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FOR  
FINANCE AND PLANNING COMMITTEE**

**Committee Meeting: 5/5/2021**

**Board Meeting: 5/6/2021  
Austin, Texas**

*R. Steven Hicks, Chairman  
David J. Beck  
Jodie Lee Jiles  
Janiece Longoria  
Kelcy L. Warren  
Rad Weaver*

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	<i>10:15 a.m.</i>		
1. <b>U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration</b>	<b>Discussion</b>	<b>Action</b>	<b>29</b>
2. <b>U. T. System: Financial Status Presentation and Monthly Financial Report</b>	<b>Report/Discussion</b> Dr. Kelley	Not on Agenda	<b>30</b>
3. <b>U. T. System: Approval of A) the Fiscal Year 2022 Budget Preparation Policies, including the Calendar for budget operations, and B) an amendment to the Annual Operating Budget Rules and Procedures</b>	<b>Action</b> Mr. Horton	Action	<b>55</b>
4. <b>U. T. System Board of Regents: Update on University Lands</b>	<b>Report/Discussion</b> Mr. Joe Quoyeser	Not on Agenda	<b>60</b>
<b>Adjourn</b>	<i>10:45 a.m.</i>		

1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration**

RECOMMENDATION

The proposed Consent Agenda item assigned to this Committee is [Item 3](#).

**2. U. T. System: Financial Status Presentation and Monthly Financial Report**

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Financial Status Presentation, the highlights of which are set forth in the PowerPoint on the following pages and the February Monthly Financial Report, which follows the PowerPoint. The monthly financial report represents the consolidated and individual operating detail of the U. T. institutions.

# U. T. System

## *Fiscal Year-to-Date Actuals and Projected Fiscal Year-End*

Dr. Scott Kelley  
Executive Vice Chancellor for Business Affairs

U. T. System Board of Regents Meeting  
Finance and Planning Committee  
May 2021

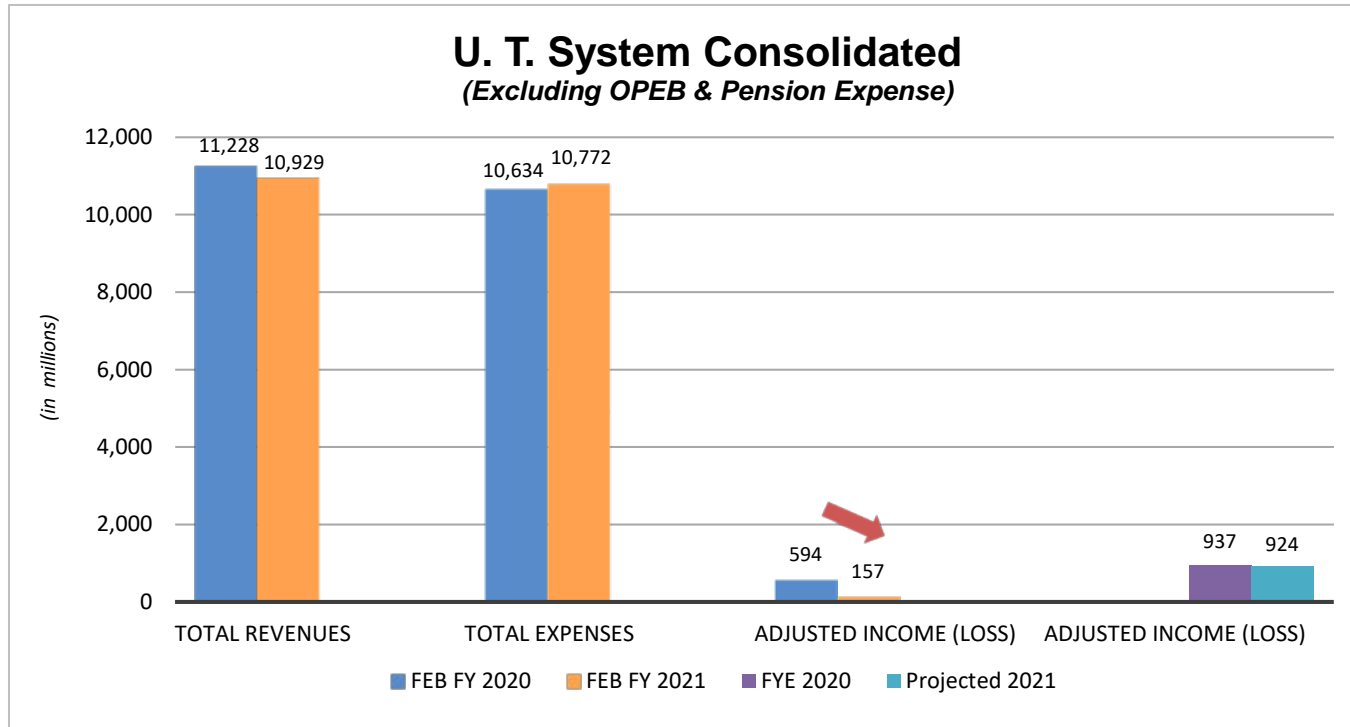


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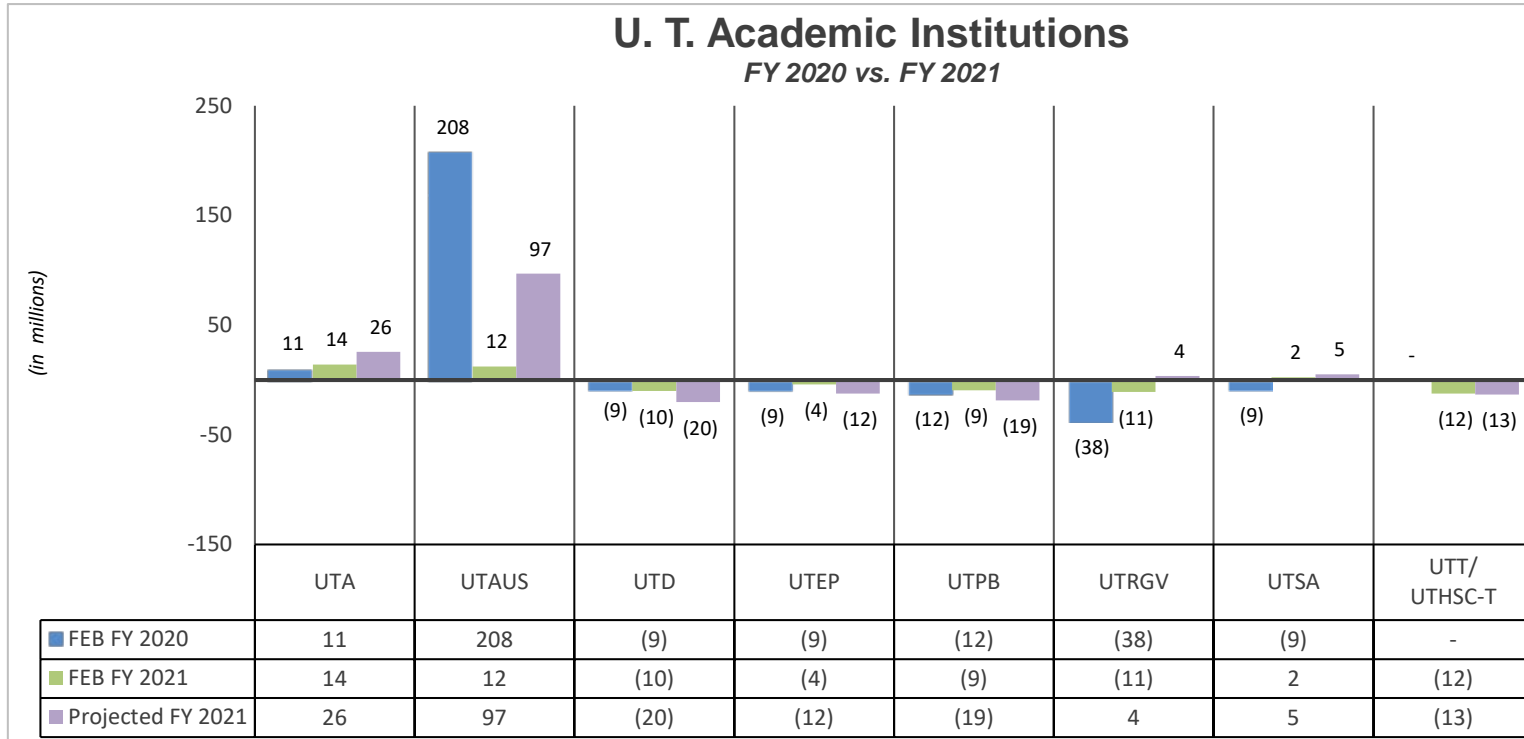
## U. T. System Consolidated Landscape

*For the Period Ending February 28, 2021 and Projected Fiscal Year-End*



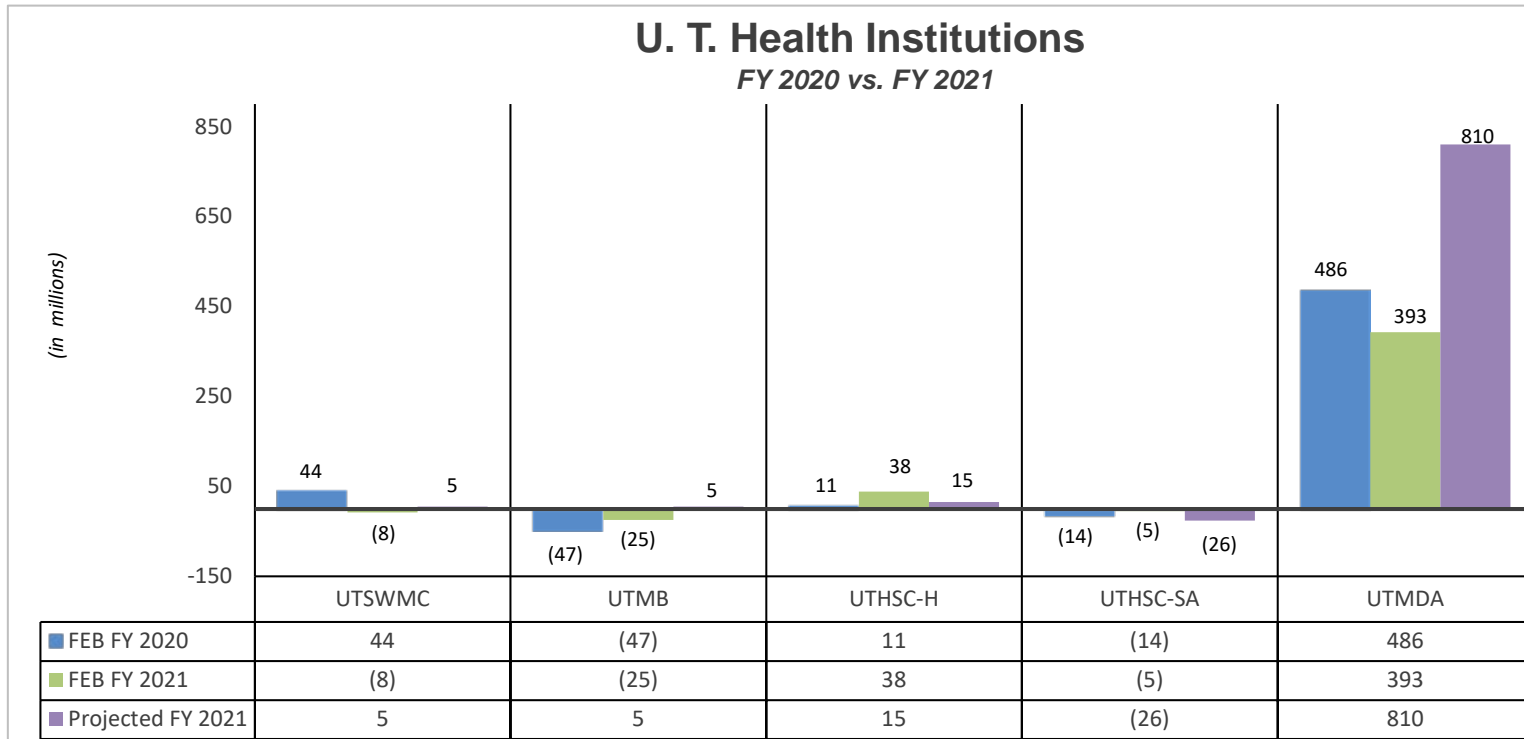
## Academic Adjusted Income (Loss) Comparison

*For the Period Ending February 28, 2021 and Projected Fiscal Year-End*



## Health Adjusted Income (Loss) Comparison

*For the Period Ending February 28, 2021 and Projected Fiscal Year-End*



Source: February 2021 Monthly Financial Report



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# Systemwide Operations Financial Summary

	FY 2021 Budget	FYTD Actual (February 2021)	% of Budget
U. T. System Administration (AUF)	\$ 50,540,434	\$ 24,841,295	49%
Direct Campus Support (AUF)	41,459,566	24,102,731	58%
Other Operations Funded with AUF Reserves	300,000	535,392	178%
Service Departments and Other Non-AUF*	59,911,237	26,784,844	45%
<b>Total – U. T. System Administration and Campus Support</b>	<b>\$ 152,211,237</b>	<b>\$ 76,264,262</b>	<b>50%</b>

\* The Board of Regents has approved the budget related to University Lands. 2/3 of the overall University Lands budget and February YTD actuals are represented in the above amounts. The Board of Regents has also approved the portion (1/3 of the overall University Lands budget) that supports Texas A&M University.





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OFFICE OF THE CONTROLLER**

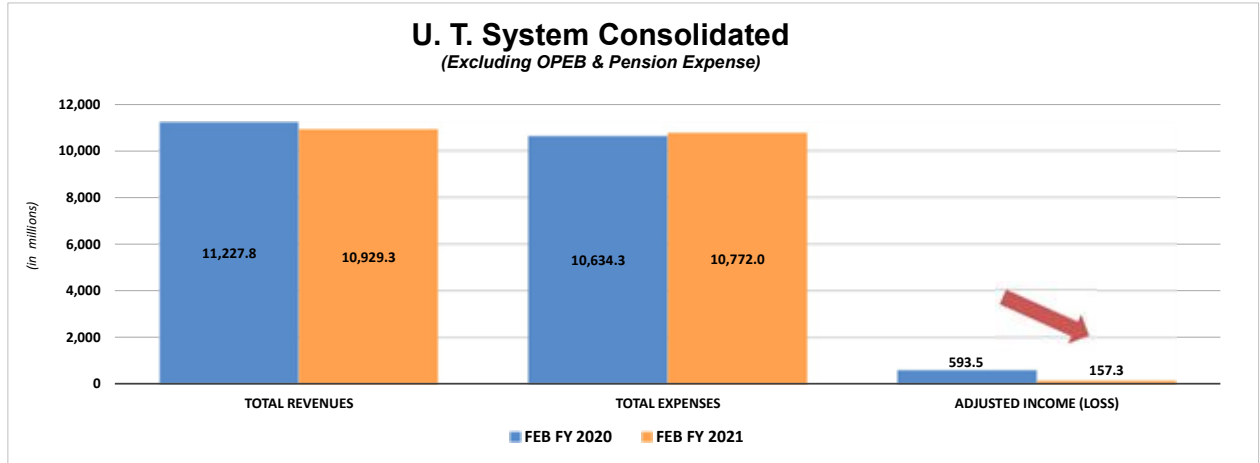
**MONTHLY FINANCIAL REPORT**  
*(unaudited)*

**FEBRUARY 2021**



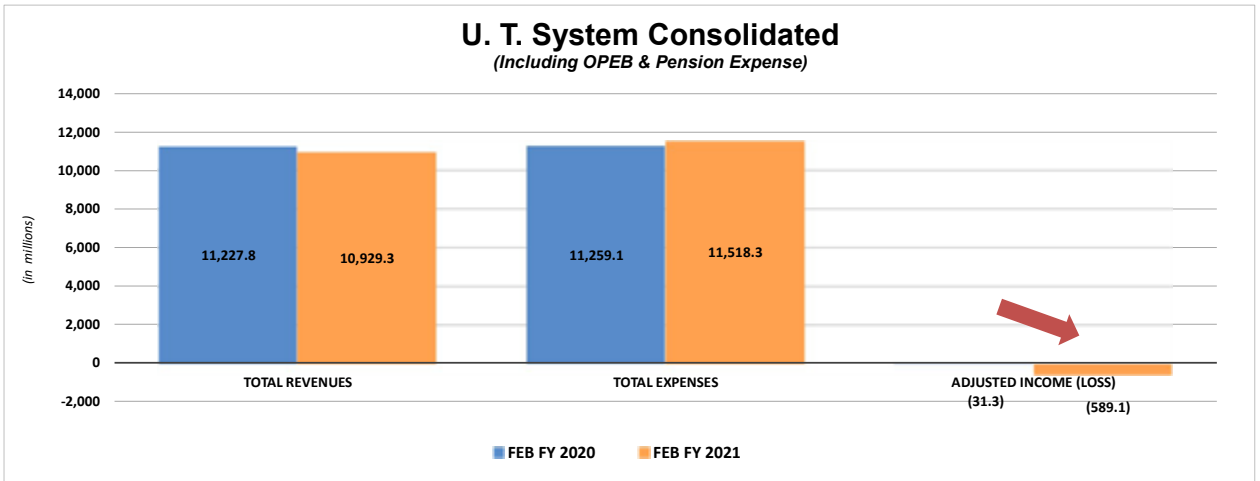
210 West Seventh Street  
Austin, Texas 78701  
512.499.4527  
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## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending February 28, 2021

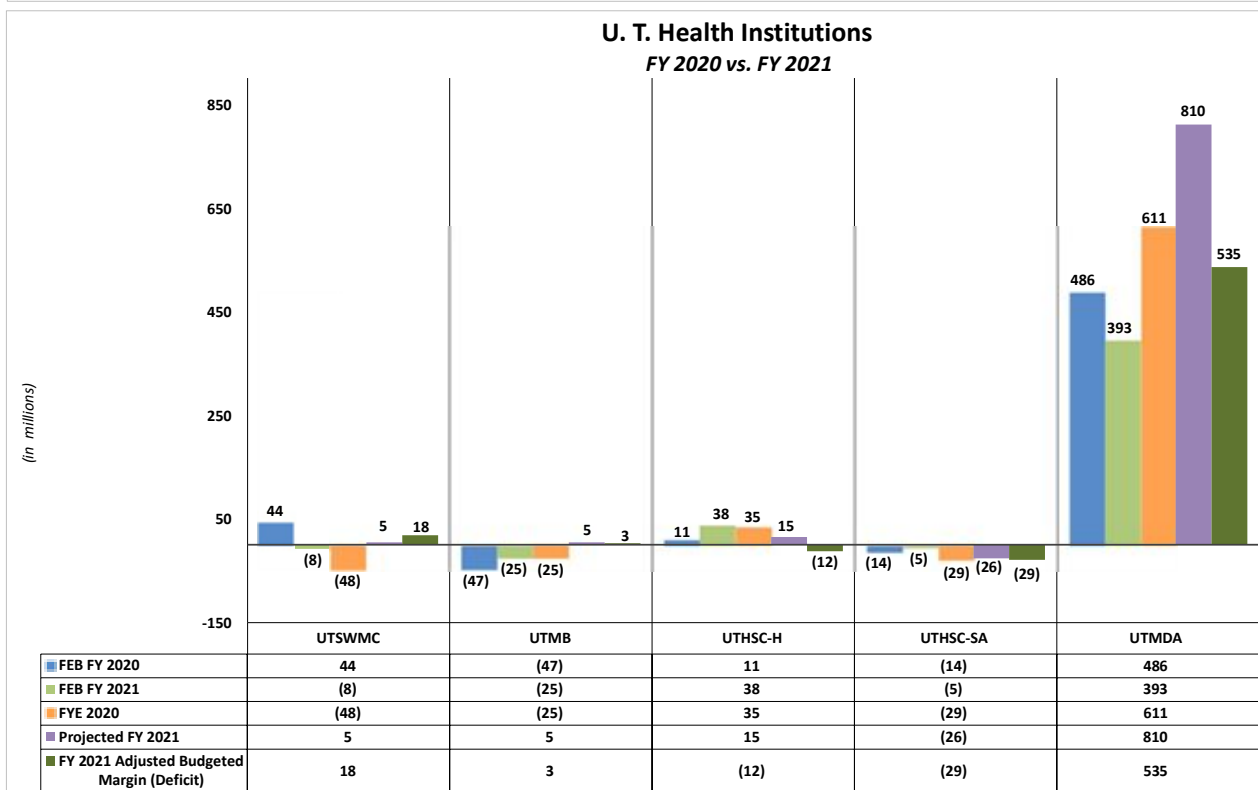
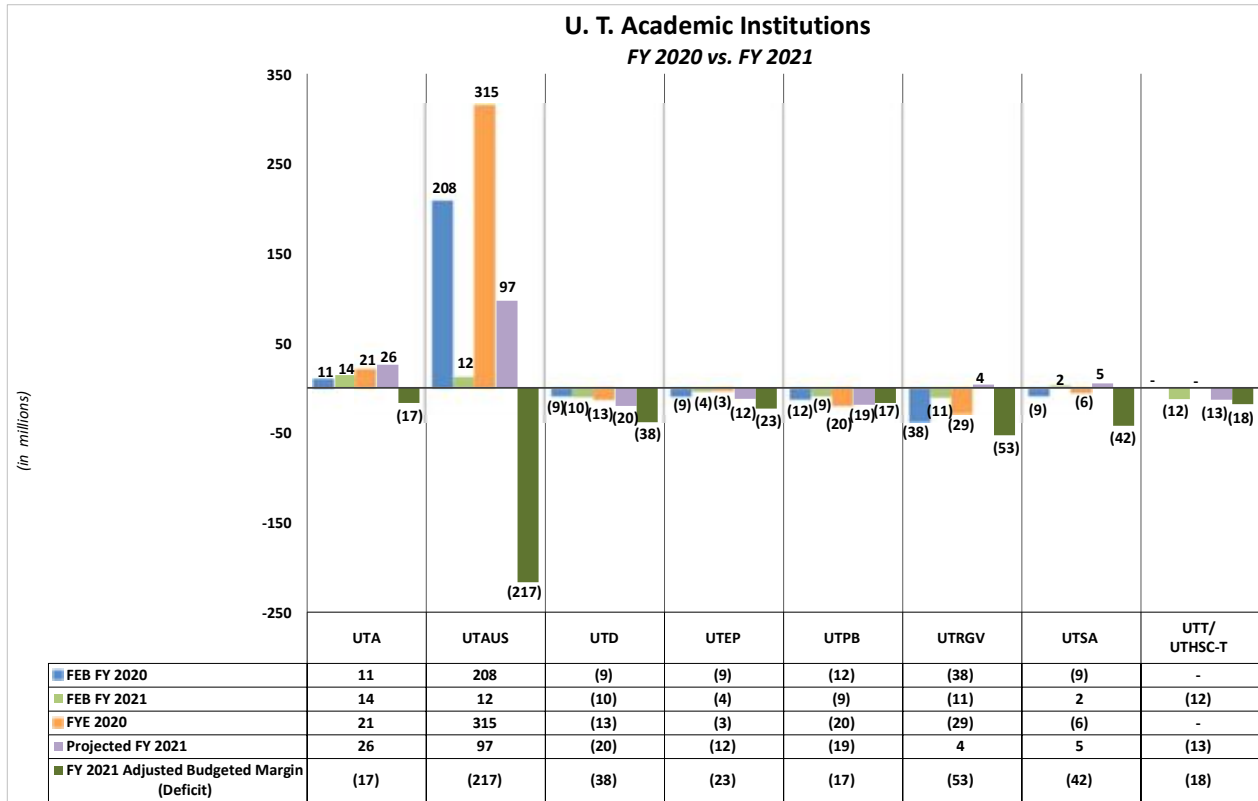


Excluding other postemployment benefits (OPEB) and pension expense, *U. T. System Consolidated* shows year-to-date adjusted income of \$157.3 million, a decrease of \$436.2 million (73%) from the prior year. The decrease was primarily due to the following: a decrease in net investment income; a decrease in auxiliary revenues, and sales and services of educational activities as a result of COVID-19; an increase in salaries and wages to support faculty and clinical services; and a decrease in gift contributions for operations.

(in millions)	February YTD FY 2020	February YTD FY 2021	Variance	Annual Projected FY 2021
Clinical Revenues	\$ 4,747.2	4,717.8	(29.4)	9,901.6
Sponsored Programs/Nonexchange Sponsored Programs	2,077.8	2,444.0	366.2	4,896.0
State Appropriations	1,121.0	1,086.0	(35.1)	2,168.9
Net Tuition and Fees	968.0	977.3	9.3	1,936.1
Auxiliary Revenues/Sales & Services of Educational Activities	726.7	500.4	(226.3)	788.4
Net Investment Income	979.7	724.8	(254.9)	1,563.2
Other Operating Revenues/Gift Contributions for Operations	607.3	479.0	(128.3)	998.9
<b>Total Revenues</b>	<b>11,227.8</b>	<b>10,929.3</b>	<b>(298.5)</b>	<b>22,253.0</b>
Salaries and Wages/Payroll Related Costs	6,377.3	6,577.6	200.3	12,827.5
Materials and Supplies/Cost of Goods Sold	1,398.1	1,403.1	5.0	2,835.8
Depreciation and Amortization	776.9	816.2	39.3	1,649.0
Other Contracted Services/Professional Fees & Services	731.0	692.9	(38.1)	1,456.1
All Other Operating Expenses	1,351.0	1,282.1	(68.9)	2,560.8
<b>Total Expenses (Excluding OPEB &amp; Pension Exp)</b>	<b>\$ 10,634.3</b>	<b>10,772.0</b>	<b>137.7</b>	<b>21,329.2</b>
<b>Adjusted Income (Loss) Excluding OPEB &amp; Pension Exp</b>	<b>593.5</b>	<b>157.3</b>	<b>(436.2)</b>	<b>923.8</b>
OPEB Expense	332.4	343.2	10.8	686.4
Pension Expense	292.4	403.2	110.7	806.3
<b>Adjusted Income (Loss)</b>	<b>(31.3)</b>	<b>(589.1)</b>	<b>(557.8)</b>	<b>(569.0)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>745.6</b>	<b>227.1</b>	<b>(518.5)</b>	<b>1,080.0</b>



**Monthly Financial Report  
Comparison of Adjusted Income (Loss)  
For the Period Ending February 28, 2021**



**Monthly Financial Report  
Comparison of Adjusted Income (Loss)  
For the Period Ending February 28, 2021**

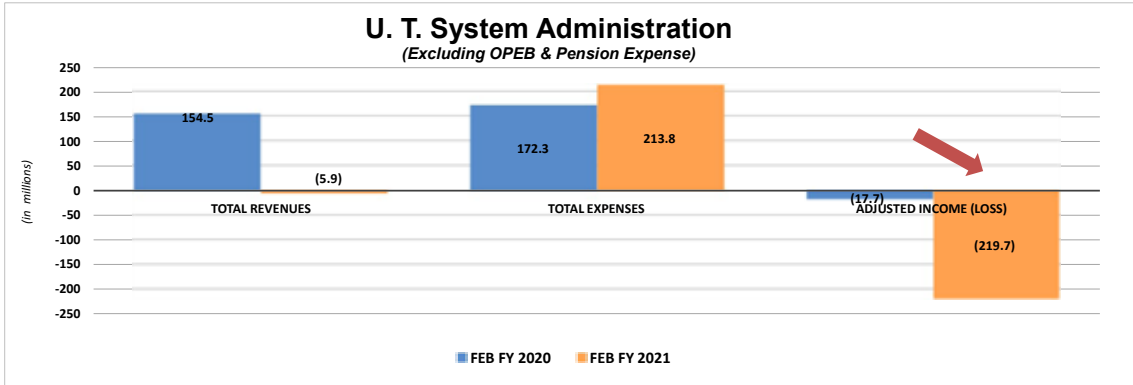
**Executive Summary of Adjusted Income (Loss)\***

	February FYTD 2020 (millions)	February FYTD 2021 (millions)	Variance %	Comments
U. T. System Administration (excluding OPEB & Pension Expense)	\$ (17.7)	(219.7)	-1,138%	Decrease in Net Investment Income Increases in Other Operating Expenses (Claims & Losses, Insurance Costs/Premiums) <b>Projected income of \$47.1 million for the FY</b>
U. T. Arlington	10.7	14.2	33%	Decreases in Other Contracted Services/Professional Fees & Services, Other Operating Expenses (Travel, Repairs & Maintenance, Other) <b>Projected income of \$25.7 million for the FY</b>
U. T. Austin	208.0	12.3	-94%	Decreases in Gifts for Operations, Auxiliary and Sales & Services Revenue <b>Projected income of \$96.9 million for the FY</b>
U. T. Dallas	(8.8)	(10.0)	-13%	Decreases in Auxiliary and Sales & Services Revenue <b>Projected loss of (\$20.0) million for the FY</b>
U. T. El Paso	(9.1)	(3.9)	57%	Decreases in Other Contracted Services/Professional Fees & Services Increases in Net Tuition & Fees, Gifts for Operations <b>Projected loss of (\$12.2) million for the FY</b>
U. T. Permian Basin	(12.4)	(9.3)	25%	Increase in Net Tuition & Fees, Net Investment Income <b>Projected loss of (\$18.7) million for the FY</b>
U. T. Rio Grande Valley	(37.7)	(10.8)	72%	Increases in Sponsored Programs, Other Operating Revenues (Contact Tracing Revenues), Clinical Revenues <b>Projected income of \$3.8 million for the FY</b>
U. T. San Antonio	(8.7)	2.4	128%	Increase in Net Tuition & Fees Decrease in Professional Fees & Services <b>Projected income of \$5.1 million for the FY</b>
U. T. Tyler**	(6.6)	0.0	N/A	U. T. Tyler and UTHSC-Tyler combined effective January 1, 2021, and are now presented as a combined entity in the MFR.
U. T. Tyler Combined	0.0	(12.4)	N/A	<b>Projected loss of (\$13.2) million for the FY</b>
Southwestern	44.4	(7.7)	-117%	Increases in Salaries & Wages, Payroll Related, Materials & Supplies <b>Projected income of \$5.0 million for the FY</b>
UTMB	(46.9)	(24.5)	48%	Increase in Clinical Revenues <b>Projected income of \$4.9 million for the FY</b>
UTHSC-Houston	11.1	38.5	247%	Increase in Sponsored Programs <b>Projected income of \$15.2 million for the FY</b>
UTHSC-San Antonio	(13.5)	(4.9)	64%	Increase in Clinical Revenues Decrease in Other Operating Expenses (Registration Fees, Meetings, Conferences, Other, and Travel) <b>Projected loss of (\$26.1) million for the FY</b>
M. D. Anderson	485.8	393.1	-19%	Decrease in Net Investment Income, Clinical Revenues <b>Projected income of \$810.4 million for the FY</b>
UTHSC-Tyler**	(4.8)	0.0	N/A	U. T. Tyler and UTHSC-Tyler combined effective January 1, 2021, and are now presented as a combined entity in the MFR.
<b>Total Adjusted Income (Loss)</b>	<b>\$ 593.5</b>	<b>157.3</b>	<b>-73%</b>	

\* For additional details on the variances, please see pages 4 through 18.

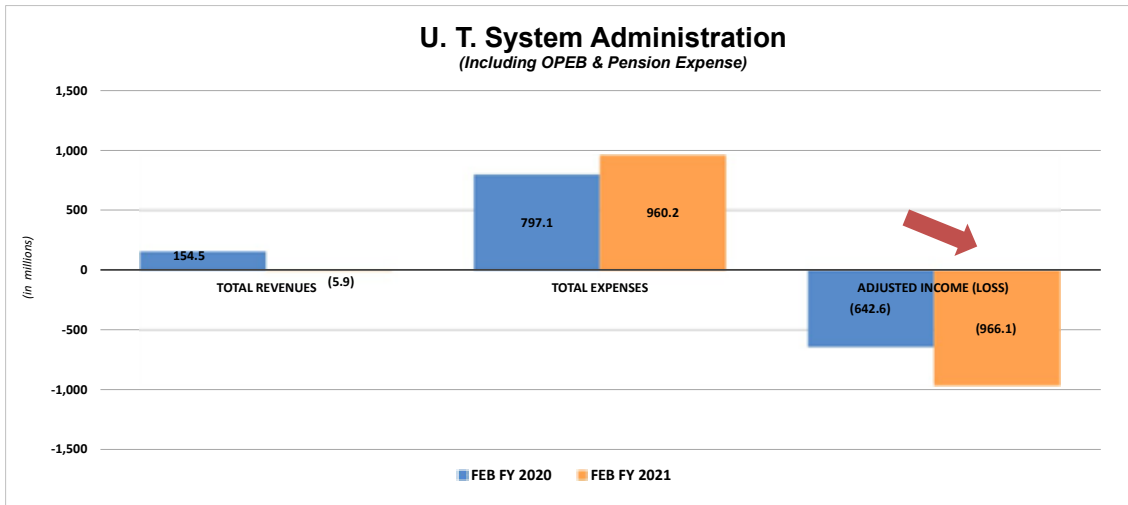
\*\*U. T. Tyler and UTHSC-Tyler are shown separately for prior year purposes only.

**Monthly Financial Report**  
**Comparison of Operating Results, Margin and Projected Year-End**  
**For the Period Ending February 28, 2021**



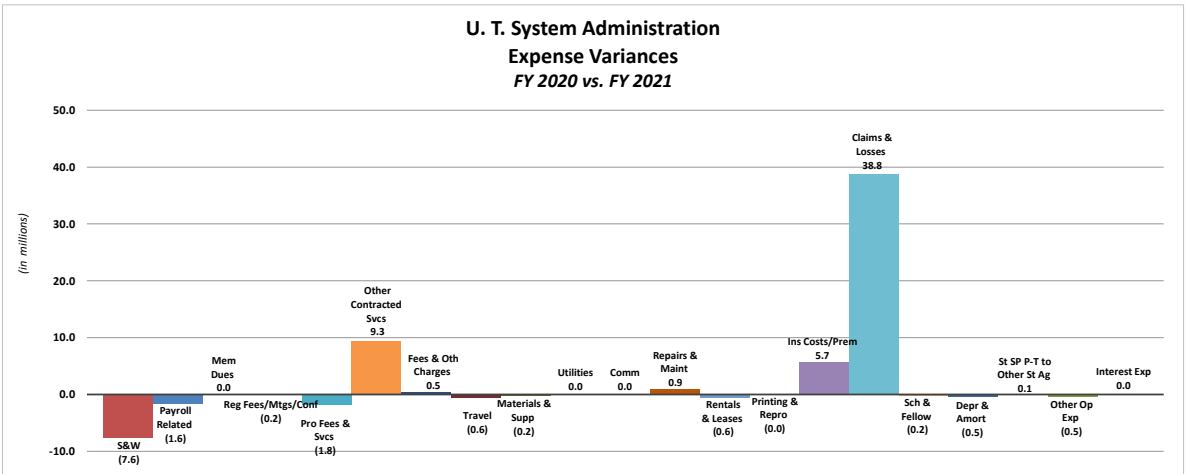
Excluding OPEB and pension expense, *U. T. System Administration* incurred a year-to-date adjusted loss of \$219.7 million, an increase in adjusted loss of \$201.9 million (1,138%) from the prior year. The increase was primarily attributable to a decrease in net investment income as a result of decreases in the Permanent University Fund (PUF) oil royalties, PUF and Long Term Fund (LTF) investment income, and Available University Fund (AUF) surface income, combined with an increase in PUF and LTF expenses. Other operating expenses also increased primarily due to the following: an increase in claims and losses for the medical self-insurance plan and an increase in Comprehensive Property Protection Plan (CPPP) Fire and All Other Perils (AOP) claims; and an increase in insurance costs/premiums as a result of increased insurance costs for the Rolling Owner Controlled Insurance Program (ROCIP), CPPP Wind & Flood, medical self-insurance plan, and CPPP Fire and AOP. The most current projection, excluding OPEB and pension expense, reflects income of \$47.1 million for the year.

<i>(in millions)</i>	February YTD FY 2020	February YTD FY 2021	Variance	Annual Projected FY 2021
Sponsored Programs/Nonexchange Sponsored Programs	\$ 29.1	23.9	(5.2)	36.7
State Appropriations	1.5	1.3	(0.1)	2.7
Auxiliary Revenues/Sales & Services of Educational Activities	5.1	3.6	(1.5)	7.3
Net Investment Income/Available University Fund (AUF)	107.3	(53.8)	(161.0)	(7.8)
Other Operating Revenues/Gift Contributions for Operations	11.6	19.0	7.4	37.8
<b>Total Revenues</b>	<b>154.5</b>	<b>(5.9)</b>	<b>(160.4)</b>	<b>76.6</b>
Salaries and Wages/Payroll Related Costs	36.1	26.9	(9.2)	(314.6)
Materials and Supplies/Cost of Goods Sold	17.5	17.2	(0.2)	16.8
Depreciation and Amortization	8.4	7.8	(0.5)	15.7
Other Contracted Services/Professional Fees & Services	18.2	25.7	7.5	43.2
All Other Operating Expenses	92.2	136.1	43.9	268.5
<b>Total Expenses (Excluding OPEB &amp; Pension Exp)</b>	<b>\$ 172.3</b>	<b>213.8</b>	<b>41.5</b>	<b>29.5</b>
<b>Adjusted Income (Loss) Excluding OPEB &amp; Pension Exp</b>	<b>(17.7)</b>	<b>(219.7)</b>	<b>(201.9)</b>	<b>47.1</b>
OPEB Expense	332.4	343.2	10.8	686.4
Pension Expense	292.4	403.2	110.7	806.3
<b>Adjusted Income (Loss)</b>	<b>(642.6)</b>	<b>(966.1)</b>	<b>(323.5)</b>	<b>(1,445.7)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>(634.2)</b>	<b>(958.2)</b>	<b>(324.0)</b>	<b>(1,430.0)</b>



## Monthly Financial Report Detailed Expense Break-out for U. T. System Administration For the Period Ending February 28, 2021

<i>(in millions)</i>	February YTD FY 2020	February YTD FY 2021	Actual Year-End FY 2020	Annual Projected FY 2021
Salaries and Wages	\$ 28.7	21.1	51.8	42.2
Payroll Related Costs	7.4	5.8	(355.0)	(356.8) *
Membership Dues	0.3	0.3	0.4	0.6
Registration Fees, Meetings, Conferences	0.2	0.1	0.4	0.1
Professional Fees and Services	5.6	3.8	11.5	7.5
Other Contracted Services	12.6	22.0	28.4	35.7
Fees and Other Charges	0.0	0.5	0.1	1.1
Travel	0.6	0.0	0.7	0.1
Materials and Supplies	17.5	17.2	11.9	16.8
Utilities	0.2	0.2	0.3	0.4
Communications	3.2	3.3	3.4	3.7
Repairs and Maintenance	6.4	7.3	6.3	14.6
Rentals and Leases	1.5	0.9	2.6	1.8
Printing and Reproduction	0.1	0.0	0.1	0.1
Insurance Costs/Premiums	27.1	32.8	7.7	65.6
Claims and Losses	36.0	74.8	32.3	149.7
Scholarships and Fellowships	0.4	0.2	1.0	0.3
Depreciation and Amortization	8.4	7.8	16.9	15.7
State Sponsored Program Pass-Through to Other State Agencies	1.9	2.0	4.5	3.1
Other Operating Expenses	0.8	0.3	1.2	0.6
Interest Expense	13.5	13.5	36.6	26.9
<b>Total Expenses (Excluding OPEB &amp; Pension Expense)</b>	<b>172.3</b>	<b>213.8</b>	<b>(136.8)</b>	<b>29.5</b>
OPEB Expense	332.4	343.2	686.4	686.4
Pension Expense	292.4	403.2	806.3	806.3
<b>Total Expenses (Including OPEB &amp; Pension Expense)</b>	<b>\$ 797.1</b>	<b>960.2</b>	<b>1,356.0</b>	<b>1,522.3</b>



Brief explanations for U. T. System Administration's largest expense variances are provided below:

**Salaries & Wages** – decrease of \$7.6 million due to decreases in Shared Information Services (SIS) and the Office of Facilities Planning and Construction.

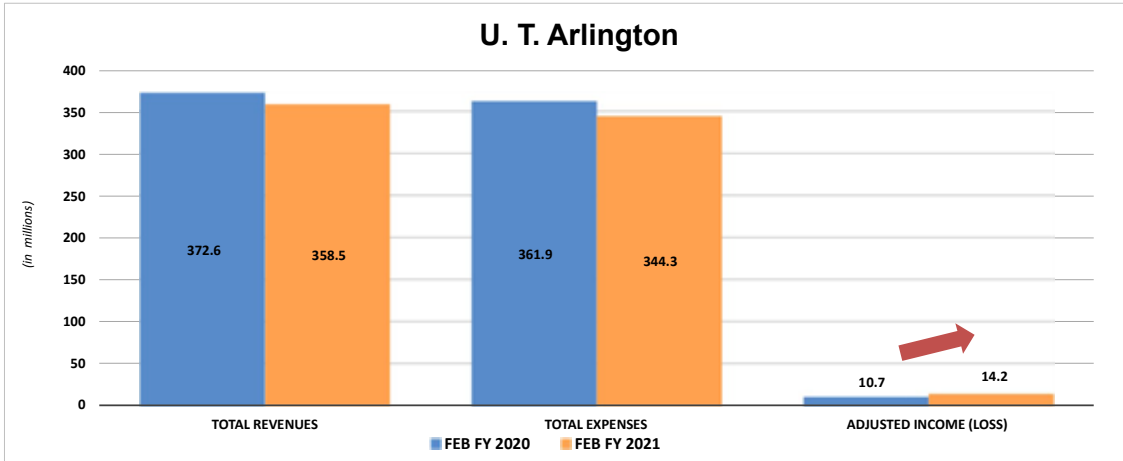
\***Payroll Related Costs** - the negative payroll related costs at year-end relate to the pension entry to defer pension contributions made after the measurement date for the entire System.

**Other Contracted Services** - increase of \$9.3 million primarily due to increased expenses for SIS and Arlington Regional Data Center (ARDC), and the Oracle Maintenance Agreement.

**Insurance Costs/Premiums** – increase of \$5.7 million primarily attributable to an increase in ROCIP insurance costs compared to the prior year, as well as an increase in CPPP Wind & Flood, medical self-insurance plan, and CPPP Fire and AOP insurance costs. Reimbursement for CPPP Wind & Flood and CPPP Fire and AOP insurance costs/premiums expected in the fourth quarter of FY 2021.

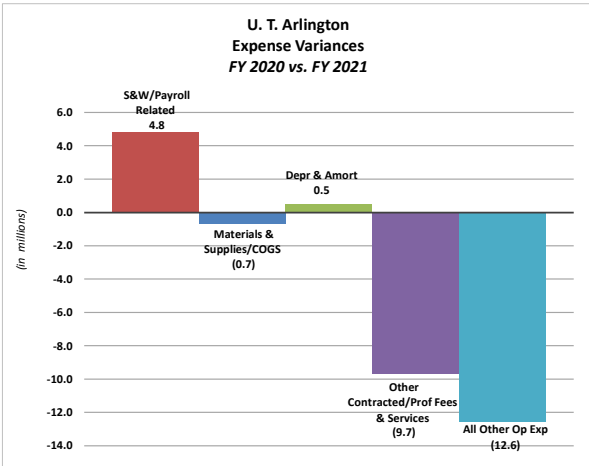
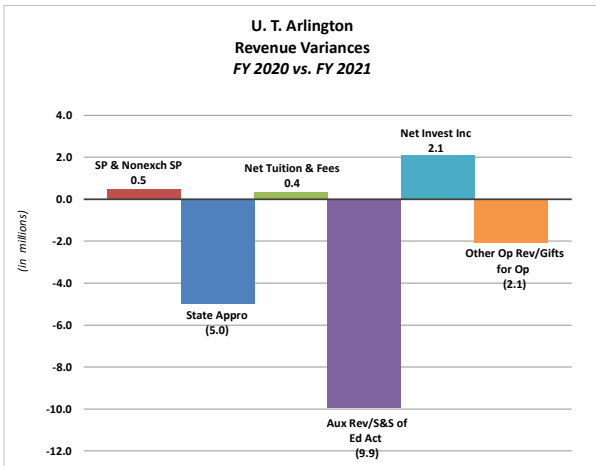
**Claims and Losses** – increase of \$38.8 million due to the medical self-insurance plan and an increase in CPPP Fire and AOP claims.

## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending February 28, 2021

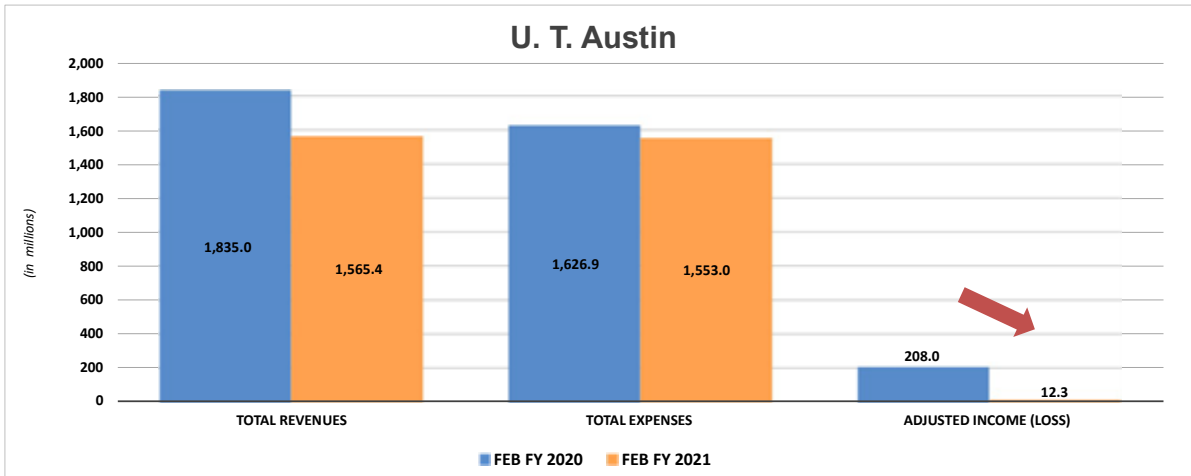


*U. T. Arlington* reported year-to-date adjusted income of \$14.2 million, an increase in adjusted income of \$3.5 million (33%) from the prior year. The increase was primarily attributable to the following: a decrease in other contracted services/professional fees and services largely due to a decrease in IT expenditures and a decrease in Huron consulting expenses; and a decrease in other operating expenses primarily due to a reduction in travel expenses attributable to COVID-19, a decrease in repairs and maintenance, and a decrease in official occasion expenses across all departments as a result of COVID-19. The most current projection received from *U. T. Arlington* reflects income of \$25.7 million for the year.

(in millions)	February YTD FY 2020	February YTD FY 2021	Variance	Annual Projected FY 2021
Sponsored Programs/Nonexchange Sponsored Programs	\$ 73.3	73.8	0.5	148.4
State Appropriations	69.0	64.0	(5.0)	140.8
Net Tuition and Fees	169.7	170.0	0.4	333.7
Auxiliary Revenues/Sales & Services of Educational Activities	37.0	27.1	(9.9)	57.7
Net Investment Income	12.3	14.4	2.1	28.2
Other Operating Revenues/Gift Contributions for Operations	11.3	9.2	(2.1)	17.0
<b>Total Revenues</b>	<b>372.6</b>	<b>358.5</b>	<b>(14.1)</b>	<b>725.7</b>
Salaries and Wages/Payroll Related Costs	204.0	208.8	4.8	403.7
Materials and Supplies/Cost of Goods Sold	19.4	18.7	(0.7)	37.6
Depreciation and Amortization	28.6	29.1	0.5	58.3
Other Contracted Services/Professional Fees & Services	45.1	35.4	(9.7)	87.6
All Other Operating Expenses	64.8	52.2	(12.6)	112.9
<b>Total Expenses</b>	<b>\$ 361.9</b>	<b>344.3</b>	<b>(17.6)</b>	<b>700.0</b>
<b>Adjusted Income (Loss)</b>	<b>10.7</b>	<b>14.2</b>	<b>3.5</b>	<b>25.7</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>39.3</b>	<b>43.3</b>	<b>4.0</b>	<b>84.0</b>

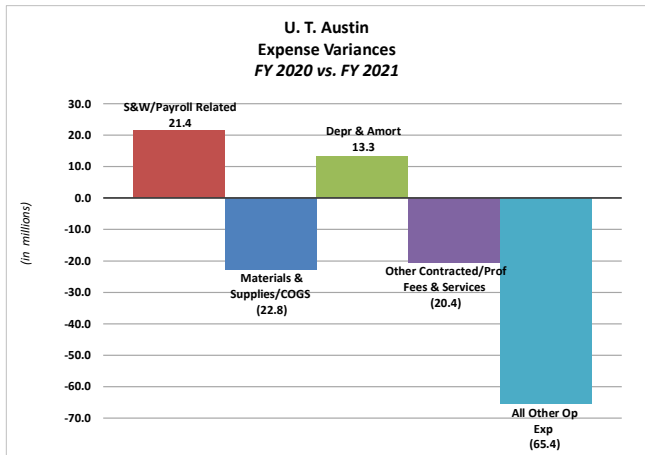
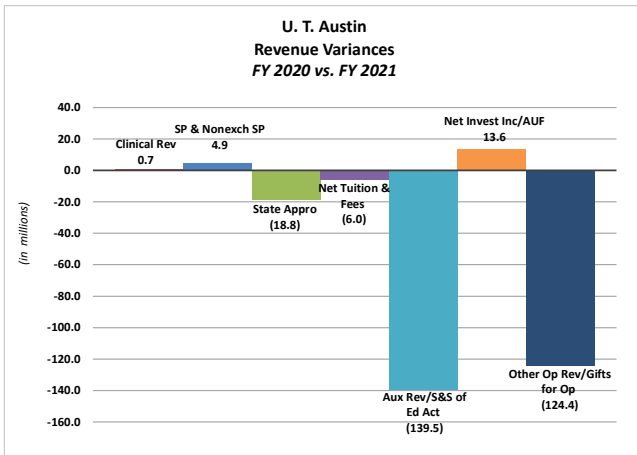


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending February 28, 2021



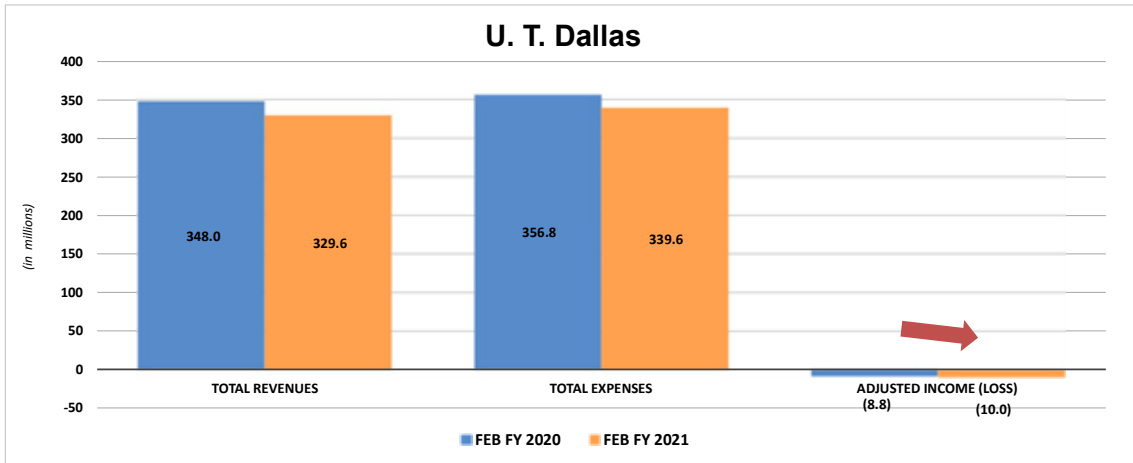
U. T. Austin reported year-to-date adjusted income of \$12.3 million, a decrease of \$195.7 million (94%) from the prior year. The decrease was primarily due to the following: a decrease in gift contributions for operations; and a decrease in auxiliary revenues and sales and services of educational activities due to the continued impact of COVID-19. The most current projection received from U. T. Austin reflects income of \$96.9 million for the year.

(in millions)	February YTD FY 2020	February YTD FY 2021	Variance	Annual Projected FY 2021
Clinical Revenues	\$ 4.0	4.7	0.7	9.2
Sponsored Programs/Nonexchange Sponsored Programs	355.2	360.0	4.9	928.4
State Appropriations	177.3	158.6	(18.8)	317.1
Net Tuition and Fees	265.0	259.0	(6.0)	518.0
Auxiliary Revenues/Sales & Services of Educational Activities	439.0	299.4	(139.5)	388.2
Net Investment Income/Available University Fund (AUF)	373.8	387.3	13.6	747.5
Other Operating Revenues/Gift Contributions for Operations	220.7	96.3	(124.4)	199.2
<b>Total Revenues</b>	<b>1,835.0</b>	<b>1,565.4</b>	<b>(269.6)</b>	<b>3,107.6</b>
Salaries and Wages/Payroll Related Costs	950.6	972.0	21.4	1,855.0
Materials and Supplies/Cost of Goods Sold	83.9	61.1	(22.8)	109.8
Depreciation and Amortization	169.0	182.3	13.3	367.0
Other Contracted Services/Professional Fees & Services	98.6	78.1	(20.4)	148.9
All Other Operating Expenses	324.8	259.5	(65.4)	530.0
<b>Total Expenses</b>	<b>\$ 1,626.9</b>	<b>1,553.0</b>	<b>(73.9)</b>	<b>3,010.7</b>
<b>Adjusted Income (Loss)</b>	<b>208.0</b>	<b>12.3</b>	<b>(195.7)</b>	<b>96.9</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>377.0</b>	<b>194.6</b>	<b>(182.4)</b>	<b>463.9</b>



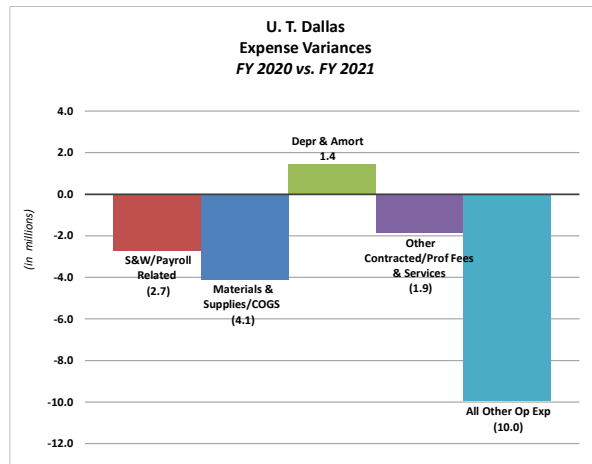
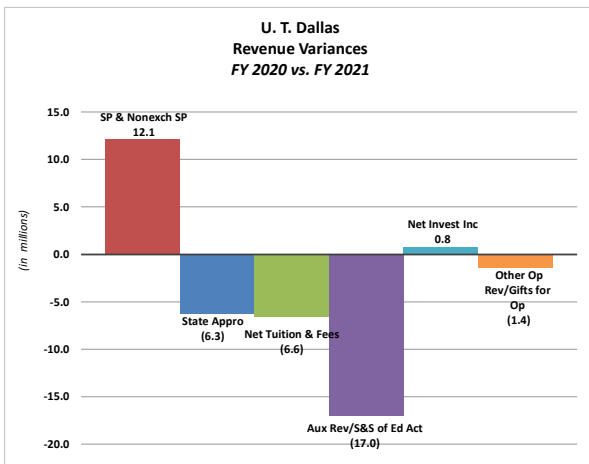


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending February 28, 2021

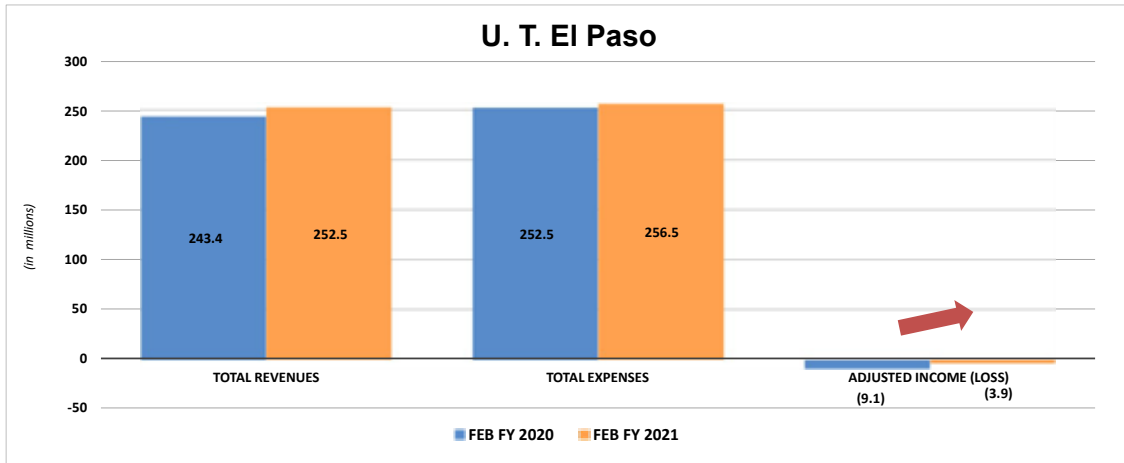


U. T. Dallas incurred a year-to-date adjusted loss of \$10.0 million, an increase in adjusted loss of \$1.2 million (13%) from the prior year. The increase was primarily attributable to a decrease in auxiliary revenues and sales and services of educational activities due to the continued impact of COVID-19. The most current projection received from U. T. Dallas reflects a loss of \$20.0 million for the year.

(in millions)	February YTD FY 2020	February YTD FY 2021	Variance	Annual Projected FY 2021
Sponsored Programs/Nonexchange Sponsored Programs	\$ 58.6	70.7	12.1	141.4
State Appropriations	62.0	55.8	(6.3)	111.5
Net Tuition and Fees	153.6	147.0	(6.6)	293.9
Auxiliary Revenues/Sales & Services of Educational Activities	45.7	28.7	(17.0)	57.4
Net Investment Income	17.6	18.4	0.8	36.8
Other Operating Revenues/Gift Contributions for Operations	10.5	9.1	(1.4)	18.2
<b>Total Revenues</b>	<b>348.0</b>	<b>329.6</b>	<b>(18.4)</b>	<b>659.2</b>
Salaries and Wages/Payroll Related Costs	205.4	202.7	(2.7)	405.3
Materials and Supplies/Cost of Goods Sold	17.9	13.8	(4.1)	27.7
Depreciation and Amortization	42.0	43.4	1.4	86.8
Other Contracted Services/Professional Fees & Services	18.3	16.4	(1.9)	32.9
All Other Operating Expenses	73.2	63.3	(10.0)	126.5
<b>Total Expenses</b>	<b>\$ 356.8</b>	<b>339.6</b>	<b>(17.2)</b>	<b>679.2</b>
<b>Adjusted Income (Loss)</b>	<b>(8.8)</b>	<b>(10.0)</b>	<b>(1.2)</b>	<b>(20.0)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>33.2</b>	<b>33.4</b>	<b>0.3</b>	<b>66.9</b>

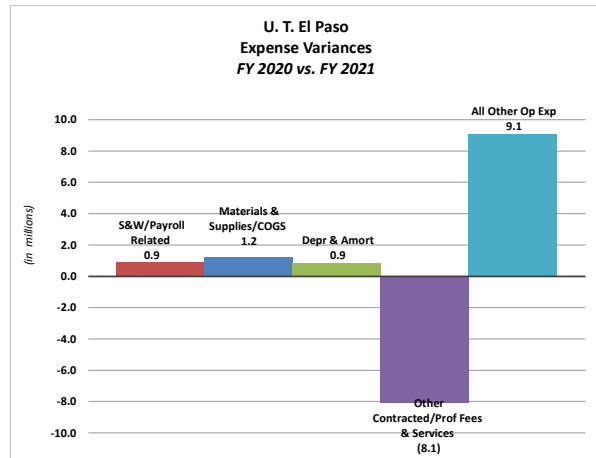
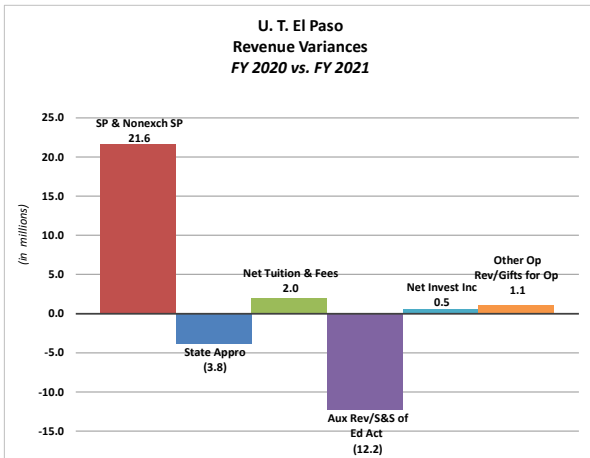


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending February 28, 2021

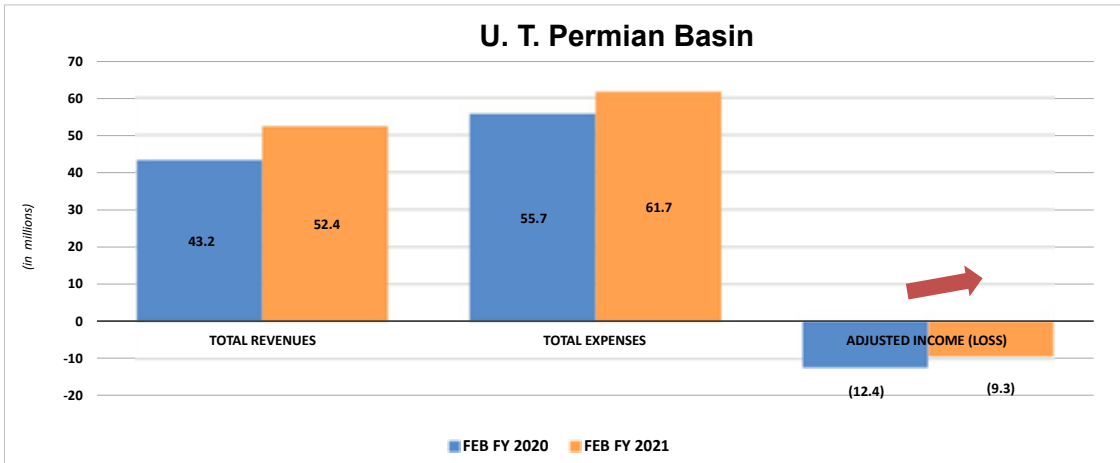


U. T. El Paso incurred a year-to-date adjusted loss of \$3.9 million, a decrease in adjusted loss of \$5.2 million (57%) from the prior year. The decrease was primarily due to the following: a decrease in other contracted services/professional fees and services primarily attributable to various restrictions instituted as a result of COVID-19; an increase in net student tuition and fees due to an increase in tuition rates; and an increase in gifts for operations. The most current projection received from U. T. El Paso reflects a loss of \$12.2 million for the year.

(in millions)	February YTD FY 2020	February YTD FY 2021	Variance	Annual Projected FY 2021
Sponsored Programs/Nonexchange Sponsored Programs	\$ 80.7	102.3	21.6	191.6
State Appropriations	53.5	49.7	(3.8)	95.2
Net Tuition and Fees	76.6	78.6	2.0	146.2
Auxiliary Revenues/Sales & Services of Educational Activities	21.1	8.9	(12.2)	22.7
Net Investment Income	8.6	9.2	0.5	16.1
Other Operating Revenues/Gift Contributions for Operations	2.9	3.9	1.1	5.5
<b>Total Revenues</b>	<b>243.4</b>	<b>252.5</b>	<b>9.1</b>	<b>477.3</b>
Salaries and Wages/Payroll Related Costs	136.6	137.4	0.9	271.6
Materials and Supplies/Cost of Goods Sold	10.4	11.6	1.2	21.8
Depreciation and Amortization	15.4	16.2	0.9	33.6
Other Contracted Services/Professional Fees & Services	16.4	8.4	(8.1)	17.2
All Other Operating Expenses	73.8	82.8	9.1	145.2
<b>Total Expenses</b>	<b>\$ 252.5</b>	<b>256.5</b>	<b>3.9</b>	<b>489.5</b>
<b>Adjusted Income (Loss)</b>	<b>(9.1)</b>	<b>(3.9)</b>	<b>5.2</b>	<b>(12.2)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>6.2</b>	<b>12.3</b>	<b>6.1</b>	<b>21.4</b>

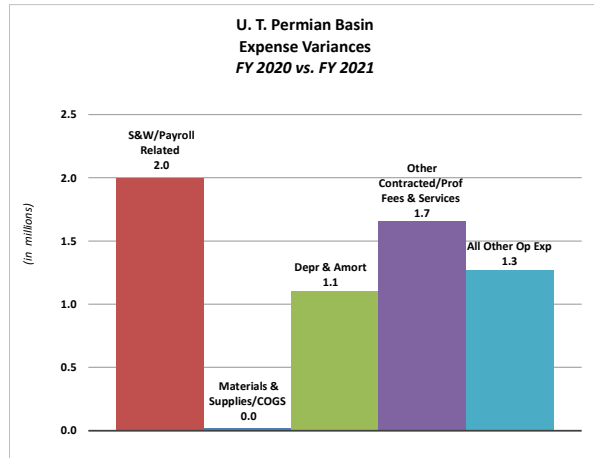
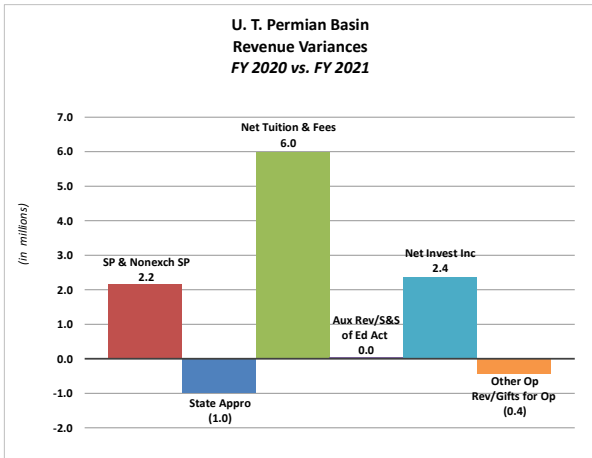


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending February 28, 2021

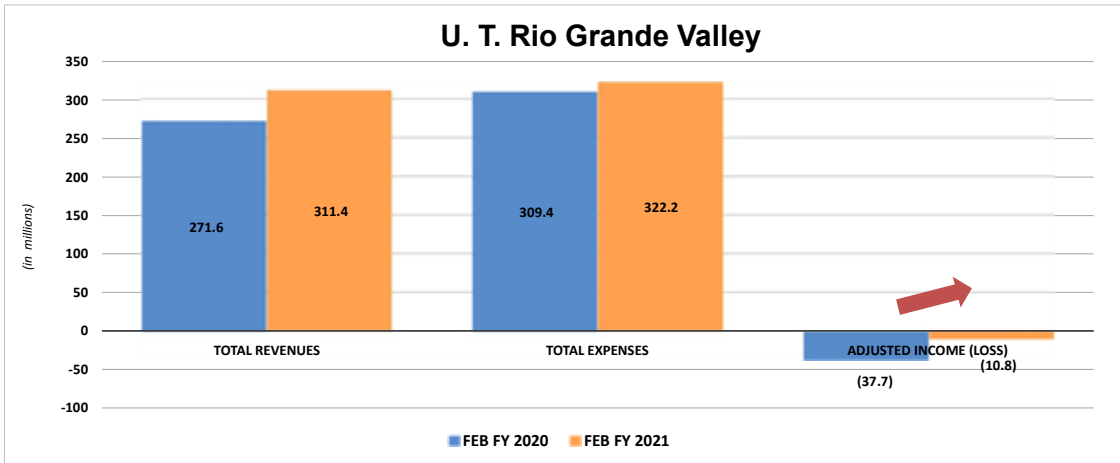


U. T. Permian Basin incurred a year-to-date adjusted loss of \$9.3 million, a decrease in adjusted loss of \$3.1 million (25%) from the prior year. The decrease was primarily attributable to the following: an increase in net student tuition and fees due to an increase in enrollment; and an increase in net investment income as a result of an increase in the Long Term Fund (LTF) distribution. The most current projection received from U. T. Permian Basin reflects a loss of \$18.7 million for the year.

(in millions)	February YTD FY 2020	February YTD FY 2021	Variance	Annual Projected FY 2021
Sponsored Programs/Nonexchange Sponsored Programs	\$ 13.7	15.9	2.2	27.1
State Appropriations	11.0	10.0	(1.0)	19.9
Net Tuition and Fees	11.9	17.9	6.0	35.8
Auxiliary Revenues/Sales & Services of Educational Activities	3.4	3.4	0.0	6.8
Net Investment Income	0.9	3.2	2.4	7.1
Other Operating Revenues/Gift Contributions for Operations	2.4	1.9	(0.4)	3.8
<b>Total Revenues</b>	<b>43.2</b>	<b>52.4</b>	<b>9.1</b>	<b>100.5</b>
Salaries and Wages/Payroll Related Costs	27.8	29.8	2.0	59.0
Materials and Supplies/Cost of Goods Sold	3.3	3.3	0.0	6.3
Depreciation and Amortization	9.3	10.4	1.1	20.8
Other Contracted Services/Professional Fees & Services	5.4	7.1	1.7	10.7
All Other Operating Expenses	9.9	11.2	1.3	22.5
<b>Total Expenses</b>	<b>\$ 55.7</b>	<b>61.7</b>	<b>6.0</b>	<b>119.2</b>
<b>Adjusted Income (Loss)</b>	<b>(12.4)</b>	<b>(9.3)</b>	<b>3.1</b>	<b>(18.7)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>(3.2)</b>	<b>1.0</b>	<b>4.2</b>	<b>2.1</b>

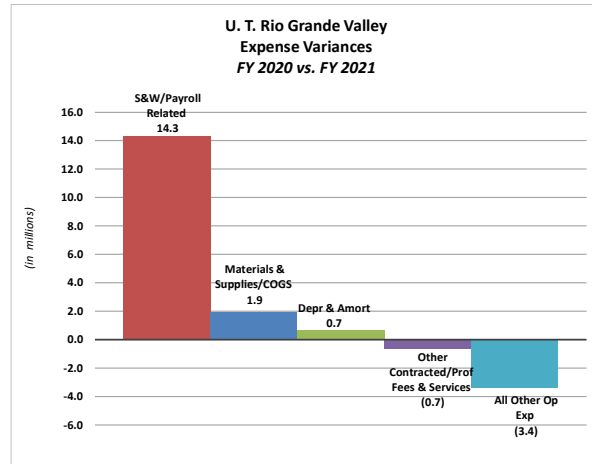
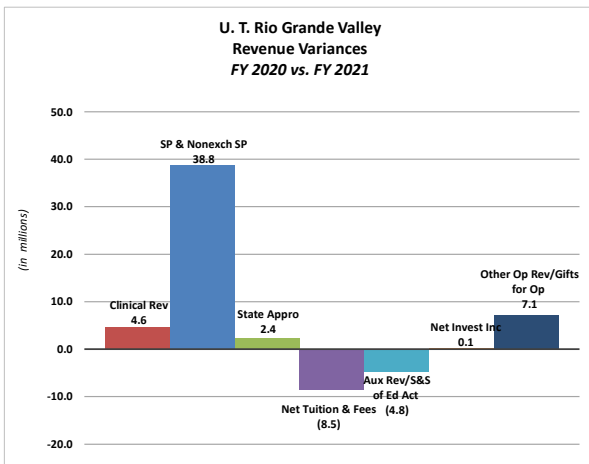


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending February 28, 2021

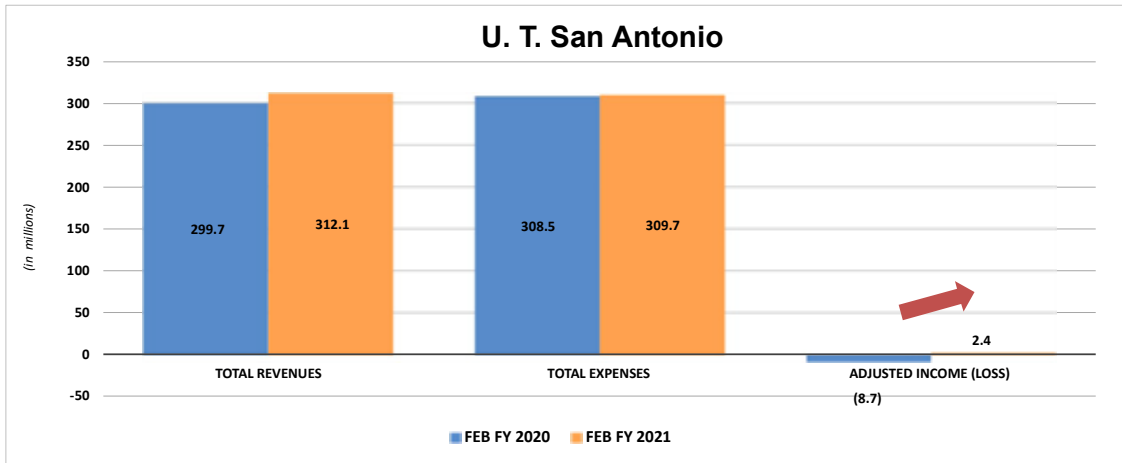


U. T. Rio Grande Valley incurred a year-to-date adjusted loss of \$10.8 million, a decrease in adjusted loss of \$27.0 million (72%) from the prior year. The decrease was primarily due to the following: an increase in sponsored programs as a result of an increase in hospital contract revenue; an increase in other operating revenues largely attributable to contact tracing revenues; and an increase in clinical revenues resulting from additional clinics and COVID-19 related services. The most current projection received from U. T. Rio Grande Valley reflects adjusted income of \$3.8 million for the year due to the receipt of Higher Education Emergency Relief Fund (HEERF) II and CARES Minority Serving Institutions (MSI) funds which will be used to offset eligible institutional expenses and lost revenue related to COVID-19.

(in millions)	February YTD FY 2020	February YTD FY 2021	Variance	Annual Projected FY 2021
Clinical Revenues	\$ 5.2	9.8	4.6	20.7
Sponsored Programs/Nonexchange Sponsored Programs	112.0	150.7	38.8	320.1
State Appropriations	74.4	76.8	2.4	139.2
Net Tuition and Fees	58.7	50.3	(8.5)	100.6
Auxiliary Revenues/Sales & Services of Educational Activities	10.5	5.7	(4.8)	9.3
Net Investment Income	4.5	4.6	0.1	8.9
Other Operating Revenues/Gift Contributions for Operations	6.2	13.4	7.1	27.5
<b>Total Revenues</b>	<b>271.6</b>	<b>311.4</b>	<b>39.8</b>	<b>626.3</b>
Salaries and Wages/Payroll Related Costs	181.3	195.7	14.3	376.8
Materials and Supplies/Cost of Goods Sold	10.1	12.0	1.9	24.4
Depreciation and Amortization	25.4	26.0	0.7	53.8
Other Contracted Services/Professional Fees & Services	9.6	8.9	(0.7)	18.4
All Other Operating Expenses	83.1	79.6	(3.4)	149.1
<b>Total Expenses</b>	<b>\$ 309.4</b>	<b>322.2</b>	<b>12.8</b>	<b>622.5</b>
<b>Adjusted Income (Loss)</b>	<b>(37.7)</b>	<b>(10.8)</b>	<b>27.0</b>	<b>3.8</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>(12.4)</b>	<b>15.2</b>	<b>27.6</b>	<b>57.6</b>

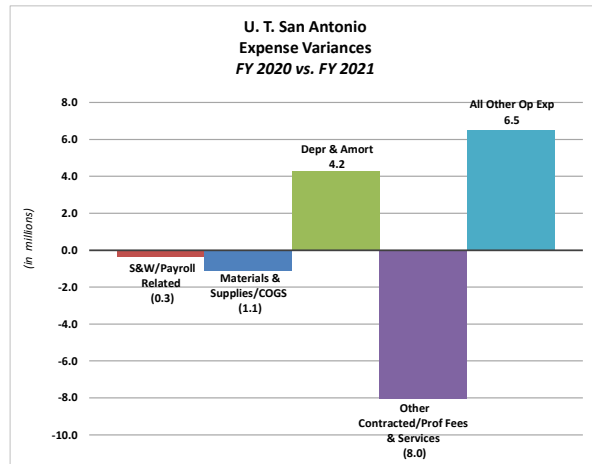
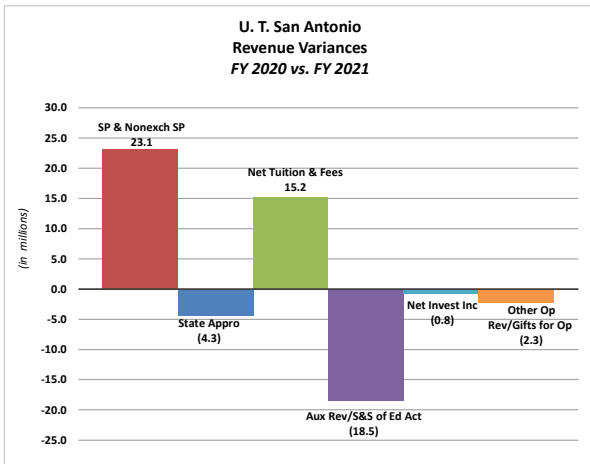


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending February 28, 2021

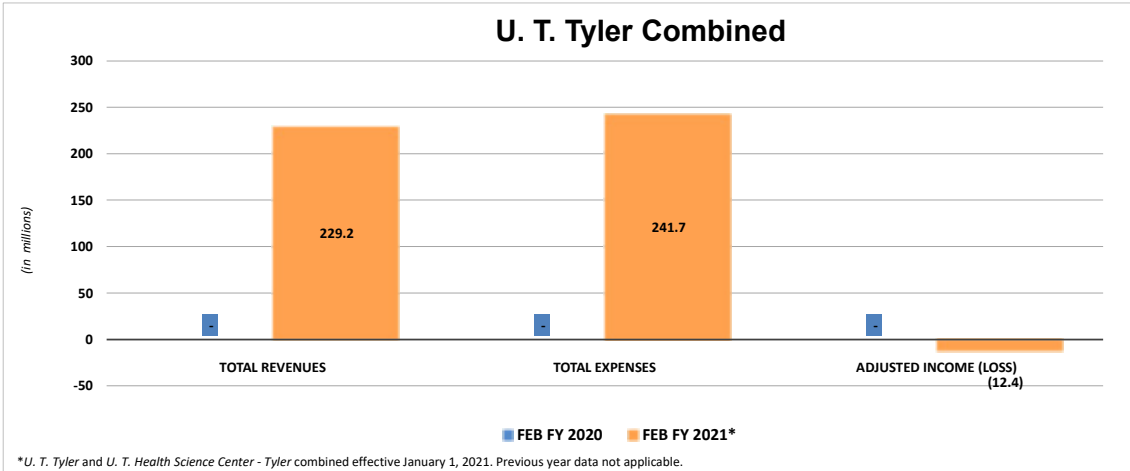


U. T. San Antonio reported year-to-date adjusted income of \$2.4 million, an increase of \$11.2 million (128%) from the prior year. The increase was primarily attributable to the following: an increase in net student tuition and fees as a result of increased enrollment, as well as an increase in tuition rates; and a decrease in professional fees and services due to a decrease in strategic initiatives compared to the prior year. The most current projection received from U. T. San Antonio reflects income of \$5.1 million for the year.

(in millions)	February YTD FY 2020	February YTD FY 2021	Variance	Annual Projected FY 2021
Sponsored Programs/Nonexchange Sponsored Programs	\$ 76.1	99.2	23.1	198.4
State Appropriations	64.0	59.7	(4.3)	119.4
Net Tuition and Fees	108.8	124.0	15.2	248.1
Auxiliary Revenues/Sales & Services of Educational Activities	33.4	15.0	(18.5)	29.9
Net Investment Income	11.5	10.7	(0.8)	21.4
Other Operating Revenues/Gift Contributions for Operations	5.9	3.5	(2.3)	6.8
<b>Total Revenues</b>	<b>299.7</b>	<b>312.1</b>	<b>12.4</b>	<b>624.0</b>
Salaries and Wages/Payroll Related Costs	175.8	175.4	(0.3)	350.8
Materials and Supplies/Cost of Goods Sold	14.6	13.5	(1.1)	27.0
Depreciation and Amortization	24.7	28.9	4.2	57.8
Other Contracted Services/Professional Fees & Services	20.4	12.4	(8.0)	24.1
All Other Operating Expenses	73.0	79.4	6.5	159.1
<b>Total Expenses</b>	<b>\$ 308.5</b>	<b>309.7</b>	<b>1.2</b>	<b>618.9</b>
<b>Adjusted Income (Loss)</b>	<b>(8.7)</b>	<b>2.4</b>	<b>11.2</b>	<b>5.1</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>15.9</b>	<b>31.3</b>	<b>15.4</b>	<b>62.9</b>

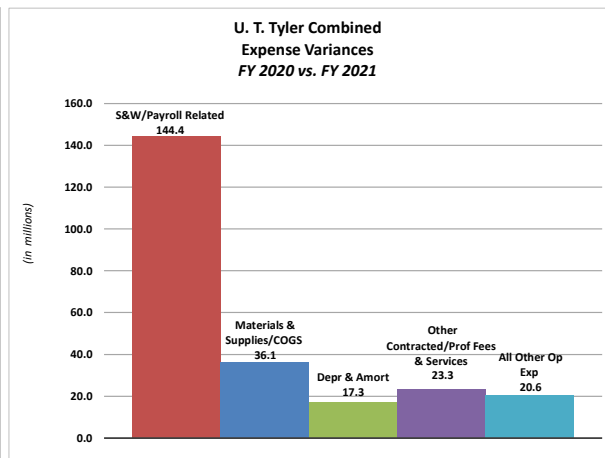
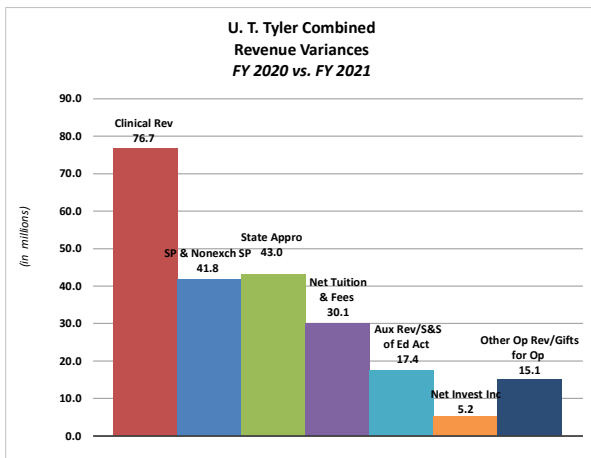


## Monthly Financial Report Operating Results, Margin and Projected Year-End For the Period Ending February 28, 2021



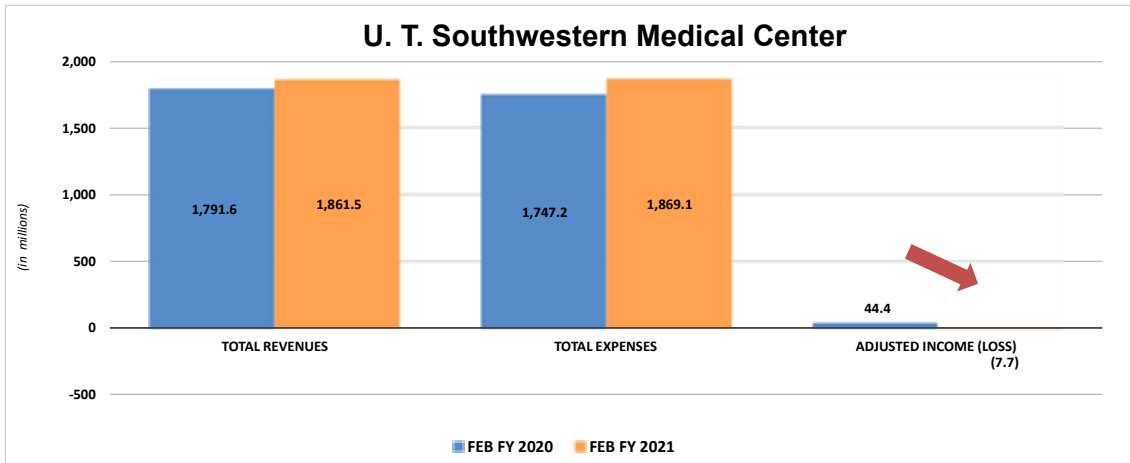
*U. T. Tyler Combined:* On December 21, 2020, the U. T. System Board of Regents formalized the combination of *U. T. Tyler* and *U. T. Health Science Center - Tyler* effective January 1, 2021, in order to create a single, integrated university that will more comprehensively serve the educational, health and economic needs of East Texas. Therefore, previous year's data is not applicable.

(in millions)	February YTD FY 2020	February YTD FY 2021	Variance	Annual Projected FY 2021
Clinical Revenues	\$ -	76.7	76.7	160.1
Sponsored Programs/Nonexchange Sponsored Programs	-	41.8	41.8	87.5
State Appropriations	-	43.0	43.0	83.4
Net Tuition and Fees	-	30.1	30.1	60.5
Auxiliary Revenues/Sales & Services of Educational Activities	-	17.4	17.4	25.8
Net Investment Income	-	5.2	5.2	10.3
Other Operating Revenues/Gift Contributions for Operations	-	15.1 **	15.1	40.2 **
<b>Total Revenues</b>	<b>-</b>	<b>229.2</b>	<b>229.2</b>	<b>467.8</b>
Salaries and Wages/Payroll Related Costs	-	144.4	144.4	282.1
Materials and Supplies/Cost of Goods Sold	-	36.1	36.1	70.0
Depreciation and Amortization	-	17.3	17.3	34.6
Other Contracted Services/Professional Fees & Services	-	23.3	23.3	47.2
All Other Operating Expenses	-	20.6	20.6	46.9
<b>Total Expenses</b>	<b>\$ -</b>	<b>241.7</b>	<b>241.7</b>	<b>481.0</b>
<b>Adjusted Income (Loss)</b>	<b>-</b>	<b>(12.4)</b>	<b>(12.4)</b>	<b>(13.2)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>-</b>	<b>4.9</b>	<b>4.9</b>	<b>21.4</b>



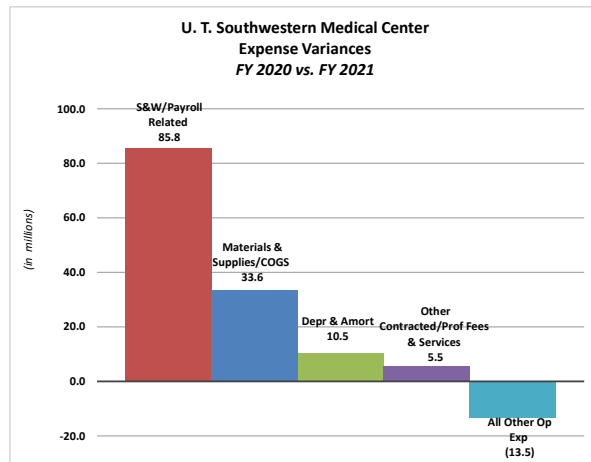
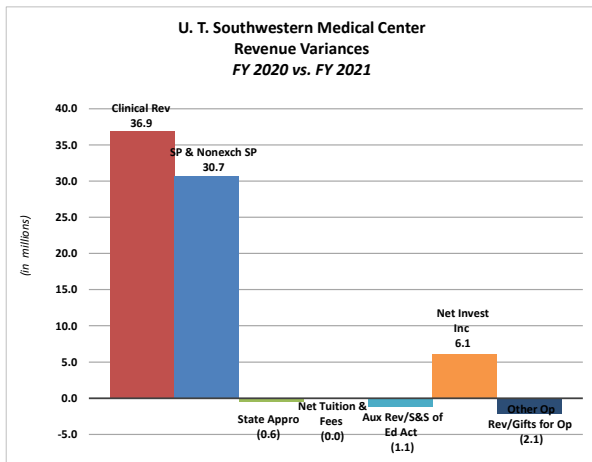
\*\*Other Operating Income includes 30% of UT Health East Texas' (UTHET) net adjusted income which was \$0.1 million through February. The projected loss of \$13.2 million includes \$4.0 million of UTHET's net adjusted income for the year.

## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending February 28, 2021

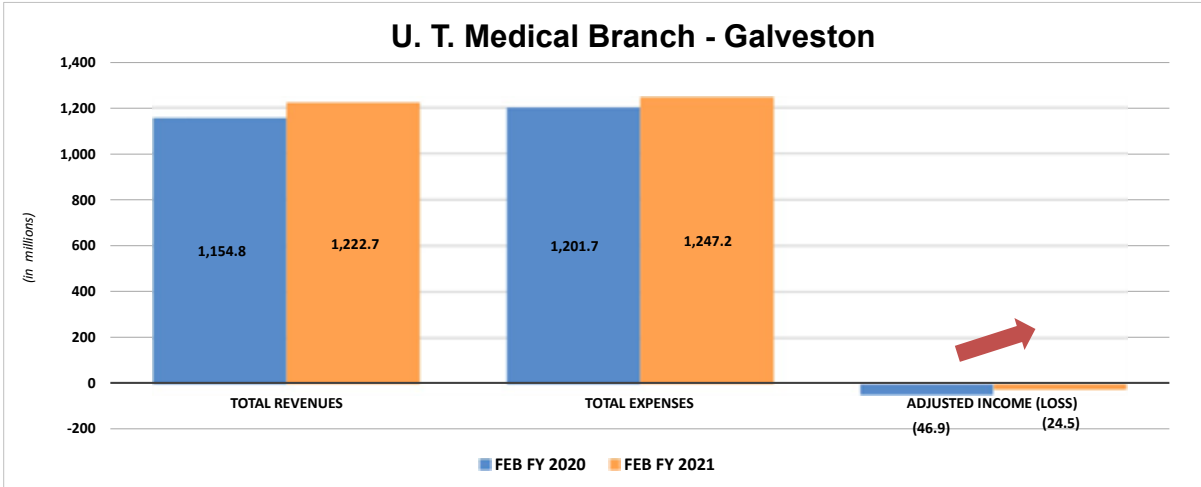


U. T. Southwestern Medical Center incurred a year-to-date adjusted loss of \$7.7 million, a decrease of \$52.0 million (117%) from the prior year. The decrease was primarily attributable to the following: an increase in salaries and wages and payroll related costs as a result of growth in both the hospitals and clinical operations; and an increase in materials and supplies primarily due to increased drugs and medical supplies driven by patient volumes and patient acuity. The most current projection received from U. T. Southwestern Medical Center reflects income of \$5.0 million for the year.

(in millions)	February YTD FY 2020	February YTD FY 2021	Variance	Annual Projected FY 2021
Clinical Revenues	\$ 1,150.6	1,187.5	36.9	2,527.7
Sponsored Programs/Nonexchange Sponsored Programs	342.8	373.5	30.7	715.7
State Appropriations	91.0	90.4	(0.6)	188.9
Net Tuition and Fees	13.1	13.1	(0.0)	27.5
Auxiliary Revenues/Sales & Services of Educational Activities	18.2	17.1	(1.1)	34.3
Net Investment Income	70.0	76.1	6.1	135.8
Other Operating Revenues/Gift Contributions for Operations	105.9	103.8	(2.1)	197.8
<b>Total Revenues</b>	<b>1,791.6</b>	<b>1,861.5</b>	<b>69.9</b>	<b>3,827.7</b>
Salaries and Wages/Payroll Related Costs	1,107.1	1,192.8	85.8	2,504.8
Materials and Supplies/Cost of Goods Sold	328.5	362.1	33.6	697.1
Depreciation and Amortization	89.6	100.1	10.5	206.4
Other Contracted Services/Professional Fees & Services	99.3	104.9	5.5	228.3
All Other Operating Expenses	122.7	109.2	(13.5)	186.2
<b>Total Expenses</b>	<b>\$ 1,747.2</b>	<b>1,869.1</b>	<b>121.9</b>	<b>3,822.7</b>
<b>Adjusted Income (Loss)</b>	<b>44.4</b>	<b>(7.7)</b>	<b>(52.0)</b>	<b>5.0</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>134.0</b>	<b>92.5</b>	<b>(41.5)</b>	<b>211.4</b>

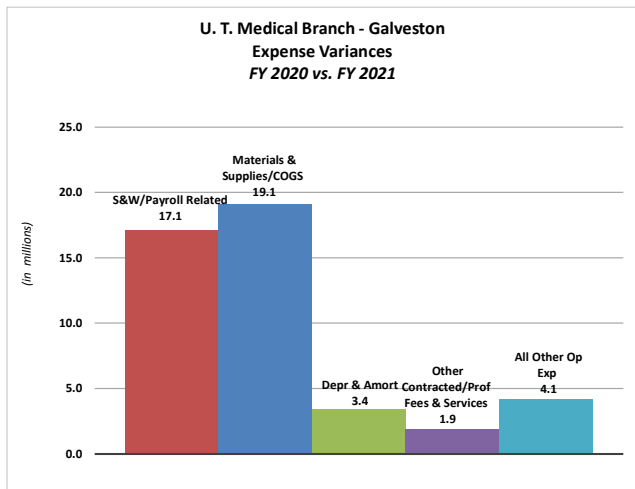
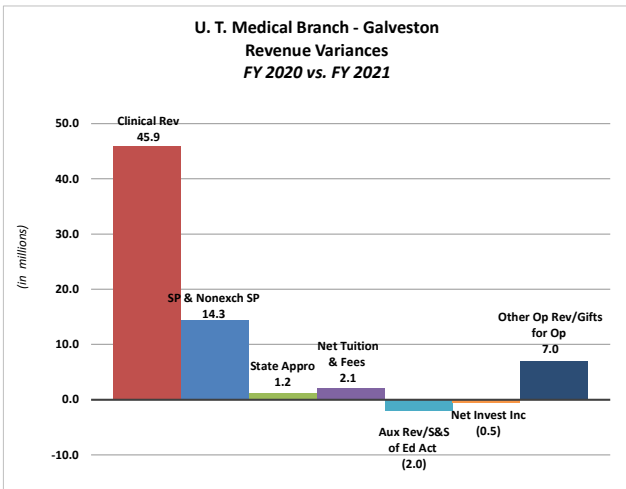


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending February 28, 2021



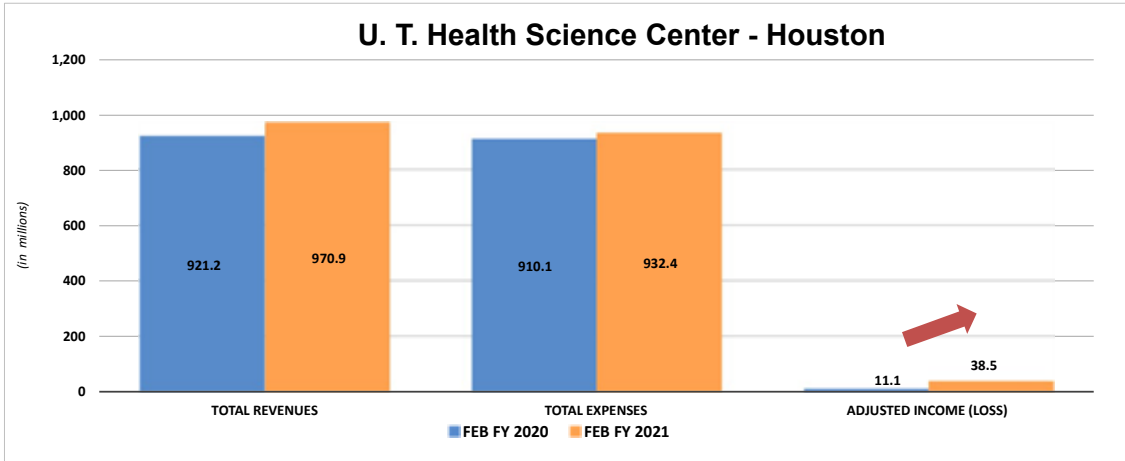
U. T. Medical Branch - Galveston incurred a year-to-date adjusted loss of \$24.5 million, a decrease in adjusted loss of \$22.4 million (48%) from the prior year. The decrease was primarily due to an increase in clinical revenues attributable to increased patient volume at the Clear Lake and League City campuses. The most current projection received from U. T. Medical Branch - Galveston reflects income of \$4.9 million for the year primarily due to an anticipated increase in net patient care revenue resulting from a projected favorable rate and case mix index.

(in millions)	February YTD FY 2020	February YTD FY 2021	Variance	Annual Projected FY 2021
Clinical Revenues	\$ 784.6	830.5	45.9	1,686.7
Sponsored Programs/Nonexchange Sponsored Programs	94.7	109.0	14.3	205.8
State Appropriations	179.4	180.5	1.2	359.7
Net Tuition and Fees	22.9	25.0	2.1	50.5
Auxiliary Revenues/Sales & Services of Educational Activities	15.4	13.4	(2.0)	28.5
Net Investment Income	33.9	33.4	(0.5)	62.2
Other Operating Revenues/Gift Contributions for Operations	23.9	30.9	7.0	78.2
<b>Total Revenues</b>	<b>1,154.8</b>	<b>1,222.7</b>	<b>67.9</b>	<b>2,471.6</b>
Salaries and Wages/Payroll Related Costs	733.9	751.0	17.1	1,496.7
Materials and Supplies/Cost of Goods Sold	155.3	174.3	19.1	331.8
Depreciation and Amortization	96.7	100.1	3.4	199.1
Other Contracted Services/Professional Fees & Services	100.6	102.4	1.9	201.2
All Other Operating Expenses	115.3	119.4	4.1	237.9
<b>Total Expenses</b>	<b>\$ 1,201.7</b>	<b>1,247.2</b>	<b>45.5</b>	<b>2,466.7</b>
<b>Adjusted Income (Loss)</b>	<b>(46.9)</b>	<b>(24.5)</b>	<b>22.4</b>	<b>4.9</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>49.8</b>	<b>75.6</b>	<b>25.8</b>	<b>204.0</b>



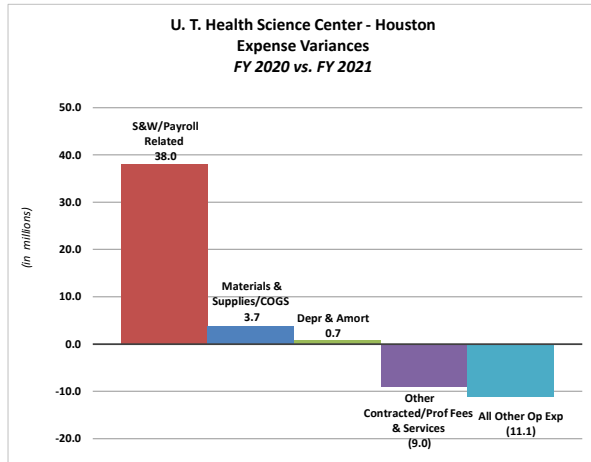
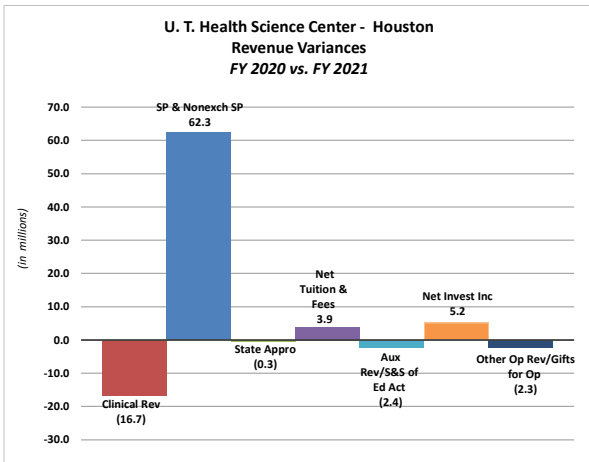


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending February 28, 2021

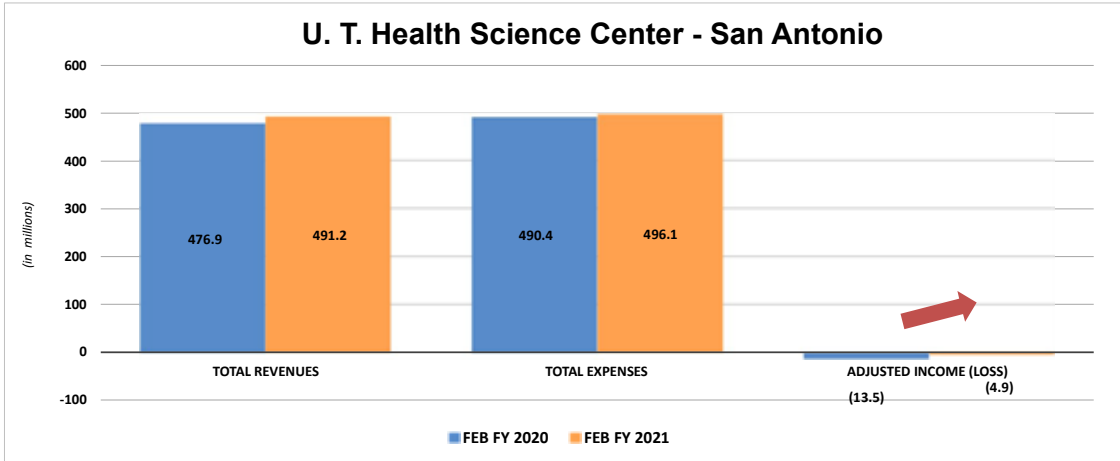


U. T. Health Science Center - Houston reported year-to-date adjusted income of \$38.5 million, an increase of \$27.4 million (247%) from the prior year. The increase was primarily attributable to an increase in sponsored programs due to an increase in contractual revenues from Memorial Hermann Hospital, Harris Health System, and Health and Human Services as a result of expanded contracted services and support, as well as contract restructuring. The most current projection received from U. T. Health Science Center - Houston reflects income of \$15.2 million for the year.

(in millions)	February YTD FY 2020	February YTD FY 2021	Variance	Annual Projected FY 2021
Clinical Revenues	\$ 265.9	249.2	(16.7)	487.9
Sponsored Programs/Nonexchange Sponsored Programs	415.9	478.2	62.3	961.2
State Appropriations	108.0	107.7	(0.3)	216.9
Net Tuition and Fees	32.0	36.0	3.9	68.4
Auxiliary Revenues/Sales & Services of Educational Activities	37.2	34.9	(2.4)	59.8
Net Investment Income	32.1	37.3	5.2	68.2
Other Operating Revenues/Gift Contributions for Operations	29.9	27.6	(2.3)	72.4
<b>Total Revenues</b>	<b>921.2</b>	<b>970.9</b>	<b>49.7</b>	<b>1,934.8</b>
Salaries and Wages/Payroll Related Costs	683.2	721.3	38.0	1,454.5
Materials and Supplies/Cost of Goods Sold	48.7	52.4	3.7	104.7
Depreciation and Amortization	33.6	34.3	0.7	70.7
Other Contracted Services/Professional Fees & Services	63.8	54.7	(9.0)	143.5
All Other Operating Expenses	80.8	69.7	(11.1)	146.2
<b>Total Expenses</b>	<b>\$ 910.1</b>	<b>932.4</b>	<b>22.3</b>	<b>1,919.6</b>
<b>Adjusted Income (Loss)</b>	<b>11.1</b>	<b>38.5</b>	<b>27.4</b>	<b>15.2</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>44.7</b>	<b>72.8</b>	<b>28.1</b>	<b>85.8</b>

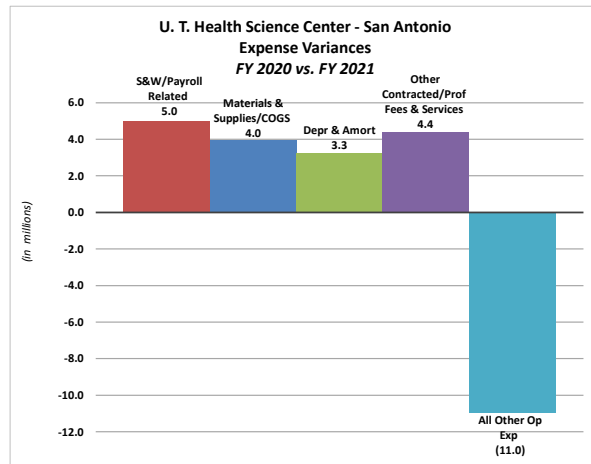
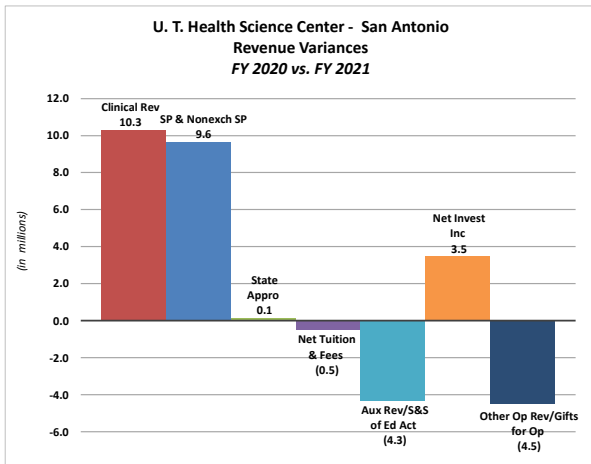


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending February 28, 2021

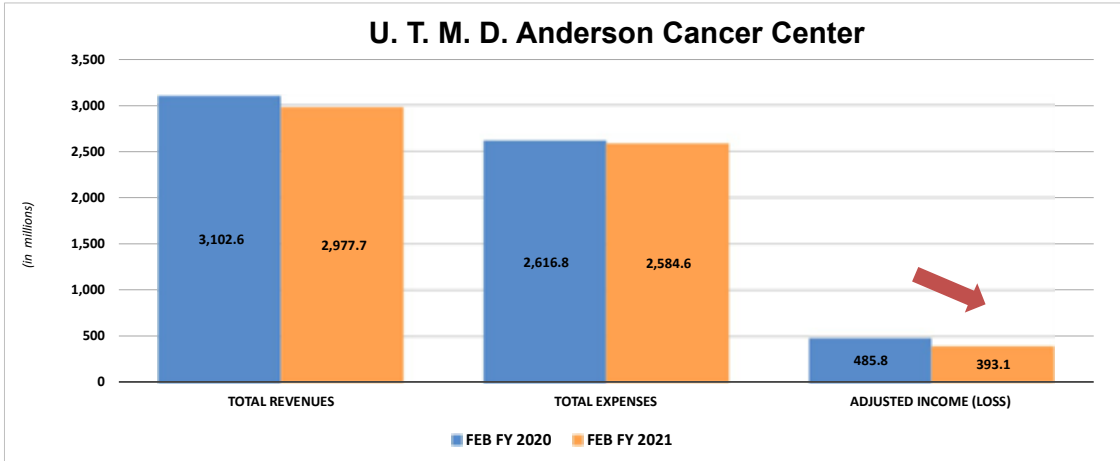


U. T. Health Science Center - San Antonio incurred a year-to-date adjusted loss of \$4.9 million, a decrease in adjusted loss of \$8.6 million (64%) from the prior year. The decrease was primarily due to the following: an increase in clinical revenues as a result of increased volume and clinical productivity at all UT Health Physicians sites and clinical expansion efforts; and a decrease in other operating expenses primarily due to conference and event cancellations and various restrictions instituted as a result of COVID-19. The most current projection received from U. T. Health Science Center – San Antonio reflects a loss of \$26.1 million for the year due to anticipated year-end COVID-19 recovery costs.

(in millions)	February YTD FY 2020	February YTD FY 2021	Variance	Annual Projected FY 2021
Clinical Revenues	\$ 125.4	135.8	10.3	286.7
Sponsored Programs/Nonexchange Sponsored Programs	182.9	192.5	9.6	382.4
State Appropriations	84.7	84.8	0.1	166.6
Net Tuition and Fees	25.5	25.0	(0.5)	51.0
Auxiliary Revenues/Sales & Services of Educational Activities	18.9	14.6	(4.3)	28.5
Net Investment Income	24.7	28.1	3.5	47.3
Other Operating Revenues/Gift Contributions for Operations	14.9	10.4	(4.5)	32.7
<b>Total Revenues</b>	<b>476.9</b>	<b>491.2</b>	<b>14.3</b>	<b>995.3</b>
Salaries and Wages/Payroll Related Costs	329.2	334.3	5.0	695.8
Materials and Supplies/Cost of Goods Sold	48.3	52.3	4.0	114.1
Depreciation and Amortization	30.5	33.8	3.3	65.4
Other Contracted Services/Professional Fees & Services	28.9	33.3	4.4	58.5
All Other Operating Expenses	53.5	42.5	(11.0)	87.6
<b>Total Expenses</b>	<b>\$ 490.4</b>	<b>496.1</b>	<b>5.6</b>	<b>1,021.4</b>
<b>Adjusted Income (Loss)</b>	<b>(13.5)</b>	<b>(4.9)</b>	<b>8.6</b>	<b>(26.1)</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>17.0</b>	<b>28.9</b>	<b>11.9</b>	<b>39.3</b>

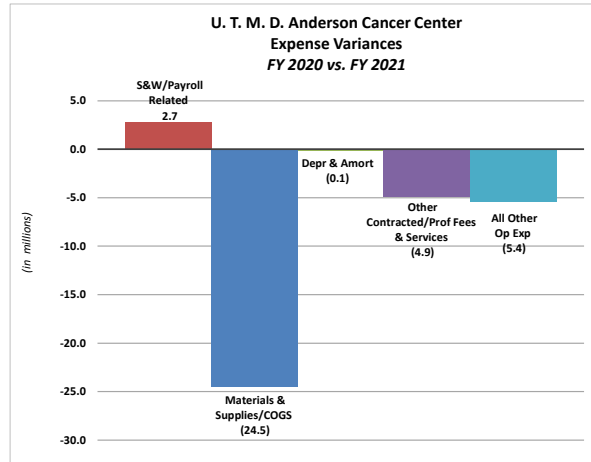
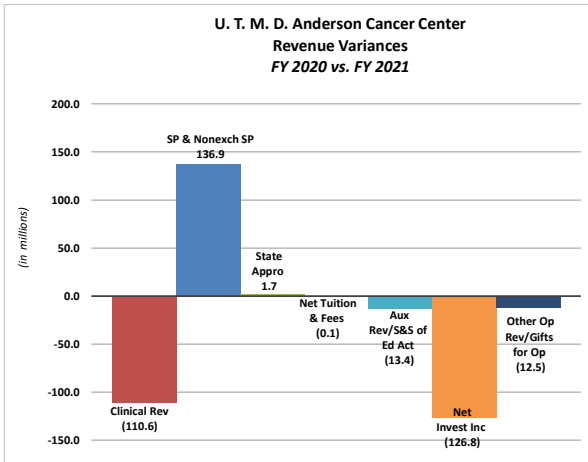


## Monthly Financial Report Comparison of Operating Results, Margin and Projected Year-End For the Period Ending February 28, 2021



U. T. M. D. Anderson Cancer Center reported year-to-date adjusted income of \$393.1 million, a decrease of \$92.7 million (19%) from the prior year. The decrease was primarily attributable to the following: a decrease in net investment income; and a decrease in clinical revenues primarily due to a decline in patient volume as a result of COVID-19 pandemic restrictions. The most current projection received from U. T. M. D. Anderson Cancer Center reflects income of \$810.4 million for the year.

(in millions)	February YTD FY 2020	February YTD FY 2021	Variance	Annual Projected FY 2021
Clinical Revenues	\$ 2,334.2	2,223.5	(110.6)	4,722.5
Sponsored Programs/Nonexchange Sponsored Programs	215.5	352.5	136.9	551.4
State Appropriations	102.0	103.7	1.7	207.6
Net Tuition and Fees	1.5	1.4	(0.1)	1.9
Auxiliary Revenues/Sales & Services of Educational Activities	24.6	11.1	(13.4)	32.2
Net Investment Income	277.5	150.7	(126.8)	381.3
Other Operating Revenues/Gift Contributions for Operations	147.3	134.8	(12.5)	261.7
<b>Total Revenues</b>	<b>3,102.6</b>	<b>2,977.7</b>	<b>(124.9)</b>	<b>6,158.6</b>
Salaries and Wages/Payroll Related Costs	1,482.5	1,485.2	2.7	2,985.9
Materials and Supplies/Cost of Goods Sold	599.2	574.7	(24.5)	1,246.8
Depreciation and Amortization	186.5	186.4	(0.1)	379.1
Other Contracted Services/Professional Fees & Services	186.7	181.8	(4.9)	394.4
All Other Operating Expenses	162.0	156.5	(5.4)	342.1
<b>Total Expenses</b>	<b>\$ 2,616.8</b>	<b>2,584.6</b>	<b>(32.2)</b>	<b>5,348.2</b>
<b>Adjusted Income (Loss)</b>	<b>485.8</b>	<b>393.1</b>	<b>(92.7)</b>	<b>810.4</b>
<b>Adjusted Income (Loss) Excluding Depr &amp; Amort Exp</b>	<b>672.3</b>	<b>579.5</b>	<b>(92.8)</b>	<b>1,189.4</b>



3. **U. T. System: Approval of A) the Fiscal Year 2022 Budget Preparation Policies, including the Calendar for budget operations, and B) an amendment to the Annual Operating Budget Rules and Procedures**

RECOMMENDATION

With the concurrence of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Executive Vice Chancellor for Health Affairs, the Chancellor recommends that the U. T. System Board of Regents approve A) the Budget Preparation Policies as set out below, including the Calendar for budget operations on the following pages, B) an amendment to the Annual Operating Budget Rules and Procedures for use in preparing the Fiscal Year (FY) 2022 Annual Operating Budget for the U. T. System, also as set out below:

A. U. T. System Fiscal Year 2022 Budget Preparation Policies

1. General Guidelines - The regulations and directives included in the *General Appropriations Act* as enacted by the 86th Texas Legislature serve as the basis for these guidelines and policies. In preparing the draft of the FY 2022 Operating Budget, the president of each institution should adhere to guidelines and policies as detailed below and as included in the *General Appropriations Act*. The Assistant Vice Chancellor, Budget and Planning will issue detailed instructions regarding the implementation of those regulations and directives into the institutional budget process.

The president of each institution should examine the resources used at the institution and, where possible, redirect resources toward high priority mission critical activities and strategic competitive investments that are consistent with the goals and objectives included in the institution's Strategic Plan.

Overall budget totals, including retaining reasonable reserves for potential future financial shortfall, 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.

2. Maintenance of Operating Margin and Use of Prior Year Balances - Institutions should make all reasonable efforts to maintain a favorable operating margin within the FY 2022 Operating Budget. Use of prior year balances should be limited to critical items, unique opportunities, or projects funded from prior year income committed for that purpose. Generally, balance usage should be reserved for nonrecurring activities. Balance usage cannot be recommended to the U. T. System Board of Regents for approval without the consent of the Chancellor, the appropriate Executive Vice Chancellor, and the Assistant Vice Chancellor, Budget and Planning.

3. Salary Guidelines - Recommendations regarding salary policy are subject to the following directives:
- A. 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.
  - B. Merit Increases and Promotions - Institutions should consider available resources and resolution of any major salary inequities when implementing merit salary increases for faculty and staff.

As defined in *Texas Education Code* Section 51.962, an employee must have been employed by the institution for the six months immediately preceding the effective date of the increase to be eligible for a merit increase, and at least six months must have elapsed since the employee's last merit salary increase. These limitations also apply to one-time merit payments.

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 administrative and professional staff and classified staff are to be based on evaluation of performance in areas appropriate to work assignments.

In accordance with Regent's *Rules and Regulations*, performance appraisals are to be conducted annually for all employees of the U. T. System. The U. T. System Administration Office of Talent and Innovation will issue specific guidance related to this requirement.

- C. Other Increases - Equity adjustments, competitive offers, and increases to accomplish contractual commitments should also consider merit where appropriate, subject to available resources. Subject to guidance issued by the Assistant Vice Chancellor, Budget and Planning, such increases should be noted and explained in the supplemental data accompanying the budget.
- D. New Positions - Subject to available resources, new administrative and professional staff, classified staff, and faculty positions are to be requested only when justified by workloads or to meet needs for developing new programs.
- E. Reporting - The Assistant Vice Chancellor, Budget and Planning will issue guidance on reporting of compensation. It is expected that required reports will encompass personnel covered by Regents' *Rules and Regulations*, Rules 20203 and 20204 along with the top-ten highest compensated individuals and those administrative and professional staff reporting directly to the president.

4. 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*. Payments for benefits, including for retirees, should comply with the provisions of Accounting Policy Statements No. 11, "Benefits Proportional by Fund" and the *General Appropriations Act*. The Assistant Vice Chancellor, Budget and Planning will issue instructions regarding the implementation of the benefits into the budget process.
5. 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.
6. 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.
7. Calendar - In the event of unforeseen circumstances, authority is delegated to the Assistant Vice Chancellor, Budget and Planning to modify the Calendar.

B. Addition to the Annual Operating Budget Rules and Procedures

It is also recommended that the Board approve a change to the Annual Operating Budget Rules and Procedures for FY 2022 by adding the following:

B. Budget Amendments

...

5. Budget Amendment criteria

...

[e. Notwithstanding a., b., and c. of this section may authorize any budget amendment related to hospital patient care activities or Medical, Dental, Nursing, and Faculty Services Research and Development Plans, the Allied Health Faculty Services Plan or the Physicians Referral Service Plan without limitation if the budget increase is supported by a corresponding increase in revenue. This exception does not apply to increases from unappropriated balances.](#)

The full text of the FY 2022 [Budget Rules and Procedures](#) is available online.

### BACKGROUND INFORMATION

The U. T. System FY 2022 Budget Preparation Policies are consistent with the regulations and directives included in the *General Appropriations Act* and other general law to be enacted by the 87th Texas Legislature. As written, this policy provides general direction to the U. T. System institutions. The proposed addition to the Annual Operating Budget Rules and Procedures for FY 2022 will allow greater flexibility for institutions with healthcare operations to respond to growth in patient care activities and will result in fewer approvals being required from U. T. System Administration or the Board of Regents, except with regard to increases from unappropriated balances.



**THE UNIVERSITY OF TEXAS SYSTEM**

**FY 2022 OPERATING BUDGET CALENDAR**

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April 16, 2021	Request for Library, Equipment, Repair and Rehabilitation new project instructions and information on balances subject to lapse are sent to institutions
May 5-6, 2021	Board of Regents takes appropriate action on budget preparation policies and budget rules
May 15, 2021	Budget instructions issued by U. T. System Administration
June 1-11, 2021	Institution Budget Meetings with U. T. System Administration
June 4, 2021	New Library, Equipment, Repair and Rehabilitation project requests due to U. T. System Administration
June 28, 2021	Draft budget documents due to U. T. System Administration (summary-level with optional detail)
July 1-6, 2021	Technical budget review with U. T. System Administration
July 12, 2021	Reports on highly compensated staff covered by Regents' Rule 20204, institutional top ten salaries and high-ranking staff salaries due to U. T. System Administration
July 13, 2021	Final budget documents due to U. T. System Administration (summary-level and optional detail)
July 31, 2021	Operating Budget Summaries provided to the Office of the Board of Regents
August 15, 2021	Detail budget due date (if not previously submitted)
August 19, 2021	Board of Regents takes appropriate action on Operating Budget and compensation of Presidents and Executive Officers
November 18, 2021	Board of Regents takes appropriate action on budget changes resulting from August 15 detail budget



**4. U. T. System Board of Regents: Update on University Lands**

Mr. Joe Quoyeser, Interim Chief Executive Officer - University Lands, will report on matters related to University Lands using the PowerPoint presentation set forth on the following pages.



# University (UL) Lands Update

Mr. Joe Quoyeser, Interim Chief Executive Officer  
University Lands

U. T. System Board of Regents Meeting  
Finance and Planning Committee  
May 5, 2021



THE UNIVERSITY of TEXAS SYSTEM  
FOURTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

[WWW.UTSYSTEM.EDU](http://WWW.UTSYSTEM.EDU)

# Energy Transition — Rhetoric and Reality

WSJ The Wall Street Journal

Gasoline Demand Has Peaked, Global Forecaster Says

WSJ Wall Street Journal

Biden Team Races to Assemble New Climate-Change Strategy

The New York Times

G.M. Will Sell Only Zero-Emission Vehicles by 2035

The move, one of the most ambitious in the auto industry, is a piece of a broader plan by the company to become carbon neutral by 2040.



The Permian Basin will continue to be a distinctive asset for the U. T. and Texas A&M Systems for decades to come.



# The Past 15 Months in the Energy Market

- Catastrophic collapse in demand due to COVID lockdowns
- Messy market rebalancing – price shock, well shut-ins, capital expenditure cuts
- OPEC+ market leadership has been strong after a bad start
- US independent sector restructured via M&A and bankruptcy
- The Permian industry is on the road to recovery

**COVID has been a speed bump for Permian oil and gas, not a brick wall or cliff.**



# The Current Oil & Gas Industry Environment

The industry has reinvented itself, to the long-term benefit of UL.



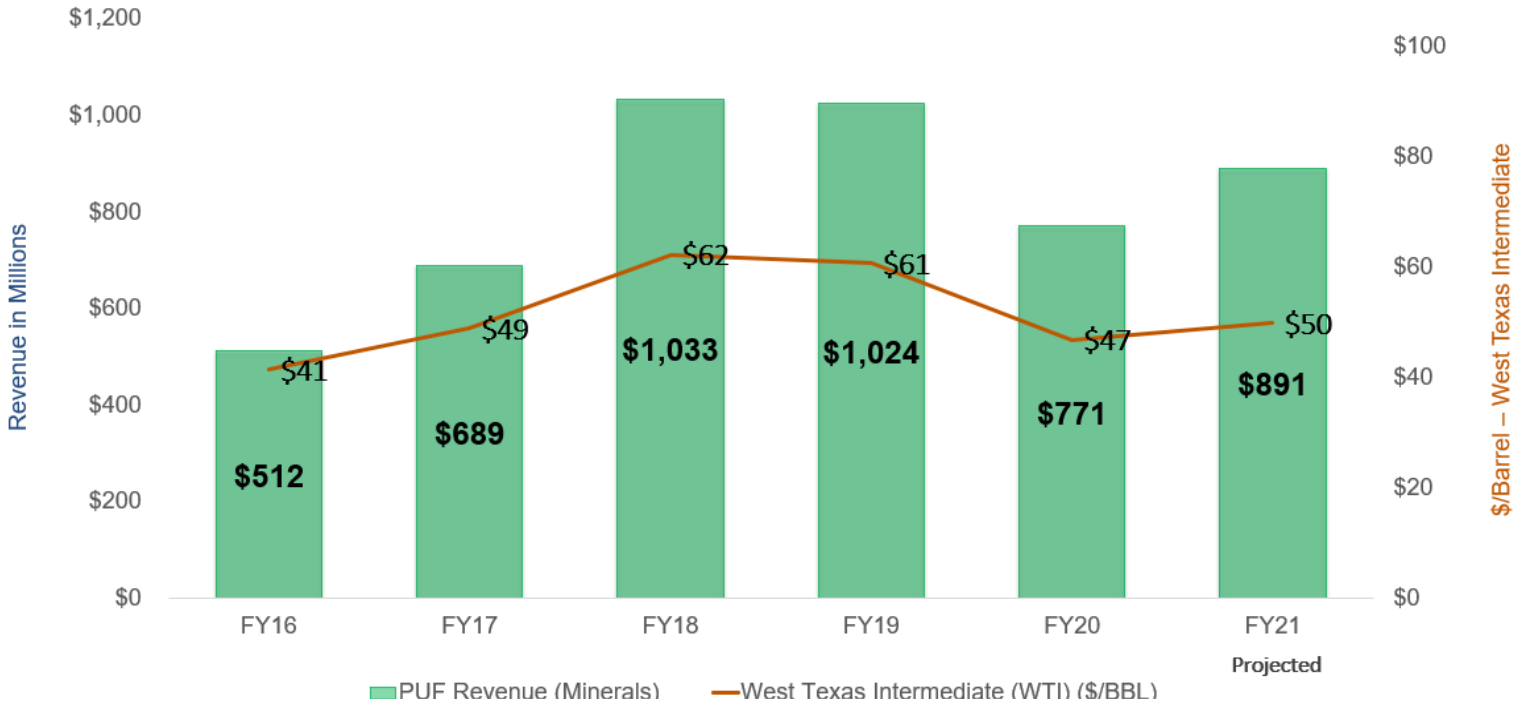
# University Lands' Operator Base

The operator base has consolidated substantially and is highly stratified.

% of UL oil



# FY2021 Revenue is Projected to Increase Substantially



Agenda Book - 66



# University Lands Advisory Board (ULAB) Collaboration

ULAB meetings will share information and foster discussion between UL management and ULAB members for the purpose of informing the U. T. System's senior administration and Board of Regents about:

- Clarity of strategic direction
- Organizational capability and efficiency
- Financial and operational performance
- Institutional risk exposure

