

Meeting No. 1,056

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

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March 3, 2010

Austin, Texas

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OF
THE UNIVERSITY OF TEXAS SYSTEM
MARCH 3, 2010
AUSTIN, TEXAS

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MEETING NO. 1,056

WEDNESDAY, MARCH 3, 2010.--The members of the Board of Regents of The University of Texas System convened at 10:05 a.m. on Wednesday, March 3, 2010, in the Board Meeting Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Huffines
Vice Chairman McHugh
Vice Chairman Foster
Regent Dannenbaum
Regent Gary
Regent Hicks
Regent Longoria
Regent Powell
Regent Stillwell
Regent Meijer, Student Regent, nonvoting

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

WELCOME TO DR. SANDRA WOODLEY, VICE CHANCELLOR FOR STRATEGIC INITIATIVES.--Chancellor Cigarroa introduced Dr. Sandra Woodley, Vice Chancellor for Strategic Initiatives for The University of Texas System.

AGENDA ITEMS

1. U. T. System: Approval to distribute a portion of The University of Texas System Professional Medical Liability Benefit Plan premium returns

The Board approved that \$7 million be distributed from The University of Texas System Professional Medical Liability Benefit Plan premium returns according to the distribution set forth in Exhibit 1 on Page 3.

On March 26, 2008, the Board endorsed a three-year plan forwarded by the Plan Management Committee to reduce the reserves held to industry standard reserve requirements in accordance with generally accepted industry standards. Since August 2002, the Board has approved total

distributions from the Plan in the amount of \$231,125,000, with \$197,000,000 distributed to institutions and \$34,125,000 distributed to various U. T. System health care initiatives aimed at claim prevention and patient safety.

Distributions from 2002-2009 have been as follows:

August 2002	\$ 25,000,000
August 2003	65,000,000
August 2004	35,000,000
August 2005	-0-
August 2006	25,000,000
August 2007	30,000,000
March 2008	23,000,000
August 2008	15,625,000
August 2009	<u>12,500,000</u>
	\$231,125,000

This \$7 million distribution is a further effort to reduce the reserves in accordance with this plan. In a continuing effort to encourage loss reduction, the \$7 million distribution plan is based entirely on each institution's loss ratio.

Exhibit 1
The University of Texas System Professional Medical Liability Benefit Plan
Proposed Distribution of Plan Returns

<i>Institution</i>	<i>Premium Paid</i>	<i>Claims</i>	<i>Loss Ratio</i> ¹	<i>Rebate based on Loss Ratio</i>
	<i>2007-2009</i>	<i>2007-2009</i>		
UTSWMCD	9,627,096	2,857,872	30%	1,123,663
UTMB	12,640,972	2,203,841	17%	2,512,286
UTHSCH	5,777,174	2,594,324	45%	445,754
Medical Foundation (UTHSCH)	3,416,290	1,534,135	45%	263,593
UTHSCSA	8,493,185	1,626,197	19%	1,536,938
UTMDACC	6,013,941	1,290,760	21%	970,870
UTHSCT	446,843	48,983	11%	141,240
UT Arlington	4,468	-	0%	1,412
UT Austin	95,717	192,913	202%	1,646
UT Dallas	1,422	-	0%	449
UT San Antonio	6,800	-	0%	2,149
Totals	46,523,908	12,349,024	27%	\$ 7,000,000
TOTAL PROPOSED DISTRIBUTION				<u><u>\$ 7,000,000</u></u>

¹ The best Medical Institution loss ratio was applied to Academic Institutions with a 0% loss ratio.

2. U. T. System: Remarks by Chancellor Cigarroa on the impact of a 5% budget reduction in General Revenue

Chancellor Cigarroa provided the following remarks regarding the recent call from State leadership to develop a plan to reduce State appropriations for the current biennium by 5%. This matter was also the subject of discussion during the meeting of the Finance and Planning Committee on February 4, 2010 (see Item 5 on Page 27 of the February 2010 Minutes).

Remarks by Chancellor Cigarroa

Thank you for the opportunity to address you today to discuss the recent call from State leadership to develop a plan to reduce State appropriations for the current biennium by 5%. This reduction represents a total of \$175.3 million for the institutions and The University of Texas System Administration. The use of Tuition Revenue Bond appropriations made available as a result of the U. T. System's prudent debt management was not considered to be an acceptable mitigation strategy as we were advised by the Legislative Budget Board (LBB) staff that all State appropriations for debt service would be addressed separately. Therefore, the institutional plans contain measures to absorb the full 5% reduction in General Revenue appropriations for the biennium.

During these challenging economic times, it is important that we work together to meet challenges and to help the state maintain critical services, including excellence in higher education and health care. The U. T. System is not protected from the current economic climate facing Texas families and businesses. That said, we must remain sensitive to the difficulties these challenges present for our academic and health institutions as they plan to cut 5% of State appropriations over the biennium from their operating budgets. We pledge to continue efforts to find workable solutions and to do our part.

The reduction plans presented today build on endeavors by the System and the 15 campuses, which have been actively cutting costs and improving efficiencies for several years with ongoing initiatives, such as sharing business and information technology operations, refinancing and managing bond debt, and leveraging purchasing strength for medical equipment and supplies. Some of the cost-saving measures identified include permanent cuts, while others represent nonrecurring measures. The distribution of these measures is fairly and evenly distributed: 49.5% are as a result of ongoing cost-saving initiatives and 50.5% are temporary measures. The process in which additional permanent reductions are made will require careful and consultative planning requiring time to make fully informed strategic

decisions regarding moving temporary cuts to a permanent status. The temporary cuts, however, provide our leadership with further time in which to make these profound decisions.

Our campuses were thoughtful and creative in developing their plans, remaining mindful of maintaining their competitive advantages. In reviewing the plans, you will note that the reductions can generally be classified into five broad categories:

- Permanent Cost Reduction or Cost Avoidance, which includes reductions in travel, hiring freezes with subsequent reductions in full-time equivalents (FTEs), renegotiation of contracts, and other permanent reductions. This category represents \$78.2 million or 49.5% of the total.
- Temporary Cost Reduction or Cost Avoidance, totaling \$10.4 million, or 6.56% of the total, includes delaying institutional commitments and reducing expenditures for maintenance and operations.
- The use of reserves and some one-time savings, which offsets the General Revenue reduction, is projected to produce a savings of \$17.1 million or 10.8% of the total 5% reduction.
- Deferring capital spending, such as equipment purchases, repair and renovations, or new construction is anticipated to yield a savings of \$31.6 million or 20% of the total.
- New Revenue is projected to offset a portion of the reductions for some institutions, and constitutes \$20.7 million or 13.1% of the total.

Efforts like these and others will allow the institutions to absorb the 5% reduction, but it is a delicate balance, and we understand the use of reserves must be done carefully and that ongoing reserves remain essential as the economic horizon remains uncertain. There is no doubt that we need to maintain our fiscal discipline.

It is also important to note that the U. T. System's centralized group insurance benefits program is not immune to the proposed reduction. The \$17.4 million reduction associated with group insurance appropriations will be handled by the LBB independently from the proposed reductions to base General Revenue. The institutions have taken these reductions into consideration when formulating their overall strategy for addressing the proposed reductions, but their plans do not include the impact of this in the proposals submitted to the LBB related to the 5% reduction. The reduction to group insurance is particularly

challenging as our consolidated U. T. System Group Insurance Program is already currently funded at rates lower than those provided to other areas of State government, which results in a disproportionate impact. The \$17.4 million reduction is a fixed amount calculated on a snapshot-in-time of enrolled employees as of December 1, 2008.

Staying true to our path of excellence, we have risen to the challenge set forth by our State leadership, and we continue to identify means by which U. T. System can add value to the State of Texas and our nation. I am proud of the wisdom of our presidents and the System Administration team and wish to thank them for their efforts in addressing this challenge. Together, we will continue to retain excellence in education and health care while honoring our commitment to provide the highest quality education to students enrolled in our institutions.

Regent Dannenbaum expressed concern that funds might not be available to fund health insurance claims by U. T. System employees and suggested the private insurance market be explored. Executive Vice Chancellor Kelley and Associate Vice Chancellor - Controller and Chief Budget Officer Wallace discussed the impact of the 5% reduction, saying the U. T. System Office of Employee Benefits will work on plan design changes to offset the reductions in funding expected for the next fiscal year.

Vice Chairman Foster expressed caution about reductions in deferred maintenance and Chancellor Cigarroa said he is working with the institutions to determine the right balance so that needed maintenance is not neglected.

Chairman Huffines noted the institutional presidents have been working on cost containment plans over the past two years in anticipation of a need to reduce costs. He said the Board understands the resulting painful impact on students, faculty, and staff, and he emphasized that the Board supports the presidents in their decisions in this regard.

Chairman Huffines then asked Chancellor Cigarroa to have the U. T. System Administration advisory committee that is reviewing expenses for the next budget to a) review a possible reduction in the number of requests for reports from the institutions, and b) review expenses for U. T. System Administration membership in professional associations and organizations to assure that the interests of the U. T. System are being most effectively served.

On December 9, 2009, Chairman Huffines expressed support for Chancellor Cigarroa's new initiative to develop an advisory committee composed of both U. T. System and institution representatives charged with reviewing all aspects of the U. T. System budget and making recommendations to the

Chancellor on efficiency and effectiveness measures. He said he looks forward to a report from Vice Chairman Foster, Regent Hicks, and Chancellor Cigarroa in Summer 2010 on better uses of technology in the workplace and on ways to make the U. T. System budget more efficient.

3. U. T. System: Approval of tuition and fee plans for a) the academic institutions for Fiscal Years 2010-2012, conditioned upon the right of the Board to reevaluate tuition following the next Legislative Session, and b) the health institutions for the Academic Year starting in Fall 2010; and presentation on revenue streams, budgetary reductions, and cost containment procedures

House Bill 3015 passed by the Texas Legislature during the 78th Regular Session modified *Texas Education Code* Section 54.0513 to grant authority to boards of regents to set an appropriate charge to students designated as tuition (Designated Tuition) in addition to tuition rates set by the Legislature and other charges set by boards of regents as previously authorized. The statutory changes increased latitude to implement innovative charge structures.

Chancellor Cigarroa presented an overview of the tuition and fee proposals for The University of Texas System institutions for 2010-2012. (His [presentation](#) is on file in the Office of the Board of Regents.)

Dr. Cigarroa noted the targets of the Texas Higher Education Coordinating Board's *Closing the Gaps* initiative require higher education to absorb several hundred thousand more students and increase degrees in science, technology, engineering, and mathematics (STEM) fields by 125% in the next five years. As the largest system of public higher education in Texas, he said this goal presents a special responsibility for the U. T. System and underscores the obligation to offer an outstanding education in all fields of scholarship and research, including STEM fields, the performing arts, the humanities, and health professions.

Dr. Cigarroa noted that over the last several years, U. T. System institutions have undertaken several initiatives designed to improve operating efficiencies and reduce costs, including

- encouraging and incentivizing students to graduate in a timely manner since extending the time required to graduate creates higher costs for students because they pay more semesters of tuition and incur the opportunity cost of not being in the workforce as graduates
- implementing cost containment measures, such as shared services among institutions, that have saved more than \$200 million since 2007

- complying with the State leadership's request to develop plans for a 5% budget reduction from appropriated General Revenue funds.

Chancellor Cigarroa said funding remains a challenge even as enrollment is increasing across the U. T. System and the ill and infirmed are being cared for while at the same time innovative research is being performed and world-class faculty is being recruited.

He stated that State appropriations and tuition and fees together provide slightly more than half the revenue for the academic institutions -- 24% from State appropriations and 27% from tuition and fees. For the health institutions, he said the combined percentage contributed by State appropriations and tuition and fees is smaller -- approximately 17%, of which 1% of all revenue is derived from tuition and fees for the health institutions that oversee hospitals, and up to 4% of revenue for institutions, such as the health science centers in Houston and San Antonio, that do not oversee hospitals.

Dr. Cigarroa remarked it is State appropriations and tuition and fees that are largely directed to the educational mission of the universities, while other revenue streams, such as grants, gifts, and revenues that support the clinical enterprise, are largely restricted. It is for this reason, he said, that there is such a delicate balance between State appropriations and tuition and fees to support the education of students.

He spoke about financial aid programs and about the tuition-setting process that included work by Tuition Policy Advisory Committees composed of students, faculty, staff, and administrators at each institution.

He said the U. T. System academic institutions worked diligently to develop plans that would limit any increases in total academic costs for undergraduate students to 3.95% or \$280 per academic year, excluding student-initiated fees adopted via campus referenda for the next two fiscal years. Increases always, he said, include the 20% set-aside for financial aid. He also noted that The University of Texas at Dallas has a special situation because of the guaranteed tuition plan that began in 2007. Students under this plan will not incur any tuition increase if they graduate within four years. However, if they do not graduate within that period, students would experience an increase beyond the suggested limits, as carefully articulated to them upon registration and admission.

Dr. Cigarroa noted that five U. T. System academic institution tuition and fee proposals also include student fees for Fiscal Years 2010 and 2011 authorized through recent student-driven referenda (The University of Texas at Arlington, The University of Texas at Austin, The University of Texas at El Paso, The University of Texas of the Permian Basin, and The University of Texas at San Antonio). Any other student-initiated fees over the next two years will be subject to Board approval.

Chancellor Cigarroa said the recommendations made by the presidents of the health institutions range from increases of 4.2%-11%, with the largest increase proposed for The University of Texas Health Science Center at Houston, which has not increased tuition since 2005. Despite these proposed increases, U. T. System medical and dental schools will still be at levels below the national average.

He said the proposed increases range from 1.8% to 7.2% for the graduate schools of biomedical sciences, schools of nursing, and schools of health professions.

In summary, Chancellor Cigarroa said the proposed increases in tuition and fees are necessary to continue to provide the highest quality education needed for the state to enhance the workforce and the economy while advancing Texas' competitiveness.

Further, he believes the recommended increases are critical for the institutions to continue to deliver the highest quality education, health care, research, and service. He concluded that, given the advice received from the Tuition Policy Advisory Committees and the financial assistance available to students, these proposed increases are appropriate. Chancellor Cigarroa said he concurred with the recommendations included in the agenda materials.

The Presidents and Student Government Presidents of the U. T. System academic institutions then presented institutional tuition and fee plans for Fiscal Years 2010-2012. Presentations by Presidents [Mabry](#), [Romo](#), [Nelsen](#), [Natalicio](#), and [Daniel](#) are on file in the Office of the Board of Regents.

U. T. Tyler: President Mabry and Ms. Amy Whitehouse

U. T. San Antonio: President Romo and Mr. Josh Bart, Vice President of Student Government

U. T. Permian Basin: President Watts and Ms. Adriana Andrade

U. T. Pan American: President Nelsen and Mr. Raghuvver Puttagunta

U. T. El Paso: President Natalicio and Mr. Alex Muñoz

U. T. Dallas: President Daniel and Ms. Diana Kao

U. T. Brownsville: President García and Ms. Ruby De La Fuente

U. T. Austin: President Powers and Mr. Liam O'Rourke

U. T. Arlington: President Spaniolo and Mr. Kent Long

Executive Vice Chancellor Prior said the guidance issued to the academic institutions was to keep education at U. T. affordable, to ensure all students have appropriate financial aid, and to increase the quality of the educational experience on the U. T. System campuses. He said challenges also include providing access to students and to being accountable and transparent. He pointed out that significant cost-saving activities were included in the agenda materials and that a U. T. education remains an extraordinary value in comparison to peer institutions nationwide.

Regent Longoria commented on the transparent tuition-setting process and the unanimous approval of the proposed tuition and fees by students. Regent Meijer said students appreciate the return on investment for tuition and he put the tuition increase (\$140/semester) in the context of the cost of one textbook that has no return on investment. On behalf of all students, Regent Meijer asked for action on the issue of the high cost of textbooks, noting that the substantial amount of time spent on examining tuition increases could also be spent on examining the textbook cost issue. Regent Meijer also suggested a dedicated effort be made to encourage Legislators to support higher education with funding.

Referencing Chancellor Cigarroa's Slide 11 concerning average net academic cost and average percentage discount, Regent Meijer asked for the true cost of tuition compared to U. T.'s peers. Chancellor Cigarroa said the chart shows only averages, and he will send the requested information to the members of the Board. Chairman Huffines said that comparison has been done previously and he thinks the discounts are close to the national average. He asked Dr. Prior to update the charts.

Vice Chairman Foster requested a chart showing total academic costs and proposed increases for graduates/undergraduates and residents/nonresidents. Chairman Huffines noted out-of-state students comprise approximately 2.5% of students at the academic institutions, which is low compared to U. T.'s peers nationwide.

Executive Vice Chancellor Shine spoke on behalf of the health institution presidents. He said the health presidents have cost containment programs in place, including hiring and salary freezes, task forces that are reviewing costs, and phasing out of some programs. Dr. Shine spoke about the extraordinary educational programs at the U. T. System health institutions that attract some of the best students in the world, and he commented that the impact of tuition increases is carefully considered. He noted out-of-state tuition at the U. T. System health institutions is higher than the national average for public institutions, significantly lower than private institutions, and lower than average for in-state resident tuition. He explained the reason for the low in-state tuition is based on a desire to make medical school available to a diverse population. He said 90% of students at the health institutions are from Texas, and the average medical student graduates with \$130,000-\$140,000 in debt, so any increase in tuition has the effect of raising the debt. The high debt, he said, can scare students away from medical school or can be a factor in students choosing to study neurosurgery instead of primary care, a field that is poorly reimbursed. In conclusion, he said this fall the health presidents will look at tuition across the health institutions to decide whether to retain different tuitions in the various health professional schools or to have a single tuition for medical school and a long-term program to raise tuition.

Prior to calling for a motion, Chairman Huffines thanked each institutional president and the student leaders for the amount of campus discussion and participation that has gone into the proposals. Based on his review of data for peer health institutions, he noted the U. T. System medical schools are between 50-60% of the average cost of public medical schools across the country. He recommended the Board consider approving the proposed tuition increases for the health institutions for one year only subject to Chancellor Cigarroa and Executive Vice Chancellor Shine coming back to the Board next spring with proposals for the health institutions following an in-depth review, including competitiveness.

Chairman Huffines noted that in light of the upcoming Legislative Session, he recommended the Board also reserve the right to reevaluate tuition for the academic campuses should circumstances change during or after the Session.

Motions

Regent Longoria moved that the Board of Regents approve the tuition and fee plans for all nine U. T. System academic institutions as submitted for Academic Years 2010-2011 and 2011-2012, as detailed in the agenda materials and consistent with what Chairman Huffines has stated, and further recommended that the Board reserve the opportunity to reassess the approved tuition and fee rates for the academic institutions effective for 2011-2012 should access to available funding necessitate such consideration to ensure the maintenance of excellence in the education, research, and service missions at the U. T. System academic institutions.

The motion was seconded by Regent Dannenbaum and carried unanimously.

Vice Chairman McHugh moved that the Board of Regents approve the tuition and fee plans for the U. T. System health institutions effective for Fall 2010 only as suggested by Chairman Huffines, as submitted in the agenda materials, and further moved that Chancellor Cigarroa and Dr. Shine work with the health presidents to make recommendations to the Board concerning tuition and fees effective for Fall 2011 to ensure the proposed charges have been carefully reviewed and are appropriate.

The motion was seconded by Regent Powell and carried unanimously.

Secretary's Notes:

A chart on total academic costs for resident undergraduates (Page Tuition - 1) that was editorially amended following the meeting is set forth on Page 13.

A technical correction was made following the meeting to the technology fees at The University of Texas at Brownsville. The table on Page 134 of the Agenda Book included two technology-related fees combined into a single fee, reflecting incorrect amounts for 2011-2012. The rates for 2011-2012 should be the same as the rates for 2010-2011. A corrected table is set forth on Page 14.

**U. T. SYSTEM ACADEMIC INSTITUTIONS
TOTAL ACADEMIC COSTS FOR RESIDENT UNDERGRADUATES
ENROLLED FOR 15 SEMESTER CREDIT HOURS**

Fall 2010

Institution	Fall 2009 Total Academic Costs	Proposed		Student Approved Fee	Total Proposed Increase	New Total Academic Costs	Percent Increase
		Increase Before Student Fee	Percent Increase				
UT Arlington	\$ 4,272	\$ 169	3.95%		\$ 169	\$ 4,441	3.95%
UT Austin	\$ 4,468	\$ 176	3.95%	\$ 65	\$ 241	\$ 4,709	5.40%
UT Brownsville	\$ 2,807	\$ 140	4.99%		\$ 140	\$ 2,947	4.99%
UT Dallas	\$ 4,915	\$ 194	3.95%		\$ 194	\$ 5,109	3.95%
UT El Paso	\$ 3,144	\$ 140	4.45%		\$ 140	\$ 3,284	4.45%
UT Pan American	\$ 2,764	\$ 140	5.07%		\$ 140	\$ 2,904	5.07%
UT Permian Basin	\$ 2,875	\$ 61	2.12%	\$ 150	\$ 211	\$ 3,086	7.34%
UT San Antonio	\$ 4,023	\$ 159	3.95%	\$ 24	\$ 183	\$ 4,206	4.55%
UT Tyler	\$ 3,257	\$ 140	4.30%		\$ 140	\$ 3,397	4.30%

Fall 2011

Institution	Fall 2010 Total Academic Costs	Proposed		Student Approved Fee	Total Proposed Increase	New Total Academic Costs	Percent Increase
		Increase Before Student Fee	Percent Increase				
UT Arlington	\$ 4,441	\$ 175	3.95%	\$ 30	\$ 205	\$ 4,646	4.63%
UT Austin	\$ 4,709	\$ 183	3.89%		\$ 183	\$ 4,892	3.89%
UT Brownsville	\$ 2,947	\$ 140	4.75%		\$ 140	\$ 3,087	4.75%
UT Dallas	\$ 5,109	\$ 202	3.95%		\$ 202	\$ 5,311	3.95%
UT El Paso	\$ 3,334	\$ 140	4.20%		\$ 140	\$ 3,474	4.20%
UT Pan American	\$ 2,904	\$ 140	4.82%		\$ 140	\$ 3,044	4.82%
UT Permian Basin	\$ 3,086	\$ 140	4.54%		\$ 140	\$ 3,226	4.54%
UT San Antonio	\$ 4,206	\$ 166	3.95%	\$ 24	\$ 190	\$ 4,396	4.52%
UT Tyler	\$ 3,397	\$ 140	4.12%		\$ 140	\$ 3,537	4.12%

Notes:

- Total Academic Costs includes tuition, mandatory fees, and average of course fees. When tuition varies by college or discipline, the weighted average total academic cost for resident undergraduates is shown.

1 At UT El Paso, a \$50 increase to the Recreation Center fee approved by students will be assessed beginning in Spring 2011 to coincide with the opening of the Swimming and Fitness Center expansion, raising total academic costs to \$3,334.

2 At UT Permian Basin, the proposed increase in designated tuition is less than the guidelines in order to mitigate the impact of a new student approved fee for a student center building.

3 At UT Dallas, new students entering in Fall 2011 will have a 3.95% increase. Those students who entered in Fall 2007 will lose their four-year tuition guarantee beginning Fall 2011 and will pay the Fall 2008 guarantee rate. This adjustment increases the weighted average increase for all undergraduates to 4.95%. However, continuing students who entered UT Dallas in the Fall of 2008 or later will not have any tuition increase in Fall 2011.

Office of Academic Affairs
March 3, 2010

U. T. BROWNSVILLE

**SECTION VII: PROPOSED TUITION AND FEES FOR 2010-2011
AND 2011-2012 ACADEMIC YEARS (continued)**

OTHER MANDATORY STUDENT FEES – TECHNOLOGY FEE

<u>Number of SCHs</u>	<u>Current Undergraduate Rate per SCH</u>	<u>Proposed 2010-2011 Rate per SCH</u>	<u>Proposed 2011-2012 Rate per SCH</u>
1	\$ -	\$ 57.00	\$ 57.00
2	-	69.00	69.00
3	-	81.00	81.00
4	-	93.00	93.00
5	-	105.00	105.00
6	-	117.00	117.00
7	-	129.00	129.00
8	-	141.00	141.00
9	-	153.00	153.00
10	-	165.00	165.00
11	-	177.00	177.00
12	-	189.00	189.00
13	-	201.00	201.00
14	-	213.00	213.00
15	-	225.00	225.00

The Computer Access Fee and Automation Fee were previously authorized at \$12 per semester credit hour and \$45 per semester respectively. These fees have been eliminated and replaced with a consolidated Technology Fee. This will allow a consolidated fee that is easier for students to understand and aligns the permissible uses of the two previously authorized fees. There is no impact to a student taking 15 semester credit hours.

4. U. T. Dallas: Authorization to lease up to approximately 34,852 square feet of office and research space in the office building at 1600 Viceroy, Dallas, Dallas County, Texas, from the co-owners known as Madison Viceroy Cotenancy and consisting of A&E Viceroy, LLC, a Texas limited liability company; DRE Viceroy, LP, a Texas limited partnership; Hotel on Boardwalk, LLC, a Texas limited liability company; HSF Viceroy, LLC, a Texas limited liability company; Madison Brookhollow, L.P., a Texas limited partnership; MMTF-Viceroy, L.L.C., a Texas limited liability company; Ph.D Partners, a Texas general partnership; RE Viceroy Investments, LP, a Texas limited partnership; TLP Investment Viceroy, L.P., an Arkansas limited partnership; WJW Properties Limited, a Texas limited partnership; and Viceroy Group, LLC, a Texas limited liability company, for use by the U. T. Dallas Center for Vital Longevity and other U. T. Dallas programs

On behalf of The University of Texas at Dallas, the Board

- a. granted authorization to lease up to approximately 34,852 square feet of office and research space in the office building at 1600 Viceroy, Dallas, Dallas County, Texas, from the co-owners known as Madison Viceroy Cotenancy and consisting of A&E Viceroy, LLC, a Texas limited liability company; DRE Viceroy, LP, a Texas limited partnership; Hotel on Boardwalk, LLC, a Texas limited liability company; HSF Viceroy, LLC, a Texas limited liability company; Madison Brookhollow, L.P., a Texas limited partnership; MMTF-Viceroy, L.L.C., a Texas limited liability company; Ph.D Partners, a Texas general partnership; RE Viceroy Investments, LP, a Texas limited partnership; TLP Investment Viceroy, L.P., an Arkansas limited partnership; WJW Properties Limited, a Texas limited partnership; and Viceroy Group, LLC, a Texas limited liability company, for use by the U. T. Dallas Center for Vital Longevity and other U. T. Dallas programs; and
- b. authorized the President of U. T. Dallas to execute the lease and all documents, instruments, and other agreements on behalf of the institution, subject to approval of all such documents by the Real Estate Office and the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing action.

The Center for Vital Longevity (Center) has outgrown its current space on the U. T. Dallas campus and needs additional space for its educational mission. The building at 1600 Viceroy has one and one-half floors available that can be reconfigured to meet the space needs of the Center and accommodate its growth. The Center is directed by Dr. Denise Park, T. Boone Pickens Distinguished University Chair of Brain Science and University Regents' Research Scholar. Her research efforts include a grant

portfolio from the National Institute of Aging that totals approximately \$14 million across several different awards. The Center currently has 15 full-time staff and additional part-time staff and is in the process of recruiting additional research faculty. A daycare center, which is available to tenants of the building, will enhance recruitment of faculty.

The office building is located in close proximity to The University of Texas Southwestern Medical Center at Dallas. Surrounding U. T. Southwestern is a high density of medical research that will benefit research collaboration among U. T. Dallas faculty, U. T. Southwestern faculty, and other medical researchers in the area. The location also has high visibility and easy access for research participants and subjects. The lease will allow the Center to accommodate increased staff and to meet increased needs for research space in an area that will enhance research collaboration, while freeing up space on the U. T. Dallas campus for other expanding educational programs.

The Center will use the space for offices for faculty and staff and research labs. The building offers common areas that can accommodate meeting and conference space, such as an international conference held in January 2010, which will become an annual event.

Any space not immediately occupied by the Center will be shared with faculty from the U. T. Dallas Callier Center for Communications Disorders (Callier Center). The primary facility of the Callier Center is a 40-year-old complex in a landlocked location, adjacent to U. T. Southwestern. Both the audiology and speech pathology programs are ranked in the top 5% of national programs by *U.S. News and World Report*. The Callier Center currently has two unfilled endowed faculty positions due to lack of assignable office, laboratory, and support space. Additionally, the lack of research space has compromised expanding research and grant programs. There is also a pressing need to rehabilitate the aging facility. The lease could provide a potential place to relocate faculty temporarily while the Callier Center facility undergoes renovations.

The lease will commence on June 1, 2010, for a term of 10 years, plus one five-year renewal option. U. T. Dallas will have the option to terminate the lease anytime after the 36th month with six months' advance notice and payment of unamortized transaction costs (tenant improvements and commissions).

Ms. Florence Mayne, Executive Director of Real Estate, stated there have been slight modifications to the agenda item primarily based on the architect's measurements of square footage. The revised numbers are reflected in the next paragraph.

The initial area of the leased premises will be 31,734 rentable square feet (rsf). U. T. Dallas may subsequently expand the leased premises by up to 3,118 rsf. Another tenant has the right, through December 31, 2010, to add all or some of the 3,118 rsf to that tenant's premises. If that tenant does not opt to add all of the 3,118 additional rsf, U. T. Dallas will increase the area of its leased premises accordingly, and the rental will increase ratably based on the added area.

The annual base rent (based on 31,734 rsf) for the first year is \$172,328, reflecting a reduced rental for the first seven months; the annual base rent for the second year is \$317,340; the annual base rent increases at various intervals to \$444,276 in year 10; the average annual base rent during the 10-year period is \$375,827, or \$11.84 per rsf. Beginning on June 1, 2011, U. T. Dallas will pay approximately \$3.00 per rsf in electricity costs and the pro rata share of operating expenses that exceed a 2011 base year expense stop.

Approximately 140 parking spaces will be available in the adjacent parking garage and surface lot. The lease will be funded with indirect costs and investment income.

5. U. T. Austin: Conditional allocation of \$15 million from Permanent University Fund Bond Proceeds for the Energy Laboratory in the Norman Hackerman Building; amendment of the FY 2010-2015 Capital Improvement Program to increase the total project cost; and appropriation of funds and authorization of expenditure

The Board

- a. approved the conditional allocation of \$15 million from Permanent University Fund (PUF) Bond Proceeds for the Energy Laboratory in the Norman Hackerman Building located on The University of Texas at Austin campus. This allocation is contingent upon U. T. Austin receiving a \$25 million grant award from the Department of Energy (DOE) for the Energy Innovation Hub on Fuels from Sunlight program.
- b. amended the Fiscal Year 2010-2015 Capital Improvement Program (CIP) to increase the total project cost for the Norman Hackerman Building from \$175 million to \$190 million with additional funding of \$15 million for the Energy Laboratory from PUF Bond Proceeds, and
- c. appropriated funds and authorized expenditure of \$15 million from PUF Bond Proceeds.

U. T. Austin will submit a proposal to the DOE for an Energy Innovation Hub on Fuels from Sunlight grant during the current fiscal year. If awarded the grant, U. T. Austin will be a member of an Energy Innovation Hub team, which will include the Massachusetts Institute of Technology (MIT), the National Renewable Energy Laboratory (NREL), and the University of Colorado at Boulder. The initial, first-year grant award will be \$22 million. U. T. Austin and MIT would each receive \$5 million as the Hub team leaders, and NREL and the University of Colorado at Boulder would share the balance of \$12 million. The initial five-year term of the grant would generate \$25 million for U. T. Austin with the potential to extend for an additional five years, which would generate an additional \$25 million.

The focus of the grant on Fuels from Sunlight will be to experiment with synthetic artificial photosynthesis, capturing CO₂ in the presence of sunlight and water, and producing fuel. For plants, the fuel is adenosine triphosphate (ATP), the source of energy for plant metabolism. For the Energy Innovation Hub, the fuel is the chemical hydrocarbons used for energy generation and transportation.

The \$15 million in PUF Bond Proceeds will be used to finish out the sixth floor of the new Norman Hackerman Building to exclusively house and equip the U. T. Austin portion of the Energy Innovation Hub. The adjacent roof area will serve as an ideal outdoor laboratory for sunlight experiments.

The award of the DOE grant to U. T. Austin is expected to generate new business opportunities at the forefront of technology in Texas.

6. U. T. Austin: Approval of a distribution agreement with the Ex-Students' Association (Texas Exes) to grant an exception to the U. T. System Gift Acceptance Procedures regarding regulation of endowment distributions

The Board

- a. determined that distributions from certain endowments for the benefit of The University of Texas at Austin to the Texas Exes 40 Acres Scholars Program serve the educational purposes of U. T. Austin, and
- b. pursuant to Regents' *Rules and Regulations*, Rule 70101, Section 6, directed that such distributions be held and managed by the Ex-Students' Association (Texas Exes) to provide for scholarships to U. T. Austin students, thereby granting an exception to any other provisions of The University of Texas System Gift Acceptance Procedures that may be to the contrary.

Such determination and direction is conditioned upon the Texas Exes signing an agreement, approved by the Office of External Relations and the Office of General Counsel, with the Board of Regents that includes maintaining sufficient controls by the Board of Regents to ensure that the educational purposes, endowment restrictions, and Texas and federal nondiscrimination restrictions are met.

The Texas Exes established the 40 Acres Scholars Program as part of U. T. Austin's capital campaign with the goal of creating an endowment of at least \$150 million to be administered by the Texas Exes. The 40 Acres Scholars Program pools the endowment distributions from the various endowments established with the Texas Exes rather than establishing separate operating accounts for each endowment. The Texas Exes selects the scholarship recipients of the 40 Acres Scholars Program.

Additionally, there are donors who would like to establish endowed scholarships for the benefit of U. T. Austin students with the Board of Regents that would be invested by The University of Texas Investment Management Company (UTIMCO). UTIMCO would collect distributions from such endowments to the 40 Acres Scholars Program pool administered by the Texas Exes. Also, donors of existing endowed scholarships for the benefit of U. T. Austin students held by the Board of Regents would like to provide that future endowment distributions go to the 40 Acres Scholars Program pool.

To simplify the administration of the 40 Acres Scholars Program and to enhance the probability of obtaining additional contributions for such endowed scholarships administered by the Board of Regents, the Texas Exes requested that the Board of Regents authorize distributions to the Texas Exes pool for the 40 Acres Scholars Program from endowments established by donors and held by the Board of Regents for support of such scholarships.

The Chancellor, the Vice Chancellor for External Relations, the Vice Chancellor and General Counsel, and the President of U. T. Austin have determined that i) distributions from existing and future endowments held by the Board of Regents and benefiting the 40 Acres Scholars Program directly to the Texas Exes 40 Acres Scholars Program pool would serve the educational purposes of U. T. Austin by expanding its scholarship program, and ii) handling such distributions in one pool with the distributions from the Texas Exes 40 Acres Scholars Program is the most efficient method of administering the endowed scholarship distributions.

RECESS TO EXECUTIVE SESSION.--At 12:50 p.m., Chairman Huffines announced the Board would recess to convene in Executive Session pursuant to *Texas Government Code* Sections 551.071, 551.072, 551.073, and 551.074 to consider those matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--At 2:48 p.m., the Board reconvened in open session for the following actions taken on matters discussed in Executive Session and to consider remaining agenda items.

1a. U. T. Arlington: Approval of a proposed negotiated gift with a potential naming feature

Regent Gary moved that the Board of Regents authorize President Spaniolo and Vice Chancellor Safady to conclude negotiations necessary to finalize and accept a gift to benefit The University of Texas at Arlington with a potential naming feature consistent with the terms outlined in Executive Session.

Vice Chairman Foster seconded the motion, which carried unanimously.

1b. U. T. Austin: Approval of proposed negotiated gifts with potential naming features

Regent Hicks moved that the Board of Regents authorize President Powers and Vice Chancellor Safady to conclude negotiations necessary to finalize and accept gifts to benefit The University of Texas at Austin with potential naming features consistent with the terms outlined in Executive Session.

The motion was seconded by Regent Stillwell and carried by acclamation.

1c. U. T. Medical Branch – Galveston: Discussion and appropriate action regarding a proposed negotiated gift with a potential naming feature (Deferred)

This item was deferred.

1d. U. T. M. D. Anderson Cancer Center: Approval of a proposed negotiated gift with a potential naming feature

Regent Powell moved that the Board of Regents authorize President Mendelsohn and Vice Chancellor Safady to conclude negotiations necessary to finalize and accept a gift to benefit The University of Texas M. D. Anderson Cancer Center with a potential naming feature consistent with the terms outlined in Executive Session.

The motion was seconded by Regent Longoria and carried unanimously.

- 2a. U. T. System Board of Regents: Discussion with Counsel on pending legal issues

No action was taken on this item.

- 2b. U. T. System Board of Regents: Discussion of legal issues related to the U. T. Brownsville/Texas Southmost College Educational Partnership Agreement

No action was taken on this item from discussion in Executive Session; however, see Item 8 on Page 23 for related action taken.

- 2c. U. T. M. D. Anderson Cancer Center: Discussion and appropriate action related to legal issues, rights, and responsibilities of U. T. M. D. Anderson Cancer Center under proposed change in agreement and increase in ownership interest in Proton Therapy Center - Houston Ltd., L.L.P.

This additional caption was posted with the Secretary of State. See Item 7 on Page 22 for action related to this matter.

3. U. T. System Board of Regents: Discussion and appropriate action regarding issues related to the real property lease for the U. T. Brownsville/Texas Southmost College Educational Partnership Agreement

No action was taken on this item from discussion in Executive Session; however, see Item 8 on Page 23 for related action taken.

- 4a. U. T. System Board of Regents: Discussion and appropriate action regarding individual personnel issues related to the U. T. Brownsville/Texas Southmost College Educational Partnership Agreement

No action was taken on this item from discussion in Executive Session; however, see Item 8 on Page 23 for related action taken.

- 4b. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of U. T. System and institutional employees

No action was taken on this item.

- 4c. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees

No action was taken on this item.

AGENDA ITEMS, CONTINUED

7. U. T. M. D. Anderson Cancer Center: Authorization to purchase additional equity interests in the limited partnership that owns the Proton Therapy Center, Proton Therapy Center - Houston Ltd., L.L.P., to increase ownership interest in the partnership

On behalf of The University of Texas M. D. Anderson Cancer Center, the Board

- a. authorized the purchase of additional equity interests in the limited partnership that owns the Proton Therapy Center, Proton Therapy Center - Houston Ltd., L.L.P.; and
- b. authorized the President of U. T. M. D. Anderson Cancer Center or his delegate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing action.

In 2002, U. T. M. D. Anderson Cancer Center put together a private financing arrangement to fund the construction and development of a proton therapy center at M. D. Anderson. As part of the financing arrangement, M. D. Anderson and a group of investors formed Proton Therapy Center - Houston Ltd., L.L.P., a limited liability limited partnership (the PTC Partnership), to develop, own, and operate the proton facility.

On February 13, 2003, The University of Texas System Board of Regents leased the land for the facility to the PTC Partnership. As a result of the financing arrangement deal, the PTC Partnership now owns a freestanding, 94,000 square foot proton therapy center on land owned by U. T. System and leased to the PTC Partnership at 1840 Old Spanish Trail, Houston, Harris County, Texas. While the facility is owned by the PTC Partnership, M. D. Anderson operates, staffs, and provides all of the operational

expertise at the facility. The facility utilizes state-of-the-art technology and currently treats up to 100 patients per day.

There are a variety of investment levels and a number of current investors in the PTC Partnership, including U. T. M. D. Anderson. At present, as a direct limited partner and an equity holder in another limited partner, PTC Investors, M. D. Anderson has approximately a 15% ownership stake in the PTC Partnership.

Medical Investments, Inc. (MedInvest) is an affiliate of Hitachi America, Ltd., which designed and built the integrated system of proton therapy equipment at the Proton Therapy Center. MedInvest owns 27.5 units of membership interests in PTC Investors (collectively, the MedInvest Interests), which were acquired for an original equity investment of \$28 million. MedInvest has offered to sell the MedInvest Interests for \$12 million in cash. To preserve certain preference features associated with the MedInvest Interests, the PTC Partnership is passing along the purchase opportunity to its direct and indirect owners, including M. D. Anderson.

In addition to the purchase of the MedInvest Interests, the transaction will be structured to convert M. D. Anderson's indirect equity interest through PTC Investors into a direct limited partner interest in the PTC Partnership. This conversion is being undertaken because it may likely provide the PTC Partnership with a basis to obtain sales and property tax exemptions, and the avoidance of such costs would increase the PTC Partnership's profitability and M. D. Anderson's investment return.

To undertake this transaction, U. T. M. D. Anderson will expend \$5.7 million for its pro rata share of MedInvest's Interests. However, the institution will subsequently recapture that amount from a cash distribution to be made by the PTC Partnership. As a result of the transaction, M. D. Anderson will increase its ownership stake in the PTC Partnership from its current direct and indirect interests of approximately 15% to direct limited partner interests of 51.21%.

8. U. T. Brownsville: Adoption of resolution concerning status of proposed restructuring of the U. T. Brownsville/Texas Southmost College educational partnership and the U. T. System mission in South Texas

Vice Chancellor and General Counsel Burgdorf outlined the work of a task force that, since Summer 2009, reviewed potential restructuring of The University of Texas at Brownsville/Texas Southmost College educational partnership. Mr. Burgdorf said the focus of the group was to enhance the partnership to last the next 20-50 years and to be the best university-community collaboration partnership in the nation. He added that consideration was also given to how the partnership fits into the overall

plan for South Texas and how The University of Texas System can bring increasing educational opportunities to students on the border. He noted there is high-level consensus on the direction and next steps of the enhanced partnership. Executive Vice Chancellor Prior commented on the rewarding and challenging activity, noting the good will to move forward.

Chairman Huffines said he looks forward to future updates on this work.

Regent Longoria read the following resolution concerning the status of proposed restructuring of the U. T. Brownsville/Texas Southmost College educational partnership and the U. T. System mission in South Texas. The resolution was seconded by Regent Hicks and carried unanimously.

Resolution

WHEREAS, The University of Texas System Board of Regents (the "Board") has been briefed on legal, personnel, and real estate issues addressed by the work of a task force led by Executive Vice Chancellor Prior and Vice Chancellor and General Counsel Burgdorf on behalf of The University of Texas System and counterparts on behalf of Texas Southmost College (TSC) relating to enhancement of the partnership between the U. T. System, The University of Texas at Brownsville (UTB), and TSC;

WHEREAS, The Board recognizes that over the last 20 years the education collaboration between TSC and UTB and the U. T. System has produced important educational achievements;

WHEREAS, The Board confirms its commitment to the basic values and principles set forth by the task force in the attached statement of concepts and principles (see Page 25) and understands the importance of seeking a more efficient, effective model of collaboration to fully realize the challenges in higher education in the coming years; and

WHEREAS, The Board agrees with and accepts the recommendation of the task force to pursue a new partnership organization that is fully recognized in law to have all the power and authority to act as a single entity in the best interests of the UTB/TSC mission.

THEREFORE, BE IT RESOLVED, That the Board directs the U. T. System and UTB administrations to work with the TSC Board of Trustees to seek all necessary and appropriate legislative endorsement of this new partnership model and authorizes Executive Vice Chancellor Prior and Vice Chancellor and General Counsel Burgdorf to take all steps appropriate to legally and statutorily proceed to present for the Board's consideration a new partnership model and agreement in the coming year.

A New Partnership for UTB/TSC

Statement of Concepts and Principles

Acknowledging the historical success of the UTB/TSC partnership over the last 20 years, today there exists a strong need for a new model of increased integration to effectively deliver higher education to the Rio Grande Valley region.

The new model must be transparent, efficient, accountable, and ultimately designed to seamlessly meet the needs of students in the 21st century.

The new partnership will operate as a single, unified entity with all necessary power to act on behalf of a clearly articulated educational mission.

The new unified partnership will be designed to:

- Foster a compelling vision that will guide educational programs
- Provide a funding model that builds on efficiencies of partnership
- Streamline organizational and reporting structure
- Speak with one voice in legal, academic, policy, and financial matters that impact UTB/TSC
- Create new efficiencies and cost containment through complete integration
- Clarify ownership and responsibilities within the partnership
- Establish more clearly defined leadership roles
- Offer transparency and clearer understanding of mission to all stakeholders
- Eliminate potential conflicts in organizational priorities

The Board of Regents and the TSC Board of Trustees will maintain all power to fulfill existing fiduciary and statutory obligations, and to act to preserve independent action related to University and Community College missions.

Structures for communication and high-level strategic board involvement will be put in place.

U. T. System staff and TSC personnel will be given new mandates to build a permanent model for interaction and input in the areas of academic affairs, business and finance, facilities, student affairs, and audit and compliance.

COMMENTS BY CHAIRMAN HUFFINES ON REVIEW OF STRATEGIC PLANS FOR U. T. ARLINGTON, U. T. DALLAS, U. T. EL PASO, AND U. T. SAN ANTONIO, AS WELL AS U. T. AUSTIN.--Chairman Huffines reminded members of the Board that a special called meeting is being scheduled for late March 2010 to consider strategic plans for research for The University of Texas at Arlington, The University of Texas at Dallas, The University of Texas at El Paso, and The University of Texas at San Antonio, as well as The University of Texas at Austin. He asked each member to read the plans carefully and to study them in detail. (The meeting was held on March 31, 2010.)

9. U. T. System Board of Regents: Election of Vice Chairman McHugh as Chairman; reelection of Vice Chairman Foster; and election of Regent Longoria as Vice Chairman

Pursuant to Regents' *Rules and Regulations*, Rule 10102, the following officers were elected to the Board of Regents of The University of Texas System, effective immediately:

Chairman	Colleen McHugh
Vice Chairman (designated to act in place of the Chairman)	Paul Foster
Vice Chairman	Janiece Longoria

For the record, the current list of members of the Board is:

Chairman McHugh
Vice Chairman Foster
Vice Chairman Longoria
Regent Dannenbaum
Regent Gary
Regent Hicks
Regent Huffines
Regent Powell
Regent Stillwell
Regent Meijer, Student Regent, nonvoting

In closing, Chairman Huffines provided the following remarks on his term as Chairman of the Board and he received a standing ovation for his service.

Remarks by Chairman Huffines

As we have heard today, there are many challenges and serious issues facing us. Let us remember throughout the University's history, we have faced similar challenges to these, and we have

always prevailed. If you need any perspective on the challenges, I encourage you to read the Minutes from the very first meeting in 1881, and you will have a new definition of what a real challenge is. I am optimistic about our future, and the primary reason for that optimism is the outstanding team we have in place on each campus and at the U. T. System. It has been a distinct honor to work with so many talented individuals. I would like to personally thank all of the presidents; thank you for your outstanding leadership. I would also like to thank the thousands and thousands of faculty members who have dedicated their lives to teaching our students, and thus helping to prepare a better future for our state.

I would like to also thank the entire team at the U. T. System: Chancellor Cigarroa, Dr. Shine, Dr. Prior, Dr. Kelley, Dr. Safady, Mr. Burgdorf, and all of your team members. It has indeed been a privilege of a lifetime to work with you and your entire staff, and because of the unwavering commitment of our entire team, I am confident that U. T.'s future is bright and that we will successfully meet these challenges of today and those of the coming years.

And finally, I would like to express my deepest gratitude to my fellow Regents for their trust and confidence. I shall never forget the opportunity you have provided me to serve as Chairman of our Regental team. In conclusion, I would like the focus to be on the team work we have at the U. T. System, and I ask that you join me as I lead the applause for the U. T. System employees, the presidents, the faculty, and the staff.

SCHEDULED MEETING.--The next special called meeting will be held on March 31, 2010, in Austin, Texas, and the next regularly scheduled meeting will be held on May 12-13, 2010, also in Austin, Texas.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 3:00 p.m.

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

March 30, 2010