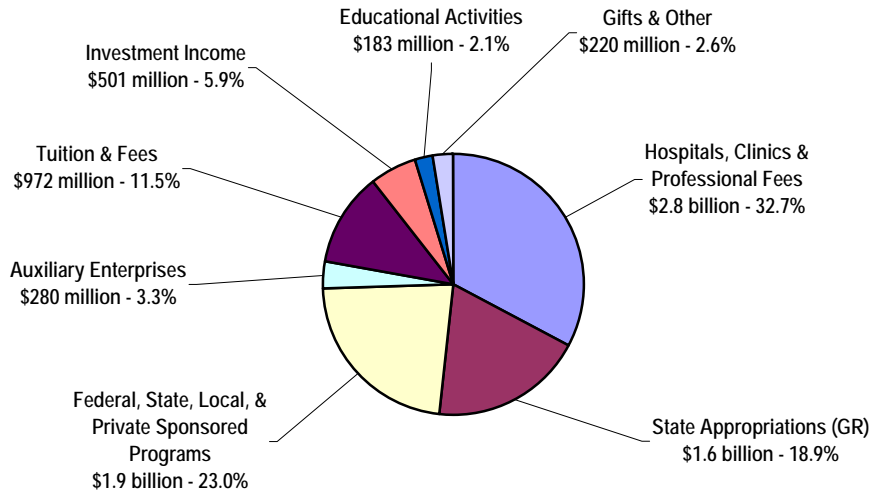


Revenues

Where the Money Comes From (\$8.5 billion)



Revenues included in the operating budget summary include both operating and nonoperating revenues used to finance the operating budget. Combined revenues for FY 2004 are \$8.5 billion, up 8.4% or \$657 million from FY 2003. Significant areas of growth include **Tuition and Fees** (23.2%, \$183 million), **Sales and Services of Hospital Activities** (11.4%, \$202 million), and **Federal Sponsored Programs** (11.4%, \$128 million). Budgeted **State Appropriations** increased \$7 million or 0.4%.

The System's general academic components were responsible for almost all of the growth in **Tuition and Fees**. Growth resulted from both increasing rates and enrollments. House Bill (HB) 3015, 78th Legislature, provided for deregulation of designated tuition, the budget developed incorporates increases approved by the Board of Regents for both Spring 2004 and Fall 2004 / Spring 2005. By comparison, the 2004 budget only reflects the effect of the Spring 2004 increase for a partial year (i.e. Spring and Summer sessions only, but not the Fall semester). The largest growth in Tuition and Fees occurred at U. T. Arlington (\$28 million), U. T. Austin (\$59 million), U. T. Dallas (\$18 million), and U. T. San Antonio (\$40 million).

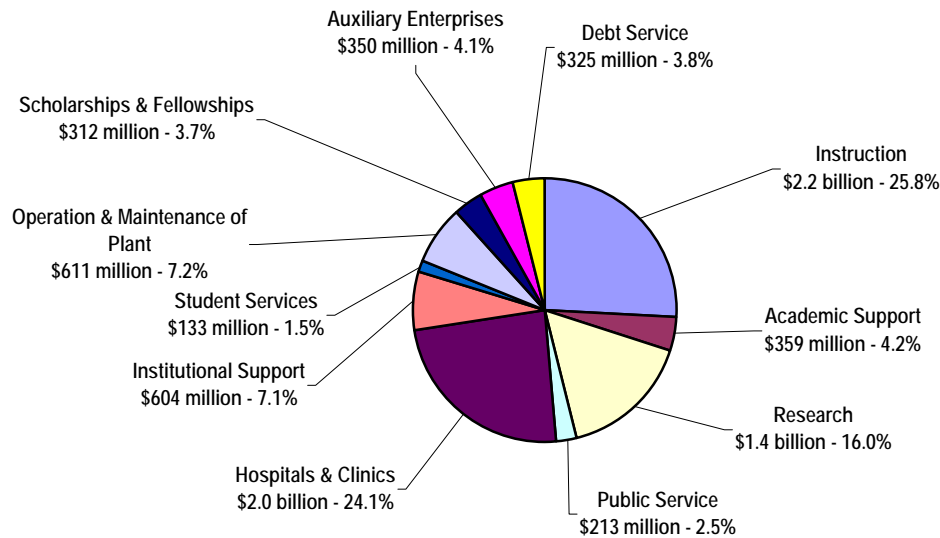
Sales and Services of Hospital Activities primarily include income generated from patient care at the System's hospitals. Anticipated growth in patient care activities at U. T. M. D. Anderson (\$162 million) and U. T. Medical Branch at Galveston (\$47 million) are largely responsible for this increase.

Growth in **Federal Sponsored Programs** principally results from increased research activities and related indirect cost overhead recoveries at several institutions along with growth in student financial aid such as Pell Grants. The largest increases are at U. T. Southwestern Medical Center at Dallas (\$26 million), U. T. Health Science Center at San Antonio (\$11 million), U. T. M. D. Anderson (\$27 million), and U. T. System Administration (\$10 million).

Budgeted **State Appropriations** increased slightly over 2004 levels. For FY 2005, General Revenue is 18.8% of the total expenditure budget as compared to 20.4% of the 2004 expenditure budget.

Expenditures

Where the Money Goes (\$8.5 billion)



Expenditures reflected in the operating budget include all operational functions and limited nonoperating expenses and transfers made to fund debt service principal and interest. Combined expenditures for FY 2005 are \$8.5 billion, up 9.7% or \$683 million from FY 2004. Significant functional areas of growth include **Instruction** (8.2%, \$166 million), **Hospitals and Clinics** (12.2%, \$222 million) and **Scholarships and Fellowships** (32.7%, \$77 million).

Overall growth in **Instruction** expenditures is primarily associated with new faculty and staff positions required to sustain services for increases in enrollment and patient levels. Additionally, there will be merit salary increases awarded at several component institutions.

Hospital and Clinic expenditures increased due largely to growth in patient care expenditures at U. T. Medical Branch at Galveston (\$58 million) and U. T. M. D. Anderson Cancer Center (\$147 million).

Growth in **Scholarships and Fellowships** primarily occurred at the System's academic institutions. HB 3015, 78th Legislature, deregulated designated tuition and also included provisions for a significant financial aid set-aside from new tuition. Growth in scholarships and fellowships largely results from these set-asides of tuition increases as well as growth in federal financial aid programs such as Pell Grants. The largest increases occurred at U. T. Austin (\$33 million), U. T. Dallas (\$13 million) and U. T. San Antonio (\$11 million).

Impact of Tuition Flexibility

During the 78th Legislative Session, institutions in the University of Texas System were given the flexibility, with the approval of the Board of Regents, to set their own tuition rates. Instead of adhering to a one-size-fits-all formula, each individual campus can tailor tuition rates to local cost factors and demands.

The U. T. System recognized from the first that the change in the law conferred not only new authority, but new responsibility. To ensure that rates would truly reflect the needs and aspirations of the campuses, the U. T. System constructed an open and transparent process for setting rates, one that included students, faculty and administration. As a consequence, the process has been a learning experience for us and all our stakeholders. And, we believe that one of the most important results has been a new sense of personal investment in the quality of higher education for our students.

U. T. System students understand that, compared with high school graduates, their degrees will almost double their earnings over a lifetime. They know that the quality of their education and the ranking of the institution they attend will contribute to their professional and financial success. In almost every case, they tell us that they don't want an education that is penny-wise and pound-foolish. They want to be charged what it takes to give them the best education that their money can buy.

Tuition flexibility allows the U. T. System to give them that education – an education which includes diverse student colleagues, outstanding faculty and world class research facilities. These factors are fundamental to the education of our students, the nurturing of young leaders for Texas, and the development and diversification of the Texas economy.

Tuition rates for Spring 2004, Fall 2005 and Spring 2005 have been set. While there has only one long semester to evaluate the expenditures made possible made by tuition increases, a pattern seems to be developing within the U. T. System. The individual institutions have used the revenues generated by tuition flexibility to improve the quality, accessibility and affordability of higher education in Texas.

Generally, revenues have been dedicated to hiring new faculty, retaining existing faculty, bringing classrooms, laboratories, equipment up to standard (allowing more sections of classes to be taught and ensuring the safety of students), and increasing student financial aid. Anticipating increased enrollments, the System now has a once in a generation opportunity to get faculty in place ahead the curve, rather than rushing to fill slots at the last minute. This situation allows U. T. System institutions to recruit the best young teachers and researchers to help build for the future. Use of revenues on individual campuses is summarized on the following pages.

The University of Texas at Arlington

The University of Texas at Arlington anticipates that tuition increases will generate an additional \$17.6 million. Of that, \$2.7 million is designated for undergraduate student financial aid, which serves approximately 1,000 students, and the B-On-Time program. The tuition revenue also helps U. T. Arlington respond to continued enrollment growth, hire 50 additional faculty and provide increased maintenance and operations budgets in academic units. Despite dramatic enrollment growth, it has been more than decade since any academic units have seen increases in maintenance and operations budgets. There will be no additional increase in tuition rates during Spring 2005.

The University of Texas at Austin

The University of Texas at Austin implemented a tuition package known as Academic Sustainability Tuition (AST) during the Spring 2004 semester. AST is anticipated to generate a total of \$16 million during the remainder of FY 2004. Of this total, U. T. Austin set aside \$4.2 million for financial aid and the B-On-Time program. The financial aid plan provides substantial discounts of tuition increases for students with family incomes up to \$80,000. Tuition revenues are also being used to retain faculty and staff, improve the teaching environment for students and faculty, and preserve facilities. An increase in AST has been approved for Fall 2004. The expected tuition revenue is estimated at \$70.2 million, an approximately \$54 million increase in funding over FY 2004. The increased revenue will fund an additional \$19.7 million for financial aid and the B-On-Time program. \$34.5 million will be used for faculty and staff salary increases, hiring 30 additional new faculty and new faculty start up costs. There will be no further increase in tuition for Spring 2005.

The University of Texas at Brownsville

The University of Texas Brownsville did not raise tuition in Spring 2004. Tuition will increase to \$38 per semester credit hour in Fall 2004, however the rate remains well below the limits established by statute prior to the passage of HB 3015, 78th Legislature. U. T. Brownsville will use the revenue to hire 23 new faculty members and 11 new academic advisors. In addition, the campus will introduce for the first time an equipment rotation schedule for upgrading the computer equipment available to students. There are no additional Spring 2005 tuition increases planned.

The University of Texas at Dallas

The University of Texas at Dallas increased tuition rates in both Spring 2004 and Fall 2004. U. T. Dallas anticipates expending \$1.3 million for student financial aid, \$2 million for hiring new faculty, and approximately \$0.5 million for improving the Graduate Assistant retention rate. Facility utilities will also be upgraded. No Spring 2005 increases are planned.

The University of Texas at El Paso

The University of Texas at El Paso raised tuition in Spring 2004 and will increase it again in Fall 2004. U. T. El Paso estimates about \$17.9 million in additional tuition revenues. The tuition revenues are critical for hiring 53 new full-time faculty and adding 97 class sections with more additions possible. 1,700 new and continuing students are benefiting from the \$2.2 million set-aside for financial aid, including B-On-Time and the one-time only "We've Got You Covered" program. This program was implemented in Spring 2004 for all students enrolled in Fall 2003 who received need-based financial aid. "We've Got You Covered" took care of 100% of the Spring 2004 tuition increase by adjusting current financial aid so that no student who met the eligibility criteria had any additional out-of-pocket tuition expenses. U. T. El Paso also increased the maximum book loan to \$250 per student, expanding the student book loan program. There is no additional tuition increase planned for Spring 2005.

The University of Texas-Pan American

The University of Texas-Pan American did not raise tuition in Spring 2004 but will increase tuition by \$6 to \$38 per semester credit hour in Fall 2004. Like U. T. Brownsville, the rate remains below the limits established by statute prior to the passage of HB 3015, 78th Legislature. To encourage students to take greater class loads, U. T. Pan American will not charge additional tuition on any semester credit hours in excess 14. Accordingly, any semester credit hours beyond 14 are free. U. T. Pan American will use tuition revenues to hire 70 new faculty members. There will be no additional increase in Spring 2005 tuition.

The University of Texas of the Permian Basin

The University of Texas of the Permian Basin projects \$634,500 in tuition increase revenue as a result of increases in both Spring 2004 and Fall 2004. The tuition increases are providing additional financial aid opportunities for the growing number of students applying for aid, 10 new faculty positions in high growth disciplines and academic counselors to improve advising availability to students. Approximately \$105,000 of the tuition revenue was dedicated to financial aid set asides and the B-On-Time program. There is no additional increase in tuition anticipated for Spring 2005.

The University of Texas at San Antonio

The University of Texas at San Antonio increased tuition for Spring 2004 and again for Fall 2004. The \$19.4 million from the tuition increase has been prioritized in a variety of ways. U. T. San Antonio is dedicating \$5.6 million to the recruitment of more than 90 new faculty. \$4.1 million is helping the campus become increasingly wireless to improve students academic and research experience. Funding will also provide a rebate for graduating seniors and offer zero interest loans with forgiveness for students who teach in our public schools. \$3.7 million will fund financial assistance to students, including opportunities for work study and increased grant and scholarships. There is no additional increase in Spring 2005 tuition.

The University of Texas at Tyler

The University of Texas at Tyler raised tuition in Spring 2004 and will increase it again in Fall 2004. The additional revenue from designated tuition is approximately \$2.5 million. More than \$580,000 in student financial aid will make the campus more accessible to all students. Ten additional faculty and ten new teaching assistant positions will increase course sections. Incentives will reduce time-to-graduation and improve graduation rates. Approximately \$400,000 will go to students through three on-campus need based programs. \$70,000 is being used to create additional on-campus jobs for students. There is no additional increase in Spring 2005 tuition.

Resources

Background

The University of Texas System (the System) has adopted Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – Management’s Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the entity as a whole. Previously, financial statements focused on the accountability of individual fund groups rather than on the entity as a whole.

The System Operating Budget focuses on sources and uses of funds in select fund groups rather than on operating results of the entity as a whole. Several differences exist between the budget and the financial reporting presentation at year-end. For example, information has historically been presented separately in the budget for all reported fund groups, whereas the financial reporting presentation combines the activities of all funds. Additionally, budgeted tuition and fee income paid from institutional scholarship funds is not discounted. Further, capital outlay from operating funds and debt service principal repayments are included in budgeted expenditure totals. Finally, depreciation is not directly budgeted as an expenditure since it does not require a use of funds; however, depreciation has been addressed in the *Comparison of the Fiscal Year 2005 Combined Operating Budget to Statement of Revenues, Expenses and Changes in Net Assets*, as discussed below.

In an effort to have the System Operating Budget more closely reflect the new entity-wide focus of the financial reporting model, the presentation of the budget summary combines all reported funds and is structured to resemble the Statement of Revenues, Expenses and Changes in Net Assets (SRECNA) included in the System’s Annual Financial Report.

In addition to the budget summary, the *Comparison of the Fiscal Year 2005 Combined Operating Budget to Statement of Revenues, Expenses and Changes in Net Assets* helps to address the differences between budget and financial reporting. This schedule makes adjustments to operating budget totals to provide for differences in the budget and financial reporting models. Major adjustments necessary include:

- Recording of an adjustment to discount tuition and related scholarship/fellowship activities in accordance with GASB rules. Tuition and fee income paid from institutional scholarship funds is not discounted in the budget. This departure from the year-end financial statements occurs because scholarships and tuition are often in different fund groups within the records of an institution and represent a source of funding in one fund group and a use of funds in the other.
- Elimination of capital outlay budgeted in the expenditure line items. Capital outlay from operating funds and debt service principal repayments are included as a use of funds in the budget, while they are balance sheet transactions in the financial statements.
- Inclusion of depreciation expense not budgeted. Significant portions of the operating resources of the System are held in the State Treasury. Depreciation does not represent a use of funds that can be drawn from the Treasury and as a result are not budgeted as an expenditure since it does not require a use of funds.
- Inclusion of all other fund groups not budgeted. This includes loan, endowment, annuity and life income funds and unbudgeted plant fund activity.
- Any other adjustments as necessary to reflect SRECNA activity.

Actual 2003 and projected 2004 SRECNA activity are presented for comparative purposes.

Adjustments to FY 2004 Budget Totals

Budget totals for 2004 have been adjusted to reflect \$32.5 million of revenue and \$14.3 million of expenditures associated with the Spring 2004 tuition increases approved by the Board of Regents. The 2004 budget totals have also been adjusted to reflect \$4.5 million of additional State Appropriations and associated expenditures for U. T. Health Science Center at San Antonio's Regional Academic Health Center. In certain cases, reclassifications have been made between line items to enhance comparability with the FY 2005 presentation.

Glossary of Terms

Operating Revenues:

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

SPONSORED PROGRAMS – Funding received from local, state and federal governments or private agencies, organizations or individuals. Includes amounts received for services performed on grants, contracts, and agreements from these entities for current operations. This also includes indirect cost recoveries and pass-through federal and state grants.

NET SALES AND SERVICES OF EDUCATIONAL ACTIVITIES – Revenues that are related to the conduct of instruction, research, and public service and revenues from activities that exist to provide an instructional and laboratory experience for students that create goods and services that may be sold.

NET SALES AND SERVICES OF HOSPITALS – Revenues (net of discounts, allowances, and bad debt expense) generated from U.T. health institutions' daily patient care, special or other services, as well as revenues from health clinics that are part of a hospital.

NET PROFESSIONAL FEES – Revenues (net of discounts, allowances, and bad debt expense) derived from the fees charged by the professional staffs at U.T. health institutions as part of the Medical Practice Plans. Examples of such fees include doctor's fees for clinic visits, medical and dental procedures, professional opinions, and anatomical procedures, such as analysis of specimens after a surgical procedure, etc.

NET AUXILIARY ENTERPRISES – Revenues derived from a service to students, faculty, or staff in which a fee is charged that is directly related to, although not necessarily equal to the cost of the service (e.g., bookstores, dormitories, dining halls, snack bars, inter-collegiate athletic programs, etc.).

OTHER OPERATING REVENUES – Other revenues generated from sales or services provided to meet current fiscal year operating expenses, which are not included in the preceding categories.

Operating Expenses:

INSTRUCTION & ACADEMIC SUPPORT – Expenditures for salaries, wages, and all other costs related to those engaged in the teaching function including the operating cost of instructional departments. This would include the salaries of faculty, teaching assistants, lecturers and teaching equipment. Library materials and related salaries are also included.

RESEARCH – Expenditures for salaries and wages and other cost associated with the support of research conducted by faculty members.

PUBLIC SERVICE – Expenditures for activities providing noninstructional services beneficial to individuals and groups external to the institution.

HOSPITALS AND CLINICS – Expenditures of U. T. health-related institutions with teaching hospital affiliations for costs associated with providing patient care and operating the entity (i.e., labs, pharmacies, personnel salaries, etc.)

INSTITUTIONAL SUPPORT – Expenditures for central executive-level activities concerned with management and long-range planning for the entire institution, such as the governing board, planning and programming, and legal services; fiscal operations, including the investment office; administrative data processing; space management; employee personnel and records; logistical activities that provide procurement, storerooms, safety, security, printing, and transportation services to the institution; support services to faculty and staff that are not operated as auxiliary enterprises; and activities concerned with community and alumni relations, including development and fund raising.

STUDENT SERVICES – Expenditures for offices of admissions and of the registrar and activities with the primary purpose of contributing to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program.

OPERATION & MAINTENANCE OF PLANT – Expenditures of current operating funds for the operation and maintenance of the physical plant. It includes all expenditures for operations established to provide services and maintenance related to grounds and facilities. Also included are utilities, fire protection, property insurance, and similar items. Specifically included are: salaries, wages, supplies materials and other expenses necessary to keep each building in good repair and usable condition. Also includes expenses necessary to keep the buildings in a clean and sanitary condition, provide upkeep of all lands designated as campus proper (improved and unimproved) not occupied by actual buildings. *O&M of Plant* also includes funds referred to as *Educational and General Capital Projects* that are used for major repair, rehabilitation, and renovation of existing buildings and facilities, as well as funds to supplement major capital projects.

SCHOLARSHIPS & FELLOWSHIPS – Expenditures for scholarships and fellowships in the form of grants to students resulting from selection by the institution or from an entitlement program.

AUXILIARY ENTERPRISES – Expenditures of essentially self-supporting component institution enterprises (e.g., bookstores, dormitories, inter-collegiate athletic programs, etc.)

Nonoperating Revenues (Expenses):

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

GIFTS IN SUPPORT OF OPERATIONS – Consist of public and private gifts used in current operations, excluding gifts for capital acquisition and endowment gifts.

NET INVESTMENT INCOME – Interest and dividend income, Long Term Fund and Permanent Health Fund distributions paid from current year income and patent and royalty income. Distributions from the Permanent University Fund are also included for budget purposes.

NET INC./ (DEC.) IN FAIR VALUE OF INVESTMENTS – Unrealized gains or losses on investment assets of the System.

INTEREST EXPENSE – Interest expense associated with bond and note borrowings utilized to finance capital improvement projects. System Administration reports all interest expense as the debt legally belongs to the Board of Regents.

OTHER NONOPERATING REVENUES (EXPENSES) – Revenues and expenses not directly associated with the primary missions of System components and not included in another category.

Transfers And Other:

CAPITAL GIFTS AND SPONSORED PROGRAMS – Gifts and support for capital projects of the System that are not used for operations.

ADDITIONS TO PERMANENT ENDOWMENTS – Gifts and other additions to the corpus of permanent endowments including the Permanent University Fund. These funds are not available to be expended for operational purposes.

TRANSFERS FROM (TO) ENDOWMENTS – Transfers to or from Endowments. Transfers from endowments would be used to finance the operating budget. Such transfers would typically be from funds functioning as endowments that are not permanently restricted.

TRANSFERS FROM (TO) AUF – Transfers made from U. T. System Administration's Available University Fund primarily used to finance excellence at U. T. Austin and general administration at U. T. System Administration.

TRANSFERS TO PLANT FOR CAPITAL EXPENDITURES – Transfers made from operating funds to unexpended plant funds to finance capital outlays.

TRANSFERS FOR DEBT SERVICE – Reflects debt service activity at all components and U. T. System Administration and includes both the principal and interest portions of mandatory debt service transfers under the Revenue Financing System, Tuition Revenue bond and Permanent University Fund (PUF) bond programs. The principal portion is eliminated as this is a balance sheet transaction at year-end.

OTHER – Includes all interfund transfers and other activity not categorized elsewhere. Within the *Comparison of the Fiscal Year 2005 Combined Operating Budget to Statement of Revenues, Expenses and Changes in Net Assets*, this total also includes the distribution to Texas A&M University System for their annual one-third participation in the Permanent University Fund endowment.

**The University of Texas System
Operating Budget
Fiscal Year Ending August 31, 2005**

| | FY 2004 Adjusted Budget | FY 2005 Operating Budget | Budget Increases (Decreases) From 2004 to 2005 | |
|--|-------------------------------|--------------------------------|---|--------------|
| | | | Amount | Percent |
| Operating Revenues: | | | | |
| Tuition and Fees | \$ 788,871,137 | 971,813,222 | 182,942,085 | 23.2% |
| Federal Sponsored Programs | 1,117,503,838 | 1,245,261,481 | 127,757,644 | 11.4% |
| State Sponsored Programs | 146,259,288 | 162,970,378 | 16,711,090 | 11.4% |
| Local and Private Sponsored Programs | 526,282,569 | 534,044,923 | 7,762,353 | 1.5% |
| Net Sales and Services of Educational Activities | 164,345,022 | 183,425,072 | 19,080,050 | 11.6% |
| Net Sales and Services of Hospital and Clinics | 1,767,693,752 | 1,969,407,914 | 201,714,162 | 11.4% |
| Net Professional Fees | 713,505,560 | 794,172,774 | 80,667,214 | 11.3% |
| Net Auxiliary Enterprises | 251,327,368 | 279,502,635 | 28,175,267 | 11.2% |
| Other Operating Revenues | 94,049,632 | 83,945,343 | (10,104,289) | -10.7% |
| Total Operating Revenues | 5,569,838,166 | 6,224,543,742 | 654,705,576 | 11.8% |
| Operating Expenses: | | | | |
| Instruction | 2,025,296,643 | 2,191,709,480 | 166,412,837 | 8.2% |
| Academic Support | 341,542,348 | 358,826,564 | 17,284,216 | 5.1% |
| Research | 1,316,083,848 | 1,357,585,755 | 41,501,907 | 3.2% |
| Public Service | 172,831,469 | 213,036,255 | 40,204,786 | 23.3% |
| Hospitals and Clinics | 1,823,313,973 | 2,045,341,529 | 222,027,556 | 12.2% |
| Institutional Support | 577,913,333 | 603,702,336 | 25,789,003 | 4.5% |
| Student Services | 120,598,845 | 133,091,049 | 12,492,204 | 10.4% |
| Operations and Maintenance of Plant | 610,480,506 | 610,500,952 | 20,446 | 0.0% |
| Scholarships and Fellowships | 234,953,051 | 311,861,863 | 76,908,812 | 32.7% |
| Auxiliary Enterprises | 323,640,026 | 349,930,428 | 26,290,402 | 8.1% |
| Total Operating Expenses | 7,546,654,042 | 8,175,586,211 | 628,932,169 | 8.3% |
| Operating Surplus/Deficit | (1,976,815,876) | (1,951,042,469) | 25,773,407 | -1.3% |
| Nonoperating Revenues (Expenses): | | | | |
| State Appropriations & HEAF | 1,592,686,061 | 1,599,701,507 | 7,015,446 | 0.4% |
| Gifts in Support of Operations | 131,458,180 | 135,450,877 | 3,992,697 | 3.0% |
| Net Investment Income | 493,858,532 | 501,163,877 | 7,305,345 | 1.5% |
| Other Non-Operating Revenue | 17,287,083 | 1,000,000 | (16,287,083) | -94.2% |
| Other Non-Operating (Expenses) | - | - | - | - |
| Net Non-Operating Revenue/(Expenses) | 2,235,289,856 | 2,237,316,261 | 2,026,405 | 0.1% |
| Transfers and Other: | | | | |
| AUF Transfers Received | 137,276,718 | 134,074,420 | (3,202,298) | -2.3% |
| AUF Transfers (Made) | (140,704,574) | (134,074,420) | 6,630,154 | -4.7% |
| Transfers From (To) Unexpended Plant | (17,700,000) | (17,720,000) | (20,000) | 0.1% |
| Transfers for Debt Service | (271,139,150) | (325,088,696) | (53,949,546) | 19.9% |
| Other Additions and Transfers | 114,266,578 | 135,732,737 | 21,466,159 | 18.8% |
| Other Deductions and Transfers | (124,363,456) | (161,088,046) | (36,724,590) | 29.5% |
| Total Transfers and Other | (302,363,884) | (368,164,005) | (65,800,121) | 21.8% |
| Surplus/(Deficit) | \$ (43,889,904) | (81,890,213) | (38,000,309) | 86.6% |
| Total Revenues | \$ 7,805,128,022 | 8,461,860,003 | 656,731,981 | 8.4% |
| Total Expenses and Debt Service Transfers | (7,817,793,192) | (8,500,674,907) | (682,881,715) | 8.7% |
| Surplus (Deficit) | \$ (12,665,170) | (38,814,904) | (26,149,734) | |

Note: Operating Budget Highlights with a glossary of terms are included on Page 1.

The University of Texas System
Comparison of the Fiscal Year 2005 Combined Operating Budget to
Statement of Revenues, Expenses and Changes in Net Assets

| Statement of Revenues, Expenses and Changes in Net Assets (SRECNA) | | | Operating Budget FY 2005 | Adjustments | Projected SRECNA FY 2005 |
|---|------------------------------|--|---|----------------------|---|
| Actual FY 2003 | Projected FY 2004 | | | | |
| | | Operating Revenues: | | | |
| \$ | 593,010,530 | 671,286,798 | 971,813,222 | (177,029,032) | 794,784,190 |
| | 1,134,061,506 | 1,214,103,137 | 1,245,261,481 | 47,546,313 | 1,292,807,794 |
| | 158,743,622 | 146,864,679 | 162,970,378 | (18,162,626) | 144,807,752 |
| | 485,305,378 | 498,495,552 | 534,044,923 | 23,810,937 | 557,855,860 |
| | 171,897,077 | 179,303,410 | 183,425,072 | 15,644,174 | 199,069,246 |
| | 1,669,380,085 | 1,822,541,198 | 1,969,407,914 | 61,620,035 | 2,031,027,949 |
| | 655,724,696 | 723,037,705 | 794,172,774 | (7,000,000) | 787,172,774 |
| | 243,586,627 | 248,345,421 | 279,502,635 | (4,395,355) | 275,107,280 |
| | 92,708,334 | 120,624,884 | 83,945,343 | 11,293,968 | 95,239,311 |
| | <u>5,204,417,855</u> | <u>5,624,602,784</u> | <u>6,224,543,742</u> | <u>(46,671,586)</u> | <u>6,177,872,156</u> |
| | | Operating Expenses: | | | |
| | 1,848,432,811 | 1,906,350,723 | 2,191,709,480 | (68,263,676) | 2,123,445,804 |
| | 247,225,954 | 261,512,949 | 358,826,564 | (58,436,685) | 300,389,879 |
| | 1,141,080,742 | 1,233,486,365 | 1,357,585,755 | (58,933,622) | 1,298,652,133 |
| | 199,278,287 | 203,042,065 | 213,036,255 | (1,022,132) | 212,014,123 |
| | 1,894,748,085 | 1,974,352,774 | 2,045,341,529 | 133,183,875 | 2,178,525,404 |
| | 529,726,646 | 607,809,083 | 603,702,336 | 285,380 | 603,987,716 |
| | 113,441,627 | 116,311,088 | 133,091,049 | (44,524) | 133,046,525 |
| | 407,257,477 | 408,755,812 | 610,500,952 | (187,474,297) | 423,026,655 |
| | 184,003,072 | 193,511,899 | 311,861,863 | (62,592,623) | 249,269,240 |
| | 289,146,928 | 307,447,230 | 349,930,428 | (25,667,966) | 324,262,462 |
| | 333,414,734 | 354,061,326 | - | 395,422,112 | 395,422,112 |
| | <u>7,187,756,363</u> | <u>7,566,641,314</u> | <u>8,175,586,211</u> | <u>66,455,843</u> | <u>8,242,042,054</u> |
| | <u>(1,983,338,508)</u> | <u>(1,942,038,530)</u> | <u>(1,951,042,469)</u> | <u>(113,127,430)</u> | <u>(2,064,169,899)</u> |
| | | Operating Surplus/Deficit | | | |
| | 1,592,777,843 | 1,602,548,206 | 1,599,701,507 | (7,131,692) | 1,592,569,815 |
| | 193,936,439 | 193,717,519 | 135,450,877 | 32,648,990 | 168,099,867 |
| | 354,884,884 | 1,274,853,906 | 501,163,877 | 123,839,362 | 625,003,239 |
| | 1,243,364,408 | 607,443,656 | - | - | - |
| | (89,697,527) | (92,228,000) | - | (92,228,000) | (92,228,000) |
| | 6,039,042 | 18,582,801 | 1,000,000 | (2,680,557) | (1,680,557) |
| | <u>3,301,305,089</u> | <u>3,604,918,088</u> | <u>2,237,316,261</u> | <u>54,448,103</u> | <u>2,291,764,364</u> |
| | | Nonoperating Revenues (Expenses): | | | |
| | 70,916,346 | 80,890,352 | - | 82,845,884 | 82,845,884 |
| | 221,972,663 | 68,258,815 | - | 72,434,007 | 72,434,007 |
| | - | - | (325,088,696) | 325,088,696 | - |
| | (66,773,175) | 57,027,066 | (43,075,309) | (193,546,882) | (236,622,191) |
| | <u>226,115,834</u> | <u>206,176,233</u> | <u>(368,164,005)</u> | <u>286,821,705</u> | <u>(81,342,300)</u> |
| | | Transfers and Other: | | | |
| | 70,916,346 | 80,890,352 | - | 82,845,884 | 82,845,884 |
| | 221,972,663 | 68,258,815 | - | 72,434,007 | 72,434,007 |
| | - | - | (325,088,696) | 325,088,696 | - |
| | (66,773,175) | 57,027,066 | (43,075,309) | (193,546,882) | (236,622,191) |
| | <u>226,115,834</u> | <u>206,176,233</u> | <u>(368,164,005)</u> | <u>286,821,705</u> | <u>(81,342,300)</u> |
| \$ | <u>1,544,082,415</u> | <u>1,869,055,791</u> | <u>(81,890,213)</u> | <u>228,142,378</u> | <u>146,252,165</u> |
| | | Change in Net Assets | | | |

Note: Operating Budget Highlights with a glossary of terms are included on Page 1.

**The University of Texas System Academic Components
Operating Budget
Fiscal Year Ending August 31, 2005**

| | FY 2004 Adjusted Budget | FY 2005 Operating Budget | Budget Increases (Decreases) From 2004 to 2005 | |
|--|-------------------------------|--------------------------------|---|---------------|
| | | | Amount | Percent |
| Operating Revenues: | | | | |
| Tuition and Fees | \$ 742,895,746 | 915,254,618 | 172,358,872 | 23.2% |
| Federal Sponsored Programs | 478,375,629 | 517,039,080 | 38,663,451 | 8.1% |
| State Sponsored Programs | 77,645,814 | 94,224,281 | 16,578,467 | 21.4% |
| Local and Private Sponsored Programs | 95,855,795 | 107,366,319 | 11,510,524 | 12.0% |
| Net Sales and Services of Educational Activities | 118,820,238 | 129,300,992 | 10,480,754 | 8.8% |
| Net Sales and Services of Hospital and Clinics | - | - | - | - |
| Net Professional Fees | - | - | - | - |
| Net Auxiliary Enterprises | 190,857,621 | 216,507,969 | 25,650,348 | 13.4% |
| Other Operating Revenues | 8,511,978 | 8,746,931 | 234,953 | 2.8% |
| Total Operating Revenues | 1,712,962,821 | 1,988,440,190 | 275,477,369 | 16.1% |
| Operating Expenses: | | | | |
| Instruction | 812,610,351 | 887,153,414 | 74,543,063 | 9.2% |
| Academic Support | 262,862,336 | 282,153,755 | 19,291,419 | 7.3% |
| Research | 465,132,667 | 517,772,803 | 52,640,136 | 11.3% |
| Public Service | 85,537,381 | 88,242,618 | 2,705,237 | 3.2% |
| Hospitals and Clinics | - | - | - | - |
| Institutional Support | 205,609,273 | 225,752,845 | 20,143,572 | 9.8% |
| Student Services | 108,353,891 | 120,508,189 | 12,154,298 | 11.2% |
| Operations and Maintenance of Plant | 187,099,812 | 204,184,672 | 17,084,860 | 9.1% |
| Scholarships and Fellowships | 228,533,590 | 301,802,579 | 73,268,989 | 32.1% |
| Auxiliary Enterprises | 269,020,876 | 294,201,175 | 25,180,299 | 9.4% |
| Total Operating Expenses | 2,624,760,177 | 2,921,772,050 | 297,011,873 | 11.3% |
| Operating Surplus/Deficit | (911,797,356) | (933,331,860) | (21,534,504) | 2.4% |
| Nonoperating Revenues (Expenses): | | | | |
| State Appropriations & HEAF | 733,114,224 | 735,968,905 | 2,854,681 | 0.4% |
| Gifts in Support of Operations | 45,233,231 | 45,400,587 | 167,356 | 0.4% |
| Net Investment Income | 125,732,285 | 135,721,401 | 9,989,116 | 7.9% |
| Other Non-Operating Revenue | - | - | - | - |
| Other Non-Operating (Expenses) | - | - | - | - |
| Net Non-Operating Revenue/(Expenses) | 904,079,740 | 917,090,893 | 13,011,153 | 1.4% |
| Transfers and Other: | | | | |
| AUF Transfers Received | 109,360,000 | 106,335,000 | (3,025,000) | -2.8% |
| AUF Transfers (Made) | - | - | - | - |
| Transfers From (To) Unexpended Plant | 300,000 | 280,000 | (20,000) | -6.7% |
| Transfers for Debt Service | (100,967,148) | (105,330,508) | (4,363,360) | 4.3% |
| Other Additions and Transfers | 54,417,376 | 83,814,766 | 29,397,390 | 54.0% |
| Other Deductions and Transfers | (67,786,230) | (110,858,075) | (43,071,845) | 63.5% |
| Total Transfers and Other | (4,676,002) | (25,758,817) | (21,082,815) | 450.9% |
| Surplus/(Deficit) | \$ (12,393,618) | (41,999,784) | (29,606,166) | 238.9% |
| Total Revenues | \$ 2,617,042,561 | 2,905,531,083 | 288,488,522 | 11.0% |
| Total Expenses and Debt Service Transfers | (2,725,727,325) | (3,027,102,558) | (301,375,233) | 11.1% |
| Surplus (Deficit) | \$ (108,684,764) | (121,571,475) | (12,886,711) | |

Note: Operating Budget Highlights with a glossary of terms are included on Page 1.

**The University of Texas System Health Components
Operating Budget
Fiscal Year Ending August 31, 2005**

| | FY 2004 Adjusted Budget | FY 2005 Operating Budget | Budget Increases (Decreases) From 2004 to 2005 | |
|--|-------------------------------|--------------------------------|---|---------------|
| | | | Amount | Percent |
| Operating Revenues: | | | | |
| Tuition and Fees | \$ 45,975,391 | 56,558,604 | 10,583,213 | 23.0% |
| Federal Sponsored Programs | 639,128,209 | 717,780,422 | 78,652,213 | 12.3% |
| State Sponsored Programs | 65,113,474 | 68,675,897 | 3,562,423 | 5.5% |
| Local and Private Sponsored Programs | 429,355,274 | 425,810,104 | (3,545,170) | -0.8% |
| Net Sales and Services of Educational Activities | 44,517,197 | 52,628,765 | 8,111,568 | 18.2% |
| Net Sales and Services of Hospital and Clinics | 1,767,693,752 | 1,969,407,914 | 201,714,162 | 11.4% |
| Net Professional Fees | 713,505,560 | 794,172,774 | 80,667,214 | 11.3% |
| Net Auxiliary Enterprises | 60,469,747 | 62,994,666 | 2,524,919 | 4.2% |
| Other Operating Revenues | 85,537,654 | 75,198,412 | (10,339,242) | -12.1% |
| Total Operating Revenues | 3,851,296,258 | 4,223,227,558 | 371,931,300 | 9.7% |
| Operating Expenses: | | | | |
| Instruction | 1,211,881,941 | 1,294,119,642 | 82,237,701 | 6.8% |
| Academic Support | 78,680,012 | 76,672,809 | (2,007,203) | -2.6% |
| Research | 850,951,181 | 839,812,952 | (11,138,229) | -1.3% |
| Public Service | 87,294,088 | 124,793,637 | 37,499,549 | 43.0% |
| Hospitals and Clinics | 1,823,313,973 | 2,045,341,529 | 222,027,556 | 12.2% |
| Institutional Support | 334,711,685 | 341,976,729 | 7,265,044 | 2.2% |
| Student Services | 12,244,954 | 12,582,860 | 337,906 | 2.8% |
| Operations and Maintenance of Plant | 423,380,694 | 406,316,280 | (17,064,414) | -4.0% |
| Scholarships and Fellowships | 6,419,461 | 10,059,284 | 3,639,823 | 56.7% |
| Auxiliary Enterprises | 54,619,150 | 55,729,253 | 1,110,103 | 2.0% |
| Total Operating Expenses | 4,883,497,139 | 5,207,404,975 | 323,907,836 | 6.6% |
| Operating Surplus/Deficit | (1,032,200,881) | (984,177,417) | 48,023,464 | -4.7% |
| Nonoperating Revenues (Expenses): | | | | |
| State Appropriations & HEAF | 858,572,851 | 862,733,621 | 4,160,770 | 0.5% |
| Gifts in Support of Operations | 85,699,949 | 89,525,290 | 3,825,341 | 4.5% |
| Net Investment Income | 120,263,052 | 128,430,032 | 8,166,980 | 6.8% |
| Other Non-Operating Revenue | 17,287,083 | 1,000,000 | (16,287,083) | -94.2% |
| Other Non-Operating (Expenses) | - | - | - | - |
| Net Non-Operating Revenue/(Expenses) | 1,081,822,935 | 1,081,688,943 | (133,992) | 0.0% |
| Transfers and Other: | | | | |
| AUF Transfers Received | - | - | - | - |
| AUF Transfers (Made) | - | - | - | - |
| Transfers From (To) Unexpended Plant | (18,000,000) | (18,000,000) | - | 0.0% |
| Transfers for Debt Service | (91,816,050) | (127,051,725) | (35,235,675) | 38.4% |
| Other Additions and Transfers | 56,399,323 | 51,467,971 | (4,931,352) | -8.7% |
| Other Deductions and Transfers | (54,703,226) | (49,115,971) | 5,587,255 | -10.2% |
| Total Transfers and Other | (108,119,953) | (142,699,725) | (34,579,772) | 32.0% |
| Surplus/(Deficit) | \$ (58,497,899) | (45,188,199) | 13,309,700 | -22.8% |
| Total Revenues | \$ 4,933,119,193 | 5,304,916,501 | 371,797,308 | 7.5% |
| Total Expenses and Debt Service Transfers | (4,975,313,189) | (5,334,456,700) | (359,143,511) | 7.2% |
| Surplus (Deficit) | \$ (42,193,996) | (29,540,199) | 12,653,797 | |

Note: Operating Budget Highlights with a glossary of terms are included on Page 1.

