

MATERIAL SUPPORTING THE AGENDA

VOLUME XLIVc

This volume contains the Material Supporting the Agenda furnished to each member of the Board of Regents prior to the meetings held on

May 7-8, 1997
July 14, 1997
August 13-14, 1997

The material is divided according to the standing committees and the meetings that were held and is color coded as follows:

White paper - for documentation of all items that were presented before the deadline date.

Blue paper - all items submitted to the Executive Session and distributed only to the Regents, Chancellor and Executive Vice Chancellors of the System.

Yellow paper - emergency items distributed at the meeting.

Material distributed at the meeting as additional documentation is not included in the bound volume, because sometimes there is an unusual amount and other times some people get copies and some do not get copies. If the Executive Secretary was furnished a copy, then that material goes into the appropriate subject file.



Material Supporting the Agenda
of the
Board of Regents
The University of Texas System

Meeting No.: 906

Date: August 13-14, 1997

Location: Richardson, Texas

BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

CALENDAR

Date: Wednesday, August 13, 1997

Time: 3:30 p.m.

Place: Johnson Room
The Westin Hotel
13340 Dallas Parkway
Dallas, Texas

Purpose: Convene in Open Session, Recess to
Executive Session per the Agenda on
Page Ex.S - 1, Reconvene in Open
Session, and Recess

See Pages B of R 1 - 2,
Items A - D

Date: Thursday, August 14, 1997

Time: 9:00 a.m.

Place: Galaxy Room 2.602B, Student Union Building
The University of Texas at Dallas
2601 North Floyd
Richardson, Texas

Purpose: Reconvene in Open Session to Continue
Until Completion of Business

See Pages B of R 3 - 36,
Items E - Q

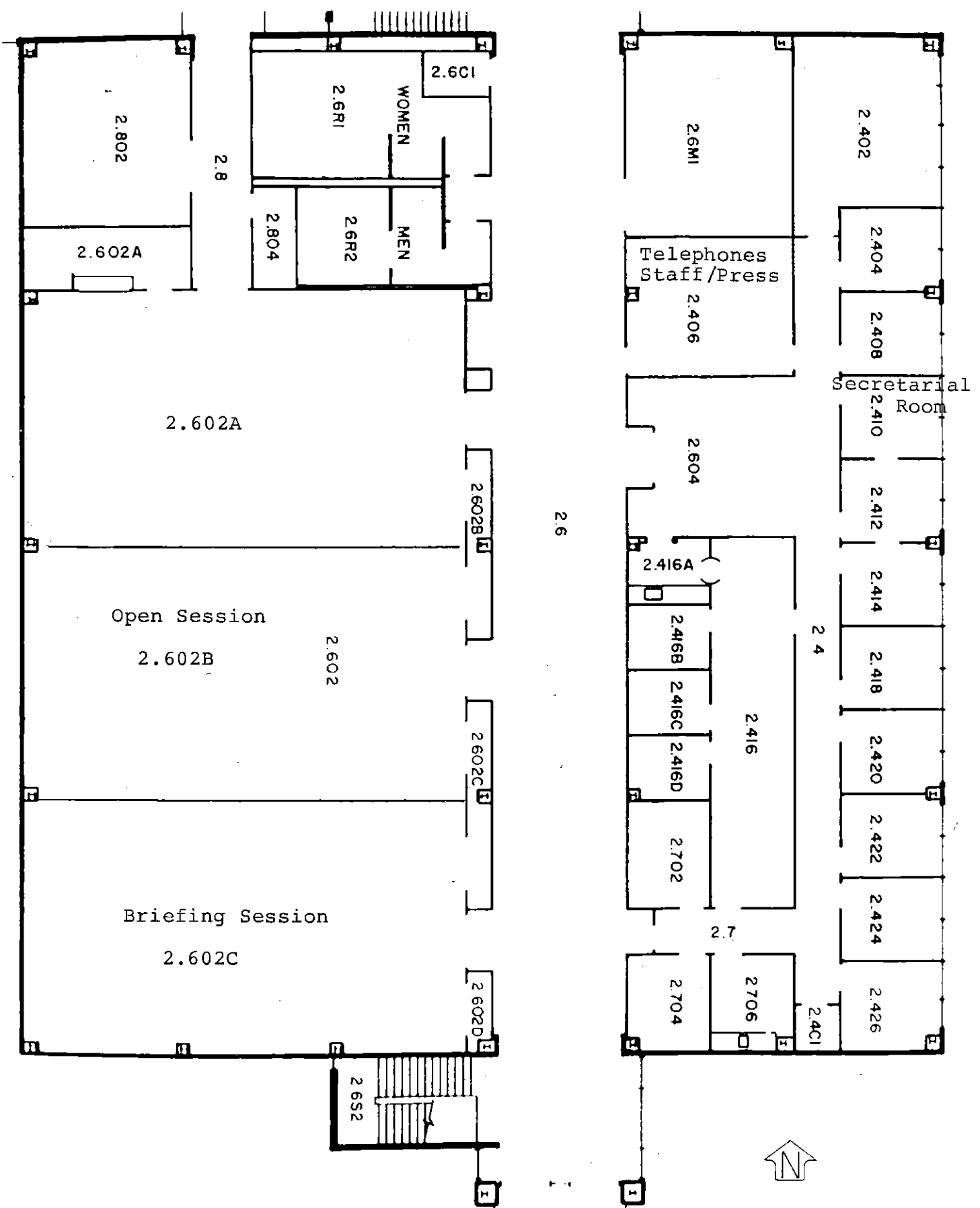
Board Luncheon and Briefing Session

Telephone Numbers

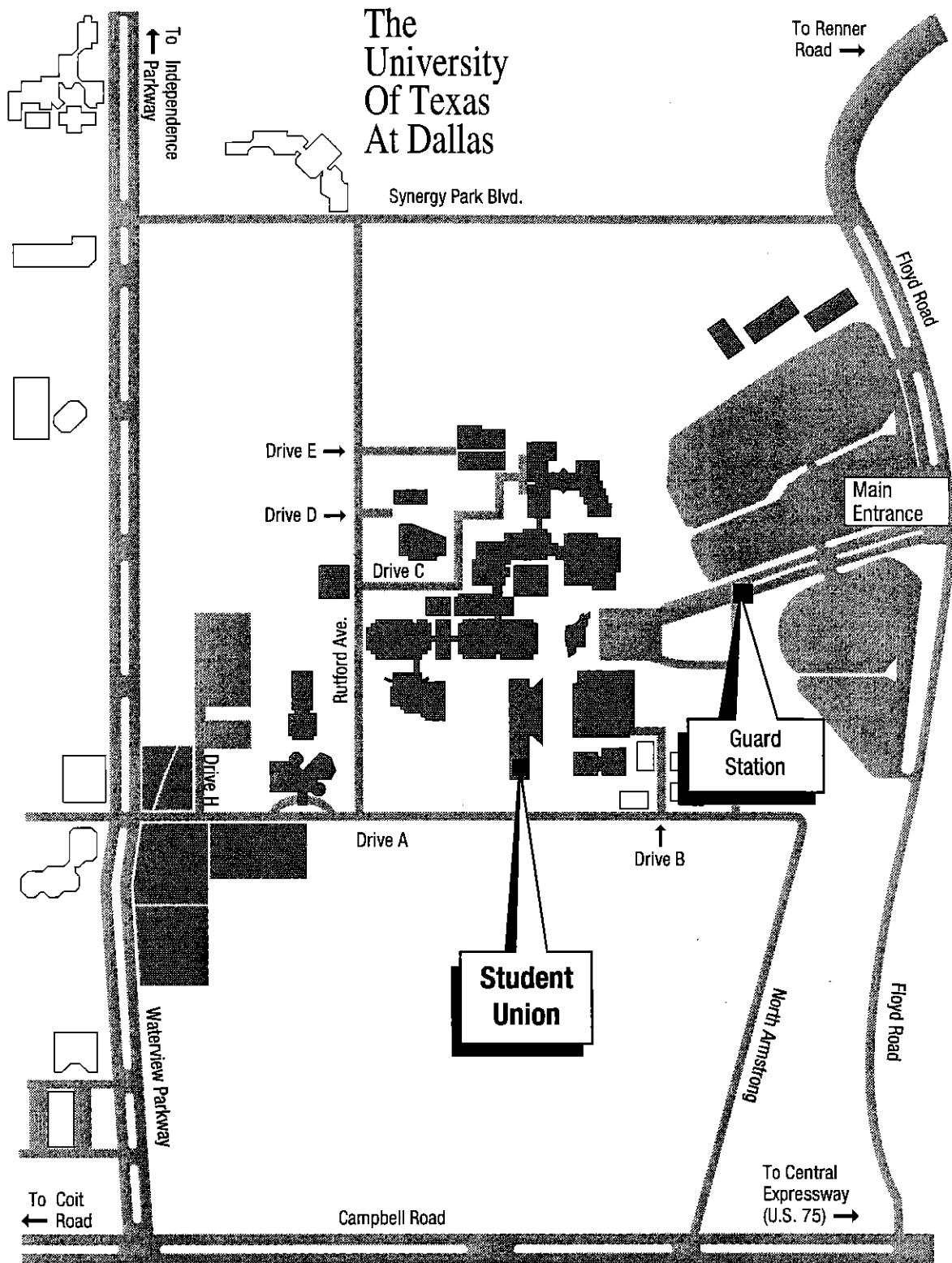
President Jenifer's Office (972) 883-2201

Room 2.604, Student Union Building (972) 883-2945
(for calls during the meeting)

The Westin Hotel (972) 934-9494
13340 Dallas Parkway



STUDENT UNION BUILDING
SECOND LEVEL
NEW ADDITION



To U.T. Dallas

Take Central Expressway to the Campbell Road exit. West on Campbell to Floyd Road. North on Floyd and left into the campus.

OR

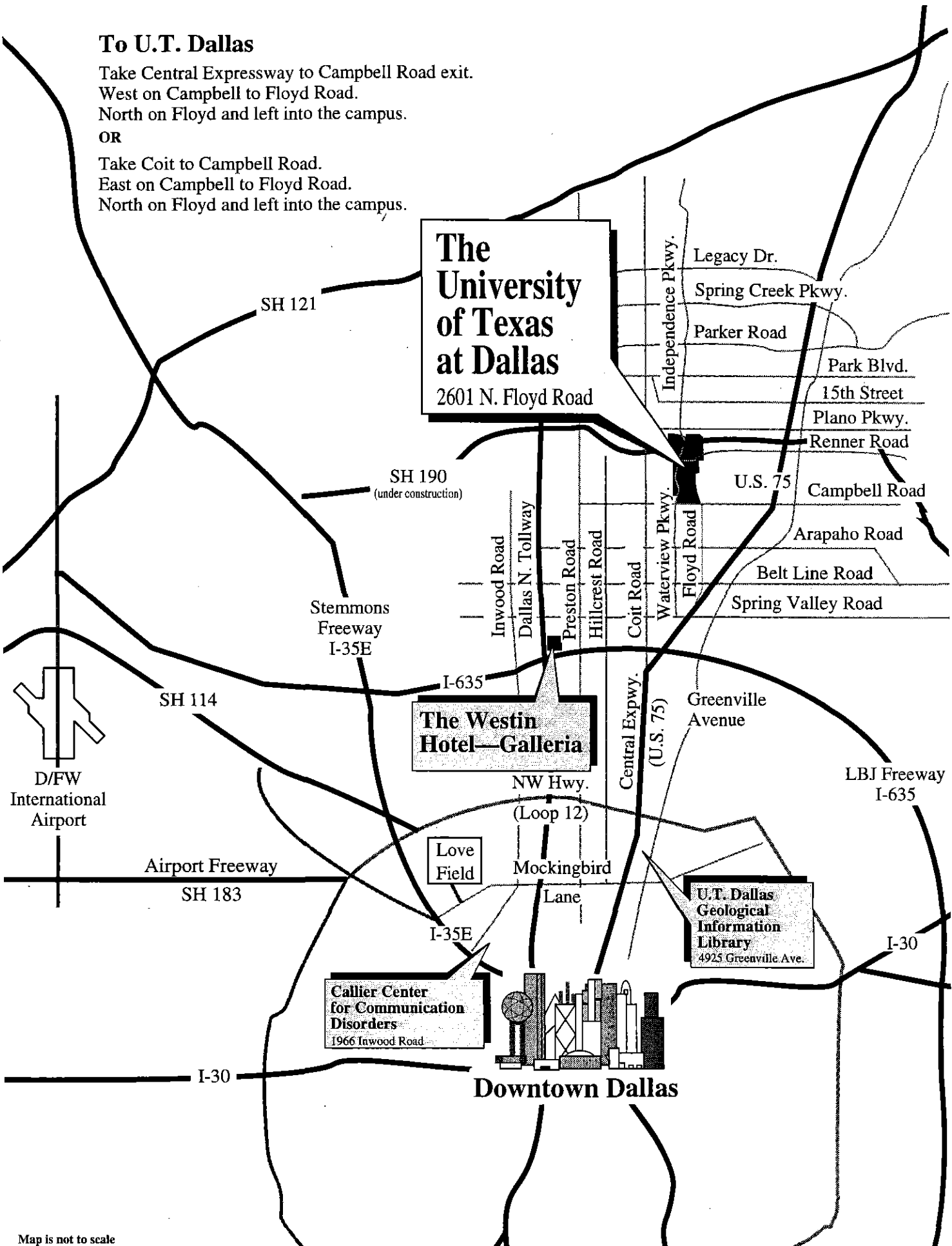
Take Coit Road to Campbell Road. East on Campbell to Floyd Road. North on Floyd and left into the campus

To U.T. Dallas

Take Central Expressway to Campbell Road exit.
West on Campbell to Floyd Road.
North on Floyd and left into the campus.

OR

Take Coit to Campbell Road.
East on Campbell to Floyd Road.
North on Floyd and left into the campus.



Map is not to scale

Meeting of the Board

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

Date: Wednesday, August 13, 1997

Time: 3:30 p.m.

Place: Johnson Room
The Westin Hotel
13340 Dallas Parkway
Dallas, Texas

A. CALL TO ORDER

B. RECESS TO EXECUTIVE SESSION (Texas Government Code, Chapter 551)

1. Consultation with Attorney Regarding Pending and/or Contemplated Litigation or Settlement Offers - Section 551.071
2. Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property - Section 551.072
3. Negotiated Contracts for Prospective Gifts or Donations - Section 551.073
4. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074
 - a. U. T. System: Consideration of Personnel Aspects of the Operating Budgets for the Fiscal Year Ending August 31, 1998, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans and Authorization for the Chancellor to Make Editorial Corrections Therein

- b. U. T. Medical Branch - Galveston: Consideration of Personnel Matters Related to the Possible Election and Employment of a President
- C. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION MATTERS (ITEM B ABOVE)
- D. RECESS

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

Date: Thursday, August 14, 1997

Time: 9:00 a.m. Reconvene in Open Session to
Continue Until Completion of
Business

Place: Galaxy Room 2.602B, Student Union Building
U. T. Dallas

- E. RECONVENE IN OPEN SESSION
- F. WELCOME BY PRESIDENT JENIFER
- G. APPROVAL OF MINUTES OF REGULAR MEETING HELD
MAY 7-8, 1997, AND SPECIAL MEETING HELD
JULY 14, 1997
- H. SPECIAL ITEMS
 - 1. U. T. Board of Regents: Proposed Amendment to the
Regents' Rules and Regulations, Part One, Chapter II,
Section 13, Subsection 13.1, Subdivision 13.13 (Chief
Administrative Officers of Component Institutions).--

RECOMMENDATION

The Chancellor concurs in the recommendation of Regent Lebermann, Chairman of the Advisory Committee for the Selection of a President for The University of Texas at Austin, that the Regents' Rules and Regulations, Part One, Chapter II, Section 13, Subsection 13.1, Subdivision 13.13, relating to the submission of candidates to

serve as chief administrative officers of the U. T. System component institutions, be amended as set forth below in congressional style:

Sec. 13. Chief Administrative Officers of Component Institutions.

13.1 The Board selects the chief administrative officer of each component institution.

. . .

13.13 Finally, the Advisory Committee shall submit, through its Chairman, a recommended list of not less than five or more than ten candidates with no preference indicated. If fewer names are provided, the Committee shall provide reasons and the submission of less than five candidates is to be with the concurrence of the Regental representatives on the Committee. Candidates submitted shall have received a majority vote of the Committee. The recommended list should be developed and submitted without regard to the Advisory Committee's assessment of the potential availability of any candidate. If none of the names submitted in the report of the Advisory Committee is satisfactory to the Board, then the Board in its discretion may either name a new committee or proceed to select a chief administrative officer under such other procedures as in its discretion it may deem proper and appropriate.

. . . .

BACKGROUND INFORMATION

The proposed amendment to the Regents' Rules and Regulations, Part One, Chapter II, Section 13, Subsection 13.1, Subdivision 13.13, relating to the Advisory Committee's submission of candidates to serve as the chief administrative officers of the U. T. System component institutions, is recommended to clarify circumstances under which the Advisory Committee has the flexibility to submit fewer than five names. This proposed change is consistent with practice over the past several years yet preserves the norm expectation related to the number of candidates to give the U. T. Board of Regents the maximum choices from which to select a president. This change is also in keeping with a recommendation resulting from discussion by the Advisory Committee for the Selection of a President for The University of Texas at Austin during its May 20, 1997 meeting.

2. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part Two, Chapter I, Section 1 (Gifts to The University of Texas System), Subsection 1.3 and Chapter II, Section 1 (Types of Funds), Subsection 1.4.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor for Development and External Relations that the Regents' Rules and Regulations, Part Two, Chapter I, Section 1, Subsection 1.3, relating to the authority of the Chancellor to accept certain gifts on behalf of the U. T. System, and Chapter II, Section 1, Subsection 1.4, clarifying the authority of the Office of Development and External Relations to administer certain gifts with a reserved income interest, be amended as set forth on Pages B of R 6 - 7 in congressional style.

CHAPTER I

GENERAL

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

. . .

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

. . . .

CHAPTER II

ACCOUNTING, AUDITING, REPORTING, AND BUDGETARY CONTROL

Sec. 1. Types of Funds.

. . .

- 1.4 Charitable Remainder Trusts and Pooled Income Funds.--Gift funds given to the Board of Regents of The University of Texas System, as Trustee, such as Charitable Remainder Trusts and Pooled Income Funds in which the donor has reserved an income interest either for the life of one or more individuals or for a term of years shall be administered by the Office of Development and External Relations. [Annuity and Life Income Funds. Those funds acquired by the System subject to annuity contracts, living trust agreements, or gifts and bequests reserving life income to one or more

~~beneficiaries. Such funds shall be administered by the Office of Asset Management of System Administration.]~~

. . . .

BACKGROUND INFORMATION

These proposed amendments to Part Two of the Regents' Rules and Regulations clarify provisions relating to the authority of the Chancellor to accept certain gifts, including current purpose gifts of \$500,000 or less, and the authority of the Office of Development and External Relations to administer gift funds with a reserved income interest.

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

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

3. U. T. System: Proposed Amendments to the Guidelines for Periodic Evaluation of Tenured Faculty.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and the Executive Vice Chancellor for Health Affairs that the U. T. System Guidelines for Periodic Evaluation of Tenured Faculty be amended as set forth on Pages B of R 8 - 12 in congressional style.

The University of Texas System

Guidelines for Periodic Performance Evaluation
of Tenured Faculty

Preamble

The U. T. Board of Regents recognizes the time-honored practice of tenure for university faculty as an important protection of free inquiry, open intellectual and scientific debate, and unfettered criticism of the accepted body of knowledge. Academic institutions have a special need for practices that protect freedom of expression, since the core of the academic enterprise involves a continual reexamination of ideas. Academic disciplines thrive and grow through critical analysis of conventions and theories. Throughout history, the process of exploring and expanding the frontiers of learning has necessarily challenged the established order. That is why tenure is so valuable, not merely for the protection of individual faculty members but also as an assurance to society that the pursuit of truth and knowledge commands our first priority. Without freedom to question, there can be no freedom to learn.

The U. T. Board of Regents supports a system of periodic evaluation of all tenured faculty. Periodic evaluation is intended to enhance and protect, not diminish, the important guarantees of tenure and academic freedom. The purpose of periodic evaluation is to provide guidance for continuing and meaningful faculty development; to assist faculty to enhance professional skills and goals; to refocus academic and professional efforts, when appropriate; and to assure that faculty members are meeting their responsibilities to the University and the State of Texas. The U. T. Board of Regents is pledged to regular monitoring of this system to make sure that it is serving its intended purposes and does not in any way threaten tenure as a concept and practice. In implementing the plan, component institutions shall maintain an appropriate balance of emphasis on teaching, research, service, and other duties of faculty.

Guidelines

Each component institution of The University of Texas System will develop an institutional policy and plan consistent with the following guidelines for the periodic performance evaluation of tenured faculty effective January 1, 1998, with actual evaluation to begin no later than the Fall Semester 1998 [~~and will implement the plan no later than September 1997~~]. Institutional policies are to be developed with appropriate faculty input, including consultation with and guidance from faculty governance organizations, and are to be included in each institutional Handbook of Operating Procedures after review and approval by the appropriate Executive Vice Chancellor and submission to the U. T. Board of Regents for review and final approval. Periodic evaluations, while distinct from the annual evaluation process now required of all employees, may be integrated with the annual evaluation process to form a single comprehensive faculty development and evaluation process. Nothing in these guidelines or the application of institutional evaluation policies shall be interpreted or applied to infringe on the tenure system, academic freedom, due process, or other protected rights[?] nor to establish new term-tenure systems or to require faculty to reestablish their credentials for tenure.

Institutional Handbook of Operating Procedures policies should be drafted to establish a streamlined, efficient process and should include the following minimum elements for periodic evaluation:

1. Evaluation of tenured faculty will continue to be performed annually with a comprehensive periodic evaluation of all tenured faculty performed every six [~~five~~] years. The evaluation may not be waived for any tenured faculty member but may be deferred [~~(except)~~] in rare circumstances when the review period will coincide [~~such as overlap~~] with approved leave, [~~promotion or other~~] comprehensive review for tenure, promotion, or [~~review for~~] appointment to an endowed position. No deferral of review of an active faculty member may extend beyond one year from the scheduled review. Institutional policy may specify that periods when a faculty member is on leave need not be

counted in calculating when the comprehensive evaluation is required [~~or in the case of administrators with academic appointments who are subject to review under other policies or procedures~~]. The requirement of periodic review does not imply that individuals with unsatisfactory annual evaluations may not be subject to further review and/or appropriate administrative action.

2. The evaluation shall include review of the faculty member's professional responsibilities in [~~duties such as~~] teaching, research, service, [~~and, for faculty with clinical responsibilities,~~] patient care, and administration.
3. Reasonable individual notice of at least six months of intent to review will be provided to a faculty member.
4. The faculty member being evaluated shall submit a résumé, including a summary statement of professional accomplishments, and shall submit or arrange for the submission of annual reports and teaching evaluations. The faculty member may provide copies of a statement of professional goals, a proposed professional development plan, and any other additional materials the faculty member deems appropriate.
5. In accordance with institutional policy, initial evaluation of the faculty member's performance may be carried out by the department, department chair (or equivalent), dean, or peer review panel, but in any event must be reported to the chair (or equivalent) and dean for review. Evaluation shall include review of the current résumé, student evaluations of teaching for the review period, annual reports for the review period, and all materials submitted by the faculty member.
6. If peer review is not required by institutional policy, the peer review process may be initiated by the faculty member, department chair (or equivalent) or dean. If peer committees are involved, the members shall be

representative of the college/school and will be appointed, on the basis of their objectivity and academic strength, by the dean in consultation with the tenured faculty in the college/school or pursuant to other process as defined in institutional policies. If peer review is involved, the faculty member will be provided with an opportunity to meet with the committee or committees.

7. Results of the evaluation will be communicated in writing to the faculty member, the department chair/dean, the chief academic officer, and the president for review and appropriate action.

Possible uses of the information contained in the report should include the following:

- For individuals found to be performing well, the evaluation may be used to determine salary recommendations, nomination for awards, or other forms of performance recognition.
- For individuals whose performance indicates they would benefit from additional institutional support, the evaluation may be used to provide such support (e.g., teaching effectiveness assistance, counseling, or mentoring in research issues/service expectations).
- For individuals found to be performing unsatisfactorily, ~~[possible]~~ review to determine if good cause exists for termination under the current Regents' Rules and Regulations may be considered. All proceedings for termination of tenured faculty on the basis of periodic performance evaluation shall be only for incompetency, neglect of duty or other good cause shown and must be conducted in accordance with the due process procedures of the Regents' Rules and Regulations, Part One, Chapter III, Section 6 including an opportunity for referral of the matter to alternative dispute resolution. Such proceedings must also include a list of specific charges by the chief administrative officer and an opportunity for a

hearing before a faculty tribunal. In all such cases, the burden of proof shall be on the institution, and the rights of a faculty member to due process and academic freedom shall be protected.

The acceptance and success of periodic evaluation for tenured faculty will be dependent upon a well-executed, critical process and an institutional commitment to assist and support faculty development. Thus, remediation and follow-up review for faculty who would benefit from such support, as well as the designation of an academic administrator with primary responsibility for monitoring such needed follow-up activities, are essential.

BACKGROUND INFORMATION

"Guidelines for Periodic Evaluation of Tenured Faculty" were approved by the U. T. Board of Regents at the November 1996 meeting. Revision of the "Guidelines" is proposed to address Senate Bill 149, passed by the 75th Texas Legislature, Regular Session, which adds Section 51.942 to the Texas Education Code concerning periodic performance evaluation of tenured faculty. The proposed revisions include the terminology "periodic performance evaluation," the use of administrative service within the measures of evaluation, and change of the required time for evaluation from "at least every five years" to "at least every six years," all as included in the new law. Also recommended is change of the effective date of the review policy from September 1997 to January 1998, consistent with Senate Bill 149's effective date of January 1, 1998. Section 51.942 also provides in part that a governing board may not waive periodic evaluation for any tenured faculty member. The proposed revision makes clear that, while deferrals of the process may be appropriate under limited circumstances, no waivers will be made.

The proposed revision to the "Guidelines" also responds to a requirement that a faculty member subject to termination on the basis of the periodic evaluation process be given an opportunity for referral of the matter to alternative dispute resolution. See Item 2 on Page AAC - 4 related to a proposed amendment to the Regents' Rules and Regulations to include this requirement in text related to termination of tenured faculty for cause.

Section 51.942 requires that advice and comments from faculty be sought and given the utmost consideration by the governing board prior to the adoption of rules and procedures for periodic performance evaluation. Substantial faculty input was garnered and comments from members of the U. T. System Faculty Advisory Council were considered prior to adoption of the "Guidelines" in November 1996. A copy of an earlier version of the recommendation was provided to the U. T. System Faculty Advisory Council for comments on June 27, 1997, and the proposed recommendation was revised following receipt of comments. Additional advice and comments from faculty will be obtained prior to consideration of institutional policies by the U. T. Board of Regents in November 1997.

Evaluation of tenured faculty was also the subject of a rider to the General Appropriations Act. Item 42 of Article III of the Act (entitled "Post Tenure Review") requires that a governing board enact post tenure review policies for tenured faculty prior to the expenditure of any funds appropriated by the Act. As required by the rider, a copy of the revised "Guidelines" will be provided to the Texas Higher Education Coordinating Board following action at the August 1997 U. T. Board of Regents' meeting.

It is anticipated that a future proposal will recommend incorporation of these "Guidelines" and other policies and practices related to the evaluation of employees into the Regents' Rules and Regulations.

The proposed revisions have been reviewed by the chief administrative officers and the Office of General Counsel.

4. U. T. System: Recommendation for Approval of a Trademark Policy.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellors for Academic Affairs and Health Affairs and the Vice Chancellor and General Counsel that the U. T. System Trademark Policy be approved as set out below:

TRADEMARK POLICY

In 1981, the Board of Regents of The University of Texas System approved a program to protect and license trademarks of its component institutions. That program included the following elements:

- a. Authorization to file applications for state and federal registration of University trademarks, such as the names, seals, logos and mascots of all component institutions, in the name of the Board of Regents.
- b. Approval of a standard trademark license agreement permitting commercial use of University trademarks on products with a royalty on the sale of such products.
- c. Delegation of authority to execute trademark license agreements on behalf of the Board of Regents.
- d. Authorization for component institutions to use royalties that exceed the expenses of registration and administration of licensing to establish appropriate scholarship programs.

The Regents' Rules and Regulations place responsibility for administering the trademark licensing program in the Office of General Counsel.

TRADEMARK LICENSING GUIDELINES

The standard trademark license agreement contains the following provisions:

License Grant--A nonexclusive right to use the licensed marks in the United States on and in connection with licensed products of quality acceptable to the Board of Regents.

Term of Agreement--Three (3) years unless licensee wants a shorter term.

Payments by Licensee--A license issue fee at the time the agreement is executed; a continuing royalty on all licensed products sold; and a minimum annual royalty.

Exemptions from Royalty Payments--There shall be no exemptions from royalty payments on licensed products, including those products sold to a University-owned entity by the licensee and products purchased solely for the purpose of resale, except as provided in these Guidelines.

Quarterly Reports--Licensees must submit quarterly reports stating the total sales of all licensed products for that period and remit at that time the amount of royalties due from those sales.

Delinquent Payments--Assessed a late charge at the maximum rate of interest permitted by law.

Right to Audit Licensees--To examine the licensee's books of account and records related to the licensed products to determine the accuracy of the statements submitted by licensees. If an examination reveals underpayment by more than five percent (5%) of the total due, the licensee shall bear the costs of the audit.

Default and Termination--If a default is not cured within thirty (30) days of notice, a notice of termination shall be served on licensee.

Sublicensing or Transferring Rights--No right to sublicense and any change or proposed change in the ownership or control of licensee's business must be provided to the Board of Regents.

Quality Control of Licensed Products--All licensed products shall be products of quality as determined by the Board of Regents or its representative. Licensees are required to furnish to the Board of Regents or its representative, for approval and free of cost, a sample of each licensed product before sale or distribution.

Packaging and Advertising of Licensed Products--All packaging and advertising bearing any licensed mark shall be subject to prior approval by the Board of Regents or its representative.

Indemnification by Licensee--Licensees are wholly responsible for all products manufactured or sold by them and must indemnify and hold harmless The University of Texas System, its Regents, officers, employees and agents for any liability, loss, damage, cost or expense attributable to any of licensee's products bearing the trademarks of any component institution of the System.

TRADEMARK USE RESTRICTIONS

To fully protect The University of Texas System trademarks so that they remain valuable assets for years to come, System registers the marks and manages them through licensing. These two steps would not be sufficient, however, if System licensed the marks for any and every proposed use. For example, some uses would harm the very reputation that the marks represent. In other cases, the nature of goods and services may pose such significant legal risks that they should not be licensed, and some uses may potentially harm the marks unless they are carefully controlled. To protect its marks, System has developed the following use restrictions:

The following uses will not be licensed:

Stationery--Business-size, letterhead paper using the name or seal of a component institution of The University of Texas System.

Alcoholic Beverages--Distilled alcohol liquors, wines and malt liquors.

Inherently Dangerous Products--Such as firearms, explosives, fuels and paints.

Obscene or Disparaging Products--Including, but not limited to, nude photographs, caricature poster art or designs that would tend to lower the reputation or degrade the goodwill of the University as represented by the trademarks.

Sexually Suggestive Products--Including, but not limited to, inappropriate slogans imprinted on clothing and the configuration of certain novelty items.

Health Related Products--All types.

Staple Foods, Meats and Natural Agricultural Products--All types.

Business Names and/or Logos--All types.

System marks licensed for the following uses are limited as described:

Services--Only in accordance with the special requirements of the Office of General Counsel applicable to services.

Academic Related Products--Only for the following types of publications:

1. **Sports publications** approved by the institutional chief administrative officer or designee, providing the licensee agrees to include the following disclaimer in the publication:

"Not an Official Publication of The University of Texas (component)".

2. **Literary works** that generally provide historical information about and promote the goodwill of the U. T. System or component institution. System marks may be licensed for such use by permission letter after review by the appropriate institutional officers.

Advertising--System marks may be used in the following kinds of advertising, so long as the uses also conform to the special requirements of the Office of General Counsel contained in guidelines, checklists and interactive electronic forms applicable in each case. These are designed to help component institutions conform their

agreements to standard expectations regarding both the form and substance of the agreements and the approval of ad copy and layout design.

1. **Licensed product advertisements**, pursuant to the terms of a trademark license agreement.
2. **Informational, congratulatory or "team spirit" advertisements**, pursuant to a permission letter for one-time only use.
3. **Corporate advertisements that focus on the academic and athletic achievements of students and alumni** of a component institution, pursuant to a permission letter for one-time only use with prior approval from the chief administrator or designee.
4. **Corporate advertisements that utilize appropriate System trademarks in official programs** sold or distributed at Intercollegiate Athletic events, pursuant to the terms of an Advertising Agreement.
5. **Promotional activities** utilizing appropriate System trademarks, pursuant to the terms of a Promotional License Agreement. Promotional activities are activities such as advertising or offering promotional products to further the growth, development, acceptance and/or sale of goods or services.

BACKGROUND INFORMATION

In 1981, the U. T. Board of Regents approved a U. T. System trademark protection and licensing program. In 1983, the Office of General Counsel developed rules and regulations to administer the program (the "Trademark Policy"). In the intervening years, the program has grown in importance and revenue generation and now requires some modification to and formal approval by the U. T. Board of Regents of the Trademark Policy. The Trademark Policy explains the features of the trademark license, the need for and character of use restrictions, and creates a structure that will allow the U. T. System to allocate responsibility for trademark agreement review and revision to component institutions with appropriate guidance from the Office of General Counsel, much as patent and technology license agreements are currently handled.

5. U. T. System: Recommendation for Approval to Restructure the Investment and Educational Purpose Fees for the Long Term Fund and Other Endowment and Trust Funds.--

RECOMMENDATION

The Chancellor recommends that the U. T. Board of Regents give approval to restructure the U. T. System investment and educational purpose fees for the Long Term Fund (LTF) and other endowment and trust funds and take the following actions:

- a. Reduce the current assessment of the LTF fee for investment management from its currently assessed rate of six-hundredths of one percent (0.06%) of the market value of such funds to zero percent (0.00%) of the market value of the LTF
- b. Authorize the payment of LTF investment management fees from accumulated fund balances in account #54-2800-11, Endowment Investment Fee - Management Expense, until such time as such fund balances are depleted
- c. Authorize the payment of LTF investment management fees from accumulated fund balances in the Quasi-Endowment for Investment Excellence account #57-0300-52 until such time as such fund balances are depleted
- d. Reduce the current assessment of the Administrative Charge to Trust Funds from its currently assessed rate of \$300,000 per year to \$0 per year
- e. Reduce the current assessment of the LTF fee for educational purposes from its currently assessed rate of four-hundredths of one percent (0.04%) to two-hundredths of one percent (0.02%) of the market value of the LTF.

These recommendations shall be effective September 1, 1997.

BACKGROUND INFORMATION

On December 8, 1988, the U. T. Board of Regents authorized the assessment of an investment fee for all endowments and trusts managed by the U. T. System Office of Asset Management. The fee was authorized at an annual rate equal to one-tenth of one percent of the fund's market value and was to be used to fund the Quasi-Endowment for Investment Excellence (Q.E.I.E.). The Board further authorized use of income from the Q.E.I.E. to provide performance compensation for investment professionals employed by the Office of Asset Management.

On August 10, 1995, the U. T. Board of Regents, effective for Fiscal Year 1995-96, (a) maintained the assessment of the investment fee at one-tenth of one percent (0.10%) of the market value of the LTF, (b) discontinued the use of the fee to fund the Q.E.I.E., (c) authorized the use of the fee to fund educational purposes at U. T. System Administration in an amount equal to four-hundredths of one percent (0.04%) of the market value of the LTF, and (d) authorized the use of the fee to fund expenses related to the management of endowments and trusts by the Office of Asset Management in an amount equal to six-hundredths of one percent (0.06%) of the market value of the LTF.

The restructuring recommended above will provide eventually for the payment of all LTF investment management expenses directly from the LTF and consolidate all current assessments by the U. T. System for educational purposes into a single fee.

6. U. T. System: Report of Summary of Gift Acceptance and Related Administrative Actions Conforming to Board Policy for March 1, 1997 Through May 31, 1997.--

(See Pages B of R 21 - 25.)

ACCEPTANCE OF GIFTS HELD BY BOARD

B
O
F
R
-
2
1

# ALL ITEMS	COMPONENT INSTITUTION	ASSET TYPES							MATCHING FUNDS	TOTAL VALUE
		CASH	SECURITIES	REAL ESTATE	PLEDGES	OTHER	TRANSFERS			
6	U. T. Arlington	\$ 377,191	\$ -	\$ -	\$ -	\$ -	\$ 13,080	\$ -	\$ 390,271	
33	U. T. Austin	\$ 5,124,010	\$ 110,591	\$ 12,450	\$ 30,000	\$ 3,162	\$ 13,538	\$ 45,000	\$ 5,274,832 *	
1	U. T. Brownsville	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000	
5	U. T. El Paso	\$ 107,129	\$ 110,319	\$ -	\$ -	\$ -	\$ 863	\$ -	\$ 218,311	
6	U. T. Permian Basin	\$ 34,223	\$ 591,000	\$ -	\$ 15,000	\$ -	\$ 777	\$ -	\$ 641,000	
1	U. T. Tyler	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000	
15	U. T. SWMC-Dallas	\$ 887,250	\$ -	\$ -	\$ 25,000	\$ -	\$ 200,000	\$ 2,005,000	\$ 1,112,250 *	
11	U. T. M.B.-Galveston	\$ 869,385	\$ -	\$ -	\$ 43,000	\$ -	\$ 2,019,100	\$ -	\$ 2,931,485	
13	UTHSC-Houston	\$ 1,095,000	\$ -	\$ -	\$ 1,355,000	\$ -	\$ 926,622	\$ -	\$ 3,376,622	
4	UTHSC-San Antonio	\$ 76,058	\$ 5,942	\$ -	\$ 130,000	\$ -	\$ 30,000	\$ -	\$ 242,000	
3	UTMDACC	\$ 1,000	\$ 682,878	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ 683,978	
3	UTHC-Tyler	\$ 35,000	\$ 100,910	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ 140,910	
101	TOTAL	\$ 8,661,246	\$ 1,601,640	\$ 12,450	\$ 1,598,100	\$ 3,162	\$ 3,208,980	\$ 2,050,000	\$ 15,066,659 *	

* Not included in total: U. T. Austin - \$38,919 of previously reported gifts and \$25,000 of Board-held matching funds;
 U. T. SWMC-Dallas - \$2,005,000 of Board-held matching funds.

NOTE: Compiled by Office of Development and External Relations

CLASSIFICATION OF GIFTS AND OTHER ACTIONS

<u>COMPONENT INSTITUTION</u>	<u>ENDOWMENTS</u>	<u>CHARITABLE REMAINDER TRUSTS</u>	<u>POOLED INCOME FUND</u>	<u>REMAINDER INTERESTS</u>	<u>HELD IN TRUST BY OTHERS</u>	<u>CURRENT PURPOSE</u>	<u>OTHER</u>
U. T. Arlington	6	--	--	--	--	1	--
U. T. Austin	29	1	--	--	3	1	--
U. T. Brownsville	1	--	--	--	--	--	--
U. T. El Paso	3	--	1	--	1	--	--
U. T. Permian Basin	4	--	--	--	2	--	--
U. T. Tyler	1	--	--	--	--	--	--
U. T. SWMC-Dallas	12	--	--	--	4	2	--
U. T. M.B.-Galveston	11	--	--	--	--	--	--
UTHSC-Houston	13	--	--	--	--	--	--
UTHSC-San Antonio	4	--	--	--	--	--	--
UTMDACC	2	1	--	--	--	--	--
UTHC-Tyler	3	--	--	--	--	--	--
TOTAL	89	2	1	--	10	4	--

PURPOSES OF GIFTS HELD BY BOARD AND OTHERS

COMPONENT INSTITUTION	ENDOWMENT								CURRENT PURPOSE	OTHER PURPOSE
	DIST. CHAIR	CHAIR	DIST. PROF'SHIP	PROF'SHIP	FACULTY FELLOWSHIP	GRADUATE FELLOWSHIP	SCHOLARSHIP	OTHER		
U. T. Arlington	--	--	--	--	--	--	6	--	1	--
U. T. Austin	--	2	--	4	--	2	18	3	1	1
U. T. Brownsville	--	--	--	--	--	--	1	--	--	--
U. T. El Paso	--	--	--	--	--	--	2	--	--	2
U. T. Permian Basin	--	1	--	--	--	--	3	--	--	2
U. T. Tyler	--	--	--	--	--	--	1	--	--	--
U. T. SWMC-Dallas	1	2	1	2	--	--	1	6	2	--
U. T. M.B.-Galveston	1	--	7	--	--	--	1	1	--	--
UTHSC-Houston	--	1	5	1	--	--	--	4	--	--
UTHSC-San Antonio	--	--	--	2	--	--	--	2	--	--
UTMDACC	--	--	--	--	--	--	--	1	--	1
UTHC-Tyler	--	--	--	--	--	--	1	2	--	--
TOTAL	2	6	13	9	--	2	34	19	4	6

Total purposes may not equal the total number of items because some items pertain to multiple purposes.

OTHER ADMINISTRATIVE ACTIONS

<u>COMPONENT INSTITUTION</u>	<u>ESTABLISH ENDOWMENT</u>	<u>REDESIGNATE ENDOWMENT LEVEL</u>	<u>OTHER REDESIGNATION</u>	<u>DISSOLVE ENDOWMENT</u>	<u>APPROVE/ALLOCATE MATCHING</u>	<u>ACCEPT TRUSTEESHIP</u>	<u>OTHER</u>
U. T. Arlington	6	--	--	--	--	--	--
U. T. Austin	24	1	6	--	3	1	--
U. T. Brownsville	1	--	--	--	--	--	--
U. T. El Paso	2	--	1	--	--	--	--
U. T. Permian Basin	4	--	--	--	--	--	--
U. T. Tyler	1	--	--	--	--	--	--
U. T. SWMC-Dallas	13	--	--	--	9	--	--
U. T. M.B.-Galveston	10	--	1	--	--	--	--
UTHSC-Houston	11	1	1	--	8	--	--
UTHSC-San Antonio	4	--	--	--	2	--	--
UTMDACC	1	--	1	--	--	1	--
UTHC-Tyler	3	--	--	--	--	--	--
TOTAL	80	2	10	--	22	2	--

COMPARATIVE SUMMARY OF GIFTS ACCEPTED VIA THE OFFICIAL ADMINISTRATIVE PROCESS

<u>COMPONENT INSTITUTION</u>	<u>FY 1996 FULL YEAR</u>	<u>FISCAL YEAR 1997</u>			<u>FULL YEAR</u>
		<u>9/1/96 - 11/30/96</u>	<u>12/1/96 - 2/28/97</u>	<u>3/1/97 - 5/31/97</u>	
U. T. System	\$ 40,000	\$ --	\$ --	\$ --	
U. T. Arlington	\$ 157,630	\$ --	\$ --	\$ 390,271	
U. T. Austin	\$ 11,922,027	\$ 3,220,599	\$ 1,197,147	\$ 5,274,832	
U. T. Brownsville	\$ --	\$ --	\$ --	\$ 25,000	
U. T. Dallas	\$ 770,000	\$ --	\$ 67,313	\$ --	
U. T. El Paso	\$ 627,444	\$ 2,115,682	\$ 343,080	\$ 218,311	
U. T. Pan American	\$ --	\$ 150,000	\$ 469,025	\$ --	
U. T. Permian Basin	\$ 362,077	\$ --	\$ --	\$ 641,000	
U. T. San Antonio	\$ 645,959	\$ 25,000	\$ 55,500	\$ --	
U. T. Tyler	\$ 886,046	\$ 25,000	\$ --	\$ 30,000	
U. T. SWMC-Dallas	\$ 13,409,431	\$ 4,107,068	\$ 5,772,153	\$ 1,112,250	
U. T. M.B.-Galveston	\$ 7,392,043	\$ 1,933,594	\$ 3,258,170	\$ 2,931,485	
UTHSC-Houston	\$ 2,872,941	\$ 465,914	\$ 620,000	\$ 3,376,622	
UTHSC-San Antonio	\$ 1,525,008	\$ 631,753	\$ 1,465,454	\$ 242,000	
UTMDACC	\$ 3,267,099	\$ 741,404	\$ --	\$ 683,978	
U. T. HC-Tyler	\$ 1,064,117	\$ --	\$ --	\$ 140,910	
UTEP and UTMB	\$ 1,028,125	\$ --	\$ --	\$ --	
U. T. Austin/UTMDACC	\$ --	\$ --	\$ 28,048	\$ --	
TOTAL	\$ 45,969,947	\$ 13,416,014	\$ 13,275,890	\$ 15,066,659	

MEETING OF THE BOARD

ADDITIONAL ITEM

AUGUST 14, 1997

H. SPECIAL ITEMS

7. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter II (Administration), to (a) Amend Section 3 (Chancellor), (b) Delete Section 4 (Executive Vice Chancellor for Academic Affairs), (c) Renumber Sections 5 and 6 (Executive Vice Chancellor for Health Affairs and Executive Vice Chancellor for Business Affairs), and (d) Add New Section 6 (Vice Chancellor for Academic Affairs) and Authorization for the Executive Secretary to the Board, in Consultation with the Vice Chancellor and General Counsel, to Make Such Editorial Changes in the Remainder of the Regents' Rules and Regulations as are Appropriate.--

RECOMMENDATION

The Chancellor recommends that the Regents' Rules and Regulations, Part One, Chapter II (Administration) be amended as set forth below in congressional style:

- a. Amend Section 3 (Chancellor) as set forth below:

Sec. 3. Chancellor.

The Chancellor is the chief executive officer of The University of Texas System. The Chancellor reports to and is responsible to the Board of Regents of The University of Texas System. The Chancellor has direct line responsibility for all aspects of the U. T. System's operations[-] and has direct operational responsibility for the management and conduct of the academic affairs of the System. The chief administrative officers of the general academic institutions shall report to and are responsible to the Chancellor.

. . . .

- b. Delete present Section 4 (Executive Vice Chancellor for Academic Affairs) in its entirety.
- c. Renumber present Section 5 (Executive Vice Chancellor for Health Affairs) and Section 6 (Executive Vice Chancellor for Business Affairs) as Sections 4 and 5, respectively.
- d. Add a new Section 6 (Vice Chancellor for Academic Affairs) as set forth below:

Sec. 6. Vice Chancellor for Academic Affairs.

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

6.1 Appointment and Tenure.

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

6.2 Duties and Responsibilities.

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

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

6.22 Submitting recommendations to the Chancellor regarding the maintenance of high academic quality in the general academic components of the System.

6.23 Reviewing and making recommendations on the budgets, academic planning and programs, facilities planning and construction, and personnel (both academic and nonacademic) of the academic components.

- 6.24 In consultation with the Chancellor, ensuring that appropriate internal controls are implemented and monitored in the general academic components of the System.
- 6.25 Ensuring that the governance requirements for accreditation not specifically covered elsewhere in these policies, procedures, and Rules and Regulations are met.
- 6.26 Reporting the accreditation status of the academic institutions to the Chancellor and to the Board of Regents periodically.
- 6.27 Performing such other duties as may be assigned by the Chancellor.

It is further recommended that the Executive Secretary to the Board of Regents, in consultation with the Vice Chancellor and General Counsel, be authorized to make any editorial changes in the remainder of the Regents' Rules and Regulations as are appropriate to be consistent with the organizational and administrative changes set forth above.

BACKGROUND INFORMATION

After careful review by the Chancellor, in consultation with Mr. Donald L. Evans, Chairman of the U. T. Board of Regents, and Mr. Lowell H. Lebermann, Jr., Chairman of the Academic Affairs Committee, a decision has been made to restructure the reporting responsibilities related to the academic affairs programs in the U. T. System to be effective September 1, 1997. The chief administrative officers of the academic components will report to and be responsible to the Chancellor. The position of Executive Vice Chancellor for Academic Affairs will be eliminated, and the Office of Academic Affairs will be managed by a Vice Chancellor for Academic Affairs who will provide staff assistance to the Chancellor regarding all aspects of academic affairs as outlined in the proposed new Section 6, Chapter II, Part One of the Regents' Rules and Regulations. As a result of this reorganization, Dr. James P. Duncan has resigned his position as Executive Vice Chancellor for Academic Affairs.

Dr. Duncan has provided invaluable leadership for the U. T. System since 1983. His guidance, counseling, and support of the academic presidents and the diverse missions of the component institutions will continue to be of enormous benefit to the U. T. System and higher education in Texas for many years. After a year of administrative leave to prepare,

Dr. Duncan will return to teaching as a member of the faculty of the College of Education at U. T. Austin.

The amendments to the Regents' Rules and Regulations, Part One, Chapter II, Sections 3 through 5, relating to the responsibilities of the Chancellor, the Executive Vice Chancellor for Health Affairs and the Executive Vice Chancellor for Business Affairs, are necessary to reflect the recommended organizational change in the management of the U. T. System Office of Academic Affairs.

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

U. T. System: Report on Investments for the Fiscal Quarter Ended May 31, 1997.--

REPORT

Pages B of R 28 - 31 contain the Summary Reports on Investments for the fiscal quarter ended May 31, 1997.

Item a on Page B of R - 28 presents the summary report for Permanent University Fund (PUF) Investments. The PUF began the quarter with a market value of \$5.824 billion. During the quarter, income from the production of minerals on PUF Lands added \$26.4 million of new contributions to the Fund versus \$20.2 million for the second quarter of this fiscal year. In addition, total investment return was \$265.6 million of which \$66.9 million was income return and \$198.7 million was price return. Cash income of \$69.8 million was distributed to the Available University Fund (AUF) resulting in a quarter-end market value of \$6.049 billion.

During the period, \$26.4 million of new contributions and \$33.8 million of bond runoff were allocated to international equities, small cap value equities, alternative equities and the Fund's liquidity reserve. Period-end asset allocation was 62% broadly defined equities and 38% fixed income versus an unconstrained neutral allocation of 80% equities and 20% fixed income. Within equities, period-end allocation to equities was 43% U. S. large and mid cap stocks, 6% U. S. small cap stocks, 7% non-U. S. equities and 6% alternative assets.

PUF income distributions to the AUF of \$69.8 million for the quarter increased by a nominal rate of 4.0% over the May 1996 fiscal quarter and by an inflation adjusted rate of 1.8%. Interest income from fixed income securities, which represents approximately 70% of total income generated, increased by only 0.4%. Dividend income continued to grow increasing by 9.0% primarily due to dividend increases. Finally, income from alternative equities increased by 43% to \$3.0 million from \$2.1 million for the prior May 1996 fiscal quarter.

Total investment return (unannualized) for the quarter was 4.6%. Fixed income as an asset class continued to perform poorly versus equities with the Salomon Broad Bond Index generating a total return of 1.3%. The Fund's fixed income portfolio at 1.2% slightly under performed the index. Equities, as an asset class, continued to generate higher relative returns with the S&P 500 Index and Russell 3000 Index posting returns of 7.8% and 7.0%, respectively. The PUF's equity (including international) portfolios produced a 7.5% return. Finally, alternative investments produced a -0.4% return for the quarter (below their benchmark returns) due to the "j-curve effect" experienced in initiating or expanding such investment programs.

Item b on Page B of R - 29 reports summary activity for the Long Term Fund (LTF). During the quarter, net contributions totaled \$17.7 million. Net investment return was \$94.2 million of which \$19.9 million was paid to the 4,375 endowment and other accounts underlying the LTF. The Fund's market value closed the quarter at \$2.016 billion versus \$1.924 billion for the preceding quarter-end. On a per unit basis, each endowment's ownership in the LTF increased from an average of \$4.27 per share to \$4.43 a share.

Asset allocation at quarter-end was 24% fixed income and 76% broadly defined equities (of which 57% was U. S. equities, 15% was non-U. S. equities and 4% was private market assets). For the nine months to date, total unannualized investment return for the Fund was 17.54% and net 12.4% after expenses of 0.18%, inflation of 1.8% and spending of 3.14%.

Item c on Page B of R - 30 presents quarterly activity for the Short/Intermediate Term Fund. During the quarter, the Fund received net contributions of \$69 million. It earned \$21.6 million in total return, incurred expenses of \$0.1 million and paid \$23.7 million to U. T. System component institutions. Total return on the Fund was 1.4% for the quarter versus the Fund's performance benchmark of 1.5%.

Item d on Page B of R - 31 presents book and market value of cash, fixed income, equity and other securities held in funds outside of internally managed investment pools. Total cash and equivalents consisting primarily of component operating funds held in the money market fund increased by \$20 million to \$587 million at quarter-end. Asset values for the remaining asset types were fixed income securities: \$58 million; equities: \$27 million; and other investments of \$5.8 million.

a. PERMANENT UNIVERSITY FUND

Summary Investment Report at May 31, 1997.--

PERMANENT UNIVERSITY FUND (1)
INVESTMENT SUMMARY REPORT
(\$ millions)

	FY95-96	FY96-97			
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	Year-To- Date
Beginning Market Value	4,958.5	5,292.1	5,757.0	5,823.8	5,292.1
PUF Lands Receipts(2)	65.7	23.9	20.2	26.4	70.5
Investment Income(3)	254.2	65.1	63.8	66.9	195.8
Change in Undistributed Income Payable to the Available University Fund(3)	(0.6)	3.8	(2.7)	2.9	4.0
Investment Income Distributed on Cash Basis(3)	(253.6)	(68.9)	(61.1)	(69.8)	(199.8)
Realized Gains (Losses)	196.8	45.4	55.2	43.8	144.4
Change in Unrealized Gains (Losses)	71.1	395.6	(8.6)	154.9	541.9
Ending Market Value	5,292.1	5,757.0	5,823.8	6,048.9	6,048.9
Distributed to the AUF:					
Investment Income	253.6	68.9	61.1	69.8	199.8
Surface Income	4.8	1.1	1.5	0.8	3.4
Total	258.4	70.0	62.6	70.6	203.2

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

- (1) Excludes PUF Lands mineral and surface interests with estimated June 30, 1996 values of \$410.1 million and \$158.7 million, respectively.
- (2) As of May 31, 1997: 902,489 acres under lease; 520,438 producing acres; 2,950 active leases; and 2,054 producing leases.
- (3) Change in presentation to reflect investment income earned as well as cash income distributed to the AUF.

b. LONG TERM FUND

Summary Investment Report at May 31, 1997.--

**LONG TERM FUND
SUMMARY REPORT
(\$ millions)**

	FY95-96	FY96-97			Year-To- Date
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	
Beginning Net Assets	1,558.8	1,712.1	1,876.9	1,924.0	1,712.1
Net Contributions	54.1	24.7	21.4	17.7	63.8
Investment Return	182.3	160.8	46.6	95.4	302.8
Expenses	(3.7)	(1.1)	(1.1)	(1.2)	(3.4)
Distributions (Payout)	(76.4)	(19.5)	(19.7)	(19.9)	(59.1)
Distribution of Gain on Participant Withdrawals	(3.0)	(0.1)	(0.1)	(0.3)	-
Ending Net Assets	1,712.1	1,876.9	1,924.0	2,015.7	2,016.2
Net Asset Value per Unit	3.897	4.211	4.269	4.432	
No. of Units (End of Period)	439,352,911	445,668,754	450,718,468	454,803,542	
Distribution Rate per Unit	0.175	0.04375	0.04375	0.04375	

B of R - 29

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

c. SHORT/INTERMEDIATE TERM FUND

Summary Investment Report at May 31, 1997.--

**SHORT/INTERMEDIATE TERM FUND
SUMMARY REPORT
(\$ millions)**

	<u>FY95-96</u>	<u>FY96-97</u>			<u>Year-To- Date</u>
	<u>Full Year</u>	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	
Beginning Net Assets	1,129.5	1,332.1	1,405.6	1,499.9	1,332.1
Net Contributions	216.7	40.9	111.8	69.0	221.7
Investment Return	58.2	52.9	4.2	21.6	78.7
Expenses	(0.2)	(0.1)	(0.1)	(0.1)	(0.3)
Distributions of Income	(72.1)	(20.2)	(21.6)	(23.7)	(65.5)
Ending Net Assets	<u>1,332.1</u>	<u>1,405.6</u>	<u>1,499.9</u>	<u>1,566.7</u>	<u>1,566.7</u>

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

d. SEPARATELY INVESTED ASSETS

Summary Investment Report at May 31, 1997.--

**SEPARATELY INVESTED ASSETS
SUMMARY REPORT
(\$ thousands)**

ASSET TYPES	FUND TYPE													
	CURRENT PURPOSE				ENDOWMENT &		ANNUITY & LIFE		AGENCY FUNDS		OPERATING FUNDS		TOTAL	
	DESIGNATED		RESTRICTED		SIMILAR FUNDS		INCOME FUNDS		BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Cash & Equivalents:	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>	<u>BOOK</u>	<u>MARKET</u>
Beginning value 3/1/97	3,423	3,423	2,178	2,178	28,915	28,915	1,366	1,366	3	3	530,999	530,999	566,884	566,884
Increase/(Decrease)	(197)	(197)	566	566	(5,443)	(5,443)	(953)	(953)	127	127	26,015	26,015	20,115	20,115
Ending value 5/31/97	3,226	3,226	2,744	2,744	23,472	23,472	413	413	130	130	557,014	557,014	586,999	586,999
Debt Securities:														
Beginning value 3/1/97	9,576	9,582	7	4	42,721	43,170	8,047	8,282	-	-	6,473	6,522	66,824	67,560
Increase/(Decrease)	(2,879)	(2,879)	-	-	(628)	(714)	389	332	-	-	(6,473)	(6,522)	(9,591)	(9,783)
Ending value 5/31/97	6,697	6,703	7	4	42,093	42,456	8,436	8,614	-	-	-	-	57,233	57,777
Equity Securities:														
Beginning value 3/1/97	52	1,492	166	166	14,522	20,069	2,589	2,887	-	-	-	-	17,329	24,614
Increase/(Decrease)	-	(479)	(8)	(8)	1,471	2,217	1,159	1,336	-	-	-	-	2,622	3,066
Ending value 5/31/97	52	1,013	158	158	15,993	22,286	3,748	4,223	-	-	-	-	19,951	27,680
Other:														
Beginning value 3/1/97	-	-	658	658	(658)	(658)	5,365	5,535	-	-	-	-	5,365	5,535
Increase/(Decrease)	-	-	31	31	(30)	(30)	(76)	271	-	-	-	-	(75)	272
Ending value 5/31/97	-	-	689	689	(688)	(688)	5,289	5,806	-	-	-	-	5,290	5,807

B OF R - 31

Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.
Details of individual assets by account furnished upon request.

J. 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 Material Supporting the Agenda. 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 Evans
Vice-Chairman Loeffler, Vice-Chairman Clements
MSA Page Ex.C - 1

Business Affairs and Audit Committee: Chairman
Riter, Regent Hicks, Regent Oxford
MSA Page BAAC - 1

Academic Affairs Committee: Chairman Lebermann
Regent Clements, Regent Riter, Regent Smiley
MSA Page AAC - 1

Health Affairs Committee: Chairman Loeffler
Regent Clements, Regent Oxford, Regent Sanchez
MSA Page HAC - 1

Facilities Planning and Construction Committee:
Chairman Clements, Regent Lebermann, Regent Sanchez
MSA Page FPCC - 1

K. RECONVENE AS COMMITTEE OF THE WHOLE

L. ITEM FOR THE RECORD

Winedale Stagecoach Inn Fund: Report of Dissolution.--

REPORT

At the meeting on February 6, 1997, the U. T. Board of Regents, acting in its capacity as the Board of Trustees for the Winedale Stagecoach Inn Fund, "authorized (the) dissolution of the Winedale Stagecoach Inn Fund . . . and (with) court approval authorized the U. T. Board of Regents to hold the various corporate assets as the Winedale Stagecoach Inn Fund Endowment to be invested in the Long Term Fund for purposes in conformance with the donor's expressed wishes."

Pursuant to the U. T. Board of Regents' request, on April 3, 1997, a Court Order was entered in the 201st Judicial District Court of Travis County wherein the Winedale Stagecoach Inn Fund Trust was terminated and all assets were transferred to the Board of Regents of The University of Texas System for the use and benefit of the Winedale Stagecoach Inn Fund Endowment. The Court Order further provided that all income from the investments from the Winedale Endowment shall be used in conformance with the purposes set forth in the Indenture creating the Winedale Stagecoach Inn Fund Trust.

M. REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

1. Board for Lease: Report of Meeting Held on May 13, 1997.--

REPORT

The Board for Lease of University Lands met on May 13, 1997, at the Center for Energy and Economic Diversification in Midland, Texas, for a general business meeting and to hold Regular Oil and Gas Lease Sale No. 91 on Permanent University Fund lands.

Following is a report on the results of the Regular Oil and Gas Lease Sale No. 91:

A total of 120,695.225 acres (420 tracts) of Permanent University Fund lands was nominated for lease. Bonuses of \$7,462,951 were paid for 161 tracts covering a total of 51,291.177 acres. The bonuses paid were the largest since February 3, 1982, when total bonuses paid were \$17,842,000. No bids were received on 69,404.048 acres (259 tracts). The average bonus paid per acre was \$145.50, with the high bid per acre being \$1,118.50. The single highest bid was \$185,000.00 for 165.4 acres in Andrews County, Texas.

Following is a report on the general business meeting:

- a. Approved the Minutes of the Board for Lease meeting of November 12, 1996
- b. Approved tracts offered and approved lease awards to highest bidders in Regular Oil and Gas Lease Sale No. 91
- c. Approved procedures and terms for Regular Oil and Gas Lease Sale No. 92 to be held on November 19, 1997
- d. Received a report from Mr. Bill Strange with the accounting firm of Deloitte & Touche LLP, Houston, Texas, on the results of an internal accounting control survey. The overall results showed that the practices and procedures of the University Lands Accounting Office (ULAO) meet or exceed acceptable internal accounting controls. Mr. Strange also reported that Deloitte & Touche LLP completed an audit of ULAO's practices and procedures and concluded that West Texas Operations has maintained an effective internal control structure and the statement of Deposits and Funds Transferred to the Permanent and Available University Funds is fairly stated. The members agreed that the audit report should be presented to the Board of Regents of The University of Texas System. See Item 2 on Page B of R - 35.

- e. Received a report on the take in-kind crude oil sale held April 16, 1997, approved contracts dated June 1, 1997, approved continuation of the take in-kind crude oil royalty program as currently managed, and approved the addition of 45 properties to the oil royalty take in-kind program. The oil royalty take in-kind program has resulted in net revenue enhancement of approximately \$6.4 million.
 - f. Received a report on the take in-kind gas royalty sales held January 21, 1997, and April 21, 1997; approved contracts dated effective February 1, 1997, and May 1, 1997, respectively; and approved continuation of the take in-kind gas royalty program as currently managed. The gas royalty take in-kind program has resulted in net revenue enhancement of approximately \$83,000 since September 1995.
 - g. Approved terms for pooled unit agreements with Sage Energy Company, Fasken Oil and Ranch, Ltd., Pennzoil Exploration and Production Company, Leede Operating Company, L.L.C., Union Pacific Resources, and Conoco, Inc.
 - h. Received a report on legislation affecting changes to the Texas Education Code, Chapter 66, Subchapter D, as it relates to the functions of the Board for Lease
 - i. Authorized the publication of a web site for the Board for Lease of University Lands.
2. Board for Lease: Report by Deloitte & Touche LLP Regarding University Lands - West Texas Operations.--

REPORT

Mr. R. D. Burck, Executive Vice Chancellor for Business Affairs, will introduce Mr. William O. Strange, Partner, Deloitte & Touche LLP, Houston, Texas, to present the

results of two studies conducted for University Lands - West Texas Operations: (1) A Comparative Study of the Accounting and Internal Control Practices Over Royalty Income from Oil and Gas Leases and (2) A Report of Independent Accountant Regarding Internal Control Structure.

N. OTHER MATTERS

O. SCHEDULED EVENTS

1. Board of Regents' Meetings

<u>Dates</u>	<u>Locations/Hosts</u>
November 12-13, 1997	U. T. Brownsville
February 11-12, 1998	U. T. Health Center - Tyler
May 13-14, 1998	U. T. Permian Basin
August 12-13, 1998	U. T. Pan American
November 11-12, 1998	U. T. M.D. Anderson Cancer Center

2. Other Events

September 4, 1997	U. T. M.D. Anderson Cancer Center: Faculty Honors Convocation
November 21, 1997	U. T. M.D. Anderson Cancer Center: Dedication of the Margaret and Ben Love Clinic and the Charles A. LeMaistre Clinic

P. OTHER BUSINESS

Q. ADJOURNMENT

1997

JANUARY

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

FEBRUARY

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	

MARCH

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

APRIL

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

MAY

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

JUNE

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

JULY

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

AUGUST

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

SEPTEMBER

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

OCTOBER

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

NOVEMBER

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

DECEMBER

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

1998

JANUARY

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

FEBRUARY

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

MARCH

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

APRIL

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

MAY

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

JUNE

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

JULY

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

AUGUST

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

SEPTEMBER

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

OCTOBER

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

NOVEMBER

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

DECEMBER

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Executive Committee

EXECUTIVE COMMITTEE
Committee Chairman Evans

Date: August 14, 1997

Time: Following the Reconvening of the Board of Regents
at 9:00 a.m.

Place: Galaxy Room 2.602B, Student Union Building
U. T. Dallas

Page
Ex.C

Business Affairs & Audit Committee

BUSINESS AFFAIRS AND AUDIT COMMITTEE
Committee Chairman Riter

Date: August 14, 1997
Time: Following the Meeting of the Executive Committee
Place: Galaxy Room 2.602B, Student Union Building
U. T. Dallas

	<u>Page</u> <u>BAAC</u>
1. U. T. System: Recommendation to Approve <u>Chancellor's Docket No. 90</u>	3
2. U. T. Board of Regents: Proposed Amendment to the Regents' <u>Rules and Regulations</u> , Part One, Chapter VII, Section 7, Subsection 7.1 (Conflict of Interest, Performance of Services, and Use of University Facilities)	3
3. U. T. Board of Regents: Proposed Amendments to the Regents' <u>Rules and Regulations</u> , Part Two, Chapter III, Section 1 (Receipts, Admission Tickets, and Charges)	4
4. U. T. Board of Regents: Proposed Amendments to the Regents' <u>Rules and Regulations</u> , Part Two, Chapter III (Receipt, Custody, and Disbursement of Moneys; Travel Authorization, Reimbursement, and Institutional Regulations), Section 4 and Chapter IX (Matters Relating to Investments, Trusts, and Lands), Sections 4 and 5	7
5. U. T. Board of Regents: Proposed Amendments to the Regents' <u>Rules and Regulations</u> , Part Two, Chapter III, Section 10 (Travel Autho- rization, Reimbursement, and Institutional Regulations), Subsection 10.1, Subdivi- sion 10.12	10

6.	U. T. Board of Regents: Proposed Amendment to the Regents' <u>Rules and Regulations</u> , Part Two, Chapter IV, Section 5 (Purchase from or Sale to an Officer or Employee)	11
7.	U. T. Board of Regents: Proposed Adoption of Second Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System and Authorization for Appropriate Officials to Execute Documents Relating Thereto	12
8.	U. T. System: Recommendation to Approve a Qualified Governmental Excess Benefit Arrangement for Employees Participating in the Optional Retirement Program	21
9.	U. T. System: Request to Approve an Aggregate Amount of Equipment Financing for Fiscal Year 1998 and Approve the Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity	22
10.	U. T. System: Recommended Approval of Non-Personnel Aspects of the Operating Budgets for the Fiscal Year Ending August 31, 1998, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans and Authorization for the Chancellor to Make Editorial Corrections Therein; and Approval of Permanent University Fund Bond Proceeds Reserve Allocation for Library, Equipment, Repair and Rehabilitation Projects	26
11.	U. T. System: Request to Approve Transfer of Funds Between Legislative Appropriation Items During the Biennium Beginning September 1, 1997	29
12.	U. T. System: Request for Adoption of the Resolution to Argonaut Southwest Insurance Company to Guarantee Payments Under a Rolling Owner Controlled Insurance Program (ROCIP)	30

INFORMATIONAL REPORT

	U. T. System: Discussion of the June 1997 Monthly Financial Report	36
--	--	----

1. U. T. System: Recommendation to Approve Chancellor's Docket No. 90.--

RECOMMENDATION

It is recommended that Chancellor's Docket No. 90 be approved.

It is requested that the committee confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to the officer or official executing same.

2. U. T. Board of Regents: Proposed Amendment to the Regents' Rules and Regulations, Part One, Chapter VII, Section 7, Subsection 7.1 (Conflict of Interest, Performance of Services, and Use of University Facilities).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the Regents' Rules and Regulations, Part One, Chapter VII, Section 7, Subsection 7.1, regarding conflict of interest, performance of services, and use of university facilities, be amended as set forth below in congressional style:

Sec. 7. Conflict of Interest, Performance of Services, and Use of University Facilities.

- 7.1 Unless [~~specifically~~] authorized by the Chancellor [~~law~~], no officer or employee of The University of Texas System or its component institutions shall accept remunerations from or serve as an officer, director, employee, or agent of an external nonprofit corporation or an external entity that has as its primary objective the provision of funds or services for the furtherance of the purposes and duties of the System or its components.

. . . .

BACKGROUND INFORMATION

Most nonprofit organizations formed to support the University are organized and located externally from the U. T. System. In order to determine the manner in which the support of the organization can best meet the needs of the U. T. System, obtaining the expertise of individuals who are employees of the U. T. System is often desired. In order to comply with the Attorney General Opinions regarding services provided to supporting organizations and other employment rules, payment or reimbursement for services provided by university employees to a nonprofit organization must come from the organization. Approval by the Chancellor for work performed by an employee in addition to U. T. System employment will establish control over an employee's service to a supporting organization while permitting the employee to be properly compensated when appropriate. Therefore, the Regents' Rules and Regulations, Part One, Chapter VII, Section 7, Subsection 7.1, regarding conflict of interest, performance of services, and use of university facilities, is being amended.

3. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part Two, Chapter III, Section 1 (Receipts, Admission Tickets, and Charges).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the Regents' Rules and Regulations, Part Two, Chapter III, Section 1 relating to receipts, admission tickets, and charges, be amended as set forth below in congressional style to require payment of certain oil and gas royalties to the U. T. Board of Regents by electronic funds transfer:

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

. . . .

- 1.4 Any person who paid oil and gas royalties to the Board in a total amount of \$250,000 or more during a fiscal year, being September 1 to August 31, shall make timely oil and gas

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

- 1.5[4] Admission tickets, including complimentary tickets, shall have the price of admission indicated thereon, and all such tickets shall be prenumbered, except for certain events where the section, row, and seat number are shown. Admission tickets and coupon books shall be purchased for delivery to the institutional business office and issued to the department concerned. Unused tickets or books shall be returned along with a prescribed ticket report to the business office within 30 days from the date of the event, and a list showing the names of all persons receiving complimentary tickets shall be a part of the prescribed ticket report. The chief business officer may authorize an exception to the 30-day time limit for submitting ticket reports for a specified event or series of events, provided that the exception must be in writing, and must specify both the reason for the exception and the alternate due date for those ticket reports.

1.6[5] All unpaid (including complimentary, free, or discounted) charges for sales or service of auxiliary enterprises, organized activities, or service departments or similar activities shall be reported to and recorded by the chief business officer or his or her delegate under appropriate internal accounting controls. A list or other documentation showing the authorization and names of all persons receiving complimentary, free, or discounted goods or services and the values thereof shall be furnished to the business office within 30 days from the date such goods were issued or such services were rendered by any auxiliary enterprise, organized activity, or service department or similar activity.

BACKGROUND INFORMATION

These amendments to the Regents' Rules and Regulations, Part Two, Chapter III, Section 1, relating to receipts, admission tickets, and charges, will provide a higher degree of internal control over a greater percentage of oil and gas royalties paid to the Permanent University Fund. In addition, payments made by electronic transfer are received by the U. T. System University Lands Accounting Office, and available for use, in a more timely manner. The long-range plan is to require payors who pay oil and gas royalties of \$60,000 or more per year to make royalty payments by electronic funds transfer and provide the monthly payment summary report in an electronic format. This process will be implemented in stages to accommodate requirements of the State Comptroller's Office.

4. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part Two, Chapter III (Receipt, Custody, and Disbursement of Moneys; Travel Authorization, Reimbursement, and Institutional Regulations), Section 4 and Chapter IX (Matters Relating to Investments, Trusts, and Lands), Sections 4 and 5.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the Regents' Rules and Regulations, Part Two, Chapters III and IX be amended as set forth below in congressional style:

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

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

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

~~[4.3 The Operating Funds Short/Intermediate Term Fund shall be administered in a manner consistent with all provisions of The University of Texas System Operating Funds Short/Intermediate Term Fund Information Memorandum.]~~

4.3~~[4.4]~~ The Medical Liability Self-Insurance Fund shall be administered in a manner consistent with all provisions of the Plan for Professional Medical Liability Self-Insurance.

4.4~~[4.5]~~ Each pooled income fund established by U. T. shall be administered according to The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement, its trust indenture and applicable law.

- c. Amend Chapter IX, Section 5, as set forth below:

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

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

separately invested. All other endowment funds and funds functioning as endowments will be invested through the Long Term Fund.

- 5.2 Trust funds and other life income accounts will be invested and administered consistent with [t]The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement, U. T. System Gifts Policy Guidelines, prudent person investment standards, and the Texas Trust Code (Title 9, Subtitle B, Texas Property Code).
- 5.3 The provisions of Sections 3.2, 3.3, and 3.4 with respect to the investment and management of the PUF, shall likewise apply to endowment and trust funds except that Subsection 3.21 shall be applied only when such funds are invested through a U. T. investment pool.
- 5.4 Other Accounts as defined in The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement shall be invested and administered consistent with that policy.

BACKGROUND INFORMATION

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

5. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part Two, Chapter III, Section 10 (Travel Authorization, Reimbursement, and Institutional Regulations), Subsection 10.1, Subdivision 10.12.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the Regents' Rules and Regulations, Part Two, Chapter III, Section 10, Subsection 10.1, Subdivision 10.12, regarding travel authorization, reimbursement, and institutional regulations, be amended as set forth below in congressional style:

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

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

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

~~[10.12 In addition, all foreign travel (with the exception of travel to United States possessions, Mexico, and Canada) that will use funds appropriated by the Legislature (including local educational and general funds) must also be submitted to the Governor through the Executive Vice Chancellor for Business Affairs and have the advance written approval of the Governor.]~~

- 10.12[3] Requests for authorization to travel by administrative officers and staff of System Administration shall be approved by the Chancellor, appropriate Executive Vice Chancellor, or appropriate Vice Chancellor or designee.

. . . .

BACKGROUND INFORMATION

Section 660.024 of the Texas Government Code regarding advance approval for certain international travel was amended by the 75th Texas Legislature, eliminating the requirement that all foreign travel (except to Mexico or Canada) be approved in advance by the Governor's Office. The foreign travel approval process was modified under Section 660.024 of the Texas Government Code to reflect that the chief administrator of a state agency has approval authority over foreign travel. The deletion of current Subdivision 10.12, Subsection 10.1, Section 10, Chapter III, Part Two of the Regents' Rules and Regulations regarding travel authorization, reimbursement, and institutional regulations reflects this statutory change.

6. U. T. Board of Regents: Proposed Amendment to the Regents' Rules and Regulations, Part Two, Chapter IV, Section 5 (Purchase from or Sale to an Officer or Employee).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Executive Vice Chancellor for Business Affairs that the Regents' Rules and Regulations, Part Two, Chapter IV, Section 5, related to purchase from or sale to an officer or employee, be amended as set forth on Page BAAC - 12 in congressional style.

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

BACKGROUND INFORMATION

The proposed revision to the Regents' Rules and Regulations, Part Two, Chapter IV, Section 5 will simplify the approval of the purchase of unique artwork and other materials created by an employee if the purchased materials are to be displayed on campus or given in recognition or appreciation of service or contributions and if the purchase price is \$1,000 or less. This amendment has been reviewed by the U. T. System chief administrative officers.

7. U. T. Board of Regents: Proposed Adoption of Second Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System and Authorization for Appropriate Officials to Execute Documents Relating Thereto.--

RECOMMENDATION

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

- a. Adopt the Second Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System substantially in the form

set out on Pages BAAC 14 - 20 to authorize the additional revenues as specified in Subchapter B, Chapter 54, Texas Education Code, Section 54.0513

- b. Authorize the officers and employees of the Office of Business Affairs to take any and all steps necessary to carry out the intentions of the U. T. Board of Regents to complete the transaction.

BACKGROUND INFORMATION

The 75th Texas Legislature amended Section 54.004 of the Texas Education Code by adding Section 54.0513 to redesignate the building use fee as tuition. Section 55.01 was also amended to redefine revenue funds to include the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income from those funds. With Section 54.0513, the pledged revenues as identified in the Master Resolution Establishing The University of Texas System Revenue Financing System are expanded.

**SECOND AMENDED AND RESTATED MASTER RESOLUTION
ESTABLISHING THE UNIVERSITY OF TEXAS SYSTEM
REVENUE FINANCING SYSTEM**

WHEREAS, the Board of Regents (the "Board") of The University of Texas System (the "System") adopted the Amended and Restated the Master Resolution Establishing The University of Texas System Revenue Financing System on the 14th day of February 1991, and adopted a resolution amending such resolution on the 8th day of October 1993 (the "Master Resolution") to establish a new System-wide financing structure for revenue supported indebtedness which would provide reduced costs and increased borrowing capacity to the components of the System, additional security to the credit markets, and greater financial flexibility to the Board; and

WHEREAS, terms used herein and not otherwise defined have the meanings given in the Master Resolution and references to various Sections refer to Sections of the Texas Education Code (the "Code"); and

WHEREAS, pursuant to the Master Resolution, the Board has issued its Revenue Financing System bonds and notes (the "Outstanding Parity Debt"); and

WHEREAS, the Master Resolution provides that it may be amended without the consent of the Holders to supplement the security for the Outstanding Parity Debt; and

WHEREAS, the Legislature of the State of Texas in the Seventy Fifth Regular Legislative Session passed Senate Bill 1907 ("S.B. 1907") which amends the provisions of the Code concerning the financing of improvements for institutions of higher education, particularly Chapters 54 and 55 of the Code; and

WHEREAS, S.B. 1907 substantially changed the laws under which the Board issues its bonds and notes by combining the general use fees into tuition and granting to the Board the ability to expand the pledge given for the benefit of the Outstanding Parity Debt; specifically, S.B. 1907 redesignated the "general use fee" authorized by Section 55.16 of the Code as "tuition" under a new Section 54.0513 and broadened the definition of revenue funds (under Section 55.01) which could be pledged to the payment of bonds and notes to include (i) every item of the Board's revenue included in the definition of Pledged Revenues and (ii) other fees and charges authorized under Chapter 54 which had previously been restricted to certain uses other than the payment of debt service on the Board's obligations. In addition, S.B. 1907 made a number of conforming amendments to the Code, including amending Section 55.16 to provide that the unlimited general use fee previously authorized by that Section is replaced with an ability of the Board to establish and collect at each institution that amount of all "necessary fees, tuition, rentals, rates, and other charges," i.e., Pledged Revenues, including tuition," when and to the extent required by the resolution authorizing the issuance of the bonds in any amount required to provide revenue funds sufficient for the payment of the principal of and interest on the bonds, regardless of any other provision or limitation provided by" the provisions of Code; and

WHEREAS, S.B. 1907 also contains comprehensive provisions ensuring that its provisions will not in any manner impair the contractual rights of any party to a contract with the Board, including any Holders of the Board's Outstanding Parity Debt; and

WHEREAS, the Board deems it necessary and desirable and beneficial to the owners of the Outstanding Parity Debt, the Financing System Members, the System, and the Board to amend the Master Resolution in a manner consistent with the changes made to the Code by S.B. 1907, and the staff of the System and the Board's Bond Counsel, McCall, Parkhurst & Horton L.L.P. have recommended the adoption of this resolution amending the Master Resolution to strengthen the credit of the Revenue Financing System by supplementing the security for the Outstanding Parity Debt and to cure the inconsistencies between the Master Resolution and the Code, as amended; and

WHEREAS, most of the provisions of S.B. 1907 become effective on August 1, 1997, for the 1997-1998 academic year, it is necessary at this time to make the amendments contained in this resolution; and

WHEREAS, notwithstanding the amendments hereafter made and the intention of the Board to follow the desires of the State Legislature, as expressed in S.B. 1907, by establishing tuition at a level equal to not more than what would have been charged as the total of tuition and the general use fee, the Board acknowledges its obligation with respect to the Outstanding Parity Debt to comply with the provisions of the Master Resolution as they existed prior to this amendment to the extent necessary to prevent a default in the Board's obligations under the Outstanding Parity Debt.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM THAT:

Section 1. AMENDMENT OF MASTER RESOLUTION DEFINITIONS. Exhibit A of the Master Resolution is hereby amended in the following manner:

(a) The definitions of Pledged General Fee, Pledged General Tuition, Pledged Revenues, Pledged Tuition Fee, and Prior Encumbered Obligations are amended to read as follows:

"Pledged General Fee" means the gross collections of a student use fee to be fixed, charged, and collected pursuant to Section 55.16, Texas Education Code as it existed prior to the effective date of S.B. 1907, from the students (excepting, with respect to each series or issue of Parity Debt issued prior to such date, any student in a category which, at the time of the adoption of the Supplement relating to such Parity Debt, was exempt by law from paying fees) regularly enrolled at the institutions and branches thereof now or hereafter constituting a Member of the Financing System, respectively, for the general use and availability of the such institutions or branches thereof, respectively, in the manner and amounts, at the times, and to the extent provided in this Resolution, and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered General Fee.

"Pledged General Tuition" means all of the aggregate amount of student tuition charges now or hereafter required or authorized by law to be imposed on students enrolled

at each and every institution, branch, and school, now or hereafter constituting a Member of the Financing System, but specifically excluding and excepting, with respect to each series or issue of Parity Debt, any student in a category which, at the time of the adoption of the Supplement relating to such Parity Debt (1) was exempt by law from paying such tuition, (2) the amount of tuition scholarships provided for by law at the time of the adoption of each Supplement, and (3) the Prior Encumbered Tuition Fees; and it is provided by law and hereby represented and covenanted that the aggregate amount of student tuition charges which are now required or authorized by law to be imposed, and which are pledged to the payment of the Parity Debt, shall never be reduced or abrogated while such obligations are outstanding; it being further covenanted that the aggregate amount of student tuition charges now required or authorized by law to be imposed on students enrolled at each and every institution, branch, and school operated by or under the jurisdiction of the Board are set forth in the Texas Education Code, as amended, to which Code reference is hereby made for all purposes.

"Pledged Revenues" means, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds, including all of the funds and balances now or hereafter lawfully available to the Board and derived from or attributable to any Member of the Financing System which are lawfully available to the Board for payments on Parity Debt; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a Supplement: (a) the interest of The University of Texas System in the Available University Fund under Article 7, Section 18 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto; (b) amounts received on behalf of any Member under Article 7, Section 17 of the Constitution of the State of Texas, including the income therefrom and any fund balances relating thereto; (c) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas; and (d) Practice Plan Funds of any Member, including the income therefrom and any fund balances relating thereto not included in Pledged Practice Plan Funds.

"Pledged Tuition Fee" means, as authorized by Section 55.17, Texas Education Code as it existed prior to the effective date of S.B. 1907, the following specified amounts out of the tuition charges now or hereafter required or permitted by law to be imposed on each tuition paying student enrolled at each and every institution or branch thereof now or hereafter constituting a Member of the Financing System (excepting the Health Institutions), and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered Tuition Fees, respectively:

\$5.00 from each enrolled student for each regular semester, and
\$2.50 from each enrolled student for each summer term of each
summer session.

"Prior Encumbered Obligations" means the Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986, the Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, New Series 1992, and those bonds or other obligations of an institution outstanding on the date it

becomes a Member of the Financing System and which are secured by a lien on and pledge of the Prior Encumbered General Fee, the Prior Encumbered Revenues, the Prior Encumbered Tuition Fee, the Prior Encumbered General Tuition, and/or the Prior Encumbered Practice Plan Funds charged and collected at such institution and all existing obligations of the Board secured by a lien on a portion of the Pledged Revenues which is superior to the lien established by this Resolution on behalf of Parity Debt.

(b) Exhibit A of the Master Resolution is further amended by adding thereto the following definitions:

"Revenue Funds" means the 'revenue funds' of the Board (as defined in Section 55.01 of the Texas Education Code to mean the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income from those funds) derived by the Board from the operations of each of the Members, including specifically the Pledged General Tuition and, to the extent and subject to the provisions of this Resolution, the Pledged General Fee and the Pledged Tuition Fee. Revenue Funds does not include, with respect to each series or issue of Parity Debt, any tuition, rentals, rates, fees, or other charges attributable to any student in a category which, at the time of the adoption of the Supplement relating to such Parity Debt, is exempt by law from paying such tuition, rentals, rates, fees, or other charges.

"S.B. 1907" means Senate Bill 1907 passed by the State Legislature in the Seventy-fifth Regular Legislative Session.

Section 2. AMENDMENT OF SECTION 3 OF MASTER RESOLUTION. Section 3 of the Master Resolution in hereby amended to read as follows:

"Section 3. RATE COVENANT: PLEDGED REVENUES. (a) Rate Covenant. In each Fiscal Year, the Board shall establish, charge, and use its reasonable efforts to collect at each Member the Pledged Revenues which, if collected, would be sufficient to meet all financial obligations of the Board relating to the Financing System including all deposits or payments due on or with respect to Outstanding Parity Debt for such Fiscal Year.

(b) Pledged Revenues. (i) Pledged General Fee. Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations and to the other provisions of this Resolution and any Supplement, the Board covenants and agrees at all times to fix, levy, charge, and collect at each Member which has students the Pledged General Fee from each student (excepting, with respect to each series or issue of Parity Debt, any student in a category which, at the time of the adoption of the Supplement relating to such Parity Debt, is exempt by law from paying fees) enrolled at each Member, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money, to make or pay the principal

of, interest on, and other payments or deposits with respect to the Parity Debt Outstanding on August 1, 1997, when and as required. The Pledged General Fee shall be adjusted, if and when permitted or required by this Resolution or any Supplement, to provide Pledged Revenues sufficient to make when due all payments and deposits in connection with such Outstanding Parity Debt. The Board may fix, levy, charge, and collect the Pledged General Fee in any manner it may determine within its discretion, and in different amounts from students enrolled in different Members, respectively, and in addition it may totally suspend the collection of the Pledged General Fee from the students enrolled in any Member, so long as total Pledged Revenues are sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Financing System including all payments and deposits in connection with such Outstanding Parity Debt. All changes in the Pledged General Fee shall be made by a resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of this Resolution or any Supplement, but merely the carrying out of the provisions and requirements hereof. Notwithstanding the foregoing, it is recognized that certain Members do not and will not enroll students, and, therefore, the Board will not levy or collect the Pledged General Fee at such Member. Notwithstanding the foregoing provisions, so long as there is no default or anticipated default in the payment of the Outstanding Parity Debt referenced above, the Board does not intend to and will not assess and collect the Pledged General Fee.

(ii) Pledged General Tuition and Other Pledged Revenues. Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations and to the other provisions of this Resolution and any Supplement, the Board covenants and agrees at all times to fix, levy, charge, and collect at each Member which has students the Pledged General Tuition and other Pledged Revenues from each student enrolled at each Member, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to the Parity Debt then Outstanding when and as required. The Pledged General Tuition and the other rentals, rates, fees, and charges included in Pledged Revenues shall be adjusted, if and when permitted or required by this Resolution or any Supplement, to provide Pledged Revenues sufficient to make when due all payments and deposits in connection with the Parity Debt then Outstanding. The Board may fix, levy, charge, and collect the Pledged Revenues in any manner it may determine within its discretion, and in different amounts from students enrolled in different Members, respectively, and in addition it may totally suspend the collection of any item included in Pledged Revenues from the students enrolled in any Member, so long as total Pledged Revenues are sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Financing System including all payments and deposits in connection with the Parity Debt then Outstanding. All changes in the Pledged General Tuition shall be made by a resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of this Resolution or any Supplement, but merely the carrying out of the provisions and requirements hereof. Notwithstanding the foregoing,

it is recognized that certain Members do not and will not enroll students, and, therefore, the Board will not levy or collect the Pledged General Tuition at such Member.

(c) Annual Obligation. If, in the judgment of the Board, any Member has been or will be unable to satisfy its Annual Obligation, the Board shall fix, levy, charge, and collect rentals, rates, fees, and charges for goods and services furnished by such Member and, with respect to Member with enrolled students, the Pledged General Tuition, and, if necessary pursuant to subsection (b)(i) above, the Pledged General Fee, effective at the next succeeding regular semester or semesters or summer term or terms, in amounts sufficient, without limit (subject to the provisions of (e) below), together with other legally available funds, including other Pledged Revenues attributable to such Member, to enable it to make its Annual Obligation payments.

(d) Anticipated Deficit. If the Board determines, for any reason whatsoever, (i) that there are not anticipated to be sufficient legally available funds, including Pledged Revenues, to meet all financial obligations of the Board relating to the Financing System, including the deposits and payments due on or with respect to the Parity Debt Outstanding at that time as the same mature or come due, or (ii) that any Member will be unable to pay its Annual Direct Obligation in full, then the Board shall fix, levy, charge, and collect the Pledged General Tuition, and, if necessary pursuant to subsection (b)(i) above, the Pledged General Fee, at each Member with enrolled students, effective at the next succeeding regular semester or semesters or summer term or terms, in such amounts, without any limitation whatsoever (other than as provided in (e) below), as will be at least sufficient to provide, together with other legally available funds, including other Pledged Revenues, the money for making when due all financial obligations of the Board relating to the Financing System including all payments and deposits due on or with respect to Outstanding Parity Debt when and as required by this Resolution or any Supplement.

(e) Economic Effect of Adjustments. Any adjustments in the rate or manner of charging for any rentals, rates, fees, tuition, or other charges included in Pledged Revenues, including the Pledged General Tuition and the Pledged General Fee, if any, at any of the Members pursuant to (c) or (d) above will be based upon a certificate and recommendation of a U.T. System Representative, delivered to the Board, as to the rates and anticipated collection of the Pledged Revenues at the various Members (after taking into account the anticipated effect the proposed adjustments in such rentals, rates, fees, tuition, or other charges would have on enrollment and the receipt of Pledged Revenues and other funds at each Member) which will be anticipated to result in (i) Pledged Revenues attributable to each Member being sufficient (to the extent possible) to satisfy the Annual Obligation of such Member and (ii) Pledged Revenues being sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Financing System including all deposits and payments due on or in connection with Outstanding Parity Debt when and as required by this Resolution and any Supplement.

Section 3. **CHANGES.** Prior to the effective date of this resolution, the Assistant Vice Chancellor for Finance, the Director of Finance, and the General Counsel are authorized to approve

any technical amendments to this Resolution requested by the rating agencies as a condition to their issuance or maintenance of a rating on Parity Debt or by the Attorney General of the State of Texas as a condition to the approval of an issue of Parity Debt.

Section 4. **FURTHER PROCEDURES.** The Executive Vice Chancellor for Business Affairs and the other officers, employees, and agents of the System, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the Board all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the intent, the terms, and the provisions of this Resolution and the Director of Finance, as the U.T. System Representative, is hereby authorized and directed to give such notices as are required to implement this Resolution.

Section 5. **NO IMPAIRMENT OF OUTSTANDING PARITY DEBT.** As provided in Section 55.24 of the Code, as amended by S.B. 1907, the changes made by S.B. 1907 shall not affect any pledge or any covenants with respect to outstanding bonds and notes and all such pledges and covenants shall remain in full force and effect in accordance with the terms and provisions thereof. In furtherance of Section 55.24 and notwithstanding the provisions of this amending resolution supplementing the security for the Outstanding Parity Debt, the Board covenants for the benefit of the Holders of the Outstanding Parity Debt to comply with each and every covenant in the Master Resolution and the Supplements thereto existing as of the date of issuance of such Outstanding Parity Debt so long as such Outstanding Parity Debt are Outstanding to the extent necessary to prevent a default in connection with any payment due with respect to such Outstanding Parity Debt.

Section 6. **EFFECTIVE DATE.** This Resolution is immediately effective. Other than set forth in this Resolution, the Master Resolution is not amended, altered, or rescinded and is in full force and effect.

Section 7. **PUBLIC NOTICE.** It is hereby found and determined that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting at which this Resolution was adopted, and that this Resolution would be introduced and considered for adoption at said Meeting; that said Meeting was open to the public, and public notice of the time, place, and purposed of said Meeting was given, all as required by Chapter 551, Texas Government Code.

8. U. T. System: Recommendation to Approve a Qualified Governmental Excess Benefit Arrangement for Employees Participating in the Optional Retirement Program.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents approve the U. T. System Qualified Governmental Excess Benefit Arrangement for employees participating in the Optional Retirement Program, effective September 1, 1997, as set forth below:

General Provision - In accordance with the provisions of Senate Bill 1460, enacted by the 75th Texas Legislature, the Board hereby establishes a Qualified Governmental Excess Benefit Arrangement (QGEBA) as provided under Section 415(m) of the Internal Revenue Code of 1986, as amended, (the Code), for Optional Retirement Program (ORP) participants. The Board hereby delegates implementation of the QGEBA and authority to execute any necessary and required documents to the Chancellor or his delegate.

BACKGROUND INFORMATION

The Small Business Job Protection Act enacted in August 1996, created the Qualified Governmental Excess Benefit Arrangement under Section 415(m) of the Code. This provision allows employees to receive the retirement benefits they would otherwise be entitled to under the Optional Retirement Program, notwithstanding the limitations under Section 415 of the Code.

In effect, this arrangement removes the \$30,000 tax deferred limitation under Section 415 of the Code for employees enrolled in the ORP.

The 75th Texas Legislature adopted the Section 415(m) provisions in S.B. 1460 which was signed by Governor Bush on June 17, 1997. Implementation of the QGEBA will allow the U. T. System to implement the changes to the Code to reflect this benefit.

9. U. T. System: Request to Approve an Aggregate Amount of Equipment Financing for Fiscal Year 1998 and Approve the Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents approve an aggregate financed amount of \$21,681,000 under the Revenue Financing System for equipment to be purchased in Fiscal Year 1998 by the following U. T. System component institutions:

U. T. Austin	\$5,000,000
U. T. El Paso	710,000
U. T. San Antonio	1,259,000
U. T. Medical Branch - Galveston	8,000,000
U. T. Health Science Center - Houston	2,200,000
U. T. M.D. Anderson Cancer Center	3,272,000
U. T. Health Center - Tyler	1,040,000
U. T. System Administration	200,000

The Chancellor also concurs in the recommendation of the Executive 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 (the "Master Resolution"), and upon delivery of the Certificate of an Authorized Representative as set out on Page BAAC - 24, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost paid 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 Board relating to the Financing System

- c. To finance equipment, 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 tax-exempt Parity Debt in the aggregate amount of \$21,681,000 for the purchase of equipment
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

At the April 1994 meeting, the U. T. Board of Regents approved the use of Revenue Financing System debt for equipment purchases in accordance with the Guidelines Governing Administration of the Revenue Financing System. The guidelines specify that the equipment to be financed must have a useful life of at least three years. The debt is amortized twice a year with full amortization not to exceed ten years.

This agenda item requests approval of an aggregate amount of \$21,681,000 for equipment financing for Fiscal Year 1998. With the issuance of the equipment debt, the debt service coverage for the U. T. System is projected to range from 3.02 times to 2.65 times for the next five years (see Page BAAC - 25). Each fiscal year, the U. T. Board of Regents will be asked to approve an aggregate financing amount, and any amount approved for a fiscal year but not used may not be carried forward. For Fiscal Year 1997, the Board approved \$33,698,000 of equipment financing.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991 and amended on October 8, 1993 (the "Master Resolution"), do hereby execute this certificate for the benefit of the Board of Regents pursuant to Section 5 (a) (ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" pursuant to the Master Resolution to finance equipment cost at U. T. Austin, U. T. El Paso, U. T. San Antonio, U. T. Medical Branch - Galveston, U. T. Health Science Center - Houston, U. T. M.D. Anderson Cancer Center, U. T. Health Center - Tyler, U. T. System Administration, and do certify that to the best of my knowledge the Board of Regents is in compliance with all covenants contained in the Master Resolution, the First Supplemental Resolution Establishing an Interim Financing Program, the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, and the Fifth Supplemental Resolution and is not in default of any of the terms, provisions and conditions in said Master Resolution, the First Supplemental Resolution, the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, and the Fifth Supplemental Resolution.

EXECUTED this 14th day of August, 1997

John A. Roan
Assistant Vice Chancellor for Finance

**The University of Texas System
FY 98 Equipment Financing
(\$ in millions)**

	<u>Equip. Financing</u>	<u>Maximum Annual Equip. Debt Service</u>	<u>Debt Service Coverage FY 1997- FY 2003</u>	<u>Total Debt Service as a % of Total Budget FY 1997- FY 2003</u>	<u>Source of Repayment</u>
UT Austin	5.000	1.250	1.86x-2.22x	4.21%-5.77%	Designated Tuition* & Lab Fees
UT El Paso	0.710	0.178	1.27x-1.93x	4.88%-5.57%	Designated Tuition*
UT San Antonio	<u>1.259</u>	<u>0.315</u>	1.10x-1.59x	5.67%-8.38%	Designated Tuition*, Food Service
Total Academics	6.969	1.742			Revenues & I.D. Card Fees
UT Galveston Medical Branch	8.000	2.000	2.53x-7.12x	0.68%-1.39%	Patient Income
UTHSC Houston	2.200	0.550	1.25x-1.99x	2.32%-2.68%	Institutional Funds
UT MD Anderson	3.272	0.818	3.86x-7.93x	1.05%-2.28%	Patient Income
HC Tyler	<u>1.040</u>	<u>0.260</u>	0.79x-4.05x	0.53%-1.92%	Patient Income
Total Health	14.512	3.628			
U.T. System Administration	<u>0.200</u>	<u>0.050</u>	Minimum 31.03x	0.56%-2.59%	AUF & Departmental funds
Totals	21.681	5.420	2.65x-3.02x	2.35%-3.30%	

* Designated Tuition formerly known as General Use Fee.

10. U. T. System: Recommended Approval of Non-Personnel Aspects of the Operating Budgets for the Fiscal Year Ending August 31, 1998, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans and Authorization for the Chancellor to Make Editorial Corrections Therein; and Approval of Permanent University Fund Bond Proceeds Reserve Allocation for Library, Equipment, Repair and Rehabilitation Projects.--

RECOMMENDATION

The Chancellor, with the concurrence of the appropriate Executive Vice Chancellor and chief administrative officers of the U. T. System component institutions, recommends that the non-personnel aspects of the U. T. System Operating Budgets for the Fiscal Year ending August 31, 1998, including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans be approved.

It is further recommended that the Chancellor be authorized to make editorial corrections therein and that subsequent adjustments be reported to the U. T. Board of Regents through the institutional dockets.

It is requested that Permanent University Fund Bond Proceeds in the amount of \$41,000,000 be appropriated from reserves to fund Library, Equipment, Repair and Rehabilitation Projects for Fiscal Year 1998. In addition, it is recommended that the U. T. System component institutions be authorized to purchase approved equipment items and library materials and to contract for repair and rehabilitation projects following standard purchasing and contracting procedures within approved dollar limits. Substitute equipment purchases are to receive prior approval by the Chancellor and appropriate Executive Vice Chancellor and, where required, the U. T. Board of Regents. Transfers by the U. T. System Administration of allocated funds to institutional control or to vendors will coincide with vendor payment requirements. Final approval of specific repair and rehabilitation projects will be in accordance with Board established procedures for construction projects.

Fiscal Year 1998 funds from these reserves not expended or obligated by contract/purchase order within six months after the close of Fiscal Year 1998 are to be available for future System-wide reallocation unless specific authorization to continue obligating the funds is given by the Executive Vice Chancellor for Business Affairs on recommendation of the chief administrative officer and the appropriate Executive Vice Chancellor.

This item requires the concurrence of the Academic Affairs and Health Affairs Committees.

BACKGROUND INFORMATION

The Chancellor will present a statement in support of the Operating Budget recommendations.

See Page Ex.S - 1 related to the personnel aspects of the Operating Budgets.

The appropriation of Permanent University Fund Bond Proceeds will be presented with the Fiscal Year 1998 Operating Budget. An allocation of \$41,000,000 is being requested for Library, Equipment, Repair and Rehabilitation Projects for Fiscal Year 1998. The allocation of these reserves to the U. T. System component institutions was developed from prioritized lists of projects submitted by the component institutions and reviewed by U. T. System Administration staff.

As required by the Available University Fund (AUF) Spending Policy, a forecast of revenues and expenses of the AUF for seven years, including the above allocation, has been prepared and is provided on Page BAAC - 28. The additional appropriation of Permanent University Fund Bond Proceeds for this allocation is within the policy as shown in the forecast except for the objective that at least 45% of AUF income be appropriated to U. T. Austin. Due to the one-time increase in income resulting from the change in accounting from a cash basis to an accrual basis in the distribution of income from the PUF to the AUF, this ratio is estimated to be 41% for Fiscal Year 1998. U. T. Austin will, however, be receiving a \$2,000,000 increase for Fiscal Year 1998 as compared to Fiscal Year 1997.

**AVAILABLE UNIVERSITY FUND OPERATING STATEMENT
ACTUAL AND FORECAST DATA
(MILLIONS)**

CASH BASIS

UTIMCO PROJ. (6/97)

	Actual		Forecast Data							
	FYE 95	FYE 96	FYE 97	FYE 98	FYE 99	FYE 00	FYE 01	FYE 02	FYE 03	FYE 04
Investment Income	249.5	253.2	257.2	279.6	254.3	257.0	260.4	264.3	267.5	272.4
Surface & Other Income	4.4	5.2	3.9	4.3	4.0	4.0	4.0	4.0	4.0	4.0
Earnings - 50 Leagues Land	-0.1									
Exp. of Revenue Bearing Property	-9.9	-9.1	-10.9	-11.6	-12.1	-12.6	-13.1	-13.6	-14.1	-14.7
Net Divisible Income	243.9	249.4	250.1	272.3	246.2	248.4	251.3	254.7	257.4	261.7
UT Share (2/3)	162.6	166.3	166.7	181.5	164.1	165.6	167.5	169.8	171.6	174.5
AUF Interest Income	4.5	4.5	4.0	5.0	4.8	5.0	5.2	5.4	5.5	5.8
Earnings - 50 Leagues Land	0.1									
Income Available to UT	167.2	170.7	170.7	186.5	169.0	170.7	172.8	175.2	177.1	180.2
PUF Debt Service Transfers	-67.4	-57.6	-58.3	-62.8	-68.3	-69.4	-70.3	-72.3	-72.3	-72.3
Prairie View A&M Transfers	-1.3									
System Administration Transfers	-9.1	-10.0	-10.4	-11.0	-11.3	-11.6	-12.0	-12.3	-12.7	-13.1
System Adm. Capital Budget	-0.6	-1.7	-2.8	-1.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
System Non-Divisible Expenditures	-4.1	-9.0	-7.6	-4.0	-4.2	-4.3	-4.4	-4.5	-4.7	-4.8
UT Austin (B. R. Bond Reimbursement)	-3.8	-3.8	-3.8	-3.7	-3.4	-3.4	-3.4	-3.4	-3.4	-3.4
UT Austin Telecommunications	-1.9	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.9	-0.9	-0.9
UT Austin Excellence Funds	-75.0	-74.8	-74.4	-76.4	-76.4	-76.9	-77.8	-78.8	-79.7	-81.0
Other Transfers and Changes	1.3	-0.7	-0.1	-49.3	-0.1	-0.1	0.0	0.0	0.3	1.8
Total Transfers	-161.9	-158.3	-158.2	-209.5	-164.9	-166.9	-169.2	-172.7	-173.9	-174.3
Net Surplus/(Deficit)	5.3	12.4	12.5	-23.0	4.1	3.8	3.6	2.5	3.2	5.9
Ending AUF Fund Balance - Reserve	50.7	63.1	75.6	52.7	56.8	60.6	64.1	66.6	69.8	75.7
UT Austin Excellence Fund Share	45%	44%	44%	41%	45%	45%	45%	45%	45%	45%
PUF Debt Service Coverage - Pledge	2.48:1	2.96:1	2.93:1	2.97:1	2.47:1	2.46:1	2.46:1	2.42:1	2.45:1	2.49:1
PUF Debt Service Coverage - Net of Transfers	1.06:1	1.23:1	1.22:1	1.42:1	1.06:1	1.05:1	1.05:1	1.03:1	1.04:1	1.06:1

11. U. T. System: Request to Approve Transfer of Funds
Between Legislative Appropriation Items During the
Biennium Beginning September 1, 1997.--

RECOMMENDATION

The Chancellor, with the concurrence of the appropriate Executive Vice Chancellor and the chief administrative officers of the U. T. System component institutions, recommends that the U. T. Board of Regents adopt the resolution which follows in order to provide for the most effective utilization of the General Revenue Appropriations during the biennium beginning September 1, 1997:

Pursuant to the appropriate transfer provisions of the General Appropriations Act of the 75th Legislature, it is hereby resolved that the State Comptroller be requested to make necessary transfers within the Legislative Appropriations (and/or Cost Centers) from the General Revenue Fund for each of the following components as authorized by the Chief Financial Officers of The University of Texas System institution concerned:

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
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

BACKGROUND INFORMATION

This resolution is a standard action by the U. T. Board of Regents at the beginning of each biennium and is pursuant to provisions of the General Appropriations Act by the 75th Texas Legislature.

12. U. T. System: Request for Adoption of the Resolution to Argonaut Southwest Insurance Company to Guarantee Payments Under a Rolling Owner Controlled Insurance Program (ROCIP).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Executive Vice Chancellor for Business Affairs that the resolution to Argonaut Southwest Insurance Company, Menlo Park, California, to insure The University of Texas System under a Rolling Owner Controlled Insurance Program (ROCIP) be adopted as set forth below:

RESOLUTION

WHEREAS, Argonaut Southwest Insurance Company (Argonaut), Menlo Park, California, will insure The University of Texas System and other persons under a Rolling Owner Controlled Insurance Program (ROCIP) for various construction projects managed by the Office of Facilities Planning and Construction;

WHEREAS, Pursuant to this ROCIP, Argonaut will issue one or more workers' compensation insurance policies and comprehensive general liability insurance policies that contain combined \$250,000 per occurrence deductibles that include allocated costs and indemnity payments; however, such deductibles are subject to aggregate limits of \$2,959,057 for the ROCIP;

WHEREAS, The Board of Regents of The University of Texas System understands and agrees that this large deductible ROCIP requires the prompt reimbursement of sums advanced by Argonaut to adjust or pay claims within the deductibles, and the Board desires to guaranty to Argonaut the prompt reimbursement of the deductibles for the ROCIP; now, therefore, be it

RESOLVED, That the Board hereby guarantees to Argonaut the prompt repayment of the sums advanced by Argonaut to adjust or pay claims within the deductibles for the ROCIP, subject to the aggregate deductible limits for the Program. This guaranty shall remain fully binding although Argonaut may waive one or more defaults of the insured or fail to exercise any rights against the insured or modify one or more terms of the ROCIP as required by law or with the consent of The University of Texas System; and, be it further

RESOLVED, That the Board represents and warrants to Argonaut that the funds necessary to reimburse Argonaut for the aggregate deductible liability of the insured for the ROCIP are included in the appropriations for the project heretofore approved by the Board.

BACKGROUND INFORMATION

In an effort to effect greater cost control of construction projects within The University of Texas System, the Office of Business Affairs has investigated the feasibility of participating in a Rolling Owner Controlled Insurance Program (ROCIP) for various construction projects managed by the Office of Facilities Planning and Construction (See Exhibit A on Page BAAC - 35). A ROCIP can be the most effective and inexpensive method of insuring liability exposures for large construction projects. The ROCIP is attractive because it is economical and can provide contractors, as well as the owner, with uniform coverage, higher limits, improved claims administration, and continuity of coverage through contract term.

Provided below are a detailed explanation of a ROCIP, the need and purpose for the proposed resolution, the benefits of a ROCIP, and the potential premium cost savings for the project.

Definition of a ROCIP

A ROCIP is the centralized purchasing of insurance (workers' compensation, general liability, and excess liability, etc.) for all contractors working on the project site. Customarily this insurance is purchased by each contractor, in small quantities from different insurers, and the cost is passed through to the owner in the general contractor's bid. In a ROCIP, there is usually only one insurance company which issues separate policies to the contractor and each subcontractor.

Need and Purpose for Resolution

Insurance companies that provide coverage for a ROCIP incur significant liabilities once the policies have been issued. The insurance companies are responsible for 100% of all claims whether or not the owner pays its share, i.e., the policy deductible. Consequently, insurance companies require the issuance of a letter of credit, security interest in the owner's property, promissory note or other substantial financial instrument to satisfy the requirements of their state insurance commission, as well as the due diligence owed their stockholders. However, for The University of Texas System, Argonaut has agreed to accept the above resolution in lieu of a letter of credit, secured interest, or promissory note. To our knowledge, no other entity participating in a ROCIP has negotiated such a favorable agreement with its insurance company.

How a ROCIP Works

Under a ROCIP, the owner directs all contractors to prepare their bids, excluding insurance costs, related to the specific project. The owner secures policies for all contractors working on the project site. The net cost of the insurance policy placed by the owner would be "loss sensitive," in that savings in claim costs are returned to the owner rather than the contractor. A large emphasis would be placed on loss control and safety to maximize the savings potential for the owner.

The contractors would then report their job payrolls to the ROCIP insurance carrier rather than to their own insurance companies. The owner would pay all premiums from the amount saved by having the bids omit insurance costs and receive all return premiums that may be earned. All claims related to the project sites would be paid by the ROCIP insurance carrier. Once the projects are completed, all policies, except for completed operations coverage, are terminated.

A ROCIP presents advantages over conventional construction insurance and loss control procedures for two specific reasons: (1) creating economies of scale by centralizing the purchased insurance coverage and (2) streamlining project management by coordinating a number of on-site functions (loss control, safety, security, record keeping, etc.) under a single authority. Control is the key to the operation and success of a ROCIP as it is provided for essential project insurance lines, subcontractors in all tiers through their contracts, site security, and loss prevention and claims management programs by the owner.

Provided below are the benefits of a ROCIP:

Cost Savings

Insurance costs are considered an expense item in the contractors' and subcontractors' bids, consequently overhead charges are added to their individual insurance costs which result in an additional 5-10% cost addition to the owner. In addition, when the insurance is purchased on an individual basis by each contractor/subcontractor, the premium is paid up front in its entirety. In a ROCIP, the combined purchasing power enables the project owner to structure its premium and loss reserve payments over a longer period of time.

Increases Project HUB Participation

A ROCIP will provide insurance coverages and limits that small or HUB-owned businesses would normally not be able to purchase on their own.

Insurance Quality Control

Allowing the general contractors and subcontractors to purchase their policies of insurance separately and from different insurers creates a combination of varying limits, coverages, wordings, retentions, etc. A ROCIP standardizes the overall program and assures the owner uniformity of coverage.

Improves Project Safety

By controlling the insurance through a ROCIP, the owner will be able to monitor safety programs and procedures for the project. This is one of the key elements of the ROCIP because "loss" dollars saved flow directly back to the owner.

Potential ROCIP Premium Cost Avoidance for Projects to be Included in the Program

Estimated contractors' premium cost under normal bid process (without ROCIP)	\$7,578,771
ROCIP cost at a 30% loss ratio	<u>3,830,757</u>
Estimated cost avoidance through use of the ROCIP	<u>\$3,748,014</u>

**The University of Texas System
ROCIP**

Campus	Project	General Description	Total
Austin	Welch Hall	Renovation & Safety	21,771,750
Austin	Memorial Stadium	East Side Renovation	29,900,000
Pan American	Library	New Addition	5,525,000
Austin	Neuhaus Royal	Renovation and Expansion of Athletic Facility	7,640,000
SWMC Dallas	Research Building	Expansion	44,200,000
Austin	Track & Soccer	New Stadium and Parking	18,614,400
Austin	Dorothy Gebauer	Building Restoration	5,965,000
El Paso	Nursing and Stanton Building	Renovation of Nursing and Health Science Facility	2,495,000
Pan American	Science Building	Renovation of Existing Science Building	5,700,000
HSC San Antonio	Research Building	Addition	15,500,000
M.B. Galveston	Radiology	Renovation	8,300,000
El Paso	Utility	Up Grade of Utility Facility	15,101,432
		Totals	180,712,582

INFORMATIONAL REPORT

U. T. System: Discussion of the June 1997 Monthly
Financial Report.--

REPORT

Mr. R. D. Burck, Executive Vice Chancellor for Business Affairs, will discuss the June 1997 Monthly Financial Report for the U. T. System.

Academic Affairs Committee

ACADEMIC AFFAIRS COMMITTEE
Committee Chairman Lebermann

Date: August 14, 1997
Time: Following the Meeting of the Business Affairs
and Audit Committee
Place: Galaxy Room 2.602B, Student Union Building
U. T. Dallas

	<u>Page</u> <u>AAC</u>
1. U. T. Board of Regents: Proposed Amendment to the Regents' <u>Rules and Regulations</u> , Part One, Chapter III, Section 1, Subsection 1.8, Subdivision 1.83 (Academic Titles)	3
2. U. T. Board of Regents: Proposed Amendments to the Regents' <u>Rules and Regulations</u> , Part One, Chapter III, Section 6, Subsection 6.3 (Tenure, Promotion, and Termination of Employment)	4
3. U. T. Board of Regents: Proposed Amendments to the Regents' <u>Rules and Regulations</u> , Part One, Chapter VI, Section 6, Subsection 6.6, Subdivisions 6.61 and 6.62 (Solicitation) and Section 10 (Anonymous Publications)	7
4. U. T. System: Request to Delegate Authority for Limited Waiver of Fees for Distance Learning or Other Off-Campus Courses	17
5. U. T. System: Request for Approval of a Regental Policy on Procedures for Establishing Admissions Policies and Criteria for Award of Scholarships and Fellowships	18
6. U. T. System: Request for Approval of a Regental Policy on Student Participation in Selection and Monitoring of Food Service Contractors	21

7.	U. T. Austin: Recommendation for Approval to Establish the Center for American History Advisory Council	23
8.	U. T. Dallas: Request for Authorization to Establish a Master of Science in Applied Economics, a Master of Science in Geographic Information Sciences, and a Master of Science and a Master of Arts in Applied Sociology and to Submit the Proposed Degree Programs to the Coordinating Board for Approval (Catalog Change)	24
9.	U. T. El Paso: Request for Authorization to Establish a Doctor of Philosophy Degree in History and to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change)	27
10.	U. T. Pan American: Request for Authorization to Establish a Master of Science Degree in Nursing with a Family Nurse Practitioner Track and to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change)	30
11.	U. T. San Antonio: Request for Authorization to Establish a Doctor of Education Degree in Educational Leadership and to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change)	32
12.	U. T. Board of Regents: Presentation of Certificate of Appreciation	35

1. U. T. Board of Regents: Proposed Amendment to the Regents' Rules and Regulations, Part One, Chapter III, Section 1, Subsection 1.8, Subdivision 1.83 (Academic Titles).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and the Executive Vice Chancellor for Health Affairs that the Regents' Rules and Regulations, Part One, Chapter III, Section 1, Subsection 1.8, Subdivision 1.83, regarding academic titles, be amended as set forth below in congressional style:

1.8 Academic Titles.

. . .

- 1.83 The following academic titles may also be used within University of Texas System component institutions. Tenure cannot be awarded to a person appointed to these ranks and, with the exception of the ranks of Instructor and Technical Instructor, academic service within these ranks cannot be counted toward the satisfaction of any required probationary period. Appointments to these titles shall be for a period of time not to exceed one academic year except in the case of Lecturer or Senior Lecturer when, in individual cases, appointment may be for periods of time not to exceed three academic years. In individual cases, as determined by a component institution, full-time appointment to a clinical or research position with a title authorized by Subdivision 1.83(i) or Subdivision 1.83(j) may be for periods of time not to exceed three academic years. With the exception of the titles of Instructor and Technical Instructor, such appointments shall terminate at the expiration of the stated period of appointment without the notification of nonrenewal required by Subsection 6.7 of this

Chapter. If a component institution determines that it is to the benefit of the institution, it may offer reappointments to these titles.

. . . .

This item requires the concurrence of the Health Affairs Committee.

BACKGROUND INFORMATION

This amendment to the Regents' Rules and Regulations, Part One, Chapter III, Section 1, Subsection 1.8, Subdivision 1.83, relating to academic titles, was drafted following a recommendation from the U. T. System Faculty Advisory Council and has been reviewed by the U. T. System chief administrative officers. It provides the opportunity for the appointment of clinical or research faculty at academic components with health-related clinical programs and at health components for periods up to three years. The purpose of the revision is to allow the retention of superior clinical or research faculty within the U. T. System by providing more job security than the current annual appointment system allows and to allow additional flexibility to respond to the needs of nontenured faculty in health programs. It is anticipated that only senior faculty would be offered multiple year appointments. These appointments will not be considered as tenure or term tenure.

2. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Subsection 6.3 (Tenure, Promotion, and Termination of Employment).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellors for Academic Affairs and Health Affairs that the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Subsection 6.3, regarding tenure, promotion, and termination of employment, be amended as set forth on Pages AAC 5 - 6 in congressional style.

Sec. 6. Tenure, Promotion, and Termination of Employment.

. . . .

6.3 Termination by an institution of the employment of a faculty member who has been granted tenure and of all other faculty members before the expiration of the stated period of appointment, except as is otherwise provided in Subdivision 6.26 and Subsections 6.(11) and 6.(12) or by resignation or retirement, will be only for good cause shown. In each case the issue will be determined according to the equitable procedures provided in this Subsection.

6.31 The chief administrative officer shall assure that all allegations against a faculty member that involve the potential for termination are reviewed under the direction of the chief academic officer unless another officer is designated by the chief administrative officer. The faculty member who is the subject of the allegations shall be given an opportunity to be interviewed prior to a determination by the chief academic officer whether the allegations are supported by evidence that constitutes good cause for termination. The chief academic officer will recommend to the chief administrative officer whether to proceed with charges for termination. A tenured faculty member who is recommended for termination on the basis of periodic evaluation must be given the opportunity for referral of the matter to nonbinding alternative dispute resolution, as required by Texas Education Code Section 51.942 and in compliance with applicable U. T. System and institutional policies and procedures for alternative dispute resolution, prior to referral of the charges to a hearing tribunal under Subsection 6.33. A faculty member under review for matters that may result in charges for termination may file a

grievance pursuant to a faculty grievance procedure only if the subject of the grievance is not involved in the review. A pending grievance may proceed only if it does not involve a subject under review.

.
This item requires the concurrence of the Health Affairs Committee.

BACKGROUND INFORMATION

Senate Bill 149, passed by the 75th Texas Legislature, Regular Session, adds a new Section 51.942 to the Texas Education Code, requiring the periodic performance evaluation of tenured faculty, consistent with Regental "Guidelines for Periodic Evaluation of Tenured Faculty" adopted by the U. T. Board of Regents at the November 1996 meeting and proposed for minor revision at the August 1997 meeting. The legislation requires that a faculty member subject to termination on the basis of the periodic evaluation process be provided an opportunity for referral of the matter to a nonbinding alternative dispute resolution process.

Senate Bill 694, also passed by the 75th Texas Legislature, Regular Session, encourages each state agency to adopt policies and procedures for alternative dispute resolution "that are consistent with the policies and procedures of other state agencies." The Office of General Counsel is currently reviewing the development of appropriate alternative dispute resolution policies.

See Item 3 on Page B of R - 7 revising the Regental "Guidelines for Periodic Evaluation of Tenured Faculty."

3. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter VI, Section 6, Subsection 6.6, Subdivisions 6.61 and 6.62 (Solicitation) and Section 10 (Anonymous Publications).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellors for Academic Affairs and Health Affairs and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part One, Chapter VI, Section 6, Subsection 6.6, Subdivisions 6.61 and 6.62, regarding solicitation, and Section 10, regarding anonymous publications, be amended as set forth below in congressional style:

Sec. 6. Use of University Facilities. This Section applies only to property, buildings, and facilities owned or controlled by the U. T. System or component institutions that are maintained and used for programs and activities related to the role and mission of the U. T. System or component institutions.

. . .

6.6 Solicitation.--The term "solicitation" means the sale, lease, rental or offer for sale, lease, rental of any property, product, merchandise, publication, or service, whether for immediate or future delivery; an oral statement or the distribution or display of printed material, merchandise, or products that is designed to encourage the purchase, use, or rental of any property, product, merchandise, publication, or service; the oral or written appeal or request to support or join an organization other than a registered student, faculty, or staff organization; the receipt of or request for any gift or contribution; or the request to support or oppose or to vote for or against a candidate, issue, or proposition appearing on the ballot at any election held pursuant to state or federal law or local ordinances.

6.61 No solicitation shall be conducted on any property, street, or sidewalk, or in any building, structure, or facility owned or controlled by any component institution or the U. T. System unless permitted by the Regents' Rules and Regulations. The following activities shall not be deemed solicitations prohibited by this Subsection when conducted in accordance with the approved rules and regulations of the U. T. System or the component institution. Such activities must be conducted in a manner that does not disturb or interfere with the academic programs or administrative activities of the U. T. System or the component institution or any program or activity that is conducted by or is authorized by the U. T. System or component institution; does not interfere with entry to or exit from a building, structure, or facility; does not interfere with the flow of pedestrians or vehicular traffic on sidewalks or streets or at places of ingress and egress to and from property, buildings, or facilities; does not harass, embarrass, or intimidate the person or persons being solicited; and does not violate applicable state, federal, or local laws or regulations:

. . . .

(f) The collection of contributions or the sale of merchandise, food, or nonalcoholic beverages by the students' association or by a registered student, faculty, or staff organization. A students' association or a registered student, faculty, or staff organization may not conduct such solicitation activities on behalf of or for the benefit of any individual, association, organization, corporation, or group of individuals that is not registered as a student,

faculty, or staff organization or that is not otherwise qualified under the criteria of Item (i) of Subdivision 6.61 to conduct solicitation. In the case of specific drives for disaster relief, the chief student affairs officer of the institution may approve a drive that complies with all other requirements of Subsection 6.6.

-
- (p) The distribution or presentation to officers and employees of the U. T. System and component institutions of material related to health benefit plans, life insurance, tax sheltered annuities, retirement plans or programs, or other benefits that are available to such officers and employees through employee benefit plans or programs offered by or approved by the U. T. System. Such material may be distributed or presented only at the Office of Human Resources of the U. T. System or component institutions, at the benefits office of a health profession practice plan of a health component institution, or at meetings scheduled for that purpose pursuant to guidelines established by the U. T. System Office of Human Resources.

-
- (s) The display and distribution of printed material from tables or booths by providers of services that are commonly utilized by students, faculty, and staff of a component institution, such as financial institutions, long distance telephone carriers, utilities, housing locators, printers and

duplicators, tutors, or employment agencies. A component institution may designate no more than two one-day periods each academic year during which all authorized providers may engage in such activities in an area selected by the component institution. The number of providers authorized to participate on each of the two one-day periods will be determined by the component institution. The activities of a provider must be limited to the time and place designated by the component institution and must be conducted in compliance with Subdivision 6.61 and other guidelines specified by the component institution. A provider may not make sales of or take orders for services. The component institution shall charge an appropriate fee for the privilege of conducting such activities. Any provider who violates the Regents' Rules and Regulations or the rules and regulations of the component institution in the course of such activities or who has violated a provision of the Regents' Rules and Regulations or the rules and regulations of the component institution during the twelve-month period preceding a day designated by the component institution for activities authorized by this subdivision shall not be permitted to participate in such activities.

(t) A component institution may designate a reasonable number of areas immediately adjacent to the exterior of a facility used for intercollegiate athletic events and may authorize such areas to be used for the display of motor propelled vehicles and for the location of booths, tables, or kiosks to be used for the display of merchandise, the

distribution of free samples of merchandise, and the display and distribution of printed material related to merchandise, products, or services. Such activities may be authorized only on the day before and the day of an intercollegiate athletic event or an event that is related to athletics that takes place in the facility. A component institution may designate a reasonable number of areas inside a facility used for intercollegiate athletic events for such activities if the designation and use of the area is approved by the safety officer of the component institution. All persons engaged in or associated with such displays and distributions must conduct those activities in compliance with Subdivision 6.61 and with other guidelines specified by the component institution. Such persons may not make sales of or take orders for such vehicles, merchandise, products, or services. The component institution shall charge an appropriate fee for the privilege of using such areas. If persons engaged in such activities violate the Regents' Rules and Regulations or the rules and regulations of the component institution, such persons and any entity that they are acting for shall not be permitted to engage in activities under this subdivision for a twelve-month period.

(u) In the course of an election process held pursuant to the approved constitution, bylaws, or election code of the faculty governance organization or of the student government organization of a component institution or an election held pursuant to the approved rules, regulations, or policies of a component institution, requests may

be made to support or to vote for or against a qualified candidate for an office or position to be filled at such election or to support or to vote for or against a proposition to be decided at such election. Such request may be made only by the candidates for an office or position; by a registered student, faculty, or staff organization and its members; or by a student, faculty member, or staff member. Individuals and organizations making such requests must conduct all activities in compliance with the approved time, place, and manner regulations of the component institution; the provisions of the constitution, bylaws, election code, rules, regulations, or policies authorizing the election; and Subdivision 6.61. No faculty member, staff member, or student employee may engage in such activities during any period that he or she is being paid to perform services for a component institution.

- (v) The request to support or to vote for or against a candidate for an elective position or office or for or against a proposition on a ballot for a public election held pursuant to federal, state, or local laws when such request is made by a registered student, faculty, or staff organization, or by a student, faculty member, or staff member. Persons or organizations must conduct such activities in compliance with Subdivision 6.61; with the time, place, and manner regulations of the component institution; with the provisions of federal, state, or local laws governing such election; and may not use any equipment, supplies, or services of a component institution.

No faculty member, staff member, or student employee may engage in such activities during any period that he or she is being paid to perform duties for a component institution. No registered student, faculty, or staff organization that receives state funds from any source may engage in such activities.

- 6.62 All permissible solicitation must be conducted in compliance with Subdivision 6.61 and the time, place, and manner regulations of the component institution. [~~No solicitation shall be conducted on the grounds, sidewalks, or streets of any component institution or of the U. T. System, except by the agents, servants, or employees of the U. T. System or component institution acting in the course and scope of their agency or employment, or by the students' association of that institution, or by a registered student, faculty, or staff organization at that institution when authorized under Subsection 6.61. Such solicitation must be conducted in a way that: (a) does not disturb or interfere with the academic programs or administrative activities of the U. T. System or the component institution or any program or activity that is conducted by or is authorized by the U. T. System or component institution; (b) does not interfere with the free and unimpeded flow of pedestrian and vehicular traffic on sidewalks and streets and at places of ingress and egress to and from property, buildings, or facilities; and (c) does not harass, embarrass, or intimidate the person or persons being solicited.~~] If, after reasonable investigation, [~~which investigation shall afford the accused student, employee, or organization every right guaranteed by the due process clauses of the United States and Texas Constitutions~~] it is determined that

impermissible solicitation is being or has been conducted or that permissible solicitation is being or has been conducted in violation of the Regents' Rules and Regulations or the approved rules and regulations of the U. T. System or component institution (1) a student, a faculty member, or a staff member [or employee] will be subject to such disciplinary penalty [action] as may be appropriate, and (2) a student's association or a registered student, faculty, or staff [the offending] organization shall be prohibited from solicitation for such period or periods of time as may [shall] be appropriate. In [and in] the case of repeated violations, the registered status of the [offending] organization may be cancelled or other appropriate penalties may be imposed. Any penalty or penalties must be imposed pursuant to the due process procedures of applicable Regents' Rules and Regulations or approved rules and regulations of the U. T. System or component institution.

. . . .

Sec. 10. Anonymous Publications.--Anonymous publications are prohibited, and any individual or organization[~~- Any student~~] publishing or aiding in publishing, or circulating or aiding in circulating, any anonymous publication will be subject to disciplinary action [discipline].

. . . .

This item requires the concurrence of the Health Affairs Committee.

BACKGROUND INFORMATION

The proposed amendments to the Regents' Rules and Regulations, Part One, Chapter VI, Section 6, Subsection 6.6, regarding solicitation, eliminate duplicative provisions and clarify a major revision of the Regents' Rules and Regulations adopted

by the U. T. Board of Regents in May 1996. Provisions permitting additional specific solicitation activities as requested by the U. T. System component institutions are also added. The proposed amendments to Section 6, Subdivisions 6.61 and 6.62 are summarized as follows:

- a. Subdivision 6.61 is amended to include language from Subdivision 6.62 that addresses the same subject. With this addition, the first two sentences of Subdivision 6.62 are deleted as no longer necessary.
- b. Item (f) is amended to permit a students' association or a registered student, faculty, or staff organization that has collected funds under the authorization of this subdivision to contribute those funds to an organization that qualifies to conduct solicitation activities pursuant to Item (i) of Subdivision 6.61 or to conduct disaster relief fund raising if authorized by the chief student affairs officer.
- c. Item (p) is amended to clarify that the authorized distribution of materials under this item must relate to employee benefit plans or programs that are offered by or approved by the U. T. System.
- d. Item (s) is added to authorize a component institution to permit providers of certain services commonly utilized by students, faculty, and staff to display and distribute materials related to such services under limited and specified circumstances during two one-day periods each academic year. The institution is required to charge an appropriate fee to participating vendors. No sales may be made and no orders may be taken.
- e. Item (t) is added to authorize a component institution to permit the display of merchandise and distribution of merchandise and of printed materials in designated areas in and adjacent to an athletic facility. The activities must be conducted in accordance with specific limitations. The institution is required to charge an appropriate fee to participating vendors. No sales may be made and no orders may be taken.

- f. Item (u) is added to codify the long-standing practice on several campuses of permitting activities related to requesting a vote for or against a candidate or for or against a proposition on a ballot at an election held at a component institution pursuant to the approved constitution, bylaws, or election code of a student government organization, or pursuant to approved rules, regulations, or policies of a component institution. An employee, including a student employee, may not engage in the authorized activity during the hours that the employee is being paid to perform duties for the component institution.
- g. Item (v) is added to authorize a registered student, faculty, or staff organization or a student, faculty member, or staff member to request a vote for or against a candidate or for or against a proposition on a ballot at a federal, state, or local election. Consistent with state law, an employee, including a student employee, may not engage in the authorized activity hours that the employee is being paid to perform duties for the component institution, and a registered organization that receives state funds from any source may not engage in such activities.
- h. Subdivision 6.62 is reworded for greater precision and amended to reference a student's association as an entity that may have solicitation privileges suspended for violations of these regulations.
- i. Edits to Section 10 regarding anonymous publications clarify that expectations with regard to anonymous publications are intended to apply to all members of the university community.

4. U. T. System: Request to Delegate Authority for Limited Waiver of Fees for Distance Learning or Other Off-Campus Courses.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor for Telecommunications and Information Technology that, pending development of a System-wide policy, the U. T. Board of Regents delegate to the chief administrative officer at each U. T. System component institution authority for the limited waiver of an institution's fees under the following conditions:

- a. A student is enrolled only in distance learning courses or other off-campus courses of the institution
- b. The student cannot reasonably be expected to use the activities, services, or facilities on which the fee is based, and
- c. The waiver of the fee will not materially impair the ability of the institution either to service any debt on which the fee is based or to offer or operate the particular activity, service, or facility supported by the fee.

This item requires the concurrence of the Health Affairs Committee.

BACKGROUND INFORMATION

House Bill 1907 passed by the 75th Texas Legislature, Regular Session, added a new Section 54.214 to the Texas Education Code allowing the governing board to waive a fee it is authorized to charge upon a determination that (a) a student is enrolled only in distance learning courses or other off-campus courses; (b) the student cannot reasonably be expected

to use the activities, services, or facilities on which the fee is based; and (c) the waiver of the fee will not materially impair the ability of the institution either to service any debt on which the fee is based or to offer or operate the particular activity, service, or facility supported by the fee.

The Vice Chancellor for Telecommunications and Information Technology will work with representatives of the component institutions during the Fall Semester 1997 to develop a System-wide policy for the charging of fees related to the provision of courses using the distance learning format to include waiver provisions. Prior to the development of this policy, it is recommended that limited authority to set institutional policy with regard to such fee waivers consistent with the new legislation be delegated to each institutional chief administrative officer following normal approval requirements by the appropriate Executive Vice Chancellor.

5. U. T. System: Request for Approval of a Regental Policy on Procedures for Establishing Admissions Policies and Criteria for Award of Scholarships and Fellowships.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and the Executive Vice Chancellor for Health Affairs that approval be given to a Regental policy on Procedures for Establishing Admissions Policies and Criteria for Award of Scholarships and Fellowships within the U. T. System as set out below:

Procedures for Establishing Admissions Policies and Criteria for Award of Scholarships and Fellowships

- I. The Texas Education Code (Chapter 51, Section 51.352) assigns responsibility to governing boards to "set campus admission standards consistent with the role and mission of the institution and considering the admission standards of similar institutions. . . ." In addition, Chapter 51 (Subchapter S) establishes guidelines for admission of freshman students and requires that institutions of higher education adopt

guidelines for admission of students to other programs and for awarding of competitive scholarships and fellowships.

The policies governing admission to academic programs and award of institutional competitive scholarships and fellowships shall be designed to maximize opportunity and access for all Texans, within parameters established by applicable laws.

II. Admissions Criteria

- A. Each covered institution shall adopt a policy for admission of first-time freshman students that incorporates criteria that are consistent with the Texas Education Code, Sections 51.803, 51.804, and 51.805. The admissions policy must provide, in keeping with regulations promulgated by the Texas Higher Education Coordinating Board, for automatic admission for students who have graduated in the top ten percent of the graduating class from an accredited Texas high school. For students who do not qualify for automatic admission, the policy shall specify the criteria which will be considered in making the admission decision.
- B. Each covered institution shall also adopt policies for admission of transfer students and for admission to graduate, postgraduate, and/or professional programs.

III. Award of Scholarships and Fellowships

For the award of institutional competitive scholarships and fellowships, each covered institution shall adopt policies that identify the criteria to be considered in making the awards.

- IV. In keeping with the requirement of the Texas Education Code, Section 51.804, that governing boards determine for each academic year whether automatic admission to a general academic component shall be granted to students who graduate in the top 25 percent of their graduating class, the responsibility for this annual determination is delegated to the chief administrative officer of each institution covered by this policy. If a change in the admissions policy is proposed, U. T. Board of Regents' approval would follow established procedures for administrative approval and inclusion in the institutional docket.

- V. The admissions policies and criteria for award of scholarships and fellowships shall be included in the institutional catalog(s) and shall otherwise be available to the public on request. Changes in admission policies must be made and publicized a year prior to the beginning of the semester or term for which persons are being admitted. Changes in policies for award of competitive scholarships/fellowships must be adopted and publicized prior to the deadline for which the applications are received.
- VI. Regental approval of the initial policies and subsequent amendments, if any, shall be made via administrative review and approval by the appropriate Executive Vice Chancellor for inclusion in the institutional catalog(s).

This item requires the concurrence of the Health Affairs Committee.

BACKGROUND INFORMATION

The 75th Texas Legislature, Regular Session, passed House Bill 588 which added Subchapter S (Sections 51.801-51.809) to the Texas Education Code. Subchapter S specifies the parameters for admission of new freshman students and requires governing boards to adopt written policies for transfer admissions, admission to graduate and professional programs, and the award of competitive scholarships and fellowships. The admissions policies and criteria for awards of scholarships/fellowships are to be effective beginning with applications for admission in the Fall Semester 1998. Thus, requirements that the admissions policies be published a year prior to the semester for which a student applies cannot practically be met in the first year. The intention is that proposed institutional policies will be submitted for administrative approval in late September 1997 for inclusion, as recommended catalog changes, in the respective institutional dockets for the November 1997 U. T. Board of Regents' meeting.

The proposed Regental policy specifies that the institutional admissions and scholarship policies to comply with the new law are to be handled via administrative approval and inclusion in the institutional dockets and specifically assigns to the chief administrative officers the responsibility for an annual

consideration of the percentage of new freshman students to be admitted automatically. Criteria proposed for the award of scholarships and fellowships must be consistent with any conditions placed on a private gift or endowment by the donor(s).

The proposed policy has been reviewed by the Office of General Counsel and the chief administrative officers.

6. U. T. System: Request for Approval of a Regental Policy on Student Participation in Selection and Monitoring of Food Service Contractors.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Executive Vice Chancellor for Business Affairs that approval be given to a Regental policy on Student Participation in Selection and Monitoring of Food Service Contractors for the U. T. System as set out below:

Student Participation in Selection and Monitoring of Food Service Contractors

- I. As required by the Texas Education Code, Section 51.945, each U. T. System general academic component institution and each health component institution which offers degree programs shall include as part of the respective institutional Handbook of Operating Procedures by December 1, 1997, a policy and procedure for student participation in the selection and monitoring of food service vendors which contract to provide regular and ongoing food or beverage services for students. The policies, at a minimum, shall provide for:
 - A. Meaningful input from student patrons in the initial selection or the renewal of a contract of a food service vendor, including input in the development of desired qualifications of food service providers.

- B. Inclusion in a food service contract of a commitment by the vendor to hold periodic meetings or forums for student patrons to discuss the performance of the food service provider.
- II. The policies are intended to cover contracts for food and beverage services located in or in conjunction with student unions, residence halls, or campus-wide cafeterias, and contracts for vending machine food and beverage services. Contracts with vendors for concessions at athletic facilities, food services for special events, hospital food services, or faculty/staff dining facilities do not require policies for student involvement.
- III. The institutional policies and procedures which implement this requirement are subject to approval by the appropriate Executive Vice Chancellor for inclusion in the institutional Handbook of Operating Procedures.

BACKGROUND INFORMATION

The 75th Texas Legislature, Regular Session, added Section 51.945 to the Texas Education Code to be effective September 1, 1997. The Act requires that a governing board of an institution of higher education develop and implement policies that provide for students at the institution to have an opportunity to appear before a committee or other entity that determines whether a food service provider should be selected or retained. The new law also states that a contract with a food service provider shall include a provision for periodic student input into the performance of the contractor. Similar to other policy delegations, the implementation of the proposed Regental policy will be delegated to the chief administrative officers and the appropriate Executive Vice Chancellor.

The proposed policy has been reviewed by the Office of General Counsel and will be distributed to the U. T. System Student Advisory Group for information at its September 1997 meeting.

7. U. T. Austin: Recommendation for Approval to Establish the Center for American History Advisory Council.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for Development and External Relations, and President ad interim Flawn that approval be given to establish the Center for American History Advisory Council at U. T. Austin, with 30 members, pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 3, regarding the advisory councils of a component institution.

BACKGROUND INFORMATION

The mission of the Center for American History Advisory Council at U. T. Austin will be:

- a. To assist the Center for American History in promoting throughout the state and nation the Center's library, archive, and museum collections and its programs on the historical development of the United States
- b. To assist the Center in identifying sources of private funding to support and expand those collections and programs, giving special attention to creating endowments for the acquisition of collections and the implementation of special programs that require funding beyond standard budget sources
- c. To help identify, solicit, and acquire historical collections appropriate for the Center
- d. To provide advice on Center programs.

Upon approval by the U. T. Board of Regents, the Council will solicit members for the 1997-98 academic year.

8. U. T. Dallas: Request for Authorization to Establish a Master of Science in Applied Economics, a Master of Science in Geographic Information Sciences, and a Master of Science and a Master of Arts in Applied Sociology and to Submit the Proposed Degree Programs to the Coordinating Board for Approval (Catalog Change).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Jenifer that authorization be granted to establish four Master's degree programs at U. T. Dallas, including a Master of Science in Applied Economics, a Master of Science in Geographic Information Sciences, and a Master of Science and a Master of Arts in Applied Sociology, and to submit the proposed programs to the Texas Higher Education Coordinating Board for review and appropriate action. The proposed degree programs are consistent with U. T. Dallas' approved Table of Programs and the institutional strategic plan. A description of the proposed programs is included in the Background Information of this agenda item.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Dallas will be amended to reflect this action.

BACKGROUND INFORMATION

Description of Programs

The proposed Master's-level programs were developed by the U. T. Dallas School of Social Sciences and would require from 34 to 36 semester credit hours of work, with 12 to 30 hours of required core courses and the remainder in prescribed electives. Courses which are part of the required core in one program may also serve as prescribed elective courses in one or more of the other programs. The three Master of Science programs are designed to prepare professional practitioners while the Master of Arts degree is designed as a terminal

degree of a more general nature. In all of the programs, there is an interdisciplinary social science emphasis. All are closely linked to the corresponding undergraduate programs.

The Master of Science in Applied Economics will prepare students to apply the analytic tools of the economics discipline to real world problems. It will also prepare the students to stay abreast of developments in economics by acquainting them with the professional literature of the field. In addition, the students will be introduced to theories of political science and sociology and to the cross-disciplinary perspectives on applied economic problems employed by noneconomists. Graduates are expected to be employed in banking or financial institutions, insurance, corporate strategic planning, real estate, urban and regional planning and related activities. Some students will obtain further graduate education in law or Ph.D. programs in economics and political economy.

The Master of Science in Geographic Information Sciences combines courses from the School of Social Sciences with courses from the program in Geosciences of the School of Natural Sciences and Mathematics. Students in this program will have an undergraduate degree and, in most cases, related work experience in a field such as public administration, geology, business or engineering. In this program, students will learn to use hardware and software to store, manipulate, analyze and display spatially-referenced information. That information may be related to either physical characteristics of the geographic area or to the social and behavioral characteristics of the people associated with a region.

The two Master's degrees in Applied Sociology will prepare students to use the research and analytic tools of sociology to understand and analyze social systems. While the M.A. will be considered a terminal Master's degree program, the M.S. program will provide the competencies required for transition into the Ph.D. in Political Economy offered by the School of Social Sciences. Six core courses (18 semester credit hours) are common to both programs.

Need for the Programs

The School of Social Sciences has determined that a substantial need exists for Master's-level programs to prepare individuals for the professional practice of analyzing social issues and solving social problems. Students who are interested in these areas of professional work now take many of the

courses in these programs, but the students are not now able to combine them into the coherent programs which the School proposes to offer. Many of the students who take the courses are enrolled in the Master of Public Administration program.

Program Quality

All of the proposed programs require that the student meet the normal admissions for graduate education at U. T. Dallas. Curricular requirements are similar to those of other Master's programs at U. T. Dallas. Faculty involved in these programs now regularly teach in other closely related graduate programs.

Program Costs

Only three new regular, organized classes will be added to the curriculum to support these four degree programs. One additional course designation for independent study will be established and three new courses added to the curriculum for other purposes will be made available to support the M.S. in Applied Economics. The remaining courses for these four degree programs are a part of the University's graduate course inventory. Consequently, the collective cost of adding the four programs is less than \$200,000 per year when all programs are fully operational.

Summary

U. T. Dallas proposes to add four new social science degree programs as a part of a comprehensive and coordinated package designed to meet the needs of students who will be employed as professional analysts of social science problems. The programs will meet the normal quality standards of U. T. Dallas and can be offered by rearranging and regrouping existing courses and adding only three new regular organized courses to the program inventory.

A copy of the proposal for the Master of Science in Applied Economics, Master of Science in Geographic Information Sciences, and Master of Science and Master of Arts in Applied Sociology for U. T. Dallas is on file in the U. T. System Office of Academic Affairs.

9. U. T. El Paso: Request for Authorization to Establish a Doctor of Philosophy Degree in History and to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Natalicio that authorization be granted to establish a Doctor of Philosophy degree in History at U. T. El Paso and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. The proposed degree is consistent with U. T. El Paso's approved Table of Programs and institutional plans for offering quality degree programs to meet student needs. A description of the degree is included in the Background Information of this agenda item.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. El Paso will be amended to reflect this action.

BACKGROUND INFORMATION

Program Description

The proposed Ph.D. in History at U. T. El Paso will focus on the history and culture of the U. S./Mexico border lands and will prepare scholars both for college teaching and public history positions. All students in the program will be required to do original research for a dissertation related to the history of the U. S./Mexico border area. To prepare for that research, students will take blocks of courses in Border History and Methods of Historical Research. In addition, students will take courses in two other teaching fields such as U. S. or Latin American history and will master a language appropriate for the research project.

Program Need

While many Ph.D. programs in history offer specializations in U. S. history and several offer specializations in Latin American history, no program in the U. S. offers a concentration or program specifically addressing the U. S./Mexico border area and the special issues related to the varied cultures in this region. The history of Texas and the U. S. Southwest in relationship to the history of northern Mexico has not been well studied because no program has focused on the history of the combined region. As a result, few faculty who teach students from this area have the knowledge necessary to provide students with a solid understanding of their historical roots. The proposed program will produce a body of knowledge which all faculty in history along the U. S./Mexico border may find useful and will stimulate a deeper understanding of the history of the region among history scholars elsewhere.

As college enrollments grow and many current faculty members retire during the next two or three decades, Texas will need to add many new faculty in history. In 1989, approximately half of the U. S. faculty holding doctorates in history were over the age of 50. Thus, it is reasonable to expect that Texas will employ substantially more new Ph.D.s in history during the next 15 years than can be provided by this and other existing programs. The location in El Paso and the specialized focus of the program are expected to make the program especially attractive to Mexican-American students. As a result, the program will make a significant contribution towards increasing the availability of Mexican-American faculty in history. The National Research Council has reported that out of 22,700 Ph.D.s in history conferred in the United States between 1946 and 1990, only 1.5 percent (351) were awarded to Hispanics.

Quality

Three established professors of history at outside universities have reviewed the proposal and have concluded that it meets or exceeds the professional expectations for a Ph.D. in history.

The University, which has 18 professors in history who will participate in the program, plans to hire only one additional faculty member upon approval of the program. In addition, the University has identified 12 distinguished faculty in closely

related fields who will contribute to the program. These faculty, both in history and in the related fields, have strong research records and a demonstrated ability to contribute to the mentoring of Ph.D. students.

In addition to a strong faculty, the University has a particularly strong collection of library materials related to the history of the border region including many one-of-a-kind research items housed in the University's Special Collection. Students and faculty will also have access to library resources at other Texas institutions through a variety of resource-sharing arrangements and will be able to obtain library support from several Mexican sources as well.

The ability of the University to attract quality students has been demonstrated by its history of placing U. T. El Paso's master's-level students in strong doctoral programs throughout the U. S. To insure that high quality standards are maintained, the University plans to limit enrollment of new students to approximately seven per year. Those will include a few very capable faculty members now teaching in northern Mexico who do not hold the terminal degree.

Costs

The proposed program would require only one new faculty member and one half-time secretary to be added to the department's budget. All additional costs would be covered by reallocation of teaching work loads among existing faculty and a few advanced students who would not only teach U. T. El Paso undergraduate courses, but would, at the same time, be mentored and guided in the development of their teaching skills in preparation for roles as regular faculty. Annual library costs would increase by about \$7,000. The total projected cost for this program would be less than \$150,000 per year.

Summary

U. T. El Paso proposes to start a new Ph.D. in History degree program with a special emphasis on the history of the U. S./ Mexico border lands. Graduates of the program will also be prepared to teach and to pursue research in one or more additional broad areas of U. S. history, Latin American history, and world history. Eighteen faculty in the Department of History and twelve others from related programs in the humanities and social sciences will participate in the delivery of the program. Through reassignments of duties and reallocation of other resources, the net additional cost of the program is projected to be less than \$150,000 per year.

A copy of the proposal for the Doctor of Philosophy degree in History for U. T. El Paso is on file in the U. T. System Office of Academic Affairs.

10. U. T. Pan American: Request for Authorization to Establish a Master of Science Degree in Nursing with a Family Nurse Practitioner Track and to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Nevárez that authorization be granted to establish a Master of Science degree in Nursing with a Family Nurse Practitioner track at U. T. Pan American and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. The proposed degree program complements the existing Master of Science in Nursing and is consistent with U. T. Pan American's approved Table of Programs and institutional plans for offering quality degree programs to meet student needs. A description of the degree program is included in the Background Information of this agenda item.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Pan American will be amended to reflect this action.

BACKGROUND INFORMATION

Program Description

U. T. Pan American proposes to add to its previously established Master of Science in Nursing program a Family Nurse Practitioner track. The curriculum for this track builds on the existing Master of Science in Nursing program, but adds to its clinically oriented courses a minimum of 750 hours of

supervised clinical practice. Students admitted to the program are required to have had a minimum of one year of experience as a practicing registered nurse prior to admission. The proposed curriculum meets all of the standards of the State of Texas and of leading national organizations.

Program Need

The program is designed primarily to prepare nurses in the Rio Grande Valley for advanced practice roles in service to Valley families. The Valley, as is true of the rest of the nation, has a growing demand for nurse practitioners. The need for advanced practice nurses with sensitivity to and knowledge of the Hispanic family culture makes recruiting of nurse practitioners from outside the region even more difficult than would be the case in other regions with a comparable population. Thus, the need for the proposed program is directly related to the growing need for advanced practice nurses in the region.

The University has surveyed current bachelor's degree nursing students and current nursing employers to determine the interest in and potential support for a nurse practitioner track. Based on the results of these surveys, the University feels confident that there will be far more applicants for the program than can be served. The University plans to admit only twelve new students each year, a number which is determined by the limited capacity to provide appropriate clinical education.

Program Quality

All of the curriculum has been designed to conform with the guidelines published by the National Organization of Nurse Practitioner Faculties and the Texas State Board of Nursing Examiners. The entire proposal, including the curriculum, was reviewed by two off-campus advisors and minor modifications to the curriculum were made as a result of their advice.

The University has an adequately prepared faculty to initiate the program. Three doctorally qualified nurse practitioner faculty will carry the primary responsibility for the program while additional master's-level prepared nurse practitioners will play critical roles, especially in the supervision of student nurses in the advanced practice phase of the curriculum. Outside consultants have endorsed the current faculty for delivery of the program.

Cost

The University plans to add one additional full-time faculty member to the staff after the program has been initiated. In addition to drawing on the resources of the established Master of Science in Nursing program, the Nurse Practitioner program will also share resources with the established Physician's Assistant program. The total additional cost estimated for the first five years of operation is \$313,645. Of that additional funding, at least \$175,000 is anticipated to be available from federal grants.

Summary

U. T. Pan American proposes to add the Family Nurse Practitioner track to the already existing Master of Science in Nursing degree program. Addition of the program will meet growing needs for advanced practice nurses in the Lower Rio Grande Valley. The proposed curriculum is designed to meet national standards and has been reviewed by outside experts who concur with both the need for the program and the quality of the proposed curriculum and staff. The incremental cost of adding this track is modest since much of the cost is already covered by the existing Master of Science in Nursing program.

A copy of the proposal for the Master of Science degree in Nursing with a Family Nurse Practitioner track for U. T. Pan American is on file in the U. T. System Office of Academic Affairs.

11. U. T. San Antonio: Request for Authorization to Establish a Doctor of Education Degree in Educational Leadership and to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Kirkpatrick that authorization be granted to establish a Doctor of Education degree in Educational Leadership at U. T. San Antonio and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. While the

proposed degree program is consistent with the Table of Programs approved by the U. T. Board of Regents, the Table of Programs approved by the Texas Higher Education Coordinating Board for U. T. San Antonio will require amendment. A description of the degree program is included in the Background Information of this agenda item.

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 Doctor of Education in Educational Leadership will be administered in the Division of Education of the College of Social and Behavioral Sciences at U. T. San Antonio through a doctoral studies committee comprised of faculty qualified to supervise dissertations in this field. Minimum requirements for the degree are a satisfactory doctoral dissertation and 60 student credit hours of regular formal course work, including 9 semester credit hours of a cultural core and 18 semester credit hours of leadership core courses. In addition, students will take 12 semester credit hours in either Administrative Leadership or Instructional Leadership. Students will enter the program as a cohort and will proceed through the initial part of the program in the cohort before beginning a more individualized portion of study.

Program Need

This doctoral program in educational leadership is designed to meet the needs of the educational leaders in San Antonio and the immediate surrounding areas. It will be the only doctoral program in education available in San Antonio, the ninth largest metropolitan area in the United States. In contrast, the Dallas/Fort Worth metroplex has a broad array of doctoral programs in education provided by the University of North Texas, Texas A&M University at Commerce, and Texas Woman's University. The Houston metropolitan area has doctoral programs in education supplied by the University of Houston and Texas Southern University. U. T. El Paso has a new doctoral program in Educational Administration and the Lower Rio Grande Valley has a cooperative doctoral program offered by U. T. Pan American and U. T. Austin.

To facilitate meeting the needs of educators in the region, courses will be scheduled in late afternoons or evenings and on Saturdays. The curriculum is designed to meet the special needs of the region, especially needs derived from the multi-ethnic, multicultural population. Bexar County's 236,000 student population includes 55 percent Hispanics and 9 percent African-Americans. There are 15 school districts in Bexar County, only five of which have Anglo majorities. Thus, to meet the needs of the professional educators in the region, both program content and method of delivery are different from the more typical residential doctoral program offered to a statewide population in a residential setting.

Program Quality

The proposed program follows the guidelines established by the Texas Higher Education Coordinating Board for Doctor of Education degrees with an added emphasis on the special needs of the region. Faculty members with scholarly interests directly linked to the special needs of the region have been recruited by U. T. San Antonio to offer this program. Two teams of external consultants have advised the University in the development and refinement of the program.

Program Costs

When fully operational in the fifth year, the additional annual cost of operating the program is estimated to be \$351,000, less than \$1.50 per student enrolled in the public schools of Bexar County. Of that cost, only two-thirds will be borne by state appropriations. The majority of the additional cost is attributable to the recruitment of the five new faculty members to teach and supervise dissertation research in the program. Modest additional expenses will be required for library materials and support staff.

The projected added expenditures seem relatively small in view of U. T. San Antonio's expectation of awarding ten doctoral degrees annually and producing an equal number of dissertations which examine important issues of educational leadership in the region.

Summary

U. T. San Antonio proposes to offer a Doctor of Education in Educational Leadership with areas of emphasis in administration or instruction. Approximately 15 students are expected to enter the program each year as a cohort. Both curriculum and modes of delivery are designed to meet the special needs of education leaders practicing in the San Antonio region.

A copy of the proposal for the Doctor of Education degree in Educational Leadership for U. T. San Antonio is on file in the U. T. System Office of Academic Affairs.

12. U. T. Board of Regents: Presentation of Certificate of Appreciation.--

Health Affairs Committee

HEALTH AFFAIRS COMMITTEE
Committee Chairman Loeffler

Date: August 14, 1997
Time: Following the Meeting of the Academic Affairs
Committee
Place: Galaxy Room 2.602B, Student Union Building
U. T. Dallas

	<u>Page</u> <u>HAC</u>
1. U. T. Health Science Center - Houston: Adrien and Gladys Drouilhet Lecture Series in Ophthalmology - Recommendation to Redesignate as the Adrien and Gladys Drouilhet Visiting Professorship in Ophthalmology	2
2. U. T. Board of Regents: Presentation of Certificate of Appreciation	2

1. U. T. Health Science Center - Houston: Adrien and Gladys Drouilhet Lecture Series in Ophthalmology - Recommendation to Redesignate as the Adrien and Gladys Drouilhet Visiting Professorship in Ophthalmology.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for Development and External Relations, and President Low that the Adrien and Gladys Drouilhet Lecture Series in Ophthalmology at the U. T. Health Science Center - Houston be redesignated as the Adrien and Gladys Drouilhet Visiting Professorship in Ophthalmology. Funds for the endowment will continue to be held and administered by the Hermann Eye Fund, Houston, Texas (an external foundation).

BACKGROUND INFORMATION

The Adrien and Gladys Drouilhet Lecture Series in Ophthalmology was established at the October 1994 meeting of the U. T. Board of Regents with a \$25,500 gift from John H. Drouilhet, M.D., Honolulu, Hawaii, and Mr. Adrien F. Drouilhet, III, M.Ed., Goliad, Texas, and \$12,750 from the Hermann Eye Fund, Houston, Texas, for a total endowment of \$38,250. The endowment was established by the Drouilhet brothers to honor their parents by bringing a noted ophthalmic clinician or vision scientist as a visiting professor to the annual ophthalmology alumni conference held at the component institution. Additional gifts from the Drouilhet brothers and the Hermann Eye Fund have increased the current endowment value to over \$100,000. Although the proposed designation of an endowment as a Visiting Professorship is an exception to U. T. Board of Regents' policy, this redesignation will better serve the original intentions of the donors and the Department of Ophthalmology of the U. T. Medical School - Houston by insuring the ability to continue to attract outstanding professionals to this annual conference.

2. U. T. Board of Regents: Presentation of Certificate of Appreciation.--

**Facilities, Planning & Construction
Committee**

FACILITIES PLANNING AND CONSTRUCTION COMMITTEE
Committee Chairman Clements

Date: August 14, 1997
Time: Following the Meeting of the Health Affairs
Committee
Place: Galaxy Room 2.602B, Student Union Building
U. T. Dallas

Page
FPCC

1. U. T. System: Recommendation to Extend the Six-Year Capital Improvement Program Through Fiscal Year 2003, Approve the Capital Budget for Fiscal Years 1998 and 1999, Appropriate Additional Funds for Previously Approved Projects with Increased Total Project Cost, Appropriate Funds for Renovation Projects Initiated in the Capital Budget, Approve the Use of Revenue Financing System Parity Debt for Renovation Projects Initiated in the Capital Budget for Which Revenue Financing System Bonds are Identified as a Funding Source, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity 2
2. U. T. Pan American - Planetarium: Request for Approval to Name Building (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Naming of Buildings and Other Facilities) 10
3. U. T. M.D. Anderson Cancer Center: Request for a Determination of Necessity and Authorization to Acquire Through Condemnation Proceedings a Seven Percent Interest in 1.2517 Acres Out of the P. W. Rose Survey, Abstract No. 645 of Wortham Linear Park (Previously Known as Holcombe Boulevard Linear Park Plaza - Phase III) in Houston, Harris County, Texas, and Authorization to Execute All Documents Related Thereto 11

1. U. T. System: Recommendation to Extend the Six-Year Capital Improvement Program Through Fiscal Year 2003, Approve the Capital Budget for Fiscal Years 1998 and 1999, Appropriate Additional Funds for Previously Approved Projects with Increased Total Project Cost, Appropriate Funds for Renovation Projects Initiated in the Capital Budget, Approve the Use of Revenue Financing System Parity Debt for Renovation Projects Initiated in the Capital Budget for Which Revenue Financing System Bonds are Identified as a Funding Source, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity.--

RECOMMENDATION

The Chancellor, with the concurrence of the appropriate Executive Vice Chancellor and the U. T. System chief administrative officers, recommends that the U. T. Board of Regents:

- a. Extend the U. T. System Capital Improvement Program through Fiscal Year 2003
- b. Approve the Capital Budget for Fiscal Year 1998 and Fiscal Year 1999

Note: The Capital Improvement Program, including the Capital Budget, is a separate volume distributed with the Material Supporting the Agenda.

- c. Appropriate additional funding for previously approved projects with increased total project cost for the component institutions as follows:

	Increased Project <u>Cost</u>	Funding <u>Source</u>
U. T. Arlington Campus Asbestos Abatement	\$141,952	PUF-Special Program
U. T. Health Science Center - Houston Addition to Student Apartments	\$424,000	Revenue Bonds
U. T. M.D. Anderson Cancer Center Bertner Complex and LeMaistre Clinic	\$20,000,000	Hospital Revenues

- d. Appropriate funding in an aggregate amount of \$245,320,137 for renovation projects initiated in the FY 1998-1999 Capital Budget as reflected in the FY 1998-2003 Capital Improvement Program
- e. Approve the use of Revenue Financing System Parity Debt for renovation projects initiated in the FY 1998-1999 Capital Budget for which Revenue Financing System Bonds have been identified as all or a portion of the funding for the following U. T. System component institutions:

Component Institution	Renovation Project Expenditures	Revenue Bonds	Tuition Bonds
U. T. Arlington	\$17,011,555	-0-	\$16,000,000
U. T. Austin	32,367,000	-0-	-0-
U. T. Brownsville	-0-	-0-	-0-
U. T. Dallas	3,940,000	-0-	3,100,000
U. T. El Paso	16,000,000	-0-	14,000,000
U. T. Pan American	10,500,000	8,500,000	-0-
U. T. Permian Basin	6,500,000	700,000	5,800,000
U. T. San Antonio	523,900	-0-	-0-
U. T. Tyler	5,829,682	-0-	5,000,000
U. T. Southwestern Medical Center - Dallas	12,800,000	-0-	-0-
U. T. Medical Branch - Galveston	102,998,000	-0-	-0-
U. T. Health Science Center - Houston	28,150,000	-0-	-0-
U. T. Health Science Center - San Antonio	-0-	-0-	-0-
U. T. M.D. Anderson Cancer Center	8,700,000	-0-	-0-
U. T. Health Center - Tyler	-0-	-0-	-0-
Total	\$245,320,137	\$9,200,000	\$43,900,000

It is further recommended that the U. T. System Administration be authorized, in consultation with the component institutions, to proceed with planning for projects contained in the Capital Budget portion of the Capital Improvement Program and to bring recommendations to the U. T. Board of Regents in accordance with the process for Regental review.

In accordance with the campus planning rules of the Texas Higher Education Coordinating Board, the Chairman of the U. T. Board of Regents must certify that the need for new construction that will require formula funding is at least equal to the need to acquire additional or more modern instructional and research equipment. Since the capital budgeting process used by the U. T. System to develop the Capital Improvement Program ensures that such a determination or prioritization is considered and endorsed by the U. T. Board of Regents on behalf of each new project, it is recommended that the Executive Secretary to the Board be authorized, on behalf of the Chairman, to issue the certification as required by the Texas Higher Education Coordinating Board for all new construction contained in the Capital Improvement Program.

The Chancellor also concurs in the recommendation of the Executive 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 (the "Master Resolution"), and upon delivery of the Certificate of an Authorized Representative as set out on Page FPCC - 7, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the projects' cost including any project costs paid prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the 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
- c. 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 tax-exempt Parity

Debt in the aggregate amount of \$53,100,000 for the financing of renovation projects initiated in the Capital Budget and \$424,000 for the addition to the Student Apartments at U. T. Health Science Center - Houston

- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

A Capital Improvement Program (CIP) with a six-year horizon was first adopted by the U. T. Board of Regents in October 1985. At that time, the Board committed to revising, updating, and extending the CIP every two years. The last comprehensive revision and update was adopted in August 1995.

At the December 1994 meeting, and upon recommendation of the U. T. System Process Review Committee, chaired by Regent Lowell H. Lebermann, Jr., the U. T. Board of Regents approved revised procedures intended to improve the efficiency of the CIP process while increasing the quality and timeliness of information. At the August 1996 meeting, the U. T. Board of Regents amended the Regents' Rules and Regulations regarding the delegation of selected authority to complete projects to designated U. T. System Administration and component officials effective September 1, 1996.

As required by revised provisions of the Regents' Rules and Regulations for new Major Construction Projects, approval of design development plans and appropriation of funds will be accomplished via a standard agenda item.

Three major construction projects previously approved by a standard agenda item are recommended for an increase in their total project cost and the institutions are requesting additional appropriations. U. T. Arlington is requesting additional funding in the amount of \$141,952 for the previously approved Campus Asbestos Abatement project to cover additional abatement work including temporary relocation of personnel. U. T. Health Science Center - Houston is requesting additional funding in the amount of \$424,000 for the previously approved

Addition of Student Apartments project to cover cost escalation and site related expenses. U. T. M.D. Anderson Cancer Center is requesting additional funding in the amount of \$20,000,000 for the previously approved Bertner Complex and LeMaistre Clinic. This additional funding will pay for the finishing-out of much needed shell space in the Research Building, the LeMaistre Clinic and other project related costs.

See Page FPCC - 8 for a list of renovation projects initiated in the FY 1998-1999 Capital Budget.

With the issuance of \$53,524,000 of Revenue Financing System Bonds, the debt service coverage for the U. T. System is projected to range from 3.02 times to 2.65 times for the next five years (see Page FPCC - 9).

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991 and amended on October 8, 1993 (the "Master Resolution"), do hereby execute this certificate for the benefit of the Board of Regents pursuant to Section 5 (a) (ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" pursuant to the Master Resolution at U. T. Arlington, U. T. Dallas U. T. El Paso, U. T. Pan American, U. T. Permian Basin, U. T. Tyler, U. T. Health Science Center - Houston, and do certify that to the best of my knowledge the Board of Regents is in compliance with all covenants contained in the Master Resolution, the First Supplemental Resolution Establishing an Interim Financing Program, the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, and the Fifth Supplemental Resolution and is not in default of any of the terms, provisions and conditions in said Master Resolution, the First Supplemental Resolution, the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, and the Fifth Supplemental Resolution.

EXECUTED this 14th day of August, 1997

John A. Roan
Assistant Vice Chancellor for Finance

**THE UNIVERSITY OF TEXAS SYSTEM
RENOVATION PROJECTS INITIATED DURING CAPITAL BUDGET PERIOD
FISCAL YEARS 1998 and 1999**

	<u>Total Project Cost</u>		<u>Total Project Cost</u>
U.T. Arlington		U.T. Southwestern Medical Center - Dallas	
College of Business Admin Renovation - Phase I	\$1,011,555	Remodel Cecil & Ida Green Science Bldg	\$2,000,000
College of Business Admin Renovation - Phase II	7,630,000	Thermal Energy Plant - Phase I	2,200,000
Educational & General Space Renovation	4,350,000	Thermal Energy Plant - Phase II	8,600,000
Thermal Energy Plant/Replace & Retrofit Chiller	4,020,000		<hr/>
	<hr/>		12,800,000
	17,011,555	U.T. Medical Branch - Galveston	
U.T. Austin		Administration Bldg Renovation - Levels 1, 3 & 4	4,500,000
ADA Compliance Modification & Improvements	6,000,000	Clinical Cardiology Renovation in JSH	4,087,000
College of Business Admin Add'l Renovation	2,950,000	Expanded Medical Curriculum Facility	5,600,000
Energy Conservation Retrofit/Lighting	4,417,000	John & Jennie Sealy Hospitals Renovation	14,800,000
Ransom Center Renovation	5,000,000	Library Facilities Upgrade	7,900,000
Student Health Center Bldg Renovation	12,000,000	Operating Suite Modifications	5,335,000
Texas Swim Center Renovation - Phase I	2,000,000	Radiology Renovation	10,850,000
	<hr/>	Rebecca Sealy Hospital Renovation	25,600,000
	32,387,000	Research Support Ctr Renovation & Expansion	14,326,000
U.T. Dallas		Specialty Clinics Renovation - Phase I	3,000,000
Bookstore	840,000	Thermal Plant Upgrade	2,000,000
Upgrade/Equip/Renovate Founders/Berkner Bldgs	3,100,000	Transplant Program Facilities	5,000,000
	<hr/>		<hr/>
	3,940,000		102,998,000
U.T. El Paso		U.T. Health Science Center - Houston	
Sun Bowl Structural Repairs	2,000,000	Human Genetics Center Relocation	3,000,000
Upgrade & Replace Building Support Systems	4,800,000	Indoor Air Quality at the Medical School	10,000,000
Upgrade Older Classrooms & Teaching Labs	9,200,000	Med School Bldg/Limestone Cladding Repairs	10,000,000
	<hr/>	MSB Multi-Purpose Exec & Ed Conference Room	1,550,000
	16,000,000	University Center Tower Renovation	3,600,000
U.T. Pan American			<hr/>
Math Building Revonation	2,000,000		28,150,000
Science Complex Renovation	8,500,000	U.T. M.D. Anderson Cancer Center	
	<hr/>	Basic Research Building Exhaust System	2,700,000
	10,500,000	HMB Systems Renovation	6,000,000
U. T. Permian Basin			<hr/>
Critical Repair & Renovation Projects	700,000		8,700,000
Thermal Plant Upgrade/Mesa Bldg Retrofit	5,800,000		
	<hr/>		
	6,500,000	Total	\$245,320,137
U.T. San Antonio			
Campus Security Lighting - Phase I	523,900		
U.T. Tyler			
Upgrade/Equip/Renovate Campus Bldgs & Infrastructure	5,829,682		

**THE UNIVERSITY OF TEXAS SYSTEM
REVENUE FINANCING SYSTEM
FOR FISCAL YEARS 1997-2003**

	Minimum Annual Net Revenues Available for <u>Debt Service</u>	Maximum Annual Debt <u>Service</u>	Range over period FY 1997-FY 2003	
			<u>Debt Service Coverage</u>	<u>Debt Service as a % of Total Budget *</u>
U.T. Arlington	\$14,880,803	\$9,131,852	1.86X-3.09X	5.15%-5.83%
U.T. Austin	47,419,779	39,665,983	1.86X-2.22X	4.21%-5.77%
U.T. Brownsville	718,561	1,193,272	0.77X-2.60X	0.78%-2.47%
U.T. Dallas	3,357,655	3,681,419	1.35X-2.49X	3.37%-4.29%
U.T. El Paso	6,563,244	6,203,486	1.27X-1.93X	4.88%-5.57%
U.T. Pan American	9,597,372	4,420,078	2.60X-4.84X	3.37%-5.89%
U.T. Permian Basin	206,758	273,830	1.19X-1.95X	1.24%-1.83%
U.T. San Antonio	8,792,606	10,051,325	1.10X-1.59X	5.67%-8.38%
U.T. Tyler	1,235,036	1,203,213	1.36X-2.63X	3.64%-5.47%
U.T. Southwestern Medical Center - Dallas	18,036,803	15,759,371	1.53X-2.09X	3.63%-4.45%
U.T. Medical Branch - Galveston	15,230,388	12,384,417	2.53X-7.12X	0.68%-1.39%
U.T. Health Science Center Houston	10,103,068	8,583,638	1.25X-1.99X	2.32%-2.68%
U.T. Health Science Center San Antonio	10,316,261	2,557,321	4.07X-7.09X	0.75%-1.12%
U.T. M.D. Anderson Cancer Center	35,535,000	14,269,918	3.86X-7.93X	1.05%-2.28%
U.T. Health Center - Tyler	984,648	1,594,791	0.79X-4.05X	0.53%-1.92%
Total - U.T. System	\$249,803,769	\$126,443,658	2.65X-3.02X	2.35%-3.30%

Note: Minimum Annual Net Revenues and Maximum Annual Debt Service years do not coincide over the forecast range of fiscal years 1997 through 2003.

* The Moody's rating agency median for this ratio with a Aa1 credit rating is 3.6%.

2. U. T. Pan American - Planetarium: Request for Approval to Name Building (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Naming of Buildings and Other Facilities).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Nevarez that the U. T. Board of Regents approve the naming of the Planetarium at U. T. Pan American as the H-E-B Planetarium in recognition of the financial support the H-E-B Grocery Company has provided.

BACKGROUND INFORMATION

U. T. Pan American has been fortunate to have the support of the H-E-B Grocery Company for many years. Over the last ten years, the company has contributed more than \$136,000 to scholarship funds and various programs at U. T. Pan American. The company has also pledged its continued support in the amount of \$20,000 a year for the next seven consecutive years.

The new Science Building project at U. T. Pan American is nearing completion of construction. As part of that project, the existing Planetarium is being restored as a feature of the courtyard. The Planetarium is used by U. T. Pan American faculty, staff, and students and has become a favorite attraction for public school students on field trips to the campus. The generous gifts from the H-E-B Grocery Company far exceed the cost of the Planetarium restoration.

The proposed naming of the Planetarium is consistent with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1 on naming of buildings and other facilities.

3. U. T. M.D. Anderson Cancer Center: Request for a Determination of Necessity and Authorization to Acquire Through Condemnation Proceedings a Seven Percent Interest in 1.2517 Acres Out of the P. W. Rose Survey, Abstract No. 645 of Wortham Linear Park (Previously Known as Holcombe Boulevard Linear Park Plaza - Phase III) in Houston, Harris County, Texas, and Authorization to Execute All Documents Related Thereto.--

RECOMMENDATION

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

- a. Determine that it is necessary for U. T. M.D. Anderson Cancer Center to acquire, through condemnation proceedings if necessary, an outstanding seven percent interest in 1.2517 acres out of the P. W. Rose Survey, Abstract No. 645 of Wortham Linear Park (previously known as Holcombe Boulevard Linear Park Plaza - Phase III) which is located between Bertner Avenue and the Jesse H. Jones Rotary House International in Houston, Harris County, Texas
- b. Authorize U. T. M.D. Anderson Cancer Center to acquire the subject property, through condemnation proceedings if necessary, for institutional purposes including without limitation the construction of an office building and a section of the Wortham Linear Park
- c. Authorize the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to take all steps necessary to acquire the property; to execute all documents, instruments, and other agreements; to initiate a condemnation action, if necessary, through the Office of General Counsel and the Office of the

Attorney General; and take all such actions as deemed necessary to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

At its October 1989 meeting, the U. T. Board of Regents authorized, on behalf of the U. T. M.D. Anderson Cancer Center, the purchase of two tracts along Holcombe Boulevard directly across from the main entrance to M.D. Anderson totaling 2.2517 acres. The first tract being one acre was acquired in December 1990 and in October 1996 a 93 percent undivided interest was acquired in the remaining 1.2517 acres. At its meeting in April 1994, the U. T. Board of Regents authorized the construction of a linear park along Holcombe Boulevard from Fannin Street on the west to Braes Bayou on the east. At the same meeting, the U. T. Board of Regents authorized acquisition of the remaining seven percent interest of the 1.2517 acre tract through condemnation proceedings if efforts to negotiate with the owner were unsuccessful. Six written offers have been submitted to the owner of the seven percent interest and all offers were rejected. U. T. M.D. Anderson Cancer Center is now prepared to initiate condemnation proceedings to acquire the seven percent interest in the remaining 1.2517 acre tract.

Additional authority from the U. T. Board of Regents is necessary since the proposed use of the condemned property will include an office building as well as the Linear Park.

Executive Session of the Board

BOARD OF REGENTS
EXECUTIVE SESSION

Pursuant to Texas Government Code

Chapter 551, Sections 551.071, 551.072, 551.073, and 551.074

Date: August 13, 1997

Time: 3:30 p.m.

Place: Johnson Room
The Westin Hotel
13340 Dallas Parkway
Dallas, Texas

1. Consultation with Attorney Regarding Pending and/or Contemplated Litigation or Settlement Offers - Section 551.071
2. Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property - Section 551.072
3. Negotiated Contracts for Prospective Gifts or Donations - Section 551.073
4. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074
 - a. U. T. System: Consideration of Personnel Aspects of the Operating Budgets for the Fiscal Year Ending August 31, 1998, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans and Authorization for the Chancellor to Make Editorial Corrections Therein
 - b. U. T. Medical Branch - Galveston: Consideration of Personnel Matters Related to the Possible Election and Employment of a President