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FOR
MEETING OF THE BOARD

February 17-18, 2011
Austin, Texas

2. 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. M. D. Anderson Cancer Center: Discussion of individual personnel matters related to presidential search and to audit of contracting and gift acceptance procedures**

3. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072

   U. T. Austin: Discussion and appropriate action regarding lease of Lions Municipal Golf Course on the Brackenridge Tract, Austin, Travis County, Texas, to the City of Austin

4. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073

a. **U. T. Arlington: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**	*President Spaniolo* *Dr. Safady*
b. **U. T. Dallas: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**	*President Daniel* *Dr. Safady*
c. **U. T. Tyler: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**	*President Mabry* *Dr. Safady*
d. **U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**	*President Mendelsohn* *Dr. Safady*
e. **U. T. System: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**	*Dr. Safady*

<u>Thursday, February 17, 2011 (continued)</u>

	Board Meeting	Page
D. RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS AND TO CONSIDER AGENDA ITEM	*2:00 p.m.*	
3. U. T. System Board of Regents: Discussion of U. T. System efficiency and productivity measures	*2:15 p.m.* **Report/Discussion** *Dr. Kelley*	**1**
E. RECESS FOR COMMITTEE MEETINGS		
Academic Affairs Committee ………………………..……….……………..	*3:15 p.m.*	
Facilities Planning and Construction Committee……………….………	*4:15 p.m.*	
F. RECESS	*5:00 p.m.*	

1. **U. T. System: Possible oath of office for new Regents**

2. **U. T. System Board of Regents: Approval of Chairman's recommended Committee Chairmen and other Representative appointments (Regents' *Rules and Regulations*, Rule 10402)**

RECOMMENDATION

In accordance with the requirements of the Regents' *Rules and Regulations*, Rule 10402, Chairman Powell will make recommendations in advance of the meeting and request the concurrence of the U. T. System Board of Regents on appointments of Committee Chairmen and on appointments of Board representatives to the Board for Lease of University Lands, the Board of Directors of The University of Texas Investment Management Company (UTIMCO), the Board of Trustees of the Texas Growth Fund, the Board of Directors of the M. D. Anderson Services Corporation, and the Type 2 Diabetes Risk Assessment Program Advisory Committee.

All appointments will be effective immediately and will remain in effect until new appointments are made.

3. **U. T. System Board of Regents: Discussion of U. T. System efficiency and productivity measures**

REPORT/DISCUSSION

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will report on U. T. System efficiency and productivity measures using the PowerPoint on Pages 2 - 17.

Discussion of U. T. System Efficiency and Productivity

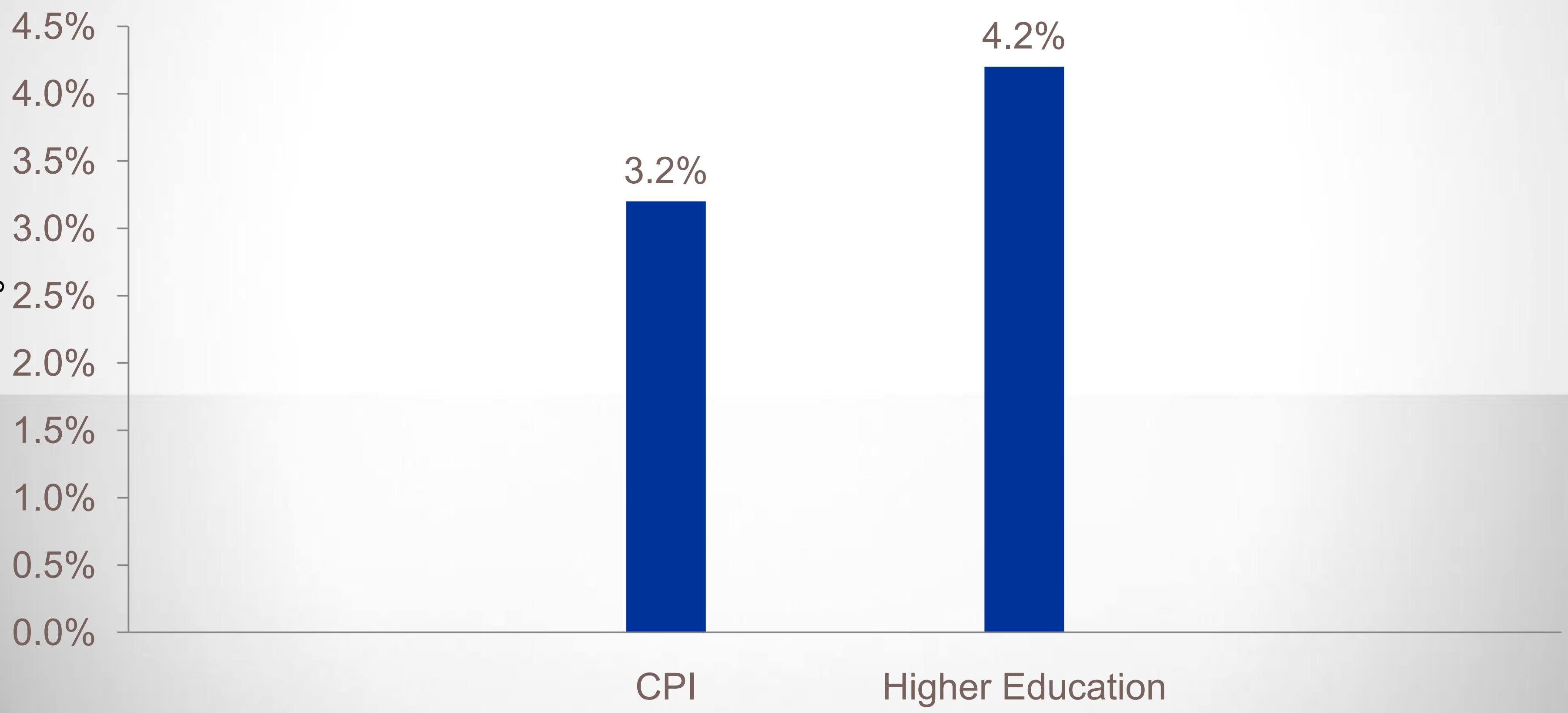
2

Scott C. Kelley
Executive Vice Chancellor for Business Affairs

U. T. System Board of Regents' Meeting
February 17, 2011

Context: Why Have Higher Education Costs Risen More Than Inflation?

Average Annual Increase Since 1981



Sources: Commonfund Institute; U.S. Department of Labor; *Why Does College Cost So Much?* (R. Archibald and D. Feldman)

Context: Why Have Higher Education Costs Risen More Than Inflation? *(con't)*

Service Industries vs. Goods-Producing Industries

- Higher Education Cost Trajectory Mirrors that of:
  - Law
  - Medicine
  - Banking
- An Artisan Industry
  - Skilled Labor
  - Specialized Product
- Impact of Technology

Issues Unique to Higher Education

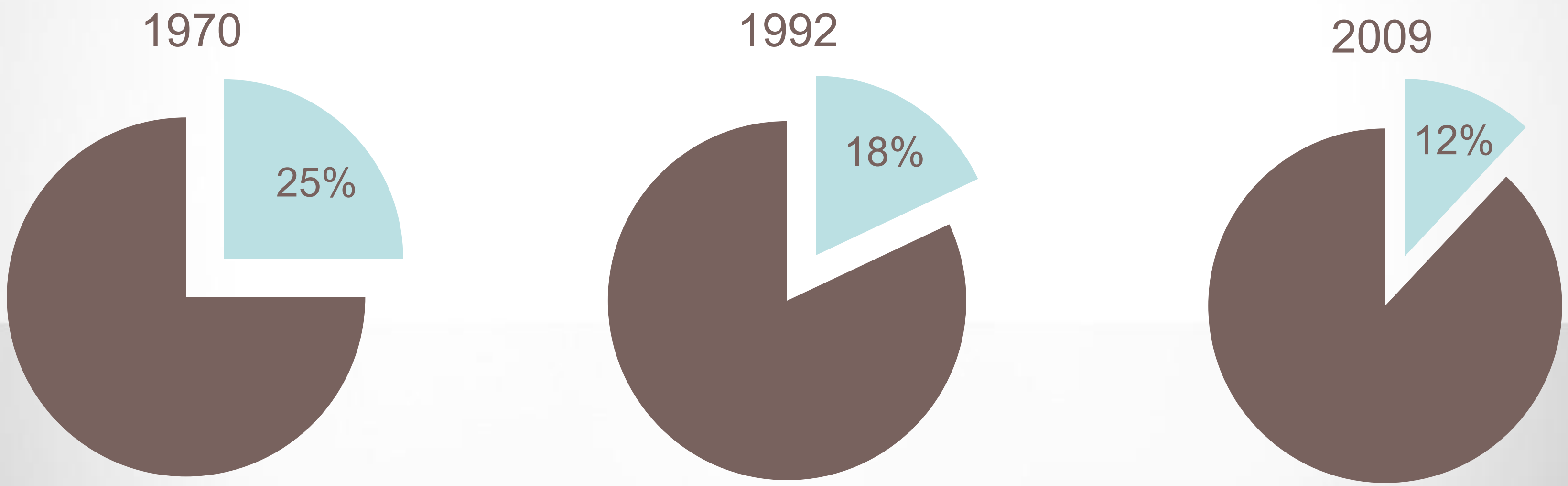
- New Services
  - Career Placement
  - Counseling
  - Health Care
  - Remediation
- New Regulation and Oversight
  - Environmental Health and Safety
  - Security
  - Audit and Compliance
- Growing Body of Knowledge

Sources: *Why Does College Cost So Much?* (R. Archibald and D. Feldman); University of Washington Office of Planning & Budgeting

Context: Why Has Tuition Risen Even More Than Higher Education Costs?

Shift in State Support

Percent of States' Budgets Spent on Higher Education

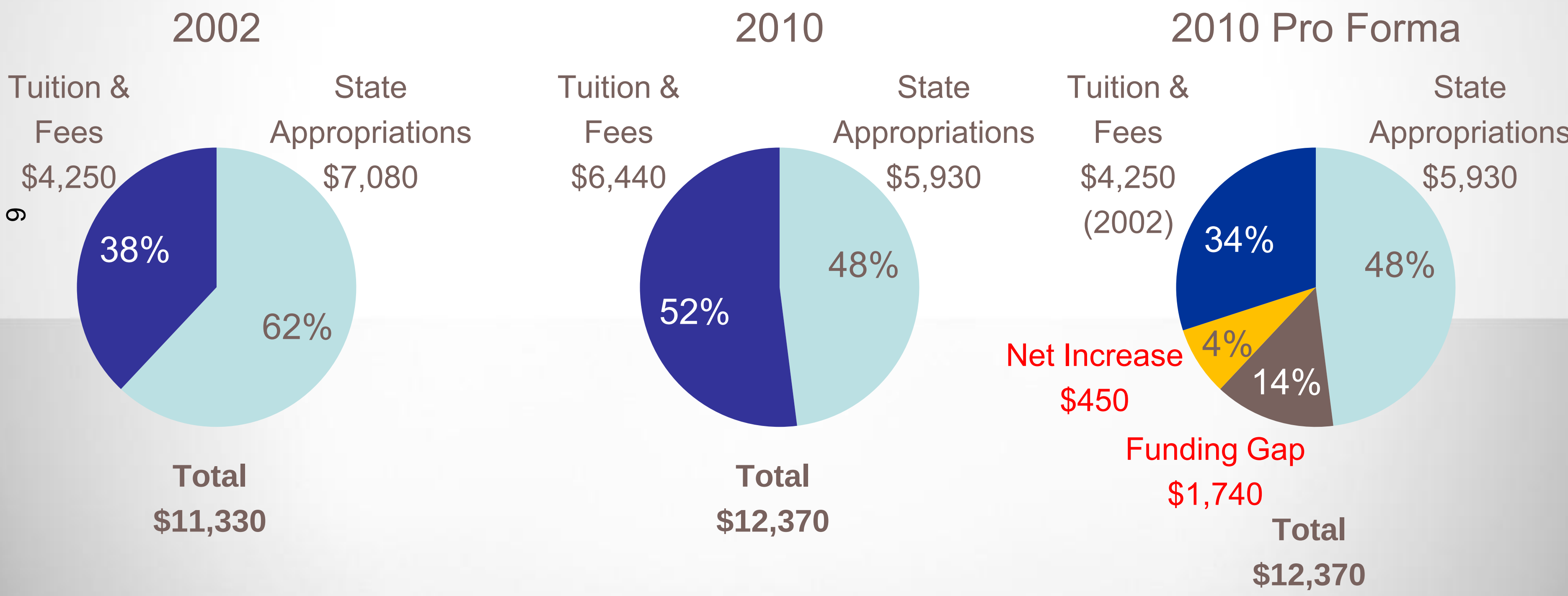


Source: *Footing the bill: Financial prospects for higher education* (J. Harvey)

Context: Why Has Tuition Risen Even More Than Higher Education Costs? *(con't)*

Shift in State Support

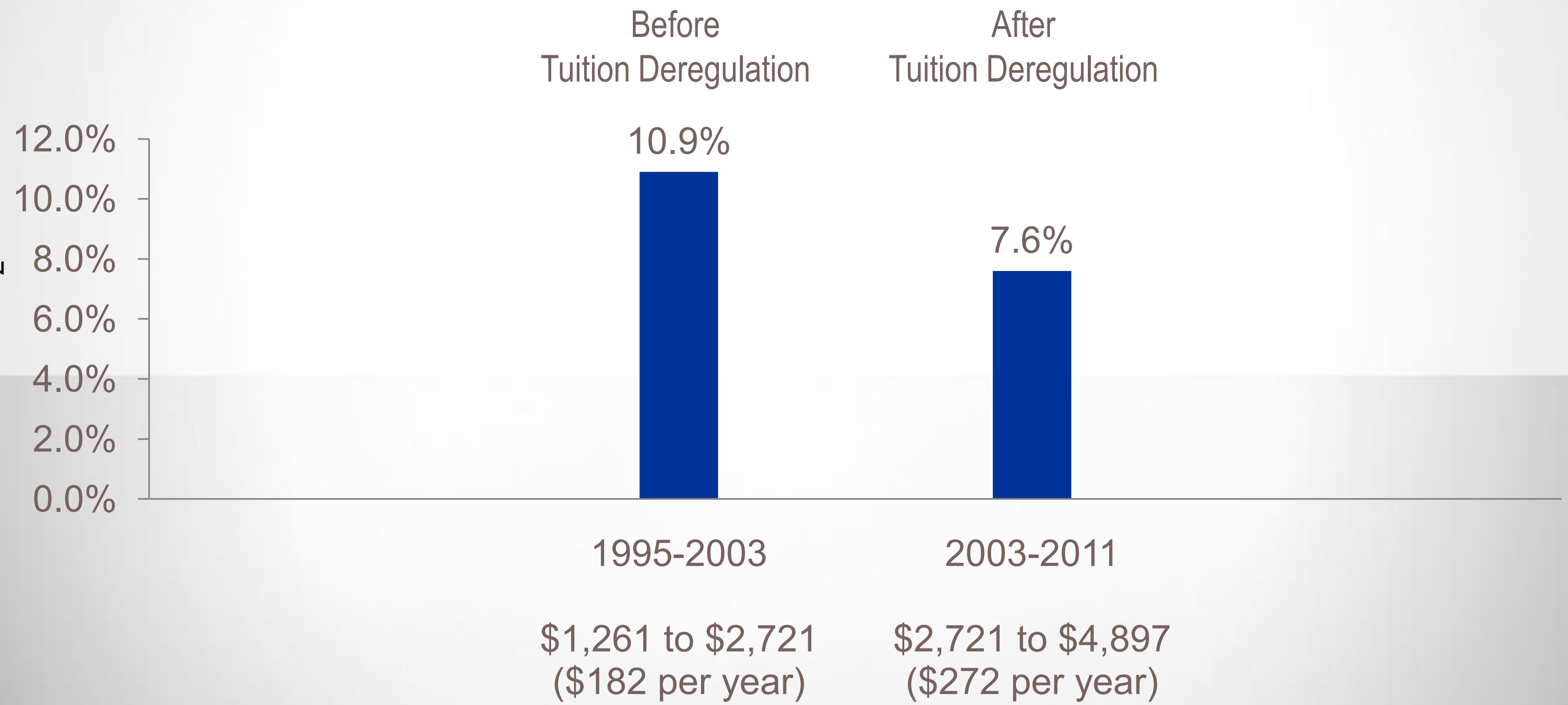
Percent of Texas' Per-Student Revenue



Source: Center on Budget and Policy Priorities

Context: Impact of Tuition Deregulation

Average Annual Increase in Tuition & Fees at U. T. Austin



Source: U. T. Austin

Context: Change in Affordability of Higher Education

- Household Budget Share Devoted to Higher Education

	1990-92	2003-05	Change
20th Percentile of Income	-0.18%	-4.62%	-4.44%
40th Percentile of Income	3.73%	4.65%	0.93%
60th Percentile of Income	3.49%	4.55%	1.06%
80th Percentile of Income	2.76%	3.31%	0.53%

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- Household Income Left Over

	1990-92	2003-05	Change
20th Percentile of Income	$23,693	$ 26,787	$ 3,309
40th Percentile of Income	$39,543	$ 42,745	$ 3,201
60th Percentile of Income	$58,221	$ 65,320	$ 7,100
80th Percentile of Income	$85,712	$100,122	$14,410

Source: *Why Does College Cost So Much?* (R. Archibald and D. Feldman)

Sample Efficiency Enhancements: U. T. System Savings/ Value Generated

	2010	5 Year Total
Energy Use Reductions	($ 6,200,000)	$ 95,500,000
Supply Chain Alliance Purchases	$ 21,100,000	$ 53,000,000
Shared Journal Collections	$ 73,000,000	$ 331,000,000
Contracts	$ 26,000,000	$ 63,600,000
Regional Data Centers	$ 700,000	$ 20,500,000
Shared Applications	$ 73,250,000	$ 84,750,000
Debt Management	$ 44,400,000	$ 162,000,000
Centralized Investment	$238,800,000	$ 242,400,000
Insurance	$ 48,100,000	$ 236,650,000
Benefits	$ 35,300,000	$ 113,400,000
Operational Changes	$ 1,000,000	$ 3,600,000
Personnel	$ 9,800,000	$ 16,600,000
TOTAL	**$565,250,000**	**$1,423,000,000**

Sources: U. T. System; U. T. Institutions

Sample Efficiency Enhancements: U. T. Campus Savings/ Value Generated

	2010	5 Year Total
FTE Reductions (Over 1,350)	$ 64,000,000	$ 104,300,000
FTE Reductions – Hurricane Ike (1,400)	$ 83,400,000	$ 166,700,000
Procurement & Contracts	$ 20,000,000	$ 64,000,000
Process Redesign	$ 26,900,000	$ 67,600,000
Automation & Technology	$ 4,000,000	$ 10,000,000
Insourcing & Outsourcing	$ 600,000	$ 6,000,000
Reduce Travel, Administrative & Other Controllable Costs	$ 15,600,000	$ 34,900,000
Revenue Enhancement	$112,800,000	$ 196,000,000
TOTAL	**$327,300,000**	**$ 649,500,000**

Sources: U. T. System; U. T. Institutions

The Impact of the Efficiency Enhancements: What It Means

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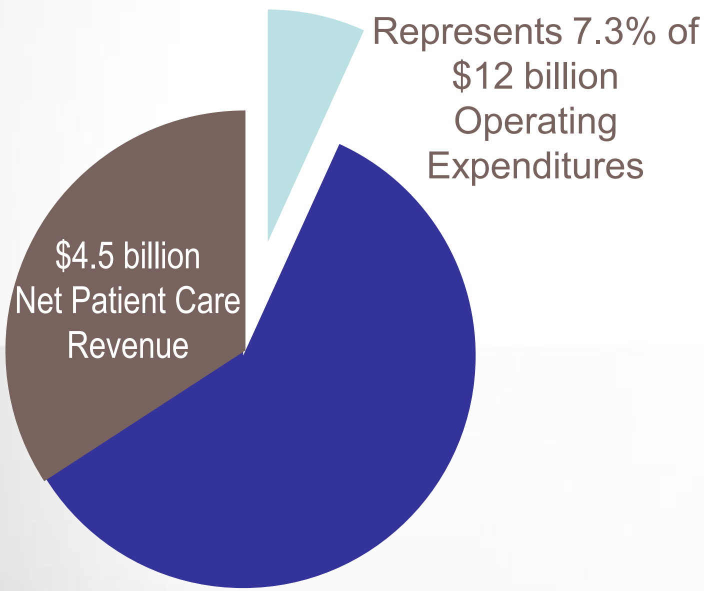
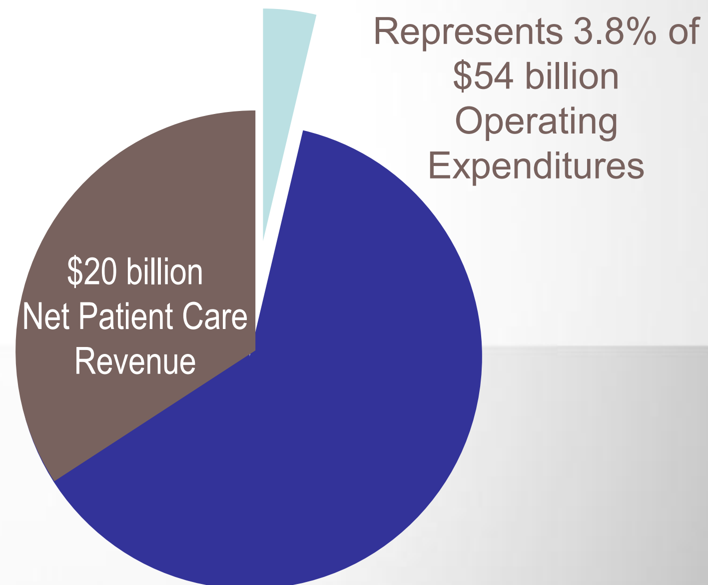
2010

$893 million of combined value added



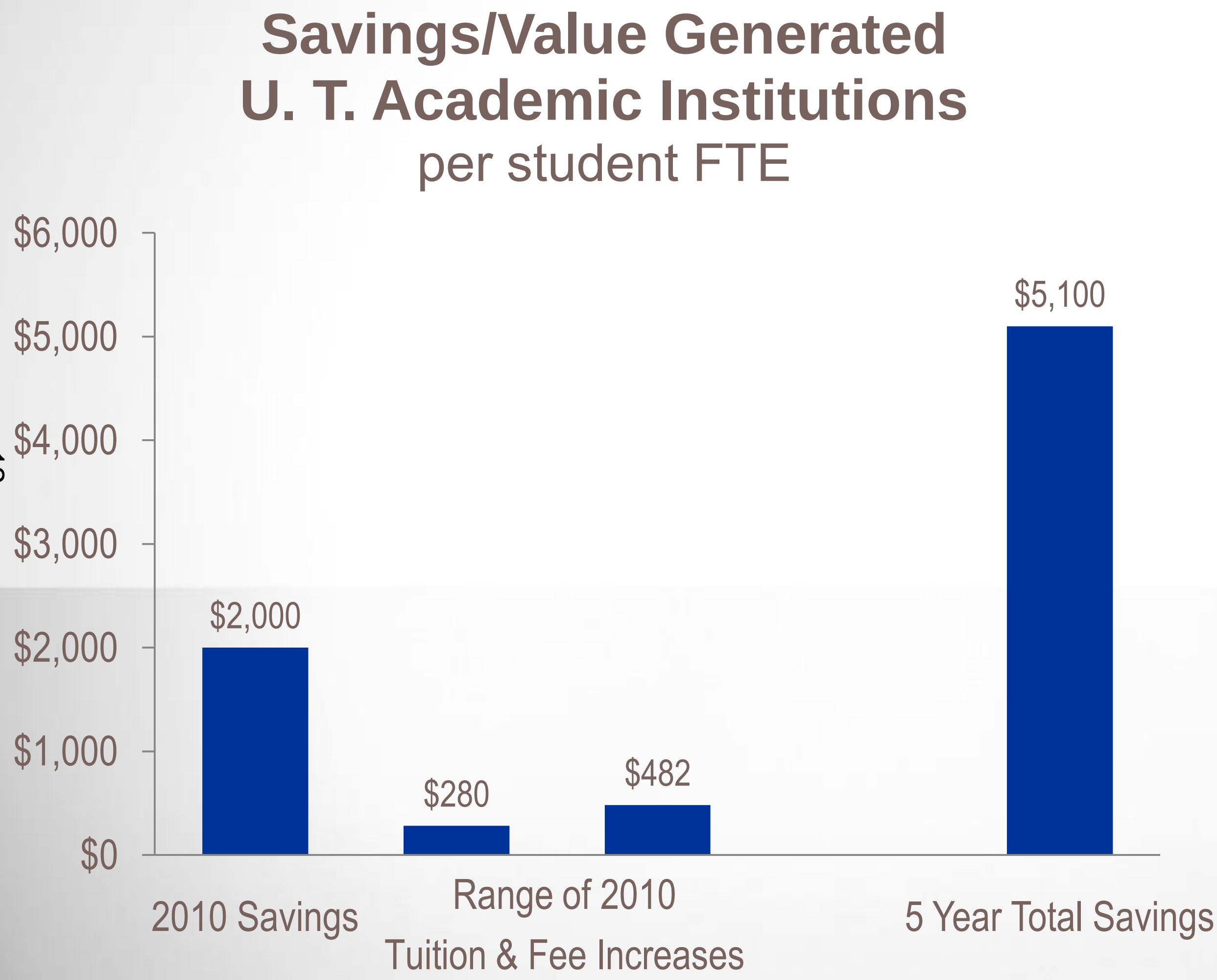
5 Year Total

$2.1 billion of combined value added



Sources: U. T. System; U. T. Institutions

The Impact of the Efficiency Enhancements: What It Means *(con't)*



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- U. T. Austin's total annual per-student funding lagged its peers by over $9,250 (2008 data).
- The efficiency enhancements help U. T. Austin compete by bridging approximately 20% of that gap.

Sources: U. T. System; U. T. Institutions

The Impact of the Efficiency Enhancements: Academic Productivity Improvements

- Average teaching load credits per FTE faculty:
  - Range from 20 to 31
  - Are 11% to 72% above the Board of Regents minimum of 18
- Four-year graduation rates have increased on eight of our academic campuses by 13% to 150%.
- 90% to 95% of all Baccalaureate degree programs have been reduced to 120 required hours.
- Online course offerings have increased over 20%.
- U. T. System institutions had an 11% increase in transfer students between Fall 2008 and Fall 2009.
- Undergraduate degree completions increased 23% in the last six years while enrollment increased only 16.2% – a productivity improvement of 23%.
- 117 Low Enrollment Courses eliminated.

Sources: U. T. System; U. T. Institutions

Productivity Comparisons: Delta Cost Study

Efficiency in Education

Education & Related Expenses per Degree Produced, FY 2009

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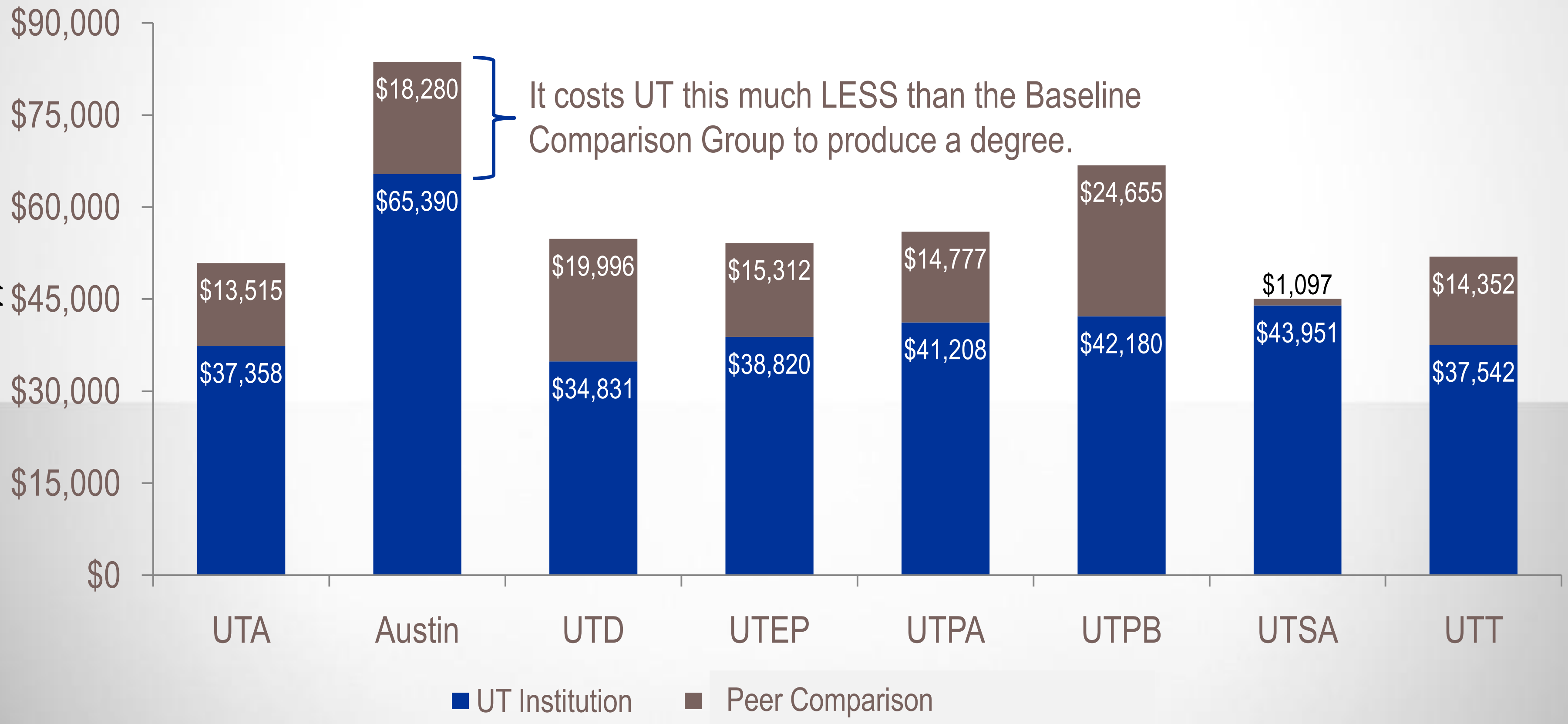
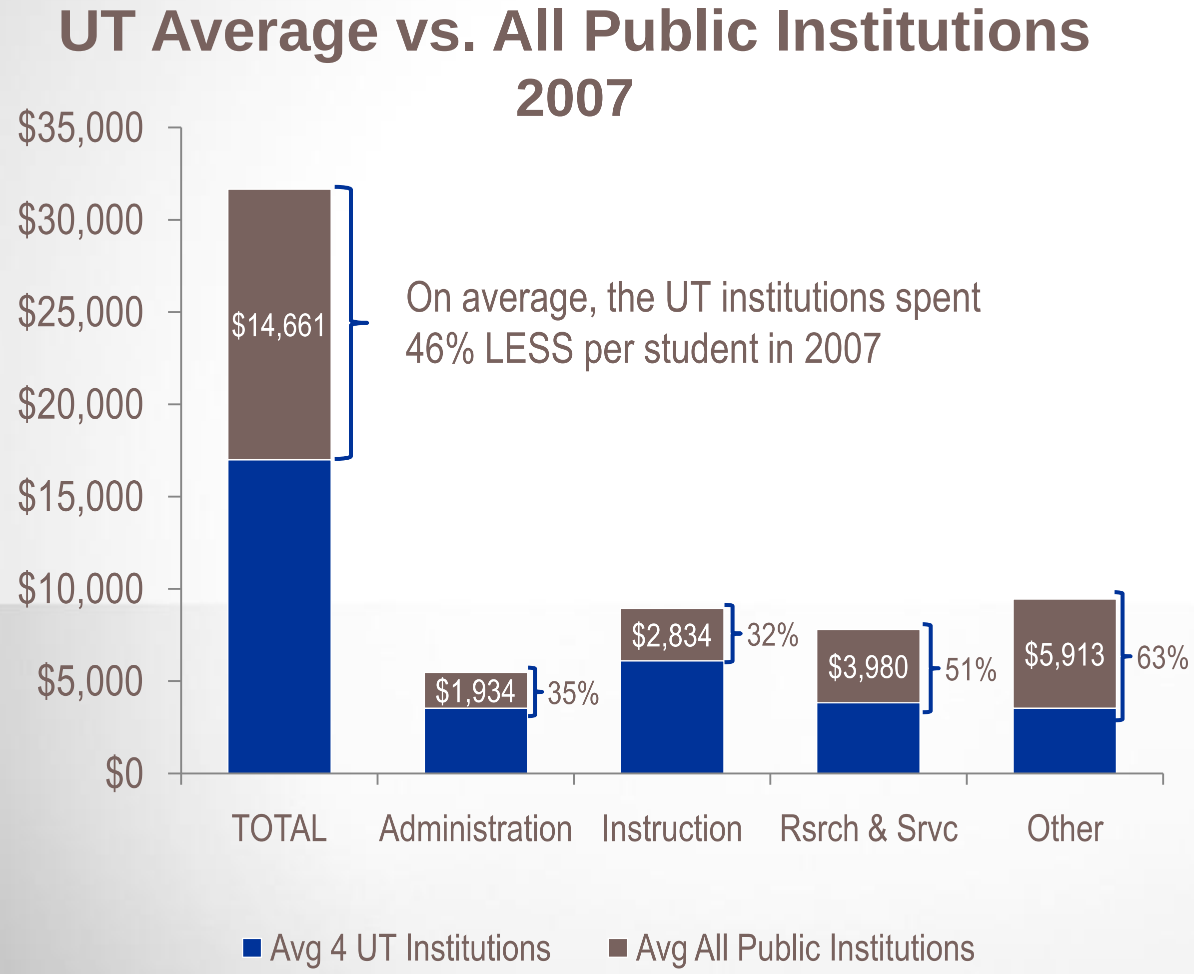


Sources: U. T. System Office of Strategic Initiatives; Delta Project on Postsecondary Education Costs, Productivity, and Accountability

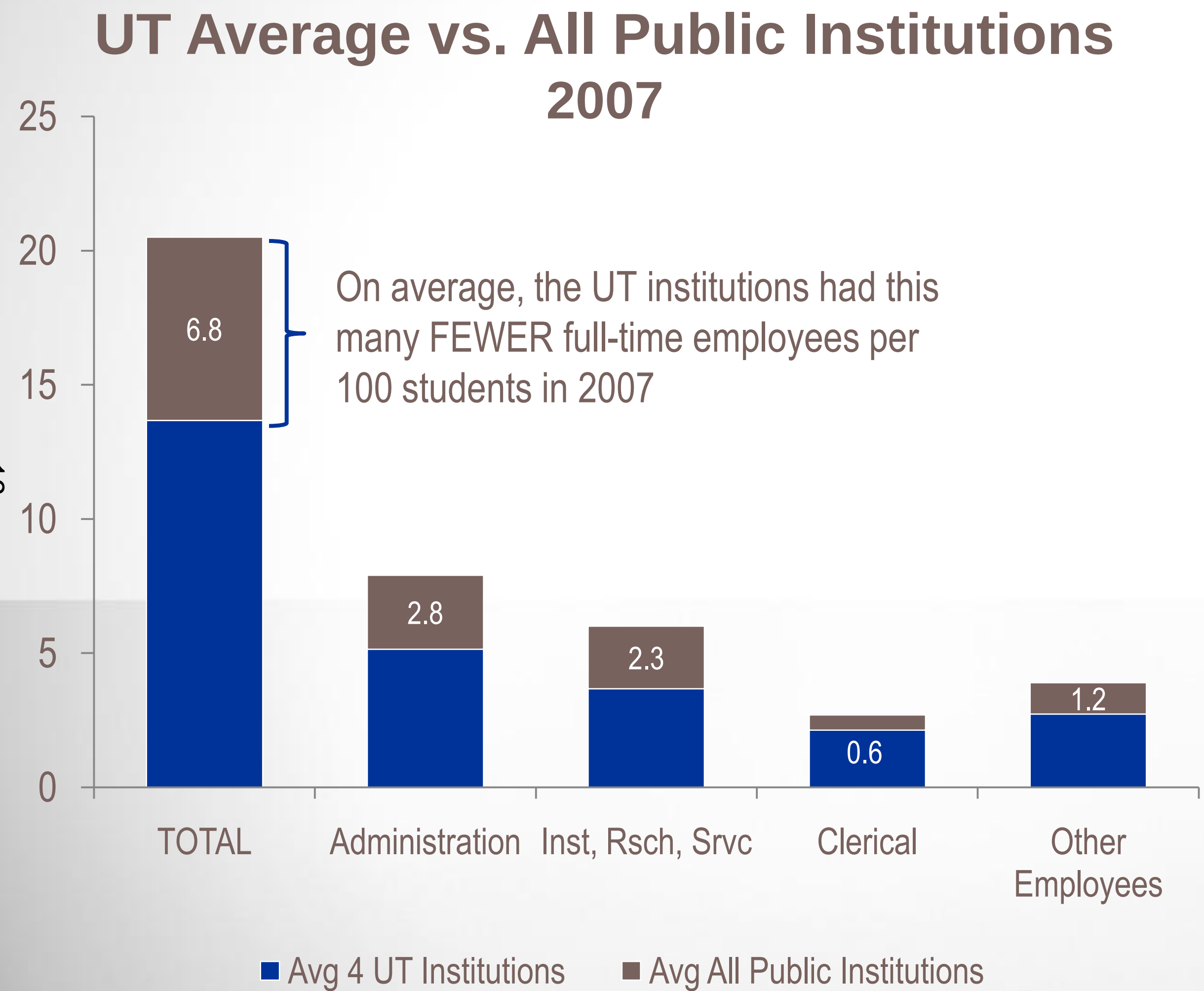
Productivity Comparisons: Inflation-adjusted Spending per Student



- UT institutions on average spent less per student in 2007 than the average for All Public Institutions.
- The largest gap in a single category is in Other, which includes Auxiliary and Operation and Maintenance of Plant.

Sources: U. T. System Office of Strategic Initiatives; Goldwater Institute

Productivity Comparisons: Full-Time Employees per 100 Students



- UT institutions on average have fewer full-time employees per 100 students in 2007 than the average for All Public Institutions.
- The largest gap in a single category is in Administration.

Sources: U. T. System Office of Strategic Initiatives; Goldwater Institute

Future Efficiency Enhancement Initiatives

U. T. System Initiatives

- Space
- Payroll Processing
- Police Academy Housing
- Operational Changes
- Other Shared Services Opportunities
- Technology/Computing

U. T. Campus Initiatives

- Organizational Reviews
- Collaborations
- Facility Use
- Revenue Enhancement
- Process Improvements

4. U. T. Austin: Discussion and appropriate action regarding the lease of Lions Municipal Golf Course on the Brackenridge Tract, Austin, Travis County, Texas, to the City of Austin

RECOMMENDATION

Vice Chancellor and General Counsel Burgdorf and Executive Director of Real Estate Mayne will outline issues related to the lease with the City of Austin for the Lions Municipal Golf Course. The Board will discuss the lease and consider whether the lease should be allowed to expire at the end of its current term in May 2019, as recommended by the Brackenridge Tract Task Force.

BACKGROUND INFORMATION

On June 17, 1910, Colonel George W. Brackenridge, then a member of the U. T. System Board of Regents, gave a 500-acre tract in West Austin along both sides of the Colorado River to the Board for the benefit of U. T. Austin. The deed from Colonel Brackenridge states that the gift is made "for the purpose of advancing and promoting University education." Colonel Brackenridge had hoped that his gift would form the foundation of a new campus for U. T. Austin, but his dream was not realized. During the 100 years since Colonel Brackenridge's deed, some of the property that was geographically isolated from the remainder of the tract was sold and the proceeds were placed in an endowment for U. T. Austin and some of the property was utilized for road rights-of-way and utilities. Approximately 350 acres in the tract remain along both sides of Lake Austin Boulevard.

Portions of the remaining 350 acres are used by U. T. Austin for graduate student housing and a biological field lab. Other portions are leased for commercial purposes and for governmental and civic uses. Since 1924, a portion of the tract (now 141 acres) has been leased for a golf course. The present lease of the Lions Municipal Golf Course to the City of Austin was entered into in 1987 and amended in 1989 to extend its term to May 2019, with three 5-year extensions that can be cancelled by either the City or the Board.

The Board of Regents has periodically examined the uses of the Brackenridge Tract. Former Chairman James Huffines commenced the most recent review in July 2006, by appointing the Brackenridge Tract Task Force to study the tract and make recommendations to the Board. After more than a year of study, the Brackenridge Tract Task Force issued its written report in October 2007.

The Task Force report contained numerous findings and recommendations, including a recommendation concerning the Lions Municipal Golf Course lease, as follows:

> The Lions Municipal Golf Course lease should be allowed to terminate at the end of its current term in 2019 and the Board should include the tract in the master planning process.
>
> The Task Force's recommendation is based on its conclusion that the lease of the land for a public golf course at a rental rate that is substantially below what the property could generate were it used for other purposes does not meet the intent of Colonel Brackenridge's gift. Brackenridge was a great benefactor of several cities in Texas, and in fact, expressly conveyed some land for public park purposes, most notably the Brackenridge Park in San Antonio. He gave the Brackenridge Tract in Austin, however, specifically to support the educational mission of the University

5. U. T. System Board of Regents: Amendments to the Regents' *Rules and Regulations*, Rule 31001 to add Section 2.3(e), regarding new nontenure-track titles

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Rule 31001, be amended to add Section 2.3(e), regarding new nontenure-track titles, as set forth below in congressional style:

Sec. 2.3 Nontenure-Track Positions. Prefixes to academic and staff positions in which tenure cannot be acquired:

. . .

(e) Professor in Practice, Associate Professor in Practice, and Assistant Professor in Practice. These titles may be used by the institutions of the U. T. System to designate regular part-time or full-time service for faculty involved in a professional experience program. Appointments to the faculty with a Professor in Practice title may be with or without pay and shall be for a period of time not to exceed one academic year. Such appointments shall terminate upon expiration of the stated period of appointment without notification of nonrenewal. If an institution determines that it is to the benefit of the institution, it may offer reappointment to a faculty member in accordance with the *Texas Education Code* Section 51.943.

BACKGROUND INFORMATION

The proposed amendment to the Regents' Rules would add nontenure-track titles to its inventory. The titles will be used by academic institutions and is parallel to the Clinical Professor titles used by the medical schools.

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

REPORT

Vice Chancellor Safady will report on the development performance of U. T. System institutions and recommendations for advancing philanthropic support following the PowerPoint presentation on Pages 21 - 39.

In 2004, Dr. Safady initiated an annual review of campus development/fundraising operations and the preparation of a report to offer each institution a customized assessment and framework for performance measurement and continuous improvement. This service aims to assist each institution to achieve its strategic philanthropic objective. The annual review is aligned with the U. T. System's goals of efficiency, transparency, and accountability.

U. T. System Development Assessment FY 2010

Dr. Randa Safady
Vice Chancellor for External Relations

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Board of Regents' Meeting
February 2011

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FY 2010 – A Cautious Year

- Following the deepest recession in the past 25 years, donors cautiously made gifts in FY 2010
- Philanthropic forecasts projected giving to show modest gains
- Institutions worked much harder to simply maintain previous levels of support

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Fundraising Summary

U. T. System Institutions	Average FY 2005–2009	FY 2010	Percent Change
Overall Giving (cash received, pledges, and new testamentary gifts)	$842.8M	$1.098B	30.3%
Cash Received	$649.3M	$706.4M	8.8%

- FY 2010 was the second highest year for overall giving and third highest for cash received, representing a 15.3% increase from FY 2009
- Cumulative Overall Giving for the past three years reached $3.08B
- During that same period, actual cash received was $2.1B

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Designation of Gifts FY 2010

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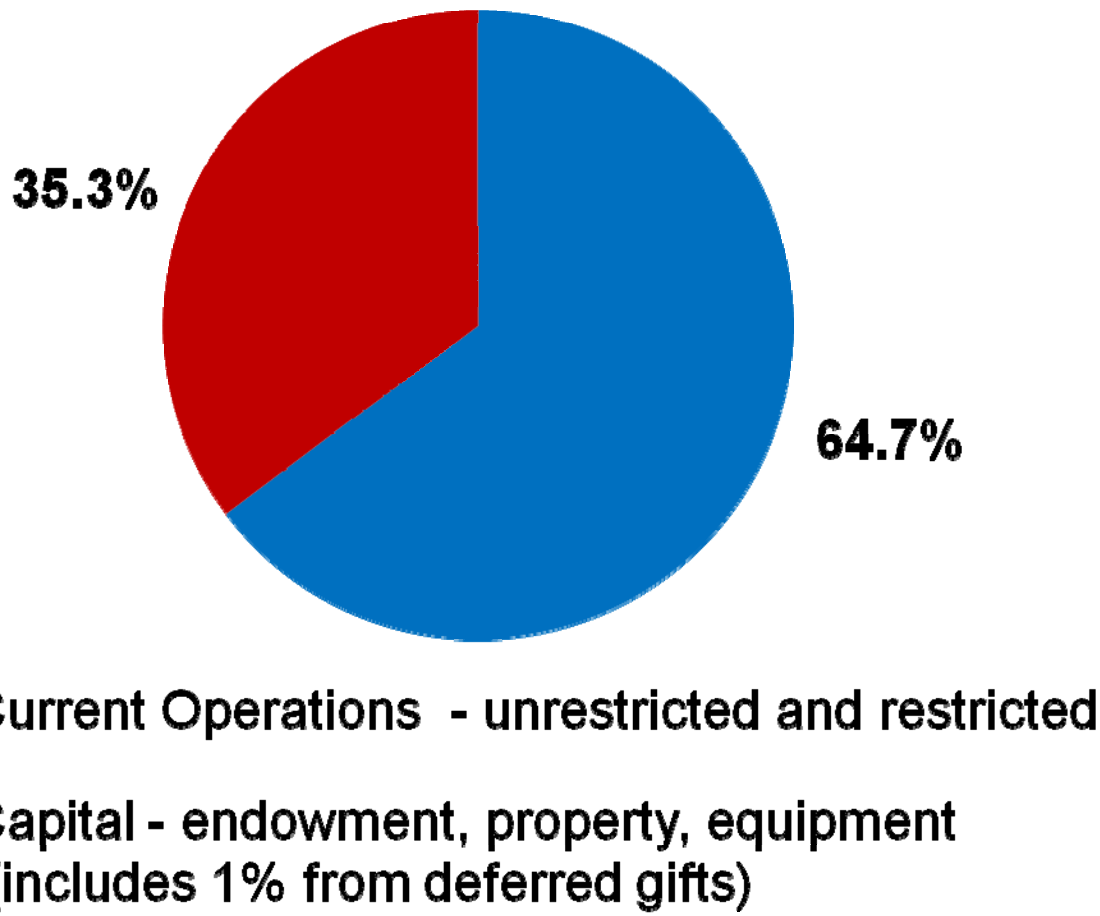

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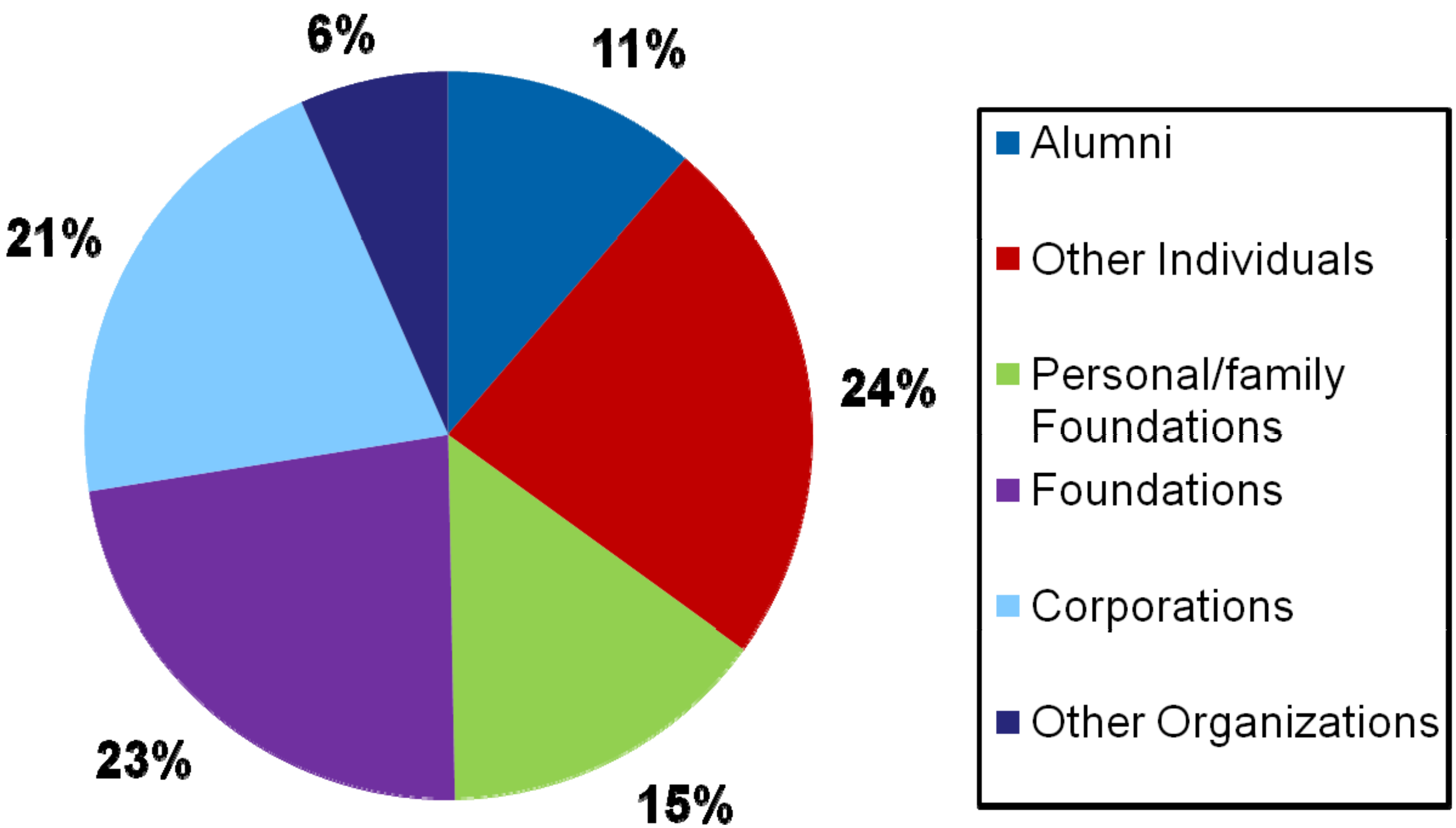
Sources of Giving FY 2010



Individual Donors

	Average FY 2005–2009	FY 2010	Percent Change
Alumni donors	77,725	81,150	4.4%
Non-alumni donors	135,738	142,222	4.7%
All individual donors	213,463	223,372	4.6%

- FY 2010 represents the highest number of alumni donors and the second highest donor count
- Maintaining the donor base during these economic times is a significant accomplishment

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Alumni Giving

	Average FY 2005–2009	FY 2010	Percent Change
Alumni Participation	8.5%	7.3%	- 14.5%
Alumni Giving Amount	$64.4M	$80.1M	24.4%

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- 1,100,000 alumni of record
- 51.1% growth in alumni of record since FY 2000

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Planned Giving

	Average FY 2005–2009	FY 2010	Percent Change
New Testamentary Gifts (present value)	$24.7M	$55.5M	124.7%
New Testamentary Gifts #	94	215	127.8%
Realized Bequests	$23.8M	$70.8M	197.5%
Realized Bequests #	155	195	26.0%

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Impact of Larger Gifts

	Average FY 2005–2009	FY 2010	Percent Change
Top 12* gifts as a percentage of cash received	23.8%	22.3%	- 0.06%

* Top 12 gifts (three largest gifts from individuals, foundations, corporations, and bequests)

- Of the 223,000 gifts last year, the top 12 make up nearly a quarter of all giving
- 57 gifts of $1M or more; up from 46 gifts in FY 2009

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Academic Institutions FY 2010

Institutions	Overall Giving testamentary commitments, pledges ,and cash received (in millions)	Cash Received (in millions)	Cash Received as a % Change from 5 year avg. FY 2005-2009	Cash Received as a % of Educational & General (E&G) Expenditures
U. T. Arlington	$18.8	$7.6	38.2%	2.0%
U. T. Austin	$324.6	$235.3	9.9%	12.8%
U. T. Brownsville	$1.8	$1.5	36.4%	0.9%
U. T. Dallas	$33.0	$29.7	55.5%	8.9%
U. T. El Paso	$29.0	$22.2	23.3%	6.6%
U. T. Pan American	$4.4	$3.5	-30.0%	1.6%
U. T. Permian Basin	$6.4	$5.7	42.5%	14.5%
U. T. San Antonio	$38.8	$22.8	142.6%	5.7%
U. T. Tyler	$4.6	$3.9	-7.1%	5.0%

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Health Institutions FY 2010

Institutions	Overall Giving testamentary commitments, pledges, and cash received (in millions)	Cash Received (in millions)	Cash Received as a % Change from 5 year avg. FY 2005-2009	Cash Received as a % of Educational & General (E&G) Expenditures
UTMDACC	$348.1	$123.8	19.7%	10.2%
UTHSC - Tyler	$4.6	$0.9	-57.1%	2.2%
UTHSC - Houston	$45.7	$39.7	8.8%	5.2%
UTHSC - San Antonio	$42.8	$33.1	-19.9%	4.6%
UTMB	$32.6	$23.7	-34.9%	4.2%
UTSWMC - Dallas	$155.5	$151.1	13.4%	12.4%

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Fundraising Campaigns

- Six fundraising campaigns are underway and all at various stages
  - Combined campaign goals $4.47B
  - Amount raised toward campaign goal as of October 2010 $2.47B

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Observations

- U. T. System institutions collectively had very positive results in the midst of a flat economy
- Earlier investments paid dividends for those who stayed the course
- Planned giving playing a more significant role
- Annual giving showing sustainability
- Not all institutions advancing at the same pace

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Going Forward - Direction

34

- Chancellor and presidents focused on philanthropy to support institutional priorities
- A new normal for fundraising has emerged as a result of recession, technology, and cultural changes

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Going Forward – The New Normal

- Philanthropy as a vital revenue stream
- Marketing and Communications
- Collecting and leveraging data – our story
- Engaging volunteers and alumni
- Building effective teams
- Using ever-evolving technology

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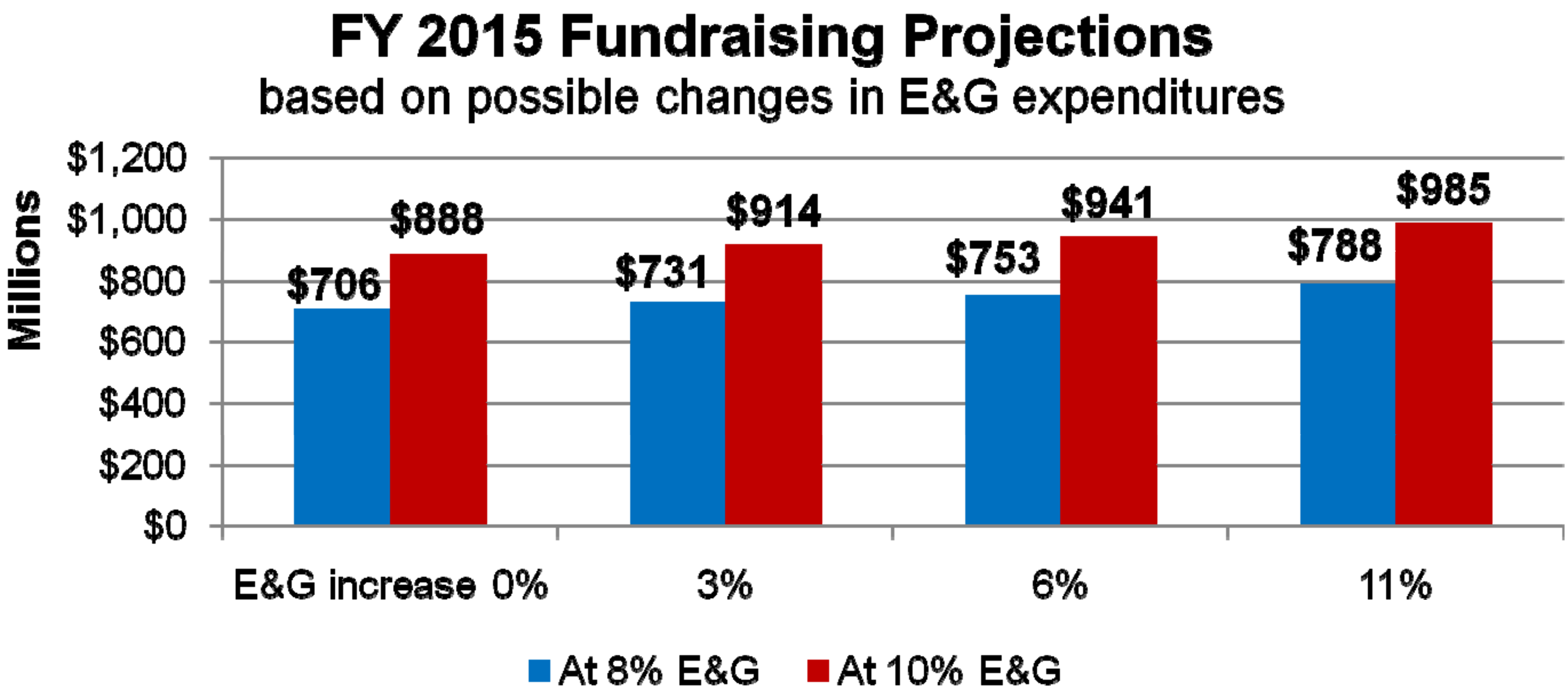
Going Forward – What might we achieve?



- Current fundraising performance is 8% of E&G resulting in $706.4M
- Improvement plan reaching 10% of E&G could result in a minimum additional $180M for U. T. System institutions in FY 2015

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Going Forward – Support for U. T. System Institutions

- Presidential Discussion Guide and Planning Toolkit with voluntary participation to establish development business plans:
  - 3-5 year goals for balanced fundraising programs
  - Strategies on how to get from “here to there”
  - Budget and staffing needs

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Going Forward – Support for U. T. System Institutions (cont.)

38

- Annual Development Assessment shared with President and Chief Development Officer
- Strategic training programs to encourage best practice and continuous improvement
- Tailored consulting work for institutions
- Searches for senior advancement positions

Going Forward - Summary

- Regents, Chancellor, and presidents continue to endorse the importance of philanthropy for institutional priorities
- Office of External Relations remains committed to supporting U. T. System institutions to address the new normal
- Development leaders at U. T. System institutions with business plans and adequate resources can make a difference

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

Committee Meeting: 2/17/2011

Board Meeting: 2/18/2011
Austin, Texas

D.	**RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE,* CHAPTER 551**	*11:50 a.m.*
	Personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of officers or employees - *Texas Government Code* Section 551.074 **U. T. System: 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. Norma Ramos, U. T. Brownsville* *Mr. Richard Dawson, U. T. San Antonio* *Mr. Chaffin* *Mr. Plutko*
E.	**RECONVENE IN OPEN SESSION FOR ACTION ON EXECUTIVE SESSION ITEMS, IF ANY, AND ADJOURN**	*12:00 p.m.*

1. **U. T. System: Report on the Fiscal Year 2010 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit**

REPORT

See Item 7 on Page 201 of the Finance and Planning Committee.

2. **U. T. System: Report on clinical trial billing process**

REPORT

Executive Vice Chancellor Shine and Dr. Charles M. Ginsburg, U. T. Southwestern Medical Center – Dallas, Senior Associate Dean for Academic Administration, will provide an overview of a model clinical trials billing process including enhancements to regulatory compliance requirements. The presentation is set forth on Pages 41 - 50.

CLINICAL TRIAL BILLING

Kenneth I. Shine, M.D. and Charles M. Ginsburg, M.D.

The University of Texas System Board of Regents' Meeting

Audit, Compliance, and Management Review Committee

February 2011

THE UNIVERSITY *of* TEXAS SYSTEM

Nine Universities. Six Health Institutions. Unlimited Possibilities.

Clinical Trial Billing

- Context
  - Medicare risk (recent settlements and fines)
  - Potential lost revenue
  - Health care reform mandating some trial coverage for all payors in 2014
- Use of Guiding Principles
- Selection of Senior Level Champions
- Demonstrates use of the hybrid model of compliance

Components

- Physicians and Hospitals
- Principal Investigators (PI)

- Patients
- Subjects

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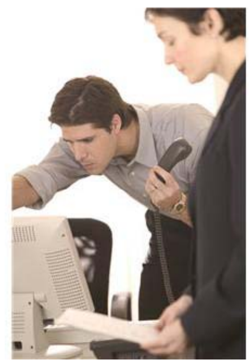
- Research Sponsors (Pharma/Device Industry)
- Insurance (Medicare, others)
- Payment/Recouping Costs

Traditional Resources

- Paper and manual processes



- Dependence on human intervention and interaction

Emerging Resources

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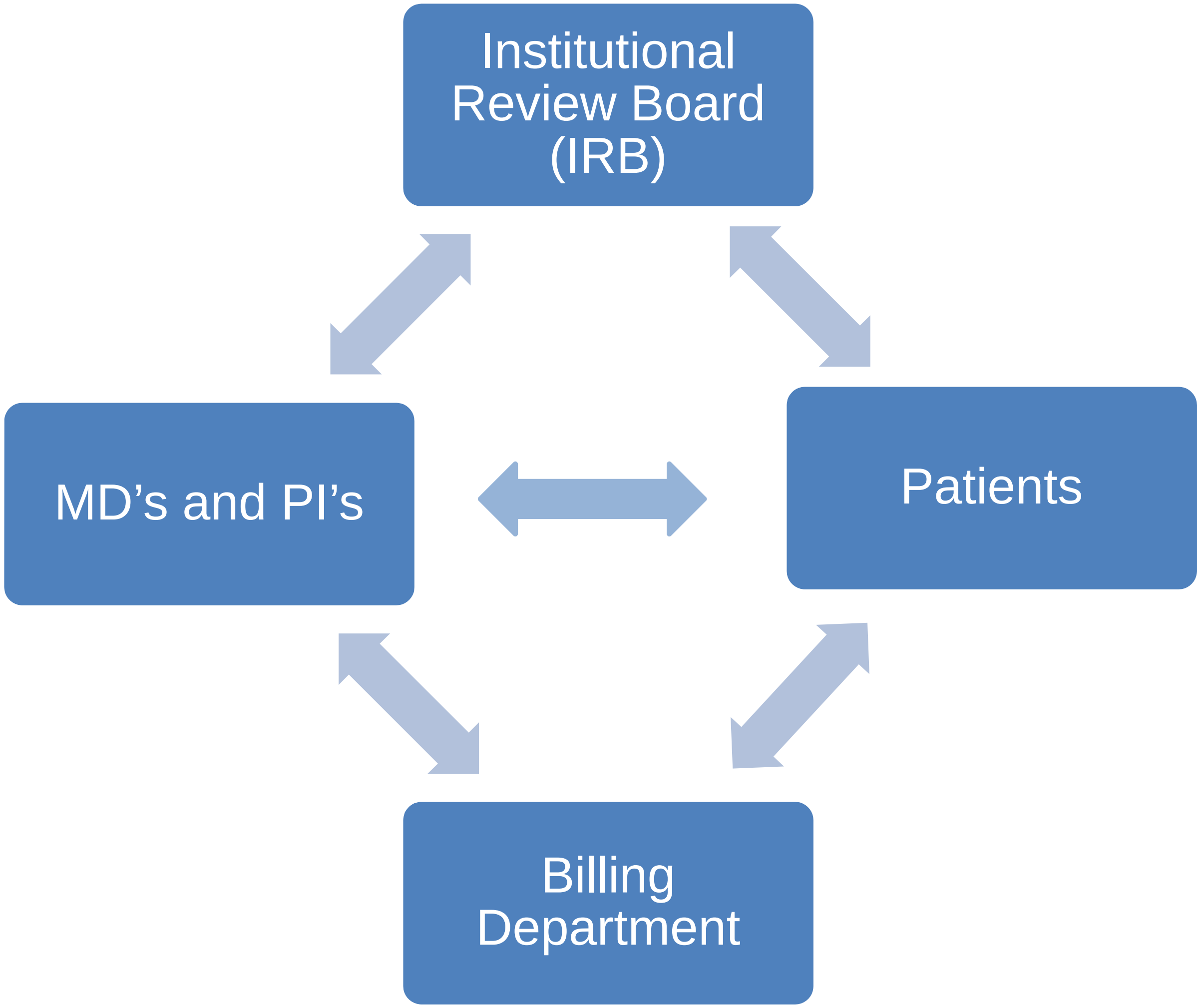
Clinical Trial Management Systems

- May assist but can be costly

- Do not always interface well
- Still largely untested

Communication across cultures



UT Southwestern's Journey

- Researchers' input (committee experience)
- Support from the highest levels in the organization (both leadership and resources)
- Collaborative spirit and teamwork from Information Technology, Compliance, Research Administration
- Integration into overall operations of research enterprise operations
- Field value of the U. T. System Guiding Principles

Challenges

- Disparate electronic systems (medical record, billing, grants & contracts, IRB)
- Large activation energy (new policies, change management, labor intensive)
- Limited resources (financial, human)
- Perceived as intrusive and unnecessary by many physicians and scientists

Potential Opportunities

- Better negotiating position with sponsors on the clinical trials agreement
- Recouping costs and legitimate funds left on the table
- Reducing compliance risk

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The above leads to more success in our essential mission of clinical research.

Conclusion

- Technology's contribution will be critical
- Inherent tensions will not resolve on their own, we must be thoughtful and diligent
- Revenue Cycle loan to U. T. Health Science Center – San Antonio for their Clinical Trial Management System (CTMS) - others may need resources.

3. U. T. System: Report on the Systemwide internal audit activities, including the status of the information security program audits; and Internal Audit Department reports for U. T. Brownsville and U. T. San Antonio

REPORT

Ms. Norma Ramos, Director of Internal Audit, U. T. Brownsville, will report on adding value in the current economic climate using a PowerPoint presentation set forth on Pages 52 - 60.

Mr. Richard Dawson, Executive Director of Audit, Compliance, and Risk Services, U. T. San Antonio, will make a presentation on the identification and assessment of risk during the audit planning process using a PowerPoint presentation set forth on Pages 61 - 73.

Mr. Charles Chaffin, Chief Audit Executive, will present the preliminary results of the Information Security Program Index (ISPI) audits that are being conducted Systemwide. The objective of these audits is to determine if the ISPI scores as reported by institutional information technology management are accurate by validating portions of the ISPI.

ISPI was developed by the U. T. System Office of Information Security Compliance as a structured method for assessing and reporting on the state of an institution's information security program. ISPI provides executive management with information on the development of an institution's annual information security action, training, and monitoring plans and facilitates an 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.

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 74 - 75. 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 76. The annual internal audit plan status as of December 31, 2010, follows on Page 76a.

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.

Ms. Norma L. Ramos, Director
Office of Internal Audits

U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
February 2011

The University of Texas at Brownsville and Texas Southmost College

UTB TSC

Internal Audit Committee

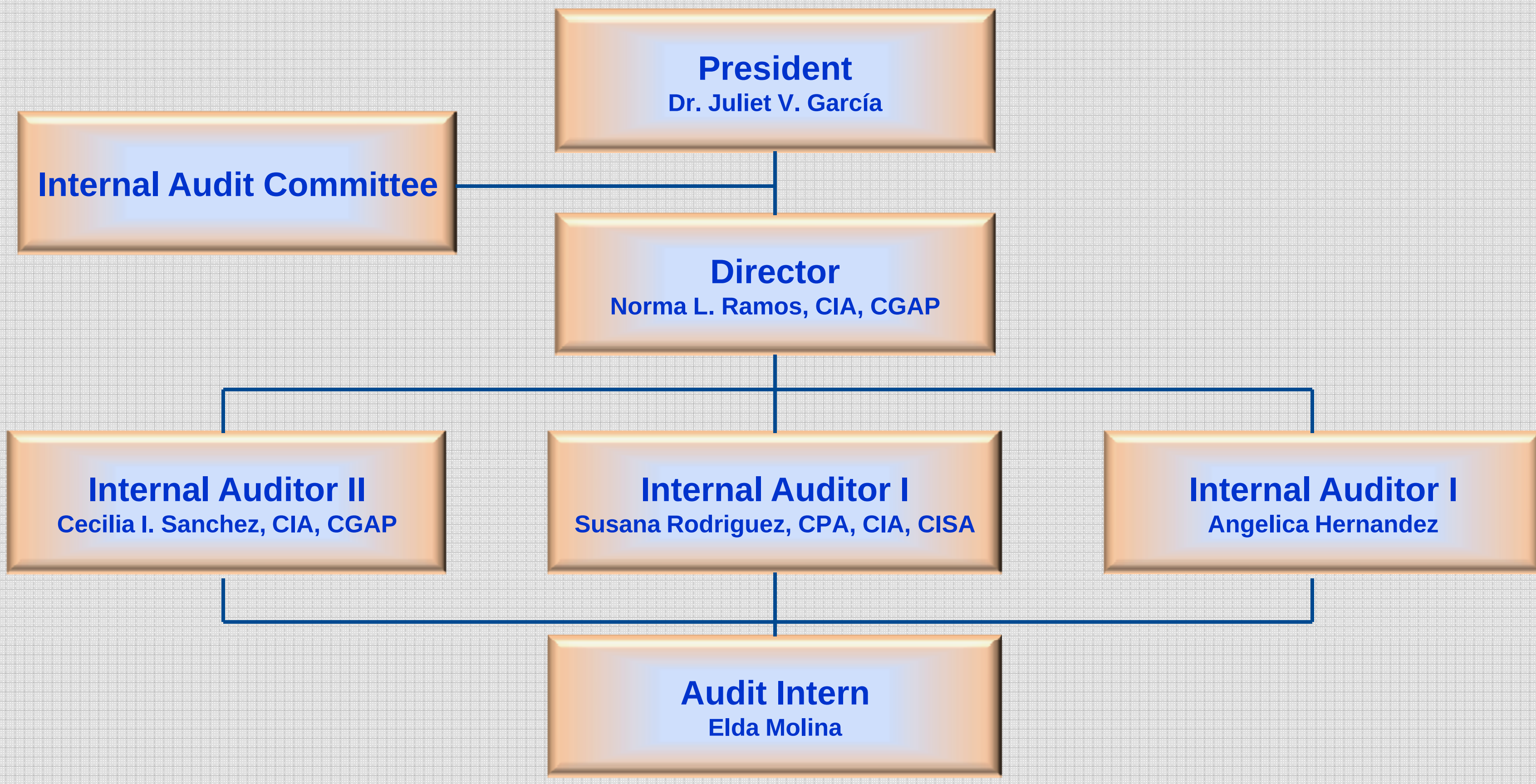
- Internal Members
  - Dr. Juliet V. García, President and Chairman
  - Dr. Alan Artibise, Provost/Vice President for Academic Affairs
  - Ms. Rosemary Martinez, Vice President for Business Affairs
  - Dr. Luis Colom, Vice President for Research
  - Dr. Ruth A. Ragland, Vice President for Institutional Advancement
  - Mr. Irv Downing, Vice President for Economic Development and Community Service
  - Dr. Hilda Silva, Vice President for Student Affairs
  - Dr. Clair Goldsmith, Vice President for Information Technology and Chief Information Officer
  - Dr. Marilyn Woods, Executive Assistant to the President
- External Members
  - Mr. Eduardo Campirano, Port Director and CEO, Port of Brownsville
  - Mr. Ruben García, State Farm Insurance
- Committee meets quarterly; last meeting held on December 15, 2010

Office of Internal Audits Staffing

Name	Title	Certifications	Years of audit experience
Norma Ramos	Director	CIA, CGAP	13.5
Cecilia Sanchez	Internal Auditor II	CIA, CGAP	11.5
Susana Rodriguez	Internal Auditor	CPA, CIA, CISA	11.0
Angelica Hernandez	Internal Auditor		7.5
Elda Molina	Audit Intern		3.0

- Average of 11 audit reports issued per year

Internal Audit Reporting Structure



KNOWLEDGE KNOWS NO BOUNDARIES.

High-risk Areas to be Audited in FY 2011

Internal audit activities to be performed in FY 2011 are mapped to high-risk areas identified in the following categories:

Category	% of Plan
Financial Audits	19%
Operational Audits	26%
Compliance Audits	4%
Information Technology Audits	9%
Follow Up Audits	5%
Projects-Audit, Consulting, Other	37%

KNOWLEDGE KNOWS NO BOUNDARIES.

External Quality Assurance Review

- Most recent external quality assurance review report was issued in March 2009
- Result: "Generally conforms" (highest rating) in all material respects to the Institute of Internal Auditors Standards and the Code of Ethics
- Opportunities for improvement identified in the areas of:
  - ➢ Internal audit committee membership
  - ➢ Staffing levels
  - ➢ Internal quality assurance program

Value Added Audits

- Audit of Student Health:
  - Reorganization of department to better meet the needs of the students
  - Significant improvements in compliance with Texas Medical Board, Texas Nursing Board, and Texas Board of Pharmacy regulations
  - Development of the U. T. Systemwide audit program of Student Health

- Audit of the International Technology, Education, and Commerce Center (ITECC) Leases:
  - Reorganization of ITECC operations
  - New lease contract template

Value Added Consulting Engagements

- Review of Texas Southmost College Operations:
  - Realignment of job duties to improve segregation of duties and other internal controls
  - Implementation of the most updated accounting software and training for all staff members to improve efficiencies
  - Establish and assign account manager responsibility

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Student Employment Initiative

- Assists the Internal Audit Department with the following:
  - General administrative duties
  - Responsible for performing account reconciliations
  - Assist with audit procedures
  - Conducts one-on-one training on account reconciliations
- Attends entrance and exit meetings with audit clients
- Minimal cost to department:
  - FY 2009 – $ 2,351
  - FY 2010 – $ 1,543

The University of Texas at San Antonio

Mr. Dick Dawson, Executive Director

Auditing, Compliance, & Risk Services

U.T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
February 2011

Internal Audit Reporting Structure

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Internal Audit Committee

- Dr. Ricardo Romo, President
- Dr. John H. Frederick, Provost & Vice President for Academic Affairs
- Mr. Kerry L. Kennedy, Vice President for Business Affairs
- Dr. Robert Gracy, Vice President for Research
- Dr. Gage Paine, Vice President for Student Affairs
- Dr. Sandra Welch, Vice Provost for Accountability & Institutional Effectiveness
- Mr. Ruben Escobedo, External Member

- Committee meets quarterly; last meeting held on January 20, 2011

Internal Audit Department Staffing

UTSA

➢Audit Department Reporting to Executive Director

Title	Number of Positions
Director, Auditing & Consulting Services	1
Audit Supervisor	1
IT Audit Supervisor	1
Senior & Staff Auditors	3

➢Audit Reports Issued

Year	Number Issued
2009	15
2010	17

External Quality Assurance Review

- Most recent Quality Assurance Review issued in April 2009
- Result: "Generally Conforms" (highest rating) to the Institute of Internal Audit (IIA) Standards with the following recommendations:
  - Update the Internal Audit Charter to reflect recent changes to the IIA Standards
  - Enhance the Institutional Compliance Charter to clarify roles and responsibilities between audit and compliance
  - Improve the monitoring and documentation of project time budgets
- All recommendations have been addressed

Audit Planning Process

- Annual Audit Plan
  - Gather input from several levels of senior management
  - Rank risk areas and develop a risk matrix of the high-risk areas to develop annual audit plan

- Individual Audits
  - Gain an understanding of the activity being audited
  - Perform a detailed risk assessment to prioritize risks
  - Use risk assessment results to develop the audit objective and program

U. T. San Antonio High-risk Areas

FY 2011 High-risk Areas
Chemical Safety/Bio Safety
Information Security
Athletics
Financial Aid
Access Controls
Sponsored Projects
Campus/Student Safety
Departmental Fiscal Management

Why is Athletics High-risk at UTSA?

- Addition of football program
- NCAA requires every Division I institution to have its athletic rules compliance program evaluated at least every four years

Internal Audit Resources for Assessing Risk

UTSA

ACUA
ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS
Advancing Auditing in Higher Education

- Association of College & University Auditors (ACUA) Risk and Controls Dictionary for Higher Education
  - A database of over 900 risks and 2100 controls
  - Initially developed by David Crawford from the U.T. System Audit Office
- NCAA Division I Audit Guide

ACUA Risk and Controls Dictionary

Major Categories	
Asset & Risk Management	Academic Medical Centers
Auxiliary & Service Departments	Plant Operations & Maintenance
Financial Management	Purchasing & Warehousing
Governance & Leadership	Research & Development
Hospital & Patient Care	School of Medicine
Information Technology	Student Services
Instruction & Academic Support	University Relations & Alumni Affairs

ACUA Risk and Controls Dictionary (cont.)

Auxiliary and Service Department Risk Areas
Athletics (NCAA)
Auxiliary Enterprise Administration
Bookstore
Housing
Police
Recreation & Athletic Centers
Service Centers- Auxiliary
Special Events Centers

ACUA Risk and Controls Dictionary (cont.)

UTSA

Athletics (NCAA) Major Risk Areas	
Governance & Organization	**Eligibility**
Academic Performance Program	**Financial Aid Administration**
Recruiting	Camps & Clinics
Investigations & Self Reporting	Rules Education
Extra Benefits	Playing & Practice Seasons
Student Athlete Employment	Amateurism
Commitment of Personnel	

Areas in Athletics that are considered the highest risk to UTSA

Plan to review NCAA Major Risk Areas

UTSA

Risk Areas	FY 09	FY 10	FY 11	FY 12
Extra Benefits	X			
Playing & Practice Sessions	X			
Eligibility	**X**			**X**
Academic Performance		X		
Financial Aid Administration		**X**		
Investigations & Self-Reporting Rules Violations		X		
Recruiting			**X**	
Camps & Clinics			X	
Governance & Organization			X	
Rules Education			X	
Student Athlete Employment				X
Amateurism				X
Commitment of Personnel				X

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

U. T. SYSTEM AUDIT

Report Date	Institution	Audit	4th Quarter 2010		1st Quarter 2011		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		
2010-04	UTARL	Payment Card Industry Data Security Standard Audit		2		1	3/31/2011	Satisfactory
2009-12	UTEP	Texas Administrative Code Chapter 202 Audit - Phase 2		1		0	11/20/2010	Implemented
2010-06	UTEP	Gifts and Endowments		1		1	4/30/2011	Satisfactory
2010-10	UTEP	Exports Control				2	12/31/2010**	Satisfactory
2010-08	UTPA	Effort Reporting		3		2	3/1/2011	Satisfactory
2008-09	UTSA	Information Technology Change Management Audit		1		1	2/28/2011	Satisfactory
2009-03	UTSA	Banner User Access Audit (Security)		1		0	12/8/2010	Implemented
2010-01	UTSA	Information Technology Asset Management Audit		1		1	11/30/2011	Satisfactory
2010-11	UTSA	Information Security Program				3	8/31/2012	Satisfactory
2008-11	UTT	Fiscal Year 2008 Annual Financial Report Audit		1		0	10/31/2010	Implemented
2010-03	UTT	Endowed Scholarships		1		0	12/14/2010	Implemented
2010-05	UTT	Texas Administrative Code Chapter 202 Audit		3		1	4/30/2011	Satisfactory
2010-05	UTHSC - Houston	Personnel Management & Time Management System Controls		4		3	5/1/2011	Satisfactory
2010-11	UTHSC - Houston	Fiscal Year 2010 Financial Assurance Work				1	2/4/2011	Satisfactory
2010-04	UTHSC - San Antonio	UT Medicine: Information Technology Review of Data Security		3		3	12/31/2010*	Satisfactory
2010-05	UTHSC - San Antonio	UT Medicine: Back End Billing				3	11/30/2012	Satisfactory
2007-09	UTMDACC - Houston	Maintenance and Security of Biological Research Materials		1		1	2/28/2011	Satisfactory
2008-05	UTMDACC - Houston	Clinical Trial Research		1		1	2/28/2011	Satisfactory
2009-03	UTMDACC - Houston	Wireless and Firewall Remote Access Security Assessment		3		2	8/31/2011	Satisfactory
2009-03	UTMDACC - Houston	Review of Patient History Oracle Database Security		3		3	5/31/2009*	Satisfactory
2009-05	UTMDACC - Houston	Business Continuity Plan Review		1		1	2/28/2010*	Satisfactory
2010-02	UTMDACC - Houston	Information Security Organization Review		5		5	5/31/2010*	Satisfactory
2010-04	UTMDACC - Houston	Department of Chaplaincy and Pastoral Education		1		0	8/31/2010	Implemented
2010-10	UTMDACC - Houston	Physicians Referral Service Practice Plan By-Laws Implementation Review				1	2/28/2011	Satisfactory
2005-12	UTSYS ADM	Systemwide Financial Audit Fiscal Year 2005		1		0	9/1/2010	Implemented
		Totals		**38**		**36**		

Information Received from Internal Audit Directors and Chief Business Officers
Consolidated by: System Audit Office
December 2010

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

Report Date	Institution	Audit	4th Quarter 2010 Ranking	4th Quarter 2010 # of Significant Findings	1st Quarter 2011 Ranking	1st Quarter 2011 # of Significant Findings	Targeted Implementation Date	Overall Progress Towards Completion (Note)
STATE AUDITOR'S OFFICE AUDITS								
2010-02	UTPB	Southern Association of Colleges and Schools Financial Statement Review Fiscal Year 2009		1		0	12/1/2010	Implemented
2010-03	UTPB	Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2009		4		4	5/31/2011	Satisfactory
2009-08	UTSWMC - Dallas	Campus Safety and Security Emergency Management Plans Audit		1		1	3/1/2011	Satisfactory
2007-05	UTSYS ADM	Charity Care at Health-Related Institutions		1		0	10/31/2010	Implemented
		Totals		**7**		**5**		

Color Legend:

- (Red) 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.
- (Orange) Significant finding for which substantial progress towards implementation was made during the quarter that the significant finding was first reported.
- (Yellow) Significant finding for which substantial progress towards implementation was made during the quarter.
- (Green) 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.

****** Awaiting updated implementation status and date from the institution.

Information Received from Internal Audit Directors and Chief Business Officers
Consolidated by: System Audit Office
December 2010

OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 9/2010 through 11/2010	
Institution	**Audit**
UTARL	President's Travel, Entertainment, and Housing Expenditures Audit
UTARL	Information Technology Governance Audit
UTARL	National Collegiate Athletic Association (NCAA) Register Log In
UTARL	Joint Admission Medical Program Audit
UTAUS	Change in Management Audits - Advanced Manufacturing Center
UTAUS	Joint Admission Medical Program Audit
UTAUS	Change in Management Audits - Office of Research Support
UTAUS	Change in Management Audits - Lyndon B. Johnson School of Public Affairs
UTAUS	National Automated Clearinghouse Association Rules- eChecks
UTAUS	President's Travel, Entertainment, and Housing Expenditures
UTAUS	Change in Management Audits - Parking and Transportation Services
UTD	Texas Schools Project
UTD	Joint Admission Medical Program Audit
UTD	Unallowable Costs
UTD	Arts and Humanities
UTD	Annual Financial Report
UTEP	Fiscal Year 2010 Year End Cash Counts
UTEP	Human Resource Services (Phase I)
UTEP	President's Travel, Entertainment and Housing Expenses
UTEP	Payment Card Industry
UTEP	Joint Admission Medical Program Audit
UTPA	Joint Admission Medical Program Audit
UTPA	President's Travel, Entertainment, and Housing Audit
UTPA	UTPA Financial Audit Fiscal Year 2010
UTPA	Information Technology System Access-Distance Learning (Blackboard) Audit
UTPB	Joint Admission Medical Program Audit
UTPB	Procurement Card and Travel Card Audit
UTSA	Contract Management
UTSA	Joint Admission Medical Program Audit
UTSA	Information Security Program Index Review
UTSA	Effort Reporting
UTSA	Fiscal Year 2010 Financial Statement Audit
UTSA	Fiscal Year 2010 Presidential Travel and Entertainment
UTT	Audit of the Joint Admission Medical Program Grant
UTT	Audit of the President's Travel and Entertainment Expenses
UTSMC - Dallas	Medical Service, Research and Development Plan Charge Entry
UTSMC - Dallas	University Hospitals Simmons Comprehensive Cancer Center
UTSMC - Dallas	Construction Project Management
UTSMC - Dallas	Controlled Substances
UTSMC - Dallas	Medical Service, Research and Development Plan Billing Operations
UTSMC - Dallas	Epic Resolute Access Controls
UTMB - Galveston	Correctional Managed Care Time Administration Process Review
UTMB - Galveston	Disaster Recovery/Business Continuity Plan Decentralized Information Technology Operations
UTMB - Galveston	President and Presidential Direct Reports Travel and Entertainment Expenses
UTMB - Galveston	Joint Admission Medical Program Audit
UTMB - Galveston	Hyperion Application Audit
UTHSC - Houston	Dental Service, Research and Development Plan Diagnostic Sciences
UTHSC - Houston	Presidential Travel and Entertainment Expenditures
UTHSC - Houston	Office of Governmental Relations
UTHSC - Houston	Joint Admission Medical Program Audit
UTHSC - Houston	Report on the Follow-Up of Open Recommendations
UTHSC - San Antonio	Annual Financial Report
UTHSC - San Antonio	Department of Pediatrics Primary Care Residency Program
UTHSC - San Antonio	Department of Medicine Internal Medicine Primary Care Residency Program
UTHSC - San Antonio	Joint Admissions Medical Program
UTHSC - San Antonio	President's Office Expenditures
UTHSC - San Antonio	Regional Academic Health Center Integral Medicine Primary Care Residency Program
UTHSC - San Antonio	School of Medicine Internal Control Review
UTMDACC - Houston	Information Security Exception Process Review
UTHSC - Tyler	Presidential Travel and Entertainment Audit Fiscal Year 2010
UTSYS ADM	UTIMCO Chief Executive Officer and Chief Investment Officer's Expenses Audit
UTSYS ADM	Chancellor's Travel, Entertainment, and Housing Expenses Audit
UTSYS ADM	UTD President's Travel, Entertainment, and Housing Expenses Audit
UTSYS ADM	UTHSC-Houston Practice Plan Audit
UTSYS ADM	UTMDACC President's Travel, Entertainment, and Housing Expenses Audit
UTSYS ADM	UTEP National Collegiate Athletic Association (NCAA) Agreed Upon Procedures Audit
UTSYS ADM	UTPB Office of the President and Expenditures for Travel, Entertainment, and Housing by Chief Administrators
UTSYS ADM	University of Texas System Administration Annual Financial Report Audit - Fiscal Year 2010
UTSYS ADM	University of Texas System Shared Data Centers and Shared Applications Audit

STATE AUDITOR'S OFFICE AUDIT REPORTS ISSUED 9/2010 through 11/2010	
Institution	**Audit**
UTSA, UTEP	State Auditor's Office - An Audit Report on Veterans' Services

U. T. Systemwide Internal Audit Program
FY 2011 Annual Internal Audit Plan Status
(as of December 31, 2010)

	Financial	Operational	Compliance	Information Technology	Follow-up	Projects	Credit for Priority Hours (*Note 1*)	Total Priority Budget Hours (*Note 2*)	Variance (Hours)	Percentage Completion
U. T. System Administration	2,992	1,375	58	920	197	1,401	6,943	17,675	10,732	**39%**
Large Institutions:										
U. T. Austin	1,450	337	358	9	48	1,721	3,923	13,900	9,977	**28%**
U. T. Southwestern	2,180	687	190	188	-	1,691	4,935	15,150	10,215	**33%**
U. T. Medical Branch at Galveston	915	142	111	533	204	930	2,835	8,389	5,554	**34%**
U. T. HSC - Houston	1,049	325	170	303	99	926	2,871	8,350	5,479	**34%**
U. T. HSC - San Antonio	640	88	260	141	52	699	1,880	7,190	5,310	**26%**
U. T. MDA Cancer Center*	627	1,223	60	-	-	879	2,788	9,815	7,027	**28%**
Subtotal	**6,861**	**2,801**	**1,149**	**1,174**	**403**	**6,845**	**19,232**	**62,794**	**43,562**	**31%**
Mid-size Institutions:										
U. T. Arlington	1,143	-	24	164	283	462	2,076	5,265	3,189	**39%**
U. T. Brownsville	580	-	-	-	100	374	1,054	4,459	3,405	**24%**
U. T. Dallas	520	290	20	58	16	190	1,094	5,820	4,726	**19%**
U. T. El Paso	650	253	100	424	-	564	1,991	8,951	6,960	**22%**
U. T. Pan American**	690	192	222	2	30	267	1,402	5,435	4,033	**26%**
U. T. San Antonio	1,128	277	272	480	175	303	2,635	6,930	4,295	**38%**
Subtotal	**4,711**	**1,012**	**637**	**1,128**	**604**	**2,159**	**10,252**	**36,860**	**26,609**	**28%**
Small Institutions:										
U. T. Permian Basin	435	-	103	-	-	78	616	2,128	1,512	**29%**
U. T. Tyler	520	7	-	61	45	87	720	1,968	1,248	**37%**
U. T. HSC at Tyler	600	3	100	140	55	165	1,063	2,751	1,688	**39%**
Subtotal	**1,555**	**10**	**203**	**201**	**100**	**330**	**2,399**	**6,847**	**4,448**	**35%**
TOTAL	**16,119**	**5,198**	**2,048**	**3,422**	**1,304**	**10,735**	**38,825**	**124,176**	**85,351**	**31%**
Percentage of Total	**42%**	**13%**	**5%**	**9%**	**3%**	**28%**	**100%**			

NOTE 1:

"Credit for Priority Hours" reflects the priority budgeted hours apportioned based on completion status of the audits/projects as of 12/31/2010. The time period from 9/1/2010 through 12/31/2010 represents approximately 33% of the annual audit plan year.

NOTE 2:

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

* The Total Priority Budget, approved by the ACMR for priority projects, for U. T. M. D. Anderson is 12,565 hours. The Total Priorty Budget above excludes 2,750 co-sourced hours for construction and IT audits. The progress of this audit work will be reported at fiscal year-end.

**The Total Priority Budget, approved by the ACMR for priority projects, for U. T. Pan American was 5,885 hours. However, due to changing priorities during the fiscal year, the total priority budget was revised to 5,435 hours. This change was approved by and communicated to the appropriate parties.

4. U. T. System: Discussion and appropriate action related to delegation of authority to select and negotiate with vendor to provide consulting services related to information security compliance effectiveness reviews and execute related agreements

RECOMMENDATION

Chairman Powell and Chancellor Cigarroa recommend that the Board authorize Vice Chancellor and General Counsel Burgdorf, following additional consultation with the Chairman and the Chancellor, to select a business entity or entities to provide consulting services related to information security compliance effectiveness reviews as requested by the Board leadership, to negotiate the terms, conditions, and scope of an agreement with the selected vendor, including a price deemed appropriate for the services to be provided, and to execute all documents and take all further actions to implement the information security compliance effectiveness reviews and secure a final report promptly and efficiently.

BACKGROUND INFORMATION

Vice Chancellor and General Counsel Burgdorf will outline the selection of a vendor to provide consulting and evaluative services to U. T. System Administration related to information security compliance effectiveness reviews. Pursuant to a comprehensive Invitation for Offers, U. T. System Administration received proposals from seven vendors. Vice Chancellor Burgdorf formed an evaluation committee of U. T. System and campus executives and information technology professionals that narrowed the responding vendors to three finalists: Deloitte & Touche LLP, Verizon Business Network Services, Inc., and PricewaterhouseCoopers LLP.

The evaluation committee has conducted personal interviews with representatives of the three finalists and now seeks approval to negotiate a contract with a selected vendor in consultation with the Chairman and the Chancellor.

TABLE OF CONTENTS
FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 2/17/2011

Board Meeting: 2/18/2011
Austin, Texas

1. **U. T. System Board of Regents: Discussion and appropriate action related to approval of *Docket No. 145***

RECOMMENDATION

It is recommended that *Docket No. 145* be approved. The Docket is 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. 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 79 - 86, and the December Monthly Financial Report on Pages 87 - 111. 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 2007 through November 2010. Ratios requiring balance sheet data are provided for Fiscal Year 2006 through Fiscal Year 2010.

The Monthly Financial Report includes the detailed numbers behind the Operating Margin by Institution graph as well as detail for each individual institution as of December 2010.

THE UNIVERSITY OF TEXAS SYSTEM

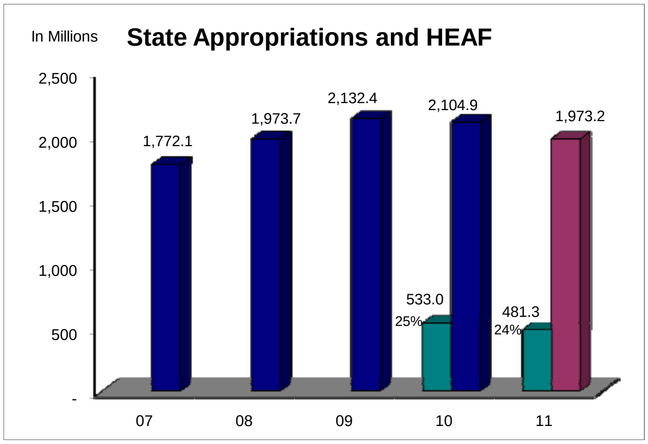
KEY FINANCIAL INDICATORS REPORT

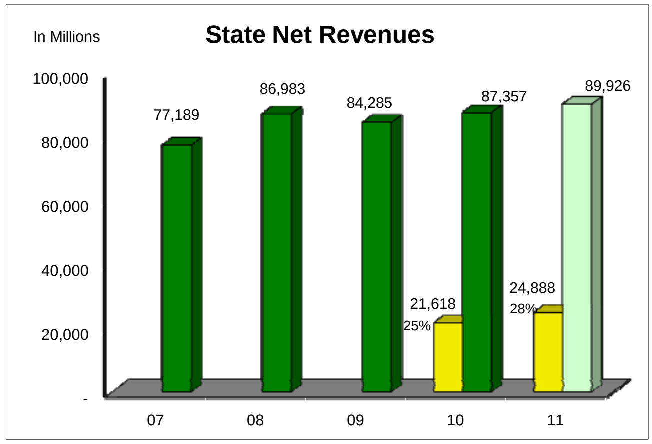
1ST QUARTER FY 2011

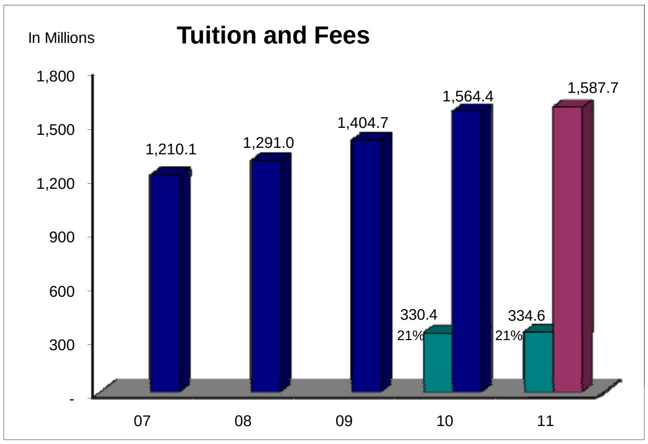
KEY

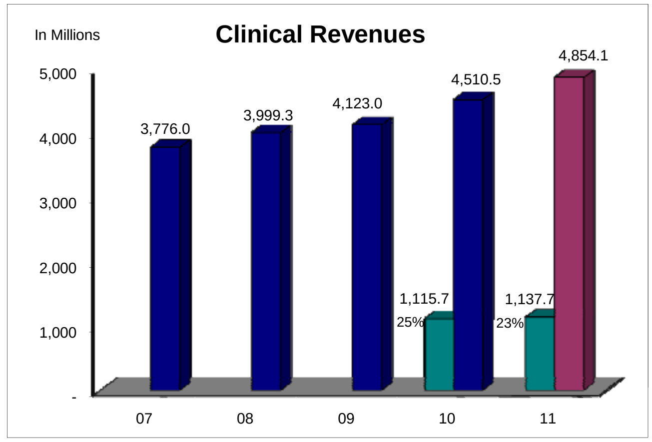
- Actual Annual Amounts
  (SOURCE: Annual Financial Reports)
- Adjustment to Actual Annual Amounts to exclude the Increase in Net OPEB Obligation
  (SOURCE: Annual Financial Reports)
- Budget amounts
  (SOURCE: Operating Budget Summary)
- Projected Amounts based on the average change of the previous 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 based on Monthly Financial Report
- Year-to-Date Margin
  (SOURCE: Monthly Financial Report)
- Target Normalized Rates
- Aaa Median
  (SOURCE: Moody's)
- A2 Median
  (SOURCE: Moody's)
- Good Facilities Condition Index (Below 5%)
- Fair Facilities Condition Index (5% - 10%)

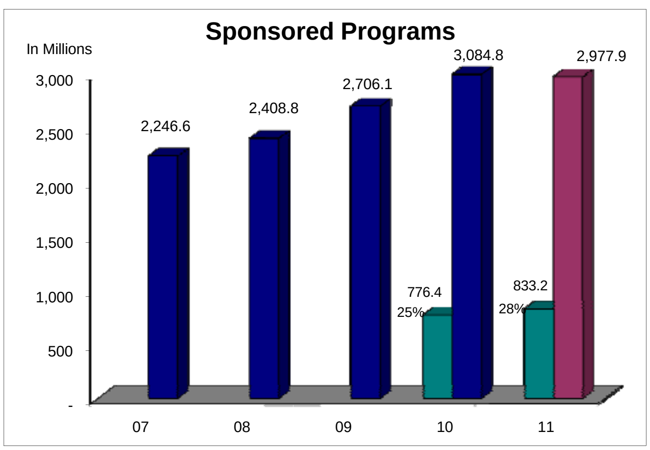
KEY INDICATORS OF REVENUES
ACTUAL 2007 THROUGH 2010
PROJECTED 2011
YEAR-TO-DATE 2010 AND 2011 FROM NOVEMBER MONTHLY FINANCIAL REPORT

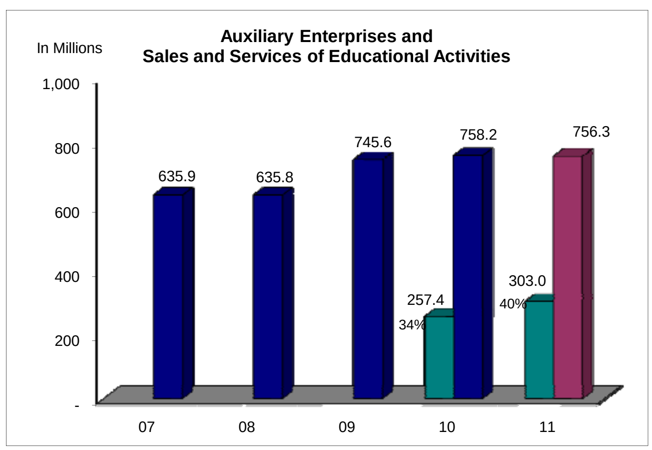


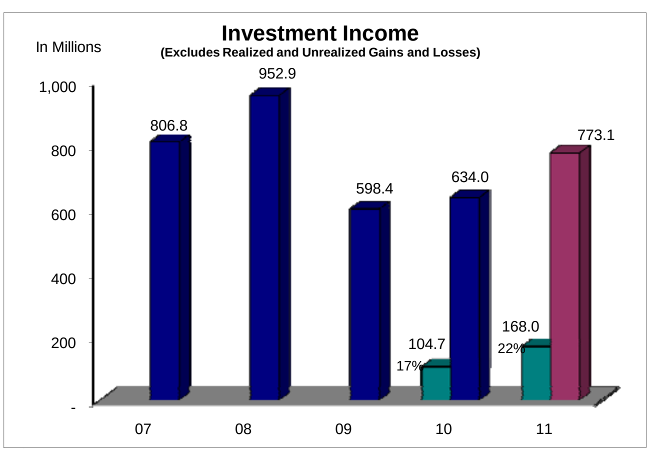


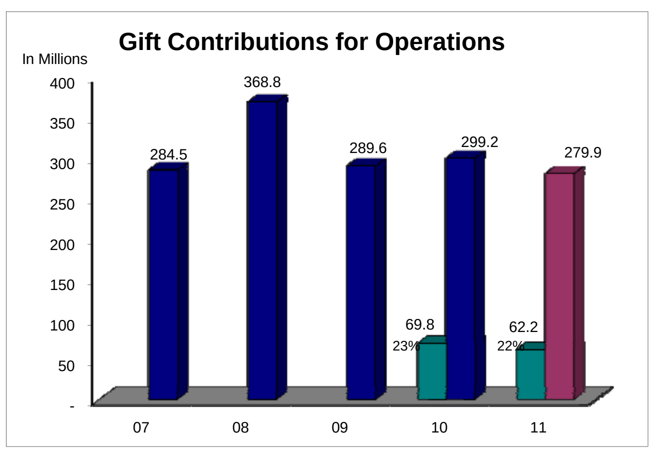




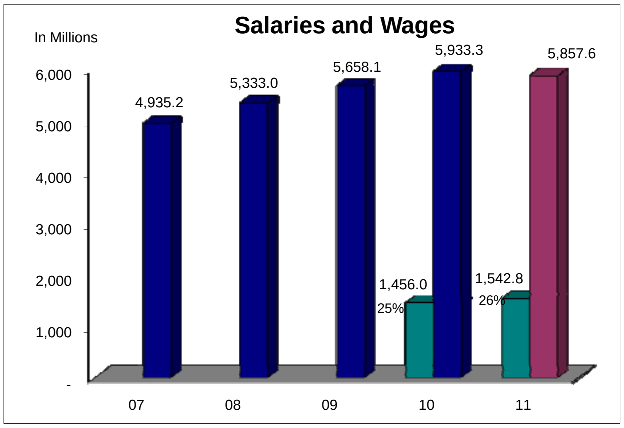


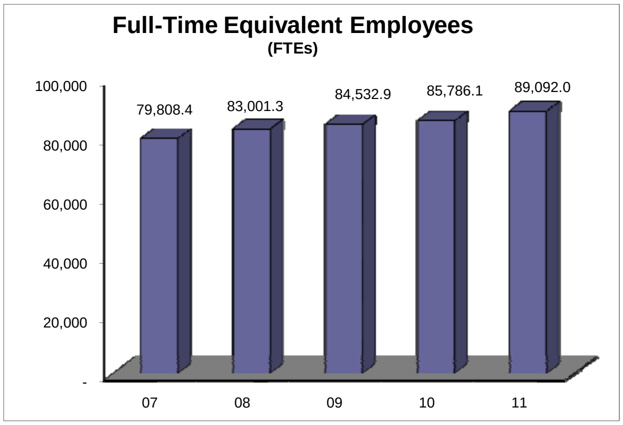


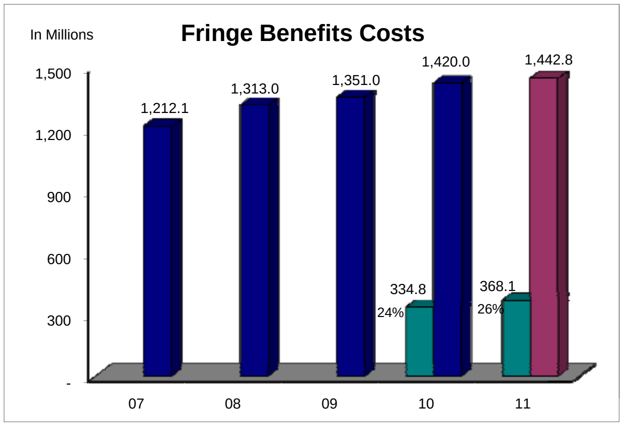


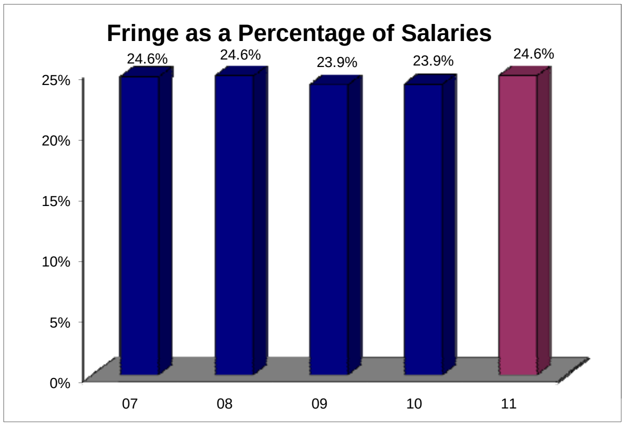


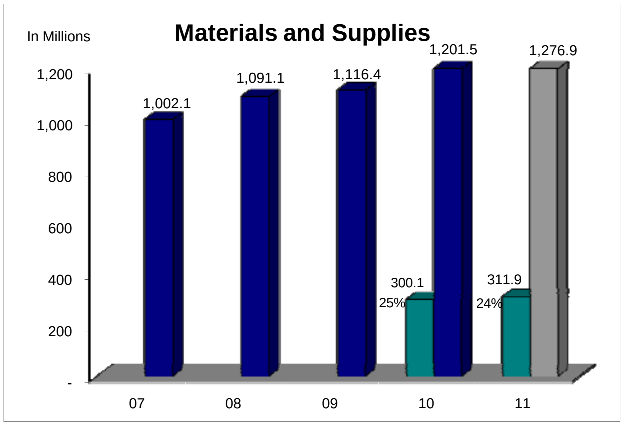
KEY INDICATORS OF EXPENSES
ACTUAL 2007 THROUGH 2010
PROJECTED 2011
YEAR-TO-DATE 2010 AND 2011 FROM NOVEMBER MONTHLY FINANCIAL REPORT

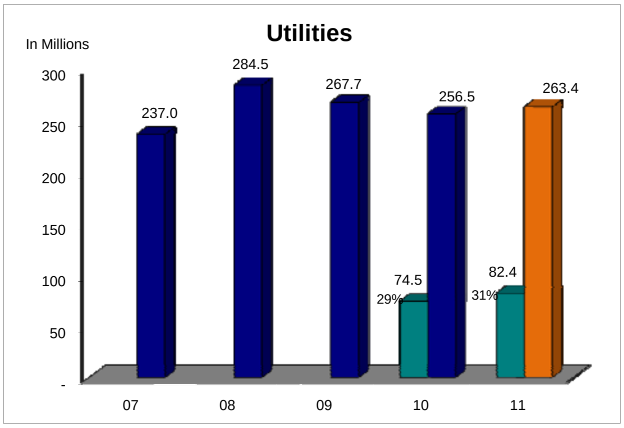


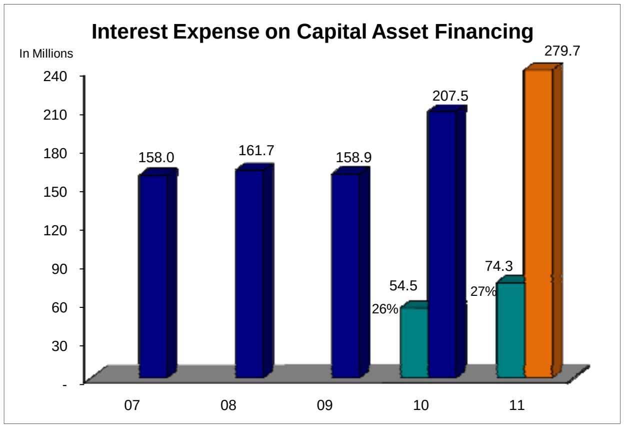


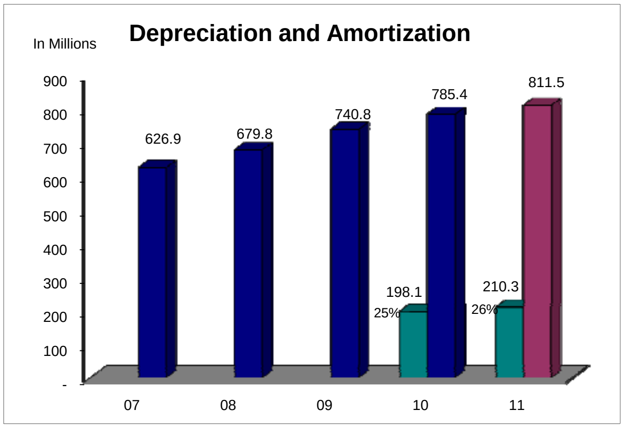




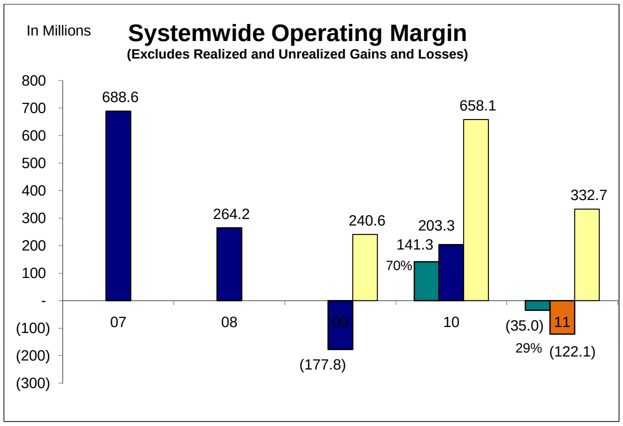


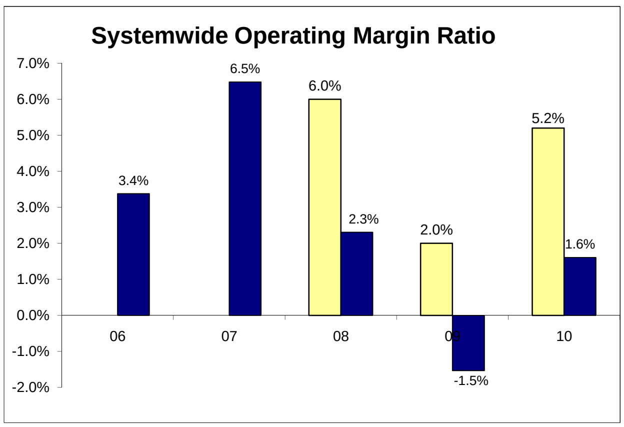


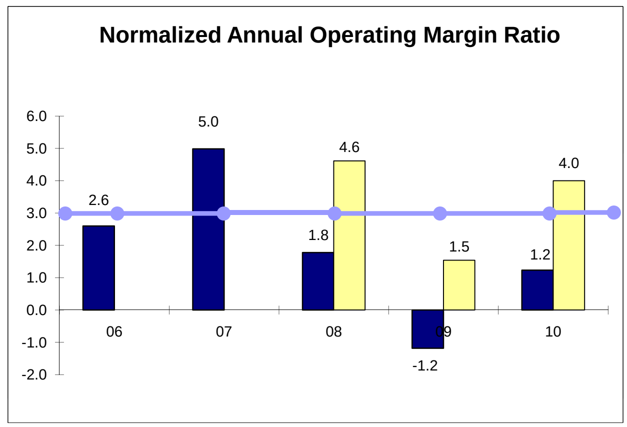


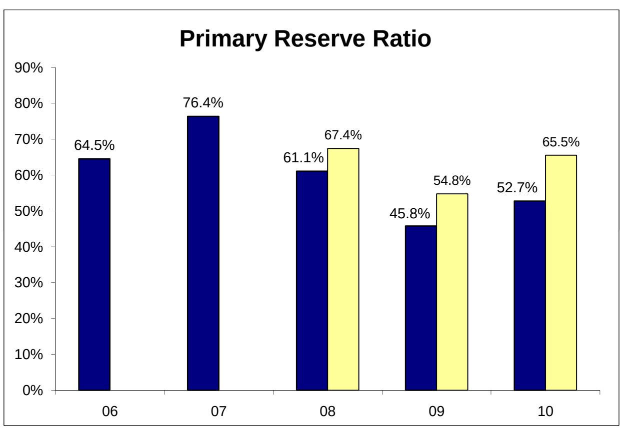


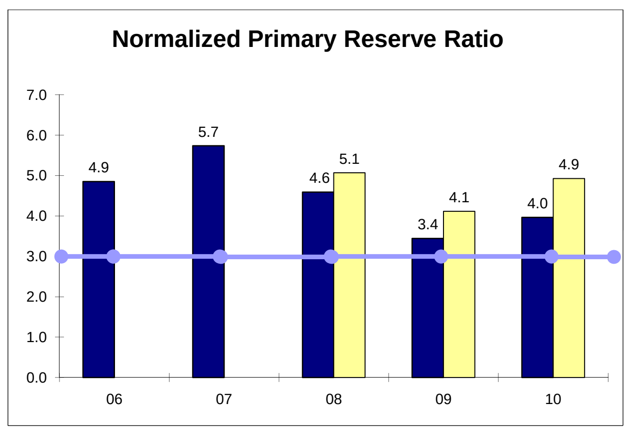
KEY INDICATORS OF RESERVES
ACTUAL 2006 THROUGH 2010
PROJECTED 2011
YEAR-TO-DATE 2010 AND 2011 FROM NOVEMBER MONTHLY FINANCIAL REPORT

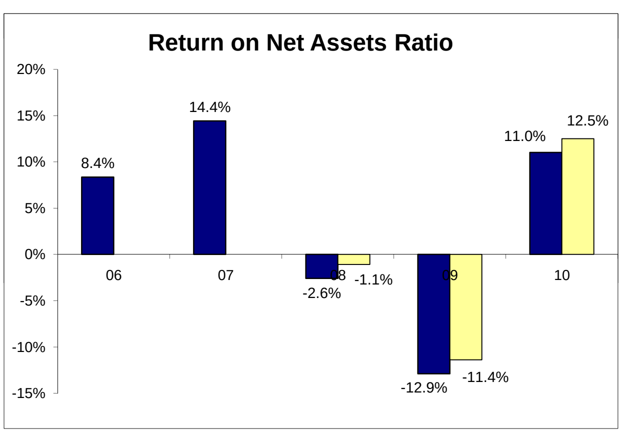


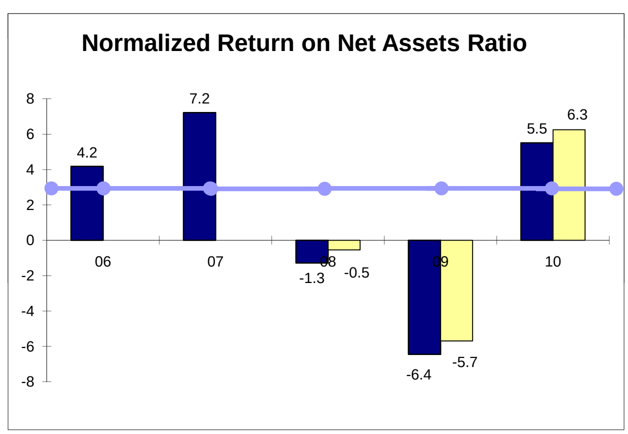




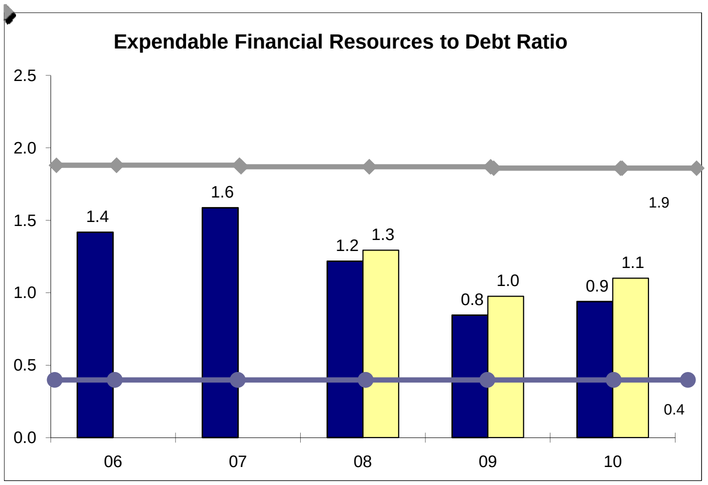


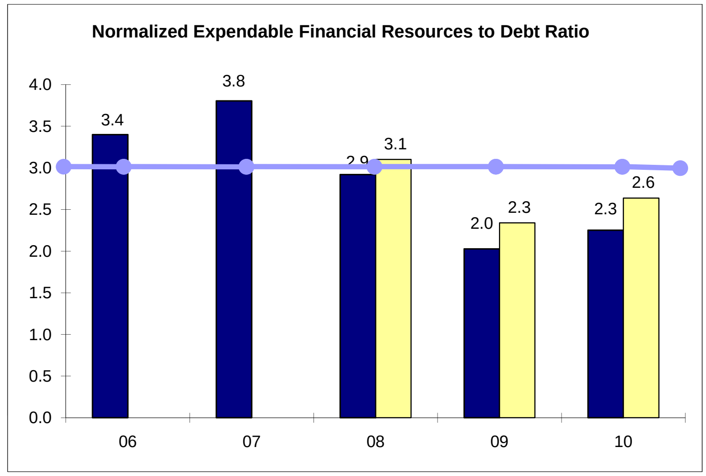


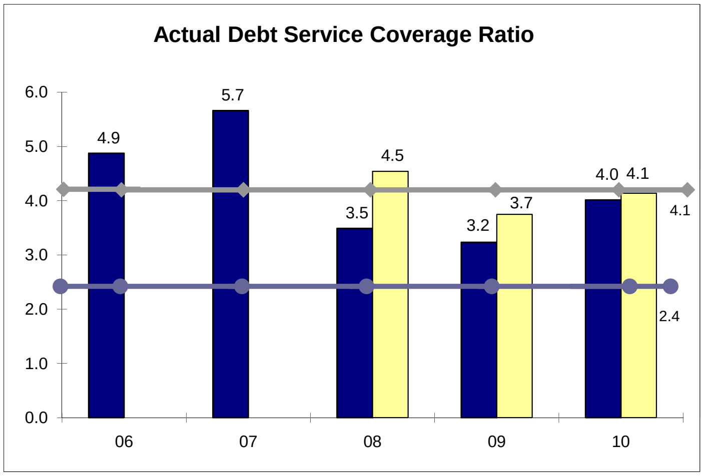


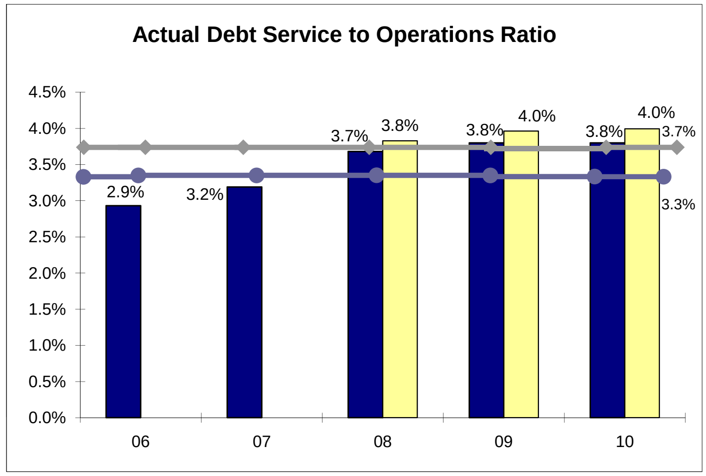


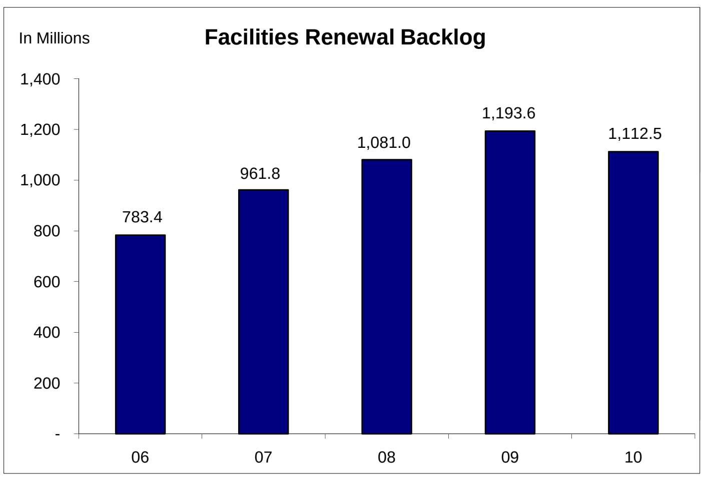
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2006 THROUGH 2010

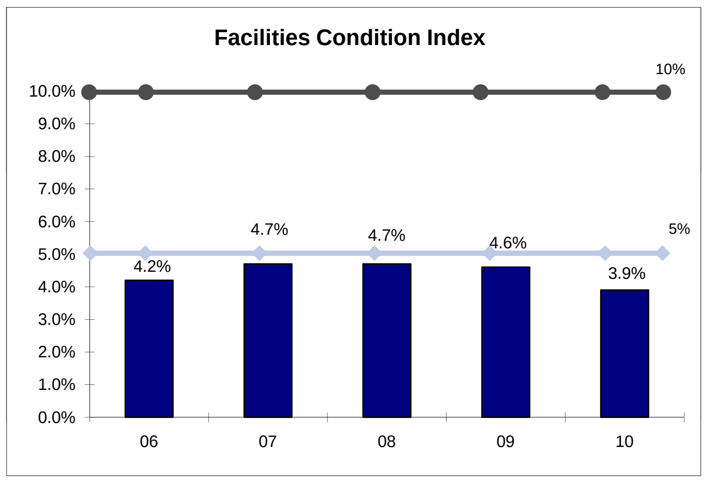


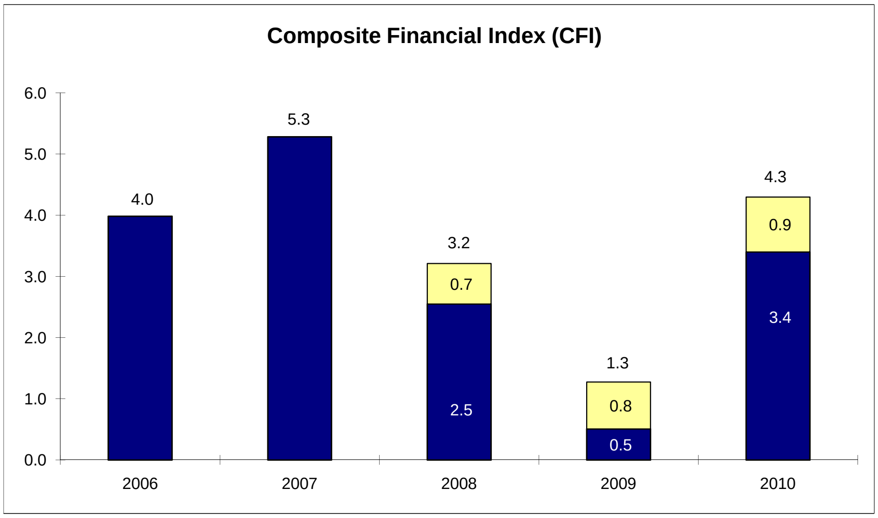


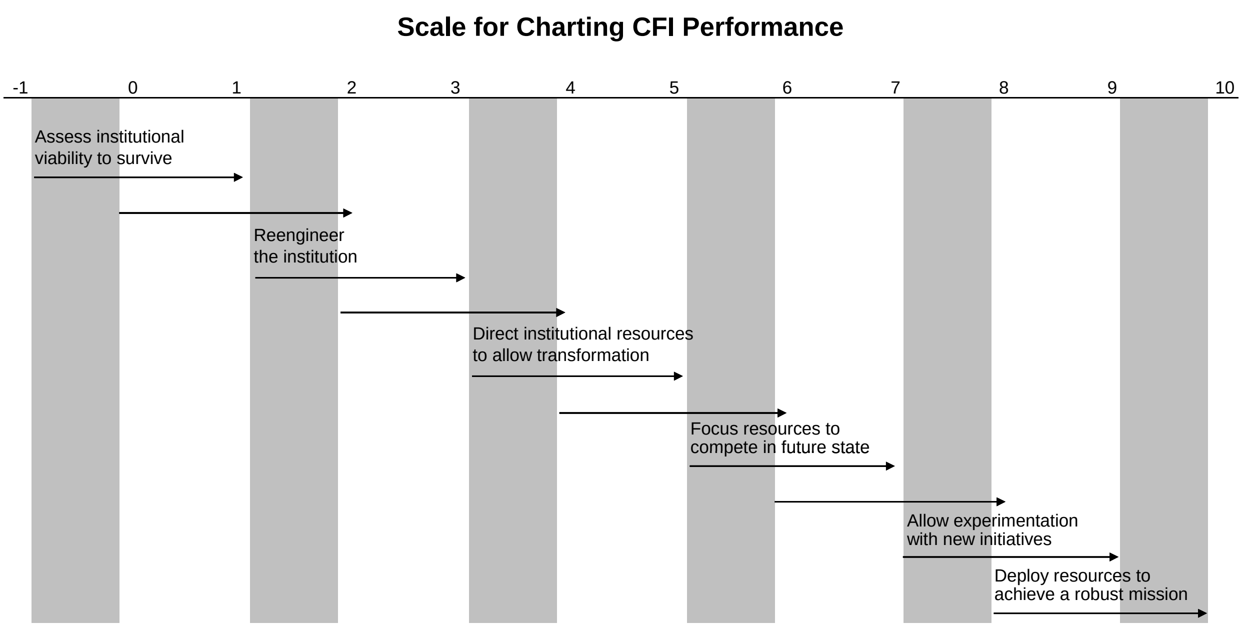




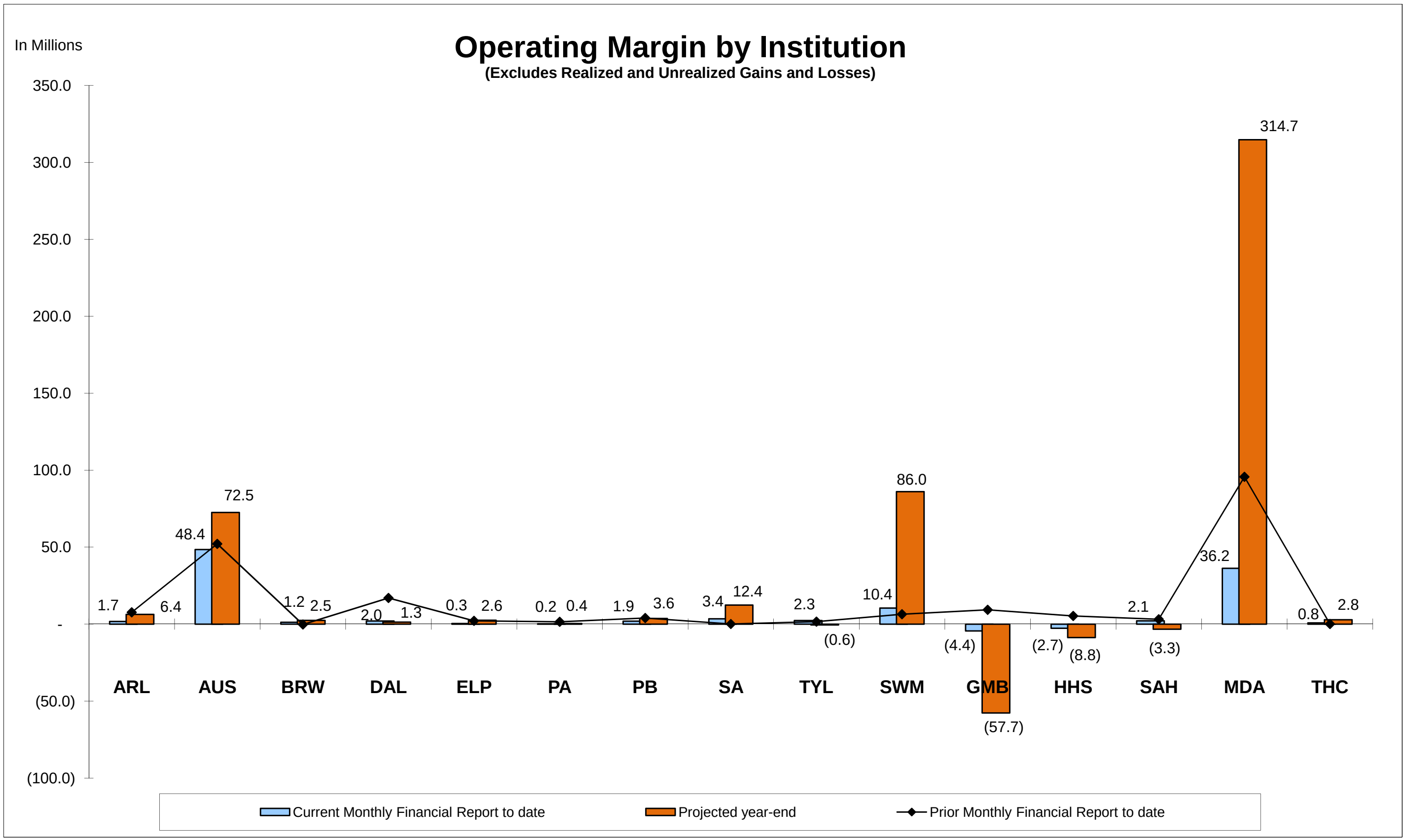


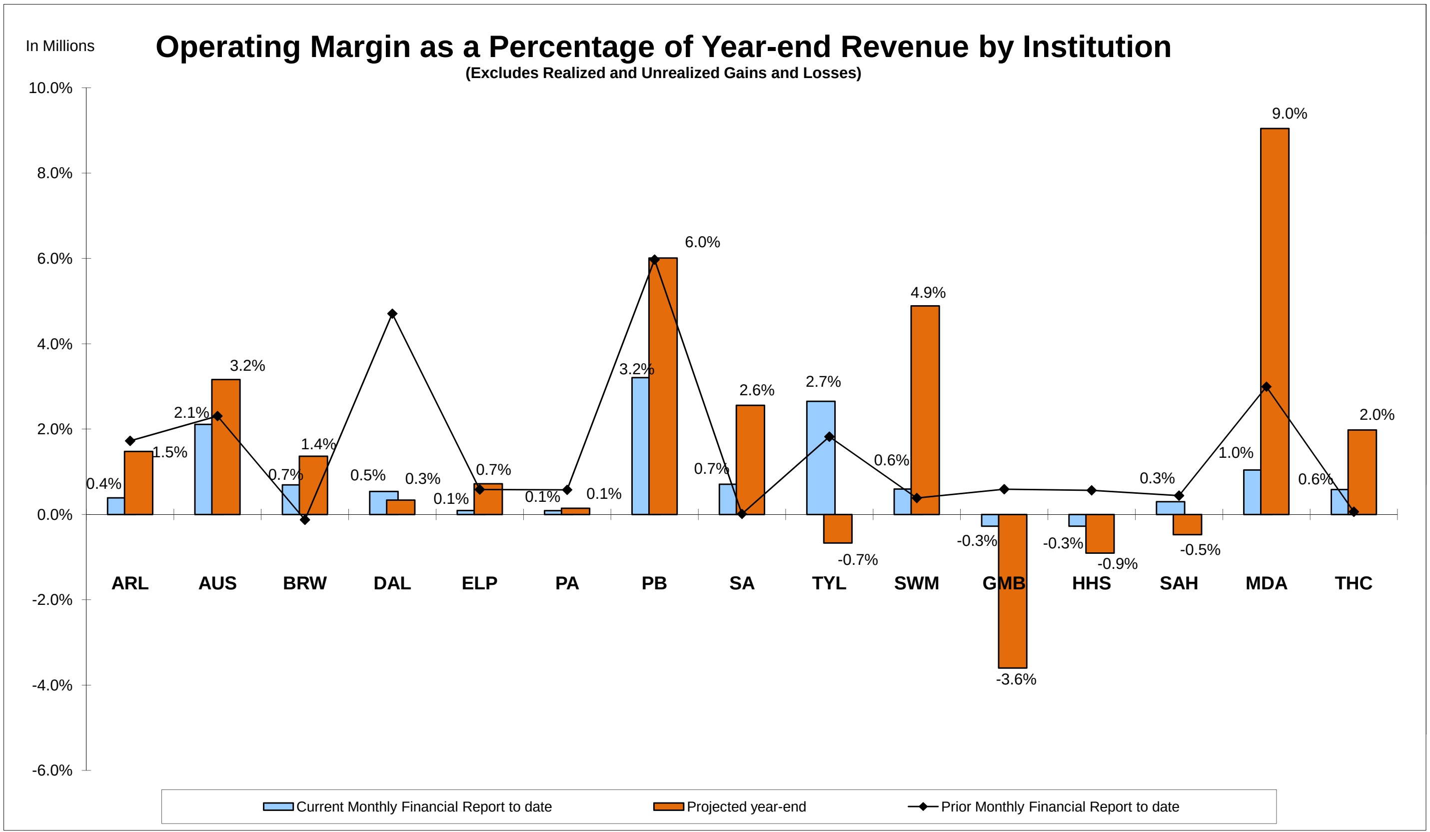



Composite Financial Index (CFI)
6.0
5.0
4.0
3.0
2.0
1.0
0.0
4.0
5.3
3.2
0.7
2.5
1.3
0.8
0.5
4.3
0.9
3.4
2006
2007
2008
2009
2010


Scale for Charting CFI Performance
-1
0
1
2
3
4
5
6
7
8
9
10
Assess institutional viability to survive
Reengineer the institution
Direct institutional resources to allow transformation
Focus resources to compete in future state
Allow experimentation with new initiatives
Deploy resources to achieve a robust mission

KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2010 AND 2011 FROM NOVEMBER MONTHLY FINANCIAL REPORT
PROJECTED 2011 YEAR-END MARGIN





THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT

(unaudited)

DECEMBER 2010

201 Seventh Street, ASH 5th Floor
Austin, Texas 78701
512.499.4527
www.utsystem.edu/cont

THE UNIVERSITY OF TEXAS SYSTEM
MONTHLY FINANCIAL REPORT
(Unaudited)
FOR THE FOUR MONTHS ENDING
DECEMBER 31, 2010

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.

The University of Texas System Consolidated
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	448,847,199.34	443,551,855.55	5,295,343.79	1.2%
Sponsored Programs	935,233,026.03	879,130,306.28	56,102,719.75	6.4%
Net Sales and Services of Educational Activities	209,089,079.79	189,044,194.36	20,044,885.43	10.6%
Net Sales and Services of Hospitals	1,155,798,345.82	1,137,239,211.59	18,559,134.23	1.6%
Net Professional Fees	378,141,328.76	357,297,898.77	20,843,429.99	5.8%
Net Auxiliary Enterprises	162,614,423.03	155,053,865.78	7,560,557.25	4.9%
Other Operating Revenues	46,692,769.02	50,256,926.65	(3,564,157.63)	-7.1%
Total Operating Revenues	**3,336,416,171.79**	**3,211,574,258.98**	**124,841,912.81**	**3.9%**
Operating Expenses				
Salaries and Wages	2,063,172,294.76	1,941,578,230.80	121,594,063.96	6.3%
Payroll Related Costs	501,236,202.08	455,733,144.36	45,503,057.72	10.0%
Cost of Goods Sold	31,101,519.25	31,438,304.95	(336,785.70)	-1.1%
Professional Fees and Services	134,648,413.87	121,779,702.67	12,868,711.20	10.6%
Travel	39,783,879.96	37,809,876.84	1,974,003.12	5.2%
Materials and Supplies	416,934,619.96	397,390,845.37	19,543,774.59	4.9%
Utilities	104,757,931.35	96,773,207.86	7,984,723.49	8.3%
Communications	45,041,692.54	42,603,803.35	2,437,889.19	5.7%
Repairs and Maintenance	79,269,541.81	75,935,861.43	3,333,680.38	4.4%
Rentals and Leases	46,548,047.77	46,164,168.62	383,879.15	0.8%
Printing and Reproduction	10,056,178.97	10,086,276.09	(30,097.12)	-0.3%
Bad Debt Expense	25,208.96	(7,288.28)	32,497.24	445.9%
Claims and Losses	5,505,410.48	19,757,299.16	(14,251,888.68)	-72.1%
Increase in Net OPEB Obligation	151,579,271.33	-	151,579,271.33	100.0%
Scholarships and Fellowships	180,621,019.47	192,026,212.37	(11,405,192.90)	-5.9%
Depreciation and Amortization	279,982,622.97	260,875,672.29	19,106,950.68	7.3%
Federal Sponsored Program Pass-Through to Other State Agencies	7,026,972.68	6,976,419.90	50,552.78	0.7%
State Sponsored Program Pass-Through to Other State Agencies	1,090,550.87	-	1,090,550.87	100.0%
Other Operating Expenses	273,960,811.87	271,045,039.81	2,915,772.06	1.1%
Total Operating Expenses	**4,372,342,190.95**	**4,007,966,777.59**	**364,375,413.36**	**9.1%**
Operating Loss	**(1,035,926,019.16)**	**(796,392,518.61)**	**(239,533,500.55)**	**-30.1%**
Other Nonoperating Adjustments				
State Appropriations	641,502,731.71	716,895,601.61	(75,392,869.90)	-10.5%
Nonexchange Sponsored Programs	133,654,269.04	96,900,558.37	36,753,710.67	37.9%
Gift Contributions for Operations	118,141,539.35	122,613,188.84	(4,471,649.49)	-3.6%
Net Investment Income	196,442,478.11	158,518,708.49	37,923,769.62	23.9%
Interest Expense on Capital Asset Financings	(95,689,169.11)	(69,667,969.24)	(26,021,199.87)	-37.4%
Net Other Nonoperating Adjustments	**994,051,849.10**	**1,025,260,088.07**	**(31,208,238.97)**	**-3.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**(41,874,170.06)**	**228,867,569.46**	**(270,741,739.52)**	**-118.3%**
Adjusted Margin % including Depreciation & Amortization	**-0.9%**	**5.3%**		
Investment Gain (Losses)	2,187,716,447.82	1,467,585,082.00	720,131,365.82	49.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**2,145,842,277.76**	**1,696,452,651.46**	**449,389,626.30**	**26.5%**
Adj. Margin % with Investment Gains (Losses)	**32.4%**	**29.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**238,108,452.91**	**489,743,241.75**	**(251,634,788.84)**	**-51.4%**
Adjusted Margin % excluding Depreciation & Amortization	**5.4%**	**11.4%**		

The University of Texas System
Comparison of Adjusted Income (Loss)
For the Four Months Ending December 31, 2010

	Including Depreciation and Amortization Expense					
	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance		Fluctuation Percentage
UT System Administration	$ (133,668,363.34)	$ (19,527,570.29)	$ (114,140,793.05)	(1)	-584.5%
UT Arlington	2,024,943.80	7,197,315.00	(5,172,371.20)	(2)	-71.9%
UT Austin	45,597,128.75	87,545,309.65	(41,948,180.90)	(3)	-47.9%
UT Brownsville	2,128,748.02	(93,399.33)	2,222,147.35	(4)	2,379.2%
UT Dallas	2,052,381.44	17,638,731.00	(15,586,349.56)	(5)	-88.4%
UT El Paso	962,043.77	3,952,396.36	(2,990,352.59)	(6)	-75.7%
UT Pan American	525,753.64	2,046,208.14	(1,520,454.50)	(7)	-74.3%
UT Permian Basin	1,673,677.26	4,256,095.77	(2,582,418.51)	(8)	-60.7%
UT San Antonio	3,943,898.91	25,722.00	3,918,176.91	(9)	15,232.8%
UT Tyler	2,345,973.10	2,159,548.38	186,424.72		8.6%
UT Southwestern Medical Center - Dallas	18,884,267.61	13,438,822.94	5,445,444.67		40.5%
UT Medical Branch - Galveston	(4,844,822.50)	11,597,042.92	(16,441,865.42)	(10)	-141.8%
UT Health Science Center - Houston	(3,828,945.64)	9,372,518.41	(13,201,464.05)	(11)	-140.9%
UT Health Science Center - San Antonio	2,059,691.93	(86,522.87)	2,146,214.80	(12)	2,480.5%
UT M. D. Anderson Cancer Center	76,845,092.44	145,816,041.00	(68,970,948.56)	(13)	-47.3%
UT Health Science Center - Tyler	634,360.75	112,643.71	521,717.04	(14)	463.2%
Elimination of AUF Transfer	(59,210,000.00)	(56,583,333.33)	(2,626,666.67)		-4.6%
Total Adjusted Income (Loss)	(41,874,170.06)	228,867,569.46	(270,741,739.52)		-118.3%
Investment Gains (Losses)	2,187,716,447.82	1,467,585,082.00	720,131,365.82		49.1%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	**$ 2,145,842,277.76**	**$ 1,696,452,651.46**	**$ 449,389,626.30**		**26.5%**

	Excluding Depreciation and Amortization Expense			
	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
UT System Administration	$ (129,690,690.88)	$ (15,909,541.37)	$ (113,781,149.51)	-715.2%
UT Arlington	11,234,713.94	15,858,283.00	(4,623,569.06)	-29.2%
UT Austin	109,791,731.98	143,542,418.02	(33,750,686.04)	-23.5%
UT Brownsville	4,049,739.05	1,796,853.41	2,252,885.64	125.4%
UT Dallas	12,692,698.38	26,399,131.00	(13,706,432.62)	-51.9%
UT El Paso	7,271,092.11	9,976,206.33	(2,705,114.22)	-27.1%
UT Pan American	5,266,449.07	6,477,351.14	(1,210,902.07)	-18.7%
UT Permian Basin	3,542,448.15	5,621,092.10	(2,078,643.95)	-37.0%
UT San Antonio	16,746,773.71	12,369,062.00	4,377,711.71	35.4%
UT Tyler	5,996,613.37	4,959,276.38	1,037,336.99	20.9%
UT Southwestern Medical Center - Dallas	46,973,205.30	39,486,296.94	7,486,908.36	19.0%
UT Medical Branch - Galveston	21,271,365.56	36,815,070.22	(15,543,704.66)	-42.2%
UT Health Science Center - Houston	12,457,773.36	22,239,700.54	(9,781,927.18)	-44.0%
UT Health Science Center - San Antonio	14,159,691.93	10,580,143.80	3,579,548.13	33.8%
UT M. D. Anderson Cancer Center	152,597,554.17	223,613,129.00	(71,015,574.83)	-31.8%
UT Health Science Center - Tyler	2,957,293.71	2,502,102.57	455,191.14	18.2%
Elimination of AUF Transfer	(59,210,000.00)	(56,583,333.33)	(2,626,666.67)	-4.6%
Total Adjusted Income (Loss)	238,108,452.91	489,743,241.75	(251,634,788.84)	-51.4%
Total Adjusted Income (Loss) Excluding Depreciation and Amortization	**$ 238,108,452.91**	**$ 489,743,241.75**	**$ (251,634,788.84)**	**-51.4%**

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Four Months Ending December 31, 2010

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 $114.1 million (584.5%) increase in adjusted loss over the same period last year was primarily due to a change in the monthly financial reporting process to include an accrual for the other post employment benefits (OPEB) expense for the entire *UT System* in 2011. As a result, *UT System Administration* experienced a $133.7 million loss and anticipates ending the year with a $401.0 million loss which represents -196.1% of projected revenues and includes $454.7 million of OPEB expense and $11.9 million of depreciation and amortization expense. *UT System Administration's* adjusted loss was $129.7 million or -190.3% excluding depreciation and amortization expense.

(2) *UT Arlington* – The $5.2 million (71.9%) decrease in adjusted income over the same period last year was due to mandated decreases in state appropriations as a result of state-wide budget cuts by the state's leadership and an increase in interest expense. Excluding depreciation and amortization expense, *UT Arlington's* adjusted income was $11.2 million or 7.6%.

(3) *UT Austin* – The $41.9 million (47.9%) decrease in adjusted income over the same period last year was due to mandated decreases in state appropriations as a result of state-wide budget cuts by the state's leadership. Salaries and wages and payroll related costs also increased due to one-time merit increases in 2011. Excluding depreciation and amortization expense, *UT Austin's* adjusted income was $109.8 or 12.9%.

(4) *UT Brownsville* – The $2.2 million (2,379.2%) increase in adjusted income over the same period last year was primarily attributable to an increase in nonexchange sponsored programs due to an increase in federal funds for the Pell Grant Program. Excluding depreciation and amortization expense, *UT Brownsville's* adjusted income was $4.0 million or 5.7%.

(5) *UT Dallas* – The $15.6 million (88.4%) decrease in adjusted income over the same period last year was due to a decrease in gift contributions for operations as a result of a one-time gift of $7.3 million received in September 2009, as well as efforts in 2010 to raise funds eligible for Texas Research Incentive Programs (TRIP) matching. In 2011 TRIP matching gifts are being used to establish endowments, and thus, are not recorded in gift contributions for operations. State appropriations also decreased as a result of the state-wide budget cuts mandated by the state's leadership. Additionally, materials and supplies increased due to furniture and equipment purchases for the Founders Hall renovations. Excluding depreciation and amortization expense, *UT Dallas'* adjusted income was $12.7 million or 10%.

(6) *UT El Paso* – The $3 million (75.7%) decrease in adjusted income over the same period last year was primarily due to a decrease in state appropriations as a result of state-wide budget cuts mandated by the state's leadership and an increase in interest expense. Excluding depreciation and amortization expense, *UT El Paso's* adjusted income was $7.3 million or 5.4%.

(7) *UT Pan American* – The $1.5 million (74.3%) decrease in adjusted income over the same period last year was due to mandated decreases in state appropriations as a result of state-wide budget cuts by the state's leadership. Excluding depreciation and amortization expense, *UT Pan American's* adjusted income was $5.3 million or 5.4%.

(8) *UT Permian Basin* – The $2.6 million (60.7%) decrease in adjusted income over the same period last year was due to a decrease in state appropriations as a result of state-wide budget cuts mandated by the state's leadership and an increase in interest expense. Excluding depreciation and amortization expense, *UT Permian Basin's* adjusted income was $3.5 million or 16.5%.

(9) *UT San Antonio* – The $3.9 million (15,232.8%) increase in adjusted income over the same period last year was due to an increase in nonexchange sponsored programs as a result of increased federal funds for the Pell Grant Program. Excluding depreciation and amortization expense, *UT San Antonio's* adjusted income was $16.7 million or 10.6%.

(10) *UT Medical Branch - Galveston* – The $16.4 million (141.8%) decrease in adjusted income over the same period last year was primarily due to mandated decreases in state appropriations as a result of the state-wide budget cuts by the state's leadership.

Correctional Managed Care (CMC) also incurred a year-to-date loss of $4.6 million. As a result of these factors, *UTMB* experienced a $4.8 million year-to-date loss. Excluding depreciation and amortization expense, *UTMB's* adjusted income was $21.3 million or 4.2%. *UTMB* is forecasting a year-end loss of $57.7 million which represents -3.6% of projected revenues of which $44.9 million is attributable to CMC. This forecast includes $80.8 million of depreciation and amortization expense.

(11) *UT Health Science Center – Houston* – The $13.2 million (140.9%) decrease in adjusted income over the same period last year was primarily attributable to a decrease in state appropriations as a result of the state-wide budget cuts mandated by the state's leadership. Salaries and wages and payroll related costs also increased due to the blending in of the UT System Medical Foundation which occurred at the end of 2010. There was also an increase in the premium sharing rate. As a result, *UTHSC-Houston* experienced a $3.8 million year-to-date loss. *UTHSC-Houston* anticipates ending the year with a $10.0 million loss which represents -1.0% of projected revenues and includes $48.8 million of depreciation and amortization expense. Excluding depreciation and amortization expense, *UTHSC-Houston's* adjusted income was $12.5 million or 3.8%.

(12) *UT Health Science Center – San Antonio* – The $2.1 million (2,480.5%) increase in adjusted income over the same period last year was primarily due to an increase in net professional fees as a result of increased patient volume and a gross charge unit fee increase. Excluding depreciation and amortization expense, *UTHSC-San Antonio's* adjusted income was $14.2 million or 6.1%. Although *UTHSC-San Antonio* is currently reporting a positive margin, they anticipate ending the year with a $3.3 million loss which represents -0.5% of projected revenues and includes $36.3 million of depreciation and amortization expense. The projected loss is the result of the reduction in state appropriations due to the state-wide budget cuts.

(13) *UT M. D. Anderson Cancer Center* – The $69.0 million (47.3%) decrease in adjusted income over the same period last year was primarily due to an overall increase in operating expenses of $69.0 million. Salaries and wages and payroll related costs increased as a result of full-time employee growth and an increase in rates for group insurance. Professional fees and services increased due to the integration of a new Enterprise Resource Planning (ERP) System and upgrade of the clinical coding software application. Repairs and maintenance increased as a result of increases in accruals for hardware and equipment maintenance for the Radiology and Oncology Treatment Center and for information security and risk management. Travel also increased due to travel restrictions that were in effect for 2010. Excluding depreciation and amortization expense, *M. D. Anderson's* adjusted income was $152.6 million or 14.2%.

(14) *UT Health Science Center – Tyler* – The $522,000 (463.2%) increase in adjusted income over the same period last year was due to an increase in net professional fees due to the installation of the Electronic Medical Records (EMR) software system that caused a temporary backlog of entering charges in 2010. Net professional fees also increased as a result of the change in physician commercial billing from a physician based clinic setting to a provider based setting resulting in a reduction in write-offs on the commercial accounts in the physician practice plan. Additionally, materials and supplies decreased due to a lower volume of ancillary services using medical supplies. Excluding depreciation and amortization expense, *UTHSC-Tyler's* adjusted income was $3.0 million or 7.3%.

GLOSSARY OF TERMS

<u>OPERATING REVENUES</u>:

NET STUDENT TUITION – 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.)

<u>OPERATING EXPENSES</u>:

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.

COST OF GOODS SOLD – Purchases of goods for resale and raw materials purchased for use in the manufacture of products intended for sale to others.

PROFESSIONAL FEES AND 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.

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.

COMMUNICATIONS - 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.

INCREASE IN NET OPEB OBLIGATION – The change in the actuarially estimated liability of the cost of providing healthcare benefits to UT System's employees after they separate from employment (retire).

SCHOLARSHIPS AND FELLOWSHIPS – Payments made for scholarship grants to students authorized by law, net of tuition discounting.

FEDERAL SPONSORED PROGRAM PASS-THROUGHS TO OTHER STATE AGENCIES – Pass-throughs to other Texas state agencies, including other universities, of federal grants and contracts.

STATE SPONSORED PROGRAM PASS-THROUGHS TO OTHER STATE AGENCIES – 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.

NONEXCHANGE 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 cannot be used to support current operations. Endowment gifts must be held in perpetuity and cannot 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 and Amortization – Total operating revenues less total operating expenses including depreciation and amortization expense plus net other nonoperating adjustments.

ADJUSTED MARGIN % including Depreciation and Amortization – Percentage of Adjusted Income (Loss) including depreciation and amortization 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 and Amortization – Total operating revenues less total operating expenses excluding depreciation and amortization expense plus net other nonoperating adjustments.

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

The University of Texas System Administration
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	5,636,735.54	13,812,778.18	(8,176,042.64)	-59.2%
Net Sales and Services of Educational Activities	17,706,702.69	19,776,723.59	(2,070,020.90)	-10.5%
Other Operating Revenues	5,624,423.92	(2,963,712.70)	8,588,136.62	289.8%
Total Operating Revenues	**28,967,862.15**	**30,625,789.07**	**(1,657,926.92)**	**-5.4%**
Operating Expenses				
Salaries and Wages	7,916,928.83	10,033,908.97	(2,116,980.14)	-21.1%
Payroll Related Costs	1,731,074.25	2,069,949.19	(338,874.94)	-16.4%
Professional Fees and Services	207,325.88	599,258.96	(391,933.08)	-65.4%
Travel	326,173.95	595,372.84	(269,198.89)	-45.2%
Materials and Supplies	1,165,021.90	1,117,274.99	47,746.91	4.3%
Utilities	113,615.03	53,352.17	60,262.86	113.0%
Communications	1,730,581.72	2,328,871.98	(598,290.26)	-25.7%
Repairs and Maintenance	339,148.26	1,407,099.37	(1,067,951.11)	-75.9%
Rentals and Leases	269,402.54	266,530.58	2,871.96	1.1%
Printing and Reproduction	66,778.26	142,876.10	(76,097.84)	-53.3%
Claims and Losses	5,505,410.48	19,757,299.16	(14,251,888.68)	-72.1%
Increase in Net OPEB Obligation	151,579,271.33	-	151,579,271.33	100.0%
Scholarships and Fellowships	362,750.00	300.00	362,450.00	120,816.7%
Depreciation and Amortization	3,977,672.46	3,618,028.92	359,643.54	9.9%
State Sponsored Program Pass-Through to Other State Agencies	1,080,212.37	-	1,080,212.37	100.0%
Other Operating Expenses	6,059,469.90	9,471,634.87	(3,412,164.97)	-36.0%
Total Operating Expenses	**182,430,837.16**	**51,461,758.10**	**130,969,079.06**	**254.5%**
Operating Loss	**(153,462,975.01)**	**(20,835,969.03)**	**(132,627,005.98)**	**-636.5%**
Other Nonoperating Adjustments				
State Appropriations	679,165.20	716,667.00	(37,501.80)	-5.2%
Nonexchange Sponsored Programs	2,302,125.00	-	2,302,125.00	100.0%
Gift Contributions for Operations	312,679.69	270,628.96	42,050.73	15.5%
Net Investment Income	25,421,043.66	1,796,132.63	23,624,911.03	1,315.3%
Interest Expense on Capital Asset Financings	(19,387,278.21)	(12,486,321.85)	(6,900,956.36)	-55.3%
Net Other Nonoperating Adjustments	**9,327,735.34**	**(9,702,893.26)**	**19,030,628.60**	**196.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**(144,135,239.67)**	**(30,538,862.29)**	**(113,596,377.38)**	**-372.0%**
Adjusted Margin % including Depreciation & Amortization	**-249.9%**	**-91.4%**		
Available University Fund Transfer	10,466,876.33	11,011,292.00	(544,415.67)	-4.9%
Adjusted Income (Loss) with AUF Transfer	**(133,668,363.34)**	**(19,527,570.29)**	**(114,140,793.05)**	**-584.5%**
Adjusted Margin % with AUF Transfer	**-196.1%**	**-44.0%**		
Investment Gain (Losses)	1,734,182,384.53	1,260,632,643.92	473,549,740.61	37.6%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$1,600,514,021.19**	**$1,241,105,073.63**	**$359,408,947.56**	**29.0%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**88.8%**	**95.1%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**(129,690,690.88)**	**(15,909,541.37)**	**(113,781,149.51)**	**-715.2%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**-190.3%**	**-35.8%**		

The University of Texas at Arlington
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	56,110,042.64	51,147,535.00	4,962,507.64	9.7%
Sponsored Programs	21,673,545.99	27,492,313.00	(5,818,767.01)	-21.2%
Net Sales and Services of Educational Activities	4,602,581.65	4,671,244.00	(68,662.35)	-1.5%
Net Auxiliary Enterprises	8,950,066.04	9,207,408.00	(257,341.96)	-2.8%
Other Operating Revenues	1,157,146.08	3,904,572.00	(2,747,425.92)	-70.4%
Total Operating Revenues	**92,493,382.40**	**96,423,072.00**	**(3,929,689.60)**	**-4.1%**
Operating Expenses				
Salaries and Wages	72,828,419.22	70,291,190.00	2,537,229.22	3.6%
Payroll Related Costs	16,982,504.27	15,414,269.00	1,568,235.27	10.2%
Professional Fees and Services	1,857,212.11	1,372,624.00	484,588.11	35.3%
Travel	1,969,783.46	1,886,937.00	82,846.46	4.4%
Materials and Supplies	7,045,450.25	6,816,427.00	229,023.25	3.4%
Utilities	3,590,419.05	3,462,974.00	127,445.05	3.7%
Communications	2,115,684.38	2,275,667.00	(159,982.62)	-7.0%
Repairs and Maintenance	2,911,157.77	2,666,933.00	244,224.77	9.2%
Rentals and Leases	1,150,776.96	1,254,366.00	(103,589.04)	-8.3%
Printing and Reproduction	950,313.10	872,084.00	78,229.10	9.0%
Scholarships and Fellowships	10,790,574.55	17,115,970.00	(6,325,395.45)	-37.0%
Depreciation and Amortization	9,209,770.14	8,660,968.00	548,802.14	6.3%
Federal Sponsored Program Pass-Through to Other State Agencies	336,248.96	423,779.00	(87,530.04)	-20.7%
State Sponsored Program Pass-Through to Other State Agencies	10,338.50	-	10,338.50	100.0%
Other Operating Expenses	9,891,731.84	7,344,944.00	2,546,787.84	34.7%
Total Operating Expenses	**141,640,384.56**	**139,859,132.00**	**1,781,252.56**	**1.3%**
Operating Loss	**(49,147,002.16)**	**(43,436,060.00)**	**(5,710,942.16)**	**-13.1%**
Other Nonoperating Adjustments				
State Appropriations	34,641,217.67	39,031,871.00	(4,390,653.33)	-11.2%
Nonexchange Sponsored Programs	15,487,162.67	9,666,667.00	5,820,495.67	60.2%
Gift Contributions for Operations	1,243,231.96	1,390,008.00	(146,776.04)	-10.6%
Net Investment Income	4,136,069.46	3,609,753.00	526,316.46	14.6%
Interest Expense on Capital Asset Financings	(4,335,735.80)	(3,064,924.00)	(1,270,811.80)	-41.5%
Net Other Nonoperating Adjustments	**51,171,945.96**	**50,633,375.00**	**538,570.96**	**1.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**2,024,943.80**	**7,197,315.00**	**(5,172,371.20)**	**-71.9%**
Adjusted Margin % including Depreciation & Amortization	**1.4%**	**4.8%**		
Investment Gain (Losses)	8,669,002.73	9,680,686.00	(1,011,683.27)	-10.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**10,693,946.53**	**16,878,001.00**	**(6,184,054.47)**	**-36.6%**
Adj. Margin % with Investment Gains (Losses)	**6.8%**	**10.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**11,234,713.94**	**15,858,283.00**	**(4,623,569.06)**	**-29.2%**
Adjusted Margin % excluding Depreciation & Amortization	**7.6%**	**10.6%**		

The University of Texas at Austin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	161,666,666.67	179,252,901.56	(17,586,234.89)	-9.8%
Sponsored Programs	189,553,457.79	186,704,136.55	2,849,321.24	1.5%
Net Sales and Services of Educational Activities	133,500,238.52	111,041,297.52	22,458,941.00	20.2%
Net Auxiliary Enterprises	97,281,340.38	94,758,493.16	2,522,847.22	2.7%
Other Operating Revenues	1,669,504.85	2,009,605.95	(340,101.10)	-16.9%
Total Operating Revenues	**583,671,208.21**	**573,766,434.74**	**9,904,773.47**	**1.7%**
Operating Expenses				
Salaries and Wages	374,386,179.09	355,602,302.37	18,783,876.72	5.3%
Payroll Related Costs	86,810,154.44	80,245,452.05	6,564,702.39	8.2%
Professional Fees and Services	8,802,024.36	8,421,264.80	380,759.56	4.5%
Travel	13,842,264.31	13,766,905.92	75,358.39	0.5%
Materials and Supplies	46,158,141.33	41,428,732.52	4,729,408.81	11.4%
Utilities	36,736,983.52	29,741,372.28	6,995,611.24	23.5%
Communications	22,247,250.50	20,486,424.44	1,760,826.06	8.6%
Repairs and Maintenance	16,450,199.26	13,874,911.69	2,575,287.57	18.6%
Rentals and Leases	7,043,556.02	8,314,930.76	(1,271,374.74)	-15.3%
Printing and Reproduction	3,438,740.88	3,820,465.97	(381,725.09)	-10.0%
Scholarships and Fellowships	42,128,014.00	56,323,638.54	(14,195,624.54)	-25.2%
Depreciation and Amortization	64,194,603.23	55,997,108.37	8,197,494.86	14.6%
Federal Sponsored Program Pass-Through to Other State Agencies	926,319.41	1,202,437.49	(276,118.08)	-23.0%
Other Operating Expenses	66,875,867.67	58,431,044.01	8,444,823.66	14.5%
Total Operating Expenses	**790,040,298.02**	**747,656,991.21**	**42,383,306.81**	**5.7%**
Operating Loss	**(206,369,089.81)**	**(173,890,556.47)**	**(32,478,533.34)**	**-18.7%**
Other Nonoperating Adjustments				
State Appropriations	100,285,038.95	118,369,100.27	(18,084,061.32)	-15.3%
Nonexchange Sponsored Programs	8,566,303.85	9,016,603.85	(450,300.00)	-5.0%
Gift Contributions for Operations	41,713,308.45	34,831,986.63	6,881,321.82	19.8%
Net Investment Income	59,250,804.55	56,299,842.04	2,950,962.51	5.2%
Interest Expense on Capital Asset Financings	(17,059,237.24)	(13,665,000.00)	(3,394,237.24)	-24.8%
Net Other Nonoperating Adjustments	**192,756,218.56**	**204,852,532.79**	**(12,096,314.23)**	**-5.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**(13,612,871.25)**	**30,961,976.32**	**(44,574,847.57)**	**-144.0%**
Adjusted Margin % including Depreciation & Amortization	**-1.7%**	**3.9%**		
Available University Fund Transfer	59,210,000.00	56,583,333.33	2,626,666.67	4.6%
Adjusted Income (Loss) with AUF Transfer	**45,597,128.75**	**87,545,309.65**	**(41,948,180.90)**	**-47.9%**
Adjusted Margin % with AUF Transfer	**5.3%**	**10.3%**		
Investment Gain (Losses)	186,613,053.15	45,195,928.26	141,417,124.89	312.9%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$232,210,181.90**	**$132,741,237.91**	**$99,468,943.99**	**74.9%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**22.3%**	**14.8%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**109,791,731.98**	**143,542,418.02**	**(33,750,686.04)**	**-23.5%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**12.9%**	**16.9%**		

The University of Texas at Brownsville
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	7,916,931.07	6,856,680.87	1,060,250.20	15.5%
Sponsored Programs	30,172,516.65	28,496,194.56	1,676,322.09	5.9%
Net Sales and Services of Educational Activities	789,620.58	569,856.95	219,763.63	38.6%
Net Auxiliary Enterprises	473,086.68	481,147.59	(8,060.91)	-1.7%
Other Operating Revenues	17,815.89	5,493.03	12,322.86	224.3%
Total Operating Revenues	**39,369,970.87**	**36,409,373.00**	**2,960,597.87**	**8.1%**
Operating Expenses				
Salaries and Wages	24,883,173.24	23,213,569.80	1,669,603.44	7.2%
Payroll Related Costs	6,677,409.43	5,948,905.67	728,503.76	12.2%
Professional Fees and Services	164,688.95	618,337.01	(453,648.06)	-73.4%
Travel	300,449.09	318,860.73	(18,411.64)	-5.8%
Materials and Supplies	1,522,317.09	1,833,114.42	(310,797.33)	-17.0%
Utilities	1,246,675.90	1,380,550.22	(133,874.32)	-9.7%
Communications	409,072.38	419,803.00	(10,730.62)	-2.6%
Repairs and Maintenance	604,573.30	392,706.02	211,867.28	54.0%
Rentals and Leases	669,542.66	612,698.60	56,844.06	9.3%
Printing and Reproduction	114,081.61	78,599.52	35,482.09	45.1%
Bad Debt Expense	-	13,404.88	(13,404.88)	-100.0%
Scholarships and Fellowships	27,093,013.08	25,962,972.77	1,130,040.31	4.4%
Depreciation and Amortization	1,920,991.03	1,890,252.74	30,738.29	1.6%
Federal Sponsored Program Pass-Through to Other State Agencies	1,365.21	1,365.21	-	-
Other Operating Expenses	2,416,739.74	2,268,876.22	147,863.52	6.5%
Total Operating Expenses	**68,024,092.71**	**64,954,016.81**	**3,070,075.90**	**4.7%**
Operating Loss	**(28,654,121.84)**	**(28,544,643.81)**	**(109,478.03)**	**-0.4%**
Other Nonoperating Adjustments				
State Appropriations	13,566,797.53	13,624,455.47	(57,657.94)	-0.4%
Nonexchange Sponsored Programs	17,573,714.01	14,933,449.67	2,640,264.34	17.7%
Gift Contributions for Operations	109,155.48	145,452.50	(36,297.02)	-25.0%
Net Investment Income	419,432.44	378,814.84	40,617.60	10.7%
Interest Expense on Capital Asset Financings	(886,229.60)	(630,928.00)	(255,301.60)	-40.5%
Net Other Nonoperating Adjustments	**30,782,869.86**	**28,451,244.48**	**2,331,625.38**	**8.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**2,128,748.02**	**(93,399.33)**	**2,222,147.35**	**2,379.2%**
Adjusted Margin % including Depreciation & Amortization	**3.0%**	**-0.1%**		
Investment Gain (Losses)	2,213,576.44	1,240,719.60	972,856.84	78.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**4,342,324.46**	**1,147,320.27**	**3,195,004.19**	**278.5%**
Adj. Margin % with Investment Gains (Losses)	**5.9%**	**1.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**4,049,739.05**	**1,796,853.41**	**2,252,885.64**	**125.4%**
Adjusted Margin % excluding Depreciation & Amortization	**5.7%**	**2.7%**		

The University of Texas at Dallas
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	52,342,525.86	46,313,211.00	6,029,314.86	13.0%
Sponsored Programs	11,376,408.02	14,237,063.00	(2,860,654.98)	-20.1%
Net Sales and Services of Educational Activities	5,009,224.48	3,277,957.00	1,731,267.48	52.8%
Net Auxiliary Enterprises	2,854,409.56	2,672,014.00	182,395.56	6.8%
Other Operating Revenues	612,892.06	1,206,500.00	(593,607.94)	-49.2%
Total Operating Revenues	**72,195,459.98**	**67,706,745.00**	**4,488,714.98**	**6.6%**
Operating Expenses				
Salaries and Wages	60,430,402.54	58,320,511.00	2,109,891.54	3.6%
Payroll Related Costs	13,733,718.83	11,981,482.00	1,752,236.83	14.6%
Professional Fees and Services	2,597,871.27	2,036,785.00	561,086.27	27.5%
Travel	1,585,994.17	1,207,889.00	378,105.17	31.3%
Materials and Supplies	8,666,258.27	5,341,396.00	3,324,862.27	62.2%
Utilities	2,491,905.04	2,496,039.00	(4,133.96)	-0.2%
Communications	198,797.47	142,024.00	56,773.47	40.0%
Repairs and Maintenance	964,708.18	812,824.00	151,884.18	18.7%
Rentals and Leases	697,383.29	758,810.00	(61,426.71)	-8.1%
Printing and Reproduction	505,513.63	494,839.00	10,674.63	2.2%
Scholarships and Fellowships	10,397,860.29	6,286,013.00	4,111,847.29	65.4%
Depreciation and Amortization	10,640,316.94	8,760,400.00	1,879,916.94	21.5%
Federal Sponsored Program Pass-Through to Other State Agencies	103,628.72	13,944.00	89,684.72	643.2%
Other Operating Expenses	8,188,573.55	7,317,104.00	871,469.55	11.9%
Total Operating Expenses	**121,202,932.19**	**105,970,060.00**	**15,232,872.19**	**14.4%**
Operating Loss	**(49,007,472.21)**	**(38,263,315.00)**	**(10,744,157.21)**	**-28.1%**
Other Nonoperating Adjustments				
State Appropriations	34,959,607.79	37,845,835.00	(2,886,227.21)	-7.6%
Nonexchange Sponsored Programs	12,309,091.38	2,986,815.00	9,322,276.38	312.1%
Gift Contributions for Operations	2,680,054.53	13,549,261.00	(10,869,206.47)	-80.2%
Net Investment Income	4,950,956.75	4,377,379.00	573,577.75	13.1%
Interest Expense on Capital Asset Financings	(3,839,856.80)	(2,857,244.00)	(982,612.80)	-34.4%
Net Other Nonoperating Adjustments	**51,059,853.65**	**55,902,046.00**	**(4,842,192.35)**	**-8.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**2,052,381.44**	**17,638,731.00**	**(15,586,349.56)**	**-88.4%**
Adjusted Margin % including Depreciation & Amortization	**1.6%**	**13.9%**		
Investment Gain (Losses)	10,147,506.52	7,193,790.00	2,953,716.52	41.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**12,199,887.96**	**24,832,521.00**	**(12,632,633.04)**	**-50.9%**
Adj. Margin % with Investment Gains (Losses)	**8.9%**	**18.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**12,692,698.38**	**26,399,131.00**	**(13,706,432.62)**	**-51.9%**
Adjusted Margin % excluding Depreciation & Amortization	**10.0%**	**20.9%**		

The University of Texas at El Paso
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	35,233,702.67	31,150,408.33	4,083,294.34	13.1%
Sponsored Programs	23,684,528.76	22,112,375.38	1,572,153.38	7.1%
Net Sales and Services of Educational Activities	1,710,835.79	1,465,124.82	245,710.97	16.8%
Net Auxiliary Enterprises	10,147,630.92	8,725,872.95	1,421,757.97	16.3%
Other Operating Revenues	41,438.07	258.67	41,179.40	15,919.7%
Total Operating Revenues	**70,818,136.21**	**63,454,040.15**	**7,364,096.06**	**11.6%**
Operating Expenses				
Salaries and Wages	51,789,098.09	49,886,978.72	1,902,119.37	3.8%
Payroll Related Costs	12,955,853.92	11,983,968.14	971,885.78	8.1%
Professional Fees and Services	366,688.87	323,620.43	43,068.44	13.3%
Travel	2,192,556.79	1,904,101.02	288,455.77	15.1%
Materials and Supplies	8,442,912.71	7,562,059.86	880,852.85	11.6%
Utilities	2,163,267.28	2,142,029.10	21,238.18	1.0%
Communications	277,657.90	244,261.02	33,396.88	13.7%
Repairs and Maintenance	2,279,073.99	1,986,249.11	292,824.88	14.7%
Rentals and Leases	1,597,305.98	1,483,834.72	113,471.26	7.6%
Printing and Reproduction	350,032.20	303,882.63	46,149.57	15.2%
Scholarships and Fellowships	31,126,674.68	25,269,887.84	5,856,786.84	23.2%
Depreciation and Amortization	6,309,048.34	6,023,809.97	285,238.37	4.7%
Federal Sponsored Program Pass-Through to Other State Agencies	314,159.77	309,423.40	4,736.37	1.5%
Other Operating Expenses	9,761,787.50	8,908,763.16	853,024.34	9.6%
Total Operating Expenses	**129,926,118.02**	**118,332,869.12**	**11,593,248.90**	**9.8%**
Operating Loss	**(59,107,981.81)**	**(54,878,828.97)**	**(4,229,152.84)**	**-7.7%**
Other Nonoperating Adjustments				
State Appropriations	31,545,396.00	33,691,024.00	(2,145,628.00)	-6.4%
Nonexchange Sponsored Programs	24,781,204.89	19,117,262.55	5,663,942.34	29.6%
Gift Contributions for Operations	2,884,254.04	4,172,331.03	(1,288,076.99)	-30.9%
Net Investment Income	3,860,914.69	3,451,659.75	409,254.94	11.9%
Interest Expense on Capital Asset Financings	(3,001,744.04)	(1,601,052.00)	(1,400,692.04)	-87.5%
Net Other Nonoperating Adjustments	**60,070,025.58**	**58,831,225.33**	**1,238,800.25**	**2.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**962,043.77**	**3,952,396.36**	**(2,990,352.59)**	**-75.7%**
Adjusted Margin % including Depreciation & Amortization	**0.7%**	**3.2%**		
Investment Gain (Losses)	11,809,780.03	4,260,430.20	7,549,349.83	177.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**12,771,823.80**	**8,212,826.56**	**4,558,997.24**	**55.5%**
Adj. Margin % with Investment Gains (Losses)	**8.8%**	**6.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**7,271,092.11**	**9,976,206.33**	**(2,705,114.22)**	**-27.1%**
Adjusted Margin % excluding Depreciation & Amortization	**5.4%**	**8.1%**		

The University of Texas - Pan American
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	17,608,556.00	21,747,733.39	(4,139,177.39)	-19.0%
Sponsored Programs	24,762,824.81	21,920,069.05	2,842,755.76	13.0%
Net Sales and Services of Educational Activities	2,160,458.05	2,104,386.03	56,072.02	2.7%
Net Auxiliary Enterprises	3,195,009.59	2,162,944.43	1,032,065.16	47.7%
Other Operating Revenues	654,642.77	405,070.62	249,572.15	61.6%
Total Operating Revenues	**48,381,491.22**	**48,340,203.52**	**41,287.70**	**0.1%**
Operating Expenses				
Salaries and Wages	36,623,488.37	35,845,665.43	777,822.94	2.2%
Payroll Related Costs	9,732,955.49	8,947,599.83	785,355.66	8.8%
Cost of Goods Sold	192,325.49	0.45	192,325.04	42,738,897.8%
Professional Fees and Services	448,263.98	516,296.53	(68,032.55)	-13.2%
Travel	1,206,192.02	1,359,091.61	(152,899.59)	-11.3%
Materials and Supplies	4,286,272.76	4,956,123.05	(669,850.29)	-13.5%
Utilities	1,707,082.34	2,253,150.40	(546,068.06)	-24.2%
Communications	143,001.09	101,968.03	41,033.06	40.2%
Repairs and Maintenance	1,881,511.68	1,799,984.97	81,526.71	4.5%
Rentals and Leases	417,603.65	357,889.99	59,713.66	16.7%
Printing and Reproduction	120,170.93	156,966.07	(36,795.14)	-23.4%
Bad Debt Expense	24,968.96	(37,412.00)	62,380.96	166.7%
Scholarships and Fellowships	29,983,979.71	30,969,092.64	(985,112.93)	-3.2%
Depreciation and Amortization	4,740,695.43	4,431,143.00	309,552.43	7.0%
Federal Sponsored Program Pass-Through to Other State Agencies	58,418.73	66,901.12	(8,482.39)	-12.7%
Other Operating Expenses	4,686,344.48	3,865,079.60	821,264.88	21.2%
Total Operating Expenses	**96,253,275.11**	**95,589,540.72**	**663,734.39**	**0.7%**
Operating Loss	**(47,871,783.89)**	**(47,249,337.20)**	**(622,446.69)**	**-1.3%**
Other Nonoperating Adjustments				
State Appropriations	24,122,619.47	27,107,180.12	(2,984,560.65)	-11.0%
Nonexchange Sponsored Programs	23,915,956.57	21,888,649.28	2,027,307.29	9.3%
Gift Contributions for Operations	492,891.50	575,618.64	(82,727.14)	-14.4%
Net Investment Income	1,196,275.39	1,066,221.30	130,054.09	12.2%
Interest Expense on Capital Asset Financings	(1,330,205.40)	(1,342,124.00)	11,918.60	0.9%
Net Other Nonoperating Adjustments	**48,397,537.53**	**49,295,545.34**	**(898,007.81)**	**-1.8%**
Adjusted Income (Loss) including Depreciation & Amortization	**525,753.64**	**2,046,208.14**	**(1,520,454.50)**	**-74.3%**
Adjusted Margin % including Depreciation & Amortization	**0.5%**	**2.1%**		
Investment Gain (Losses)	4,777,502.02	2,833,506.00	1,943,996.02	68.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**5,303,255.66**	**4,879,714.14**	**423,541.52**	**8.7%**
Adj. Margin % with Investment Gains (Losses)	**5.2%**	**4.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**5,266,449.07**	**6,477,351.14**	**(1,210,902.07)**	**-18.7%**
Adjusted Margin % excluding Depreciation & Amortization	**5.4%**	**6.5%**		

The University of Texas of the Permian Basin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	5,073,290.71	3,992,316.55	1,080,974.16	27.1%
Sponsored Programs	1,545,993.98	1,620,387.40	(74,393.42)	-4.6%
Net Sales and Services of Educational Activities	71,568.01	177,980.07	(106,412.06)	-59.8%
Net Auxiliary Enterprises	1,329,954.98	1,235,587.09	94,367.89	7.6%
Other Operating Revenues	401,843.91	13,101.39	388,742.52	2,967.2%
Total Operating Revenues	**8,422,651.59**	**7,039,372.50**	**1,383,279.09**	**19.7%**
Operating Expenses				
Salaries and Wages	7,444,680.54	7,100,695.96	343,984.58	4.8%
Payroll Related Costs	1,821,629.41	1,625,020.76	196,608.65	12.1%
Professional Fees and Services	788,509.45	890,579.73	(102,070.28)	-11.5%
Travel	196,653.30	186,919.76	9,733.54	5.2%
Materials and Supplies	1,302,133.15	1,315,567.58	(13,434.43)	-1.0%
Utilities	661,591.96	867,008.61	(205,416.65)	-23.7%
Communications	258,782.21	164,847.28	93,934.93	57.0%
Repairs and Maintenance	324,700.94	607,189.76	(282,488.82)	-46.5%
Rentals and Leases	192,506.50	167,561.73	24,944.77	14.9%
Printing and Reproduction	76,324.09	60,870.76	15,453.33	25.4%
Scholarships and Fellowships	2,737,375.27	1,237,816.88	1,499,558.39	121.1%
Depreciation and Amortization	1,868,770.89	1,364,996.33	503,774.56	36.9%
Other Operating Expenses	299,009.09	494,724.19	(195,715.10)	-39.6%
Total Operating Expenses	**17,972,666.80**	**16,083,799.33**	**1,888,867.47**	**11.7%**
Operating Loss	**(9,550,015.21)**	**(9,044,426.83)**	**(505,588.38)**	**-5.6%**
Other Nonoperating Adjustments				
State Appropriations	8,620,344.33	10,689,775.00	(2,069,430.67)	-19.4%
Nonexchange Sponsored Programs	2,729,013.90	2,005,362.75	723,651.15	36.1%
Gift Contributions for Operations	580,578.13	303,126.92	277,451.21	91.5%
Net Investment Income	1,101,139.47	1,104,013.93	(2,874.46)	-0.3%
Interest Expense on Capital Asset Financings	(1,807,383.36)	(801,756.00)	(1,005,627.36)	-125.4%
Net Other Nonoperating Adjustments	**11,223,692.47**	**13,300,522.60**	**(2,076,830.13)**	**-15.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**1,673,677.26**	**4,256,095.77**	**(2,582,418.51)**	**-60.7%**
Adjusted Margin % including Depreciation & Amortization	**7.8%**	**20.1%**		
Investment Gain (Losses)	1,737,920.89	1,403,150.73	334,770.16	23.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**3,411,598.15**	**5,659,246.50**	**(2,247,648.35)**	**-39.7%**
Adj. Margin % with Investment Gains (Losses)	**14.7%**	**25.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**3,542,448.15**	**5,621,092.10**	**(2,078,643.95)**	**-37.0%**
Adjusted Margin % excluding Depreciation & Amortization	**16.5%**	**26.6%**		

UNAUDITED

The University of Texas at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	62,524,609.56	57,390,237.00	5,134,372.56	8.9%
Sponsored Programs	21,818,647.16	22,257,559.00	(438,911.84)	-2.0%
Net Sales and Services of Educational Activities	2,815,656.57	2,158,221.00	657,435.57	30.5%
Net Auxiliary Enterprises	8,634,053.07	7,593,108.00	1,040,945.07	13.7%
Other Operating Revenues	600,804.88	536,049.00	64,755.88	12.1%
Total Operating Revenues	**96,393,771.24**	**89,935,174.00**	**6,458,597.24**	**7.2%**
Operating Expenses				
Salaries and Wages	74,054,024.52	67,584,337.00	6,469,687.52	9.6%
Payroll Related Costs	18,150,664.12	16,172,442.00	1,978,222.12	12.2%
Professional Fees and Services	1,203,088.93	1,375,579.00	(172,490.07)	-12.5%
Travel	2,179,276.93	1,962,864.00	216,412.93	11.0%
Materials and Supplies	8,071,556.03	11,699,218.00	(3,627,661.97)	-31.0%
Utilities	3,758,458.33	3,633,333.00	125,125.33	3.4%
Communications	1,393,323.31	1,016,363.00	376,960.31	37.1%
Repairs and Maintenance	3,400,313.14	3,862,235.00	(461,921.86)	-12.0%
Rentals and Leases	1,349,511.83	1,046,254.00	303,257.83	29.0%
Printing and Reproduction	411,398.81	344,096.00	67,302.81	19.6%
Scholarships and Fellowships	12,946,336.35	14,421,420.00	(1,475,083.65)	-10.2%
Depreciation and Amortization	12,802,874.80	12,343,340.00	459,534.80	3.7%
Federal Sponsored Program Pass-Through to Other State Agencies	939,559.14	838,604.00	100,955.14	12.0%
Other Operating Expenses	7,921,787.18	8,849,652.00	(927,864.82)	-10.5%
Total Operating Expenses	**148,582,173.42**	**145,149,737.00**	**3,432,436.42**	**2.4%**
Operating Loss	**(52,188,402.18)**	**(55,214,563.00)**	**3,026,160.82**	**5.5%**
Other Nonoperating Adjustments				
State Appropriations	37,386,411.29	39,917,988.00	(2,531,576.71)	-6.3%
Nonexchange Sponsored Programs	17,645,634.55	13,377,739.00	4,267,895.55	31.9%
Gift Contributions for Operations	3,000,000.00	4,000,000.00	(1,000,000.00)	-25.0%
Net Investment Income	3,430,369.57	3,150,926.00	279,443.57	8.9%
Interest Expense on Capital Asset Financings	(5,330,114.32)	(5,206,368.00)	(123,746.32)	-2.4%
Net Other Nonoperating Adjustments	**56,132,301.09**	**55,240,285.00**	**892,016.09**	**1.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**3,943,898.91**	**25,722.00**	**3,918,176.91**	**15,232.8%**
Adjusted Margin % including Depreciation & Amortization	**2.5%**	**-**		
Investment Gain (Losses)	19,395,389.09	10,870,934.00	8,524,455.09	78.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**23,339,288.00**	**10,896,656.00**	**12,442,632.00**	**114.2%**
Adj. Margin % with Investment Gains (Losses)	**13.2%**	**6.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**16,746,773.71**	**12,369,062.00**	**4,377,711.71**	**35.4%**
Adjusted Margin % excluding Depreciation & Amortization	**10.6%**	**8.2%**		

The University of Texas at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	8,600,000.00	8,739,799.31	(139,799.31)	-1.6%
Sponsored Programs	4,274,708.27	3,335,473.13	939,235.14	28.2%
Net Sales and Services of Educational Activities	1,156,885.39	692,130.01	464,755.38	67.1%
Net Auxiliary Enterprises	1,720,211.94	1,226,572.47	493,639.47	40.2%
Other Operating Revenues	55,262.43	63,444.80	(8,182.37)	-12.9%
Total Operating Revenues	**15,807,068.03**	**14,057,419.72**	**1,749,648.31**	**12.4%**
Operating Expenses				
Salaries and Wages	12,790,231.13	12,522,346.53	267,884.60	2.1%
Payroll Related Costs	3,483,486.60	3,194,099.08	289,387.52	9.1%
Cost of Goods Sold	7,139.67	30,037.61	(22,897.94)	-76.2%
Professional Fees and Services	714,969.61	340,078.09	374,891.52	110.2%
Travel	431,813.93	467,984.97	(36,171.04)	-7.7%
Materials and Supplies	1,623,191.62	1,339,202.75	283,988.87	21.2%
Utilities	497,542.59	612,472.72	(114,930.13)	-18.8%
Communications	417,830.89	374,969.60	42,861.29	11.4%
Repairs and Maintenance	461,297.60	383,139.57	78,158.03	20.4%
Rentals and Leases	102,632.52	96,379.01	6,253.51	6.5%
Printing and Reproduction	252,337.90	225,798.00	26,539.90	11.8%
Bad Debt Expense	-	416.00	(416.00)	-100.0%
Scholarships and Fellowships	2,233,333.33	3,680,117.77	(1,446,784.44)	-39.3%
Depreciation and Amortization	3,650,640.27	2,799,728.00	850,912.27	30.4%
Federal Sponsored Program Pass-Through to Other State Agencies	2,166.06	69,418.00	(67,251.94)	-96.9%
Other Operating Expenses	2,537,308.02	2,043,424.17	493,883.85	24.2%
Total Operating Expenses	**29,205,921.74**	**28,179,611.87**	**1,026,309.87**	**3.6%**
Operating Loss	**(13,398,853.71)**	**(14,122,192.15)**	**723,338.44**	**5.1%**
Other Nonoperating Adjustments				
State Appropriations	10,994,419.47	11,947,763.66	(953,344.19)	-8.0%
Nonexchange Sponsored Programs	4,088,568.00	3,399,301.00	689,267.00	20.3%
Gift Contributions for Operations	770,094.00	452,634.73	317,459.27	70.1%
Net Investment Income	1,251,571.50	1,463,509.14	(211,937.64)	-14.5%
Interest Expense on Capital Asset Financings	(1,359,826.16)	(981,468.00)	(378,358.16)	-38.6%
Net Other Nonoperating Adjustments	**15,744,826.81**	**16,281,740.53**	**(536,913.72)**	**-3.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**2,345,973.10**	**2,159,548.38**	**186,424.72**	**8.6%**
Adjusted Margin % including Depreciation & Amortization	**7.1%**	**6.9%**		
Investment Gain (Losses)	6,401,306.54	1,810,814.95	4,590,491.59	253.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**8,747,279.64**	**3,970,363.33**	**4,776,916.31**	**120.3%**
Adj. Margin % with Investment Gains (Losses)	**22.3%**	**12.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**5,996,613.37**	**4,959,276.38**	**1,037,336.99**	**20.9%**
Adjusted Margin % excluding Depreciation & Amortization	**18.2%**	**15.8%**		

The University of Texas Southwestern Medical Center at Dallas
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	9,047,715.53	8,640,806.72	406,908.81	4.7%
Sponsored Programs	158,505,835.61	145,118,509.00	13,387,326.61	9.2%
Net Sales and Services of Educational Activities	7,213,282.31	3,900,462.22	3,312,820.09	84.9%
Net Sales and Services of Hospitals	173,264,377.00	152,181,036.00	21,083,341.00	13.9%
Net Professional Fees	135,312,307.82	124,080,866.75	11,231,441.07	9.1%
Net Auxiliary Enterprises	5,906,740.64	5,902,718.35	4,022.29	0.1%
Other Operating Revenues	1,991,618.97	2,125,888.90	(134,269.93)	-6.3%
Total Operating Revenues	**491,241,877.88**	**441,950,287.94**	**49,291,589.94**	**11.2%**
Operating Expenses				
Salaries and Wages	296,508,096.99	270,392,715.00	26,115,381.99	9.7%
Payroll Related Costs	67,311,378.09	58,934,003.00	8,377,375.09	14.2%
Cost of Goods Sold	859,270.84	1,076,032.01	(216,761.17)	-20.1%
Professional Fees and Services	6,940,826.83	7,576,262.00	(635,435.17)	-8.4%
Travel	3,013,266.46	2,649,229.00	364,037.46	13.7%
Materials and Supplies	69,707,488.80	67,832,514.99	1,874,973.81	2.8%
Utilities	12,763,724.68	12,040,215.00	723,509.68	6.0%
Communications	2,291,302.18	2,174,148.00	117,154.18	5.4%
Repairs and Maintenance	5,245,654.82	4,887,914.00	357,740.82	7.3%
Rentals and Leases	2,081,176.51	2,247,164.00	(165,987.49)	-7.4%
Printing and Reproduction	894,908.25	1,083,410.00	(188,501.75)	-17.4%
Scholarships and Fellowships	5,918,884.47	5,797,982.00	120,902.47	2.1%
Depreciation and Amortization	28,088,937.69	26,047,474.00	2,041,463.69	7.8%
Federal Sponsored Program Pass-Through to Other State Agencies	41,926.55	402,677.00	(360,750.45)	-89.6%
Other Operating Expenses	50,401,221.11	52,651,838.00	(2,250,616.89)	-4.3%
Total Operating Expenses	**552,068,064.27**	**515,793,578.00**	**36,274,486.27**	**7.0%**
Operating Loss	**(60,826,186.39)**	**(73,843,290.06)**	**13,017,103.67**	**17.6%**
Other Nonoperating Adjustments				
State Appropriations	55,532,123.82	62,737,767.00	(7,205,643.18)	-11.5%
Nonexchange Sponsored Programs	1,363,580.00	43,108.00	1,320,472.00	3,063.2%
Gift Contributions for Operations	9,141,704.58	8,653,312.00	488,392.58	5.6%
Net Investment Income	25,781,371.20	23,209,074.00	2,572,297.20	11.1%
Interest Expense on Capital Asset Financings	(12,108,325.60)	(7,361,148.00)	(4,747,177.60)	-64.5%
Net Other Nonoperating Adjustments	**79,710,454.00**	**87,282,113.00**	**(7,571,659.00)**	**-8.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**18,884,267.61**	**13,438,822.94**	**5,445,444.67**	**40.5%**
Adjusted Margin % including Depreciation & Amortization	**3.2%**	**2.5%**		
Investment Gain (Losses)	60,048,989.81	39,042,022.00	21,006,967.81	53.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**78,933,257.42**	**52,480,844.94**	**26,452,412.48**	**50.4%**
Adj. Margin % with Investment Gains (Losses)	**12.3%**	**9.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**46,973,205.30**	**39,486,296.94**	**7,486,908.36**	**19.0%**
Adjusted Margin % excluding Depreciation & Amortization	**8.1%**	**7.4%**		

The University of Texas Medical Branch at Galveston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	9,429,253.17	7,485,898.27	1,943,354.90	26.0%
Sponsored Programs	98,537,531.04	90,363,027.39	8,174,503.65	9.0%
Net Sales and Services of Educational Activities	4,819,786.81	11,463,353.56	(6,643,566.75)	-58.0%
Net Sales and Services of Hospitals	239,245,381.43	231,641,595.39	7,603,786.04	3.3%
Net Professional Fees	42,102,302.73	43,252,287.71	(1,149,984.98)	-2.7%
Net Auxiliary Enterprises	1,931,268.05	1,804,977.17	126,290.88	7.0%
Other Operating Revenues	(11,064,297.96)	3,528,974.19	(14,593,272.15)	-413.5%
Total Operating Revenues	**385,001,225.27**	**389,540,113.68**	**(4,538,888.41)**	**-1.2%**
Operating Expenses				
Salaries and Wages	266,219,346.66	261,227,272.23	4,992,074.43	1.9%
Payroll Related Costs	65,227,294.98	61,390,487.26	3,836,807.72	6.2%
Cost of Goods Sold	21,517,996.61	22,497,409.59	(979,412.98)	-4.4%
Professional Fees and Services	12,725,338.24	12,276,780.20	448,558.04	3.7%
Travel	2,185,908.34	2,076,420.56	109,487.78	5.3%
Materials and Supplies	41,086,070.19	38,245,704.09	2,840,366.10	7.4%
Utilities	10,121,416.22	8,791,335.05	1,330,081.17	15.1%
Communications	5,025,881.64	5,011,806.19	14,075.45	0.3%
Repairs and Maintenance	12,283,869.53	14,875,330.73	(2,591,461.20)	-17.4%
Rentals and Leases	7,274,361.00	7,986,538.19	(712,177.19)	-8.9%
Printing and Reproduction	482,708.29	403,171.02	79,537.27	19.7%
Bad Debt Expense	240.00	14,687.84	(14,447.84)	-98.4%
Scholarships and Fellowships	1,008,722.00	1,153,365.91	(144,643.91)	-12.5%
Depreciation and Amortization	26,116,188.06	25,218,027.30	898,160.76	3.6%
Federal Sponsored Program Pass-Through to Other State Agencies	933,958.65	1,031,914.10	(97,955.45)	-9.5%
Other Operating Expenses	41,878,515.19	51,575,732.42	(9,697,217.23)	-18.8%
Total Operating Expenses	**514,087,815.60**	**513,775,982.68**	**311,832.92**	**0.1%**
Operating Loss	**(129,086,590.33)**	**(124,235,869.00)**	**(4,850,721.33)**	**-3.9%**
Other Nonoperating Adjustments				
State Appropriations	112,412,434.14	123,485,822.29	(11,073,388.15)	-9.0%
Nonexchange Sponsored Programs	248,932.53	(1,183.00)	250,115.53	21,142.5%
Gift Contributions for Operations	3,976,201.17	4,063,536.49	(87,335.32)	-2.1%
Net Investment Income	10,372,415.69	10,491,711.53	(119,295.84)	-1.1%
Interest Expense on Capital Asset Financings	(2,768,215.70)	(2,206,975.39)	(561,240.31)	-25.4%
Net Other Nonoperating Adjustments	**124,241,767.83**	**135,832,911.92**	**(11,591,144.09)**	**-8.5%**
Adjusted Income (Loss) including Depreciation & Amortization	**(4,844,822.50)**	**11,597,042.92**	**(16,441,865.42)**	**-141.8%**
Adjusted Margin % including Depreciation & Amortization	**-0.9%**	**2.2%**		
Investment Gain (Losses)	9,746,977.51	6,971,607.67	2,775,369.84	39.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**4,902,155.01**	**18,568,650.59**	**(13,666,495.58)**	**-73.6%**
Adj. Margin % with Investment Gains (Losses)	**0.9%**	**3.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**21,271,365.56**	**36,815,070.22**	**(15,543,704.66)**	**-42.2%**
Adjusted Margin % excluding Depreciation & Amortization	**4.2%**	**7.0%**		

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The University of Texas Health Science Center at Houston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	12,624,062.43	11,018,740.55	1,605,321.88	14.6%
Sponsored Programs	149,454,772.16	118,378,252.91	31,076,519.25	26.3%
Net Sales and Services of Educational Activities	15,257,358.71	13,522,685.73	1,734,672.98	12.8%
Net Sales and Services of Hospitals	13,111,420.35	12,688,133.13	423,287.22	3.3%
Net Professional Fees	47,384,911.20	44,392,733.50	2,992,177.70	6.7%
Net Auxiliary Enterprises	7,376,738.08	7,272,939.31	103,798.77	1.4%
Other Operating Revenues	18,125,627.97	15,752,248.92	2,373,379.05	15.1%
Total Operating Revenues	**263,334,890.90**	**223,025,734.05**	**40,309,156.85**	**18.1%**
Operating Expenses				
Salaries and Wages	167,272,725.34	144,178,117.87	23,094,607.47	16.0%
Payroll Related Costs	33,967,531.70	29,629,870.19	4,337,661.51	14.6%
Cost of Goods Sold	6,076,622.12	5,982,893.58	93,728.54	1.6%
Professional Fees and Services	29,344,951.46	26,648,128.89	2,696,822.57	10.1%
Travel	2,520,194.03	2,387,990.36	132,203.67	5.5%
Materials and Supplies	15,031,234.88	11,021,691.80	4,009,543.08	36.4%
Utilities	6,430,917.16	6,491,232.36	(60,315.20)	-0.9%
Communications	1,167,868.06	660,420.04	507,448.02	76.8%
Repairs and Maintenance	3,355,831.90	2,414,816.11	941,015.79	39.0%
Rentals and Leases	5,721,563.54	4,728,804.64	992,758.90	21.0%
Printing and Reproduction	1,803,141.11	1,357,641.36	445,499.75	32.8%
Bad Debt Expense	-	1,615.00	(1,615.00)	-100.0%
Scholarships and Fellowships	2,194,133.91	2,682,448.55	(488,314.64)	-18.2%
Depreciation and Amortization	16,286,719.00	12,867,182.13	3,419,536.87	26.6%
Federal Sponsored Program Pass-Through to Other State Agencies	2,825,450.07	2,177,816.83	647,633.24	29.7%
Other Operating Expenses	37,400,597.87	32,376,820.76	5,023,777.11	15.5%
Total Operating Expenses	**331,399,482.15**	**285,607,490.47**	**45,791,991.68**	**16.0%**
Operating Loss	**(68,064,591.25)**	**(62,581,756.42)**	**(5,482,834.83)**	**-8.8%**
Other Nonoperating Adjustments				
State Appropriations	53,196,739.74	60,550,404.61	(7,353,664.87)	-12.1%
Nonexchange Sponsored Programs	2,128,701.36	162,783.27	1,965,918.09	1,207.7%
Gift Contributions for Operations	3,824,735.38	6,424,273.07	(2,599,537.69)	-40.5%
Net Investment Income	9,534,526.57	7,819,997.88	1,714,528.69	21.9%
Interest Expense on Capital Asset Financings	(4,449,057.44)	(3,003,184.00)	(1,445,873.44)	-48.1%
Net Other Nonoperating Adjustments	**64,235,645.61**	**71,954,274.83**	**(7,718,629.22)**	**-10.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**(3,828,945.64)**	**9,372,518.41**	**(13,201,464.05)**	**-140.9%**
Adjusted Margin % including Depreciation & Amortization	**-1.2%**	**3.1%**		
Investment Gain (Losses)	24,416,306.08	15,978,200.95	8,438,105.13	52.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**20,587,360.44**	**25,350,719.36**	**(4,763,358.92)**	**-18.8%**
Adj. Margin % with Investment Gains (Losses)	**5.8%**	**8.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**12,457,773.36**	**22,239,700.54**	**(9,781,927.18)**	**-44.0%**
Adjusted Margin % excluding Depreciation & Amortization	**3.8%**	**7.5%**		

The University of Texas Health Science Center at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	9,844,746.00	9,133,159.00	711,587.00	7.8%
Sponsored Programs	86,356,016.65	83,856,917.10	2,499,099.55	3.0%
Net Sales and Services of Educational Activities	11,119,942.98	13,136,498.62	(2,016,555.64)	-15.4%
Net Professional Fees	44,550,221.78	39,456,175.27	5,094,046.51	12.9%
Net Auxiliary Enterprises	1,730,570.55	1,672,923.27	57,647.28	3.4%
Other Operating Revenues	4,882,953.96	4,599,031.78	283,922.18	6.2%
Total Operating Revenues	**158,484,451.92**	**151,854,705.04**	**6,629,746.88**	**4.4%**
Operating Expenses				
Salaries and Wages	129,717,016.78	128,043,516.76	1,673,500.02	1.3%
Payroll Related Costs	31,647,893.15	29,248,617.81	2,399,275.34	8.2%
Professional Fees and Services	3,867,706.00	4,824,416.61	(956,710.61)	-19.8%
Travel	1,304,051.41	1,768,935.86	(464,884.45)	-26.3%
Materials and Supplies	13,090,539.28	13,756,499.06	(665,959.78)	-4.8%
Utilities	5,432,936.00	5,557,481.33	(124,545.33)	-2.2%
Communications	4,161,728.38	3,622,985.94	538,742.44	14.9%
Repairs and Maintenance	1,785,048.16	2,115,165.06	(330,116.90)	-15.6%
Rentals and Leases	1,930,931.37	2,601,835.70	(670,904.33)	-25.8%
Printing and Reproduction	555,936.00	716,569.17	(160,633.17)	-22.4%
Scholarships and Fellowships	1,295,867.63	1,125,186.47	170,681.16	15.2%
Depreciation and Amortization	12,100,000.00	10,666,666.67	1,433,333.33	13.4%
Federal Sponsored Program Pass-Through to Other State Agencies	500,000.00	400,000.00	100,000.00	25.0%
Other Operating Expenses	19,820,754.65	20,647,555.73	(826,801.08)	-4.0%
Total Operating Expenses	**227,210,408.81**	**225,095,432.17**	**2,114,976.64**	**0.9%**
Operating Loss	**(68,725,956.89)**	**(73,240,727.13)**	**4,514,770.24**	**6.2%**
Other Nonoperating Adjustments				
State Appropriations	57,179,178.48	63,793,311.29	(6,614,132.81)	-10.4%
Nonexchange Sponsored Programs	333,333.33	304,000.00	29,333.33	9.6%
Gift Contributions for Operations	6,316,461.16	3,287,423.85	3,029,037.31	92.1%
Net Investment Income	10,532,505.53	8,669,633.12	1,862,872.41	21.5%
Interest Expense on Capital Asset Financings	(3,575,829.68)	(2,900,164.00)	(675,665.68)	-23.3%
Net Other Nonoperating Adjustments	**70,785,648.82**	**73,154,204.26**	**(2,368,555.44)**	**-3.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**2,059,691.93**	**(86,522.87)**	**2,146,214.80**	**2,480.5%**
Adjusted Margin % including Depreciation & Amortization	**0.9%**	**-**		
Investment Gain (Losses)	15,887,281.71	12,234,950.34	3,652,331.37	29.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**17,946,973.64**	**12,148,427.47**	**5,798,546.17**	**47.7%**
Adj. Margin % with Investment Gains (Losses)	**7.2%**	**5.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**14,159,691.93**	**10,580,143.80**	**3,579,548.13**	**33.8%**
Adjusted Margin % excluding Depreciation & Amortization	**6.1%**	**4.6%**		

The University of Texas M. D. Anderson Cancer Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	825,097.03	682,428.00	142,669.03	20.9%
Sponsored Programs	103,212,952.75	94,926,882.00	8,286,070.75	8.7%
Net Sales and Services of Educational Activities	654,988.40	581,690.00	73,298.40	12.6%
Net Sales and Services of Hospitals	712,645,974.30	724,159,312.00	(11,513,337.70)	-1.6%
Net Professional Fees	105,071,235.61	103,225,146.00	1,846,089.61	1.8%
Net Auxiliary Enterprises	11,005,566.18	10,262,902.00	742,664.18	7.2%
Other Operating Revenues	21,764,042.77	18,499,154.00	3,264,888.77	17.6%
Total Operating Revenues	**955,179,857.04**	**952,337,514.00**	**2,842,343.04**	**0.3%**
Operating Expenses				
Salaries and Wages	461,857,234.86	429,210,214.00	32,647,020.86	7.6%
Payroll Related Costs	125,784,218.70	114,240,144.00	11,544,074.70	10.1%
Cost of Goods Sold	2,438,220.14	1,841,637.52	596,582.62	32.4%
Professional Fees and Services	62,128,852.02	51,415,056.00	10,713,796.02	20.8%
Travel	6,327,440.42	5,124,149.00	1,203,291.42	23.5%
Materials and Supplies	185,470,127.44	177,868,143.48	7,601,983.96	4.3%
Utilities	15,916,025.09	15,982,340.00	(66,314.91)	-0.4%
Communications	2,897,380.78	3,119,406.00	(222,025.22)	-7.1%
Repairs and Maintenance	26,068,585.71	22,481,778.00	3,586,807.71	16.0%
Rentals and Leases	15,726,856.40	13,867,369.00	1,859,487.40	13.4%
Scholarships and Fellowships	396,039.00	-	396,039.00	100.0%
Depreciation and Amortization	75,752,461.73	77,797,088.00	(2,044,626.27)	-2.6%
Federal Sponsored Program Pass-Through to Other State Agencies	40,656.92	2,231.00	38,425.92	1,722.4%
Other Operating Expenses	2,276,854.30	1,119,262.00	1,157,592.30	103.4%
Total Operating Expenses	**983,080,953.51**	**914,068,818.00**	**69,012,135.51**	**7.5%**
Operating Loss	**(27,901,096.47)**	**38,268,696.00**	**(66,169,792.47)**	**-172.9%**
Other Nonoperating Adjustments				
State Appropriations	54,132,801.16	59,176,425.00	(5,043,623.84)	-8.5%
Nonexchange Sponsored Programs	180,947.00	-	180,947.00	100.0%
Gift Contributions for Operations	41,015,099.72	40,421,736.00	593,363.72	1.5%
Net Investment Income	23,377,833.27	19,310,108.00	4,067,725.27	21.1%
Interest Expense on Capital Asset Financings	(13,960,492.24)	(11,360,924.00)	(2,599,568.24)	-22.9%
Net Other Nonoperating Adjustments	**104,746,188.91**	**107,547,345.00**	**(2,801,156.09)**	**-2.6%**
Adjusted Income (Loss) including Depreciation & Amortization	**76,845,092.44**	**145,816,041.00**	**(68,970,948.56)**	**-47.3%**
Adjusted Margin % including Depreciation & Amortization	**7.2%**	**13.6%**		
Investment Gain (Losses)	87,925,711.72	47,049,011.00	40,876,700.72	86.9%
Adj. Inc. (Loss) with Investment Gains (Losses)	**164,770,804.16**	**192,865,052.00**	**(28,094,247.84)**	**-14.6%**
Adj. Margin % with Investment Gains (Losses)	**14.2%**	**17.2%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**152,597,554.17**	**223,613,129.00**	**(71,015,574.83)**	**-31.8%**
Adjusted Margin % excluding Depreciation & Amortization	**14.2%**	**20.9%**		

UNAUDITED

The University of Texas Health Science Center at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2010

	December Year-to-Date FY 2011	December Year-to-Date FY 2010	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	4,666,550.85	4,498,368.63	168,182.22	3.7%
Net Sales and Services of Educational Activities	499,948.85	504,583.24	(4,634.39)	-0.9%
Net Sales and Services of Hospitals	17,531,192.74	16,569,135.07	962,057.67	5.8%
Net Professional Fees	3,720,349.62	2,890,689.54	829,660.08	28.7%
Net Auxiliary Enterprises	77,776.37	74,257.99	3,518.38	4.7%
Other Operating Revenues	157,048.45	571,246.10	(414,197.65)	-72.5%
Total Operating Revenues	**26,652,866.88**	**25,108,280.57**	**1,544,586.31**	**6.2%**
Operating Expenses				
Salaries and Wages	18,451,248.56	18,124,889.16	326,359.40	1.8%
Payroll Related Costs	5,218,434.70	4,706,834.38	511,600.32	10.9%
Cost of Goods Sold	9,944.38	10,294.19	(349.81)	-3.4%
Professional Fees and Services	2,490,095.91	2,544,635.42	(54,539.51)	-2.1%
Travel	201,861.35	146,225.21	55,636.14	38.0%
Materials and Supplies	4,265,904.26	5,257,175.78	(991,271.52)	-18.9%
Utilities	1,125,371.16	1,268,322.62	(142,951.46)	-11.3%
Communications	305,549.65	459,837.83	(154,288.18)	-33.6%
Repairs and Maintenance	913,867.57	1,367,585.04	(453,717.47)	-33.2%
Rentals and Leases	322,937.00	373,201.70	(50,264.70)	-13.5%
Printing and Reproduction	33,793.91	25,006.49	8,787.42	35.1%
Scholarships and Fellowships	7,461.20	-	7,461.20	100.0%
Depreciation and Amortization	2,322,932.96	2,389,458.86	(66,525.90)	-2.8%
Federal Sponsored Program Pass-Through to Other State Agencies	3,114.49	35,908.75	(32,794.26)	-91.3%
Other Operating Expenses	3,544,249.78	3,678,584.68	(134,334.90)	-3.7%
Total Operating Expenses	**39,216,766.88**	**40,387,960.11**	**(1,171,193.23)**	**-2.9%**
Operating Loss	**(12,563,900.00)**	**(15,279,679.54)**	**2,715,779.54**	**17.8%**
Other Nonoperating Adjustments				
State Appropriations	12,248,436.67	14,210,211.90	(1,961,775.23)	-13.8%
Gift Contributions for Operations	81,089.56	71,859.02	9,230.54	12.8%
Net Investment Income	1,358,372.04	1,308,640.33	49,731.71	3.8%
Interest Expense on Capital Asset Financings	(489,637.52)	(198,388.00)	(291,249.52)	-146.8%
Net Other Nonoperating Adjustments	**13,198,260.75**	**15,392,323.25**	**(2,194,062.50)**	**-14.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**634,360.75**	**112,643.71**	**521,717.04**	**463.2%**
Adjusted Margin % including Depreciation & Amortization	**1.6%**	**0.3%**		
Investment Gain (Losses)	3,743,759.05	1,186,686.38	2,557,072.67	215.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**4,378,119.80**	**1,299,330.09**	**3,078,789.71**	**237.0%**
Adj. Margin % with Investment Gains (Losses)	**9.9%**	**3.1%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**2,957,293.71**	**2,502,102.57**	**455,191.14**	**18.2%**
Adjusted Margin % excluding Depreciation & Amortization	**7.3%**	**6.1%**		

3. U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2010

REPORT

The Analysis of Financial Condition, which is set forth on Pages 113 - 176 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."

An Executive Summary of the report may be found on Pages 115 - 120. One institution has been upgraded to "Watch" and all other institution's ratings remained the same as Fiscal Year 2009.

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 2006 through Fiscal Year 2010.

2010 Analysis of Financial Condition

February 2011

The University of Texas System
2010 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 "Watch"

UTMB

The institution's financial condition was upgraded to "Watch" for 2010. The composite financial index (CFI) increased substantially from 0.7 in 2009 to 4.7 in 2010 primarily due to the recovery from the impact of Hurricane *Ike* in 2009 and the net increase in the fair value of investments. Although the operating expense coverage ratio increased by 0.9 months to 1.1 months in 2010, it still remained below the System's benchmark of 2 months and was also the lowest operating expense coverage ratio of all the UT institutions. The improvement in this ratio was attributable to both an increase in total unrestricted net assets and a decrease in total operating expenses as a result of the recovery from the business disruption in revenue generating activities and expenses related to Hurricane *Ike* in 2009. The annual operating margin increased by $177.5 million to a positive margin of $37.4 million or 2.4% for 2010, including depreciation expense. UTMB received $150 million of Federal Emergency Management Agency (FEMA) matching funds from the State in the form of a special appropriation in 2009. 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 2009 margin calculation since none of these funds were used for clean-up expenses in 2009. However, the 2010 margin includes $1.5 million of the FEMA State matching funds that were used in 2010 for capital outlay that fell below the capitalization threshold. UTMB also received $97 million of additional general revenue in 2010 for recovery from Hurricane *Ike.* In order to more appropriately match revenues with expenses, this additional appropriation will be spread evenly in the 2010 and 2011 Analysis of Financial Condition. Thus, $48.5 million was excluded from the annual operating margin for 2010. The expendable resources to debt ratio increased from 1.8 in 2009 to 2.3 in 2010 due to the increase in total unrestricted net assets. The debt burden ratio increased slightly from 1.4% in 2009 to 1.6% in 2010 as a result of the decrease in total operating expenses but remains the lowest debt burden of all the UT institutions. The debt service coverage ratio increased significantly from (2.8) in 2009 to 4.7 in 2010 due to the dramatic improvement in operating performance.

Institutions Rated "Satisfactory"

UT Arlington

The CFI increased from 3.5 in 2009 to 4.0 in 2010 primarily due to the net increase in the fair value of investments and a decrease in the amount of debt outstanding. The operating expense coverage ratio decreased by 0.1 months to 4.7 months in 2010 as a result of an increase in total operating expenses, which was partially offset by an increase in total unrestricted net assets. The majority of the increase in total operating expenses was attributable to increases in salaries and payroll related costs, scholarships and fellowships, other operating expenses and depreciation expense. The increase in total unrestricted net assets was primarily due to funding received from the Texas Higher Education Coordinating Board (THECB) for the Nursing Regional Education Center and Advance Research Programs, an increase in quasi-endowments and an increase in unrestricted net assets for capital projects. The annual operating margin increased $4.0 million to $26.2 million or 5.9% for 2010 largely due to increases in sponsored programs revenue (including nonexchange sponsored programs) and net tuition and fees. The expendable resources to debt ratio remained unchanged at 0.9 in 2010. The stability of this ratio was a result of a decrease in restricted expendable net assets due to fewer funds restricted for capital projects, offset by a decrease in the amount of debt outstanding. The debt burden ratio declined from 7.6% in 2009 to 6.9% in 2010 due to the increase in operating expenses. The debt service coverage ratio increased from 1.9 in 2009 to 2.4 in 2010 as a result of the improvement in operating performance. Full-time equivalent (FTE) student enrollment increased due to an increase in scholarship awards and the Academic Partnership Program.

UT Austin

The CFI increased from 3.1 in 2009 to 6.4 in 2010 due to the net increase in the fair value of investments and enhanced operating performance. The operating expense coverage ratio increased by 1.3 months to 3.6 months in 2010 as a result of the increase in total unrestricted net assets which was attributable to an increase in the transfer from the Available University Fund (AUF), the net increase in the fair value of investments allocated to unrestricted current funds, and an improvement in operating performance. The annual operating margin increased by $109.5 million to $158.4 million or 7.0% for 2010 as a result of the increase in operating revenues. The increase in operating revenues was primarily attributable to increases in sponsored programs revenue (including nonexchange sponsored programs), AUF funding, and net tuition and fees. The expendable resources to debt ratio increased from 1.6 in 2009 to 2.0 in 2010 due to increases in both total unrestricted net assets and restricted expendable net assets. The increase in restricted expendable net assets was driven by the improved market conditions which caused an increase in the market value of the endowment funds. The debt burden ratio increased slightly from 4.2% in 2009 to 4.4% in 2010 as a result of an increase in debt service payments. The debt service coverage ratio increased from 3.2 in 2009 to 4.3 in 2010. The increase in this ratio was due to the improved operating performance. FTE student enrollment increased overall by 0.3% primarily due to increases in the Master's/Special Professional hours.

UT Brownsville

The CFI increased from 1.8 in 2009 to 3.4 in 2010 as a result of the net increase in the fair value of investments and an increase in the bond proceeds transferred from System. The operating expense coverage ratio increased by 0.1 months to 2.1 months in 2010 due to an increase in total unrestricted net assets, which was largely offset by an increase in total operating expenses. The increase in total unrestricted net assets was primarily attributable to an improvement in operating performance. Total operating expenses increased primarily due to increases in scholarships and fellowships, and salaries and payroll related costs. The annual operating margin increased by $3.9 million to $5.9 million or 3.3% for 2010 as a result of the growth in total operating revenues. The increase in total operating revenues was primarily due to an increase in sponsored programs revenue (including nonexchange sponsored programs) and an increase in the contract with Texas Southmost College. The expendable resources to debt ratio remained unchanged at 1.0 in 2010. The stability of this ratio was attributable to increases in both total unrestricted net assets and restricted expendable net assets, which were offset by an increase in the amount of debt outstanding. The increase in restricted expendable net assets was primarily due to an increase in funds restricted for capital projects resulting from additional construction costs to complete the Science and Technology Learning Center. The increase in the debt was also attributable to the Science and Technology Learning Center. The debt burden ratio decreased from 6.3% in 2009 to 6.0% in 2010 due to the increase in total operating expenses. The debt service coverage ratio increased from 1.4 in 2009 to 1.9 in 2010 as a result of the improvement in the operating margin. FTE student enrollment decreased slightly as a direct result of the planned reduction to the dual enrollment program.

UT Dallas

The CFI increased from 2.5 in 2009 to 4.4 in 2010 largely due to the net increase in fair value of investments, an increase in bond proceeds transferred from System and an increase in permanent endowments. The operating expense coverage ratio increased by 0.4 months to 3.3 months in 2010 as a result of an increase in total unrestricted net assets, which was partially offset by an increase in total operating expenses. Total unrestricted net assets increased due to the net increase in the fair value of investments allocated to designated funds and an increase in unexpended plant funds related to new capital projects. Total operating expenses increased primarily due to increases in salaries and payroll related costs, scholarships and fellowships, depreciation expense, other operating expenses, professional fees and services, interest expense, materials and supplies, and utilities. The annual operating margin increased by $2.7 million to $12.0 million or 3.3% for 2010. The improvement in the annual operating margin was largely attributable to the growth in operating revenues primarily driven by increases in sponsored programs revenue (including nonexchange sponsored programs), net tuition and fees, auxiliary enterprises, net sales and services of educational activities, and investment income (excluding realized gains and losses). The expendable resources to debt ratio decreased from 1.1 in 2009 to 1.0 in 2010 due to the increase in total unrestricted net assets, which was largely offset by an increase in the debt outstanding. The debt burden ratio increased from 5.8% in 2009 to 5.9% in 2010 due to the increase in debt service payments, which was largely offset by the increase in operating expenses. The debt service coverage ratio of 2.8 in 2010 was a slight increase from the 2009 ratio of 2.7 and was a result of the improved annual operating margin. FTE student enrollment continued the upward trend and increased 10% between the fall of 2009 and the fall of 2010. This upward trend reflects the effects of UT Dallas' guaranteed tuition plan, which encourages full-time status, federal and state eligibility requirements for aid for domestic students, and visa requirements for international students.

UT El Paso

The CFI increased from 3.9 in 2009 to 5.2 in 2010 primarily due to the net increase in the fair value of investments and an improvement in operating performance. The operating expense coverage ratio increased by 0.2 months to 2.1 months in 2010 as a result of an increase in total unrestricted net assets, which was partially offset by an increase in total operating expenses. The growth in total unrestricted net assets was primarily due to an improvement in operating performance. The increase in total operating expenses was primarily attributable to increases in scholarships and fellowships, salaries and payroll related costs, interest expense, and materials and supplies. The annual operating margin increased by $6.0 million to $20.9 million or 5.8% for 2010 primarily due to the increase in total operating revenues resulting from increases in sponsored programs revenue (including nonexchange sponsored programs), gifts for operations, and net tuition and fees. The expendable resources to debt ratio decreased from 1.3 in 2009 to 1.2 in 2010 as a result of an increase in the debt outstanding, which was partially offset by increases in total unrestricted net assets and restricted expendable net assets. The increase in restricted expendable net assets was primarily attributable to an increase in the appreciation on endowment funds and an increase in funds restricted for capital projects. The debt burden ratio decreased from 6.7% in 2009 to 5.9% in 2010 as a result of the increase in total operating expenses. The debt service coverage ratio increased from 2.0 in 2009 to 2.7 in 2010 due to the improved annual operating margin. FTE student enrollment continued to increase as a result of increased retention efforts of students currently enrolled, as well as continued efforts to recruit local high school students.

UT Pan American

The CFI increased from 2.0 in 2009 to 3.4 in 2010 primarily due to the net increase in the fair value of investments. The operating expense coverage ratio increased by 0.6 months to 3.7 months in 2010 as a result of an increase in total unrestricted net assets largely driven by an improvement in operating performance, and the net increase in the fair value of investments allocated to unrestricted current funds. The annual operating margin increased by $6.7 million to $8.9 million or 3.4% for 2010. The improvement in the annual operating margin was primarily due to the growth in operating revenues, which was partially offset by the growth in operating expenses. The increase in operating revenues was primarily attributable to an increase in sponsored programs revenue (including nonexchange sponsored programs). The operating expenses increased primarily as a result of increases in salaries and payroll related costs, and scholarships and fellowships. The expendable resources to debt ratio increased from 1.0 in 2009 to 1.2 in 2010 due to the increase in total unrestricted net assets and a decrease in the debt outstanding. The debt burden ratio decreased from 6.4% in 2009 to 6.0% in 2010 as a result of the increase in operating expenses. The debt service coverage ratio increased from 1.7 in 2009 to 2.2 in 2010 due to the improvement in the annual operating margin. FTE student enrollment increased 2.3% between the fall of 2009 and the fall of 2010. The increase was attributable to a quality advisement program and the implementation of a required minimum ACT score.

Institutions Rated "Satisfactory" (Continued)

UT Permian Basin The CFI decreased from 10.2 in 2009 to 7.6 in 2010 attributable to the $7.5 million received from the Texas Department of Transportation (TxDOT) in 2009 for capital projects with no such comparable funding in 2010. The operating expense coverage ratio decreased by 0.3 months to 2.5 months in 2010 primarily due to an increase in operating expenses. The increase in operating expenses was largely driven by increases in scholarships and fellowships, salaries and payroll related costs, interest expense, and materials and supplies. Although the annual operating margin decreased from 16.9% for 2009 to 15.8% for 2010, the annual operating margin actually increased by $1.0 million as a result of the growth in operating revenues. The increase in operating revenues was primarily due to increases in sponsored programs revenue (including nonexchange sponsored programs) and net tuition and fees. The expendable resources to debt ratio decreased from 0.8 in 2009 to 0.6 in 2010 as a result of a decrease in restricted expendable net assets and an increase in the debt outstanding. The decrease in restricted expendable net assets was attributable to the funding received from TxDOT in 2009 mentioned above. The debt burden ratio decreased from 27.4% in 2009 to 23.6% in 2010 due to the increase in operating expenses, but remained the highest debt burden of all the UT institutions. The debt service coverage ratio increased from 1.2 in 2009 to 1.5 in 2010 as a result of the increase in the annual operating margin. FTE student increased significantly due to successful recruiting and retention efforts.

UT San Antonio The CFI increased from 2.0 in 2009 to 3.3 in 2010 primarily due to the net increase in the fair value of investments. The operating expense coverage ratio remained unchanged at 4.2 months in 2010. The stability of this ratio was attributable to increases in both total unrestricted net assets and total operating expenses. Total unrestricted net assets increased primarily due to the net increase in the fair value of investments allocated to designated funds and auxiliary enterprises. The increase in operating expenses was primarily attributable to increases in salaries and payroll related costs, scholarships and fellowships, depreciation expense, repairs and maintenance, materials and supplies, and travel. Although the annual operating margin ratio decreased from 4.0% for 2009 to 3.7% for 2010, the annual operating margin increased slightly by $0.1 million. The small change in the annual operating margin was attributable to consistent growth in both the operating revenues and operating expenses. The increase in operating revenues was primarily due to increases in sponsored programs revenue (including nonexchange sponsored programs), net tuition and fees, State appropriations, auxiliary enterprises, gifts for operations, and investment income (excluding realized gains and losses). The expendable resources to debt ratio increased from 0.5 in 2009 to 0.6 in 2010 as a result of increases in both unrestricted net assets and restricted expendable net assets. The increase in restricted expendable net assets was due to funding for the North Paseo Building. The debt burden ratio decreased from 8.6% in 2009 to 7.8% in 2010 due to a small decrease in debt service payments and the increase in operating expenses. The debt service coverage ratio increased from 2.1 in 2009 to 2.4 in 2010 as a result of the increase in operating revenues combined with the decrease in debt service payments. FTE student enrollment increased 4.7% between the fall of 2009 and the fall of 2010.

UT Tyler The CFI increased from 2.4 in 2009 to 4.1 in 2010 as a result of the net increase in the fair value of investments and increases in both unrestricted net assets and restricted expendable net assets. The operating expense coverage ratio increased by 1.2 months to 4.7 months in 2010 due to the increase in unrestricted net assets, which was partially offset by an increase in total operating expenses. Total unrestricted net assets increased primarily due to the net increase in the fair value of investments allocated to designated funds and an increase in the transfers from restricted funds to unrestricted current funds as a result of a change in the method of tuition discounting. The increase in operating expenses primarily resulted from increases in salaries and payroll related costs, and depreciation expense. The annual operating margin decreased by $1.7 million to $2.7 million or 3.0% for 2010. The reduction in the annual operating margin was attributable to the growth in operating expenses. The expendable resources to debt ratio increased from 0.7 in 2009 to 0.9 in 2010 as a result of increases in unrestricted net assets and restricted expendable net assets. The increase in restricted expendable net assets was attributable to increases in the amount of funds restricted for capital projects and the increase in the appreciation on endowment funds. The debt burden ratio decreased from 11.4% in 2009 to 10.3% in 2010 due to a decrease in debt service payments and the increase in operating expenses. The debt service coverage ratio increased from 1.8 in 2009 to 2.0 in 2010. The increase in this ratio was attributable to the increase in depreciation expense which is excluded from operating expenses for purposes of this calculation. FTE student enrollment increased due to an extensive recruiting effort by Enrollment Management.

Southwestern

The CFI increased significantly from 2.7 in 2009 to 5.6 in 2010 as a result of the net increase in the fair value of investments and improved operating performance. The operating expense coverage ratio increased by 0.7 months to 4.4 months in 2010 primarily due to an increase in total unrestricted net assets, which was partially offset by an increase in operating expenses. The increase in unrestricted net assets was primarily driven by the net increase in the fair value of investments allocated to unrestricted current funds and an improvement in operating performance. The operating expenses increased primarily due to increases in salaries and payroll related costs, materials and supplies, other operating expenses, depreciation expense, and interest expense. The annual operating margin increased by $110.5 million to $131.6 million or 7.8% for 2010. The significant increase in the annual operating margin was attributable to the growth in operating revenues. The increase in operating revenues was generated by increases in net sales and services of hospitals, sponsored programs revenue (including nonexchange sponsored programs), net professional fees, State appropriations, net sales and services of educational activities, and investment income (excluding realized gains and losses). The expendable resources to debt ratio increased from 1.7 in 2009 to 1.9 in 2010 due to increases in unrestricted net assets and restricted expendable net assets. The increase in restricted expendable net assets was primarily a result of the net increase in the fair value of investments in endowment funds and an increase in funds restricted for capital projects due to the construction of North Campus Phase V. The debt burden ratio increased from 4.4% in 2009 to 4.6% in 2010 due to an increase in debt service payments. The debt service coverage ratio increased from 2.0 in 2009 to 3.5 in 2010 as a result of the improvement in the annual operating margin.

UTHSC-Houston

The CFI increased from 2.7 in 2009 to 3.6 in 2010 as a result of the net increase in the fair value of investments and increases in bond proceeds due from System and transferred from System. The operating expense coverage ratio increased by 0.3 months to 3.6 months in 2010 primarily due to an increase in total unrestricted net assets, which was partially offset by an increase in total operating expenses. The increase in unrestricted net assets was primarily attributable to the net increase in the fair value of investments allocated to designated funds and an increase in unrestricted net assets in unexpended plant funds for the South Campus expansion. Operating expenses increased primarily as a result of increases in salaries and payroll related costs, materials and supplies, depreciation expense, and printing and reproduction. The annual operating margin increased by $1.1 million to $4.2 million or 0.5% for 2010. This increase was due to the growth in operating revenues. The operating revenues increased primarily as a result of increases in sponsored programs revenue (including nonexchange sponsored programs), net sales and services of educational activities, net professional fees, investment income (excluding realized gains and losses), and net sales and services of hospitals. The expendable resources to debt ratio decreased from 1.9 in 2009 to 1.6 in 2010 due to an increase in the debt outstanding. The debt burden ratio decreased from 2.8% in 2009 to 2.6% in 2010 as a result of the increase in operating expenses. The debt service coverage ratio remained unchanged at 2.4 in 2010 due to the improvement in operating performance which was largely offset by an increase in debt service payments.

UTHSC-San Antonio

The CFI increased from 1.7 in 2009 to 3.4 in 2010 primarily as a result of the net increase in the fair value of investments. The operating expense coverage ratio increased by 0.5 months to 2.6 months in 2010 primarily due to an increase in unrestricted net assets, which was partially offset by an increase in operating expenses. The increase in unrestricted net assets was primarily attributable to the net increase in the fair value of investments allocated to designated funds and an improvement in operating performance. The increase in operating expenses was largely due to increases in salaries and payroll related costs, interest expense, utilities, and depreciation expense. The annual operating margin increased by $5.8 million to $9.8 million or 1.4% for 2010. The improvement in the annual operating margin was primarily a result of the growth in total operating revenues. The increase in operating revenues was primarily driven by increases in sponsored programs revenue (including nonexchange sponsored programs) and net professional fees. The expendable resources to debt ratio increased from 1.3 in 2009 to 1.4 in 2010 due to increases in unrestricted net assets and restricted expendable net assets, which were largely offset by an increase in the debt outstanding. The increase in restricted expendable net assets was primarily attributable to the net increase in the fair value of investments in endowment funds. The debt burden ratio decreased from 3.2% in 2009 to 3.1% in 2010 due to debt service payments remaining relatively flat along with the increase in operating expenses. The debt service coverage ratio increased from 1.9 in 2009 to 2.5 in 2010 as a result of the improvement in the annual operating margin.

Institutions Rated "Satisfactory" (Continued)

M. D. Anderson

The CFI increased from 3.2 in 2009 to 5.4 in 2010 primarily due to the net increase in the fair value of investments. The operating expense coverage ratio increased by 1.8 months to 5.7 months, the highest of all the UT institutions, in 2010 as a result of an increase in unrestricted net assets. The increase in unrestricted net assets was attributable to a significant increase in operating performance and the transfer of the remaining unrestricted funds necessary to match the T. Boone Pickens gift. The annual operating margin increased by $127.5 million to $350.5 million or 11.0% for 2010. The significant increase in the annual operating margin was largely a result of the recovery from the business disruption in revenue generating activities related to Hurricane *Ike*, as evidenced by the sizeable growth in operating revenues. The increase in operating revenues was primarily driven by increases in net sales and services of hospitals, gifts for operations, net professional fees, sponsored programs revenue (including nonexchange sponsored programs), State appropriations, and investment income (excluding realized gains and losses). The operating expenses increased at a much slower pace than the operating revenues. The increase in operating expenses was primarily attributable to increases in materials and supplies, interest expense, salaries and payroll related costs, repairs and maintenance, and rentals and leases. The expendable resources to debt ratio increased from 1.3 in 2009 to 1.6 in 2010 due to the increase in unrestricted net assets. The debt burden ratio remained unchanged at 3.3% in 2010. The stability of this ratio was attributable to an increase in debt service payments which was offset by the increase in operating expenses. The debt service coverage ratio increased from 5.5 in 2009 to 6.8 in 2010, the highest of all the UT institutions, as a result of the dramatic improvement in the annual operating margin.

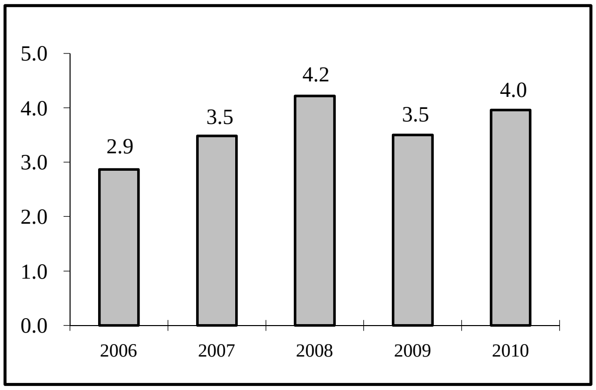
UTHSC-Tyler

The CFI increased from 2.8 in 2009 to 4.0 in 2010 primarily due to the net increase in the fair value of investments. The operating expense coverage ratio increased by 0.5 months to 2.9 months in 2010 as a result of an increase in unrestricted net assets and a decrease in total operating expenses. The increase in unrestricted net assets was primarily attributable to the net increase in fair value of investments allocated to educational and general funds and designated funds. The decrease in operating expenses was largely driven by decreases in professional fees and services, other operating expenses, and materials and supplies. The annual operating margin decreased by $1.6 million to $1.9 million or 1.5% for 2010 due to a reduction in operating revenues. The decrease in operating revenues was primarily attributable to decreases in net sales and services of hospitals and net professional fees. The expendable resources to debt ratio decreased from 1.9 in 2009 to 1.7 in 2010 as a result of an increase in the debt outstanding. The debt burden ratio increased from 3.5% in 2009 to 3.7% in 2010 due to the reduction in operating expenses. The debt service coverage ratio decreased from 2.5 in 2009 to 2.1 in 2010 due to the decrease in the annual operating margin.

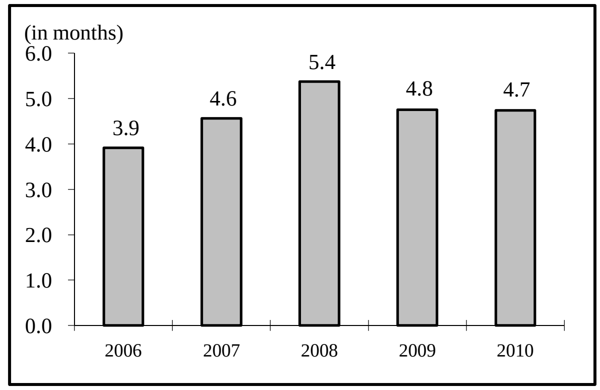
The University of Texas at Arlington
2010 Summary of Financial Condition

Financial Condition: **Satisfactory**

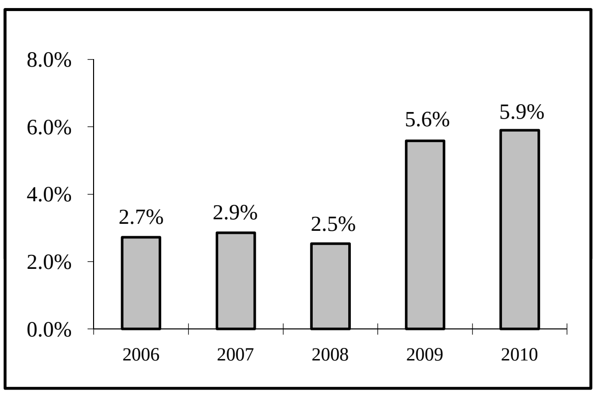
Composite Financial Index



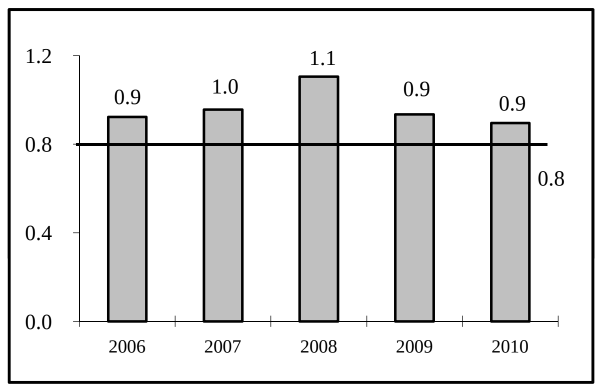
Operating Expense Coverage Ratio



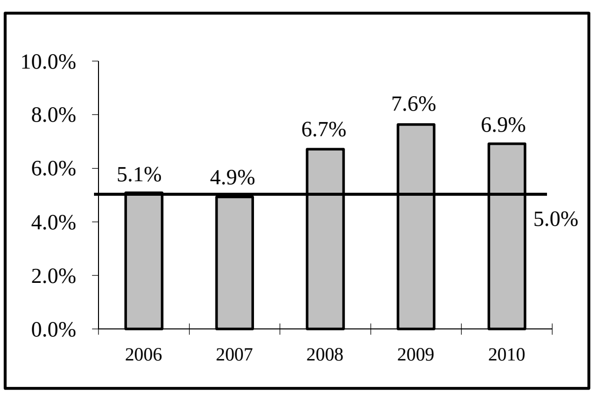
Annual Operating Margin Ratio



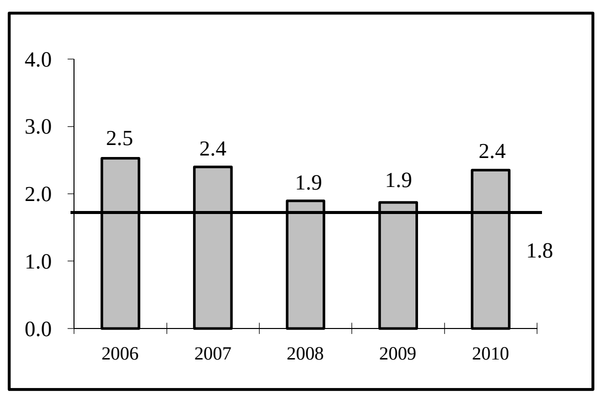
Expendable Resources to Debt Ratio



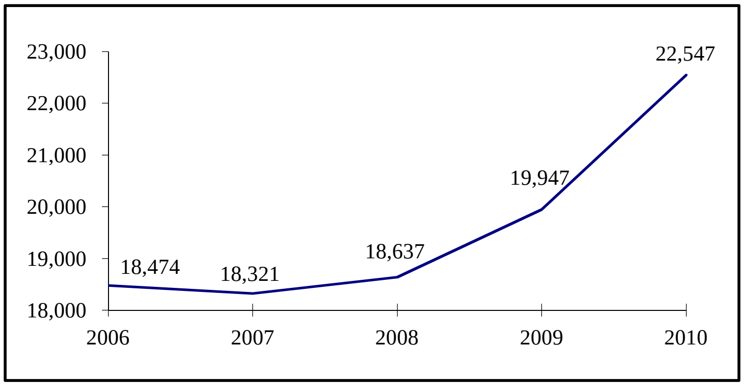
Debt Burden Ratio



Debt Service Coverage Ratio



Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - UT Arlington's CFI increased from 3.5 in 2009 to 4.0 in 2010 primarily due to an increase in the return on net assets which was largely driven by a $3.9 million increase in the fair value of investments in 2010 as compared to a decrease in the fair value of investments $27.7 million in 2009 for a total increase between years of $31.6 million. Additionally, the decrease in the debt outstanding, discussed below, contributed to the improvement in the return on net assets ratio.

Operating Expense Coverage Ratio - UT Arlington's operating expense coverage ratio decreased slightly from 4.8 months in 2009 to 4.7 months in 2010 as a result of an increase in total operating expenses (including interest expense) of $43.2 million, which was partially offset by an increase in total unrestricted net assets of $16.7 million. The majority of the increase in total operating expenses was due to the following: a $17.9 million increase in salaries and payroll related costs as a result of annual merit increases, new faculty positions, and termination benefits related to a reduction in force for 59 employees who voluntarily separated and received payment of one-half of a year's salary or a minimum of $20,000 which amounted to $1.6 million; a $9.5 million increase in scholarships and fellowships due to an increase in financial aid disbursements through Pell Grants, merit-based scholarships, tuition set-aside and Texas Grant Programs; a $5.6 million increase in other operating expenses attributable to the Academic Partnership Program; and an increase in depreciation expense due to new asset additions in 2010. The increase in total unrestricted net assets was primarily attributable to the funding received from the Texas Higher Education Coordinating Board (THECB) for the Nursing Regional Education Center and Advanced Research Programs, an increase in unrestricted quasi-endowments and an increase in unrestricted net assets for capital projects.

Annual Operating Margin Ratio - UT Arlington's annual operating margin ratio increased from 5.6% for 2009 to 5.9% for 2010 as a result of an increase in total operating revenues of $47.3 million primarily attributable to the following: an increase of $32.4 million in sponsored program revenue (including nonexchange sponsored programs) resulting from the continued support of research faculty in an effort to achieve the status of a nationally recognized research institution, as well as the new ARRA funding received from THECB; and an increase in net tuition and fees of $14.7 million due to increased tuition and flat fee rates combined with increased enrollment. 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 remained unchanged at 0.9 in 2010. 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 due to less funds restricted for capital projects as the Engineering Research Complex nears completion.

Debt Burden Ratio - UT Arlington's debt burden ratio declined from 7.6% in 2009 to 6.9% in 2010 due to the increase in operating expenses discussed above.

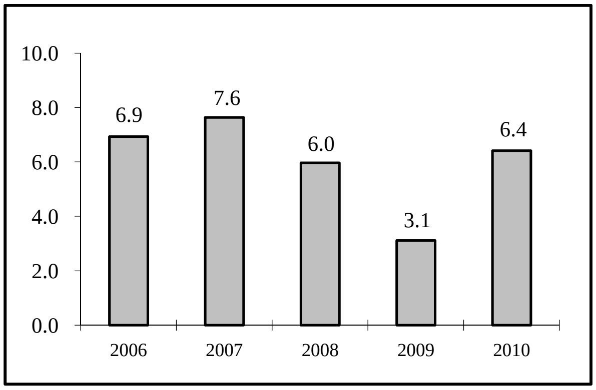
Debt Service Coverage Ratio - UT Arlington's debt service coverage ratio increased from 1.9 in 2009 to 2.4 in 2010 due to the improvement in operating performance previously discussed.

Full-Time Equivalent (FTE) Student Enrollment - UT Arlington's FTE student enrollment increased due to an increase in scholarship awards and the Academic Partnership Program.

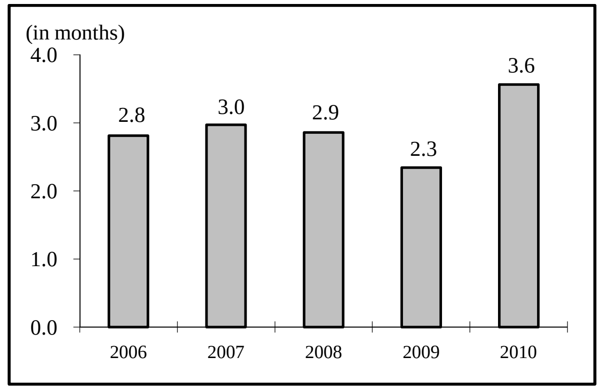
The University of Texas at Austin
2010 Summary of Financial Condition

Financial Condition: **Satisfactory**

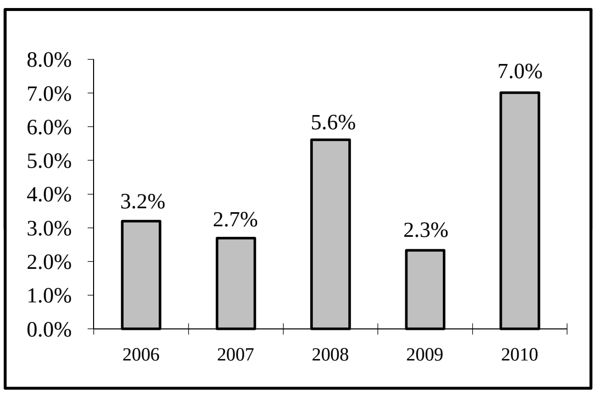
Composite Financial Index



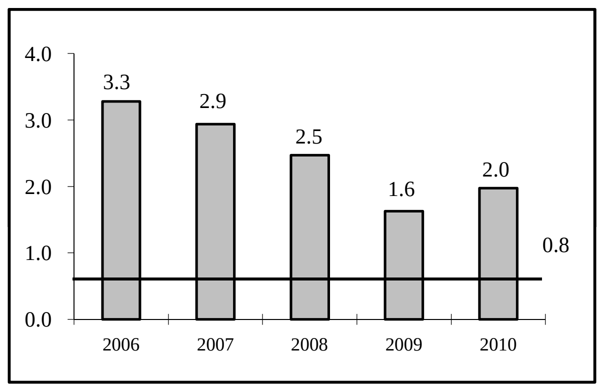
Operating Expense Coverage Ratio



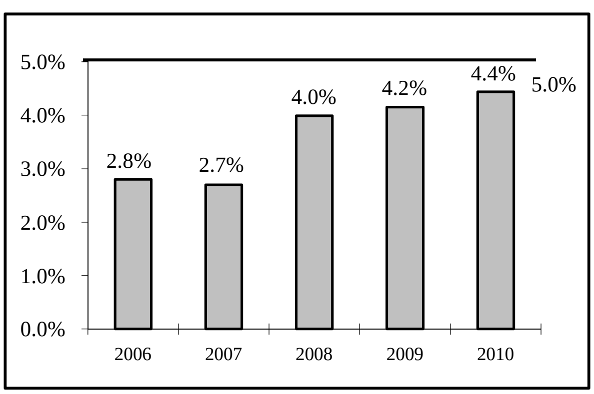
Annual Operating Margin Ratio



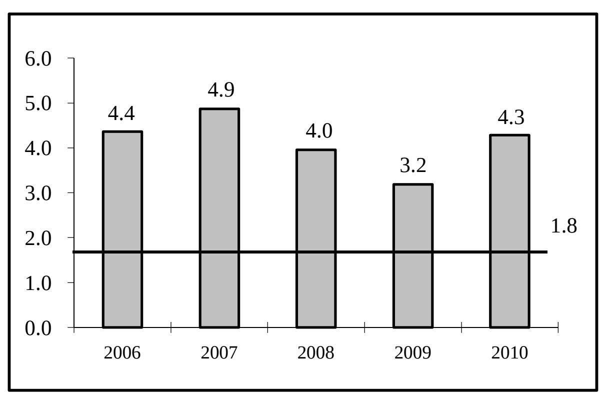
Expendable Resources to Debt Ratio



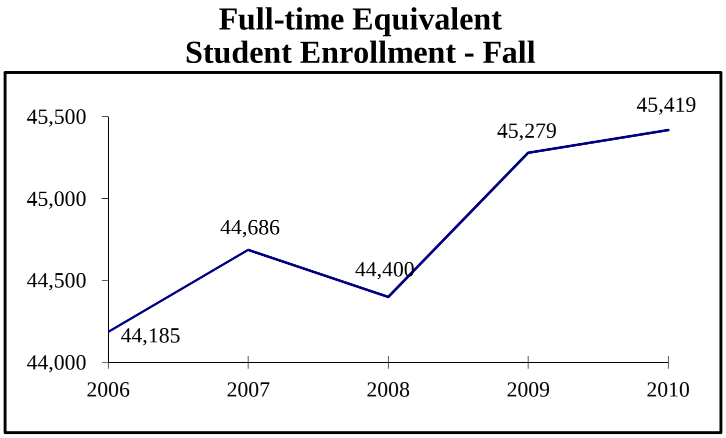
Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas at Austin
2010 Summary of Financial Condition



Composite Financial Index (CFI) - UT Austin's CFI increased substantially from 3.1 in 2009 to 6.4 in 2010 primarily due to an increase in the return on net assets ratio. The increase in the return on net assets ratio was largely driven by a $212.2 million increase in the fair value of investments in 2010 as compared to a decrease of $552.3 million in 2009, for a total increase between years of $764.5 million. The enhanced operating performance, as discussed in further detail below, also contributed to the increase in the CFI.

Operating Expense Coverage Ratio - UT Austin's operating expense coverage ratio increased from 2.3 months in 2009 to 3.6 months in 2010 due to an increase in total unrestricted net assets of $224.0 million. The increase in total unrestricted net assets was primarily attributable to the following: an increase of $74.9 million in the transfer from the Available University Fund (AUF) due to additional funds authorized by the Board of Regents; the net increase in the fair value of investments allocated to educational and general funds, designated funds and auxiliary enterprises, which resulted in an increase between 2009 and 2010 of $75.8 million; and an improvement in operating performance as discussed below.

Annual Operating Margin Ratio - UT Austin's annual operating margin ratio increased significantly from 2.3% for 2009 to 7.0% for 2010. The large increase in the annual operating margin ratio was due to the growth in total operating revenues of $162.4 million, which was more than double the growth in total operating expenses (including interest expense) of $52.9 million. The increase in total operating revenues was primarily a result of the following: an $80.0 million increase in sponsored program revenues (including nonexchange sponsored programs) due to increased funding from notable sponsors such as Southern States Energy Board, Research Partnership to Secure Energy, Pecan Street Project, Inc., and the American Society of Heat, Refrigeration, & Air Conditioning Engineering, Inc., as well as an increase in the Pell Grant maximum allowance and new American Recovery and Reinvestment Act (ARRA) funding; the $74.9 million increase in AUF funding mentioned above; and a $30.0 million increase in net tuition and fees attributable to an increase in flat rate tuition. The increase in total operating expenses was primarily due to the following: a $39.5 million increase in salaries and payroll related costs as a result of faculty salary increases and increases in benefits; a $14.9 million increase in scholarships and fellowships due to an increase in Pell Grants and the Top 10% Scholarship (the Byrd Program), which was new in 2010; a $9.7 million increase in depreciation expense due to buildings and other improvements placed into service; a $9.6 million increase in other operating expenses attributable to a $6 million increase in other pass-through expense (non-federal and non-state), and a $3.5 million increase primarily due to labor costs attributed to the AT&T Conference Center, which opened in August 2009; and a $6.5 million increase in interest expense.

Expendable Resources to Debt Ratio - UT Austin's expendable resources to debt ratio increased from 1.6 in 2009 to 2.0 in 2010 as a result of increases in total unrestricted net assets (as discussed above) and restricted expendable net assets. The increase in restricted expendable net assets was primarily attributable to an increase in the appreciation on the permanent endowment funds due to improved market conditions.

Debt Burden Ratio - UT Austin's debt burden ratio increased slightly from 4.2% in 2009 to 4.4% in 2010 due to an increase in debt service payments of $7.1 million.

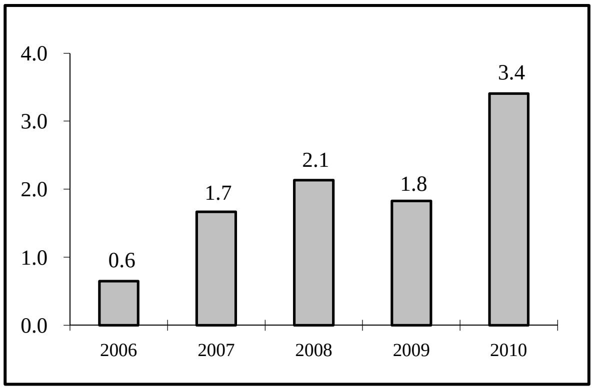
Debt Service Coverage Ratio - UT Austin's debt service coverage ratio increased from 3.2 in 2009 to 4.3 in 2010 as a result of the improved operating performance previously discussed.

Full-Time Equivalent (FTE) Student Enrollment - UT Austin's FTE student enrollment increased overall by 0.3% primarily due to increases in Master's/Special Professional hours (1.2%).

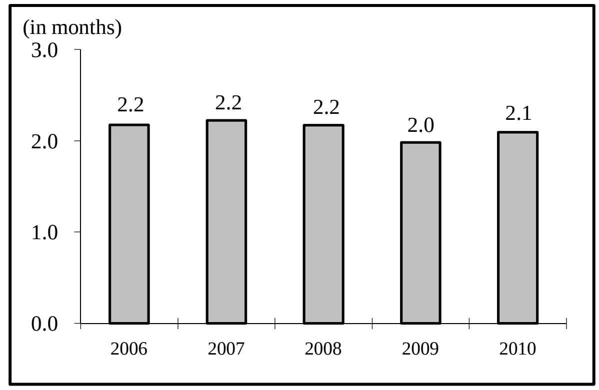
The University of Texas at Brownsville
2010 Summary of Financial Condition

Financial Condition: **Satisfactory**

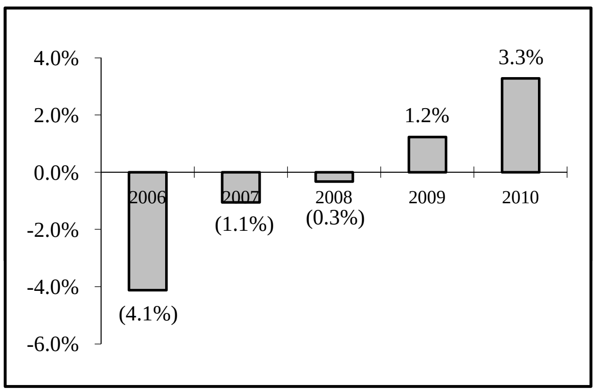
Composite Financial Index



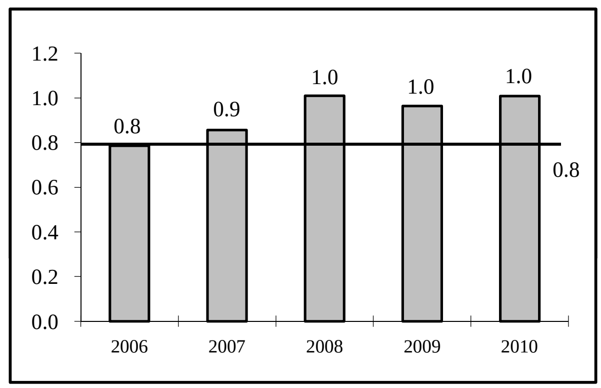
Operating Expense Coverage Ratio



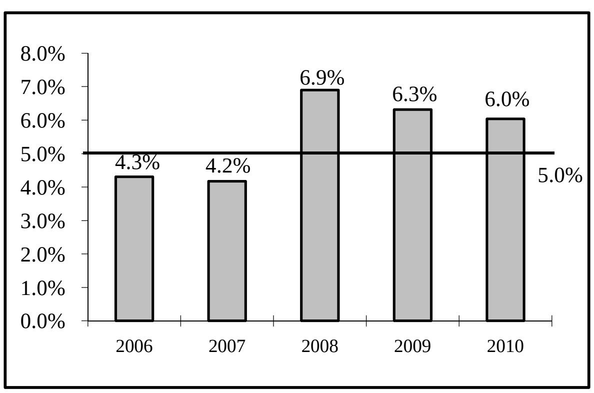
Annual Operating Margin Ratio



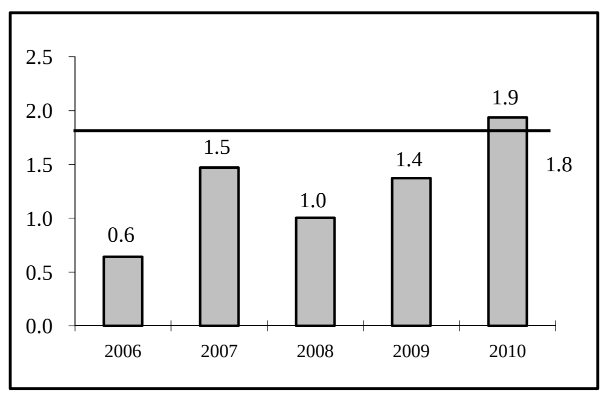
Expendable Resources to Debt Ratio



Debt Burden Ratio

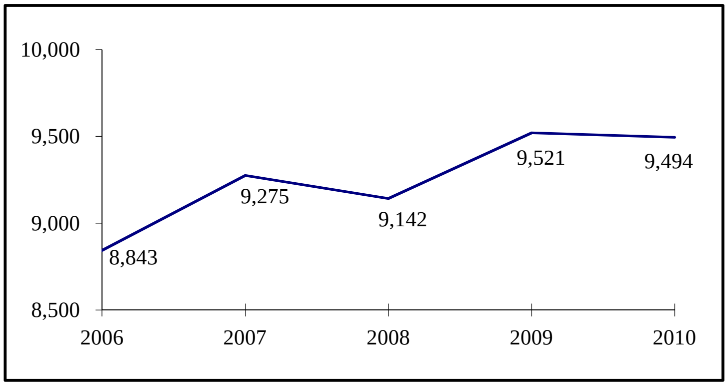


Debt Service Coverage Ratio



The University of Texas at Brownsville
2010 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - UT Brownsville's CFI increased significantly from 1.8 in 2009 to 3.4 in 2010 primarily as a result of an increase in the return on net assets ratio. The major driving forces behind the increase in the return on net assets ratio were an increase in the fair value of investments of $2.0 million in 2010 as compared to a decrease of $4.1 million in 2009 for a total increase between years of $6.1 million, and an increase in bond proceeds transferred from System in 2010.

Operating Expense Coverage Ratio - UT Brownsville's operating expense coverage ratio changed slightly from 2.0 months in 2009 to 2.1 months in 2010 due to an increase of $4.5 million in total unrestricted net assets, which was largely offset by an increase in total operating expenses (including interest expense) of $17.4 million. The increase in total unrestricted net assets was driven by the improvement in operating performance as discussed in more detail below. The increase in total operating expenses was primarily attributable to the following: a $12.4 million increase in scholarships and fellowships as a result of the new year round Pell Grant program, which allowed more eligible students to receive Pell Grant awards in the summer sessions, and the increase in the maximum yearly Pell Grant award; and a $6.6 million increase in salaries and payroll related costs due to new positions, merit increases and market adjustments.

Annual Operating Margin Ratio - UT Brownsville's annual operating margin ratio increased from 1.2% for 2009 to 3.3% for 2010. The improvement in operating performance was attributable to the growth in total operating revenues of $21.3 million outpacing the growth in total operating expenses of $17.4 million discussed above. The increase in total operating revenues was primarily due to an increase in sponsored programs revenue (including nonexchange sponsored programs) of $19.6 million resulting from increases in Pell Grants, the new American Recovery and Reinvestment Act (ARRA) funding, a 22% increase in the summer semester credit hour count and an increase in the contract with Texas Southmost College (TSC). In addition, cost containment initiatives totaling $3.0 million implemented in the second half of the year were a major factor in keeping operating expenses low. The savings contributed to increases in the annual operating margin ratio and included $1.2 million reductions in office expenses, $0.9 million reductions in utility expenses, $0.8 million reductions in computer related purchases and $0.2 million cost avoidance through the use of technology for workflow processes.

Expendable Resources to Debt Ratio - UT Brownsville's expendable resources to debt ratio remained unchanged at 1.0 in 2010. The stability of this ratio was a result of increases in both restricted expendable net assets and total unrestricted net assets, which were offset by an increase in the amount of debt outstanding. Restricted expendable net assets increased primarily due to an increase in funds restricted for capital projects resulting from additional construction costs to complete the Science and Technology Learning Center. The increase in the debt outstanding was also attributable to the Science and Technology Learning Center.

Debt Burden Ratio - UT Brownsville's debt burden ratio decreased from 6.3% in 2009 to 6.0% in 2010. The reduction in this ratio was due to the increase in total operating expenses discussed above.

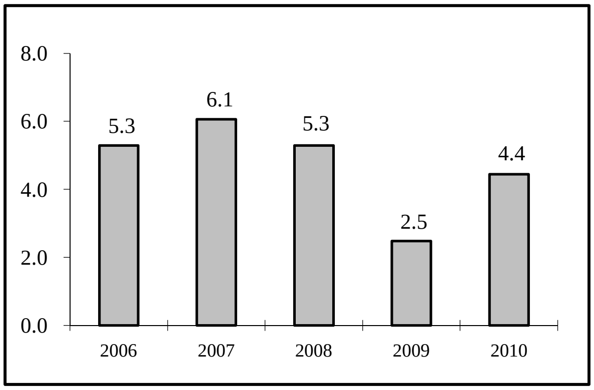
Debt Service Coverage Ratio - UT Brownsville's debt service coverage ratio increased from 1.4 in 2009 to 1.9 in 2010 as a result of the improvement in operating performance previously discussed.

Full-Time Equivalent (FTE) Student Enrollment - UT Brownsville's FTE student enrollment decreased slightly as a direct result of the planned reduction to the dual enrollment program. The number of dual enrollment semester credit hours (SCH) decreased by approximately 9,990 while non-dual enrollment SCHs increased by approximately 9,960. Non-dual enrollment registrations were expected to increase by 5%; however, actual enrollment increased by 7%.

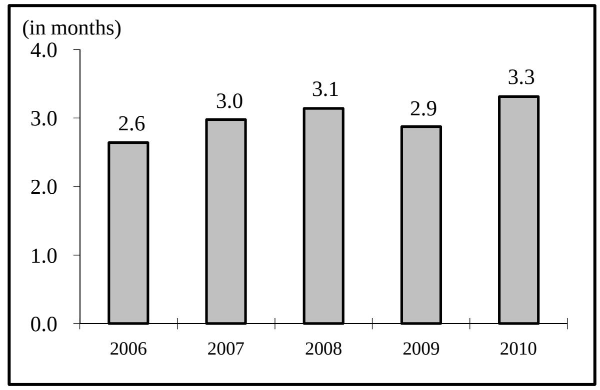
The University of Texas at Dallas
2010 Summary of Financial Condition

Financial Condition: **Satisfactory**

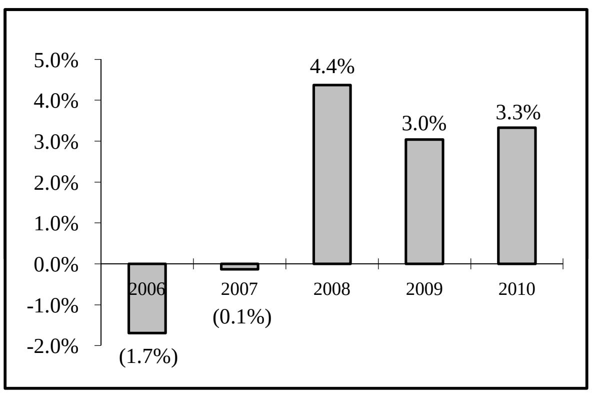
Composite Financial Index



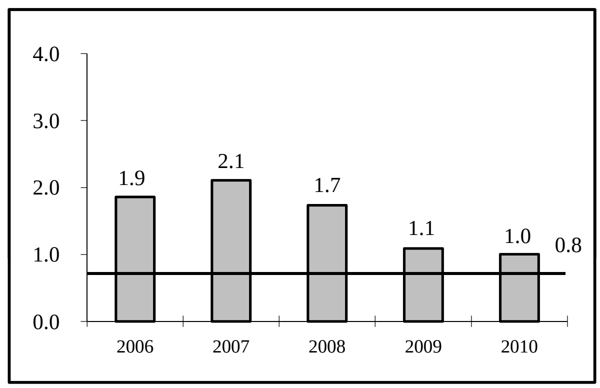
Operating Expense Coverage Ratio



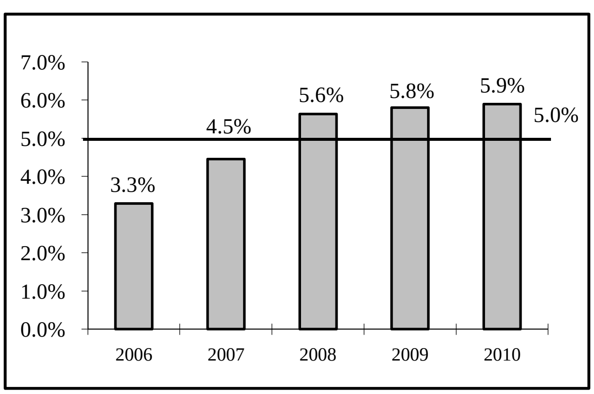
Annual Operating Margin Ratio



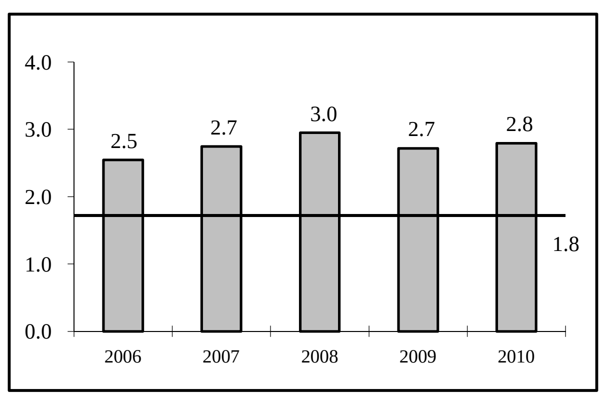
Expendable Resources to Debt Ratio



Debt Burden Ratio

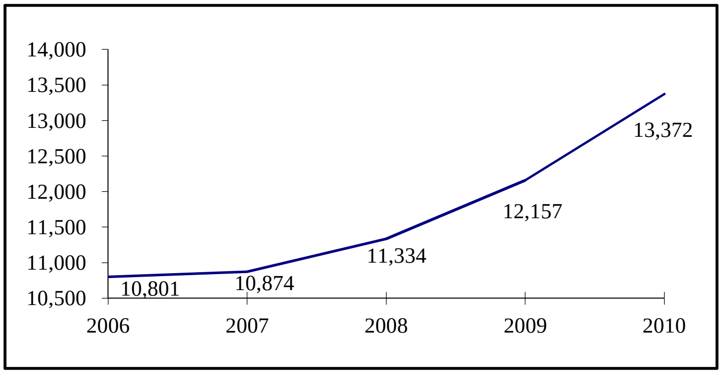


Debt Service Coverage Ratio



The University of Texas at Dallas
2010 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - UT Dallas' CFI increased from 2.5 in 2009 to 4.4 in 2010, which was primarily attributable to an increase in the return on net assets ratio. The increase in the return on net assets ratio was largely driven by the following: the net increase in the fair value of investments of $20.6 million in 2010 as compared to a net decrease in 2009 of $71.1 million for a total increase between years of $91.8 million; a $33.1 million increase in bond proceeds transferred from System, the majority of which was for funding of the Student Housing II project; and a $16.1 million increase in additions to permanent endowments.

Operating Expense Coverage Ratio - UT Dallas' operating expense coverage ratio increased from 2.9 months in 2009 to 3.3 months in 2010 due to a $25.4 million increase in total unrestricted net assets, which was partially offset by an increase in total operating expenses of $52.4 million. The increase in total unrestricted net assets was primarily attributable to the net increase in the fair value of investments allocated to designated funds of $9.9 million, an overall increase between years of $19.6 million, and an increase in unrestricted net assets in unexpended plant funds related to new capital projects. The increase in total operating expenses was largely due to the following: an $18.1 million increase in salaries and payroll related costs as a result of merit increases, additional full-time equivalents and higher insurance premiums; a $9.9 million increase in scholarships and fellowships due to an increase in Pell Grant awards and other types of financial aid; a $4.9 million increase in depreciation expense resulting from capital projects that were completed and placed into service in 2010, as well as recognition of the first full year of depreciation on capital assets placed into service in the prior year; a $4.9 million increase in other operating expenses due to an increase in service center operations; a $3.9 million increase in professional fees and services as a result of increased expenses in the Texas Analog Center and increased expenses in research and related subcontracts; a $3.2 million increase in interest expense; a $2.0 million increase in material and supplies due to an increase in research related activities; and a $1.3 million increase in utilities primarily resulting from the first full year of operations for the new dining hall and the new student housing facility.

Annual Operating Margin Ratio - UT Dallas' annual operating margin ratio increased from 3.0% for 2009 to 3.3% for 2010 due to the growth in total operating revenues of $55.1 million outpacing the growth in total operating expenses. The increase in total operating revenues was primarily attributable to the following: a $26.3 million increase in sponsored programs revenue (including nonexchange sponsored programs) due to the new American Recovery and Reinvestment Act (ARRA) funding, the Texas Research Incentive Program (TRIP) funding and the Enrollment Growth Supplement received in 2010, as well as new federal and private awards; a $16.8 million increase in net tuition and fees as a result of enrollment growth and rate increases; a $2.3 million increase in auxiliary enterprises due to an increase in housing and food driven by the enrollment growth, as well as the opening of the new dining facility on campus; a $2.1 million increase in net sales and services of educational activities primarily due to increased patient fees at the Callier Center; and a $1.0 million increase in investment income (excluding realized gains and losses).

Expendable Resources to Debt Ratio - UT Dallas' expendable resources to debt ratio decreased slightly from 1.1 in 2009 to 1.0 in 2010. The small change in this ratio was due to the increase in total unrestricted net assets, which was offset by an increase of $43.2 million in the amount of debt outstanding was related to the 17217 Waterview Parkway Renovation and the Student Living/Learning Center.

Debt Burden Ratio - UT Dallas' debt burden ratio changed slightly from 5.8% in 2009 to 5.9% in 2010 as a result of an increase in debt service payments of $2.9 million, which was largely offset by the increase in operating expenses previously discussed.

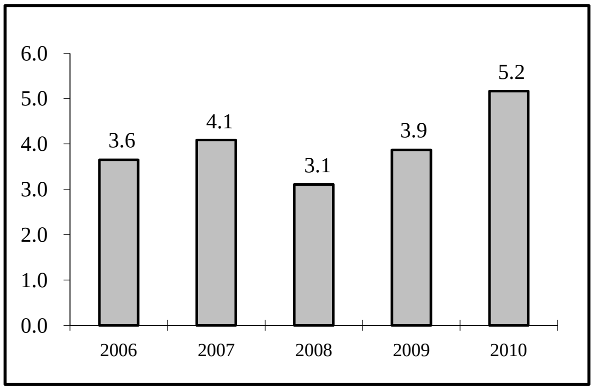
Debt Service Coverage Ratio - UT Dallas' debt service coverage ratio increased from 2.7 in 2009 to 2.8 in 2010 attributable to the improvement in operating performance as discussed in the annual operating margin ratio above.

Full-Time Equivalent (FTE) Student Enrollment - UT Dallas' overall enrollment increased from 2009 to 2010 by 8.5% and FTE student enrollment increased 10%. The upward trend in FTE student enrollment relative to gross enrollment reflects the effects of the university's guaranteed tuition plan, which encourages full-time status, federal and state eligibility requirements for aid for domestic students and visa requirements for international students. In the fall of 2010 the number of undergraduate students taking 15 or more semester credit hours (SCH) rose to over 4,300 students. The undergraduate FTEs rose 10% over the fall of 2009, and the masters' FTEs (students taking 12 or more SCH) increased 15% from 2009 to 2010.

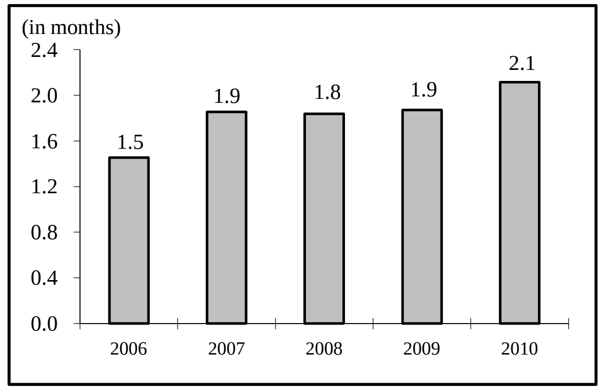
The University of Texas at El Paso
2010 Summary of Financial Condition

Financial Condition: **Satisfactory**

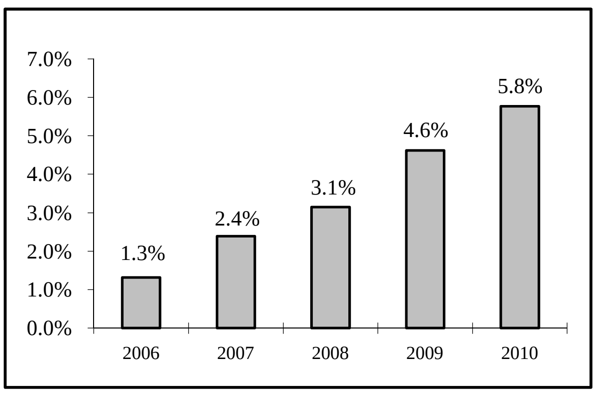
Composite Financial Index



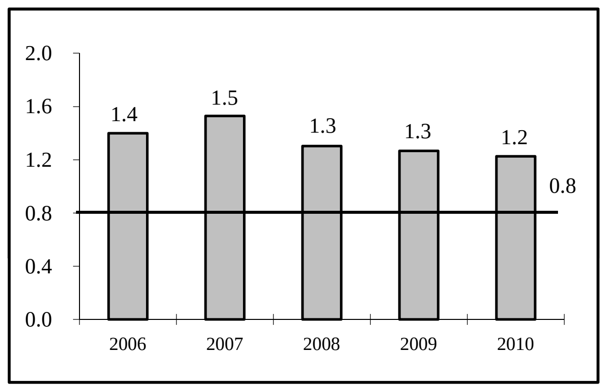
Operating Expense Coverage Ratio



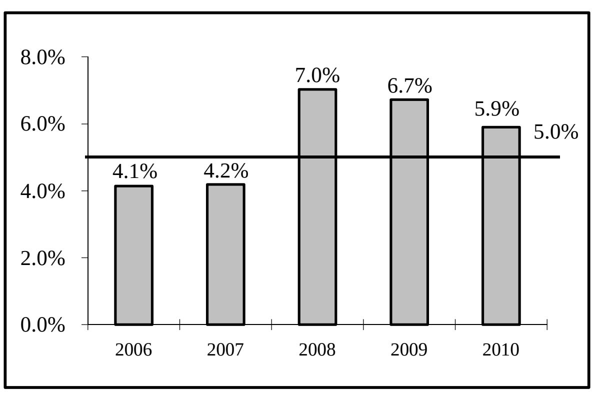
Annual Operating Margin Ratio



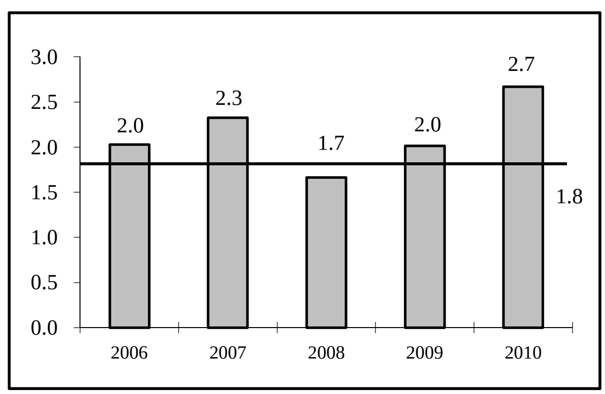
Expendable Resources to Debt Ratio



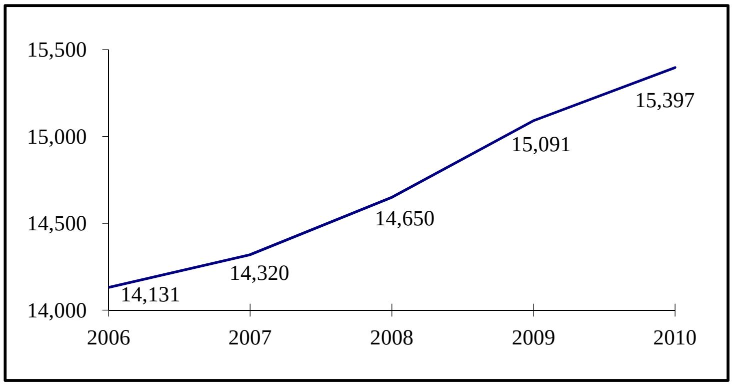
Debt Burden Ratio



Debt Service Coverage Ratio



Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - UT El Paso's CFI increased significantly from 3.9 in 2009 to 5.2 in 2010 primarily due to increases in the return on net assets ratio and the primary reserve ratio. One of the major contributors to the increase in these two ratios was the increase in the fair value of investments of $14.8 million in 2010 as compared to a decrease in 2009 of $27.9 million for a total increase between years of $42.6 million. Also contributing to the increase in these two ratios was the improvement in the annual operating margin discussed in more detail below.

Operating Expense Coverage Ratio - UT El Paso's operating expense coverage ratio increased from 1.9 months in 2009 to 2.1 months in 2010 as a result of an increase in total unrestricted net assets of $12.1 million, which was partially offset by an increase in total operating expenses (including interest expense) of $33.3 million. The increase in unrestricted net assets was primarily due to an improvement in operating performance as discussed in more detail below. Total operating expenses increased primarily due to the following: a $15.0 million increase in scholarships and fellowships due to increases in financial aid under Pell Grants, Tuition Assistance Grants and the Teach Grant Program; a $12.2 million increase in salaries and payroll related costs attributable to merit increases and increases in the associated benefits; a $2.7 million increase in interest expense; and a $1.9 million increase in materials and supplies as a result of increases in library subscriptions, computer purchases, and plant fund expenses not capitalized.

Annual Operating Margin Ratio - UT El Paso's annual operating margin ratio increased from 4.6% for 2009 to 5.8% for 2010 due to the growth in total operating revenues of $39.3 million exceeding the growth in total operating expenses. Total operating revenues increased primarily due to the following: a $29.5 million increase in sponsored program revenue (including nonexchange sponsored programs) as a result of increases in research awards and public service awards along with the new American Recovery and Reinvestment Act (ARRA) funding, and the Texas Research Incentive Program (TRIP) funding received in 2010; a $6.0 million increase in gift contributions for operations due to new pledge commitments as part of the Centennial Campaign; and a $3.4 million increase in net tuition and fees attributable to enrollment growth and increased designated tuition and fees. Additionally, UT El Paso implemented cost reduction strategies in response to the State mandated funding reductions. The cost savings achieved are included in the current year margin and will be used to offset the actual funding reductions when the funds are returned to the State in 2011.

Expendable Resources to Debt Ratio - UT El Paso's expendable resources to debt ratio decreased slightly from 1.3 in 2009 to 1.2 in 2010. The small reduction in this ratio was due to an increase of $65.3 million in the amount of debt outstanding, which was partially offset by increases in total unrestricted net assets of $12.1 million (as discussed above) and restricted expendable net assets of $62.5 million. The debt outstanding increased due to construction of the Physical Sciences/Engineering Core Facility, the addition to the Swimming and Fitness Center, and the Miner Heights University Housing Expansion. Restricted expendable net assets increased as a result of an increase in the appreciation on the permanent endowment funds due to improved market conditions and an increase in funds restricted for capital projects due to the construction projects previously mentioned.

Debt Burden Ratio - UT El Paso's debt burden ratio decreased from 6.7% in 2009 to 5.9% in 2010 due to the increase in total operating expenses discussed above.

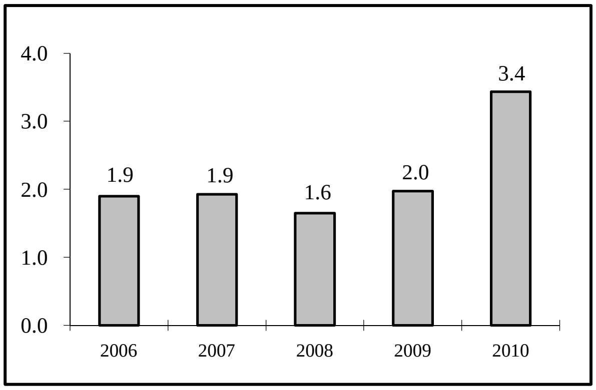
Debt Service Coverage Ratio - UT El Paso's debt service coverage ratio increased from 2.0 in 2009 to 2.7 in 2010 as a result of the improvement in operating performance.

Full-Time Equivalent (FTE) Student Enrollment - UT El Paso's FTE student enrollment continued to increase at approximately 3% due to increased retention efforts of students already enrolled, as well as continued efforts to recruit students from local high schools.

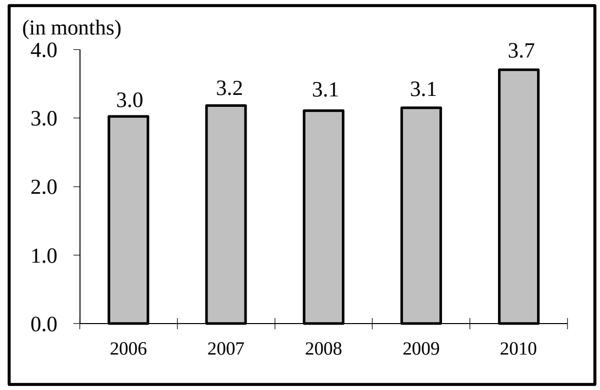
The University of Texas - Pan American
2010 Summary of Financial Condition

Financial Condition: **Satisfactory**

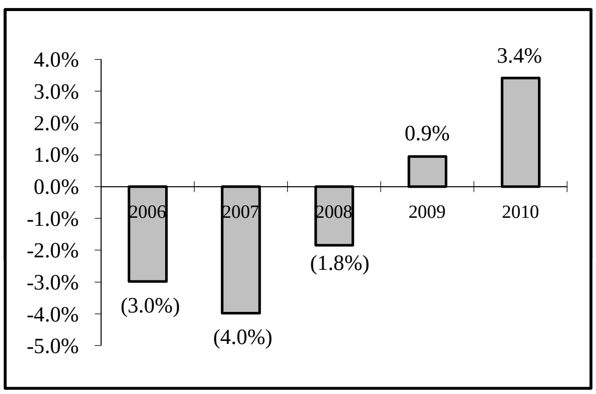
Composite Financial Index



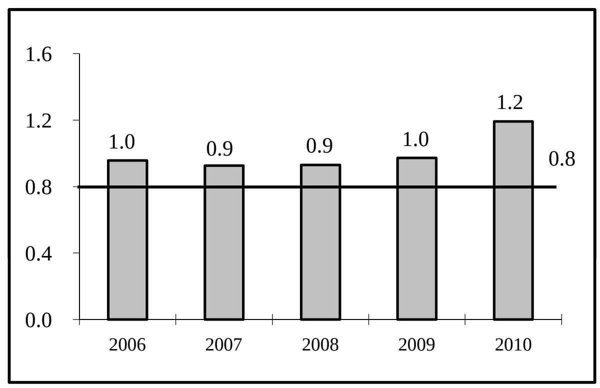
Operating Expense Coverage Ratio



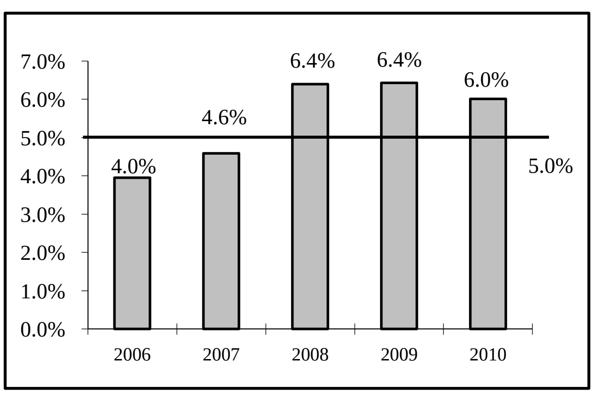
Annual Operating Margin Ratio



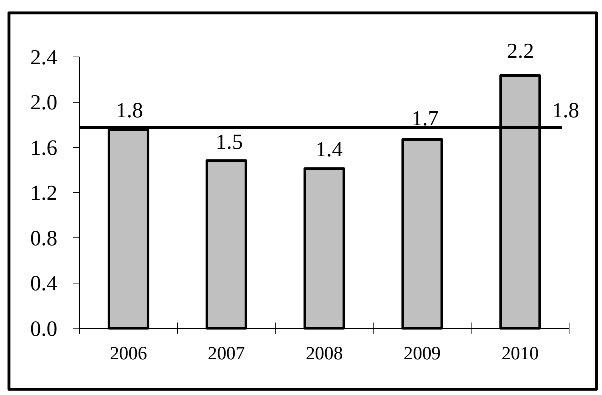
Expendable Resources to Debt Ratio



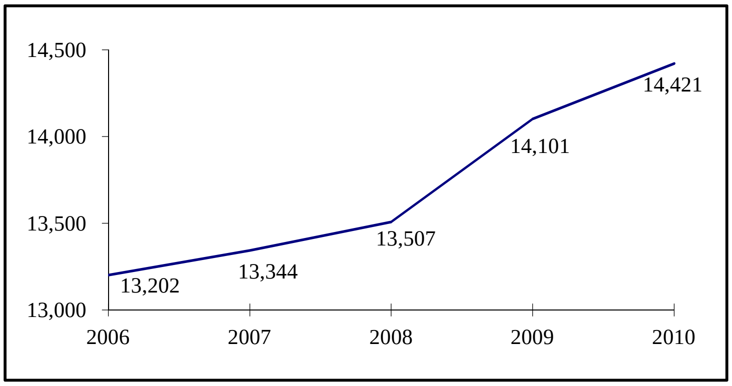
Debt Burden Ratio



Debt Service Coverage Ratio



Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - UT Pan American's CFI increased significantly from 2.0 in 2009 to 3.4 in 2010 primarily due to an improvement in the return on net assets ratio. The increase in the return on net assets ratio was largely driven by the increase in the fair value of investments of $5.4 million in 2010 as compared to a decrease of $8.5 million in 2009 for a total increase between years of $13.9 million.

Operating Expense Coverage Ratio - UT Pan American's operating expense coverage ratio increased from 3.1 months in 2009 to 3.7 months in 2010 primarily due to a $17.3 million increase in total unrestricted net assets. The increase in total unrestricted net assets was primarily attributable to an improvement in operating performance, as discussed below, and the net increase in the fair value of investments allocated to educational and general funds, designated funds and auxiliary enterprises, which resulted in an increase between 2009 and 2010 of $6.8 million.

Annual Operating Margin Ratio - UT Pan American's annual operating margin ratio increased from 0.9% for 2009 to 3.4% for 2010 as a result of the growth in total operating revenues of $28.0 million exceeding the growth in total operating expenses (including interest expense) of $21.3 million. The increase in total operating revenues was primarily due an increase of $24.5 million in sponsored program revenue (including nonexchange sponsored programs) as a result of an increase in Pell Grant awards which were awarded for the first time during the summer sessions and the increase in the maximum yearly Pell Grant award, the new American Recovery and Reinvestment Act (ARRA) funding received in 2010, and the receipt of several new federal grants in 2010. An increase in investment income (excluding realized gains and losses) of $1.5 million also contributed to the improvement in the operating margin. Total operating expenses increased primarily due to the following: a $10.4 million increase in salaries and payroll related costs attributable to annual merit increases and salary adjustments; and a $9.2 million increase in scholarships and fellowships due to increased awards to students for Pell Grants and the Texas Grant program.

Expendable Resources to Debt Ratio - UT Pan American's expendable resources to debt ratio increased from 1.0 in 2009 to 1.2 in 2010. The increase in this ratio was due to the increase of 17.3 million in total unrestricted net assets, as discussed above, and a decrease of $5.4 million in the amount of debt outstanding.

Debt Burden Ratio - UT Pan American's debt burden ratio decreased from 6.4% in 2009 to 6.0% in 2010 as a result of the increase in total operating expenses previously discussed.

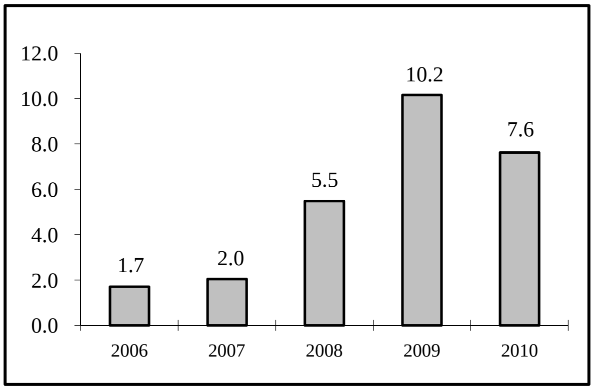
Debt Service Coverage Ratio - UT Pan American's debt service coverage ratio increased from 1.7 in 2009 to 2.2 in 2010. The increase in this ratio was attributable to the improvement in operating performance as mentioned in the annual operating margin ratio above.

Full-Time Equivalent (FTE) Student Enrollment - UT Pan American's headcount enrollment went up from 18,337 in the fall of 2009 to 18,744 in the fall of 2010, which was a 2.2% increase. The FTE student enrollment increased by 2.3%. 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.

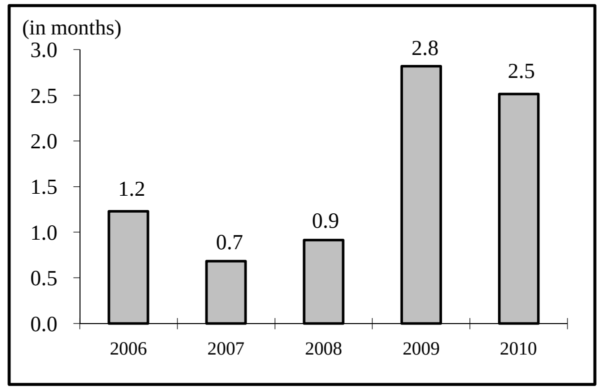
The University of Texas of the Permian Basin
2010 Summary of Financial Condition

Financial Condition: **Satisfactory**

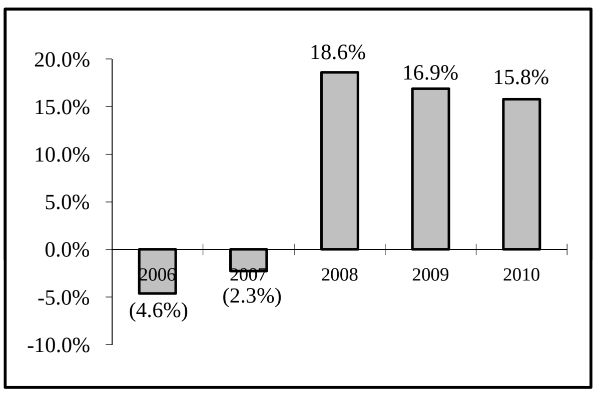
Composite Financial Index



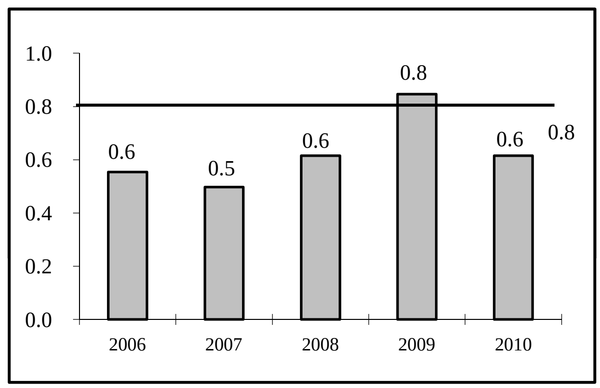
Operating Expense Coverage Ratio



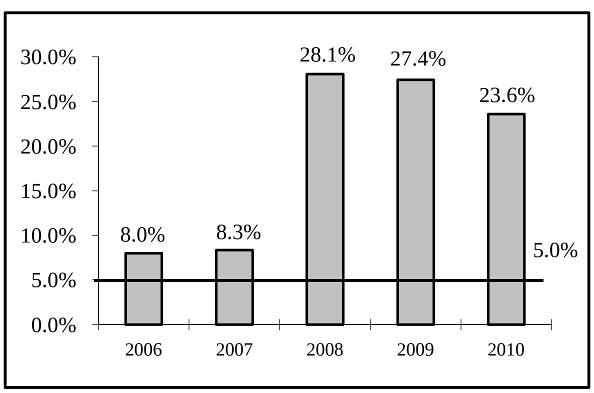
Annual Operating Margin Ratio



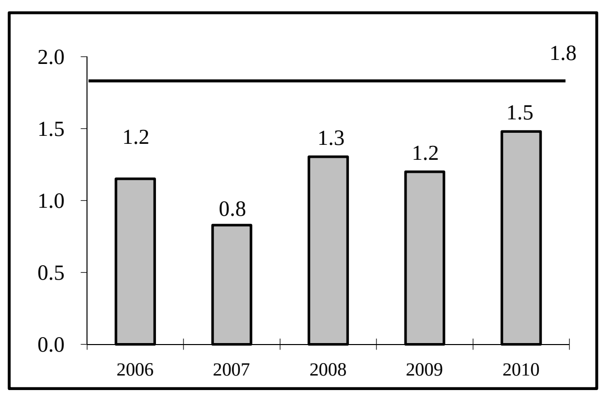
Expendable Resources to Debt Ratio



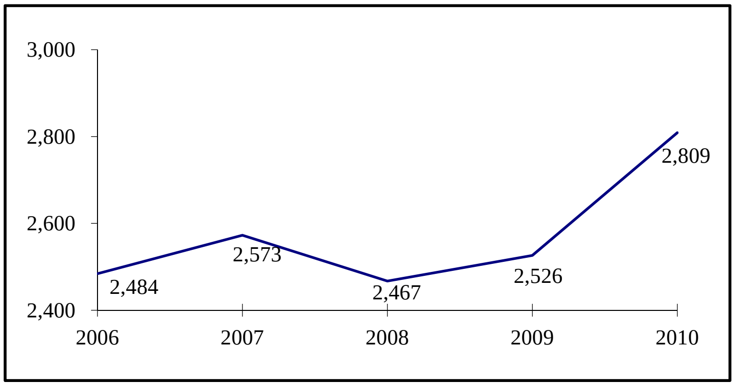
Debt Burden Ratio



Debt Service Coverage Ratio



Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - UT Permian Basin's CFI decreased from 10.2 in 2009 to 7.6 in 2010. The decrease in the CFI was mostly due to decreases in the return on net assets ratio and the primary reserve ratio, which were primarily driven by $7.5 million received from the Texas Department of Transportation in 2009 for capital projects with no such comparable funding in 2010.

Operating Expense Coverage Ratio - UT Permian Basin's operating expense coverage ratio decreased from 2.8 months in 2009 to 2.5 months in 2010 primarily due to a $9.2 million increase in total operating expenses (including interest expense). The increase in total operating expenses was primarily attributable to the following: a $4.0 million increase in scholarships and fellowships as a result of increased Pell Grant awards to eligible students; a $2.4 million increase in salaries and payroll related costs due to merit increases and the addition of staff and faculty full-time equivalents; a $1.2 million increase in interest expense; and a $0.6 million increase in materials and supplies due to the Hispanic Serving Institutions (HSI) grant purchases of specialized equipment.

A*nnual Operating Margin Ratio* - Although UT Permian Basin's annual operating margin ratio decreased from 16.9% for 2009 to 15.8% for 2010, the operating margin actually increased by $1.0 million. The increase in the operating margin was a result of the growth in operating revenues of $10.2 million outpacing the growth in operating expenses of $9.2 million. Total operating revenues increased primarily due to the following: a $5.0 million increase in sponsored programs revenue (including nonexchange sponsored programs) attributable to an increase in Pell Grant awards and new federal awards received in 2010; and a $4.1 million increase in net tuition and fees resulting from increased enrollment.

Expendable Resources to Debt Ratio - UT Permian Basin's expendable resources to debt ratio decreased from 0.8 in 2009 to 0.6 in 2010. The decrease in this ratio was due to a decrease in restricted expendable net assets of $3.3 million and an increase of $28.3 million in the amount of debt outstanding. The amount of net assets restricted for capital projects decreased due to $7.5 million received from the Texas Department of Transportation in 2009 for capital projects with no such comparable funding in 2010. The increase in the debt outstanding was related to 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 27.4% in 2009 to 23.6% in 2010 as a result of the increase in total operating expenses discussed above.

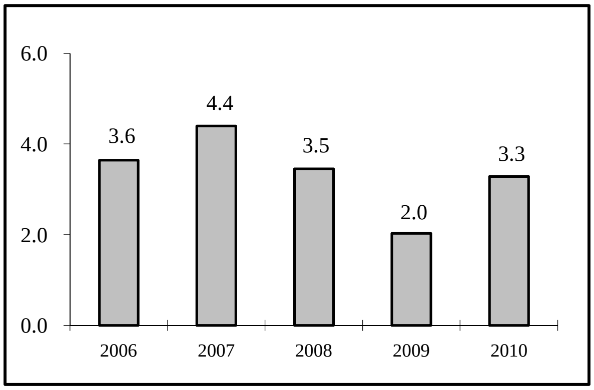
Debt Service Coverage Ratio - UT Permian Basin's debt service coverage ratio increased from 1.2 in 2009 to 1.5 in 2010. The increase in this ratio was attributable to the $1.0 million increase in the operating margin previously discussed.

Full-Time Equivalent (FTE) Student Enrollment - UT Permian Basin's FTE student enrollment increased significantly due to successful recruiting and retention efforts as evidenced by a 7.0% increase in freshmen, a 22.0% increase in transfer students, a 13.0% increase in graduate students, and a 62.0% increase in online course enrollment.

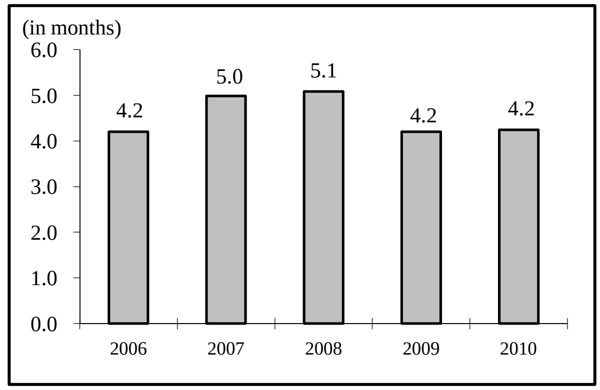
The University of Texas at San Antonio
2010 Summary of Financial Condition

Financial Condition: **Satisfactory**

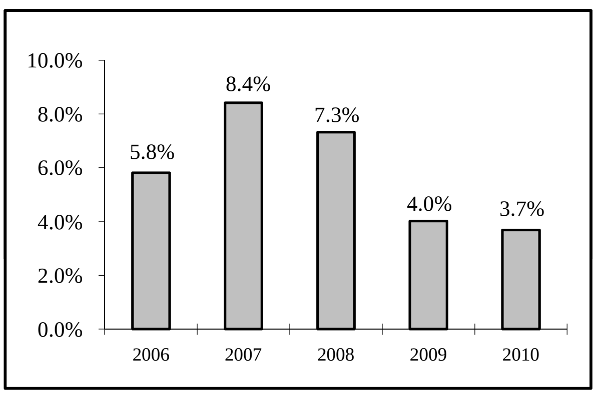
Composite Financial Index



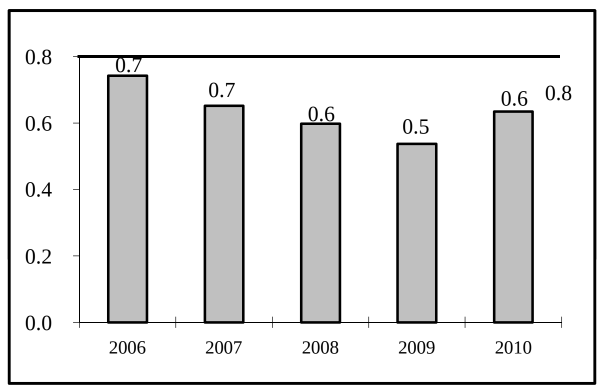
Operating Expense Coverage Ratio



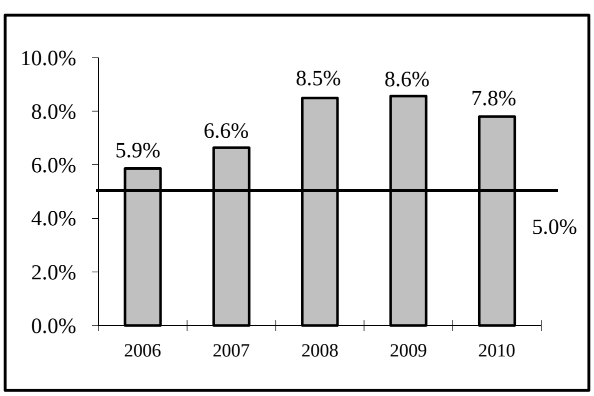
Annual Operating Margin Ratio



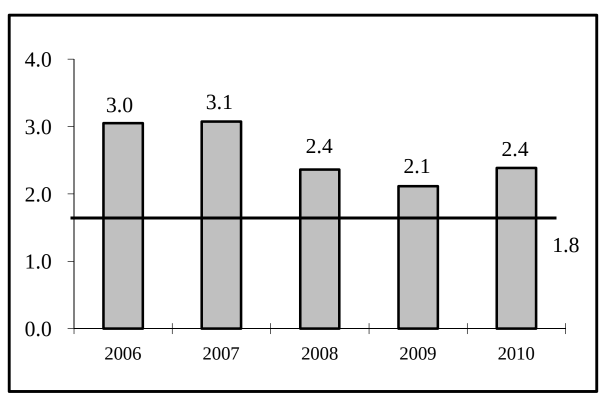
Expendable Resources to Debt Ratio



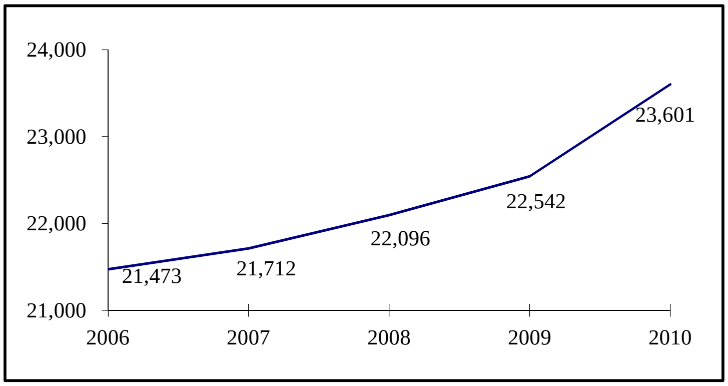
Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas at San Antonio
2010 Summary of Financial Condition
Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - UT San Antonio's CFI increased from 2.0 in 2009 to 3.3 in 2010 primarily due to an increase in the return on net assets ratio. The increase in the return on net assets ratio was largely driven by the net increase in the fair value of investments of $17.7 million in 2010 as compared to a net decrease in 2009 of $28.2 million, which resulted in an increase between years of $45.9 million.

Operating Expense Coverage Ratio - UT San Antonio's operating expense coverage ratio remained unchanged at 4.2 months in 2010. The stability of this ratio was attributable to increases in both total unrestricted net assets of $16.2 million and total operating expenses (including interest expense) of $42.0 million. The increase in total unrestricted net assets was primarily due to the net increase in the fair value of investments allocated to designated funds and auxiliary enterprises, which resulted in an overall increase between 2009 and 2010 of $26.9 million. The increase in total operating expenses was largely attributable to the following: a $20.2 million increase in salaries and payroll related costs as a result of merit increases, promotions and salary adjustments; a $9.7 million increase in scholarships and fellowships due to increased Pell Grant awards and Texas Grant Program awards; a $5.0 million increase in depreciation expense attributable to the recognition of the first full year of depreciation expense on the Applied Engineering & Technology Building that was placed into service in 2009, as well as depreciation expense on additions/renovations to the University Center, the Monterrey Building, Sombrilla and parking lots; a $1.5 million increase in repairs and maintenance due to expenses incurred for fire and life safety improvements, emergency generators, and classroom and building repairs; a $1.3 million increase in materials and supplies primarily due to furniture and equipment purchases for the Applied Engineering & Technology Building; and a $1.1 million increase in travel largely resulting from increased athletic team and recruitment travel, as well as increased student and foreign travel.

Annual Operating Margin Ratio - Although UT San Antonio's annual operating margin ratio decreased from 4.0% for 2009 to 3.7% for 2010, the operating margin increased slightly by $0.1 million. The relative stability in the operating margin was attributable to consistent growth in both total operating revenues of $42.1 million and total operating expenses of $42.0 million. Total operating revenues increased primarily due to the following: a $21.6 million increase in sponsored programs revenue (including nonexchange sponsored programs) attributable to an increase in Pell Grant funding, the new American Recovery and Reinvestment Act (ARRA) funding, and the Texas Research Incentive Program (TRIP) funding; a $9.0 million increase in net tuition and fees as a result of higher tuition and fee rates, as well as an increase in semester credit hours; a $5.9 million increase in State appropriations; a $2.4 million increase in auxiliary enterprises due to increased revenues from housing, meal plans and parking; a $2.3 million increase in gifts for operations; and a $1.1 million increase in investment income (excluding realized gains and losses).

Expendable Resources to Debt Ratio - UT San Antonio's expendable resources to debt ratio increased slightly from 0.5 in 2009 to 0.6 in 2010. The small increase in this ratio was attributable to increases in both total unrestricted net assets of $16.2 million, as discussed above, and restricted expendable net assets of $7.4 million due to funding for the North Paseo Building.

Debt Burden Ratio - UT San Antonio's debt burden ratio decreased from 8.6% in 2009 to 7.8% in 2010. The decrease in this ratio was due to a small decrease in debt service payments of $0.3 million and an increase in total operating expenses, as previously discussed.

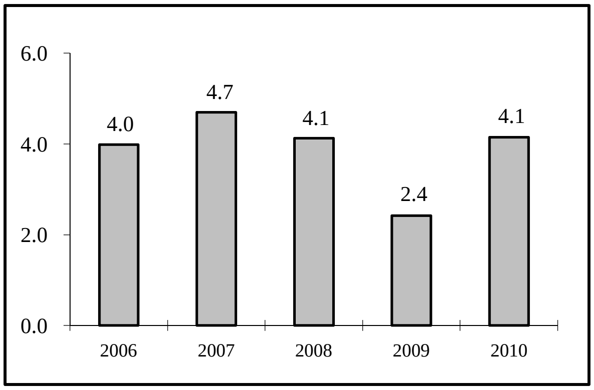
Debt Service Coverage Ratio - UT San Antonio's debt service coverage ratio increased from 2.1 in 2009 to 2.4 in 2010 as a result of the increase in operating revenues as discussed in the annual operating margin ratio, combined with the decrease in debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - UT San Antonio's student headcount and the number of semester credit hours both increased from the prior fall, resulting in an increase in the number of FTE students of 4.7%.

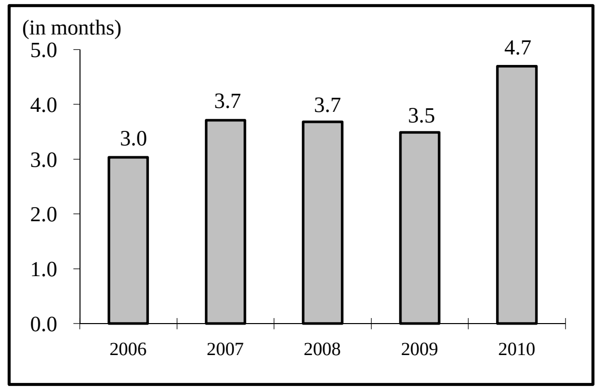
The University of Texas at Tyler
2010 Summary of Financial Condition

Financial Condition: **Satisfactory**

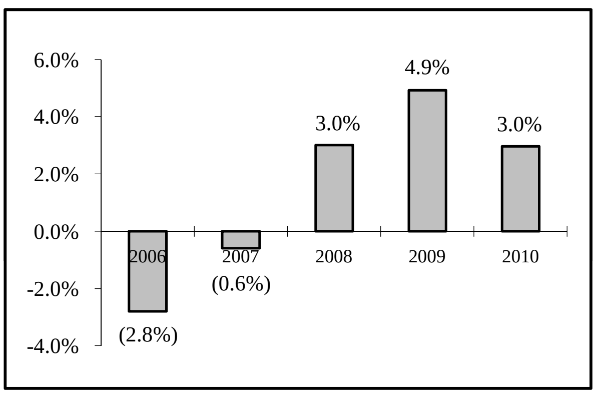
Composite Financial Index



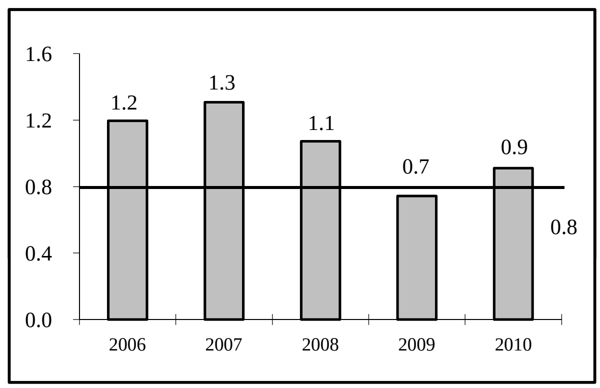
Operating Expense Coverage Ratio



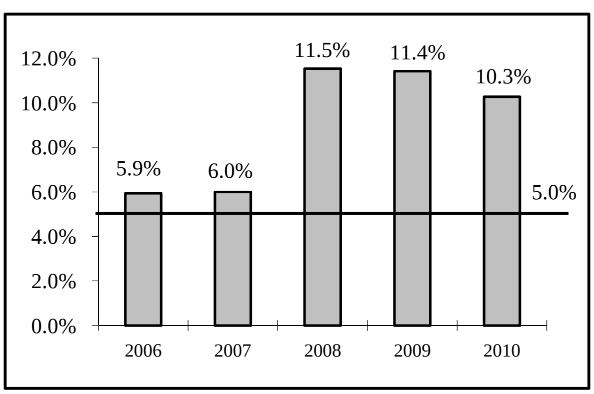
Annual Operating Margin Ratio



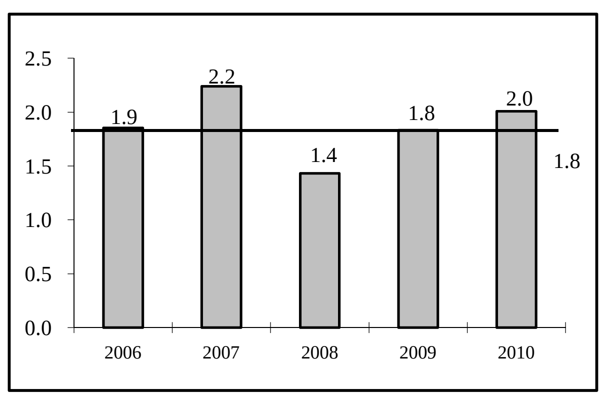
Expendable Resources to Debt Ratio



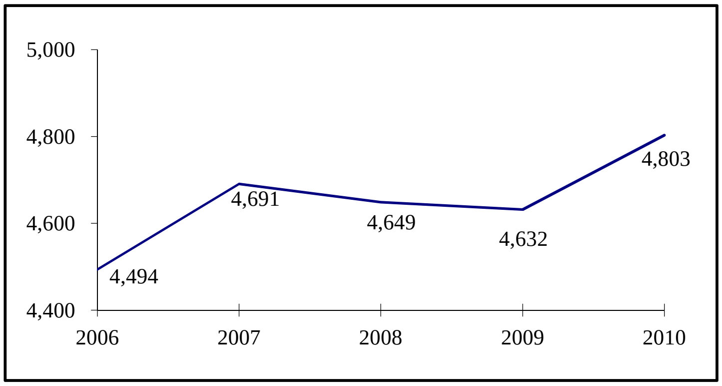
Debt Burden Ratio



Debt Service Coverage Ratio



Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - UT Tyler's CFI increased from 2.4 in 2009 to 4.1 in 2010 primarily due to increases in the return on net assets ratio and the primary reserve ratio. The major driving force behind the increase in the return on net assets ratio was the net increase in the fair value of investments of $6.5 million as compared to a net decrease in 2009 of $15.0 million for a total increase between years of $21.5 million. The primary reserve ratio increased due to increases in total unrestricted net assets and restricted expendable net assets which are discussed in more detail below.

Operating Expense Coverage Ratio - UT Tyler's operating expense coverage ratio increased from 3.5 months in 2009 to 4.7 months in 2010 due to a $9.4 million increase in total unrestricted net assets, which was partially offset by a $2.5 million increase in total operating expenses (including interest expense). The increase in total unrestricted net assets was primarily attributable to the net increase in the fair value of investments allocated to designated funds of $2.5 million as compared to a net decrease in 2009 of $3.4 million for a total increase between years of $5.9 million; and an increase in transfers from restricted funds of $5.2 million to educational and general funds, designated funds and auxiliary enterprises as a result of a change in the method of tuition discounting whereby scholarships, which are primarily recorded in restricted funds, pay first. Total operating expenses increased due to the following: a $1.8 million increase in salaries and payroll related costs resulting from merit increases; and a $1.4 million increase in depreciation expense attributable to the University Center renovation and expansion Project, the Art Building project and the Palestine Expansion project which were completed and placed into service in 2010.

Annual Operating Margin Ratio - UT Tyler's annual operating margin ratio decreased from 4.9% for 2009 to 3.0% for 2010 due to the growth in total operating expenses of $2.5 million outpacing the growth in total operating revenues of $0.8 million. The increase in total operating revenues was primarily a result of the following: a $4.2 million increase in sponsored programs revenue (including nonexchange sponsored programs) attributable to an increase in Pell Grant funding and the new American Recovery and Reinvestment Act (ARRA) funding received in 2010; a $0.5 million increase in auxiliary enterprise revenue due to a $0.3 million increase in housing and a $0.2 million increase in Fine and Performing Arts Center revenue; and a $0.3 million increase in investment income (excluding realized gains and losses). The increases in these revenues were largely offset by a decrease in net tuition and fees of $4.1 million resulting from a change in the calculation of tuition discounting.

Expendable Resources to Debt Ratio - UT Tyler's expendable resources to debt ratio increased from 0.7 in 2009 to 0.9 in 2010. The increase in this ratio was a result of increases in total unrestricted net assets of $9.4 million, as discussed above, and restricted expendable net assets of $9.6 million, which were partially offset by the increase in total operating expenses of $2.5 million previously discussed. The increase in restricted expendable net assets was attributable to an increase of $5.3 million in funds restricted for capital projects, as well as an increase in the appreciation on permanent endowment funds.

Debt Burden Ratio - UT Tyler's debt burden ratio decreased from 11.4% in 2009 to 10.3% in 2010 due to a decrease in debt service payments of $0.3 million and the increase in total operating expenses.

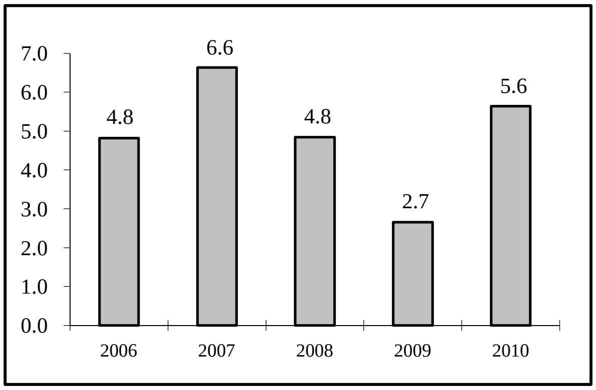
Debt Service Coverage Ratio - UT Tyler's debt service coverage ratio increased from 1.8 in 2009 to 2.0 in 2010. The increase in this ratio was attributable to the increase in depreciation expense which is excluded from total operating expenses for purposes of this calculation.

Full-Time Equivalent (FTE) Student Enrollment - UT Tyler's FTE student enrollment increased by 171 (3.7%). This increase was due to an extensive recruiting effort by Enrollment Management.

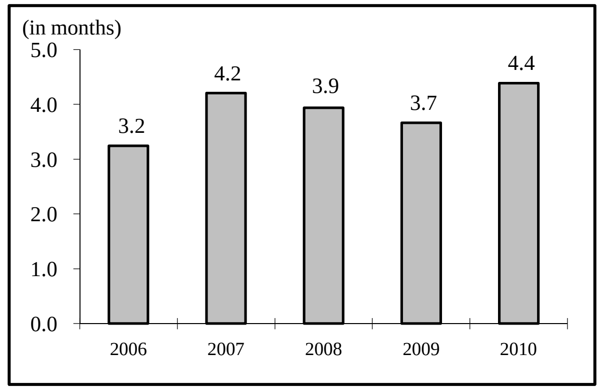
The University of Texas Southwestern Medical Center at Dallas
2010 Summary of Financial Condition

Financial Condition: **Satisfactory**

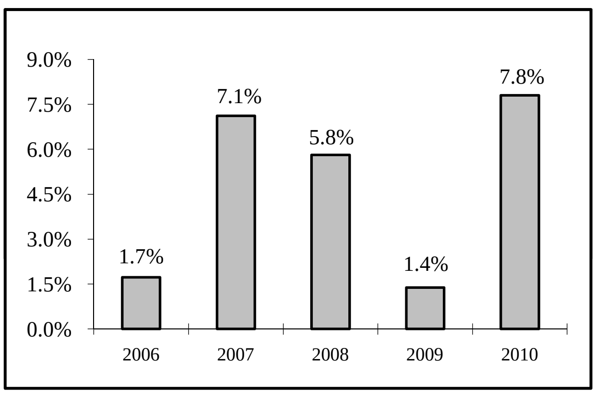
Composite Financial Index



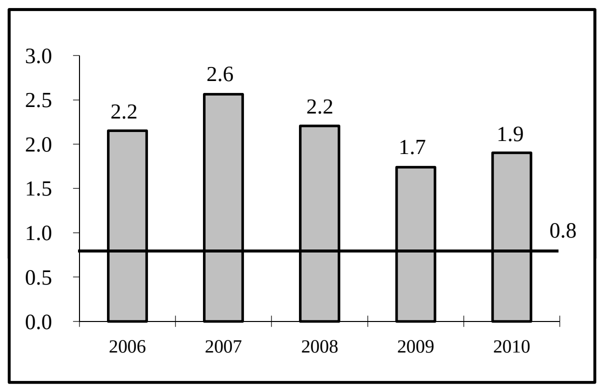
Operating Expense Coverage Ratio



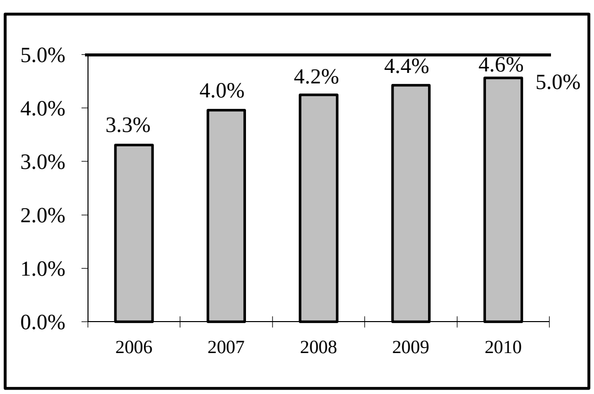
Annual Operating Margin Ratio



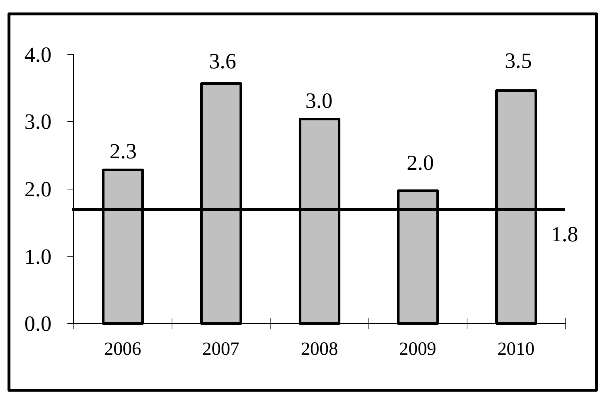
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Southwestern Medical Center at Dallas
2010 Summary of Financial Condition

Composite Financial Index (CFI) - UT Southwestern Medical Center - Dallas' (Southwestern) CFI increased substantially from 2.7 in 2009 to 5.6 in 2010 largely due to an increase in the return on net assets ratio. The major driving forces behind the increase in the return on net assets ratio were the net increase in the fair value of investments in 2010 of $101.3 million as compared to a net decrease in 2009 of $220.5 million for a total increase between years of $321.8 million, and the improvement in operating performance as discussed in further detail below.

Operating Expense Coverage Ratio - Southwestern's operating expense coverage ratio increased from 3.7 months in 2009 to 4.4 months in 2010 due to a $111.1 million increase in total unrestricted net assets, which was partially offset by a $55.9 million increase in total operating expenses (including interest expense). The increase in total unrestricted net assets was primarily attributable to the following: the net increase in the fair value of investments allocated to educational and general funds, designated funds and auxiliary enterprises of $34.4 million for a total increase between years of $84.4 million; and an improvement in operating performance as discussed in further detail in the annual operating margin ratio below. The increase in total operating expenses was largely due to the following: a $47.9 million increase in salaries and payroll related costs as a result of low employee turnover and new faculty positions to support the expanding clinical programs and research programs; a $6.2 million increase in materials and supplies attributable to increased purchases of laboratory and medical supplies; a $5.5 million increase in other operating expenses primarily due to an increase in vendor labor and material contracts, and service and maintenance contracts for computer software; a $4.7 million increase in depreciation expense due to a full year of depreciation expense for the Outpatient Building finish-out projects and the Laboratory Research and Support Building which were placed into service in 2009, as well as the Biocenter at Southwestern Medical District and renovations to the Paul M. Bass Center which were placed into service in 2010, additional medical equipment purchased in 2010, and major software development projects (EPIC) placed into service; and a $2.3 million increase in interest expense. The increases in these expenses were partially offset by decreases in various other expenses as part of Southwestern's efforts to maintain expenses close to 2009 levels.

Annual Operating Margin Ratio - Southwestern's annual operating margin ratio increased significantly from 1.4% for 2009 to 7.8% for 2010 as a result of the growth in total operating revenues of $166.5 million far exceeding the growth in total operating expenses of $55.9 million. The increase in total operating revenues was primarily due to the following: a $72.7 million increase in net sales and services of hospitals attributable to increased inpatient visits, increased outpatient revenues due to the transfer of the Simmons Cancer Center to the hospital, as well as increases in outpatient visits, outpatient surgeries and emergency room visits; a $51.6 million increase in sponsored programs revenue (including nonexchange sponsored programs) resulting from increases in federal grants, the receipt of the $25.0 million grant for the COAM Cancer Center, and the new American Recovery and Reinvestment Act (ARRA) funding received in 2010; a $23.1 million increase in net professional fees due to a reduction in discounts and allowances driven by an improved payor mix and a 22.0% increase in relative value unit (RVU) payments received from affiliated hospitals; a $7.8 million increase in State appropriations; a $4.0 million increase in net sales and services of educational activities as a result of grants received from the Texas Council on Alzheimer's and Cancer Prevention & Research; and a $3.9 million increase in investment income (excluding realized gains and losses).

Expendable Resources to Debt Ratio - Southwestern's expendable resources to debt ratio increased from 1.7 in 2009 to 1.9 in 2010. The increase in this ratio was attributable to the increases in total unrestricted net assets of $111.1 million, as discussed above, and restricted expendable net assets of $151.1 million. The increase in restricted expendable net assets was primarily due to the net increase in the fair value of investments in endowment funds of $48.3 million in 2010 as opposed to a net decrease in 2009 of $148.4 million for a total increase between years of $196.7 million; and an increase in restricted expendable funds for capital projects of $63.3 million due to the construction of North Campus Phase V.

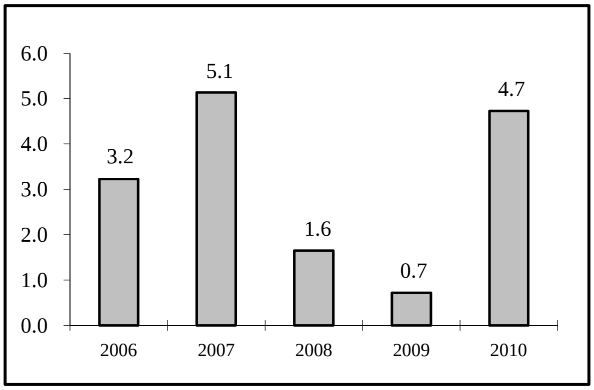
Debt Burden Ratio - Southwestern's debt burden ratio increased from 4.4% in 2009 to 4.6% in 2010 as a result of the increase in debt service payments of $4.6 million attributable to new equipment financing, the new Enterprise Resource Planning and Academic Information Systems, and the Paul M. Bass and North Campus Phase V expansions.

Debt Service Coverage Ratio - Southwestern's debt service coverage ratio increased substantially from 2.0 in 2009 to 3.5 in 2010. The increase in this ratio was a result of the improved operating performance as previously discussed in the annual operating margin ratio.

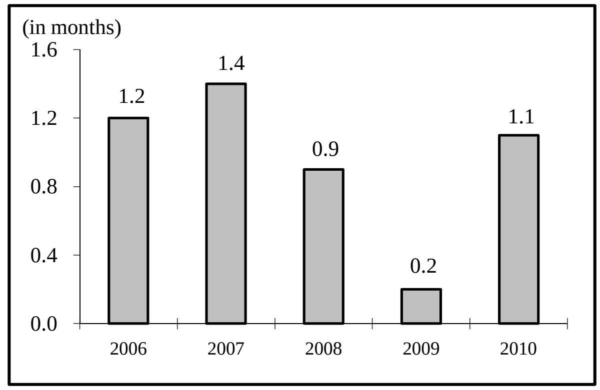
The University of Texas Medical Branch at Galveston
2010 Summary of Financial Condition

Financial Condition: **Watch**

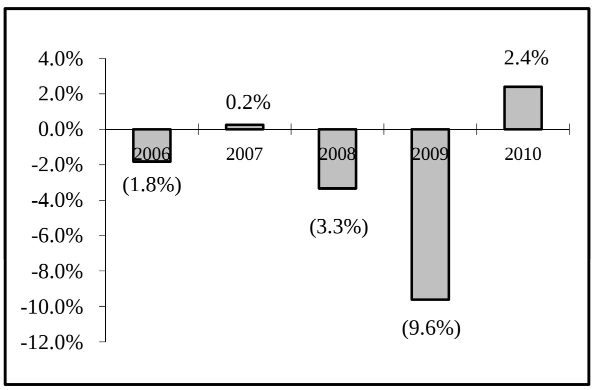
Composite Financial Index



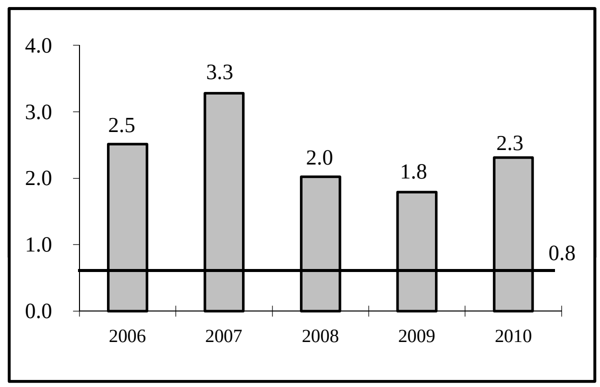
Operating Expense Coverage Ratio



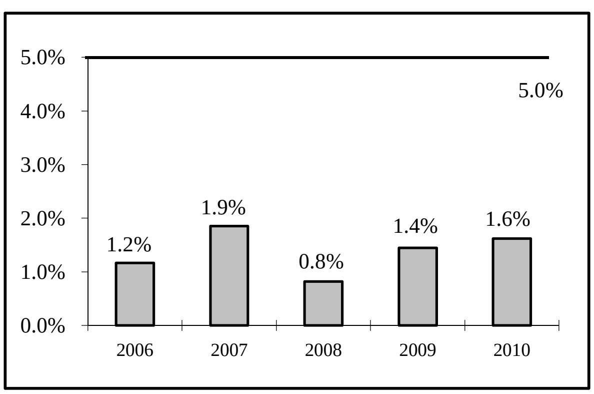
Annual Operating Margin Ratio



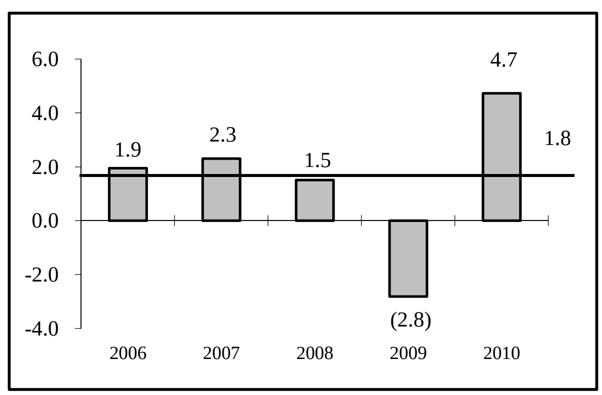
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Medical Branch at Galveston
2010 Summary of Financial Condition

Composite Financial Index (CFI) - UT Medical Branch - Galveston's (UTMB) CFI increased substantially from 0.7 in 2009 to 4.7 in 2010 primarily due to improvements in the return on net assets ratio and the annual operating margin ratio. The major contributing factors to the change in these two ratios were the increase in patient care activity in 2010 as UTMB recovered from the impact of Hurricane *Ike* and the significant reduction in operating expenses between the two years largely attributable to the $137.5 million in Hurricane *Ike* emergency clean-up and repair expenses that were incurred in 2009. Also contributing to the increase in the return on net assets ratio was a net increase in the fair value of investments of $36.3 million in 2010 as compared to a net decrease in 2009 of $98.7 million for a total increase between years of $135.0 million.

Operating Expense Coverage Ratio - UTMB's operating expense coverage ratio improved from 0.2 months in 2009 to 1.1 months in 2010 due to an increase in total unrestricted net assets of $118.4 million and a decrease in total operating expenses (including interest expense) of $66.1 million. The increase in total unrestricted net assets and decrease in total operating expenses were both primarily attributable to improved operating performance in 2010 due to the recovery from the business disruption in revenue generating activities and expenses related to Hurricane *Ike* in 2009.

Annual Operating Margin Ratio - UTMB's annual operating margin ratio changed positively from the prior year to the current year increasing from (9.6%) in 2009 to 2.4% in 2010. The favorable change in this ratio mirrors UTMB’s favorable operating results in 2010 as compared to the $140.2 million loss reported in 2009. Total operating revenues increased by $93.7 million primarily due to disruption in revenue generating activities in 2009. The increase in operating revenue in 2010 was driven by increases in admissions of 43%, patient days of 65%, and clinic visits of 10%. Total operating expenses decreased in 2010 primarily as a result of less Hurricane *Ike* related expenses, cost reduction efforts, and delays in filling vacant positions which was partially offset by increased costs associated with patient volume increases.

An important factor that impacted the operating margin in 2010 was a Correctional Managed Care (CMC) loss of $11.4 million which was comprised of the following: a Texas Department of Criminal Justice (TDCJ) contract loss of $18.9 million; other CMC contracts posted gains of $4.3 million; and $3.2 million of one-time Social Service Block Grant funding to mitigate CMC losses incurred in 2009.

UTMB's management continues to monitor financial performance and take necessary steps to plan for the challenge of a $31.4 million reduction in general revenue in 2011. Cash flow continues to be closely monitored as campus rebuilding activities commenced in January 2010.

Expendable Resources to Debt Ratio - UTMB's expendable resources to debt ratio increased from 1.8 in 2009 to 2.3 in 2010. The increase in this ratio was attributable to the growth in total unrestricted net assets as previously discussed.

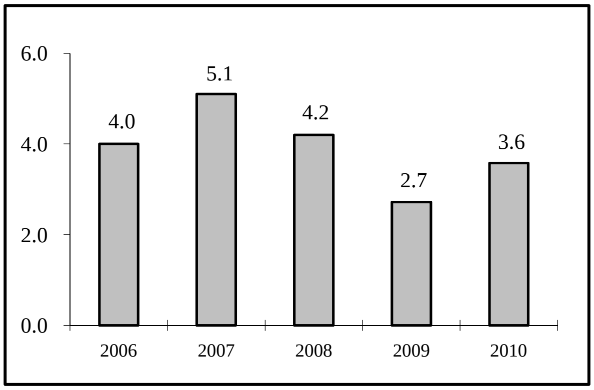
Debt Burden Ratio - While UTMB's debt burden ratio remained low, the ratio increased from 1.4% in 2009 to 1.6% in 2010 primarily due to the decrease in total operating expenses discussed above.

Debt Service Coverage Ratio - UTMB's debt service coverage ratio increased substantially from (2.8) in 2009 to 4.7 in 2010. The favorable change in this ratio was caused by the dramatic improvement in operating performance as mentioned above.

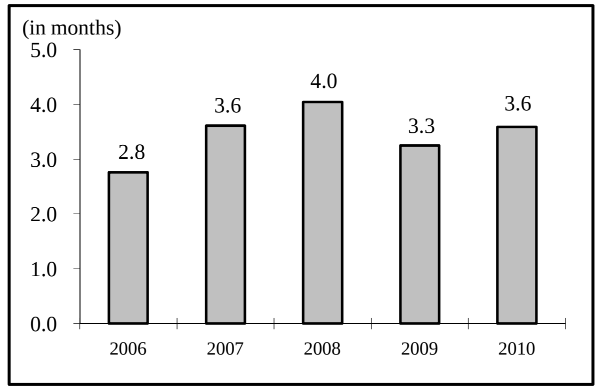
The University of Texas Health Science Center at Houston
2010 Summary of Financial Condition

Financial Condition: **Satisfactory**

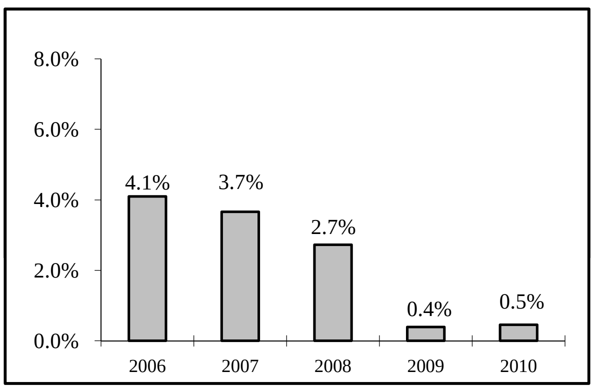
Composite Financial Index



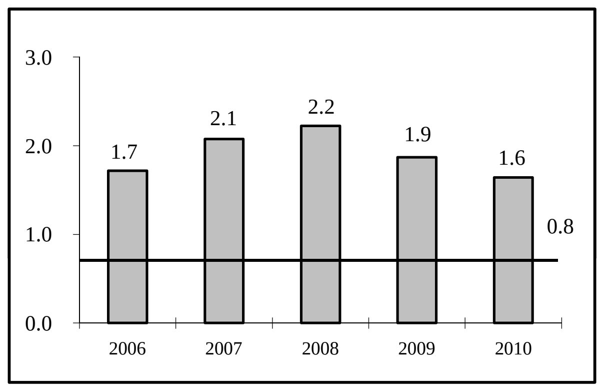
Operating Expense Coverage Ratio



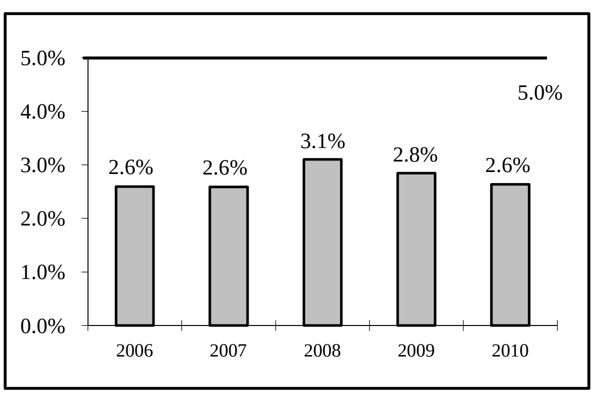
Annual Operating Margin Ratio



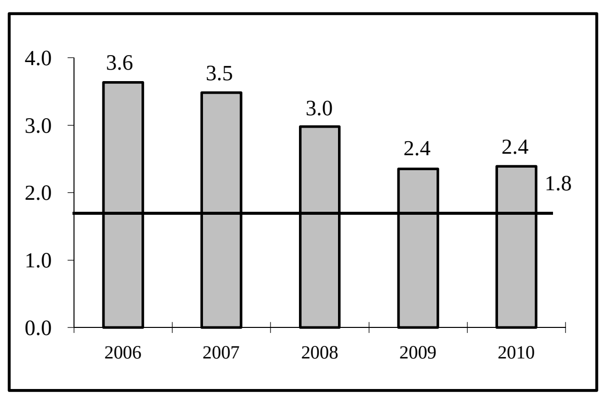
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Houston
2010 Summary of Financial Condition

Composite Financial Index (CFI) - UT Health Science Center - Houston's (UTHSC-Houston) CFI increased from 2.7 in 2009 to 3.6 in 2010 primarily as a result of an increase in the return on net assets ratio. The major factors contributing to the increase in the return on net assets ratio were the net increase in the fair value of investments of $31.6 million in 2010 as compared to a net decrease of $57.9 million in 2009 for a total increase between years of $89.5 million, and increases in bond proceeds due from System and transferred from System for the UT Dental Branch replacement building.

Operating Expense Coverage Ratio - UTHSC-Houston's operating expense coverage ratio increased from 3.3 months in 2009 to 3.6 months in 2010 due to a $61.5 million increase in total unrestricted net assets, which was partially offset by the increase in total operating expenses (including interest expense) of $129.8 million. The increase in total unrestricted net assets was primarily attributable to the net increase in the fair value of investments allocated to designated funds of $21.1 million in 2010 and a $10.7 million increase in unrestricted net assets in unexpended plant funds for the South Campus expansion. The remaining increase was due to a number of smaller net asset additions/revenue enhancements such as the physician practice plan of $6.5 million, the UT System Medical Foundation of $5.4 million, investment income of $3.7 million (excluding realized gains and losses), and an increase in indirect cost recovery of $7.0 million.

Annual Operating Margin Ratio - UTHSC-Houston's annual operating margin ratio increased slightly from 0.4% for 2009 to 0.5% for 2010 due to the growth in total operating revenues of $130.9 million exceeding the growth in total operating expenses of $129.8 million. The increase in total operating revenues was largely attributable to the following: an $87.2 million increase in sponsored programs revenue (including nonexchange sponsored programs) as a result of the blending in of the UT System Medical Foundation in 2010, improved collection efforts and an increase in services provided at Memorial Hermann Hospital and Harris County Hospital District (HCHD), growth in the research and clinical enterprise, new and expanded contracts with the Department of Defense, and the new American Recovery and Reinvestment Act (ARRA) funding received in 2010; a $17.2 million increase in net sales and services of educational activities due to grants from the Texas Education Agency, Texas School Ready, Texas Early Childhood Education, Texas Higher Education Coordinating Board, and School Readiness Certification; a $15.6 million increase in net professional fees attributable to an increase in the Memorial Hermann Hospital and HCHD contracts, an increase in services provided at Memorial Hermann Hospital and HCHD, increased overall clinical productivity, and an increase in the average patient revenue collection percent; a $3.7 million increase in investment income (excluding realized gains and losses); and a $3.4 million increase in net sales and services of hospitals due to a $4.3 million increase in appropriated Mental Health and Mental Retardation (MHMR) funding the Harris County Psychiatric Center (HCPC) received in 2010 to expand bed capacity for MHMR sponsored patients.

The increase in total operating expenses was primarily a result of the following: a $105.0 million increase in salaries and payroll related costs due to the blending in of the UT System Medical Foundation, expanded Medical School clinical practice, growth in the number of faculty, salary adjustments related to productivity, growth in contract and grant activity, and increases at HCPC; an $11.1 million increase in materials and supplies as a result of the increase in research related expenses and purchase of furnishings and equipment for the South Campus expansion; a $4.2 million increase in depreciation expense due to the completion of the Behavioral and Biomedical Sciences Building and the Central Power Plant, as well as the Center for Advanced Biomedical Imaging Research leasehold improvements; and a $3.4 million increase in printing and reproduction as a result of printing materials for the Development Pediatrics Texas Education Agency state contract.

Expendable Resources to Debt Ratio - UTHSC-Houston's expendable resources to debt ratio decreased from 1.9 in 2009 to 1.6 in 2010. The reduction in this ratio was attributable to the $104.1 million increase in the amount of debt outstanding. The increase in debt was related to the UT Research Park Complex (the replacement building for the UT Dental Branch at Houston) and the Research Park Complex Parking Lot Phase I.

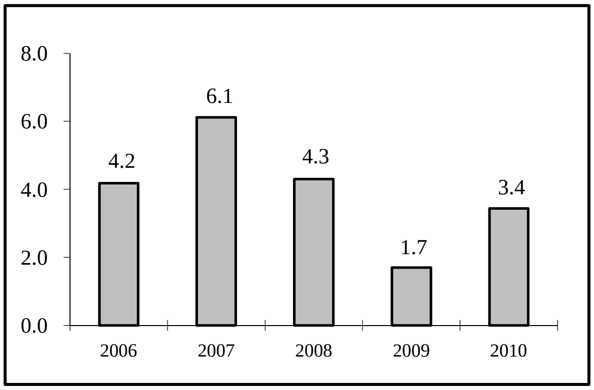
Debt Burden Ratio - UTHSC-Houston's debt burden ratio decreased from 2.8% in 2009 to 2.6% in 2010 as a result of the increase in total operating expenses previously discussed.

Debt Service Coverage Ratio - UTHSC-Houston's debt service coverage ratio remained unchanged at 2.4 in 2010. The stability of this ratio was due to the slight improvement in operating performance offset by an increase in debt service payments of $1.7 million.

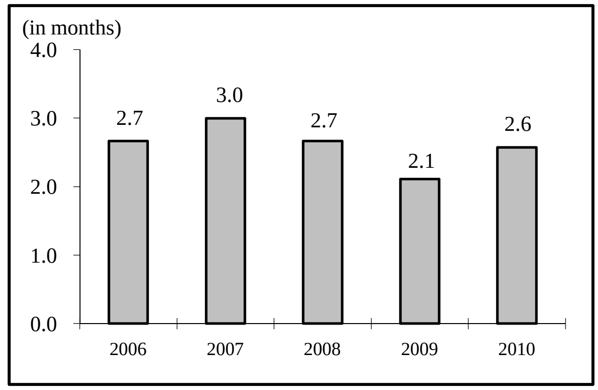
The University of Texas Health Science Center at San Antonio
2010 Summary of Financial Condition

Financial Condition: **Satisfactory**

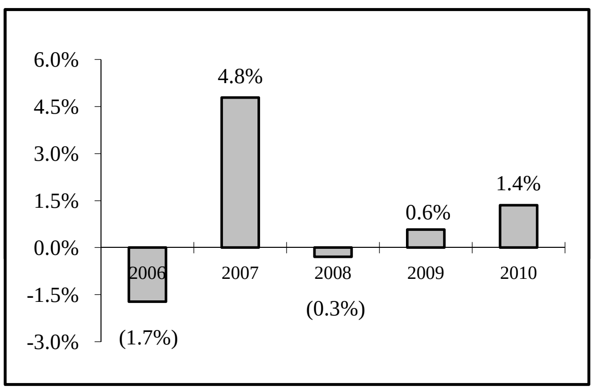
Composite Financial Index



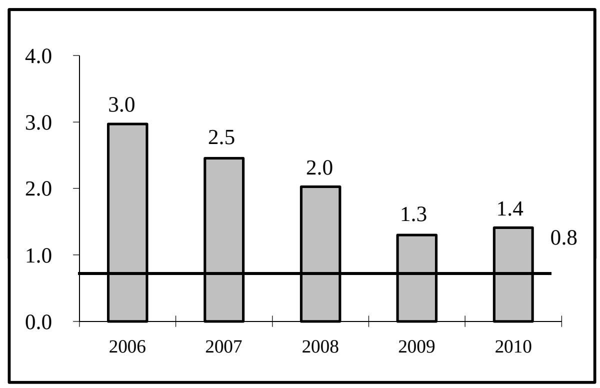
Operating Expense Coverage Ratio



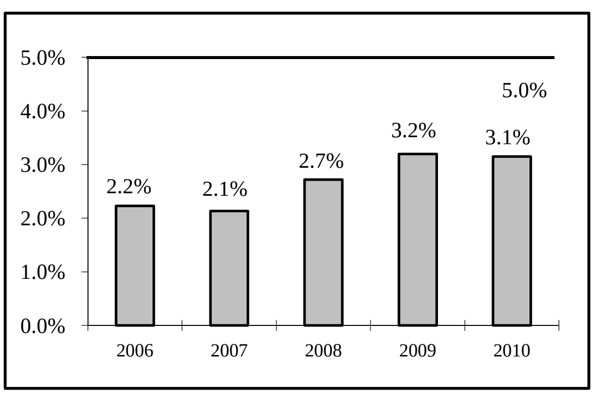
Annual Operating Margin Ratio



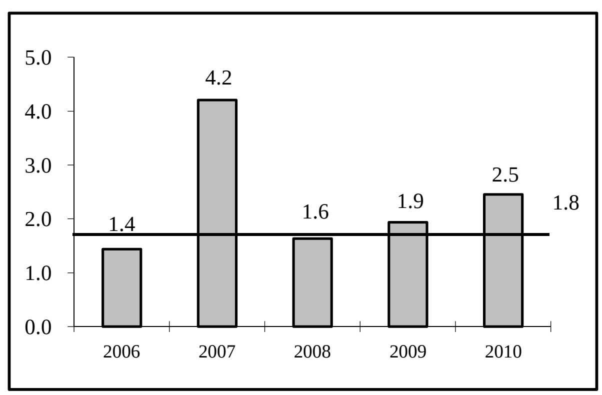
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at San Antonio
2010 Summary of Financial Condition

Composite Financial Index (CFI) - UT Health Science Center - San Antonio's (UTHSC-San Antonio) CFI increased from 1.7 in 2009 to 3.4 in 2010 primarily as a result of an increase in the return on net assets ratio. The major driving force behind the increase in the return on net assets ratio was the net increase in the fair value of investments in 2010 of $39.5 million as compared to a net decrease in 2009 of $93.9 million for a total increase between years of $133.4 million.

Operating Expense Coverage Ratio - UTHSC-San Antonio's operating expense coverage ratio increased from 2.1 months in 2009 to 2.6 months in 2010 due to a $30.0 million increase in total unrestricted net assets, which was partially offset by a $15.6 million increase in total operating expenses (including interest expense). The increase in total unrestricted net assets was primarily attributable to the net increase in the fair value of investments allocated to designated funds of $13.7 million for a total increase between years of $28.4 million, and an improvement in operating performance as discussed in further detail in the annual operating margin ratio below. The increase in total operating expenses was largely due to the following: a $26.5 million increase in salaries and payroll related costs resulting from merit increases, increases in incentive pay, an increase in lump sum payments for terminated employees, an increase in employer-paid costs for group insurance and other matching benefits as a result of integrating UT Medicine staff as state employees of UTHSC-San Antonio, and the expansion of clinical services attributable to the Medical Arts and Research Center (MARC) which opened in the fall of 2009; a $3.9 million increase in interest expense; a $2.1 million increase in utilities mostly due to higher utility rates and additional operating square footage with the opening of the MARC; and a $1.8 million increase in depreciation expense largely attributable to the MARC which was placed into service in 2010 and capital equipment purchases made by the MARC and the Cancer Therapy and Research Center (CTRC). The increases in these expenses were partially offset by a 5% budget reduction imposed by the State of Texas whereby departments were held to budgeted amounts and were required to reduce expenses in order to cover salary or other expense increases. Additionally, professional fees and services decreased by $5.7 million as the Southwest Oncology Group program was transferred to the University of Michigan.

Annual Operating Margin Ratio - UTHSC-San Antonio's annual operating margin ratio increased from 0.6% for 2009 to 1.4% for 2010 as a result of the growth in total operating revenues of $21.4 million outpacing the growth in total operating expenses. The increase in total operating revenues was primarily attributable to the following: an $18.0 million increase in sponsored programs revenue (including nonexchange sponsored programs) due to the new American Recovery and Reinvestment Act (ARRA) funding received in 2010 and an increase in contracts with area hospitals; and a $10.6 million increase in net professional fees resulting from increased services provided through the MARC.

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, and expanding programs and departments. Investments made in 2010 included start-up costs associated with the MARC and the recruitment of a new dean of the School of Medicine. 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 increased slightly from 1.3 in 2009 to 1.4 in 2010. The small increase in this ratio was a result of increases in total unrestricted net assets of $30.0 million, as previously discussed, and total restricted expendable net assets of $4.5 million, which were mostly offset by an increase in the debt outstanding of $5.8 million. Total restricted expendable net assets increased primarily due to the net increase in the fair value of investments in endowment funds. The increase in the debt outstanding was related to the South Texas Research Facility.

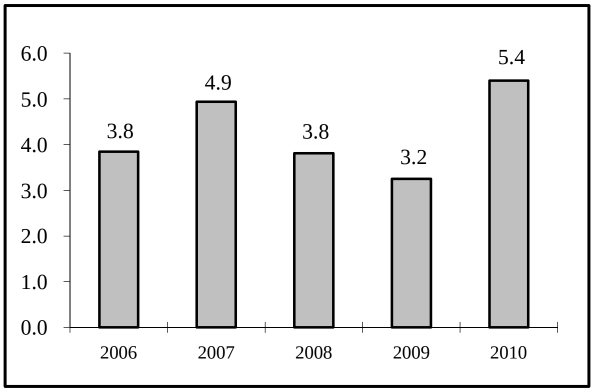
Debt Burden Ratio - UTHSC-San Antonio's debt burden ratio decreased from 3.2% to 3.1% due to debt service payments remaining relatively flat from the prior year along with the increase in operating expenses as discussed above.

Debt Service Coverage Ratio - UTHSC-San Antonio's debt service coverage ratio increased from 1.9 in 2009 to 2.5 in 2010 as a result of the improvement in operating performance as discussed in the annual operating margin ratio above.

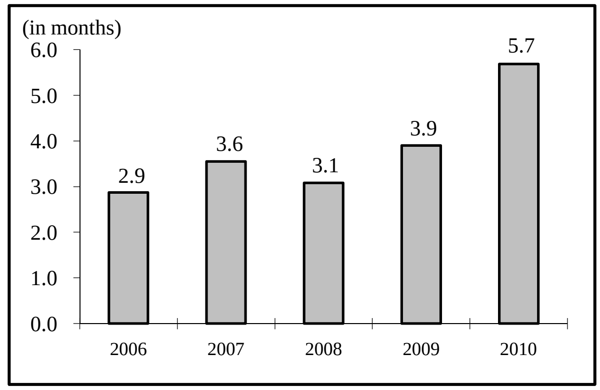
The University of Texas M. D. Anderson Cancer Center
2010 Summary of Financial Condition

Financial Condition: **Satisfactory**

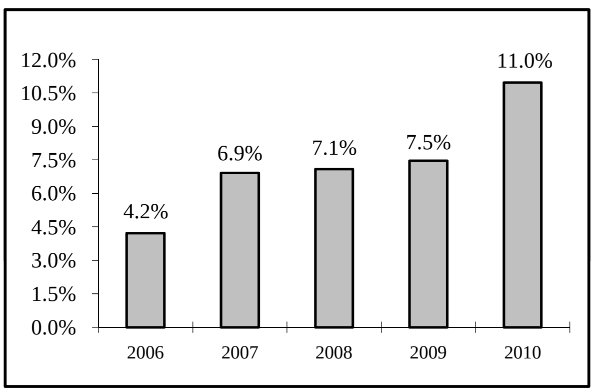
Composite Financial Index



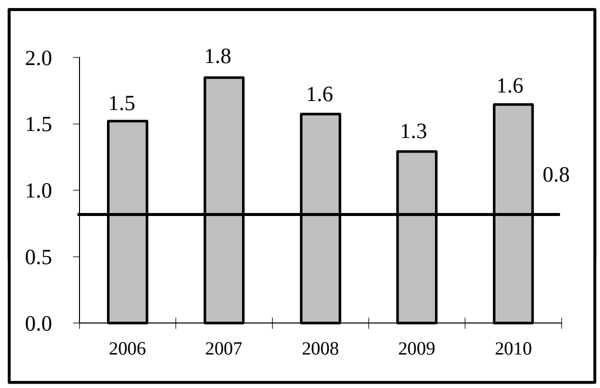
Operating Expense Coverage Ratio



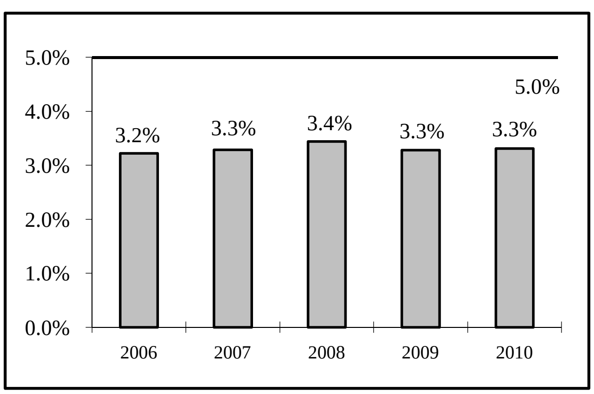
Annual Operating Margin Ratio



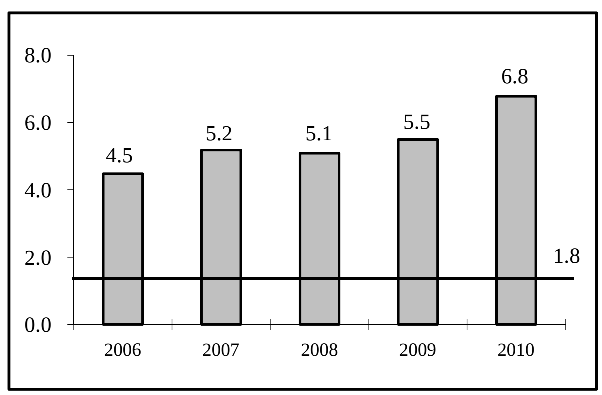
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas M. D. Anderson Cancer Center
2010 Summary of Financial Condition

Composite Financial Index (CFI) - UT M. D. Anderson Cancer Center's (M. D. Anderson) CFI increased from 3.2 in 2009 to 5.4 in 2010 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 the net increase in the fair value of investments of $107.8 million in 2010 as compared to a net decrease of $160.2 million in 2009 for a total increase between years of $268.0 million.

Operating Expense Coverage Ratio - M. D. Anderson's operating expense coverage ratio increased from 3.9 months in 2009 to 5.7 months in 2010 due to a $449.6 million increase in total unrestricted net assets. The increase in total unrestricted net assets was primarily due to generating $350.5 million of operating margin in 2010, as discussed in further detail below, and due to transferring the remaining unrestricted funds necessary to match the T. Boone Pickens gift. In 2007 M. D. Anderson received $50.0 million from T. Boone Pickens with the stipulation that M. D. Anderson had 25 years to grow the funds to $500.0 million. In 2010, M. D. Anderson transferred the remaining funds necessary to match the gift and created a quasi-endowment.

Annual Operating Margin Ratio - M. D. Anderson's annual operating margin ratio increased from 7.5 % for 2009 to 11.0% for 2010 as the growth in total operating revenues of $208.1 million far exceeded the growth in total operating expenses (including interest expense) of $80.5 million. The significant improvement in operating performance was largely a result of the recovery from the business disruption in revenue generating activities related to Hurricane *Ike*. The increase in total operating revenues was primarily due to the following: a $104.3 million increase in net sales and services of hospitals as a result of higher patient volumes; a $42.7 million increase in gifts for operations due to large gifts received from Ross Perot, Sr., HEB, the Kleberg Foundation, and the John Arnold Foundation, as well as various miscellaneous cash gifts; a $28.2 million increase in net professional fees due to an overall increase in patient activity and volumes; a $12.7 million increase in sponsored programs revenue (including nonexchange sponsored programs) related to the growth of M. D. Anderson and a concerted effort and emphasis on research; an $8.6 million increase in State appropriations; and a $7.9 million increase in investment income (excluding realized gains and losses).

The majority of the increase in total operating expenses was due to the following: a $52.8 million increase in materials and supplies attributable to an increase in patient medications directly related to the increase in patient activity and volumes; a $15.1 million increase in interest expense; an $11.2 million increase in salaries and payroll related costs due to merit increases and salary adjustments; a $7.0 million increase in repairs and maintenance as a result of additional buildings and equipment being utilized, as well as additional computer software and hardware service maintenance contracts and the extension of existing service agreements; and a $3.8 million increase in rentals and leases due to additional leased space for new satellite clinics, as well as a rate increase for existing satellite clinics.

Expendable Resources to Debt Ratio - M. D. Anderson's expendable resources to debt ratio increased from 1.3 in 2009 to 1.6 in 2010. The increase in this ratio was primarily due to the $449.6 million growth in total unrestricted net assets previously discussed.

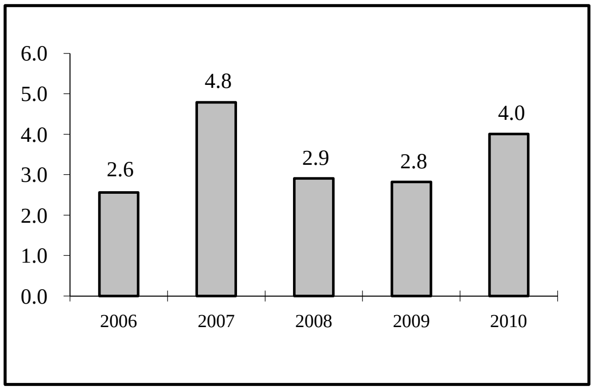
Debt Burden Ratio - M. D. Anderson's debt burden ratio remained unchanged at 3.3% in 2010. The stability of this ratio was attributable to an increase in debt service payments of $3.6 million which was offset by the increase in total operating expenses discussed above.

Debt Service Coverage Ratio - M. D. Anderson's debt service coverage ratio increased from 5.5 in 2009 to 6.8 in 2010 as a result of the improvement in operating performance discussed in the annual operating margin ratio.

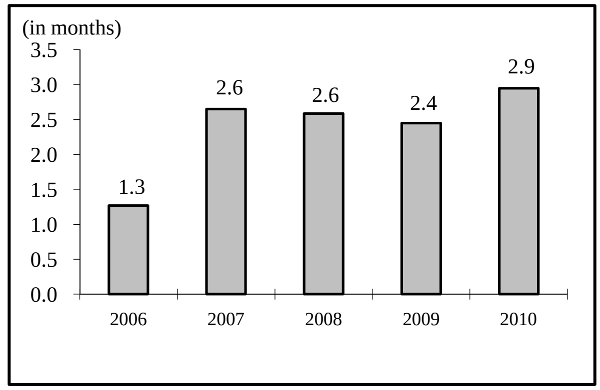
The University of Texas Health Science Center at Tyler
2010 Summary of Financial Condition

Financial Condition: **Satisfactory**

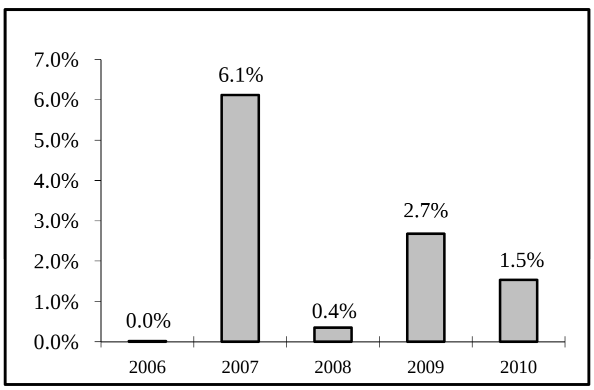
Composite Financial Index



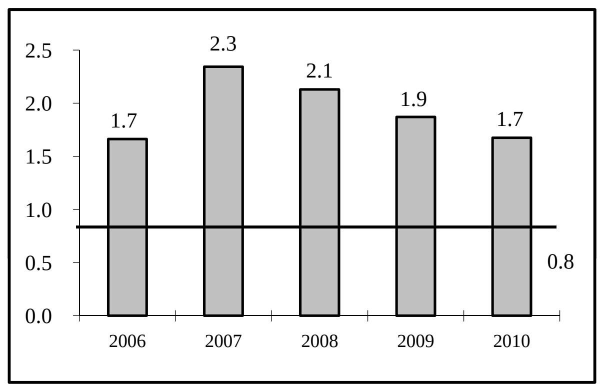
Operating Expense Coverage Ratio



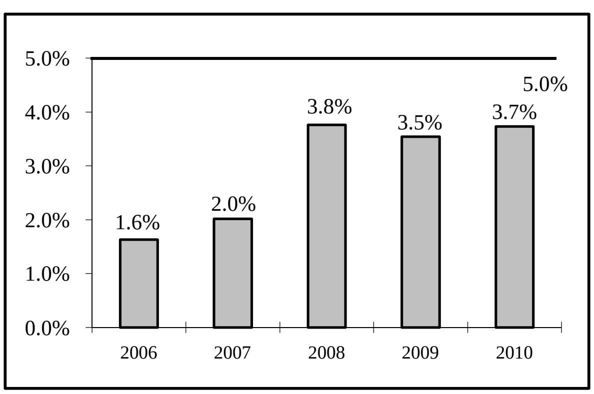
Annual Operating Margin Ratio



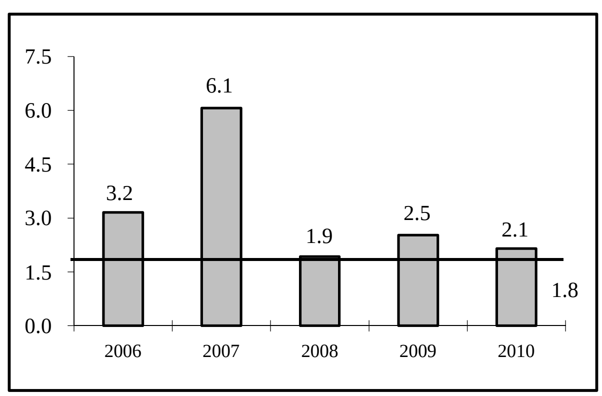
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Tyler
2010 Summary of Financial Condition

Composite Financial Index (CFI) - UT Health Science Center - Tyler's (UTHSC-Tyler) CFI increased from 2.8 in 2009 to 4.0 in 2010 primarily due to an increase in the return on net assets. The largest contributor to the increase in the return on net assets ratio was the net increase in the fair value of investments of $4.1 million in 2010 as compared to a net decrease of $9.5 million in 2009 for a total increase between years of $13.7 million.

Operating Expense Coverage Ratio - UTHSC-Tyler's operating expense coverage ratio increased from 2.4 months in 2009 to 2.9 months in 2010 due to an increase in total unrestricted net assets of $4.0 million and a decrease in total operating expenses (including interest expense) of $4.8 million. The increase in total unrestricted net assets was primarily a result of the net increase in the fair value of net assets allocated to educational and general funds and designated funds of $1.5 million as compared to a net decrease of $2.1 million in 2009 for a total increase between years of $3.6 million. The decrease in total operating expenses was largely attributable to the following: a $2.0 million decrease in professional fees and services due to the loss of UTMB's Correctional Managed Care (CMC) patients in 2010, which were patients UTHSC-Tyler received in 2009 as a result of Hurricane *Ike*; a $1.6 million decrease in other operating expenses due to decreased marketing services and decreased food services contract, an increase in the professional liability insurance rebate of $0.2 million which was recorded as a negative expense, and a reduction in pathology associates costs; and a $1.5 million decrease in materials and supplies attributable to UTMB's CMC patients reverting back to UTMB in 2010.

Annual Operating Margin Ratio - UTHSC-Tyler's annual operating margin ratio decreased from 2.7% for 2009 to 1.5% for 2010 due to a greater decrease in total operating revenues ($6.4 million) as compared to the reduction in total operating expenses ($4.8 million). The decrease in total operating revenues was primarily due to a $6.0 million decrease in net sales and services of hospitals and a decrease of $1.9 million in net professional fees resulting from the loss of UTMB's CMC patients in 2010. Net professional fees were further negatively impacted by a reduction of two physicians in the cardiology staff.

Expendable Resources to Debt Ratio - UTHSC-Tyler's expendable resources to debt ratio decreased from 1.9 in 2009 to 1.7 in 2010. The decrease in this ratio was the result of an increase in the debt outstanding of $11.8 million was related to the Academic Center.

Debt Burden Ratio - UTHSC-Tyler's debt burden ratio increased from 3.5% in 2009 to 3.7% in 2010 due to the reduction in total operating expenses as previously discussed.

Debt Service Coverage Ratio -UTHSC-Tyler's debt service coverage ratio decreased from 2.5 in 2009 to 2.1 in 2010. The decrease in this ratio was attributable to the decrease in operating performance as discussed in the annual operating margin ratio.

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.

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

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.

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

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, 2010

UT Arlington

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.53	/	0.133	=	4.02	x	35.0%	=	1.41
Annual Operating Margin	5.89%	/	1.3%	=	4.53	x	10.0%	=	0.45
Return on Net Assets	13.47%	/	2.0%	=	6.74	x	20.0%	=	1.35
Expendable Resources to Debt	0.89	/	0.417	=	2.15	x	35.0%	=	0.75
							CFI		4.0

UT Austin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	1.06	/	0.133	=	7.99	x	35.0%	=	2.80
Annual Operating Margin	7.01%	/	1.3%	=	5.39	x	10.0%	=	0.54
Return on Net Assets	14.24%	/	2.0%	=	7.12	x	20.0%	=	1.42
Expendable Resources to Debt	1.98	/	0.417	=	4.74	x	35.0%	=	1.66
							CFI		6.4

UT Brownsville

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.31	/	0.133	=	2.34	x	35.0%	=	0.82
Annual Operating Margin	3.28%	/	1.3%	=	2.52	x	10.0%	=	0.25
Return on Net Assets	14.85%	/	2.0%	=	7.43	x	20.0%	=	1.49
Expendable Resources to Debt	1.01	/	0.417	=	2.42	x	35.0%	=	0.85
							CFI		3.4

UT Dallas

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.74	/	0.133	=	5.59	x	35.0%	=	1.96
Annual Operating Margin	3.33%	/	1.3%	=	2.56	x	10.0%	=	0.26
Return on Net Assets	13.87%	/	2.0%	=	6.93	x	20.0%	=	1.39
Expendable Resources to Debt	1.00	/	0.417	=	2.41	x	35.0%	=	0.84
							CFI		4.4

UT El Paso

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.71	/	0.133	=	5.34	x	35.0%	=	1.87
Annual Operating Margin	5.77%	/	1.3%	=	4.44	x	10.0%	=	0.44
Return on Net Assets	18.24%	/	2.0%	=	9.12	x	20.0%	=	1.82
Expendable Resources to Debt	1.22	/	0.417	=	2.94	x	35.0%	=	1.03
							CFI		5.2

Appendix B - Calculation of Composite Financial Index
Academic Institutions
As of August 31, 2010
(continued)

UT Pan American

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.39	/	0.133	=	2.95	x	35.0%	=	1.03
Annual Operating Margin	3.41%	/	1.3%	=	2.63	x	10.0%	=	0.26
Return on Net Assets	11.37%	/	2.0%	=	5.69	x	20.0%	=	1.14
Expendable Resources to Debt	1.19	/	0.417	=	2.86	x	35.0%	=	1.00
							CFI		3.4

UT Permian Basin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	1.26	/	0.133	=	9.49	x	35.0%	=	3.32
Annual Operating Margin	15.76%	/	1.3%	=	12.13	x	10.0%	=	1.21
Return on Net Assets	25.75%	/	2.0%	=	12.88	x	20.0%	=	2.58
Expendable Resources to Debt	0.62	/	0.417	=	1.48	x	35.0%	=	0.52
							CFI		7.6

UT San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.50	/	0.133	=	3.75	x	35.0%	=	1.31
Annual Operating Margin	3.69%	/	1.3%	=	2.84	x	10.0%	=	0.28
Return on Net Assets	11.53%	/	2.0%	=	5.77	x	20.0%	=	1.15
Expendable Resources to Debt	0.63	/	0.417	=	1.52	x	35.0%	=	0.53
							CFI		3.3

UT Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.88	/	0.133	=	6.62	x	35.0%	=	2.32
Annual Operating Margin	2.97%	/	1.3%	=	2.28	x	10.0%	=	0.23
Return on Net Assets	8.35%	/	2.0%	=	4.18	x	20.0%	=	0.84
Expendable Resources to Debt	0.91	/	0.417	=	2.18	x	35.0%	=	0.76
							CFI		4.1

Appendix B - Calculation of Composite Financial Index
Health Institutions
As of August 31, 2010

Southwestern

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.83	/	0.133	=	6.23	x	35.0%	=	2.18
Annual Operating Margin	7.80%	/	1.3%	=	6.00	x	10.0%	=	0.60
Return on Net Assets	12.58%	/	2.0%	=	6.29	x	20.0%	=	1.26
Expendable Resources to Debt	1.90	/	0.417	=	4.56	x	35.0%	=	1.60
							CFI		5.6

UTMB

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.32	/	0.133	=	2.42	x	35.0%	=	0.85
Annual Operating Margin	2.38%	/	1.3%	=	1.83	x	10.0%	=	0.18
Return on Net Assets	17.62%	/	2.0%	=	8.81	x	20.0%	=	1.76
Expendable Resources to Debt	2.31	/	0.417	=	5.54	x	35.0%	=	1.94
							CFI		4.7

UTHSC-Houston

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.54	/	0.133	=	4.07	x	35.0%	=	1.43
Annual Operating Margin	0.45%	/	1.3%	=	0.35	x	10.0%	=	0.03
Return on Net Assets	7.39%	/	2.0%	=	3.69	x	20.0%	=	0.74
Expendable Resources to Debt	1.64	/	0.417	=	3.93	x	35.0%	=	1.38
							CFI		3.6

UTHSC-San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.47	/	0.133	=	3.56	x	35.0%	=	1.25
Annual Operating Margin	1.36%	/	1.3%	=	1.04	x	10.0%	=	0.10
Return on Net Assets	9.07%	/	2.0%	=	4.54	x	20.0%	=	0.91
Expendable Resources to Debt	1.41	/	0.417	=	3.39	x	35.0%	=	1.18
							CFI		3.4

M. D. Anderson

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.60	/	0.133	=	4.51	x	35.0%	=	1.58
Annual Operating Margin	10.96%	/	1.3%	=	8.43	x	10.0%	=	0.84
Return on Net Assets	16.00%	/	2.0%	=	8.00	x	20.0%	=	1.60
Expendable Resources to Debt	1.65	/	0.417	=	3.95	x	35.0%	=	1.38
							CFI		5.4

UTHSC-Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.49	/	0.133	=	3.69	x	35.0%	=	1.29
Annual Operating Margin	1.54%	/	1.3%	=	1.18	x	10.0%	=	0.12
Return on Net Assets	11.87%	/	2.0%	=	5.93	x	20.0%	=	1.19
Expendable Resources to Debt	1.67	/	0.417	=	4.01	x	35.0%	=	1.40
							CFI		4.0

Appendix C - Calculation of Expendable Net Assets
Academic Institutions
As of August 31, 2010
(In Millions)

Institution	Restricted Expendable Net Assets: Capital Projects	Restricted Expendable Net Assets: Funds Functioning Restricted	Restricted Expendable Net Assets: Other Expendable	Restricted Expendable Net Assets: Total	Total Unrestricted Net Assets	Total Expendable Net Assets
UT Arlington	$ 14.8	2.1	41.3	58.3	165.3	223.5
UT Austin	122.1	126.9	1,361.1	1,610.1	624.3	2,234.4
UT Brownsville	18.2	-	5.5	23.7	30.2	53.9
UT Dallas	30.7	5.3	126.9	162.9	96.4	259.4
UT El Paso	79.9	14.6	87.6	182.1	60.1	242.2
UT Pan American	0.1	1.2	19.7	21.0	77.9	98.9
UT Permian Basin	46.4	0.1	12.5	59.0	11.7	70.7
UT San Antonio	25.2	0.7	38.5	64.4	156.7	221.1
UT Tyler	10.5	0.3	31.7	42.5	34.0	76.4

Appendix C - Calculation of Expendable Net Assets
Health Institutions
As of August 31, 2010
(In Millions)

Institution	Restricted Expendable Net Assets Capital Projects	Funds Functioning Restricted	Other Expendable	Total	Total Unrestricted Net Assets	Total Expendable Net Assets
Southwestern	$ 79.8	23.1	616.6	719.6	568.7	1,288.2
UTMB	164.8	20.5	160.5	345.8	146.5	492.3
UTHSC-Houston	79.1	10.4	136.3	225.8	278.3	504.1
UTHSC-San Antonio	18.1	7.3	158.8	184.3	152.1	336.4
M. D. Anderson	(43.7)	24.4	380.1	360.8	1,347.9	1,708.7
UTHSC-Tyler	15.6	0.7	13.0	29.3	29.3	58.5

Appendix D - Calculation of Annual Operating Margin
Academic Institutions
As of August 31, 2010
(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: AUF Transfer	Plus: NSERB	Plus: Texas Enterprise Fund	Plus: HEAF for Op. Exp.	Plus: Interest Expense	Annual Operating Margin
UT Arlington	$ 38.0	-	(0.3)	0.2	3.9	34.2	-	-	-	-	-	(8.0)	26.2
UT Austin	165.6	10.4	(0.5)	(7.1)	212.2	(49.3)	(0.4)	246.8	-	-	-	(39.4)	158.4
UT Brownsville	6.6	-	-	(0.1)	2.1	4.6	-	-	-	-	2.9	(1.6)	5.9
UT Dallas	33.5	0.1	-	(0.7)	20.6	13.5	1.8	-	6.5	2.4	-	(8.6)	12.0
UT El Paso	41.0	-	-	0.1	14.8	26.1	(0.1)	-	-	-	-	(5.4)	20.9
UT Pan American	15.4	0.1	(0.2)	(0.1)	5.4	10.2	-	-	-	-	2.8	(4.0)	8.9
UT Permian Basin	14.9	-	-	-	2.6	12.3	-	-	-	-	-	(1.8)	10.5
UT San Antonio	49.7	-	(0.1)	(0.2)	17.7	32.3	-	-	-	-	-	(15.4)	17.0
UT Tyler	12.1	-	(0.1)	-	6.5	5.8	-	-	-	-	-	(3.2)	2.7

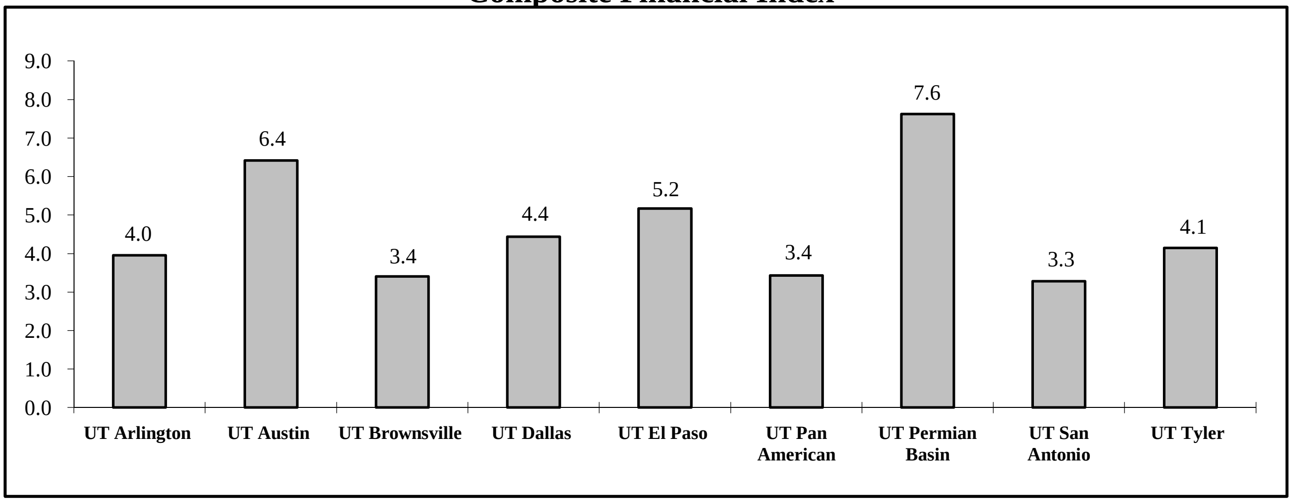
Appendix D - Calculation of Annual Operating Margin
Health Institutions
As of August 31, 2010
(In Millions)

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: Exclude NETnet Depr. Exp.	Plus: RAHC Transfer	Minus: Ike Funding*	Plus: Interest Expense	Annual Operating Margin
Southwestern	$ 252.2	0.6	(0.7)	(2.7)	101.3	153.8	(0.3)	-	-	-	(22.5)	131.6
UTMB	129.8	2.5	-	(1.0)	36.3	91.9	0.3	-	-	(47.0)	(7.3)	37.4
UTHSC-Houston	44.1	(0.5)	-	(0.3)	31.6	13.3	0.4	-	0.6	-	(9.2)	4.2
UTHSC-San Antonio	56.9	-	-	(0.5)	39.5	17.9	(0.1)	-	0.6	-	(8.8)	9.8
M. D. Anderson	488.2	0.1	-	(0.1)	107.8	380.3	(0.1)	-	-	-	(29.9)	350.5
UTHSC-Tyler	6.3	-	-	-	4.1	2.2	-	0.4	-	-	(0.7)	1.9

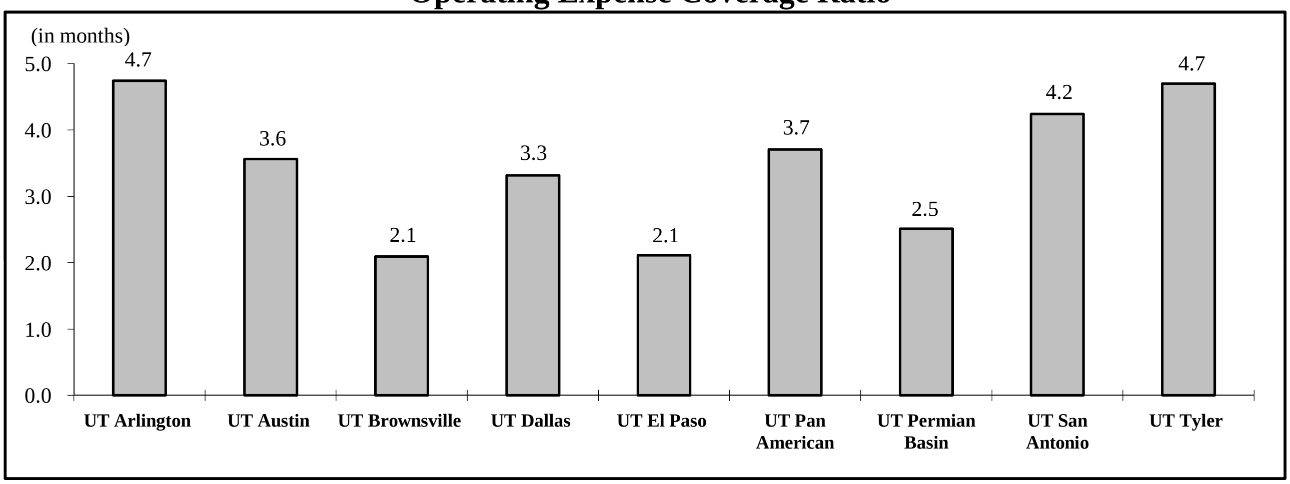
*UTMB was appropriated $150 million in FEMA State Matching funds that was recognized in general revenue in 2009 and was excluded from the Annual Operating Margin calculation in 2009. In 2010, UTMB spent $4.1 million of the FEMA State Matching funds of which $1.5 million was operating in nature; therefore, UTMB's Annual Operating Margin for 2010 was adjusted to include the $1.5 million. UTMB also received $97 million of additional general revenue in 2010 for recovery from Hurricane *Ike*. To more appropriately match revenues with expenses, this additional appropriation will be spread evenly in 2010 and 2011. Thus, $48.5 million was excluded from the Annual Operating Margin for 2010.

Appendix E - Academic Institutions' Evaluation Factors
2010 Analysis of Financial Condition

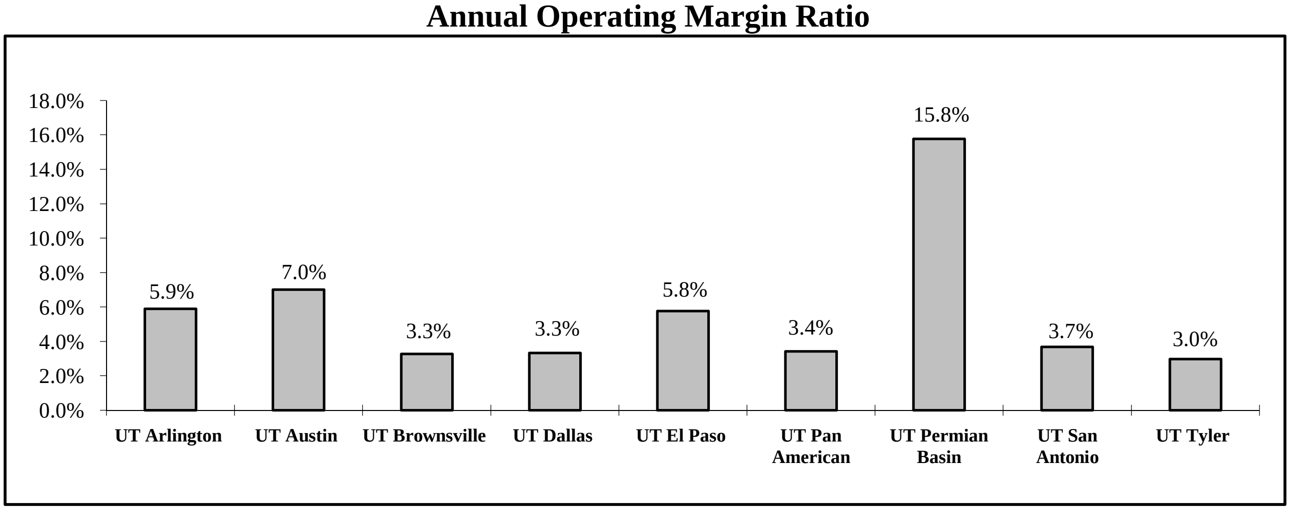
Composite Financial Index



Operating Expense Coverage Ratio

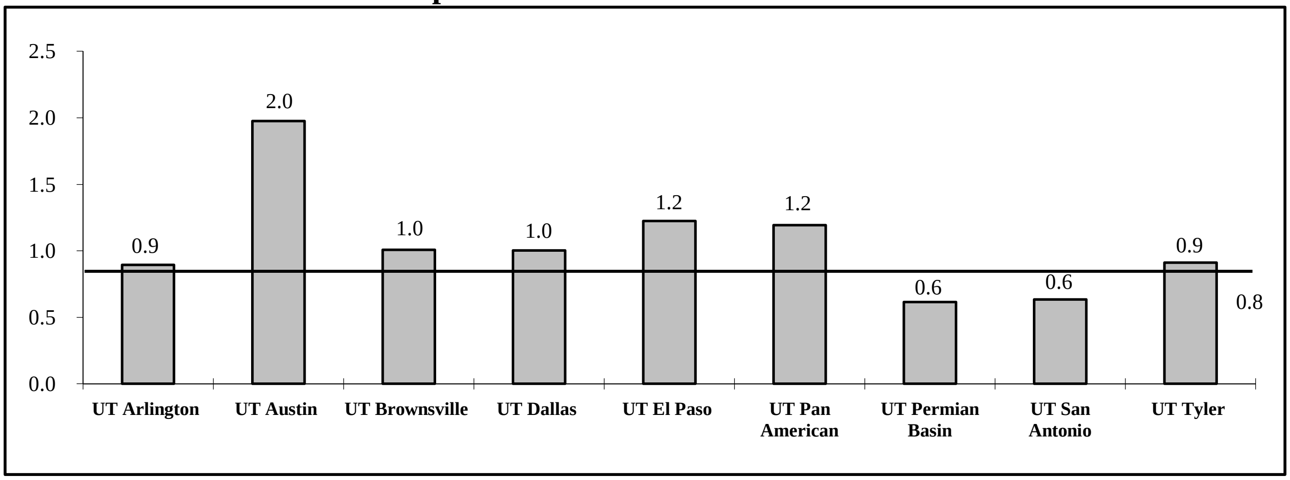


Annual Operating Margin Ratio

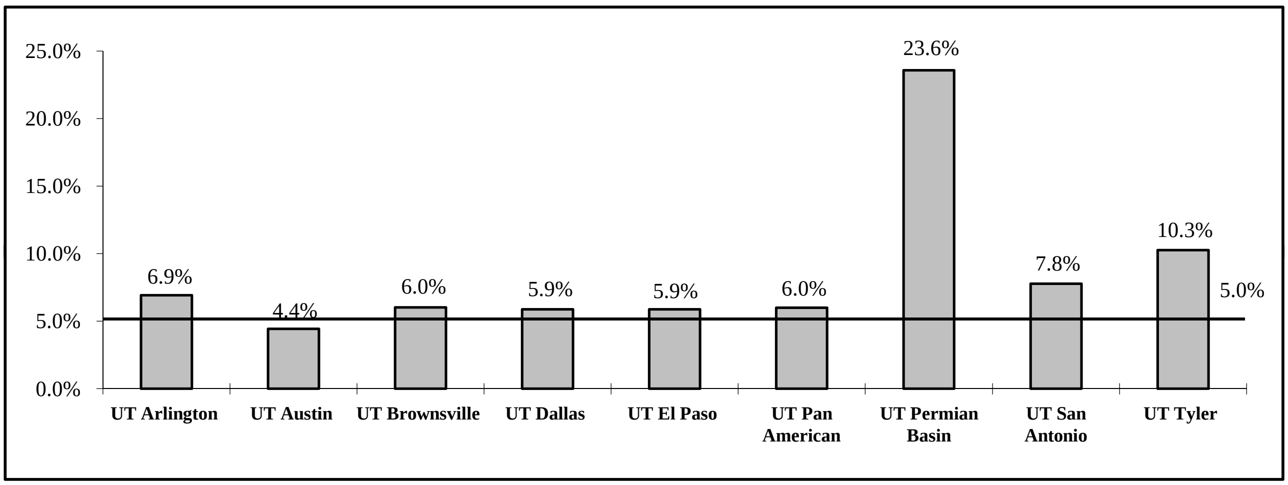


Appendix E - Academic Institutions' Evaluation Factors
2010 Analysis of Financial Condition

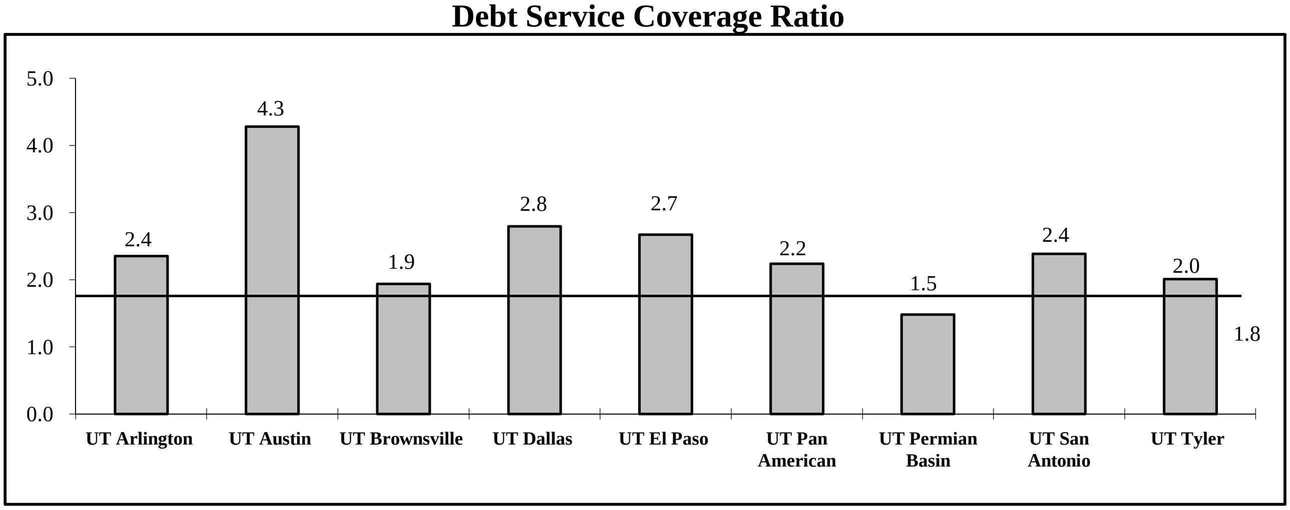
Expendable Resources to Debt Ratio



Debt Burden Ratio

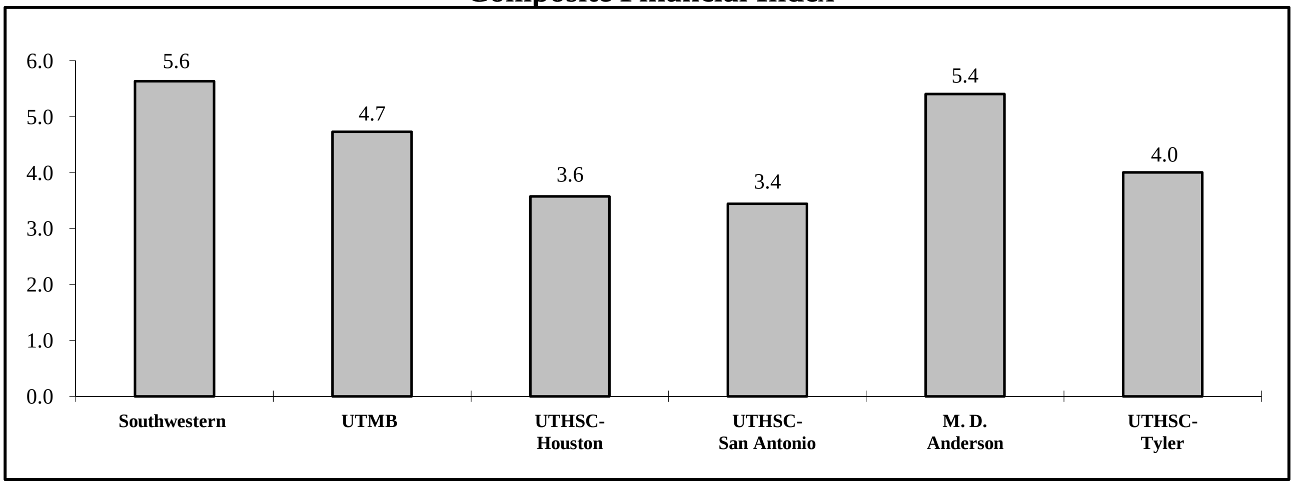


Debt Service Coverage Ratio

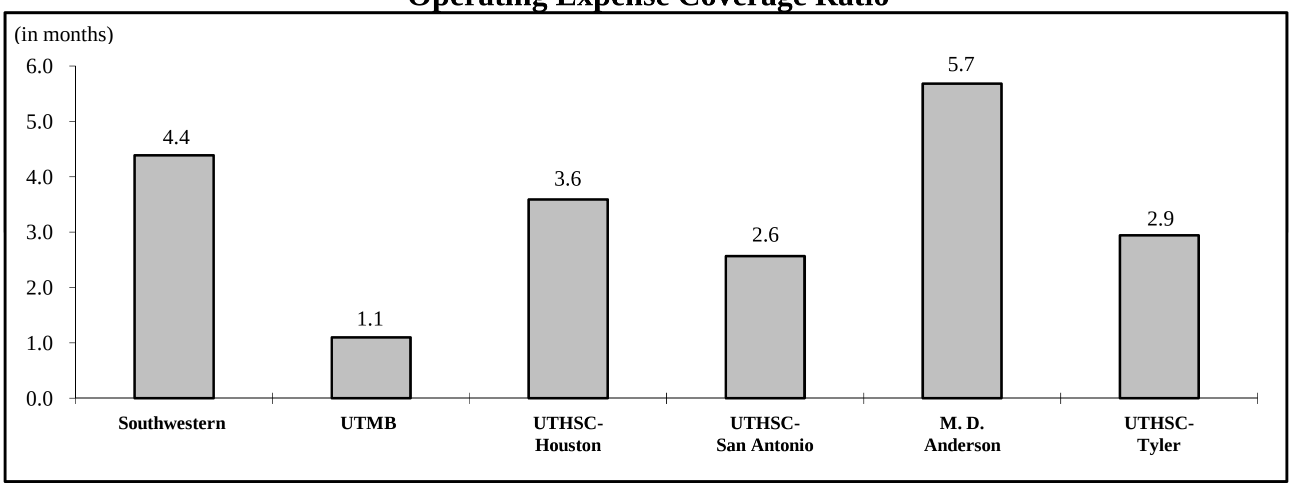


Appendix E - Health Institutions' Evaluation Factors
2010 Analysis of Financial Condition

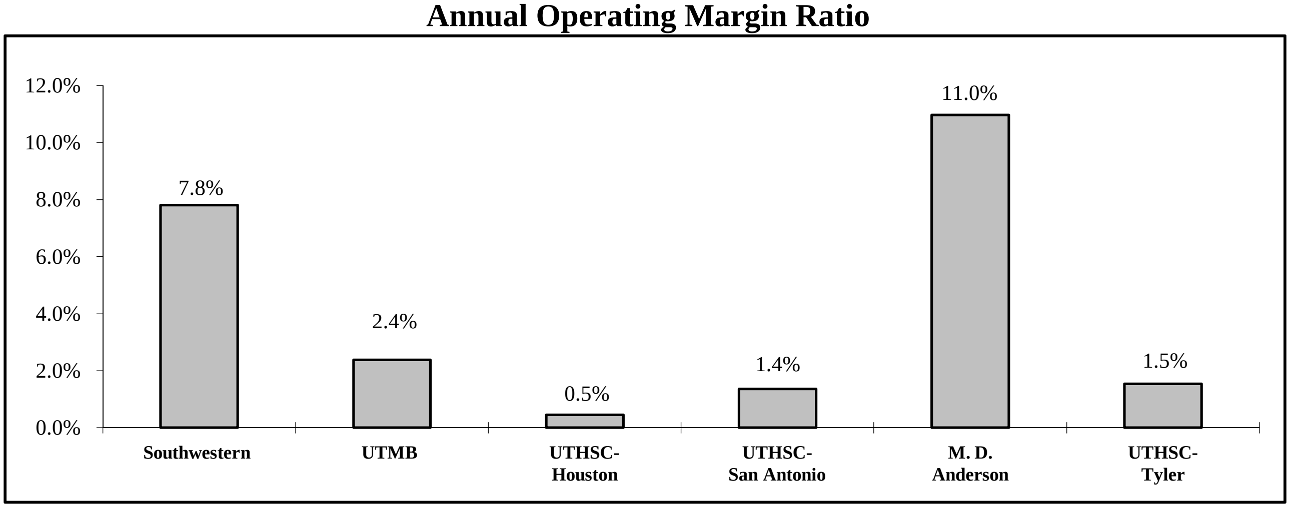
Composite Financial Index



Operating Expense Coverage Ratio

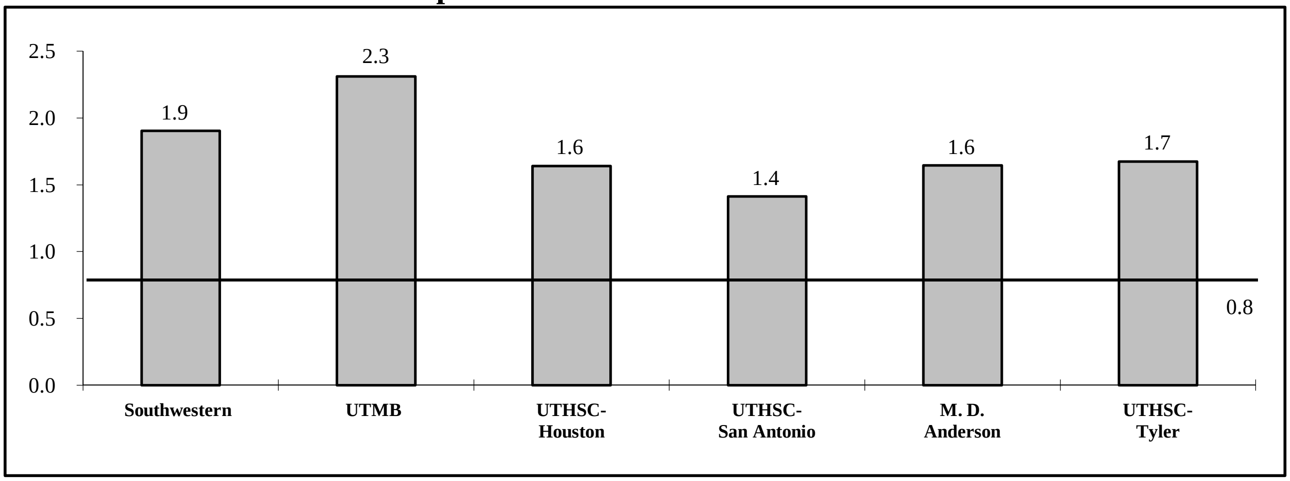


Annual Operating Margin Ratio

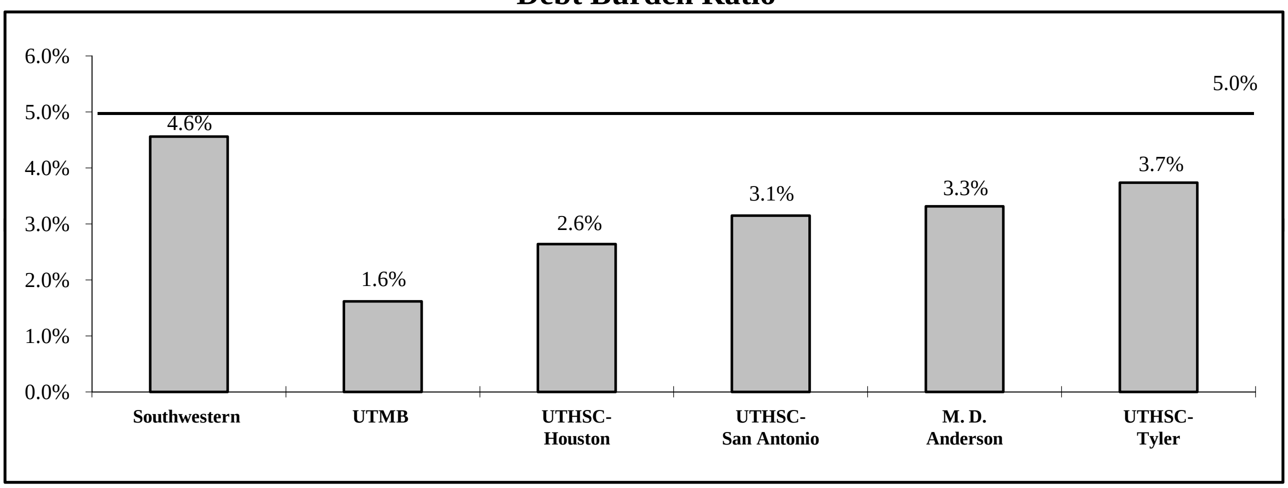


Appendix E - Health Institutions' Evaluation Factors
2010 Analysis of Financial Condition

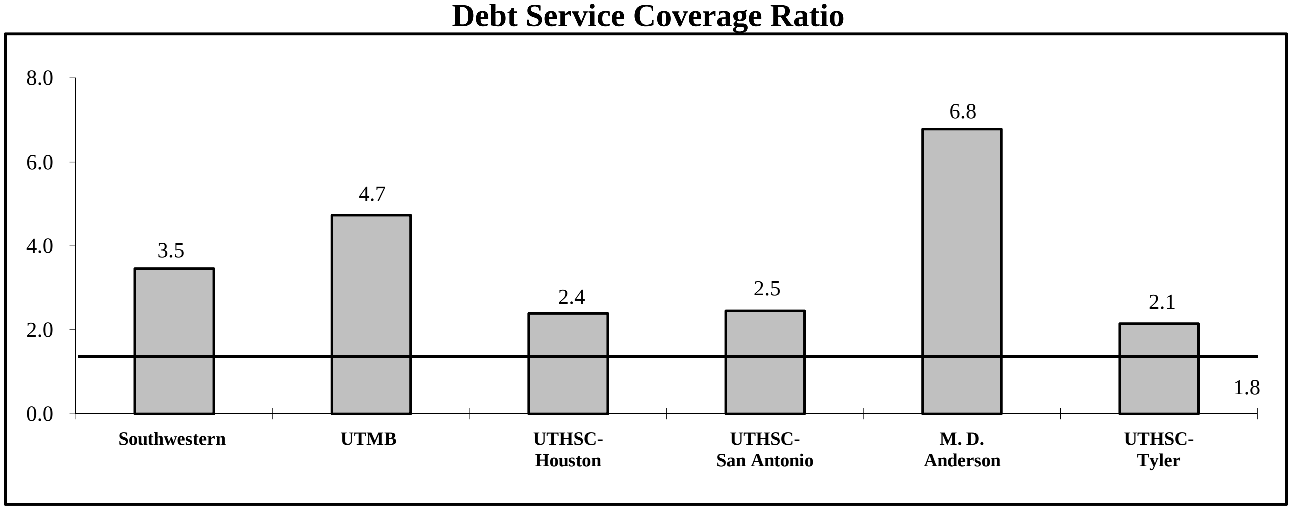
Expendable Resources to Debt Ratio



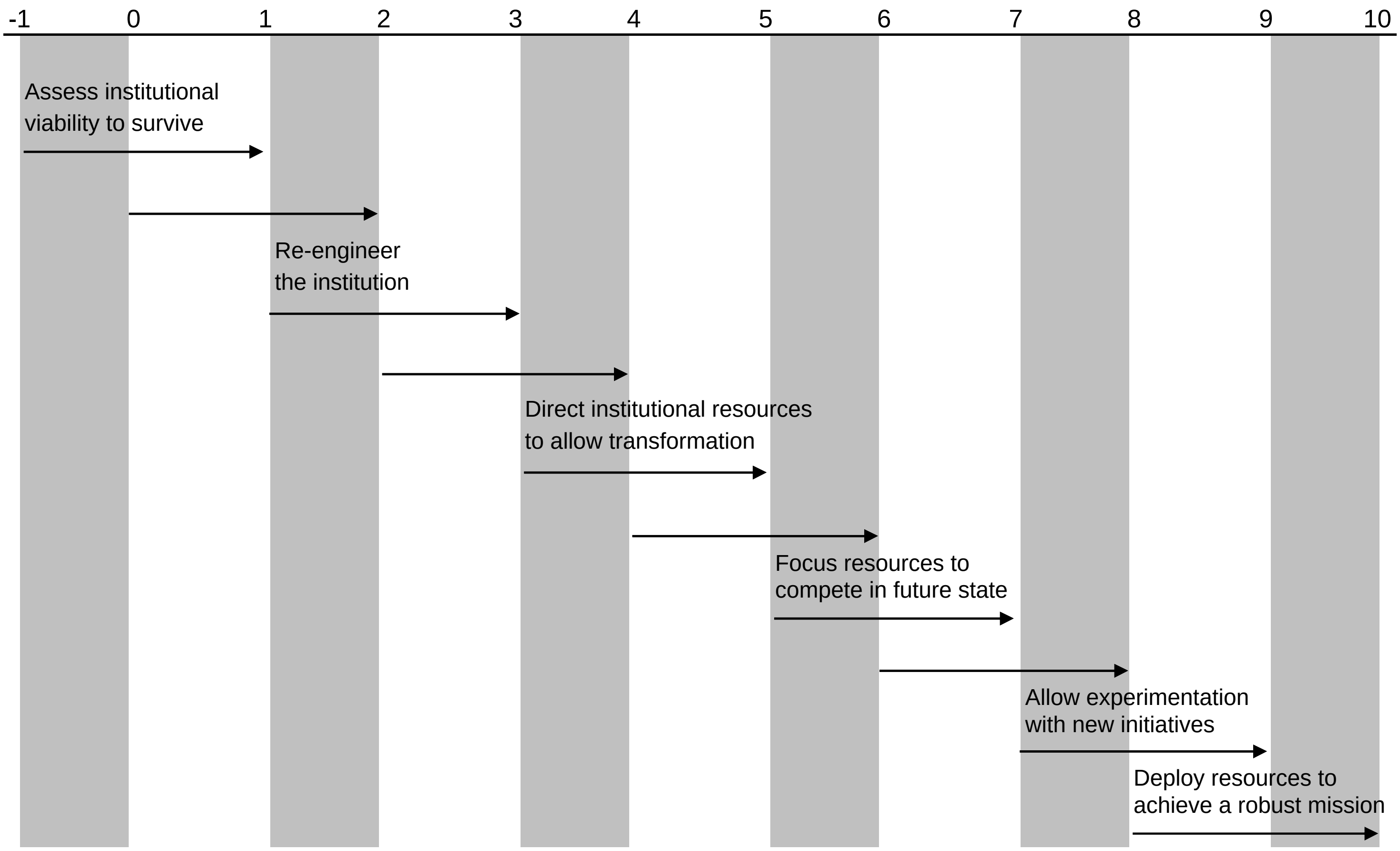
Debt Burden Ratio



Debt Service Coverage Ratio

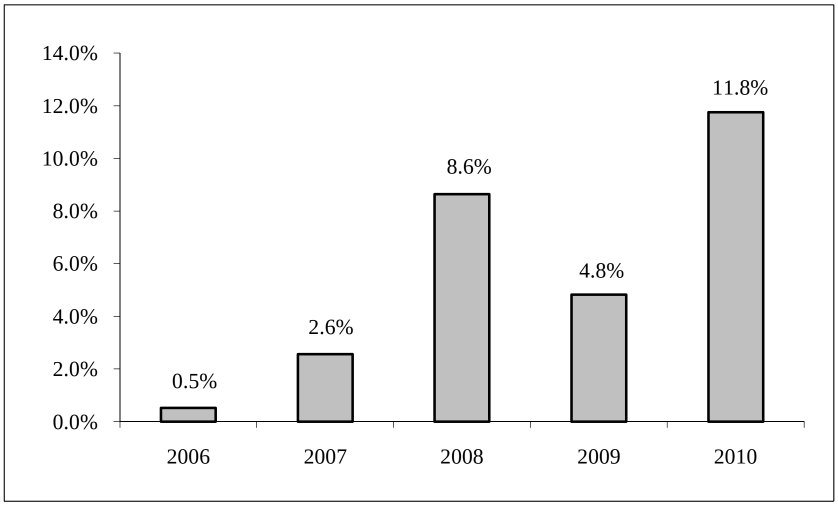


Appendix F - Scale for Charting CFI Performance



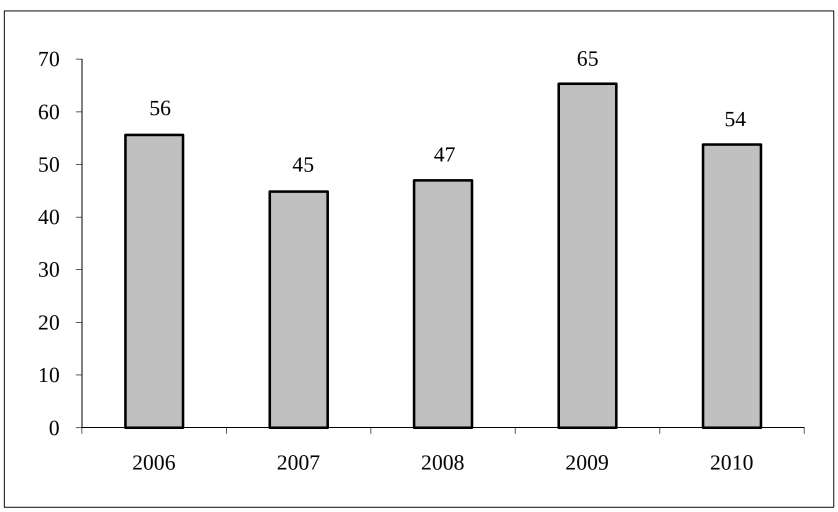
Appendix G - Key Hospital Operating Factors
The University of Texas Southwestern Medical Center at Dallas

Annual Operating Margin Ratio



The annual operating margin ratio increased from 4.8% for 2009 to 11.8% for 2010 due to a 16.6% increase in revenue per patient day, a 51.0% increase in outpatient ancillary revenue resulting from a full year of Simmons Cancer Center operations, an 18.1% increase in hospital outpatient visits, a 20.6% increase in outpatient surgical cases and a 4.7% increase in emergency room visits. In addition, there was a 24.0% increase in 3rd party revenue.

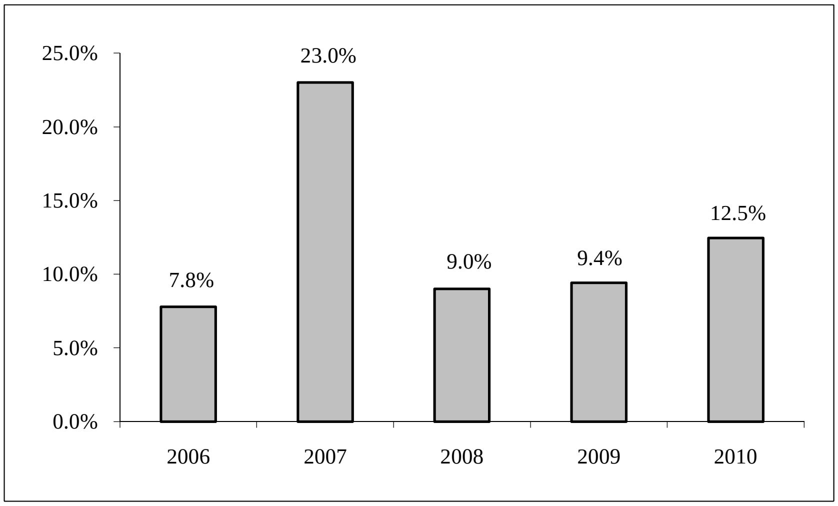
Net Accounts Receivable (in days)



The net accounts receivable days decreased due to a 23.6% increase in collection rates as compared to 2009. In addition, the transitional billing issues that were experienced during the last quarter of 2009 related to the transfer of the Simmons Cancer Center to hospital based billing were resolved during 2010 resulting in normalized billing and collections.

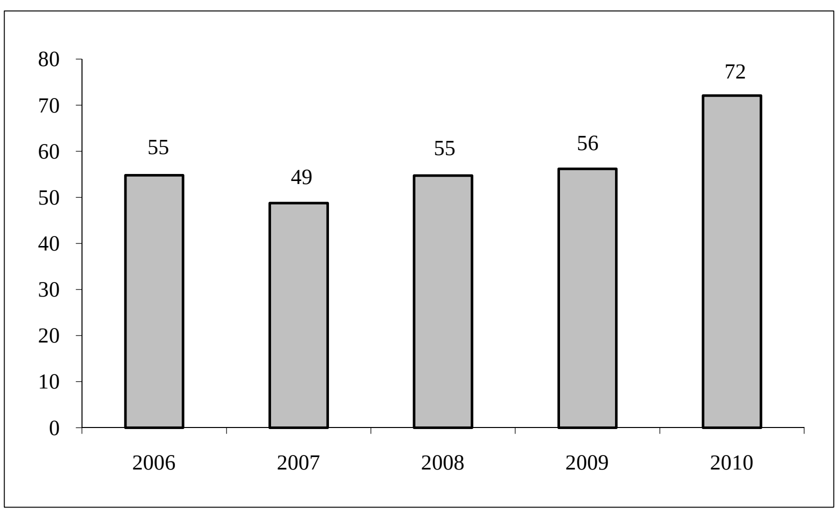
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Southwestern Medical Center at Dallas

Annual Operating Margin Ratio



The annual operating margin ratio increased from 9.4% for 2009 to 12.5% for 2010 as a result of a decrease in total discounts and allowances from 70.5% to 68.5% due to an improved payor mix. Contributing to the decrease in the discounts and allowances was a 22.0% increase in relative value unit (RVU) payments received from affiliated hospitals. The practice plan also experienced only a modest increase in total operating expenses of 1.0%. Southwestern also received a professional liability insurance (PLI) rebate of $3.7 million in 2010 as compared to $1.7 million in 2009, which was an increase of $2.0 million.

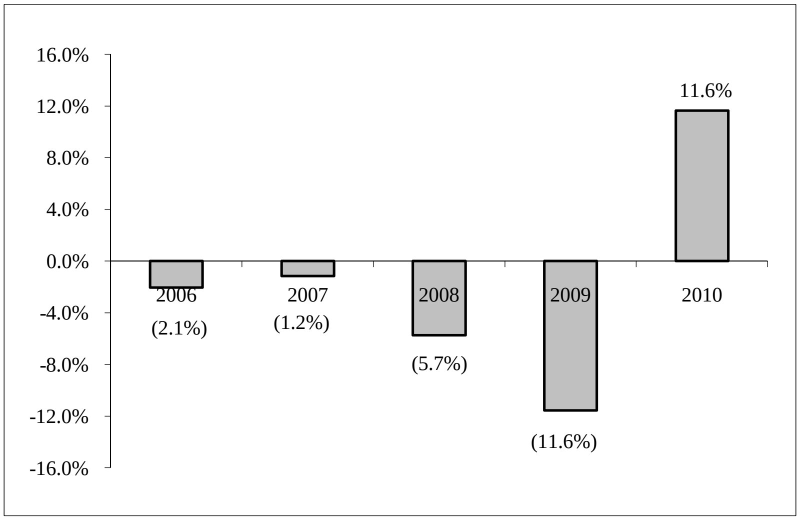
Net Accounts Receivable (in days)



The net accounts receivable days increased due to a reclassification of affiliated hospital RVU billings from local sponsored contractual income to patient accounts receivable. In addition, the allowance and discounts decreased from 70.5% to 68.5% as mentioned above.

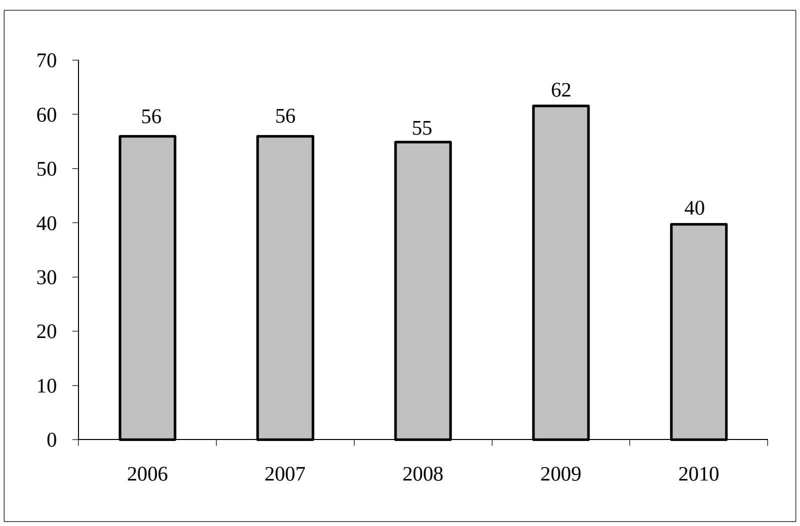
Appendix G - Key Hospital Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



UTMB Hospitals and Clinics' operating margin ratio increased to a profit of 11.6% in 2010. The Hospitals and Clinics experienced an increase in patient volumes and revenue in 2010 as beds reopened and hospital functions were restored following Hurricane *Ike*. Overall, patient volumes increased 14.8%, contributing to a 50% increase in revenue. Expenses increased by 19% between years. With volume increases and implementation of additional expense controls, Hospitals and Clinics have been able to maintain and improve on the positive margin from the last half of 2009.

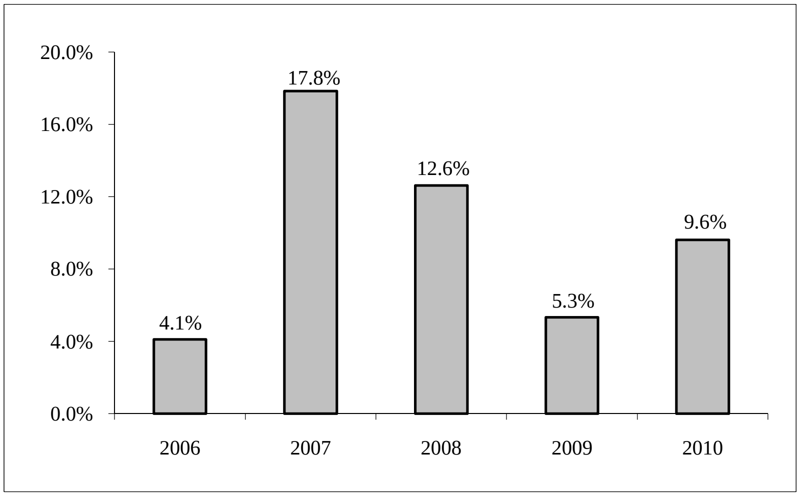
Net Accounts Receivable (in days)



While the net accounts receivable days decreased by 22 days in 2010, the net accounts receivable days in 2009 were distorted by the closure and reopening of the hospital following Hurricane *Ike*. Net accounts receivable days at year-end were 38.9 compared to 2009 days of 48.8, using a last 3 month revenue average (an industry standard calculation). The quality of Hospital and Clinics net accounts receivable remains good, even as volumes have increased.

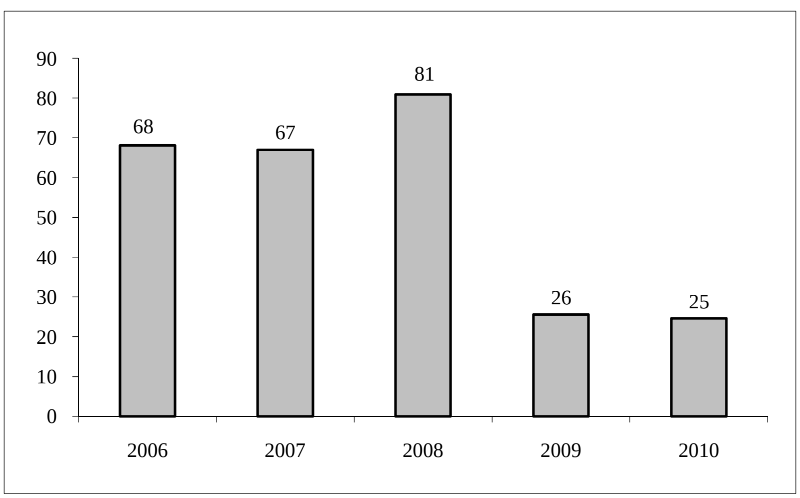
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



The annual operating margin ratio increased from 5.3% for 2009 to 9.6% for 2010. The physician practice plan experienced an increase in patient volumes and revenue in 2010 as beds reopened and hospital functions were restored following Hurricane *Ike*. Additionally, UTMB received a professional liability insurance (PLI) rebate of $8.3 million in 2010, which was $4.8 million more than the PLI rebate received in 2009.

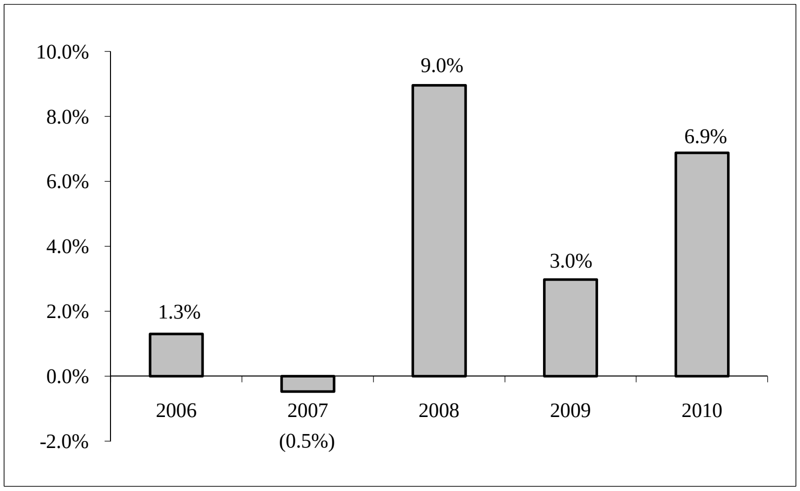
Net Accounts Receivable (in days)



Net accounts receivable in days remained almost unchanged between 2009 and 2010. In 2009 the accounts receivable balance decreased due to a reduction in the patient billing backlog and the correction of the prior years overstatement of patient receivables.

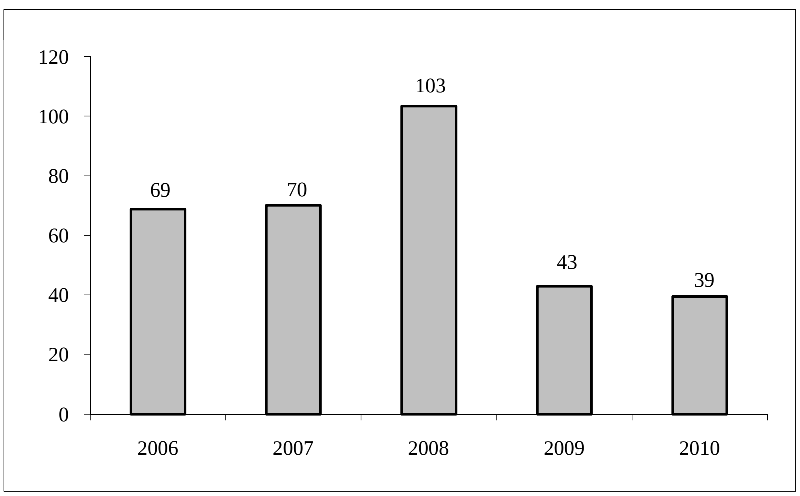
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The annual operating margin ratio increased from 3.0% for 2009 to 6.9% for 2010. Harris County Psychiatric Center (HCPC) received an additional $4.25 million per year for the 2010-2011 biennium to expand the bed capacity for Mental Health and Mental Retardation Authority sponsored patients. HCPC began increasing staff in 2009 in preparation for the increased bed availability at the start of the 2010.

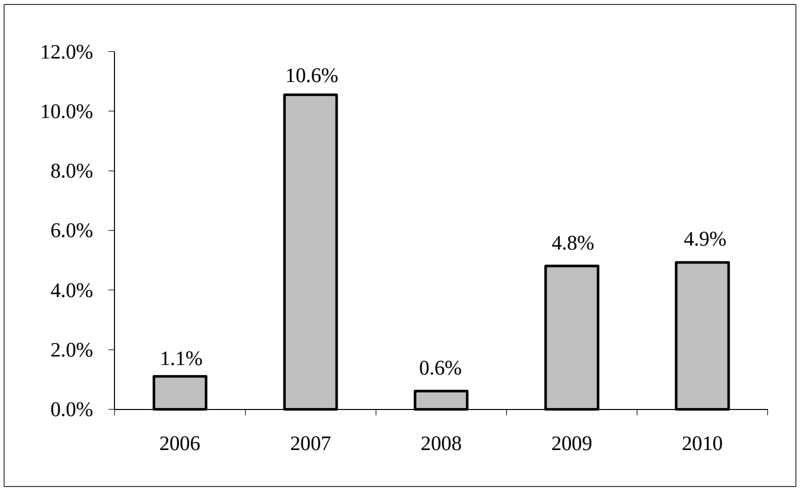
Net Accounts Receivable (in days)



HCPC moved its inpatient billing in-house beginning in 2010 in order to enhance its collection rate. HCPC is methodically reviewing all components of the revenue cycle, and until the process is complete has elected to take a very conservative approach in its accounts receivable valuation, thus driving net accounts receivable down.

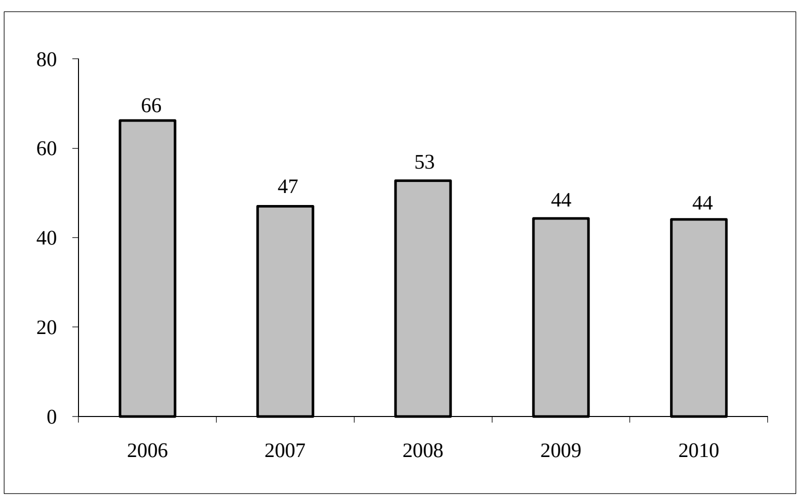
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



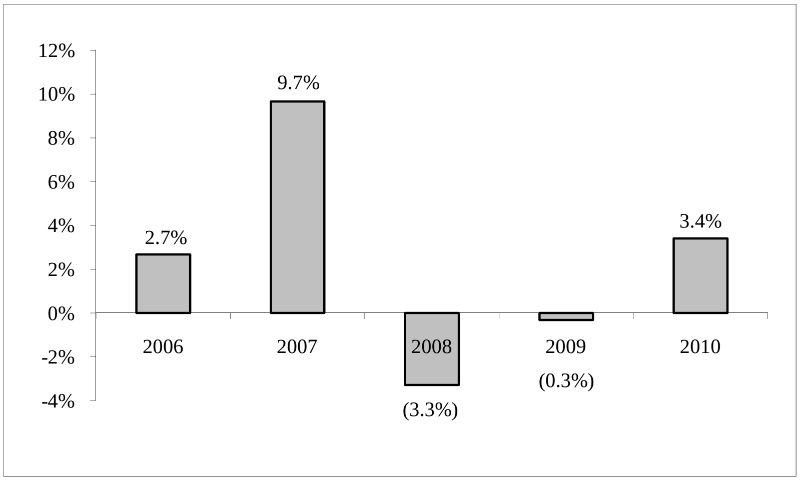
The annual operating margin ratio increased slightly from 4.8% for 2009 to 4.9% for 2010. While expenses increased significantly, mainly due to the recruitment of faculty, physician assistants, and nurse practitioners, revenues also followed a similar trend. Patient revenue increased 12% primarily due to the faculty recruitment, but also as a result of improved collection efforts. Contractual revenue increased 15% mostly due to improved contractual terms and an increase in services provided at Memorial Hermann Hospital and at the Harris County Hospital District. Investment income more than doubled due to improved interest rates and increased balances. Additionally, UTHSC-Houston received a professional liability insurance (PLI) rebate of $1.5 million in 2010 as compared to $0.8 million in 2009, which was an increase of $0.7 million.

Net Accounts Receivable (in days)



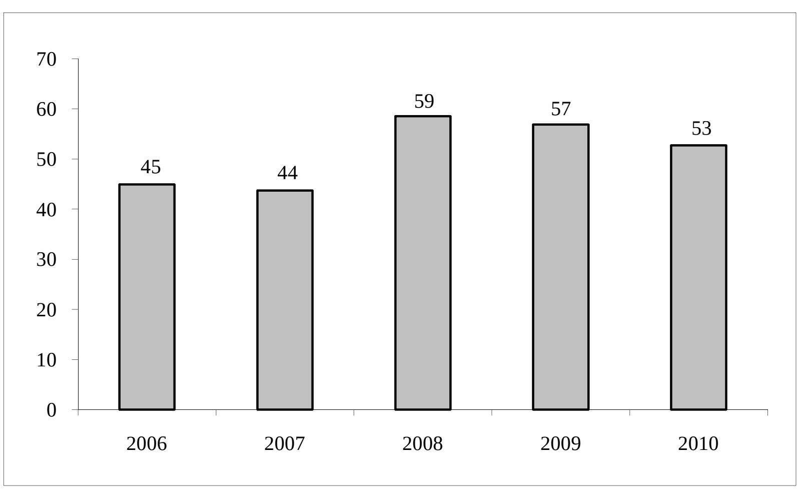
The net accounts receivable days remained unchanged between 2009 and 2010. Though the payor mix declined over the last few years, efforts to improve the collection rate have offset this trend during the past fiscal year.

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 annual operating margin ratio was primarily attributable to enhanced revenues stemming from increased services provided through the Medical Arts and Research Center (MARC), which opened in the fall of 2009. The margin also improved due to cost containment efforts. Contract and clinical revenues from University Hospital System and CTRC increased by $19.5 million while overall operating expenses increased by only $11.2 million. In addition, UTHSC-San Antonio received a professional liability insurance (PLI) rebate of $5.0 million in 2010 which was $3.5 million higher than 2009. UTHSC-San Antonio continues to reinvest incremental revenues towards recruitment efforts, addressing faculty compensation issues, and expanding programs and departments. Investments made in 2010 included start-up costs associated with the MARC and the recruitment of a new dean of the School of Medicine. These investments are anticipated to continue to increase future operations.

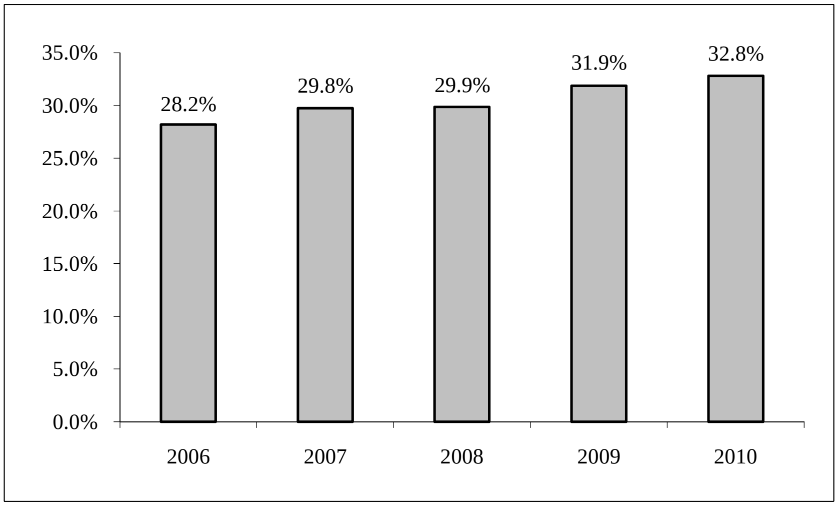
Net Accounts Receivable (in days)



The decrease in days outstanding of net receivables was attributable to more aggressive tactics implemented by UT Medicine-San Antonio that served to accelerate the identification of bad debts during the collection cycle. Since the prior year, management entered into new collection and pre-collection agency contracts and also accelerated the write-off of accounts to bad debt from 150 days to 120 days.

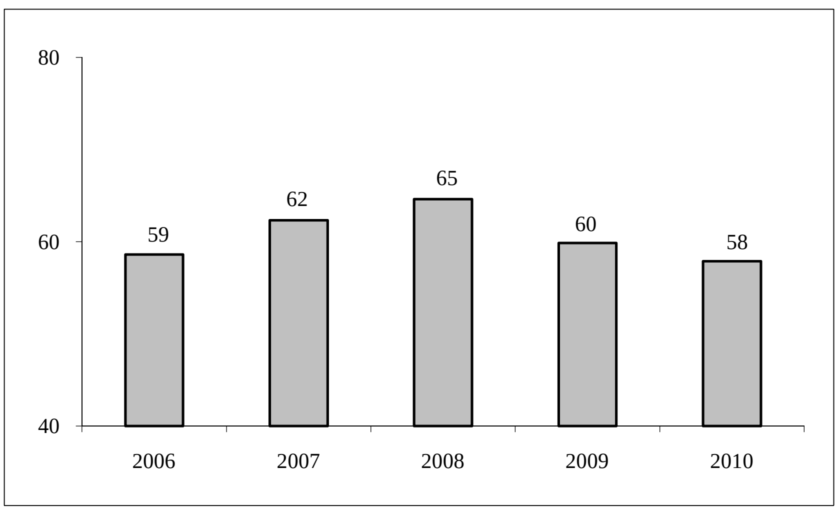
Appendix G - Key Hospital Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The increase in the annual operating margin ratio was directly related to increased patient volumes, as well as continued efforts to keep the growth in operating expenses from exceeding the growth in operating revenues.

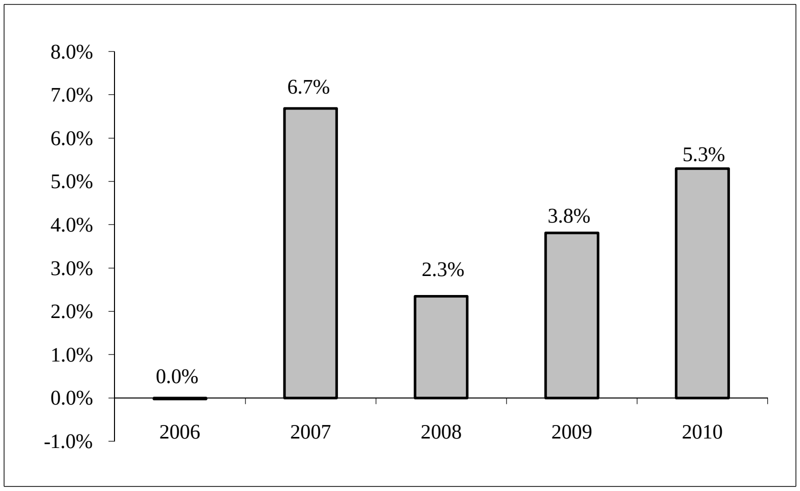
Net Accounts Receivable (in days)



The continued reduction in net accounts receivable days for 2010 was directly attributable to sustained 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.

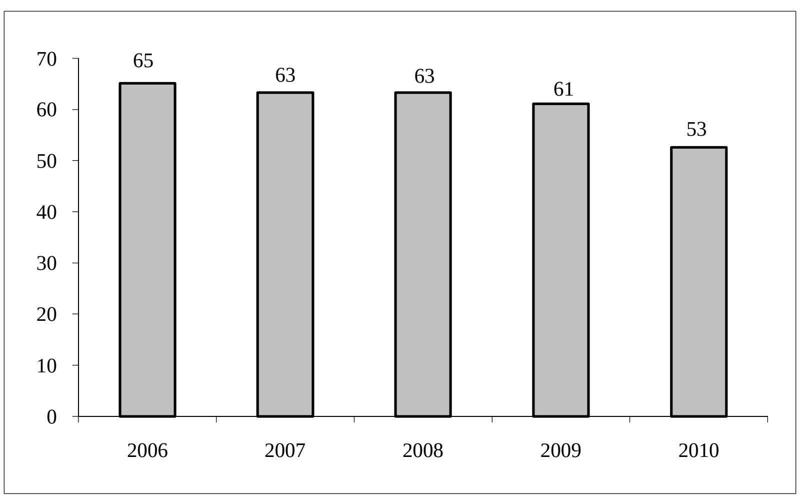
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The annual operating margin ratio increased from 3.8% for 2009 to 5.3% for 2010. The increase in this ratio was attributable to an overall increase in patient activity and volumes from 2009, as well as maintaining a slower growth rate in expenses due to the economic downturn. In addition, M. D. Anderson received a professional liability insurance (PLI) rebate of $3.2 million in 2010 as compared to $1.8 million in 2009.

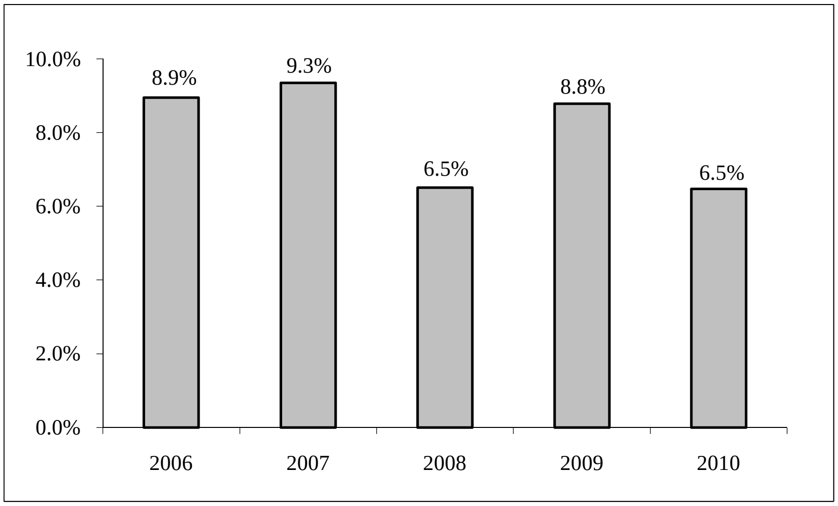
Net Accounts Receivable (in days)



Days in net accounts receivable decreased between 2009 and 2010 from 61 days to 53 days due to sustained 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, as well as record collections in 2010.

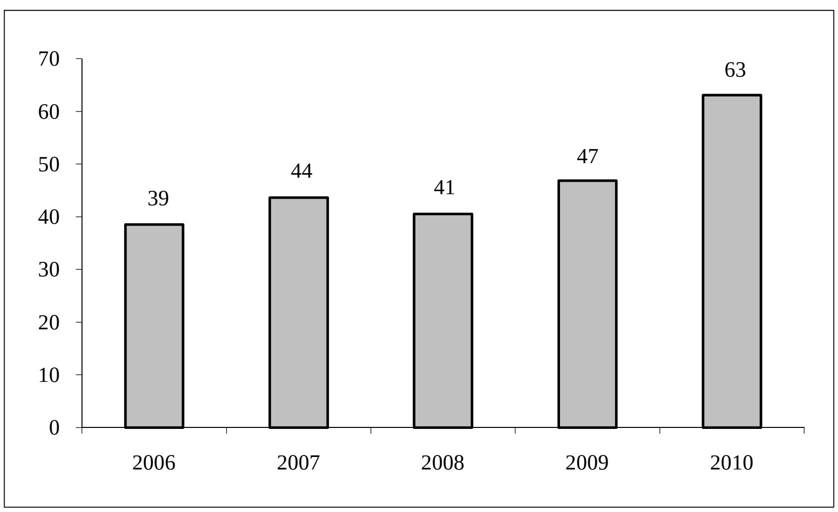
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The annual operating margin ratio decreased from 8.8% for 2009 to 6.5% for 2010. The decrease in this ratio was due to the absence of UTMB's CMC patients during 2010. All inpatient and outpatient volumes during 2010 were similar to 2008 volumes.

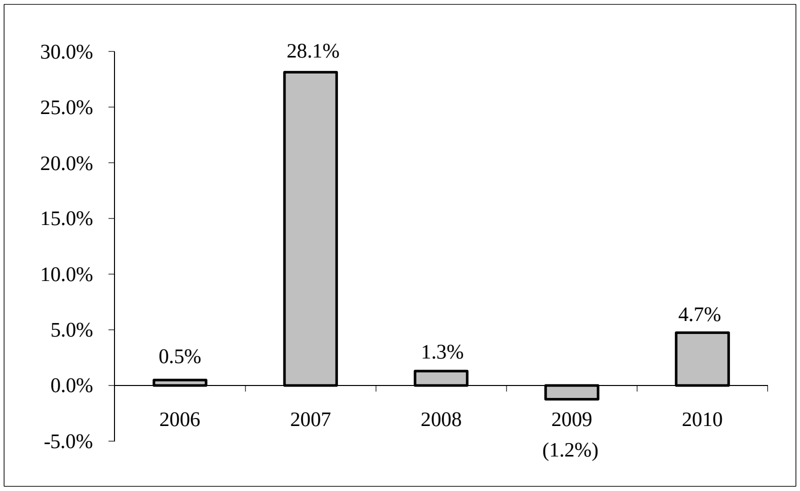
Net Accounts Receivable (in days)



The accounts receivable balances that were greater than 90 days old were reduced during the year by 40%. Additionally, bad debt expense was reduced by 20% from the previous year. These two factors resulted in decreased reserves and a higher net accounts receivable balance. Self-pay accounts receivable balances also decreased by 31% during the year. All of these reductions were a result of contracting with a new extended business office vendor and new self-pay collection agencies.

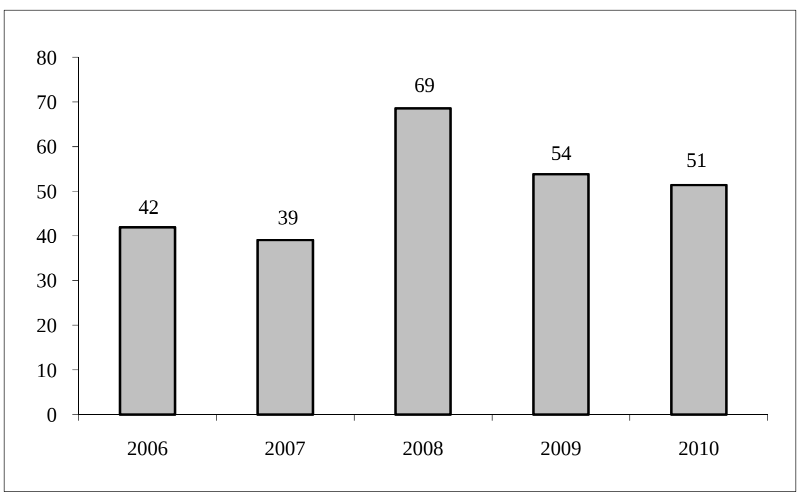
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The annual operating margin ratio increased from (1.2%) for 2009 to 4.7% for 2010 due to a decrease of $0.9 million in purchased services expense. The decrease in expenses was due to the lack of UTMB's CMC patients and the associated expenses. Although gross revenues decreased due to the loss of UTMB's CMC patients, the practice plan achieved higher collection percentages from the Medicare patients, which resulted in proportionally higher net revenues. UTHSC-Tyler received a professional liability insurance (PLI) rebate of $0.5 million in 2010, which was slightly higher than the PLI rebate received in 2009 of $0.2 million.

Net Accounts Receivable (in days)



Self-pay accounts receivable balances increased by 13.5% during 2010. As a result, accounts receivable balances that were greater than 90 days old increased by 25% during 2010. Therefore, greater reserves were needed and the net accounts receivable in days decreased.

4. <u>U. T. System: Approval of additional aggregate amount of $9,558,000 of Revenue Financing System Equipment Financing for Fiscal Year 2011 and resolution regarding parity debt</u>

RECOMMENDATION

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

a. approve an additional aggregate amount of $9,558,000 of Revenue Financing System Equipment Financing for Fiscal Year 2011 as allocated to those U. T. System institutions set out on Page 179; and

b. 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 cost of equipment including costs incurred 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;
- the U. T. System institutions and U. T. System Administration, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their 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 $9,558,000 for the purchase of equipment; and
- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Regulations that evidences the U. T. System Board of Regents' intention to reimburse project expenditures with bond proceeds.

BACKGROUND INFORMATION

On April 14, 1994, the U. T. System Board of Regents approved the use of Revenue Financing System debt for equipment purchases in accordance with the Guidelines

Governing Administration of the Revenue Financing System. Equipment financing is used for the purchase of equipment in lieu of more costly vendor financing. The Guidelines specify that the equipment to be financed must have a useful life of at least three years. The debt is amortized twice a year with full amortization not to exceed 10 years.

On August 11, 2010, the U. T. System Board of Regents approved $157,373,000 for equipment financing in Fiscal Year 2011. This agenda item requests approval of an additional aggregate amount of $9,558,000 for equipment financing for Fiscal Year 2011.

Further details on the equipment to be financed and debt service coverage ratios for individual institutions can be found on Page 179.

APPROVAL OF U. T. SYSTEM EQUIPMENT FINANCING
FY 2011 (February)

Institution	$ Amount of Request	Description of Equipment Purchases	DSC*
U. T. Dallas	$2,000,000	PeopleSoft ERP implementation	2.3x
U. T. El Paso	1,118,000	PeopleSoft ERP implementation, vehicle replacement, office equipment	2.1x
U. T. San Antonio	2,440,000	PeopleSoft ERP implementation	1.9x
U. T. Health Science Center - Tyler	4,000,000	Clinical and laboratory equipment	1.8x
Total	$9,558,000		

* Debt Service Coverage ("DSC") based on six-year forecasted Statement of Revenues, Expenses, and Changes in Net Assets ("SRECNA") for FY2011 – FY2016.

5. **U. T. System Board of Regents: Approval of a new investment strategy for debt proceeds, including amendments to the Separately Invested Funds Investment Policy Statement**

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs recommend that the U. T. System Board of Regents approve a new investment strategy for debt proceeds and proposed amendments to the Separately Invested Funds (SIF) Investment Policy Statement as presented on Pages 182 -189.

BACKGROUND INFORMATION

On July 8, 2005, the U. T. System Board of Regents (Board) authorized the centralized management of U. T. System operating reserves. Pursuant to the policies approved by the Board, debt proceeds are not permitted to be invested in the Intermediate Term Fund (ITF) due to the risk of loss of principal. Therefore, debt proceeds are invested in the Short Term Fund (STF). The STF is 100% invested in the Dreyfus Institutional Preferred Money Market Fund, a low-cost, AAA-rated, institutional money market fund that provides daily liquidity. The current annualized yield of the STF is 0.23%.

The U. T. System Office of Finance manages one of the largest municipal debt portfolios in the world and currently has $1.1 billion of debt proceeds on hand. All of the debt proceeds are invested in the STF and are scheduled to be spent for capital construction over the next several years. The U. T. System Office of Finance recommends that a portion of the debt proceeds be invested in U.S. Treasury and Agency securities with a longer time horizon. This change in strategy will result in a higher than expected investment return and diversification away from a single money market fund, while maintaining adequate protection of principal and liquidity.

U. T. System staff have collaborated with The University of Texas Investment Management Company (UTIMCO) staff for the purposes of creating a laddered Treasury and Agency investment portfolio. The laddered portfolio will be invested by UTIMCO's internal portfolio managers and UTIMCO's back office staff will provide the accounting services. The SIF Investment Policy Statement will need to be amended to allow for the investment of these funds by UTIMCO and to provide appropriate investment guidelines for the funds. The amendments to the SIF Investment Policy Statement have previously been approved by the UTIMCO Board.

Mr. Philip Aldridge, Vice Chancellor for Finance and Business Development, will discuss the investment of U. T. System Debt Proceeds using the PowerPoint presentation on Pages 190 - 194.

Upon Board approval, the Investment Policy Statement for the SIF will be amended effective March 1, 2011, to allow for the investment of U. T. System debt proceeds. A summary of the proposed amendments is as follows:

- Page 1, Purpose: added debt proceeds as Accounts that are subject to this policy.

- Page 1, Investment Management, last paragraph: changed to reference the possibility of restrictions on the investment of the Debt Proceeds Accounts and Other Accounts.

- Page 2, Investment Objectives: added the investment objective for the debt proceeds.

- Page 3, Other Accounts: changed to state that these accounts do not include Debt Proceeds Accounts.

- Page 3, Asset Class Allocation, second paragraph: changed to recognize the possibility of restrictions on the investment of the Accounts.

- Page 4, Asset Class Allocation Policy: language changed from “other Account” to “trust” document and “trust or endowment” deleted so as to include Debt Proceeds Accounts; also amended to add that Asset Class allocation policy and ranges for the Debt Proceeds and other Accounts will be determined by the terms and conditions of any applicable documents.

- Page 5, Investment Grade Fixed Income: “Taxable Municipal securities” changed to “Municipal securities.”

- Page 6, Real Estate, Natural resources, last paragraph: changed to allow for “other controlling” document to limit the Account’s allowable investments.

- Page 7, Distributions, “to the beneficiaries” deleted.

- Page 8, Effective Date; changed to March 1, 2011.

THE UNIVERSITY OF TEXAS SYSTEM
SEPARATELY INVESTED FUNDS INVESTMENT POLICY STATEMENT

Purpose

The Separately Invested Funds (the "Accounts") include the Endowment, Trust, Debt Proceeds, and Other Accounts established in the name of the Board of Regents of The University of Texas System (the "Board of Regents"), ~~as trustee,~~ and are Accounts which are not solely invested in one of the pooled investment vehicles. These Accounts are not invested in the pooled investment vehicle because: a) they are charitable trusts; b) of investment restrictions incorporated into the trust/endowment document; c) of the inability to sell the gifted investment asset; d) they are assets being migrated upon liquidation into a pooled investment vehicle; e) they are debt proceeds with a short-intermediate investment horizon; or ~~e~~f) they are assets held by The University of Texas Investment Management Company ("UTIMCO") at the request of a University of Texas System institution for which UTIMCO does not have investment discretion (for example, tech stock). This policy covers the Accounts collectively. However, specific guidelines are applied to each individual account. Specific Account restrictions may not fall within the guidelines established in this policy.

Investment Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the Accounts.

Ultimate fiduciary responsibility for the Accounts rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents. The applicable trust/endowment document will apply to the management of each trust or endowment. The restrictions set forth in this policy and in any separate writing applicable to the Debt Proceeds Accounts and the Other Accounts will apply to the management of those Accounts.

Pursuant to an Investment Management Services Agreement between the Board of Regents and UTIMCO, the assets for the Accounts shall be managed by UTIMCO, which shall: a) recommend investment policy for the Accounts, b) determine specific Asset Class allocation targets, ranges and performance benchmarks consistent with the Accounts objectives, and if appropriate c) monitor the Accounts' performance against Accounts objectives. UTIMCO shall invest the Accounts' assets in conformity with this Policy Statement.

UTIMCO may select and terminate unaffiliated investment managers subject to any limitations stated herein. Managers shall be monitored for performance and adherence to investment disciplines.

Accounts Administration

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of assets in the Accounts shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Investment Objectives

Endowment Accounts - The primary investment objective shall be to invest the Accounts in assets that comply with the terms of the applicable trust/endowment document, taking into consideration the investment time horizon of the Accounts.

Trust Accounts - Trust Accounts are defined as either Foundation Accounts or Charitable Trusts ((Charitable Remainder Unitrusts (CRUT), Charitable Remainder Annuity Trusts (CRAT), Pooled Income Funds (PIF), or Charitable Trusts (CT)). The Board of Regents recognizes that the investment objective of a trust is dependent on the terms and conditions as defined in the trust document of each trust. The conditions that will affect the investment strategy are a) the trust payout provisions; b) the ages of the income beneficiaries; c) the ability to sell the gifted assets that were contributed to the trust; and d) consideration to investment preferences of the income beneficiaries. Taking these conditions into consideration, the fundamental investment objectives of the trust are to generate a low to moderate growth in trust principal and to provide adequate liquidity in order to meet the payout provisions of the trust.

Debt Proceeds Accounts – The primary investment objective shall be safety of principal and ~~to provi~~maintenance of~~de~~ adequate liquidity ~~in order~~sufficient to meet the spend-out schedules of each Account, as provided by the U. T. System Office of Finance. Debt Proceeds Accounts, other than investments in ~~approved money market funds~~ cash as defined in the Liquidity Policy, will be invested in U.S.

government obligations, including obligations of an agency or instrumentality of the United States, taking into consideration the spending needs of the Accounts.

Other Accounts – These are all accounts which are not Endowment Accounts, ~~or~~ Trust Accounts, or Debt Proceeds Accounts that hold assets not invested in one of the pooled investment vehicles. These accounts include agency funds, institution current purpose accounts, and tech stock accounts.

Asset Class Allocation

Asset Class allocation is the primary determinant of the volatility of investment return and subject to the Asset Class allocation ranges specified herein, is the responsibility of UTIMCO. Specific Asset Class allocation positions may be changed from time to time based on the economic and investment outlook.

Unless otherwise restricted herein, ~~T~~the Accounts' assets shall be allocated among the following broad Asset Classes based upon their individual return/risk characteristics and relationships to other Asset Classes:

Asset Classes:

Investment Grade Fixed Income – Investment Grade Fixed Income represents ownership of fixed income instruments, including real and nominal, US and non-US, and across all maturities that are rated investment grade, including cash as defined in the Liquidity Policy.

Credit-Related Fixed Income – Credit-Related Fixed Income represents ownership of fixed income instruments, including real and nominal, US and non-US, and across all maturities that are rated below investment grade.

Natural Resources - Natural Resources represents ownership directly or in securities, the value of which are directly or indirectly tied to natural resources including, but not limited to, energy, metals and minerals, agriculture, livestock, and timber.

Real Estate - Real Estate represents primarily equity ownership in real property including public and private securities.

Developed Country Equity – Developed Country Equity represents ownership in companies domiciled in developed countries as defined by the composition of the MSCI World Index.

Emerging Markets Equity – Emerging Markets Equity represents ownership in companies domiciled in emerging economies as defined by the composition of the MSCI Emerging Markets Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI

Emerging Markets Index qualification status (either through financial or qualitative measures).

In addition, life insurance and variable annuities may be acceptable investments.

Asset Class Allocation Policy

The Asset Class allocation policy and ranges for the Endowment and Trust Accounts are dependent on the terms and conditions of the applicable trust/endowment or trust ~~other Account~~ document. The Asset Class allocation policy and ranges for the Debt Proceeds and Other Accounts will be determined by the terms and conditions of any applicable documents. If possible, the Accounts' assets shall be diversified among different types of assets whose returns are not closely correlated in order to enhance the return/risk profile of the Accounts.

The Board of Regents delegates authority to UTIMCO to establish specific Asset Class allocation targets and ranges for each ~~trust or endowment~~ Account. UTIMCO may establish specific Asset Class allocation targets and ranges for or within the Asset Classes listed above as well as the specific performance benchmarks for each Asset Class.

Performance Measurement

The investment performance of the actively managed Accounts, where cost effective, will be calculated and evaluated quarterly.

Investment Guidelines

The Accounts must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.

- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of SIF assets in such investments.

- All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority to invest in foreign currency denominated securities.

- No securities may be purchased or held which would jeopardize, if applicable, the Account's tax-exempt status.

- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.

- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.

The Account may utilize derivatives only in accordance with the Derivative Investment Policy.

Investment Grade Fixed Income

Permissible securities for investment include the securities within the component categories of the Barclays Aggregate Bond Index (BAGG). These component categories include investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific sub-sectors:

1) Government: Treasury and Agency;
2) Corporate: Industrial, Finance, Utility, and Yankee;
3) Mortgage-backed securities: GNMA, FHLMC, and FNMA;
4) Asset-backed securities;
5) ~~Taxable~~ Municipal securities; and
6) Commercial Mortgage-backed securities.

In addition to the permissible securities listed above, the following securities shall be permissible:

a) Floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the BAGG as issuers of fixed rate securities;
b) Medium term notes issued by investment grade corporations;
c) Zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and
d) Structured notes issued by BAGG qualified entities.

- U.S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB- by Standard & Poor's Corporation, or BBB- or better by Fitch Investors Service at the time of acquisition.

- Not more than 35% of the Account's fixed income portfolio may be invested in non-U.S. dollar bonds. Not more than 15% of the Account's fixed income portfolio may be invested in bonds denominated in any one currency other than U.S. dollar.

- Non-dollar bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio.

- Not more than 7.5% of the Account's fixed income portfolio may be invested in Emerging Market debt.

- International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.

- Permissible securities for investment include Fixed Income Mutual Funds and Debt Index Funds as approved by UTIMCO's Chief Investment Officer.

- Permissible securities for investment include Fixed Income Variable Annuity Contracts as approved by UTIMCO's Chief Investment Officer.

Credit-Related Fixed Income

Not more than 5% of the market value of fixed income securities may be invested in corporate and municipal bonds of a single issuer.

Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity

- Not more than 25% of the market of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost.

- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.

- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

The provisions concerning investment in Investment Grade Fixed Income, Credit-Related Fixed Income, and Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity shall not apply to Accounts when expressly prohibited by the terms and conditions of the applicable trust/endowment, ~~or~~ trust or other controlling document. To the extent determined practical by the U. T. System Office of Development and Gift Planning Services, donor preferences will be considered in determining whether gifts of securities are held or sold.

Distributions

Distributions of income or amounts from the Accounts ~~to the beneficiaries~~ shall be made as soon as practicable, either: a) based on the terms of the applicable trust instrument; b) following the fiscal quarter end for endowments; or c) based on specific requirements for other accounts.

Accounting

The fiscal year of the Accounts shall begin on September 1st and end on August 31st. Trusts will also have a tax year end which may be different than August 31st. Market value of the Accounts shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, industry guidelines, or federal income tax laws, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material.

Valuation of Assets

As of the close of business for each month, UTIMCO shall determine the fair market value of all assets in the Accounts. Such valuation of assets shall be based on the bank trust custody agreement in effect or other external source if not held in the bank custody account at the date of valuation. The final determination of the Accounts net assets for a month end close shall normally be completed within ten business days but determination may be longer under certain circumstances.

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the noncompliant activity within this Policy.

Securities Lending

The Accounts may participate in a securities lending contract with a bank or nonbank security lending agent for purposes of realizing additional income. Loans of securities by the Accounts shall be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to insure compliance with contract provisions.

Investor Responsibility

As a shareholder, the Accounts have the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the Accounts. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the Accounts solely in the interest of the beneficiaries, in compliance with the Proxy Voting Policy then in effect, and shall not invest the Accounts so as to achieve temporal benefits for any purpose, including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

The Board of Regents reserves the right to amend this Policy Statement as it deems necessary or advisable.

Effective Date

The effective date of this policy shall be ~~September~~ March 1~~1~~, ~~2010~~2011.

Investment of U. T. System Debt Proceeds

Philip Aldridge
Vice Chancellor for Finance and Business Development

U. T. System Board of Regents' Meeting
Finance and Planning Committee
February 2011

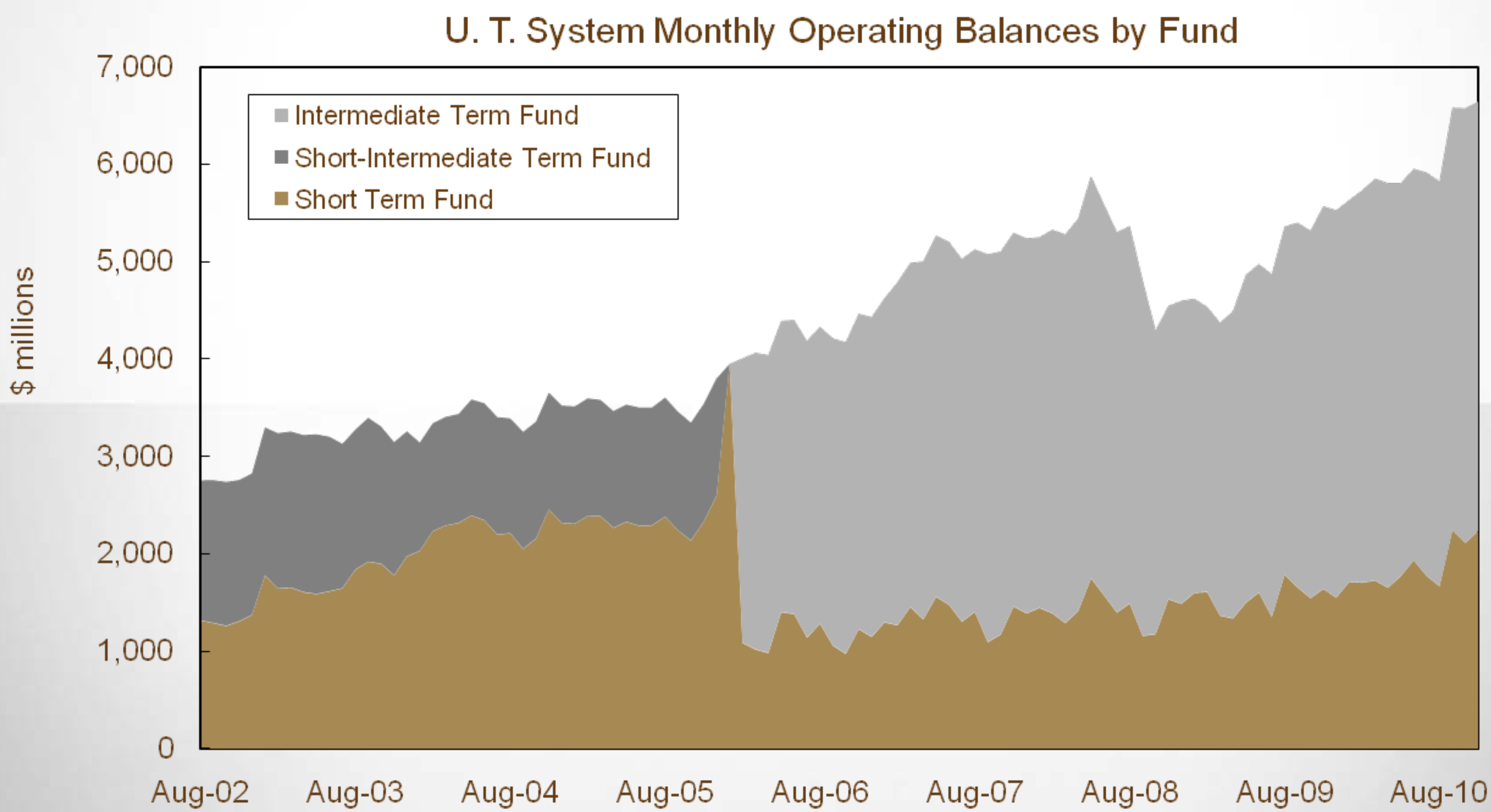
Summary of Proposed Changes to Investment of the System's Debt Proceeds

- Invest a portion of the System's debt proceeds in a ladder of U.S. government securities

- The recommendations are designed to:
  - Improve the expected investment return on debt proceeds
  - Diversify the risk of concentrating the System's liquidity in a single fund
  - Improve asset/liability matching by more closely matching the investment horizon of debt proceeds with the timing of when these funds will be needed
  - Address rating agency concerns regarding the System's self-liquidity support of the System's variable rate debt programs
  - Minimize the amount of excess liquidity maintained by the System

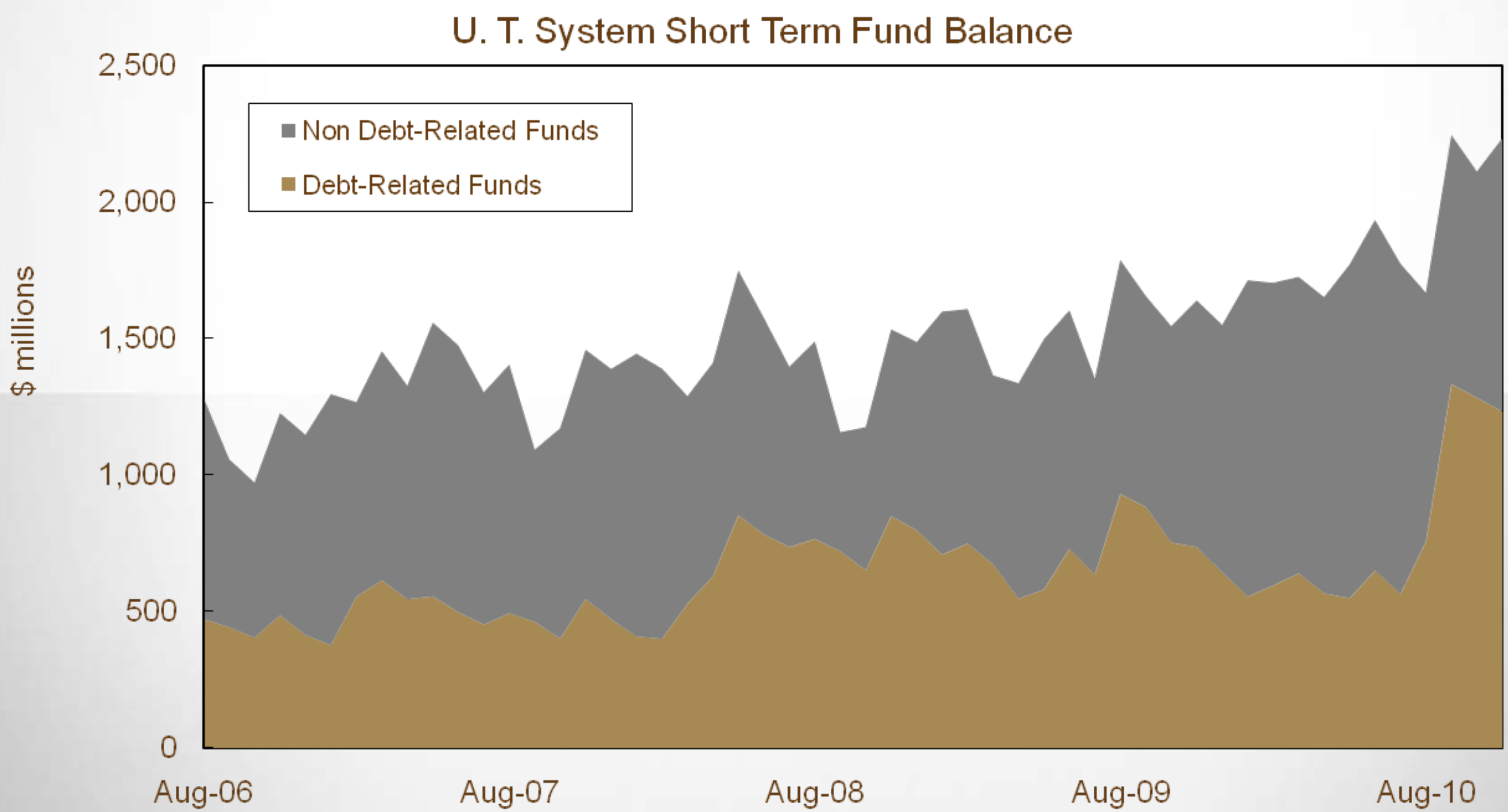
U. T. System Operating Funds

- The U. T. System has significantly reduced the amount of excess liquidity over time resulting in enhanced investment returns



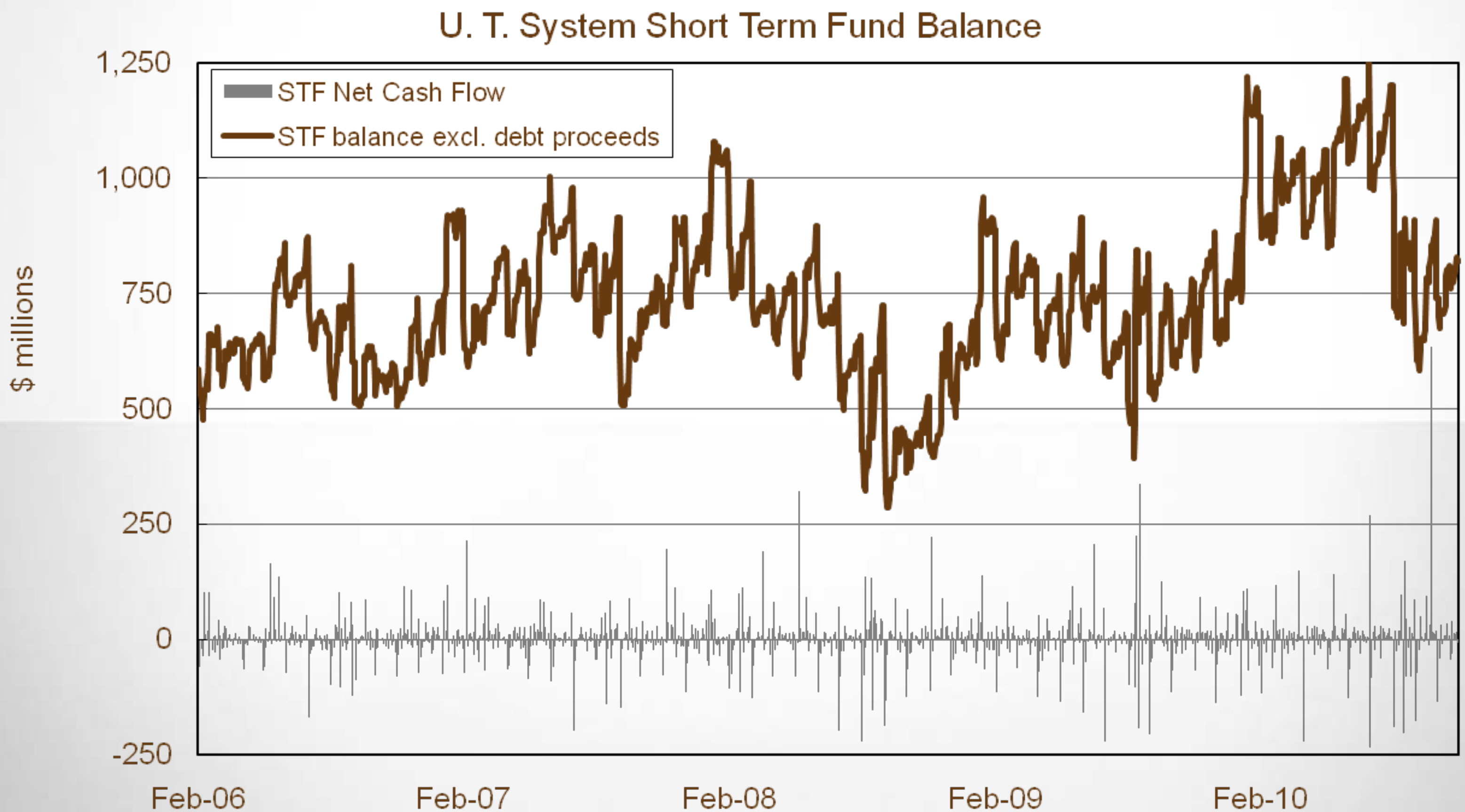
U. T. System Short Term Fund

- A majority of the System's short term investments represent debt proceeds that will be expended over the short-intermediate term on approved capital projects, including the New University Hospital



U. T. System Short Term Fund Net Cash Flows

- Remaining Short Term Fund balances will be more than sufficient to cover largest expected outflows



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6. **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, 2010**

REPORT

The November 30, 2010 UTIMCO Performance Summary Report is attached on Page 196.

The Investment Reports for the quarter ended November 30, 2010, are set forth on Pages 197 - 200.

Item I on Page 197 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 6.78% versus its composite benchmark return of 5.94%. The PUF's net asset value increased during quarter to $11,620 million. The increase was due to $295 million PUF Land receipts, net investment return of $727 million, less the quarterly distribution to the Available University Fund (AUF) of $127 million.

Item II on Page 198 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 6.80% versus its composite benchmark return of 5.94%. The GEF's net asset value increased by $464 million during the quarter to $6,499 million.

Item III on Page 199 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was 5.56% versus its composite benchmark return of 4.66%. The net asset value increased during the quarter to $4,411 million due to net investment return of $232 million, net contributions of $56 million, less distributions of $33 million.

All exposures were within their asset class and investment type ranges except ITF, which was 6 basis points out of range for one day. Liquidity was within policy.

Item IV on Page 200 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, increased by $467 million to $2,457 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $24 million versus $24 million at the beginning of the period; equities: $49 million versus $43 million at the beginning of the period; and other investments: $5 million versus $7 million at the beginning of the period.

UTIMCO Performance Summary

November 30, 2010

	Net Asset Value 11/30/2010 (in Millions)	Periods Ended November 30, 2010 (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	$ 11,620	(0.02%)	6.78%	6.78%	11.02%	12.21%	(0.76%)	5.03%	6.02%
General Endowment Fund		0.02	6.80	6.80	11.03	12.26	(0.79)	5.14	N/A
Permanent Health Fund	955	0.01	6.78	6.78	10.99	12.12	(0.86)	5.07	N/A
Long Term Fund	5,543	0.02	6.78	6.78	10.99	12.12	(0.86)	5.07	6.14
Separately Invested Funds	306	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	18,424								
OPERATING FUNDS									
Short Term Fund	2,233	0.02	0.07	0.07	0.22	0.23	1.38	2.88	2.64
Intermediate Term Fund	4,411	(1.13)	5.56	5.56	9.42	9.66	1.23	N/A	N/A
Total Operating Funds	6,644								
Total Investments	$ 25,068								
VALUE ADDED (Percent)									
Permanent University Fund		1.14%	0.84%	0.84%	3.53%	3.12%	3.00%	2.17%	2.15%
General Endowment Fund		1.18	0.86	0.86	3.54	3.17	2.97	2.28	N/A
Short Term Fund		0.01	0.04	0.04	0.11	0.12	0.50	0.39	0.20
Intermediate Term Fund		0.87	0.90	0.90	4.32	4.62	2.87	N/A	N/A
VALUE ADDED ($ IN MILLIONS)									
Permanent University Fund		$ 133	$ 93	$ 93	$ 370	$ 324	$ 1,030	$ 1,167	$ 2,274
General Endowment Fund		77	53	53	208	184	572	685	N/A
Intermediate Term Fund		39	38	38	174	186	355	N/A	N/A
Total Value Added		$ 249	$ 184	$ 184	$ 752	$ 694	$ 1,957	$ 1,852	$ 2,274

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Footnotes available upon request.

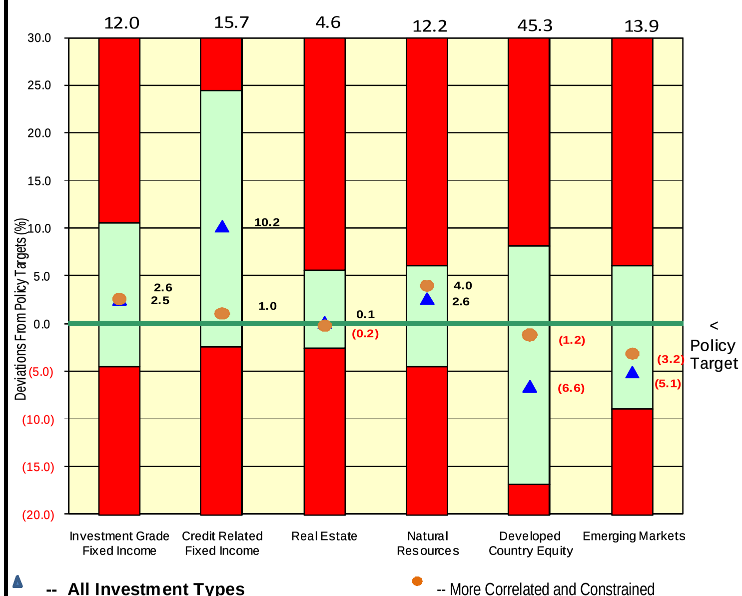
I. PERMANENT UNIVERSITY FUND
Investment Reports for Periods Ended November 30, 2010
Prepared in accordance with *Texas Education Code* Sec. 51.0032

Summary of Capital Flows

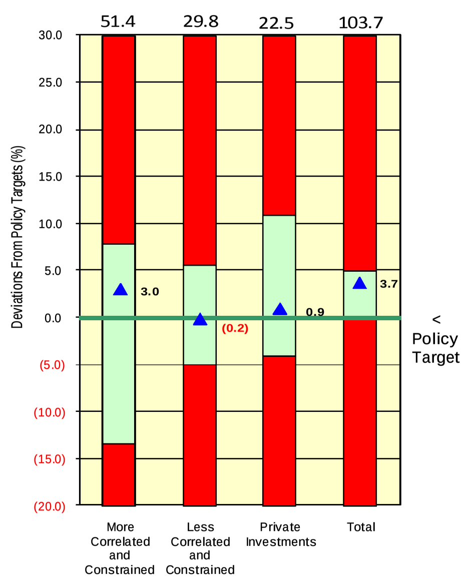
($ millions)	Fiscal Year Ended August 31, 2010	Quarter Ended November 30, 2010	Fiscal Year to Date November 30, 2010
Beginning Net Assets	$ 9,674	$ 10,725	$ 10,725
PUF Lands Receipts	338	295	295
Investment Return (Net of Expenses)	1,229	727	727
Distributions to AUF	(516)	(127)	(127)
Ending Net Assets	$ 10,725	$ 11,620	$ 11,620

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	-0.08%	-0.31%	-0.31%	0.02%	-0.29%
Credit-Related	5.28%	4.00%	-0.01%	0.00%	-0.01%
Real Estate	9.25%	8.49%	-0.02%	0.03%	0.01%
Natural Resources	15.76%	14.96%	0.31%	0.05%	0.36%
Developed Country	11.26%	10.95%	-0.34%	0.05%	-0.29%
Emerging Markets	11.30%	11.32%	-0.20%	-0.01%	-0.21%
Total More Correlated and Constrained	**8.78%**	**9.59%**	**-0.57%**	**0.14%**	**-0.43%**
Less Correlated and Constrained	**4.95%**	**3.76%**	**-0.05%**	**0.41%**	**0.36%**
Private Investments	**4.96%**	**0.68%**	**-0.08%**	**0.99%**	**0.91%**
Total	**6.78%**	**5.94%**	**-0.70%**	**1.54%**	**0.84%**

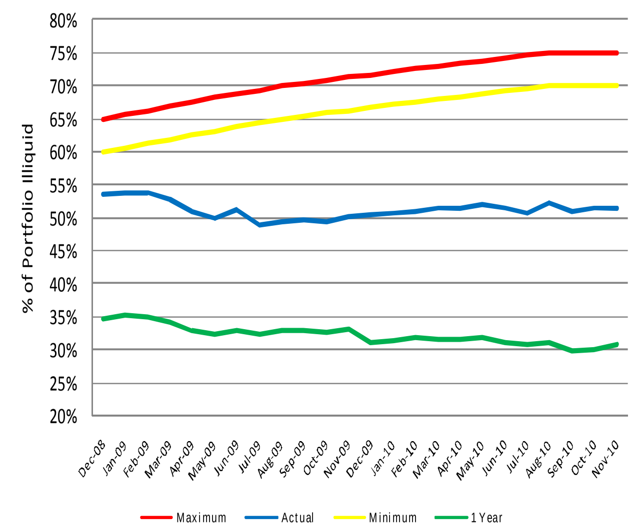
Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for PUF



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



Permanent University Fund
Actual Illiquidity vs. Trigger Zones



II. GENERAL ENDOWMENT FUND

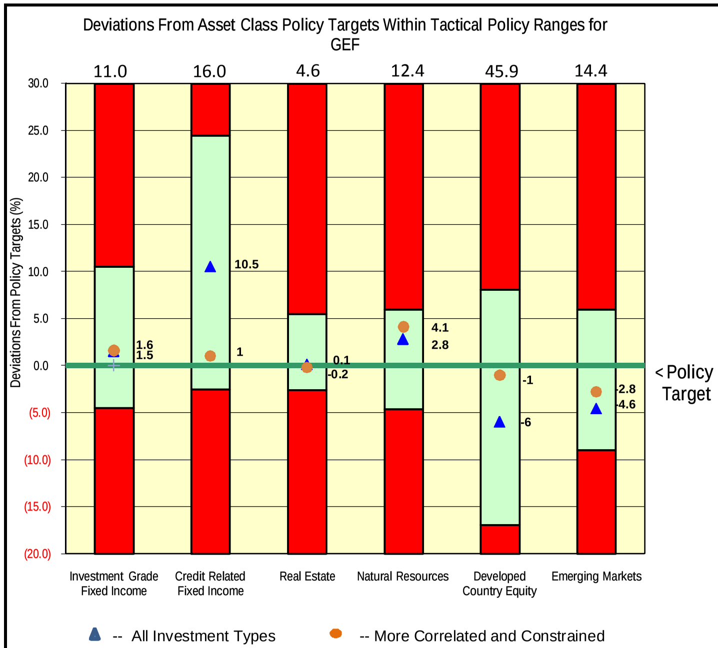
Investment Reports for Periods Ended November 30, 2010

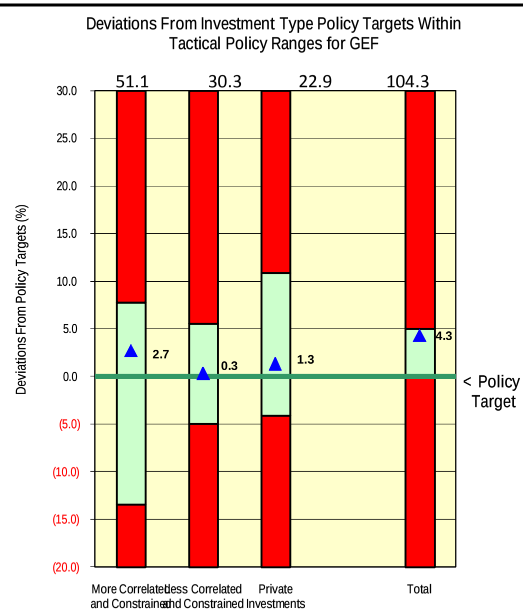
Prepared in accordance with *Texas Education Code* Sec. 51.0032

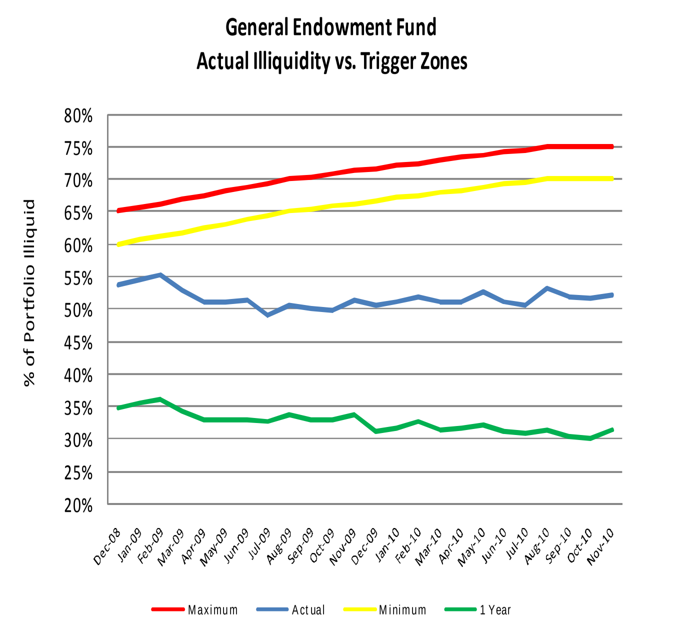
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2010	Quarter Ended November 30, 2010	Fiscal Year to Date November 30, 2010
Beginning Net Assets	$ 5,359	$ 6,035	$ 6,035
Contributions	285	129	129
Withdrawals	(11)	(5)	(5)
Distributions	(298)	(80)	(80)
Investment Return (Net of Expenses)	700	420	420
Ending Net Assets	$ 6,035	$ 6,499	$ 6,499

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	0.03%	-0.31%	-0.30%	0.03%	-0.27%
Credit-Related	5.27%	4.00%	-0.01%	0.00%	-0.01%
Real Estate	9.24%	8.49%	-0.03%	0.03%	0.00%
Natural Resources	15.73%	14.96%	0.30%	0.04%	0.34%
Developed Country	11.33%	10.95%	-0.36%	0.08%	-0.28%
Emerging Markets	11.33%	11.32%	-0.19%	-0.01%	-0.20%
Total More Correlated and Constrained	**8.84%**	**9.59%**	**-0.59%**	**0.17%**	**-0.42%**
Less Correlated and Constrained	**4.95%**	**3.76%**	**-0.03%**	**0.39%**	**0.36%**
Private Investments	**4.96%**	**0.68%**	**-0.07%**	**0.99%**	**0.92%**
Total	**6.80%**	**5.94%**	**-0.69%**	**1.55%**	**0.86%**





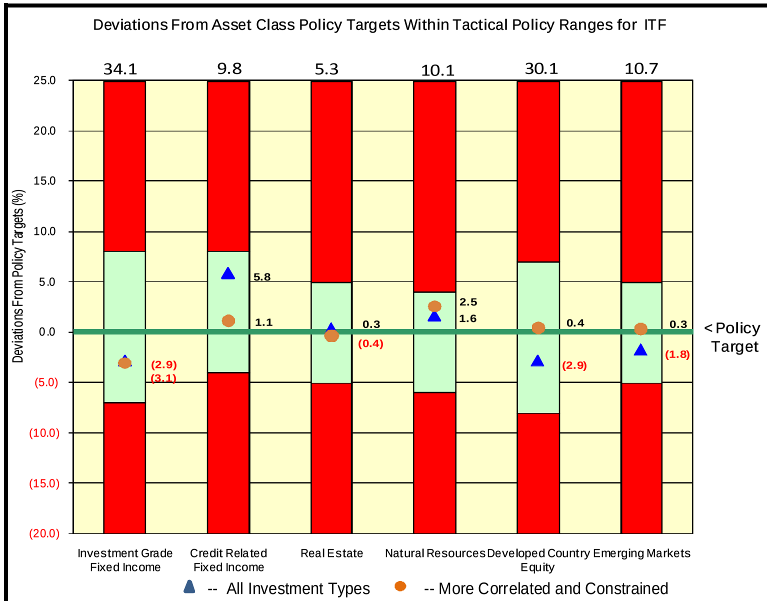


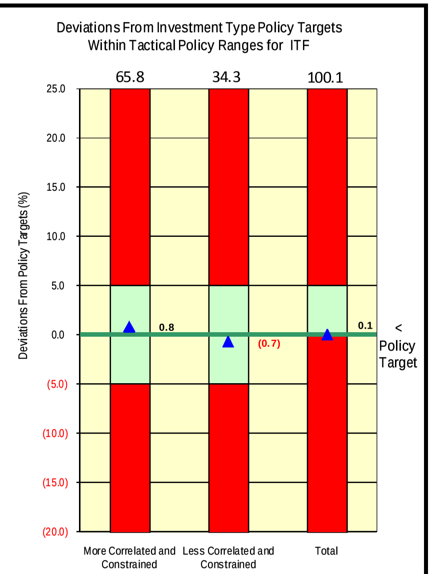
III. INTERMEDIATE TERM FUND
Investment Reports for Periods Ended November 30, 2010
Prepared in accordance with *Texas Education Code* Sec. 51.0032

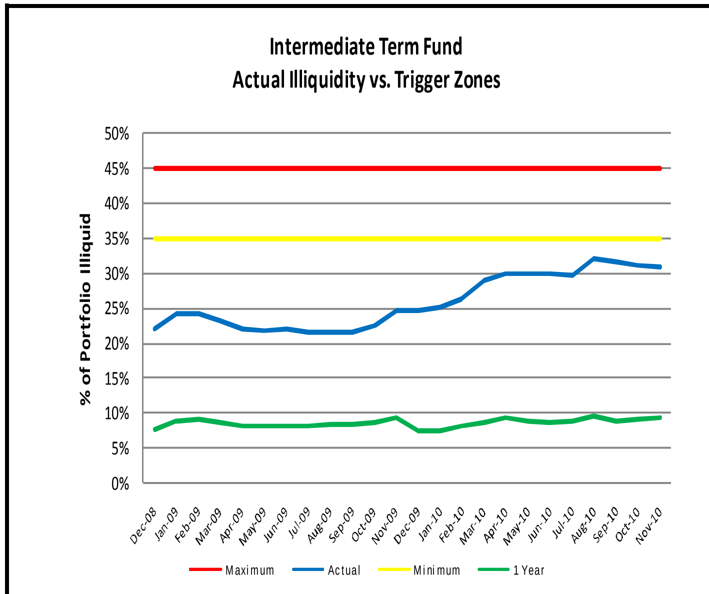
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2010	Quarter Ended November 30, 2010	Fiscal Year to Date November 30, 2010
Beginning Net Assets	$ 3,572	$ 4,156	$ 4,156
Contributions	409	79	79
Withdrawals	(112)	(23)	(23)
Distributions	(119)	(33)	(33)
Investment Return (Net of Expenses)	406	232	232
Ending Net Assets	$ 4,156	$ 4,411	$ 4,411

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	0.32%	-0.31%	0.06%	0.22%	0.28%
Credit-Related	6.65%	4.00%	0.01%	0.00%	0.01%
Real Estate	9.21%	8.49%	-0.02%	0.02%	0.00%
Natural Resources	15.09%	14.96%	0.16%	0.03%	0.19%
Developed Country	11.24%	10.95%	0.01%	0.02%	0.03%
Emerging Markets	11.06%	11.32%	-0.01%	-0.01%	-0.02%
Total More Correlated and Constrained	**5.89%**	**5.12%**	**0.21%**	**0.28%**	**0.49%**
Less Correlated and Constrained	**4.95%**	**3.76%**	**-0.06%**	**0.47%**	**0.41%**
Private Investments	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total	**5.56%**	**4.66%**	**0.15%**	**0.75%**	**0.90%**







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IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at November 30, 2010

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 08/31/10	-	-	1,778	1,778	42,912	42,912	1,120	1,120	276,601	276,601	322,411	322,411	1,667,382	1,667,382	1,989,793	1,989,793
Increase/(Decrease)	-	-	152	152	(5,206)	(5,206)	124	124	(93,237)	(93,237)	(98,167)	(98,167)	565,240	565,240	467,073	467,073
Ending value 11/30/10	-	-	1,930	1,930	37,706	37,706	1,244	1,244	183,364	183,364	224,244	224,244	2,232,622	2,232,622	2,456,866	2,456,866
Debt Securities:																
Beginning value 08/31/10	-	-	306	306	10,932	12,075	10,330	11,273	-	-	21,568	23,654	-	-	21,568	23,654
Increase/(Decrease)	-	-	(155)	(155)	(35)	(152)	1,021	948	-	-	831	641	-	-	831	641
Ending value 11/30/10	-	-	151	151	10,897	11,923	11,351	12,221	-	-	22,399	24,295	-	-	22,399	24,295
Equity Securities:																
Beginning value 08/31/10	147	3,774	488	452	30,118	28,056	12,814	11,144	-	-	43,567	43,426	-	-	43,567	43,426
Increase/(Decrease)	-	(616)	(184)	(179)	(213)	3,477	1,387	2,543	-	-	990	5,225	-	-	990	5,225
Ending value 11/30/10	147	3,158	304	273	29,905	31,533	14,201	13,687	-	-	44,557	48,651	-	-	44,557	48,651
Other:																
Beginning value 08/31/10	-	-	4,843	4,843	-	-	386	137	1,846	1,846	7,075	6,826	-	-	7,075	6,826
Increase/(Decrease)	-	-	(1,289)	(1,289)	-	-	-	-	(746)	(746)	(2,035)	(2,035)	-	-	(2,035)	(2,035)
Ending value 11/30/10	-	-	3,554	3,554	-	-	386	137	1,100	1,100	5,040	4,791	-	-	5,040	4,791
Total Assets:																
Beginning value 08/31/10	147	3,774	7,415	7,379	83,962	83,043	24,650	23,674	278,447	278,447	394,621	396,317	1,667,382	1,667,382	2,062,003	2,063,699
Increase/(Decrease)	-	(616)	(1,476)	(1,471)	(5,454)	(1,881)	2,532	3,615	(93,983)	(93,983)	(98,381)	(94,336)	565,240	565,240	466,859	470,904
Ending value 11/30/10	147	3,158	5,939	5,908	78,508	81,162	27,182	27,289	184,464	184,464	296,240	301,981	2,232,622	2,232,622	2,528,862	2,534,603

Details of individual assets by account furnished upon request.

7. **U. T. System: Report on the Fiscal Year 2010 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 2010 Annual Financial Report (AFR) highlights using the PowerPoint presentation on Pages 202 - 215. The AFR was mailed 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, 2010 and 2009 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, 2010.

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 the fiscal year ended August 31, 2010, using a PowerPoint presentation on Pages 216 - 228. 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 229 - 231. 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 2010

Mr. Randy Wallace

Associate Vice Chancellor – Controller and Chief Budget Officer

U. T. System Board of Regents'
Joint Meeting of the Finance and Planning and
Audit, Compliance, and Management Review Committee

February 2011

Required in the Annual Financial Report

- **Required supplemental information and financial statements include:**
  - ***Management's Discussion and Analysis (MD&A)***
  - ***Notes to the Financial Statements***
  - ***Balance Sheet***
  - ***Statement of Revenues, Expenses, and Cash Net Assets (SRECNA)***
  - ***Statement of Cash Flows***

Financial Position FY 2010

- **Balance sheet still strong**
  - Assets over $40 billion
  - Net Assets over $26 billion
  - Operating results increased
  - Cash position increased slightly
- **MD&A must provide an objective overview**
- **U. T. System's financial position for FY 2010 increased as a result of current year operations primarily due to:**
  - Improved financial market conditions and strong investment performance at The University of Texas Investment Management Company
    - resulting in significant realized and unrealized gains in U. T. System's investments

New in FY 2010

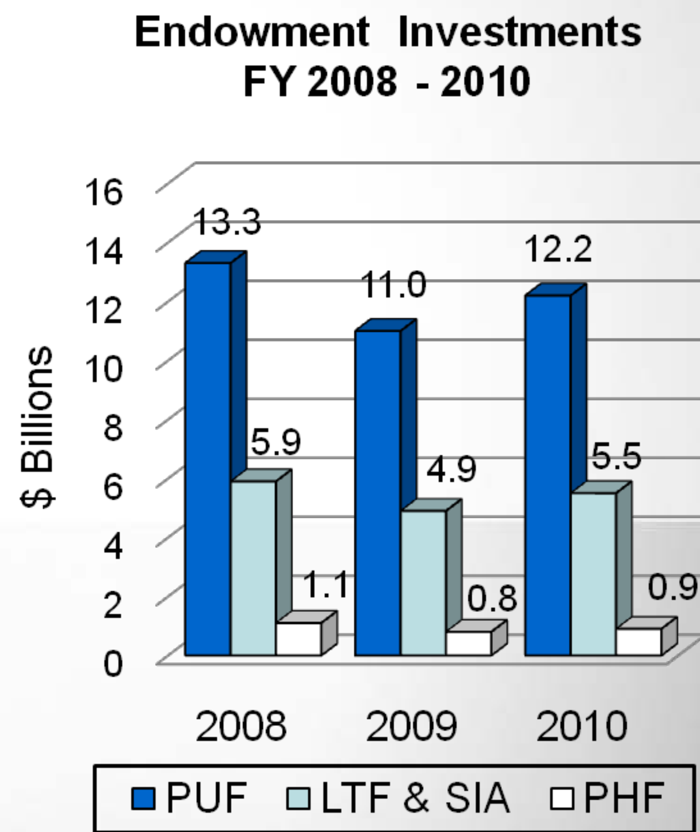
U. T. System implemented the following in FY 2010:

- Financial Consolidation and Reporting System (FCRS) systemwide
- Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*
  - No significant impact to net assets
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*
  - Provisions of this statement were applied retroactively, resulting in the following restatements to FY 2009:
    - $93 million hedging derivative liability and offsetting deferred outflows, with no net asset impact, and
    - $30 million increase to investment derivative instruments, with a corresponding increase in fair value of investments as of August 31, 2009

Balance Sheet

The University of Texas System

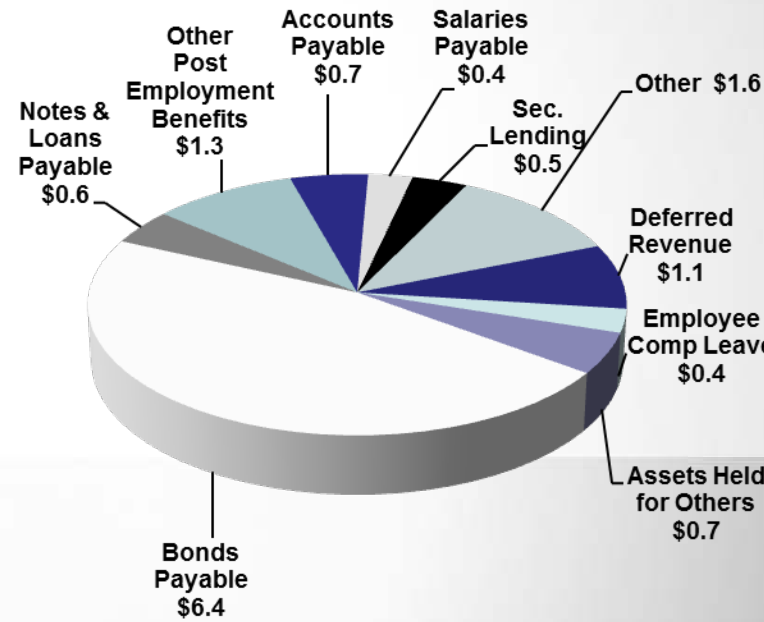
($ in millions)		2008	2009	2010
Assets and Deferred Outflows:				
Current Assets	$	5,260.7	5,005.2	5,576.6
Noncurrent Investments		25,127.9	20,920.6	23,356.5
Other Noncurrent Assets and Deferred Outflows		281.9	360.5	477.6
Capital Assets, net		9,300.1	10,130.7	11,008.0
Total Assets and Deferred Outflows	$	***39,970.6***	***36,417.0***	***40,418.7***
Liabilities and Deferred Inflows:				
Current Liabilities	$	7,405.7	6,112.4	5,903.6
Noncurrent Liabilities and Deferred Inflows		4,947.3	6,248.9	7,808.1
Total Liabilities and Deferred Inflows		***12,353.0***	***12,361.3***	***13,711.7***
Net Assets:				
Invested in Capital Assets, Net of Related Debt		4,492.6	4,475.10	4,630.8
Restricted		20,377.6	17,197.0	19,119.0
Unrestricted		2,747.4	2,383.6	2,957.2
Total Net Assets		***27,617.6***	***24,055.7***	***26,707.0***
Liabilities, Deferred Inflows, and Net Assets	$	***39,970.6***	***36,417.0***	***40,418.7***



Balance Sheet (cont.)

The University of Texas System				
($ in millions)		2008	2009	2010
Assets and Deferred Outflows:				
Current Assets	$	5,260.7	5,005.2	5,576.6
Noncurrent Investments		25,127.9	20,890.2	23,356.5
Other Noncurrent Assets and Deferred Outflows		281.9	266.9	477.6
Capital Assets, net		9,300.1	10,130.7	11,008.0
Total Assets and Deferred Outflows	$	***39,970.6***	***36,293.0***	***40,418.7***
Liabilities and Deferred Inflows:				
Current Liabilities	$	7,405.7	6,112.4	5,903.6
Noncurrent Liabilities and Deferred Inflows		4,947.3	6,155.3	7,808.1
Total Liabilities and Deferred Inflows		***12,353.0***	***12,267.7***	***13,711.7***
Net Assets:				
Invested in Capital Assets, Net of Related Debt		4,492.6	4,475.10	4,630.8
Restricted		20,377.6	17,197.0	19,119.0
Unrestricted		2,747.4	2,353.2	2,957.2
Total Net Assets		***27,617.6***	***24,025.3***	***26,707.0***
Liabilities, Deferred Inflows, and Net Assets	$	***39,970.6***	***36,293.0***	***40,418.7***

Liabilities and Deferred Inflows - $13.7 billion
(in billions)



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Balance Sheet (cont.)

The University of Texas System				
($ in millions)		**2008**	**2009**	**2010**
Assets and Deferred Outflows:				
Current Assets	$	5,260.7	5,005.2	5,576.6
Noncurrent Investments		25,127.9	20,890.2	23,356.5
Other Noncurrent Assets and Deferred Outflows		281.9	266.9	477.6
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Net Assets:				
Invested in Capital Assets, Net of Related Debt		4,492.6	4,475.1	4,630.8
Restricted		20,377.6	17,197.0	19,119.0
Unrestricted		2,747.4	2,353.2	2,957.2
Total Net Assets		***27,617.6***	***24,025.3***	***26,707.0***
Liabilities, Deferred Inflows, and Net Assets	$	***39,970.6***	***36,293.0***	***40,418.7***

Net Assets - $26.7 billion

Statement of Revenues, Expenses, and Changes in Net Assets

The University of Texas System

($ in millions)		2008	2009	2010
Operating Revenues	$	8,163.3	8,564.2	9,241.7
Operating Expenses		(11,015.7)	(11,775.2)	(12,248.2)
Operating Loss		***(2,852.4)***	***(3,211.0)***	***(3,006.5)***
State Appropriations		1,956.7	2,115.0	2,087.5
Gifts & Nonexchange Grants		368.8	478.7	695.9
Net Investment Income		1,648.3	(1,304.9)	1,431.4
Net Incr./(Decr.) in Fair Value of Investments		(1,880.6)	(1,302.5)	1,522.1
Interest Expense		(161.7)	(158.9)	(207.5)
Net Other Nonop. Rev. (Exp.)		(28.9)	26.9	(0.8)
Income (Loss) Before Other Rev. Exp. Gains/(Losses) & Transfers		**(949.8)**	**(3,356.7)**	**2,522.1**
HEAF/Gifts for Endow.& Capital		355.8	182.9	353.1
Transfers and Other		(138.0)	(388.1)	(223.9)
Change in Net Assets		***(732.0)***	***(3,561.9)***	***2,651.3***
Net Assets, Beginning		28,349.6	27,617.6	24,055.7
Net Assets, Ending	***$***	***27,617.6***	***24,055.7***	***26,707.0***

Operating Revenues - $9.2 billion

Auxiliary Enterprises 4%
Physician Fees 12%
Tuition & Fees 13%
Other Sales & Services 5%
Sponsored Programs 29%
Hospitals/ Clinics 37%

Operating Expenses - $12.2 billion

Operations & Maintenance 6%
Hospitals & Clinics 26%
Academic Support 4%
Student Services 1%
Scholarships & Fellowships 3%
Public Service 2%
Auxiliary 4%
Institutional Support 10%
Research 15%
Instruction 23%
Depreciation & Amortization 6%

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

The University of Texas System

($ in millions)		2008	2009	2010
Operating Revenues	$	8,163.3	8,564.2	9,241.7
Operating Expenses		(11,015.7)	(11,775.2)	(12,248.2)
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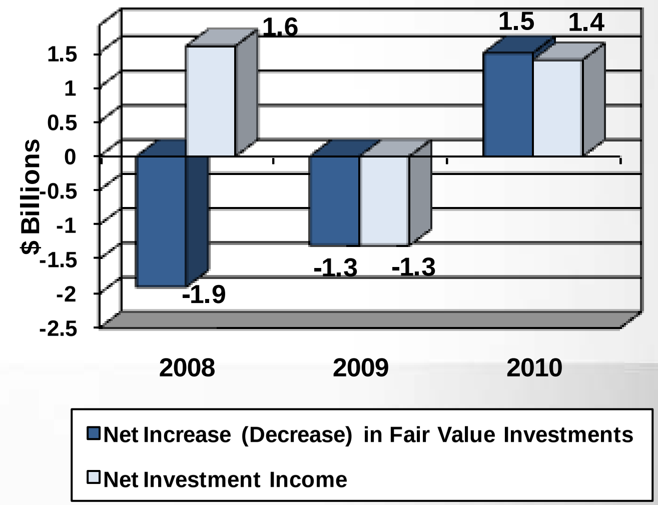
Transfers and Other		(138.0)	(388.1)	(223.9)
Change in Net Assets		***(732.0)***	***(3,561.9)***	***2,651.3***
Net Assets, Beginning		28,349.6	27,617.6	24,055.7
Net Assets, Ending	*$*	***27,617.6***	***24,055.7***	***26,707.0***



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

Operating Results
FY 2008 - 2010

		2008	2009	2010
			($ in millions)	
Income (loss) before other revenue, expenses, gains/(losses) and transfers	$	(949.8)	(3,356.7)	2,522.1
Remove nonoperating items:				
Net (incr.)/decr. in fair value of investments		1,880.6	1,302.5	(1,522.1)
Loss on sale of capital assets		25.3	6.9	12.6
Other nonoperating (income)/expense		3.6	(33.8)	(11.8)
Realized (gains)/losses on investments		(695.5)	1,903.3	(797.4)
Net operating results	$	264.2	(177.8)	203.4

Cash Flows

The University of Texas System

($ in millions)		2008	2009	2010
Cash Flows:				
Cash received from operations	$	8,237.9	8,816.8	9,398.3
Cash expended for operations		(9,940.5)	(10,731.3)	(11,089.0)
Cash used for operating activities		***(1,702.6)***	***(1,914.5)***	***(1,690.7)***
Cash provided by noncapital financing activities		2,067.3	2,398.8	2,726.9
Cash used in capital & related financing activities		(758.0)	(790.3)	(1,141.5)
Cash provided by/(used in) investing activities		456.0	706.4	323.2
Net increase (decrease) in cash & cash equivalents		***62.7***	***400.4***	***217.9***
Cash & cash equivalents, Beginning of the year		1,881.6	1,944.3	2,344.7
Cash & Cash equivalents, End of the year	***$***	***1,944.3***	***2,344.7***	***2,562.6***

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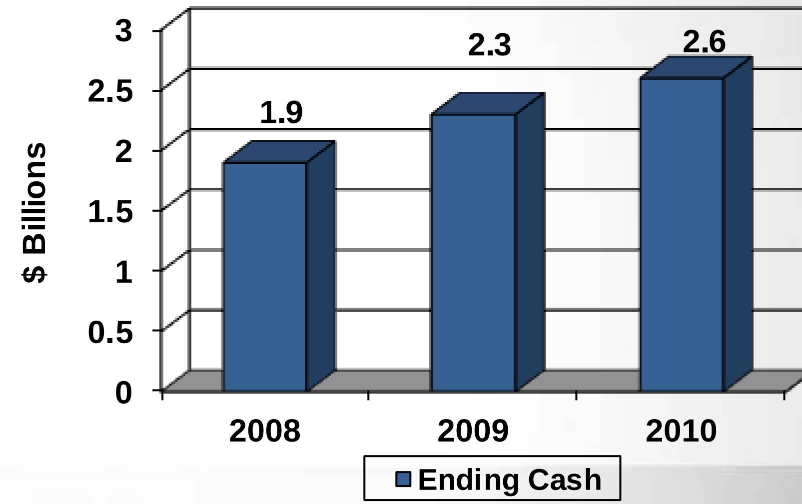
The three-year trend of ending cash and cash equivalents



Permanent University Fund (PUF) Lands

PUF lands are considered an investment by U. T. System

- Fair Value (FV) of PUF lands is based on a third party reserve study of proved reserves. Probable and possible reserves of oil and gas are not included in FV estimate.

- PUF lands' surface interests reported at appraised value

- Other real estate holdings are reported by:
  - Latest available appraised amount by State certified or licensed appraiser, or
  - Any other generally accepted industry standard

PUF Land Valuation

- According to GASB 52, “land and other real estate held as investments by endowments should be reported at fair value at the reporting date.”
- PUF lands being reported at fair value was challenged by State Comptroller in January 2010 due to the exception in GASB 52, “This Statement does not apply to lands granted by the Federal government in connection with a state being admitted to the United States.”
- U. T. System wrote a letter to GASB in March 2010
  - Stating our position and requesting that the GASB Board expedite a review of the scope of GASB 52
  - Still awaiting response
- PUF lands Fair Value = $1.5 billion, Cost = $10 million

Looking Forward to FY 2011

- 5% reduction in State appropriations for the 2010-2011 biennium was announced in January
  - Reduction of approximately $175 million to be recognized in 2011
- OPEB will continue to place a strain on net assets
- The Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act of 2010 health care reform will likely affect the medical centers
  - Some provisions of the health care reform legislation are effective immediately; others will be phased in through 2014
  - The impact of this legislation will likely affect the medical centers, the effect of the changes that will be required in future years are not determinable at this time
- External Audit – FY 2011 (Deloitte & Touche)
  - Experiencing significant time pull of staff resources

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

Fiscal Year Ended August 31, 2010

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

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Nine Universities. Six Health Institutions. Unlimited Possibilities.

U. T. System Board of Regents'

Joint Meeting of the Audit, Compliance, and Management Review and Finance and Planning Committees

February 2011

Background

- The internal audits of the fiscal year (FY) 2010 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.
- Collectively, this is the largest coordinated activity of the Systemwide internal audit function.

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Scope of Work

- The audit scope was determined through risk assessments performed with guidance from the U. T. System Audit Office.
- The financial statement audits of U. T. M. D. Anderson Cancer Center and the UTIMCO funds and corporation were performed by independent external auditors.
- The remaining institutional and U. T. System Administration AFRs were audited by the internal auditors using a materiality level based upon the size of each institution.

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Additional Assurance Provided in the FY 2010 AFR Audit

- Updated our understanding of key internal controls over financial reporting.
- Performed limited testing of the key internal controls to provide assurance that these controls are in place and working as intended.
- Reviewed implementation of Governmental Accounting Standards Board Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*, which became effective for FY 2010 and requires derivative instruments to be reported at fair value.

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Oversight Provided by the U. T. System Audit Office

- Conducted recurrent teleconferences with institutional internal auditors to assess progress made and share common issues.
- Provided standard report template, which was customized by the institutions.
- Reviewed institutional draft audit reports and provided feedback.
- Provided ongoing guidance, addressed issues, and answered questions in a consistent manner.

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

- Bond liability and expenses
- Reporting of bond-related interest rate swaps
- Permanent University Fund land valuation and revenue
- Real estate valuation
- Cash
- Self-insurance liabilities and expenses
- Reporting of Other Post Employment Benefits
- Capital assets, including internally developed software considered to be intangible assets

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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 & cash equivalents
- Capital assets & intangible assets
- Certification process
- IT controls
- State appropriations
- Journal entries
- Financial statement notes
- Recalculation of the Statement of Cash Flows

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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
- Financial Statement Certifications as required by UTS142.1, *Policy on the Annual Financial Report*
- Validation of the new Financial Consolidation Reporting System implemented in FY 2010

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U. T. Institutional AFRs – Audit Results

- The individual internal audits resulted in the identification of no material misstatements to the U. T. System Administration AFR and the institutional AFRs.
- The following control deficiencies were deemed significant but did not require an AFR adjustment due to immateriality:
  - The U. T. Harris County Psychiatric Center at U. T. Health Science Center – Houston did not appropriately update its accounts receivable and the allowance of doubtful accounts and had other internal control deficiencies.
  - U. T. Pan American did not adequately reconcile their contracts and grants receivables balances.
  - U. T. Permian Basin recorded several manual journal entries directly to its general ledger in order to balance funds or correct errors.
  - U. T. Tyler did not reconcile a student billing clearing account.

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U. T. Institutional AFRs – Audit Results (cont.)

- Systemwide, 43 recommendations were made to address control deficiencies that were neither material nor significant in nature, identified in the following areas:
  - Account reconciliations, segregation of duties, & monitoring plans (10)
  - Accounts/pledges receivables & accounts payable (11)
  - Capital assets & inventory (8)
  - Payroll/time reporting (1)
  - Financial reporting (1)
  - IT access controls & change management (6)
  - Business continuity plan (2)
  - Accounting & reporting of derivative instruments (1)
  - Policies, procedures, & controls documentation (2)
  - Manual Excel spreadsheets (1)
- No material weaknesses in internal controls were discovered.

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U. T. System Consolidated AFR – Audit Results

- Accurately incorporated the externally and internally audited 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.
- No Systemwide internal control deficiencies, material or significant in nature, were found.

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Follow Up Status on Prior Year's AFR Audit Results

- The recommendations made to address the two Systemwide internal control deficiencies and the three institutional significant control deficiencies from the prior year's AFR audits were determined to be implemented.

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Future Financial Audit Work

- The U. T. System Audit Office kept the external auditor informed about the internal audit of the FY 2010 AFR and continues ongoing communication with Deloitte & Touche to assist in planning for the FY 2011 external financial audit.

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 2010 marks the fourth 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 sixth 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.

Additional Assurance for FY 2010

Each year, we have strived to improve the efficiency and value of our audits. To enhance consistency in the procedures performed, System Audit updated a common, standardized audit program that was used by the internal auditors Systemwide. This effort reduced variations in the type and extent of testing conducted as part of the audits. System Audit also updated the report template to ensure that we uniformly report the results of our work. To provide consistent and ongoing guidance, System Audit conducted recurrent teleconferences with institutional auditors to assess progress made. In keeping with work performed for FY 2009, we performed additional assurance work for FY 2010. This year, we updated our understanding of key internal controls and performed limited internal control testing over several key areas, such as capital assets, accounts receivable, accounts payable, sponsored programs, and information technology. 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

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 (SRECNA); 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 UT 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.

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 funds managed by The University of Texas Investment Management Company (UTIMCO) were audited, as required by statute, by an external auditor. Internal auditors at the remaining 14 institutions and UT System Administration performed financial audit work for their respective AFRs (*Note:* the funds managed by UTIMCO are included in 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 2010, 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 the 14 institutions and UT System Administration identified and tested certain key controls over the processes used to prepare the institutional AFRs, UT System Administration AFR, 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 on the financial statements for the funds managed by UTIMCO and the UTMDACC financial statements. Based on work performed, internal audit at the 14 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, 2010, and for the year then ended. The formal reports were issued in December 2010.

System Audit performed an audit of the consolidation processes, the Consolidated AFR, and related footnotes to determine whether the financial and footnote information submitted by the institutions properly reflect UT System's financial position, results of operations and changes in net assets, and cash flows as of August 31, 2010 and for the year then ended. Based on work performed, we found that 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. The formal report was issued in December 2010.

The UT System Chief Audit Executive reported the results of our collective audit work at the institutions and UT System Administration to the UT System Administration Internal Audit Committee at its November 30, 2010 meeting.

Internal Controls

Our identification and limited testing of key 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. 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.

In performing the internal audits of the institutional AFRs, UT System Administration AFR, and Consolidated AFR, no material control deficiencies were identified. However, four institutions identified the following significant control deficiencies, none of which had a material impact on the institutional or consolidated financial statements.

> **UT Health Science Center – Houston:** The UT Harris County Psychiatric Center (UT HCPC) has been operating under interim financial management since April 2010. Internal audit found that both accounts receivable and the allowance for doubtful accounts (an estimate of receivables that may go uncollected) for UT HCPC were not appropriately updated. Internal audit also noted inadequate review and approval of expenses, and inadequate separation of duties in financial operations at UT HCPC. To address these issues, UT HCPC has made significant upgrades to positions and personnel in financial operations. Control processes have been and are continuing to be developed and implemented. The newly created position of Chief Financial Officer was filled and in place in December 2010.

UT Pan American: Internal audit determined that the month-end closing process of generating invoices for all expenses and revenues posted to the general ledger was not completed for contracts and grants. Additionally, reconciliation of the Federal Receivables, Other Intergovernmental Receivables, and Other Receivables related to grants and contracts to the general ledger was not performed regularly or at year end. Management has investigated and resolved an immaterial unreconciled difference between the general ledger and subsidiary ledger. Management will, on a go forward basis, ensure that the subsidiary ledger is reconciled monthly and at year end.

UT Permian Basin: Internal audit discovered that the Office of Accounting personnel processed multiple manual journal entries directly to the general ledger in order to balance funds or correct errors on the institution's AFR, specifically as related to direct student loans as well as emergency and book loans. Management is taking steps to ensure that these loan funds are appropriately recorded in the future. They also agreed that the accounting staff needs additional financial reporting training and that direct manual journal entries to the general ledger should be minimized.

UT Tyler: Internal audit found that a clearing account in the student billing system was not being reconciled throughout the year or at year end resulting in an immaterial unreconciled difference between the student financial aid system and the general ledger. Management has taken action to resolve the unreconciled difference and will ensure that the reconciliation between the billing system and the general ledger occur monthly and at year end.

Other Control Deficiencies

Internal auditors at UT System Administration and the institutions reported upon various internal control deficiencies that are neither material nor significant in nature. We believe that the related recommendations will enhance the ability of management or employees, in the normal course of performing their assigned functions, to detect or prevent errors or misstatements in a timely manner.

Monitoring Plans

Last year we identified opportunities to enhance controls related to monitoring plans over account reconciliation and separation of duties. We are pleased to report that our institutions, with the assistance of UT System Administration's Office of the Controller, have made significant progress in this area.

GASB 53

GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for FY 2010, require derivative instruments to be reported at fair value. UT System has 12 derivatives instruments that are primarily associated with variable rate demand bonds. Changes in fair value for effective hedges that are achieved with derivative instruments are to be reported as deferrals in the statement of net assets. Derivative instruments that either do not meet the criteria for an effective hedge or are associated with investments that are already reported at fair value are to be classified as investment derivative instruments. Changes in fair value for investment derivative instruments are reported as investment revenue. With the assistance from System Audit and the external auditor, management determined that five of the 12 derivative instruments were not effective and that hedge accounting did not apply. The appropriate changes were made to the Balance Sheet and SRECNA. The financial reporting for derivative instruments illustrates the value of having an external auditor and its national resources for handling new GASB pronouncements and complex accounting issues.

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FOR
ACADEMIC AFFAIRS COMMITTEE

Committee Meeting: 2/17/2011

Board Meeting: 2/18/2011
Austin, Texas

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5. **U. T. Dallas: Request to approve renaming of the Multipurpose and Administration Building as the Administration Building**	*3:29 p.m.* **Action** *President Daniel* *Dr. Prior*	**Action**	**244**
6. **U. T. San Antonio: Request to approve renaming of the Physical Science Laboratory and the Life Science Laboratory as the Science Research Laboratories**	*3:33 p.m.* **Action** *President Romo* *Dr. Prior*	**Action**	**245**
7. **U. T. System Board of Regents: Amendment to the Regents' *Rules and Regulations*, Rule 40601, Section 1.3 to add Subsection (l) to reflect the creation of the University College at U. T. Arlington**	*3:37 p.m.* **Action** *President Spaniolo* *Dr. Prior*	**Action**	**245**
8. **U. T. Arlington: Approval of acceptance of gift of outdoor art**	*3:41 p.m.* **Action** *President Spaniolo* *Dr. Prior*	**Action**	**246**
9. **U. T. Austin: Approval of acceptance of gift of outdoor art**	*3:45 p.m.* **Action** *President Powers* *Dr. Prior*	**Action**	**249**
10. **U. T. Austin: Request to use the previously approved conditional allocation of $15 million from Permanent University Fund Bond Proceeds to finish out space in the Norman Hackerman Building**	*3:50 p.m.* **Action** *President Powers* *Dr. Prior*	**Action**	**251**
11. **U. T. Pan American: Approval to establish the U. T. Pan American Development Board**	*3:55 p.m.* **Action** *President Nelsen* *Dr. Safady*	**Action**	**252**
Adjourn	*4:15 p.m.*		

1. **<u>U. T. Arlington: Authorization to enter into a memorandum of understanding with the City of Arlington to create and operate a community garden on approximately 0.49 of an acre of land west of and adjacent to U. T. Arlington's Environmental Center at 406 Summit Avenue, Arlington, Tarrant County, Texas, in support of the institution's sustainability initiative; and finding of public purpose</u>**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor and General Counsel, and President Spaniolo that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Arlington, to

a. enter into a memorandum of understanding with the City of Arlington to create and operate a community garden on approximately 0.49 of an acre of land west of and adjacent to U. T. Arlington's Environmental Center at 406 Summit Avenue, Arlington, Tarrant County, Texas, in support of the institution's sustainability initiative;

b. determine that the community garden project with the City of Arlington serves a public purpose appropriate to the function of U. T. Arlington, and that the consideration to U. T. System and U. T. Arlington for the community garden project is adequate; and

c. authorize the Executive Director of Real Estate to execute the memorandum of understanding and all other documents, instruments, and other agreements, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

U. T. Arlington and the City of Arlington seek to create the Arlington Community Garden under the joint control of the institution and the City for use by City residents and faculty, staff, and students of U. T. Arlington. The establishment of a community garden will further the institution's efforts to lead in sustainability initiatives and will enable research by various U. T. Arlington divisions.

The School of Urban and Public Affairs will study the garden's effect on the perceptions of quality of life and social contacts in the neighborhood, as well as any effect on property values and social effects. Students of the Landscape and Habitat Department of the institution's School of Architecture initially designed the layout of the garden and plan to use the garden to study which plants are best suited for urban conditions. The garden also allows the institution's faculty, staff, and students to practice composting, mulching, organic gardening, rain water harvesting, drip irrigation, and xeriscaping. The City of Arlington has agreed to commit up to $50,000 to create the community garden and to spend $7,000 annually for water during the term of the agreement. In exchange, City residents will be able to use the garden. The institution estimates minimal annual operating and maintenance costs that will primarily consist of providing mulch from the institution's existing supplies. The garden will be jointly managed by the institution and the City with the annual budget approved by U. T. Arlington and the City. Although the memorandum of understanding will have a five-year term, either party may terminate participation in the project on 120 days' notice.

The obligations of the City of Arlington and the rights and remedies of U. T. Arlington proposed under the memorandum of understanding are designed to comply with the requirements enunciated by the Attorney General of the State of Texas. In Opinion No. MW-373 (1981), the Texas Attorney General stated that, for the use of university property without cash rental payments to comply with the Texas Constitution, three requirements must be met: (1) the use of the property must serve a public purpose appropriate to the function of the university; (2) adequate consideration must be received by the university; and (3) the university must maintain controls over the user's activity to ensure that the public purpose is achieved.

U. T. Arlington has concluded for the reasons stated above that participation in the community garden project would serve a public purpose supporting the mission of the institution.

A transaction summary and map depicting the proposed community garden follow.

Transaction Summary

Institution:	U. T. Arlington
Type of Transaction:	Joint development and administration of the Arlington Community Garden; the City of Arlington will contribute up to $50,000 to create the community garden and $7,000 annually for water during the term of the agreement; the institution will contribute minimal annual operating and maintenance costs, primarily consisting of providing mulch from its existing supplies
Other party:	City of Arlington
Total Area:	Approximately 0.49 of an acre

Location:	West of and adjacent to U. T. Arlington's Environmental Center at 406 Summit Avenue, Arlington, Tarrant County, Texas, and near the corner of UTA Boulevard and Summit Avenue (see map on next page)

Community Garden
E Abrams St
UTA Blvd
S Davis Blvd
Summit Ave
U. T. ARLINGTON
CAMPUS
S Center St
W Mitchell St
W Park Row Dr
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2. **U. T. Austin: Authorization to purchase approximately 3.78 unimproved acres located in Austin, Travis County, Texas, near University Club Drive and approximately 0.2 of a mile north of the University of Texas Golf Club in Steiner Ranch, to be more particularly described as the Tennis Master Unit of the Steiner Ranch Master Unit No. 8 Master Condominiums, together with an undivided interest in the common elements, from Taylor Woodrow Communities/Steiner Ranch, Ltd., a Texas limited partnership, for a price not to exceed fair market value as determined by independent appraisals for use as the site of an indoor and outdoor tennis facility and related facilities**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor and General Counsel, and President Powers that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Austin, to

a. purchase approximately 3.78 unimproved acres located in Austin, Travis County, Texas, near University Club Drive and approximately 0.2 of a mile north of the University of Texas Golf Club in Steiner Ranch, to be more particularly described as the Tennis Master Unit of the Steiner Ranch Master Unit No. 8 Master Condominiums, together with an undivided interest in the common elements, from Taylor Woodrow Communities/ Steiner Ranch, Ltd., a Texas limited partnership, for a purchase price not to exceed fair market value as determined by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition as deemed necessary or advisable by the Executive Director of Real Estate, for use as the site of an indoor and outdoor tennis facility and related facilities; and

b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

The 3.78-acre condominium land unit includes a proportional interest in the common areas that include a roadway and parking and drainage areas. Acquisition of the property would enable U. T. Austin to undertake the construction and operation of a tennis facility with six indoor tennis courts, four outdoor tennis courts, locker rooms for the institution's tennis teams and related facilities.

The tennis facility would permit the institution's tennis teams to practice during inclement weather, properly prepare for indoor tournaments, and host collegiate competitions. The institution's current facilities do not permit such activities. The proposed tennis facility is near the privately-owned University of Texas Golf Club, a course that is also used by the institution's golf teams. The Golf Club is also the site of the U. T. Golf Academy, which provides academic, training, and other service areas benefiting the men's and women's varsity golf teams.

While a condominium interest in a building is more common than a condominium interest in land, the latter structure is being used with more frequency in Austin and other developing but highly regulated areas. A developer may opt for such a structure when subdividing is not feasible but separate ownership of parcels is desired or when there are common facilities intended to serve a number of parcels.

Steiner Ranch is a large planned community. The developer and seller, Taylor Woodrow Communities/Steiner Ranch, Ltd., has chosen to use a condominium regime to develop this part of the project to accommodate the needs of the tennis facility and a planned swimming pool and residential casitas on the adjoining condominium land units, all of which will share a common road and drainage area. Care is being taken to assure that U. T. Austin has sufficient control of its property to enable it to be developed as planned and to assure that common area costs are appropriately allocated.

The Declaration of Condominium Regime has not yet been filed of record in the Official Public Records of Travis County. Steiner Ranch Master Unit No. 8 Master Condominiums is to be established on the real property described as Lot 413, Block A, Steiner Ranch Phase One, Section 10A, a subdivision in Travis County, Texas, according to the subdivision plat recorded as Document No. 200300065 in the Official Public Records of Travis County, Texas.

Gift funds will be used to fund the purchase. A transaction summary and map showing the location of the subject property follow.

<u>Transaction Summary</u>

Institution:	U. T. Austin
Type of Transaction:	Purchase
Total Area:	Approximately 3.78-acre condominium land unit plus a proportional condominium interest in the common areas that include a roadway and parking and drainage areas
Improvements:	None

Location:	Near University Club Drive and approximately 0.2 of a mile north of the University of Texas Golf Club in Steiner Ranch, and to be more particularly described as Tennis Master Unit, Steiner Ranch Master Unit No. 8 Master Condominiums, Austin, Travis County, Texas (see map on next page)
Seller:	Taylor Woodrow Communities/Steiner Ranch, Ltd., a Texas limited partnership
Purchase Price:	Not to exceed fair market value as determined by independent appraisals
Appraised Value:	\$886,000 (Integra Realty Resources, Inc., August 11, 2010); \$1,025,000 (The Aegis Group, Inc., December 8, 2010)
Source of Funds:	Gift funds
Intended Use:	Site for an indoor and outdoor tennis facility and related facilities


Subject Property
TENNIS FACILITY
PARKING
University Club Drive
Eagles Glen Dr
UT Golf Club
UT Golf Academy
Subject Property
Austin
UT
Lake Austin
Mount Bonnell
West Lake Hills
Rollingwood
Sunset Valley
Bee Cave
Lakeway
Buffalo Gap
T R A V I S
Circle C Metropolitan Park
Google
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3. U. T. El Paso: Authorization to establish a Doctor of Nursing Practice (DNP) degree within the School of Nursing

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 Nursing Practice (DNP) degree 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 requests authority to offer a DNP degree. The proposed program is designed to significantly increase the number of doctorally trained primary care providers in the underserved El Paso community and to prepare bilingual health care providers who are well qualified to serve the needs of Hispanic populations in the border region and throughout the State of Texas. The program expects to contribute to the State's Closing the Gaps initiative by increasing the number of Hispanic doctoral graduates.

Requirements for the DNP degree include: completing an approved program of coursework, and development of a Clinical Scholarship Portfolio that demonstrates competency in evidence-based practice, clinical scholarship, and leadership skills, as well as systems knowledge, familiarity with information technology, health care policy, and initiation, implementation, evaluation, and dissemination of an evidence-based clinical research project. The curriculum and learning objectives for the proposed program are based on the "DNP Essentials," established by the American Association of Colleges of Nursing (AACN). The proposed program consists of a six-semester, 45-credit hour curriculum that includes 540 clinical hours, the majority of which (360) are to be completed as part of a capstone learning experience during a student's final semester of enrollment in the program.

Need and Demand

In October 2004, the members of the AACN endorsed the Position Statement on the Practice Doctorate in Nursing that called for elevating the level of preparation for advanced nursing practice roles from the master's to the doctoral level by 2015. The nation's complex health care environment requires that nurses serving in specialty positions have the highest level of scientific knowledge and practice expertise.

According to the Texas DNP Roadmap Task Force (2006), it is highly likely that Texas nurses seeking advanced training will be forced to leave the state and may be lost to out-of-state health care markets if Texas does not have sufficient and accessible DNP degree programs. Texas nursing leaders and the Texas Higher Education Coordinating Board (THECB) recognized the needs of West Texas when advocating for the development of DNP programs and recommended that U. T. El Paso serve as one of three schools for this practice-oriented doctoral degree. If approved, this would be the only DNP program on the U.S.-Mexico border and the only program serving a primarily Mexican-American population.

A DNP with a focus on border health is in high demand as the U.S. Hispanic population increases. We expect a sufficient applicant pool for the initial years and a sustainable pool in the long term, particularly as the DNP replaces master's-level preparation by 2015. Immediate demand estimated by a market survey revealed that of 75 respondents, 53 were interested in seeking admission to a DNP program and another 13 recognized the need for a DNP at U. T. El Paso.

Program Quality

There are 24 tenured/tenure-track/clinical faculty members that will support the proposed program. All faculty members are active clinicians with expertise in particular areas of nursing practice. Faculty members are principal investigators on grants totaling over $12 million.

The program will be housed in a brand-new, state-of-the-art College of Health Sciences and School of Nursing building that will be completed in early 2011. The building will include laboratories, classrooms, research facilities equipped with the latest technological equipment, and a 15,000 square foot simulation center to study standardized patients.

Program Cost

The operating costs of the proposed program total approximately $1,719,234 over five years. Costs include $143,000 in new faculty salaries, $1,131,817 in reallocated faculty salaries, $205,505 for program administration, and $238,912 to support new staff hires. Revenues of $656,477 in formula funding, $1,337,324 in reallocated funds, and $338,033 in designated and differential student tuition are expected to fully fund the program.

4. U. T. El Paso: Authorization to establish a Ph.D. degree in Ecology and Evolutionary Biology

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 Ph.D. degree in Ecology and Evolutionary Biology 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 requests authority to implement a new Ph.D. program in Ecology and Evolutionary Biology (EEB). The program is designed to prepare future researchers and academics in the field of ecology and evolutionary biology and to reduce the educational achievement gaps that threaten the State's competitive position in education and the global economy by increasing the number of Hispanic doctoral graduates. The proposed program is a critical component of U. T. El Paso's research strategic plan to advance to Tier One National Research University status and build on the University's impressive record of obtaining highly competitive extramurally funded research projects, thereby generating positive returns from U. T. System and State investments in the University's research and instructional infrastructure. Integral to U. T. El Paso's commitment to providing access to a wide range of excellent educational programs, the proposed EEB program will be unique to the West Texas region. Currently, there are only two programs in ecology and evolution in the State of Texas, and they are located over 500 miles from El Paso, at U. T. Austin and Rice University.

The EEB program will focus on research and teaching activities especially relevant to the ecology of the northern Chihuahuan Desert. This region, larger than the state of California and four times the size of England, covers an area of approximately 85,000 square miles in the U.S. and 115,000 square miles in Mexico. Although the Nature Conservancy and the World Wildlife Fund consider it one of the world's most biologically diverse areas, to date the Chihuahuan Desert has not been extensively studied.

The EEB doctoral curriculum will consist of 15 semester credit hours of core courses, 39 semester credit hours of combined free electives and doctoral research, as well as 6 semester credit hours of dissertation. A minimal total of 60 credits will be required for the degree. Over 40 courses, many of which can be applied for credit by students seeking an EEB doctorate, are taught by the Departments of Biological Sciences Geological Sciences, and the Department of Mathematical Sciences, as well as within the Environmental Sciences and Engineering Doctoral Program. All students will be required to conduct original research and complete a dissertation, which will be defended before the doctoral committee and members of the Department of Biological Sciences.

The proposed program will add a total of about 30 doctoral students to the Biological Sciences Department over the next five years.

Need and Demand

U. T. El Paso is the largest doctoral/research intensive university in the United States with a Mexican-American majority student population, which closely mirrors the demographics of the U.S.-Mexico border region. Although there has been modest growth in the number of Hispanics completing graduate degrees in the biological sciences, nationally only about 4% of all biology graduate students are Hispanic and about 5% of earned doctorates in the biological sciences are awarded to Hispanics. Furthermore, the vast majority of these doctorates are in the biomedical/molecular biology fields, not in ecology and evolutionary biology. Therefore, the proposed EEB doctoral program is anticipated to have an enormous impact on the graduate education of Hispanic students in the United States.

The need for highly trained scientists who understand the principles of ecology and evolutionary biology has been stimulated by concern over the impact of global climate change on natural communities and their evolutionary fate. There is little doubt that demand for ecology and evolutionary biologists will be spurred by the need to develop new and improved methods to remediate and preserve the natural environment. Ecology and evolutionary biologists are needed in environmental regulatory agencies and to serve as technical consultants qualified to advise policy makers on environmental issues. Lastly, academia is faced with an aging workforce and increasing retirements, creating a need for new EEB scholars and teachers.

Program Quality

The proposed EEB program will include a core faculty of 10 tenured/tenure-track faculty members. An additional nine tenured/tenure-track faculty members will serve as support faculty for the program, and additional faculty will be recruited as needed. All faculty members are active researchers.

In addition to existing research and university facilities, the proposed program will be supported by a new, state-of-the-art, 140,000 square-foot bioscience research building, funded in part through the National Institute of Health (NIH)/National Center for Research Resources (NCRR's) Research Centers in Minority Institutions (RCMI) program. In addition to housing the individual research laboratories of 22 tenured and tenure-track faculty members, the Biosciences Research Building houses Biochemical and Biophysical Research Communication (BBRC) Core labs in Cell Culture and High Throughput Screening, DNA Analysis, Analytical Cytology, and Biomolecule Analysis with Bioinformatics and Statistical Consulting support.

Program Cost

The operating cost of the proposed program total approximately $2,289,896 over a five-year period. Costs include $603,462 for graduate assistantships, $401,817 to support the hiring of two tenure-track faculty members in year three of the program, $456,200 to purchase new equipment, $278,548 for program administration, $200,000 for facilities, $25,000 for supplies and materials, $24,869 for library and information technology resources, and $300,000 in faculty start-up funding. Revenues totaling $2,549,141 include $1,043,716 from formula funding, $637,279 in external funding, $637,378 in reallocated funds, and $275,768 in differential student tuition, and are expected to fully fund the program.

5. U. T. Dallas: Request to approve renaming of the Multipurpose and Administration Building as the Administration Building

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Daniel that the U. T. System Board of Regents rename the Multipurpose and Administration Building as the Administration Building.

BACKGROUND INFORMATION

The Multipurpose and Administration Building was originally named the Multipurpose and Engineering Start-up Facility in 1987. It was changed to its current name in 1990 when the Engineering Building opened.

U. T. Dallas has gradually moved academic functions out of the building and into a more modern and suitable classroom and laboratory space. The proposed renaming is appropriate as the building will be used only for administrative functions and serves as the Administration Building for the University.

The proposed naming is consistent with the Regents' *Rules and Regulations*, Rule 80307, relating to the Board's naming policy.

6. **U. T. San Antonio: Request to approve renaming of the Physical Science Laboratory and the Life Science Laboratory as the Science Research Laboratories**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Romo that the U. T. System Board of Regents approve the renaming of the Physical Science Laboratory and the Life Science Laboratory at U. T. San Antonio as the Science Research Laboratories.

BACKGROUND INFORMATION

The Physical Science Laboratory and the Life Science Laboratory were originally built in 1975 and are located on the west side of the main campus at the intersection of Sam Barshop and West Campus Road. The buildings have traditionally supported chemistry and biology research and teaching programs. They have been renovated to meet the demands of research on campus and are now connected by a covered breezeway, creating a common building.

U. T. San Antonio proposes to rename the common building as the Science Research Laboratories. The proposed naming is consistent with the U. T. San Antonio building guidelines and is appropriate as it better reflects the broad range of research being conducted in the common building – chemistry, biology, and physics research – and also offers flexibility for future research activities.

The proposed naming is consistent with the Regents' *Rules and Regulations*, Rule 80307, relating to the naming of facilities.

7. **U. T. System Board of Regents: Amendment to the Regents' *Rules and Regulations*, Rule 40601, Section 1.3 to add Subsection (l) to reflect the creation of the University College at U. T. Arlington**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor and General Counsel, and President Spaniolo that the Regents' *Rules and Regulations*, Rule 40601, Section 1.3, concerning institutions comprising The University of Texas System, be amended to reflect the creation of the University College at U. T. Arlington as set forth on the next page 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)

. . .

<u>(l) The University of Texas at Arlington University College</u>

. . . .

<u>BACKGROUND INFORMATION</u>

This proposed amendment to the Regents' *Rules and Regulations*, Rule 40601, is to reflect the creation of the U. T. Arlington University College, which has been approved by the Executive Vice Chancellor for Academic Affairs pending approval by the Board.

The University College will provide academic advising for all freshman students. All first-year students will be admitted to and enroll in the College until they are either accepted into an existing major or enroll in the University Studies degree program. The University Studies degree program provides students with an opportunity to explore their interests through an interdisciplinary degree program that allows a breadth of study in a range of disciplines and subjects. It provides basic preparation for a variety of career paths that might not be well served through traditional university majors. Students seeking a degree in University Studies will graduate with a broad-based education in at least three fields of study.

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[.]"

8. <u>U. T. Arlington: Approval of acceptance of gift of outdoor art</u>

<u>RECOMMENDATION</u>

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Spaniolo that the U. T. System Board of Regents approve the acceptance of a gift of outdoor art at U. T. Arlington. The request is in accordance with Regents' *Rules and Regulations*, Rule 60101, Section 4.1, regarding outdoor works of art.

BACKGROUND INFORMATION

U. T. Arlington will receive a gift of a steel sculpture from the American Institute of Steel Construction. See sculpture on Page 248. The sculpture's center column will be approximately 13 feet tall and the horizontal pieces will be approximately 8 feet in total length, extending 4 feet on each side of the center column. This steel sculpture, along with the tool kit (teaching guide, 3D computer-aided design [CAD] file of the steel sculpture, and a shear connection calculator tool) will be an important teaching tool for the School of Architecture and the College of Engineering.

The proposed location for the sculpture is the plaza area between the School of Architecture and the Nanofab Building on the west side of the campus. All installation costs, including the foundation system, will be donated by a local contractor. Future expenses to maintain the sculpture will be minimal.

The installation of this steel sculpture is in keeping with U. T. Arlington's Campus Master Plan.

9. U. T. Austin: Approval of acceptance of gift of outdoor art

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Powers that the U. T. System Board of Regents approve the acceptance of a gift of outdoor art for U. T. Austin's Marine Science Institute. The request is in accordance with Regents' *Rules and Regulations*, Rule 60101, Section 4.1, regarding outdoor works of art.

BACKGROUND INFORMATION

U. T. Austin is requesting approval to accept a donation from the Jack and Valerie Guenther Foundation for a sculpture to be placed on the grounds of the Marine Science Institute Visitors Center located at 750 Channel View Drive in Port Aransas, Texas.

The outdoor art, to be sculpted by Mr. Kent Ullberg, will depict a tarpon leaping into the air as shown on Page 250. The body of the fish will include images representing recognizable animal families to help demonstrate the interdependence of the ecosystem. A tarpon was suggested as the focal point because of its special meaning to the City of Port Aransas, which was historically named Tarpon, Texas. The sculpture will be made of bronze and will stand 8 to 10 feet in height, excluding the pedestal. It will be prominently displayed at the main entrance of the Institute, where it will attract attention to the Visitors Center and serve as a teaching tool for the thousands of school children that visit each year. See proposed location of the sculpture on Page 250a.

Mr. Ullberg is recognized as one of the world's foremost wildlife sculptors. His sculptures are exhibited in major museums and corporate headquarters around the globe, as well as in private collections. He is a major supporter of wildlife conservation and has been honored by the National Museum of Wildlife Art for significant contributions to the interpretation and conservation of wildlife and its habitat. His lifetime achievements include awards bestowed on him by the Allied Artists of America, the National Arts Club, the National Sculpture Society, and the Society of Animal Artists.

Mr. Jack Guenther is a 1956 alumnus of U. T. Austin and serves on the Chancellor's Council. Mrs. Valerie Guenther serves on the Chancellor's Council and on the U. T. Austin Marine Science Institute's Advisory Council.

The installation and minimal maintenance will be funded from gifts and the general budget of the Marine Science Institute.

Proposed placement of this outdoor work of art is consistent with U. T. Austin's Campus Master Plan

FINISHED SCULPTURE
8 TO 10 FEET TALL

University of Texas Marine Science Institute Visitors Center

10. **U. T. Austin: Request to use the previously approved conditional allocation of $15 million from Permanent University Fund Bond Proceeds to finish out space in the Norman Hackerman Building**

RECOMMENDATION

The Chancellor concurs in the recommendation of 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 approve the use of the previously approved conditional allocation of $15 million from Permanent University Fund (PUF) Bond Proceeds to finish out space in the Norman Hackerman Building to house the *Hydrogen from Sunlight* research project. This allocation is contingent upon U. T. Austin raising $25 million in matching funds for the *Hydrogen from Sunlight* project within the next two years.

BACKGROUND INFORMATION

On March 3, 2010, the Board authorized $15 million in PUF Bond Proceeds to be used as matching money for a federally-funded energy project. The money was intended to finish out the sixth floor of the newly opened Norman Hackerman Building on the U. T. Austin campus and to construct on that floor the laboratory and facilities necessary for the project.

The proposal, a joint project with the National Renewable Energy Laboratory, Massachusetts Institute of Technology, and The University of Colorado at Boulder was not successful. Nevertheless, U. T. Austin is uniquely positioned to lead efforts toward the development of low-cost efficient systems for the industrial production of hydrogen from sunlight. The University's newly proposed *Hydrogen from Sunlight* project is a reorganized approach to the original project, targeting the most significant and achievable components of the initial proposal. To undertake the *Hydrogen from Sunlight* project, U. T. Austin will still need to finish out the sixth floor of the Hackerman Building and construct there, the laboratory and facilities that were needed for the original joint project. The $15 million in PUF Bond Proceeds for construction of the new project would be matched by $25 million raised by U. T. Austin within the next two years. Additional program support for the project would come from other sources.

The high-level goals of the *Hydrogen from Sunlight* project are to create a distinctive venue focused on creating a solar hydrogen industry, combining scientific leadership, and the institutional capability for research and development to advance the science past today's barriers to technological development; to formulate the intellectual framework and roadmaps necessary to guide the development of the component technologies; and to inspire and educate future leaders who will launch and sustain the industry.

The approach toward these goals will focus on the following areas, which are essential for the successful development of a viable solar hydrogen process for energy production:

a. photomaterial and electrocatalyst discovery via rapid synthesis/screening and computational chemistry;

b. synthetic methods for the control of optimal nanostructure and morphology;

c. characterization of semiconductor photoelectrochemical materials; and

d. photoelectrochemical device design.

This project is expected to generate new business opportunities at the forefront of technology in Texas.

11. U. T. Pan American: Approval to establish the U. T. Pan American Development Board

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Nelsen that the U. T. System Board of Regents approve the establishment of the U. T. Pan American Development Board to assist in the development plans and programs of the institution with an emphasis on increasing private support for U. T. Pan American.

BACKGROUND INFORMATION

The Board of Trustees of The University of Texas Pan American Foundation (Foundation) has been the *de facto* development board since 1982. The Foundation trustees, who serve as fiscal managers of the Foundation's assets, agree that the University needs an active, involved group of community and business leaders from the Rio Grande Valley to support more proactive fundraising efforts.

President Nelsen will have responsibility for and authority over the U. T. Pan American Development Board and will serve as a liaison between the Development Board and the Foundation Board to ensure coordinated fundraising efforts for the benefit of the University. Upon approval by the Board of Regents, an organizational meeting of the new board will be scheduled to draft bylaws in accordance with guidelines outlined by the U. T. System Office of General Counsel.

Proposed approval of this development board is pursuant to Regents' *Rules and Regulations*, Rule 60301, relating to development board of an institution.

TABLE OF CONTENTS
FOR
HEALTH AFFAIRS COMMITTEE

Committee Meetings: 2/18/2011

Board Meeting: 2/18/2011
Austin, Texas

* * * * *

Friday, February 18, 2011

1. U. T. Southwestern Medical Center – Dallas: Authorization to change the official name of the institution to The University of Texas Southwestern Medical Center

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

a. the name of The University of Texas Southwestern Medical Center at Dallas be changed to The University of Texas Southwestern Medical Center; and

b. the General Counsel to the Board be authorized to make appropriate editorial amendments to the Regents' *Rules and Regulations*, Rule 40601, to reflect the name change.

BACKGROUND INFORMATION

U. T. Southwestern Medical Center – Dallas has extended the scope of its programs in Dallas to encompass substantial graduate medical education activities in Austin, in addition to graduate medical education programs in Fort Worth and other sites in Texas. The proposed official name change is planned to reflect this evolution of extended educational and medical training programs and is commensurate with the institution's international stature.

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[.]"

2. U. T. M. D. Anderson Cancer Center: Authorization to acquire approximately 1.22 acres of unimproved land adjacent to the northeasterly property line of the institution's Michale E. Keeling Center for Comparative Medicine and Research, located in the Isaac Harris Survey, Abstract No. 38, Bastrop County, Texas, from Griffin Industries, Inc., a Kentucky corporation, in exchange for approximately 1.22 acres of unimproved land bounded on the south side by Farm to Market Road 2336 and located in the north corner of a 373.99-acre tract in the Isaac Harris Survey, Abstract No. 38, Bastrop County, Texas, conveyed to the Board of Regents by deed recorded in Volume 235, Page 799, Deed Records of Bastrop County, Texas, to enable the institution to better manage its campus land

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, and President Mendelsohn that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to

a. acquire approximately 1.22 acres of unimproved land adjacent to the northeasterly property line of the institution's Michale E. Keeling Center for Comparative Medicine and Research, located in the Isaac Harris Survey, Abstract No. 38, Bastrop County, Texas, from Griffin Industries, Inc., a Kentucky corporation, in exchange for approximately 1.22 acres of unimproved land bounded on the south side by Farm to Market Road 2336 and located in the north corner of a 373.99-acre tract in the Isaac Harris Survey, Abstract No. 38, Bastrop County, Texas, conveyed to the Board of Regents by deed recorded in Volume 235, Page 799, Deed Records of Bastrop County, Texas, to enable the institution to better manage its campus land; and

b. authorize the Executive Director of Real Estate to execute all documents, instruments and other agreements, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

U. T. M. D. Anderson Cancer Center's Michale E. Keeling Center for Comparative Medicine and Research campus in Bastrop, Texas, has approximately 1.22 unimproved acres separated from the remainder of the campus by Farm to Market Road 2336. That 1.22 acres, however, is adjacent to land owned by Griffin Industries, Inc. (Griffin). Conversely, Griffin owns approximately 1.22 unimproved acres adjacent to the institution's Bastrop campus.

The institution proposes to acquire the approximately 1.22 acres owned by Griffin in exchange for conveying to Griffin the institution's approximately 1.22 acres on the other side of Farm to Market Road 2336. This acquisition will allow the institution to improve the contiguity of campus land and enable the institution to better manage its campus land. A transaction summary and map follow.

<u>Transaction Summary</u>

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Land exchange
Total Area:	Approximately 1.22 acres in each tract
Location:	Near Farm to Market Road 2336 and the Michale E. Keeling Center for Comparative Medicine and Research in the Isaac Harris Survey, Abstract No. 38, Bastrop County, Texas
Other Party:	Griffin Industries, Inc., a Kentucky corporation
Appraised Value:	$24,400 for each tract (Edward B. Schulz & Company, September 8, 2010)
Intended Use:	Improve the contiguity of campus land to aid in better land management


To Griffin
To UT
FM 2336
U.T. M.D. Anderson
Cancer Center
Michale E. Keeling Center
for Comparative Medicine
and Research
N Cool Water Dr
Zimmerman Ave
Texas Ranger Dr
Co Rd 403
95
Image CAPCOG
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3. **U. T. Health Science Center – San Antonio: Authorization to accept a gift of the surface estate only of approximately 3.8305 unimproved acres, being Lot 3, Block 23, Laredo Airport, City of Laredo, Webb County, Texas, from the City of Laredo for use for future programmed expansion of The University of Texas Health Science Center Regional Campus and as the site of a proposed outpatient medical clinic to be operated by the United States Department of Veterans Affairs (VA); authorization to enter into an option to ground lease and a ground lease of the 3.8305 acres for the proposed VA clinic; and finding of public purpose**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, and President Henrich that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Health Science Center – San Antonio, to

a. accept a gift of the surface estate only of approximately 3.8305 unimproved acres, being Lot 3, Block 23, Laredo Airport, City of Laredo, Webb County, Texas, from the City of Laredo for use for future programmed expansion of The University of Texas Health Science Center Regional Campus and as the site of a proposed outpatient medical clinic to be operated by the United States Department of Veterans Affairs (VA);

b. enter into an option to ground lease and a ground lease of the 3.8305-acre tract with the VA or its assignee as the site of the proposed VA outpatient medical clinic;

c. determine that the lease of the land to the VA or its assignee for the stated reason serves a public purpose appropriate to the function of U. T. Health Science Center – San Antonio and that the consideration for the option and lease of the land is adequate; and

d. authorize the Executive Director of Real Estate to execute all documents, instruments, or other agreements, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

The City of Laredo and U. T. Health Science Center – San Antonio have been in discussions for some time with respect to the gift of the subject property for use as the site of a proposed outpatient medical clinic to be operated by the VA. The subject property is immediately north of the existing campus of The University of Texas Health Science Center Regional Campus (the Regional Campus).

The City of Laredo proposes to give the land to the Board of Regents with the restriction that the land be used for providing health care or health care education opportunities or for other educational purposes of The University of Texas System for 30 years from the date of the deed. A similar use restriction appears in the prior two gift deeds from the City by which the Board of Regents acquired the initial 11.994 acres that make up the current Regional Campus.

The VA has expressed interest in locating a clinic on the subject 3.8305 acres utilizing a similar ground lease structure as was used for the VA's ambulatory clinic on approximately 7 acres of the Regional Academic Health Center (RAHC) campus in Harlingen, which the Board of Regents approved on August 14, 2008. Once the property is acquired by the Board of Regents, the VA would be granted an option to ground lease the site. The VA would then solicit offers from private developers, with the goal of assigning the ground lease option to the selected developer for the construction by the developer of an outpatient clinic. Under VA procurement rules, U. T. Health Science Center – San Antonio cannot play a role in selecting the developer. The Health Science Center, however, is to have a role in working with the VA and the VA's architectural and engineering firm in developing the scope of work for the solicitation of offers.

The proposed clinic is anticipated to contain approximately 16,800 net usable square feet and will include a parking lot for no fewer than 120 parking spaces. The VA would lease the completed facilities from the developer for a term not to exceed 20 years, which is the maximum term of a space lease by the VA.

The term of the ground lease will be for an initial period of 20 years, plus the initial design, permitting, and construction period, and plus two 10-year renewal options. As required by the terms of the gift of land from the City of Laredo, there will be no cash rental for the ground lease until the earlier of the expiration of the initial 20-year term or the date on which the VA ceases to use the property for an outpatient medical clinic. Initial consideration for the ground lease will be the construction and operation of a VA outpatient medical clinic. Upon the expiration of the free rent period, rental will be charged at the fair market rental value of the land.

The Texas Attorney General has advised in Opinion No. MW-373 (1981), that, for the use of university property without cash rental payments to comply with the Texas Constitution, three requirements must be met: (1) the use of the property must serve a public purpose, appropriate to the function of the university; (2) adequate consideration must be received by the university; and (3) the university must maintain controls over the user's activity to ensure that the public purpose is achieved.

U. T. Health Science Center – San Antonio has concluded that the location of a VA clinic in close proximity to The University of Texas Health Science Center Regional Campus would serve the public purpose of augmenting opportunities for health professional education, graduate medical education, and clinical research at the institution.

A transaction summary and map depicting the proposed ground lease site follow.

Transaction Summary

Gift

Institution:	U. T. Health Science Center – San Antonio
Type of Transaction:	Gift of unimproved land at no cost to the institution other than typical due diligence and closing costs
Grantor:	City of Laredo
Total Area:	The surface estate only of approximately 3.8305 unimproved acres, being Lot 3, Block 23, Laredo Airport, City of Laredo, Webb County, Texas
Improvements:	No permanent improvements
Location:	Immediately north of The University of Texas Health Science Center Regional Campus and located at the corners of Foster Avenue, Pappas Street and N. Bartlett Avenue, Laredo, Webb County, Texas (see map on Page 261)
Intended Use:	Initial use as the site of a proposed outpatient medical clinic to be operated by the United States Department of Veterans Affairs and future programmed expansion of The University of Texas Health Science Center Regional Campus

Ground Lease

Institution:	U. T. Health Science Center – San Antonio
Type of Transaction:	Option to ground lease and ground lease
Lessee:	United States Department of Veterans Affairs or its assigns (VA)
Leased Premises:	Approximately 3.8305 unimproved acres, being Lot 3, Block 23, Laredo Airport, City of Laredo, Webb County, Texas
Permitted Use:	Construction, operation, maintenance, and repair by a developer selected by the VA of an outpatient clinic for specialty outpatient care and/or VA medical care and patient services; initial improvements will consist of a building of approximately 16,800 net usable square feet and a parking lot for no fewer than 120 parking spaces

Ground Lease Term:	Initial term of 20 years, plus two 10-year renewal terms
Consideration:	No cash rental until the earlier of the expiration of the initial 20-year term or the date on which the VA ceases to use the property for an outpatient medical clinic; the initial consideration is the construction and operation of a VA outpatient medical clinic; upon the expiration of the free rent period, rental will be charged at the fair market rental value of the land


S Sandman St
E Carlton Rd
Foster Ave
N Bartlett Ave
Subject Property
Leal St
Pappas St
U. T.
Health
Science
Center
Regional
Campus
N Jarvis Ave
E Bustamante St
E San Pedro St
59
E Saunders St
©2010
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4. U. T. Medical Branch – Galveston: Authorization to acquire the 50% undivided interest of The Sealy & Smith Foundation, and/or its subsidiary, Magnolia Holding Company, both Texas nonprofit corporations, in and to 0.3697 of an acre, being all of Lot 2 and a portion of Lots 3 through 5, Block 667, and the abandoned right-of-way of Avenue A, Galveston, Galveston County, Texas, for use as a portion of the site of the planned clinical services building for the John Sealy Hospital

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, 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. acquire the 50% undivided interest of The Sealy & Smith Foundation, and/or its subsidiary, Magnolia Holding Company, both Texas nonprofit corporations, in and to 0.3697 of an acre, being all of Lot 2 and a portion of Lots 3 through 5, Block 667, and the abandoned right-of-way of Avenue A, Galveston, Galveston County, Texas, for use as a portion of the site of the planned clinical services building for the John Sealy Hospital; and

b. authorize the Executive Director of Real Estate to execute all documents, instruments, or other agreements, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

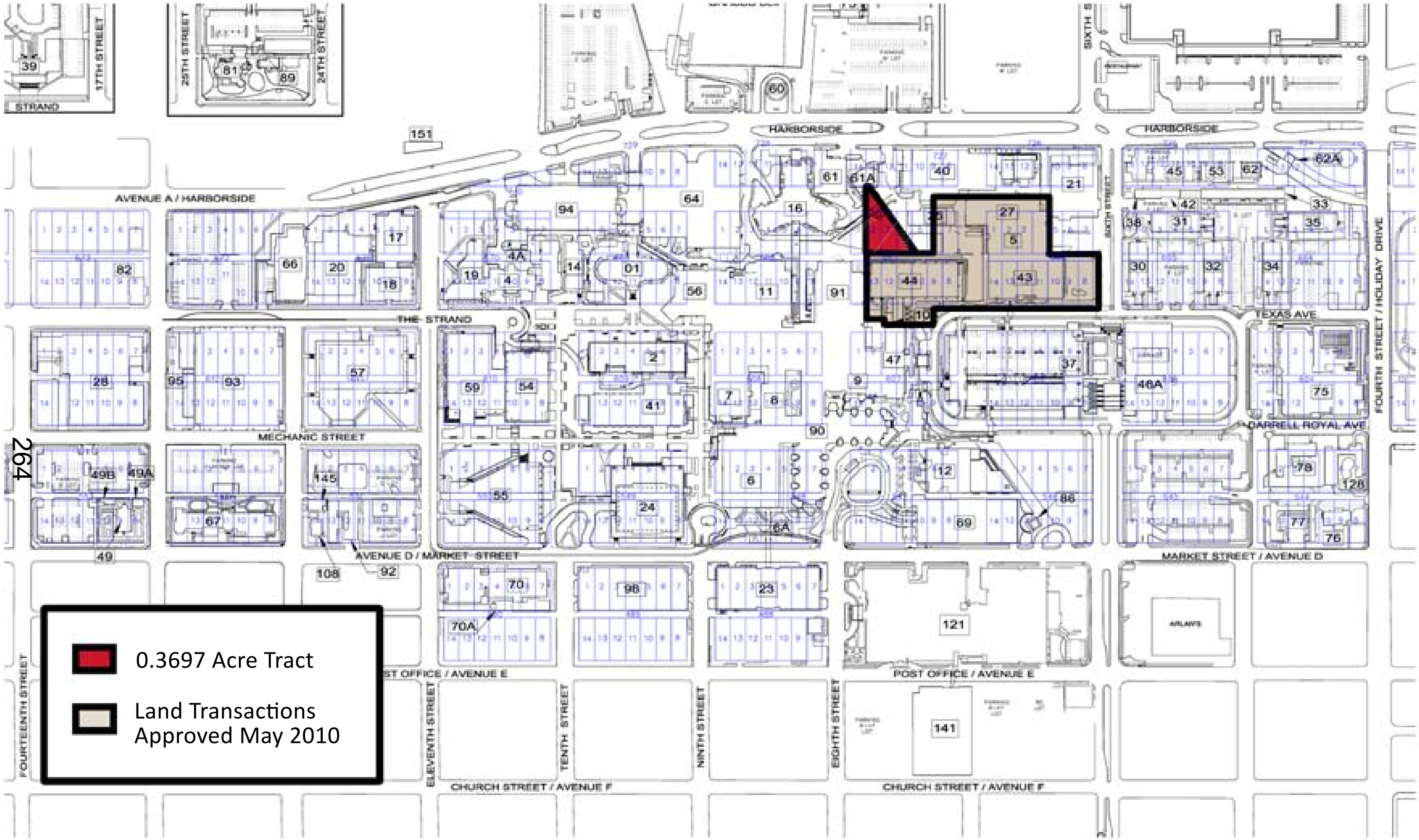
BACKGROUND INFORMATION

On May 13, 2010, the Board of Regents approved a series of land transactions with The Sealy & Smith Foundation or Magnolia Holding Company (collectively, Sealy & Smith) to enable planning to continue for the clinical services building to serve the John Sealy Hospital and for a possible replacement Jennie Sealy Hospital. Additional surveying and title history work following that approval has revealed that an additional parcel for the clinical services wing, which was initially thought to be owned outright by the Board of Regents, is instead owned in 50% undivided interests by the Board of Regents and Sealy & Smith.

To clear up ownership of the entire site on which the clinical services building is to be constructed, Sealy & Smith proposes to transfer its undivided interest in the subject property. The transfer will be at no cost to the Medical Branch other than closing costs and due diligence expenses. A transaction summary and map showing the location of the subject property follow.

Transaction Summary

Institution:	U. T. Medical Branch – Galveston
Type of Transaction:	Conveyance of a 50% undivided interest in the subject property at no cost to the Medical Branch other than typical due diligence and closing costs
Grantor:	The Sealy & Smith Foundation and/or Magnolia Holding Company, both Texas nonprofit corporations
Total Area:	0.3697 of an acre
Improvements:	No permanent improvements
Location:	All of Lot 2 and a portion of Lots 3 through 5, Block 667, and the abandoned right-of-way of Avenue A, Galveston, Galveston County, Texas (see map on the next page)
Intended Use:	Inclusion in the site for the proposed clinical services wing to serve the John Sealy Hospital



Prepared by FOAM Planning - January, 2010

The University of Texas Medical Branch at Galveston

UTMB
The University of Texas Medical Branch

5. **U. T. Medical Branch – Galveston: Approval to establish a Doctor of Nursing Practice (DNP) degree program and submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Callender 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 Nursing Practice (DNP) degree program at U. T. Medical Branch – Galveston; and

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

BACKGROUND INFORMATION

Program Description

U. T. Medical Branch – Galveston proposes to implement a DNP program through its School of Nursing, with entry options at both the baccalaureate and post-Master's level, to prepare registered nurses for evidence-based nursing practice, including translating research into practice, evaluating evidence, applying research in decision making, and implementing viable clinical innovations to change practice. The institution's proposed DNP program will include instruction in health care delivery systems, health economics and finance, health policy, research methods, translating evidence into practice, concepts in population health, and nursing leadership.

The proposed DNP program will be bolstered by a planned partnership with the Department of Nursing at U. T. Pan American and Prairie View A&M College of Nursing in Houston. The DNP partnership would include faculty support and distance learning resources to increase access to the program and increase diversity among the pool of program candidates.

Need and Student Demand

Changes in the technology and complexity of health care and growing demands of chronic care associated with aging and changing lifestyles have contributed to the need for doctoral-prepared leaders to improve outcomes of health care through evidence-based clinical practice and system improvement in health care delivery, and have driven the move to establish DNP programs throughout the United States. U. T. Medical

Branch – Galveston's new DNP program is planned to fulfill local, state, and national needs for doctoral advanced practice nurses who can serve as uniquely qualified health care providers prepared to address the needs of evidence-based disease management and cost effectiveness.

Furthermore, through its distance learning approach and partnership with schools with large numbers of minority graduates, U. T. Pan American and Prairie View A&M, the newly proposed DNP program is designed to meet the need for more diversity among students in graduate health programs and the number of well-educated health care professionals in Texas. In an August 2010 survey of nursing students at U. T. Medical Branch – Galveston, over 90% of undergraduate students responded that they have considered continuing with graduate school after obtaining their Bachelor of Science in Nursing degree and over 90% of graduate students responded that they would transfer to a DNP program although such transfer would require additional study.

Program Quality

The planned DNP curriculum follows the essentials developed by the American Association of Colleges of Nursing and the core competencies for nurse practitioners developed by the National Organization of Nurse Practitioner Faculties. The U. T. Medical Branch – Galveston DNP proposal reflects a Bachelor of Science in Nursing (BSN)-DNP curriculum and a post-Master of Science in Nursing (MSN)-DNP curriculum for MSN-prepared nurses who are already prepared as advanced practice nurses. An MSN-exit option will be available for students who do not continue through the entire program. For BSN-DNP students, the curriculum emphasizes a strong clinical component and the basic scientific foundation for an MSN-prepared nurse. The institution plans to limit enrollment in the DNP program for the first two years after implementation, during which time and beyond it will still be graduating MSN-prepared and advanced practice registered nurses.

The U. T. Medical Branch – Galveston School of Nursing employs a wide range of qualified faculty members with credentials commensurate with DNP education needs who are prepared to conduct clinical evaluation of students at distance sites via teleconferencing. With implementation of the planned DNP partnership, U. T. Pan American and Prairie View A&M will each have a designated faculty member to provide leadership and support for schools on their campuses that will provide classroom and distance learning resources.

Program Cost

U. T. Medical Branch – Galveston does not plan to expand facilities and/or equipment specifically to support the newly proposed DNP program. Most of the costs related to the program are reallocated from the existing MSN program, and a portion is related to additional faculty. The institution's School of Nursing has an ongoing program for updating its technology and equipment. The DNP program is not expected to strain resources needed to implement and sustain the program.

6. U. T. System: Quarterly report on health matters, including accountable care organizations and Cancer Prevention and Research Institute of Texas (CPRIT) awards

REPORT

Executive Vice Chancellor Shine will report on health matters of interest to the U. T. System, including an explanation of the concept of accountable care organizations and Cancer Prevention and Research Institute of Texas (CPRIT) awards, using the chart set forth on Page 268.

Cancer Prevention and Research Institute of Texas

Award Totals by Institution

Institution	Prevention Awards	# of Awards	Research / Commercialization Awards	# of Awards	Total Awards	Total # of Awards
UT Arlington	$ -	0	$ 200,000	1	**$ 200,000**	**1**
UT Austin	$ -	0	$ 8,929,918	7	**$ 8,929,918**	**7**
UT Dallas	$ -	0	$ 1,913,971	2	**$ 1,913,971**	**2**
UT San Antonio	$ -	0	$ 199,906	1	**$ 199,906**	**1**
UT Southwestern	$ 2,198,537	3	$ 45,872,856	44	**$ 48,071,393**	**47**
UTMB	$ 15,000	1	$ 4,052,471	1	**$ 4,067,471**	**2**
UT HSC Houston	$ 1,099,789	2	$ 12,233,302	10	**$ 13,333,091**	**12**
UT HSC San Antonio	$ 299,310	1	$ 8,955,507	5	**$ 9,254,817**	**6**
UT MD Anderson	$ 1,341,317	5	$ 43,407,255	37	**$ 44,748,572**	**42**
Total for UT institutions	**$ 4,953,953**	**12**	**$ 125,765,186**	**108**	**$ 130,719,139**	**120**
Non-UT entities	$ 16,746,895	32	$ 108,969,469	55	**$ 125,716,364**	**87**
Total Awards	**$ 21,700,848**	**44**	**$ 234,734,655**	**163**	**$ 256,435,503**	**207**

Source: “Cumulative Award Totals by Organization, REVISED 11/2/2010” from CPRIT website: *http://www.cprit.state.tx.us/funded-grants/grant-awards*

Prepared by Office of Health Affairs, January 2011

Friday, February 18, 2011

SPECIAL MEETING OF THE HEALTH AFFAIRS COMMITTEE

U. T. System: Discussion featuring research opportunities, accomplishments, and challenges at U. T. Southwestern Medical Center – Dallas and U. T. Health Science Center – Tyler

DISCUSSION

Executive Vice Chancellor Shine will lead a discussion concerning research opportunities, accomplishments, and challenges at U. T. Southwestern Medical Center – Dallas and U. T. Health Science Center – Tyler.

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FOR
FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

Committee Meeting: 2/17/2011

Board Meeting: 2/18/2011
Austin, Texas

1. U. T. Austin: High Performance Computing Facility Expansion - Amendment of the FY 2011-2016 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 2011-2016 Capital Improvement Program (CIP) to include the High Performance Computing Facility Expansion project at The University of Texas at Austin as follows:

Project No.:	102-627	
Project Delivery Method:	Construction Manager-at-Risk	
Substantial Completion Date:	9/30/2012	
Total Project Cost:	Source	Proposed
	Unexpended Plant Funds	$55,000,000
	Available University Fund	$ 1,000,000
		$56,000,000

Investment Metrics:

- Leverage existing systems to compete for National Science Foundation grant with potential of $54,000,000 over next four years with potential for renewal.
- Maintain computing capacity at the highest levels to remain competitive in one of the University's highest strategic priorities.
- Continue to recruit the best faculty and graduate students.
- Increase national and international exposure by retaining the Top 10 ranking in supercomputing systems.

BACKGROUND INFORMATION

In 2010, The University of Texas at Austin and HMG & Associates, Inc. prepared a statement of Owner's Project Requirements for expanding the computer machine room for U. T. Austin's Texas Advanced Computing Center (TACC) with the goal of maintaining a competitive data center infrastructure for housing world-class computing systems. A thorough investigation by the consultants, combined with the center's in-depth strategic research planning, has resulted in a compelling plan to meet the programmatic needs and growth goals of the center while enhancing the Center's mission to advance science and society through the application of advanced computing technologies.

The High Performance Computing Facility Expansion will allow the TACC to submit a proposal for a National Science Foundation (NSF) grant. The University of Texas at Austin is well positioned to submit a very competitive proposal. This grant has the potential to bring $54,000,000 over the next four years, with $30,000,000 for the computing system plus an additional $24,000,000 for operations and activities, and the possibility of renewal for an additional $54,000,000 over an additional four years. This would give the University the ability to leverage its high-end data center to receive significant amounts of additional grant funding.

The proposed expansion of the TACC data center will provide approximately 8,000 gross square feet of high-density data center space and an additional six megawatts of power. The proposed facility will host high-end research-focused computing systems for the TACC and is proposed to be built as an expansion to the existing Research Office Complex (ROC) building on the J. J. Pickle Research Campus. The project cost covers the necessary building and utility improvements for the very specialized facility needs of the TACC high-end data center including a power substation, electrical distribution system, and chiller. This proposed project will also provide substantially more power capacity at the J. J. Pickle Research Campus to support the future growth of the University's research endeavors there.

Computing is a rapidly changing field, with high-end systems becoming ever larger. To maintain leadership, the University must periodically increase data center infrastructure capabilities. Power and cooling are even more important than space, and data center infrastructure is now dominated by power costs, for both construction and operation. For progress, as well as competitive advantage, periodic increase of data center infrastructure is required. Having previously won a $59 million award from NSF to deploy and support the Ranger computer, the TACC now supports well over $100 million per year of research at U. T. Austin, and this number is expected to reach $200 million per year with the new Lonestar project. The new data center is essential to compete for, and deploy, the next system beyond Ranger and Lonestar. U. T. Austin must have the approved commitment for the data center for the NSF proposal deadline of March 7, 2011.

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 for approval to the Board at a later date.

2. U. T. Austin: U. T. Academy of Music - Amendment of the FY 2011-2016 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 2011-2016 Capital Improvement Program (CIP) to include the U. T. Academy of Music project at The University of Texas at Austin as follows:

Project No.:	102-624	
Project Delivery Method:	Design/Build	
Substantial Completion Date:	August 2013	
Total Project Cost:	Source Gifts	Proposed $20,000,000

Investment Metrics: By 2015

- The combined total enrollment of all current programs is approximately 330 students. It is projected that within the next five years, more than 2,000 children and adults will be enrolled.
- Current enrollment provided approximately $120,000 in financial aid to graduate students who teach. Revenue from the proposed Academy is expected to increase financial aid for graduate students to more than $900,000, and pedagogical benefits to graduate students would increase proportionally.

BACKGROUND INFORMATION

The U. T. Academy of Music (Academy) will provide approximately 60,000 gross square feet of classroom, rehearsal, and performance facilities along with administrative and support space. The building will include a 300-seat concert hall that, when not in use by the Academy, would be available as a performance space for the Sarah and Ernest Butler School of Music. This facility will be located on property east of Interstate Highway 35 and will house all noncredit instruction as well as provide pedagogical training for graduate music students. The Academy will generate significant job opportunities for instructors for graduate students and provide quality noncredit musical instruction to children and adults in Greater Austin, a service to the community U. T. Austin is uniquely qualified to fill.

With Board approval, programming will commence once all gift funds are acquired. 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.

3. U. T. Brownsville: Biomedical Research Facility II - Amendment of the FY 2011-2016 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 García that the U. T. System Board of Regents amend the FY 2011-2016 Capital Improvement Program (CIP) to include the Biomedical Research Facility II project at The University of Texas at Brownsville as follows:

Project No.: 902-618

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: April 2013

Total Project Cost:

Source	Proposed
Grants	$ 3,993,085
Higher Education Assistance Funds (HEAF)	$ 760,591
	$ 4,753,676

Investment Metrics:

By 2013

- Increase research by expanding infrastructure laboratories from 16 to 22, including 8,452 gross square feet (GSF)
- Increase external funding by $1.5 million on research expenditures
- Increase retention by providing approximately 12 part-time positions for students
- Increase productivity in research by recruitment of two professors

BACKGROUND INFORMATION

The Biomedical Research Facility II will provide approximately 8,452 gross square feet for six research laboratories, private investigator research offices, support spaces, and mechanical, electrical, and plumbing support system. The project will connect via a covered walkway to the Biomedical Research and Health Professions Building. The National Institutes of Health (NIH) grant dictates allowable project costs. Higher Education Assistance Funds (HEAF) will cover costs in excess of or ineligible for NIH grant funding.

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 for approval to the Board at a later date.

4. U. T. Permian Basin: Falcon's Nest Addition, Buildings 7-12 - Amendment of the FY 2011-2016 Capital Improvement Program to include project; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; 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 Watts that the U. T. System Board of Regents approve the recommendations for the Falcon's Nest Addition, Buildings 7-12 project at The University of Texas of the Permian Basin as set forth below.

Project No.:	501-345	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	6/1/2012	
Total Project Cost:	Source	Proposed
	Revenue Financing System Bond Proceeds	$6,000,000

Investment Metrics: By 2012

- Student recruitment increased by 50 out-of-area students by Fall opening
- Obtain 100% occupancy, 96 students
- Increase by 25% meal plan utilization of new Student Multipurpose Center

a. approve design development plans;

b. appropriate funds and authorize expenditure of $6,000,000 from Revenue Financing System Bond Proceeds;

c. approve the evaluation of alternative energy economic feasibility; 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. Permian Basin, 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 $6,000,000.

BACKGROUND INFORMATION

Debt Service

The $6,000,000 in Revenue Financing System debt will be repaid from housing revenues. Annual debt service on the $6,000,000 Revenue Financing System debt is expected to be approximately $413,000. The institution's debt service coverage is expected to be at least 1.0 times and average 1.3 times over FY 2011-2016.

Project Description

The proposed apartment-style Falcon's Nest Addition will be a continuation of existing on-campus housing. The six buildings totaling approximately 30,000 gross square feet (GSF) will house 96 students in two-story apartment buildings containing a total of 24 units. Each unit will consist of four bedrooms, two bathrooms, and a central living area. Students will take their meals in the recently completed Student Multipurpose Center.

Current housing facilities provide 560 beds and are operating at 90% occupancy. The waiting list for Fall 2010 was approximately 10-20 students. This new addition will provide students a full university life experience through a campus residential setting.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

Basis of Design

The proposed housing project's life expectancy includes the following elements:

- Enclosure: 25-35 years
- Building Systems: 25-35 years
- Interior Construction: 15-25 years

The exterior and interior appearance and finish are consistent with similar private-sector apartment facilities, existing campus housing, and with the existing Campus Master Plan.

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.