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FOR
MEETING OF THE BOARD

February 4-5, 2010
Dallas, Texas

<u>Thursday, February 4, 2010</u>

A. COMMITTEE MEETING

Academic Affairs Committee	*10:00 a.m.*
B. CONVENE THE BOARD IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551 (following group photo) (working lunch)	*11:30 a.m.*
1. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073	
a. U. T. Arlington: Discussion and appropriate action regarding a proposed negotiated gift with a potential naming feature	*President Spaniolo* *Dr. Safady*
b. U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding a proposed negotiated gift with a potential naming feature involving one or more buildings	*President Mendelsohn* *Dr. Safady*
2. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072	
a. U. T. Dallas: Discussion and appropriate action concerning negotiations to enter into a memorandum of understanding with the City of Richardson leading to the ground lease to the City of approximately 13.8 acres at the east corner of Synergy Park Boulevard and North Floyd Road and the extension of an existing ground lease to the City of approximately 4.9 acres at the east corner of Synergy Park Boulevard and the right-of-way of the Atchison, Topeka and Santa Fe Railroad, both in Richardson, Collin County, Texas, for a park and general municipal uses, and the granting of easements to the City for the construction of a municipal water tower, loop road, and trail network on the U. T. Dallas campus, Richardson, Collin County, Texas, in exchange for the City's construction of the loop road and trail network that will serve the U. T. Dallas campus	*President Daniel* *Ms. Mayne*
b. U. T. System Board of Regents: Discussion and appropriate action regarding issues related to the real property lease for the U. T. Brownsville/Texas Southmost College Educational Partnership Agreement	*Ms. Mayne* *Mr. Burgdorf* *Dr. Prior*

3. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071

   a. **U. T. System Board of Regents: Discussion with Counsel on pending legal issues**

   b. **U. T. System Board of Regents: Discussion with Counsel on legal issues related to pending tax and audit matters**

   c. **U. T. Medical Branch – Galveston: Discussion of legal issues related to correctional managed care at UTMB**

   d. **U. T. System Board of Regents: Discussion of legal issues related to the U. T. Brownsville/Texas Southmost College Educational Partnership Agreement**

4. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074

   a. **U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of U. T. System and institutional employees**

   b. **U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees**

   c. **U. T. Medical Branch – Galveston: Discussion and appropriate action regarding individual personnel issues related correctional managed care at UTMB** — *Mr. Burgdorf*, *Dr. Shine*

   d. **U. T. System Board of Regents: Discussion and appropriate action regarding individual personnel issues related to the U. T. Brownsville/Texas Southmost College Educational Partnership Agreement** — *Mr. Burgdorf*, *Dr. Prior*

C. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEMS, IF ANY

D. RECESS FOR COMMITTEE MEETINGS

Facilities Planning and Construction Committee………………	*1:00 p.m.*
Health Affairs Committee……………………….……..…………	*2:00 p.m.*
Finance and Planning Committee…..…….……….…………….	*3:00 p.m.*
Joint Finance and Audit Committee……………………………..	*3:45 p.m.*
Audit, Compliance, and Management Review Committee……	*4:00 p.m.*

E. RECESS — *5:00 p.m.*

Friday, February 5, 2010	**Board/Committee Meetings**	**Page**
F. COMMITTEE MEETINGS Health Affairs Committee -- Special Meeting	*8:30 a.m.*	
Student, Faculty, and Staff Campus Life Committee	*10:00 a.m.*	
G. RECONVENE THE BOARD IN OPEN SESSION	*10:30 a.m.*	
H. APPROVAL OF MINUTES		
I. CONSIDER AGENDA ITEMS		
1. U. T. System Board of Regents: Remarks from Dr. Raymund Paredes, Commissioner of Higher Education, concerning initiatives and legislative priorities of the Texas Higher Education Coordinating Board, including strategic planning, formula funding, and cost efficiencies	*10:35 a.m.* **Report** *Dr. Paredes*	**1**
2. U. T. Southwestern Medical Center – Dallas: Overview of the institution	*11:00 a.m.* **Report** *President Podolsky*	**1**
3. U. T. System: Report on development performance for the U. T. System institutions	*11:15 a.m.* **Report** *Dr. Safady*	**28**
4. U. T. System Board of Regents: Amendment of Regents' *Rules and Regulations*, Rule 10501 (Delegation to Act on Behalf of the Board) to add a new Section 3.3, regarding contracts involving certain uses of institution names, trademarks, or logos	*11:25 a.m.* **Action**	**51**
5. U. T. System Board of Regents: Amendment of Regents' *Rules and Regulations*, Rule 80307 (Naming Policy) to revise Section 1.2, regarding the time limitation for execution of a negotiated gift agreement involving a naming	*11:30 a.m.* **Action**	**52**
6. U. T. Brownsville: Discussion and appropriate action concerning status of proposed restructuring of the U. T. Brownsville/Texas Southmost College educational partnership and the U. T. System mission in South Texas	*11:35 a.m.* **Action** *Dr. Prior* *Mr. Burgdorf* *President García*	**52a**
J. COMMITTEE REPORTS TO THE BOARD	*11:45 a.m.*	
K. ADJOURN	*12:00 p.m.*	

1. **U. T. System Board of Regents: Remarks from Dr. Raymund Paredes, Commissioner of Higher Education, concerning initiatives and legislative priorities of the Texas Higher Education Coordinating Board, including strategic planning, formula funding, and cost efficiencies**

REPORT

Dr. Raymund Paredes, Commissioner of Higher Education, will provide remarks concerning initiatives and legislative priorities of the Texas Higher Education Coordinating Board, including strategic planning, formula funding, and cost efficiencies.

2. **U. T. Southwestern Medical Center – Dallas: Overview of the institution**

REPORT

President Podolsky will present an overview of U. T. Southwestern Medical Center – Dallas following a PowerPoint presentation set forth on Pages 2 - 27.

U. T. Southwestern Medical Center - Dallas

Daniel K. Podolsky, M.D.
President

U. T. System Board of Regents' Meeting
February 2010

UT SOUTHWESTERN MEDICAL CENTER

2009

UT SOUTHWESTERN MEDICAL CENTER

RESEARCH

UT Southwestern: A Nationally Honored Faculty

National Academy of Sciences

Brown, M.S
Cobb, M.H.
Deisenhofer, J.
Estabrook, R.W.
Gilman, A.G.
Goldstein, J.L.
Hobbs, H.H.
McKnight, S.L.
Mangelsdorf, D.J.
Olson, E.N.
Russell, D.W.
Takahashi, J.S.
Uhr, J.W.
Unger, R.H.
Vitetta, E.S.
Wang, X.
Wilson, J.D.
Yanagisawa, M.

Institute of Medicine

Anderson, R.J.
Brown, M.S.
Estabrook, R.W.
Foster, D.W.
Gant, N.F.
Gilman, A.G.
Goldstein, J.L.
Grundy, S.M.
Hobbs, H.H.
Lister, G.
McKnight, S.L.
Olson, E.N.
Parada, L.F.
Podolsky, D.K.
Seldin, D.W.
Tamminga, C.A.
Vitetta, E.S.
Wildenthal, C.K.
Wilson, J.D.

Howard Hughes Medical Institute

Chen, Z.
Deisenhofer, J.
Grishin, N.V.
Hobbs, H.H.
Hooper, L.V.
Jiang, Y.
Levine, B.
Mangelsdorf, D.J.
Rosen, M.K.
Takahashi, J.S.
Wang, X.
Yanagisawa, M.
Yu, H.

UT SOUTHWESTERN
MEDICAL CENTER

6

UT Southwestern Research Expertise – High Impact Across Broad Spectrum of Important Unmet Needs

- **Understanding the genetic and molecular basis of diseases**

  Examples: Obesity, Cholesterol, Metabolism, and Diabetes
  Cancer Therapeutics
  Sickle Cell Disease
  Heart Disease and Stroke
  Birth Defects and Genetic Diseases
  Gulf War Illness
  Neurologic Diseases and Mental Illness
  Drug Addiction
  Cellular Signaling

- **At the forefront of technology**

  Example: Advanced Medical Imaging

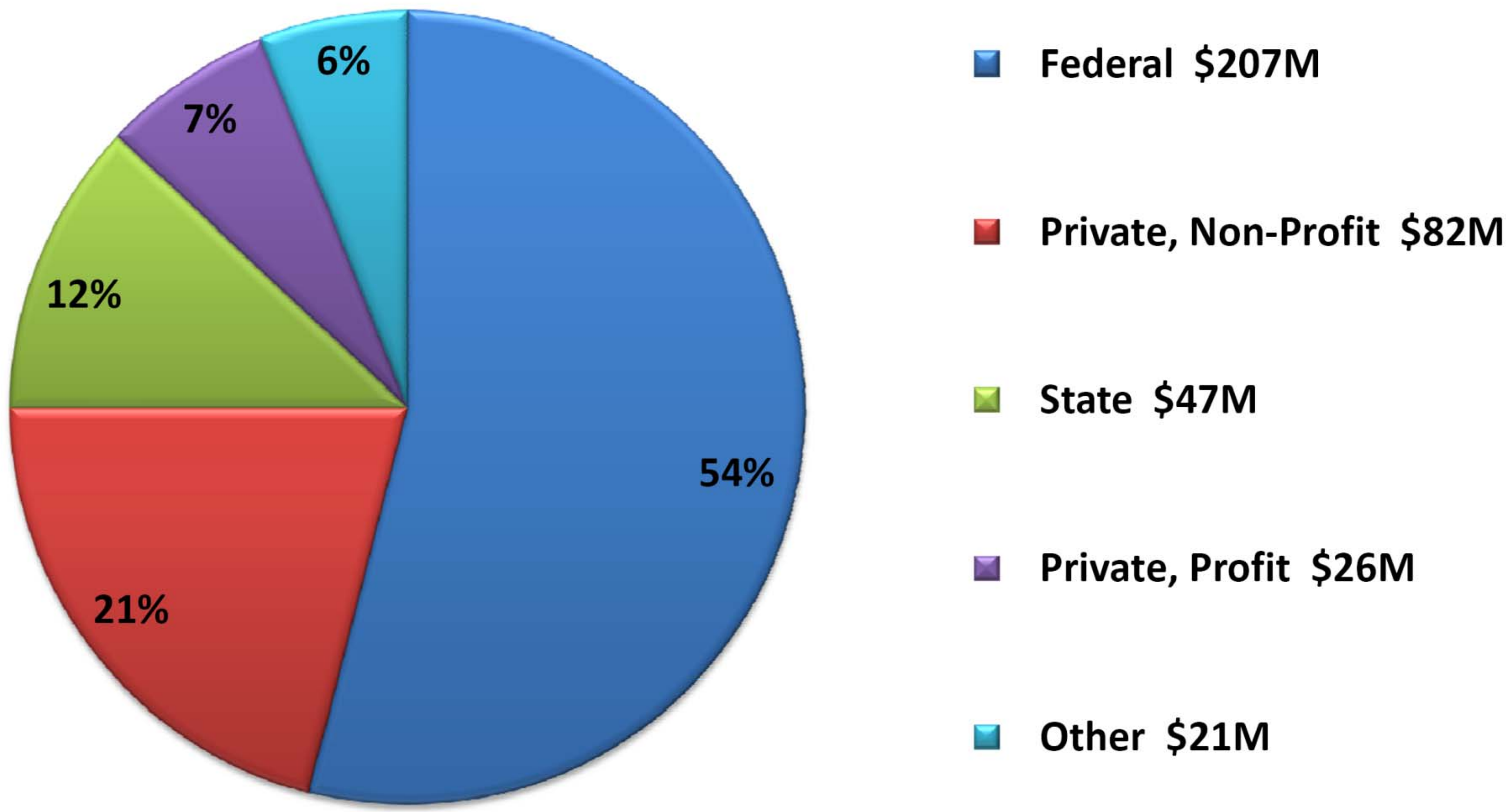
UT SOUTHWESTERN MEDICAL CENTER

Recent Breakthrough Discoveries in Obesity, Diabetes and Metabolism

- A “skinny” gene that is a highly-promising drug target for effectively blocking appetite stimulation
- A completely new gene and drug target for controlling cholesterol, which is being pursued aggressively by major drug companies
- The hormone leptin appears to control Type 1 diabetes — and actually reverses diabetic shock — for weeks with only a single dose
- Fat within tissue cells – rather than within fat cells – appears to dramatically increase the risk for disease

FY2009 Research Expenditures

Exceeded $380M*



Experienced 9% per year compounded growth in the last two decades

*Exclusive of VA & HHMI

UT Southwestern Medical Center

EDUCATION

UT SOUTHWESTERN MEDICAL CENTER

UT Southwestern Provides Outstanding Education and Training of Health Care Professionals and Scientists

- **Medical School**
  - 900 medical students
  - 1,465 residents
  - 10,000 practitioners in Continuing Medical Education Programs
  - UT Southwestern ranked the #1 medical school in the nation for Hispanics by *Hispanic Business* in both 2007 and 2008

- **Graduate School of Biomedical Sciences**
  - 1,800 graduate students and post-docs
  - Three Divisions
    - Basic Science – Ph.D. degrees in 9 areas
    - Applied Science – degrees in Biomedical Communications and Biomedical Engineering
    - Clinical Science – degrees in Clinical Psychology, Clinical Sciences, and Radiological Sciences

UT Southwestern Provides Outstanding Education and Training of Health Care Professionals and Scientists

- **School of Health Professions**
  - 420 students, mostly graduate level
  - Awards degrees in
    - Physical Therapy
    - Clinical Nutrition
    - Prosthetics/Orthotics
    - Physician Assistant Studies
    - Rehabilitation Counseling
    - Medical Laboratory Sciences
    - Radiation Therapy
  - Physician Assistant Program ranked 4th in the country

Welcome to Your College!

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Graduate Medical Education
Number of Residents in Training

UT Southwestern - Dallas	1,277
UT Southwestern - Austin	188

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PATIENT CARE

UT Southwestern Clinical Care Linked to Education and Research

- **UT Southwestern-owned University Hospital (UH) and Clinics**
  - UH-Zale Lipshy; UH-St. Paul
  - Multiple outpatient facilities
- **Partners with Parkland, one of the largest teaching hospitals in the U.S.**
- **Partners with Children's Medical Center, a top ten pediatric hospital**
- **Serves in many other important partnerships**
  - VA North Texas – joint VA/UT Southwestern faculty
  - Hospitals in Ft. Worth, Waco, Wichita Falls, Richardson, Frisco, Plano

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UT Southwestern Clinical Care

- **Faculty and residents provide care for**
  - 97,000 hospitalized patients per year
  - 1.8 million outpatient visits
- **Enormous amount of care provided to indigent patients**
  - $427 million in FY2009 uncompensated physician charges

Our Vision of UT Southwestern University Hospital and Clinics

An academic health care system guided by clinical and translational research and our commitment to education and training that is at the vanguard of quality, safety and innovation in patient care

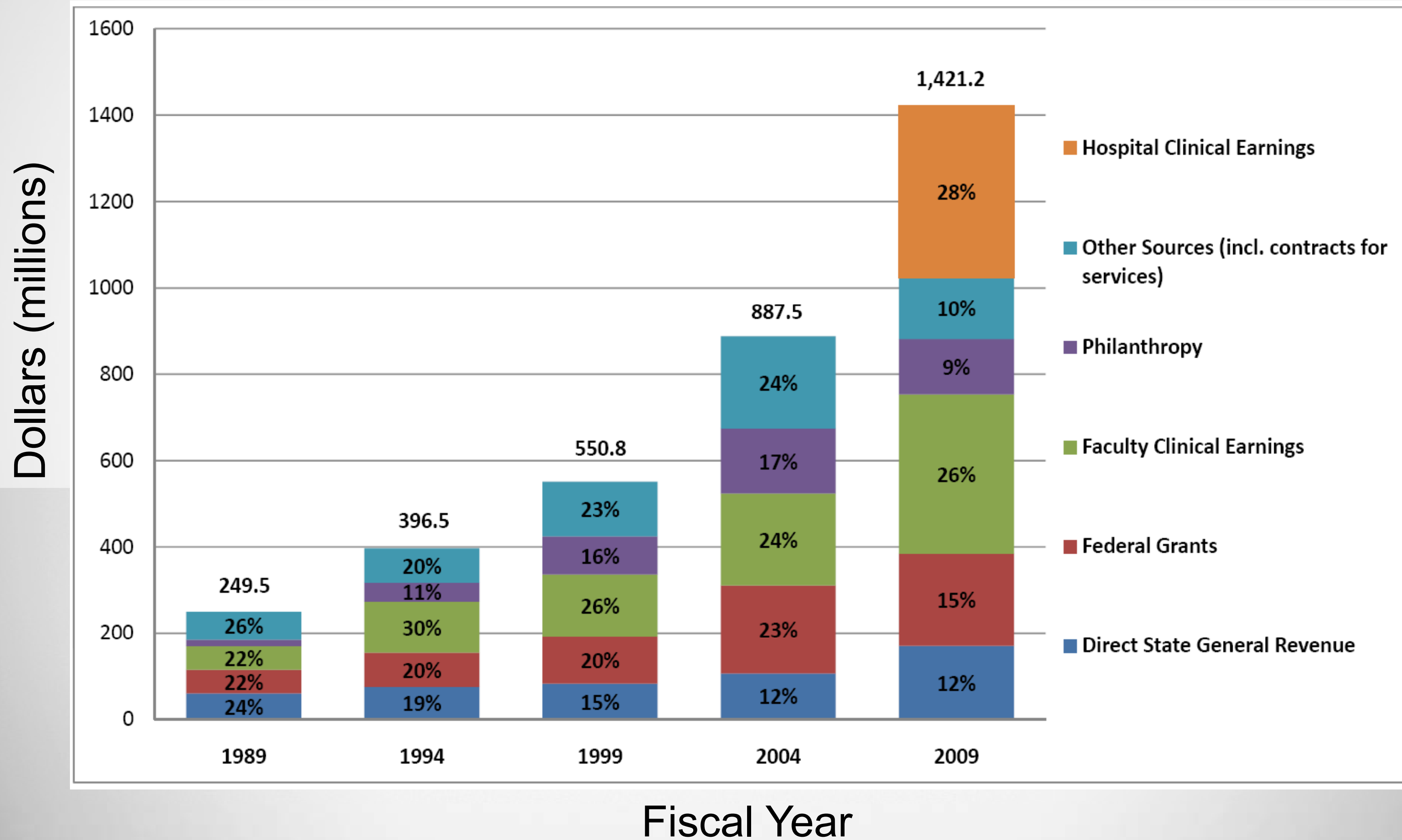
NEW UNIVERSITY HOSPITAL

UT SOUTHWESTERN MEDICAL CENTER

The Aspiration

- We will build a hospital in which our commitment to clinical and academic excellence converge with a commitment to the very best patient experience.
- Innovative care and service, clinical/translational research capability and the needs of trainees and students will be engineered into the new facility.
- The new university hospital will be dedicated to continuously improving quality and cost-effective patient care.

UT Southwestern Medical Center: Sources of Funds



UT SOUTHWESTERN MEDICAL CENTER

21

…and there are still many other important dimensions of UT Southwestern

- Technology transfer
- Community activities
- “Citizen” of Dallas and the region

UT SOUTHWESTERN MEDICAL CENTER

UT SOUTHWESTERN MEDICAL CENTER

PageSoutherlandPage
ARCHITECTURE INTERIORS CONSULTING ENGINEERING

Biotechnology Development Center Phase 1

October 29, 2007

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medicine, today.
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Medical Center
utsouthwestern.org
214-645-8300

APPENDIX

UT Southwestern
Strategic Priorities - 2010

- Frontiers in Science
- Clinical Transformation Project
  - Mission, Vision, Culture Change, and Communication
  - Clinical Faculty and Staff Development
  - Clinical Governance
  - Clinical Service Excellence
  - Clinical Research Excellence
  - Innovation in Graduate Medical Education
- Quality Improvement Initiative
- Health Policy and Health Services Research
- Faculty Diversity & Workforce Development
- Information Technology

3. **U. T. System: Report on development performance for the U. T. System institutions**

REPORT

Vice Chancellor Safady will report on development performance of the U. T. System institutions following a PowerPoint presentation on Pages 29 - 50.

In 2004, Dr. Safady initiated an annual review of campus development office operations and the preparation of a feedback report to offer each institution a framework for performance measurement and continuous improvement. With demand on U. T. System institutions to increase philanthropic support, this service aims to help each institution achieve its strategic objectives. This annual review is aligned with the goals of the U. T. System's comprehensive Accountability and Performance program.

U. T. System Development Assessment FY2009

Randa Safady
Vice Chancellor for External Relations

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Board of Regents' Meeting
February 2010

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FY2009 - A Very Challenging Year

- Deepest recession in the past 25 years
- Philanthropic forecast projected a drop in support and number of donors
- Donors delayed making larger gifts
- Major universities/health science centers impacted because of their dependence on larger gifts

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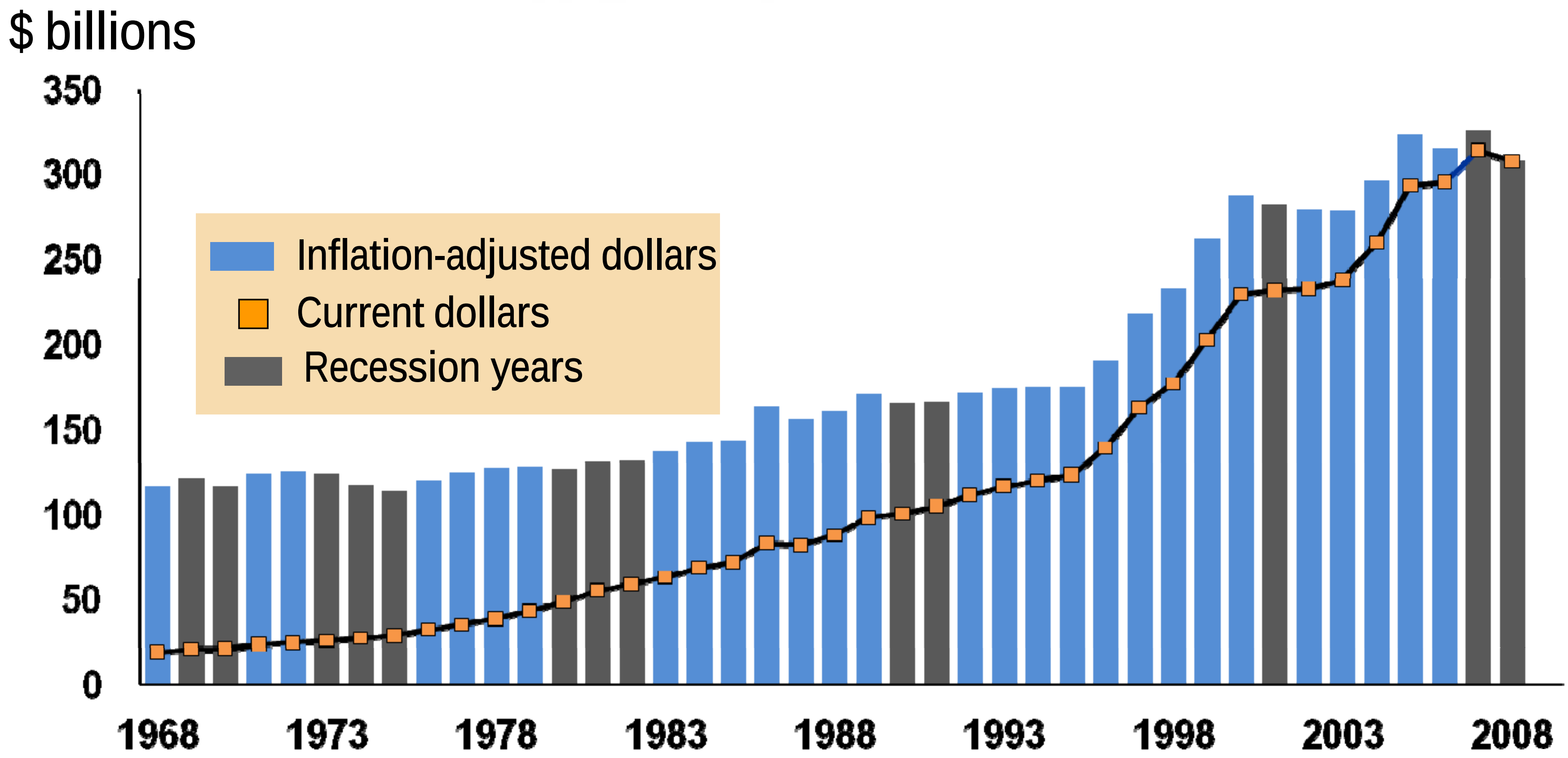
Total Giving 1968 - 2008



- Nationally charitable giving declined 2.0%
- First decline in charitable giving due to economic conditions

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Examples of Performance Indicators

- Overall Fundraising Results
- Total Giving
- Sources of Giving
- Number of Donors/Alumni Donors
- Alumni Participation and Alumni Giving
- Larger Gifts
- Realized Bequests/New Testamentary Gifts

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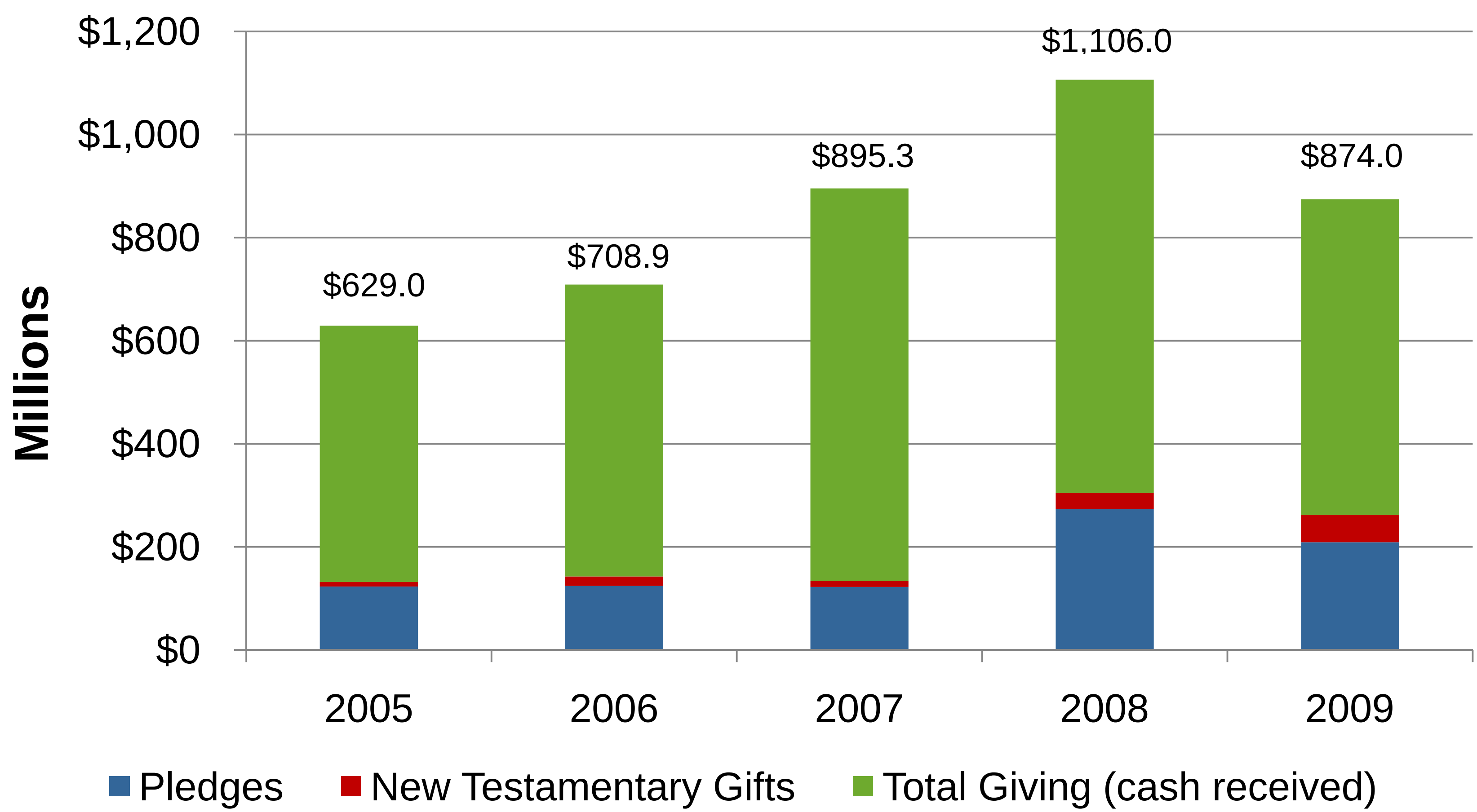
Overall Fundraising Results FY2005 - FY2009



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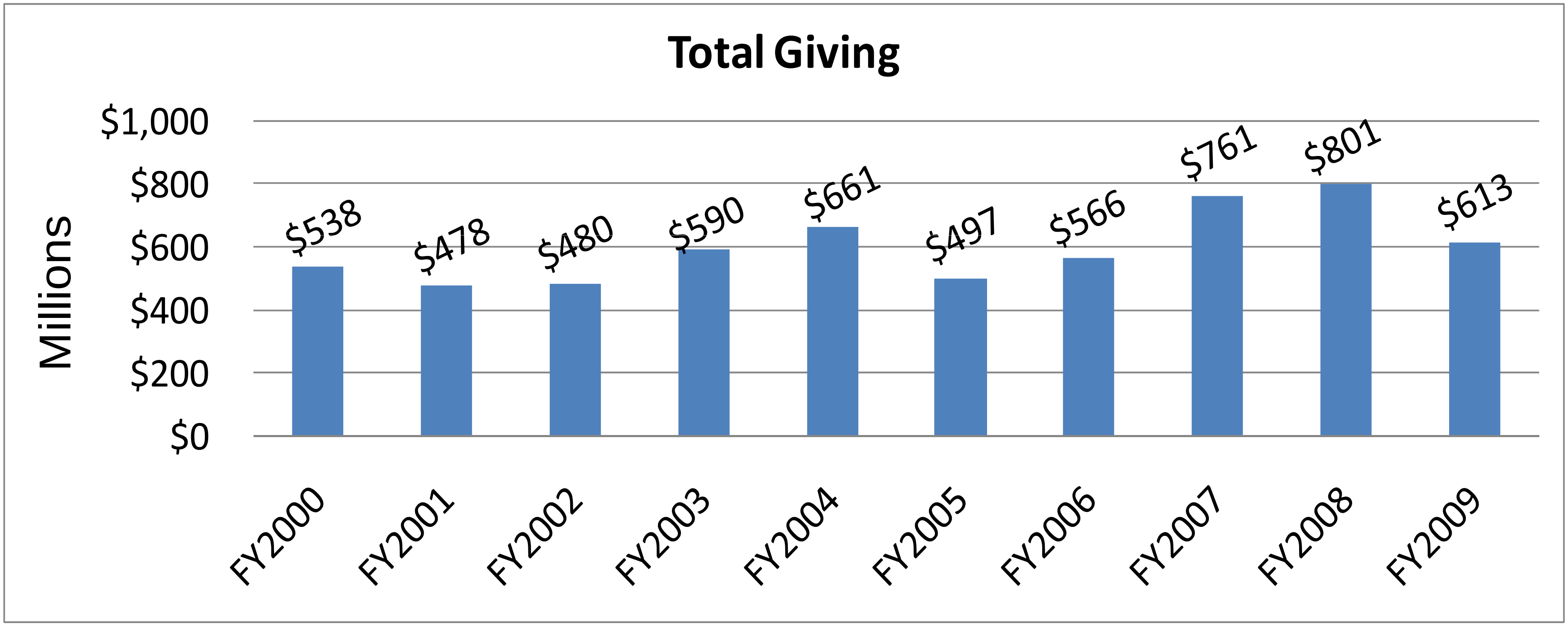
Total Giving (Cash received)



- Fourth highest year for Total Giving
- Following three years of growth and a record breaking year in FY2008, giving declined 23.5%
- 13 of 15 U. T. institutions reported declines in FY2009

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10 Year Comparison
Total Giving ($ in millions)

	FY2000	FY2004	FY2008	FY2009
UT Arlington	9.1	4.7	6.2	5.5
UT Austin	196.0	252.1	282.8	238.0
UT Brownsville	1.8	1.5	1.5	1.2
UT Dallas	36.7	12.2	19.4	10.6
UT El Paso	9.8	14.8	21.2	21.4
UT Pan American	10.5	13.3	3.2	2.6
UT Permian Basin	1.5	2.5	6.7	5.2
UT San Antonio	4.3	8.8	11.2	9.2
UT Tyler	4.6	4.5	7.8	3.1
UTMB	35.0	46.1	33.8	28.4
UTHSC – San Antonio	26.4	33.9	119.8	39.2
UTHSC – Houston	23.9	35.0	33.7	37.6
UTSWMC Dallas	114.8	130.6	145.3	114.9
UTMDACC	62.3	96.9	105.1	92.8
UTHC – Tyler	1.1	2.4	2.2	0.9

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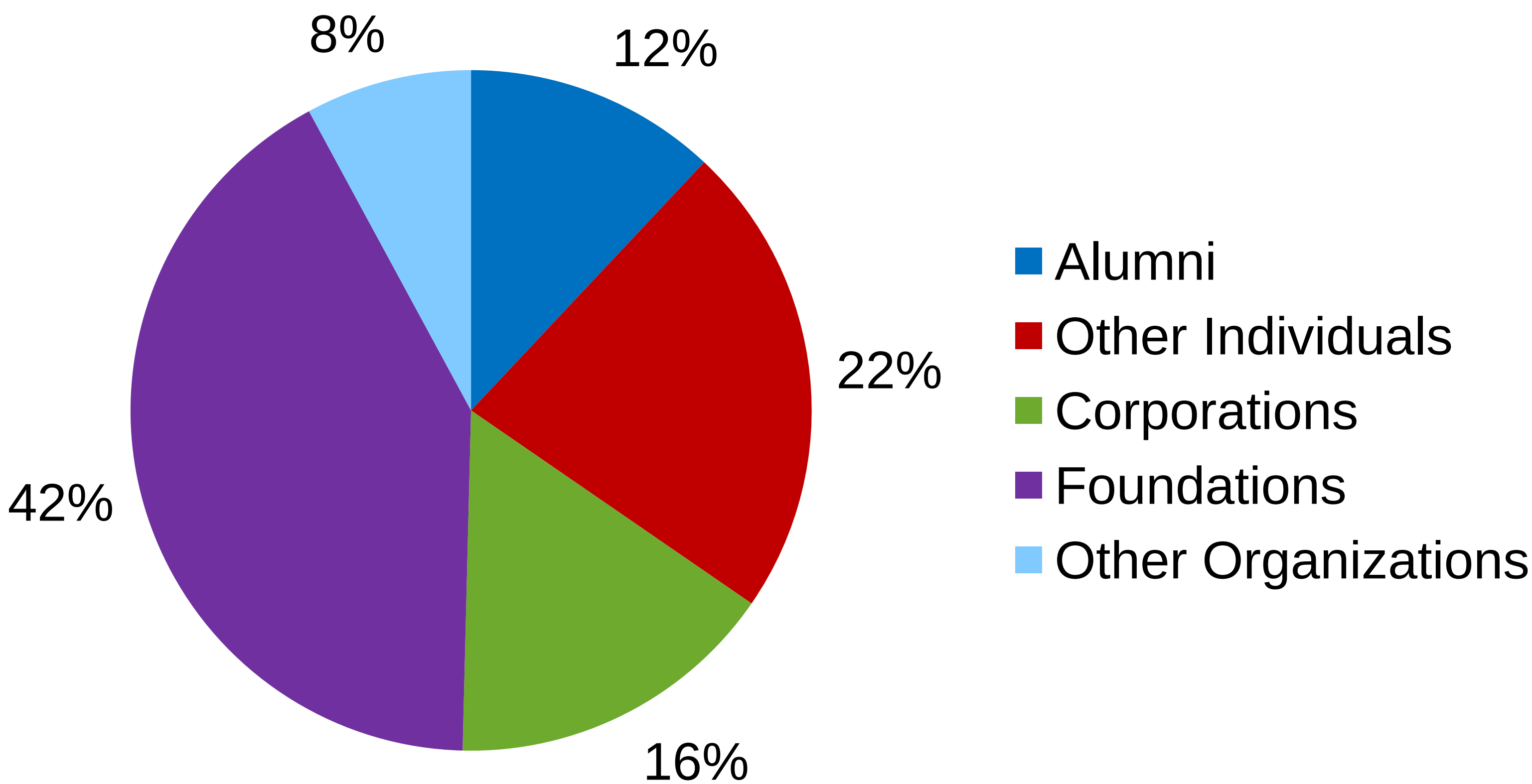
Sources of Giving FY2009



- Nearly half of all foundation gifts came from personal or family foundations and represent 18.6% of total giving

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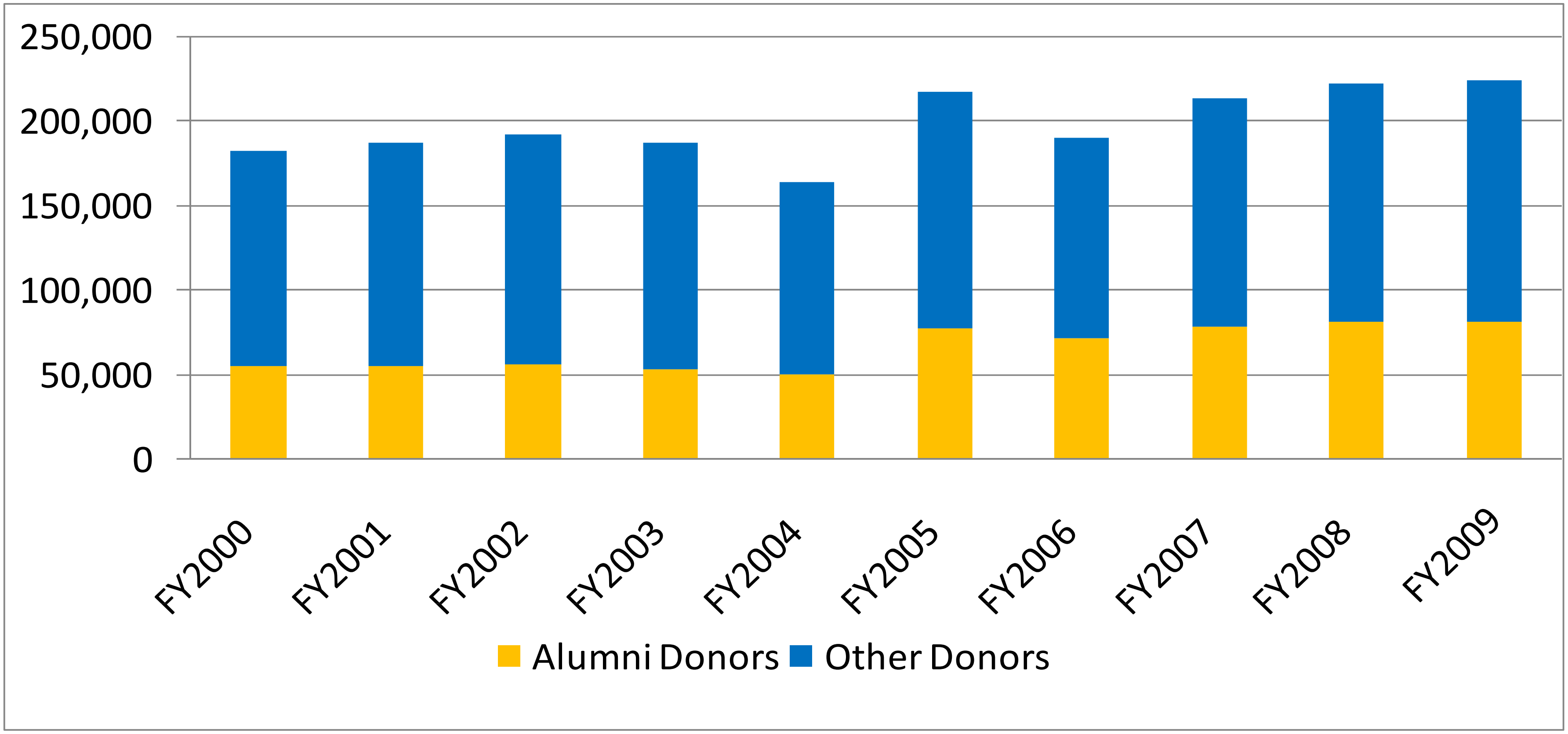
Number of Donors/Alumni Donors



- FY2009 represents the highest year for number of donors and number of alumni donors (143,038 other donors + 80,955 alumni = 223,993 donors)
- Following a record breaking year, the number of donors increased 1.0%

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10 Year Comparison Alumni Participation and Alumni Giving

	% of Alumni Participation			Alumni Giving as a % of Total Giving		
	2000	2008	2009	2000	2008	2009
UT Arlington	3.7	3.3	3.0	4.2	10.7	24.7
UT Austin	11.5	13.8	13.1	21.5	24.0	27.0
UT Brownsville	1.4	1.8	0.2	5.2	3.3	13.8
UT Dallas	9.2	7.7	6.8	0.5	2.7	2.4
UT El Paso	4.9	5.1	4.7	7.8	15.8	13.5
UT Pan American	2.4	2.0	2.1	0.7	6.0	36.8
UT Permian Basin	0.6	5.8	8.2	1.5	1.4	6.2
UT San Antonio	3.0	5.7	4.1	2.1	11.7	3.2
UT Tyler	0.6	0.3	0.5	0.8	0.3	1.0
UTMB	13.1	9.0	8.8	2.2	5.3	5.5
UTHSC – San Antonio	4.4	1.7	1.2	0.3	0.3	0.8
UTHSC – Houston	3.7	2.0	1.7	3.7	5.0	1.2
UTSWMC Dallas	12.6	8.0	7.0	1.0	1.2	0.4
UTMDACC	N/A	N/A	N/A	N/A	N/A	N/A
UTHC – Tyler	N/A	N/A	3.1	N/A	N/A	0.4

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Impact of Larger Gifts

- Of all gifts made last year the top 12 gifts (three largest gifts from individuals, foundations, corporations, and bequests) equaled 16.2% of Total Giving.
- The national five-year average (2003-2008) for the top 12 gifts as a % of Total Giving from public research institutions is 30.8% and public master's 48.0%.
- U. T. institutions received 46 gifts of $1 million+ in FY2009.

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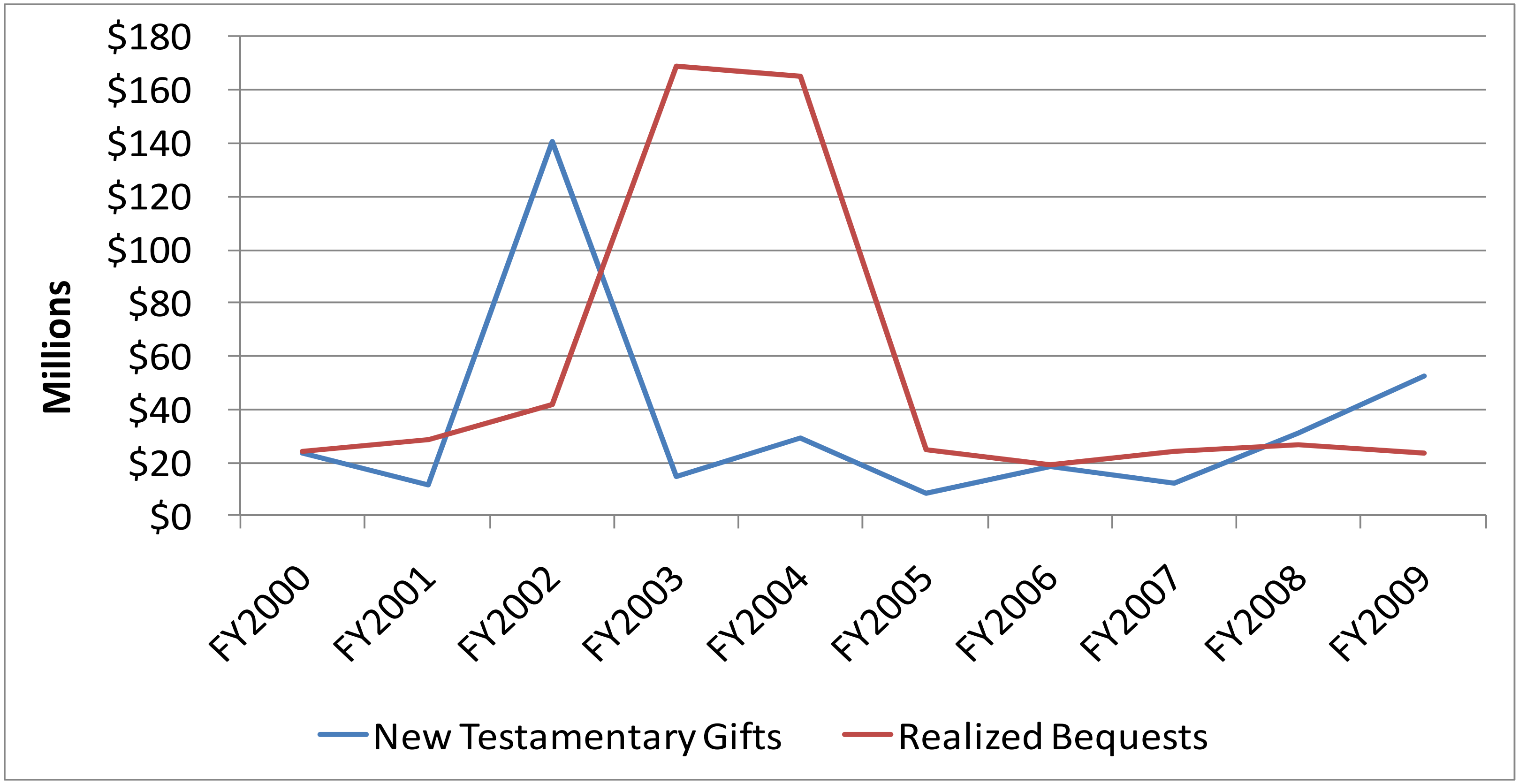
Realized Bequests and New Testamentary Gifts (PV)



- 149 new testamentary gifts in FY2009 versus 108 in FY2008 represents a 37.9% increase

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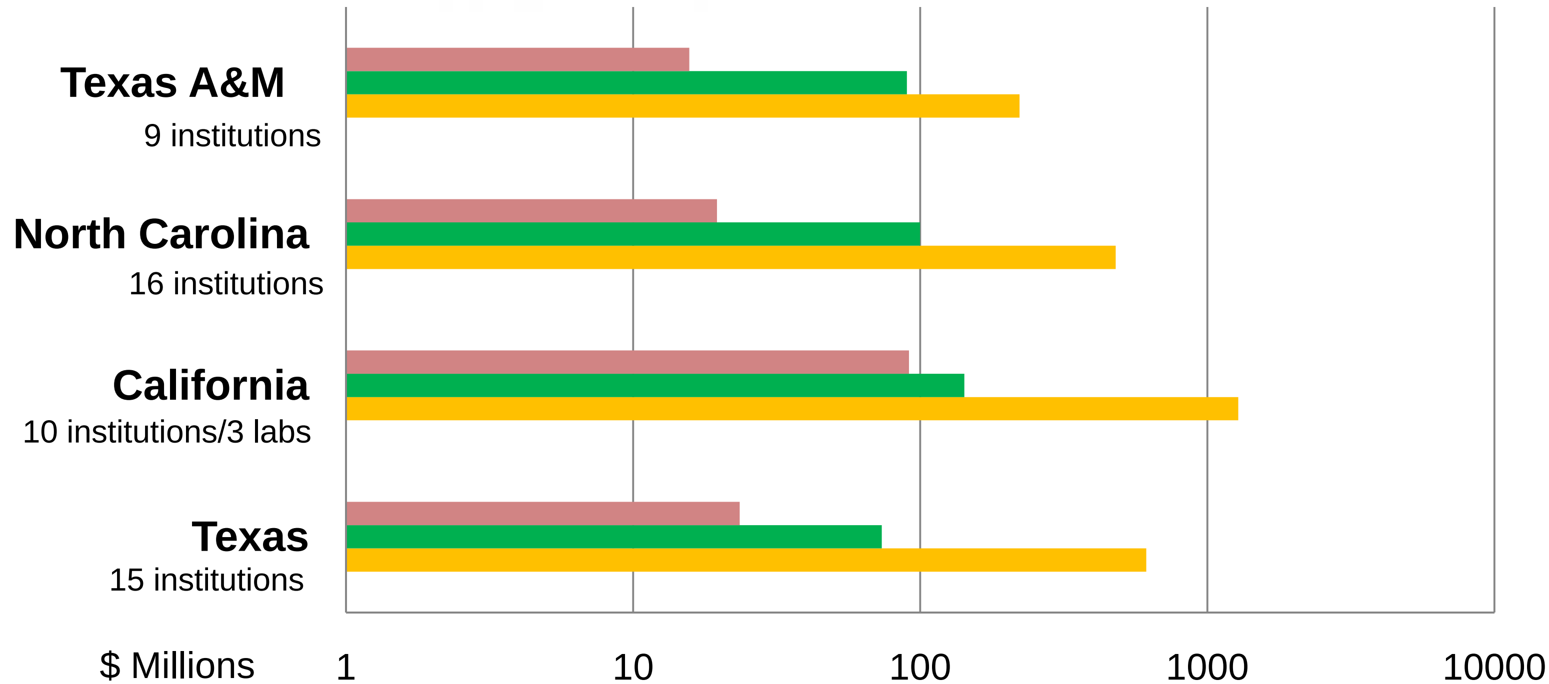
System Comparisons



	Texas	California	North Carolina	Texas A&M
Donor Count	223,993	240,069	171,813	51,773
Realized Bequests	$23.5	$91.4	$19.6	$15.7
Alumni Giving	$73.5	$142.5	$99.8	$89.9
Total Giving	$612.7	$1,281.0	$479.5	$221.9
% change from FY08	-23.5	-19.0	-18.6	-22.5

Academic Institution Comparisons

Institutions	Overall Giving [New pledges, new testamentary commitments (PV), total giving] in millions	Total Giving (Cash in) In millions	Total Giving as a % of E&G Expenditures
UT Arlington	$7.3	$5.5	5.2%
UT Austin	$315.5	$238.0	17.1%
UT Brownsville	$3.5	$1.2	1.0%
UT Dallas	$14.5	$10.6	3.7%
UT El Paso	$27.4	$21.4	7.9%
UT Pan American	$2.9	$2.6	1.3%
UT Permian Basin	$7.8	$5.2	26.4%
UT San Antonio	$13.4	$9.2	2.5%
UT Tyler	$3.5	$3.1	4.0%

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Health Institution Comparisons

Institutions	Overall Giving [New pledges, new testamentary commitments (PV),Total giving] In millions	Total Giving (Cash In) In millions	Total Giving as a % of E&G Expenditures
UTMDACC	$119.6	$92.8	7.6%
UTHC- Tyler	$3.7	$0.9	2.4%
UTHSC - Houston	$49.0	$37.6	5.4%
UTHSC - San Antonio	$46.4	$39.2	5.5%
UTMB	$64.5	$28.4	4.3%
UTSWMC – Dallas	$194.3	$114.9	10.2%

Fundraising Campaigns

- Six fundraising campaigns are underway and all at various stages
  - Combined campaign goals $4.47B
  - Amount raised toward campaign goal as of Oct. 2009 $1.75B

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System Support – Strength in Numbers

- Two goals - increase donors and increase giving
- Results Donors
  - FY2008 and FY2009
    - Most alumni donors in past 10 years
    - Largest number of donors in past 10 years
- Results Giving
  - FY2008 a record-breaking year
  - FY2009
    - New testamentary gift amount increased 71.2%
    - $208M in pledges (second highest in past 10 years)
    - Eight institutions show increase in alumni giving as a percentage of total giving

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System Support – Strength in Numbers

- Personnel - 58 positions initiated to improve fundraising and strengthen infrastructure

- Innovative Programs

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System Support – Center for Development Leadership

- More than 320 development professionals in training workshops
- Skill building workshops
  - renewable giving
  - talent management
  - planned giving (2)
  - transformational gifts
  - major gifts
  - deans fundraising training
- Tailored campus development assessments
- Consultative work with institutions

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Observations

- Strength in Numbers funding contributed to increased donor count
- 2010 will continue to be a challenging year
- Institutions will have to work harder to maintain current levels of philanthropic support
- Those who continue to invest in development will have positive results sooner

Observations (cont.)

- Essential to stay close to current donors
- Donors still want to support U. T. institutions
- Opportunities for gift planning
- Continue to share a compelling message
- Improvement desired in alumni, major, and planned gifts

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Observations (cont.)

- For philanthropy to increase, it is important collectively and individually to:
  - Remain mission focused
  - Provide exceptional leadership
  - Develop the right strategy
  - Employ adequate resources
  - Present effective training experiences
  - Offer meaningful donor/alumni engagement

4. <u>U. T. System Board of Regents: Amendment of Regents' *Rules and Regulations*, Rule 10501 (Delegation to Act on Behalf of the Board) to add a new Section 3.3, regarding contracts involving certain uses of institution names, trademarks, or logos</u>

<u>RECOMMENDATION</u>

It is recommended that Regents' *Rules and Regulations*, Rule 10501, regarding delegation to act on behalf of the Board, be amended as set forth below in congressional style to add a new Section 3.3, regarding contracts involving certain uses of institution names, trademarks, or logos. The Vice Chancellor and General Counsel and the General Counsel to the Board have reviewed and recommend the proposed amendment. Current Subsections 3.3 through 3.5 will be renumbered accordingly.

Sec. 3 Contracts or Agreements Requiring Board Approval. The following contracts or agreements, including purchase orders or vouchers and binding letters of intent or memorandums of understanding, must be submitted to the Board for approval or authorization.

. . .

3.3 <u>Contracts Involving Certain Uses of Institution Names, Trademarks, or Logos. Except as specifically allowed under existing contracts entered into between the Board of Regents and nonprofit entities supporting a U. T. System institution, agreements regardless of dollar amount that grant the right to a non-U. T. entity to use the institutional name or related trademarks or logos in association with the provision of a material service or in association with physical improvements located on property not owned or leased by the contracting U. T. System institution.</u>

. . . .

<u>BACKGROUND INFORMATION</u>

Section 3 of Regents' Rule 10501 requires certain contracts or agreements to be approved by the Board except for specific exceptions listed in the Rule.

Proposed addition of a new Section 3.3 would require certain agreements that grant the right to an outside entity to use the institutional name, trademark, or logo of a U. T. System institution, regardless of dollar amount, to be approved by the Board.

5. <u>U. T. System Board of Regents: Amendment of Regents' *Rules and Regulations*, Rule 80307 (Naming Policy) to revise Section 1.2, regarding the time limitation for execution of a negotiated gift agreement involving a naming</u>

<u>RECOMMENDATION</u>

The Chancellor concurs in the recommendation of the Vice Chancellor for External Relations, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that Regents' *Rules and Regulations*, Rule 80307, regarding namings of facilities and programs, be amended as set forth below in congressional style to revise Section 1.2, regarding the time limitation for execution of a negotiated gift agreement involving a naming, to allow the Chancellor to approve a one-time extension of 90 days for a Board-approved naming that has gone beyond the 180-day approval period.

Sec. 1 General. Before proceeding with any naming, institutions must carefully consider all circumstances surrounding the naming, including the overall benefit to the institution and whether displaying the name is and will continue to be a positive reflection on the institution.

. . .

1.2 Time Limitation for Approval. Naming approvals granted under this rule are valid for a period not to exceed 180 days from the date of approval. After approval of a naming, the <u>negotiated gift</u> ~~naming~~ agreement must be executed within 180 days of that approval. If that does not occur, the naming must be resubmitted for approval <u>to the Vice Chancellor for External Relations unless the Chancellor approves a one-time, 90-day extension of the naming approval, consistent with the requirements of Section 2 below</u>.

. . . .

<u>BACKGROUND INFORMATION</u>

Section 1.2 of Regents' Rule 80307 requires resubmission to the Board of Regents of a naming if the naming agreement is not executed within 180 days of approval. The proposed amendment will allow the Chancellor the option to approve a one-time, 90-day extension of the naming approval, if deemed appropriate following a request from the president and in consultation with the Vice Chancellor for External Relations and the appropriate Executive Vice Chancellor.

6. U. T. Brownsville: Discussion and appropriate action concerning status of proposed restructuring of the U. T. Brownsville/Texas Southmost College educational partnership and the U. T. System mission in South Texas

RECOMMENDATION

Executive Vice Chancellor Prior and Vice Chancellor Burgdorf will lead a discussion on the status of discussions concerning the proposed restructuring of the U. T. Brownsville/Texas Southmost College educational partnership and the U. T. System mission in South Texas.

TABLE OF CONTENTS
FOR
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

Committee Meeting: 2/4/2010

Board Meeting: 2/5/2010
Dallas, Texas

R. Steven Hicks, Chairman
Paul Foster
Janiece Longoria
Robert L. Stillwell

C. RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551

Personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of officers or employees - Section 551.074	*4:40 p.m.*
Discussion with institutional auditors and compliance officers concerning evaluation and duties of individual System Administration and institutional employees involved in internal audit and compliance functions	*Ms. Holmes, U. T. Permian Basin* *Mr. Schroeder, U. T. Arlington* *Mr. Chaffin* *Mr. Plutko*

D. RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEM AND TO ADJOURN	*5:00 p.m.*

1. **U. T. System: Report on the Fiscal Year 2009 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit**

REPORT

See Item 6 on Page 191 of the Finance and Planning Committee.

2. **U. T. System Board of Regents: Approval to renew the contract with Deloitte & Touche, LLP, as the external auditor for the Fiscal Year 2010 audit of funds managed by The University of Texas Investment Management Company (UTIMCO)**

RECOMMENDATION

Mr. Charles Chaffin, Chief Audit Executive, recommends approval to renew the auditing services contract with Deloitte & Touche, LLP (Deloitte) to perform audits of the financial statements and audit the performance statistics for FY 2010 for the funds managed by The University of Texas Investment Management Company (UTIMCO) as listed below:

a. Permanent University Fund (PUF)

b. The University of Texas System General Endowment Fund (GEF)

c. Permanent Health Fund (PHF)

d. The University of Texas System Long Term Fund (LTF)

e. The University of Texas System Intermediate Term Fund (ITF)

The proposed Deloitte fees for the FY 2010 audit of funds managed by UTIMCO, including the performance statistics audit, are included on the next page with a comparison to the fees of the prior year's audit. In addition, out-of-pocket expense reimbursements in connection with the audit are not to exceed $65,000.

Deloitte Proposed Fees
UTIMCO Funds - year ended August 30, 2010

Entity	**2009 Fees**	**2010 Fees**	**Dollar Decrease**	**Percentage Decrease**
Permanent University Fund	223,000	213,000	10,000	(4.48%)
General Endowment Fund	175,000	170,000	5,000	(2.86%)
Permanent Health Fund	23,000	23,000	0	0
Long Term Fund	23,000	23,000	0	0
Intermediate Term Fund	133,000	130,000	3,000	(2.26%)
Performance Statistics	23,000	23,000	0	0
Total	600,000	582,000	18,000	(3.00%)

BACKGROUND INFORMATION

Fiduciary responsibility for the PUF, GEF, PHF, LTF, and ITF rests with the U. T. System Board of Regents. *Texas Education Code* Section 66.08(f) requires that the U. T. System provide for an annual financial audit of the PUF if the PUF is within the scope of funds managed by an external management corporation.

On July 11, 2007, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche, LLP, for one year with a right to renew in one-year increments for four additional years. The contract was renewed by the Board of Regents on February 7, 2008, and February 11, 2009. The original auditing services contract includes an option to audit and report on management's assessment of the internal controls over financial reporting.

3. U. T. System: Report on the Systemwide internal audit activities, including performance metrics used to evaluate the audit departments and the status of audits of financial controls at the institutional police departments; and Internal Audit Department report for U. T. Permian Basin

REPORT

Ms. Narita Holmes, Director of Audit and Compliance, U. T. Permian Basin, will report on the role of internal audit in the Southern Association of Colleges and Schools (SACS) accreditation review using a PowerPoint presentation set forth on Pages 56 - 65.

Mr. Charles Chaffin, Chief Audit Executive, will present the results of the FY 2009 Systemwide internal audit performance metrics. As part of the Systemwide internal audit activity's quality assurance and improvement program, an internal audit directors task force recommended the establishment of performance metrics in the four areas of Internal Audit Committee, Internal Audit Clients, Internal Audit Process, and Staff Resources/Competencies to consistently evaluate the audit departments at each of the institutions and System Administration on an annual basis. These performance metrics, including the specific tools used to measure them, were approved by the U. T. System Administration Internal Audit Committee, chaired by Chancellor Cigarroa, on September 8, 2009.

The System Audit Office submitted the performance metrics results, by institution, along with the mean, median, and range for academic institutions, health institutions, and all institutions (including System Administration) to the institutional internal audit director, president, and Internal Audit Committee chair (if not held by the president) for review and analysis. The internal audit directors, working with their president and/or Internal Audit Committee chair, were tasked to develop and submit an action plan in response to the metrics results. The plans, which build on the strengths and improve on the weaknesses identified, will be submitted to the appropriate Executive Vice Chancellor and Chief Audit Executive by January 31, 2010. The mean, median, and range results of the performance metrics follow on Page 66.

Mr. Chaffin will report on the implementation status of the recommendations made as a result of the financial controls audits of the institutional police departments.

Mr. Chaffin will also report on the implementation status of significant audit recommendations. The first quarter activity report on the Implementation Status of Outstanding Significant Findings/Recommendations is set forth on Pages 67 - 68. Satisfactory progress is being made on the implementation of all significant recommendations. Additionally, a list of other audit reports issued by the Systemwide audit program is on Page 69. The annual internal audit plan status as of October 31, 2009, follows on Page 70.

BACKGROUND INFORMATION

Significant audit findings/recommendations are tracked by the U. T. System Audit Office. Quarterly, chief business officers provide the status of implementation, which is reviewed by the internal audit directors. A quarterly summary report is provided to the Audit, Compliance, and Management Review Committee of the U. T. System Board of Regents. Additionally, Committee members receive a detailed summary of new significant findings and related recommendations quarterly.

THE UNIVERSITY OF TEXAS OF THE PERMIAN BASIN

Ms. Narita Holmes
Director of Audit and Compliance

U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
February 2010

THE UNIVERSITY OF TEXAS OF THE PERMIAN BASIN

Internal Audit Committee

- Dr. Chris Forrest, Vice President for Business Affairs and Chair
- Dr. W. David Watts, President
- Dr. William Fannin, Provost and Vice President for Academic Affairs
- Dr. Susan Lara, Vice President of Student Services
- Dr. Karen Smith, Interim Assistant Vice President for Research and Graduate Studies
- Ms. Linda Isham, Director of Human Resources
- Mr. Alex Castillo, Director of Accounting
- Mr. Rick Carlton, Banker, External Member

THE UNIVERSITY OF TEXAS OF THE PERMIAN BASIN

Internal Audit Department

- Ms. Narita K. Holmes, CPA, CIA, Director of Audit and Compliance
- Mr. Aaron Munoz, CIA, CGAP, Part-time Auditor II
- Vacant, Auditor I position to be split equally between audit and compliance (applications currently being accepted)
- Ms. Cristy Jones, Student Intern

    - Internal Audit issued seven reports in FY 2009

THE UNIVERSITY OF TEXAS OF THE PERMIAN BASIN

Internal Audit Reporting Structure

- Director reports directly to the president
- The Internal Audit Committee includes all members of executive management

THE UNIVERSITY OF TEXAS OF THE PERMIAN BASIN

High Risk Areas to be Audited in FY 2010

Institutional High Risk Areas

- Procurement Cards
- Cash Management and Handling

Compliance High Risk Areas

- Implementation of U. T. System policies regarding account reconciliation and monitoring (UTS 142.1)
- Grant Compliance
- Compliance with Information Security Standards (*Texas Administrative Code* Section 202)

THE UNIVERSITY OF TEXAS OF THE PERMIAN BASIN

Internal Audit External Quality Assurance Review

The most recent quality assurance review report was issued in September 2009. Areas identified for further improvement include:

- Set a time limit for management responses to audit recommendations
- Train department heads to ensure awareness of University policies and procedures
- Use Teammate software exclusively for audit work papers and include additional procedures for quality assurance
- Train audit staff on use of COGNOS software to extract information from the DEFINE accounting system
- Finalize revisions to audit charter and train the Internal Audit Committee on their responsibilities

Commission on Colleges of the Southern Association of Colleges & Schools (SACS)

- Responsible for the accreditation of degree-granting higher education institutions in 11 southern states, including Texas
- Undergoes a review by the U.S. Department of Education
- Ensures higher education institutions meet acceptable levels of quality
- Accreditation is a minimal requirement for the receipt of federal financial aid and research funds, transfer of credits, and recognition of degrees
- Accreditation must be periodically renewed

THE UNIVERSITY OF TEXAS OF THE PERMIAN BASIN

U. T. Permian Basin SACS Reaffirmation of Accreditation

Two-part process:

Off-site review:

- Certification and evidence of compliance with 89 standards

On-site review:

- Questions on compliance from off-site review committee
- Confirmation of 14 federal standards (e.g. student achievement, program curriculum, and recruitment materials)
- Evaluation of the university's Quality Enhancement Plan (institution's plan to enhance student learning)

THE UNIVERSITY OF TEXAS OF THE PERMIAN BASIN

Internal Audit Participation in SACS Reaffirmation

- Served on the SACS Compliance Committee to review all parts of the submittals for conformity with SACS requirements
- Chaired SACS compliance subcommittees to draft financial and governance sections
- Reviewed accuracy and completeness of documentation of SACS submittals
- Completed the financial audit for review by the Texas State Auditor’s Office
- Performed follow-up audit procedures on prior internal and external audit findings

THE UNIVERSITY OF TEXAS OF THE PERMIAN BASIN

U. T. Permian Basin SACS Reaffirmation Timeline

Spring 2007	U. T. Permian Basin reaffirmation teams appointed
September 2009	Compliance Certification and supporting documentation submitted
November 2009	Off-site review report received (U. T. Permian Basin compliant in 84 of the 89 standards)
February 2010	Quality Enhancement Plan (QEP) and Focus Report responding to off-site questions
April 2010	On-site visit
December 2010	Decision on reaffirmation
2015	Fifth-year report (QEP impact and federal standard compliance)

The mean, median, and range of the performance metrics results for all institutions, including U. T. System Administration are as follows.

Audit Committee[1]		
Mean	Median	Range
4.28	4.24	4.08 - 4.64

Audit Client[2]		
Mean	Median	Range
3.38	3.33	3.09 - 3.90

Audit Process[3]		
Mean	Median	Range
85%	87%	62% - 92%

Resources/ Competencies[4]		
Mean	Median	Range
71%	71%	38% - 100%

Legend

1. **Audit Committee:**
   Score was calculated using survey results based on a 5 point rating scale with equal weight given to each of the 15 questions. Surveys were administered and results were analyzed independently by the System Audit Office for the institutions and by the Office of the Board of Regents for the System Audit Office.

2. **Audit Client:**
   Score was calculated using survey results based on a 4 point rating scale with equal weight given to each of the 25 questions. Surveys were administered and results were analyzed independently by the System Audit Office for the institutions and by the Office of the Board of Regents for the System Audit Office.

3. **Audit Process *(Completion of FY 2009 Annual Audit Plan)***
   Percentage was calculated based on FY 2009 budgeted hours for priority audits completed compared to total FY 2009 priority audit hours, which were approved by the Board of Regents. See details below:
   - Full credit given for the Priority Budget if the project is complete, even if the number of hours is over or under budget.
   - Partial credit given for the Priority Budget if the project is in process at year-end, but never the full Priority Budget.
   - No credit is given if a project is not started, postponed, or cancelled.
   - The Priority Budget is reduced if the audit area is not ready for audit.
   - Substitutions are allowed if the Chancellor/President and/or Internal Audit Committee provides approval.

4. **Resources/Competencies:**
   Percentage was calculated based on number of audit staff members with at least one of the following certifications, as of August 31, 2009, compared to total number of audit staff members.
   - Certified Public Accountant (CPA)
   - Certified Internal Auditor (CIA)
   - Certified Information Security Auditor (CISA)

THE UNIVERSITY OF TEXAS SYSTEM
Implementation Status of Outstanding Significant Findings/Recommendations

U. T. SYSTEM AUDIT

Report Date	Institution	Audit	4th Quarter 2009 Ranking	4th Quarter 2009 # of Significant Findings	1st Quarter 2010 Ranking	1st Quarter 2010 # of Significant Findings	Targeted Implementation Date	Overall Progress Towards Completion (Note)
2007-06	UTARL	Implementation Progress of UTS163: Guidance on Effort Reporting Policies		1		0	10/31/2009	Implemented
2008-01	UTARL	Systems Security Audit		1		1	12/31/2009	Satisfactory
2009-07	UTARL	Digital Research Data Audit				1	1/31/2010	Satisfactory
2009-08	UTARL	Campus Security/Emergency Preparedness Audit				0	10/31/2009	Implemented
2007-06	UTAUS	UTS163: Guidance on Effort Reporting Policies		1		1	4/30/2010	Satisfactory
2008-08	UTB	UTS165: Protecting the Confidentiality and Integrity of Digital Research Data Follow Up		1		1	4/1/2010	Satisfactory
2009-02	UTB	2008 Physical Plant Audit		1		1	3/1/2010	Satisfactory
2009-02	UTB	Fiscal Year 2008 Student Fees Audit		1		1	3/1/2010	Satisfactory
2009-02	UTB	2008 Special Request - International Technology Education Commerce Campus Lease Agreements		3		0	12/16/2009	Implemented
2007-01	UTD	Annual Financial Report Audit		1		0	11/6/2009	Implemented
2009-07	UTD	Unix		1		1	6/1/2010	Satisfactory
2007-02	UTEP	Campus-wide Information Technology Applications		2		0	11/30/2009	Implemented
2007-11	UTEP	Decentralized Server Security		1		0	11/30/2009	Implemented
2008-05	UTEP	University Residence Life-Miner Village		1		0	12/31/2009	Implemented
2009-11	UTEP	Annual Financial Reporting 2008-2009				1	3/31/2010	Satisfactory
2008-01	UTPA	Confidentiality of Social Security Numbers		1		0	10/30/2009	Implemented
2008-12	UTPA	Fiscal Year 2008 Annual Financial Report Audit		1		0	11/30/2009	Implemented
2009-11	UTPA	Fiscal Year 2009 Annual Financial Report Audit				0	1/4/2010	Implemented
2008-08	UTPB	Fiscal Year 2007 Annual Financial Report Audit		1		0	11/30/2009	Implemented
2008-12	UTPB	Fiscal Year 2008 Annual Financial Report Audit		3		0	11/30/2009	Implemented
2009-03	UTSA	Banner User Access (Security)		1		1	12/31/2010	Satisfactory
2008-09	UTSA	Information Technology Change Management Audit		1		1	8/31/2010	Satisfactory
2008-09	UTT	Fiscal Year 2008 State and Federal Grant Awards		1		1	8/31/2009 *	Satisfactory
2008-11	UTT	Fiscal Year 2008 Annual Financial Report Audit		1		1	6/30/2010	Satisfactory
2008-12	UTT	Enrollment Management Department		3		0	12/31/2009	Implemented
2009-03	UTT	College of Business and Technology - Office of Dean and Assistant Dean		3		0	12/31/2009	Implemented
2009-04	UTT	Audit of Cash Handling Procedures		2		2	5/31/2010	Satisfactory
2009-06	UTT	Human Resource Development and Technology		4		4	7/31/2009 *	Satisfactory
2009-08	UTT	University Police Department		1		1	12/31/2009	Satisfactory
2009-03	UTT	Department of Communications				1	1/31/2010 *	Satisfactory
2008-05	UTMB - Galveston	Information Systems Change Management Process		2		2	8/31/2010	Satisfactory
2008-05	UTMB - Galveston	Information Security Action Plan		2		2	2/28/2010	Satisfactory
2008-08	UTMB - Galveston	Data Retention and Records Management		3		0	11/30/2009	Implemented
2009-02	UTHSC - Houston	Medical Service, Research, and Development Plan Audit		1		0	11/30/2009	Implemented
2009-07	UTHSC - San Antonio	Cash Handling/Participant Reimbursement Accounts Audit		3		2	5/31/2010	Satisfactory

Information Received from Internal Audit Directors and Chief Business Officers
Consolidated by: System Audit Office
December 2009

THE UNIVERSITY OF TEXAS SYSTEM
Implementation Status of Outstanding Significant Findings/Recommendations

Report Date	Institution	Audit	4th Quarter 2009 Ranking	4th Quarter 2009 # of Significant Findings	1st Quarter 2010 Ranking	1st Quarter 2010 # of Significant Findings	Targeted Implementation Date	Overall Progress Towards Completion (Note)
2009-08	UTHSC - San Antonio	Change in Management - Police Audit		2		2	1/5/2010	Satisfactory
2001-08	UTMDACC - Houston	Lotus Notes Environment		1		0	5/31/2009	Implemented
2007-06	UTMDACC - Houston	Conflict of Interest		1		1	2/28/2010	Satisfactory
2007-09	UTMDACC - Houston	Maintenance and Security of Biological Research Materials		1		1	8/31/2009 *	Satisfactory
2007-10	UTMDACC - Houston	Research Compliance Design Review		1		1	11/30/2009 *	Satisfactory
2008-05	UTMDACC - Houston	Clinical Trial Research		1		1	2/28/2010	Satisfactory
2009-03	UTMDACC - Houston	Spirit of Sarbanes-Oxley		1		0	8/31/2009	Implemented
2009-03	UTMDACC - Houston	Wireless and Firewall Remote Access Security Assessment		4		4	8/31/2012	Satisfactory
2009-03	UTMDACC - Houston	A Review of Patch Management		1		1	11/30/2009 *	Satisfactory
2009-03	UTMDACC - Houston	A Review of Performance and Capacity Monitoring		4		4	8/31/2009 *	Satisfactory
2009-05	UTMDACC - Houston	Business Continuity Plan Review		1		1	2/28/2010	Satisfactory
2005-12	UTSYS ADM	System - wide Financial Audit Fiscal Year 2005		1		1	9/1/2010	Satisfactory
2006-06	UTSYS ADM	UTIMCO Institutional Investment and Compliance Audits		1		1	12/31/2009**	Satisfactory
2008-08	UTSYS ADM	FileNet Audit		1		0	12/30/2009	Satisfactory
2008-12	UTSYS ADM	Fiscal Year 2008 Consolidated Annual Financial Report		1		0	12/1/2009	Implemented
2009-03	UTSYS ADM	UT Federation Operating Practices and Procedures		1		0	12/31/2009 *	Implemented
		Totals		72		44		

STATE AUDITOR'S OFFICE AUDITS

Report Date	Institution	Audit	4th Quarter 2009 Ranking	4th Quarter 2009 # of Significant Findings	1st Quarter 2010 Ranking	1st Quarter 2010 # of Significant Findings	Targeted Implementation Date	Overall Progress Towards Completion (Note)
2009-03	UTPB	Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2008		1		1	3/31/2010	Satisfactory
2009-02	UTHSC - San Antonio	Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2008		1		0	10/31/2009	Implemented
2009-08	UTSWMC - Dallas	Campus Security Emergency Management Plans Audit		4		3	12/31/2010	Satisfactory
2007-05	UTSYS ADM	Charity Care at Health-Related Institutions		1		1	10/31/2010	Satisfactory
		Totals		7		5		

Color Legend:

Either a new significant finding for which corrective action will be taken in the subsequent quarter or a previous significant finding for which no/limited progress was made towards implementation.

Significant finding for which substantial progress towards implementation was made during the quarter that the significant finding was first reported.

Significant finding for which substantial progress towards implementation was made during the quarter.

Significant finding was appropriately implemented during the quarter and will no longer be tracked.

Note: ***Implemented*** - The Internal Audit Director deems the significant finding has been appropriately addressed/resolved and should no longer be tracked.
Satisfactory - The Internal Audit Director deems that the significant finding is in the process of being addressed in a timely and appropriate manner.
Unsatisfactory - The Internal Audit Director deems that the significant finding is not being addressed in a timely and appropriate manner.

* Recommendation deemed to be implemented per management and awaiting verification and validation by internal audit.

** Revised implementation to be determine, pending approval of U. T. System Administration Internal Audit Committee.

Information Received from Internal Audit Directors and Chief Business Officers
Consolidated by: System Audit Office
December 2009

OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 9/2009 through 11/2009	
Institution	**Audit**
UTARL	Profile and Partnership Information Technology Audit
UTARL	Fiscal Year 2009 Annual Financial Report Audit
UTARL	President's Travel, Entertainment, and Housing Expenditures Audit
UTAUS	Laboratory Safety
UTAUS	Technology Workforce Development Program Grants
UTAUS	Information Management - University Development Office
UTAUS	Encryption
UTAUS	Change in Management - School of Law
UTAUS	Purchasing Contracts
UTAUS	Gift Administration Campus-wide - University Development Office
UTAUS	Student Fees
UTAUS	Travel, Entertainment, and Housing Expenditures - Office of the President
UTB	Fiscal Year 2009 Audit of Distance Education
UTB	Fiscal Year 2009 Audit of UTS166: Cash Management and Cash Handling
UTB	Fiscal Year 2009 Audit of the Institutional Review Board (IRB)
UTB	Fiscal Year 2009 Audit of the College of Education
UTD	Lena Callier Trust
UTD	Texas Schools Project
UTD	Annual Financial Report
UTEP	Accounts Payable
UTPA	Procurement Card
UTPA	Student Fees
UTPB	President's Travel and Entertainment
UTSA	Research/Service Centers and Institutes
UTSA	President's Travel, Entertainment, and Housing Expenses
UTSA	Fiscal Year 2009 Annual Financial Report
UTTY	President's Office - Travel and Entertainment
UTSMC - Dallas	University of Texas Southwestern University Police
UTSMC - Dallas	Core Labs/Recharge Centers
UTMB - Galveston	General Computing Controls
UTMB - Galveston	Managed Care Review
UTMB - Galveston	Healthcare Workforce Management
UTMB - Galveston	School of Health Professions Support Services Review
UTHSC - San Antonio	Annual Financial Review Audit 2010
UTMDACC - Houston	Job Order Contracts Research and Education Facilities
UTMDACC - Houston	Effort Certification and Reporting Technology (ECRT) System Post-Implementation
UTMDACC - Houston	Faculty Academic Affairs and the VISA Office I-9 Compliance
UTMDACC - Houston	President's Housing, Travel and Entertainment
UTHSC - Tyler	Presidential Travel and Entertainment Audit for the Fiscal Year Ended August 31, 2009
UTSYS ADM	Chancellor's Travel, Entertainment, and Housing Expenses Audit
UTSYS ADM	Office of the Director of Police Operations Review
UTSYS ADM	UTIMCO Chief Executive Officer/Chief Investment Officer Expenses Audit
UTSYS ADM	UTIMCO Follow-Up Audit
UTSYS ADM	University Lands Oil and Gas Company Audit - Pioneer Natural Resources
UTSYS ADM	System Administration Hosted Conferences Audit
UTSYS ADM	Office of Real Estate Departmental Audit
UTSYS ADM	UT El Paso President’s Travel, Entertainment, and Housing Audit
UTSYS ADM	UT Southwestern Medical Center President’s Travel and Entertainment Expenses Audit
UTSYS ADM	UT Medical Branch at Galveston President's Travel, Entertainment, Housing Expense Audit
UTSYS ADM	System Administration Fiscal Year 2009 Annual Financial Report Audit
UTSYS ADM	Office of Facilities Planning and Construction Follow-Up Audit

STATE AUDITOR'S OFFICE AUDIT REPORTS RELEASED 9/2009 THROUGH 11/2009	
Institution	**Audit**
UTSA	State-funded Student Financial Aid Programs

U. T. Systemwide FY 2010 Annual Internal Audit Plan Status
As of October 31, 2009

	Financial	Operational	Compliance	Information Technology	Follow-up	Projects	Total Actual Hours (*Note 1*)	Total Priority Budget Hours (*Note 2*)	Variance (Hours)	Percentage Completion
U. T. System Administration	1,363	1,433	9	423	198	892	4,318	18,005	13,687	**24%**
Large Institutions:										
U. T. Austin	593	677	262	566	75	610	2,783	14,225	11,443	**20%**
U. T. Southwestern	1,278	755	444	9	42	768	3,296	14,510	11,214	**23%**
U. T. Medical Branch at Galveston	657	243	47	455	50	222	1,674	6,845	5,171	**24%**
U. T. HSC - Houston	1,543	148	14	24	2	65	1,795	8,050	6,255	**22%**
U. T. HSC - San Antonio	1,198	-	59	280	70	282	1,889	7,480	5,591	**25%**
U. T. MDA Cancer Center	434	910	566	-	81	254	2,245	13,080	10,836	**17%**
Subtotal	**5,703**	**2,734**	**1,391**	**1,333**	**320**	**2,201**	**13,681**	**64,190**	**50,509**	**21%**
Mid-size Institutions:										
U. T. Arlington	867	-	21	65	42	304	1,299	5,660	4,362	**23%**
U. T. Brownsville	551	-	75	-	25	46	697	3,700	3,003	**19%**
U. T. Dallas	1,115	137	160	13	-	57	1,481	5,030	3,549	**29%**
U. T. El Paso	792	362	106	180	204	242	1,886	8,790	6,904	**21%**
U. T. Pan American	913	91	55	-	31	123	1,212	5,640	4,429	**21%**
U. T. San Antonio	738	188	54	188	78	268	1,514	6,780	5,266	**22%**
Subtotal	**4,976**	**777**	**470**	**446**	**380**	**1,040**	**8,088**	**35,600**	**27,512**	**23%**
Small Institutions:										
U. T. Permian Basin	71	316	-	-	-	2	389	2,200	1,811	**18%**
U. T. Tyler	243	110	72	11	32	62	529	2,568	2,039	**21%**
U. T. HSC at Tyler	806	-	-	-	14	52	872	3,238	2,366	**27%**
Subtotal	**1,120**	**426**	**72**	**11**	**46**	**116**	**1,790**	**8,006**	**6,216**	**22%**
TOTAL	**11,799**	**3,936**	**1,933**	**1,790**	**746**	**3,356**	**23,559**	**107,796**	**84,237**	**22%**
Percentage of Total	**50%**	**17%**	**8%**	**8%**	**3%**	**14%**	**100%**			

NOTE 1:

"Total Actual Hours" are total actual hours for the two months from 9/1/09 through 10/31/09, which represents approximately 17**%** of the audit plan year.

NOTE 2:

"Total Priority Budget Hours" reflect budgeted hours approved by ACMR for priority projects. These hours are approximately 80-85% of total budget hours.

4. **U. T. System: Report on the institutional compliance work plan for FY 2010 at U. T. Southwestern Medical Center – Dallas**

REPORT

Mr. Dieter Lehnortt, Assistant Vice President and Institutional Compliance Officer, U. T. Southwestern Medical Center – Dallas, will present an overview of the institutional compliance work plan following a PowerPoint presentation on Pages 72 – 78.

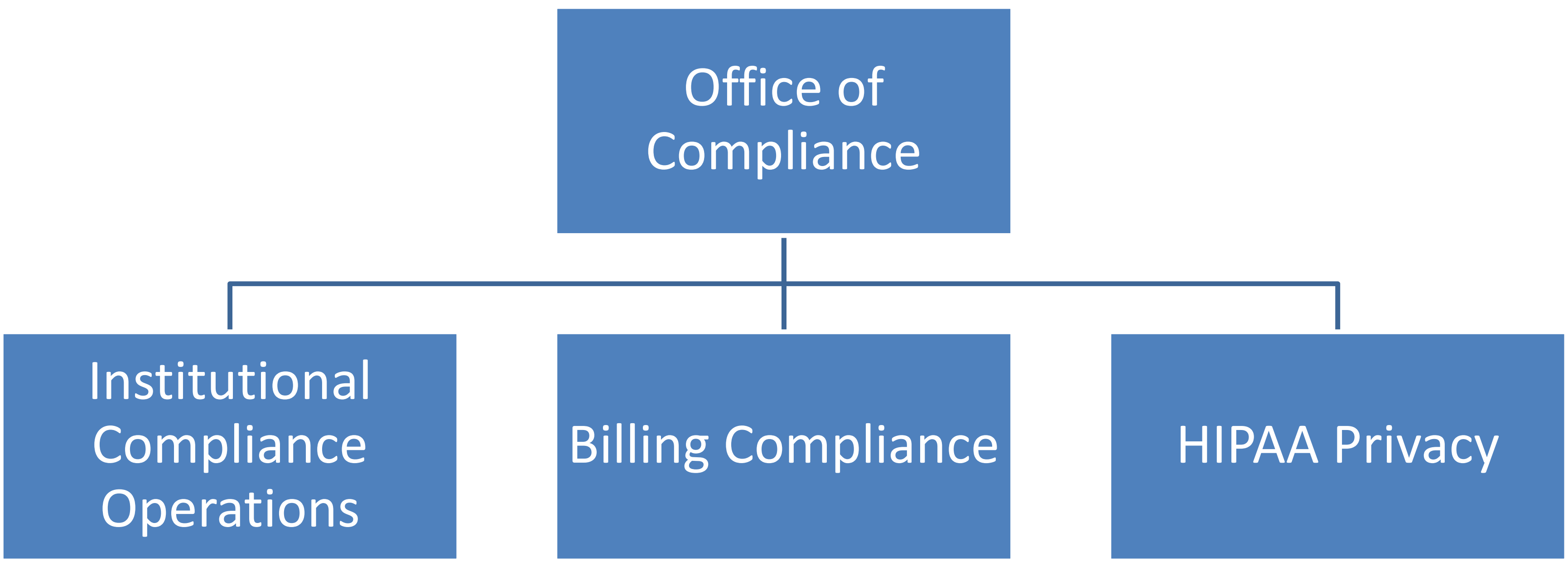
UT SOUTHWESTERN MEDICAL CENTER

Office of Compliance Work Plan – FY 2010

Presenter: Dieter A. Lehnortt, Assistant Vice President and Institutional Compliance Officer

The University of Texas System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
February 2010

Office of Compliance Work Plan – FY 2010
U. T. Southwestern Medical Center – Dallas



Office of Compliance Work Plan – FY 2010
U. T. Southwestern Medical Center – Dallas

- Work Plan includes anticipated activities for the three offices that comprise the Office of Compliance
  - Institutional Compliance Operations
  - Billing Compliance (Medical)
  - HIPAA Privacy
- Work Plan includes common compliance activities
  - Annual risk assessment
  - Ongoing critical risk assurance reviews
  - Ongoing awareness, education/training, and communications programs
- Work Plan also includes a number of specialized projects/activities
  - Standards of Conduct Guide revisions
  - Follow-up to Compliance Awareness and Perception Survey
  - Increased effort to more effectively collaborate on compliance issues with affiliated hospitals

Office of Compliance Work Plan – FY 2010
U. T. Southwestern Medical Center – Dallas

- Work Plan will be reviewed and approved by the Executive Compliance Committee each year
- Work Plan will assist the Office of Compliance in identifying and establishing compliance project priorities for the fiscal year
- Work Plan will serve as a tool to assist the Office of Compliance, as well as the Executive Compliance Committee, in tracking project status
- Work Plan will be helpful in providing the U. T. Systemwide Compliance Office with useful information about local compliance priorities, related activities, and status

Office of Compliance Work Plan – FY 2010
U. T. Southwestern Medical Center – Dallas

- Institutional Compliance Operations Work Plan Items
  - Conduct critical risk assurance reviews
  - Perform annual compliance risk assessment
  - Conduct compliance awareness, education, and communications programs
  - Revise the Standards of Conduct Guide
  - Continue to identify compliance awareness gaps using last year’s Compliance Awareness and Perception Survey, and develop appropriate mechanisms to address these gaps
  - Identify opportunities to work collaboratively with our affiliated hospital partners on compliance issues of mutual concern
  - Identify and develop needed compliance policies

Office of Compliance Work Plan – FY 2010
U. T. Southwestern Medical Center – Dallas

- Billing Compliance Work Plan Items
  - Continue developing Recovery Audit Contractor (RAC) program
  - Continue developing clinical research billing compliance program
  - Conduct annual Practice Plan billing compliance risk assessment
  - Conduct annual University Hospitals billing compliance risk assessment
  - Continue conducting formal billing compliance reviews of Practice Plan and University Hospitals coding and billing activities
  - Continue development of online/internet-based billing compliance training programs
  - Continue identifying billing compliance policy gaps, and identify most appropriate mechanism for addressing these gaps

Office of Compliance Work Plan – FY 2010
U. T. Southwestern Medical Center – Dallas

- HIPAA Privacy Office Work Plan Items
  - Continue to develop appropriate policies and procedures to ensure U. T. Southwestern compliance with the federal Health Information Technology for Economic and Clinical Health (HITECH) Act HIPAA provisions
  - Conduct annual HIPAA Privacy risk assessment
  - Continue to perform risk assurance reviews in identified clinical/hospital areas
  - Continue to review existing U. T. Southwestern policies and make needed changes to update these policies
  - Continue to work with appropriate internal communications staff to develop better awareness of the HIPAA Privacy program, as well as related HIPAA Privacy requirements

5. U. T. System: Report on the Systemwide Information Security Program Index

REPORT

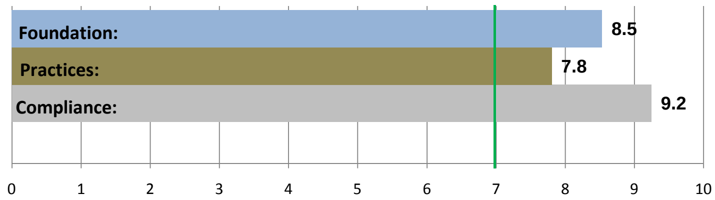
Mr. Lewis Watkins, Chief Information Security Officer, will report on the Systemwide Information Security Program Index (ISPI) that was developed and deployed in 2009 to assess the effectiveness of the U. T. System institutional information security programs.

The ISPI is an assessment framework and process to facilitate understanding of the state of the U. T. System institutional information security programs. The ISPI is comprised of 30 measures that cover three broad components of the U. T. System information security programs: foundation, practices, and compliance. The ISPI's primary purpose is to facilitate discussion among information security staff and executive leadership to support program planning and continuous improvement.

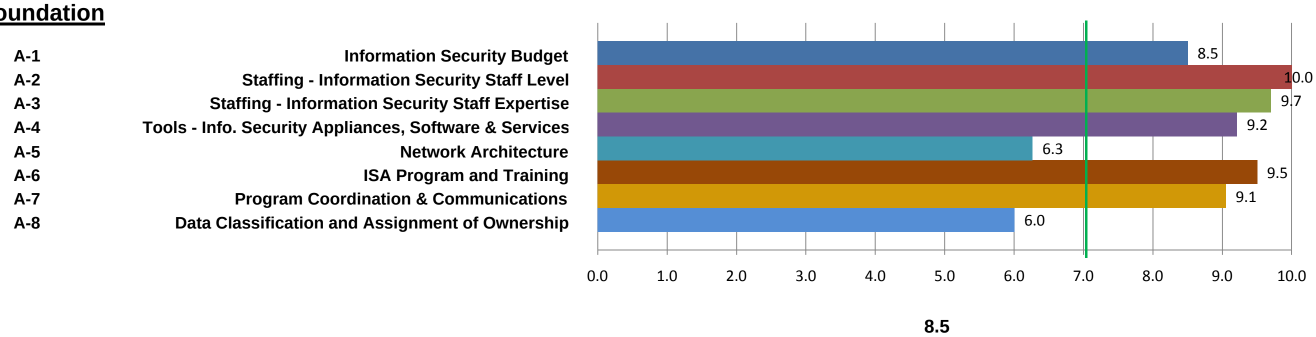
An example of the Information Security Program Index is on Page 80 and an ISPI FAQ is on Page 81.

U. T. System Information Security Program Index

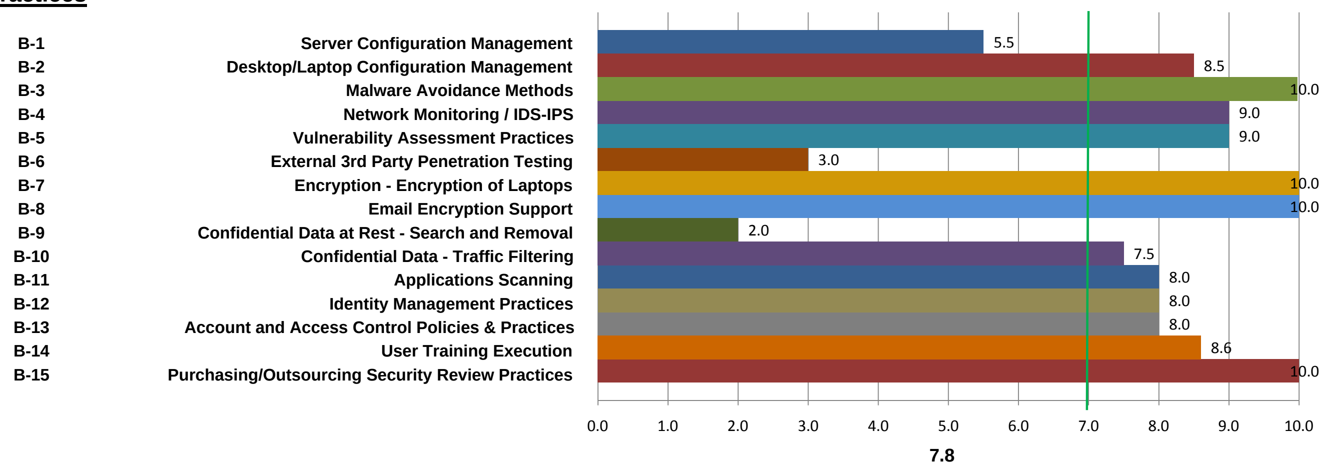
University of Texas at Example



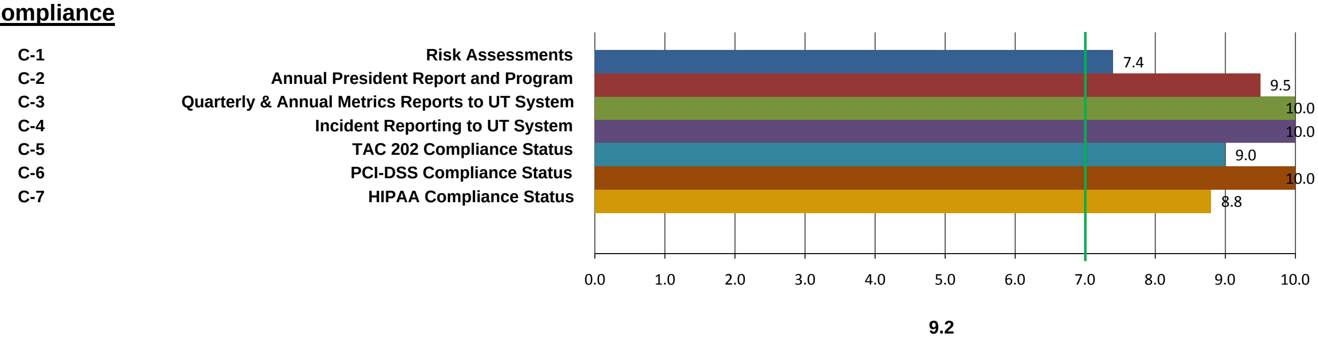
Foundation



Practices



Compliance



The University of Texas System
Information Security Program Index
Frequently Asked Questions (FAQ)

1. What is the Information Security Program Index?

The Information Security Program Index (ISPI) is a structured method for assessing and reporting the state of an institution's information security program. It consists of thirty individual metrics and three summary metrics regarding important aspects of an institution's information security program. For each metric specific assessment criteria have been defined so that each metric can be scored on a scale of 0 to 10 with a score of 7 or higher being the target for each metric.

2. What is the purpose of the ISPI and who is it for?

Its purpose is to facilitate understanding of security program strengths, weaknesses, and trends. It supports the planning process and helps leadership stay informed about levels of compliance with security policies and government regulations. ISPI reports are used as a tool for focusing discussion during briefings of the Chancellor and the U. T. Systemwide Executive Compliance Committee.

Each institutional chief information security officer is encouraged to use its ISPI report to inform the President and appropriate executive management about the state of the institution's security program. ISPI reports also provide input for consideration when developing an institution's annual information security action, training, and monitoring plans.

3. How is the ISPI assessment performed?

This is a collaborative process that takes place through discussion among staff from The University of Texas System Office of Information Security Compliance and the institutional chief Information security officer and staff. In scoring, data from quarterly and annual reports submitted by U. T. institutions to U. T. System is considered along with other information provided by the institution.

4. How often is scoring performed?

At a minimum, all metrics are to be updated annually for each institution. However, scores may be updated more frequently based on information provided through the quarterly reports submitted to U. T. System. Also, scores may be updated at any time a material change occurs that affects a particular metric. For example, the completion of a security project, such as deployment of configuration management, may cause a significant change in the institution's current state of security. Such changes should be acknowledged immediately so that the current state of the institution's security program is accurately reflected in any ISPI reports generated.

TABLE OF CONTENTS
FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 2/4/2010

Board Meeting: 2/5/2010
Dallas, Texas

Paul Foster, Chairman
Printice L. Gary
Wm. Eugene Powell
Robert L. Stillwell

1. **<u>U. T. System: Discussion and appropriate action related to approval of *Docket No. 141*</u>**

<u>RECOMMENDATION</u>

It is recommended that *Docket No. 141* be approved. The Docket is on green paper behind the Docket tab.

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>U. T. System: Approval of the Fiscal Year 2011 Budget Preparation Policies and Calendar</u>**

<u>RECOMMENDATION</u>

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, and in consultation with Vice Chairman Foster and Regent Hicks pursuant to the December 9, 2009 directive by Chairman Huffines to work with the Chancellor on reviewing the U. T. System Administration budget, the Chancellor recommends that the U. T. System Board of Regents approve the Budget Preparation Policies as set out below and the Calendar on Page 85 for use in preparing the Fiscal Year 2011 Operating Budget.

<u>U. T. System Fiscal Year 2011 Budget Preparation Policies</u>

General Guidelines - The regulations and directives included in the General Appropriations Act enacted by the 81st Texas Legislature serve as the basis for these guidelines and policies. In preparing the draft of the FY 2011 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 Chancellor 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 activities, strategic competitive investments, and reserves in preparation for potential future financial shortfalls.

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.

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 2011 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. For FY 2011, no balance usage can 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 Associate Vice Chancellor - Controller and Chief Budget Officer.

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

   To be eligible for a merit increase on September 1, 2010, administrative and professional staff and classified staff must have been employed by the institution for at least six consecutive months ending August 31, 2010, 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. Subject to guidance issued by the Chancellor, such increases should be noted and explained in the supplemental data accompanying the budget.

4. 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.

5. Reporting - The Chancellor will issue guidance on reporting of salary changes and amounts. It is expected that required reports will encompass high-ranking staff covered by Regents' *Rules and Regulations*, Rules 20203 and 20204 along with those staff receiving significant changes in compensation.

   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. The Chancellor will issue instructions regarding the implementation of the benefits into the budget process.

   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.

BACKGROUND INFORMATION

The U. T. System FY 2011 Budget Preparation Policies are consistent with the regulations and directives included in the General Appropriations Act enacted by the 81st Texas Legislature. As written, this policy provides general direction to the U. T. System institutions.

THE UNIVERSITY OF TEXAS SYSTEM
FY 2011 OPERATING BUDGET CALENDAR

February 5, 2010	U. T. System Board of Regents takes appropriate action on budget preparation policies
March 31 - April 9, 2010	Major goals, priorities, and resource allocation hearings with U. T. System Administration
May 10, 2010	Draft budget documents due to U. T. System
May 12 - 18, 2010	Technical budget review with U. T. System
June 1, 2010	Final budget documents due to U. T. System
June 28, 2010	High-ranking staff covered by Regents' Rules 20203 and 20204 and Top Ten salary reports due to U. T. System
July 14 - 15, 2010	U. T. System Board of Regents' Special Compensation Committee to review Presidents and Executive Officers compensation
July 23, 2010	Operating Budget Summaries mailed to the U. T. System Board of Regents
August 12, 2010	U. T. System Board of Regents takes appropriate action on Operating Budget and Presidents and Executive Officers compensation
August 13, 2010	Salary change report due to U. T. System

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

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report as set forth on Pages 87 - 94 that follow, and the December Monthly Financial Report on Pages 95 - 119. The reports represent the consolidated and individual operating results of the U. T. System institutions.

The Key Financial Indicators Report compares the Systemwide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2006 through November 2009. Ratios requiring balance sheet data are provided for Fiscal Year 2005 through Fiscal Year 2009.

The Monthly Financial Report is provided as support for the Key Financial Indicators. The Report includes the detailed numbers behind the Operating Margin by Institution graph as well as detail for each individual institution as of December 2009.

THE UNIVERSITY OF TEXAS SYSTEM

KEY FINANCIAL INDICATORS REPORT

1ST QUARTER FY 2010

KEY

Actual Annual Amounts
(SOURCE: Annual Financial Reports)

Adjustment to Actual Annual Amounts to exclude the Increase in Net OPEB Obligation
(SOURCE: Annual Financial Reports)

Budget amounts
(SOURCE: Operating Budget Summary)

Projected Amounts based on the average change of the previous three years of data

Monthly Financial Report Year-to-Date Amounts

Annual State Net Revenue Collections
(SOURCE: Texas Revenue History by Source and Texas Net Revenue by Source, State Comptroller's Office)

Year-to-Date State Net Revenue Collections
(SOURCE: State Comptroller's Office)

Estimated State Revenue Collections
(SOURCE: Biennial Revenue Estimate, State Comptroller's Office)

Annual and Quarterly Average of FTEs
(SOURCE: State Auditor's Office Quarterly FTE Report)

Year-to-Date Margin
(SOURCE: Monthly Financial Report)

Projected Amounts from current month projections

Year-to-Date Margin
(SOURCE: Monthly Financial Report)

Target Normalized Rates

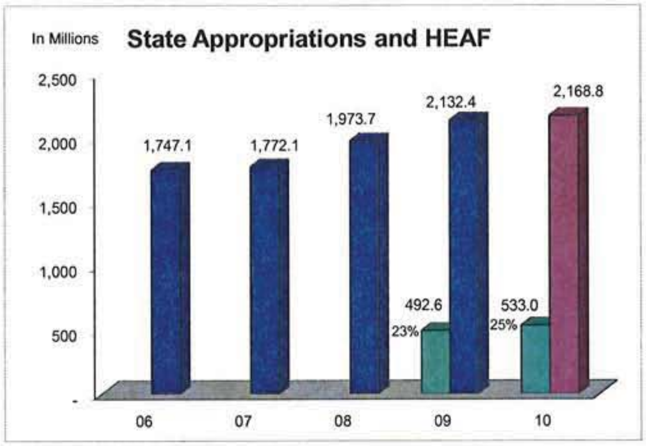
Aaa/Aa1 Median
(SOURCE: Moody's)

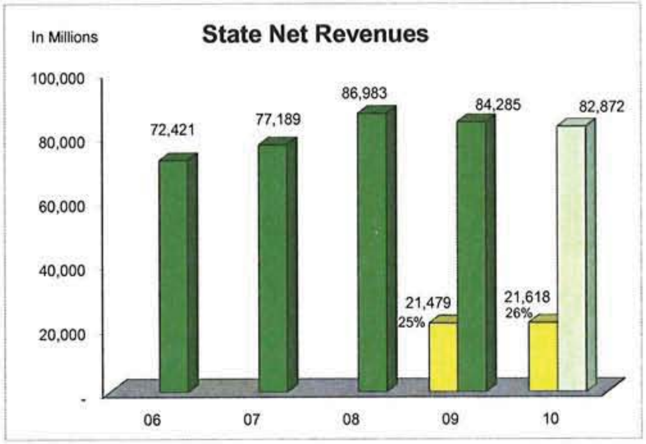
A2 Median
(SOURCE: Moody's)

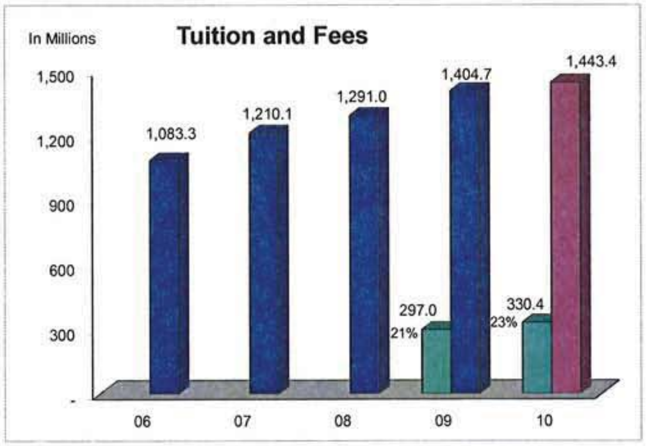
Good Facilities Condition Index (Below 5%)

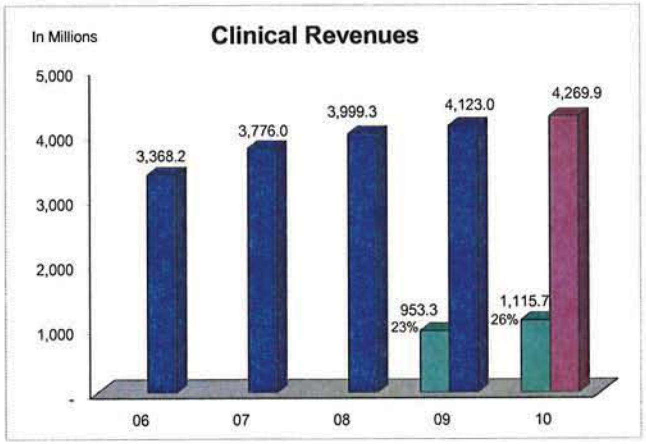
Fair Facilities Condition Index (5% - 10%)

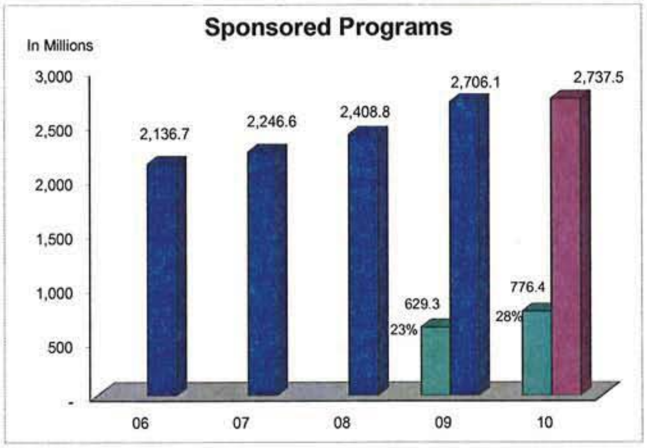
KEY INDICATORS OF REVENUES
ACTUAL 2006 THROUGH 2009
PROJECTED 2010
YEAR-TO-DATE 2009 AND 2010 FROM NOVEMBER MONTHLY FINANCIAL REPORT

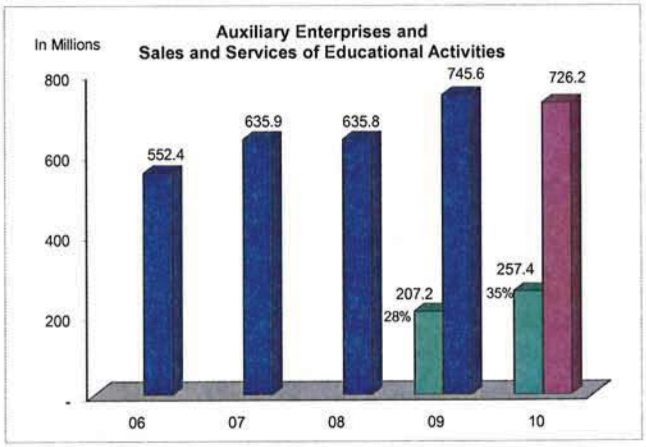


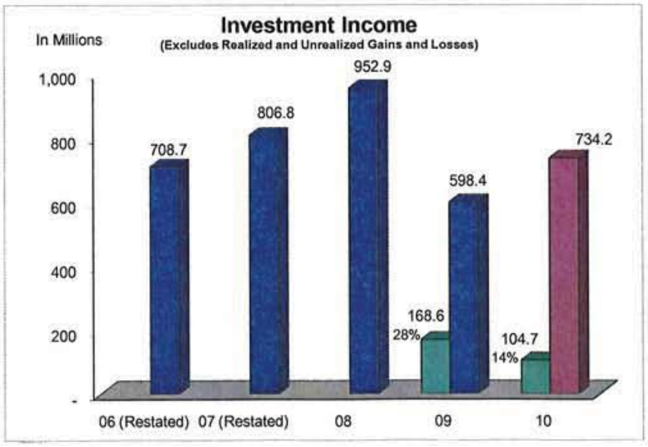


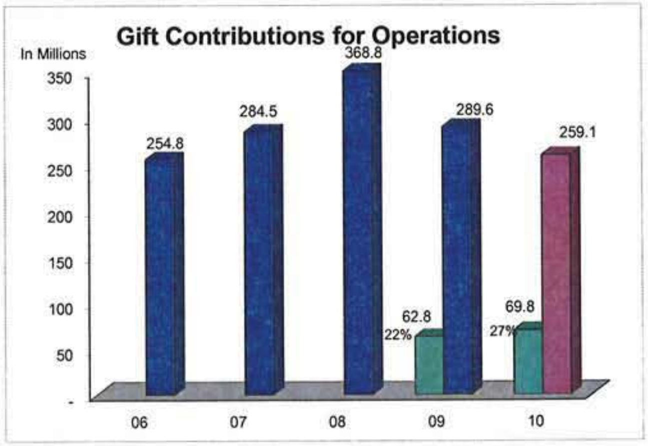




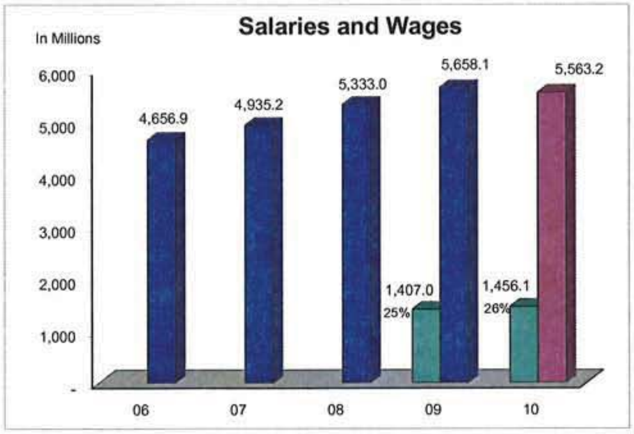


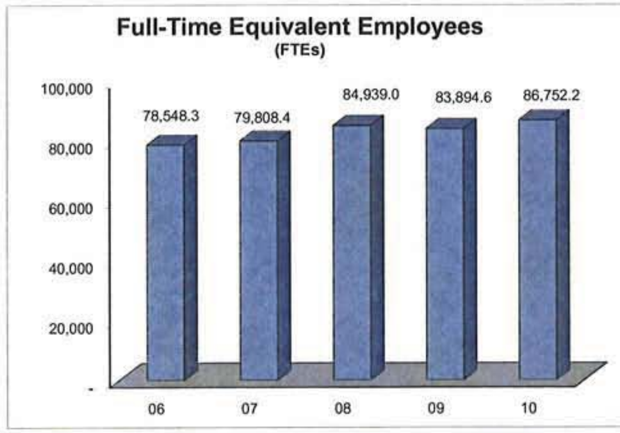


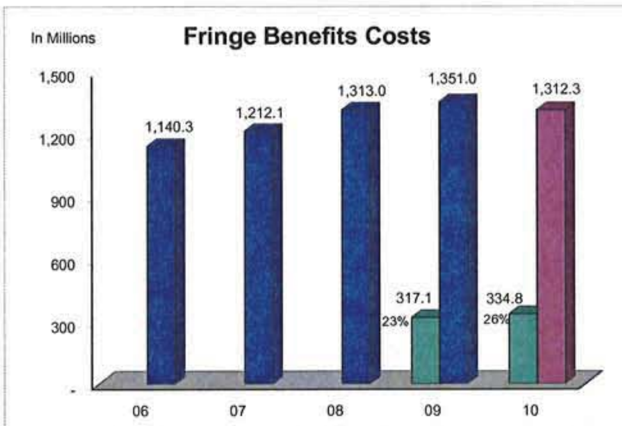


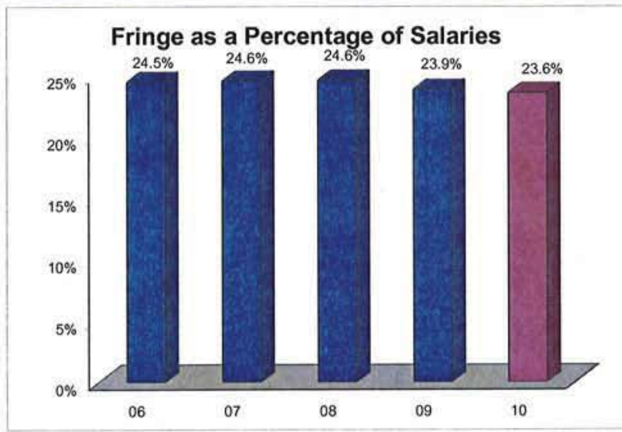


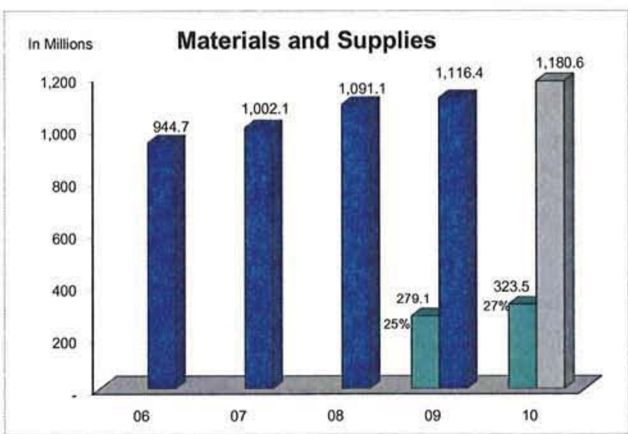
KEY INDICATORS OF EXPENSES
ACTUAL 2006 THROUGH 2009
PROJECTED 2010
YEAR-TO-DATE 2009 AND 2010 FROM NOVEMBER MONTHLY FINANCIAL REPORT

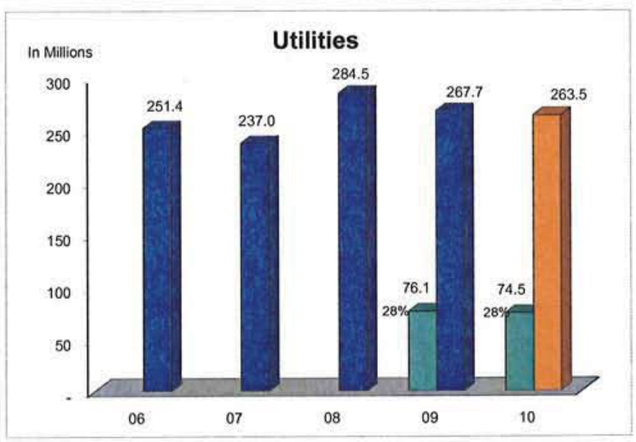


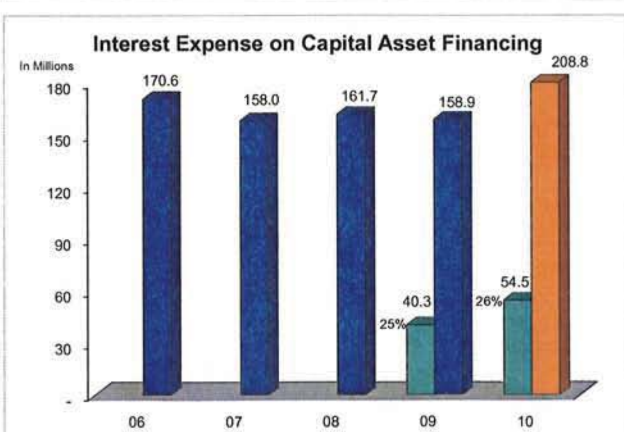


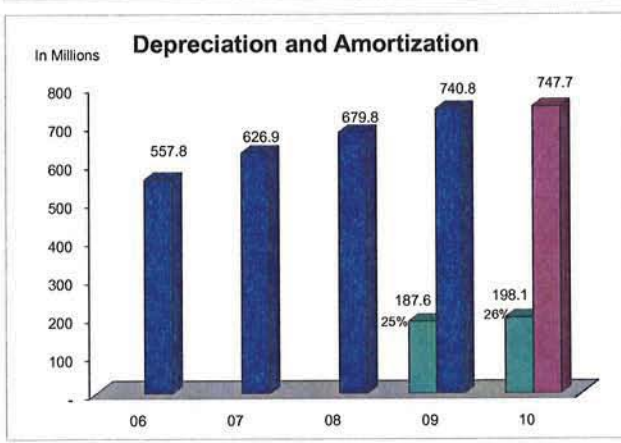




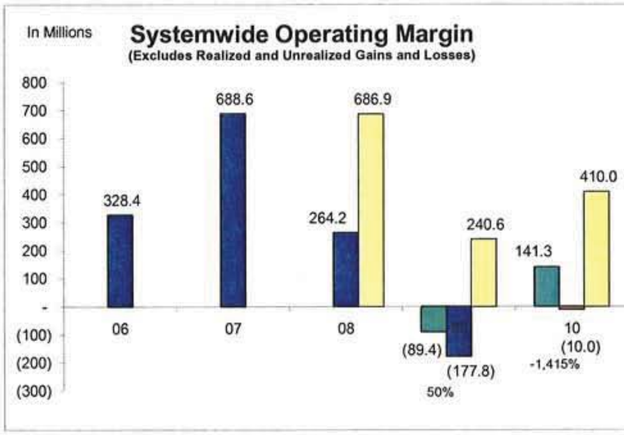


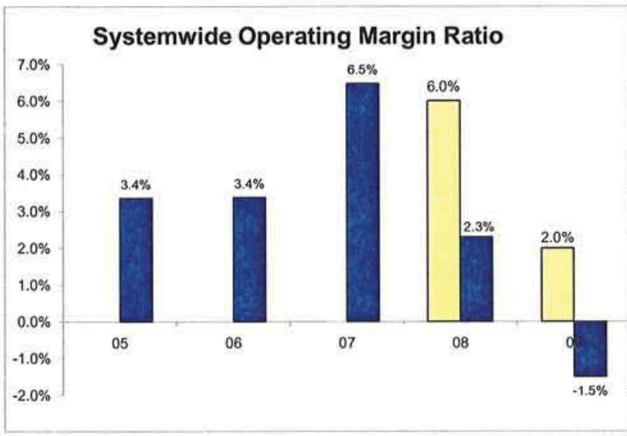


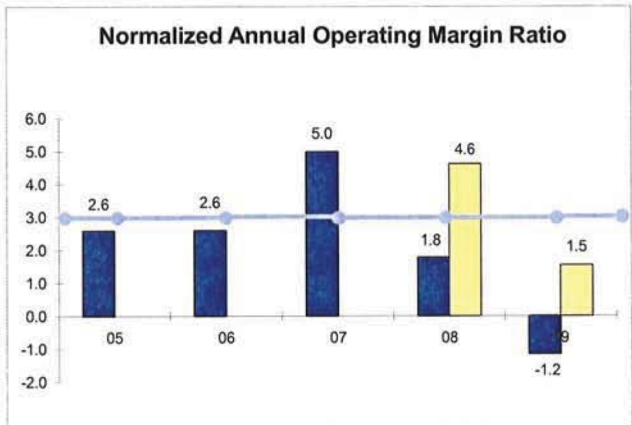


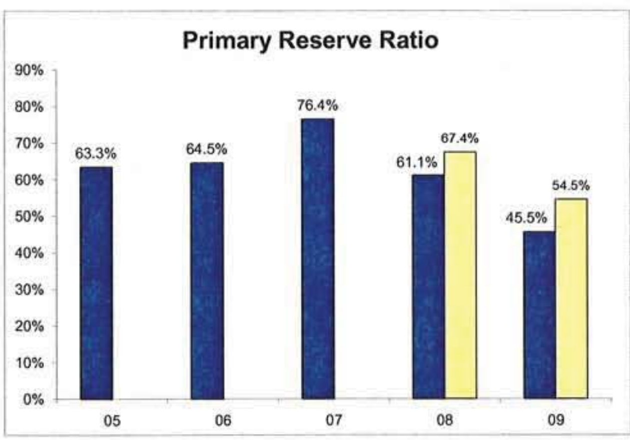


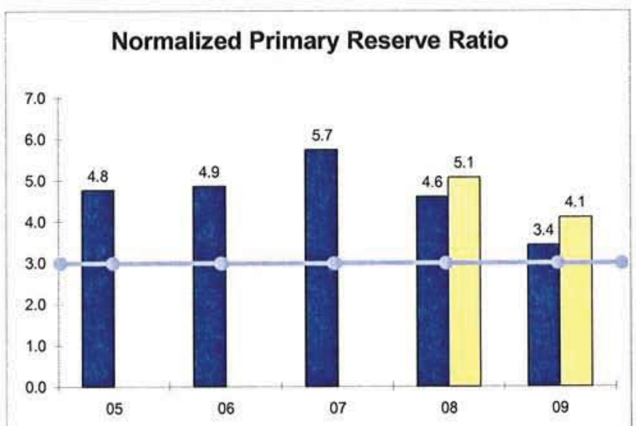
KEY INDICATORS OF RESERVES
ACTUAL 2005 THROUGH 2009
PROJECTED 2010
YEAR-TO-DATE 2009 AND 2010 FROM NOVEMBER MONTHLY FINANCIAL REPORT

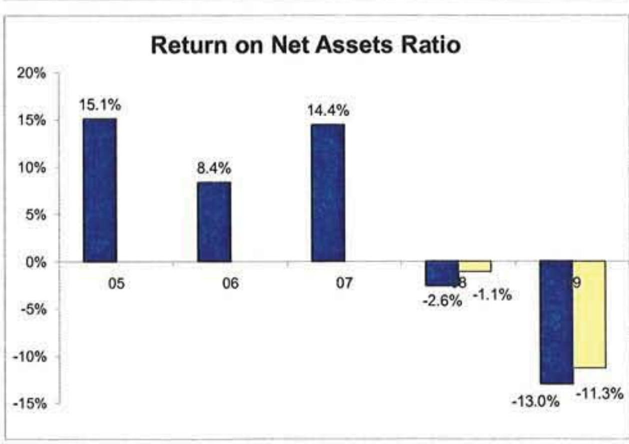


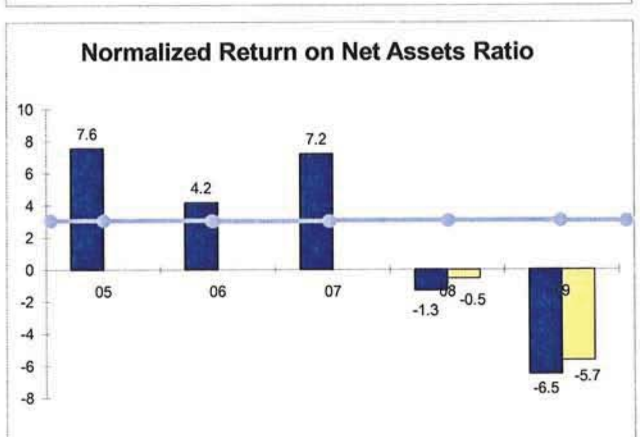




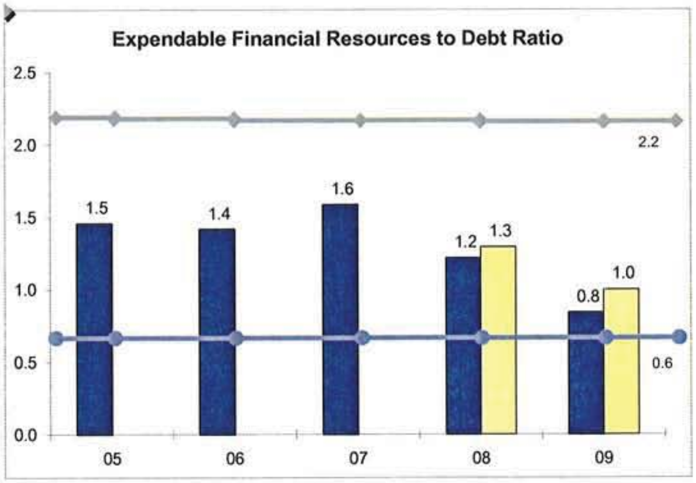


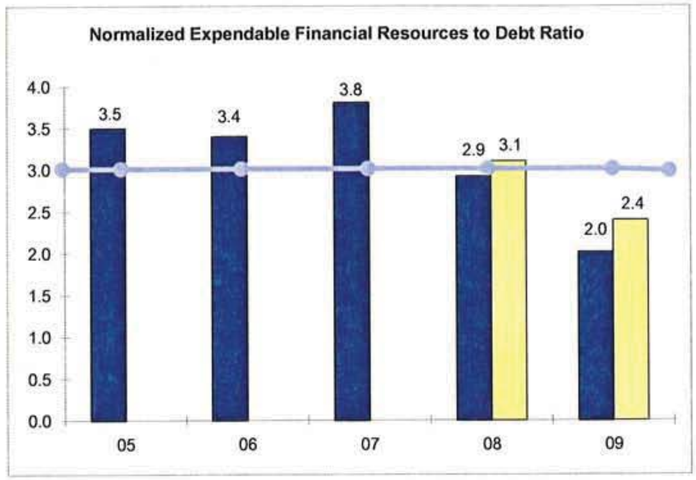


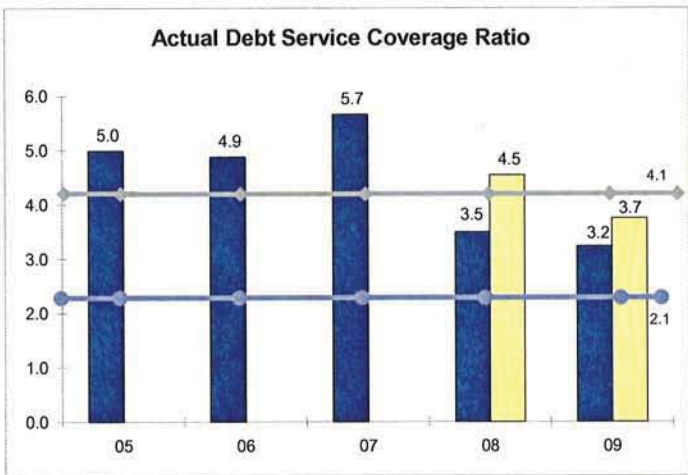


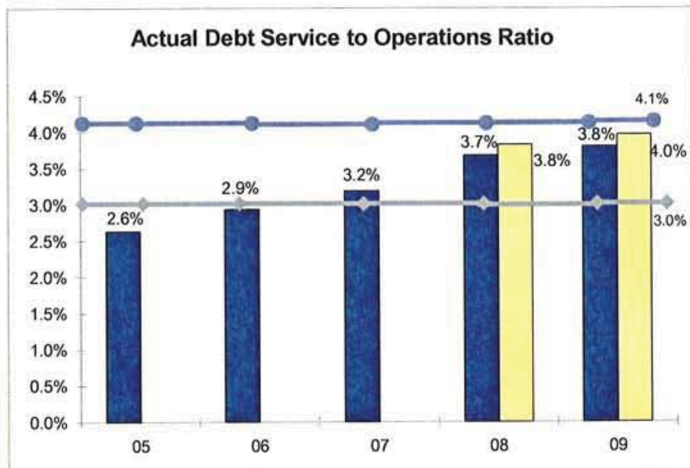


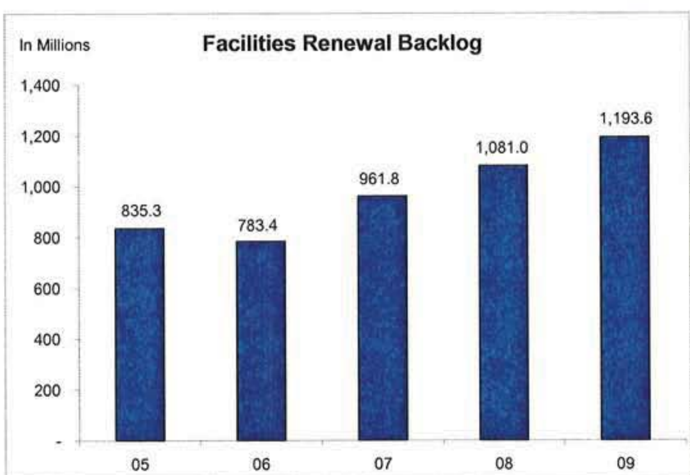
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2005 THROUGH 2009

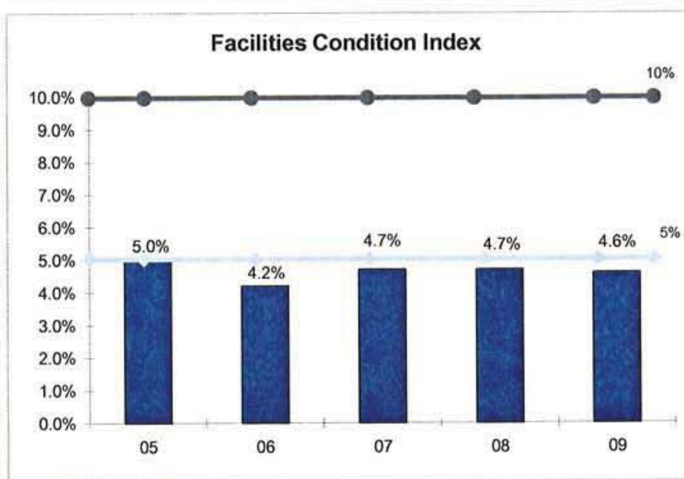




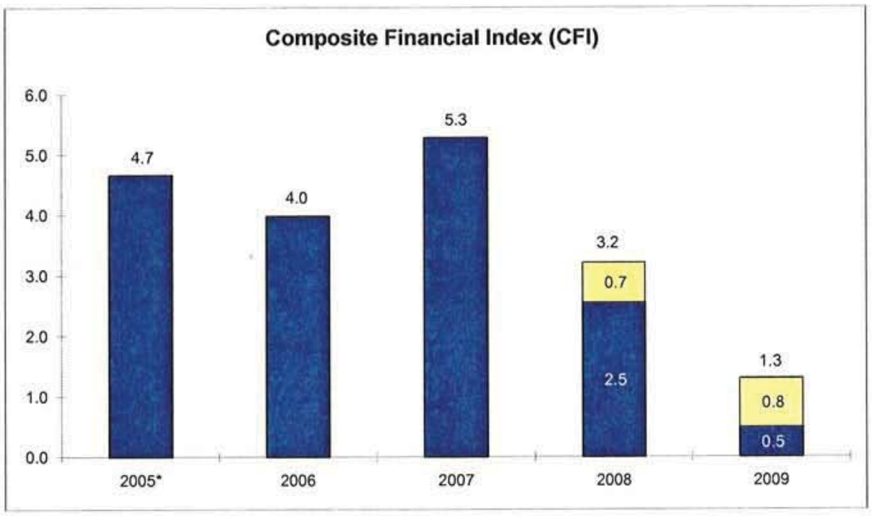






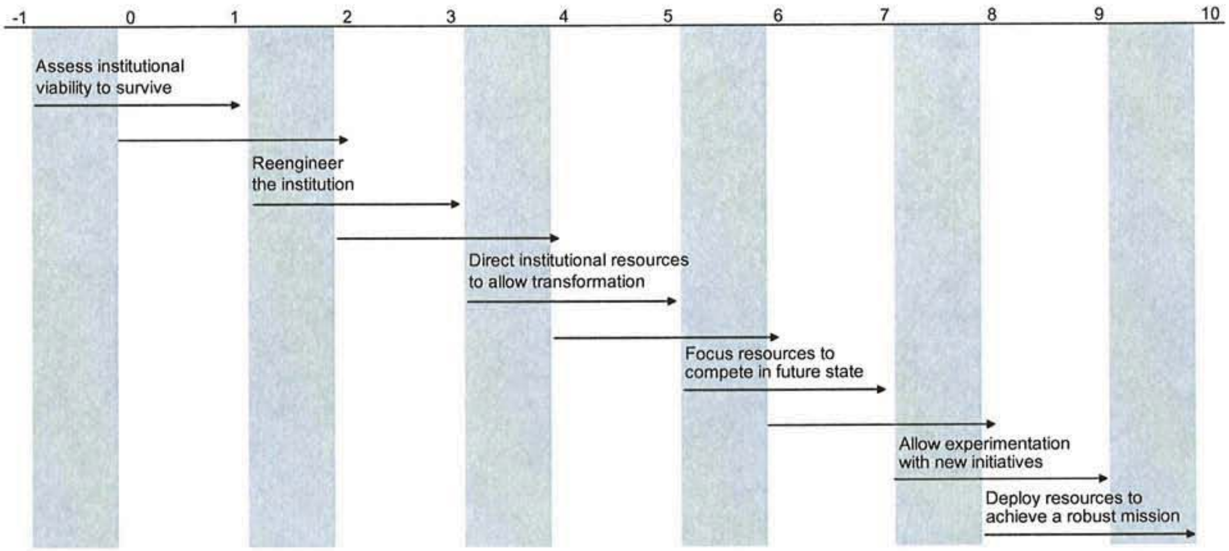


KEY INDICATORS OF FINANCIAL HEALTH
2005 THROUGH 2009

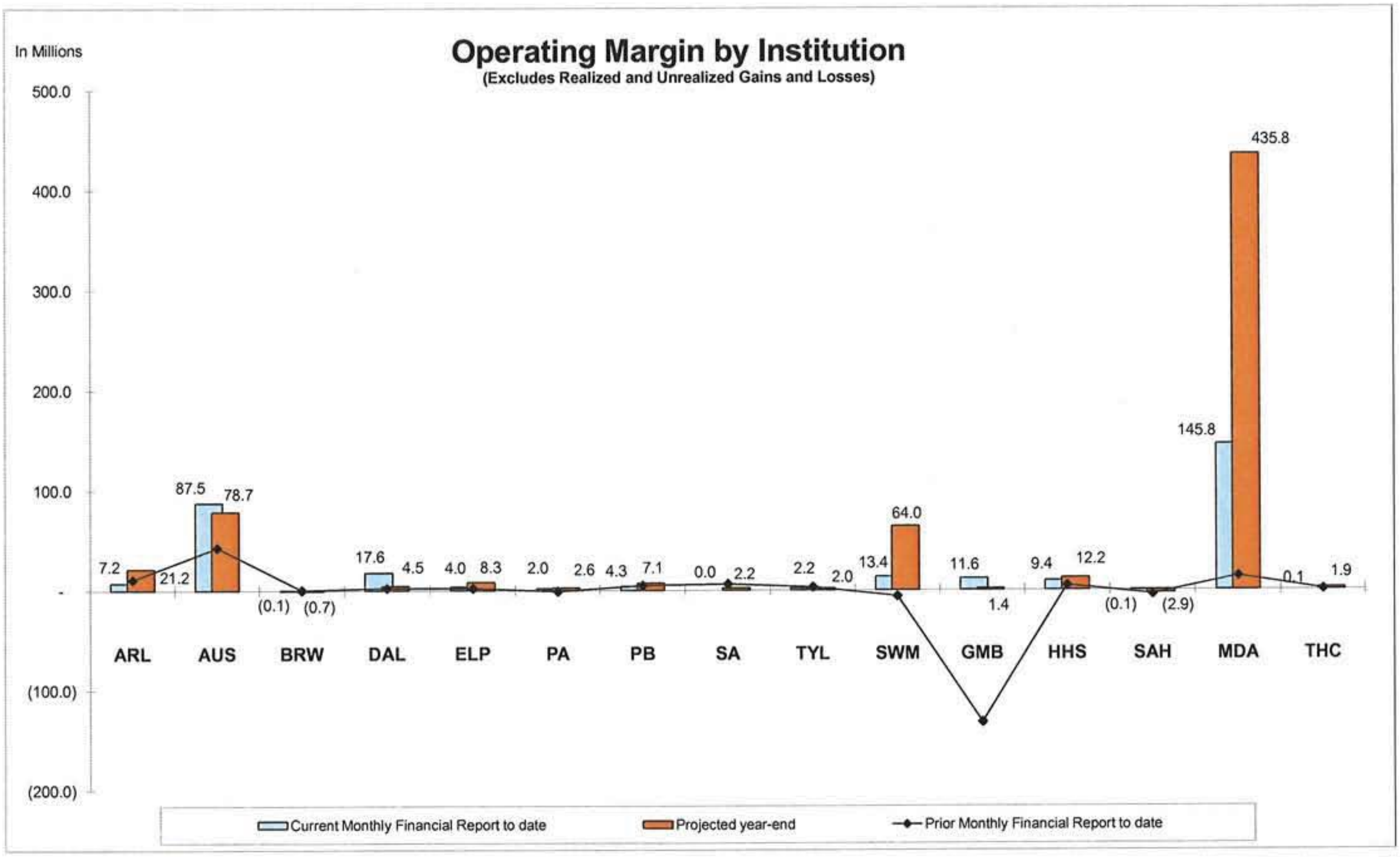


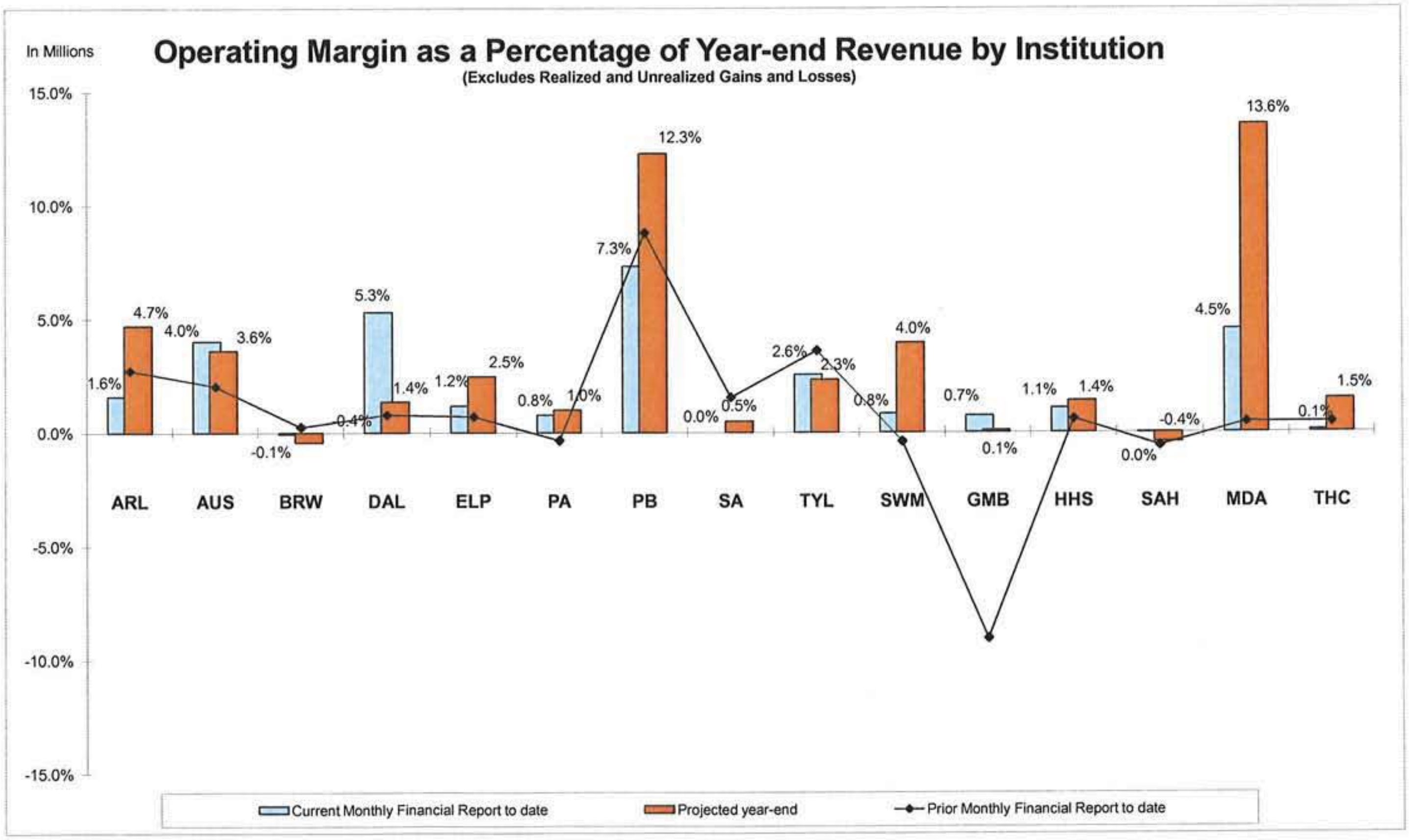
*Restated to reflect appreciation on endowments as restricted expendable net assets as a result of the 2006 external audit

Scale for Charting CFI Performance



KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2009 AND 2010 FROM DECEMBER MONTHLY FINANCIAL REPORT
PROJECTED 2010 YEAR-END MARGIN





THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT

(unaudited)

DECEMBER 2009

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THE UNIVERSITY OF TEXAS SYSTEM

MONTHLY FINANCIAL REPORT

(Unaudited)

FOR THE FOUR MONTHS ENDING

DECEMBER 31, 2009

The University of Texas System
Monthly Financial Report

Foreword

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

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

UNAUDITED
The University of Texas System
Comparison of Operating Results and Margin
For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	$ 443,551,856	$ 399,034,683	$ 44,517,173	11.2%
Sponsored Programs	883,177,403	802,502,085	80,675,318	10.1%
Net Sales and Services of Educational Activities	184,997,100	122,090,530	62,906,570	51.5%
Net Sales and Services of Hospitals	1,137,239,211	955,629,835	181,609,376	19.0%
Net Professional Fees	357,297,899	313,369,418	43,928,481	14.0%
Net Auxiliary Enterprises	155,053,865	148,604,769	6,449,096	4.3%
Other Operating Revenues	50,256,927	50,032,599	224,328	0.4%
Total Operating Revenues	**3,211,574,261**	**2,791,263,920**	**420,310,341**	**15.1%**
Operating Expenses				
Salaries and Wages	1,941,586,305	1,874,834,125	66,752,180	3.6%
Payroll Related Costs	455,725,071	434,347,966	21,377,105	4.9%
Professional Fees and Contracted Services	100,741,908	157,328,828	(56,586,920)	-36.0%
Other Contracted Services	161,335,401	155,005,933	6,329,468	4.1%
Scholarships and Fellowships	192,026,214	158,067,063	33,959,151	21.5%
Travel	37,809,878	40,070,941	(2,261,063)	-5.6%
Materials and Supplies	428,829,150	374,681,606	54,147,544	14.5%
Utilities	96,773,206	97,378,949	(605,743)	-0.6%
Telecommunications	42,603,802	36,249,665	6,354,137	17.5%
Repairs and Maintenance	75,935,862	65,585,704	10,350,158	15.8%
Rentals and Leases	46,164,170	38,507,907	7,656,263	19.9%
Printing and Reproduction	10,086,278	9,654,342	431,936	4.5%
Bad Debt Expense	(21,976)	120,430	(142,406)	-118.2%
Claims and Losses	19,757,299	1,140,518	18,616,781	1,632.3%
Federal Sponsored Programs Pass-Throughs	6,976,419	5,876,322	1,100,097	18.7%
Depreciation and Amortization	260,875,672	250,315,012	10,560,660	4.2%
Other Operating Expenses	130,762,121	145,803,922	(15,041,801)	-10.3%
Total Operating Expenses	**4,007,966,780**	**3,844,969,233**	**162,997,547**	**4.2%**
Operating Loss	**(796,392,519)**	**(1,053,705,314)**	**257,312,795**	**24.4%**
Other Nonoperating Adjustments				
State Appropriations	716,895,600	654,383,451	62,512,149	9.6%
Non-Exchange Sponsored Programs	96,900,559	80,980,347	15,920,212	19.7%
Gift Contributions for Operations	122,613,190	98,419,854	24,193,336	24.6%
Net Investment Income	158,518,709	232,010,952	(73,492,243)	-31.7%
Interest Expense on Capital Asset Financings	(69,667,970)	(53,813,801)	(15,854,169)	-29.5%
Net Other Nonoperating Adjustments	**1,025,260,088**	**1,011,980,803**	**13,279,285**	**1.3%**
Adjusted Income (Loss) including Depreciation	**228,867,569**	**(41,724,511)**	**270,592,080**	**648.5%**
Adjusted Margin (as a percentage) including Depreciation	**5.3%**	**-1.1%**		
Investment Gains (Losses)	1,467,585,082	(4,718,175,617)	6,185,760,699	131.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**$ 1,696,452,651**	**$ (4,759,900,128)**	**$ 6,456,352,779**	**135.6%**
Adj. Margin % with Investment Gains (Losses)	**29.4%**	**552.8%**		
Adjusted Income (Loss) with Investment Gains (Losses) excluding Depreciation	**1,957,328,323**	**(4,509,585,116)**	**6,466,913,439**	**143.4%**
Adjusted Margin (as a percentage) with Investment Gains (Losses) excluding Depreciation	**33.9%**	**523.7%**		

The University of Texas System
Comparison of Adjusted Income (Loss)
For the Four Months Ending December 31, 2009

	Including Depreciation and Amortization Expense			
	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
UT System Administration	$ (19,527,571)	$ 63,713,480	$ (83,241,051) (1)	-130.6%
UT Arlington	7,197,315	10,890,972	(3,693,657)	-33.9%
UT Austin	87,545,311	42,980,487	44,564,824 (2)	103.7%
UT Brownsville	(93,399)	406,034	(499,433) (3)	-123.0%
UT Dallas	17,638,731	2,408,047	15,230,684 (4)	632.5%
UT El Paso	3,952,397	2,274,869	1,677,528	73.7%
UT Pan American	2,046,209	(803,858)	2,850,067 (5)	354.5%
UT Permian Basin	4,256,094	4,946,237	(690,143)	-14.0%
UT San Antonio	25,722	6,465,249	(6,439,527) (6)	-99.6%
UT Tyler	2,159,547	3,192,753	(1,033,206)	-32.4%
UT Southwestern Medical Center - Dallas	13,438,823	(5,957,956)	19,396,779 (7)	325.6%
UT Medical Branch - Galveston	11,597,043	(131,963,302)	143,560,345 (8)	108.8%
UT Health Science Center - Houston	9,372,519	4,801,660	4,570,859 (9)	95.2%
UT Health Science Center - San Antonio	(86,524)	(4,037,521)	3,950,997 (10)	97.9%
UT M. D. Anderson Cancer Center	145,816,041	13,832,438	131,983,603 (11)	954.2%
UT Health Science Center - Tyler	112,644	570,900	(458,256) (12)	-80.3%
Elimination of AUF Transfer	(56,583,333)	(55,445,000)	(1,138,333)	-2.1%
Total Adjusted Income (Loss)	228,867,569	(41,724,511)	270,592,080	648.5%
Investment Gains (Losses)	1,467,585,082	(4,718,175,617)	6,185,760,699 (13)	131.1%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	**$ 1,696,452,651**	**$ (4,759,900,128)**	**$ 6,456,352,779**	**135.6%**

	Excluding Depreciation and Amortization Expense			
	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
UT System Administration	$ (15,909,542)	$ 67,362,395	$ (83,271,937)	-123.6%
UT Arlington	15,858,283	17,588,259	(1,729,976)	-9.8%
UT Austin	143,542,419	95,794,719	47,747,700	49.8%
UT Brownsville	1,796,854	2,327,432	(530,578)	-22.8%
UT Dallas	26,399,131	10,305,640	16,093,491	156.2%
UT El Paso	9,976,207	7,941,744	2,034,463	25.6%
UT Pan American	6,477,352	3,478,655	2,998,697	86.2%
UT Permian Basin	5,621,090	6,202,900	(581,810)	-9.4%
UT San Antonio	12,369,062	17,315,721	(4,946,659)	-28.6%
UT Tyler	4,959,275	6,199,261	(1,239,986)	-20.0%
UT Southwestern Medical Center - Dallas	39,486,297	19,317,986	20,168,311	104.4%
UT Medical Branch - Galveston	36,815,070	(106,199,098)	143,014,168	134.7%
UT Health Science Center - Houston	22,239,701	18,135,114	4,104,587	22.6%
UT Health Science Center - San Antonio	10,580,143	6,399,620	4,180,523	65.3%
UT M. D. Anderson Cancer Center	223,613,129	88,780,528	134,832,601	151.9%
UT Health Science Center - Tyler	2,502,103	3,084,625	(582,522)	-18.9%
Elimination of AUF Transfer	(56,583,333)	(55,445,000)	(1,138,333)	-2.1%
Total Adjusted Income (Loss)	489,743,241	208,590,501	281,152,740	134.8%
Investment Gains (Losses)	1,467,585,082	(4,718,175,617)	6,185,760,699	131.1%
Total Adjusted Income (Loss) with Investment Gains (Losses) Excluding Depreciation and Amortization	**$ 1,957,328,323**	**$ (4,509,585,116)**	**$ 6,466,913,439**	**143.4%**

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Four Months Ending December 31, 2009

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 $83.2 million (130.6%) decrease in adjusted income over the same period last year was primarily due to a decrease in the income of the Permanent University Fund Lands attributable to a record high oil and gas bonus lease sale in October 2008, a decrease in oil prices and a decline in gas production. In addition, the Long Tern Fund distribution increased resulting in a reduction in net investment income. *UT System Administration's* adjusted loss was $15.9 million or 35.8% excluding depreciation expense.

(2) UT Austin – The $44.6 million (103.7%) increase in adjusted income over the same period last year was due to an increase in sponsored programs and net sales and services of educational activities. Sponsored programs increased due to increased federal grant awards from the National Science Foundation, Texas Education Agency, and stimulus funding. Net sales and services of educational activities increased due to a change in the monthly financial reporting process to include service center activity in 2010. Excluding depreciation expense, *UT Austin's* adjusted income was $143.5 million or 16.9%.

(3) UT Brownsville – The $499,000 (123%) decrease in adjusted income over the same period last year was due to an increase in utilities due to the new Library and Student Recreation Center, an increase in materials and supplies due to acquisition of furnishings for the new buildings and an increase in interest expense related to capital projects. As a result, *UT Brownsville* experienced a $93,000 year-to-date loss. Excluding depreciation expense, *UT Brownsville's* adjusted income was $1.8 million or 2.7%. *UT Brownsville* projects a year-end loss of $689,000 which represents -0.4% of projected revenues. This forecast includes $5.7 million of depreciation expense.

(4) UT Dallas – The $15.2 million (632.5%) increase in adjusted income over the same period last year was due to an increase in state appropriations and gift contributions for operations. State appropriations increased due to funding from the American Recovery and Reinvestment Act (ARRA). Gift contributions for operations increased due to a one-time gift of $7.3 million received in September 2009 and the increase of activities to raise funds eligible for the Texas Research Incentive Programs (TRIP) matching in line with *UT Dallas'* tier one initiative. Excluding depreciation expense, *UT Dallas'* adjusted income was $26.4 million or 20.9%.

(5) UT Pan American – The $2.9 million (354.5%) increase in adjusted income over the same period last year was due to an increase in student tuition and fees as a result of an increase in the designated tuition rate and an increase in various fees. Excluding depreciation expense, *UT Pan American's* adjusted income was $6.5 million or 6.5%.

(6) UT San Antonio - The $6.4 million (99.6%) decrease in adjusted income over the same period last year was primarily due to an increase in salaries and wages and payroll related costs as a result of a 2.5% merit increase. Excluding depreciation expense, *UT San Antonio's* adjusted income was $12.4 million or 8.2%.

(7) UT Southwestern Medical Center - Dallas – The $19.4 million (325.6%) increase in adjusted income over the same period last year was primarily due to an increase in net sales and services of hospitals. Net sales and services of hospitals increased due to increased inpatient and outpatient visits which increased revenue by $25.4 million. Excluding depreciation expense, *Southwestern's* adjusted income was $39.5 million or 7.4%.

(8) UT Medical Branch - Galveston – The $143.6 million (108.8%) increase in adjusted income over the same period last year was primarily due to the recovery from the business disruption in revenue generating activities and expenses related to Hurricane *Ike* in 2009. Operating revenues increased $77.1 million and operating expenses decreased $48.2 million. Patient care revenue increased $76 million, with increases in admissions of 117%, patient days of 213%, and clinic visits of 28% as compared to last year. Professional fees and contracted services decreased $48.9 million due to a reduction of expenses related to the recovery from Hurricane *Ike*.

There are processes in place to closely monitor staffing levels across *UTMB*, and planning is underway to address year-to-date realized losses in Correctional Managed Care (CMC) of $10.2 million which are expected to continue unless corrective action is taken. Cash flow continues to be closely monitored as campus rebuilding activities commence in January 2010. Excluding depreciation expense, *UTMB's* adjusted income was $36.8 million or

7%. *UTMB* is forecasting a year-end margin of $1.4 million which represents 0.1% of projected revenues. The reduction in income throughout the remainder of the year is attributable to CMC. This forecast includes $73.2 million of depreciation expense.

(9) *UT Health Science Center – Houston* – The $4.6 million (95.2%) increase in adjusted income over the same period last year was primarily attributable to an increase in state appropriations. Excluding depreciation, *UTHSC-Houston's* adjusted income was $22.2 million or 7.5%.

(10) *UT Health Science Center – San Antonio* – The $4 million (97.9%) decrease in adjusted loss over the same period last year was primarily attributable to an increase in state appropriations due to incremental formula funding and special item funding for the San Antonio Life Sciences Institute and the Regional Academic Health Center. Despite the decrease in adjusted loss over the same period last year, *UTHSC-San Antonio* experienced a year-to-date loss of $87,000. This loss was primarily attributable to a $2.5 million loss incurred by the Cancer Therapy Research Center (CTRC) due in part to timing differences in revenue receipts from the CTRC Foundation. The School of Medicine has developed a plan to make CTRC breakeven in 2010 which includes a reduction in the number of employees and reduction in costs such as utilities, travel, and other operating expenses. *UTHSC-San Antonio* anticipates ending the year with a $2.9 million negative margin due to interest expense related to the opening of the Medical Arts and Research Center (MARC), which represents -0.4% of projected revenues and includes $32 million of depreciation expense. Excluding depreciation expense, *UTHSC-San Antonio's* adjusted income was $10.6 million or 4.6%.

(11) *UT M. D. Anderson Cancer Center* – The $132 million (954.2%) increase in adjusted income over the same period last year was primarily attributable to the recovery from the business disruption in revenue generating activities related to Hurricane *Ike* in 2009. Operating revenues increased $122.2 million due to increased patient activity and patient volumes. Sponsored programs also increased due to a concerted effort and emphasis on the research function. Gift contributions for operations also increased due to a pledge of $10 million from HEB as well as a $7 million increase in various large cash gifts. Excluding depreciation expense, *M. D. Anderson's* adjusted income was $223.6 million or 20.9%.

(12) *UT Health Science Center – Tyler* – The $458,000 (80.3%) decrease in adjusted income over the same period last year was primarily attributable to a decrease in net professional fees due to the loss of *UTMB's* Correctional Managed Care patients in 2010. Excluding depreciation expense, *UTHSC-Tyler's* adjusted income was $2.5 million or 6.1%.

(13) *Investment Gains (Losses)* - The majority of the $6.2 billion (131.1%) increase in investment gains relates to the Permanent University Fund of $3.3 billion, the Long Term Fund of $1.6 billion, and the Permanent Health Fund of $298.9 million.

GLOSSARY OF TERMS

OPERATING REVENUES:

NET STUDENT TUITION AND FEES – All student tuition and fee revenues earned at the UT institution for educational purposes, net of tuition discounting.

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

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

NET SALES AND SERVICES OF HOSPITALS – Revenues (net of discounts, allowances, and bad debt expense) generated from UT health institution's daily patient care, special or other services, as well as revenues from health clinics that are part of a hospital.

NET PROFESSIONAL FEES – Revenues (net of discounts, allowances, and bad debt expense) derived from the fees charged by the professional staffs at UT health institutions as part of the Medical Practice Plans. These revenues are also identified as Practice Plan income. Examples of such fees include doctor's fees for clinic visits, medical and dental procedures, professional opinions, and anatomical procedures, such as analysis of specimens after a surgical procedure, etc.

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

OTHER OPERATING REVENUES – Other revenues generated from sales or services provided to meet current fiscal year operating expenses, which are not included in the preceding categories (e.g., certified nonprofit healthcare company revenues, donated drugs, interest on student loans, etc.)

OPERATING EXPENSES:

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

PAYROLL RELATED COSTS – Expenses for all employee benefits paid by the institution or paid by the state on behalf of the institution. Includes faculty incentive payments and supplemental retirement annuities.

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, net of tuition discounting.

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 <u>not</u> 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 <u>not</u> 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 other operating expenses.

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

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

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

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

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

OTHER NONOPERATING ADJUSTMENTS:

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

NON-EXCHANGE SPONSORED PROGRAMS – Federal funding received for the Federal Pell Grant Program.

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

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

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

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

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

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

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

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

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

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

UNAUDITED
The University of Texas System Administration
Comparison of Operating Results and Margin
For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	$ 13,812,778	$ 4,174,669	$ 9,638,109	230.9%
Net Sales and Services of Educational Activities	19,776,724	15,067,838	4,708,886	31.3%
Other Operating Revenues	(2,963,713)	(373,420)	(2,590,293)	-693.7%
Total Operating Revenues	**30,625,789**	**18,869,087**	**11,756,702**	**62.3%**
Operating Expenses				
Salaries and Wages	10,033,909	12,542,575	(2,508,666)	-20.0%
Employee Benefits and Related Costs	2,069,949	2,594,443	(524,494)	-20.2%
Professional Fees and Contracted Services	599,259	2,003,376	(1,404,117)	-70.1%
Other Contracted Services	6,726,075	3,578,455	3,147,620	88.0%
Scholarships and Fellowships	300	420,700	(420,400)	-99.9%
Travel	595,373	715,637	(120,264)	-16.8%
Materials and Supplies	1,117,275	1,064,410	52,865	5.0%
Utilities	53,352	67,484	(14,132)	-20.9%
Telecommunications	2,328,872	3,145,323	(816,451)	-26.0%
Repairs and Maintenance	1,407,099	421,891	985,208	233.5%
Rentals and Leases	266,531	261,732	4,799	1.8%
Printing and Reproduction	142,876	71,748	71,128	99.1%
Claims and Losses	19,757,299	1,140,518	18,616,781	1,632.3%
Depreciation and Amortization	3,618,029	3,648,915	(30,886)	-0.8%
Other Operating Expenses	2,745,560	2,116,680	628,880	29.7%
Total Operating Expenses	**51,461,758**	**33,793,887**	**17,667,871**	**52.3%**
Operating Loss	**(20,835,969)**	**(14,924,800)**	**(5,911,169)**	**-39.6%**
Other Nonoperating Adjustments				
State Appropriations	716,667	307,343	409,324	133.2%
Gift Contributions for Operations	270,629	442,682	(172,053)	-38.9%
Net Investment Income	1,796,133	78,762,646	(76,966,513)	-97.7%
Interest Expense on Capital Asset Financings	(12,486,323)	(12,486,858)	535	0.0%
Net Other Nonoperating Adjustments	**(9,702,894)**	**67,025,813**	**(76,728,707)**	**-114.5%**
Adjusted Income (Loss) including Depreciation	**(30,538,863)**	**52,101,013**	**(82,639,876)**	**-158.6%**
Adjusted Margin (as a percentage) including Depreciation	**-91.4%**	**53.0%**		
Available University Fund Transfer	11,011,292	11,612,467	(601,175)	-5.2%
Adjusted Income (Loss) with AUF Transfer	**(19,527,571)**	**63,713,480**	**(83,241,051)**	**-130.6%**
Adjusted Margin % with AUF Transfer	**-44.0%**	**57.9%**		
Investment Gains (Losses)	1,260,632,644	(3,978,680,720)	5,239,313,364	131.7%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$ 1,241,105,073**	**$ (3,914,967,240)**	**$ 5,156,072,313**	**131.7%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**95.1%**	**101.2%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation	**(15,909,542)**	**67,362,395**	**(83,271,937)**	**-123.6%**
Adjusted Margin (as a percentage) with AUF Transfer excluding Depreciation	**-35.8%**	**61.2%**		

UNAUDITED
The University of Texas at Arlington
Comparison of Operating Results and Margin
For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	$ 51,147,535	$ 45,989,444	$ 5,158,091	11.2%
Sponsored Programs	27,492,313	15,611,953	11,880,360	76.1%
Net Sales and Services of Educational Activities	4,671,244	5,850,301	(1,179,057)	-20.2%
Net Auxiliary Enterprises	9,207,408	12,298,123	(3,090,715)	-25.1%
Other Operating Revenues	3,904,572	2,486,828	1,417,744	57.0%
Total Operating Revenues	**96,423,072**	**82,236,648**	**14,186,424**	**17.3%**
Operating Expenses				
Salaries and Wages	70,291,190	65,238,084	5,053,106	7.7%
Employee Benefits and Related Costs	15,414,269	13,896,742	1,517,527	10.9%
Professional Fees and Contracted Services	1,372,624	1,105,563	267,061	24.2%
Other Contracted Services	4,027,557	3,673,834	353,723	9.6%
Scholarships and Fellowships	17,115,970	3,132,951	13,983,019	446.3%
Travel	1,886,937	1,781,585	105,352	5.9%
Materials and Supplies	6,816,427	6,904,744	(88,317)	-1.3%
Utilities	3,462,974	3,816,231	(353,257)	-9.3%
Telecommunications	2,275,667	1,982,581	293,086	14.8%
Repairs and Maintenance	2,666,933	2,640,693	26,240	1.0%
Rentals and Leases	1,254,366	991,123	263,243	26.6%
Printing and Reproduction	872,084	796,736	75,348	9.5%
Federal Sponsored Programs Pass-Thrus	423,779	514,972	(91,193)	-17.7%
Depreciation and Amortization	8,660,968	6,697,287	1,963,681	29.3%
Other Operating Expenses	3,317,387	4,246,979	(929,592)	-21.9%
Total Operating Expenses	**139,859,132**	**117,420,105**	**22,439,027**	**19.1%**
Operating Loss	**(43,436,060)**	**(35,183,456)**	**(8,252,604)**	**-23.5%**
Other Nonoperating Adjustments				
State Appropriations	39,031,871	37,174,863	1,857,008	5.0%
Non-Exchange Sponsored Programs	9,666,667	7,287,870	2,378,797	32.6%
Gift Contributions for Operations	1,390,008	780,453	609,555	78.1%
Net Investment Income	3,609,753	3,295,760	313,993	9.5%
Interest Expense on Capital Asset Financings	(3,064,924)	(2,464,518)	(600,406)	-24.4%
Net Other Nonoperating Adjustments	**50,633,375**	**46,074,428**	**4,558,947**	**9.9%**
Adjusted Income (Loss) including Depreciation	**7,197,315**	**10,890,972**	**(3,693,657)**	**-33.9%**
Adjusted Margin (as a percentage) including Depreciation	**4.8%**	**8.3%**		
Investment Gains (Losses)	9,680,686	(36,332,767)	46,013,453	126.6%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 16,878,001**	**$ (25,441,795)**	**$ 42,319,796**	**166.3%**
Adjusted Margin % with Investment Gains (Losses)	**10.6%**	**-26.9%**		
Adjusted Income (Loss) excluding Depreciation	**15,858,283**	**17,588,259**	**(1,729,976)**	**-9.8%**
Adjusted Margin (as a percentage) excluding Depreciation	**10.6%**	**13.4%**		

UNAUDITED
The University of Texas at Austin
Comparison of Operating Results and Margin
For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	$ 179,252,902	$ 166,062,635	$ 13,190,267	7.9%
Sponsored Programs	186,704,137	155,268,750	31,435,387	20.2%
Net Sales and Services of Educational Activities	111,041,298	53,686,506	57,354,792	106.8%
Net Auxiliary Enterprises	94,758,493	87,368,595	7,389,898	8.5%
Other Operating Revenues	2,009,606	2,014,647	(5,041)	-0.3%
Total Operating Revenues	**573,766,436**	**464,401,133**	**109,365,303**	**23.5%**
Operating Expenses				
Salaries and Wages	355,602,302	328,685,456	26,916,846	8.2%
Employee Benefits and Related Costs	80,245,452	73,912,859	6,332,593	8.6%
Professional Fees and Contracted Services	8,421,265	8,277,315	143,950	1.7%
Other Contracted Services	24,439,756	22,911,011	1,528,745	6.7%
Scholarships and Fellowships	56,323,639	42,830,381	13,493,258	31.5%
Travel	13,766,906	14,507,131	(740,225)	-5.1%
Materials and Supplies	41,428,733	41,347,645	81,088	0.2%
Utilities	29,741,372	26,139,071	3,602,301	13.8%
Telecommunications	20,486,424	15,085,839	5,400,585	35.8%
Repairs and Maintenance	13,874,912	12,947,609	927,303	7.2%
Rentals and Leases	8,314,931	6,489,706	1,825,225	28.1%
Printing and Reproduction	3,820,466	3,567,178	253,288	7.1%
Federal Sponsored Programs Pass-Thrus	1,202,437	655,414	547,023	83.5%
Depreciation and Amortization	55,997,108	52,814,232	3,182,876	6.0%
Other Operating Expenses	33,991,288	25,260,675	8,730,613	34.6%
Total Operating Expenses	**747,656,991**	**675,431,522**	**72,225,469**	**10.7%**
Operating Loss	**(173,890,555)**	**(211,030,389)**	**37,139,834**	**17.6%**
Other Nonoperating Adjustments				
State Appropriations	118,369,100	114,119,634	4,249,466	3.7%
Non-Exchange Sponsored Programs	9,016,604	3,415,133	5,601,471	164.0%
Gift Contributions for Operations	34,831,987	37,236,118	(2,404,131)	-6.5%
Net Investment Income	56,299,842	55,222,005	1,077,837	2.0%
Interest Expense on Capital Asset Financings	(13,665,000)	(11,427,014)	(2,237,986)	-19.6%
Net Other Nonoperating Adjustments	**204,852,533**	**198,565,876**	**6,286,657**	**3.2%**
Adjusted Income (Loss) including Depreciation	**30,961,978**	**(12,464,513)**	**43,426,491**	**348.4%**
Adjusted Margin (as a percentage) including Depreciation	**3.9%**	**-1.8%**		
Available University Fund Transfer	56,583,333	55,445,000	1,138,333	2.1%
Adjusted Income (Loss) with AUF Transfer	**87,545,311**	**42,980,487**	**44,564,824**	**103.7%**
Adjusted Margin % with AUF Transfer	**10.3%**	**5.9%**		
Investment Gains (Losses)	45,195,928	(174,970,570)	220,166,498	125.8%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$ 132,741,239**	**$ (131,990,083)**	**$ 264,731,322**	**200.6%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**14.8%**	**-23.8%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation	**143,542,419**	**95,794,719**	**47,747,700**	**49.8%**
Adjusted Margin (as a percentage) with AUF Transfer excluding Depreciation	**16.9%**	**13.1%**		

UNAUDITED
The University of Texas at Brownsville
Comparison of Operating Results and Margin
For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	$ 6,856,681	$ 6,273,659	$ 583,022	9.3%
Sponsored Programs	28,496,195	28,298,438	197,757	0.7%
Net Sales and Services of Educational Activities	569,857	621,092	(51,235)	-8.2%
Net Auxiliary Enterprises	481,148	429,534	51,614	12.0%
Other Operating Revenues	5,493	3,659	1,834	50.1%
Total Operating Revenues	**36,409,374**	**35,626,382**	**782,992**	**2.2%**
Operating Expenses				
Salaries and Wages	23,213,570	21,981,508	1,232,062	5.6%
Employee Benefits and Related Costs	5,948,906	5,217,965	730,941	14.0%
Professional Fees and Contracted Services	618,337	716,225	(97,888)	-13.7%
Scholarships and Fellowships	25,962,973	21,586,856	4,376,117	20.3%
Travel	318,861	359,012	(40,151)	-11.2%
Materials and Supplies	1,833,114	1,662,615	170,499	10.3%
Utilities	1,380,550	1,176,252	204,298	17.4%
Telecommunications	419,803	380,834	38,969	10.2%
Repairs and Maintenance	392,706	355,692	37,014	10.4%
Rentals and Leases	612,699	653,075	(40,376)	-6.2%
Printing and Reproduction	78,600	114,225	(35,625)	-31.2%
Bad Debt Expense	13,405	11,915	1,490	12.5%
Depreciation and Amortization	1,890,253	1,921,398	(31,145)	-1.6%
Other Operating Expenses	2,268,876	2,480,088	(211,212)	-8.5%
Total Operating Expenses	**64,954,018**	**58,619,025**	**6,334,993**	**10.8%**
Operating Loss	**(28,544,644)**	**(22,992,643)**	**(5,552,001)**	**-24.1%**
Other Nonoperating Adjustments				
State Appropriations	13,624,455	12,297,684	1,326,771	10.8%
Non-Exchange Sponsored Programs	14,933,450	10,993,752	3,939,698	35.8%
Gift Contributions for Operations	145,453	200,470	(55,017)	-27.4%
Net Investment Income	378,815	412,805	(33,990)	-8.2%
Interest Expense on Capital Asset Financings	(630,928)	(506,034)	(124,894)	-24.7%
Net Other Nonoperating Adjustments	**28,451,245**	**23,398,677**	**5,052,568**	**21.6%**
Adjusted Income (Loss) including Depreciation	**(93,399)**	**406,034**	**(499,433)**	**-123.0%**
Adjusted Margin (as a percentage) including Depreciation	**-0.1%**	**0.7%**		
Investment Gains (Losses)	1,240,720	(5,072,591)	6,313,311	124.5%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 1,147,321**	**$ (4,666,557)**	**$ 5,813,878**	**124.6%**
Adjusted Margin % with Investment Gains (Losses)	**1.7%**	**-8.6%**		
Adjusted Income (Loss) excluding Depreciation	**1,796,854**	**2,327,432**	**(530,578)**	**-22.8%**
Adjusted Margin (as a percentage) excluding Depreciation	**2.7%**	**3.9%**		

UNAUDITED
The University of Texas at Dallas
Comparison of Operating Results and Margin
For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	$ 46,313,211	$ 38,358,246	$ 7,954,965	20.7%
Sponsored Programs	14,237,063	13,277,195	959,868	7.2%
Net Sales and Services of Educational Activities	3,277,957	2,622,160	655,797	25.0%
Net Auxiliary Enterprises	2,672,014	1,889,176	782,838	41.4%
Other Operating Revenues	1,206,500	1,495,761	(289,261)	-19.3%
Total Operating Revenues	**67,706,745**	**57,642,538**	**10,064,207**	**17.5%**
Operating Expenses				
Salaries and Wages	58,320,511	53,153,134	5,167,377	9.7%
Employee Benefits and Related Costs	11,981,482	10,498,232	1,483,250	14.1%
Professional Fees and Contracted Services	2,036,785	1,673,810	362,975	21.7%
Other Contracted Services	3,573,175	3,419,168	154,007	4.5%
Scholarships and Fellowships	6,286,013	1,739,256	4,546,757	261.4%
Travel	1,207,889	1,191,728	16,161	1.4%
Materials and Supplies	5,341,396	5,218,790	122,606	2.3%
Utilities	2,496,039	2,278,215	217,824	9.6%
Telecommunications	142,024	464,311	(322,287)	-69.4%
Repairs and Maintenance	812,824	1,395,417	(582,593)	-41.8%
Rentals and Leases	758,810	652,476	106,334	16.3%
Printing and Reproduction	494,839	473,509	21,330	4.5%
Federal Sponsored Programs Pass-Thrus	13,944	61,180	(47,236)	-77.2%
Depreciation and Amortization	8,760,400	7,897,593	862,807	10.9%
Other Operating Expenses	3,743,929	3,978,879	(234,950)	-5.9%
Total Operating Expenses	**105,970,060**	**94,095,698**	**11,874,362**	**12.6%**
Operating Loss	**(38,263,315)**	**(36,453,160)**	**(1,810,155)**	**-5.0%**
Other Nonoperating Adjustments				
State Appropriations	37,845,835	30,049,518	7,796,317	25.9%
Non-Exchange Sponsored Programs	2,986,815	2,431,068	555,747	22.9%
Gift Contributions for Operations	13,549,261	3,867,357	9,681,904	250.3%
Net Investment Income	4,377,379	4,306,914	70,465	1.6%
Interest Expense on Capital Asset Financings	(2,857,244)	(1,793,650)	(1,063,594)	-59.3%
Net Other Nonoperating Adjustments	**55,902,046**	**38,861,207**	**17,040,839**	**43.9%**
Adjusted Income (Loss) including Depreciation	**17,638,731**	**2,408,047**	**15,230,684**	**632.5%**
Adjusted Margin (as a percentage) including Depreciation	**13.9%**	**2.4%**		
Investment Gains (Losses)	7,193,790	(24,459,475)	31,653,265	129.4%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 24,832,521**	**$ (22,051,428)**	**$ 46,883,949**	**212.6%**
Adjusted Margin % with Investment Gains (Losses)	**18.6%**	**-29.9%**		
Adjusted Income (Loss) excluding Depreciation	**26,399,131**	**10,305,640**	**16,093,491**	**156.2%**
Adjusted Margin (as a percentage) excluding Depreciation	**20.9%**	**10.5%**		

UNAUDITED
The University of Texas at El Paso
Comparison of Operating Results and Margin
For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	$ 31,150,408	$ 28,741,844	$ 2,408,564	8.4%
Sponsored Programs	22,112,375	18,329,044	3,783,331	20.6%
Net Sales and Services of Educational Activities	1,465,125	1,304,537	160,588	12.3%
Net Auxiliary Enterprises	8,725,873	8,759,911	(34,038)	-0.4%
Other Operating Revenues	259	36,613	(36,354)	-99.3%
Total Operating Revenues	**63,454,040**	**57,171,949**	**6,282,091**	**11.0%**
Operating Expenses				
Salaries and Wages	49,886,979	46,962,633	2,924,346	6.2%
Employee Benefits and Related Costs	11,983,968	11,075,593	908,375	8.2%
Professional Fees and Contracted Services	323,620	325,835	(2,215)	-0.7%
Other Contracted Services	6,322,098	5,781,090	541,008	9.4%
Scholarships and Fellowships	25,269,888	17,529,437	7,740,451	44.2%
Travel	1,904,101	1,868,719	35,382	1.9%
Materials and Supplies	7,562,060	7,453,055	109,005	1.5%
Utilities	2,142,029	2,558,343	(416,314)	-16.3%
Telecommunications	244,261	185,939	58,322	31.4%
Repairs and Maintenance	1,986,249	1,331,000	655,249	49.2%
Rentals and Leases	1,483,835	1,515,323	(31,488)	-2.1%
Printing and Reproduction	303,883	401,080	(97,197)	-24.2%
Federal Sponsored Programs Pass-Thrus	309,423	64,213	245,210	381.9%
Depreciation and Amortization	6,023,810	5,666,875	356,935	6.3%
Other Operating Expenses	2,586,665	2,487,840	98,825	4.0%
Total Operating Expenses	**118,332,869**	**105,206,975**	**13,125,894**	**12.5%**
Operating Loss	**(54,878,829)**	**(48,035,026)**	**(6,843,803)**	**-14.2%**
Other Nonoperating Adjustments				
State Appropriations	33,691,024	30,735,453	2,955,571	9.6%
Non-Exchange Sponsored Programs	19,117,263	13,473,381	5,643,882	41.9%
Gift Contributions for Operations	4,172,331	3,732,415	439,916	11.8%
Net Investment Income	3,451,660	3,241,042	210,618	6.5%
Interest Expense on Capital Asset Financings	(1,601,052)	(872,396)	(728,656)	-83.5%
Net Other Nonoperating Adjustments	**58,831,226**	**50,309,895**	**8,521,331**	**16.9%**
Adjusted Income (Loss) including Depreciation	**3,952,397**	**2,274,869**	**1,677,528**	**73.7%**
Adjusted Margin (as a percentage) including Depreciation	**3.2%**	**2.1%**		
Investment Gains (Losses)	4,260,430	(13,857,957)	18,118,387	130.7%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 8,212,827**	**$ (11,583,088)**	**$ 19,795,915**	**170.9%**
Adjusted Margin % with Investment Gains (Losses)	**6.4%**	**-12.3%**		
Adjusted Income (Loss) excluding Depreciation	**9,976,207**	**7,941,744**	**2,034,463**	**25.6%**
Adjusted Margin (as a percentage) excluding Depreciation	**8.1%**	**7.3%**		

UNAUDITED
The University of Texas - Pan American
Comparison of Operating Results and Margin
For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	$ 21,747,733	$ 16,994,112	$ 4,753,621	28.0%
Sponsored Programs	21,920,069	28,734,251	(6,814,182)	-23.7%
Net Sales and Services of Educational Activities	2,104,386	2,708,100	(603,714)	-22.3%
Net Auxiliary Enterprises	2,162,945	2,456,766	(293,821)	-12.0%
Other Operating Revenues	405,071	1,073,652	(668,581)	-62.3%
Total Operating Revenues	**48,340,204**	**51,966,881**	**(3,626,677)**	**-7.0%**
Operating Expenses				
Salaries and Wages	35,845,666	34,077,955	1,767,711	5.2%
Employee Benefits and Related Costs	8,947,599	8,563,973	383,626	4.5%
Professional Fees and Contracted Services	516,297	383,873	132,424	34.5%
Other Contracted Services	2,108,539	1,748,980	359,559	20.6%
Scholarships and Fellowships	30,969,093	46,958,826	(15,989,733)	-34.1%
Travel	1,359,092	1,201,298	157,794	13.1%
Materials and Supplies	4,956,123	4,334,451	621,672	14.3%
Utilities	2,253,150	2,239,414	13,736	0.6%
Telecommunications	101,967	440,947	(338,980)	-76.9%
Repairs and Maintenance	1,799,985	1,230,115	569,870	46.3%
Rentals and Leases	357,889	317,997	39,892	12.5%
Printing and Reproduction	156,967	134,906	22,061	16.4%
Bad Debt Expense	(37,412)	108,000	(145,412)	-134.6%
Federal Sponsored Programs Pass-Thrus	66,901	21,777	45,124	207.2%
Depreciation and Amortization	4,431,143	4,282,513	148,630	3.5%
Other Operating Expenses	1,756,541	1,343,832	412,709	30.7%
Total Operating Expenses	**95,589,540**	**107,388,857**	**(11,799,317)**	**-11.0%**
Operating Loss	**(47,249,336)**	**(55,421,976)**	**8,172,640**	**14.7%**
Other Nonoperating Adjustments				
State Appropriations	27,107,180	25,609,825	1,497,355	5.8%
Non-Exchange Sponsored Programs	21,888,649	29,094,021	(7,205,372)	-24.8%
Gift Contributions for Operations	575,619	486,252	89,367	18.4%
Net Investment Income	1,066,221	804,052	262,169	32.6%
Interest Expense on Capital Asset Financings	(1,342,124)	(1,376,032)	33,908	2.5%
Net Other Nonoperating Adjustments	**49,295,545**	**54,618,118**	**(5,322,573)**	**-9.7%**
Adjusted Income (Loss) including Depreciation	**2,046,209**	**(803,858)**	**2,850,067**	**354.5%**
Adjusted Margin (as a percentage) including Depreciation	**2.1%**	**-0.7%**		
Investment Gains (Losses)	2,833,506	(9,131,036)	11,964,542	131.0%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 4,879,715**	**$ (9,934,894)**	**$ 14,814,609**	**149.1%**
Adjusted Margin % with Investment Gains (Losses)	**4.8%**	**-10.1%**		
Adjusted Income (Loss) excluding Depreciation	**6,477,352**	**3,478,655**	**2,998,697**	**86.2%**
Adjusted Margin (as a percentage) excluding Depreciation	**6.5%**	**3.2%**		

UNAUDITED
The University of Texas of the Permian Basin
Comparison of Operating Results and Margin
For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	$ 3,992,317	$ 3,774,754	$ 217,563	5.8%
Sponsored Programs	1,620,387	1,042,484	577,903	55.4%
Net Sales and Services of Educational Activities	177,980	154,808	23,172	15.0%
Net Auxiliary Enterprises	1,235,587	1,275,216	(39,629)	-3.1%
Other Operating Revenues	13,101	24,457	(11,356)	-46.4%
Total Operating Revenues	**7,039,372**	**6,271,719**	**767,653**	**12.2%**
Operating Expenses				
Salaries and Wages	7,100,696	6,480,230	620,466	9.6%
Employee Benefits and Related Costs	1,625,021	1,341,566	283,455	21.1%
Professional Fees and Contracted Services	301,720	332,267	(30,547)	-9.2%
Other Contracted Services	588,860	452,453	136,407	30.1%
Scholarships and Fellowships	1,237,817	1,178,113	59,704	5.1%
Travel	186,920	214,188	(27,268)	-12.7%
Materials and Supplies	1,315,568	1,056,801	258,767	24.5%
Utilities	867,009	702,355	164,654	23.4%
Telecommunications	164,847	199,847	(35,000)	-17.5%
Repairs and Maintenance	607,190	359,131	248,059	69.1%
Rentals and Leases	167,562	184,910	(17,348)	-9.4%
Printing and Reproduction	60,871	51,759	9,112	17.6%
Depreciation and Amortization	1,364,996	1,256,663	108,333	8.6%
Other Operating Expenses	494,724	356,566	138,158	38.7%
Total Operating Expenses	**16,083,801**	**14,166,849**	**1,916,952**	**13.5%**
Operating Loss	**(9,044,429)**	**(7,895,130)**	**(1,149,299)**	**-14.6%**
Other Nonoperating Adjustments				
State Appropriations	10,689,775	10,572,123	117,652	1.1%
Non-Exchange Sponsored Programs	2,005,363	1,499,298	506,065	33.8%
Gift Contributions for Operations	303,127	368,018	(64,891)	-17.6%
Net Investment Income	1,104,014	615,443	488,571	79.4%
Interest Expense on Capital Asset Financings	(801,756)	(213,515)	(588,241)	-275.5%
Net Other Nonoperating Adjustments	**13,300,523**	**12,841,367**	**459,156**	**3.6%**
Adjusted Income (Loss) including Depreciation	**4,256,094**	**4,946,237**	**(690,143)**	**-14.0%**
Adjusted Margin (as a percentage) including Depreciation	**20.1%**	**25.6%**		
Investment Gains (Losses)	1,403,151	(1,908,065)	3,311,216	173.5%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 5,659,245**	**$ 3,038,172**	**$ 2,621,073**	**86.3%**
Adjusted Margin % with Investment Gains (Losses)	**25.1%**	**17.4%**		
Adjusted Income (Loss) excluding Depreciation	**5,621,090**	**6,202,900**	**(581,810)**	**-9.4%**
Adjusted Margin (as a percentage) excluding Depreciation	**26.6%**	**32.1%**		

UNAUDITED

The University of Texas at San Antonio

Comparison of Operating Results and Margin

For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	$ 57,390,237	$ 51,312,125	$ 6,078,112	11.8%
Sponsored Programs	22,257,559	28,219,903	(5,962,344)	-21.1%
Net Sales and Services of Educational Activities	2,158,221	2,284,411	(126,190)	-5.5%
Net Auxiliary Enterprises	7,593,108	7,132,068	461,040	6.5%
Other Operating Revenues	536,049	568,334	(32,285)	-5.7%
Total Operating Revenues	**89,935,174**	**89,516,841**	**418,333**	**0.5%**
Operating Expenses				
Salaries and Wages	67,592,409	62,387,224	5,205,185	8.3%
Employee Benefits and Related Costs	16,164,370	14,729,802	1,434,568	9.7%
Professional Fees and Contracted Services	1,375,579	1,389,753	(14,174)	-1.0%
Other Contracted Services	4,699,686	4,466,070	233,616	5.2%
Scholarships and Fellowships	14,421,420	10,065,201	4,356,219	43.3%
Travel	1,962,864	2,086,245	(123,381)	-5.9%
Materials and Supplies	11,699,218	10,264,035	1,435,183	14.0%
Utilities	3,633,333	4,045,000	(411,667)	-10.2%
Telecommunications	1,016,363	848,349	168,014	19.8%
Repairs and Maintenance	3,862,235	2,523,021	1,339,214	53.1%
Rentals and Leases	1,046,254	973,520	72,734	7.5%
Printing and Reproduction	344,096	461,027	(116,931)	-25.4%
Federal Sponsored Programs Pass-Thrus	838,604	1,255,317	(416,713)	-33.2%
Depreciation and Amortization	12,343,340	10,850,472	1,492,868	13.8%
Other Operating Expenses	4,149,966	5,124,189	(974,223)	-19.0%
Total Operating Expenses	**145,149,737**	**131,469,225**	**13,680,512**	**10.4%**
Operating Loss	**(55,214,563)**	**(41,952,384)**	**(13,262,179)**	**-31.6%**
Other Nonoperating Adjustments				
State Appropriations	39,917,988	38,270,875	1,647,113	4.3%
Non-Exchange Sponsored Programs	13,377,739	9,571,445	3,806,294	39.8%
Gift Contributions for Operations	4,000,000	2,494,827	1,505,173	60.3%
Net Investment Income	3,150,926	2,285,037	865,889	37.9%
Interest Expense on Capital Asset Financings	(5,206,368)	(4,204,551)	(1,001,817)	-23.8%
Net Other Nonoperating Adjustments	**55,240,285**	**48,417,633**	**6,822,652**	**14.1%**
Adjusted Income (Loss) including Depreciation	**25,722**	**6,465,249**	**(6,439,527)**	**-99.6%**
Adjusted Margin (as a percentage) including Depreciation	**0.0%**	**4.5%**		
Investment Gains (Losses)	10,870,934	(37,840,027)	48,710,961	128.7%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 10,896,656**	**$ (31,374,778)**	**$ 42,271,434**	**134.7%**
Adjusted Margin % with Investment Gains (Losses)	**6.8%**	**-30.1%**		
Adjusted Income (Loss) excluding Depreciation	**12,369,062**	**17,315,721**	**(4,946,659)**	**-28.6%**
Adjusted Margin (as a percentage) excluding Depreciation	**8.2%**	**12.2%**		

UNAUDITED
The University of Texas at Tyler
Comparison of Operating Results and Margin
For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	$ 8,739,799	$ 8,331,967	$ 407,832	4.9%
Sponsored Programs	3,335,473	3,745,077	(409,604)	-10.9%
Net Sales and Services of Educational Activities	692,130	1,066,958	(374,828)	-35.1%
Net Auxiliary Enterprises	1,226,572	1,319,972	(93,400)	-7.1%
Other Operating Revenues	63,445	44,899	18,546	41.3%
Total Operating Revenues	**14,057,419**	**14,508,873**	**(451,454)**	**-3.1%**
Operating Expenses				
Salaries and Wages	12,522,347	12,278,650	243,697	2.0%
Employee Benefits and Related Costs	3,194,099	3,012,785	181,314	6.0%
Professional Fees and Contracted Services	340,078	286,349	53,729	18.8%
Other Contracted Services	1,409,412	1,140,682	268,730	23.6%
Scholarships and Fellowships	3,680,118	2,600,248	1,079,870	41.5%
Travel	467,985	488,032	(20,047)	-4.1%
Materials and Supplies	1,369,240	1,726,711	(357,471)	-20.7%
Utilities	612,473	561,551	50,922	9.1%
Telecommunications	374,970	210,579	164,391	78.1%
Repairs and Maintenance	383,140	474,068	(90,928)	-19.2%
Rentals and Leases	96,379	112,528	(16,149)	-14.4%
Printing and Reproduction	225,798	238,165	(12,367)	-5.2%
Bad Debt Expense	416	515	(99)	-19.2%
Federal Sponsored Programs Pass-Thrus	69,418	61,100	8,318	13.6%
Depreciation and Amortization	2,799,728	3,006,508	(206,780)	-6.9%
Other Operating Expenses	634,012	599,130	34,882	5.8%
Total Operating Expenses	**28,179,613**	**26,797,601**	**1,382,012**	**5.2%**
Operating Loss	**(14,122,194)**	**(12,288,728)**	**(1,833,466)**	**-14.9%**
Other Nonoperating Adjustments				
State Appropriations	11,947,764	11,646,703	301,061	2.6%
Non-Exchange Sponsored Programs	3,399,301	2,756,563	642,738	23.3%
Gift Contributions for Operations	452,635	337,772	114,863	34.0%
Net Investment Income	1,463,509	1,350,616	112,893	8.4%
Interest Expense on Capital Asset Financings	(981,468)	(610,173)	(371,295)	-60.9%
Net Other Nonoperating Adjustments	**16,281,741**	**15,481,481**	**800,260**	**5.2%**
Adjusted Income (Loss) including Depreciation	**2,159,547**	**3,192,753**	**(1,033,206)**	**-32.4%**
Adjusted Margin (as a percentage) including Depreciation	**6.9%**	**10.4%**		
Investment Gains (Losses)	1,810,815	(6,786,379)	8,597,194	126.7%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 3,970,362**	**$ (3,593,626)**	**$ 7,563,988**	**210.5%**
Adjusted Margin % with Investment Gains (Losses)	**12.0%**	**-15.1%**		
Adjusted Income (Loss) excluding Depreciation	**4,959,275**	**6,199,261**	**(1,239,986)**	**-20.0%**
Adjusted Margin (as a percentage) excludinI Depreciation	**15.8%**	**20.3%**		

UNAUDITED

The University of Texas Southwestern Medical Center at Dallas

Comparison of Operating Results and Margin

For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	$ 8,640,807	$ 8,750,189	$ (109,382)	-1.3%
Sponsored Programs	145,118,509	133,445,464	11,673,045	8.7%
Net Sales and Services of Educational Activities	3,900,462	2,929,886	970,576	33.1%
Net Sales and Services of Hospitals	152,181,036	126,745,898	25,435,138	20.1%
Net Professional Fees	124,080,867	120,494,779	3,586,088	3.0%
Net Auxiliary Enterprises	5,902,718	5,982,736	(80,018)	-1.3%
Other Operating Revenues	2,125,889	2,011,704	114,185	5.7%
Total Operating Revenues	**441,950,288**	**400,360,656**	**41,589,632**	**10.4%**
Operating Expenses				
Salaries and Wages	270,392,715	261,274,715	9,118,000	3.5%
Employee Benefits and Related Costs	58,934,003	54,451,040	4,482,963	8.2%
Professional Fees and Contracted Services	7,576,262	7,739,924	(163,662)	-2.1%
Other Contracted Services	30,268,186	26,254,726	4,013,460	15.3%
Scholarships and Fellowships	5,797,982	5,423,403	374,579	6.9%
Travel	2,649,229	3,314,527	(665,298)	-20.1%
Materials and Supplies	68,908,547	64,519,278	4,389,269	6.8%
Utilities	12,040,215	11,161,279	878,936	7.9%
Telecommunications	2,174,148	2,112,852	61,296	2.9%
Repairs and Maintenance	4,887,914	4,467,182	420,732	9.4%
Rentals and Leases	2,247,164	2,455,204	(208,040)	-8.5%
Printing and Reproduction	1,083,410	974,909	108,501	11.1%
Federal Sponsored Programs Pass-Thrus	402,677	115,063	287,614	250.0%
Depreciation and Amortization	26,047,474	25,275,942	771,532	3.1%
Other Operating Expenses	22,383,652	19,775,804	2,607,848	13.2%
Total Operating Expenses	**515,793,578**	**489,315,848**	**26,477,730**	**5.4%**
Operating Loss	**(73,843,290)**	**(88,955,192)**	**15,111,902**	**17.0%**
Other Nonoperating Adjustments				
State Appropriations	62,737,767	58,992,243	3,745,524	6.3%
Non-Exchange Sponsored Programs	43,108	39,594	3,514	8.9%
Gift Contributions for Operations	8,653,312	7,425,438	1,227,874	16.5%
Net Investment Income	23,209,074	23,244,762	(35,688)	-0.2%
Interest Expense on Capital Asset Financings	(7,361,148)	(6,704,801)	(656,347)	-9.8%
Net Other Nonoperating Adjustments	**87,282,113**	**82,997,236**	**4,284,877**	**5.2%**
Adjusted Income (Loss) including Depreciation	**13,438,823**	**(5,957,956)**	**19,396,779**	**325.6%**
Adjusted Margin (as a percentage) including Depreciation	**2.5%**	**-1.2%**		
Investment Gains (Losses)	39,042,022	(131,246,360)	170,288,382	129.7%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 52,480,845**	**$ (137,204,316)**	**$ 189,685,161**	**138.3%**
Adjusted Margin % with Investment Gains (Losses)	**9.1%**	**-38.2%**		
Adjusted Income (Loss) excluding Depreciation	**39,486,297**	**19,317,986**	**20,168,311**	**104.4%**
Adjusted Margin (as a percentage) excluding Depreciation	**7.4%**	**3.9%**		

UNAUDITED
The University of Texas Medical Branch at Galveston
Comparison of Operating Results and Margin
For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	$ 7,485,898	$ 5,842,123	$ 1,643,775	28.1%
Sponsored Programs	94,410,124	97,148,586	(2,738,462)	-2.8%
Net Sales and Services of Educational Activities	7,416,257	4,364,542	3,051,715	69.9%
Net Sales and Services of Hospitals	231,641,595	170,179,671	61,461,924	36.1%
Net Professional Fees	43,252,288	28,731,040	14,521,248	50.5%
Net Auxiliary Enterprises	1,804,977	1,464,771	340,206	23.2%
Other Operating Revenues	3,528,974	4,712,704	(1,183,730)	-25.1%
Total Operating Revenues	**389,540,113**	**312,443,437**	**77,096,676**	**24.7%**
Operating Expenses				
Salaries and Wages	261,227,272	272,522,208	(11,294,936)	-4.1%
Employee Benefits and Related Costs	61,390,487	63,125,571	(1,735,084)	-2.7%
Professional Fees and Contracted Services	12,276,780	61,172,632	(48,895,852)	-79.9%
Other Contracted Services	36,495,968	39,064,156	(2,568,188)	-6.6%
Scholarships and Fellowships	1,153,366	1,849,558	(696,192)	-37.6%
Travel	2,076,421	1,765,154	311,267	17.6%
Materials and Supplies	60,743,114	38,892,705	21,850,409	56.2%
Utilities	8,791,335	9,232,497	(441,162)	-4.8%
Telecommunications	5,011,806	4,554,311	457,495	10.0%
Repairs and Maintenance	14,875,331	10,662,259	4,213,072	39.5%
Rentals and Leases	7,986,538	5,882,645	2,103,893	35.8%
Printing and Reproduction	403,171	356,036	47,135	13.2%
Federal Sponsored Programs Pass-Thrus	1,031,914	561,590	470,324	83.7%
Depreciation and Amortization	25,218,027	25,764,204	(546,177)	-2.1%
Other Operating Expenses	15,094,452	26,555,236	(11,460,784)	-43.2%
Total Operating Expenses	**513,775,982**	**561,960,762**	**(48,184,780)**	**-8.6%**
Operating Loss	**(124,235,869)**	**(249,517,325)**	**125,281,456**	**50.2%**
Other Nonoperating Adjustments				
State Appropriations	123,485,822	103,062,583	20,423,239	19.8%
Non-Exchange Sponsored Programs	(1,183)	-	(1,183)	100.0%
Gift Contributions for Operations	4,063,536	5,353,729	(1,290,193)	-24.1%
Net Investment Income	10,491,712	11,165,377	(673,665)	-6.0%
Interest Expense on Capital Asset Financings	(2,206,975)	(2,027,666)	(179,309)	-8.8%
Net Other Nonoperating Adjustments	**135,832,912**	**117,554,023**	**18,278,889**	**15.5%**
Adjusted Income (Loss) including Depreciation	**11,597,043**	**(131,963,302)**	**143,560,345**	**108.8%**
Adjusted Margin (as a percentage) including Depreciation	**2.2%**	**-30.5%**		
Investment Gains (Losses)	6,971,608	(37,761,472)	44,733,080	118.5%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 18,568,651**	**$ (169,724,774)**	**$ 188,293,425**	**110.9%**
Adjusted Margin % with Investment Gains (Losses)	**3.5%**	**-43.0%**		
Adjusted Income (Loss) excluding Depreciation	**36,815,070**	**(106,199,098)**	**143,014,168**	**134.7%**
Adjusted Margin (as a percentage) excluding Depreciation	**7.0%**	**-24.6%**		

UNAUDITED
The University of Texas Health Science Center at Houston
Comparison of Operating Results and Margin
For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	$ 11,018,741	$ 10,386,552	$ 632,189	6.1%
Sponsored Programs	118,378,253	106,384,017	11,994,236	11.3%
Net Sales and Services of Educational Activities	13,522,686	13,497,674	25,012	0.2%
Net Sales and Services of Hospitals	12,688,133	11,495,233	1,192,900	10.4%
Net Professional Fees	44,392,733	38,863,087	5,529,646	14.2%
Net Auxiliary Enterprises	7,272,939	7,293,248	(20,309)	-0.3%
Other Operating Revenues	15,752,249	13,758,106	1,994,143	14.5%
Total Operating Revenues	**223,025,734**	**201,677,917**	**21,347,817**	**10.6%**
Operating Expenses				
Salaries and Wages	144,178,118	127,001,465	17,176,653	13.5%
Employee Benefits and Related Costs	29,629,870	25,911,650	3,718,220	14.3%
Professional Fees and Contracted Services	26,648,129	27,578,082	(929,953)	-3.4%
Other Contracted Services	10,464,571	11,512,575	(1,048,004)	-9.1%
Scholarships and Fellowships	2,682,449	2,014,769	667,680	33.1%
Travel	2,387,990	2,142,897	245,093	11.4%
Materials and Supplies	17,004,585	17,662,871	(658,286)	-3.7%
Utilities	6,491,232	6,614,206	(122,974)	-1.9%
Telecommunications	660,420	1,004,551	(344,131)	-34.3%
Repairs and Maintenance	2,414,816	3,060,273	(645,457)	-21.1%
Rentals and Leases	4,728,805	4,239,974	488,831	11.5%
Printing and Reproduction	1,357,641	1,360,318	(2,677)	-0.2%
Bad Debt Expense	1,615	-	1,615	100.0%
Federal Sponsored Programs Pass-Thrus	2,177,817	2,153,719	24,098	1.1%
Depreciation and Amortization	12,867,182	13,333,454	(466,272)	-3.5%
Other Operating Expenses	21,912,250	19,583,333	2,328,917	11.9%
Total Operating Expenses	**285,607,490**	**265,174,137**	**20,433,353**	**7.7%**
Operating Loss	**(62,581,756)**	**(63,496,220)**	**914,464**	**1.4%**
Other Nonoperating Adjustments				
State Appropriations	60,550,405	55,395,367	5,155,038	9.3%
Non-Exchange Sponsored Programs	162,783	147,555	15,228	10.3%
Gift Contributions for Operations	6,424,273	5,888,237	536,036	9.1%
Net Investment Income	7,819,998	9,284,463	(1,464,465)	-15.8%
Interest Expense on Capital Asset Financings	(3,003,184)	(2,417,742)	(585,442)	-24.2%
Net Other Nonoperating Adjustments	**71,954,275**	**68,297,880**	**3,656,395**	**5.4%**
Adjusted Income (Loss) including Depreciation	**9,372,519**	**4,801,660**	**4,570,859**	**95.2%**
Adjusted Margin (as a percentage) including Depreciation	**3.1%**	**1.8%**		
Investment Gains (Losses)	15,978,201	(56,486,932)	72,465,133	128.3%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 25,350,720**	**$ (51,685,272)**	**$ 77,035,992**	**149.0%**
Adjusted Margin % with Investment Gains (Losses)	**8.1%**	**-23.9%**		
Adjusted Income (Loss) excluding Depreciation	**22,239,701**	**18,135,114**	**4,104,587**	**22.6%**
Adjusted Margin (as a percentage) excluding Depreciation	**7.5%**	**6.7%**		

UNAUDITED

The University of Texas Health Science Center at San Antonio

Comparison of Operating Results and Margin

For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	$ 9,133,159	$ 7,898,512	$ 1,234,647	15.6%
Sponsored Programs	83,856,917	79,353,119	4,503,798	5.7%
Net Sales and Services of Educational Activities	13,136,499	14,788,700	(1,652,201)	-11.2%
Net Professional Fees	39,456,175	34,140,903	5,315,272	15.6%
Net Auxiliary Enterprises	1,672,923	1,320,907	352,016	26.6%
Other Operating Revenues	4,599,032	5,008,938	(409,906)	-8.2%
Total Operating Revenues	**151,854,705**	**142,511,079**	**9,343,626**	**6.6%**
Operating Expenses				
Salaries and Wages	128,043,517	114,598,737	13,444,780	11.7%
Employee Benefits and Related Costs	29,248,618	28,462,783	785,835	2.8%
Professional Fees and Contracted Services	4,824,417	4,795,752	28,665	0.6%
Other Contracted Services	6,703,528	5,976,042	727,486	12.2%
Scholarships and Fellowships	1,125,186	737,365	387,821	52.6%
Travel	1,768,936	1,788,091	(19,155)	-1.1%
Materials and Supplies	13,756,499	10,898,238	2,858,261	26.2%
Utilities	5,557,481	5,033,333	524,148	10.4%
Telecommunications	3,622,986	2,298,812	1,324,174	57.6%
Repairs and Maintenance	2,115,165	1,336,204	778,961	58.3%
Rentals and Leases	2,601,836	1,205,077	1,396,759	115.9%
Printing and Reproduction	716,569	606,018	110,551	18.2%
Federal Sponsored Programs Pass-Thrus	400,000	466,667	(66,667)	-14.3%
Depreciation and Amortization	10,666,667	10,437,141	229,526	2.2%
Other Operating Expenses	13,944,028	30,327,420	(16,383,392)	-54.0%
Total Operating Expenses	**225,095,433**	**218,967,680**	**6,127,753**	**2.8%**
Operating Loss	**(73,240,728)**	**(76,456,601)**	**3,215,873**	**4.2%**
Other Nonoperating Adjustments				
State Appropriations	63,793,311	57,228,911	6,564,400	11.5%
Non-Exchange Sponsored Programs	304,000	270,667	33,333	12.3%
Gift Contributions for Operations	3,287,424	7,413,642	(4,126,218)	-55.7%
Net Investment Income	8,669,633	9,120,812	(451,179)	-4.9%
Interest Expense on Capital Asset Financings	(2,900,164)	(1,614,952)	(1,285,212)	-79.6%
Net Other Nonoperating Adjustments	**73,154,204**	**72,419,080**	**735,124**	**1.0%**
Adjusted Income (Loss) including Depreciation	**(86,524)**	**(4,037,521)**	**3,950,997**	**97.9%**
Adjusted Margin (as a percentage) including Depreciation	**-0.0%**	**-1.9%**		
Investment Gains (Losses)	12,234,950	(38,805,087)	51,040,037	131.5%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 12,148,426**	**$ (42,842,608)**	**$ 54,991,034**	**128.4%**
Adjusted Margin % with Investment Gains (Losses)	**5.1%**	**-24.1%**		
Adjusted Income (Loss) excluding Depreciation	**10,580,143**	**6,399,620**	**4,180,523**	**65.3%**
Adjusted Margin (as a percentage) excluding Depreciation	**4.6%**	**3.0%**		

UNAUDITED
The University of Texas M. D. Anderson Cancer Center
Comparison of Operating Results and Margin
For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition and Fees	$ 682,428	$ 318,522	$ 363,906	114.2%
Sponsored Programs	94,926,882	85,386,736	9,540,146	11.2%
Net Sales and Services of Educational Activities	581,690	702,700	(121,010)	-17.2%
Net Sales and Services of Hospitals	724,159,312	630,319,846	93,839,466	14.9%
Net Professional Fees	103,225,146	87,020,935	16,204,211	18.6%
Net Auxiliary Enterprises	10,262,902	9,547,191	715,711	7.5%
Other Operating Revenues	18,499,154	16,832,530	1,666,624	9.9%
Total Operating Revenues	**952,337,514**	**830,128,460**	**122,209,054**	**14.7%**
Operating Expenses				
Salaries and Wages	429,210,214	438,647,363	(9,437,149)	-2.2%
Employee Benefits and Related Costs	114,240,144	112,763,071	1,477,073	1.3%
Professional Fees and Contracted Services	30,966,121	36,976,098	(6,009,977)	-16.3%
Other Contracted Services	20,448,935	21,214,465	(765,530)	-3.6%
Travel	5,124,149	6,503,350	(1,379,201)	-21.2%
Materials and Supplies	179,709,781	155,927,829	23,781,952	15.3%
Utilities	15,982,340	20,761,489	(4,779,149)	-23.0%
Telecommunications	3,119,406	2,903,700	215,706	7.4%
Repairs and Maintenance	22,481,778	21,000,933	1,480,845	7.1%
Rentals and Leases	13,867,369	12,273,025	1,594,344	13.0%
Federal Sponsored Programs Pass-Thrus	2,231	(81,178)	83,409	102.7%
Depreciation and Amortization	77,797,088	74,948,090	2,848,998	3.8%
Other Operating Expenses	1,119,262	955,599	163,663	17.1%
Total Operating Expenses	**914,068,818**	**904,793,834**	**9,274,984**	**1.0%**
Operating Loss	**38,268,696**	**(74,665,374)**	**112,934,070**	**151.3%**
Other Nonoperating Adjustments				
State Appropriations	59,176,425	55,147,178	4,029,247	7.3%
Gift Contributions for Operations	40,421,736	22,320,703	18,101,033	81.1%
Net Investment Income	19,310,108	15,951,700	3,358,408	21.1%
Interest Expense on Capital Asset Financings	(11,360,924)	(4,921,769)	(6,439,155)	-130.8%
Net Other Nonoperating Adjustments	**107,547,345**	**88,497,812**	**19,049,533**	**21.5%**
Adjusted Income (Loss) including Depreciation	**145,816,041**	**13,832,438**	**131,983,603**	**954.2%**
Adjusted Margin (as a percentage) including Depreciation	**13.6%**	**1.5%**		
Investment Gains (Losses)	47,049,011	(160,304,063)	207,353,074	129.3%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 192,865,052**	**$ (146,471,625)**	**$ 339,336,677**	**231.7%**
Adjusted Margin % with Investment Gains (Losses)	**17.2%**	**-19.2%**		
Adjusted Income (Loss) excluding Depreciation	**223,613,129**	**88,780,528**	**134,832,601**	**151.9%**
Adjusted Margin (as a percentage) excluding Depreciation	**20.9%**	**9.6%**		

UNAUDITED
The University of Texas Health Science Center at Tyler
Comparison of Operating Results and Margin
For the Four Months Ending December 31, 2009

	December Year-to-Date FY 2010	December Year-to-Date FY 2009	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	$ 4,498,369	$ 4,082,400	$ 415,969	10.2%
Net Sales and Services of Educational Activities	504,584	440,316	64,268	14.6%
Net Sales and Services of Hospitals	16,569,135	16,889,187	(320,052)	-1.9%
Net Professional Fees	2,890,690	4,118,674	(1,227,984)	-29.8%
Net Auxiliary Enterprises	74,258	66,555	7,703	11.6%
Other Operating Revenues	571,246	333,187	238,059	71.4%
Total Operating Revenues	**25,108,282**	**25,930,319**	**(822,037)**	**-3.2%**
Operating Expenses				
Salaries and Wages	18,124,890	17,002,188	1,122,702	6.6%
Employee Benefits and Related Costs	4,706,834	4,789,891	(83,057)	-1.7%
Professional Fees and Contracted Services	2,544,635	2,571,974	(27,339)	-1.1%
Other Contracted Services	3,059,055	3,812,226	(753,171)	-19.8%
Travel	146,225	143,347	2,878	2.0%
Materials and Supplies	5,267,470	5,747,428	(479,958)	-8.4%
Utilities	1,268,322	992,229	276,093	27.8%
Telecommunications	459,838	430,890	28,948	6.7%
Repairs and Maintenance	1,367,585	1,380,216	(12,631)	-0.9%
Rentals and Leases	373,202	299,592	73,610	24.6%
Printing and Reproduction	25,007	46,728	(21,721)	-46.5%
Federal Sponsored Programs Pass-Thrus	35,909	25,123	10,786	42.9%
Depreciation and Amortization	2,389,459	2,513,725	(124,266)	-4.9%
Other Operating Expenses	619,529	611,672	7,857	1.3%
Total Operating Expenses	**40,387,960**	**40,367,229**	**20,731**	**0.1%**
Operating Loss	**(15,279,678)**	**(14,436,910)**	**(842,768)**	**-5.8%**
Other Nonoperating Adjustments				
State Appropriations	14,210,211	13,773,148	437,063	3.2%
Gift Contributions for Operations	71,859	71,741	118	0.2%
Net Investment Income	1,308,640	1,335,051	(26,411)	-2.0%
Interest Expense on Capital Asset Financings	(198,388)	(172,130)	(26,258)	-15.3%
Net Other Nonoperating Adjustments	**15,392,322**	**15,007,810**	**384,512**	**2.6%**
Adjusted Income (Loss) including Depreciation	**112,644**	**570,900**	**(458,256)**	**-80.3%**
Adjusted Margin (as a percentage) including Depreciation	**0.3%**	**1.4%**		
Investment Gains (Losses)	1,186,686	(4,532,116)	5,718,802	126.2%
Adjusted Income (Loss) with Investment Gains (Losses)	**$ 1,299,330**	**$ (3,961,216)**	**$ 5,260,546**	**132.8%**
Adjusted Margin % with Investment Gains (Losses)	**3.1%**	**-10.8%**		
Adjusted Income (Loss) excluding Depreciation	**2,502,103**	**3,084,625**	**(582,522)**	**-18.9%**
Adjusted Margin (as a percentage) excluding Depreciation	**6.1%**	**7.5%**		

4. **U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended November 30, 2009**

REPORT

The November 30, 2009 UTIMCO Performance Summary Report is attached on Page 121.

The Investment Reports for the quarter ended November 30, 2009, are set forth on Pages 122 – 125.

Item I on Page 122 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 7.57% versus its composite benchmark return of 5.62%. The PUF's net asset value increased by $667 million since the beginning of the quarter to $10,341 million. This change in net asset value includes contributions from PUF Land receipts, increases due to net investment return, and the first payment of the annual distribution to the Available University Fund (AUF) of $129 million.

Item II on Page 123 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 7.52% versus its composite benchmark return of 5.62%. The GEF's net asset value increased during the quarter to $5,726 million.

Item III on Page 124 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was 6.90% versus its composite benchmark return of 5.66%. The net asset value increased during the quarter to $3,928 million due to net investment return of $251 million and net distributions of $28 million. The increase in net asset value also included $133 million net contributions.

For all funds, all exposures were within their asset class and investment type ranges and liquidity was within policy.

Item IV on Page 125 presents book and market values 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 $167 million to $1,681 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $24 million versus $25 million at the beginning of the period; equities: $44 million versus $38 million at the beginning of the period; and other investments: $.2 million versus $4 million at the beginning of the period.

UTIMCO Performance Summary

November 30, 2009

	Net Asset Value 11/30/2009 (in Millions)	Periods Ended November 30, 2009 (Returns for Periods Longer Than One Year are Annualized)							
		Short Term		Year to Date		Historic Returns			
ENDOWMENT FUNDS		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs
Permanent University Fund	$ 10,341	3.03%	7.57%	7.57%	19.72%	21.04%	(0.02%)	5.15%	5.35%
General Endowment Fund		2.99	7.52	7.52	19.57	20.88	0.09	5.20	N/A
Permanent Health Fund	895	3.08	7.53	7.53	19.48	20.74	0.00	5.12	N/A
Long Term Fund	4,833	3.08	7.53	7.53	19.47	20.74	0.00	5.13	5.57
Separately Invested Funds	111	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	16,180								
OPERATING FUNDS									
Short Term Fund	1,639	0.02	0.06	0.06	0.51	0.64	3.08	3.44	3.25
Intermediate Term Fund	3,928	2.86	6.90	6.90	22.84	26.85	1.44	N/A	N/A
Total Operating Funds	5,567								
Total Investments	$ 21,747								
VALUE ADDED (Percent)									
Permanent University Fund		0.78%	1.95%	1.95%	4.35%	3.93%	2.99%	1.83%	1.41%
General Endowment Fund		0.74	1.90	1.90	4.20	3.77	3.10	1.88	N/A
Short Term Fund		0.01	-	-	0.31	0.44	0.53	0.38	0.22
Intermediate Term Fund		0.39	1.24	1.24	1.61	1.30	2.52	N/A	N/A
VALUE ADDED ($ IN MILLIONS)									
Permanent University Fund		$ 77	$ 187	$ 187	$ 378	$ 337	$ 916	$ 886	$ 1,340
General Endowment Fund		41	103	103	205	181	529	506	N/A
Intermediate Term Fund		15	45	45	51	40	273	N/A	N/A
Total Value Added		$ 133	$ 335	$ 335	$ 634	$ 558	$ 1,718	$ 1,392	$ 1,340

Footnotes available upon request.

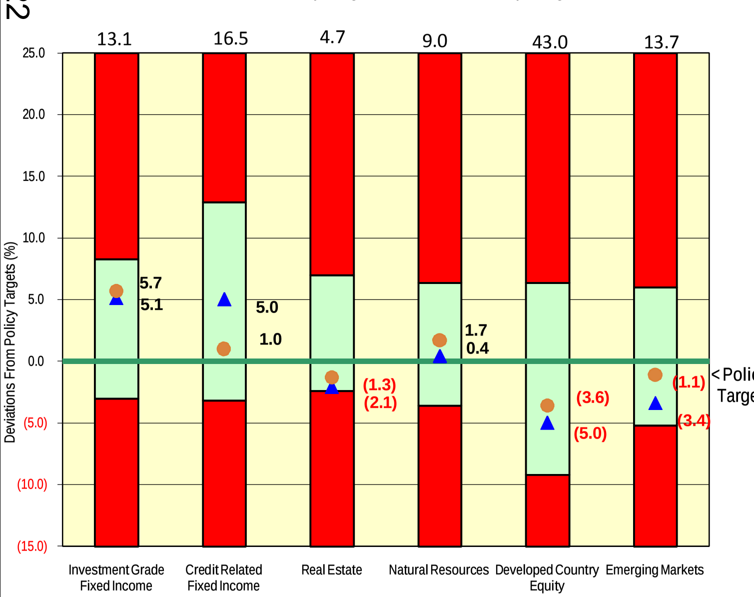
I. PERMANENT UNIVERSITY FUND
Investment Reports for Periods Ended November 30, 2009
Prepared in accordance with *Texas Education Code* Sec. 51.0032

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2009	Quarter Ended November 30, 2009	Fiscal Year to Date November 30, 2009
Beginning Net Assets	$ 11,360	$ 9,674	$ 9,674
PUF Lands Receipts	340	73	73
Investment Return (Net of Expenses)	(1,495)	723	723
Distributions to AUF	(531)	(129)	(129)
Ending Net Assets	$ 9,674	$ 10,341	$ 10,341

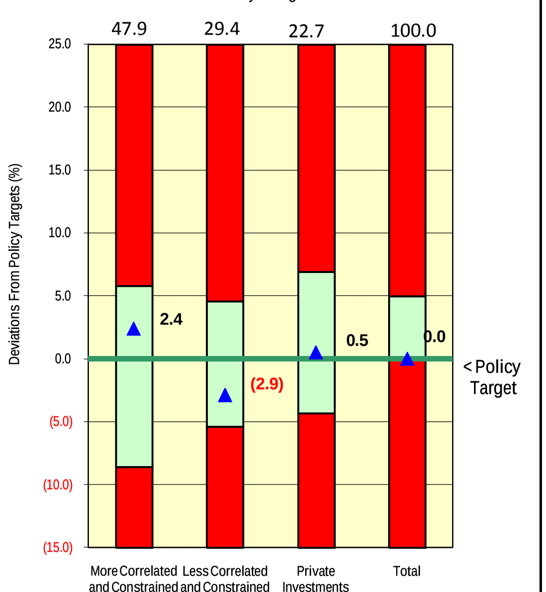
	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	4.71%	5.23%	-0.05%	-0.02%	-0.07%
Credit-Related	12.50%	9.45%	0.10%	0.02%	0.12%
Real Estate	6.79%	6.42%	-0.01%	0.02%	0.01%
Natural Resources	13.82%	10.52%	0.09%	0.19%	0.28%
Developed Country	6.33%	6.31%	-0.04%	0.03%	-0.01%
Emerging Markets	13.09%	13.90%	-0.06%	-0.09%	-0.15%
Total More Correlated and Constrained	**8.68%**	**8.55%**	**0.03%**	**0.15%**	**0.18%**
Less Correlated and Constrained	**6.00%**	**2.61%**	**-0.07%**	**1.15%**	**1.08%**
Private Investments	**7.41%**	**4.17%**	**0.14%**	**0.55%**	**0.69%**
Total	**7.57%**	**5.62%**	**0.10%**	**1.85%**	**1.95%**

Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for PUF

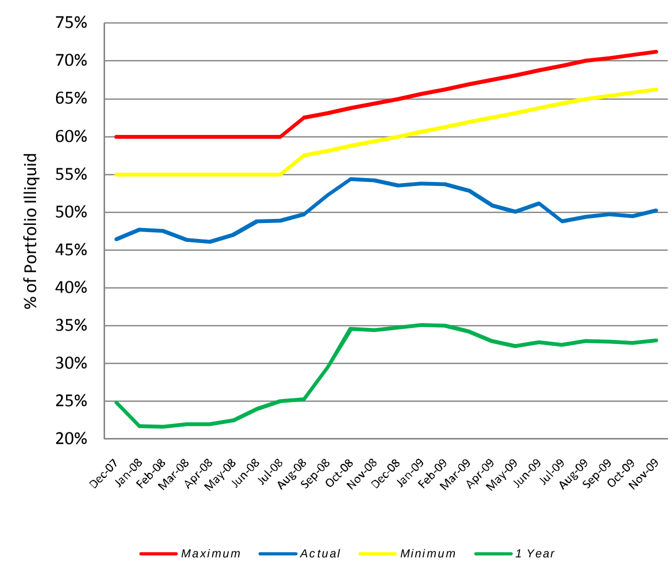


-- **All Investment Types** -- More Correlated and Constrained

Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for PUF



Permanent University Fund
Actual Illiquidity vs. Trigger Zones



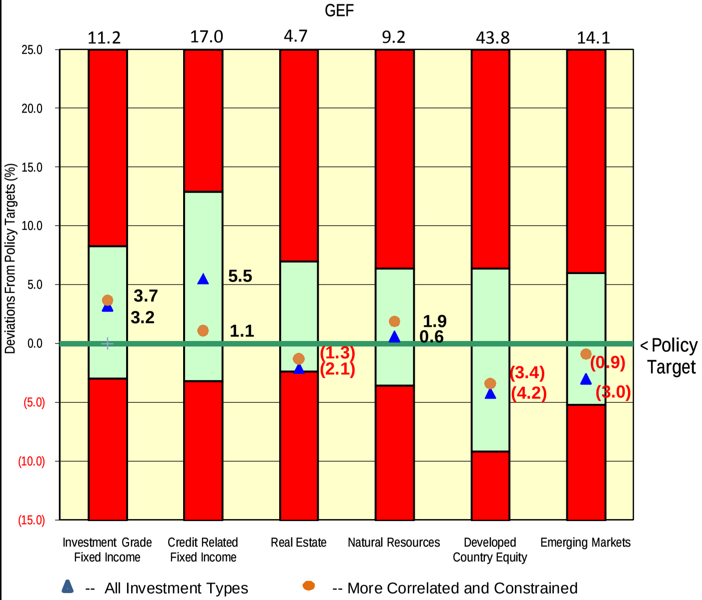
II. GENERAL ENDOWMENT FUND
Investment Reports for Periods Ended November 30, 2009
Prepared in accordance with *Texas Education Code* Sec. 51.0032

Summary of Capital Flows

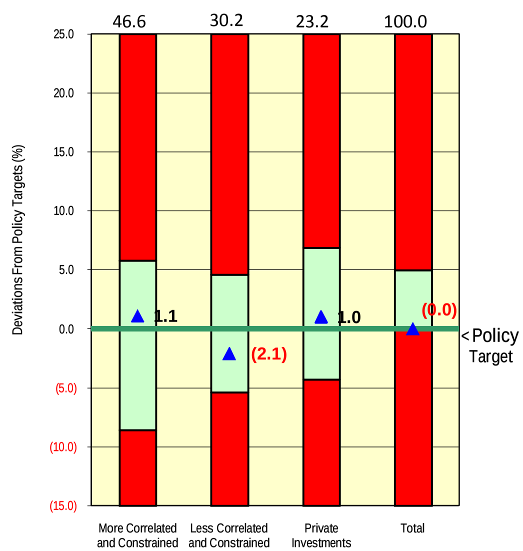
($ millions)	Fiscal Year Ended August 31, 2009	Quarter Ended November 30, 2009	Fiscal Year to Date November 30, 2009
Beginning Net Assets	$ 6,310	$ 5,359	$ 5,359
Contributions	185	34	34
Withdrawals	(11)	-	-
Distributions	(279)	(73)	(73)
Investment Return (Net of Expenses)	(846)	406	406
Ending Net Assets	$ 5,359	$ 5,726	$ 5,726

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	4.50%	5.23%	-0.05%	-0.03%	-0.08%
Credit-Related	12.49%	9.45%	0.10%	0.02%	0.12%
Real Estate	6.80%	6.42%	-0.01%	0.02%	0.01%
Natural Resources	13.77%	10.52%	0.08%	0.17%	0.25%
Developed Country	6.30%	6.31%	-0.04%	0.01%	-0.03%
Emerging Markets	12.89%	13.90%	-0.07%	-0.10%	-0.17%
Total More Correlated and Constrained	**8.59%**	**8.55%**	**0.01%**	**0.09%**	**0.10%**
Less Correlated and Constrained	**6.00%**	**2.61%**	**-0.05%**	**1.17%**	**1.12%**
Private Investments	**7.41%**	**4.17%**	**0.13%**	**0.55%**	**0.68%**
Total	**7.52%**	**5.62%**	**0.09%**	**1.81%**	**1.90%**

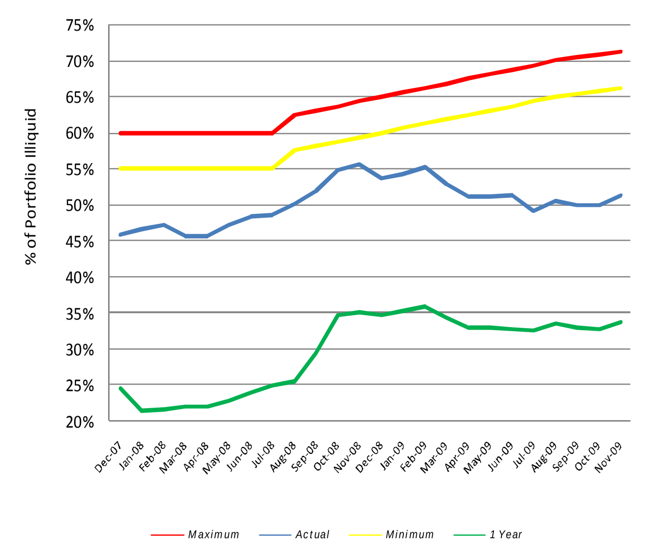
Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for GEF



Deviations From Investment Type Policy Targets Within Tactical Policy Ranges for GEF



General Endowment Fund
Actual Illiquidity vs. Trigger Zones

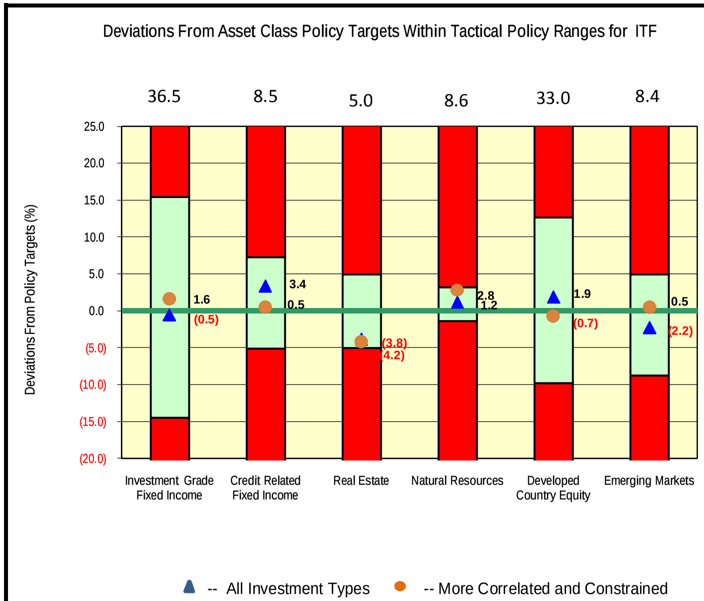


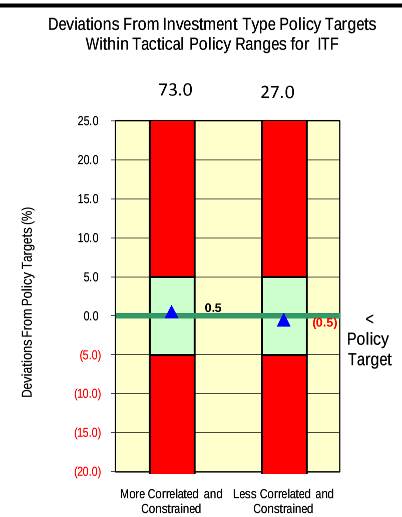
III. INTERMEDIATE TERM FUND
Investment Reports for Periods Ended November 30, 2009
Prepared in accordance with *Texas Education Code* Sec. 51.0032

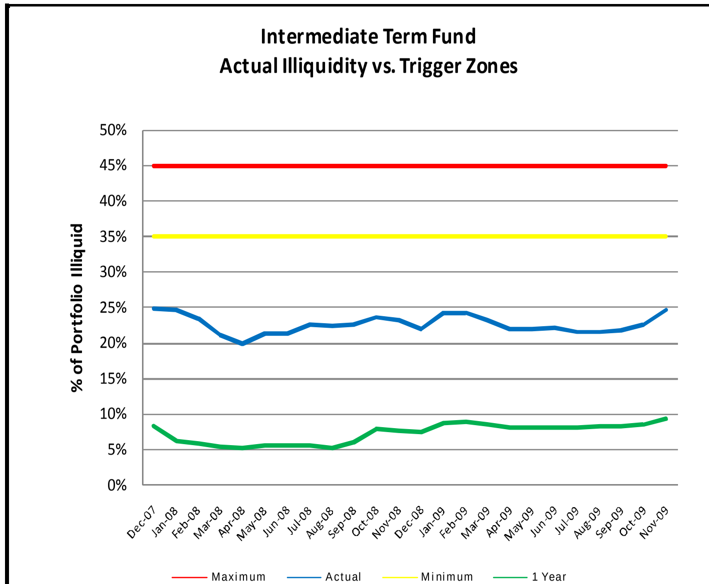
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2009	Quarter Ended November 30, 2009	Fiscal Year to Date November 30, 2009
Beginning Net Assets	$ 3,875	$ 3,572	$ 3,572
Contributions	251	168	168
Withdrawals	(178)	(35)	(35)
Distributions	(98)	(28)	(28)
Investment Return (Net of Expenses)	(278)	251	251
Ending Net Assets	$ 3,572	$ 3,928	3,928

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	4.88%	5.23%	-0.04%	-0.11%	-0.15%
Credit-Related	13.02%	9.45%	0.07%	0.07%	0.14%
Real Estate	7.13%	6.42%	-0.06%	0.06%	0.00%
Natural Resources	13.14%	10.52%	0.18%	0.15%	0.33%
Developed Country	6.58%	6.31%	-0.03%	0.04%	0.01%
Emerging Markets	13.21%	13.90%	0.05%	-0.04%	0.01%
Total More Correlated and Constrained	**7.19%**	**6.80%**	**0.17%**	**0.17%**	**0.34%**
Less Correlated and Constrained	**6.00%**	**2.61%**	**-0.24%**	**1.14%**	**0.90%**
Private Investments	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total	**6.90%**	**5.66%**	**-0.07%**	**1.31%**	**1.24%**







IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at November 30, 2009

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

($ thousands)

FUND TYPE

	CURRENT PURPOSE DESIGNATED		CURRENT PURPOSE RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		OPERATING FUNDS (SHORT TERM FUND)		TOTAL	
ASSET TYPES																
Cash & Equivalents:	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Beginning value 08/31/09	-	-	10,695	10,695	46,827	46,827	1,161	1,161	2,008	2,008	60,691	60,691	1,787,407	1,787,407	1,848,098	1,848,098
Increase/(Decrease)	-	-	(8,703)	(8,703)	(13,109)	(13,109)	(86)	(86)	3,062	3,062	(18,836)	(18,836)	(147,964)	(147,964)	(166,800)	(166,800)
Ending value 11/30/09	-	-	1,992	1,992	33,718	33,718	1,075	1,075	5,070	5,070	41,855	41,855	1,639,443	1,639,443	1,681,298	1,681,298
Debt Securities:																
Beginning value 08/31/09	-	-	265	262	12,483	13,562	10,827	11,018	-	-	23,575	24,842	-	-	23,575	24,842
Increase/(Decrease)	-	-	-	2	(765)	(667)	(100)	221	-	-	(865)	(444)	-	-	(865)	(444)
Ending value 11/30/09	-	-	265	264	11,718	12,895	10,727	11,239	-	-	22,710	24,398	-	-	22,710	24,398
Equity Securities:																
Beginning value 08/31/09	17	1,743	333	301	27,352	24,703	13,867	11,323	-	-	41,569	38,070	-	-	41,569	38,070
Increase/(Decrease)	-	2,151	217	216	884	2,704	-	958	-	-	1,101	6,029	-	-	1,101	6,029
Ending value 11/30/09	17	3,894	550	517	28,236	27,407	13,867	12,281	-	-	42,670	44,099	-	-	42,670	44,099
Other:																
Beginning value 08/31/09	-	-	3,213	3,213	5	5	353	134	1,126	1,126	4,697	4,478	-	-	4,697	4,478
Increase/(Decrease)	-	-	(3,105)	(3,105)	(4)	(4)	12	-	(1,126)	(1,126)	(4,223)	(4,235)	-	-	(4,223)	(4,235)
Ending value 11/30/09	-	-	108	108	1	1	365	134	-	-	474	243	-	-	474	243
Total Assets:																
Beginning value 08/31/09	17	1,743	14,506	14,471	86,667	85,097	26,208	23,636	3,134	3,134	130,532	128,081	1,787,407	1,787,407	1,917,939	1,915,488
Increase/(Decrease)	-	2,151	(11,591)	(11,590)	(12,994)	(11,076)	(174)	1,093	1,936	1,936	(22,823)	(17,486)	(147,964)	(147,964)	(170,787)	(165,450)
Ending value 11/30/09	17	3,894	2,915	2,881	73,673	74,021	26,034	24,729	5,070	5,070	107,709	110,595	1,639,443	1,639,443	1,747,152	1,750,038

Details of individual assets by account furnished upon request.

5. U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2009

REPORT

The Analysis of Financial Condition, which is set forth on Pages 127 - 190 that follow, is a broad annual financial evaluation that rates U. T. System institutions based on the factors analyzed as either "Satisfactory," "Watch," or "Unsatisfactory." All institutions' ratings remained the same as Fiscal Year 2008.

An Executive Summary of the report may be found on Pages 129 - 134.

Financial analysis is performed from each institution's Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets. The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms, and consulting firms. The following ratios were analyzed: Composite Financial Index, Operating Expense Coverage, Annual Operating Margin, Expendable Resources to Debt, Debt Burden, Debt Service Coverage, and Full-time Equivalent (FTE) Student Enrollment (academic institutions only).

The Analysis of Financial Condition has been prepared since 1995 to track financial ratios to determine if the financial condition of the institutions is improving or declining. This analysis compares trends for Fiscal Year 2005 through Fiscal Year 2009.

2009 Analysis of Financial Condition

February 2010

The University of Texas System
2009 Analysis of Financial Condition
Foreword

The Analysis of Financial Condition (AFC) was performed from the Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets. Since debt is reported at the System level and not on the individual institutions' books, debt was allocated to the appropriate institution, as provided by the Office of Finance.

The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms and consulting firms. In addition to using individual ratios a Composite Financial Index (CFI) is calculated using four commonly used ratios to form a composite score to help analyze the overall financial health of each institution. Use of a single score allows a weakness in a particular ratio to be offset by strength in another ratio. The four core ratios that make up the CFI are as follows:

- Composite Financial Index
  - *Primary Reserve Ratio* – measures the financial strength of the institution by comparing expendable net assets to total expenses (in days). This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function by using its expendable reserves without relying on additional net assets generated by operations.
  - *Annual Operating Margin Ratio* – indicates whether the institution has balanced annual operating expenses with revenues. Depreciation expense is included, as it is believed that inclusion of depreciation reflects a more complete picture of operating performance as it reflects use of physical assets.
  - *Return on Net Assets Ratio* – determines whether the institution is financially better off than in previous years by measuring economic return. As mentioned above, the debt reported at the system level was allocated to each institution in the calculation of this ratio. A temporary decline in this ratio may be appropriate and even warranted if it reflects a strategy to better fulfill the institution's mission. On the other hand, an improving trend in this ratio indicates that the institution is increasing its net assets and is likely to be able to set aside financial resources to strengthen its future financial flexibility.
  - *Expendable Resources to Debt Ratio* – determines if an institution has the ability to fund outstanding debt with existing net asset balances should an emergency occur.

In addition to the CFI that includes the four core ratios mentioned above, the following ratios are presented:

- *Operating Expense Coverage Ratio* – measures an institution's ability to cover future operating expenses with available year-end balances (in months).
- *Debt Burden Ratio* – examines the institution's dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses.
- *Debt Service Coverage Ratio* – measures the actual margin of protection provided to investors by annual operations. *Moody's Investors Service* excludes actual investment income from its calculation of total operating revenue and instead, uses a normalized investment income. In years prior to 2009, Moody's calculation applied 4.5% of the prior year's ending total cash and investments. Beginning with fiscal year 2009, Moody's changed the methodology and now applies 5% of the average of the previous three years' market value of cash and investments to compute normalized investment income. This calculation is used by the Office of Finance, and in order to be consistent with their calculation of the debt service coverage ratio, normalized investment income was used as defined above for this ratio only.
- *Full-time Equivalent (FTE) Student Enrollment* – calculates total semester credit hours taken by students during the fall semester, divided by factors of 15 for undergraduate students, 12 for graduate and special professional students, and 9 for doctoral students to arrive at the FTE students represented by the course hours taken.

All of these ratios, including the CFI, only deal with the financial aspects of the institution and must be considered with key performance indicators in academics, infrastructure, and student and faculty satisfaction to understand a more complete measure of total institutional strength.

This report is meant to be a broad annual financial evaluation that rates the institutions as either "Satisfactory," "Watch" or "Unsatisfactory" based upon the factors analyzed. (See Appendix A – Definitions of Evaluation Factors). For institutions rated "Unsatisfactory," the Chancellor and the appropriate Executive Vice Chancellors will request the institutions to develop a specific financial plan of action to improve the institution's financial condition. By policy, institutions rated "Unsatisfactory" are not permitted to invest in the Intermediate Term Fund. Progress towards the achievement of the plans will be periodically discussed with the Chief Business Officer and President, and representatives from the UT System Offices of Business, Academic and/or Health Affairs, as appropriate.

Institution Rated "Unsatisfactory"

UTMB

The institution's financial condition remained "Unsatisfactory" for 2009. The composite financial index (CFI) dropped from 1.6 in 2008 to 0.7 in 2009, the lowest of all the UT institutions, primarily due to the reduction in operating performance caused by Hurricane *Ike* and the decrease in the fair value of investments. The operating expense coverage ratio fell by 0.7 months to 0.2 months in 2009, which was significantly below System's benchmark of 2 months and also the lowest operating expense coverage ratio of all the UT institutions. The decrease in this ratio was attributable to both a decrease in total unrestricted net assets and an increase in total operating expenses. UTMB sustained significant physical damage and loss of patient care activity as a result of Hurricane *Ike*, which made landfall in Galveston on September 13, 2008. The increase in operating expenses was primarily due to the clean-up expenses related to Hurricane *Ike*. The increase in operating expenses was a contributing factor in the reduction of unrestricted net assets. Additionally, Hurricane *Ike* had an adverse impact on operating revenues, which contributed to the decline in unrestricted net assets. In 2009 UTMB also corrected an overstatement of patient receivables from prior years, which resulted in a $20 million adjustment to accounts receivable and negatively impacted operating revenues. The annual operating margin decreased by $89.8 million to a larger deficit of $140.2 million or (9.6%) for 2009, the lowest of all UT institutions. UTMB's hospitals and island clinics were closed for several months after Hurricane *Ike* resulting in decreases in admissions of 48.4%, patient days of 56.1% and clinic visits of 23.2%. UTMB received $150 million of Federal Emergency Management Agency (FEMA) matching funds from the State in the form of a special appropriation. These funds are restricted for FEMA qualified capital project matching and are not intended for operating expenses, with the exception of FEMA clean-up expenses. The entire $150 million was excluded from the margin calculation since none of these funds were used for clean-up expenses in 2009. The margin does include $39.5 million of business interruption insurance proceeds received in 2009 and it also includes $99.4 million of FEMA funds reported as sponsored program revenue. The expendable resources to debt ratio decreased slightly from 2.0 in 2008 to 1.8 in 2009 due to the decrease in total unrestricted net assets and an increase in the amount of debt outstanding. The debt burden ratio increased from 0.8% in 2008 to 1.4% in 2009 primarily as a result of an increase in debt service payments. The debt service coverage ratio decreased from 1.5 in 2008 to (2.8) in 2009, the lowest of any UT institution, due to the substantial reduction in operating performance and the increase in debt service payments.

Institutions Rated "Satisfactory"

UT Arlington

The CFI decreased from 4.2 in 2008 to 3.5 in 2009 primarily due to a decrease in the fair value of investments. The operating expense coverage ratio decreased by 0.6 months to 4.8 months in 2009 due to a decrease in unrestricted net assets and an increase in operating expenses. The net decrease in the fair value of investments allocated to designated funds was a major contributor to the decline in unrestricted net assets. The increase in total operating expenses was primarily attributable to an increase in salaries and payroll related costs. Although the operating expense coverage ratio decreased, UT Arlington still maintained the highest ratio of all the UT institutions. The annual operating margin increased $12.9 million to $22.2 million or 5.6% for 2009 due to increases in sponsored program revenue, net tuition and fees, State appropriations and other operating revenues. These increases in revenue were partially offset by the increase in total operating expenses. The expendable resources to debt ratio decreased slightly from 1.1 in 2008 to 0.9 in 2009 due to the decrease in unrestricted net assets along with an increase in debt for the Engineering Research Complex and the Energy Performance Contract. The debt burden ratio increased from 6.7% in 2008 to 7.6% in 2009 due to an increase in debt service payments. The debt service coverage ratio remained unchanged at 1.9 in 2009 as a result of the improvement in operating performance, which was offset by the increase in debt service payments. Full-time equivalent (FTE) student enrollment increased primarily due to an aggressive advertising campaign, financial aid funds available to students, and more individuals returning to college to obtain new skills given the poor economy.

UT Austin

The CFI decreased from 6.0 in 2008 to 3.1 in 2009 due to the decrease in the fair value of investments. The operating expense coverage ratio decreased by 0.6 months to 2.3 months in 2009 due to an increase in total operating expenses and a decrease in total unrestricted net assets. Total operating expenses increased due to increases in salaries and payroll related costs, other operating expenses, depreciation expense, telecommunications, interest expense, repairs and maintenance, and professional fees and services. The net decrease in the fair value of investments allocated to designated funds was a major contributor to the decline in unrestricted net assets. The annual operating margin decreased $63 million to $48.9 million or 2.3% for 2009 as a result of the increase in operating expenses, which was partially offset by an increase in operating revenues. Operating revenues increased primarily due to increases in net auxiliary enterprise revenue, net tuition and fees, the Available University Fund transfer, State appropriations and sponsored program revenue. The expendable resources to debt ratio decreased from 2.5 in 2008 to 1.6 in 2009. The decline in this ratio was attributable to decreases in unrestricted net assets and restricted expendable net assets, as well as an increase in the amount of debt outstanding. The debt burden ratio was 4.2% in 2009 which was a slight increase from the 2008 ratio of 4.0% and was driven by an increase in debt service payments. The debt service coverage ratio decreased from 4.0 in 2008 to 3.2 in 2009 as a result of the reduction in operating performance, as previously discussed, and the increase in debt service payments. FTE student enrollment increased 2.0% primarily due to increases in both doctoral hours (5.1%) and undergraduate hours (2.0%).

UT Brownsville

The CFI decreased from 2.1 in 2008 to 1.8 in 2009 primarily as a result of the decrease in the fair value of investments and a reduction in the bond proceeds transferred from System. The operating expense coverage ratio decreased by 0.2 months to 2.0 months in 2009 due to an increase in total operating expenses. The increase in total operating expenses was attributable to increases in salaries and payroll related costs, scholarships and fellowships, and materials and supplies. The annual operating margin increased from a deficit of $0.5 million or (0.3%) for 2008 to a positive $1.9 million or 1.2% for 2009, which was an increase of $2.4 million. The improvement in operating performance was due to the growth in operating revenues exceeding the growth in operating expenses. The increase in operating revenues was driven by increases in sponsored program revenue, net tuition and fees, and State appropriations. During 2008, UT Brownsville introduced new Satisfactory Academic Progress (SAP) standards which resulted in lower enrollments and less revenues than were originally budgeted in 2008. As a result, UT Brownsville took necessary steps to reduce total operating expenses to lessen the negative impact caused by SAP. The expendable resources to debt ratio remained unchanged at 1.0 in 2009. The stability of this ratio was attributable to a decrease in restricted expendable net assets offset by a decrease in the debt outstanding. The debt burden ratio decreased from 6.9% in 2008 to 6.3% in 2009 due to the increase in total operating expenses previously mentioned. The debt service coverage ratio increased from 1.0 in 2008 to 1.4 in 2009 as a result of the improvement in operating performance. FTE student enrollment increased 4.1% due to increased retention efforts and ongoing SAP awareness on campus.

Institutions Rated "Satisfactory" (Continued)

UT Dallas

The CFI decreased from 5.3 in 2008 to 2.5 in 2009 primarily due to the decrease in the fair value of investments and an increase in the amount of debt outstanding. The operating expense coverage ratio decreased by 0.2 months to 2.9 months in 2009. The small decrease in this ratio was attributable to an increase in total operating expenses. The increase in operating expenses was driven by increases in salaries and payroll related costs, scholarships and fellowships, and depreciation expense. The annual operating margin decreased by $3.1 million to $9.3 million or 3.0% for 2009 as the growth in operating expenses outpaced the growth in operating revenues. The increase in operating revenues was primarily attributable to increases in net tuition and fees and sponsored program revenue. The expendable resources to debt ratio decreased from 1.7 in 2008 to 1.1 in 2009 due to a decrease in restricted expendable net assets combined with an increase in the debt outstanding. The debt burden ratio increased slightly from 5.6% in 2008 to 5.8% in 2009 as a result of an increase in debt service payments. The debt service coverage ratio decreased from 3.0 in 2008 to 2.7 in 2009. The decrease in this ratio was caused by the decline in operating performance, as discussed above, and the increase in debt service payments. FTE student enrollment increased due to an expansion of the freshman class and increases in doctoral enrollment and enrollment in the masters' programs. As part of the transition to the PeopleSoft Campus Solutions Shared Services, UT Dallas began reporting both funded and non-funded students in the fall of 2009, which also contributed to the increase in FTE student enrollment.

UT El Paso

The CFI increased from 3.1 in 2008 to 3.9 in 2009 primarily as a result of an increase in bond proceeds transferred from System for new capital projects. The operating expense coverage ratio increased by 0.1 months to 1.9 months in 2009 due to an increase in unrestricted net assets attributable to a new quasi-endowment for Intercollegiate Athletics and unrestricted net assets allocated for capital projects. The annual operating margin increased by $5.6 million to $14.9 million or 4.6% for 2009. The improvement in operating performance was attributable to the growth in operating revenues exceeding the growth in operating expenses. The increase in operating revenues was primarily due to increases in sponsored program revenue, net tuition and fees, and State appropriations. Operating expenses increased as a result of increases in salaries and payroll related costs, and scholarships and fellowships. The expendable resources to debt ratio remained unchanged at 1.3 in 2009. The stability of this ratio was attributable to increases in unrestricted net assets and restricted expendable net assets, which were offset by an increase in the amount of debt outstanding. The debt burden ratio decreased from 7.0% in 2008 to 6.7% in 2009 as a result of the increase in total operating expenses previously discussed. The debt service coverage ratio increased from 1.7 in 2008 to 2.0 in 2009 primarily due to the improvement in operating performance discussed above. FTE student enrollment increased as a result of an overall enrollment increase of 3.0%.

UT Pan American

The CFI increased from 1.6 in 2008 to 2.0 in 2009 primarily due to an improvement in operating performance. The operating expense coverage ratio remained unchanged at 3.1 months due to an increase in unrestricted net assets which was offset by an increase in total operating expenses. The increase in unrestricted net assets was attributable to the improvement in operating performance. The annual operating margin increased by $6.2 million to a positive $2.2 million or 0.9% for 2009. The improvement in operating performance was a result of the growth in total operating revenues outpacing the growth in total operating expenses. The increase in operating revenues was primarily due to an increase in sponsored program revenue. The increase in operating expenses was attributable to increases in salaries and payroll related costs, scholarships and fellowships, and materials and supplies. The expendable resources to debt ratio increased slightly from 0.9 in 2008 to 1.0 in 2009 due to the increase in unrestricted net assets and a decrease in the debt outstanding. The debt burden ratio remained stable at 6.4% as a result of a small increase in debt service payments, which was partially offset by the increase in operating expenses. The increase in the debt service coverage ratio from 1.4 in 2008 to 1.7 in 2009 was attributable to the improvement in operating performance. FTE student enrollment increased by 4.4% due to a quality advisement program and the implementation of a required minimum ACT score.

UT Permian Basin The CFI increased significantly from 5.5 in 2008 to 10.2 in 2009 and was the highest CFI of all the UT institutions. The significant increase in this ratio was driven by bond proceeds transferred from System for the Wagner Noel Performing Arts Center, the Science and Technology Complex and the Student Multipurpose Center. The operating expense coverage ratio increased by 1.9 months to 2.8 months in 2009 as a result of an increase in unrestricted net assets. The annual operating margin decreased by $0.7 million to $9.5 million or 16.9% as a result of the growth in operating expenses exceeding the growth in operating revenues. The increase in operating expenses was primarily due to increases in salaries and payroll related costs, and repairs and maintenance. The increase in operating revenues was attributable to increases in sponsored program revenue, State appropriations and net auxiliary enterprise revenue. The expendable resources to debt ratio increased from 0.6 in 2008 to 0.8 in 2009 as a result of increases in unrestricted net assets and restricted expendable net assets. The debt burden ratio decreased from 28.1% in 2008 to 27.4% in 2009 due to the increase in operating expenses, and remains the highest of any UT institution. The slight decrease in the debt service coverage ratio from 1.3 in 2008 to 1.2 in 2009 was attributable to the reduction in operating performance mentioned above. FTE student enrollment increased as a result of recruiting and retention efforts.

UT San Antonio The CFI decreased from 3.5 in 2008 to 2.0 in 2009 primarily due to the net decrease in the fair value of investments, a reduction in bond proceeds due from System for construction projects and a decline in operating performance. The operating expense coverage ratio decreased by 0.9 months to 4.2 months in 2009 as a result of a decrease in unrestricted net assets and an increase in operating expenses. The increase in operating expenses was attributable to increases in salaries and payroll related costs, depreciation expense, scholarships and fellowships, interest expense, other operating expenses, and repairs and maintenance. The annual operating margin decreased by $11.5 million to $16.8 million or 4.0% for 2009. Although operating revenues increased in 2009, the increase was not enough to offset the increase in operating expenses. Operating revenues increased primarily due to increases in sponsored program revenue, net tuition and fees, and net auxiliary enterprise revenues. The expendable resources to debt ratio decreased slightly from 0.6 in 2008 to 0.5 in 2009 as a result of the decrease in unrestricted net assets and an increase in the debt outstanding. The debt burden ratio was 8.6% in 2009, which was a small increase from the 2008 ratio of 8.5% caused by an increase in debt service payments partially offset by the increase in operating expenses. The debt service coverage ratio decreased from 2.4 in 2008 to 2.1 in 2009. The decrease in this ratio resulted from the decline in operating performance and the increase in debt service payments. FTE student enrollment increased by 2%.

UT Tyler The CFI decreased from 4.1 in 2008 to 2.4 in 2009 primarily due to the decrease in the fair value of investments. The operating expense coverage ratio decreased by 0.2 months to 3.5 months in 2009 as a result of an increase in operating expenses. The increase in operating expenses was driven by increases in salaries and payroll related costs, scholarships and fellowships, and depreciation expense. These increases were partially offset by a decrease in materials and supplies due to furnishings that were purchased in 2008 for the Ratliff Engineering building and cost control efforts. The annual operating margin increased by $1.9 million to $4.4 million or 4.9% for 2009. The improvement in operating performance was attributable to an increase in operating revenues which resulted from increases in net tuition and fees and sponsored program revenue. The increase in operating revenues was partially offset by the increase in operating expenses mentioned above. The expendable resources to debt ratio decreased from 1.1 in 2008 to 0.7 in 2009. The reduction in this ratio was caused by a decrease in restricted expendable net assets and an increase in the debt outstanding. The debt burden ratio decreased slightly from 11.5% in 2008 to 11.4% in 2009 primarily as a result of the increase in operating expenses. The debt service coverage ratio increased from 1.4 in 2008 to 1.8 in 2009 due to the improvement in operating margin. FTE student enrollment fell slightly between the fall of 2008 and the fall of 2009; however, this decline was planned for and anticipated.

Southwestern The CFI decreased from 4.8 in 2008 to 2.7 in 2009. The decline in the CFI was primarily driven by the net decrease in the fair value of investments. The operating expense coverage ratio decreased by 0.2 months to 3.7 months in 2009 due to an increase in operating expenses. The increase in operating expenses was primarily due to increases in salaries and payroll related costs, other operating expenses, depreciation expense, and materials and supplies. The annual operating margin decreased by $64.8 million to $21.1 million or 1.4% for 2009. The reduction in operating performance was a result of the increase in operating expenses previously discussed. Partially offsetting the increase in operating expenses was an increase in operating revenues. The increase in operating revenues was primarily attributable to increases in net sales and services of hospitals and sponsored program revenue. Although net sales and services of hospitals and sponsored programs revenues experienced substantial increases, State appropriations and gift for operations decreased in 2009. The expendable resources to debt ratio decreased from 2.2 in 2008 to 1.7 in 2009 as a result of a decrease in restricted expendable net assets and an increase in the debt outstanding. The debt burden ratio changed slightly from 4.2% in 2008 to 4.4% in 2009. The slight increase in this ratio was due to an increase in debt service payments. The debt service coverage ratio decreased from 3.0 in 2008 to 2.0 in 2009. The decline in this ratio was attributable to the decline in operating performance and the increase in debt service payments.

UTHSC-Houston The CFI decreased from 4.2 in 2008 to 2.7 in 2009 primarily due to the net decrease in the fair value of investments, a decline in the operating performance and an increase in the debt outstanding. The operating expense coverage ratio decreased by 0.7 months to 3.3 months in 2009 as a result of an increase in operating expenses and a decrease in unrestricted net assets. The increase in operating expenses was attributable to increases in salaries and payroll related costs, other operating expenses, professional fees and services, and depreciation expense. The annual operating margin declined by $17.1 million to $3.2 million or 0.4% for 2009. The reduction in operating performance was due to the growth in operating expenses exceeding the growth in operating revenues. The increase in operating revenues was primarily a result of increases in sponsored program revenue, net professional fees, net sales and services of hospitals, and net tuition and fees. The expendable resources to debt ratio decreased from 2.2 in 2008 to 1.9 in 2009 due to the decrease in unrestricted net assets and the increase in debt outstanding. The debt burden ratio decreased from 3.1% in 2008 to 2.8% in 2009 as a result of the increase in operating expenses. The debt service coverage ratio decreased from 3.0 in 2008 to 2.4 in 2009. The decrease in this ratio was attributable to the reduction in operating performance as discussed above.

UTHSC-San Antonio The CFI decreased from 4.3 in 2008 to 1.7 in 2009. The decrease in the CFI was primarily driven by the net decrease in the fair value of investments, an increase in total operating expenses, and an increase in the debt outstanding. The operating expense coverage ratio decreased by 0.6 months to 2.1 months in 2009 as a result of the increase in total operating expenses and a decrease in unrestricted net assets. The increase in total operating expenses was due to increases in salaries and payroll related costs, depreciation expense, materials and supplies, and other operating expenses. The annual operating margin increased by $5.9 million to a positive $4.0 million or 0.6% for 2009. The improvement in operating performance was attributable to the increase in operating revenues, which were partially offset by the increase in operating expenses. The increase in operating revenues was primarily a result of increases in sponsored program revenue and net professional fees. The expendable resources to debt ratio decreased from 2.0 in 2008 to 1.3 in 2009 due to decreases in both unrestricted net assets and restricted expendable net assets, as well as an increase in the debt outstanding. The increase in the debt burden ratio from 2.7% in 2008 to 3.2% in 2009 was caused by an increase in debt service payments. The debt service coverage ratio increased slightly from 1.6 in 2008 to 1.9 in 2009 as a result of the improvement in operating performance previously discussed.

Institutions Rated "Satisfactory" (Continued)

M. D. Anderson

The CFI decreased from 3.8 in 2008 to 3.2 in 2009 primarily as a result of the net decrease in the fair value of investments and an increase in the debt outstanding. The operating expense coverage ratio increased by 0.8 months to 3.9 months in 2009 due to an increase in unrestricted net assets. The annual operating margin increased by $22.8 million to $223 million or 7.5% for 2009 as the growth in operating revenues exceeded the growth in operating expenses. The increase in operating revenues was attributable to increases in net sales and services of hospitals, sponsored program revenue, and net professional fees. The increase in operating expenses was primarily due to increases in salaries and payroll related costs, materials and supplies, and depreciation expense. The expendable resources to debt ratio decreased from 1.6 in 2008 to 1.3 in 2009 as a result of an increase in the debt outstanding. The debt burden ratio decreased slightly from 3.4% in 2008 to 3.3% in 2009 due to the increase in operating expenses mentioned above. The debt service coverage ratio increased from 5.1 in 2008 to 5.5 in 2009. The increase in this ratio was attributable to the improvement in the operating performance.

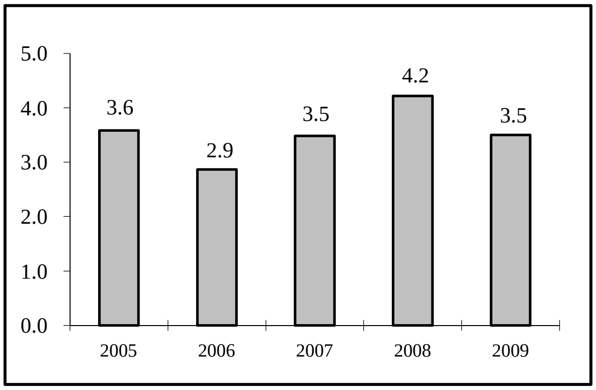
UTHSC-Tyler

The CFI changed slightly from 2.9 in 2008 to 2.8 in 2009. The small decrease in the CFI was due to the net decrease in the fair value of investments, an increase in operating expenses and an increase in the debt outstanding. The operating expense coverage ratio decreased by 0.2 months to 2.4 months in 2009 as a result of the increase in operating expenses. The growth in operating expenses was primarily attributable to increases in professional fees and services, materials and supplies, salaries and payroll related costs, and other operating expenses. The annual operating margin increased by $3 million to $3.4 million or 2.7% for 2009. The improvement in operating performance was a result of an increase in operating revenues, which was partially offset by the increase in operating expenses previously discussed. The increase in operating revenues was due to increases in net sales and services of hospitals, State appropriations, and net professional fees. The expendable resources to debt ratio decreased from 2.1 in 2008 to 1.9 in 2009. The decrease in this ratio was caused by a decrease in restricted expendable net assets and an increase in the debt outstanding. The debt burden ratio decreased from 3.8% in 2008 to 3.5% in 2009 due to the increase in operating expenses. The debt service coverage ratio increased from 1.9 in 2008 to 2.5 in 2009 as a result of the improvement in operating performance.

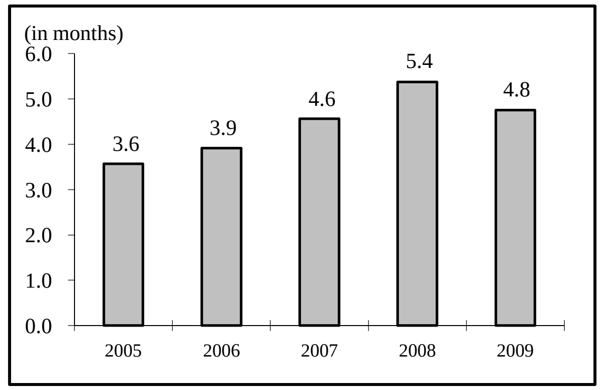
The University of Texas at Arlington
2009 Summary of Financial Condition

Financial Condition: **Satisfactory**

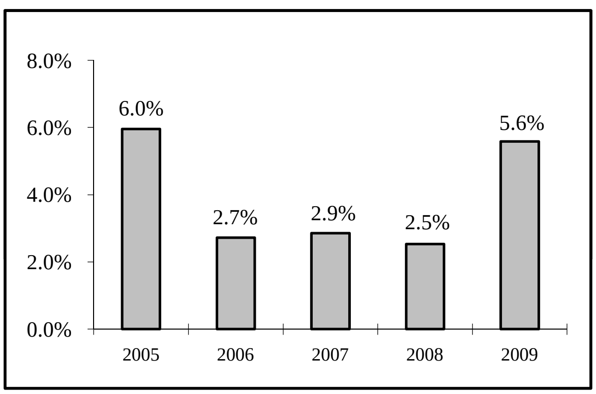
Composite Financial Index



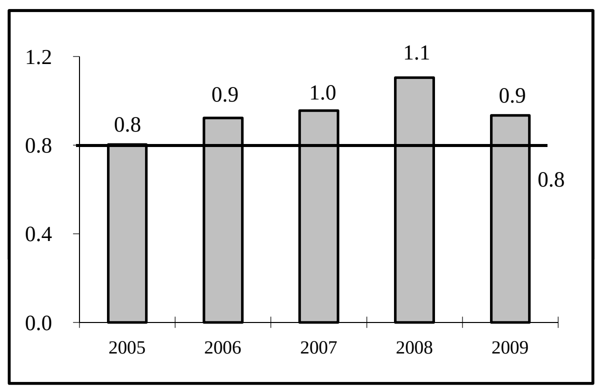
Operating Expense Coverage Ratio



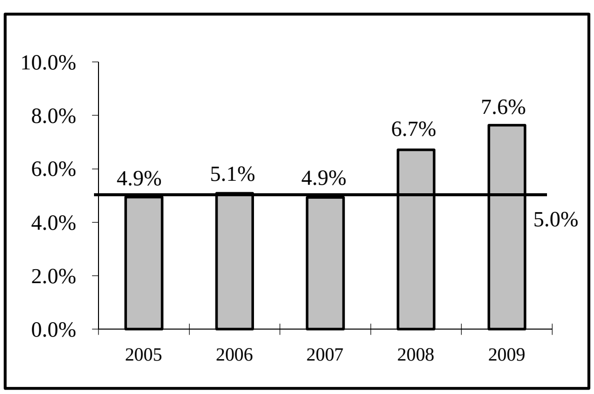
Annual Operating Margin Ratio



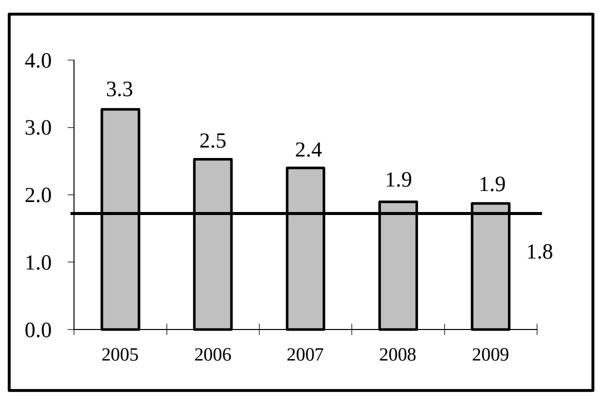
Expendable Resources to Debt Ratio



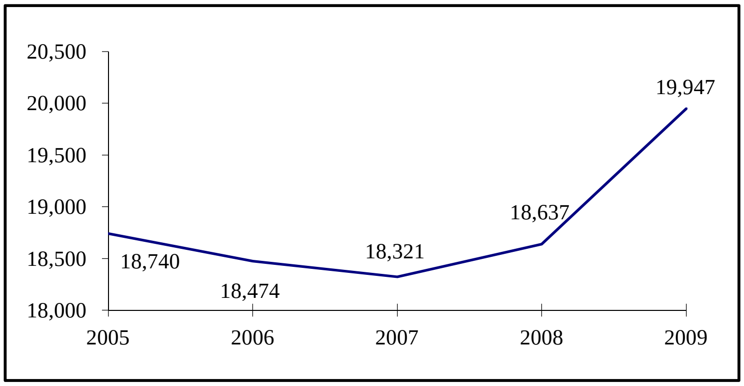
Debt Burden Ratio



Debt Service Coverage Ratio



Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - UT Arlington's CFI decreased from 4.2 in 2008 to 3.5 in 2009 primarily due to a decrease in the return on net assets ratio which was largely driven by a $27.7 million decrease in the fair value of investments in 2009 as compared to an increase in the fair value of investments of $29.2 million in 2008 for a total reduction between the years of $57 million.

Operating Expense Coverage Ratio - UT Arlington's operating expense coverage ratio decreased from 5.4 months in 2008 to 4.8 months in 2009 due to a decrease in unrestricted net assets of $11.4 million and an increase in total operating expenses (including interest expense) of $18.1 million. The net decrease in the fair value of investments allocated to designated funds of $14.7 million was a major contributor to the decrease in unrestricted net assets. The increase in total operating expenses was primarily due to an $18.2 million increase in salaries and payroll related costs resulting from merit increases.

Annual Operating Margin Ratio - UT Arlington's annual operating margin ratio increased from 2.5% for 2008 to 5.6% for 2009 due to an increase in total operating revenues of $31 million. The increase in total operating revenues was primarily attributable to the following: an increase of $13.4 million in sponsored program revenue (including Pell) resulting from the hiring of research faculty in an effort to achieve the status of a nationally recognized research institution, as well as an increase in the indirect cost recovery rate; an $8.7 million increase in net tuition and fees due to an increase in tuition and fee flat rates for a semester credit hour load of 12 or more hours and an increase in enrollment; a $2.3 million increase in State appropriations; and a $1.9 million increase in other operating revenues attributable to an increase in credit card fees and collection fees. Partially offsetting the increase in operating revenues was the increase in total operating expenses discussed above.

Expendable Resources to Debt Ratio - UT Arlington's expendable resources to debt ratio decreased from 1.1 in 2008 to 0.9 in 2009 due to the decrease in unrestricted net assets of $11.4 million previously discussed, as well as an increase in debt for the Engineering Research Complex and Energy Performance Contract.

Debt Burden Ratio - UT Arlington's debt burden ratio increased from 6.7% in 2008 to 7.6% in 2009 as a result of the increase in debt service payments of $4.3 million. The increase in debt service payments was primarily due to the following: an increase of $1.3 million for the pay-off of the Arlington Regional Data Center debt; a $2.2 million increase in the debt for the Energy Performance Contract; and a $0.5 million increase in the debt for the Engineering Research Complex.

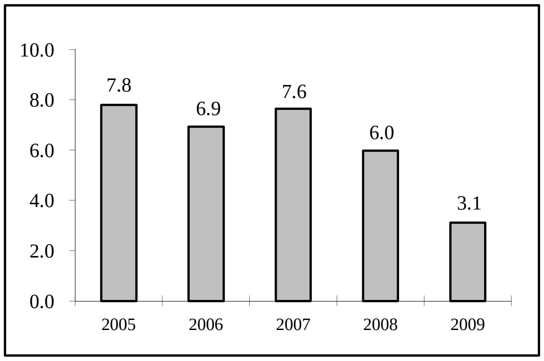
Debt Service Coverage Ratio - UT Arlington's debt service coverage ratio remained unchanged at 1.9 in 2009. The stability of this ratio was attributable to the increase in the annual operating margin discussed in the annual operating margin ratio above offset by an increase in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - UT Arlington's FTE student enrollment increased as a result of media and communications aggressive advertising campaign, financial aid funds available to students and the location of UT Arlington in a large metropolitan area. Additionally, as a result of the poor economy more individuals returned to college to obtain new skills.

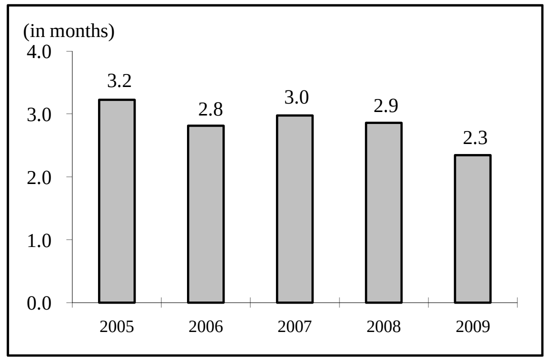
The University of Texas at Austin
2009 Summary of Financial Condition

Financial Condition: **Satisfactory**

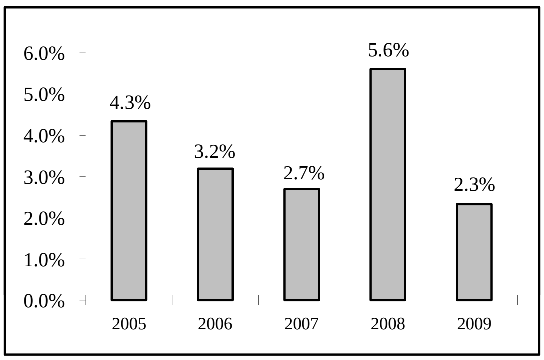
Composite Financial Index



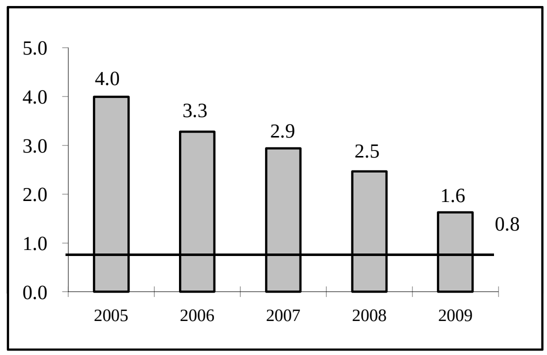
Operating Expense Coverage Ratio



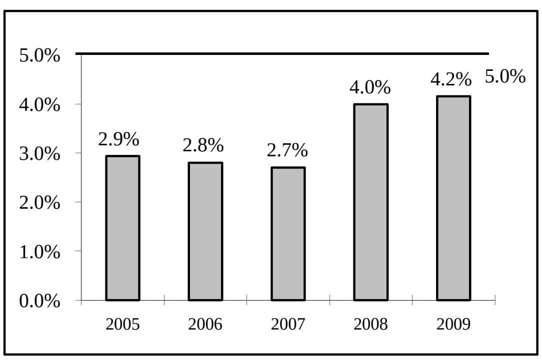
Annual Operating Margin Ratio



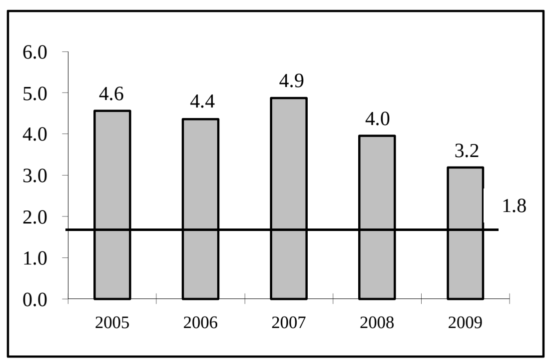
Expendable Resources to Debt Ratio



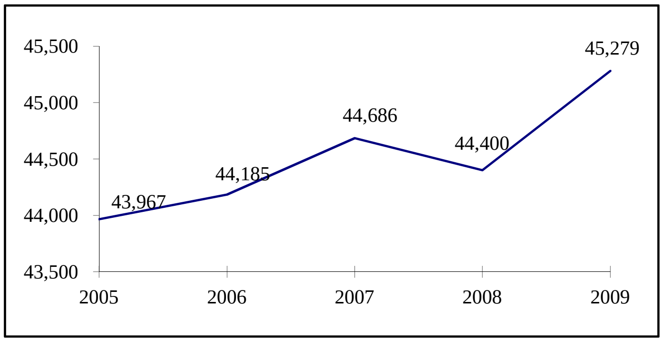
Debt Burden Ratio



Debt Service Coverage Ratio



Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - UT Austin's CFI decreased from 6.0 in 2008 to 3.1 in 2009 due to decreases in the return on net assets ratio and primary reserve ratio driven by a $552.3 million decrease in the fair value of investments in 2009 as compared to a decrease of $263.1 million in 2009, for a total reduction between years of $289.2 million. The decline in the expendable resources to debt ratio discussed below also contributed to the decrease in the CFI.

Operating Expense Coverage Ratio - UT Austin's operating expense coverage ratio decreased from 2.9 months in 2008 to 2.3 months in 2009 due to an increase in total operating expenses (including interest expense) of $167.9 million and a decrease in total unrestricted net assets of $48 million. The increase in total operating expenses was attributable to the following: an $81.7 million increase in salaries and payroll related costs as a result of merit increases and the addition of new faculty members; a $28.1 million increase in other operating expenses primarily due to increases in Applied Research Lab expenses, contracted services purchased across campus, performers' fees primarily for the Performing Arts Center, and cleaning services for the new AT&T Executive Education Conference Center; a $20.9 million increase in depreciation expense due to new buildings placed into service; a $9.1 million increase in telecommunications due to expenses for the Library Resource Sharing project; an $8.7 million increase in interest expense; an $8.3 million increase in repairs and maintenance for the Computing Center, the Frank Erwin Center, and several athletic fields/venues; and an $8.1 million increase in professional fees and services pertaining to UIL Anabolic Steroid Testing Program, various consulting and legal fees, and architectural/engineering services. Additionally, the net decrease in the fair value of investments allocated to designated funds of $32.1 million was a major contributor to the decrease in unrestricted net assets.

Annual Operating Margin Ratio - UT Austin's annual operating margin ratio declined from 5.6% for 2008 to 2.3% for 2009. The decrease in the annual operating margin ratio was attributable to the growth in operating expenses of $167.9 million exceeding the increase in operating revenues of $104.9 million. Operating revenues increased primarily due to the following: a $24 million increase in net auxiliary enterprises as a result of increases in gate receipts for men's athletics, game guarantees and corporate sponsorships, rental income due to new suites at Memorial Stadium and UFCU Disch-Falk Field, sponsorship income for the AT&T Executive Education Conference Center, and ticket sales for Erwin Center events; a $22.4 million increase in net tuition and fees due to an increase of 4.95% in full-time resident undergraduate flat rate tuition; a $17 million increase in the transfer from the Available University Fund; an $8.9 million increase in State appropriations; and a $7.7 million increase in sponsored program revenue (including Pell).

Expendable Resources to Debt Ratio - UT Austin's expendable resources to debt ratio declined from 2.5 in in 2008 to 1.6 in 2009. The decrease in this ratio was attributable to decreases in unrestricted net assets and restricted expendable net assets, as well as an increase in the amount of debt outstanding. The decrease in restricted expendable net assets was largely due to the decrease in appreciation on the permanent endowment funds due to unfavorable market conditions. Debt outstanding increased related to the Student Activity Center, the LBJ Library Plaza renovations, Norman Hackerman building, Memorial Stadium expansion, the Data Center and utility infrastructure.

Debt Burden Ratio - UT Austin's debt burden ratio increased slightly from 4.0% in 2008 to 4.2% in 2009 due to an increase in debt service payments of $9.5 million.

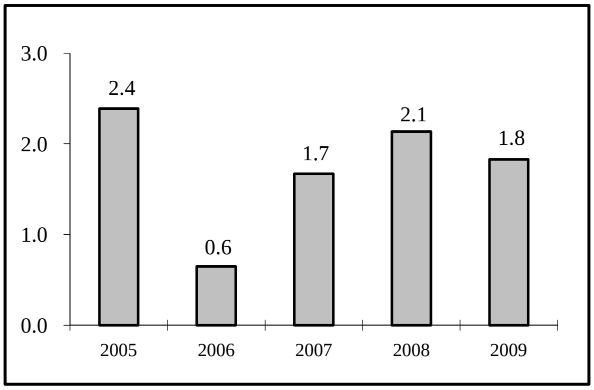
Debt Service Coverage Ratio - UT Austin's debt service coverage ratio decreased from 4.0 in 2008 to 3.2 in 2009 as a result of the decline in operating performance and the increase in debt service payments mentioned above.

Full-Time Equivalent (FTE) Student Enrollment - UT Austin's FTE student enrollment increased overall by 2.0% primarily due to increases in doctoral hours (5.1%) and undergraduate hours (2.0%).

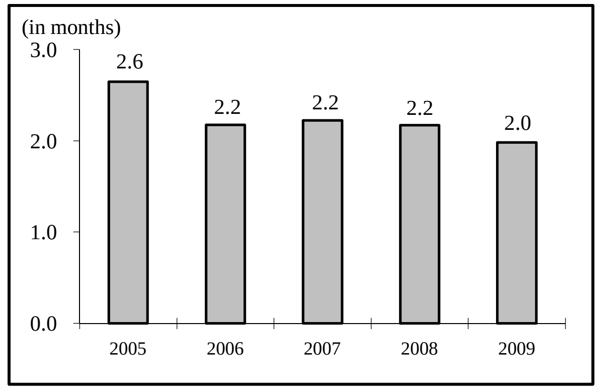
The University of Texas at Brownsville
2009 Summary of Financial Condition

Financial Condition: **Satisfactory**

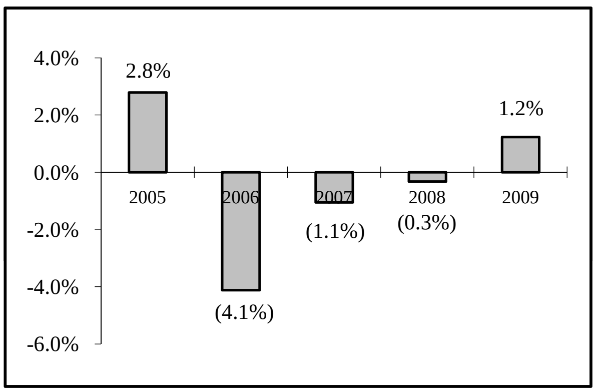
Composite Financial Index



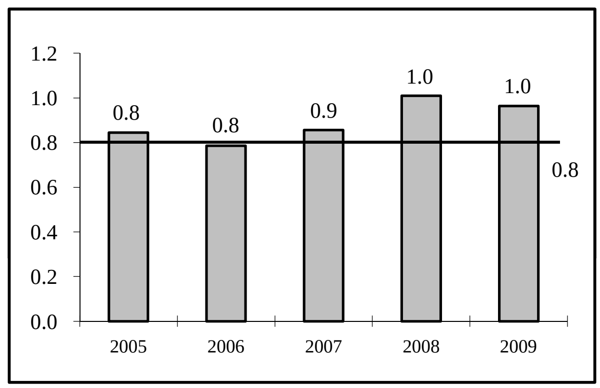
Operating Expense Coverage Ratio



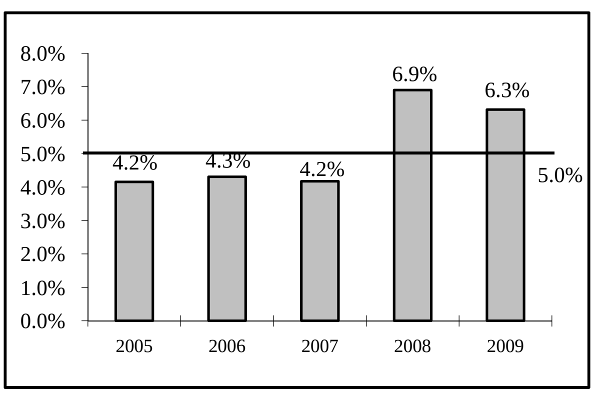
Annual Operating Margin Ratio



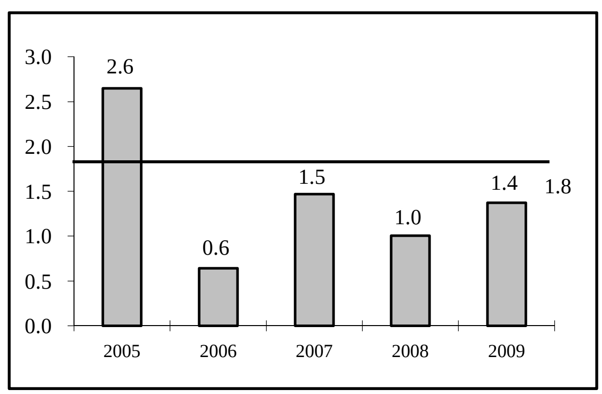
Expendable Resources to Debt Ratio



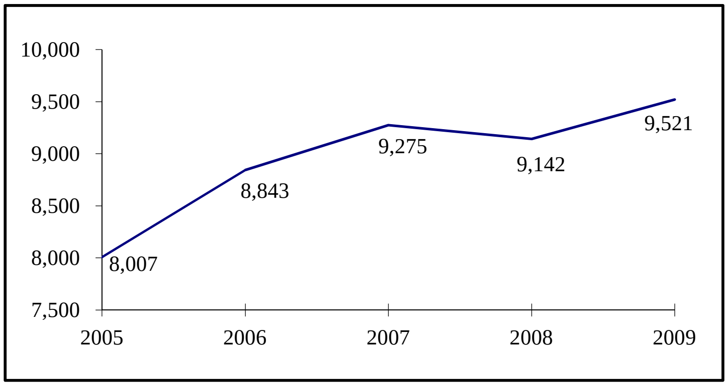
Debt Burden Ratio



Debt Service Coverage Ratio



Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - UT Brownsville's CFI decreased from 2.1 in 2008 to 1.8 in 2009 primarily as a result of a decrease in the return on net assets ratio. The major driving forces behind the decrease in the return on net assets ratio were the decrease in the fair value of investments of $4.1 million in 2009 as compared to a decrease of $0.4 million in 2008 for a total reduction between the years of $3.7 million and a reduction in bond proceeds transferred from System in 2009.

Operating Expense Coverage Ratio - UT Brownsville's operating expense coverage ratio decreased slightly from 2.2 months in 2008 to 2.0 months in 2009 due to a $9 million increase in total operating expenses (including interest expense) attributable to the following: a $3.9 million increase in salaries and payroll related costs due to a 4% increase in faculty and staff salaries and the addition of new faculty positions to address enrollment growth; a $3.1 million increase in scholarships and fellowships primarily due to an increase in financial aid disbursements through Federal and State grants and Texas Southmost College (TSC) contract scholarships; and a $1.8 million increase in materials and supplies resulting from the purchase of furnishings for the Recreation, Education and Kinesiology Center, and the library.

Annual Operating Margin Ratio - UT Brownsville's annual operating margin ratio increased from (0.3%) for 2008 to 1.2% for 2009. During 2008, UT Brownsville introduced new Satisfactory Academic Progress (SAP) standards which resulted in lower enrollments and less revenues than were originally budgeted in 2008. As a result, UT Brownsville took necessary steps to reduce total operating expenses to lessen the negative impact caused by SAP. The improvement in in the operating performance in 2009 was attributable to the growth in total operating revenues of $11.4 million which exceeded the growth in operating expenses discussed above. Total operating revenues increased primarily due to the following: a $5.7 million increase in sponsored program revenue due to increases in financial aid assistance through Pell Grants, Texas Grants and the contract with TSC; a $2.3 million increase in net tuition and fees due to rate increases in designated tuition; and an increase of $1 million in State appropriations.

Expendable Resources to Debt Ratio - UT Brownsville's expendable resources to debt ratio remained unchanged at 1.0 in 2009. The stability of this ratio was primarily attributable to a decrease in restricted expendable net assets offset by a decrease in the amount of debt outstanding. Restricted expendable net assets decreased as a result of less funds restricted for capital projects, as well as the decrease in the appreciation on the endowment funds due to the poor market conditions.

Debt Burden Ratio - UT Brownsville's debt burden ratio decreased from 6.9% in 2008 to 6.3% in 2009 due to the increase in total operating expenses discussed in the operating expense coverage ratio.

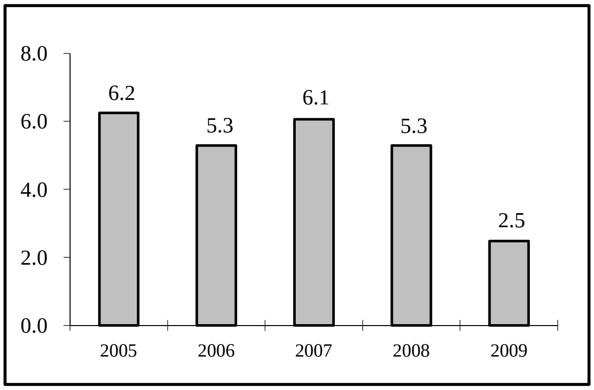
Debt Service Coverage Ratio - UT Brownsville's debt service coverage ratio increased from 1.0 in 2008 to 1.4 in 2009 due to the improvement in operating performance previously discussed.

Full-Time Equivalent (FTE) Student Enrollment - UT Brownsville's FTE student enrollment increased to 9,521 or 4.1% for the fall 2009 semester. Enrollment is expected to increase as a result of increased retention efforts and ongoing SAP awareness on campus.

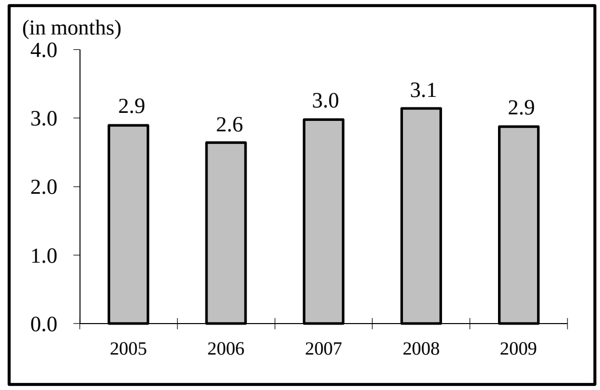
The University of Texas at Dallas
2009 Summary of Financial Condition

Financial Condition: **Satisfactory**

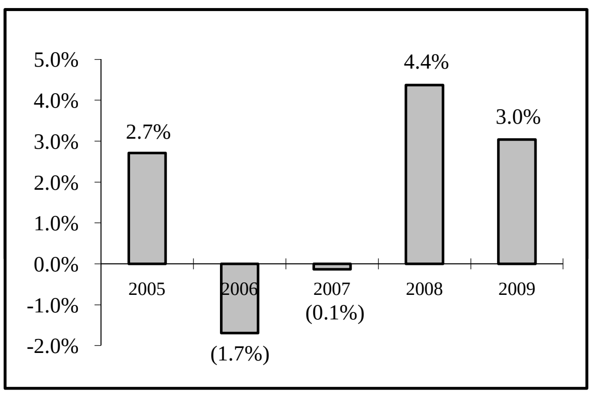
Composite Financial Index



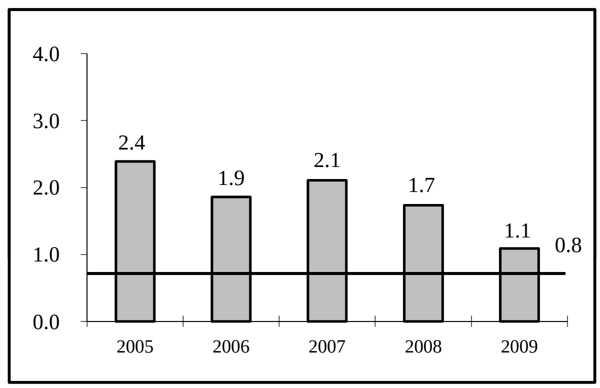
Operating Expense Coverage Ratio



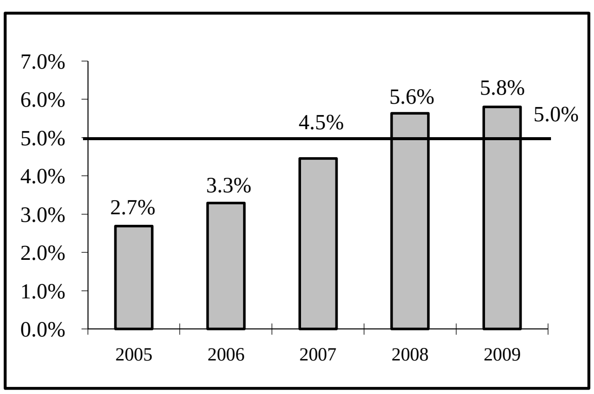
Annual Operating Margin Ratio



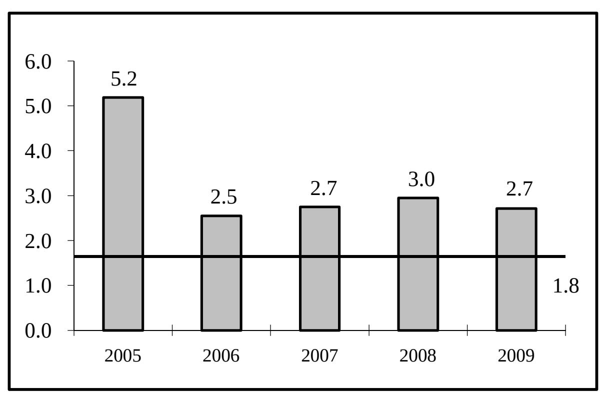
Expendable Resources to Debt Ratio



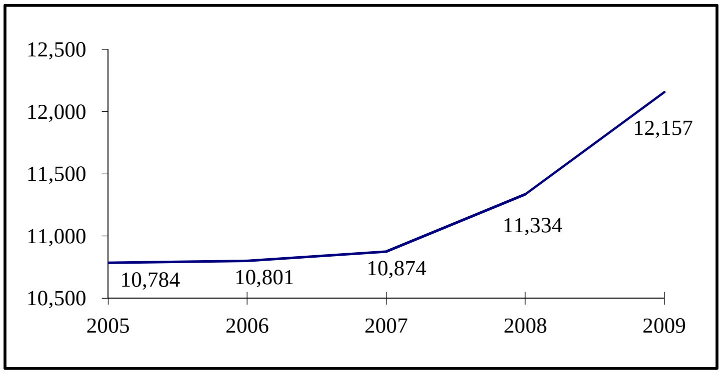
Debt Burden Ratio



Debt Service Coverage Ratio



Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - UT Dallas' CFI decreased from 5.3 in 2008 to 2.5 in 2009 primarily due to reductions in the return on net assets ratio and the primary reserve ratio. The driving force behind the decrease in these two ratios was the decrease in the fair value of investments of $71.1 million in 2009 as compared to a decrease of $27.2 million in 2008 for a total reduction between the years of $43.9 million. Additionally, the increase in the amount of debt outstanding, as discussed below, contributed to the decline in the return on net assets ratio.

Operating Expense Coverage Ratio - UT Dallas' operating expense coverage ratio decreased slightly from 3.1 months in 2008 to 2.9 months in 2009 as a result of a $24.3 million increase in total operating expenses (including interest expense). The increase in operating expenses was due to the following: a $15.4 million increase in salaries and payroll related costs as a result of a 3% merit increase and additional full-time equivalents; a $3.3 million increase in scholarships and fellowships due to additional scholarships associated with enrollment growth of approximately 4%; and a $3.2 million increase in depreciation expense resulting from capital projects that were completed and placed into service in 2009.

Annual Operating Margin Ratio - UT Dallas' annual operating margin ratio decreased from 4.4% for 2008 to 3.0% for 2009. The growth in operating expenses of $24.3 million, as discussed above, exceeded the growth in total operating revenues of $21.2 million. The increase in total operating revenues was mostly attributable to the following: a $17.4 million increase in net tuition and fees as a result of enrollment growth and front-end tuition received on the four year flat tuition rate for all new students; and a $10.3 million increase in sponsored program revenue (including Pell) due to new faculty hires in the sciences and engineering and growth in existing programs.

Expendable Resources to Debt Ratio - UT Dallas' expendable resources to debt ratio decreased from 1.7 in 2008 to 1.1 in 2009 due to a decrease in restricted expendable net assets of $99.3 million and an increase of $22.9 million in the amount of debt outstanding. The majority of the decrease in restricted expendable net assets was attributable to the decrease in the appreciation on the endowment funds due to the poor market conditions and a decrease in funds restricted for capital projects. The amount of debt outstanding increased due to the Vivarium and Experimental Space project and the Student Housing Living/Learning Center.

Debt Burden Ratio - UT Dallas' debt burden ratio increased slightly from 5.6% in 2008 to 5.8% in 2009 primarily due to an increase in debt service payments of $1.6 million for the Vivarium and Experimental Space project and the Student Housing Living/Learning Center.

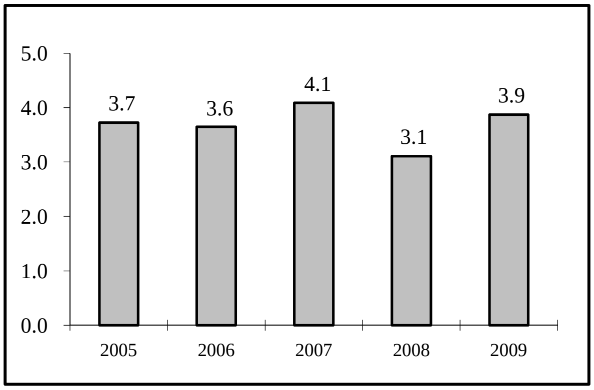
Debt Service Coverage Ratio - UT Dallas' debt service coverage ratio decreased from 3.0 in 2008 to 2.7 in 2009. The decrease in this ratio resulted from the decline in the operating performance and the increase in debt service payments both of which are discussed above.

Full-Time Equivalent (FTE) Student Enrollment - UT Dallas' FTE student enrollment increased due to the following: the expansion of the freshmen class spurred a 3.8% increase in undergraduate FTE students which raised the undergraduate FTE to 8,075; an increase in doctoral enrollment, especially full-time enrollment, which raised the FTE for doctoral students from 846 FTE students to 910 FTE students (7.6%); an increase in enrollment in masters' programs including masters' programs that are non-funded; and, as part of the transition to the PeopleSoft Campus Solutions Shared Services, UT Dallas began reporting all enrollment in the fall of 2009, both funded and non-funded students, in the total enrollment count, which resulted in approximately 200 students included in the total enrollment count who would were not included in prior years and increased the fall 2009 FTE by about 1%.

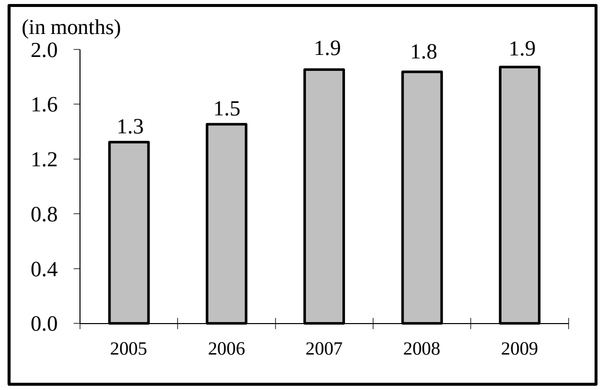
The University of Texas at El Paso
2009 Summary of Financial Condition

Financial Condition: **Satisfactory**

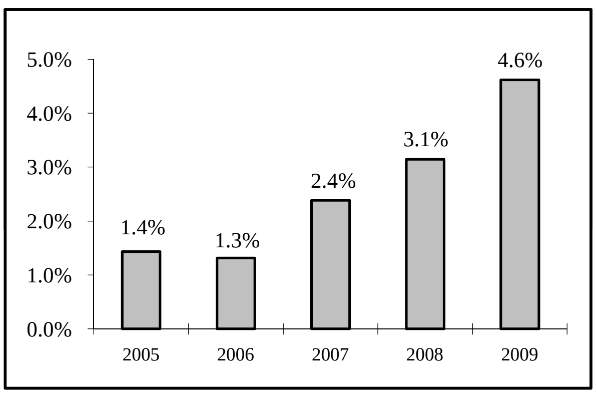
Composite Financial Index



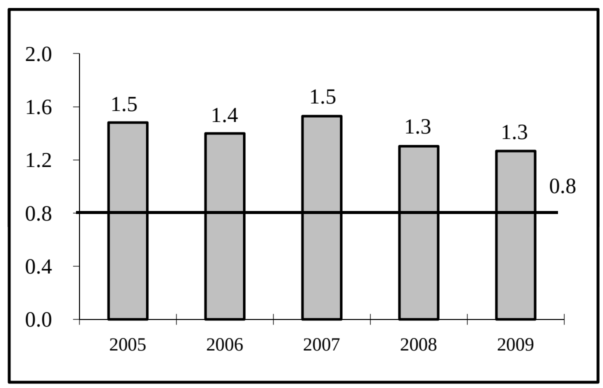
Operating Expense Coverage Ratio



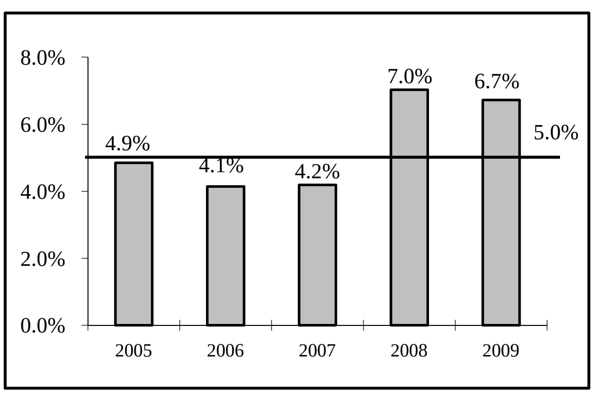
Annual Operating Margin Ratio



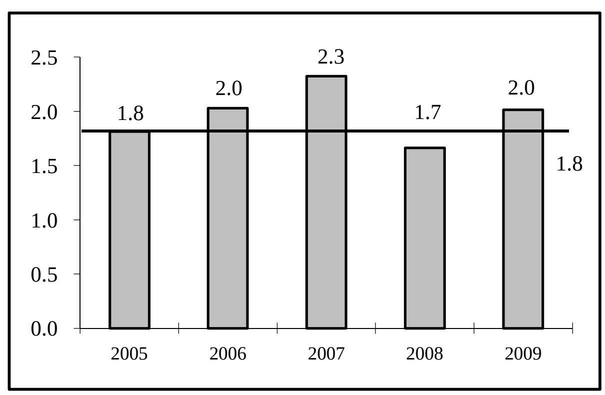
Expendable Resources to Debt Ratio



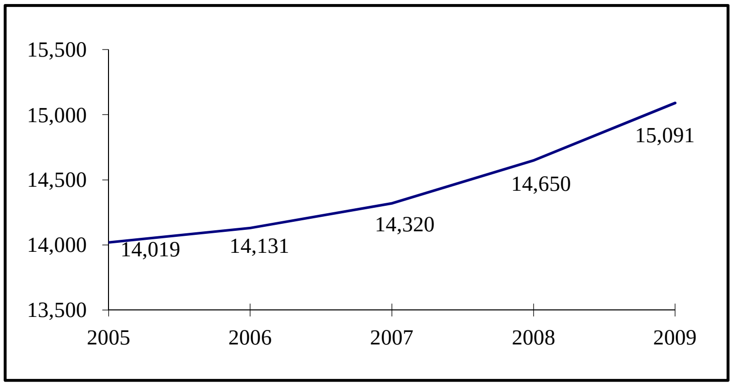
Debt Burden Ratio



Debt Service Coverage Ratio



Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - UT El Paso's CFI increased from 3.1 in 2008 to 3.9 in 2009 primarily due to an increase in the return on net assets ratio. The major contributor to the increase in the return on net assets ratio was an increase in bond proceeds transferred from System for new capital projects.

Operating Expense Coverage Ratio - UT El Paso's operating expense coverage ratio changed slightly from 1.8 months in 2008 to 1.9 months in 2009. The increase in this ratio was primarily due to an increase in total unrestricted net assets of $3.9 million attributable to a new quasi-endowment for Intercollegiate Athletics and unrestricted net assets allocated for capital projects.

Annual Operating Margin Ratio - UT El Paso's annual operating margin ratio increased from 3.1% for 2008 to 4.6% for 2009. While total operating expenses (including interest expense) increased by $19.9 million, total operating revenues grew by $25.5 million resulting in an increase in the annual operating margin. The increase in total operating revenues was primarily due to the following: a $9.4 million increase in sponsored program revenue (including Pell) attributable to an increase in research activities and Federal financial aid; an $8 million increase in net tuition and fees as a result of enrollment growth and an $8 per semester credit hour increase in designated tuition; and a $2.9 million increase in State appropriations. The increase in total operating expenses was primarily due to a $12.7 million increase in salaries and payroll related costs attributable to merit increases, increases in associated staff benefits, and additional faculty and research personnel. Additionally, a $5.2 million increase in scholarships and fellowships as a result of increases in financial aid expenses under Pell Grants, Tuition Assistance Grants and the Teach Grant Program contributed to the increase in total operating expenses.

Expendable Resources to Debt Ratio - UT El Paso's expendable resources to debt ratio remained unchanged at 1.3 in 2009. The stability of this ratio was attributable to increases in unrestricted net assets of $3.9 million (discussed above) and restricted expendable net assets of $9.9 million, which were offset by an increase of $14.4 million in the amount of debt outstanding. Restricted expendable net assets increased as a result of transfers from System restricted for new capital projects. The amount of debt outstanding increased due to the Physical Sciences/Engineering Core Facility and the Paul Foster and Jeff Stevens Basketball Complex.

Debt Burden Ratio - UT El Paso's debt burden ratio decreased from 7.0% in 2008 to 6.7% in 2009 as a result of the increase in total operating expenses previously discussed.

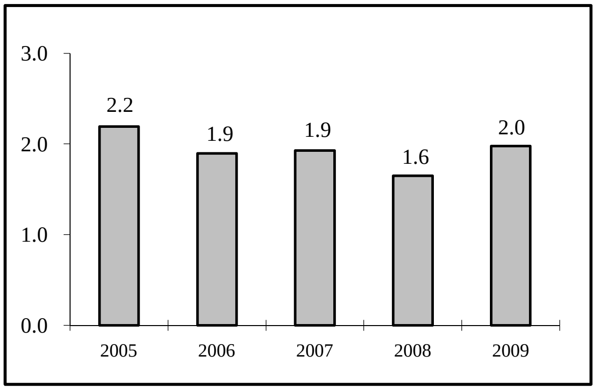
Debt Service Coverage Ratio - UT El Paso's debt service coverage ratio increased from 1.7 in 2008 to 2.0 in 2009 primarily due to the improvement in operating performance as discussed in the annual operating margin ratio above.

Full-Time Equivalent (FTE) Student Enrollment - UT El Paso's FTE student enrollment increased due to an overall enrollment increase of 3.0% in 2009 as compared to the previous year.

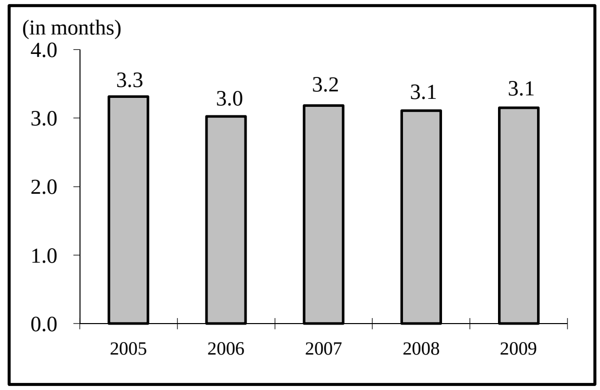
The University of Texas - Pan American
2009 Summary of Financial Condition

Financial Condition: **Satisfactory**

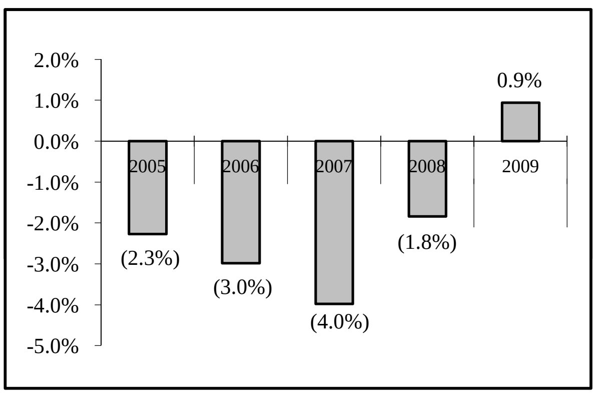
Composite Financial Index



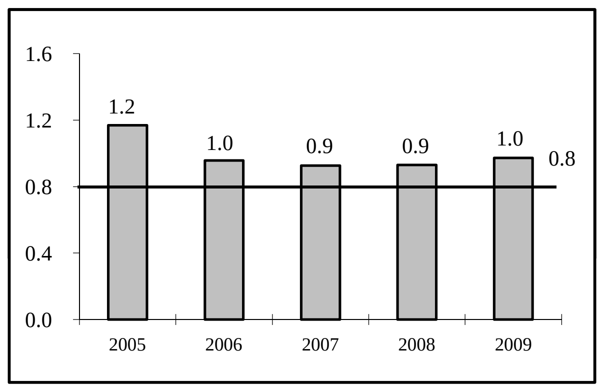
Operating Expense Coverage Ratio



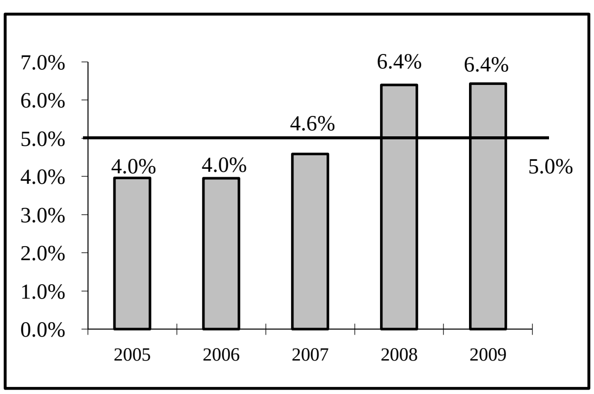
Annual Operating Margin Ratio



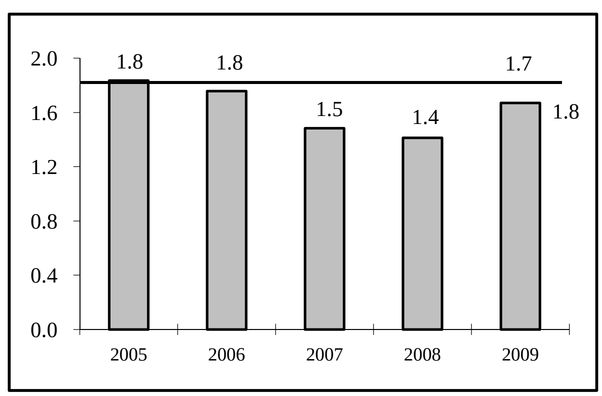
Expendable Resources to Debt Ratio



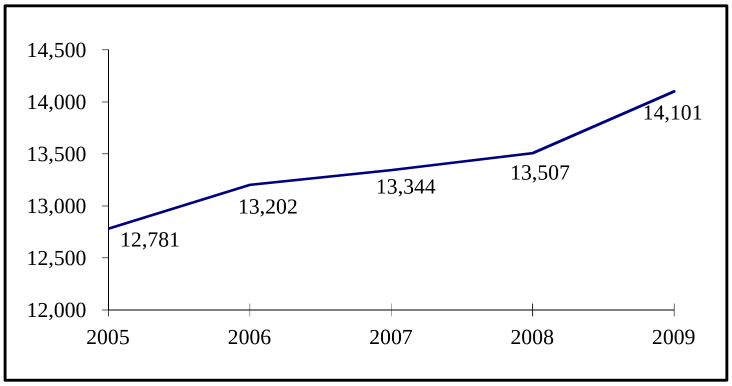
Debt Burden Ratio



Debt Service Coverage Ratio



Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - UT Pan American's CFI increased from 1.6 in 2008 to 2.0 in 2009. The improvement in the CFI was primarily attributable to the improvement in the annual operating margin ratio discussed in more detail below.

Operating Expense Coverage Ratio - UT Pan American's operating expense coverage ratio remained unchanged at 3.1 months in 2009 as a result of an increase in total unrestricted net assets of $3.6 million, which was offset by an increase in total operating expenses (including interest expense) of $10.9 million. The increase in total unrestricted net assets was primarily attributable to an improvement in operating performance as discussed below. The majority of the increase in total operating expenses was due to the following: a $6.1 million increase in salaries and payroll related costs as a result of annual merit increases; a $5.2 million increase in scholarships and fellowships attributable to expenses for the Texas Scholars and Pell Grant programs; and a $1.1 million increase in materials and supplies due to new computers purchased for the Academic Computer Labs, the Computer Center and the newly implemented Banner Project.

Annual Operating Margin Ratio - UT Pan American's annual operating margin ratio improved from (1.8%) for 2008 to 0.9% for 2009. The improvement in operating performance was a result of the growth in total operating revenues of $17.1 million exceeding the growth in total operating expenses of $10.9 million, discussed above. The increase in total operating revenues was primarily due a $14.4 million increase in sponsored program revenue as a result of additional funding for the Texas Scholars, Pell Grant and Incentive Funding programs.

Expendable Resources to Debt Ratio - UT Pan American's expendable resources to debt ratio increased slightly from 0.9 in 2008 to 1.0 in 2009 due to the increase in total unrestricted net assets, previously discussed, and the amount of debt outstanding decreased by $0.5 million.

Debt Burden Ratio - UT Pan American's debt burden ratio remained steady at 6.4% in 2008 and 2009. The stability of this ratio was attributable to the small increase in debt service payments of $0.4 million, which was offset by the increase in total operating expenses (excluding scholarships expense).

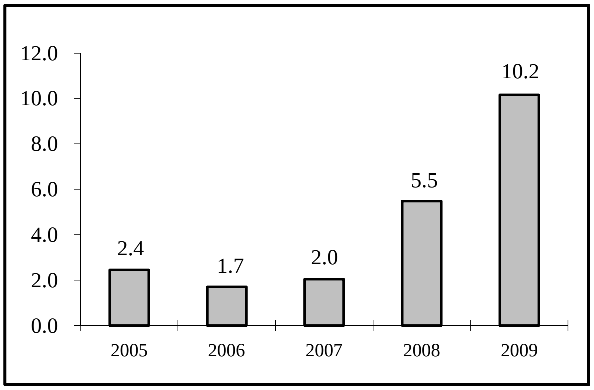
Debt Service Coverage Ratio - UT Pan American's debt service coverage ratio increased from 1.4 in 2008 to 1.7 in 2009 as a result of the improvement in operating performance discussed in the annual operating margin ratio above.

Full-Time Equivalent (FTE) Student Enrollment - UT Pan American's headcount enrollment went up from 17,534 in the fall of 2008 to 18,337 in the fall of 2009, which was a 4.6% increase. The FTE student enrollment increased by 4.4%. This increase was due to a quality advisement program which is helping student retention and timely graduation. Also, UT Pan American instituted a required minimum ACT score which is attracting higher caliber students to the university.

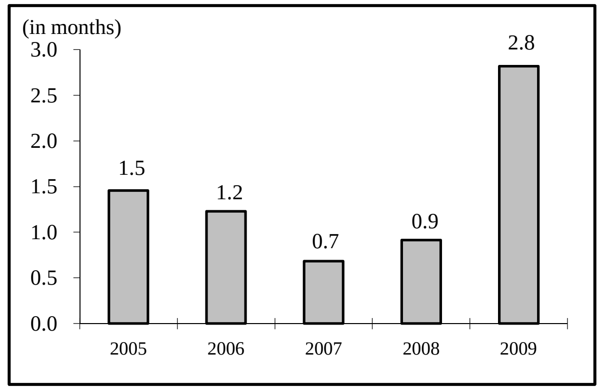
The University of Texas of the Permian Basin
2009 Summary of Financial Condition

Financial Condition: **Satisfactory**

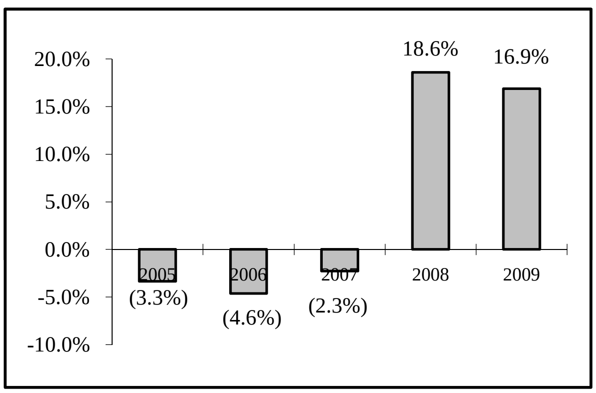
Composite Financial Index



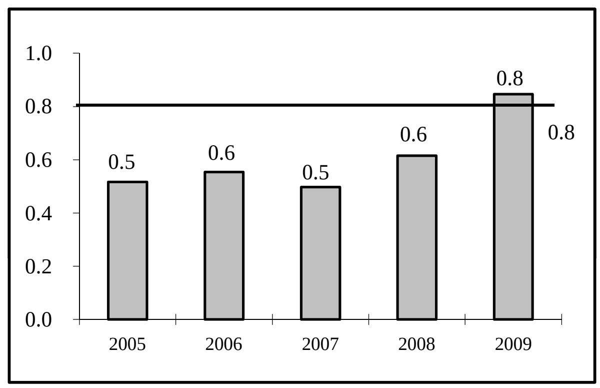
Operating Expense Coverage Ratio



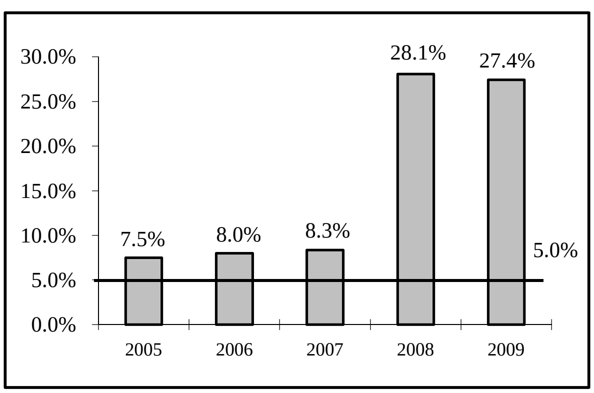
Annual Operating Margin Ratio



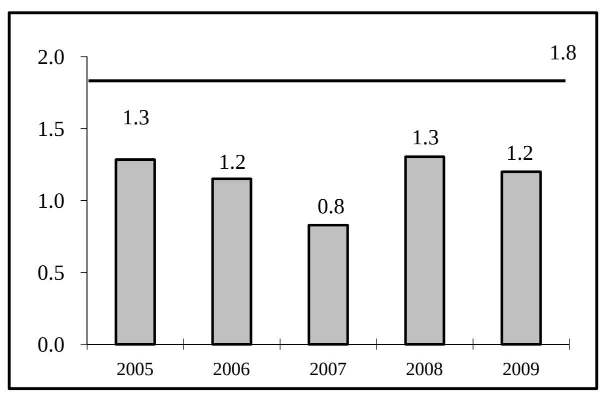
Expendable Resources to Debt Ratio



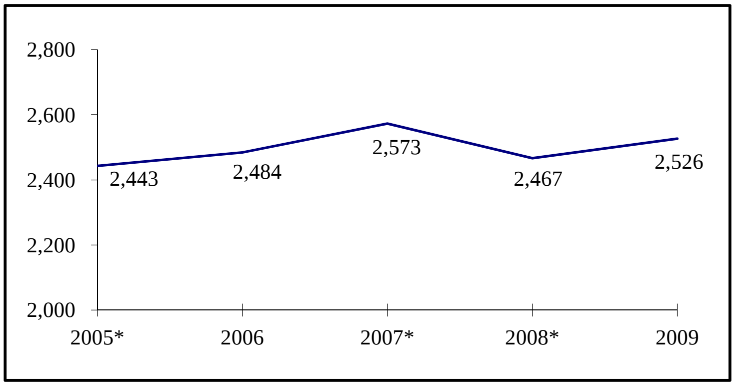
Debt Burden Ratio



Debt Service Coverage Ratio



Full-time Equivalent
Student Enrollment - Fall



*Restated from prior year report.

Composite Financial Index (CFI) - UT Permian Basin's CFI increased significantly from 5.5 in 2008 to 10.1 in 2009. The dramatic increase in this ratio was mostly due to increases in the primary reserve ratio and the return on net assets ratio, which were primarily driven by bond proceeds transferred from System for the Wagner Noel Performing Arts Center, the Science and Technology Complex and the Student Multipurpose Center.

Operating Expense Coverage Ratio - UT Permian Basin's operating expense coverage ratio increased significantly from 0.9 months in 2008 to 2.8 months in 2009 due to a $7.6 million increase in total unrestricted net assets. The increase in total unrestricted net assets was primarily the result of the return of temporary funding for the Wagner Noel Performing Arts Center to designated funds and the increase in the annual operating margin discussed below.

A*nnual Operating Margin Ratio* - UT Permian Basin's annual operating margin ratio decreased from 18.6% for 2008 to 16.9% for 2009 due to the growth in total operating expenses (including interest expense) of $2.1 million surpassing the growth in total operating revenues of $1.4 million. The increase in total operating expenses was primarily due to the following: a $1.9 million increase in salaries and payroll related costs as a result of the addition of 12 full-time equivalents; and a $1.2 million increase in repairs and maintenance attributable to deferred maintenance. The increase in total operating revenues was primarily due to the following: a $0.8 million increase in sponsored program revenue (including Pell) as a result of new Federal awards and the Texas Higher Education Coordinating Board's Incentive Funding program; a $0.5 million increase in State appropriations; and a $0.5 million increase in net auxiliary enterprises revenue attributable to market based rent increases for student housing.

Expendable Resources to Debt Ratio - UT Permian Basin's expendable resources to debt ratio increased from 0.6 in 2008 to 0.8 in 2009 due to increases in unrestricted net assets, previously discussed, and restricted expendable net assets. The amount of net assets restricted for capital projects increased due to additional bond proceeds transferred from System for the Wagner Noel Performing Arts Center, the Science and Technology Complex and the Student Multipurpose Center.

Debt Burden Ratio - UT Permian Basin's debt burden ratio decreased from 28.1% in 2008 to 27.4% in 2009 as a result of the increase in operating expenses discussed above.

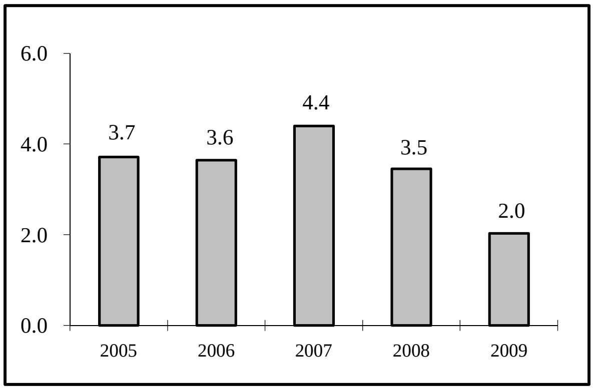
Debt Service Coverage Ratio - UT Permian Basin's debt service coverage ratio was 1.2 in 2009, which was a slight decrease from the 2008 ratio of 1.3 and was attributable to the decrease in operating performance as discussed in the annual operating margin ratio above.

Full-Time Equivalent (FTE) Student Enrollment - UT Permian Basin's FTE student enrollment increased due to successful efforts in recruiting and retention.

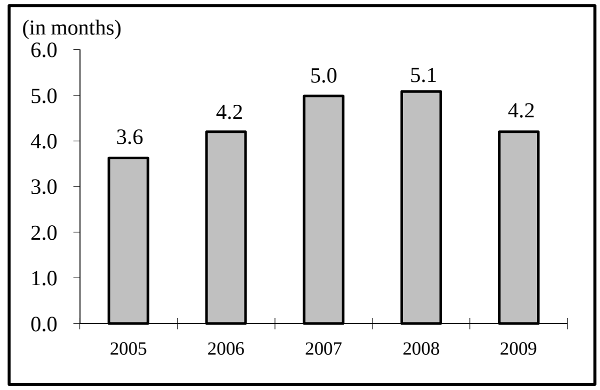
The University of Texas at San Antonio
2009 Summary of Financial Condition

Financial Condition: **Satisfactory**

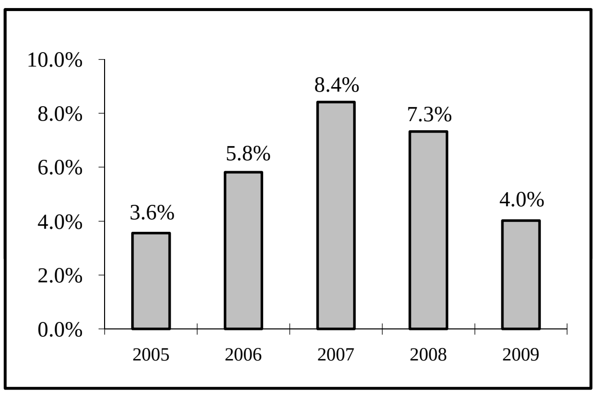
Composite Financial Index



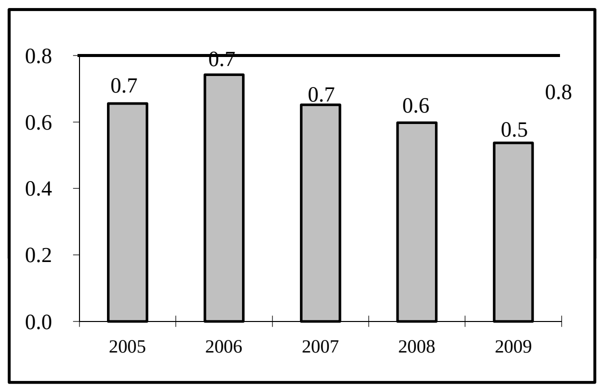
Operating Expense Coverage Ratio



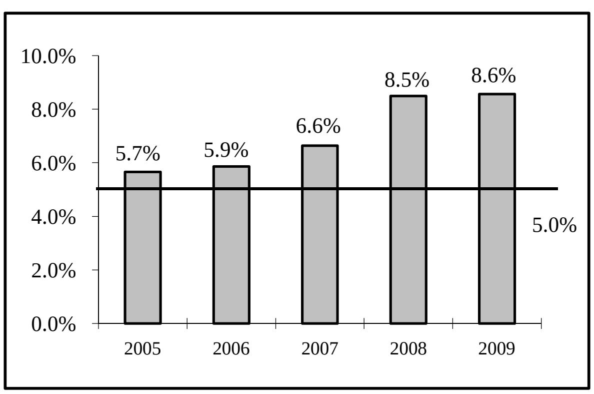
Annual Operating Margin Ratio



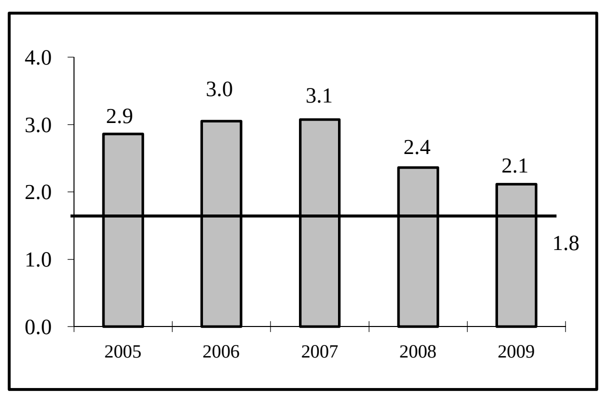
Expendable Resources to Debt Ratio



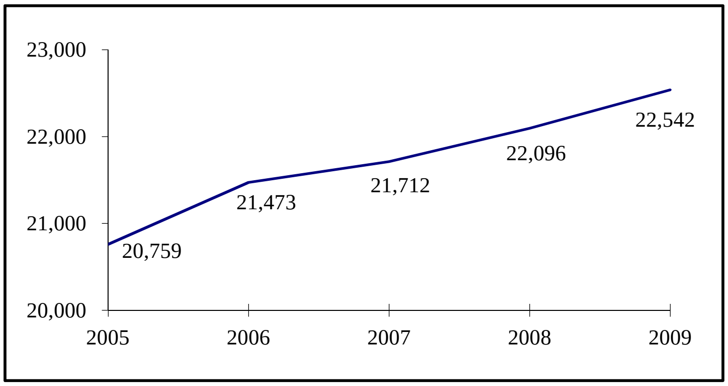
Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas at San Antonio
2009 Summary of Financial Condition
Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - UT San Antonio's CFI decreased from 3.5 in 2008 to 2.0 in 2009 as a result of decreases in the return on net assets ratio, primary reserve ratio and the annual operating margin ratio. The primary reserve ratio and the return on net assets ratio were negatively affected by the net decrease in the fair value of investments of $28.2 million in 2009 and a reduction in bond proceeds due from System for construction projects as a result of the completion of $82.7 million of construction projects during 2009. The decline in operating performance, discussed below, also had an adverse impact on the CFI.

Operating Expense Coverage Ratio - UT San Antonio's operating expense coverage ratio decreased from 5.1 months in 2008 to 4.2 months in 2009 due to a decrease in total unrestricted net assets of $11.2 million and an increase in total operating expenses (including interest expense) of $43.3 million. The increase in operating expenses was primarily due to the following: a $21.9 million increase in salaries and payroll related costs as a result of new positions, merit increases and filling vacant positions; a $6.2 million increase in depreciation expense due to the completion of $82.7 million of construction projects during 2009; a $5.6 million increase in scholarships and fellowships attributable to increases in awards in the Texas Grant and Pell Grant programs; a $3.3 million increase in interest expense due to additional debt service for the Engineering Building Phase II; a $2.8 million increase in other operating expenses as a result of increases in professional membership dues and education program support; and a $2.5 million increase in repairs and maintenance for buildings, Americans' with Disabilities Act upgrades, and fire and safety improvements. The increase in operating expenses contributed to the decrease in unrestricted net assets. Additionally, a decrease in unrestricted quasi-endowments due to a decrease in the fair value of investments resulted in a reduction to unrestricted net assets.

Annual Operating Margin Ratio - UT San Antonio's annual operating margin ratio decreased from 7.3% for 2008 to 4.0% for 2009. The $43.3 million increase in total operating expenses discussed above outpaced the growth in total operating revenues of $31.8 million. The increase in total operating revenues was primarily due to the following: a $13.9 million increase in sponsored program revenue (including Pell) mostly attributable to the Texas Higher Education Coordinating Board's Incentive Funding, an increase in facilities and administrative cost recovery, and increases in the Pell Grant and Texas Grant programs; a $13.4 million increase in net tuition and fees due to an increase in the designated tuition rate from $101 per semester credit hour (SCH) to $110 per SCH; and a $3.7 million increase in net auxiliary enterprise revenue as a result of new food venues and increased meal plan purchases, as well as increased housing revenues with the completion of Laurel Village.

Expendable Resources to Debt Ratio - UT San Antonio's expendable resources to debt ratio decreased slightly from 0.6 in 2008 to 0.5 in 2009 due to the decrease in unrestricted net assets, as previously discussed, and an increase of $14.4 million in the amount of debt outstanding related to the Engineering Building Phase II.

Debt Burden Ratio - UT San Antonio's debt burden ratio increased slightly from 8.5% in 2008 to 8.6% in 2009 due to an increase in debt service payments of $3.5 million slightly offset by the increase in operating expenses.

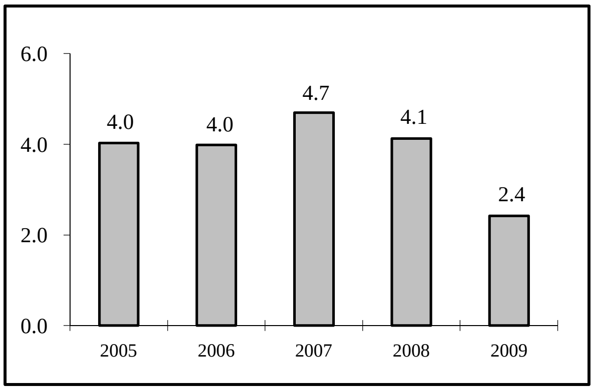
Debt Service Coverage Ratio - UT San Antonio's debt service coverage ratio decreased from 2.4 in 2008 to 2.1 in 2009 due to the decline in operating performance, as discussed above, and the increase in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - UT San Antonio's student headcount and the number of semester credit hours both increased by 1.9% from the prior fall which led to the increase in the number of FTE students of 2%. In addition to an increase in enrollment, students are increasing their courseloads.

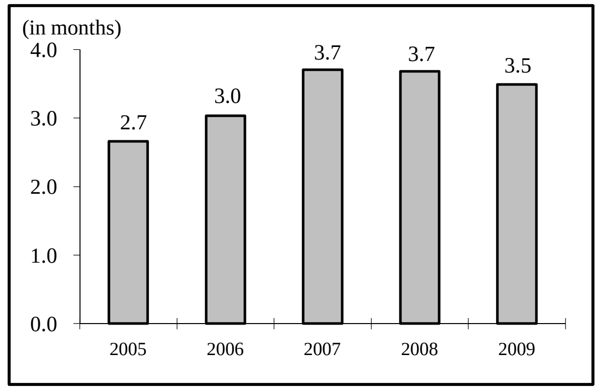
The University of Texas at Tyler
2009 Summary of Financial Condition

Financial Condition: **Satisfactory**

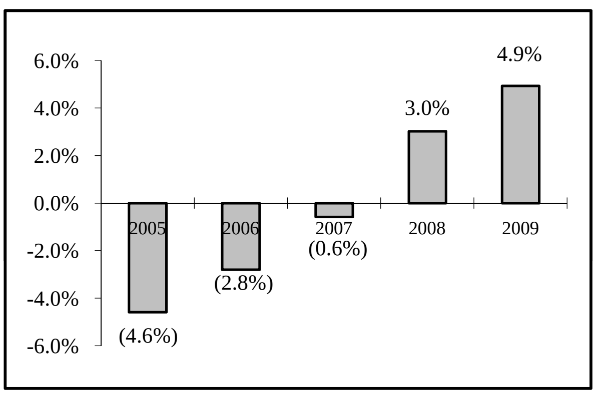
Composite Financial Index



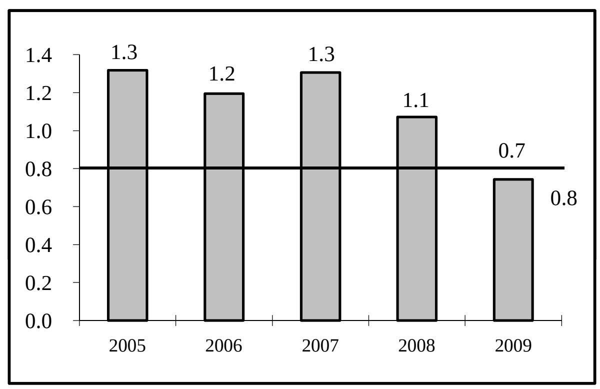
Operating Expense Coverage Ratio



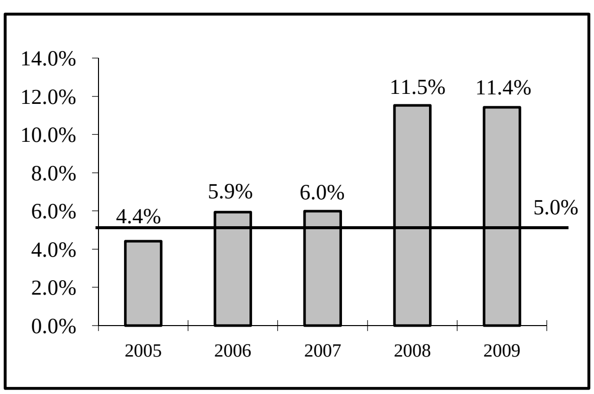
Annual Operating Margin Ratio



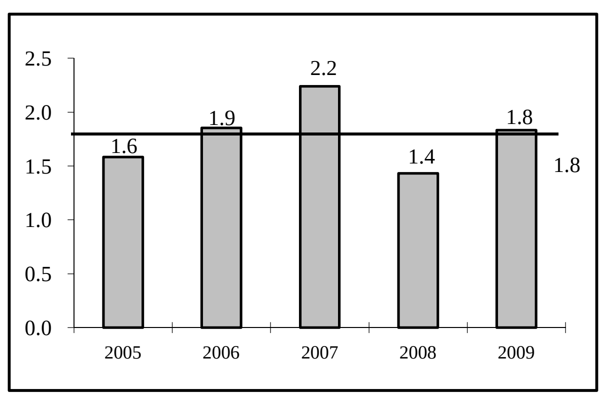
Expendable Resources to Debt Ratio



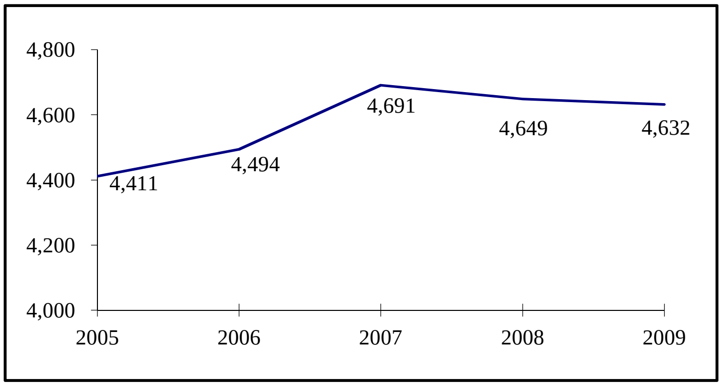
Debt Burden Ratio



Debt Service Coverage Ratio



Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - UT Tyler's CFI decreased from 4.1 in 2008 to 2.4 in 2009 primarily due to decreases in the primary reserve ratio and the return on net assets ratio. The driving force behind the reduction in these ratios was the decrease in the fair value of investments of $15 million in 2009 as compared to a decrease of $6.1 million in 2008 for a total reduction between years of $8.9 million.

Operating Expense Coverage Ratio - UT Tyler's operating expense coverage ratio decreased from 3.7 months in 2008 to 3.5 months in 2009 due to an increase in total operating expenses (including interest expense) of $4.4 million. The increase in operating expenses was primarily attributable to the following: a $4.1 million increase in salaries and payroll related costs resulting from new faculty and staff positions and merit increases; a $1.3 million increase in scholarships and fellowships due to increased expenses in the Texas Grants, Pell Grant and the Education Affordability programs; a $1.3 million increase in depreciation expense due to the University Center which was placed into service in 2009 and the Ratliff Engineering North building and the Ornelas Activity Center which were both placed into service in 2008, thus resulting in a full year of depreciation expense in 2009; and a $2.3 million decrease in materials and supplies due to $1.7 million of furnishings that were purchased for the Ratliff Engineering building in 2008 and $0.6 million due to UT Tyler's cost control efforts.

Annual Operating Margin Ratio - UT Tyler's annual operating margin ratio increased from 3.0% for 2008 to 4.9% for 2009. The improvement in operating performance was attributable to a $6.3 million increase in total operating revenues. The increase in total operating revenues was primarily due to the following: a $3 million increase in net tuition and fees as a result of enrollment growth and rate increases; and a $2.4 million increase in sponsored program revenue (including Pell) mostly due to increased incentive funding from the Texas Higher Education Coordinating Board and an increase in funding from the Texas Grants program. The increase in total operating revenues was partially offset by the increase in total operating expenses discussed above.

Expendable Resources to Debt Ratio - UT Tyler's expendable resources to debt ratio decreased from 1.1 in 2008 to 0.7 in 2009 as a result of a reduction in restricted expendable net assets of $16.8 million and an increase in the amount of debt outstanding of $7.9 million. The decrease in restricted expendable net assets was due to a decrease in the fair value of investments for endowments, as well as a decrease in the amount of funds restricted for capital projects as a result of their completion. The increase in the debt outstanding was related to the completion/renovation/expansion for the Ratliff Engineering building.

Debt Burden Ratio - UT Tyler's debt burden ratio decreased slightly from 11.5% in 2008 to 11.4% in 2009. The small change in this ratio was a result of the increase in operating expenses previously discussed. The debt service payments increased $0.3 million which partially offset the increase in operating expenses.

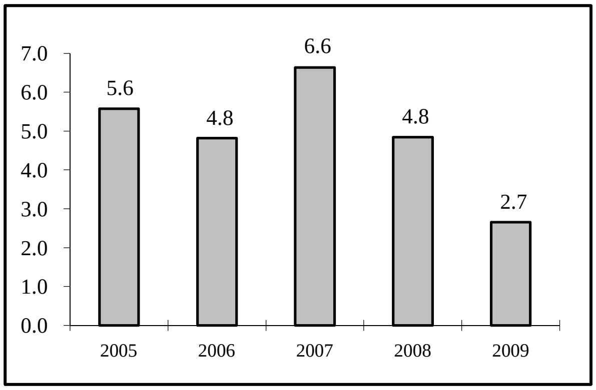
Debt Service Coverage Ratio - UT Tyler's debt service coverage ratio increased from 1.4 in 2008 to 1.8 in 2009. The increase in this ratio was attributable to the improvement in operating performance discussed above.

Full-Time Equivalent (FTE) Student Enrollment - UT Tyler's FTE student enrollment fell slightly from 4,649 in the fall of 2008 to 4,632 in the fall of 2009. This decline was anticipated and planned for operationally.

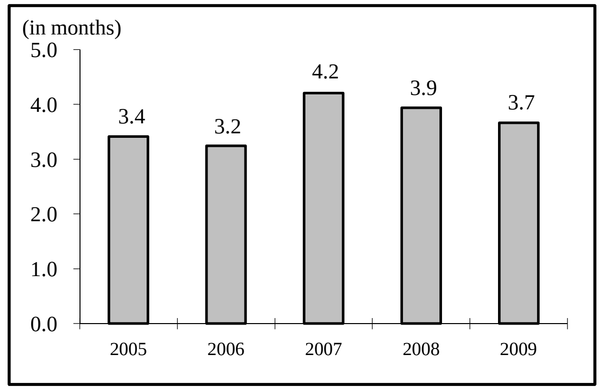
The University of Texas Southwestern Medical Center at Dallas
2009 Summary of Financial Condition

Financial Condition: **Satisfactory**

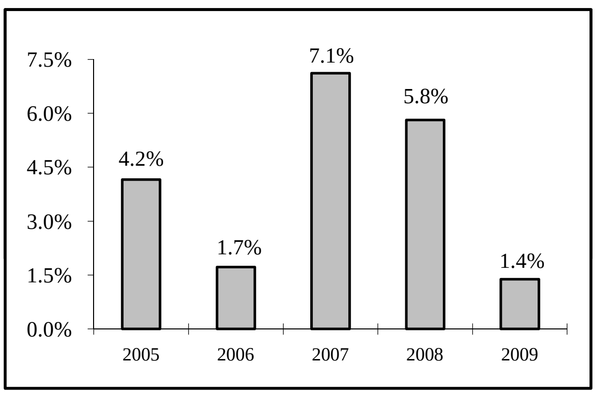
Composite Financial Index



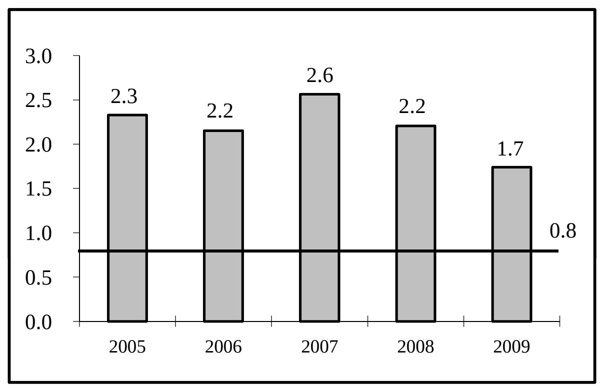
Operating Expense Coverage Ratio



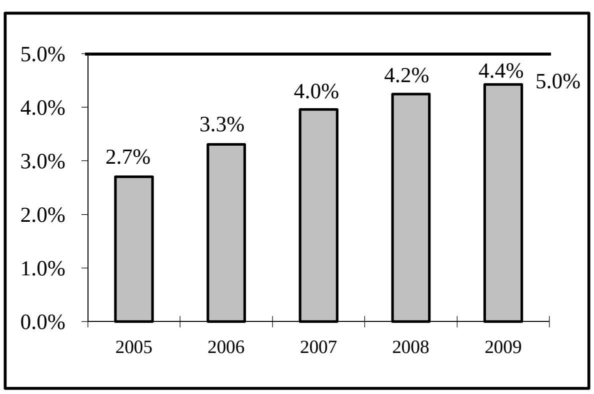
Annual Operating Margin Ratio



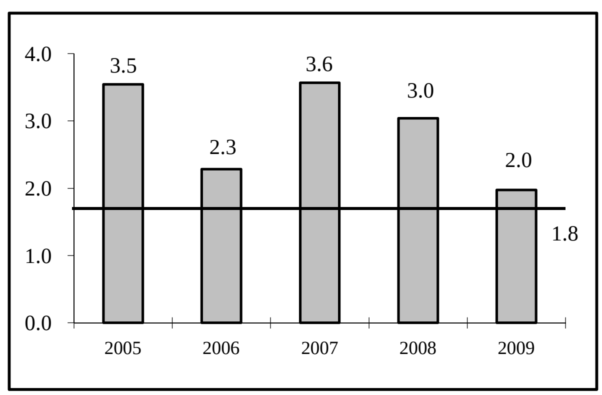
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Southwestern Medical Center at Dallas
2009 Summary of Financial Condition

Composite Financial Index (CFI) - UT Southwestern Medical Center - Dallas' (Southwestern) CFI decreased from 4.8 in 2008 to 2.7 in 2009. The majority of the decrease in the CFI was attributable to decreases in the primary reserve ratio and the return on net assets ratio. The decreases in these two ratios was primarily driven by the net decrease in the fair value of investments of $220.5 million in 2009 as compared to a net decrease of $86.4 million in 2008 or a reduction between years of $134.1 million.

Operating Expense Coverage Ratio - Southwestern's operating expense coverage ratio decreased from 3.9 months in 2008 to 3.7 months in 2009 as a result of an increase in total operating expenses (including interest expense) of $108.6 million. The increase in total operating expenses was primarily due to the following: a $78.1 million increase in salaries and payroll related costs as a result of salary increases to address competitive salary issues, annual merit increases and new faculty positions to support new and expanding clinical programs and new research programs; a $12.7 million increase in other operating expenses primarily attributable to a $5.3 million reduction in the professional liability insurance rebate as compared to the prior year which is recorded as a negative expense, increased costs for maintenance and cleaning contracts, and increased information resources; a $7.3 million increase in depreciation expense due to a full year of depreciation expense for the Hazardous Waste Handling Facility, Mammography Coach Garage and Paul M. Bass Center which were placed into service in 2008, as well as Outpatient Building finish-out projects and the Laboratory Research and Support Building which were placed into service in 2009, and additional medical equipment purchased in 2009; and a $6.4 million increase in materials and supplies related to increased drug costs, additional purchases of laboratory and medical supplies, and increased costs for the Organ Procurement Organization.

Annual Operating Margin Ratio - Southwestern's annual operating margin ratio decreased from 5.8% for 2008 to 1.4% for 2009 as a result of the increase in total operating expenses mentioned above. Partially offsetting the $108.6 million increase in operating expenses was a $43.9 million increase in total operating revenues. The increase in operating revenues was primarily due to the following: a $64.1 million increase in net sales and services of hospitals attributable to increased inpatient room and board and inpatient ancillary revenues primarily in surgery, pharmacy, cardiac catheterization and implants, and increased outpatient visits due to the transfer of radiology services to the hospital from the university; and a $42.3 million increase in sponsored program revenue (including Pell) resulting from an increase in the Parkland contract, Dallas County Indigent Care Corporation, and an increase in the Children's Medical Center contract. Although net sales and services of hospitals and sponsored program revenues experienced substantial increases, State appropriations decreased by $21.1 million and gifts for operations decreased by $45.1 million due to gifts received in 2008 for which no comparable gifts were received in 2009 as a result of the current economic environment.

Expendable Resources to Debt Ratio - Southwestern's expendable resources to debt ratio decreased from 2.2 in 2008 to 1.7 in 2009 as a result of a $238.3 million decrease in restricted expendable net assets and a $17.2 million increase in the amount of debt outstanding. The decrease in restricted expendable net assets was attributable to a decrease in the fair value of investments in endowment funds, as well as fewer funds restricted for capital projects as a result of the completion of the buildings previously mentioned. The increase in the debt outstanding was related to the Biotechnology Development Complex project.

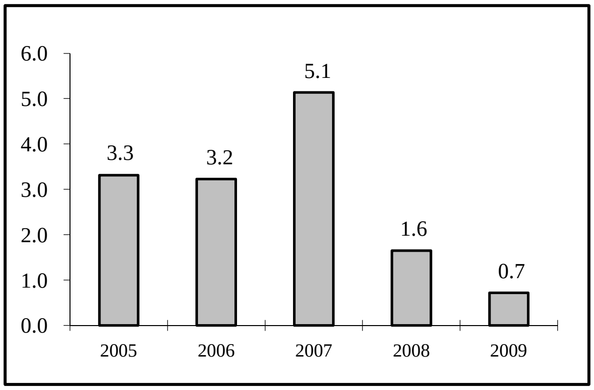
Debt Burden Ratio - Southwestern's debt burden ratio increased from 4.2% in 2008 to 4.4% in 2009 due to an increase in debt service payments of $7.3 million attributable to new equipment financing, ERP system purchase, Laboratory and Research Support Building, Exchange Park Building and the outpatient building.

Debt Service Coverage Ratio - Southwestern's debt service coverage ratio decreased from 3.0 in 2008 to 2.0 in 2009 as a result of the decrease in operating performance, discussed in the annual operating margin ratio, and the increase in debt service payments discussed above.

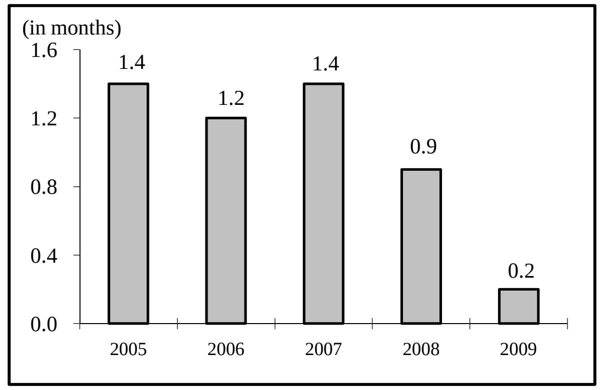
The University of Texas Medical Branch at Galveston
2009 Summary of Financial Condition

Financial Condition: **Unsatisfactory**

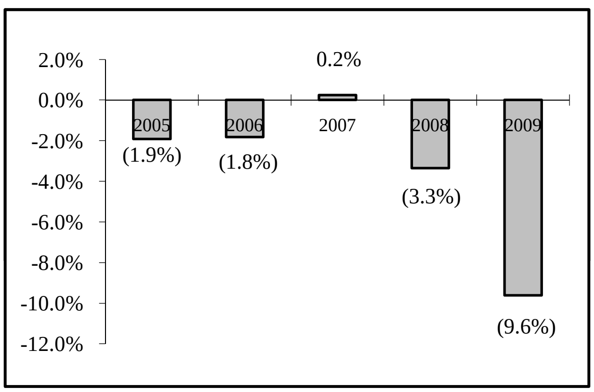
Composite Financial Index



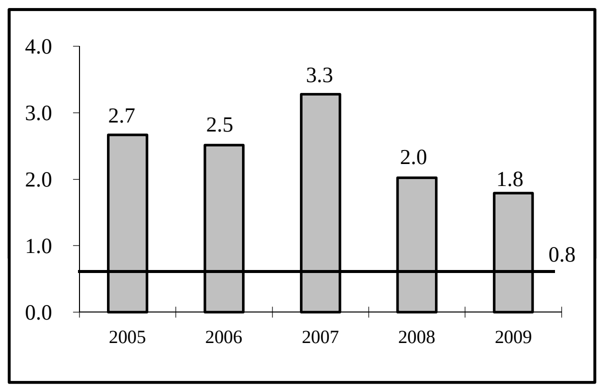
Operating Expense Coverage Ratio



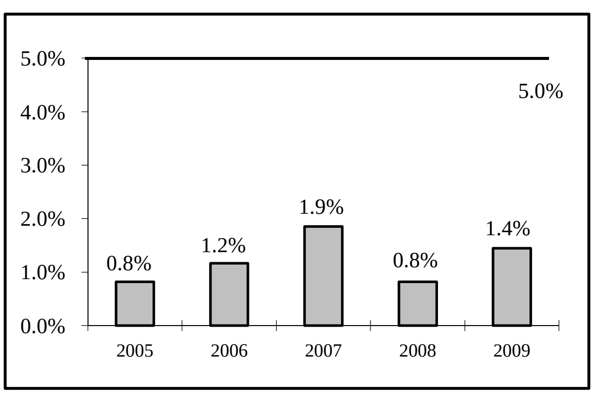
Annual Operating Margin Ratio



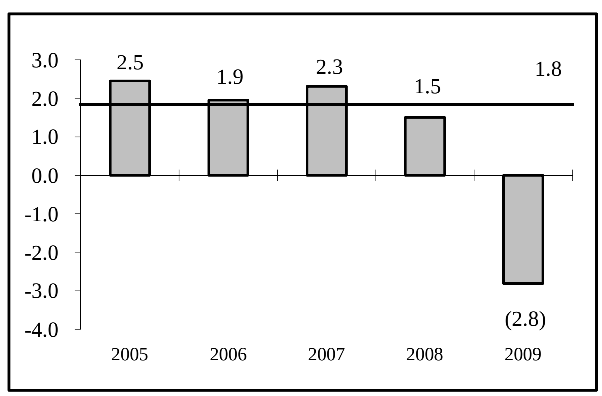
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Medical Branch at Galveston
2009 Summary of Financial Condition

Composite Financial Index (CFI) - UT Medical Branch - Galveston's (UTMB) CFI decreased from 1.6 in 2008 to 0.7 in 2009 primarily due to decreases in the annual operating margin ratio and the return on net assets ratio. The major contributing factor to the decline in these ratios was the reduction in operating performance caused by Hurricane *Ike*, as discussed in further detail below. Also contributing to the decrease in the return on net assets ratio was a net decrease in the fair value of investments of $98.7 million in 2009 as compared to a net decrease of $49.8 million in 2008 for a total reduction between years of $48.9 million.

Operating Expense Coverage Ratio - UTMB's operating expense coverage ratio decreased from 0.9 months in 2008 to 0.2 months in 2009 due to both an $84.8 million decrease in total unrestricted net assets and a $44.5 million increase in total operating expenses (including interest expense). UTMB sustained significant physical damage and loss of patient care activity as a result of Hurricane *Ike*, which made landfall in Galveston on September 13, 2008. The increase in total operating expenses was primarily attributable to clean-up expenses related to Hurricane *Ike*. Expenses related to the recovery from Hurricane *Ike* totaled $137.5 million in 2009. Hurricane *Ike* resulted in a permanent impairment of capital assets for UTMB of $82.3 million, with $66.4 million of insurance recoveries during 2009, for a net impairment of capital assets of $15.9 million for 2009. The increase in operating expenses was a contributing factor in the decrease in unrestricted net assets. Additionally, Hurricane *Ike* had an adverse impact on UTMB's operating revenues, which contributed to the decline in unrestricted net assets. Another negative impact to operating revenues was a $20 million adjustment to accounts receivable allowance correcting an overstatement of patient receivables from prior years which also decreased unrestricted net assets. The $20 million adjustment caused UTMB's operating expense coverage ratio to decrease from 0.4 months to 0.2 months. Total operating revenues decreased by $45.3 million in 2009.

Annual Operating Margin Ratio - UTMB's annual operating margin ratio decreased from (3.3%) for 2008 to (9.6%) for 2009 primarily due to the business disruption in revenue generating activities and expenses related to Hurricane *Ike.* UTMB's hospitals and island clinics were closed for several months after the storm. Patient care revenue decreased $164.5 million as a result of decreases in admissions of 48.4%, patient days of 56.1%, and clinic visits of 23.2%. Sponsored program revenue (including Pell) increased $53.7 million due to the receipt of $99.4 million from the Federal Emergency Management Agency (FEMA) which was partially offset by decreased activity on grant projects as a result of the closure and a reduction in the School of Medicine contract with the John Sealy Hospital. The $20 million accounts receivable allowance adjustment mentioned above caused UTMB's annual operating margin ratio to decrease from (8.1%) to (9.6%).

In 2009 UTMB received $150 million of FEMA matching funds from the State in the form of a special appropriation. These funds are restricted for FEMA qualified capital project matching and are not intended for operating expenses, with the exception of FEMA clean-up expenses. Since none of these funds were used for clean-up expenses in 2009, the entire $150 million was excluded from the margin calculation. However, the margin does include $39.5 million of business interruption insurance proceeds that UTMB received in 2009.

As a result of the financial losses incurred by UTMB stemming from Hurricane *Ike*, on November 12, 2008, the UT System Board of Regents found that a financial exigency existed at UTMB. The UT System Board of Regents instructed the System to work with UTMB to implement an authorized reduction in force of up to 3,800 employees; however, only 2,463 employees were actually affected by the reduction in force. Most affected employees were carried on the payroll until mid-January 2009, while others were carried for longer periods ranging to the end of the fiscal year. The re-opening of clinical facilities and success in obtaining new grants and grant extensions resulted in 779 jobs being restored by October 15, 2009. Current staffing levels remain much lower than pre-*Ike* levels.

Expendable Resources to Debt Ratio - UTMB's expendable resources to debt ratio decreased from 2.0 in 2008 to 1.8 in 2009 as a result of the decrease in unrestricted net assets as discussed above and an increase of $35.2 million in the amount of debt outstanding. The reduction in unrestricted net assets was partially offset by an increase in net assets restricted for capital projects as a result of the State matching for FEMA funding. The increase in the outstanding debt was related to the Specialty Care Center at Victory Lakes.

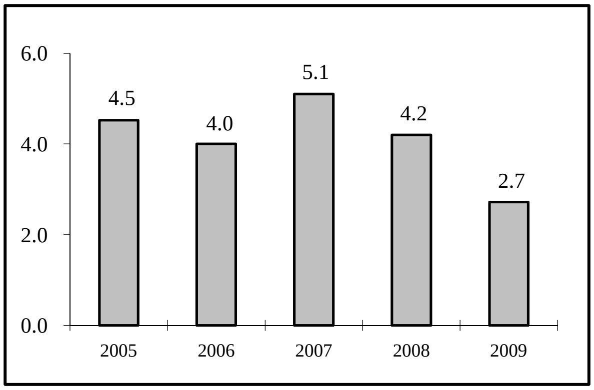
Debt Burden Ratio - UTMB's debt burden ratio increased from 0.8% in 2008 to 1.4% in 2009 primarily due to an increase in debt service payments of $10.4 million.

Debt Service Coverage Ratio - UTMB's debt service coverage ratio decreased from 1.5 in 2008 to (2.8) in 2009. The substantial decline in this ratio was attributable to the reduction in operating performance previously discussed, as well as the increase in debt service payments.

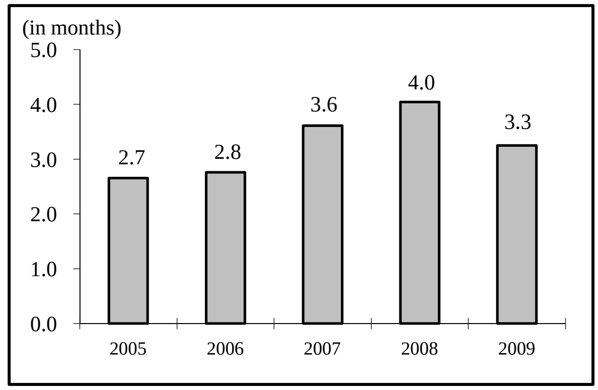
The University of Texas Health Science Center at Houston
2009 Summary of Financial Condition

Financial Condition: **Satisfactory**

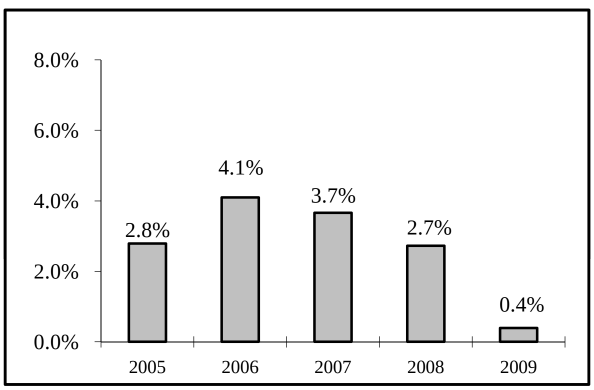
Composite Financial Index



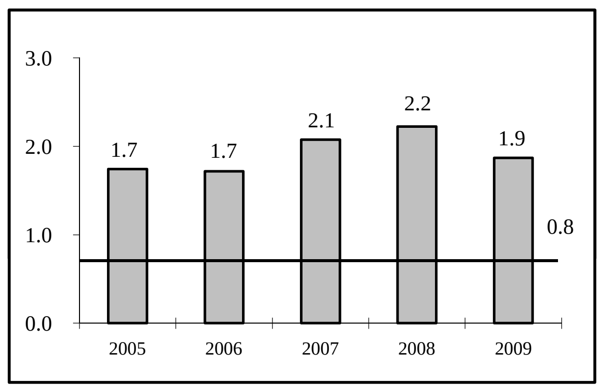
Operating Expense Coverage Ratio



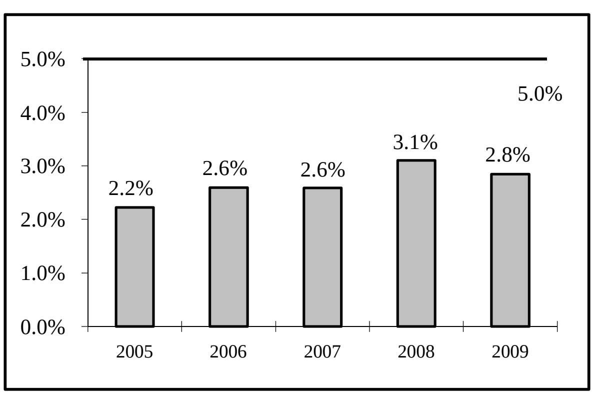
Annual Operating Margin Ratio



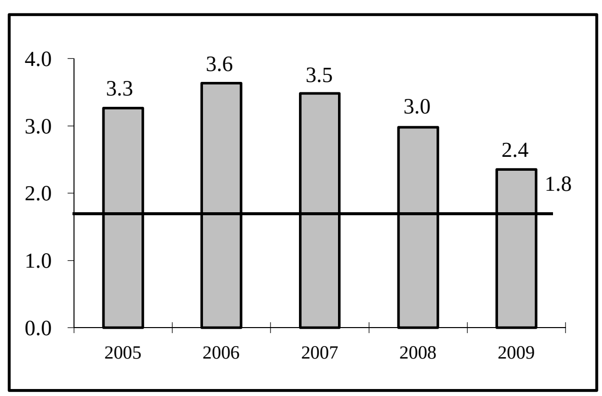
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Houston
2009 Summary of Financial Condition

Composite Financial Index (CFI) - UT Health Science Center - Houston's (UTHSC-Houston) CFI decreased from 4.2 in 2008 to 2.7 in 2009 due to reductions in all four core ratios: the primary reserve ratio, the annual operating margin ratio, the return on net assets ratio and the expendable resources to debt ratio. The primary reserve ratio and the return on net assets ratio were impacted by the further net decrease in the fair value of investments of $57.9 million in 2009 after already experiencing a net decrease of $24.6 million in 2008. The decline in operating performance, discussed below, also had an adverse impact on the CFI. The increase in outstanding debt of $10.7 million associated with UTHSC-Houston's south campus expansion also contributed to the decrease in the expendable resources to debt ratio and the decrease in the return on net assets ratio.

Operating Expense Coverage Ratio - UTHSC-Houston's decrease in the operating expense coverage ratio from 4.0 months in 2008 to 3.3 months in 2009 was due to a $76 million or a 10.5% increase in total operating expenses (including interest expense) and a $27.2 million or an 11.2% decrease in unrestricted net assets. The impact of the two factors can be attributed fairly equally to an expansion in the clinical and research operating areas primarily in UTHSC-Houston's Medical School and the unrestricted net asset impact of the negative fair market value adjustment of $27 million allocated to designated funds. The increase in total operating expenses was primarily due to the following: a $56.9 million or 12.8% increase in salaries and payroll related costs, $13.6 million of which was research-related and the remaining was primarily associated with new Medical School clinical faculty and salary administration; an $11.4 million increase in other operating expenses mostly attributable to a $5.4 million increase in insurance expense of which $3.2 million was associated with lower professional liability insurance rebates as compared to 2008, and an increase in UTHSC-Houston's nonprofit healthcare corporation's (UT Physicians) activities, whose costs are driven largely by practice plan volumes and related revenue generation (i.e. more clinical faculty, more related clinic and related support costs); a $3.7 million increase in professional fees and services due to increased usage of locum tenens for radiology and the Harris County Jail contract; a $2.2 million increase in depreciation expense related to capital additions; and a $2 million increase in educational and training services for the Texas Education Agency Pediatrics Development Circle, which is a part of UTHSC-Houston's Children's Learning Institute.

Annual Operating Margin Ratio - UTHSC-Houston's annual operating margin ratio decreased from 2.7% for 2008 to 0.4% for 2009. Although total operating revenues increased $58.9 million, which included declines in State appropriations of $3.5 million (due to the $5 million year one special item funding, rather than an even distribution between 2008 and 2009), gifts for operations of $3.1 million and investment income (including the GEF transfer) of $1.4 million, in conjunction with the increase in total operating expenses discussed above, reduced the margin. The increase in total operating revenues was primarily due to the following: a $40.8 million increase in sponsored program revenue (including Pell) mostly attributable to increases in clinical support contracts with Memorial Hermann Hospital System and the Harris County Hospital District; a $10.9 million increase in net professional fees resulting from increased physician staffing and productivity; a $5.8 million increase in net sales and services of hospitals due to an increase in Harris County Psychiatric Center's patient income; and a $3.3 million increase in net tuition and fees as a result of increased tuition rates.

Expendable Resources to Debt Ratio - UTHSC-Houston's expendable resources to debt ratio decreased from 2.2 in 2008 to 1.9 in 2009 due to the decrease in total unrestricted net assets discussed above, as well as an increase of $10.7 million in the amount of debt outstanding. The increase in outstanding debt was related to the build-out of the 6th floor of the Biomedical Engineering building.

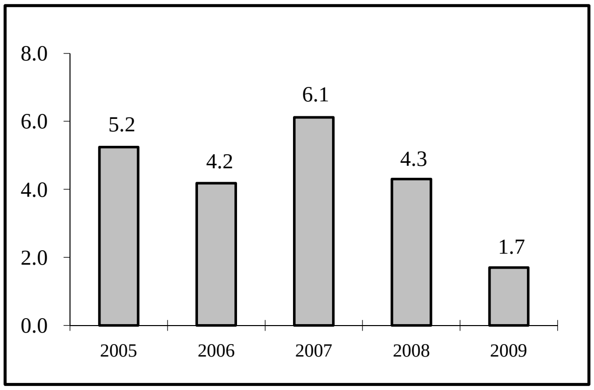
Debt Burden Ratio - UTHSC-Houston's debt burden ratio decreased from 3.1% in 2008 to 2.8% in 2009 as a result of the increase in total operating expenses previously discussed.

Debt Service Coverage Ratio - UTHSC-Houston's debt service coverage ratio decreased from 3.0 in 2008 to 2.4 in 2009. The decrease in this ratio was attributable to the decline in operating performance as discussed in the annual operating margin ratio.

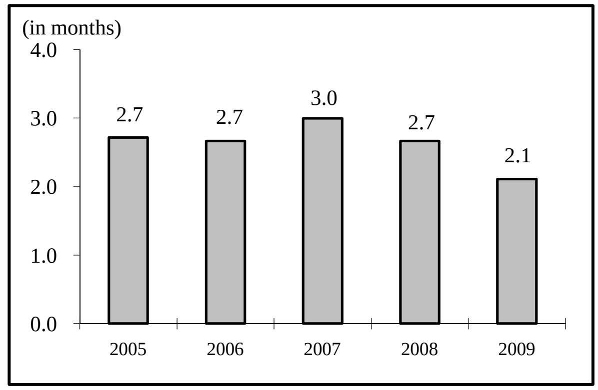
The University of Texas Health Science Center at San Antonio
2009 Summary of Financial Condition

Financial Condition: **Satisfactory**

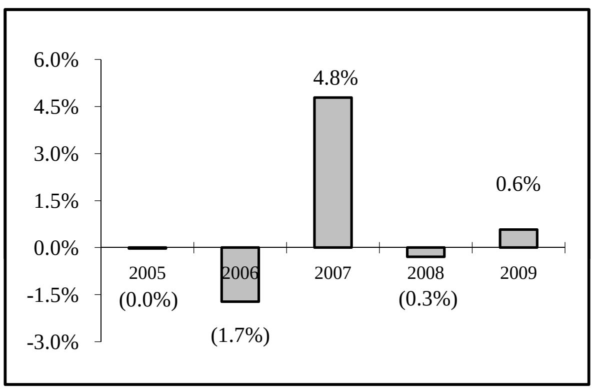
Composite Financial Index



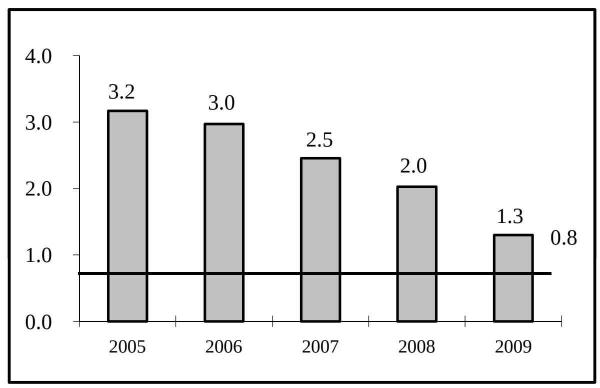
Operating Expense Coverage Ratio



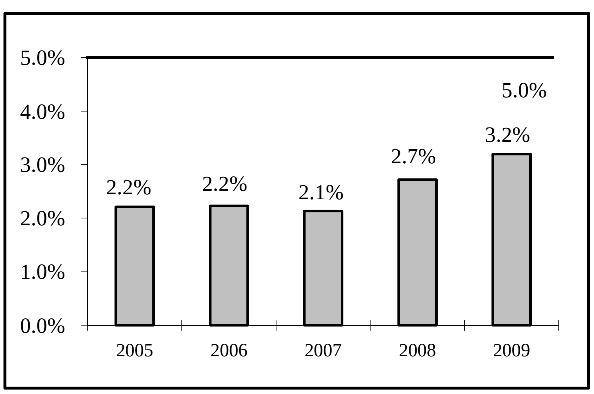
Annual Operating Margin Ratio



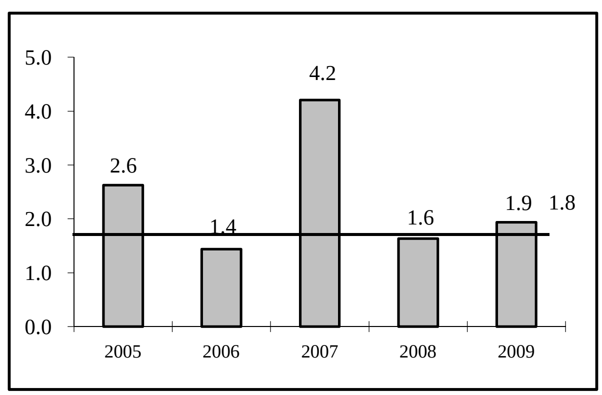
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at San Antonio
2009 Summary of Financial Condition

Composite Financial Index (CFI) - UT Health Science Center - San Antonio's (UTHSC-San Antonio) CFI decreased from 4.3 in 2008 to 1.7 in 2009 due to reductions in the return on net assets ratio, primary reserve ratio and expendable resources to debt. The main driving forces behind the decreases in these ratios were as follows: the net decrease in the fair value of investments of $93.9 million in 2009 as compared to a net decrease of $40.3 million in 2008 for a total reduction between years of $53.6 million; a $52.1 million increase in total operating expenses, as discussed in further detail below; and an increase of $27.1 million in the amount of debt outstanding, as mentioned below.

Operating Expense Coverage Ratio - UTHSC-San Antonio's operating expense coverage ratio decreased from 2.7 months in 2008 to 2.1 months in 2009 due to a $52.1 million increase in total operating expenses (including interest expense) and a $20.7 million decrease in total unrestricted net assets. The increase in operating expenses was primarily due to the following: a $37.3 million increase in salaries and payroll related costs as a result of the merger with the Cancer Therapy and Research Center (CTRC) in December 2007, a 1.5% merit increase, and recruitment and retention efforts in the clinical and research areas in preparation for the new Medical Arts & Research Center (MARC) in September 2009 and in response to growing research initiatives; a $5.1 million increase in depreciation expense largely attributable to the merger with CTRC, as well as the completion of fire and safety additions for the Medical - Dental Complex and the Recreation and Wellness Center which were placed in to service in 2009; a $4.6 million increase in materials and supplies primarily due to an increase in purchases of the drug, Factor, used in treating pediatric hemophiliacs stemming from increased patient need; and a $4.3 million increase in other operating expenses attributable to the merger with CTRC and also $4.6 million less for the professional liability rebate as compared to the prior year which is recorded as a negative operating expense. The increase in total operating expenses along with the net decrease in the fair value of investments allocated to designated funds of $14.7 million and an increase in debt service payments of $4.7 million contributed to the reduction in total unrestricted net assets.

Annual Operating Margin Ratio - UTHSC-San Antonio's annual operating margin ratio increased from (0.3%) for 2008 to 0.6% for 2009. The improvement in operating performance was attributable to a $58 million increase in total operating revenues, which was partially offset by the increase in total operating expenses discussed above. The increase in operating revenues was primarily due to the following: a $40.4 million increase in sponsored program revenue (including Pell) resulting from grants acquired with the CTRC merger, an increase in contracts with the University Hospital System, an increase in indirect cost recoveries based on higher negotiated facilities and administrative rate, increased clinical trials and increased research activity; and a $17.6 million increase in net professional fees related to the acquisition of CTRC.

UTHSC-San Antonio continues to reinvest incremental revenues from prior years towards recruitment and retention efforts of new faculty and chairs, addressing faculty compensation issues, fulfilling increases in service contract requirements, and the expansion of programs and departments. The investments made in 2009 included start-up costs associated with new ambulatory clinic that opened in the fall of 2009. These planned investments are anticipated to continue to increase future operations.

Expendable Resources to Debt Ratio - UTHSC-San Antonio's expendable resources to debt ratio decreased from 2.0 in 2008 to 1.3 in 2009 but still remained above the minimum standard set by the Office of Finance of 0.8. The decrease in this ratio was attributable to a decrease in unrestricted net assets of $20.7 million, as discussed above, and a decrease in restricted expendable net assets of $94 million as a result of the net decrease in the fair value of investments. The amount of debt outstanding also increased $27.1 million due to the South Texas Research Facility and was a contributing factor in the decrease of this ratio.

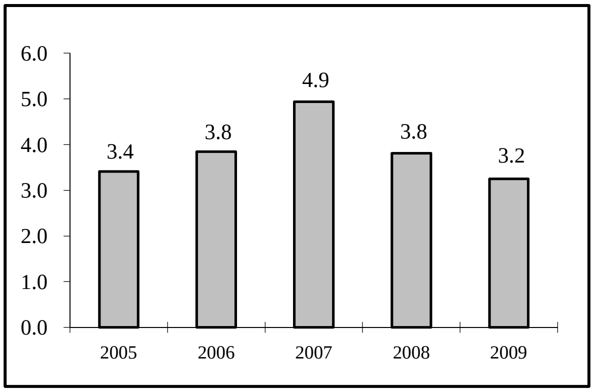
Debt Burden Ratio - UTHSC-San Antonio's debt burden ratio increased from 2.7% in 2008 to 3.2% in 2009 which was still below the maximum standard of 5.0% set by the Office of Finance. The increase in this ratio was caused by an increase in debt service payments for the MARC.

Debt Service Coverage Ratio - UTHSC-San Antonio's debt service coverage ratio increased slightly from 1.6 in 2008 to 1.9 in 2009 as a result of the improvement in operating performance previously discussed.

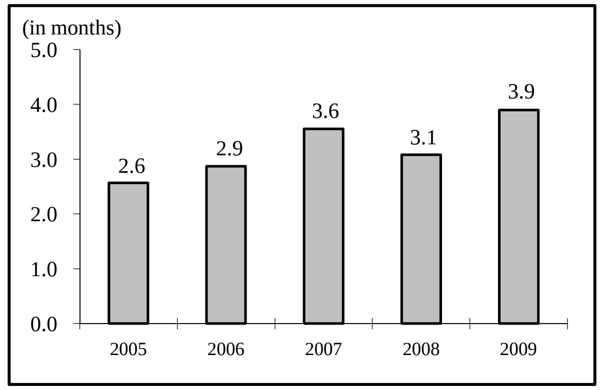
The University of Texas M. D. Anderson Cancer Center
2009 Summary of Financial Condition

Financial Condition: **Satisfactory**

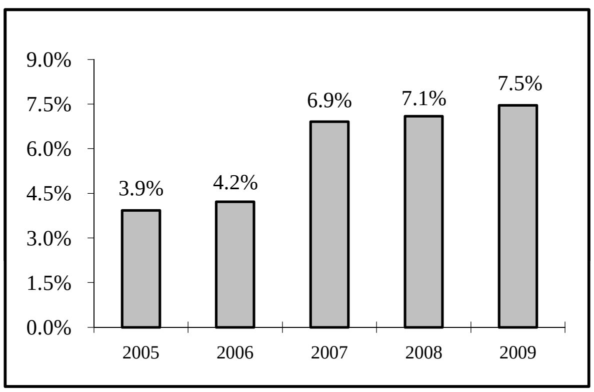
Composite Financial Index



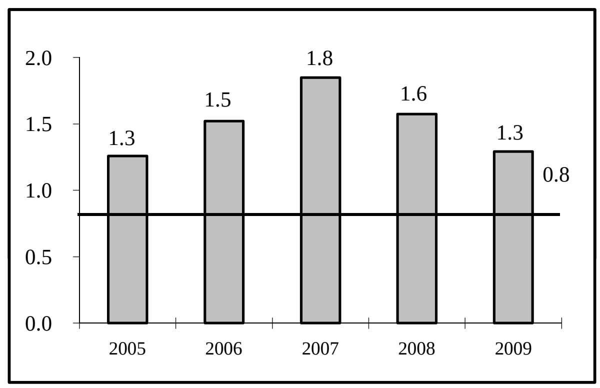
Operating Expense Coverage Ratio



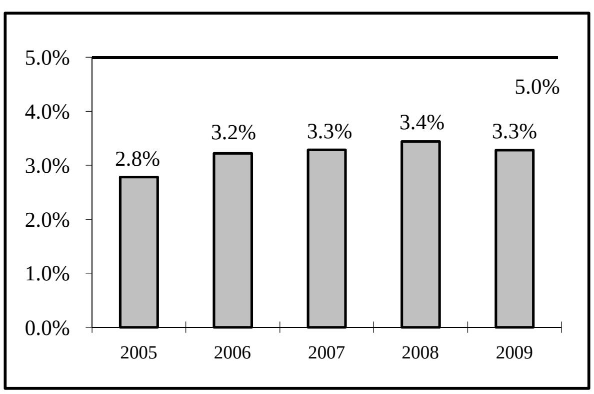
Annual Operating Margin Ratio



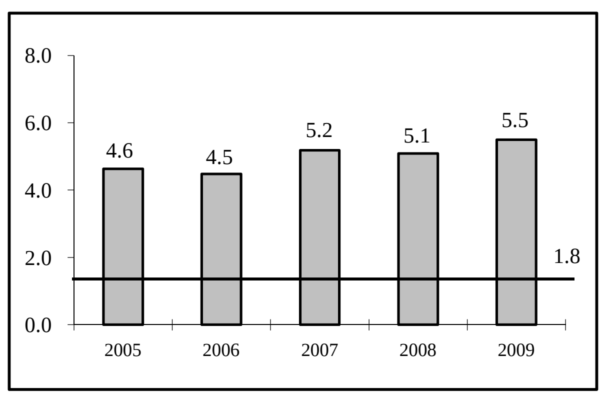
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas M. D. Anderson Cancer Center
2009 Summary of Financial Condition

Composite Financial Index (CFI) - UT M. D. Anderson Cancer Center's (M. D. Anderson) CFI decreased from 3.8 in 2008 to 3.2 in 2009 mostly due to reductions in the return on net assets ratio and the expendable resources to debt ratio. One of the major driving forces behind the decline in these ratios was the net decrease in the fair value of investments of $160.2 million in 2009 as compared to a net decrease of $65.3 million in 2008 for a total reduction between years of $94.9 million. The increase in the amount of debt outstanding, discussed below, also contributed to the decrease in these two core ratios.

Operating Expense Coverage Ratio - M. D. Anderson's operating expense coverage ratio increased from 3.1 months in 2008 to 3.9 months in 2009 due to an increase in total unrestricted net assets of $224.6 million. The increase in unrestricted net assets was primarily attributable to balances reclassified between net assets restricted for capital projects and unrestricted net assets based upon an analysis of unspent bond proceeds. Also contributing to the increase in unrestricted net assets was the improvement in operating performance as discussed in the annual operating margin ratio below.

Annual Operating Margin Ratio - M. D. Anderson's annual operating margin ratio increased from 7.1% for 2008 to 7.5% for 2009 as a result of the growth in total operating revenues of $165.2 million outpacing the growth in total operating expenses (including interest expense) of $142.5 million. The increase in total operating revenues was primarily due to the following: a $152.6 million increase in net sales and service of hospitals resulting from increases in billed procedures, surgery hours and billable visits, the opening of satellite facilities and strategic pricing initiatives; a $29.5 million increase in sponsored program revenue (including Pell) related to the growth of M. D. Anderson and a concerted effort and emphasis on research; a $23 million increase in net professional fees as a result of an overall increase in patient activity and volumes. These revenue increases were partially offset by a decrease in gifts for operations of $45.6 million due to the economic downturn.

The increase in total operating expenses was primarily attributable to the following: a $98.8 million increase in salaries and payroll related costs due to merit increases and the growth of full-time equivalents; a $44.8 million increase in materials and supplies attributable to an increase in patient medications and medical supplies due to of an increase in sales and services of hospitals; and a $15.2 million increase in depreciation expense due to equipment purchases, software development, the completion of several building renovation projects and the Braeswood Parking Garage which was placed into service in 2009. M. D. Anderson received a professional liability insurance (PLI) rebate of $1.8 million in 2009 as compared to $5.1 million in 2008. This rebate is recorded as a negative operating expense. These expense increases were partially offset by decreases in various smaller expense categories. In March 2009, M. D. Anderson's Executive Committee instituted a hiring freeze and a 10% reduction in overall expenses as a result of a recent pattern of expenses exceeding revenues. Revenues were decreased due to the business interruption as a result of Hurricane *Ike*, increases in indigent patients, delays in payments from patients and insurance companies and a decrease in gifts as a result of the economic downturn. The effort to increase clinical revenues and reduce expenses appeared successful as the margin improved $22.8 million between 2008 and 2009.

Expendable Resources to Debt Ratio - M. D. Anderson's expendable resources to debt ratio decreased from 1.6 in 2008 to 1.3 in 2009 as a result of a $202.9 million increase in debt outstanding related to the Alkek Expansion and the Administrative Support Building.

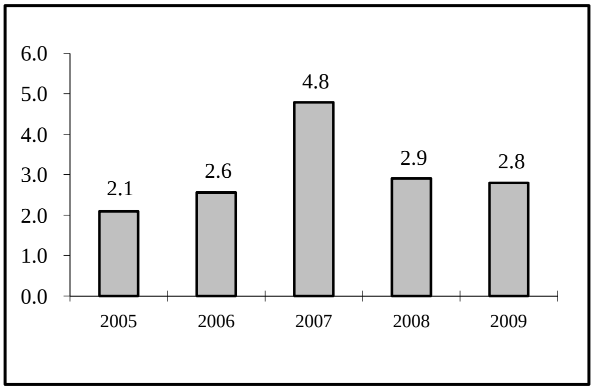
Debt Burden Ratio - M. D. Anderson's debt burden ratio decreased slightly from 3.4% in 2008 to 3.3% in 2009 due to the increase in operating expenses previously discussed.

Debt Service Coverage Ratio - M. D. Anderson's debt service coverage ratio increased from 5.1 in 2008 to 5.5 in 2009. The increase in this ratio was attributable to the improvement in operating performance discussed in the annual operating margin ratio above.

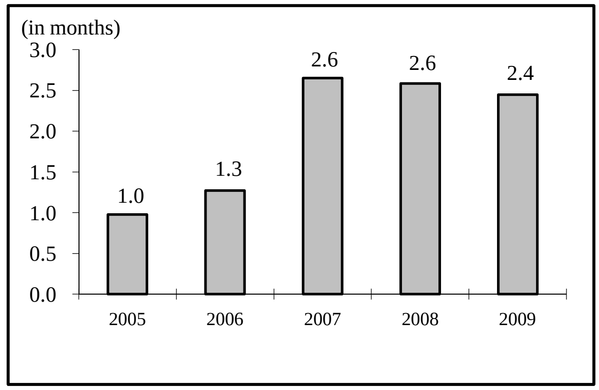
The University of Texas Health Science Center at Tyler
2009 Summary of Financial Condition

Financial Condition: **Satisfactory**

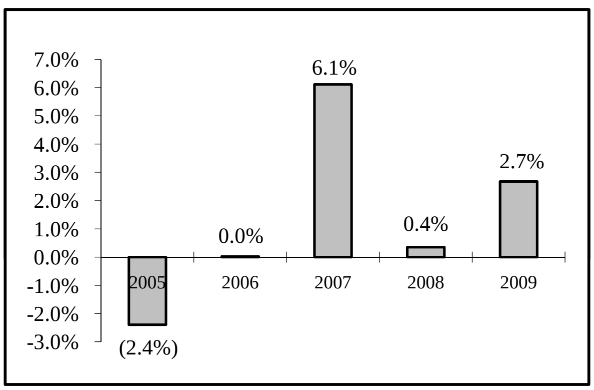
Composite Financial Index



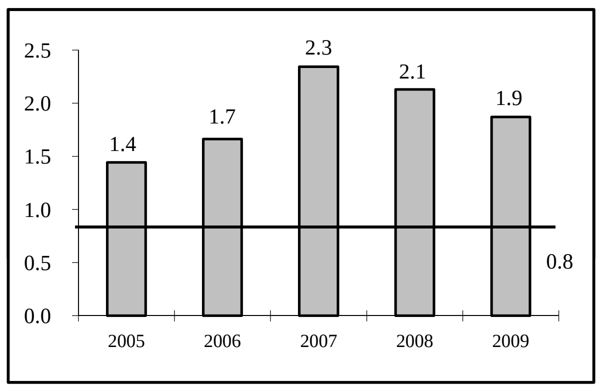
Operating Expense Coverage Ratio



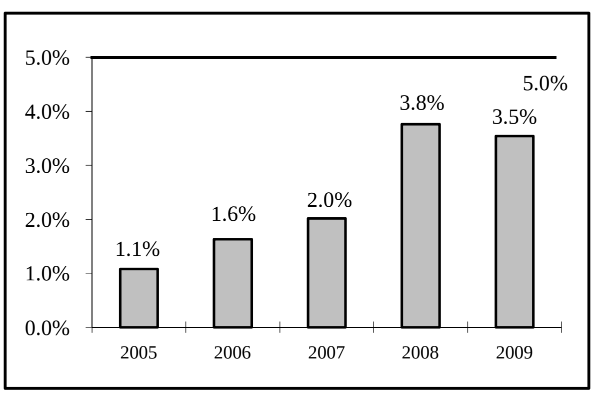
Annual Operating Margin Ratio



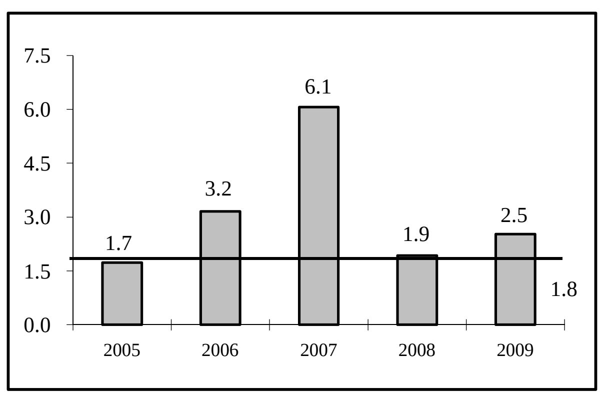
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Tyler
2009 Summary of Financial Condition

Composite Financial Index (CFI) - UT Health Science Center - Tyler's (UTHSC-Tyler) CFI decreased slightly from 2.9 in 2008 to 2.8 in 2009. The decrease in this ratio was due to decreases in the primary reserve ratio and expendable resources to debt ratio. The main driving forces behind the decreases in these ratios were as follows: the net decrease in the fair value of investments of $9.5 million in 2009 as compared to a net decrease of $4.1 million in 2008 for a total reduction between years of $5.4 million; an $11.7 million increase in total operating expenses, as discussed in further detail below; and an increase of $2.5 million in the amount of debt outstanding, as mentioned below.

Operating Expense Coverage Ratio - UTHSC-Tyler's operating expense coverage ratio decreased from 2.6 months in 2008 to 2.4 months in 2009 due to an $11.7 million increase in total operating expenses (including interest expense). The increase in total operating expenses was primarily attributable to the following: a $4.8 million increase in professional fees and services due to an increase in agency nursing staff needed as a result of the patients that UTHSC-Tyler received from UTMB's Correctional Managed Care Agreement (CMCA) as a result of Hurricane *Ike*; a $3.5 million increase in materials and supplies attributable to an increase in consumables and medical supplies needed for the patients from UTMB's CMCA; a $2.2 million increase in salaries and payroll related costs due to merit increases; and a $1.9 million increase in other operating expenses as a result of increased cleaning, laundry and other services for the patients received from UTMB's CMCA.

Annual Operating Margin Ratio - UTHSC-Tyler's annual operating margin ratio increased from 0.4% for 2008 to 2.7% for 2009 as a result of a $14.7 million increase in total operating revenues, which was partially offset by the increase in total operating expenses discussed above. The increase in total operating revenues was primarily due to the following: a $9.1 million increase in net sales and services of hospitals resulting from the patients received from UTMB's CMCA; a $3.1 million increase in State appropriations; and a $2.3 million increase in net professional fees also attributable to patients received from UTMB's CMCA, as well as a reduction in bad debt expense.

Expendable Resources to Debt Ratio - UTHSC-Tyler's expendable resources to debt ratio decreased from 2.1 in 2008 to 1.9 in 2009. The decrease in this ratio was the result of a decrease in restricted expendable net assets attributable to a decrease in the fair value of investments in endowment funds of $7.5 million and an increase in the debt outstanding of $2.5 million related to the Academic Center.

Debt Burden Ratio - UTHSC-Tyler's debt burden ratio decreased from 3.8% in 2008 to 3.5% in 2009 due to the increase in operating expenses previously mentioned.

Debt Service Coverage Ratio -UTHSC-Tyler's debt service coverage ratio increased from 1.9 in 2008 to 2.5 in 2009. The increase in this ratio was a result of the improvement in operating performance discussed in the annual operating margin ratio above.

Appendix A - Definitions of Evaluation Factors

1. **Composite Financial Index (CFI)** – The CFI measures the overall financial health of an institution by combining four core ratios into a single score. The four core ratios used to compute the CFI are as follows: primary reserve ratio, expendable resources to debt ratio, return on net assets ratio, and annual operating margin ratio.

Core Ratio Values		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	/	0.133	=	Strength Factor	x	35.0%	=	Score
Annual Operating Margin	/	1.3%	=	Strength Factor	x	10.0%	=	Score
Return on Net Assets	/	2.0%	=	Strength Factor	x	20.0%	=	Score
Expendable Resources to Debt	/	0.417	=	Strength Factor	x	35.0%	=	Score
						CFI	=	Total Score

2. **Operating Expense Coverage Ratio** – This ratio measures an institution's ability to cover future operating expenses with available year-end balances. This ratio is expressed in number of months coverage.

$$\frac{\text{Total Unrestricted Net Assets}}{\text{Total Operating Expenses + Interest Expense on Debt}} * 12$$

3. **Annual Operating Margin Ratio** – This ratio indicates whether an institution is living within its available resources.

$$\frac{\text{Op Rev +GR+Op Gifts+Pell+Inv Inc+GEF, RAHC\& AUF Trans+/-TX Ent Fund+NSERB Approp+HEAF for Op Exp+/-UTMB Ike–Op \& Int Exp}}{\text{Op Rev+GR+Op Gifts+Pell+Inv Inc+GEF, RAHC \& AUF Trans+/-TX Ent Fund+NSERB Approp+HEAF for Op Exp+/-UTMB Ike}}$$

4. **Expendable Resources to Debt Ratio** – This ratio measures an institution's ability to fund outstanding debt with existing net asset balances should an emergency occur. Debt capacity thresholds are provided by the Office of Finance and are based on formulas used by Moody's Investors Service. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. The minimum expendable resources to debt ratio is 0.8 times.

$$\frac{\text{Expendable Net Assets + Unrestricted Net Assets}}{\text{Debt not on Institution's Books}}$$

5. **Debt Burden Ratio** – This ratio examines the institution's dependence on borrowed funds as a source of financing and the cost of borrowing relative to overall expenses. Debt capacity thresholds are provided by the Office of Finance and are based on formulas used by Moody's Investors Service. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. The maximum debt burden ratio is 5.0%.

$$\frac{\text{Debt Service Transfers}}{\text{Operating Exp. (excluding Scholarships Exp.) + Interest Exp.}}$$

Appendix A - Definitions of Evaluation Factors (Continued)

6. **Debt Service Coverage Ratio –** This ratio measures the actual margin of protection provided to investors by annual operations. Moody's excludes actual investment income from its calculation of total operating revenue and instead uses a normalized investment income. Prior to fiscal year 2009, Moody's utilized a rate of 4.5% of the prior year's ending total cash and investments to compute normalized investment income for public universities. Beginning with fiscal year 2009, Moody's changed the methodology and now applies 5% of the average of the previous three years' market value of cash and investments. In order to be consistent with the Office of Finance's calculation of the debt service coverage ratio, we used normalized investment income as defined above for this ratio only. Debt capacity thresholds are provided by the Office of Finance and are based on formulas used by Moody's Investors Service. An institution's debt capacity is largely determined by its ability to meet at least two of three minimum standards for debt service coverage, debt burden, and expendable resources to debt. The minimum debt service coverage ratio is 1.8 times.

$$\frac{\text{Op Rev+GR+Op Gifts+Pell+Norm Inv Inc+RAHC\& AUF Trans+/-TX Ent Fund+NSERB Approp+HEAF for Op Exp+/-UTMB Ike–Op Exp+Depr}}{\text{Debt Service Transfers}}$$

7. **Primary Reserve Ratio** - This ratio measures the financial strength of an institution by comparing expendable net assets to total expenses. This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations.

$$\frac{\text{Expendable Net Assets + Unrestricted Net Assets}}{\text{Total Operating Expenses + Interest Expense on Debt}}$$

8. **Return on Net Assets Ratio –** This ratio determines whether the institution is financially better off than in previous years by measuring total economic return. An improving trend indicates that the institution is increasing its net assets and is likely to be able to set aside financial resources to strengthen its future financial flexibility.

$$\frac{\text{Change in Net Assets (Adjusted for Change in Debt not on Institution's Books)}}{\text{Beginning Net Assets – Debt not on Institution's Books}}$$

9. **Full-Time Equivalent (FTE) Student Enrollment** - Total semester credit hours taken by students during the fall semester, divided by factors of 15 for undergraduate students, 12 for graduate and special professional students, and 9 for doctoral students to arrive at the full-time equivalent (FTE) students represented by the course hours taken.

Appendix A - Definitions of Evaluation Factors (Continued)

The categories, which are utilized to indicate the assessment of an institution's financial condition, are "Satisfactory," "Watch" and "Unsatisfactory." In most cases the rating is based upon the trends of the financial ratios unless isolated financial difficulties in particular areas are material enough to threaten the overall financial results.

Satisfactory – an institution assigned this assessment exhibits a general history of relatively stable or increasing financial ratios. The CFI remains relatively stable within the trend period. However, the CFI can fluctuate depending upon the underlying factors contributing to the fluctuation with respect to the overall mission of an institution. The CFI must be analyzed in conjunction with the trends in the other ratios analyzed. The operating expense coverage ratio should be at or above a two-month benchmark and should be stable or improving. The annual operating margin ratio could be both positive and negative during the trend period due to nonrecurring items. Some of these items include unexpected reductions in external sources of income, such as state appropriations, gifts and investment income, all of which are unpredictable and subject to economic conditions. The Office of Finance uses the expendable resources to debt ratio, debt burden ratio and debt service coverage ratio, which are the same ratios the bond rating agencies calculate for the System. Trends in these ratios can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. In general, an institution's expendable resources to debt and debt service coverage ratios should exceed the Office of Finance's standards of 0.8 times and 1.8 times, respectively, while the debt burden ratio should fall below the Office of Finance's standard of 5.0%. Full-time equivalent (FTE) student enrollment must be relatively stable or increasing. Isolated financial difficulties in particular areas may be evident, but must not be material enough to threaten the overall financial health of an institution.

Watch – an institution assigned this assessment exhibits a history of relatively unstable or declining financial ratios. The CFI is less stable and/or the fluctuations are not expected given the mission of an institution. The operating expense coverage ratio can be at or above a two-month benchmark, but typically shows a declining trend. Annual operating margin ratio is negative or near break-even during the trend period due to recurring items, material operating difficulties or uncertainties caused by either internal management decisions or external factors. Trends in the expendable resources to debt ratio, debt burden ratio and debt service coverage ratio can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. FTE student enrollment can be stable or declining, depending upon competitive alternatives or recruitment and retention efforts. Isolated financial difficulties in particular areas may be evident and can be material enough to threaten the overall financial health of an institution.

Unsatisfactory – an institution assigned this assessment exhibits a history of relatively unstable financial ratios. The CFI is very volatile and does not support the mission of an institution. The operating expense coverage ratio may be below a two-month benchmark and shows a declining trend. The annual operating margin ratio is predominately volatile or negative during the trend period due to material operating difficulties or uncertainties caused by either internal management decisions or external factors. Trends in the expendable resources to debt ratio, debt burden ratio and debt service coverage ratio can help determine if an institution has additional debt capacity or has assumed more debt than it can afford to service. The FTE student enrollment can be stable or declining, depending upon competitive alternatives or recruitment and retention efforts. Widespread financial difficulties in key areas are evident and are material enough to further threaten the overall financial health of an institution. For institutions rated "Unsatisfactory," the Chancellor and the appropriate Executive Vice Chancellors will request the institutions to develop a specific financial plan of action to improve the institution's financial condition. Progress towards the achievement of the plans will be periodically discussed with the Chief Business Officer and President, and representatives from the UT System Offices of Business, Academic and/or Health Affairs, as appropriate.

Appendix B - Calculation of Composite Financial Index
Academic Institutions
As of August 31, 2009

UT Arlington

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.66	/	0.133	=	4.99	x	35.0%	=	1.75
Annual Operating Margin	5.58%	/	1.3%	=	4.29	x	10.0%	=	0.43
Return on Net Assets	5.39%	/	2.0%	=	2.70	x	20.0%	=	0.54
Expendable Resources to Debt	0.93	/	0.417	=	2.24	x	35.0%	=	0.78
							CFI		3.5

UT Austin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.90	/	0.133	=	6.78	x	35.0%	=	2.37
Annual Operating Margin	2.33%	/	1.3%	=	1.79	x	10.0%	=	0.18
Return on Net Assets	-8.06%	/	2.0%	=	-4.03	x	20.0%	=	-0.81
Expendable Resources to Debt	1.63	/	0.417	=	3.91	x	35.0%	=	1.37
							CFI		3.1

UT Brownsville

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.26	/	0.133	=	1.95	x	35.0%	=	0.68
Annual Operating Margin	1.23%	/	1.3%	=	0.95	x	10.0%	=	0.09
Return on Net Assets	2.40%	/	2.0%	=	1.20	x	20.0%	=	0.24
Expendable Resources to Debt	0.96	/	0.417	=	2.31	x	35.0%	=	0.81
							CFI		1.8

UT Dallas

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.79	/	0.133	=	5.95	x	35.0%	=	2.08
Annual Operating Margin	3.04%	/	1.3%	=	2.34	x	10.0%	=	0.23
Return on Net Assets	-7.49%	/	2.0%	=	-3.74	x	20.0%	=	-0.75
Expendable Resources to Debt	1.09	/	0.417	=	2.61	x	35.0%	=	0.91
							CFI		2.5

UT El Paso

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.54	/	0.133	=	4.10	x	35.0%	=	1.43
Annual Operating Margin	4.62%	/	1.3%	=	3.55	x	10.0%	=	0.36
Return on Net Assets	10.19%	/	2.0%	=	5.09	x	20.0%	=	1.02
Expendable Resources to Debt	1.27	/	0.417	=	3.03	x	35.0%	=	1.06
							CFI		3.9

Appendix B - Calculation of Composite Financial Index
Academic Institutions
As of August 31, 2009
(continued)

UT Pan American

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.37	/	0.133	=	2.80	x	35.0%	=	0.98
Annual Operating Margin	0.94%	/	1.3%	=	0.72	x	10.0%	=	0.07
Return on Net Assets	1.08%	/	2.0%	=	0.54	x	20.0%	=	0.11
Expendable Resources to Debt	0.97	/	0.417	=	2.33	x	35.0%	=	0.82
							CFI		2.0

UT Permian Basin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	1.57	/	0.133	=	11.77	x	35.0%	=	4.12
Annual Operating Margin	16.85%	/	1.3%	=	12.96	x	10.0%	=	1.30
Return on Net Assets	40.40%	/	2.0%	=	20.20	x	20.0%	=	4.04
Expendable Resources to Debt	0.85	/	0.417	=	2.03	x	35.0%	=	0.71
							CFI		10.2

UT San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.49	/	0.133	=	3.70	x	35.0%	=	1.29
Annual Operating Margin	4.03%	/	1.3%	=	3.10	x	10.0%	=	0.31
Return on Net Assets	-0.28%	/	2.0%	=	-0.14	x	20.0%	=	-0.03
Expendable Resources to Debt	0.54	/	0.417	=	1.29	x	35.0%	=	0.45
							CFI		2.0

UT Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.68	/	0.133	=	5.12	x	35.0%	=	1.79
Annual Operating Margin	4.92%	/	1.3%	=	3.79	x	10.0%	=	0.38
Return on Net Assets	-3.72%	/	2.0%	=	-1.86	x	20.0%	=	-0.37
Expendable Resources to Debt	0.74	/	0.417	=	1.78	x	35.0%	=	0.62
							CFI		2.4

Appendix B - Calculation of Composite Financial Index
Health Institutions
As of August 31, 2009

Southwestern

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.68	/	0.133	=	5.15	x	35.0%	=	1.80
Annual Operating Margin	1.39%	/	1.3%	=	1.07	x	10.0%	=	0.11
Return on Net Assets	-7.15%	/	2.0%	=	-3.58	x	20.0%	=	-0.72
Expendable Resources to Debt	1.74	/	0.417	=	4.17	x	35.0%	=	1.46
							CFI		2.7

UTMB

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.24	/	0.133	=	1.79	x	35.0%	=	0.63
Annual Operating Margin	-9.61%	/	1.3%	=	-7.39	x	10.0%	=	-0.74
Return on Net Assets	-6.70%	/	2.0%	=	-3.35	x	20.0%	=	-0.67
Expendable Resources to Debt	1.79	/	0.417	=	4.30	x	35.0%	=	1.50
							CFI		0.7

UTHSC-Houston

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.47	/	0.133	=	3.57	x	35.0%	=	1.25
Annual Operating Margin	0.40%	/	1.3%	=	0.30	x	10.0%	=	0.03
Return on Net Assets	-1.25%	/	2.0%	=	-0.63	x	20.0%	=	-0.13
Expendable Resources to Debt	1.87	/	0.417	=	4.48	x	35.0%	=	1.57
							CFI		2.7

UTHSC-San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.43	/	0.133	=	3.27	x	35.0%	=	1.14
Annual Operating Margin	0.57%	/	1.3%	=	0.44	x	10.0%	=	0.04
Return on Net Assets	-5.82%	/	2.0%	=	-2.91	x	20.0%	=	-0.58
Expendable Resources to Debt	1.30	/	0.417	=	3.11	x	35.0%	=	1.09
							CFI		1.7

M. D. Anderson

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.51	/	0.133	=	3.81	x	35.0%	=	1.33
Annual Operating Margin	7.46%	/	1.3%	=	5.74	x	10.0%	=	0.57
Return on Net Assets	2.56%	/	2.0%	=	1.28	x	20.0%	=	0.26
Expendable Resources to Debt	1.29	/	0.417	=	3.10	x	35.0%	=	1.08
							CFI		3.2

UTHSC-Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.34	/	0.133	=	2.58	x	35.0%	=	0.90
Annual Operating Margin	2.68%	/	1.3%	=	2.06	x	10.0%	=	0.21
Return on Net Assets	1.23%	/	2.0%	=	0.62	x	20.0%	=	0.12
Expendable Resources to Debt	1.87	/	0.417	=	4.48	x	35.0%	=	1.57
							CFI		2.8

Appendix C - Calculation of Expendable Net Assets
Academic Institutions
As of August 31, 2009
(In Millions)

Institution	Restricted Expendable Net Assets: Capital Projects	Debt Service	Funds Functioning Restricted	Other Expendable	Total	Total Unrestricted Net Assets	Total Expendable Net Assets
UT Arlington	$ 61.3	-	1.9	36.9	100.1	148.6	248.7
UT Austin	190.8	-	111.3	1,147.1	1,449.2	400.3	1,849.5
UT Brownsville	10.3	-	-	4.4	14.7	25.7	40.4
UT Dallas	43.7	-	4.0	115.9	163.5	71.0	234.5
UT El Paso	40.2	-	4.8	74.6	119.6	48.0	167.6
UT Pan American	4.8	-	1.0	19.5	25.3	60.6	85.9
UT Permian Basin	51.8	-	-	10.4	62.2	11.0	73.2
UT San Antonio	20.6	-	0.6	35.7	56.9	140.5	197.5
UT Tyler	5.2	-	0.5	27.1	32.8	24.5	57.4

Appendix C - Calculation of Expendable Net Assets
Health Institutions
As of August 31, 2009
(In Millions)

Institution	Restricted Expendable Net Assets: Capital Projects	Funds Functioning Restricted	Other Expendable	Total	Total Unrestricted Net Assets	Total Expendable Net Assets
Southwestern	$ 16.5	21.4	530.5	568.5	457.6	1,026.0
UTMB	201.4	18.6	132.5	352.5	28.1	380.6
UTHSC-Houston	24.1	8.2	130.9	163.2	216.8	380.0
UTHSC-San Antonio	33.8	6.3	139.7	179.8	122.1	301.9
M. D. Anderson	177.5	22.1	303.8	503.3	898.3	1,401.6
UTHSC-Tyler	7.4	0.7	10.0	18.0	25.3	43.3

Appendix D - Calculation of Annual Operating Margin
Academic Institutions
As of August 31, 2009
(In Millions)

Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items: Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.	Margin From SRECNA	Other Adjustments: Minus: Realized Gains/ (Losses)	Plus: GEF & AUF Transfer	Plus: NSERB	Plus: Texas Enterprise Fund	Plus: HEAF for Op. Exp.	Plus: Interest Expense	Annual Operating Margin
UT Arlington	$ (0.9)	-	(0.4)	-	(27.7)	27.2	-	2.4	-	-	-	(7.4)	22.2
UT Austin	(749.4)	14.0	(19.8)	(1.8)	(552.3)	(189.5)	(2.0)	267.8	-	-	-	(31.4)	48.9
UT Brownsville	(3.4)	-	-	-	(4.1)	0.6	-	0.3	-	-	2.6	(1.5)	1.9
UT Dallas	(77.4)	-	-	(0.8)	(71.1)	(5.5)	(1.8)	7.4	6.5	4.4	-	(5.4)	9.3
UT El Paso	(15.7)	-	-	-	(27.9)	12.3	(0.8)	4.4	-	-	-	(2.6)	14.9
UT Pan American	(6.2)	-	-	-	(8.5)	2.3	(0.8)	1.2	-	-	2.0	(4.1)	2.2
UT Permian Basin	7.2	-	-	-	(2.3)	9.5	-	0.6	-	-	-	(0.6)	9.5
UT San Antonio	(2.2)	-	-	-	(28.2)	26.3	(1.1)	2.0	-	-	-	(12.6)	16.8
UT Tyler	(11.4)	-	(0.1)	-	(15.0)	3.7	-	2.5	-	-	-	(1.8)	4.4

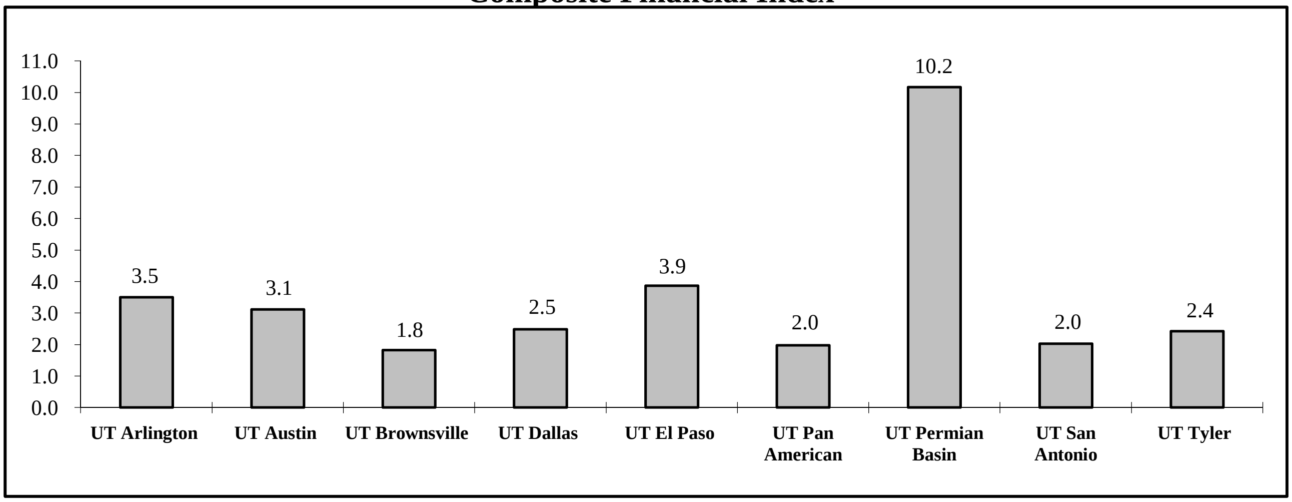
Appendix D - Calculation of Annual Operating Margin
Health Institutions
As of August 31, 2009
(In Millions)

Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items: Other Nonop. Revenues	Less: Nonoperating Items: Other Nonop. Expenses	Less: Nonoperating Items: Gain/Loss on Sale of Cap. Assets	Less: Nonoperating Items: Net Increase/ (Decrease) in FV of Inv.	Margin From SRECNA	Other Adjustments: Minus: Realized Gains/ (Losses)	Other Adjustments: Plus: Exclude NETnet Depr. Exp.	Other Adjustments: Plus: RAHC Transfer	Other Adjustments: Plus: GEF Transfer	Other Adjustments: Minus: Ike Funding*	Other Adjustments: Plus: Interest Expense	Annual Operating Margin
Southwestern	$ (210.9)	-	(0.5)	(2.6)	(220.5)	12.6	-	-	-	28.6	-	(20.1)	21.1
UTMB	(111.6)	39.5	-	(0.5)	(98.7)	(51.9)	(11.2)	-	-	15.7	(110.5)	(4.7)	(140.2)
UTHSC-Houston	(54.6)	0.6	-	(0.2)	(57.9)	2.9	(1.9)	-	0.6	5.1	-	(7.3)	3.2
UTHSC-San Antonio	(92.1)	-	-	(0.5)	(93.9)	2.2	(0.1)	-	0.6	6.0	-	(4.8)	4.0
M. D. Anderson	59.5	-	-	(1.0)	(160.2)	220.8	(0.1)	-	-	16.9	-	(14.8)	223.0
UTHSC-Tyler	(8.6)	-	-	-	(9.5)	0.9	-	2.3	-	0.4	-	(0.5)	3.4

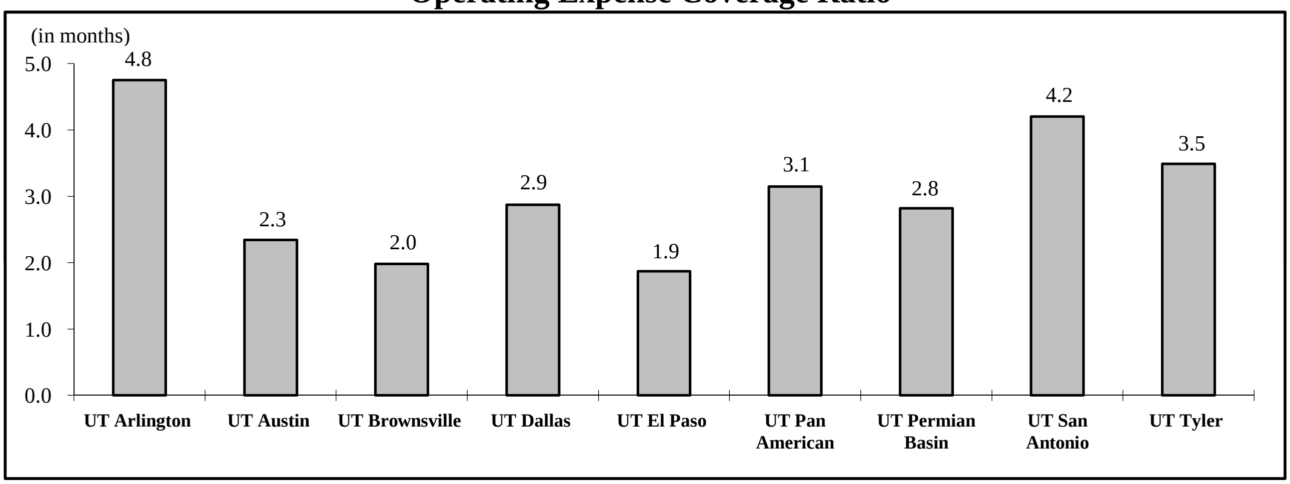
*UTMB was appropriated $150 million in FEMA State Matching funds that was recognized in general revenue in FY 2009 that is excluded from the Annual Operating Margin calculation. UTMB also received $39.5 million in business interruption insurance proceeds that was recognized in other nonoperating revenue in FY 2009 that is included in the Annual Operating Margin calculation. The reported ($110.5) million adjustment is the net impact of these two amounts, $39.5 million less $150 million.

Appendix E - Academic Institutions' Evaluation Factors
2009 Analysis of Financial Condition

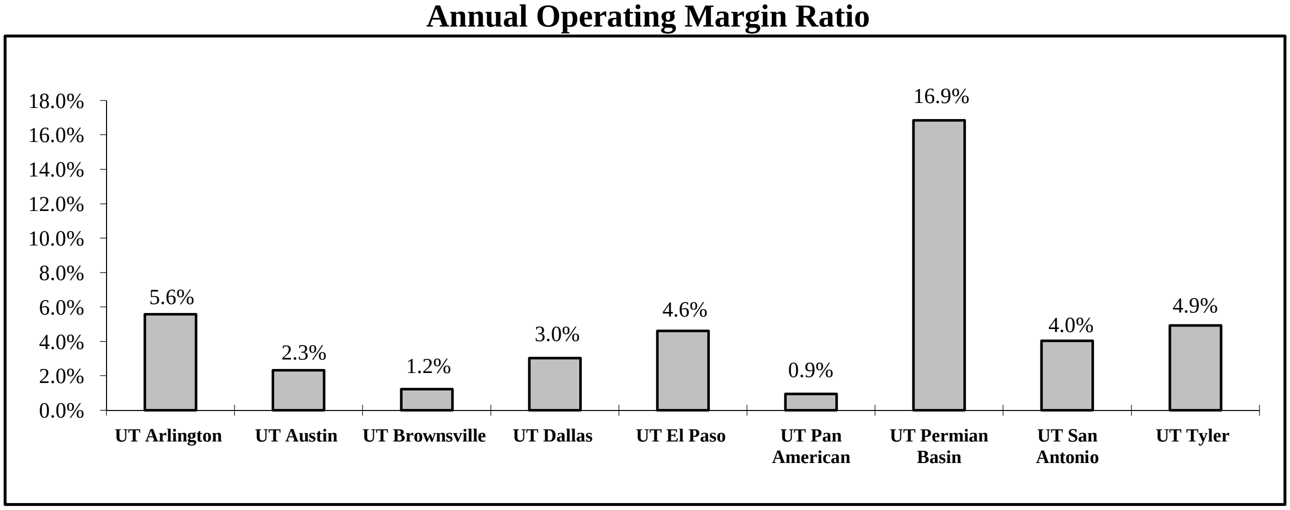
Composite Financial Index



Operating Expense Coverage Ratio

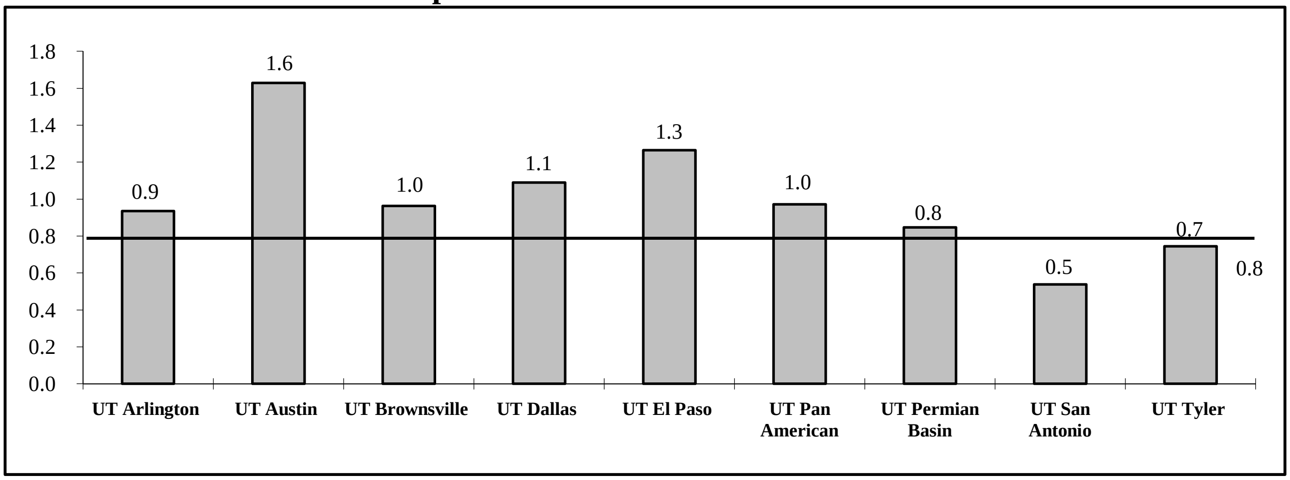


Annual Operating Margin Ratio

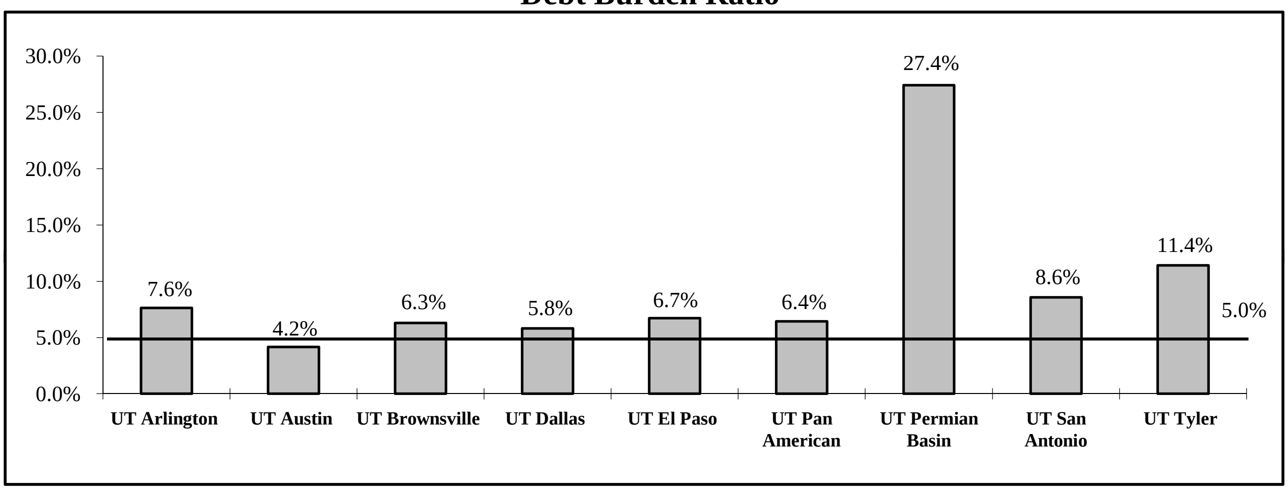


Appendix E - Academic Institutions' Evaluation Factors
2009 Analysis of Financial Condition

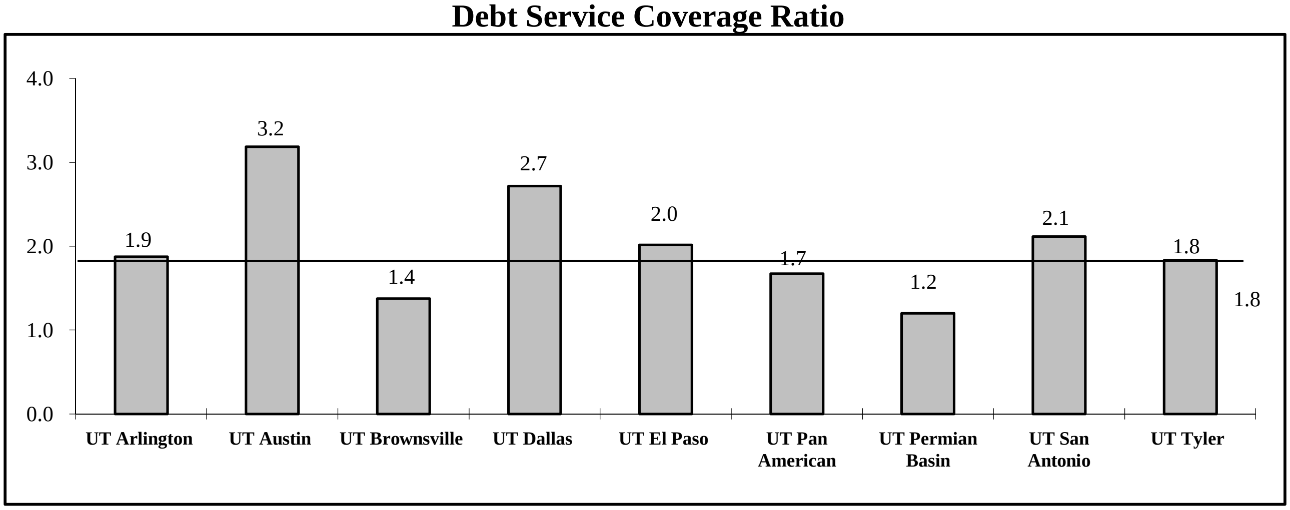
Expendable Resources to Debt Ratio



Debt Burden Ratio

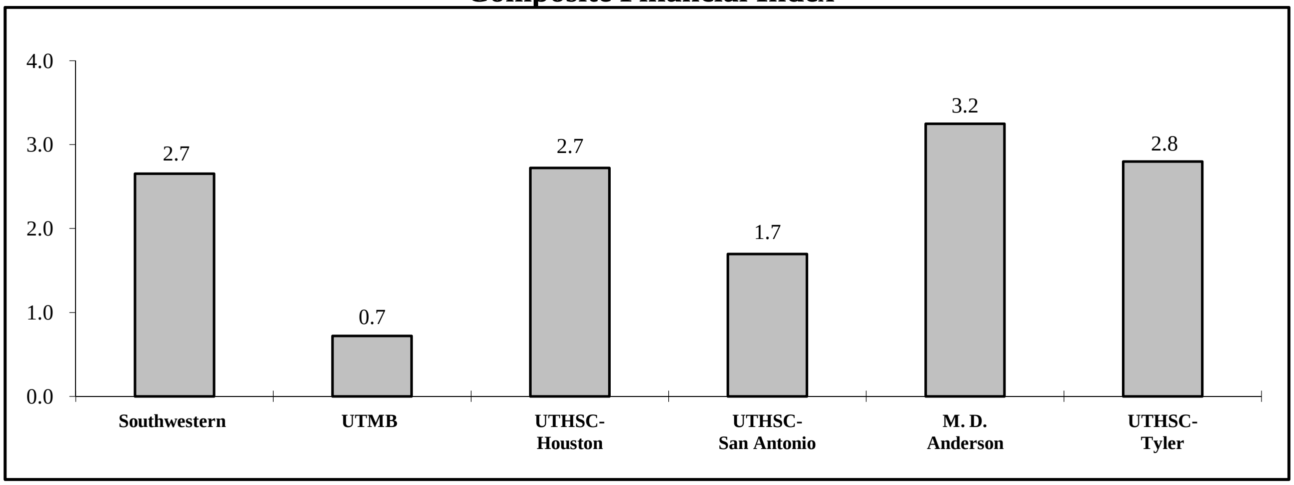


Debt Service Coverage Ratio

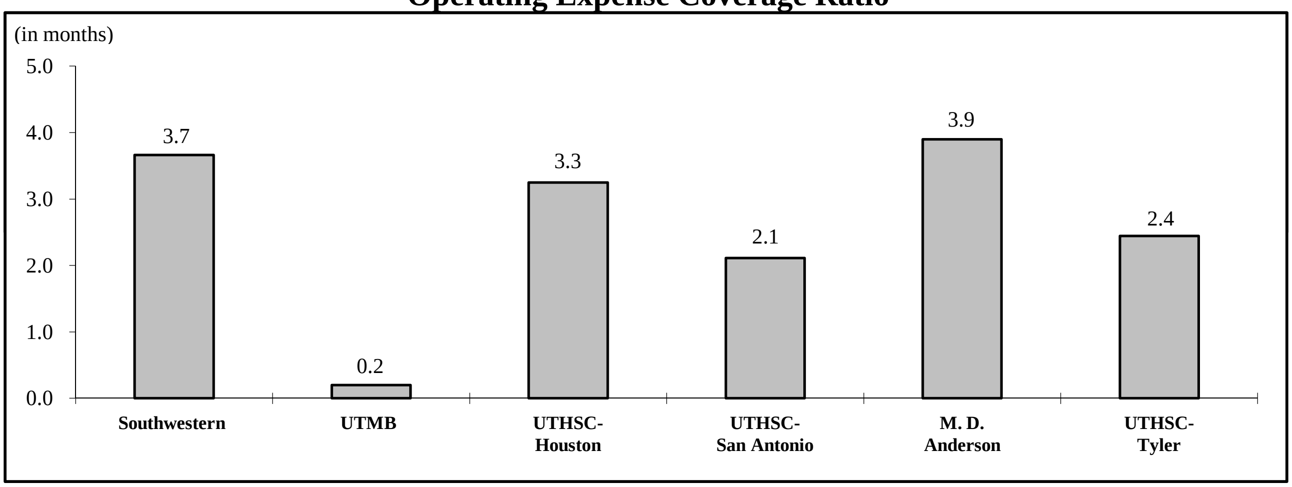


Appendix E - Health Institutions' Evaluation Factors
2009 Analysis of Financial Condition

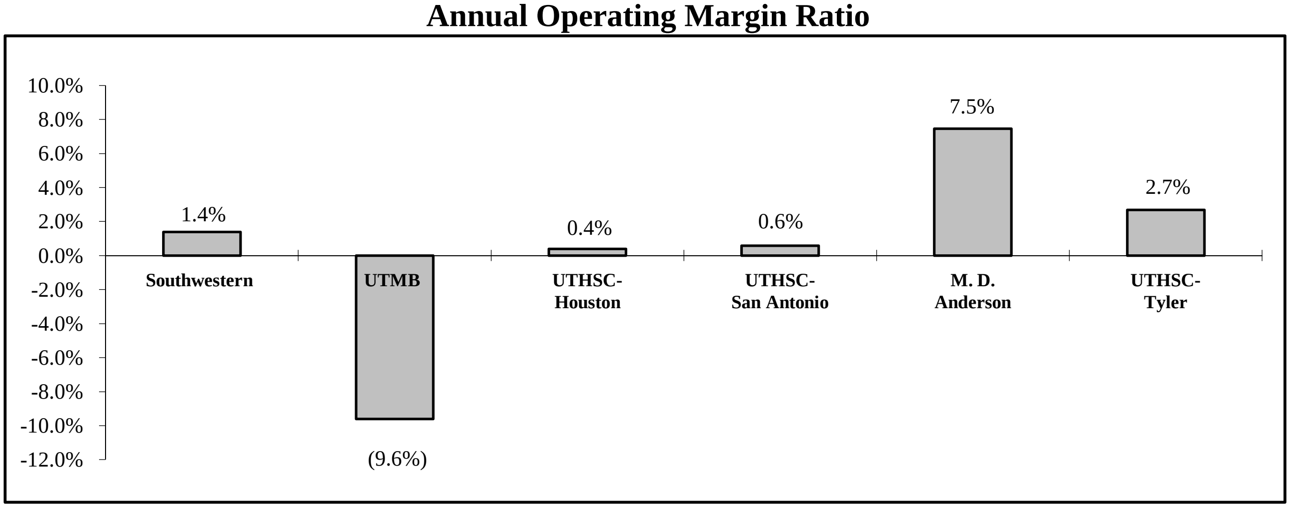
Composite Financial Index



Operating Expense Coverage Ratio

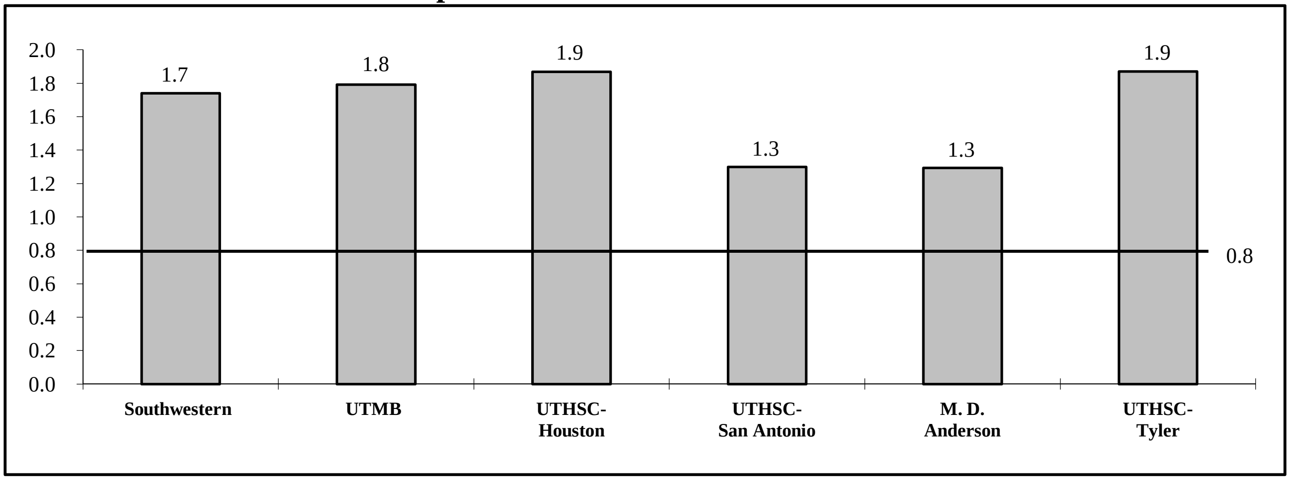


Annual Operating Margin Ratio

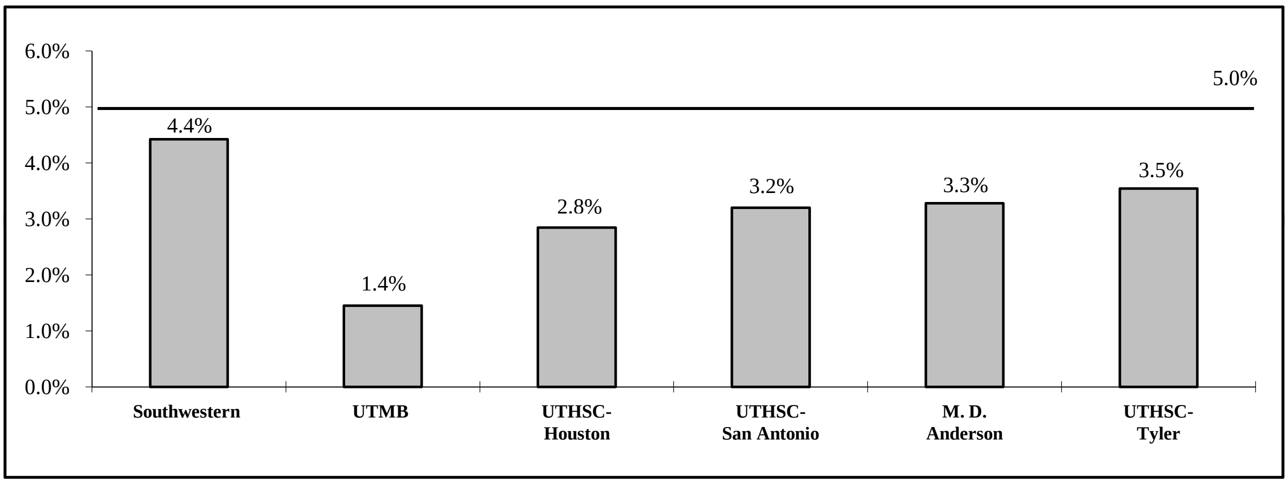


Appendix E - Health Institutions' Evaluation Factors
2009 Analysis of Financial Condition

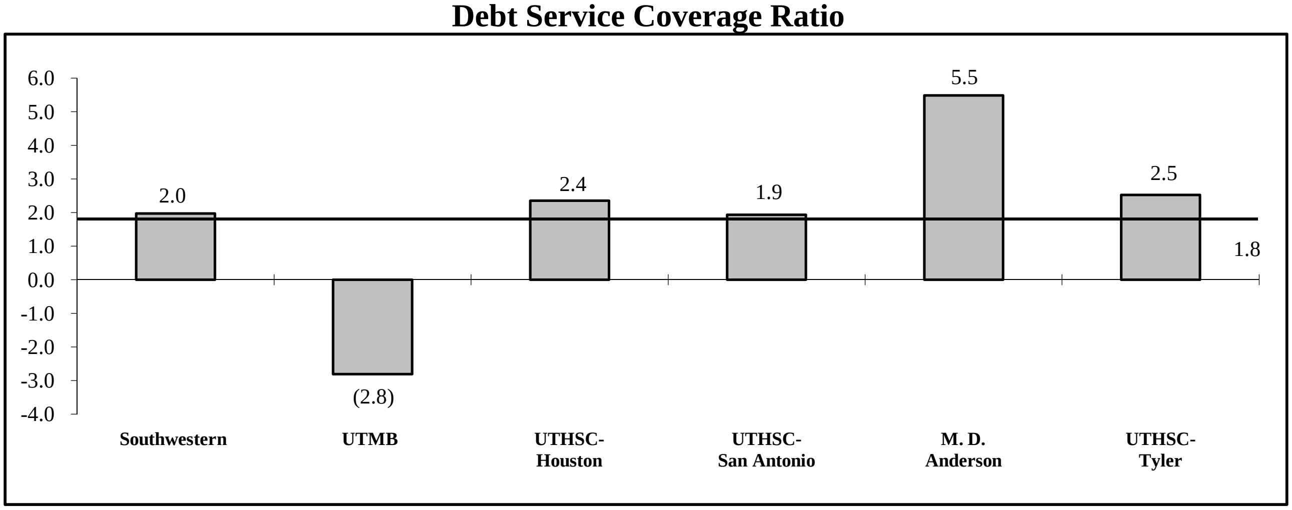
Expendable Resources to Debt Ratio



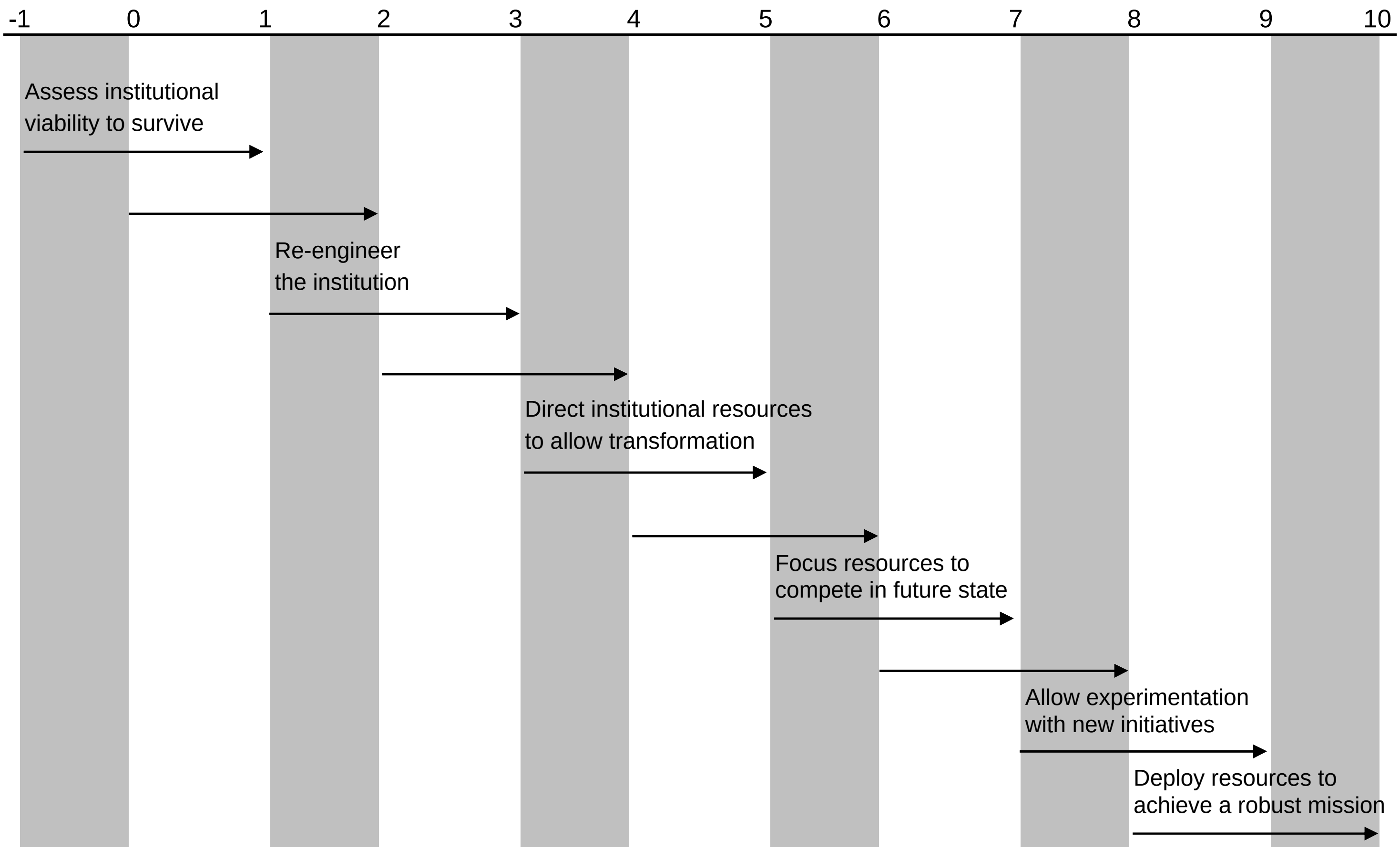
Debt Burden Ratio



Debt Service Coverage Ratio

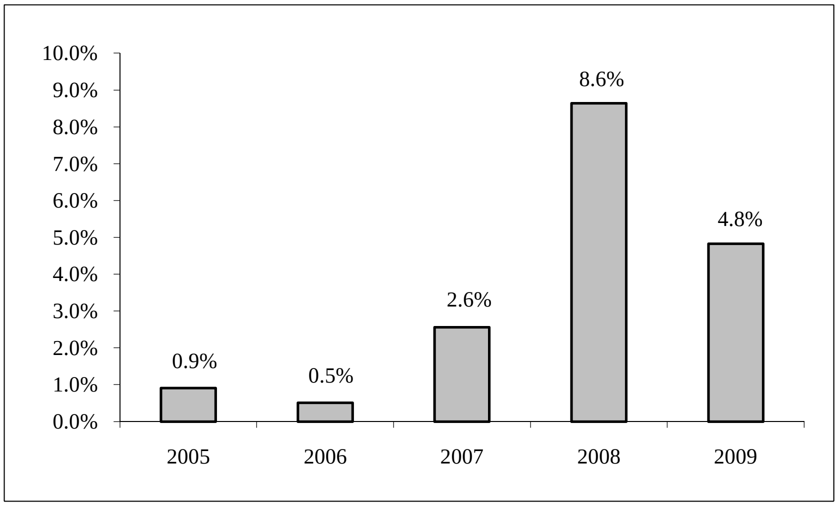


Appendix F - Scale for Charting CFI Performance



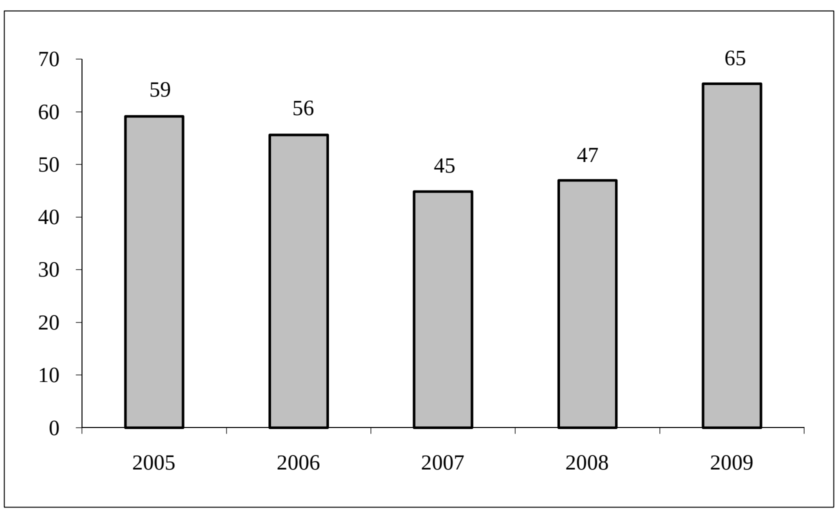
Appendix G - Key Hospital Operating Factors
The University of Texas Southwestern Medical Center at Dallas

Annual Operating Margin Ratio



The annual operating margin ratio decreased from 8.6% for 2008 to 4.8% for 2009 as a result of a 2.3% decrease in patient days and a 10.6% increase in the allowance for doubtful accounts. Additionally, gift income declined in 2009 to $1.7 million which was a $27.3 million decrease from 2008.

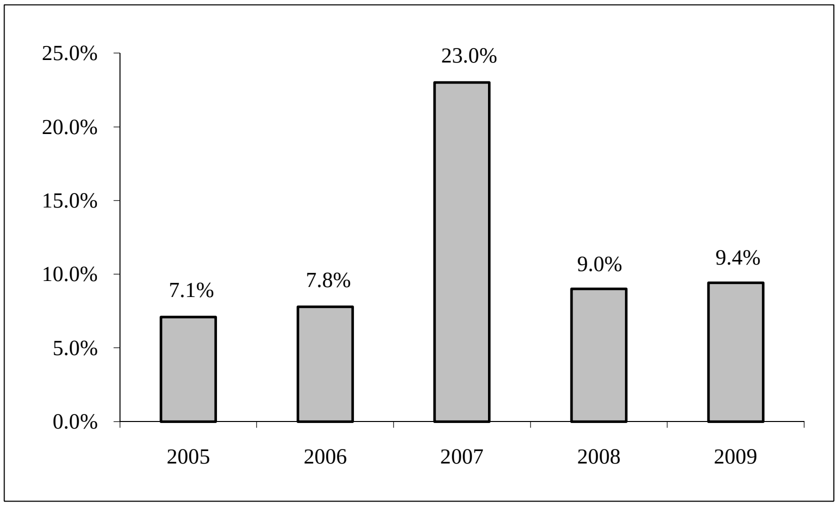
Net Accounts Receivable (in days)



The net accounts receivable days increased as a result of a $104.8 million increase in outpatient revenue, of which $81.6 million represents the transfer of Radiology and the Simmons Cancer Center to hospital based billing. Simmons Cancer Center moved to hospital based billing in the last quarter of the year. During this transition, bills were held to ensure all billing issues were addressed before final billed. It is expected that net accounts receivable (in days) will decrease and normalize during 2010.

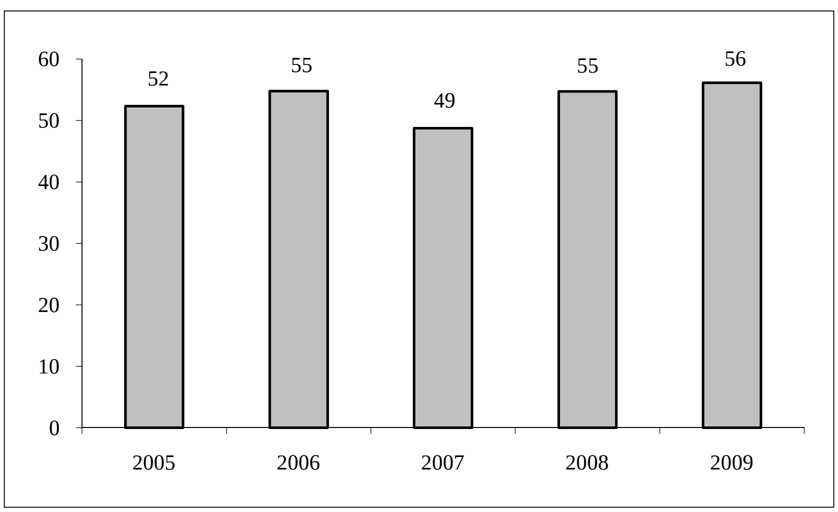
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Southwestern Medical Center at Dallas

Annual Operating Margin Ratio



The annual operating margin ratio increased from 9.0% for 2008 to 9.4% for 2009 as a result of an increase in operating revenues of $87.2 million. The increase in operating revenues was attributable to a 74.2% volume increase and a 25.8% fee increase, which were partially offset by $81.6 million in revenue transferred to hospital based billing in 2009. Southwestern received a professional liability insurance rebate of $1.7 million in 2009 as compared to $7 million in 2008, which was a decrease of $5.3 million. Additionally, Southwestern recorded $9 million more revenue for the Texas Physician Upper Payment Limit in 2009 as compared to the amount recorded in 2008.

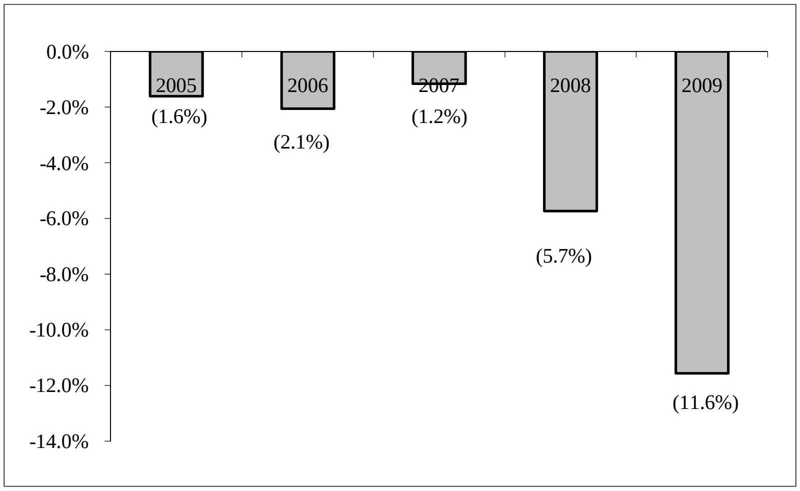
Net Accounts Receivable (in days)



The net accounts receivable days increased by one day due to volume and fee increases, which were partially offset by the transfer of Radiology and the Simmons Cancer Center to hospital based billing.

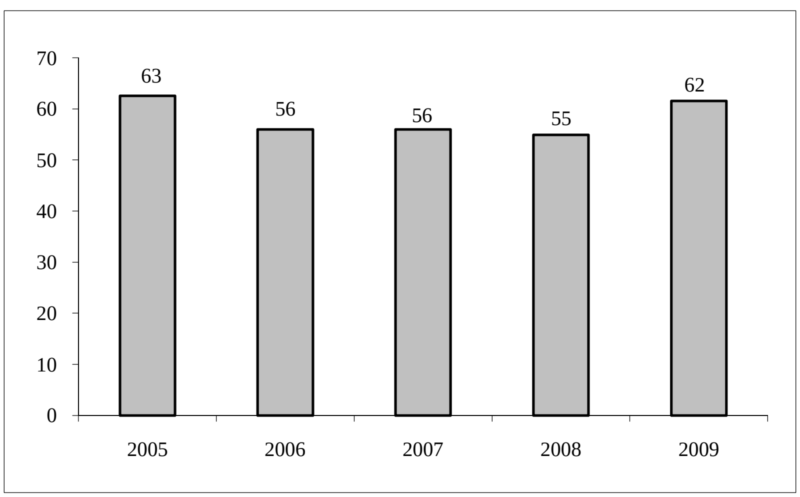
Appendix G - Key Hospital Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



UTMB Hospitals and Clinics' operating margin ratio decreased to a deficit of 11.6% in 2009. The Hospitals and Clinics experienced a significant decline in patient volumes and revenue in 2009 due to the closure of its hospitals and island clinics after Hurricane *Ike*. Overall, patient volumes were down 30.9%, contributing to a 33% decrease in revenue; however, a corresponding decrease in personnel costs and other operating expenses could not be achieved in a similar timeframe. Having some excess full-time equivalent (FTE) capacity did allow for a more rapid recovery within the clinical enterprise once facilities were available. In total, expenses declined by 30% between years. The Hospitals and Clinics returned to profitable operations beginning in February and realized a positive operating margin ratio of 5.3% for the period February to August.

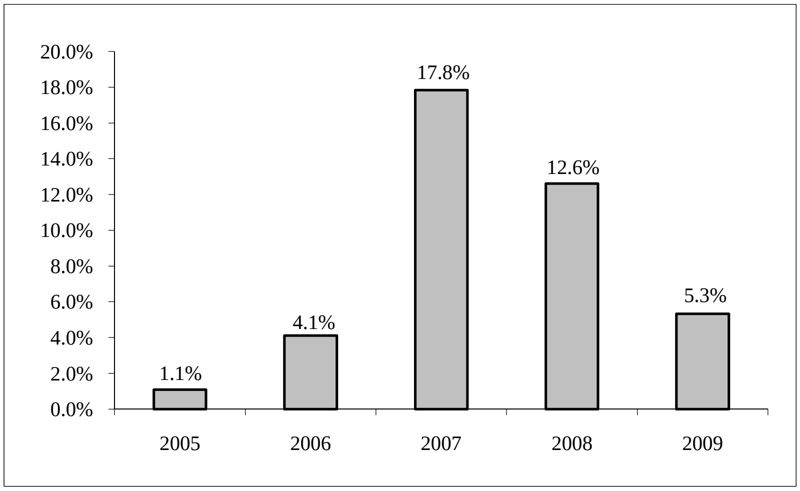
Net Accounts Receivable (in days)



The net accounts receivable days increased 7 days in 2009. Since UTMB's operations were largely shut down the first half of 2009 and significantly restored in the second half of 2009, the 7 day increase is a calculation anomaly. Net accounts receivable days at year end were 44.7 days, using a last 3 month revenue average (an industry standard calculation).

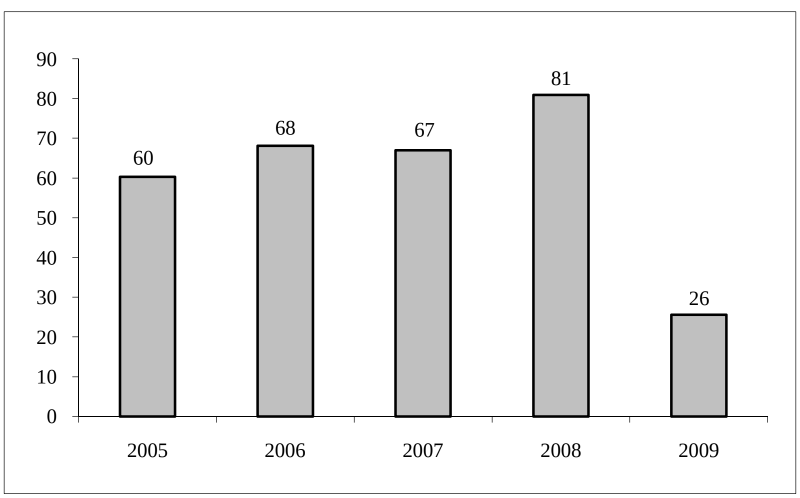
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



The decrease in the annual operating margin ratio of 12.6% for 2008 to 5.3% for 2009 was mainly due to UTMB's patient care services not being able to operate at full capacity due to the impact from Hurricane *Ike*. UTMB's total patient care revenue decreased by $58 million in 2009 as compared to 2008, $30 million of which was a direct result from the impact of Hurricane *Ike* and $20 million was necessary to increase the allowance for uncollectible accounts to properly reflect accounts receivable at their net realizable value. UTMB recorded $2.3 million more for the Texas Physician Upper Payment Limit (UPL) in 2009 as compared to 2008. Additionally, UTMB received a professional liability insurance (PLI) rebate of $3.4 million in 2009, which was $6.3 million less than the PLI rebate received in 2008.

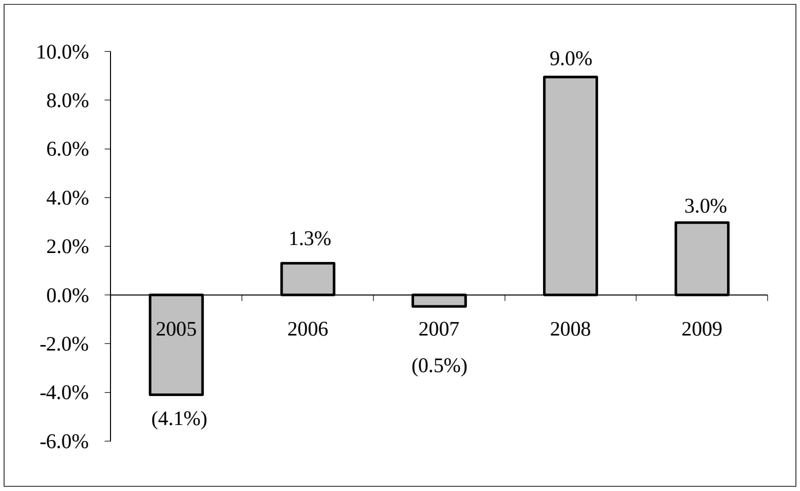
Net Accounts Receivable (in days)



Net accounts receivable in days decreased by 55 days in 2009 as compared to 2008. This decrease was mainly due to the following: net charges decreased as a result of UTMB's patient care services not operating at full capacity due to the impact from Hurricane *Ike*; and the accounts receivable balance decreased due to a reduction in the patient billing backlog and the correction of prior year overstatement of patient receivables.

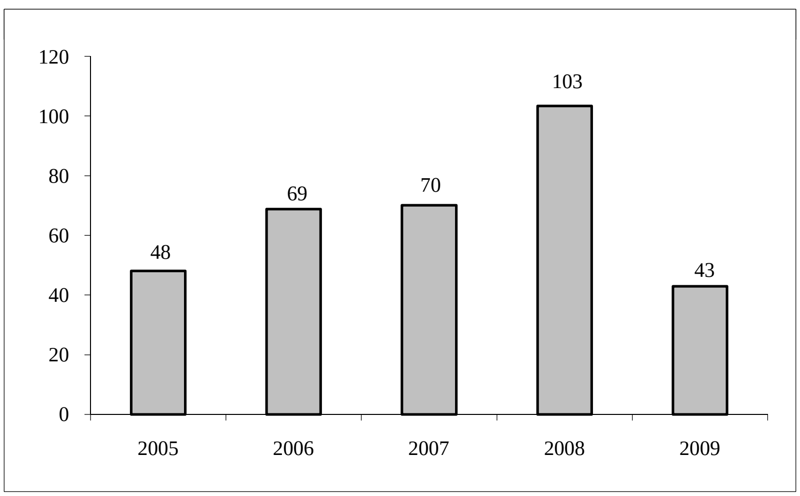
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The annual operating margin ratio declined from 9.0% for 2008 to 3.0% for 2009 due to a decrease in patient contractual revenues and a decline in patient revenues in Harris County Psychiatric Center's (HCPC) outpatient clinics.

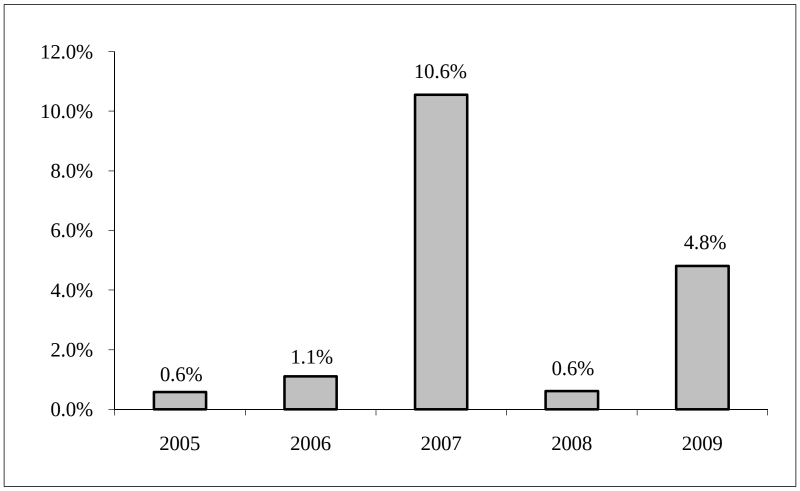
Net Accounts Receivable (in days)



The decrease in net accounts receivable (in days) during 2009 of 60 days reflects the conservative revaluation of HCPC's patient accounts receivables.

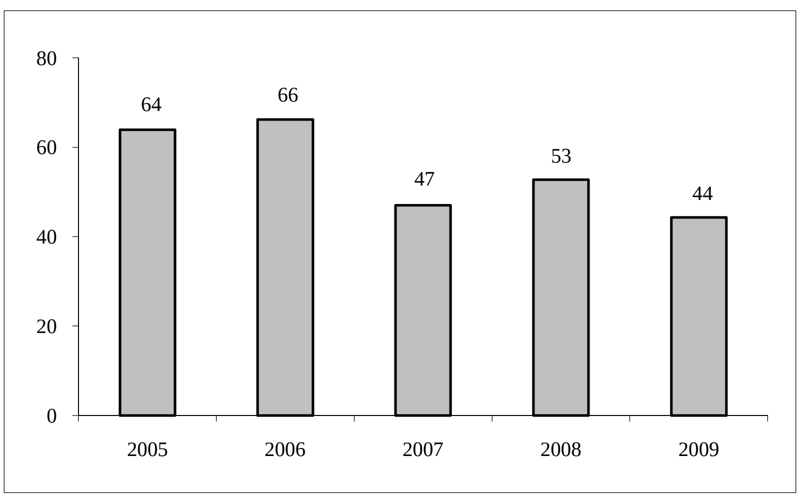
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The annual operating margin ratio increased from 0.6% for 2008 to 4.8% for 2009 as a result of the growth of operating revenues exceeding the growth in operating expenses. Operating revenues grew at a faster pace mainly due to an increase in physician productivity and services provided, an increase in the amount recognized for the Texas Physician Upper Payment Limit (UPL) of $4.7 million, and increases in both Memorial Hermann Hospital and Harris County Hospital District contractual revenue. The increase in revenue for these two contracts was due to increased services and improved contractual rates. In 2009 UTHSC-Houston received a professional liability insurance (PLI) rebate of $0.8 million as compared to $4 million in 2008, which was a decrease of $3.2 million.

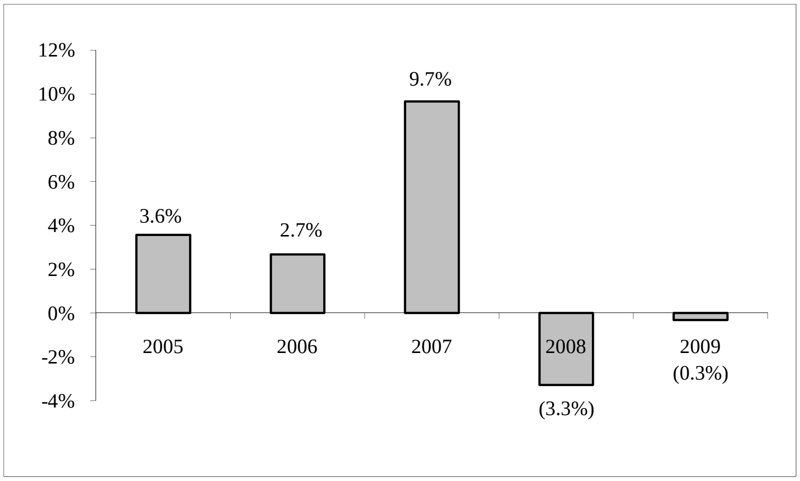
Net Accounts Receivable (in days)



Net accounts receivable (in days) decreased from 53 days in 2008 to 44 days in 2009. This decrease was partially due to an increase in the amount of UPL recognized in 2009, as discussed above, and a $0.8 million adjustment to reduce the net accounts receivable related to estimated lagged professional fee charges. Additionally, fewer write-offs of accounts at the end of 2009 as compared to 2008 resulted in a larger percentage of gross accounts receivable greater than 181 days, which produced a lower valuation of the net accounts receivable at August 31, 2009.

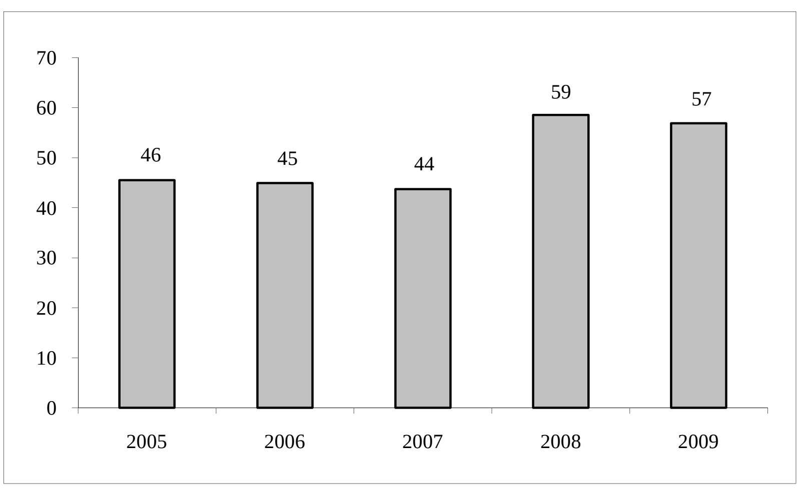
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at San Antonio

Annual Operating Margin Ratio



The annual operating margin is comprised of all medical clinical operations, including patient activities provided through the Cancer Therapy and Research Center (CTRC). The increase in the margin was primarily attributable to enhanced revenues and cost-cutting efforts. UTHSC-San Antonio recorded $1.4 million more in revenue for Texas Physician Upper Payment Limit (UPL) in 2009 over 2008 to defray costs associated with providing uncompensated health care. Contract and clinical revenues associated with the practice plan, University Hospital System (UHS) and CTRC increased by $25.2 million while overall operating expenses increased by only $20.2 million. Offsetting these increases, UTHSC-San Antonio received a professional liability insurance (PLI) rebate of $6.2 million in 2008 which was $4.6 million higher than the rebate received in 2009. Additionally, UTHSC-San Antonio continues to reinvest incremental revenues towards recruitment efforts of new faculty and chairs, addressing faculty compensation issues, and the expansion of programs and departments. Investments made in 2009 included start-up costs associated with the new ambulatory clinic that opened in the fall of 2009. These investments are anticipated to continue to increase future operations.

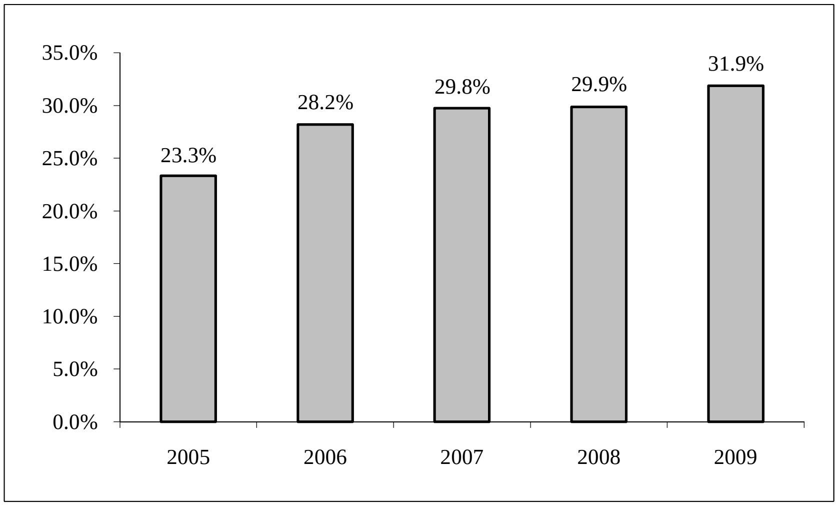
Net Accounts Receivable (in days)



The billing function within UTHSC-San Antonio's nonprofit healthcare corporation, UT Medicine-San Antonio, has maintained collection efforts and efficiencies through electronic front-end verification processes and claims software resulting in low denial rates and steady payments. The decrease in days outstanding of net receivables was attributable to effective efforts to assess outstanding claims and improve billing and collection practices within CTRC since the UTHSC-San Antonio's merger with CTRC in December 2007.

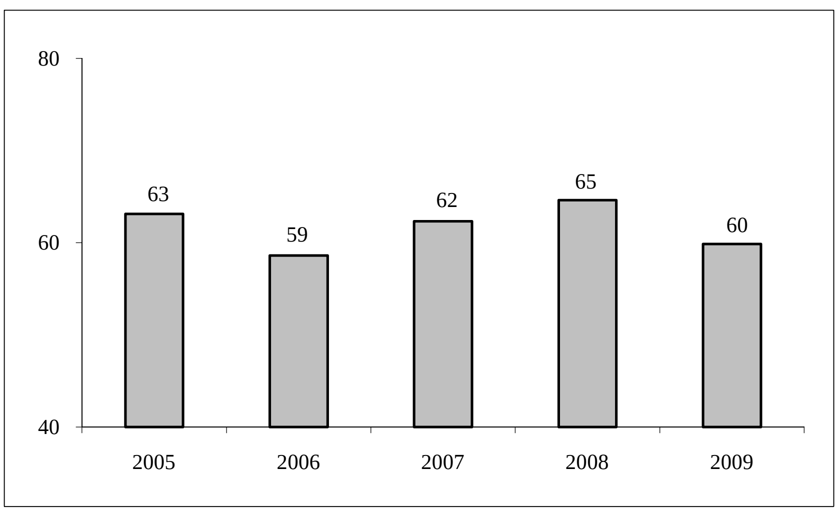
Appendix G - Key Hospital Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The increase in the annual operating margin ratio for 2009 was a direct result of increased patient volumes coupled with intense expense containment initiatives during the second half of 2009.

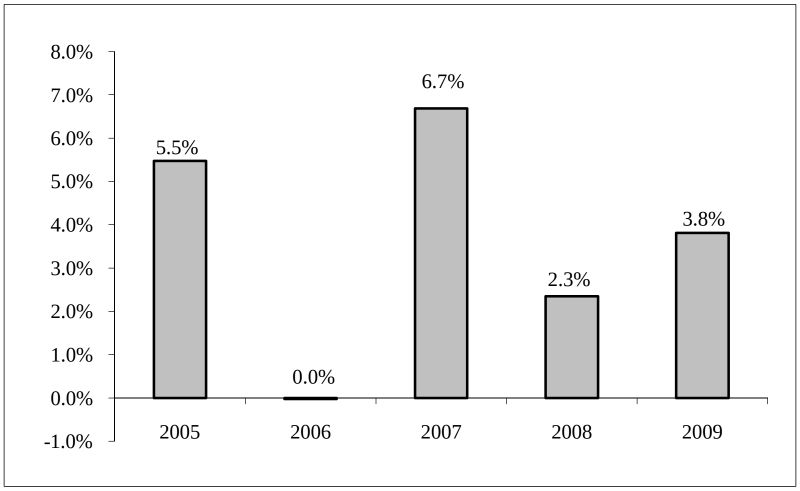
Net Accounts Receivable (in days)



The reduction in net accounts receivable days for 2009 was directly attributable to increased efforts to collect and process as many patient receivables as possible through the business office in an attempt to generate additional positive cash flow for M. D. Anderson. These efforts were put in place as a result of the economic impacts to the payor mix during 2009.

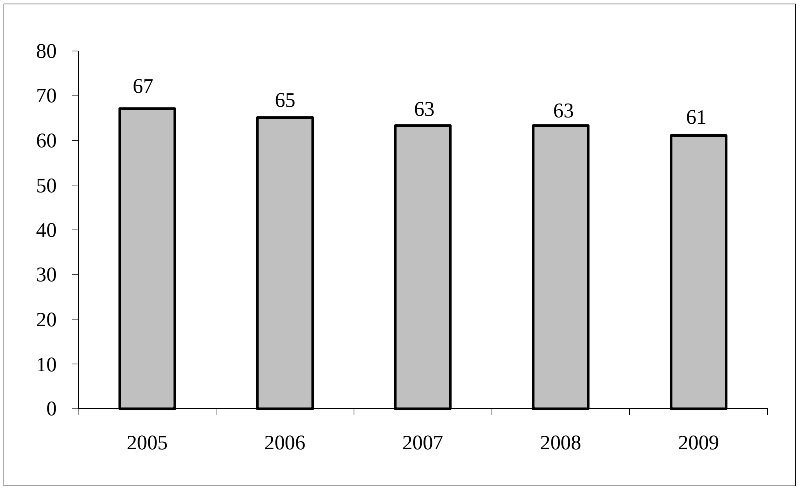
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The increase in the annual operating margin ratio from 2.3% for 2008 to 3.8% for 2009 was attributable to an overall increase in patient activity and volumes, coupled with intense expense containment initiatives during the second half of 2009. M. D. Anderson also recorded $2.4 million more for the Texas Physician Upper Payment Limit (UPL) in 2009 as compared to 2008. Additionally, M. D. Anderson received a professional liability insurance rebate of $1.8 million in 2009 as compared to $5.1 million in 2008.

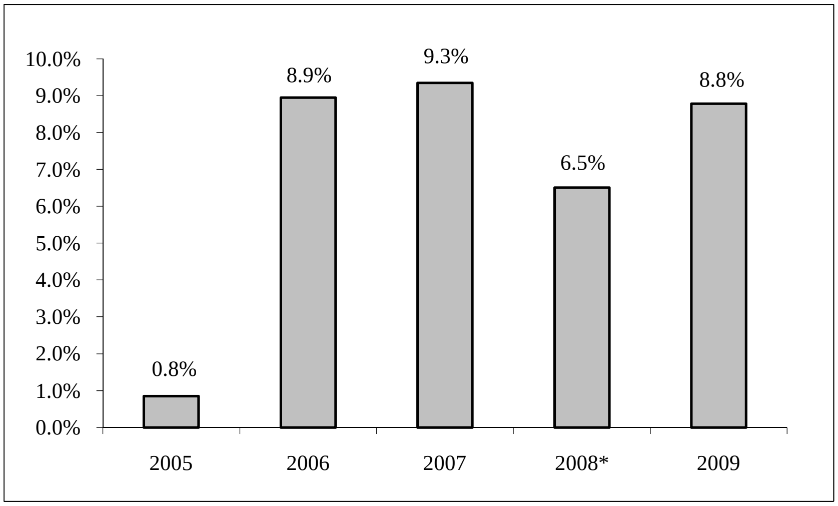
Net Accounts Receivable (in days)



Days in net accounts receivable decreased from 63 days to 61 days between 2008 and 2009 due to the continued efforts in the business office and record collections to collect and process as many patient receivables as possible in an attempt to generate additional positive cash flow for M. D. Anderson during 2009.

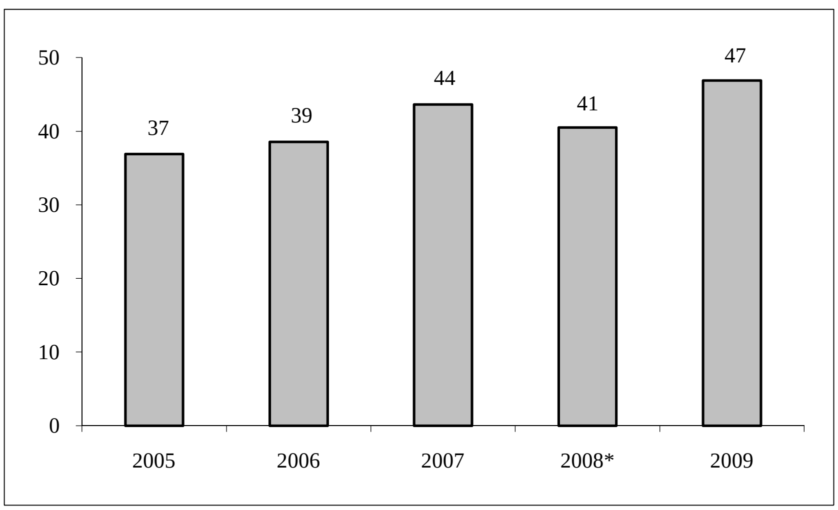
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The annual operating margin ratio increased from 6.5% for 2008 to 8.8% for 2009. The improvement in this ratio was attributable to a reduction in bad debt expense, as well as revenue generated by the patients received from UTMB's Correctional Managed Care Agreement (CMCA).

Net Accounts Receivable (in days)

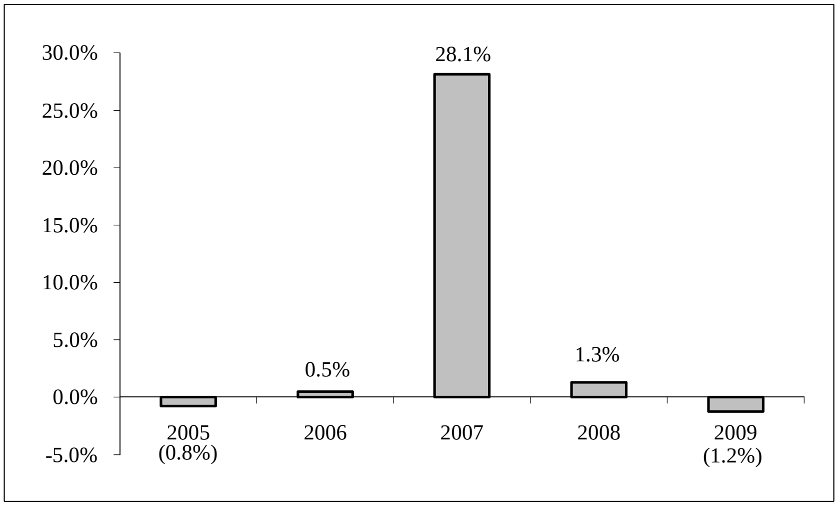


The net accounts receivable (in days) increased by 6 days due to a 32% increase in self pay accounts receivable. This increase was due to a transition in third party accounts receivable agencies at fiscal year end.

*Restated from prior year report.

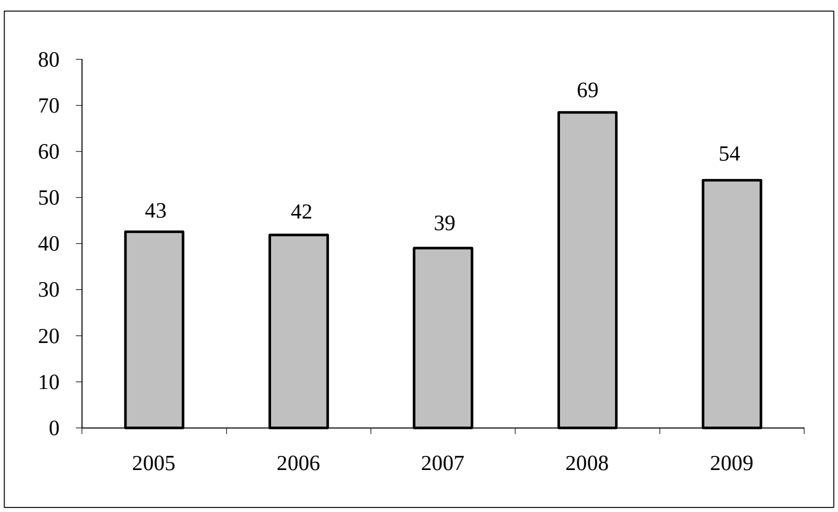
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The annual operating margin ratio decreased from 1.3% for 2008 to (1.2%) for 2009. The decrease in this ratio was primarily due to increased physician salaries related to the care of the CMC patients received from UTMB. The professional fees from the care of the CMC patients did not cover the increased salaries of the physicians. In addition, there was a $0.5 million start-up investment in an interventional pulmonary program. UTHSC-Tyler recorded $0.5 million more revenue in 2009 for the Texas Physician Upper Payment Limit (UPL) as compared to the amount recorded in 2008. Additionally, UTHSC-Tyler received a professional liability insurance rebate of $0.2 million in 2009 which was $0.1 million less than the amount received in 2008.

Net Accounts Receivable (in days)



The net accounts receivable (in days) decreased by 15 days due to a 32% decrease in physician accounts receivable. This reduction was due to better collection efforts and more favorable collection percentages.

6. U. T. System: Report on the Fiscal Year 2009 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit

REPORT

Mr. Randy Wallace, Associate Vice Chancellor, Controller and Chief Budget Officer, will discuss the 2009 Annual Financial Report (AFR) highlights using a PowerPoint presentation on Pages 192 - 199. The AFR was mailed separately to all Regents in advance of the meeting and is available upon request.

The U. T. System Consolidated Financial Statements for the Years Ended August 31, 2009 and 2008 includes the Management's Discussion and Analysis that provides an overview of the financial position and activities of the U. T. System for the year ended August 31, 2009.

Mr. Charles Chaffin, Chief Audit Executive, will report on the internal audits performed of the institutional, U. T. System Administration, and U. T. System Consolidated AFRs for FY 2009 using a PowerPoint presentation on Pages 200 - 215. These audits were performed by internal audit at the institutions and U. T. System Administration with direction from the System Audit Office. An executive summary of the internal audit results is included on Pages 216 - 219. The issued internal audit reports are available upon request.

BACKGROUND INFORMATION

The Annual Financial Report is required to be filed with the State Comptroller of Public Accounts annually on November 20 and is prepared in compliance with *Texas Government Code* Section 2101.011, regarding requirements established by the State Comptroller of Public Accounts and Governmental Accounting Standards Board pronouncements.

The internal audits of the institutional, U. T. System Administration, and U. T. System Consolidated AFRs were performed for the benefit of management as requested by the U. T. System Board of Regents and are not intended to provide assurance for any purpose to readers of the reports outside of U. T. System.

Annual Financial Report Highlights
Fiscal Year 2009

Mr. Randy Wallace
Associate Vice Chancellor – Controller and Chief Budget Officer

U. T. System Board of Regents
Finance and Planning Committee
Audit, Compliance and Management Review Committee

February 2010

The University of Texas System
Nine Universities. Six Health Institutions. Unlimited Possibilities.

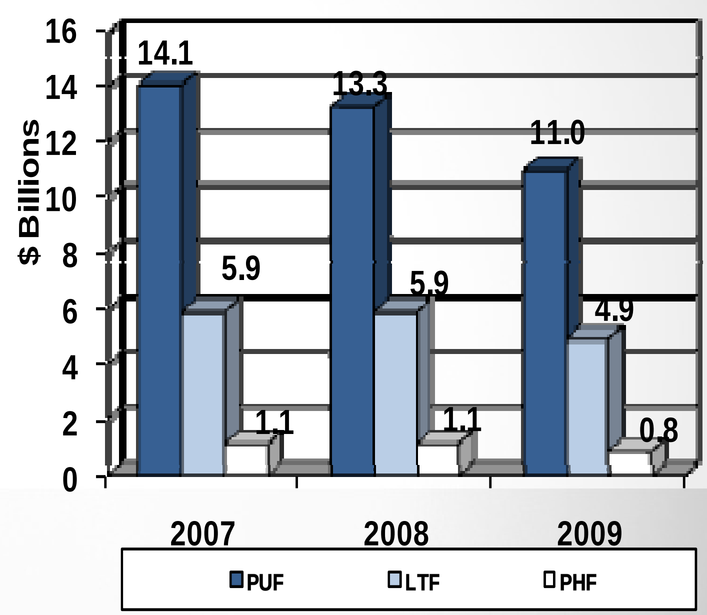
Financial Position FY 2009

- Balance sheet still strong:
  - Assets over $36 billion
  - Net Assets just over $24 billion
  - Operating results declined
  - Cash position increased slightly
- The Management Discussion & Analysis must provide an objective overview
- This year's financial position of the System declined as a result of the year's operations due to:
  - Decreases in Investment Income
  - Recording Other Post Employment Benefits (OPEB) – 2nd year
  - Disruption of business at U. T. Medical Branch - Galveston due to Hurricane Ike

Balance Sheet

The University of Texas System				
(in millions)		**2007**	**2008**	**2009**
Assets:				
Current Assets	$	6,205.6	5,260.7	5,005.2
Noncurrent Investments		25,865.3	25,127.9	20,890.2
Other Noncurrent Assets		226.8	281.9	266.9
Capital Assets, net		8,321.0	9,300.1	10,130.7
Total Assets	**$**	***40,618.7***	***39,970.6***	***36,293.0***
Liabilities:				
Current Liabilities	$	7,135.8	7,405.7	6,112.4
Noncurrent Liabilities		5,133.3	4,947.3	6,155.3
Total Liabilities		***12,269.1***	***12,353.0***	***12,267.7***
Net Assets:				
Invested in Capital Assets Net of Related Debt		4,061.5	4,492.6	4,475.1
Restricted		21,165.6	20,377.6	17,197.0
Unrestricted		3,122.5	2,747.4	2,353.2
Total Net Assets		***28,349.6***	***27,617.6***	***24,025.3***
Liabilities and Net Assets	**$**	***40,618.7***	***39,970.6***	***36,293.0***

Endowment Investments
FY 2007 - 2009



Balance Sheet (cont.)

The University of Texas System

(in millions)		2007	2008	2009
Assets:				
Current Assets	$	6,205.6	5,260.7	5,005.2
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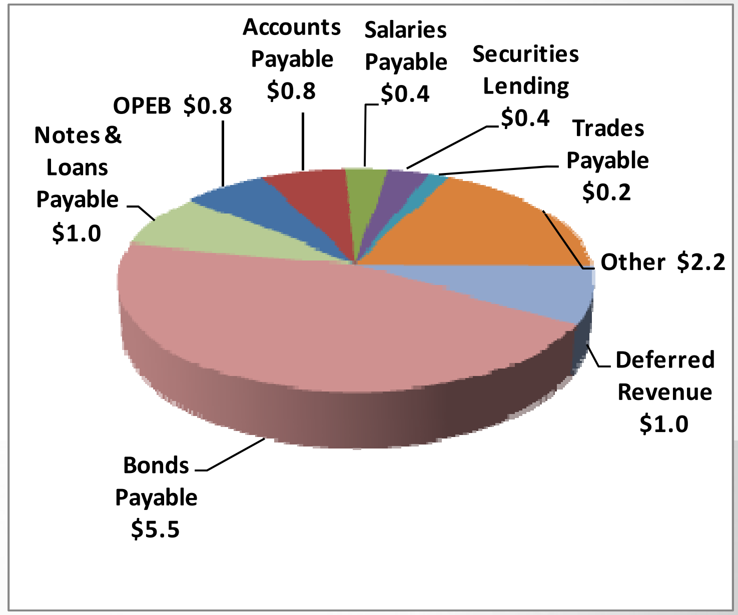
Total Net Assets		***28,349.6***	***27,617.6***	***24,025.3***
Liabilities and Net Assets	$	***40,618.7***	***39,970.6***	***36,293.0***

Liabilities - $12.3 billion
(in billions)



Balance Sheet (cont.)

The University of Texas System

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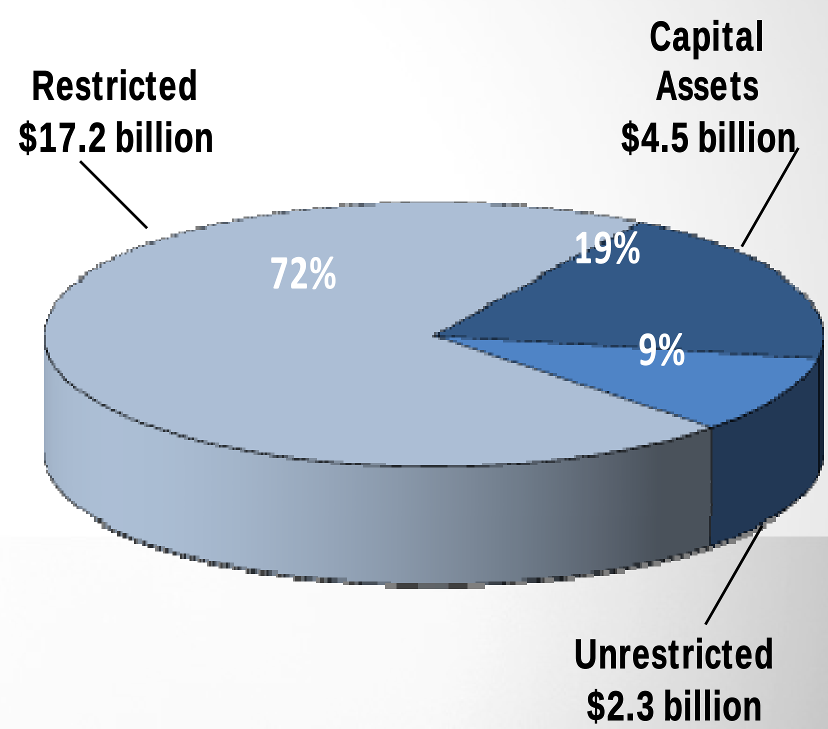
Total Net Assets		***28,349.6***	***27,617.6***	***24,025.3***
Liabilities and Net Assets	$	***40,618.7***	***39,970.6***	***36,293.0***

Net Assets - $24.0 billion

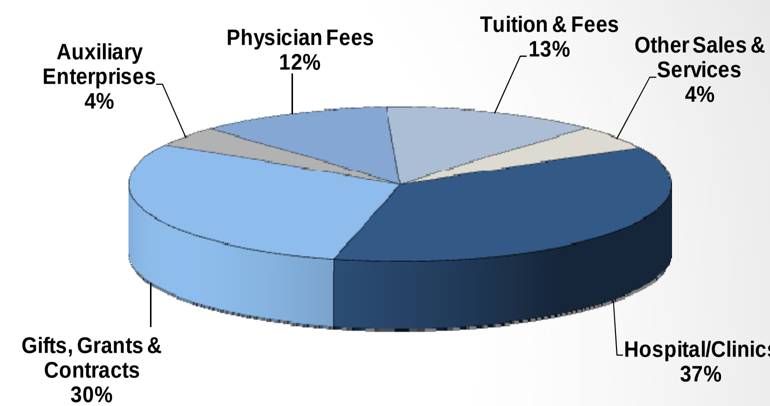


Statement of Revenues, Expenses, and Changes in Net Assets

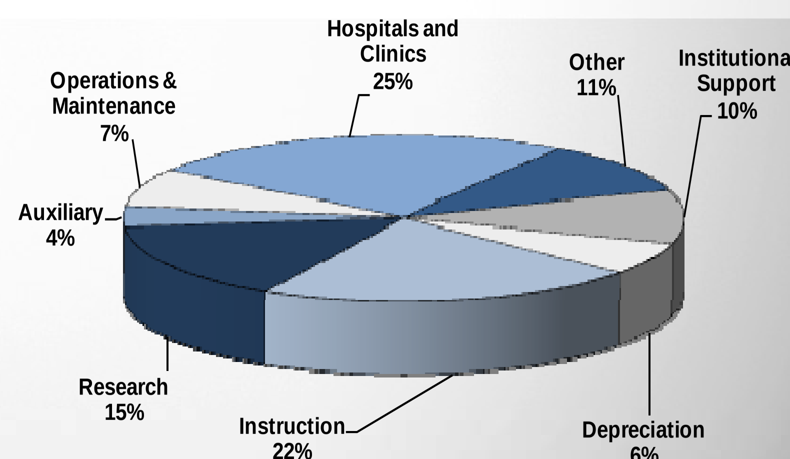
The University of Texas System

(in millions)		2007	2008	2009
Operating Revenues	$	7,773.9	8,163.3	8,564.2
Operating Expenses		(9,779.3)	(11,015.7)	(11,775.2)
Operating Loss		***(2,005.4)***	***(2,852.4)***	***(3,211.0)***
State Appropriations		1,760.7	1,956.7	2,115.0
Gifts & Nonexchange Grants		284.5	368.8	478.7
Net Investment Income		1,833.7	1,648.3	(1,304.9)
Net Incr./Dec. in Fair Val. Investmt.		1,628.8	(1,880.6)	(1,332.9)
Interest Expense		(158.0)	(161.7)	(158.9)
Other Nonop. Rev. (Exp.)		(3.4)	(28.9)	26.9
Income (Loss) Before Other Rev. Exp. Gains/(Losses) & Transfers		***3,340.9***	**(949.8)**	**(3,387.1)**
HEAF/Gifts for Endow.& Capital		353.9	355.8	182.9
Transfers and Other		(120.6)	(138.0)	(388.1)
Change in Net Assets		***3,574.2***	***(732.0)***	***(3,592.3)***
Net Assets, Beginning		24,775.4	28,349.6	27,617.6
Net Assets, Ending	***$***	***28,349.6***	***27,617.6***	***24,025.3***

Operating Revenues - $8.6 billion



Operating Expenses - $11.8 billion



Statement of Revenues, Expenses, and Changes in Net Assets (cont.)

The University of Texas System

(in millions)		2007	2008	2009
Operating Revenues	$	7,773.9	8,163.3	8,564.2
Operating Expenses		(9,779.3)	(11,015.7)	(11,775.2)
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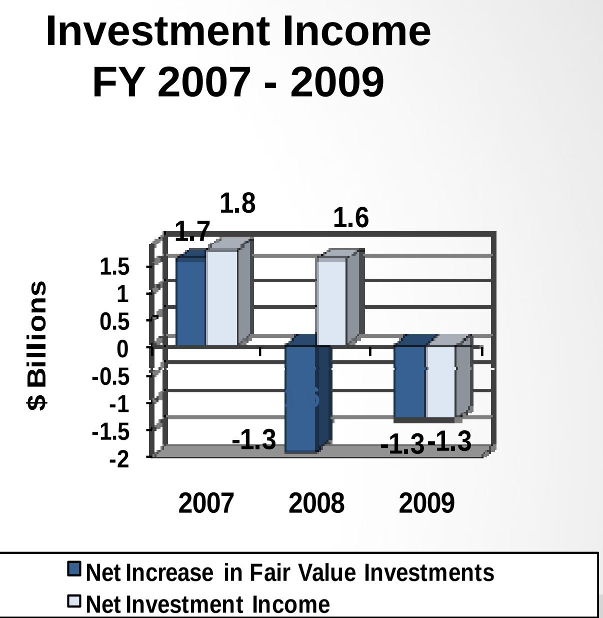
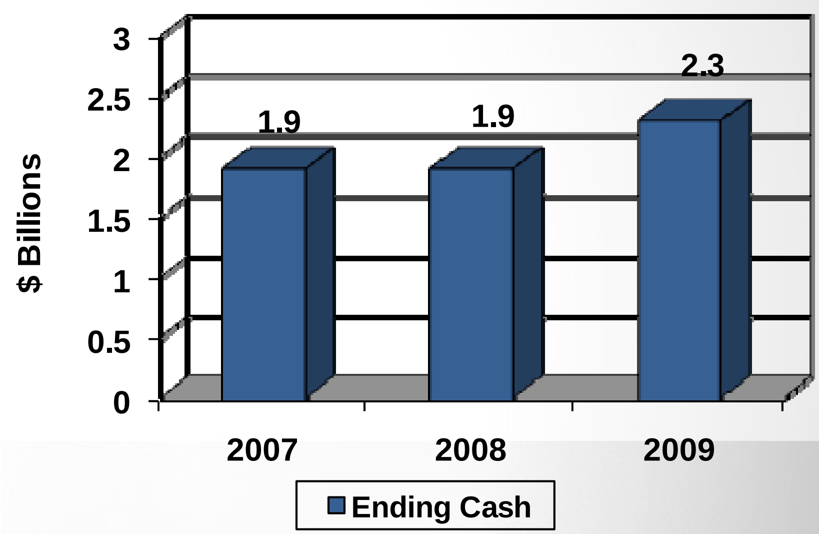
Gifts & Nonexchange Grants		284.5	368.8	478.7
Net Investment Income		1,833.7	1,648.3	(1,304.9)
Net Incr./Dec. in Fair Val. Investmt.		1,628.8	(1,880.6)	(1,332.9)
Interest Expense		(158.0)	(161.7)	(158.9)
Other Nonop. Rev. (Exp.)		(3.4)	(28.9)	26.9
Income (Loss) Before Other Rev. Exp. Gains/(Losses) & Transfers		***3,340.9***	**(949.8)**	**(3,387.1)**
HEAF/Gifts for Endow.& Capital		353.9	355.8	182.9
Transfers and Other		(120.6)	(138.0)	(388.1)
Change in Net Assets		***3,574.2***	***(732.0)***	***(3,592.3)***
Net Assets, Beginning		24,775.4	28,349.6	27,617.6
Net Assets, Ending	*$*	***28,349.6***	***27,617.6***	***24,025.3***



Cash Flows

The University of Texas System				
($ in millions)		**2007**	**2008**	**2009**
Cash Flows:				
Cash Received from operations	$	7,855.8	8,237.9	8,816.8
Cash expended for operations		(9,235.5)	(9,940.5)	(10,731.3)
Cash used for operating activities		***(1,379.7)***	***(1,702.6)***	***(1,914.5)***
Cash provided by noncapital financing activities		2,137.3	2,067.3	2,398.8
Cash used in capital & related financing activities		(833.6)	(758.0)	(790.3)
Cash provided by/(used in) investing activities		184.6	456.0	706.4
Net increase (decrease) in cash & cash equivalents		***108.6***	***62.7***	***400.4***
Cash & cash equivalents, Beginning of the year		1,773.0	1,881.6	1,944.3
Cash & Cash equivalents, End of the year	***$***	***1,881.6***	***1,944.3***	***2,344.7***

The three-year trend of ending cash and cash equivalents Statement of Cash Flows:



U. T. System Annual Financial Report (AFR) Audit

Fiscal Year Ended August 31, 2009

Mr. Charles Chaffin
Chief Audit Executive
U. T. System Audit Office

THE UNIVERSITY *of* TEXAS SYSTEM
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U. T. System Board of Regents

Audit, Compliance, and Management Review and Finance and Planning Committees

February 2010

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Background

- The internal audits of the FY 2009 institutional, U. T. System Administration, and U. T. System Consolidated Annual Financial Reports (AFRs) were performed for the benefit of the U. T. System Board of Regents, U. T. System Administration management, and U. T. System institutional management.
- The internal audits were coordinated and directed by the U. T. System Audit Office.

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Scope of Work

- Scope was determined through risk assessments performed with guidance from the U. T. System Audit Office
- Financial statement audits of U. T. M. D. Anderson Cancer Center and the UTIMCO funds and corporation performed by independent external auditors
- U. T. Tyler and U. T. Permian Basin internal auditors assisted the State Auditor's Office in performing Southern Association of Colleges and Schools AFR review procedures
- Remaining institutional and U. T. System Administration AFRs were audited by the internal auditors with a materiality level based upon the size of the institution

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System Audit Office Developed AFR Training

The System Audit Office developed AFR training modules in the following areas to create a consistent audit methodology and provide specific guidance tailored to the academic versus health institution:

- Tuition and fees
- Physician and hospital revenue and receivables
- Contributions/pledges revenue and receivables
- Auxiliary enterprises (e.g. athletics)
- Sponsored programs (research)
- Sales and services of hospitals/educational activities
- Capital assets
- Salaries and wages
- Purchasing
- Information technology (IT) controls over AFR
- Materiality levels
- Sampling methodologies
- Analytical procedures

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System Audit Office Developed Standardized Audit Program

The System Audit Office created a standardized audit program to be used by the internal auditors Systemwide in conjunction with the training modules. The program included instruction in the areas of:

- All training module areas
- Planning procedures
- Fraud program
- Cash and cash equivalents
- State appropriations
- Notes to the financial statements
- Certification process (account reconciliations, segregation of duties, sub-certifications, and monitoring plans)
- Year-end journal entries
- Recalculation of the Statement of Cash Flows

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System Audit Office Developed Standard Report Template

The System Audit Office drafted a standard report template, which was customized by the institutions with the following information:

- Summarized Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Assets
- Key controls identified and tested
- Audit results
- Findings and recommendations (as applicable)
- Summary of proposed adjustments recorded and/or not recorded by management (as applicable)

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Oversight Provided by the System Audit Office

- Conducted recurrent teleconferences with institutional internal auditors to assess progress made and share common issues
- Reviewed institutional draft audit reports and provided feedback
- Provided ongoing guidance, addressed issues, and answered questions in a consistent manner

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U. T. System Administration AFR – Areas of Audit Focus

- PUF land valuation and revenue
- Bond liability and expenses
- Self-insurance liabilities and expenses
- Cash management
- Real estate
- Other Post Employment Benefits (OPEB) related reporting
- Capitalization of capital improvement projects

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U. T. Institutional AFRs – Areas of Audit Focus

- Tuition and fees
- Physician & hospital billing
- Auxiliary enterprises
- Sponsored programs
- Pledges & contributions
- Sales & services of hospitals/educational activities
- Purchasing & expenditures
- Salaries & wages
- Cash management
- Capital assets
- Certification process
- IT AFR feeder systems
  - Student information (e.g. Banner, Peoplesoft)
  - Financial reporting (e.g. DEFINE, Peoplesoft)

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U. T. System Consolidated AFR – Areas of Audit Focus

- Training and information provided to institutional financial reporting staff
- Process to review each institutional AFR
- Combination and elimination entries made to consolidate financial information
- Footnote and Management's Discussion and Analysis (MD&A) information
- Certification process as required by UTS142.1, *Policy on the Annual Financial Report*

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Audit Results – AFR Adjustments

- The individual audits resulted in the identification of no material misstatements to the U. T. System Administration AFR and the institutional AFRs, except at U. T. Medical Branch – Galveston (UTMB) where the internal auditors found a $20 million overstatement in physician's accounts receivable (A/R).
- UTMB recorded an adjustment to reduce physician's A/R to reflect the appropriate valuation as of fiscal year end.

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Audit Results – Internal Controls

Systemwide, 40 recommendations were made, which identified control deficiencies in the following areas.

- Account reconciliations, segregation of duties, & monitoring plans (14)
- Accounts & pledges receivables (7)
- Accounts Payable (4)
- Capital Assets (4)
- Inventory (1)
- Payroll/effort certification (2)
- IT access controls (5)
- IT change management (1)
- IT backup & recovery of data (1)
- Financial reporting (1)

Audit Results – Internal Controls (cont.)

- The following control deficiencies were reported as significant:
  - Inaccurate valuation of the allowance of doubtful accounts resulting in a material overstatement of physician's accounts receivable at UTMB
  - Inadequate access controls over the student records systems (Banner at both institutions) were identified at U. T. El Paso and U. T. Pan American
- No material weaknesses were discovered.

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Audit Results – U. T. System Consolidated AFR

- Accurately incorporated the externally audited, internally audited, and reviewed financial information submitted by the U. T. institutions

- Presented in accordance with the accounting and financial reporting requirements for the AFR as promulgated by U. T. System policy, the Texas Comptroller of Public Accounts, and generally accepted accounting principles

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Audit Results – U. T. System Consolidated AFR (cont.)

- No Systemwide internal control deficiencies, material or significant in nature, were found.

- Recommendations were made to address two Systemwide control deficiencies identified, including:
  - Continue to work with the institutions until the monitoring plans are fully executed and verified by institutional internal audit
  - Based on the ad hoc advisory committee in existence, formalize a Systemwide financial, accounting and reporting committee that convenes to discuss and give opinions on complex Systemwide accounting and reporting issues

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Future Financial Audit Work

- Discussion of plan for financial audit work for Fiscal Year 2010.

Background

After The University of Texas (UT) System Board of Regents (Board) elected not to renew the contract for the independent financial audit in April 2007, the Board requested that the internal auditors from across UT System perform financial auditing work at each institution and UT System Administration for fiscal year (FY) 2007, with overall guidance from the UT System Audit Office (System Audit). FY 2009 marks the third year that internal auditors performed financial auditing work at UT System Administration, four of the large health institutions, and UT Austin; and it is the fifth year that internal audit has performed financial auditing work at the eight smaller academic institutions and UT Health Science Center –Tyler. Collectively, our financial audit work has been the largest coordinated activity of the internal audit function within UT System, representing the dedication of scores of staff and thousands of hours of work. System Audit is responsible for coordinating these engagements, which have a firm November deadline that is ostensibly set by the Texas State Comptroller of Public Accounts. However, we understand the limitations of our work and that, as internal auditors, we are unable to provide the independent assurance that an external auditing firm can provide to the Board, the State of Texas, and other interested third parties.

Additional Assurance for FY 2009

Each year, we have strived to improve the efficiency and value of our audits. This year, internal audit dedicated more time conducting work at interim (prior to August 31st) in order to minimize the amount of work at year-end and to reduce interruptions of financial reporting staff. To enhance consistency in the procedures performed, System Audit developed detailed training modules for each audit area (e.g. salaries, non-payroll expenditures, tuition, fixed assets, etc.) and a common, standardized audit program that were used Systemwide. This effort reduced variations in the type and extent of testing conducted as part of the audits. System Audit also refined the report template to ensure that we consistently report the results of our work. To ensure consistency, System Audit vetted the training modules and audit program with the institutions, conducted recurrent teleconferences with institutional auditors to assess progress made, and provided ongoing guidance. Also, we performed additional assurance work for FY 2009. In the past, neither the external auditor nor the internal auditors performed internal control testing with the purpose of expressing an opinion on those controls. This year, we performed detailed internal control testing over several key areas, such as payroll, expenditures, capital assets, sponsored programs, and tuition. We believe that this additional audit work provides the Board and executive management assurance that certain key controls over financial reporting are in place and working as intended.

UT System Annual Financial Reporting Process

The UT System's Consolidated Annual Financial Report (AFR) includes financial information from the Balance Sheets; the Statements of Revenues, Expenses, and Changes in Nets Assets; the Statements of Cash Flows; and footnote information from the nine academic and six health-related institutions and UT System Administration. Financial reporting officers at the institutions and UT System Administration prepare AFRs in accordance with accounting and financial reporting requirements promulgated by UT System policy and the Texas Comptroller of Public Accounts. UT System Administration's Office of the Controller consolidates the institutional AFRs with the System Administration AFR and prepares footnotes and other related disclosures so that the UT System Consolidated AFR (Consolidated AFR) is prepared in accordance with generally accepted accounting principles.

The information included in the Consolidated AFR and related footnotes are the responsibility of UT System management. Key information from the Consolidated AFR (including Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows) is included below:

Balance Sheet:

Total Assets	$ 36,293,043,830.47
Total Liabilities	12,267,778,274.87
Total Net Assets	$ 24,025,265,555.60

Statement of Revenues, Expenses, and Changes in Net Assets:

Operating Revenues	$ 8,564,170,863.70
Operating Expenses	(11,775,161,808.72)
Non-Operating Revenues (Expenses)	(176,127,739.72)
Other Gains, Losses, and Transfers	(205,189,616.11)
Change in Net Assets	$ (3,592,308,300.85)

Statement of Cash Flows:

Net Cash Provided (Used) by Operating Activities	$ (1,914,455,192.84)
Net Cash Provided by Noncapital Financing Activities	2,398,760,661.34
Net Cash Provided (Used) by Capital & Related Financing Activities	(790,255,554.23)
Net Cash Provided (Used) by Investing Activities	706,338,218.58
Net Increase (Decrease) in Cash	400,388,132.85
Cash and Cash Equivalents - Beginning of the Year	1,944,349,872.65
Cash and Cash Equivalents - End of the Year	$ 2,344,738,005.50

Audit Objectives, Scope, and Methodology

As in previous years, UT M. D. Anderson Cancer Center (UTMDACC) elected to have an external audit of its financial statements, and the University of Texas Investment Management Company (UTIMCO) funds were audited, as required by statute, by an external auditor. For FY 2009, the Texas State Auditor's Office (SAO), with the assistance of the institutional internal auditors, is conducting financial reviews of the UT Tyler (UTT) and UT Permian Basin (UTPB) AFRs as part of each institution's Southern Association of Colleges and Schools (SACS) Reaffirmation of Accreditation process. For the remaining institutions and UT System Administration, which includes the audited UTIMCO funds, the internal auditors performed financial audit work for 12 institutional AFRs and the UT System Administration AFR. System Audit also performed an audit of the processes used by the Office of the Controller at UT System Administration to prepare the Consolidated AFR and related footnotes for FY 2009, including assessing the sufficiency of the footnote disclosures based on requirements from the Texas Comptroller of Public Accounts and generally accepted accounting principles. Additionally, the internal auditors at 12 institutions and UT System Administration identified and tested certain key controls over the processes used to prepare the institutional AFRs and the Consolidated AFR. The internal audits were performed in accordance with the guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

Results

The external auditor provided unqualified audit opinions of the financial statements for UTMDACC and the UTIMCO funds. Based on review work performed on behalf of the SAO, the UTT and UTPB internal auditors reported that they were not aware of any material modifications to be made to the UTT or UTPB AFRs in order for those financial statements to be in conformity with generally accepted accounting principles. Internal audit at the remaining institutions and UT System Administration reported to their respective members of management that the information included in the AFRs and related footnote information accurately presents, in all material respects, the financial position, results of operations and changes in net assets, and cash flows as of August 31, 2009 and for the year then ended. Based on the audit of the consolidation processes, the Consolidated AFR and related footnotes accurately incorporated the financial information submitted by the institutions reflecting UT System's financial position, results of operations and changes in net assets, and cash flows as of August 31, 2009 and for the year then ended. Additionally, the Consolidated AFR is presented in accordance with accounting and financial reporting requirements as promulgated by UT System policy, the Texas Comptroller of Public Accounts, and generally accepted accounting principles.

Internal Control

Our identification and testing of internal controls were performed to determine whether these controls may be relied upon to detect and correct potential material misstatements that may be caused by errors or fraud. Our testing was limited to controls specifically identified in the institutional, UT System Administration, and the Consolidated AFR reports. There may be additional internal controls that we did not identify and test as part of our audits. Consequently, we did not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

An internal control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in a timely manner. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is greater than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

In performing the internal audits of the institutional AFRs, the UT System Administration AFR, and the Consolidated AFR, no material weaknesses as defined above were identified. However, internal auditors at UT El Paso (UTEP), UT Medical Branch – Galveston (UTMB), and UT Pan American (UTPA) identified and reported internal control deficiencies that are significant to those institutions, but not UT System taken as a whole, and include the following:

> **UTMB (Accounts Receivable) –** The physician practice plan accounts receivable was overstated by $20 million. The error resulted from a lack of understanding by staff of how the allowance for doubtful accounts should be valued. Changes in staff due to the reduction in force affected the monitoring efforts in this area. UTMB management appropriately adjusted the institution's FY 2009 financial statements.
>
> **UTEP and UTPA (Access Controls) –** Access to university information resources is based on the principle of least privilege, which requires that each user be granted the most restrictive set of privileges needed for the performance of authorized tasks. Several staff members had access and modify privileges to registration, billing, and collection information within the Banner student information system. Of these, several did not need such access and modify privileges to perform their current duties. Though no errors were detected, the potential for fraud exists when an individual has both modify and access privileges for registration, billing, and collection.

In addition to the findings above, we have noted two UT Systemwide opportunities to enhance controls related to monitoring plans and a financial accounting and reporting advisory committee. Neither observation, as outlined below, is considered material or significant in nature:

Monitoring Plans
The FY 2008 Consolidated AFR audit resulted in a recommendation to revise UTS142.1, *Policy on the Annual Financial Report*, in order to establish a standardized and consistent application of segregation of duties and reconciliations of accounts. These two activities are among the most effective in providing assurance that key financial and operational information is complete and accurate and that resources are adequately and effectively safeguarded. System Audit followed up on corrective action agreed to by the Office of the Controller and confirmed the execution status of each institution's monitoring plan. Overall, we found that the Office of the Controller was efficient and effective in revising and communicating UTS142.1 across the UT System, and many institutions have developed and executed monitoring plans. However, internal auditors at the institutions and UT System Administration identified opportunities for further enhancement of the monitoring plans and execution of monitoring activities. Consequently, we have recommended that the Office of the Controller, and/or the Executive Vice Chancellor for Business Affairs, continue to work with institutional financial reporting officers until the monitoring plans are fully executed and verified by institutional internal audit.

Financial Accounting and Reporting Advisory Committee
From time to time, complex accounting issues arise which require the Office of the Controller to make difficult decisions regarding their proper disclosure and reporting. To ensure that complex accounting issues are addressed appropriately, we have recommended that the Office of the Controller formalize a Systemwide financial accounting and reporting committee based on the *ad hoc* advisory committee already in existence. As issues arise throughout the year, the committee should convene to discuss and give opinions, especially as it relates to UT Systemwide accounting and reporting issues.

Other Opportunities for Improvement and Recommendation
Systemwide, internal audit developed 40 recommendations to address control deficiencies, 37 of which are neither material nor significant in nature, and three determined to be significant. Collectively, the recommendations apply to the following areas: account reconciliations, segregation of duties, and monitoring plans (14); accounts and pledges receivable (7); accounts payable (4); information technology (IT) access controls (5); capital assets (4); inventory (1); payroll/effort certification (2); IT change management (1); IT backup and recovery of data (1); and financial reporting (1). We believe the recommendations, which management has accepted, can enhance the ability of management or employees, in the normal course of performing their assigned functions, to detect or prevent misstatements in a timely manner.

Conclusion
The UT System internal auditors have provided value to the Board and management over the past five years as a result of the financial auditing work they have performed. We believe that our recommendations have enhanced awareness of controls over financial reporting across the UT System. However, we understand that internal audit cannot provide the same level of assurance or expertise of an independent external auditing firm, nor do we have the resources that an external firm has to stay current with auditing and reporting requirements, many of which are becoming increasingly complex. Internal audit from the institutions and System Audit welcome the opportunity to provide our knowledge of our institutions and our resources to whichever firm the Board may ultimately select to perform the independent financial audit of the UT System consolidated financial statements.

Revised 1/27/2010

TABLE OF CONTENTS
FOR
ACADEMIC AFFAIRS COMMITTEE

Committee Meeting: 2/4/2010

Board Meeting: 2/5/2010
Dallas, Texas

Janiece Longoria, Chairman
Paul Foster
Colleen McHugh
Robert L. Stillwell

1. **U. T. El Paso: Authorization to establish a Doctor of Physical Therapy degree**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Natalicio that authorization, pursuant to the Regents' *Rules and Regulations*, Rule 40307, related to academic program approval standards, be granted to

a. establish a Doctor of Physical Therapy degree program at U. T. El Paso; and

b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

BACKGROUND INFORMATION

Program Description

U. T. El Paso is among the eight Texas public institutions with physical therapy programs and is proposing to transition from the Master of Physical Therapy degree (M.P.T.) to the Doctor of Physical Therapy (D.P.T.) degree.

This is an eight semester, 31 month, year-round program consisting of 99 semester credit hours. The eight semesters will include all didactic work as well as 36 weeks of full-time, guided clinical practice and two weeks of part-time, guided clinical practice. This curriculum is comparable to existing D.P.T. programs nationally.

Need and Student Demand

There are well-documented needs for improved access to health care because of aging as well as projected increases in the number of chronic diseases and disabilities seen by physical therapists. These needs require in-depth preparation of physical therapists to meet these health care challenges. Workforce projections document a continuing expansion of physical therapy positions in the future. According to a publication in *Trends*, there will be 72,000 job openings during the period of 2004-2014, due to growth and net replacement for physical therapists in the U.S. The job market for physical therapists is expected to grow 36.7% between 2004 and 2014 (*Collier, 2007*). The U. T. El Paso Physical Therapy program has rigorous admissions standards to assure student retention, graduation, and success on licensure exams. Survey data over the past 10 years show that 100% of graduates are employed upon completion of state licensure requirements.

As core providers of physical therapy education in the remote, economically challenged, overwhelmingly Hispanic community of El Paso, the U. T. El Paso Physical Therapy program has a special obligation to train qualified practitioners to meet the demands of a unique and growing population. The D.P.T. program at U. T. El Paso will directly serve the needs of local students and clients by providing access to a clinical doctorate degree program consistent with professional education standards now established across the country.

The program expects to admit 146 students within the first five years of the program, and is anticipated to graduate 70 D.P.T. students by the end of the program's fifth year.

Program Quality

There are seven current faculty members in the College of Health Science who are members of the graduate faculty and will teach and supervise students in the proposed program. All faculty members have advanced degrees, have a breadth of experience, and are well qualified to implement the proposed D.P.T. program. The proposed program will also have faculty support from other U. T. El Paso departments and the Texas Tech University Health Sciences Center at El Paso Paul L. Foster School of Medicine.

Moreover, the program will hire three additional faculty members by 2012. The new faculty hires will be expected to have a doctoral degree in Physical Therapy or a related field and be eligible for licensure in physical therapy in Texas. It is anticipated that new hires will bring additional expertise in the areas of neurological disorders and integumentary system disorders.

Program Cost

Estimated expenditures for the first five years of the program are $3,581,201. This includes $591,047 in new faculty hires, $2,141,588 in reallocated faculty salaries, and $848,566 in administrative costs.

2. U. T. System: Delegation of Authority to the Executive Vice Chancellor for Academic Affairs to approve academic institutional agreements for dual credit

RECOMMENDATION

The Chancellor recommends that the U. T. System Board of Regents delegate to the Executive Vice Chancellor for Academic Affairs the authority to approve academic institutional agreements for dual credit.

BACKGROUND INFORMATION

According to *Texas Administrative Code*, Part 1, Section 4.83, dual credit is a process by which a high school student enrolls in a college course and receives simultaneous academic credit for both college and high school courses. Dual credit is also referred to as concurrent course credit; the terms are equivalent. *Texas Administrative Code*, Part 1, Section 4.84, requires the approval of any dual credit partnership between a secondary school and a public college by the governing board or designated authority of both the public school district or private secondary school and the public college prior to the offering of such courses.

This item recommends the Board of Regents delegate the authority to approve dual credit partnerships for the academic institutions to the Executive Vice Chancellor for Academic Affairs. If approved, Regents' *Rules and Regulations*, Rule 10501, will be amended accordingly.

3. U. T. Austin: Report on the Cockrell School of Engineering Strategic Master Plan

REPORT

Executive Vice Chancellor Prior and President Powers will present the Cockrell School of Engineering Strategic Master Plan for U. T. Austin, along with Dr. Gregory L. Fenves, Dean of the School of Engineering. A related PowerPoint presentation is set forth on Pages 223 - 235.

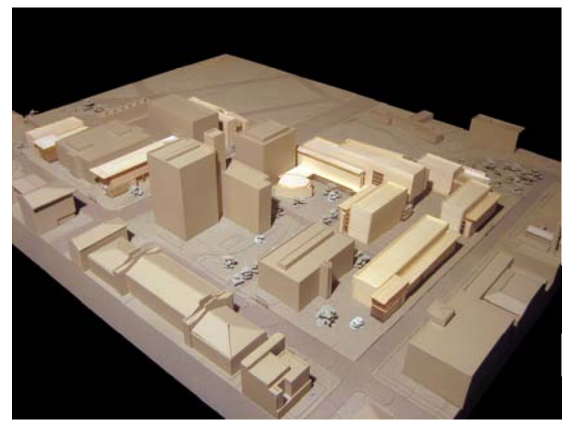
Also present at the meeting will be:

- Dr. Steven W. Leslie, Executive Vice President and Provost, U. T. Austin
- Dr. Patricia Clubb, Vice President for University Operations, U. T. Austin
- Mr. Terry D. Steelman, FAIA, Principal, Ballinger-Architecture, Engineering, Planning

BACKGROUND INFORMATION

In 2008, U. T. Austin retained Ballinger Architects to prepare a long-term Strategic Master Plan for the Cockrell School of Engineering with the goal of assessing the current facilities and bridging the gap between the state of facilities and the School's vision for future excellence. A thorough investigation by the consultants, combined with the School's in-depth strategic academic planning, has resulted in a compelling plan that meets the programmatic needs and growth goals of the School. The plan provides the means to prioritize future capital projects and to inform stakeholders. (See Item 2 on Page 268 of the Facilities Planning and Construction Committee related to the Engineering Education and Research Building.)

Cockrell School of Engineering Strategic Master Plan



President William Powers, Jr.
Executive Vice President & Provost Steven W. Leslie
Vice President Patricia Clubb
Dean Gregory L. Fenves

Ballinger—Architecture, Engineering, Planning
Terry D. Steelman, FAIA, Principal

Board of Regents' Meeting
Academic Affairs Committee
February 2010

THE UNIVERSITY OF TEXAS AT AUSTIN
Cockrell School of Engineering

Cockrell School of Engineering's Academic Mission

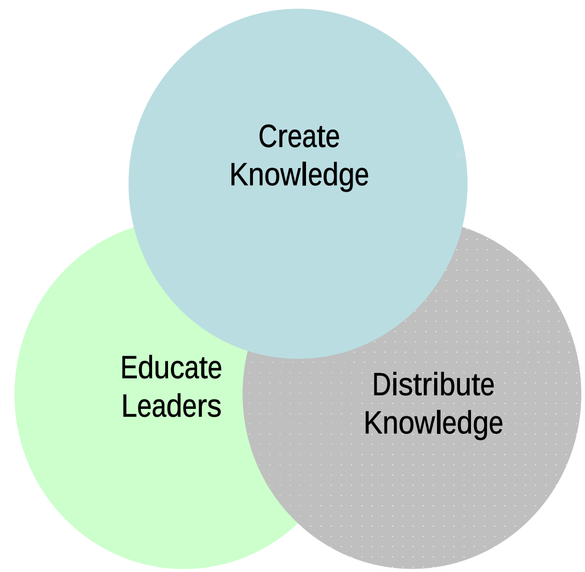
"The University of Texas at Austin can be *the* great public university in America."
— President William Powers, Jr.

A Top Ten School of Engineering

- Cockrell School is ranked 9th in undergraduate engineering and 10th in graduate engineering
- 5400 undergraduate students and 2000 graduate students
- 3rd in nation for undergraduate engineering degrees for minority students
- Ranked 7th in number of Ph.D. graduates
- $145 million in research grants in 2009

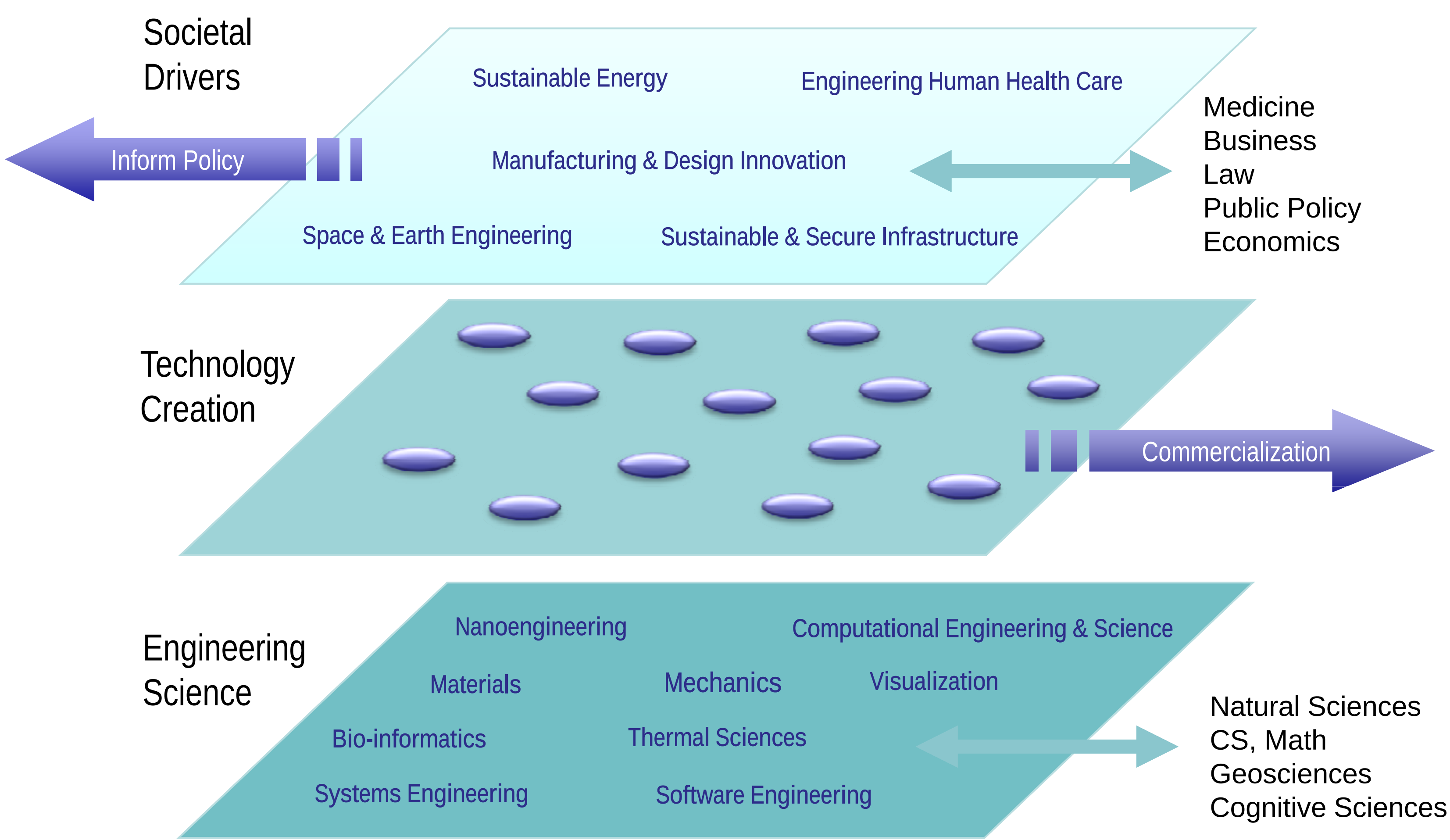
Our Vision for Leadership

- Become a top-five school of engineering
- Educate leaders in engineering and technology creation
- Increase world-leading interdisciplinary research programs addressing major societal needs, including energy, health care, infrastructure, and advanced manufacturing
- Attract major national research centers
- Focus on entrepreneurship to improve competitiveness of Texas and the United States



THE UNIVERSITY OF TEXAS AT AUSTIN
Cockrell School of Engineering

Interdisciplinary Framework for Engineering



THE UNIVERSITY OF TEXAS AT AUSTIN
Cockrell School of Engineering

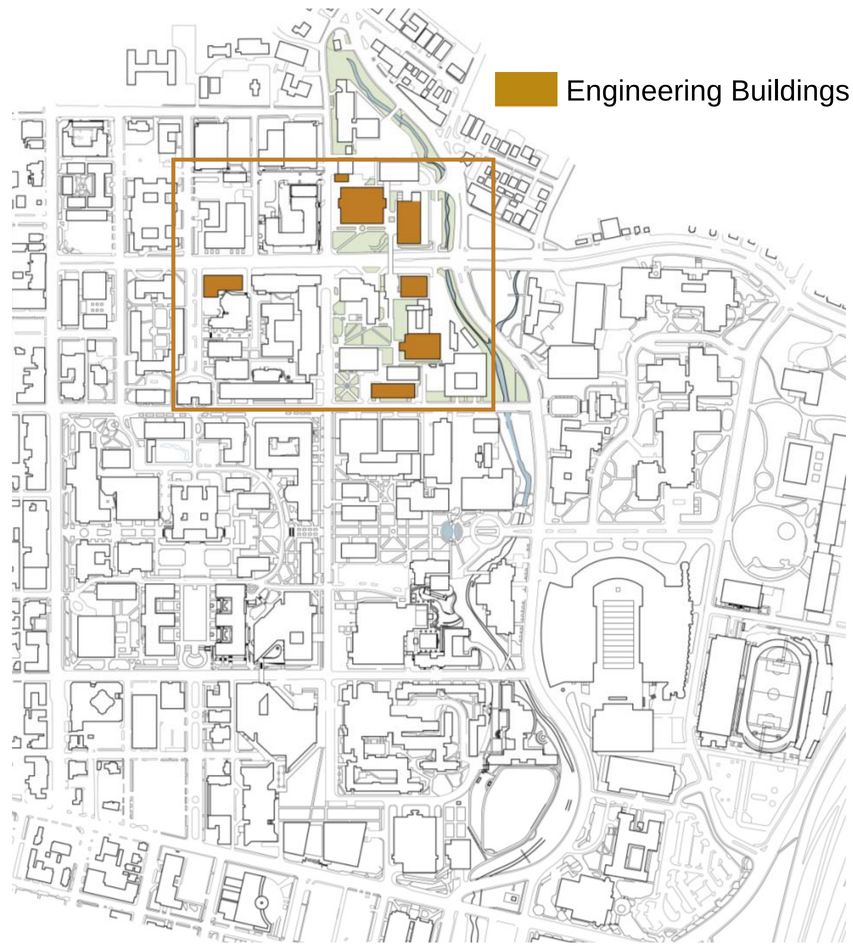
Enabling the Engineering Strategic Plan

Competitive Landscape

- Current facilities are limiting our ability to recruit top faculty and student talent
- Peer schools have each added 600,000 to more than 1 million square feet since 2002
- We have added one new building on the Main Campus in the past 23 years (144,000 GSF)
- The teaching facilities do not allow modern approaches to engineering education
- Engineering Science (ENS) and Woolrich Lab (WRW) are functionally obsolete

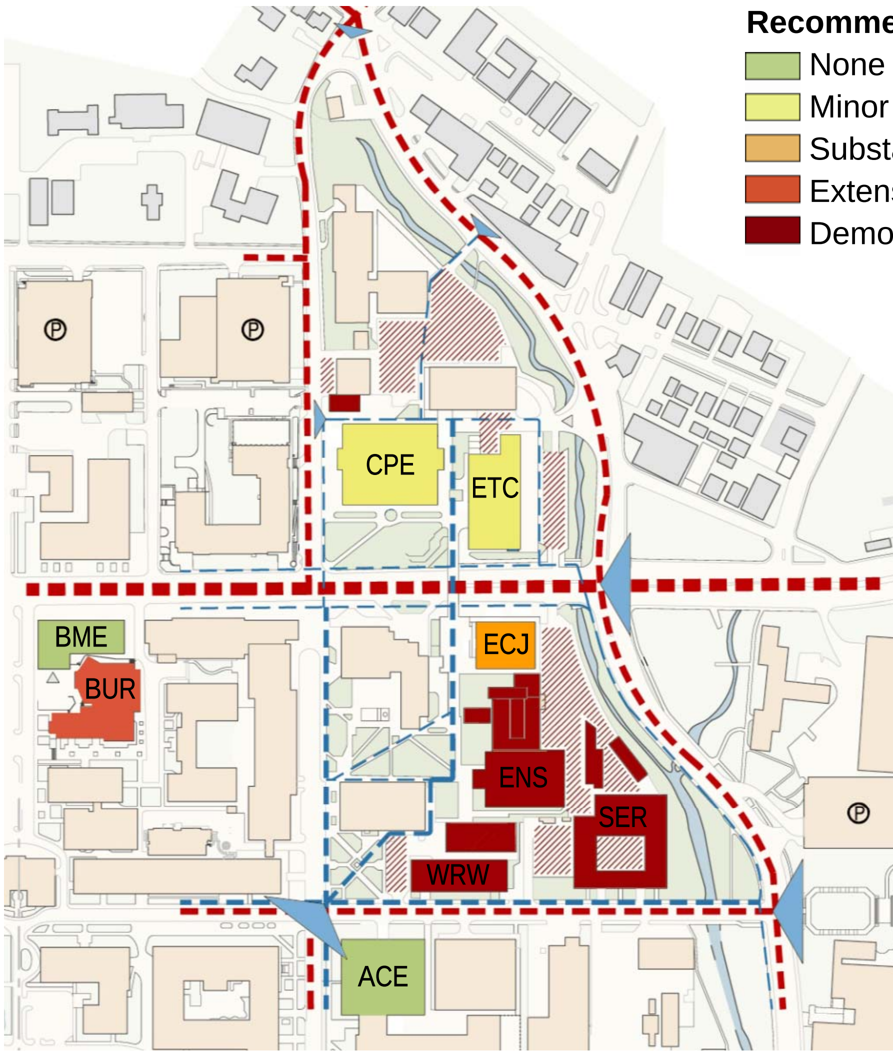
Goals of the Assessment Study

- Provide the environment for 21st century engineering research and education
- Support interdisciplinary approaches in teaching and research
- Centralize student services and collaborative learning facilities for project-based and experiential teaching
- Engage industry and develop entrepreneurship throughout research and education
- Establish identity and community for engineering and integrate with campus according to the Pelli Master Plan



THE UNIVERSITY OF TEXAS AT AUSTIN
Cockrell School of Engineering

Current Conditions of Engineering Facilities

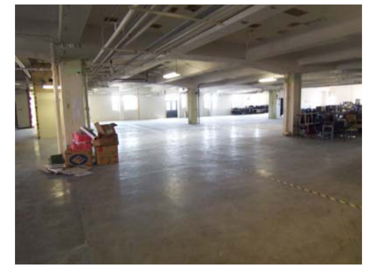


Recommended Modifications

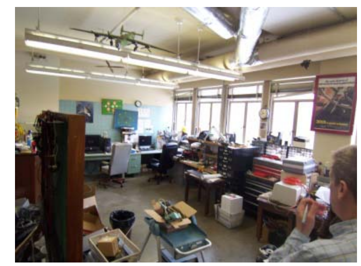
- None
- Minor
- Substantial
- Extensive
- Demolition

ACE	Applied Computational Engineering & Sciences
BME	Biomedical Engineering
BUR	Burdine Hall
CPE	Chemical & Petroleum Engineering
ECJ	Ernest Cockrell Jr Hall
ENS	Engineering Science Building
ETC	Engineering Teaching Center
SER	Service Building
WRW	W.R. Woolrich Labs

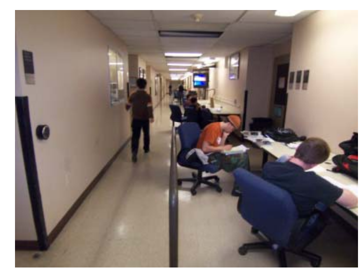
- Vehicular Circulation
- Pedestrian Circulation
- Access Point
- Surface Parking



ENS: Unusable Space



WRW: Overutilized Lab Space



WRW: Inadequate Study Space

THE UNIVERSITY OF TEXAS AT AUSTIN
Cockrell School of Engineering

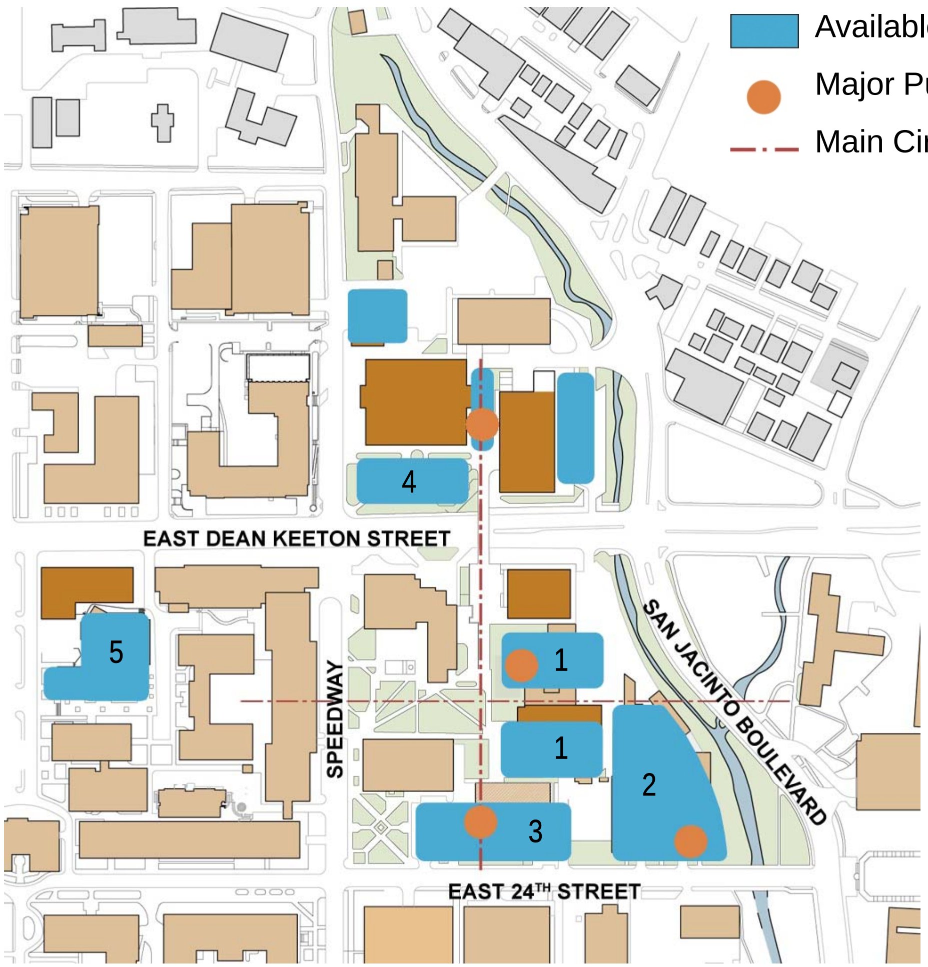
Space Needs for Academic Programs through 2023

	Current Space	Future Space	Planned Total Space
Departments (NSF)	825,000	93,000	918,000
Interdisciplinary Research (NSF)	0	164,000	164,000
Interdisciplinary Teaching (NSF)	0	133,000	133,000
Other Programs (NSF)	140,000	25,000	165,000
Efficiency Gain (NSF)	–	(50,000)	(50,000)
Total NSF	965,000	365,000	1,330,000
Total GSF	1,620,000	610,000	2,230,000

NSF = Net Square Feet
GSF = Gross Square Feet

THE UNIVERSITY OF TEXAS AT AUSTIN
Cockrell School of Engineering

Available Building Sites



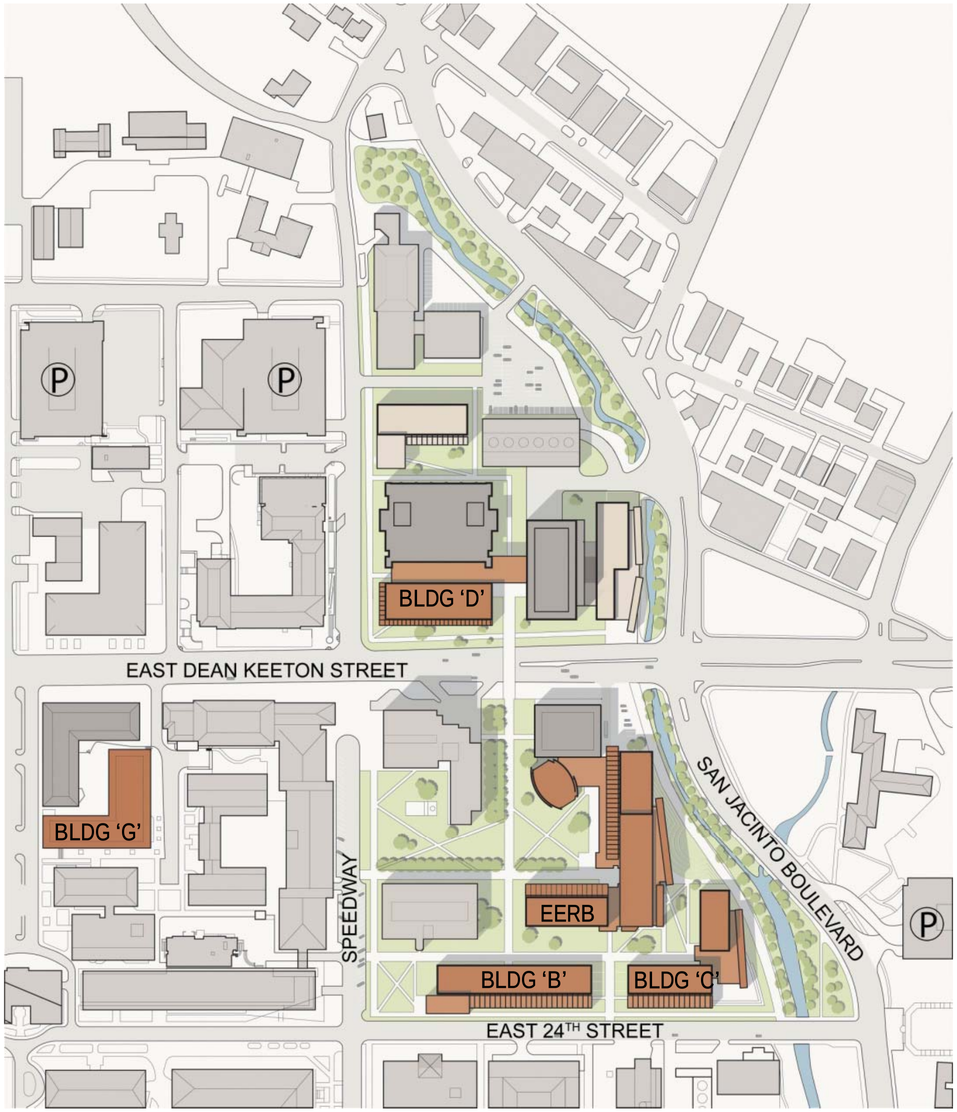
1. Engineering Sciences (ENS)

2. Services Buildings (SER)

3. Woolrich Lab (WRW)

THE UNIVERSITY OF TEXAS AT AUSTIN
Cockrell School of Engineering

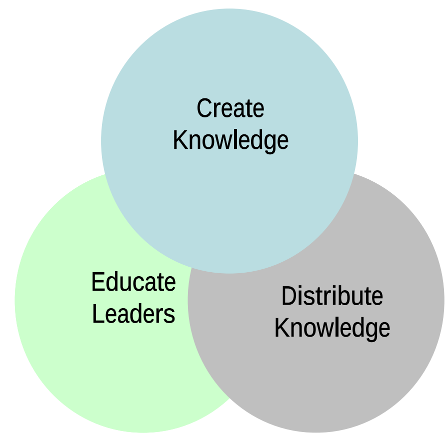
Facility Plan for Engineering Quadrant



- Building Proposed by Strategic Plan
- Existing Engineering Quadrant Building
- Other Buildings
- Future Building, Beyond Strategic Plan
- Ⓟ Parking

THE UNIVERSITY OF TEXAS AT AUSTIN
Cockrell School of Engineering

Transformation of the Academic Programs



THE UNIVERSITY OF TEXAS AT AUSTIN
Cockrell School of Engineering

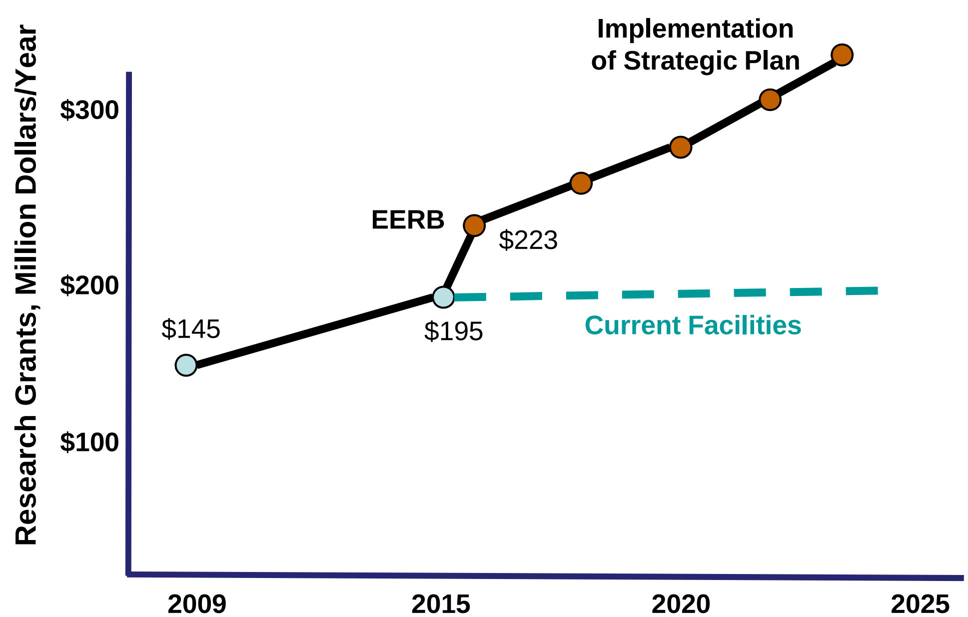
Strategic Plan Phasing

Project	Replacement and Additional GSF	Renovate GSF	Completion Year
Engineering Education and Research Building (ENS replacement)	421,500		2015
CAEE, J.J. Pickle Research Campus	87,100		2015
Building C (Services replacement)	163,000		2017
Building G (Burdine replacement with CNS and Pharmacy)	174,000		2017
ECJ renovation		198,150	2018
Building D	83,000		2020
CPE renovation		222,000	2020
Building B (Woolrich replacement)	170,000		2023
ETC renovation		225,000	2023
	1,100,00	645,150	

THE UNIVERSITY OF TEXAS AT AUSTIN
Cockrell School of Engineering

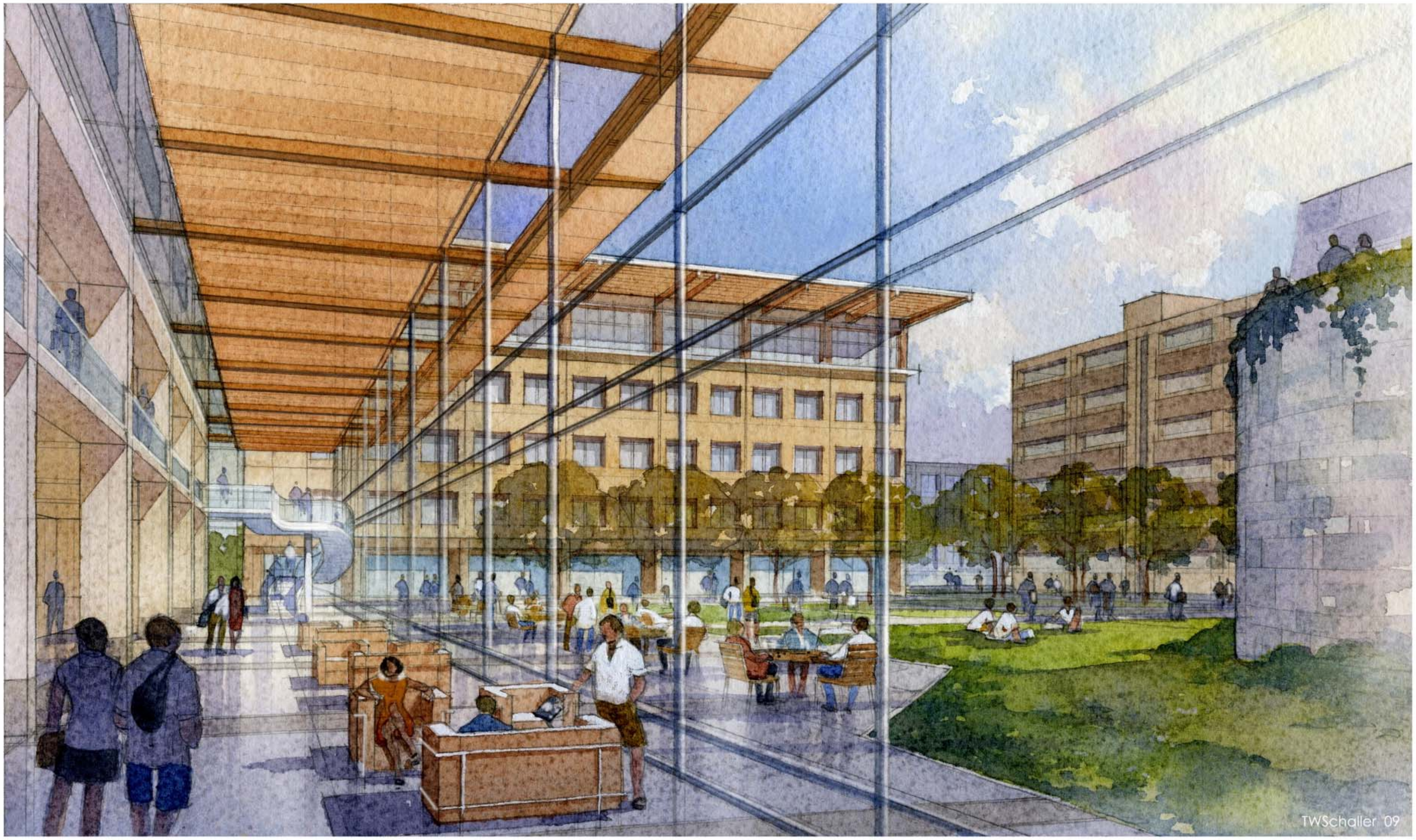
Impact of Engineering Facilities

- The Cockrell School ranks 11th in research grants. Our goal is to rank in top 5.
- Faculty generate on average $580,000/year in grants. The Strategic Plan will enable an increase to $930,000/year.
- The facilities in the Strategic Plan will support new interdisciplinary research initiatives and major centers of excellence.
- The Perryman Group is conducting an economic assessment and concludes that by 2020 the incremental Texas business activity stemming from research enabled by the implementation of the Strategic Plan rises to more than $300 million in annual output and 3,500 jobs.



THE UNIVERSITY OF TEXAS AT AUSTIN
Cockrell School of Engineering

Providing a Destination for Collaborative Learning

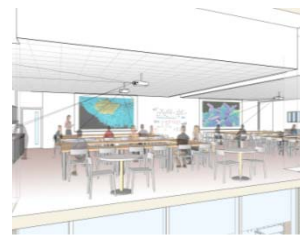


Conceptual View of Engineering Quad from Proposed EERB Student Commons

THE UNIVERSITY OF TEXAS AT AUSTIN
Cockrell School of Engineering

Strategic Plan for the Cockrell School of Engineering

- The Strategic Plan is essential for the Cockrell School to recruit the faculty and student talent needed to achieve our goal of becoming a top five school of engineering
- The plan supports major interdisciplinary research initiatives in priority areas
- New teaching space will transform engineering education through project-based learning, collaboration, and undergraduate research
- The organization of academic programs will create an ecosystem of people, ideas, and entrepreneurship
- The *Engineering Education and Research Building* is the first step and highest priority to begin implementation of the Strategic Plan



THE UNIVERSITY OF TEXAS AT AUSTIN
Cockrell School of Engineering

4. **U. T. System: Discussions on academic leadership matters related to cost containment strategies**

DISCUSSION

Executive Vice Chancellor Prior will lead a presidential discussion and engagement with the Board of Regents on topics relating to cost containment strategies.

ADDITIONAL ITEM
ACADEMIC AFFAIRS COMMITTEE
February 4-5, 2010

5. U. T. System Board of Regents: Amendment to the Regents' *Rules and Regulations*, Rule 40601, Section 1.3, concerning proposed U. T. Arlington School of Nursing name change to College of Nursing

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Rule 40601, Section 1.3, concerning institutions comprising The University of Texas System, be amended as set forth below in congressional style:

Sec. 1 Official Titles. The U. T. System is composed of the institutions and entities set forth below. To ensure uniformity and consistence of usage throughout the U. T. System, the institutions and their respective entities shall be listed in the following order and the following titles (short form of title follows) shall be used:

. . .

1.3 The University of Texas at Arlington (U. T. Arlington)

. . .

(h) The University of Texas at Arlington College ~~School~~ of Nursing

. . . .

BACKGROUND INFORMATION

This proposed amendment to the Regents' *Rules and Regulations*, Rule 40601 is to reflect the official name change of the U. T. Arlington School of Nursing to the U. T. Arlington College of Nursing. The Texas Higher Education Coordinating Board approved the proposed name change on January 13, 2010, in conformance with Coordinating Board regulations concerning the use of "college" and "school" relative to the size of student enrollment.

Texas Education Code Section 65.11 authorizes the Board of Regents to provide for the "names of the institutions and entities in The University of Texas System in such a way as will achieve the maximum operating efficiency of such institutions and entities . . . ."

TABLE OF CONTENTS
FOR
HEALTH AFFAIRS COMMITTEE

Committee Meeting: 2/4/2010

Board Meeting: 2/5/2010
Dallas, Texas

Colleen McHugh, Chairman
James D. Dannenbaum
Janiece Longoria
Wm. Eugene Powell

Thursday, February 4, 2010 (continued)	**Committee Meeting**	**Board Meeting**	**Page**
5. **U. T. System: Report and recommendations of the U. T. System Revenue Cycle Task Force**	*2:30 p.m.* **Report** *Mr. Black, U. T. Health Science Center – San Antonio* *Mr. Leach, U. T. M. D. Anderson Cancer Center*	Not on Agenda	**243**
6. **U. T. System: Quarterly report on health matters, including the impact of proposed health care legislation on U. T. System institutions and next steps in health information technology for the State of Texas**	*2:45 p.m.* **Report** *Dr. Shine*	Not on Agenda	**250**
B. ADJOURN MEETING OF THE HEALTH AFFAIRS COMMITTEE	*3:00 p.m.*		

* * * * *

Friday, February 5, 2010	**Committee Meeting**	**Page**
C. CONVENE SPECIAL MEETING OF THE HEALTH AFFAIRS COMMITTEE	*8:30 a.m.*	
7. **U. T. System: Funding streams for health institutions -- opportunities and challenges**	**Discussion** *Dr. Shine*	**250**
D. ADJOURN SPECIAL MEETING *10:00 a.m.*		

1. **U. T. Medical Branch – Galveston: Authorization to ground lease approximately 4.0 acres located on the U. T. Medical Branch – Galveston Victory Lakes campus, League City, Galveston County, Texas, to Gulf Coast Center, a community center established pursuant to Chapter 534 of the *Texas Health and Safety Code*, for a term of 30 years, plus a period for design, permitting, and construction, for the construction and operation of a transit terminal with surface parking in exchange for the construction of infrastructure that will serve the Victory Lakes campus**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Callender that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Medical Branch – Galveston, to

a. ground lease approximately 4.0 acres located on the U. T. Medical Branch – Galveston Victory Lakes campus, League City, Galveston County, Texas, to Gulf Coast Center (Center), a community center established pursuant to Chapter 534 of the *Texas Health and Safety Code*, for a term of 30 years, plus a period for design, permitting, and construction, for the construction and operation of a transit terminal with surface parking in exchange for the construction of infrastructure that will serve the Victory Lakes campus; and

b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

The Center has requested to lease approximately 4.0 acres in the northwest portion of U. T. Medical Branch – Galveston's Victory Lakes campus in League City, Galveston County, Texas, to construct and operate a transit terminal with surface parking. The transit terminal will consist of a bus terminal and surface parking for approximately 450 vehicles, and is planned to provide park and ride bus service to Galveston. The land is currently vacant, but is within walking distance of the UTMB Specialty Care Center currently under construction at the Victory Lakes campus. The transit terminal site was selected to simplify the planned phased development of the campus.

The institution proposes to ground lease the property to the Center for a term of 30 years, plus a 36-month period for design, permitting, and construction. The proposed transit terminal, a "park and ride" facility, is expected to improve bus service to the Victory Lakes campus, as well as to the Medical Branch's main campus in Galveston.

In consideration for the ground lease, the Center will construct a two-lane road along the north edge of the campus to link Interstate Highway 45 to Walker Street, the primary north-south campus drive extending from the north road to the planned central round-about, and related infrastructure. The institution will pay only the difference in the cost of infrastructure sized for its campus compared with the cost of the infrastructure sized for the transit facility. The roads and infrastructure will serve the transit facility but are also necessary for the development of the Victory Lakes campus; if they are not built by the Center, they would eventually be built by U. T. Medical Branch – Galveston. The institution will also benefit from the enhanced connectivity to its main campus in Galveston that a public transit terminal can provide.

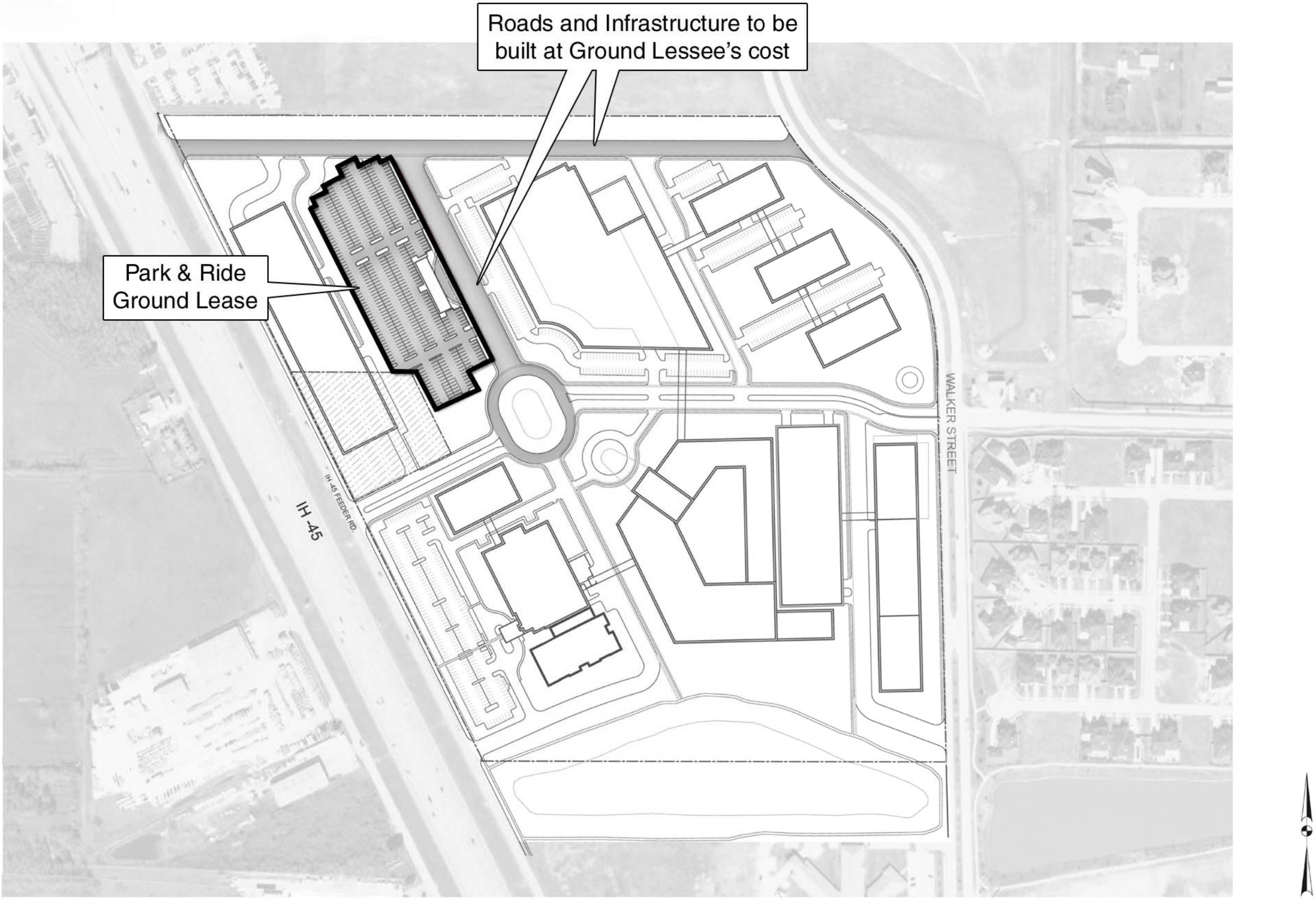
The Center will construct the facilities at its own expense, using a combination of grants from the Federal Transit Administration and local transit funds. The Center will operate the park and ride facility at all times and at its own expense and will pay all taxes. The lease will give the institution the right to approve the plans and specifications of the proposed improvements and will limit the use of the property to a transit terminal. The federal grants similarly limit the use of the property. U. T. Medical Branch – Galveston will also reserve the right to relocate the facility to another location on its Victory Lakes campus. The ground lease will also contain provisions in which the tenant, to the extent allowed by the laws and Constitution of the State of Texas, indemnifies the landlord for all matters arising from the tenant's use or occupancy of or activities on the premises.

The proposed improvements are depicted on the map on Page 240. The terms and conditions of the proposed ground lease are specified in the transaction summary below.

<u>Transaction Summary</u>

Institution:	U. T. Medical Branch – Galveston
Type of Transaction:	Ground lease
Tenant:	Gulf Coast Center, a community center established pursuant to Chapter 534 of the *Texas Health and Safety Code*
Total Area:	Approximately 4.0 acres
Improvements:	The ground tenant will construct a transit terminal with surface parking
Location:	Northwest portion of Victory Lakes campus, League City, Galveston County, Texas

Appraised Value:	$1,590,000 (Kenneth Levenson, MAI, Integra Realty Resources, July 5, 2009)
Lease Term:	30 years plus initial design, permitting, and construction period not to exceed 36 months
Uses:	Transit terminal with surface parking
Consideration:	Construction by Gulf Coast Center of a two-lane road along the north edge of the Victory Lakes campus and the primary north-south campus drive extending from the north road to the planned central round-about on the Victory Lakes campus, including funding for related infrastructure sized for the transit terminal facility; infrastructure design and construction costs to be borne by the Center are estimated at $1,770,000



SCALE: 1" = 100'
DECEMBER, 2009

VICTORY LAKES CAMPUS

PARK & RIDE
LEAGUE CITY, TEXAS

PGAL Copyright

2. **U. T. Health Science Center – San Antonio: Authorization to name the campus extension in Laredo, Texas, as The University of Texas Health Science Center Regional Campus**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Henrich that approval be granted to U. T. Health Science Center – San Antonio to name its campus extension in Laredo, Texas, as The University of Texas Health Science Center Regional Campus.

BACKGROUND INFORMATION

U. T. Health Science Center – San Antonio wishes to name its campus extension in Laredo, Texas, as The University of Texas Health Science Center Regional Campus. The new name of the Laredo campus is planned to elevate the perceived prominence of the campus, to more accurately describe the regional focus of the campus, and to more closely align the name of the Laredo campus with the name of the campus in Harlingen (Regional Academic Health Center).

If the name is approved, the signage at the Laredo campus will include use of the U. T. Health Science Center – San Antonio logo.

3. **U. T. Health Science Center – Houston: Approval of new "doing business as" (dba) name, logo, and brand identity**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Kaiser that the U. T. System Board of Regents approve the new "doing business as" (dba) name, logo, and brand identity for U. T. Health Science Center – Houston.

BACKGROUND INFORMATION

U. T. Health Science Center – Houston has recently undertaken a significant review of its current brand identity in an effort to increase public awareness and enhance the reputation of the University. An experienced branding/marketing agency was retained and conducted numerous interviews and branding sessions with internal and external stakeholders associated with the institution. The research results provided valuable insights about the University's strengths, culture, and perceptions, and demonstrated clearly that the name of the institution -- The University of Texas Health Science Center at Houston -- is problematic. Results of surveys showed that the name is difficult for people to remember, is misunderstood, and is shortened in widely inconsistent ways within the institution and by people in the community and the media.

U. T. Health Science Center – Houston proposes a new identity system that would be used prominently and consistently in all forms of communication representing the University -- publications, letterhead, signage, business cards, web, advertising, and more, in an effort to create a uniform communication standard and to enhance a better public understanding of the institution's role as a comprehensive health science university.

4. U. T. Southwestern Medical Center – Dallas: Authorization to negotiate and execute an agreement to host the Disney Institute's "The Disney Keys to Quality Service" program event that allows U. T. Southwestern Medical Center – Dallas to jointly sponsor the program event as an exception to Regents' *Rules and Regulations,* Rule 80106 to allow the Disney Institute to retain a portion of revenues, upon review and approval by the U. T. System Office of Health Affairs and the U. T. System Office of General Counsel

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, and President Podolsky that the U. T. System Board of Regents authorize an exception to the Regents' *Rules and Regulations*, Rule 80106, Section 2.3, regarding use of Special Use Facilities to allow U. T. Southwestern Medical Center – Dallas to negotiate and execute an agreement for joint sponsorship of the Disney Institute's "The Disney Keys to Quality Service" program event, with the Disney Institute retaining a portion of receipts from the program event. The agreement will be subject to review and approval by the U. T. System Office of Health Affairs and the U. T. System Office of General Counsel.

BACKGROUND INFORMATION

The Disney Institute opened in 1986 and, in partnership with local health care institutions, has developed a series of training programs that provide the health care institutions with opportunities to learn additional methods to achieve excellence in medical and customer services. U. T. Southwestern Medical Center – Dallas wishes to jointly sponsor the Disney Institute's program "The Disney Keys to Quality Service," with the primary purpose of advancing best customer service practices in health care. Aligning with the Disney Institute in the sponsorship of its training sessions in the Dallas market will highlight U. T. Southwestern as a leader in customer service for patients and clinical excellence.

Under the proposed agreement, U. T. Southwestern will provide facilities, equipment, and personnel, and the institution will receive private training seminars, discounted event tickets, free tickets, educational opportunities, and opportunities for increased market exposure. It is expected that receipts from the program event will exceed the actual cost to U. T. Southwestern to jointly sponsor the event. The Disney Institute will share a portion of the event's revenue with U. T. Southwestern, and the institution requests authorization of an exception to Section 2.3 of Regents' Rule 80106 so that the Disney Institute is not required to remit its total profit from the event to the institution. The final agreement will be subject to the approval of the U. T. System Office of Health Affairs and the U. T. System Office of General Counsel.

5. U. T. System: Report and recommendations of the U. T. System Revenue Cycle Task Force

REPORT

In April 2009, the Executive Vice Chancellor for Health Affairs appointed a Revenue Cycle Task Force (Task Force) to engage in a comprehensive review of the revenue cycle operations at the U. T. System health institutions.

Mr. Michael E. Black, Senior Executive Vice President and Chief Operating Officer at U. T. Health Science Center – San Antonio, and Mr. Leon J. Leach, Executive Vice President at U. T. M. D. Anderson Cancer Center, are co-chairs of the Task Force. They will discuss their observations from visits of the Task Force to the six health institution campuses and will present the Task Force's recommendations for improving the efficiency and effectiveness of the revenue cycle operations of the hospitals and physician practice plans, using a PowerPoint presentation on Pages 244 - 249.

U. T. System Revenue Cycle Task Force – Report and Recommendations

Michael E. Black
Senior Executive Vice President and Chief Operating Officer
U. T. Health Science Center – San Antonio

Leon J. Leach
Executive Vice President, Business & Regulatory Affairs
U. T. M. D. Anderson Cancer Center

U. T. System Board of Regents' Meeting

Health Affairs Committee

February 2010

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

Executive Summary

Background

In April 2009, the Executive Vice Chancellor for Health Affairs authorized the creation of a Revenue Cycle Task Force (Task Force) to engage in a comprehensive review of the revenue cycle operations across the U. T. System health institutions.

Charge

1. Review U. T. System policies
2. Conduct campus visits
3. Identify “best practices”
4. Identify strategies to increase effectiveness, efficiency, and productivity of operations

Definition of Revenue Cycle Operations

Activities and information systems designed to efficiently and effectively achieve the processing of revenue sources for the physician practice plans and hospitals. Examples: patient registration and scheduling, insurance verification, financial screening and counseling, claims processing, and accounts receivable management.

Creating the Systemwide Revenue Cycle Committee

Issue

The U. T. System health institutions have a number of “best practices” and “experts;” however, there is little awareness and coordination among the campuses.

Recommendations

Create a Systemwide Revenue Cycle Committee (Committee):

- Disseminate “best practices”
- Empower members for campus action
- Leverage “experts” as advisory and temporary technical consultants
- Network revenue cycle operations and information technology personnel

Governance Observation

The Task Force endorses the hybrid organizational model with central oversight of the decentralized business centers.

Automating Revenue Cycle Operations

Issue

Some U. T. System health institutions have electronic tools that enhance revenue cycle processes beyond the information systems for medical billing and electronic medical records. Institutions are challenged with securing funding for these business applications.

Recommendations

- Office of Health Affairs (OHA) will develop and administer a competitive loan program for the "seed money" required to implement innovative solutions.
- Committee will inventory Systemwide technology solutions implemented or planned.
- Committee will explore technology solutions for insurance verification and advanced beneficiary notices.
- The Task Force endorses transparency at each campus by publishing meaningful, easy-to-understand revenue cycle operational reports.

Simplifying Administrative Processes

Issue	Recommendations
U. T. System health institutions are inundated with paperwork, struggle with administrative/ regulatory issues, and/or receive inconsistent and incomplete patient information.	OHA will pursue a legislative strategy to alleviate administrative burden of small balances (debits and credits) and consult attorneys on legality of small balance write-offs. OHA will coordinate activities with Health and Human Services Commission on new programs and generic denial code. Committee will facilitate analysis of issuing a single bill for patients at hospital-based institutions. Create high-level awareness with affiliated hospital partners on criticality of transmitted information.

Conclusion

The strength, innovation, and creativity of the U. T. System reside in the talented and dedicated personnel across the System.

The Task Force believes creating a Systemwide Revenue Cycle Committee, automating the revenue cycle operations, and simplifying administrative processes will produce more efficient and effective results across the U. T. System health institutions. Critical success factors include leveraging the “U. T. System experts” and establishing a loan program to facilitate the adoption of the recommendations and best practices contained in this report.

6. U. T. System: Quarterly report on health matters, including the impact of proposed health care legislation on U. T. System institutions and next steps in health information technology for the State of Texas

REPORT

Executive Vice Chancellor Shine will report on health matters of interest to the U. T. System, including the impact of proposed health care legislation on U. T. System institutions and next steps in health information technology for the State of Texas. This is a quarterly update to the Health Affairs Committee of the U. T. System Board of Regents.

* * * * *

Friday, February 5, 2010

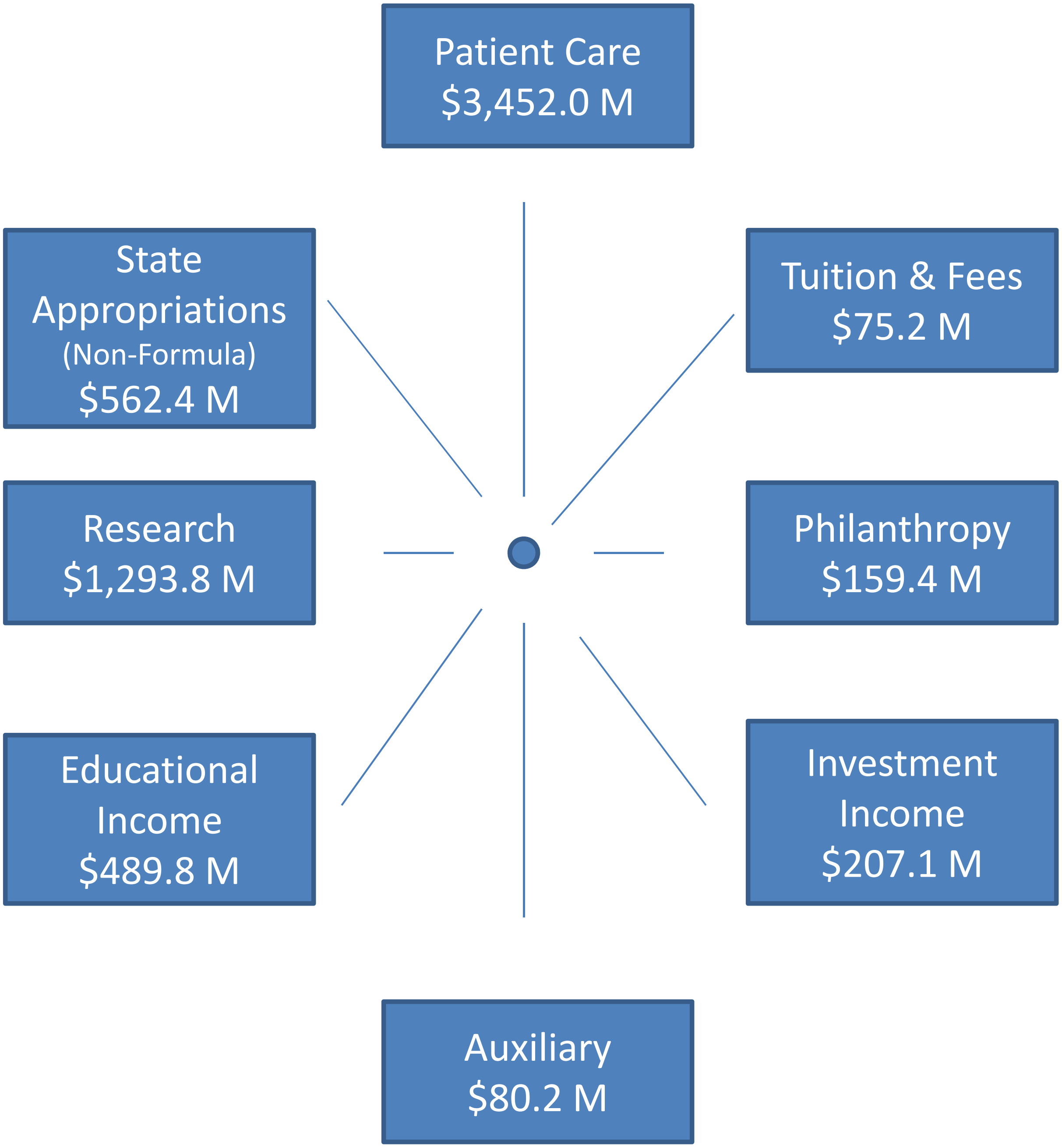
SPECIAL MEETING OF THE HEALTH AFFAIRS COMMITTEE

7. U. T. System: Funding streams for health institutions -- opportunities and challenges

DISCUSSION

Executive Vice Chancellor Shine will lead a discussion related to funding streams for health institutions using the charts set forth on Pages 251 - 266.

UT Health-Related Institutions
Activities & Funds



FY 2007 Data

Feb 2010 Health Affairs

UT Health-Related Institutions
Activities & Funds

[1] **Patient Care:** Represents hospital and physician clinical revenue.

[2] **State Appropriations**: General Revenue, including direct hospital support, patient based formula funding and employee benefits, but not I&O, Infrastructure, Research & GME formulas.

[3] **Educational Income:** Includes General Revenue from I&O, Infrastructure, Research & GME formulas and revenue from “Net Sales and Services of Educational Activities" in FY2007 Actual Budget data.

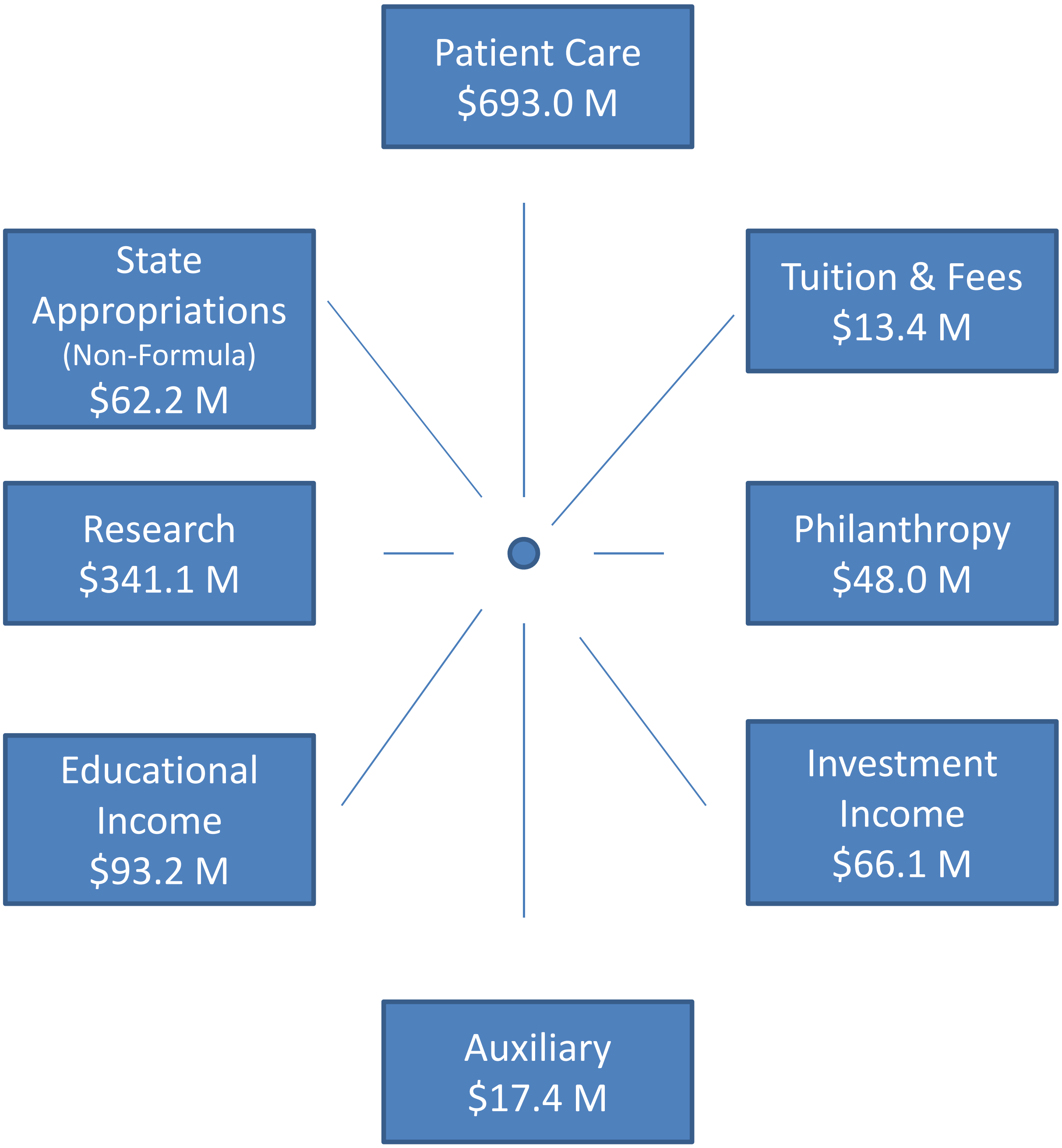
[4] **Research:** Based on report to THECB, not the "Sponsored Programs" revenue or the "Research Operating Expenses" in the FY2007 Actual Budget data.

[5] **Philanthropy:** Represents "Gifts in Support of Operations" in FY2007 Actual Budget data.

[6] **Investment Income:** Represents “Net Investment Income” in FY2007 Actual Budget data.

[7] **Auxiliary:** Represents “Net Auxiliary Enterprises” in FY2007 Actual Budget data.

UT Southwestern
Activities & Funds

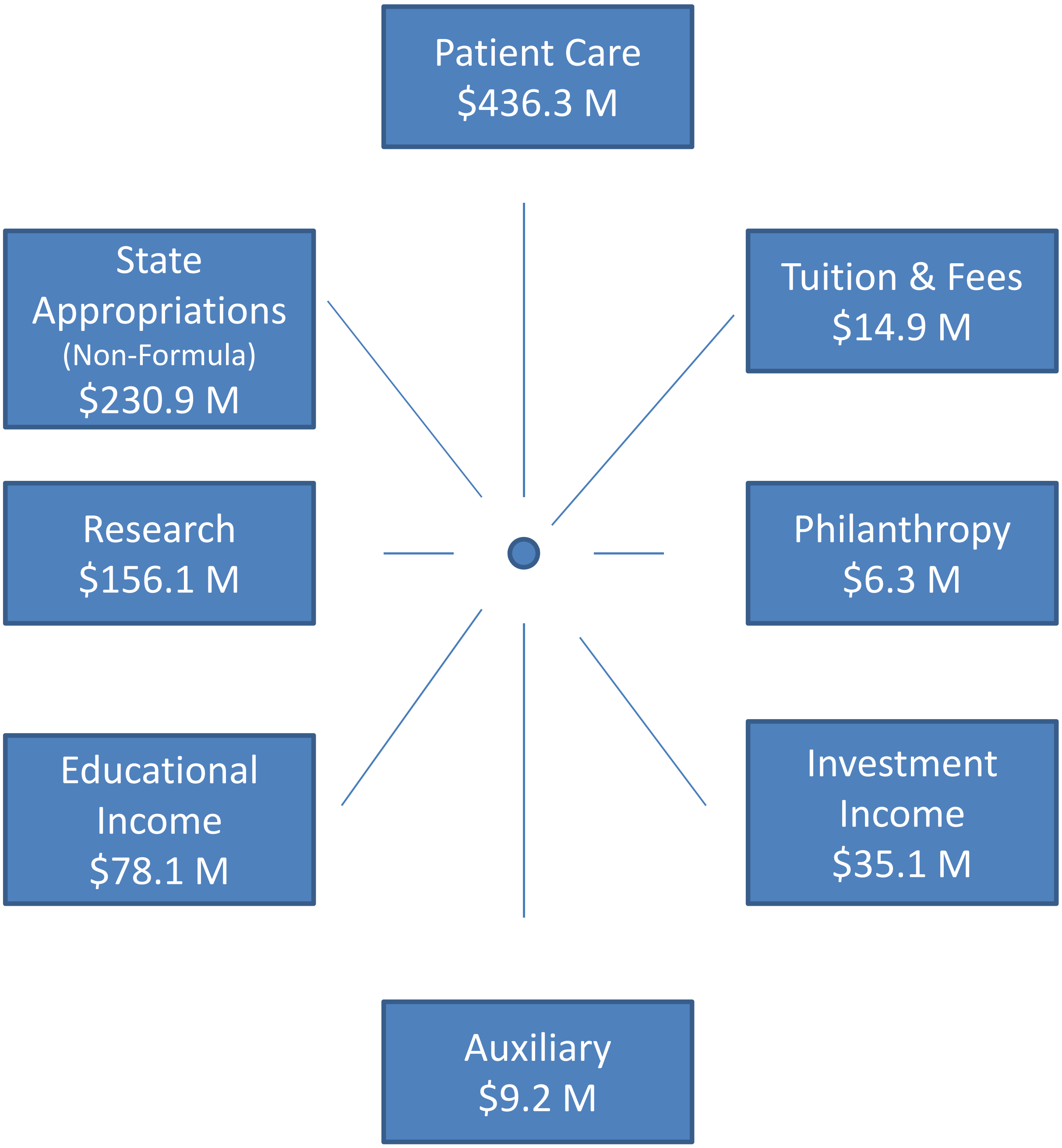


FY 2007 Data

Feb 2010 Health Affairs

UT Medical Branch at Galveston

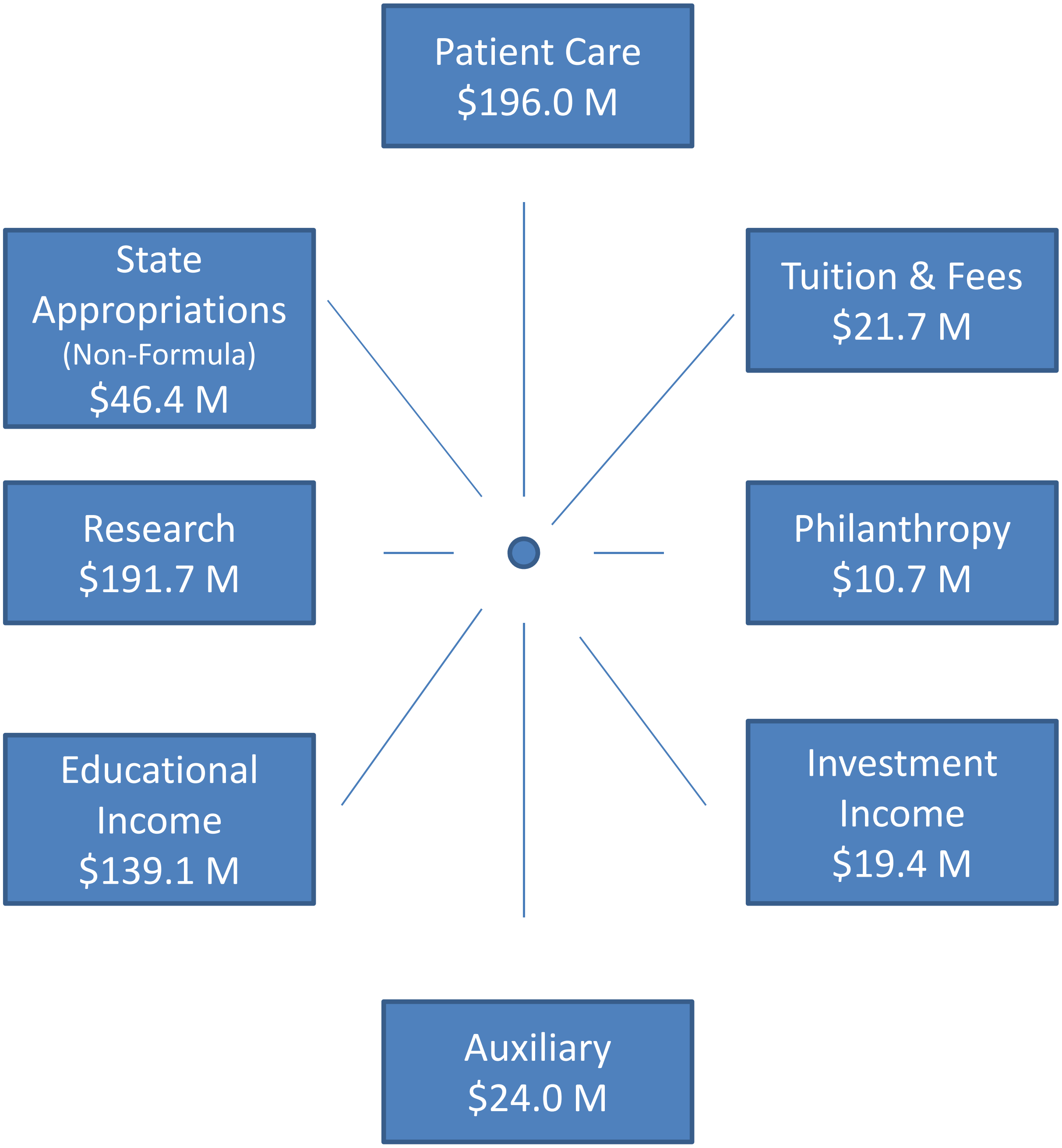
Activities & Funds



FY 2007 Data

Feb 2010 Health Affairs

UT HSC Houston
Activities & Funds

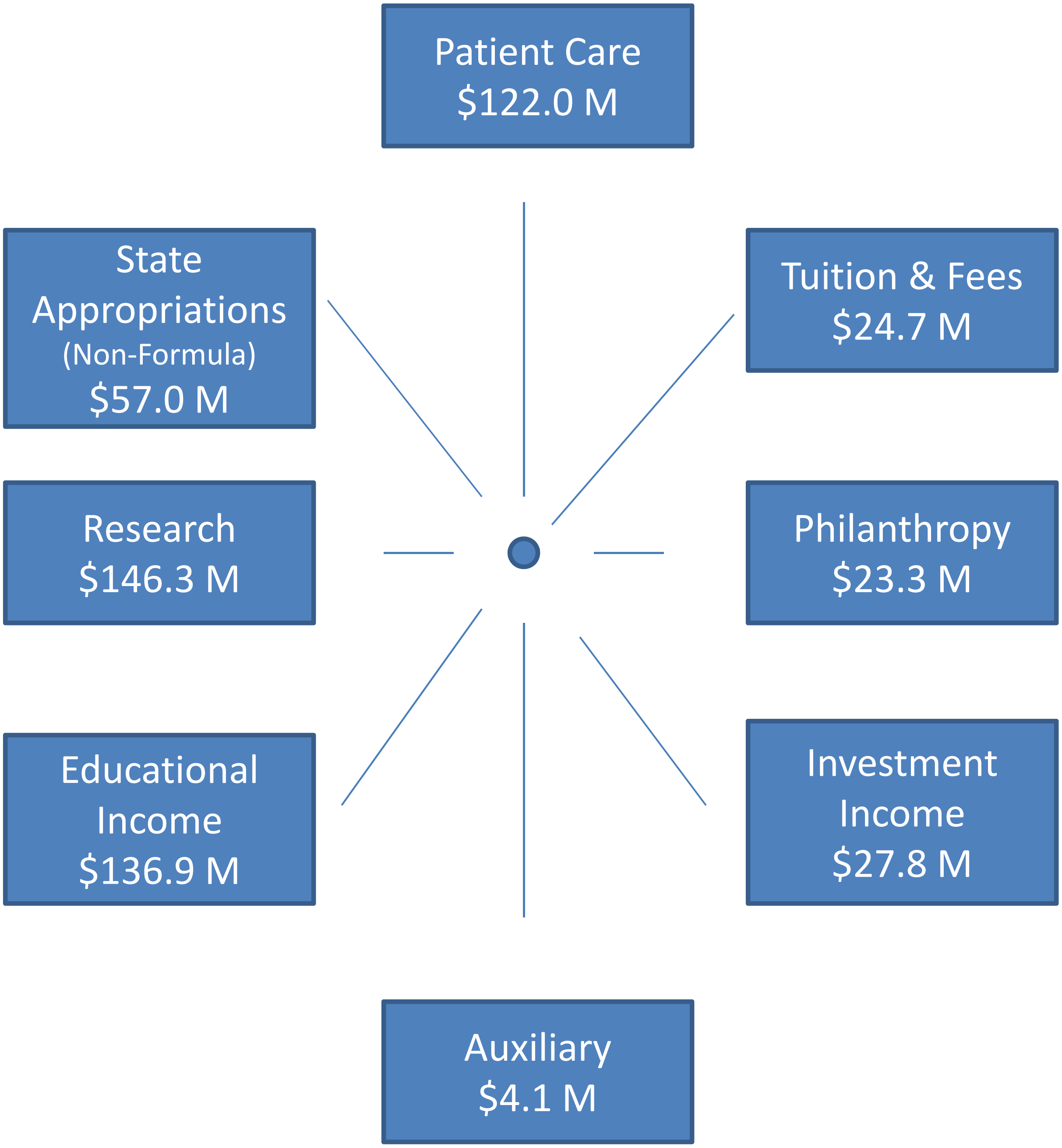


FY 2007 Data

Feb 2010 Health Affairs

UT HSC San Antonio

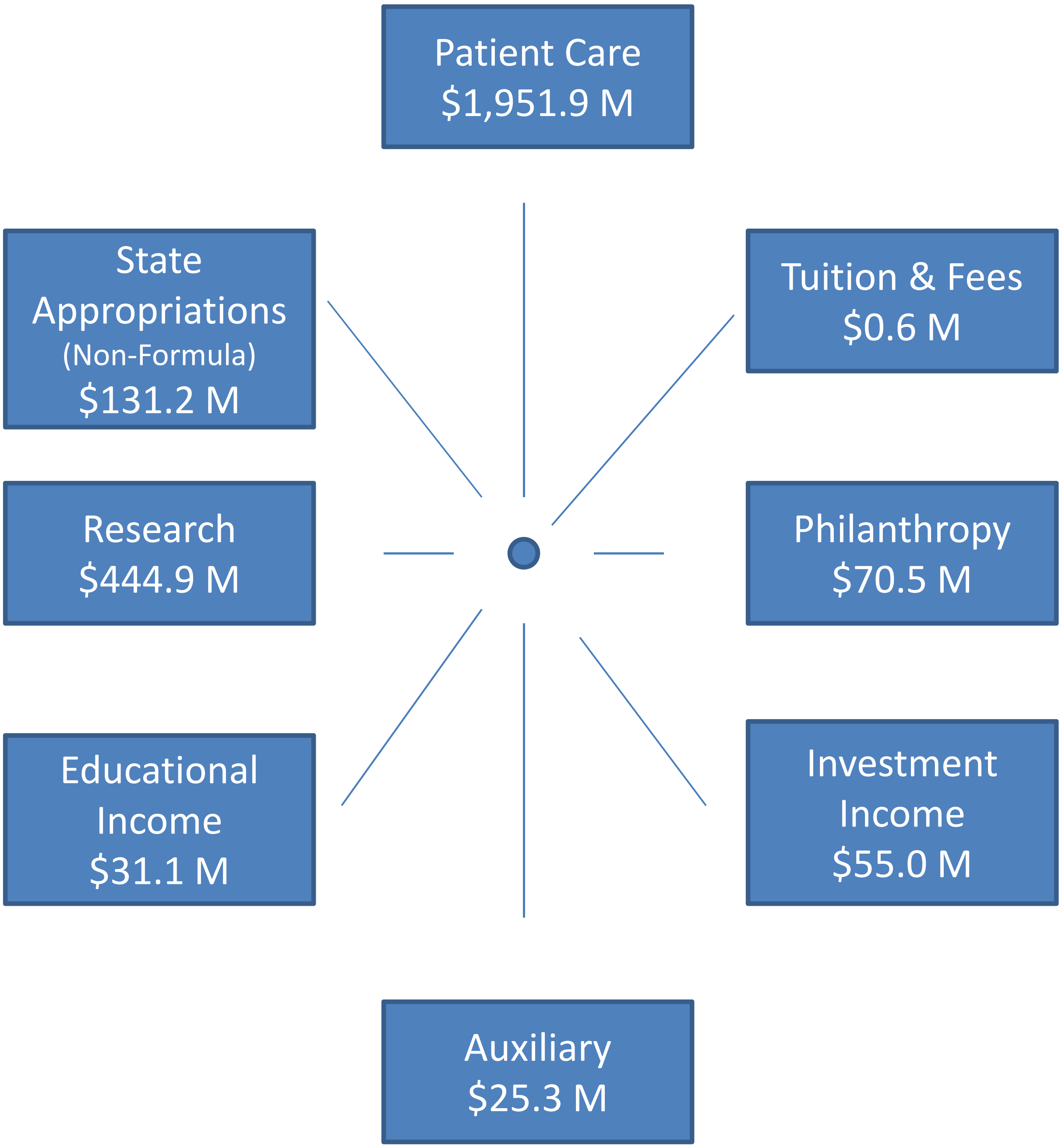
Activities & Funds



FY 2007 Data

Feb 2010 Health Affairs

UT MD Anderson
Activities & Funds

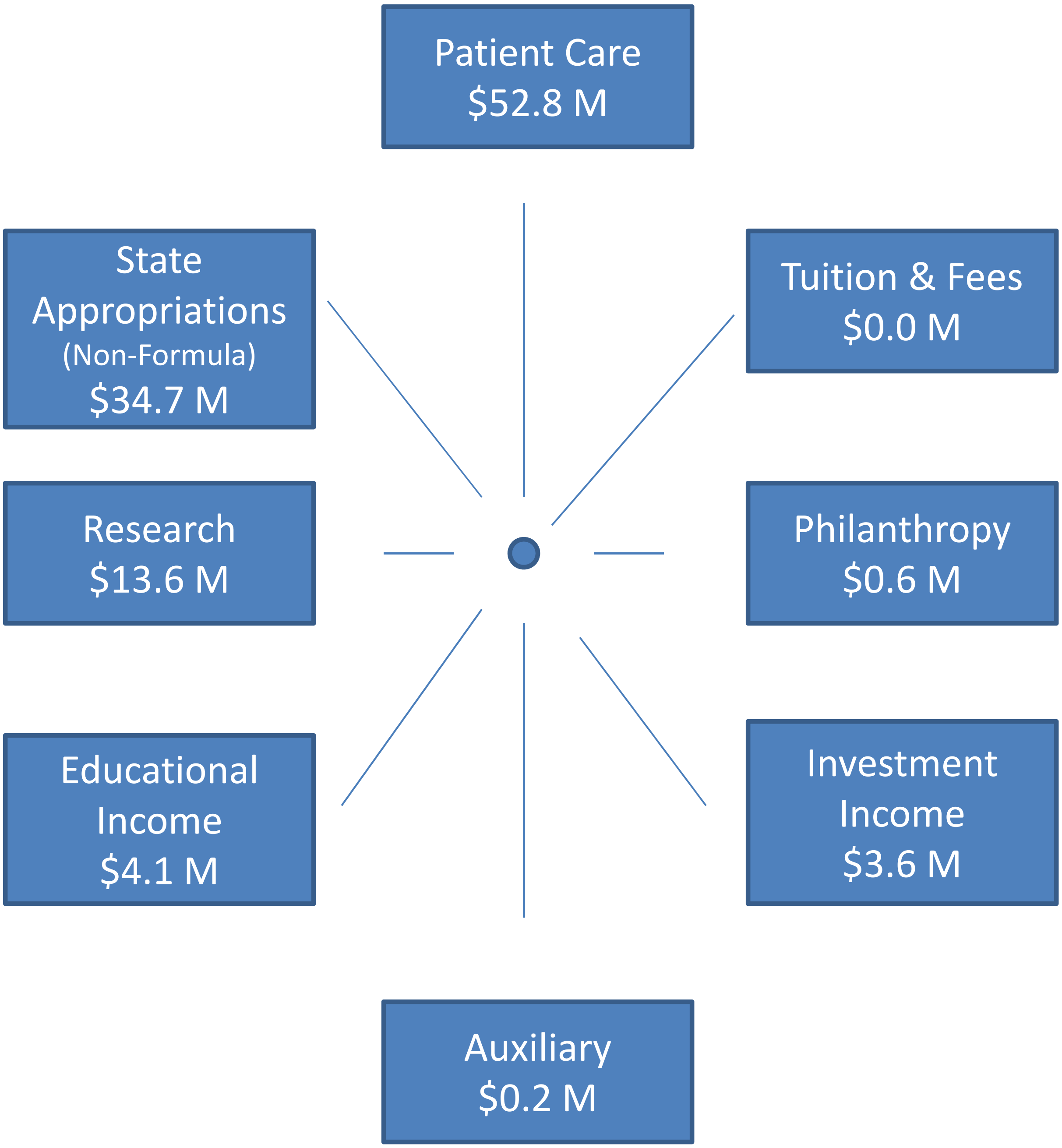


FY 2007 Data

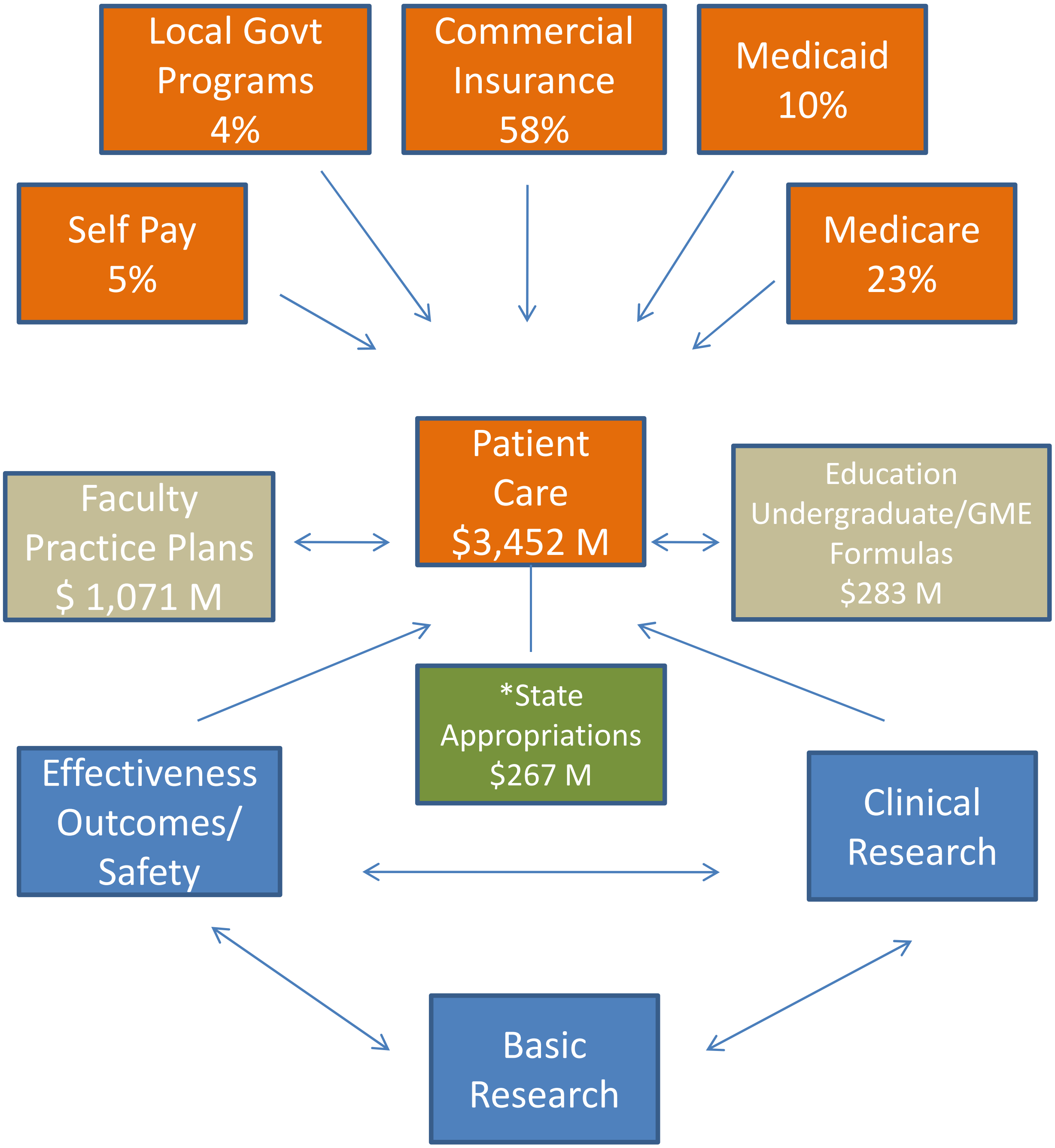
Feb. 2010 Health Affairs

UT HSC Tyler

Activities & Funds



UT HEALTH-RELATED INSTITUTIONS
Clinical Enterprise



*Direct Hospital Support (UTMB, MDACC, HSCT); Patient Based Formula Funding (HSCT, MDACC) ; Indigent Care Fund (UTMB)

TDCJ Correctional Managed Health Care revenue of $300 M is not included above.

FY 2007 Data

Feb 2010 Health Affairs

UT HEALTH-RELATED INSTITUTIONS

Clinical Enterprise

Notes

Patient Care includes UT hospital and practice plan net patient revenue, patient care revenue paid to practice plans by county/affiliate hospitals, physician UPL for FY 2007 services, mental health community hospital revenue. It excludes physician UPL for prior years' services.

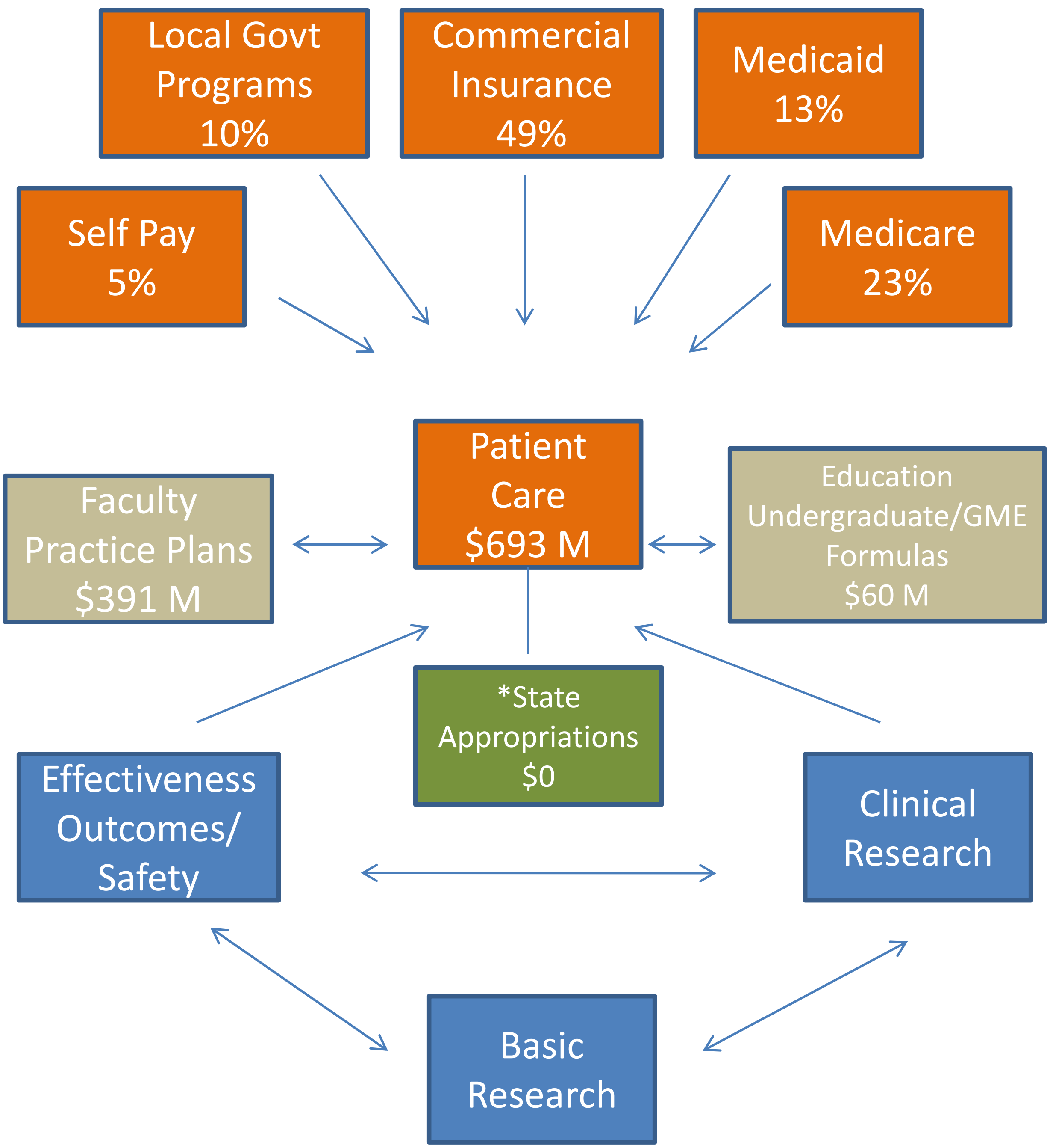
The revenue mix per category is based on the patient's primary payer and includes an apportionment of county/affiliate hospital general patient care revenue where applicable.

Local government programs reflect contractual relationships between UT Southwestern and Parkland Health & Hospital System, UT HSC Houston and Harris County Hospital District, and UT HSC San Antonio and Bexar County's University Health System for care by UT physicians at hospital district facilities for patients who have no other primary payer and qualify for the programs. For UT HSC Houston, local government programs also include revenue at the Harris County Psychiatric Center for those patients whose care is primarily funded by local and state funds for mental health community hospitals.

Self Pay includes revenues where the patient or the patient's family is the primary payer for care. This includes patients who are uninsured, underinsured, or receiving noncovered, elective treatment as well as international patients.

The amount in the box titled "Education Undergraduate/GME Formulas" is FY 2007 state general revenue from the Instruction & Operations (I&O) formula and the GME formula.

UT Southwestern Clinical Enterprise

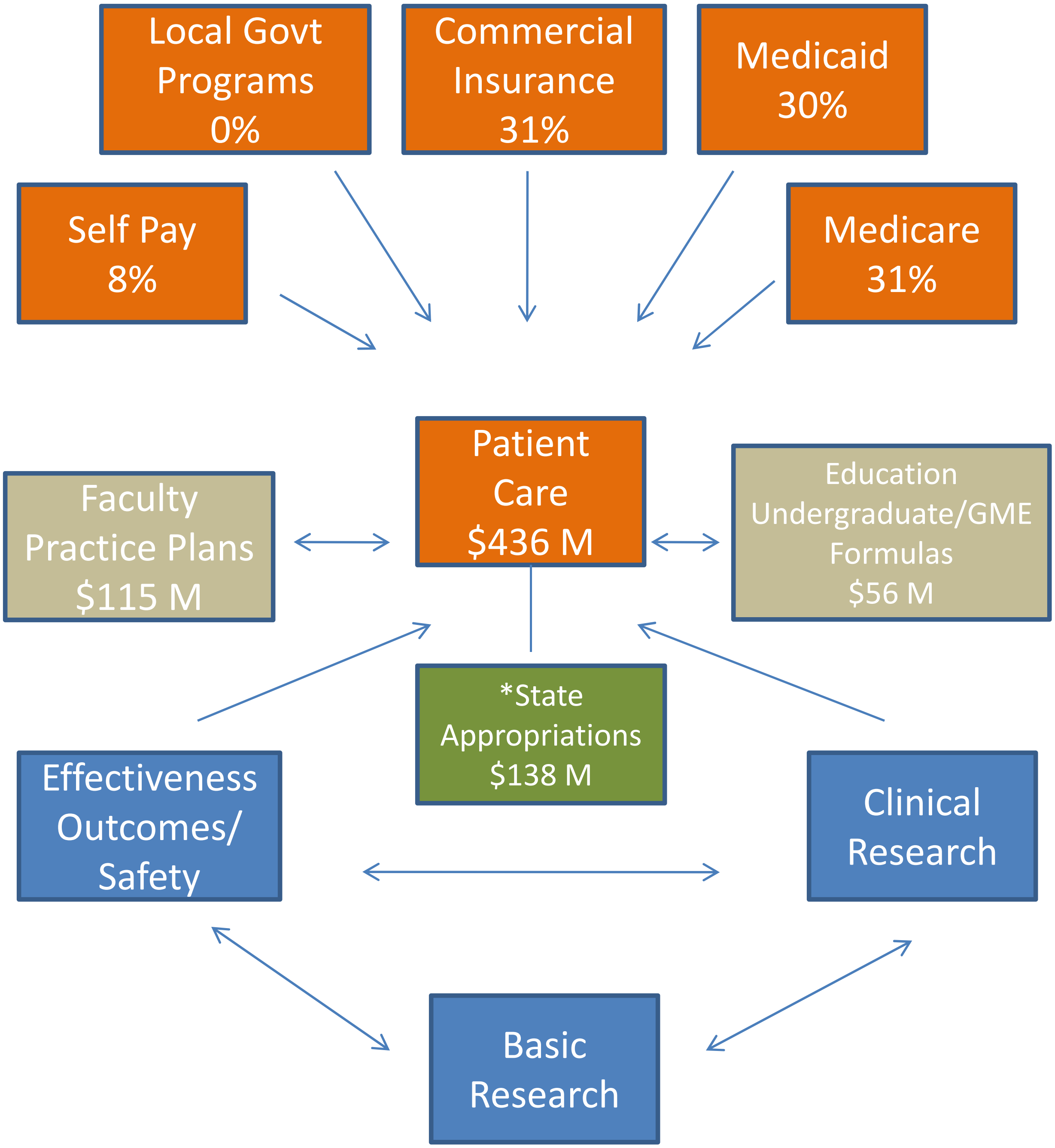


*Direct Hospital Support (UTMB, MDACC, HSCT); Patient Based Formula Funding (HSCT, MDACC) ; Indigent Care Fund (UTMB)

FY 2007 Data

Feb 2010 Health Affairs

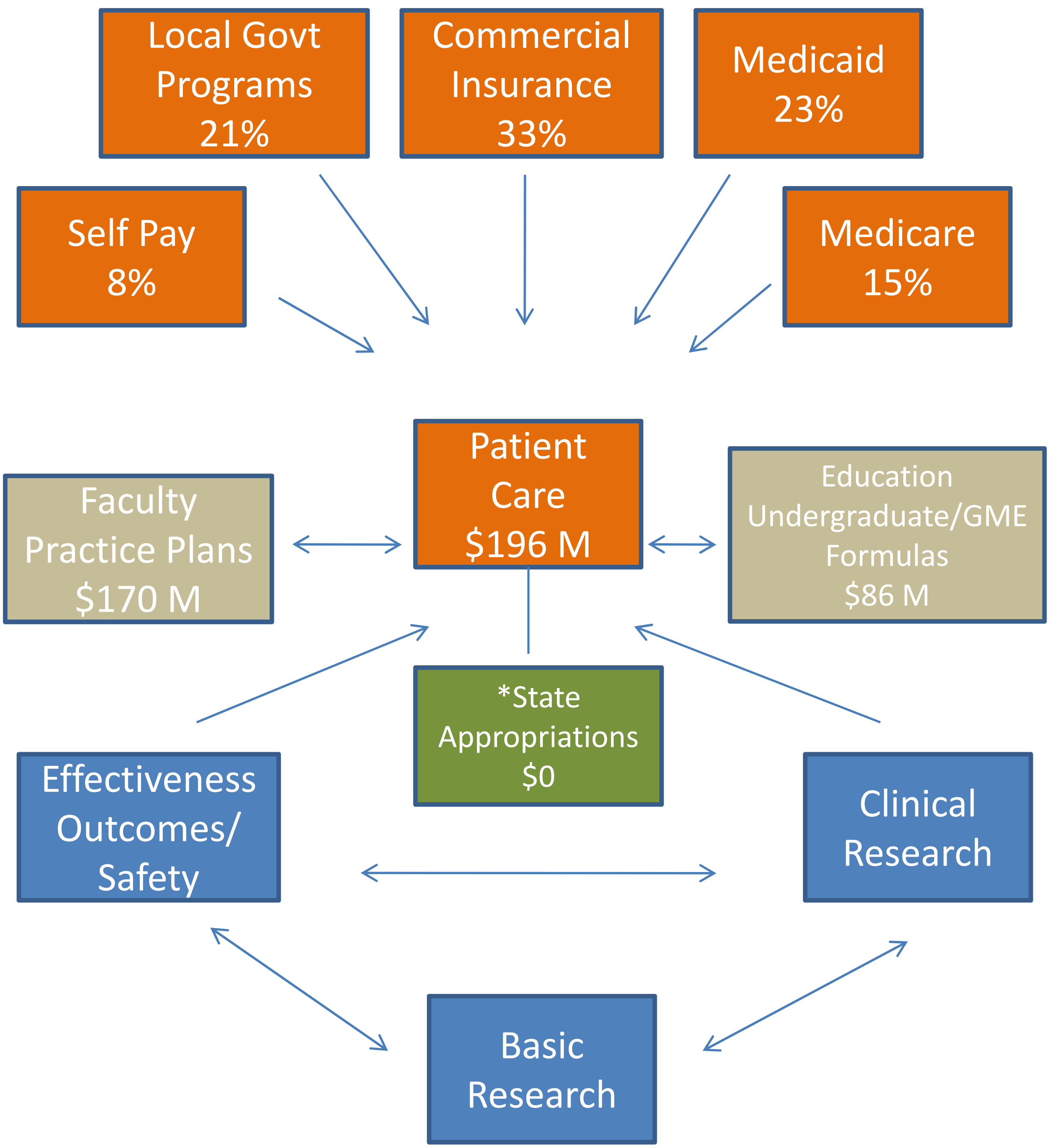
UT Medical Branch at Galveston
Clinical Enterprise



*Direct Hospital Support (UTMB, MDACC, HSCT); Patient Based Formula Funding (HSCT, MDACC) ; Indigent Care Fund (UTMB)
TDCJ Correctional Managed Health Care revenue of $300 M is not included above.

FY 2007 Data — Feb 2010 Health Affairs

UT HSC Houston
Clinical Enterprise

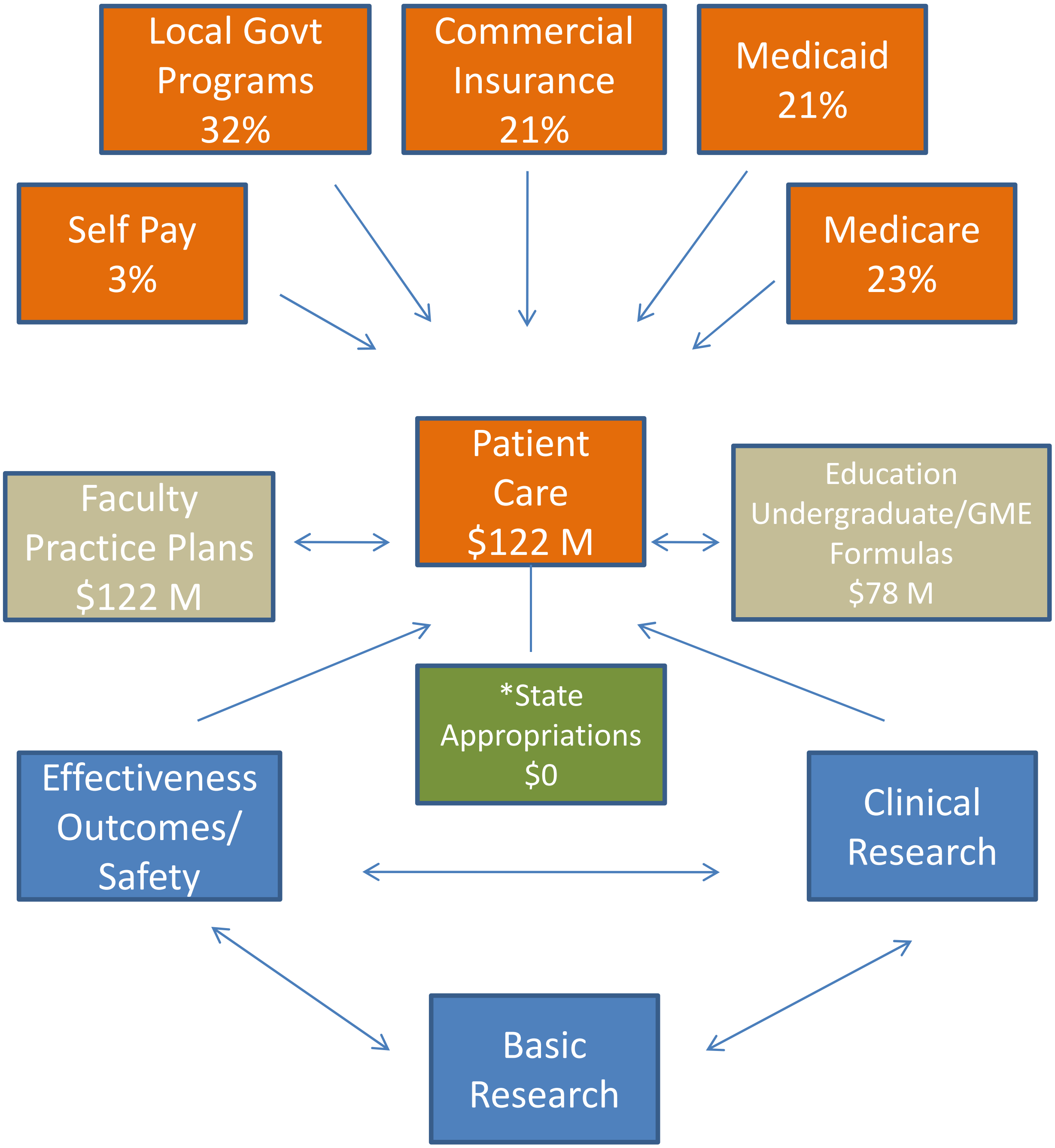


*Direct Hospital Support (UTMB, MDACC, HSCT); Patient Based Formula Funding (HSCT, MDACC) ; Indigent Care Fund (UTMB)

FY 2007 Data

Feb 2010 Health Affairs

UT HSC San Antonio
Clinical Enterprise

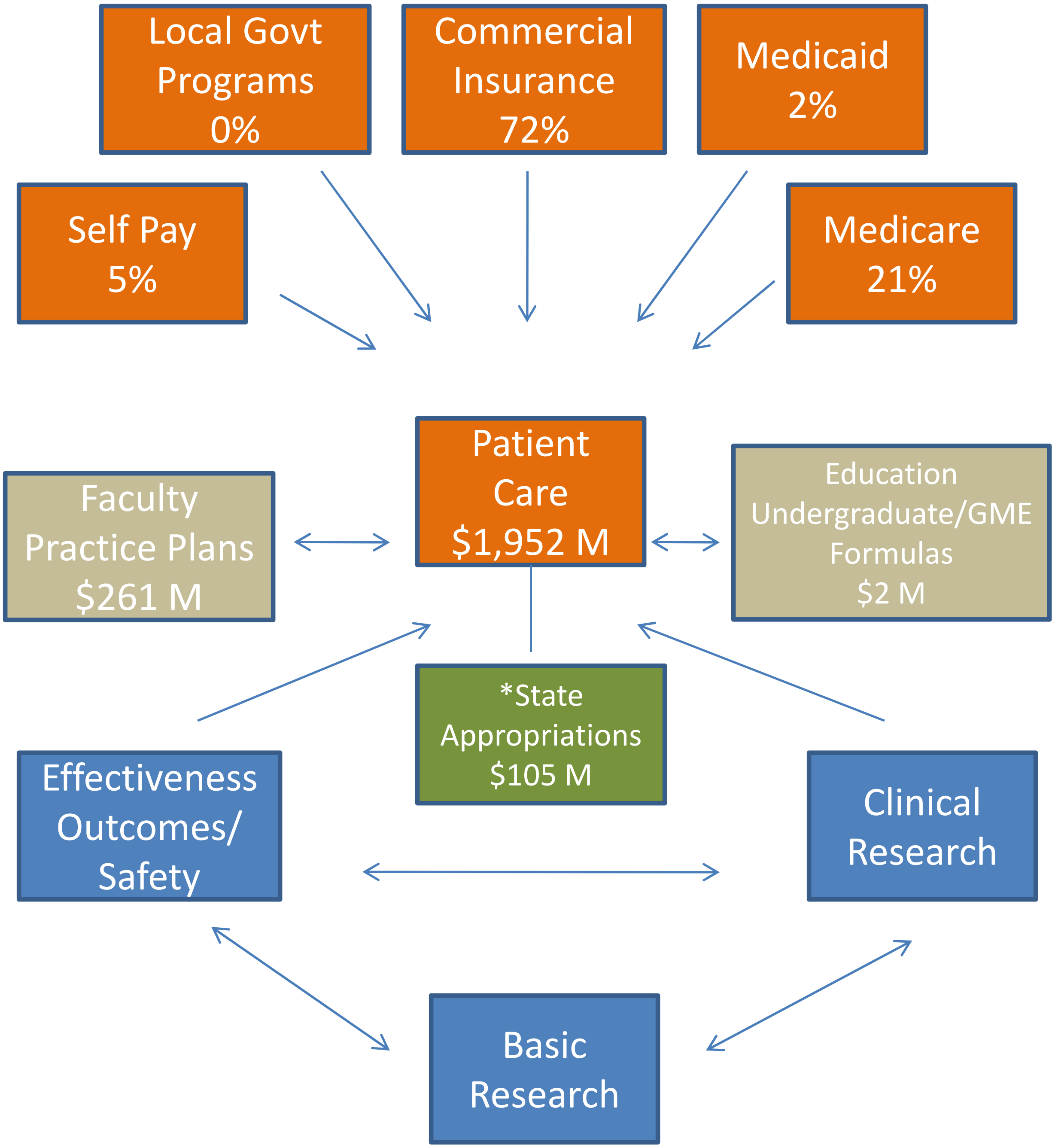


*Direct Hospital Support (UTMB, MDACC, HSCT); Patient Based Formula Funding (HSCT, MDACC) ; Indigent Care Fund (UTMB)

FY 2007 Data

Feb 2010 Health Affairs

UT MD Anderson
Clinical Enterprise

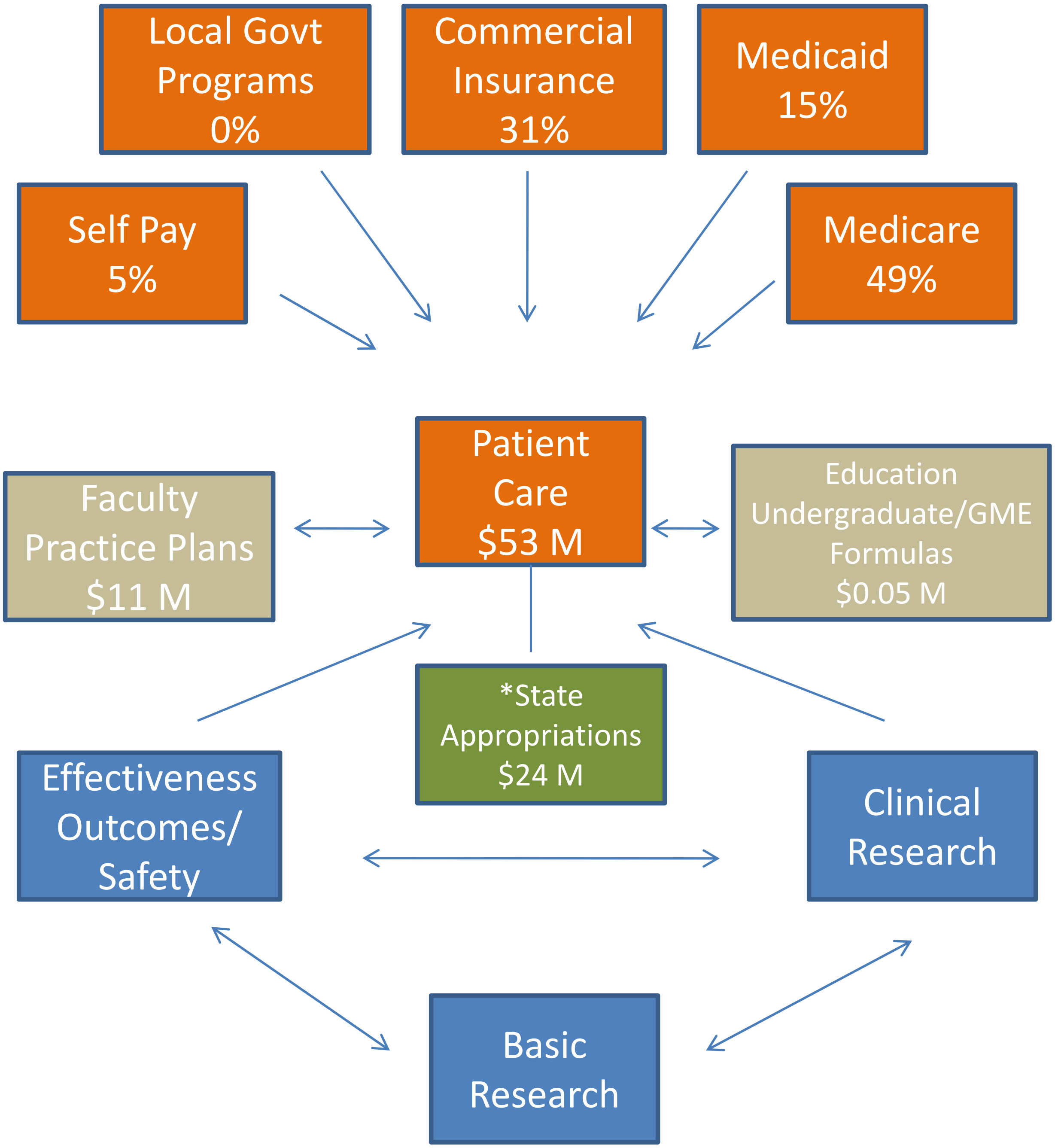


*Direct Hospital Support (UTMB, MDACC, HSCT); Patient Based Formula Funding (HSCT, MDACC) ; Indigent Care Fund (UTMB)

FY 2007 Data

Feb 2010 Health Affairs

UT HSC Tyler
Clinical Enterprise



*Direct Hospital Support (UTMB, MDACC, HSCT); Patient Based Formula Funding (HSCT, MDACC) ; Indigent Care Fund (UTMB)

FY 2007 Data

Feb 2010 Health Affairs

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FOR
FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

Committee Meeting: 2/4/2010

Board Meeting: 2/5/2010
Dallas, Texas

Printice L. Gary, Chairman
James D. Dannenbaum
R. Steven Hicks
Wm. Eugene Powell

	Committee Meeting	Board Meeting	Page
<u>Campus Master Plan Update</u>			
6. **U. T. Medical Branch – Galveston: Campus Master Plan update**	*1:30 p.m.* **Report** *Mr. O'Donnell* *President Callender* *Mr. Louden, FPC* *Mr. Andrews, PGAL*	Not on Agenda	**274**
Adjourn	*2:00 p.m.*		

1. **U. T. Austin: Engineering Education and Research Building - Amendment of the FY 2010-2015 Capital Improvement Program to include project (Preliminary Board approval)**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2010-2015 Capital Improvement Program (CIP) to include the Engineering Education and Research Building project at The University of Texas at Austin as follows:

Project No.:	102-556	
Project Delivery Method:	Construction Manager at Risk	
Substantial Completion Date:	June 2015	
Total Project Cost:	Source	Proposed
	Gifts	$100,000,000
	Revenue Financing System Bond Proceeds	$185,000,000
	Unexpended Plant Funds	$ 5,000,000
		$290,000,000

Investment Metrics:

By 2013

- Enable top-10 ranked Department of Electrical and Computer Engineering (ECE) to expand from 65 faculty to 74 faculty and from 300 Ph.D. students to 480 Ph.D. students thereby doubling the current level of $14M of annual research expenditure in ECE
- Interdisciplinary research space will allow adding 24 new faculty and 192 Ph.D. students in priority areas of the research programs with an estimated annual increase of $14M in research expenditures
- New teaching labs will allow innovations in curriculum, improve ability to attract top undergraduate students, increase graduation rates, and improve student learning outcomes
- Centralize student facilities and learning space to improve the student experience, leading to greater student success, and enable opportunities to collaborate in programmed space

BACKGROUND INFORMATION

The Engineering Education and Research Building (EERB) will provide approximately 421,500 gross square feet of critically needed education and research space for the Cockrell School of Engineering. The EERB is the first and highest priority project in the Strategic Master Plan for engineering facilities (see Item 3 on Page 222 of the Academic Affairs Committee). The building will replace the Engineering Sciences Building, which is functionally obsolete and has significant deferred maintenance, and two temporary buildings: Computer Science Annex and the Academic Annex. The EERB is central to achieving the Cockrell School of Engineering's vision to become a global center for technology innovation, engineering education, and entrepreneurship. Through modular laboratories and integration of undergraduate education, interdisciplinary graduate research, and the ECE, the EERB will bring a new paradigm for engineering education and research to U. T. Austin.

The proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of the expenditure of funding will be presented to the Board for approval at a later date.

2. U. T. Austin: Texas Union Building Renovation - Amendment of the FY 2010-2015 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2010-2015 Capital Improvement Program (CIP) to include the Texas Union Building Renovation project at The University of Texas at Austin as follows:

Project No.:	102-569	
Project Delivery Method:	Construction Manager at Risk	
Substantial Completion Date:	December 2013	
Total Project Cost:	Source	Proposed
	Revenue Financing System Bond Proceeds	$11,000,000

a. approve a total project cost of $11,000,000 with funding from Revenue Financing System Bond Proceeds;

b. appropriate funds; and

c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $11,000,000.

BACKGROUND INFORMATION

Debt Service

The $11,000,000 in Revenue Financing System debt will be repaid from auxiliary enterprise revenues. Annual debt service on the $11,000,000 Revenue Financing System debt is expected to be $799,138. The institution's debt service coverage is expected to be at least 1.8 times and average 2.0 times over FY 2010-2015. Approximately $500,000 of the aggregate $11,000,000 Revenue Financing System debt proceeds is anticipated to be used for interest expense during construction.

Project Description

The proposed project involves fire sprinkler system installation, mechanical system replacement and maintenance along with other interior and exterior building renovations. The upgrade will extend the useful life of the building and address Texas Union infrastructure concerns including Ballroom humidity, kitchen, sewer, and heating, ventilation, and air conditioning (HVAC) zoning issues, electrical power availability, life safety and building code compliance, and waterproofing issues.

This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the Chancellor at a later date.

3. U. T. San Antonio: East Parking Garage - Amendment of the FY 2010-2015 Capital Improvement Program to include project (Preliminary Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Romo that the U. T. System Board of Regents amend the FY 2010-2015 Capital Improvement Program (CIP) to include the East Parking Garage project at The University of Texas at San Antonio as follows:

Project No.:	401-568	
Project Delivery Method:	Design Build	
Substantial Completion Date:	June 2012	
Total Project Cost:	Source	Proposed
	Revenue Financing System Bond Proceeds	$22,000,000
	Auxiliary Enterprise Balances	$ 8,000,000
		$30,000,000

Investment Metrics: By 2012

- Increase number of parking spaces on the Main Campus by a net of approximately 800 spaces
- Increase number of parking spaces without a net increase in the land area consumed by parking, leaving land available for other uses

BACKGROUND INFORMATION

The proposed parking garage will consist of a new multistory facility containing approximately 1,200 parking spaces to be located on an existing parking lot. The garage will increase the number of parking spaces to meet the demands of growth in enrollment without a net increase in the land area consumed by parking, leaving land available for other uses including future buildings. Funding for the project will be contingent upon approval of the parking permit rate increase at the March 2010 Board meeting.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date.

4. U. T. Southwestern Medical Center – Dallas: Children's Medical Center Pediatric Research Institute - Amendment of the FY 2010-2015 Capital Improvement Program to include project; approval of total project cost; authorization of institutional management; appropriation of funds; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Podolsky that the U. T. System Board of Regents amend the FY 2010-2015 Capital Improvement Program (CIP) to include the Children's Medical Center Pediatric Research Institute project at The University of Texas Southwestern Medical Center at Dallas as follows:

Project No.:	303-567	
Institutionally Managed:	Yes ☒ No ☐	
Project Delivery Method:	Construction Manager at Risk	
Substantial Completion Date:	January 2012	
Total Project Cost:	Source	Proposed
	Revenue Financing System Bond Proceeds	$15,400,000

a. approve a total project cost of $15,400,000 with funding from Revenue Financing System Bond Proceeds;

b. authorize U. T. Southwestern Medical Center – Dallas to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts;

c. appropriate funds; and

d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. Southwestern Medical Center – Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $15,400,000.

BACKGROUND INFORMATION

Debt Service

The $15,400,000 in Revenue Financing System debt will be repaid from rental payments from the Children's Medical Center. Annual debt service on the $15,400,000 Revenue Financing System debt is expected to be $1,235,735. The institution's debt service coverage is expected to be at least 1.6 times and average 2.2 times over FY 2010-2015.

Project Description

The proposed project for the construction of a Children's Medical Center Pediatric Research Institute involves finish-out of interior space located on Levels 11 and 12 of the North Campus Phase 5 Building, which is under construction. The total area of the Pediatric Research Institute is 55,832 gross square feet. The shell-out space has not previously been assigned and is not included in the current funding for the Phase 5 project. The purpose of the Institute is to provide funding for U. T. Southwestern Medical Center – Dallas faculty to conduct basic research in childhood diseases.

The Institute will be operated as a joint venture between U. T. Southwestern Medical Center – Dallas and Children's Medical Center of Dallas.

The proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the President at a later date. It has been determined that this project would best be managed by the U. T. Southwestern Medical Center – Dallas Facility Management personnel who have the experience and capability to manage all aspects of the work.

5. **U. T. San Antonio: Multifunction Office Buildings 1 and 2 - Amendment of the FY 2010-2015 Capital Improvement Program to redesignate the project as the Multifunction Office Building; approval of design development; appropriation of funds and authorization of expenditure; and approval of evaluation of alternative energy economic feasibility (Final Board approval)**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Romo that the U. T. System Board of Regents approve the recommendations for the Multifunction Office Buildings 1 and 2 project at The University of Texas at San Antonio as follows:

Project No.:	401-502	
Project Delivery Method:	Construction Manager at Risk	
Substantial Completion Date:	April 2011	
Total Project Cost:	Source Designated Funds	Current $15,250,000
Investment Metrics:	By 2011 • Add 49,000 net assignable square feet to make more educational and general space available in core campus buildings • Reduce overall campus educational and general space deficit	

a. amend the FY 2010-2015 Capital Improvement Program (CIP) to redesignate the project as the Multifunction Office Building;

b. approve design development plans;

c. appropriate funds and authorize expenditure of funds; and

d. approve the evaluation of alternative energy economic feasibility.

BACKGROUND INFORMATION

Previous Board Actions

On February 12, 2009, the project was included in the CIP with a total project cost of $4,750,000 with funding from Designated Funds and was approved for institutional management. On August 20, 2009, the Board approved the increase to the total project cost to $15,250,000 with funding from Designated Funds and authorized Office of Facilities Planning and Construction management.

Project Description

The project will house additional office and administrative space by providing two buildings joined by an enclosed second floor connection with a combined 75,000 gross square feet (GSF) of space, separated by an interior courtyard. The buildings are being designated as one building and will be located on the 1604 Campus between the Humanities and Social Sciences Building and the North Parking Garage. Moving administrative functions to the new building will free up classroom space in core academic buildings to support the increased student population.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 50-75 years
- Building Systems: 15-25 years
- Interior Construction: 15-25 years

The exterior appearance and finish are consistent with existing campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with existing campus buildings.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

6. U. T. Medical Branch – Galveston: Campus Master Plan update

REPORT

President Callender and Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction, will present the 2010 Campus Master Plan for U. T. Medical Branch – Galveston (UTMB) along with Mr. Jay Louden, Senior Associate from the architectural firm of Ford, Powell & Carson Architects, and Mr. David Andrews, Principal from the architectural firm of PGAL that developed the framework to support the guidelines for additions and improvements to UTMB's physical environment for the next 20 to 25 years. The PowerPoint presentation is set forth on Pages 276 - 297.

UTMB's Campus Master Plan was approved by the U. T. System Board of Regents in August 2000. At that time, the University anticipated updating the Plan every 7 to 10 years and that is the intent of this Campus Master Plan update.

Executive Summary

The Campus Master Plan addresses the two UTMB campuses - the Main Campus and the Victory Lakes Campus. The Campus Master Plan was reviewed in the context of the significant impact of Hurricane Ike and the acquisition of the Victory Lakes property approximately 20 miles north of the Main Campus.

The goals for the plan include a long-term strategy to accommodate growth of academic and research space; reinforcement of the campus as part of the healing environment; enhancing opportunities for the continued modernization and replacement of aging clinical facilities; provision for student housing and amenities; improving the campus identity, including improved campus entrances; and creating a flexible framework that will allow solutions for future facility needs.

THE UNIVERSITY OF TEXAS MEDICAL BRANCH

UTMB Master Facilities Plan

2010-2035

UTMB

The Case for a New Master Plan

Previous plan developed in 2000

New issues/considerations

- **Hurricane Ike and mitigation response**
- **Acquisition of 64 acres for Victory Lakes campus**
- **Reassessment of Galveston campus program size, land use**

Changes from previous plan

- **Focus development in eastern portions of Galveston campus**
- **Balance clinical facilities in Galveston with mainland strategy**
- **Reassignment of some Galveston space to noncritical uses**

In Support of Continued Excellence

4 health sciences schools

- 2,460 students, 883 faculty, 499 residents
- State's first schools of medicine, nursing and health professions
- 20,371 alumni; 10% of practicing doctors and 30% of physician assistants in Texas
- Medical and nursing students continually score well above national average
- Nationally recognized graduate programs in rehabilitation sciences physician assistant studies, occupational therapy, physical therapy

World-class research

- ~$150 million in sponsored research ($158 million in FY08); 234 NIH grants in FY09; 7 medical departments among top 20 in NIH funding
- 1 of 2 national labs dedicated to infectious diseases research; largest vaccine effort at any U.S. university
- Proven strengths in molecular medicine, translational research – key to future health of growing, aging population

In Support of Continued Excellence

Health System with full range of inpatient and outpatient services

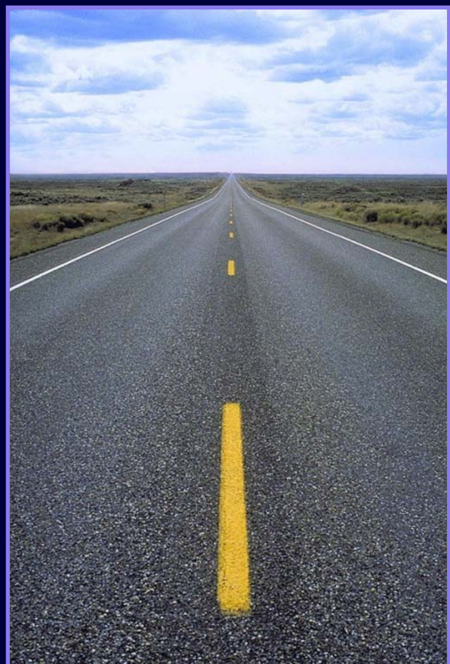
- 41 clinics, 398 beds
- 20,449 admissions; 521,764 clinic visits; 15,296 emergency room visits (FY09)
- Level 1 Trauma Center #1 in nation prior to Ike

Community/Regional Presence

- $1.5 billion budget (FY10)
- 11,600 employees
- Statewide business volume impact: $1 billion*
- Galveston Campus: 80 acres/80 major buildings
- Victory Lakes: 64 acres/100,000 square foot patient care facility

*2007 economic impact study

The Road Ahead



www.utmb.edu/strategic_vision

Faculty Recruitment

- Expand priority research programs
- Increase clinical service and revenue
- Support planned enrollment growth

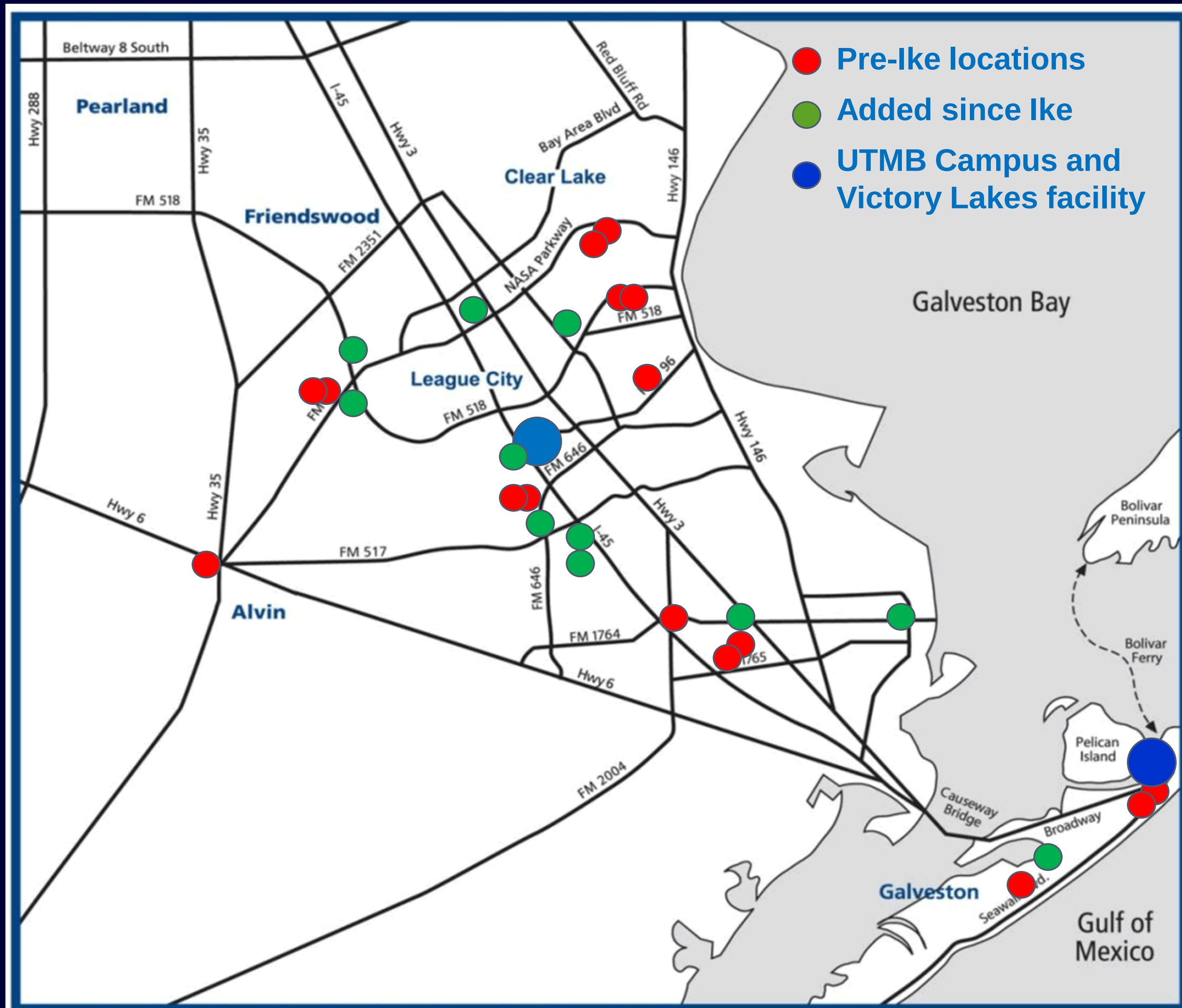
Health System Capacity Management

- Meet patient needs
- Support academic programs
- Increase revenue

Facilities Restoration and Expansion

- Repair/mitigate Hurricane Ike damage
- Renovate/modernize existing facilities
- Plan for facilities expansion

UTMB Sites


Pre-Ike locations
Added since Ike
UTMB Campus and Victory Lakes facility
Galveston Bay
Gulf of Mexico
Bolivar Peninsula
Bolivar Ferry
Pelican Island
Causeway Bridge
Broadway
Galveston
Pearland
Friendswood
Clear Lake
League City
Alvin
Beltway 8 South
Hwy 288
Hwy 35
FM 518
FM 2351
I-45
Hwy 3
Bay Area Blvd
Red Bluff Rd
Hwy 146
NASA Parkway
FM 646
Hwy 6
FM 517
FM 1764
FM 2004

Guiding Principles for Galveston Mitigation

Walter P. Moore Campus Storm Mitigation Plan

Mission critical functions

- Located above 20 feet in existing buildings
- Located above 25 feet in new buildings

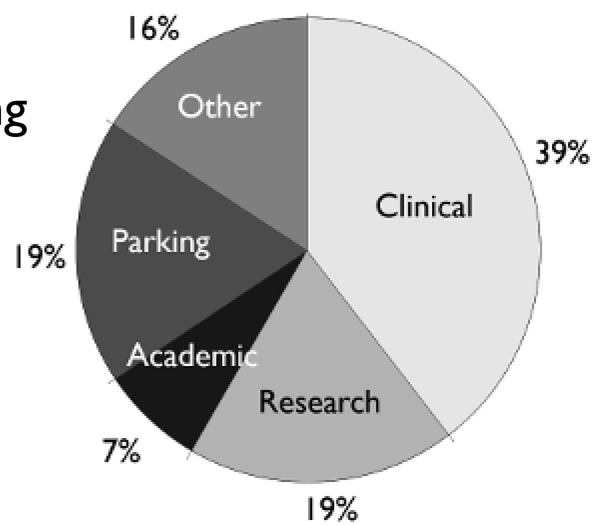
Uses below 20 feet

- Classrooms, conference rooms, and noncritical functions
- Protect against water infiltration where feasible
- Life safety and mission-critical functions to be preserved
- Designate alternate locations/arrangements

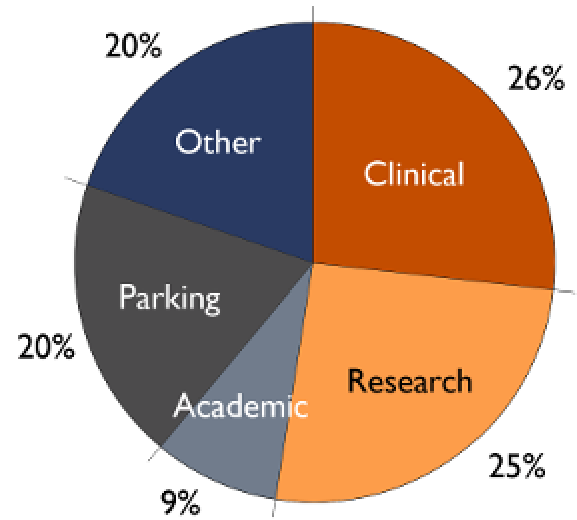
Wind design speed 130 MPH for all buildings

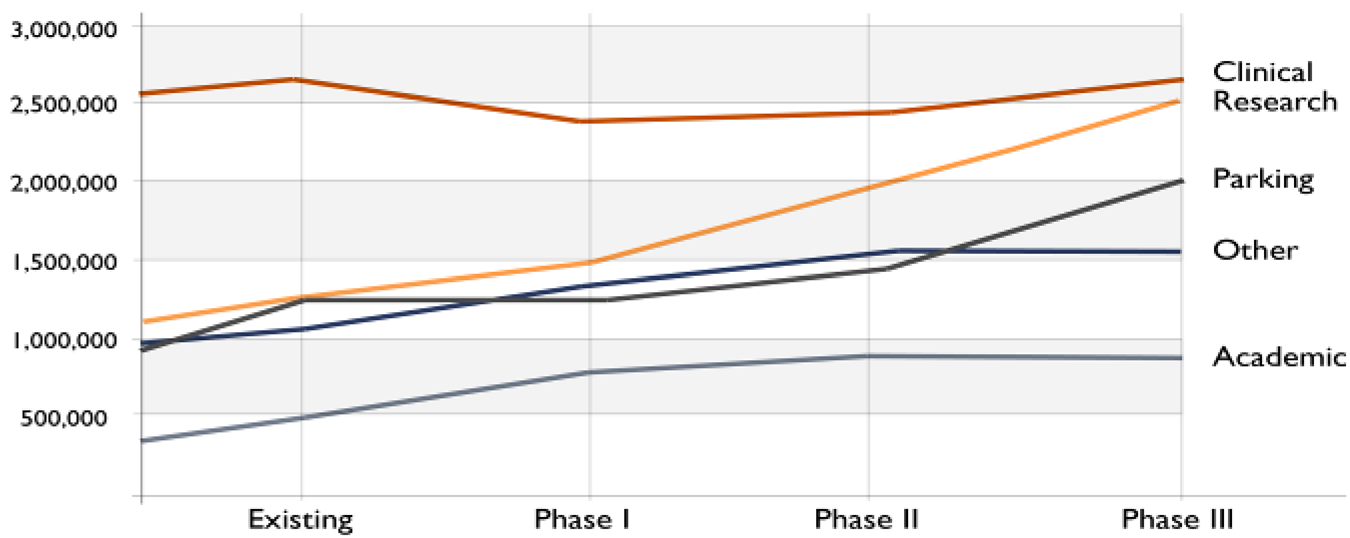
Projected Galveston Development

Existing



Projected



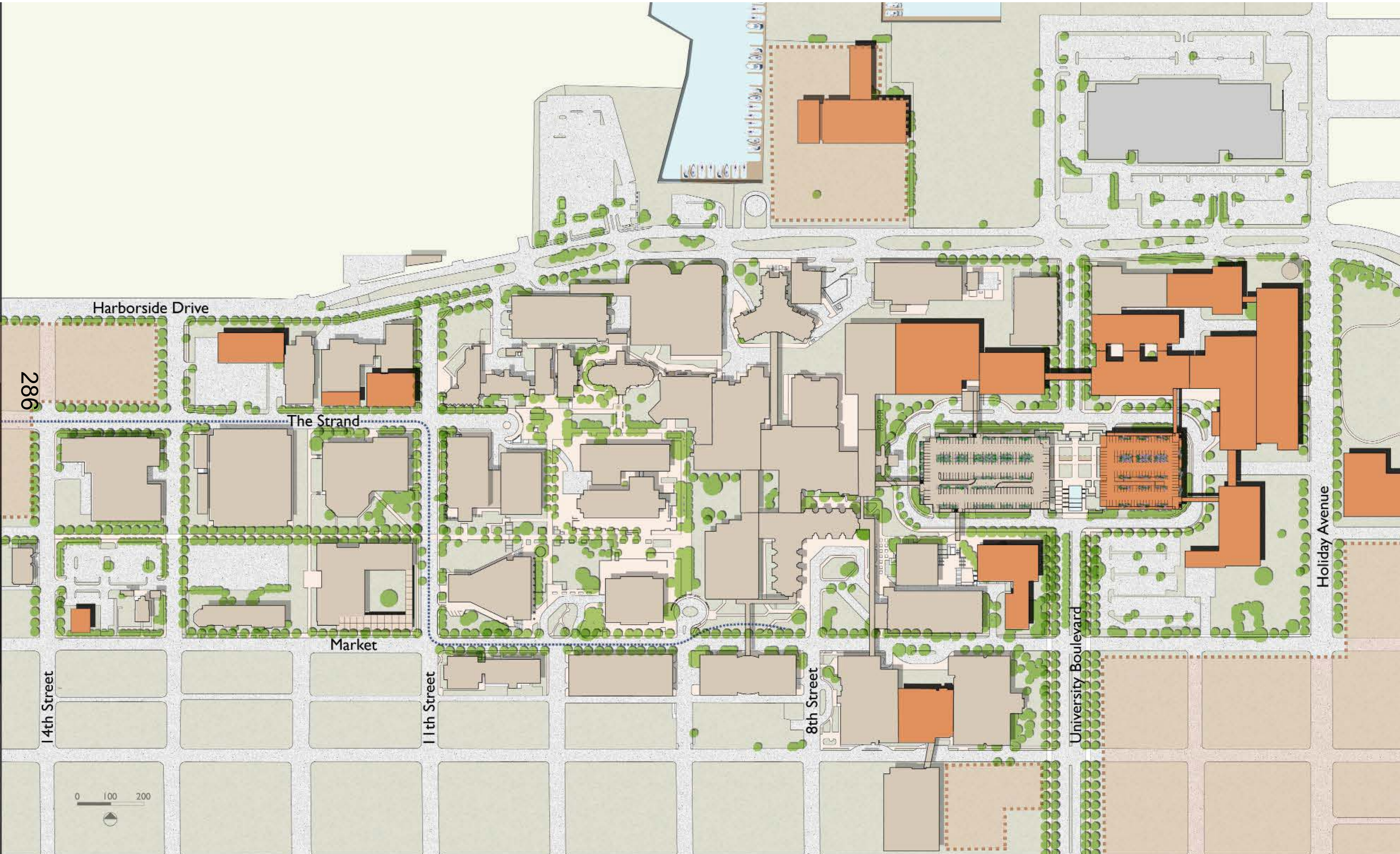


Galveston Orientation Map

Phase I

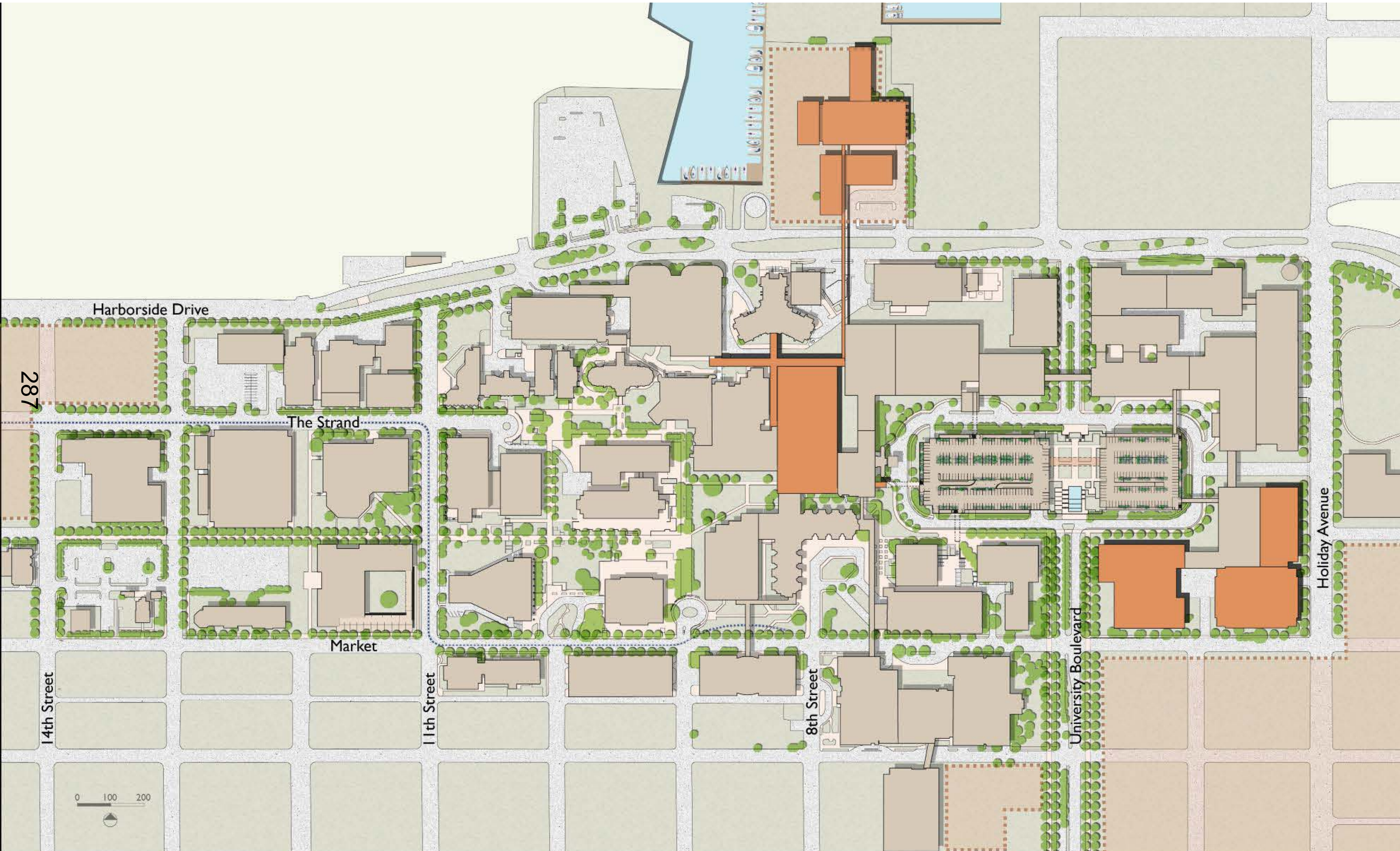

Harborside Drive
The Strand
Market
14th Street
11th Street
8th Street
University Boulevard
Holiday Avenue
0
100
200

Phase II



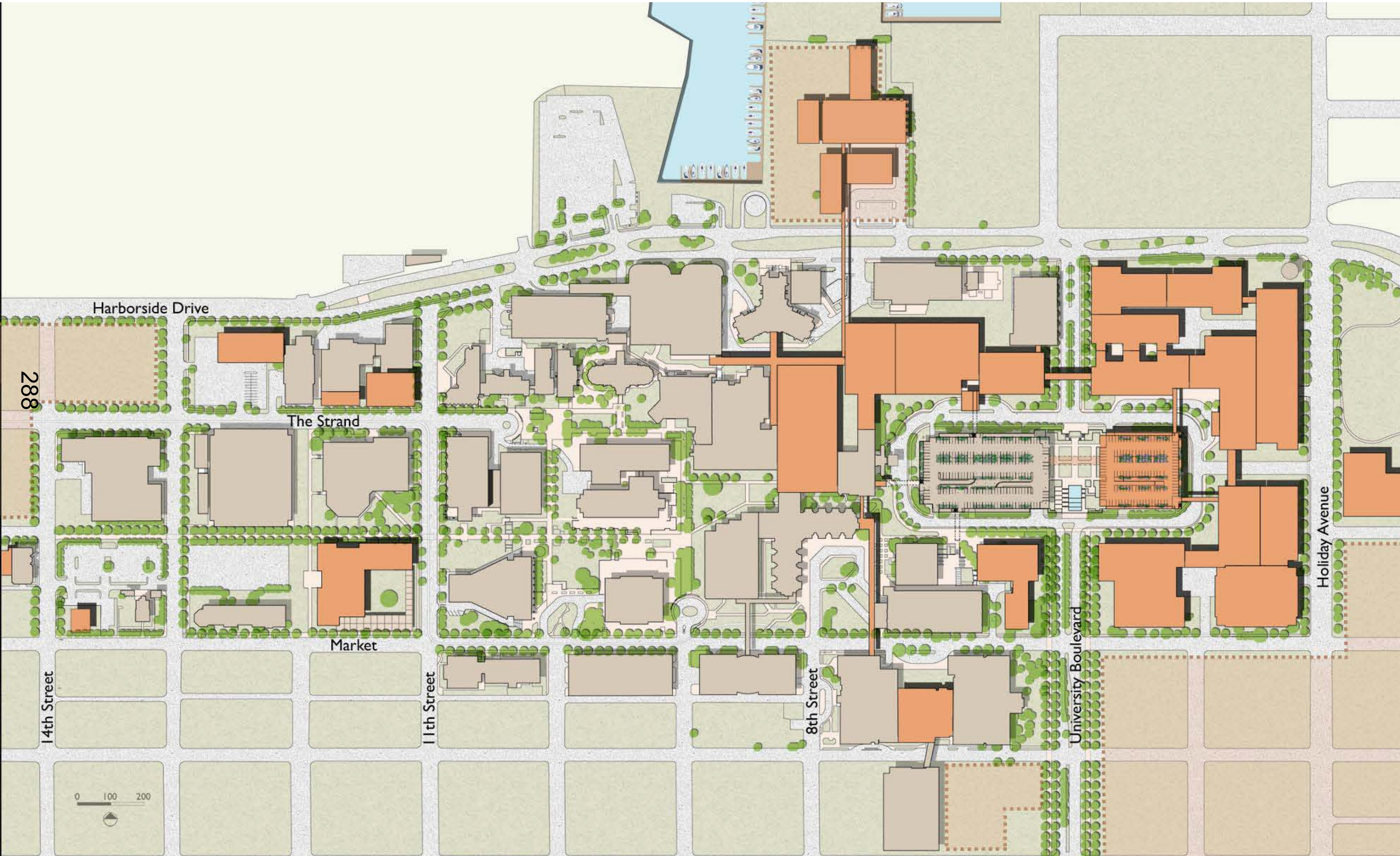
FORD POWELL & CARSON

Phase III



Harborside Drive
The Strand
Market
14th Street
11th Street
8th Street
University Boulevard
Holiday Avenue
0 100 200

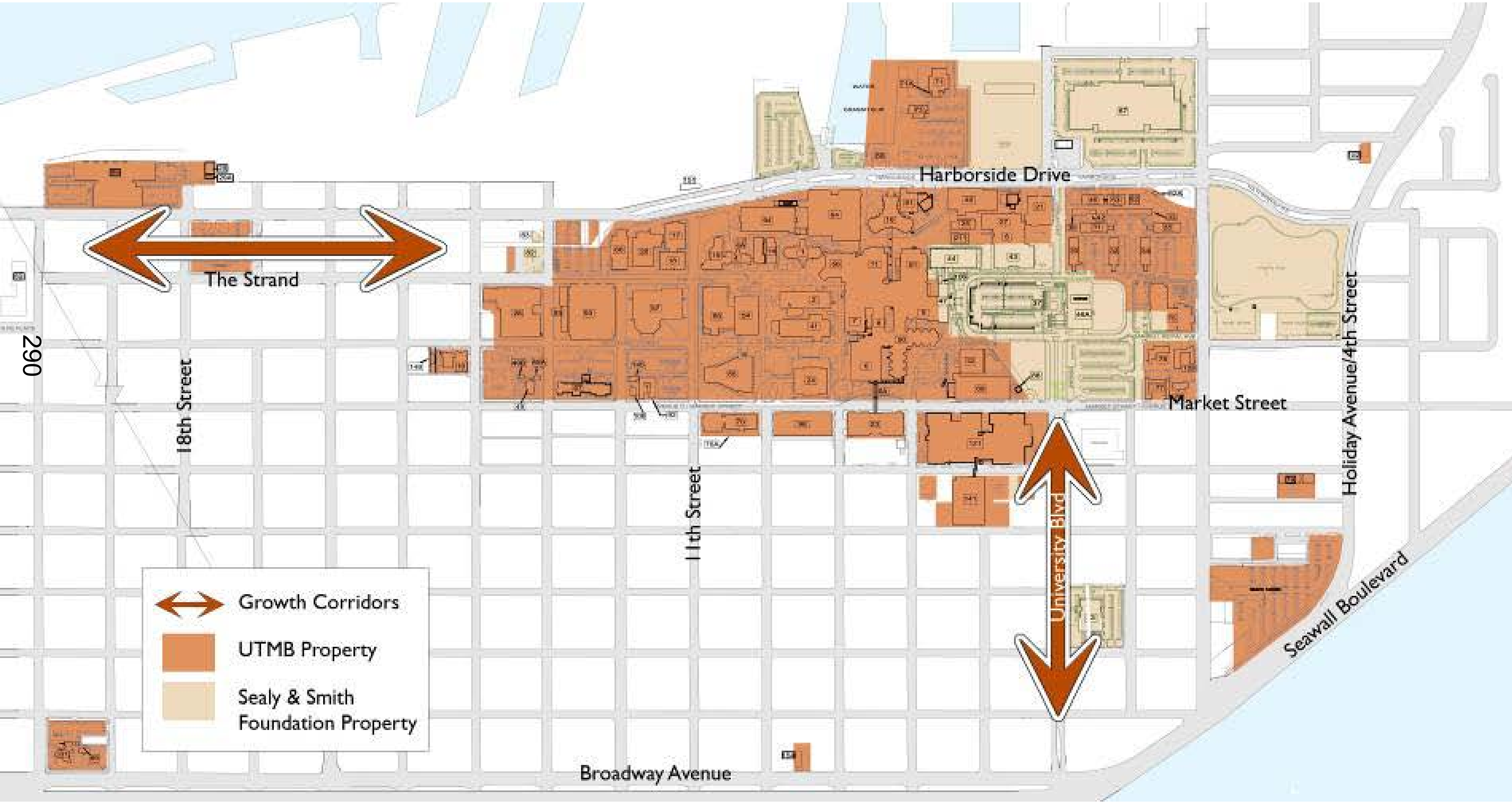
Final Master Plan



FORD POWELL & CARSON

Plaza, Loop, and Bridges

Growth Corridors



Overall View

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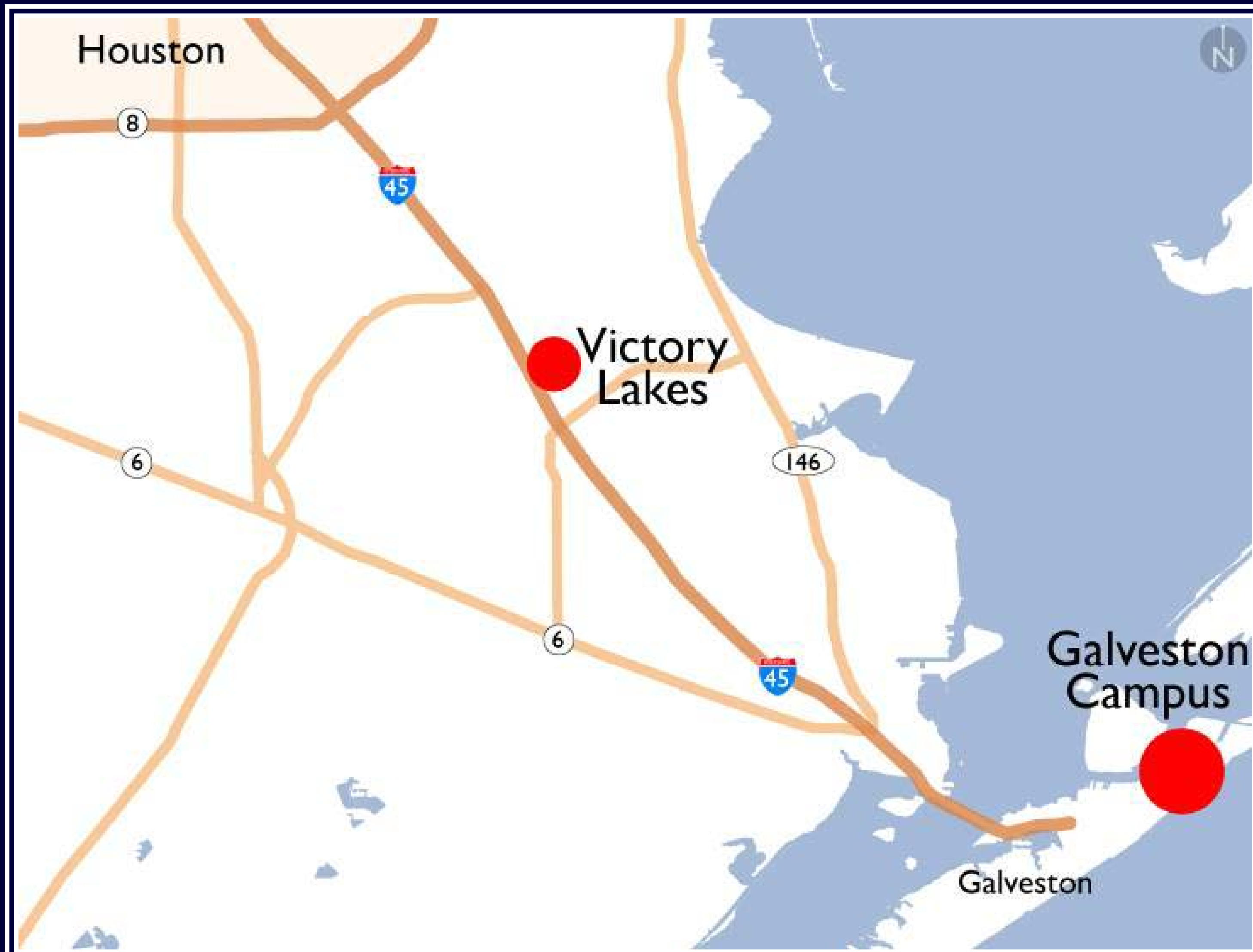
Orientation Map



Current Construction


WALKER STREET
UTMB SPECIALTY CARE CTR
IH-45

SITE ANAYLSIS

TOTAL LAND AREA	2,906,818 SF (62.4 AC.)
TOTAL BUILDING AREA	2,908,000 SF (GSF)
TOTAL GREEN SPACE RATIO	1,1531,806 SF (39.7%.)
LAND USE DENSITY	100% (1.0)

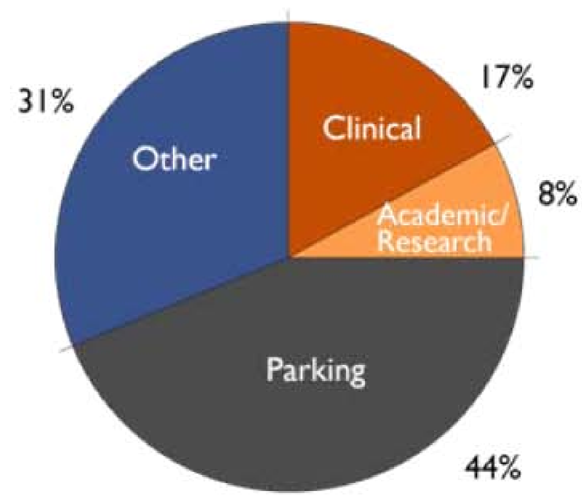
BUILDING GROSS FLOOR AREA
(W/O GARAGES)

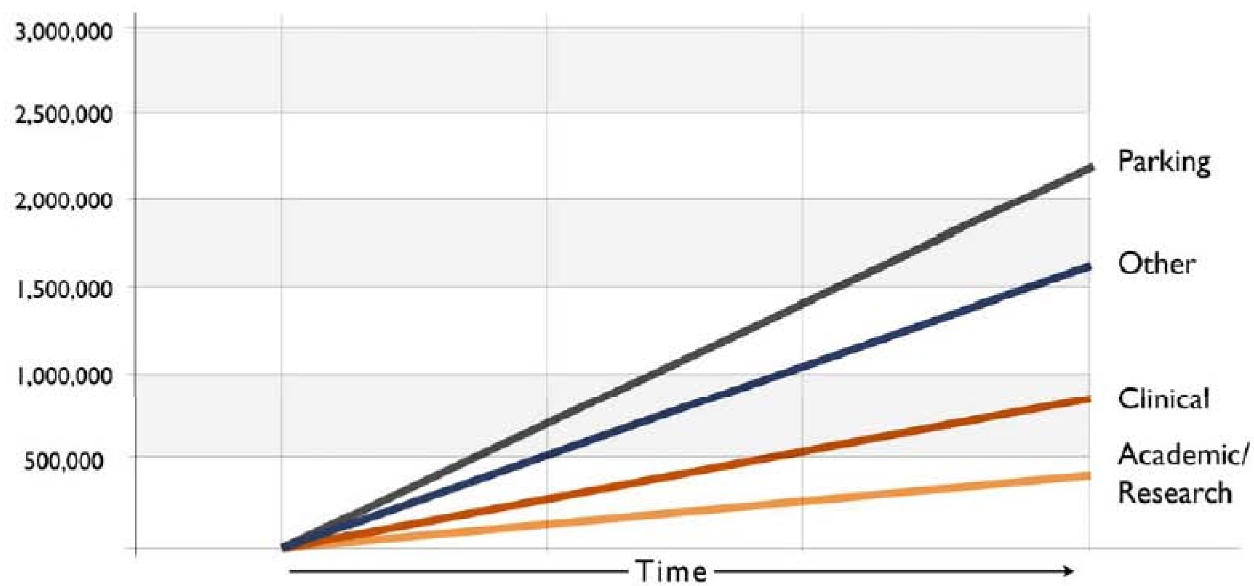
AMBULATORY CARE FACILITY	400,000 SF. (5 LVL.)
OUT-PATIENT PROCEDURE & TREATMENT CENTER	280,000 SF. (4 LVL.)
UTMB SPECIALTY CARE CTR	100,000 SF. (2 LVL.)
CLINIC (FUTURE EXPANSION)	100,000 SF. (4 LVL.)
M.O.B. 1 THRU 3	300,000 SF. (4 LVL.)
M.O.B. 4	420,000 SF. (12 LVL.)
ADMIN. 1 & 2	840,000 SF. (12 LVL.)
ACADEMIC BLDG. 1 THRU 3	412,500 SF. (5 LVL.)
RETAIL AND LOGISTICS SUPPORT	55,500 SF. (1ST LVL. GARAGE II.)

PARKING

GARAGE I	705,600 SF. (6 LVL.- 2,400 SPACES)
GARAGE II	1,185,562 SF. (7 LVL.- 3,175 SPACES)
GARAGE III	254,364 SF. (3 LVL.- 800 SPACES)
GARAGE IV	128,520 SF. (4 LVL.- 450 SPACES)
SURFACE PARKING	TBD. (652 SPACES)
TOTAL PARKING AVAILABLE	7,477SPACES
PARKING RATIO	2.57 / 1000 GSF.

Projected Victory Lakes Development





Design Guidelines

Building Exterior Materials
- Colors to compliment standard set at specialty care center
- Exterior to be brick, cast stone, and/or precast concrete
- Glass – 1" insulated w/low e-coating and hurricane resistant
- Roof – UTMB standard with metal on sloped surfaces

Parking Structures
- Screened view of vehicles
- Program uses on ground floor where possible

Standardized Site Signage and Way Finding

Building Access
- Sidewalks minimum 6' wide with enhanced pedestrian lighting
- Public entry to be clearly identifiable
- Finished floor min. 23.5' ASL with critical elements at 25' ASL

Landscaping and building systems to be UTMB standard

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FOR
STUDENT, FACULTY, AND STAFF
CAMPUS LIFE COMMITTEE

Committee Meeting: 2/5/2010
Dallas, Texas

James D. Dannenbaum, Chairman
Printice L. Gary
R. Steven Hicks
Robert L. Stillwell
Joel Helmke, Chair, Employee Advisory Council
Dan Formanowicz, Chair, Faculty Advisory Council
Bradley Carpenter, Chair, Student Advisory Council

U. T. System: Presentation on Benefits Program for U. T. System and U. T. System institution employees, including insurance, retirement, and wellness

REPORT

Mr. Daniel Stewart, Associate Vice Chancellor for Employee Benefits and Services, will update the Board on the Insurance, Retirement, and Wellness programs of the U. T. System.

Representatives scheduled to attend the meeting are:

- Ms. Laura Chambers, Director of Employee Benefits
- Ms. Faye Godwin, Assistant Director of Employee Benefits
- Mr. Rolando Roman, Worksite Wellness Coordinator
- Mr. Tony Edmond, Sr. Manager Benefit Services, U. T. Medical Branch – Galveston
- Mr. Patrick Tiner, Director, Employee Assistance Program Services, U. T. Southwestern Medical Center – Dallas
- Ms. Eunice M. Currie, Assistant Vice President for Human Resources Management and Development, U. T. Arlington

Information on the various benefits programs follows on Pages 299 - 308.

BACKGROUND INFORMATION

The U. T. System, through its Office of Employee Benefits (OEB), administers System-wide employee benefits for U. T. System Administration and U. T. System employees, including group health insurance, optional benefits, and retirement programs. The OEB serves a customer base of 83,000 active employees, 17,000 retired employees, 102,000 dependents, prospective employees, and 20,000 enrolled students.

Chapter 1601 of the *Texas Insurance Code*, State University Employees Uniform Insurance Benefits Act, provides the U. T. System statutory authority to

- Provide uniformity in the benefit coverages for all System employees
- Enable the System to attract and retain competent and able employees and offer coverage that is comparable to that offered in private industry and other universities and state programs
- Foster, promote, and encourage service as a career profession
- Recognize and protect the investment of the System
- Foster and develop high standards of employer-employee relationships
- Recognize the long and faithful service of employees and encourage them to remain in service until eligible for retirement

The University of Texas System
Office of Employee Benefits
Executive Summary
February 2010

The University of Texas System, through its Office of Employee Benefits (OEB), administers Systemwide employee benefits including group health insurance, optional benefits and retirement programs. The OEB serves a customer base of 83,000 active employees, 17,000 retired employees, 102,000 dependents, prospective employees, and 20,000 enrolled students. It is through the service to these customers in the 15 institutions and System Administration that we establish our commitment to design, implement and administer high quality and cost effective benefit programs. In short, the efforts of The Office of Employee Benefits support the mission of The University of Texas System.

- Statutory Enablement - Chapter 1601 of the *Texas Insurance Code,* State University Employees Uniform Insurance Benefits Act
    - Provide uniformity in the benefit coverages for all System employees
    - Enable the System to attract and retain competent and able employees and offer coverage that is comparable to that offered in private industry and other universities and state programs
    - Foster, promote and encourage service as a career profession
    - Recognize and protect the investment of the System
    - Foster and develop high standards of employer-employee relationships
    - Recognize the long and faithful service of employees and encourage them to remain in service until eligible for retirement

Office of Employee Benefits and Collaboration

- 34 staff serve over 175,000 enrolled members, 24 institution and Texas Department of Criminal Justice Benefit Offices, 275 institutions benefits support staff and 14 contracted vendors.
- 34 staff support the areas of customer service, marketing, premium collection and reconciliation, training, and eligibility and enrollment.
- Enrollment and premium billing systems created and maintained internally to support institutions and save significant institutional funds and resources.
- Benefits are designed to maintain a robust program, maximize recruiting and retention and meet the needs of the institutions.
- Overall annual Insurance Program - approximately $850,000,000
- Operational annual cost of OEB - approximately 3%
- Collaboration with all institutions, including faculty and staff, with a wide variety of business and research objectives being met
    - Coordinate and seek guidance from the Systemwide Insurance Advisory Committee- includes two representatives from each institution as well as the Retirement Programs Advisory Committee
    - OEB staff maintains standing resource positions on the Employee Advisory Council, Faculty Advisory Council, Student Advisory Council and numerous institution committees including Employee Assistance Program leaders, Wellness Advisory Boards, etc.

- Continuous efforts assist OEB to determine the goals and objectives of the program to meet institution needs.
  - Research/Studies
  - Recruiting
  - Awards and recognition
- Excellent relationship with System Audit Office

Group Insurance Highlights

- Information
  - Eligibility determined by statute and includes employees working in a benefits eligible position for 20 or more hours per week, in an appointment for 4 ½ months or more and includes former employees who are retired under the jurisdiction of Teacher Retirement System (TRS) or the Optional Retirement Program (ORP). Graduate Teaching Assistants, Graduate Research Assistants and Post-Doctoral Fellows are also eligible for program enrollment.
  - Average UT SELECT medical plan annual premium increase from 2002-2010 equals 4.1%.
  - Minimal plan design changes in last five years, however, numerous program enhancements.
  - Premium reductions and plan enhancements have occurred in many of the voluntary plans.
  - IRS Section 125 plan which allows certain premiums to be paid pre-tax, thus saving the University and the employee in payroll tax dollars.
  - Qualified dependents eligible through age 25, regardless of student status.
  - Exceptional enrollment, often surpassing industry standards, in voluntary benefit plans, thus illustrating the value the plans provide. Optional coverages are funded entirely by the employee or retired employee. Optional coverages include two dental options (147,491 enrolled), vision coverage (117,175), life insurance (99,163), Accidental Death & Dismemberment (90,337), long and short term disability (43,258 and 23,679 enrolled respectively), long term care (7,338) and UT Flex (22,242).
  - Student Health Insurance Program contracted and managed through Office of Employee Benefits - 20,785 total enrollment.
    - Students fund premium entirely-no state or local funds offset premium
    - All students, who are not working in a benefits eligible position (20 or more hours per week), are eligible to enroll. Spouse and family coverage available.
    - Continuous education through quarterly meetings with Student Advisory Committee (SAC).
    - Discussion of plan design with both SAC and Directors of institution's Student Health Centers.
    - Program includes options to elect additional coverage through the major medical coverage as well as study abroad coverage.
    - Annual negotiations for many of the last five years have resulted in lower premiums and improved benefits.
    - Challenge to balance needs of students and affordable premium rates.

UT SELECT Medical and Prescription Plan

- UT SELECT Features
  - Self-funded UT SELECT Health Program (medical and prescription) - 175,358 total members enrolled (99,163 employee and retired employee/76,195 eligible dependents)
  - No annual or lifetime maximum benefit
  - No pre-existing condition limitations imposed
  - Ranked one of the top plans amongst Hewitt's Pathfinder Group, a study group comprised of 42 of the top national universities
  - Average member age 41.7 years
  - Early intervention to help maintain and improve members' health

- Challenges
  - Increased utilization of all services
  - Increased cost of medical care, including new emerging prescription therapies
  - Technology advancement in medical treatment
  - Decline in managed care initiatives
  - Market consolidation
  - Aging of the population
  - Federal Government Medicare payment reductions
  - Direct-to-consumer advertising for prescription drugs
  - Increased number of mandated benefits
  - Slow or minimal support of onsite campus wellness programs

- Wellness Programs & Services - The University of Texas System "Living Well: Make it a Priority" Worksite Health & Wellness program was established in 2007 to encourage all employees, retirees and dependents to reach their potential and maintain the productivity necessary to meet the challenges of work and life.

  - Goals
    - Provide employees, retirees and dependents at all University of Texas System Institutions the opportunity to participate in a comprehensive and integrated health improvement program
    - Reduce and contain lifestyle-related health care costs at all institutions
    - Measure and reduce health-related absenteeism cost
    - Integrate the "Living Well: Make it a Priority" program into the employee benefits package at all institutions
    - Create a culture and environment that supports the "Living Well: Make it a Priority" programs at all institutions

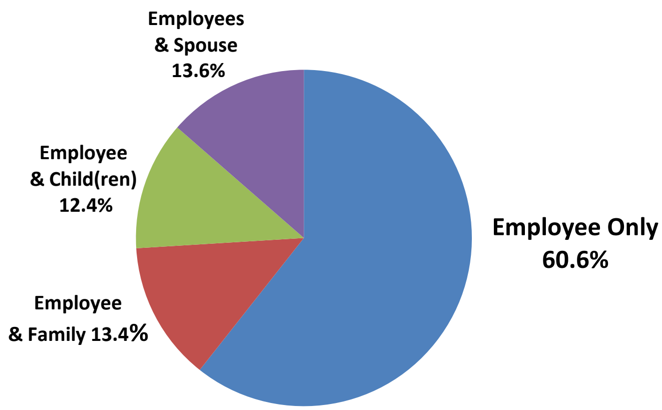
  - Resources

    - Comprehensive Health Manager Program that provides critical information about preventing or managing serious disease - to developing a personalized health improvement plan that connects all resources and tools available through the UT SELECT Plan
    - Health Coaching Program that focus on lifestyle behavior changes
    - Improved Preventive Care Coverage (100 percent colonoscopy coverage)
    - 24/7 Nurseline available to all UT SELECT Medical Plan members
    - Smoking Cessation Program provides targeted resources to assist participants to stop smoking

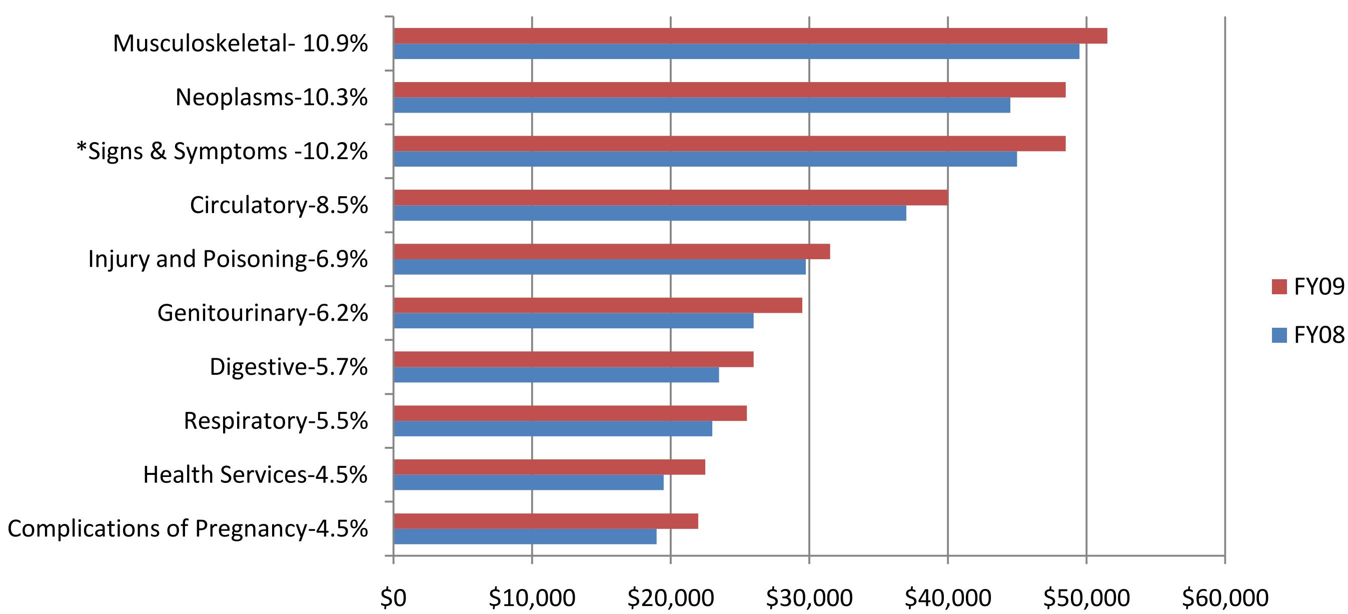
UT SELECT Program Data

FY 2010 UT SELECT Monthly Premium Cost-Full Time Employees and Retired Employees*				
Level of Coverage	Subscriber Only	Subscriber & Spouse	Subscriber & Children	Subscriber & Family
Total Monthly Cost	$393.08	$768.37	$701.91	$1,065.47
Employee/Retiree Out of Pocket Cost	$0.00	$169.23	$177.00	$333.28
*Data from FY2010 Premium Rate Charts				

% of Total Contracts FY 2009
Approximately 175,000 Total Enrollment
Data from UT SELECT Annual Report



FY 2009 Top 10 Diagnosis Categories
Of the total paid benefits, 31% are attributable to the top 3 diagnosis categories: musculoskeletal, neoplasms, and signs and symptoms, two of which are also prevalent in the large claims. *Signs & Symptoms include signs, symptoms, abnormal results of lab or other investigative procedures and conditions with no diagnosis.



FY 2009 Payment Distribution by Claimant- Medical Plan Only*		
Plan Paid Amount	Claimants	% of Claimants
Less than $1,000	92,011	58.4%
$1,000 - $5,000	46,562	29.6%
$5,000 - $30,000	16,661	10.6%
$30,000 - $50,000	1,029	0.7%
$50,000 - $100,000	730	0.5%
$100,000 - $250,000	322	0.2%
$250,000 - $500,000	60	<0.1%
Over $500,000	26	<0.1%
Total	157,401	100.0%
Approximately 92.9% of the membership filed a claim in FY09, and 7.1% of the members (12,021) did not file any claims.		
*Data from FY2009 UT SELECT Medical Annual Report		

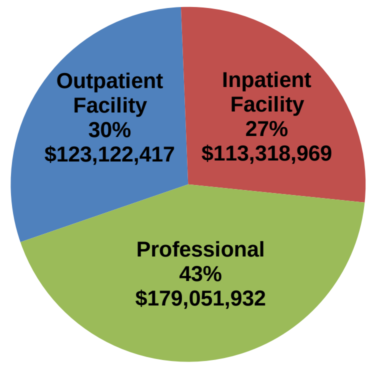
FY 2009 UT SELECT Plan Statistics

- Approximately 170,135 members reside in Texas
- Approximately 2,778 reside outside of Texas
- Coverage is available nationwide and worldwide
- Blue Cross and Blue Shield (BCBSTX), the third party administrator for the UT SELECT Plan handled 451,079 phone calls for UT SELECT in FY 2009.
- There are over 65,000 contracted providers in the UT SELECT provider network and over 450 hospitals.
- 56% of the UT SELECT enrollment are females, while 44% are males.
- 99% of the medical claims are from network (contracted) providers, 1% are from non-contracted providers
- 155,774 of the members never visited the emergency room in FY 2009, while 15,656 had at least one visit and 3,756 had more than 2 visits
- There were 402 high-cost claimants with total claim payment at or exceeding $100,000 per episode of care. These members accounted for 17.2% of plan costs. The top 20 medical patients incurred claims at or above $500,000 per treatment of specified condition.
- Major Joint Replacement is the top inpatient surgery of FY 2009, followed by tracheostomy and spinal fusion.
- 2,273 babies were born under the UT SELECT plan, with 306 considered complex.
- 2,112 members have been identified for complex case management
- 77% of the patients filled one or more prescriptions
- When a generic medication is available, 63.4% of the time a generic is filled rather than a brand named medication
- There are 2,217 patients using high cost specialty medications, which cost approximately $22,816,191

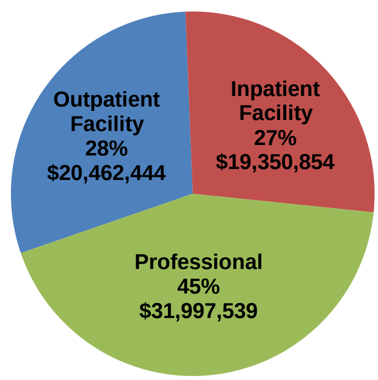
Total UT SELECT Medical Plan Payments by Place of Service

***Data from UT SELECT Medical Plan FY 2009 Annual Report**

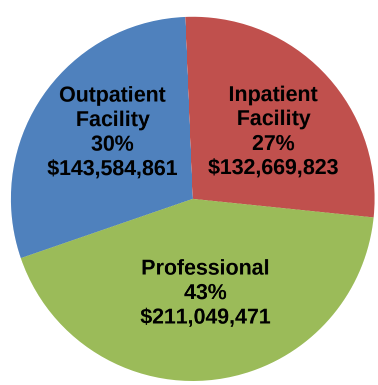
Active Employees and Dependents FY 2009



Retired Employees and Dependents FY 2009



All Subscribers FY 2009



Top 10 Prescription Categories by Plan Cost*				
FY 2009 Rank	**Prescription Category**	**Chapter**	**FY 2009 Plan Cost**	**FY 2009 Patients**
1	Lipid/Cholesterol Lowering Agents	Cardiovascular, Hypertension & Lipid	$11,519,214	25,717
2	Proton Pump Inhibitors	Gastroenterology	$10,151,843	14,809
3	Pulmonary Agents	Respiratory, Allergy, Cough & Cold	$7,156,934	9,123
4	Antidepressants	Autonomic & CNS, Neuro & Psych	$5,891,203	9,000
5	Non-Insulin Hypoglycemic Agents	Endocrine/Diabetes	$5,688,332	9,028
6	Rheumatological Agents	Musculoskeletal & Rheumatology	$5,550,508	508
7	Anticonvulsants	Autonomic & CNS, Neuro & Psych	$4,752,492	8,870
8	Psychotherapeutic Agents	Autonomic & CNS, Neuro & Psych	$4,421,286	4,925
9	HIV/AIDS Therapy	Anti-infective	$4,044,581	330
10	Antipsychotics	Autonomic & CNS, Neuro & Psych	$3,813,430	2,011
*Data from FY 2009 UT SELECT Prescription Annual Report				

Top 10 Drugs by Plan Cost				
FY 2009 Rank	**Prescription Drug Name**	**Therapeutic Sub-Class**	**FY 2009 Plan Cost**	**FY 2009 Total Patients**
1	Nexium	Proton Pump Inhibitors	$8,115,968	9,312
2	Lipitor	Lipid/Cholesterol Lowering Agents	$4,710,096	8,117
3	Enbrel	Rheumatological Agents	$3,053,581	259
4	Humira	Rheumatological Agents	$2,432,106	182
5	Advair Diskus	Pulmonary Agents	$2,218,625	3,416
6	Valtrex	Antivirals	$2,118,661	3,761
7	Plavix	Antiplatelet Drugs	$2,046,384	2,329
8	Singulair	Pulmonary Agents	$1,969,939	5,300
9	Actos	Non-Insulin Hypoglycemic Agents	$1,968,975	1,723
10	Cymbalta	Antidepressants	$1,968,729	2,225

Retirement Program Highlights

The University of Texas System Retirement Program provides an opportunity for employees to accumulate savings now to use in the future.

- Plan Options
  - Teacher Retirement System (TRS) – a mandatory Defined Benefit plan for employees of public education
  - The Optional Retirement Program (ORP) - a Defined Contribution plan available to certain eligible employees (primarily faculty and high level administrators) in lieu of participation in the Teacher Retirement System (TRS). The election is only available upon first eligibility and is irrevocable.
  - The University of Texas Government Retirement Arrangement (UTGRA) - an excess benefit plan for certain eligible ORP participants
  - The UTSaver Tax Sheltered Annuity Plan (TSA) - a voluntary plan available to all employees
  - The UTSaver Deferred Compensation Plan (DCP) - a voluntary plan available to all employees

- Enrollment

Program Participation		
Program	**Total Enrollment**	**Percent Enrollment**
TRS	66,500*	83%
ORP	16,000	17%
TSA	16,000	17%
DCP	5,700	6%
UTGRA	700	Limited to certain ORP eligible participants
*TRS Enrollment is an approximation based on current UT Insurance Eligibility of 80,000 total eligible employees. Enrollment data received from UT Retirement Manager, institution reporting and vendor reports.		

  - The Teacher Retirement System (TRS) is a Defined Benefit plan available to all eligible employees in public education in the State of Texas. Eligible employees are engaged in regular employment that is expected to last for a period of 4 ½ months or more; are employed for one half or more of the standard full-time workload; and with compensation paid at a rate comparable to the rate of compensation for other persons employed in similar positions. Student employment and temporary, less than halftime, seasonal or regular employment is not eligible.

  - The Optional Retirement Program (ORP) is a Defined Contribution plan available only to certain eligible employees as an alternative to participation in TRS. ORP eligibility is a one-time, irrevocable election effective for the remainder of the eligible participant's career in higher education.

- Program Information
  - Managed by three OEB staff members and supported by six retirement providers that were selected through a Request for Proposal (RFP) process in 2006
  - Customer Service, program marketing, loan, hardships, and administration of program provided by Office of Employee Benefits.
  - Program has over $5 billion in assets among all of the plans
  - Employee participation in the two voluntary plans reached a historical high of 27% in 2008
  - Economic difficulties faced by many of our employees led to a decrease in voluntary savings participation. Since that time, however, with continued communication and education efforts, the numbers are beginning to increase again.
  - Assets are invested in funds selected by the employees and offered by the six approved providers and four grandfathered providers
  - Investment fund options are routinely monitored by the providers and by OEB in conjunction with an outside investment consultant to ensure compliance with the established standards set forth in the 2006 RFP process and the Investment Policy Statement.

- Program Contributions

FY 2009 Annual Contributions			
Plan Name	Annual	Average Monthly	Total Assets
ORP	$266,352,586	$22,196,048.83	$3,176,026,062.00
UTGRA	$5,676,777	$473,065	$36,321,740
TSA	$100,413,503	$8,367,791.92	$1,031,499,210.00
DCP	$51,112,969	$4,259,414.08	$143,034,052.00
Total Cash Flow	$423,555,835	$35,296,320	
*Data received from vendor FY 2009 Annual Retirement Reports			

UT Rewards 4U (See sample on next page)
Total Compensation Statement

- Employee tool used to illustrate the value of an employee's total compensation
- Management tool used for retention and recruiting
- Statement created in conjunction with the System Office of Employee Services (OES)
- OEB and OES have partnered to provide the statement to employees of UT institutions beginning in 2010
- Statement can be viewed online, year-round via My UTBenefits located within the www.utsystem.edu/benefits website.

THE UNIVERSITY of TEXAS SYSTEM

Nine Universities. Six Health Institutions. Unlimited Possibilities.

UT REWARD$ 4U

Your Total Estimated Compensation

Jane Doe

EID (Employee ID Number): jdoe

Your estimated 2009-2010 Total Compensation is: $ 80,694

Your Pay		UT System Contribution
Regular	$	52,368
Longevity Pay	$	1,680
University Salary Supplement	$	615
Wireless Device Allowance	$	900
Total Annual Income	**$**	**55,563**

The current annual pay listed above is your estimated annualized 2009-2010 pay based on 2080 hours worked.

Your Compensation Package

Total annual income:
$ 55,563 (69%)

UT System benefits:
$ 25,131 (31%)

The value of your benefits package equals 31% of your estimated total compensation. This is calculated by dividing the total cost of UT System benefits by your estimated 2009-2010 total compensation.

Benefit Options

Benefits		Employee Contribution		UT Benefits Contribution
Health Insurance	$	3,999	$	8,786
Dental Insurance	$	1,070	$	0
Vision Insurance	$	129	$	0
Short-Term Disability	$	146	$	0
Long-Term Disability	$	217	$	0
Optional Life Insurance	$	200	$	0
Optional AD&D Insurance	$	29	$	0
Long-Term Care	$	0	$	0
UT$aver TSA	$	0	$	0
UT$aver TSA-Roth	$	0	$	0
UT$aver DCP	$	0	$	0
Employee Assistance Program	$	0	$	12
Teacher Retirement System	$	3,498	$	3,498
Social Security	$	3,389	$	3,389
Medicare	$	793	$	793
Federal Unemployment Tax	$	0	$	29
Workers' Compensation	$	0	$	64
Vacation	$	0	$	3,323
Holidays	$	0	$	2,820
Sick Days	$	0	$	2,417
Total Benefit Value	**$**	**13,470**	**$**	**25,131**

Share of Benefits Costs

Your benefits contribution:
$ 13,470 (35%)

UT System benefits contribution:
$ 25,131 (65%)

Your share of benefit costs is calculated by dividing your benefits contribution by the total benefit value.

Your Benefits

Health Insurance	Subscriber & Family
Dental Insurance	Subscriber & Family
Vision Insurance	Subscriber & Spouse
UT Flex Medical Account	$ 2,000 Per Year Elected
UT Flex Dependent Day Care	Not Elected
Employee Basic Life	$ 10,000
Employee AD&D Life	$ 10,000
Short-Term Disability	$ 631 Per Week
Long-Term Disability	$ 2,733 Per Month
Long-Term Care	Not Enrolled
Employee Assistance Program	Enrolled
Optional Life Insurance, Employee	$ 165,000
Optional Life Insurance, Spouse	$ 25,000
Optional Life Insurance, Per Child	$ 10,000
Teacher Retirement System	Enrolled
Optional AD&D Insurance, Employee	$ 100,000
Optional AD&D Insurance, Spouse	$ 50,000
Optional AD&D Insurance, Per Child	$ 10,000
UT$aver TSA	Not Enrolled
UT$aver TSA-Roth	Not Enrolled
UT$aver DCP	Not Enrolled

Disclaimer: This statement is an estimate based on your currently projected earnings for fiscal year 2009-2010 and your benefit elections as of 9/1/2009. Although care has been taken to make this statement as accurate as possible, the actual compensation and benefits you realize may differ. Provision of this statement to you does not constitute a guarantee of continued employment or benefits eligibility. In most instances, availability of a benefit is governed by the specific terms of plan documents. The terms of those plans cannot be altered by this statement. Consult the Office of Employee Services if you need further information about this statement or your benefits.