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Committee Meeting: 5/11/2005

Austin, Texas

Board Meeting: 5/12/2005

Austin, Texas

Woody L. Hunt, Chairman

John W. Barnhill, Jr.

H. Scott Caven, Jr.

Cyndi Taylor Krier

Robert B. Rowling

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Convene	<i>1:30 p.m.</i> <i>Chairman Hunt</i>		
1. U. T. System: Approval of <i>Docket No. 122</i>	Not on Agenda	Action	16
2. U. T. System: Approval of the Fiscal Year 2006 Budget Preparation Policies and Calendar for budget operations	<i>1:30 p.m.</i> Action <i>Mr. Wallace</i>	Action	16
3. U. T. System: Presentation of Monthly Financial Report	<i>1:35 p.m.</i> Report <i>Mr. Wallace</i>	Not on Agenda	20
4. U. T. Board of Regents: Report on Investments for quarter ended February 28, 2005, Liquidity Profile, and Performance Report by Ennis Knupp + Associates	<i>1:40 p.m.</i> Report <i>Mr. Boldt</i> <i>Mr. Voss</i>	Report	21
5. U. T. Board of Regents: Approval of annual distributions from the Permanent University Fund, the Permanent Health Fund, and the Long Term Fund	<i>1:45 p.m.</i> Action <i>Mr. Boldt</i>	Action	22
6. U. T. Board of Regents: Adoption of Resolutions Amending the First and Fifth Supplemental Resolutions to the Master Resolution establishing the Revenue Financing System Commercial Paper Programs	<i>1:50 p.m.</i> Action <i>Mr. Aldridge</i>	Action	26
7. U. T. System: Permanent University Fund quarterly update	<i>1:55 p.m.</i> Report <i>Mr. Aldridge</i>	Not on Agenda	33
8. U. T. Board of Regents: Regents' <i>Rules and Regulations</i>, Series 10501 - Amendment to increase the amount delegated for lease or purchase of routine medical equipment and services	<i>2:00 p.m.</i> Action <i>Dr. Kelley</i>	Action	34

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9. U. T. Board of Regents: Amendment to the Regents' <i>Rules and Regulations</i>, Series No. 70301 (Matters Relating to Real Property), Section 4	2:05 p.m. Action <i>Ms. Mayne</i>	Action	36
10. U. T. Board of Regents: Amendment to the Regents' <i>Rules and Regulations</i>, Series 80103, Section 2.4 (Solicitation)	2:10 p.m. Action <i>Mr. Burgdorf</i>	Action	37
11. U. T. System: Review of services provided and fees charged by the Office of Facilities Planning and Construction and update on benchmarking study	2:15 p.m. Report <i>Dr. Kelley</i>	Not on Agenda	39
Adjourn	2:30 p.m.		

1. **U. T. System: Approval of Docket No. 122**

RECOMMENDATION

It is recommended that *Docket No. 122*, printed on green paper at the back of the Agenda Book beginning on Page Docket - 1, be approved.

It is also recommended that the Board confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to appropriate officials of the respective institution involved.

2. **U. T. System: Approval of the Fiscal Year 2006 Budget Preparation Policies and Calendar for budget operations**

RECOMMENDATION

With the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Executive Vice Chancellor for Health Affairs, the Chancellor recommends that the U. T. Board of Regents approve the Budget Preparation Policies and Calendar for use in preparing the Fiscal Year 2006 Operating Budget for the U. T. System as set out below:

U. T. System Fiscal Year 2006 Budget Preparation Policies

General Guidelines - The regulations and directives that will be included in the General Appropriations Act enacted by the 79th Texas Legislature serve as the basis for budget preparation guidelines and policies. In preparing the draft of the Fiscal Year 2006 Operating Budget, the president of each institution should adhere to guidelines and policies as detailed below and to other directives included in the General Appropriations Act. After legislative approval of the General Appropriations Act, the Chancellor will issue detailed instructions regarding the implementation of those regulations and directives into the institutional budget process.

Overall budget totals, including reasonable reserves, must be limited to the funds available for the year from General Revenue Appropriations, Estimates of Educational and General Income, and limited use of institutional unappropriated balances.

Salary Policy Guidelines - Recommendations regarding salary policy are subject to the following directives:

1. Salaries Proportional by Fund - Unless otherwise restricted, payment for salaries, wages, and benefits paid from appropriated funds, including local funds and educational and general funds as defined in *Texas Education Code* Section 51.009 (a) and (c), shall be proportional to the source of funds.
2. Merit Increases and Promotions - Subject to available resources and resolution of any major salary inequities, institutions should give priority to implementing merit salary increases for faculty and staff.

Merit increases or advances in rank for faculty are to be on the basis of teaching effectiveness, research, and public service.

Merit increases or promotions for staff are to be based on evaluation of performance in areas appropriate to work assignments.

To be eligible for a merit increase, staff must have been employed by the institution for at least six consecutive months ending August 31, 2005, and at least six months must have elapsed since the employee's last merit salary increase.

3. Other Increases - Equity adjustments, competitive offers, and increases to accomplish contractual commitments should also consider merit where appropriate, subject to available resources.
4. New Positions - Subject to available resources, new positions are to be included in the budget only when justified by workloads or to meet needs for developing new programs.

Staff Benefits Guidelines - Recommendations regarding the State contribution for employee staff benefits such as group insurance premiums, teacher retirement, and optional retirement are subject to legislative determination via the General Appropriations Act.

Other Employee Benefits - Employer contributions to the self-insured Unemployment Compensation Fund are based on an actuarial study. Workers' Compensation Insurance rates are experience rated for each institution. Appropriate instructions will be issued regarding the implementation of Unemployment Compensation Fund and Workers' Compensation Insurance Benefits.

Other Operating Expenses Guidelines - Increases in Maintenance, Operation, Equipment, and Travel are to be justified by expanded workloads, for developing new programs, or for correcting past deferrals or deficiencies.

Budget Reductions and Limitations - The General Appropriations Act may contain provisions requiring budget reductions and budget restrictions.

2006 Operating Budget Calendar

May 11 - 12, 2005	U. T. Board of Regents approves budget policies
June 2 - 10, 2005	Major goals and priorities/resource allocation hearings with System Administration
June 24, 2005	Draft budget documents due to System Administration
June 30 - July 7, 2005	Technical budget review with System Administration
July 13, 2005	Final budget documents due to System Administration
July 29, 2005	Operating Budget Summaries mailed to U. T. Board of Regents
August 10 - 11, 2005	U. T. Board of Regents approves Operating Budget
August 23, 2005	Approved budget documents due to System Administration

BACKGROUND INFORMATION

The U. T. System FY 2006 Budget Preparation Policies will be consistent with the regulations and directives included in the General Appropriations Act to be enacted by the 79th Legislature. As written, this policy provides general direction to the U. T. System institutions and may be modified as necessary to conform to the legislation, as finally passed.

The planning and execution required to develop a proposed institutional budget prior to approval of a general appropriations act during a legislative year have made it difficult to make determinations on individual employee salary recommendations. A Board Committee, chaired by former Regent Lowell Lebermann, recognized this challenge and recommended that individual salaries not be included in the institutional operating budgets submitted for approval to the Board of Regents but be available for review in separate salary rosters. This recommendation was adopted by the Board in December 1994.

Consistent with ongoing deregulation, oversight, and accountability initiatives, the proposed recommendations do not include the requirement for separate salary rosters to be developed in advance of the August meeting of the U. T. Board of Regents. The proposed change will not impact the current procedure for Board review of the salaries for U. T. System executive officers, presidents, and those reporting directly to the Board. Consistent with current delegation, the Chancellor has approval authority for U. T. System employees and certain employees for whom final salary approval has not been delegated to the presidents. The Board would continue to approve direct reports to the Board and presidents.

3. U. T. System: Presentation of Monthly Financial Report

REPORT

Mr. Randy Wallace, Associate Vice Chancellor - Controller and Chief Budget Officer, will present the March Monthly Financial Report (MFR), representing the operating results of the U. T. System institutions, as follows on Pages 20.1 - 20.26.

The MFR, prepared since 1990 to track the financial results of the institutions, 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.



Monthly Financial Report

(Unaudited)

System Office:

*The University of Texas
System Administration*

Academic Institutions:

*The University of Texas
at Arlington*

*The University of Texas
at Austin*

*The University of Texas
at Brownsville*

*The University of Texas
at Dallas*

*The University of Texas
at El Paso*

*The University of Texas –
Pan American*

*The University of Texas
of the Permian Basin*

*The University of Texas
at San Antonio*

*The University of Texas
at Tyler*

Health Institutions:

*The University of Texas
Southwestern Medical Center
at Dallas*

*The University of Texas
Medical Branch at Galveston*

*The University of Texas Health
Science Center at Houston*

*The University of Texas Health
Science Center at San Antonio*

*The University of Texas
M.D. Anderson Cancer Center*

*The University of Texas Health
Center at Tyler*

March 2005

**THE UNIVERSITY OF TEXAS SYSTEM
MONTHLY FINANCIAL REPORT
(Unaudited)
FOR THE SEVEN MONTHS ENDING
MARCH 31, 2005**

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

Foreword

The Monthly Financial Report (MFR) for 2005 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.

UNAUDITED
The University of Texas System
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date <u>FY 2005</u>	March Year-to-Date <u>FY 2004</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Student Tuition and Fees	\$638,789,661	\$535,483,996	\$103,305,665	19.3%
Sponsored Programs	1,222,422,998	1,134,272,897	88,150,101	7.8%
Net Sales and Services of Educational Activities	106,289,095	81,886,737	24,402,358	29.8%
Net Sales and Services of Hospitals	1,220,892,112	1,049,535,337	171,356,775	16.3%
Net Professional Fees	449,969,349	411,225,778	38,743,571	9.4%
Net Auxiliary Enterprises	183,940,654	154,356,573	29,584,081	19.2%
Other Operating Revenues	98,988,315	91,058,214	7,930,101	8.7%
Total Operating Revenues	<u>3,921,292,184</u>	<u>3,457,819,532</u>	<u>463,472,652</u>	<u>13.4%</u>
Operating Expenses				
Salaries and Wages	2,475,226,386	2,248,698,890	226,527,496	10.1%
Payroll Related Costs	592,167,088	541,566,239	50,600,849	9.3%
Professional Fees and Contracted Services	143,036,324	136,347,914	6,688,410	4.9%
Other Contracted Services	169,282,126	154,324,481	14,957,645	9.7%
Scholarships and Fellowships	345,025,562	304,160,525	40,865,037	13.4%
Travel	52,102,190	43,940,176	8,162,014	18.6%
Materials and Supplies	534,330,150	454,783,789	79,546,361	17.5%
Utilities	104,268,899	91,407,540	12,861,359	14.1%
Telecommunications	36,666,904	36,208,397	458,507	1.3%
Repairs and Maintenance	74,585,987	69,474,326	5,111,661	7.4%
Rentals and Leases	52,783,893	45,062,051	7,721,842	17.1%
Printing and Reproduction	18,259,401	18,132,999	126,402	0.7%
Bad Debt Expense	7,157	7,566	(409)	-5.4%
Federal Sponsored Programs Pass-Throughs	11,762,835	8,734,594	3,028,241	34.7%
Depreciation and Amortization	233,839,568	201,958,906	31,880,662	15.8%
Other Operating Expenses	236,166,732	217,006,192	19,160,540	8.8%
Total Operating Expenses	<u>5,079,511,202</u>	<u>4,571,814,585</u>	<u>507,696,617</u>	<u>11.1%</u>
Operating Loss	<u>(1,158,219,018)</u>	<u>(1,113,995,053)</u>	<u>(44,223,965)</u>	<u>-4.0%</u>
Other Nonoperating Adjustments				
State Appropriations	967,053,225	947,255,160	19,798,065	2.1%
Gift Contributions for Operations	151,848,353	112,020,926	39,827,427	35.6%
Net Investment Income	264,546,056	154,396,795	110,149,261	71.3%
Long Term Fund Distribution	98,316,018	93,274,113	5,041,905	5.4%
Interest Expense on Capital Asset Financings	(81,040,666)	(54,423,454)	(26,617,212)	-48.9%
Net Other Nonoperating Adjustments	<u>1,400,722,986</u>	<u>1,252,523,540</u>	<u>148,199,446</u>	<u>11.8%</u>
Adjusted Income (Loss)	242,503,968	138,528,487	103,975,481	75.1%
Adjusted Margin (as a percentage)	4.5%	2.9%		
Available University Fund Transfer	0	0	0	0.0%
Investment Gains (Losses)	1,264,463,976	1,702,854,828	(438,390,852)	-25.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	\$1,506,967,944	\$1,841,383,315	(\$334,415,371)	-18.2%
Adj. Margin % with Investment Gains (Losses)	22.6%	28.5%		

The University of Texas System
Comparison of Year-to-Date FY 2005 Adjusted Income (Loss)
to Year-to-Date FY 2004 Adjusted Income (Loss)
For the Seven Months Ending March 31, 2005

	Year-to-Date FY2005 Adjusted Income (Loss)	Year-to-Date FY2004 Adjusted Income (Loss)	Variance	Fluctuation Percentage	
UT System Administration	\$ 140,996,178	\$ 43,551,193	\$ 97,444,985	223.7%	(1)
UT Arlington	12,433,822	9,498,002	2,935,820	30.9%	
UT Austin	95,065,118	89,287,431	5,777,687	6.5%	
UT Brownsville	4,204,560	313,704	3,890,856	1,240.3%	(2)
UT Dallas	3,962,546	(1,557,868)	5,520,414	354.4%	(3)
UT El Paso	2,127,939	2,180,521	(52,582)	-2.4%	
UT Pan American	1,148,233	3,525,924	(2,377,691)	-67.4%	
UT Permian Basin	(1,436,483) (4)	(1,749,524)	313,041	17.9%	
UT San Antonio	14,894,747	10,582,043	4,312,704	40.8%	
UT Tyler	(1,665,465)	(93,778)	(1,571,687)	-1,676.0%	(5)
UT Southwestern Medical Center - Dallas	18,525,623	7,799,689	10,725,934	137.5%	(6)
UT Medical Branch - Galveston	(38,491,812)	(15,488,086)	(23,003,726)	-148.5%	(7)
UT Health Science Center - Houston	2,496,972	8,368,954	(5,871,982)	-70.2%	(8)
UT Health Science Center - San Antonio	10,683,937	9,195,245	1,488,692	16.2%	
UT MD Anderson Cancer Center	41,315,663	35,012,330	6,303,333	18.0%	
UT Health Center - Tyler	(1,728,860) (9)	1,896,040	(3,624,900)	-191.2%	
Elimination of AUF Transfer	(62,028,750)	(63,793,333)	1,764,583	2.8%	
Total Adjusted Income (Loss)	242,503,968	138,528,487	103,975,481	75.1%	
Investment Gains (Losses)	1,264,463,976	1,702,854,828	(438,390,852)	-25.7%	(10)
Total Adjusted Income (Loss) with Investment Gains (Losses)	\$ 1,506,967,944	\$ 1,841,383,315	\$ (334,415,371)	-18.2%	

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Seven Months Ending March 31, 2005

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 \$97.4 million (223.7%) increase in adjusted income over the same period last year was primarily due to an increase in net investment income which includes a mineral rights lease sale. Due to the elevated price of oil, the lease sale netted a higher than normal sale bonus of \$34.6 million.
- (2) UT Brownsville – The \$3.9 million (1,240.3%) increase in adjusted income over the same period last year was primarily due to increases in the Texas Southmost College contract. The contract increased by \$6.6 million in 2005 for a total contract price of \$23.5 million.
- (3) UT Dallas – The \$5.5 million (354.4%) increase in adjusted income over the same period last year was primarily due to increased state appropriations of \$2.9 million and an increase in designated tuition rates. The appropriation for the University Research Fund was eliminated in 2004, but was restored for 2005. Designated tuition increased from \$46 per semester credit hour in the fall of 2003 to \$88 per semester credit hour in the fall of 2004.
- (4) UT Permian Basin - The \$1.4 million year-to-date net loss was primarily due to additional faculty hired to accommodate increased student enrollment. This loss represents 6.3% of expenses to date. *UT Permian Basin* is anticipating ending the year with a \$2.5 million negative margin.
- (5) UT Tyler – The \$1.6 million (1,676%) increase in adjusted loss over the same period last year was primarily due to increased salaries and wages as well as increases in depreciation expense and interest expense related to three new capital projects. As a result of these factors, *UT Tyler* has a net loss of \$1.7 million. This loss represents 4.4% of expenses to date. *UT Tyler* planned to draw upon prior year net assets to transform from a two-year upper level commuter campus to a full four-year comprehensive university. Expansion is essential in all areas, including additional faculty, leasing of temporary classrooms, construction of new facilities, expanded student services and creation of athletic programs and facilities. *UT Tyler* is anticipating ending the year with a \$3 million negative margin.
- (6) UT Southwestern Medical Center – Dallas – The \$10.7 million (137.5%) increase in adjusted income over the same period last year was primarily due to increased net professional fees resulting from a 106% increase in patient volumes. This increase was slightly offset by a \$1.3 million loss related to the acquisition of Zale Lipshy and St. Paul hospitals in 2005.
- (7) UT Medical Branch – Galveston – The \$23 million (148.5%) increase in adjusted loss over the same period last year was primarily due to funding decreases in Correctional Managed Health Care (CMHC) operations and a decline in hospitals and clinics. *UTMB Galveston* has experienced multiple years of CMHC funding decreases despite increasing inmate populations, aging of the inmate population, increased incidences of inmate chronic diseases and other inflationary expense factors. *UTMB Galveston* has implemented significant cost and operational improvements in CMHC over the last several years, but is now facing a situation where further cost and operational improvement opportunities are becoming limited. *UTMB Galveston* is pursuing funding increases for CMHC and is implementing additional cost saving measures. The institution has requested in excess of \$30 million in emergency appropriations to cover losses in 2005. CMHC represents approximately one-fourth of *UTMB Galveston's* budget.

UTMB Galveston has also experienced a \$14.5 million decline in adjusted income in hospitals and clinics between years. *UTMB Galveston* received a reduction in Medicaid reimbursement rates in 2005 and nominal payment increases from Medicare, commercial and other payors. Additionally, *UTMB Galveston* has been facing severe inflationary pressures on nursing and other patient care provider salaries due to national shortages of these positions. Patient care supplies and other hospital expenses are also increasing.

UTMB Galveston's net loss of \$38.5 million represents 4.7% of expenses to date. *UTMB Galveston's* management is projecting a negative margin of \$59.8 million for 2005. This projected loss includes \$49.5 million in noncash

depreciation expense. Additionally, the projected loss does not include nonoperating revenue for capital gifts from the Sealy and Smith Foundation of \$20.7 million. *UTMB Galveston* is the sole beneficiary of the Sealy and Smith Foundation, and these gifts are integral to *UTMB Galveston's* financial success.

- (8) *UT Health Science Center – Houston* – The \$5.9 million (70.2%) decrease in adjusted income over the same period last year was primarily due to increased expenses in rentals and leases as well as contracted services. While the John Freeman building is demolished and the new facility is constructed, displaced personnel are being housed in rental space. Other contracted services increased due to additional management fees and cleaning costs for the Hermann Professional building and increased expenses related to new software to track resident activity.
- (9) *UT Health Center – Tyler* – The \$1.7 million year-to-date net loss was primarily due to decreased net sales and services of hospitals of \$2.8 million and decreased net professional fees of \$2.4 million. Both of these reductions are as a result of decreases in admissions (12%), inpatient days (21%) and inpatient surgeries (20%). These decreases are region-wide and are not isolated to *UTHC – Tyler*. This loss represents 2.4% of expenses to date. *UTHC – Tyler* anticipates breaking even by year-end.
- (10) *Investment Gains (Losses)* – The \$438.4 million (25.7%) decrease in investment gains over the same period last year was due to weakened financial market conditions. The majority of the year-to-date gains relate to the Permanent University Fund (PUF) for \$824.4 million, the Long Term Fund (LTF) for \$357.3 million and the Permanent Health Fund (PHF) for \$84.7 million.

GLOSSARY OF TERMS

OPERATING REVENUES:

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

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

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

NET SALES AND SERVICES OF HOSPITALS – Revenues (net of discounts, allowances, and bad debt expense) generated from U.T. health 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 U.T. 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 non profit 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.

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 – Estimated depreciation and amortization expense.

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 U.T. institutional revenue in meeting operating expenses, such as faculty salaries, utilities, and institutional support.

GIFT CONTRIBUTIONS FOR OPERATIONS – Consist of public and private gifts used in current operations, excluding gifts for capital acquisition and endowment gifts.

NET INVESTMENT INCOME – Interest and dividend income, Permanent Health Fund distributions and patent and royalty income.

LONG TERM FUND DISTRIBUTION – At the institutional level, includes Long Term Fund fixed payouts approved by the Board of Regents. On the MFR, investment income for System Administration has been reduced for the amount of any transfers so as not to overstate investment income.

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) – Total operating revenues less total operating expenses plus net other nonoperating adjustments.

ADJUSTED MARGIN (as a percentage) – Percentage of Adjusted Income (Loss) 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 U.T. 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.

UNAUDITED
The University of Texas System Administration
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date FY 2005	March Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	\$5,622,206	\$4,562,400	\$1,059,806	23.2%
Net Sales and Services of Educational Activities	7,701,515	1,570,702	6,130,813	390.3%
Other Operating Revenues	(178,395)	(1,773,057)	1,594,662	89.9%
Total Operating Revenues	13,145,326	4,360,045	8,785,281	201.5%
Operating Expenses				
Salaries and Wages	12,651,875	10,887,007	1,764,868	16.2%
Employee Benefits and Related Costs	2,990,664	2,414,475	576,189	23.9%
Professional Fees and Contracted Services	1,084,049	1,717,778	(633,729)	-36.9%
Other Contracted Services	2,135,646	1,236,450	899,196	72.7%
Travel	779,846	388,589	391,257	100.7%
Materials and Supplies	1,404,352	2,009,054	(604,702)	-30.1%
Utilities	18,833	15,334	3,499	22.8%
Telecommunications	458,813	1,218,753	(759,940)	-62.4%
Repairs and Maintenance	590,367	527,753	62,614	11.9%
Rentals and Leases	268,619	244,406	24,213	9.9%
Printing and Reproduction	125,008	106,901	18,107	16.9%
Depreciation and Amortization	937,642	875,204	62,438	7.1%
Other Operating Expenses	3,648,949	2,978,795	670,154	22.5%
Total Operating Expenses	27,194,663	24,687,499	2,507,164	10.2%
Operating Loss	(14,049,337)	(20,327,454)	6,278,117	30.9%
Other Nonoperating Adjustments				
State Appropriations	582,739	582,742	(3)	0.0%
Gift Contributions for Operations	640,060	328,040	312,020	95.1%
Net Investment Income	154,361,003	60,278,453	94,082,550	156.1%
Long Term Fund Distribution	2,947,255	3,577,551	(630,296)	-17.6%
Interest Expense on Capital Asset Financings	(19,666,870)	(17,172,891)	(2,493,979)	-14.5%
Net Other Nonoperating Adjustments	138,864,187	47,593,895	91,270,292	191.8%
Adjusted Income (Loss)	124,814,850	27,266,441	97,548,409	357.8%
Adjusted Margin (as a percentage)	72.7%	39.4%		
Available University Fund Transfer	16,181,328	16,284,752	(103,424)	-0.6%
Adjusted Income (Loss) with AUF Transfer	140,996,178	43,551,193	97,444,985	223.7%
Adjusted Margin % with AUF Transfer	75.1%	51.0%		
Investment Gains (Losses)	1,266,652,655	1,678,978,832	(412,326,177)	-24.6%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	\$1,407,648,833	\$1,722,530,025	(\$314,881,192)	-18.3%
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	97.9%	98.5%		

UNAUDITED
The University of Texas at Arlington
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date FY 2005	March Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$80,592,444	\$64,777,168	\$15,815,276	24.4%
Sponsored Programs	29,904,812	28,293,928	1,610,884	5.7%
Net Sales and Services of Educational Activities	3,666,647	3,178,112	488,535	15.4%
Net Auxiliary Enterprises	14,453,746	11,266,272	3,187,474	28.3%
Other Operating Revenues	3,423,887	2,753,623	670,264	24.3%
Total Operating Revenues	132,041,536	110,269,103	21,772,433	19.7%
Operating Expenses				
Salaries and Wages	85,606,888	77,499,342	8,107,546	10.5%
Employee Benefits and Related Costs	18,538,340	17,177,522	1,360,818	7.9%
Professional Fees and Contracted Services	2,269,024	1,368,790	900,234	65.8%
Other Contracted Services	4,471,038	2,992,061	1,478,977	49.4%
Scholarships and Fellowships	28,806,008	25,341,799	3,464,209	13.7%
Travel	2,080,442	1,630,074	450,368	27.6%
Materials and Supplies	9,741,573	9,415,159	326,414	3.5%
Utilities	3,997,888	4,388,504	(390,616)	-8.9%
Telecommunications	1,453,137	1,422,159	30,978	2.2%
Repairs and Maintenance	4,677,881	4,410,145	267,736	6.1%
Rentals and Leases	1,301,985	1,003,866	298,119	29.7%
Printing and Reproduction	1,105,233	1,335,149	(229,916)	-17.2%
Depreciation and Amortization	7,609,413	5,964,153	1,645,260	27.6%
Other Operating Expenses	4,398,603	3,359,473	1,039,130	30.9%
Total Operating Expenses	176,093,300	157,324,660	18,768,640	11.9%
Operating Loss	(44,051,764)	(47,055,557)	3,003,793	6.4%
Other Nonoperating Adjustments				
State Appropriations	57,349,735	56,447,202	902,533	1.6%
Gift Contributions for Operations	1,479,887	1,098,459	381,428	34.7%
Net Investment Income	1,183,229	845,482	337,747	39.9%
Long Term Fund Distribution	955,668	1,068,895	(113,227)	-10.6%
Interest Expense on Capital Asset Financings	(4,482,933)	(2,906,479)	(1,576,454)	-54.2%
Net Other Nonoperating Adjustments	56,485,586	56,553,559	(67,973)	-0.1%
Adjusted Income (Loss)	12,433,822	9,498,002	2,935,820	30.9%
Adjusted Margin (as a percentage)	6.4%	5.6%		
Investment Gains (Losses)	(52,835)	134,832	(187,667)	-139.2%
Adjusted Income (Loss) with Investment Gains (Losses)	\$12,380,987	\$9,632,834	\$2,748,153	28.5%
Adjusted Margin % with Investment Gains (Losses)	6.4%	5.7%		

UNAUDITED
The University of Texas at Austin
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	<u>March</u> <u>Year-to-Date</u> <u>FY 2005</u>	<u>March</u> <u>Year-to-Date</u> <u>FY 2004</u>	<u>Variance</u>	<u>Fluctuation</u> <u>Percentage</u>
Operating Revenues				
Student Tuition and Fees	\$282,183,445	\$240,912,224	\$41,271,221	17.1%
Sponsored Programs	238,640,919	219,340,263	19,300,656	8.8%
Net Sales and Services of Educational Activities	54,294,457	45,068,219	9,226,238	20.5%
Net Auxiliary Enterprises	94,871,075	88,873,385	5,997,690	6.7%
Other Operating Revenues	4,209,900	2,836,194	1,373,706	48.4%
Total Operating Revenues	674,199,796	597,030,285	77,169,511	12.9%
Operating Expenses				
Salaries and Wages	467,735,550	430,327,969	37,407,581	8.7%
Employee Benefits and Related Costs	102,024,113	95,314,005	6,710,108	7.0%
Professional Fees and Contracted Services	15,687,863	16,653,301	(965,438)	-5.8%
Other Contracted Services	31,848,169	26,885,846	4,962,323	18.5%
Scholarships and Fellowships	98,707,647	85,250,352	13,457,295	15.8%
Travel	18,519,433	14,707,267	3,812,166	25.9%
Materials and Supplies	57,583,119	49,633,300	7,949,819	16.0%
Utilities	31,778,949	24,725,732	7,053,217	28.5%
Telecommunications	7,448,726	7,228,432	220,294	3.0%
Repairs and Maintenance	12,739,416	12,281,163	458,253	3.7%
Rentals and Leases	8,001,805	7,250,582	751,223	10.4%
Printing and Reproduction	5,241,058	5,588,816	(347,758)	-6.2%
Federal Sponsored Programs Pass-Thrus	2,727,951	1,038,904	1,689,047	162.6%
Depreciation and Amortization	49,669,229	46,583,864	3,085,365	6.6%
Other Operating Expenses	28,497,830	26,475,497	2,022,333	7.6%
Total Operating Expenses	938,210,858	849,945,030	88,265,828	10.4%
Operating Loss	(264,011,062)	(252,914,745)	(11,096,317)	-4.4%
Other Nonoperating Adjustments				
State Appropriations	192,504,518	190,350,677	2,153,841	1.1%
Gift Contributions for Operations	50,811,818	41,214,978	9,596,840	23.3%
Net Investment Income	14,507,067	7,117,266	7,389,801	103.8%
Long Term Fund Distribution	51,761,617	49,217,201	2,544,416	5.2%
Interest Expense on Capital Asset Financings	(12,537,590)	(9,491,279)	(3,046,311)	-32.1%
Net Other Nonoperating Adjustments	297,047,430	278,408,843	18,638,587	6.7%
Adjusted Income (Loss)	33,036,368	25,494,098	7,542,270	29.6%
Adjusted Margin (as a percentage)	3.4%	2.9%		
Available University Fund Transfer	62,028,750	63,793,333	(1,764,583)	-2.8%
Adjusted Income (Loss) with AUF Transfer	95,065,118	89,287,431	\$5,777,687	6.5%
Adjusted Margin % with AUF Transfer	9.1%	9.4%		
Investment Gains (Losses)	(76,835)	(221,198)	144,363	65.3%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	\$94,988,283	\$89,066,233	\$5,922,050	6.6%
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	9.7%	10.1%		

UNAUDITED
The University of Texas at Brownsville
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date FY 2005	March Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$5,580,458	\$3,808,556	\$1,771,902	46.5%
Sponsored Programs	71,681,473	59,685,931	11,995,542	20.1%
Net Sales and Services of Educational Activities	772,353	1,276,053	(503,700)	-39.5%
Net Auxiliary Enterprises	664,027	431,830	232,197	53.8%
Other Operating Revenues	7,111	4,019	3,092	76.9%
Total Operating Revenues	78,705,422	65,206,389	13,499,033	20.7%
Operating Expenses				
Salaries and Wages	25,543,716	23,759,424	1,784,292	7.5%
Employee Benefits and Related Costs	6,037,568	5,428,379	609,189	11.2%
Professional Fees and Contracted Services	972,380	929,072	43,308	4.7%
Scholarships and Fellowships	41,828,153	35,393,428	6,434,725	18.2%
Travel	430,028	358,842	71,186	19.8%
Materials and Supplies	2,344,219	1,860,570	483,649	26.0%
Utilities	1,357,708	1,205,168	152,540	12.7%
Telecommunications	774,892	698,401	76,491	11.0%
Repairs and Maintenance	526,542	402,849	123,693	30.7%
Rentals and Leases	1,223,030	1,125,377	97,653	8.7%
Printing and Reproduction	192,325	210,771	(18,446)	-8.8%
Bad Debt Expense	7,157	7,157	0	0.0%
Federal Sponsored Programs Pass-Thrus	8,566	0	8,566	100.0%
Depreciation and Amortization	1,663,100	1,682,744	(19,644)	-1.2%
Other Operating Expenses	6,081,750	4,770,700	1,311,050	27.5%
Total Operating Expenses	88,991,134	77,832,882	11,158,252	14.3%
Operating Loss	(10,285,712)	(12,626,493)	2,340,781	18.5%
Other Nonoperating Adjustments				
State Appropriations	14,870,779	13,655,869	1,214,910	8.9%
Gift Contributions for Operations	187,670	222,886	(35,216)	-15.8%
Net Investment Income	433,341	173,535	259,806	149.7%
Long Term Fund Distribution	145,717	126,051	19,666	15.6%
Interest Expense on Capital Asset Financings	(1,147,235)	(1,238,144)	90,909	7.3%
Net Other Nonoperating Adjustments	14,490,272	12,940,197	1,550,075	12.0%
Adjusted Income (Loss)	4,204,560	313,704	3,890,856	1,240.3%
Adjusted Margin (as a percentage)	4.5%	0.4%		
Investment Gains (Losses)	(70,047)	40,467	(110,514)	-273.1%
Adjusted Income (Loss) with Investment Gains (Losses)	\$4,134,513	\$354,171	\$3,780,342	1067.4%
Adjusted Margin % with Investment Gains (Losses)	4.4%	0.4%		

UNAUDITED
The University of Texas at Dallas
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date FY 2005	March Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$58,494,075	\$49,798,588	\$8,695,487	17.5%
Sponsored Programs	25,590,182	19,866,937	5,723,245	28.8%
Net Sales and Services of Educational Activities	2,954,433	2,428,667	525,766	21.6%
Net Auxiliary Enterprises	3,619,202	3,071,170	548,032	17.8%
Other Operating Revenues	3,332,836	1,996,061	1,336,775	67.0%
Total Operating Revenues	93,990,728	77,161,423	16,829,305	21.8%
Operating Expenses				
Salaries and Wages	65,795,841	59,903,805	5,892,036	9.8%
Employee Benefits and Related Costs	12,823,131	11,469,802	1,353,329	11.8%
Professional Fees and Contracted Services	2,594,780	1,092,169	1,502,611	137.6%
Other Contracted Services	3,652,387	2,976,578	675,809	22.7%
Scholarships and Fellowships	24,900,825	22,296,556	2,604,269	11.7%
Travel	1,587,649	1,472,995	114,654	7.8%
Materials and Supplies	7,692,414	6,684,635	1,007,779	15.1%
Utilities	3,214,960	3,353,097	(138,137)	-4.1%
Telecommunications	838,338	824,620	13,718	1.7%
Repairs and Maintenance	2,693,315	2,121,802	571,513	26.9%
Rentals and Leases	477,243	403,343	73,900	18.3%
Printing and Reproduction	700,344	543,132	157,212	28.9%
Federal Sponsored Programs Pass-Thrus	293,922	155,135	138,787	89.5%
Depreciation and Amortization	7,245,836	6,569,500	676,336	10.3%
Other Operating Expenses	4,013,646	3,066,857	946,789	30.9%
Total Operating Expenses	138,524,631	122,934,026	15,590,605	12.7%
Operating Loss	(44,533,903)	(45,772,603)	1,238,700	2.7%
Other Nonoperating Adjustments				
State Appropriations	41,690,232	38,826,141	2,864,091	7.4%
Gift Contributions for Operations	3,082,289	2,497,624	584,665	23.4%
Net Investment Income	1,654,120	1,030,456	623,664	60.5%
Long Term Fund Distribution	3,929,797	3,667,767	262,030	7.1%
Interest Expense on Capital Asset Financings	(1,859,989)	(1,807,253)	(52,736)	-2.9%
Net Other Nonoperating Adjustments	48,496,449	44,214,735	4,281,714	9.7%
Adjusted Income (Loss)	3,962,546	(1,557,868)	5,520,414	354.4%
Adjusted Margin (as a percentage)	2.7%	-1.3%		
Investment Gains (Losses)	(376,676)	592,642	(969,318)	-163.6%
Adjusted Income (Loss) with Investment Gains (Losses)	\$3,585,870	(\$965,226)	\$4,551,096	471.5%
Adjusted Margin % with Investment Gains (Losses)	2.5%	-0.8%		

UNAUDITED
The University of Texas at El Paso
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date FY 2005	March Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$43,239,896	\$35,807,051	\$7,432,845	20.8%
Sponsored Programs	50,559,435	50,247,545	311,890	0.6%
Net Sales and Services of Educational Activities	1,888,424	2,259,251	(370,827)	-16.4%
Net Auxiliary Enterprises	14,465,044	12,696,984	1,768,060	13.9%
Other Operating Revenues	8,407	72,109	(63,702)	-88.3%
Total Operating Revenues	110,161,206	101,082,940	9,078,266	9.0%
Operating Expenses				
Salaries and Wages	65,508,284	59,736,124	5,772,160	9.7%
Employee Benefits and Related Costs	14,387,864	13,353,568	1,034,296	7.7%
Professional Fees and Contracted Services	2,093,547	2,844,742	(751,195)	-26.4%
Other Contracted Services	6,380,030	6,094,756	285,274	4.7%
Scholarships and Fellowships	38,724,557	37,058,236	1,666,321	4.5%
Travel	3,200,380	2,689,728	510,652	19.0%
Materials and Supplies	11,605,341	9,386,198	2,219,143	23.6%
Utilities	3,435,733	3,026,471	409,262	13.5%
Telecommunications	697,874	505,166	192,708	38.1%
Repairs and Maintenance	1,971,619	1,891,623	79,996	4.2%
Rentals and Leases	986,885	743,744	243,141	32.7%
Printing and Reproduction	571,848	331,550	240,298	72.5%
Federal Sponsored Programs Pass-Thrus	233,694	191,123	42,571	22.3%
Depreciation and Amortization	5,441,039	5,293,497	147,542	2.8%
Other Operating Expenses	2,775,676	3,004,362	(228,686)	-7.6%
Total Operating Expenses	158,014,371	146,150,888	11,863,483	8.1%
Operating Loss	(47,853,165)	(45,067,948)	(2,785,217)	-6.2%
Other Nonoperating Adjustments				
State Appropriations	45,196,720	42,271,815	2,924,905	6.9%
Gift Contributions for Operations	2,973,442	3,052,715	(79,273)	-2.6%
Net Investment Income	1,637,720	1,348,098	289,622	21.5%
Long Term Fund Distribution	2,423,638	2,342,249	81,389	3.5%
Interest Expense on Capital Asset Financings	(2,250,416)	(1,766,408)	(484,008)	-27.4%
Net Other Nonoperating Adjustments	49,981,104	47,248,469	2,732,635	5.8%
Adjusted Income (Loss)	2,127,939	2,180,521	(52,582)	-2.4%
Adjusted Margin (as a percentage)	1.3%	1.5%		
Investment Gains (Losses)	(112,559)	130,987	(243,546)	-185.9%
Adjusted Income (Loss) with Investment Gains (Losses)	\$2,015,380	\$2,311,508	(\$296,128)	-12.8%
Adjusted Margin % with Investment Gains (Losses)	1.2%	1.5%		

UNAUDITED
The University of Texas-Pan American
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date FY 2005	March Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$32,950,676	\$28,552,321	\$4,398,355	15.4%
Sponsored Programs	49,671,060	45,830,255	3,840,805	8.4%
Net Sales and Services of Educational Activities	3,261,472	3,054,402	207,070	6.8%
Net Auxiliary Enterprises	4,384,660	4,383,512	1,148	0.0%
Other Operating Revenues	550,173	655,506	(105,333)	-16.1%
Total Operating Revenues	90,818,041	82,475,996	8,342,045	10.1%
Operating Expenses				
Salaries and Wages	44,902,264	40,947,905	3,954,359	9.7%
Employee Benefits and Related Costs	10,255,717	9,488,635	767,082	8.1%
Professional Fees and Contracted Services	424,783	370,544	54,239	14.6%
Other Contracted Services	3,060,501	2,933,455	127,046	4.3%
Scholarships and Fellowships	45,198,498	39,879,971	5,318,527	13.3%
Travel	1,291,338	1,283,066	8,272	0.6%
Materials and Supplies	7,204,341	6,652,456	551,885	8.3%
Utilities	3,004,266	2,691,395	312,871	11.6%
Telecommunications	589,505	526,873	62,632	11.9%
Repairs and Maintenance	1,450,136	804,237	645,899	80.3%
Rentals and Leases	325,984	250,730	75,254	30.0%
Printing and Reproduction	399,152	419,226	(20,074)	-4.8%
Federal Sponsored Programs Pass-Thrus	4,495	39,920	(35,425)	-88.7%
Depreciation and Amortization	4,048,814	4,498,676	(449,862)	-10.0%
Other Operating Expenses	2,886,509	2,012,328	874,181	43.4%
Total Operating Expenses	125,046,303	112,799,417	12,246,886	10.9%
Operating Loss	(34,228,262)	(30,323,421)	(3,904,841)	-12.9%
Other Nonoperating Adjustments				
State Appropriations	34,223,418	33,390,914	832,504	2.5%
Gift Contributions for Operations	1,087,940	792,622	295,318	37.3%
Net Investment Income	1,026,992	831,728	195,264	23.5%
Long Term Fund Distribution	483,001	537,167	(54,166)	-10.1%
Interest Expense on Capital Asset Financings	(1,444,856)	(1,703,086)	258,230	15.2%
Net Other Nonoperating Adjustments	35,376,495	33,849,345	1,527,150	4.5%
Adjusted Income (Loss)	1,148,233	3,525,924	(2,377,691)	-67.4%
Adjusted Margin (as a percentage)	0.9%	3.0%		
Investment Gains (Losses)	(81,309)	660,186	(741,495)	-112.3%
Adjusted Income (Loss) with Investment Gains (Losses)	\$1,066,924	\$4,186,110	(\$3,119,186)	-74.5%
Adjusted Margin % with Investment Gains (Losses)	0.8%	3.5%		

UNAUDITED
The University of Texas of the Permian Basin
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date <u>FY 2005</u>	March Year-to-Date <u>FY 2004</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Student Tuition and Fees	\$5,451,129	\$4,636,603	\$814,526	17.6%
Sponsored Programs	3,937,686	3,803,369	134,317	3.5%
Net Sales and Services of Educational Activities	178,761	156,096	22,665	14.5%
Net Auxiliary Enterprises	1,066,717	651,739	414,978	63.7%
Other Operating Revenues	174,624	174,232	392	0.2%
Total Operating Revenues	<u>10,808,917</u>	<u>9,422,039</u>	<u>1,386,878</u>	<u>14.7%</u>
Operating Expenses				
Salaries and Wages	8,659,433	7,747,814	911,619	11.8%
Employee Benefits and Related Costs	1,962,933	1,714,799	248,134	14.5%
Professional Fees and Contracted Services	595,369	597,390	(2,021)	-0.3%
Other Contracted Services	442,384	545,616	(103,232)	-18.9%
Scholarships and Fellowships	4,857,829	4,449,535	408,294	9.2%
Travel	325,408	419,134	(93,726)	-22.4%
Materials and Supplies	1,264,202	1,529,447	(265,245)	-17.3%
Utilities	926,103	862,818	63,285	7.3%
Telecommunications	243,298	231,683	11,615	5.0%
Repairs and Maintenance	320,263	223,763	96,500	43.1%
Rentals and Leases	161,753	197,599	(35,846)	-18.1%
Printing and Reproduction	148,894	229,979	(81,085)	-35.3%
Depreciation and Amortization	1,432,508	1,275,435	157,073	12.3%
Other Operating Expenses	507,388	480,709	26,679	5.5%
Total Operating Expenses	<u>21,847,765</u>	<u>20,505,721</u>	<u>1,342,044</u>	<u>6.5%</u>
Operating Loss	<u>(11,038,848)</u>	<u>(11,083,682)</u>	<u>44,834</u>	<u>0.4%</u>
Other Nonoperating Adjustments				
State Appropriations	9,138,829	9,110,227	28,602	0.3%
Gift Contributions for Operations	1,077,363	525,373	551,990	105.1%
Net Investment Income	74,122	49,328	24,794	50.3%
Long Term Fund Distribution	342,248	326,823	15,425	4.7%
Interest Expense on Capital Asset Financings	(1,030,197)	(677,593)	(352,604)	-52.0%
Net Other Nonoperating Adjustments	<u>9,602,365</u>	<u>9,334,158</u>	<u>268,207</u>	<u>2.9%</u>
Adjusted Income (Loss)	(1,436,483)	(1,749,524)	313,041	17.9%
Adjusted Margin (as a percentage)	-6.7%	-9.0%		
Investment Gains (Losses)	30,936	58,028	(27,092)	-46.7%
Adjusted Income (Loss) with Investment Gains (Losses)	(\$1,405,547)	(\$1,691,496)	\$285,949	16.9%
Adjusted Margin % with Investment Gains (Losses)	-6.5%	-8.7%		

UNAUDITED
The University of Texas at San Antonio
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date FY 2005	March Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$83,044,085	\$65,326,375	\$17,717,710	27.1%
Sponsored Programs	46,787,081	42,048,869	4,738,212	11.3%
Net Sales and Services of Educational Activities	2,865,670	2,266,376	599,294	26.4%
Net Auxiliary Enterprises	10,249,791	2,984,837	7,264,954	243.4%
Other Operating Revenues	528,320	368,632	159,688	43.3%
Total Operating Revenues	143,474,947	112,995,089	30,479,858	27.0%
Operating Expenses				
Salaries and Wages	75,510,353	66,577,859	8,932,494	13.4%
Employee Benefits and Related Costs	17,377,779	14,885,686	2,492,093	16.7%
Professional Fees and Contracted Services	1,810,401	1,388,994	421,407	30.3%
Other Contracted Services	1,587,918	943,405	644,513	68.3%
Scholarships and Fellowships	43,656,686	38,052,975	5,603,711	14.7%
Travel	2,147,231	1,744,968	402,263	23.1%
Materials and Supplies	11,402,370	7,104,128	4,298,242	60.5%
Utilities	3,218,008	3,336,667	(118,659)	-3.6%
Telecommunications	1,594,486	1,176,439	418,047	35.5%
Repairs and Maintenance	3,353,739	2,664,996	688,743	25.8%
Rentals and Leases	1,497,787	1,435,782	62,005	4.3%
Printing and Reproduction	749,084	688,217	60,867	8.8%
Federal Sponsored Programs Pass-Thrus	2,062,220	1,993,741	68,479	3.4%
Depreciation and Amortization	6,968,204	6,502,531	465,673	7.2%
Other Operating Expenses	2,608,110	2,127,237	480,873	22.6%
Total Operating Expenses	175,544,376	150,623,625	24,920,751	16.5%
Operating Loss	(32,069,429)	(37,628,536)	5,559,107	14.8%
Other Nonoperating Adjustments				
State Appropriations	48,376,454	47,982,543	393,911	0.8%
Gift Contributions for Operations	1,694,376	1,353,306	341,070	25.2%
Net Investment Income	1,443,631	1,112,975	330,656	29.7%
Long Term Fund Distribution	869,442	773,897	95,545	12.3%
Interest Expense on Capital Asset Financings	(5,419,727)	(3,012,142)	(2,407,585)	-79.9%
Net Other Nonoperating Adjustments	46,964,176	48,210,579	(1,246,403)	-2.6%
Adjusted Income (Loss)	14,894,747	10,582,043	4,312,704	40.8%
Adjusted Margin (as a percentage)	7.6%	6.4%		
Investment Gains (Losses)	(196,736)	351,486	(548,222)	-156.0%
Adjusted Income (Loss) with Investment Gains (Losses)	\$14,698,011	\$10,933,529	\$3,764,482	34.4%
Adjusted Margin % with Investment Gains (Losses)	7.5%	6.6%		

UNAUDITED
The University of Texas at Tyler
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date FY 2005	March Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$11,177,502	\$8,823,452	\$2,354,050	26.7%
Sponsored Programs	6,050,350	5,655,612	394,738	7.0%
Net Sales and Services of Educational Activities	390,019	278,237	111,782	40.2%
Net Auxiliary Enterprises	1,585,678	731,140	854,538	116.9%
Other Operating Revenues	79,337	149,494	(70,157)	-46.9%
Total Operating Revenues	19,282,886	15,637,935	3,644,951	23.3%
Operating Expenses				
Salaries and Wages	15,422,261	12,991,079	2,431,182	18.7%
Employee Benefits and Related Costs	3,504,827	3,055,516	449,311	14.7%
Professional Fees and Contracted Services	842,523	989,939	(147,416)	-14.9%
Other Contracted Services	1,606,638	1,251,116	355,522	28.4%
Scholarships and Fellowships	7,565,416	6,225,811	1,339,605	21.5%
Travel	517,670	463,680	53,990	11.6%
Materials and Supplies	2,613,322	2,694,438	(81,116)	-3.0%
Utilities	559,359	565,677	(6,318)	-1.1%
Telecommunications	260,444	232,377	28,067	12.1%
Repairs and Maintenance	535,110	741,282	(206,172)	-27.8%
Rentals and Leases	262,653	76,880	185,773	241.6%
Printing and Reproduction	313,282	292,477	20,805	7.1%
Depreciation and Amortization	2,673,678	2,275,000	398,678	17.5%
Other Operating Expenses	531,519	476,273	55,246	11.6%
Total Operating Expenses	37,208,702	32,331,554	4,877,148	15.1%
Operating Loss	(17,925,816)	(16,693,619)	(1,232,197)	-7.4%
Other Nonoperating Adjustments				
State Appropriations	15,202,159	15,271,541	(69,382)	-0.5%
Gift Contributions for Operations	476,881	495,261	(18,380)	-3.7%
Net Investment Income	339,429	202,804	136,625	67.4%
Long Term Fund Distribution	1,298,990	1,230,381	68,609	5.6%
Interest Expense on Capital Asset Financings	(1,057,108)	(600,146)	(456,962)	-76.1%
Net Other Nonoperating Adjustments	16,260,351	16,599,841	(339,490)	-2.0%
Adjusted Income (Loss)	(1,665,465)	(93,778)	(1,571,687)	-1,676.0%
Adjusted Margin (as a percentage)	-4.6%	-0.3%		
Investment Gains (Losses)	(1,820)	3,638	(5,458)	-150.0%
Adjusted Income (Loss) with Investment Gains (Losses)	(\$1,667,285)	(\$90,140)	(\$1,577,145)	-1749.7%
Adjusted Margin % with Investment Gains (Losses)	-4.6%	-0.3%		

UNAUDITED
The University of Texas Southwestern Medical Center at Dallas
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date FY 2005	March Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$9,582,077	\$8,944,793	\$637,284	7.1%
Sponsored Programs	217,157,619	207,523,902	9,633,717	4.6%
Net Sales and Services of Educational Activities	10,391,421	11,925,796	(1,534,375)	-12.9%
Net Professional Fees	140,541,430	119,019,108	21,522,322	18.1%
Net Auxiliary Enterprises	9,100,236	6,997,997	2,102,239	30.0%
Other Operating Revenues	5,725,312	5,726,209	(897)	0.0%
Total Operating Revenues	458,589,239	360,137,805	98,451,434	27.3%
Operating Expenses				
Salaries and Wages	282,854,344	238,336,874	44,517,470	18.7%
Employee Benefits and Related Costs	76,453,293	67,388,252	9,065,041	13.5%
Professional Fees and Contracted Services	7,107,449	7,633,793	(526,344)	-6.9%
Other Contracted Services	34,411,082	33,720,665	690,417	2.0%
Scholarships and Fellowships	4,801,437	4,360,534	440,903	10.1%
Travel	4,232,668	3,926,481	306,187	7.8%
Materials and Supplies	71,379,511	49,726,938	21,652,573	43.5%
Utilities	10,992,032	10,364,122	627,910	6.1%
Telecommunications	3,846,970	3,415,413	431,557	12.6%
Repairs and Maintenance	5,096,293	4,217,548	878,745	20.8%
Rentals and Leases	5,769,837	3,477,293	2,292,544	65.9%
Printing and Reproduction	1,500,536	1,320,612	179,924	13.6%
Federal Sponsored Programs Pass-Thrus	203,381	655,763	(452,382)	-69.0%
Depreciation and Amortization	24,263,634	19,338,809	4,924,825	25.5%
Other Operating Expenses	24,095,511	16,358,781	7,736,730	47.3%
Total Operating Expenses	557,007,978	464,241,878	92,766,100	20.0%
Operating Loss	(98,418,739)	(104,104,073)	5,685,334	5.5%
Other Nonoperating Adjustments				
State Appropriations	68,030,264	67,700,217	330,047	0.5%
Gift Contributions for Operations	26,503,346	17,722,454	8,780,892	49.5%
Net Investment Income	16,436,118	17,804,379	(1,368,261)	-7.7%
Long Term Fund Distribution	14,555,084	13,222,653	1,332,431	10.1%
Interest Expense on Capital Asset Financings	(8,580,450)	(4,545,941)	(4,034,509)	-88.7%
Net Other Nonoperating Adjustments	116,944,362	111,903,762	5,040,600	4.5%
Adjusted Income (Loss)	18,525,623	7,799,689	10,725,934	137.5%
Adjusted Margin (as a percentage)	3.2%	1.6%		
Investment Gains (Losses)	1,892,723	10,205,982	(8,313,259)	-81.5%
Adjusted Income (Loss) with Investment Gains (Losses)	\$20,418,346	\$18,005,671	\$2,412,675	13.4%
Adjusted Margin % with Investment Gains (Losses)	3.5%	3.7%		

UNAUDITED
The University of Texas Medical Branch at Galveston
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date <u>FY 2005</u>	March Year-to-Date <u>FY 2004</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Student Tuition and Fees	\$7,439,489	\$6,284,307	\$1,155,182	18.4%
Sponsored Programs	117,829,001	97,411,158	20,417,843	21.0%
Net Sales and Services of Hospitals	389,975,399	390,373,763	(398,364)	-0.1%
Net Professional Fees	61,201,434	57,037,984	4,163,450	7.3%
Net Auxiliary Enterprises	4,733,914	4,334,562	399,352	9.2%
Other Operating Revenues	12,131,834	12,991,876	(860,042)	-6.6%
Total Operating Revenues	<u>593,311,071</u>	<u>568,433,650</u>	<u>24,877,421</u>	<u>4.4%</u>
Operating Expenses				
Salaries and Wages	418,546,702	395,411,248	23,135,454	5.9%
Employee Benefits and Related Costs	100,373,558	91,282,516	9,091,042	10.0%
Professional Fees and Contracted Services	24,355,692	20,923,888	3,431,804	16.4%
Other Contracted Services	35,805,636	36,779,692	(974,056)	-2.6%
Scholarships and Fellowships	2,980,890	2,452,034	528,856	21.6%
Travel	3,367,083	2,901,912	465,171	16.0%
Materials and Supplies	100,637,079	85,237,996	15,399,083	18.1%
Utilities	13,128,883	12,500,774	628,109	5.0%
Telecommunications	7,627,751	7,372,906	254,845	3.5%
Repairs and Maintenance	16,443,990	17,175,016	(731,026)	-4.3%
Rentals and Leases	6,583,866	6,836,145	(252,279)	-3.7%
Printing and Reproduction	1,040,185	1,379,914	(339,729)	-24.6%
Federal Sponsored Programs Pass-Thrus	2,097,294	595,206	1,502,088	252.4%
Depreciation and Amortization	29,038,590	27,501,659	1,536,931	5.6%
Other Operating Expenses	51,316,139	48,694,624	2,621,515	5.4%
Total Operating Expenses	<u>813,343,338</u>	<u>757,045,530</u>	<u>56,297,808</u>	<u>7.4%</u>
Operating Loss	<u>(220,032,267)</u>	<u>(188,611,880)</u>	<u>(31,420,387)</u>	<u>-16.7%</u>
Other Nonoperating Adjustments				
State Appropriations	162,986,012	159,810,390	3,175,622	2.0%
Gift Contributions for Operations	2,534,166	2,858,128	(323,962)	-11.3%
Net Investment Income	10,582,561	5,061,083	5,521,478	109.1%
Long Term Fund Distribution	7,279,731	7,180,075	99,656	1.4%
Interest Expense on Capital Asset Financings	(1,842,015)	(1,785,882)	(56,133)	-3.1%
Net Other Nonoperating Adjustments	<u>181,540,455</u>	<u>173,123,794</u>	<u>8,416,661</u>	<u>4.9%</u>
Adjusted Income (Loss)	(38,491,812)	(15,488,086)	(23,003,726)	-148.5%
Adjusted Margin (as a percentage)	-5.0%	-2.1%		
Investment Gains (Losses)	(573,842)	700,157	(1,273,999)	-182.0%
Adjusted Income (Loss) with Investment Gains (Losses)	(\$39,065,654)	(\$14,787,929)	(\$24,277,725)	-164.2%
Adjusted Margin % with Investment Gains (Losses)	-5.0%	-2.0%		

UNAUDITED
The University of Texas Health Science Center at Houston
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date FY 2005	March Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$8,720,646	\$8,466,646	\$254,000	3.0%
Sponsored Programs	127,862,506	130,519,644	(2,657,138)	-2.0%
Net Sales and Services of Educational Activities	14,468,935	5,262,540	9,206,395	174.9%
Net Sales and Services of Hospitals	18,016,257	17,408,896	607,361	3.5%
Net Professional Fees	63,678,265	58,711,844	4,966,421	8.5%
Net Auxiliary Enterprises	12,314,861	7,317,990	4,996,871	68.3%
Other Operating Revenues	20,138,859	19,828,041	310,818	1.6%
Total Operating Revenues	265,200,329	247,515,601	17,684,728	7.1%
Operating Expenses				
Salaries and Wages	180,671,438	178,223,413	2,448,025	1.4%
Employee Benefits and Related Costs	41,529,368	39,859,640	1,669,728	4.2%
Professional Fees and Contracted Services	31,349,534	30,500,101	849,433	2.8%
Other Contracted Services	17,665,422	14,210,498	3,454,924	24.3%
Scholarships and Fellowships	1,198,092	1,350,497	(152,405)	-11.3%
Travel	2,694,480	2,188,254	506,226	23.1%
Materials and Supplies	25,644,787	13,523,009	12,121,778	89.6%
Utilities	4,987,778	3,919,888	1,067,890	27.2%
Telecommunications	1,877,544	1,752,480	125,064	7.1%
Repairs and Maintenance	1,777,062	1,838,546	(61,484)	-3.3%
Rentals and Leases	7,547,006	5,588,541	1,958,465	35.0%
Printing and Reproduction	3,006,547	2,430,962	575,585	23.7%
Federal Sponsored Programs Pass-Thrus	2,680,625	2,514,658	165,967	6.6%
Depreciation and Amortization	9,503,796	8,603,382	900,414	10.5%
Other Operating Expenses	26,897,833	22,202,043	4,695,790	21.2%
Total Operating Expenses	359,031,312	328,706,312	30,325,000	9.2%
Operating Loss	(93,830,983)	(81,190,711)	(12,640,272)	-15.6%
Other Nonoperating Adjustments				
State Appropriations	84,600,893	80,356,232	4,244,661	5.3%
Gift Contributions for Operations	9,358,222	4,389,701	4,968,521	113.2%
Net Investment Income	5,896,944	5,012,237	884,707	17.7%
Long Term Fund Distribution	1,992,720	1,905,250	87,470	4.6%
Interest Expense on Capital Asset Financings	(5,520,824)	(2,103,755)	(3,417,069)	-162.4%
Net Other Nonoperating Adjustments	96,327,955	89,559,665	6,768,290	7.6%
Adjusted Income (Loss)	2,496,972	8,368,954	(5,871,982)	-70.2%
Adjusted Margin (as a percentage)	0.7%	2.5%		
Investment Gains (Losses)	(403,685)	962,275	(1,365,960)	-142.0%
Adjusted Income (Loss) with Investment Gains (Losses)	\$2,093,287	\$9,331,229	(\$7,237,942)	-77.6%
Adjusted Margin % with Investment Gains (Losses)	0.6%	2.7%		

UNAUDITED
The University of Texas Health Science Center at San Antonio
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date FY 2005	March Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$10,208,333	\$9,168,792	\$1,039,541	11.3%
Sponsored Programs	105,693,595	104,247,992	1,445,603	1.4%
Net Sales and Services of Educational Activities	1,794,034	1,675,388	118,646	7.1%
Net Professional Fees	47,666,845	45,427,388	2,239,457	4.9%
Net Auxiliary Enterprises	1,483,860	1,053,404	430,456	40.9%
Other Operating Revenues	28,572,549	31,242,102	(2,669,553)	-8.5%
Total Operating Revenues	195,419,216	192,815,066	2,604,150	1.4%
Operating Expenses				
Salaries and Wages	148,266,791	138,049,679	10,217,112	7.4%
Employee Benefits and Related Costs	34,733,970	35,606,914	(872,944)	-2.5%
Professional Fees and Contracted Services	7,038,812	7,636,354	(597,542)	-7.8%
Other Contracted Services	8,429,162	8,393,891	35,271	0.4%
Scholarships and Fellowships	1,699,524	1,981,797	(282,273)	-14.2%
Travel	2,308,881	2,183,774	125,107	5.7%
Materials and Supplies	13,383,179	13,198,641	184,538	1.4%
Utilities	3,878,434	3,512,519	365,915	10.4%
Telecommunications	5,178,191	5,323,984	(145,793)	-2.7%
Repairs and Maintenance	1,154,428	883,625	270,803	30.6%
Rentals and Leases	1,318,630	1,213,741	104,889	8.6%
Printing and Reproduction	912,847	911,702	1,145	0.1%
Federal Sponsored Programs Pass-Thrus	234,660	445,507	(210,847)	-47.3%
Depreciation and Amortization	10,791,667	11,083,333	(291,666)	-2.6%
Other Operating Expenses	51,621,295	57,295,489	(5,674,194)	-9.9%
Total Operating Expenses	290,950,471	287,720,950	3,229,521	1.1%
Operating Loss	(95,531,255)	(94,905,884)	(625,371)	-0.7%
Other Nonoperating Adjustments				
State Appropriations	85,195,048	83,010,473	2,184,575	2.6%
Gift Contributions for Operations	11,584,620	9,298,852	2,285,768	24.6%
Net Investment Income	11,311,621	11,042,889	268,732	2.4%
Long Term Fund Distribution	2,135,511	1,983,858	151,653	7.6%
Interest Expense on Capital Asset Financings	(4,011,608)	(1,234,943)	(2,776,665)	-224.8%
Net Other Nonoperating Adjustments	106,215,192	104,101,129	2,114,063	2.0%
Adjusted Income (Loss)	10,683,937	9,195,245	1,488,692	16.2%
Adjusted Margin (as a percentage)	3.5%	3.1%		
Investment Gains (Losses)	152,836	1,953,406	(1,800,570)	-92.2%
Adjusted Income (Loss) with Investment Gains (Losses)	\$10,836,773	\$11,148,651	(\$311,878)	-2.8%
Adjusted Margin % with Investment Gains (Losses)	3.5%	3.7%		

UNAUDITED
The University of Texas M. D. Anderson Cancer Center
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date FY 2005	March Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$125,406	\$177,120	(\$51,714)	-29.2%
Sponsored Programs	119,672,122	111,052,863	8,619,259	7.8%
Net Sales and Services of Educational Activities	1,051,804	881,154	170,650	19.4%
Net Sales and Services of Hospitals	718,554,719	610,713,048	107,841,671	17.7%
Net Professional Fees	130,635,968	122,428,110	8,207,858	6.7%
Net Auxiliary Enterprises	10,519,870	9,039,250	1,480,620	16.4%
Other Operating Revenues	17,840,143	11,508,742	6,331,401	55.0%
Total Operating Revenues	998,400,032	865,800,287	132,599,745	15.3%
Operating Expenses				
Salaries and Wages	541,782,152	473,487,853	68,294,299	14.4%
Employee Benefits and Related Costs	139,974,711	123,899,632	16,075,079	13.0%
Professional Fees and Contracted Services	40,818,797	37,700,077	3,118,720	8.3%
Other Contracted Services	13,645,524	12,368,556	1,276,968	10.3%
Travel	8,245,391	7,276,611	968,780	13.3%
Materials and Supplies	201,146,974	186,407,036	14,739,938	7.9%
Utilities	18,584,496	15,779,190	2,805,306	17.8%
Telecommunications	3,479,758	3,952,004	(472,246)	-11.9%
Repairs and Maintenance	19,916,025	18,266,802	1,649,223	9.0%
Rentals and Leases	16,355,626	14,089,262	2,266,364	16.1%
Printing and Reproduction	1,777,102	1,829,589	(52,487)	-2.9%
Federal Sponsored Programs Pass-Thrus	901,337	703,299	198,038	28.2%
Depreciation and Amortization	68,396,634	50,581,902	17,814,732	35.2%
Other Operating Expenses	24,421,303	22,296,029	2,125,274	9.5%
Total Operating Expenses	1,099,445,830	968,637,842	130,807,988	13.5%
Operating Loss	(101,045,798)	(102,837,555)	1,791,757	1.7%
Other Nonoperating Adjustments				
State Appropriations	85,318,544	87,096,725	(1,778,181)	-2.0%
Gift Contributions for Operations	34,124,532	24,615,440	9,509,092	38.6%
Net Investment Income	25,751,569	24,563,615	1,187,954	4.8%
Long Term Fund Distribution	7,125,346	5,951,617	1,173,729	19.7%
Interest Expense on Capital Asset Financings	(9,958,530)	(4,377,512)	(5,581,018)	-127.5%
Net Other Nonoperating Adjustments	142,361,461	137,849,885	4,511,576	3.3%
Adjusted Income (Loss)	41,315,663	35,012,330	6,303,333	18.0%
Adjusted Margin (as a percentage)	3.6%	3.5%		
Investment Gains (Losses)	(2,380,360)	8,219,793	(10,600,153)	-129.0%
Adjusted Income (Loss) with Investment Gains (Losses)	\$38,935,303	\$43,232,123	(\$4,296,820)	-9.9%
Adjusted Margin % with Investment Gains (Losses)	3.4%	4.3%		

UNAUDITED
The University of Texas Health Center at Tyler
Comparison of Operating Results and Margin
For the Seven Months Ending March 31, 2005

	March Year-to-Date FY 2005	March Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	\$5,762,951	\$4,182,229	\$1,580,722	37.8%
Net Sales and Services of Educational Activities	609,150	605,744	3,406	0.6%
Net Sales and Services of Hospitals	28,254,593	31,039,630	(2,785,037)	-9.0%
Net Professional Fees	6,245,407	8,601,344	(2,355,937)	-27.4%
Net Auxiliary Enterprises	427,973	522,501	(94,528)	-18.1%
Other Operating Revenues	2,443,418	2,524,431	(81,013)	-3.2%
Total Operating Revenues	43,743,492	47,475,879	(3,732,387)	-7.9%
Operating Expenses				
Salaries and Wages	35,768,494	34,811,495	956,999	2.7%
Employee Benefits and Related Costs	9,199,252	9,226,898	(27,646)	-0.3%
Professional Fees and Contracted Services	3,991,321	4,000,982	(9,661)	-0.2%
Other Contracted Services	4,140,589	2,991,896	1,148,693	38.4%
Travel	374,262	304,801	69,461	22.8%
Materials and Supplies	9,283,367	9,720,784	(437,417)	-4.5%
Utilities	1,185,469	1,160,184	25,285	2.2%
Telecommunications	297,177	326,707	(29,530)	-9.0%
Repairs and Maintenance	1,339,801	1,023,176	316,625	30.9%
Rentals and Leases	701,184	1,124,760	(423,576)	-37.7%
Printing and Reproduction	475,956	514,002	(38,046)	-7.4%
Federal Sponsored Programs Pass-Thrus	278,843	384,874	(106,031)	-27.5%
Depreciation and Amortization	4,155,784	3,329,217	826,567	24.8%
Other Operating Expenses	1,864,671	1,406,995	457,676	32.5%
Total Operating Expenses	73,056,170	70,326,771	2,729,399	3.9%
Operating Loss	(29,312,678)	(22,850,892)	(6,461,786)	-28.3%
Other Nonoperating Adjustments				
State Appropriations	21,786,881	21,391,452	395,429	1.8%
Gift Contributions for Operations	4,231,741	1,555,087	2,676,654	172.1%
Net Investment Income	1,725,261	1,637,715	87,546	5.3%
Long Term Fund Distribution	70,253	162,678	(92,425)	-56.8%
Interest Expense on Capital Asset Financings	(230,318)	0	(230,318)	100.0%
Net Other Nonoperating Adjustments	27,583,818	24,746,932	2,836,886	11.5%
Adjusted Income (Loss)	(1,728,860)	1,896,040	(3,624,900)	-191.2%
Adjusted Margin (as a percentage)	-2.4%	2.6%		
Investment Gains (Losses)	61,530	83,315	(21,785)	-26.1%
Adjusted Income (Loss) with Investment Gains (Losses)	(\$1,667,330)	\$1,979,355	(\$3,646,685)	-184.2%
Adjusted Margin % with Investment Gains (Losses)	-2.3%	2.7%		

4. U. T. Board of Regents: Report on Investments for quarter ended February 28, 2005, Liquidity Profile, and Performance Report by Ennis Knupp + Associates

REPORTS

Pages 21.1 - 21.7 contain the Summary Reports on Investments for the three months ended February 28, 2005.

Item I on Pages 21.1 - 21.2 reports summary activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the three months was 4.83% versus its composite benchmark return of 2.65%. The PUF's net asset value increased by \$184 million since the beginning of the quarter to \$8,832.2 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return, and a decrease of \$255.9 million due to completing the annual distribution for fiscal year ending August 31, 2005.

Item II on Pages 21.3 - 21.5 reports summary activity for the General Endowment Fund (GEF), the Permanent Health Fund (PHF), and the Long Term Fund (LTF). The GEF's net investment return for the three months was 4.79% versus its composite benchmark return of 2.65%. The GEF's net asset value increased \$188.0 million since the beginning of the quarter to \$4,691.7 million.

Item III on Page 21.6 reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was .40% for the three months versus the SITF's performance benchmark of negative .05%. The SITF's net asset value increased by \$7.4 million since the beginning of the quarter to \$1,206.4 million. This increase in net asset value was due to net contributions to the SITF.

Item IV on Page 21.7 presents book and market value of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus money market fund, decreased by \$51.7 million to \$2,467.1 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$51.1 million versus \$56.6 million at the beginning of the period; equities: \$296.4 million versus \$217.3 million at the beginning of the period; and other investments: \$2.0 million versus \$.1 million at the beginning of the period.

The February 28, 2005, PUF and GEF Combined Liquidity Profile is attached on Page 21.8.

An Executive Summary of the Performance Report on investments for the quarter ended February 28, 2005, as prepared by Ennis Knupp + Associates is attached on Pages 21.9 - 21.16.

I. PERMANENT UNIVERSITY FUND (1)

a.) Summary Investment Report at February 28, 2005 (2)

(\$ millions)

	FY03-04	FY04-05		
	Full Year	1st Qtr	2nd Qtr	Year-to-Date
Beginning Net Assets	7,244.8	8,087.9	8,648.2	8,087.9
PUF Lands Receipts (3)	146.7	67.7	31.1	98.8
Investment Return	1,070.2	583.9	420.7	1,004.6
Expenses	(25.8)	(6.0)	(11.9)	(17.9)
Distributions to AUF	(348.0)	(85.3)	(255.9)	(341.2)
Ending Net Assets	<u>8,087.9</u>	<u>8,648.2</u>	<u>8,832.2</u>	<u>8,832.2</u>
AUF Distribution:				
From PUF Investments	348.0	85.3	255.9	341.2
From Surface Income	7.6	1.0	2.5	3.5
Total	<u>355.6</u>	<u>86.3</u>	<u>258.4</u>	<u>344.7</u>
Total Net Investment Return	14.73%	7.23%	4.83%	12.40%

(1) Report prepared in accordance with *Texas Education Code* Sec. 51.0032.

(2) General - The Investment Summary Report excludes PUF Lands mineral and surface interests with estimated August 31, 2004 values of \$722.1 million and \$164.0 million, respectively.

(3) PUF Land Receipts - As of February 28, 2005: 1,135,462 acres under lease; 513,531 producing acres; 3,138 active leases; and 2,068 producing leases.

I. PERMANENT UNIVERSITY FUND (continued)

b.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio
and Net Investment Return for the three months ended February 28, 2005

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash and Cash Equivalents	0.7%	0.0%	0.53%	0.54%	90 Day T-Bills Average Yield
U.S. Equities	25.1%	25.0%	2.70%	2.41%	80% Russell 3000 Index plus 20% Dow Jones Wilshire Real Estate Securities Index
Global Equities	21.2%	17.0%	8.77%	7.50%	Morgan Stanley Capital International - All Country World Free ex U.S., net
Equity Hedge Funds	9.6%	10.0%	4.66%	1.55%	90 Day T-Bills Average Yield plus 4%
Absolute Return Hedge Funds	14.4%	15.0%	4.26%	1.30%	90 Day T-Bills Average Yield plus 3%
Commodities	5.0%	3.0%	2.03%	1.82%	Goldman Sachs Commodity Index minus 100 basis points
Fixed Income	14.0%	15.0%	1.24%	1.08%	66.7% Lehman Brothers Aggregate Bond Index plus 33.3% Lehman Brothers US Index Treasury Inflation Protected Securities
Total Marketable Securities	90.0%	85.0%	4.29%	2.94%	
Private Capital	10.0%	15.0%	9.87%	1.00%	Venture Economics' Periodic IRR Index
Total	100.0%	100.0%	4.83%	2.65%	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.

II. GENERAL ENDOWMENT FUND (1) (2)

a.) Summary Investment Report at February 28, 2005

(\$ millions)

	FY03-04		FY04-05					
	Full Year		1st Qtr		2nd Qtr		Year-to-Date	
Beginning Net Assets	3,584.8		4,207.6		4,503.7		4,207.6	
Net Contributions	559.5		95.5		118.6		214.1	
Investment Return	559.0		315.0		223.2		538.2	
Expenses	(9.6)		(1.8)		(6.5)		(8.3)	
Allocations (3)	(486.1)		(112.6)		(147.3)		(259.9)	
Ending Net Assets	4,207.6		4,503.7		4,691.7		4,691.7	
Net Asset Value per Unit	117.595		126.278		132.324		132.324	
Units and Percentage Ownership (End of Period):								
PHF	6,923,785	19.4%	6,846,092	19.2%	6,773,278	19.1%	6,773,278	19.1%
LTF	28,857,142	80.6%	28,818,941	80.8%	28,683,029	80.9%	28,683,029	80.9%
Total	35,780,927	100.0%	35,665,033	100.0%	35,456,307	100.0%	35,456,307	100.0%
Total Net Investment Return	14.77%		7.39%		4.79%		12.54%	

(1) Report prepared in accordance with *Texas Education Code* Sec. 51.0032.

(2) On March 1, 2001, the Permanent Health Fund (PHF) and Long Term Fund (LTF) purchased units in the newly created General Endowment Fund (GEF). The initial number of units was based on the PHF's and LTF's contribution of its net values as of February 28, 2001.

(3) The GEF allocates its net investment income and realized gain (loss) to its unit holders based on their ownership of GEF units at month end. The allocated amounts are reinvested as GEF contributions. The allocation is proportional to the percentage of ownership by the unit holders, and therefore, no additional units are purchased.

II. GENERAL ENDOWMENT FUND (continued)

b.) Unit Holders' Summary Investment Report at February 28, 2005 (1)

(\$ millions)

	FY03-04	FY04-05		
	Full Year	1st Qtr	2nd Qtr	Year-to-Date
<u>PERMANENT HEALTH FUND</u>				
Beginning Net Assets	745.0	814.4	864.7	814.4
Investment Return	108.6	60.1	41.4	101.5
Expenses	(0.7)	(0.2)	-	(0.2)
Distributions (Payout)	(38.5)	(9.6)	(9.6)	(19.2)
Ending Net Assets	814.4	864.7	896.5	896.5
Net Asset Value per Unit (2)	0.993200	1.054513	1.093241	1.093241
No. of Units (End of Period)	820,000,000	820,000,000	820,000,000	820,000,000
Distribution Rate per Unit	0.04700	0.01175	0.01175	0.023500
Total Net Investment Return	14.60%	7.36%	4.79%	12.50%
<u>LONG TERM FUND</u>				
Beginning Net Assets	2,839.8	3,393.3	3,639.0	3,393.3
Net Contributions	276.5	37.7	22.5	60.2
Investment Return	441.1	253.1	175.4	428.5
Expenses	(6.1)	(3.7)	0.1	(3.6)
Distributions (Payout)	(158.0)	(41.4)	(41.7)	(83.1)
Ending Net Assets	3,393.3	3,639.0	3,795.3	3,795.3
Net Asset Value per Unit (2)	5.585	5.923	6.139	6.139
No. of Units (End of Period)	607,622,749	614,379,162	618,174,345	618,174,345
Distribution Rate per Unit	0.264500	0.067425	0.067425	0.134850
Total Net Investment Return	14.59%	7.36%	4.80%	12.51%

(1) The Permanent Health Fund (PHF) and Long Term Fund (LTF) are internal mutual funds for the pooled investment of endowment funds. The PHF is comprised of endowments for health-related institutions of higher education and the LTF is comprised of privately raised endowments and other long-term funds of U. T. System institutions.

(2) The asset allocation of the PHF and LTF is representative of the asset allocation for the GEF. A nominal amount of cash is held in PHF and LTF to pay expenses incurred separately by these funds.

II. GENERAL ENDOWMENT FUND (continued)

c.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio
and Net Investment Return for the three months ended February 28, 2005

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash and Cash Equivalents	-0.2%	0.0%	0.53%	0.54%	90 Day T-Bills Average Yield
U.S. Equities	25.0%	25.0%	2.68%	2.41%	80% Russell 3000 Index plus 20% Dow Jones Wilshire Real Estate Securities Index
Global Equities	21.3%	17.0%	8.87%	7.50%	Morgan Stanley Capital International - All Country World Free ex U.S., net
Equity Hedge Funds	9.6%	10.0%	4.61%	1.55%	90 Day T-Bills Average Yield plus 4%
Absolute Return Hedge Funds	14.6%	15.0%	4.29%	1.30%	90 Day T-Bills Average Yield plus 3%
Commodities	5.1%	3.0%	2.00%	1.82%	Goldman Sachs Commodity Index minus 100 basis points
Fixed Income	14.2%	15.0%	1.16%	1.08%	66.7% Lehman Brothers Aggregate Bond Index plus 33.3% Lehman Brothers US Index Treasury Inflation Protected Securities
Total Marketable Securities	89.6%	85.0%	4.26%	2.94%	
Private Capital	10.4%	15.0%	9.66%	1.00%	Venture Economics' Periodic IRR Index
Total	100.0%	100.0%	4.79%	2.65%	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.

III. SHORT INTERMEDIATE TERM FUND (1)

Summary Investment Report at February 28, 2005

(\$ millions)

	FY03-04	FY04-05		
	Full Year	1st Qtr	2nd Qtr	Year-to-Date
Beginning Net Assets	1,435.3	1,178.0	1,199.0	1,178.0
Net Contributions (Withdrawals)	(261.3)	22.8	9.5	32.3
Investment Return	33.2	4.3	4.9	9.2
Expenses	(0.6)	(0.2)	-	(0.2)
Distributions of Income	(28.6)	(5.9)	(7.0)	(12.9)
Ending Net Assets	1,178.0	1,199.0	1,206.4	1,206.4
Net Asset Value per Unit	9.927	9.911	9.894	9.894
No. of Units (End of Period)	118,671,708	120,971,065	121,930,268	121,930,268
Total Net Investment Return	2.49%	0.34%	0.40%	0.74%

(1) Report prepared in accordance with *Texas Education Code* Sec. 51.0032.

IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at February 28, 2005

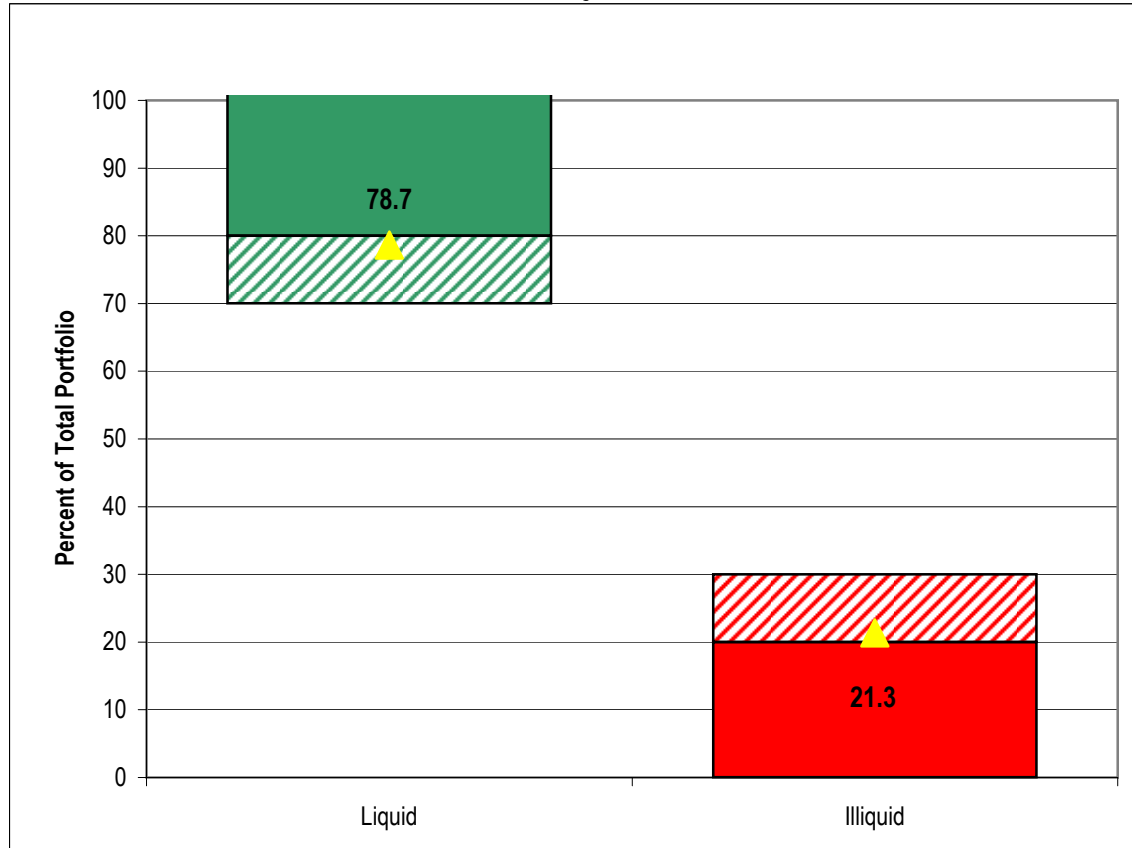
(\$ thousands)

ASSET TYPES	FUND TYPE													
	CURRENT PURPOSE				ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		OPERATING FUNDS		TOTAL	
	DESIGNATED	RESTRICTED	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Cash & Equivalents:														
Beginning value 11/30/04	4,211	4,211	2,259	2,259	57,017	57,017	561	561	-	-	2,454,805	2,454,805	2,518,853	2,518,853
Increase/(Decrease)	(1,490)	(1,490)	(32)	(32)	14,391	14,391	1,985	1,985	2	2	(66,575)	(66,575)	(51,719)	(51,719)
Ending value 02/28/05	2,721	2,721	2,227	2,227	71,408	71,408	2,546	2,546	2	2	2,388,230	2,388,230	2,467,134	2,467,134
Debt Securities:														
Beginning value 11/30/04	-	-	263	206	40,110	40,358	15,326	16,083	-	-	-	-	55,699	56,647
Increase/(Decrease)	-	-	-	1	(5,381)	(5,369)	239	(167)	-	-	-	-	(5,142)	(5,535)
Ending value 02/28/05	-	-	263	207	34,729	34,989	15,565	15,916	-	-	-	-	50,557	51,112
Equity Securities:														
Beginning value 11/30/04	46	9,100	1,956	1,598	39,560	44,529	20,820	23,281	-	-	173,293	138,791	235,675	217,299
Increase/(Decrease)	(12)	373	(81)	(121)	1,440	1,674	84	556	-	-	75,179	76,655	76,610	79,137
Ending value 02/28/05	34	9,473	1,875	1,477	41,000	46,203	20,904	23,837	-	-	248,472	215,446	312,285	296,436
Other:														
Beginning value 11/30/04	-	-	24	24	9	9	202	64	-	-	-	-	235	97
Increase/(Decrease)	-	-	1,893	1,893	(6)	(6)	4	22	-	-	-	-	1,891	1,909
Ending value 02/28/05	-	-	1,917	1,917	3	3	206	86	-	-	-	-	2,126	2,006

Report prepared in accordance with Texas Education Code Sec. 51.0032.

Details of individual assets by account furnished upon request.

PUF and GEF Combined Liquidity Profile February 28, 2005



The solid bar on the left indicates the Policy range for investments categorized as "liquid". The solid bar on the right indicates the Policy range for investments categorized as "illiquid". The shaded sections of the bars indicate trigger zones requiring special action by the UTIMCO Board or the Liquidity Committee. For example, the allowable range for illiquid investments is 0% to 30% of the total portfolio. However, any illiquid investments made in the 20% to 30% trigger zone requires prior approval by the Liquidity Committee or the UTIMCO Board.

U.T. System Board of Regents
Report on Investments

Quarter Ending
February 28, 2005



ENNISKNUPP

As of February 28, 2005

CHANGE IN MARKET VALUE

(\$ in millions)

	PUF	GEF	Total Endowments (PUF + GEF)	Operating Funds	Total
Beginning Market Value (11/30/04)	\$8,648	\$4,504	\$13,152	\$3,793	\$16,945
Contributions	+31	+23	+54	+94	+148
Distributions & Withdrawals	-268	-59	-327	-88	-415
Changes due to Transfers:	-237	-35	-272	+6	-266
Income	+57	+31	+88	+8	+96
Appreciation/Depreciation	+363	+192	+555	+4	+559
Changes from Investment Activities:	+421	+223	+644	+11	+655
Ending Market Value (2/28/05)	\$8,832	\$4,692	\$13,524	\$3,810	\$17,334
Change in Market Value	\$184	\$188	\$372	\$17	\$389

- As illustrated above, the PUF (\$184 million) and GEF (\$188 million) both saw increases in market value during the second fiscal quarter, as did the Operating Funds (\$17 million).

RETURN SUMMARY

ENDING 2/28/05¹

	Quarter Ending 2/28/2005	1 Year Ending 2/28/2005	3 Years Ending 2/28/2005	5 Years Ending 2/28/2005
Permanent University Fund	4.8%	11.7%	10.9%	5.4%
Endowment Performance Benchmark ²	2.6	10.6	9.9	4.3
Long Term Fund	4.8	11.7	11.0	5.5
Endowment Performance Benchmark ²	2.6	10.6	9.9	4.3
Permanent Health Fund	4.8	11.7	11.0	5.3
Endowment Performance Benchmark ²	2.6	10.6	9.9	4.3
Short Term Fund	0.5	1.5	1.4	2.9
ML 90-day T-Bill	0.5	1.5	1.4	2.8
Short Intermediate Term Fund	0.4	1.1	2.1	4.4
Performance Benchmark	-0.1	0.0	2.7	4.8
BGI U.S. Debt Index Fund	1.0	2.4	5.6	7.6
LB Aggregate Bond Index	1.0	2.4	5.6	7.5
BGI Equity Index Fund	3.0	7.0	4.7	-1.0
S&P 500 Index	3.0	7.0	4.6	-1.0

- Each of the endowment portfolios outperformed the performance benchmark over all periods shown above. The Short Term Fund has approximated the returns of its benchmark over all periods shown, while the Short Intermediate Term Fund has outperformed over the trailing quarter and year, but underperformed over the longer-term periods shown.

¹ Rates of return greater than one year are annualized. UTIMCO reports its performance data net of all costs.

² Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical endowment policy portfolio data provided by UTIMCO. The Endowment Performance Benchmark shown here does not agree with benchmark data shown in UTIMCO reports. UTIMCO made certain retroactive changes in its benchmark reporting that have not been approved by the Board of Regents.

As of February 28, 2005

PUF POLICY COMPLIANCE
 ASSET ALLOCATION AS OF 2/28/05
 (\$ in millions)

	Total	Percent Of Total	Policy	Policy Ranges	In Compliance?
Traditional US Equities	\$1,773	20.1%	20%	15-45%	Yes
REITs	441	5.0	5%	0-10	Yes
U.S. Equity	\$2,214	25.1%	25%	15-45%	Yes
Non-U.S. Developed Equity	\$1,556	17.6%	10%	5-15%	No
Emerging Markets Equity	318	3.6	7%	0-10	Yes
Global ex-U.S. Equity	\$1,874	21.2%	17%	5-25%	Yes
Total Traditional Equity	\$4,088	46.3%	42%	20-60%	Yes
Equity Hedge Funds	\$847	9.6%	10%	5-15%	Yes
Absolute Return Hedge Funds	1,274	14.4	15%	10-20	Yes
Total Hedge Funds	\$2,121	24.0%	25%	5-25%	Yes
Venture Capital	\$127	1.4%	6%	0-10%	Yes
Private Equity	752	8.5	9%	5-15	Yes
Total Private Capital	\$879	10.0%	15%	5-15%	Yes
Commodities	\$444	5.0%	3%	0-5%	No
Traditional Fixed Income	\$845	9.6%	10%	10-30%	No
TIPS	395	4.5	5%	0-10	Yes
Total Fixed Income	\$1,240	14.0%	15%	10-30%	Yes
Cash	\$61	0.7%	--	0-5%	Yes
Total Permanent University Fund	\$8,832	100.0%	100%		
Liquidity Requirement					Yes

- As of quarter end, the PUF's allocation to traditional fixed income remained below its allowable minimum. The allocation to commodities was slightly above (though within rounding error) the allowable maximum. The allocation to non-U.S. developed equity remained in excess of the allowable maximum, and was actually further from compliance than at fiscal first quarter end. During the quarter, the PUF's allocation to hedge funds increased while the allocation to equities decreased. The PUF remains overweight equities and commodities and underweight private capital.
- The asset allocation figures shown above include the impact of UTIMCO internal derivative investment exposures, such as positions in futures contracts.

As of February 28, 2005

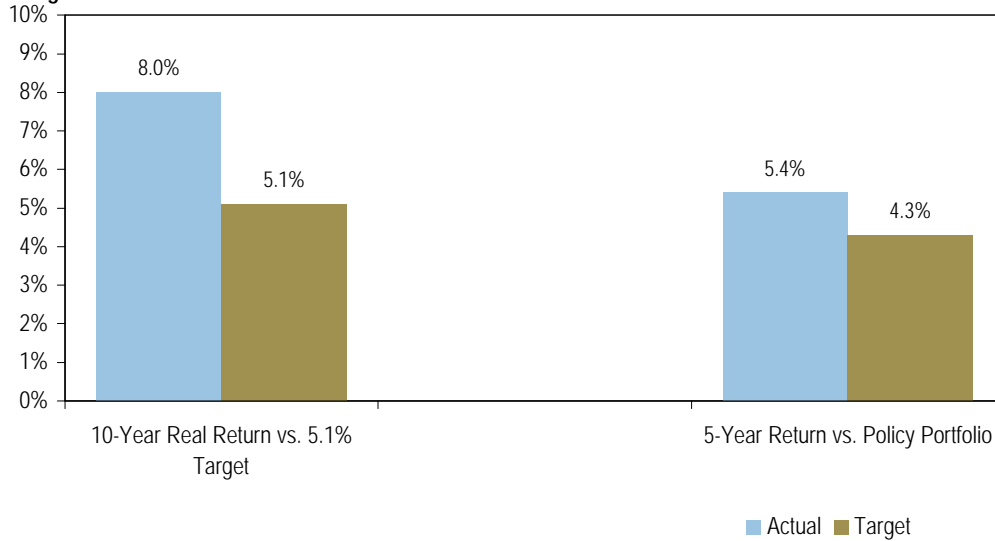
GEF POLICY COMPLIANCE
 ASSET ALLOCATION AS OF 2/28/05
 (\$ in millions)

	Total	Percent Of Total	Policy	Policy Ranges	In Compliance?
Traditional US Equities	\$944	20.1%	20%	15-45%	Yes
REITs	228	4.9	5%	0-10	Yes
U.S. Equity	\$1,172	25.0%	25%	15-45%	Yes
Non-U.S. Developed Equity	\$824	17.6%	10%	5-15%	No
Emerging Markets Equity	178	3.8	7%	0-10	Yes
Global ex-U.S. Equity	\$1,002	21.3%	17%	5-25%	Yes
Total Traditional Equity	\$2,174	46.3%	42%	20-60%	Yes
Equity Hedge Funds	\$450	9.6%	10%	5-15%	Yes
Absolute Return Hedge Funds	686	14.6	15%	10-20	Yes
Total Hedge Funds	\$1,136	24.2%	25%	15-25%	Yes
Venture Capital	\$86	1.8%	6%	0-10%	Yes
Private Equity	403	8.6	9%	5-15	Yes
Total Private Capital	\$489	10.4%	15%	5-15%	Yes
Commodities	\$237	5.0%	3%	0-5%	No
Traditional Fixed Income	\$455	9.7%	10%	10-30%	No
TIPS	210	4.5	5%	0-10	Yes
Total Fixed Income	\$665	14.2%	15%	10-30%	Yes
Cash	-\$8	-0.2%	--	0-5%	No
Total General Endowment Fund	\$4,692	100.0%	100%		
Liquidity Requirement					Yes

- As of quarter end, the GEF's allocation to traditional fixed income remained below its allowable minimum. The allocation to commodities was slightly above (though within rounding error) the allowable maximum. The allocation to non-U.S. developed equity remained in excess of the allowable maximum, and was actually further from compliance than at fiscal first quarter end. During the quarter, the GEF's allocation to hedge funds increased while the allocation to equities decreased. The GEF remains overweight equities and commodities and underweight private capital.
- The asset allocation figures shown above include the impact of UTIMCO internal derivative investment exposures, such as positions in futures contracts.

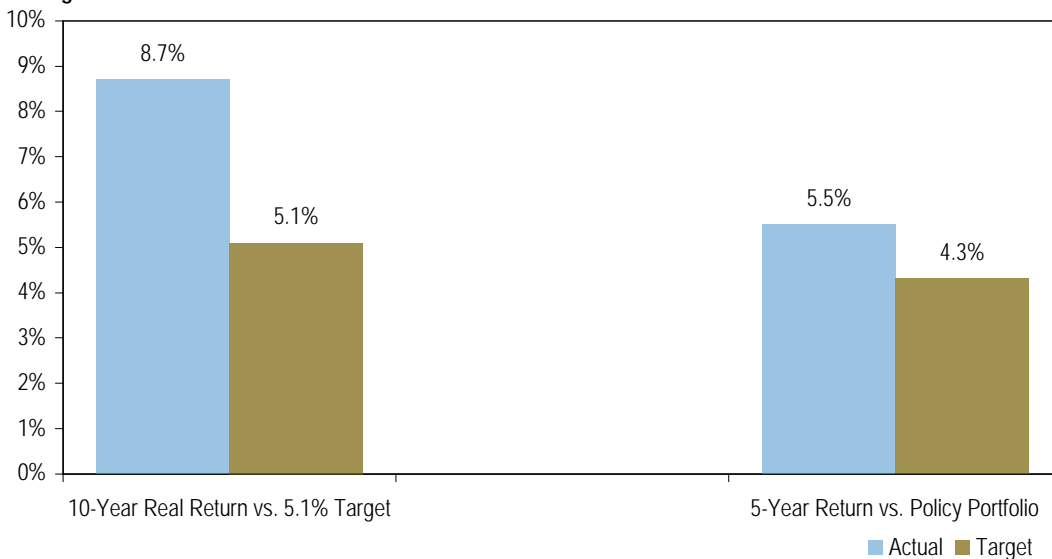
As of February 28, 2005

**Permanent University Fund
Analysis of Investment Objectives
Ending 2/28/05**



The primary investment objective of the PUF and GEF is to preserve the purchasing power of their respective assets and annual distributions by earning an average annual real return of 5.1% over rolling ten-year periods or longer. The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark over rolling five-year periods or longer. These objectives have been met over the periods analyzed.

**General Endowment Fund
Analysis of Investment Objectives
Ending 2/28/05**



An additional objective of the PUF and the GEF is to outperform the median fund in a universe¹ of similar endowments over rolling five-year periods or longer. Over the five years ending 12/31/2004 (the most recent date for which peer data is available), both the PUF and the GEF have achieved that objective.

¹ Universe consists of 134 colleges and universities. Data provided to UTIMCO by Cambridge Associates, Inc.

As of February 28, 2005

Permanent University Fund**RETURN SUMMARY**

ENDING 2/28/05

	Quarter Ending 2/28/2005	1 Year Ending 2/28/2005	3 Years Ending 2/28/2005	5 Years Ending 2/28/2005	Since Inception	Inception Date
Permanent University Fund	4.8%	11.7%	10.9%	5.4%	9.9%	8/31/1991
Endowment Performance Benchmark ¹	2.6	10.6	9.9	4.3	11.2	
U.S. Equity	2.7	10.6	7.6	3.2	11.0	8/31/1991
U.S. Equity Performance Benchmark	2.4	10.4	7.3	-0.6	11.0	
Global Ex U.S. Equity	8.8	15.4	16.0	0.2	7.4	3/31/1993
MSCI AC World Ex-U.S. Free Index	7.5	19.7	15.7	0.9	7.3	
Equity Hedge Funds	4.7	8.5	--	--	11.1	12/31/2003
90-Day T-Bill + 4%	1.5	5.6	--	--	5.5	
Absolute Return Hedge Funds	4.3	11.5	11.5	12.9	12.9	2/29/2000
Absolute Return Benchmark	1.3	4.6	5.2	6.8	6.8	
Private Capital²	9.9	20.0	5.4	-0.9	10.4	1/31/1989
Private Capital Benchmark	1.0	14.6	10.5	2.7	15.8	
Commodities	2.0	16.1	--	--	21.6	12/31/2003
Goldman Sachs Commodity Index - 1%	1.8	22.1	--	--	26.4	
Total Fixed Income	1.2	5.0	8.2	8.6	9.0	8/31/1985
Fixed Income Benchmark	1.1	3.1	6.0	7.8	8.5	

- The Permanent University Fund outperformed the Endowment Performance Benchmark by 2.2 percentage points during the fiscal quarter ending February 28, 2005. Each asset class added value over its respective benchmark during the quarter, with private capital being the stand-out performer on both a relative and an absolute basis.
- Over the one-year period, the Permanent University Fund added 1.1 percentage points of value over its benchmark. Asset class results were generally positive, with only commodities and global ex US equities lagging their respective benchmarks. Strong returns from the private capital and absolute return hedge fund components accounted for the bulk of the outperformance.

¹ Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical endowment policy portfolio data provided by UTIMCO.

² Actual returns for the private capital component are presented on a time-weighted basis. The Private Capital Benchmark represents the Venture Economics Private Capital Benchmark beginning January 1, 2004; returns through December 31, 2003 represent the Dow Jones Wilshire 5000 +4%.

As of February 28, 2005

General Endowment Fund**RETURN SUMMARY**

ENDING 2/28/05

	Quarter Ending 2/28/2005	1 Year Ending 2/28/2005	3 Years Ending 2/28/2005	5 Years Ending 2/28/2005	Since Inception	Inception Date
General Endowment Fund	4.8%	11.7%	11.1%	5.5%	10.6%	8/31/1991
Endowment Performance Benchmark ¹	2.6	10.6	9.9	4.3	11.2	
U.S. Equity	2.7	10.4	7.6	2.2	11.0	8/31/1991
U.S. Equity Performance Benchmark	2.4	10.4	7.3	-0.6	11.0	
Global Ex U.S. Equity	8.9	15.8	16.2	0.2	6.8	3/31/1993
MSCI AC World Ex-U.S. Free Index	7.5	19.7	15.7	0.9	7.3	
Equity Hedge Funds	4.6	8.5	--	--	11.1	12/31/2003
90-Day T-Bill + 4%	1.5	5.6	--	--	5.5	
Absolute Return Hedge Funds	4.3	11.7	11.6	13.8	11.5	7/31/1998
Absolute Return Benchmark	1.3	4.6	5.2	6.8	7.4	
Private Capital²	9.7	20.4	4.7	-1.3	10.3	11/30/1986
Private Capital Benchmark	1.0	14.6	10.5	2.7	15.8	
Commodities	2.0	16.3	--	--	21.7	12/31/2003
Goldman Sachs Commodity Index - 1%	1.8	22.1	--	--	26.4	
Total Fixed Income	1.2	5.1	8.4	8.7	11.0	8/31/1981
Fixed Income Benchmark	1.1	3.1	6.0	7.8	10.3	

- The General Endowment Fund outperformed the Endowment Performance Benchmark by 2.2 percentage points during the fiscal quarter ending February 28, 2005. Each asset class added value over its respective benchmark during the quarter, with private capital being the stand-out performer on both a relative and an absolute basis.
- Over the one-year period, the General Endowment Fund added 1.1 percentage points of value over its benchmark. Asset class results were generally positive, with only commodities and global ex US equities lagging their respective benchmarks. Strong returns from the private capital and absolute return hedge fund components accounted for the bulk of the outperformance.

¹ Reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. Performance prior to January 1, 2004, represents historical endowment policy portfolio data provided by UTIMCO.

² Actual returns for the private capital component are presented on a time-weighted basis. The Private Capital Benchmark represents the Venture Economics Private Capital Benchmark beginning January 1, 2004; returns through December 31, 2003 represent the Dow Jones Wilshire 5000 +4%.

As of February 28, 2005

Operating Funds**RETURN SUMMARY**

ENDING 2/28/05

	Quarter Ending 2/28/2005	1 Year Ending 2/28/2005	3 Years Ending 2/28/2005	5 Years Ending 2/28/2005	Since Inception	Inception Date
Short Term Fund	0.5%	1.5%	1.4%	2.9%	4.1%	8/31/1992
ML 90-day T-Bill	0.5	1.5	1.4	2.8	4.0	
Short Intermediate Term Fund	0.4	1.1	2.1	4.4	4.9	2/28/1993
Performance Benchmark ¹	-0.1	0.0	2.7	4.8	5.1	
BGI U.S. Debt Index Fund	1.0	2.4	5.6	7.6	6.8	5/31/1999
LB Aggregate Bond Index	1.0	2.4	5.6	7.5	6.7	
BGI Equity Index Fund	3.0	7.0	4.7	-1.0	0.2	5/31/1999
S&P 500 Index	3.0	7.0	4.6	-1.0	0.1	

- The Short Term Fund approximated the performance of the benchmark during the periods shown above.
- The Short Intermediate Term Fund outperformed the Index during the fiscal quarter and trailing one-year period. Longer term performance is below-benchmark
- The BGI U.S. Debt Index approximated the performance of the benchmark during the periods shown above. Participants investing in the BGI U.S. Debt Index liquidated their positions during April of 2004.
- The BGI Equity Index Fund approximated the performance of its benchmark during the periods shown above.

¹ Returns for this benchmark from inception through July 31, 2004 have been supplied by UTIMCO. The composition of the benchmark is understood as including six government bond components obtained from Bloomberg in a weighted average composite. Beginning August 1, 2004 returns are those of the Merrill Lynch 1-3 Year Treasury Index.

5. **U. T. Board of Regents: Approval of annual distributions from the Permanent University Fund, the Permanent Health Fund, and the Long Term Fund**

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that

- a. the fiscal year distribution from the Permanent University Fund (PUF) to the Available University Fund (AUF) be increased by 4.7% from \$341,174,270 to \$357,337,255 effective September 1, 2005. The distribution is an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF. The increase in the distribution is a direct result of the increase in the market value of the PUF, as reflected in the trailing 12-quarter average;
- b. the distribution rate for the Permanent Health Fund (PHF) be increased from \$0.0470 per unit to \$0.0482 per unit effective November 30, 2005; and
- c. the distribution rate for the U. T. System Long Term Fund (LTF) be increased from \$0.2697 per unit to \$0.2764 per unit effective November 30, 2005.

BACKGROUND INFORMATION

For comparative purposes, the recommended distributions from the PUF, PHF and LTF represent 4.05%, 4.41%, and 4.50%, of each respective fund's market value as of February 28, 2005.

The PUF Investment Policy states that the annual distribution from the PUF to the AUF shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each fiscal year. Per this formula, the amount to be distributed from the PUF for Fiscal Year 2005-2006 is \$357,337,255 as calculated on the following page.

Quarter Ended	Net Asset Value
5/31/02	7,303,322,636
8/31/02	6,738,274,515
11/30/02	6,397,124,818
2/28/03	6,299,971,921
5/31/03	6,850,946,583
8/31/03	7,244,827,576
11/30/03	7,655,088,067
2/29/04	8,218,934,425
5/31/04	7,997,992,228
8/31/04	8,087,877,617
11/30/04	8,648,150,213
02/28/05	8,832,164,283
	<hr/>
	\$ 90,274,674,882
Number of Quarters	12
Average Net Asset Value	<hr/> \$ 7,522,889,574
Distribution Percentage	4.75%
FY 2005-06 Distribution	<hr/> \$ 357,337,255 <hr/>

Article VII, Section 18 of the Texas Constitution requires that the amount of distributions to the AUF be determined by the U. T. Board of Regents in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of PUF investments and annual distributions to the AUF. The Constitution further limits the U. T. Board's discretion to set annual PUF distributions to the satisfaction of three tests:

1. The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes. The proposed distribution of \$357,337,255 is substantially greater than PUF bonds debt service of \$105,305,880 projected for Fiscal Year 2005-2006.

System	Debt Service
U. T.	\$ 86,681,122
TAMU	18,624,758
Total	<hr/> \$ 105,305,880

Sources: U. T. System Office of Finance
Texas A&M University System Office of
Treasury Services

2. The U. T. Board may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule on the following page indicates, the average annual increase in the rate of growth of the value of PUF investments (net of expenses, inflation, and distributions) for the trailing 10-year period ended February 28, 2005, was 5.03%.

Average Annual	Percent
Rate of Total Return	10.71%
Mineral Interest Receipts	1.35%
Expense Rate	(0.15)% (1)
Inflation Rate	(2.43)%
Distribution Rate	(4.45)%
Net Real Return	5.03%

(1) Paid from AUF until 1/01/00

3. The annual distribution from the PUF to the AUF during any fiscal year made by the U. T. Board may not exceed an amount equal to 7% of the average net fair market value of PUF investment assets as determined by the U. T. Board (except as necessary to pay PUF bonds debt service). The annual distribution rate calculated using the trailing 12-quarter average value of the PUF is within the 7% maximum allowable distribution rate.

Value of PUF Investments (1)	Proposed Distribution	Proposed Distribution as a % of Value of PUF Investments	Maximum Allowed Rate
\$7,522,889,574	\$357,337,255	4.75%	7.00%

(1) Source: UTIMCO

The spending policy objectives of the PHF and LTF are to

- provide a predictable stable stream of distributions over time;
- ensure that the inflation-adjusted value of the distributions is maintained over the long term; and
- ensure that the inflation-adjusted value of the assets of the PHF and the LTF, as appropriate after distributions, is maintained over the long term.

The goal is for the average spending rate of the PHF or the LTF, as appropriate, over time not to exceed the average annual investment return of such fund after inflation in order to preserve the purchasing power of such fund's distributions and underlying assets.

Unless otherwise established by UTIMCO and approved by the U. T. Board, the spending formula under the PHF Investment Policy and the LTF Investment Policy increases distributions at the rate of inflation subject to a distribution range of 3.5% to 5.5% of the average market value of the LTF assets and PHF assets for each fund's respective trailing 12 fiscal quarters. The Investment Policies expressly reserve to the

U. T. Board the ability to approve a per unit distribution amount for the PHF and the LTF, as appropriate, that, in the Board's judgment, would be more appropriate than the formula rate calculated by the spending policy provisions.

The distribution rate for the PHF had been held at \$.0470 for four years since Fiscal Year 2002 because the PHF's net asset value was less than the original PHF contributions of \$820.0 million due to difficult financial markets in the initial years of the PHF. However, as of November 30, 2004, the PHF's net asset value was \$864.7 million. The 2.6% increase in the PHF distribution rate of \$.0470 to \$.0482 per unit is recommended based on the PHF Investment Policy to increase the distributions by the average rate of inflation for the trailing 12 quarters. The increase in the consumer price index for the prior three years as of November 30, 2004, was 2.5%. The PHF's distribution rate calculated using the prior 12-quarter average value of the PHF is 5.2%, within the range of 3.5% to 5.5% set forth in the PHF Investment Policy. The recommended distribution rate of \$.0482 per unit was approved by the UTIMCO Board on March 31, 2005.

In addition to the spending policy objectives for the LTF (described above), the LTF Investment Policy expressly recognizes that, under the Uniform Management of Institutional Funds Act, the U. T. Board may distribute from the LTF the net appreciation, realized and unrealized, in the fair market value of LTF assets over the historic dollar value of the fund. The 2.5% increase in the LTF distribution rate from \$0.2697 to \$0.2764 per unit is recommended based on the LTF Investment Policy to increase the distributions by the average rate of inflation for the trailing 12 quarters. The increase in the consumer price index for the prior three years as of November 30, 2004, was 2.5%. The LTF's distribution rate calculated using the prior 12-quarter average value of the LTF is 5.3%, within the range of 3.5% to 5.5% set forth in the LTF Investment Policy. The recommended distribution rate of \$.2764 per unit was approved by the UTIMCO Board on March 31, 2005.

6. **U. T. Board of Regents: Adoption of Resolutions Amending the First and Fifth Supplemental Resolutions to the Master Resolution establishing the Revenue Financing System Commercial Paper Programs**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents

- a. adopt the third and first resolutions amending the First and Fifth Supplemental Resolutions to the Master Resolution, substantially in the form presented to the Board on Pages 27 - 32, providing for additional defeasance provisions; and
- b. authorize appropriate officers and employees of the U. T. System to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents.

BACKGROUND INFORMATION

On February 9, 1995, the U. T. Board of Regents adopted the Amended and Restated First Supplemental Resolution to the Master Resolution Establishing the Revenue Financing System Commercial Paper Notes, Series A Program. On May 13, 2004, the U. T. Board of Regents reauthorized the Fifth Supplemental Resolution to the Master Resolution Establishing the Revenue Financing System Taxable Commercial Paper Notes, Series B Program. Chapter 1207 of the *Texas Government Code* now provides a broader list of eligible securities that may be deposited into an escrow account to defease outstanding debt. Adoption of the proposed Resolutions will amend the First and Fifth Supplemental Resolutions to make the list of eligible defeasance securities consistent with current State law and will allow all future refunding transactions involving outstanding commercial paper notes to be accomplished in a more efficient manner.

THIRD AMENDING RESOLUTION
AMENDING THE AMENDED AND RESTATED
FIRST SUPPLEMENTAL RESOLUTION
TO THE MASTER RESOLUTION
ESTABLISHING THE REVENUE FINANCING SYSTEM
COMMERCIAL PAPER PROGRAM

WHEREAS, on April 12, 1990, the Board adopted a Master Resolution Establishing The University of Texas System Revenue Financing System, as amended and restated on February 14, 1991 and further amended on October 8, 1993 and August 14, 1997 (referred to herein as the "Master Resolution"); and

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution; and

WHEREAS, the Master Resolution establishes the Revenue Financing System (the "Financing System") comprised of the institutions now or hereafter constituting components of The University of Texas System which are designated "Members" of the Financing System by action of the Board and pledges the Pledged Revenues attributable to each Member of the Financing System to the payment of Parity Debt to be outstanding under the Master Resolution; and

WHEREAS, the Amended and Restated First Supplemental Resolution to the Master Resolution Establishing The University of Texas System Revenue Financing System was adopted by the Board on February 9, 1995 and amended by resolutions of the Board adopted on November 13, 1997 and August 8, 2002 (the "First Supplement") to establish an interim financing program pursuant to which the Board has issued its Revenue Financing System Commercial Paper Notes, Series A (the "Notes") to provide interim financing for capital improvements and to finance equipment purchases; and

WHEREAS, the Board deems it necessary to amend the First Supplement to conform the defeasance provisions relating to Notes to those used in other Revenue Financing System obligations as authorized by Chapter 1207, *Texas Government Code*, as amended.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM THAT:

Section 1. In addition to the definitions set forth in the preamble of this Resolution, the terms used in this Resolution and not otherwise defined shall have the meanings given in the Master Resolution or in Exhibit "A" to the First Supplement.

Section 2. The First Supplement is hereby amended by adding a new Section 6.12 to read as follows:

"Section 6.12. Additional Defeasance Provisions.

Notwithstanding the provisions of Section 12(c) of the Master Resolution, in connection with the defeasance of the Notes pursuant to Section 12 of the Master Resolution, the term Government Obligations shall mean (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent."

Section 3. The Chairman of the Board, the Vice-Chairmen of the Board, the Counsel and Secretary to the Board of Regents of The University of Texas System, the U. T. System Representatives, and the other officers, employees, and agents of the Board are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to effectuate the purposes of this Resolution. In addition, the Chairman of the Board, the Vice-Chairmen of the Board, the Chancellor, the Executive Vice Chancellor for Business Affairs, the Associate Vice Chancellor for Finance, the Director of Finance, and Bond Counsel are hereby authorized to approve, subsequent to the date of the adoption of this Resolution, any technical amendments to this Resolution as may be required by (i) Fitch Investors Service, L.P., Moody's Investors Service, Inc., or Standard & Poor's Ratings Group, a Division of McGraw-Hill, Inc. as a condition to the granting or maintenance of a rating on the Notes acceptable to a U. T. System Representative or (ii) by the Attorney General's office in connection with the review of this Resolution.

Section 4. This amendment to the First Supplement shall take effect when none of the Notes outstanding on the date of adoption of this Resolution are outstanding.

Section 5. The recitals set forth in the preamble to this Resolution are hereby incorporated into this Resolution and made a part hereof for all purposes.

Section 6. It is hereby found and determined that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting at which this Resolution was adopted, and that this Resolution would be introduced and considered for adoption at said meeting; that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, *Texas Government Code*.

PASSED AND ADOPTED, this

ATTEST:

Counsel and Secretary to the
Board of Regents of
The University of Texas System

(SEAL)

FIRST AMENDING RESOLUTION
AMENDING THE REAUTHORIZATION OF FIFTH
SUPPLEMENTAL RESOLUTION TO THE MASTER
RESOLUTION ESTABLISHING THE REVENUE FINANCING
SYSTEM TAXABLE COMMERCIAL PAPER PROGRAM

WHEREAS, on April 12, 1990, the Board adopted a Master Resolution Establishing The University of Texas System Revenue Financing System, as amended and restated on February 14, 1991 and further amended on October 8, 1993 and August 14, 1997 (referred to herein as the "Master Resolution"); and

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution; and

WHEREAS, the Master Resolution establishes the Revenue Financing System (the "Financing System") comprised of the institutions now or hereafter constituting components of The University of Texas System which are designated "Members" of the Financing System by action of the Board and pledges the Pledged Revenues attributable to each Member of the Financing System to the payment of Parity Debt to be outstanding under the Master Resolution; and

WHEREAS, the Reauthorization of the Fifth Supplemental Resolution to the Master Resolution Establishing The University of Texas System Revenue Financing System was adopted by the Board on May 13, 2004 (the "Fifth Supplement") to establish a taxable interim financing program pursuant to which the Board has issued its Revenue Financing System Commercial Paper Notes, Series B (the "Taxable Notes") to provide taxable interim financing for capital improvements and to finance equipment purchases; and

WHEREAS, the Board deems it necessary to amend the Fifth Supplement to conform the defeasance provisions relating to Taxable Notes to those used in other Revenue Financing System obligations as authorized by Chapter 1207, *Texas Government Code*, as amended.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM THAT:

Section 1. In addition to the definitions set forth in the preamble of this Resolution, the terms used in this Resolution and not otherwise defined shall have the meanings given in the Master Resolution or in Exhibit "A" to the Fifth Supplement.

Section 2. The Fifth Supplement is hereby amended by adding a new Section 6.11 to read as follows:

"Section 6.11. Additional Defeasance Provisions.

Notwithstanding the provisions of Section 12(c) of the Master Resolution, in connection with the defeasance of the Notes pursuant to Section 12 of the Master Resolution, the term Government Obligations shall mean (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent."

Section 3. The Chairman of the Board, the Vice-Chairmen of the Board, the Counsel and Secretary to the Board of Regents of The University of Texas System, the U. T. System Representatives, and the other officers, employees, and agents of the Board are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to effectuate the purposes of this Resolution. In addition, the Chairman of the Board, the Vice-Chairmen of the Board, the Chancellor, the Executive Vice Chancellor for Business Affairs, the Associate Vice Chancellor for Finance, the Director of Finance, and Bond Counsel are hereby authorized to approve, subsequent to the date of the adoption of this Resolution, any technical amendments to this Resolution as may be required by (i) Fitch Investors Service, L.P., Moody's Investors Service, Inc., or Standard & Poor's Ratings Group, a Division of McGraw-Hill, Inc. as a condition to the granting or maintenance of a rating on the Taxable Notes acceptable to a U. T. System Representative or (ii) by the Attorney General's office in connection with the review of this Resolution.

Section 4. This amendment to the Fifth Supplement shall take effect when none of the Taxable Notes outstanding on the date of adoption of this Resolution are outstanding.

Section 5. The recitals set forth in the preamble to this Resolution are hereby incorporated into this Resolution and made a part hereof for all purposes.

Section 6. It is hereby found and determined that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting at which this Resolution was adopted, and that this Resolution would be introduced and considered for adoption at said meeting; that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, *Texas Government Code*.

PASSED AND ADOPTED, this

ATTEST:

Counsel and Secretary to the
Board of Regents of
The University of Texas System

(SEAL)

7. U. T. System: Permanent University Fund quarterly update

Mr. Philip R. Aldridge, Associate Vice Chancellor for Finance, will update the Committee on changes in the forecasted distributions from the Permanent University Fund (PUF) to the Available University Fund (AUF) and the resulting impact on remaining PUF debt capacity, U. T. Austin Excellence Funds, and the AUF balance.

REPORT

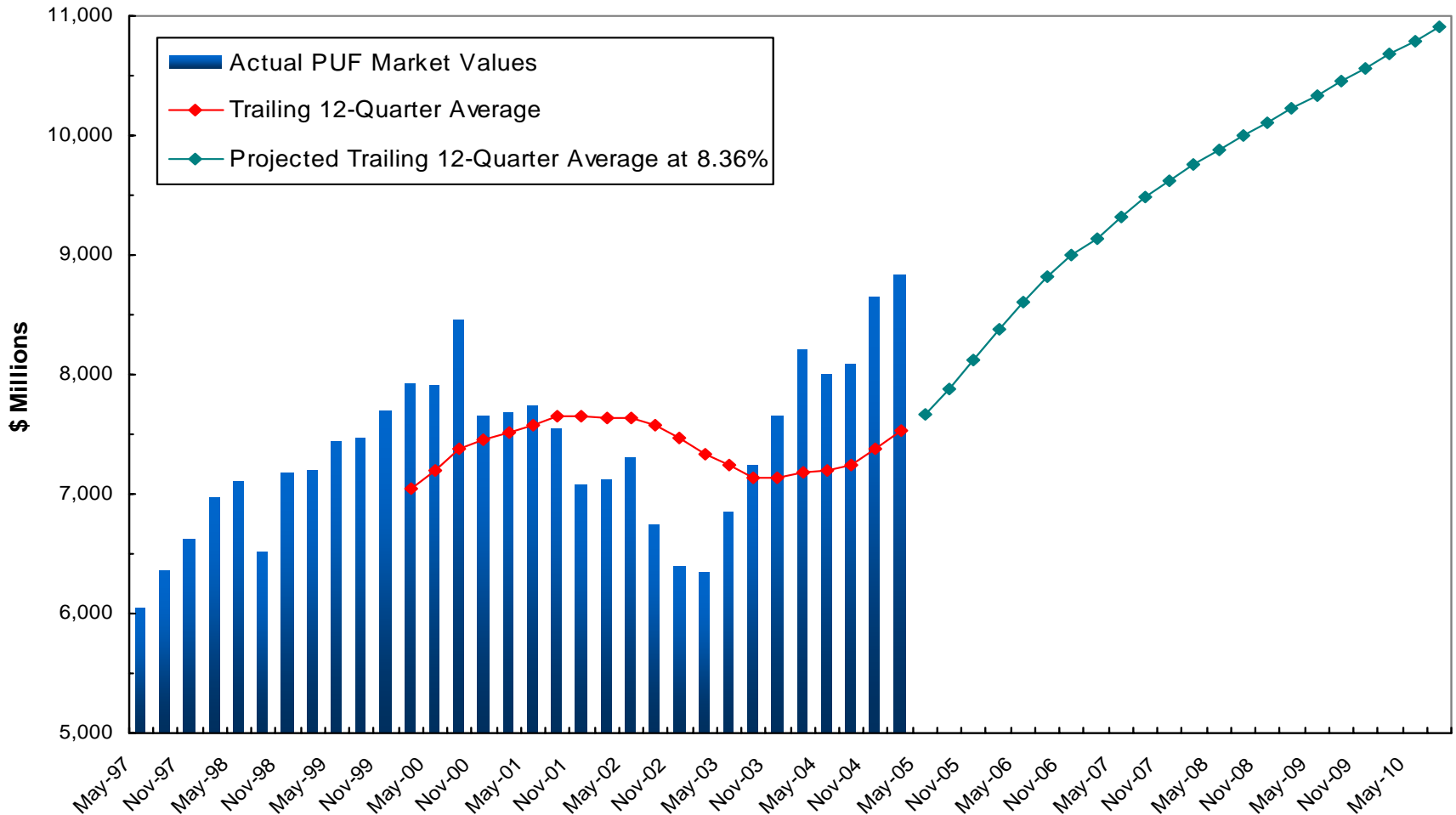
A summary of the assumptions used in calculating the PUF debt capacity is provided on Page 33.1. As of February 28, 2005, the market value of the PUF was \$8.8 billion compared to \$8.6 billion as of November 30, 2004 (Figure A on Page 33.2). During Fiscal Year 2006, \$357.3 million is estimated to be distributed to the AUF, compared to \$341.2 million in Fiscal Year 2005 (Figure B on Page 33.3). PUF distributions to the AUF are projected to steadily increase beginning in Fiscal Year 2006 and are not projected to be capped due to constitutional purchasing power restrictions.

There is an estimated \$448 million of additional debt capacity through Fiscal Year 2010 beyond the PUF projects currently approved, assuming a 8.36% investment return (Figure C on Page 33.4). This PUF debt capacity incorporates the \$6.4 million of present value debt service savings generated through the PUF Series 2005A&B advance refunding transaction executed on March 10, 2005. PUF debt capacity is affected by various factors, some of which are determined by the Board while others are dependent on future market conditions (Figure D on Page 33.5).

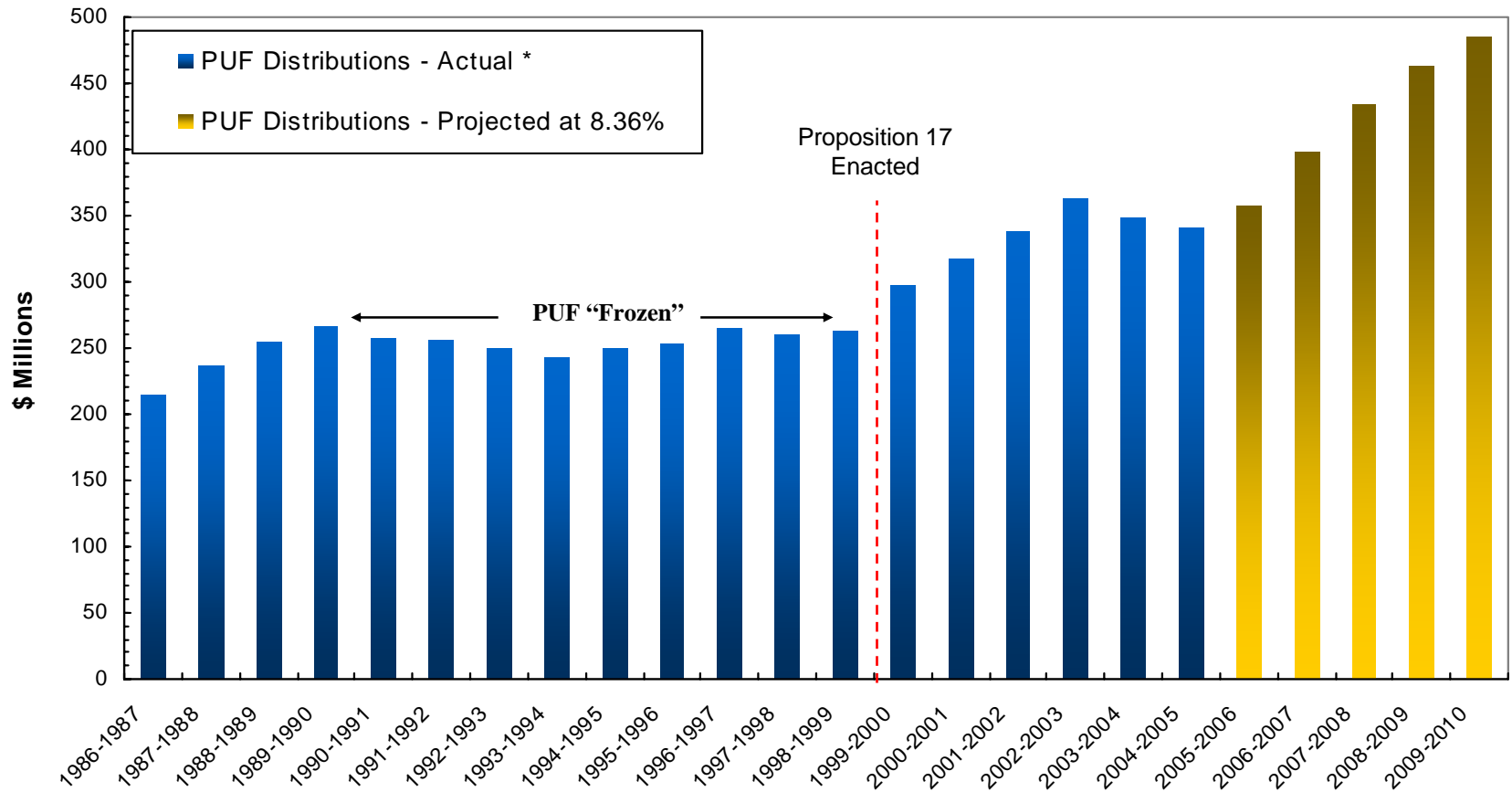
PUF Debt Capacity Base Case Assumptions

- PUF Distribution equals 4.75% of the average PUF net asset value for the trailing 12 quarters, unless restricted by Constitutional purchasing power requirements.
- U. T. Austin Excellence Funds equal 45% of the income available to U. T. System.
- Includes all PUF projects approved through March 2005.
- Forecasted PUF distribution amounts provided by UTIMCO based on long-term expected average annual rate of return of 8.36% starting from the PUF market value as of February 28, 2005.
- Annual Library, Equipment, Repair and Rehabilitation (“LERR”) appropriations of \$30 million are projected to continue from FY 2006 through FY 2010, along with an additional \$10 million LERR appropriation to U. T. Dallas projected in FY 2006 associated with Project Emmitt.
- PUF debt service on additional capacity structured as 20-year, tax-exempt debt with level debt service.

Projected Trailing 12-Quarter PUF Market Value Average



Permanent University Fund Distributions



* Effective September 1, 1997, a statutory amendment changed the distribution of income from cash to an accrual basis, resulting in a one-time distribution adjustment to the AUF of \$47.3 million that is not reflected.

PUF Debt Capacity-Base Case at 8.36%

Additional PUF Debt Capacity (\$448.1 Million)		\$0.0	\$234.3	\$0.0	\$66.1	\$92.3	\$55.4
Cumulative Additional PUF Debt Capacity		\$0.0	\$234.3	\$234.3	\$300.4	\$392.7	\$448.1
Available University Fund Operating Statement Forecast Data (\$ Millions)	Actual	Projected					
	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FYE 10
PUF Distribution Amount	\$348.0	\$341.2	\$357.3	\$398.3	\$434.3	\$463.3	\$485.6
Surface and Other Income	7.6	6.4	6.4	6.7	6.7	6.7	6.7
Divisible Income	355.6	347.6	363.8	405.0	441.0	470.1	492.4
U. T. System Share (2/3)	237.1	231.7	242.5	270.0	294.0	313.4	328.2
AUF Interest Income	3.0	4.0	4.3	4.6	4.8	5.1	5.3
Income Available to U. T. System	240.1	235.7	246.8	274.5	298.8	318.5	333.6
TRANSFERS:							
U. T. Austin Excellence Funds (45%)	(108.3)	(105.3)	(111.1)	(123.6)	(134.4)	(143.3)	(150.1)
PUF Debt Service on Approved Projects	(71.6)	(80.2)	(105.4)	(106.1)	(108.5)	(110.8)	(113.6)
PUF Cash Defeasance	(60.0)	-	-	-	-	-	-
PUF Debt Service on Additional Debt Capacity	-	-	(18.6)	(18.6)	(23.9)	(31.5)	(36.1)
System Administration	(27.9)	(27.7)	(28.9)	(29.8)	(30.7)	(31.6)	(32.6)
Other	(4.5)	(1.1)	(1.1)	(1.1)	(1.2)	(1.2)	(1.2)
Debt Service (Austin Building Revenue Bonds)	(3.4)	-	-	-	-	-	-
Net Surplus/(Deficit)	(35.7)	21.5	(18.2)	(4.6)	(0.0)	(0.0)	(0.0)
Ending AUF Balance - System	46.3	67.8	49.6	45.0	45.0	45.0	45.0
PUF Debt Service Coverage	3.35:1	2.94:1	1.99:1	2.20:1	2.26:1	2.24:1	2.23:1

PUF Debt Capacity Sensitivities at 8.36%

Board-Determined	Board-Determined	Board-Determined	Market-Dependent	Market-Dependent	Additional Debt Capacity (\$ Millions)							TOTAL	Projected PUF
Annual LERR	U.T. Austin Excellence	PUF Distribution Rate	PUF Investment Return	Change in Tax-Exempt Rates	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY 2010	FY 2010	Market Value in FY 2030
\$30 Million	45.0%	4.75%	8.36%	NA	0.0	234.3	0.0	66.1	92.3	55.4	448.1	448.1	23,701,317,468
\$30 Million	45.0%	4.75%	8.36%	NA	0.0	234.3	0.0	66.1	92.3	55.4	448.1	448.1	23,701,317,468
\$20 Million	45.0%	4.75%	8.36%	NA	0.0	244.3	10.0	76.1	102.3	65.4	498.1	498.1	23,701,317,468
\$10 Million	45.0%	4.75%	8.36%	NA	0.0	254.3	20.0	86.1	112.3	75.4	548.1	548.1	23,701,317,468
None	45.0%	4.75%	8.36%	NA	0.0	264.3	30.0	96.1	122.3	85.4	598.1	598.1	23,701,317,468
\$30 Million	40.0%	4.75%	8.36%	NA	0.0	397.9	0.0	90.2	104.4	64.6	657.1	657.1	23,701,317,468
\$30 Million	45.0%	4.75%	8.36%	NA	0.0	234.3	0.0	66.1	92.3	55.4	448.1	448.1	23,701,317,468
\$30 Million	50.0%	4.75%	8.36%	NA	0.0	70.5	0.0	42.1	80.3	46.2	239.1	239.1	23,701,317,468
\$30 Million	45.0%	4.50%	8.36%	NA	0.0	185.7	0.0	9.7	87.2	53.6	336.2	336.2	25,137,265,135
\$30 Million	45.0%	4.75%	8.36%	NA	0.0	234.3	0.0	66.1	92.3	55.4	448.1	448.1	23,701,317,468
\$30 Million	45.0%	5.00%	8.36%	NA	0.0	282.9	0.0	122.4	97.4	56.9	559.6	559.6	22,333,381,989
\$30 Million	45.0%	4.75%	7.36%	NA	0.0	233.7	0.0	58.0	77.6	34.0	403.3	403.3	18,512,924,940
\$30 Million	45.0%	4.75%	8.36%	NA	0.0	234.3	0.0	66.1	92.3	55.4	448.1	448.1	23,701,317,468
\$30 Million	45.0%	4.75%	9.36%	NA	0.0	234.9	0.0	74.0	107.1	77.1	493.2	493.2	30,202,024,112
\$30 Million	45.0%	4.75%	8.36%	+ 50 bps	0.0	217.6	0.0	61.8	87.4	52.1	419.0	419.0	23,701,317,468
\$30 Million	45.0%	4.75%	8.36%	HA	0.0	234.3	0.0	66.1	92.3	55.4	448.1	448.1	23,701,317,468
\$30 Million	45.0%	4.75%	8.36%	-50 bps	0.0	252.2	0.0	70.6	97.6	58.9	479.3	479.3	23,701,317,468

33.5

8. **U. T. Board of Regents: Regents' Rules and Regulations, Series 10501 - Amendment to increase the amount delegated for lease or purchase of routine medical equipment and services**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Series 10501 be amended as set forth below in congressional style to allow the health institutions to purchase or lease routine medical equipment and services with a value of more than \$1 million if the institutions follow all statutory and regulatory standards for procurement under the group purchasing program.

2. Rule and Regulation

...

Sec. 4 Contracts Not Requiring Board Approval. The following contracts or agreements, including purchase orders and vouchers, do not require prior approval by the Board of Regents regardless of the contract amount.

...

4.5 Routine Supplies Items. Contracts or agreements for the purchase of routinely purchased supplies.

4.6 Group Purchases. Purchases made under a group purchasing program that follow all applicable statutory and regulatory standards for procurement.

...

4.15 Health Operations. Contracts or agreements for the procurement of routine services or the purchase or lease of routine medical equipment, required for the operation or support of a hospital or medical clinic, if the services or equipment were competitively procured.

...

3. Definitions

...

Group Purchasing Program - for purposes of this Series, a purchasing program established by (1) a state agency that is authorized by law to procure goods and services for other state agencies, such as the Texas Building and Procurement Commission and the Texas Department of Information Resources; or (2) a group purchasing organization in which the institution participates, such as Novation, Premier, Western States Contracting Alliance, and U.S. Communities Government Purchasing Alliance.

.....

BACKGROUND INFORMATION

The proposed amendments to the Regents' *Rules and Regulations*, Series 10501, relating to the exemption from required Board approval of contracts with a value of more than \$1 million associated with purchases made under a group purchasing program, are explanatory amendments that (1) define the term "group purchasing program" and (2) clarify that purchases under group purchasing programs must follow all applicable statutory and regulatory standards for procurement. These amendments will facilitate the appropriate use of the group purchasing program exemption.

The proposed amendments add a new exemption from required Board approval of contracts with a value of more than \$1 million for contracts or agreements associated with the purchase or lease of routine medical equipment or services, required for the operation or support of a hospital or medical clinic, if the equipment or services were competitively procured.

9. **U. T. Board of Regents: Amendment to the Regents' Rules and Regulations, Series 70301 (Matters Relating to Real Property), Section 4**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Series 70301, Section 4, regarding matters relating to real property, be amended by adding a new Section 4.4 as follows:

Sec. 4 Delegation of Authority. . . .

4.4 If approval of the Board of Regents is required by Section 3 of Series 10501 of the Regents' Rules and Regulations before the real property may be sold or leased to a third party, the following information shall be provided to the Board of Regents with the request for approval:

- (a) a description of the process used to select the third party and the rationale for using the process described;
- (b) a description of the process used to set the consideration to be received by U. T. System; and
- (c) a statement of the appraised value as determined by an independent appraisal conducted no earlier than 12 months prior to the Board of Regents' meeting date at which the sale or lease is to be presented for approval.

BACKGROUND INFORMATION

The proposed amendment to the Regents' *Rules and Regulations*, Series 70301, Section 4 formalizes and documents the process by which sales and leases of U. T. System-owned real property in excess of \$1 million in value are submitted to the Board of Regents for approval.

10. **U. T. Board of Regents: Amendment to the Regents' Rules and Regulations, Series 80103, Section 2.4 (Solicitation)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Series 80103, Section 2.4, related to solicitation, be amended as set forth below in congressional style:

- 2.4 Services. Any offering of services and related products by a third party or by U. T. System and/or one or more of its institutions on behalf of a third party (a "Third Party Service Offering") established and maintained primarily for the convenience of students, staff, faculty, or patients. Such Third Party Service Offering must be established and maintained pursuant to a written agreement between the third party and the affected U. T. System entity or entities and such written agreement:
- (a) Clearly sets forth the nature and scope of the solicitation activities that the third party is permitted to undertake on U. T. System property, and is construed to prohibit any solicitation activities not specifically enumerated in such written agreement;
 - (b) Is of specified duration with defined renewal procedures and periods; and
 - (c) Includes appropriate provisions to protect the privacy of students, faculty, staff, and patients and require compliance with Section 2 above.

~~Any service or service facility for the convenience of the students, staff, faculty, patients, or bona fide visitors that is operated or maintained by the U. T. System or any of its institutions or by a subcontractor or lessee of either, under an approved written agreement, including, but not limited to: (1) any bookstore, specialty store, laundry, pharmacy, cafeteria, or food service; (2) a child care facility limited to children or bona fide dependents of students, faculty, or staff; (3) a State or federal credit union with membership limited primarily to students, faculty, and staff of the U. T. System or any of its institutions and other area institutions of higher education, and the officers and employees of organizations closely related to the component institution's educational mission, such as officially recognized alumni associations and cooperative bookstores; (4) private post office boxes under an approved written agreement that limits the use to students, faculty, and staff of the institution; (5) unmanned teller machines and drop-boxes for express delivery services that are located and maintained under an approved written agreement that prohibits advertising the location of the unmanned teller machine or drop-boxes to~~

~~the general public; or (6) a travel agency under an approved written agreement that limits the use primarily to students, faculty, and staff of the institution and prohibits advertising the institutional location of the travel agency to the general public.~~

BACKGROUND INFORMATION

The proposed amendment to the Regents' *Rules and Regulations*, Series 80103, Section 2.4, will authorize U. T. System officers to exercise additional flexibility to allow private contractors to offer services and products on campus property, provided the offerings are primarily for the convenience of students, staff, faculty, or patients. The proposed amendment clarifies that more expansive service offerings are permitted, if targeted to the convenience of an institution's constituents, and puts in place a process to ensure such service offerings are carefully planned and renewed in coordination with the U. T. System Offices of Business Affairs and General Counsel.

Section 1 of Series 80103 of the Regents' *Rules and Regulations* prohibits solicitation on property owned or controlled by U. T. System or its institutions, unless permitted by the *Rules*. The remainder of Series 80103 consists of exceptions to the general prohibition on solicitation.

The current Section 2.4 provides an exception to allow services or service facilities on U. T. property for the convenience of students, staff, faculty, or patients pursuant to an approved written agreement with the U. T. institution and further provides a list of certain types of services and service facilities expressly excepted from the general prohibition. The current language in Section 2.4 states that the excepted services and service facilities include, but are not limited to, those named in the list. This apparent contradiction with the prohibition on solicitation in Section 1 has caused difficulty in interpreting the intended scope of Section 2.4.

The proposed amendments to Section 2.4 will eliminate the current list of expressly excepted services and service facilities, and instead allow the offering of services on campus if provided primarily for the convenience of students, staff, faculty, or patients under a written agreement satisfying specified conditions.

11. **U. T. System: Review of services provided and fees charged by the Office of Facilities Planning and Construction and update on benchmarking study**

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will present a review of services provided and fees charged by the Office of Facilities Planning and Construction and an update on the benchmarking study, using a PowerPoint presentation as set out on Pages 39.1 - 39.10.

BACKGROUND INFORMATION

The current fee schedule was established by the U. T. Board of Regents on March 6, 1996 (via Executive Committee Letter 96-12).



THE UNIVERSITY OF TEXAS SYSTEM

Review of Services Provided and Fees Charged by OFPC

The University of Texas System Board of Regents
Finance and Planning Committee
May 11, 2005



Questions to be considered

- What project management services are required?
- **Are the fees charged by OFPC competitive?**
- Is the service provided by OFPC meeting expectations?



What project management services are required?

- Manage procurement process for A/E and/or programmer
- Manage procurement process for construction firm and technical service providers
- Negotiate contracts
- Manage programming phase
- Manage design phase
- Manage construction phase
- Manage project close-out

3



Are the fees charged by OFPC competitive?

- Current fee schedule established by Board of Regents in 1996
- As standard in the industry, the fee is a percentage of the project construction costs
- The percentage varies based on size and type of the project

4



Are the fees charged by OFPC competitive?

Dormitories, Garages, Warehouses %

New Projects Cost Range	U. T.
Over \$100,000,000	1.75
Over \$50,000,000	2.00
Over \$25,000,000	2.25
Over \$15,000,000	2.50
Over \$10,000,000	2.75
Over \$1,000,000	3.00

5



Are the fees charged by OFPC competitive?

Classrooms, Offices, Other %

New Projects Cost Range	U. T.
Over \$100,000,000	2.00
Over \$50,000,000	2.25
Over \$25,000,000	2.50
Over \$15,000,000	2.75
Over \$10,000,000	3.00
Over \$1,000,000	3.25

6



Are the fees charged by OFPC competitive?

Clinical, Research, Special Education %

New Projects Cost Range	U. T.
Over \$100,000,000	2.25
Over \$50,000,000	2.50
Over \$25,000,000	2.75
Over \$15,000,000	3.00
Over \$10,000,000	3.25
Over \$1,000,000	3.50

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Are the fees charged by OFPC competitive?

Fees were benchmarked against rates charged by private firms for similar services

- Soliciting input from campuses, OFPC selected seven firms for comparison
- OFPC provided its standard scope of services to provide basis for fee comparison
- Early this year, a survey of the seven selected firms was conducted and compiled by the System Audit Office

(continued)

8



Are the fees charged by OFPC competitive? (continued)

- Five firms responded to the survey:
 - *Jacobs Facilities*
 - *Herndon and Stauch*
 - *Maddox Group*
 - *3DI*
 - *Project Control*

- Fee data was also gathered on what other Texas institutions/agencies were charging for similar services

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Are the fees charged by OFPC competitive?

Dormitories, Garages, Warehouses %

New Project Cost	U. T.	Company A	Company B	Company C	Company D	Company E	Average	% U. T. Fee is Below Benchmark
Over \$100M	1.75	3.90	N/A	4.00	2.00	2.00	2.98	41%
Over \$50M	2.00	4.10	2.00-3.00	4.00	3.00	3.70	3.46	42%
Over \$25M	2.25	4.20	3.00-4.00	5.00	4.00	4.90	4.32	48%
Over \$15M	2.50	4.50	4.00-10.00	6.00	5.00	4.90	5.48	54%
Over \$10M	2.75	5.30	4.00-10.00	6.00	6.00	N/A	6.08	55%
Over \$1M	3.00	6.40	N/A	8.00	10.00	N/A	8.13	63%

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Are the fees charged by OFPC competitive?

Classrooms, Offices, Other %

New Project Cost	U. T.	Company A	Company B	Company C	Company D	Company E	Average	% U. T. Fee is Below Benchmark
Over \$100M	2.00	3.90	2.00	5.00	3.00	2.00	3.18	37%
Over \$50M	2.25	4.10	2.00-3.00	5.00	4.00	3.70	3.86	42%
Over \$25M	2.50	4.20	3.00-4.00	6.00	5.00	4.90	4.72	47%
Over \$15M	2.75	4.50	4.00-10.00	7.00	6.00	4.90	5.88	53%
Over \$10M	3.00	5.30	4.00-10.00	7.00	7.00	N/A	6.58	54%
Over \$1M	3.25	6.40	N/A	9.00	12.00	N/A	9.13	64%

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Are the fees charged by OFPC competitive?

Clinical, Research, Special Education %

New Project Cost	U. T.	Company A	Company B	Company C	Company D	Company E	Average	% U. T. Fee is Below Benchmark
Over \$100M	2.25	4.00	2.00	6.00	4.00	2.00	3.72	40%
Over \$50M	2.50	4.30	2.00-3.00	6.00	5.00	5.30	4.62	46%
Over \$25M	2.75	4.40	3.00-4.00	7.00	6.50	5.50	5.38	49%
Over \$15M	3.00	4.70	4.00	8.00	7.50	5.50	5.94	49%
Over \$10M	3.25	5.50	N/A	8.00	9.00	N/A	7.50	57%
Over \$1M	3.50	6.00	N/A	10.00	16.00	N/A	10.87	68%

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Are the fees charged by OFPC competitive?

Comparison to other Texas institutions/agencies

Institution/Agency	New Build Rate	% U. T. Fee is Below Other Institution/Agency
U. T. System	2.79	
Texas A&M Univ. System	3.75	26%
Texas Tech Univ. System	3.33	16%
Texas Building and Proc. Commission	3.58	22%
Univ. of Houston System	3.00	7%
Univ. of North Texas System	4.50 - 6.00	38% - 54%

Would it make sense for the U. T. System to offer services to other institutions/agencies?

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Are the fees charged by OFPC competitive?

Oversight Services

Provide System-wide oversight of design and construction procurement and reporting on behalf of the System Administration and Board.

Project Management Services

Provide "cradle-to-grave" project management services for large scale capital construction. Services are comprehensive from RFQ through project close-out.

Value-Added Services

Provide a variety of specialized facility-related services on an as-needed basis.

← Scope of OFPC Fee Benchmarking →

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Are the fees charged by OFPC competitive?

Oversight Services

- Manage Capital Improvement Program (CIP)
- Manage interactions with Texas Higher Education Coordinating Board
- Provide support for Board of Regents' Facilities Planning and Construction Committee
- Develop and maintain standard and uniform contract documents
- Perform compliance monitoring and reporting for delivery of major capital projects
- Provide official document archival and records retention for all documentation regarding delivery of the facility
- Review pending legislative initiatives and proposed bills, amendments, and riders
- Provide institutions with liaison to System Administration and all regulatory agencies with regard to delivering major capital projects
- Develop and maintain facilities renewal model and facilitate institutional reporting

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Are the fees charged by OFPC competitive?

Value-Added Services

- Provide campus master planning support and expertise
- Provide campus infrastructure evaluations and recommendations
- Provide analysis for proposed real property acquisition
- Pre-CIP project submittal support and assistance
- Provide historical cost and schedule models for various building types and geographic areas
- Post-occupancy services including forensic analysis, warranty assistance, and claims management
- Provide professional, technical, and process training and standard forms based on industry "Best Practices"
- Coordinate administration of the U. T. System Rolling Owner-Controlled Insurance Program (ROCIP)
- Maintain web-based repository of requirements, processes, and Best Practices for delivery of major capital projects for U. T. System (OFPC eManual)

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Are the fees charged by OFPC competitive?

Why are OFPC fees less?

- No profit margin
- Volume – economies of sale
- Possibly not recouping all costs through fees
- Stability and competence of work force

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Is the service provided by OFPC meeting expectations?

- Initial survey and anecdotal information is positive
- Need to continue to gather data
- In response to customer input, OFPC has implemented Memorandum of Understandings with two campuses to provide more institutionally managed new construction services

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Summary

- The OFPC fee schedule is 37% to 68% below the market average and 7% to 54% below that of other institutions/agencies
- The current model allows oversight services and value-added services to be provided at no additional cost to the campuses
- U. T. System Administration believes OFPC provides quality customer service, but will continue to gather data, evaluate, and work to improve this area
- OFPC may explore offering OFPC services to other State institutions and/or agencies

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