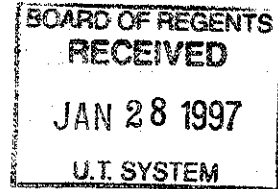


THE UNIVERSITY OF TEXAS SYSTEM
COST SAVINGS REPORT



June 1996

THE UNIVERSITY OF TEXAS SYSTEM
201 WEST SEVENTH STREET ASH 5
AUSTIN, TEXAS 78701-2981

The University of Texas System

1996 Cost Savings Report

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EXECUTIVE SUMMARY

As a part of ongoing operations, The University of Texas System (U.T. System) examines opportunities to improve processes that will heighten efficiencies and effectiveness. As a result, U.T. System is committed to an ongoing review of the System's processes and procedures to achieve the optimum in cost savings and increased revenue.

In March 1993, as part of a continuing commitment to increase operating efficiencies, Chancellor William H. Cunningham charged the U.T. System Administration's Committee on Cost Savings to identify and recommend cost saving and revenue enhancement measures. The committee identified options affecting System Administration functions and developed strategies to achieve more efficient operations through increased productivity and cost reductions. In April 1994, U.T. System institutions were requested to identify and recommend cost savings and revenue enhancement measures that would result in a more efficient operation.

Pursuant to the Chancellor's directive, each institution formed a committee to recommend areas of cost savings, cost avoidance and revenue enhancements. Recommendations were made to the president of each institution, and the accepted recommendations were included in formal reports submitted to the Chancellor on November 1, 1994. A consolidated U.T. System Cost Savings Report was prepared in January 1995.

In March 1996, all U.T. System institutions were asked to update the January 1995 report by quantifying their actual realized savings for fiscal years 1994 and 1995, to identify any new savings measures, and to re-estimate savings for fiscal years 1996 through 1998. As a result of this process actual savings documented and reported for fiscal years 1994 and 1995 were \$137.8 million compared to the January 1995 estimate of \$131.4 million - a \$6.4 million (4.9%) increase over projections. Total actual and projected net savings for U.T. System for fiscal years 1994 through 1998 are estimated to be \$361 million as compared to the January 1995 estimate of \$422 million. This \$61 million (14.5%) variance from the projected savings is primarily due to health institution short falls in revenue projections caused by reduced reimbursement and utilization of hospital and clinic services by government and managed-care payors.

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Combined Cost Savings - UT System-wide					
	Cost Savings	Cost Avoidance	Revenue Enhancement	Investment	TOTAL
1994-1995 Actual Savings	92,807,305	45,320,590	12,204,384	(12,485,653)	\$ 137,846,626
1996 Projected Savings	57,651,921	17,813,440	11,417,454	(6,097,823)	\$ 80,784,992
1997-1998 Projected Savings	76,867,261	49,982,428	32,180,980	(16,822,197)	\$ 142,208,472
TOTAL	\$ 227,326,487	\$ 113,116,458	\$ 55,802,818	\$ (35,405,673)	\$ 360,840,090

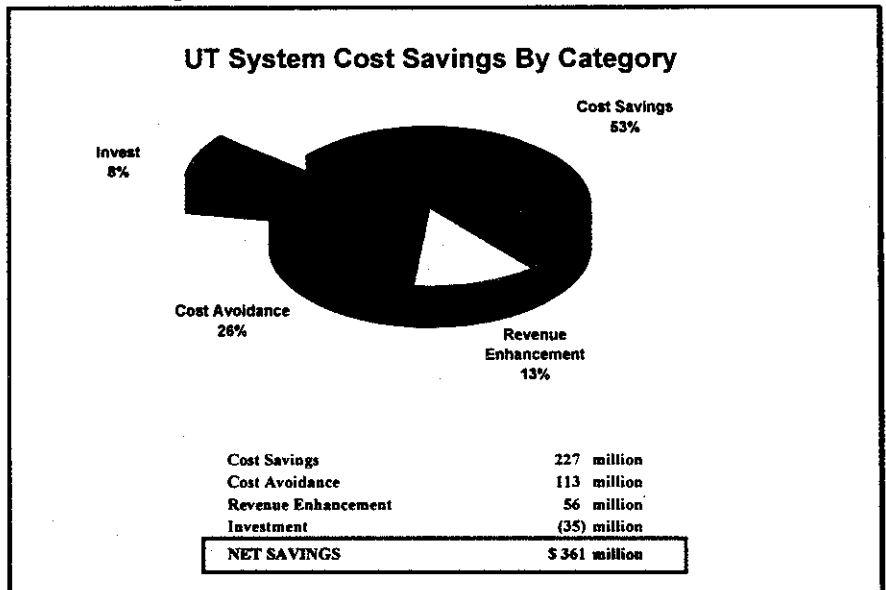
COST SAVINGS

Cost Savings is defined as savings that will directly impact an institution's budget. Cost savings initiatives totaled \$227 million. One example is as follows:

UT Austin - Energy Conservation

The cost savings measure which has had the most significant impact on total cost savings at UT Austin is energy conservation. In 1988, an Energy Management Master Plan was established which has reduced energy consumption on a per square foot basis more than

30%. Based on engineering studies, actual cost savings achieved from these measures in fiscal years 1994 and 1995 was \$9.3 million compared with projected cost savings of \$7.9 million. The investment required to establish the energy conservation plan was \$3.6 million.



COST AVOIDANCE

Cost avoidance is defined as savings that would not impact the budget of an institution, but should result in the avoidance of future costs through increased efficiency. Cost avoidance initiatives totaled \$113 million. Two examples are as follows:

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UT Southwestern – Environmental Health and Safety

On-site management of wastes avoids the cost of disposal in expensive disposal facilities which charge up to \$2,500 a drum for radioactive waste. Projected cost avoidance totaled **\$4.2 million** for fiscal years 1996-98.

UT Tyler – Distance Learning Network

The University implemented a sophisticated distance learning network which extends instructional services via interactive television over special telephone circuits. This effort achieves improvement in customer service and increased efficiency. Customers requiring educational opportunities are substantially better served by this network, which provides classrooms in Longview, Carthage, Athens, and Mexia. Without this service, commuting time and related costs prevent customers in and around these locations from being served through the traditional classroom setting at the campus in Tyler. Savings are generated by using one faculty member to teach all locations simultaneously for each course. Additional savings are realized in scholarship funds because requests to cover customer commuting costs are avoided or greatly reduced. Actual and projected cost avoidance totaled **\$2.7 million** for fiscal years 1994-98.

REVENUE ENHANCEMENT

Revenue enhancement, defined as increased income from current assets, totaled **\$55.8 million**. One example is as follows:

UT Dallas – Fees: Application and Admissions, and Automated Services

UT Dallas implemented a \$25 application fee for students wishing to enroll at the institution, along with increasing the automated services fee by \$10. Actual and projected revenue enhancement totaled **\$2.9 million** for fiscal years 1994-98.

INVESTMENT

Investment, defined as expenditures necessary for the implementation cost savings measures, totaled **\$35.4 million**. One example is as follows:

UT El Paso - Co-generation of Electricity

Through an investment of about \$6.8 million, UT El Paso will purchase two generators and additional equipment for the electric plant. The institution may enter into a business contract for management services at the plant with an anticipated payoff of the investment over five years. After five years UT El Paso will save over **\$1.4 million** per year in utility costs. The projected investment is estimated at **\$6.8 million** and savings for fiscal years 1996-98 are anticipated to be **\$2.7 million**.

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CHANGING HEALTH CARE ENVIRONMENT

The funding of higher education health care institutions in a dramatically changing national health care environment is an increasing challenge. Two significant factors affecting healthcare institutions which result in increased funding needs include the increase in costs associated with charity and indigent care and the patient fee discounts resulting from competition in the managed care environment. These market and social-economic challenges, coupled with the declining state support as a percentage of the institutions' operating budgets, increase the need for institutional operational efficiency and productivity.

The U.T. System's health care institutions have been, and continue to be, proactive in initiating major reorganization and re-engineering efforts to improve efficiency without lowering quality. Sixty percent of the net savings and revenue enhancements included in this Cost Savings Report are attributable to the health related institutions. These efforts have led U.T. System health related institutions to assess performance continually in order to maintain leadership in the health care field.

REVIEW BY INTERNAL AUDIT

Subsequent to the preparation of the institutional cost savings updates prepared under the supervision of the institutional Chief Business Officers, the audit offices at each component institution, along with the U.T. System Audit Office, performed certain procedures and submitted a report to their corresponding presidents; the System Audit Office's being sent to the Chancellor. The procedures consisted of a review of the underlying documentation supporting the cost estimates, and forming a conclusion as to the reasonableness of the actual cost savings and whether the projected cost savings are reasonably achievable.

Based on the procedures discussed above, the actual net savings of **\$137.8** million for fiscal years 1994 and 1995 appear reasonable and the projected net cost savings of **\$222.9** million for fiscal years 1996 through 1998 appear reasonably achievable.

CONCLUSION

As part of its general management and administration practices, The University of Texas System continually seeks opportunities to enhance the efficiency and effectiveness of its diversified operations. Controlling, reducing and avoiding costs, while evaluating avenues for increased revenue, are among the ongoing strategies.

This report is an update of the U.T. System's cost savings efforts since the January 1995 Cost Savings report. The results of this process include a projection of **\$361** million in estimated net savings and revenue enhancements through fiscal year 1998. Through this commitment to cost savings, the U.T. System plans to meet the challenges of increasing enrollments, dramatic changes in the health care environment, and the increasing demands on state resources.

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APPENDICES

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Appendix A
Net Savings by Institution by Time Period
Combined Totals

Institution	FY 1994 & 1995 Actual Savings	FY 1996 Projected Savings	FY 1997 & 1998 Projected Savings	Totals
UT Arlington	6,732,689	3,422,187	6,949,477	17,104,353
UT Austin	6,600,946	5,558,209	13,202,162	25,361,317
UT Brownsville	469,402	203,967	434,454	1,107,823
UT Dallas	2,490,068	1,863,622	3,753,937	8,107,627
UT El Paso	5,150,167	7,088,439	7,457,935	19,696,541
UT Pan American	1,861,588	1,514,311	3,367,495	6,743,394
UT Permian Basin	679,112	915,495	1,941,294	3,535,901
UT San Antonio	788,622	97,290	774,588	1,660,500
UT Tyler	1,654,589	1,559,002	3,539,909	6,753,500
UT Southwestern	2,697,941	3,923,074	11,927,150	18,548,165
UT MB Galveston	26,861,809	13,444,000	26,300,000	66,605,809
UT HSCH	6,980,989	5,867,985	15,441,430	28,290,404
UT HSCSA	1,174,046	2,016,196	5,847,966	9,038,208
UT MD Anderson	46,142,884	26,771,784	18,358,477	91,273,145
UT HCTyler	1,559,266	278,949	704,898	2,543,113
UT System Administration	26,002,508	6,260,482	22,207,300	54,470,290
Totals	\$ 137,846,626	\$ 80,784,992	\$ 142,208,472	\$ 360,840,090

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Appendix B
Cost Savings by Institution by Time Period

Institution	FY 1994 & 1995 Actual Savings	Fy 1996 Projected Savings	FY 1997 & 1998 Projected Savings	Totals
UT Arlington*	2,310,125	1,145,426	3,024,814	6,480,365
UT Austin	9,943,065	6,385,571	15,881,579	32,210,215
UT Brownsville	15,341	4,794	16,817	36,952
UT Dallas	1,011,340	870,132	1,625,012	3,506,484
UT El Paso*	674,229	719,334	4,940,778	6,334,341
UT Pan American	872,804	497,745	1,544,587	2,915,136
UT Permian Basin	462,096	270,814	521,724	1,254,634
UT San Antonio	115,537	157,334	436,588	709,459
UT Tyler	165,635	100,000	100,000	365,635
UT Southwestern	1,139,855	885,060	1,783,326	3,808,241
UT MB Galveston	8,679,600	10,192,000	5,605,000	24,476,600
UT HSCH	4,719,444	4,557,033	12,154,132	21,430,609
UT HSCSA	1,036,454	1,473,143	4,564,934	7,074,531
UT MD Anderson*	46,080,320	26,731,784	18,248,477	91,060,581
UT HCTyler	823,063	211,949	590,148	1,625,160
UT System Administration	14,758,397	3,449,802	5,829,345	24,037,544
* Net of WCI Savings accounted for by UT System Administration.				
Totals	\$ 92,807,305	\$ 57,651,921	\$ 76,867,261	\$ 227,326,487

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Appendix C
Cost Avoidance by Institution by Time Period

Institution	FY 1994 & 1995 Actual Savings	Fy 1996 Projected Savings	FY 1997 & 1998 Projected Savings	Totals
UT Arlington	5,570,091	3,278,339	6,124,423	14,972,853
UT Austin	223,760	654,774	904,042	1,782,576
UT Brownsville	454,061	199,173	417,637	1,070,871
UT Dallas	1,328,623	111,659	260,228	1,700,510
UT El Paso	0	1,685,526	0	1,685,526
UT Pan American	1,326,002	634,518	1,290,306	3,250,826
UT Permian Basin	11,850	11,850	23,700	47,400
UT San Antonio	781,266	100,000	200,000	1,081,266
UT Tyler	1,425,004	882,002	2,125,909	4,432,915
UT Southwestern	4,998,082	4,055,331	11,295,812	20,349,225
UT MB Galveston	18,394,209	2,481,000	17,185,000	38,060,209
UT HSCH	2,321,680	977,962	1,939,124	5,238,766
UT HSCSA	378,420	468,736	1,130,700	1,977,856
UT MD Anderson	62,564	0	0	62,564
UT HCTyler	736,203	65,500	108,400	910,103
UT System Administration	7,308,775	2,207,070	6,977,147	16,492,992
Totals	\$ 45,320,590	\$ 17,813,440	\$ 49,982,428	\$ 113,116,458

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Appendix D
Revenue Enhancement by Institution by Time Period

Institution	FY 1994 & 1995 Actual Savings	Fy 1996 Projected Savings	FY 1997 & 1998 Projected Savings	Totals
UT Arlington	326,800	100,000	200,000	626,800
UT Austin	0	210,000	468,000	678,000
UT Brownsville	0	0	0	0
UT Dallas	969,068	881,831	1,868,697	3,719,596
UT El Paso	4,475,938	4,683,579	9,367,157	18,526,674
UT Pan American	236,507	724,642	1,449,284	2,410,433
UT Permian Basin	408,673	632,831	1,395,870	2,437,374
UT San Antonio	0	70,000	140,000	210,000
UT Tyler	845,434	677,000	1,514,000	3,036,434
UT Southwestern	255,698	113,574	227,148	596,420
UT MB Galveston	0	1,718,000	3,670,000	5,388,000
UT HSCH	118,288	459,570	1,911,334	2,489,192
UT HSCSA	71,860	74,317	152,332	298,509
UT MD Anderson	0	40,000	110,000	150,000
UT HCTyler	0	1,500	6,350	7,850
UT System Administration	4,496,118	1,030,610	9,700,808	15,227,536
Totals	\$ 12,204,384	\$ 11,417,454	\$ 32,180,980	\$ 55,802,818

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Appendix E
Investment by Institution by Time Period

Institution	FY 1994 & 1995 Actual Savings	Fy 1996 Projected Savings	FY 1997 & 1998 Projected Savings	Totals
UT Arlington	(1,474,327)	(1,101,578)	(2,399,760)	(4,975,665)
UT Austin	(3,565,879)	(1,692,136)	(4,051,459)	(9,309,474)
UT Brownsville	0	0	0	0
UT Dallas	(818,963)	0	0	(818,963)
UT El Paso	0	0	(6,850,000)	(6,850,000)
UT Pan American	(573,725)	(342,594)	(916,682)	(1,833,001)
UT Permian Basin	(203,507)	0	0	(203,507)
UT San Antonio	(108,181)	(230,044)	(2,000)	(340,225)
UT Tyler	(781,484)	(100,000)	(200,000)	(1,081,484)
UT Southwestern	(3,695,694)	(1,130,891)	(1,379,136)	(6,205,721)
UT MB Galveston	(212,000)	(947,000)	(160,000)	(1,319,000)
UT HSCH	(178,423)	(126,580)	(563,160)	(868,163)
UT HSCSA	(312,688)	0	0	(312,688)
UT MD Anderson	0	0	0	0
UT HCTyler	0	0	0	0
UT System Administration	(560,782)	(427,000)	(300,000)	(1,287,782)
Totals	\$ (12,485,653)	\$ (6,097,823)	\$ (16,822,197)	\$ (35,405,673)

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Appendix F
The University of Texas at Arlington
Executive Summary

The University of Texas at Arlington is committed to achieving the highest level of operating efficiency possible while increasing productivity, enhancing revenue, and identifying additional opportunities for cost savings and cost avoidance. This follow-up report records cost savings realized during fiscal years 1994 and 1995 along with projected future cost saving, cost avoidance, and revenue enhancement measures. Initiatives are now in place and others are to be implemented during fiscal years 1996, 1997, and 1998.

Time Segment	Cost		Revenue		Net Savings
	Cost Savings	Avoidance	Enhancement	Investment	
1994-95 Realized	2,310,125	5,570,091	326,800	(1,474,327)	\$ 6,732,689
1996-98 Projected	4,170,240	9,402,762	300,000	(3,501,338)	\$ 10,371,664
Totals	\$ 6,480,365	\$ 14,972,853	\$ 626,800	\$ (4,975,665)	\$ 17,104,353

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Appendix G The University of Texas at Austin Executive Summary

The University of Texas at Austin is committed to achieving an efficient operation which maximizes productivity and minimizes cost. In April 1994, the UT Austin Committee on Cost Savings and Cost Avoidance, appointed by President Robert M. Berdahl, was charged with the role of identifying areas for potential cost savings, cost avoidance, and/or revenue enhancement. The Committee's report, dated November 1, 1994, presented various initiatives which would result in approximately \$21 million in net savings over the period from June 1992 through fiscal year 1998. This report is intended to provide an update of cost savings, cost avoidance, and revenue enhancement measures previously identified. In addition to comparing actual net savings for fiscal years 1994 and 1995 to related projections, this report also provides updated projections for fiscal years 1996 through 1998.

Net Savings Comparison for Fiscal Years 1994 and 1995

UT Austin's projected savings, net of required investment of approximately \$3.6 million, was \$4,770,883 million for fiscal years 1994 and 1995. Various strategies were identified and categorized into the following areas: energy conservation, out-sourcing, automation, and other measures. Other measures are: check encoding, travel cash advances, natural gas vehicles, duplicate W-2 Forms, and a radioactive waste compactor. For purposes of reporting net savings from these strategies to U.T. System Administration, the elements of cost savings, cost avoidance, revenue enhancement, and related investment were identified and grouped.

Time Segment	Cost		Revenue		Net Savings
	Cost Savings	Avoidance	Enhancement	Investment	
1994-95 Realized	9,943,065	223,760	0	(3,565,879)	\$ 6,600,946
1996-98 Projected	22,267,150	1,558,816	678,000	(5,743,595)	\$ 18,760,371
Totals	\$ 32,210,215	\$ 1,782,576	\$ 678,000	\$ (9,309,474)	\$ 25,361,317

Actual realized savings, net of required investment of approximately \$3.6 million, was \$6,600,946 for fiscal years 1994 and 1995 compared to original projected net savings of \$4,770,883, resulting in a positive variance of \$1,830,063.

Projections for Fiscal Years 1996 through 1998

UT Austin's updated projection of savings, net of required investment of approximately \$5.7 million, for fiscal years 1996 through 1998 is \$18,760,371. As part of our continuous commitment to achieve operating efficiencies while accomplishing our institutional mission, UT

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Austin management will continue to monitor each of the implemented cost savings measures and ensure that new cost savings measures are identified and implemented, as appropriate. The University of Texas at Austin is continuously striving to be more competitive in the pursuit of educational excellence in an environment of limited legislative appropriations.

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Appendix H
The University of Texas at Brownsville
Executive Summary

Faculty and staff at The University of Texas at Brownsville and Texas Southmost College (UTB/TSC) recognize that higher education is faced with a decline of revenues and must compensate for this decline by learning to "do more with less." Therefore, a campus committee was formed to determine areas of cost savings, cost avoidance, and revenue enhancement. The cost savings realized from this effort is being utilized to fund the academic and administrative areas under-funded at the present time and to develop programs to meet the needs of the campus community. It was the goal of the committee to identify and implement programs and procedures that reveal and make available additional funds to be utilized by the institution to provide the best quality programs for the students at UTB/TSC.

Time Segment	Cost Savings	Cost		Revenue		Net Savings
		Avoidance	Enhancement	Investment		
1994-95 Realized	15,341	454,061	0	0	\$	469,402
1996-98 Projected	21,611	616,810	0	0	\$	638,421
Totals	\$ 36,952	\$ 1,070,871	\$ 0	\$ 0	\$	1,107,823

Although UTB/TSC faculty and staff perform their academic and administrative functions in an efficacious manner, a rapidly expanding student population dictates that the institution be funded at a level to support that volume. Due to the academic needs of students in the Rio Grande Valley and in order to promote success in the higher education experience for these students, UTB/TSC is required to expand its student services to offer developmental courses, counseling, and recruiting activities. In addition to various cost-saving activities, grants and contracts are vigorously being solicited to secure more financial backing for current and additional programs to the benefit of UTB/TSC students.

The UTB/TSC partnership, established in 1991, demonstrates cost-effectiveness through the sharing of building facilities and equipment. By utilizing what is already in place between the two institutions and expanding on a current partnership agreement, UTB/TSC provides more efficient use of current fiscal, human, and physical resources. The partnership helps to eliminate duplication, combines strengths of faculty and staff, and destroys artificial barriers of admission and transfer requirements. Expansion of programs and services and preservation of the community's capital investment is a primary goal of the partnership. A conservative estimate of the cost savings as a result of the partnership is \$40 million.

The Committee on Cost Savings outlined \$1.1 million in identifiable savings for UTB/TSC. This total includes realized and projected cost savings for FY 1994-95 and FY 1996-98. The total cost saving initiative for UTB/TSC totals \$469,402 for the 1994 - 1995 biennium. This amount

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is 3 percent of the total \$16,384,004 allocated for both fiscal years of the biennium. For the 1996 through 1998 periods the estimated net savings totals \$638,421.

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Appendix I
The University of Texas at Dallas
Executive Summary

The University of Texas at Dallas (UTD) Cost Savings Study Committee was appointed by former President Dr. Robert Rutford on June 22, 1994. The Committee met with Dr. Rutford and Robert Lovitt, Vice President for Business Affairs, to discuss the organization of the Committee and a plan of action. Both academic and administrative personnel were represented on the Committee.

From various efforts, the Committee received 128 cost savings suggestions. After discussing these suggestions and determining the feasibility and dollar impact of each suggestion, the Committee agreed upon 36 projects that should be implemented and presented them in a report to the President in October of 1994. These projects included cost savings (would impact the budget of a function), cost avoidances (would not impact the budget), and revenue enhancements (income added from current assets) totaling \$9,650,751 from 1994 through 1999.

Management provided the Cost Savings Committee with savings plans and corresponding estimates. The estimates and methodologies used to derive these estimates were reviewed and verified during this follow-up. Revisions to the methodologies, based on current information, were made when necessary, and cost savings estimates were recalculated. Twenty-two cost savings plans from the beginning of fiscal year 1994 through the end of fiscal year 1995, totaling \$2,640,917, were reviewed to determine the realized net savings.

Actual net savings from implementing the Committee's recommendations for the 1994-1995 biennium have totaled about \$2,490,068, \$150,849 less than the Committee had originally estimated.

Time Segment	Cost		Revenue		Net Savings
	Cost Savings	Avoidance	Enhancement	Investment	
1994-95 Realized	1,011,340	1,328,623	969,068	(818,963)	\$ 2,490,068
1996-98 Projected	2,495,144	371,887	2,750,528	0	\$ 5,617,559
Totals	\$ 3,506,484	\$ 1,700,510	\$ 3,719,596	\$ (818,963)	\$ 8,107,627

Estimates of projected savings for fiscal years 1996, 1997, and 1998 totaled \$5,617,559, with yearly totals of \$1,863,622, \$1,847,845, and \$1,906,092, respectively. In addition, ten new projects were identified for fiscal years 1996 - 1998. The UTD Cost Savings Committee met on March 11, 1996, to discuss future plans for the cost savings process and initiatives. The Committee recommended that the President appoint a new committee each year. Some members would remain on the committee for continuity. The Committee also recommended that a cost savings initiative be made on an annual basis.

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Appendix J
The University of Texas at El Paso
Executive Summary

Cost savings, cost avoidance, and revenue enhancement efforts at UTEP continue to be aggressive. Although major examples of cost savings and revenue enhancement have been highlighted here, these efforts do not tell the full story; many other achievements, while smaller in absolute dollars, contribute significantly to the overall achievement. These efforts have been particularly challenging within a context of changing enrollments and burgeoning state and federal reporting requirements and burdensome laws and regulations (ADA, EPA, OSHA). The success of these efforts is particularly noteworthy--even remarkable--when accompanied by equally impressive achievements in quality enhancement.

Time Segment	Cost		Revenue		Net Savings
	Cost Savings	Avoidance	Enhancement	Investment	
1994-95 Realized	674,229	0	4,475,938	0	\$ 5,150,167
1996-98 Projected	5,660,112	1,685,526	14,050,736	(6,850,000)	\$ 14,546,374
Totals	\$ 6,334,341	\$ 1,685,526	\$ 18,526,674	\$ (6,850,000)	\$ 19,696,541

As the revised cost savings report indicates, revenue enhancement from non-state sources has been one of UTEP's most significant achievements during the past several years. Efforts to secure funding from both public and private sources have been extraordinarily successful. For example, UTEP generated more than \$30 million in new contract and grant funding during FY 1994, \$35 million in FY 1995, and is on track to surpass FY 1995 in the current year. Such efforts rely, however, on an institutional infrastructure which can provide pre- and post-funding administrative services and, increasingly, institutional matching funds. Any reduction in the availability of infrastructure support and matching funds will greatly limit the institution's ability to continue its entrepreneurial and highly successful revenue enhancement efforts.

Cost reduction strategies at UTEP run the full gamut from department consolidations to energy savings to re-engineering of business processes. Several years ago, two-semester summer sessions were consolidated into one; the second summer session, whose enrollment was lower and whose student credit hour costs were therefore higher, was eliminated. UTEP is also a leader in experimenting with five-year master's programs in fields such as Speech Pathology; the efficiency of such programs in reducing the time required to move from high school diploma to the completion of a master's degree is of growing interest to the higher education community.

A number of administrative innovations, reorganizations, and consolidations have streamlined services and cut costs at UTEP, including:

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- Consolidation of all student development activities in Student Affairs into a single Student Development Center;
- Reorganization and relocation of Materials Management Services;
- Reorganization and relocation of Information and Technology Services;
- Consolidation of all student academic services (Registrar, Admission & Evaluation, Financial Aid, Advising Center) into a single Enrollment Services Department;
- Installation of a fiber optic network to link all campus offices to electronic mail and other information resources;
- Development of video conference capacity to link UTEP electronically to the U.T. System and other U.T. components.

The University has also achieved national recognition for its close cooperation with the El Paso Community College and area school districts from which UTEP draws 86% of its 17,200 students. The coordination of high school graduation requirements and UTEP admission criteria, and between community college and university courses and programs, creates efficiencies in both the students' experiences and in the cost of offering educational programs at all levels of public education, K-16.

As satisfying as the efficiencies reported here may be, there is a growing concern that continued pressure to reduce costs will jeopardize the gains that have been made and greatly weaken the institutional infrastructure necessary to serve as a quality resource to UTEP's students and the El Paso-Juarez community. Deferred equipment and library purchases, static faculty and staff salaries, and growing student/faculty ratios are the not-so-subtle reminders of the gradual erosion in the quality of the academic and student support programs that will occur if state funding for higher education fails to increase in the years ahead.

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Appendix K
The University of Texas - Pan American
Executive Summary

The total savings for the 1994-95 biennium was under realized by \$198,618 from \$1,662,971 to the actual amount of \$1,861,589. The variances in the "Cost Savings" and the "Investment" categories is partially due to the elimination of the Academic Services Building (ASB)/Engineering Bridge project. Construction of the bridge did not begin until FY 96.

The transfer of the ASB Network Design from the savings category to the avoidance section contributed \$208,850 to the variances in each of those categories.

Another factor that contributed to the decrease of the "Investment" projection was the Energy Conservation initiative. Actual realized savings from this initiative were \$124,508 for FY 1995 rather than the original 1994 estimate of \$476,000.

Time Segment	Cost		Revenue		Net Savings
	Cost Savings	Avoidance	Enhancement	Investment	
1994-95 Realized	872,804	1,326,002	236,507	(573,725)	\$ 1,861,588
1996-98 Projected	2,042,332	1,924,824	2,173,926	(1,259,276)	\$ 4,881,806
Totals	\$ 2,915,136	\$ 3,250,826	\$ 2,410,433	\$ (1,833,001)	\$ 6,743,394

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Appendix L
The University of Texas at the Permian Basin
Executive Summary

Although, U.T. Permian Basin enjoyed significant savings during FY 94-95, overall projections significantly exceeded actual realized savings because an earlier baseline cutoff was apparently used in the original report in the revenue enhancements category. This resulted in too great a rate increase being applied to the SCH estimates. Almost all of the \$523,538 shortfall of realized savings occurred in revenue enhancements as can be seen on the FY94-95 Realized Cost savings table. Actual realized savings were reasonably close to those projected in the other three categories.

U.T. Permian Basin continues to explore and implement changes designed to create savings and realize efficiencies. The Cost Savings Committee, in response to a recommendation from the internal audit staff undertook an analysis of institutional photocopy use and recommended a number of actions that will result in savings of approximately \$4,018 per year (see Appendix for Cost Savings Projections). By more aggressively pursuing cost recovery at the CEED Special Use Facility, a net increase of \$8,975 in facilities use fee revenue is being projected for the current year compared to FY 93. The new telecommunications system is fully operational and tracking of long distance calls has significantly improved. Least cost routing functions have been implemented. A cost recovery system has been implemented effective September 1, 1995 in which departmental budgets will pay directly for the amount of service consumed. Although no data are yet available, this area will be closely monitored for tangible cost savings and/or service enhancements. Access to E-mail is now on every desk top. The gradual increase in the use of e-mail should help to reduce long distance expense. The university is attempting to expand its Continuing Ed program in hopes of increasing revenues. Long distance learning is underway as a result of the REACH initiative, although classes are currently small. An automated receivable system is being considered for purchase in hopes of increasing work efficiencies in the accounting department. This would make possible the processing of larger transactions amounts and avoid the cost of adding new personnel.

Time Segment	Cost		Revenue		Net Savings
	Cost Savings	Avoidance	Enhancement	Investment	
1994-95 Realized	462,096	11,850	408,673	(203,507)	\$ 679,112
1996-98 Projected	792,538	35,550	2,028,701	0	\$ 2,856,789
Totals	\$ 1,254,634	\$ 47,400	\$ 2,437,374	\$ (203,507)	\$ 3,535,901

An area with continuing potential for realized cost savings is energy management. A proposal from WINSAM to decommission a 2000 ton chiller and replace it with an 800 ton electric chiller is still being evaluated, but there are problems with the offer. Downsizing may ultimately not be appropriate if the University ultimately builds a new art\lecture\telecommunications facility

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currently under consideration. The possibility of obtaining a Loan Star energy savings loan to do some refurbishing of the HVAC system is also being considered. In the meantime, efforts continue to achieve optimal class scheduling to take advantage of the vertical zoning design of the existing HVAC system. Air-conditioning and heating of campus buildings is restricted to normal operating hours except for university sponsored events during non-operating hours. Although usage is slightly up in the main building due to increased off-hour activities, FY 96 expenditures are currently running below budget. Overall utilities expenditures were approximately \$80,000 less in FY 95 than in the preceding year, however it is not certain which factors may have contributed to this decrease.

Total projected cost savings for the period FY 96-98 equals \$2,856,789 with the largest portion of that savings coming from revenue enhancements (\$2,028,701). This results primarily from the increase of graduate tuition to \$40/SCH in FY96 and \$50/SCH in FY97 and the increase of the General Use Fee to \$19/SCH in FY96. Additional increases to the General-Use Fee during that time period are possible. However, since no decisions have yet been made, no increase is assumed in the projection. Modest enrollment growth is assumed. The expected savings from the photocopier reconfiguration as well as the increased cost recovery being experienced at the CEED have been included in the Projected FY96-98 savings.

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Appendix M
The University of Texas at San Antonio
Executive Summary

The University of Texas at San Antonio is focusing on the improvement of processes to ensure maximum efficiency and effectiveness in the, utilization of its human, fiscal and physical resources in accomplishing the goals of the University-

There are a variety of areas that are currently being reviewed, campus-wide, that either did not meet the time-frame for this report or lack the initial investment money at this time to proceed. We will continue to investigate these areas and proceed when possible. The following are a few examples of the areas being studied,

- Replace inside lighting, including the installation of monitor lights in vacant classrooms. A purchase order has recently been issued to study this project.
- Install variable speed drives and retrofit constant volume mixing box to variable air volume in the Arts, the Humanities and Social Sciences, and the Science Buildings.
- The Vice President for Business Affairs is emphasizing a focus on quality issues and will develop methods of controlling and reducing costs by instituting a self-evaluation process, Task forces will examine processes by defining each process, flowcharting the process, identifying improvements and selecting benchmarks to monitor and evaluate the process.
- The University is taking part in several Texas and national benchmarking surveys that will help identify areas that need improvement,
- It is anticipated that additional investment money will be spent in FY 97 and FY 98 for some of the items mentioned above, thus the reported savings on the following pages could be less for those years. UTSA will continue its efforts towards continuous improvement of all campus operations and services with the involvement of the Campus Efficiency and Effectiveness Committee and by other means.

Time Segment	Cost Savings	Cost		Revenue		Net Savings
		Avoidance	Enhancement	Investment	Net Savings	
1994-95 Realized	115,537	781,266	0	(108,181)	\$ 788,622	
1996-98 Projected	593,922	300,000	210,000	(232,044)	\$ 871,878	
Totals	\$ 709,459	\$ 1,081,266	\$ 210,000	\$ (340,225)	\$ 1,660,500	

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Appendix N
The University of Texas at Tyler
Executive Summary

Almost ninety-six percent of the original net cost savings projections have been realized for the 1994-1995 fiscal years. And as requested we have updated our original cost savings projections for the 1996, 1997, and 1998 fiscal years.

The Cost Savings Committee for UT Tyler remains active and monitors the progress of all cost savings initiatives.

Time Segment	Cost Savings	Cost		Revenue		Net Savings
		Avoidance	Enhancement	Investment		
1994-95 Realized	165,635	1,425,004	845,434	(781,484)	\$ 1,654,589	
1996-98 Projected	200,000	3,007,911	2,191,000	(300,000)	\$ 5,098,911	
Totals	\$ 365,635	\$ 4,432,915	\$ 3,036,434	\$ (1,081,484)	\$ 6,753,500	

The University of Texas System
1996 Cost Savings Report

Appendix O
The University of Texas Southwestern Medical Center at Dallas
Executive Summary

On April 19, 1994, Chancellor William H. Cunningham, Ph.D. charged the U.T. System institutional components to identify and recommend cost savings measures that would result in a more efficient operation and enable U.T. System to be competitive in the pursuit of educational excellence and legislative appropriations.

The first report was submitted to U.T. System in November 1994. This is a follow-up report with a comparison of realized savings for fiscal years 1994 and 1995 and revised projections for fiscal years 1996, 1997 and 1998. Realized savings were \$2,697,941 for fiscal years 1994 and 1995. This was \$621,339 less than originally estimated and the projections have been adjusted based on the information gathered for this report.

Time Segment	Cost Savings	Cost		Revenue		Net Savings
		Avoidance	Enhancement	Investment		
1994-95 Realized	1,139,855	4,998,082	255,698	(3,695,694)	\$ 2,697,941	
1996-98 Projected	2,668,386	15,351,143	340,722	(2,510,027)	\$ 15,850,224	
Totals	\$ 3,808,241	\$ 20,349,225	\$ 596,420	\$ (6,205,721)	\$ 18,548,165	

Efforts will be continued to identify additional opportunities, streamline operations, and improve customer service to ensure that the University can continue its mission.

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1996 Cost Savings Report

Appendix P
The University of Texas Medical Branch at Galveston
Executive Summary

In 1994, Chancellor Cunningham directed each component institution to appoint a committee to develop a cost savings and revenue enhancements program. The first report was submitted to U.T. System in November 1994. This report covered a five-year period beginning with FY 1994 and was reviewed by UTMB Audit Services. To ensure ongoing benefits of the cost savings and revenue enhancements efforts and to emphasize the importance of the program, The University of Texas Medical Branch at Galveston (UTMB) developed an Institutional Stewardship Program Steering Group (ISPSG) comprised of campus-wide representatives responsible for the leadership of the program. Topical teams were formed and charged with identifying and documenting cost savings and revenue enhancements within functional (topical) areas. Guidelines were developed for estimating, reporting, and documenting institutional cost savings initiatives.

Through the combined efforts of the Institutional Stewardship Program Steering Group and the topical teams, UTMB has completed its institutional cost savings report for FY 1994-98. The report identifies cost savings and cost avoidance measures which will produce a more cost effective and efficient operation.

Actual net savings validated for FY 1994 and FY 1995 totaled \$26,861,809--an increase of \$15,557,809 over original projections. Major sources of these savings are attributed to drug and supply utilization, energy management, organizational restructuring, and improved labor management.

The following table summarizes the realized savings by category and time segment. These savings reflect only the savings that will be recognized during the first year of implementation. It is important to note, however, that the savings are permanent and each cost savings initiative will benefit UTMB in future years. All measures have been approved by executive management and have been reviewed by UTMB Audit Services.

Time Segment	Cost		Revenue		Net Savings
	Cost Savings	Avoidance	Enhancement	Investment	
1994-95 Realized	8,679,600	18,394,209	0	(212,000)	\$ 26,861,809
1996-98 Projected	15,797,000	19,666,000	5,388,000	(1,107,000)	\$ 39,744,000
Totals	\$ 24,476,600	\$ 38,060,209	\$ 5,388,000	\$ (1,319,000)	\$ 66,605,809

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Appendix Q
The University of Texas Health Science Center at Houston
Executive Summary

University of Texas Health Science Center at Houston (UTHSC) has followed up on each of the cost savings initiatives included in the Cost Savings Report submitted to U.T. System in November 1994 (original report). As part of this follow-up, we have compared our actual savings realized from each of the initiatives during FY's 1994 & 1995 to the projections made in the original report. We are pleased to report that we realized an actual net savings of \$6,980,989 during FY's 1994 & 1995. This is a 37% increase over the \$5,078,589 net savings that we projected for the same period.

We also reviewed our original cost savings projections for FY's 1996, 1997, & 1998 to see if they are still reasonably achievable. After modifying some of our original projections and adding one additional cost savings initiative, we arrived at the following updated cost savings projections for FY's 1996, 1997, & 1998

The major initiatives that continue to receive top priority at UTHSC-H include:

- Restructuring the School of Allied Health Sciences will yield approximately \$4,700,000 by FY 1998 to be reallocated to other institutional priorities.
- Implementing energy conservation and utilities management projects that will net UTHSC-H an estimated \$9,000,000 by Fiscal Year Ending 1998.
- Implementing a General Use Fee in academic year 1995 - 1996, to enhance revenues by approximately \$2,000,000 by FYE 1998.
- Implementing an aggressive program to better manage low-level radioactive waste generated from clinical and research activities will generate a net savings of approximately \$ 1,000,000 by FYE 1998.
- Re-engineering and restructuring processes within the Administration and Finance area will yield \$5,000,000 that can be reallocated to other institutional program priorities.

Time Segment	Cost Savings	Cost		Revenue		Net Savings
		Avoidance	Enhancement	Investment		
1994-95 Realized	4,719,444	2,321,680	118,288	(178,423)		\$ 6,980,989
1996-98 Projected	16,711,165	2,917,086	2,370,904	(689,740)		\$ 21,309,415
Totals	\$ 21,430,609	\$ 5,238,766	\$ 2,489,192	\$ (868,163)		\$ 28,290,404

Most of the cost savings identified in this report result from UTHCS-H's ongoing Planning and Continuous Quality Improvement (CQI) initiatives. These initiatives have allowed our institution to reduce and/or eliminate funding for low priority activities, with a subsequent reallocation to priority programs more, consistent with the mission of the institution.

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1996 Cost Savings Report

UTHSC-H recognizes the importance of continually re-examining our processes and activities so that we meet the funding challenges of the future. It is important that the institutions incentive for reducing future costs not be compromised by using information within this report to support a further decrease in our state appropriations.

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1996 Cost Savings Report

Appendix R
The University of Texas Health Science Center at San Antonio
Executive Summary

During Fiscal 1994-95, The University of Texas Health Science Center at San Antonio realized cumulative Cost Savings, Cost Avoidance and Revenue Enhancements (net of Capital Investments) of \$1,174,046 resulting from continued progress on the implementation of the (22) separate cost and operating efficiency recommendations made by the institution's Mission Support Analysis project and our Cost Savings Committee. As planned, cost savings will continue to be directed to fund high priority requirements and opportunities at UTHSCSA which are currently not funded or under-funded.

Actual Fiscal 1994-95 cost savings and revenues enhancements exceeded projections by \$130,174 (12.47%), indicating that major cost savings and operating efficiency initiatives implemented at UTHSCSA as a result of the institution's Mission Support Analysis process have begun to deliver positive results.

- Organizational and operational restructuring initiatives and technology enhancements have accounted for the majority of UTHSCSA's realized savings. Specifically, staffing and workload restructuring within UTHSCSA's Housekeeping and Grounds Maintenance Services units has produced employee cost savings of \$589,615 during Fiscal 94-95.
- Centralization of UTHSCSA's MSRDP Billing function has produced staffing and operating efficiency savings of \$152,782 during Fiscal 94-95.
- Institution-wide implementation of UTHSCSA's "LYNX" electronic transaction processing system has produced \$111,806 in administrative costs savings.
- Acquisitions of new technology hardware and software functionality within various administrative and support services departments has accounted for an additional \$267,703 in Fiscal 94-95 cost savings.
- Implementation of an Energy Conservation Program at UTHSCSA has resulted in utility cost savings of \$175,255 during Fiscal 1994-95.

Time Segment	Cost Savings	Cost		Revenue		Net Savings
		Avoidance	Enhancement	Investment		
1994-95 Realized	1,036,454	378,420	71,860	(312,688)	\$ 1,174,046	
1996-98 Projected	6,038,077	1,599,436	226,649	0	\$ 7,864,162	
Totals	\$ 7,074,531	\$ 1,977,856	\$ 298,509	\$ (312,688)	\$ 9,038,208	

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The various initiatives which have contributed to our Fiscal 1994-95 cost savings are expected to continue to produce savings through future fiscal years. Specifically, as UTHSCSA's various cost and operating efficiency programs continue through fiscal 95-96, 96-97 and 97-98, these projects are anticipated to deliver cumulative cost savings (net of required capital investment) of \$5,103,093, cumulative cost avoidance benefits of \$1,599,436 and cumulative revenue enhancements for \$226,649 over these next three fiscal years. Additionally, UTHSCSA will remain mindful of opportunities to further enhance cost, revenue and operational efficiencies at our institution.

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1996 Cost Savings Report

Appendix S
The University of Texas M. D. Anderson Cancer Center
Executive Summary

As health care in this country faces dramatic changes, The University of Texas M. D. Anderson Cancer Center must remain competitive in the managed care environment while, at the same time, reduce operating expenses.

Net revenues are forecasted to decline about \$20 million between FY 96 and FY 97 year-end and an additional \$20+ million between FY 97 and the end of FY 98. Several initiatives have been undertaken to enhance revenues. We intend to continue to: 1) aggressively pursue managed care contracts as the market penetration of HMO's increases over time, 2) pursue international marketing efforts, and 3) reduce free service through continuing efforts at triage with Harris and other county hospital systems. These revenue enhancing initiatives will be more than offset by reductions in payment levels as we realize the inevitable declines in reimbursement and utilization of hospital and clinic services by government and managed-care payors.

The effective implementation of many cost savings initiatives at M.D. Anderson is evidenced by the significant declines in the institution's expenditure budget between FY 94 and FY 97. In FY 98, expenses will continue to decline with the implementation of standard costing, variable budgeting and expense management. In addition to volume driven expense declines, efforts will continue in re-engineering the way we do business. The institution continues to initiate major reorganization and re-engineering efforts to improve the quality of the services we provide to patients and the public, as well as our own constituency, while adhering to the principles espoused in our Mission, our Vision, and our Code of Ethics. Our objective remains to improve the efficiency with which services are provided. Cost reductions will be achieved with the ongoing implementation of recommendations from the consulting firms of West Hudson and Peat Marwick, and Benchmarking initiatives.

The Budget Council has overseen the effort to meet this reduction effort and has identified in excess of \$91 million in cost savings/avoidance and/or revenue enhancement as outlined in the following table.

Time Segment	Cost		Revenue		Investment	Net Savings
	Cost Savings	Avoidance	Enhancement			
1994-95 Realized	46,080,320	62,564	0	0		\$ 46,142,884
1996-98 Projected	44,980,261	0	150,000	0		\$ 45,130,261
Totals	\$ 91,060,581	\$ 62,564	\$ 150,000	\$ 0		\$ 91,273,145

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Appendix T
The University of Texas Health Center at Tyler
Executive Summary

The Health Center's documented results for Fiscal year 94/95 in revenue enhancement, cost savings and cost avoidance exceeded the projections by \$891,360. The projected savings were \$667,910. The actual savings were \$1,559,266.

This positive result is a product of two aggressive initiatives:

Cost Avoidance

A major shift in the use of temporary employees and overtime. A new temporary employees policy was introduced and closely monitored. In addition overtime expenses were curtailed substantially. The combined reduction in expenses for FY 94/95 totaled \$671,755.

Cost Savings

Increased efficiency in the inpatient nursing staffing. The nursing department closed one unit and combined four units into two units yielding a net savings of \$802,504. It is important to note that this reduction included shift changes, new skill mix of caregivers and a small reduction in force.

Time Segment	Cost		Revenue		Net Savings
	Cost Savings	Avoidance	Enhancement	Investment	
1994-95 Realized	823,063	736,203	0	0	\$ 1,559,266
1996-98 Projected	802,097	173,900	7,850	0	\$ 983,847
Totals	\$ 1,625,160	\$ 910,103	\$ 7,850	\$ 0	\$ 2,543,113

Fiscal year 94/95 results far exceeded the projection, however, continued moderate savings are projected for the next three years.

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Appendix U

The University of Texas System Administration

Executive Summary

Increasing demand on limited state resources are requiring higher education institutions to achieve greater efficiencies and maximize productivity. The University of Texas System Administration, which provides administrative support to the component institutions of the University of Texas System, must constantly be monitoring processes and procedures in order to achieve optimum cost savings and increased revenues. This monitoring process should result in providing more efficient service and additional funds to the components so that these institutions can concentrate on their basic mission of teaching, research, health care, and public service. As part of ongoing operations, The University of Texas System Administration examines opportunities to reduce and avoid costs as well as to enhance revenue.

In March 1993, Chancellor William H. Cunningham charged the U. T. System Administration Committee on Cost Savings to identify and recommend cost saving and revenue enhancement measures. The committee identified options affecting Administration functions and developed strategies to achieve more efficient operations through increased productivity and cost reductions. These strategies were estimated to produce net savings of \$38.5 million for Fiscal Years 1994 through 1998.

In March 1996, all departments within System Administration were asked to quantify actual realized savings for Fiscal Years 1994 and 1995, to identify new savings measures, and to estimate savings for Fiscal Years 1996 through 1998. As a result of this process, the total savings for System Administration for Fiscal Years 1994 through 1998 are estimated to be \$54.4 million as compared to the June 1993 estimate of \$38.5 million.

The projected \$54.4 million of savings includes actual savings of \$26 million for Fiscal Years 1994 and 1995 and projected savings for Fiscal Years 1996 through 1998 of \$28.4 million. These savings consist of \$24 million of cost savings, \$16.4 million of cost avoidance, and \$15.2 million of revenue enhancement. Investments to produce these savings are estimated to be \$1.3 million. Based on the criteria established by the original cost savings committee, a cost savings would impact the budget of a function; whereas, cost avoidance would not. Additionally, revenue enhancement refers to income added from current assets.

Time Segment	Cost Savings	Cost		Revenue		Net Savings
		Avoidance	Enhancement	Investment	Enhancement	
1994-95 Realized	14,758,397	7,308,775	4,496,118	(560,782)		\$ 26,002,508
1996-98 Projected	9,279,147	9,184,217	10,731,418	(727,000)		\$ 28,467,782
Totals	\$ 24,037,544	\$ 16,492,992	\$ 15,227,536	\$ (1,287,782)		\$ 54,470,290

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1996 Cost Savings Report

Actual savings of \$24 million for Fiscal Years 1994 and 1995 exceeded projected savings by \$18.5 million. This was primarily due to the improvements in the administration of the Workers Compensation Insurance and the Medical Liability Self-Insurance Plans which yielded savings in excess of original estimates of \$10 million and \$ 6.2 million respectively.