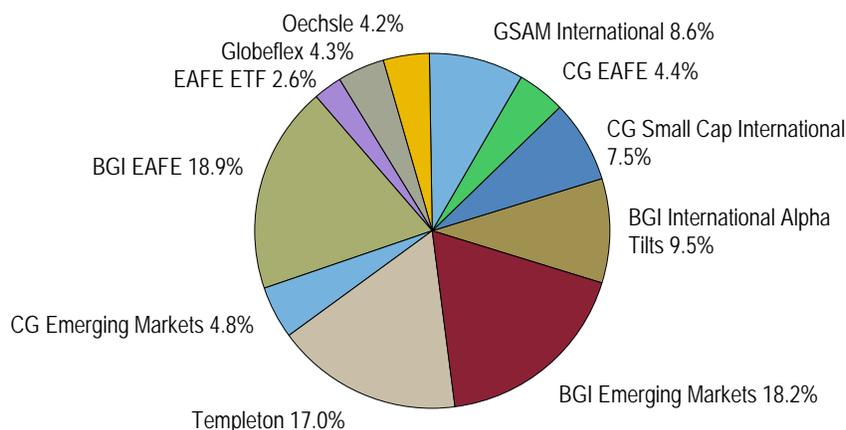
\$1,790 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Global Ex US Equities	13.8%	59.1%	4.2%	1.5%	6.7%	3/31/93
MSCI AC World Ex-U.S. Free Index	12.1	55.9	2.7	2.9	6.5	

MANAGER ALLOCATION AS OF 2/29/04

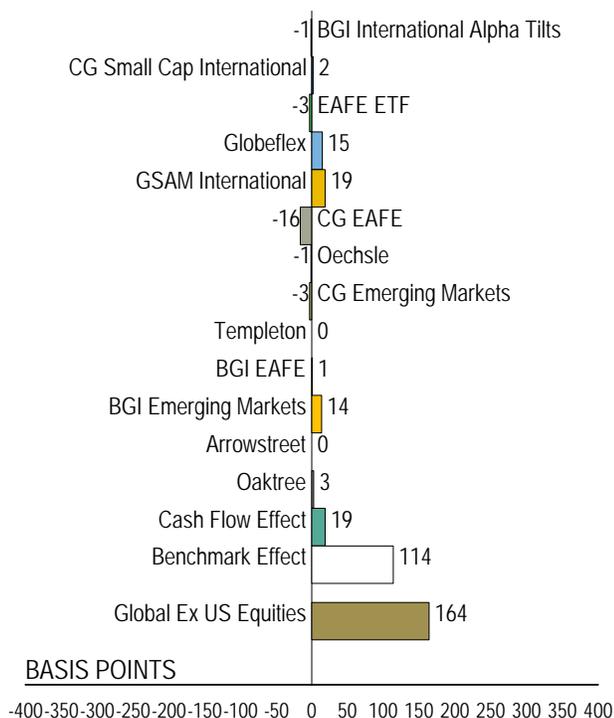


- The table above details the trailing-period performance of the global ex-U.S. equities component relative to the MSCI All-Country World ex-U.S. Index. The current quarter's outperformance was aided by the above-market returns earned by the Capital Guardian Small Cap, Globeflex, and Goldman Sachs portfolios, and positive tracking from the BGI Emerging Markets portfolio. The component has outperformed its benchmark over the one-year and three-year periods.
- The graph above details the allocation to each manager of the global ex-U.S. equities component as of quarter-end. Beginning January 1, 2004, hedge and structured active international equity managers have been classified within a new Equity Hedge Funds asset class.
- The EAFE ETF investment was funded during the quarter.

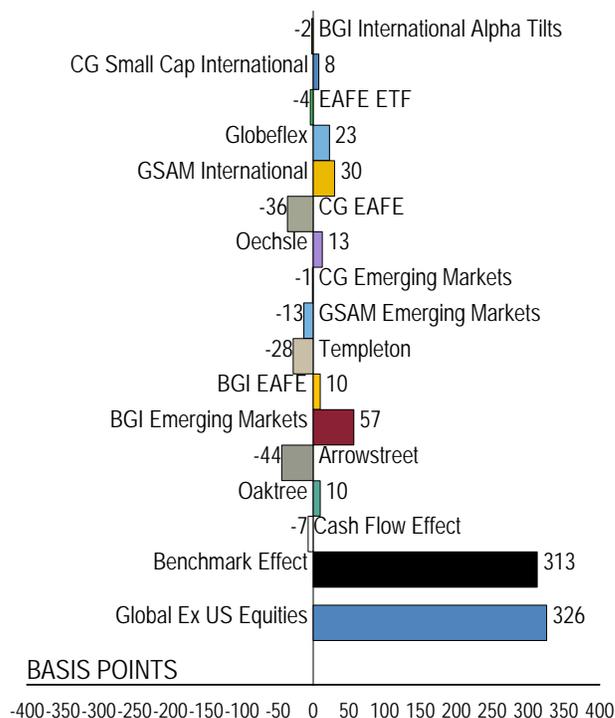
* Time period represents the total return for the fiscal quarter ending 2/29/04.

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04



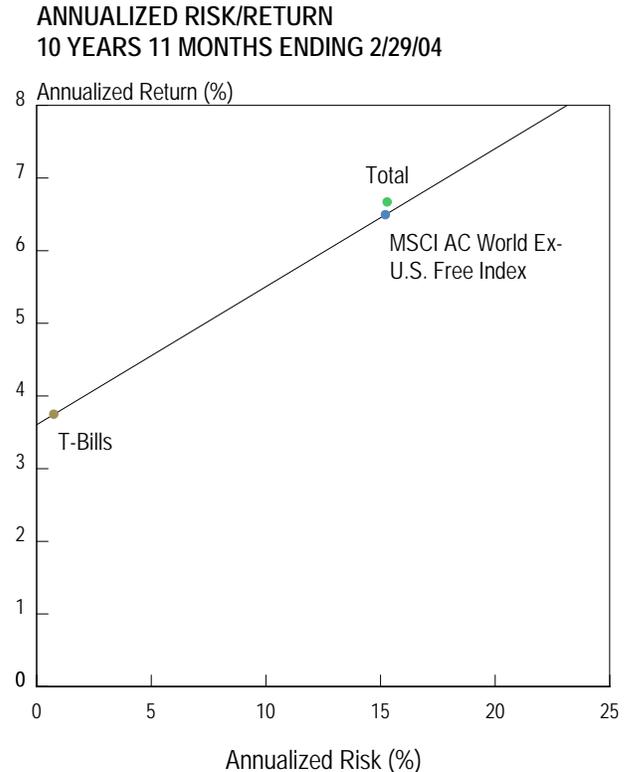
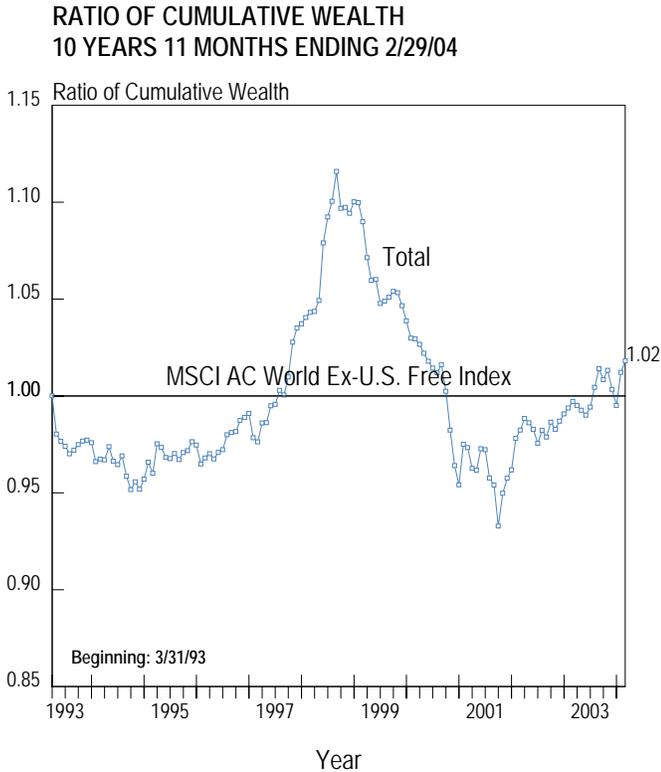
MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04



- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Global ex-U.S. Equities" represents the component's relative performance to the MSCI All-Country World ex-U.S. Index in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the global ex-U.S. equities benchmark.
- As shown in both exhibits, manager results have been mixed. The Capital Guardian Small Cap, Globeflex, and Goldman Sachs portfolios outperformed their benchmarks over both the quarter and one-year period and made significant contributions to the component's above-benchmark result. The positive benchmark effect during both periods is significantly impacted by the large positive returns earned in the emerging markets.

\$1,790 Million

As of February 29, 2004



- The Ratio of Cumulative Wealth graph above illustrates the global ex-U.S. equities component's cumulative performance relative to that of MSCI All-Country World ex-U.S. Index. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the component has matched its benchmark after a period of significant underperformance from 1998-2000.
- The Risk Return graph above exhibits the risk return characteristics of the total global ex-U.S. equities component, relative to that of the MSCI All-Country World ex-U.S. Index. As shown, the component has earned a benchmark-like return while incurring a similar level of risk.

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	Global Ex US Equities	MSCI AC World Ex-U.S. Free Index	Return Difference
	Return	Return	
1993 (9 months)	18.0%	21.0%	-3.0
1994	4.6	6.6	-2.0
1995	12.0	9.9	2.1
1996	8.5	6.7	1.8
1997	6.8	2.0	4.8
1998	21.4	14.5	6.9
1999	23.6	30.9	-7.3
2000	-22.0	-15.1	-6.9
2001	-18.8	-19.5	0.7
2002	-12.1	-14.7	2.6
2003	42.0	41.4	0.6
2004 (2 months)	6.6	4.2	2.4
Trailing 1-Year	59.1%	55.9%	3.2
Trailing 3-Year	4.2	2.7	1.5
Trailing 5-Year	1.5	2.9	-1.4
Trailing 10-Year	4.9	4.3	0.6
Since Inception (3/31/93)	6.7	6.5	0.2

- The table above compares the annual return history of the global ex-U.S. equities component to that of the MSCI All-Country World ex-U.S. Index.

* The annual returns in this exhibit represent calendar-year periods.

\$1,790 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
BGI EAFE	11.9%	53.9%	1.4%	1.2%	6.5%	3/31/93
MSCI EAFE Index	11.9	53.6	0.9	1.2	6.1	
BGI Emerging Markets	16.5	75.1	--	--	22.7	1/31/02
MSCI Emerging Markets Free Index	15.6	69.8	--	--	19.8	
BGI International Alpha Tilts	11.7	--	--	--	25.0	8/31/03
MSCI EAFE Index	11.9	--	--	--	25.2	
CG Small Cap International	13.4	71.7	3.8	--	-6.3	2/29/00
Citigroup Extended Market World Ex-US	13.2	70.6	9.7	--	3.1	
EAFE ETF	10.5	--	--	--	10.5	11/30/03
MSCI EAFE Index	11.9	--	--	--	11.9	
Globeflex	17.2	--	--	--	19.7	10/31/03
Citigroup Extended Market World Ex-US	13.2	--	--	--	15.1	
GSAM International	14.8	59.1	1.3	--	-4.5	2/29/00
MSCI EAFE Index	11.9	53.6	0.9	--	-4.1	
CG EAFE	9.3	48.8	1.5	--	-3.8	7/31/00
MSCI EAFE Index	11.9	53.6	0.9	--	-3.3	
Oechsle	11.8	56.7	-2.4	--	-6.3	7/31/00
MSCI EAFE Index	11.9	53.6	0.9	--	-3.3	
CG Emerging Markets	15.2	69.2	11.2	--	2.2	7/31/00
MSCI Emerging Markets Free Index	15.6	69.8	11.0	--	3.5	
Templeton	15.7	66.6	15.8	--	8.4	7/31/00
MSCI Emerging Markets Free Index	15.6	69.8	11.0	--	3.5	

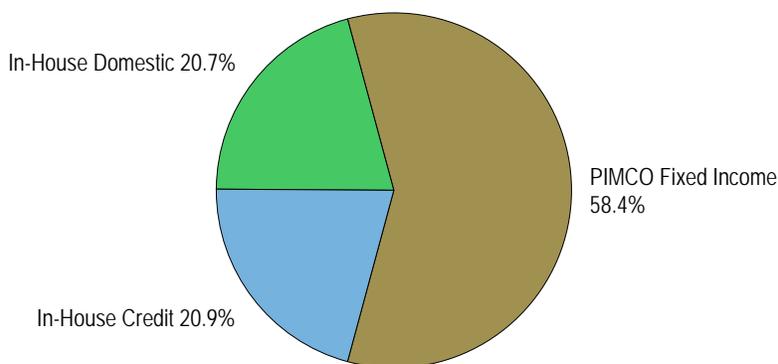
* Time period represents the total return for the fiscal quarter ending 2/29/04.

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Total Fixed Income	3.9%	9.1%	8.6%	7.1%	9.2%	8/31/85
LB Aggregate Bond Index	2.9	4.5	7.4	7.2	8.7	

MANAGER ALLOCATION AS OF 2/29/04



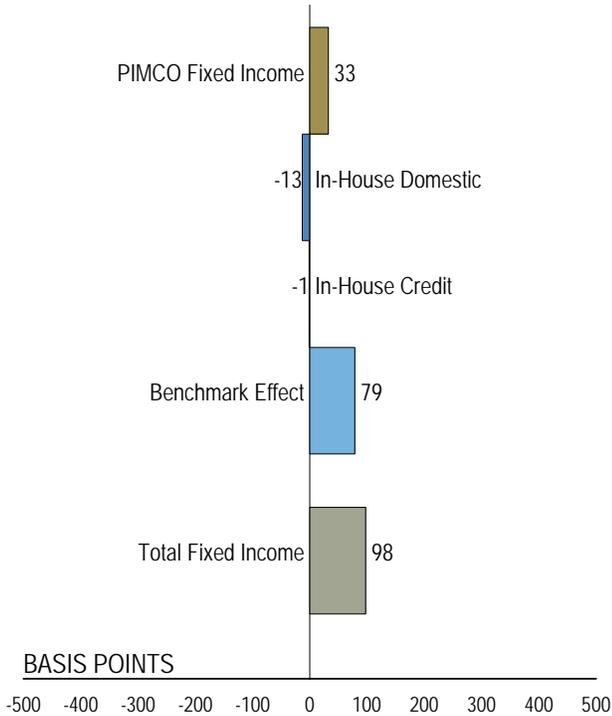
- The table above details the trailing-period performance of the total fixed income component relative to the Lehman Brothers Aggregate Bond Index. The component has outperformed its benchmark over the quarter, one-year, three-year, and since-inception periods. Outperformance has been driven by the relative performance earned by PIMCO. The manager's international exposure has significantly contributed to the above-benchmark result as these markets have outperformed the domestic market.
- The graph above details the allocation to each manager of the fixed income component as of quarter-end. As shown, PIMCO manages more than half of the PUF's fixed income assets.

* Time period represents the total return for the fiscal quarter ending 2/29/04.

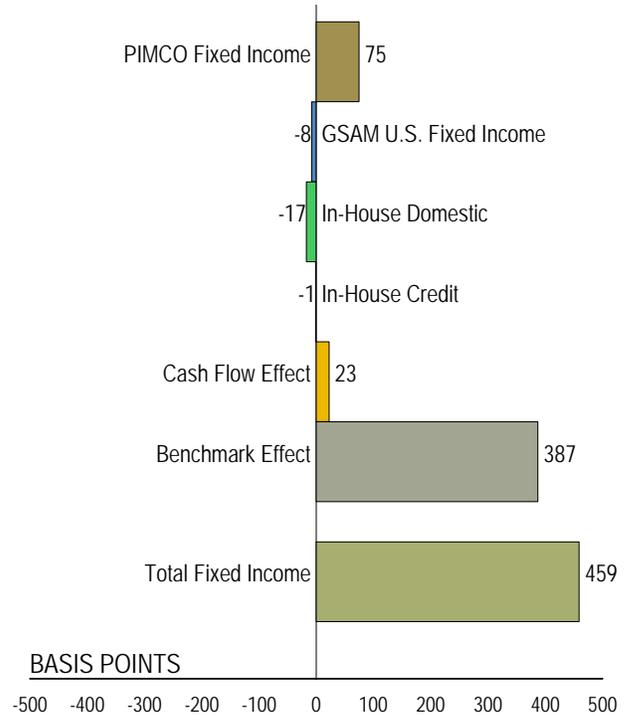
\$902 Million

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04

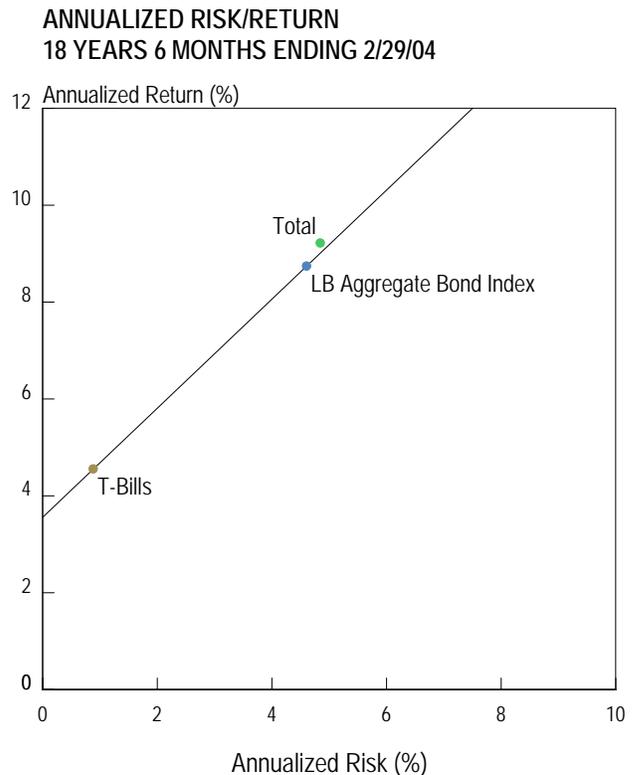
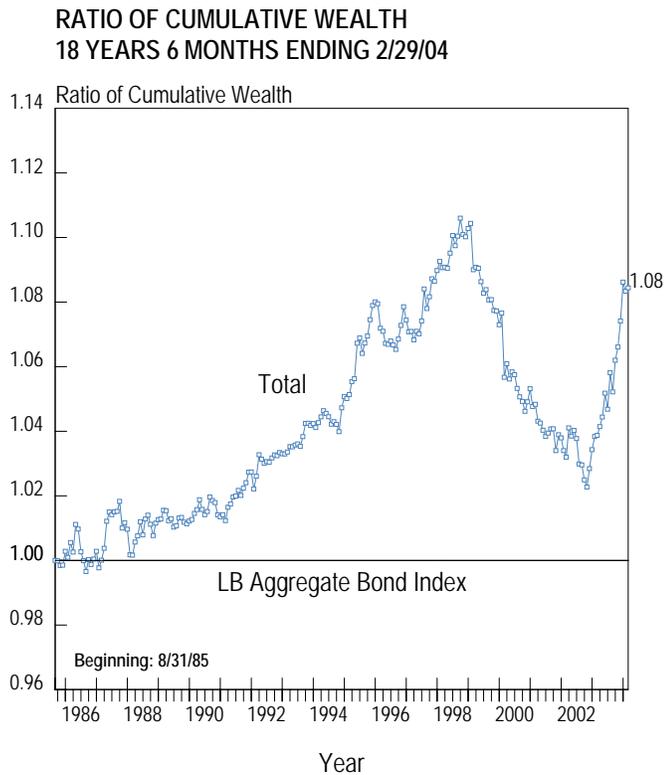


MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04



- The Performance Attribution graphs shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Fixed Income" represents the component's relative performance to the Lehman Aggregate Bond Index in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the fixed income benchmark.

As of February 29, 2004



- The Ratio of Cumulative Wealth graph above illustrates the fixed income component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the fixed income component's return exceeded that of the benchmark until 1999, then experienced a period of underperformance until the end of 2002. Recent outperformance has resulted in increased value-added relative to the Lehman Aggregate Bond Index since inception.
- The Risk Return graph above exhibits the risk return characteristics of the total fixed income component, relative to those of the performance benchmark. As shown, the component has generated a slightly higher rate of return than the Index while incurring a slightly higher level of risk.

\$902 Million

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	Total Fixed Income	LB Aggregate Bond Index	Return Difference
	Return	Return	
1985 (4 months)	8.7%	8.4%	0.3
1986	15.3	15.3	0.0
1987	3.5	2.8	0.7
1988	8.2	7.9	0.3
1989	14.5	14.5	0.0
1990	9.1	9.0	0.1
1991	17.6	16.0	1.6
1992	8.0	7.4	0.6
1993	10.7	9.7	1.0
1994	-2.1	-2.9	0.8
1995	21.8	18.5	3.3
1996	3.1	3.6	-0.5
1997	11.2	9.7	1.5
1998	10.0	8.7	1.3
1999	-3.5	-0.8	-2.7
2000	9.6	11.6	-2.0
2001	6.9	8.4	-1.5
2002	9.9	10.3	-0.4
2003	9.3	4.1	5.2
2004 (2 months)	1.7	1.9	-0.2
Trailing 1-Year	9.1%	4.5%	4.6
Trailing 3-Year	8.6	7.4	1.2
Trailing 5-Year	7.1	7.2	-0.1
Trailing 10-Year	7.6	7.2	0.4
Since Inception (8/31/85)	9.2	8.7	0.5

- The table above compares the annual return history of the total fixed income component to that of the Lehman Aggregate Bond Index.

* The annual returns in this exhibit represent calendar-year periods.

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	Since Inception	Inception Date
PIMCO Fixed Income	4.8%	12.3%	11.0%	10.9%	1/31/00
LB Global Aggregate Bond Index	4.2	10.8	10.1	8.8	
In-House Domestic	2.3	3.9	5.1	7.4	1/31/00
LB Aggregate Bond Index	2.9	4.5	7.4	9.0	
In-House Credit	3.3	7.3	7.5	7.7	1/31/01
Credit Related Composite Index**	3.3	7.3	9.0	9.0	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

** The description of the composite benchmark can be found in the appendix of this report.

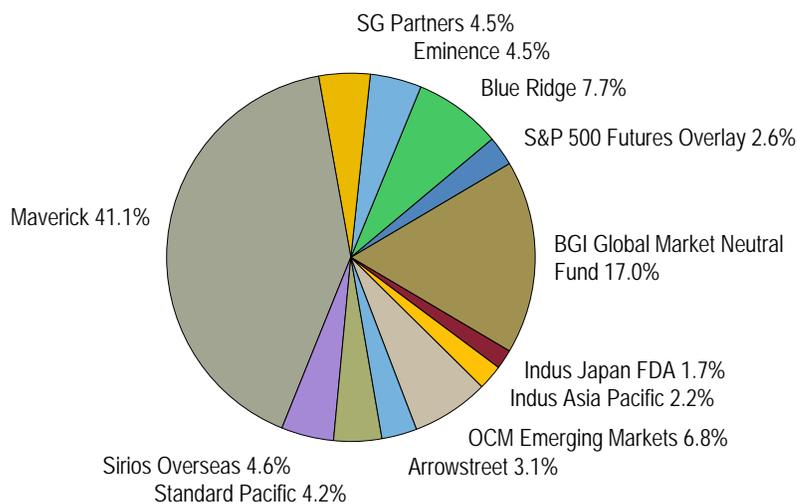
\$781 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since Inception	Inception Date
Equity Hedge Funds	4.3%	12/31/03
90-Day T-Bill + 4%	0.8	

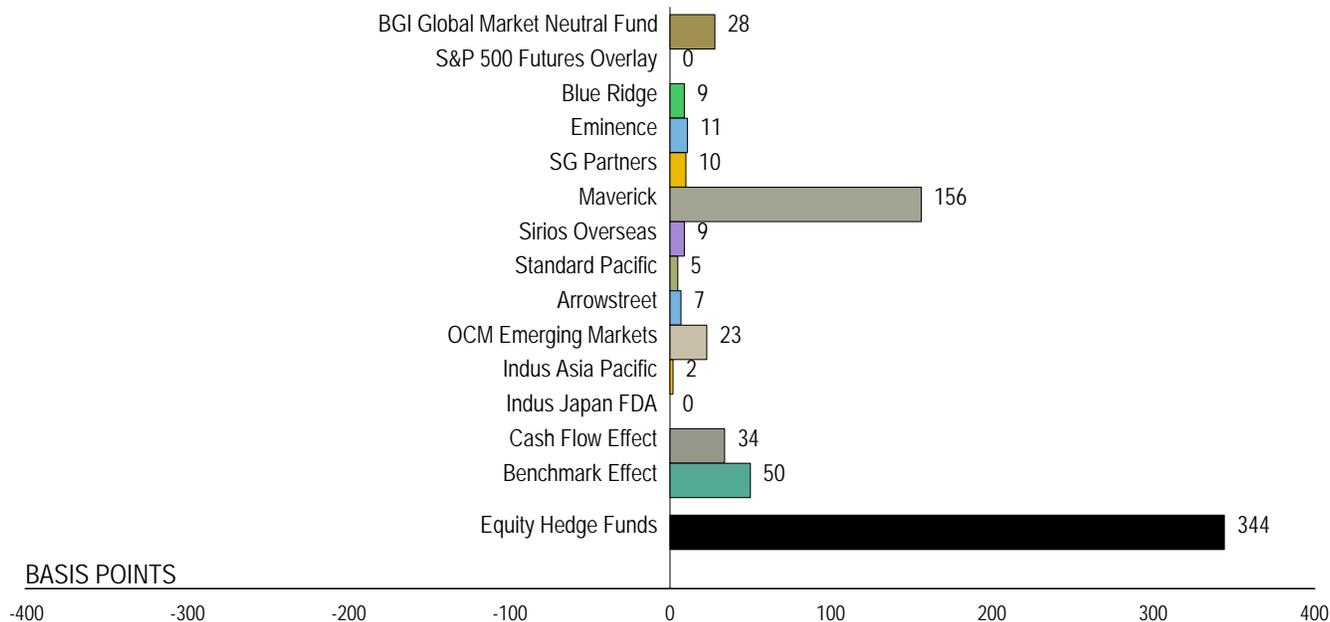
MANAGER ALLOCATION AS OF 2/29/04



- The Equity Hedge Fund component outperformed its benchmark over the two months since its inception as an official asset category. The Maverick portfolio was the greatest contributor to results and represents the largest portion of the component (41.1% as of quarter-end).
- The Blue Ridge, Indus Japan, and Indus Asia Pacific investments were all funded during the quarter.

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
2 MONTHS ENDING 2/29/04



- The Performance Attribution exhibit shown above measures the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Equity Hedge Funds" represents the component's relative performance to the performance benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the equity hedge fund benchmark.
- As shown, each manager either made a positive contribution or had negligible impact on relative performance; the Maverick portfolio had the largest positive impact on component performance.

\$781 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	Since Inception	Inception Date
BGI Global Market Neutral Fund	10.3%	39.5%	--%	26.3%	12/31/02
S&P 500 Index	8.7	38.5	--	27.6	
S&P 500 Futures Overlay	8.4	--	--	9.2	10/31/03
S&P 500 Index	8.7	--	--	9.6	
Blue Ridge	--	--	--	0.7	12/31/03
90-Day T-Bill + 4%	--	--	--	0.8	
Eminence	4.7	--	--	8.4	6/30/03
90-Day T-Bill + 4%	1.3	--	--	3.4	
SG Partners	4.3	--	--	7.1	8/31/03
90-Day T-Bill + 4%	1.3	--	--	2.5	
Maverick	5.5	12.2	6.5	12.0	2/29/00
90-Day T-Bill + 4%	1.3	5.2	6.3	7.4	
Sirios Overseas	3.9	--	--	8.5	4/30/03
90-Day T-Bill + 4%	1.3	--	--	4.3	
Standard Pacific	4.2	-0.4	--	-0.7	1/31/03
90-Day T-Bill + 4%	1.3	5.2	--	5.2	
Arrowstreet	3.4	--	--	-9.0	5/31/03
90-Day T-Bill + 4%	1.3	--	--	3.9	
OCM Emerging Markets	5.6	11.4	--	10.4	12/31/01
90-Day T-Bill + 4%	1.3	5.2	--	5.6	
Indus Asia Pacific	5.9	--	--	5.9	11/30/03
90-Day T-Bill + 4%	1.3	--	--	1.3	
Indus Japan FDA	2.5	--	--	2.5	11/30/03
90-Day T-Bill + 4%	1.3	--	--	1.3	

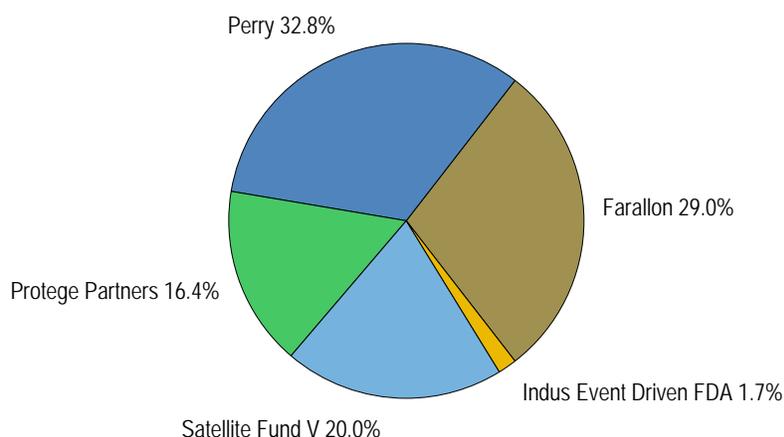
* Time period represents the total return for the fiscal quarter ending 2/29/04.

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	Since Inception	Inception Date
Absolute Return Hedge Funds	5.1%	25.1%	11.2%	13.3%	2/29/00
Absolute Return Benchmark**	1.1	5.1	6.3	7.3	

MANAGER ALLOCATION AS OF 2/29/04



- The total absolute return component outperformed in the recent fiscal quarter as each of the managers earned a return exceeding that of the benchmark during the period. Longer-term performance shown above is also favorable as the component outperformed its benchmark by six percentage points since inception.
- The graph above details the allocation to each manager of the absolute return component as of quarter-end.
- The Indus Event Driven investment was funded during the quarter.

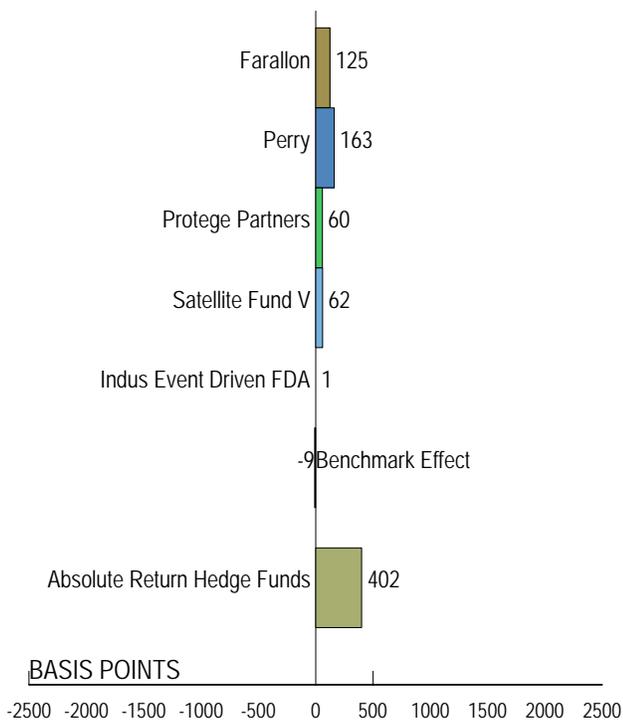
* Time period represents the total return for the fiscal quarter ending 2/29/04.

** The Absolute Return Benchmark consists of the returns of 90 Day T-Bills + 3% beginning January 1, 2004. Returns through December 31, 2003, represent 90 Day T-Bills + 4%.

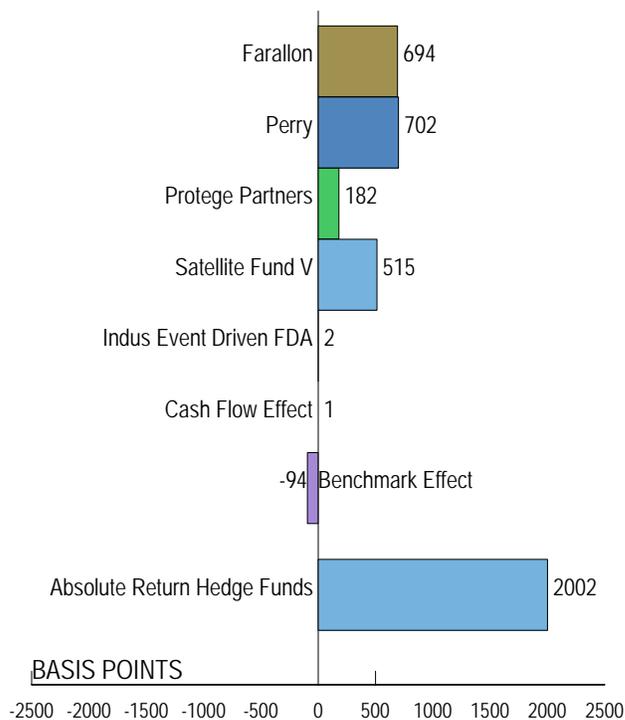
\$792 Million

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04

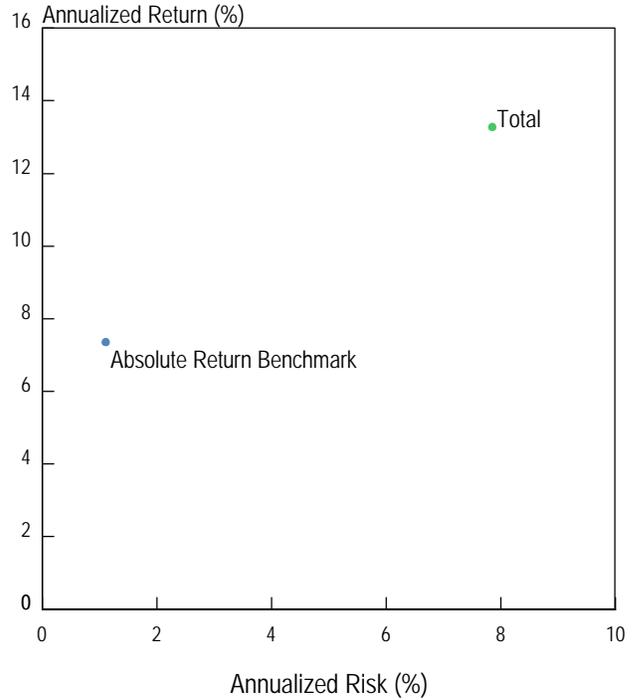
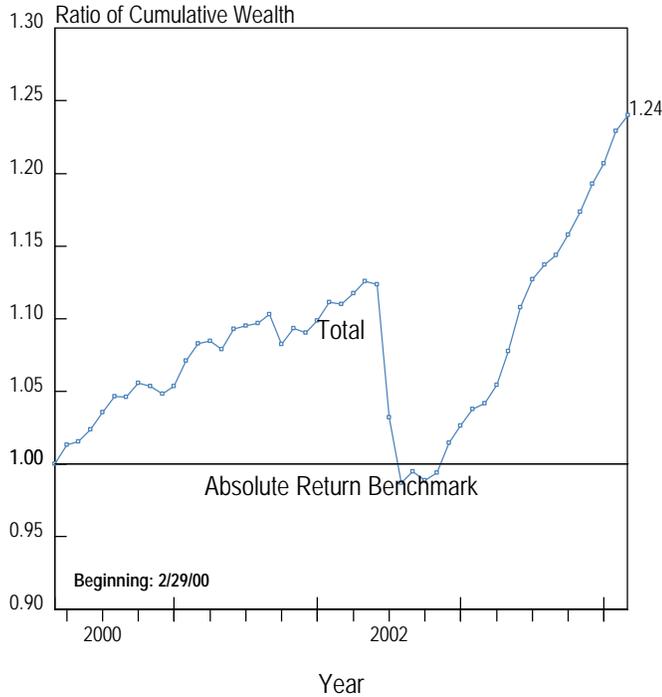


- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Absolute Return Hedge Funds" represents the component's relative performance to the performance benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual manager and the absolute return hedge fund benchmark.

As of February 29, 2004

**RATIO OF CUMULATIVE WEALTH
4 YEARS ENDING 2/29/04**

**ANNUALIZED RISK/RETURN
4 YEARS ENDING 2/29/04**



- The Ratio of Cumulative Wealth graph above illustrates the absolute return component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the component has experienced a significant relative-performance gain since mid-2002 and leads its benchmark since inception.
- The Risk Return graph above exhibits the risk and return characteristics of the total absolute return component, relative to that of its performance benchmark. As shown, the component has outperformed its benchmark since inception, while incurring a significantly greater level of risk.

\$792 Million

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	Absolute Return Hedge Funds	Absolute Return Benchmark	Return Difference
	Return	Return	
2000 (10 months)	14.6%	8.8%	5.8
2001	13.3	8.7	4.6
2002	-1.0	6.0	-7.0
2003	23.8	5.3	18.5
2004 (2 months)	3.4	0.7	2.7
Trailing 1-Year	25.1%	5.1%	20.0
Trailing 3-Year	11.2	6.3	4.9
Since Inception (2/29/00)	13.3	7.3	6.0

- The table above compares the annual return history of the total absolute return component to that of the performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	Since Inception	Inception Date
Farallon	5.3%	27.0%	14.2%	14.1%	2/29/00
90 Day T-Bills + 3%	1.0	4.2	5.3	6.3	
Perry	6.0	24.3	13.4	15.9	2/29/00
90 Day T-Bills + 3%	1.0	4.2	5.3	6.3	
Protege Partners	4.6	16.6	--	16.6	2/28/03
90 Day T-Bills + 3%	1.0	4.2	--	4.2	
Satellite Fund V	4.0	28.7	5.4	7.5	8/31/00
90 Day T-Bills + 3%	1.0	4.2	5.3	5.9	
Indus Event Driven FDA	2.0	--	--	2.0	11/30/03
90 Day T-Bills + 3%	1.0	--	--	1.0	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

\$878 Million

As of February 29, 2004

**RETURN SUMMARY
ENDING 2/29/04**

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Private Capital	7.3%	8.9%	-7.7%	4.6%	9.8%	1/31/89
Private Capital Benchmark**	6.5	44.1	3.9	4.7	15.9	

- As shown in the table above, Private Capital outperformed its benchmark for the quarter, and trailed the benchmark over all longer periods shown.
- The returns shown in the table above are reported on a time-weighted basis, consistent with the methodology used for returns throughout this report. Time-weighted returns are calculated using monthly asset values and daily cash flows. Time-weighted rates of return are the industry standard for reporting the performance of traditional, marketable investments. For investments such as private equity, the time-weighted return calculation methodology suffers from a number of flaws, including the attribution of control over cash flows to the investor rather than the investment manager. In these cases, the industry standard is to use the internal rate of return (IRR), which is the annualized rate of return implied by a series of cash flows and a beginning and ending market value.

* Time period represents the total return for the fiscal quarter ending 2/29/04.

** The Private Capital Benchmark represents the Venture Economics Private Capital Benchmark beginning January 1, 2004. Returns through December 31, 2003, represent the Wilshire 5000 + 4%.

As of February 29, 2004

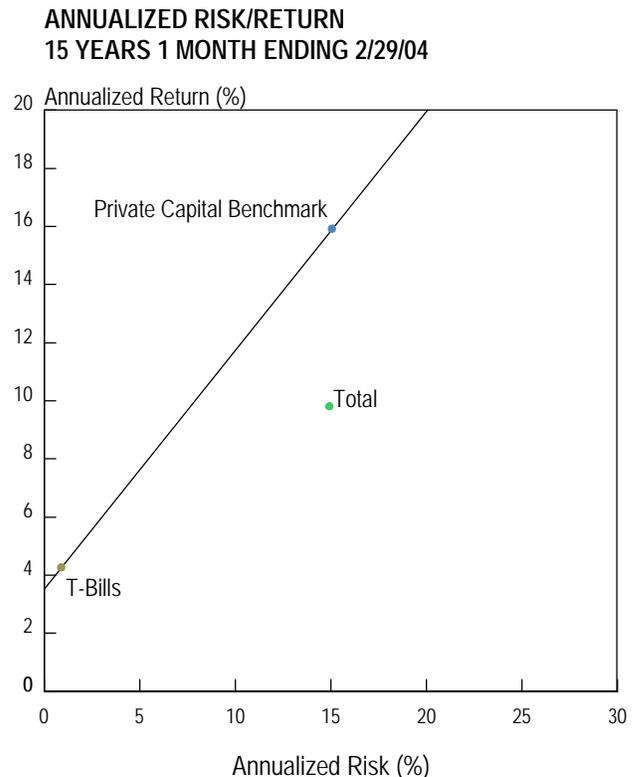
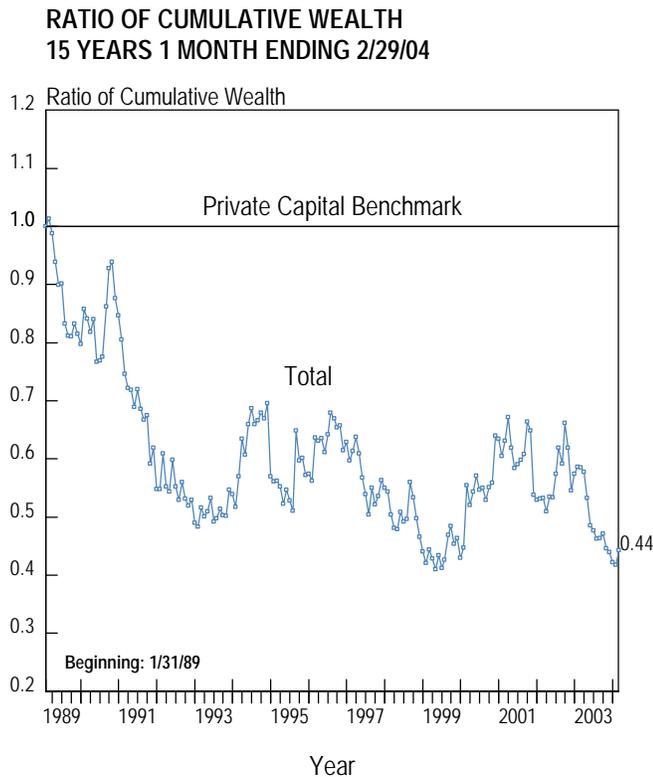
HISTORICAL RETURNS
PUF SINCE INCEPTION IRR

Period Ending	Private Capital	Wilshire 5000 Index + 4%	Return Difference
8/31/1989	22.2 %	46.2 %	-24.0 %
8/31/1990	-5.1	-3.8	-1.3
8/31/1991	6.6	17.0	-10.4
8/31/1992	-3.9	13.3	-17.4
8/31/1993	2.3	15.4	-13.1
8/31/1994	12.9	12.7	0.2
8/31/1995	18.2	14.5	3.7
8/31/1996	20.5	15.1	5.4
8/31/1997	20.1	18.0	2.1
8/31/1998	18.5	15.6	2.9
8/31/1999	19.0	18.7	0.3
8/31/2000	22.3	19.2	3.1
8/31/2001	17.8	12.2	5.6
8/31/2002	13.0	8.0	5.0
8/31/2003	10.5	9.3	1.2
2/29/2004	10.9	10.6	0.3

- The IRRs shown in the table were provided by UTIMCO, as with all other data shown in this report.

\$878 Million

As of February 29, 2004



- The data shown in the exhibits above reflect time-weighted returns.
- The Ratio of Cumulative Wealth graph above illustrates the private capital securities component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the component has significantly underperformed since inception. A sizeable portion of the underperformance is a result of below-benchmark returns earned early in the component's life (namely 1990-1991).
- The Risk Return graph above exhibits the risk return characteristics of the private capital component, relative to that of its benchmark. As shown, the component has underperformed the benchmark while incurring a similar level of risk.

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	Private Capital	Private Capital Benchmark	Return Difference
	Return	Return	
1989 (11 months)	0.0%	25.4%	-25.4
1990	3.6	-2.3	5.9
1991	-9.7	39.5	-49.2
1992	1.4	13.4	-12.0
1993	27.4	15.8	11.6
1994	9.9	4.0	5.9
1995	43.0	41.9	1.1
1996	37.9	26.1	11.8
1997	19.4	36.5	-17.1
1998	2.8	28.4	-25.6
1999	25.6	28.5	-2.9
2000	36.8	-7.2	44.0
2001	-22.6	-7.3	-15.3
2002	-10.6	-17.6	7.0
2003	0.6	36.9	-36.3
2004 (2 months)	6.4	1.6	4.8
Trailing 1-Year	8.9%	44.1%	-35.2
Trailing 3-Year	-7.7	3.9	-11.6
Trailing 5-Year	4.6	4.7	-0.1
Trailing 10-Year	12.2	15.1	-2.9

- The returns shown in the table above reflect time-weighted returns.
- The table above compares the annual return history of the private capital component relative to its performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

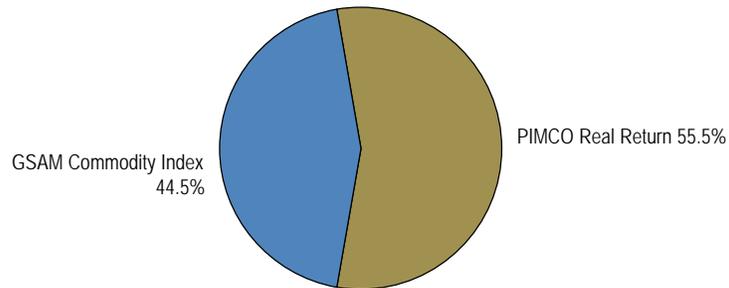
\$251 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since Inception	Inception Date
Commodities	8.2%	12/31/03
Goldman Sachs Commodity Index - 1%	7.7	

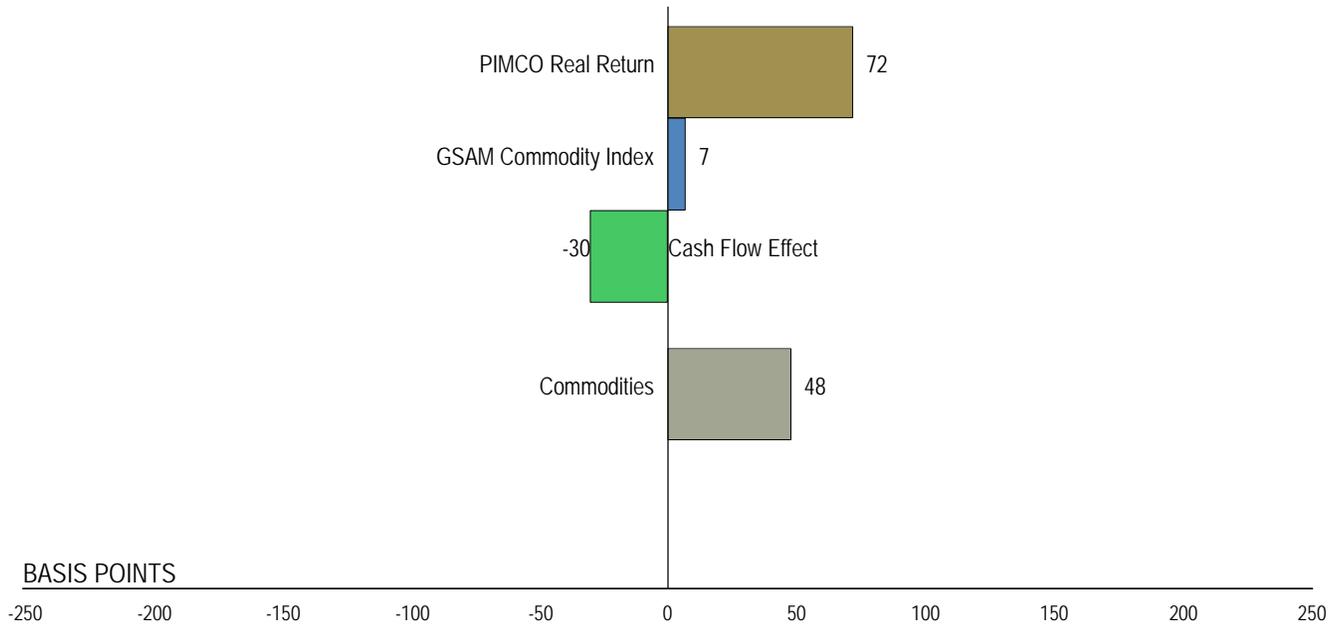
MANAGER ALLOCATION AS OF 2/29/04



- The commodities component outperformed the benchmark over the two months since inception.
- The graph above details the manager allocations of the commodities asset class as of quarter-end. The assets are roughly split between Goldman Sachs and the newly funded PIMCO Real Return investment.
- The PIMCO Real Return investment was funded during the quarter.

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
2 MONTHS ENDING 2/29/04



- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Commodities" represents the component's relative performance to the performance benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component.

\$251 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	Since Inception	Inception Date
PIMCO Real Return	--	--	8.4%	12/31/03
Goldman Sachs Commodity Index - 1%	--	--	7.7	
GSAM Commodity Index	15.1	7.4	28.8	3/31/02
Goldman Sachs Commodity Index - 1%	14.6	5.5	22.3	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

GENERAL ENDOWMENT FUND

\$4,245 Million

As of February 29, 2004

RETURN SUMMARY ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
General Endowment Fund	8.2%	32.6%	5.9%	7.6%	10.5%	8/31/91
Endowment Performance Benchmark**	6.6	31.3	4.9	5.8	11.2	
U.S. Equities	7.7	40.1	3.0	4.8	11.1	8/31/91
U.S. Equity Performance Benchmark	8.1	42.1	0.7	1.1	11.0	
Global Ex US Equities	13.9	59.5	4.3	3.4	6.0	3/31/93
MSCI AC World Ex- U.S. Free Index	12.1	55.9	2.7	2.9	6.5	
Equity Hedge Funds	--	--	--	--	4.3	12/31/03
90-Day T-Bill + 4%	--	--	--	--	0.8	
Absolute Return Hedge Funds	5.1	25.0	11.1	13.7	11.4	7/31/98
Absolute Return Benchmark	1.1	5.1	6.3	7.7	7.9	
Private Capital***	5.8	6.9	-8.0	3.8	9.7	11/30/86
Private Capital Benchmark	6.5	44.1	3.9	4.7	15.9	
Commodities	--	--	--	--	8.1	12/31/03
Goldman Sachs Commodity Index - 1%	--	--	--	--	7.7	
Total Fixed Income	3.9	9.4	8.7	7.6	11.3	8/31/81
LB Aggregate Bond Index	2.9	4.5	7.4	7.2	10.6	

- The General Endowment Fund outperformed the Endowment Performance Benchmark by 1.6 percentage points in the fiscal quarter ending February 29, 2004. Global ex-U.S. equities, absolute return hedge funds, equity hedge funds, commodities, and fixed income outperformed their benchmarks and contributed to the result.
- One-year performance exceeded the benchmark also despite the significant underperformance produced by the Private Capital component. This underperformance was offset by the positive effects produced by the global ex-U.S. equity, equity and absolute return hedge funds, fixed income, and inflation hedging segments.

* Time-period represents the total return for the fiscal quarter ending 2/29/04.

** Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical policy portfolio data provided by UTIMCO.

*** Actual returns for the private capital component are presented on a time-weighted basis. The Private Capital benchmark represents the Venture Economics Private Capital Benchmark beginning January 1, 2004; returns through December 31, 2003 represent the Wilshire 5000 + 4%.

As of February 29, 2004

UTIMCO POLICY COMPLIANCE
ASSET ALLOCATION AS OF 2/29/04
(\$ in millions)

	Total	Percent of Total	Policy	Policy Ranges	In Compliance?
U.S. Equities	\$ 1,414	33.3 %	25.0 %	15 - 45%	Yes
Non-U.S. Developed Equity	\$ 555	13.1 %	10.0 %	5 - 15%	Yes
Emerging Markets Equity	388	9.1	7.0	0 - 10	Yes
Global ex U.S. Equities	\$ 943	22.2 %	17.0 %	5 - 25%	Yes
Total Traditional Equity	\$ 2,357	55.5 %	42.0 %	20 - 60%	Yes
Equity Hedge Funds	\$ 418	9.8 %	10.0 %	5 - 15%	Yes
Absolute Return Hedge Funds	434	10.2	15.0	10 - 20	Yes
Total Hedge Funds	\$ 852	20.0 %	25.0 %	15 - 25%	Yes
Private Equity	\$ 364	8.6 %	9.0 %	0 - 10%	Yes
Venture Capital	63	1.5	6.0	5 - 15	No
Total Private Capital	\$ 427	10.1 %	15.0 %	5 - 15%	Yes
Commodities	\$ 134	3.1 %	3.0 %	0 - 15%	Yes
Fixed Income	483	11.3	15.0	10 - 30	Yes
Cash	-8	-0.1	--	0 - 5	No
Total General Endowment Fund	\$ 4,245	100.0 %	100.0 %		

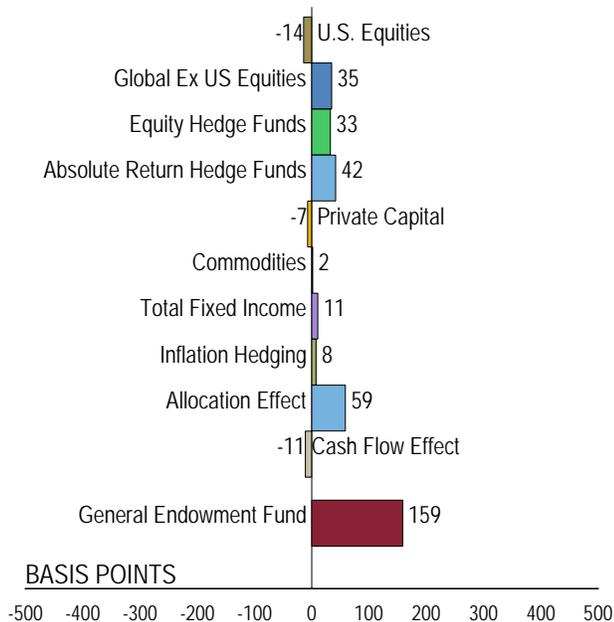
- The table above summarizes and compares the actual asset allocation of the General Endowment Fund to the U.T. System Policy Targets adopted December 19, 2003. As of the end of the fiscal quarter, the actual allocation to the venture capital category (1.5%) was below the allowable minimum of 5.0%.
- The largest deviation from Policy was the Fund's overweight of U.S. equities. This, combined with the overweight allocations to non-U.S. developed and emerging market equities, resulted in a 13.5 percentage point greater allocation to traditional equity than the Policy's 42.0%. Additionally, the GEF held an underweight allocation in both the Total Hedge Funds and Total Private Capital segments, and a 3.7 percentage point underweight of fixed income securities.
- The GEF grew by over \$300 million in the fiscal second quarter. Besides the classification changes that took place during the quarter and are summarized on page 4, the GEF's allocation to fixed income continued to decline. The component's allocation began the fiscal year at 13.8% as of August 31, and ended the fiscal second quarter at 11.3%.
- As of February 29, 19.8% of the General Endowment Fund was representative of the Permanent Health Fund and the remaining 80.2% was of the Long Term Fund.
- The negative \$8 million cash position represents liabilities accrued at quarter-end and paid shortly following the close of the quarter.

GENERAL ENDOWMENT FUND

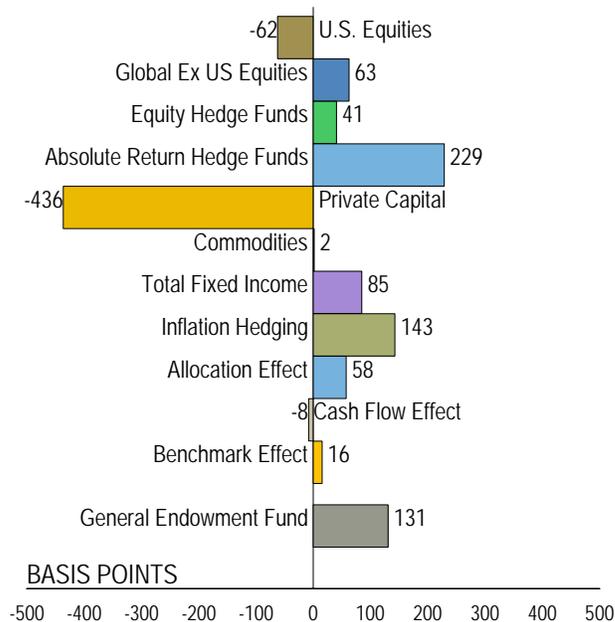
\$4,245 Million

As of February 29, 2004

**TOTAL FUND ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04**



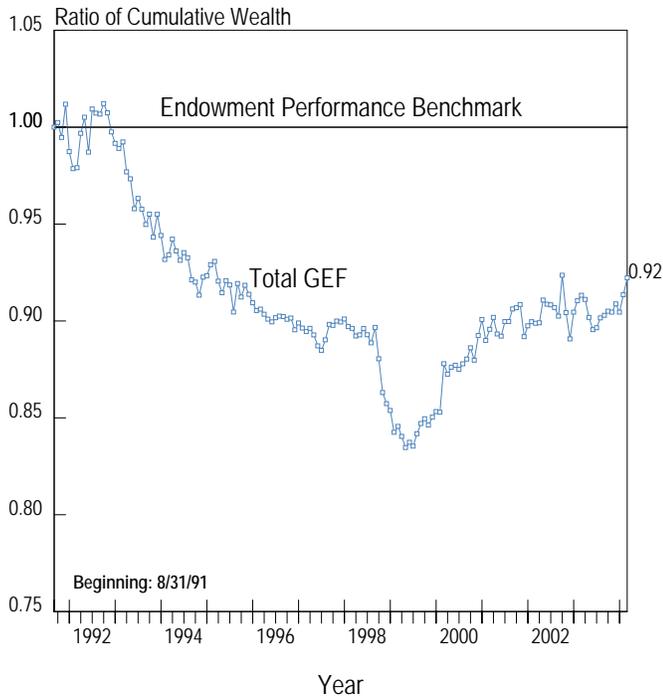
**TOTAL FUND ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04**



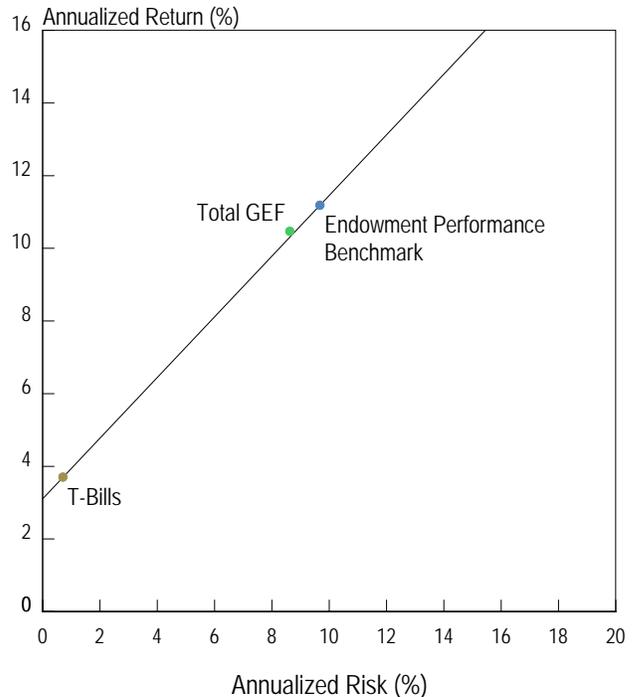
- The Performance Attribution exhibits shown above measure the source of the deviation of a fund's performance from that of its benchmark. Each bar on the graph represents the contribution made by the component to the total difference in performance (shown at the bottom of the exhibit). A positive value for a component indicates a positive contribution to the aggregate relative performance. A negative value indicates a detrimental impact. The asset class bar amounts are determined by multiplying the relative return of that asset class (actual return - policy benchmark return) by its policy weight. "Allocation Effect" details the degree to which the Fund's asset allocation differed from that of its policy, and what impact this had on performance. "Cash Flow Effect" details what impact any movement in Fund assets had on performance. "Benchmark Effect" details the impact of differences between the composition of the Total Fund benchmark and the benchmarks of the individual asset classes.
- As shown in the three-month exhibit, the favorable performance earned by most of the asset classes benefited performance, collectively offsetting the negative impact produced by the U.S. Equities, and Private Capital components' trailing results. The General Endowment Fund also benefited from the overweight allocations to the traditional equity asset classes and the underweight of fixed income securities.
- The one-year attribution analysis shows a similar asset-class relative return story; however, the Private Capital component significantly underperformed its benchmark and offset much of the value-added produced by components such as Absolute Return Hedge Funds, Inflation Hedging, and Fixed Income.

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
12 YEARS 6 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
12 YEARS 6 MONTHS ENDING 2/29/04



- The Ratio of Cumulative Wealth graph above illustrates the Total General Endowment Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, between 1993 and 1999 the Fund's performance trailed that of the benchmark. Since 1999, the Fund has exceeded the performance of its benchmark.
- The Risk Return graph above exhibits the risk and return characteristics of the Total General Endowment Fund, relative to that of the Performance Benchmark. As shown, the Fund earned a slightly lower return at a comparatively lower level of volatility.

GENERAL ENDOWMENT FUND

\$4,245 Million

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	General Endowment Fund	Endowment Performance Benchmark**	Return Difference
	Return	Return	
1991 (4 months)	6.4%	7.8%	-1.4
1992	7.8	7.4	0.4
1993	10.9	16.5	-5.6
1994	0.2	2.4	-2.2
1995	25.1	27.0	-1.9
1996	14.3	15.7	-1.4
1997	20.5	20.2	0.3
1998	11.6	17.7	-6.1
1999	18.6	18.7	-0.1
2000	3.9	-1.6	5.5
2001	-5.0	-4.7	-0.3
2002	-7.7	-8.4	0.7
2003	25.5	25.6	-0.1
2004 (2 months)	4.5	2.5	2.0
Trailing 1-Year	32.6%	31.3%	1.3
Trailing 3-Year	5.9	4.9	1.0
Trailing 5-Year	7.6	5.8	1.8
Trailing 10-Year	10.5	10.6	-0.1
Since Inception (8/31/91)	10.5	11.2	-0.7

- The table above compares the annual return history of the General Endowment Fund to that of its performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

** Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical policy portfolio data provided by UTIMCO.

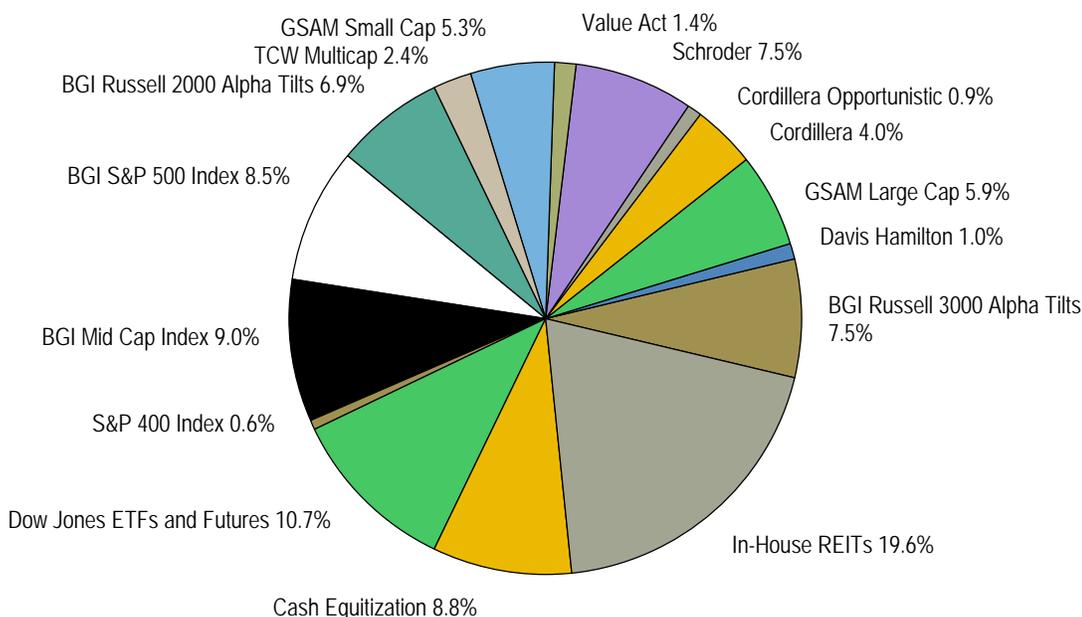
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As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
U.S. Equities	7.7%	40.1%	3.0%	4.8%	11.1%	8/31/91
U.S. Equity Performance Benchmark	8.1	42.1	0.7	1.1	11.0	

MANAGER ALLOCATION AS OF 2/29/04



- The table above details the trailing-period performance of the total domestic equity component relative to the Performance Benchmark.
- The graph above details the allocation to each manager of the U.S. equity component as of quarter-end. Beginning January 1, 2004, REIT investments are included in the U.S. equity component's allocation and performance calculation. In conjunction with this classification change, hedge and structured active domestic equity managers have been moved to a new Equity Hedge Funds asset class.
- The TCW Multicap investment was funded during the quarter.

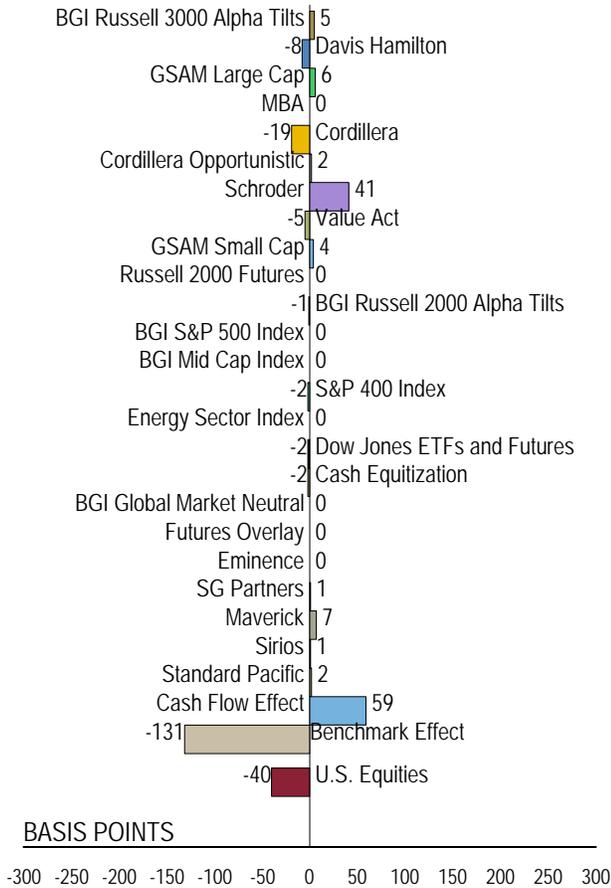
* Time period represents the total return for the fiscal quarter ending 2/29/04.

** The U.S. Equity Performance Benchmark represents the return of the Russell 3000 Index beginning January 1, 2004. Returns through December 31, 2003, represent the Wilshire 5000 Index.

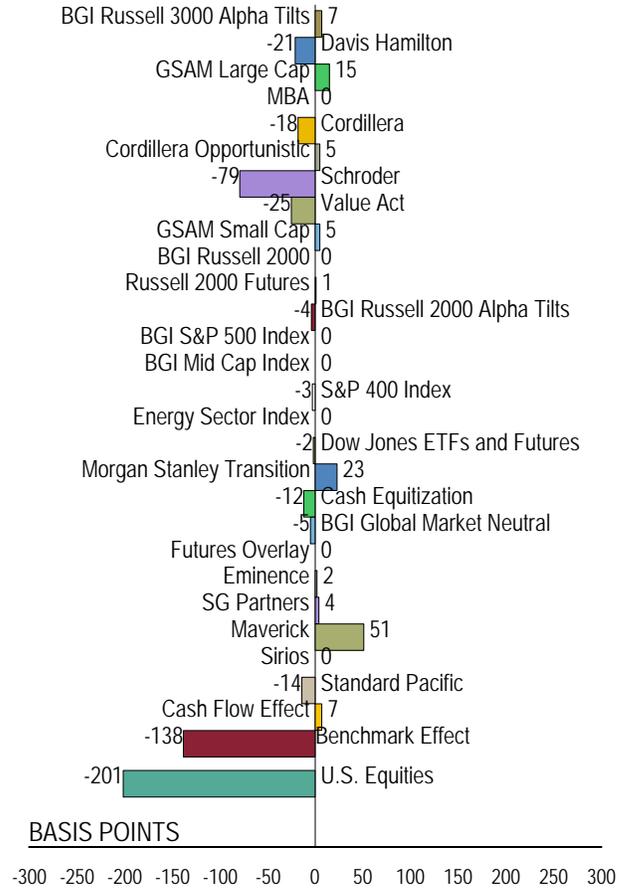
\$1,414 Million

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04

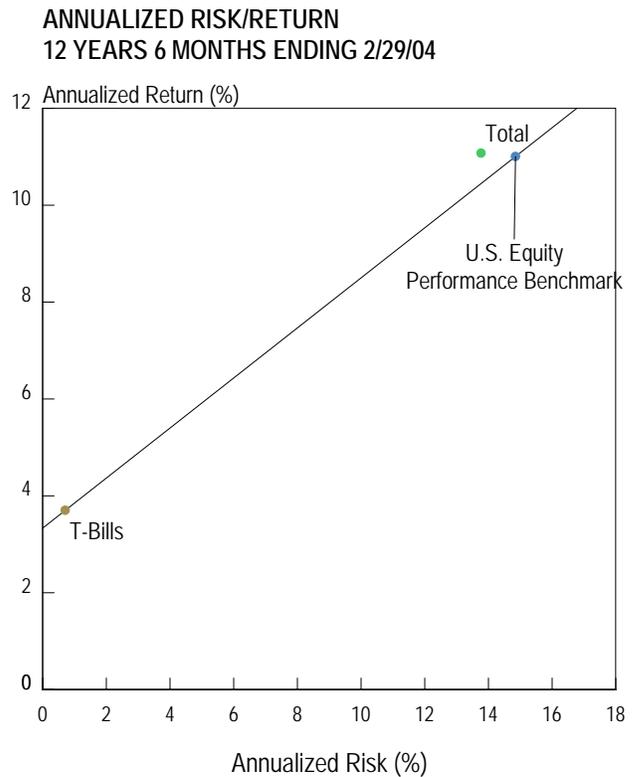
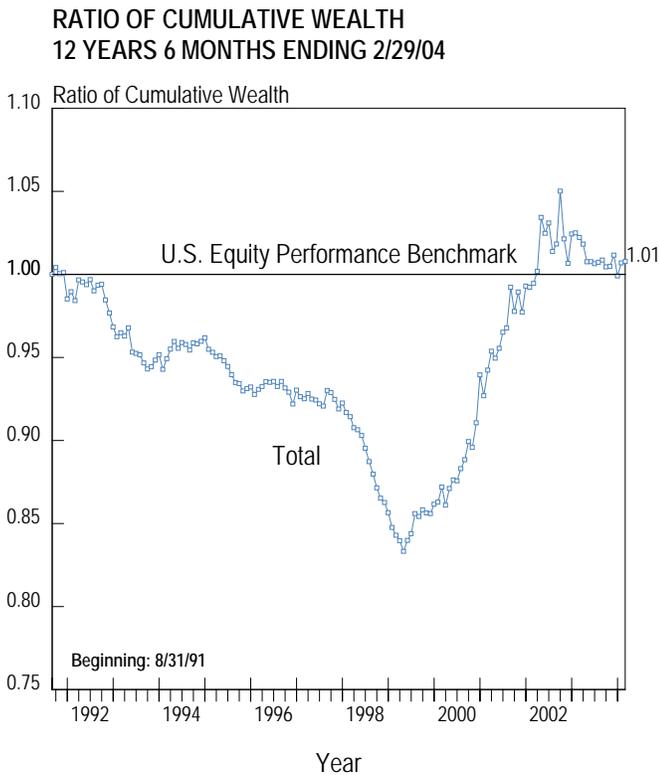


MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04



- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "U.S. Equities" represents the component's performance relative to the U.S. Equities Performance Benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the U.S. equity benchmark.
- As shown in the three-month exhibit, relative performance was mixed across investment styles. The greatest contributor was the Schroder small cap portfolio which earned a return that exceeded the benchmark by over five percentage points. The Cordillera small cap portfolio, on the other hand, was the largest single detractor. The benchmark effect is a result of the market-trailing returns earned by mid-cap stocks and the hedge fund benchmarks of T-bills + 4%. This effect is muted in the one-year exhibit as small-cap stocks outperformed the rest of the market during the period.

As of February 29, 2004



- The Ratio of Cumulative Wealth graph above illustrates the domestic equity component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance trailed the Index prior to 1999, though it has exceeded that of the Index since 1999.
- The Risk Return graph above exhibits the risk return characteristics of the total domestic equity component, relative to that of the Performance Benchmark. As shown, the asset class has achieved a return similar to that of the Index at a slightly lower level of volatility.

\$1,414 Million

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	U.S. Equities	U.S. Equity Performance Benchmark	Return Difference
	Return	Return	
1991 (4 months)	5.9%	7.5%	-1.6
1992	7.1	9.0	-1.9
1993	9.4	11.3	-1.9
1994	1.0	-0.1	1.1
1995	32.3	36.4	-4.1
1996	21.0	21.2	-0.2
1997	30.2	31.3	-1.1
1998	14.6	23.4	-8.8
1999	24.3	23.6	0.7
2000	-2.8	-10.9	8.1
2001	-5.9	-11.0	5.1
2002	-18.4	-20.9	2.5
2003	28.4	31.7	-3.3
2004 (2 months)	4.4	3.5	0.9
Trailing 1-Year	40.1%	42.1%	-2.0
Trailing 3-Year	3.0	0.7	2.3
Trailing 5-Year	4.8	1.1	3.7
Trailing 10-Year	11.5	10.9	0.6
Since Inception (8/31/91)	11.1	11.0	0.1

- The table above compares the annual return history of the total domestic equity component to that of the U.S. Equity Performance Benchmark.

* The annual returns in this exhibit represent calendar-year periods.

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
BGI Russell 3000 Alpha Tilts	8.6%	--%	--%	--%	15.6%	8/31/03
Russell 3000 Index	8.2	--	--	--	15.1	
Davis Hamilton	4.1	26.9	-3.6	-0.7	9.8	12/31/93
S&P 500 Index	8.7	38.5	-1.0	-0.1	11.2	
GSAM Large Cap	9.5	41.2	0.3	0.7	2.1	3/31/98
S&P 500 Index	8.7	38.5	-1.0	-0.1	2.1	
MBA	5.0	34.1	-3.9	-5.7	3.1	10/31/95
S&P 500 Index	8.7	38.5	-1.0	-0.1	10.2	
Cordillera	1.9	61.3	-3.8	9.0	10.3	12/31/93
Russell 2000 Growth Index	5.6	64.9	1.9	2.9	5.9	
Cordillera Opportunistic	9.8	--	--	--	15.1	10/31/03
Russell 2000 Index	7.4	--	--	--	11.2	
Schroder	12.7	51.5	7.3	14.1	11.9	12/31/93
Russell 2000 Index	7.4	64.4	8.7	9.8	9.9	
Value Act	4.8	--	--	--	8.1	7/31/03
Russell 2000 Index	7.4	--	--	--	23.8	
GSAM Small Cap	8.5	65.7	12.1	12.3	6.7	3/31/98
Russell 2000 Index	7.4	64.4	8.7	9.8	4.7	
TCW Multicap	--	--	--	--	1.2	1/31/04
Russell 3000 Index	--	--	--	--	1.4	
BGI Russell 2000 Alpha Tilts	7.1	63.1	--	--	11.9	12/31/01
Russell 2000 Index	7.4	64.4	--	--	10.1	
BGI S&P 500 Index	8.7	38.6	-1.0	-0.1	12.0	1/31/93
S&P 500 Index	8.7	38.5	-1.0	-0.1	11.1	
BGI Mid Cap Index	6.4	49.7	7.8	12.3	14.9	11/30/92
S&P 400 Mid Cap Index	6.4	49.7	7.7	12.3	14.4	
S&P 400 Index	5.8	--	--	--	9.5	10/31/03
S&P 400 Mid Cap Index	6.4	--	--	--	10.1	
Energy Sector Index	14.7	--	--	--	18.5	9/30/03
ML 90-day T-Bill	0.3	--	--	--	0.4	
Dow Jones ETFs and Futures	8.4	--	--	--	7.8	10/31/03
Dow Jones Industrial Average	8.7	--	--	--	8.8	
Cash Equitization	8.2	37.2	-1.8	--	-1.8	2/28/01
S&P 500 Index	8.7	38.5	-1.0	--	-1.0	
In-House REITs	8.7	48.6	21.0	17.5	14.3	3/31/93
Wilshire Real Estate Securities Index	9.2	47.2	18.5	16.5	11.0	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

Ennis Knupp + Associates

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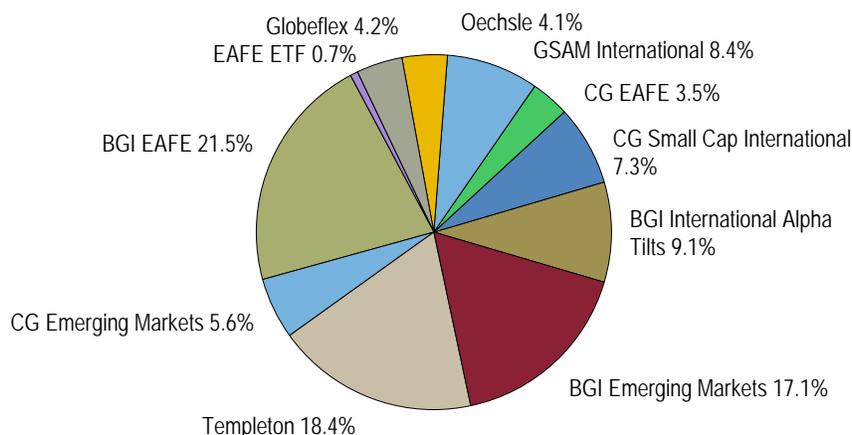
\$943 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Global Ex US Equities	13.9%	59.5%	4.3%	3.4%	6.0%	3/31/93
MSCI AC World Ex-U.S. Free Index	12.1	55.9	2.7	2.9	6.5	

MANAGER ALLOCATION AS OF 2/29/04

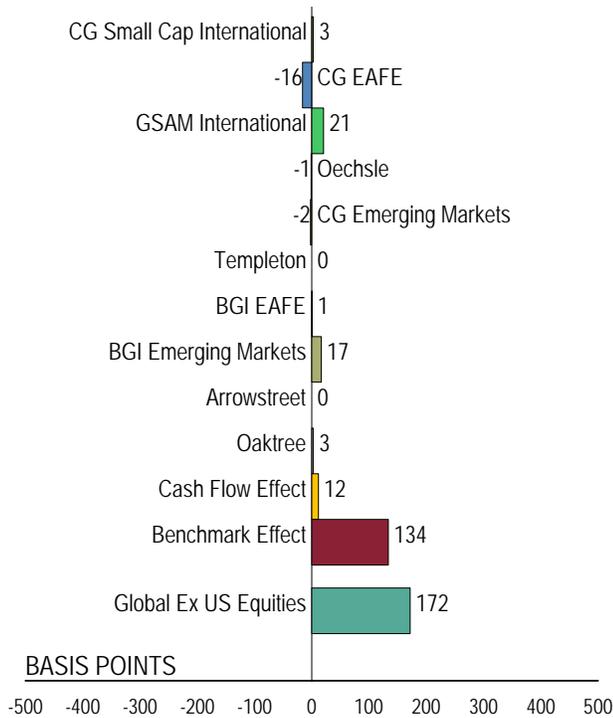


- The table above details the trailing-period performance of the total international equity component relative to the MSCI All-Country World ex-U.S. Index. The current quarter's outperformance was aided by the above-market returns earned by the Capital Guardian Small Cap and Goldman Sachs portfolios and positive tracking error from the BGI Emerging Markets portfolio. The component has outperformed its benchmark over the one-year, three-year, and five-year periods.
- The graph above details the allocation to each manager of the international equity component as of quarter-end. Beginning January 1, 2004, hedge and structured active international equity managers have been classified within a new Equity Hedge Funds asset class.
- The EAFE ETF investment was funded during the quarter.

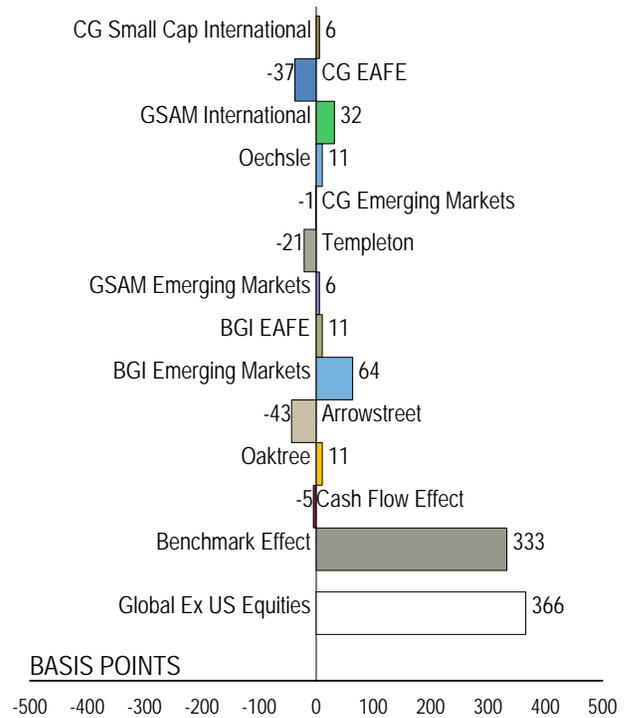
* Time period represents the total return for the fiscal quarter ending 2/29/04.

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04



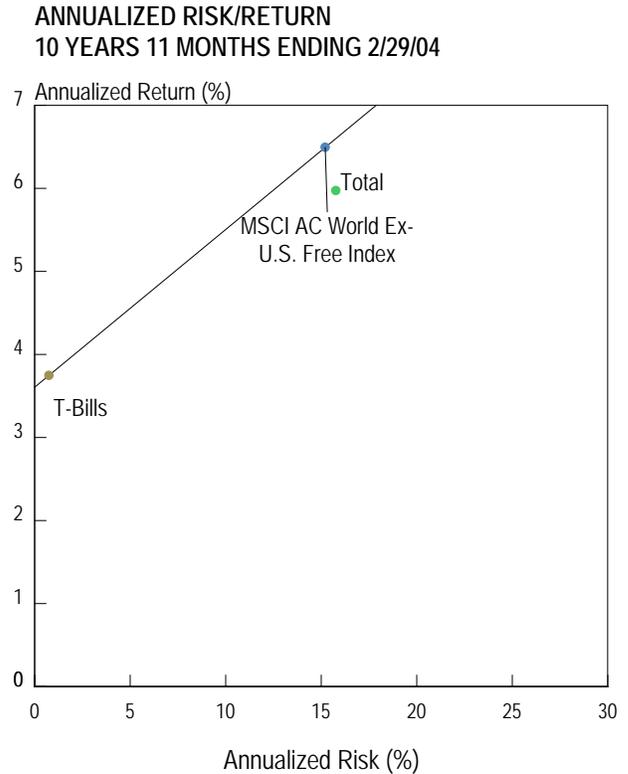
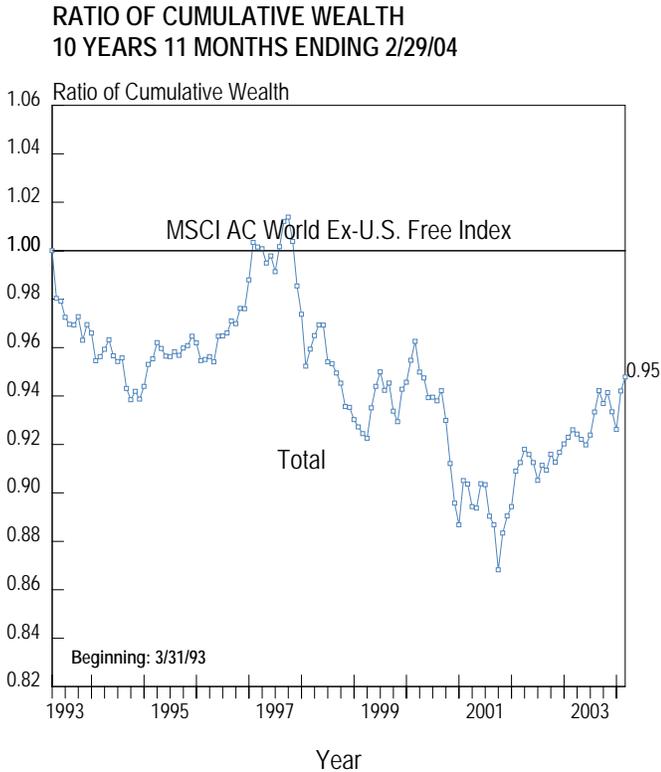
MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04



- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Global ex-U.S. Equities" represents the component's relative performance to the MSCI All Country World ex-U.S. Free Index in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the global ex-U.S. equity benchmark.
- As shown in both exhibits, manager results have been mixed. The Capital Guardian Small Cap and Goldman Sachs portfolios have outperformed their benchmarks over both the quarter and one-year period and contributed the most to the component's above-benchmark result. The positive benchmark effect during both periods is significantly impacted by the large positive returns earned in the emerging markets.

\$943 Million

As of February 29, 2004



- The Ratio of Cumulative Wealth graph above illustrates the international equity component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance exceeded that of the Index from 1994 to 1997, trailed it from 1997 to 2001 and has exceeded it since 2001.
- The Risk Return graph above exhibits the risk and return characteristics of the total international equity component, relative to that of the Performance Benchmark. As shown, the asset class has earned a lower return than the Index at a similar level of volatility.

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	Global Ex US Equities	MSCI AC World Ex-U.S. Free Index	Return Difference
	Return	Return	
1993 (9 months)	16.8%	21.0%	-4.2
1994	4.2	6.6	-2.4
1995	12.0	9.9	2.1
1996	9.6	6.7	2.9
1997	0.6	2.0	-1.4
1998	9.3	14.5	-5.2
1999	33.1	30.9	2.2
2000	-20.4	-15.1	-5.3
2001	-18.8	-19.5	0.7
2002	-12.2	-14.7	2.5
2003	42.3	41.4	0.9
2004 (2 months)	6.6	4.2	2.4
Trailing 1-Year	59.5%	55.9%	3.6
Trailing 3-Year	4.3	2.7	1.6
Trailing 5-Year	3.4	2.9	0.5
Trailing 10-Year	4.3	4.3	0.0
Since Inception (3/31/93)	6.0	6.5	-0.5

- The table above compares the annual return history of the global ex-U.S. equities component to that of the MSCI All-Country World ex-U.S. Index.

* The annual returns in this exhibit represent calendar-year periods.

\$943 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
BGI EAFE	11.9%	53.9%	1.4%	1.3%	6.6%	3/31/93
MSCI EAFE Index	11.9	53.6	0.9	1.2	6.1	
BGI Emerging Markets	16.5	75.2	--	--	22.7	1/31/02
MSCI Emerging Markets Free Index	15.6	69.8	--	--	19.8	
BGI International Alpha Tilts	11.7	--	--	--	25.0	8/31/03
MSCI EAFE Index	11.9	--	--	--	25.2	
CG Small Cap International	13.4	71.7	3.9	6.0	2.1	11/30/96
Citigroup Extended Market World Ex-US	13.2	70.6	9.7	7.8	4.9	
CG EAFE	9.3	48.5	1.5	--	-3.9	7/31/00
MSCI EAFE Index	11.9	53.6	0.9	--	-3.3	
EAFE ETF	10.7	--	--	--	10.7	11/30/03
MSCI EAFE Index	11.9	--	--	--	11.9	
Globeflex	17.2	--	--	--	19.7	10/31/03
Citigroup Extended Market World Ex-US	13.2	--	--	--	15.1	
GSAM International	14.8	58.9	1.4	1.4	1.7	3/31/98
MSCI EAFE Index	11.9	53.6	0.9	1.2	1.3	
Oechsle	11.8	56.7	-2.2	--	-6.1	7/31/00
MSCI EAFE Index	11.9	53.6	0.9	--	-3.3	
CG Emerging Markets	15.2	69.2	11.2	--	2.2	7/31/00
MSCI Emerging Markets Free Index	15.6	69.8	11.0	--	3.5	
Templeton	15.7	66.7	15.9	12.3	3.8	12/31/95
MSCI Emerging Markets Free Index	15.6	69.8	11.0	10.0	0.5	

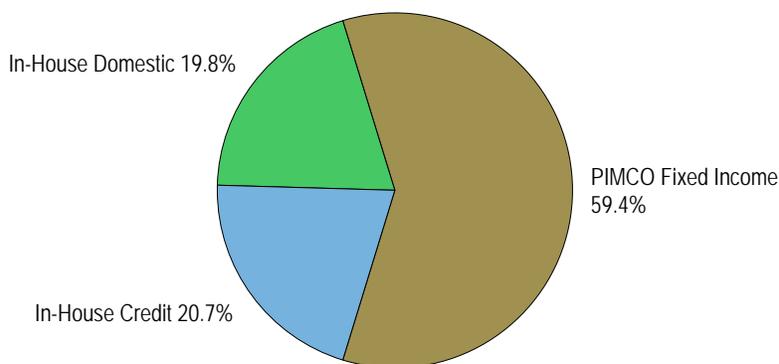
* Time period represents the total return for the fiscal quarter ending 2/29/04.

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Total Fixed Income	3.9%	9.4%	8.7%	7.6%	11.3%	8/31/81
LB Aggregate Bond Index	2.9	4.5	7.4	7.2	10.6	

MANAGER ALLOCATION AS OF 2/29/04



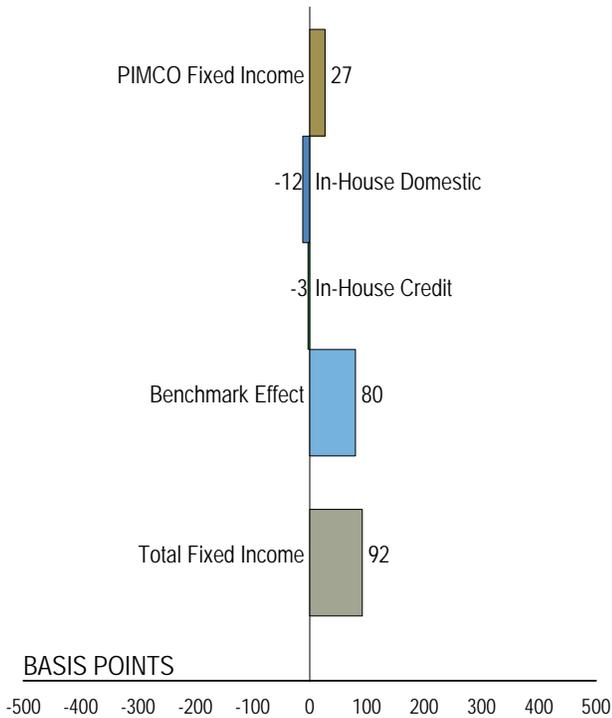
- The table above details the trailing-period performance of the total fixed income component relative to the Lehman Brothers Aggregate Bond Index. The component has outperformed its benchmark over all periods shown above. Outperformance has been driven by the relative performance earned by PIMCO. The manager's international exposure has significantly contributed to the above-benchmark result as these markets have outperformed the domestic market.
- The graph above details the allocation to each manager of the fixed income component as of quarter-end. As shown, PIMCO manages more than half of the GEF's fixed income assets.

* Time period represents the total return for the fiscal quarter ending 2/29/04.

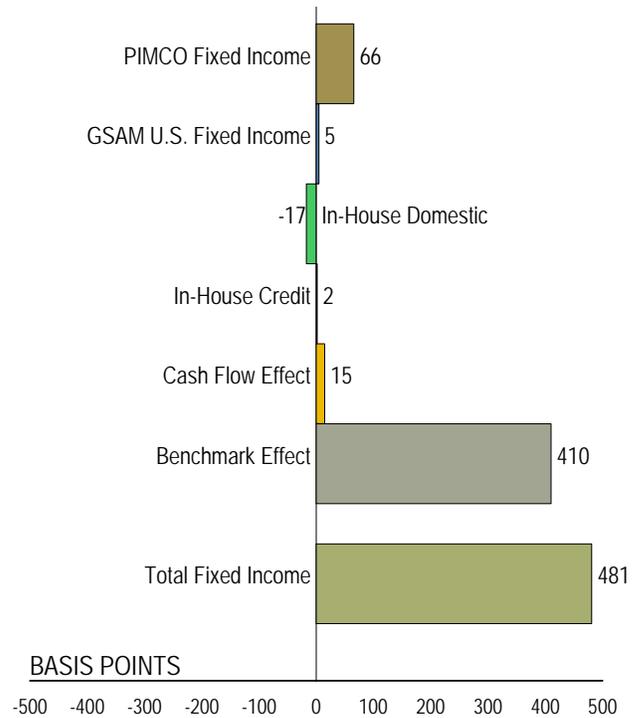
\$483 Million

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04



MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04

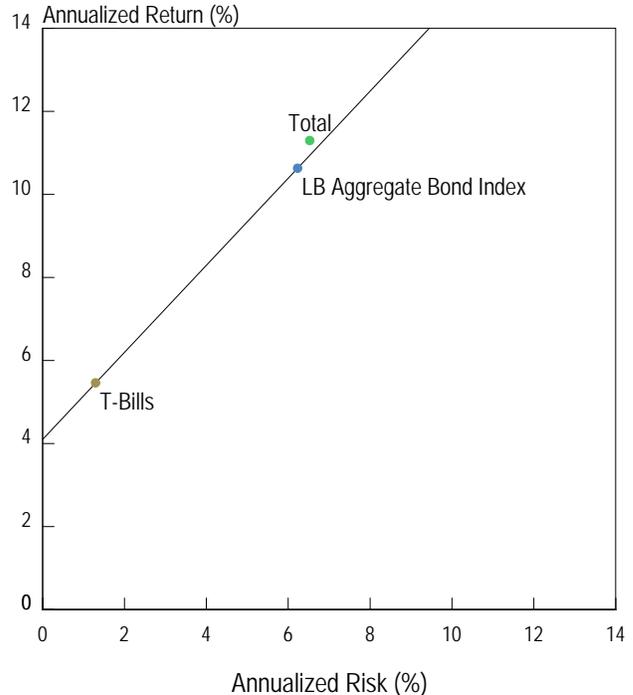
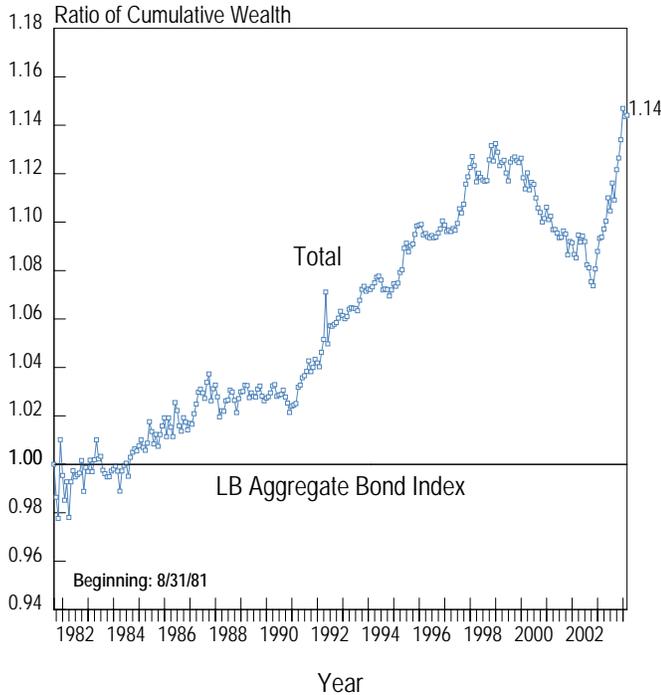


- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Fixed Income" represents the component's relative performance to the Lehman Aggregate Bond Index in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual manager and the fixed income benchmark.

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
22 YEARS 6 MONTHS ENDING 2/29/04

ANNUALIZED RISK/RETURN
22 YEARS 6 MONTHS ENDING 2/29/04



- The Ratio of Cumulative Wealth graph above illustrates the fixed income component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance has generally been favorable relative to the Index, despite a period of underperformance in 2000 and 2001. Recent outperformance has resulted in increased value-added relative to the Lehman Aggregate Bond Index since inception.
- The Risk Return graph above exhibits the risk and return characteristics of the total fixed income asset class, relative to that of the Aggregate Bond Index. As shown, the asset class has earned a slightly greater return than the Index at a slightly greater level of volatility.

\$483 Million

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	Total Fixed Income	LB Aggregate Bond Index	Return Difference
	Return	Return	
1981 (4 months)	10.0%	10.5%	-0.5
1982	32.8	32.6	0.2
1983	8.5	8.4	0.1
1984	16.3	15.1	1.2
1985	23.5	22.1	1.4
1986	15.0	15.3	-0.3
1987	4.3	2.8	1.5
1988	7.6	7.9	-0.3
1989	14.2	14.5	-0.3
1990	8.6	9.0	-0.4
1991	18.0	16.0	2.0
1992	9.4	7.4	2.0
1993	10.9	9.7	1.2
1994	-2.7	-2.9	0.2
1995	21.1	18.5	2.6
1996	3.6	3.6	0.0
1997	12.0	9.7	2.3
1998	9.6	8.7	0.9
1999	-1.3	-0.8	-0.5
2000	9.6	11.6	-2.0
2001	7.0	8.4	-1.4
2002	9.9	10.3	-0.4
2003	9.8	4.1	5.7
2004 (2 months)	1.6	1.9	-0.3
Trailing 1-Year	9.4%	4.5%	4.9
Trailing 3-Year	8.7	7.4	1.3
Trailing 5-Year	7.6	7.2	0.4
Trailing 10-Year	7.9	7.2	0.7
Since Inception (8/31/81)	11.3	10.6	0.7

- The table above compares the annual return history of the total fixed income component to that of the Lehman Aggregate Bond Index.

* The annual returns in this exhibit represent calendar-year periods.

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
PIMCO Fixed Income	4.6%	12.0%	11.0%	8.5%	8.2%	2/28/98
LB Global Aggregate Bond Index	4.2	10.8	10.1	6.3	6.7	
In-House Domestic	2.3	4.0	5.2	--	7.5	1/31/00
LB Aggregate Bond Index	2.9	4.5	7.4	--	9.0	
In-House Credit	3.2	7.4	7.5	--	7.7	1/31/01
Credit Related Composite Index**	3.3	7.3	9.0	--	9.0	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

** The description of the composite benchmark can be found in the appendix of this report.

Ennis Knupp + Associates

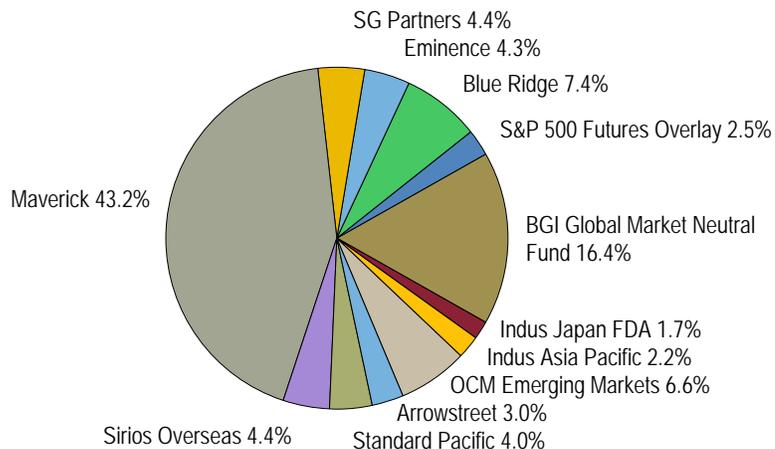
\$418 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since Inception	Inception Date
Equity Hedge Funds	4.3%	12/31/03
90-Day T-Bill + 4%	0.8	

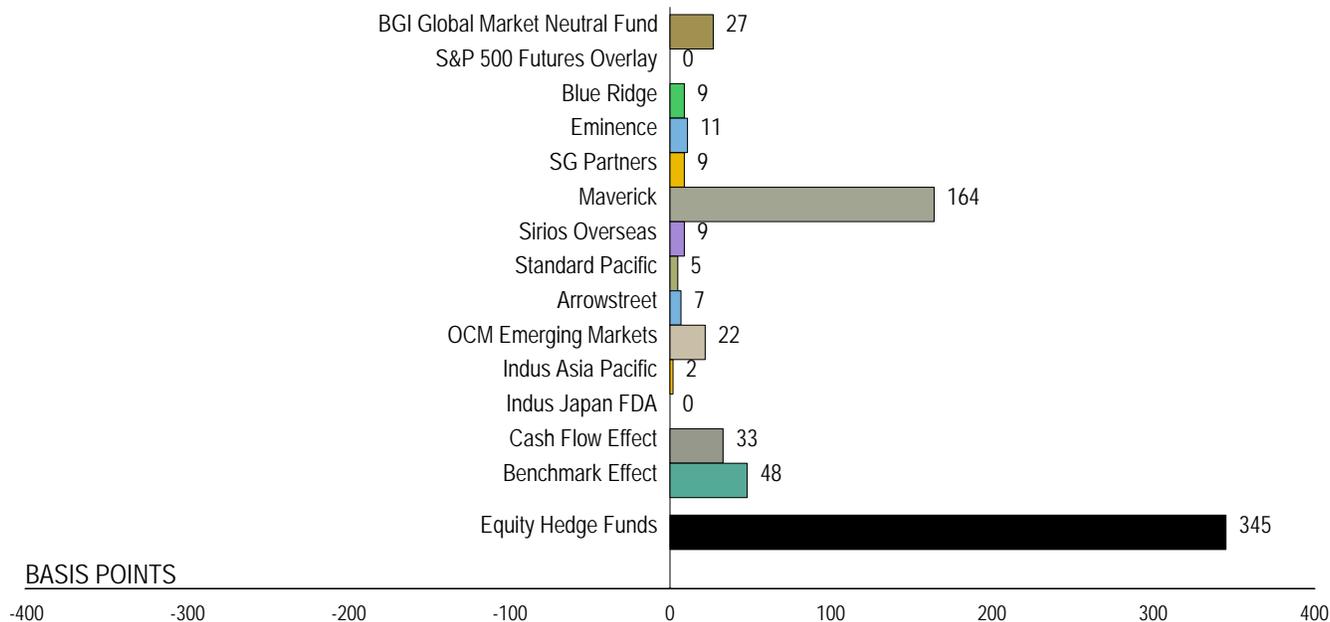
MANAGER ALLOCATION AS OF 2/29/04



- The Equity Hedge Fund component outperformed its benchmark over the two months since its inception as an official asset category. The Maverick portfolio was the greatest contributor to results and represents the largest portion of the component (43.2% as of quarter-end).
- The Blue Ridge, Indus Japan, and Indus Asia Pacific investments were funded during the quarter.

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
2 MONTHS ENDING 2/29/04



- The Performance Attribution exhibit shown above measures the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Equity Hedge Funds" represents the component's relative performance to the performance benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the equity hedge fund benchmark.
- As shown, each manager either made a positive contribution or had negligible impact on relative performance; the Maverick portfolio had the largest positive impact on component performance.

EQUITY HEDGE FUND SUMMARY

GENERAL ENDOWMENT FUND

\$418 Million

As of February 29, 2004

RETURN SUMMARY ENDING 2/29/04

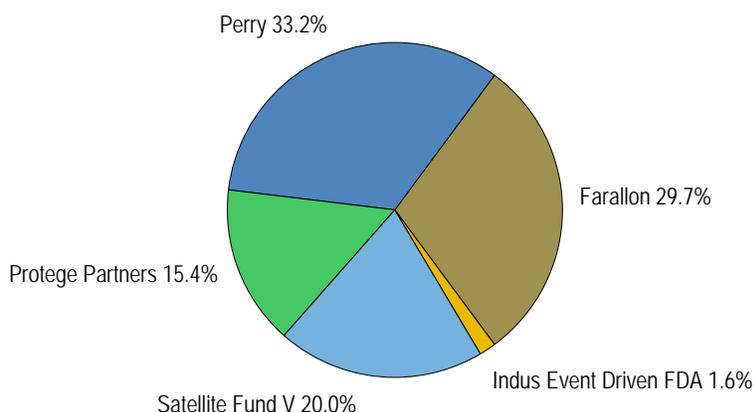
	Since 11/30/03	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
BGI Global Market Neutral Fund	10.3%	39.5%	--%	--%	26.3%	12/31/02
S&P 500 Index	8.7	38.5	--	--	27.6	
S&P 500 Futures Overlay	8.4	--	--	--	9.2	10/31/03
S&P 500 Index	8.7	--	--	--	9.6	
Blue Ridge	--	--	--	--	0.7	12/31/03
90-Day T- Bill + 4%	--	--	--	--	0.8	
Eminence	4.7	--	--	--	8.4	6/30/03
90-Day T- Bill + 4%	1.3	--	--	--	3.4	
SG Partners	4.3	--	--	--	7.1	8/31/03
90-Day T- Bill + 4%	1.3	--	--	--	2.5	
Maverick	5.5	12.2	6.5	14.1	12.0	7/31/98
90-Day T- Bill + 4%	1.3	5.2	6.3	7.8	7.9	
Sirios Overseas	3.9	--	--	--	8.5	4/30/03
90-Day T- Bill + 4%	1.3	--	--	--	4.3	
Standard Pacific	4.2	-0.4	--	--	-0.4	2/28/03
90-Day T- Bill + 4%	1.3	5.2	--	--	5.2	
Arrowstreet	3.4	--	--	--	-9.0	5/31/03
90-Day T- Bill + 4%	1.3	--	--	--	3.9	
OCM Emerging Markets	5.6	11.4	--	--	10.4	12/31/01
90-Day T- Bill + 4%	1.3	5.2	--	--	5.6	
Indus Asia Pacific	5.9	--	--	--	5.9	11/30/03
90-Day T- Bill + 4%	1.3	--	--	--	1.3	
Indus Japan FDA	2.5	--	--	--	2.5	11/30/03
90-Day T- Bill + 4%	1.3	--	--	--	1.3	

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Absolute Return Hedge Funds	5.1%	25.0%	11.1%	13.7%	11.4%	7/31/98
Absolute Return Benchmark	1.1	5.1	6.3	7.7	7.9	

MANAGER ALLOCATION AS OF 2/29/04



- The total absolute return component outperformed in the recent fiscal quarter as each of the managers earned a return exceeding that of the benchmark during the period. Longer-term performance shown above is also favorable as the component outperformed its benchmark by over three percentage points since inception.
- The graph above details the allocation to each manager of the absolute return component as of quarter-end.
- The Indus Event Driven investment was funded during the quarter.

* Time period represents the total return for the fiscal quarter ending 2/29/04.

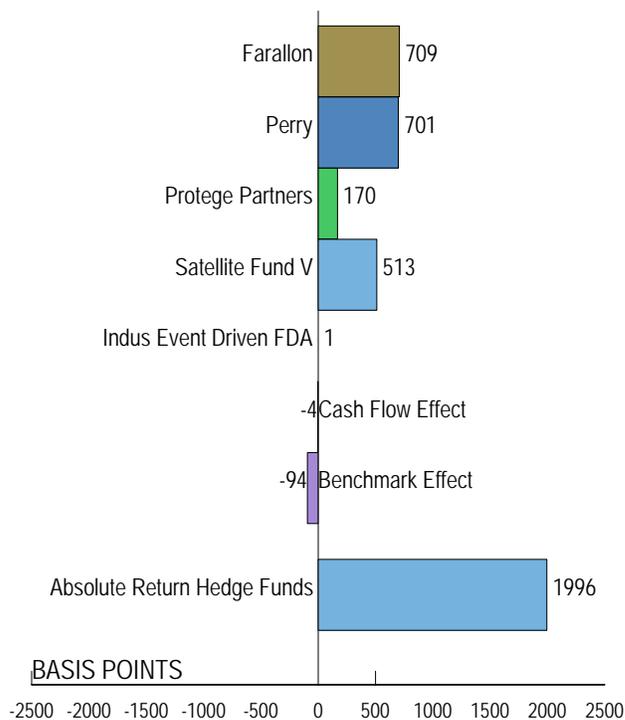
\$434 Million

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
3 MONTHS ENDING 2/29/04



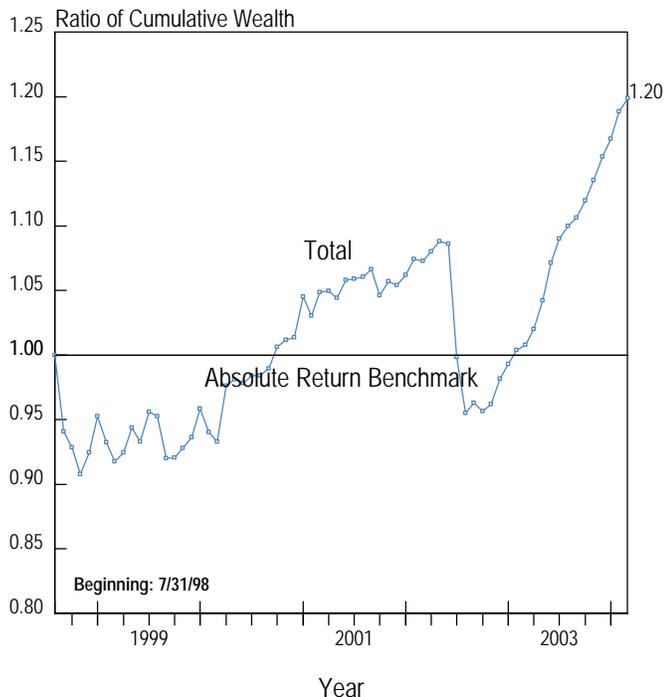
MANAGER ATTRIBUTION ANALYSIS
1 YEAR ENDING 2/29/04



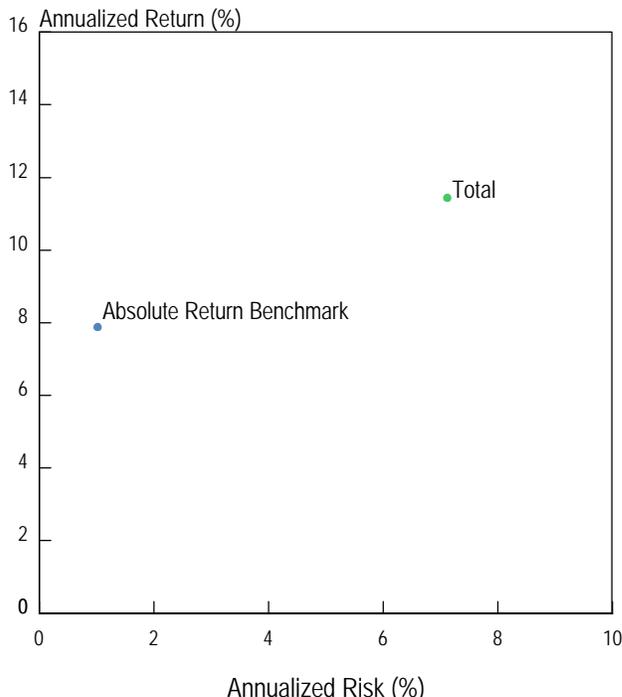
- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Absolute Return Hedge Funds" represents the component's relative performance to the performance benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual manager and the absolute return hedge fund benchmark.

As of February 29, 2004

**RATIO OF CUMULATIVE WEALTH
5 YEARS 7 MONTHS ENDING 2/29/04**



**ANNUALIZED RISK/RETURN
5 YEARS 7 MONTHS ENDING 2/29/04**



- The Ratio of Cumulative Wealth graph above illustrates the absolute return component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance has generally been favorable relative to the benchmark, despite a period of underperformance in 2002.
- The Risk Return graph above exhibits the risk and return characteristics of the absolute return asset class, relative to that of the benchmark. As shown, the asset class has earned a greater return than the benchmark at a greater level of volatility.

\$434 Million

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	Absolute Return Hedge Funds	Absolute Return Benchmark	Return Difference
	Return	Return	
1998 (5 months)	-1.1%	3.8%	-4.9
1999	9.8	9.1	0.7
2000	20.5	10.5	10.0
2001	10.4	8.7	1.7
2002	-1.0	6.0	-7.0
2003	23.8	5.3	18.5
2004 (2 months)	3.4	0.7	2.7
Trailing 1-Year	25.0%	5.1%	19.9
Trailing 3-Year	11.1	6.3	4.8
Trailing 5-Year	13.7	7.7	6.0

- The table above compares the annual return history of the total absolute return component to that of the performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Farallon	5.3%	27.0%	14.2%	15.9%	14.2%	7/31/98
90 Day T- Bills + 3%	1.0	4.2	5.3	6.7	6.8	
Perry	5.9	24.1	13.2	16.3	14.2	7/31/98
90 Day T- Bills + 3%	1.0	4.2	5.3	6.7	6.8	
Protege Partners	4.6	16.6	--	--	16.6	2/28/03
90 Day T- Bills + 3%	1.0	4.2	--	--	4.2	
Satellite Fund V	4.0	28.7	5.4	--	7.5	8/31/00
90 Day T- Bills + 3%	1.0	4.2	5.3	--	5.9	
Indus Event Driven FDA	2.0	--	--	--	2.0	11/30/03
90 Day T- Bills + 3%	1.0	--	--	--	1.0	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

\$427 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Private Capital	5.8%	6.9%	-8.0%	3.8%	9.7%	11/30/86
Private Capital Benchmark**	6.5	44.1	3.9	4.7	15.9	

- As shown in the table above, Private Capital has underperformed its performance benchmark over all periods shown.
- The returns shown in the table above are reported on a time-weighted basis, consistent with the methodology used for returns throughout this report. Time-weighted returns are calculated using monthly asset values and daily cash flows. Time-weighted rates of return are the industry standard for reporting the performance of traditional, marketable investments. For investments such as private equity, the time-weighted return calculation methodology suffers from a number of flaws, including the attribution of control over cash flows to the investor rather than the investment manager. In these cases, the industry standard is to use the internal rate of return (IRR), which is the annualized rate of return implied by a series of cash and a beginning and ending market value.

* Time period represents the total return for the fiscal quarter ending 2/29/04.

** The Private Capital Benchmark represents the Venture Economics Private Capital Benchmark beginning January 1, 2004. Returns through December 31, 2003, represent the Wilshire 5000 + 4%.

As of February 29, 2004

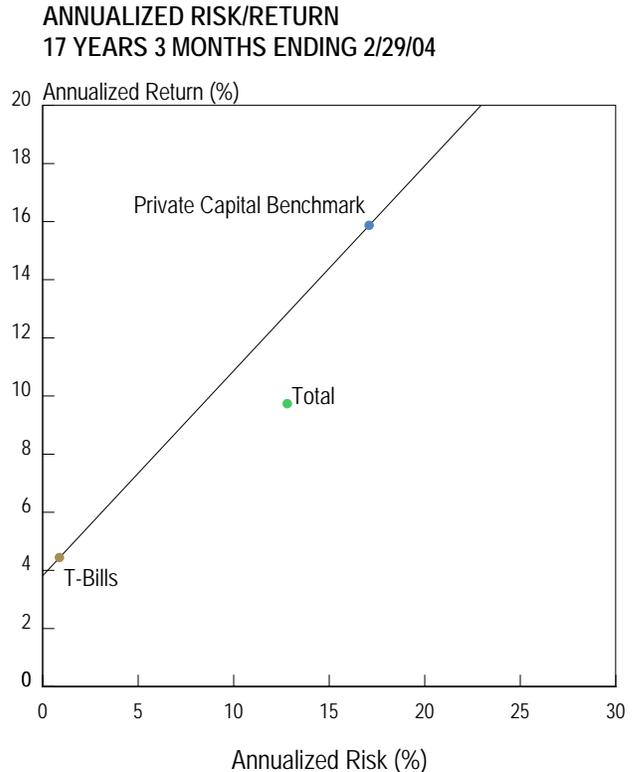
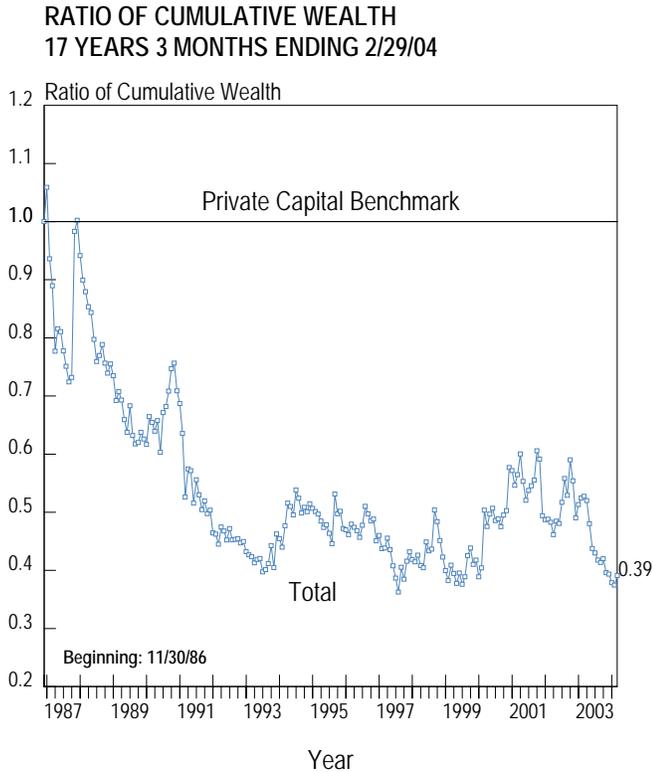
HISTORICAL RETURNS
GEF SINCE INCEPTION IRR

Period Ending	Private Capital	Wilshire 5000 Index + 4%	Return Difference
8/31/1987	31.6 %	31.0 %	0.6 %
8/31/1988	8.1	0.0	8.1
8/31/1989	3.1	20.3	-17.2
8/31/1990	9.5	8.2	1.3
8/31/1991	5.6	14.0	-8.4
8/31/1992	4.4	12.8	-8.4
8/31/1993	6.1	14.1	-8.0
8/31/1994	10.7	12.8	-2.1
8/31/1995	13.0	13.8	-0.8
8/31/1996	13.6	14.2	-0.4
8/31/1997	13.9	16.2	-2.3
8/31/1998	15.5	15.1	0.4
8/31/1999	16.1	17.0	-0.9
8/31/2000	18.5	17.5	1.0
8/31/2001	15.4	12.1	3.3
8/31/2002	11.1	8.1	3.0
8/31/2003	8.6	9.6	-1.0
2/29/2004	9.1	11.1	-2.0

- The IRRs shown in the table above were provided by UTIMCO, as with all other data shown in this report.

\$427 Million

As of February 29, 2004



- The data shown in the exhibits above reflect time-weighted returns.
- The Ratio of Cumulative Wealth graph above illustrates the private capital component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance has generally trailed the benchmark.
- The Risk Return graph above exhibits the risk return characteristics of the private capital asset class, relative to that of the benchmark. As shown, the asset class has earned a lower return than the benchmark at a slightly lower level of volatility.

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	Private Capital	Private Capital Benchmark	Return Difference
	Return	Return	
1986 (1 month)	3.6%	-2.1%	5.7
1987	-5.4	6.5	-11.9
1988	-4.3	22.7	-27.0
1989	12.7	34.3	-21.6
1990	8.8	-2.3	11.1
1991	-5.7	39.5	-45.2
1992	5.5	13.4	-7.9
1993	21.8	15.8	6.0
1994	15.9	4.0	11.9
1995	31.5	41.9	-10.4
1996	23.5	26.1	-2.6
1997	24.3	36.5	-12.2
1998	22.4	28.4	-6.0
1999	25.1	28.5	-3.4
2000	36.4	-7.2	43.6
2001	-21.0	-7.3	-13.7
2002	-13.1	-17.6	4.5
2003	1.0	36.9	-35.9
2004 (2 months)	4.9	1.6	3.3
Trailing 1-Year	6.9%	44.1%	-37.2
Trailing 3-Year	-8.0	3.9	-11.9
Trailing 5-Year	3.8	4.7	-0.9
Trailing 10-Year	12.8	15.1	-2.3

- The returns shown in the table above reflect time-weighted returns.
- The table above compares the annual return history of private capital to that of its performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

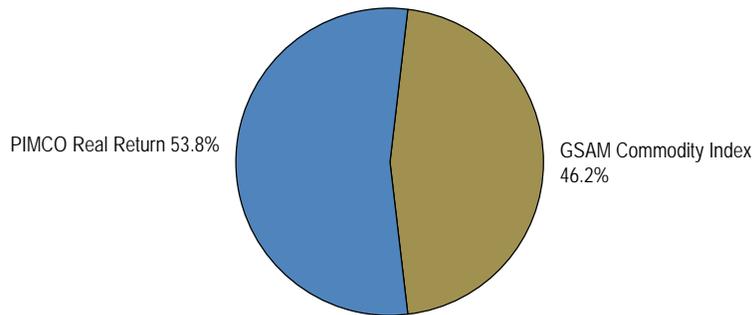
\$134 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since Inception	Inception Date
Commodities	8.1%	12/31/03
Goldman Sachs Commodity Index - 1%	7.7	

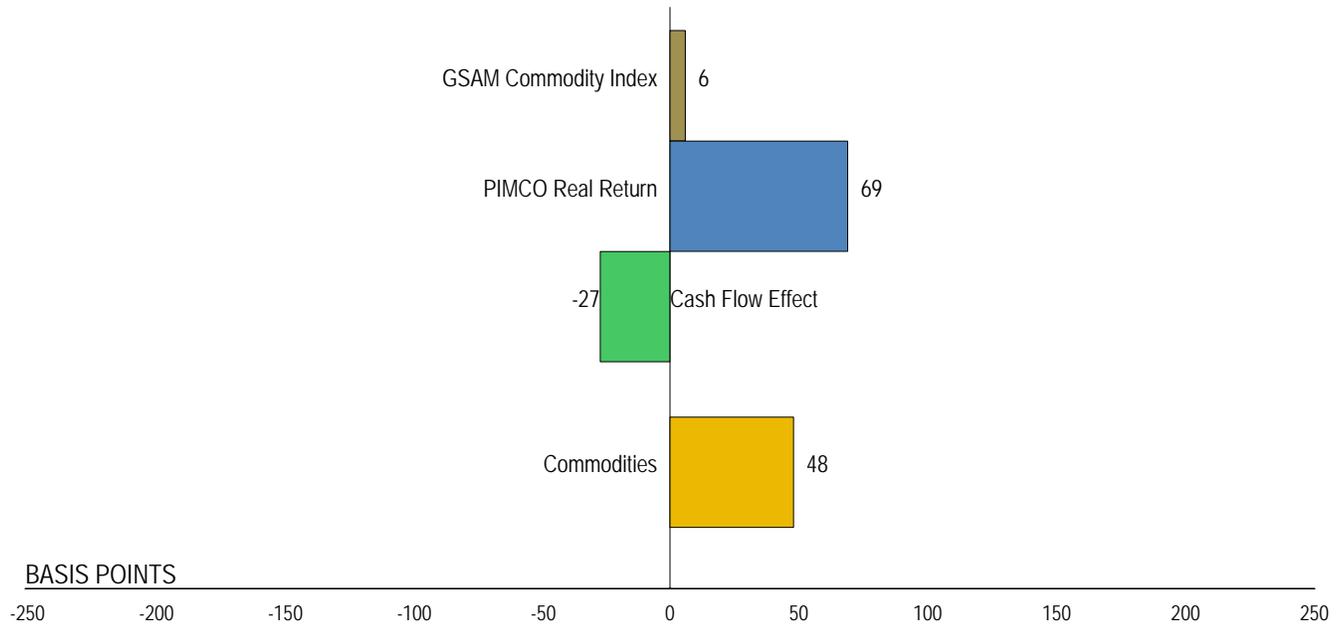
MANAGER ALLOCATION AS OF 2/29/04



- The commodities component outperformed the benchmark over the two months since inception as an asset category.
- The graph above details the manager allocations of the commodities asset class as of quarter-end. The assets are roughly split between Goldman Sachs and the newly funded PIMCO Real Return investment.
- The PIMCO Real Return investment was funded during the quarter.

As of February 29, 2004

MANAGER ATTRIBUTION ANALYSIS
2 MONTHS ENDING 2/29/04



- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Commodities" represents the component's relative performance to the performance benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component.

\$134 Million

As of February 29, 2004

RETURN SUMMARY
ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	Since Inception	Inception Date
GSAM Commodity Index	15.1%	7.4%	28.9%	3/31/02
Goldman Sachs Commodity Index - 1%	14.6	5.5	22.3	
PIMCO Real Return	--	--	8.4	12/31/03
Goldman Sachs Commodity Index - 1%	--	--	7.7	

* Time period represents the total return for the fiscal quarter ending 2/29/04.

OPERATING FUNDS

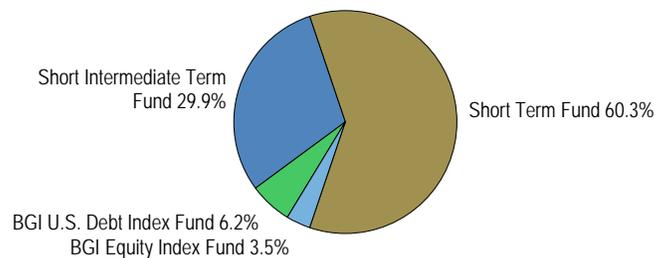
\$3,670 Million

As of February 29, 2004

RETURN SUMMARY ENDING 2/29/04

	Since 11/30/03*	1 Year Ending 2/29/04	3 Years Ending 2/29/04	5 Years Ending 2/29/04	Since Inception	Inception Date
Short Term Fund	0.2%	1.1%	2.1%	3.6%	4.4%	8/31/92
ML 90-day T-Bill	0.3	1.1	2.2	3.6	4.3	
Short Intermediate Term Fund	1.2	2.4	3.5	4.7	5.3	2/28/93
Composite Index	1.3	2.3	4.9	5.6	5.6	
BGI U.S. Debt Index Fund	2.9	4.7	7.4	--	7.7	5/31/99
LB Aggregate Bond Index	2.9	4.5	7.4	--	7.6	
BGI Equity Index Fund	8.7	38.6	-1.0	--	-1.2	5/31/99
S&P 500 Index	8.7	38.5	-1.0	--	-1.2	

ASSET ALLOCATION AS OF 2/29/04

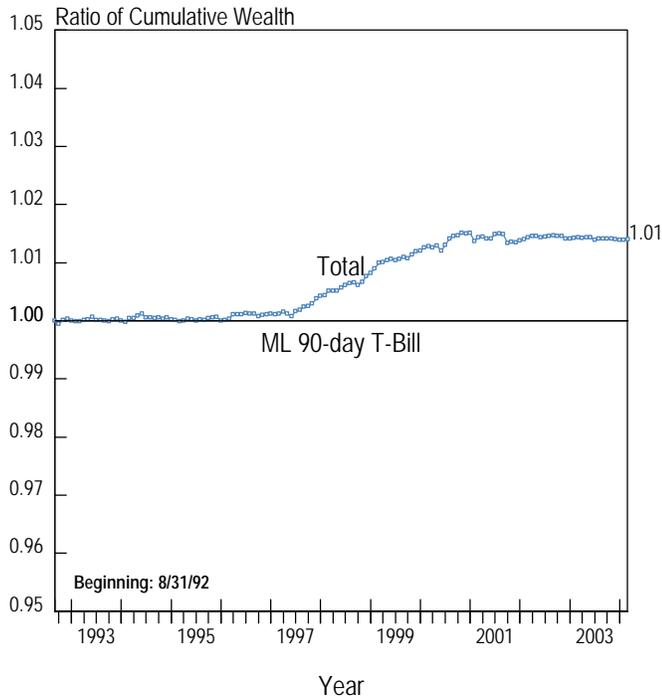


- The Short Term Fund has approximated the performance of the benchmark during the periods shown above.
- The Short Intermediate Fund underperformed the Index during the fiscal quarter by 0.1 percentage points, yet outperformed over the trailing one-year period. Longer term performance is below-benchmark.
- The BGI Index funds have approximated the performance of their respective indices during all periods shown above.
- The graph above details the individual Fund allocations of the Operating Funds as of quarter-end.

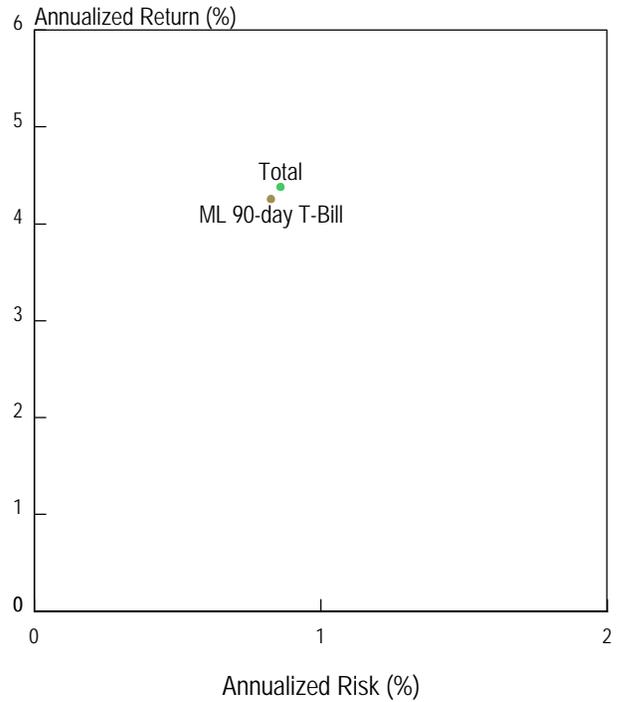
* Time period represents the total return for the fiscal quarter ending 2/29/04.

As of February 29, 2004

**RATIO OF CUMULATIVE WEALTH
11 YEARS 6 MONTHS ENDING 2/29/04**



**ANNUALIZED RISK/RETURN
11 YEARS 6 MONTHS ENDING 2/29/04**



- The Ratio of Cumulative Wealth graph above illustrates the Short Term Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the Fund has exceeded the performance of the benchmark.
- The Risk Return graph above exhibits the risk and return characteristics of the Short Term Fixed Income Fund, relative to that of the Performance Benchmark. As shown, the Fund has marginally exceeded the performance of the benchmark at a marginally greater level of volatility.

\$2,231 Million

As of February 29, 2004

HISTORICAL RETURNS*

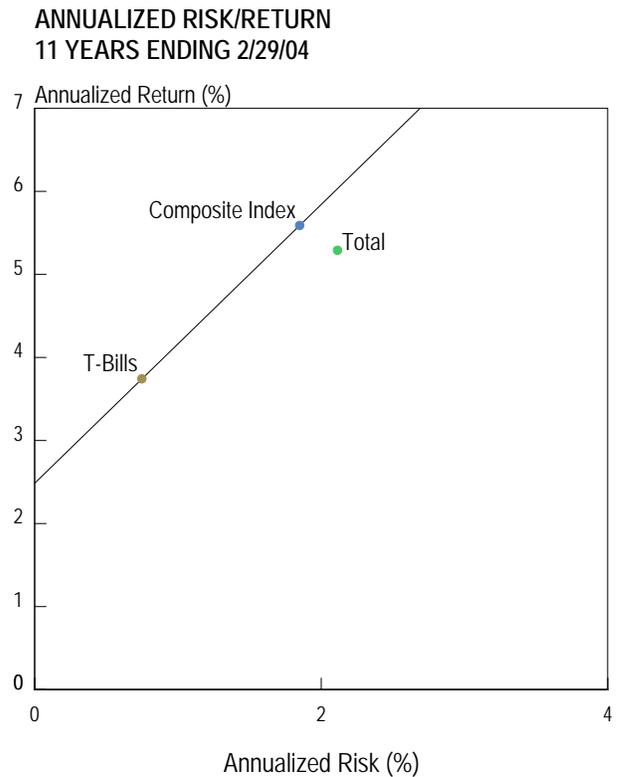
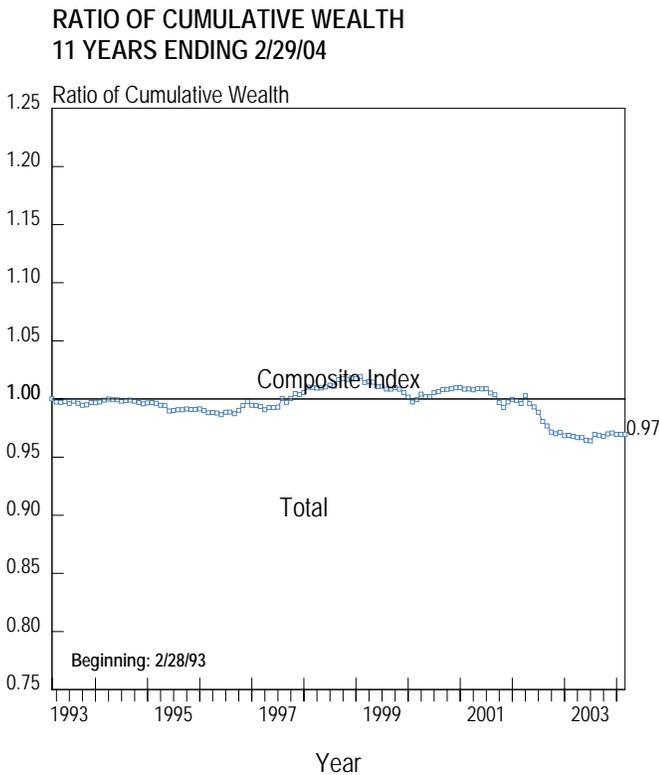
(BY YEAR)

	Short Term Fund	ML 90-day T-Bill	Return Difference
	Return	Return	
1992 (4 months)	1.1%	1.1%	0.0
1993	3.2	3.2	0.0
1994	4.3	4.3	0.0
1995	6.0	6.0	0.0
1996	5.4	5.3	0.1
1997	5.7	5.3	0.4
1998	5.6	5.2	0.4
1999	5.2	4.8	0.4
2000	6.5	6.2	0.3
2001	4.3	4.4	-0.1
2002	1.9	1.8	0.1
2003	1.1	1.2	-0.1
2004 (2 months)	0.2	0.2	0.0
Trailing 1-Year	1.1%	1.1%	0.0
Trailing 3-Year	2.1	2.2	-0.1
Trailing 5-Year	3.6	3.6	0.0
Trailing 10-Year	4.6	4.4	0.2

- The table above compares the annual return history of the Short-Term Fixed Income Fund to that of the performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

As of February 29, 2004



- The Ratio of Cumulative Wealth graph above illustrates the Short Intermediate Term Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the Fund has trailed the performance of the benchmark.
- The Risk Return graph above exhibits the risk and return characteristics of the Short Term Fixed Income Fund, relative to that of the Performance Benchmark. As shown, the Fund has earned a lower return than the benchmark at a higher level of volatility.

\$1,106 Million

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	Short Intermediate Term Fund	Composite Index	Return Difference
	Return	Return	
1993 (10 months)	3.4%	3.7%	-0.3
1994	0.6	0.7	-0.1
1995	10.3	10.8	-0.5
1996	5.3	5.0	0.3
1997	7.8	6.6	1.2
1998	8.2	6.9	1.3
1999	1.5	3.1	-1.6
2000	9.2	8.3	0.9
2001	6.8	7.8	-1.0
2002	2.8	6.1	-3.3
2003	2.1	2.0	0.1
2004 (2 months)	0.8	0.8	0.0
Trailing 1-Year	2.4%	2.3%	0.1
Trailing 3-Year	3.5	4.9	-1.4
Trailing 5-Year	4.7	5.6	-0.9
Trailing 10-Year	5.5	5.8	-0.3

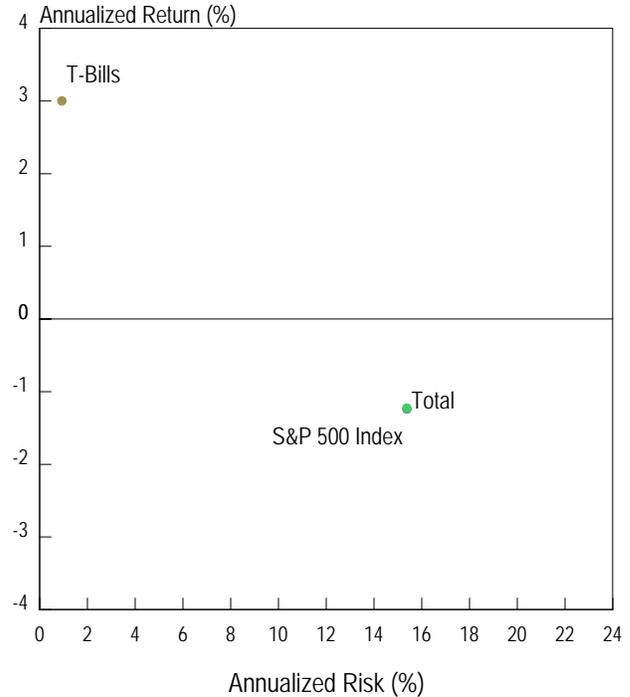
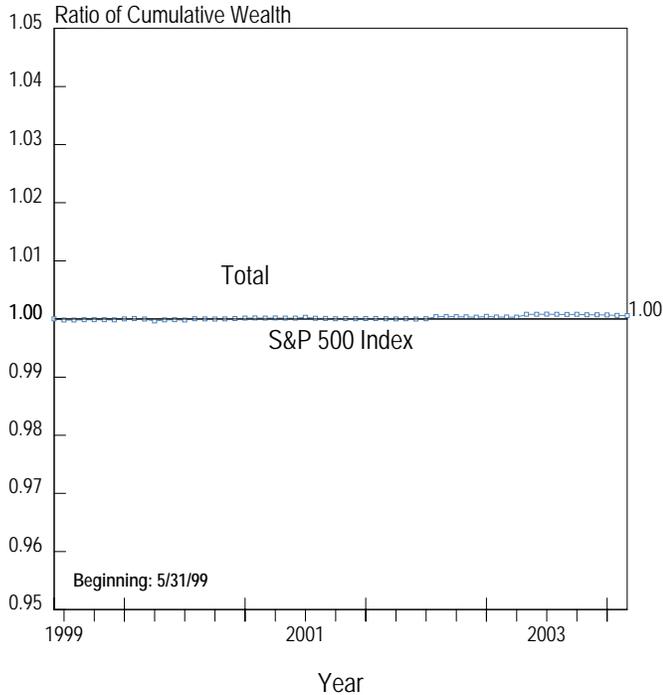
- The table above compares the annual return history of the Short-Intermediate Fund to that of the performance benchmark.

* The annual returns in this exhibit represent calendar-year periods.

As of February 29, 2004

**RATIO OF CUMULATIVE WEALTH
4 YEARS 9 MONTHS ENDING 2/29/04**

**ANNUALIZED RISK/RETURN
4 YEARS 9 MONTHS ENDING 2/29/04**



- The Ratio of Cumulative Wealth graph above illustrates the BGI Equity Index Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the Fund approximated the performance of the benchmark.
- The Risk Return graph above exhibits the risk and return characteristics of the BGI Equity Index Fund, relative to that of the benchmark. As shown, the Fund has approximated the return and volatility of the benchmark.

\$131 Million

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

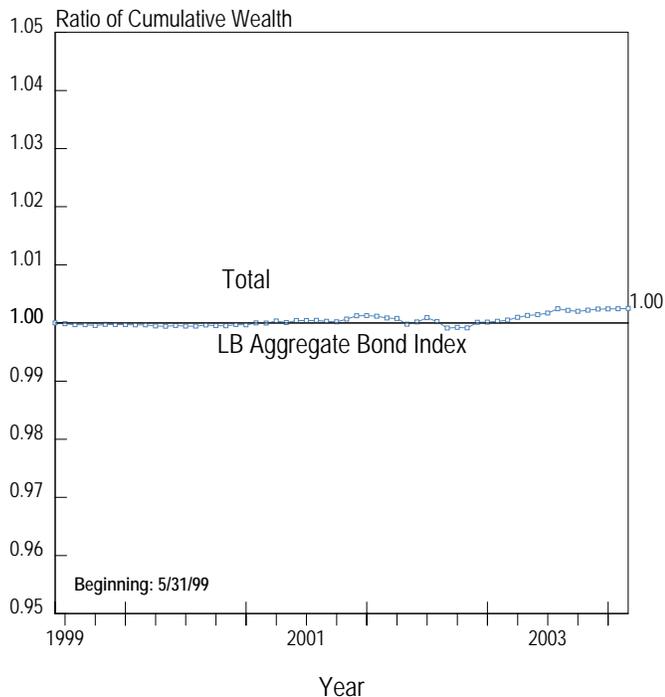
	BGI Equity Index Fund	S&P 500 Index	Return Difference
	Return	Return	
1999 (7 months)	13.7%	13.7%	0.0
2000	-9.1	-9.1	0.0
2001	-11.9	-11.9	0.0
2002	-22.1	-22.1	0.0
2003	28.7	28.7	0.0
2004 (2 months)	3.2	3.3	-0.1
Trailing 1-Year	38.6%	38.5%	0.1
Trailing 3-Year	-1.0	-1.0	0.0

- The table above compares the annual return history of the BGI Equity Index Fund to that of the performance benchmark.

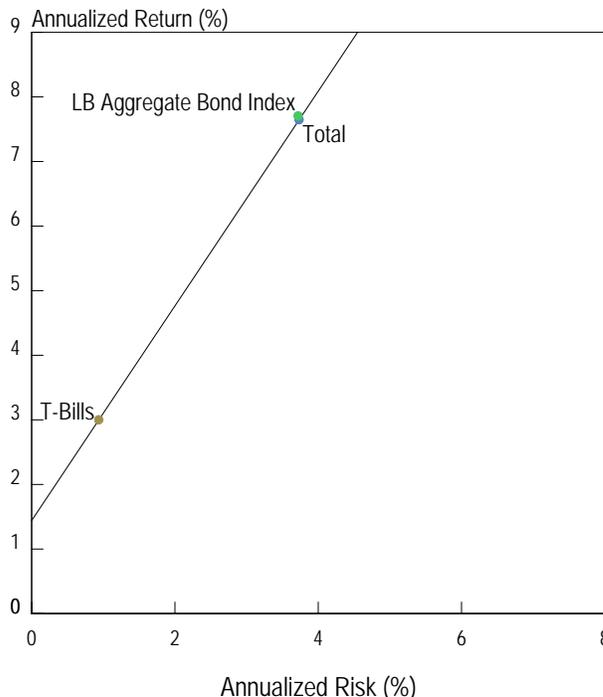
* The annual returns in this exhibit represent calendar-year periods.

As of February 29, 2004

RATIO OF CUMULATIVE WEALTH
4 YEARS 9 MONTHS ENDING 2/29/04



ANNUALIZED RISK/RETURN
4 YEARS 9 MONTHS ENDING 2/29/04



- The Ratio of Cumulative Wealth graph above illustrates the BGI U.S. Debt Index Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the Fund approximated the performance of the benchmark.
- The Risk Return graph above exhibits the risk and return characteristics of the BGI U.S. Debt Index Fund, relative to that of the benchmark. As shown, the Fund has approximated the return and volatility of the benchmark.

\$231 Million

As of February 29, 2004

HISTORICAL RETURNS*

(BY YEAR)

	BGI U.S. Debt Index Fund	LB Aggregate Bond Index	Return Difference
	Return	Return	
1999 (7 months)	0.2%	0.2%	0.0
2000	11.6	11.6	0.0
2001	8.6	8.4	0.2
2002	10.1	10.3	-0.2
2003	4.3	4.1	0.2
2004 (2 months)	1.9	1.9	0.0
Trailing 1-Year	4.7%	4.5%	0.2
Trailing 3-Year	7.4	7.4	0.0

- The table above compares the annual return history of the BGI U.S. Debt Index Fund to that of the Lehman Aggregate Bond Index.

* The annual returns in this exhibit represent calendar-year periods.

RETURNS OF THE MAJOR CAPITAL MARKETS

RETURNS OF THE MAJOR CAPITAL MARKETS

	Fiscal Quarter	Annualized Periods Ending 2/29/04			
		1-Year	3-Year	5-Year	10-Year
Stock Indices:					
Wilshire 5000 Index	8.4%	42.5%	0.8%	1.2%	10.9%
S&P 500 Index	8.7	38.5	-1.0	-0.1	11.4
Russell 3000 Index	8.2	41.3	0.1	1.1	11.1
Russell 1000 Value Index	10.3	42.3	3.4	4.5	12.3
Russell 1000 Growth Index	6.2	37.2	-4.8	-4.8	9.5
Russell MidCap Value Index	9.7	51.9	10.6	10.8	13.5
Russell MidCap Growth Index	6.2	52.7	-0.2	3.4	9.8
Russell 2000 Value Index	9.3	64.0	14.9	15.6	12.9
Russell 2000 Growth Index	5.6	64.9	1.9	2.9	5.7
Bond Indices:					
Lehman Brothers Aggregate	2.9%	4.5%	7.4%	7.2%	7.2%
Lehman Brothers Gov't/Credit	3.2	5.0	7.8	7.5	7.3
Lehman Brothers Long-Term Gov't/Credit	5.1	6.6	9.5	8.4	8.6
Lehman Brothers Intermed. Gov't/Credit	2.6	4.6	7.4	7.2	6.8
Lehman Brothers Mortgage-Backed	2.6	3.6	6.4	6.8	7.0
Lehman Brothers 1-3 Yr Gov't	1.4	2.3	5.1	5.7	5.8
Lehman Brothers Universal	3.0	6.0	7.6	7.5	7.3
Real Estate Indices:					
Wilshire Real Estate Securities Index	9.2%	47.2%	18.5%	16.5%	11.7%
Foreign Indices:					
MSCI All Country World ex-U.S. Index	12.1%	55.2%	2.3%	2.6%	4.0%
MSCI EAFE Free	11.9	53.6	0.9	1.2	4.0
MSCI Emerging Markets Free Net	16.1	74.4	13.7	12.3	0.7
MSCI Hedged EAFE Foreign Stock Index	7.6	33.8	-7.5	-0.8	4.4
SSB Non-U.S. World Gov't Bond	4.8	14.9	12.1	6.3	6.6
Citigroup Non-US World Gov't Bond Hedged	2.3	1.8	4.7	5.6	7.9
Cash Equivalents:					
Treasury Bills (30-Day)	0.2%	0.9%	1.8%	3.1%	3.8%
EnnisKnupp STIF Index	0.3	1.2	2.4	3.8	4.6
Inflation Index					
Consumer Price Index	0.9%	1.7%	1.9%	2.5%	2.4%

APPENDIX II

GLOSSARY OF TERMS

DESCRIPTION OF INDICES

Endowment Performance Benchmark- Beginning January 1, 2004, represents the policy targets as set forth in the Investment Policy Statements approved by the Board of Regents on December 19, 2003. This benchmark is comprised of 25% Russell 3000 Index, 17% MSCI All Country World ex-U.S. Index, 10% 90 Day T-Bills + 4%, 15% 90 Day T-Bills + 3%, 15% Venture Economics Private Capital Benchmark, 3% GSCI minus 1%, and 15% Lehman Brothers Aggregate Bond Index.

Returns through December 31, 2003, represent the returns of the UTIMCO Board of Directors approved Endowment Policy Portfolio. The return history of this benchmark has been supplied by UTIMCO, and the composition of the benchmark is understood as follows:

Returns prior to December 1, 1999, were comprised of 30% S&P 500 Index, 10% Russell 2000 Index, 12% FT World ex-U.S. Index, 3% MSCI Emerging Markets Free Index, 7% Merrill Lynch T-Bill Index + 7%, 18% Wilshire 5000 Index + 4%, 15% Lehman Brothers Aggregate Bond Index and 5% Citigroup World Government Bond Index ex-U.S.

Effective December 1, 1999, returns were comprised of 25% S&P 500 Index, 7.5% Russell 2000 Index, 12% FT World ex-U.S. Index, 3% MSCI Emerging Markets Free Index, 10% Merrill Lynch T-Bill Index + 7%, 15% Wilshire 5000 Index + 4%, 2.5% Goldman Sachs Commodity Index, 5% NCREIF Index, 15% Lehman Brothers Aggregate Bond Index and 5% Citigroup World Government Bond Index ex-U.S.

Effective October 1, 2000, returns were comprised of 25% S&P 500 Index, 7.5% Russell 2000 Index, 12% MSCI EAFE Index, 3% MSCI Emerging Markets Free Index, 10% Merrill Lynch T-Bill Index + 7%, 15% Wilshire 5000 Index + 4%, 2.5% Goldman Sachs Commodity Index, 5% NCREIF Index, 15% Lehman Brothers Aggregate Bond Index and 5% Citigroup World Government Bond Index ex-U.S.

Effective September 1, 2002, returns are comprised of 31% Wilshire 5000 Index, 19% MSCI All Country World Free ex-U.S. Index, 15% Wilshire 5000 Index + 4%, 10% Merrill Lynch T-Bill Index + 4%, 2.5% Goldman Sachs Commodity Index, 2.5% Lehman Brothers TIPS Index, 2.5% NCREIF Index, 2.5% Wilshire Real Estate Securities Index, 5% Lehman Brothers Aggregate Bond ex-Government Index and 10% Lehman Brothers Government Bond Index.

DESCRIPTION OF INDICES CONTINUED

U.S. Equity Performance Benchmark- Beginning January 1, 2004, returns are of the Russell 3000 Index. Returns through December 31, 2003, are those of the Wilshire 5000 Index.

Absolute Return Benchmark- Beginning January 1, 2004, returns are 90 Day T-Bills + 3%. Returns through December 31, 2003, are of 90 Day T-Bills + 4%.

Private Capital Benchmark - Beginning January 1, 2004, returns are the Venture Economics Private Capital Benchmark, which represents a mixture of venture capital and private equity investments, and is calculated on a quarterly periodic IRR basis. Periodic IRRs are calculated between two points in time; in this case, IRRs are calculated on a quarterly basis, and the resulting returns are linked to present performance over longer periods (similar to the time-weighted rates of returns shown for all other asset categories). Returns through December 31, 2003 are of the Wilshire 5000 +4%.

UTIMCO Credit Composite Benchmark- Returns for this benchmark have been supplied by UTIMCO. The composition of the benchmark is understood as including the asset-backed, collateralized mortgage-backed, and U.S. credit components of the Lehman Aggregate Bond Index in a weighted average composite.

UTIMCO Short-Intermediate Term Fund Composite Benchmark- Returns for this benchmark have been supplied by UTIMCO. The composition of the benchmark is understood as including six government bond components obtained from Bloomberg in a weighted average composite.

UTIMCO Inflation Hedging Benchmark- Returns for this benchmark have been supplied by UTIMCO. The composition of the benchmark is understood as 25% of the Goldman Sachs Commodity Index -100 basis points, 25% of the Lehman Brothers TIPS Index, 25% of the NCREIF Index, and 25% of the Wilshire Real Estate Securities Index.

APPENDIX II

GLOSSARY OF TERMS

DESCRIPTION OF INDICES CONTINUED

Wilshire 5000 Stock Index - A capitalization-weighted stock index representing all domestic common stocks traded regularly on the organized exchanges. The Index is the broadest measure of the aggregate domestic stock market.

S&P 500 Stock Index - A capitalization-weighted stock index representing 500 large capitalization stocks in the U.S. equity market.

Russell 2000 Stock Index - A capitalization-weighted index of the 2000 smallest stocks in the Russell 3000 Index. This index excludes the largest and smallest capitalization issues in the domestic stock market.

MSCI All-Country World Ex-U.S. Index - A capitalization-weighted index of stocks representing a broad range of developed and emerging country markets, excluding the U.S. market.

MSCI Europe, Australasia, Far East (EAFE) Index - A capitalization-weighted index of stocks representing 21 developed markets in Europe, Australia, Asia and the Far East.

MSCI Emerging Markets Free Index - A capitalization-weighted index of stocks representing 26 emerging markets.

Lehman Brothers Aggregate Bond Index - A market value-weighted index consisting of the Lehman Brothers Corporate, Government, and Mortgage-Backed Securities Indices. The index also includes asset-backed securities, and is the broadest measure of the aggregate U.S. fixed-income market.

Lehman Brothers Government Bond Index - A market value-weighted index consisting of all public obligations of the U.S. Treasury, excluding flower bonds, foreign targeted issues, debt of U.S. Government Agencies and corporate debt guaranteed by the U.S. Government.

Lehman Brothers Aggregate Bond ex-Government Index - A market value-weighted index consisting of the Lehman Brothers Corporate and Mortgage-backed Securities Indices and includes asset-backed securities.

DESCRIPTION OF TERMS

Performance Comparison- Ratio of Cumulative Wealth: An illustration of a portfolio's cumulative, unannualized performance relative to that of its benchmark. An upward sloping line indicates fund outperformance. Conversely, a downward sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

Performance Comparison- Risk-Return: The horizontal axis, annualized standard deviation, is a statistical measure of risk, or the volatility of returns. The vertical axis is the annualized rate of return. As most investors generally prefer less risk to more risk and always prefer greater returns, the upper left corner of the graph is the most attractive place to be. The line on this exhibit represents the risk and return tradeoffs associated with market portfolios, or index funds.

Performance Attribution A measure of the source of the deviation of a fund's performance from that of its benchmark. Each bar on the graph represents the contribution made by the manager to the total difference in performance (shown at the bottom of the exhibit). A positive value for a component indicates a positive contribution to the aggregate relative performance. A negative value indicates a detrimental impact. The magnitude of each component's contribution is a function of (1) the performance of the component relative to its benchmark, and (2) the weight of the component in the aggregate.

4. U. T. System: Permanent University Fund quarterly update

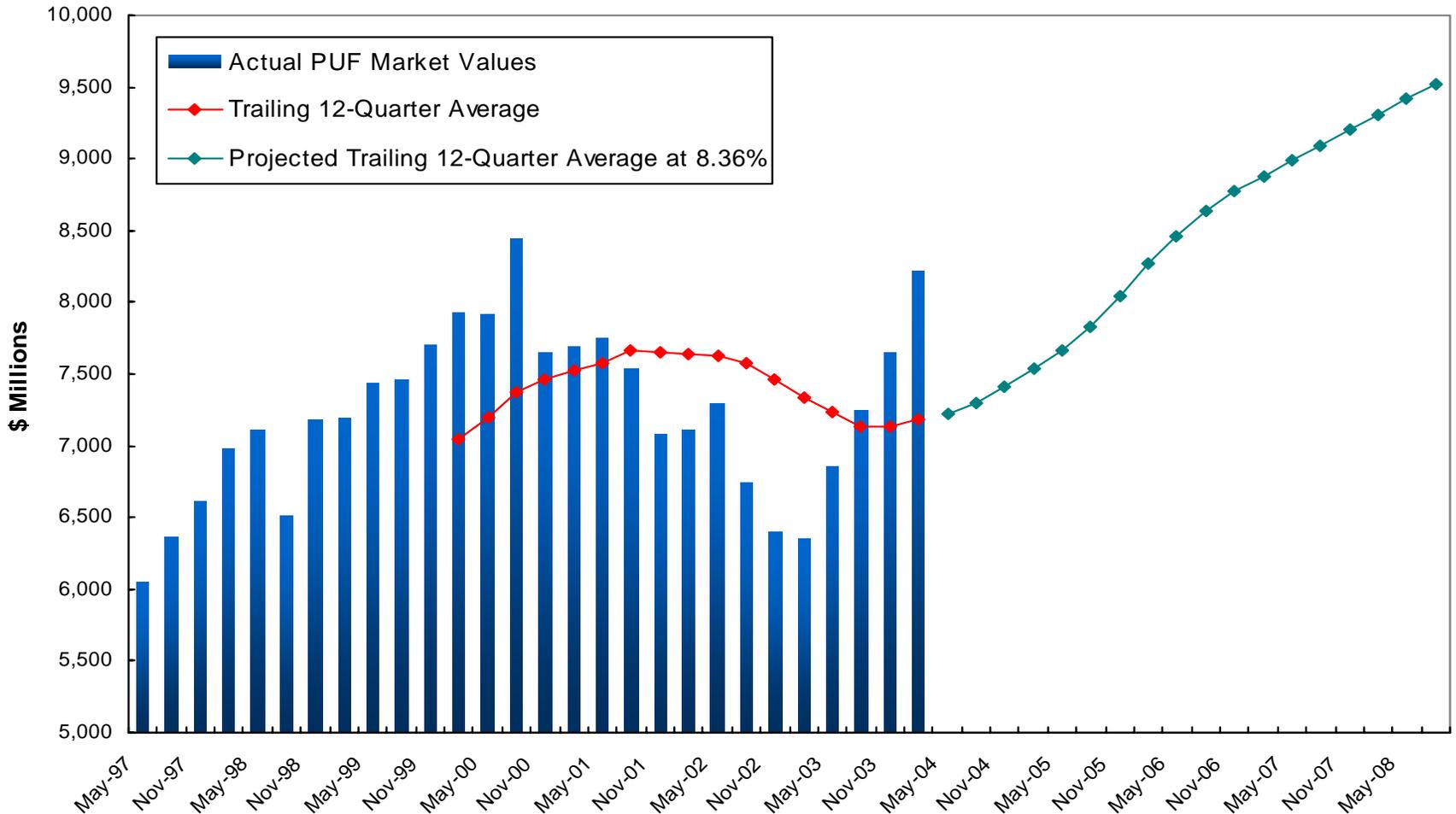
Mr. Philip R. Aldridge, Interim Vice Chancellor for Business Affairs, will update the Committee on changes in the forecasted distributions from the Permanent University Fund (PUF) to the Available University Fund (AUF) and the resulting impacts on remaining PUF debt capacity, U. T. Austin excellence funds, and the AUF balance.

REPORT

As of February 29, 2004, the market value of the PUF was \$8.2 billion compared to \$7.65 billion as of November 30, 2003 (Figure A on Page 32.1). During Fiscal Year 2005, \$341.2 million is expected to be distributed to the AUF, compared to \$348 million in Fiscal Year 2004 (Figure B on Page 32.2). PUF distributions to the AUF are projected to steadily increase beginning in Fiscal Year 2006. Unlike previous forecasts, PUF distributions are not projected to be capped due to constitutional purchasing power restrictions as a result of higher than expected PUF investment returns and lower than expected inflation (Figure B on Page 32.2).

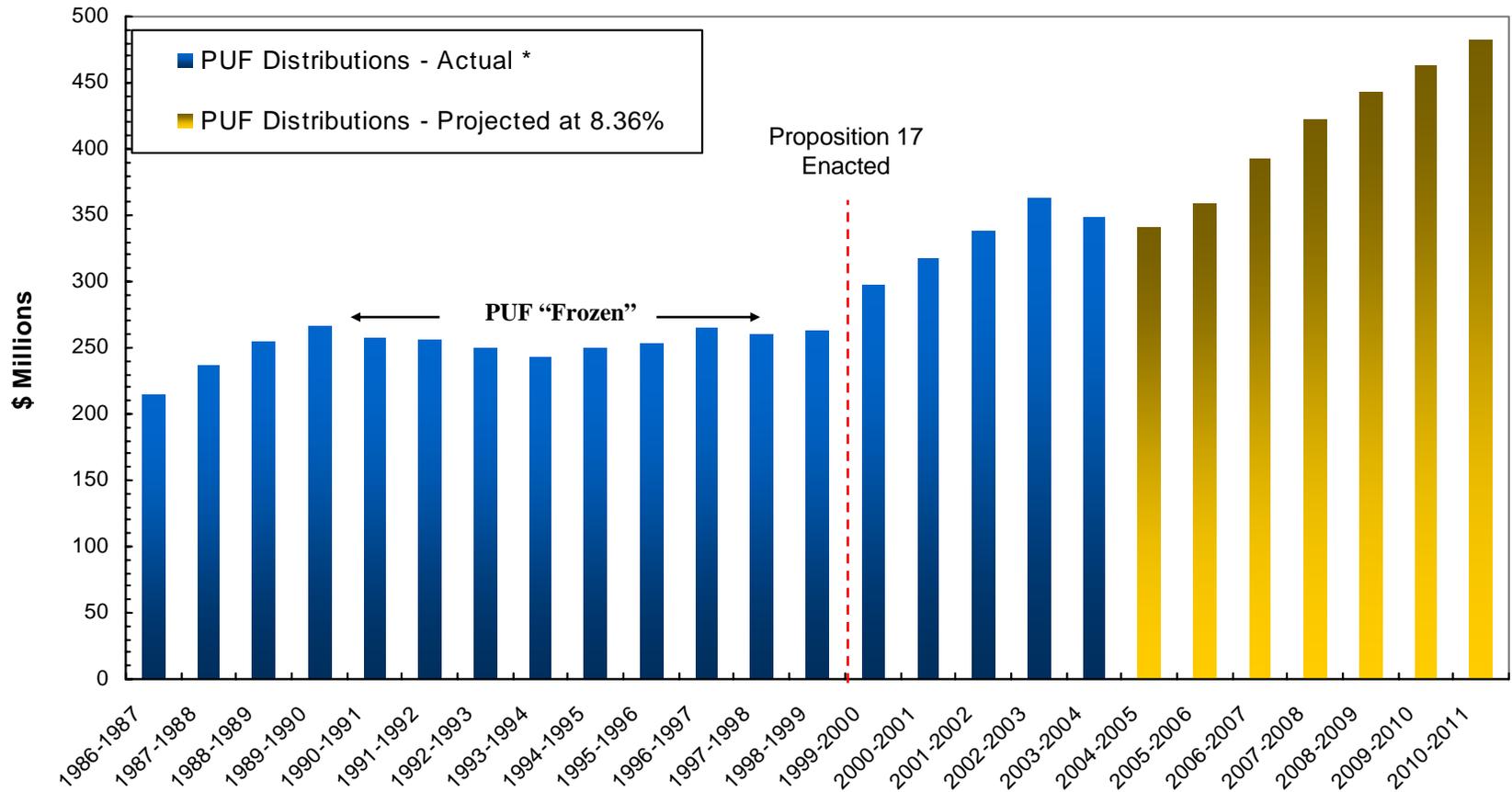
Incorporating both the updated PUF distribution forecast and the new debt structure as a result of the PUF Bonds, Series 2004A&B transaction, there is an estimated \$365 million of additional debt capacity through Fiscal Year 2010 beyond the PUF projects currently approved, assuming a 8.36% investment return (Figure C on Page 32.3). This PUF debt capacity includes using \$55 million of AUF balances to cash defease outstanding PUF debt, similar to cash defeasance transactions previously approved by the Board. PUF debt capacity is affected by various factors, some of which are determined by the Board while others are dependent on future market conditions (Figure D on Page 32.4).

Projected Trailing 12-Quarter PUF Market Value Average



32.1

Permanent University Fund Distributions



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

PUF Debt Capacity-Base Case at 8.36%

Additional PUF Debt Capacity (\$365.1 Million)	\$98.7	\$0.0	\$81.0	\$89.9	\$50.7	\$44.8
Cumulative Additional PUF Debt Capacity	\$98.7	\$98.7	\$179.7	\$269.6	\$320.3	\$365.1

Available University Fund Operating Statement Forecast Data (\$ Millions)	Actual	Projected						
	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FYE 10
PUF Distribution Amount	\$363.0	\$348.0	\$341.2	\$358.1	\$392.9	\$421.7	\$442.2	\$462.5
Surface & Other Income	6.5	6.6	6.6	6.6	6.7	6.7	6.7	6.7
Divisible Income	369.6	354.6	347.8	364.8	399.6	428.4	448.9	469.2
UT System Share (2/3)	246.4	236.4	231.9	243.2	266.4	285.6	299.3	312.8
AUF Interest Income	5.1	2.4	2.1	3.3	4.3	5.1	5.2	5.4
Income Available to U.T.	251.5	238.8	233.9	246.5	270.7	290.7	304.5	318.2
TRANSFERS:								
UT Austin Excellence Funds (45%)	(114.8)	(108.3)	(105.3)	(110.9)	(121.8)	(130.8)	(137.0)	(143.2)
PUF Debt Service on Approved Projects	(69.7)	(71.2)	(94.4)	(101.0)	(103.8)	(106.4)	(108.8)	(111.6)
PUF Cash Defeasance	-	(55.0)	-	-	-	-	-	-
PUF Debt Service on Add. Debt Capacity	-	-	(7.9)	(7.9)	(14.6)	(22.3)	(26.7)	(30.6)
System Administration	(29.1)	(27.9)	(27.9)	(28.6)	(29.3)	(30.1)	(30.8)	(31.6)
Other	(1.6)	(4.4)	(1.1)	(1.1)	(1.1)	(1.1)	(1.2)	(1.2)
Debt Service (Bldg Rev)	(3.4)	(3.4)	-	-	-	-	-	-
Net Surplus/(Deficit)	32.8	(31.4)	(2.6)	(3.0)	0.0	0.0	(0.0)	(0.0)
Ending AUF Balance - System	82.0	50.6	48.0	45.0	45.0	45.0	45.0	45.0
PUF Debt Service Coverage	3.61:1	3.35:1	2.29:1	2.26:1	2.29:1	2.26:1	2.25:1	2.24:1

32.3

PUF Debt Capacity Sensitivities at 8.36%

	Board-Determined	Board-Determined	Board-Determined	Market-Dependent	Market-Dependent	Additional Debt Capacity (\$ Millions)						TOTAL	Projected PUF
	Annual LERR	U.T. Austin Excellence	PUF Distribution Rate	PUF Investment Return	Change in Tax-Exempt Rates	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY 2005-FY 2010	Market Value in FY 2030
	\$30 Million	45.0%	4.75%	8.36%	NA	98.7	0.0	81.0	89.9	50.7	44.8	365.1	23,263,299,456
	\$30 Million	45.0%	4.75%	8.36%	NA	98.7	0.0	81.0	89.9	50.7	44.8	365.1	23,263,299,456
	\$20 Million	45.0%	4.75%	8.36%	NA	108.7	10.0	91.0	99.9	60.7	54.8	425.1	23,263,299,456
	\$10 Million	45.0%	4.75%	8.36%	NA	118.7	20.0	101.0	109.9	70.7	64.8	485.1	23,263,299,456
	None	45.0%	4.75%	8.36%	NA	128.7	30.0	111.0	119.9	80.7	74.8	545.1	23,263,299,456
	\$30 Million	40.0%	4.75%	8.36%	NA	249.2	0.0	99.5	101.7	58.7	52.7	561.8	23,263,299,456
	\$30 Million	45.0%	4.75%	8.36%	NA	98.7	0.0	81.0	89.9	50.7	44.8	365.1	23,263,299,456
	\$30 Million	50.0%	4.75%	8.36%	NA	0.0	0.0	0.0	1.8	130.6	37.0	169.3	23,263,299,456
	\$30 Million	45.0%	4.50%	8.36%	NA	13.4	0.0	72.4	86.1	50.2	45.0	267.1	24,746,567,916
	\$30 Million	45.0%	4.75%	8.36%	NA	98.7	0.0	81.0	89.9	50.7	44.8	365.1	23,263,299,456
	\$30 Million	45.0%	5.00%	8.36%	NA	184.0	0.0	89.4	93.5	50.6	44.2	461.7	21,856,250,638
	\$30 Million	45.0%	4.75%	7.36%	NA	98.1	0.0	73.9	77.0	32.1	24.3	305.3	18,102,036,365
	\$30 Million	45.0%	4.75%	8.36%	NA	98.7	0.0	81.0	89.9	50.7	44.8	365.1	23,263,299,456
	\$30 Million	45.0%	4.75%	9.36%	NA	99.2	0.0	88.1	102.9	69.5	65.9	425.7	29,792,473,377
	\$30 Million	45.0%	4.75%	8.36%	+ 50 bps	82.6	0.0	78.1	85.2	47.5	42.1	335.5	23,263,299,456
	\$30 Million	45.0%	4.75%	8.36%	IIA	98.7	0.0	81.0	89.9	50.7	44.8	365.1	23,263,299,456
	\$30 Million	45.0%	4.75%	8.36%	-50 bps	116.0	0.0	83.9	95.0	54.1	47.7	396.7	23,263,299,456

32.4

5. **U. T. Board of Regents: Approval of annual distributions from the Permanent University Fund, the Permanent Health Fund, and the Long Term Fund**

RECOMMENDATION

The Chancellor and the Interim Vice Chancellor for Business Affairs concur in the recommendation of The University of Texas Investment Management Company (UTIMCO) and the UTIMCO Board of Directors that:

- a. The fiscal year distribution from the Permanent University Fund (PUF) to the Available University Fund (AUF) be decreased by 1.97% from \$348,033,578 to \$341,174,270 effective September 1, 2004. The distribution is an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF. The decline in the distribution is a direct result of the decline in the market value of the PUF, as reflected in the trailing 12-quarter average.
- b. The distribution rate for the Permanent Health Fund (PHF) remain at its current rate per unit of \$0.047.
- c. The distribution rate for the U. T. System Long Term Fund (LTF) be increased from \$0.2645 per unit to \$0.2697 per unit effective November 30, 2004.

BACKGROUND INFORMATION

For comparative purposes, the recommended distributions from the PUF, PHF and LTF represent 4.15%, 4.59%, and 4.68% of the respective funds' market value as of February 29, 2004.

The PUF Investment Policy states that the annual distribution from the PUF to the AUF shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each fiscal year. Per this formula, the amount to be distributed from the PUF for Fiscal Year 2005 is \$341,174,270 as calculated on the following page.

Quarter Ended	PUF Net Asset Value
5/31/01	\$ 7,749,573,154
8/31/01	7,540,148,091
11/30/01	7,079,157,437
2/28/02	7,114,025,229
5/31/02	7,303,322,636
8/31/02	6,738,274,515
11/30/02	6,397,124,818
2/28/03	6,299,971,921
5/31/03	6,850,946,583
8/31/03	7,244,827,576
11/30/03	7,655,088,067
02/29/04	8,218,934,425
	<u>\$ 86,191,394,452</u>
Number of Quarters	12
Average Net Asset Value	<u>\$ 7,182,616,204</u>
Distribution Percentage	4.75%
FY 2004-05 Distribution	<u>\$ 341,174,270</u>

Article VII, Section 18 of the Texas Constitution requires that the amount of distributions to the AUF be determined by the U. T. Board of Regents (U. T. Board) in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of PUF investments and annual distributions to the AUF. The Constitution further limits the U. T. Board's discretion to set annual PUF distributions to the satisfaction of three tests:

1. The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes. The proposed distribution of \$341,174,270 is substantially greater than PUF bonds debt service of \$119,050,836 projected for Fiscal Year 2005.

System	Debt Service
U. T.	\$ 84,167,084
TAMU	34,883,752
Total	<u>\$ 119,050,836</u>

Sources: U. T. System Office of Finance
Texas A&M University System
Office of Treasury Services

- The U. T. Board may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule below indicates, the average annual increase in the rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 29, 2004, was 3.86%.

Average Annual	Percent
Rate of Total Return	9.85%
Mineral Interest Receipts	1.25%
Expense Rate	(0.12)% (1)
Inflation Rate	(2.41)%
Distribution Rate	(4.71)%
Net Real Return	3.86%

(1) Paid from AUF until 1/01/00

- The annual distribution from the PUF to the AUF during any fiscal year made by the U. T. Board may not exceed an amount equal to 7% of the average net fair market value of PUF investment assets as determined by the U. T. Board, except as necessary to pay PUF bonds debt service. The annual distribution rate calculated using the trailing 12-quarter average value of the PUF is within the 7% maximum allowable distribution rate.

Value of PUF Investments (1)	Proposed Distribution	Proposed Distribution as a % of Value of PUF Investments	Maximum Allowed Rate
\$7,182,616,204	\$341,174,270	4.75%	7.00%

(1) Source: UTIMCO

The spending policy objectives of the PHF and the LTF are to:

- provide a predictable stable stream of distributions over time;
- ensure that the inflation-adjusted value of the distributions is maintained over the long term; and
- ensure that the inflation-adjusted value of the assets of the PHF and the LTF, as appropriate after distributions, is maintained over the long term.

The goal is for the average spending rate of the PHF or the LTF, as appropriate, over time not to exceed the average annual investment return of such fund after inflation in order to preserve the purchasing power of such fund's distributions and underlying assets.

Unless otherwise established by UTIMCO and approved by the U. T. Board, the spending formula under the PHF Investment Policy and the LTF Investment Policy increases distributions at the rate of inflation subject to a distribution range of 3.5% to 5.5% of the average market value of the PHF assets and LTF assets for each Fund's respective trailing 12 fiscal quarters. The Investment Policies expressly reserve to the U. T. Board the ability to approve a per unit distribution amount for the PHF and the LTF, as appropriate, that, in the Board's judgment, would be more appropriate than the formula rate calculated by the spending policy provisions.

The PHF's net asset value of \$785.6 million at November 30, 2003, is less than the original PHF contributions of \$820.0 million due to difficult financial markets since its inception. As a consequence, the recommendation is to depart from the spending formula and not to increase the PHF rate of \$0.047 per unit for Fiscal Year 2005. The PHF's average distribution rate calculated using the prior 12-quarter average value of the PHF is 5.1%, within the range of 3.5% to 5.5% set forth in the PHF Investment Policy. The recommended distribution rate of \$0.047 per unit was approved by the UTIMCO Board on April 8, 2004.

In addition to the spending policy objectives for the LTF (described above), the LTF Investment Policy expressly recognizes that, under the Uniform Management of Institutional Funds Act, the U. T. Board may distribute from the LTF the net appreciation, realized and unrealized, in the fair market value of LTF assets over the historic dollar value of the Fund. At November 30, 2003, the net asset value of the LTF was \$3,167.0 million. The 2.0% increase in LTF distribution rate from \$0.2645 per unit to \$0.2697 is recommended based on the investment policy to increase the distribution by the average rate of inflation for the trailing 12 fiscal quarters. The consumer price index for the prior three years as of November 30, 2003, was 2.0%. The LTF's average distribution rate calculated using the prior 12-quarter average value of the LTF is 5.2%, within the range of 3.5% to 5.5% set forth in the LTF Investment Policy. The recommended distribution rate of \$0.2697 per unit was approved by the UTIMCO Board on April 8, 2004.

6. **U. T. System: Authorization to establish a deferred compensation plan under Internal Revenue Code Section 457(b), to delegate authority to administer the plan, and to authorize conforming changes to Part Two, Chapter VI, Section 9 (Deferred Compensation Plan) of the Regents' Rules and Regulations**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for Administration, and the Interim Vice Chancellor for Business Affairs that the Board of Regents authorize the establishment of a voluntary deferred compensation plan pursuant to Internal Revenue Code Section 457(b) for all employees of the U. T. System Administration and the component institutions, to be known as UTSaver. It is further recommended that the Board delegate to the Vice Chancellor for Administration the authority for the administration of UTSaver and the power to take all action and to make all decisions and interpretations that may be necessary or appropriate to administer and maintain the plan, consistent with State and federal law.

It is further recommended that the Counsel and Secretary to the Board be authorized to make conforming changes to the Regents' Rules and Regulations to reference the plan and the delegation to the Vice Chancellor for Administration.

BACKGROUND INFORMATION

In 2003, the 78th Texas Legislature, Regular Session, enacted Senate Bill 1652, codified as Chapter 609, Subchapter D, Texas Government Code. One provision of Chapter 609 authorizes an institution of higher education to establish a deferred compensation plan for its employees pursuant to Internal Revenue Code Section 457(b).

The state legislation followed the enactment of federal legislation known as the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) in 2001, which changed existing law and created an additional retirement savings opportunity for public employees. Prior to the enactment of EGTRRA, contributions to a voluntary 403(b) tax-sheltered annuity program and a voluntary 457(b) deferred compensation retirement savings program were subject to coordinated limits. This resulted in one contribution limit for both programs. EGTRRA repealed the coordinated limits for 403(b) and 457(b) programs thereby providing a separate contribution limit for each program for years beginning after December 31, 2001. Prior to the enactment of Senate Bill 1652, the only 457(b) plan option available to U. T. System employees was the deferred compensation plan provided by the Employees Retirement System of Texas known as TexaSaver. Senate Bill 1652 authorizes U. T. System to establish its own deferred compensation plan for employees. The proposed name for the plan is UTSaver. The

purpose of the UTSaver deferred compensation plan is to provide employees who elect to participate in the plan the option to defer taxation on compensation subject to federal contribution limits. Employees may elect to contribute up to the maximum amount that may be deferred under the plan for the taxable year. The plan will be established pursuant to Chapter 609 of the Texas Government Code and is intended to constitute an "eligible deferred compensation plan" within the meaning of Section 457 of the Internal Revenue Code. All contributions to the plan will be employee contributions.

7. **U. T. Board of Regents: Adoption of Fifth Supplemental Resolution to the Master Resolution establishing the Revenue Financing System Taxable Commercial Paper Note Program and authorization for officers of U. T. System to complete all transactions related thereto**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Interim Vice Chancellor for Business Affairs that the U. T. Board of Regents:

- a. adopt the Fifth Supplemental Resolution to the Master Resolution, substantially in the form presented to the Board and as originally approved by the Board in 1996, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Taxable Commercial Paper Notes, Series B, in an aggregate principal amount not to exceed \$50 million; and
- b. authorize appropriate officers and employees of the U. T. System as set forth in the Fifth Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents, within the limitations and procedures specified therein; make certain covenants and agreements in connection therewith; and resolve other matters incident and related to the issuance, sale, security, and delivery of such Notes.

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

- a. 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 Board relating to the Financing System; and

- b. The component institutions, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of Parity Debt.

BACKGROUND INFORMATION

The use of tax-exempt debt for projects is limited by the Internal Revenue Code to facilities employed for governmental purposes. Projects with nongovernmental or private use beyond established limits are denied the benefits of tax-exempt debt and must employ taxable debt. Taxable debt is anticipated to be issued for certain projects in the FY 2004-2009 Capital Improvement Program that will have space rented to nongovernmental entities for a period of time.

The Fifth Supplemental Resolution, which is available for review on-line at <http://www.utsystem.edu/bor/AgendaBook/5-12-04Meetingpage.htm> or in hard copy upon request, authorizing a Revenue Financing System taxable commercial paper note program was originally approved by the Board of Regents in November 1996. No taxable notes were issued under the program and the authorization under the Fifth Supplemental Resolution is deemed to have lapsed. The reauthorization of the Fifth Supplemental Resolution will establish an interim financing program for the projects in the FY 2004-2009 Capital Improvement Program involving nongovernmental use. Liquidity for the program will be provided by the U. T. System through an arrangement with The University of Texas Investment Management Company consistent with the provisions governing liquidity for the tax-exempt commercial paper program.

The U. T. System's Revenue Financing System tax-exempt commercial paper note program was established on April 12, 1990. Since that time, the size of the program has been increased periodically, up to the current authorization of \$750 million, to meet the financing needs of the U. T. System.

The proposed Fifth Supplemental Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

ADDITIONAL AGENDA ITEM
FINANCE AND PLANNING COMMITTEE
MAY 12, 2004

8. Approval to amend the Permanent University Fund and General Endowment Fund Investment Policy Statements

RECOMMENDATION

The Board of Directors of The University of Texas Investment Management Company (UTIMCO) recommends that the U. T. Board of Regents approve the proposed amendments to the Asset Allocation and Policy section of the following Investment Policy Statements as set forth in congressional style on Pages 39e - 39g:

- a. Permanent University Fund (PUF)
- b. General Endowment Fund (GEF)

It is further recommended that the U. T. Board of Regents approve the revised Exhibit A of the PUF Investment Policy Statement and the GEF Investment Policy Statement as set forth in congressional style on Page 39h.

BACKGROUND INFORMATION

Section 3(a) of the Investment Management Services Agreement dated March 1, 1996, second amended and restated effective August 7, 2003, between the Board of Regents of The University of Texas System and UTIMCO provides that UTIMCO shall review the investment policies of the assets under its management and recommend any changes of such policies for approval by the U. T. Board of Regents. The Investment Policy Statements for the PUF and the GEF provide that UTIMCO "shall...determine specific asset allocation targets, ranges, and performance benchmarks consistent with PUF (and GEF) objectives...". The Board of Regents adopted amendments to the Investment Policy Statements for the PUF and GEF at its December 19, 2003 meeting which established new asset allocation targets for several asset categories. However, there were also changes made to performance benchmarks and asset category definitions in the revised Investment Policy Statements which the UTIMCO Board believes would have negative unintended consequences. In exercising its delegated responsibility to determine benchmarks, UTIMCO recommends the technical corrections to the PUF and GEF Investment Policy Statements set forth in this agenda item. There are no changes to any Regents-approved asset allocation targets recommended in this agenda item

and there are no changes to the expected return or expected risk measures. The only recommended changes are technical corrections to benchmark categories and definitions.

The recommended changes to the PUF and GEF Investment Policy Statements segregate two individual asset categories which were grouped under broader asset classes, and provide asset definitions and benchmarks for the revised asset categories. The proposed definitional changes are reflected in Exhibit A of both the PUF and GEF Investment Policy Statements. In addition, a change in the benchmarks for Private Equity and Venture Capital asset categories as reported in Exhibit A is proposed.

During the construction of the new policy portfolio, it became apparent that two unintended consequences resulted from the movement of Real Estate Investment Trusts (REITS) and Treasury Inflation Protected Securities (TIPS) from the inflation hedge asset category to the U.S. Equities and Fixed Income categories, respectively. The benchmarks of the U.S. Equities and Fixed Income classes were not adjusted correspondingly to account for the asset allocation percentage weights of the asset categories added.

1. Under the asset classification scheme of the new Investment Policy Statement, the actual U.S. Equities portfolio for the PUF and GEF would consist of approximately 21.6% of REITS (REITS' value of \$859.2 versus total U.S. Equities with REITS of \$3,974.1 as of March 31, 2004) while the Benchmark for the asset class, the Russell 3000 Index, has a weight of approximately 2% in REITS. This difference in weights between the actual portfolios and the policy portfolios creates a substantial risk concentration requiring transactions totaling more than \$1.5 billion to correct. In addition to the expenses associated with the transactions which would total several million dollars, there would be three additional negative effects:
 - a. REITS have been an important part of the endowment funds' portfolios for more than 10 years. They are the endowments' only investment in real estate and substantially reducing this position would lower the diversification and increase the risk of the overall portfolios with no expected increase in returns.
 - b. Because the proceeds of the sale of the existing REIT portfolio would be transferred from internal management to external active management, the total UTIMCO and Fund budgets would immediately increase by about 8.7% (approximately \$2.7 million per year), reflecting the difference in costs between internal and external active management. In addition, total internally managed assets would be reduced by about one-third with no decrease in costs.

- c. An important source of value added over the past two years, REITS managed internally by Mr. Greg Cox, Portfolio Manager - Equity Investments, would be reduced to about one-tenth of its previous weight, thus limiting UTIMCO's ability to add value in the future.
2. The second issue relates to TIPS. Although UTIMCO does not currently have a TIPS position in the endowment portfolios, the intention was to introduce TIPS as part of the portfolio allocation, and a 5% allocation was originally approved by the UTIMCO Board. However, moving TIPS to the Fixed Income category would make it unlikely that the intended 33.3% allocation to TIPS (5% for TIPS out of 15% total for fixed income) would occur since the Lehman Brothers Bond Index does not contain any TIPS in its construction. TIPS would be more appropriately measured against the Lehman Brothers US TIPS Index. Therefore, implementing the 5% allocation to TIPS intended by the Asset Allocation Policy would create a substantial risk concentration position relative to the Lehman Brothers Aggregate Bond benchmark, making it less likely that TIPS would actually be purchased under the risk budgeting procedure used by UTIMCO. This would be an unintended negative result because TIPS have unique and attractive strategic characteristics which would improve diversification and lower the overall risk of the portfolio. The Investment Policy should encourage, not discourage, a TIPS position. The changes recommended in this agenda item would encourage TIPS positions.

The changes to the Asset Allocation and Policy sections of the PUF and GEF Investment Policy Statements are proposed to correct the negative unintended consequences.

Clarification on the use of the Venture Economics Benchmark for the Private Capital asset category is also proposed. During the recently completed Asset Allocation Review process, a new benchmark based on Venture Economics data was approved. The UTIMCO Board approved the use of Venture Economics' Vintage Year Venture Capital Index for the benchmark of Venture Capital and the use of Venture Economics' Vintage year Private Equity Index for Private Equity. At the time of the approval, the UTIMCO Board noted that staff would have to determine the most appropriate way to incorporate the Venture Economics benchmark into the endowment policy portfolio benchmark. The incorporation of Private Capital returns into the overall policy portfolio presents technical challenges due to differences in the methodology used to calculate return.

The best solution to the technical challenges is to use the Venture Economics' Periodic IRR Index for the entire Private Capital asset category rather than separate indices for venture capital and private equity. Although still not a perfect solution to the benchmarking problems of private equity, the Venture Economics Index does have an important characteristic necessary in any good benchmark: high correlation with the actual portfolio segment for which it has been selected as the benchmark. The table

below indicates the correlation of actual private equity returns in the endowment funds with the Venture Economics Index over individual 1, 3, and 5-year periods over the past 10 years:

Correlation Coefficients	UTIMCO and Venture Economics
1 Year	0.9229
3 Years	0.8931
5 Years	0.9520

Correlation coefficients are statistical measures of how closely two variables change as measured at different points in time. A correlation coefficient of 1.0 indicates the two variables are moving in exact lockstep; a correlation coefficient of 0.0 indicates the two variables are moving completely independently. The high correlation measures above for the historical returns of the private capital portfolios and the Venture Economics benchmark indicate that the Venture Economics benchmark should be an effective benchmark for the endowments' private capital investments.

The UTIMCO Board of Directors approved the proposed amendments to the Investment Policy Statements for the PUF and GEF, and the revised Exhibit A of these Investment Policy Statements, on May 6, 2004.

Asset Allocation and Policy

Asset allocation is the primary determinant of the volatility of investment return and, subject to the asset allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. Specific asset allocation positions may be changed from time to time, within the ranges specified in Exhibit A, based on the economic and investment outlook.

PUF [GEF]^{*} assets shall be allocated among the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

- A. U.S. Equities - U.S. equities represent ownership in U.S. companies that are traded in public markets. ~~Equities include stocks that are further identified by size of the company and are classified as large capitalization, medium capitalization, and small capitalization. U.S. equities may further be delineated by style (growth or value). Warrants, rights, options, futures and hedge funds are also included if the underlying assets are equities. In addition, Derivative Applications approved by the UTIMCO Board that serve as a U.S. equity substitute will be classified as U.S. equities. Equities provide both current income and growth of income.~~

Traditional U.S. Equities – Traditional U.S. equities include common stocks and derivatives based on common stocks including warrants, rights, options, exchange traded funds, and futures. In addition, Derivative Applications approved by the UTIMCO Board that serve as a U.S. Equity substitute will be classified as traditional U.S. equity. Equities provide both current income and growth of income.

REITS – REITS are real estate investment trusts. REITS are companies which own, and in most cases operate, income producing real estate.

- B. Global ex U.S. Equities – Global ex U.S. equities represent ownership in global companies that are traded in public markets. The global ex U.S. markets include established and emerging markets. ~~Equities include stocks that are further identified by size of the company and are classified as large capitalization, medium capitalization, and small capitalization. Global ex U.S. equities may further be delineated by style (growth or value) or region (Latin America, Asia etc.) or state of economic development (Emerging Markets). Warrants, rights, options, exchange traded funds, and futures and hedge funds are also included if the underlying assets are equities. In addition, Derivative Applications approved by the UTIMCO Board that serve as a Global ex U.S. equity substitute will be classified as Global ex U.S. equities. Equities provide both current income and growth of income.~~

^{*} Reference for GEF policy only

- C. Hedge Funds – Hedge funds are broadly defined to include nontraditional investment strategies whereby the majority of the underlying securities are traded on public exchanges or are otherwise readily marketable.

Equity Hedge Funds – Equity hedge fund investments include U.S. and international long/short equity strategies. These strategies attempt to exploit profits from stock selection skills by taking long and short positions in various equity securities. These strategies may also include fund of hedge fund investments. Equity hedge fund investments are made through private placement agreements.

Absolute Return Hedge Funds – Absolute return hedge fund investments include arbitrage and event driven strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income and convertible securities markets. Event driven strategies attempt to exploit discreet events such as bankruptcies, mergers, and takeovers. Absolute return hedge funds may include fund of hedge fund investments. Absolute return hedge fund investments are made through private placement agreements.

- D. Private Capital - Private Capital investments include the illiquid debt and equity securities of private or publicly-traded companies. Private Capital investments consist of two sub-asset class categories: Venture Capital and Private Equity.

Venture Capital – Venture capital investments consist of investments in companies, both U.S. and non-U.S. that are in the early stages of development. Venture Capital investments are held either through limited partnership or as direct ownership interests.

Private Equity – Private Equity investments consist of investments in the equity securities of private businesses, both U.S. and non-U.S., that are considered to be in the post-start-up phase and that are profitable and generating income. Private Equity investments are held either through limited partnerships or as direct ownership interests. The classification of private equity also includes mezzanine and opportunistic investments. Mezzanine consists of investments in funds that make subordinated debt or minority equity investments in private companies. Opportunistic investments are limited to illiquid assets and may include distressed debt or secondary private equity partnerships.

- E. Commodities – Natural resource investments which include oil and gas interests, commodities, and other hard assets.

F. Fixed Income – Fixed income investments include debt issued by the U.S. Treasury, various government agencies and domestic and foreign corporations.

Traditional Fixed Income - The principal securities include bonds, notes, bills and mortgage and asset-backed securities. ~~Fixed income investments also include hedge funds if the underlying assets are fixed income investments, and treasury inflation protected securities (TIPS) which are marketable securities with a return linked to the inflation rate.~~ In addition, Derivative Applications approved by the UTIMCO Board that serve as a fixed income substitute will be classified as traditional fixed income.

TIPS - TIPS are treasury inflation protected securities which are marketable securities with a return linked to the inflation rate.

EXHIBIT A

POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES

Asset Category	Percent of Portfolio (%)		Benchmarks
	Policy Targets	Policy Ranges	
US Equities:	25.0	15 to 45	Combination benchmark: 80% Russell 3000 Index plus 20% Wilshire Associates Real Estate Securities Index <u>Russell 3000 Index</u>
<u>Traditional US Equities</u>	<u>20.0</u>	<u>15 to 45</u>	<u>Russell 3000 Index</u>
<u>REITS</u>	<u>5.0</u>	<u>0 to 10</u>	<u>Wilshire Associates Real Estate Securities Index</u>
Global ex US Equities:			MSCI All Country World Index ex US
Non-US Developed Equity	10.0	5 to 15	
Emerging Markets Equity	7.0	0 to 10	
Total Traditional Equity	42.0	20 to 60	
Equity Hedge Funds	10.0	5 to 15	90 Day T-Bills + 4%
Absolute Return Hedge Funds	15.0	10 to 20	90 Day T-Bills + 3%
Total Hedge Funds	25.0	15 to 25	
Venture Capital	6.0	0 to 10	<u>Venture Economics Vintage Year Venture Capital Index</u>
Private Equity	9.0	5 to 15	<u>Venture Economics Vintage Year Private Equity Index</u>
Total Private Capital	15.0	5 to 15	<u>Venture Economics' Periodic IRR Index</u>
Commodities	3.0	0 to 5	GSCI minus 1%
Fixed Income:	15.0	10 to 30	Combination benchmark: 66.7% <u>Lehman Brothers Aggregate Bond Index</u> plus 33.3% <u>Lehman Brothers US Tips Index</u> <u>Lehman Brothers Aggregate Bond Index</u>
<u>Traditional Fixed Income</u>	<u>10.0</u>	<u>10 to 30</u>	<u>Lehman Brothers Aggregate Bond Index</u>
<u>TIPS</u>	<u>5.0</u>	<u>0 to 10</u>	<u>Lehman Brothers US Tips Index</u>
Cash	0.0	0 to 5	90 Day T-Bills

Expected Annual Return (%)	8.36
Downside Deviation (%)	4.22
Standard Deviation (%)	10.30

ADDITIONAL AGENDA ITEM
FINANCE AND PLANNING COMMITTEE
MAY 12, 2004

9. **Approval to amend the Short Intermediate Term Fund Investment Policy Statement**

RECOMMENDATION

The Board of Directors of The University of Texas Investment Management Company (UTIMCO) recommends that the U. T. Board of Regents approve the proposed amendments to the Investment Objectives section of the Short Intermediate Term Fund (SITF) Investment Policy Statement as set forth below in congressional style:

SITF Investment Objectives

The primary investment objective shall be to provide both income through investment in high grade fixed income and floating rate obligations and capital appreciation when consistent with income generation. ~~reasonable preservation of capital and maintenance of adequate SITF liquidity. In seeking to achieve its objectives, the SITF shall attempt to minimize the probability of a negative total return over a one-year period.~~ Within the exposure limits contained herein, investments shall be diversified among authorized asset classes and issuers (excluding the U. S. Government) in order to minimize portfolio risk for a given level of expected return. This objective will be achieved by adding value through active management including duration and yield curve management, sector rotation, security selection, and cost efficient trading.

Achievement of this objective shall be defined by a fund return over a market cycle in excess of the Short Term Fund ("STF") and the Policy Portfolio benchmark, ~~and the average return of the median manager of the MorningStar universe of government bond funds restricted to an average maturity of less than or equal to three years.~~ The SITF will attempt to achieve a return in excess of the STF primarily through a longer average maturity/duration and through UTIMCO active portfolio management efforts. The Policy Portfolio benchmark will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect SITF asset allocation policy targets.

It is important to note that the SITF return will be more volatile than the STF fund returns, and under very unusual capital market conditions, the total return of the SITF could be negative over a 12-month period.

BACKGROUND INFORMATION

Section 3(a) of the Investment Management Services Agreement dated March 1, 1996, second amended and restated effective August 7, 2003, between the Board of Regents of The University of Texas System and UTIMCO provides that UTIMCO shall review the investment policies of the assets under its management and recommend any changes of such policies for approval by the U. T. Board of Regents.

The recommended changes are to clarify the investment objectives of the SITF Investment Policy. The UTIMCO Board of Directors approved the proposed amendments to the SITF Investment Policy Statement on May 6, 2004.

ADDITIONAL AGENDA ITEM
FINANCE AND PLANNING COMMITTEE
MAY 12, 2004

10. **Presentation of Restatement of Historical Endowment Policy Portfolio Returns**

The Board of Directors of The University of Texas Investment Management Company (UTIMCO) presents the Report below on the Restatement of Historical Endowment Policy Portfolio (EPP) and Returns for the Permanent University Fund (PUF) and the General Endowment Fund (GEF) as an information item to the U. T. Board of Regents. The EPPs are the policy benchmarks against which the returns of the PUF, GEF, the Long Term Fund (LTF), and the Permanent Health Fund (PHF) are measured. The establishment of EPPs for the PUF and GEF and monitoring performance of the Funds relative to stated objectives are delegated to UTIMCO by the Investment Policy Statements of the PUF and GEF.

The UTIMCO Board of Directors approved the Restatement of Historical Endowment Policy Portfolio Returns for the PUF and GEF on May 6, 2004.

REPORT

The reasonableness of the historical benchmark returns has been questioned by the State Auditors as well as others. The State Auditors report, *A Report Comparing Texas's Five Largest Long-Term Investment Funds*, issued February 2003, noted that the PUF and LTF underperformed when compared with the returns of their policy index and briefly discussed the reasons. In response in the comment section, UTIMCO agreed that it would attempt to deal with several technical benchmark issues in order to provide more accurate performance comparisons in the future. UTIMCO has now completed a thorough review of the asset class weights and benchmarks used in the establishment of EPPs. The overall issues with the EPPs were:

- With the first Policy Portfolio published in 1997, return for periods prior to 1997 were calculated using the policy portfolio allocation which existed in 1997, not to policy allocations that actually existed in the prior periods. In periods after 1997, the target weights approved by the UTIMCO Board were used immediately in calculating EPP returns rather than incorporating a phase-in period.

- Establishing the same target weights in a single EPP for the PUF and LTF/GEF without consideration that the PUF was not managed as a total return fund prior to November 1999 although the LTF/GEF was managed as a total return fund.
- Appropriateness of the benchmarks used for Private Capital in the EPPs.

Issues:

- With the first Policy Portfolio published in 1997, return for periods prior to 1997 were calculated using the policy portfolio allocation which existed in 1997, not to policy allocations that actually existed in the prior periods. In periods after 1997, the target weights approved by the UTIMCO Board were used immediately in calculating EPP returns rather than incorporating a phase-in period.

EPP returns are calculated on a monthly basis by multiplying the policy weights of each asset category with Asset Allocation Policy times the return for the benchmark index defined for each asset category and summing the results. UTIMCO began reporting EPP returns in 1997. At that time, the method used to calculate EPP returns prior to 1997 was to apply the asset allocation targets in existence in 1997 to selected benchmark returns in previous years. In years subsequent to 1997, it was standard procedure to apply then-current asset allocation targets to then-defined benchmarks. As asset allocation targets were changed through time, the changes were reflected immediately in the EPPs. Because benchmark changes were reflected immediately in historical EPPs but actual portfolios changed more gradually as investments were made at a measured pace, particularly in the relatively illiquid alternative asset categories, there was often a mismatch between the composition of the benchmark portfolio and actual portfolios, and hence differences in actual versus policy index returns. In periods where the benchmark returns of the illiquid asset categories are increasing rapidly relative to other categories in the policy portfolio, the comparison between actual returns and policy portfolio returns will be unrealistically biased in favor of the policy benchmark portfolio return. Of course, the opposite bias would occur in the opposite market conditions. The combination of these two factors incorrectly biased return comparisons for both the LTF/GEF and the PUF relative to the Policy Portfolio.

- Establishing the same target weights in a single EPP for the PUF and LTF/GEF without consideration that the PUF was not managed as a total return fund prior to November 1999 although the LTF/GEF was managed as a total return fund.

Before the passage of the constitutional amendment in November 1999, achievement of the PUF's investments objectives was substantially hindered by the inability to make distributions to the Available University Fund on a total return basis. The objective of preserving the purchasing power of the distribution stream subordinated the PUF's allocation among various asset classes to the production of current income to meet distribution needs. In the environment of low or declining interest rates which has existed in the past several years, a higher than optimal percentage of PUF investment assets were allocated to higher-yielding, fixed income securities in order to maintain

distributions on a level-dollar basis. Throughout the 1980s and through 1992, in order to maintain above average payout rates, the majority of the LTF/GEF was invested in fixed income securities. After 1992, a more aggressive asset rebalancing program was put into place. Under the amended provisions of the Texas Uniform Management of Institutional Funds Act, which were amended in 1993, the Board of Regents was permitted to adopt a total return investment strategy. The Board of Regents adopted a total return spending policy in February of 1995 and recommended a long-term equity allocation goal to be achieved in five years. Accordingly, the LTF/GEF portfolio often differed in composition as compared to the PUF over the period 1993 through 1999. Therefore, it is inappropriate to compare past results of the PUF and LTF/GEF to the same policy benchmark. Because the 1999 Constitutional amendment converted PUF distributions to a total return basis, recent results are identical for the PUF and LTF/GEF benchmarks.

- Appropriateness of the benchmarks used for Private Capital in the EPP.

In the State Auditor's report, the benchmark utilized for Private Capital was an absolute return of 17%. The 17% was established by applying a 400-500 basis point premium to an estimated public markets return of 12%-13%. This static benchmark proved to be problematic given the reality of dynamic public market returns. To improve the benchmark, the Wilshire 5000 plus 4% was implemented in August 2002 to replace the static 17%. Although an improvement over the 17%, the Wilshire 5000 plus 4% is still problematic over shorter periods as a result of the inherent valuation lag between the private markets and the public markets.

The third item, the appropriateness of the benchmark for Private Capital, has been problematic since the inception of the asset class, not just for UTIMCO but for all other investment funds benchmarking a similar private capital portfolio. It has been recognized by the UTIMCO Board for some time that the previous benchmarks used were not appropriate for comparison, especially over periods of less than 10 years. In fact, the private equity industry uses an entirely different method of calculating returns than the traditional public markets industry. The challenge for funds incorporating both private equity and public market assets has been, and continues to be, to integrate the two different return calculation methodologies to produce a composite return for the funds. In situations where returns are evaluated only over very long time periods such as 10 years, a public markets based proxy such as Wilshire 5000 plus 4% might be appropriate. However, for short time period comparisons such as 1 to 5 years, the use of a more direct measure of the actual conditions in the private equity market is essential to avoid inappropriate conclusions. An important function of a policy benchmark is to provide a reliable yardstick for observers to judge how well UTIMCO management is performing relative to reasonable objectives. These comparisons are often made over periods as short as one year or less. Therefore, the proxy benchmarks, such as Wilshire 5000 plus 4%, and the flat rate benchmark, such as 17%, are inappropriate for the shorter term evaluations and may result in incorrect

conclusions by these observers. As the table below indicates, both the flat 17% and the Wilshire 5000 + 4% benchmarks have low correlations to the actual historical private capital returns in the endowment portfolios.

Correlation Coefficients	UTIMCO and Venture Economics	UTIMCO and Wilshire +4%	UTIMCO and 17%
1 Year	0.9229	0.5162	0.0000
3 Years	0.8931	0.8882	0.0291
5 Years	0.9520	0.9710	0.0000

Correlation coefficients measure the statistical tendency of two variables to move in tandem over certain time periods. Two variables moving in perfect synchronization (but not necessarily at the same level) would have a correlation coefficient of 1.0; two variables with no relationship would have a correlation coefficient of 0.0. The table shows correlation coefficients for the actual UTIMCO private capital returns and returns for three benchmarks for all 1, 3, and 5 year time periods over the past 10 years. Returns for a well defined benchmark will have a relatively high correlation with the actual portfolio returns being evaluated by the benchmark. Note that the flat 17% is a poor benchmark over all time periods. The Wilshire 5000 + 4% benchmark has a high correlation for longer periods such as 5 years, but is a poor choice for shorter time periods. Only the Venture Economics Index meets the criteria of having high correlations across all time periods.

The Venture Economics Index has an important additional advantage relative to the Wilshire 5000 + 4% proxy benchmark. Since all private capital portfolios have well known valuation issues in calculating interim performance results, comparing actual private capital returns in the endowment portfolios to the Wilshire-based proxy index, which as a public markets index has no such valuation issues, could magnify the effects of the valuation issues. On the other hand, comparing the endowment funds' private capital results to the Venture Economics Index, which has the same valuation issues since it is based on all private capital investments in the marketplace, would effectively offset the valuation problems, and thus provide a more reliable measure of the relative performance of the private capital portion of the endowment portfolios.

UTIMCO recognizes that it is unusual to restate EPP or benchmark returns. However, this restatement addresses errors in the construction of the EPP and inappropriate benchmark selections. Because UTIMCO regularly provides returns for periods including one month, one quarter, one year, three years, five years and ten years, it is important not only to adopt appropriate benchmarks for future returns, but to restate prior benchmark returns as well so that observers have a correct basis for comparison not only prospectively, but for the past as well. The problems with phase-ins of asset allocation changes will be treated carefully in the future, but adjustments to past benchmark returns are necessary for data integrity. Because both the PUF and GEF are now total return Funds, there will be no need to maintain different EPPs in the future, however, because historical returns are shown for periods before 1999, it will be necessary to show two distinct historical EPP return series until at least 2009. The

private capital benchmark issue is so severe, and would result in materially misleading comparisons over shorter term time periods, that, in UTIMCO's opinion, the change to the Venture Economic Index is essential for both future and past comparisons.

It is important to note that accounting rules recognize and require restatement in accounting situations similar to this. Accounting Principles Board (APB) pronouncements #9 and #20 address changes and corrections to previously reported information. Generally, these pronouncements state that if the impact of the restatement would be material, which is the case with the performance difference in this scenario, restatement is required.

The rules from the Association for Investment Management Research (AIMR) regarding benchmark constructions and restatement are less clear. UTIMCO requested an opinion from AIMR regarding the appropriateness of restating benchmarks and received the following reply:

"Please see Standard 5.A.7., which provides, in part, that if the firm changes the benchmark that is used for a given composite in the performance presentation, the firm must disclose both the date and the reasons for the change.

A benchmark can serve as a tool that measures the firm's effectiveness in implementing a style or strategy, or it can serve as the defining style to which the portfolios in the composite are managed. If a change in the benchmark represents a change in the composite's investment style or strategy, the firm must create a new composite.

If the investment management style has not changed but the firm believes a new benchmark is a more appropriate comparative measure for the composite, the firm must explain in the composite presentation its reasons for changing the benchmark. In most cases, the firm should change the benchmark going forward and not change historical presentations of the original benchmark. However, because benchmarks are continually evolving, if the firm deems the new benchmark to be a better representation of an investment strategy, the firm may consider changing the benchmark retroactively. Firms must disclose any changes to the benchmark over time. The firm must disclose the date the benchmark is changed and the reason it has been retroactively applied. In addition, firms are encouraged to continue to present the old benchmark. Changes to the benchmark primarily intended to make historical performance look better by lowering the benchmark return, violate the spirit of the Standards."

For the reasons identified earlier, UTIMCO believes that the benchmark changes indicated would provide a much more accurate and reliable representation of the endowment funds investment strategy both prospectively and retrospectively, are not being done primarily to make investment results look better, meet both Accounting Principles Board and AIMR standards for being retroactively applied, and are therefore appropriate and in the best interests of the endowment funds.

The specific actions taken to restate EPP returns were:

- To correct the issues of using 1997 asset allocation targets for all prior Policy Portfolio calculations, not incorporating appropriate phase in periods, and establishing the same target weights for the PUF and GEF/LTF, UTIMCO staff consulted Board of Regents and UTIMCO Board minutes and materials to determine the policy provisions in place through the period under review. Quarterly reports from 1992 through the current period were accumulated to determine actual asset allocations for the PUF and LTF/GEF for the same quarterly periods as the policy allocations. The PUF and LTF/GEF were treated differently in regards to a phase in. Based on the fact that PUF was restrained due to the distribution of income requirement, the benchmark weights were phased in more closely with actual percentage weights of the PUF. In the asset classes, such as the Private Capital area, where it was not possible to build a portfolio immediately, LTF/GEF asset allocations were phased in straight-line over time periods that were deemed reasonable in consideration of the time it would take to adjust the actual Fund allocation to reflect those changes. The benchmark indices used in the calculations were those approved in the Policy statements except for Private Capital. By the year 2000, the benchmarks have been completely phased in.
- To correct the problem with the Private Capital benchmark, the prior period benchmark indices were replaced with the Venture Economics Periodic IRR index. This replacement occurred in both the PUF and LTF/GEF policy portfolios beginning with 1993.

The results of these restatements are indicated in the table below for several periods ending February 29, 2004:

	Periods Ended February 29, 2004 (Returns for Periods Longer Than One Year are Annualized)						
	One Month	Three Months	Six Months	One Year	Three Years	Five Years	Ten Years
Permanent University Fund	2.49	8.34	15.49	31.74	5.29	6.05	9.74
Permanent University Fund Policy Portfolio	1.36	5.50	10.64	21.34	1.63	5.12	10.48
General Endowment Fund	2.33	8.22	15.61	32.56	5.89	N/A	N/A
Permanent Health Fund	2.31	8.15	15.45	32.31	5.74	N/A	N/A
Long Term Fund	2.31	8.14	15.45	32.38	5.81	7.56	10.44
General Endowment Fund Policy Portfolio	1.36	5.50	10.64	21.34	1.69	5.34	10.44
Policy Portfolio Before Restatement	1.36	6.12	11.89	27.38	4.21	5.37	10.41

The general form of performance reporting, including a footnote indicating that benchmarks were restated and offering restatement details and prior Policy Portfolio returns, is presented on the following page.

	Periods Ended February 29, 2004 (Returns for Periods Longer Than One Year are Annualized)						
	One Month	Three Months	Six Months	One Year	Three Years	Five Years	Ten Years
Permanent University Fund	2.49	8.34	15.49	31.74	5.29	6.05	9.74
Permanent University Fund Policy Portfolio *	1.36	5.50	10.64	21.34	1.63	5.12	10.48
General Endowment Fund	2.33	8.22	15.61	32.56	5.89	N/A	N/A
Permanent Health Fund	2.31	8.15	15.45	32.31	5.74	N/A	N/A
Long Term Fund	2.31	8.14	15.45	32.38	5.81	7.56	10.44
General Endowment Fund Policy Portfolio *	1.36	5.50	10.64	21.34	1.69	5.34	10.44

* Policy Portfolio returns for the PUF and GEF were restated in 2004 to correct errors in benchmark construction and calculation. Results were restated for all periods beginning June, 1993. The complete details of the restatement as well as prior Policy Portfolio returns are available upon request.

If additional information is requested, a document in the form of Attachment A will be provided.

UTIMCO requested Bruce Myers of Cambridge Associates, Inc. to review the methodology and supporting calculations and documentation and opine on restatement of EPPs. Mr. Myers explained that although it may not be general industry practice to restate benchmarks, he concurred with this retroactive restatement and the methodology used since it corrected errors in the construction of the historical EPP returns and would result in a more fair and accurate representation of historical relative performance for the endowment funds.

Attachment A

Procedures Used to Restate Prior Policy Portfolio Returns

Policy Portfolio returns for all periods beginning June 1993 were restated in 2004 to correct three technical errors in previously reported Policy Portfolio returns:

1. UTIMCO began publishing Policy Portfolio returns in 1997. At that time, Policy Portfolio returns for periods prior to 1997 were calculated using the policy asset allocation targets in place in 1997 rather than the actual approved allocations in prior years. In addition, when changes were made in asset allocation targets subsequent to 1997, those changes were implemented immediately in calculating Policy Portfolio returns, despite that fact that the changes might take years to actually implement especially in less liquid asset categories. As a result, prior Policy Portfolio returns did not accurately reflect either the true Asset Allocation Policies in place at each point in time in history or the practical implementation of those Policies. In order to correct these errors, UTIMCO analyzed Board of Regents minutes, UTIMCO Board minutes, and actual quarterly asset statements for the PUF and GEF/LTF for the period 1992 through 2003. Changes in Policy Allocations for liquid asset categories such as public equities and bonds were implemented almost immediately in the LTF/GEF's Policy Portfolio. However, changes in allocations to the LTF/GEF's private equity and hedge funds were phased in on a straight-line basis over time periods that were deemed reasonable to reflect the actual time it would take to implement those changes in the actual endowment portfolios. The PUF was phased-in more closely aligned with actual asset allocation due to the restraints placed on it from the distribution requirements. A senior consultant at Cambridge Associates reviewed the phase in procedures and found them to be reasonable.
2. Since the time it began reporting Policy Portfolio returns in 1997, UTIMCO has reported a single Policy Portfolio return for each time period for comparison to both the PUF and GEF/LTF. However, prior to Texas State Proposition 17 in 1999, the PUF asset allocation was constrained by the necessity to maintain a relatively level annual distribution which could be paid only out of current income. Proposition 17 converted the PUF to a so-called "total return" basis in which distributions could be paid out of either income or principal. The GEF/LTF had paid distributions on a "total return" basis since 1987. In a period of generally declining interest rates over the late 1990's, the PUF was forced into asset allocation positions that differed substantially from stated Investment Policy Targets which were apparently set without consideration of the income requirements (there was no differentiation in Asset Allocation Policy for the PUF and the GEF/LTF) in order to meet income requirements to pay distributions. To correct this error in Policy Portfolio construction, the phase-in process described above was done differently for the PUF Policy Portfolio than for the GEF/LTF Policy Portfolio, resulting in different returns for the two benchmarks. Phase-ins for the PUF were defined to more closely mirror the actual holdings in the PUF since the need to generate current income sometimes precluded a smooth linear phase-in as used in the case of the GEF/LTF. A senior consultant from Cambridge Associates reviewed the assumptions for both the PUF and GEF/LTF and found them to be appropriate.
3. Like many investors in the private capital asset category, UTIMCO has had difficulty determining an appropriate benchmark for the asset category. Over the 1993 through 2004 time period, UTIMCO has used at various times a flat 17% benchmark, a Wilshire 5000 +4% benchmark, and has recently adopted the Venture Economics Periodic IRR Index to evaluate actual private capital performance. Both the flat 17% benchmark and the Wilshire 5000 + 4% proxy benchmark have serious flaws. An essential trait of any appropriate benchmark is that returns for the benchmark should have a high degree of correlation with the actual returns of the portfolio to which the benchmark is being used as a comparison. As the table on the following page indicates, the flat 17% and Wilshire 5000 + 4% benchmarks fail this essential test, especially over shorter time frames. These correlation measures were calculated from actual data over the 1993 to 2003 time period.

Correlation Coefficients	UTIMCO and Venture Economics	UTIMCO and Wilshire +4%	UTIMCO and 17%
1 Year	0.9229	0.5162	0.0000
3 Years	0.8931	0.8882	0.0291
5 Years	0.9520	0.9710	0.0000

While the Wilshire proxy benchmark might be appropriate for longer term time periods such as 5 to 10 years, it is clearly not appropriate over shorter time periods such as one year. The flat 17% benchmark is not appropriate over any time period. On the other hand, the Venture Economics Index passes this important test over all time periods. Since we know that this Index has been a good benchmark over the ten year period that historical results are provided by the statistics above, the Venture Economics Index has been applied retroactively as the private capital asset category benchmark.

The composite result of the restatements of historical Policy Portfolio returns are indicated in the table below. The table also presents Policy Portfolio returns under the prior methods of calculation.

	Periods Ended February 29, 2004 (Returns for Periods Longer Than One Year are Annualized)						
	One Month	Three Months	Six Months	One Year	Three Years	Five Years	Ten Years
Permanent University Fund	2.49	8.34	15.49	31.74	5.29	6.05	9.74
Permanent University Fund Policy Portfolio	1.36	5.50	10.64	21.34	1.63	5.12	10.48
General Endowment Fund	2.33	8.22	15.61	32.56	5.89	N/A	N/A
Permanent Health Fund	2.31	8.15	15.45	32.31	5.74	N/A	N/A
Long Term Fund	2.31	8.14	15.45	32.38	5.81	7.56	10.44
General Endowment Fund Policy Portfolio	1.36	5.50	10.64	21.34	1.69	5.34	10.44
Policy Portfolio Before Restatement	1.36	6.12	11.89	27.38	4.21	5.37	10.41

**THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
DOCKET NO. 117**

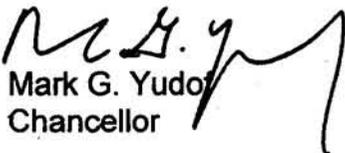
April 15, 2004

TO MEMBERS OF THE FINANCE AND PLANNING COMMITTEE:

Woody L. Hunt, Chairman
John W. Barnhill, Jr.
H. Scott Caven, Jr.
James Richard Huffines
Cyndi Taylor Krier

The Docket for The University of Texas System Administration and the Dockets recommended by the Presidents concerned and prepared by the component institutions listed below are submitted for approval as appropriate at the meeting of the U. T. Board of Regents on May 13, 2004. The Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel, and I concur in these recommendations.

<u>Institutions</u>	<u>Pages</u>
The University of Texas System Administration	Docket 1- 5
The University of Texas at Arlington	Docket 6- 9
The University of Texas at Austin	Docket 10-16
The University of Texas at Brownsville	Docket 17-19
The University of Texas at Dallas	Docket 20-21
The University of Texas at El Paso	Docket 22-23
The University of Texas - Pan American	Docket 24
The University of Texas of the Permian Basin	Docket 25
The University of Texas at San Antonio	Docket 26-31
The University of Texas at Tyler	Docket 32
The University of Texas Southwestern Medical Center at Dallas	Docket 33-35
The University of Texas Medical Branch at Galveston	Docket 36-41
The University of Texas Health Science Center at Houston	Docket 42-43
The University of Texas Health Science Center at San Antonio	Docket 44
The University of Texas M. D. Anderson Cancer Center	Docket 45-50


Mark G. Yudof
Chancellor

xc: Other Members of
the Board

Prepared by:
U. T. System Administration

Docket - i

May 13, 2004

TABLE OF CONTENTS

U. T. System Administration	1
Contracts	1
General Contracts	1
Amendment To The 2003-04 Budget	2
Transfers Of Funds	2
Other Matters	3
Approval Of Dual Positions Of Honor, Trust, Or Profit	3
Approval Of Newly Commissioned U. T. System Peace Officers	4
Real Estate Report	5
U. T. Arlington.....	6
Gifts	6
Amendments To The 2003-04 Budget.....	7
Appointments And Promotions.....	7
Other Fiscal Items.....	8
Employment Agreements.....	8
Purchase Orders Over \$1,000,000	9
U. T. Austin.....	10
Gifts	10
Contracts	11
General Contracts	11
Amendments To The 2003-04 Budget.....	12
Appointments And Promotions.....	12
Transfers Of Funds	12
Other Matters	16
Approval Of Dual Positions Of Honor, Trust, Or Profit.....	16
U. T. Brownsville.....	17
Amendments To The 2003-04 Budget.....	17
Appointments And Promotions.....	17
U. T. Dallas.....	20
Contracts	20
General Contracts	20
Amendments To The 2003-04 Budget.....	21
Appointments And Promotions.....	21
U. T. El Paso	22

Amendments To The 2003-2004 Budget.....	22
Appointments And Promotions.....	22
Transfers Of Funds.....	23
U. T. Pan American.....	24
Other Fiscal Items.....	24
Employment Agreements.....	24
U. T. Permian Basin.....	25
Amendments To The 2003-04 Budget.....	25
Transfers Of Funds.....	25
U. T. San Antonio.....	26
Gifts.....	26
Parking And Traffic Regulations.....	27
Fees And Miscellaneous Charges.....	28
Student Services Fees.....	28
Compulsory Student Services Fees.....	28
Athletics Fee.....	29
Recreation Center Fee.....	30
Other Matters.....	31
Approval Of Dual Positions Of Honor, Trust, Or Profit.....	31
U. T. Tyler.....	32
Fees And Miscellaneous Charges.....	32
Housing Rates.....	32
U. T. Southwestern Medical Center - Dallas.....	33
Gifts.....	33
Amendments To The 2003-04 Budget.....	35
Appointments And Promotions.....	35
U. T. Medical Branch - Galveston.....	36
Gifts.....	36
Contracts.....	37
General Contracts.....	37
Amendments To The 2003-04 Budget.....	38
Appointments And Promotions.....	38
Other Matters.....	41
Approval Of Dual Positions Of Honor, Trust, Or Profit.....	41

U. T. Health Science Center - Houston	42
Gifts	42
Amendments To The 2003-04 Budget.....	44
Appointments And Promotions.....	44
 U. T. Health Science Center - San Antonio	 45
Gifts	45
 U. T. M. D. Anderson Cancer Center	 46
Gifts	46
Contracts	48
General Contracts	48
Amendments To The 2003-04 Budget.....	49
Appointments And Promotions.....	49

U. T. SYSTEM ADMINISTRATION

CONTRACTS

The following contract or agreement has been administratively approved by the Chancellor or his delegate and the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. Board of Regents.

GENERAL CONTRACTS

FUNDS GOING OUT

1. Agency: Wireless Generation, Inc.
Funds: \$1,350,000
Period: May 13, 2004 through September 30, 2004
Description: In conjunction with the Texas Reading First Initiative, Wireless Generation, Inc., will provide a technology-based observational assessment infrastructure, develop updates to existing Texas Primary Reading Inventory software, and update customized user documentation including training and materials. Wireless Generation, Inc., will also develop and implement a Tejas Lectura En Espanol software application and pilot program. Funds will be reimbursed to The University of Texas System through the Texas Education Agency from grant funds awarded to The University of Texas System for the Texas Reading First Initiative.

AMENDMENT TO THE 2003-04 BUDGET

TRANSFERS OF FUNDS

The following Request for Budget Change (RBC) has been administratively approved by the appropriate Executive Vice Chancellor and the Chancellor and is recommended for approval by the U. T. Board of Regents.

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
ROLLING OWNER CONTROLLED INSURANCE PROGRAM (ROCIP)		
1. Amount of Transfer:	3,000,000	6
From: Income Account - ROCIP III		
To: Expense Account - ROCIP IV		

Transfer funds from ROCIP III to fund expenses associated with ROCIP IV until such time as premiums are collected to repay ROCIP III.

OTHER MATTERS

APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following items have been approved by the Chancellor in accordance with the Regents' Rules and Regulations, Part One, Chapter III, Section 13 and are submitted for approval by the U. T. Board of Regents. It has been determined that the holding of these offices or positions is of benefit to the State of Texas and The University of Texas and there is no conflict between holding the positions and the appointment of Dr. Shine with The University of Texas System Administration. By approval of these items, the Board is also asked to find that holding these positions are of benefit to the State of Texas and The University of Texas and there is no conflict between the positions and Dr. Shine's appointment.

1. Name: Kenneth I. Shine, M.D.
 Title: Executive Vice Chancellor for Health Affairs
 Position: Special Government Employee Member
 Period: February 5, 2004 through February 5, 2005
 Compensation: None
 Description: Mr. Charles E. McQueary, Under Secretary for Science and Technology, Department of Homeland Security, appointed Dr. Shine to serve as an inaugural member of the Homeland Security Science and Technology Advisory Committee. The mission of this newly-formed committee is to be a source of independent, scientific, and technical planning advice for the Department.

2. Name: Kenneth I. Shine, M.D.
 Title: Executive Vice Chancellor for Health Affairs
 Position: Chair
 Period: February 2, 2004 through January 31, 2006
 Compensation: None
 Description: Mr. Peter J. Pitts, Associate Commissioner for External Relations, Department of Health and Human Services, appointed Dr. Shine to serve as Chair of the Science Board of the Food and Drug Administration. The Board advises the Commissioner of the Food and Drug Administration in discharging his/her responsibilities as they relate to addressing specific and technically complex scientific issues of regulatory importance.

OTHER MATTERS (CONTINUED)

APPROVAL OF NEWLY COMMISSIONED U. T. SYSTEM PEACE OFFICERS

In accordance with Chapter 51.203 of the Texas Education Code, the U. T. Board of Regents is requested to approve the commissioning of the individuals listed below as peace officers effective December 12, 2003. The following officers have completed a course of training that included mandated Texas Commission on Law Enforcement Officer Standards and Education courses at The University of Texas System Police Training Academy and have successfully passed the State of Texas Peace Officer Licensing Examination.

<u>Name</u>	<u>Component Institution</u>
Michael J. Armendariz	U. T. Health Science Center - Houston
Charles Christopher Bonnet	U. T. Austin
Wesley J. Braunsdorf	U. T. Medical Branch - Galveston
Joel Alberto Campos	U. T. Brownsville
Jacob M. Corbitt	U. T. Medical Branch - Galveston
Jacob Karl Criswell	U. T. San Antonio
Timothy L. Crowell	U. T. Austin
Jorge A. Cruz	U. T. Pan American
Ricardo Delgadillo	U. T. Brownsville
Kevin B. Gray	U. T. Health Science Center - Houston
Joseph I. P. Hansen	U. T. Permian Basin
Bobby M. Hudson	U. T. Tyler
Covell W. Johnson	U. T. Health Science Center - Houston
Felix J. Jones	U. T. Health Science Center - Houston
Noel J. Layer	U. T. Medical Branch - Galveston
Guillermo R. Lyne, III	U. T. Brownsville
Diego N. Mata	U. T. Pan American
Megan J. L. Meixsell	U. T. Austin
Jimmy Lee Moore, Jr.	U. T. Austin
Michael Mulla	U. T. Health Science Center - Houston
Maria Del Carmen Perez	U. T. Brownsville
Wesley Ray Schlather	U. T. Austin
Russell Brooks Whitehair	U. T. San Antonio

REAL ESTATE REPORT

THE UNIVERSITY OF TEXAS SYSTEM REAL ESTATE ASSETS

Managed by U. T. System Real Estate Office

Summary Report at February 29, 2004

FUND TYPE

	Current Purpose Restricted		Endowment & Similar Funds		Annuity & Life Income Funds		TOTAL	
	Book	Market	Book	Market	Book	Market	Book	Market
Land & Buildings:								
Ending Value 11/30/03	\$ 6,191,822	\$ 24,388,537	\$ 25,166,108	\$ 120,417,643	\$ 1,249,644	858,515	\$ 32,607,575	\$ 145,664,695
Increase or Decrease	(836,810)	(1,200,000)	(103,187)	82,575,431	-	-	(939,997)	81,375,431
Ending Value 2/29/04	\$ 5,355,012	23,188,537	\$ 25,062,921	\$ 202,993,074	\$ 1,249,644	\$ 858,515	\$ 31,667,578	\$ 227,040,126
Other Real Estate:								
Ending Value 11/30/03	\$ 140,945	\$ 140,945	\$ 306,290	\$ 306,290	\$ -	\$ -	\$ 447,235	\$ 447,235
Increase or Decrease	(7,847)	(7,847)	50,596	50,596	-	-	42,749	42,749
Ending Value 2/29/03	\$ 133,098	\$ 133,098	\$ 356,886	\$ 356,886	\$ -	\$ -	\$ 489,984	\$ 489,984

Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.

Details of individual assets by account furnished on request.

Prepared by:
U. T. System Administration

Docket - 5

May 13, 2004

U. T. ARLINGTON

GIFTS

The following gift has been received, has been administratively approved by the President or his delegate, and is recommended for approval by the U. T. Board of Regents.

1. Donor Name: Seismic Micro-Technology, Inc.
College/School/ Department: College of Science, Geology Department
Purpose: Research
Asset Type: Gift-in-kind (software)
Value: \$704,000

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

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. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
COLLEGE OF ENGINEERING					
Mechanical and Aerospace					
1. Roger D. Goolsby (T)					37
From: Professor		100	09	77,200	
To: Professor and	9/1-5/31	100	09	77,200	
Director, Material Science and Engineering	12/1-5/31	SUPLT	06	5,000	

OTHER FISCAL ITEMS

EMPLOYMENT AGREEMENTS

The following agreement has been awarded, has been approved by the Chancellor, and is recommended for approval by the U. T. Board of Regents. Such employment under these agreements is subject the Rules and Regulations of the Board of Regents of The University of Texas System and the policies of The University of Texas at Arlington.

1. Item: President
Funds: \$239,000 annually
Period: Beginning February 1, 2004
Description: Agreement for employment of James D. Spaniolo as President of The University of Texas at Arlington. The President reports to the Chancellor and the Executive Vice Chancellor for Academic Affairs and shall hold office without fixed term subject to the pleasure of the Chancellor. President Spaniolo will receive \$35,400 as a salary supplement in lieu of a housing allowance pursuant to approved policy. All reasonable moving expenses from East Lansing, Michigan to Arlington, Texas will be reimbursed. Medical insurance premiums will be paid for the first 90 days of employment. President Spaniolo is also appointed as a Professor, with tenure, in the Department of Communication, College of Liberal Arts, with an initial academic rate of \$90,000 per year. During his presidency, President Spaniolo will not be paid a salary as Professor.

OTHER FISCAL ITEMS (CONTINUED)

PURCHASE ORDERS OVER \$1,000,000

The following purchase of new equipment has been administratively approved by the Executive Vice Chancellor for Academic Affairs or her designee and is recommended for approval by the U. T. Board of Regents.

1. Company: Leo Electron Microscopy Inc.
Item: Crossbeam with Electron Beam Writer and Scanning Electron Microscope
Amount: \$1,500,000
Department: Nanofab Center
Description: This new equipment enables Nanofab Center researchers to expand their research capabilities.

U. T. AUSTIN

GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. Board of Regents.

1. Donor Name: Michael & Susan Dell Foundation
College/School/ Department: College of Natural Sciences
Purpose: Dell Center for New Teacher Success
Asset Type: Cash
Value: \$280,000 (represents first payment of \$503,000 commitment)

2. Donor Name: Houston Endowment Inc.
College/School/ Department: Vice President for Resource Development
Purpose: UTOPIA (formerly called Digital Knowledge Gateway)
Asset Type: Cash
Value: \$700,000

CONTRACTS

The following contracts or agreements have been awarded, have been administratively approved by the President or his delegate and the Executive Vice Chancellor for Academic Affairs, and are recommended for approval by the U. T. Board of Regents.

GENERAL CONTRACTS

FUNDS GOING OUT

1. Agency: Capital Metropolitan Transportation Authority
Funds: \$5,521,805
Period: September 1, 2004 through August 31, 2005
Description: Amend the current agreement, whereby Capital Metropolitan Transportation Authority provides shuttle bus service for U. T. Austin for an additional year.

2. Agency: URS Corporation, Austin, Texas
Funds: \$1,588,050
Period: March 12, 2004 through February 11, 2005
Description: Agreement between College of Engineering and URS Corporation to provide for the installation of seven air monitoring stations and two surveillance cameras along the Corpus Christi ship channel. U. T. Austin is performing a research project titled "Corpus Christi Air Monitoring and Surveillance Camera Installation and Operation Project" under the direction of Dr. David T. Allen, funded through the Federal Court of the Southern District of Texas for \$6.7 million. Funds for project provided as a result of a court-ordered condition of probation for Koch Petroleum under *United States v. Koch Petroleum Group, L.P.*

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
RED McCOMBS SCHOOL OF BUSINESS					
Finance					
Associate Professor					
1. John M. Griffin (T)	1/16-5/31	100	09	170,000	70

TRANSFERS OF FUNDS

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
EDUCATIONAL AND GENERAL FUNDS		
Advanced Technology Program		
2. Amount of Transfer:	4,352,519	93

From: Advanced Technology Program

To: Legislative Appropriation –
Advanced Research and Advanced Technology Program

To record the appropriation transfer from the Texas Higher Education Coordinating Board for 2003-04 Grants, Advanced Research Program, and the Advanced Technology Program.

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

TRANSFERS OF FUNDS (CONTINUED)

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
DESIGNATED FUNDS		
Liberal Arts		
3. Amount of Transfer:	974,595	73
From: Flat Rate Tuition Fee Distribution - Operating Income		
To: Flat Rate Tuition Fee Distribution - Allocation for Budget Adjustment		
Transfer balance forward income to make funds available for expenditures. Transfer of final 2002-03 flat rate adjustment.		
Vice President for Research		
4. Amount of Transfer:	756,000	72
From: Washington Advisory Group - Operating Income		
To: Washington Advisory Group - Visiting Lecturers and Consultants		
Transfer from income account to expense account to provide funding for payments to Washington Advisory Group consultants. Income account funded by inter-branch transfer from U. T. System Investment Income account.		
PLANT FUNDS		
Physical Plant Repair Projects		
5. Amount of Transfer:	10,000,000	77
From: Designated Funds - Designated Tuition - Academic Sustainability Tuition - Resident		
To: Physical Plant - Repair Projects Funded From Designated Tuition		
Fiscal Year 2003-04 Maintenance funding from Academic Sustainability Tuition (AST) - Resident Tuition.		

Prepared by:
U. T. Austin

Docket - 13

May 13, 2004

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

TRANSFERS OF FUNDS (CONTINUED)

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
PLANT FUNDS (Continued)		
Renewals and Replacements		
6. Amount of Transfer:	3,500,000	76
From: Building Renewals and Replacements Fund- Indirect Cost Recovery		
To: Physical Plant Academic Space Improvements		
Transfer of funds for Fiscal Year 2003-04 Academic Space Improvements from Indirect Cost Recovery.		
Physical Plant – ADA CIP Phase 3		
7. Amount of Transfer:	650,000	74
From: Designated Funds - Designated Tuition – Academic Sustainability Tuition Nonresident		
To: ADA CIP Phase 3 – Designated Tuition		
Fiscal Year 2003-04 allocation to the Americans with Disabilities Act (ADA) Capital Improvements Projects (CIP) Phase 3 from Academic Sustainability Tuition – Nonresident tuition.		
Academic Space Improvements		
8. Amount of Transfer:	900,000	97
From: Designated Funds - Designated Tuition		
To: Physical Plant – Academic Space Improvements		
To provide one-time funding, as approved by Provost Sheldon Eklund- Olson, for the High Bay Laser Research Laboratory.		

Prepared by:
U. T. Austin

Docket - 14

May 13, 2004

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

TRANSFERS OF FUNDS (CONTINUED)

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
LIBRARY, EQUIPMENT, REPAIR, AND REHABILITATION		
School of Social Work Fire and Safety Project		
9. Amount of Transfer:	1,025,000	100
From: LERR Allocation – Battle Hall Fire and Life Safety Project		
To: LERR Allocation – School of Social Work Fire and Life Safety Project		

Transfer LERR allocation from the Battle Hall Fire and Safety Life Project to the School of Social Work Fire and Life Safety Project. A revised assessment of campus-wide fire and life safety issues has determined deficiencies associated with the School of Social Work building, particularly the Child Care Facility housed in this building, are a more pressing campus priority. This project will correct fire and safety deficiencies and will include, but are not limited to the following: installation of a fire sprinkler system, improved fire separation between the child care and academic areas, emergency ventilation in the stage contained in the public assembly area, and an upgrade of the smoke detection system and emergency lighting.

OTHER MATTERS

APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following item has been approved by the Executive Vice Chancellor for Academic Affairs in accordance with the Regents' Rules and Regulations, Part One, Chapter III, Section 13 and is submitted for approval by the U. T. Board of Regents. It has been determined that the holding of this office or position is of benefit to the State of Texas and The University of Texas and there is no conflict between holding the position and the appointment of Dr. Butler with The University of Texas at Austin. By approval of this item, the Board is also asked to find that holding this position is of benefit to the State of Texas and The University of Texas and there is no conflict between the position and the University appointment.

- | | |
|---------------|---|
| Name: | Dr. John Sibley Butler |
| Title: | Professor, McCombs School of Business |
| Position: | J. William Fulbright Foreign Scholarship Board |
| Period: | December 11, 2003 through September 22, 2006 |
| Compensation: | \$128.00 per eight-hour day for hours in attendance at the quarterly Board meetings and other official meetings or conferences. |
| Description: | President George W. Bush appointed Dr. Butler to serve as a member of the J. William Fulbright Foreign Scholarship Board. This Board supervises the Fulbright Program and certain programs authorized by the Fulbright-Hayes Act and selects students, scholars, teachers, trainees, and other persons to participate in the educational exchange programs. |

U. T. BROWNSVILLE

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF EDUCATION					
School of Specialties					
1. Gayle L. Brogdon (T)					19
From: Assistant Dean	9/1-8/31	100	12	80,851	
To: Assistant Dean and Department Chair ad interim	9/1-8/31 1/5-8/31	100 SUPLT	12 12	80,851 8,000	
2. Sylvia C. Peña (T)					24
From: Dean and Houston Endowment Chair		100 SUPLT	12 12	102,577 25,000	
To: Professor and Houston Endowment Chair	9/1-5/31 9/1-8/31	100 SUPLT	09 12	75,353 25,000	
3. Carl A. Stockton (T)					27
To: Dean	1/2-8/31	100	12	105,000	

Prepared by:
U. T. Brownsville

Docket - 17

May 13, 2004

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF EDUCATION (Continued)					
School of Specialties (Continued)					
3. Olivia Rivas (T)					25
From: Professor and Dean ad interim		100 SUPLT	12 12	75,353 8,438	
To: Professor	1/2-8/31	100	12	75,353	
SCHOOL OF BUSINESS					
Business Technology					
4. Beatriz Castillo (T)					20
From: Associate Master Technical Instructor		100	09	54,537	
To: Associate Master Technical Instructor and Department Chair ad interim	9/1-5/31 1/2-8/31	100 SUPLT	09 08	54,537 4,000	
5. Mary Sullivan (T)					26
From: Associate Professor and Department Chair		100 SUPLT	09 12	63,942 8,000	
To: Associate Professor	9/1-5/31	100	09	63,942	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
COLLEGE OF LIBERAL ARTS					
English and Speech					21
6. Charles Dameron (T)					
From: Professor and Department Chair		100 SUPLT	09 12	55,577 12,000	
To: Interim Dean	1/2-8/31	100	12	92,290	
8. William H. Harris (T)					22
From: Associate Master Technical Instructor		100	09	49,497	
To: Associate Master Technical Instructor and Department Chair	9/1-5/31 1/2-8/31	100 SUPLT	09 08	49,497 6,000	
Office of the Dean					
9. Farhat Iftekharuddin (T)					23
From: Dean		100	12	92,290	
To: Professor and Special Assistant to Provost	9/1-5/31 1/2-8/31	100 SUPLT	09 08	68,110 24,180	

U. T. DALLAS

CONTRACTS

The following contracts or agreements have been awarded, have been administratively approved by the President or his delegate and the Executive Vice Chancellor for Academic Affairs, and are recommended for approval by the U. T. Board of Regents.

**GENERAL CONTRACTS
SPONSORED RESEARCH AGREEMENT WITH FOREIGN CORPORATION**

FUNDS COMING IN

1. Agency: Samsung Advanced Institute of Technology, a division of Samsung Electronics Corporation, a Korean corporation
Funds: \$81,851
Period: January 4, 2004 through January 3, 2005
Description: Sponsored research agreement – *“Proton Conducting Membrane for Fuel Cells”*

2. Agency: Samsung Advanced Institute of Technology, a division of Samsung Electronics Corporation, a Korean corporation
Funds: \$180,000
Period: January 4, 2004 through December 31, 2006
Description: Sponsored research agreement – *“New DNA Hybridization Detection Method Research Using CNT for Micro-Array Use”*

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

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. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SOCIAL SCIENCES					
Professor					
1. Douglas J. Watson (T)	1/1-5/31	100	09	93,500	9

U. T. EL PASO

AMENDMENTS TO THE 2003-2004 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Changes (RBC) have been administratively approved as required by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
COLLEGE OF LIBERAL ARTS					
Criminal Justice					
1. Martha Smithey (T)					16
From: Associate Professor Criminal Justice and Associate Professor Sociology and Anthropology		WOS 100	09 09	49,652 49,652	
To: Interim Director of Women's Studies and Associate Professor Criminal Justice and Associate Professor Sociology and Anthropology	1/16-5/31 1/16-5/31 1/16-5/31	SUPLT WOS 100	09 09 09	2,000 49,652 49,652	
COLLEGE OF HEALTH SCIENCES					
School of Allied Health					
2. Joseph W. Tomaka (T)					17
From: Associate Professor		100	09	51,191	
To: Associate Professor and Coordinator of the Health Sciences Program	1/16-5/31 1/16-5/31	100 SUPLT	09 09	60,000 2,000	

Prepared by:
U. T. El Paso

Docket - 22

May 13, 2004

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

TRANSFERS OF FUNDS

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
INTERCOLLEGIATE ATHLETICS		
3. Amount of Transfer:	1,474,000	19
From: Intercollegiate Athletics – Beginning Balance	474,000	
Student Service Fee	819,237	
Stanton Building – Rental Income	180,763	
To: Intercollegiate Athletics – Estimated Income and Transfers	790,000	
Intercollegiate Athletics – Event Management	241,000	
Intercollegiate Athletics – Sports Medicine	35,000	
Intercollegiate Athletics – Football	408,000	

Budget adjustment is necessary to reflect the decrease in revenue, increased expenses, and a related increase in transfers for Intercollegiate Athletics.

U. T. PAN AMERICAN

OTHER FISCAL ITEMS

EMPLOYMENT AGREEMENTS

The following agreement has been awarded, has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. Board of Regents. Such employment under these agreements is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas - Pan American is a member, and the Rules and Regulations of the Board of Regents of The University of Texas System and the policies of The University of Texas - Pan American. The violation of the provisions of such constitution, bylaws, rules, or regulations shall be grounds for suspension without pay or dismissal.

1. Item: Head Women's Volleyball Coach
Funds: \$33,314 annually
Period: February 1, 2004 through January 31, 2005
Description: Agreement for employment of Head Women's Volleyball Coach, David M. Thorn, for the above designated period following the standard coach's employment contract prepared by the Office of General Counsel.

U. T. PERMIAN BASIN
AMENDMENTS TO THE 2003-04 BUDGET
TRANSFERS OF FUNDS

The following Request for Budget Change (RBC) has been administratively approved as required by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. Board of Regents.

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
PLANT FUNDS		1
1. Amount of Transfer:	1,090,000	
From: Unexpended Plant Funds		
To: Baseball Sports Complex	425,000	
Parking Lots	440,000	
University Marquee Signage	225,000	

This transfer is needed to adjust revenues and expenses resulting from additional students on campus and to provide infrastructure improvements.

U. T. SAN ANTONIO

GIFTS

The following gift has been received, has been administratively approved by the President or his delegate, and is recommended for approval by the U. T. Board of Regents.

1. Donor Name: Sony Semiconductor San Antonio
College: College of Engineering
Purpose: Semiconductor equipment to be used for educational and research purposes in the microelectronics manufacturing systems area
Asset Type: Equipment Gift
Value: \$1,983,337.00

PARKING AND TRAFFIC REGULATIONS

The following listing summarizes the substantive changes proposed to Parking and Traffic Regulations of U. T. San Antonio. They have been approved by the Executive Vice Chancellor for Academic Affairs and the Office of General Counsel and are incorporated in model regulations approved by the U. T. Board of Regents. These amended regulations supersede all prior Parking and Traffic Regulations and continue in effect until modified.

Parking and Traffic Regulations for 2004-05

<u>Page Number(s)</u>	<u>Summary of Proposed Substantive Change</u>
1	Section I proposed addition of Student A and B classes of permits.
3	Section I(13) amended parking permit renewal rules for employees with outstanding citation balances.
6	Section III(11) designation of Student A and B parking lots.
7	Section V addition of referral of unpaid citations to a national collection agency.
11	Section VII concerning Code 2000 amended citation process received after census date.
13	Section VIII to include issuance of Court Appearance citations for fraudulent use of disabled parking placard.

FEEES AND MISCELLANEOUS CHARGES

STUDENT SERVICES FEES

Approval is recommended for the following student services fee revision to be effective beginning with the Fall Semester 2004. The statutory requirements for involvement of a student services fees committee have been met and an affirmative vote of the student government has been secured for increases of more than 10%. The fees have been administratively approved by the Executive Vice Chancellor for Academic Affairs.

Following Regental approval, the appropriate component catalog will be amended to reflect these new fees.

COMPULSORY STUDENT SERVICES FEES

	<u>Current</u> <u>Rates \$</u>	<u>Proposed</u> <u>Rates \$</u>	<u>Percent</u> <u>Increase</u>
<u>For each regular or summer semester</u>			
Per Semester Credit Hour	20.50	13.50	*
Maximum	217.80	162.00	

* Student Services Fee to be split into two fees (Student Services Fee and separate Athletics Fee as proposed on Page Docket - 28); although there is no increase in the combined amount of the fees per credit hour, the cap will be set at 12 semester credit hours for both fees rather than the current 10.6 for Student Services Fee. This results in a 12.8% increase for the Student Services Fee and Athletics Fee over the current approved Fall 2004 Student Services Fee.

FEEES AND MISCELLANEOUS CHARGES (CONTINUED)

ATHLETICS FEE

Approval is recommended for the following new athletics fee to be effective beginning with the Fall Semester 2004. The statutory requirements for a student referendum have been met. The fee has been administratively approved by the Executive Vice Chancellor for Academic Affairs.

Following Regental approval, the appropriate component catalog will be amended to reflect this new fee.

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
<u>For each regular or summer semester</u>			
Per Semester Credit Hour	n/a	7	*
Maximum	n/a	84	

* Student Services Fee to be split into two fees (Student Services Fee and Athletics Fee); although there is no increase in the combined amount of the fees per credit hour, the cap will be set at 12 semester credit hours for both fees rather than the current 10.6 for Student Services Fee. This results in a total 12.8% increase for the Student Services Fee and Athletics Fee over the current approved Fall 2004 Student Services Fee.

FEEES AND MISCELLANEOUS CHARGES (CONTINUED)

RECREATION CENTER FEE

Approval is recommended for the following recreation center fee to be effective beginning with the Fall Semester 2004. The fee increase has been administratively approved by the Executive Vice Chancellor for Academic Affairs. The proposed rates are consistent with applicable statutory requirements under Texas Education Code Section 54.543.

Following Regental approval, the appropriate component catalog will be amended to reflect these new fees.

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
<u>For each regular or summer semester</u>			
Per Semester Credit Hour	9	0	
Maximum	54	60 (flat fee)	11.1%

OTHER MATTERS

APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following item has been approved by the Executive Vice Chancellor for Academic Affairs in accordance with the Regents' Rules and Regulations, Part One, Chapter III, Section 13 and is submitted for approval by the U. T. Board of Regents. It has been determined that the holding of this office or position is of benefit to the State of Texas and The University of Texas and there is no conflict between holding this position and the appointment of Dr. Steve Murdock with The University of Texas at San Antonio. By approval of this item, the Board is also asked to find that holding this position is of benefit to the State of Texas and The University of Texas and there is no conflict between the position and the University appointment.

- | | |
|---------------|---|
| Name: | Dr. Steve H. Murdock |
| Title: | Professor, Holder of the Lutcher Brown Distinguished Chair, Director of the Institute for Demographic and Socioeconomic Research |
| Position: | Appointed State Demographer for Texas |
| Period: | January 2004 |
| Compensation: | None |
| Description: | In October 2001 Governor Rick Perry appointed Professor Murdock as State Demographer for Texas. This position was created during the 2001 Legislative Session through Senate Bill 656, codified as <u>Texas Government Code</u> , Section 468.001. Section 468.001 requires the Governor to appoint an employee or officer of a state agency from a list submitted by the Speaker and the Lieutenant Governor. The State Demographer is responsible for population estimates and projections for the State of Texas and advises government officials on demographic changes and implications of such changes. |

U. T. TYLER

FEES AND MISCELLANEOUS CHARGES

HOUSING RATES

(INCLUDING APARTMENTS, DORMITORY ROOMS, RESIDENCE HALLS)

Approval is recommended for the following housing, board, and rental rates to be effective beginning with the Fall Semester 2004. The proposed rates are consistent with applicable statutory requirements under Section 55.16 of the Texas Education Code and have been administratively approved by the Executive Vice Chancellor for Academic Affairs.

Following Regental approval, the appropriate component catalog will be amended to reflect these new rates.

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
Student Apartments (New)			
<u>Per month</u>			
4 bedroom	n/a	550*	n/a
2 bedroom	n/a	650*	n/a

*The recommended rates are up to but not exceeding \$550 per month for a 4 bedroom apartment unit and up to but not exceeding \$650 per month for a 2 bedroom apartment unit.

U. T. SOUTHWESTERN MEDICAL CENTER - DALLAS

GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. Board of Regents.

1. Donor Name: Aventis Pharmaceuticals, Inc.
College/School/
Department: Pharmacology
Purpose: To support The Alliance for Cellular Signaling
Asset Type: Cash
Value: \$625,000

2. Donor Name: Biovail Pharmaceuticals, Inc.
College/School/
Department: Continuing Education
Purpose: To support Continuing Education activities
Asset Type: Cash
Value: \$587,187

3. Donor Name: Eli Lilly and Company
College/School/
Department: Pharmacology
Purpose: To support The Alliance for Cellular Signaling
Asset Type: Cash
Value: \$625,000

4. Donor Name: Merck Genome Research Institute, Inc.
College/School/
Department: Pharmacology
Purpose: To support The Alliance for Cellular Signaling
Asset Type: Cash
Value: \$625,000

5. Donor Name: Ortho-McNeil Pharmaceuticals, Inc.
College/School/
Department: Pharmacology
Purpose: To support The Alliance for Cellular Signaling
Asset Type: Cash
Value: \$500,000

GIFTS (CONTINUED)

6. Donor Name: Bernard and Audre Rapoport
College/School/ Department: Cardiovascular Surgery
Purpose: To support the Audre and Bernard Rapoport Center for Cardiovascular Research
Asset Type: Cash
Value: \$500,000 (represents the final payment on a \$2,000,000 commitment)
7. Donor Name: Southwestern Medical Foundation
College/School/ Department: Institution
Purpose: The Foundation's grant to The University of Texas Southwestern Medical Center at Dallas for the 2003-2004 academic year
Asset Type: Cash
Value: \$805,000 (represents the first payment on a \$1,610,000 commitment)

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

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. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SOUTHWESTERN MEDICAL SCHOOL					
Pediatrics					
1. Brett P. Giroir (T)					13
From: Associate Professor, Thomas Fariss Marsh, Jr. Professorship in Pediatrics, Associates First Capital Corporation Distinguished Chair in Pediatrics, Kathryne and Gene Bishop Distinguished Chair in Pediatrics		100	12	230,000	
To: Professor, Associates First Capital Corporation Distinguished Chair in Pediatrics	12/1-8/31	100	12	230,000	

U. T. MEDICAL BRANCH - GALVESTON

GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. Board of Regents.

1. Donor Name: The Sealy & Smith Foundation
College/School/
Department: John Sealy Hospital
Purpose: Payment in full of the \$2,131,000 grant for the acquisition of an electronic medical record information system
Asset Type: Cash
Value: \$2,131,000

2. Donor Name: The Sealy & Smith Foundation
College/School/
Department: John Sealy Hospital
Purpose: Payment on \$6,101,452 grant for the purchase of hospital equipment
Asset Type: Cash
Value: \$1,000,000

CONTRACTS

The following contract or agreement has been awarded, has been administratively approved by the President or his delegate and the Executive Vice Chancellor for Health Affairs, and is recommended for approval by the U. T. Board of Regents.

GENERAL CONTRACTS

FUNDS COMING IN

1. Agency: Correctional Managed Health Care Committee
Funds: \$532,781,962
Period: September 1, 2003 through August 31, 2005
Description: The University of Texas Medical Branch at Galveston (UTMB) will provide health care services to Texas Department of Criminal Justice (TDCJ) offenders in units located in their designated geographical service areas 3, 4, 5, 6, 7, and 8 operated by TDCJ. UTMB will also provide centralized services via Hospital Galveston for the TDCJ offenders in service areas 1 through 10 operated by TDCJ. This is the 6th interagency contract for comprehensive medical care provided to TDCJ offenders and includes medical record services, primary care, specialty care, hospitalization, pharmacy, autopsy, emergency medical services, and burials. Reimbursement rates are set on a capitated basis. As in the past, should the cost of health care services provided by UTMB exceed the contract amount, the Correctional Managed Health Care Committee and TDCJ are permitted to cover any excess costs. Should adequate funds not become available, UTMB may cancel the agreement with 90 days notice.

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF MEDICINE					
Anesthesiology					
1. Edward R. Sherwood (T)					12
From: Associate Professor		100	12	253,000	
To: James F. Arens Chair in Anesthesiology and Associate Professor	11/1-8/31	100	12	253,000	
Family Medicine					
2. Victor S. Sierpina (T)					11
From: Associate Professor		100	12	160,000	
To: W. D. and Laura Nell Nicholson Family Professorship in Integrative Medicine and Associate Professor	11/1-8/31	100	12	160,000	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF MEDICINE (Continued)					
Anatomy and Neurosciences					
3. Henry F. Epstein (T)					14
From: Professor and Chair		100	12	275,000	
To: Professor, Chair and Chair ad interim Physiology and Biophysics	1/1-8/31	100	12	275,000	
Human Biological Chemistry and Genetics; Neurology					
4. Claudio Soto (T)					18
From: Professor		100	12	150,000	
To: Charlotte Warmoth Professorship in Neurology and Professor	1/1-8/31	100	12	150,000	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF MEDICINE; GRADUATE SCHOOL OF BIOMEDICAL SCIENCES Microbiology and Immunology; Office of the Dean of Graduate School 5. David W. Niesel (T)					13
From: J. Palmer Saunders Professor, Chair ad interim and Vice Dean		100	12	171,358	
To: J. Palmer Saunders Professor, Chair and Vice Dean	1/1-8/31	100	12	171,358	

OTHER MATTERS

APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following item has been approved by the Executive Vice Chancellor for Health Affairs in accordance with the Regents' Rules and Regulations, Part One, Chapter III, Section 13 and is submitted for approval by the U. T. Board of Regents. It has been determined that the holding of this office or position is of benefit to the State of Texas and The University of Texas Medical Branch at Galveston and there is no conflict between holding the position and the appointment of Dr. Raimer with The University of Texas Medical Branch at Galveston. By approval of this item, the Board is also asked to find that holding this position is of benefit to the State of Texas and The University of Texas and there is no conflict between the position and the University appointment.

1. Name: Ben G. Raimer, M.D.
Title: Vice President for Community Outreach
Position: Chairman of the Statewide Health Coordinating Council
Period: January 30, 2004 through August 1, 2009
Compensation: None
Description: Governor Rick Perry has reappointed Dr. Raimer to the Statewide Health Coordinating Council as chairman. The Council developed the Texas State Health Plan and works to integrate planning, education and regulation of the health care work force to ensure quality health care for all Texans.

2. Name: Clifford W. Houston, Ph.D.
Title: Associate Vice President for Educational Outreach
Position: Appointment to the National Aeronautics and Space Administration Office of Education, Code N as the Deputy Associate Administrator for Education Programs, through contract with The University of Texas Medical Branch at Galveston
Period: February 18, 2003 through February 17, 2005
Compensation: \$291,104
Description: The Deputy Associate Administrator for Education Programs (DAA/EP) provides oversight, guidance, and program integration, and day-to-day management for the three primary divisions: Elementary and secondary education, higher education, and Educational Support (Informal Education) Division. Additionally, the DAA/EP is responsible for the Enterprise Education Leads, initiative programs (the Educator Astronaut and Explorer Academies Programs), crosscutting programs (Technology and Products Development), and external partnerships and collaborations.

U. T. HEALTH SCIENCE CENTER - HOUSTON

GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. Board of Regents.

1. Donor Name: The Cullen Foundation
College/School/ Department: Institution
Purpose: Support the New Frontiers Campaign for the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases
Asset Type: Cash
Value: \$2,000,000

2. Donor Name: Houston Endowment Inc.
College/School/ Department: Institution
Purpose: Support the New Frontiers Campaign for the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases
Asset Type: Cash
Value: \$3,600,000

3. Donor Name: Memorial Hermann Healthcare System
College/School/ Department: Institution
Purpose: Support the New Frontiers Campaign for the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases (first payment of a \$10 million commitment)
Asset Type: Cash
Value: \$1,000,000

4. Donor Name: Anonymous
College/School/ Department: Institution
Purpose: Support the New Frontiers Campaign for the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases (first payment of a \$25 million commitment)
Asset Type: Cash
Value: \$2,500,000

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Request for Budget Change (RBC) has been administratively approved as required by the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
MEDICAL SCHOOL					
Anesthesiology					
1. Bruce Butler (T)					25
From: Director, Office of Technology Management and Professor in Anesthesiology		100 SUPLT	12 12	140,000 11,000	
To: Assistant Vice President of Research, Office of Technology Management and Professor in Anesthesiology	1/1/04	100 SUPLT	12 12	154,000 11,000	

U. T. HEALTH SCIENCE CENTER - SAN ANTONIO

GIFTS

The following gift has been received, has been administratively approved by the President or his delegate, and is recommended for approval by the U. T. Board of Regents.

1. Donor Name: The USAA Foundation, A Charitable Trust
College/School/ Department: President's Office
Purpose: Invest in the Best – Health Science Center Campaign
Asset Type: Cash
Value: \$1,000,000

U. T. M. D. ANDERSON CANCER CENTER

GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. System Board of Regents.

1. Donor Name: Timken Foundation of Canton
College/School/ Department: Development Office
Purpose: The George and Barbara Bush Endowment for Innovative Cancer Research.
Asset Type: Cash
Value: \$800,000

2. Donor Name: Commonwealth Foundation for Research on behalf of Mr. William H. Goodwin, Jr.
College/School/ Department: Translational Research
Purpose: Cancer Research
Asset Type: Cash
Value: \$1,250,000

3. Donor Name: Commonwealth Foundation for Research on behalf of Mr. William H. Goodwin, Jr.
College/School/ Department: Translational Research
Purpose: Targeted Molecular Diagnosis & Therapeutics
Asset Type: Cash
Value: \$1,250,000

4. Donor Name: Samsung Electronics America, Inc.
College/School/ Department: Department of Cancer Medicine
Purpose: Samsung Distinguished University Chair
Asset Type: Cash
Value: \$1,000,000

GIFTS (CONTINUED)

5. Donor Name: The Cockrell Foundation
College/School/ Department: Institution
Purpose: Capital Improvement Program – Basic Science Research Building
Asset Type: Cash
Value: \$1,000,000
6. Donor Name: T. L. L. Temple Foundation
College/School/ Department: Institution
Purpose: Capital Improvement Program – Basic Science Research Building
Asset Type: Cash
Value: \$750,000
7. Donor Name: Cynthia & George Mitchell Charitable Remainder UniTrust
College/School/ Department: Institution
Purpose: Capital Improvement Program – Basic Science Research Building
Asset Type: Cash
Value: \$3,000,000
8. Donor Name: The Cynthia & George Mitchell Foundation
College/School/ Department: Institution
Purpose: Capital Improvement Program – Basic Science Research Building
Asset Type: Cash
Value: \$1,000,000

CONTRACTS

The following contracts or agreements have been awarded, have been administratively approved by the President or his delegate and the Executive Vice Chancellor for Health Affairs, and are recommended for approval by the U. T. Board of Regents.

GENERAL CONTRACTS

FUNDS GOING OUT

1. Agency: The Texas A&M University System Health Science Center
Funds: \$1,379,997 in base rent
Period: April 1, 2004 through March 31, 2007
Description: Leasing 17,037 feet of office and laboratory space from Texas A&M University in the building known as the Institute of Biosciences and Technology at 2121 West Holcombe Boulevard.

2. Agency: The University of Texas Health Science Center at Houston
Funds: Approximately \$1,218,294 in base rent
Period: 9 years
Description: Subleasing of space for the Mohs Clinic from The University of Texas Health Science Center at Houston in the building known as the Houston Medical Center Building at 6655 Travis Street, Suite 650.

AMENDMENTS TO THE 2003-04 BUDGET

APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved as required by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents.

The term "rate" for academic institutions is the full-time nine-month base rate and for health institutions is the full-time twelve-month base rate; for all other personnel it is the full-time rate with the appointee receiving a proportionate amount depending upon the fraction of time for which the individual is appointed and the period of appointment.

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
THE TUMOR INSTITUTE – MEDICAL STAFF					
Gynecologic Medical Oncology Vice President, Clinical Research, and Professor					
1. Maurie Markman (T)	1/1-12/31	100	12	325,000	20
Lymphoma/Myeloma Chair, Professor					
2. Larry Kwak (T)	3/1-2/28	100	12	280,000	21
Radiation Oncology Professor					
3. Shiao You Woo (T)	3/1-2/28	100	12	325,000	30

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
THE TUMOR INSTITUTE – MEDICAL STAFF					
Experimental Therapeutics Office					
4. Zahid Siddik (T)					24
From: Chair ad interim, Professor	1/1-12/31	100 SUPLT	12 12	184,960 10,000	
To: Professor	1/1-12/31 1/1-12/31	100 SUPLT	12 12	184,960 10,000	
Bioimmunotherapy					
5. Moshé Talpaz (T)					26
From: Chair, Professor, and David Burton, Jr. Endowed Chair		100	12	282,932	
To: Professor, and David Burton, Jr. Endowed Chair	1/1-12/31	100	12	282,932	
Thoracic Head & Neck Medical Oncology					
6. Reuben Lotan (T)					27
From: Professor and Irving & Nadine Mansfield and Robert David Levitt Cancer Research Chair		100	12	231,720	
To: Chair ad interim, Professor and Irving & Nadine Mansfield and Robert David Levitt Cancer Research Chair	1/1-12/31 1/1-12/31	100 SUPLT	12 12	231,720 10,000	

AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)

APPOINTMENTS AND PROMOTIONS (CONTINUED)

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
THE TUMOR INSTITUTE – RESEARCH Science Park Veterinary Sciences 7. William C. Satterfield (T)					28
From: Associate Professor		100	12	115,040	
To: Chair ad interim and Associate Professor	1/1-12/31	100	12	115,040	
	1/1-12/31	SUPLT	12	20,000	



**TABLE OF CONTENTS
FOR
ACADEMIC AFFAIRS COMMITTEE**

**REVISED
5/7/04**

Committee Meeting: 5/12/2004
Austin, Texas
Board Meeting: 5/13/2004
Austin, Texas

Cyndi Taylor Krier, Chairman
H. Scott Caven, Jr.
Judith L. Craven, M.D.
Robert A. Estrada
James Richard Huffines

	Committee Meeting	Board Meeting	Page
Convene	9:00 a.m. <i>Chairman Krier</i>		
1. U. T. Board of Regents: Approval to amend the Regents' <u>Rules and Regulations</u> regarding academic titles (Part One, Chapter III, Section 1, Subsection 1.6, Subdivision 1.62)	9:00 a.m. Action <i>Dr. Sullivan</i>	Action	40
2. U. T. Arlington: Authorization to purchase real property at 415 South Oak Street, Arlington, Tarrant County, Texas; and approval of parity debt	9:05 a.m. Action <i>Mr. Spaniolo</i> <i>Mr. Wilson</i>	Action	41
3. U. T. Arlington: Determination of necessity and authorization to acquire real property located at 124 Southdale Drive, Arlington, Tarrant County, Texas, by purchase or condemnation, if necessary	9:10 a.m. Action <i>Mr. Spaniolo</i> <i>Mr. Wilson</i>	Action	43
4. U. T. Austin: LBJ Plaza Renovation/Lady Bird Johnson Center - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project	9:15 a.m. Action <i>Mr. Sanders</i>	Action	44
5. U. T. Dallas: Approval of Ph.D. in Geospatial Information Sciences	9:20 a.m. Action <i>Dr. Jenifer</i>	Action	45
6. U. T. Dallas: Authorization to purchase land and improvements located at 2200 Mockingbird Lane, Dallas, Dallas County, Texas	9:25 a.m. Action <i>Dr. Jenifer</i> <i>Mr. Wilson</i>	Action	46
7. U. T. Dallas: Authorization to amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to reduce the total project cost for the Founders/Founders Annex/Berkner Renovation; approval to purchase real property located at 17919 Waterview Parkway, Dallas, Dallas and Collin Counties, Texas; and approval to add the renovation project and purchase to the CIP	9:30 a.m. Action <i>Dr. Jenifer</i> <i>Mr. Wilson</i>	Action	48

	Committee Meeting	Board Meeting	Page
8. U. T. Pan American: Child Development Center - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project; appropriation of funds and authorization of expenditure; and authorization of institutional management	9:35 a.m. Action <i>Mr. Sanders</i>	Action	50
9. U. T. San Antonio: Approval to enter into a collaborative agreement with the City of San Antonio to expand the Downtown Campus through an exchange of three parcels of land and to engage in a long-range plan for the Institute of Texan Cultures; and authorization to acquire the leasehold interest in the improvements located at 301 South Frio Street, San Antonio, Bexar County, Texas	9:40 a.m. Action <i>Dr. Romo</i> <i>Mr. Wilson</i>	Action	51
10. U. T. San Antonio: Authorization to establish a Master of Social Work degree	9:45 a.m. Action <i>Dr. Romo</i>	Action	55
11. U. T. San Antonio: Recreation and Athletics Facilities - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project	9:50 a.m. Action <i>Mr. Sanders</i>	Action	57
12. U. T. El Paso: Authorization to accept invitation from Conference USA and to negotiate and finalize terms of membership (New Item)	9:55 a.m. Action <i>Dr. Natalicio</i>	Action	57a
Adjourn	10:00 a.m.		

1. **U. T. Board of Regents: Approval to amend the Regents' Rules and Regulations regarding academic titles (Part One, Chapter III, Section 1, Subsection 1.6, Subdivision 1.62)**

RECOMMENDATION

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 the Regents' Rules and Regulations, Part One, Chapter III, Section 1, Subsection 1.6, Subdivision 1.62, regarding academic titles, be amended to add a new Item (d) to Subparagraph 1.624 as set forth below in congressional style and to renumber current Item (d) as Item (e):

Sec. 1. Appointments

...

1.6 Appointment of Faculty

...

1.62 Academic Titles

...

1.624 ...

(d)

Adjoint Professor, Adjoint Associate Professor and Adjoint Assistant Professor

These titles may be used by the component institutions to designate faculty who serve the institution in cooperative or joint programs pursuant to a memorandum of understanding, cooperative research and development agreement, or similar partnership instrument. Persons holding these titles will be employees of and compensated by the partnership organization. They will not be deemed employees of the component institution. They will, however, have the same obligations, responsibilities, and authority as regular faculty employed directly by the component institution when performing faculty functions pursuant to the agreement. Appointments will usually be part-time for the purpose of supervising theses and dissertations or for teaching highly specialized courses. The term of the appointment shall be specified in the agreement with the partner organization.

BACKGROUND INFORMATION

The addition of the Adjoint prefix for academic titles in the Regents' Rules and Regulations, Part One, Chapter III, Section 1, Subsection 1.6 will allow U. T. component institutions to designate individuals as faculty members with similar obligations, responsibilities, and authority as regular faculty, who are employees of partnership entities in joint or cooperative research and instructional programs. Adjoint faculty will not be deemed employees of the component institution nor will they be eligible for tenure status.

2. U. T. Arlington: Authorization to purchase real property at 415 South Oak Street, Arlington, Tarrant County, Texas; and approval of parity debt

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Spaniolo that the U. T. Board of Regents:

- a. authorize the Executive Director of Real Estate to take all steps necessary to purchase the property located at 415 South Oak Street, Arlington, Tarrant County, Texas, and to execute all documents related thereto; and
- b. 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 acquisition 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. Board of Regents relating to the Financing System; and
 - U. T. Arlington, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$1.3 million.

BACKGROUND INFORMATION

U. T. Arlington is requesting Board of Regents' approval to purchase the Aquarius Apartment property located at 415 South Oak Street in Arlington. The subject property consists of a 52-unit apartment complex on a 0.9986-acre site that lies within the Board of Regents' approved Campus Master Plan boundaries and is identified in the approved Campus Master Plan as a "First Priority Acquisition". It also lies within the legislatively approved zone for campus land acquisitions.

The current owner has agreed to sell the property at its appraised market value of \$1.3 million. Upon acquisition, the apartments will be added to the U. T. Arlington facilities inventory and will help to satisfy the current demand for university-owned housing. The terms and conditions are as reflected in the transaction summary below:

Transaction Summary

Component:	U. T. Arlington
Type of Transaction:	Purchase
Property Name:	Aquarius Apartments
Property Address:	415 South Oak Street
Type of Property:	52-unit apartment complex
Year Built:	Approximately 1971
Site:	45,300 square feet (0.9986 acres)
Improvements:	32,056 gross square feet 31,446 rentable square feet
Parking:	76 spaces
Purchase Price:	\$1.3 million
Price Per Unit:	\$25,000
Price Per Rentable S.F.:	\$41.34
Appraised Value:	\$1.3 million (Hanes Appraisal Company, James S. Hanes, MAI, December 19, 2003)

3. **U. T. Arlington: Determination of necessity and authorization to acquire real property located at 124 Southdale Drive, Arlington, Tarrant County, Texas, by purchase or condemnation, if necessary**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Spaniolo that authorization be granted by the U. T. Board of Regents, on behalf of U. T. Arlington, to:

- a. determine that it is necessary for U. T. Arlington to acquire, through condemnation proceedings if necessary, the real property and improvements located at 124 Southdale Drive, Arlington, Tarrant County, Texas, at a price not to exceed its fair market value as determined by an independent appraisal or by the determination of the court; and
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, and to initiate a condemnation action of the subject property, if necessary, through the U. T. System Office of General Counsel and the Office of the Attorney General of the State of Texas, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

[See Item 4 on Page 70 related to proposed construction of Student Apartments.]

BACKGROUND INFORMATION

The subject property is located within the land acquisition boundary authorized by the Texas Legislature in 1967, and is legally described as Lot 3, Block 2, Southdale Addition to the City of Arlington, Tarrant County, Texas. U. T. Arlington's highest independent appraisal of the property is \$66,000, well below the owner's asking price of \$120,000. The property consists of a lot containing approximately 9,450 square feet, and a nonowner occupied house containing 852 square feet. After acquisition, U. T. Arlington intends to demolish the improvements and use the land as part of a site on which to construct new student housing units (Silver Stone Apartments) that are included in the approved FY 2004-2009 Capital Improvement Program. The schedule for this apartment project includes a construction start date of September 1, 2004, and a completion date of July 2005. The property acquisition terms and conditions are as reflected in the transaction summary on Page 44.

Transaction Summary

Component: U. T. Arlington
Type of Transaction: Purchase or Condemnation
Property Address: 124 Southdale Drive
Type of Property: Single Family Residential (nonowner occupied)
Year Built: Approximately 1955
Site: 9,450 square feet
Improvements: 852 square feet
Purchase Price: Fair market value (as determined by independent appraisals or by the court)
Source of Funding: Local Fund Balances
Appraised Value: \$66,000 (Dennis Jorgensen, SRA, January 23, 2004)
Asking Price: \$120,000

4. U. T. Austin: LBJ Plaza Renovation/Lady Bird Johnson Center - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the LBJ Plaza Renovation/Lady Bird Johnson Center project at U. T. Austin.

Architecturally or Historically Significant:

(Note: Item is before the Board; see Item 1 on Page 67.)

Project Delivery Method:

Construction Manager at Risk

Substantial Completion Date:

February 2007

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Grants	-	\$15,000,000
	Unexpended Plant Funds		<u>\$15,000,000</u>
			\$30,000,000

Project Description: This project consists of the rehabilitation and modification of the elevated plaza and drainage system surrounding the LBJ Library, which has leaked for many years. Finishes in the lecture hall and auditorium of the building, which have been damaged by water infiltration, will be repaired. The 1,000-seat LBJ Auditorium will be modified to allow for a better setting for smaller events. Additionally, a portion of the elevated plaza will be replaced with a garden and amphitheater honoring Lady Bird Johnson.

This project is required to repair the cause of serious water damage that is degrading exterior structural components and interior finishes. Several pieces of the exterior travertine cladding have fallen from the building because of water infiltration and a corroded support system. The drainage system is undersized and improperly designed, contributing to the water infiltration. The new Lady Bird Johnson Center and Amphitheater would eliminate part of the plaza that leaks and provide a more functional space between the LBJ Library and the LBJ School of Public Affairs. Federal funding will be provided in association with the LBJ Library, a federal facility.

This off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the Capital Improvement Program.

5. U. T. Dallas: Approval of Ph.D. in Geospatial Information Sciences

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Jenifer that authorization be granted to establish a Doctor of Philosophy (Ph.D.) in Geospatial Information Sciences at U. T. Dallas and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Dallas will be amended to reflect this action.

BACKGROUND INFORMATION

Program Description

Powerful new technologies have emerged in recent years to collect, store, manage, analyze, and utilize information regarding the features of the Earth's surface and to combine these with other types of social, economic, and environmental information. These technologies include geographic information systems, the global positioning

system, and satellite based remote sensing, and are utilized in many ways such as digital maps in rental and delivery vehicles; management and maintenance of city infrastructure, regional agriculture, and forest lands; policing of communities; and the conduct of modern warfare.

Program Quality

Twelve full-time tenured and tenure-track faculty from the School of Social Science, the Department of Geosciences, and the Department of Computer Science will form the core of the program. These faculty currently support the existing Master of Science in Geographic Information Sciences, as well as the Master of Science and Ph.D. degrees in Computer Science and Geosciences. In addition, two full-time tenure-track faculty will be added to support the proposed program. Part-time faculty are not currently used in the existing Master of Science in Geographic Information Sciences and are not projected for the proposed doctoral program. No graduate student assistants will be used to teach courses; however, graduate assistants will be required for computer support.

Program Cost

Estimated expenditures for the first five years of the proposed Ph.D. in Geospatial Information Sciences total \$640,435. This includes \$236,436 in new faculty salaries; \$180,564 for new graduate assistants; \$119,456 for new library and information technology resources; \$43,000 for supplies, materials, and equipment; \$32,606 for clerical support; and \$28,373 for new program administration costs.

U. T. Dallas will commit \$374,762 of existing resources from a combination of interest income and general, non-state institutional funds in addition to \$265,673 in formula funding to finance the first five years of the program.

6. U. T. Dallas: Authorization to purchase land and improvements located at 2200 Mockingbird Lane, Dallas, Dallas County, Texas

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Jenifer that authorization be granted by the U. T. Board of Regents, on behalf of U. T. Dallas, to:

- a. purchase the land and improvements located at 2200 Mockingbird Lane, Dallas, Dallas County, Texas;

- b. acknowledge the purchase price is less than the fair market value as determined by independent appraisals;
- c. submit a request to the Texas Higher Education Coordinating Board for approval of the transaction, if necessary; and
- d. authorize 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 carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

U. T. Dallas wishes to acquire the subject property to expand operations and space for the Center for BrainHealth, which was established as a component of the teaching and research activities of the Callier Center for Communication Disorders in 1999. The Center has grown beyond the capacity of that facility, which cannot be expanded due to the constrained site. The property is in close proximity to the Imaging Center at U. T. Southwestern Medical Center - Dallas, facilitating access to users of the BrainHealth Center and promoting future development of collaborative research efforts of U. T. Dallas, U. T. Southwestern Medical Center - Dallas, and U. T. Arlington in the areas of cognitive neuroscience and imaging.

The property is being purchased from Forest Properties, L.P., for \$3.3 million. In the event that the closing occurs on or before July 1, 2004, the purchase price will be reduced by \$100,000. Mr. Joe M. Graham of Graham Investments, Inc., who represented the University, will receive a commission from the seller out of the proceeds from the sale. The seller may claim a tax deduction for a bargain sale to the University. The terms and conditions of this purchase are as reflected in the transaction summary below:

Transaction Summary

Component:	U. T. Dallas (Center for BrainHealth)
Type of Transaction:	Purchase
Property Address:	2200 Mockingbird Lane
Type of Property:	Office building, surface parking, and surplus land
Year Built:	1970
Site:	Approximately 3.546 acres

Improvements: 45,809 net leasable square feet

Parking: 134 spaces

Purchase Price: \$3.2 million if purchased by July 1, 2004
\$3.3 million if purchased after July 1, 2004

Price Per Rentable S.F.: \$72.50 before July 1, 2004
\$74.76 after July 1, 2004

Appraised Value: \$3.3 million by Mark Donoho, MAI, dated April 2004
\$3.9 million by Harry B. Hunsicker, MAI, dated April 2004

Broker: Mr. Joe Graham, Graham Investments, Inc., 3% by seller

Source of Funds: Private gifts

7. **U. T. Dallas: Authorization to amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to reduce the total project cost for the Founders/Founders Annex/Berkner Renovation; approval to purchase real property located at 17919 Waterview Parkway, Dallas, Dallas and Collin Counties, Texas; and approval to add the renovation project and purchase to the CIP**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Jenifer that authorization be granted by the U. T. Board of Regents, on behalf of U. T. Dallas, to:

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to reduce the total project cost for the Founders/Founders Annex/Berkner Renovation at U. T. Dallas as follows:

	From	To
Permanent University Fund (PUF)		
Bond Proceeds	\$15,000,000	\$ 5,300,000
Tuition Revenue Bond Proceeds	<u>\$21,993,750</u>	<u>\$21,993,750</u>
	\$36,993,750	\$27,293,750

- b. approve the addition of the 17919 Waterview Parkway project to the CIP;

- c. approve the transfer of funds of \$9,700,000 from PUF Bond Proceeds for the purchase of the real property and the renovation project;
- d. purchase the real property and improvements located at 17919 Waterview Parkway, Dallas, Dallas and Collin Counties, Texas, at a total price of \$6,000,000 plus related closing costs;
- e. submit a request to the Texas Higher Education Coordinating Board for approval of the transaction; and
- f. authorize 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 carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

U. T. Dallas wishes to acquire the land and facility directly across the street west of the campus, Waterview Parkway, to use for research space for the Schools of Natural Sciences, Mathematics, Engineering, and Computer Science. The property is being purchased from First Industrial Texas, L.P., for \$6,000,000. The proposed source of acquisition funding is a reallocation of PUF Bond Proceeds previously approved for the Founders/Founders Annex/Berkner Renovation project. U. T. Dallas plans to relocate most of the occupants from the Founders area into the 17919 Waterview Parkway facility and other campus areas. The project will be added to the CIP as a purchase and renovation project, with a breakdown of \$6,000,000 for the purchase, \$2,950,000 for renovations, and \$750,000 for equipment and furnishings. The furnishings and equipment that are installed, wired, and operational for immediate occupancy will be purchased separately for \$750,000, based on the total value determined by U. T. Dallas. Purchase and occupation of this building will allow for the needed fire and life safety improvements to the Founders, Founders Annex, and Berkner buildings.

The specific terms and conditions of this purchase are as reflected in the transaction summary below:

Transaction Summary

Component:	U. T. Dallas
Type of Transaction:	Purchase
Property Address:	17919 Waterview Parkway
Type of Property:	Two-story office/flex building

Seller: First Industrial Texas, L.P.

Contract Price: \$6 million (\$83.43 per square foot)

Appraised Value: \$5.7 million (Mark Donoho Co., February 17, 2004)
\$6 million (Land America Commercial Services, February 17, 2004)

Construction: Concrete, slab with concrete and steel bar joists and I-beam columns; brick, concrete, and tinted glass panels

Property Size: 4.885 acres (212,790 square feet)

Parking: 216 surface parking spaces

Flood Hazard: Outside of federally designated flood area

Equipment: Being purchased separately by U. T. Dallas

Description: Furnishings and equipment that are installed, wired, and operational

Contract Price: \$750,000

Valuation (UTD): \$750,000

8. U. T. Pan American: Child Development Center - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project; appropriation of funds and authorization of expenditure; and authorization of institutional management

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Nevárez that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the Child Development Center project at U. T. Pan American.

Architecturally or Historically Significant:

(Note: Item is before the Board; see Item 1 on Page 67.)

Project Delivery Method:

Competitive Sealed Proposals

Substantial Completion Date:

June 2006

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Unexpended Plant Funds	-	\$1,594,000

- Additional Recommendations:**
- a. approve a preliminary project cost of \$1,594,000 with funding from Unexpended Plant Funds;
 - b. appropriate funds and authorize expenditure of \$1,594,000 from Unexpended Plant Funds; and
 - c. authorize U. T. Pan American to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

Project Description: This facility will be constructed for approximately 140 children of students, faculty, and staff. The location will be adjacent to the existing Education Complex and will allow academic observation and facilitate applied research programs.

U. T. Pan American Facilities Management personnel have the experience and capability to manage all aspects of the work.

This off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the Capital Improvement Program.

9. **U. T. San Antonio: Approval to enter into a collaborative agreement with the City of San Antonio to expand the Downtown Campus through an exchange of three parcels of land and to engage in a long-range plan for the Institute of Texan Cultures; and authorization to acquire the leasehold interest in the improvements located at 301 South Frio Street, San Antonio, Bexar County, Texas**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Romo that authorization be granted by the U. T. Board of Regents, on behalf of U. T. San Antonio, to:

- a. finalize a formal resolution between the Board and the City of San Antonio to embody the points summarized in the transaction summary attached on Pages 52 - 53;
- b. exchange a 6.0027-acre tract out of the Institute of Texan Cultures campus, San Antonio, Bexar County, Texas, for two tracts of land located at 700 West Commerce Street and 301 South Frio Street in San Antonio, with each of the parties responsible for their respective expenses to complete the transactions;

- c. authorize the Executive Director of Real Estate to enter into an agreement to purchase the leasehold interest in the improvements located at 301 South Frio Street in San Antonio for a price not to exceed the fair market value as determined by independent appraisers;
- d. submit requests to the Texas Higher Education Coordinating Board for approval of the transactions, if necessary;
- e. authorize the Chancellor to execute a formal resolution that summarizes the collaborative agreement between the Board of Regents and the City of San Antonio as outlined on Pages 54 - 55; and
- f. authorize the Executive Director of Real Estate or the Interim Vice Chancellor for Business Affairs to execute all documents, instruments, and other agreements, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

The Executive Director of Real Estate has negotiated an agreement to expand the Downtown Campus of U. T. San Antonio by exchanging a surplus 6.0027-acre tract of land with facilities out of the campus of the Institute of Texan Cultures for two tracts of land across the street from the Downtown Campus. One of the tracts to be acquired on behalf of U. T. San Antonio is a parking lot with a vacant drive-thru bank facility; the other is improved with a 91,650 square foot office building and paved parking lot. The parking lot will be used for parking until funding is obtained to construct additional classrooms and offices. The existing office building will be converted to exclusive use by the University as quickly as the existing leases terminate. Funding for costs associated with the exchanges of land will be from Local Fund Balances, with funding for the purchase of the leasehold interest to be paid with Revenue Bond Proceeds.

Summary of Proposed Real Estate Transactions

Exchanges of real property

Board of Regents to City of San Antonio:

Land:	6.0027 acres out of the Institute of Texan Cultures campus in Hemisfair Park in San Antonio, Texas
Improvements:	3 vacant buildings (former exhibit space for Hemisfair)
Current use:	Parking, surplus storage, and open space
Appraised value:	\$2.09 million per Dugger, Canaday, Grafe, Inc. (March 24, 2004)

City of San Antonio to Board of Regents:

- Tract A: 2.077 acres at 700 West Commerce Street in San Antonio, Texas
 - Improvements: Paved parking lot with approximately 300 spaces and a vacant drive-thru bank facility
 - Current use: Public parking
 - Appraised value: \$1.72 million per Dugger, Canaday, Grafe, Inc. (February 11, 2004)

- Tract B: Leased fee interest in 5.297 acres of land at 301 South Frio Street in San Antonio, Texas
 - Improvements: Not part of this transaction (see below)
 - Current use: Leased for office building and paved parking lot
 - Appraised value: \$430,000 per Dugger, Canaday, Grafe, Inc. (January 13, 2004)

Counsel and Secretary's Note: The San Antonio City Council approved this land swap at its meeting on April 15, 2004.

Purchase of leasehold interest

- Location: 301 South Frio Street, San Antonio, Texas
- Improvements: 91,650 square foot office building with paved parking lot (approximately 300 spaces)
- Current use: Leased to San Antonio Business Technology Center, L.P., which in turn leases it to multiple subtenants. U. T. San Antonio currently leases 20,573 square feet of space in the building.
- Appraised value: \$7.3 million per Dugger, Canaday, Grafe, Inc. (January 8, 2004)

Outline of Proposed Collaboration Between U. T. San Antonio and the City of San Antonio for Expansion of the Downtown Campus

1. Acknowledgement of the mutual benefits to be realized by a collaborative approach to meeting the cultural, civic, and educational needs of the citizens of the City of San Antonio (City) and the State of Texas by insuring:
 - a. the orderly growth of the Downtown Campus of The University of Texas at San Antonio (UTSA) to fulfill its mission;
 - b. City's ability to implement its master plan for redevelopment of Hemisfair Park; and
 - c. accommodations for the orderly growth and revitalization of Hemisfair Park and the neighborhood surrounding UTSA's Downtown Campus for City.
2. The Board of Regents of The University of Texas System (BOR) and the City Council of San Antonio agree to the following:
 - a. City will transfer title to the tracts of land located at 700 West Commerce Street (2.077 acres) and 301 South Frio Street (5.297 acres) in San Antonio, Bexar County, to the BOR subject to the following conditions:
 - (1) The land is to be used for the construction and development of higher education facilities for educational programs for UTSA as may be within the mission or purposes, and as may be determined from time to time by the BOR, the Texas Higher Education Coordinating Board, or the Texas Legislature.
 - (2) Except for minor conveyances required for public thoroughfares and utility infrastructure, none of the land can be conveyed to a third party within a period of 20 years from the transfer.
 - b. BOR will convey title to a 6.0027-acre tract of land out of the campus of the Institute of Texan Cultures (ITC) adjacent to Hemisfair Park to City subject to the following:
 - (1) As long as the existing parking facilities on the site remain in place, approximately 150 parking spaces shall be made available to the visitors, employees, and volunteer workers of the ITC for programs in the ITC.

- (2) Accommodations will be made to conduct the Folk Life Festival and like programs of the ITC in the immediate vicinity of the exhibition hall.
- (3) UTSA will provide reasonable public access to the tract from Durango Street.
- c. City and UTSA will work together to plan for the long-term future of the ITC and the site upon which it is located (approximately 14.69 acres).
- d. City and UTSA will work together to develop a plan for revitalization of the area surrounding the Downtown Campus and expansion of the campus as required to fulfill its mission for the next 50 years.

10. **U. T. San Antonio: Authorization to establish a Master of Social Work degree**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Romo that authorization be granted to establish a Master of Social Work (MSW) degree program at U. T. San Antonio; to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to authorize the Executive Vice Chancellor for Academic Affairs to certify on behalf of the Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. San Antonio will be amended to reflect this action.

BACKGROUND INFORMATION

Program Description

The proposed program will be offered by the Department of Social Work in the College of Public Policy. The program is designed to prepare students for advanced placement in social service agencies as direct service providers or in administrative or community building capacities. In addition, this program will prepare students to effectively address the pressing needs of linguistically and culturally diverse populations in San Antonio and the surrounding region within an interdisciplinary and interprofessional practice context.

Consistent with the Council on Social Work Education's (CSWE) accreditation standards, the program requires 36 semester credit hours of coursework beyond the bachelor's degree for students who have earned the Bachelor of Social Work (BSW) degree from an accredited college/university and 60 semester credit hours of coursework beyond the bachelor's degree for students who have not earned the BSW degree. Students would be able to specialize in one of two areas: Direct Practice, which focuses on delivering individual, family, and group services through an agency; and Macro Practices, which focuses on supervision/management, policy practice, and community building.

Program Quality

The Chair of the newly-formed Department of Social Work began his appointment in Fall 2003. Six full-time equivalent (FTE) faculty members must be assigned to the delivery of the proposed MSW program for the program to be eligible to receive CSWE accreditation. A minimum of two additional full-time Social Work faculty members are expected to be hired to begin in the 2004-2005 academic year, with three additional full-time Social Work faculty members expected to be hired to begin their appointments by Fall 2005. Two additional full-time faculty members will be hired by year five. The eight FTE members of the Social Work faculty will form the core of the program. Five additional tenured or tenure-track faculty members from other departments will contribute to the program's delivery.

The Department of Social Work is located in the College of Public Policy that is housed in the newly constructed Durango Building at the U. T. San Antonio Downtown Campus. The College has assigned a full office suite to the Department of Social Work, and sufficient space is available for office and classroom needs. The Downtown Campus offers adequate computing facilities and audiovisual resources to meet the anticipated needs of the program. No new facilities or renovations of existing facilities are required.

Cost

Estimated expenditures for the first five years of the proposed Master of Social Work program total \$2,691,700. This includes \$1,779,000 in new faculty salaries; \$375,000 for program administration; \$52,500 for new graduate assistants; \$192,200 for new library and information technology resources; \$68,000 for supplies, materials, and equipment; and \$225,000 for clerical support.

U. T. San Antonio will commit \$1,040,700 of existing resources in addition to \$1,651,000 in formula funding to finance the first five years of the program.

11. U. T. San Antonio: Recreation and Athletics Facilities - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the Recreation and Athletics Facilities project at U. T. San Antonio.

Architecturally or Historically Significant:

(Note: Item is before the Board; see Item 1 on Page 67.)

Project Delivery Method:

Competitive Sealed Proposals

Substantial Completion Date:

July 2007

Total Project Cost:

<u>Source</u>	<u>Current</u>	<u>Proposed</u>
Revenue Financing System Bond Proceeds	-	\$12,000,000
Gifts		\$ 3,000,000
Unexpended Plant Funds		\$ 1,500,000
Grants		<u>\$ 1,500,000</u>
		\$18,000,000

Project Description:

This project proposes upgrades and additions to the recreation and athletics facilities at U. T. San Antonio to include a new track and soccer stadium, baseball and softball field improvements, and additional recreation and sports fields. The debt for the Revenue Financing System Bond Proceeds will be repaid from student fees.

This off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the Capital Improvement Program.

ADDITIONAL AGENDA ITEM
ACADEMIC AFFAIRS COMMITTEE

MAY 12, 2004

12. U. T. El Paso: Authorization to accept invitation from Conference USA and to negotiate and finalize terms of athletic conference membership

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Natalicio that authorization be granted to U. T. El Paso to accept an invitation from Conference USA (C-USA) to become a member in 2005 and that Chancellor Yudof and President Natalicio be authorized to negotiate and finalize terms and conditions for such membership.

BACKGROUND INFORMATION

U. T. El Paso joined the Western Athletic Conference (WAC) in 1967, one year after winning the National Collegiate Athletic Association (NCAA) Championship in men's basketball, and one year after changing its name from Texas Western College to The University of Texas at El Paso.

U. T. El Paso's 37-year tenure as a WAC member has offered many benefits, including enduring relationships with fellow WAC institutions during the first 25 years of its membership. During the past decade, however, the WAC experienced considerable instability, growing from eight member institutions to 16, including four former Southwest Conference institutions (Rice University, Southern Methodist University, Texas Christian University, and the University of Tulsa) as well as California State University, Fresno; San Jose State University; and the University of Nevada at Las Vegas in 1996. In 1999, the WAC returned to an eight-member configuration, when the Mountain West Conference was established by former WAC institutions Brigham Young University; University of Utah; Colorado State University; the University of Wyoming; Air Force Academy; the University of New Mexico; University of Nevada at Las Vegas; and San Diego State University. This instability was exacerbated in 2003, when Rice University, Southern Methodist University, and the University of Tulsa announced they would leave the WAC in 2005 to become members of C-USA.

The pending departure of these three "eastern" members of the WAC was particularly disturbing to U. T. El Paso, because their participation had enabled U. T. El Paso to compete regularly in Texas, especially in the Dallas and Houston areas, where there are large concentrations of U. T. El Paso alumni.

As conference alignments continue to shift, C-USA provides a stable home for U. T. El Paso's 16 athletic teams and significantly enhances the University's potential for additional postseason play and for increased revenue streams for its athletics programs. C-USA has an eight-year agreement (initiated in 2001) with ESPN that incorporates television coverage by ESPN, ESPN2, ESPN Regional Television, ABC Sports, ESPN.com, and ESPN Classic. In addition, the conference has tie-ins with five football bowl games.

By playing in the Central, Mountain and Eastern time zones as part of C-USA, U. T. El Paso will gain more exposure where large segments of the University's recruiting and alumni base reside. Beyond the substantial advantages for alumni membership and recruiting, U. T. El Paso will also benefit from increased exposure in Texas newspapers.

U. T. El Paso's Miners will be grouped in C-USA's Western Division with the University of Houston, Rice University, Southern Methodist University, Tulane University, and the University of Tulsa. The conference sponsors 19 sports and since its inception has fielded 34 NCAA Tournament teams in men's basketball, 34 NCAA Tournament teams in women's basketball, 22 bowl teams in football, and 23 NCAA Tournament teams in volleyball. In addition, 27 men's and women's soccer teams and softball teams have earned NCAA Tournament bids.



REVISED
5/7/04

**TABLE OF CONTENTS
FOR
HEALTH AFFAIRS COMMITTEE**

Committee Meeting: 5/12/2004
Austin, Texas
Board Meeting: 5/13/2004
Austin, Texas

Rita C. Clements, Chairman
H. Scott Caven, Jr.
Judith L. Craven, M.D.
James Richard Huffines
Cyndi Taylor Krier

	Committee Meeting	Board Meeting	Page
Convene	<i>10:00 a.m.</i> <i>Chairman Clements</i>		
1. U. T. M. D. Anderson Cancer Center: Brain Suite - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project; appropriation of funds and authorization of expenditure; and authorization of institutional management	<i>10:00 a.m.</i> Action <i>Mr. Sanders</i>	Action	58
2. U. T. Health Science Center - Houston: Authorization to acquire real property located at 6410 and 6414 Fannin Street, Houston, Harris County, Texas and parity debt	<i>10:05 a.m.</i> Action <i>Dr. Willerson</i> <i>Mr. Wilson</i>	Action	59
3. U. T. Health Center - Tyler: Health Clinic on U. T. Tyler campus - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project	<i>10:20 a.m.</i> Action <i>Mr. Sanders</i>	Action	62
4. U. T. M. D. Anderson Cancer Center: Determination of necessity and authorization to acquire three parcels of real property, through purchase or condemnation, in the expansion zone known as the Mid-campus Area, specifically 1303 Eaton Street, 7123 Selma Street, and 7213 Cecil Street, Houston, Harris County, Texas	<i>10:25 a.m.</i> Action <i>Dr. Mendelsohn</i> <i>Mr. Wilson</i>	Action	63
5. U. T. Health Center - Tyler: Appointment of Ronald F. Garvey, M.D., as President Emeritus	<i>10:30 a.m.</i> Action <i>Dr. Calhoun</i>	Action	65
6. U. T. System: Issues in Graduate Medical Education	<i>10:32 a.m.</i> Discussion <i>Dr. Shine</i>	Not on Agenda	66
7. U. T. Southwestern Medical Center - Dallas: Briefing on the Rationale for Possible Acquisition of St. Paul and Zale Lipshy University Hospitals	<i>11:15 a.m.</i> Report <i>Dr. Wildenthal</i>	Not on Agenda	66a
Adjourn			

1. **U. T. M. D. Anderson Cancer Center: Brain Suite - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project; appropriation of funds and authorization of expenditure; and authorization of institutional management**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and President Mendelsohn that the U. T. Board of Regents approve the recommendations for the Brain Suite project at U. T. M. D. Anderson Cancer Center as follows:

Architecturally or Historically Significant:

Yes No

Project Delivery Method:

Competitive Sealed Proposals

Substantial Completion Date:

December 2004

Total Project Cost:

<u>Source</u>	<u>Current</u>	<u>Proposed</u>
Hospital Revenues	-	\$2,800,000

Recommendations:

- a. amend the FY 2004-2009 CIP and the FY 2004-2005 Capital Budget to include the Brain Suite at a preliminary project cost of \$2,800,000 with funding from Hospital Revenues;
- b. appropriate funds and authorize expenditure of \$2,800,000 from Hospital Revenues; and
- c. 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.

Project Description:

U. T. M. D. Anderson Cancer Center has identified an opportunity to import a new technology to improve the treatment of brain tumors. Brain Suite is a neurosurgical operating room that provides and fully integrates all relevant surgical and diagnostic tools, including Magnetic Resonance Imaging (MRI), to treat complicated neurosurgical cases. Brain Suite provides benefits for tumor resection and intra operative diagnostic imaging, and also opens up new avenues of scientific research for the Neurosurgical Department. Through the integration of a high-field magnetic resonant scanner into the operating room, new paradigms, protocols, and surgical procedures can be examined.

This project would best be managed by the U. T. M. D. Anderson Cancer Center Facilities Management personnel who have the experience and capability to manage all aspects of the work.

This off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

2. **U. T. Health Science Center - Houston: Authorization to acquire real property located at 6410 and 6414 Fannin Street, Houston, Harris County, Texas and parity debt**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and President Willerson that authorization be granted by the U. T. Board of Regents, on behalf of U. T. Health Science Center - Houston, to

- a. purchase the real property improvements located at 6410 and 6414 Fannin Street, Houston, Harris County, Texas, at a price of \$31 million;
- b. appropriate funds and authorize the expenditure of \$19.55 million from Tuition Revenue Bond Proceeds and \$11.45 million from Revenue Financing System Bond Proceeds;
- c. lease on a long-term basis, the 3.0195-acre site on which the improvements are located;
- d. authorize the Executive Director of Real Estate (subject to approval by the Office of General Counsel) to complete ground lease negotiations; to execute all documents, instruments and agreements; and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations; and
- e. submit the proposed transactions to the Texas Higher Education Coordinating Board for approval, if necessary.

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

- a. parity debt shall be issued to pay the acquisition cost, including any costs prior to the issuance of such parity debt;
- b. sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System; and

- c. U. T. Health Science Center - Houston, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of parity debt in the aggregate amount of \$31 million.

BACKGROUND INFORMATION

Section 55.1732 (a)(11) of the Texas Education Code authorizes the Board of Regents to issue \$19.55 million of Tuition Revenue Bonds on behalf of U. T. Health Science Center - Houston "to construct or purchase a classroom building that includes facilities for clinical teaching and clinical research."

To accomplish this purpose, U .T. Health Science Center - Houston wishes to purchase the Hermann Professional Building and Parking Garage, which is located at 6410 and 6414 Fannin Street in Houston, Texas, from its current owner, the Memorial Hermann Healthcare System (MHHS). The subject property consists of a 14-story medical office tower containing 308,155 gross square feet (293,481 net rentable square feet) and an attached 1,416-space parking garage containing 463,303 gross square feet, plus an additional 26,697 net rentable square feet of office space on the first floor. The site contains approximately 3.02 acres. The property lies within the boundaries of the Texas Medical Center directly across the street from the U. T. Health Science Center - Houston Medical School Building and Memorial Hermann Hospital (the institution's primary teaching hospital).

Together with its not-for-profit healthcare corporation, University of Texas Physicians, U. T. Health Science Center - Houston currently occupies approximately 51% of the Hermann Professional Building on a lease basis. Combined with space currently utilized by MHHS clinics and private physicians who also participate in the teaching of medical residents, a substantial portion of the property is already being used for U. T. Health Science Center - Houston mission-related clinical teaching and clinical research purposes. Acquisition of the property will allow the institution to maintain its long-term clinical teaching and research relationship with MHHS while reducing expenses through the elimination of current lease obligations. While the U. T. Health Science Center - Houston intends to fully utilize the facility for its own use, it expects that portions of the building and garage will continue being leased to MHHS, private physicians, and a limited number of non-medical tenants until such spaces are needed by the institution.

The \$31 million purchase price for the medical office tower and parking garage is supported by independent MAI appraisals. The sources of acquisition funding are \$19.55 million of Tuition Revenue Bond Proceeds and \$11.45 million of Revenue Financing System Bond Proceeds. Debt service on the \$11.45 million of Revenue

Financing System debt will be repaid by net revenues from the project and by practice plan income derived from ambulatory clinics. Annual debt service on the \$11.45 million in Revenue Financing System Bond Proceeds is projected to be \$922,714. The debt service coverage for the project is expected to be at least 2.9 times.

Because MHHS will not agree to sell land in close proximity to its main hospital site, the land will be leased, rather than sold, to the U. T. Board of Regents for the benefit of U. T. Health Science Center - Houston. The primary term of the lease will be 50 years. The Board of Regents will have options to extend the lease for a second term of 50 years and a third term of 25 years.

The terms and conditions of the purchase and proposed ground lease are as reflected in the transaction summary below:

Transaction Summary

Component:	U. T. Health Science Center - Houston
Property Name:	Hermann Professional Building & Garage
Property Address:	6410 & 6414 Fannin Street, Houston, Texas
Type of Transaction:	Office building and parking garage improvements purchase and ground lease of real property
Seller/Ground Landlord:	Memorial Hermann Healthcare System (“MHHS”)
Buyer/Ground Tenant:	U. T. System Board of Regents (“UT”)
Purchase Price:	\$31 million for the office building and garage
Ground Rent:	\$590,000 per year (beginning in second year)
Lease Term:	50 years
Extension Options:	1st extension: 50 years 2nd extension: 25 years
Rent Escalation:	5% every 5 years during the primary term of the ground lease 4% every 5 years during the extension terms
Ownership of Improvements:	U. T. will own the improvements during the term of the lease and any extensions. Improvements will revert to MHHS at the expiration or termination of the ground lease.

Ownership of Land: MHHS

Current Use: 14-story medical office building

Improvements: Building: 308,155 gross square feet (293,481 net rentable square feet)
 Parking Garage: 1,416 spaces (463,303 gross square feet) plus 26,697 net rentable square feet of office space

Year Constructed: 1948 (office building substantially renovated in 2000-2004)

Remaining Economic Life of Improvements: 50 years (per appraisal)

3. U. T. Health Center - Tyler: Health Clinic on U. T. Tyler campus - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and President Calhoun that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to include the Health Clinic project at U. T. Health Center – Tyler as follows:

Architecturally or Historically Significant: (Note: Project is before the Board; see Item 1 on Page 67.)

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: July 2006

Total Project Cost:

	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	-	\$3,500,000

Project Description: The Health Clinic will be located on the U. T. Tyler campus. This project proposes to construct a 10,000 gross square foot, one-story facility incorporating outpatient clinic facilities for the general public, faculty, staff, and students of U. T. Tyler. The facility will include examination rooms, nurse and clerical work areas, medical records storage, teaching and testing areas, waiting rooms, and staff offices. An additional parking area will also be constructed adjacent to the facility.

U. T. Health Center – Tyler currently operates and leases two facilities in south Tyler and has been exploring different options for consolidating operations into one facility. This possibility, combined with the need to provide student, faculty, and staff health care on the U. T. Tyler campus, provides justification for a more permanent investment. In addition to being able to serve a greater patient population in the new facility, U. T. Health Center – Tyler also expects overhead costs to be decreased as a result of the combined operation with the debt for financing repaid from patient care income. Furthermore, operations at this facility will provide an on-campus teaching forum for education and clinical research for students.

This off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

4. **U. T. M. D. Anderson Cancer Center: Determination of necessity and authorization to acquire three parcels of real property, through purchase or condemnation, in the expansion zone known as the Mid-campus Area, specifically 1303 Eaton Street, 7123 Selma Street, and 7213 Cecil Street, Houston, Harris County, Texas**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Interim Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Mendelsohn that authorization be granted to:

- a. acquire the property located at 1303 Eaton Street, 7123 Selma Street, and 7213 Cecil Street, Houston, Harris County, Texas, through purchase or condemnation proceedings, if necessary, at prices not exceeding fair market values as determined by independent appraisals or by determinations of the courts; and
- b. authorize the Executive Director of Real Estate to execute all documents, instruments and other agreements, and subject to consent by the Executive Vice Chancellor for Health Affairs, to initiate condemnation actions of the subject properties, if necessary, through the U. T. System Office of General Counsel and the Office of the Attorney General of the State of Texas, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

By House Bill 1840 passed by the 76th Texas Legislature in 1999, a geographical expansion area was created for U. T. M. D. Anderson Cancer Center, referred to as the Mid-campus Area. The Cancer Center has immediate needs to use the Mid-campus Area for a building site and the creation of a public roadway connection between the main hospital complex and the U. T. Research Park.

Historically, much of the Mid-campus Area was divided into relatively small parcels with numerous owners. U. T. M. D. Anderson Cancer Center has for many years been systematically assembling larger tracts of land through negotiated purchases within the area. There now remain specific parcels that the institution must acquire in order to provide a building site for administrative operations critical to support its research, patient care, and education missions. Further, a relocated roadway connection between the main campus and the U. T. Research Park is needed in order to enable the Cancer Center to continue with its master planned campus development.

The critical parcels that U. T. M. D. Anderson Cancer Center seeks to acquire at this time are generally described as follows:

Location	Land Size	Current Use
Parcel 1 1303 Eaton, Lots 8-12, Block 17, Institute Addition	18,500 sq. ft. .425 acres	24 Unit Apartment Complex
Parcel 2 7123 Selma, Lots 8 and 9, Block 20, Institute Addition	15,500 sq. ft. .355 acres	Two Lots with House
Parcel 3 7213 Cecil, Lot 8, Block 21, Institute Addition	5,000 sq. ft. .115 acres	One Lot with House

In the event U. T. M. D. Anderson Cancer Center is unsuccessful in acquiring the remaining properties through good faith negotiations, in accordance with the Resolution adopted by the Board of Regents on March 11, 2004, the institution is requesting authority to condemn the properties at fair market values as determined by the courts, subject to first obtaining the consent of the Executive Vice Chancellor for Health Affairs prior to initiating such condemnation actions.

5. **U. T. Health Center - Tyler: Appointment of Ronald F. Garvey, M.D., as President Emeritus**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Calhoun that authorization be granted to appoint Ronald F. Garvey, M.D., President Emeritus at The University of Texas Health Center at Tyler. Approval of this recommendation is being requested in accordance with the Regents' Rules and Regulations, Part One, Chapter II, Section 21, relating to honorary titles. It is recommended this appointment take place retroactively starting February 1, 2003.

BACKGROUND INFORMATION

Ronald Francis Garvey was born May 4, 1928, in Olean, New York, the son of a physician and nurse. He received his undergraduate degree from Harvard College and a Doctor of Medicine from the University of Buffalo School of Medicine. His postgraduate clinical training included an internship and residency at Parkland Memorial Hospital in Dallas in 1960.

Dr. Garvey served in the United States Air Force as a flight surgeon, achieving the rank of Captain. His distinguished career includes positions of Professor of Surgery at U. T. Southwestern Medical Center - Dallas. He was team physician for the Dallas Cowboys professional football team from 1963-1972. Before his recruitment to U. T. Health Center - Tyler, he was president and CEO of Zale Lipshy University Hospital in Dallas.

He was a member of the Board of Regents of Texas Women's University and has served on a number of other organizations' board of directors. Dr. Garvey earned a Master's in Business Administration from the University of Dallas in 1986 and was named a university Distinguished Alumnus in 1998. He has many distinguished publications and awards.

As Acting Director of U. T. Health Center - Tyler from 1997-1998, Dr. Garvey became the first President of the institution in 1998. During his tenure at the Health Center, he focused on the financial performance of the institution, dramatically improved its financial picture, and successfully led the initiative to obtain funding for a \$12 million expansion of the Center for Biomedical Research. Dr. Garvey retired as president in October 2002, after five years of exemplary service to the people of East Texas.

6. **U. T. System: Issues in Graduate Medical Education**

REPORT

Dr. Kenneth Shine, Executive Vice Chancellor for Health Affairs, will report on issues in Graduate Medical Education using the PowerPoint presentation attached on Pages 66.1 – 66.21.



Presentation to the Board of Regents Health Affairs Committee

by Kenneth Shine, M.D.

May 12, 2004



Acknowledgements

- Texas Medical Association
- Coordinating Board
- Roland Goertz
- Mary Ellen Weber (UT Southwestern)
- James Guckian (UT System)

2



Importance of GME

- Most cost effective method of recruiting and retaining physicians
- Critical role in providing patient care, particularly indigent care
- Major source of highly qualified well-trained physicians

3



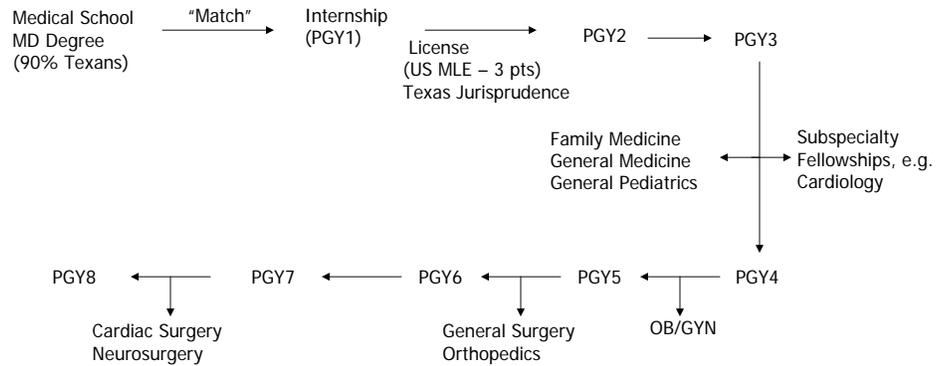
Graduate Medical Education

- Post-M.D. education and training – under faculty supervision – characterized by progressive responsibility for care of patients and leading to licensure and to specialty accreditation.
- Trainees are called Residents. Post-Graduate Year 1 (PGY1) Residents are called Interns.

4



Medical Education



5



Physician Workforce (2003)

	TX	U.S.
Physicians/100,000	152	220
Primary Care Physicians/100,000	71	81

6



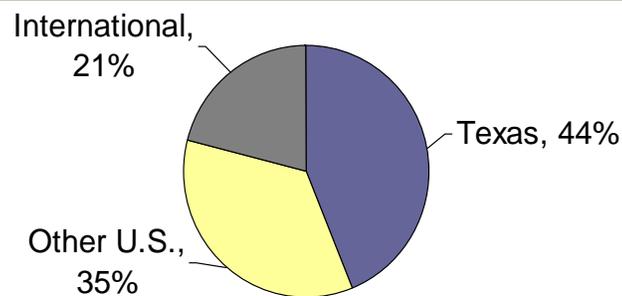
Physician Shortage

- Population growth
- Growth in older members of the population
- Intensity of services for 65+
- Maldistribution

7



Where Texas Physicians Went to Medical School (2000)



Note: An average of 58% of Texas medical school graduates remain in Texas to practice after residency training, regardless of residency training locations. A survey by the Texas Medical Association (1996) showed that 75% of Texas physicians completing residencies planned to stay in Texas.

Sources: 1) Texas Med. Assoc.; 2) Texas State Bd. of Med. Exam.; 3) U.S. Depart. of Health and Human Services, Health Res. and Services Administration

8



Graduate Medical Education Plays Central Role in Indigent Care in Texas

9



Faculty Oversight Amplifies Care. Quality Care for Indigent Patients

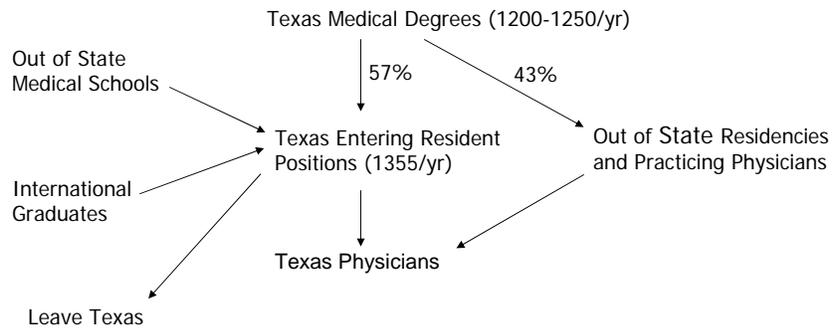
Examples:

- UTMB (Galveston)
- UTHSCH - LBJ Hospital (Houston)
- UTHSCH - Memorial Hermann Hospital (Houston)
- Texas Tech (El Paso, Lubbock, Odessa, Amarillo)
- UTSMCD - Parkland Hospital (Dallas)
- UTHCT - Tyler Health Center (Tyler)
- A&M HSC - Scott & White Memorial Hospital (Temple)
- UTHSCSA – (San Antonio/McAllen/Harlingen)
- Baylor (Ben Taub - Houston)

10



Texas Physician Pipelines



11



California Strategy

	California	Texas
1st year Medical Students	1,000	1,200
1st Year Resident Positions	2,272	1,355
Total Residents	8,964	6,154

ACGME 2003

12



California Strategy

State Funds

FTE/3.5 Medical Students

FTE/8 Residents

13



Texas Residency Programs

- Accredited Programs - National Organizations:
Content/Patients/Quality/Faculty – 469 Programs
in Texas
- 37 Generalist Specialties
- 77 Other Specialties
- ≈ 6,150 Residents
- 1,355 PGY1 Positions

Source: ACGME 2003

14



GME

- Medical School Role – Teaching and Supervision
- Hospital Role – Employs Residents for Care

15



Medical School Role (GME)

- Faculty Oversight
 - Ward Rounds
 - Outpatient (Clinic) Supervision
- Resident Training and Education
 - Education as part of patient care
 - Conference, lectures, seminar
- Faculty Expertise
 - Consultants
 - Specialized Care
- 88% of Residency programs in Texas affiliated with Medical School

16



Faculty Support

- Average total faculty compensation \$240,000
- 25% time teaching/4 residents
- $\$60,000/4 = \$15,000/\text{resident}$
- Aggregate Cost 6150 Residents = \$92 Million/Annually

17



State Funding

- Medical Student \approx \$47,000 annually*
- Resident Faculty Cost – (\$15,000)

* Figure does not include Infrastructure formula funding related to medical school enrollment.

18



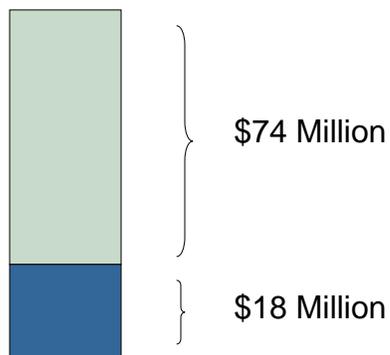
Medical School State Support

- Medical Students (Instruction Formula, Employee Benefits, and Baylor Appropriation) – GR \$337.6 million ('04)
- GME (Special Items ≈\$9 million)
- GME, Family Practice and Primary Care Trusted at Coordinating Board (\$14 Million)

19



Medical School GME Shortfall \$92 Million



20



Hospital Support of GME

- Federal Medicare Funds
 - Direct Medical Education (DME)
 - Indirect Medical Education (IME)
- State Medicaid Funding
- Cost Shifting from other Payors
- Disproportionate Share Monies (DISPRO)

21



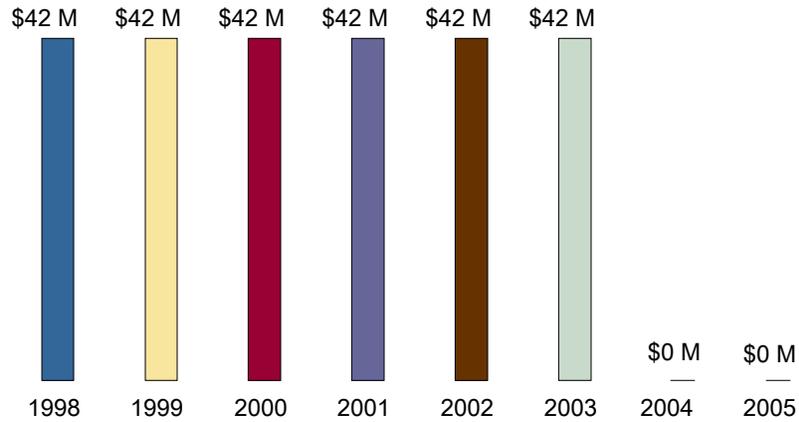
State Medicaid Funding

- Hospital Funding eliminated in current biennium (\$42 million/year previously)
- Cost shifting disappeared with Managed Care Cost Cutting

22



Medicaid Funding for GME in Texas



23



80 Hour Rule*

July 1, 2003 – 80 hour/week

- Mandatory days off
- Mandatory Shift Length
- Continuity of Care Threatened
- Increased Faculty Burden

*Accreditation Requirements (ACGME)

24



Challenges to GME

- Decreased Medicaid Funding (\$42M → \$0/yr)
- Decreased Federal Funding (-\$142M threatened over 5 years)
- 80 Hour Week Limitation
- Increased Faculty Workloads

25



Risks to GME

- Decreased Quality of Programs
- Decreased Quality of Residents
- Decreased Number of Programs
- Decreased Size of Programs
- Decreased Indigent Care
- Fewer Outstanding Physicians in Texas

26



Importance of GME

- Most cost effective method of recruiting and retaining physicians
- Critical role in providing patient care particularly, indigent care
- Major Source of highly qualified well-trained physicians

27



Graduate Medical Education Recommendations

- Fund faculty time (and Administration) - \$80 Million
- Restore Medicaid Hospital Support - \$42 Million
- Add 300 Residency Positions - \$15 Million

28



Backup Slides

29



University of Texas and Affiliated Hospitals

	Resident Programs	Number of Residents
Grand Total	470	5,849
UT Portion Total	284	3,556
UT Portion %	60.43%	60.8%

UT Portion of \$80 M	48.6M
UT Portion of \$15 M	9.1M
UT Hospitals Portion of ~42 million for Medicaid GME:	27.3M

30



GME Options - Federal

- Support uncapping the number of Medicare Funded Residencies
- Support Maintenance of Medicare GME Funding

31



GME Options - State

- Fund Faculty Time @\$15,000/resident
 - Total cost \$92 million (including unaffiliated programs)
- Restore Medicaid Funding with Provision for GME support
- Fund a portion of Hospital Residency Costs to Increase Number of Positions

32



Retention of Students and Residents in Texas

Medical School Graduates	57.6%*
Resident Graduates	57.3%*
Medical School and GME in Texas	83.0%

*AMA Masterfile (1999)

33



Federal Medicare Funding

- Direct Medical Education (DME) Costs
 - % of Resident Compensation x % of Medicare Cases
- Indirect Medical Education (IME) Costs
 - Complex formula related to extra treatment costs/severity of illness/ number of Medicare Cases

34



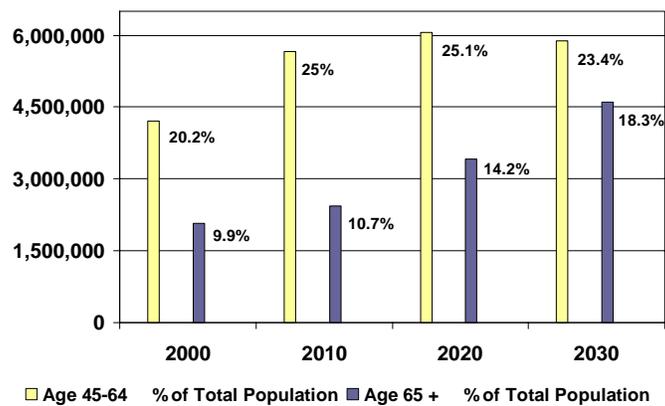
Medical Education Costs

- Direct Educational Costs Measurable
- Indirect Medical Education Costs Ambiguous
 - How to estimate accurately increased care costs
 - Severity of illnesses (teaching hospital)
 - Health status of population (uninsured)

35



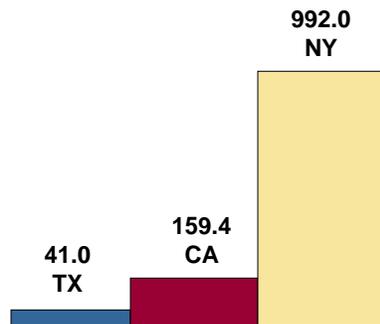
Texas Population Shifts



36



State Medicaid GME Payments (2002)



Source: Association of American Medical Colleges 2003

37



Examples of the Internal Medicine Subspecialties

Completion of 3 years of Internal Medicine, then enter Subspecialties, such as:

- Cardiovascular disease (3 years)
- Gastroenterology (3 years)
- Infectious disease (2 years)
- Geriatric medicine (2 years)

Source: GME Directory
2002-2003; AMA

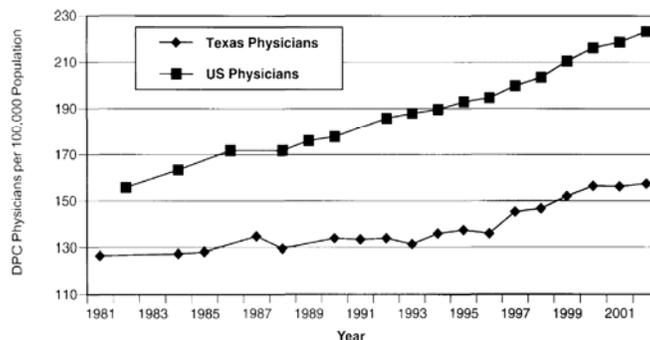
38



Direct Patient Care Physicians

DPC Physicians

Figure 10. DPC Physicians per 100,000 Population, U.S. and Texas, 1981 to 2002



Source: Texas State Board of Medical Examiners; HRSA, Bureau of Health Professions
Figures include all licensed, active, in-state, non-federal, non-resident in training physicians

39



Hospital GME Role

- Residents Compensation ($\approx 50,000/\text{yr.}$)
- Education/Patient Care Ratio 25/75
- Large Proportion of Indigent Care
- Hospitals Collaborate with Faculty

40



Federal Medicare Funding

- Funding Levels Declining
- Number of Residents Capped
- Further Funding Cuts Anticipated

41

ADDITIONAL AGENDA ITEM
HEALTH AFFAIRS COMMITTEE

MAY 12, 2004

7. **U. T. Southwestern Medical Center - Dallas: Briefing on the rationale for possible acquisition of St. Paul and Zale Lipshy University Hospitals**

REPORT

President Wildenthal will brief the Board regarding the need for U. T. Southwestern Medical Center - Dallas to purchase the St. Paul and Zale Lipshy University Hospitals following the PowerPoint presentation attached on Pages 66a.1 – 66a.8.



TABLE OF CONTENTS FOR FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

Committee Meeting: 5/12/2004

Austin, Texas

Board Meeting: 5/13/2004

Austin, Texas

James Richard Huffines, Chairman

John W. Barnhill, Jr.

Rita C. Clements

Robert A. Estrada

Woody L. Hunt

	Committee Meeting	Board Meeting	Page
Convene	2:00 p.m. <i>Chairman Huffines</i>		
1. U. T. System: Consideration of architecturally or historically significant projects	2:00 p.m. Action <i>Mr. Sanders</i>	Not on Agenda	67
2. U. T. System: Office of Facilities Planning and Construction Status Report on the use of Sustainability Building Standards for Capital Construction and the development of an Oversight Monitoring Model for implementation of Capital Projects for certain institutions	2:05 p.m. Report <i>Mr. Sanders</i>	Not on Agenda	68
3. U. T. Arlington: Meadow Run Apartments - Phase II - Approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and approval of parity debt	2:10 p.m. Action <i>Mr. Sanders</i>	Action	68
4. U. T. Arlington: Student Apartments - Approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; approval of parity debt; and redesignation of project	2:15 p.m. Action <i>Mr. Sanders</i>	Action	70
5. U. T. Dallas: Natural Science and Engineering Research Building - Approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and approval of parity debt	2:20 p.m. Action <i>Mr. Sanders</i>	Action	72

		Committee Meeting	Board Meeting	Page
6.	U. T. Permian Basin: Student Housing Phase III - Amendment of FY 2004-2009 Capital Improvement Program and FY 2004-2005 Capital Budget to increase total project cost; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and approval of parity debt	<i>2:25 p.m.</i> Action <i>Mr. Sanders</i>	Action	74
7.	U. T. Permian Basin: Request for acceptance of gift of outdoor work of art (replica of Stonehenge)	<i>2:30 p.m.</i> Action <i>Mr. Sanders</i>	Action	75
8.	U. T. Austin: Honorific naming of the Animal Rehabilitation Keep at the Marine Science Institute as the Edith McAllister Animal Rehabilitation Keep	<i>2:35 p.m.</i> Action <i>Mr. Sanders</i>	Action	76
9.	U. T. San Antonio: Honorific naming of a wing of the Biotechnology, Sciences and Engineering Building (West Campus Wet Lab Building) as the Margaret Batts Tobin Laboratory Building	<i>2:40 p.m.</i> Action <i>Mr. Sanders</i>	Action	77
10.	U. T. Tyler: Student Dormitory and Academic Excellence Center - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost and appropriation of additional funds and authorization of expenditure	<i>2:45 p.m.</i> Action <i>Mr. Sanders</i>	Action	78
11.	U. T. M. D. Anderson Cancer Center: Federal Emergency Management Agency (FEMA) 404 Projects - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost and appropriation of additional funds and authorization of expenditure	<i>2:50 p.m.</i> Action <i>Mr. Sanders</i>	Action	79
12.	U. T. Health Center - Tyler: Ambulatory Care Center - Phase II - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; appropriation of additional funds and authorization of expenditure; and approval of parity debt	<i>2:55 p.m.</i> Action <i>Mr. Sanders</i>	Action	80
	Adjourn	<i>3:00 p.m.</i>		

1. **U. T. System: Consideration of architecturally or historically significant projects**

RECOMMENDATION

It is recommended that the Committee review the following projects scheduled for architectural selection for possible designation as architecturally or historically significant pursuant to the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 3, Subsection 3.3.

- **U. T. Austin**

- **LBJ Plaza Renovation/Lady Bird Johnson Center**

- Project Cost: \$30,000,000

- Anticipated Delivery Method: Construction Manager at Risk
(see Item 4 on Page 44)

- **U. T. Brownsville**

- **Wellness, Recreational and Fitness Center**

- Project Cost: \$12,500,000

- Anticipated Delivery Method: Construction Manager at Risk

- **U. T. Pan American**

- **Child Development Center**

- Project Cost: \$1,500,000

- Anticipated Delivery Method: Competitive Sealed Proposals
(see Item 8 on Page 50)

- **Health and Kinesiology Physiology/Recreation Center**

- Project Cost: \$18,000,000

- Anticipated Delivery Method: Competitive Sealed Proposals

- **U. T. San Antonio**

- **Recreation and Athletics Facilities**

- Project Cost: \$14,500,000

- Anticipated Delivery Method: Competitive Sealed Proposals
(see Item 11 on Page 57)

- **U. T. Health Center - Tyler**

- **Health Clinic**

- Project Cost: \$3,500,000

- Anticipated Delivery Method: Competitive Sealed Proposals
(see Item 3 on Page 62)

2. **U. T. System: Office of Facilities Planning and Construction Status Report on the use of Sustainability Building Standards for Capital Construction and the development of an Oversight Monitoring Model for implementation of Capital Projects for certain institutions**

REPORT

A status report will be presented reviewing the various definitions of “Sustainability” or “Sustainable Building” within the construction industry and the establishment of guidelines for the U. T. System capital construction program, subject to the specific program requirements of each individual facility.

A status report will be presented outlining a model for implementation of capital construction where the institution directly manages the project and OFPC provides oversight and risk monitoring.

3. **U. T. Arlington: Meadow Run Apartments - Phase II - Approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and approval of parity debt**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Spaniolo that the U. T. Board of Regents approve the recommendations for the Meadow Run Apartments – Phase II at U. T. Arlington as follows:

Project Number: 301-189

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: July 2005

Total Project Cost:

<u>Source</u>	<u>Current</u>
Revenue Financing System Bond Proceeds	\$7,722,000

Debt Service: The \$7,722,000 in Revenue Financing System Bond Proceeds debt will be repaid from net revenues on the project. The annual debt service will be structured proportionately to the projected amount of net revenue available. Debt service coverage on the project is expected to achieve 1.3 times by the seventh year of operation. Auxiliary Fund Balances are available for interim debt service coverage.

Recommendations:

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility;
- c. appropriate funds and authorize expenditure of funds; and
- d. 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. Board of Regents relating to the Financing System; and
 - U. T. Arlington, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$7,722,000.

Previous Board Action:

In December 2003, the Chancellor, under delegated authority from the Board, approved decreasing the total project cost from \$10,572,000 to \$7,722,000 to allow for the land purchase of the site for the apartments.

Project Description:

The project will include the construction of four three-story buildings consisting of approximately 94,500 total gross square feet capable of housing 216 students with a mix of one-bedroom and two-bedroom units. A clubhouse and mail center and a swimming pool constructed during Phase I will be available for use by occupants of Phase II. Parking for 171 vehicles is included and will be located south of and adjacent to the existing parking lot constructed with Meadow Run Apartments - Phase I.

Due to increased student enrollment at U. T. Arlington, demand for University-owned and operated apartments is strong. Currently, there are 900 people on the residence hall waiting list and 1,115 people waiting for apartments. To begin to meet this need, the institution has added housing for over 1,000 students over the past three years. In Fall 2000, Arlington Hall added 600 residence hall beds to the on-campus housing inventory; in Fall 2002, Arbor Oaks and Timber Brook Apartments added 240 apartment units; and in Fall 2003, Meadow Run Apartments added 120 apartment units. The completion of Kalpana Chawla Hall in Fall 2004 will add an additional 430 residence hall beds.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project will be reported to the U. T. Board of Regents as part of the design development presentation.

4. U. T. Arlington: Student Apartments - Approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; approval of parity debt; and redesignation of project

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Spaniolo that the U. T. Board of Regents approve the recommendations for the Student Apartments at U. T. Arlington as follows: (See Item 3 on Page 43 related to proposed acquisition of property at 124 Southdale Drive, Arlington, Tarrant County, Texas.)

Project Number: 301-188

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: August 2005

Total Project Cost: Source Current
Revenue Financing System Bond Proceeds \$14,357,000

Debt Service: The \$14,357,000 in Revenue Financing System Bond Proceeds debt will be repaid from net revenues on the project. The annual debt service will be structured proportionately to the projected amount of net revenue available. Debt service coverage on the project is expected to be at least 1.3 times by the fifth year of operation. Auxiliary Fund Balances are available for interim debt service coverage.

Recommendations:

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility;
- c. appropriate funds and authorize expenditure of funds; and

- d. 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. Board of Regents relating to the Financing System; and
 - U. T. Arlington, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$14,357,000.
- e. redesignate the project as the Silver Stone Apartments.

Project Description:

The project will include approximately 150,000 total gross square feet consisting of the construction of 13 two- and three-story buildings capable of housing approximately 270 students, one community building, and all utility support buildings. A clubhouse and mail center and a swimming pool will be included. There will be utility upgrades, site development, and improvements including surface parking. The redesignation to Silver Stone Apartments is the recommendation by vote of the U. T. Arlington Housing Department staff.

Due to increased student enrollment at U. T. Arlington, demand for University-owned and operated housing is strong. Currently, there are 900 people on the residence hall waiting list and 1,115 people waiting for apartments. To begin to meet this need, the institution has added housing for over 1,000 students over the past three years. In Fall 2000, Arlington Hall added 600 residence hall beds to the on-campus housing inventory; in Fall 2002, Arbor Oaks and Timber Brook Apartments added 240 apartment units; and in Fall 2003, Meadow Run Apartments added 120 apartment units. The completion of Kalpana Chawla Hall in Fall 2004 will add an additional 430 residence hall beds.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project will be reported to the U. T. Board of Regents as part of the design development presentation.

5. U. T. Dallas: Natural Science and Engineering Research Building - Approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and approval of parity debt

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Jenifer that the U. T. Board of Regents approve the recommendations for the Natural Science and Engineering Research Building at U. T. Dallas as follows:

Project Number: 302-192

Architecturally or Historically Significant: Yes No

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: December 2006

Total Project Cost:

<u>Source</u>	<u>Current</u>
Revenue Financing System Bond Proceeds	\$85,000,000

Debt Service: Debt service on the Natural Science and Engineering Research Building will be secured by and payable from Pledged Revenues of the Revenue Financing System; however, pursuant to an Economic Development Agreement between the Board of Regents and the State of Texas dated March 1, 2004, it is the intention of the State to appropriate additional funding to U. T. Dallas to reimburse 100% of the debt service costs for the first 10 years of the agreement, with the percentage declining to 10% by years 19 and 20. U. T. Dallas has agreed to generate income from external research contracts and other collaborative efforts to satisfy the debt service obligations not covered through general revenue appropriations. To the extent this research income is insufficient, U. T. Dallas has pledged to use up to \$4,300,000 of Local Fund Balances as necessary to meet its debt service obligations. Annual debt service on the \$85,000,000 in Revenue Financing System debt is expected to be approximately \$6,840,000. Debt service coverage on the projected net obligation payable by U. T. Dallas is expected to be at least 1.3 times.

- Recommendations:**
- approve design development plans;
 - approve the evaluation of alternative energy economic feasibility;
 - appropriate funds and authorize expenditure of funds; and
 - 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 capitalized interest and 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. 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. Board of Regents of tax-exempt parity debt in the aggregate amount of \$85,000,000.

Previous Board Action

On November 13, 2003, the project was approved by the Board for inclusion in the Capital Improvement Program.

Project Description:

The project will include approximately 200,000 gross square feet for technology research and development. The new building is to provide state-of-the-art, multidisciplinary research laboratories, laboratory support spaces, faculty and student offices, and administrative offices. The building will include core facilities for imaging, cleanroom space, and shell space for a central vivarium. The departments of Computer Science and Natural Science, and the engineering program are to be housed in this building with the goal of establishing top ranking for the institution.

The State of Texas has negotiated an agreement with Texas Instruments for construction of a new \$3 billion research, development, and manufacturing facility to be located in Richardson, Texas. As part of that agreement, the State has offered to significantly enhance the academic and research programs at the Erik Jonsson School of Engineering and Computer Sciences at U. T. Dallas. In order to satisfy the State's commitment to Texas Instruments, the State and U. T. System have proposed Project Emmitt, a \$3 billion, five-year program aimed at elevating the Jonsson School to a Top-50 ranking among United States engineering schools. The core building will be the Natural Science and Engineering Research Building to consolidate programs into one facility.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project will be reported to the U. T. Board of Regents as part of the design development presentation.

6. U. T. Permian Basin: Student Housing Phase III - Amendment of FY 2004-2009 Capital Improvement Program and FY 2004-2005 Capital Budget to increase total project cost; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and approval of parity debt

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Watts that the U. T. Board of Regents approve the recommendations for the Student Housing Phase III at U. T. Permian Basin as follows:

Project Number: 501-185

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: July 2005

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$6,000,000	\$7,900,000

Debt Service: The \$7,900,000 in Revenue Financing System Bond Proceeds debt will be repaid from net housing revenue operations. Debt service coverage on the institution's combined student housing operations is expected to be at least 1.3 times.

- Recommendations:**
- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase total project cost;
 - b. approve design development plans;
 - c. approve the evaluation of alternative energy economic feasibility;
 - d. appropriate funds and authorize expenditure of funds; 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. Board of Regents relating to the Financing System; and

- U. T. Permian Basin, which is a “Member” as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$7,900,000.

Project Description:

The new housing project will consist of approximately 45,000 gross square feet capable of housing 114 students. The project is in a six building configuration. Each building is to have three one-bedroom units, eight two-bedroom units, and a laundry room. This is the third phase of a planned expansion and upgrading of on-campus housing. The project will include improvements to the existing cafeteria, paved parking for approximately 125 vehicles, and utility connections. Present housing is filled to capacity. The increase of \$1,900,000 in the total project cost will accommodate the redefined scope determined in the facility program.

The housing expansion will accommodate projected increased enrollment and the increase of the undergraduate student body. Current on-campus housing consists of approximately 224 total beds with housing of an additional 198 beds currently under construction.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project will be reported to the U. T. Board of Regents as part of the design development presentation

7. U. T. Permian Basin: Request for acceptance of gift of outdoor work of art (replica of Stonehenge)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Watts that the U. T. Board of Regents accept the gift of outdoor work of art at U. T. Permian Basin in accordance with Regents’ Rules and Regulations, Part One, Chapter VII, Section 1, Subsection 1.2, Subdivision 1.22.

BACKGROUND INFORMATION

U. T. Permian Basin has received an offer from a group of citizens for the donation of a full-size replica of Stonehenge. The replica will be exact in the horizontal size dimensions and 70% of the vertical dimensions.

The Stonehenge replica will be located on 0.3 acres of land near the Visual Arts Studio. The stones would be set in the appropriate orientation to fit the alignment of the original structure, corrected for the new latitude and longitude. The actual stones would be obtained from a local Permian Basin quarry and would be installed by the staff at U. T. Permian Basin after review and approval of the recommended layout and engineering design by the appropriate administration and staff of U. T. Permian Basin. The Stonehenge replica will be a major draw to the campus for travelers and school children. The cost of installation will be donated, and maintenance will be minimal.

8. **U. T. Austin: Honorific naming of the Animal Rehabilitation Keep at the Marine Science Institute as the Edith McAllister Animal Rehabilitation Keep**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents approve the naming of the Animal Rehabilitation Keep at the Marine Science Institute at U. T. Austin as the Edith McAllister Animal Rehabilitation Keep.

BACKGROUND INFORMATION

The Animal Rehabilitation Keep at the Marine Science Institute in Port Aransas is a permanent building for the rehabilitation of injured birds, turtles, and mammals recovered in the Coastal Bend area. The facility is climate controlled and provides the needed tanks and filtration systems for rehabilitation of wounded animals.

Mrs. Edith McAllister conceived the plan to construct a permanent building known as the Animal Rehabilitation Keep. Mrs. McAllister and her daughter, Ms. Taddy McAllister, raised most of the funding needed for the construction and equipment for the facility, which was dedicated in August 1999.

Mrs. Edith McAllister has served The University of Texas at Austin by her memberships in the Texas Centennial Commission, Leadership Council - South Texas, and the Littlefield Society. She is also Vice Chairman of The University of Texas at San Antonio Development Board. Mrs. McAllister is a generous donor to the Red McCombs School of Business, the College of Fine Arts, the Department of Natural Sciences, and the U. T. Press.

The naming of the Animal Rehabilitation Keep at the Marine Science Institute to honor the distinguished service of Mrs. Edith McAllister is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3 relating to honorific namings of facilities, and institutional guidelines on the naming of facilities.

9. **U. T. San Antonio: Honorific naming of a wing of the Biotechnology, Sciences and Engineering Building (West Campus Wet Lab Building) as the Margaret Batts Tobin Laboratory Building**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents approve the naming of the West Campus Wet Lab Building wing of the Biotechnology, Sciences and Engineering Building project at U. T. San Antonio as the Margaret Batts Tobin Laboratory Building.

BACKGROUND INFORMATION

The West Campus Wet Lab Building phase of the Biotechnology, Sciences and Engineering Building at U. T. San Antonio was approved by the U. T. Board of Regents on November 13, 2003. The research facility contains 22,000 gross square feet and will house numerous generic biology research labs as well as a Biosafety level-3 laboratory.

Mrs. Margaret Batts Tobin served on the U. T. Board of Regents from 1947 to 1955. She was the third woman appointed to the Board. She was a prominent businesswoman and cultural leader in San Antonio for many years until her death in August 1989. Throughout her years in San Antonio, she was active in the community, serving as president of the McNay Art Institute and the San Antonio Symphony Society and as a trustee of the Southwest School of Art and Craft.

There is already a Margaret Tobin Avenue on the U. T. San Antonio 1604 Campus, named in recognition of Mrs. Tobin's service as a Regent. To further recognize Mrs. Tobin, U. T. San Antonio would like to designate the West Campus Wet Lab Building in her honor for her dedication to improving her community.

The naming of the West Campus Wet Lab Building phase of the Biotechnology, Sciences and Engineering Building at U. T. San Antonio to recognize the distinguished service of former Regent Margaret Batts Tobin is consistent with the Regent's Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3 relating to honorific namings of facilities, and institutional guidelines on the naming of facilities.

10. U. T. Tyler: Student Dormitory and Academic Excellence Center - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost and appropriation of additional funds and authorization of expenditure

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Mabry that the U. T. Board of Regents approve the recommendations for the Student Dormitory and Academic Excellence Center at U. T. Tyler as follows:

Project Number: 802-166

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: July 2005

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$ 8,000,000	\$ 8,000,000
	Gifts	<u>\$ 3,000,000</u>	<u>\$ 5,220,000</u>
		\$11,000,000	\$13,220,000

Recommendations:

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the total project cost; and
- b. appropriate additional funds and authorize expenditure of funds of \$2,220,000 from Gifts.

Previous Board Actions: On November 13, 2003, the Board approved the design development plans and a total project cost of \$11,000,000.

Project Description: U. T. Tyler is requesting an increase in the total project cost of \$2,220,000 from Gifts to include the Academic Excellence Center portion of the project that was bid as an alternate for which funding from Gifts has now been received.

This is the first student dormitory at U. T. Tyler. The dormitory project will consist of housing for approximately 200 students and include lounge areas, centralized laundry facilities and kitchen, and offices for dormitory staff. The Academic Excellence Center will consist of a large meeting room and smaller breakout rooms and will be connected to the dormitory on the first floor.

11. U. T. M. D. Anderson Cancer Center: Federal Emergency Management Agency (FEMA) 404 Projects - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost and appropriation of additional funds and authorization of expenditure

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and President Mendelsohn that the U. T. Board of Regents approve the recommendations for the Federal Emergency Management Agency (FEMA) 404 Projects at U. T. M. D. Anderson Cancer Center as follows.

Architecturally or Historically Significant:

Yes No

Project Delivery Method: Construction Manager at Risk

Institutionally Managed: Yes No

Substantial Completion Date: February 2006

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Grants	\$23,994,413	\$27,939,183
	Hospital Revenues	<u>\$ 8,105,587</u>	<u>\$ 9,360,817</u>
		\$32,100,000	\$37,300,000

Recommendations: a. amend the FY 2004-2005 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the total project cost; and
b. appropriate additional funds and authorize expenditure of funds.

Previous Board Actions: On May 8, 2003, the Board approved the project for inclusion in the CIP and authorized institutional management for the project.

Project Description: U. T. M. D. Anderson Cancer Center is requesting the addition of \$3,944,770 from FEMA and \$1,255,230 from Hospital Revenues to include two additional grant awards for the project.

During 2001, rains from Tropical Storm Allison caused damage to many facilities within the Texas Medical Center. The governor of the State of Texas requested federal funding under the FEMA Hazard Mitigation Grant Program and Public Assistance Program for projects that could involve restoration and improvements of internal facility systems and components. U. T. M. D. Anderson Cancer Center applied and received approval for federal assistance.

The approved projects are required as part of an effort to protect facilities and equipment from future potential flooding. In particular, the projects involve relocation of critical electrical and mechanical equipment in various buildings, installation of emergency disconnects, and relocation of the medical records transcription offices. These improvements are considered essential to the protection of the facilities from potential damage caused by future floods.

FEMA previously approved eight distinct projects. U. T. M. D. Anderson Cancer Center recently received notification that FEMA has approved two additional projects in the amount of \$5,200,000. The two additional projects are similar to the ongoing FEMA projects as the work involves relocation and protection of critical building systems and components. FEMA will fund 75% of the approved project cost and U. T. M. D. Anderson Cancer Center will fund the remaining portion of the project cost.

12. U. T. Health Center - Tyler: Ambulatory Care Center - Phase II - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; appropriation of additional funds and authorization of expenditure; and approval of parity debt

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and President Calhoun that the U. T. Board of Regents approve the recommendations for the Ambulatory Care Center - Phase II at U. T. Health Center - Tyler as follows:

Project Number: 801-167

Architecturally or Historically Significant: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: April 2005

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$2,178,000	\$2,500,000

Debt Service: The \$322,000 in Revenue Financing System Bond Proceeds debt will be repaid from net revenues on the project. The annual debt service will be structured proportionately to the projected amount of net revenue available. Debt service coverage on the project is expected to be at least 1.3 times.

- Recommendations:**
- a. amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase the total project cost;
 - b. appropriate additional funds and authorize expenditure of funds; 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. Board of Regents relating to the Financing System; and

- U. T. Health Center – Tyler, which is a “Member” as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$322,000.

Previous Board Actions:

On August 13, 2003, the funding of \$2,178,000 from Revenue Financing System Bond Proceeds was appropriated. In March 2004, the Chancellor approved the design development plans.

Project Description:

U. T. Health Center – Tyler is requesting an increase of \$322,000 in the total project cost to allow for the complete buildout of both the Women’s Wellness Center and Surgery Clinic, including imaging services.

The project consists of 25,000 gross square feet to house the Women’s Wellness Center and a Surgery Clinic, which includes wound and urology clinics. The outpatient clinical facilities will include examination rooms, nurse and clerical work areas, medical records, teaching and testing areas, and waiting rooms. Additional mechanical and electrical equipment are required to support floor areas, and an additional elevator will be installed in an existing shaft.



**TABLE OF CONTENTS
FOR
STUDENT, FACULTY, AND STAFF CAMPUS LIFE
COMMITTEE**

Committee Meeting: 5/12/2004
Austin, Texas

Judith L. Craven, M.D., Chairman
John W. Barnhill, Jr.
Rita C. Clements
Robert A. Estrada
Woody L. Hunt
Shirley Zwinggi, Chair, Employee Advisory Council
Terese Verklan, Ph.D., Chair, Faculty Advisory Council
Jeremy Chance, Chair, Student Advisory Council

	Committee Meeting	Board Meeting	Page
Convene	<i>3:00 p.m.</i> <i>Chairman Craven</i>		
1. U. T. System: Overview of the U. T. System policing function	<i>3:00 p.m.</i> Report <i>Mr. Wright</i> <i>Mr. Baldrige</i>	Not on Agenda	82
2. U. T. System: Presentation regarding employee group health insurance	<i>3:20 p.m.</i> Report <i>Mr. Stewart</i>	Not on Agenda	83
Adjourn	<i>3:45 p.m.</i>		

1. **U. T. System: Overview of the U. T. System policing function**

REPORT

Mr. Roy Baldrige, U. T. System Director of Police, will provide an overview of the U. T. System policing function, with a particular emphasis on the U. T. System Police Academy and training requirements. A PowerPoint presentation is attached on Pages 82.1 – 82.9.



THE UNIVERSITY OF TEXAS SYSTEM

POLICE DEPARTMENT OVERVIEW

MAY 12, 2004



POLICE DEPARTMENT

- Mission
- Philosophy
- Vision

2



OFFICE OF DIRECTOR OF POLICE

- Inspect Component Police Departments
- Promulgate Policies & Procedures
- Liaison with State & Federal Agencies
- Conduct Investigations
- Operate Policy Academy

3



U. T. POLICE ACADEMY

- Emphasize “Service and Protection” rather than “Regulating and Enforcing”
- Community Oriented
 - Encourage routine non-law enforcement related contact with students, faculty and staff
 - Make ourselves available and are genuinely willing to help those in need

4



U. T. POLICE ACADEMY

CONTINUED

- Academy located on FM 2244, 8 miles southwest of downtown Austin
- Conduct Two, 22 week Basic Peace Officer Training Courses each year
- Average Class – 19 Students
- Students from other agencies attend
- 1,494 officers have graduated since January 1968

5



POLICE ACADEMY EDUCATIONAL REQUIREMENTS

State Requirements

- High School Diploma or GED

Additional U. T. Requirements

- 60 college credit hours, or
- 30 college credit hours and 2 years military service, or
- 30 college credit hours and one year experience as a guard at one of the component institutions

6



SCREENING DEVICES

State Mandated

- Drug Test
- Criminal History Check
- Psychological Evaluation



Additional U. T. Requirements

- Background Investigation
- Driving History
- Polygraph Exam
- Written Exams
- Interview Boards
- Physical Fitness Assessment
- Physical Exam

7



ACADEMY CURRICULUM

State Mandated - 576 hours

U. T. Academy - 860 hours

8



HUMAN RELATIONS AND INTERACTION COURSES

- Crisis Intervention
- Cultural Diversity
- Interacting with Persons with Mental Disabilities
- Racial Profiling
- Spanish for Law Enforcement
- Student Stress Issues and Services Available
- Victimization



9



LICENSING EXAMINATION

- State
 - 77% pass on first attempt
- U. T. Academy
 - 91% pass on first attempt

10



IN-SERVICE TRAINING

State Mandated

- Asset Forfeiture
- Child Abuse
- Civil Rights
- Cultural Diversity
- Family Violence
- Identify Theft
- Racial Profiling
- Racial Sensitivity
- Sexual Assault
- Sexual Offender Characteristics

Additional U. T. Requirements

- Terrorist characteristics and methods of operation
- Risk Assessment
Emergency Response



11



COMMISSIONED PERSONNEL

	Authorized	Actual	In Training
Director's Office	6	6	
Arlington	33	31	
Austin	60	56	6
Brownsville	19	14	
Dallas	18	17	
El Paso	23	21	
Pan American	18	14	
Permian Basin	5	5	
San Antonio	45	38	3
Tyler / Health Center - Tyler	13	9	
Southwestern Medical Center - Dallas	42	35	2
Medical Branch - Galveston	42	39	3
Health Science Center - Houston / MD Anderson Cancer Center	87	82	5
Health Science Center - San Antonio	41	36	
Total	452	403	19

12



JURISDICTION

- Officers have full police powers in counties where the U. T. System owns, leases, or otherwise controls property
- The Board of Regents has restricted police patrol to property owned, leased or controlled by the U. T. System

13



DEMOGRAPHICS

The Average U. T. Police Officer:

- Has 9 years of police experience
- 1,167 hours of training

14



DEMOGRAPHICS

	Male	Female	White	Hispanic	African American	Other
State	90%	10%	69%	21%	9%	1%
U. T.	88%	12%	56%	26%	16%	2%

Data Source: Texas Commission on Law Enforcement Officer Standards and Education

15



EDUCATION LEVEL

	Average College Hours	BA Degree	MA Degree
State	36	16%	1.6%
U. T.	96	36%	2.8%

Data Source: Texas Commission on Law Enforcement Officer Standards and Education

16



RECRUITING & RETENTION CHALLENGES

- Nationwide shortage of police officers and qualified applicants
- U. T. Officers are highly recruited by state, municipal and federal law enforcement agencies

17

2. **U. T. System: Presentation regarding employee group health insurance**

REPORT

Mr. Dan Stewart, Executive Director of Employee Group Benefits, will provide an overview of the employee insurance program with a particular emphasis on the U. T. System health plans. A PowerPoint presentation is provided on Pages 83.1 – 83.6.



THE UNIVERSITY OF TEXAS SYSTEM

EGI Overview

May 12, 2004

Office of Employee Group Insurance



Our Customers and Partners



Customers

- 70,000 Employees
- 13,000 Retired Employees
- 66,000 Dependents

Partners

- Component institutions, including 150 human resource and payroll staff
- 10 Contracted Insurance Carriers

2



Enrollment as of January 2004

	Subscribers	Subscribers and Dependents
Health Plan Enrollment	80,724	146,004
Dental Enrollment	63,813	123,284
Vision Plan	42,341	80,949
Voluntary Term Life	82,578	132,752
Personal Accident Insurance	69,884	116,148
Short Term Disability	8,704	8,704
Long Term Disability	36,544	36,544
Long Term Care	4,954	5,919
UT Flex	8,929	N/A

3



Financial Issues

- **Financial Strength**
- **Previous EGI Audits**
- **Current Audit Status**

4



Key Changes in Programs

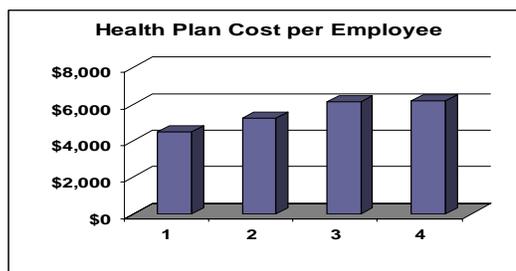
- Changed health plan administrators
- Implemented performance guarantees and training requirements
- Contracted with a nationally recognized actuarial firm
- EGI staff reorganization
- Fully automated self billing and premium reconciliation system
- Establishment of administrative policies
- Introduced new Short Term Disability program
- Enhanced spousal life insurance benefits
- Implemented new communication strategy
- Product Packaging
- “Paperless” administration

5



Hewitt Study National Comparison

- Per employee costs as the traditional measure of how health plan costs compare with those of other employers.
- Factors that may contribute to per employee cost differences include:
 - Population demographics
 - Number of dependents covered
 - Richness of plan design
 - Geographic location of employees
 - Efficiency of health plans and delivery systems



	UT System (1)	All Universities (2)	Texas Employers (3)	Largest U.S. Employers (4)
Total Health Plan Cost¹	\$4,507	\$5,261	\$6,166	\$6,213

¹ Hewitt Associates University Pathfinder Group Health Value Initiative 2003 Report.

6



University Pathfinder Group

- **17 Participating Universities**

Carnegie Mellon University	Cornell University
Duke University	Michigan State University
Northwestern University	Ohio State University
Penn State University	Stanford University
Syracuse University	University of Florida
University of Iowa	University of Michigan
University of North Carolina System	University of Pennsylvania
University of Rochester	The University of Texas System
University of Virginia	

7



Cost Trends

- **Hospital Trends Approaching 12%**
- **Prescription Drug Trends Averaging 15%**
- **Physician Trends in Excess of 10%**
- **EGI Trends**
- **Other Group Plan Comparisons**
- **Cost to Employees**

8



Cost Drivers

- Increased utilization of all services
- Increased cost of medical care, including new emerging prescription therapies
- Technology advancement in medical treatment
- Decline in managed care initiatives
- Market consolidation
- Aging of the population
- Federal Government Medicare payment reductions
- Rising medical malpractice premiums
- Direct-to-consumer advertising for prescription drugs
- Increased number of mandated benefits, including laws such as prompt pay

9



Current & Future Program Strategies

- Disease Management Programs
- Congestive Heart Failure Pilot Program
- UTMB Pilot Project
- Eligibility Audits

10



System Wide Insurance Advisory Committee (SWIAC)

- Committee Required by Texas Insurance Code Chapter 1601
- Comprised of one elected member and one appointed member from each U. T. component
- Quarterly meetings held in Austin
- Charged with advising EGI in the development, implementation, coordination, and administration of the group program among the components

11



Appropriations Process

- Legislative Testimony
- Meetings with government officials
- Continuous reporting to Legislative Budget Board
- Quarterly meetings with other State group health plan administrators

12