

**SUBSTITUTE AGENDA ITEM
MEETING OF THE BOARD
August 23, 2007**

10. **U. T. System: Approval of the nonpersonnel aspects of the operating budgets for the fiscal year ending August 31, 2008, and Permanent University Fund (PUF) Bond Proceeds allocation for Library, Equipment, Repair and Rehabilitation (LERR) Projects for FY 2008**

RECOMMENDATION

The Chancellor, with the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the presidents of the U. T. System institutions, recommends that the nonpersonnel aspects of the U. T. System Operating Budgets for the fiscal year ending August 31, 2008, 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. System Board of Regents through the Docket.

It is requested that Permanent University Fund (PUF) Bond Proceeds in the amount of \$30,000,000 be appropriated to the institutions to fund Library, Equipment, Repair and Rehabilitation (LERR) Projects for Fiscal Year 2008. This would authorize the purchase of 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 or repair and rehabilitation projects are to receive prior approval by the Chancellor, the appropriate Executive Vice Chancellor and, where required, the U. T. System Board of Regents. Transfers by 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 procedures for construction projects established by the U. T. System Board of Regents.

An additional request for PUF Bond Proceeds of \$3,500,000 is for the North Texas Student Information System Pilot Project. This is a supplemental request to the \$8,000,000 approved by the Board on October 4, 2006. The object of the Project is to achieve cost savings through economies of scale, process improvements attained through standardization, universal application of

institutionally preferred practices, improved and more consistent reporting, and the improvement of services for students, faculty, and staff. This supplement proposes necessary funds for services identified during the vendor bid reviews, inclusion of upgrade implementation services for U. T. Arlington, and assistance to U. T. Tyler for their portion of the implementation.

It is further recommended that LERR appropriations not expended or obligated by contract or purchase order within six months after the close of Fiscal Year 2008 are to be available for future System-wide reallocation unless specific authorization to continue obligating the funds is given by the appropriate Executive Vice Chancellor upon recommendation of the president of the institution.

BACKGROUND INFORMATION

A supplemental volume of the budget materials titled "Operating Budget Summaries and Reserve Allocations for Library, Equipment, Repair and Rehabilitation" is enclosed in the front pocket of this Agenda Book.

See the Executive Session item related to the personnel aspects of the U. T. System Operating Budgets (Item 1b on Table of Contents Page i for Meeting of the Board).

The appropriation of PUF Bond Proceeds will be presented in the Fiscal Year 2008 LERR Budget. The allocation of these LERR funds to the U. T. System institutions was developed from prioritized lists of projects submitted by the 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 19. The additional appropriation of PUF Bond Proceeds for this allocation is within the policy as shown in the forecast.

Supplemental Materials:

**PowerPoint presentation on the operating budget on Pages 6.8 - 6.35.
Other supporting materials including the Chancellor's recommendations for initiatives to be funded from proceeds of termination of bond swap agreements are on Pages 6.36 - 6.44.**

The University of Texas System Fiscal Year 2008 Operating Budget

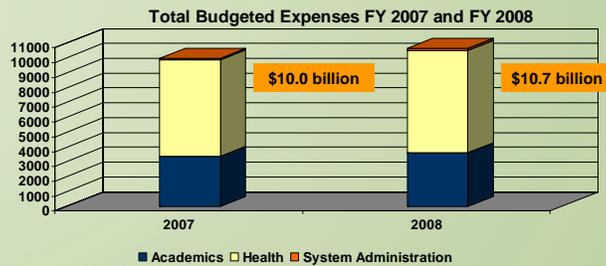


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Presented to the
Board of Regents
August 2007



Total Budgeted Expenses

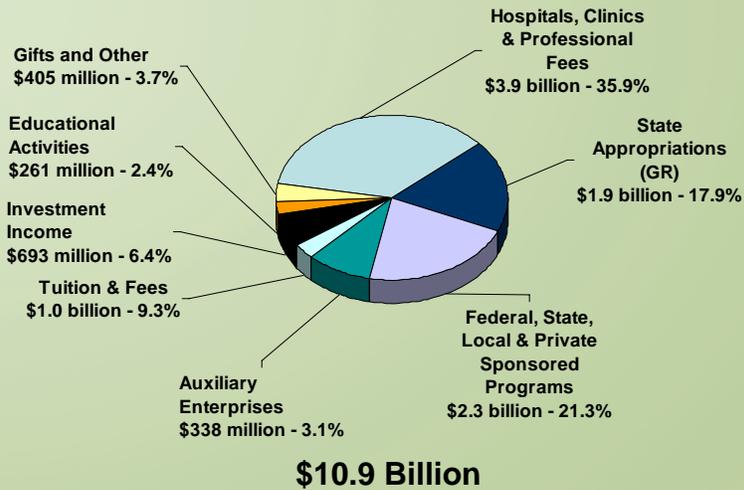


Budgeted Expenses
FY 2008 - \$10.7 billion
\$656 million more than FY 2007
6.6% more than FY 2007



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Where the Money Comes From Fiscal Year 2008



U. T. System Office of the Controller

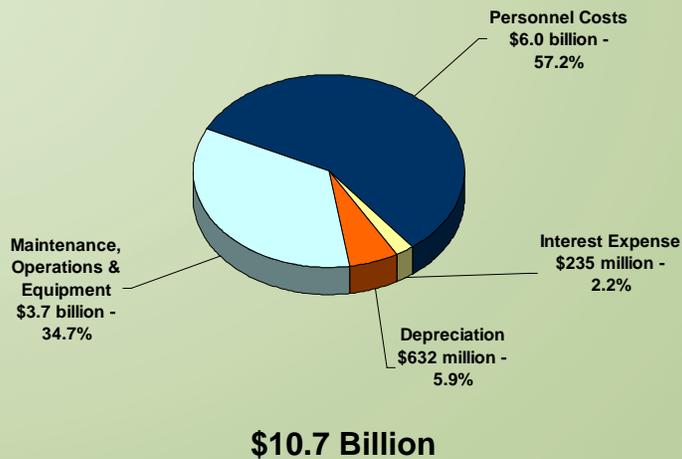
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Where the Money Goes Fiscal Year 2008 (By Expense Type)



U. T. System Office of the Controller

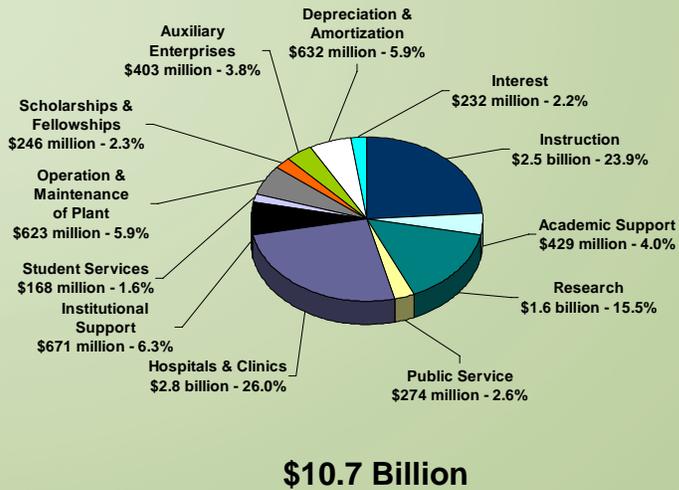
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Where the Money Goes Fiscal Year 2008 (By Function)



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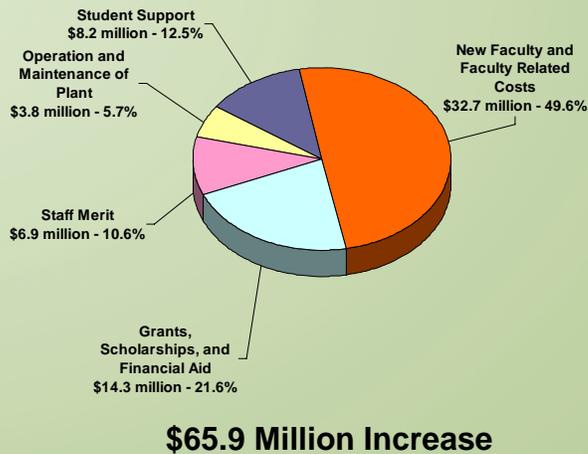
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Use of Flexible Tuition Revenue Increase – Fiscal Year 2008



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Budgeted Expenses Academic Institutions (in millions)

	Fiscal Year 2007	Fiscal Year 2008	Dollar & Percent Change	
U. T. Arlington	\$ 330.0	\$ 366.0	\$ 36.0	10.9%
U. T. Austin	1,759.5	1,851.8	92.3	5.2%
U. T. Brownsville	126.7	130.0	3.3	2.5%
U. T. Dallas	260.8	276.3	15.5	5.9%
U. T. El Paso	265.1	280.2	15.1	5.7%
U. T. Pan American	207.7	229.2	21.5	10.3%
U. T. Permian Basin	40.3	44.8	4.5	11.2%
U. T. San Antonio	334.5	377.6	43.1	12.9%
U. T. Tyler	66.1	74.9	8.8	13.4%
Total Academic	\$3,390.7	\$3,630.8	\$240.1	7.1%

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Budgeted Expenses Health Institutions (in millions)

	Fiscal Year 2007	Fiscal Year 2008	Dollar & Percent Increase	
U. T. Southwestern Dallas	\$ 1,326.1	\$ 1,411.9	\$85.8	6.5%
U. T. MB Galveston	1,420.6	1,452.5	31.9	2.2%
U. T. HSC Houston	696.7	741.3	44.6	6.4%
U. T. HSC San Antonio	536.0	576.2	40.2	7.5%
U. T. MD Anderson	2,388.6	2,572.6	184.0	7.7%
U. T. Health Tyler	119.9	116.8	<3.1>	<2.5>%
Total Health	\$6,487.9	\$6,871.3	\$383.4	5.9%

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Physician Practice Plans

Medical Services, Research and Development Plans (MSRDP)

Physicians Referral Service Plans (PRS)



MSRDP & PRS

Historical Look at the “Plans”

- Included within the information presented on the Health Institutions are dollars generated from Physicians Charges for faculty participating in the MSRDP and PRS Plans.
- First plan was PRS created in the early 1960s at U. T. M. D. Anderson Cancer Center, other plans established in 1969.
- “Plans” have operated in approximately the same form since that time.
- Prior to creation of the Plans, faculty members allowed to bill for professional services and retain fees subject to maximum limit.
- Problems created by different earning capability among specialists.



Plan General Information

As a result.....

- Funds held in Trust created by the Regents.
- Provides competitive salaries, attract and retain faculty, support the educational research, and patient care mission.
- Trusts consist of patient revenues and professional income collected on behalf of faculty physicians including Contractual Revenues.
- Physicians assign professional income to Plans as condition of employment.
- Income held in trust and expended in accordance with the Plans' bylaws.
- Bylaws require trust funds to benefit mission and purpose of institution.
- Uses include compensation, institutional development, support of academic programs and projects, professional liability insurance, incidental expenses related to faculty recruitment, endowment of chairs and professorships, and medical-related educational aids.



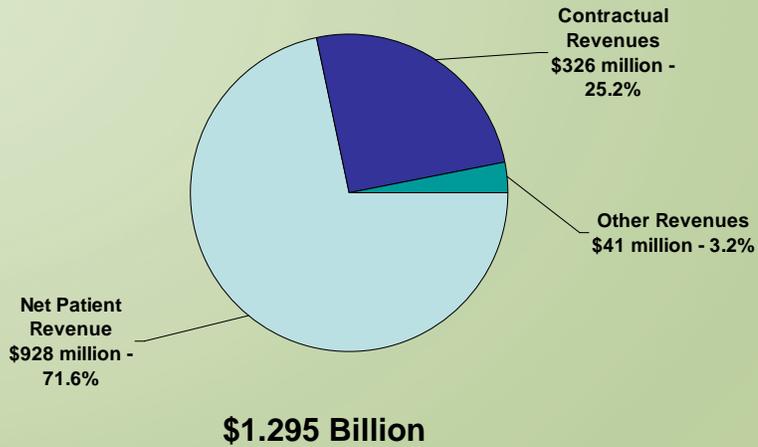
Plan Governance

- Governed by Boards of Directors with institutions' presidents serving as chairs.
- Standing committees
 - Budget and Finance
 - Compliance and Ethics
 - Professional Affairs
 - Audit
 - Chief Residents Advisory
- Boards of Directors adopt annual budgets following Board of Regents' guidelines.
- President at each institution holds ultimate authority over annual Plan budgets.
- Board of Regents approves substantive bylaw changes.
- Executive Vice Chancellor for Health Affairs approves nonsubstantive amendments.



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Where the Money Comes From Physicians Practice Plan



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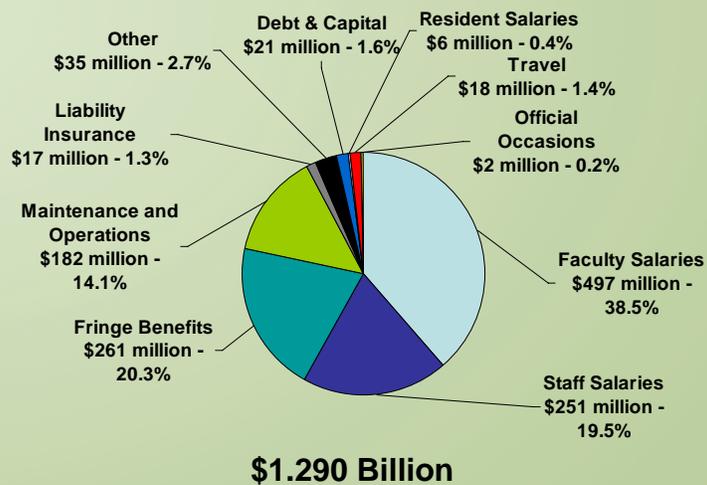
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Where the Money Goes Physicians Practice Plan



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The University of Texas System Administration



System Administration Budget Highlights

System Administration - Fiscal Year 2008

- 792.0 Full-time Equivalents (FTEs) in FY 2008 for System Administration
- Of that total, 531.1 FTEs are in self-supporting departments that charge fees for support or receive external grants such as Office of Facilities Planning and Construction (OFPC), Office of Employee Benefits, and Workers' Compensation Insurance.
 - 80.6 of 531.1 are new positions made up of the following:
 - 49 OFPC supported by higher fees with promise of improved service
 - 7 Grant Funded
Texas Reading First and Teacher Advancement Program
 - 10 Miscellaneous individual departments
 - 14 Special Initiatives – funding from Bond Termination Proceeds



System Administration Budget Highlights *(continued)*

Recommendations for enhancing goals set forth in the U. T. System Strategic Plan funding from Termination Proceeds – \$6.2 million received as of termination date

- **Enhancing Student Success (\$458,525)**
 - UTeach start-up for campuses
 - Technology Literacy Proficiency
 - Student Learning Assessment
 - Director for Community College Initiative (1 FTE)
 - Expansion of Archer Center Program
- **Expanding Global Initiatives (\$170,000)**
 - Globalization Initiative (1 FTE)
- **Improving Health in Texas (\$243,000)**
 - Academic Health Programs (1 FTE)



System Administration Budget Highlights *(continued)*

Termination Proceeds *(continued)*

- **Improving Productivity and Efficiency (\$468,858)**
 - Academic Leadership Institute (2 FTEs)
 - Business Analyst (1 FTE)
 - Shared Services Project Coordinators (3 FTEs)
- **Assuring Integrity, Accountability, and Public Trust (\$1,432,000)**
 - Development Leadership and Consulting Program (2 FTEs)
 - State of Tomorrow Continuation (3 FTEs)
 - Travel Safety
 - Risk Assessment Tool
 - Information Security Administrator (ISA) Training



Summary Termination Proceeds

SUMMARY - USES OF TERMINATION PROCEEDS	Budget 2008	Estimated 2009
Enhancing Student Services	\$ 458,525	\$ 130,000
Expanding Global Initiatives	\$ 170,000	\$ 170,000
Improving Health in Texas	\$ 243,000	\$ 243,000
Improving Productivity and Efficiency	\$ 468,858	\$ 408,858
Assuring Integrity, Accountability, and Public Trust	\$1,432,000	\$ 415,000
Subtotal	\$2,772,383	\$1,366,858
Estimated Benefits for New Staff	\$ 329,965	\$ 272,455
ISA Training return of funds funded at each institution	(\$ 120,500)	(\$ 362,500)
TOTAL	\$2,981,848	\$1,276,813



General Administration Budget Highlights

General Administration – Fiscal Year 2008

- 260.9 FTEs, of which 12.5 are new positions, to meet strategic initiatives in support of academic institutions; to meet requests for services; Board of Regents' initiatives, and to provide financial oversight.
 - Academic Affairs (2)
 - Audit (4)
 - Employee Services (1)
 - Board Office (1)
 - General Counsel (1)
 - Real Estate (2.5)
 - Office of Support Services (1)
- FY 2008 General Administration budget increased by \$2.2 million or 6.8% over FY 2007
- Merit salary increases, additional staff, and related benefits make up 88% of the overall budget increase



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System Administration Budget Fiscal Year 2008

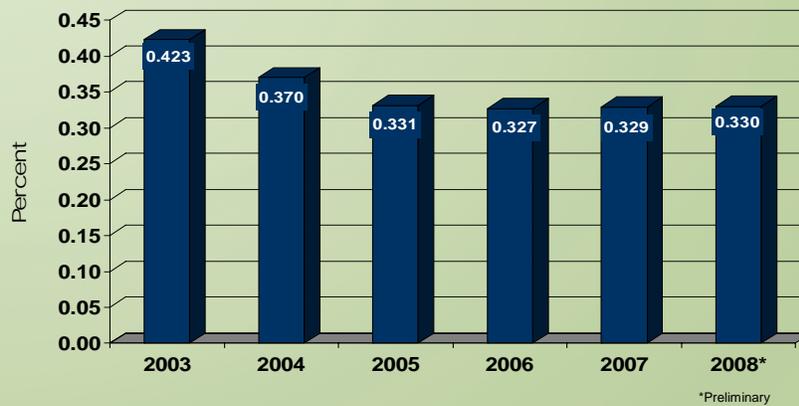
	FTEs	General Administration
FY 2007 Original Budget	249.3	\$32,919,089
FY 2007 FTE Adjustments	3.5	283,457
FY 2008 Merit Salary, New Staff, and Benefit Changes	12.5	2,110,125
UT TeleCampus Funding Source Changes	(2.4)	(199,313)
Other Funding Source Changes	(2.0)	(218,800)
Facilities – One Time Expense for Computer Aided Design		150,000
Other		117,919
Total Adjustments	11.6	2,243,388
Fiscal Year 2008 Budget	260.9	35,162,477
Increase over Fiscal Year 2007 Budget		6.81%



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Budgeted Expense Comparison

General Administration as a Percentage of the Total Operating Budget





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Library, Equipment, Repair and Rehabilitation



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Library, Equipment, Repair and Rehabilitation – Fiscal Year 2008

Academic		Health	
U. T. Arlington	\$ 2,150,000	U. T. Southwestern Dallas	\$ 1,900,000
U. T. Austin	3,642,000	U. T. MB Galveston	2,000,000
U. T. Dallas	2,225,000	U. T. HSC Houston	1,920,000
U. T. El Paso	2,305,000	U. T. HSC San Antonio	1,950,300
U. T. Permian Basin	879,000	U. T. MD Anderson	1,900,000
U. T. San Antonio	2,237,000	U. T. Health Center Tyler	2,000,000
U. T. Tyler	800,000		
Total	\$ 14,238,000	Total	\$ 11,670,300
Academic Library Collection	2,600,000	Collaboration Projects - Equipment	1,491,700
TOTAL LERR Funded Projects \$30,000,000			



Library, Equipment, Repair and Rehabilitation – Fiscal Year 2008

System Strategic Initiatives

North Texas Student Information System Pilot Project Supplement	3,500,000
Computer Security: Enterprise Compliance and Configuration Manager (deferred to a later date)	4,083,000
Total	\$ 3,500,000
TOTAL LERR FUNDING	\$33,500,000



Science and Technology Acquisition and Retention (STARs) Program





Faculty STARs

Fiscal Year 2008 Faculty STARs

FY 08 Academic Faculty STARs Program	\$20,000,000
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Benefits of Faculty STARs

- Recruit and retain best faculty in the nation
- Develop and strengthen research capacity
- Pending and issued patents
- Encourage future research and excellence
- Collaboration with outside entities



Faculty STARs

Fiscal Year 2008 Faculty STARs

FY 08 Academic Faculty STARs Program <i>(subsequent to the mailing of the Agenda Books, this item was reduced from \$20 million)</i>	\$10,000,000
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Benefits of Faculty STARs

- Recruit and retain best faculty in the nation
- Develop and strengthen research capacity
- Pending and issued patents
- Encourage future research and excellence
- Collaboration with outside entities



Historical Review of Awards

Historical Review	Academic	Health
FY 2005 approved by Board of Regents	\$32,450,000	\$26,550,000
Number of awards	38	14
Amount remaining	\$0	\$ 7,930,000
FY 2006 approved by Board of Regents	\$15,000,000	-
Number of awards	18	-
Amount remaining	\$0	-
FY 2007 approved by Board of Regents	\$20,000,000	-
Number of awards to date	12	-
Amount remaining	\$ 3,828,837	-



Thank you