SCHEDULE OF EVENTS
FOR
BOARD OF REGENTS' MEETING

February 13-14, 2013
Austin, Texas

Wednesday, February 13, 2013

Academic Affairs Committee ………………	*9:30 a.m.*
Facilities Planning and Construction Committee ………………	*11:30 a.m.*
Lunch ………………	*12:30 p.m.*
Finance and Planning Committee ………………	*1:00 p.m.*
Health Affairs Committee ………………	*2:00 p.m.*
Technology Transfer and Research Committee ………………	*3:30 p.m.*
Recess ………………	*5:00 p.m.*

Thursday, February 14, 2013

Audit, Compliance, and Management Review Committee ………………	*7:30 a.m.*
Joint Meeting of the Audit Committee and Finance Committee ………………	*9:00 a.m.*
Meeting of the Board - Open Session ………………	*9:30 a.m.*
Meeting of the Board - Executive Session ………………	*10:30 a.m.*
Meeting of the Board - Open Session ………………	*5:30 p.m.*
Adjourn ………………	*5:45 p.m. approximately*

TABLE OF CONTENTS
for
BOARD MEETING

February 14, 2013
Austin, Texas

(3) approximately 240 acres bounded on the west by Old Alice Road and located at the easternmost terminus of Sports Park Boulevard;
(4) approximately 400 to 700 acres bounded on the west by the U.S. 77/83 frontage road and located at the easternmost terminus of Rancho Viejo Drive;
(5) approximately 321.687 acres out of a 568.836-acre tract bounded on the north by Farm to Market Road 1732 and located approximately one mile west of U.S. 77/83 and within Share 14 of the Espiritu Santo Grant;
(6) approximately 200 to 372 acres in Amigoland Subdivision, Section II, Units E, J, and I, and in University Plaza Subdivision, Phase I;
(7) approximately 11.43 acres consisting of Lots 1-5, 8-10, Block 4, and Lot 3, Block 3, University Park Subdivision, Section 1;
(8) approximately 292 acres consisting of multiple parcels located on Alton Gloor Boulevard/Dr. Hugh Emerson Road between Paredes Line Road and Cavazos Road;
(9) approximately 400 to 450 acres in various configurations out of a 1,350-acre tract located at the southeast corner of Texas 100 and the U.S. 77/83 frontage road;
(10) approximately 200 acres out of a 434.69-acre tract of land in Rincon Subdivision and bounded on the west by Old Alice Road;
(11) approximately 201.2 acres consisting of: 47.96 acres out of Banco 122 Lozano Banco 137 and bounded on the north by West University Boulevard; 84.70 acres out of Jeronimo Banco 131 and bounded on the north by East University Boulevard; 21.5 acres out of Espiritu Santo Grant Share 19 and bounded on the north by West University Boulevard; Lot 15, Block 1, Veterans International Trade Center Phase I; Reserve A, Veterans International Trade Center Phase IV; Lot 3, Block 4, Veterans International Trade Center Phase IV; and 7.188 acres located at the westernmost terminus of Ringgold Road and formerly known as 340 and 344 Porter Drive; and
(12) 533 E. 13th Street and 1350 E. Washington Street, Brownsville, Texas

b. U. T. Dallas: Discussion and appropriate action regarding authorization to acquire the tenant's leasehold interest, including the ground tenant's interest in all improvements, under four ground leases in and to approximately 32.88 acres and all improvements located at 2200, 2400, and 2600 Waterview Parkway, Richardson, Dallas and Collin Counties, Texas, from Waterview Park Apartments, LLC, a Texas limited liability company, for a purchase price in accordance with parameters to be discussed in Executive Session for use as student housing, and resolution regarding parity debt

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

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

b. U. T. Brownsville: Discussion and appropriate action regarding legal issues related to possible sites for the new campus of U. T. Brownsville (see Item 1a above)

c. **U. T. Medical Branch - Galveston: Discussion of legal issues related to application of overtime provisions of the federal Fair Labor Standards Act**

3. Negotiated Contracts for Prospective Gifts or Donations - Section 551.073

a. **U. T. Austin: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**

b. **U. T. San Antonio: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**

c. **U. T. Medical Branch - Galveston: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**

d. **U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**

4. Deliberation Regarding Security Devices or Security Audits - Section 551.076

U. T. System Board of Regents: Discussion and appropriate action regarding safety and security issues, including security audits and the deployment of security personnel and devices

5. 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 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**

b. **U. T. Arlington: Discussion and appropriate action regarding individual personnel matters related to the presidential search, including individual candidate interviews and possible naming of finalists**

c. **U. T. Medical Branch - Galveston: Discussion of individual personnel issues related to compensation concerning application of overtime provisions of federal Fair Labor Standards Act**

RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS *5:30 p.m.*

ADJOURN *5:45 p.m.*

1. <u>U. T. System Board of Regents: Approval of Consent Agenda items and referral of any items to the full Board or to Committee</u>

The Board will be asked to approve Consent Agenda items located at the back of the book under the Consent Agenda tab.

2. U. T. System Board of Regents: Remarks from Texas Education Agency Commissioner Michael Williams on Agency goals

REPORT

Commissioner of Education Michael Williams has been invited to address the Board on the work and goals of the Texas Education Agency.

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

REPORT

Vice Chancellor Safady will report on development performance of U. T. System institutions for Fiscal Year 2012 and make recommendations for advancing philanthropic support, using the PowerPoint presentation set forth on the following pages.

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 is designed 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 2012

Dr. Randa Safady
Vice Chancellor for External Relations

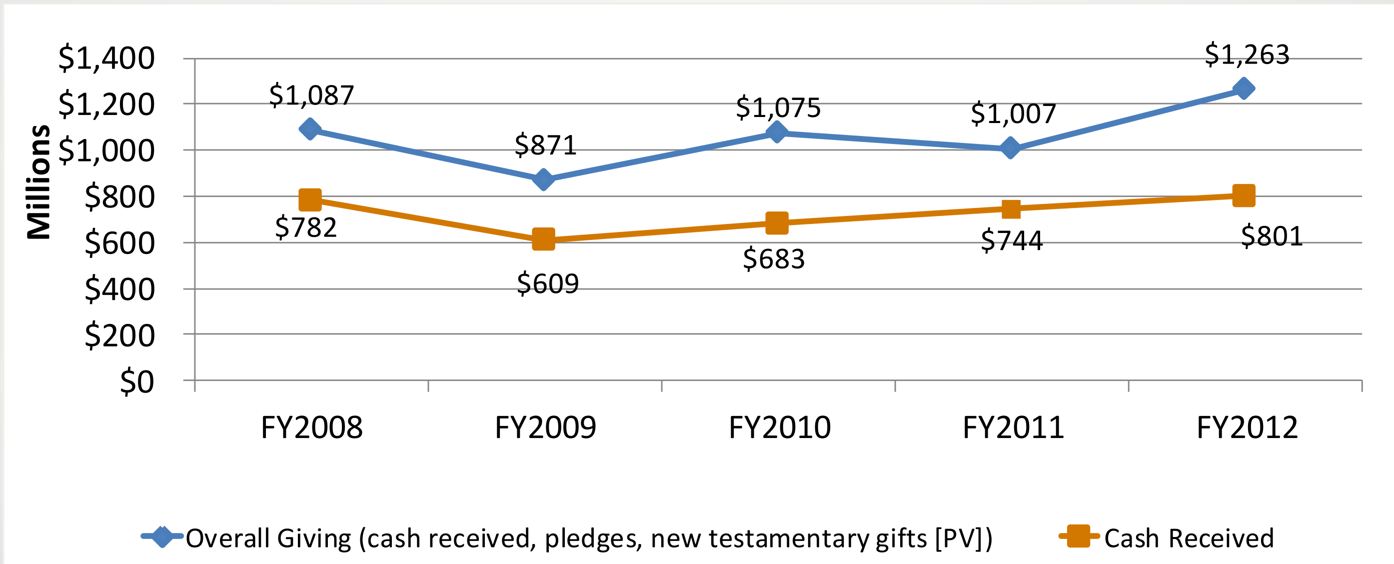
U. T. System Board of Regents' Meeting

February 2013

Fundraising Environment in FY 2012

- Continued slow economic recovery
- Top 400 nonprofits raising the most from private sources forecasted a median gain of less than 1% growth
- Council for Advancement and Support of Education (CASE) Fundraising Index estimated a 4.9% growth for higher education in FY 2012
- Initial data from Voluntary Support of Education/Council for Aid to Education (VSE/CAE) reveals cash received for public higher education down 0.1% and private higher education down 1.0%
- Fidelity Charitable was the second largest recipient of charitable gifts in FY 2012

Fundraising Summary and Five-Year Trend



- FY 2012 was the highest year for overall giving and cash received
- Overall giving increased 25.4% while cash received increased 7.7% from FY 2011

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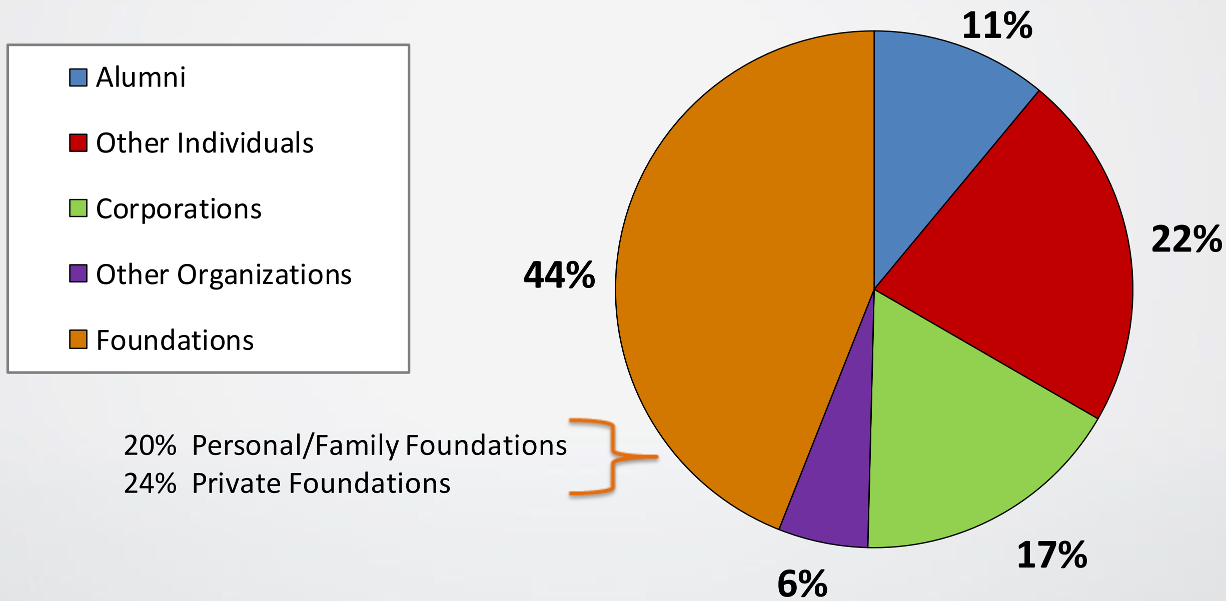
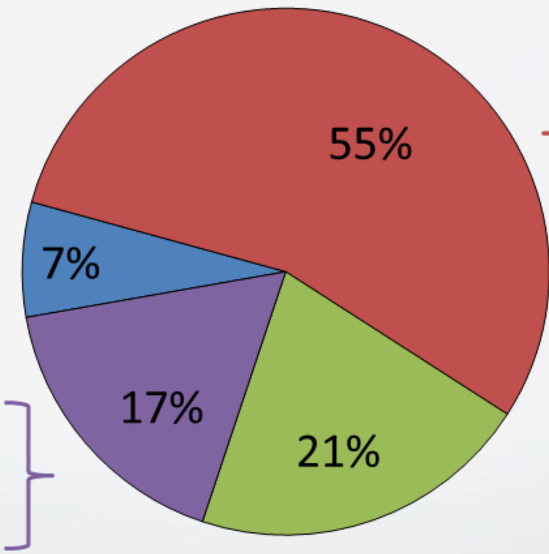
Sources of Giving FY 2012



Purpose of Gifts

- Current Operations Unrestricted
- Current Operations Restricted
- Property, buildings, equipment
- Endowment



54% Research
20% Academic Programs, Faculty/Staff
10% Athletics
4% Student Financial Aid

39% Academic Programs, Faculty/Staff
29% Research
11% Student Financial Aid

Individual Donors

	Average FY 2007–2011	FY 2012	Percent Change
Alumni donors	81,936	79,141	-3.4%
Non-alumni donors	141,124	140,720	-0.3%
All individual donors	223,060	219,861	-1.4%

- FY 2012 represents a slight decrease in number of alumni and non-alumni donors
- Number of alumni donors declined for the first time in four years
- Maintaining the donor base during these economic times is a significant accomplishment
- Non-alumni donors account for 64% of all individual donors

Alumni Giving

	Average FY 2007–2011	FY 2012	Percent Change
Alumni Participation*	8.0%	7.1%	-12.6%
Alumni Giving Amount	$78.9M	$88.2M	11.8%

*Alumni Participation = alumni donors divided by alumni of record

- 1,107,208 alumni of record
- Cash received from alumni remained flat in FY 2012

Planned Giving

	Average FY 2007–2011	FY 2012	Percent Change
New Testamentary Gifts (present value)	$41.7M	$64.3M	54.3%
New Testamentary Gifts #	154	202	31.2%
Realized Bequests	$44.3M	$75.2M	69.9%
Realized Bequests #	169	203	20.1%

- Planned giving continues to grow in importance for donors and institutions
- Realized bequests represent 28.2% of gifts from individuals in FY 2012

Impact of Larger Gifts

	Average FY 2007–2011	FY 2012	Percent Change
Top 12* gifts as a percentage of cash received	20.5%	23.2%	13.2%

* Top 12 gifts = 3 largest gifts from individuals, foundations, corporations, and bequests

- Of the more than 220,000 gifts, the top 12 account for more than 20% of all cash received
- 59 gifts of $1M or more; up from 54 gifts in FY 2011

Academic Institutions FY 2012

Institutions	Overall Giving* (in millions)	Cash Received (in millions)	Cash Received as a % change from 5-year avg. FY 2007-2011	Cash Received as a % of Educational & General (E&G) Expenditures
U. T. Arlington	↑ $23.7	↑ $16.0	134.4%	3.5%
U. T. Austin	↑ $335.3	↑ $258.3	10.3%	12.9%
U. T. Brownsville	$2.3	↑ $2.0	42.3%	1.2%
U. T. Dallas	$32.4	$20.6	-11.6%	6.1%
U. T. El Paso	↑ $40.9	↑ $27.0	25.7%	7.5%
U. T. Pan American	$6.3	$3.7	-8.9%	1.8%
U. T. Permian Basin	↑ $7.9	$6.0	13.6%	19.3%
U. T. San Antonio	$20.7	$12.2	-27.4%	2.9%
U. T. Tyler	$3.5	↑ $3.5	-10.7%	3.9%

*Overall Giving = testamentary commitments, pledges, and cash received ↑ = increase from FY 2011

Health Institutions FY 2012

Institutions	Overall Giving* (in millions)	Cash Received (in millions)	Cash Received as a % change from 5-year avg. FY 2007-2011	Cash Received as a % of Educational & General (E&G) Expenditures
UTSWMC	$150.8	$120.8	-15.8%	9.5%
UTMB	↑ $236.2	↑ $55.9	71.8%	9.6%
UTHSC - Houston	↑ $54.6	↑ $48.6	27.4%	6.3%
UTHSC - San Antonio	$50.2	↑ $36.6	-34.5%	4.9%
UTMDACC	↑ $294.2	↑ $186.7	51.1%	13.1%
UTHSC - Tyler	↑ $2.0	$1.0	-25.0%	2.6%

*Overall Giving = testamentary commitments, pledges, and cash received ↑ = increase from FY 2011

Fundraising Campaigns

- Six fundraising campaigns underway and all at various stages
  - Combined campaign goals $4.0B
  - Amount raised toward campaign goals $2.6B
- Campaigns aligned with Framework and CASE guidelines

Strength in Numbers $10 Million

- Each U. T. System institution applied for and received Strength in Numbers support for a three-year period (FY 2012-FY 2014) to enhance development, provided certain criteria were met
- Initial allocation of Strength in Numbers resulted in
  - 23 frontline officers hired
  - 15 infrastructure positions filled
  - 10 programs supported

Observations from FY 2012

- For the most part, U. T. System institutions effectively worked with donors who provided exceptional financial support during the most difficult fundraising period of this generation
- Individual donor count leveled off
- Number of large gifts increased but gifts of appreciated assets decreased
- Planned giving was important to fundraising success
- Philanthropy among U. T. System institutions collectively reached 8.4% of Education and General (E&G) expenditures and is tracking toward 10%

Forecast for FY 2013

- Philanthropy for the next 2-3 years is likely to be challenging
- Donor confidence in the economy is still shaky making major gifts more challenging to secure
- Planned gifts will increasingly be part of large gift commitments

Going Forward – Strategy

- Align philanthropy and communications with institutional priorities
- Importance of recruiting and retaining exceptional development leadership and staff members
- Balanced fundraising programs with a focus on donor cultivation and stewardship

Going Forward – Strategy (cont.)

- Innovative and strategic development business planning is essential
- With slight decline in donor count, new strategies are in order for annual giving programs
- Implement recommendations from development audit

Going Forward – Strategy (cont.)

- Continued investments in development may be warranted as performance improves and innovation is needed
  - Development budgets nationally are 1.4% of E&G expenditures and the median for U. T. System institutions is 0.8%

Going Forward – Strategy (cont.)

- At the heart of our strategy is the Center for Enhancing Philanthropy
  - Training and Workshops
    - Best practice – alumni, annual giving, major gifts, stewardship, etc.
    - Vice Presidents of Research and Development forums
    - Systemwide and customized workshops
  - Talent Management
  - Collaborative services and projects
  - Assessments, campaign planning, and strategic thinking

4. <u>U. T. System Board of Regents: Proposed repeal of Regents' *Rules and Regulations*, Rule 80501, regarding underground easements</u>

RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor and General Counsel that Regents' *Rules and Regulations*, Rule 80501, regarding underground easements, be repealed.

BACKGROUND INFORMATION

Regents' *Rules and Regulations*, Rule 80501 provides, in its entirety: "All utility easements shall be put underground unless it is absolutely necessary to have an overhead line. In such cases, the easement will contain a provision that the grantee will relocate the line underground." This rule was adopted by the Board of Regents at its meeting on December 7, 1973.

While utilities are typically placed underground on U. T. System institution campuses, there may arise good reasons for not placing easements underground: cost may be prohibitive (a significant issue when it is a U. T. institution requesting the utility service), geography may not permit it (such as solid rock, mountainous terrain), or utility facilities (such as transformers) may not be of the type that can be placed underground. Each easement is handled on a case-by-case basis by the U. T. System Real Estate Office working with campus representatives and the utility provider. The Executive Director of Real Estate, pursuant to Regents' *Rules and Regulations*, Rule 70301, has delegated authority to sign easements.

Staff's conclusion is that the rule is not necessary and that the rule's allowance of overhead lines only if they are "absolutely necessary" is a standard that is not easily defined. Both aesthetics and ease of long-term maintenance will typically dictate placement of utilities underground, and campus and Real Estate Office personnel are in the best position to determine on a case-by-case basis when placement of utilities underground is not the most prudent course of action. There are currently more than 50 active easement files in the Real Estate Office; on average, between 35 and 50 new easement matters are opened each year.

5. <u>U. T. System: Musical performance by a student</u>

Mr. Ivan Hernandez, a student at U. T. Brownsville, will perform a short musical piece for the Board.

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

Committee Meeting: 2/14/2013

Board Meeting: 2/14/2013
Austin, Texas

Brenda Pejovich, Chairman
Paul L. Foster, Vice Chairman
Alex M. Cranberg
Wallace L. Hall, Jr.

	Committee Meeting	Board Meeting	Page
3. **U. T. System: Report on enhancements to U. T. Systemwide Research Compliance Program**	*8:40 a.m.* **Report/Discussion** *Dr. Hurn* *Mr. Plutko* *Dr. Byerly*	Not on Agenda	**33**
D. CONVENE JOINT MEETING WITH FINANCE AND PLANNING COMMITTEE			
4. **U. T. System: Report on the Fiscal Year 2012 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)**	*9:00 a.m.* **Report/Discussion** *Mr. Wallace* *Ms. Julia Petty, Deloitte & Touche* *Mr. Peppers*	Not on Agenda	**42**
E. ADJOURN	*9:30 a.m.*		

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

(The proposed Consent Agenda is at the back of the book.)

2. U. T. System: Report on the first quarter Fiscal Year 2013 Systemwide annual audit plan status

REPORT

Chief Audit Executive Peppers will report on the first quarter Fiscal Year 2013 Systemwide annual audit plan status as set forth on the following page.

U. T. Systemwide Internal Audit Program
FY 2013 Annual Internal Audit Plan Status
(as of November 30, 2012)

	Financial	Operational	Compliance	Information Technology	Follow-up	Projects	Actual Hours (Note 1)	Total Budget Hours (Note 2)	Variance (Hours)	Percentage Completion
U. T. System Administration	2,119	894	7	504	35	648	4,207	20,830	16,624	**20%**
Large Institutions:										
U. T. Austin	438	654	824	716	51	354	3,036	15,509	12,474	**20%**
U. T. Southwestern	1,111	125	851	144	97	335	2,662	15,304	12,642	**17%**
U. T. Medical Branch at Galveston	324	744	510	331	150	207	2,266	11,532	9,266	**20%**
U. T. HSC - Houston	401	705	529	435	90	256	2,414	9,054	6,641	**27%**
U. T. HSC - San Antonio	1,081	284	90	463	158	650	2,724	10,020	7,296	**27%**
U. T. MDA Cancer Center	1,696	596	695	-	56	47	3,088	17,839	14,751	**17%**
Subtotal	**5,050**	**3,107**	**3,498**	**2,088**	**600**	**1,847**	**16,189**	**79,258**	**63,069**	**20%**
Mid-size Institutions:										
U. T. Arlington	502	196	342	268	104	160	1,572	6,230	4,658	**25%**
U. T. Brownsville	424	48	61	38	40	242	852	4,856	4,004	**18%**
U. T. Dallas	383	1,069	401	445	66	80	2,442	9,953	7,511	**25%**
U. T. El Paso	1,054	496	649	125	62	81	2,467	10,935	8,468	**23%**
U. T. Pan American	345	457	253	151	181	203	1,589	6,075	4,487	**26%**
U. T. San Antonio	562	685	74	92	80	334	1,825	7,584	5,760	**24%**
Subtotal	**3,270**	**2,949**	**1,780**	**1,117**	**531**	**1,099**	**10,746**	**45,633**	**34,887**	**24%**
Small Institutions:										
U. T. Permian Basin	-	-	-	-	-	-	-	2,966	2,966	**0%***
U. T. Tyler	396	160	34	158	2	367	1,117	4,354	3,237	**26%**
U. T. HSC at Tyler	222	310	172	1	25	42	772	2,910	2,139	**27%**
Subtotal	**618**	**470**	**206**	**159**	**27**	**409**	**1,889**	**10,230**	**8,342**	**18%**
TOTAL	**11,057**	**7,420**	**5,490**	**3,868**	**1,193**	**4,003**	**33,030**	**155,951**	**122,921**	**21%**
Percentage of Total	**33%**	**22%**	**17%**	**12%**	**4%**	**12%**	**100%**			

NOTE 1:

Actual Hours are for the time period from 9/1/2012 through 11/30/2012, which represents approximately 25% of the annual audit plan year.

NOTE 2:

Total Budget Hours approved by the ACMRC was 155,951 hours. However, some institutions may change their Total Budget Hours and/or the allocation of hours among the various categories due to changes in priorities and staffing resources during the fiscal year. These changes are communicated to/approved by the institution's respective president and/or internal audit committee.

*****UT Permian Basin did not submit an audit plan status.

3. <u>U. T. System: Report on enhancements to U. T. Systemwide Research Compliance Program</u>

REPORT

Vice Chancellor Hurn; Mr. Lawrence Plutko, Systemwide Compliance Officer; and Dr. Wesley Byerly, Assistant Systemwide Compliance Officer - Research, will report on enhancements to research compliance efforts at U. T. System institutions using the PowerPoint presentation set forth on the following pages.

Report on Enhancements to U. T. Systemwide Research Compliance Program

Dr. Patricia D. Hurn, Vice Chancellor for Research and Innovation
Mr. Lawrence A. Plutko, Systemwide Compliance Officer
Dr. Wesley G. Byerly, Assistant Systemwide Compliance Officer

U. T. System Board of Regents' Meeting

Audit, Compliance, and Management Review Committee

February 2013

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Research Regulation and Compliance is Key for U. T. Research-intensive Campuses

- Increasing institutional cost if we are to assure research compliance
- Federal Demonstration Project estimates that federally funded researchers average 42% time in administrative and compliance activities

Research Regulation and Compliance is Key for U. T. Research-intensive Campuses (cont.)

- U. T. System Initiatives
  - Systemwide research compliance officer
  - Opening campus discussion of novel approaches
  - Center for Regulation of Science 2013
    - Streamlining through shared expertise
    - Develop tools and advanced expertise
    - Study and forecast changes in national/state research regulatory requirements

Impacting Factors

- Funding
- Increasing external access to information
- Changes in health care regulation/system
- Broader collaborations

Watch Areas

- Allowable costs
- Effort reporting
- Conflict of interest
- Sponsor-Investigator Investigational New Drug (IND) and Investigational Device Exemption (IDE) Applications
- Data security and confidentiality
- Select agents
- Clinical trial billing

Developing Areas

- Export Controls
- Agency Inspections
  - Office for Human Research Protections (OHRP)
  - Food and Drug Administration (FDA)
  - United States Department of Agriculture (USDA)
- Funding source specific requirements
- Implementation of the new Guide for the Care and Use of Laboratory Animals
- Stem Cell

Research Compliance Council

- Chartered by System Executive Compliance Committee to manage and mitigate research compliance risks across the U. T. System
- Vice Presidents for Research have appointed representatives for each of the institutions
- Will collaborate on a two-year research compliance work plan with key deliverables

Research Compliance Council (cont.)

- Develop research compliance training and education modules to meet federal grant requirements
- Establish best practices solutions to emerging research compliance issues
- Ensure uniformity and consistency in common areas (export controls, conflicts of interest, effort reporting)

4. U. T. System: Report on the Fiscal Year 2012 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)

REPORT

Mr. Randy Wallace, Associate Vice Chancellor - Controller and Chief Budget Officer, will discuss the 2012 Annual Financial Report (AFR) highlights. A PowerPoint presentation on Pages 43 - 55 is included for additional detail. 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 Year Ended August 31, 2012 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, 2012.

Ms. Julia Petty, Deloitte & Touche LLP, will report on the results of the audits of the U. T. System, U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, U. T. Health Science Center - Tyler, and funds managed by The University of Texas Investment Management Company (UTIMCO) for Fiscal Year 2012. The PowerPoint presentation is set forth on Pages 56 - 71. The letter of required communications from Deloitte & Touche LLP to the U. T. System Board of Regents was provided to the Regents prior to the meeting.

BACKGROUND INFORMATION

On February 9, 2012, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche LLP, to audit the U. T. System, U. T. M. D. Anderson Cancer Center, and funds managed by UTIMCO for the fiscal years ending August 31, 2012 and 2013. On May 3, 2012, the Board of Regents also authorized the same approval for stand-alone audits of U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler.

The Annual Financial Report is prepared in compliance with Governmental Accounting Standards Board pronouncements and State Comptroller of Public Accounts directives and filed with the oversight agencies on November 20 of each year as required by *Texas Government Code* Section 2101.011. Deloitte & Touche LLP issued an unqualified opinion on the U. T. System Consolidated Financial Statements on December 20, 2012.

Annual Financial Report Highlights Fiscal Year 2012

Randy Wallace, Associate Vice Chancellor - Controller and Chief Budget Officer

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

U. T. System Board of Regents' Meeting

February 2013

Required in Annual Financial Report

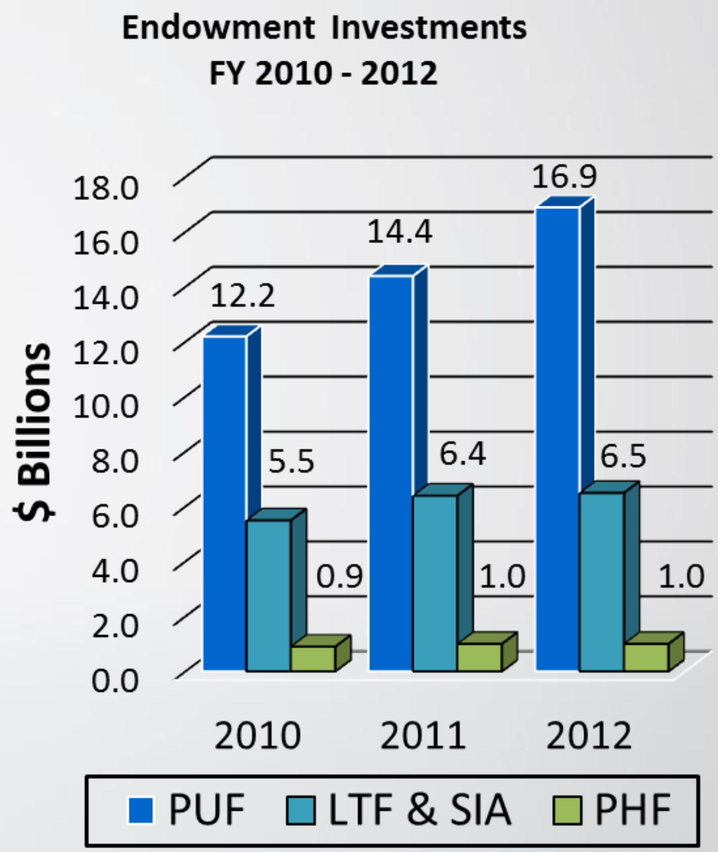
- Required supplemental information and financial statements include:
  - Management's Discussion and Analysis (MD&A)
  - Balance Sheet
  - SRECNA
  - Statement of Cash Flows
  - Notes to the Financial Statements
  - Required Supplementary Information

Financial Position FY 2012

- Balance sheet still strong
  - Assets over $49 billion
  - Net Assets over $33 billion
  - Operating results decreased slightly
  - Cash position increased slightly
- U. T. System's financial position for FY 2012 increased as a result of current year operations primarily due to:
  - Net investment income, including unrealized gains
    - Continued strong mineral income from the Permanent University Fund (PUF) Lands
    - $1.8 billion increase in the fair value of the PUF Lands

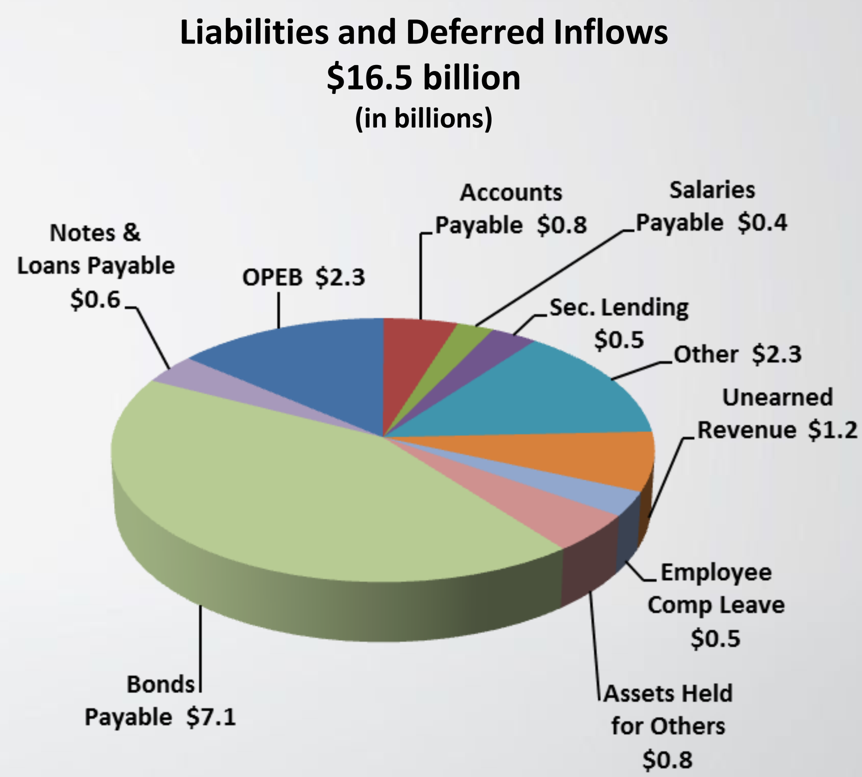
Balance Sheet

($ in millions)		2010	2011	2012
Assets and Deferred Outflows:				
Current Assets	$	5,539.7	5,546.0	6,181.3
Noncurrent Investments		23,263.6	27,833.1	30,646.4
Other Noncurrent Assets and Deferred Outflows		643.9	713.4	630.4
Capital Assets, net		11,008.0	11,785.4	12,422.5
Total Assets and Deferred Outflows	$	40,455.2	45,877.9	49,880.6
Liabilities and Deferred Inflows:				
Current Liabilities	$	5,888.6	6,261.3	6,536.2
Noncurrent Liabilities and Deferred Inflows		7,859.6	9,195.5	9,962.0
Total Liabilities and Deferred Inflows		13,748.2	15,456.8	16,498.2
Net Assets:				
Invested in Capital Assets, Net of Related Debt		4,630.8	5,029.2	5,265.2
Restricted		19,166.6	22,016.1	24,633.5
Unrestricted		2,909.6	3,375.8	3,483.7
Total Net Assets		26,707.0	30,421.1	33,382.4
Liabilities, Deferred Inflows, and Net Assets	$	40,455.2	45,877.9	49,880.6



Balance Sheet (cont.)

($ in millions)		2010	2011	2012
Assets and Deferred Outflows:				
Current Assets	$	5,539.7	5,546.0	6,181.3
Noncurrent Investments		23,263.6	27,833.1	30,646.4
Other Noncurrent Assets and Deferred Outflows		643.9	713.4	630.4
Capital Assets, net		11,008.0	11,785.4	12,422.5
Total Assets and Deferred Outflows	$	40,455.2	45,877.9	49,880.6
Liabilities and Deferred Inflows:				
Current Liabilities	$	5,888.6	6,261.3	6,536.2
Noncurrent Liabilities and Deferred Inflows		7,859.6	9,195.5	9,962.0
Total Liabilities and Deferred Inflows		13,748.2	15,456.8	16,498.2
Net Assets:				
Invested in Capital Assets, Net of Related Debt		4,630.8	5,029.2	5,265.2
Restricted		19,166.6	22,016.1	24,633.5
Unrestricted		2,909.6	3,375.8	3,483.7
Total Net Assets		26,707.0	30,421.1	33,382.4
Liabilities, Deferred Inflows, and Net Assets	$	40,455.2	45,877.9	49,880.6



Balance Sheet (cont.)

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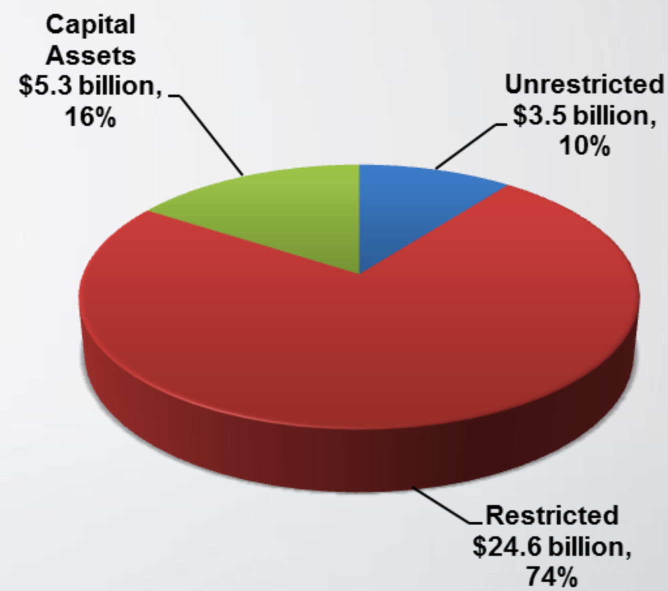
Liabilities, Deferred Inflows, and Net Assets	$	40,455.2	45,877.9	49,880.6

Net Assets - $33.4 billion

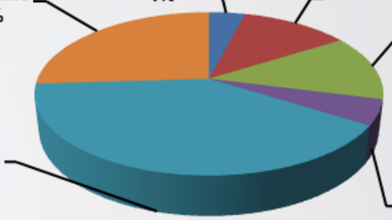


The University of Texas System
Nine Universities. Six Health Institutions. Unlimited Possibilities.
www.utsystem.edu

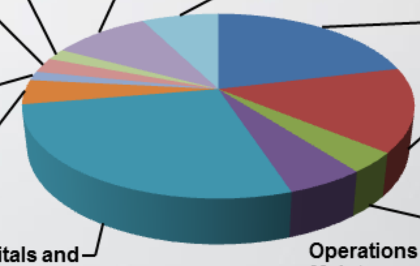
Statement of Revenues, Expenses, and Changes in Net Assets

($ in millions)		2010	2011	2012
Operating Revenues	$	9,267.5	10,059.3	10,454.3
Operating Expenses		(12,248.2)	(12,921.4)	(13,422.9)
Operating Loss		(2,980.7)	(2,862.1)	(2,968.6)
State Appropriations		2,087.5	1,857.3	1,919.0
Gifts & Nonexchange Grants		695.9	720.4	675.4
Net Investment Income		1,431.4	2,246.3	1,948.3
Net Incr./(Decr.) in Fair Value of Investments		1,522.1	1,896.9	1,619.1
Interest Expense		(207.5)	(262.7)	(268.9)
Net Other Nonop. Rev. (Exp.)		(26.6)	(32.8)	(25.7)
Income (Loss) Before Other Rev. Exp. Gains/(Losses) & Transfers		2,522.1	3,563.3	2,898.6
HEAF/Gifts for Endow.& Capital		353.1	370.4	397.3
Transfers and Other		(223.9)	(219.6)	(334.6)
Change in Net Assets		2,651.3	3,714.1	2,961.3
Net Assets, Beginning		24,055.7	26,707.0	30,421.1
Net Assets, Ending	$	26,707.0	30,421.1	33,382.4

Operating Revenues - $10.5 billion



Operating Expenses - $13.4 billion



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

($ in millions)		2010	2011	2012
Operating Revenues	$	9,267.5	10,059.3	10,454.3
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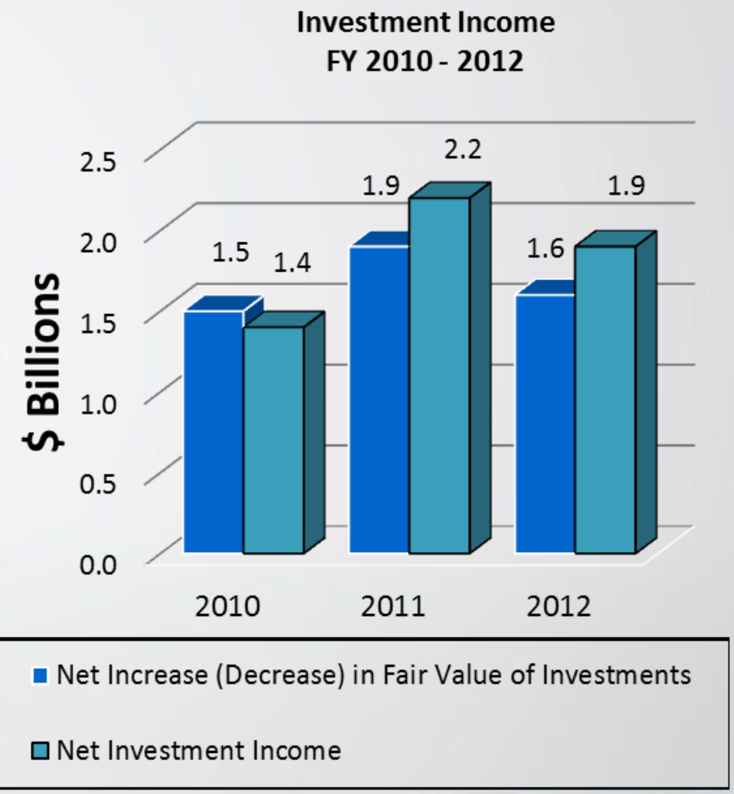


Statement of Revenues, Expenses, and Changes in Net Assets (cont.)

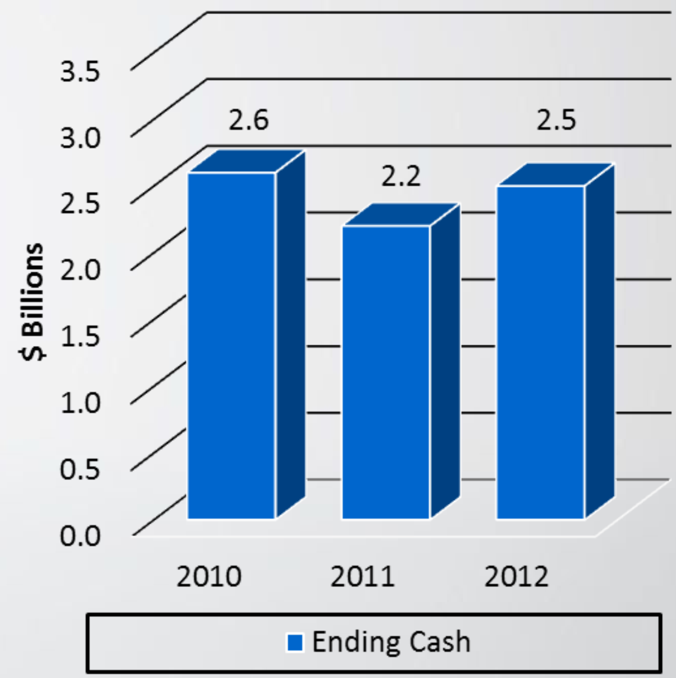
Operating Results
FY 2010 - 2012

		2010	**2011**	**2012**
			($ in millions)	
Income (loss) before other revenue, expenses, gains/(losses) & transfers	$	2,522.1	3,563.3	2,898.6
Remove nonoperating items:				
Net (incr.)/decr. in fair value of investments		(1,522.1)	(1,896.9)	(1,619.1)
Loss on sale of capital assets		12.6	41.6	14.7
Other nonoperating (income)/expense		14.0	(8.7)	11.0
Realized (gains)/losses on investments		(797.4)	(980.2)	(657.4)
Net operating results	$	229.2	719.1	647.8

Cash Flows

($ in millions)		2010	2011	2012
Cash Flows:				
Cash received from operations	$	9,424.2	10,059.1	10,546.0
Cash expended for operations		(11,089.0)	(11,516.2)	(12,123.7)
Cash used for operating activities		(1,664.8)	(1,457.1)	(1,577.7)
Cash provided by noncapital financing activities		2,701.0	1,859.7	2,466.9
Cash used in capital & related financing activities		(1,141.5)	(1,160.0)	(1,473.1)
Cash provided by investing activities		323.2	371.1	867.4
Net increase (decrease) in cash & cash equivalents		217.9	(386.3)	283.5
Cash & cash equivalents, Beginning of the year		2,344.7	2,562.6	2,176.3
Cash & Cash equivalents, End of the year	$	2,562.6	2,176.3	2,459.8

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 have not been included in FV estimate.
- PUF Lands' surface interests reported at estimated appraised value using American Society of Farm Managers and Rural Appraisers' trends issued by Texas A&M University
- Other real estate holdings are reported by:
  - Latest available appraised amount by State certified or licensed appraiser, or
  - Any other generally accepted industry standard

Looking Forward to FY 2013

PUF Lands Valuation

- Taxes and Probable/Possible reserves have not historically been included
- Deloitte & Touche LLP has been passing on these adjustments after determining the amounts
- Considering incorporating these into report for 2013 to be certain that amounts will never reach a level to be problematic for a clean opinion

Looking Forward to FY 2013 (cont.)

- U. T. System appropriations for the 2012-13 biennium were reduced $475 million or 14% compared to the original appropriations for the 2010-11 biennium
- OPEB will continue to reduce net assets
- The Affordable Care Act of 2010 health care reform will affect the medical centers and our self-insurance plan
  - The impact of this legislation will be significant, but the cost effect of the changes that will be required in future years are not determinable at this time
- Board-approved new medical school at U. T. Austin
  - Travis County voters elected to pass Proposition 1 in November 2012
  - Board has committed to allocate at least $25 million per year to help support the medical school
- PeopleSoft conversion planning and testing is underway

Deloitte.

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

Julia Petty, Lead Client Service Director

Deloitte & Touche LLP
February 2013

Contents

Audit Status

- We have performed an audit of the consolidated financial statements of **The University of Texas System ("the System")** for the year ended August 31, 2012, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. We issued our report containing an unqualified opinion on December 20, 2012.
- As a part of this audit process we also issued our report, dated December 20, 2012, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* for the year ended August 31, 2012.
- We completed our audits of the **PUF, GEF, LTF, ITF and PHF funds of UTIMCO** for the year ended August 31, 2012, and issued our reports containing unqualified opinions on October 31, 2012.
- We completed our audit of the **U. T. Medical Branch - Galveston ("UTMB")** for the year ended August 31, 2012 and issued our report containing an unqualified opinion on December 20, 2012.
- We are in the process of completing our stand-alone audits for **U. T. M. D. Anderson Cancer Center ("UTMDACC"), U. T. Southwestern Medical Center ("UTSWMC"), and U. T. Health Science Center - Tyler ("UTHSC-T")** for the year ended August 31, 2012.
- We have prepared the following comments to provide information about the external audit process in the context of your obligation to oversee the financial reporting and disclosure process for which management of the System, UTIMCO, and the U. T. institutions with stand-alone audits are responsible.

Audit Scope

- Our audit scope was outlined in our External Audit Plan dated August 2012, and was not restricted in any manner.
- No significant changes resulted from the execution of the External Audit Plan.
- Our auditing procedures addressed the areas of focus identified in our External Audit Plan; these areas included:
  - Due To/From Third Party Settlements,
  - Valuation of Patient Accounts Receivable,
  - Oil & Gas Reserve valuation and disclosure, and
  - Management Override of Controls.

Audit Adjustments and Uncorrected Misstatements

- Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.
- All proposed audit adjustments (whether recorded or not recorded) were reviewed with management and were determined, individually and in the aggregate, not to have a significant effect on the financial reporting process.

Audit Adjustments and Uncorrected Misstatements – U. T. System

- There was one passed reclassification adjustment identified during our audit related to an estimated overstatement of net assets within "Restricted Nonexpendable Net Assets" and understatement of "Restricted Expendable Net Assets" of $205 million, which has no net balance sheet impact.
  - Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- There was one passed adjustment identified during our audit related to an estimated understatement of $135 million in receivable and related contribution revenue for the UTSWMC capital campaign.
  - Management of the System has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

Audit Adjustments and Uncorrected Misstatements – U. T. M. D. Anderson Cancer Center

- There was one passed adjustment identified during our audit related to a likely overstatement of long-term liabilities and long-term assets regarding assets held for others with a related increase in short-term assets and short-term liabilities of $32.9 million.
  - Management of UTMDACC has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- There was one passed adjustment identified during our audit related to an overstatement of fixed assets of $4.9 million (net) for a building transferred from U. T. Health Science Center - Houston that was not serviceable.
  - Management of UTMDACC has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

Audit Adjustments and Uncorrected Misstatements – U. T. Health Science Center - Tyler

- There was one passed adjustment identified during our audit related to an estimated understatement of cost report settlements liability and an overstatement of revenue of approximately $600,000 due to lack of a detailed review of the estimated settlements by Management.
  - Management of UTHSC-T has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- There was one passed adjustment identified during our audit related to an overstatement of accounts payable and cash of $500,000 due to misapplication of right of offset principles.
  - Management of UTHSC-T has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

Audit Adjustments and Uncorrected Misstatements – U. T. Medical Branch - Galveston

- There was one passed adjustment identified during our audit related to an overstatement of liabilities and expenses of $6 million related to Medicare cost report re-openings and other contingencies.
  - Management of UTMB has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.
- There was one passed adjustment identified during our audit related to an understatement of patient receivables and patient revenues of $8 million related to the estimated allowance for uncollectible accounts.
  - Management of UTMB has concluded that this proposed audit adjustment is immaterial to the financial statements taken as a whole.

Audit Adjustments and Uncorrected Misstatements – UTIMCO

- We did not identify any recorded audit adjustments or uncorrected misstatements during our audits of the PUF, GEF, LTF, ITF and PHF funds of UTIMCO.

Control-related Matters

- A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
- A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Control-related Matters – U. T. System

Significant deficiency identified – U. T. Dallas PeopleSoft

- During fiscal year 2012, the Information Technology department made significant progress in addressing the 2011 significant deficiency identified by Deloitte by designing an effective change management process to address the risk that inappropriate changes are migrated to production impacting the integrity of financial data and PeopleSoft application controls.
- However, for 6 out of 25 changes selected for testing, documentation to support the control activity was not complete.
- Thus, documentation was not available to evidence that the control activity was operating on a consistent basis throughout the fiscal year.

Control-related Matters – U. T. System (cont.)

Significant deficiency identified – UTSWMC Financial Accounting and Reporting

- Financial accounting and reporting in a large higher education institution is complex and requires not only an understanding of the internal processes of the entity, but also coordination with the various operating units, strong accounting knowledge, and the ability to analyze transactions and determine their impact on financial statements.
- During the audit process, we noted the following deficiencies related to financial reporting:
  - Account balances not reconciled timely
  - Lack of review of journal entry support prior to the approval of journal entries
  - Lack of documented operating policies and procedures
  - Capital contributions not recorded in accordance with Generally Accepted Accounting Principles
  - Policies and procedures not documented for all business cycles
  - Difficulty explaining variances or the reason for maintaining specific accounts such as those reported in accounts payable and accruals or identifying who is responsible to reconcile such accounts at year end
- As a result, UTSWMC experienced substantial delays in the year-end reporting and audit processes.

Control-related Matters – Other Stand-alone Audits

- We did not identify any material weaknesses in our audits of U. T. M. D. Anderson Cancer Center, U. T. Health Science Center - Tyler, U. T. Medical Branch - Galveston, or the PUF, GEF, LTF, ITF and PHF funds of UTIMCO.
- The audit of U. T. Southwestern Medical Center is not yet complete.

Additional Considerations: Benefits from the Audits

- The stand-alone audits of the System, the UTIMCO funds, and the selected health institutions allow for a more detailed look at the financial reporting processes than if the entities were only a part of the State's audit.
- These more detailed procedures allow for identification of control areas for improvement without commissioning a special internal controls study.
- The external audit provides a public acknowledgement of the importance of transparent financial reporting.
- The external audit demonstrates the U. T. System Board of Regents' commitment to good governance.

Deloitte.

TABLE OF CONTENTS FOR FINANCE AND PLANNING COMMITTEE

Committee Meeting: 2/13/2013

Board Meeting: 2/14/2013
Austin, TX

Paul L. Foster, Chairman
Printice L. Gary, Vice Chairman
Alex M. Cranberg
Wallace L. Hall, Jr.
Brenda Pejovich

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

(The proposed Consent Agenda is at the back of the book.)

2. <u>U. T. System: Key Financial Indicators Report and Monthly Financial Report</u>

<u>REPORT</u>

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 75 - 82 and the December Monthly Financial Report on Pages 83 - 107. The reports represent the consolidated and detailed operating results of the individual 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 2009 through November 2012. Ratios requiring balance sheet data are provided for Fiscal Year 2008 through Fiscal Year 2012.

The Monthly Financial Report includes the detail for each individual institution as of December 2012.

THE UNIVERSITY OF TEXAS SYSTEM

KEY FINANCIAL INDICATORS REPORT

1ST QUARTER FY 2013

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

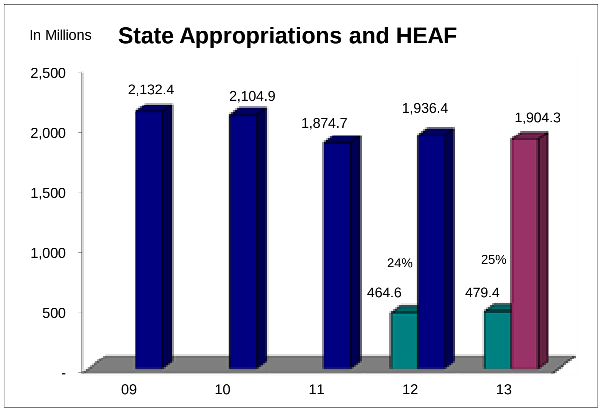
Aaa Median
(SOURCE: Moody's)

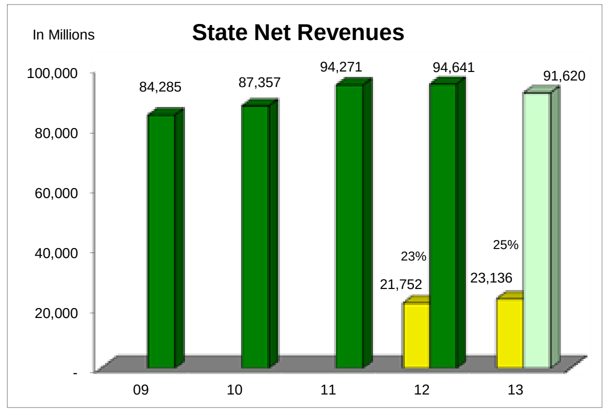
A2 Median
(SOURCE: Moody's)

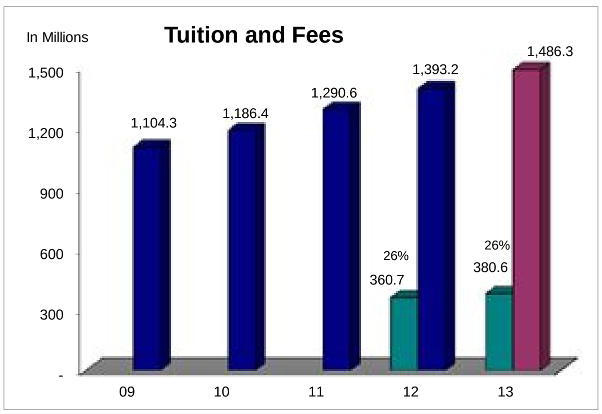
Good Facilities Condition Index (Below 5%)

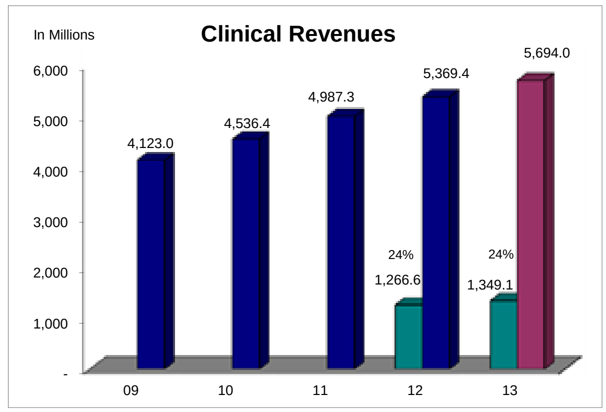
Fair Facilities Condition Index (5% - 10%)

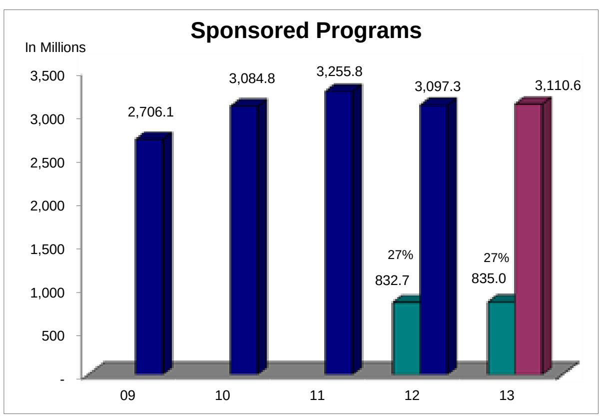
KEY INDICATORS OF REVENUES
ACTUAL 2009 THROUGH 2012
PROJECTED 2013
YEAR-TO-DATE 2012 AND 2013 FROM NOVEMBER MONTHLY FINANCIAL REPORT

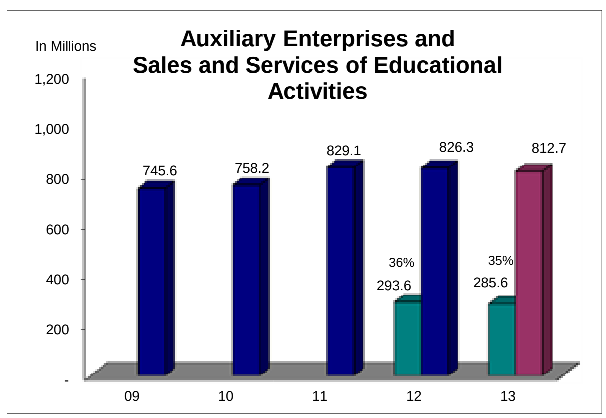


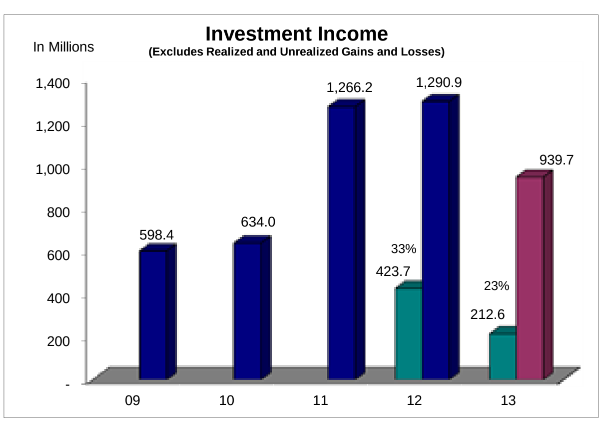


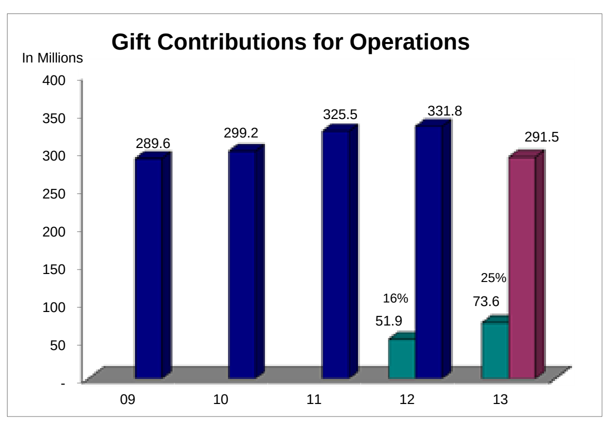




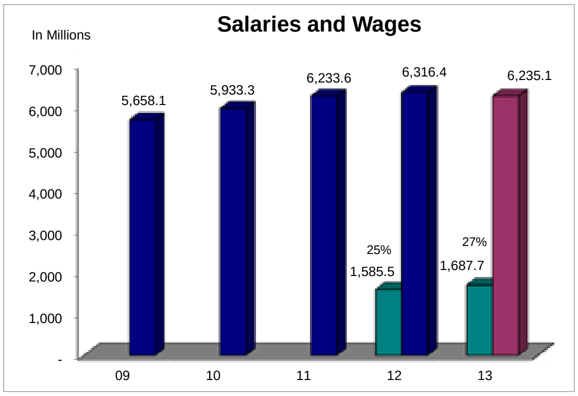


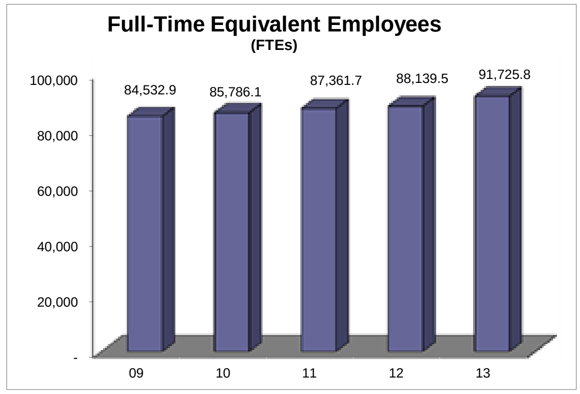


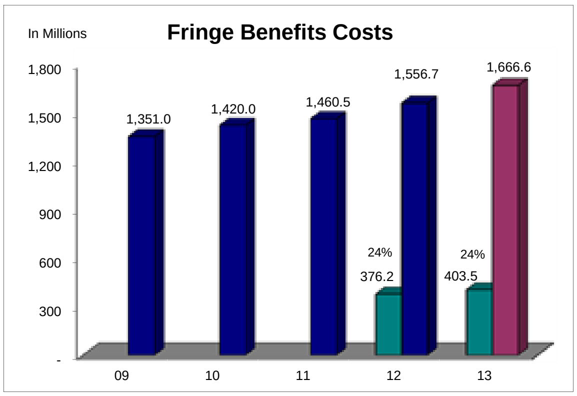


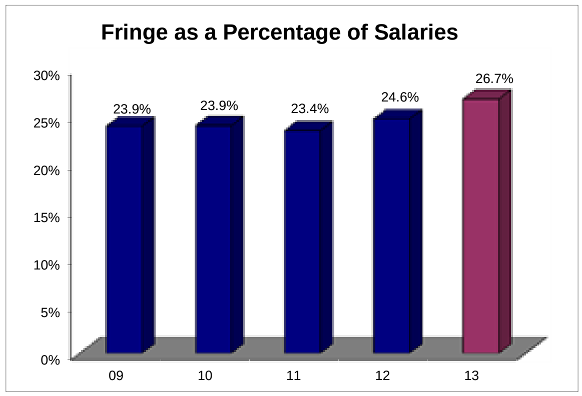


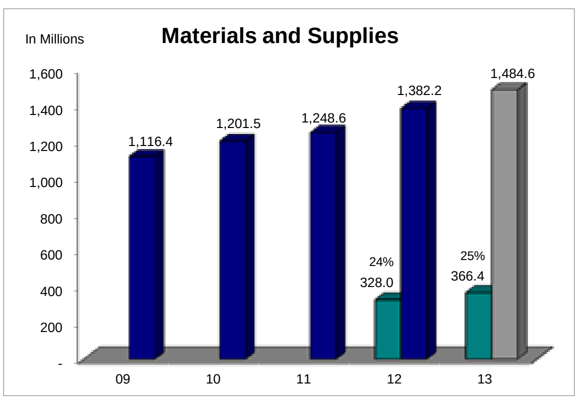
KEY INDICATORS OF EXPENSES
ACTUAL 2009 THROUGH 2012
PROJECTED 2013
YEAR-TO-DATE 2012 AND 2013 FROM NOVEMBER MONTHLY FINANCIAL REPORT

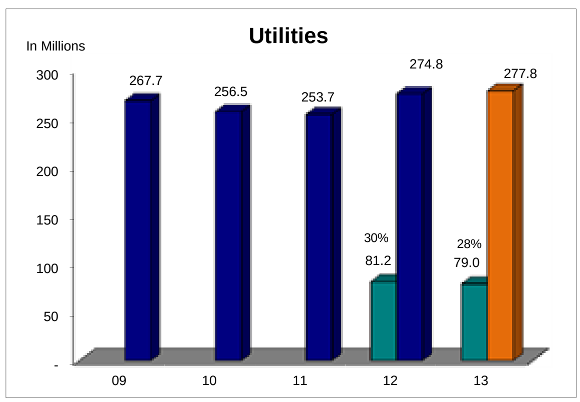


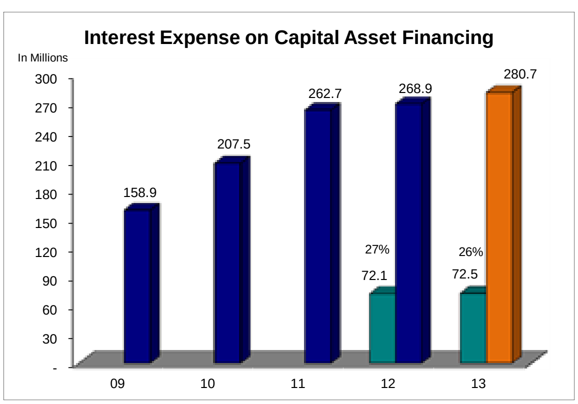


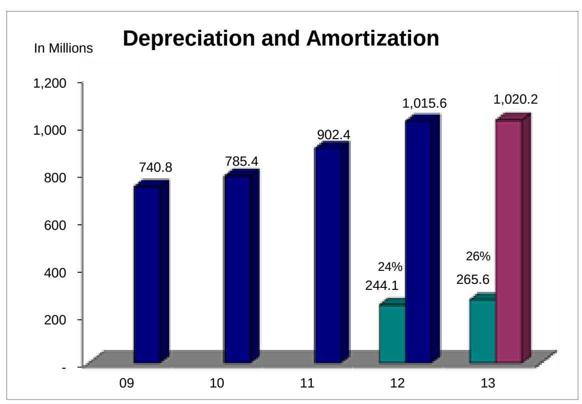




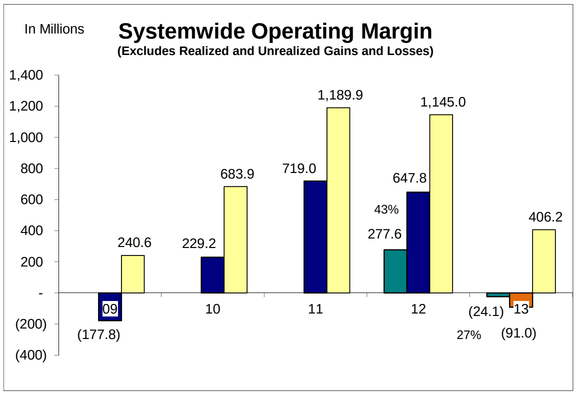


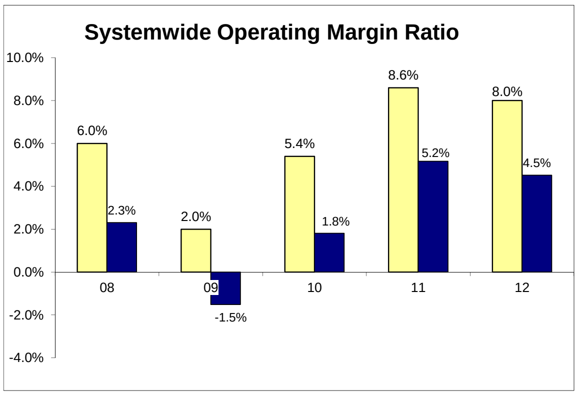


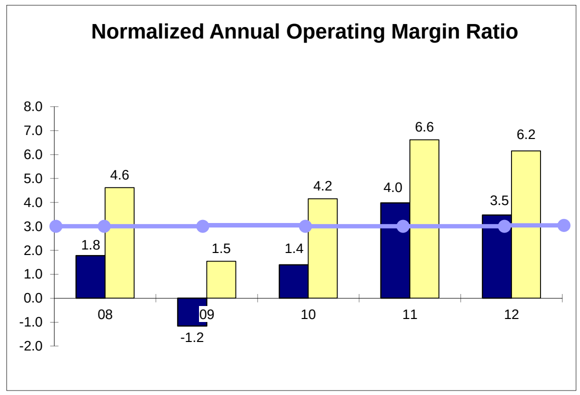


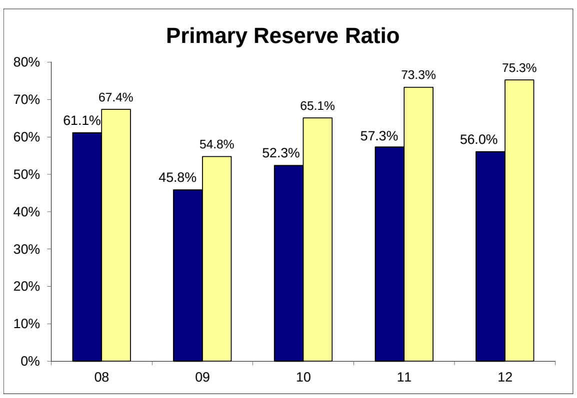


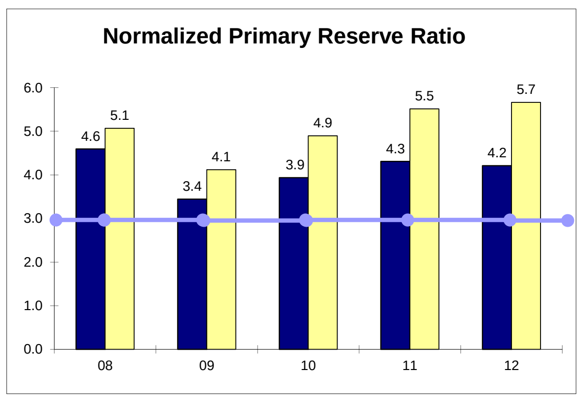
KEY INDICATORS OF RESERVES
ACTUAL 2008 THROUGH 2012
PROJECTED 2013
YEAR-TO-DATE 2012 AND 2013 FROM NOVEMBER MONTHLY FINANCIAL REPORT

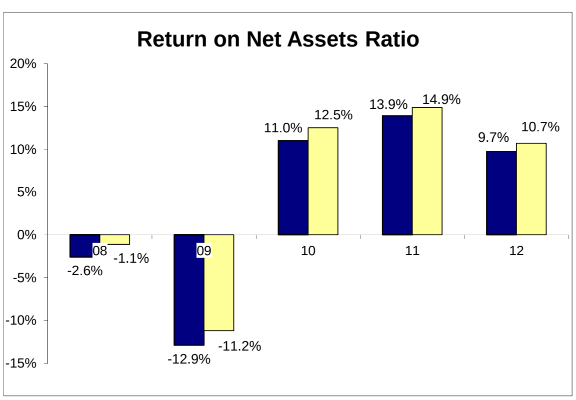


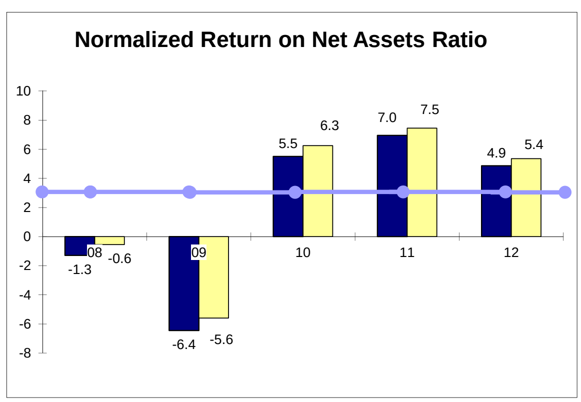




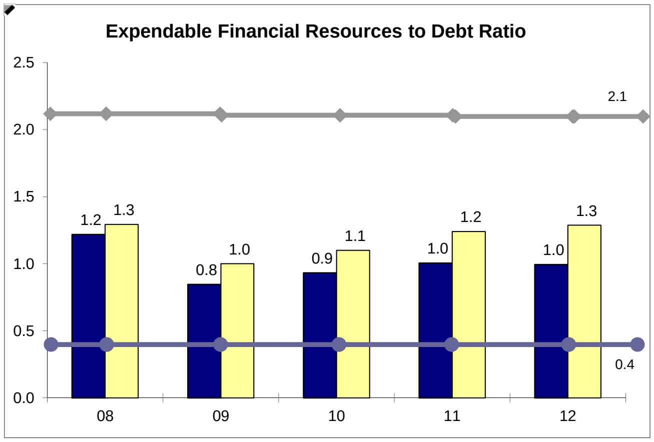


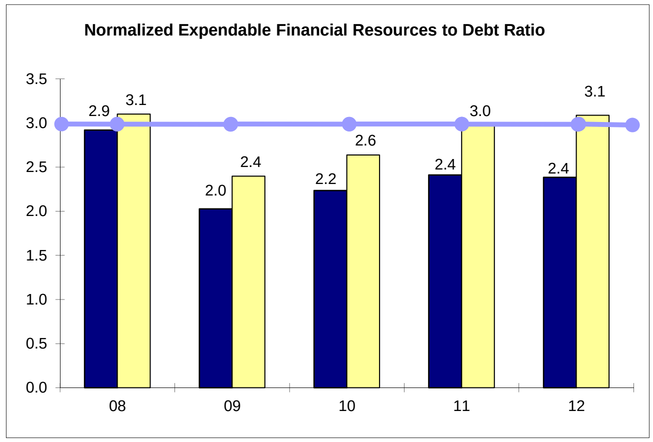


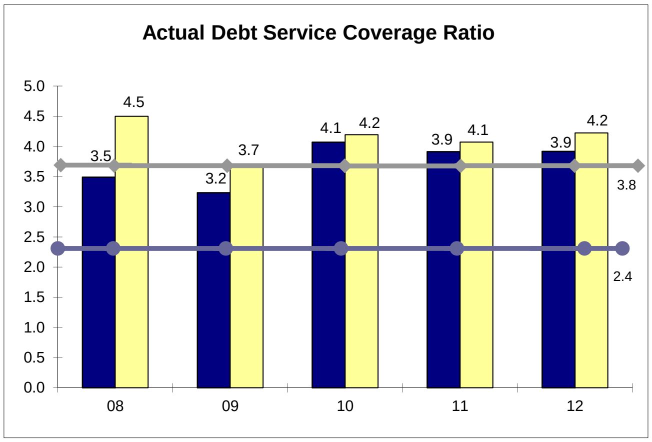


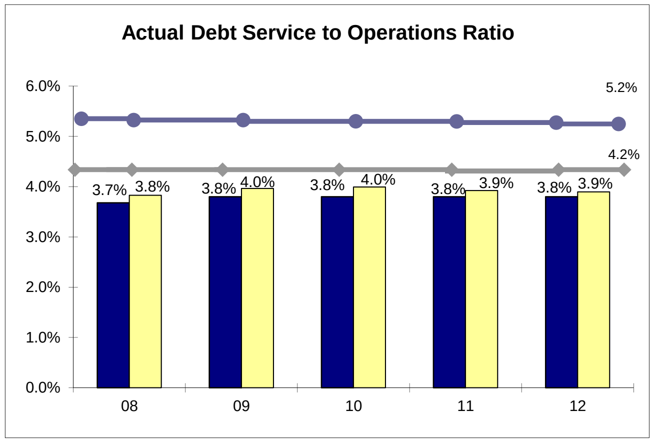


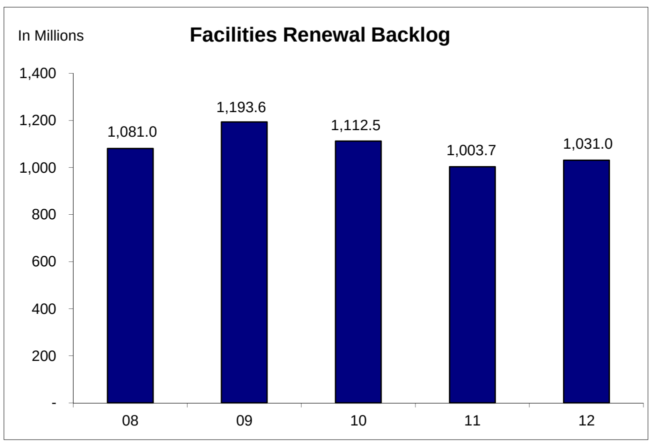
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2008 THROUGH 2012

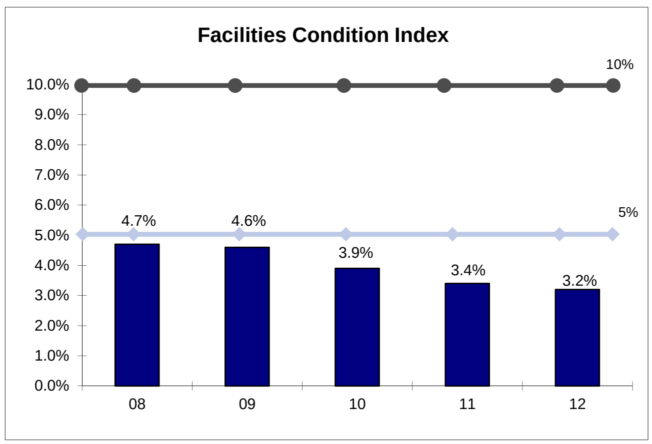




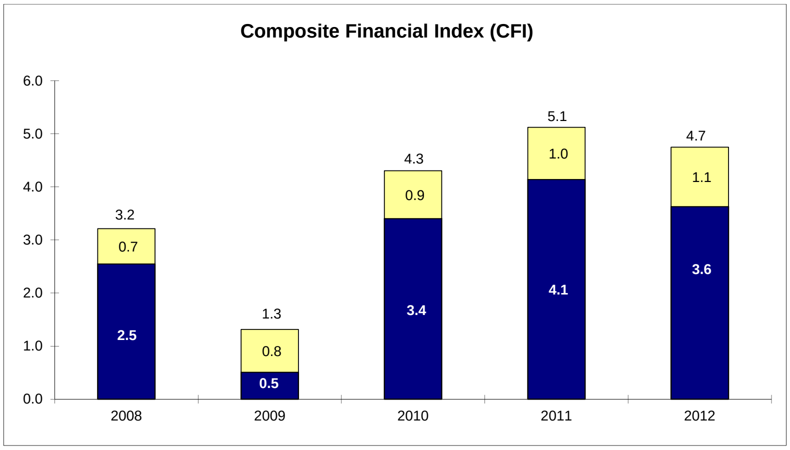




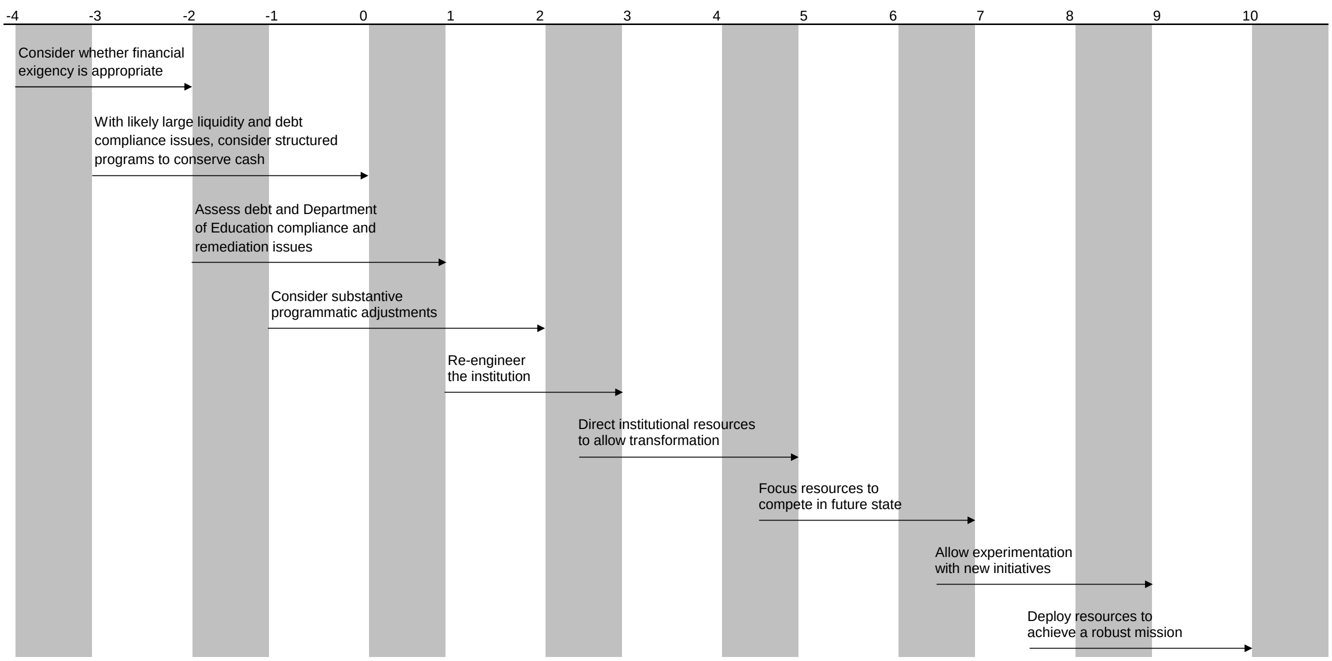




KEY INDICATORS OF FINANCIAL HEALTH
2008 THROUGH 2012

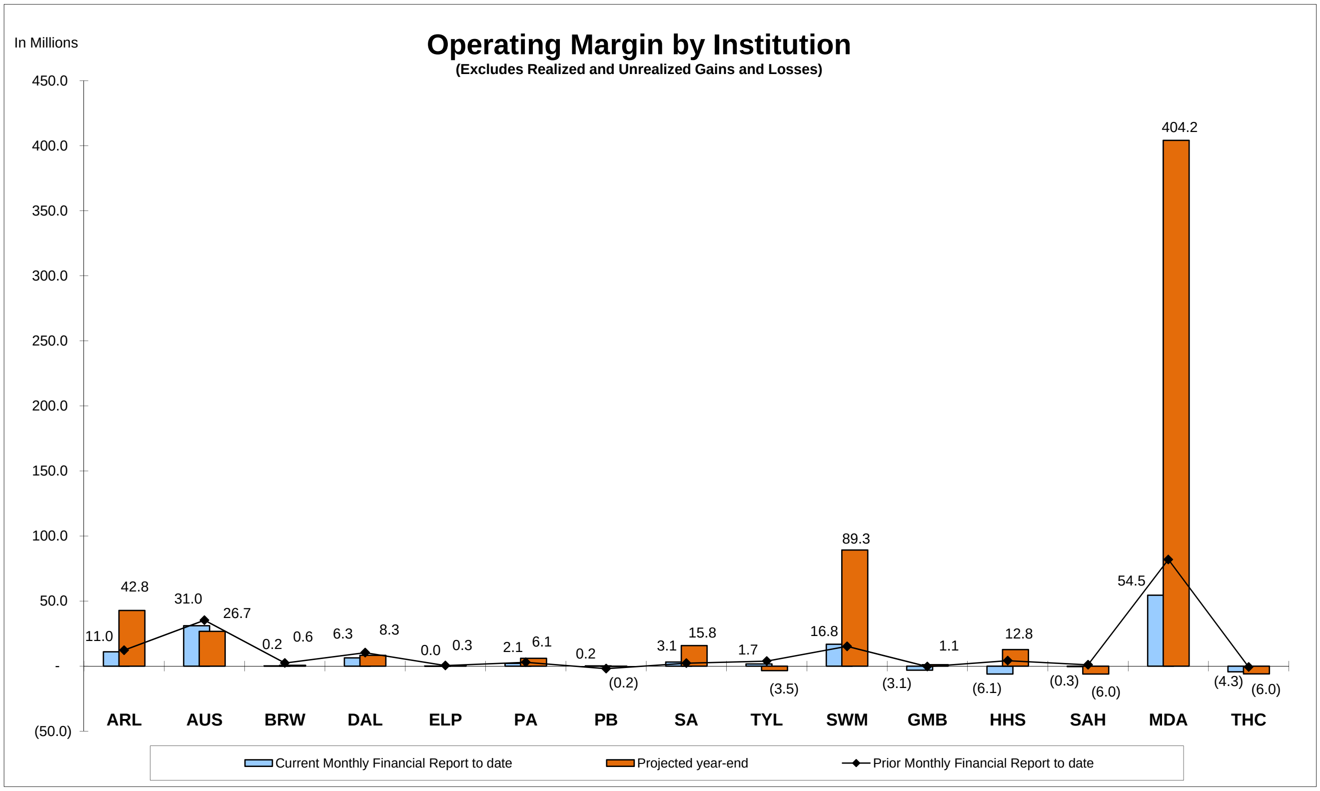


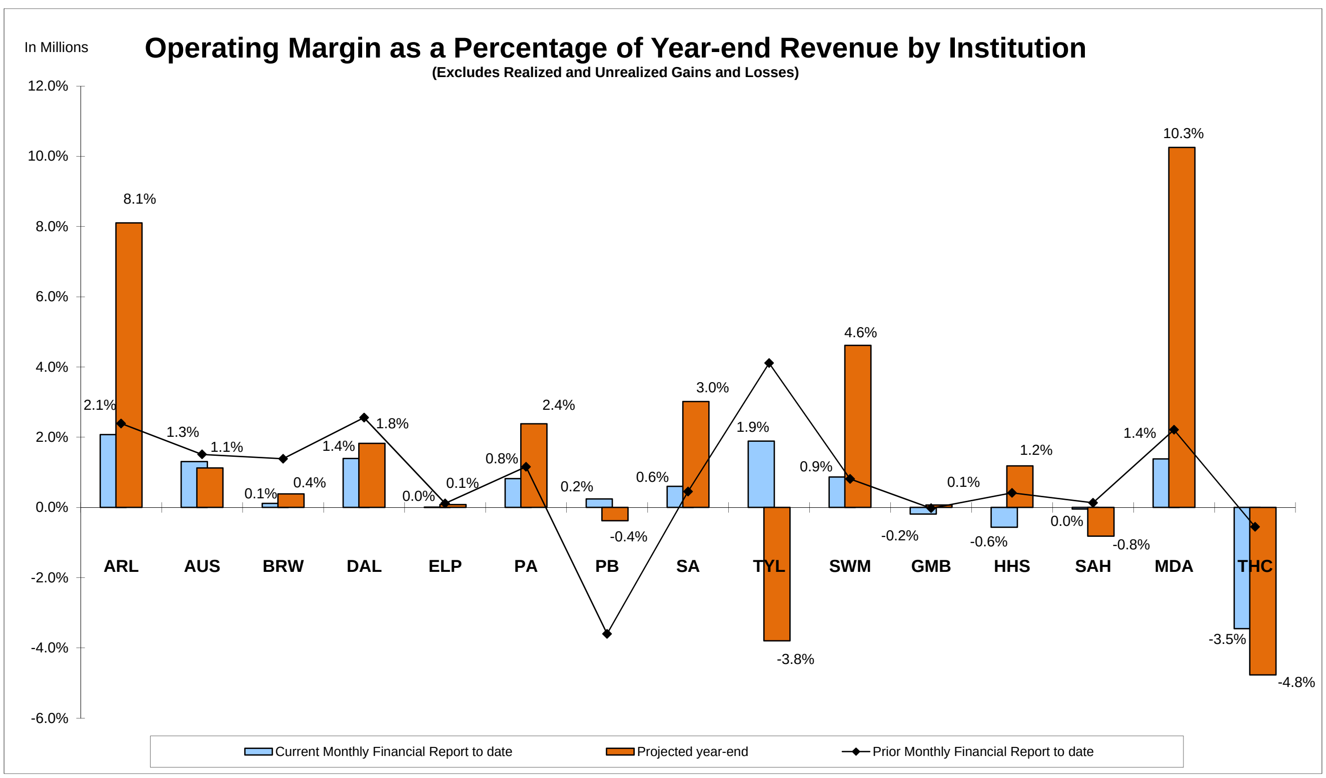
Scale for Charting CFI Performance



Source: Strategic Financial Analysis for Higher Education, Seventh Edition

KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2012 AND 2013 FROM NOVEMBER MONTHLY FINANCIAL REPORT
PROJECTED 2013 YEAR-END MARGIN





THE UNIVERSITY OF TEXAS SYSTEM
OFFICE OF THE CONTROLLER

MONTHLY FINANCIAL REPORT

(unaudited)

DECEMBER 2012

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Austin, Texas 78701
512.499.4527
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THE UNIVERSITY OF TEXAS SYSTEM
MONTHLY FINANCIAL REPORT
(Unaudited)
FOR THE FOUR MONTHS ENDING
DECEMBER 31, 2012

The University of Texas System
Monthly Financial Report

Foreword

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

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

UNAUDITED

The University of Texas System Consolidated
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	499,750,361.56	480,477,875.47	19,272,486.09	4.0%
Sponsored Programs	911,198,612.49	902,262,402.28	8,936,210.21	1.0%
Net Sales and Services of Educational Activities	184,011,608.89	207,262,947.21	(23,251,338.32)	-11.2%
Net Sales and Services of Hospitals	1,385,283,907.55	1,309,160,156.82	76,123,750.73	5.8%
Net Professional Fees	402,199,070.05	389,342,937.22	12,856,132.83	3.3%
Net Auxiliary Enterprises	180,889,249.09	176,083,730.64	4,805,518.45	2.7%
Other Operating Revenues	82,566,171.73	46,007,334.02	36,558,837.71	79.5%
Total Operating Revenues	**3,645,898,981.36**	**3,510,597,383.66**	**135,301,597.70**	**3.9%**
Operating Expenses				
Salaries and Wages	2,248,749,450.00	2,118,367,130.35	130,382,319.65	6.2%
Payroll Related Costs	549,862,976.11	515,512,118.47	34,350,857.64	6.7%
Cost of Goods Sold	28,747,648.61	34,351,723.73	(5,604,075.12)	-16.3%
Professional Fees and Services	121,321,698.69	104,684,157.59	16,637,541.10	15.9%
Other Contracted Services	194,209,500.66	181,164,234.55	13,045,266.11	7.2%
Travel	44,580,287.11	42,034,478.23	2,545,808.88	6.1%
Materials and Supplies	475,671,329.90	434,909,340.84	40,761,989.06	9.4%
Utilities	98,948,229.92	103,175,934.60	(4,227,704.68)	-4.1%
Communications	42,661,109.11	41,562,337.30	1,098,771.81	2.6%
Repairs and Maintenance	85,771,220.42	81,882,348.96	3,888,871.46	4.7%
Rentals and Leases	47,349,325.56	46,201,950.37	1,147,375.19	2.5%
Printing and Reproduction	8,988,671.59	8,775,946.03	212,725.56	2.4%
Bad Debt Expense	207,842.86	376,325.30	(168,482.44)	-44.8%
Claims and Losses	2,399,274.34	5,639,715.91	(3,240,441.57)	-57.5%
Increase in Net OPEB Obligation	165,738,185.00	156,962,977.33	8,775,207.67	5.6%
Scholarships and Fellowships	159,995,310.25	171,860,761.43	(11,865,451.18)	-6.9%
Depreciation and Amortization	352,952,771.93	319,268,609.36	33,684,162.57	10.6%
Federal Sponsored Program Pass-Through to Other State Agencies	10,138,429.82	7,052,090.82	3,086,339.00	43.8%
State Sponsored Program Pass-Through to Other State Agencies	917,684.23	384,603.44	533,080.79	138.6%
Other Operating Expenses	115,440,280.93	105,385,256.05	10,055,024.88	9.5%
Total Operating Expenses	**4,754,651,227.04**	**4,479,552,040.66**	**275,099,186.38**	**6.1%**
Operating Loss	**(1,108,752,245.68)**	**(968,954,657.00)**	**(139,797,588.68)**	**-14.4%**
Other Nonoperating Adjustments				
State Appropriations	640,790,744.90	624,175,307.26	16,615,437.64	2.7%
Nonexchange Sponsored Programs	137,415,810.48	131,444,712.71	5,971,097.77	4.5%
Gift Contributions for Operations	106,609,217.26	99,776,310.36	6,832,906.90	6.8%
Net Investment Income	310,567,386.86	488,137,972.71	(177,570,585.85)	-36.4%
Interest Expense on Capital Asset Financings	(95,928,313.80)	(95,149,370.21)	(778,943.59)	-0.8%
Net Other Nonoperating Adjustments	**1,099,454,845.70**	**1,248,384,932.83**	**(148,930,087.13)**	**-11.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**(9,297,399.98)**	**279,430,275.83**	**(288,727,675.81)**	**-103.3%**
Adjusted Margin % including Depreciation & Amortization	**-0.2%**	**5.8%**		
Investment Gain (Losses)	790,389,195.30	(896,567,016.01)	1,686,956,211.31	188.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**781,091,795.32**	**(617,136,740.18)**	**1,398,228,535.50**	**226.6%**
Adj. Margin % with Investment Gains (Losses)	**13.9%**	**-15.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**343,655,371.95**	**598,698,885.19**	**(255,043,513.24)**	**-42.6%**
Adjusted Margin % excluding Depreciation & Amortization	**7.1%**	**12.3%**		

The University of Texas System
Comparison of Adjusted Income (Loss)
For the Four Months Ending December 31, 2012

	Including Depreciation and Amortization Expense				
	Dec Year-to-Date FY 2013	**Dec Year-to-Date FY 2012**	**Variance**		**Fluctuation Percentage**
U. T. System Administration	$ (73,401,728.85)	$ 128,630,873.58	(202,032,602.43)	(1)	-157.1%
U. T. Arlington	10,938,514.65	8,114,676.34	2,823,838.31	(2)	34.8%
U. T. Austin	26,841,751.79	48,778,947.73	(21,937,195.94)	(3)	-45.0%
U. T. Brownsville	72,407.39	2,663,074.20	(2,590,666.81)	(4)	-97.3%
U. T. Dallas	1,278,258.01	9,302,006.29	(8,023,748.28)	(5)	-86.3%
U. T. El Paso	64,043.69	3,309,294.27	(3,245,250.58)	(6)	-98.1%
U. T. Pan American	3,716,859.09	5,493,765.08	(1,776,905.99)	(7)	-32.3%
U. T. Permian Basin	(3,056,435.37)	(1,948,161.40)	(1,108,273.97)	(8)	-56.9%
U. T. San Antonio	5,452,860.43	3,968,281.15	1,484,579.28	(9)	37.4%
U. T. Tyler	(83,407.31)	2,508,710.12	(2,592,117.43)	(10)	-103.3%
U. T. Southwestern Medical Center	30,660,153.62	18,834,701.04	11,825,452.58	(11)	62.8%
U. T. Medical Branch - Galveston	(4,395,285.21)	3,240,914.51	(7,636,199.72)	(12)	-235.6%
U. T. Health Science Center - Houston	(6,177,922.45)	1,147,799.90	(7,325,722.35)	(13)	-638.2%
U. T. Health Science Center - San Antonio	(2,458,883.19)	729,690.36	(3,188,573.55)	(14)	-437.0%
U. T. M. D. Anderson Cancer Center	73,088,842.02	105,456,670.32	(32,367,828.30)	(15)	-30.7%
U. T. Health Science Center - Tyler	(4,741,761.62)	(947,634.33)	(3,794,127.29)	(16)	-400.4%
Elimination of AUF Transfer	(67,095,666.67)	(59,853,333.33)	(7,242,333.34)		-12.1%
Total Adjusted Income (Loss)	(9,297,399.98)	279,430,275.83	(288,727,675.81)		-103.3%
Investment Gains (Losses)	790,389,195.30	(896,567,016.01)	1,686,956,211.31		188.2%
Total Adjusted Income (Loss) with Investment Gains (Losses) Including Depreciation and Amortization	**$ 781,091,795.32**	**$ (617,136,740.18)**	**$ 1,398,228,535.50**		**226.6%**

	Excluding Depreciation and Amortization Expense			
	Dec Year-to-Date FY 2013	**Dec Year-to-Date FY 2012**	**Variance**	**Fluctuation Percentage**
U. T. System Administration	$ (71,145,980.75)	$ 131,403,828.96	(202,549,809.71)	-154.1%
U. T. Arlington	23,261,777.74	19,645,005.52	3,616,772.22	18.4%
U. T. Austin	115,175,085.12	122,895,189.34	(7,720,104.22)	-6.3%
U. T. Brownsville	2,761,821.51	5,274,447.05	(2,512,625.54)	-47.6%
U. T. Dallas	14,995,552.53	21,820,089.40	(6,824,536.87)	-31.3%
U. T. El Paso	8,865,623.53	10,630,311.21	(1,764,687.68)	-16.6%
U. T. Pan American	8,770,706.50	10,170,589.58	(1,399,883.08)	-13.8%
U. T. Permian Basin	843,564.63	1,906,193.42	(1,062,628.79)	-55.7%
U. T. San Antonio	19,646,967.41	17,478,642.00	2,168,325.41	12.4%
U. T. Tyler	3,699,130.36	6,284,779.38	(2,585,649.02)	-41.1%
U. T. Southwestern Medical Center	65,910,719.11	51,094,344.10	14,816,375.01	29.0%
U. T. Medical Branch - Galveston	26,104,714.79	31,196,294.79	(5,091,580.00)	-16.3%
U. T. Health Science Center - Houston	12,366,600.33	18,387,067.01	(6,020,466.68)	-32.7%
U. T. Health Science Center - San Antonio	13,874,450.14	16,063,023.69	(2,188,573.55)	-13.6%
U. T. M. D. Anderson Cancer Center	167,394,205.38	192,323,585.51	(24,929,380.13)	-13.0%
U. T. Health Science Center - Tyler	(1,773,899.71)	1,978,827.56	(3,752,727.27)	-189.6%
Elimination of AUF Transfer	(67,095,666.67)	(59,853,333.33)	(7,242,333.34)	-12.1%
Total Adjusted Income (Loss)	343,655,371.95	598,698,885.19	(255,043,513.24)	-42.6%
Total Adjusted Income (Loss) Excluding Depreciation and Amortization	**$ 343,655,371.95**	**$ 598,698,885.19**	**$ (255,043,513.24)**	**-42.6%**

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Four Months Ending December 31, 2012

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 and/or a projected year-to-date loss.

(1) *U. T. System Administration* - The $202.0 million (157.1%) decrease in adjusted income over the same period last year was primarily due to a decrease in the oil and gas lease bonus sale, as most of the prime acreage was leased in the two prior years. As a result, *U. T. System Administration* incurred a year-to-date loss of $73.4 million. Excluding depreciation and amortization expense, *U. T. System Administration's* adjusted loss was $71.1 million or -40.8%. *U. T. System Administration* anticipates ending the year with a $373.0 million loss, which represents -110.4% of projected revenues and includes an accrual of $497.2 million for Other Postemployment Benefits (OPEB) expense for the entire *U. T. System*.

(2) *U. T. Arlington* - The $2.8 million (34.8%) increase in adjusted income over the same period last year was primarily due to an increase in net student tuition, as tuition and fee revenue was understated in 2012. Excluding depreciation and amortization expense, *U. T. Arlington's* adjusted income was $23.3 million or 13.2%.

(3) *U. T. Austin* - The $21.9 million (45.0%) decrease in adjusted income over the same period last year was primarily due to an increase in depreciation and amortization expense as a result of an error in the calculation of depreciation expense in 2012, and an increase in materials and supplies expense due to furniture and equipment purchased for newly opened or renovated buildings on campus, as well as an increase in telecommunications equipment for the systemwide area networking project. Excluding depreciation and amortization expense, *U. T. Austin's* adjusted income was $115.2 million or 13.3%.

(4) *U. T. Brownsville* - The $2.6 million (97.3%) decrease in adjusted income over the same period last year was primarily due to a decrease in net tuition, a decrease in Texas Southmost College (TSC) contract revenue, and one-time separation costs related to the separation from TSC. Additionally, PeopleSoft project costs contributed to the decrease in margin. Excluding depreciation and amortization expense, *U. T. Brownsville's* adjusted income was $2.8 million or 4.5%.

(5) *U. T. Dallas* - The $8.0 million (86.3%) decrease in adjusted income over the same period last year was primarily attributable to an increase in salaries and wages expense and payroll related costs due to overall growth and an increase in the number of faculty. Excluding depreciation and amortization expense, *U. T. Dallas'* adjusted income was $15.0 million or 10.0%.

(6) *U. T. El Paso* - The $3.2 million (98.1%) decrease in adjusted income over the same period last year was primarily attributable to an increase in depreciation and amortization expense as a result of the Physical Sciences/Engineering Core Facility, Chemistry and Computer Science building, and the Schuster Parking Garage, which were placed into service in 2012. Also contributing to the variance were increases in the following expenses: materials and supplies increased due to the timing of payments for online subscription fees for the library; repairs and maintenance increased as a result of repairs across campus, combined with an increase in the renewal of software licenses and equipment service agreements; and rentals and leases increased due to an increase in athletic team travel and shuttle bus services resulting in more expenses for the leasing of vehicles. Excluding depreciation and amortization expense, *U. T. El Paso's* adjusted income was $8.9 million or 6.6%.

(7) *U. T. Pan American* - The $1.8 million (32.3%) decrease in adjusted income over the same period last year was primarily attributable to an increase in salaries and wages as a result of the one-time merit that was paid with local fund balances. Additionally, gifts for operations decreased primarily due to timing differences. Excluding depreciation and amortization expense, *U. T. Pan American's* adjusted income was $8.8 million or 8.9%.

(8) *U. T. Permian Basin* - The $1.1 million (56.9%) increase in adjusted loss over the same period last year was primarily attributable to a decrease in gifts for operations due to gifts for endowments erroneously included in 2012. *U. T. Permian Basin* incurred a year-to-date loss as a result of the amount of depreciation and amortization expense relative to the size of the institution. Excluding depreciation and amortization expense, *U. T. Permian Basin's* adjusted income was $844,000 or 4.2%. *U. T. Permian Basin* anticipates ending the year with a $5.2 million loss which represents -9.3% of projected revenues and includes $11.7 million of depreciation and amortization expense.

(9) *U. T. San Antonio* - The $1.5 million (37.4%) increase in adjusted income over the same period last year was primarily attributable to an increase in net student tuition due to an increase in non-resident student enrollment. Excluding depreciation and amortization expense, *U. T. San Antonio's* adjusted income was $19.6 million or 11.4%.

(10) *U. T. Tyler* - The $2.6 million (103.3%) decrease in adjusted income over the same period last year was primarily attributable to an increase in salaries and wages expense and payroll related costs due to increased personnel for the newly acquired Discovery Science Place, Innovation Academy, and charter schools, as well as one-time merit bonuses awarded in December. In addition, one-time Information Technology (IT) projects and purchases of computer

equipment resulted in increases in other contracted services and materials and supplies. As a result of these factors, *U. T. Tyler* incurred a year-to-date loss of $83,000. Excluding depreciation and amortization expense, *U. T. Tyler's* adjusted income was $3.7 million or 11.1%. *U. T. Tyler* anticipates ending the year with a $2.9 million loss which represents -3.0% of projected revenues and includes $11.3 million of depreciation and amortization expense. The projected loss is the result of the following: an increase in salaries and wages expense and payroll related costs; large projects in IT requiring contracted services from vendors; and large purchases of computer equipment to perform updates across the campus.

(11) *U. T. Southwestern Medical Center* - The $11.8 million (62.8%) increase in adjusted income over the same period last year was primarily attributable to an increase in net sales and services of hospitals due to higher gross patient revenue attributable to an increase in patient days and outpatient visits, in addition to an improving payor mix and managed care contracts. Excluding depreciation and amortization expense, *Southwestern's* adjusted income was $65.9 million or 10.3%.

(12) *U. T. Medical Branch - Galveston* - The $7.6 million (235.6%) increase in adjusted loss as compared to adjusted income for the same period last year was primarily due to lower than anticipated net patient care revenue as a result of lower than expected hospital admissions. As a result, *UTMB* incurred a year-to-date loss of $4.4 million. Excluding depreciation and amortization expense, *UTMB's* adjusted income was $26.1 million or 5.0%. *UTMB* and the Texas Department of Criminal Justice (TDCJ) reached an agreement to extend the existing Correctional Managed Care (CMC) contract through May 2013. The Legislative Budget Board (LBB) approved using up to $45.0 million of the 2013 funding to cover TDCJ contract costs in 2012, of which $12.2 million was recognized. In 2013, *UTMB* recognized an additional $6.4 million of funding to cover current costs above initial amounts. Funding for the fourth quarter of 2013 and the 2014-2015 biennium will be addressed in the 83rd Legislative Session. *UTMB* is actively monitoring revenues and expenses and expects to end the year with a positive margin of $1.1 million which represents 0.1% of projected revenues and includes depreciation and amortization expense of $91.5 million.

(13) *U. T. Health Science Center - Houston* - The $7.3 million (638.2%) increase in adjusted loss as compared to adjusted income for the same period last year was primarily due to an increase in salaries and wages and payroll related costs largely attributable to the growth in the clinical practice. *UTHSC-Houston* also incurred one-time costs associated with the clinic expansion for noncapitalized furniture and equipment, as well as IT costs which contributed to a year-to-date loss of $6.2 million. Excluding depreciation and amortization expense, *UTHSC-Houston's* adjusted income was $12.4 million or 3.5%. *UTHSC-Houston* anticipates ending the year with a positive margin of $12.8 million, which represents 1.2% of projected revenues, as the remainder of the House Bill 4 supplemental funding received in 2012 for use in 2013 is fully recognized and as revenue from new programs associated with the Memorial Hermann Hospital contract are reported.

(14) *U. T. Health Science Center - San Antonio* - The $3.2 million (437.0%) increase in adjusted loss, as compared to adjusted income for the same period last year, was primarily due to an increase in salaries and wages attributable to faculty incentive payments as a result of the school's continued effort to adjust performance-based compensation in accordance with the XYZ plan. Also, a 2.5% merit for both faculty and staff enacted mid-year 2012 created a timing difference in expenses for 2012 compared to 2013. *UTHSC-San Antonio* expects these salary variances to normalize by the end of the fiscal year. *UTHSC-San Antonio* anticipates ending the year with a $7.5 million loss, which is primarily attributable to anticipated strategic investments through the end of the fiscal year. In addition, *UTHSC-San Antonio* will incur increased depreciation expense as a result of new facilities and transition costs in preparation for the upcoming pediatric hospital. Excluding depreciation and amortization expense, *UTHSC-San Antonio's* adjusted income was $13.9 million or 5.9%. The projected loss of $7.5 million represents -1.0% of projected revenues, includes $49.0 million of depreciation and amortization expense, and is supported by $223.9 million of unrestricted net assets.

(15) *U. T. M. D. Anderson Cancer Center* - The $32.4 million (30.7%) decrease in adjusted income over the same period last year was primarily attributable to an increase in salaries and wages and payroll related costs due to an increase in full-time equivalents and merit increases enacted mid-year 2012 creating a timing difference in expenses for 2012 compared to 2013. Excluding depreciation and amortization expense, *M. D. Anderson's* adjusted income was $167.4 million or 13.5%.

(16) *U. T. Health Science Center - Tyler* - The $3.8 million (400.4%) increase in adjusted loss over the same period last year was primarily attributable to a decrease in state appropriations as all additional revenue from House Bill 4 was recognized in 2012. Also contributing to the variance was an increase in salaries and wages due to the addition of several physicians and staff related to medical and academic program expansion. As a result of these factors, *UTHSC-Tyler* incurred a year-to-date loss of $4.7 million. Excluding depreciation and amortization expense, *UTHSC-Tyler* had an adjusted loss of $1.8 million or -4.7%. *UTHSC-Tyler* anticipates ending the year with a $7.0 million loss which represents -5.6% of projected revenues and includes $8.9 million of depreciation and amortization expense. The projected loss is the result of start-up costs related to new academic programs and the expansion of medical programs to include pediatric rehabilitation, cardiology, pulmonology, internal medicine, and oncology.

GLOSSARY OF TERMS

OPERATING REVENUES:

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.) Other receipts for settlements, judgments and lawsuits are considered nonoperating revenues.

OPERATING EXPENSES:

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

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

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

TRAVEL - Payments for travel costs incurred by employees and board members for meetings and training.

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

UTILITIES - Payments for the purchase of electricity, natural gas, water, and thermal energy.

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, and waste disposal. Includes, but is not limited to repair and maintenance to copy machines, furnishings, equipment - including medical and laboratory equipment, office equipment and aircraft.

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

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

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

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

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 - Funding received for the Federal Pell Grant Program, the portion of "state appropriations" funded by the American Recovery and Reinvestment Act, Texas Research Incentive Program (TRIP) and Enrollment Growth funding.

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.

UNAUDITED

The University of Texas System Administration
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Sponsored Programs	-	8,648,157.08	(8,648,157.08)	-100.0%
Net Sales and Services of Educational Activities	8,423,060.64	18,170,926.17	(9,747,865.53)	-53.6%
Other Operating Revenues	25,229,713.92	5,438,318.14	19,791,395.78	363.9%
Total Operating Revenues	**33,652,774.56**	**32,257,401.39**	**1,395,373.17**	**4.3%**
Operating Expenses				
Salaries and Wages	13,202,250.54	11,299,195.78	1,903,054.76	16.8%
Payroll Related Costs	3,269,174.46	2,536,008.56	733,165.90	28.9%
Professional Fees and Services	6,737,302.06	1,142,524.05	5,594,778.01	489.7%
Other Contracted Services	5,785,721.80	3,203,015.81	2,582,705.99	80.6%
Travel	576,156.61	422,411.94	153,744.67	36.4%
Materials and Supplies	9,609,428.24	8,071,461.08	1,537,967.16	19.1%
Utilities	162,844.58	146,576.21	16,268.37	11.1%
Communications	3,061,385.36	2,711,727.16	349,658.20	12.9%
Repairs and Maintenance	2,116,616.06	4,291,725.81	(2,175,109.75)	-50.7%
Rentals and Leases	414,158.86	283,169.15	130,989.71	46.3%
Printing and Reproduction	132,319.36	37,755.28	94,564.08	250.5%
Claims and Losses	2,399,274.34	5,639,715.91	(3,240,441.57)	-57.5%
Increase in Net OPEB Obligation	165,738,185.00	156,962,977.33	8,775,207.67	5.6%
Scholarships and Fellowships	145,500.00	(27,450.00)	172,950.00	630.1%
Depreciation and Amortization	2,255,748.10	2,772,955.38	(517,207.28)	-18.7%
State Sponsored Program Pass-Through to Other State Agencies	903,186.10	384,603.42	518,582.68	134.8%
Other Operating Expenses	10,019,328.95	4,990,863.47	5,028,465.48	100.8%
Total Operating Expenses	**226,528,580.42**	**204,869,236.34**	**21,659,344.08**	**10.6%**
Operating Loss	**(192,875,805.86)**	**(172,611,834.95)**	**(20,263,970.91)**	**-11.7%**
Other Nonoperating Adjustments				
State Appropriations	374,755.96	338,668.13	36,087.83	10.7%
Nonexchange Sponsored Programs	2,302,738.14	2,302,950.37	(212.23)	-
Gift Contributions for Operations	375,967.95	435,251.19	(59,283.24)	-13.6%
Net Investment Income	124,638,185.64	308,723,834.78	(184,085,649.14)	-59.6%
Interest Expense on Capital Asset Financings	(21,243,879.68)	(21,433,245.27)	189,365.59	0.9%
Net Other Nonoperating Adjustments	**106,447,768.01**	**290,367,459.20**	**(183,919,691.19)**	**-63.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**(86,428,037.85)**	**117,755,624.25**	**(204,183,662.10)**	**-173.4%**
Adjusted Margin % including Depreciation & Amortization	**-53.6%**	**34.2%**		
Available University Fund Transfer	13,026,309.00	10,875,249.33	2,151,059.67	19.8%
Adjusted Income (Loss) with AUF Transfer	**(73,401,728.85)**	**128,630,873.58**	**(202,032,602.43)**	**-157.1%**
Adjusted Margin % with AUF Transfer	**-42.1%**	**36.2%**		
Investment Gain (Losses)	637,905,547.35	(516,757,710.30)	1,154,663,257.65	223.4%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$564,503,818.50**	**(388,126,836.72)**	**$952,630,655.22**	**245.4%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**69.5%**	**239.8%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**(71,145,980.75)**	**131,403,828.96**	**(202,549,809.71)**	**-154.1%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**-40.8%**	**37.0%**		

UNAUDITED

The University of Texas at Arlington
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	70,754,873.88	61,532,176.17	9,222,697.71	15.0%
Sponsored Programs	25,773,545.47	24,635,178.95	1,138,366.52	4.6%
Net Sales and Services of Educational Activities	6,159,471.47	5,663,073.33	496,398.14	8.8%
Net Auxiliary Enterprises	12,383,198.27	9,321,255.25	3,061,943.02	32.8%
Other Operating Revenues	1,556,163.95	1,260,486.42	295,677.53	23.5%
Total Operating Revenues	**116,627,253.04**	**102,412,170.12**	**14,215,082.92**	**13.9%**
Operating Expenses				
Salaries and Wages	76,685,283.33	72,632,957.68	4,052,325.65	5.6%
Payroll Related Costs	18,463,160.11	16,977,501.74	1,485,658.37	8.8%
Cost of Goods Sold	935.32	1,720.60	(785.28)	-45.6%
Professional Fees and Services	2,722,184.38	1,445,906.82	1,276,277.56	88.3%
Other Contracted Services	14,559,681.93	12,979,901.83	1,579,780.10	12.2%
Travel	2,198,267.09	1,962,509.90	235,757.19	12.0%
Materials and Supplies	8,333,424.89	6,774,790.61	1,558,634.28	23.0%
Utilities	3,009,733.19	3,607,318.37	(597,585.18)	-16.6%
Communications	2,960,593.98	2,139,328.10	821,265.88	38.4%
Repairs and Maintenance	3,621,578.99	3,124,273.77	497,305.22	15.9%
Rentals and Leases	1,359,579.10	1,278,585.46	80,993.64	6.3%
Printing and Reproduction	463,738.68	607,183.88	(143,445.20)	-23.6%
Bad Debt Expense	153,559.73	40,092.20	113,467.53	283.0%
Scholarships and Fellowships	10,194,172.52	9,215,243.40	978,929.12	10.6%
Depreciation and Amortization	12,323,263.09	11,530,329.18	792,933.91	6.9%
Federal Sponsored Program Pass-Through to Other State Agencies	335,682.04	340,949.11	(5,267.07)	-1.5%
State Sponsored Program Pass-Through to Other State Agencies	14,498.13	0.02	14,498.11	72,490,550.0%
Other Operating Expenses	2,566,147.39	2,220,453.96	345,693.43	15.6%
Total Operating Expenses	**159,965,483.89**	**146,879,046.63**	**13,086,437.26**	**8.9%**
Operating Loss	**(43,338,230.85)**	**(44,466,876.51)**	**1,128,645.66**	**2.5%**
Other Nonoperating Adjustments				
State Appropriations	38,132,797.67	37,839,960.33	292,837.34	0.8%
Nonexchange Sponsored Programs	15,000,000.00	14,000,000.00	1,000,000.00	7.1%
Gift Contributions for Operations	1,733,712.16	1,106,836.06	626,876.10	56.6%
Net Investment Income	4,112,265.75	3,855,763.22	256,502.53	6.7%
Interest Expense on Capital Asset Financings	(4,702,030.08)	(4,221,006.76)	(481,023.32)	-11.4%
Net Other Nonoperating Adjustments	**54,276,745.50**	**52,581,552.85**	**1,695,192.65**	**3.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**10,938,514.65**	**8,114,676.34**	**2,823,838.31**	**34.8%**
Adjusted Margin % including Depreciation & Amortization	**6.2%**	**5.1%**		
Investment Gain (Losses)	3,589,928.78	(9,341,046.12)	12,930,974.90	138.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	**14,528,443.43**	**(1,226,369.78)**	**15,754,813.21**	**1,284.7%**
Adj. Margin % with Investment Gains (Losses)	**8.1%**	**-0.8%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**23,261,777.74**	**19,645,005.52**	**3,616,772.22**	**18.4%**
Adjusted Margin % excluding Depreciation & Amortization	**13.2%**	**12.3%**		

UNAUDITED

The University of Texas at Austin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	160,166,666.67	161,666,666.67	(1,500,000.00)	-0.9%
Sponsored Programs	180,606,412.88	173,467,644.98	7,138,767.90	4.1%
Net Sales and Services of Educational Activities	129,763,489.41	132,505,324.49	(2,741,835.08)	-2.1%
Net Auxiliary Enterprises	103,721,665.27	105,525,939.14	(1,804,273.87)	-1.7%
Other Operating Revenues	1,784,892.85	1,767,574.52	17,318.33	1.0%
Total Operating Revenues	**576,043,127.08**	**574,933,149.80**	**1,109,977.28**	**0.2%**
Operating Expenses				
Salaries and Wages	376,723,068.68	361,439,286.84	15,283,781.84	4.2%
Payroll Related Costs	92,395,943.26	88,234,747.05	4,161,196.21	4.7%
Professional Fees and Services	10,363,728.20	10,734,828.12	(371,099.92)	-3.5%
Other Contracted Services	47,056,928.19	40,536,635.54	6,520,292.65	16.1%
Travel	15,630,423.74	14,993,989.18	636,434.56	4.2%
Materials and Supplies	48,067,077.62	41,428,823.94	6,638,253.68	16.0%
Utilities	32,398,307.04	32,479,222.34	(80,915.30)	-0.2%
Communications	20,130,053.17	20,302,846.02	(172,792.85)	-0.9%
Repairs and Maintenance	15,826,816.56	18,758,232.69	(2,931,416.13)	-15.6%
Rentals and Leases	6,329,339.94	6,218,734.82	110,605.12	1.8%
Printing and Reproduction	2,431,629.97	3,164,924.47	(733,294.50)	-23.2%
Bad Debt Expense	-	50,850.42	(50,850.42)	-100.0%
Scholarships and Fellowships	34,333,333.33	42,092,858.33	(7,759,525.00)	-18.4%
Depreciation and Amortization	88,333,333.33	74,116,241.61	14,217,091.72	19.2%
Federal Sponsored Program Pass-Through to Other State Agencies	1,104,023.19	856,960.87	247,062.32	28.8%
Other Operating Expenses	30,791,413.97	28,887,766.15	1,903,647.82	6.6%
Total Operating Expenses	**821,915,420.19**	**784,296,948.39**	**37,618,471.80**	**4.8%**
Operating Loss	**(245,872,293.11)**	**(209,363,798.59)**	**(36,508,494.52)**	**-17.4%**
Other Nonoperating Adjustments				
State Appropriations	102,046,277.85	97,386,418.75	4,659,859.10	4.8%
Nonexchange Sponsored Programs	24,018,218.57	16,377,919.74	7,640,298.83	46.6%
Gift Contributions for Operations	30,696,583.87	36,638,486.72	(5,941,902.85)	-16.2%
Net Investment Income	65,585,472.74	64,390,926.34	1,194,546.40	1.9%
Interest Expense on Capital Asset Financings	(16,728,174.80)	(16,504,338.56)	(223,836.24)	-1.4%
Net Other Nonoperating Adjustments	**205,618,378.23**	**198,289,412.99**	**7,328,965.24**	**3.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**(40,253,914.88)**	**(11,074,385.60)**	**(29,179,529.28)**	**-263.5%**
Adjusted Margin % including Depreciation & Amortization	**-5.0%**	**-1.4%**		
Available University Fund Transfer	67,095,666.67	59,853,333.33	7,242,333.34	12.1%
Adjusted Income (Loss) with AUF Transfer	**26,841,751.79**	**48,778,947.73**	**(21,937,195.94)**	**-45.0%**
Adjusted Margin % with AUF Transfer	**3.1%**	**5.7%**		
Investment Gain (Losses)	45,731,508.96	(147,706,458.70)	193,437,967.66	131.0%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	**$72,573,260.75**	**(98,927,510.97)**	**$171,500,771.72**	**173.4%**
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	**8.0%**	**-14.1%**		
Adjusted Income (Loss) with AUF Transfer excluding Depreciation & Amortization	**115,175,085.12**	**122,895,189.34**	**(7,720,104.22)**	**-6.3%**
Adjusted Margin % with AUF Transfer excluding Depreciation & Amortization	**13.3%**	**14.5%**		

UNAUDITED

The University of Texas at Brownsville
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	12,479,523.43	15,305,157.36	(2,825,633.93)	-18.5%
Sponsored Programs	18,702,852.95	19,533,454.52	(830,601.57)	-4.3%
Net Sales and Services of Educational Activities	1,007,935.83	842,787.54	165,148.29	19.6%
Net Auxiliary Enterprises	765,119.93	690,961.08	74,158.85	10.7%
Other Operating Revenues	474.04	4,930.89	(4,456.85)	-90.4%
Total Operating Revenues	**32,955,906.18**	**36,377,291.39**	**(3,421,385.21)**	**-9.4%**
Operating Expenses				
Salaries and Wages	23,275,421.35	23,488,365.93	(212,944.58)	-0.9%
Payroll Related Costs	6,378,913.59	6,337,190.33	41,723.26	0.7%
Professional Fees and Services	404,030.82	108,476.91	295,553.91	272.5%
Other Contracted Services	352,109.20	322,214.99	29,894.21	9.3%
Travel	364,256.13	417,726.99	(53,470.86)	-12.8%
Materials and Supplies	599,513.39	1,146,659.13	(547,145.74)	-47.7%
Utilities	1,299,959.42	1,391,891.83	(91,932.41)	-6.6%
Communications	264,896.56	390,482.79	(125,586.23)	-32.2%
Repairs and Maintenance	527,767.92	572,422.86	(44,654.94)	-7.8%
Rentals and Leases	670,821.37	644,939.41	25,881.96	4.0%
Printing and Reproduction	95,204.13	95,740.72	(536.59)	-0.6%
Scholarships and Fellowships	21,743,510.02	25,082,004.72	(3,338,494.70)	-13.3%
Depreciation and Amortization	2,689,414.12	2,611,372.85	78,041.27	3.0%
Federal Sponsored Program Pass-Through to Other State Agencies	49,694.68	37,040.71	12,653.97	34.2%
Other Operating Expenses	2,129,879.59	1,923,745.99	206,133.60	10.7%
Total Operating Expenses	**60,845,392.29**	**64,570,276.16**	**(3,724,883.87)**	**-5.8%**
Operating Loss	**(27,889,486.11)**	**(28,192,984.77)**	**303,498.66**	**1.1%**
Other Nonoperating Adjustments				
State Appropriations	13,092,056.19	12,724,849.71	367,206.48	2.9%
Nonexchange Sponsored Programs	15,148,812.27	18,302,225.79	(3,153,413.52)	-17.2%
Gift Contributions for Operations	152,445.46	221,179.00	(68,733.54)	-31.1%
Net Investment Income	505,768.33	446,924.07	58,844.26	13.2%
Interest Expense on Capital Asset Financings	(937,188.75)	(839,119.60)	(98,069.15)	-11.7%
Net Other Nonoperating Adjustments	**27,961,893.50**	**30,856,058.97**	**(2,894,165.47)**	**-9.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**72,407.39**	**2,663,074.20**	**(2,590,666.81)**	**-97.3%**
Adjusted Margin % including Depreciation & Amortization	**0.1%**	**3.9%**		
Investment Gain (Losses)	733,582.59	(1,513,256.68)	2,246,839.27	148.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**805,989.98**	**1,149,817.52**	**(343,827.54)**	**-29.9%**
Adj. Margin % with Investment Gains (Losses)	**1.3%**	**1.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**2,761,821.51**	**5,274,447.05**	**(2,512,625.54)**	**-47.6%**
Adjusted Margin % excluding Depreciation & Amortization	**4.5%**	**7.7%**		

UNAUDITED

The University of Texas at Dallas
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	70,625,694.94	68,451,342.57	2,174,352.37	3.2%
Sponsored Programs	14,299,294.23	13,735,005.79	564,288.44	4.1%
Net Sales and Services of Educational Activities	3,330,717.20	2,352,510.54	978,206.66	41.6%
Net Auxiliary Enterprises	4,914,074.42	4,360,198.94	553,875.48	12.7%
Other Operating Revenues	747,169.89	468,823.58	278,346.31	59.4%
Total Operating Revenues	**93,916,950.68**	**89,367,881.42**	**4,549,069.26**	**5.1%**
Operating Expenses				
Salaries and Wages	75,721,115.56	67,023,172.98	8,697,942.58	13.0%
Payroll Related Costs	16,137,198.68	14,193,771.12	1,943,427.56	13.7%
Professional Fees and Services	2,920,077.98	2,724,360.08	195,717.90	7.2%
Other Contracted Services	2,987,154.27	2,746,135.39	241,018.88	8.8%
Travel	1,895,890.49	1,493,204.66	402,685.83	27.0%
Materials and Supplies	7,543,028.57	6,033,213.40	1,509,815.17	25.0%
Utilities	2,633,331.59	2,607,259.58	26,072.01	1.0%
Communications	275,385.41	80,231.47	195,153.94	243.2%
Repairs and Maintenance	1,310,412.24	1,226,687.31	83,724.93	6.8%
Rentals and Leases	1,018,181.80	760,066.86	258,114.94	34.0%
Printing and Reproduction	460,100.99	643,184.37	(183,083.38)	-28.5%
Scholarships and Fellowships	12,869,837.80	13,661,922.67	(792,084.87)	-5.8%
Depreciation and Amortization	13,717,294.52	12,518,083.11	1,199,211.41	9.6%
Federal Sponsored Program Pass-Through to Other State Agencies	13,686.35	60,854.40	(47,168.05)	-77.5%
Other Operating Expenses	4,145,779.87	4,275,568.47	(129,788.60)	-3.0%
Total Operating Expenses	**143,648,476.12**	**130,047,715.87**	**13,600,760.25**	**10.5%**
Operating Loss	**(49,731,525.44)**	**(40,679,834.45)**	**(9,051,690.99)**	**-22.3%**
Other Nonoperating Adjustments				
State Appropriations	33,512,032.91	33,574,539.54	(62,506.63)	-0.2%
Nonexchange Sponsored Programs	11,771,700.82	8,469,348.69	3,302,352.13	39.0%
Gift Contributions for Operations	4,526,978.48	5,180,664.16	(653,685.68)	-12.6%
Net Investment Income	5,682,669.96	6,460,937.43	(778,267.47)	-12.0%
Interest Expense on Capital Asset Financings	(4,483,598.72)	(3,703,649.08)	(779,949.64)	-21.1%
Net Other Nonoperating Adjustments	**51,009,783.45**	**49,981,840.74**	**1,027,942.71**	**2.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**1,278,258.01**	**9,302,006.29**	**(8,023,748.28)**	**-86.3%**
Adjusted Margin % including Depreciation & Amortization	**0.9%**	**6.5%**		
Investment Gain (Losses)	5,735,478.20	8,276,259.53	(2,540,781.33)	-30.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**7,013,736.21**	**17,578,265.82**	**(10,564,529.61)**	**-60.1%**
Adj. Margin % with Investment Gains (Losses)	**4.5%**	**11.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**14,995,552.53**	**21,820,089.40**	**(6,824,536.87)**	**-31.3%**
Adjusted Margin % excluding Depreciation & Amortization	**10.0%**	**15.3%**		

UNAUDITED

The University of Texas at El Paso
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	36,000,691.19	35,872,173.67	128,517.52	0.4%
Sponsored Programs	24,218,571.23	23,646,569.17	572,002.06	2.4%
Net Sales and Services of Educational Activities	1,881,778.22	1,326,992.74	554,785.48	41.8%
Net Auxiliary Enterprises	10,778,337.74	8,932,472.70	1,845,865.04	20.7%
Other Operating Revenues	44,162.96	38,938.61	5,224.35	13.4%
Total Operating Revenues	**72,923,541.34**	**69,817,146.89**	**3,106,394.45**	**4.4%**
Operating Expenses				
Salaries and Wages	54,658,756.47	51,319,635.30	3,339,121.17	6.5%
Payroll Related Costs	13,561,040.57	12,846,613.83	714,426.74	5.6%
Professional Fees and Services	1,120,604.31	388,468.50	732,135.81	188.5%
Other Contracted Services	6,893,493.81	5,643,951.43	1,249,542.38	22.1%
Travel	2,766,318.67	2,601,667.58	164,651.09	6.3%
Materials and Supplies	8,177,516.90	7,889,700.00	287,816.90	3.6%
Utilities	2,267,296.11	2,360,990.95	(93,694.84)	-4.0%
Communications	229,487.55	215,325.76	14,161.79	6.6%
Repairs and Maintenance	2,295,321.61	1,497,206.57	798,115.04	53.3%
Rentals and Leases	1,575,256.91	1,161,553.53	413,703.38	35.6%
Printing and Reproduction	539,873.97	323,442.63	216,431.34	66.9%
Scholarships and Fellowships	25,249,274.93	27,787,105.84	(2,537,830.91)	-9.1%
Depreciation and Amortization	8,801,579.84	7,321,016.94	1,480,562.90	20.2%
Federal Sponsored Program Pass-Through to Other State Agencies	257,185.06	377,110.66	(119,925.60)	-31.8%
Other Operating Expenses	2,309,477.20	2,387,698.10	(78,220.90)	-3.3%
Total Operating Expenses	**130,702,483.91**	**124,121,487.62**	**6,580,996.29**	**5.3%**
Operating Loss	**(57,778,942.57)**	**(54,304,340.73)**	**(3,474,601.84)**	**-6.4%**
Other Nonoperating Adjustments				
State Appropriations	30,594,136.00	29,518,640.00	1,075,496.00	3.6%
Nonexchange Sponsored Programs	22,999,432.95	23,965,966.41	(966,533.46)	-4.0%
Gift Contributions for Operations	2,717,670.46	2,995,417.04	(277,746.58)	-9.3%
Net Investment Income	4,380,042.33	4,022,016.11	358,026.22	8.9%
Interest Expense on Capital Asset Financings	(2,848,295.48)	(2,888,404.56)	40,109.08	1.4%
Net Other Nonoperating Adjustments	**57,842,986.26**	**57,613,635.00**	**229,351.26**	**0.4%**
Adjusted Income (Loss) including Depreciation & Amortization	**64,043.69**	**3,309,294.27**	**(3,245,250.58)**	**-98.1%**
Adjusted Margin % including Depreciation & Amortization	**-**	**2.5%**		
Investment Gain (Losses)	3,304,135.86	(10,133,624.15)	13,437,760.01	132.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**3,368,179.55**	**(6,824,329.88)**	**10,192,509.43**	**149.4%**
Adj. Margin % with Investment Gains (Losses)	**2.5%**	**-5.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**8,865,623.53**	**10,630,311.21**	**(1,764,687.68)**	**-16.6%**
Adjusted Margin % excluding Depreciation & Amortization	**6.6%**	**8.2%**		

UNAUDITED

The University of Texas-Pan American
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	22,903,677.42	18,981,129.17	3,922,548.25	20.7%
Sponsored Programs	20,525,643.47	20,004,101.40	521,542.07	2.6%
Net Sales and Services of Educational Activities	2,357,744.65	1,986,738.29	371,006.36	18.7%
Net Auxiliary Enterprises	2,943,223.59	3,270,796.40	(327,572.81)	-10.0%
Other Operating Revenues	398,639.51	446,977.16	(48,337.65)	-10.8%
Total Operating Revenues	**49,128,928.64**	**44,689,742.42**	**4,439,186.22**	**9.9%**
Operating Expenses				
Salaries and Wages	36,312,660.01	34,759,883.70	1,552,776.31	4.5%
Payroll Related Costs	9,794,761.60	9,639,039.80	155,721.80	1.6%
Cost of Goods Sold	111,937.55	175,505.94	(63,568.39)	-36.2%
Professional Fees and Services	618,998.58	590,665.16	28,333.42	4.8%
Other Contracted Services	937,786.29	1,770,742.24	(832,955.95)	-47.0%
Travel	1,151,128.10	1,287,342.10	(136,214.00)	-10.6%
Materials and Supplies	5,176,529.70	4,456,571.83	719,957.87	16.2%
Utilities	1,880,170.82	1,734,108.67	146,062.15	8.4%
Communications	420,874.04	150,665.96	270,208.08	179.3%
Repairs and Maintenance	1,450,207.58	1,571,028.45	(120,820.87)	-7.7%
Rentals and Leases	240,278.62	297,638.51	(57,359.89)	-19.3%
Printing and Reproduction	252,597.28	114,921.73	137,675.55	119.8%
Bad Debt Expense	14,879.06	17,871.51	(2,992.45)	-16.7%
Scholarships and Fellowships	26,002,436.19	25,765,009.96	237,426.23	0.9%
Depreciation and Amortization	5,053,847.41	4,676,824.50	377,022.91	8.1%
Federal Sponsored Program Pass-Through to Other State Agencies	(10,443.38)	54,706.60	(65,149.98)	-119.1%
Other Operating Expenses	3,689,962.85	1,037,737.75	2,652,225.10	255.6%
Total Operating Expenses	**93,098,612.30**	**88,100,264.41**	**4,998,347.89**	**5.7%**
Operating Loss	**(43,969,683.66)**	**(43,410,521.99)**	**(559,161.67)**	**-1.3%**
Other Nonoperating Adjustments				
State Appropriations	24,875,200.09	24,086,707.55	788,492.54	3.3%
Nonexchange Sponsored Programs	22,408,676.94	23,609,633.47	(1,200,956.53)	-5.1%
Gift Contributions for Operations	526,437.27	1,142,319.26	(615,881.99)	-53.9%
Net Investment Income	1,474,849.69	1,325,929.71	148,919.98	11.2%
Interest Expense on Capital Asset Financings	(1,598,621.24)	(1,260,302.92)	(338,318.32)	-26.8%
Net Other Nonoperating Adjustments	**47,686,542.75**	**48,904,287.07**	**(1,217,744.32)**	**-2.5%**
Adjusted Income (Loss) including Depreciation & Amortization	**3,716,859.09**	**5,493,765.08**	**(1,776,905.99)**	**-32.3%**
Adjusted Margin % including Depreciation & Amortization	**3.8%**	**5.8%**		
Investment Gain (Losses)	1,761,288.91	(3,032,791.11)	4,794,080.02	158.1%
Adj. Inc. (Loss) with Investment Gains (Losses)	**5,478,148.00**	**2,460,973.97**	**3,017,174.03**	**122.6%**
Adj. Margin % with Investment Gains (Losses)	**5.5%**	**2.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**8,770,706.50**	**10,170,589.58**	**(1,399,883.08)**	**-13.8%**
Adjusted Margin % excluding Depreciation & Amortization	**8.9%**	**10.7%**		

UNAUDITED

The University of Texas of the Permian Basin
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	4,385,291.11	3,373,016.88	1,012,274.23	30.0%
Sponsored Programs	1,010,894.76	534,523.43	476,371.33	89.1%
Net Sales and Services of Educational Activities	372,616.50	17,225.78	355,390.72	2,063.1%
Net Auxiliary Enterprises	2,078,197.02	1,903,545.49	174,651.53	9.2%
Other Operating Revenues	81,473.60	460,817.63	(379,344.03)	-82.3%
Total Operating Revenues	**7,928,472.99**	**6,289,129.21**	**1,639,343.78**	**26.1%**
Operating Expenses				
Salaries and Wages	7,024,394.21	4,982,780.85	2,041,613.36	41.0%
Payroll Related Costs	1,795,809.48	1,124,630.13	671,179.35	59.7%
Professional Fees and Services	444,284.17	143,202.83	301,081.34	210.2%
Other Contracted Services	959,463.11	1,740,854.44	(781,391.33)	-44.9%
Travel	382,772.99	240,215.15	142,557.84	59.3%
Materials and Supplies	1,348,990.34	920,878.18	428,112.16	46.5%
Utilities	617,563.60	815,655.98	(198,092.38)	-24.3%
Communications	222,735.17	227,340.92	(4,605.75)	-2.0%
Repairs and Maintenance	329,507.09	181,068.80	148,438.29	82.0%
Rentals and Leases	64,461.63	165,337.16	(100,875.53)	-61.0%
Printing and Reproduction	53,927.13	10,405.44	43,521.69	418.3%
Bad Debt Expense	-	45,753.27	(45,753.27)	-100.0%
Scholarships and Fellowships	4,118,285.72	2,737,375.27	1,380,910.45	50.4%
Depreciation and Amortization	3,900,000.00	3,854,354.82	45,645.18	1.2%
Other Operating Expenses	298,367.60	464,544.32	(166,176.72)	-35.8%
Total Operating Expenses	**21,560,562.24**	**17,654,397.56**	**3,906,164.68**	**22.1%**
Operating Loss	**(13,632,089.25)**	**(11,365,268.35)**	**(2,266,820.90)**	**-19.9%**
Other Nonoperating Adjustments				
State Appropriations	9,569,391.67	7,792,173.87	1,777,217.80	22.8%
Nonexchange Sponsored Programs	1,838,594.62	670,429.18	1,168,165.44	174.2%
Gift Contributions for Operations	245,250.16	2,268,985.64	(2,023,735.48)	-89.2%
Net Investment Income	680,790.67	450,247.46	230,543.21	51.2%
Interest Expense on Capital Asset Financings	(1,758,373.24)	(1,764,729.20)	6,355.96	0.4%
Net Other Nonoperating Adjustments	**10,575,653.88**	**9,417,106.95**	**1,158,546.93**	**12.3%**
Adjusted Income (Loss) including Depreciation & Amortization	**(3,056,435.37)**	**(1,948,161.40)**	**(1,108,273.97)**	**-56.9%**
Adjusted Margin % including Depreciation & Amortization	**-15.1%**	**-11.2%**		
Investment Gain (Losses)	371,433.12	(2,118,807.04)	2,490,240.16	117.5%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(2,685,002.25)**	**(4,066,968.44)**	**1,381,966.19**	**34.0%**
Adj. Margin % with Investment Gains (Losses)	**-13.0%**	**-26.5%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**843,564.63**	**1,906,193.42**	**(1,062,628.79)**	**-55.7%**
Adjusted Margin % excluding Depreciation & Amortization	**4.2%**	**10.9%**		

UNAUDITED

The University of Texas at San Antonio
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	68,875,902.32	63,222,598.09	5,653,304.23	8.9%
Sponsored Programs	23,941,761.08	25,364,056.00	(1,422,294.92)	-5.6%
Net Sales and Services of Educational Activities	3,964,575.11	3,516,404.49	448,170.62	12.7%
Net Auxiliary Enterprises	11,652,332.72	11,065,037.79	587,294.93	5.3%
Other Operating Revenues	1,364,439.43	500,129.11	864,310.32	172.8%
Total Operating Revenues	**109,799,010.66**	**103,668,225.48**	**6,130,785.18**	**5.9%**
Operating Expenses				
Salaries and Wages	76,825,236.61	72,014,601.03	4,810,635.58	6.7%
Payroll Related Costs	18,984,351.86	19,486,466.00	(502,114.14)	-2.6%
Cost of Goods Sold	266,666.67	74,951.96	191,714.71	255.8%
Professional Fees and Services	1,781,299.48	2,015,997.71	(234,698.23)	-11.6%
Other Contracted Services	4,251,741.79	4,109,845.34	141,896.45	3.5%
Travel	3,642,332.30	3,738,566.55	(96,234.25)	-2.6%
Materials and Supplies	9,676,395.40	10,585,046.75	(908,651.35)	-8.6%
Utilities	4,101,666.67	3,867,158.67	234,508.00	6.1%
Communications	647,546.82	1,267,700.55	(620,153.73)	-48.9%
Repairs and Maintenance	3,580,145.11	2,409,669.62	1,170,475.49	48.6%
Rentals and Leases	1,407,663.78	1,612,759.02	(205,095.24)	-12.7%
Printing and Reproduction	394,137.01	413,259.50	(19,122.49)	-4.6%
Bad Debt Expense	39,404.07	218,251.24	(178,847.17)	-81.9%
Scholarships and Fellowships	16,527,478.96	16,445,904.05	81,574.91	0.5%
Depreciation and Amortization	14,194,106.98	13,510,360.85	683,746.13	5.1%
Federal Sponsored Program Pass-Through to Other State Agencies	540,043.63	953,385.20	(413,341.57)	-43.4%
Other Operating Expenses	4,273,759.09	4,312,605.38	(38,846.29)	-0.9%
Total Operating Expenses	**161,133,976.23**	**157,036,529.42**	**4,097,446.81**	**2.6%**
Operating Loss	**(51,334,965.57)**	**(53,368,303.94)**	**2,033,338.37**	**3.8%**
Other Nonoperating Adjustments				
State Appropriations	38,383,606.00	37,073,696.60	1,309,909.40	3.5%
Nonexchange Sponsored Programs	16,673,698.67	18,509,195.59	(1,835,496.92)	-9.9%
Gift Contributions for Operations	2,427,336.37	2,000,000.00	427,336.37	21.4%
Net Investment Income	5,045,779.28	4,879,595.02	166,184.26	3.4%
Interest Expense on Capital Asset Financings	(5,742,594.32)	(5,125,902.12)	(616,692.20)	-12.0%
Net Other Nonoperating Adjustments	**56,787,826.00**	**57,336,585.09**	**(548,759.09)**	**-1.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**5,452,860.43**	**3,968,281.15**	**1,484,579.28**	**37.4%**
Adjusted Margin % including Depreciation & Amortization	**3.2%**	**2.4%**		
Investment Gain (Losses)	5,566,538.67	(862,817.53)	6,429,356.20	745.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**11,019,399.10**	**3,105,463.62**	**7,913,935.48**	**254.8%**
Adj. Margin % with Investment Gains (Losses)	**6.2%**	**1.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**19,646,967.41**	**17,478,642.00**	**2,168,325.41**	**12.4%**
Adjusted Margin % excluding Depreciation & Amortization	**11.4%**	**10.5%**		

UNAUDITED

The University of Texas at Tyler
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	9,669,736.00	8,717,677.33	952,058.67	10.9%
Sponsored Programs	4,329,527.20	4,194,997.63	134,529.57	3.2%
Net Sales and Services of Educational Activities	1,021,286.44	956,894.70	64,391.74	6.7%
Net Auxiliary Enterprises	1,316,572.35	1,531,256.21	(214,683.86)	-14.0%
Other Operating Revenues	69,908.94	157,234.31	(87,325.37)	-55.5%
Total Operating Revenues	**16,407,030.93**	**15,558,060.18**	**848,970.75**	**5.5%**
Operating Expenses				
Salaries and Wages	15,498,893.99	13,339,604.03	2,159,289.96	16.2%
Payroll Related Costs	4,218,214.84	3,653,898.58	564,316.26	15.4%
Cost of Goods Sold	4,487.30	5,771.86	(1,284.56)	-22.3%
Professional Fees and Services	413,645.84	484,673.22	(71,027.38)	-14.7%
Other Contracted Services	1,735,771.79	1,244,653.66	491,118.13	39.5%
Travel	559,941.16	526,106.05	33,835.11	6.4%
Materials and Supplies	2,119,153.84	1,197,689.14	921,464.70	76.9%
Utilities	407,969.04	439,476.85	(31,507.81)	-7.2%
Communications	347,176.70	367,177.75	(20,001.05)	-5.4%
Repairs and Maintenance	589,931.64	517,354.84	72,576.80	14.0%
Rentals and Leases	94,711.29	126,442.52	(31,731.23)	-25.1%
Printing and Reproduction	196,810.06	280,923.37	(84,113.31)	-29.9%
Scholarships and Fellowships	1,664,131.08	1,608,543.34	55,587.74	3.5%
Depreciation and Amortization	3,782,537.67	3,776,069.26	6,468.41	0.2%
Other Operating Expenses	616,227.46	780,277.19	(164,049.73)	-21.0%
Total Operating Expenses	**32,249,603.70**	**28,348,661.66**	**3,900,942.04**	**13.8%**
Operating Loss	**(15,842,572.77)**	**(12,790,601.48)**	**(3,051,971.29)**	**-23.9%**
Other Nonoperating Adjustments				
State Appropriations	10,490,614.99	10,667,493.58	(176,878.59)	-1.7%
Nonexchange Sponsored Programs	4,227,725.50	4,051,681.05	176,044.45	4.3%
Gift Contributions for Operations	637,502.16	309,921.71	327,580.45	105.7%
Net Investment Income	1,642,526.49	1,580,714.78	61,811.71	3.9%
Interest Expense on Capital Asset Financings	(1,239,203.68)	(1,310,499.52)	71,295.84	5.4%
Net Other Nonoperating Adjustments	**15,759,165.46**	**15,299,311.60**	**459,853.86**	**3.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**(83,407.31)**	**2,508,710.12**	**(2,592,117.43)**	**-103.3%**
Adjusted Margin % including Depreciation & Amortization	**-0.2%**	**7.8%**		
Investment Gain (Losses)	1,371,384.14	(4,453,384.07)	5,824,768.21	130.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**1,287,976.83**	**(1,944,673.95)**	**3,232,650.78**	**166.2%**
Adj. Margin % with Investment Gains (Losses)	**3.7%**	**-7.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**3,699,130.36**	**6,284,779.38**	**(2,585,649.02)**	**-41.1%**
Adjusted Margin % excluding Depreciation & Amortization	**11.1%**	**19.5%**		

UNAUDITED

The University of Texas Southwestern Medical Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	5,870,096.58	5,409,445.67	460,650.91	8.5%
Sponsored Programs	150,081,629.80	155,043,665.79	(4,962,035.99)	-3.2%
Net Sales and Services of Educational Activities	3,758,585.94	3,832,622.99	(74,037.05)	-1.9%
Net Sales and Services of Hospitals	237,434,659.00	218,587,326.00	18,847,333.00	8.6%
Net Professional Fees	133,647,635.61	130,780,698.33	2,866,937.28	2.2%
Net Auxiliary Enterprises	5,916,669.11	5,899,558.70	17,110.41	0.3%
Other Operating Revenues	13,578,376.98	4,432,029.21	9,146,347.77	206.4%
Total Operating Revenues	**550,287,653.02**	**523,985,346.69**	**26,302,306.33**	**5.0%**
Operating Expenses				
Salaries and Wages	335,248,768.35	319,563,633.79	15,685,134.56	4.9%
Payroll Related Costs	70,175,175.60	65,432,691.77	4,742,483.83	7.2%
Cost of Goods Sold	1,251,126.98	1,135,523.92	115,603.06	10.2%
Professional Fees and Services	11,616,325.26	10,918,310.41	698,014.85	6.4%
Other Contracted Services	32,557,024.71	39,439,186.64	(6,882,161.93)	-17.5%
Travel	2,742,162.33	3,015,505.87	(273,343.54)	-9.1%
Materials and Supplies	82,915,895.86	75,408,077.65	7,507,818.21	10.0%
Utilities	7,839,611.92	10,650,132.40	(2,810,520.48)	-26.4%
Communications	1,735,321.04	1,401,586.72	333,734.32	23.8%
Repairs and Maintenance	2,205,292.13	3,999,882.08	(1,794,589.95)	-44.9%
Rentals and Leases	1,457,866.67	1,931,760.52	(473,893.85)	-24.5%
Printing and Reproduction	172,846.98	198,996.27	(26,149.29)	-13.1%
Scholarships and Fellowships	241,897.33	241,071.33	826.00	0.3%
Depreciation and Amortization	35,250,565.49	32,259,643.06	2,990,922.43	9.3%
Federal Sponsored Program Pass-Through to Other State Agencies	810,917.00	76,254.81	734,662.19	963.4%
Other Operating Expenses	11,281,436.16	11,489,350.39	(207,914.23)	-1.8%
Total Operating Expenses	**597,502,233.81**	**577,161,607.63**	**20,340,626.18**	**3.5%**
Operating Loss	**(47,214,580.79)**	**(53,176,260.94)**	**5,961,680.15**	**11.2%**
Other Nonoperating Adjustments				
State Appropriations	50,969,022.63	48,399,252.58	2,569,770.05	5.3%
Nonexchange Sponsored Programs	9,250.00	20,902.50	(11,652.50)	-55.7%
Gift Contributions for Operations	8,695,940.00	5,696,680.52	2,999,259.48	52.6%
Net Investment Income	29,699,838.82	29,925,904.82	(226,066.00)	-0.8%
Interest Expense on Capital Asset Financings	(11,499,317.04)	(12,031,778.44)	532,461.40	4.4%
Net Other Nonoperating Adjustments	**77,874,734.41**	**72,010,961.98**	**5,863,772.43**	**8.1%**
Adjusted Income (Loss) including Depreciation & Amortization	**30,660,153.62**	**18,834,701.04**	**11,825,452.58**	**62.8%**
Adjusted Margin % including Depreciation & Amortization	**4.8%**	**3.1%**		
Investment Gain (Losses)	18,499,255.32	(70,637,163.12)	89,136,418.44	126.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**49,159,408.94**	**(51,802,462.08)**	**100,961,871.02**	**194.9%**
Adj. Margin % with Investment Gains (Losses)	**7.5%**	**-9.6%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**65,910,719.11**	**51,094,344.10**	**14,816,375.01**	**29.0%**
Adjusted Margin % excluding Depreciation & Amortization	**10.3%**	**8.4%**		

UNAUDITED

The University of Texas Medical Branch at Galveston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	11,046,603.89	10,858,729.24	187,874.65	1.7%
Sponsored Programs	70,101,054.73	78,565,077.85	(8,464,023.12)	-10.8%
Net Sales and Services of Educational Activities	3,624,065.33	5,407,617.85	(1,783,552.52)	-33.0%
Net Sales and Services of Hospitals	260,621,163.66	247,105,743.07	13,515,420.59	5.5%
Net Professional Fees	43,648,705.86	42,277,044.68	1,371,661.18	3.2%
Net Auxiliary Enterprises	2,065,056.45	2,081,579.74	(16,523.29)	-0.8%
Other Operating Revenues	9,653,285.30	1,858,487.55	7,794,797.75	419.4%
Total Operating Revenues	**400,759,935.22**	**388,154,279.98**	**12,605,655.24**	**3.2%**
Operating Expenses				
Salaries and Wages	267,151,546.87	261,487,938.45	5,663,608.42	2.2%
Payroll Related Costs	69,064,799.92	65,145,793.18	3,919,006.74	6.0%
Cost of Goods Sold	20,135,571.90	21,999,508.54	(1,863,936.64)	-8.5%
Professional Fees and Services	11,082,068.38	11,421,438.25	(339,369.87)	-3.0%
Other Contracted Services	27,353,867.98	25,368,279.04	1,985,588.94	7.8%
Travel	2,103,942.33	2,052,492.71	51,449.62	2.5%
Materials and Supplies	40,480,206.04	37,458,167.76	3,022,038.28	8.1%
Utilities	12,688,308.19	10,844,740.17	1,843,568.02	17.0%
Communications	2,799,927.63	4,037,635.14	(1,237,707.51)	-30.7%
Repairs and Maintenance	17,901,272.64	12,037,576.01	5,863,696.63	48.7%
Rentals and Leases	8,213,161.85	7,850,426.03	362,735.82	4.6%
Printing and Reproduction	384,638.30	423,951.12	(39,312.82)	-9.3%
Scholarships and Fellowships	1,405,754.12	1,213,034.29	192,719.83	15.9%
Depreciation and Amortization	30,500,000.00	27,955,380.28	2,544,619.72	9.1%
Federal Sponsored Program Pass-Through to Other State Agencies	1,154,974.69	724,177.99	430,796.70	59.5%
Other Operating Expenses	11,540,858.18	10,394,488.37	1,146,369.81	11.0%
Total Operating Expenses	**523,960,899.02**	**500,415,027.33**	**23,545,871.69**	**4.7%**
Operating Loss	**(123,200,963.80)**	**(112,260,747.35)**	**(10,940,216.45)**	**-9.7%**
Other Nonoperating Adjustments				
State Appropriations	108,762,105.88	104,368,367.33	4,393,738.55	4.2%
Nonexchange Sponsored Programs	309,939.00	319,623.25	(9,684.25)	-3.0%
Gift Contributions for Operations	1,245,232.11	3,056,551.19	(1,811,319.08)	-59.3%
Net Investment Income	10,987,069.57	10,364,183.43	622,886.14	6.0%
Interest Expense on Capital Asset Financings	(2,498,667.97)	(2,607,063.34)	108,395.37	4.2%
Net Other Nonoperating Adjustments	**118,805,678.59**	**115,501,661.86**	**3,304,016.73**	**2.9%**
Adjusted Income (Loss) including Depreciation & Amortization	**(4,395,285.21)**	**3,240,914.51**	**(7,636,199.72)**	**-235.6%**
Adjusted Margin % including Depreciation & Amortization	**-0.8%**	**0.6%**		
Investment Gain (Losses)	7,509,108.24	(24,511,165.80)	32,020,274.04	130.6%
Adj. Inc. (Loss) with Investment Gains (Losses)	**3,113,823.03**	**(21,270,251.29)**	**24,384,074.32**	**114.6%**
Adj. Margin % with Investment Gains (Losses)	**0.6%**	**-4.4%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**26,104,714.79**	**31,196,294.79**	**(5,091,580.00)**	**-16.3%**
Adjusted Margin % excluding Depreciation & Amortization	**5.0%**	**6.2%**		

UNAUDITED

The University of Texas Health Science Center at Houston
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	14,982,650.84	15,166,018.46	(183,367.62)	-1.2%
Sponsored Programs	161,575,825.65	146,533,160.90	15,042,664.75	10.3%
Net Sales and Services of Educational Activities	8,239,547.43	19,504,887.11	(11,265,339.68)	-57.8%
Net Sales and Services of Hospitals	20,986,381.47	12,013,778.32	8,972,603.15	74.7%
Net Professional Fees	59,491,513.17	50,408,030.66	9,083,482.51	18.0%
Net Auxiliary Enterprises	7,673,145.74	7,561,050.28	112,095.46	1.5%
Other Operating Revenues	4,349,498.37	6,272,503.38	(1,923,005.01)	-30.7%
Total Operating Revenues	**277,298,562.67**	**257,459,429.11**	**19,839,133.56**	**7.7%**
Operating Expenses				
Salaries and Wages	200,678,419.18	181,042,344.33	19,636,074.85	10.8%
Payroll Related Costs	41,621,813.93	38,019,779.14	3,602,034.79	9.5%
Cost of Goods Sold	5,105,587.19	8,788,319.58	(3,682,732.39)	-41.9%
Professional Fees and Services	13,947,631.37	12,830,030.70	1,117,600.67	8.7%
Other Contracted Services	15,873,575.60	14,367,466.70	1,506,108.90	10.5%
Travel	2,648,207.86	2,297,693.02	350,514.84	15.3%
Materials and Supplies	19,681,990.49	13,796,921.58	5,885,068.91	42.7%
Utilities	5,923,764.25	6,818,444.30	(894,680.05)	-13.1%
Communications	1,357,717.82	1,192,980.26	164,737.56	13.8%
Repairs and Maintenance	2,272,025.50	2,446,379.41	(174,353.91)	-7.1%
Rentals and Leases	6,950,237.04	7,599,974.83	(649,737.79)	-8.5%
Printing and Reproduction	1,775,854.29	1,702,489.56	73,364.73	4.3%
Bad Debt Expense	-	3,506.66	(3,506.66)	-100.0%
Scholarships and Fellowships	2,472,138.82	2,035,058.75	437,080.07	21.5%
Depreciation and Amortization	18,544,522.78	17,239,267.11	1,305,255.67	7.6%
Federal Sponsored Program Pass-Through to Other State Agencies	2,444,937.00	2,444,937.09	(0.09)	-
Other Operating Expenses	9,673,404.24	10,042,419.37	(369,015.13)	-3.7%
Total Operating Expenses	**350,971,827.36**	**322,668,012.39**	**28,303,814.97**	**8.8%**
Operating Loss	**(73,673,264.69)**	**(65,208,583.28)**	**(8,464,681.41)**	**-13.0%**
Other Nonoperating Adjustments				
State Appropriations	58,403,257.83	58,283,358.77	119,899.06	0.2%
Nonexchange Sponsored Programs	157,023.00	93,078.00	63,945.00	68.7%
Gift Contributions for Operations	4,590,597.81	3,652,317.72	938,280.09	25.7%
Net Investment Income	8,345,054.52	8,529,323.69	(184,269.17)	-2.2%
Interest Expense on Capital Asset Financings	(4,000,590.92)	(4,201,695.00)	201,104.08	4.8%
Net Other Nonoperating Adjustments	**67,495,342.24**	**66,356,383.18**	**1,138,959.06**	**1.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**(6,177,922.45)**	**1,147,799.90**	**(7,325,722.35)**	**-638.2%**
Adjusted Margin % including Depreciation & Amortization	**-1.8%**	**0.3%**		
Investment Gain (Losses)	8,156,638.00	(22,237,306.41)	30,393,944.41	136.7%
Adj. Inc. (Loss) with Investment Gains (Losses)	**1,978,715.55**	**(21,089,506.51)**	**23,068,222.06**	**109.4%**
Adj. Margin % with Investment Gains (Losses)	**0.6%**	**-6.9%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**12,366,600.33**	**18,387,067.01**	**(6,020,466.68)**	**-32.7%**
Adjusted Margin % excluding Depreciation & Amortization	**3.5%**	**5.6%**		

UNAUDITED

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, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	11,093,274.33	10,981,836.00	111,438.33	1.0%
Sponsored Programs	92,521,362.72	90,500,816.94	2,020,545.78	2.2%
Net Sales and Services of Educational Activities	8,223,311.77	9,583,144.95	(1,359,833.18)	-14.2%
Net Professional Fees	46,842,437.38	47,447,093.33	(604,655.95)	-1.3%
Net Auxiliary Enterprises	1,686,163.99	1,959,413.33	(273,249.34)	-13.9%
Other Operating Revenues	2,311,189.45	2,236,184.35	75,005.10	3.4%
Total Operating Revenues	**162,677,739.64**	**162,708,488.90**	**(30,749.26)**	**-**
Operating Expenses				
Salaries and Wages	135,983,995.27	129,699,888.66	6,284,106.61	4.8%
Payroll Related Costs	32,538,230.82	32,379,014.46	159,216.36	0.5%
Professional Fees and Services	4,783,216.38	5,185,967.57	(402,751.19)	-7.8%
Other Contracted Services	4,789,766.22	3,739,775.39	1,049,990.83	28.1%
Travel	1,678,798.73	1,582,759.26	96,039.47	6.1%
Materials and Supplies	12,504,608.06	14,157,424.38	(1,652,816.32)	-11.7%
Utilities	5,638,089.33	6,345,042.67	(706,953.34)	-11.1%
Communications	3,366,695.12	3,734,633.59	(367,938.47)	-9.9%
Repairs and Maintenance	1,642,214.21	1,511,383.80	130,830.41	8.7%
Rentals and Leases	1,660,796.25	1,893,200.16	(232,403.91)	-12.3%
Printing and Reproduction	796,998.51	725,349.40	71,649.11	9.9%
Scholarships and Fellowships	2,501,710.87	2,054,719.98	446,990.89	21.8%
Depreciation and Amortization	16,333,333.33	15,333,333.33	1,000,000.00	6.5%
Federal Sponsored Program Pass-Through to Other State Agencies	591,666.67	583,333.33	8,333.34	1.4%
Other Operating Expenses	11,109,430.96	12,283,070.52	(1,173,639.56)	-9.6%
Total Operating Expenses	**235,919,550.73**	**231,208,896.50**	**4,710,654.23**	**2.0%**
Operating Loss	**(73,241,811.09)**	**(68,500,407.60)**	**(4,741,403.49)**	**-6.9%**
Other Nonoperating Adjustments				
State Appropriations	54,748,725.33	53,770,664.00	978,061.33	1.8%
Nonexchange Sponsored Programs	550,000.00	416,666.67	133,333.33	32.0%
Gift Contributions for Operations	7,871,899.04	7,178,158.51	693,740.53	9.7%
Net Investment Income	10,897,514.37	11,319,494.22	(421,979.85)	-3.7%
Interest Expense on Capital Asset Financings	(3,285,210.84)	(3,454,885.44)	169,674.60	4.9%
Net Other Nonoperating Adjustments	**70,782,927.90**	**69,230,097.96**	**1,552,829.94**	**2.2%**
Adjusted Income (Loss) including Depreciation & Amortization	**(2,458,883.19)**	**729,690.36**	**(3,188,573.55)**	**-437.0%**
Adjusted Margin % including Depreciation & Amortization	**-1.0%**	**0.3%**		
Investment Gain (Losses)	9,483,591.73	(27,752,048.05)	37,235,639.78	134.2%
Adj. Inc. (Loss) with Investment Gains (Losses)	**7,024,708.54**	**(27,022,357.69)**	**34,047,066.23**	**126.0%**
Adj. Margin % with Investment Gains (Losses)	**2.9%**	**-13.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**13,874,450.14**	**16,063,023.69**	**(2,188,573.55)**	**-13.6%**
Adjusted Margin % excluding Depreciation & Amortization	**5.9%**	**6.8%**		

UNAUDITED

The University of Texas M. D. Anderson Cancer Center
Monthly Financial Report, Comparison of Operating Results and Margin
For the Period Ending December 31, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	880,048.40	939,908.19	(59,859.79)	-6.4%
Sponsored Programs	118,860,847.34	113,631,580.13	5,229,267.21	4.6%
Net Sales and Services of Educational Activities	1,376,289.37	959,711.90	416,577.47	43.4%
Net Sales and Services of Hospitals	851,312,506.76	817,956,410.89	33,356,095.87	4.1%
Net Professional Fees	115,131,338.70	114,603,199.26	528,139.44	0.5%
Net Auxiliary Enterprises	12,935,937.46	11,936,511.96	999,425.50	8.4%
Other Operating Revenues	20,872,091.19	20,473,087.87	399,003.32	1.9%
Total Operating Revenues	**1,121,369,059.22**	**1,080,500,410.20**	**40,868,649.02**	**3.8%**
Operating Expenses				
Salaries and Wages	533,150,351.99	495,423,946.55	37,726,405.44	7.6%
Payroll Related Costs	145,500,591.95	133,869,634.12	11,630,957.83	8.7%
Cost of Goods Sold	1,844,698.65	2,147,901.93	(303,203.28)	-14.1%
Professional Fees and Services	49,762,338.10	42,611,659.99	7,150,678.11	16.8%
Other Contracted Services	25,958,608.12	21,811,444.85	4,147,163.27	19.0%
Travel	6,076,930.06	5,216,181.79	860,748.27	16.5%
Materials and Supplies	214,889,018.85	201,008,026.25	13,880,992.60	6.9%
Utilities	17,276,819.17	18,043,877.96	(767,058.79)	-4.3%
Communications	4,621,821.44	3,070,687.46	1,551,133.98	50.5%
Repairs and Maintenance	28,907,573.06	26,798,653.98	2,108,919.08	7.9%
Rentals and Leases	15,587,838.32	14,272,031.96	1,315,806.36	9.2%
Printing and Reproduction	830,410.29	-	830,410.29	100.0%
Scholarships and Fellowships	503,510.00	1,940,343.00	(1,436,833.00)	-74.1%
Depreciation and Amortization	94,305,363.36	86,866,915.19	7,438,448.17	8.6%
Federal Sponsored Program Pass-Through to Other State Agencies	2,769,531.33	455,804.17	2,313,727.16	507.6%
Other Operating Expenses	10,405,660.56	8,991,213.99	1,414,446.57	15.7%
Total Operating Expenses	**1,152,391,065.25**	**1,062,528,323.19**	**89,862,742.06**	**8.5%**
Operating Loss	**(31,022,006.03)**	**17,972,087.01**	**(48,994,093.04)**	**-272.6%**
Other Nonoperating Adjustments				
State Appropriations	54,424,169.01	53,040,677.72	1,383,491.29	2.6%
Nonexchange Sponsored Programs	-	335,092.00	(335,092.00)	-100.0%
Gift Contributions for Operations	40,063,668.57	27,814,256.27	12,249,412.30	44.0%
Net Investment Income	22,449,592.11	19,618,220.20	2,831,371.91	14.4%
Interest Expense on Capital Asset Financings	(12,826,581.64)	(13,323,662.88)	497,081.24	3.7%
Net Other Nonoperating Adjustments	**104,110,848.05**	**87,484,583.31**	**16,626,264.74**	**19.0%**
Adjusted Income (Loss) including Depreciation & Amortization	**73,088,842.02**	**105,456,670.32**	**(32,367,828.30)**	**-30.7%**
Adjusted Margin % including Depreciation & Amortization	**5.9%**	**8.9%**		
Investment Gain (Losses)	39,658,944.58	(61,180,431.81)	100,839,376.39	164.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**112,747,786.60**	**44,276,238.51**	**68,471,548.09**	**154.6%**
Adj. Margin % with Investment Gains (Losses)	**8.8%**	**4.0%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**167,394,205.38**	**192,323,585.51**	**(24,929,380.13)**	**-13.0%**
Adjusted Margin % excluding Depreciation & Amortization	**13.5%**	**16.3%**		

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, 2012

	December Year-to-Date FY 2013	December Year-to-Date FY 2012	Variance	Fluctuation Percentage
Operating Revenues				
Net Student Tuition	15,630.56	-	15,630.56	100.0%
Sponsored Programs	4,649,388.98	4,224,411.72	424,977.26	10.1%
Net Sales and Services of Educational Activities	507,133.58	636,084.34	(128,950.76)	-20.3%
Net Sales and Services of Hospitals	14,929,196.66	13,496,898.54	1,432,298.12	10.6%
Net Professional Fees	3,437,439.33	3,826,870.96	(389,431.63)	-10.2%
Net Auxiliary Enterprises	59,555.03	44,153.63	15,401.40	34.9%
Other Operating Revenues	524,691.35	190,811.29	333,880.06	175.0%
Total Operating Revenues	**24,123,035.49**	**22,419,230.48**	**1,703,805.01**	**7.6%**
Operating Expenses				
Salaries and Wages	20,609,287.59	18,849,894.45	1,759,393.14	9.3%
Payroll Related Costs	5,963,795.44	5,635,338.66	328,456.78	5.8%
Cost of Goods Sold	26,637.05	22,519.40	4,117.65	18.3%
Professional Fees and Services	2,603,963.38	1,937,647.27	666,316.11	34.4%
Other Contracted Services	2,156,805.85	2,140,131.26	16,674.59	0.8%
Travel	162,758.52	186,105.48	(23,346.96)	-12.5%
Materials and Supplies	4,548,551.71	4,575,889.16	(27,337.45)	-0.6%
Utilities	802,795.00	1,024,037.65	(221,242.65)	-21.6%
Communications	219,491.30	271,987.65	(52,496.35)	-19.3%
Repairs and Maintenance	1,194,538.08	938,802.96	255,735.12	27.2%
Rentals and Leases	304,972.13	105,330.43	199,641.70	189.5%
Printing and Reproduction	7,584.64	33,418.29	(25,833.65)	-77.3%
Scholarships and Fellowships	22,338.56	8,016.50	14,322.06	178.7%
Depreciation and Amortization	2,967,861.91	2,926,461.89	41,400.02	1.4%
Federal Sponsored Program Pass-Through to Other State Agencies	76,531.56	86,575.88	(10,044.32)	-11.6%
Other Operating Expenses	589,146.86	903,452.63	(314,305.77)	-34.8%
Total Operating Expenses	**42,257,059.58**	**39,645,609.56**	**2,611,450.02**	**6.6%**
Operating Loss	**(18,134,024.09)**	**(17,226,379.08)**	**(907,645.01)**	**-5.3%**
Other Nonoperating Adjustments				
State Appropriations	12,412,594.89	15,309,838.80	(2,897,243.91)	-18.9%
Gift Contributions for Operations	101,995.39	79,285.37	22,710.02	28.6%
Net Investment Income	1,413,657.59	1,368,708.10	44,949.49	3.3%
Interest Expense on Capital Asset Financings	(535,985.40)	(479,087.52)	(56,897.88)	-11.9%
Net Other Nonoperating Adjustments	**13,392,262.47**	**16,278,744.75**	**(2,886,482.28)**	**-17.7%**
Adjusted Income (Loss) including Depreciation & Amortization	**(4,741,761.62)**	**(947,634.33)**	**(3,794,127.29)**	**-400.4%**
Adjusted Margin % including Depreciation & Amortization	**-12.5%**	**-2.4%**		
Investment Gain (Losses)	1,010,830.85	(2,605,264.65)	3,616,095.50	138.8%
Adj. Inc. (Loss) with Investment Gains (Losses)	**(3,730,930.77)**	**(3,552,898.98)**	**(178,031.79)**	**-5.0%**
Adj. Margin % with Investment Gains (Losses)	**-9.6%**	**-9.7%**		
Adjusted Income (Loss) excluding Depreciation & Amortization	**(1,773,899.71)**	**1,978,827.56**	**(3,752,727.27)**	**-189.6%**
Adjusted Margin % excluding Depreciation & Amortization	**-4.7%**	**5.1%**		

3. U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2012

REPORT

The Analysis of Financial Condition, which is set forth on Pages 109 - 167 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 110 - 111. U. T. Permian Basin and U. T. Medical Branch - Galveston continue on "Watch" status for 2012. All other institutions' ratings remained "Satisfactory" for 2012.

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 2008 through Fiscal Year 2012.

2012 Analysis of Financial Condition

February 2013

The University of Texas System
2012 Analysis of Financial Condition

Executive Summary

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 institution's 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:

- *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 U. T. System Offices of Business, Academic and/or Health Affairs, as appropriate.

U. T. Permian Basin and UTMB were the only institutions rated less than “Satisfactory” for 2012. U. T. Permian Basin’s rating was maintained as “Watch” given the accounting errors identified last year by specialists hired by U. T. System Administration. A Financial Officer was hired by U. T. System Administration in 2012 to direct the day-to-day activities of the accounting staff at U. T. Permian Basin and to instruct the accounting staff in the correction of the errors. U. T. System Administration believes the errors identified in 2011 were corrected in 2012. With the leadership of the U. T. System Administration Financial Officer, U. T. System Administration is confident that the accounting staff at U. T. Permian Basin has the proper training and is developing the appropriate experience to avoid these errors in the future. However, ratios based upon a year of relatively normal operating activity free of significant accounting errors or the correction of such errors is warranted before U. T. Permian Basin’s rating is upgraded.

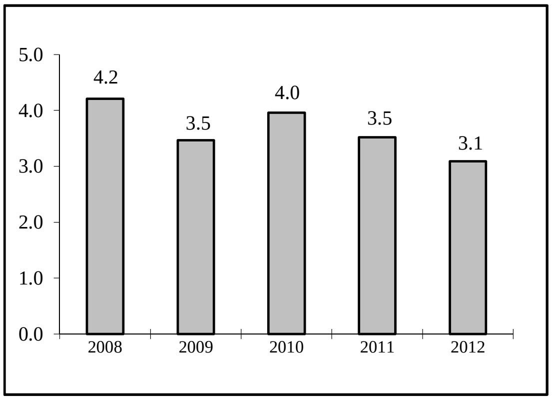
UTMB’s rating was maintained as “Watch;” however, if in the future UTMB can maintain an upward trend in the financial ratios over several years with no significant set-backs, then it is likely that UTMB’s rating would be upgraded. UTMB’s annual operating margin decreased to $1.7 million for 2012. Although the operating expense coverage ratio increased by 0.1 months to 1.3 months in 2012, it still remained below U. T. System Administration’s benchmark of 2 months and was also the lowest operating expense coverage ratio of all the U. T. institutions. UTMB has been rated less than “Satisfactory” since 1998.

All of the other U. T. institutions were rated “Satisfactory” for 2012. The CFIs decreased in 2012 for all of the institutions rated as “Satisfactory,” with the exception of an increase in the CFI at one academic institution. The decreases in the CFIs were primarily due to a decline in operating performance, an increase in the amount of debt outstanding, and a net decrease in the fair value of investments, while the increase was largely attributable to an improvement in operating performance. All of the health-related institutions received House Bill 4 (HB 4) supplemental funding in 2012. Some of the HB 4 supplemental funding was intended to cover expenses in 2013. Therefore, in order to properly match revenues with expenses a portion of the HB 4 funding received in 2012 was removed from revenues and will be added to 2013 revenues when the 2013 Analysis of Financial Condition is prepared. The majority of the institutions also experienced an improvement in the operating expense coverage ratio. The operating expense coverage ratios for the institutions rated “Satisfactory” were above U. T. System Administration’s benchmark of 2 months.

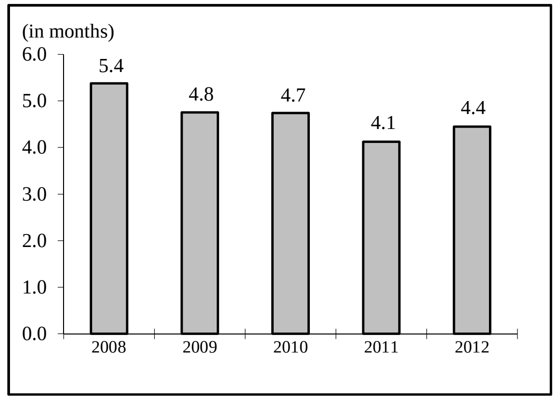
The University of Texas at Arlington
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

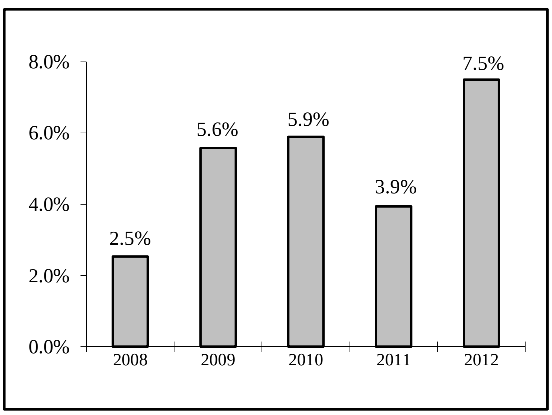
Composite Financial Index



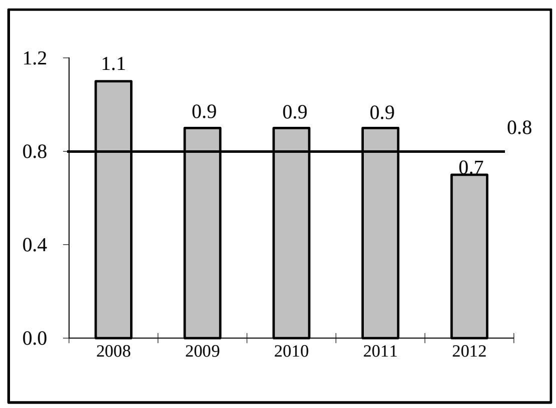
Operating Expense Coverage Ratio



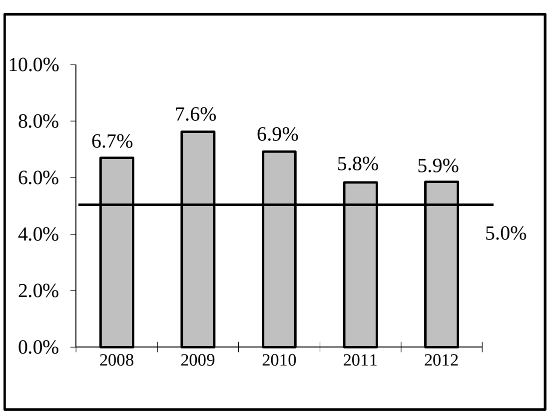
Annual Operating Margin Ratio



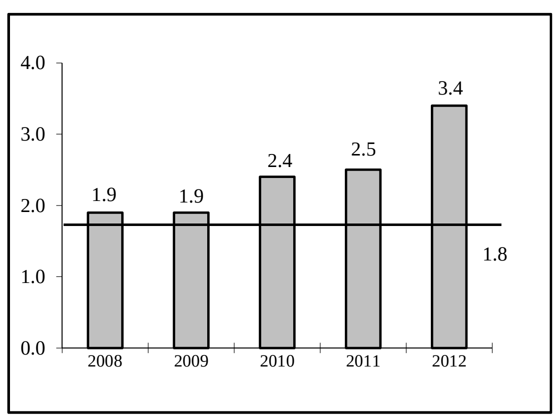
Expendable Resources to Debt Ratio



Debt Burden Ratio

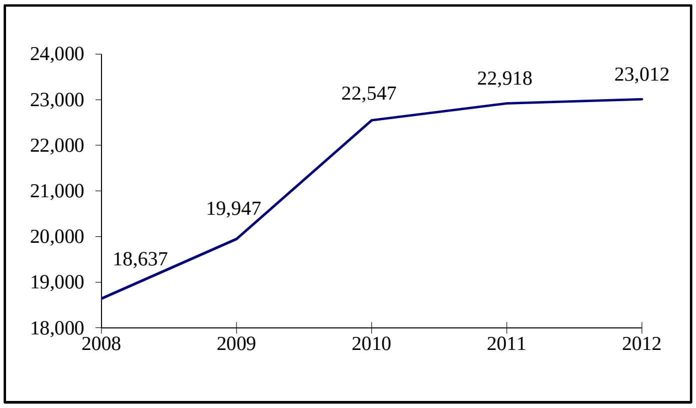


Debt Service Coverage Ratio



The University of Texas at Arlington
2012 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Arlington's CFI decreased from 3.5 in 2011 to 3.1 in 2012 primarily due to decreases in the return on net assets ratio and the primary reserve ratio. The reduction in the return on net assets ratio was largely driven by a decrease in restricted expendable net assets in unexpended plant funds related to the completion of two major projects and an increase in the amount of debt outstanding as discussed in the expendable resources to debt ratio. The decrease in the primary reserve ratio was not only a result of the decrease in restricted expendable net assets but also due to the increase in total operating expenses, as discussed in more detail below.

Operating Expense Coverage Ratio - U. T. Arlington's operating expense coverage ratio increased from 4.1 months in 2011 to 4.4 months in 2012 as a result of an increase in total unrestricted net assets of $18.7 million. The increase in total unrestricted net asses was primarily attributable to increases in the following operating revenues: an increase in net tuition and fees of $19.1 million resulting from increased enrollment; and a $5.1 million increase in net sales and services of educational activities due to an increase in the Executive MBA Programs in both China and at the Fort Worth campus, as well as the Texas Commission on Environmental Quality-Petroleum Storage Tank contract, the Occupational Safety and Health Administration educational center and Global Academic initiatives.

Annual Operating Margin Ratio - U. T. Arlington's annual operating margin ratio increased from 3.9% for 2011 to 7.5% for 2012 due to the growth in total operating revenues of $37.0 million outpacing the growth in total operating expenses (including interest expense) of $17.4 million. In addition to the increases in net tuition and fees of $19.1 million and net sales and services of educational activities of $5.1 million discussed above, the increase in total operating revenues was also attributable to the following: a $9.3 million increase in state appropriations; and an increase of $2.8 million in auxiliary enterprises revenue as a result of income from The Heights of Pecan apartments, which were purchased in 2012, and College Park Center, which was completed in 2012. The increase in total operating expenses was primarily due to the following: a $6.1 million increase in other contracted services resulting from expenses associated with the Academic Partnership Programs; an increase in depreciation and amortization expense of $5.8 million primarily due to the completion of the College Park Center; and a $5.6 million increase in materials and supplies as a result of purchases of computer equipment and software.

Expendable Resources to Debt Ratio - U. T. Arlington's expendable resources to debt ratio decreased from 0.9 in 2011 to 0.7 in 2012 as a result of a decrease in total restricted expendable net assets of $43.5 million, as well as an increase of $24.5 million in the amount of debt outstanding. Restricted expendable net assets decreased primarily due to a reduction in the amount of funds restricted in unexpended plant funds attributable to the completion of the College Park Center and the College Park District. The increase in the amount of debt outstanding was related to the College Park Center and the Heights on Pecan Apartments (formerly Johnson Creek) acquisition.

Debt Burden Ratio - U. T. Arlington's debt burden ratio increased slightly from 5.8% in 2011 to 5.9% in 2012. The small change in this ratio was due to an increase in mandatory debt service payments of $1.3 million.

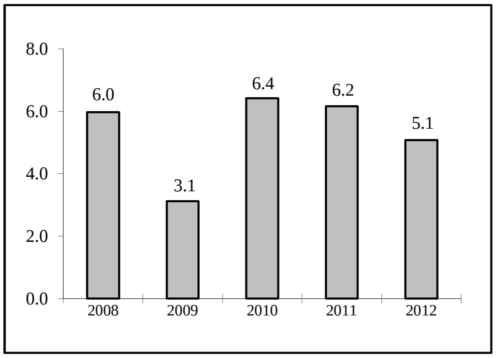
Debt Service Coverage Ratio - U. T. Arlington's debt service coverage ratio increased from 2.5 in 2011 to 3.4 in 2012. The increase in this ratio was attributable to the improvement in operating performance as discussed in the annual operating margin ratio.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Arlington's FTE student enrollment remained constant.

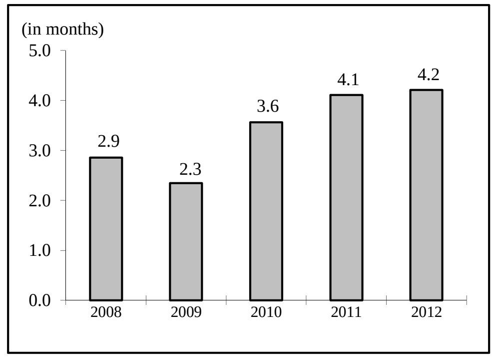
The University of Texas at Austin
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

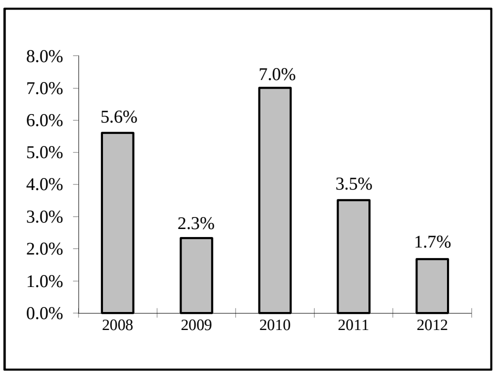
Composite Financial Index



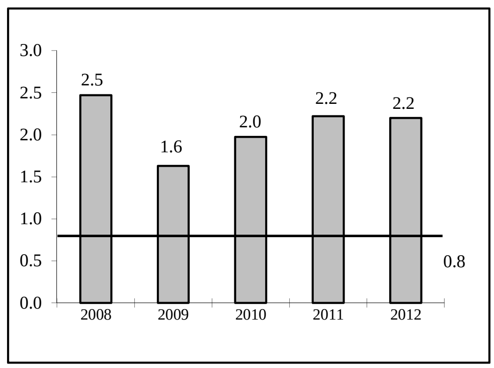
Operating Expense Coverage Ratio



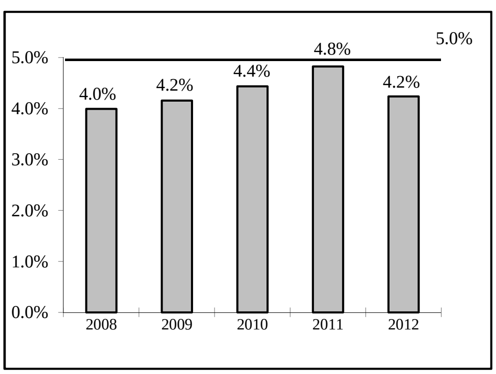
Annual Operating Margin Ratio



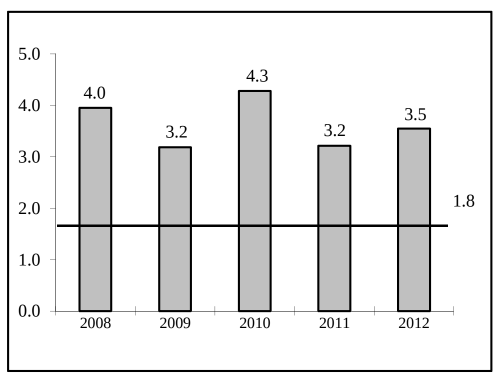
Expendable Resources to Debt Ratio



Debt Burden Ratio

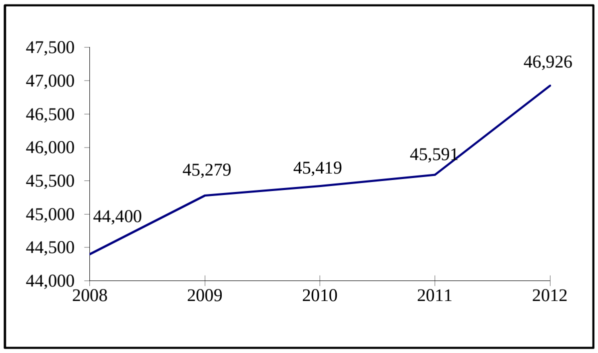


Debt Service Coverage Ratio



The University of Texas at Austin
2012 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Austin's CFI decreased from 6.2 in 2011 to 5.1 in 2012 as a result of decreases in the return on net assets ratio, the annual operating margin ratio, and the primary reserve ratio. The reduction in the return on net assets ratio was largely driven by the decline in operating performance, as discussed below, and the relatively large amount of debt outstanding of $1.2 billion as of August 31, 2012. The reduction in the annual operating margin ratio is explained in the annual operating margin ratio section that follows. The decrease in the primary reserve ratio was attributable to both a decrease in total restricted expendable net assets and an increase in total operating expenses, both of which are discussed in more detail below.

Operating Expense Coverage Ratio - U. T. Austin's operating expense coverage ratio increased from 4.1 months in 2011 to 4.2 months in 2012 due to a $37.9 million increase in total unrestricted net assets, which was partially offset by an increase in total operating expenses (including interest expense) of $55.5 million. The increase in total unrestricted net assets was primarily attributable to operating activity in designated funds as a result of an increase in tuition rates and enrollment and investment income allocated to designated funds. There was also 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: a $41.2 million increase in depreciation and amortization expense primarily resulting from the amortization of three gifts of software licenses worth approximately $40.0 million each with a three year license period, as well as buildings and facilities placed into service in 2012 and the recognition of a full year of depreciation for projects placed into service during 2011; and a $3.1 million increase in interest expense. The large increase in the amortization of the gifts of software licenses is significant and has a direct effect on the operating margin below because gifts of capital assets are not included in the calculation of operating margin.

Annual Operating Margin Ratio - U. T. Austin's annual operating margin ratio decreased from 3.5% for 2011 to 1.7% for 2012 as a result of the growth in total operating expenses, of which approximately $49.1 million of the $59.4 million current year amortization expense was due to the amortization of donated software licenses primarily gifted to the Jackson School of Geological Sciences. As stated above, the amortization of the gifted software licenses resulted in a $41.2 million increase in total depreciation and amortization expense over the prior year. As required by GASB 34, the donated software licenses were recorded at fair market value, which was determined by the donor to be approximately $120.0 million. The licenses are amortized over a 3 year useful life. If the donations had not been made, the annual operating margin ratio would have been 3.8% for 2012. The increase in total operating revenues was primarily due to the following: an $18.6 million increase in net auxiliary enterprises revenue attributable to an increase in guarantees received by intercollegiate athletics due to an additional $7.0 million from the Big XII Conference and an $8.0 million increase from ESPN, as well as a $3.0 million increase in receipts for housing and food due to an increase in rates over prior year; an $11.9 million increase in net tuition and fees generated by a 3.95% increase in flat rate tuition for all undergraduate and graduate programs; a $10.0 million increase in gifts for operations from various donors; and an $8.4 million increase in investment income (excluding realized gains/losses and including the GEF transfer). These increases in revenues were partially offset by decreases in the following: a $19.9 million decrease in sponsored program revenues (including nonexchange sponsored programs) due to reaching the midpoint and decrease in expenses on a 10 year omnibus contract with the federal government, the absence of American Recovery and Reinvestment Act (ARRA) funding in 2012, and the elimination of the year-round funding for Pell; and a $13.3 million decrease in state appropriations.

Expendable Resources to Debt Ratio - U. T. Austin's expendable resources to debt ratio remained unchanged at 2.2 in 2012. The stability of this ratio was attributable to a decrease in total restricted expendable net assets of $81.7 million, which was partially offset by the $37.9 million increase in total unrestricted net assets discussed above, and a relatively small increase of $4.7 million in the amount of debt outstanding. The decrease in total restricted expendable net assets was caused by a decrease in the appreciation on the permanent endowment funds and a decrease in funds restricted for capital projects driven by the completion of several capital projects, including the Belo Center for New Media, Dell Computer Science Hall, Norman Hackerman Building, Student Activity Center, and Liberal Arts Building Phase II. The increase in the amount of debt outstanding was related to the Dell Computer Science Hall, Liberal Arts Building Phase II, and the Texas Union Building renovation.

Debt Burden Ratio - U. T. Austin's debt burden ratio decreased from 4.8% in 2011 to 4.2 % in 2012 due to a $9.4 million decrease in mandatory debt service payments (discussed below) and the increase in total operating expenses previously discussed.

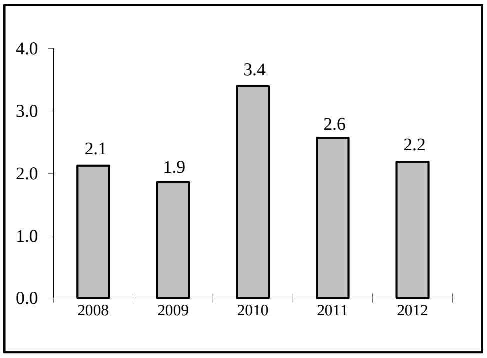
Debt Service Coverage Ratio - U. T. Austin's debt service coverage ratio increased from 3.2 in 2011 to 3.5 in 2012 as a result of the decrease in mandatory debt service payments. The decrease in mandatory debt service payments was due to a one-time pay down of commercial paper for the Dell Pediatric Research Institute in 2011.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Austin's FTE student enrollment increased by 2.9%. This was due to an effort to improve the admissions yield rate as part of the Enrollment Management and Graduation Rate initiatives.

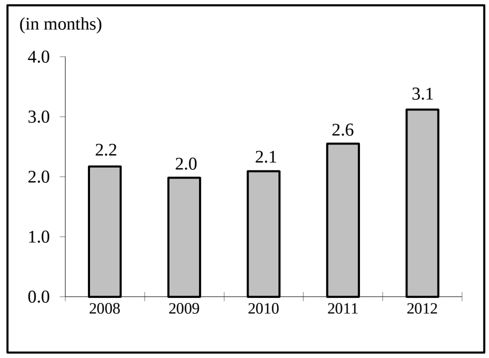
The University of Texas at Brownsville
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

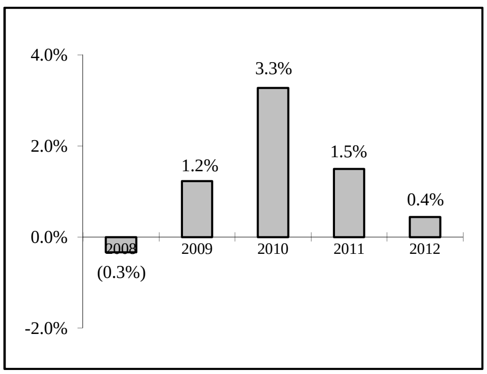
Composite Financial Index



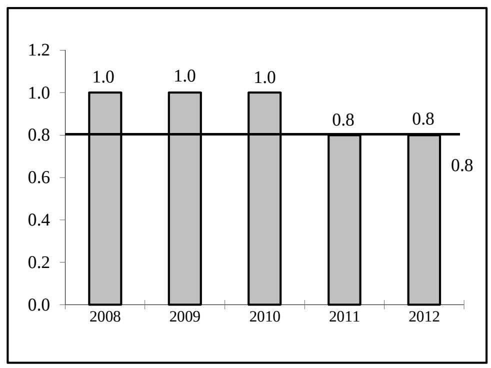
Operating Expense Coverage Ratio



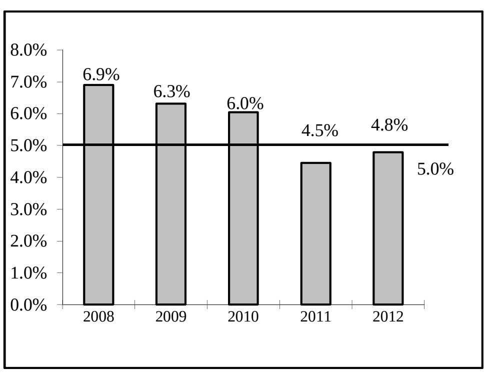
Annual Operating Margin Ratio



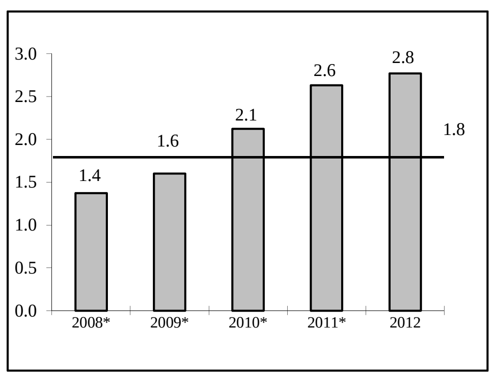
Expendable Resources to Debt Ratio



Debt Burden Ratio



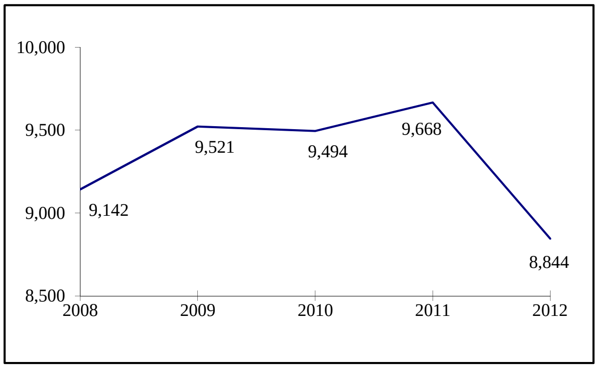
Debt Service Coverage Ratio



*Restated from prior year report to include entire HEAF appropriation.

The University of Texas at Brownsville
2012 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Brownsville's CFI decreased from 2.6 in 2011 to 2.2 in 2012 primarily due to a decrease in the return on net assets ratio, which was largely driven by fewer bond proceeds transferred to U. T. Brownsville as there are no major capital projects currently under construction. The reduction in operating performance, as discussed in the annual operating margin ratio below, was caused in part by one-time expenses related to the partnership transition and the PeopleSoft implementation. Exclusion of these one-time expenses would have resulted in a CFI of 2.5 versus 2.2 for 2012.

Operating Expense Coverage Ratio - U. T. Brownsville's operating expense coverage ratio increased from 2.6 months in 2011 to 3.1 months in 2012 due to an increase in total unrestricted net assets of $5.6 million and a decrease in total operating expenses (including interest expense) of $11.5 million. The increase in total unrestricted net assets was attributable to a reduction in the accounts payable to Texas Southmost College (TSC) due to the partnership transition. Cost containment initiatives including a reduction in staff, an increase in class size, and reductions in departmental operating and travel budgets contributed to the decrease in total operating expenses. Total operating expenses included one-time expenses related to the partnership transition and the PeopleSoft implementation which reduced the operating expense coverage ratio to 3.1 versus 3.3 for 2012.

Annual Operating Margin Ratio - U. T. Brownsville's annual operating margin ratio decreased from 1.5% for 2011 to 0.4% for 2012. Although total operating expenses decreased by $11.5 million, U. T. Brownsville experienced a greater decrease in total operating revenues of $13.5 million. The decrease in total operating revenues was primarily attributable to a $14.9 million decrease in sponsored program revenue (including nonexchange sponsored programs) resulting from the following: a reduction in the TSC contract due to a decrease in enrollment and a reduction in funding for the TSC TEXAS Grant Program, a reduction in the Texas Higher Education Coordinating Board appropriation and the termination of several TSC contracts; a decrease in the Pell Grants due to the elimination of the year-round funding for Pell and a 30% decrease in summer enrollment; the reduction in funding for several state funded scholarship programs, such as the TEXAS Grant Program, Early High School Program, and Educational Aide Program; and the conclusion of funding of federal grants such as the National Science and Mathematics Access to Retail Talent and Academic Competitiveness. Total operating expenses decreased primarily due to the following: a $7.7 million decrease in scholarships and fellowships attributable to the elimination of the year-round funding for Pell and a reduction in state funding for the TEXAS Grant Program and other scholarship grants; a $5.5 million decrease in salaries and wages and payroll related costs due to the implementation of a reduction in force in 2011 related to the end of the partnership between U. T. Brownsville and TSC; and a decrease in materials and supplies of $1.5 million due to fewer purchases of furniture and equipment and computer software as a result of cost containment efforts. Although total operating expenses decreased by $11.5 million, the net amount included $1.0 million in one-time partnership transition related expenses and approximately $0.5 million in one-time PeopleSoft implementation expenses. U. T. Brownsville's annual operating margin ratio would have been 1.3% versus 0.4% if these one-time expenses were excluded.

Expendable Resources to Debt Ratio - U. T. Brownsville's expendable resources to debt ratio remained unchanged at 0.8 in 2012. The stability of this ratio was primarily attributable to the increase in total unrestricted net assets of $5.6 million, as discussed above, which was offset by a decrease in total restricted expendable net assets of $2.6 million and an increase of $1.5 million in the amount of debt outstanding. Total restricted expendable net assets decreased due to a reduction in funds restricted for capital projects resulting from the completion of the Biomedical Research and Health Professions Building in 2011 with no new major projects under construction in 2012. The increase in the amount of debt outstanding was related to the acquisition of Casa Bella Student Housing.

Debt Burden Ratio - U. T. Brownsville's debt burden ratio increased from 4.5% in 2011 to 4.8% in 2012 primarily due to the reduction in total operating expenses as previously discussed.

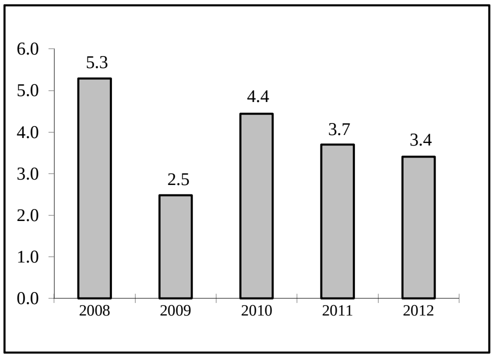
Debt Service Coverage Ratio - U. T. Brownsville's debt service coverage ratio increased from 2.6 in 2011 to 2.8 in 2012. The increase in this ratio was attributable to an increase in depreciation and amortization expense of $1.7 million, which is excluded from operating expenses in the calculation of this ratio. Depreciation and amortization expense increased as a result of a full year of depreciation expense recognized on Casa Bella and the Biomedical Research and Health Professions Building.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Brownsville's FTE student enrollment decreased from 9,668 to 8,844 for the 2012 Fall Semester. This decrease was mainly attributable to a change in the student academic performance policy related to the Federal Pell Program.

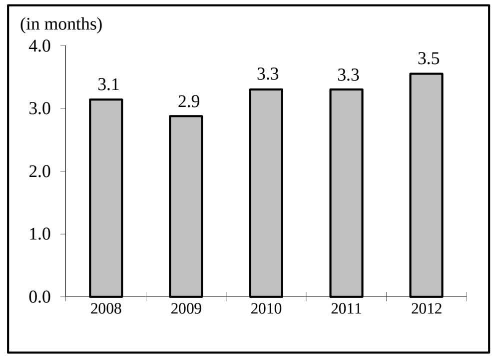
The University of Texas at Dallas
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

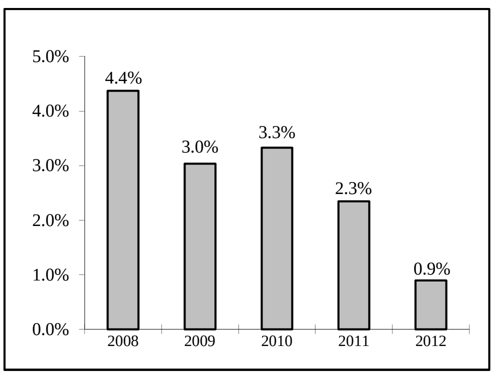
Composite Financial Index



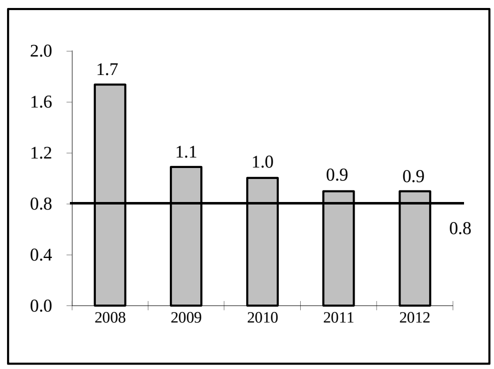
Operating Expense Coverage Ratio



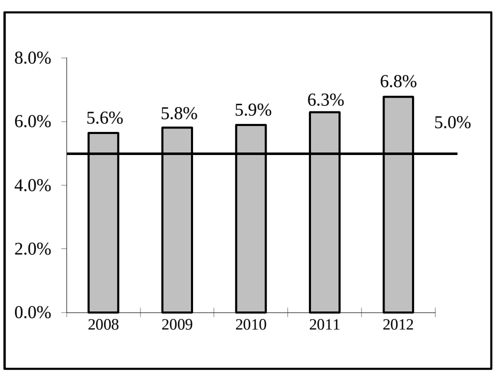
Annual Operating Margin Ratio



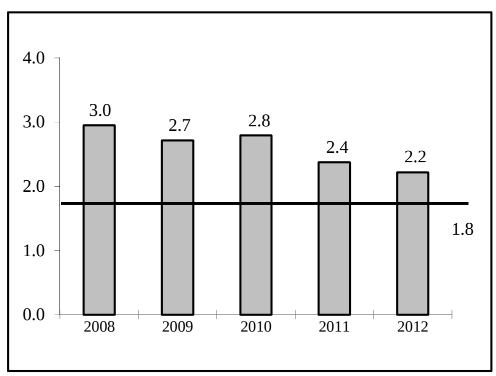
Expendable Resources to Debt Ratio



Debt Burden Ratio

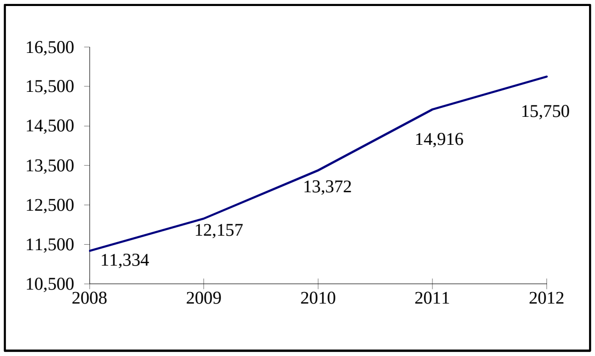


Debt Service Coverage Ratio



The University of Texas at Dallas
2012 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Dallas' CFI decreased from 3.7 in 2011 to 3.4 in 2012 due to decreases in both the return on net assets ratio and the annual operating margin ratio. The decrease in the return on net assets ratio was primarily driven by the increase in the amount of debt outstanding and the decline in operating performance, both of which are discussed below. The decrease in the annual operating margin ratio was attributable to the growth in operating expenses exceeding the growth in operating revenues discussed in more detail below.

Operating Expense Coverage Ratio - U. T. Dallas' operating expense coverage ratio increased from 3.3 months in 2011 to 3.5 months in 2012 due to an increase in total unrestricted net assets of $14.0 million. The increase in total unrestricted net assets was primarily attributable to increases in designated and auxiliary enterprises balances resulting from increases in tuition and fee revenue due to increased enrollment and revenues generated from the new residence hall.

Annual Operating Margin Ratio - U. T. Dallas' annual operating margin ratio decreased from 2.3% for 2011 to 0.9% for 2012 as a result of the growth in total operating expenses (including interest expense) of $16.1 million exceeding the growth in total operating revenues of $10.5 million. The increase in total operating expenses was primarily due to the following: a $15.5 million increase in salaries and wages and payroll related costs as a result of overall growth and a 2.2% merit program for faculty and staff, including equity and market adjustments; a $5.7 million increase in depreciation and amortization expense attributable to the Student Housing Living/Learning Center III and the Arts and Technology Facility that were placed into service in 2012; a $2.2 million increase in repairs and maintenance for building and equipment/furniture repair; a $1.7 million increase in rentals and leases due to an increase in service building rental, including the Center for Vital Longevity space; and a $1.4 million increase in travel for academic and research personnel. These increases in expenses were partially offset by reductions in scholarships and fellowships due to the decrease of year round Pell and other scholarship reductions and a $1.6 million decrease in utilities as a result of reduced electric energy costs. The increase in total operating revenues was primarily due to the following: a $19.5 million increase in net tuition and fees resulting from growth in student enrollment of 9.7% and tuition increases of 3.95% for undergraduate and 9.0% for graduate students; a $10.4 million increase in state appropriations; and a $3.7 million increase in auxiliary enterprises revenue attributable to the new residence hall and an increase in revenue generated from other residence halls. These increases in revenues were partially offset by the following decreases in revenues: a $9.4 million decrease in sponsored program revenues (including nonexchange sponsored programs) primarily due to the absence of American Recovery and Reinvestment Act (ARRA) funding and a decrease in Texas Research Incentive Funding (TRIP) matching funds; a $7.9 million decrease in gifts for operations; and a $4.4 million decrease in net sales and services of educational activities primarily due to a decrease in Callier Center patient fees.

Expendable Resources to Debt Ratio - U. T. Dallas' expendable resources to debt ratio remained unchanged at 0.9 in 2012. The stability of this ratio was attributable to increases in both total restricted expendable net assets of $5.1 million and total unrestricted net assets of $14.0 million, as discussed above, which were offset by an increase of $43.3 million in the amount of debt outstanding. Total restricted expendable net assets increased primarily due to an increase in unexpended plant funds restricted for capital projects. The increase in the amount of debt outstanding was related to the Student Housing Living/Learning Center III and the Arts and Technology Facility.

Debt Burden Ratio - U. T. Dallas' debt burden ratio increased from 6.3% in 2011 to 6.8% in 2012 as a result of a $3.2 million increase in mandatory debt service payments.

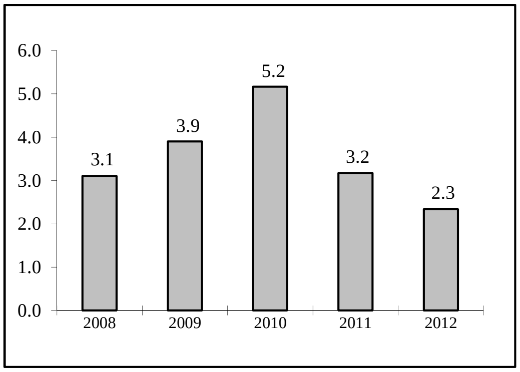
Debt Service Coverage Ratio - U. T. Dallas' debt service coverage ratio decreased from 2.4 in 2011 to 2.2 in 2012. The decrease in this ratio was due to both the decline in operating performance and the increase in mandatory debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Dallas' overall student enrollment increased from 2011 to 2012 by 4.6% and FTE student enrollment increased by 5.6%. 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 2012 the number of undergraduates taking 15 or more semester credit hours (SCH) rose 2.3% and undergraduate FTEs rose 5.7% over the fall of 2011. Overall, masters student enrollment increased 8.4% and the masters FTE (students taking 12 or more SCH) increased 6.4% from 2011 to 2012.

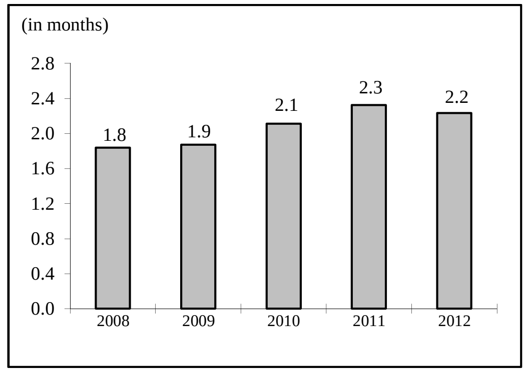
The University of Texas at El Paso
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

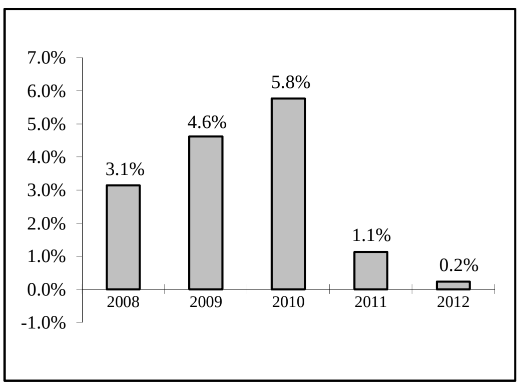
Composite Financial Index



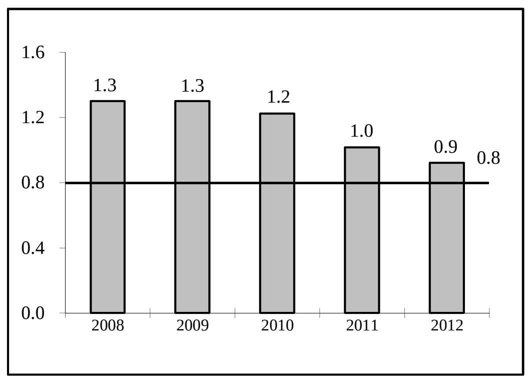
Operating Expense Coverage Ratio



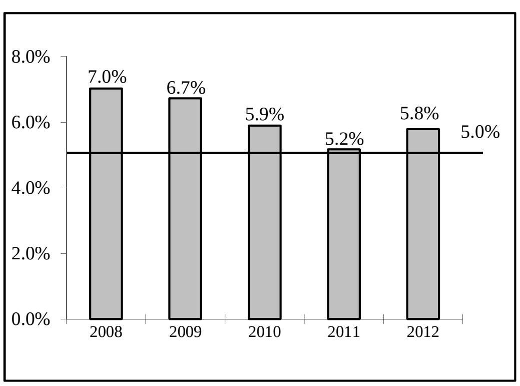
Annual Operating Margin Ratio



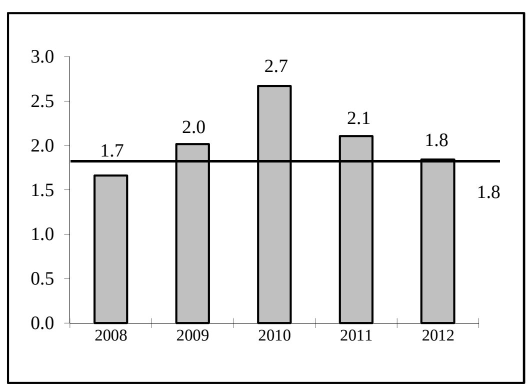
Expendable Resources to Debt Ratio



Debt Burden Ratio

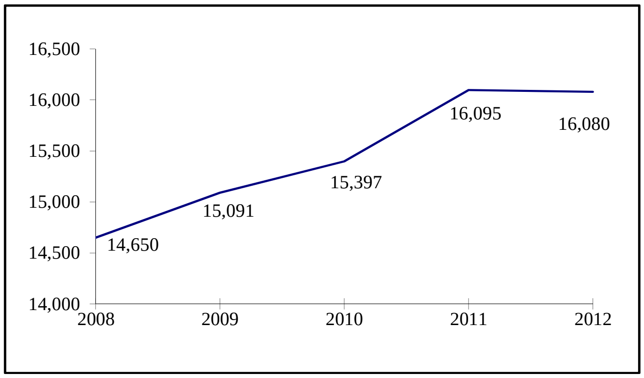


Debt Service Coverage Ratio



The University of Texas at El Paso
2012 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. El Paso's CFI decreased from 3.2 in 2011 to 2.3 in 2012 primarily due to decreases in the return on net assets ratio and the primary reserve ratio. The major contributors to the reduction in both of these ratios were the decrease in funds restricted for capital projects and the decline in operating performance as discussed below.

Operating Expense Coverage Ratio - U. T. El Paso's operating expense coverage ratio decreased slightly from 2.3 months in 2011 to 2.2 months in 2012 due to an increase in total operating expenses (including interest expense) of $4.6 million and a small decrease in total unrestricted net assets of $1.9 million. The increase in total operating expenses was primarily attributable to the following: an increase in depreciation and amortization expense of $4.2 million due to a full year of depreciation expense recognized on the College of Health Sciences/School of Nursing building, as well as the addition of the Chemistry and Computer Science building, the Swimming and Fitness Center, and the Schuster Parking Garage, which were placed into service in 2012; an increase in interest expense of $2.0 million; a $1.9 million increase in utilities due to the new buildings that were placed into service; a $1.6 million increase in other contracted services due to medical and consulting services related to research programs; a $0.8 million increase in federal sponsored program pass-throughs to other state agencies; an increase of $0.6 million in professional fees and services due to increases of $0.3 million for educational and training expenses and $0.2 million for other professional services related to research programs for the payment of consulting services, external evaluators, speakers, and executive search services among others; and a $0.5 million increase in travel associated with increased team travel and research. These increases in expenses were partially offset by a decrease in scholarships and fellowships expense of $7.3 million resulting from decreases in financial aid under TEXAS Grants, Pell Grants, and the College Access Challenge Grant Program. The decrease in total unrestricted net assets was due to the completion of various capital projects that resulted in a shift of project costs from unrestricted net assets to investment in plant on the balance sheet.

Annual Operating Margin Ratio - U. T. El Paso's annual operating margin ratio decreased from 1.1% for 2011 to 0.2% for 2012 as a result of the increase in total operating expenses of $4.6 million exceeding the growth in total operating revenues of $1.3 million. The increase in total operating revenues was primarily due to the following: an increase in net tuition and fees of $7.2 million attributable to enrollment growth of 1.5% and an increase in tuition and fee rates; a $3.4 million increase in investment income (excluding realized losses and including the GEF transfer); an increase in state appropriations of $1.9 million; and an increase in gifts for operations of $0.6 million. These increases in revenue were largely offset by a $9.2 million decrease in sponsored program revenue (including nonexchange sponsored programs) as a result of decreased funding under TEXAS Grants, Emergency Tech, College Readiness Initiative, and the Nursing Shortage Reduction Program. The increase in total operating expenses is discussed in the operating expense coverage ratio above.

Expendable Resources to Debt Ratio - U. T. El Paso's expendable resources to debt ratio decreased slightly from 1.0 in 2011 to 0.9 in 2012. The decrease in this ratio was a result of decreases in both total restricted expendable net assets and total unrestricted net assets, as previously discussed. Total restricted expendable net assets decreased $24.2 million as a result of completed projects being moved into investment in plant.

Debt Burden Ratio - U. T. El Paso's debt burden ratio increased from 5.2% in 2011 to 5.8% in 2012 primarily due to a $2.7 million increase in mandatory debt service payments.

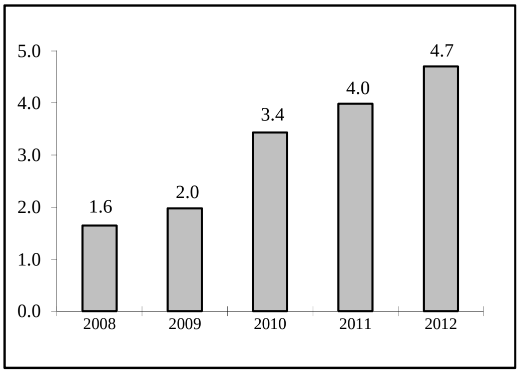
Debt Service Coverage Ratio - U. T. El Paso's debt service coverage ratio decreased from 2.1 in 2011 to 1.8 in 2012. The decrease in this ratio was attributable to the decline in operating performance, as discussed in the annual operating margin ratio, as well as the increase in mandatory debt service payments.

Full-Time Equivalent (FTE) Student Enrollment - U. T. El Paso's FTE student enrollment remained stable in the fall of 2012.

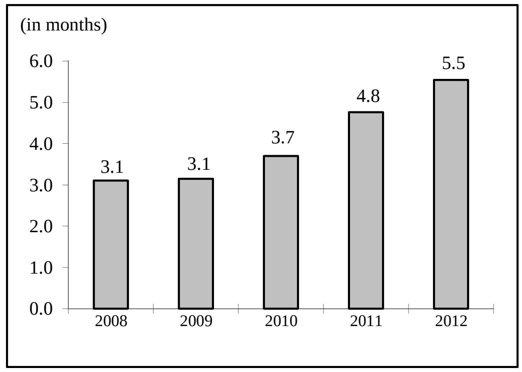
The University of Texas-Pan American
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

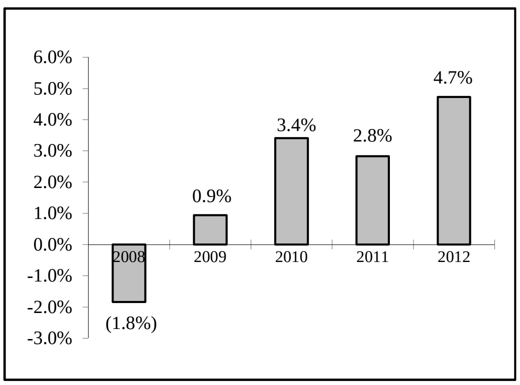
Composite Financial Index



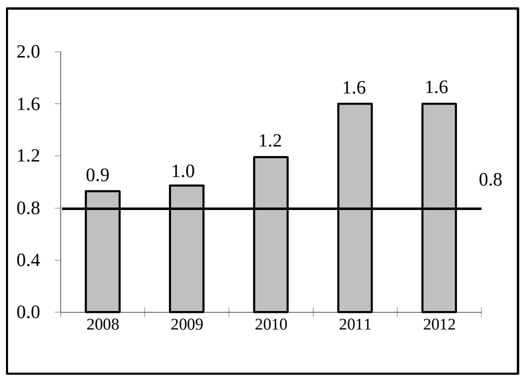
Operating Expense Coverage Ratio



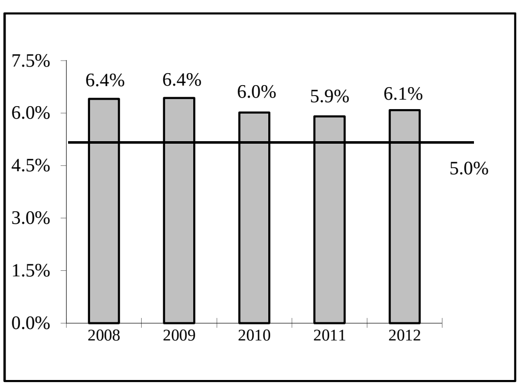
Annual Operating Margin Ratio



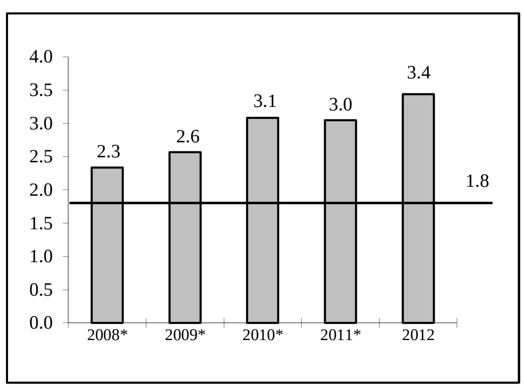
Expendable Resources to Debt Ratio



Debt Burden Ratio



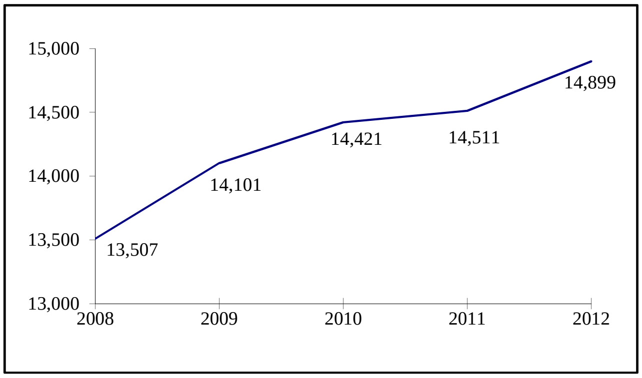
Debt Service Coverage Ratio



*Restated from prior year report to include entire HEAF appropriation.

The University of Texas-Pan American
2012 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Pan American's CFI increased from 4.0 in 2011 to 4.7 in 2012 primarily due to increases in the primary reserve ratio and annual operating margin ratio, discussed below. The increase in the primary reserve ratio was driven by not only increases in total restricted expendable net assets and total unrestricted net assets, but also by a decrease in total operating expenses, all of which are discussed in more detail below.

Operating Expense Coverage Ratio - U. T. Pan American's operating expense coverage ratio increased from 4.8 months in 2011 to 5.5 months in 2012 due to a decrease in total operating expenses (including interest expense) of $18.1 million and an increase in total unrestricted net assets of $8.5 million. The decrease in total operating expenses was primarily attributable to the following: a $9.5 million decrease in scholarships and fellowships due to decreased awards for the GearUp Program, Academic Competitive Grant, Smart Grant, TEXAS Grant Program, and the Pell Grant Program as the year-round Pell program was eliminated; a $5.0 million decrease in salaries and wages and payroll related costs as a result of the reduction in force and voluntary separation incentive program that occurred in 2011; a $3.3 million decrease in other contracted services due to a decrease in expenses associated with the GearUp Program and the American Recovery and Reinvestment Act (ARRA) federal program; and a $1.1 million decrease in utilities attributable to a reduction in electric rates as a result of a new contract and energy supplier in 2012. The increase in unrestricted net assets was driven by the reduction in operating expenses and an increase in unrestricted funds for capital projects in unexpended plant funds.

Annual Operating Margin Ratio - U. T. Pan American's annual operating margin ratio increased from 2.8% for 2011 to 4.7% for 2012 due to a greater decrease in total operating expenses of $18.1 million as compared to the decrease in operating revenues of $13.7 million. Total operating revenues decreased primarily due to the following: a $21.7 million decrease in sponsored program revenues (including nonexchange sponsored programs) attributable to decreased awards for the GearUp Program, Academic Competitive Grant, Smart Grant, TEXAS Grant Program and the Pell Grant Program, as well as the absence of ARRA funding in 2012. The decrease in total operating expenses is discussed above in the operating expense coverage ratio.

Expendable Resources to Debt Ratio - U. T. Pan American's expendable resources to debt ratio remained unchanged at 1.6 in 2012. The stability of this ratio was attributable to an increase in both total restricted expendable net assets of $33.7 million and an $8.5 million increase in total unrestricted net assets, as previously discussed, offset by an increase of $23.1 million in the amount of debt outstanding. Total restricted expendable net assets increased primarily due to funding received for the Fine Arts Building Renovation project. The increase in the amount of debt outstanding was related to the Fine Arts Academic and Performance Complex.

Debt Burden Ratio - U. T. Pan American's debt burden ratio increased from 5.9% in 2011 to 6.1% in 2012 due to the decrease in total operating expenses as previously discussed.

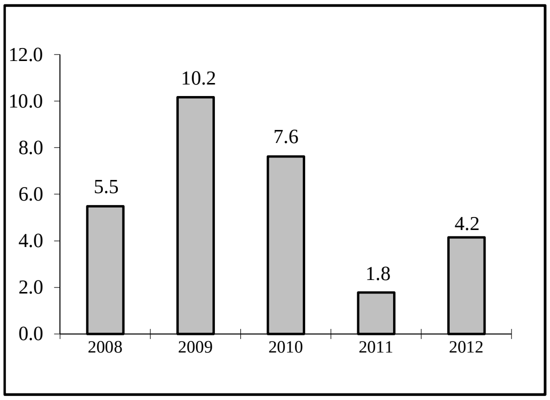
Debt Service Coverage Ratio - U. T. Pan American's debt service coverage ratio increased from 3.0 in 2011 to 3.4 in 2012. The increase in this ratio was attributable to the improvement in the operating performance as discussed in the annual operating margin ratio.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Pan American's headcount enrollment went up from 19,034 in the fall of 2011 to 19,302 in the fall of 2012, a 1.4% increase. The FTE student enrollment increased by 2.7%. A quality advisement program is helping student retention and timely graduation. Also, U. T. Pan American has instituted a required minimum ACT score that is attracting higher caliber students to the university.

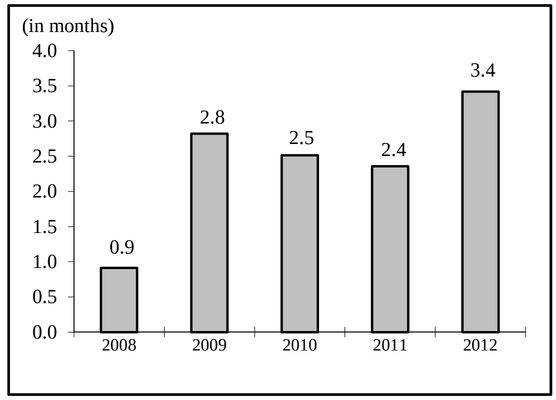
The University of Texas of the Permian Basin
2012 Summary of Financial Condition

Financial Condition: **Watch**

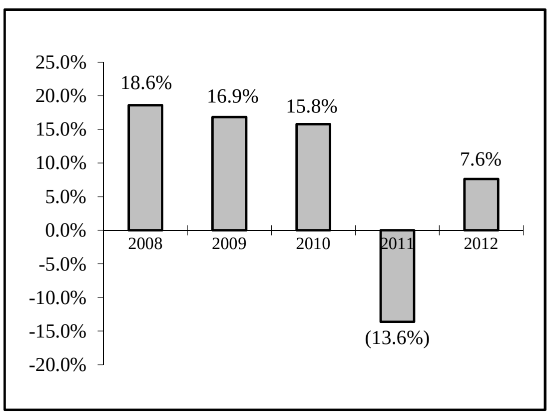
Composite Financial Index



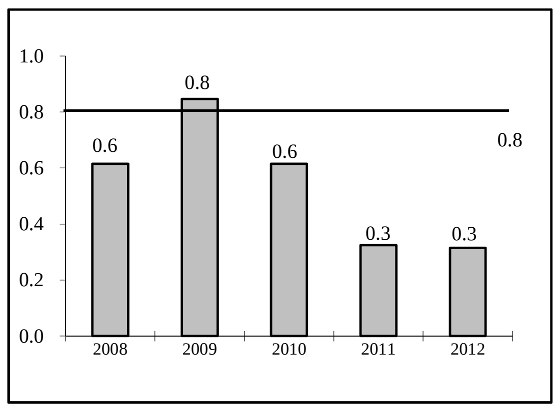
Operating Expense Coverage Ratio



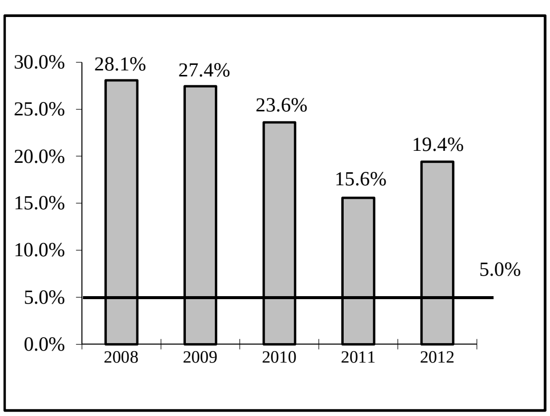
Annual Operating Margin Ratio



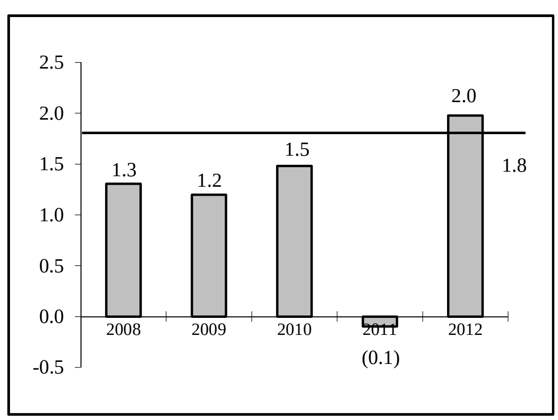
Expendable Resources to Debt Ratio



Debt Burden Ratio

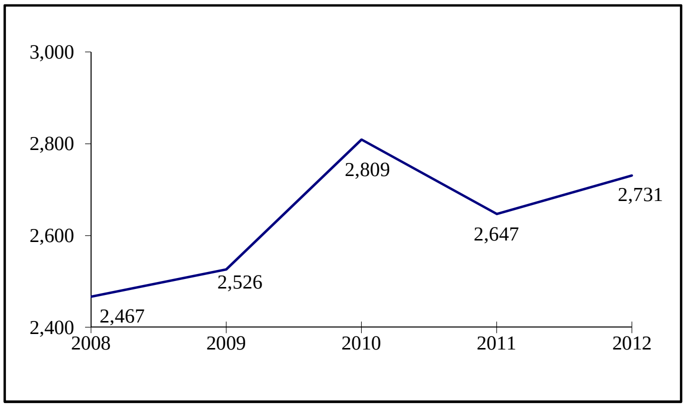


Debt Service Coverage Ratio



The University of Texas of the Permian Basin
2012 Summary of Financial Condition

Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Permian Basin's CFI increased from 1.8 in 2011 to 4.2 in 2012. The dramatic increase in this ratio was attributable to the correction of expenses identified since the completion of the 2011 Annual Financial Report which increased three of the core ratios that comprise the CFI.

Operating Expense Coverage Ratio - U. T. Permian Basin's operating expense coverage ratio increased from 2.4 months in 2011 to 3.4 months in 2012 due to a $13.7 million decrease in total operating expenses (including interest expense). The decrease in total operating expenses was primarily attributable to the correction in 2012 of expenses that were overstated in 2011, as identified by specialists hired by U. T. System Administration after the 2011 Annual Financial Report was completed. Additionally, salaries and wages and payroll related costs decreased in 2012 due to frozen positions and positions that cannot be filled due to the booming economy in West Texas.

A*nnual Operating Margin Ratio* - U. T. Permian Basin's annual operating margin ratio improved significantly from (13.6%) for 2011 to 7.6% for 2012 as a result of the sizeable decrease in total operating expenses mentioned above and a decrease in total operating revenues of $2.0 million. Total operating revenues decreased primarily due to the Hispanic Serving Institution grant ending in 2011. After the specialists hired by U. T. System Administration identified the errors which needed to be corrected, U. T. System Administration hired a Financial Officer to direct the day-to-day activities of the accounting staff at U. T. Permian Basin and instruct in the correction of the errors. With the leadership of the U. T. System Administration Financial Officer, we are confident that the accounting staff at U. T. Permian Basin has the proper training and is developing the appropriate experience to avoid these errors in the future.

Expendable Resources to Debt Ratio - U. T. Permian Basin's expendable resources to debt ratio remained unchanged at 0.3 in 2012. The stability of this ratio was attributable to the relatively small changes in total restricted expendable net assets and total unrestricted net assets, which together decreased $0.4 million, as compared to the increase in the amount of debt outstanding of $2.4 million. The increase in the debt outstanding was associated with the Falcon's Nest addition.

Debt Burden Ratio - U. T. Permian Basin's debt burden ratio increased from 15.6% in 2011 to 19.4% in 2012 as a result of the large decrease in total operating expenses due to the overstatement of expenses in 2011.

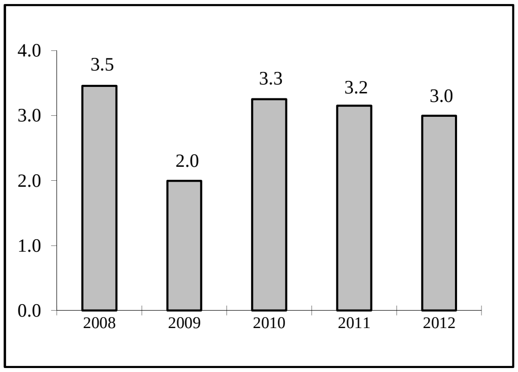
Debt Service Coverage Ratio - U. T. Permian Basin's debt service coverage ratio increased from (0.1) in 2011 to 2.0 in 2012. The change in this ratio was due to the improvement in operating performance resulting from the correction of overstated expenses in 2011.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Permian Basin's FTE student enrollment increased from 2,647 to 2,731 due to increased enrollment in dual credit programs and the Texas Science Scholars $10,000 degree program.

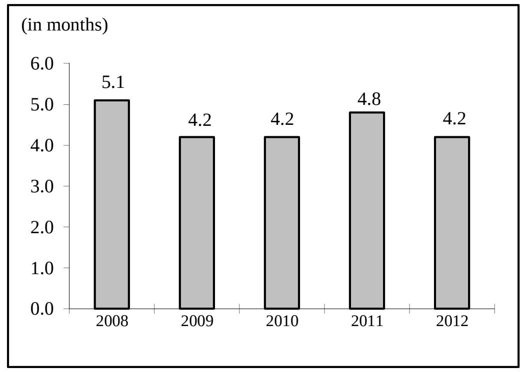
The University of Texas at San Antonio
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

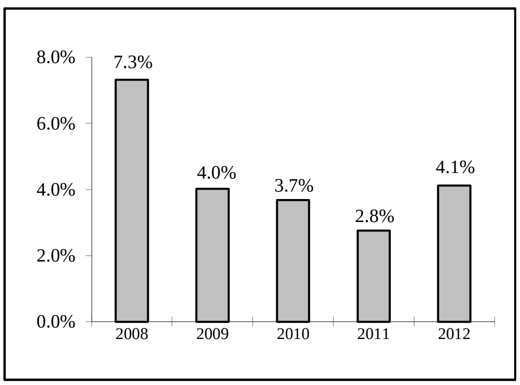
Composite Financial Index



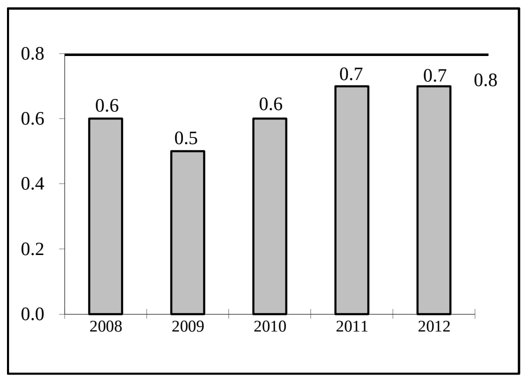
Operating Expense Coverage Ratio



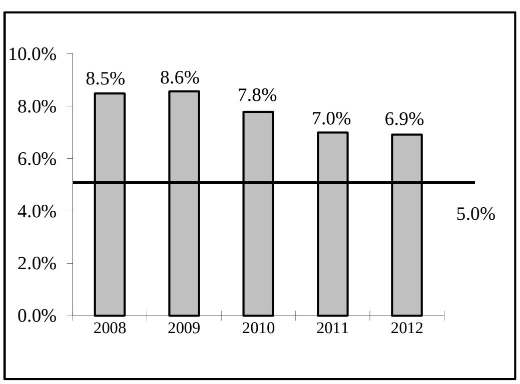
Annual Operating Margin Ratio



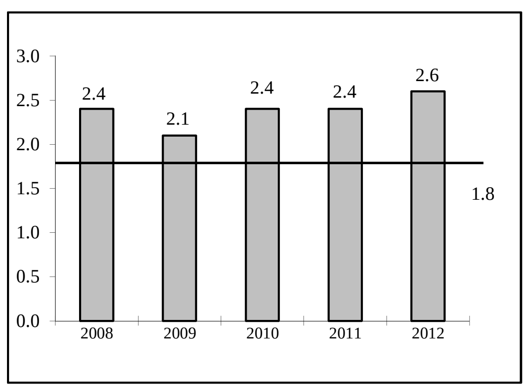
Expendable Resources to Debt Ratio



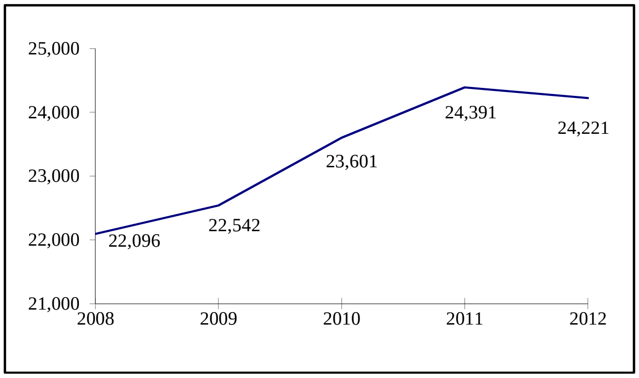
Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas at San Antonio
2012 Summary of Financial Condition
Full-time Equivalent
Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. San Antonio's CFI decreased from 3.2 in 2011 to 3.0 in 2012 due to a decrease in the return on net assets ratio. The primary driving force behind the decrease in the return on net assets ratio was an increase in the amount of debt outstanding of $21.6 million associated with the Student Housing Phase III and the East Parking Garage.

Operating Expense Coverage Ratio - U. T. San Antonio's operating expense coverage ratio decreased from 4.8 months in 2011 to 4.2 months in 2012 due to a $17.2 million decrease in total unrestricted net assets combined with a $10.1 million increase in total operating expenses (including interest expense). The decrease in total unrestricted net assets was primarily attributable to a larger transfer of unrestricted balances from designated funds to unexpended plant funds in 2012 to fund capital projects for North Paseo Building I project. The increase in total operating expenses was primarily due to the following: a $2.8 million increase in salaries and wages and payroll related costs as a result of a merit increase in base salaries of 2.25% for faculty, classified, and administrative and professional staff and an increase in medical insurance premiums; a $2.2 million increase in other operating expenses due to conferences fees (Conference USA) for the athletic program; a $1.7 million increase in depreciation and amortization expense due to a full year of depreciation expense on the Science Research Lab (Combined Science Building), which was placed into service in 2011; a $1.3 million increase in other contracted services related to an increase in food service; and a $1.2 million increase in travel resulting from increases in athletic team travel and recruitment, student travel, and travel associated with the PeopleSoft project.

Annual Operating Margin Ratio - U. T. San Antonio's annual operating margin ratio increased from 2.8% for 2011 to 4.1% for 2012 as a result of the growth in total operating revenues of $17.4 million exceeding the growth in total operating expenses of $10.1 million, as discussed above. The increase in total operating revenues was primarily due to the following: a $19.3 million increase in net tuition and fees as a result of increased semester credit hour revenue, tuition increases, and a reduction in discounts and allowances driven by reductions in the TEXAS Grant program and Pell Grant program; a $5.7 million increase in gift contributions for operations due to the receipt of three large gifts, as well as several large pledges, all of which were a result of U. T. San Antonio's capital campaign; a $3.8 million increase in auxiliary enterprises revenue attributable to an increase in athletic ticket sales generated from the new football program, an increase in meal plan revenue as a result of a 3% rate increase and additional patrons, and an increase in dormitory revenue resulting from a 4.5% increase in rates and increased occupancy; and a $3.1 million increase in investment income (excluding realized gains/losses and including the GEF transfer). These increases in revenue were partially offset by a decrease of $13.6 million in sponsored program revenues (including nonexchange sponsored programs) primarily due to the reduction in funding from the Texas Grant Program ($5.9 million), Pell Grant program ($1.4 million), and the lack of American Recovery and Reinvestment Act funding which ended in 2011; and a $2.1 million decrease in state appropriations.

Expendable Resources to Debt Ratio - U. T. San Antonio's expendable resources to debt ratio remained unchanged at 0.7 in 2012. The stability of this ratio was attributable to a $36.5 million increase in total restricted expendable net assets, which was partially offset by the $17.2 million decrease in total unrestricted net assets, discussed above, and the $21.6 million increase in the amount of debt outstanding, also discussed above. The increase in total restricted expendable net assets was primarily due to an increase in the amount of funds restricted for capital projects in unexpended plant funds related to the North Paseo Building I project.

Debt Burden Ratio - U. T. San Antonio's debt burden ratio decreased slightly from 7.0% in 2011 to 6.9% in 2012. The small decrease in this ratio was primarily due to the increase in total operating expenses previously discussed.

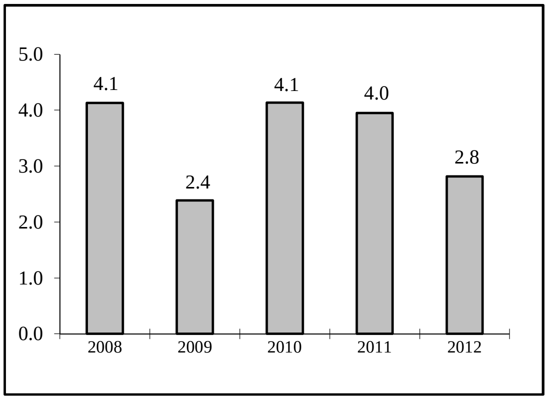
Debt Service Coverage Ratio - U. T. San Antonio's debt service coverage ratio increased from 2.4 in 2011 to 2.6 in 2012 as a result of the improvement in operating performance as discussed in the annual operating margin ratio.

Full-Time Equivalent (FTE) Student Enrollment - U. T. San Antonio's FTE student enrollment and student headcount remained relatively unchanged from the previous year.

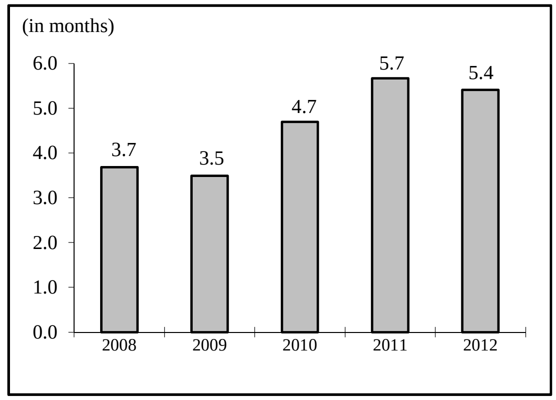
The University of Texas at Tyler
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

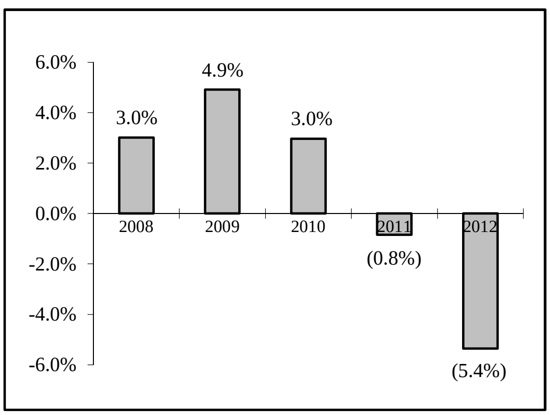
Composite Financial Index



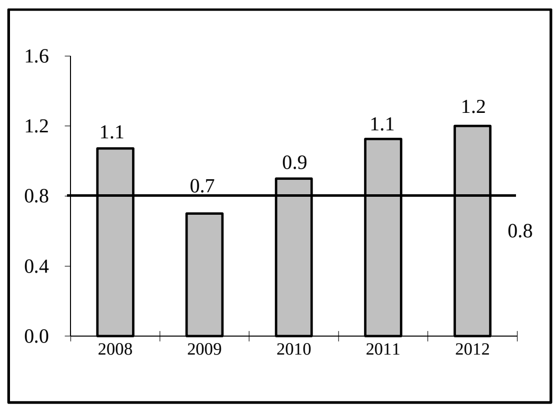
Operating Expense Coverage Ratio



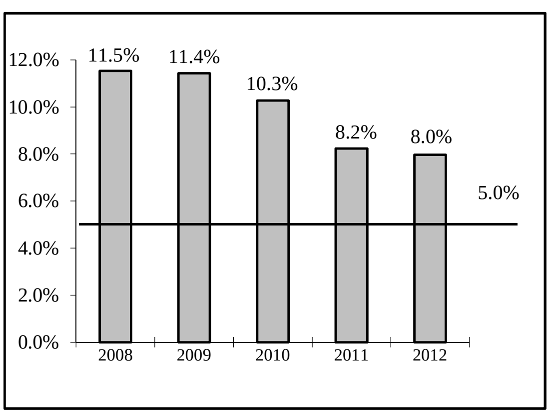
Annual Operating Margin Ratio



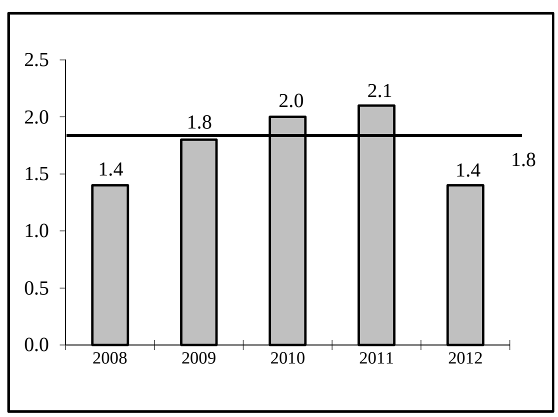
Expendable Resources to Debt Ratio



Debt Burden Ratio

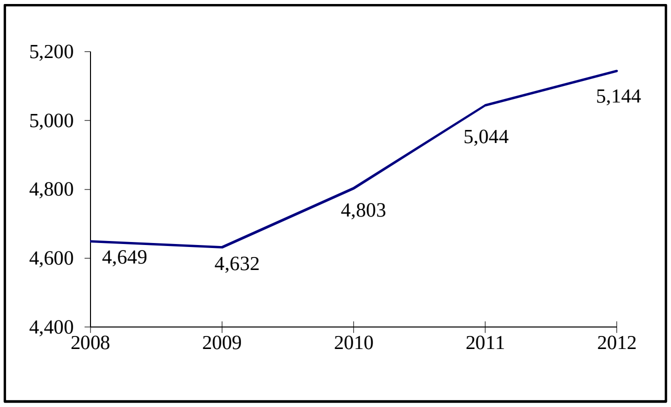


Debt Service Coverage Ratio



The University of Texas at Tyler
2012 Summary of Financial Condition

Full-time Equivalent Student Enrollment - Fall



Composite Financial Index (CFI) - U. T. Tyler's CFI decreased from 4.0 in 2011 to 2.8 in 2012 as a result of decreases in the return on net assets ratio, the annual operating margin ratio, and the primary reserve ratio. The decline in operating performance, as discussed below, was the major contributor to the decrease in the return on net assets ratio. The driving force behind the decrease in the primary reserve ratio was the growth in total operating expenses, which is also discussed below.

Operating Expense Coverage Ratio - U. T. Tyler's operating expense coverage ratio decreased from 5.7 months in 2011 to 5.4 months in 2012 due to an increase in total operating expenses (including interest expense) of $7.1 million. The increase in total operating expenses was primarily attributable to the following: a $6.6 million increase in salaries and wages and payroll related costs as a result of new personnel for the Discovery Science Place, a one-time merit bonus of $2.0 million, and an increase in salaries expense associated with the Ingenuity Center; and a $1.3 million increase in other contracted services resulting from the parking lot renovation and repairs to buildings and the Herrington Patriot Center gym. U. T. Tyler's use of prior year balances was approved by U. T. System Administration for 2012 for one-time nonrecurring expenses, such as repairs and maintenance to the campus, a one-time merit bonus, and programming for Academic Partnerships. This approval was granted due to U. T. Tyler having adequate operating expense coverage.

Annual Operating Margin Ratio - U. T. Tyler's annual operating margin ratio decreased from (0.8%) for 2011 to (5.4%) for 2012 due to the growth in total operating expenses of $7.1 million exceeding the growth in total operating revenues of $2.8 million. The increase in total operating revenues was primarily attributable to the following: a $1.8 million increase in net tuition and fees due to enrollment growth and rate increases; and a $1.0 million increase in net sales and services of educational activities generated from Discovery Science Place and the Executive Health Care Administration Program.

Expendable Resources to Debt Ratio - U. T. Tyler's expendable resources to debt ratio increased from 1.1 in 2011 to 1.2 in 2012. The increase in this ratio was due to a decrease of $4.0 million in the amount of debt outstanding.

Debt Burden Ratio - U. T. Tyler's debt burden ratio decreased from 8.2% in 2011 to 8.0% in 2012 as a result of the increase in total operating expenses previously discussed.

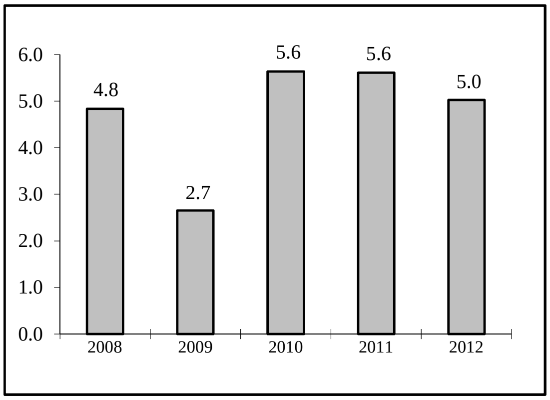
Debt Service Coverage Ratio - U. T. Tyler's debt service coverage ratio decreased from 2.1 in 2011 to 1.4 in 2012 due to the decline in operating performance, as discussed above, and an increase in the mandatory debt service payments of $0.3 million.

Full-Time Equivalent (FTE) Student Enrollment - U. T. Tyler's FTE student enrollment increased by 100 or 2% from 2011 due to continued efforts in student recruitment and retention.

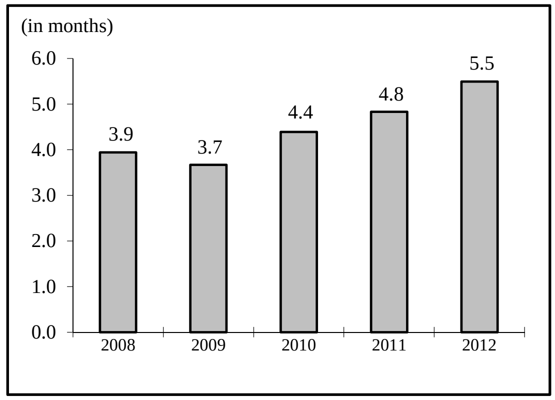
The University of Texas Southwestern Medical Center
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

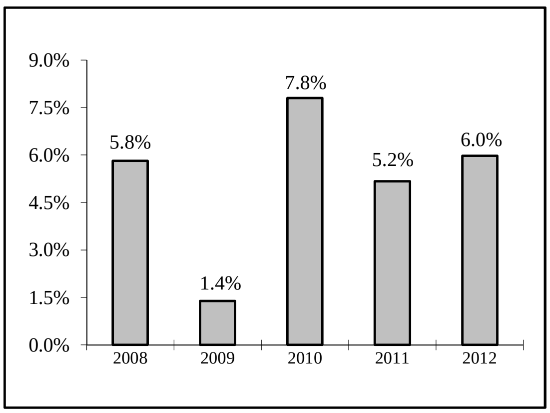
Composite Financial Index



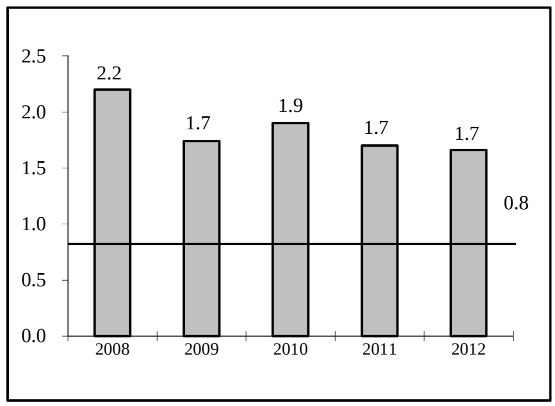
Operating Expense Coverage Ratio



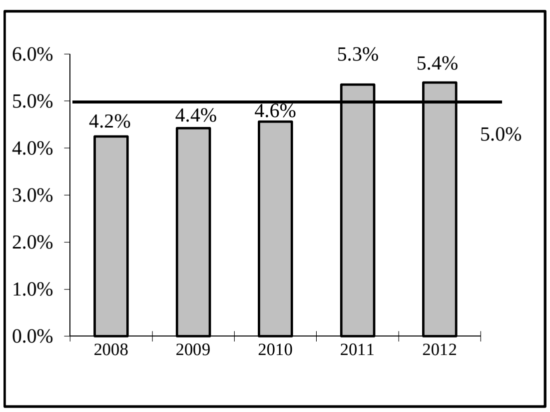
Annual Operating Margin Ratio



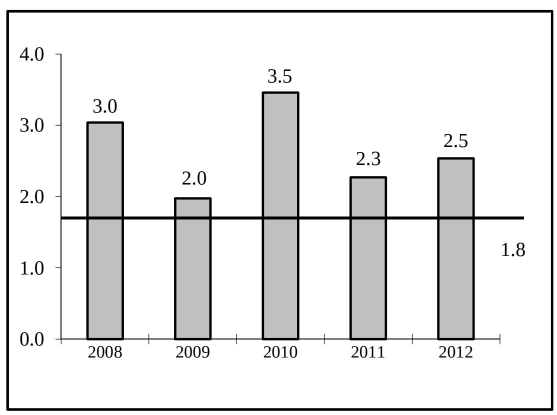
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Southwestern Medical Center
2012 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Southwestern Medical Center's (Southwestern) CFI decreased from 5.6 in 2011 to 5.0 in 2012 primarily as a result of decreases in the return on net assets ratio and primary reserve ratio. The decrease in the return on net assets ratio was largely driven by the net decrease in the fair value of investments in 2012 of $29.4 million as compared to a net increase in 2011 of $133.3 million for a total decrease between years of $162.7 million. The return on net assets ratio was also affected by fewer transfers of bond proceeds for capital projects in 2012 than in 2011. The decrease in the primary reserve ratio was driven by a $219.3 million decrease in total restricted expendable net assets and an $83.5 million increase in total operating expenses, both of which are discussed in more detail below.

Operating Expense Coverage Ratio - Southwestern's operating expense coverage ratio increased from 4.8 months in 2011 to 5.5 months in 2012 due to an increase in total unrestricted net assets of $130.5 million, which was partially offset by the $83.5 million increase in total operating expenses (including interest expense). The increase in total unrestricted net assets was primarily attributable to an increase of $66.9 million in unrestricted net assets in unexpended plant funds for the construction of the William P. Clements, Jr. University Hospital and an increase of $64.8 million in designated funds mainly attributable to hospital operations. The increase in total operating expenses was primarily due to the following: a $35.8 million increase in salaries and wages and payroll related costs as a result of merit increases for faculty and staff; a $34.8 million increase in materials and supplies generated by increased expenses for drugs, medical supplies, organ acquisitions, non-medical supplies, instruments, and the purchase of minor equipment not capitalized; and a $10.4 million increase in depreciation and amortization expense associated with equipment purchases, building additions, and major projects including the Biomedical Research Building, the Paul M. Bass Center, and St. Paul University Hospital.

Annual Operating Margin Ratio - Southwestern's annual operating margin ratio increased from 5.2% for 2011 to 6.0% for 2012 as a result of the growth in total operating revenues of $103.9 million outpacing the growth in total operating expenses of $83.5 million. The increase in total operating revenues was primarily attributable to a $136.7 million increase in net sales and services of hospitals generated by the following: a 5.3% increase in patient days; a 5.1% increase in inpatient revenue per patient day; a 61.5% increase in hospital outpatient visits; a 6.8% increase in outpatient surgery center visits; a 4.7% increase in emergency room visits; and increases in radiation oncology, clinical laboratory services, and the Transplant Immunology and Histocompatibility Laboratory. This increase in net sales and services of hospitals was partially offset by decreases in the following: a $21.3 million decrease in state appropriations including the House Bill 4 (HB 4) adjustment; and an $11.8 million decrease in sponsored program revenues (including nonexchange sponsored programs) primarily due to a marginal decrease in private sponsored programs and the absence of American Recovery and Reinvestment Act funding, which ended in 2011. In 2012 Southwestern received a total of $12.8 million in HB 4 supplemental funding of which half, or $6.4 million, was intended for 2013. Therefore, in order to more appropriately match revenues with expenses, $6.4 million of the HB 4 supplemental appropriation received in 2012 was removed from 2012 revenues. When the 2013 Analysis of Financial Condition is prepared, the $6.4 million will be added to 2013 revenues to match revenues with expenses.

Expendable Resources to Debt Ratio - Southwestern's expendable resources to debt ratio remained unchanged at 1.7 in 2012. The stability of this ratio was a result of a $219.3 million decrease in total restricted expendable net assets, which was offset by the increase in total unrestricted net assets of $130.5 million, as previously discussed, and a decrease of $36.1 million in the amount of debt outstanding. Total restricted expendable net assets decreased due to the amount of funds restricted for capital projects related to payments for the William P. Clements, Jr. University Hospital and other capital projects.

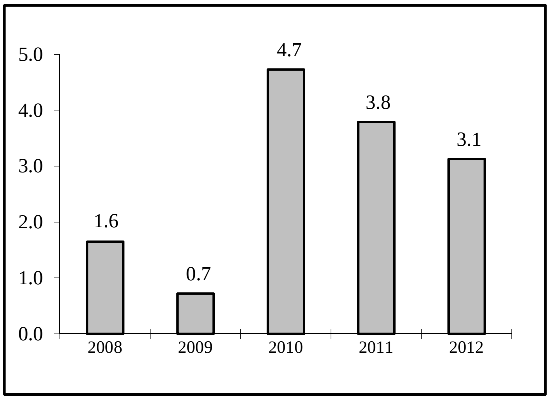
Debt Burden Ratio - Southwestern's debt burden ratio increased slightly from 5.3% in 2011 to 5.4% in 2012 due to a $5.2 million increase in mandatory debt service payments, which was largely offset by the increase in total operating expenses discussed above.

Debt Service Coverage Ratio - Southwestern's debt service coverage ratio increased from 2.3 in 2011 to 2.5 in 2012. The increase in this ratio was attributable to the improvement in operating performance as discussed in the annual operating margin ratio.

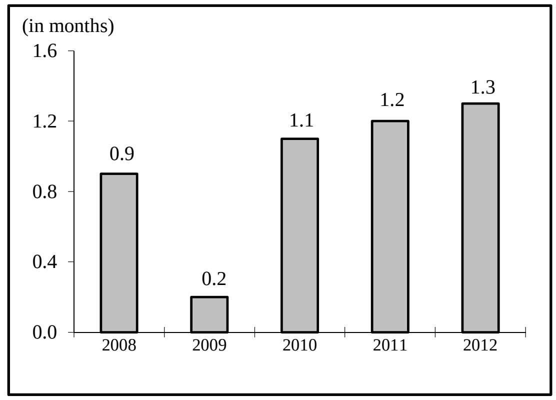
The University of Texas Medical Branch at Galveston
2012 Summary of Financial Condition

Financial Condition: **Watch**

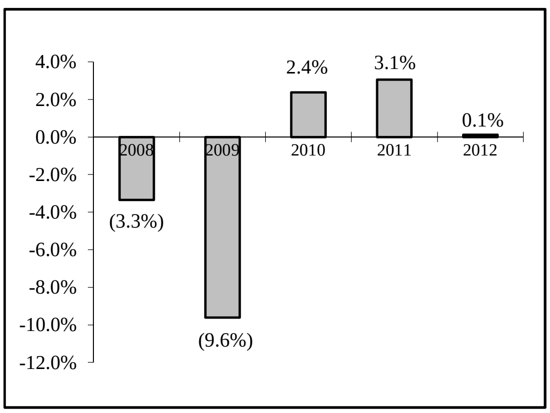
Composite Financial Index



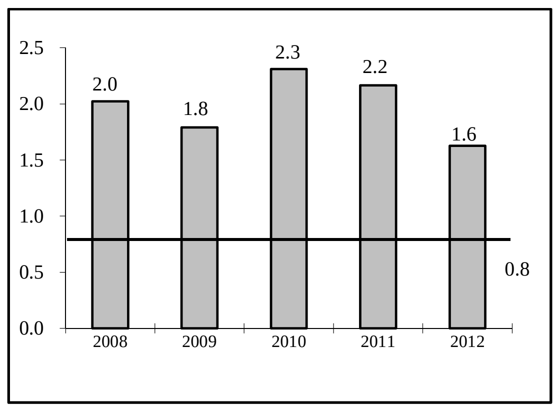
Operating Expense Coverage Ratio



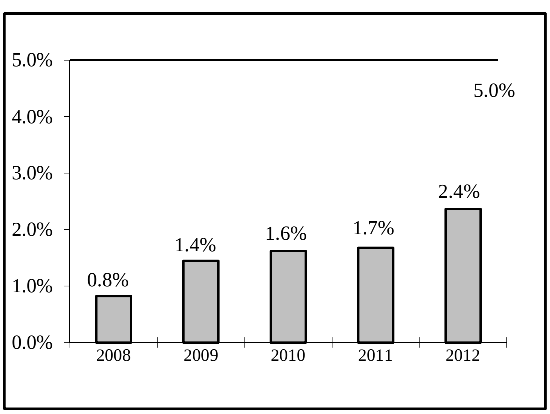
Annual Operating Margin Ratio



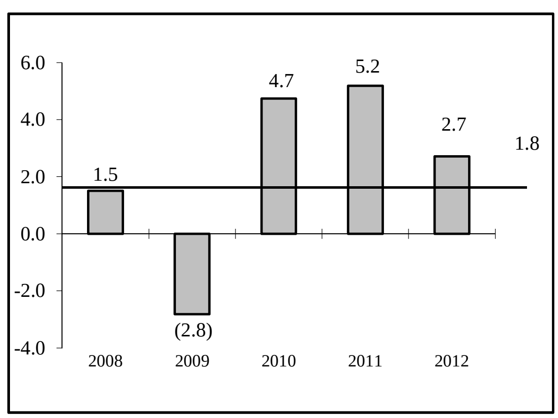
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Medical Branch at Galveston
2012 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Medical Branch - Galveston's (UTMB) CFI decreased from 3.8 in 2011 to 3.1 in 2012 primarily due to decreases in the annual operating margin ratio and the expendable resources to debt ratio. The decline in the annual operating margin ratio is discussed in more detail below. The driving force behind the decrease in the expendable resources to debt ratio was an increase of $135.6 million in the amount of debt outstanding related to the Jennie Sealy Hospital.

Operating Expense Coverage Ratio - UTMB's operating expense coverage ratio increased from 1.2 months to 1.3 months due to both an increase in unrestricted net assets of $12.3 million and a decrease of $20.2 million in total expenses (including interest expense). The favorable variance in unrestricted net assets was a result of appropriation reductions for both fiscal years 2010 and 2011 being realized in 2011 on the Statement of Revenues, Expenses, and Changes in Net Assets. The expenses are favorable primarily as a result of several factors including controlling expenses related to decreased sponsored program funding, lower Hurricane *Ike* related operating expenses, and fewer expense related to the Texas Department of Criminal Justice (TDCJ) contract. The most significant offset to these decreases in expenses was an increase in depreciation. Depreciation is expected to continue to increase as a result of UTMB's recovery from Hurricane *Ike* and strategically planned growth.

UTMB's operating expenses include those expenses incurred in the delivery of the TDCJ contract. This contract is a cost reimbursement contract and as such is not expected to generate net assets. Reviewing UTMB excluding the TDCJ contract expenses of $296.2 million presents a ratio that more clearly reflects UTMB's ability to meet future business obligations. The operating expense coverage ratio excluding the TDCJ contract is 1.6, as compared to 1.3 when included.

Annual Operating Margin Ratio - UTMB's annual operating margin ratio decreased from 3.1% for 2011 to 0.1% for 2012 due to the reduction in total revenues of $68.0 million exceeding the reduction in total expenses of $20.2 million. Several revenues are cost reimbursable in nature and have direct offsetting reductions in expenses. Significant factors that impact the net variance of $47.9 million include decreased TDCJ funding of $18.7 million for 2010 losses received in 2011, lower appropriations of $11.4 million, and a $9.1 million increase in depreciation, offset by receipt of $6.2 million Electronic Health Record Meaningful Use Incentive Program payments in 2012. The decrease in appropriations is the result of appropriation reductions, timing of revenue recognition, and the receipt of special funding. Depreciation is expected to continue to increase as a result of UTMB's recovery from Hurricane *Ike* and strategically planned growth. Additionally, there has been growth in other areas that impact revenues and expenses but did not significantly impact the net variance, an example of this is increased professional fees in the physician practice plan that are essentially offset by increased expenses.

Expendable Resources to Debt Ratio - UTMB's expendable resources to debt ratio decreased from 2.2 in 2011 to 1.6 in 2012. The decrease in this ratio was caused by the $135.6 million increase in the amount of debt outstanding as mentioned above.

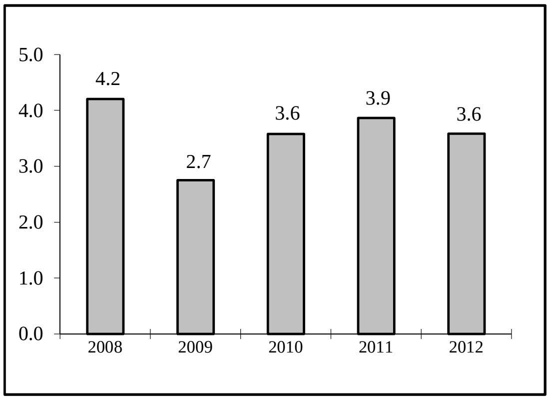
Debt Burden Ratio - UTMB's debt burden ratio increased from 1.7% in 2011 to 2.4% in 2012 due to both an increase of $10.3 million in the mandatory debt service payments and the decrease in total expenses as previously discussed.

Debt Service Coverage Ratio - UTMB's debt service coverage ratio decreased from 5.2 in 2011 to 2.7 in 2012. The decrease in the ratio was attributable to the decline in operating performance, as discussed in the annual operating margin ratio, and an increase in mandatory debt service payments.

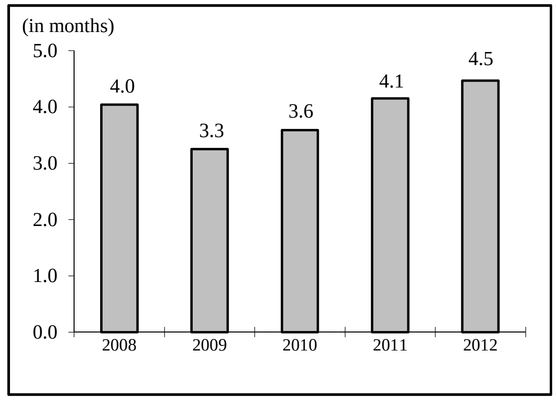
The University of Texas Health Science Center at Houston
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

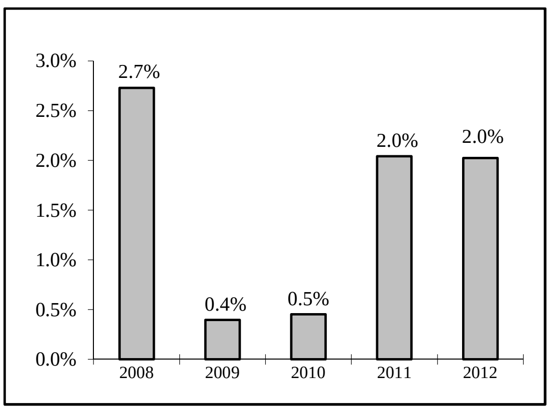
Composite Financial Index



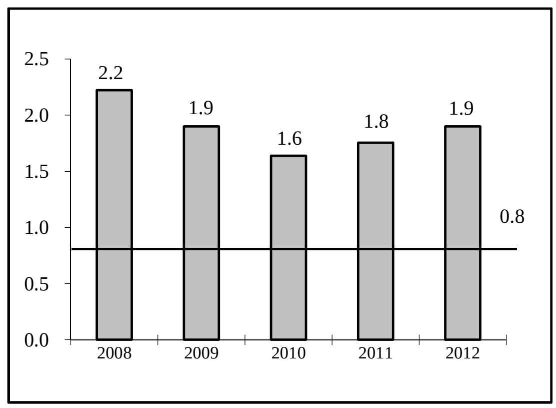
Operating Expense Coverage Ratio



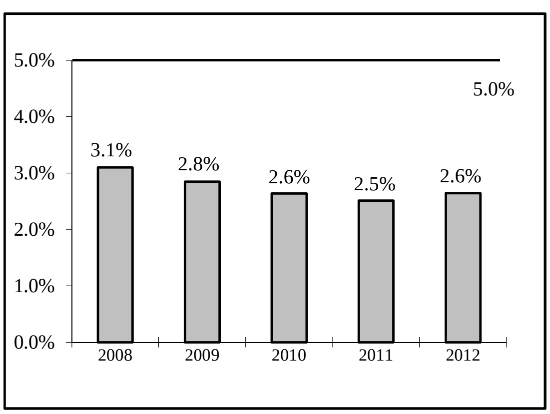
Annual Operating Margin Ratio



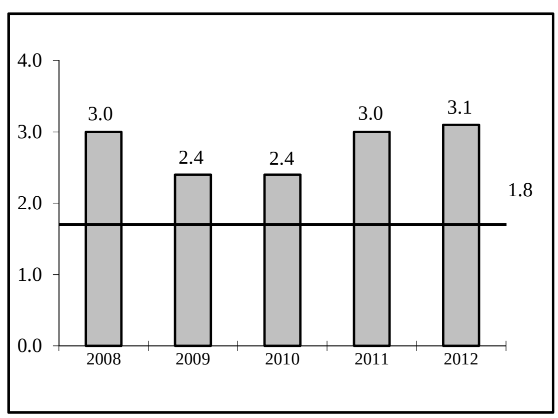
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Houston
2012 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - Houston's (UTHSC-Houston) CFI decreased from 3.9 in 2011 to 3.6 in 2012 primarily due to a decrease in the return on net assets ratio. This ratio experienced a decline due to the change in total net assets in 2012 of $30.8 million, which was down from the change in total net assets of $63.0 million in 2011. The decline in the year over year change in total net assets was driven primarily by the change in the fair value of investments which experienced a downturn of $1.9 million in 2012 as compared to a $40.6 million increase in 2011.

Operating Expense Coverage Ratio - UTHSC-Houston's operating expense coverage ratio increased from 4.1 months in 2011 to 4.5 months in 2012 due to a $37.2 million increase (11.1%) in total unrestricted net assets, which was partially offset by a $31.0 million increase (3.2%) in total operating expenses (including interest expense). The increase in unrestricted net assets was primarily attributed to the growth in clinical operations, including UTHSC-Houston’s Medical School practice plan, Gulf States Hemophilia/Thrombophilia Program and the Harris County Psychiatric Center (HCPC). The increase in operating expenses was largely due to the $51.6 million expansion in the clinical enterprise. UTHSC-Houston’s 17.5% increase in clinics (57 clinics to 67 clinics) resulted in the following increases: faculty salaries ($17.7 million), staff salaries ($15 million), fringe benefits ($5.2 million), and maintenance and operations ($10.8 million). This was offset by some contraction in the research enterprise associated with a decline in federal and state grants/contracts, $7.3 million and $19.2 million, respectively. In addition, a continued focus on administrative cost reductions and process efficiencies led to an additional $2.4 million (5.7%) decrease in institutional support operating expense.

Annual Operating Margin Ratio - Although UTHSC-Houston's annual operating margin ratio remained unchanged at 2.0% for 2012, the operating margin actually increased by $0.5 million. The stability of this ratio was due to the growth in total operating revenues of $31.5 million slightly outpacing the growth in total operating expenses of $31.0 million. The increase in total operating revenues was primarily due to the following: a $14.8 million increase in state appropriations primarily attributable to the recognition of a portion of House Bill 4 (HB 4) supplemental appropriations received in 2012, as well as an increase in group insurance appropriation revenue, and the general revenue reductions for the previous biennium that were recognized in 2011; a $14.3 million increase in net professional fees as a result of the expansion of clinics; a $5.6 million increase in net tuition and fees resulting from tuition and fee increases and enrollment growth; and a $3.8 million increase in other operating revenues primarily associated with the recognition of revenue from loan forgiveness related to UT Physicians' loan with Memorial Hermann Hospital System. In 2012 UTHSC-Houston received a total of $24.1 million in HB 4 supplemental funding of which $11.1 million was intended for 2013. In order to more appropriately match revenues with expenses, $11.1 million of the HB 4 supplemental appropriation received in 2012 was removed from 2012 revenues. When the 2013 Analysis of Financial Condition is prepared, the $11.1 million will be added to 2013 revenues.

Expendable Resources to Debt Ratio - UTHSC-Houston's expendable resources to debt ratio increased slightly from 1.8 in 2011 to 1.9 in 2012 due to the $37.2 million increase in total unrestricted net assets, which was partially offset by a decrease in total restricted expendable net assets of $23.3 million, and a decrease of $10.7 million in the amount of debt outstanding. The decrease in total restricted expendable net assets was primarily attributable to a reduction in the amount of funds restricted for capital projects as a result of the completion of the School of Dentistry.

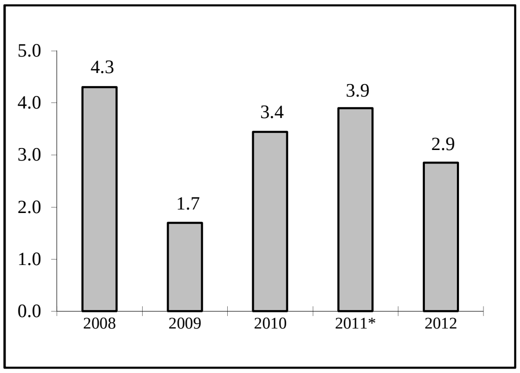
Debt Burden Ratio - UTHSC-Houston's debt burden ratio increased from 2.5% in 2011 to 2.6% in 2012. The increase in this ratio was a result of a $2.1 million increase in mandatory debt service payments, which was largely offset by the increase in total operating expenses.

Debt Service Coverage Ratio - UTHSC-Houston's debt service coverage ratio increased from 3.0 in 2011 to 3.1 in 2012 due to the slight improvement in operating performance and an increase in the normalized investment income used in this calculation.

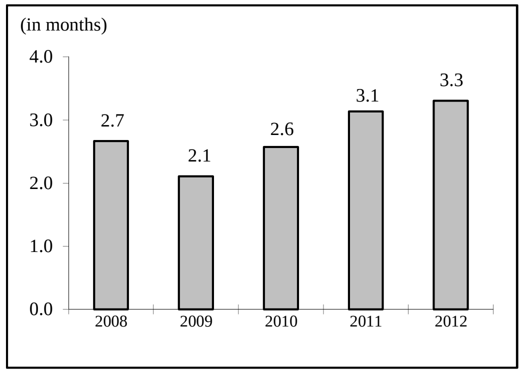
The University of Texas Health Science Center at San Antonio
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

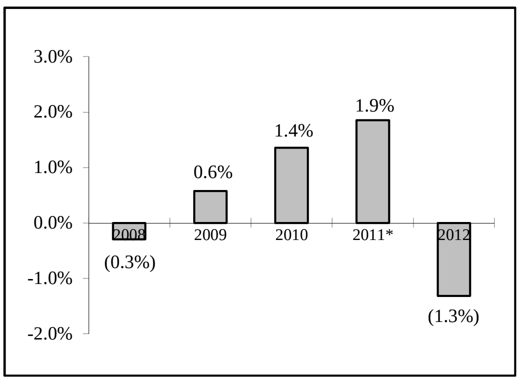
Composite Financial Index



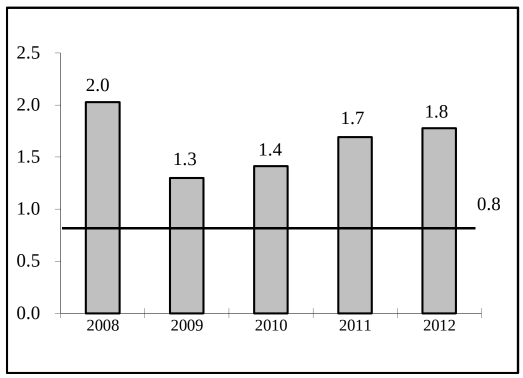
Operating Expense Coverage Ratio



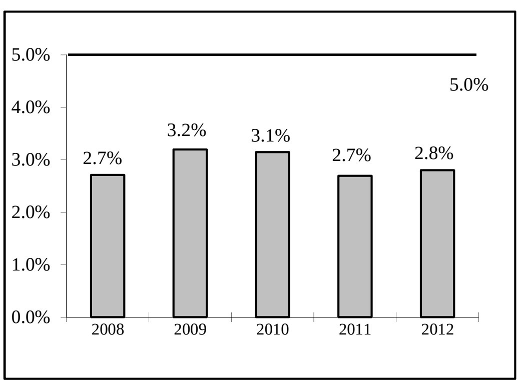
Annual Operating Margin Ratio



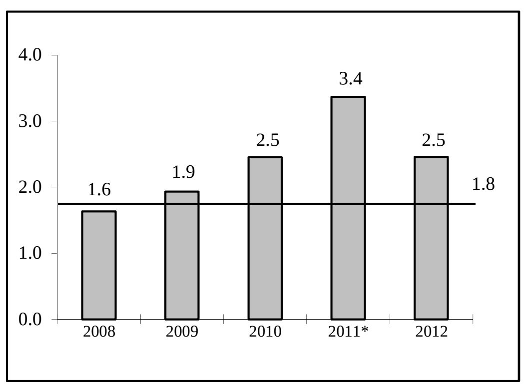
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



*Restated from prior year report.

The University of Texas Health Science Center at San Antonio
2012 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - San Antonio's (UTHSC-San Antonio) CFI decreased from 3.9 in 2011 to 2.9 in 2012 primarily due to decreases in the return on net assets ratio and the annual operating margin ratio. The driving force behind the decrease in the return on net assets ratio was the net decrease in the fair value of investments of $8.4 million in 2012 as compared to a net increase of $52.5 million in 2011 for a total decrease between years of $60.9 million. The reduction in the annual operating margin ratio is discussed below.

Operating Expense Coverage Ratio - UTHSC-San Antonio's operating expense coverage ratio increased from 3.1 months in 2011 to 3.3 months in 2012 due to a $16.8 million increase in total unrestricted net assets. The increase in total unrestricted net assets was primarily attributable to enhanced clinical operations ($13.6 million), planned cost containment, and efficiency measures implemented by the schools and administrative units.

Annual Operating Margin Ratio - UTHSC-San Antonio's annual operating margin ratio decreased from 1.9% for 2011 to (1.3%) for 2012 as a result of the growth in total operating expenses of $23.4 million (including interest expense) exceeding the growth in total operating revenues of $0.2 million. The increase in total operating expenses was primarily due to UTHSC-San Antonio's continued investment towards recruitment efforts, addressing faculty compensation issues, and expanding programs and departments. Investments made in 2012 included the following: adjusting faculty salaries in the physician practice plan to align performance-based compensation levels in accordance with productivity and XYZ plans ($11.8 million), developing and implementing an infrastructure necessary to meet the goals and challenges of healthcare reform ($4.9 million), streamlining billing operations and the delivery of patient services; and a $6.5 million increase in depreciation and amortization expense primarily as a result of the depreciation expense associated with the South Texas Research Facility which was placed into service in October 2011. These investments are anticipated to continue to increase future operational revenues. While operating revenues grew $0.2 million, reductions in state appropriations and restricted sponsored programs offset growth in clinical revenues of $14.9 million.

In 2011, UTHSC-San Antonio received $8.0 million in House Bill 4 (HB 4) supplemental appropriations; $4.0 million of this HB 4 supplemental funding was intended for 2012 operations and $4.0 million was intended for 2013 operations. In 2012, UTHSC-San Antonio received additional HB 4 supplemental funding of $14.8 million of which half was intended for 2013. In order to more appropriately match revenues with expenses, the entire $8.0 of the HB 4 supplemental appropriation received in 2011 was removed from 2011 revenues and $4.0 million was added to 2012 revenues, and $7.4 million of the HB 4 supplemental appropriations received in 2012 was removed from 2012 revenues for a net decrease in 2012 revenues of $3.4 million. When the 2013 Analysis of Financial Condition is prepared, the remaining $4.0 million in 2011 HB 4 supplemental appropriation and the remaining $7.4 million of 2012 HB 4 supplemental appropriation will be added to 2013 revenues to properly match revenues with expenses.

Expendable Resources to Debt Ratio - UTHSC-San Antonio's expendable resources to debt ratio increased from 1.7 in 2011 to 1.8 in 2012. The slight increase in this ratio was due to a decrease in the amount of debt outstanding of $11.1 million.

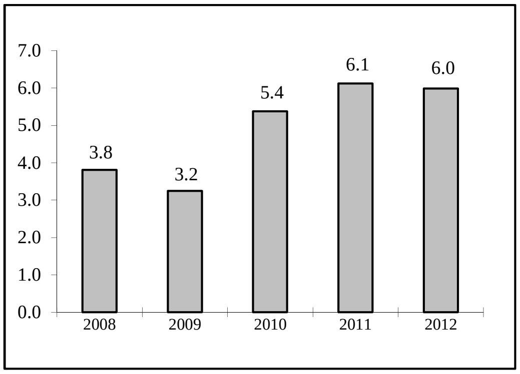
Debt Burden Ratio - UTHSC-San Antonio's debt burden ratio increased from 2.7% in 2011 to 2.8% in 2012 due to an increase of $1.4 million in mandatory debt service payments associated with the South Texas Research Facility.

Debt Service Coverage Ratio - UTHSC-San Antonio's debt service coverage ratio decreased from 3.4 in 2011 to 2.5 in 2012 as a result of the decline in operating performance and increased debt service requirements as discussed above.

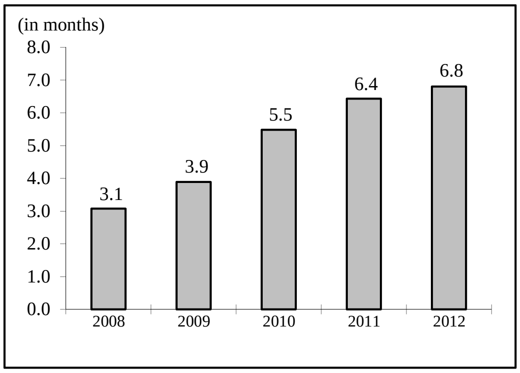
The University of Texas M. D. Anderson Cancer Center
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

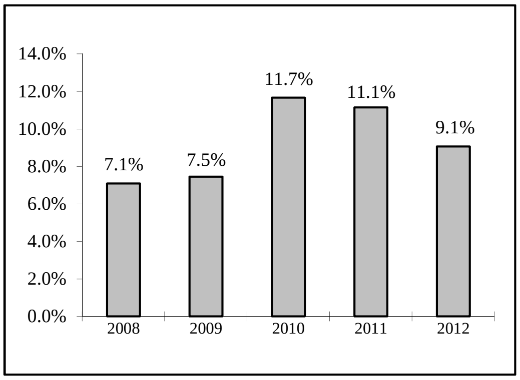
Composite Financial Index



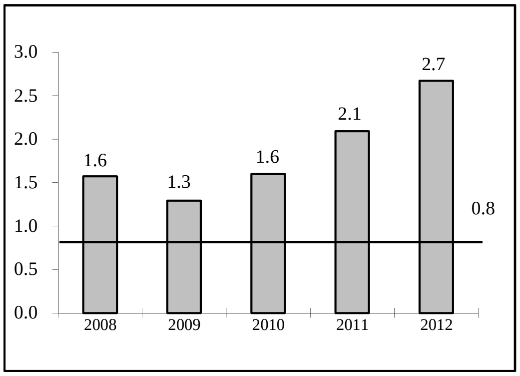
Operating Expense Coverage Ratio



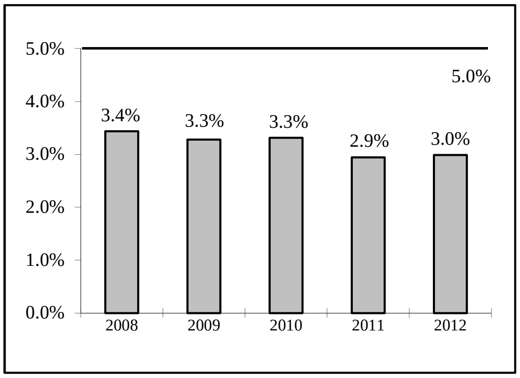
Annual Operating Margin Ratio



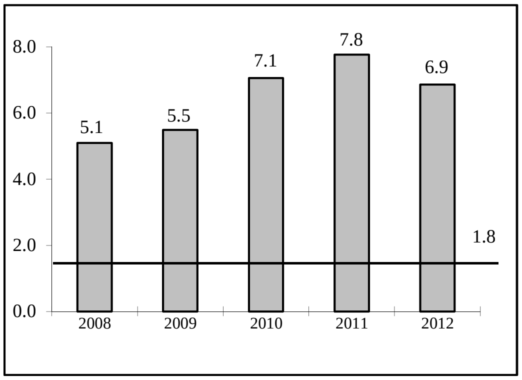
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas M. D. Anderson Cancer Center
2012 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. M. D. Anderson Cancer Center's (M. D. Anderson) CFI decreased slightly from 6.1 in 2011 to 6.0 in 2012 primarily due to a decrease in the return on net assets ratio, which was mostly offset by an increase in the expendable resources to debt ratio. The decrease in the return on net assets ratio was largely driven by the net decrease in the fair value of investments of $11.3 million in 2012 as compared to a net increase in 2011 of $187.3 million for a total decrease between years of $198.6 million. The increase in the expendable resources to debt ratio is discussed below.

Operating Expense Coverage Ratio - M. D. Anderson's operating expense coverage ratio increased from 6.4 months in 2011 to 6.8 months in 2012 due to an increase in total unrestricted net assets of $252.8 million, which was partially offset by an increase in total operating expenses (including interest expense) of $277.0 million. The increase in total unrestricted net assets was primarily attributable to strong operating performance in both hospital and clinic operations. Total operating expenses increased primarily due to the following: a $115.9 million increase in salaries and wages and payroll related costs resulting from merit increases, as well as market and equity adjustments; a $65.0 million increase in materials and supplies attributable to an increase in patient medications and laboratory supplies related to the increase in patients, as well as the opening of two new cafeterias and a store; a $47.7 million increase in other contracted services caused by an increase in temporary personnel expenses primarily for business enterprise, technical infrastructure, and clinical care projects, an increase in advertising expenses, an increase in credit card/discount fees and bank fees, an increase in collection agency fees, and an increase in laboratory services for cancer research in the Genomic Medicine Department and the Institute for Applied Cancer Science; a $26.6 million increase in depreciation and amortization expense due to the Mid Campus Building 1 and Mid Campus Building Parking Garage, the Alkek Expansion and the South Campus Research Building 4; a $16.4 million increase in professional fees and services as a result of increased medical services associated with the stem cell matched unrelated donor program, an increase in Physician's Network expenses for the Center of Global Oncology, an increase in professional services for the CARE project, an increase in expenses for leadership recruiting efforts and for internet and research information services, and an increase in professional services for pharmacy for admixture services; and a $7.0 million increase in utilities due to the addition of the Mid Campus Building 1, the Alkek Expansion, and the South Campus Research Building 4.

Annual Operating Margin Ratio - M. D. Anderson's annual operating margin ratio decreased from 11.1% for 2011 to 9.1% for 2012 as a result of the growth in total operating expenses of $277.0 million outpacing the growth in total operating revenues of $225.0 million. The increase in total operating revenues was primarily attributable to the following: a $209.4 million increase in net sales and services of hospitals due to increases in inpatient and outpatient visits, as well as an increase in outpatient surgeries; a $19.2 million increase in net professional fees due to an overall increase in patient activity and volumes; and a $6.7 million increase in investment income (including the GEF transfer and excluding realized gains). In 2012 M. D. Anderson received a total of $17.4 million in House Bill 4 (HB 4) supplemental funding of which half or $8.7 million was intended for 2013. Therefore, in order to more appropriately match revenues with expenses, $8.7 million of the HB 4 supplemental appropriation received in 2012 was removed from 2012 revenues. When the 2013 Analysis of Financial Condition is prepared, the $8.7 million will be added to 2013 revenues to properly match revenues and expenses.

Expendable Resources to Debt Ratio - M. D. Anderson's expendable resources to debt ratio increased from 2.1 in 2011 to 2.7 in 2012. The increase in this ratio was a result of the increase in total unrestricted net assets, as previously discussed, and an increase in total restricted expendable net assets of $91.3 million, combined with a decrease of $93.0 million in the amount of debt outstanding. The increase in total restricted expendable net assets was primarily due to an increase in the amount of funds restricted for capital projects and an increase in the restricted funds functioning as endowments.

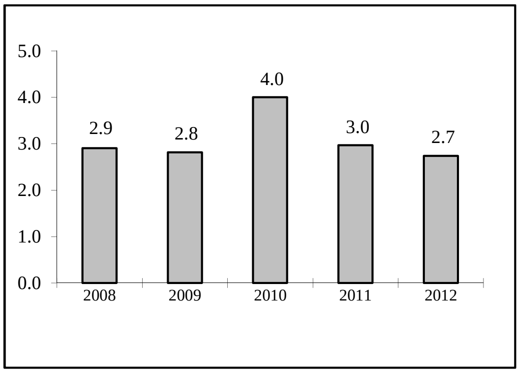
Debt Burden Ratio - M. D. Anderson's debt burden ratio increased slightly from 2.9% in 2011 to 3.0% in 2012. The change in this ratio was the result of a $9.6 million increase in mandatory debt service payments, which was largely offset by the increase in total operating expenses, as discussed above. M. D. Anderson chose to pay down early $31.6 million in Revenue Financing System Commercial Paper notes in 2012. Since this was a voluntary pay down of debt and not mandatory, it is excluded from the debt service payments for purposes of this analysis.

Debt Service Coverage Ratio - M. D. Anderson's debt service coverage ratio decreased from 7.8 in 2011 to 6.9 in 2012 primarily due to the increase in mandatory debt service payments.

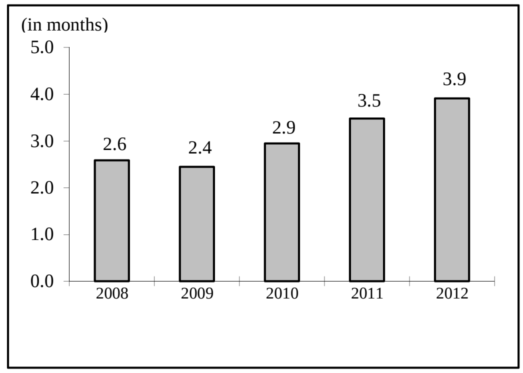
The University of Texas Health Science Center at Tyler
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

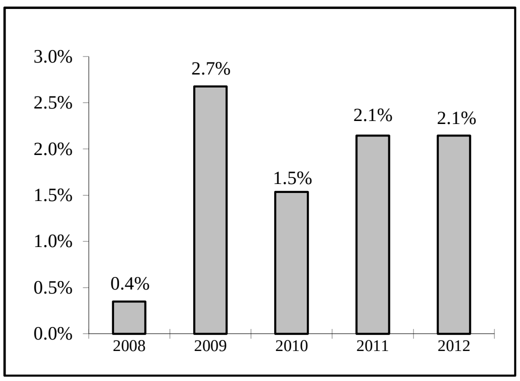
Composite Financial Index



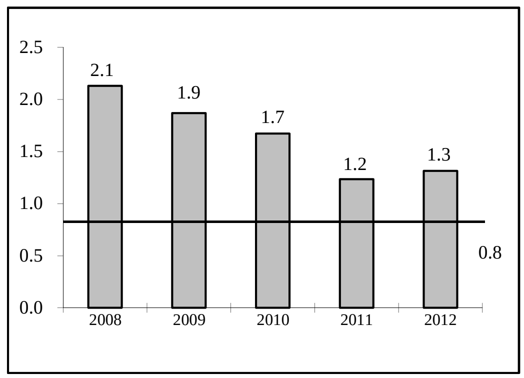
Operating Expense Coverage Ratio



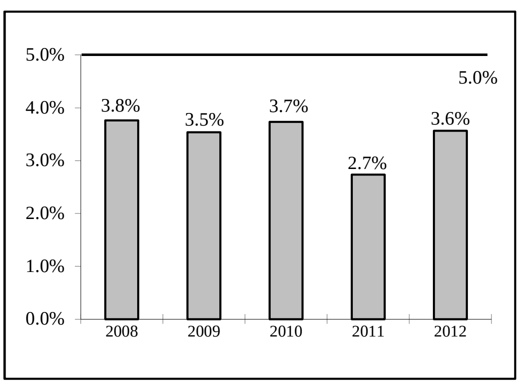
Annual Operating Margin Ratio



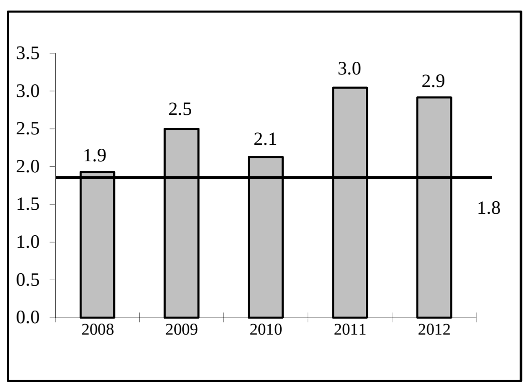
Expendable Resources to Debt Ratio



Debt Burden Ratio



Debt Service Coverage Ratio



The University of Texas Health Science Center at Tyler
2012 Summary of Financial Condition

Composite Financial Index (CFI) - U. T. Health Science Center - Tyler's (UTHSC-Tyler) CFI decreased from 3.0 in 2011 to 2.7 in 2012 primarily due to a decrease in the return on net assets ratio. The decrease in the return on net assets ratio was largely driven by the net decrease in the fair value of investments of $0.8 million in 2012 as compared to a net increase of $5.3 million in 2011 for a total decrease between years of $6.1 million. Also contributing to the reduction in the return on net assets ratio was a $2.2 million increase in the amount of debt outstanding related to the Academic Center.

Operating Expense Coverage Ratio - UTHSC-Tyler's operating expense coverage ratio increased from 3.5 months in 2011 to 3.9 months in 2012 due to growth in total unrestricted net assets of $5.8 million, which was partially offset by an increase in total operating expenses (including interest expense) of $5.0 million. The increase in total unrestricted net assets was primarily attributable to an increase in state appropriations as a result of the House Bill 4 (HB 4) supplemental funding received in 2012, as well as normal operating activity in current unrestricted funds. The increase in total operating expenses was primarily due to the following: a $3.0 million increase in salaries and wages and payroll related costs as a result of merit increases, the opening of the new oncology center, and an 8% increase in retiree insurance expenses; and a $1.8 million increase in depreciation and amortization expense attributable to the capitalization of the Academic Center and related assets including the linear accelerator and grounds improvements.

Annual Operating Margin Ratio - UTHSC-Tyler's annual operating margin ratio remained unchanged at 2.1% for 2012 as the growth in total operating revenues of $5.1 million almost equaled the growth in total operating expenses of $5.0 million. The increase in total operating revenues was primarily due to the following: an $8.9 million increase in state appropriations resulting from the HB 4 supplemental funding received in 2012; a $0.5 million increase in other operating revenues primarily attributable to the opening of the oncology center; a $0.4 million increase in gifts for operations; and a $0.3 million increase in sales and services of educational activities due to the new Internal Medicine Residency Training Program in Longview, Texas. These increases in revenue were partially offset by the following: a $3.8 million decrease in net sales and services of hospitals due to a reduction in hospital admissions mainly in the area of cardiology; and a $1.4 million decrease in sponsored program revenues as a result of federal grants that were closed or nearing the end in 2012 and the absence of American Recovery and Reinvestment Act funding that ended in 2011.

Expendable Resources to Debt Ratio - UTHSC-Tyler's expendable resources to debt ratio increased from 1.2 in 2011 to 1.3 in 2012 as a result of the growth in total unrestricted net assets of $5.8 million, as discussed above, which was partially offset by the $2.2 million increase in the amount of debt outstanding.

Debt Burden Ratio - UTHSC-Tyler's debt burden ratio increased from 2.7% in 2011 to 3.6% in 2012. The increase in this ratio was attributable to a $1.1 million increase in mandatory debt service payments.

Debt Service Coverage Ratio -UTHSC-Tyler's debt service coverage ratio decreased slightly from 3.0 in 2011 to 2.9 in 2012. The relatively small change in this ratio was caused by the increase in mandatory debt service payments.

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.

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

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

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

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

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

Appendix A - Definitions of Evaluation Factors (Continued)

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

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

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, 2012

U. T. Arlington

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.51	/	0.133	=	3.82	x	35.0%	=	1.34
Annual Operating Margin	7.50%	/	1.3%	=	5.77	x	10.0%	=	0.58
Return on Net Assets	5.89%	/	2.0%	=	2.94	x	20.0%	=	0.59
Expendable Resources to Debt	0.72	/	0.417	=	1.73	x	35.0%	=	0.61
							CFI		3.1

U. T. Austin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	1.09	/	0.133	=	8.21	x	35.0%	=	2.87
Annual Operating Margin	1.68%	/	1.3%	=	1.29	x	10.0%	=	0.13
Return on Net Assets	2.26%	/	2.0%	=	1.13	x	20.0%	=	0.23
Expendable Resources to Debt	2.17	/	0.417	=	5.21	x	35.0%	=	1.82
							CFI		5.1

U. T. Brownsville

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.32	/	0.133	=	2.38	x	35.0%	=	0.83
Annual Operating Margin	0.44%	/	1.3%	=	0.34	x	10.0%	=	0.03
Return on Net Assets	6.49%	/	2.0%	=	3.24	x	20.0%	=	0.65
Expendable Resources to Debt	0.83	/	0.417	=	1.98	x	35.0%	=	0.69
							CFI		2.2

U. T. Dallas

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.74	/	0.133	=	5.59	x	35.0%	=	1.95
Annual Operating Margin	0.90%	/	1.3%	=	0.69	x	10.0%	=	0.07
Return on Net Assets	6.28%	/	2.0%	=	3.14	x	20.0%	=	0.63
Expendable Resources to Debt	0.87	/	0.417	=	2.09	x	35.0%	=	0.73
							CFI		3.4

U. T. El Paso

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.51	/	0.133	=	3.87	x	35.0%	=	1.35
Annual Operating Margin	0.23%	/	1.3%	=	0.18	x	10.0%	=	0.02
Return on Net Assets	1.94%	/	2.0%	=	0.97	x	20.0%	=	0.19
Expendable Resources to Debt	0.92	/	0.417	=	2.21	x	35.0%	=	0.77
							CFI		2.3

Appendix B - Calculation of Composite Financial Index
Academic Institutions
As of August 31, 2012
(continued)

U. T. Pan American

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.69	/	0.133	=	5.19	x	35.0%	=	1.82
Annual Operating Margin	4.73%	/	1.3%	=	3.64	x	10.0%	=	0.36
Return on Net Assets	11.81%	/	2.0%	=	5.91	x	20.0%	=	1.18
Expendable Resources to Debt	1.64	/	0.417	=	3.92	x	35.0%	=	1.37
							CFI		4.7

U. T. Permian Basin

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.76	/	0.133	=	5.72	x	35.0%	=	2.00
Annual Operating Margin	7.62%	/	1.3%	=	5.86	x	10.0%	=	0.59
Return on Net Assets	12.99%	/	2.0%	=	6.50	x	20.0%	=	1.30
Expendable Resources to Debt	0.31	/	0.417	=	0.75	x	35.0%	=	0.26
							CFI		4.2

U. T. San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.57	/	0.133	=	4.30	x	35.0%	=	1.51
Annual Operating Margin	4.12%	/	1.3%	=	3.17	x	10.0%	=	0.32
Return on Net Assets	5.88%	/	2.0%	=	2.94	x	20.0%	=	0.59
Expendable Resources to Debt	0.73	/	0.417	=	1.75	x	35.0%	=	0.61
							CFI		3.0

U. T. Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.91	/	0.133	=	6.85	x	35.0%	=	2.40
Annual Operating Margin	-5.35%	/	1.3%	=	-4.12	x	10.0%	=	-0.41
Return on Net Assets	-1.79%	/	2.0%	=	-0.90	x	20.0%	=	-0.18
Expendable Resources to Debt	1.18	/	0.417	=	2.84	x	35.0%	=	0.99
							CFI		2.8

Appendix B - Calculation of Composite Financial Index
Health Institutions
As of August 31, 2012

Southwestern

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	1.00	/	0.133	=	7.50	x	35.0%	=	2.62
Annual Operating Margin	5.97%	/	1.3%	=	4.59	x	10.0%	=	0.46
Return on Net Assets	5.47%	/	2.0%	=	2.74	x	20.0%	=	0.55
Expendable Resources to Debt	1.66	/	0.417	=	3.98	x	35.0%	=	1.39
							CFI		5.0

UTMB

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.39	/	0.133	=	2.92	x	35.0%	=	1.02
Annual Operating Margin	0.11%	/	1.3%	=	0.09	x	10.0%	=	0.01
Return on Net Assets	7.31%	/	2.0%	=	3.65	x	20.0%	=	0.73
Expendable Resources to Debt	1.63	/	0.417	=	3.90	x	35.0%	=	1.37
							CFI		3.1

UTHSC-Houston

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.54	/	0.133	=	4.03	x	35.0%	=	1.41
Annual Operating Margin	2.02%	/	1.3%	=	1.56	x	10.0%	=	0.16
Return on Net Assets	4.24%	/	2.0%	=	2.12	x	20.0%	=	0.42
Expendable Resources to Debt	1.87	/	0.417	=	4.48	x	35.0%	=	1.57
							CFI		3.6

UTHSC-San Antonio

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.52	/	0.133	=	3.93	x	35.0%	=	1.37
Annual Operating Margin	-1.31%	/	1.3%	=	-1.01	x	10.0%	=	-0.10
Return on Net Assets	0.88%	/	2.0%	=	0.44	x	20.0%	=	0.09
Expendable Resources to Debt	1.78	/	0.417	=	4.26	x	35.0%	=	1.49
							CFI		2.9

M. D. Anderson

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.73	/	0.133	=	5.53	x	35.0%	=	1.93
Annual Operating Margin	9.07%	/	1.3%	=	6.98	x	10.0%	=	0.70
Return on Net Assets	11.14%	/	2.0%	=	5.57	x	20.0%	=	1.11
Expendable Resources to Debt	2.67	/	0.417	=	6.40	x	35.0%	=	2.24
							CFI		6.0

UTHSC-Tyler

Ratio	Ratio Value		Conversion Factor		Strength Factor		Weighting Factor		Score
Primary Reserve	0.46	/	0.133	=	3.44	x	35.0%	=	1.21
Annual Operating Margin	2.14%	/	1.3%	=	1.65	x	10.0%	=	0.16
Return on Net Assets	2.68%	/	2.0%	=	1.34	x	20.0%	=	0.27
Expendable Resources to Debt	1.31	/	0.417	=	3.15	x	35.0%	=	1.10
							CFI		2.7

Appendix C - Calculation of Expendable Net Assets
Academic Institutions
As of August 31, 2012
(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
U. T. Arlington	$ 15.1	4.1	46.2	65.4	175.4	240.8
U. T. Austin	35.2	132.2	1,531.6	1,699.0	804.9	2,503.9
U. T. Brownsville	3.8	-	5.7	9.5	44.2	53.7
U. T. Dallas	19.6	5.8	154.1	179.5	118.8	298.3
U. T. El Paso	3.2	16.6	101.1	121.0	68.6	189.6
U. T. Pan American	35.6	1.3	17.8	54.8	111.2	166.0
U. T. Permian Basin	10.5	0.1	13.2	23.7	14.2	37.9
U. T. San Antonio	52.3	0.7	51.5	104.5	168.8	273.3
U. T. Tyler	9.3	0.4	36.1	45.9	44.9	90.8

Appendix C - Calculation of Expendable Net Assets
Health Institutions
As of August 31, 2012
(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
Southwestern	$ 255.6	26.2	670.2	951.9	806.5	1,758.4
UTMB	211.4	22.2	197.6	431.1	171.5	602.6
UTHSC-Houston	4.3	13.1	145.4	162.8	371.4	534.3
UTHSC-San Antonio	(4.8)	8.1	180.2	183.6	204.8	388.3
M. D. Anderson	107.2	48.2	409.6	565.0	1,913.2	2,478.3
UTHSC-Tyler	(1.1)	0.7	16.4	16.0	39.5	55.5

Appendix D - Calculation of Annual Operating Margin
Academic Institutions
As of August 31, 2012
(In Millions)

Institution	Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	Less: Nonoperating Items: Other Nonop. Revenues	Other Nonop. Expenses	Gain/Loss on Sale of Cap. Assets	Net Increase/ (Decrease) in FV of Inv.	Margin From SRECNA	Other Adjustments: Minus: Realized Gains/ (Losses)	Plus: GEF & AUF Transfer	Plus: NSERB	Plus: Texas Enterprise Fund	Plus: HEAF for Op. Exp.	Plus: Interest Expense	Annual Operating Margin
U. T. Arlington	$ 29.8	-	(1.1)	(0.9)	(15.8)	47.6	-	1.1	-	-	-	(10.5)	38.4
U. T. Austin	(211.9)	10.6	(23.4)	(6.7)	(61.8)	(130.6)	(0.2)	212.7	-	-	-	(43.2)	39.2
U. T. Brownsville	1.7	-	-	-	(0.2)	1.9	-	0.1	-	-	1.5	(2.7)	0.8
U. T. Dallas	3.4	1.8	-	(0.6)	(2.8)	5.0	-	3.0	6.5	0.1	-	(11.0)	3.6
U. T. El Paso	2.4	-	-	-	(2.6)	5.2	(0.9)	1.8	-	-	-	(7.0)	0.9
U. T. Pan American	12.0	-	-	(0.1)	(0.5)	12.5	-	0.4	-	-	2.8	(3.8)	11.9
U. T. Permian Basin	8.0	-	-	-	(0.7)	8.7	-	0.3	-	-	-	(5.3)	4.1
U. T. San Antonio	34.9	-	-	-	(0.3)	35.5	0.6	0.9	-	-	-	(15.3)	20.5
U. T. Tyler	(3.8)	-	-	-	(1.8)	(2.0)	-	0.9	-	-	-	(3.9)	(5.1)

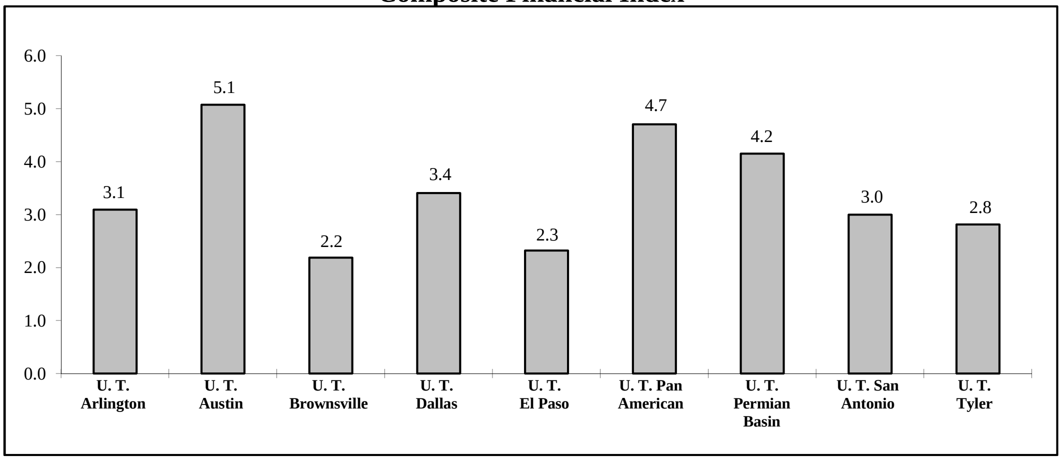
Appendix D - Calculation of Annual Operating Margin
Health Institutions
As of August 31, 2012
(In Millions)

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: HB 4 Funding	Plus: RAHC Transfer	Plus: GEF Transfer	Plus: Ike Funding*	Plus: Interest Expense	Annual Operating Margin
Southwestern	$ 104.1	2.0	(0.3)	(3.2)	(29.4)	134.9	4.0	(6.4)	-	9.8	-	(22.3)	112.0
UTMB	1.0	1.9	(2.4)	(1.8)	(6.7)	9.9	-	(15.4)	-	5.3	10.0	(7.9)	1.7
UTHSC-Houston	37.1	0.6	-	(1.9)	(1.9)	40.4	0.8	(11.1)	0.6	1.9	-	(10.3)	20.6
UTHSC-San Antonio	(7.6)	-	-	(0.7)	(8.4)	1.7	0.6	(3.4)	0.6	2.1	-	(10.1)	(9.6)
M. D. Anderson	402.9	-	(0.3)	1.7	(11.3)	412.4	32.8	(8.7)	-	5.0	-	(39.5)	336.4
UTHSC-Tyler	3.0	-	-	-	(0.8)	4.0	-	-	-	0.1	-	(1.5)	2.6

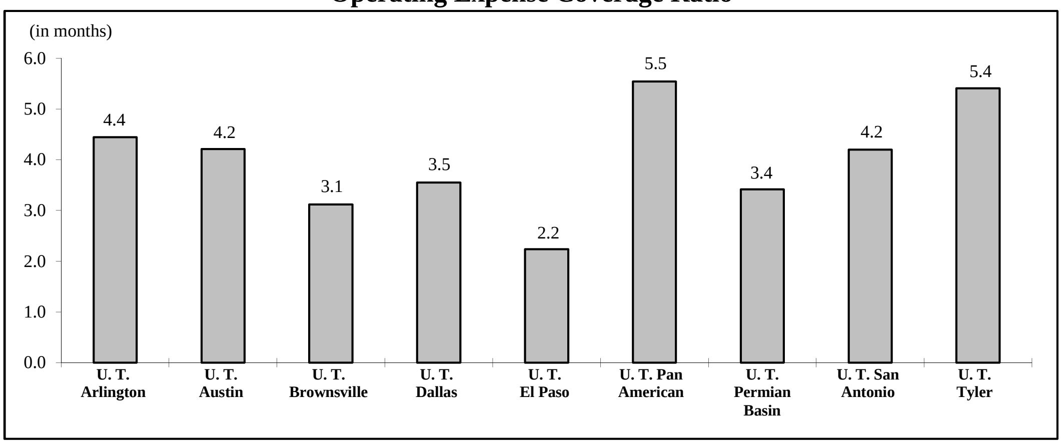
*UTMB was appropriated $150 million in FEMA State Matching funds that was recognized in general revenue in 2009 and was excluded from the Annual Operating Margin calculation in 2009. In 2012, UTMB spent $18.1 million of the FEMA State Matching funds of which $10.0 million was operating in nature; therefore, UTMB's Annual Operating Margin for 2012 was adjusted to include the $10.0 million.

Appendix E - Academic Institutions' Evaluation Factors
2012 Analysis of Financial Condition

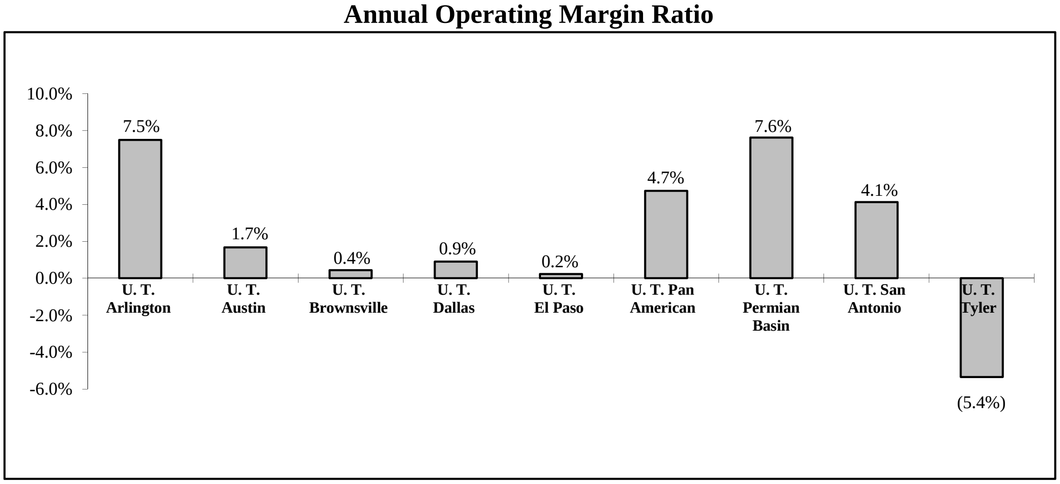
Composite Financial Index



Operating Expense Coverage Ratio

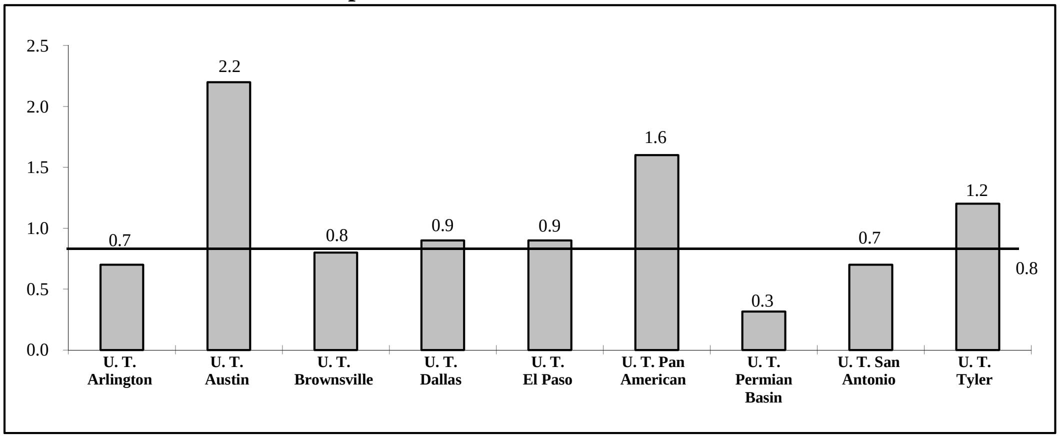


Annual Operating Margin Ratio

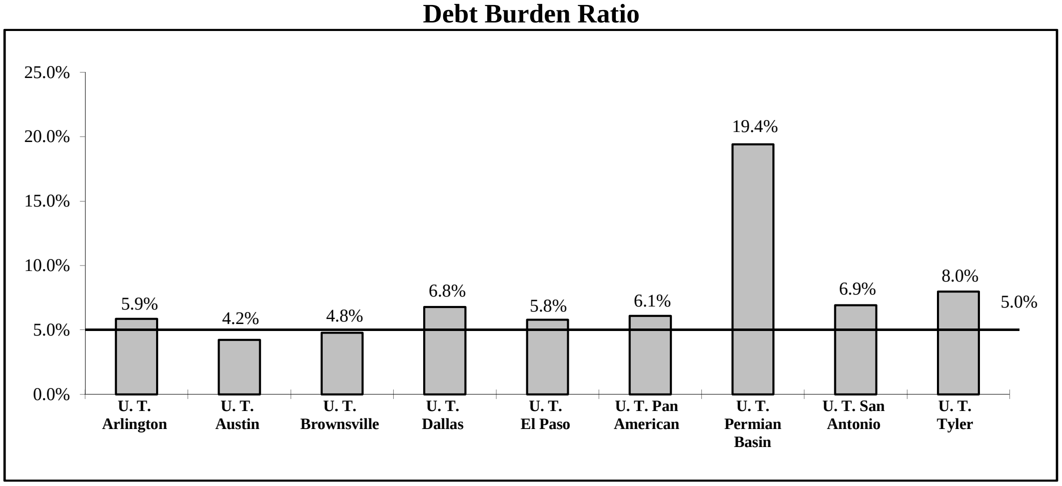


Appendix E - Academic Institutions' Evaluation Factors
2012 Analysis of Financial Condition

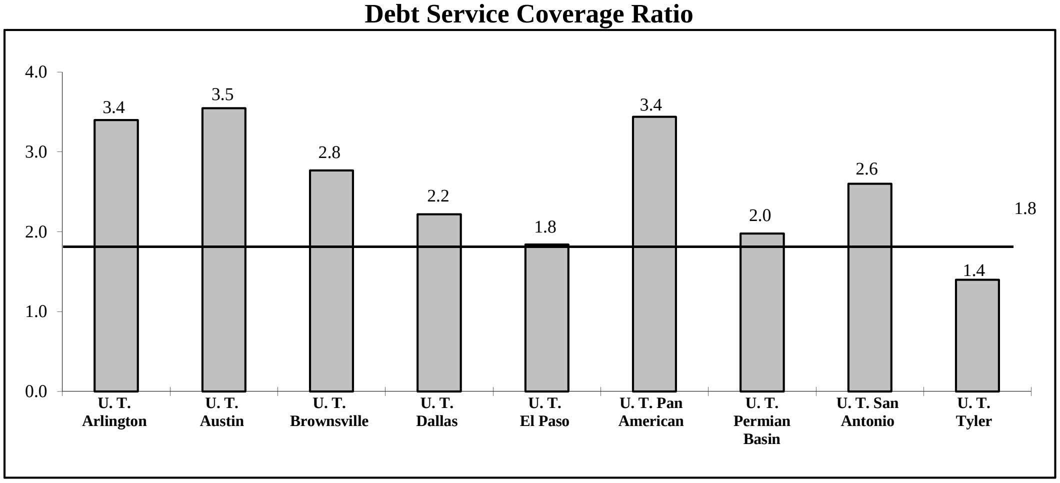
Expendable Resources to Debt Ratio



Debt Burden Ratio

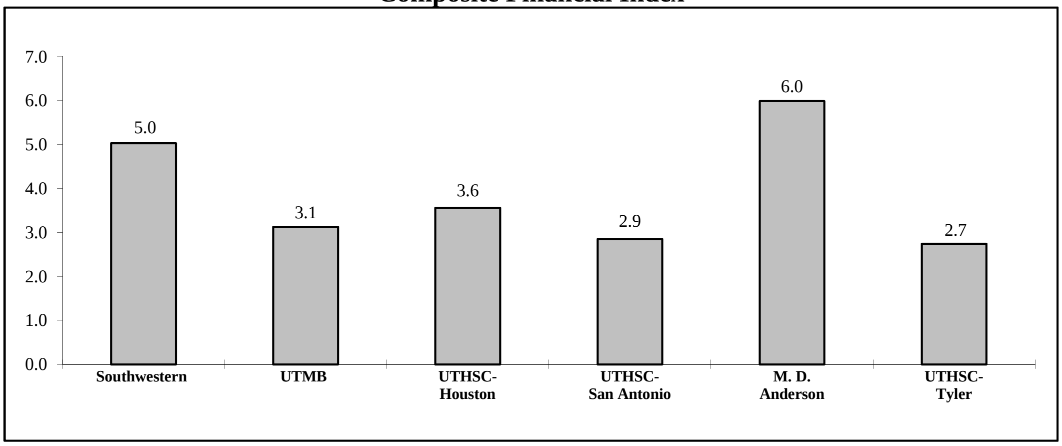


Debt Service Coverage Ratio

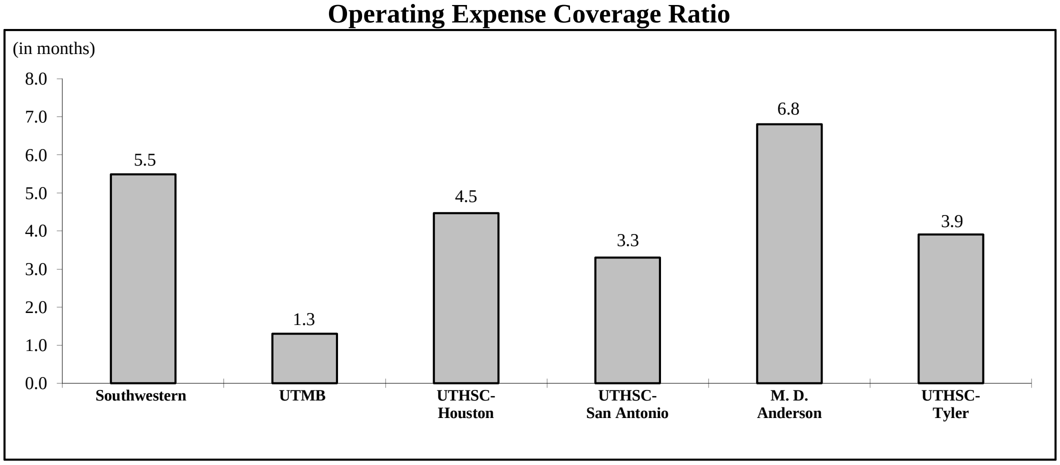


Appendix E - Health Institutions' Evaluation Factors
2012 Analysis of Financial Condition

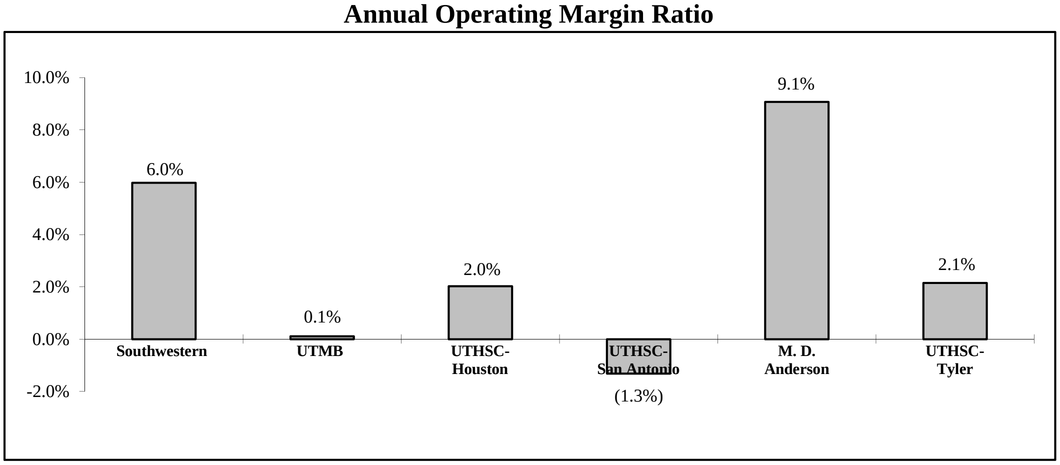
Composite Financial Index



Operating Expense Coverage Ratio

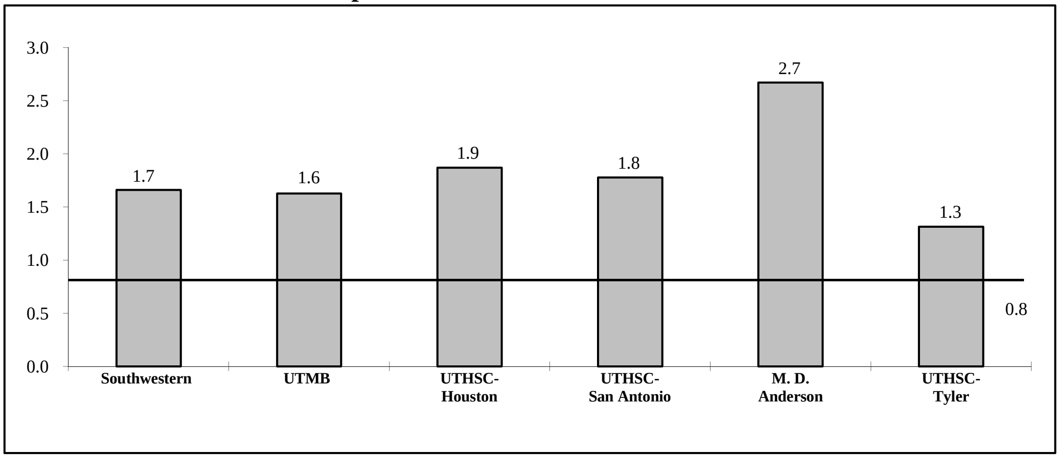


Annual Operating Margin Ratio

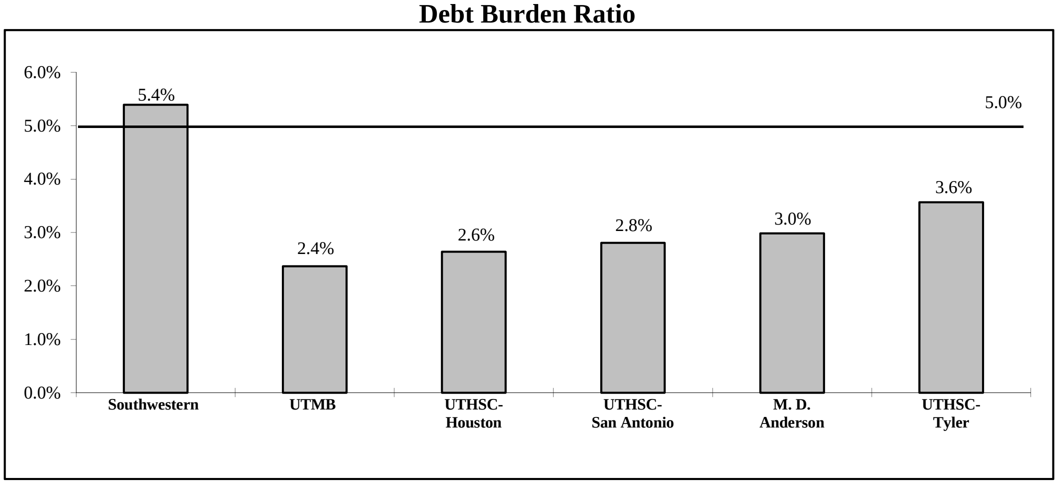


Appendix E - Health Institutions' Evaluation Factors
2012 Analysis of Financial Condition

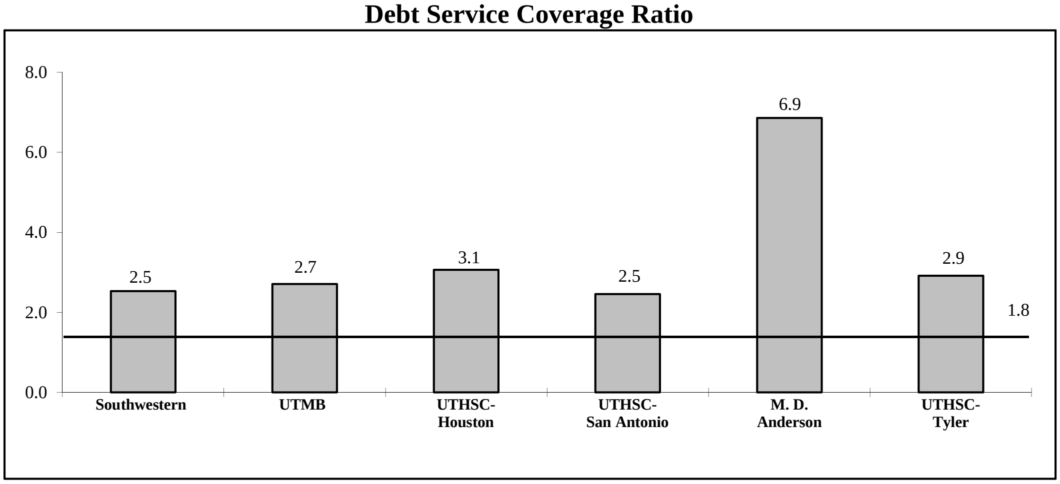
Expendable Resources to Debt Ratio



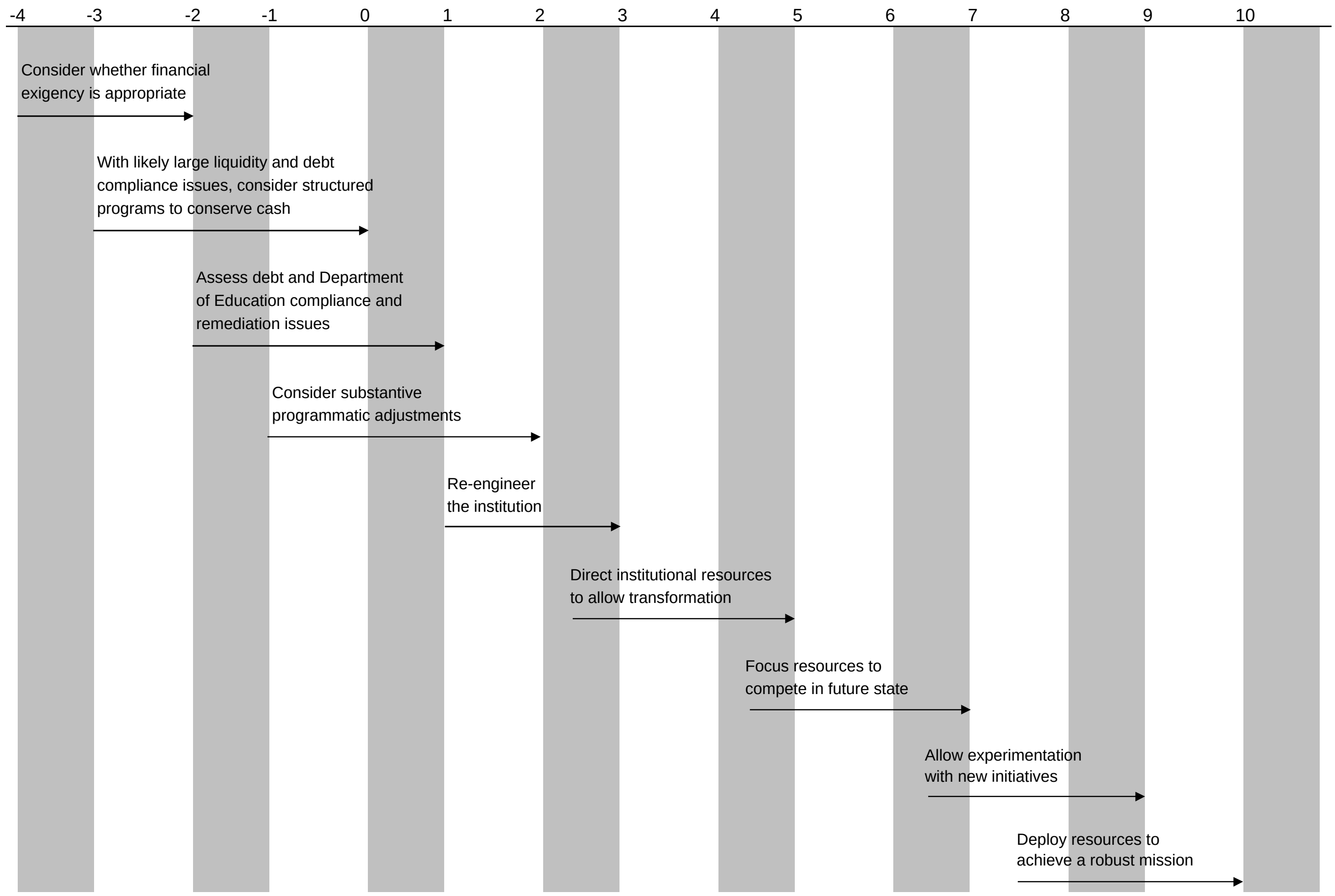
Debt Burden Ratio



Debt Service Coverage Ratio



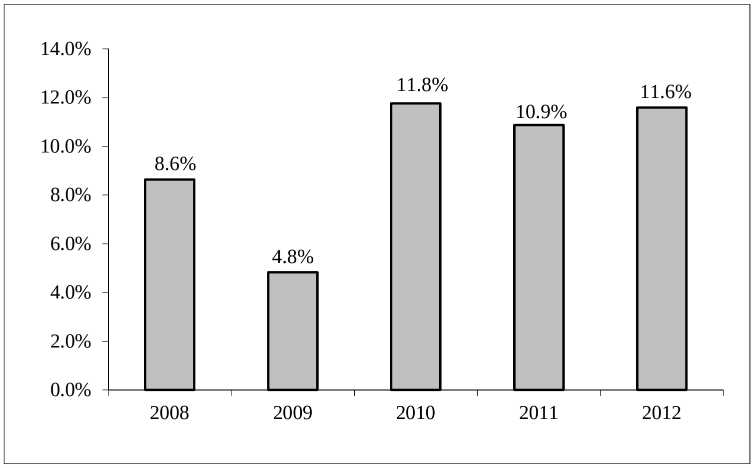
Appendix F - Scale for Charting CFI Performance



Source: *Strategic Financial Analysis for Higher Education,* Seventh Edition

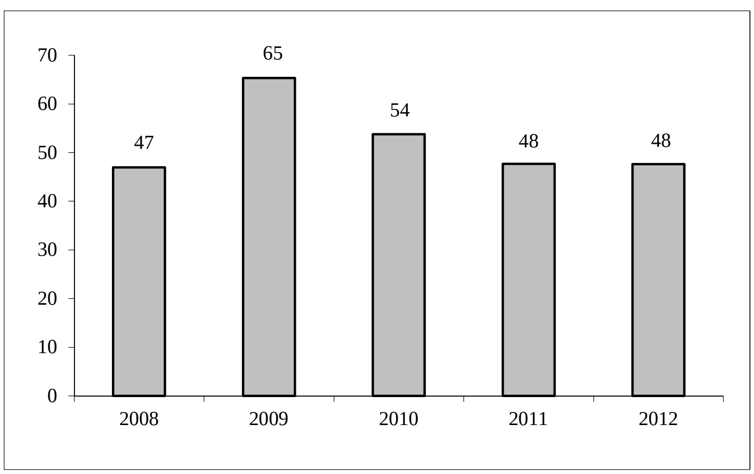
Appendix G - Key Hospital Operating Factors
The University of Texas Southwestern Medical Center

Annual Operating Margin Ratio



The annual operating margin ratio increased from 10.9% for 2011 to 11.6% for 2012 due to operating revenues increasing by $140.3 million, a 26.3% increase, while operating expenses increased by only $120.2 million, a 25.3% increase. The majority of the increase in operating expenses was attributable to increases in salaries and wages and benefits and the hiring of additional staff to accommodate a 5.3% increase in patient days, a 61.5% increase in hospital outpatient visits, a 6.8% increase in outpatient surgery center visits, and a 4.7% increase in emergency room visits.

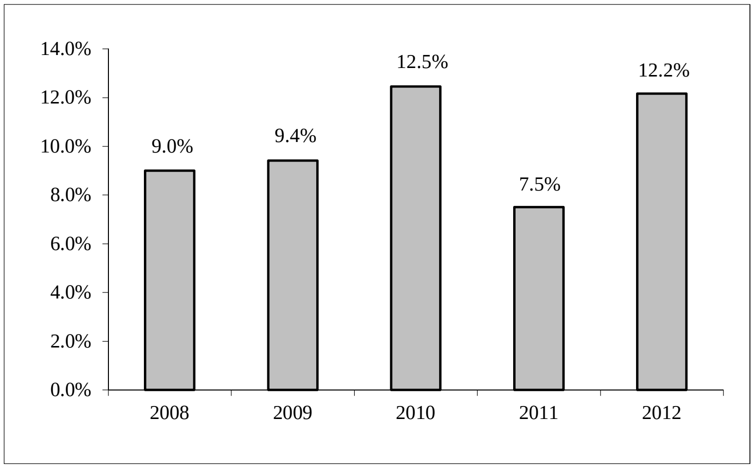
Net Accounts Receivable (in days)



The net accounts receivable days remained unchanged at 48 days. Gross patient receivables increased by $62.3 million, an increase of 33%. This increase was offset by an increase in reserves for contractual adjustments and bad debts of $40.4 million, an increase of 33%.

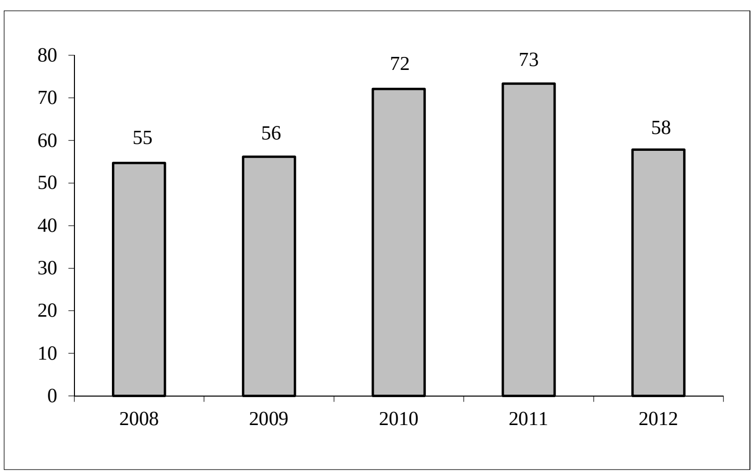
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Southwestern Medical Center

Annual Operating Margin Ratio



The annual operating margin ratio increased from 7.5% for 2011 to 12.2% for 2012 mainly due to a decrease in operating expenses from 11.9% for 2011 to 3.7% for 2012 while operating revenues remained relatively constant with only a 1.6% increase. The decrease in operating expenses was primarily attributable to decreases in maintenance and operations in the following areas: professional fees, materials and supplies, and other operating expenses due to the transfer of the Radiation Oncology and Pathology departments to the hospitals. Additionally, Southwestern received a professional liability insurance rebate of $3.0 million in 2012 as compared to a $4.7 million rebate in 2011.

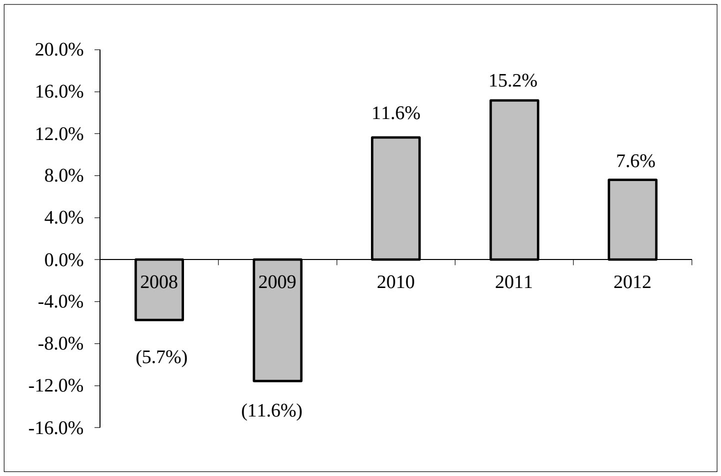
Net Accounts Receivable (in days)



Net accounts receivable (in days) decreased by 15 days due to modest growth of 0.8% in net charges and a decrease in accounts receivable of 20.5%. The minimal net charge increase was attributable to the transfer of the Radiation Oncology Department and Pathology department from the physician practice plan to the hospitals.

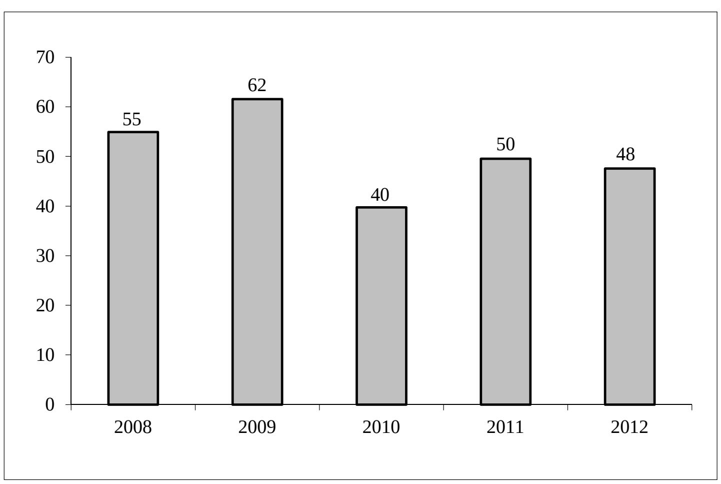
Appendix G - Key Hospital Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



UTMB Hospitals and Clinics' annual operating margin ratio decreased from 15.2% for 2011 to 7.6% for 2012. The Hospitals and Clinics' variance was primarily due to decreases in general revenue of $30.0 million, indigent care funds of $2.7 million, and other operating revenue of $5.1 million; and an increase in depreciation expense of $4.7 million.

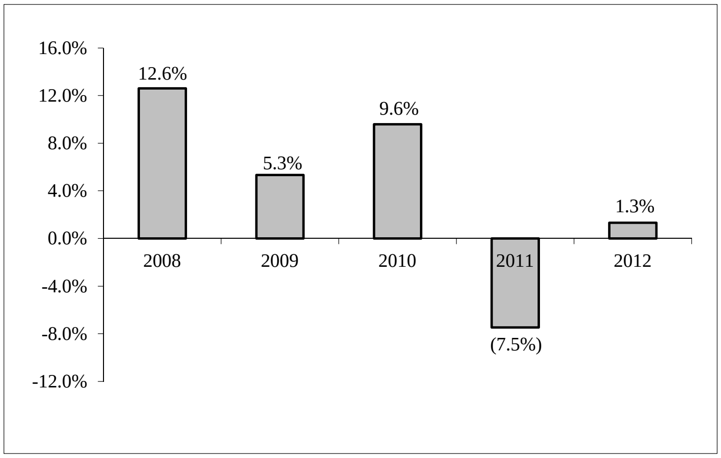
Net Accounts Receivable (in days)



Net accounts receivable in days remained relatively stable between 2011 and 2012. The small decrease in 2012 was attributable to a decrease in net patient accounts receivable of $1.7 million and an increase in net patient revenues of $5.1 million.

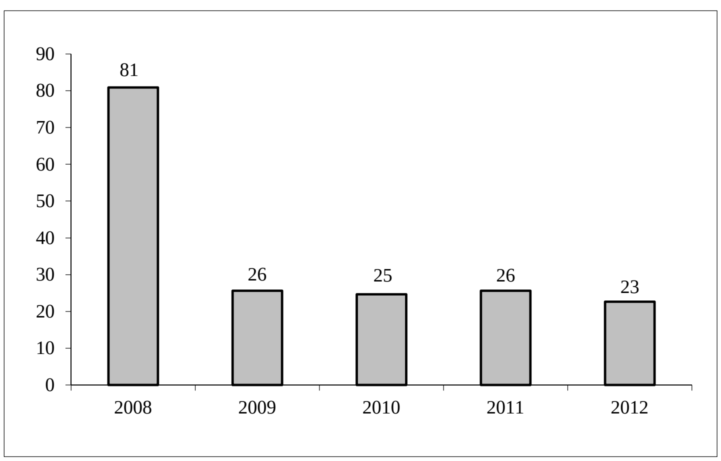
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Medical Branch at Galveston

Annual Operating Margin Ratio



The annual operating margin ratio improved from (7.5%) for 2011 to 1.3% for 2012 mainly due to an increase in net patient care revenue and the receipt of the Electronic Health Record Meaningful Use Incentive Program funds, which were partially offset by a decrease in contract revenue, resulting in an overall increase in operating revenues of $9.1 million. Additionally, in 2012 the operating expenses decreased by $6.3 million. The decrease in operating expenses was driven by decreased shared service costs, which were partially offset by an increase in salaries and a smaller professional liability insurance (PLI) rebate. The PLI rebate was $3.6 million in 2012 as compared to a rebate of $6.6 million in 2011. The physician practice plan program also received $0.6 million more in gifts for operations in 2012. The loss incurred in 2011 was mainly a result of increases in salaries and benefits totaling $12.0 million, which principally related to growth in recruitment of faculty associated with the clinical strategic plan.

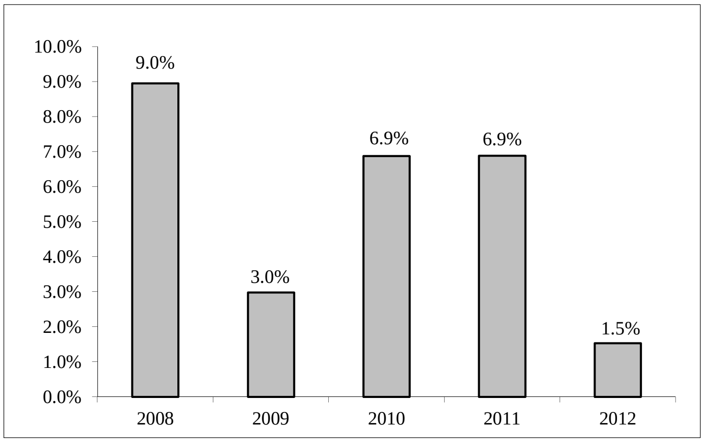
Net Accounts Receivable (in days)



Net accounts receivable in days remained relatively stable over the last few years. The slight decrease in 2012 was primarily due to an increase in net patient revenue, while patient accounts receivable remained materially unchanged.

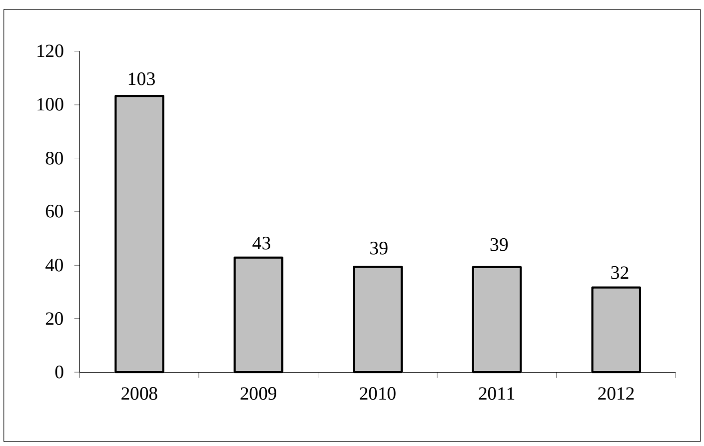
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Houston

Annual Operating Margin Ratio



The UT Health Harris County Psychiatric Center (HCPC) operating margin decreased from 6.9% in 2011 to 1.5% in 2012 due to an increase in transfers to educational and general funds to adequately cover recently defined administrative costs of $1.8 million and the allocation of premium sharing for HCPC retirees of $0.9 million.

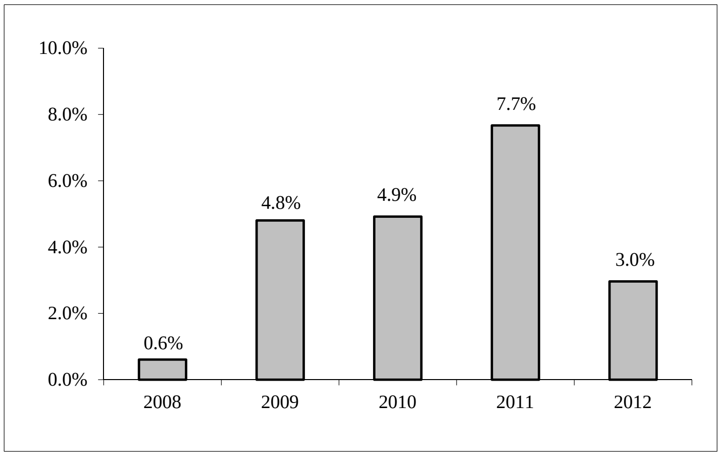
Net Accounts Receivable (in days)



Net accounts receivable in days decreased by 20% from 2011 to 2012. HCPC follows a conservative methodology for valuing patient accounts receivable. Improvements to the HCPC revenue cycle, such as timely identification of resources or indigent status and accurate entry of demographic and insurance information into the patient accounting system, also helped decrease days in accounts receivable.

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

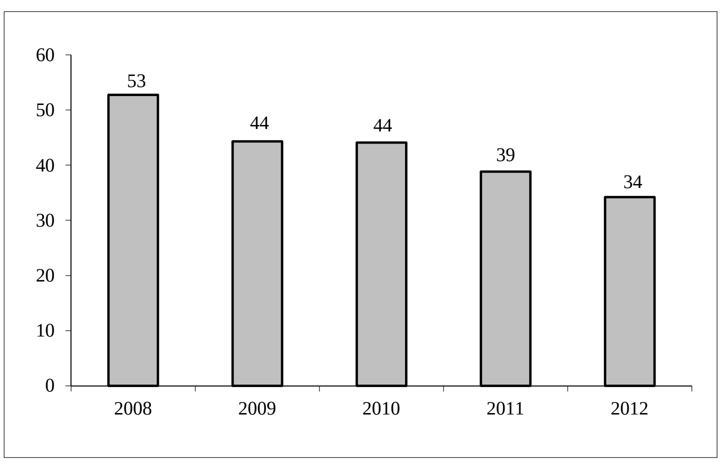
Annual Operating Margin Ratio



The annual operating margin ratio decreased from 7.7% for 2011 to 3.0% for 2012. While operating expenses increased about 17.0%, the majority of which related to recruitment of faculty and additional clinic personnel, operating revenues (including investment income) increased only about 12.0%. Patient revenue increased 10.0% mainly due to the faculty recruitment related to the current growth and expansion of the UT Physicians clinics. Contractual revenue increased 16.0%, 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 decreased by 85% mainly because interest income is no longer distributed by UTHSC-Houston to the various schools and therefore not recorded by the practice plan.

As a result of the current growth mode, many new faculty and clinic personnel were hired. Faculty and new clinics are still ramping up to earn their full potential in revenue. Likewise, significant start-up costs were incurred to open the new clinics. The result is the reduction in the annual operating margin ratio in 2012.

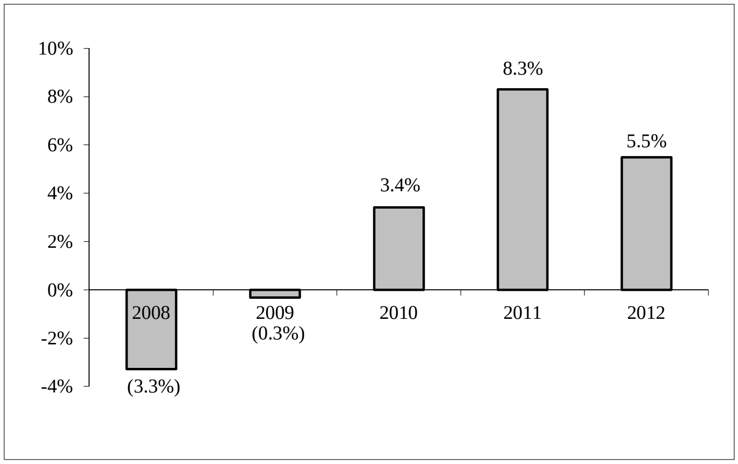
Net Accounts Receivable (in days)



A shift in more services provided by specialties which charge at greater percentages of Medicare, slight increases in the fee schedule, and a declining payor mix, resulted in the need for a more conservative allowance for doubtful accounts; therefore, the net accounts receivable value declined as a percentage of the net charges over the last twelve months. The result was fewer days in net accounts receivable.

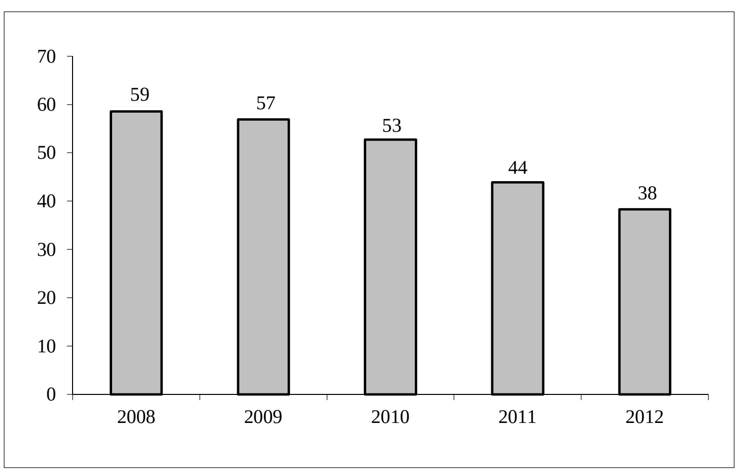
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at San Antonio

Annual Operating Margin Ratio



The annual operating margin comprises all medical clinical operations, including patient activities provided through the Cancer Therapy and Research Center (CTRC). The decrease in the annual operating margin ratio was primarily attributable to an ongoing effort to align faculty salaries with a more productivity-based compensation plan aimed at raising compensation levels for highly productive faculty whose current compensation rates are below the Association of American Medical Colleges median. Although total clinical and contract revenues from the Medical Arts and Research Center, University Hospital System, and CTRC increased by $12.7 million and overall operating expenses increased by $18.7 million, the practice plan attained a positive operating margin of $13.6 million in 2012. In addition, UTHSC-San Antonio received a professional liability insurance (PLI) rebate of $3.5 million in 2012 which was $1.8 million lower than 2011. UTHSC-San Antonio continues to reinvest incremental revenues towards recruitment efforts, addressing faculty compensation issues, and expanding programs and departments. Investments made in 2012 included the continued efforts to adjust performance-based compensation levels for faculty in line with XYZ plans, streamlining billing operations and patient services, as well as developing and implementing an infrastructure necessary to meet the goals and challenges of healthcare reform. These investments are anticipated to continue to increase future operations.

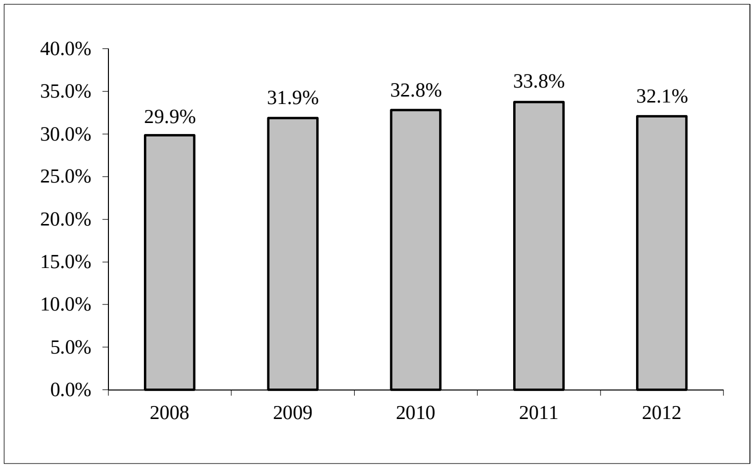
Net Accounts Receivable (in days)



The decrease in days outstanding of net accounts receivable was attributable to the continued approach implemented by UT Medicine-San Antonio that aggressively served to accelerate the identification of bad debts during the collection cycle. The renewal of effective collection and pre-collection agency contracts in 2012 allowed for better management of accounts, sustaining a consistent write-off period of accounts to bad debt at 120 days.

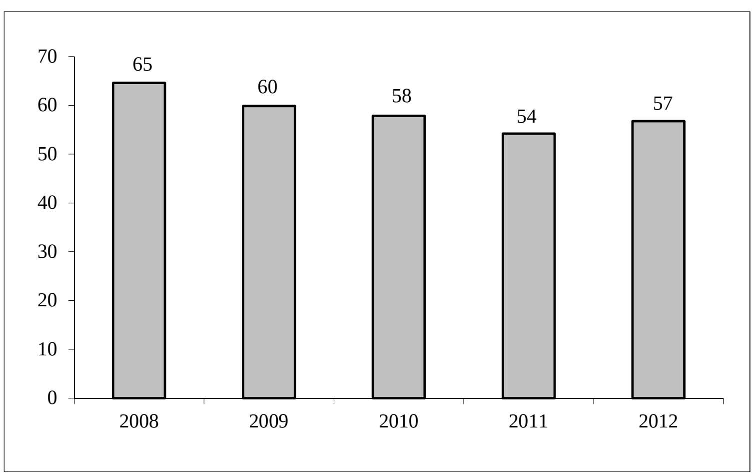
Appendix G - Key Hospital Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The annual operating margin ratio decreased from 33.8% for 2011 to 32.1% for 2012 due to a faster growth rate in operating expenses compared to the growth in operating revenues. The slower growth in operating revenues resulted from an increase in the amount of deductions to net patient revenues primarily caused by an increase in denials.

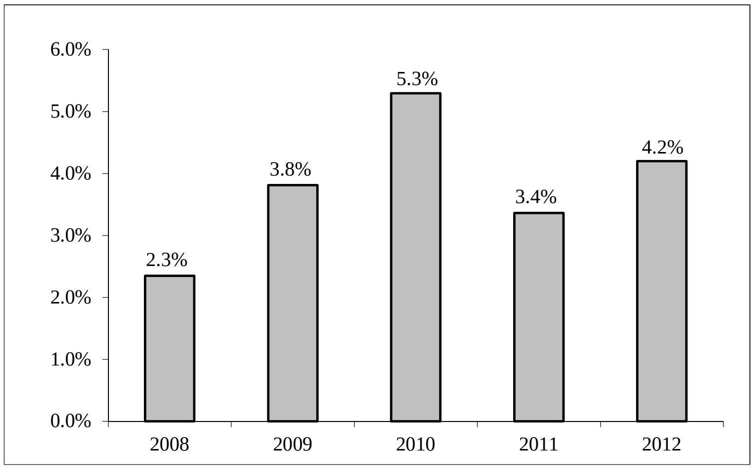
Net Accounts Receivable (in days)



The increase in net accounts receivable days from 54 in 2011 to 57 in 2012 was the result of third party payors slowing the reimbursement process and denying more claims on the first submittal of claims.

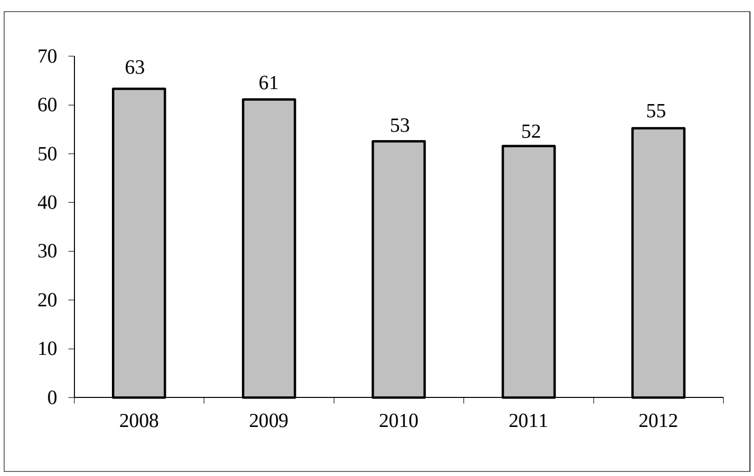
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas M. D. Anderson Cancer Center

Annual Operating Margin Ratio



The increase in the annual operating margin ratio from 3.4% for 2011 to 4.2% for 2012 was the result of an overall increase in patient activity and volumes within the Regional Care Centers from 2011. Partially offsetting this increase was the fact that in 2012 M. D. Anderson received a professional liability insurance rebate of $1.9 million, which was lower than the rebate received in 2011 of $3.3 million.

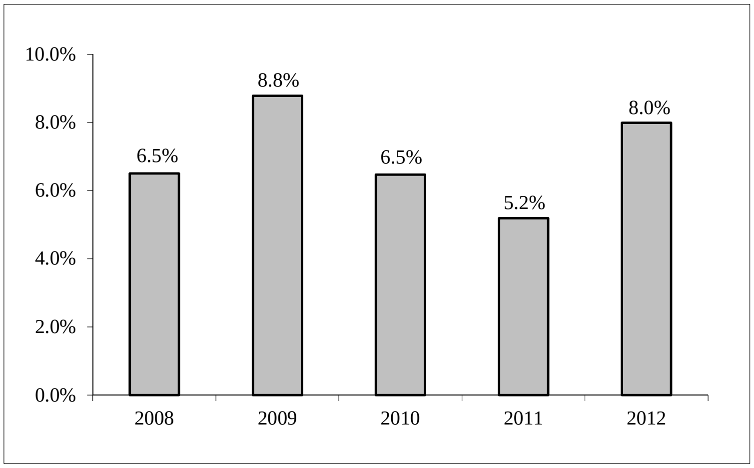
Net Accounts Receivable (in days)



The increase in net accounts receivable days from 52 in 2011 to 55 in 2012 was attributable to increased net charges and slower payment processing by third party payors.

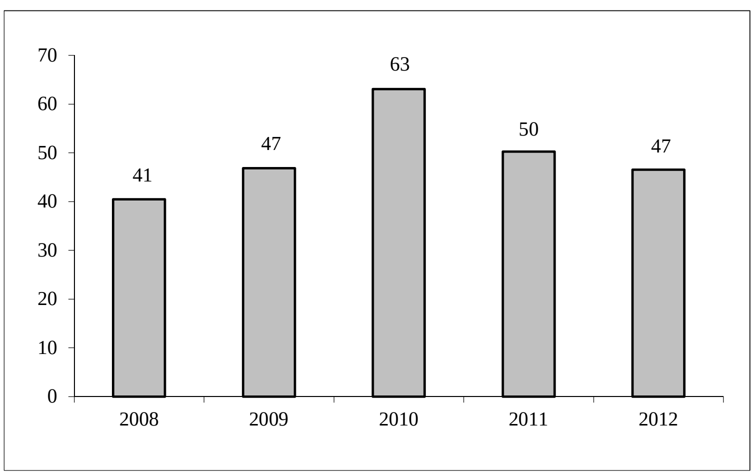
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The annual operating margin ratio increased from 5.2% for 2011 to 8.0% for 2012 primarily as a result of a 50% reduction in bad debt expense due to better collection efforts from both the Business Office and third party services. In addition, utility expenses decreased 26% due to new energy contracts initiated in 2012.

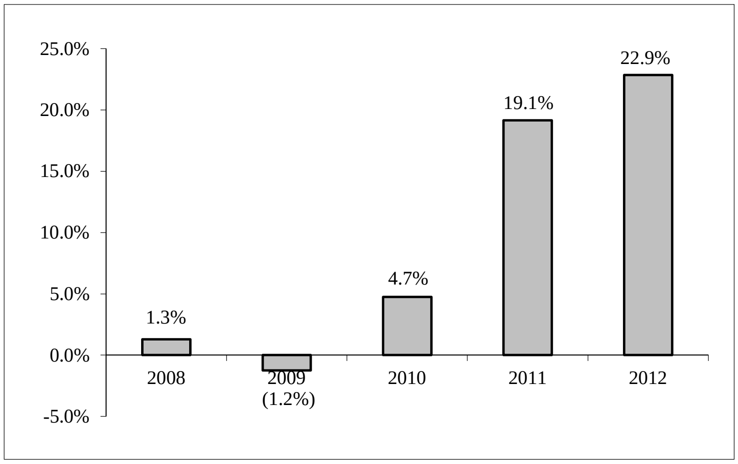
Net Accounts Receivable (in days)



The net accounts receivable in days decreased from 50 days in 2011 to 47 days in 2012. This decrease was attributable to better management of Medicaid and Health Maintenance Organization (HMO) accounts receivable which resulted in a more timely turnaround between patient service, billing, and collection.

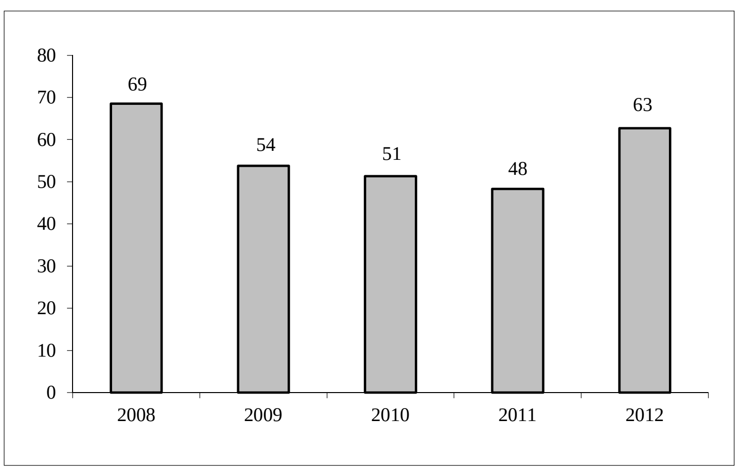
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Tyler

Annual Operating Margin Ratio



The annual operating margin ratio increased from 19.1% for 2011 to 22.9% for 2012. Contractual revenue increased as a result of the new Good Shepherd Internal Medicine Residency Program. In addition, the bad debt expense decreased due to better collection rates from the Business Office. In 2012 UTHSC-Tyler received a professional liability insurance (PLI) rebate of $0.2 million which was slightly less than the rebate received in 2011 of $0.3 million.

Net Accounts Receivable (in days)



The net accounts receivable in days increased from 48 days in 2011 to 63 days in 2012. An increase of Medicaid patients into the physician practice plan caused a substantial increase in physician accounts receivable. The turnaround time in physician billing and follow-up did not keep pace with the hospital's Medicaid collection efforts.

4. <u>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, 2012</u>

<u>REPORT</u>

The November 30, 2012 UTIMCO Performance Summary Report is attached on Page 169.

The Investment Reports for the quarter ended November 30, 2012, are set forth on Pages 170 - 173.

Item I on Page 170 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 2.59% versus its composite benchmark return of 1.92%. The PUF's net asset value increased by $217 million since the beginning of the quarter to $13,687 million. The increase was due to $202 million PUF Lands receipts, plus a net investment return of $345 million, less distributions made to the Available University Fund (AUF) of $330 million.

Item II on Page 171 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 2.65% versus its composite benchmark return of 1.92%. The GEF's net asset value increased by $124 million during the quarter to $7,229 million.

Item III on Page 172 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was 1.96% versus its composite benchmark return of 1.72%. The net asset value increased during the quarter to $5,088 million due to net investment return of $97 million, plus net contributions of $136 million, less distributions of $38 million.

All exposures were within their asset class and investment type ranges. Liquidity was within policy.

Item IV on Page 173 presents book and market values of cash, debt, equity, and other securities held in funds outside of the PUF, GEF, and ITF. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus money market fund, decreased by $265 million to $1,950 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $22 million versus $22 million at the beginning of the period; equities: $54 million versus $53 million at the beginning of the period; and other investments: $3 million versus $12 million at the beginning of the period.

UTIMCO Performance Summary

November 30, 2012

ENDOWMENT FUNDS	Net Asset Value 11/30/2012 (in Millions)	Short Term: 1 Mo	Short Term: 3 Mos	Year to Date: Fiscal	Year to Date: Calendar	Historic Returns: 1 Yr	Historic Returns: 3 Yrs	Historic Returns: 5 Yrs	Historic Returns: 10 Yrs
		Periods Ended November 30, 2012 (Returns for Periods Longer Than One Year are Annualized)							
Permanent University Fund	$ 13,687	0.99%	2.59%	2.59%	9.96%	8.75%	8.44%	2.13%	8.48%
General Endowment Fund		1.00	2.65	2.65	10.08	8.87	8.52	2.14	8.61
Permanent Health Fund	990	1.00	2.63	2.63	9.99	8.76	8.44	2.08	8.52
Long Term Fund	6,239	1.00	2.63	2.63	10.00	8.77	8.45	2.08	8.53
Separately Invested Funds	117	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	21,033								
OPERATING FUNDS									
Intermediate Term Fund	5,088	0.50	1.96	1.96	8.41	7.46	6.67	2.80	N/A
Debt Proceeds Fund	625	0.01	0.05	0.05	0.16	0.17	N/A	N/A	N/A
Short Term Fund	1,287	0.01	0.04	0.04	0.15	0.16	0.19	0.89	2.01
Total Operating Funds	7,000								
Total Investments	$ 28,033								
VALUE ADDED (1) (Percent)									
Permanent University Fund		0.47%	0.67%	0.67%	2.32%	1.78%	1.77%	2.29%	2.36%
General Endowment Fund		0.48	0.73	0.73	2.44	1.90	1.85	2.30	2.49
Intermediate Term Fund		0.11	0.24	0.24	2.24	1.44	2.68	2.43	N/A
Debt Proceeds Fund		(0.01)	0.01	0.01	0.06	0.08	N/A	N/A	N/A
Short Term Fund		(0.01)	-	-	0.05	0.07	0.08	0.32	0.22
VALUE ADDED (1) ($ IN MILLIONS)									
Permanent University Fund		$ 64	$ 90	$ 90	$ 287	$ 224	$ 645	$ 1,431	$ 2,736
General Endowment Fund		35	52	52	164	129	374	806	1,553
Intermediate Term Fund		6	12	12	104	68	362	544	N/A
Total Value Added		$ 105	$ 154	$ 154	$ 555	$ 421	$ 1,381	$ 2,781	$ 4,289

Footnotes available upon request

UTIMCO 1/3/2013

I. PERMANENT UNIVERSITY FUND

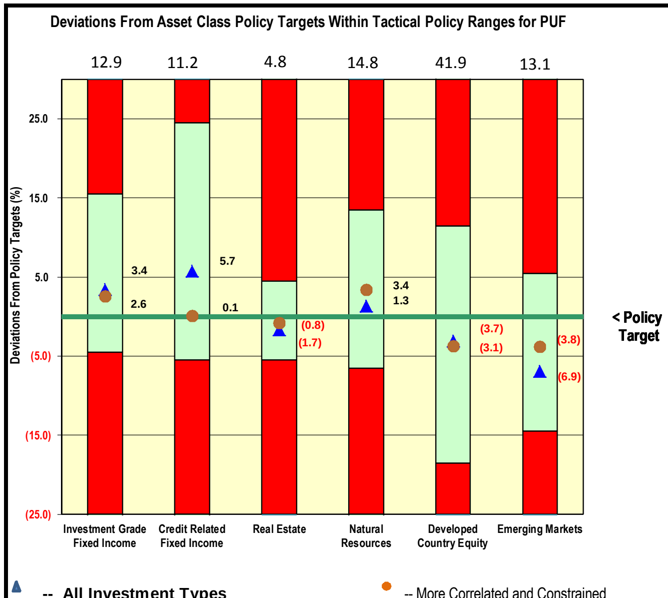
Investment Reports for Periods Ended November 30, 2012

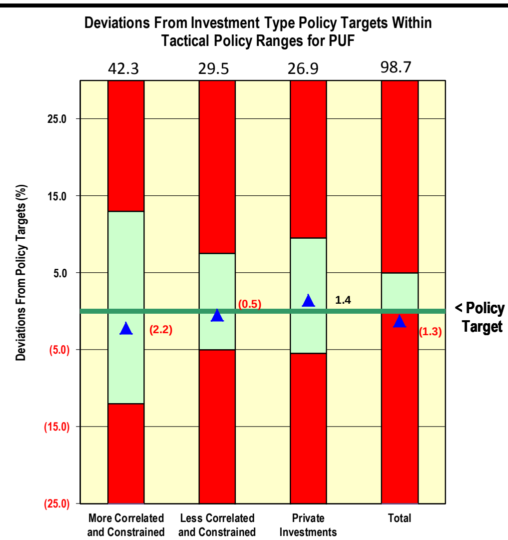
Prepared in accordance with *Texas Education Code* Sec. 51.0032

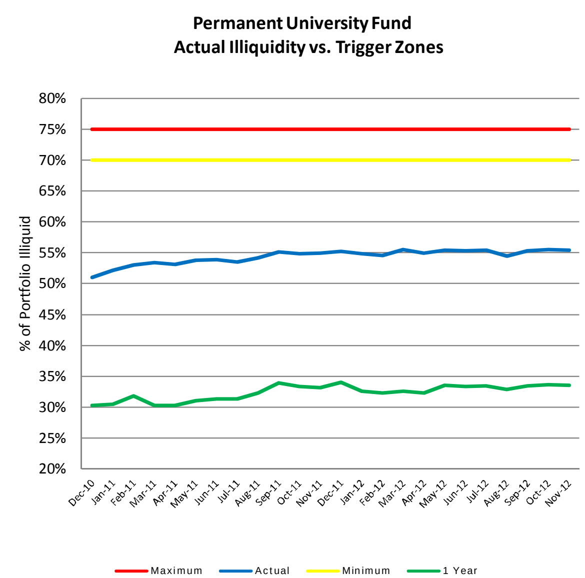
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2012	Quarter Ended November 30, 2012	Fiscal Year to Date August 31, 2013
Beginning Net Assets	$ 12,688	$ 13,470	$ 13,470
PUF Lands Receipts	955	202	202
Investment Return (Net of Expenses)	403	345	345
Distributions to AUF	(576)	(330)	(330)
Ending Net Assets	$ 13,470	$ 13,687	$ 13,687

	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	0.92%	1.07%	-0.04%	-0.01%	-0.05%
Credit-Related	5.36%	4.71%	0.00%	0.00%	0.00%
Real Estate	3.25%	3.36%	0.00%	-0.01%	-0.01%
Natural Resources	0.31%	-0.63%	-0.05%	0.08%	0.03%
Developed Country	5.20%	3.36%	-0.12%	0.28%	0.16%
Emerging Markets	4.79%	6.73%	-0.11%	-0.23%	-0.34%
Total More Correlated and Constrained	**2.74%**	**3.22%**	**-0.32%**	**0.11%**	**-0.21%**
Less Correlated and Constrained	**1.54%**	**1.10%**	**0.06%**	**0.06%**	**0.12%**
Private Investments	**3.53%**	**0.64%**	**0.22%**	**0.54%**	**0.76%**
Total	**2.59%**	**1.92%**	**-0.04%**	**0.71%**	**0.67%**







II. GENERAL ENDOWMENT FUND

Investment Reports for Periods Ended November 30, 2012

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

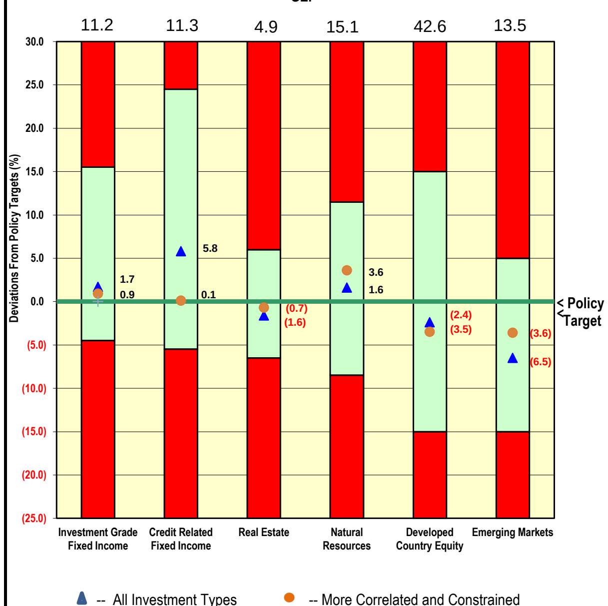
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2012	Quarter Ended November 30, 2012	Fiscal Year to Date August 31, 2013
Beginning Net Assets	$ 7,049	$ 7,105	$ 7,105
Contributions	194	26	26
Withdrawals	(17)	(3)	(3)
Distributions	(344)	(89)	(89)
Investment Return (Net of Expenses)	223	190	190
Ending Net Assets	$ 7,105	$ 7,229	$ 7,229

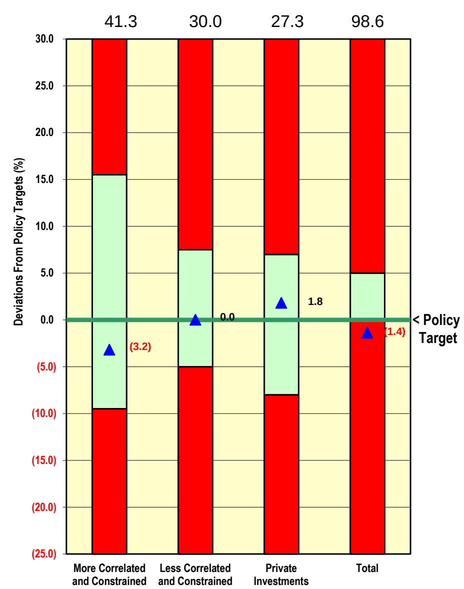
Fiscal Year to Date

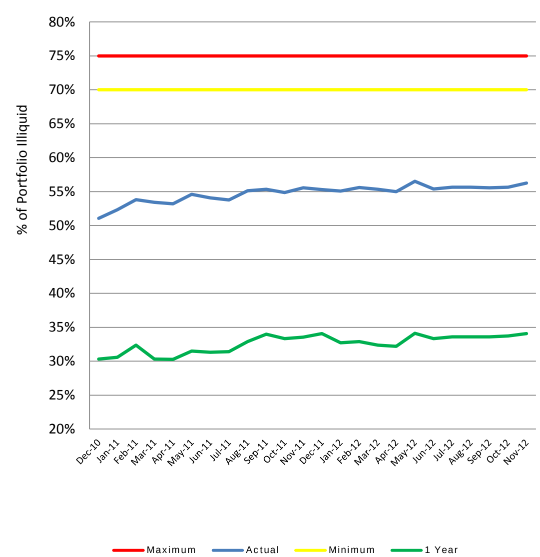
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	1.21%	1.07%	-0.01%	0.01%	0.00%
Credit-Related	5.36%	4.71%	0.00%	0.00%	0.00%
Real Estate	3.25%	3.36%	0.00%	-0.01%	-0.01%
Natural Resources	0.32%	-0.63%	-0.05%	0.08%	0.03%
Developed Country	5.19%	3.36%	-0.11%	0.28%	0.17%
Emerging Markets	4.81%	6.73%	-0.11%	-0.23%	-0.34%
Total More Correlated and Constrained	**2.87%**	**3.22%**	**-0.28%**	**0.13%**	**-0.15%**
Less Correlated and Constrained	**1.54%**	**1.10%**	**0.06%**	**0.06%**	**0.12%**
Private Investments	**3.53%**	**0.64%**	**0.22%**	**0.54%**	**0.76%**
Total	**2.65%**	**1.92%**	**0.00%**	**0.73%**	**0.73%**

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



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





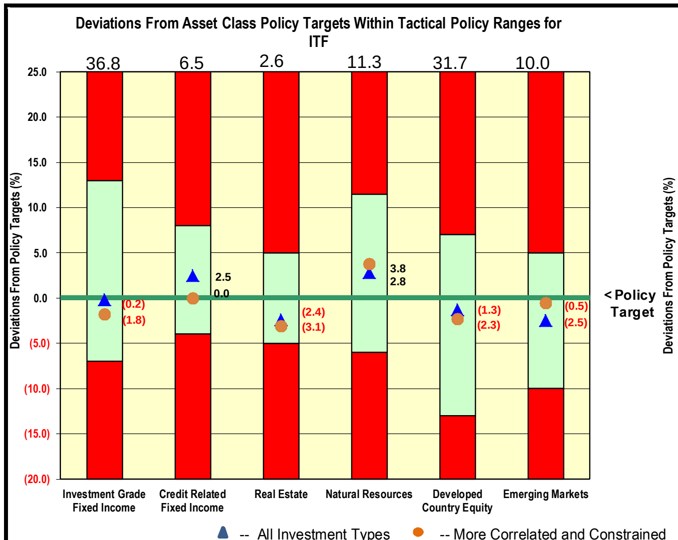
III. INTERMEDIATE TERM FUND
Investment Reports for Periods Ended November 30, 2012
Prepared in accordance with *Texas Education Code* Sec. 51.0032

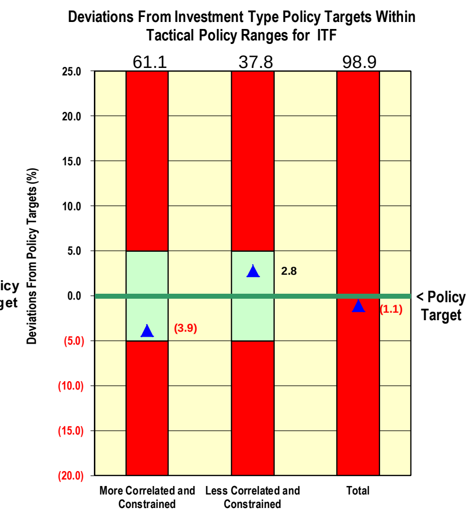
Summary of Capital Flows

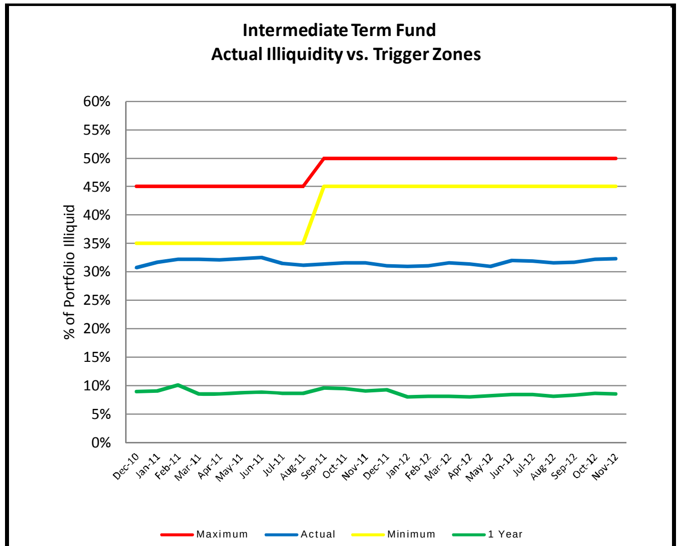
($ millions)	Fiscal Year Ended August 31, 2012	Quarter Ended November 30, 2012	Fiscal Year to Date August 31, 2013
Beginning Net Assets	$ 4,662	$ 4,893	$ 4,893
Contributions	420	170	170
Withdrawals	(183)	(34)	(34)
Distributions	(142)	(38)	(38)
Investment Return (Net of Expenses)	136	97	97
Ending Net Assets	$ 4,893	$ 5,088	$ 5,088

Fiscal Year to Date

	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	1.48%	1.07%	0.01%	0.14%	0.15%
Credit-Related	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	3.32%	3.36%	-0.04%	0.00%	-0.04%
Natural Resources	0.33%	-0.63%	-0.06%	0.08%	0.02%
Developed Country	5.49%	3.36%	-0.09%	0.21%	0.12%
Emerging Markets	4.86%	6.73%	-0.01%	-0.14%	-0.15%
Total More Correlated and Constrained	**2.21%**	**2.05%**	**-0.19%**	**0.29%**	**0.10%**
Less Correlated and Constrained	**1.54%**	**1.10%**	**0.05%**	**0.09%**	**0.14%**
Private Investments	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total	**1.96%**	**1.72%**	**-0.14%**	**0.38%**	**0.24%**







IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at November 30, 2012

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

($ thousands)

FUND TYPE

	CURRENT PURPOSE															
	DESIGNATED		RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		OPERATING FUNDS (DEBT PROCEEDS AND (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 08/31/12	-	-	1,667	1,667	39,266	39,266	2,179	2,179	1,201	1,201	44,313	44,313	2,170,920	2,170,920	2,215,233	2,215,233
Increase/(Decrease)	-	-	378	378	(7,766)	(7,766)	659	659	857	857	(5,872)	(5,872)	(259,362)	(259,362)	(265,234)	(265,234)
Ending value 11/30/12	-	-	2,045	2,045	31,500	31,500	2,838	2,838	2,058	2,058	38,441	38,441	1,911,558	1,911,558	1,949,999	1,949,999
Debt Securities:																
Beginning value 08/31/12	-	-	45	45	11,778	13,105	8,610	9,332	-	-	20,433	22,482	-	-	20,433	22,482
Increase/(Decrease)	-	-	-	-	(328)	(265)	100	180	-	-	(228)	(85)	-	-	(228)	(85)
Ending value 11/30/12	-	-	45	45	11,450	12,840	8,710	9,512	-	-	20,205	22,397	-	-	20,205	22,397
Equity Securities:																
Beginning value 08/31/12	461	3,290	1,097	1,330	30,117	34,417	13,634	14,186	-	-	45,309	53,223	-	-	45,309	53,223
Increase/(Decrease)	-	(777)	312	115	1,032	934	-	378	-	-	1,344	650	-	-	1,344	650
Ending value 11/30/12	461	2,513	1,409	1,445	31,149	35,351	13,634	14,564	-	-	46,653	53,873	-	-	46,653	53,873
Other:																
Beginning value 08/31/12	-	-	5,687	5,687	10	10	456	144	6,179	6,179	12,332	12,020	-	-	12,332	12,020
Increase/(Decrease)	-	-	(5,333)	(5,333)	(1)	(1)	12	-	(4,161)	(4,161)	(9,483)	(9,495)	-	-	(9,483)	(9,495)
Ending value 11/30/12	-	-	354	354	9	9	468	144	2,018	2,018	2,849	2,525	-	-	2,849	2,525
Total Assets:																
Beginning value 08/31/12	461	3,290	8,496	8,729	81,171	86,798	24,879	25,841	7,380	7,380	122,387	132,038	2,170,920	2,170,920	2,293,307	2,302,958
Increase/(Decrease)	-	(777)	(4,643)	(4,840)	(7,063)	(7,098)	771	1,217	(3,304)	(3,304)	(14,239)	(14,802)	(259,362)	(259,362)	(273,601)	(274,164)
Ending value 11/30/12	461	2,513	3,853	3,889	74,108	79,700	25,650	27,058	4,076	4,076	108,148	117,236	1,911,558	1,911,558	2,019,706	2,028,794

Details of individual assets by account furnished upon request.

UTIMCO 12/18/2012

5. U. T. System: Report on Cost Efficiencies and Savings

Executive Vice Chancellor Kelley will discuss the Cost Efficiencies and Savings Report, as set forth on Pages 175 - 179. A PowerPoint presentation on Pages 180 - 182 is included for additional detail.

REPORT

Cost efficiencies and savings are an integral part of the Shared Services Initiative, which was most recently presented to the U. T. System Board of Regents' Finance and Planning Committee in an update on August 11, 2010. The term "Shared services" is the name given to a specific model for consolidating duplicative information technology and business services in large organizations with multiple, geographically distributed units. "Shared services" is distinct from mere centralization of services in that it encompasses the concept of shared governance and permits greater flexibility and responsiveness. The structure creates incentives for participation and is overseen not just by U. T. System Administration, but also by representatives from the participating U. T. System institutions.

The U. T. System has been utilizing many of the concepts of shared services for some time. The "value-added" philosophy emphasized by former Chancellor Yudof recognized the basic premise that efficiency and effectiveness are best obtained by sharing responsibility and resources of the U. T. System and its institutions. Facilities construction management and legal services are two examples within the U. T. System that are consistent with this shared services concept.

The formalization of a Shared Services Initiative with clear definition and objectives, utilization of best practices, and direct U. T. System investment was the next step in this evolutionary process. On August 10, 2006, the concept of the Shared Services Initiative was first introduced to the U. T. System Board of Regents. Guiding principles were suggested, potential costs and benefits were discussed, and numerous projects were identified. The following objectives of the Shared Services Initiative were outlined:

1. cost savings realized through economies of scale;
2. process improvements attained through standardization; and
3. universal application of institutionally preferred practices.

On October 4, 2006, the Shared Services Initiative was formally endorsed by the U. T. System Board of Regents and investments were approved for several specific projects.

The Shared Services Initiative update documents the basic principles and foundational elements, and offers a sampling of successful projects; highlights the critical success factors and significant value created since 2006; and indicates future opportunities and a methodology that will continue to add value to the U. T. System and the participating institutions.

Cost Efficiencies, Savings, and Value Added for The University of Texas System

I. Outsourcing (at the institutions)

Outsourcing non-mission critical operations has long been a practice at The University of Texas System (U. T. System). While outsourcing does not work effectively in every situation, the U. T. campus business officers consider it a viable cost saving alternative that has been implemented, in some form, at every campus. Currently U. T. System institutions have outsourced (at one or more campuses) the following services:

- Grounds maintenance
- Building maintenance
- Dining services
- Custodial services
- Bookstore operations
- Printing
- Transportation
- Childcare
- Event security
- Hospital services (patient billing, laundry, food service, language services)
- Vending
- Student housing management
- Temporary staffing
- Help desk operations
- Waste disposal

Collectively, outsourcing saves U. T. System institutions over $30 million per year.

II. Energy Use

1. Established Systemwide Energy Reduction Goals and Measurement Process

   The Board of Regents established the Energy Utilization Task Force (EUTF) in February 2001 to work with campuses in reviewing energy use and targeting reductions. U. T. System continues to annually review report energy usage against targets. Under the direction of the EUTF, through the use of multiple energy saving initiatives and tools, the System has reduced energy consumption by 17.9% per square foot since 2007 at a total savings of $151.3 million (over $30 million per year).

III. Cooperative Contracting and Purchasing

1. Created the U. T. System Supply Chain Alliance

   The U. T. System implemented a sophisticated strategic sourcing alliance and supply chain management project. Since 2007, the Alliance has saved U. T. System institutions over $91 million.

2. Funded and helped launch the U. T. System Shared Journal Collection

   In July 2005, The University of Texas Libraries joined with four other Texas universities (Rice University, University of Houston, Texas A&M University, and Texas Tech University) to establish the Texas Digital Library. Since 2007, the consolidated purchasing power and collective sharing of the digital library have saved participating institutions $426.7 million in scholarly journal subscriptions.

3. Acquired a Systemwide Software Site License from Oracle
   In June 2008, the System entered into a site license agreement with Oracle for use of its PeopleSoft administrative software systems and various other products. Thus far, the site license contract has saved the U. T. System $4.9 million with a measurable internal rate of return of 49.1%.

4. Entered into Multiple Non-Exclusive Systemwide Contracts
   - Negotiated new consolidated Master Banking Services Agreements and Master Depository Agreements with selected banks, saving the U. T. System and its institutions more than $2.2 million over the life of the agreements, while increasing minimum service level standards
   - Negotiated a new Merchant Card Processing Agreement that has saved the U. T. System and its institutions over $2.5 million
   - Negotiated a Systemwide Microsoft contract cutting costs by over 30%, generating savings of well more than $16.4 million
   - Negotiated a consolidated contract for website security, saving $1.2 million
   - Negotiated Systemwide Executive Search Contracts with multiple vendors, saving $4.5 million

IV. Other Shared Services Initiatives

The shared services model leverages the efficiencies and economies of scale while allowing the flexibility and responsiveness of local governance. Through numerous shared services activities the U. T. System has been able to realize significant cost savings, enhance efficiency through standardization, and promulgate identified “best practices.”

1. Created the Arlington and Houston Shared Data Centers
   Efficiencies realized through the creation of these two regional data centers have generated over $22 million in savings.

2. Implemented a Shared Student Information System in North Texas (TexSIS)
   A joint implementation of a Student Information System for U. T. Arlington, U. T. Dallas, and U. T. Tyler was completed in 2009 (on schedule and on budget) and has generated $7.5 million in savings.

3. Implemented a Joint Online Effort Reporting System
   A joint online effort reporting system has been implemented at all our campuses saving the campuses approximately $10.8 million.

4. Commenced Implementation of a Joint HR/Finance System for Seven Academic Institutions
   We are nearing completion of a joint implementation for a single instance HR/Finance system for seven academic institutions saving $71 million.

V. Debt Management

1. Debt Restructuring
   Since 2007, the Office of Finance has generated $99.3 million of present value savings through creative debt restructuring and refinancing.

2. Lowered Bond Issuance Costs
   U. T. System bond issuance costs are significantly lower than any other issuer in the state. Since 2007, these lower issuance costs have saved the U. T. System over $20.4 million.

3. Effectively Managed the System Debt Program
   In addition to savings generated through lower issuance costs and bond refunding, the Office of Finance has taken advantage of numerous atypical market conditions and use of self liquidity to capture over $75 million in savings since 2007.

VI. Centralized Investment of Operating Reserves

1. In February 2006, the System moved to pool and centrally invest institutional operating reserves
   From February 2006 to August 2012, this action has added $464 million of new revenue to our institutions.

VII. Insurance

1. Implemented the Rolling Owner Controlled Insurance Program
   The U. T. System consolidated the purchase of Workers' Compensation and General Liability insurance coverage for all contractors on U. T. System managed construction projects generating over $43.5 million in net cost savings since 2007.

2. System Management of Professional Medical Liability Insurance
   Through careful management and loss control (and through the benefits of state tort reform), the U. T. System has cut medical malpractice premiums by 48% in the last six years, saving $54 million, while rebating an additional $134 million to the institutions.

3. System Management of Workers' Compensation Insurance
   Through careful management and loss control, the U. T. System has cut workers' compensation premiums by over 59% in the last six years, saving over $41.8 million while investing $18.25 million in loss prevention programs.

4. System Management of other Risks and Associated Insurance (Not Including Named Storm Wind and Flood Protection)
   By carefully managing our comprehensive property protection program and other insurance programs (not including the ones mentioned above in items 1 - 3 or named storm wind and flood protection) the U. T. System has saved $8 million in premiums over the last five years.

VIII. Employee Benefits and Services

1. Reductions in Administrative Fees on Multiple Employee Benefit Contracts
   The U. T. System Office of Employee Benefits (OEB) worked to reduce the administrative fees on the multiple employee benefit contracts (including the health plan administrator, life, disability, dental, and flexible payment contracts) saving $20.2 million since 2007.

2. Pharmacy and Vision Contracts
   The U. T. System negotiated reduced costs on pharmacy and vision contracts saving $112 million since 2007.

3. Early Retirement Insurance Program and Medicare Part D
   OEB pursued and received federal subsidies for Early Retirement Insurance Program and Medicare Part D, generating $31.9 million in revenue.

4. Online "Evidence of Insurability" System and Systemwide Flu Shot Program
   The U. T. System implemented the first online "Evidence of Insurability" system and Systemwide flu shot program saving $3.6 million since 2010.

IX. Organizational and Other Efficiencies

1. Reductions in Administrative Positions
   At the request of the Board of Regents and under the direction of Chancellor Cigarroa, an organizational review was conducted at System offices, which resulted in the reduction of 27 positions in FY2009 and another 57 positions in FY2010 (84 positions in total) for savings to-date of $26.4 million.

X. Other Efficiency Measures Currently Planned or Underway

1. Shared Business Operations for the Health Institutions
   The business consulting firm, Accenture, has been engaged to conduct a benchmarking study of opportunities for shared business operations in the areas of Finance, Human Resource Management and Procurement among the U. T. System health institutions. The study prioritizes opportunities for greater efficiency, identifies and quantifies the estimated savings, and provides a possible roadmap for implementation. The study suggests that there are opportunities for savings of $10 to $30 million per year through shared or managed services.

2. Shared Business Operations for the Academic Institutions
   With the implementation next spring of a common Human Resource and Financial system, the majority of the academic institutions will be well positioned for shared business operations. A plan is in place to capture these shared operational opportunities, which could eventually save the academic campuses $5 to $10 million annually.

3. New U. T. System Complex
   Plans are underway for a new U. T. System complex to replace the five buildings where System employees are currently housed. This more efficient facility would save $2 million to $5 million annually and generate net present value savings of over $50 million over the next 30 years.

4. Code Assist – Shared Medical Coding for the Health Institutions
   A joint implementation of automated medical coding software (to accurately code medical procedures for proper billing, tracking, and reimbursement) is underway and pilot testing of the software is taking place. Opportunities exist for a shared coding operation that together with the automated software could generate millions of dollars in savings and efficiencies for the health institutions.

5. Clinical Trials Management System
   The joint implementation of a clinical trials management system for UTMB, UTHSC-Houston, UTHSC-San Antonio, and UTHSC-Tyler is being explored.

6. U. T. Research Cyberinfrastructure and Storage
   Joint management and investment of the needed cyberinfrastructure and storage to support research is being studied. This project has the potential to save our campuses tens of millions of dollars in IT investments.

U. T. System Cost Efficiencies Summary

Efficiency Measure	Savings/Value 2007 thru 2011	Estimated Savings/Value 2012	Estimated Savings/Value 2013	Estimated Savings/Value 2014	Estimated Savings/Value 2015	Estimated Savings/Value 2016	Estimated Savings/Value 2007 Thru 2016
Outsourcing (at Institutions)	$60,000,000	$30,000,000	$30,000,000	$30,000,000	$30,000,000	$30,000,000	$210,000,000
Energy Use Reductions	$99,500,000	$51,800,000	$50,000,000	$55,000,000	$60,000,000	$65,000,000	$381,300,000
Supply Chain Alliance	$68,000,000	$23,000,000	$25,000,000	$30,000,000	$35,000,000	$40,000,000	$221,000,000
U.T. System Shared Journal Collection	$347,000,000	$79,700,000	$80,000,000	$80,000,000	$80,000,000	$80,000,000	$746,700,000
Systemwide Software Site License from Oracle	$2,700,000	$2,200,000	$2,800,000	$2,800,000	$3,000,000	$3,300,000	$16,800,000
Multiple Non-Exclusive Systemwide Contracts	$20,400,000	$6,400,000	$6,500,000	$6,500,000	$6,500,000	$6,500,000	$52,800,000
Regional Data Centers	$21,250,000	$750,000	$750,000	$750,000	$750,000	$750,000	$25,000,000
Joint Student Information System Implementation	$7,000,000	$500,000	$500,000	$500,000	$500,000	$500,000	$9,500,000
Joint Online Effort Reporting System Implementation	$9,000,000	$1,750,000	$1,750,000	$1,750,000	$1,750,000	$1,750,000	$17,750,000
Joint HR/Finance System Implementation	$71,000,000		$5,000,000	$5,000,000	$5,000,000	$5,000,000	$91,000,000
Debt Restructuring	$89,800,000	$9,500,000	$10,000,000	$10,000,000	$10,000,000	$10,000,000	$139,300,000
Lower Bond Issuance Costs	$19,600,000	$800,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$24,400,000
Debt Management & Liquidity	$56,200,000	$18,800,000	$19,000,000	$19,500,000	$20,000,000	$20,000,000	$153,500,000
Centralized Investment of Operating Reserves	$401,800,000	$62,200,000	$100,000,000	$100,000,000	$100,000,000	$100,000,000	$864,000,000
Rolling Owner Controlled Insurance Program	$29,700,000	$13,750,000	$1,750,000	$5,000,000	$5,000,000	$5,000,000	$60,200,000
Professional Medical Liability Insurance (Premium Reductions)	$42,800,000	$11,200,000	$11,200,000	$11,200,000	$11,200,000	$11,200,000	$98,800,000
Professional Medical Liability Insurance (Distributions from Reserves)	$117,000,000	$17,000,000	$10,000,000				$144,000,000
Workers Compensation Program (Premium Reductions)	$32,500,000	$9,300,000	$9,500,000	$9,500,000	$9,500,000	$9,500,000	$79,800,000
Workers Compensation Program (Loss Prevention Investments)	$15,250,000	$3,000,000	$3,000,000	$3,000,000	$3,000,000	$3,000,000	$30,250,000
Other Risk and Insurance Management	$8,500,000	($500,000)	$3,000,000	$3,000,000	$4,000,000	$4,000,000	$22,000,000
Reduced Administrative Fees on Various Benefit Contracts	$14,800,000	$5,400,000	$6,000,000	$6,000,000	$6,000,000	$6,000,000	$44,200,000
Lower Pharmacy and Vision Care Costs	$86,250,000	$25,750,000	$27,500,000	$30,000,000	$30,000,000	$30,000,000	$229,500,000
Secured Federal Subsidies for Benefit Programs	$31,900,000						$31,900,000
Other Benefit & HR Savings	$2,400,000	$1,200,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$11,600,000
Administrative Personnel Reductions	$16,600,000	$9,800,000	$9,800,000	$9,800,000			$46,000,000
							$0
Efficiency Measures Currently Planned or Underway							
Shared Business Operations/Health Institutions (Financial, HR, Purchasing)				$10,000,000	$20,000,000	$30,000,000	$60,000,000
Shared Business Operations/Academic Inst. (Financial, HR, Purchasing)				$5,000,000	$10,000,000	$10,000,000	$25,000,000
New UT System Complex			$1,600,000	$3,800,000	$1,600,000	$1,000,000	$8,000,000
Code Assist - Shared Coding for Health Institutions							$0
Clinical Trials Management System - Health Institutions							$0
U.T. Research Cyberinfrastructure and Storage							$0
TOTAL SAVINGS/VALUE GENERATED	**$1,670,950,000**	**$383,300,000**	**$417,650,000**	**$441,100,000**	**$455,800,000**	**$475,500,000**	**$3,844,300,000**

Report on Cost Efficiencies and Savings

Dr. Scott Kelley, Executive Vice Chancellor for Business Affairs

U. T. System Board of Regents' Meeting
Finance and Planning Committee
February 2013

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

Cost Efficiencies: U. T. System Savings/Value Generated

	2007-2011	2012
Outsourcing (at institutions)	$ 60,000,000	$ 30,000,000
Energy Use Reductions	$ 99,500,000	$ 51,800,000
Supply Chain Alliance Purchases	$ 68,000,000	$ 23,000,000
Shared Journal Collections	$ 347,000,000	$ 79,700,000
Contracts	$ 23,100,000	$ 8,600,000
Regional Data Centers	$ 21,250,000	$ 750,000
Shared Software Applications	$ 87,000,000	$ 2,250,000
Debt Management	$ 165,600,000	$ 29,100,000
Centralized Investment	$ 401,800,000	$ 62,200,000
Insurance	$ 245,750,000	$ 53,750,000
Benefits	$ 135,350,000	$ 32,350,000
Personnel	$ 16,600,000	$ 9,800,000
TOTAL	**$1,670,950,000**	**$ 383,300,000**

Cost Efficiencies: Projected Future Savings/Value Added

	2013 - 2016
Outsourcing (at institutions)	$ 120,000,000
Energy	$ 230,000,000
Purchasing	$ 487,900,000
Shared Information Technology (IT)	$ 32,000,000
Debt Management	$ 122,500,000
Centralized Investment	$ 400,000,000
Insurance	$ 135,550,000
Benefits	$ 149,500,000
Personnel	$ 19,600,000
Shared Business Operations	$ 85,000,000
U. T. System Complex	$ 8,000,000
Other Shared Services	$???????
TOTAL	**$1,790,050,000**

6. <u>U. T. System: Report on the Fiscal Year 2012 Annual Financial Report, including the report on the U. T. System Annual Financial Report Audit, and audits of U. T. M. D. Anderson Cancer Center, U. T. Southwestern Medical Center, U. T. Medical Branch - Galveston, and U. T. Health Science Center - Tyler financial statements and for funds managed by The University of Texas Investment Management Company (UTIMCO)</u>

See Item 4 on Page 42 of the Audit, Compliance, and Management Review Committee.

TABLE OF CONTENTS FOR ACADEMIC AFFAIRS COMMITTEE

Committee Meeting: 2/13/2013

Board Meeting: 2/14/2013
Austin, Texas

R. Steven Hicks, Chairman
Robert L. Stillwell, Vice Chairman
Paul L. Foster
Wallace L. Hall, Jr.
Brenda Pejovich

		Committee Meeting	Board Meeting	Page
7.	**U. T. System: Report on U. T. System strategies to reduce undergraduate tuition by offsetting increases in FY 2014**	*10:10 a.m.* **Report/Discussion** *Dr. Kelley* *Dr. Reyes*	Not on Agenda	**192**
8.	**U. T. Austin: Update on the medical school in Austin**	*10:20 a.m.* **Report/Discussion** *President Powers*	Not on Agenda	**194**
9.	**U. T. Austin: Approval of expansion of preliminary planning authority for a Doctor of Medicine**	*10:30 a.m.* **Action** *President Powers* *Dr. Reyes*	**Action**	**195**
10.	**U. T. Austin: Progress on implementation of the Framework for Advancing Excellence throughout The University of Texas System and update on Commission of 125 Report**	*10:35 a.m.* **Report/Discussion** *President Powers*	Not on Agenda	**196**
11.	**U. T. San Antonio: Progress on implementation of the Framework for Advancing Excellence throughout The University of Texas System**	*10:55 a.m.* **Report/Discussion** *President Romo*	Not on Agenda	**241**
12.	**U. T. System: Discussion and appropriate action on academic leadership matters related to academic remediation**	*11:10 a.m.* **Action** *Dr. Reyes* *Commissioner Paredes* *Academic Presidents*	**Action**	**278**
Adjourn		*11:30 a.m.*		

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

(The proposed Consent Agenda is at the back of the book.)

2. U. T. Austin: Approval to endorse request to the U.S. Army to name the Army Reserve Officers' Training Corps (ROTC) Program as the Russell A. Steindam Army ROTC Program

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 request for U. T. Austin to seek approval from the U.S. Army to name the Army Reserve Officers' Training Corps (ROTC) Program as the Russell A. Steindam Army ROTC Program.

BACKGROUND INFORMATION

The Army ROTC Program at U. T. Austin currently serves 135 cadets and has more than 1,900 alumni. The program will be housed in the new Liberal Arts Building on the site that formerly held Russell A. Steindam Hall. The original Steindam Hall was dedicated in 1972 to honor First Lieutenant Steindam's service and sacrifice in the Vietnam War. Lt. Steindam was killed when he threw himself on a grenade in order to save the lives of his fellow soldiers and was awarded posthumously the Medal of Honor, our nation's highest award for valor.

Born on August 27, 1946, Lt. Steindam attended U. T. Austin where he majored in history and participated in the Army ROTC program. After graduation in 1968, he joined the Army and was deployed to Vietnam. He was killed in action on February 1, 1970, at the age of 23. The Medal of Honor was presented to his family on December 16, 1971, and read "for conspicuous gallantry and intrepidity in action at the risk of his life above and beyond the call of duty."

The proposed naming is consistent with the Regents' *Rules and Regulations*, Rule 80307, relating to the honorific naming of facilities and programs. Upon approval by the Board of Regents and the U.S. Army, the ROTC program will be named for Lt. Steindam.

3. U. T. Austin: Honorific naming of a new pilot program as the William P. Clements, Jr. Center for History, Strategy, and Statecraft

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 honorific naming of a new pilot program at U. T. Austin as the William P. Clements, Jr. Center for History, Strategy, and Statecraft to recognize the life and career of former Governor Clements and the support of the Clements Foundation.

BACKGROUND INFORMATION

The William P. Clements, Jr. Center for History, Strategy, and Statecraft will be designed to instill a better understanding of history among students, scholars, policymakers, and the general public as it relates to national security policy and statecraft. The Center's goal is to address a deficit in the historical understanding of national security policy in contemporary statecraft. The program will draw on the best insights of diplomatic, military, political, and international history for training the next generation of national security scholars and policymakers.

The Clements Foundation is partnering with U. T. Austin through a gift of $2.5 million to fund and develop a four-year pilot program named the William P. Clements, Jr. Center for History, Strategy, and Statecraft, in honor of former Texas Governor William P. Clements. The life and career of Governor Clements, particularly his Defense Department leadership during pivotal years in our nation's history, exemplify a judicious attention to history and its relationship to statecraft. Governor Clements died on May 29, 2011.

The proposed naming is consistent with the Regents' *Rules and Regulations*, Rule 80307, relating to the honorific naming of programs and facilities. This naming is proposed to honor Governor Clements and to recognize the significant support of the Clements Foundation to fund the new Center.

4. U. T. Austin: Honorific naming of the Applied Computational Engineering and Sciences (ACES) Building as the O'Donnell Applied Computational Engineering and Sciences Building

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 honorific naming of the Applied Computational Engineering and Sciences (ACES) Building as the O'Donnell Applied Computational and Sciences Building in recognition of Mr. Peter O'Donnell, Jr., for his extraordinary history of support.

BACKGROUND INFORMATION

The ACES Building, constructed in 2000, is a state-of-the-art facility that supports interdisciplinary research and graduate study in computational science and engineering, mathematical modeling, applied mathematics, software engineering, and computer visualization. Incorporating cutting-edge, user-friendly technology with the capacity for continual upgrading, the building is located in the heart of U. T. Austin's engineering and natural sciences complex at 201 East 24th Street.

Designed to attract outstanding students, scientists, and engineers from around the world, the facility houses a 2,900-square-foot visualization lab, bandwidth intensive research space for 300 graduate students, electronic seminar and videoconferencing rooms, and fully equipped offices for visiting researchers.

Mr. Peter O'Donnell, Jr., is, by any measure, one of the most generous supporters the University has had in its 130-year history. He is the principal donor or representative on 159 endowments, with a combined current market value of more than $407 million. The ACES Building was itself a gift to the University from Mr. O'Donnell in 2000.

The proposed naming is consistent with the Regents' *Rules and Regulations*, Rule 80307, relating to the honorific naming of facilities. This naming is proposed to recognize the extraordinary impact of Mr. O'Donnell's support on U. T. Austin.

5. U. T. Permian Basin: Amendment to the Regents' *Rules and Regulations*, Rule 40601, Sections 1.9(b) and (c), concerning proposed name changes of the U. T. Permian Basin School of Business to the College of Business and Engineering, and the School of Education to the College of Education

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor and General Counsel, and President Watts that the Regents' *Rules and Regulations*, Rule 40601, Sections 1.9(b) and (c), concerning institutions comprising The University of Texas System, be amended as set forth below in congressional style:

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

. . .

1.9 The University of Texas of the Permian Basin (U. T. Permian Basin)

. . .

(b) The University of Texas of the Permian Basin College ~~School~~ of Business and Engineering

(c) The University of Texas of the Permian Basin College ~~School~~ of Education

. . . .

BACKGROUND INFORMATION

The reorganization of the U. T. Permian Basin School of Business and School of Education has been approved by the Executive Vice Chancellor for Academic Affairs pending approval of the name change by the Board. Upon approval from the Board of Regents, the name change will be forwarded to the Texas Higher Education Coordinating Board for their approval.

6. U. T. System: Discussion and appropriate action to recommend four-year guaranteed tuition as an option for each academic campus

RECOMMENDATION

At the meeting, the Chancellor and the Executive Vice Chancellor for Academic Affairs will make a recommendation concerning guaranteed tuition at each U. T. System academic institution.

BACKGROUND INFORMATION

The implementation by universities and university systems nationwide of guaranteed tuition plans primarily targeting undergraduate students occurred primarily between 2004 and 2010. Guaranteed tuition plans allow students and families to better plan for the cost of a degree, rather than being subject to unknown annual increases in tuition.

Nationally, high profile guaranteed tuition programs have been established at the following public institutions: the University System of Georgia, the University of Illinois System, Arizona State University, the University of Kansas, and the University of Colorado Boulder. Universities often incorporate expected cost increases into the guaranteed tuition rate to cover inflation and operating costs in the context of revenue streams within a university's financial portfolio. Total academic costs must focus on student success and excellence across the mission of the university.

Within the U. T. System, U. T. Dallas established a mandatory guaranteed tuition program for students entering in Fall 2008 or later, and U. T. El Paso established an optional guaranteed tuition program for students entering in Fall 2006 or later. Although the institutions of each program differ significantly, the primary policy incentives for establishing guaranteed plans are substantially the same.

7. U. T. System: Report on U. T. System strategies to reduce undergraduate tuition by offsetting increases in FY 2014

Executive Vice Chancellor Kelley will report on U. T. System strategies to reduce undergraduate tuition by offsetting increases in FY 2014.

REPORT/BACKGROUND INFORMATION

At the May 3, 2012 meeting of the U. T. System Board of Regents, the Board approved delegation to Chancellor Cigarroa, Executive Vice Chancellor Kelley, and Executive Vice Chancellor Reyes to use and allocate excellence funding in the amount of $6.6 million to U. T. Austin in FY 2013 and FY 2014 to offset undergraduate tuition. The Board also approved the use and allocation of Available University Funds (AUF) of $8 million in each of the next two years in any manner deemed permissible by law to allow the U. T. System academic institutions to waive or minimize the charge of additional resident undergraduate tuition for FY 2013 and FY 2014 and to further assist the U. T. System academic institutions in their transition to the increased efficiency and productivity envisioned by the Framework.

The U. T. System Office of Business Affairs worked with the U. T. System academic institutions to utilize the AUF to offset tuition increases. As a result, resident undergraduate tuition increases in Fall 2013 are as outlined on the following page.

Resident Undergraduate Tuition Increases (with Set Aside)

	Board Approved Fall 2012	Actual Increase Fall 2012	Board Approved Fall 2013	Actual Increase Fall 2013
UT Arlington	0.00%	0.00%	2.60%	**0.00%**
UT Austin	0.00%	0.00%	0.00%	0.00%
UT Brownsville	2.60%	2.60%	2.60%	**0.20%**
UT Dallas	3.80%	**2.82%**	3.80%	**2.93%**
UT El Paso	2.20%	2.20%	2.20%	**0.64%**
UT Pan American	2.40%	2.40%	2.40%	**0.20%**
UT Permian Basin	2.40%	2.40%	2.40%	**0.00%**
UT San Antonio	1.70%	1.70%	1.70%	**0.60%**
UT Tyler	2.10%	2.10%	2.10%	**0.00%**

8. U. T. Austin: Update on the medical school in Austin

REPORT

President Powers will provide an update on the medical school in Austin.

9. U. T. Austin: Approval of expansion of preliminary planning authority for a Doctor of Medicine

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Powers that the U. T. System Board of Regents approve

a. expansion of preliminary planning authority for U. T. Austin to include a Doctor of Medicine; and

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

BACKGROUND INFORMATION

The proposed Doctor of Medicine (M.D.) will be the first doctoral program in medicine to be initiated at a major, established research university in the United States for several decades. The program will prepare physicians to be skilled clinicians, biomedical scientists, professional leaders, and innovators in the ongoing transformation of the health care system in Texas and nationally.

In addition to building a faculty dedicated to medicine, the doctoral program will draw on the University's existing teaching and research strengths in natural sciences, engineering, and relevant fields in the social sciences and humanities. Students in the program will benefit from interdisciplinary training in fields such as cell and molecular biology, neuroscience, biomedical engineering, chemistry, public health, sociology, psychology, and health care policy. The program will also draw on the University's well-regarded programs in nursing, pharmacy, and social work to educate young physicians in interprofessional team settings that prepare them to function effectively in the health care system of the future.

Once preliminary planning authority is approved, U. T. Austin will submit the degree program proposal for approval by the U. T. System Board of Regents and the Coordinating Board.

10. <u>U. T. Austin: Progress on implementation of the Framework for Advancing Excellence throughout The University of Texas System and update on Commission of 125 Report</u>

<u>REPORT</u>

President Powers will give an update on the progress at U. T. Austin to implement the Framework for Advancing Excellence throughout The University of Texas System and an update on Commission of 125 Report. See the PowerPoint presentations on the following pages.

U. T. Austin
and the
Framework for Advancing Excellence

President Bill Powers
Board of Regents' Meeting
Academic Affairs Committee
February 2013

1. Undergraduate Student Access and Success

Strategy/Metrics	Accomplishments	Challenges
Affordability (Access)	• Tuition rising 40% more slowly than peers • Scholarship growth	• Legislative support • Funding formula • PUF funding
Transfer streamline (Access)	• OnRamps – Texas Consortium • Reverse transfer agreement (ACC) • Curricular issues w/school districts	
Diversity (Access)	More diverse than ever • White 51% • Hispanic 17% • Asian 15% • Black 4% About 25% first-generation college	• *Fisher* v. *Univ. of Texas* • K-12 challenges

1. Undergraduate Student Access and Success (cont.)

Strategy/Metrics	Accomplishments	Challenges
Freshman retention (Success)	• 94.7%* • Signature Courses • Freshman Research Initiative	Class size, student services
Graduation rates (Success)	• Highest graduation rate of Texas publics • Orientation overhaul • Course Transformation • Public Flagships Network/AAU • School of Undergraduate Studies	• Down economy • Changing student expectations • Success depends on many players

* http://www.txhighereddata.org/Interactive/Accountability/UNIV_Complete_PDF.cfm?FICE=003658

1. Undergraduate Student Access and Success (cont.)

Strategy/Metrics	Accomplishments	Challenges
Redesign support services for at-risk students	Currently in mid-redesign for Gateway, Texas Interdisciplinary Plan, Longhorn Scholars programs	
Alumni success	*WSJ Smart Money* ranking No. 3 nationally for alumni salaries	

2. Faculty, Administrators, and Staff Excellence

Strategy/Metrics	Accomplishments	Challenges
Rankings	• Top 25 Global was result of faculty	Funding per student formula works against us
Excellence in leadership	Recruitment: • Linda A. Hicke, Dean of Natural Sciences • Ward Farnsworth, Dean of Law • Luis H. Zayas, Dean of Social Work • Gage Paine, VP of Student Affairs	Competition, Salary pressure
Enfranchisement	Close work with faculty and staff councils	Salary stagnation
Faculty and staff awards and recognition	Faculty: Top three awards in mathematics all to U. T. Austin: Steele, Wolf, and Birkhoff Prizes Staff: Top award in utility conservation	

3. Research

Strategy/Metrics	Accomplishments	Challenges
Focus on strengths… • Computation • Medical/health • Commercialization • Energy	• $628 million, up 26% since 2006 ($496 million) • $6.8 million to $20.3 million in patent income, up more than 300%	• Contraction of federal dollars post-stimulus • Funding for facilities

4. Productivity and Efficiency

Strategy/Metrics	Accomplishments	Challenges
• Cost per student, per degree, per faculty ranking	• $46 million cut two years in a row • Among lowest per-degree costs in nation while attaining high rankings • Online and blended learning, flipped classrooms, and massive open online courses	• Elbow room/ bandwidth to make the necessary changes • Changing the ship while sailing

4. Productivity and Efficiency (cont.)

Strategy/Metrics	Accomplishments	Challenges
• Consult leaders in private sector to see where University could improve consistent with educational mission • Metrics: Dollars saved	Formation of Committee on Business Productivity • Administrative Services Transformation – shared services • Asset Utilization • Technology Commercialization	• Change requires investment

5. Strategic Information Technology Infrastructure Investments

Strategy/Metrics	Accomplishments	Challenges
7 strategic Information Technology capital projects with budget outlays of $5.8-$8 million	Of the seven capital projects, four are nearly complete: • Build-out of the east hall of the data center • Selection of the Voice over Internet Protocol (VoIP) core technology • Implementation of disaster recovery for critical services • Continued investments in information security	• The upgrade of the web infrastructure is still in progress • An upgrade to the building access control system has been postponed • Additional disaster recovery for critical services needed to be deferred to the coming year

6. Enhancing Philanthropic Success

Strategy/Metrics	Accomplishments	Challenges
• Complete Campaign for Texas. Based on historical production and several key gift projections, we predict we will be in reach of our goal by Fall 2014. • Emphasis on planned giving • Student philanthropy program will sow seeds for future giving	• Four of the top five gift-production years in U. T. Austin history have been during the campaign • $2.1 billion raised • Medical School named • Raising about $1 million a day • Averaging nearly $120 million more a year than during “We’re Texas” • More than 1,000 new endowments during campaign	• Down economy

7. Ph.D. Programs

Strategy/Metrics	Accomplishments	Challenges
• Assure high performance Ph.D. programs – Graduate Student Information Systems • Mentor and Advise Ph.D. Students – milestone agreements • Shorten time to degree with multiyear assistance packages and decentralized funding	• Milestone Agreement mandate on track for completion in Fall 2013 • Graduate Student Information System (GSIS), an integrated portal for graduate reporting and assessment and rolled out in Fall 2011	• Economic downturn constricts career pathways for Ph.D. • U. T. Austin has answered with robust new career services for Ph.D.s

THE UNIVERSITY OF TEXAS AT AUSTIN

WHAT STARTS HERE CHANGES THE WORLD

8. The Health of Texas

Strategy/Metrics	Accomplishments	Challenges
• Open a medical school in 2017	Major funding secured • Board of Regents • Seton Healthcare Family • Central Health • Namesake donation	• Site the school • Get necessary certifications • Hire inaugural dean • Begin hiring faculty

9. Expanding Educational and Health Opportunities in South Texas

Strategy/Metrics	Accomplishments	Challenges
Recruiting our own students from South Texas	• Admissions Center in Harlingen • Outreach Center in McAllen • Rio Grande Valley Scholars Program (Development Office)	• K-12 inequities • Cultural and socio-economic challenges
Partner with Valley institutions on select programs	Cooperative Pharmacy Program (U. T. Pan American, U. T. El Paso)	

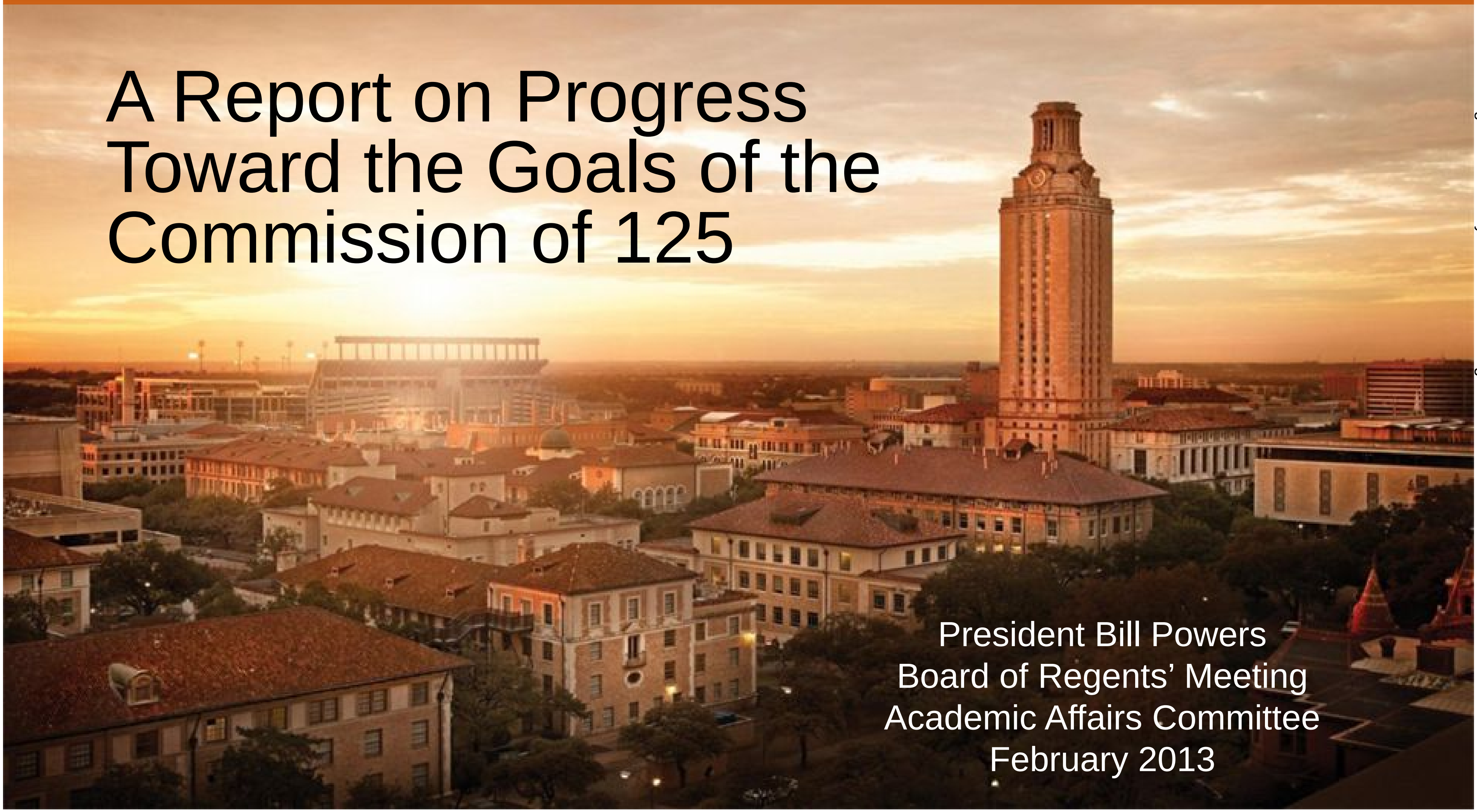
U. T. Austin
and the
Framework for Excellence

President Bill Powers

THE UNIVERSITY OF TEXAS AT AUSTIN

WHAT STARTS HERE CHANGES THE WORLD

A Report on Progress Toward the Goals of the Commission of 125



President Bill Powers
Board of Regents' Meeting
Academic Affairs Committee
February 2013

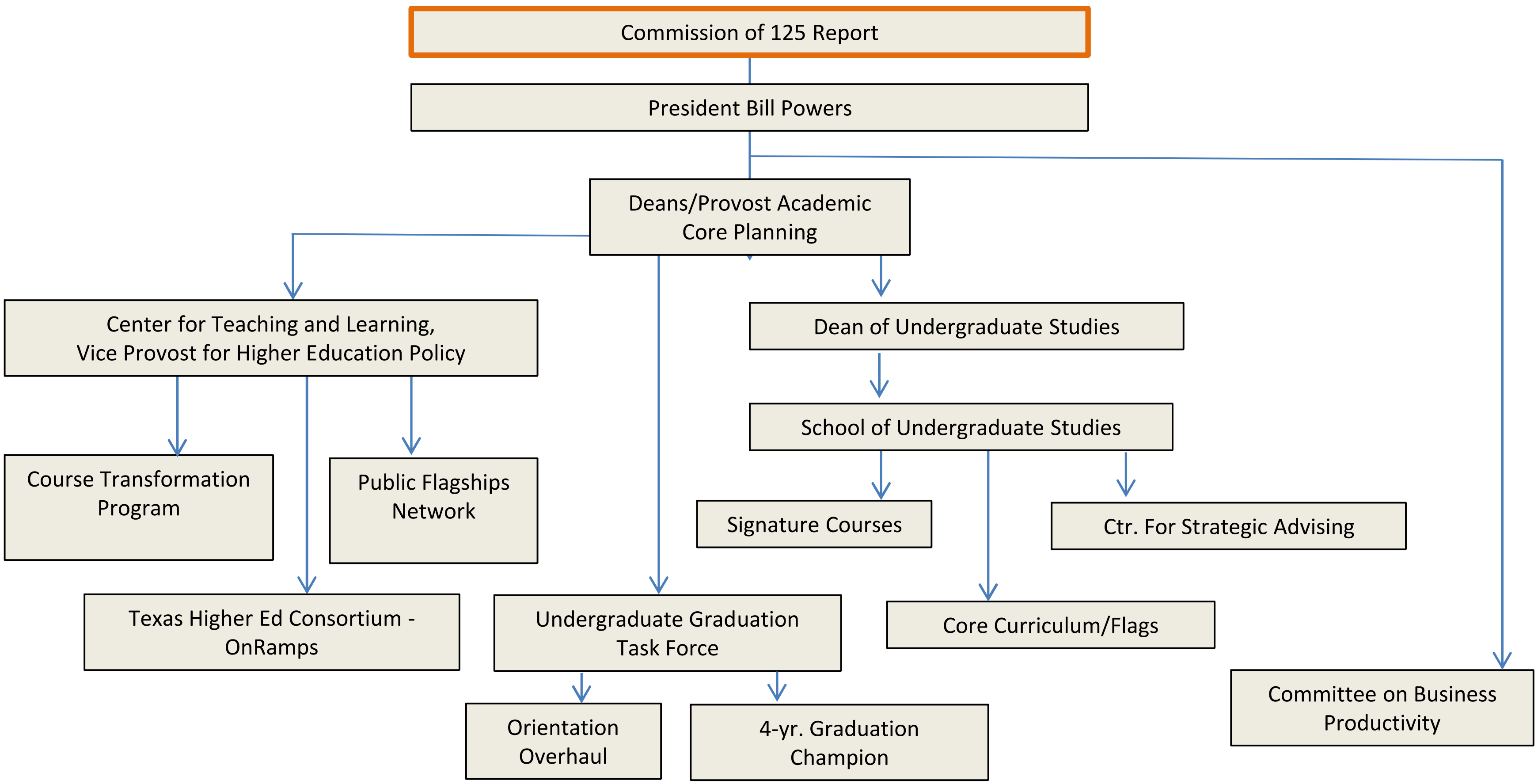
What was the Commission of 125?

- 2-yr. analysis of U. T. Austin's mission, situation, and recommendations for the future
- Collaboration between 218 civic, business, and campus leaders
- Conclusion: U. T. Austin needs a renewed *'disciplined culture of excellence'*

THE UNIVERSITY OF TEXAS AT AUSTIN

WHAT STARTS HERE CHANGES THE WORLD

Recent Reform Began with Commission of 125



Strategic Initiative 1:
A New Core Curriculum

Energize the undergraduate experience overall

- Signature Courses
- Core curriculum flags
- School of Undergraduate Studies
- Course Transformation
- Freshman Research Initiative

Strategic Initiative 2:

A Higher Standard for Leadership of Academic Programs

Empowering the organic units of the University: departments.

Since 2006, 71 new academic department chair appointments.
Seven external hires for the department chair position:

1. **John Risley**, Art and Art History
2. **Brant Pope, Ph.D.**, Theatre and Dance
3. **Glenn Charles Frankel**, School of Journalism
4. **Jayathi Murthy, Ph.D.**, Mechanical Engineering
5. **Tadeusz W. Patzek, Ph.D.**, Petroleum and Geosystems Engineering
6. **Ahmed Hossam Tewfik**, Electrical and Computer Engineering
7. **Richard W. Aldrich, Ph.D.**, Neurobiology

11 deans have been hired, and searches are currently underway for Undergraduate Studies and Graduate Studies.

Strategic Initiative 2:
A Higher Standard for Leadership of Academic Programs (cont.)

Empowering the organic units of the University: departments

U. T. Austin Departments Ranked by *U.S. News & World Report*

	2006	2013
Top 10	41	62
Top 25	60	96

Strategic Initiative 2:
A Higher Standard for Leadership of Academic Programs (cont.)

Deans/Provost Academic Core (DPAC) budgeting process helped us focus resources on strategic priorities.

Operational Recommendations

1. Reduce Undergraduate Student-Faculty Ratio

Professional lecturers helped ratio

The bigger story is Course Transformation – transforming the large-class experience

2. "Quality must determine enrollment size."

"Quality of education must be the first priority. To serve the largest number of students, consistent with this priority, the University must improve graduation rates and degree-completion times." p. 22

Technology has enabled modest growth without decline of quality. Although enrollment has grown slightly to relieve pressure on admissions, our entering classes are more qualified than ever and ...

THE UNIVERSITY OF TEXAS AT AUSTIN

WHAT STARTS HERE CHANGES THE WORLD

3. Recruiting and Admissions

…more diverse than ever:

White	51%
Hispanic	17%
Asian	15%
Black	4%

"No single factor should be used for admission. Rather, a holistic approach should be used for the admission of all undergraduate applicants." p. 23

4. Libraries, Museums, and Information Technology

The Commission recommends a consistent and aggressive program for the maintenance and improvement of U. T.'s libraries and museums. However, collections that are weak or no longer relevant may need to be phased out." p. 23

- Blanton Museum, Ransom Center, Briscoe Center, Texas Natural Science Center (Texas Memorial Museum) all growing robustly and serving the state
- Libraries rank 15th in North America (public & private)
- Information Technology is under continuous improvement, with more efficiencies about to result from Committee on Business Productivity report

5. Develop a University Master Plan

"Develop a University Master Plan to integrate academic planning and strategic goals with our facilities, infrastructure, and financial resources." p. 24

- Major update to the Master Plan nearly complete. Lead consultant: Sasaki Associates
    - Historical Inventory and Preservation/Adaptive Reuse Plan
    - Mobility Plan
    - Sustainability Plan
    - Space Management Tool
    - Development Framework Plan
    - Design Guidelines for Buildings

6. Optimize Facilities

"New facilities should be designed and built more efficiently, with better coordination among academic, facilities planning, operations, and fundraising divisions." p. 25

13 LEED-certified capital projects since 2007, including:

- Norman Hackerman Building
- AT&T Executive Education and Conference Center
- Belo Center for New Media
- Liberal Arts Building
- Bill and Melinda Gates Computer Science Complex Dell Computer Science Hall
- Marine Science Institute – National Estuarine Research Reserve (Port Aransas)

7. Build Financial Strength and New Resources

- $2.1 billion raised-to-date in Campaign for Texas
- Four of top five gift-production years in U. T. Austin history have been during the campaign
- Medical school named
- Raising about $1 million a day
- Averaging nearly $120 million more per year than during "We're Texas"
- More than 1,000 new endowments during campaign

225

7. Build Financial Strength and New Resources (cont.)

Research:

- $628 million, up 26% since 2006 ($496 million)
- $6.8 million to $20.3 million in patent income, up more than 300%

7. Build Financial Strength and New Resources (cont.)

"Innovative forms of financing must be continually considered for all University enterprises." p. 26

Longhorn Network - $30 million over 20 years is funding faculty chairs in philosophy, physics, Latin American art history, sports and media, African and African Diaspora Studies, and two in mathematics.

LONGHORN NETWORK™

8. Connect Students to an Advisor and Mentor

"All students should be assigned an academic advisor [as opposed to merely access to many]."... "[Mentors] can help students see the larger picture and take advantage of the richness of the campus environment and opportunities beyond graduation." p. 26

School of Undergraduate Studies is doing this intensively for students who need it most.

9. Increase Residence-Hall Capacity

"Students who live on campus tend to perform better academically and adjust more successfully to college life." p. 26

Zoning changes in West Campus are allowing more students to live near if not on campus.

229

10. Construct Additional Student Activity Center

"With so many students now commuting from other parts of the city, the University needs more space for students when they are not in class."
p. 27

11. Implement an Honor Code

"It is vital that students help set and maintain standards of excellence at their own university." p. 27

"The core values of The University of Texas at Austin are learning, discovery, freedom, leadership, individual opportunity, and responsibility. Each member of the university is expected to uphold these values through integrity, honesty, trust, fairness, and respect toward peers and community." (2004)

12. Increase Support for Graduate Students

"The University should recruit the very best graduate students from Texas, the nation, and the world." p. 28

Shifting support for graduate students into the units for finer control.

Innovative programs to help graduate students grow…

13. Emphasize the study of leadership and ethics

"The University should take steps to foster even greater student participation and supplement these experiences with opportunities to learn leadership skills." p. 28

- Leadership and Ethics Institute – Dean of Students
  - Teaches personal skills like goal-setting and time management to students campus-wide
- Core Curriculum flags in ethics
- LBJ School Center for Ethical Leadership

14. Serve Texas and beyond

"The University is in a strong position to lead collaborative efforts of the state's intellectual, creative, and entrepreneurial resources in ways that will transform individual lives and improve the welfare and governance of Texas." p. 29

- UTeach
- Public Flagship Network
- OnRamps
- Community College Partnerships
- New Legislator Orientation

UTeach

15. Innovative Access to Knowledge and Collections

"In shaping the future of innovative access to collections and resources, U. T. should take the lead in developing the knowledge needed to design, implement, and maintain virtual access to our cultural treasures." p. 29

Humanities

Natural History

Art

15. Innovative Access to Knowledge and Collections (cont.)

Google Book Search BETA

Google mass-digitization of libraries

In the course of our multiyear agreement, Google will digitize at least **1 million volumes** from the University of Texas Libraries' collections, working from selection lists prepared by the Libraries.

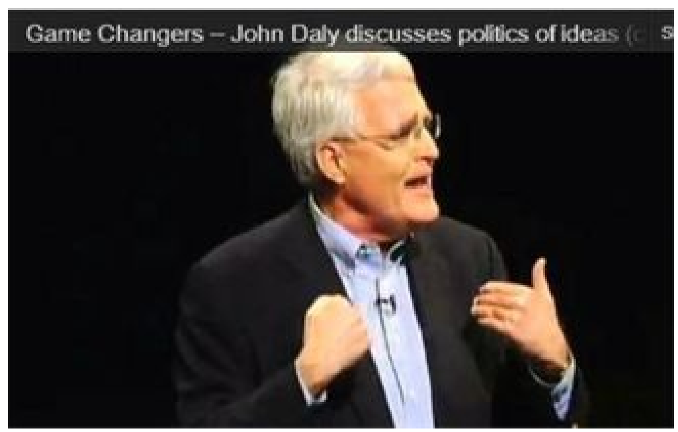
16. Telling Our Story

"The University's communications effort must convey the value of higher education to society." p. 30

Public affairs function reorganized into University Communications to improve central control of branding and message.

16. Telling Our Story (cont.)

UT GAME CHANGERS



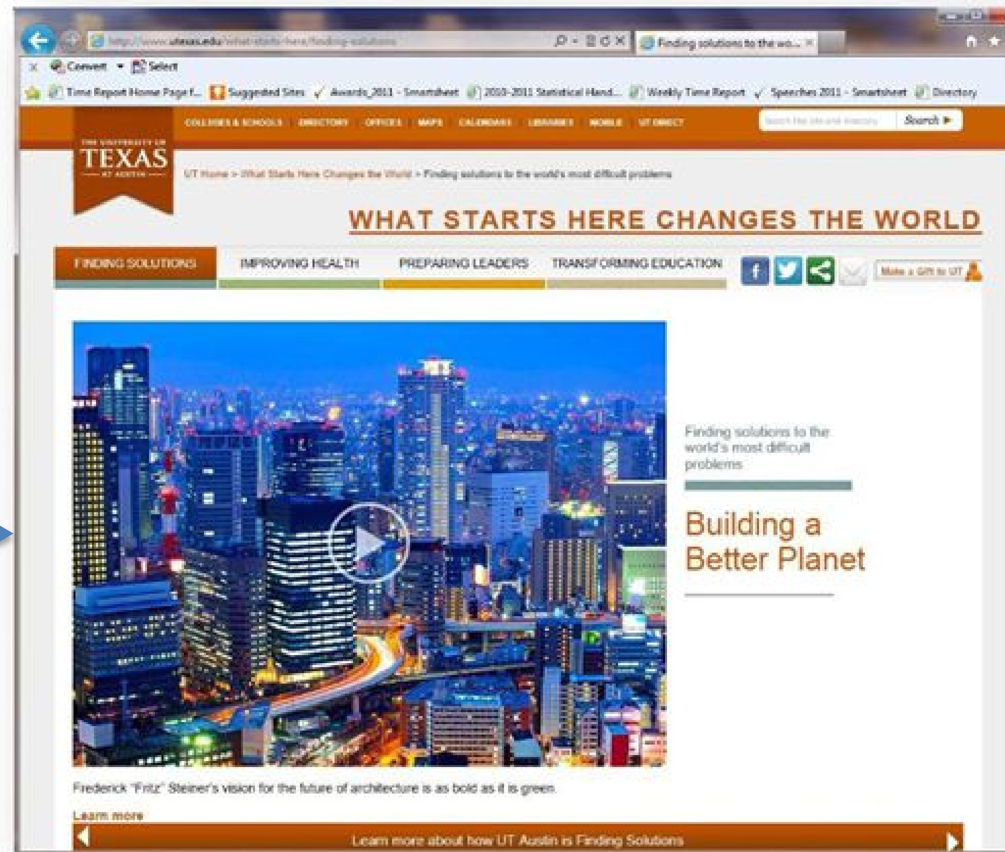
LONGHORN NETWORK

THE UNIVERSITY OF TEXAS AT AUSTIN

WHAT STARTS HERE CHANGES THE WORLD

16. Telling Our Story (cont.)

THE TEXAS TRIBUNE



16. Telling Our Story (cont.)

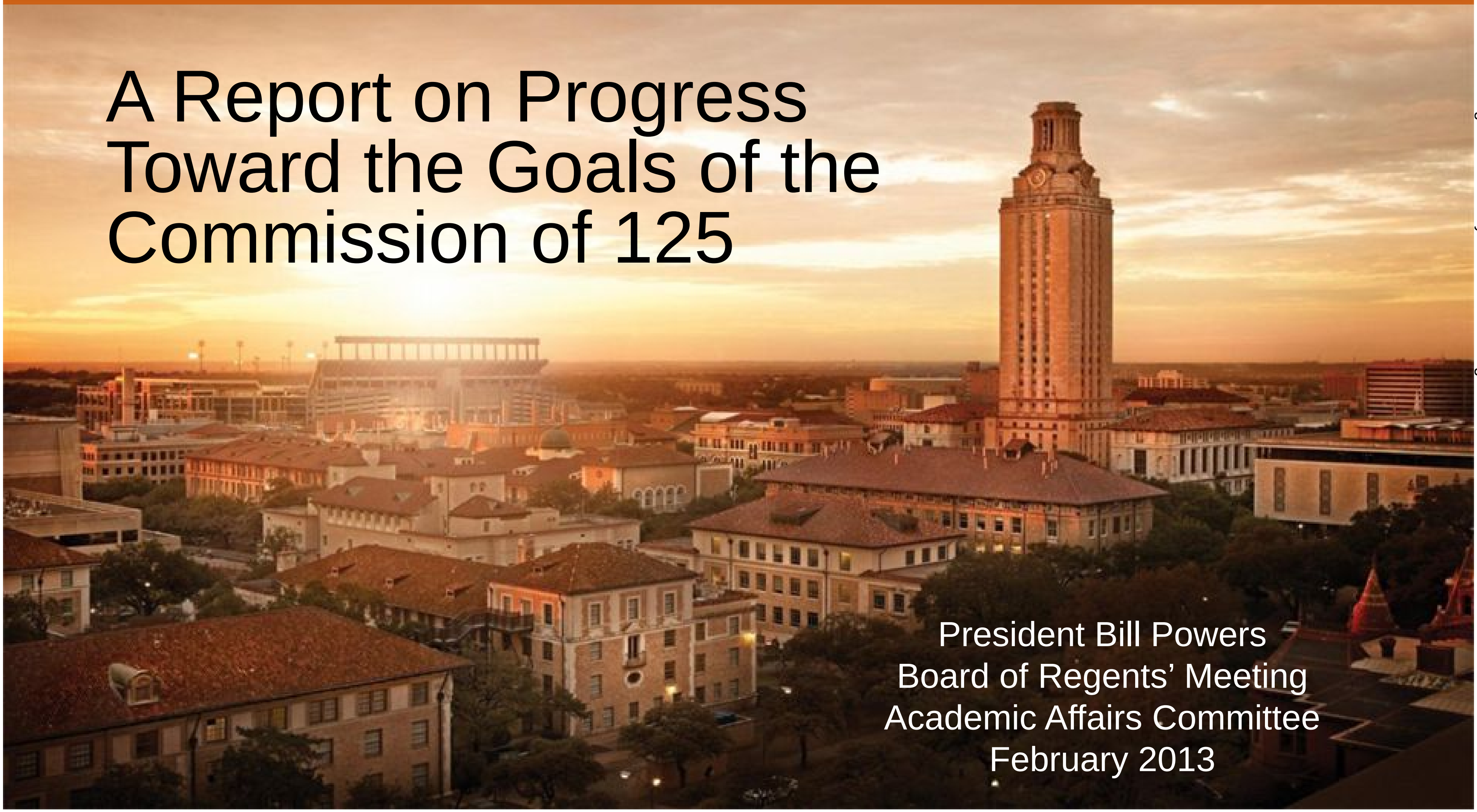
- Website – 50 million visitors
- Email
- Social Media
- Tower Talk blog
- Media Relations

423,464 Likes

THE UNIVERSITY OF TEXAS AT AUSTIN

WHAT STARTS HERE CHANGES THE WORLD

A Report on Progress Toward the Goals of the Commission of 125



President Bill Powers
Board of Regents' Meeting
Academic Affairs Committee
February 2013

11. U. T. San Antonio: Progress on implementation of the Framework for Advancing Excellence throughout The University of Texas System

REPORT

President Romo will give an update on the progress at U. T. San Antonio to implement the Framework for Advancing Excellence throughout The University of Texas System. The PowerPoint presentation is set forth on the following pages.

UTSA. The University of Texas at San Antonio

Framework for Advancing Excellence UTSA 2013 Report

U. T. System Board of Regents' Meeting

February 2013

Academic Affairs Committee

UTSA®

Tier One Vision

UTSA. The University of Texas at San Antonio

Goal 1.
Undergraduate Student Access and Success

245

Goal 1. Undergraduate Student Access & Success

Accomplishments

- Developed Graduation Rate Improvement Plan (GRIP)
  - –Most comprehensive effort for UTSA
  - –Focus on: student preparedness
    - ➢ course and curriculum design and delivery
    - ➢ student support structure, policies, and incentives
- Cross campus team meets weekly to carry out strategies

Goal 1. Undergraduate Student Access & Success

Accomplishments (cont.)

- Increased admissions criteria for Fall 2013
- Creation of University College to strengthen first-year experience
- Improve advising process and infrastructure
  - Acquiring electronic advising management tool and web-accessible degree auditing system

Goal 1. Undergraduate Student Access & Success

Accomplishments (cont.)

- Established "Finish-in-Four" Program to provide financial incentives to remain on track
- Will be using Department of Education financial aid award letter format "Shopping Sheet" – Fall 2013
- Developing programs focusing on student loan default prevention

Goal 1. Undergraduate Student Access & Success

Accomplishments (cont.)

- Established the Faculty Instructional Lab
  - UTSA has 80 faculty offering hybrid or online courses
- Creation of Hybrid Academy and Teaching Online Academy
- Creating incentive programs to increase use of alternative delivery formats
- Forming steering group to identify ways to capitalize on U. T. System collaborations with edX and MyEdu

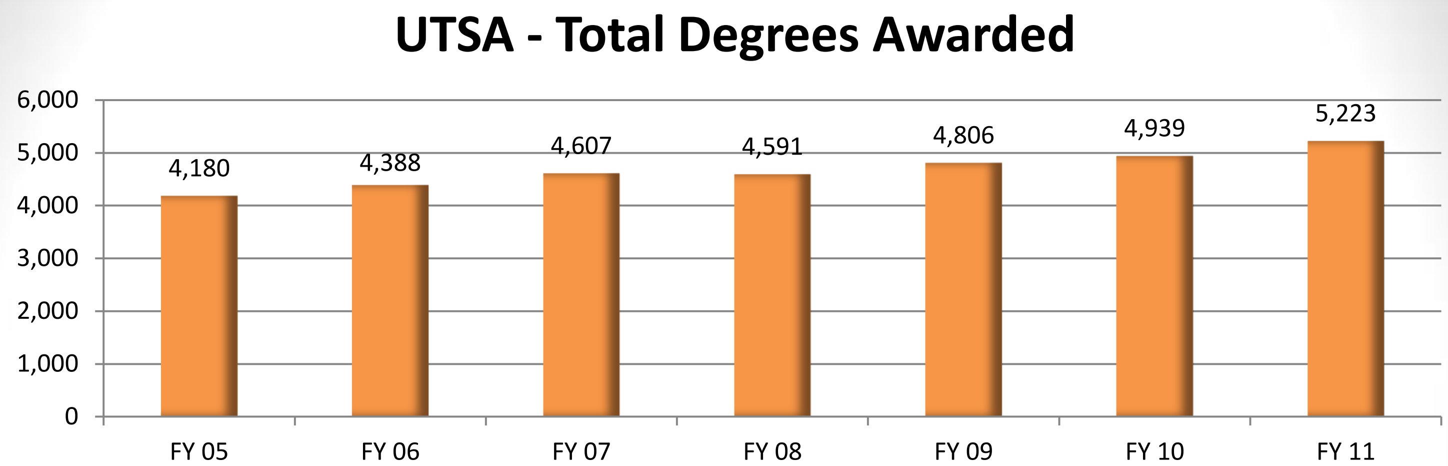
249

Goal 1. Undergraduate Student Access & Success

Accomplishments (cont.)

- Steady increase in first-year retention rates
  - Fall 2008 cohort: 66% Fall 2011 cohort: 70%
- Increase in degree productivity
  - Academic Year 2011-12 UTSA awarded 5,223
    - Reflects a 20% increase over 5 years

UTSA. The University of Texas at San Antonio



	UTSA Degrees Awarded						
Academic Year	**FY 05**	**FY 06**	**FY 07**	**FY 08**	**FY 09**	**FY 10**	**FY 11**
Baccalaureate	3,272	3,492	3,649	3,596	3,841	3,968	4,148
Master's	895	867	910	934	919	911	1,007
Doctoral	13	29	48	61	46	60	68
Total	4,180	4,388	4,607	4,591	4,806	4,939	5,223

Goal 1. Undergraduate Student Access & Success

Challenges

- Funding for new faculty positions to reduce UTSA's high student-to-faculty ratio (26:1)
- Additional classroom and teaching labs to support GRIP
- Funding for merit scholarships to recruit top students
- Funding for "Finish-in-Four" incentive programs
- Resources to educate students on loan burdens and to identify students most likely to default

UTSA The University of Texas at San Antonio

Goal 2. Faculty/Administrators/ Staff Excellence

Goal 2. Faculty/Administrators/Staff Excellence

Accomplishments

- U. T. System support is crucial
  - 39 UTSA faculty have received $9.2M in STARs funding since program began
  - 25 faculty have received Regents' Outstanding Teaching Awards

- Established UTSA Academy of Distinguished Teaching Scholars

Goal 2. Faculty/Administrators/Staff Excellence

Accomplishments (cont.)

- Strengthened Performance Evaluation Processes
  - Academic reviews established at all levels
    - Tenured faculty are reviewed every six years
    - Colleges every six years
    - Departments every seven years
    - Centers and institutes every four years
  - Updated UTSA policies on Annual Faculty Performance Appraisal for Merit and Periodic Performance Evaluation of Tenured Faculty

Goal 2. Faculty/Administrators/Staff Excellence

Accomplishments (cont.)

- Strengthened Compensation Processes
  - Enhanced Annual Salary Review Structure to ensure UTSA salaries align with the market
  - Created job families (career ladders) to ensure career growth for staff
- Conducted first Faculty Voluntary Separation Program
  - Enables UTSA to restructure faculty positions to support Tier One priorities

Goal 2. Faculty/Administrators/Staff Excellence
Challenges

- Ability to create new doctoral programs to attract top quality faculty
- Establish structure to conduct review cycles across all levels of the University
- Provide competitive salaries for faculty and staff

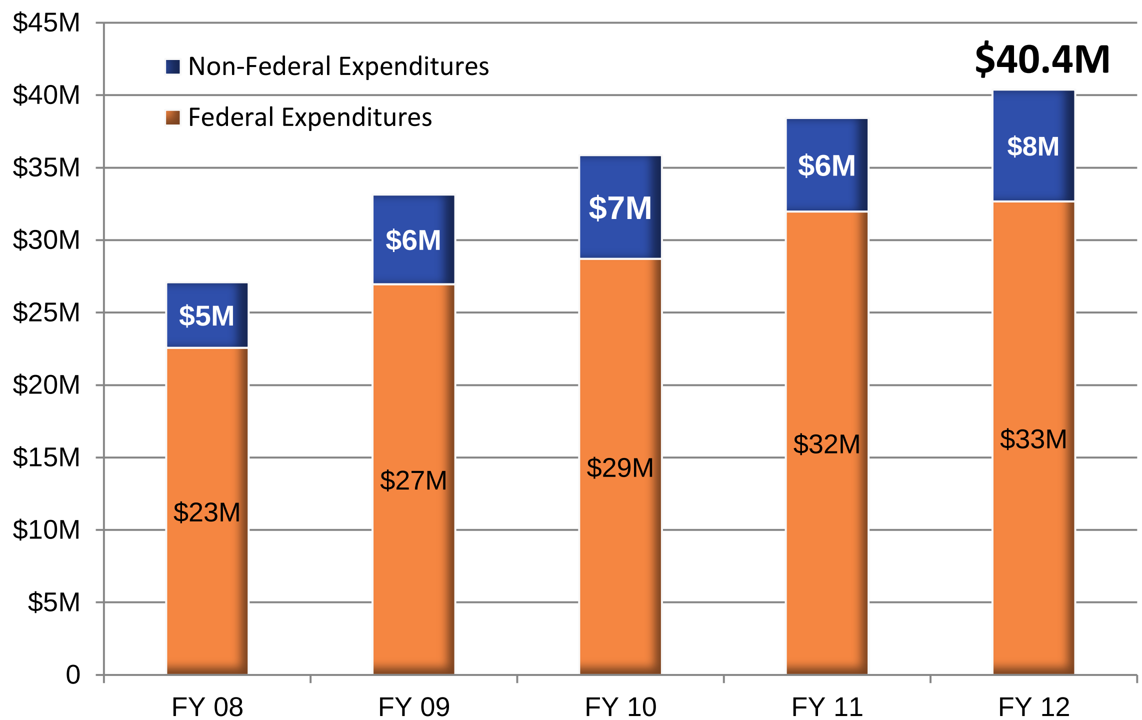
Goal 3.
Research

Goal 3. Research

Accomplishments

- Restructuring of UTSA Research organization
- Collaborating with UTHSCSA, Military partners, CPS Energy, Southwest Research Institute and others
  - Example: San Antonio Life Sciences Institute (SALSI) with UTHSCSA; resulted in five-fold return on investment, new Ph.D. programs, and new research centers
- Increase in gifts for research and related projects
- Increase in Total Restricted Research Expenditures

UTSA Total Restricted Research Expenditures



	FY 08	FY 09	FY 10	FY 11	FY 12	1 Year Pct Δ	5 Year Pct Δ
Federal	$22,574,016	$26,966,122	$28,716,756	$31,972,286	$32,671,584	2.2%	44.7%
Non-Federal	$4,523,394	$6,178,993	$7,152,157	$6,467,984	$7,715,229	19.3%	70.6%
Total	**$27,097,410**	**$33,145,115**	**$35,868,913**	**$38,440,270**	**$40,386,813**	**5.1%**	**49.0%**

Goal 3. Research

Accomplishments (cont.)

- Awarded U. T. System Technology Grant of $750K to expand education in innovation and entrepreneurship
  - Success story: Jordan Kaufmann – recent Ph.D. biomedical graduate awarded U. T. System Horizon Fund Student Investment Competition Award ($50K) – launched own company
- Established UTSA Technology Transfer Office
- Significant increase in Intellectual Property disclosures and licensing

Goal 3. Research

Challenges

- Reduction in federal funding and increased competition
- Securing funding to continue SALSI
- Resources to recruit top scholars
- Development of technology transfer model that aligns with emerging Tier One University
- Availability of "Proof of Concept" funding for new inventions

Goal 4.
Productivity and Efficiency

Goal 4. Productivity and Efficiency

Accomplishments

- Engaged in U. T. System Travel and Car Rental Shared Services
- Implemented new Travel Card Program resulting in greater efficiencies and cost savings
- Improved UTSA Administrative Cost Ratio
  - reduced from 11.2% (FY 2009) to 8.9% (FY 2011)

Goal 4. Productivity and Efficiency

Accomplishments (cont.)

- UTSA engaged in PeopleSoft deployment
  - Extensive effort by on-campus team
  - Hundreds of business processes mapped to support transition
  - Establishing UTSA Support and Sustainment Center to help staff with adjustment to PeopleSoft tool and new business processes

Goal 4. Productivity and Efficiency

Accomplishments (cont.)

- U. T. System support for two academic buildings provided needed classrooms
- TRB request is for academic building with STEM classrooms and teaching labs (to replace outdated science labs)
- UTSA scored the maximum Space Usage Efficiency rating according to the Texas Higher Education Coordinating Board
  - UTSA to study the impact of classroom and teaching labs deficiency on student graduation rates

Goal 4. Productivity and Efficiency

Challenges

- Significant space challenges facing UTSA
  - For teaching to support GRIP and improve graduation rates
  - For research to support the increased activity and to attract the highest caliber faculty
- Transition to PeopleSoft and establishing a support center

UTSA. The University of Texas at San Antonio

Goal 5.
Strategic IT Infrastructure Investments

Goal 5. Strategic IT Infrastructure Investments

Accomplishments

- Active participant in the U. T. System IT Roadmap efforts to enhance computing power and storage capacity

- UTSA opened a new research computing facility
  - Consolidates various computing centers into one location
  - Designed to foster greater collaboration amongst researchers

- U. T. System funding for a Senior Institutional Research Analyst to support Dashboard project

Goal 6.
Enhance Philanthropic Success

Goal 6. Enhance Philanthropic Success

Accomplishments

- Developed a multiyear business plan with targets
- Maximizing outcomes using Strength in Numbers initiative
  - Four FTE professional fundraisers in FY 2012 – FY 2014
  - New Programs in corporate engagement, discovery, and annual giving with metrics focused on:
    - Increasing philanthropy
    - Deepening corporate relationships
    - Identifying and cultivating more individual prospects

Goal 6. Enhance Philanthropic Success

Accomplishments

UTSA Multiyear Development Plan

Category	FY2012	FY2013	FY2014	FY2015	FY2016
Overall Giving	$23.7m	$24m	$24.75m	$25.5m	$26.3m
Cash Received	$10.9m	$11m	$11.33m	$11.7m	$12.1m
Individual Donor Count	7,265	7,965	8,665	9,365	10,065
Alumni # /participation%	9.19%	9.31%	9.42%	9.51%	9.6%
Development Budget	$3m	$3m	$3.1m	$3.2m	$3.3m

Goal 6. Enhance Philanthropic Success

Accomplishments

We Are UTSA

A Top Tier Campaign

GOAL: $120M

CURRENTLY: $118.7M

99%

OVERALL TOTAL

Totals as of 1/11/2013

Campaign goal to be met two and a half years ahead of schedule

Goal 6. Enhance Philanthropic Success

Challenges

Managing challenges of a relatively young institution

- Engage more young alumni
  - –Over half of living alumni graduated in last 12 years
- Deepen principal gift portfolio
- Transition from community-based funding to one that is sustained by alumni giving

Goal 7.
Ph.D. Programs

Goal 7. Ph.D. Programs

Accomplishments

- Established the Texas Higher Education Coordinating Board doctoral program review process (seven-year cycle)
- Milestone Agreement Form piloted in Fall 2012
- New process requiring Ph.D. students to request leave of absence when not enrolled for a semester
- MyEdu key to providing career and salary resources for graduate students

Goal 7. Ph.D. Programs

Challenges

- Expand the number of doctoral programs offered
  - –Enhances ability to recruit top faculty and doctoral students
- Additional funding needed to recruit top doctoral students
- Expand Masters Programs to online delivery

UTSA. The University of Texas at San Antonio

Thank you for your support of UTSA

12. U. T. System: Discussion and appropriate action on academic leadership matters related to academic remediation

DISCUSSION

Executive Vice Chancellor Reyes will lead a presidential discussion and engagement with the Board of Regents and Texas Higher Education Coordinating Board Commissioner Paredes on topics relating to academic remediation.

TABLE OF CONTENTS FOR HEALTH AFFAIRS COMMITTEE

Committee Meeting: 2/13/2013

Board Meeting: 2/14/2013
Austin, Texas

Robert L. Stillwell, Chairman
James D. Dannenbaum, Vice Chairman
Paul L. Foster
Printice L. Gary
Wallace L. Hall, Jr.

	Committee Meeting	Board Meeting	Page
7. **U. T. System: Update on academic developments for the South Texas Medical School**	*3:01 p.m.* **Report/Discussion** *Dr. Shine* *Dean Francisco González-Scarano, M.D., U. T. Health Science Center - San Antonio*	Not on Agenda	**325**
8. **U. T. System: Quarterly report on health matters of interest to the U. T. System, including recognition of the group contracting activities of the U. T. System Supply Chain Alliance**	*3:16 p.m.* **Report/Discussion** *Dr. Shine*	Not on Agenda	**326**
Adjourn	*3:30 p.m.*		

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

(The proposed Consent Agenda is at the back of the book.)

2. <u>U. T. System: Approval to amend The University of Texas System Professional Medical Liability Benefit Plan</u>

<u>RECOMMENDATION</u>

The Chancellor concurs in the recommendation of The University of Texas System Professional Medical Liability Benefit Plan (Plan) Management Committee, chaired by the Vice Chancellor and General Counsel and comprised of the Committee Chair, the Executive Vice Chancellor for Health Affairs, and the Executive Vice Chancellor for Business Affairs, that the Plan be amended to provide discretionary authority to the Plan Administrator (Committee Chair) to exceed the current $25,000 limitation on legal fees and expenses for physician and dentist disciplinary matters, up to $35,000 when warranted.

<u>BACKGROUND INFORMATION</u>

Authority for the establishment of a self-insurance program to indemnify U. T. System physicians was granted to the Board of Regents by Senate Bill 391, Acts of the 65th Legislature, effective March 10, 1977 (later codified as *Texas Education Code* Section 59.01 et seq.). The self-insured Plan for professional medical liability was originally approved by the Board of Regents on April 15, 1977. Since the Plan was first approved, it has been amended periodically as needed.

In Fall 2003, a Task Force of physicians and attorneys was appointed and met to discuss tort reform measures that had recently been adopted by the legislature and the impact of these changes on U. T. System physicians and institutions. In anticipation of the effects of the new law, the Task Force overwhelmingly recommended expanding medical liability coverage to also provide legal representation before the Texas State Board of Medical Examiners (now the Texas Medical Board) and the Texas State Board of Dental Examiners. On August 12, 2004, the Board of Regents adopted a Plan amendment to provide coverage for legal representation and expenses in disciplinary, licensing, or similar administrative proceedings up to $25,000 per proceeding and $100,000 per enrollment year, unless other Plan exclusions apply. Fines, penalties, or costs assessed as a result of the proceedings are explicitly excluded from coverage.

Since 2004, the Plan has provided coverage to approximately 427 U. T. System physicians and dentists for defense in disciplinary matters before their respective licensing board based on care rendered in the course and scope of their U. T. employment. The majority of these disciplinary matters resulted favorably for the physician or dentist. Despite efforts to restrain legal fees, cases have arisen recently where the $25,000 per proceeding limitation has been inadequate to cover the informal disciplinary hearing before the licensing board due to the complexity of the case and the legal defense. The proposed Plan amendment, set forth below, would provide the Plan Administrator with discretionary authority to exceed the current $25,000 coverage limitation up to $35,000 when warranted.

THE UNIVERSITY OF TEXAS SYSTEM PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN

ARTICLE V
COVERAGE OF PARTICIPANTS

Section 3 -- Supplementary Payments

The System will pay from the Fund, in addition to the applicable limit of liability:

...

D. Costs and expenses incurred in connection with the investigation and defense of a disciplinary and licensing action brought against the Participant; however, the Plan will not pay more than $25,000 in costs and expenses on behalf of a Participant for any single proceeding, unless in the discretion of the Plan Administrator or a designee there is a determination of necessity to exceed such limitation on costs and expenses up to $35,000. Furthermore, the Plan will not pay more than $100,000 for costs and expenses on behalf of a Participant for all such proceedings during an annual enrollment period.

3. U. T. Health Science Center - San Antonio: Report on nursing workforce issues, shortages, needs, future education, and pathways

REPORT

Eileen T. Breslin, Ph.D., RN, FAAN, Patty L. Hawken Nursing Endowed Professor and Dean of the School of Nursing at U. T. Health Science Center - San Antonio, will report on nursing workforce issues, shortages, needs, future education, and pathways. A PowerPoint is set forth on the following pages.

Nursing Workforce Issues, Shortages, Needs, Future Education, and Pathways

Dr. Eileen T. Breslin
Dean and Professor, U. T. Health Science Center - San Antonio School of Nursing

U. T. System Board of Regents' Meeting
Health Affairs Committee
February 2013

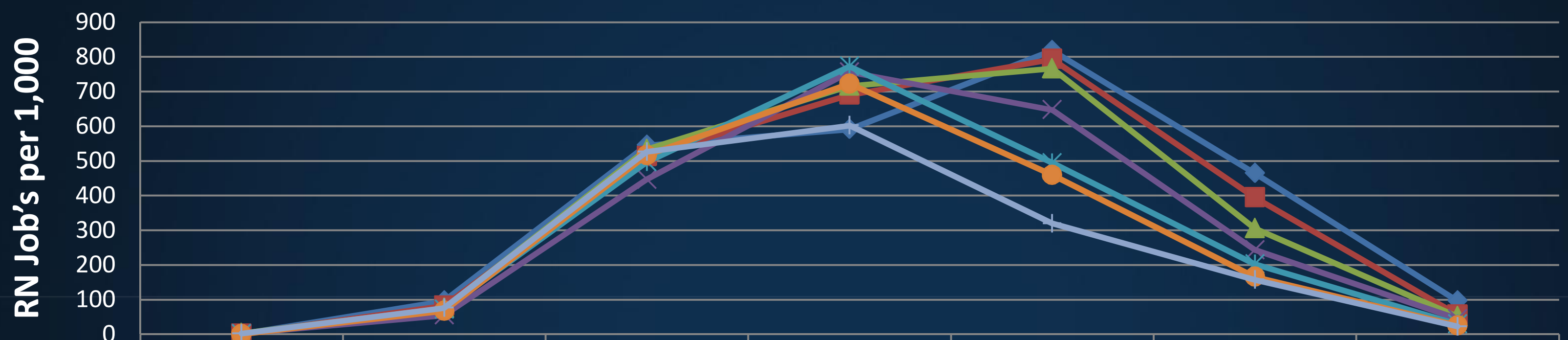
Nursing Workforce Issues

UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

- BLS Projections 2010-2020
  - Registered Nurse (RN) workforce is the top occupation in terms of growth through 2020.
  - Increase in average age of RN's until 2016

- http://www.bls.gov/news.release/ecopro.t06.htm

Workforce Issues



	16-19 years old	20-24 years-old	25-34 years-old	35-44 years-old	45-44 years-old	55-64 years-old	65+ years-old
2009	1	96	545	591	818	464	96
2006	1	82	513	690	793	394	56
2003	3	75	533	716	766	305	51
2000	2	55	446	756	647	243	44
1997	1	72	496	772	494	202	29
1994	0	67	516	722	459	165	25
1991	2	76	526	602	319	157	22

American Journal of Medical Quality 27(3) 241–249 © 2012 by the American College of Medical Quality

Workforce Issues (cont.)

– RN shortage in the U.S. is projected to be between 712 thousand to 1.2 million by 2020

- Juraschek, SP, Zhang, X, Ranganathan,V, Lin, V (2012) United States Registered Nurse Workforce Report Card and Shortage Forecast
- http://www.bls.gov/news.release/ecopro.t06.htm

Average Age of Texas Nurses - 2011

- **Registered Nurses (RNs) -** 46
- **Nurse Practitioners (NPs)** - 48
- **Licensed Vocational Nurses (LVNs)** - 44

Nursing Workforce Status Report

U.S.

Over 3 million licensed Registered Nurses live in the U.S.; an estimated 2.6 million-plus are employed

59% of RN jobs are in hospitals and they comprise the largest single component of hospital staff

23% growth projected in RN employment between 2006 to 2016

Texas Nurses Association (Texas Affiliate of ANA)

Texas

Over 178,612 Registered Nurses in health care settings, making the RN profession the largest health care occupation in the state

Approximately 63% of Texas RNs are employed in hospital inpatient and outpatient departments

Median Texas hospital vacancy rate for RN positions in 2008 increased to 11.1% in metro and non-border regions; 23.8% in rural-border regions

Shortages

- RN shortage to be most intense in the Southern and the Western parts of the U.S.
- Baby boomers comprise 40% of the RN workforce
- 50% of the RNs are within 20 years of retirement

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Shortages (cont.)

- Letter grades were assigned to each state based on projected RN job shortage ratios. Texas was graded as:
  - C- for 2009
  - F   for the 2030 (projection)

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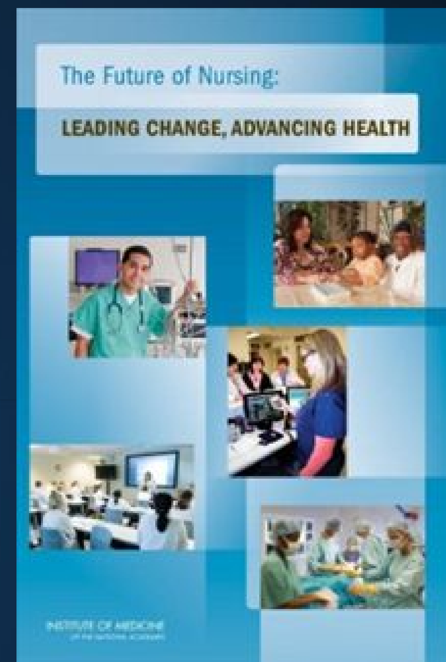
Needs

- 16M individuals projected to gain health insurance coverage by 2016
- Many states are considering options to increase the number and role of primary care providers

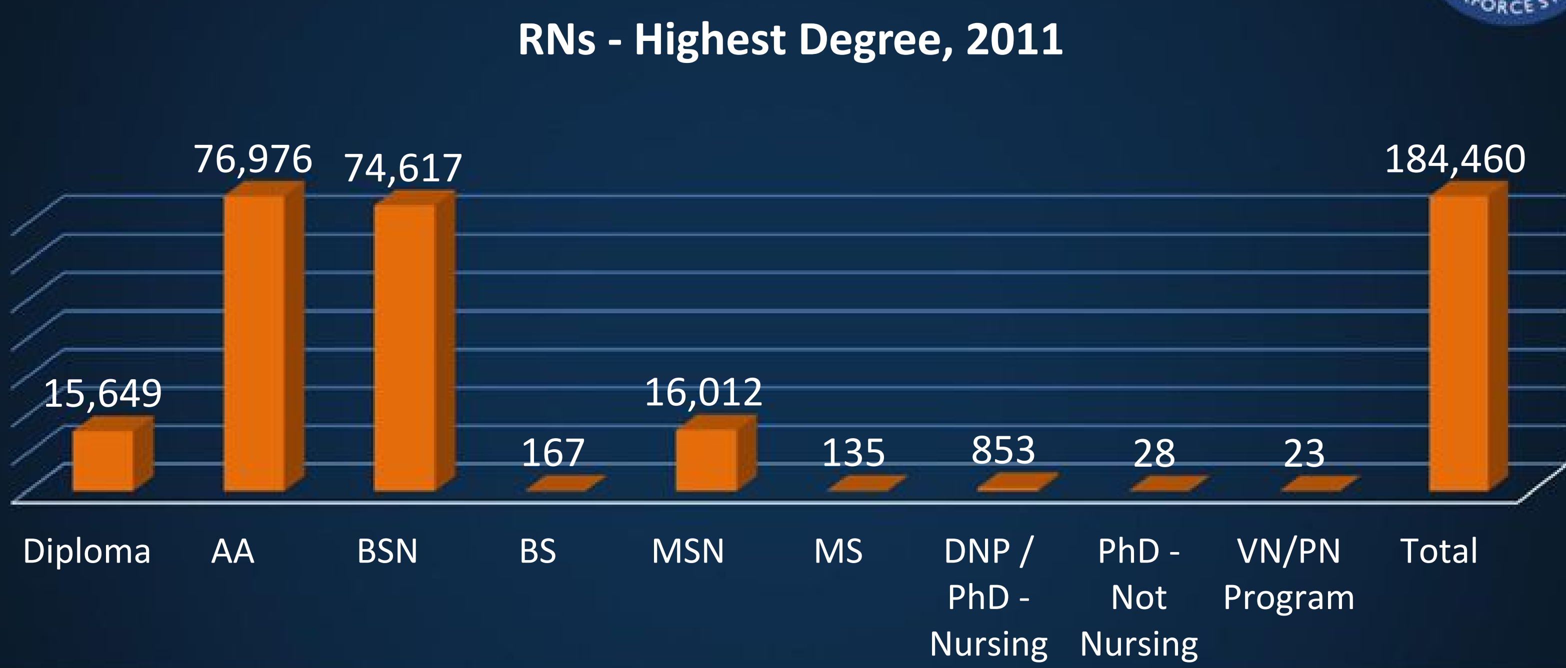
NATIONAL GOVERNORS ASSOCIATION

Needs (cont.)

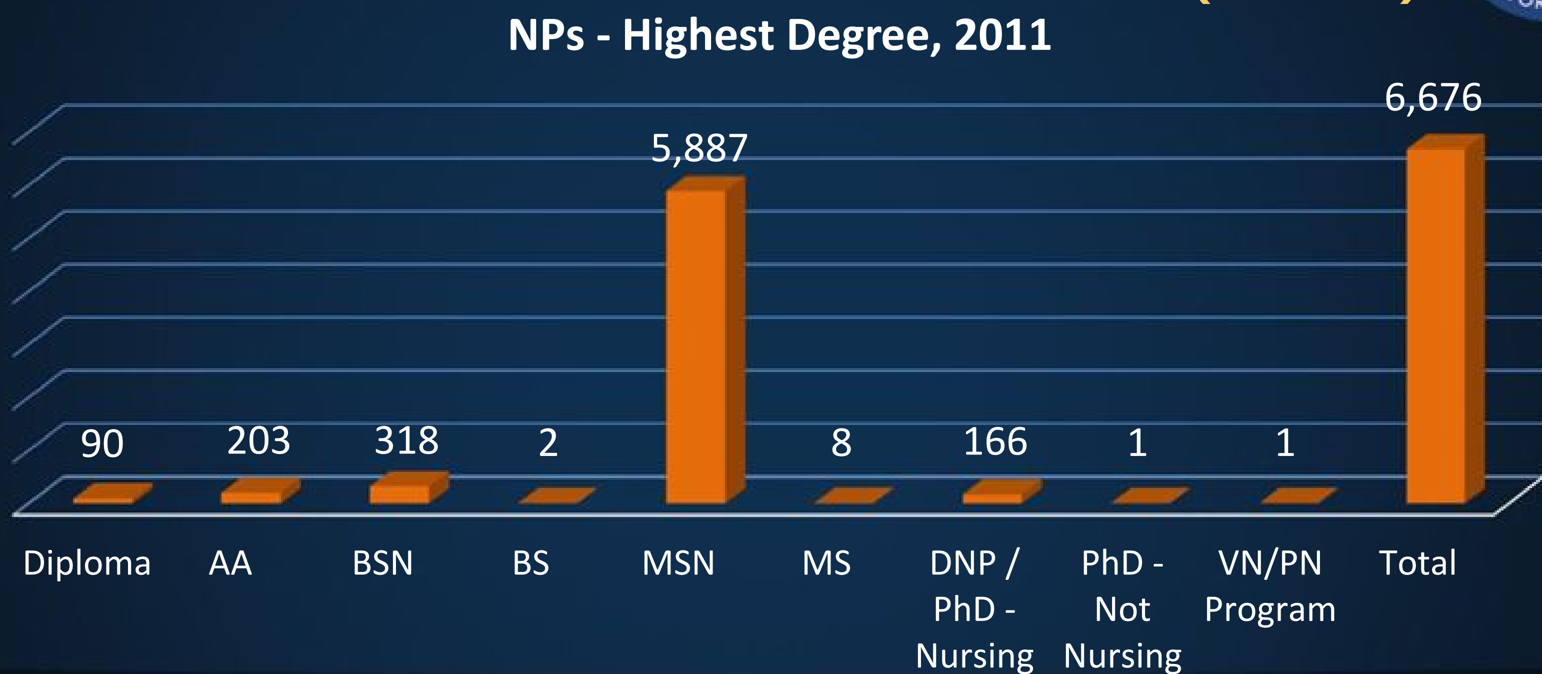
- Chronic conditions
- An aging population
- A more diverse population
- Health disparities
- Limited English proficiency



Texas Workforce Education Data



Texas Workforce Education Data (cont.)

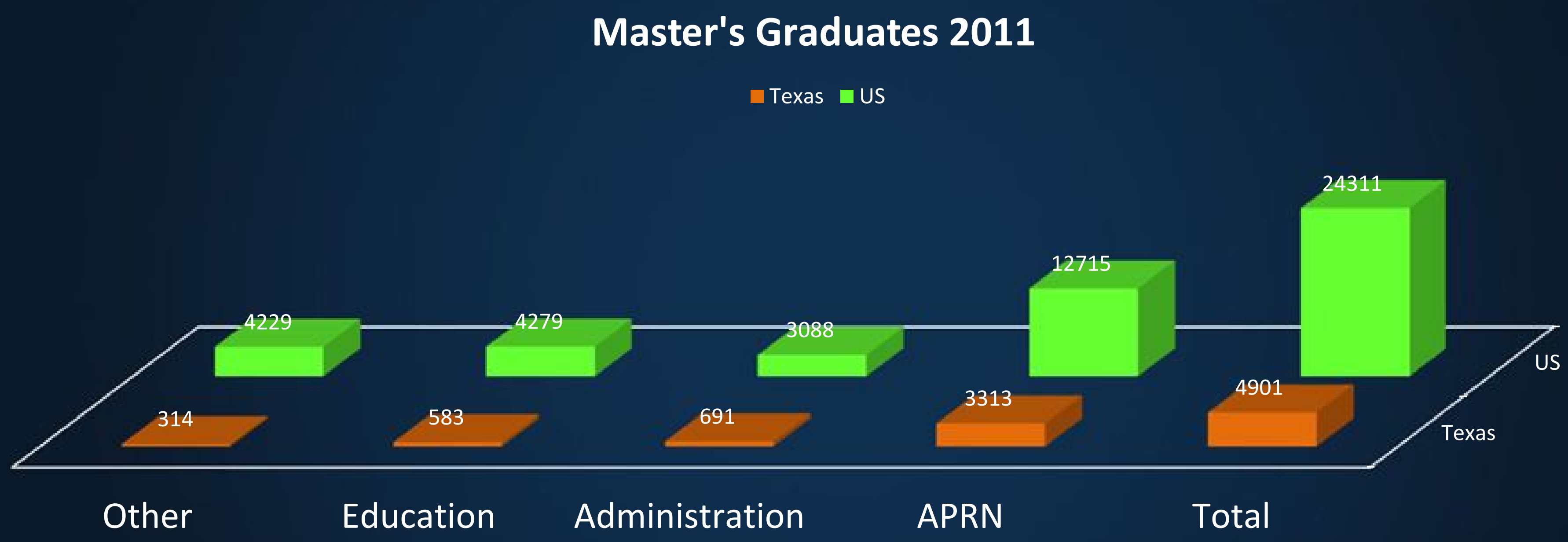


Core Essentials for Nursing Education

1. Liberal education/science
2. Organizational & systems leadership
3. Leadership for quality care & patient safety
4. Scholarship for evidence based practice
5. Information management for patient care technology
6. Health care policy & advocacy
7. Communication & collaboration for improving patient outcomes
8. Clinical prevention & population health
9. Professionalism & professional values

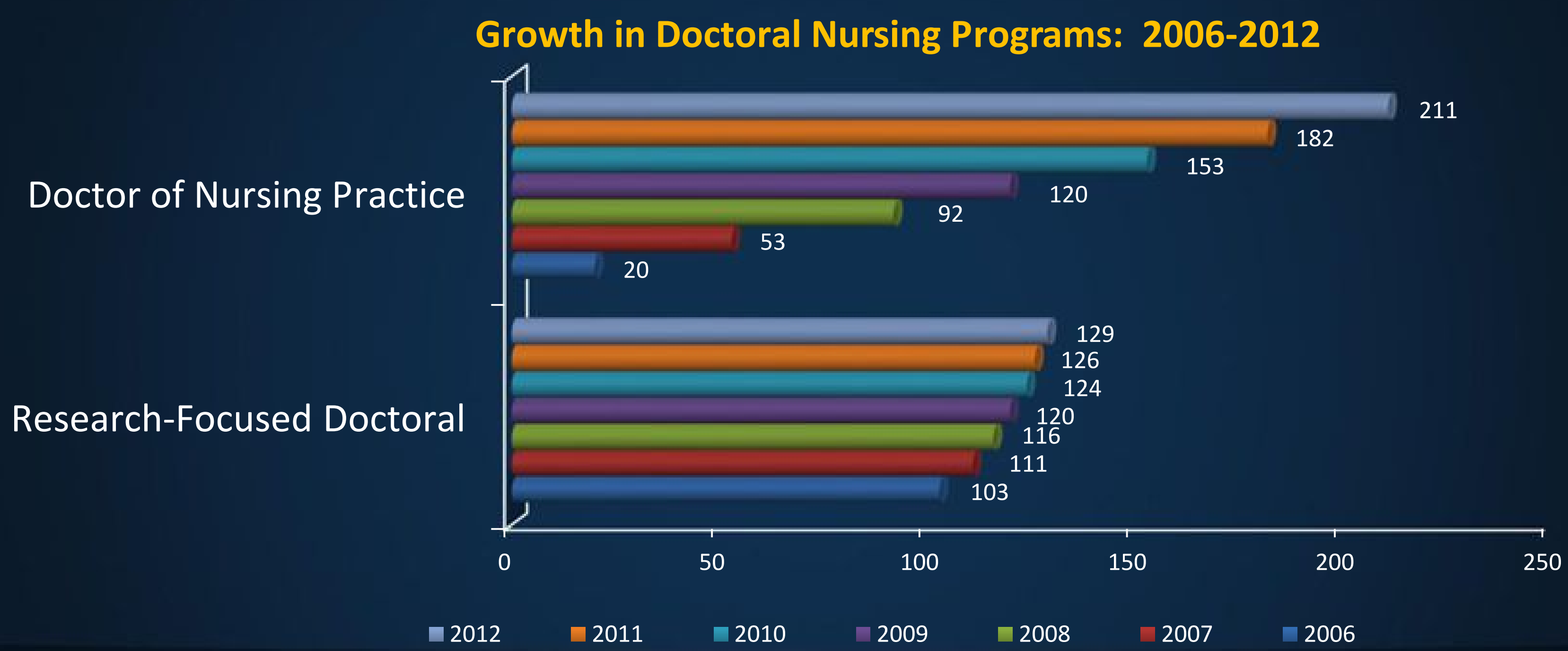
Master’s Degree Enrollment

American Association *of* Colleges *of* Nursing
ADVANCING HIGHER EDUCATION IN NURSING

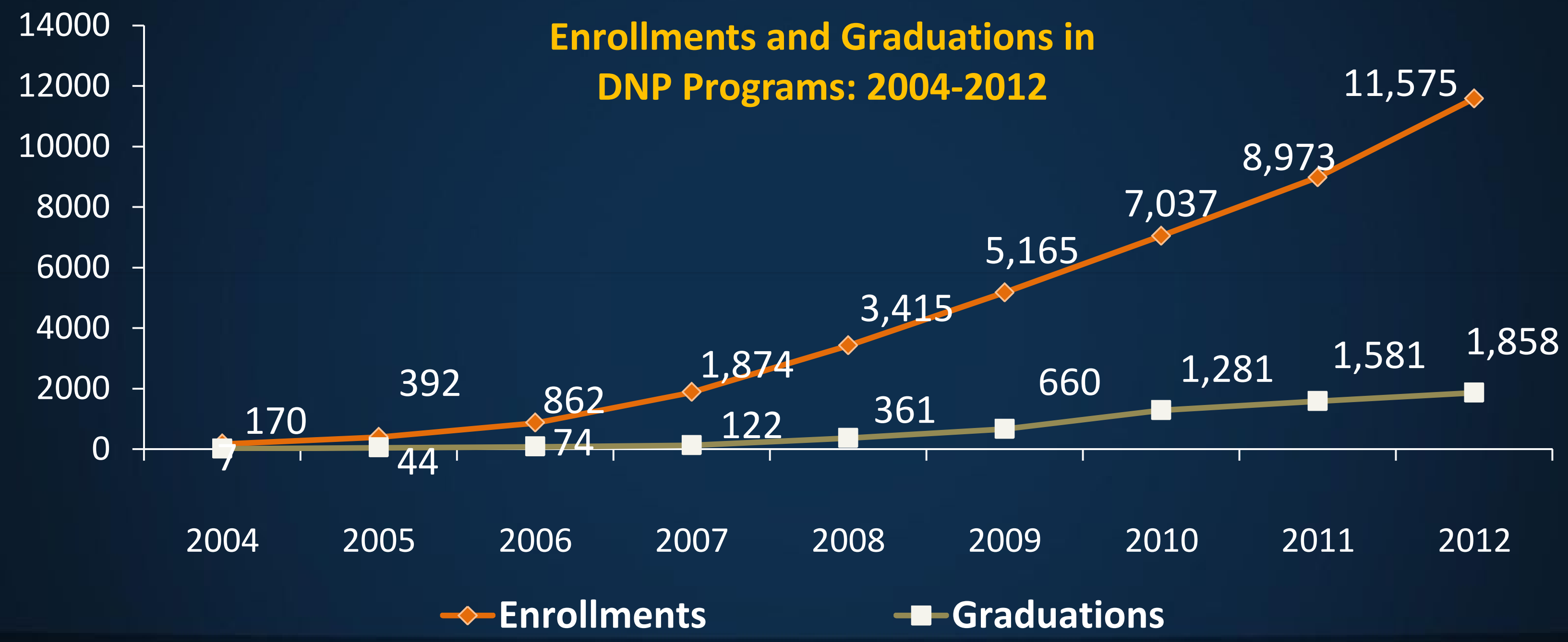


299

Education Trends



Education Trends (cont.)



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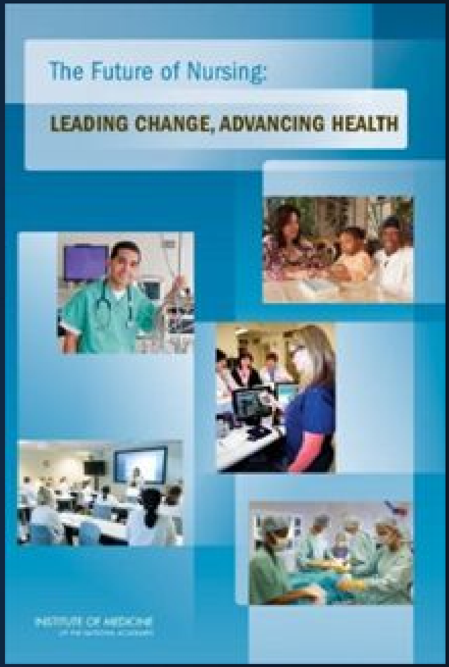
Institute of Medicine (IOM) recommendations

1. Practice to the full extent of education and training
2. Achieve higher levels of education and training through an improved system that promotes seamless academic nursing progress
3. Full partnership, with physicians and other health professionals, in redesigning health care in the United States
4. Improved information infrastructure for better data collection



Actions & Response to IOM Report

- The National Governors Association has called for an expanded scope of practice for NPs as a solution to meeting the nation's primary care needs.

National Governors Association

4. <u>U. T. System: Progress report and request for approval of $4 million in additional funding from the Available University Fund for the Transformation in Medical Education (TIME) initiative</u>

<u>RECOMMENDATION</u>

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Academic Affairs, and the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents approve additional funding of $4 million from the Available University Fund for the Transformation in Medical Education (TIME) initiative.

Executive Vice Chancellor Shine, Executive Vice Chancellor Reyes, and Vice Dean for Academic Affairs Steven A. Lieberman, M.D., at U. T. Medical Branch - Galveston, will give a progress report on the TIME initiative. A PowerPoint presentation, progress report, and partnership summaries may be found on Pages 305 - 315.

<u>BACKGROUND INFORMATION</u>

Funding of $4 million for the TIME initiative over three years was approved by the U. T. System Board of Regents on August 12, 2010. To proceed with full implementation of pilot programs at the general academic institutions and to continue development of the medical school phase of these programs, additional funding of $4 million over three years is requested.

Approximately $1 million would be used for support of initiative-wide efforts, including development of competency assessments and consultation with national and international experts. The $3 million would be awarded following a call for proposals from any partnership of U. T. System institutions that includes at least one general academic and at least one health institution. It is anticipated that all four of the currently funded partnerships (see Page 315) will submit proposals. Submissions from new or modified partnerships will also be accepted. Explicit in the call for proposals will be the expectation that Regents' funding be augmented by local institutional funds.

Funds will be awarded based on demonstrated commitment to developing truly transformative approaches to predoctoral physician education, with emphasis on the following aspects:

- Incorporation of TIME priorities into program design, including
    - The four elements of the TIME model
      A pre-health professions program
      Competency-based education
      Professional identity formation
      Nontraditional topics (both medical and nonmedical)
    - Relevance to 21st century medical practice
    - Innovativeness

  - Reducing time to degrees
  - Reducing student debt

- Commitment of institutional resources (e.g., tuition revenue, formula funding, other) to supplement Board of Regents' funding

Proposals will be evaluated and funds will be awarded by a reconstituted 11-member Steering Committee that will include Dr. Reyes and Dr. Lieberman (Co-Chairs), Dr. Kevin Lemoine (U. T. System Academic Affairs), Ms. Susan Franzen (U. T. System Leadership Institute), Dr. J. Scott Wright (Texas Medical & Dental Schools Application Service), three representatives of the academic institutions, and three representatives of the health institutions (the latter six are yet to be named).

External funding will also be pursued through a newly-announced American Medical Association initiative as well as through private foundations.

Transformation in Medical Education (TIME)

Steven A. Lieberman, M.D.
Vice Dean for Academic Affairs
U. T. Medical Branch - Galveston School of Medicine

U. T. System Board of Regents' Meeting
Health Affairs Committee
February 2013

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TIME Initiative: Mission and Strategies

- *Mission*: The U. T. System TIME initiative is a student-centered, clinically-focused program designed to increase the effectiveness of medical education while shortening its duration.
- *Strategy #1 (short-term)*: Participating U. T. System academic and health campuses will partner to develop, implement, and assess pilot programs of innovative and integrated medical education with the goal of generalizability and scalability across the U. T. System and beyond.
- *Strategy #2 (mid-term)*: Participating campuses will work collaboratively to assess outcomes and identify best practices across the pilot programs to create a shared model for medical education to be expanded within schools, across partnerships, and outside the U. T. System.

Competency-based Medical Education (CBME) in the TIME Initiative

Competency domains	Traditional	TIME [General Academic Institutions (GAI) phase]
Targeted Sciences	Chemistry, Biology, Physics	Human biology (including foundations of biomedical sciences)
Clinical skills	—	Medical history & physical exam
Evidence-based medicine	—	Basics of searching & analysis of research
Health care system	—	Basic concepts of delivery and financing
Ethics	—	Basic principles
Professional maturation	"Osmosis"	Intentional professional identity formation

Competency-based Medical Education (CBME) in the TIME Initiative (cont.)

- Transition milestones-generalizability
- Graduation milestones-collaborating in national milestone project [Association of American Medical Colleges (AAMC)]
- Assessing competence-collaborating with national CBME assessment effort (Georgia Regents' University + AAMC)
- Measuring (CBME)-beginning to explore approaches with the Texas Higher Education Coordinating Board

Professional Identity Formation in Medicine

- Task force work completed - 95 page report
- Thorough elaboration of concepts
- Identification of approaches to development and assessment
- Developing a Web-based resource for broad utility

Pre-Health Professions Programs (PHPP) & Nontraditional Topics

- Partnership & campus-specific approaches/solutions
  - Each campus has unique values, culture, mission
  - PHPP: Different health care profession students on each campus
  - Nontraditional topics: Some will incorporate health care into core requirements

Admissions & Timeline

- Two partnerships enrolled college freshmen in 2012
  - SHAPE: UTAUS + UTHSCH & UTSWMC
  - PACT: UTD + UTSWMC
- Two will launch in 2013
  - A-PRIME: UTB, UTEP, UTPA+UTMB, UTHSCH
  - FAME: UTSA + UTHSCSA
- Transition to medical campuses in 2015 & 2016
- Medical School graduation in 2018–2020

Projected Student Savings

- Total academic cost savings (BS + MD): $16,766–$20,744
  - Estimates based on Fall 2012 tuition + fees
  - Assumes 3-year medical school curriculum
- Percent savings: 19–23%
- Pilot programs: 140 students/year
- Total savings per cohort: $2,542,494

TRANSFORMATION IN MEDICAL EDUCATION (TIME)

PROGRESS REPORT
January 2013

1. Mission statement and initial strategies were formally adopted:

   Mission: The University of Texas System TIME initiative is a student-centered, clinically focused program designed to increase the effectiveness of medical education while shortening its duration.

   Strategy #1 (short-term): Participating U. T. System academic and health campuses will partner to develop, implement, and assess pilot programs of innovative and integrated medical education with the goal of generalizability and scalability across the U. T. System and beyond.

   Strategy #2 (mid-term): Participating campuses will work collaboratively to assess outcomes and identify best practices across the pilot programs to create a shared model for medical education to be expanded within schools, across partnerships, and outside the U. T. System.

2. Competency-based milestones spanning all six domains of competence used in residency education were adopted for the transition from the academic to health institutions. These common transition milestones will assure compatibility across the initial partnerships and generalizability of the TIME model beyond the pilot phase. These milestones specify that *at the beginning of medical school* students will be able to:

   - apply principles of foundational and biomedical sciences to patient problems
   - perform a medical history and physical exam
   - search the medical literature for articles relevant to patient problems
   - explain basic principles of patient safety and quality improvement
   - describe health care delivery and financing in the United States
   - apply fundamental principles of medical ethics to patient-centered dilemmas
   - describe the roles of various health care professionals and demonstrate teamwork

   With regard to medical school graduation milestones, TIME is participating with multiple organizations to contribute to the development of national standards for competency-based medical education. These efforts will help to inform the development of TIME medical school graduation milestones.

3. A task force on professional identity formation, with members from eight campuses and multiple disciplines, has completed its charge. The group identified six domains of physician identity, elaborated specific objectives, identified curriculum activities, and outlined assessment strategies. This model and the identified resources provide a common foundation for partnerships to design and evaluate a variety of approaches to promoting students' professional growth.

4. Pre-health professions programs for students interested in a variety of health-related fields are being developed by each campus. Best practices will be identified as experience accumulates.

5. Curriculum redesign is proceeding, with each campus developing a variety of approaches to increase efficiency (e.g., course combinations & reductions) while updating instructional approaches and expanding medically-relevant topics as detailed in the competency-based transition milestones. Campuses are mapping competencies to modules and courses to assure their inclusion and to promote tracking. A number of "proofs of concept"—most developed specifically for the TIME initiative (marked with an asterisk below) and others developed in parallel but likely to be useful in TIME—have been implemented:

- Biochemistry, cell biology, and molecular biology modules for college freshmen (UTB)*
- Medical ethics for college freshmen (UTAUS)*
- Multi-institution online courses (UTEP, UTPA)*
- United States health care system and health economics for college freshmen (UTD & UTAUS)*
- Clinical skills instruction by non-physician teaching associates (UTMB & UTHSCH)
- Computer-based simulation of patient interaction dynamics (UTD)
- Piloting courses developed and taught collaboratively by academic institutions and health institutions faculty members (UTD/UTSWMC, UTSA/UTHSCSA)*
- Case-based and problem-based learning for college freshmen (UTB)*
- Numerous additional innovations are planned, but not yet implemented.*

6. Admissions approaches are being collaboratively developed within each partnership. Highlights include:
   - The PACT partnership (UTD/UTSWMC) admitted a cohort of 21 students in fall 2012 (ahead of schedule). This included admission to medical school, conditioned upon maintaining academic and professional standards.
   - The SHAPE partnership (UTAUS/UTHSCH/UTSWMC) accepted 54 students into its initial pre-health professions program in 2012 (also ahead of schedule). Medical school admissions for this group will occur in spring of the sophomore year.
   - Group interactions during the SHAPE professional identity formation course at UTAUS allowed the identification of personal characteristics—both desirable and undesirable (e.g., immaturity)—in students. This information will be incorporated into provisional medical school admission decisions.
7. Timeline: All partnerships are on or ahead of schedule. The initial student cohorts matriculated in 2012 and a second set of cohorts will matriculate in 2013, with transition to medical school in 2015 and 2016, and graduation from medical school in 2018 and 2019.
8. External consultation and feedback from a nationally-recognized leader in education has continued.
9. Momentum of the initiative continues to grow:
   - Increasing numbers of faculty members are becoming involved on each campus.
   - Semiannual workshops for faculty from all campuses have had steadily increasing attendance.
   - Faculty development activities to promote new approaches to instruction and assessment have occurred at semiannual workshops and are being planned on campuses to increase availability and impact.
   - Interest among students and parents in TIME programs has been strong.

TRANSFORMATION IN MEDICAL EDUCATION (TIME)

A multi-institutional initiative within The University of Texas System

Mission: The U. T. System TIME initiative is a student-centered, clinically focused program designed to increase the effectiveness of medical education while shortening its duration.

Ten U. T. System institutions—six academic and four health institutions—are collaborating to transform the century-old American model of physician education. All four U. T. System medical schools are partnering with one or more undergraduate academic institutions to develop curricula incorporating four principle elements: a '**pre-health professions program**' for students to work interprofessionally while learning traditional, non-traditional, and clinical subjects and while demonstrating teamwork and professionalism; (2) **competency-based education,** in which advancement and degree completion is based on demonstrated ability to apply knowledge and perform clinical skills; (3) **professional identity formation** that complements competency-based education and promotes maturation through intentional experiences, reflection, and mentoring; and (4) education in **non-traditional fields**, both medically-related (e.g., clinical safety, quality improvement) and non-medical (e.g., philosophy, economics, systems thinking). Four partnerships are developing compatible pilot programs:

SHAPE: **UT-Southwestern, Houston, Austin Professional Education (UTSWMC—UTHSCH—UTAUS)**
SHAPE is an accelerated medical education program developed as a partnership between UTSWMC, UTHSCH, and UTAUS medical campuses. Each year 50-60 UTAUS freshmen enter the pre-health professions program in which they demonstrate learning about science (taught in renovated courses), medical ethics, clinical skills, and the United States health care system. Application for early admission to a partnering medical school will occur in spring of their second year, and students will complete their undergraduate experience in three years. The two medical school partners are collaborating on professional identity formation activities and early clinical experiences at UTAUS and will host summer professional development opportunities on their campuses. The first cohort matriculated in fall 2012.

PACT: **Partnership in Advancing Clinical Transition (UTD—UTSWMS)** The overall goal of the PACT pilot program is to achieve better integration of undergraduate and medical studies in preparation for careers in health care. This highly interactive curriculum—including early clinical skills training and professional identity formation under faculty from UTSWMC—is fostered by the proximity of the two campuses. Students will transition to the medical school in the fourth year, maintaining ties to UTD from which electives in humanities, health care policy, and other topics will continue to broaden their perspectives as health care professionals. The first cohort matriculated in fall 2012.

FAME: **Facilitated Acceptance to Medical Education (UTSA—UTHSCSA)** The goal of the FAME Program is to graduate physicians who have acquired exceptional knowledge of the sciences basic to medical practice as well as professional skills and a keen understanding of the social, cultural, and behavioral aspects of health care. In addition to a new medical school curriculum, the students will participate in a variety of new courses which are being jointly developed and taught by UTSA and UTHSCSA faculty. These courses include content that focuses on clinically-related topics. In the capstone "GATEWAY" courses, students will learn many aspects of patient care, incorporating a multidisciplinary approach that emphasizes the importance of communication, leadership, health economics, and social and cultural aspects of patient care. The first cohort will matriculate in fall 2013.

A-PRIME: **Accelerated Professional, Relevant, Integrated Medical Education (UTB—UTEP—UTPA—UTMB—UTHSCH)** The A-PRIME TIME partnership is developing a multi-institutional model of physician education that is innovative in its approach to increasing educational effectiveness and promoting professionalism of its graduates. Student on three undergraduate campuses will learn in novel settings in the pre-health professions program and apply for early admission to medical school in the spring of their second year. Medical school curricula will also be transformed in recognition of the advanced training of A-PRIME students and the evolving needs of medical practice in the 21st century. The first cohort will matriculate in fall 2013.

5. U. T. System: Discussion on graduate medical education - issues and opportunities

REPORT/DISCUSSION

Executive Vice Chancellor Shine will discuss graduate medical education (GME) - issues and opportunities. (See background information on GME on the following pages.)

Graduate Medical Education

What is GME?

Graduate medical education (GME), or residency training, is the post-medical school training of doctors. Medical school graduates must complete one year of training to be licensed and most complete full residency programs (3 to 7 years) in order to become board certified. Certification is important for participation in health plan networks and hospital admitting privileges.

GME programs are partnerships between health related institutions (HRI), which provide faculty to supervise residents, and clinical facilities, usually hospitals, where residents care for patients. Residents cannot bill for services they provide. The Texas Higher Education Coordinating Board (THECB) has estimated the annual cost of training a resident at $150,000. These costs include: residents' stipends, benefits, and malpractice insurance; faculty time; program administration; and higher medical costs due to less efficient delivery of care (more tests and faculty see fewer patients when supervising residents).

Why does GME matter?

Although medical residents cannot bill for services, they play a critical role in providing patient care, particularly to indigent patients. Texas leads the United States with the highest rate of uninsured—25% compared to a 15% national average—and the uninsured receive a significant amount of health care through the state's teaching hospitals.

Physicians tend to practice where they do their residency and 80% of Texas medical school graduates who complete residency in Texas remain here to practice (3rd in the nation). Texas graduates who complete a residency elsewhere return to Texas to practice about 60% of the time (2nd in the nation).

How is GME funded?

GME is financed through a combination of federal, state, and local/institutional funding—Medicare being the largest source overall. The Medicare payments go to hospitals as partial compensation for salaries for a limited number of residents and for the higher patient care costs incurred by teaching hospitals (due to less efficient care delivery patients at teaching hospitals being relatively sicker than patients at other hospitals). Medicare limits the number of residents for which hospitals generate Medicare GME payments. Of the approximately 6,100 filled residency positions (not including military programs) in Texas, approximately 2,300 positions are above the Medicare cap and not supported by this critical GME funding source.

State General Revenue (GR) funding for GME is appropriated to a number of programs but overall this funding has decreased by 48% since 2002-03: the GME Formula, created in 2005 reimburses HRI for less than 30% of the estimated costs of supervising residents (and equals about 3% of the total estimated cost of a resident); funds trusteed to the THECB provide minimal support for certain types of residency programs (and have been cut by 89% since 2002-03); a few GME-related Special Items to HRI which have been reduced the last two biennia; and effective FY 2009 the state reinstituted Medicaid GME only for state-owned hospitals (no GR is provided).

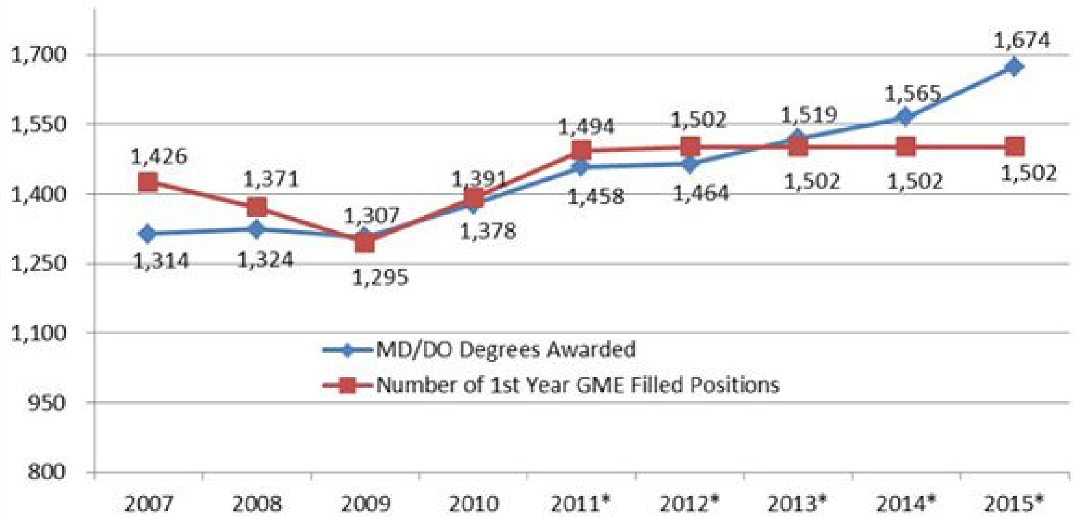
State General Revenue (GR) for Graduate Medical Education

	2002-03 Biennium *(in millions)*	2010-11 Biennium *(in millions)*	2012-13 Biennium *(in millions)*	Change 2002-03 to 2012-13
Texas Health and Human Services Commission				
Medicaid GME (estimated GR)	$67.5	$0.0	$0.0	-100%
Medicaid GME (estimated Federal $)	$101.7	$17.5	TBD	
Article III Health-Related Institutions *				
GME Formula (GR)	$0.0	$79.1	$56.9	
Texas Higher Education Coordinating Board**				
Family Practice Residency Program (GR)	$20.6	$21.2	$5.6	-72.8%
Primary Care Residency Program (GR)	$5.9	$5.0	$0.0	-100%
GME Program (GR)	$15.2	$0.6	$0.0	-100%
Resident Physicians Compensation Program (GR)	$8.1	$0.0	$0.0	-100%
Family Practice Pilot Projects (GR)	$2.0	$0.0	$0.0	-100%
Sub-Total, THECB Programs	*$51.7*	*$26.8*	*$5.6*	*-89.2%*
TOTAL, GENERAL REVENUE (GR)	*$119.2*	*$105.9*	*$62.5*	*-47.6%*

** Does not include Special Item appropriations to health institutions for residency related programs.*
*** Data from THECB, July 2012 report of GME Programs.*

Why more GME slots are needed?
Texas ranks 46th in the nation in active patient care physicians per 100,000 population and 47th in the nation in active primary care physicians. With Texas' fast growing population, these ratios will only decline without continued expansion of the health care workforce. Texas public medical schools have made a concerted effort to expand class sizes and medical school applications continue to increase (by 5% each of the last three years), ensuring a high quality pool of candidates. Texas schools are an incredible bargain—a Texan would pay just over $16,000 tuition and fees per year, compared to the nearly $27,000 an in-state student would pay nationally. A Texan enrolled as a nonresident at a public medical school in another state would pay an average tuition and fees of nearly $52,000.

While the number of GME slots have increased—total GME slots at public health institutions have increased 32% since 2003—the increases have not kept pace with the increase in medical school graduates in Texas. THECB has predicted that Texas medical school graduates in 2014 will outnumber first year GME positions available in Texas. This means some Texas graduates will have to leave Texas to find a GME position in his/her chosen area of practice.



** Projections do not include planned GME expansions in Tyler, Austin and South Texas.*

Figure re-created from THECB's Graduate Medical Education Report, April 2012

6. U. T. System: Discussion on the economic impact medical schools have in Texas

REPORT/DISCUSSION

Executive Vice Chancellor Shine and the presidents from the six health institutions will lead a panel discussion on the economic impact medical schools have in Texas. Benchmark data from the Association of American Medical Colleges (AAMC) may be found on the following pages.

Tomorrow's Doctors, Tomorrow's Cures®

The Economic Impact of AAMC-Member Medical Schools and Teaching Hospitals

2012

Conducted for the AAMC by Tripp Umbach

December **2012**

Association of
American Medical Colleges

For additional information about this publication, please contact:

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This is a publication of the Association of American Medical Colleges. The AAMC serves and leads the academic medicine community to improve the health of all. www.aamc.org.

Table 1
Summary of Economic, Employment, and Government Revenue Impact For AAMC Members, 2011

States	Rank	Total Economic Impact	Total Employment Impact	Total Government Revenue Impact
New York	1	$74,151,538,606	430,743	$4,819,032,979
California	2	$49,201,512,761	264,046	$2,921,073,540
Pennsylvania	3	$47,033,121,373	272,640	$2,882,702,406
Massachusetts	4	$38,760,110,682	195,154	$2,234,308,702
Texas	5	$35,825,649,773	228,513	$1,327,689,312
Ohio	6	$32,314,079,590	209,047	$1,884,550,734
Illinois	7	$28,732,944,479	155,233	$1,478,370,705
Florida	8	$24,490,233,642	166,676	$1,211,629,554
Michigan	9	$23,051,327,122	133,120	$1,585,794,455
North Carolina	10	$17,330,838,088	120,578	$942,220,251
New Jersey	11	$15,413,836,889	94,961	$1,001,558,411
Maryland	12	$14,611,835,125	81,944	$861,726,043
Missouri	13	$12,442,654,552	78,390	$605,050,899
Georgia	14	$12,359,469,277	83,483	$554,084,789
Tennessee	15	$11,959,611,610	74,553	$543,903,310
Connecticut	16	$11,768,111,887	65,915	$724,790,589
Minnesota	17	$10,276,917,979	65,208	$734,519,205
Virginia	18	$9,794,616,363	63,145	$441,567,020
Arizona	19	$9,783,041,405	51,897	$489,246,458
Wisconsin	20	$9,619,603,739	44,244	$639,287,761
Indiana	21	$9,030,962,138	55,456	$569,725,984
South Carolina	22	$8,251,462,603	38,242	$448,599,521
Louisiana	23	$7,593,762,705	42,602	$383,823,662
District of Columbia	24	$7,320,921,118	49,290	$1,041,793,206
Washington	25	$5,745,608,783	34,474	$309,279,038
All Other States		$60,429,232,449	389,881	$3,666,397,182
U.S. Total		**$587,293,004,740**	**3,489,435**	$34,302,725,713

Note: Tables include the 24 individual states and the District of Columbia in which AAMC members' impact is highest, plus an "all other states" total, which reflects the impact of the remaining 22 states where AAMC members are located.

Compared with the last study, which was completed in 2009, it is interesting to note that 24 of the 25 states in Table 1 remain unchanged. The top 25 individual states remain, with the exception of Alabama, which has been replaced by Washington, at number 25. Also, some states, such as California, Florida, Connecticut, Arizona, and Louisiana have moved up in the list, while others have moved back.

Introduction

Goals of the Economic Impact Study of AAMC Members

In 1995, the AAMC identified a need to provide benchmark data to continue to assess the status of its members' current economic impact on states' economies, employment, and government revenue. Specifically, Tripp Umbach was commissioned to perform research that:

- Measures the direct economic impact on individual states' and the nation's economy as a result of the education, research, and clinical services of AAMC-member medical schools and teaching hospitals.
- Measures the direct and indirect employment generated in the United States as a result of AAMC-member medical schools and teaching hospitals.
- Measures government revenues that are generated by the presence and operations of AAMC-member medical schools and teaching hospitals. (Medical schools and hospitals that are public and not-for-profit indirectly generate government revenue through income taxes paid by staff, employed physicians, and medical residents; sales tax revenues paid by businesses providing goods and services to medical schools and hospitals; corporate net income taxes paid by businesses providing goods and services to medical schools and hospitals; and other selective business taxes such as gross receipts taxes, public utility realty taxes, insurance premium taxes, motor vehicle taxes, and financial institutions taxes.)
- Measures the economic impact of publicly funded research, which has a significant effect on the state and local economy. In 2009, this impact was $44.9 billion.[4]

Methodology Employed in the Economic Impact Study

This report analyzes AAMC-member impact on the national economy. AAMC members employ individuals in their home states, and therefore, generate personal income for state residents. Businesses operating within each state in the wholesale, retail, service, and manufacturing sectors benefit from the direct expenditures of AAMC-member institutions and their staff on goods and services. In addition, businesses in each state are recipients of spending by hospital patients, patients' visitors, medical students, and their visitors.

All of these "direct" expenditures are recirculated in the economy, as recipients of the first-round of income "re-spend" a portion of this income with other businesses and individuals within each state. This re-spending is often termed the "multiplier" or "indirect" effect. Tripp Umbach's research has determined a medical school/teaching hospital business volume multiplier effect of 2.3. Therefore, for every dollar directly spent by a medical school or teaching hospital, an additional $1.30 is indirectly generated for a total impact of $2.30. The methodology used for this study measures the effect of both direct and indirect business volume, employment, and government revenue impacts for states containing an AAMC member.

[4] "Economic Impact of Public Research Funding Received by AAMC Member Institutions," conducted for the AAMC by Tripp Umbach, 2010.

7. U. T. System: Update on academic developments for the South Texas Medical School

REPORT

Executive Vice Chancellor Shine and Francisco González-Scarano, M.D., Dean of the School of Medicine at U. T. Health Science Center - San Antonio, will provide an update on academic developments for the South Texas Medical School. This will include the status of the search for a "Founding Dean," a new initiative in diabetes research, education and patient care, thoughts about curriculum content, and other related matters.

8. U. T. System: Quarterly report on health matters of interest to the U. T. System, including recognition of the group contracting activities of the U. T. System Supply Chain Alliance

REPORT

Executive Vice Chancellor Shine will report on health matters of interest to the U. T. System, including recognition of the group contracting activities of the U. T. System Supply Chain Alliance.

The Supply Chain Alliance proposal is set forth on the following pages. This proposal will be submitted for a breakout session at the Association of American Medical Colleges (AAMC) conference to be held in May 2013. The AAMC conference is the annual joint meeting of the Medical Colleges' business officers and strategic planning officers.

SUPPLY CHAIN ALLIANCE

THE UNIVERSITY of TEXAS SYSTEM

Creating Value Through Collaboration

Title:

Leading Change: How to drive value beyond traditional group purchasing organizations

Short Description:

This session will offer insights into the blueprint of how The University of Texas System formed a contracting cooperative that generated millions of dollars in savings for re-investment into its institutions' missions. Highlights include the initiative's governance structure, business model, sourcing methodology, and future impact on operating margins.

Submission Text:

Burning Platform:

Storm clouds were gathering several years ago. The deficit for Texas was enormous, mandated reductions were looming, research sponsors had shrinking budgets, and health care reform was imminent with significant financial uncertainties. In response, U. T. System health institutions collaboratively launched a strategic initiative to leverage their collective purchasing power on commonly purchased equipment, services, and supplies. This initiative resulted in the development of an entity (the "Alliance") that has benefited from the shared governance of chief business officers, active participation by chief procurement officers, and an exclusively dedicated team of sourcing professionals monitored by agreed-upon performance measures.

Mature Collaborative Initiative:

The Alliance uses a proven strategic sourcing methodology that emphasizes a disciplined, rigorous, data driven, compliant, and total cost of ownership approach, which in a competitive marketplace creates winners and losers. Since 2008, the Alliance has implemented over 40 preferred supplier agreements with contract savings exceeding $85 million. Several agreements cover predictable items (e.g., office supplies, computers); however, there are unique, opportunistic agreements benefiting the research community and revenue cycle operations. The average savings when comparing old price to new price and improving service levels for all agreements exceeds 15%.

There is now over $140 million of annual spending in these agreements of which over $20 million is with Historically Underutilized Businesses (HUBs). Within the first two years of operations, the Alliance became a cash positive activity under a proven and sustainable business model.

Recently, the Alliance published the second Strategic Plan that focuses on sourcing collaboration, marketing and outreach, HUBs, business intelligence, and people. Notably the new five-year Strategic Plan emphasizes a longer term view, expanded governance to include the U. T. System academic institutions, and programmatic themes versus the initial three-year Strategic Plan, which was heavily focused on core operational activities necessary for this "start-up business" to be successful.

SUPPLY CHAIN ALLIANCE

THE UNIVERSITY of TEXAS SYSTEM

Creating Value Through Collaboration

Sustainment:

Embedded in the new Strategic Plan are several opportunities to explore and significant challenges to tackle. One opportunity is a new strategic relationship between the Alliance and a large healthcare group purchasing organization. This collaborative approach to combine expertise and systematically evaluate broad and diverse categories (e.g., facilities, medical supplies) of spending will result in cost savings and other efficiencies. One ongoing challenge has been the resistance to change suppliers. This resistance has been mitigated by requiring written justification for non-participation in an Alliance contract and further by establishing cost-saving targets with the engagement of the chief business officers at each U. T. System institution. Regardless, a strategic communication plan to diverse stakeholders in a decentralized environment is necessary.

Learning Objectives:

Session attendees will experience the U. T. System journey of collaborative contracting that has saved millions of dollars. Specific objectives include:

- Learn how U. T. System deployed a robust governance structure
- Understand the Alliance strategic sourcing methodology and business model
- Appreciate Alliance unique agreements and downstream benefits
- Learn critical success factors, key lessons learned, sustainable strategies and future opportunities

Collectively, this information provides a blueprint on how to establish a regional contracting cooperative that augments current activities.

Respectfully submitted by:

Richard St. Onge	John Joshua
Associate Vice Chancellor for Shared Services	Director of the Alliance

Note:

The University of Texas System Supply Chain Alliance adopted this logo and tagline early in our journey. The Alliance logo combines the idea of a chain and collaboration. The chain visualizes people holding hands, sharing information, and trusting each other. The three figures symbolizes that the Alliance is about groups of people coming together. The logo colors represent the diversity in our membership. The tagline reinforces that collaboration results in enhanced value.

SUPPLY CHAIN ALLIANCE

THE UNIVERSITY of TEXAS SYSTEM

Creating Value Through Collaboration

TABLE OF CONTENTS
FOR
FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

Committee Meeting: 2/13/2013

Board Meeting: 2/14/2013
Austin, Texas

Printice L. Gary, Chairman
James D. Dannenbaum, Vice Chairman
Alex M. Cranberg
R. Steven Hicks
Robert L. Stillwell

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

(The proposed Consent Agenda is at the back of the book.)

2. **<u>U. T. System: Update on progress of Space Utilization Efficiency Report</u>**

<u>REPORT</u>

Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction, will provide progress to date on the Space Utilization Efficiency Report in response to the Framework for Advancing Excellence throughout The University of Texas System: Action Plan, approved by the Board of Regents on August 25, 2011. The Framework's fourth focus area on Productivity and Efficiency includes a charge to the institutional leadership to "develop criteria to assess and improve academic, research, and administrative space utilization and strategies, including productivity indices, and review of space utilization policies."

3. U. T. Dallas: Brain Performance Institute - Amendment of the FY 2013-2018 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 Daniel that the U. T. System Board of Regents amend the FY 2013-2018 Capital Improvement Program (CIP) to include the Brain Performance Institute project at U. T. Dallas as follows:

Project No.: 302-766

Project Delivery Method: Construction Manager-at-Risk

Substantial Completion Date: May 2016

Total Project Cost:

Source	Proposed
Gifts	$33,100,000

Investment Metrics:

By 2017

- Directly support the University's Strategic Plan Imperative of adding 5,000 full-time equivalent students creating a total student population of 21,000
- Attract outstanding tenure-track faculty to support the University's Strategic Plan Imperative of growing to a total of 610 tenure-track faculty
- Attract research funding in support of the University's Strategic Plan Imperative of achieving over $100 million per year in research expenditures

BACKGROUND INFORMATION

This project involves construction of the national headquarters building for the Brain Performance Institute adjacent to the U. T. Dallas Center for Brain Health (CBH). The proposed plan is to build an innovative facility of approximately 67,500 gross square feet. The Brain Performance Institute was conceived by U. T. Dallas visionaries, leaders at the University's Center for Brain Health, cognitive neuroscience experts, research clinicians, and community advocates to address diminishing cognitive brainpower across the lifespan that affects every sector of society.

The Brain Performance Institute, an extension of the CBH, will be the transformational epicenter for cognitive brain performance where the patented, scientifically-proven technologies and methodologies developed by the scientists and clinicians at the CBH will be utilized to maximize and extend brain performance at all ages in health, brain injury, and brain disease. The CBH is the research home to more than 130 scientists, research clinicians, and graduate students. The location is an ideal site, adjacent to the U. T. Southwestern Medical Center campus where many Brain Health faculty have joint appointments. Locating the Brain Performance Institute in close proximity to the CBH is mission critical to furthering the translation of the latest research findings at the CBH into immediate application.

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

4. U. T. Dallas: Callier Richardson Expansion - Amendment of the FY 2013-2018 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 Daniel that the U. T. System Board of Regents amend the FY 2013-2018 Capital Improvement Program (CIP) to include the Callier Richardson Expansion project at U. T. Dallas as follows:

Project No.:	302-764	
Project Delivery Method:	Construction Manager-at-Risk	
Substantial Completion Date:	December 2016	
Total Project Cost:	Source	Proposed
	Revenue Financing System Bond Proceeds[1]	$15,000,000
	Gifts	$ 5,000,000
		$20,000,000
Funding Note:	[1] Revenue Financing System debt is proposed to be repaid from Designated Tuition	

Investment Metrics: By 2017

- Directly support the University's Strategic Plan Imperative of adding 5,000 full-time equivalent students, creating a total student population of 21,000
- Attract outstanding tenure-track faculty to support the University's Strategic Plan Imperative of growing to a total of 610 tenure-track faculty
- Attract research funding in support of the University's Strategic Plan imperative of achieving over $100 million per year in research expenditures

BACKGROUND INFORMATION

This project will consist of construction of approximately 63,200 gross square feet (GSF) of a new addition to the existing Callier Center for Communication Disorders facility and 14,100 GSF of renovation to the existing building to accommodate the rapid student growth in the School of Behavioral and Brain Sciences. This building addition will house state-of-the-art clinical facilities to train the next generation of practitioners and researchers in speech language pathology, audiology, and early childhood disorders such as autism, as well as provide offices, laboratories, and classrooms for new faculty to meet the growing enrollment in the school.

The proposed project will significantly increase U. T. Dallas' capacity to develop new research initiatives in brain bases of speech and language disorders, and create new technologies for the treatment of hearing and speech problems. It will also expand the range and quality of student training, as well as provide important outreach services to the community. Total enrollment in the School of Behavioral and Brain Sciences increased from 1,345 in 2006 to 2,154 students currently, with projected student enrollment of 2,750 by 2017. The School currently consists of 42 tenured/tenure-track faculty, nine senior lecturers, 61 teaching/research assistants, and two staff members. To sustain progress in hiring nationally distinguished faculty members and to continue competing for the able and ambitious students, facilities designed for and dedicated to this kind of teaching and research are needed.

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

5. U. T. Dallas: Campus Landscape Enhancement Project Phase II - Amendment of the FY 2013-2018 Capital Improvement Program to include project; approval of total project cost; and appropriation of funds (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Daniel that the U. T. System Board of Regents amend the FY 2013-2018 Capital Improvement Program (CIP) to include the Campus Landscape Enhancement Project Phase II project at U. T. Dallas as follows:

Project No.:	302-765	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	May 2014	
Total Project Cost:	Source	Proposed
	Gifts	$10,000,000
	Unexpended Plant Funds[1]	$ 5,000,000
		$15,000,000
Funding Note:	[1] Unexpended Plant Funds are proposed to be repaid from Gifts	

a. approve a total project cost of $15,000,000 with funding of $10,000,000 from Gifts and $5,000,000 from Unexpended Plant Funds; and

b. appropriate funds.

BACKGROUND INFORMATION

This project will consist of the phased build-out for additional landscape upgrades to enhance the area north of the original Mall project from the Plaza Core to the Administration Building, Rutford Promenade, Loop Road landscape, and to enhance the North-South and East-West pedestrian corridors across the campus.

It is the desire of the gift donor to improve the campus environment through extensive landscape improvements. These generous gifts continue the support of the original gift for construction of the new campus entry and Mall, a project that has had transformative impact on the public realm of the campus and significant impact on the campus environment for the benefit of the student population.

This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be presented to the Chancellor for approval at a later date. Not all of the gift funding authorized for expenditure is fully collected or committed at this time; however, the Office of Finance has determined that the institution has sufficient Local Funds to cover any shortfall.

6. U. T. Permian Basin: Student Housing Phase VI - Amendment of the FY 2013-2018 Capital Improvement Program to include project; approval of design development; appropriation of funds and authorization of expenditure; 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 amend the FY 2013-2018 Capital Improvement Program (CIP) to include the Student Housing Phase VI project at U. T. Permian Basin as follows:

Project No.:	501-762	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	June 2014	
Total Project Cost:	Source	Proposed
	Revenue Financing System Bond Proceeds[1]	$19,125,000

Funding Note: [1] Revenue Financing System debt is proposed to be repaid from rental income

Investment Metrics: By 2014

- This student housing will allow for the admission of at least 150 students from outside the Odessa/Midland area who would not otherwise be able to attend The University of Texas of the Permian Basin due to the housing shortage
- Occupancy of proposed units will increase the number of on-campus students by approximately 25% with related increases in tuition and fees, meal plan purchases, and bookstore sales
- Addition of proposed units will allow more highly qualified students to register under the $10,000 degree program in STEM majors (Texas Science Scholar Program)

a. approval of design development plans;

b. appropriate funds and authorize expenditure of $19,125,000 from Revenue Financing System Bond Proceeds; and

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

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. 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 $19,125,000.

BACKGROUND INFORMATION

Debt Service

The $19,125,000 in aggregate Revenue Financing System debt will be repaid from housing revenues. Annual debt service on the $19,125,000 Revenue Financing System debt is expected to be $1,140,000. The institution's debt service coverage is expected to be at least 1.5 times and average 1.7 times over FY 2013-2018.

Project Description

This proposed project will contain approximately 85,452 gross square feet (GSF) and house a total of 198 students in six apartment buildings. Each apartment building will house 32 students plus one Resident Advisor and contain a total of 14,242 GSF. The buildings are consistent with the existing Student Housing Phase II and Phase V apartments. This project will include additional parking spaces for approximately 50 vehicles.

The apartment buildings will be two-story, wood frame, slab on-grade structures with brick and stone exteriors. The buildings will be arranged in four-bedroom units with two bathrooms and one living/dining/kitchen area per unit. Each apartment building will also have an elevator to comply with current Texas Accessibility Standards.

Current student housing is operating near 100% occupancy with a waiting list of 40-60 students. U. T. Permian Basin currently provides 620 beds. The total number of beds will increase to 719 upon completion of Phase V, which is scheduled for July 2013. The total number of beds will increase to 917 with the completion of the Student Housing Phase VI project.

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

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 25-35 years
- Building Systems: 25-30 years
- Interior Construction: 10-20 years

The exterior appearance and finish are identical to the Student Housing Phase II project and Phase V apartments and are consistent with the Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility to allow for maintenance without significant disruption to ongoing activities. The interior appearance and finish are identical to Phases II and V and are consistent with other U. T. System apartment-style student housing projects.

7. U. T. Medical Branch - Galveston: John Sealy Hospital Facade Replacement - Amendment of the FY 2013-2018 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Callender that the U. T. System Board of Regents amend the FY 2013-2018 Capital Improvement Program (CIP) to include the John Sealy Hospital Facade Replacement project at U. T. Medical Branch - Galveston (UTMB) as follows:

Project No.:	601-767	
Institutionally Managed:	Yes ☒ No ☐	
Project Delivery Method:	Design-Build	
Substantial Completion Date:	May 2015	
Total Project Cost:	Source	Proposed
	Gifts	$ 25,000,000

a. approve a total project cost of $25,000,000 with funding from Gifts;

b. appropriate funds; and

c. authorize U. T. Medical Branch - Galveston to manage the project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

BACKGROUND INFORMATION

Upon discovery of visible issues with the masonry envelope of the John Sealy Hospital building, a structural engineering firm made recommendations for temporary stabilization measures, which have been completed. This proposed project will provide a permanent solution with a complete facade replacement for the problematic brick veneer. The problems were caused by the deterioration of the hardware and steel shelf angles that hold the brick in place.

The recladding will consist of removal of the existing brick facade, repairs to the substrate, a new waterproofing system, and recladding with new brick veneer and potentially other facade materials that will visually connect the John Sealy Hospital to the adjacent structures such as the new Clinical Services Wing and the Jennie Sealy Hospital.

The Gift funding authorized for expenditure is fully collected or committed at this time, and the institution possesses sufficient Local Funds to cover any shortfall. This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be presented to the President for approval at a later date. It has been determined that this project would best be managed by UTMB Facility Management personnel who have the experience and capability to manage all aspects of the work, especially as it requires extensive coordination with the building occupants.

8. U. T. El Paso: Campus Transformation Project - Approval of design development; appropriation of funds and authorization of expenditure; 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 Natalicio that the U. T. System Board of Regents approve the recommendations for the Campus Transformation Project at U. T. El Paso as follows:

Project No.:	201-751	
Project Delivery Method:	Construction Manager-at-Risk	
Substantial Completion Date:	June 2014	
Total Project Cost:	Source Revenue Financing System Bond Proceeds[1]	Current $25,000,000
Funding Note:	[1] Revenue Financing System debt is proposed to be repaid from Gifts and, if necessary, Designated Tuition	
Investment Metrics:	By 2014 • Elimination of routine vehicular traffic through the campus • Elimination of 167 parking spaces from the center of campus • Completion of the Centennial Plaza, creating a central gathering space for the student community	

a. approve design development plans;

b. appropriate funds and authorize expenditure of $25,000,000 with funding from Revenue Financing System Bond Proceeds; and

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

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

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

- U. T. El Paso, 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 $25,000,000.

BACKGROUND INFORMATION

Debt Service

The $25,000,000 in aggregate Revenue Financing System debt will be repaid from Gifts. Annual debt service on the $25,000,000 Revenue Financing System debt is expected to be $2,200,000. The institution's debt service coverage is expected to be at least 1.7 times and average 1.9 times over FY 2013-2018.

Previous Board Action

On August 23, 2012, the project was included in the Capital Improvement Program (CIP) with a total project cost of $25,000,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The Campus Transformation Project will complete the campus outdoor space reconfiguration that began more than 10 years ago to improve access and space utilization and to enhance the quality of campus life. This project is the culmination of a master planning and implementation process that has successfully leveraged the investments of a variety of strategic partners, including the City of El Paso and the Texas Department of Transportation.

The primary organizational framework of current outdoor spaces, especially parking and streets, no longer meets even minimal campus needs. Restricting vehicles to roadways along the campus perimeter and providing safe, convenient, and attractive walkways for pedestrians all across the campus have become increasingly urgent priorities.

At the heart of this plan is the creation of a continuous pedestrian environment that uses walkways, bike paths, and green spaces to knit together campus buildings, improve circulation to and from classes, increase pedestrian safety, and create more inviting gathering spaces on an inner campus that has previously been dominated by vehicles. In addition to improving safety, this more appealing campus environment, and the sense of community it builds, will help to foster student success.

The project is expected to ultimately be funded from Gifts, with Revenue Financing System debt issued initially to provide interim financing pending gift collections. Revenue Financing System debt will be issued to the extent that U. T. El Paso has received an equal amount of gifts or pledges. As gifts are collected, they will be used to retire interim financing. Designated Tuition will be used to supplement gift receipts, if necessary, to fund interest expense on the interim financing.

Basis of Design

The project will incorporate sustainable, drought-tolerant landscaping concepts suited to the unique Chihuahuan desert climate. Buried infrastructure (power, water, sewage, etc.) will be designed and installed per applicable codes and Office of Facilities Planning and Construction standards to ensure long life and low maintenance.

TABLE OF CONTENTS
FOR
TECHNOLOGY TRANSFER AND RESEARCH COMMITTEE

Committee Meeting: 2/13/2013

Board Meeting: 2/14/2013
Austin, Texas

James D. Dannenbaum, Chairman
R. Steven Hicks, Vice Chairman
Alex M. Cranberg
Printice L. Gary
Brenda Pejovich

1. U. T. System: Report on a backtesting model for the U. T. Horizon Fund

REPORT

Vice Chancellor and General Counsel Burgdorf and Executive Director Allinson will report on a backtesting model for the U. T. Horizon Fund (Fund). The backtesting model applies strategy and analytical methods to analyze historical and present data for the years 2002-2012 to determine the theoretical performance of the Fund had it been in existence and co-investing in U. T. start-ups during that time period.

The presentation of the backtesting model is set forth on the following pages.

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Backtesting Model (2002-2012)

Barry Burgdorf, Vice Chancellor and General Counsel
Bryan Allinson, Executive Director of Technology Commercialization

U. T. System Board of Regents' Meeting
Technology Transfer and Research Committee
February 2013

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

Purpose

- 10-year "backtesting model" for the U. T. Horizon Fund (Fund)
- What metrics, including returns, would have resulted if the Fund had been established in 2002?
- Previously requested by the U. T. System Board of Regents' Technology Transfer and Research Committee

Goal

- To determine what investment activity could have been observed if the Fund automatically co-invested when presented the opportunity to do so starting in 2002

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Forward-Looking Statement

Forward-looking statements generally include words such as ‘may’, ‘could’, ‘will’, ‘expect’, ‘intend’, ‘estimate’, ‘anticipate’, ‘believe’, ‘plan’, ‘seek’, ‘continue’, ‘project’, ‘should’, ‘probability’, ‘risk’, ‘value-at-risk’, ‘target’, ‘goal’, ‘objective’, ‘endeavor’, ‘outlook’, ‘optimistic’, and ‘prospects’, or similar expressions or variations on such expressions to identify forward-looking statements.

Data presented for the backtesting model covers a period of time ranging from 2002 to 2012 and is theoretical not actual because the Fund did not exist as a strategic venture fund for the entire duration of the time period and, as such, is based on information, both known and unknown, collected from sources such as public databanks, and includes certain assumptions based on predictions where no data existed and information that may not have otherwise been collected due to the fact that the Fund did not exist during the time period. Data generated from the backtesting model covering capital investments, returns, equity marked to market, industry segments, exits, field, or any other data is subject to such information, both known and unknown.

Projecting results forward from the backtesting model to the future, including forward-looking investments, returns, equity marked to market, industry segments, exits, fields, or any other forward-looking statement, includes unknown risks and uncertainty that could cause actual results, performance, or events to differ materially, both higher or lower, from those expressed or implied in such statements as well as from output created from observations of the backtesting model.

Profile: University & health strategic venture funds

WARF

Univ. of Wisconsin

New York University

Stanford

Univ. of Michigan

Partners Healthcare

Cleveland Clinic

Kaiser Permanente

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Profile: Origination of university ventures

$2.5B **research and development** in FY11

9,975 active **patents and patent applications**
(278 new applications; 156 new issued patents; $7.5M legal costs in FY11)

1,227 active **licenses**
(126 new licenses; $65.3M royalties in FY11)

154 active **startups***
(20 new startups in FY11)

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62 active **invested startups***
(19 new investments in FY11)

3 **exits** in FY11 yielding $132M

* - Only startups having an active license agreement on file

Profile: Volcano Corporation

VOLCANO
PRECISION GUIDED THERAPY

(VOLC: NASDAQ GS)

- Summary: Formed in 2000 out of U. T. Health Science Center - Houston technology on the thermal detection of vulnerable atherosclerotic plaques, Volcano designs, develops, manufacturers, and commercializes intravascular ultrasound (IVUS) and fractional flow reserve (FFR) products used in diagnosis and treatment of structural heart disease.
- Financials: Initial public offering (IPO) in June 2007 with one-year post IPO share price of $20; today's market cap: $1.4 billion; 52-week high/low: $30.59 - $22.22

http://investing.businessweek.com/research/stocks/snapshot/snapshot.asp?ticker=VOLC; accessed 1/11/13

Model

- Review every known deal from 2002 to 2012 covering an active start-up company having licensed a U. T.-owned technology
- Each co-investment deal is matched to an investment by at least one venture capital firm, strategic investor, or angel investor
- Diversification metrics include company vintage, deal vintage, originating institution, company exit, and expected return
- Utilize a 10-year cost of capital of 7.05 percent (UTIMCO) for handling of cash and determination of present value

Qualifying Assumptions

- This is a model and is not actual
- Does not represent with certainty what would have happened, but rather scenarios based on information and, where no information exists, assumptions
- Because the Fund did not exist during this period, only limited information on deals is available, and therefor assumptions were made on deals covering deal terms and positions of Fund investments

Qualifying Assumptions (cont.)

- Only known exits are modeled: unknown (private/ confidential) exits are not modeled
  - If all exits were known, then cash returns would likely be higher than what the model predicts
- Only known bankruptcies are modeled: unknown (private/confidential) exits are not modeled
  - If all bankruptcies were known, then equity marked to market would likely be lower than what the model predicts

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Summary of Backtesting Model Metrics

	Probable Case	Best Case
Companies involved with deals	72	73
Number of exits for U. T. start-up companies	12	13
Number of co-investment deals for the Fund	116	118
Cash invested by the Fund ($M)	159.5	166.1
Cash returned to the Fund ($M)	332.8	470.4
Multiple	2.1	2.8
Internal Rate of Return	54%	167%
Portfolio Value – Net present value (7.05%) of cash returns plus equity mark to market minus cost of capital ($M)	394.7	618.9
Gains Value – Net present value (7.05%) of cash returns minus cost of capital ($M)	226.0	450.2

Analysis of Backtesting Model

- 142 known start-ups; 72 discrete companies raised $1,223 million
- 13 known start-ups that were acquired or initial public offering (IPO) valued at $4,188.3 million
- 4 known start-ups that have entered bankruptcy reducing equity marked to market to zero
- 125 start-ups considered "Active"
  - Known to be active; also includes no known information on exit nor bankruptcy
  - Note: It is expected that there may be some private exits and bankruptcies not known within this group

Probable Case

- Invest $159.5 million
- Return $332.8 million in cash and $168.7 million in equity marked to market
- 2.1 multiple from 12 exits
- Present value of cash returns minus cost of capital is $226 million

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Best Case

- Invest $166.1 million
- Return $470.4 million in cash and $168.7 million in equity marked to market
- 2.8 multiple from 13 exits
- Present value of cash returns minus cost of capital is $450.2 million
- (Same as Probable Case but assumes the Fund would have made additional investments up to 3 years prior to 2002)

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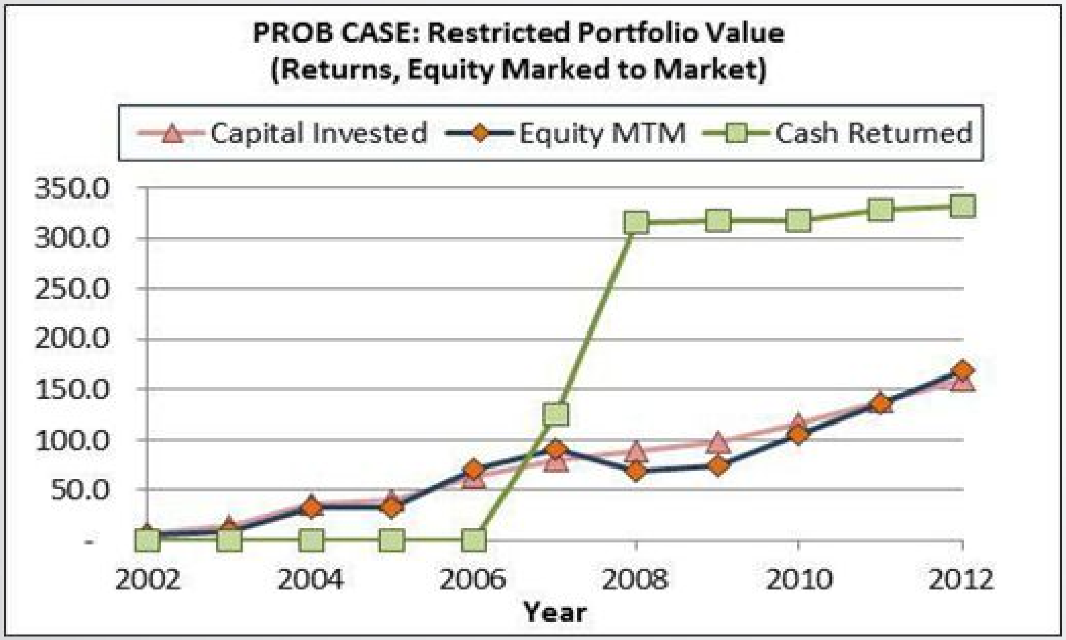
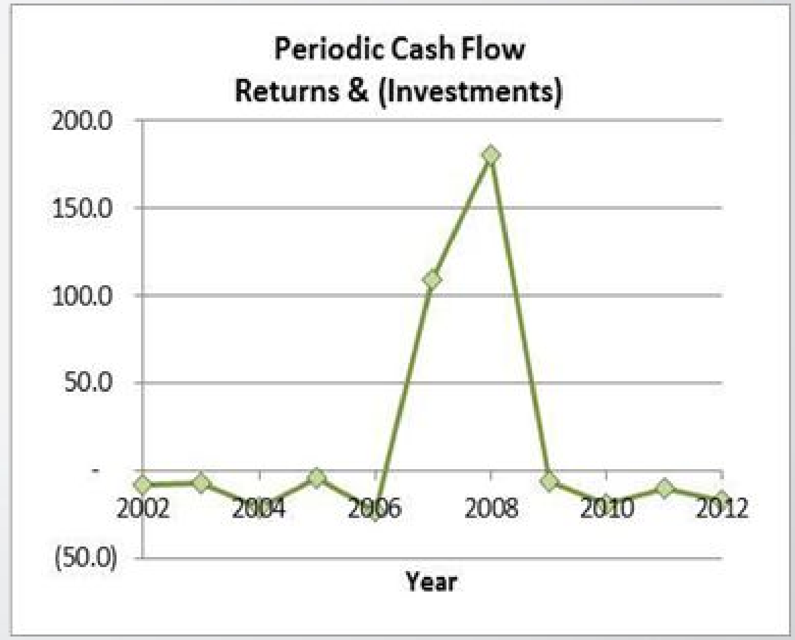
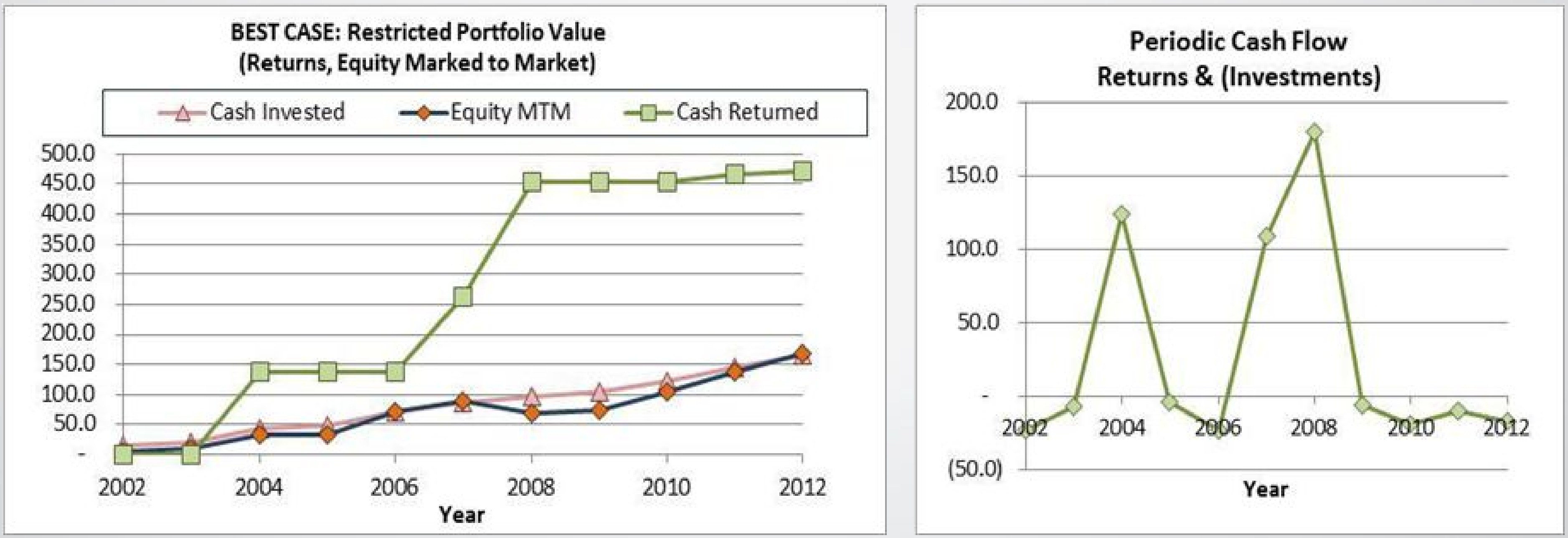
Probable Case ($M)





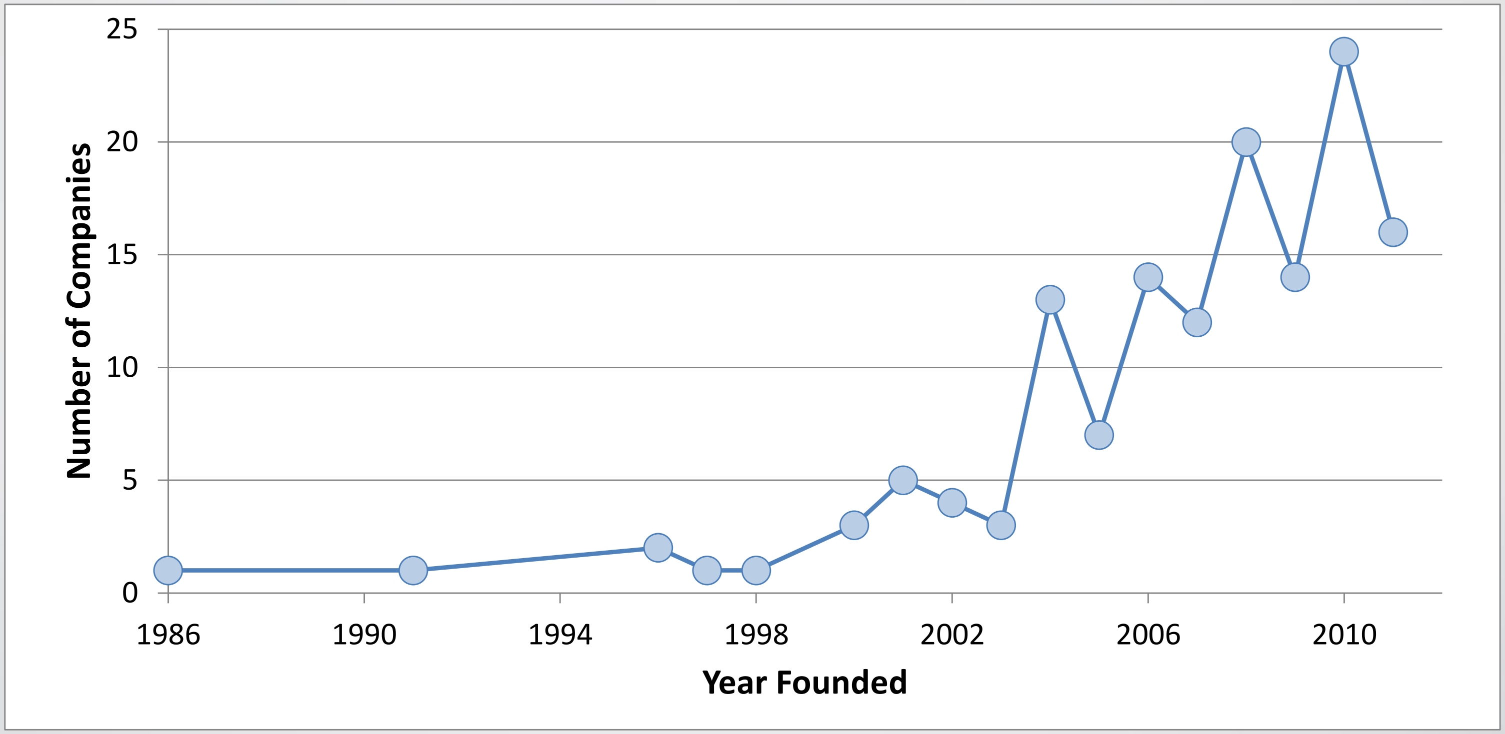
UT HORIZON FUND™

Best Case ($M)



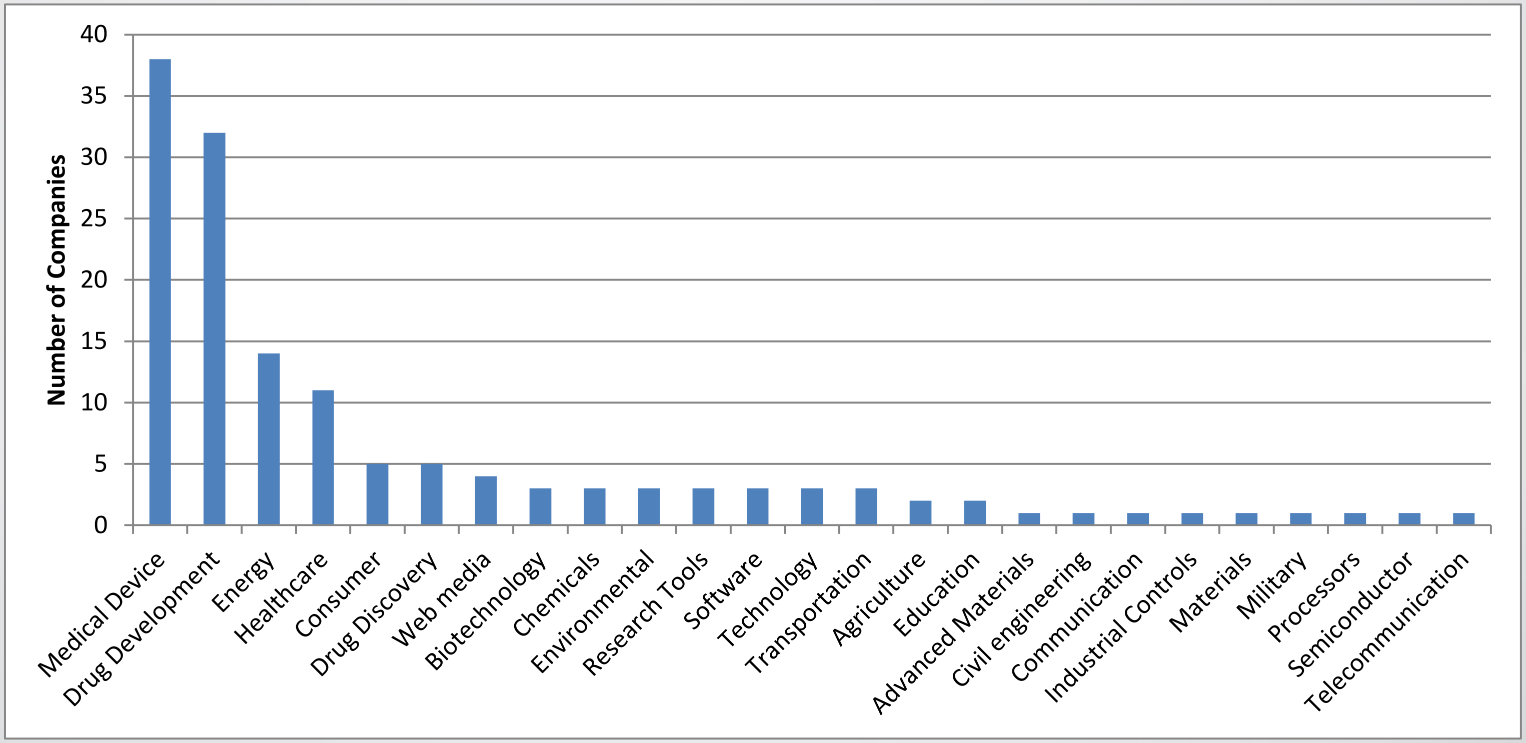
UT HORIZON FUND™

Companies by Vintage



UT HORIZON FUND™

Companies by Segment



UT HORIZON FUND™

Benefits U. T. System would have received if the Fund existed from 2002-2012

- Provided a significant return on investment to U. T. System
  - Participate in $226 million financial gains, 54 percent internal rate of return
  - Create a portfolio of start-ups, including associated equity marked to market
- Enabled a focused center of excellence in ventures across the entire U. T. System
  - Assist U. T. System institutions in developing a higher level of awareness relating to equity and exit value of licensed intellectual property
  - Enhance venture development and monitoring activities of U. T. System institutions
  - Support complimentary patent and licensing core competencies at U. T. System institutions
- Enabled U. T. System to better access associated entrepreneurial talent

Conclusion

- Based on these findings, we recommend that the Board recapitalize the Fund with "Phase II funding" of $12.5 million per year over the next four years (2013-2016) reauthorized annually
  - Focus on targeted investments into U. T. start-ups
  - Optimize performance (returns)
  - Feed the pipeline (enable future deal flow)
  - Engage entrepreneurial talent in fields of high density such as medical device, drug development, and energy, etc.
  - Compliment existing technology commercialization activities at U. T. institutions

2. U. T. System: Allocation of $12.5 million of Available University Funds for the U. T. Horizon Fund

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that the U. T. System Board of Regents approve and authorize $12.5 million from Available University Funds (AUF) as the first allocation under a four-year plan to continue and enhance the goals of the U. T. Horizon Fund (Fund). Each additional $12.5 million allocation will be subject to annual approval and authorization by the Board upon receipt of a satisfactory report of activities undertaken as a result of the previous year's allocation. The funds will be utilized as follows:

a. $10 million for Fund investments; and

b. $2.5 million for associated services to be provided centrally by the Office of Technology Commercialization under the oversight of the Office of General Counsel and the Office of Business Affairs.

Subject to approval of the Board's standing committee on Technology Transfer and Research and the Chancellor, the Office of Technology Commercialization shall be authorized to exceed the $10 million Fund allocation by up to $2 million each fiscal year should deal flow exceed expectations during that fiscal year.

BACKGROUND INFORMATION

The Fund was approved by the Board of Regents on August 25, 2011, and serves as a strategic investment fund for the U. T. System. The Fund's goals are to improve commercialization of U. T. System institution technologies, and improve sustainability through a positive return on investment. Phase I of the Fund was capitalized with $10 million of AUF. As of January 2013, $9.8 million of funds have been deployed, are in process, or are being held as reserve funding for follow-on investments, representing 98% of the total funding allocated from the August 2011 approval.

The Fund's Existing Ventures funding program co-invests with syndicate investors to continue equity participation all the way through to commercialization. By reducing equity dilution, a contributor to eroding U. T. System's equity value, U. T. System can increase its return on investment both in terms of delivering real products and services beneficial to society, as well as providing financial return. Following a six-month ramp-up period designed to establish inter-institutional procedures, $3.9 million has been invested through the Fund's Existing Ventures funding program from August 2012 through January 2013, with another $0.5 million in process for a total of $4.4 million deployed along with another $4.4 million reserved for follow-on investments, totaling $8.8 million.

The Fund's New Ventures funding program focuses on addressing the biggest bottleneck at the earliest stages of commercialization -- access to entrepreneurial talent. Seasoned entrepreneurs are necessary to help develop deep and nuanced business planning with U. T. System institutions' startups and to network with industry partners critical for growth and development, regulatory approval, and other activities. To date, $0.5 million is in process to be invested through the New Ventures funding program with another $0.5 million in reserves, totaling $1.0 million.

An executive summary of the Fund's portfolio is attached.

U. T. Horizon Fund Portfolio
Executive Summary

Apollo Endosurgery, Inc. (a U. T. Medical Branch – Galveston startup)

Apollo Endosurgery, Inc. was founded upon the initial work of the Apollo Group, a group of five universities: U. T. Medical Branch - Galveston, the Mayo Clinic, Johns Hopkins University, Medical University of South Carolina, and Chinese University-Hong Kong. The specific focus of the Apollo Group was the use of long, flexible instruments deployed through a natural orifice to diagnose and potentially treat gastrointestinal disorders.

In 2006, the group founded Apollo Endosurgery, Inc., to revolutionize patient care through the development of endoscopic surgery, which is emerging from the convergence of laparoscopic surgery and therapeutic gastroenterology. Flexible surgery minimizes the trauma of surgical access by taking advantage of natural orifices to deliver surgical tools to targeted areas.

Apollo has developed a new class of flexible surgical tools, called SuMO™, to enable surgeons and gastroenterologists to offer less invasive treatment options for a variety of gastrointestinal disorders.

In 2012, Apollo Endosurgery received U.S. Food and Drug Administration clearance for its endoscopic tissue access and resection system. The system assists surgeons in removing large, flat precancerous gastrointestinal lesions and polyps during endoscopy procedures.

In October 2012, Apollo Endosurgery was named to the "Fierce 15" list of top private medical device companies of the same year by FierceMedicalDevices editors. The announcement came during AdvaMed 2012, a medical device industry conference held in Boston, MA.

The U. T. Horizon Fund is an investor of Apollo Endosurgery under the Existing Ventures funding program.

Cardiovate, Inc. (a U. T. San Antonio startup)

In 2012, U. T. San Antonio student Jordan Kaufmann, Ph.D. (now alumnus), U. T. San Antonio College of Engineering Dean Mauli Agrawal, and U. T. Health Science Center - San Antonio cardiologist Steven Bailey, M.D. helped launch Cardiovate, a technology startup that will offer a new and much-needed cardiovascular stent-graft to prevent aneurysm leakage following cardiovascular surgeries.

The group developed the unique stent-graft as part of Dr. Kaufmann's doctoral research in biomedical engineering in the U. T. San Antonio College of Engineering and U. T. Health Science Center - San Antonio Department of Cardiology in the School of Medicine.

The technology will be developed to better serve the $507 million cardiovascular stent-graft market.

Cardiovate is the winner of the 2012 U. T. Horizon Fund Student Investment Competition, part of the New Ventures funding program of the U. T. Horizon Fund.

Cerevast Therapeutics, Inc. (a U. T. Health Science Center - Houston startup)

Cerevast Therapeutics, Inc. is a medical technology company with primary emphasis in the field of SonoLysis for the treatment of acute ischemic stroke and other vascular disorders. This non-invasive treatment is administered with Cerevast's proprietary ultrasonic headframe called the ClotBust-ER™, an operator independent device that can be rapidly and easily deployed by virtually any emergency room staff to safely administer the ultrasound energy for SonoLysis therapy.

Approximately 795,000 strokes occur in the United States each year, representing the third leading cause of death in the United States behind cancer and cardiovascular disease. Approximately 87 percent of all strokes are ischemic in nature, meaning they are the result of a blood clot forming in one or more of the cerebral arteries. Activase® (Alteplase, recombinant tissue plasminogen activator or tPA) is currently the only drug approved for the treatment of ischemic stroke. Clinical studies have demonstrated that when ultrasound energy is applied during conventional intravenous tPA thrombolytic therapy, there is a dramatic improvement in the ability to dissolve blood clots and restore blood flow to the ischemic regions of the brain.

SonoLysis is the result of ultrasound pressure waves traveling through tissue that induce a mechanical force, which in turn causes the tissues to displace or strain.

In December 2011, Cerevast completed its stroke treatment portion, Phase II, of the Combined Lysis of Thrombus in Brain Ischemia with Transcranial Ultrasound in Brain Ischemia (CLOTBUST-HF), a National Institutes of Health-funded Phase I/II trial. This phase of the study consisted of 20 ischemic stroke patients who were treated with two hours of continuous ultrasound insonation using the Cerevast Clotbust-ERTM device while undergoing concomitant thrombolytic therapy.

In December 2011, Cerevast received CE mark clearance of SonoLysis System, providing approval to market in Europe.

The U. T. Horizon Fund is an investor of Cerevast Therapeutics under the Existing Ventures funding program.

FibeRio Technology Corporation (a U. T. Pan American startup)

FibeRio Technology Corporation focuses on incorporating proprietary Forcespinning™ technology into equipment and manufacturing processes. Forcespinning® Technology combines novel equipment and processes to enable more versatile and cost-effective methods for making polymeric nanofibers and metallic nanowires. Forcespinning® solves problems of prior nanofiber production such as either using less or no solvent at all, and is a more cost effective and continuous process.

The application of nanofiber technology to commercial products includes filtration, textiles, tissue engineering, drug delivery, energy, cosmetics, and other applications. As these technologies transition from research to commercial applications, success is dependent on the availability of low cost, safe, and effective product manufacturing.

In June 2011, FibeRio won an R&D 100 Award from R&D Magazine for its development and launch of the Cyclone™ L-1000 series of nanofiber production machinery. The annual R&D 100 Awards recognize the 100 most technologically significant products introduced into the marketplace over that year.

In June 2012, FibeRio was spotlighted in a report from the Partnership for a New American Economy. The organization, whose members include hundreds of mayors and business leaders from across the country, produced the report entitled “Patent Pending: How immigrants are reinventing the American economy.” U. T. Pan American faculty and FibeRio co-founder Karen Lozano, Ph.D., was also spotlighted in the report.

The U. T. Horizon Fund is an investor of FibeRio under the Existing Ventures funding program.

Latakoo Inc. (a U. T. San Antonio startup)

Latakoo, Inc. is a web media startup focused on sharing video files between parties in a data and time efficient manner. The company is focused on servicing the media and business community to improve productivity. Latakoo employs a one-click utility to shrink and convey large HD and SD video files in minutes instead of hours without compromising quality. Latakoo's online platform is focused on television media, public relations agencies, and numerous large corporate enterprises.

In 2012, Latakoo partnered with NBC Universal and Box.com to help commercialize its technology.

The U. T. Horizon Fund is an investor of Latakoo under the Existing Ventures funding program.

Rapamycin Holdings, Inc. (a U. T. Health Science Center - San Antonio startup)

Rapamycin Holdings, Inc. licenses rapamycin-related intellectual property developed at the U. T Health Science Center - San Antonio. Rapamycin, a drug federally approved to suppress organ rejection, continues to be studied for its potential to slow the aging process and its efficacy in treating age-related diseases.

The U. T. Horizon Fund is an investor of Rapamycin Holdings under the Existing Ventures funding program.

3. U. T. System: Report on pending federal sequestration and funding following fiscal-cliff deal

REPORT

Vice Chancellor Shute will report on the current fiscal situation at the federal level, focusing on the pending sequestration of federal accounts and the impact to higher education of the tax deal reached by Congress and the Administration at the end of 2012.

4. **U. T. System: Report on federal funding for research**

REPORT

Vice Chancellor Hurn will report on federal funding for research, focusing on projected effects of the federal budget sequestration on university research. Dr. Hurn's presentation is set forth on the following pages.

Federal Funding for Research

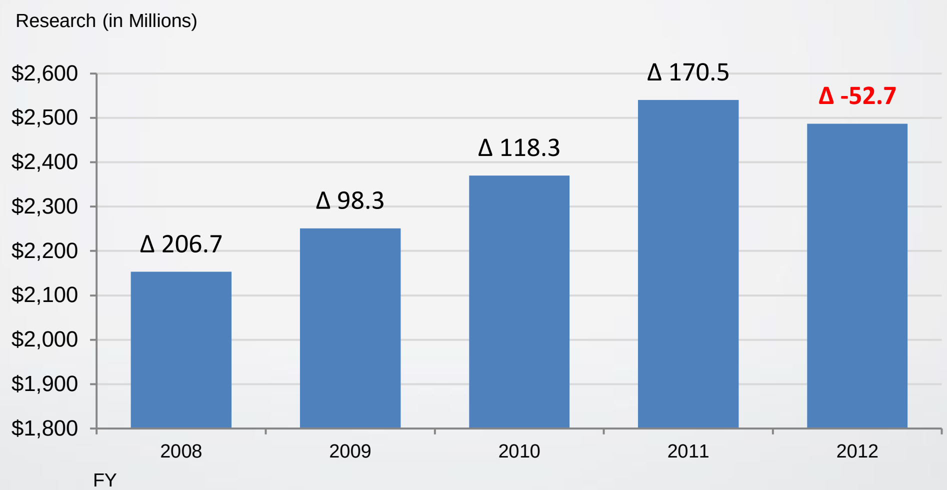
Patricia Hurn, Ph.D.
Vice Chancellor for Research and Innovation

U. T. System Board of Regents' Meeting
Technology Transfer and Research Committee
February 2013

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

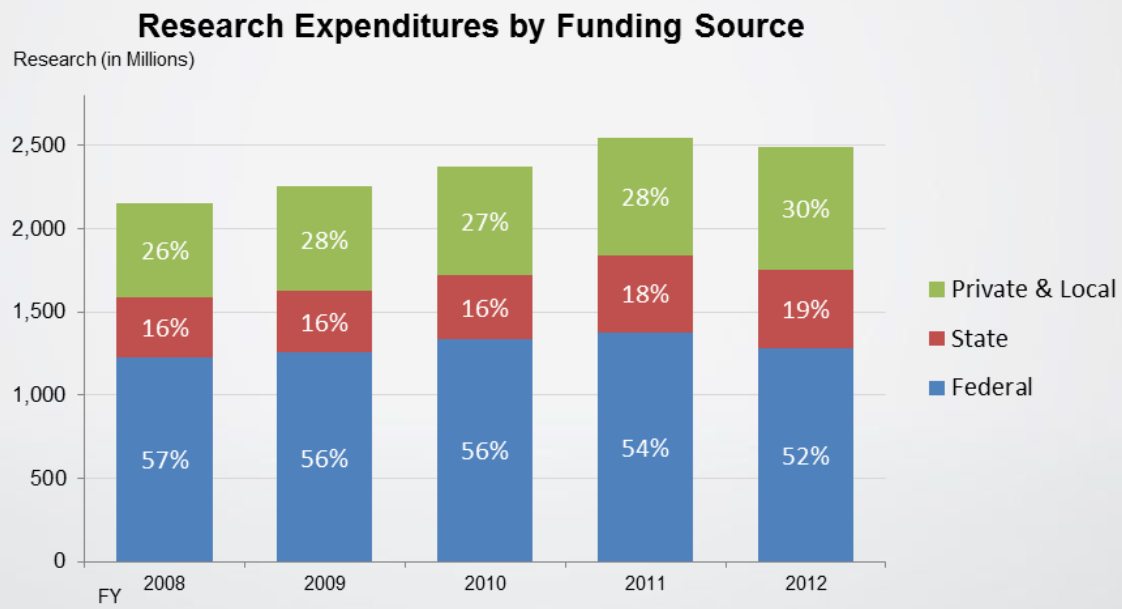
Total research expenditures decrease in 2012, largely due to reduced federal funding

Total Research Expenditures

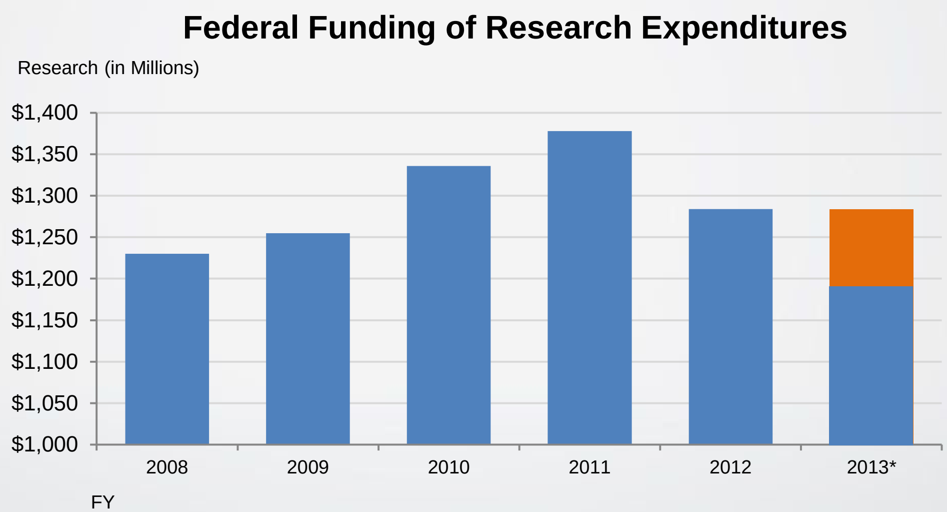


Column data labels represent the gains/losses (in millions) in funding from <u>all</u> sources (federal, state, private, and local) from the previous FY.

Subtle shifts in funding sources over time

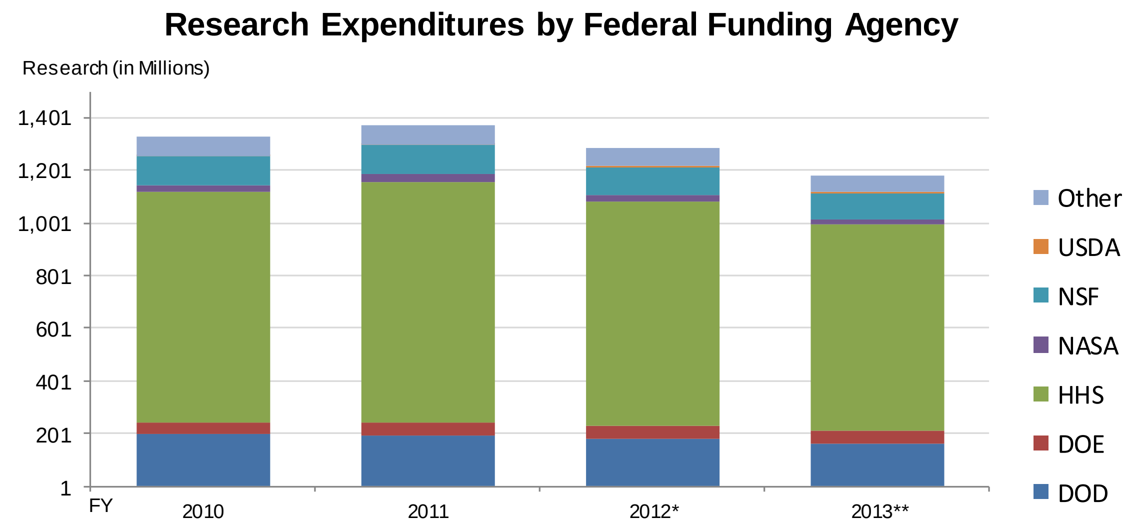


Projected 2013 U. T. System federal funding assuming 8.2% reduction from sequestration



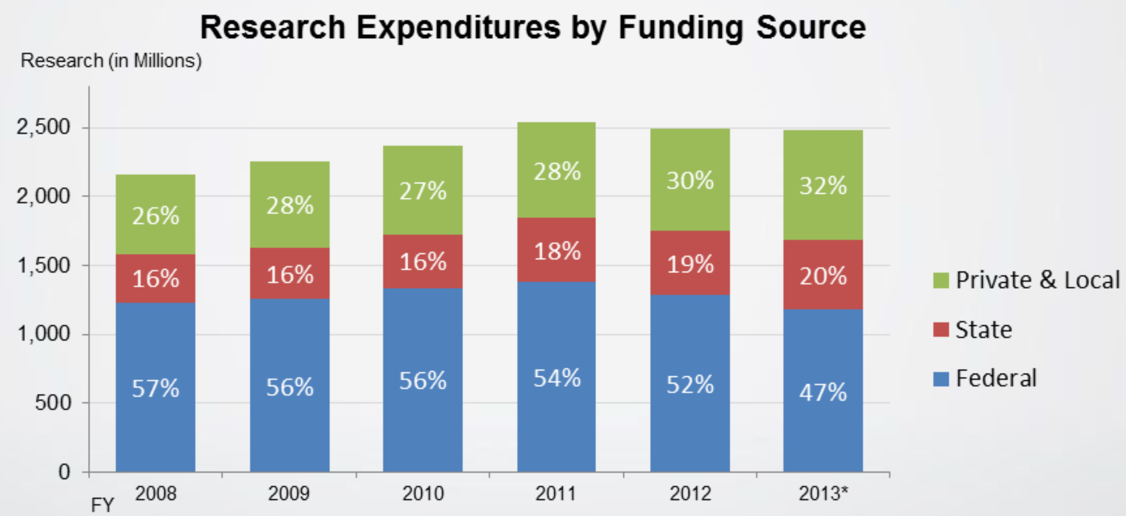
*If federal funding is assumed to remain the same for FY 2013 as for FY 2012, then sequestration (8.2 cut) would produce a projected **$105 million dollar reduction in federal research expenditures (orange)**.

Largest projected impact for NIH funded research, all institutions



* Total 2012 figure based on actual funding. Agency breakouts are estimates based on the 2011 percent distribution of funds by agency. Green bar is Health and Human Services (HHS), of which NIH is a part.
**Assumes 2013 remains at the same level as 2012 and then takes into account the potential effect of sequestration (8.2% cut)

Non-federal funding must replace federal dollars if research expenditures are to continue at high level



*The 2012-13 figure is an estimated projection based on the average % increase of the previous 5 years for state and private/local funding. For federal funding, it assumes levels remain the same as in the previous year and then accounts for sequestration.

5. U. T. Austin: Report on M87, Inc., a U. T. Austin start-up to improve wireless communications technology

REPORT

Dr. Robert Metcalfe, Director of the Cockrell School of Engineering at U. T. Austin, will introduce Dr. Sriram Vishwanath, Associate Professor in the Department of Electrical and Computer Engineering, for a report on M87, Inc., a U. T. Austin start-up to improve wireless communications technology.

M87 was formed to commercialize technology developed in the Department of Electrical and Computer Engineering. M87's management team was recruited in October 2012, and M87 was granted an exclusive, worldwide license from U. T. Austin in November 2012. U. T. Austin owns 5% of M87. The U. T. Horizon Fund is investing $500,000 in the company's second tranche of a $1 million seed financing currently scheduled to close on January 25, 2013. This funding will be used to hire additional engineers and file for additional patents in key countries around the world.

M87 is developing software solutions to address spectrum capacity constraints in the wireless communications industry. Wireless data is an $80 billion market in the United States. Current U.S. providers (e.g., AT&T, Verizon) are experiencing acute capacity constraints in key markets such as New York City. M87's solutions and related intellectual property bring a unique software-only solution to a market traditionally addressed by multibillion dollar capital expenditures. Field trials with carriers are expected to commence in the third quarter of 2013. The company anticipates raising an additional round of equity capital prior to commencing field trials.

TABLE OF CONTENTS

THE UNIVERSITY OF TEXAS SYSTEM BOARD OF REGENTS

CONSENT AGENDA

Board Meeting: 2/13-14/2013
Austin, Texas

Page

U. T. SYSTEM ADMINISTRATION

ACADEMIC INSTITUTIONS

HEALTH INSTITUTIONS

THE UNIVERSITY OF TEXAS SYSTEM BOARD OF REGENTS

CONSENT AGENDA

Board Meeting: 2/13-14/2013
Austin, Texas

U. T. SYSTEM ADMINISTRATION

1. Minutes - **U. T. System Board of Regents**: Approval of Minutes of the regular meetings held on November 14-15, 2012, and December 6, 2012, and the special called meetings held on December 18, 2012, January 23, 2013, and February 3, 2013

2. Contract (funds going out) - **U. T. System**: Opportune LLP to perform study of current University Lands' business process

Agency:	Opportune LLP
Funds:	Anticipated total cost will be $3,352,000 over the life of the contract
Source of Funds:	University Lands Special Fee Fund
Period:	Commencing January 3, 2013, and continuing for a period of approximately 12 to 14 months
Description:	Opportune LLP to perform a comprehensive study of the current University Lands' business processes to recommend accounting software, perform custom programming services, data conversion services, documentation and training services, and other integration functions as they pertain to a comprehensive oil and gas royalty reporting and accounting system. Services were competitively procured.

3. Contract (funds going out) - **U. T. System**: Surveying and Mapping, Inc. to perform professional surveying services

Agency:	Surveying and Mapping, Inc.
Funds:	Anticipated total cost may exceed $1,000,000 over the life of the contract for services provided on an as-needed basis
Source of Funds:	Various funds approved for individual Capital Improvement Program projects
Period:	December 3, 2011 through December 2, 2017 (contract is being brought forward for Board approval as it is nearing the $1,000,000 threshold)
Description:	Surveying and Mapping, Inc. to perform miscellaneous professional surveying services on a job order basis. Services were competitively procured.

4. Contract (funds going out) - **U. T. System**: Rolf Jensen & Associates, Inc. to perform code compliance review services

Agency:	Rolf Jensen & Associates, Inc.
Funds:	Anticipated total cost may exceed $1,000,000 over the life of the contract for services provided on an as-needed basis.
Source of Funds:	Various funds approved for individual Capital Improvement Program projects
Period:	September 1, 2011 through August 31, 2017 (contract is being brought forward for Board approval as it is nearing the $1,000,000 threshold)
Description:	Rolf Jensen & Associates, Inc. to perform code compliance review services on a job order basis. Services were competitively procured.

5. Contract (funds going out) - **U. T. System**: Velos, Inc. to license eResearch clinical trials management system (CTMS) software

Agency: Velos, Inc.

Funds: Total cost of ownership (license fees, implementation fees, and ongoing support costs) for eResearch clinical trials management system (CTMS) is $3,967,500 for seven years. Other software modules may be licensed by U. T. System for $1,050,000 for five years. Additionally, other professional services (project managers, project implementation specialists, computer programmers, on-site training, etc.) may be purchased by U. T. System on an as-needed basis.

Source of Funds: Permanent University Funds and Institutional Funds

Period: January 2013 through December 2020

Description: This U. T. Shared Services Project involves implementing a common clinical trials management system software solution at U. T. Medical Branch - Galveston, U. T. Health Science Center - Houston, U. T. Health Science Center - San Antonio, and U. T. Health Science Center - Tyler, and improving CTMS business processes at these institutions. The CTMS software is owned and hosted by Velos, Inc. and licensed to the institutions. The software facilitates coverage analyses and budgets, registers all clinical trials and enrolled patients, tracks all patient scheduled events, strengthens financial management controls, and publishes operational reports.

6. Real Estate Report - **U. T. System**: Summary Report of Separately Invested Assets managed by U. T. System

THE UNIVERSITY OF TEXAS SYSTEM
SEPARATELY INVESTED ASSETS
Managed by U. T. System
Summary Report at November 30, 2012

	FUND TYPE							
	Current Purpose Restricted		Endowment and Similar Funds		Annuity and Life Income Funds		TOTAL	
	Book	Market	Book	Market	Book	Market	Book	Market
Land and Buildings:								
Ending Value 8/31/2012	$ 1,723,658	$ 19,944,708	$ 100,616,206	$ 263,119,675	$ 1,601,467	$ 3,161,384	$ 103,941,331	$ 286,225,767
Increase or Decrease	-	(12,280)	(3,470,000)	(2,038,533)	-	-	(3,470,000)	(2,050,813)
Ending Value 11/30/2012	$ 1,723,658	$ 19,932,428	$ 97,146,206	$ 261,081,142	$ 1,601,467	$ 3,161,384	$ 100,471,331	$ 284,174,954
Other Real Estate:								
Ending Value 8/31/2012	$ 40,068	$ 40,068	$ 19,627	$ 19,627	$ -	$ -	$ 59,695	$ 59,695
Increase or Decrease	(2,221)	(2,221)	-	-	-	-	(2,221)	(2,221)
Ending Value 11/30/2012	$ 37,848	$ 37,848	$ 19,627	$ 19,627	$ -	$ -	$ 57,475	$ 57,475

Report prepared in accordance with Section 51.0032 of the *Texas Education Code*.

Details of individual assets by account furnished on request.

Note: Surface estates are managed by the U. T. System Real Estate Office. Mineral estates are managed by U. T. System University Lands. The royalty interests received from the Estate of John A. Jackson for the John A. and Katherine G. Jackson Endowed Fund in Geosciences are managed by the U. T. Austin Geology Foundation, with the assistance of the Bureau of Economic Geology.

ACADEMIC INSTITUTIONS

7. Contract (funds coming in) - **U. T. Arlington**: Safety training contract with the Texas Department of Transportation (TxDOT) to train TxDOT employees

Agency:	Texas Department of Transportation (TxDOT), an agency of the State of Texas
Funds:	$3,128,372
Period:	March 1, 2013 through August 31, 2015
Description:	U. T. Arlington Division for Enterprise Development's Center for Transportation Training and Services will deliver instructor-led training to TxDOT employees. Training will take place at various TxDOT District offices statewide.

8. Tenure Appointments - **U. T. Arlington**: Amendments to the 2012-13 budget

The following Requests for Budget Changes have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

			Full-time Salary		
Description	Effective Date	% Time	No. Mos.	Rate $	RBC #
COLLEGE OF NURSING					
Nursing					
Professor					
Associate Dean					
Michael E. Young (T)	10/8-8/31	100	12	154,000	4928
	10/8-5/31	0	09	115,500	
COLLEGE OF SCIENCE					
Earth and Environmental Sciences					
Professor					
Chair					
Asish Basu (T)	1/1-8/31	100	12	170,000	4929
	1/1-5/31	0	09	160,000	
	1/1-8/31	SUPL	12	10,000	

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
COLLEGE OF BUSINESS					
Office of the Dean					
Dean					
Professor					
Rachel Croson (T)	1/14-8/31	100	12	325,000	4967
	1/14-5/31	0	09	243,750	
	1/14-8/31	SUPL	01	50,000	

9. Request for Budget Change - **U. T. Arlington**: Transfer $550,000 from Vice President Business Affairs Budget Shortfall account to Vice President Communications account to provide funding for university communications operations including funding for advertising, events, promotions, and strategic positioning (RBC No. 4876) -- amendment to the 2012-13 budget

10. Contract (funds coming in and funds going out) - **U. T. Austin**: University of Notre Dame and U. T. Austin to play a series of four football games

Agency: University of Notre Dame

Funds: $2,000,000

Source of Funds: Auxiliary Enterprises Fund for games hosted by U. T. Austin

Period: November 25, 2012 through September 12, 2020

Description: The U. T. Austin and University of Notre Dame football teams will compete in a series of four football games, with the host institution paying the visiting institution $500,000 per game. The University of Notre Dame will pay U. T. Austin a total of $1,000,000 for two games to be played at Notre Dame Stadium in Notre Dame, Indiana, on September 5, 2015 and September 12, 2020. U. T. Austin will pay Notre Dame a total of $1,000,000 for two games to be played at Darrell K Royal-Texas Memorial Stadium on September 3, 2016 and August 31, 2019.

11. Contract (funds going out) - **U. T. Austin**: SSC Service Solutions Corporation to provide custodial services to buildings at the J. J. Pickle Research Campus and Dell Pediatric Research Institute

Agency: SSC Service Solutions Corporation

Funds: Estimated $2,500,000 including all renewals

Source of Funds: Education and General Funds

Period: February 1, 2013 through August 31, 2013 with option to renew for three additional one-year periods through August 31, 2016

Description: SSC Service Solutions Corporation to provide custodial services to U. T. Austin at various buildings located at the J. J. Pickle Research Campus and the Dell Pediatric Research Institute

12. Contract (funds going out) - **U. T. Austin**: Sasaki Associates, Inc. to provide professional master planning services to create a Medical District Master Plan

Agency: Sasaki Associates, Inc.

Funds: $966,000 added to original Campus Master Plan master agreement

Source of Funds: Project Management and Construction Services - Campus Master Plan

Period: December 1, 2012 through September 30, 2013. The term of the original master agreement was October 1, 2010 through December 31, 2012.

Description: Under the original master agreement, Sasaki Associates, Inc. agreed to create a new Campus Master Plan that is now in the final review stage. This amendment expands the scope of the original master agreement to include the creation of a new Medical District Master Plan. The plan will focus on achieving envisioned academic goals for the new medical school, the interrelationships with existing academic programs, and facilities to be built by other entities. The master plan will address mobility planning, sustainability planning, interfacing with the utilities plan, and establishing design guidelines for the buildings and open space. The services were competitively procured.

13. Tenure Appointments - **U. T. Austin**: Amendment to the 2012-13 budget

The following Requests for Budget Changes have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

Description		Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
COLLEGE OF FINE ARTS						
Butler School of Music						
	Charles W. Villarrubia					4954
From:	Senior Lecturer		100	09	70,000	
To:	Associate Professor (T)	9/1-5/31	100	09	80,000	
COLLEGE OF PHARMACY						
Pharmacy						
Professor						
	Robert Messing (T)	1/16-5/31	100	09	247,500	4813

14. Emeritus Appointments - **U. T. Austin**: Approval of emeritus titles

Jean-Pierre B. Cauvin, from Professor to Professor Emeritus, Department of French and Italian, effective 9/1/2012 (RBC No. 4938) -- amendment to the 2012-13 budget

Frederick G. Hensey, from Professor to Professor Emeritus, Department of Spanish and Portuguese, effective 9/1/2012 (RBC No. 4921) -- amendment to the 2012-13 budget

George Barrie Kitto, from Professor to Professor Emeritus, Department of Chemistry and Biochemistry, effective 9/1/2012 (RBC No. 4955) -- amendment to the 2012-13 budget

Robert E. Wyatt, from W. T. Doherty Professor in Chemistry to W. T. Doherty Professor Emeritus in Chemistry, Department of Chemistry and Biochemistry, effective 9/1/2012 (RBC No. 4956) -- amendment to the 2012-13 budget

Peter J. Riley, from Professor and Associate Dean to Professor Emeritus, Department of Physics, effective 9/1/2012 (RBC No. 4922) -- amendment to the 2012-13 budget

15. Changes to Admissions Criteria - **U. T. Brownsville**: Minor editorial changes to the criteria for admission for graduate programs

U. T. Brownsville requests approval for minor editorial changes to the criteria for admission for graduate programs to conform with the Educational Testing Service changes to the new numeric scale used for the Graduate Record Examination (GRE). The changes have been reviewed and administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents.

Summary of Changes to Admissions Criteria

The change in admission requirements for applicants to the graduate programs in the U. T. Brownsville College of Education is consistent with the requirements in other colleges of education. The new requirements allow for unconditional admission of those applicants who were able to complete their degrees with a higher level of academic discipline. The new requirements also reflect a reduced emphasis on the GRE as an admission requirement and greater reliance on the undergraduate GPA.

The GRE was revised in August 2011 and is now scored on a different numeric scale providing tables that give equivalent scores on the previous and revised tests. In addition to other proposed changes, the “new scale” GRE equivalents are provided for admission to each degree program or track.

M.Ed. in Counseling and Guidance

M.Ed. in Counseling and Curriculum and Instruction

M.Ed. in Early Childhood Education

M.Ed. in Educational Leadership

M.Ed. in Educational Technology

M.Ed. in Special Education

M.Ed. in Exercise Science

All above unconditional admission:
An undergraduate GPA over 3.0 in the last 60 hours of undergraduate study

M.A. in Spanish Translation
Waivers to admission requirements:

1. The entry test may be waived upon proof of state or federal court or medical interpreters’ certification.
2. The GRE requirements may be waived upon completion of U. T. Brownsville’s Graduate Certificate in Spanish Translation.
3. The new policy removes the requirement for an undergraduate degree in Spanish.

16. Tenure Appointment - **U. T. Brownsville**: Amendment to the 2012-2013 budget

The following Request for Budget Change has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
SCHOOL OF BUSINESS					
Accounting and Management Information Systems					
Professor					
Chair					
Hassanali Espahbodi (T)	1/1-8/31	100	11	175,000	5011

17. Purchase - **U. T. Dallas**: Authorization to purchase land and improvements at 2126 West Mockingbird Lane, Dallas, Dallas County, Texas, from U. T. Southwestern Medical Center for future campus expansion

Description: Purchase of approximately 2.013 acres in Dallas, Dallas County, Texas, at 2126 West Mockingbird Lane, and authorization for 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 purchase the property. The improvements consist of a parking lot and will be used for parking for the Center for BrainHealth and for future campus expansion. (See related Consent Agenda Item 38.)

Seller: U. T. Southwestern Medical Center

Purchase Price: Fair market value as established by independent appraisals, plus all due diligence expenses, closing costs, and expenses to complete the acquisition as deemed necessary by the Executive Director of Real Estate. The appraisals are confidential pursuant to *Texas Education Code,* Section 51.951.

Source of Funds: Unexpended Plant Funds

18. Purchase - **U. T. El Paso**: Authorization to purchase land and improvements at 1900 Oregon Street, El Paso, El Paso County, Texas, from Alpha Southwest Partnership, L.P. for future campus expansion, and resolution regarding parity debt

Description: Purchase of approximately 3.21 acres of land together with all improvements, El Paso, El Paso County, Texas, commonly known as 1900 Oregon Street, and authorization for 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 purchase the property. The improvements consist of an approximately 62,871 rentable square foot six-story office building and a paved surface parking lot striped for 307 vehicles. The office building is currently 87% occupied. 9,500 rentable square feet of space is currently occupied by U. T. El Paso's accounting office; the balance of the space is occupied by various third-party tenants. This parcel is adjacent to the institution's main campus and is within the zone denoted for potential campus expansion in the institution's 2011 master plan. The property will be used for future campus expansion as the third-party leases expire.

Seller: Alpha Southwest Partnership, L.P., a Texas limited partnership

Purchase Price: Fair market value as established by independent appraisals, plus all due diligence expenses, closing costs, and expenses to complete the acquisition as deemed necessary by the Executive Director of Real Estate. The appraisals are confidential pursuant to *Texas Education Code*, Section 51.951.

Source of Funds: Revenue Financing System (RFS) bonds repaid out of rental income and Designated Tuition

Debt service for the acquisition is estimated to be $828,437 annually. The project's debt service coverage ratio is expected to be at least 1.3 times and to average 1.4 times during the period from FY 2014 through FY 2019. The institution therefore requests that the Board resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System the findings that are stated below:

- parity debt shall be issued to fund all or a portion of the purchase price, 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 RFS 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;

- U. T. El Paso, which is a "Member" as such term is used in the RFS 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 parity debt in an aggregate amount not to exceed fair market value as established by independent appraisals; and

- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds

19. Employment Agreement - **U. T. El Paso**: Agreement for Athletic Director Robert W. Stull

The following agreement has been executed, has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. System Board of Regents. Such employment is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which U. T. El Paso is a member, the Regents' *Rules and Regulations,* and the policies of U. T. El Paso. The violation of the provisions of such constitution, bylaws, rules, regulations, or policies shall be grounds for suspension without pay or dismissal.

Item: Athletic Director agreement

Funds: Fiscal Year 2012-2013, $233,060, to be reviewed annually and may be adjusted as required by the Legislature or as deemed appropriate by the University. The previous agreement with amendments expired August 31, 2012.

Salary Change: 2.46%

Period: September 1, 2012 through August 31, 2015

Description: Agreement for employment of the Athletic Director, Robert W. Stull, for the above designated period following the standard coach's employment contract prepared by the Office of General Counsel

Incentives:

- One month base annual salary in any contract year in which the football team participates in any NCAA sanctioned post-season play (bowl appearance)
- Two months base annual salary in any contract year in which the football team participates in any BCS Bowl appearance
- One month base annual salary in any contract year in which the Men's Basketball team participates in the NCAA Basketball (Men's) tournament
- One month base annual salary in any contract year in which the Women's Basketball team participates in the NCAA Basketball (Women's) Tournament
- $5,000 in any contract year in which the Men's Basketball team participates in the National Invitation Tournament (NIT) Basketball (Men's) Tournament
- $2,000 per game in any contract year in which the Women's Basketball team participates in the NIT Basketball (Women's) Tournament
- One month base annual salary in any contract year in which any of the University varsity sports teams participate in the National Championship
- One month base annual salary in any contract year in which the University receives an All Sports Multi-Year APR Published (MAAC Report) Score of 930
- In any contract year, if the University All Sports Multi-Year APR Published (MAAC Report) Score of 930 is not achieved, then
    - If an All Men's Sports Multi-Year APR Published (MAAC Report) Score of 930 is achieved - $2,500, or
    - If an All Women's Sports Multi-Year APR Published (MAAC Report) Score of 930 is achieved - $2,500

20. <u>Employment Agreement - **U. T. El Paso**: New agreement of Head Football Coach Sean Kugler</u>

The following agreement has been executed, has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. System Board of Regents. Such employment is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which U. T. El Paso is a member, the Regents' *Rules and Regulations,* and the policies of U. T. El Paso. The violation of the provisions of such constitution, bylaws, rules, regulations, or policies shall be grounds for suspension without pay or dismissal.

Item: Head Football Coach agreement

Funds: January 1 through August 31, 2013, $280,000 base annual salary, prorated, to be reviewed annually and may be adjusted as required by the legislature or as deemed appropriate by the University

Period: January 1, 2013 through August 31, 2018

Description: New agreement for employment of the Head Football Coach, Sean Kugler, for the above designated period following the standard coach's employment contract prepared by the Office of General Counsel

Incentives:

- One month base annual salary for each additional football game won after the sixth win in any single season in any contract year
- One month base annual salary in any contract year in which the football team is the C-USA Western Division Champion
- One month base annual salary in any contract year in which the football team wins the C-USA Championship
- One month base annual salary in any contract year in which the Football team participates in any NCAA sanctioned Post-Season Play (Bowl Appearance)
- Two months base annual salary in any contract year in which the football team participates in any major bowl appearance (BCS) $1.5 million plus pay-out
- $100,000 in any contract year in which the football team wins the NCAA Championship
- One month base annual salary in any contract year in which the football team finishes in the Top 25 of a nationally recognized Final Season Poll
- One month base salary in any contract year in which the coach is named the C-USA Coach of the Year
- Two months base salary in any contract year in which the coach is recognized as the National Coach of the Year by a nationally recognized poll/association
- One month base salary in any contract year in which the team achieves an annual academic progress report published (MAAC Report) score of 930 or above

21. Emeritus Appointments - **U. T. El Paso**: Approval of emeritus titles

Lois A. Marchino, from Associate Professor of English to Associate Professor Emerita, College of Liberal Arts, effective 6/1/2013 (RBC No. 5000) -- amendment to the 2012-13 budget

Harmon M. Hosch, from Professor of Psychology to Professor Emeritus, College of Liberal Arts, effective 9/1/2012 (RBC No. 4998) -- amendment to the 2012-13 budget

Richard D. Worthington, from Associate Professor of Biological Sciences to Associate Professor Emeritus, College of Science, effective 9/1/2012 (RBC No. 4999) -- amendment to the 2012-13 budget

Raymond A. Zimmermann, Jr., from Professor of Accounting to Professor Emeritus, College of Business Administration, effective 2/1/2012 (RBC No. 4994) -- amendment to the 2011-12 budget

Don C. Combs, from Associate Professor of Educational Psychology and Special Services to Associate Professor Emeritus, College of Education, effective 8/1/2012 (RBC No. 4997) -- amendment to the 2011-12 budget

Maria L. Gonzalez, from Professor of Teacher Education to Professor Emerita, College of Education, effective 6/1/2012 (RBC No. 4995) -- amendment to the 2011-12 budget

Charles D. Turner, from Professor of Civil Engineering to Professor Emeritus, College of Engineering, effective 6/1/2012 (RBC No. 4996) -- amendment to the 2011-12 budget

Samuel C. Riccillo, from Associate Professor of Communication to Associate Professor Emeritus, College of Liberal Arts, effective 1/1/2012 (RBC No. 4993) -- amendment to the 2011-12 budget

22. Contract (funds going out) - **U. T. Pan American**: Barnes Gromatzky Kosarek Architects, Inc. to provide Campus Master Planning Services

Agency:	Barnes Gromatzky Kosarek Architects, Inc.
Funds:	$1,075,598
Source of Funds:	Higher Education Assistance Funds (HEAF)
Period:	October 1, 2012 until the duration of the project
Description:	Campus Master Planning Services to align the physical facilities, housing, dining, and academic programs with the campus Strategic Plan. The master plan includes comprehensive studies regarding space utilization for classrooms and labs, vehicular and pedestrian mobility, housing and dining, and campus character.

23. Report - **U. T. Permian Basin**: No items for Consent Agenda

24. Contract (funds coming in) - **U. T. San Antonio**: Mcliff Partners, Ltd. to provide vending services

Agency:	Mcliff Partners, Ltd.
Funds:	Estimated $332,600 in royalty for both the initial term and the optional renewal term (estimated $55,433 per year)

Period: Initial term beginning on March 9, 2013, and ending March 8, 2017, with an option to renew for one additional two-year period

Description: Operation and management of campus snack vending machines. In accordance with *Texas Education Code* Section 51.945, the students were provided with an opportunity to comment prior to determination that this vending services provider should be selected by the institution. *Texas Government Code* Section 2203.005(a) requires all vending machine agreements to be approved by the Board.

25. Contract (funds going out) - **U. T. San Antonio**: Revised and Restated Exclusive Intercollegiate Athletic Apparel and Footwear Provider Agreement with adidas America, Inc.

Agency: adidas America, Inc.

Funds: $2,600,000 for both the initial term and the two optional renewal terms ($350,000 per year through 2020)

Period: Initial term through May 31, 2016, with two additional two-year renewal periods

Source of Funds: Auxiliary Funds

Description: Revised and Restated Exclusive Intercollegiate Athletics Apparel and Footwear Provider Agreement (Restated Agreement) provides U. T. San Antonio steeply discounted prices and additional consideration for adidas' right to serve as the exclusive apparel and footwear provider for U. T. San Antonio Intercollegiate Athletics.

The Restated Agreement replaces and supersedes the original Exclusive Football Apparel and Footwear Provider Agreement with adidas (Original Contract) approved by the Board of Regents at the May 12, 2011 meeting.

adidas was selected as the provider of the services through a competitive request for proposal process, which included the ability to extend the services to all sports in U. T. San Antonio's intercollegiate athletics program. The Restated Agreement extends the services to all U. T. San Antonio athletics programs.

Each year during the term of the Agreement, U. T. San Antonio will receive from adidas: (1) the right to order up to $275,000 (retail value) of adidas products at no charge to U. T. San Antonio (not included in the above funds going out); and (2) a football program product allotment of footballs, coaches shirts, staff shirts, and caps with a total current retail value of $40,100.

26. Contract (funds going out) - **U. T. San Antonio**: Agreement with Huron Consulting Services LLC to implement an Electronic Research Contract Management System

Agency: Huron Consulting Services LLC (Huron)

Funds: Anticipated total cost will exceed $1,000,000 over the life of the contract for services provided on an as-needed basis

Period: July 20, 2013 through August 10, 2013

Source of Funds: Grant Funds

Description: Electronic Research Contract Management System that includes electronic workflow, storage, retrieval, and reporting

The Statement of Work (SOW) is governed by the terms and conditions of the Master Customer Agreement (original agreement) entered into on February 24, 2009, between Huron (formerly Click Commerce, Inc.) and U. T. Southwestern Medical Center. The terms and conditions of the original agreement were extended to U. T. San Antonio for its use under the group purchasing procurement method as authorized under Section 51.9335 of the *Texas Education Code,* and Section 2155.079 of the *Texas Government Code.*

U. T. San Antonio and Huron formally extended U. T. San Antonio's ability to utilize the original agreement through a writing signed by U. T. San Antonio and Huron on September 23, 2009 (UTSA Contract).

Under the terms of the original agreement and the UTSA Contract, U. T. San Antonio has utilized Huron's services to implement numerous research-related software modules. With the execution of the most recent SOW Agreement, the cumulative amounts of payments by U. T. San Antonio to Huron under the terms of the U. T. San Antonio contract will exceed $1,000,000, thereby requiring approval by the Board of Regents.

27. Contract (funds going out) - **U. T. San Antonio**: Residential Space Lease Agreement with the University College London for the College of Liberal and Fine Arts London Study Abroad Program

Agency: University College London (UCL), London, England

Funds: Estimated £7,770.00 GBP (approximately $12,590.51 U.S. dollars) in expense reimbursement for the initial term. Above figures are based on estimated expense reimbursement to UCL for residential rooms at a cost of £37.00 GBP per night for a total of 210 room nights.

Period: July 20, 2013 through August 10, 2013

Source of Funds: Student Tuition and Fees

Description: Residential Space Lease Agreement for the College of Liberal and Fine Arts London Study Abroad Program

28. License (funds coming in) - **U. T. San Antonio**: License for San Antonio MTA, L.P. d/b/a Verizon Wireless for the use of space for implementation of a distributed antenna system to provide enhanced wireless communications on the campus

Description: License of space at various locations throughout the U. T. San Antonio campus for the installation and maintenance of a distributed antenna system to improve wireless signal coverage for the campus. The licensee was selected through a request for proposal process. Authorization is requested for the Executive Director of Real Estate, working with representatives of U. T. San Antonio, to execute the license on completion of negotiations.

Licensee: San Antonio MTA, L.P. d/b/a Verizon Wireless

Term: Term commences on execution of the license agreement, expected to occur in the first quarter of 2013, and continues for an initial term of 10 years, plus three 5-year renewal options.

License Fees: The institution will be paid an annual fee by the Licensee and by each additional wireless carrier that elects to participate in the distributed antenna system. Negotiations are currently underway with respect to the fee amount; the fee will be subject to an annual increase of 3%.

29. Request for Budget Change - **U. T. San Antonio**: Transfer $846,247 from Recreation Center Fee account to East End Recreation Fields account to fund design services to renovate the existing east track and field area to an artificial turf facility in accordance with the East End Recreation District Sports Fields Master Plan (RBC No. 4906) -- amendment to the 2012-13 budget

30. Request for Budget Change - **U. T. San Antonio**: Transfer $998,771 from Project Reserves: Info Tech Special Projects account to Office of Information Technology Wireless Upgrade-Meraki account to fund the wireless upgrade to replace current wireless system with an updated design utilizing Meraki access points and a cloud-based controller system (RBC No. 5001) -- amendment to the 2012-13 budget

31. Emeritus Appointments - **U. T. San Antonio**: Approval of emeritus titles

Norma Cantu, from Professor to Professor Emeritus, Department of English, effective 9/1/2012 (RBC No. 4856) -- amendment to the 2012-13 budget

Betty S. Travis, from Professor to Professor Emeritus, Department of Mathematics, effective 9/1/2012 (RBC No. 4857) -- amendment to the 2012-13 budget

Oscar W. Vanauken, from Professor to Professor Emeritus, Department of Biology, effective 9/1/2012 (RBC No. 4858) -- amendment to the 2012-13 budget

32. Report - **U. T. Tyler**: No items for Consent Agenda

HEALTH INSTITUTIONS

33. Contract (funds coming in) - **U. T. Southwestern Medical Center**: Institution to provide licensed audiologists in pediatric audiology to Children's Medical Center of Dallas

Agency:	Children's Medical Center of Dallas
Funds:	$1,855,111
Period:	April 1, 2012 through August 31, 2014
Description:	U. T. Southwestern Medical Center to provide licensed audiologists specializing in pediatric audiology to the Children's Medical Center of Dallas. This item was late as the contract was received past the Consent Agenda deadline.

34. Contract (funds coming in) - **U. T. Southwestern Medical Center**: Institution to provide clinical and administrative services to Dallas County Hospital District

Agency:	Dallas County Hospital District
Funds:	$1,989,316
Period:	October 1, 2012 through September 30, 2013
Description:	U. T. Southwestern Medical Center to provide clinical and administrative services to Dallas County Hospital District. This item was late as the contract was not received until September 28, 2012, past the Consent Agenda deadline for the November Board meeting.

35. Contract (funds coming in) - **U. T. Southwestern Medical Center**: Institution to provide physicians and other health care professionals to Parkland Health & Hospital System

Agency:	Dallas County Indigent Care Corporation (DCICC)
Funds:	$15,000,000
Period:	January 1, 2013 through January 31, 2013
Description:	Provide physician and other health care services at Parkland Health & Hospital System to indigent persons in and around Dallas County, Texas

36. Contract (funds coming in) - **U. T. Southwestern Medical Center**: Contract with Dallas Proton Treatment Center to staff and operate a proton therapy treatment center

Agency:	Dallas Proton Treatment Center, LLC
Funds:	Approximately $36,000,000 annually
Period:	Effective date is March 1, 2013. The term is 20 years following the commencement date plus the balance of months that extends to the end of the applicable U. T. Southwestern Medical Center fiscal year.
Description:	To provide clinical services, clinical management, and facility management/support services

37. Contract (funds going out) - **U. T. Southwestern Medical Center**: Purchase of and installation of a cyclotron instrument from General Electric for conducting research in the field of radioisotopes

Agency:	General Electric
Funds:	$4,882,514
Source of Funds:	-$2.8 million Cancer Prevention Research Institute of Texas (CPRIT), -$1.8 million Library, Equipment, Repair and Rehabilitation (LERR) -$0.288 million Designated Funds
Period:	February 15, 2013 through August 15, 2013
Description:	Purchase and installation of General Electric Pettrace 880 Cyclotron, radiochemistry synthesis equipment and other testing and packaging equipment to be used for the production of radioisotopes

38. Purchase - **U. T. Southwestern Medical Center**: Authorization to purchase land and improvements at 6300 Harry Hines Boulevard and at 2126 West Mockingbird Lane, Dallas, Dallas County, Texas, from SAF Exchange Park, Ltd. for future campus expansion, and resolution regarding parity debt

Description:	Purchase of a 6.424 acre site and a 2.013 acre site in Dallas, Dallas County, Texas, and improvements at 6300 Harry Hines Boulevard and at 2126 West Mockingbird Lane, and authorization for 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 purchase the property. The improvements consist of an approximately 228,506 square foot office building and parking lots. The property at 6300 Harry Hines Boulevard is improved with an office building that will be used for administrative, educational, and medical program purposes. The property at 2126 West Mockingbird Lane is improved with a parking lot and will be purchased by U. T. Dallas after the closing of the purchase transaction. (See related Consent Agenda Item 17.)
Seller:	SAF Exchange Park, Ltd., a Texas limited partnership

Purchase Price: Fair market value as established by independent appraisals, plus all due diligence expenses, closing costs, and expenses to complete the acquisition as deemed necessary by the Executive Director of Real Estate. The appraisals are confidential pursuant to *Texas Education Code* Section 51.951.

Source of Funds: Revenue Financing System bonds repaid out of the office building's rental income proceeds, from sale of the 2.013-acre site to U. T. Dallas, and institutional funds. Debt service for the acquisition is estimated to be $1.62 million annually. The institution's debt service coverage ratio is expected to be at least 1.6 times and to average 2.0 times during the period from FY 2013 through FY 2018. The institution therefore requests that the Board resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System the findings that are stated below:

- Parity debt shall be issued to fund all or a portion of the purchase price, 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 RFS 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;

- U. T. Southwestern Medical Center, which is a "Member" as such term is used in the RFS 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 parity debt in an aggregate amount not to exceed fair market value as established by independent appraisals; and

- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

39. Emeritus Appointment - **U. T. Southwestern Medical Center**: Appointment of Errol C. Friedberg, from Professor, Pathology, to Professor Emeritus, Pathology, Medical School, effective 1/3/2013 (RBC No. 5030) -- amendment to the 2012-13 budget

40. Tenure Appointment - **U. T. Southwestern Medical Center**: Amendment to the 2012-13 budget

The following Requests for Budget Changes have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
SOUTHWESTERN MEDICAL SCHOOL					
Internal Medicine					
Professor					
Arthur E. Frankel (T)	2/1-8/31	100	12	300,000	4961
Neurosurgery					
Professor					
Jorge A. Marrero (T)	9/1-8/31	100	12	375,000	4925
Pathology					
Professor					
Erik Knudsen (T)	11/15-8	100	12	215,000	4951

41. Request for Budget Change - **U. T. Southwestern Medical Center**: Transfer $1,000,000 from Library, Equipment, Repair and Rehabilitation Cyclotron Project - Equipment account to Library, Equipment, Repairs and Rehabilitation Cyclotron Project, Equipment Repairs and Renovations account for use with the Cyclotron Project (RBC No. 4942) -- amendment to the 2012-13 budget

42. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: Institution to provide health care services for the U.S. Department of Justice/Federal Bureau of Prisons

Agency:	Federal Bureau of Prisons
Funds:	$7,259,950
Period:	January 14, 2013 through May 13, 2013
Description:	Provide managed health care services at the Federal Correctional Complex in Beaumont, Texas. This is a short-term agreement to continue to cover period until new contract is awarded.

43. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: Institution to provide anesthesiology services to be provided to SJ Medical Center, LLC d/b/a St. Joseph Medical Center

Agency:	St. Joseph Medical Center
Funds:	$17,100,000
Period:	September 1, 2012 through August 31, 2015
Description:	Provide anesthesiology services for patients treated at the St. Joseph Medical Center hospital’s main campus located at 1401 St. Joseph Parkway, Houston, Texas

44. Emeritus Appointments - **U. T. Medical Branch - Galveston**: Appointment of Bernd Budelmann, Professor to Professor Emeritus, Academic Enterprise, Biochemistry and Molecular Biology (RBC No. 4883) -- amendment to the 2012-13 budget

45. Tenure Appointment - **U. T. Medical Branch - Galveston**: Amendment to the 2012-13 budget

The following Request for Budget Change has been administratively approved by the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
ACADEMIC ENTERPRISE					
Surgery					
Professor, Thomas N. and Gleaves T. James Distinguished Chair					
Professor					
Danny O. Jacobs (T)	10/1-8/31	100	12	725,000	4903

46. Contract (funds coming in) - **U. T. Health Science Center - Houston**: Interagency contract with Texas Department of Family and Protective Services to create resources to improve access for medical professionals for Child Protective Services

Agency: Texas Department of Family and Protective Services

Funds: Maximum of $2,500,816

Period: September 1, 2012 through August 31, 2013

Description: Interagency contract to create resources that will improve access for medical professionals with expertise in the diagnosis of child abuse or neglect for Child Protective Services. This item was late as the contract was received past the Consent Agenda deadline for the November Board meeting.

47. Emeritus Appointment - **U. T. Health Science Center - Houston**: Appointment of Douglas M. Simmons, from Clinical Associate Professor, Restorative Dentistry, to Chair Emeritus, General Practice and Dental Public Health, School of Dentistry, effective December 1, 2012; Dr. Simmons served as Chair to the (then) Department of Community and Preventive Dentistry during 1985 (RBC No. 4991) -- amendment to the 2012-13 budget

48. Appointment - **U. T. Health Science Center - Houston**: Amendment to the 2012-13 budget

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
Department of Internal Medicine, Division of Cardiology					
Visiting Professor					
Ramesh Hariharan, M.D.	5/1-8/31	100	12		TBD
Base Salary				665,000	
Supplement				175,000	
Augmentation				135,000	
Total Salary				975,000	
Clinical Incentive				1,025,000	
Total Compensation				2,000,000	

U. T. Health Science Center - Houston has determined and documented that the level of compensation for Dr. Hariharan is at a level paid to similarly qualified professionals based on performance of comparable duties in the organization and in the market from which his position would normally be recruited. Dr. Hariharan will be paid from Designated Funds. An external market study has been performed supporting this compensation level.

49. Tenure Appointment - **U. T. Health Science Center - Houston**: Amendment to the 2012-2013 budget

The following Request for Budget Change has been administratively approved by the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
SCHOOL OF DENTISTRY					
Office of the Dean					
Associate Dean for Professional Development and Faculty Affairs and Professor					
Karen Novak (T)	2/1-8/31	100	12		5024
Base Salary				140,000	
Supplement				20,000	
Total Salary and Compensation				160,000	

50. License (funds coming in) - **U. T. Health Science Center - San Antonio**: License for San Antonio MTA, L.P. d/b/a Verizon Wireless for the use of space for implementation of a distributed antenna system to provide enhanced wireless communications on the campus

Description:	License of space at various locations throughout the U. T. Health Science Center - San Antonio campus for the installation and maintenance of a distributed antenna system to improve wireless signal coverage for the campus. The licensee was selected through a request for proposal process. Authorization is requested for the Executive Director of Real Estate, working with representatives of U. T. Health Science Center - San Antonio, to execute the license on completion of negotiations.
Licensee:	San Antonio MTA, L.P. d/b/a Verizon Wireless
Term:	Term commences on execution of the license agreement, expected to occur in the first quarter of 2013, and continues for an initial term of 10 years, plus three 5-year renewal options
License Fees:	The institution will be paid an annual fee by the licensee and by each additional wireless carrier that elects to participate in the distributed antenna system. Negotiations are currently underway with respect to the fee amount; the fee will be subject to an annual increase of 3%.

51. Emeritus Appointments - **U. T. Health Science Center - San Antonio**: Approval of emeritus titles

Anastacio M. Hoyumpa, from Professor of Medicine to Professor Emeritus, School of Medicine, effective 8/31/2012 (RBC No. 4953) -- amendment to the 2012-13 budget

John Mangos, from Professor of Pediatrics, to Professor Emeritus, School of Medicine, effective 9/1/2012 (RBC No. 4978) -- amendment to the 2012-13 budget

52. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: Computer Sciences Corporation to provide project management for ongoing support services for various institutional technology projects

Agency:	Computer Sciences Corporation
Funds:	Ninth amendment to the agreement increases the cap amount to $14,000,000
Source of Funds:	Hospital patient income

Period: The term of the initial agreement was for a period of 12 months, commencing on January 15, 2008 and continuing through January 14, 2009, with the option for five additional 12-month renewals. All term renewal options have been exercised.

Description: Vendor provides project management support to augment existing resources focused on an increasing number of information technology projects. This amendment increases the scope of these projects to include the ICD-10, Invision/IDX replacement and Electronic Health Record projects.

53. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: Encore Health Resources, LLC to provide professional information technology resources for ongoing support of the institution's electronic medical records (EMR) system

Agency: Encore Health Resources, LLC

Funds: Total fees for all services under the initial term of this agreement are estimated to be $48,000,000. The contract cap with all renewal options will not exceed $80,000,000.

Source of Funds: Hospital patient income

Period: The term of this agreement will be for a period of 36 months, commencing on January 1, 2013 and continuing through December 31, 2015. The agreement also includes the option for two 12-month renewals.

Description: Under this master services agreement, Encore Health Resources will provide professional information technology resources, including training and business analytics activities, to assist in supporting ClinicStation, the institution's EMR system. U. T. M. D. Anderson Cancer Center will continue to utilize the ClinicStation EMR while seeking to select, implement, and deploy a commercial Electronic Health Records vendor.

54. <u>Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: Project change request for International Business Machines (IBM) Corporation for Healthcare Evidence Evaluation and Learning Service Statement of Work</u>

Agency: International Business Machines Corporation

Funds: The contract cap amount of this agreement is $16,400,000.

If the pilot program becomes fully operational and a Production Statement of Work is executed, the institution will pay IBM a fee of approximately one-third of the value derived from the use of the Watson Service within the institution, with a minimum charge of $450,000 per month, unless the institution opts to take full responsibility for operating and maintaining the Watson Service.

Source of Funds: Hospital patient income and restricted gift funds

Period: The term for this statement of work (an “umbrella” master services agreement negotiated by U. T. System for Systemwide use, which has a term from October 1, 2004 to September 30, 2014) commenced June 18, 2012. The proposed change order/project change request, which expands the scope of work beyond $2.5 million, extends the term of the scope of work through December 31, 2013.

Description: IBM and U. T. M. D. Anderson Cancer Center are engaged in the development of a pilot program to test the use of the advanced analytical capabilities of the IBM Watson technology as a tool for personalized, evidence-based, genomic medicine. The goal is to develop technology that will enable a detailed analysis of massive amounts of patient data to identify insights into treatments and results based on different individual characteristics. The initial focus

of the pilot program was to identify insights related to a particular group of leukemia patients. This proposed change order/project change request expands the pilot program to include five additional types of leukemia.

55. <u>Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: Kalon Biotherapeutics, LLC to provide drug and biologic manufacturing services</u>

Agency: Kalon Biotherapeutics, LLC

Funds: Anticipated first work order under the master agreement is $2,844,000 over the life of the contract for manufacturing services provided on an as-needed basis.

Source of Funds: Hospital patient income

Period: Commencing early in 2013 and continuing through May 19, 2020

Description: Under this separate master services agreement, Kalon Biotherapeutics will manufacture drugs and biologics for U. T. M. D. Anderson Cancer Center in accordance with Good Manufacturing Practices (GMP). Separate work orders will be executed for each manufacturing project under the agreement.

Kalon Biotherapeutics is a management company affiliated with The Texas A&M University System, which was formed for the purpose of operating and managing the National Center for Therapeutics Manufacturing (NCTM). The Texas A&M University System and U. T. M. D. Anderson Cancer Center have previously entered into a collaboration agreement whereby U. T. M. D. Anderson Cancer Center became an investor with a 5% equity participation in NCTM. U. T. M. D. Anderson Cancer Center is also a customer of NCTM.

56. Tenure Appointment - **U. T. M. D. Anderson Cancer Center**: Amendments to the 2012-13 budget

The following Requests for Budget Change have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. System Board of Regents:

Description		Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
MEDICAL STAFF						
Urology						
	John W. Davis					4838
From:	Assistant Professor		100	12	383,065	
To:	Associate Professor (T)	9/1-8/31	100	12	393,065	
RESEARCH STAFF						
Molecular and Cellular Oncology						
Professor						
	Laura Beretta (T)	9/1-8/31	100	12	190,000	4901

RESEARCH STAFF						
Cancer Biology						
	Joseph McCarty					4908
From:	Assistant Professor		100	12	105,354	
To:	Associate Professor (T)	9/1-8/31	100	12	112,354	
MEDICAL STAFF						
Plastic Surgery						
Professor						
	Steven Kronowitz (T)	9/1-8/31	100	12	472,500	4948

57. <u>Logo - **U. T. Health Science Center - Tyler**: Proposed Logo</u>

The following proposed logo has been approved by the Chancellor, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor for External Relations and is submitted for approval by the U. T. System Board of Regents in accordance with Regents' *Rules and Regulations,* Rule 40801.

Use of "UTHealth-Northeast" was approved at the November 15, 2012 Board of Regents' meeting. The logo was researched and created by Rucker & Co., the marketing agency approved through a request for proposal by U. T. Health Science Center - Tyler and was reviewed and approved by the U. T. Health Science Center - Tyler executive team.

The proposed Pantone Marking System colors are PMS 166 Orange and PMS 294 Blue.

Note: Pending trademark approval

UTHEALTH
NORTHEAST
The University of Texas
Health Science Center at Tyler