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VOLUME 2  
May 14-15, 2008**

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**ACADEMIC AFFAIRS COMMITTEE**

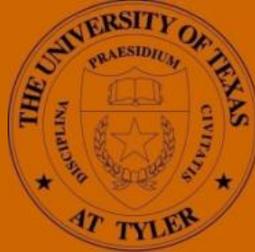
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# Campus Briefing

U. T. System Board of Regents



Rod Mabry  
President

May 2008



The University of Texas  
at Tyler

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**America's Best Colleges 2007**

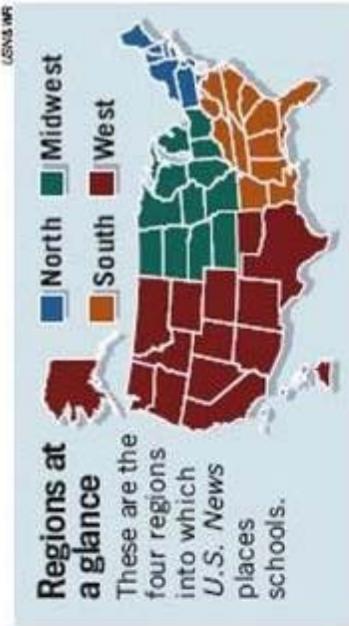
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Universities-Master's (West): Top Schools

# Best Universities - Master's (By Region)

WEST		Peer assessment score (5.0=highest)	Average freshman retention rate	Average graduation rate	% of classes under 20 (05)	% of classes of 50 or more (05)	Student/faculty ratio (05)	% of faculty who are full time (05)	SAT/ACT 25th-75th percentile (05)	Freshmen in top 25% of HS class (05)	Acceptance rate (05)	Avg. alumni giving rate
Rank	School (State)(*Public)	35	58%	48% <sup>8</sup>	42%	13%	17/1	82%	970-1180	42%	75%	4%
15	University of Texas-Tyler*	2.8	58%	48% <sup>8</sup>	42%	13%	17/1	82%	970-1180	42%	75%	4%



What are the Universities-Master's? Like the National Universities, these institutions provide a full range of undergraduate and master's programs. But they offer few, if any, doctoral programs. The 557 universities in this category are ranked within four geographic areas—North, South, Midwest, and West

**Best in UT System**

1. U. T. Tyler: Overview of the institution (cont.)



## U. T. Tyler

It's always about the people...



- High-ability, hard-working students
- Outstanding faculty
- Excellent leadership team

3



## U. T. Tyler (cont.)

Offers a strong alternative for the high-ability, flagship-capable students looking for a challenging educational experience with caring professors in a traditional, nonurban setting.

- Student development priority
- Selective admissions
- Undergraduate focus
- Park-like campus
- Private university “look and feel”



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1. U. T. Tyler: Overview of the institution (cont.)



## At a Glance



- **Comprehensive – 5 colleges**
  - Arts and Sciences • Business and Technology
  - Education and Psychology • Engineering and Computer Sciences
  - Nursing and Health Sciences
- **41 undergraduate + 32 masters + 2 doctoral**
- **6,153 students (20% are graduate students)**

5



## At a Glance (cont.)



- **41% increase in students over last four years**
- **From all over Texas, 36 states & 40 nations**
- **Ethnicity:**
  - 79% White, non-Hispanic
  - 10% African-American
  - 6% Hispanic
  - 6% Other

6



## How Are We Doing?

### Selective admissions

- Admission targets
  - 24 ACT
  - 1100 SAT
- Freshmen among top in state, 4<sup>th</sup> among 35 public universities
- Working closely with junior colleges

7



## How Are We Doing? (cont.)

### High-performing graduates

- High pass rates on State Exams
  - 100% for Engineering Graduates
  - 100% for Psychology Counselors
  - 98% for Teachers
  - 98% for Nurses
- 93% get jobs or go to graduate school within one year of graduation

8



## How Are We Doing? (cont.)

### Funded research increasing

**\$11 million this year v. \$4.7 million last year  
(134% increase)**



- TxAIRE
- GEAR-UP
- COSMOS
- T-STEM

**Washington  
Advisory Group  
Report  
recommended  
U. T. Tyler seek  
“research-intensive”  
level**

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## How Are We Doing? (cont.)

### NCAA Division-III Sports



- 15 sports (no sports scholarships and no football)
- Three teams nationally ranked (top five) in first full year of NCAA membership
- Athletic GPA higher than student body average
- 1<sup>st</sup> Place National Service Award

10



## Why Do We Matter?

### U. T. Tyler adds great value to the region

- \$4 billion each graduating class

- Value of research
- Social value raising university participation

#### 4-Year University Participation Rate (college-age population 18 to 34, for year 2000)

Texas (statewide)	6.7%
South Texas Border counties	6.5%
East Texas planning region	5.2%

3. U. T. System: Presentation of the Accountability and Performance Report for 2007-2008 and request to accept Report

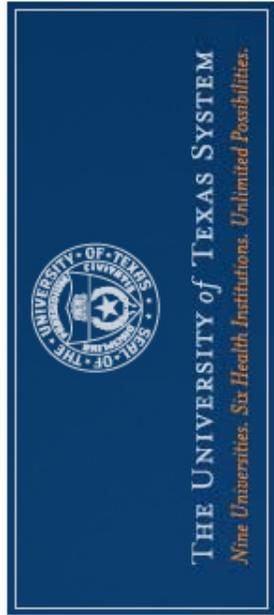


# Accountability and Performance Report 2007-08

**Dr. Geri H. Malandra**



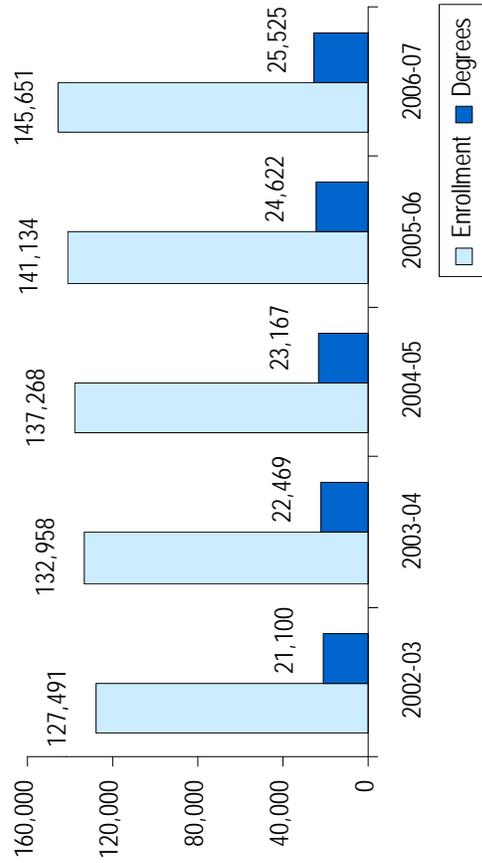
Board of Regents'  
Meeting  
May 15, 2008



*Enhancing Student Success*

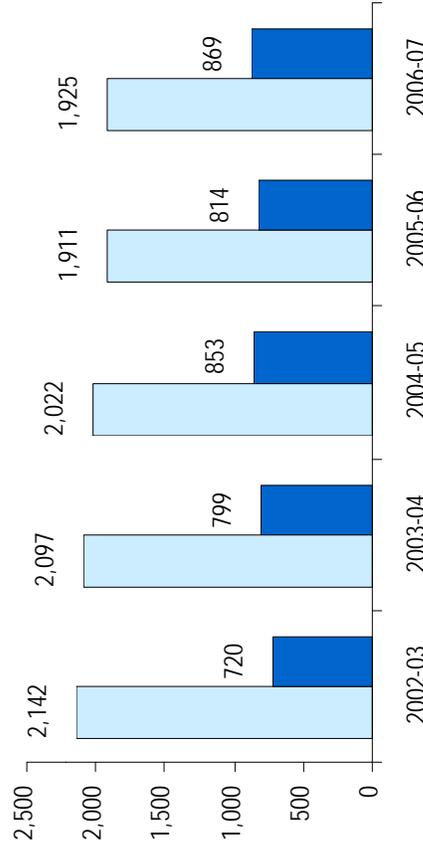
## Undergraduate Enrollment and Degrees are Increasing

*Academic*

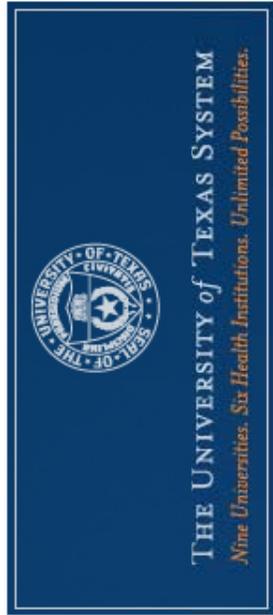


- Undergraduate enrollment increased 14.2%
- Undergraduate degrees awarded increased 21.0%

*Health*



- Undergraduate enrollment decreased 10.1%
- Undergraduate degrees awarded increased 20.7%

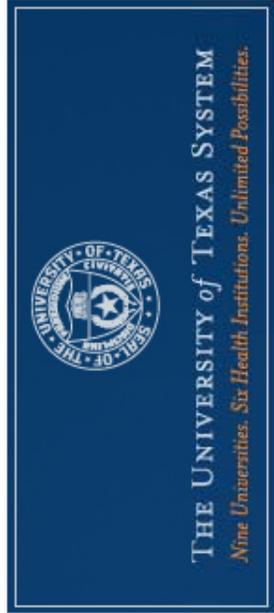


*Enhancing Student Success*

## Ensuring Transparency and Affordability: Average Net Academic Cost

	Full-time Students with Need-Based Grant Aid			All Full-time Students		
	Average in-state total academic cost	Percent receiving need-based grant aid	Average percent discount	Average net academic cost	Average percent discount	Average net academic cost
UTA	\$6,500	39.0%	94.8%	\$4,096	37.0%	\$4,096
Austin	8,024	46.7%	78.5%	5,084	36.6%	5,084
UTB	4,140	69.7%	62.3%	2,340	43.5%	2,340
UTD	7,690	33.6%	57.2%	6,214	19.2%	6,214
UTEP	5,361	46.7%	100.0%	2,860	46.7%	2,860
UTPA	4,264	71.6%	100.0%	1,211	71.6%	1,211
UTPB	4,659	46.9%	79.4%	2,922	37.3%	2,922
UTSA	6,732	43.7%	62.8%	4,886	27.4%	4,886
UTT	5,188	42.6%	88.0%	3,245	37.5%	3,245
Average 2006-07	\$6,573	47.8%	77.9%	\$4,127	37.2%	\$4,127

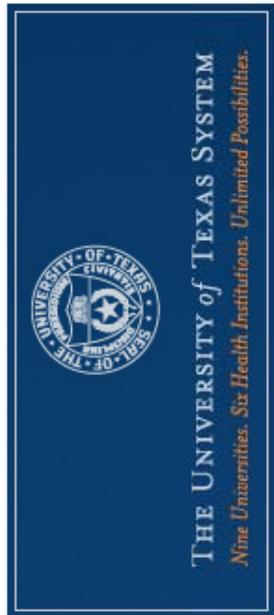
Cost transparency: Access and Affordability Web site: [www.utsystem.edu/affordability/](http://www.utsystem.edu/affordability/)



## Building Blocks of Success



3. U. T. System: Presentation of the Accountability and Performance Report for 2007-2008 and request to accept Report (cont.)



*Enhancing Student Success*

## Improving Graduation Rates

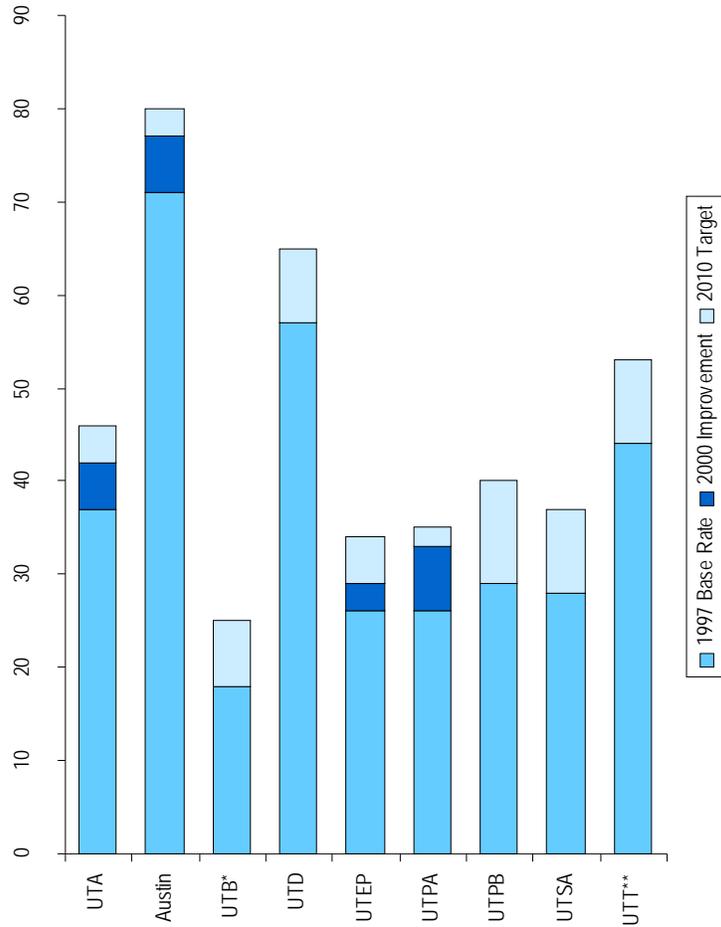
**FIRST-YEAR RETENTION RATES**  
(first-time, full-time, degree-seeking)

cohort	2001	2005	Change
UTA	65.6%	64.1%	-1.5
Austin	90.5%	92.1%	1.6
UTD	79.4%	79.9%	0.5
UTEP	64.3%	67.3%	3.0
UTPA	64.4%	72.1%	7.7
UTPB	61.2%	57.0%	-4.2
UTSA	60.0%	64.5%	4.5
UTT	60.5%	58.7%	-1.8

**FOUR-YEAR GRADUATION RATES FOR  
COMMUNITY COLLEGE TRANSFER STUDENTS**  
(with 30+ hours)

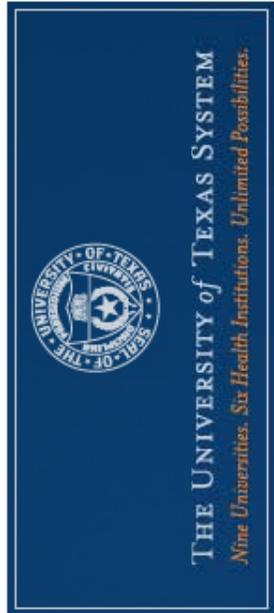
cohort	1999	2003	Change
UTA	51.8%	43.7%	-8.1
Austin	60.8%	70.4%	9.6
UTD	54.4%	61.8%	7.4
UTEP	42.3%	44.1%	1.8
UTPA	46.7%	57.2%	10.5
UTPB	47.4%	46.4%	-1.0
UTSA	44.5%	51.7%	7.2
UTT	53.9%	50.9%	-3.0

**PROGRESS TO SIX-YEAR GRADUATION RATE GOALS**

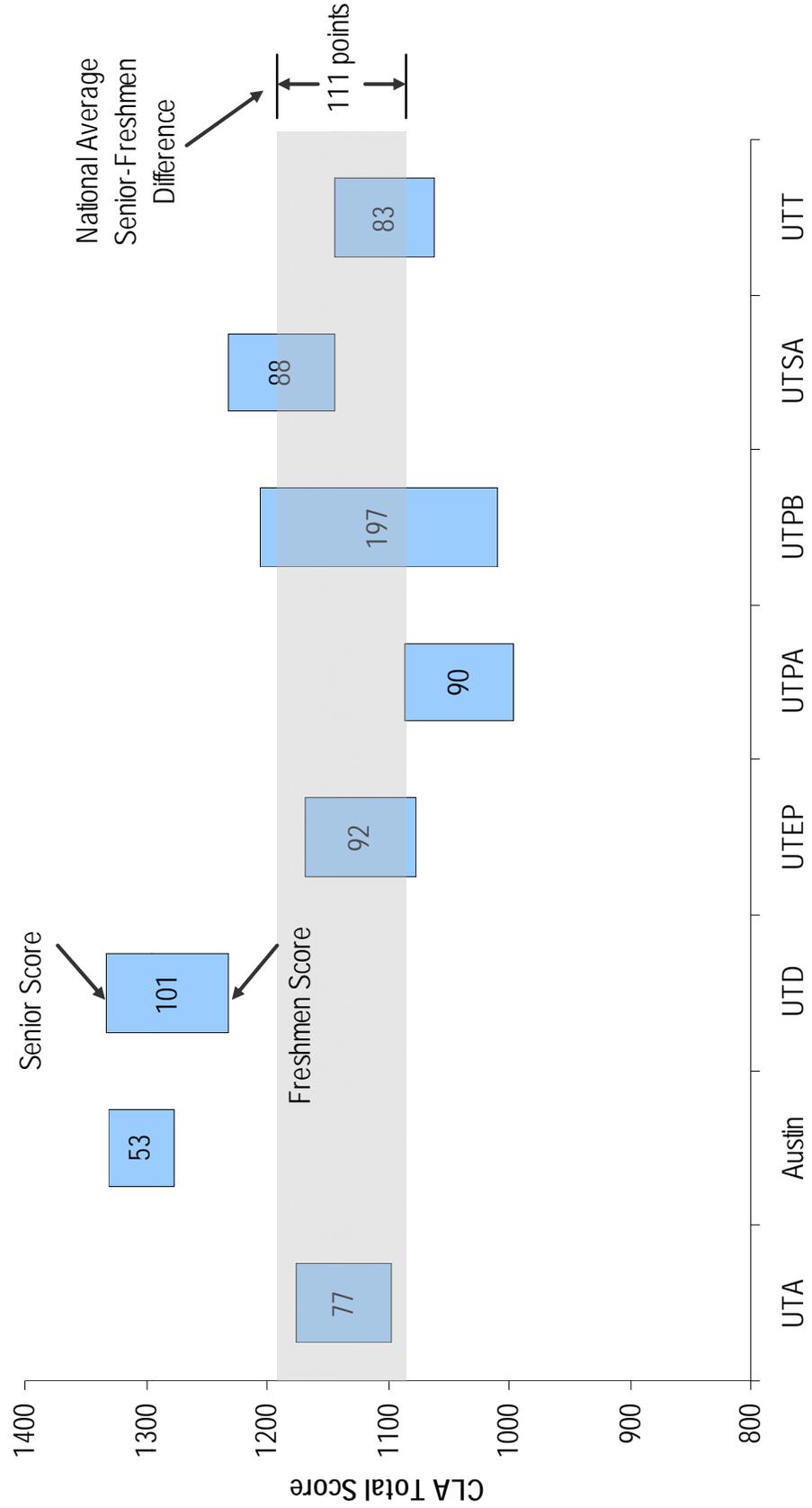


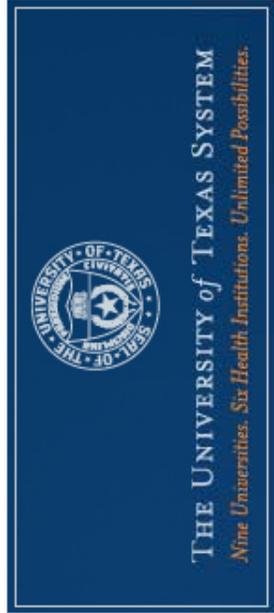
Notes: \*2000 used as base year      \*\*1998 used as base year

3. U. T. System: Presentation of the Accountability and Performance Report for 2007-2008 and request to accept Report (cont.)



## Assessing Learning Outcomes



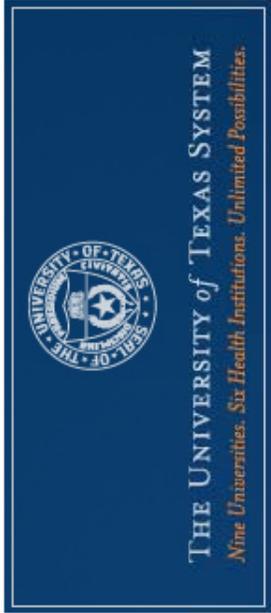


## Preparing for Careers of the Future

- Licensure exam pass rates for students at UT System institutions have increased to 90% or more in nursing, pharmacy, dentistry, and medicine
- Total Science, Technology, Engineering and Math degrees

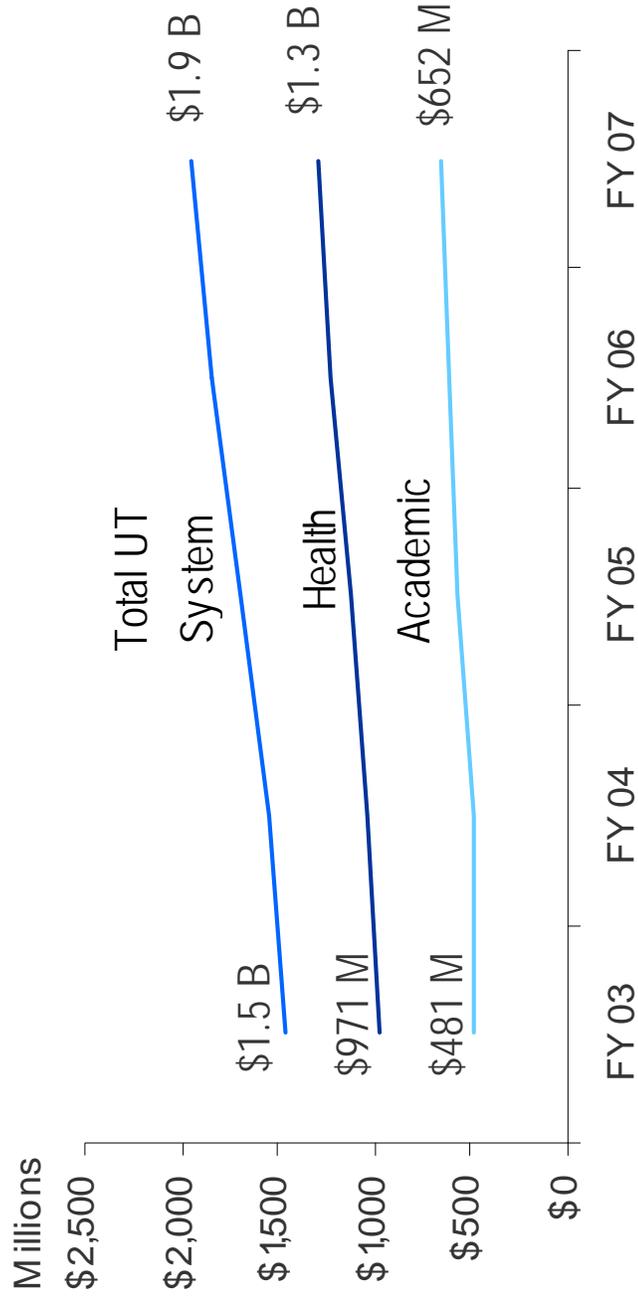
<u>UT System</u>	<u>Other Texas</u>	<u>U.S.</u>
23.8%	18.5%	18.7%

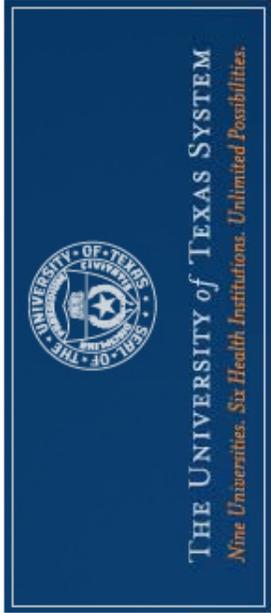
- Over 80% of graduates engaged in postgraduation employment or professional/graduate study



## Research Productivity is Increasing

- Total research expenditures neared \$2 billion in FY 2007
- 34% increase from 2003 to 2007

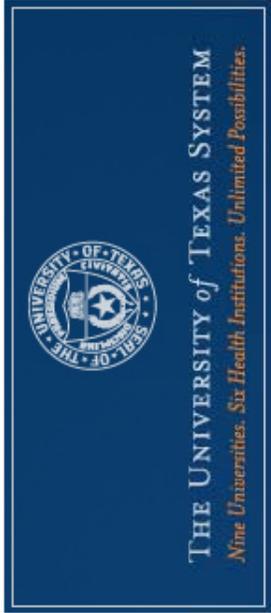




## Research Rankings are Moving Up

	Total R&D Expenditures (of 640 universities)		All TX Univ & Health Inst Research Exp Rankings	
	2002	2006	2002	2006
<b>Academic</b>				
UTA	225	203	13	15
Austin	33	33	2	1
UTD	189	171	11	13
UTEP	202	196	12	14
UTPA	374	327	0	0
UTSA	249	201	16	16
<b>Health</b>				
UTSWMC	44	48	3	5
UTMB	93	93	7	7
UTHSCH	86	97	5	6
UTHSCSA	92	103	6	8
UTMDA	45	28	4	4

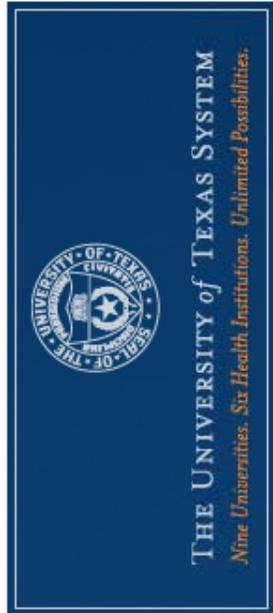
- Taken together, UT System is #1 in the country in R&D expenditures
- Individually, UT System institutions rank among top universities in the state and country in terms of R&D expenditures



## Progress in Technology Transfer

- The UT System is ranked
- 4th in patent awards
  - 1st in biotech patents
- The UT System received \$57.7 million in Emerging Technology Fund awards (71% of state total) in 2006 and 2007

UT SYSTEM TECHNOLOGY TRANSFER			
	FY 02	FY 06	% Change
New invention disclosures	481	655	36.2%
U.S. patents issued	103	117	13.6%
Licenses & options executed	97	186	91.8%
Start-up companies formed	16	14	-12.5%
Gross revenue from intellectual property	\$26.6 M	\$35.6 M	33.9%



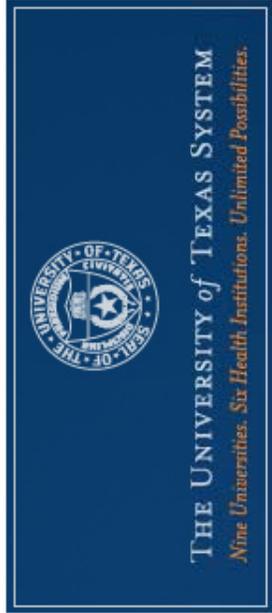
*Improving Health*

## Enrollment at UT Health Institutions Training Health Professionals

Strategic goal: prepare a diverse group of high-quality health professionals to adequately serve the needs of Texas

	Nursing (Master's & Doctoral)		Graduate		Professional (Medical & Dental)							
	2003	2007	2003	2007	2003	2007						
White	511	73.1%	530	60.4%	2,093	53.5%	2,143	44.2%	2,443	60.6%	2,403	55.5%
African-Am	48	6.9%	103	11.7%	203	5.2%	286	5.9%	179	4.4%	239	5.5%
Hispanic	73	10.4%	139	15.8%	504	12.9%	590	12.2%	579	14.4%	635	14.7%
Asian-Am	45	6.4%	62	7.1%	346	8.8%	412	8.5%	705	17.5%	802	18.5%
Native Am	6	0.9%	5	0.6%	23	0.6%	31	0.6%	16	0.4%	18	0.4%
International	4	0.6%	12	1.4%	613	15.7%	1,192	24.6%	29	0.7%	44	1.1%
Unknown	12	1.7%	27	3.1%	131	3.3%	191	3.9%	81	2.0%	181	4.2%
Total	699		878		3,913		4,845		4,032		4,327	

- UT System enrolls 66% of all underrepresented minorities in health-related professional degree programs in Texas.
- Total degrees awarded: 2,495 undergraduate  
2,556 graduate/professional



*Improving Health*

## Health Care by UT Health Institutions at State-Owned and Affiliated Facilities

	Hospital Days		Outpatient Visits	
	FY 02	FY 06	FY 02	FY 06
UTSWMC	411,288	438,519	2,064,987	1,693,209
UTMB	186,975	187,597	762,977	700,553
UTHSCH	312,359	298,753	671,891	840,831
UTHSCSA	202,000	291,454	834,000	840,031
UTMDA	137,207	157,537	471,728	927,414
UTHSCT	29,021	14,822	140,473	166,539
<b>Total</b>	<b>1,278,850</b>	<b>1,388,682</b>	<b>4,946,056</b>	<b>5,168,577</b>

Health care provided to the uninsured and underinsured:

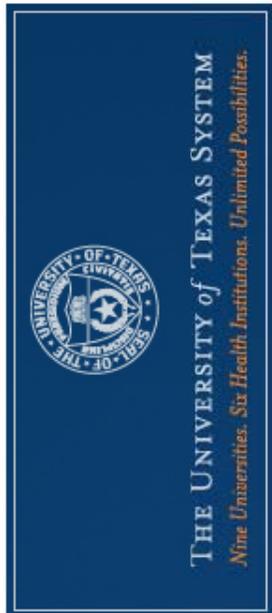
Faculty Physician Services: \$818.5 M  
UT System Hospitals: \$596.6 M

**Total: \$1.4 B**



## Tracking Productivity Improvements

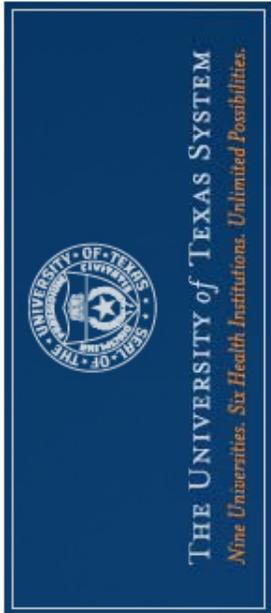
	2002-03		2006-07	
	# of small classes	% of total classes	# of small classes	% of total classes
UTA	138	2.7%	45	0.8%
Austin	521	4.8%	633	5.8%
UTB	124	7.5%	149	8.0%
UTD	314	12.1%	92	3.2%
UTEP	260	6.2%	101	2.3%
UTPA	401	10.7%	281	6.1%
UTPB	178	23.4%	72	7.8%
UTSA	179	4.4%	224	4.4%
UTT	177	11.2%	126	7.7%
Total	2,292	6.6%	1,723	4.5%
				SCH
				0.1%
				0.7%
				3.6%
				0.5%
				0.2%
				0.8%
				1.7%
				0.5%
				1.4%
				0.6%



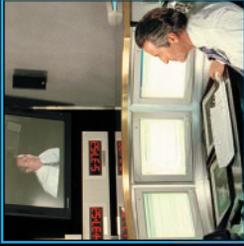
## Impact of Investments in Research Space

	FY 07		FY 03	
	Research E&G Sq. Ft.	Research expenditures per research E&G Sq. Ft.	Research E&G Sq. Ft.	Research expenditures per research E&G Sq. Ft.
<b>Academic</b>				
UTA	225,174	\$176	239,321	\$97
Austin	1,519,016	\$314	1,416,298	\$266
UTB	8,145	\$664	N/A	N/A
UTD	180,015	\$258	143,340	\$227
UTEP	164,856	\$255	152,739	\$182
UTPA	54,225	\$133	32,683	\$98
UTPB	11,392	\$145	7,956	\$141
UTSA	184,595	\$175	86,438	\$168
UTT	6,137	\$235	4,029	\$102
<b>Health</b>				
UTSWMC	690,800	\$494	629,103	\$442
UTMB	478,404	\$326	445,878	\$291
UTHSCH	404,398	\$474	368,535	\$413
UTHSCSA	523,151	\$280	399,232	\$299
UTMDA	741,242	\$600	485,193	\$582
UTHSCT	52,812	\$257	39,612	\$233

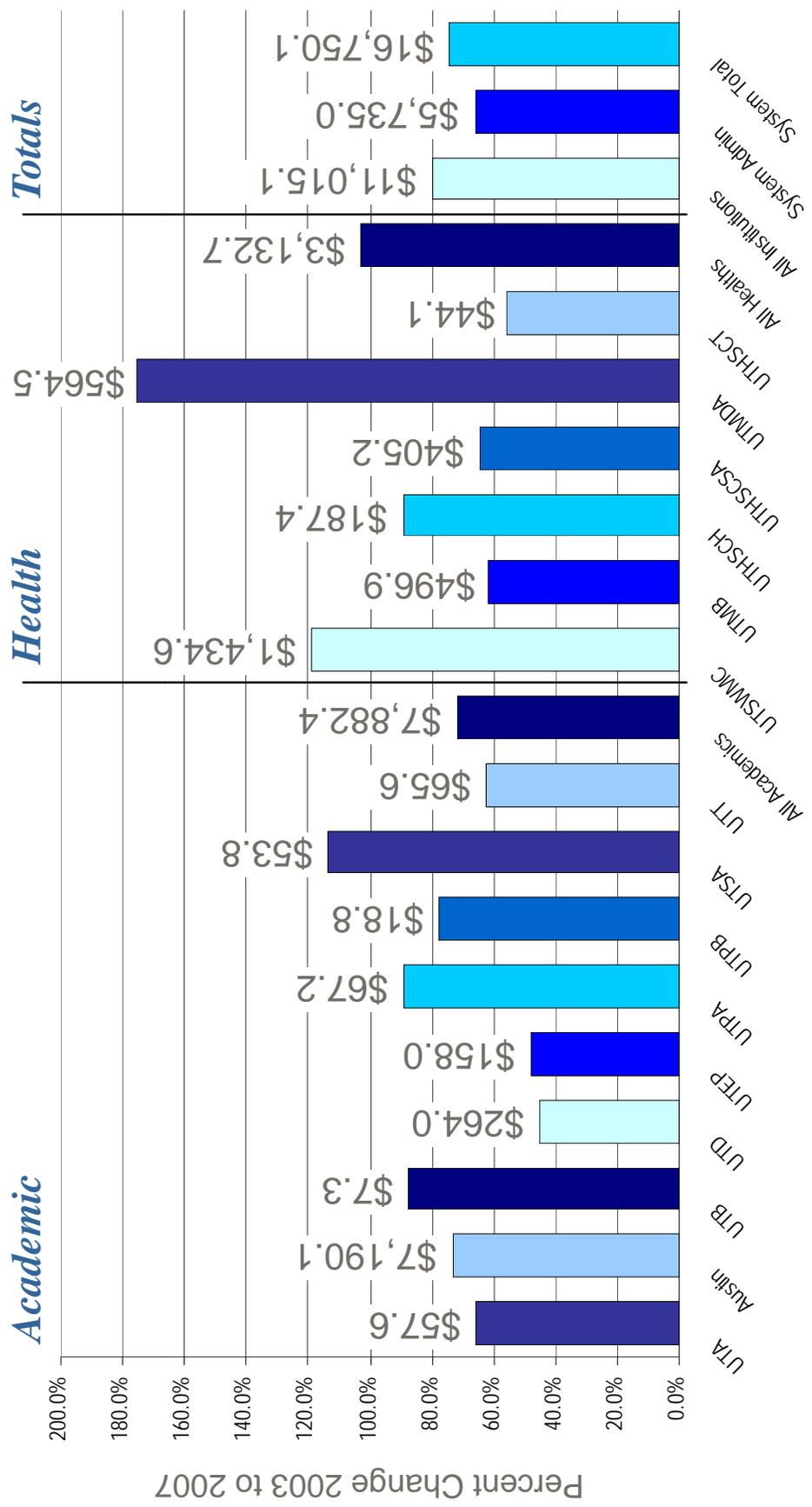
3. U. T. System: Presentation of the Accountability and Performance Report for 2007-2008 and request to accept Report (cont.)



*Productivity and Efficiency*



**Growth of Endowments**



Values as of 8/31/2007 (\$ in millions)

3. U. T. System: Presentation of the Accountability and Performance Report for 2007-2008 and request to accept Report (cont.)



For complete data sets, more extensive analysis, and information about U. T. System's accountability work and strategic priorities, visit:

[www.utsystem.edu/osm/accountability](http://www.utsystem.edu/osm/accountability)

# Endowment Compliance Initiative

Vice Chancellor Randa Safady



THE UNIVERSITY of TEXAS SYSTEM  
*Nine Universities. Six Health Institutions. Unlimited Possibilities.*

Board of Regents'  
Meeting  
May 2008



THE UNIVERSITY of TEXAS SYSTEM  
*Nine Universities. Six Health Institutions. Unlimited Possibilities.*

## Leading the Way

- Award-winning program implemented in 2001
- Innovative practice for higher education
- U. T. System out front of issues before recent federal and state scrutiny
- Program positions U. T. institutions to be accountable in an area of significant interest to donors and government:
  - Are we spending endowment distributions?
  - Are we spending distributions appropriately?

2



**THE UNIVERSITY of TEXAS SYSTEM**  
*New Universities. Six Health Institutions. Unlimited Possibilities.*

## Mission of the Program

- **Ensure compliance with applicable laws, policies and procedures and endowment agreements**
  
- **Stewardship of the public trust and of \$6.5 billion of endowed gift funds**

**Endowment Market Value (Billions):**

FY 2004	\$4.9
FY 2005	\$5.3
FY 2006	\$5.8
<b>FY 2007</b>	<b>\$6.5</b>

3



**THE UNIVERSITY of TEXAS SYSTEM**  
*New Universities. Six Health Institutions. Unlimited Possibilities.*

## Scope of the Program

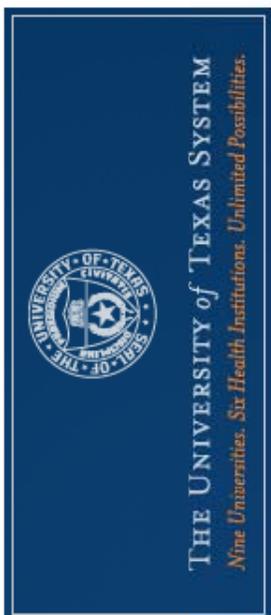
Fiscal Year	No. of Endowments	Market Value (Billions)	
<b>2007</b>	7,774	\$5.4	Held by BOR
	<u>842</u>	<u>\$1.1</u>	Held by Others
	<b>8,616</b>	<b>\$6.5</b>	<b>TOTAL</b>
<b>2006</b>	7,338	\$4.7	Held by BOR
	<u>818</u>	<u>\$1.1</u>	Held by Others
	<b>8,156</b>	<b>\$5.8</b>	<b>TOTAL</b>

- **FY 2007 saw a 6% increase in total number of endowments over previous year and a 12% increase in market value**
  
- **For BOR-held endowments, market value increase due to:**
  - 22% in new contributions
  - 78% in growth of the fund

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# Endowments as of 8/31/07



Institution	Total Board-Held Endowments	Total Held by External Trustees	% Increase in Total #	Total Market Value	Increase in Market Value Over FY2006	% Increase in Market Value Over FY2006
U. T. Arlington	307	2	7%	\$ 57,698,616	\$6,896,142	14%
U. T. Austin	4,003	369	4%	\$ 3,010,776,879	\$325,958,791	12%
U. T. Brownsville	66	0	20%	\$ 7,326,845	\$954,189	15%
U. T. Dallas	143	1	9%	\$ 265,774,860	\$27,863,521	12%
U. T. El Paso	492	1	3%	\$ 124,455,568	\$12,994,234	12%
U. T. Pan American	85	152	3%	\$ 59,860,735	\$1,172,052	2%
U. T. Permian Basin	92	1	7%	\$ 25,917,442	\$2,563,485	11%
U. T. San Antonio	257	0	13%	\$ 53,765,351	\$9,335,285	21%
U. T. Tyler	180	2	15%	\$ 66,789,361	\$7,528,900	13%
U. T. SWMC - Dallas	443	305	4%	\$ 1,125,959,139	\$153,903,047	16%
U. T. MB - Galveston	602	1	7%	\$ 997,843,663	\$61,257,843	7%
U. T. HSC - Houston	347	4	10%	\$ 155,727,606	\$23,978,670	18%
U. T. HSC - San Antonio	276	1	15%	\$ 137,962,301	\$31,451,835	30%
U. T. MDACC	346	0	5%	\$ 379,608,933	\$42,251,001	13%
U. T. HSC - Tyler	40	0	5%	\$ 10,604,051	\$1,588,817	18%
U. T. System	91	1	11%	\$ 41,501,093	\$4,670,237	13%
Multi-Institution	4	2	0%	\$ 12,144,014	\$1,336,318	12%
<b>Total</b>	<b>7,774</b>	<b>842</b>	<b>6%</b>	<b>\$ 6,533,716,456</b>	<b>\$715,704,368</b>	<b>12%</b>



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## Endowment Restrictions

•The 7,774 Board of Regents-held endowments as of 8/31/07 are restricted as follows:

#	Purpose	Market Value	Annual Distribution
3,518	Student Support	\$832.1 million	\$30.8 million
2,070	Academic Positions	\$2.1 billion	\$77.3 million
2,186	Program Support/Misc.	<u>\$2.5 billion</u>	<u>\$82.8 million</u>
<b>Total</b>		<b>\$5.4 billion</b>	<b>\$190.9 million</b>

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## Endowment Compliance Program Elements

- Risk assessment
- Monitoring plan
- Education and training
- Reporting to donors, Board of Regents, U. T. institution and U. T. System leadership

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**Four Primary Risks Monitored**

- Excessive accumulations
- Inappropriate expenditures
- No expenditures
- Unfilled endowed academic positions

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**Primary Risks Monitored:  
(1) Excessive Accumulations Findings**

- Excessive Accumulations
  - Accumulations of endowment earnings above the standard set by the institution
- Decreased from 25% to 14% over last 4 years
- Of the 2,890 endowments reviewed for FY2007, 14% (391) had accumulations above the respective institution's standard
- Of the 391 identified, 109 (4% of total reviewed) were determined to have no justifiable reason, with accumulations of \$4.4 million averaging 3.9 years
- Referred to Executive Vice Chancellor and President

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**Primary Risks Monitored:  
(2) Inappropriate Expenditures Findings**

- Inappropriate Expenditures
  - Endowment expenditures outside terms of endowment agreement, as defined by institutional Endowment Compliance Committee
- Decreased from 1.50% to .78% over last 4 years
- In FY2007, 9 institutions identified 22 endowments (< 1%) with \$231,034 in inappropriate expenditures
- To date, all have been resolved

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**Primary Risks Monitored:  
(3) No Expenditures Findings**

- No Expenditures
  - Endowments from which no funds have been expended during the reporting period
- Remained comparatively constant over last 4 years, but decreased from 20% to 15% since last year
- Of the 2,890 endowments reviewed for FY2007, 15% (433) had no expenditures
- Of the 433 identified, 83 (3% of total reviewed) were determined to have no justifiable reason, with accumulations of \$1.9 million
- Referred to Executive Vice Chancellor and President

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 <p>THE UNIVERSITY of TEXAS SYSTEM <i>New Universities. Six Health Institutions. Unlimited Possibilities.</i></p>	<h3>Primary Risks Monitored: (4) Unfilled Academic Positions Findings</h3>
<ul style="list-style-type: none"><li>• Unfilled Academic Positions<ul style="list-style-type: none"><li>▪ Endowed academic positions without a holder appointed</li></ul></li><li>• Decreased from 28% to 17% over last 4 years</li><li>• Of the 2,161 total academic positions for FY2007, 17% (369) had no holder as of 8/31/07, with accumulations of \$ 26.4 million and an average period unfilled of 32 consecutive months</li><li>• Referred to Executive Vice Chancellor and President</li></ul>	

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 <p>THE UNIVERSITY of TEXAS SYSTEM <i>New Universities. Six Health Institutions. Unlimited Possibilities.</i></p>	<h3>Challenges Addressed Since Last Report</h3>
<ul style="list-style-type: none"><li>• Lack of uniformity in establishing risk, monitoring and reporting criteria</li><li>• Lack of baseline data needed to establish U. T. System-wide standards and measure improvement<ul style="list-style-type: none"><li>▪ Collaborated with U. T. institutions to establish uniform criteria</li><li>▪ Required more specific data, including dollar amounts</li><li>▪ Required each institution to review annually a minimum number of endowments that proportionally represents its total population by type (scholarships, endowed academic positions, etc.)</li></ul></li></ul>	

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## Implementation Plan for Continuous Improvement

- U. T. System analyzes information and prepares a customized report for each campus
- Training is provided to those responsible for endowment compliance activities
- Each institution has an Endowment Compliance Committee composed of administrators, faculty and staff responsible for endowments

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## Funding for the Program

- Endowment compliance program costs money
- Board of Regents addressed cost issue by allowing each U. T. institution to take fee of up to .08% of the market value of its endowments
- FY2007 fee distributed 9/1/06 in the amount of \$2.7 million to be used for staffing, operations and reporting related to endowment compliance
- Board of Regents acknowledged endowment growth and the activities related to endowment management and administration with an increased fee beginning FY2008

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 <p>THE UNIVERSITY of TEXAS SYSTEM <i>New Universities. Six Health Institutions. Unlimited Possibilities.</i></p>	<h2>Program Goals</h2>
<ul style="list-style-type: none"><li>• Increase minimum number of endowments reviewed</li><li>• Develop database</li><li>• Improve tracking of progress at institutions</li><li>• Further define and refine uniform standards</li></ul>	

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 <p>THE UNIVERSITY of TEXAS SYSTEM <i>New Universities. Six Health Institutions. Unlimited Possibilities.</i></p>	<h2>Conclusions</h2>
<ul style="list-style-type: none"><li>• Contributions to new and existing endowments continue to increase</li><li>• With rebuilding of development operations and multiple capital campaigns on the horizon, this trend should continue</li><li>• Because U. T. institutions vary in size, structure, and maturity, the need exists to obtain uniform, quantifiable data related to the management and administration of endowments</li></ul>	

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## Conclusions, cont'd

- With continued emphasis on accountability, we must continue to refine our review and reporting processes
- With additional funding available to support endowment management and administration efforts, we expect compliance to continue in a positive trend

# Research and Technology Transfer

## Accountability Report

H. Keith McDowell, Ph.D.



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Board of Regents'  
Meeting  
May 2008



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## Overview

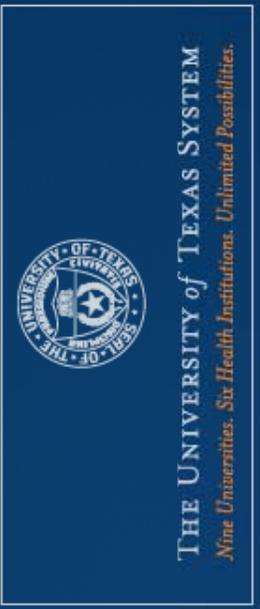
- Research
  - Research Expenditures
  - Market Share
  - National Rankings
  - Distinguished Faculty Awards
- Technology Transfer
  - Texas Emerging Technology Fund
  - Comparison of Technology Transfer Activities
  - Business Incubators
  - Texas Ignition Fund
  - National Rankings
- Research & Technology Transfer Initiatives

# RESEARCH

May 2008

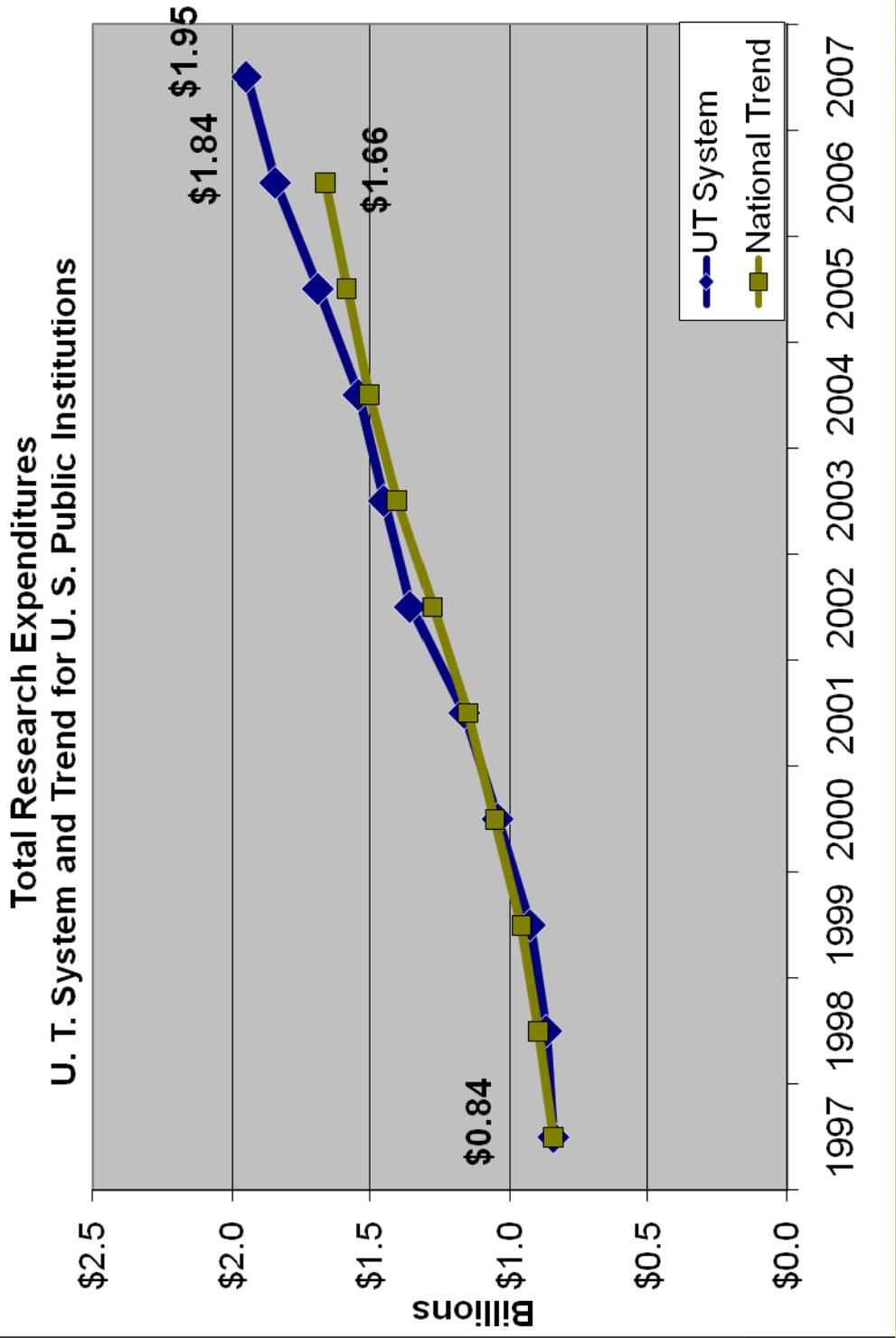


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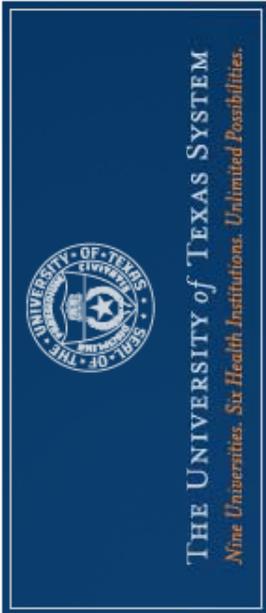
# Increases in Total Research Expenditures Are Higher Than the National Average

**FY 2006**  
**11%**  
**higher**  
**than the**  
**national**  
**average**

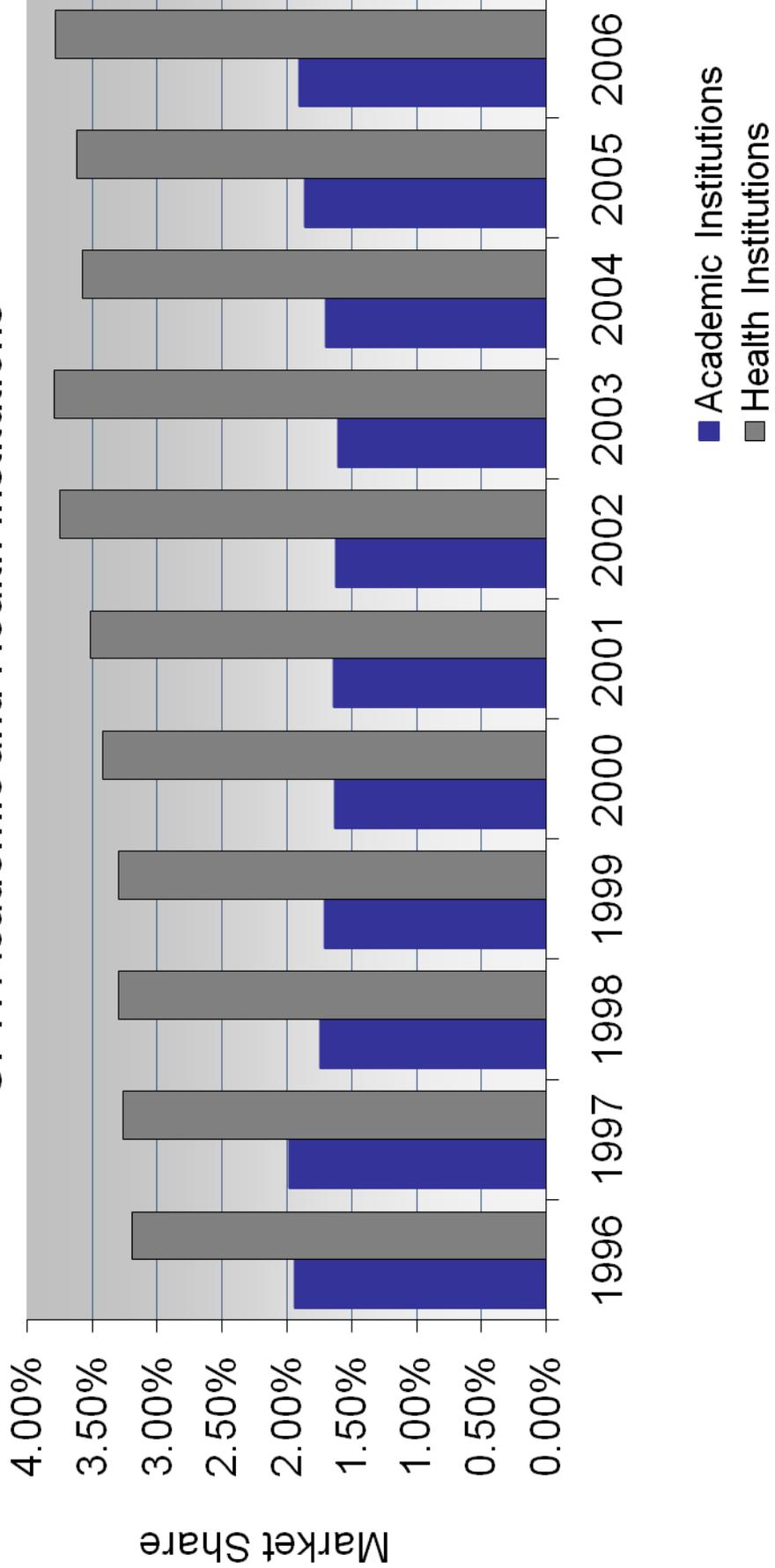


Note. The national trend is computed using equal starting points in 1997 and adding the average percentage increase in research expenditures for all U.S. public universities and colleges each year (NSF). The U. T. System line reflects actual data (THECB).

# Rising U. T. System Market Share of Total U.S. Public Institutions Research Expenditures



Market Share  
U. T. Academic and Health Institutions



Source: WebCASPASPAR database, National Science Foundation, Survey of Research and Development Expenditures at Universities and Colleges.

# Major Increases in National Rankings, Total Science & Engineering Research Expenditures 2002-2006



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Institution	Public Institutions		Public & Private Institutions	
	Change 02-06	2006 Rank	Change 02-06	2006 Rank
U. T. Arlington	15	146	21	203
U. T. Austin	0	21	0	33
U. T. Dallas	12	123	17	171
U. T. El Paso	6	139	5	196
U. T. Pan American	20	234	47	327
U. T. San Antonio	35	144	47	201
U. T. Southwestern Medical Center – Dallas	0	30	(4)	48
U. T. Medical Branch – Galveston	4	63	1	93
U. T. Health Science Center – Houston	(7)	67	(10)	97
U. T. Health Science Center - San Antonio	(8)	72	(10)	103
U. T. M. D. Anderson Cancer Center	13	18	17	28

Note. Parentheses indicate a decline in ranked position (to a higher number). Source: WebCASPAR database, National Science Foundation, Survey of Research and Development Expenditures at Universities and Colleges, accessed 3/6/08.



# Research Capacity: 7 Nobel Laureates



**Dr. Steven Weinberg**  
U. T. Austin  
Physics



**Dr. Russell Hulse**  
U. T. Dallas  
Physics



**Dr. Johann Deisenhofer**  
UTSWMC  
Chemistry



**Dr. Alfred Gilman**  
UTSWMC  
Physiology/Medicine



**Dr. Michael Brown**  
UTSWMC  
Physiology/Medicine



**Dr. Joseph Goldstein**  
UTSWMC  
Physiology/Medicine



**Dr. Ferid Murad**  
UTHSCH  
Physiology/Medicine



## Research Capacity: Distinguished Faculty Awards

Institution	NAS Members (Peer Average)	NAE Members (Peer Average)	IOM Members (Peer Average)
U. T. Austin	12 (31)	48 (19)	—
U. T. Dallas	2 (1)	1 (1)	—
UTSWMC	17 (29)	—	19 (31)
UTMB	—	—	4 (13)
UTHSCH	2 (19)	—	5 (18)
UTHSCSA	—	—	5 (8)
UTMDA	—	—	1 (14)
<b>U. T. System</b>	<b>33</b>	<b>49</b>	<b>34</b>

Source: U. T. System Accountability and Performance Report, 2008; peer comparisons: awards membership directories, accessed 3/08.  
 NAS: National Academy of Sciences; NAE: National Academy of Engineering; IOM: Institute of Medicine

# TECHNOLOGY TRANSFER

May 2008



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## Recipient or Partner in Over 2/3 of Texas Emerging Technology Fund Awards

A \$295M fund created to expedite the development and commercialization of new technologies and to recruit the best research talent in the world

Program	Total All TETF Awards	Awards Benefiting U. T. System Institutions	% Funds Benefiting U. T. System Institutions
Research Superiority	\$35.0M	\$19.8M	56%
Commercialization	\$39.6M	\$32.9M	83%
Research Matching	\$34.4M	\$21.5M	63%
<b>Total</b>	<b>\$109.0M</b>	<b>\$74.2M</b>	<b>68%</b>

Source: Texas Governor's Office, as of 3/1/08; only includes awards with signed contracts

## EXAMPLE: Emerging Technology Fund Research Superiority Awards to the U. T. System



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- U. T. Tyler received \$3.75M to establish **TxAIRE**, the Texas Allergy, Indoor Environment and Energy Institute.
- World-renowned researcher **Dr. Jan Sundell** is leading the effort to study indoor air quality as executive director of TxAIRE.



## EXAMPLES: Emerging Technology Fund Commercialization Awards to the U. T. System

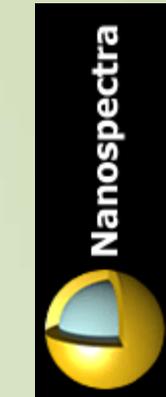
A sample of the 31 companies with U. T. System affiliations and \$33M in commercialization commitments from the ETF:



DNATRIX

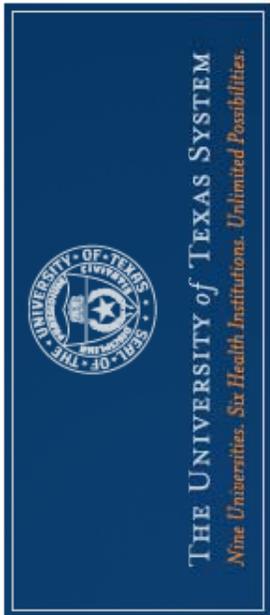


END♥THELIX



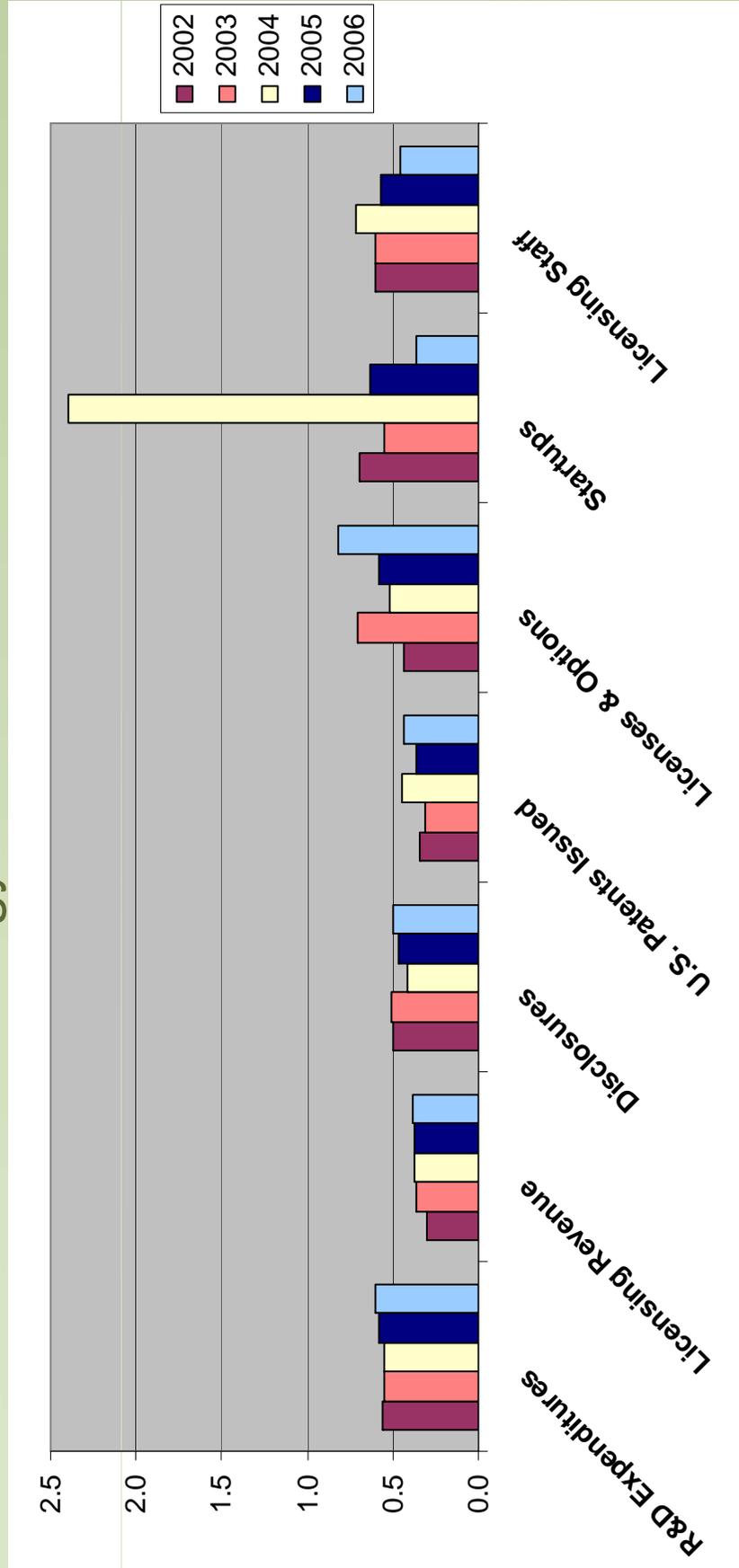
VISUALASE® INC.



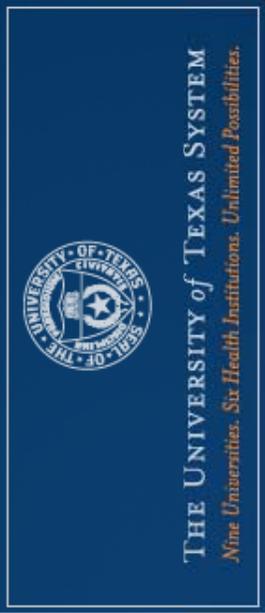


## Technology Transfer Activities: Areas of Improvement Needed When Compared to the University of California System

Ratio of U. T. System to U. C. System  
Technology Transfer Activities



Source: AUTM STATT Data Warehouse, accessed 3/5/08.



## Business Incubators: Startups from University and Non-University IP

### Over 250 companies supported by affiliated business incubators

Arlington Technology Incubator

STARTech

Arlington Business Accelerator

Rapid Response Manufacturing  
Center (RRMC)

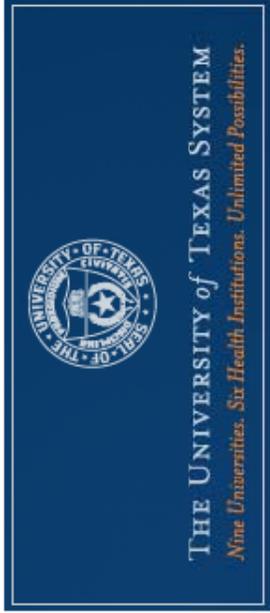
Arlington Entrepreneurship Center

San Antonio Technology Accelerator  
Initiative (SATAI)

Austin Technology Incubator

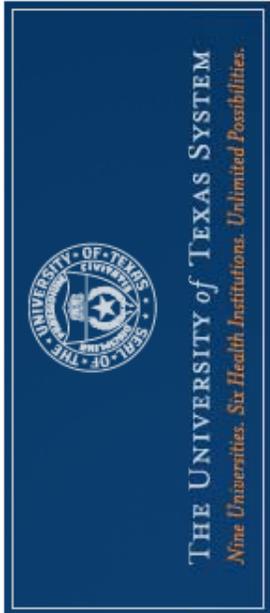
UTMB Technology Transfer  
Incubator

International Technology, Education,  
& Commerce Campus (ITECC)



## Texas Ignition Fund Supports Early Stage Development

- Pre-seed funding to bridge the “valley of death” between idea and product
- \$2M total, \$50K awards
- 1<sup>st</sup> Round Awards announced April 1, 2008
  - 16 proposals
  - 7 institutions
  - 14 awards
  - \$465K awarded; \$1.535M remaining
- 2<sup>nd</sup> Round Awards will be announced  
June 2, 2008



# U. T. System Rankings: Technology Transfer



**Mind to Market: A Global Analysis of  
University Biotechnology Transfer  
and Commercialization**  
September 2006

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by Ross DeVol and Armen Bedrossian  
Anna Babayan, Meggy Frye, Daniela Murphy,  
Thomas J. Phillipson, Lorna Wallace,  
Perry Wong and Benjamin Yeo

- **1<sup>st</sup> in the world** in number of biotech patents
- **5 U. T. institutions** rank in the top 100 on the Milken Institute **Technology Transfer & Commercialization Index**
  - U. T. Austin, UTSWMC, UTHSCSA, UTMB and UTHSCH



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## Office of Research & Technology Transfer Initiatives

### Promoting a culture of innovation and entrepreneurship

- Key Collaborative Research Initiatives
  - New AVC for Research and Sponsored Projects
  - Sandia research peer review and research collaborations
  - Research Collaborations Initiative
  - Texas Alliance for Nanotechnology (TxAN)
- Key initiatives in technology transfer
  - *Ignite Texas!* Initiative
  - *Ideas on Fire* Lecture Series
  - Technology transfer data management system and data standards

# OFFICE OF RESEARCH AND TECHNOLOGY TRANSFER

*Promoting a culture of  
innovation and entrepreneurship*



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May 2008

2. U. T. System: Report on the System-wide internal audit activities and Internal Audit Department report for U. T. Tyler

**U. T. Tyler Office of Audit Services**

Audit, Compliance, and Management Review Committee

Presenter: Ms. Kathy Kapka, Director of Audit Services

May 2008



The University of Texas  
at Tyler



Internal Audit Committee

- Dr. Rod Mabry, President
- Dr. Rick Osburn, Vice President Academic Affairs/Provost
- Mr. Gregg Lassen, Vice President Business Affairs and Internal Audit Committee Chairman
- Dr. Howard Patterson, Vice President Student Affairs
- Dr. Sheri Whatley, Associate Vice President and Chief Information Officer
- Ms. Mary Barr, Director of Compliance
- Mr. Gary Penkilo, Officer; Henry & Peters, PC
- The IAC meets three or four times per year

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2. U. T. System: Report on the System-wide internal audit activities and Internal Audit Department report for U. T. Tyler (cont.)



### Internal Audit Department Staffing

- **Director/ Chief Audit Executive:**  
Kathryn W. Kapka, CPA, CIA, CGAP, CCSA, MBA
- **Audit Supervisor:** Lou Ann Viergever, CPA, CIA
- **Staff Auditor:** Ingrid Frazier

- Provided 2,322 audit hours
- Completed 97.7% of the priority audits
- Issued 16 audit/project reports for FY 2007

3



### Internal Audit Reporting Structure

- Director reports directly to the President  
(President supports the audit function and is accessible to the Director.)
- Each area of executive management is represented on the Institutional Audit Committee
- Director also serves on
  - Compliance Working Group
  - PeopleSoft Steering Committee
  - Southern Association of Colleges and Schools (SACS) Financial Committee

4

2. U. T. System: Report on the System-wide internal audit activities and Internal Audit Department report for U. T. Tyler (cont.)



## High Risk Areas to be Audited in FY 2008

- **Tier 1 (institutional) high risk areas**
  - Campus Security
  - Procurement Card
  - Endowment Compliance
- **IT high risk area**
  - Academic Local Area Networks
- **Other Tier 2 high risk areas**
  - Health Clinic (combined effort with UTHSC-Tyler)
  - Federal Awards Compliance Review
  - Course Availability and Scheduling

5



## Peer Review

- **Most recent peer review - August 2005**
  - No corrective action required
  - Two best practices recommendations implemented promptly
- **Next peer review - Summer 2008**

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3. U. T. Tyler: Report on Institutional Compliance Program

## U. T. Tyler Compliance Program

Audit, Compliance, and Management Review  
Committee

Presenter: Ms. Mary Barr, Director of Compliance

May 2008



The University of Texas  
at Tyler



### Executive Compliance Committee

Executive Compliance Committee members:

- Dr. Rodney Mabry, President and Chair
- Dr. Rick Osburn, Vice President for Academic Affairs and Provost
- Mr. Gregg Lassen, Vice President for Business Affairs

➤ Meets quarterly

2

3. U. T. Tyler: Report on Institutional Compliance Program (cont.)



## Compliance Working Groups and Subcommittee

- **Compliance Working Groups**
  - Includes all high risk area responsible parties (19 members total)
  - Chaired by Compliance Officer who is also on Executive Compliance Committee
  - Meets monthly
  - Reviews new monitoring plans and makes recommendations to enhance plans
  - Individual responsible parties report to this group on monitoring activities, exceptions, problems encountered, etc.
  
- **Endowment Compliance Subcommittee**
  - Meets quarterly

3



## High Risk Areas

- Lab Safety and Hazardous Material
- Course Availability and Scheduling
- Undergraduate Program Development
- Grant Administration
- Academic and Local Networks
- Financial Aid
- Campus Safety and Security
- Social Security Number Protection

4



## High Risk Areas (cont.)

- Business Continuity Plan
- Faculty Tenure and Productivity
- International Studies
- Graduate Studies
- Fraternities and Sororities
- Health Clinic
- Internal Financial Controls
- Student Housing
- Endowment Management

5



## General Compliance Training

- Required of new employees within 60 days of employment and existing employees every other year
- Online Training Post for new and existing employees
- Completion rate – 84% for second quarter ending February 28, 2008 for scheduled employees

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3. U. T. Tyler: Report on Institutional Compliance Program (cont.)

	<h2>General Compliance Training Courses</h2>
<ul style="list-style-type: none"><li>• Introduction to U. T. System Compliance Training</li><li>• Confidential Information, Accuracy of Records, and Retention and Disposal</li><li>• Contacts with the Media, Government, and Outside Investigators</li><li>• Fraud, Errors and Omissions – Outside Employment and Financial Interests</li><li>• Sexual Harassment and Misconduct, and Drug-free Workplace</li><li>• EEO, Overtime Compensation, Exempt and Non-exempt Time-keeping and FMLA</li><li>• Use of State Property: Computers – Security and Use, and Internet Policy</li></ul> <p style="text-align: right;">7</p>	

	<h2>General Compliance Training Courses (cont.)</h2>
<ul style="list-style-type: none"><li>• Copyright and Intellectual Property</li><li>• Contracts and Agreements, and Purchasing</li><li>• Political Activities and Contributions, Gifts and Gratuities</li><li>• Effectively Controlling Risk</li><li>• Hazardous Communications – Your Right to Know</li><li>• Protecting the Confidentiality of Social Security Numbers</li><li>• Endowment Compliance (<i>Job Specific Only</i>)</li><li>• Time and Effort Certification (<i>Job Specific Only</i>)</li></ul> <p style="text-align: right;">8</p>	

	<h2>Triage Process – Reports of Non-Compliance</h2>
<ul style="list-style-type: none"><li>• U. T. Tyler utilizes two confidential reporting mechanisms – an anonymous hotline number and a post office box<ul style="list-style-type: none"><li>• Reports are handled by a triage team<ul style="list-style-type: none"><li>• Director of Compliance</li><li>• Director of Audit Services</li><li>• Associate Vice President and Chief Information Officer</li></ul></li><li>• All confidential reports have been successfully resolved</li></ul></li></ul>	

4. U. T. Dallas: Report on the Institutional Compliance Program

**U. T. Dallas Compliance Program**  
Audit, Compliance, and Management Review Committee  
Presenter: Ms. Toni Messer, Director of Audit and Compliance  
May 2008



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## Executive Compliance Committee

**Members**

- Dr. David Daniel, President and Chair
- Dr. Hobson Wildenthal, Executive Vice President and Provost
- Dr. Calvin Jamison, Vice President for Business Affairs
- Dr. James Gary, Vice President for Information Resources
- Dr. Darrelene Rachavong, Vice President for Student Affairs
- Dr. Hasan Pirkul, Dean of the School of Management
- Mrs. Jody Nelsen, Associate Vice President for Business Affairs

**Ex Officio**

- Toni Messer, Director of Audit and Compliance
- Meeoak Cho, Compliance Manager
- U. T. System Compliance Liaison

- Committee meets quarterly to discuss compliance program, high-risk areas, inspections, new risks, instances of non-compliance, etc.

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## Compliance Subcommittees

- Each compliance subcommittee is comprised of various faculty and staff, including persons responsible for high-risk areas.
  - Meets quarterly
- High-risk area subcommittees:
  - Endowment Compliance
  - Family Educational Rights and Privacy Act (FERPA)
  - Information Security Coordinators
  - Institutional Review Board (Human Subjects)
  - Safety Committee [Environmental Health & Safety (EH&S) topics and Campus Security]

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## Top High Risk Areas

1. Information Technology Security
2. HIPAA Security (Callier Center Health Information)
3. FERPA (Student Information)
4. EH&S – *various areas*
5. Time & Effort Reporting (for researcher's salary)
6. Cash Handling
7. Segregation of Duties and Account Reconciliations

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## General Compliance Training

- Required **annually** for all new and existing benefits-eligible employees.
- New employee orientations are in a classroom setting and held every two weeks. Teaching and research assistants receive live training each fall and spring semester.
- Effective March 2008, moved from Training Post to **WebCT** for general compliance training.
- Fiscal year 2007 completion rate – **92%**.
- High-risk area responsible persons and employee supervisors determine which employees should receive job-specific training.

5

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## General Compliance Training (cont.)

**Required Training FY 2008**

- ✓ Workplace Health and Safety
- ✓ Computer Security and Use
- ✓ Contact with Media, Government, and Outside Investigators
- ✓ Contracts and Agreements
- ✓ FERPA
- ✓ Effectively Controlling Risk
- ✓ Standards of Conduct
- ✓ Property Inventory

***Determined by  
Compliance Committee  
at the suggestion of the  
Compliance  
Subcommittee***

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4. U. T. Dallas: Report on the Institutional Compliance Program (cont.)



## General Compliance Training (cont.)

### Other Training Offered

- Introduction to the UTD Institutional Compliance Program
- Copyright & Intellectual Property
- Conflicts of Interest
- Drug-Free Workplace
- Retention & Disposal of Records
- Sexual Harassment & EEO Compliance
- Texas Hazard Communication

### *Job-specific training based on requests from supervisors and high-risk area responsible persons*

- Principal Investigator Research Training
- Academic Grievance & Appeal Process
- Cash Handling
- Financial Oversight of Sponsored Projects
- HIPAA (Privacy and/or Security)
- Human Subjects in Research
- Petty Cash Funds
- Purchasing Cardholder Training
- Purchasing Cardholder Training for Supervisors
- Scholastic Dishonesty

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## Triage Process - Reports of Non Compliance - **HOTLINE**

- UTD utilizes an anonymous hotline number, managed by The Network.
- Reports are handled by a triage team:
  - Director of Audit and Compliance
  - Associate Vice President for Business Affairs
  - Assistant Vice President of Human Resources Management
  - Associate Provost
  - Compliance Manager
- All confidential reports have been successfully resolved.

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## Inspections

- Conducted 10 inspections of high-risk areas during FY 2007 and five during FY 2008 to date.
- Work with Office of Internal Audit to ensure that **all high-risk areas** have some form of assurance activity each year.

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## Accomplishments and Goals for FY 2008

- ✓ Successful Migration to WebCT from Training Post
- ✓ Standards of Conduct Guide and Training
  - Management Responsibilities Handbook and Training
  - Departmental Reviews & Training
  - Compliance Manual

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5. U. T. System: Report on System-wide Institutional Compliance Activities, including System-wide Information Security

<b>Number:</b>	<b>Security Practice Bulletin #2 (SPB-2)</b>
<b>Title:</b>	<b>Baseline Standard for Information Security Programs</b>
<b>Date:</b>	February 1, 2008
<b>Purpose:</b>	<p>Each Entity of the University of Texas System is charged with establishing and maintaining a standards and risk based Information Security Program (Security Program) that:</p> <ul style="list-style-type: none"> <li>• secures the information assets under its stewardship against unauthorized use, disclosure, modification, damage or loss to reduce risk to acceptable levels;</li> <li>• is documented and verifiable; and</li> <li>• meets regulatory compliance requirements applicable to the Entity.</li> </ul> <p>This bulletin identifies essential components to be included in each Entity's Security Program.</p>
<b>Definitions:</b>	<b>Chief Administrative Officer:</b> The highest ranking executive officer at each Entity. For most Entities, this is the President
<b>Rationale:</b>	<p>U. T. System Information Resources are to be protected based on risk and must be administered in conformance with federal and state law and The University of Texas System Regents' Rules.</p> <p>This Baseline Standard Security Program is the result of an analysis of state, federal and international standards for information security programs and the unique characteristics of the higher education environment. Program elements are specified to ensure that each Entity's Security Program is sufficient in scope to include the functions and activities recognized by standards bodies as being necessary to be effective. Metrics are specified to measure program implementation scope and effectiveness. Reporting requirements are established to ensure adequate information is provided for compliance oversight and to inform executive management regarding the status and effectiveness of programs.</p>
<b>Expectations:</b>	<ol style="list-style-type: none"> <li>1. Each Entity of the U. T. System must establish and maintain a Security Program that includes appropriate protections, based on risk, for all Information Resources owned, leased, or under the custodianship, including outsourced resources, of any department, operating unit, or employee of the Entity.</li> <li>2. Each Entity must conduct risk assessments that identify the Information Resources, the level of risk associated with the Information Resources and the vulnerabilities, if any, to the Entity's information security environment. Mission Critical and other High Risk<sup>1</sup> Information Resources are to be assessed annually. Lower risk Information Resources are to be assessed biannually.</li> <li>3. Each Security Program must be documented and include the following: <ul style="list-style-type: none"> <li>• The Security Program elements included in this bulletin as prioritized and documented by the Entity based on risk (See Document 1 below),</li> <li>• Documented strategies to address the elements of the Security Program,</li> <li>• The Security Program Metrics specified in this bulletin to be reported to U. T. System at intervals as indicated in this bulletin (See Document 2 below).</li> <li>• Documented action plans, training plans, and monitoring plans,</li> <li>• Reports and timelines (See Document 3 below) <ul style="list-style-type: none"> <li>○ Quarterly Information Security Program Status reports submitted to the U. T. System CISO</li> <li>○ Annual Status Report submitted to the Chief Administrative Officer and copied to the, Entity's CIO and Compliance Officer and the U. T. System CISO by October 31<sup>st</sup> following close of the previous fiscal year.</li> </ul> </li> </ul> </li> <li>4. Each Entity must collect required metrics data in ways that are documented and verifiable. An</li> </ol>

<sup>1</sup> Texas Administrative Code (TAC) Part 1 Part 10 Chapter 202 Subchapter C Rule 202.72 (a)(1)

5. U. T. System: Report on System-wide Institutional Compliance Activities, including System-wide Information Security (cont.)

	<p>explanation and a plan for meeting the reporting requirement must be provided for any metric for which data cannot be collected.</p> <ol style="list-style-type: none"> <li>5. The Entity's Chief Administrative Officer or his or her designated representative(s) must formally approve the Security Program.</li> <li>6. The Entity's CISO or ISO will administer the Entity's Information Security Program with cooperation of organizational units within the Entity that may hold functional responsibility relating to specific program elements.</li> </ol>
<p><b>Exceptions:</b></p>	<p>There are no exceptions to the establishment and maintenance of an Entity's Security Program. It is recognized that gaps may exist between Program elements and an Entity's Program as deployed. Gaps are to be explained and documented in the Security Program document(s) submitted to the Chief Administrative Officer for approval. Gaps are to be addressed, based on risk, as soon as practical.</p> <p>Intra-Entity Exceptions: Circumstances within a specific organizational unit(s) within an Entity may require an exception to specific elements of the program. These must be documented and justified by the Owner of the Information Resource and the Entity's CISO or ISO.</p>
<p><b>Documents:</b></p>	<ol style="list-style-type: none"> <li>1. U. T. System Information Security Program Elements</li> <li>2. U. T. System Information Security Program Metrics</li> <li>3. U. T. System Quarterly Information Security Program Report Template</li> </ol>

5. U. T. System: Report on System-wide Institutional Compliance Activities, including System-wide Information Security (cont.)

**The University of Texas System  
Institutional Compliance Program Report Summary  
Second Quarter, Fiscal Year 2008**

**Background**

The University of Texas (U. T.) System-wide Institutional Compliance Program (Program) was established in 1998 to ensure that the entire U. T. System, including its 15 institutions, System Administration, and UTIMCO, operates in compliance with all applicable laws, policies, and regulations governing higher education institutions. The responsibilities for the Program are outlined in the *Action Plan to Ensure Institutional Compliance* (Action Plan) approved by the Board of Regents in 1998 and updated in 2003. The Action Plan delegates to the System-wide Compliance Officer the responsibility for apprising the Chancellor and the Board of Regents of the compliance programs and activities at System Administration and at each of the institutions. The System-wide Compliance Officer position is currently held by Mr. Charles G. Chaffin, who has the additional responsibility of serving as the Chief Audit Executive. In an effort to place a concentrated focus on institutional compliance activities, a decision was made to hire a full-time compliance officer to oversee System-wide compliance activities. A search committee has been formed and applications are being received to fill the position.

**System-wide Program Activity**

During the second quarter of fiscal year (FY) 2008, the System-wide program focused its efforts in the following areas:

- 1. Facilitating the sharing of best practices by coordinating the activities of the Institutional Compliance Advisory Council (ICAC) and standing committees.**

The ICAC is a self-governing body comprised of the compliance officer and key compliance staff of each U. T. System institution which meets quarterly. During the second quarter of FY 2008, the ICAC met to review and approve various policies developed by the ICAC standing committees.

The four standing committees of the ICAC include the Peer Review and Assurance, Risk Identification and Management, Training and Education, and Reporting committees. The committees have vetted and submitted for overall ICAC approval policies on formal standards for conducting peer reviews of institutional compliance programs, the responsibility of various stakeholders at each U.T. System institution for the management of institution critical compliance risks, compliance office responsibilities in regards to compliance training, and minimum compliance reporting expectations within the institution, between the institution and the System-wide Compliance office, and with the Board of Regents. Formal ICAC approval of the policies is expected next quarter.

- 2. Conducting institutional compliance program inspections.**

The System-wide Compliance Office is conducting on-site inspections of the compliance programs to evaluate the effectiveness of several key program elements: General Compliance Training, Standards of Conduct Guides, and Hotline Activity Reporting. In

5. U. T. System: Report on System-wide Institutional Compliance Activities, including System-wide Information Security (cont.)

In addition, inspections include a review of the institution's risk assessment and monitoring processes and reporting practices. Recommendations from these inspections enhance the institution's compliance program.

During the second quarter of FY 2008, inspections were conducted at the U. T. Health Science Center – Houston, U. T. Austin and U. T. Pan American. Overall, the inspections revealed that the institutions have done well in conducting general compliance training, maintaining, and updating a detailed Standards of Conduct Guide, and managing and resolving hotline calls in a timely manner. Identified opportunities for improvement include ensuring that risk management plans are in place for all institutionally significant risks and that responsible party monitoring and compliance office-driven assurance activities are performed regularly. The U. T. Health Science Center – Houston was commended for their monitoring activities checklist and Compliance Office self-assessments while U. T. Austin was recognized for their executive commitment to identifying institutionally significant compliance risks.

First Quarter Inspections: U. T. Medical Branch, U. T. Health Science Center – San Antonio, and U. T. San Antonio.

Planned Third Quarter Inspections: U. T. Arlington, U. T. Permian Basin, U. T. Dallas, U. T. Tyler.

**3. Coordinating the System-wide information security initiative.**

During the quarter, the Chief Information Security Officer published *Information Security Bulletin #2 - Baseline Standard for Information Security Programs* and coordinated its distribution to all U. T. institutions. This bulletin defines the specific elements, metrics, and reporting requirements for institutional information security programs. As part of the reporting requirements, each institution must submit a quarterly program status and metrics report to the U. T. System Compliance – Information Security Office. Initial reports were received on February 29, 2008.

Specialized training for information security professionals continues to be a priority. To that end, the U. T. System has entered into a contract with the SANS Institute to provide training for staff at each institution that are responsible for information security duties in decentralized departments. In addition, progress was made in the management of security features for U. T. System technology. Nine proposals for configuration management software were received and are under review by a working group of security, IT, and audit professionals from across the U. T. System. The group will meet to identify a short list of vendors for further analysis. Finally, initial testing of a web-based program for performing IT risk assessments was completed. The program is being modified to streamline the sign-on process to make it more user-friendly for distribution to the institutions.

**4. Other activities during the quarter included:**

- Attending executive compliance committee meetings at a majority of the institutions
- Participating in the medical billing high-risk area advisory group

## 5. U. T. System: Report on System-wide Institutional Compliance Activities, including System-wide Information Security (cont.)

- Reviewing organizational structures and methods for implementing compliance programs at a system level with the newly appointed compliance officer at the University of California System
- Planning and coordinating for the Sixth Conference for Effective Compliance Systems in Higher Education
- Identifying and highlighting emerging compliance issues through *In the News* email publication

### **Institutional Program Activity**<sup>1</sup>

The following is a summary of institutional progress in implementing these elements of an effective compliance program, as outlined in the U. T. System Action Plan:

#### **Executive Compliance Committees**

Each institution has an Executive Compliance Committee (ECC) that meets at least quarterly to oversee their institutional compliance program. Quarterly meetings were held this quarter at each institution, with the exception of U. T. Austin and U. T. Health Science Center – Houston, who continue to hold monthly meetings. During the period, System-wide Compliance Office liaisons attended ECC meetings at U. T. Austin, U. T. Brownsville, U. T. Dallas, U. T. San Antonio, U. T. Southwestern Medical Center, U. T. HSC – Houston, U. T. HSC – San Antonio, and U. T. System Administration in order to support the compliance officers in enhancing the role of the ECC.

#### **Risk Assessments**

ECC's review their institution's identified compliance risks and approve the designation of "institutionally significant" compliance risks – risks that, if realized, would have a significant impact on the ability to achieve the goals and objectives of the institution. Most institutions have identified between eight and fifteen institutionally-significant areas of high risk, with multiple high-risk exposures contained within those areas. During the quarter, the following high-risk areas were addressed: Information Security, Athletics, Conflicts of Interest, Endowments, Environmental Health & Safety, Student Privacy, Construction Procurement, Research Time and Effort, Medical Billing, Clinical Trials Billing, Human Subjects Research, Animal Care, Patient Privacy, Select Agents, and Investments.

#### **Training and Awareness**

General compliance training is conducted using a variety of formats including online, classroom, and written materials. Employees are typically scheduled to receive general compliance training during new employee orientation and thereafter, refresher training is provided on either an annual or a biannual basis. All institutions provide a Standards of Conduct guide to new employees, utilizing either an electronic or written delivery method. During the quarter, compliance officers have been effective at ensuring that General Compliance Training and Standards of Conduct guides are delivered to the appropriate personnel in a timely manner.

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<sup>1</sup> Details regarding activities at the institutional level are published in the *Institutional Compliance Program 2<sup>nd</sup> Quarter Status Report for Fiscal Year 2008*.

5. U. T. System: Report on System-wide Institutional Compliance Activities, including System-wide Information Security (cont.)

**Specialized Training**

During the quarter, institutions conducted specialized training in many high-risk areas, including: Information Technology, Information Security, Conflicts of Interest, Endowment Compliance, Fiscal Management, Human Subject Protection, Effort Reporting, Cost Sharing, Procurement Cards, Account Reconciliation, Student Affairs, Athletics, Endowments, Export Control, Hazardous Chemicals, Student Financial Aid, Patient Privacy, Student Privacy, Workplace Safety, Fire Safety, Animal Care, Government Grants, Federal Funding Accountability, Technology Transfer, Billing Compliance, Records Management, Select Agents, and Public Markets.

**Monitoring Activities**

Each compliance high-risk area has designated an individual to act as the responsible party. A primary responsibility of the designated responsible party is to verify the performance of monitoring activities, in accordance with their pre-established monitoring plan. Both internal and external inspections and reviews were conducted in many of the high-risk areas during the second quarter of FY 2008. Identified instances of noncompliance have resulted in the revision of monitoring plans as well as recommending corrective action, as appropriate.

**Institutional Organizational Matters**

UTIMCO's new Chief Compliance Officer began work on February 1, 2008. U. T. El Paso's Director of Compliance has been appointed Assistant Vice President for Equal Opportunity and Compliance Services.

**Institutional Action Plan Activities**

At the beginning of each fiscal year, institutional compliance officers are required to submit an Action Plan. Typically organized by quarter, the action plans identify areas in which the compliance office will focus their attention and activities. During the second quarter of FY 2008, action plan activities included the following: Quality Assessment Reviews, developing risk management plans, implementing the MDaudit physician monitoring software, investigating reports of suspected noncompliance, developing compliance awareness survey, inspecting high-risk areas, updating institutional compliance manuals, publishing an institutional compliance newsletter, implementing a database for institutional policies, developing a marketing program for institutional helpline/hotline, updating Standards of Conduct guide and training, coordinating the enterprise risk management initiative, publishing an updated manager and supervisor reference guide, re-writing institutional compliance committee charter, and participating in high-risk area working group meetings.

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report

**THE UNIVERSITY OF TEXAS SYSTEM  
OFFICE OF THE CONTROLLER**

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**MONTHLY FINANCIAL REPORT**  
*(unaudited)*

**MARCH 2008**



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2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

**THE UNIVERSITY OF TEXAS SYSTEM**  
**MONTHLY FINANCIAL REPORT**  
**(Unaudited)**  
**FOR THE SEVEN MONTHS ENDING**  
**MARCH 31, 2008**

## 2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

### **The University of Texas System Monthly Financial Report**

#### **Foreword**

The Monthly Financial Report (MFR) compares the results of operations between the current year-to-date cumulative amounts and the prior year-to-date cumulative amounts. Explanations are provided for institutions having the largest variances in Adjusted Income (Loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. In addition, although no significant variance may exist, institutions with losses may be discussed.

The data is reported in three sections: (1) Operating Revenues, (2) Operating Expenses and (3) Other Nonoperating Adjustments. Presentation of state appropriation revenues are required under GASB 35 to be reflected as nonoperating revenues, so all institutions will report an Operating Loss prior to this adjustment. The MFR provides an Adjusted Income (Loss), which takes into account the nonoperating adjustments associated with core operating activities. An Adjusted Margin (as a percentage of operating and nonoperating revenue adjustments) is calculated for each period and is intended to reflect relative operating contributions to financial health.

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)  
UNAUDITED

The University of Texas System  
Comparison of Operating Results and Margin  
For the Seven Months Ending March 31, 2008

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 820,444,511	\$ 758,504,592	\$ 61,939,919	8.2%
Sponsored Programs	1,452,168,989	1,356,346,375	95,822,614	7.1%
Net Sales and Services of Educational Activities	164,787,463	165,177,198	(389,735)	-0.2%
Net Sales and Services of Hospitals	1,690,257,891	1,555,404,437	134,853,454	8.7%
Net Professional Fees	535,163,258	586,469,813	(51,306,555)	-8.7%
Net Auxiliary Enterprises	215,974,415	209,167,743	6,806,672	3.3%
Other Operating Revenues	101,435,145	85,803,608	15,631,537	18.2%
<b>Total Operating Revenues</b>	<b><u>4,980,231,672</u></b>	<b><u>4,716,873,766</u></b>	<b><u>263,357,906</u></b>	<b><u>5.6%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	3,034,013,595	2,819,078,818	214,934,777	7.6%
Payroll Related Costs	748,256,857	688,130,808	60,126,049	8.7%
Professional Fees and Contracted Services	173,951,315	144,893,099	29,058,216	20.1%
Other Contracted Services	244,717,039	225,697,026	19,020,013	8.4%
Scholarships and Fellowships	403,170,179	377,046,086	26,124,093	6.9%
Travel	66,922,036	58,894,762	8,027,274	13.6%
Materials and Supplies	661,485,336	623,232,610	38,252,726	6.1%
Utilities	156,124,254	139,926,422	16,197,832	11.6%
Telecommunications	57,899,293	37,828,157	20,071,136	53.1%
Repairs and Maintenance	97,503,040	88,144,589	9,358,451	10.6%
Rentals and Leases	63,658,235	60,268,453	3,389,782	5.6%
Printing and Reproduction	15,818,710	15,072,577	746,133	5.0%
Bad Debt Expense	32,188	730,628	(698,440)	-95.6%
Claims and Losses	4,796,651	20,904,336	(16,107,685)	-77.1%
Federal Sponsored Programs Pass-Throughs	17,146,231	15,382,159	1,764,072	11.5%
Depreciation and Amortization	400,678,138	361,823,310	38,854,828	10.7%
Other Operating Expenses	212,265,225	209,824,787	2,440,438	1.2%
<b>Total Operating Expenses</b>	<b><u>6,358,438,322</u></b>	<b><u>5,886,878,627</u></b>	<b><u>471,559,695</u></b>	<b><u>8.0%</u></b>
<b>Operating Loss</b>	<b><u>(1,378,206,650)</u></b>	<b><u>(1,170,004,861)</u></b>	<b><u>(208,201,789)</u></b>	<b><u>-17.8%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	1,145,293,734	1,034,132,180	111,161,554	10.7%
Gift Contributions for Operations	208,094,856	159,900,235	48,194,622	30.1%
Net Investment Income	456,459,172	394,656,182	61,802,990	15.7%
Interest Expense on Capital Asset Financings	(112,671,774)	(94,760,784)	(17,910,990)	-18.9%
<b>Net Other Nonoperating Adjustments</b>	<b><u>1,697,175,988</u></b>	<b><u>1,493,927,813</u></b>	<b><u>203,248,176</u></b>	<b><u>13.6%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>318,969,338</b>	<b>323,922,952</b>	<b>(4,953,613)</b>	<b>-1.5%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>4.7%</b>	<b>5.1%</b>		
Investment Gains (Losses)	2,070,387	1,613,535,059	(1,611,464,672)	-99.9%
<b>Adj. Inc. (Loss) with Investment Gains (Losses)</b>	<b>\$ 321,039,725</b>	<b>\$ 1,937,458,011</b>	<b>\$ (1,616,418,286)</b>	<b>-83.4%</b>
<b>Adj. Margin % with Investment Gains (Losses)</b>	<b>4.7%</b>	<b>24.5%</b>		
<b>Adjusted Income (Loss) with Investment Gains (Losses) excluding Depreciation</b>	<b>721,717,863</b>	<b>2,299,281,321</b>	<b>(1,577,563,458)</b>	<b>-68.6%</b>
<b>Adjusted Margin (as a percentage) with Investment Gains (Losses) excluding Depreciation</b>	<b>10.6%</b>	<b>29.0%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)  
The University of Texas System

Comparison of Adjusted Income (Loss)  
For the Seven Months Ending March 31, 2008

	Including Depreciation and Amortization Expense			
	March	March	Variance	Fluctuation Percentage
	Year-to-Date FY 2008	Year-to-Date FY 2007		
UT System Administration	\$ 175,401,339	\$ 119,773,102	\$ 55,628,237 (1)	46.4%
UT Arlington	11,390,139	7,216,124	4,174,015 (2)	57.8%
UT Austin	65,579,180	66,213,190	(634,010)	-1.0%
UT Brownsville	145,750	(986,567)	1,132,317 (3)	114.8%
UT Dallas	5,296,138	(1,677,288)	6,973,426 (4)	415.8%
UT El Paso	2,360,173	2,008,750	351,423	17.5%
UT Pan American	(2,109,330)	(1,329,124)	(780,206) (5)	-58.7%
UT Permian Basin	7,453,386	416,800	7,036,586 (6)	1,688.2%
UT San Antonio	17,696,147	19,161,816	(1,465,669)	-7.6%
UT Tyler	3,402,595	1,899,761	1,502,834 (7)	79.1%
UT Southwestern Medical Center - Dallas	51,603,477	41,133,144	10,470,333	25.5%
UT Medical Branch - Galveston	(21,372,719)	10,622,969	(31,995,688) (8)	-301.2%
UT Health Science Center - Houston	15,924,752	20,900,752	(4,976,000)	-23.8%
UT Health Science Center - San Antonio	(1,495,302)	20,336,343	(21,831,645) (9)	-107.4%
UT M. D. Anderson Cancer Center	71,839,921	88,157,339	(16,317,418)	-18.5%
UT Health Science Center - Tyler	(379,640)	4,485,841	(4,865,481) (10)	-108.5%
Elimination of AUF Transfer	(83,766,667)	(74,410,000)	(9,356,667)	-12.6%
Total Adjusted Income (Loss)	318,969,339	323,922,952	(4,953,613)	-1.5%
Investment Gains (Losses)	2,070,387	1,613,535,059	(1,611,464,672) (11)	-99.9%
<b>Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization</b>	<b>\$ 321,039,726</b>	<b>\$ 1,937,458,011</b>	<b>\$ (1,616,418,285)</b>	<b>-83.4%</b>

	Excluding Depreciation and Amortization Expense			
	March	March	Variance	Fluctuation Percentage
	Year-to-Date FY 2008	Year-to-Date FY 2007		
UT System Administration	\$ 178,567,047	\$ 122,896,896	\$ 55,670,151	45.3%
UT Arlington	24,509,249	19,521,421	4,987,828	25.6%
UT Austin	158,660,971	145,096,063	13,564,909	9.3%
UT Brownsville	3,608,375	2,165,082	1,443,293	66.7%
UT Dallas	17,070,061	9,481,795	7,588,266	80.0%
UT El Paso	10,979,073	10,019,943	959,130	9.6%
UT Pan American	6,888,261	8,000,908	(1,112,647)	-13.9%
UT Permian Basin	9,582,553	2,317,106	7,265,447	313.6%
UT San Antonio	32,958,395	33,184,330	(225,935)	-0.7%
UT Tyler	7,640,802	5,870,599	1,770,203	30.2%
UT Southwestern Medical Center - Dallas	90,500,166	78,575,499	11,924,667	15.2%
UT Medical Branch - Galveston	16,790,857	41,607,415	(24,816,558)	-59.6%
UT Health Science Center - Houston	35,173,155	40,130,812	(4,957,657)	-12.4%
UT Health Science Center - San Antonio	15,129,698	33,639,179	(18,509,481)	-55.0%
UT M. D. Anderson Cancer Center	191,932,168	199,477,616	(7,545,448)	-3.8%
UT Health Science Center - Tyler	3,423,313	8,171,598	(4,748,285)	-58.1%
Elimination of AUF Transfer	(83,766,667)	(74,410,000)	(9,356,667)	-12.6%
Total Adjusted Income (Loss)	719,647,477	685,746,262	33,901,215	4.9%
Investment Gains (Losses)	2,070,387	1,613,535,059	(1,611,464,672)	-99.9%
<b>Total Adjusted Income (Loss) with Investment Gains (Losses) Excluding Depreciation and Amortization</b>	<b>\$ 721,717,864</b>	<b>\$ 2,299,281,321</b>	<b>\$ (1,577,563,457)</b>	<b>-68.6%</b>

## 2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

### THE UNIVERSITY OF TEXAS SYSTEM EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT For the Seven Months Ending March 31, 2008

Explanations are provided for institutions having the largest variances in adjusted income (loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. Explanations are also provided for institutions with a current year-to-date adjusted loss.

- (1) UT System Administration - The \$55.6 million (46.4%) increase in adjusted income as compared to the same period last year was primarily due to increased net investment income. Excluding depreciation expense, *UT System Administration's* adjusted income was \$178.6 million or 68.1%.  
*UT Pan American's* adjusted income was \$6.9 million or 4.4%. *UT Pan American* anticipates ending the year with a \$7.5 million negative margin which represents -3% of projected revenues. This forecast includes \$15.5 million of depreciation expense.
- (2) UT Arlington - The \$4.2 million (57.8%) increase in adjusted income over the same period last year was primarily due to increased state appropriations including increased formula funding and increased Tuition Revenue Bonds (TRBs). Excluding depreciation expense, *UT Arlington's* adjusted income was \$24.5 million or 10.5%.
- (3) UT Brownsville - The \$1.1 million (114.8%) increase in adjusted income over the same period last year was primarily due to increased state appropriations including increased formula funding and increased Tuition Revenue Bonds (TRBs). *UT Brownsville's* adjusted income excluding depreciation expense was \$3.6 million or 3.7%. *UT Brownsville* projects a year-end loss of approximately \$812,000 which represents -0.6% of projected revenues. This forecast includes \$5.9 million of depreciation expense.
- (4) UT Dallas - The \$7 million (415.8%) increase in adjusted income over the same period last year was primarily due to increased state appropriations including increased formula funding and increased TRBs and increased gift contributions for operations. Excluding depreciation expense, *UT Dallas'* adjusted income was \$17.1 million or 9.1%.
- (5) UT Pan American - The \$780,000 (58.7%) decrease in adjusted income over the same period last year was primarily attributable to an increase in salaries and wages and increased utility costs. Salaries and wages increased as a result of a 3% merit increase for faculty and staff and additional staff needed as a result of the implementation of the Oracle ERP system. Utility costs increased due to a new utility contract with higher rates. As a result of these factors, *UT Pan American* experienced a \$2.1 million year-to-date loss. Excluding depreciation expense,
- (6) UT Permian Basin - The \$7 million (1,688.2%) increase in adjusted income over the same period last year was primarily due to increased state appropriations including increased formula funding and increased TRBs. Excluding depreciation expense, *UT Permian Basin's* adjusted income was \$9.6 million or 27.1%.
- (7) UT Tyler - The \$1.5 million (79.1%) increase in adjusted income over the same period last year was primarily due to increased state appropriations including increased formula funding and increased TRBs. Excluding depreciation expense, *UT Tyler's* adjusted income was \$7.6 million or 14.3%.
- (8) UT Medical Branch - Galveston - The \$32 million (301.2%) decrease in adjusted income over the same period last year was primarily due to an increase in operating expenses of \$69.4 million corresponding to the increased patient care activity and growth in research related programs. Market adjustments for nursing salaries related to UTMB Hospitals and Clinics and Correctional Managed Care were a significant factor contributing to the increase in personnel costs. As a result of these factors, *UTMB* experienced a \$21.4 million year-to-date loss. Additionally, *UTMB* recognized \$18.3 million less revenue for the Texas Physician Upper Payment Limit (UPL) in 2008. Excluding depreciation expense, *UTMB's* adjusted income was \$16.8 million or 1.9%. *UTMB* projects a year-end loss of approximately \$28 million, which represents -1.9% of projected revenues. This forecast includes \$64.6 million of depreciation expense.
- (9) UT Health Science Center - San Antonio - The \$21.8 million (107.4%) decrease in adjusted income over the same period last year was attributable to operations in the physician practice plan, increased salaries and wages, and increased depreciation expense as a result of the acquisition of the Cancer Therapy and Research Center (CTRC). The physician practice plan experienced a \$5.7 million operating loss through March as a result of

## 2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

program expansion efforts, reinvestment in faculty and preparation for the opening of the Medical Arts Research Center in April 2009. These results are consistent with 2008 projections and the School of Medicine's transformation plan. *UTHSC-San Antonio* expects the physician practice plan loss to continue and grow to \$7.1 million by the end of the fiscal year. Salaries and wages increased as a result of the acquisition of CTRC and market adjustments to address compensation disparities. *UTHSC-San Antonio* also recognized \$7.6 million less UPL revenue in 2008. Due to these factors, *UTHSC-San Antonio* incurred a year-to-date loss of \$1.5 million. Excluding depreciation expense, *UTHSC-San Antonio's* adjusted income was \$15.1 million or 4.3%. *UTHSC-San Antonio* projects a year-end loss of approximately \$13.3 million, including \$31.2 million of depreciation expense, which represents -2% of projected revenues. The projection includes a loss of \$7.6 million related to the acquisition of CTRC, \$5.2 million of which is depreciation. *UTHSC-San Antonio* is currently determining ways to mitigate the \$2.4 million CTRC loss exclusive of depreciation.

(11) Investment Gains (Losses) - The majority of the \$1.6 billion (99.9%) decrease in investment gains relates to the Permanent University Fund of \$962 million, the Long Term Fund of \$435.8 million, and the Permanent Health Fund of \$91.2 million.

(10) UT Health Science Center – Tyler – The \$4.9 million (108.5%) decrease in adjusted income over the same period last year was primarily attributable to an 8% decrease in admissions, a 4% decrease in inpatient visits and a net reduction in grant income of \$500,000. As a result of the reduction in patient volume, *UTHSC-Tyler* reduced its staff by 54 employees in February and March and incurred over \$520,000 in termination vacation payouts. Additionally, *UTHSC-Tyler* recognized \$2.5 million less UPL revenue in 2008. Due to these factors, *UTHSC-Tyler* experienced a \$380,000 year-to-date loss. Excluding depreciation expense, *UTHSC-Tyler's* adjusted income was \$3.4 million or 5.3%. *UTHSC-Tyler* projects year-end income of approximately \$1.8 million, which represents 1.5% of projected revenues. As a result of the reduction in staff, *UTHSC-Tyler* expects to achieve more than \$1 million of salary savings during the remainder of 2008. This forecast includes \$6.5 million of depreciation expense.

## 2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

### GLOSSARY OF TERMS

#### **OPERATING REVENUES:**

STUDENT TUITION AND FEES – All student tuition and fee revenues earned at the UT 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 UT health institution's 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 UT health institutions as part of the Medical Practice Plans. These revenues are also identified as Practice Plan income. 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 (e.g., certified nonprofit healthcare company revenues, donated drugs, interest on student loans, etc.)

#### **OPERATING EXPENSES:**

SALARIES AND WAGES – Expenses for all salaries and wages of individuals employed by the institution including full-time, part-time, longevity, hourly, seasonal, etc.

PAYROLL RELATED COSTS – Expenses for all employee benefits paid by the institution or paid by the state on behalf of the institution.

PROFESSIONAL FEES AND CONTRACTED SERVICES – Payments for services rendered on a fee, contract, or other basis by a person, firm, corporation, or company recognized as possessing a high degree of learning and responsibility. Includes such items as services of a consultant, legal counsel, financial or audit fees, medical contracted services, guest lecturers (not employees) and expert witnesses.

OTHER CONTRACTED SERVICES – Payments for services rendered on a contractual basis by a person, firm, corporation or company that possess a lesser degree of learning and responsibility than that required for Professional Fees and Contracted Services. Includes such items as temporary employment expenses, fully insured medical plans expenses, janitorial services, dry cleaning services, etc.

SCHOLARSHIPS AND FELLOWSHIPS – Payments made for scholarship grants to students authorized by law.

TRAVEL – Payments for travel costs incurred during travel by employees, board or commission members and elected/appointed officials on state business.

MATERIALS AND SUPPLIES – Payments for consumable items. Includes, but is not limited to: computer consumables, office supplies, paper products, soap, lights, plants, fuels and lubricants, chemicals and gasses, medical supplies and copier supplies. Also includes postal services, and subscriptions and other publications not for permanent retention.

UTILITIES – Payments for the purchase of electricity, natural gas, water, thermal energy and waste disposal.

TELECOMMUNICATIONS - Electronically transmitted communications services (telephone, internet, computation center services, etc.).

REPAIRS AND MAINTENANCE – Payments for the maintenance and repair of equipment, furnishings, motor vehicles, buildings and other plant facilities. Includes, but is not limited to repair and maintenance to copy machines, furnishings, equipment – including medical and laboratory equipment, office equipment and aircraft.

RENTALS AND LEASES – Payments for rentals or leases of furnishings and equipment, vehicles, land and office buildings (all rental of space).

PRINTING AND REPRODUCTION – Printing and reproduction costs associated with the printing/copying of the institution's documents and publications.

## 2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

**BAD DEBT EXPENSE** – Expenses incurred by the university related to nonrevenue receivables such as non-payment of student loans.

**CLAIMS AND LOSSES** – Payments for claims from self-insurance programs. Other claims for settlements and judgments are considered nonoperating expenses.

**FEDERAL SPONSORED PROGRAMS PASS-THROUGHS** – Pass-throughs to other Texas state agencies, including other universities, of federal grants and contracts.

**STATE SPONSORED PROGRAMS PASS-THROUGHS** – Pass-throughs to other Texas state agencies, including Texas universities.

**DEPRECIATION AND AMORTIZATION** – Depreciation on capital assets and amortization expense on intangible assets.

**OTHER OPERATING EXPENSES** – Other operating expenses not identified in other line items above (e.g., certified non profit healthcare company expenses, property taxes, insurance premiums, credit card fees, hazardous waste disposal expenses, meetings and conferences, etc.).

**OPERATING LOSS** – Total operating revenues less total operating expenses before other nonoperating adjustments like state appropriations.

### **OTHER NONOPERATING ADJUSTMENTS:**

**STATE APPROPRIATIONS** – Appropriations from the State General Revenue fund, which supplement the UT institutional revenue in meeting operating expenses, such as faculty salaries, utilities, and institutional support.

**GIFT CONTRIBUTIONS FOR OPERATIONS** – Consist of gifts from donors received for use in current operations, excluding gifts for capital acquisition and endowment gifts. Gifts for capital acquisition which can only be used to build or buy capital assets are excluded because they can not be used to support current operations. Endowment gifts must be held in perpetuity and can not be spent. The distributed income from endowment gifts must be spent according to the donor's stipulations.

**NET INVESTMENT INCOME (on institutions' sheets)** – Interest and dividend income on treasury balances, bank accounts, Short Term Fund, Intermediate Term Fund and Long Term Fund. It also includes distributed earnings from the Permanent Health Fund and patent and royalty income.

**NET INVESTMENT INCOME (on the consolidated sheet)** – Interest and dividend earnings of the Permanent University Fund, Short Term Fund, Intermediate Term Fund, Long Term Fund and Permanent Health Fund. This line item also includes the Available University Fund surface income, oil and gas royalties, and mineral lease bonus sales.

**INTEREST EXPENSE ON CAPITAL ASSET FINANCINGS** – Interest expenses associated with bond and note borrowings utilized to finance capital improvement projects by an institution. This consists of the interest portion of mandatory debt service transfers under the Revenue Financing System, Tuition Revenue bond and Permanent University Fund (PUF) bond programs. PUF interest expense is reported on System Administration as the debt legally belongs to the Board of Regents.

**ADJUSTED INCOME (LOSS) including Depreciation** – Total operating revenues less total operating expenses including depreciation expense plus net other nonoperating adjustments.

**ADJUSTED MARGIN (as a percentage) including Depreciation** – Percentage of Adjusted Income (Loss) including depreciation expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

**AVAILABLE UNIVERSITY FUND TRANSFER** – Includes Available University Fund (AUF) transfer to System Administration for Educational and General operations and to UT Austin for Excellence Funding. These transfers are funded by investment earnings from the Permanent University Fund (PUF), which are required by law to be reported in the PUF at System Administration. On the MFR, investment income for System Administration has been reduced for the amount of the System Administration transfer so as not to overstate investment income for System Administration. The AUF transfers are eliminated at the consolidated level to avoid overstating System-wide revenues, as the amounts will be reflected as transfers at year-end.

**INVESTMENT GAINS (LOSSES)** – Realized and unrealized gains and losses on investments.

**ADJUSTED INCOME (LOSS) excluding Depreciation** – Total operating revenues less total operating expenses excluding depreciation expense plus net other nonoperating adjustments.

**ADJUSTED MARGIN (as a percentage) excluding Depreciation** – Percentage of Adjusted Income (Loss) excluding depreciation expense divided by Total Operating Revenues plus Net Nonoperating Adjustments less Interest Expense on Capital Asset Financings.

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

UNAUDITED

The University of Texas System Administration  
 Comparison of Operating Results and Margin  
 For the Seven Months Ending March 31, 2008

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Sponsored Programs	\$ 13,779,119	\$ 10,009,756	\$ 3,769,363	37.7%
Net Sales and Services of Educational Activities	7,660,030	10,005,707	(2,345,677)	-23.4%
Other Operating Revenues	23,458,569	14,632,952	8,825,617	60.3%
<b>Total Operating Revenues</b>	<b><u>44,897,718</u></b>	<b><u>34,648,415</u></b>	<b><u>10,249,303</u></b>	<b><u>29.6%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	22,623,313	15,172,311	7,451,002	49.1%
Employee Benefits and Related Costs	4,718,100	3,311,954	1,406,146	42.5%
Professional Fees and Contracted Services	523,819	3,158,562	(2,634,743)	-83.4%
Other Contracted Services	13,464,007	4,958,605	8,505,402	171.5%
Scholarships and Fellowships	401,200	105,600	295,600	279.9%
Travel	1,255,812	867,012	388,800	44.8%
Materials and Supplies	2,476,043	809,841	1,666,202	205.7%
Utilities	295,472	416,915	(121,443)	-29.1%
Telecommunications	3,007,831	505,914	2,501,917	494.5%
Repairs and Maintenance	505,214	730,057	(224,843)	-30.8%
Rentals and Leases	662,308	619,006	43,302	7.0%
Printing and Reproduction	158,278	121,397	36,881	30.4%
Claims and Losses	4,796,651	20,904,336	(16,107,685)	-77.1%
Depreciation and Amortization	3,165,708	3,123,794	41,914	1.3%
Other Operating Expenses	2,383,306	1,814,034	569,272	31.4%
<b>Total Operating Expenses</b>	<b><u>60,437,062</u></b>	<b><u>56,619,338</u></b>	<b><u>3,817,724</u></b>	<b><u>6.7%</u></b>
<b>Operating Loss</b>	<b><u>(15,539,344)</u></b>	<b><u>(21,970,923)</u></b>	<b><u>6,431,579</u></b>	<b><u>29.3%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	537,850	535,357	2,493	0.5%
Gift Contributions for Operations	711,896	455,242	256,654	56.4%
Net Investment Income	195,932,662	148,305,300	47,627,362	32.1%
Interest Expense on Capital Asset Financings	(26,215,320)	(26,219,319)	3,999	0.0%
<b>Net Other Nonoperating Adjustments</b>	<b><u>170,967,088</u></b>	<b><u>123,076,580</u></b>	<b><u>47,890,508</u></b>	<b><u>38.9%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>155,427,744</b>	<b>101,105,657</b>	<b>54,322,087</b>	<b>53.7%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>64.2%</b>	<b>55.0%</b>		
Available University Fund Transfer	19,973,595	18,667,445	1,306,150	7.0%
<b>Adjusted Income (Loss) with AUF Transfer</b>	<b>175,401,339</b>	<b>119,773,102</b>	<b>55,628,237</b>	<b>46.4%</b>
<b>Adjusted Margin % with AUF Transfer</b>	<b>66.9%</b>	<b>59.1%</b>		
Investment Gains (Losses)	(65,187,299)	1,436,681,509	(1,501,868,808)	-104.5%
<b>Adj. Inc. (Loss) with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>\$ 110,214,040</b>	<b>\$ 1,556,454,611</b>	<b>\$ (1,446,240,571)</b>	<b>-92.9%</b>
<b>Adj. Margin % with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>56.0%</b>	<b>94.9%</b>		
<b>Adjusted Income (Loss) with AUF Transfer excluding Depreciation</b>	<b>178,567,047</b>	<b>122,896,896</b>	<b>55,670,151</b>	<b>45.3%</b>
<b>Adjusted Margin (as a percentage) with AUF Transfer excluding Depreciation</b>	<b>68.1%</b>	<b>60.7%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

UNAUDITED

The University of Texas at Arlington  
**Comparison of Operating Results and Margin**  
**For the Seven Months Ending March 31, 2008**

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 99,487,873	\$ 90,483,648	\$ 9,004,225	10.0%
Sponsored Programs	36,257,902	32,533,324	3,724,578	11.4%
Net Sales and Services of Educational Activities	7,202,841	6,970,087	232,754	3.3%
Net Auxiliary Enterprises	14,933,580	13,950,364	983,216	7.0%
Other Operating Revenues	4,026,311	3,836,050	190,261	5.0%
<b>Total Operating Revenues</b>	<b><u>161,908,507</u></b>	<b><u>147,773,473</u></b>	<b><u>14,135,034</u></b>	<b><u>9.6%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	105,621,626	97,977,609	7,644,017	7.8%
Employee Benefits and Related Costs	23,267,435	21,386,475	1,880,960	8.8%
Professional Fees and Contracted Services	2,626,722	3,301,919	(675,197)	-20.4%
Other Contracted Services	6,070,409	5,935,468	134,941	2.3%
Scholarships and Fellowships	27,115,919	23,536,563	3,579,356	15.2%
Travel	2,867,148	2,394,507	472,641	19.7%
Materials and Supplies	12,506,647	11,109,579	1,397,068	12.6%
Utilities	7,258,386	6,453,099	805,287	12.5%
Telecommunications	3,556,086	3,502,190	53,896	1.5%
Repairs and Maintenance	4,273,206	3,957,073	316,133	8.0%
Rentals and Leases	1,736,346	1,423,770	312,576	22.0%
Printing and Reproduction	1,396,955	1,299,120	97,835	7.5%
Federal Sponsored Programs Pass-Thrus	1,245,895	1,164,613	81,282	7.0%
Depreciation and Amortization	13,119,110	12,305,297	813,813	6.6%
Other Operating Expenses	4,695,944	6,490,699	(1,794,755)	-27.7%
<b>Total Operating Expenses</b>	<b><u>217,357,834</u></b>	<b><u>202,237,981</u></b>	<b><u>15,119,853</u></b>	<b><u>7.5%</u></b>
<b>Operating Loss</b>	<b><u>(55,449,327)</u></b>	<b><u>(54,464,508)</u></b>	<b><u>(984,819)</u></b>	<b><u>-1.8%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	64,733,131	59,427,020	5,306,111	8.9%
Gift Contributions for Operations	1,480,444	1,096,948	383,496	35.0%
Net Investment Income	5,231,022	4,791,025	439,997	9.2%
Interest Expense on Capital Asset Financings	(4,605,132)	(3,634,361)	(970,771)	-26.7%
<b>Net Other Nonoperating Adjustments</b>	<b><u>66,839,465</u></b>	<b><u>61,680,632</u></b>	<b><u>5,158,833</u></b>	<b><u>8.4%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>11,390,139</b>	<b>7,216,124</b>	<b>4,174,015</b>	<b>57.8%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>4.9%</b>	<b>3.4%</b>		
Investment Gains (Losses)	4,721,106	6,299,847	(1,578,741)	-25.1%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ 16,111,245</b>	<b>\$ 13,515,971</b>	<b>\$ 2,595,274</b>	<b>19.2%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>6.8%</b>	<b>6.2%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>24,509,249</b>	<b>19,521,421</b>	<b>4,987,828</b>	<b>25.6%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>10.5%</b>	<b>9.2%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)  
**UNAUDITED**

The University of Texas at Austin  
**Comparison of Operating Results and Margin**  
**For the Seven Months Ending March 31, 2008**

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 344,681,639	\$ 320,476,235	\$ 24,205,404	7.6%
Sponsored Programs	278,948,804	264,822,574	14,126,230	5.3%
Net Sales and Services of Educational Activities	85,022,130	86,246,576	(1,224,446)	-1.4%
Net Auxiliary Enterprises	118,860,655	112,004,247	6,856,408	6.1%
Other Operating Revenues	4,002,400	3,974,013	28,387	0.7%
<b>Total Operating Revenues</b>	<b><u>831,515,628</u></b>	<b><u>787,523,645</u></b>	<b><u>43,991,983</u></b>	<b><u>5.6%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	537,361,078	519,607,681	17,753,397	3.4%
Employee Benefits and Related Costs	122,776,233	118,053,360	4,722,873	4.0%
Professional Fees and Contracted Services	13,637,292	12,782,111	855,181	6.7%
Other Contracted Services	38,940,689	44,400,805	(5,460,116)	-12.3%
Scholarships and Fellowships	128,436,260	122,966,752	5,469,508	4.4%
Travel	22,368,094	19,065,737	3,302,357	17.3%
Materials and Supplies	68,070,662	62,506,639	5,564,023	8.9%
Utilities	39,872,123	36,265,262	3,606,861	9.9%
Telecommunications	22,526,702	8,166,391	14,360,311	175.8%
Repairs and Maintenance	17,171,918	13,454,058	3,717,860	27.6%
Rentals and Leases	8,152,003	8,625,405	(473,402)	-5.5%
Printing and Reproduction	5,406,790	5,448,408	(41,618)	-0.8%
Federal Sponsored Programs Pass-Thrus	2,604,986	3,000,993	(396,007)	-13.2%
Depreciation and Amortization	93,081,791	78,882,873	14,198,918	18.0%
Other Operating Expenses	46,080,302	45,791,333	288,969	0.6%
<b>Total Operating Expenses</b>	<b><u>1,166,486,923</u></b>	<b><u>1,099,017,808</u></b>	<b><u>67,469,115</u></b>	<b><u>6.1%</u></b>
<b>Operating Loss</b>	<b><u>(334,971,295)</u></b>	<b><u>(311,494,163)</u></b>	<b><u>(23,477,132)</u></b>	<b><u>-7.5%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	198,775,832	186,816,522	11,959,310	6.4%
Gift Contributions for Operations	51,194,590	52,628,778	(1,434,188)	-2.7%
Net Investment Income	87,283,003	80,554,010	6,728,993	8.4%
Interest Expense on Capital Asset Financings	(20,469,617)	(16,701,957)	(3,767,660)	-22.6%
<b>Net Other Nonoperating Adjustments</b>	<b><u>316,783,808</u></b>	<b><u>303,297,353</u></b>	<b><u>13,486,456</u></b>	<b><u>4.4%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>(18,187,487)</b>	<b>(8,196,811)</b>	<b>(9,990,677)</b>	<b>-121.9%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>-1.6%</b>	<b>-0.7%</b>		
Available University Fund Transfer	83,766,667	74,410,000	9,356,667	12.6%
<b>Adjusted Income (Loss) with AUF Transfer</b>	<b>65,579,180</b>	<b>66,213,190</b>	<b>(634,010)</b>	<b>-1.0%</b>
<b>Adjusted Margin % with AUF Transfer</b>	<b>5.2%</b>	<b>5.6%</b>		
Investment Gains (Losses)	24,942,212	31,542,045	(6,599,833)	-20.9%
<b>Adj. Inc. (Loss) with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>\$ 90,521,392</b>	<b>\$ 97,755,235</b>	<b>\$ (7,233,843)</b>	<b>-7.4%</b>
<b>Adj. Margin % with AUF Transfer &amp; Invest. Gains (Losses)</b>	<b>7.1%</b>	<b>8.1%</b>		
<b>Adjusted Income (Loss) with AUF Transfer excluding Depreciation</b>	<b>158,660,971</b>	<b>145,096,063</b>	<b>13,564,909</b>	<b>9.3%</b>
<b>Adjusted Margin (as a percentage) with AUF Transfer excluding Depreciation</b>	<b>12.7%</b>	<b>12.3%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)  
UNAUDITED

The University of Texas at Brownsville  
Comparison of Operating Results and Margin  
For the Seven Months Ending March 31, 2008

	March Year-to-Date FY 2008	March Year-to-Date FY 2007	Variance	Fluctuation Percentage
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 8,858,551	\$ 7,363,791	\$ 1,494,760	20.3%
Sponsored Programs	64,115,594	62,865,726	1,249,868	2.0%
Net Sales and Services of Educational Activities	637,409	547,178	90,231	16.5%
Net Auxiliary Enterprises	923,860	753,950	169,910	22.5%
Other Operating Revenues	24,858	9,659	15,199	157.4%
<b>Total Operating Revenues</b>	<b>74,560,272</b>	<b>71,540,304</b>	<b>3,019,968</b>	<b>4.2%</b>
<b>Operating Expenses</b>				
Salaries and Wages	35,242,016	32,409,470	2,832,546	8.7%
Employee Benefits and Related Costs	8,522,137	7,897,155	624,982	7.9%
Professional Fees and Contracted Services	1,245,977	1,192,462	53,515	4.5%
Scholarships and Fellowships	34,447,787	32,870,493	1,577,294	4.8%
Travel	665,430	646,226	19,204	3.0%
Materials and Supplies	2,903,930	2,577,078	326,852	12.7%
Utilities	1,992,534	2,077,565	(85,031)	-4.1%
Telecommunications	1,148,305	1,055,968	92,337	8.7%
Repairs and Maintenance	697,644	523,025	174,619	33.4%
Rentals and Leases	1,122,218	1,093,405	28,813	2.6%
Printing and Reproduction	197,292	221,802	(24,510)	-11.1%
Bad Debt Expense	25,188	14,990	10,198	68.0%
Federal Sponsored Programs Pass-Thrus	34,399	16,312	18,087	110.9%
Depreciation and Amortization	3,462,625	3,151,649	310,976	9.9%
Other Operating Expenses	3,664,091	3,596,961	67,130	1.9%
<b>Total Operating Expenses</b>	<b>95,371,573</b>	<b>89,344,561</b>	<b>6,027,012</b>	<b>6.7%</b>
<b>Operating Loss</b>	<b>(20,811,301)</b>	<b>(17,804,257)</b>	<b>(3,007,044)</b>	<b>-16.9%</b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	20,769,724	16,711,863	4,057,861	24.3%
Gift Contributions for Operations	302,506	247,834	54,672	22.1%
Net Investment Income	910,300	836,375	73,925	8.8%
Interest Expense on Capital Asset Financings	(1,025,479)	(978,382)	(47,097)	-4.8%
<b>Net Other Nonoperating Adjustments</b>	<b>20,957,051</b>	<b>16,817,690</b>	<b>4,139,361</b>	<b>24.6%</b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>145,750</b>	<b>(986,567)</b>	<b>1,132,317</b>	<b>114.8%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>0.2%</b>	<b>-1.1%</b>		
Investment Gains (Losses)	577,214	1,205,121	(627,907)	-52.1%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ 722,964</b>	<b>\$ 218,554</b>	<b>\$ 504,410</b>	<b>230.8%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>0.7%</b>	<b>0.2%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>3,608,375</b>	<b>2,165,082</b>	<b>1,443,293</b>	<b>66.7%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>3.7%</b>	<b>2.4%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

UNAUDITED

The University of Texas at Dallas  
**Comparison of Operating Results and Margin**  
**For the Seven Months Ending March 31, 2008**

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 80,377,136	\$ 74,277,336	\$ 6,099,800	8.2%
Sponsored Programs	28,532,130	24,651,082	3,881,048	15.7%
Net Sales and Services of Educational Activities	3,916,458	3,458,776	457,682	13.2%
Net Auxiliary Enterprises	3,210,975	3,461,585	(250,610)	-7.2%
Other Operating Revenues	3,220,623	3,409,685	(189,062)	-5.5%
<b>Total Operating Revenues</b>	<b><u>119,257,322</u></b>	<b><u>109,258,464</u></b>	<b><u>9,998,858</u></b>	<b><u>9.2%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	86,106,156	79,907,444	6,198,712	7.8%
Employee Benefits and Related Costs	17,747,799	16,020,436	1,727,363	10.8%
Professional Fees and Contracted Services	1,840,414	1,595,411	245,003	15.4%
Other Contracted Services	5,651,006	4,638,187	1,012,819	21.8%
Scholarships and Fellowships	28,103,433	28,612,322	(508,889)	-1.8%
Travel	1,848,181	1,870,859	(22,678)	-1.2%
Materials and Supplies	9,178,195	8,369,113	809,082	9.7%
Utilities	4,670,200	4,245,689	424,511	10.0%
Telecommunications	780,631	679,475	101,156	14.9%
Repairs and Maintenance	2,154,540	1,784,153	370,387	20.8%
Rentals and Leases	757,350	823,870	(66,520)	-8.1%
Printing and Reproduction	786,437	856,020	(69,583)	-8.1%
Federal Sponsored Programs Pass-Thrus	346,330	60,469	285,861	472.7%
Depreciation and Amortization	11,773,923	11,159,083	614,840	5.5%
Other Operating Expenses	5,929,209	5,222,195	707,014	13.5%
<b>Total Operating Expenses</b>	<b><u>177,673,804</u></b>	<b><u>165,844,726</u></b>	<b><u>11,829,078</u></b>	<b><u>7.1%</u></b>
<b>Operating Loss</b>	<b><u>(58,416,482)</u></b>	<b><u>(56,586,262)</u></b>	<b><u>(1,830,220)</u></b>	<b><u>-3.2%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	53,309,470	45,672,520	7,636,950	16.7%
Gift Contributions for Operations	6,741,214	5,685,594	1,055,620	18.6%
Net Investment Income	8,192,938	7,169,098	1,023,840	14.3%
Interest Expense on Capital Asset Financings	(4,531,002)	(3,618,238)	(912,764)	-25.2%
<b>Net Other Nonoperating Adjustments</b>	<b><u>63,712,620</u></b>	<b><u>54,908,974</u></b>	<b><u>8,803,646</u></b>	<b><u>16.0%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>5,296,138</b>	<b>(1,677,288)</b>	<b>6,973,426</b>	<b>415.8%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>2.8%</b>	<b>-1.0%</b>		
Investment Gains (Losses)	2,048,945	5,674,782	(3,625,837)	-63.9%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ 7,345,083</b>	<b>\$ 3,997,494</b>	<b>\$ 3,347,589</b>	<b>83.7%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>3.9%</b>	<b>2.3%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>17,070,061</b>	<b>9,481,795</b>	<b>7,588,266</b>	<b>80.0%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>9.1%</b>	<b>5.7%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

UNAUDITED

The University of Texas at El Paso  
**Comparison of Operating Results and Margin**  
**For the Seven Months Ending March 31, 2008**

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 55,448,211	\$ 51,731,911	\$ 3,716,300	7.2%
Sponsored Programs	59,111,229	56,712,617	2,398,612	4.2%
Net Sales and Services of Educational Activities	2,403,483	2,254,123	149,360	6.6%
Net Auxiliary Enterprises	12,950,006	18,880,796	(5,930,790)	-31.4%
Other Operating Revenues	310,662	16,334	294,328	1,801.9%
<b>Total Operating Revenues</b>	<b><u>130,223,591</u></b>	<b><u>129,595,781</u></b>	<b><u>627,810</u></b>	<b><u>0.5%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	76,879,238	72,617,422	4,261,816	5.9%
Employee Benefits and Related Costs	18,747,048	17,698,032	1,049,016	5.9%
Professional Fees and Contracted Services	509,122	609,181	(100,059)	-16.4%
Other Contracted Services	9,169,275	12,757,790	(3,588,515)	-28.1%
Scholarships and Fellowships	46,260,367	43,113,768	3,146,599	7.3%
Travel	3,556,092	2,912,117	643,975	22.1%
Materials and Supplies	12,115,055	13,149,741	(1,034,686)	-7.9%
Utilities	4,410,817	4,306,804	104,013	2.4%
Telecommunications	455,198	424,469	30,729	7.2%
Repairs and Maintenance	2,468,280	2,233,983	234,297	10.5%
Rentals and Leases	1,921,406	1,959,591	(38,185)	-1.9%
Printing and Reproduction	533,959	282,099	251,860	89.3%
Federal Sponsored Programs Pass-Thrus	112,093	158,877	(46,784)	-29.4%
Depreciation and Amortization	8,618,900	8,011,193	607,707	7.6%
Other Operating Expenses	3,106,006	3,184,354	(78,348)	-2.5%
<b>Total Operating Expenses</b>	<b><u>188,862,856</u></b>	<b><u>183,419,421</u></b>	<b><u>5,443,435</u></b>	<b><u>3.0%</u></b>
<b>Operating Loss</b>	<b><u>(58,639,265)</u></b>	<b><u>(53,823,640)</u></b>	<b><u>(4,815,625)</u></b>	<b><u>-8.9%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	54,537,602	47,407,787	7,129,815	15.0%
Gift Contributions for Operations	3,380,710	4,614,362	(1,233,652)	-26.7%
Net Investment Income	5,750,800	5,546,125	204,675	3.7%
Interest Expense on Capital Asset Financings	(2,669,674)	(1,735,884)	(933,790)	-53.8%
<b>Net Other Nonoperating Adjustments</b>	<b><u>60,999,438</u></b>	<b><u>55,832,390</u></b>	<b><u>5,167,048</u></b>	<b><u>9.3%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>2,360,173</b>	<b>2,008,750</b>	<b>351,423</b>	<b>17.5%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>1.2%</b>	<b>1.1%</b>		
Investment Gains (Losses)	1,150,343	2,653,790	(1,503,447)	-56.7%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ 3,510,516</b>	<b>\$ 4,662,540</b>	<b>\$ (1,152,024)</b>	<b>-24.7%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>1.8%</b>	<b>2.5%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>10,979,073</b>	<b>10,019,943</b>	<b>959,130</b>	<b>9.6%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>5.7%</b>	<b>5.4%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

UNAUDITED

The University of Texas - Pan American  
 Comparison of Operating Results and Margin  
 For the Seven Months Ending March 31, 2008

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 44,695,504	\$ 39,927,489	\$ 4,768,015	11.9%
Sponsored Programs	59,941,988	58,406,548	1,535,440	2.6%
Net Sales and Services of Educational Activities	3,407,543	3,493,983	(86,440)	-2.5%
Net Auxiliary Enterprises	2,628,575	1,939,556	689,019	35.5%
Other Operating Revenues	717,906	416,895	301,011	72.2%
<b>Total Operating Revenues</b>	<b><u>111,391,516</u></b>	<b><u>104,184,471</u></b>	<b><u>7,207,045</u></b>	<b><u>6.9%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	55,316,642	51,443,562	3,873,080	7.5%
Employee Benefits and Related Costs	13,099,772	11,869,062	1,230,710	10.4%
Professional Fees and Contracted Services	1,317,053	1,327,638	(10,585)	-0.8%
Other Contracted Services	3,824,796	2,659,617	1,165,179	43.8%
Scholarships and Fellowships	57,665,431	52,991,233	4,674,198	8.8%
Travel	1,968,732	1,845,147	123,585	6.7%
Materials and Supplies	6,872,465	8,727,364	(1,854,899)	-21.3%
Utilities	3,827,935	2,193,526	1,634,409	74.5%
Telecommunications	439,712	276,280	163,432	59.2%
Repairs and Maintenance	1,142,779	1,258,163	(115,384)	-9.2%
Rentals and Leases	434,344	411,108	23,236	5.7%
Printing and Reproduction	142,975	114,378	28,597	25.0%
Bad Debt Expense	7,000	715,638	(708,638)	-99.0%
Federal Sponsored Programs Pass-Thrus	60,838	72	60,766	84,397.2%
Depreciation and Amortization	8,997,591	9,330,032	(332,441)	-3.6%
Other Operating Expenses	2,838,935	2,965,624	(126,689)	-4.3%
<b>Total Operating Expenses</b>	<b><u>157,957,000</u></b>	<b><u>148,128,444</u></b>	<b><u>9,828,556</u></b>	<b><u>6.6%</u></b>
<b>Operating Loss</b>	<b><u>(46,565,484)</u></b>	<b><u>(43,943,973)</u></b>	<b><u>(2,621,511)</u></b>	<b><u>-6.0%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	43,865,066	41,279,603	2,585,463	6.3%
Gift Contributions for Operations	960,434	1,405,949	(445,515)	-31.7%
Net Investment Income	2,059,381	1,835,694	223,687	12.2%
Interest Expense on Capital Asset Financings	(2,428,727)	(1,906,397)	(522,330)	-27.4%
<b>Net Other Nonoperating Adjustments</b>	<b><u>44,456,154</u></b>	<b><u>42,614,849</u></b>	<b><u>1,841,305</u></b>	<b><u>4.3%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>(2,109,330)</b>	<b>(1,329,124)</b>	<b>(780,206)</b>	<b>-58.7%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>-1.3%</b>	<b>-0.9%</b>		
Investment Gains (Losses)	555,275	2,451,233	(1,895,958)	-77.3%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ (1,554,055)</b>	<b>\$ 1,122,109</b>	<b>\$ (2,676,164)</b>	<b>-238.5%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>-1.0%</b>	<b>0.7%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>6,888,261</b>	<b>8,000,908</b>	<b>(1,112,647)</b>	<b>-13.9%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>4.4%</b>	<b>5.4%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

UNAUDITED

The University of Texas of the Permian Basin  
 Comparison of Operating Results and Margin  
 For the Seven Months Ending March 31, 2008

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 8,580,543	\$ 8,080,371	\$ 500,172	6.2%
Sponsored Programs	4,362,085	3,979,756	382,329	9.6%
Net Sales and Services of Educational Activities	190,710	135,809	54,901	40.4%
Net Auxiliary Enterprises	2,064,265	1,482,027	582,238	39.3%
Other Operating Revenues	296,741	109,423	187,318	171.2%
<b>Total Operating Revenues</b>	<b><u>15,494,344</u></b>	<b><u>13,787,386</u></b>	<b><u>1,706,958</u></b>	<b><u>12.4%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	10,185,639	9,702,548	483,091	5.0%
Employee Benefits and Related Costs	2,417,550	2,288,005	129,545	5.7%
Professional Fees and Contracted Services	1,602,007	953,908	648,099	67.9%
Other Contracted Services	958,165	580,733	377,432	65.0%
Scholarships and Fellowships	4,700,323	4,449,002	251,321	5.6%
Travel	555,727	391,849	163,878	41.8%
Materials and Supplies	1,610,632	1,288,770	321,862	25.0%
Utilities	1,352,566	1,170,213	182,353	15.6%
Telecommunications	229,783	269,014	(39,231)	-14.6%
Repairs and Maintenance	434,539	360,593	73,946	20.5%
Rentals and Leases	243,550	191,006	52,544	27.5%
Printing and Reproduction	105,958	128,112	(22,154)	-17.3%
Depreciation and Amortization	2,129,167	1,900,306	228,861	12.0%
Other Operating Expenses	494,721	444,658	50,063	11.3%
<b>Total Operating Expenses</b>	<b><u>27,020,327</u></b>	<b><u>24,118,717</u></b>	<b><u>2,901,610</u></b>	<b><u>12.0%</u></b>
<b>Operating Loss</b>	<b><u>(11,525,983)</u></b>	<b><u>(10,331,331)</u></b>	<b><u>(1,194,652)</u></b>	<b><u>-11.6%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	18,436,802	10,038,301	8,398,501	83.7%
Gift Contributions for Operations	815,739	1,020,219	(204,480)	-20.0%
Net Investment Income	658,115	637,216	20,899	3.3%
Interest Expense on Capital Asset Financings	(931,287)	(947,605)	16,318	1.7%
<b>Net Other Nonoperating Adjustments</b>	<b><u>18,979,369</u></b>	<b><u>10,748,131</u></b>	<b><u>8,231,238</u></b>	<b><u>76.6%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>7,453,386</b>	<b>416,800</b>	<b>7,036,586</b>	<b>1,688.2%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>21.1%</b>	<b>1.6%</b>		
Investment Gains (Losses)	186,408	266,576	(80,168)	-30.1%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ 7,639,794</b>	<b>\$ 683,376</b>	<b>\$ 6,956,418</b>	<b>1017.9%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>21.5%</b>	<b>2.7%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>9,582,553</b>	<b>2,317,106</b>	<b>7,265,447</b>	<b>313.6%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>27.1%</b>	<b>9.1%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

UNAUDITED

The University of Texas at San Antonio  
 Comparison of Operating Results and Margin  
 For the Seven Months Ending March 31, 2008

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 107,817,942	\$ 101,436,646	\$ 6,381,296	6.3%
Sponsored Programs	57,061,792	52,213,372	4,848,420	9.3%
Net Sales and Services of Educational Activities	3,285,901	2,808,517	477,384	17.0%
Net Auxiliary Enterprises	9,724,872	8,701,384	1,023,488	11.8%
Other Operating Revenues	1,098,954	1,050,826	48,128	4.6%
<b>Total Operating Revenues</b>	<b><u>178,989,461</u></b>	<b><u>166,210,745</u></b>	<b><u>12,778,716</u></b>	<b><u>7.7%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	98,194,982	90,412,002	7,782,980	8.6%
Employee Benefits and Related Costs	24,287,305	22,158,452	2,128,853	9.6%
Professional Fees and Contracted Services	1,850,024	1,685,533	164,491	9.8%
Other Contracted Services	4,033,607	2,391,222	1,642,385	68.7%
Scholarships and Fellowships	52,874,866	48,287,315	4,587,551	9.5%
Travel	3,324,372	2,893,115	431,257	14.9%
Materials and Supplies	10,835,547	9,695,099	1,140,448	11.8%
Utilities	6,370,000	4,821,250	1,548,750	32.1%
Telecommunications	1,845,599	1,648,082	197,517	12.0%
Repairs and Maintenance	3,839,086	3,597,993	241,093	6.7%
Rentals and Leases	1,416,335	1,321,074	95,261	7.2%
Printing and Reproduction	529,064	628,823	(99,759)	-15.9%
Federal Sponsored Programs Pass-Thrus	1,902,577	1,550,970	351,607	22.7%
Depreciation and Amortization	15,262,248	14,022,514	1,239,734	8.8%
Other Operating Expenses	3,960,720	3,203,984	756,736	23.6%
<b>Total Operating Expenses</b>	<b><u>230,526,332</u></b>	<b><u>208,317,428</u></b>	<b><u>22,208,904</u></b>	<b><u>10.7%</u></b>
<b>Operating Loss</b>	<b><u>(51,536,871)</u></b>	<b><u>(42,106,683)</u></b>	<b><u>(9,430,188)</u></b>	<b><u>-22.4%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	67,380,350	57,507,895	9,872,455	17.2%
Gift Contributions for Operations	4,438,811	2,629,166	1,809,645	68.8%
Net Investment Income	4,988,725	4,539,257	449,468	9.9%
Interest Expense on Capital Asset Financings	(7,574,868)	(3,407,819)	(4,167,049)	-122.3%
<b>Net Other Nonoperating Adjustments</b>	<b><u>69,233,018</u></b>	<b><u>61,268,499</u></b>	<b><u>7,964,519</u></b>	<b><u>13.0%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>17,696,147</b>	<b>19,161,816</b>	<b>(1,465,669)</b>	<b>-7.6%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>6.9%</b>	<b>8.3%</b>		
Investment Gains (Losses)	2,600,239	9,638,529	(7,038,290)	-73.0%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ 20,296,386</b>	<b>\$ 28,800,345</b>	<b>\$ (8,503,959)</b>	<b>-29.5%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>7.9%</b>	<b>12.0%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>32,958,395</b>	<b>33,184,330</b>	<b>(225,935)</b>	<b>-0.7%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>12.9%</b>	<b>14.4%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

UNAUDITED

The University of Texas at Tyler  
**Comparison of Operating Results and Margin**  
**For the Seven Months Ending March 31, 2008**

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 17,777,347	\$ 15,896,286	\$ 1,881,061	11.8%
Sponsored Programs	7,967,362	7,078,771	888,591	12.6%
Net Sales and Services of Educational Activities	642,759	490,393	152,366	31.1%
Net Auxiliary Enterprises	2,741,721	2,774,943	(33,222)	-1.2%
Other Operating Revenues	59,988	40,462	19,526	48.3%
<b>Total Operating Revenues</b>	<b><u>29,189,177</u></b>	<b><u>26,280,855</u></b>	<b><u>2,908,322</u></b>	<b><u>11.1%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	19,349,438	17,956,057	1,393,381	7.8%
Employee Benefits and Related Costs	4,957,352	4,536,321	421,031	9.3%
Professional Fees and Contracted Services	897,256	706,988	190,268	26.9%
Other Contracted Services	2,008,521	1,743,554	264,967	15.2%
Scholarships and Fellowships	8,405,210	7,959,701	445,509	5.6%
Travel	859,346	674,638	184,708	27.4%
Materials and Supplies	4,114,794	2,825,220	1,289,574	45.6%
Utilities	1,136,310	833,133	303,177	36.4%
Telecommunications	349,299	326,003	23,296	7.1%
Repairs and Maintenance	939,353	575,970	363,383	63.1%
Rentals and Leases	205,783	201,096	4,687	2.3%
Printing and Reproduction	358,892	391,179	(32,287)	-8.3%
Depreciation and Amortization	4,238,207	3,970,838	267,369	6.7%
Other Operating Expenses	815,603	636,487	179,116	28.1%
<b>Total Operating Expenses</b>	<b><u>48,635,364</u></b>	<b><u>43,337,185</u></b>	<b><u>5,298,179</u></b>	<b><u>12.2%</u></b>
<b>Operating Loss</b>	<b><u>(19,446,187)</u></b>	<b><u>(17,056,330)</u></b>	<b><u>(2,389,857)</u></b>	<b><u>-14.0%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	21,399,598	17,696,530	3,703,068	20.9%
Gift Contributions for Operations	443,722	479,162	(35,440)	-7.4%
Net Investment Income	2,545,147	2,044,149	500,998	24.5%
Interest Expense on Capital Asset Financings	(1,539,685)	(1,263,750)	(275,935)	-21.8%
<b>Net Other Nonoperating Adjustments</b>	<b><u>22,848,782</u></b>	<b><u>18,956,091</u></b>	<b><u>3,892,691</u></b>	<b><u>20.5%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>3,402,595</b>	<b>1,899,761</b>	<b>1,502,834</b>	<b>79.1%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>6.4%</b>	<b>4.1%</b>		
Investment Gains (Losses)	400,732	1,314,744	(914,012)	-69.5%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ 3,803,327</b>	<b>\$ 3,214,505</b>	<b>\$ 588,822</b>	<b>18.3%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>7.0%</b>	<b>6.7%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>7,640,802</b>	<b>5,870,599</b>	<b>1,770,203</b>	<b>30.2%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>14.3%</b>	<b>12.6%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

UNAUDITED

The University of Texas Southwestern Medical Center at Dallas

Comparison of Operating Results and Margin

For the Seven Months Ending March 31, 2008

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 12,163,071	\$ 12,170,632	\$ (7,561)	-0.1%
Sponsored Programs	242,489,094	231,383,689	11,105,405	4.8%
Net Sales and Services of Educational Activities	3,908,680	3,867,369	41,311	1.1%
Net Sales and Services of Hospitals	191,561,707	167,906,189	23,655,518	14.1%
Net Professional Fees	182,778,285	205,746,676	(22,968,391)	-11.2%
Net Auxiliary Enterprises	11,098,772	10,215,724	883,048	8.6%
Other Operating Revenues	3,964,564	3,533,059	431,505	12.2%
<b>Total Operating Revenues</b>	<b><u>647,964,173</u></b>	<b><u>634,823,338</u></b>	<b><u>13,140,835</u></b>	<b><u>2.1%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	397,317,286	364,020,239	33,297,047	9.1%
Employee Benefits and Related Costs	106,966,718	98,709,968	8,256,750	8.4%
Professional Fees and Contracted Services	12,070,140	10,523,233	1,546,907	14.7%
Other Contracted Services	44,860,071	40,745,762	4,114,309	10.1%
Scholarships and Fellowships	5,291,403	5,361,497	(70,094)	-1.3%
Travel	5,083,536	4,712,130	371,406	7.9%
Materials and Supplies	106,157,372	100,809,980	5,347,392	5.3%
Utilities	17,524,292	15,162,274	2,362,018	15.6%
Telecommunications	4,241,443	3,920,026	321,417	8.2%
Repairs and Maintenance	7,165,567	7,291,681	(126,114)	-1.7%
Rentals and Leases	5,805,336	7,214,670	(1,409,334)	-19.5%
Printing and Reproduction	1,648,105	1,328,583	319,522	24.0%
Federal Sponsored Programs Pass-Thrus	311,275	209,470	101,805	48.6%
Depreciation and Amortization	38,896,689	37,442,355	1,454,334	3.9%
Other Operating Expenses	27,497,007	25,842,913	1,654,094	6.4%
<b>Total Operating Expenses</b>	<b><u>780,836,240</u></b>	<b><u>723,294,781</u></b>	<b><u>57,541,459</u></b>	<b><u>8.0%</u></b>
<b>Operating Loss</b>	<b><u>(132,872,067)</u></b>	<b><u>(88,471,443)</u></b>	<b><u>(44,400,624)</u></b>	<b><u>-50.2%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	105,108,741	87,823,728	17,285,013	19.7%
Gift Contributions for Operations	54,465,821	16,905,150	37,560,671	222.2%
Net Investment Income	36,559,584	36,811,126	(251,542)	-0.7%
Interest Expense on Capital Asset Financings	(11,658,602)	(11,935,417)	276,815	2.3%
<b>Net Other Nonoperating Adjustments</b>	<b><u>184,475,544</u></b>	<b><u>129,604,587</u></b>	<b><u>54,870,957</u></b>	<b><u>42.3%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>51,603,477</b>	<b>41,133,144</b>	<b>10,470,333</b>	<b>25.5%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>6.1%</b>	<b>5.3%</b>		
Investment Gains (Losses)	6,964,744	26,876,714	(19,911,970)	-74.1%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ 58,568,221</b>	<b>\$ 68,009,858</b>	<b>\$ (9,441,637)</b>	<b>-13.9%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>6.9%</b>	<b>8.5%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>90,500,166</b>	<b>78,575,499</b>	<b>11,924,667</b>	<b>15.2%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>10.7%</b>	<b>10.1%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

UNAUDITED

The University of Texas Medical Branch at Galveston

Comparison of Operating Results and Margin

For the Seven Months Ending March 31, 2008

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 10,093,513	\$ 8,965,616	\$ 1,127,897	12.6%
Sponsored Programs	151,866,995	133,306,821	18,560,174	13.9%
Net Sales and Services of Educational Activities	971,833	1,088,222	(116,389)	-10.7%
Net Sales and Services of Hospitals	410,000,579	392,864,102	17,136,477	4.4%
Net Professional Fees	75,161,462	84,694,717	(9,533,255)	-11.3%
Net Auxiliary Enterprises	5,948,982	5,276,825	672,157	12.7%
Other Operating Revenues	6,923,821	8,887,850	(1,964,029)	-22.1%
<b>Total Operating Revenues</b>	<b><u>660,967,185</u></b>	<b><u>635,084,153</u></b>	<b><u>25,883,032</u></b>	<b><u>4.1%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	465,939,546	437,419,389	28,520,157	6.5%
Employee Benefits and Related Costs	111,023,617	101,479,719	9,543,898	9.4%
Professional Fees and Contracted Services	13,971,779	13,896,484	75,295	0.5%
Other Contracted Services	36,561,582	27,625,609	8,935,973	32.3%
Scholarships and Fellowships	4,629,429	2,916,717	1,712,712	58.7%
Travel	4,516,016	3,656,881	859,135	23.5%
Materials and Supplies	109,475,411	102,101,756	7,373,655	7.2%
Utilities	18,358,529	15,644,446	2,714,083	17.3%
Telecommunications	8,470,466	7,929,212	541,254	6.8%
Repairs and Maintenance	19,560,267	17,112,161	2,448,106	14.3%
Rentals and Leases	10,560,234	8,542,786	2,017,448	23.6%
Printing and Reproduction	1,369,242	1,206,385	162,857	13.5%
Federal Sponsored Programs Pass-Thrus	5,432,381	5,374,259	58,122	1.1%
Depreciation and Amortization	38,163,576	30,984,446	7,179,130	23.2%
Other Operating Expenses	36,622,631	39,384,904	(2,762,273)	-7.0%
<b>Total Operating Expenses</b>	<b><u>884,654,706</u></b>	<b><u>815,275,154</u></b>	<b><u>69,379,552</u></b>	<b><u>8.5%</u></b>
<b>Operating Loss</b>	<b><u>(223,687,521)</u></b>	<b><u>(180,191,001)</u></b>	<b><u>(43,496,520)</u></b>	<b><u>-24.1%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	179,016,105	169,642,285	9,373,820	5.5%
Gift Contributions for Operations	5,712,211	4,558,049	1,154,162	25.3%
Net Investment Income	20,707,917	19,052,413	1,655,504	8.7%
Interest Expense on Capital Asset Financings	(3,121,431)	(2,438,777)	(682,654)	-28.0%
<b>Net Other Nonoperating Adjustments</b>	<b><u>202,314,802</u></b>	<b><u>190,813,970</u></b>	<b><u>11,500,832</u></b>	<b><u>6.0%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>(21,372,719)</b>	<b>10,622,969</b>	<b>(31,995,688)</b>	<b>-301.2%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>-2.5%</b>	<b>1.3%</b>		
Investment Gains (Losses)	1,427,445	10,916,910	(9,489,465)	-86.9%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ (19,945,274)</b>	<b>\$ 21,539,879</b>	<b>\$ (41,485,153)</b>	<b>-192.6%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>-2.3%</b>	<b>2.6%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>16,790,857</b>	<b>41,607,415</b>	<b>(24,816,558)</b>	<b>-59.6%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>1.9%</b>	<b>5.0%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

UNAUDITED

The University of Texas Health Science Center at Houston

Comparison of Operating Results and Margin

For the Seven Months Ending March 31, 2008

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 15,547,096	\$ 13,933,424	\$ 1,613,672	11.6%
Sponsored Programs	170,230,684	168,931,026	1,299,658	0.8%
Net Sales and Services of Educational Activities	20,167,570	20,309,622	(142,052)	-0.7%
Net Sales and Services of Hospitals	18,590,338	16,624,151	1,966,187	11.8%
Net Professional Fees	68,326,288	73,179,698	(4,853,410)	-6.6%
Net Auxiliary Enterprises	12,612,044	13,207,183	(595,139)	-4.5%
Other Operating Revenues	21,651,807	16,694,906	4,956,901	29.7%
<b>Total Operating Revenues</b>	<b><u>327,125,827</u></b>	<b><u>322,880,010</u></b>	<b><u>4,245,817</u></b>	<b><u>1.3%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	203,553,743	191,986,926	11,566,817	6.0%
Employee Benefits and Related Costs	47,468,350	43,089,756	4,378,594	10.2%
Professional Fees and Contracted Services	40,249,198	32,206,990	8,042,208	25.0%
Other Contracted Services	20,039,384	24,841,875	(4,802,491)	-19.3%
Scholarships and Fellowships	2,932,885	1,922,494	1,010,391	52.6%
Travel	3,451,860	3,218,568	233,292	7.2%
Materials and Supplies	32,923,472	32,833,677	89,795	0.3%
Utilities	9,817,022	9,061,129	755,893	8.3%
Telecommunications	1,600,301	1,625,377	(25,076)	-1.5%
Repairs and Maintenance	2,853,469	3,486,380	(632,911)	-18.2%
Rentals and Leases	7,365,503	8,152,075	(786,572)	-9.6%
Printing and Reproduction	2,058,515	2,102,936	(44,421)	-2.1%
Federal Sponsored Programs Pass-Thrus	4,361,443	3,073,375	1,288,068	41.9%
Depreciation and Amortization	19,248,403	19,230,060	18,343	0.1%
Other Operating Expenses	30,510,407	30,592,772	(82,365)	-0.3%
<b>Total Operating Expenses</b>	<b><u>428,433,955</u></b>	<b><u>407,424,390</u></b>	<b><u>21,009,565</u></b>	<b><u>5.2%</u></b>
<b>Operating Loss</b>	<b><u>(101,308,128)</u></b>	<b><u>(84,544,380)</u></b>	<b><u>(16,763,748)</u></b>	<b><u>-19.8%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	97,222,610	89,712,965	7,509,645	8.4%
Gift Contributions for Operations	10,971,865	6,182,522	4,789,343	77.5%
Net Investment Income	14,023,812	13,578,307	445,505	3.3%
Interest Expense on Capital Asset Financings	(4,985,407)	(4,028,662)	(956,745)	-23.7%
<b>Net Other Nonoperating Adjustments</b>	<b><u>117,232,880</u></b>	<b><u>105,445,132</u></b>	<b><u>11,787,748</u></b>	<b><u>11.2%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>15,924,752</b>	<b>20,900,752</b>	<b>(4,976,000)</b>	<b>-23.8%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>3.5%</b>	<b>4.8%</b>		
Investment Gains (Losses)	2,772,095	10,586,863	(7,814,768)	-73.8%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ 18,696,847</b>	<b>\$ 31,487,615</b>	<b>\$ (12,790,768)</b>	<b>-40.6%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>4.1%</b>	<b>7.1%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>35,173,155</b>	<b>40,130,812</b>	<b>(4,957,657)</b>	<b>-12.4%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>7.8%</b>	<b>9.3%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

UNAUDITED

The University of Texas Health Science Center at San Antonio

Comparison of Operating Results and Margin

For the Seven Months Ending March 31, 2008

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 14,583,333	\$ 13,533,333	\$ 1,050,000	7.8%
Sponsored Programs	124,783,732	112,828,901	11,954,831	10.6%
Net Sales and Services of Educational Activities	23,233,386	21,280,159	1,953,227	9.2%
Net Professional Fees	48,667,035	56,712,877	(8,045,842)	-14.2%
Net Auxiliary Enterprises	2,366,413	1,760,291	606,122	34.4%
Other Operating Revenues	7,656,676	7,321,601	335,075	4.6%
<b>Total Operating Revenues</b>	<b><u>221,290,575</u></b>	<b><u>213,437,162</u></b>	<b><u>7,853,413</u></b>	<b><u>3.7%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	183,562,108	167,692,782	15,869,326	9.5%
Employee Benefits and Related Costs	45,094,860	41,769,887	3,324,973	8.0%
Professional Fees and Contracted Services	6,727,073	6,347,570	379,503	6.0%
Other Contracted Services	13,685,875	9,314,489	4,371,386	46.9%
Scholarships and Fellowships	1,905,666	1,952,629	(46,963)	-2.4%
Travel	2,663,082	2,349,640	313,442	13.3%
Materials and Supplies	19,376,252	18,591,069	785,183	4.2%
Utilities	8,020,833	7,583,333	437,500	5.8%
Telecommunications	4,009,800	3,586,184	423,616	11.8%
Repairs and Maintenance	2,196,937	1,792,201	404,736	22.6%
Rentals and Leases	1,568,467	1,219,432	349,035	28.6%
Printing and Reproduction	1,042,937	930,028	112,909	12.1%
Federal Sponsored Programs Pass-Thrus	350,000	364,583	(14,583)	-4.0%
Depreciation and Amortization	16,625,000	13,302,836	3,322,164	25.0%
Other Operating Expenses	40,496,713	37,281,603	3,215,110	8.6%
<b>Total Operating Expenses</b>	<b><u>347,325,603</u></b>	<b><u>314,078,266</u></b>	<b><u>33,247,337</u></b>	<b><u>10.6%</u></b>
<b>Operating Loss</b>	<b><u>(126,035,028)</u></b>	<b><u>(100,641,104)</u></b>	<b><u>(25,393,924)</u></b>	<b><u>-25.2%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	99,230,065	88,656,744	10,573,321	11.9%
Gift Contributions for Operations	13,440,808	16,629,128	(3,188,320)	-19.2%
Net Investment Income	16,350,701	16,247,747	102,954	0.6%
Interest Expense on Capital Asset Financings	(4,481,848)	(556,172)	(3,925,676)	-705.8%
<b>Net Other Nonoperating Adjustments</b>	<b><u>124,539,726</u></b>	<b><u>120,977,447</u></b>	<b><u>3,562,279</u></b>	<b><u>2.9%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>(1,495,302)</b>	<b>20,336,343</b>	<b>(21,831,645)</b>	<b>-107.4%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>-0.4%</b>	<b>6.1%</b>		
Investment Gains (Losses)	4,218,320	8,720,732	(4,502,412)	-51.6%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ 2,723,018</b>	<b>\$ 29,057,075</b>	<b>\$ (26,334,057)</b>	<b>-90.6%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>0.8%</b>	<b>8.5%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>15,129,698</b>	<b>33,639,179</b>	<b>(18,509,481)</b>	<b>-55.0%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>4.3%</b>	<b>10.0%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

UNAUDITED

The University of Texas M. D. Anderson Cancer Center

Comparison of Operating Results and Margin

For the Seven Months Ending March 31, 2008

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Student Tuition and Fees	\$ 332,752	\$ 227,874	\$ 104,878	46.0%
Sponsored Programs	145,089,758	128,331,184	16,758,574	13.1%
Net Sales and Services of Educational Activities	1,646,039	1,663,653	(17,614)	-1.1%
Net Sales and Services of Hospitals	1,046,258,798	952,657,713	93,601,085	9.8%
Net Professional Fees	153,682,204	156,776,642	(3,094,438)	-2.0%
Net Auxiliary Enterprises	15,816,451	14,646,975	1,169,476	8.0%
Other Operating Revenues	23,276,946	20,953,964	2,322,982	11.1%
<b>Total Operating Revenues</b>	<b><u>1,386,102,948</u></b>	<b><u>1,275,258,005</u></b>	<b><u>110,844,943</u></b>	<b><u>8.7%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	705,822,872	640,520,067	65,302,805	10.2%
Employee Benefits and Related Costs	188,641,986	169,661,969	18,980,017	11.2%
Professional Fees and Contracted Services	71,695,081	51,399,547	20,295,534	39.5%
Other Contracted Services	41,009,000	38,928,991	2,080,009	5.3%
Travel	11,703,420	11,114,453	588,967	5.3%
Materials and Supplies	255,414,961	240,150,926	15,264,035	6.4%
Utilities	29,362,881	27,786,394	1,576,487	5.7%
Telecommunications	4,546,296	3,531,331	1,014,965	28.7%
Repairs and Maintenance	30,219,160	28,067,381	2,151,779	7.7%
Rentals and Leases	21,144,490	17,780,184	3,364,306	18.9%
Federal Sponsored Programs Pass-Thrus	334,327	137,233	197,094	143.6%
Depreciation and Amortization	120,092,247	111,320,277	8,771,970	7.9%
Other Operating Expenses	1,753,183	1,802,517	(49,334)	-2.7%
<b>Total Operating Expenses</b>	<b><u>1,481,739,904</u></b>	<b><u>1,342,201,270</u></b>	<b><u>139,538,634</u></b>	<b><u>10.4%</u></b>
<b>Operating Loss</b>	<b><u>(95,636,956)</u></b>	<b><u>(66,943,265)</u></b>	<b><u>(28,693,691)</u></b>	<b><u>-42.9%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	98,294,638	93,364,636	4,930,002	5.3%
Gift Contributions for Operations	52,260,513	44,953,513	7,307,000	16.3%
Net Investment Income	32,941,233	31,724,385	1,216,848	3.8%
Interest Expense on Capital Asset Financings	(16,019,507)	(14,941,930)	(1,077,577)	-7.2%
<b>Net Other Nonoperating Adjustments</b>	<b><u>167,476,877</u></b>	<b><u>155,100,604</u></b>	<b><u>12,376,273</u></b>	<b><u>8.0%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>71,839,921</b>	<b>88,157,339</b>	<b>(16,317,418)</b>	<b>-18.5%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>4.6%</b>	<b>6.1%</b>		
Investment Gains (Losses)	14,388,417	58,705,664	(44,317,247)	-75.5%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ 86,228,338</b>	<b>\$ 146,863,003</b>	<b>\$ (60,634,665)</b>	<b>-41.3%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>5.4%</b>	<b>9.8%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>191,932,168</b>	<b>199,477,616</b>	<b>(7,545,448)</b>	<b>-3.8%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>12.2%</b>	<b>13.8%</b>		

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report (cont.)

UNAUDITED

The University of Texas Health Science Center at Tyler

Comparison of Operating Results and Margin

For the Seven Months Ending March 31, 2008

	March Year-to-Date <u>FY 2008</u>	March Year-to-Date <u>FY 2007</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
<b>Operating Revenues</b>				
Sponsored Programs	\$ 7,630,721	\$ 8,291,228	\$ (660,507)	-8.0%
Net Sales and Services of Educational Activities	490,691	557,024	(66,333)	-11.9%
Net Sales and Services of Hospitals	23,846,469	25,352,282	(1,505,813)	-5.9%
Net Professional Fees	6,547,984	9,359,203	(2,811,219)	-30.0%
Net Auxiliary Enterprises	93,244	111,893	(18,649)	-16.7%
Other Operating Revenues	744,319	915,929	(171,610)	-18.7%
<b>Total Operating Revenues</b>	<b><u>39,353,428</u></b>	<b><u>44,587,559</u></b>	<b><u>(5,234,131)</u></b>	<b><u>-11.7%</u></b>
<b>Operating Expenses</b>				
Salaries and Wages	30,937,912	30,233,309	704,603	2.3%
Employee Benefits and Related Costs	8,520,595	8,200,257	320,338	3.9%
Professional Fees and Contracted Services	3,188,358	3,205,562	(17,204)	-0.5%
Other Contracted Services	4,440,652	4,174,319	266,333	6.4%
Travel	235,188	281,883	(46,695)	-16.6%
Materials and Supplies	7,453,898	7,686,758	(232,860)	-3.0%
Utilities	1,854,354	1,905,390	(51,036)	-2.7%
Telecommunications	691,841	382,241	309,600	81.0%
Repairs and Maintenance	1,881,081	1,919,717	(38,636)	-2.0%
Rentals and Leases	562,562	689,975	(127,413)	-18.5%
Printing and Reproduction	83,311	13,307	70,004	526.1%
Federal Sponsored Programs Pass-Thrus	49,687	270,933	(221,246)	-81.7%
Depreciation and Amortization	3,802,953	3,685,757	117,196	3.2%
Other Operating Expenses	1,416,447	1,569,749	(153,302)	-9.8%
<b>Total Operating Expenses</b>	<b><u>65,118,839</u></b>	<b><u>64,219,157</u></b>	<b><u>899,682</u></b>	<b><u>1.4%</u></b>
<b>Operating Loss</b>	<b><u>(25,765,411)</u></b>	<b><u>(19,631,598)</u></b>	<b><u>(6,133,813)</u></b>	<b><u>-31.2%</u></b>
<b>Other Nonoperating Adjustments</b>				
State Appropriations	22,676,150	21,838,424	837,726	3.8%
Gift Contributions for Operations	773,572	408,619	364,953	89.3%
Net Investment Income	2,350,237	2,316,510	33,727	1.5%
Interest Expense on Capital Asset Financings	(414,188)	(446,114)	31,926	7.2%
<b>Net Other Nonoperating Adjustments</b>	<b><u>25,385,771</u></b>	<b><u>24,117,439</u></b>	<b><u>1,268,332</u></b>	<b><u>5.3%</u></b>
<b>Adjusted Income (Loss) including Depreciation</b>	<b>(379,640)</b>	<b>4,485,841</b>	<b>(4,865,481)</b>	<b>-108.5%</b>
<b>Adjusted Margin (as a percentage) including Depreciation</b>	<b>-0.6%</b>	<b>6.5%</b>		
Investment Gains (Losses)	304,191	-	304,191	100.0%
<b>Adjusted Income (Loss) with Investment Gains (Losses)</b>	<b>\$ (75,449)</b>	<b>\$ 4,485,841</b>	<b>\$ (4,561,290)</b>	<b>-101.7%</b>
<b>Adjusted Margin % with Investment Gains (Losses)</b>	<b>-0.1%</b>	<b>6.5%</b>		
<b>Adjusted Income (Loss) excluding Depreciation</b>	<b>3,423,313</b>	<b>8,171,598</b>	<b>(4,748,285)</b>	<b>-58.1%</b>
<b>Adjusted Margin (as a percentage) excluding Depreciation</b>	<b>5.3%</b>	<b>11.8%</b>		

3. U. T. System: Overview of U. T. System debt programs

## Overview of U. T. System Debt Programs



THE UNIVERSITY of TEXAS SYSTEM  
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Finance & Planning  
Committee

Philip R. Aldridge  
May 2008



THE UNIVERSITY of TEXAS SYSTEM  
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### 3. U. T. System: Overview of U. T. System debt programs (cont.)



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## U. T. System Debt Programs

- **The U. T. System is authorized to issue debt under three programs:**
  - *The Revenue Financing System (RFS)*
  - *The Permanent University Fund (PUF)*
  - *The Higher Education Assistance Fund (HEAF)*
  
- **All debt is issued in the name of the U. T. System Board of Regents**
  
- **All debt is issued centrally on behalf of the U. T. System institutions and System Administration by the Office of Finance**

Part 1: Debt Programs3



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## Debt Approval Process

- **The Board of Regents**
  - *Approves all new capital projects greater than \$1 million and renovation projects greater than \$2 million*
  - *Approves final Design and Development of capital projects, including the sources of funding for the project*
  - *Approves the issuance of debt*
  
- **The Texas Higher Education Coordinating Board approves capital projects and funding sources**
  
- **The Texas Bond Review Board approves bond issuances**
  
- **The Texas Attorney General approves the legality of each bond issuance**

Part 1: Debt Programs4

### 3. U. T. System: Overview of U. T. System debt programs (cont.)



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## Revenue Financing System

- The RFS is a cost-effective debt program secured by a System-wide pledge of all legally available revenues for debt issued on behalf of all 15 institutions and System Administration
- RFS debt is currently rated Aaa, AAA, and AAA by Moody's, Standard & Poor's, and Fitch, respectively
- As of May 1, 2008, there was \$3.77 billion of RFS debt outstanding, including \$635 million of Tuition Revenue Bonds

Part 1: Debt Programs 5



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## Tuition Revenue Bonds

- Tuition Revenue Bonds (TRBs) are specifically authorized by the Legislature in Chapter 55 of the *Texas Education Code*
- TRBs are issued under the RFS program and are secured by the same pledge of legally available revenues of the U. T. System
- While not a legal obligation, the State of Texas has been reimbursing higher education institutions for TRB debt service since 1971
- Despite the name, TRB debt service is not directly related to tuition, and an institution need not have tuition revenue to receive TRBs

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### 3. U. T. System: Overview of U. T. System debt programs (cont.)



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## Permanent University Fund Debt

- The PUF debt program is used to fund projects at 13 of the 15 U. T. System institutions and System Administration. PUF debt is secured by distributions from the PUF to the Available University Fund (AUF)
- Per the Texas Constitution, PUF debt cannot be used for student housing, intercollegiate athletics, or auxiliary enterprises
- PUF debt is rated Aaa, AAA, and AAA by Moody's, Standard & Poor's, and Fitch, respectively
- As of May 1, 2008, \$1.36 billion of PUF debt was outstanding

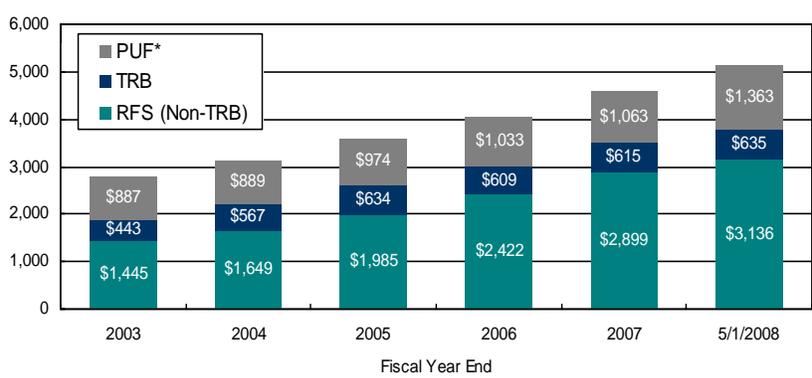
Part 1: Debt Programs
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## U. T. System Debt Outstanding

\$ millions

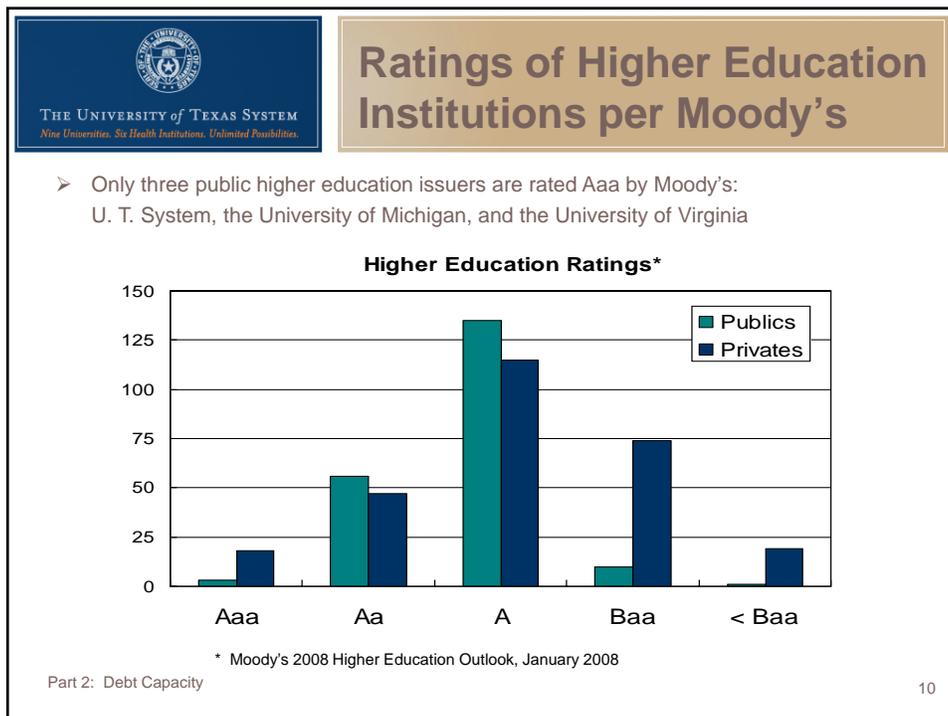
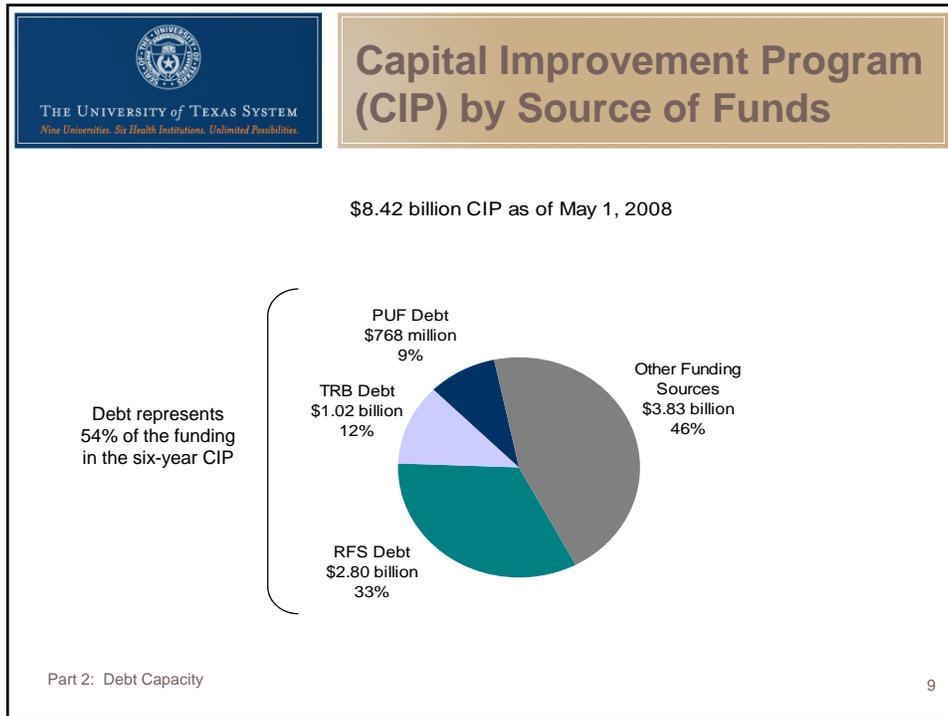


Fiscal Year End	RFS (Non-TRB)	TRB	PUF*
2003	\$1,445	\$443	\$887
2004	\$1,649	\$567	\$889
2005	\$1,985	\$634	\$974
2006	\$2,422	\$609	\$1,033
2007	\$2,899	\$615	\$1,063
5/1/2008	\$3,136	\$635	\$1,363

\* Excludes \$731 million of PUF debt that has been authorized by the BOR for specific capital projects, but has not yet been issued.

Part 2: Debt Capacity
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3. U. T. System: Overview of U. T. System debt programs (cont.)



### 3. U. T. System: Overview of U. T. System debt programs (cont.)



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## U. T. System Credit Strengths

➤ The U. T. System's credit profile is supported by a number of key factors:

- **Strong Balance Sheet with more than \$40 billion of assets and \$28 billion of net assets (i.e., book equity)**
- **Substantial liquidity to support variable rate debt programs**
- **Good operating performance in recent years**
- **Diversified revenue sources**
- **Growing enrollment and research funding**
- **Strong private sector support**
- **Strong management team (per rating agencies)**

Part 2: Debt Capacity11

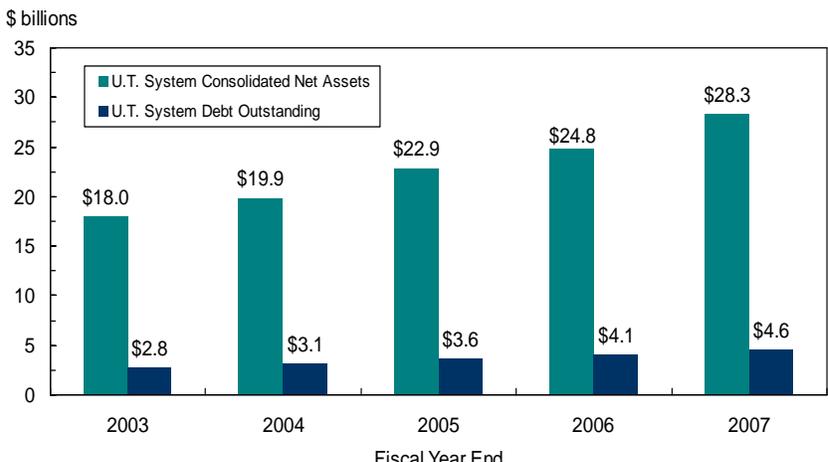


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## Strong Balance Sheet

\$ billions



Fiscal Year End	U.T. System Consolidated Net Assets (\$ billions)	U.T. System Debt Outstanding (\$ billions)
2003	\$18.0	\$2.8
2004	\$19.9	\$3.1
2005	\$22.9	\$3.6
2006	\$24.8	\$4.1
2007	\$28.3	\$4.6

Part 2: Debt Capacity12

### 3. U. T. System: Overview of U. T. System debt programs (cont.)



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## U. T. System Credit Challenges

- In general, the U. T. System’s credit profile has been supported by variables that are not sustainable, such as strong investment gains, low interest rates, and high oil and gas prices
  
- The rating agencies have recently cited more specific challenges:
  - *Large scale capital program and associated borrowing needs*
  - *Relatively complex operations requiring skillful management, particularly in the areas of health care and research*
  - *Ongoing need for sophisticated investment management and oversight, given a complex investment portfolio*
  - *Continued willingness and ability of the State of Texas to fund higher education, particularly TRB debt service*

Part 2: Debt Capacity13



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## RFS Debt Capacity

- The Master Resolution establishing the Revenue Financing System requires that before any RFS debt is issued, the Board make a determination (aka “Finding of Fact”) that:
  - The Board will have sufficient “Pledged Revenues” to meet all financial obligations relating to the Revenue Financing System, and;
  
  - The Members (i.e., institutions) on whose behalf the debt is issued possess the financial capacity to satisfy their direct obligations

Part 2: Debt Capacity14

### 3. U. T. System: Overview of U. T. System debt programs (cont.)



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## RFS Institutional Debt Capacity

- Debt capacity is largely determined by an institution's ability to meet at least two of the following three standards:
  - Debt Service Coverage ratio of at least 1.8 times
  - Debt Service-to-Operations (Debt Burden) ratio less than 5.0%
  - Expendable Resources-to-Debt ratio of at least 0.8 times
- The minimum standards approximate a low investment grade credit rating consistent with Texas universities such as Midwestern State University, Stephen F. Austin State University, Texas Southern University, and Texas Woman's University
- Based on forecasted ratios, U. T. Brownsville, U. T. El Paso, U. T. Pan American, U. T. Permian Basin, U. T. San Antonio, and U. T. Tyler have little or no additional RFS debt capacity

Part 2: Debt Capacity 15



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## PUF Debt Capacity

- The amount of PUF debt that can be issued by the Board is limited by the Texas Constitution to 20% of the book value of the PUF
- As of April 1, 2008, the Board had \$282.2 million of unused and uncommitted PUF debt capacity
- The Board's AUF Spending Policy guidelines require that:
  - PUF debt service coverage must not be less than 1.5 times
  - Forecasted end-of-year AUF balances must not be less than \$30 million

Part 2: Debt Capacity 16

### 3. U. T. System: Overview of U. T. System debt programs (cont.)



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## U. T. System Debt “Team”

- **The Office of Finance has three full-time dedicated debt staff**
- **The Office of Finance works with various outside professionals on each transaction:**
  - *External bond and tax counsel*
  - *Investment banks (bond underwriters)*
  - *Underwriters’ counsel*
  - *Credit rating agencies*
  - *Paying agent, escrow agent, verification agent, etc.*
- **The Office of Finance does not utilize a financial advisor**

Part 3: Debt Management
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## Reducing Debt Issuance Costs

**The U. T. System is a Low-Cost Issuer in Texas**

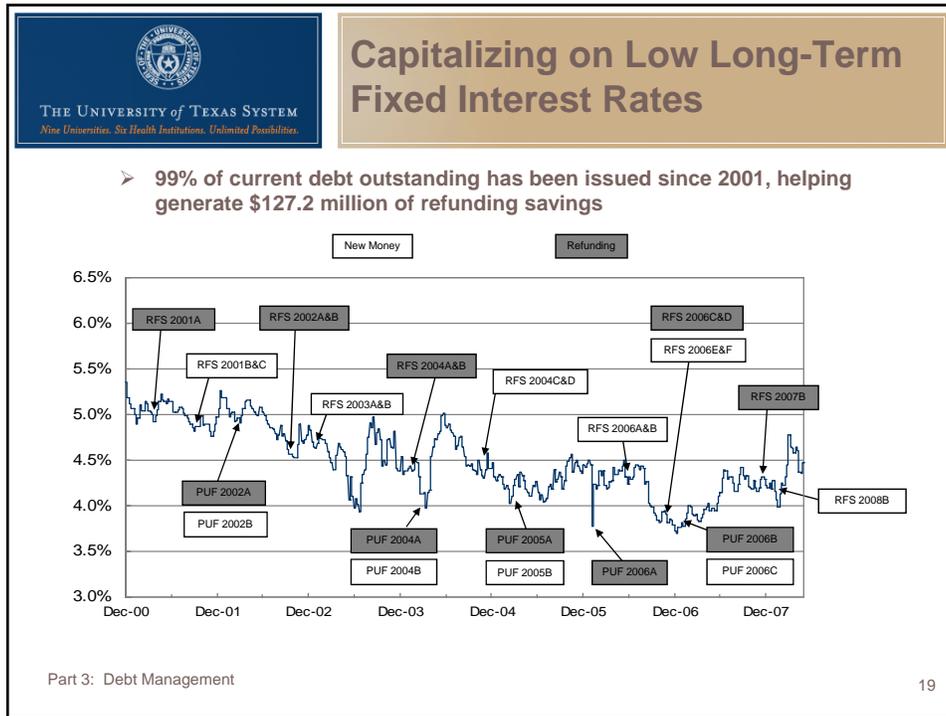
**Average Cost of Issuance per Bond (\$1,000)**

	FY 2007 The University of Texas System (\$/bond)	FY 2007 All Texas Bond Issuers (\$/bond)	FY 2006 All Texas Cities (\$/bond)	FY 2006 All Texas Counties (\$/bond)	FY 2006 All Texas School Districts (\$/bond)	FY 2006 All Texas Community/ Jr. Coll. (\$/bond)
Underwriter’s Spread	\$3.65	\$3.93	\$9.38	\$9.16	\$8.88	\$7.37
Other Issuance Costs:						
Bond Counsel	0.38	1.22				
Financial Advisor	0.00	0.90				
Rating Agencies	0.20	0.54				
Printing	0.01	0.04				
Other	0.05	1.03				
Subtotal	0.63	3.73	14.61	9.64	10.42	11.31
<b>Total Cost per Bond</b>	<b>\$4.28</b>	<b>\$7.66</b>	<b>\$23.99</b>	<b>\$18.80</b>	<b>\$19.30</b>	<b>\$18.68</b>
Average Issue Size	\$639 million	\$236 million	\$15 million	\$15 million	\$24 million	\$16 million

Source: Texas Bond Review Board FY 2007 Annual Report and FY 2006 Local Government Report.

Part 3: Debt Management
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### 3. U. T. System: Overview of U. T. System debt programs (cont.)





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## Debt Management Value-Added

➤ **The Office of Finance has contributed significant debt-related savings to the U. T. System since Fiscal Year 2001**

	(\$ millions)
<b>Debt Refunding Savings</b>	127.2
<b>Issuance Cost Savings*</b>	28.4
<b>Escrow Restructuring Savings</b>	12.0
<b>Treasury Savings and Other</b>	73.1
<b>Total "Investment" in the Office of Finance since 2001</b>	(4.2)
<b>Office of Finance Value-Added</b>	236.5

\* As compared to the average Texas State issuer per Texas Bond Review Board FY 2007 Annual Report.

Part 3: Debt Management 20

### 3. U. T. System: Overview of U. T. System debt programs (cont.)



THE UNIVERSITY of TEXAS SYSTEM  
*Nise Universitates. Sic Health Institutions. Unlimited Possibilities.*

## Recent Market Turmoil

- **Lack of liquidity**
  - *Balance sheet problems for banks and bond insurers*
  - *Unwinding of hedge fund and Tender Option Bond “TOB” programs*
  - *Higher interest rates for municipal debt issuers*
- **Auction Rate Securities**
  - *Non-“puttable” with rates that reset periodically*
  - *Not backed by bank liquidity*
  - *Bond insurer downgrades + weak bank balance sheets → failed auctions → default rate re-sets in the range of 5-20%*
  - *Auction refinancings rampant, putting more pressure on municipal debt market*
- **The U. T. System does not utilize Auction Rate Securities or bond insurance**

Part 3: Debt Management 21



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## Strategic Themes for Debt Programs

- **Continued strong demand for debt**
  - *Accommodate growth and maintain credit quality*
  - *Expand interim financing vehicles (e.g., commercial paper) to keep pace with growth and to maximize interest income*
- **Still relatively low interest rates**
  - *Capitalize on opportunities to refund relatively high-cost debt*
  - *Continue to extend the average life of the debt portfolio*
- **Taking care of the fundamentals**
  - *Retain good people*
  - *Enhance industry-leading disclosure practices*
  - *Effectively manage growing swap portfolio consistent with policy*
  - *Continue to drive down debt issuance costs*

Part 3: Debt Management 22

3. U. T. Dallas: Report on Project Emmitt

**Progress Report:  
Engineering Research Excellence Initiative  
"Project Emmitt"**

David E. Daniel



The University of Texas at Dallas

**UTD** create your future



**The U. T. Dallas Engineering Initiative**

- Goal: Top 50 Engineering School
- Investments:
  - ✓ \$85 Million from State to Construct Building
  - ✓ \$50 Million from Texas Enterprise Fund
  - ✓ \$50 Million from U. T. System Board of Regents
  - ✓ \$15 Million from U. T. Dallas
  - ✓ \$100 Million Other/Private



**UTD** create your future

3. U. T. Dallas: Report on Project Emmitt (cont.)

 **\$300 Million Economic Development Project**

- Texas Instruments Needed a New \$3 Billion Chip Fabrication Plant
- Economic Development Initiative to Locate in Richardson, TX
- Goal: Lift UTD's School of Engineering & Computer Science
- Partners:
  - Texas Instruments
  - State of Texas
  - The University of Texas System
  - U. T. Dallas
  - Plano ISD
  - Collin Co. Community College District

Agreement Signed in 2004



**UTD** create your future 3

 **Natural Science and Engineering Research Laboratory**

- 192,000 sq. feet
- State-of-the-Art Facility
- Dedicated June 2007
- 50% Reserved for New Faculty
- Expect to Fill in Two Years



**UTD** create your future 4

### 3. U. T. Dallas: Report on Project Emmitt (cont.)

 **Progress on Key Goals**

- Add Faculty – Increased from 75 to 95 to date (+ 27%)
- More Ph.D.s – Increased from 14 to >45 per year (+ 320%)
- Recruited 100 Domestic Graduate Research Students
- Increase Research – Increased from \$7 Million to \$27 Million per year (+ 390%)
- Research Proposals Increased from 80 to 185 per year (+230%)
- Increase Intellectual Property Disclosures – Up from four in 2001 to 19 in 2007 (+475%)



**UTD** create your future 5

 **Progress on Key Goals (Cont.)**

- Improve Rankings:
  - Graduate Engineering Program jumped 19 slots to No. 77 in Nation among all Institutions (*U.S. News*)
  - Ranked No. 4 in Texas (Trailing U. T. Austin, A&M, & Rice)
  - Ranked No. 47 in Nation among all Public Universities
- National Academy of Engineering Members – Two added
- New Programs:
  - Material Science and Engineering
  - Bioengineering
  - Mechanical Engineering
  - Systems Engineering (Planned)

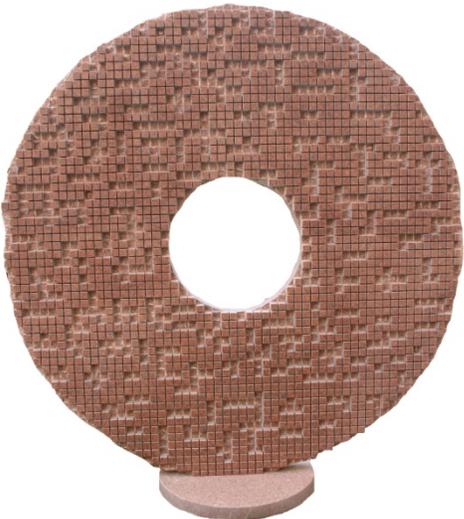


**UTD** create your future 6

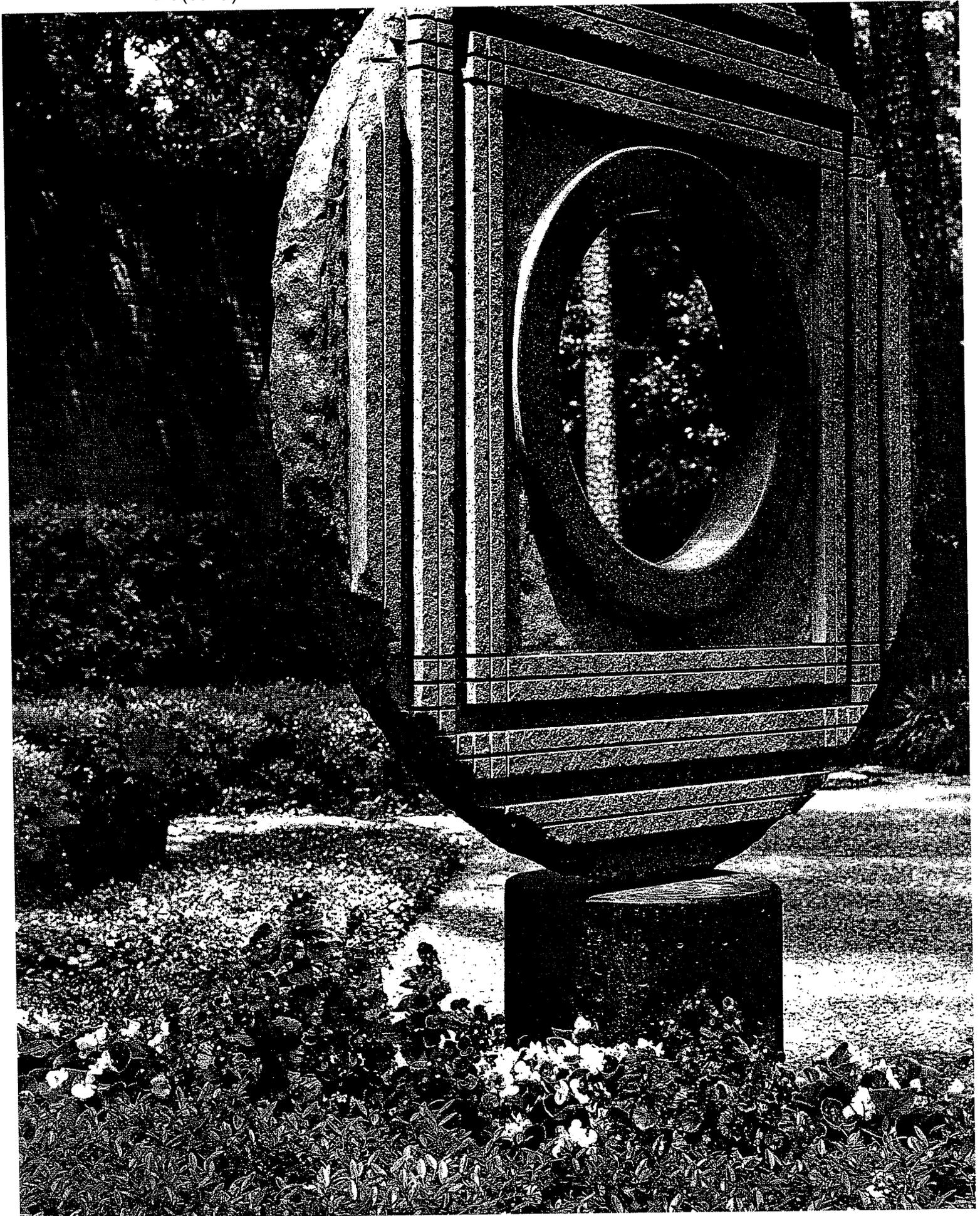
1. U. T. Southwestern Medical Center – Dallas: Approval of acceptance of gift of outdoor art

***Sun Disc Triptych***

By Mr. Jesús Moroles



1. U. T. Southwestern Medical Center – Dallas: Approval of acceptance of gift of outdoor art (cont.)



6. U. T. System: Code Red Report -- 2008 Recommendations of the statewide Task Force on Access to Health Care in Texas

# CODE RED

THE CRITICAL CONDITION OF HEALTH IN TEXAS

## 2008

The report of the Task Force on Access to Health Care in Texas, *Code Red: The Critical Condition of Health in Texas* (Code Red Report), was issued April 17, 2006, at a news conference and public symposium at the James A. Baker III Institute for Public Policy at Rice University. The Task Force on Access to Health Care in Texas (Task Force) is a nonpartisan group sponsored by all 10 of the major academic health institutions in Texas, including Baylor College of Medicine, Texas Tech, Texas A&M, North Texas, and the six health institutions of The University of Texas System. Task Force membership includes representatives from large and small employers in Texas, health care providers, hospitals, medical schools, health policy experts, as well as community and business leaders. The Task Force collected data, identified and assessed the magnitude of the problem of the uninsured in Texas, and made recommendations for consideration by policymakers. The resulting report, summary, and appendices were evidence-based and peer-reviewed by independent experts.

After its release, the Code Red Report reached a wide variety of interested groups. During the 80th Texas legislative session, there was considerable attention to many of the issues raised in the report. A detailed summary of relevant legislation can be found at the Code Red Web site: [www.coderedtxas.org](http://www.coderedtxas.org). Among the important developments was the passage of Senate Bill 10, which authorized the State to submit an 1115 Waiver to the U.S. Department of Health and Human Services to increase federal Medicaid funds available to expand coverage and improve care delivery opportunities, which the Task Force recommended. These federal funds can be used to subsidize health insurance premiums and health benefit plans, including those consistent with a Task Force recommendation to adopt a “three-share” program for employees of small employers.

Other Task Force recommendations that received significant attention included the development of an electronic health record for Medicaid patients and the uninsured, changes in the State Children’s Health Insurance Program (SCHIP) which increased coverage for an additional 125,000 children, increased funding for graduate medical education and nursing education, and additional initiatives to improve the health of Texas schoolchildren.

As part of a judicial settlement of a longstanding lawsuit regarding the adequacy of Medicaid services for children (Frew Settlement), the Texas Legislature approved more than \$707 million, which, when matched with federal funds, will provide almost \$1.8 billion for the 2008–2009 biennium to improve medical and dental health care for children on Medicaid.

On October 22, 2007, a conference was held to receive additional comments from a wide variety of stakeholders regarding efforts to increase access to care for the uninsured in Texas. This report is an update to the Code Red Report issued April 17, 2006, to reemphasize certain initial recommendations and provide new findings and further recommendations in 2008.

**FOR A COMPLETE DESCRIPTION OF THE BACKGROUND OF THE CODE RED REPORT AND 2008 RECOMMENDATIONS, SEE CODE RED: THE CRITICAL CONDITION OF HEALTH IN TEXAS AT [WWW.CODEREDTEXAS.ORG](http://WWW.CODEREDTEXAS.ORG)**

## 6. U. T. System: Code Red Report -- 2008 Recommendations of the statewide Task Force on Access to Health Care in Texas (cont.)

### FINDINGS OF THE TASK FORCE

- The overall health condition of Texans is poor.
  - Texas continues to have the highest percentage of uninsured in the United States.
  - Texas cannot sustain the continued rise in Medicaid and state/county health care expenditures.
  - Current trends in the delivery of health care in Texas will inevitably exacerbate current problems — overdependence on emergency rooms to access primary care for the uninsured is the most expensive means of delivering care.
  - Expansion of ambulatory (outpatient) services remains an essential, more cost-effective means of health care delivery.
  - Strategies that control the cost of health insurance and ensure the most cost-effective delivery of health care access for all Texans are needed.
  - Significant changes in health outcomes and health care costs will require additional investment in preventative health.
- Texas has not taken full advantage of available federal matching funds to reduce the burden of providing health care for the uninsured.
- The current county-based approach to delivery of health care in Texas is inadequate and inequitable.
- There is a significant shortage of health care professionals in Texas — professionals that could reduce the cost of health care delivery to all Texans.
- Care for people with mental illnesses and access to dental care remain major problems for Texas.
- Providing health care to all Texans will require aggressively controlling health care costs through efforts such as disease management programs, the use of electronic health records, and experiments in cost-effective health care delivery.

### OVERALL CONCLUSIONS

The **long-term economic vitality and security** of Texas depends critically upon the health of all of its people — so that they may learn and work successfully. This responsibility must be broadly shared by individuals, families, communities, and the public and private sectors.

The long-term economic vitality and security of Texas depends on the **health of its children and their parents**, who must learn and be prepared to join the workforce.

The health of children and their parents requires systems of health care built around **patient-centered health homes**, which provide medical, dental, mental health, substance abuse, and preventative services.

# CODE RED

## RECOMMENDATIONS—2008

### **RECOMMENDATION 1: ACCESS TO HEALTH CARE**

**Texas should adopt the principle that all individuals living in Texas should have access to adequate levels of health care.**

Texas has a large and diverse population of uninsured and underinsured individuals, 80 percent of whom work or have a working family member. Approximately 25 percent of Texans are uninsured, the highest percentage in the nation. The strength and productivity of the Texas workforce and student population depends on the good health of all of its residents.

### **RECOMMENDATION 2: PATIENT-CENTERED HEALTH HOMES**

**All Texans, including the uninsured, should have access to individualized patient-centered health homes.**

- A patient-centered health home offers patients access to coordinated, comprehensive care including medical, dental, mental health, substance abuse, and preventative services.
- A patient-centered health home may be structured around a trusted professional (e.g., a physician or nurse), a physical facility (e.g., a clinic, school, or community center), or a set of information tools (e.g., an electronic health record with virtual care coordination).
- Such homes should coordinate health services based on individual needs and community resources.

### **RECOMMENDATION 3: INVESTMENT IN POPULATION HEALTH**

**Texas must increase its investment in the health of various populations — including the medically vulnerable and underserved — in disease prevention and in public health programs at the state and local level.**

- In the face of rapidly rising costs for medical care, disease management based health homes must include preventative measures. School-based educational programs in health and local public health programs must also be strengthened.
- The Texas Department of State Health Services should undertake a formal assessment of public health capacity in communities across the state.
- Funds provided under Proposition 15, the constitutional amendment creating and funding the Cancer Prevention and Research Institute of Texas, should be dedicated to conducting research to improve cancer prevention and the early detection of cancer, and to reinforcing current successful prevention strategies.

6. U. T. System: Code Red Report -- 2008 Recommendations of the statewide Task Force on Access to Health Care in Texas (cont.)

**RECOMMENDATION 4: OBTAIN ADDITIONAL FEDERAL FUNDS**

**Texas should continue its efforts to obtain additional federal funds in support of health care and prevention.**

The Task Force supports efforts to optimize federal funding through an 1115 Waiver to ensure health coverage for individuals with incomes up to 200 percent of the federal poverty level, to subsidize health insurance premiums and other health benefit plans, such as “three-share”, and to enhance comprehensive health delivery systems using interdisciplinary health care teams and electronic health records. The medically needy program for patients who spend down to eligibility for Medicaid should be reinstated. Insurance coverage must provide a meaningful basic benefits package for Medicaid recipients.

This waiver effort should not diminish the capacity of safety-net hospitals to fulfill their mission.

- The executive and legislative branches of the State of Texas, and community leaders, should work with the Texas congressional delegation to continue federal support of inter-governmental transfers, disproportionate share hospital funding and upper payment limit funding for Texas.
- Texas leadership should strongly support and expand the SCHIP Program to provide insurance coverage for children and their mothers with incomes up to 200 percent of the federal poverty level, and maintain the policy of twelve-month eligibility for SCHIP recipients.
- The State should consider subsidizing health insurance premiums and offering health benefit plans to small businesses that participate in a health purchasing cooperative.
- The Task Force recommends the exploration and implementation of a quality assurance fee of one percent, assessed on revenues of all hospitals and free-standing surgery centers in Texas to obtain a substantial and enhanced federal match. Such a fee should be implemented for a two-year period with renewal contingent upon evidence that the funds received from the federal government directly improved access to health care. This would include increased hospital and physician reimbursement for services provided.

**RECOMMENDATION 5: INCREASE AMBULATORY CARE/DISEASE MANAGEMENT**

**Hospitals, other health care institutions, health science centers, and health professionals should expand their commitment to increasing community-based ambulatory care, and to implementing recent advancements in disease management and forms of health care delivery that improve the quality of patient care while decreasing its cost.**

6. U. T. System: Code Red Report -- 2008 Recommendations of the statewide Task Force on Access to Health Care in Texas (cont.)

**RECOMMENDATION 6: AVAILABILITY OF HEALTH INSURANCE/HEALTH BENEFIT PLANS**

**The Task Force strongly encourages vigorous efforts by the public and private sectors to improve the availability and affordability of health coverage through small employers using health insurance or health benefit plans. This includes:**

- Authorizing the Texas Department of Insurance to conduct innovative pilot projects to expand access to health insurance or health benefit plans. Such projects should be approved by the Commissioner of Insurance and include appropriate methods of evaluation. The Commissioner's approval is required, in part, so the pilot projects are appropriately focused and limited in scope.
- Advancing such pilot projects to include programs which encourage employers offering publicly subsidized health insurance or health benefit plans to join purchasing cooperatives or coalitions. Proposed health benefit plans and multi-share plans should be eligible for public financial support. The programs should also assure appropriate benefit design and encourage the portability of health coverage for employees.
- Examining whether restructuring of rate bands for health insurance premiums offered to small employers might increase the number of insured Texans, enhance continuity of coverage during job transitions, reduce premiums, and minimize adverse effects on older workers.
- Examining the option of mandatory participation in a restructured state reinsurance pool for insurers providing coverage to small employers.
- Designing insurance coverage which travels with the enrolled individual or family (e.g., make premium subsidies and public multi-share contributions portable).
- Exploring incentives or methods to encourage health insurance carriers to issue coverage to cooperatives or purchasing coalitions with more than 50 employees.
- Expanding the state high-risk insurance pool to include small lower-risk groups such as older healthy individuals, and add maternity benefits as an option.
- Examining the option of reducing the minimum required participation rate for small employer's coverage from 75 percent of eligible employees to 60 percent.

Texas is a state with a high proportion of small businesses. Eighty percent or more of the uninsured are in families in which one or more members work. Approximately one-third of firms employing 50 employees or less offer health insurance. Only one-third of the employees purchase the coverage. Modifications in insurance practices to further enhance small business coverage is essential to improving access to care and the overall health of the population. The State should conduct well-designed experiments and pilot projects to evaluate the effectiveness of changes in the regulatory environment on the accessibility and affordability of health insurance coverage for Texans.

6. U. T. System: Code Red Report -- 2008 Recommendations of the statewide Task Force on Access to Health Care in Texas (cont.)

**RECOMMENDATION 7: EDUCATE HEALTH PROFESSIONALS**

**Texas must continue to increase its investment in the education of health professionals who will provide a significant amount of care to the uninsured and underinsured, including:**

- 600 more medical residents per biennium over a 10-year period.
- 2,000 more nursing students annually and 200 additional nursing faculty.
- Additional general revenue for formula funding to increase nursing students and faculty.
- Increase the number of physicians annually graduating from its medical schools by 25 percent over the next decade.
- Increase the number of dentists annually graduating in Texas by 20 percent over the next 10 years.
- Expand medical school loan repayment programs to cover up to 500 physicians per year for graduates serving in a public hospital or in practices treating 50 percent or more Medicaid and uninsured patients, to forgive up to \$100,000 in debt.
- Expand educational opportunities for pediatric and/or primary care providers to recognize and manage behavioral health issues.
- Ensure that each physician practicing in Texas provides a fair and reasonable amount of care for Medicaid, Medicare, and uninsured patients, and shares in emergency room on-call responsibilities with reasonable reimbursement rates from Medicaid and Medicare.
- Continue to provide and increase state resources to assist community health centers to qualify for federal designation as federally qualified health centers.
- Expand educational opportunities for all health care providers to offer effective preventative services.
- Provide opportunities for the recruitment and education of a diverse population of health care providers through successful programs such as the Joint Admission Medical Program.

6. U. T. System: Code Red Report -- 2008 Recommendations of the statewide Task Force on Access to Health Care in Texas (cont.)

**RECOMMENDATION 8: FREW SETTLEMENT**

**Aggressively support improving the health of children enrolled in Medicaid through the Frew Settlement.**

- Implement sustainable strategic initiatives associated with the Frew Settlement to develop integrated systems of care for children covered by Medicaid. A program should include the creation of patient-centered integrated and comprehensive health homes for children including medical, dental, behavioral health, substance abuse, and preventative services, with initiatives in mental health, subspecialty consultation, and education loan repayment for primary care providers.
- Utilize methods for evaluating the health of children which can be used to measure the impact of interventions.
- Coordinate efforts to efficiently implement and develop health information technology for Medicaid and uninsured patients across the state to effectively care for children.
- Implement expanded roles for various health care providers who can deliver high-quality, cost-effective programs for children (e.g., dental hygienist conducting dental screening in the public schools).
- Support community-based education programs impacting health behaviors that address abuse, neglect, and other adverse childhood experiences.

**RECOMMENDATION 9: HEALTH INFORMATION TECHNOLOGY**

**Texas should become the national leader in health information technology, which includes the development and application of new technology to allow for standardization, connectivity, and improved health provider/patient communication.**

- Support access to health information technology by health care providers in a full range of health care settings with careful attention to issues of confidentiality.
- Facilitate networks of health care that are linked through health information technology (e.g., telemedicine consultation and subspecialty referrals).
- Facilitate the development of the common language used in health information technology.
- Utilize electronic health records to reduce the costs of health care for uninsured patients and those covered by Medicaid, and to eliminate the provision of redundant services.
- Support initiatives that reduce or eliminate operational barriers to the use of health information technology in health care provider offices.

6. U. T. System: Code Red Report -- 2008 Recommendations of the statewide Task Force on Access to Health Care in Texas (cont.)

**RECOMMENDATION 10: BEHAVIORAL HEALTH**

**Texas should ensure that high-quality behavioral health (mental health and substance abuse) services are affordable, accessible, and meet the individual needs of all children and adults with mental illness and substance abuse issues.**

- Integrate behavioral health services into the delivery of primary health care through the co-location of services, inclusion in the patient-centered health home, and use of integrated patient health records.
- Provide the same health insurance coverage for mental illnesses and substance abuse disorders provided for other medical and surgical care.
- Focus public funding of behavioral health services on comprehensive, diagnostic, therapeutic, and recovery programs which are evidenced-based practices that create stability and reduce the utilization of crisis emergency room services and criminal justice involvement.
- Screen children and adults for behavioral health issues upon entry into the justice system, and direct them to appropriate mental health and substance abuse services.

**RECOMMENDATION 11: COST-EFFECTIVE DELIVERY SYSTEMS**

**Academic institutions, state and local governments, communities, foundations, and the private sector should support the development of health science research programs to study cost-effective health care delivery systems and other characteristics of a high-quality and efficient health care system. The programs should include the study of:**

- The availability and accessibility of public health services throughout the state.
- The availability and use of retail and faith-based clinics to assess the opportunity for increased care to the uninsured and the reduction of emergency room overcrowding.
- Tort reform in Texas to determine its impact on the role of defensive medicine in emergency settings, particularly related to care of the uninsured.
- The impact of patient-centered, integrated and comprehensive health homes on the health status of children and adults.
- The quality and cost effectiveness of expanding the use of non-physician providers to augment and extend care provided by physicians to uninsured populations.

6. U. T. System: Code Red Report -- 2008 Recommendations of the statewide Task Force on Access to Health Care in Texas (cont.)

**RECOMMENDATION 12: SCHOOL HEALTH**

**Texas must continue to rapidly strengthen efforts to offer integrated approaches to school health, including emphasis on nutrition, exercise, dental health, and disease management (e.g., asthma, diabetes, preventative health education, and health screenings).**

- Increase physical activity to 60 minutes a day in Texas schools.
- Develop and implement cost-effective, school-based disease management programs for children with chronic illnesses.
- Develop robust school health programs that include the identification of health and behavioral health issues, and coordinate with programs designed to prevent substance abuse, teenage pregnancy, and obesity.

## CONCLUSION

The challenges addressed in the Code Red Report are not new. The lack of available and affordable health insurance, health provider shortages, the overuse of emergency rooms, and inefficient funding strategies continue to exist. Substantial progress will require the expansion of disease management programs, the use of electronic health records, investments in health education and prevention, and the implementation of new and innovative health care delivery models that can decrease health care costs.

The Task Force asserts that the economic vitality and security of Texas depends on the health of its population. The strength and productivity of its workforce and the capacity for educational attainment depends critically upon the health of workers and students. Long-term systems of quality health care are essential to provide for the health of Texas children and their parents. The development of patient-centered, integrated, comprehensive health homes, which feature important preventative services, will improve the health of all Texans.

## 6. U. T. System: Code Red Report -- 2008 Recommendations of the statewide Task Force on Access to Health Care in Texas (cont.)

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