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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. 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: Key Financial Indicators Report and Monthly Financial Report

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 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

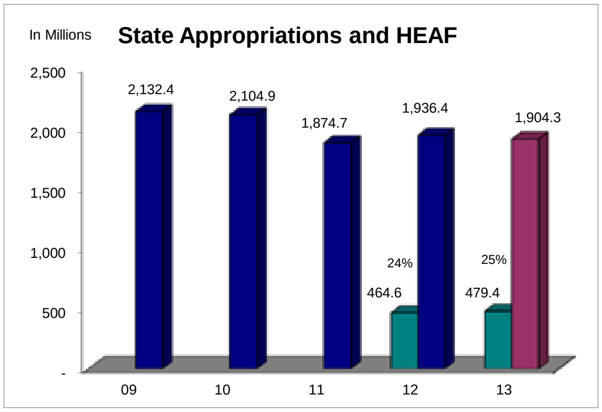
KEY FINANCIAL INDICATORS REPORT

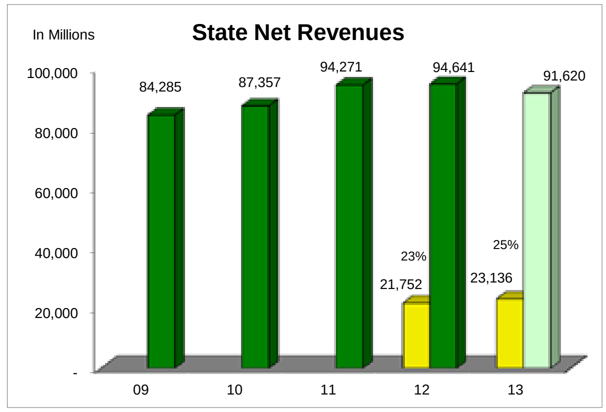
1ST QUARTER FY 2013

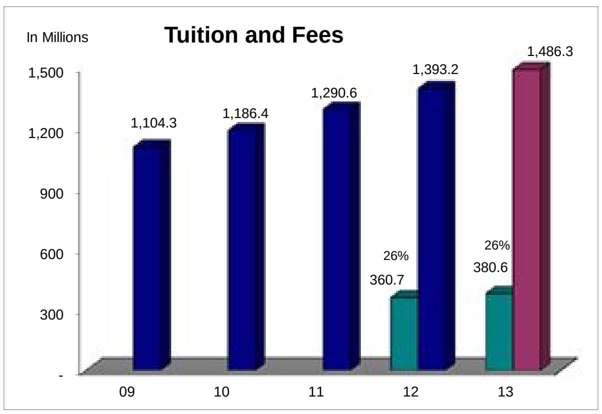
KEY

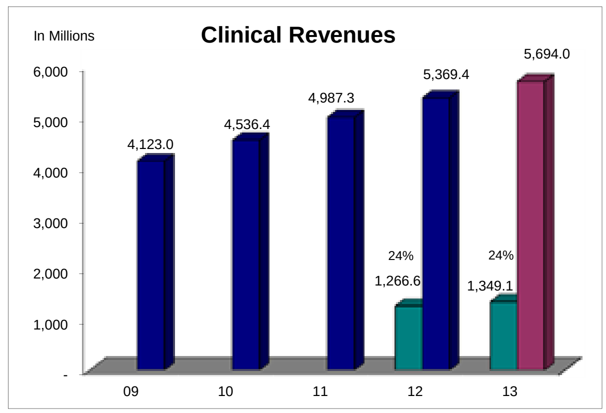
- Actual Annual Amounts
(SOURCE: Annual Financial Reports)
- Adjustment to Actual Annual Amounts to exclude the Increase in Net OPEB Obligation
(SOURCE: Annual Financial Reports)
- Budget amounts
(SOURCE: Operating Budget Summary)
- Projected Amounts based on the average change of the previous three 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%)

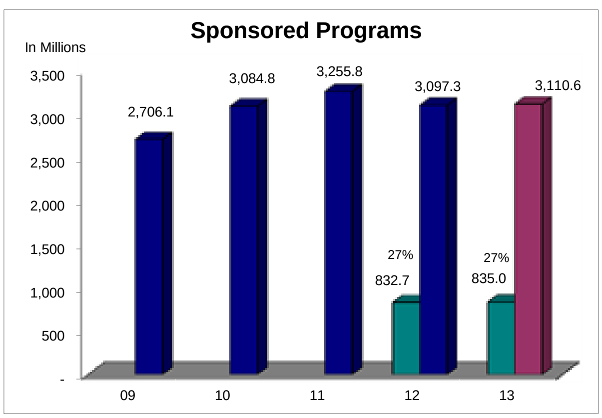
KEY INDICATORS OF REVENUES
ACTUAL 2009 THROUGH 2012
PROJECTED 2013
YEAR-TO-DATE 2012 AND 2013 FROM NOVEMBER MONTHLY FINANCIAL REPORT

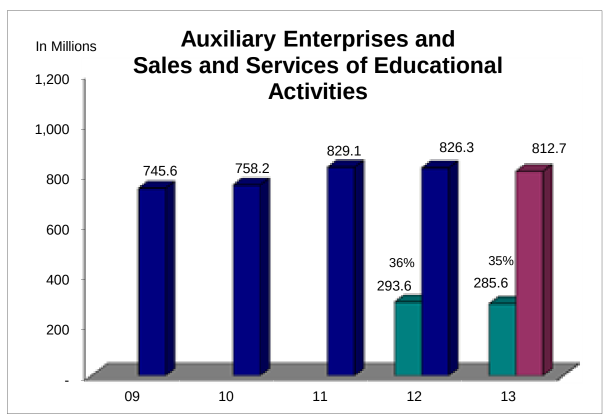


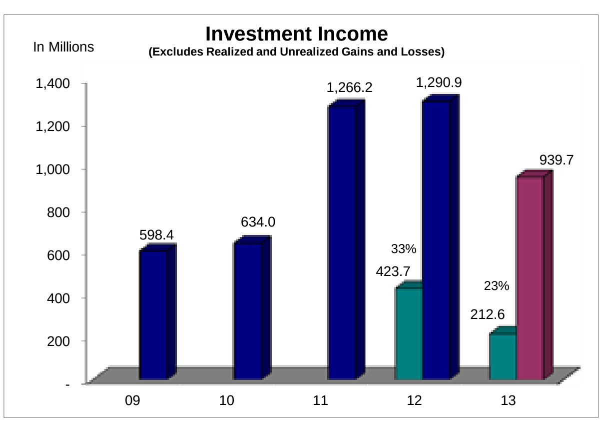


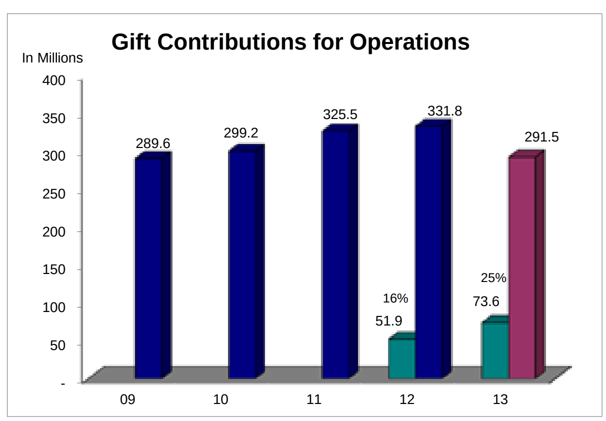




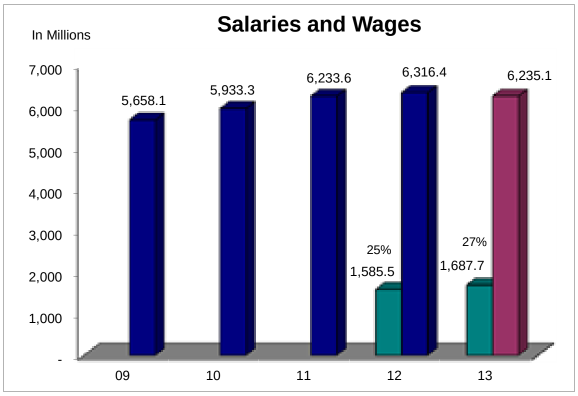


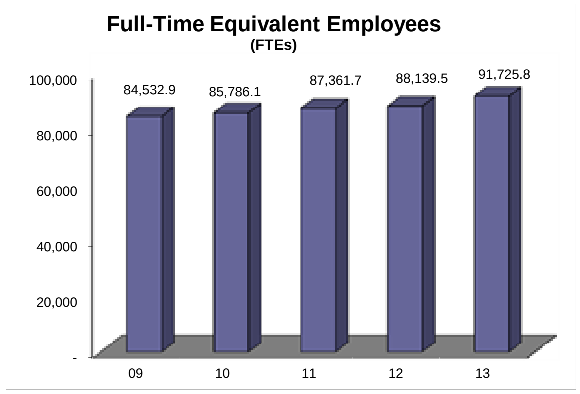


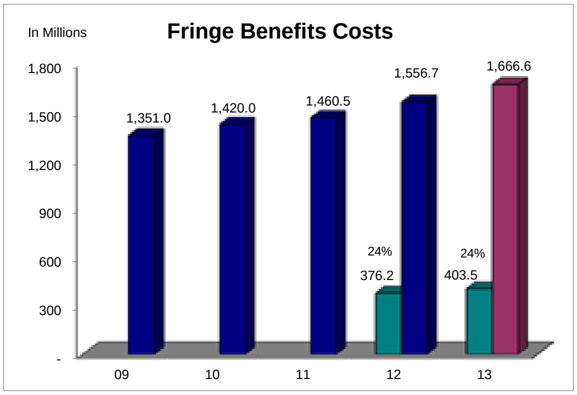


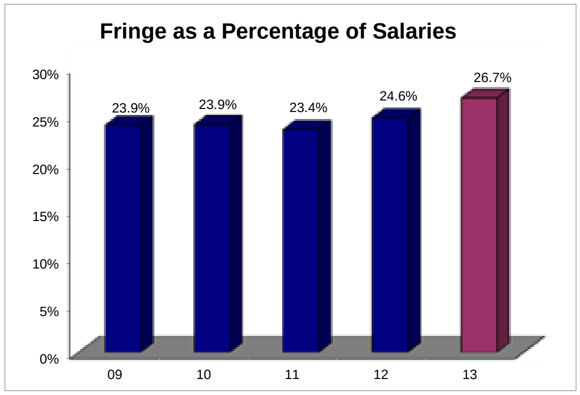


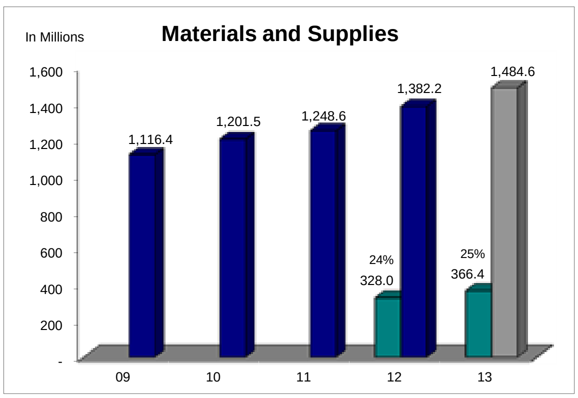
KEY INDICATORS OF EXPENSES
ACTUAL 2009 THROUGH 2012
PROJECTED 2013
YEAR-TO-DATE 2012 AND 2013 FROM NOVEMBER MONTHLY FINANCIAL REPORT

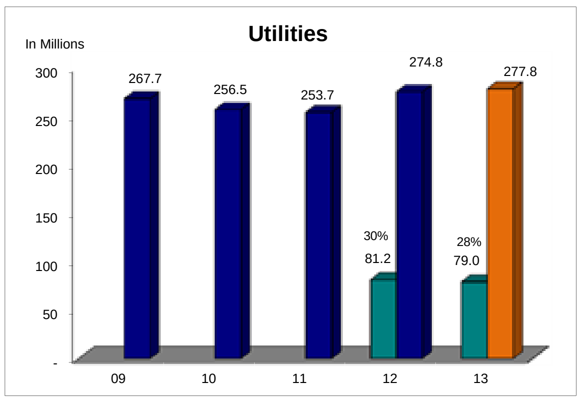


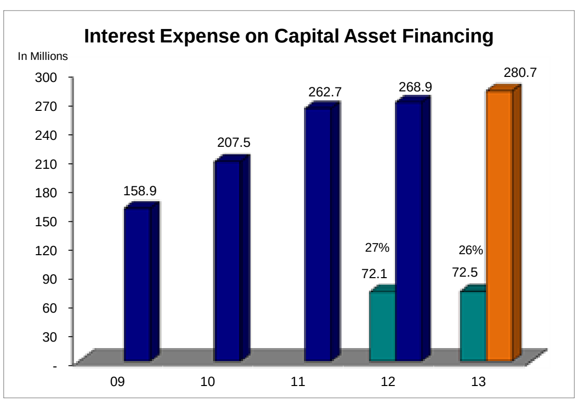


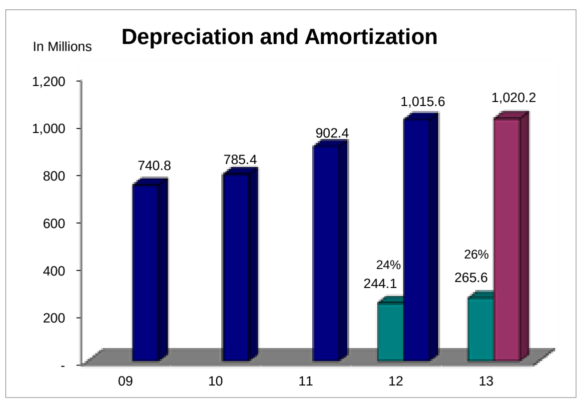




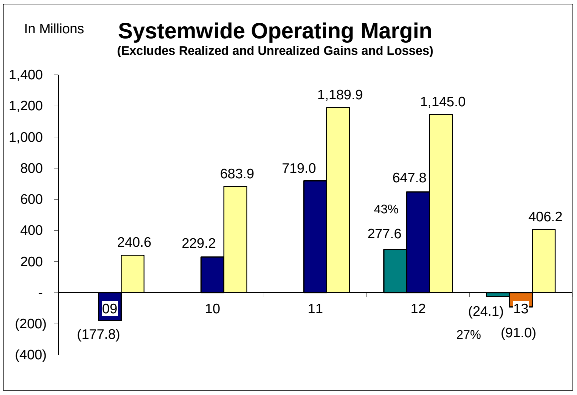


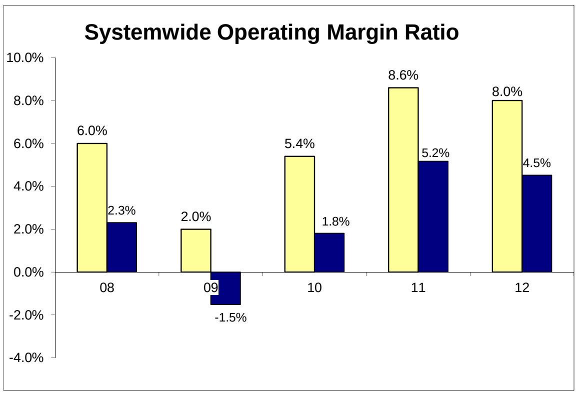


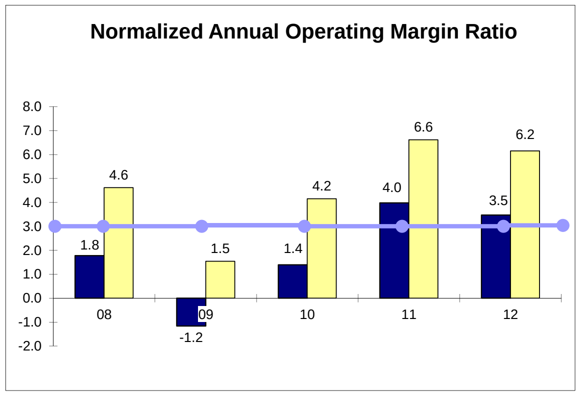


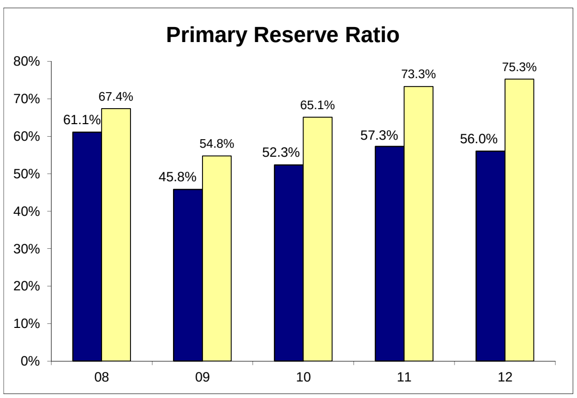


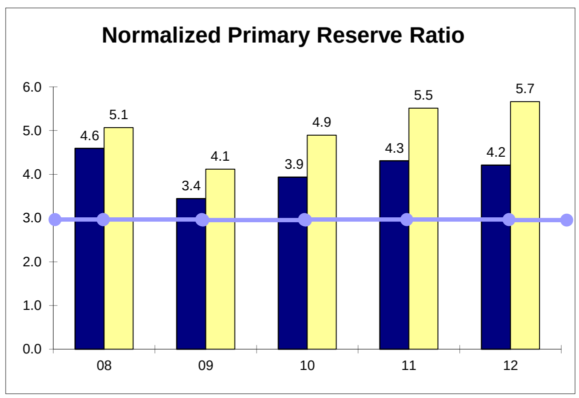
KEY INDICATORS OF RESERVES
ACTUAL 2008 THROUGH 2012
PROJECTED 2013
YEAR-TO-DATE 2012 AND 2013 FROM NOVEMBER MONTHLY FINANCIAL REPORT

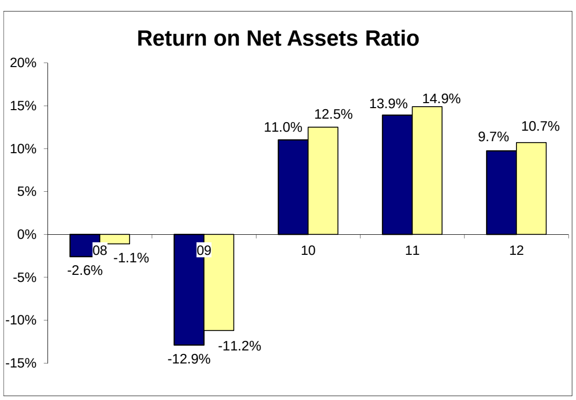


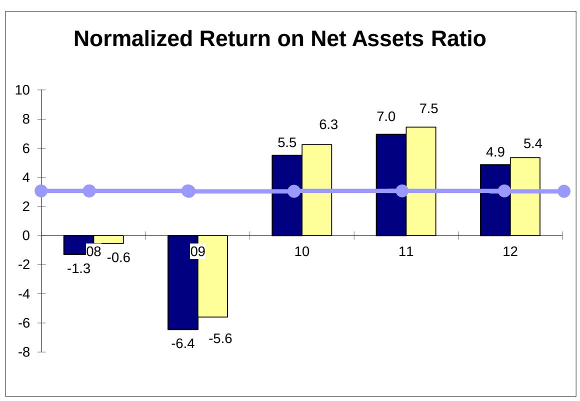




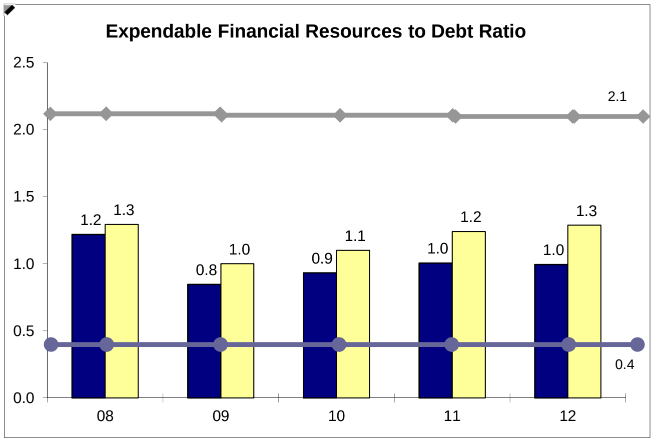


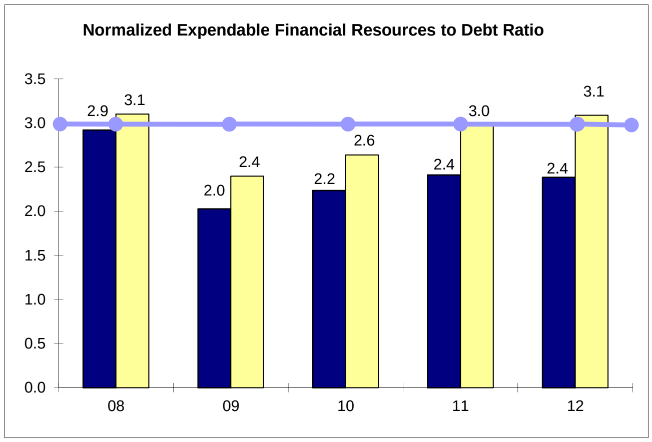


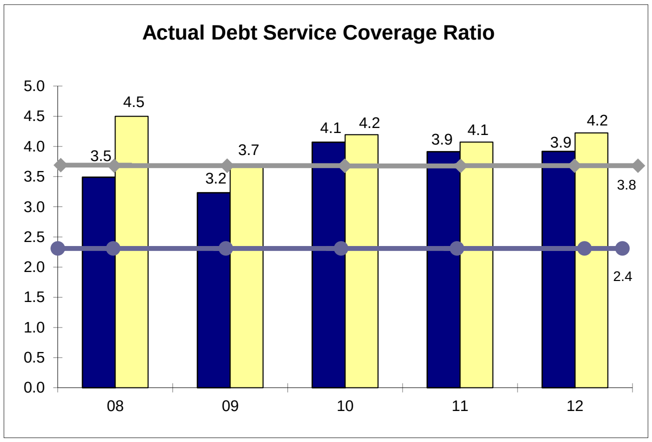


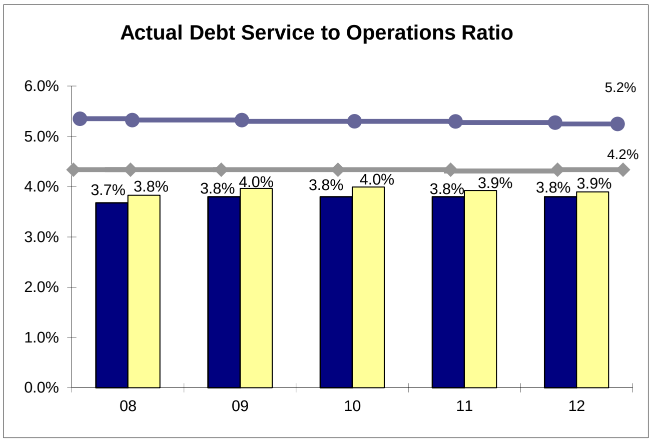


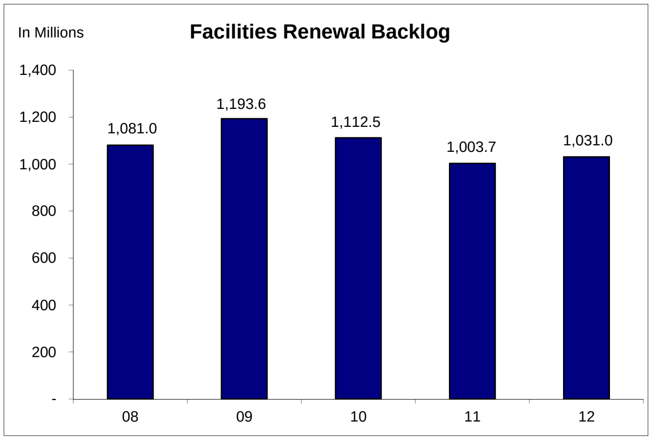
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2008 THROUGH 2012

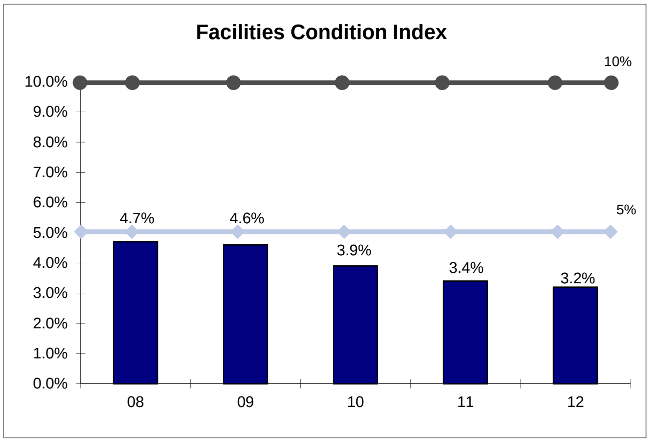




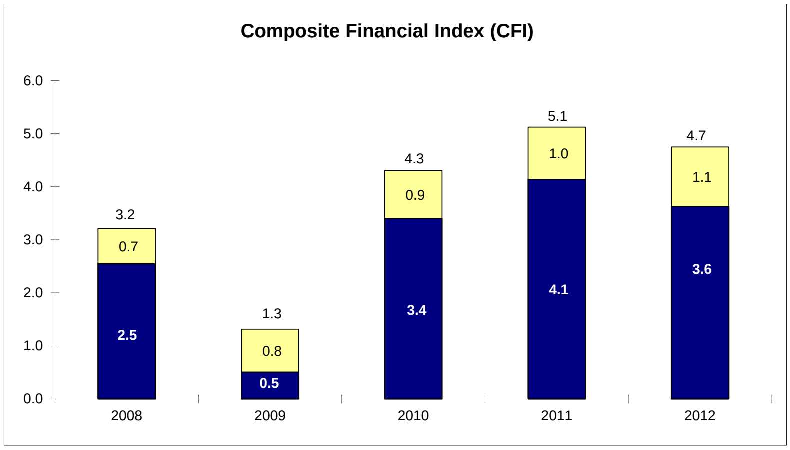




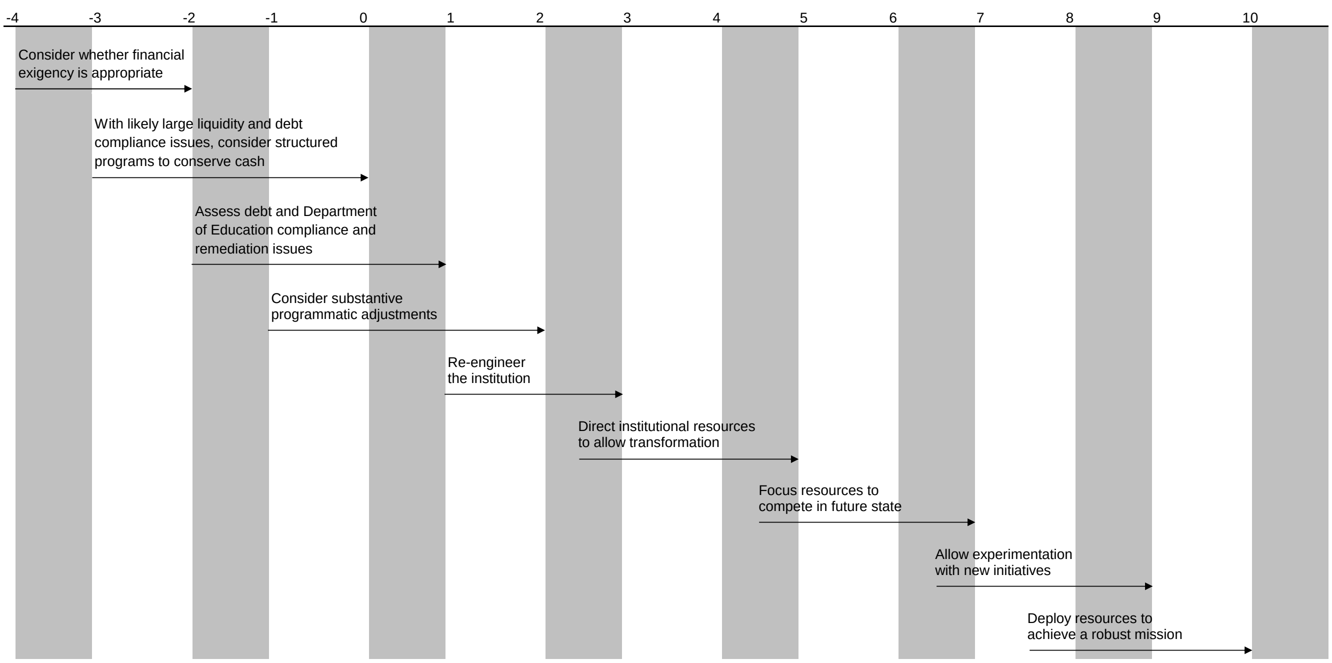




KEY INDICATORS OF FINANCIAL HEALTH
2008 THROUGH 2012

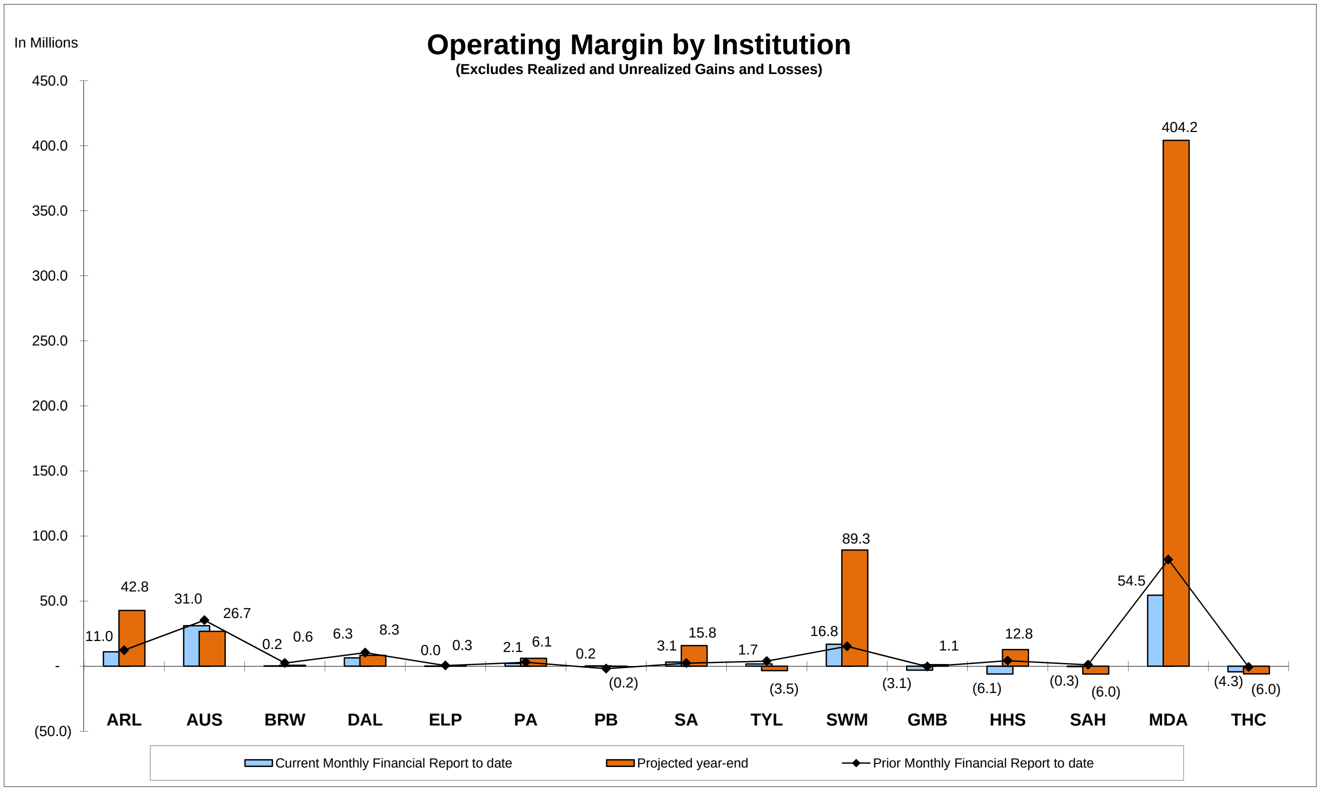


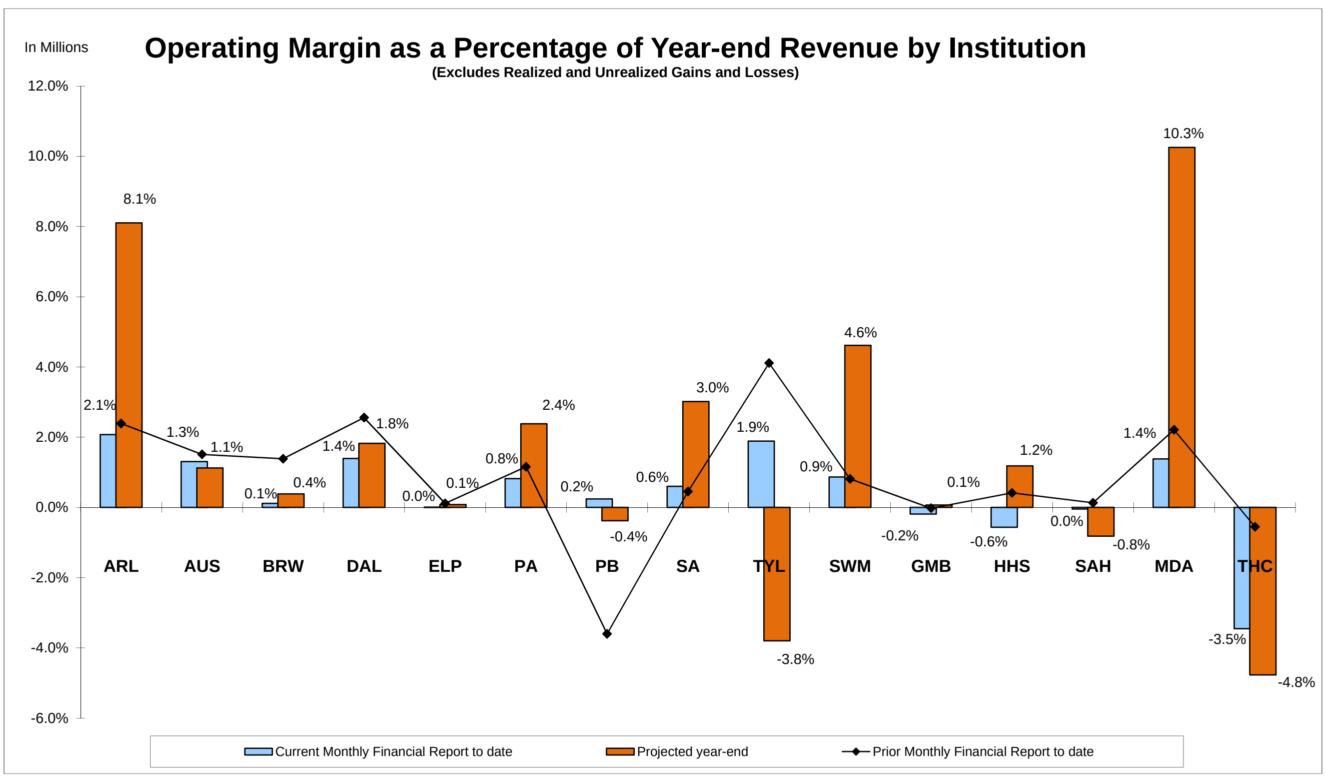
Scale for Charting CFI Performance



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

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

THE UNIVERSITY OF TEXAS SYSTEM
MONTHLY FINANCIAL REPORT
(Unaudited)
FOR THE FOUR MONTHS ENDING
DECEMBER 31, 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 <u>only</u>.
- *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.

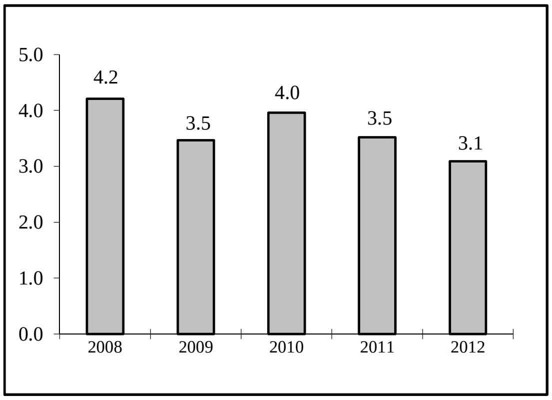
UTMB’s rating was maintained as “Watch;” however, if in the future UTMB can maintain an upward trend in the financial ratios over several years with no significant set-backs, then it is likely that UTMB’s rating would be upgraded. UTMB’s annual operating margin decreased to $1.7 million for 2012. Although 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.

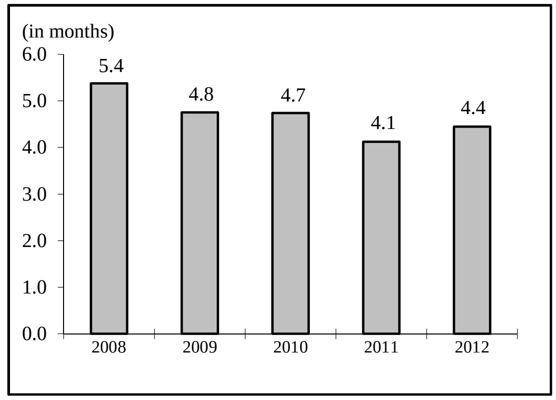
The University of Texas at Arlington
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

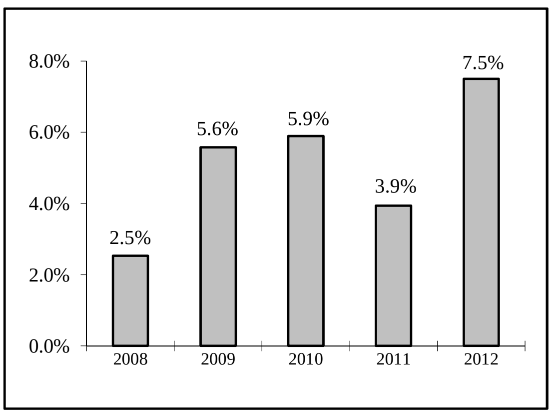
Composite Financial Index



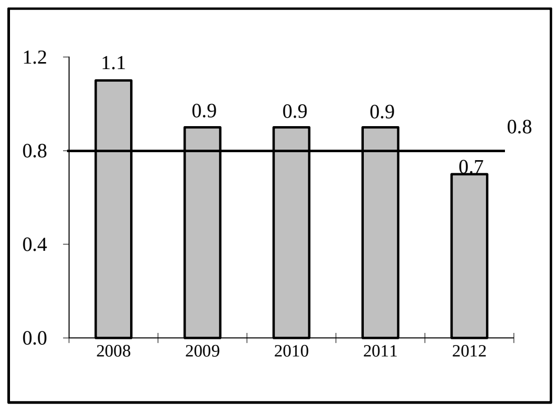
Operating Expense Coverage Ratio



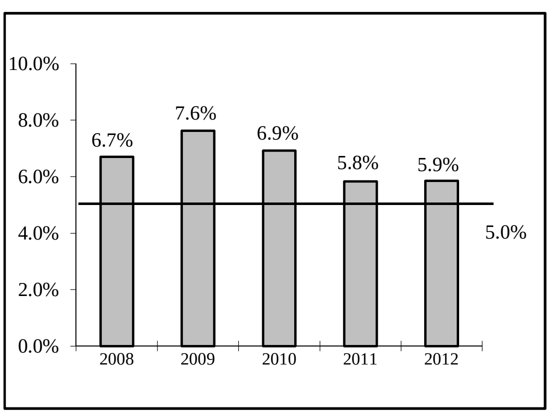
Annual Operating Margin Ratio



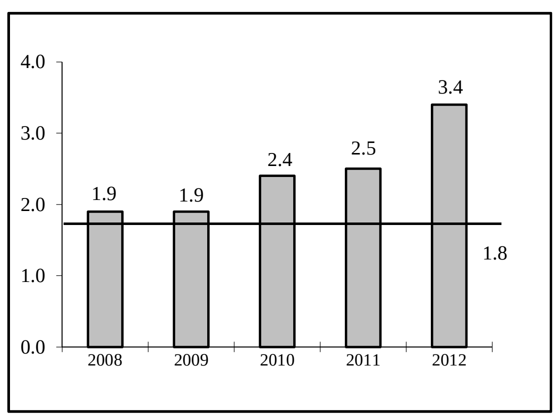
Expendable Resources to Debt Ratio



Debt Burden Ratio

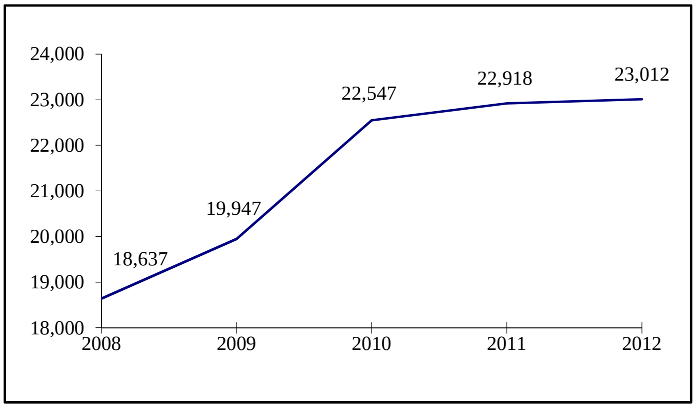


Debt Service Coverage Ratio



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.

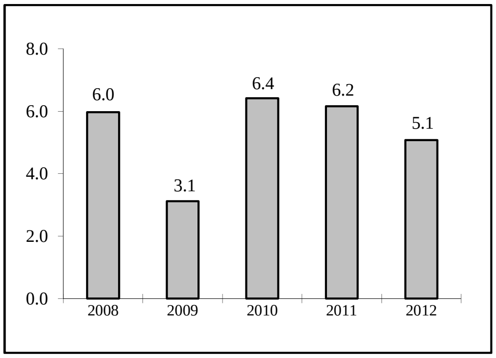
Debt Service Coverage Ratio - U. T. Arlington's debt service coverage ratio increased from 2.5 in 2011 to 3.4 in 2012. The increase in this ratio was attributable to the improvement in operating performance as discussed in the annual operating margin ratio.

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

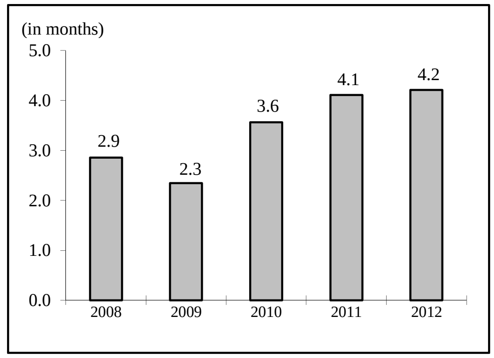
The University of Texas at Austin
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

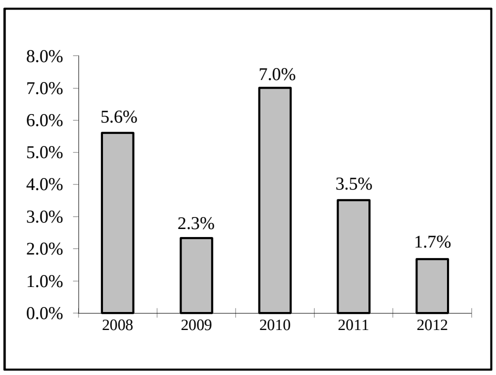
Composite Financial Index



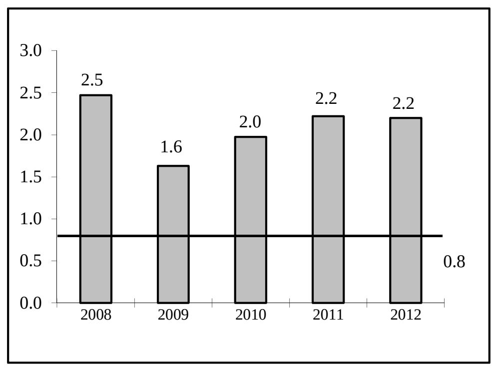
Operating Expense Coverage Ratio



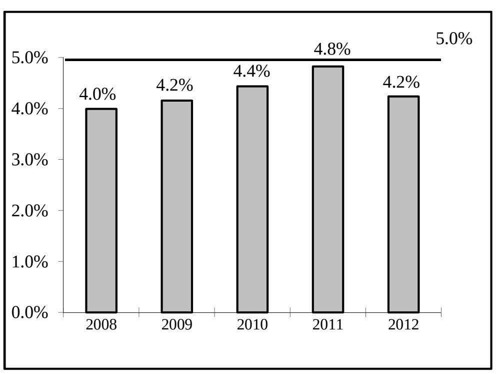
Annual Operating Margin Ratio



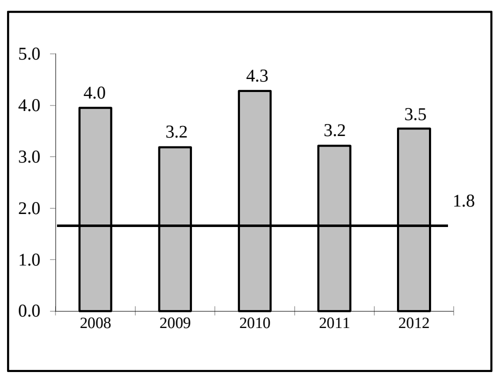
Expendable Resources to Debt Ratio



Debt Burden Ratio

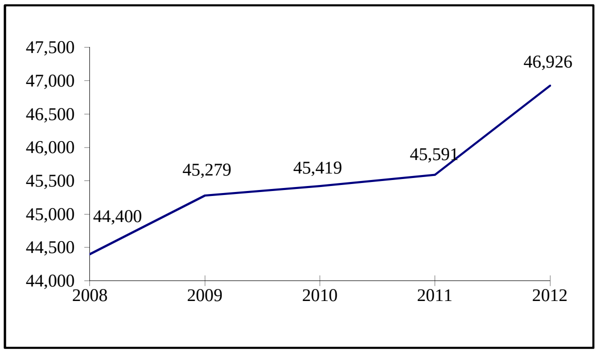


Debt Service Coverage Ratio



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.

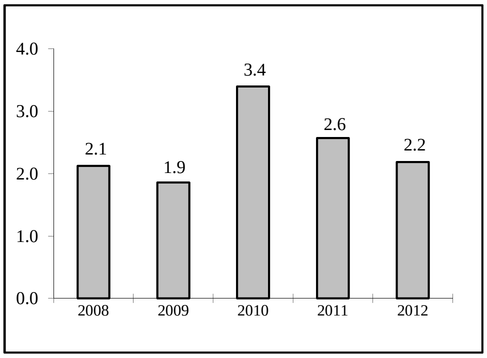
Debt Service Coverage Ratio - U. T. Austin's debt service coverage ratio increased from 3.2 in 2011 to 3.5 in 2012 as a result of the decrease in mandatory debt service payments. The decrease in mandatory debt service payments was due to a one-time pay down of commercial paper for the Dell Pediatric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

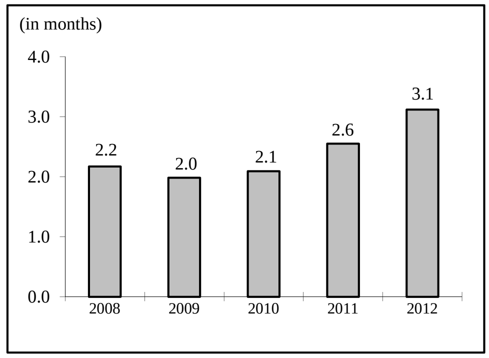
The University of Texas at Brownsville
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

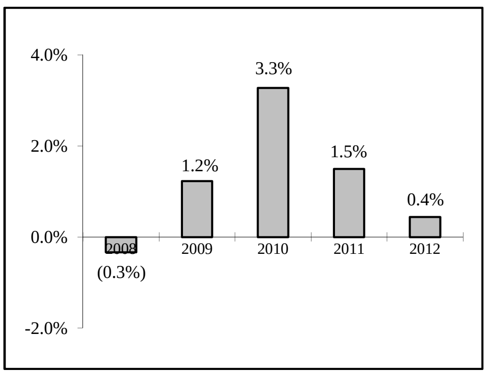
Composite Financial Index



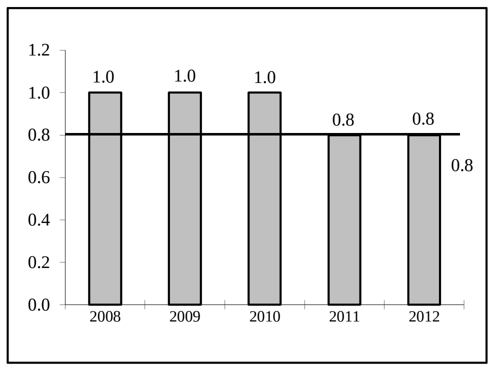
Operating Expense Coverage Ratio



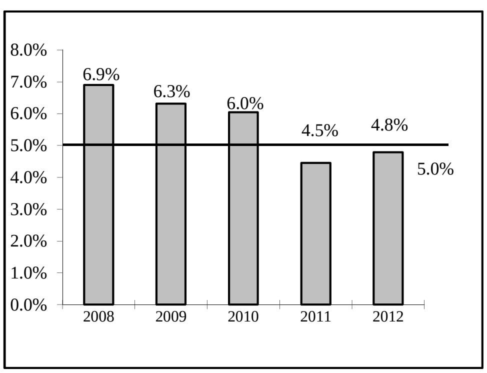
Annual Operating Margin Ratio



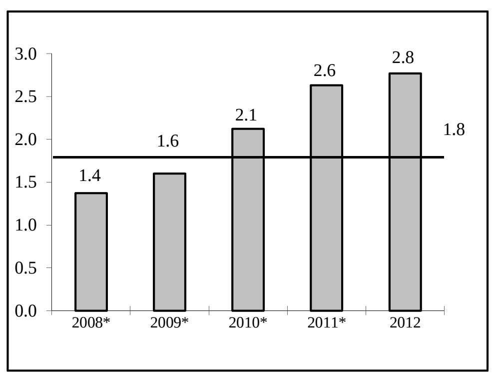
Expendable Resources to Debt Ratio



Debt Burden Ratio



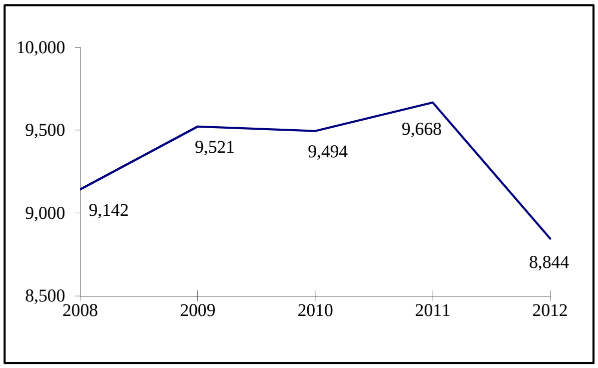
Debt Service Coverage Ratio



*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.

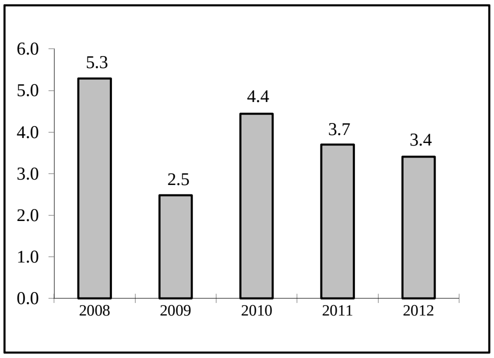
Debt Service Coverage Ratio - U. T. Brownsville's debt service coverage ratio increased from 2.6 in 2011 to 2.8 in 2012. The increase in this ratio was attributable to an increase in depreciation and amortization expense of $1.7 million, which is excluded from operating expenses in the calculation of 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.

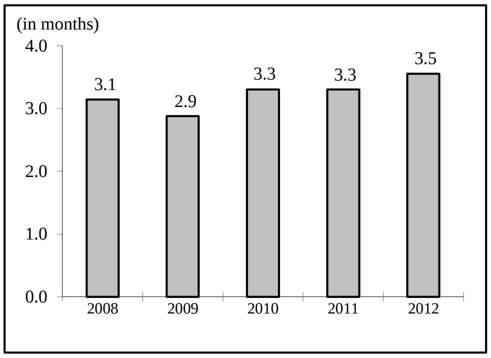
The University of Texas at Dallas
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

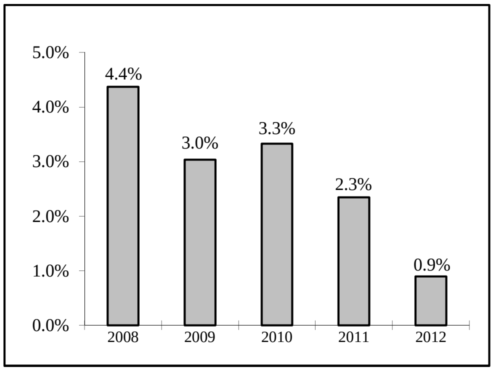
Composite Financial Index



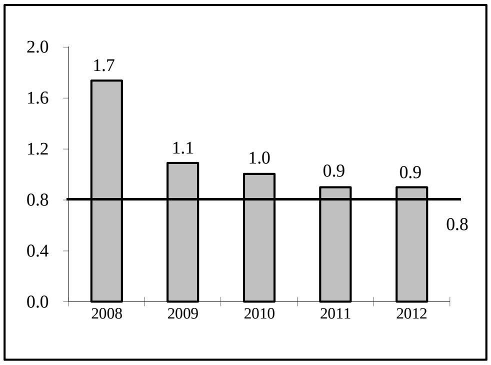
Operating Expense Coverage Ratio



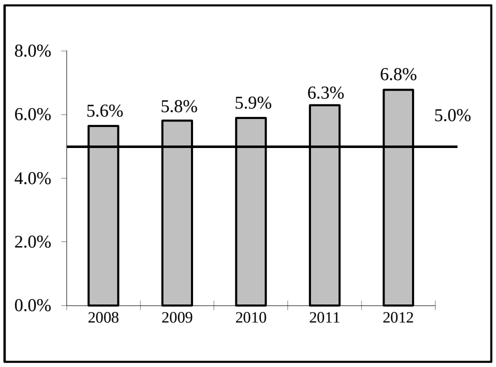
Annual Operating Margin Ratio



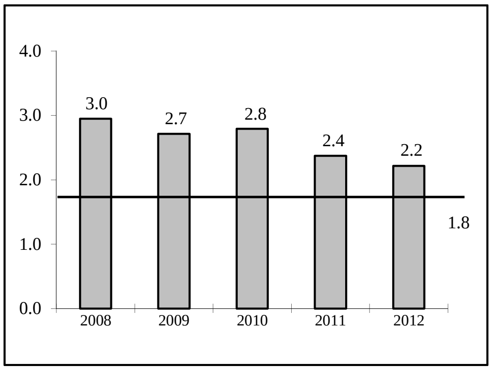
Expendable Resources to Debt Ratio



Debt Burden Ratio

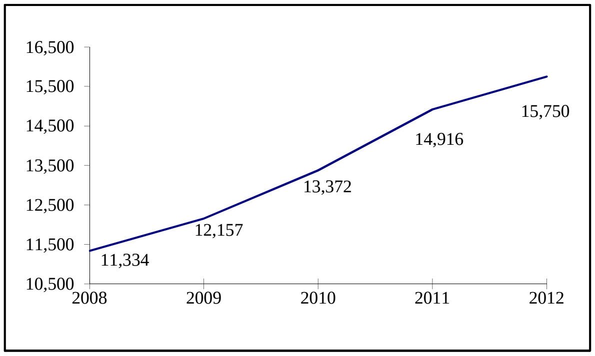


Debt Service Coverage Ratio



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.

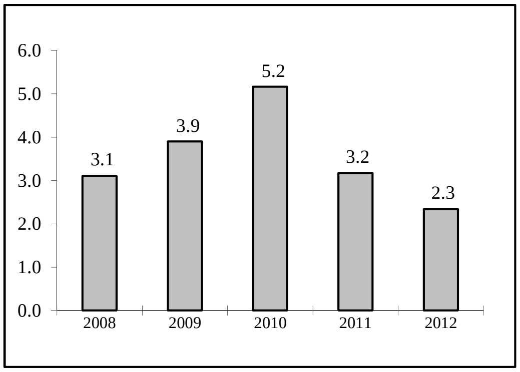
Debt Service Coverage Ratio - U. T. Dallas' debt service coverage ratio decreased from 2.4 in 2011 to 2.2 in 2012. The decrease in this ratio was due to both the decline in operating performance and the increase in mandatory debt service payments.

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.

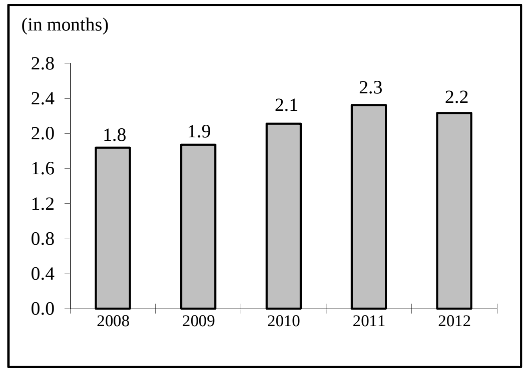
The University of Texas at El Paso
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

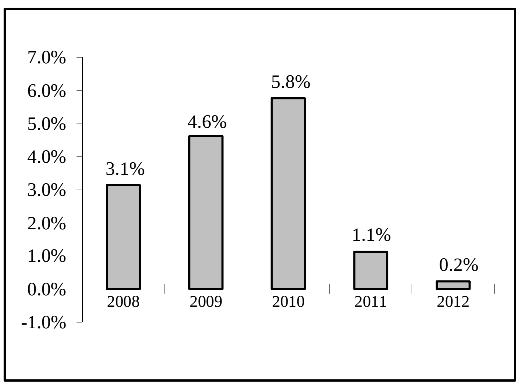
Composite Financial Index



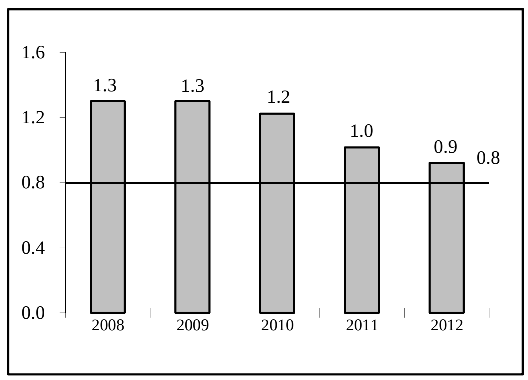
Operating Expense Coverage Ratio



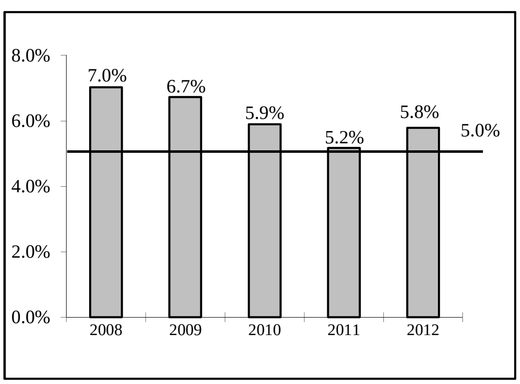
Annual Operating Margin Ratio



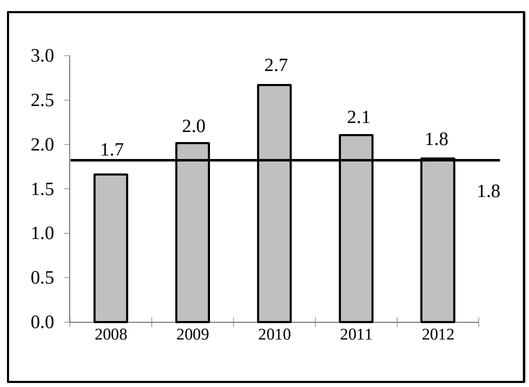
Expendable Resources to Debt Ratio



Debt Burden Ratio

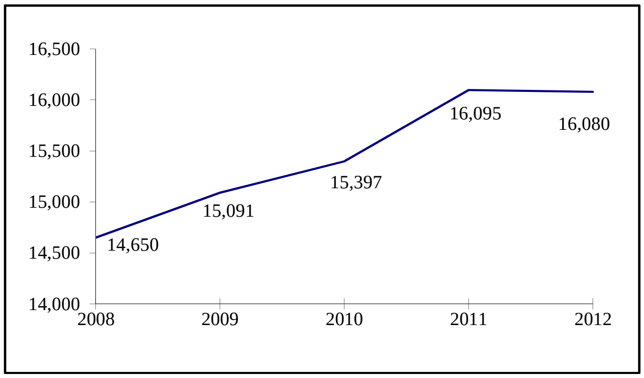


Debt Service Coverage Ratio



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.

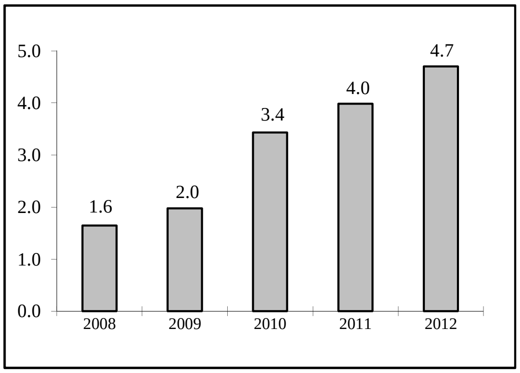
Debt Service Coverage Ratio - U. T. El Paso's debt service coverage ratio decreased from 2.1 in 2011 to 1.8 in 2012. The decrease in this ratio was attributable to the decline in operating performance, as discussed in the annual operating margin ratio, as well as the increase in mandatory debt service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

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

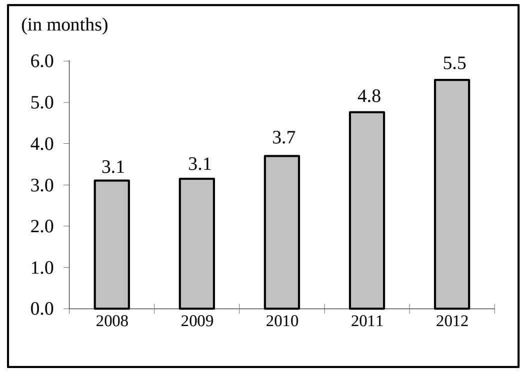
The University of Texas-Pan American
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

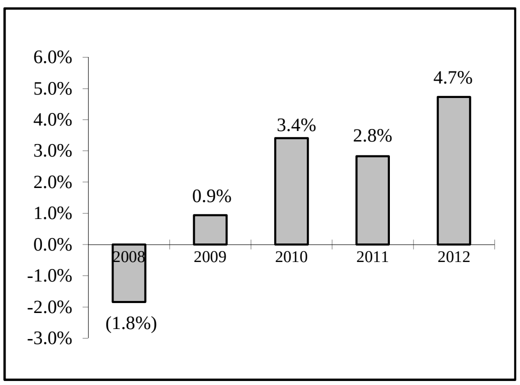
Composite Financial Index



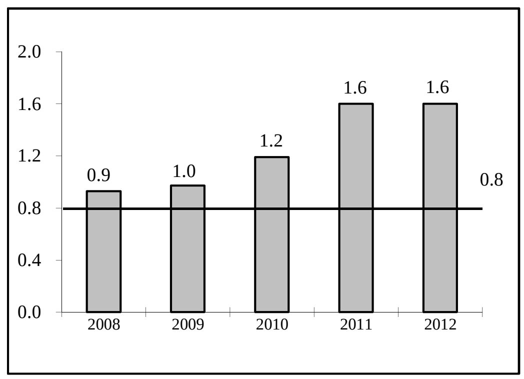
Operating Expense Coverage Ratio



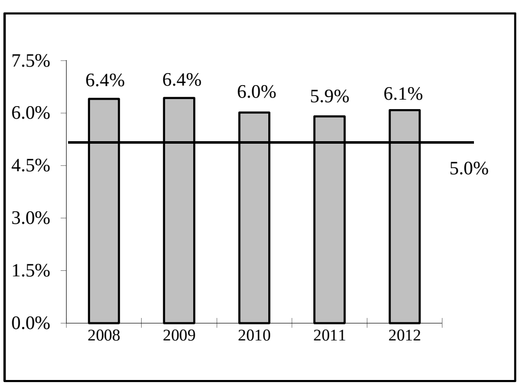
Annual Operating Margin Ratio



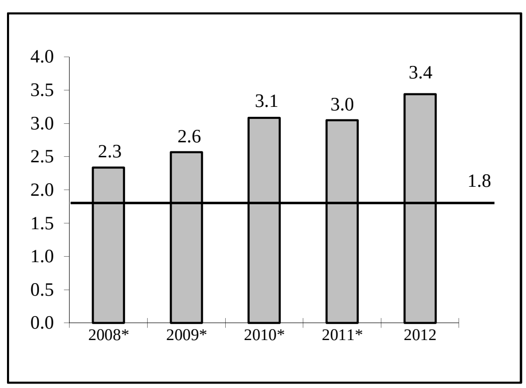
Expendable Resources to Debt Ratio



Debt Burden Ratio



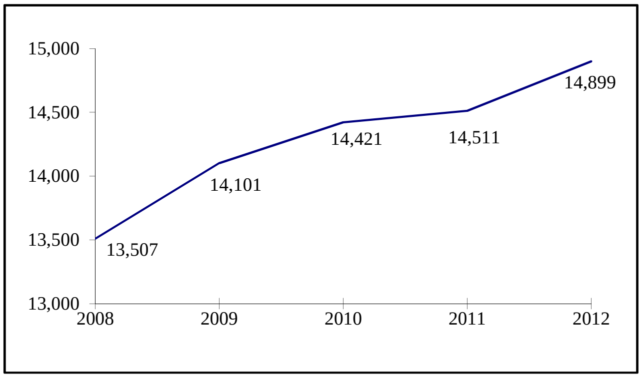
Debt Service Coverage Ratio



*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.

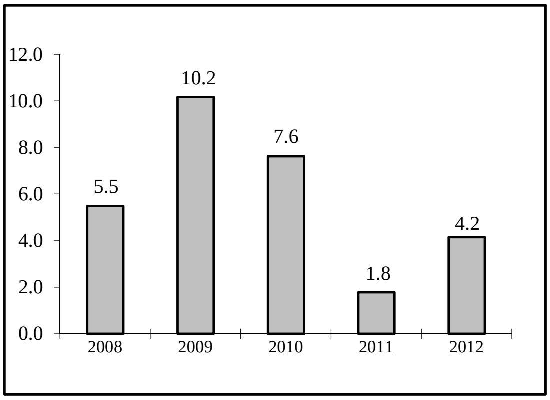
Debt Service Coverage Ratio - U. T. Pan American's debt service coverage ratio increased from 3.0 in 2011 to 3.4 in 2012. The increase in this ratio was attributable to the improvement in the operating performance as discussed in the annual operating margin ratio.

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.

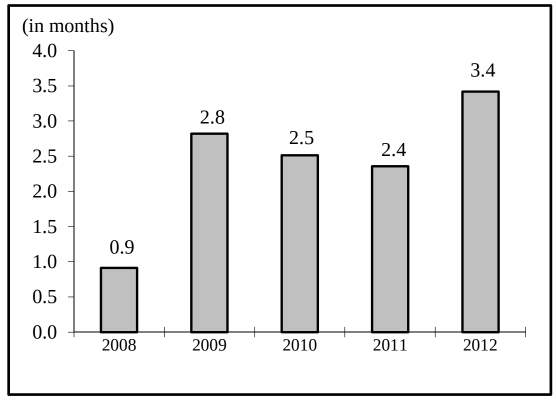
The University of Texas of the Permian Basin
2012 Summary of Financial Condition

Financial Condition: **Watch**

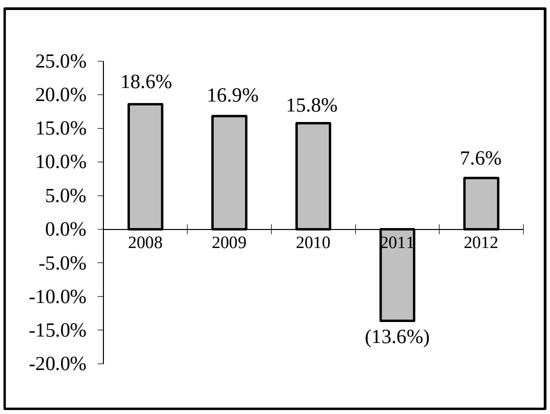
Composite Financial Index



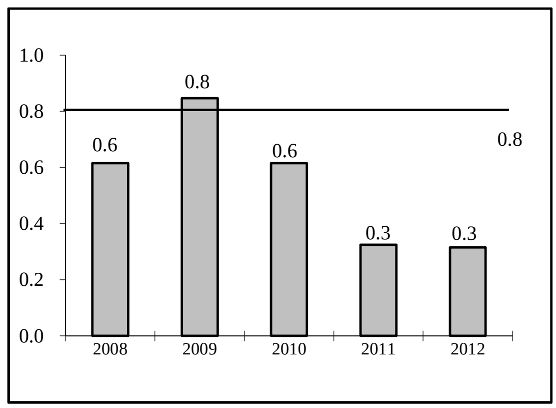
Operating Expense Coverage Ratio



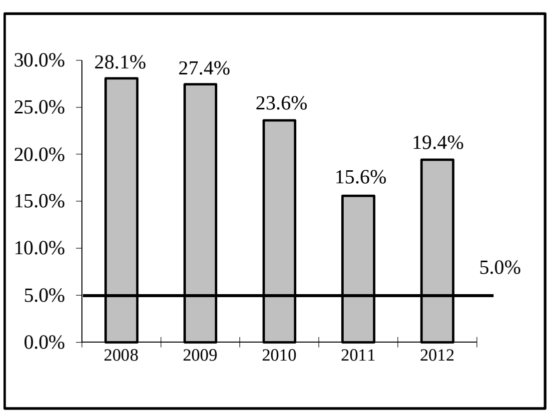
Annual Operating Margin Ratio



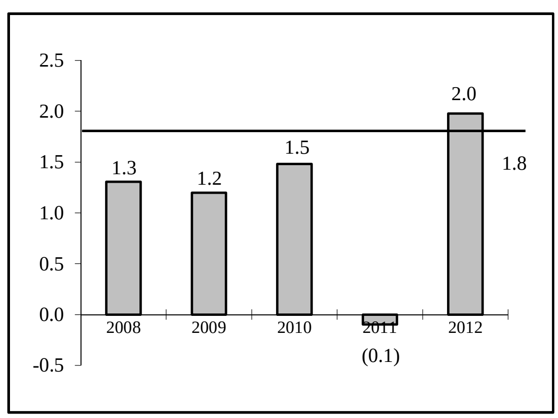
Expendable Resources to Debt Ratio



Debt Burden Ratio

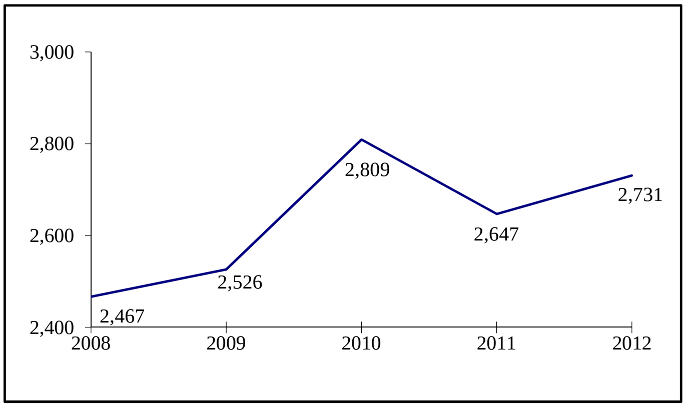


Debt Service Coverage Ratio



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.

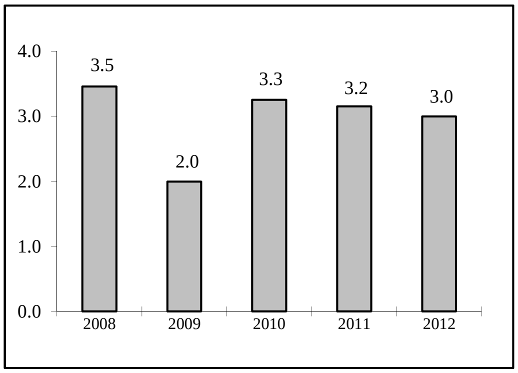
Debt Service Coverage Ratio - U. T. Permian Basin's debt service coverage ratio increased from (0.1) in 2011 to 2.0 in 2012. The change in this ratio was due to the improvement in operating performance resulting from the correction of overstated expenses in 2011.

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.

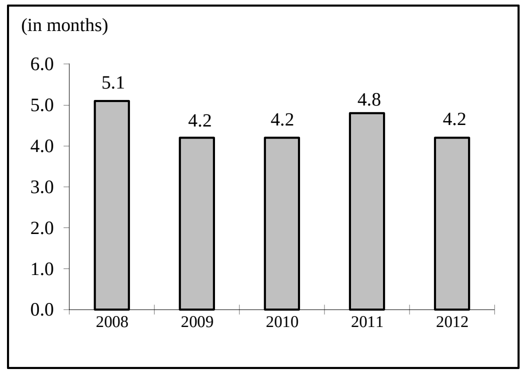
The University of Texas at San Antonio
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

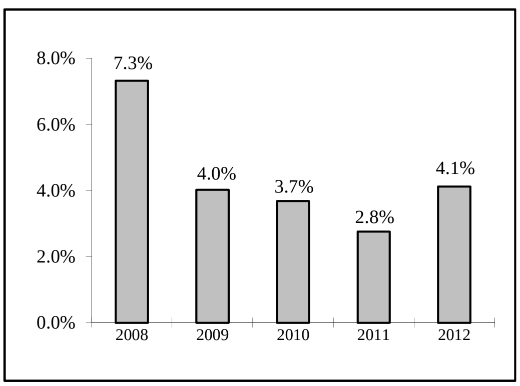
Composite Financial Index



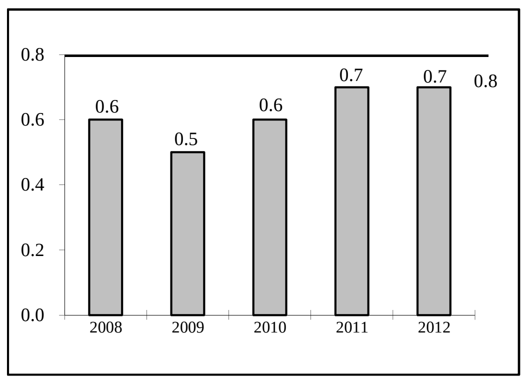
Operating Expense Coverage Ratio



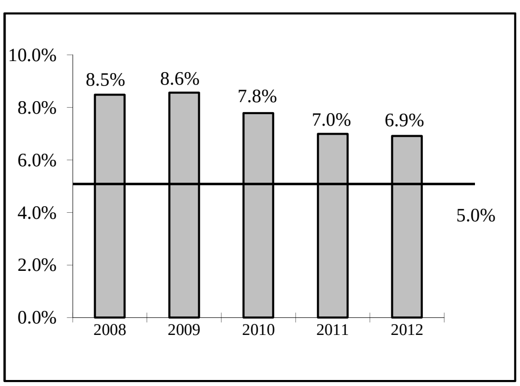
Annual Operating Margin Ratio



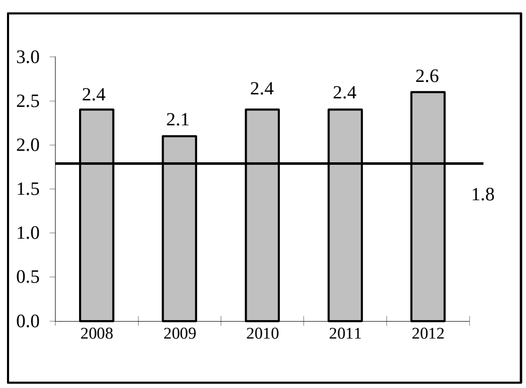
Expendable Resources to Debt Ratio



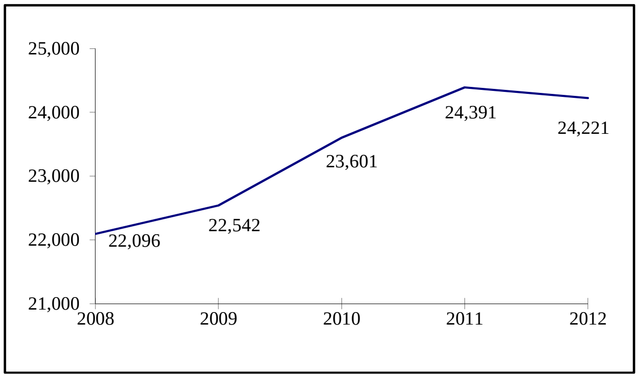
Debt Burden Ratio



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.

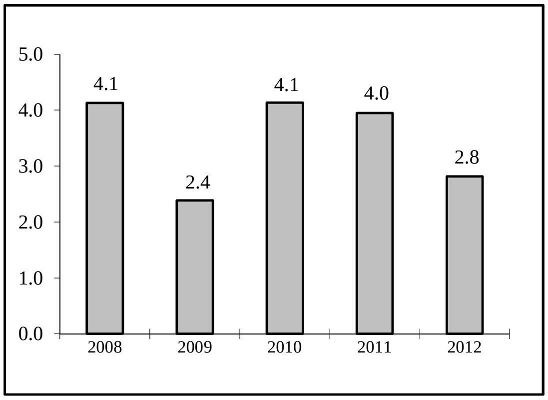
Debt Service Coverage Ratio - U. T. San Antonio's debt service coverage ratio increased from 2.4 in 2011 to 2.6 in 2012 as a result of the improvement in operating performance as discussed in the annual operating margin ratio.

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

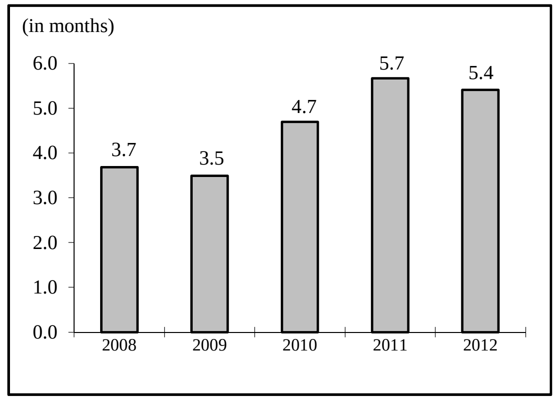
The University of Texas at Tyler
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

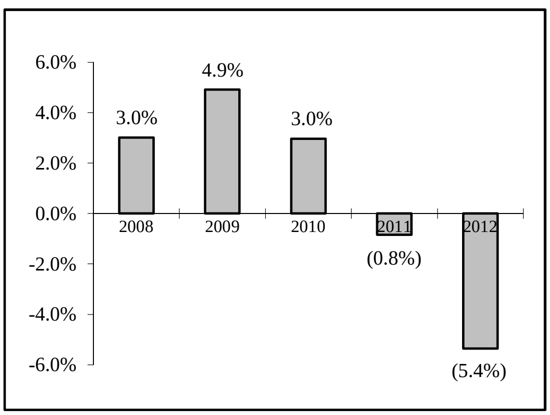
Composite Financial Index



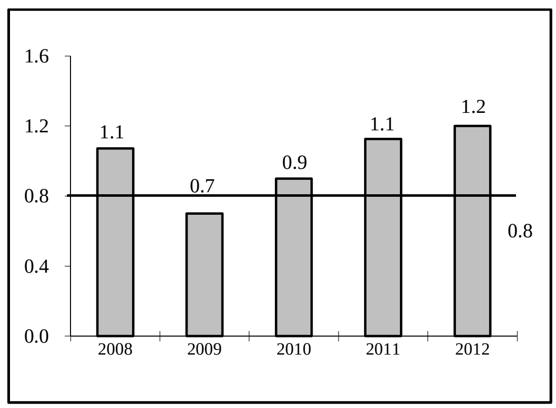
Operating Expense Coverage Ratio



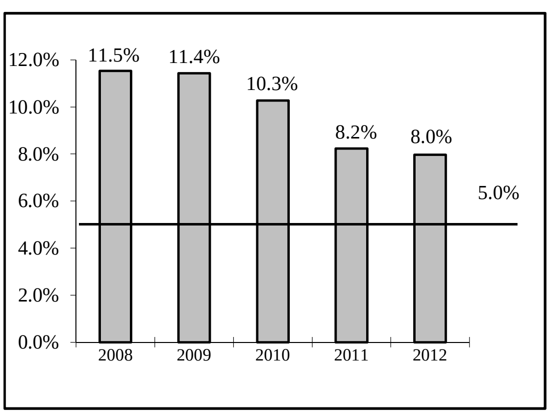
Annual Operating Margin Ratio



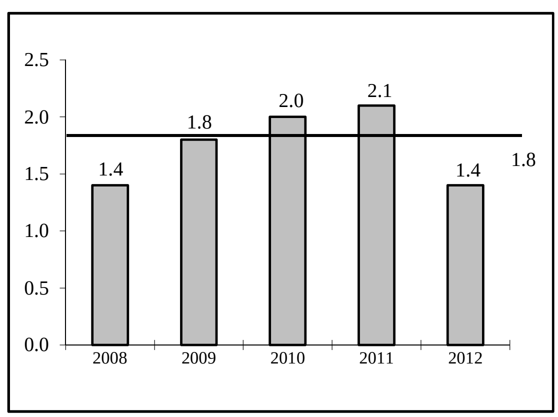
Expendable Resources to Debt Ratio



Debt Burden Ratio

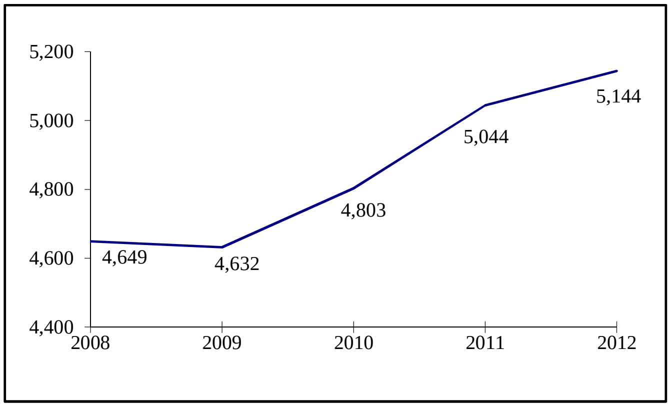


Debt Service Coverage Ratio



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.

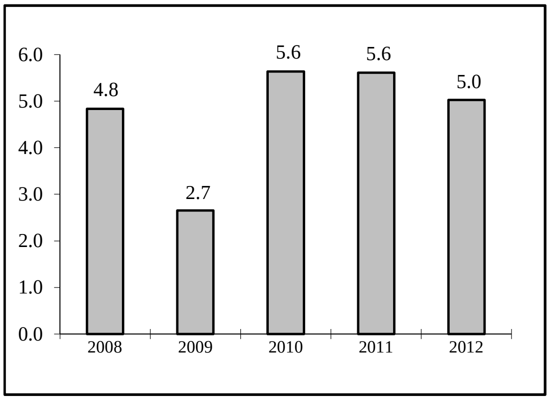
Debt Service Coverage Ratio - U. T. Tyler's debt service coverage ratio decreased from 2.1 in 2011 to 1.4 in 2012 due to the decline in operating performance, as discussed above, and an increase in the mandatory debt service payments of $0.3 million.

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.

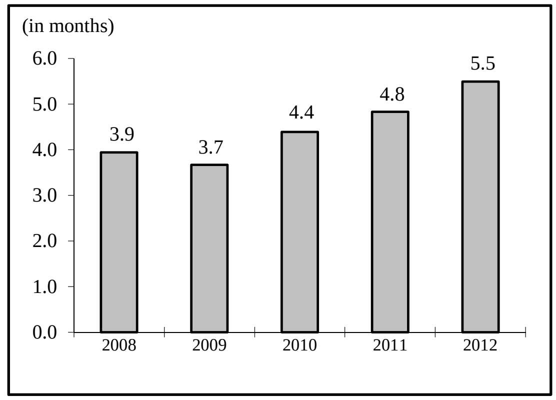
The University of Texas Southwestern Medical Center
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

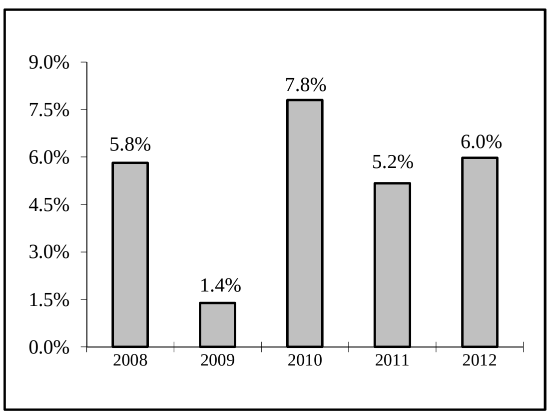
Composite Financial Index



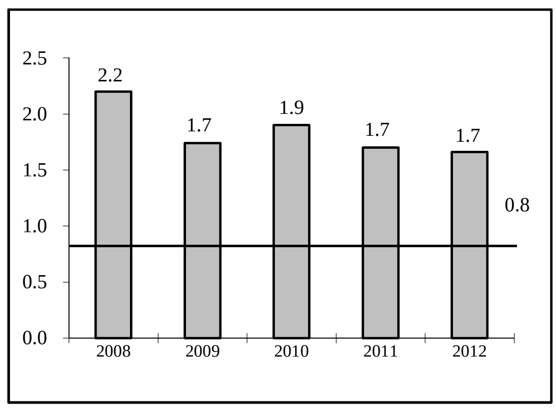
Operating Expense Coverage Ratio



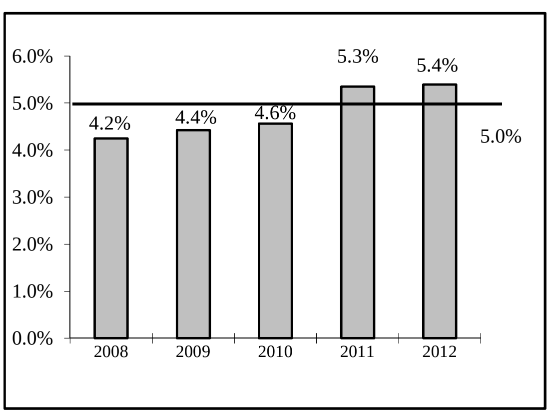
Annual Operating Margin Ratio



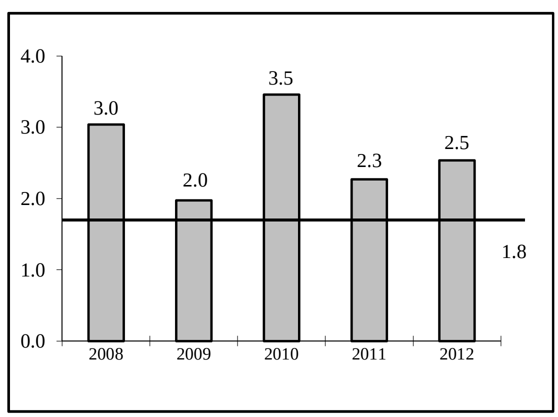
Expendable Resources to Debt Ratio



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.

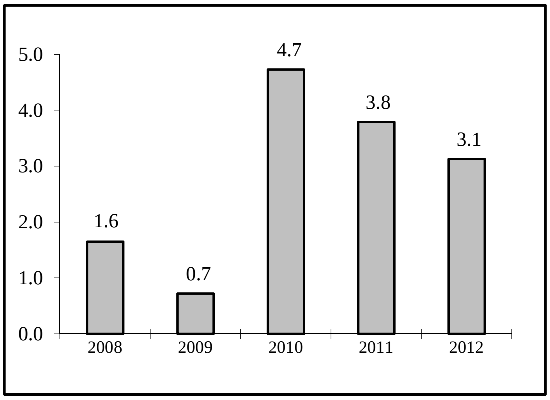
Debt Burden Ratio - Southwestern's debt burden ratio increased slightly from 5.3% in 2011 to 5.4% in 2012 due to a $5.2 million increase in mandatory debt service payments, which was largely offset by the increase in total operating expenses discussed above.

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.

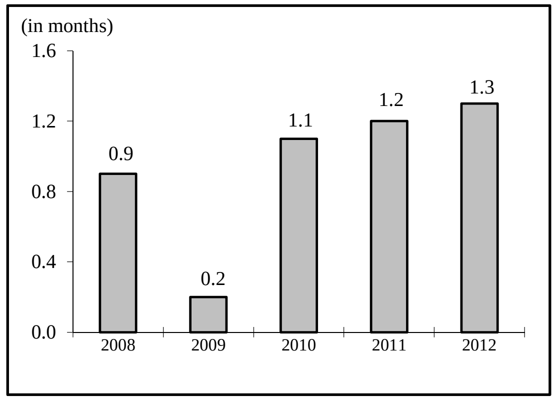
The University of Texas Medical Branch at Galveston
2012 Summary of Financial Condition

Financial Condition: **Watch**

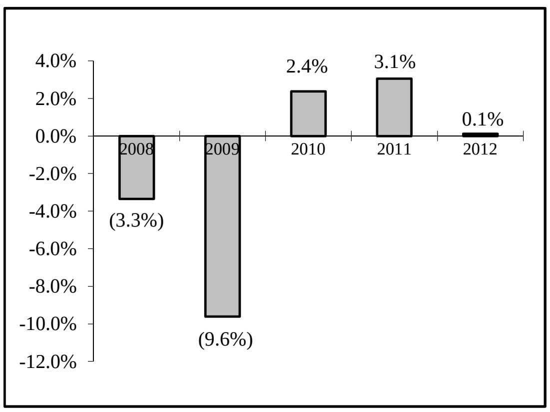
Composite Financial Index



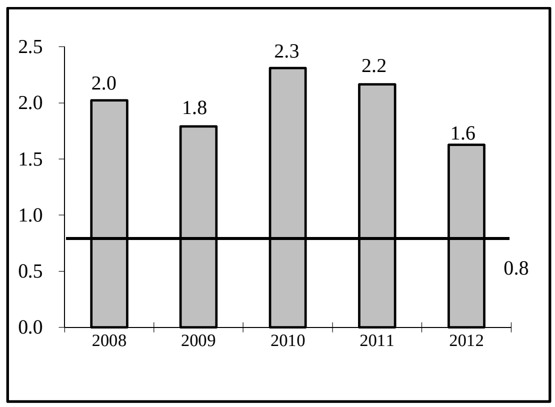
Operating Expense Coverage Ratio



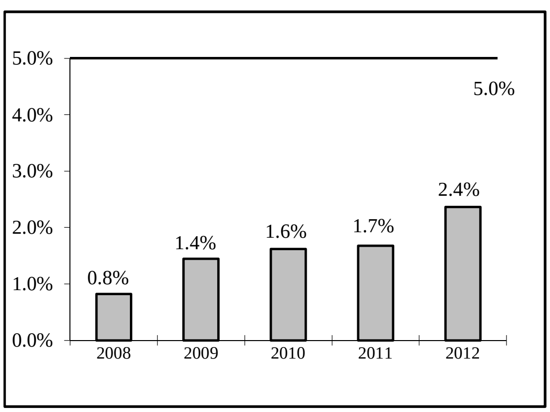
Annual Operating Margin Ratio



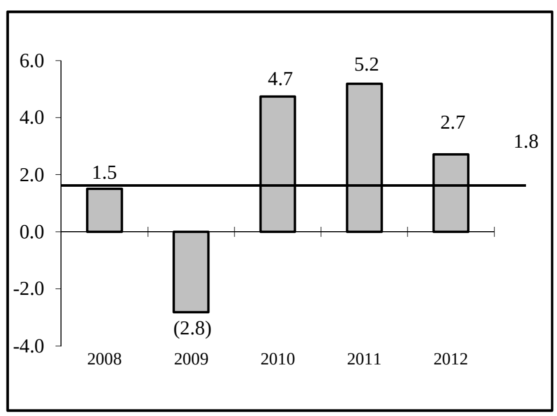
Expendable Resources to Debt Ratio



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.

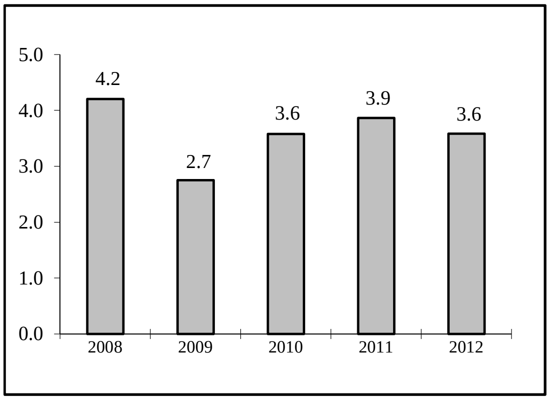
Debt Burden Ratio - UTMB's debt burden ratio increased from 1.7% in 2011 to 2.4% in 2012 due to both an increase of $10.3 million in the mandatory debt service payments and the decrease in total expenses as previously discussed.

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.

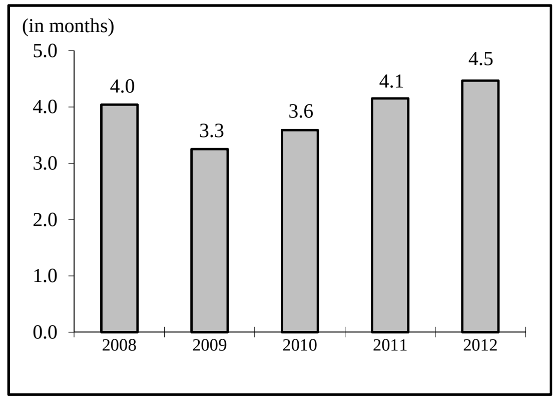
The University of Texas Health Science Center at Houston
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

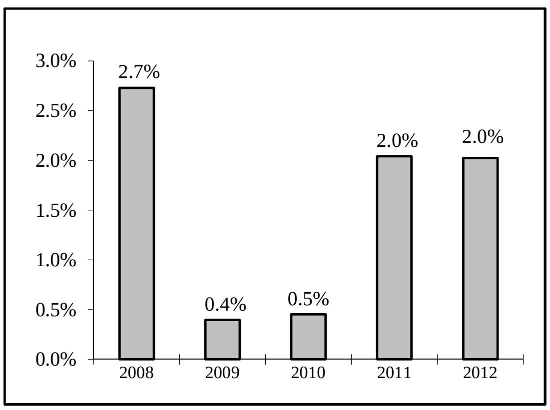
Composite Financial Index



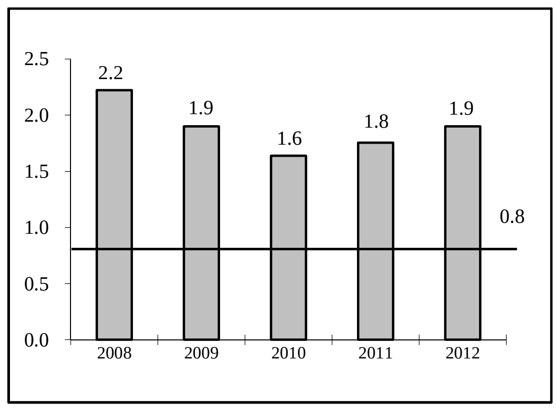
Operating Expense Coverage Ratio



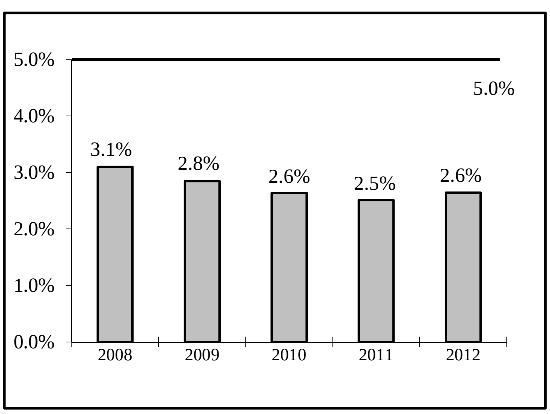
Annual Operating Margin Ratio



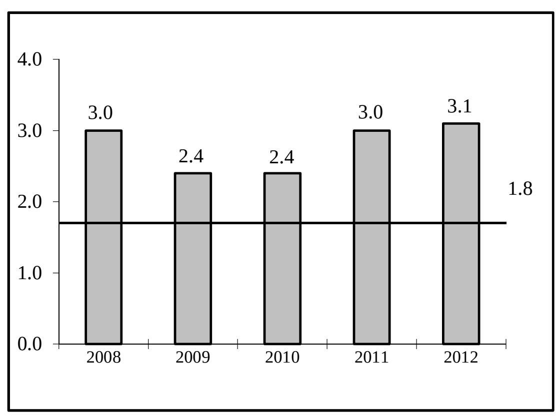
Expendable Resources to Debt Ratio



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.

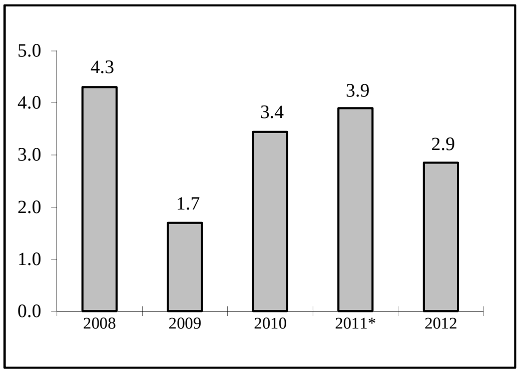
Debt Burden Ratio - UTHSC-Houston's debt burden ratio increased from 2.5% in 2011 to 2.6% in 2012. The increase in this ratio was a result of a $2.1 million increase in mandatory debt service payments, which was largely offset by the increase in total operating expenses.

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.

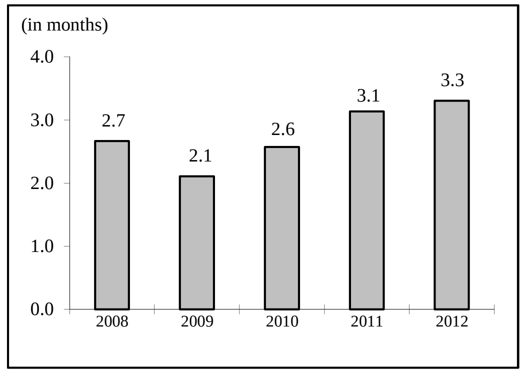
The University of Texas Health Science Center at San Antonio
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

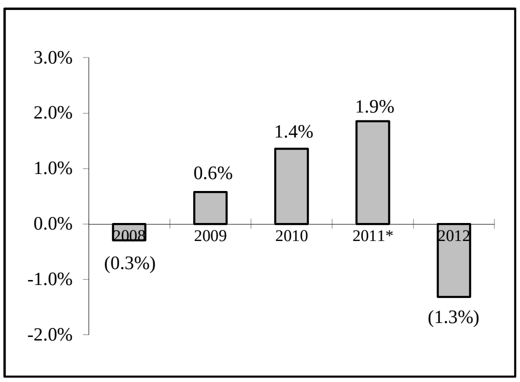
Composite Financial Index



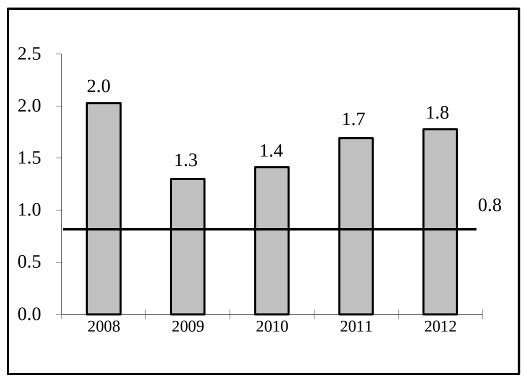
Operating Expense Coverage Ratio



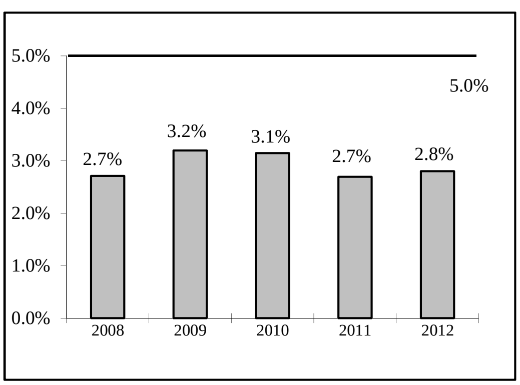
Annual Operating Margin Ratio



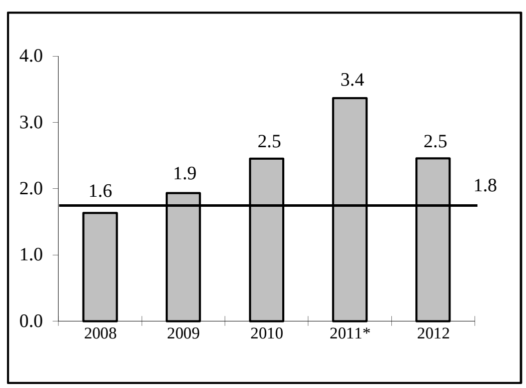
Expendable Resources to Debt Ratio



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.

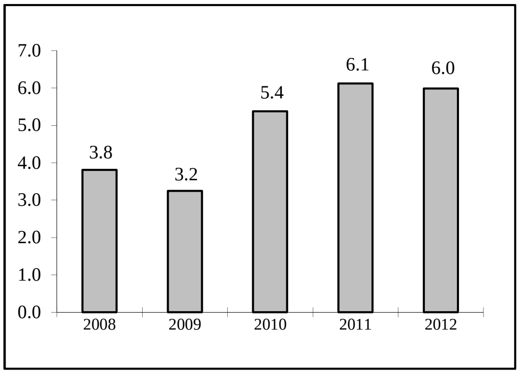
Debt Burden Ratio - UTHSC-San Antonio's debt burden ratio increased from 2.7% in 2011 to 2.8% in 2012 due to an increase of $1.4 million in mandatory debt service payments associated with the South Texas Research Facility.

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.

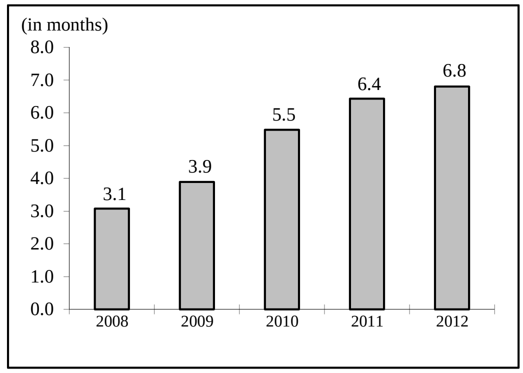
The University of Texas M. D. Anderson Cancer Center
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

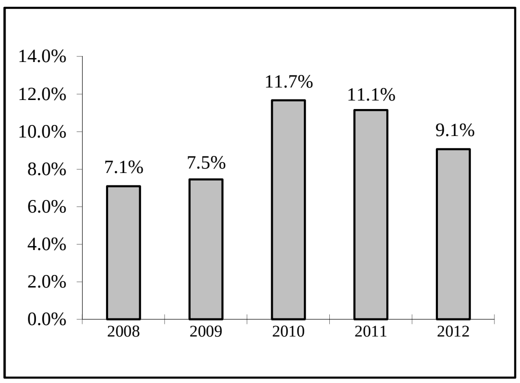
Composite Financial Index



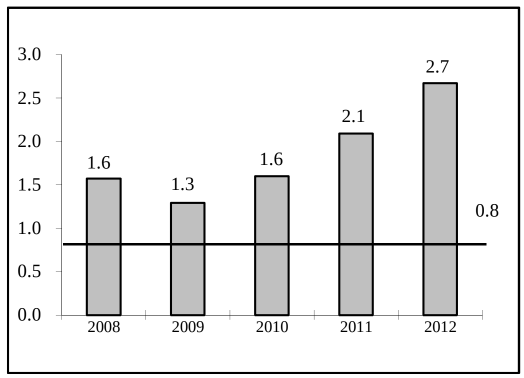
Operating Expense Coverage Ratio



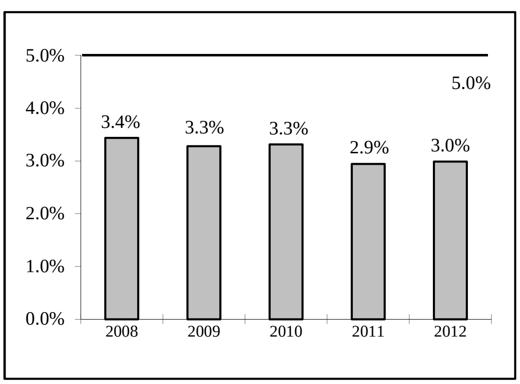
Annual Operating Margin Ratio



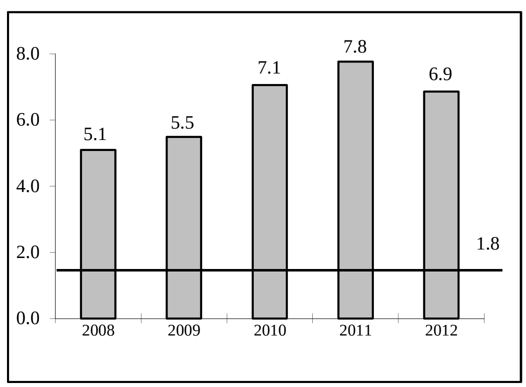
Expendable Resources to Debt Ratio



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.

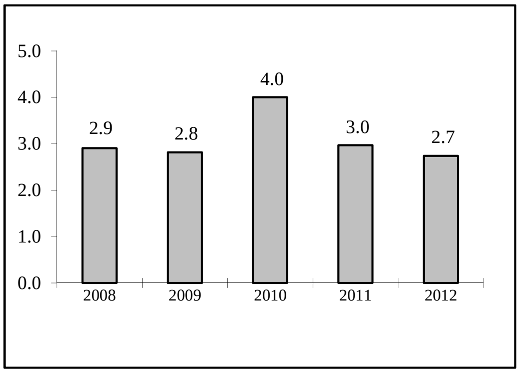
Debt Burden Ratio - M. D. Anderson's debt burden ratio increased slightly from 2.9% in 2011 to 3.0% in 2012. The change in this ratio was the result of a $9.6 million increase in mandatory debt service payments, which was largely offset by the increase in total operating expenses, as discussed above. 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.

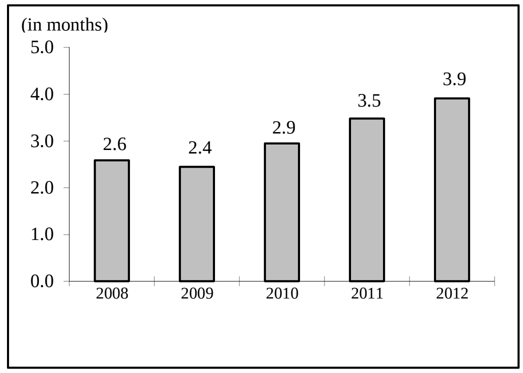
The University of Texas Health Science Center at Tyler
2012 Summary of Financial Condition

Financial Condition: **Satisfactory**

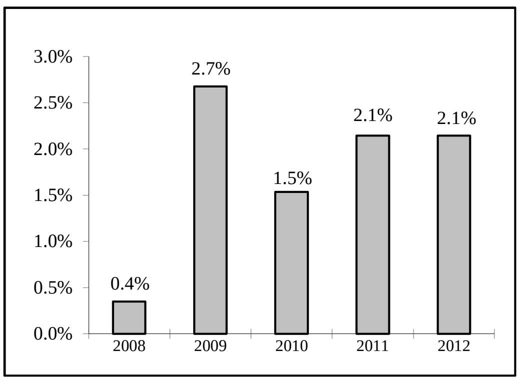
Composite Financial Index



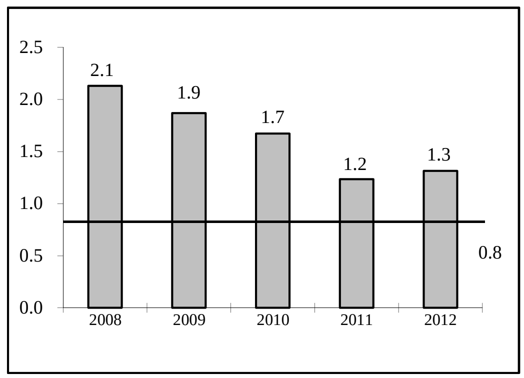
Operating Expense Coverage Ratio



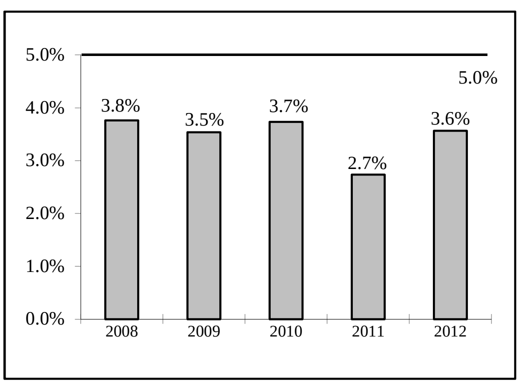
Annual Operating Margin Ratio



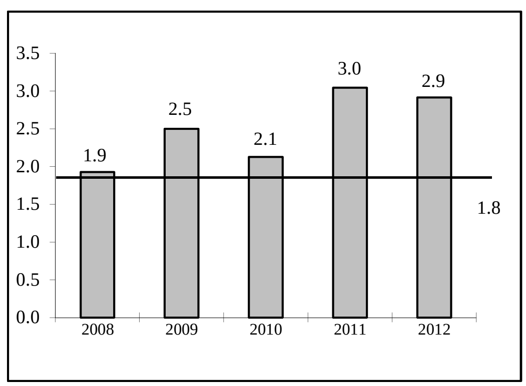
Expendable Resources to Debt Ratio



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 <u>only</u>. 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	Funds Functioning Restricted	Other Expendable	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)

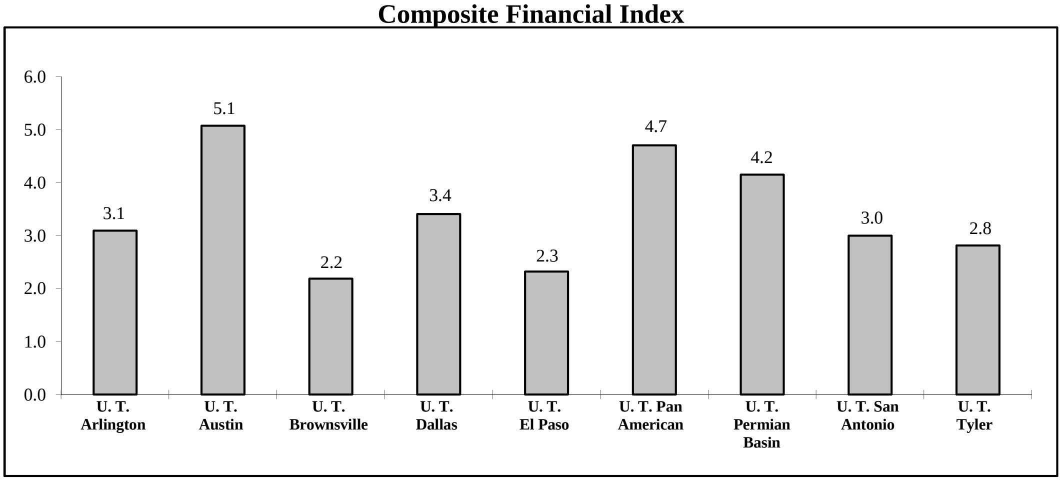
Appendix D - Calculation of Annual Operating Margin
Health Institutions
As of August 31, 2012
(In Millions)

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

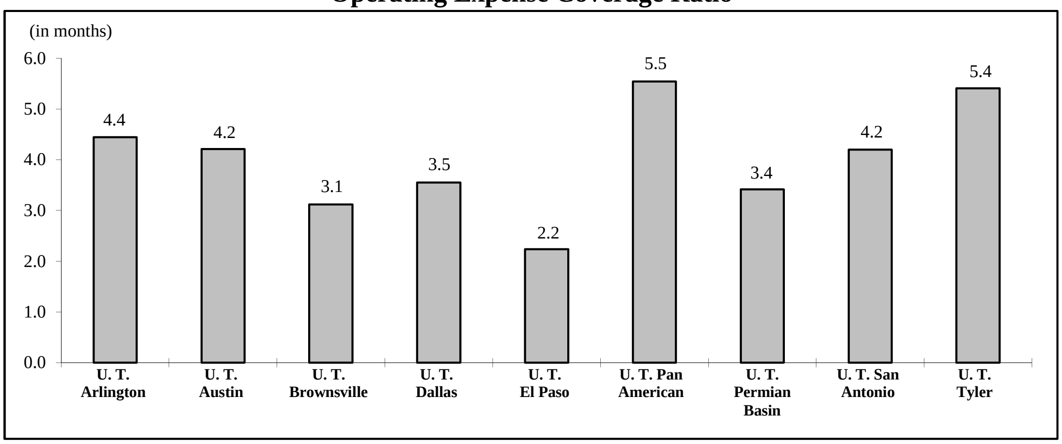
*UTMB was appropriated $150 million in FEMA State Matching funds that was recognized in general revenue in 2009 and was excluded from the Annual Operating Margin calculation in 2009. In 2012, UTMB spent $18.1 million of the FEMA State Matching funds of which $10.0 million was operating in nature; therefore,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

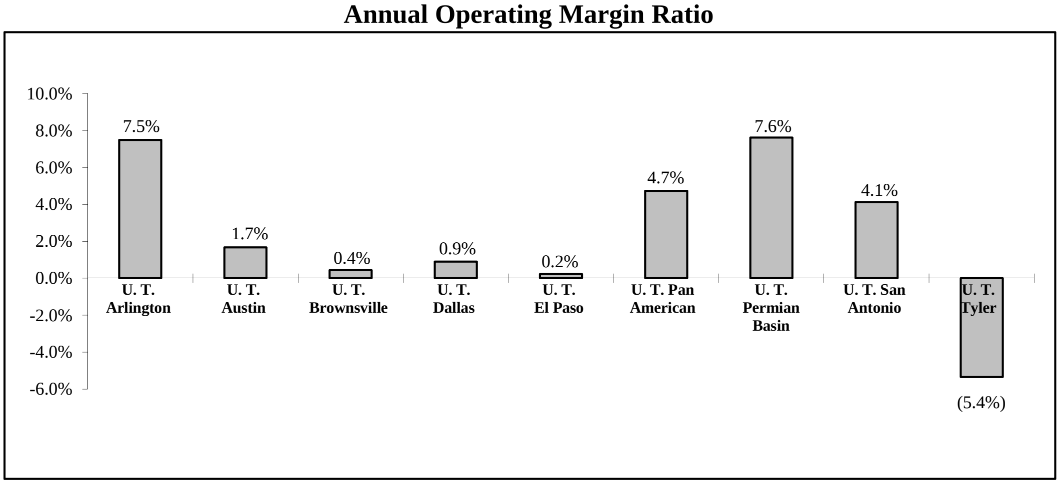
Composite Financial Index



Operating Expense Coverage Ratio

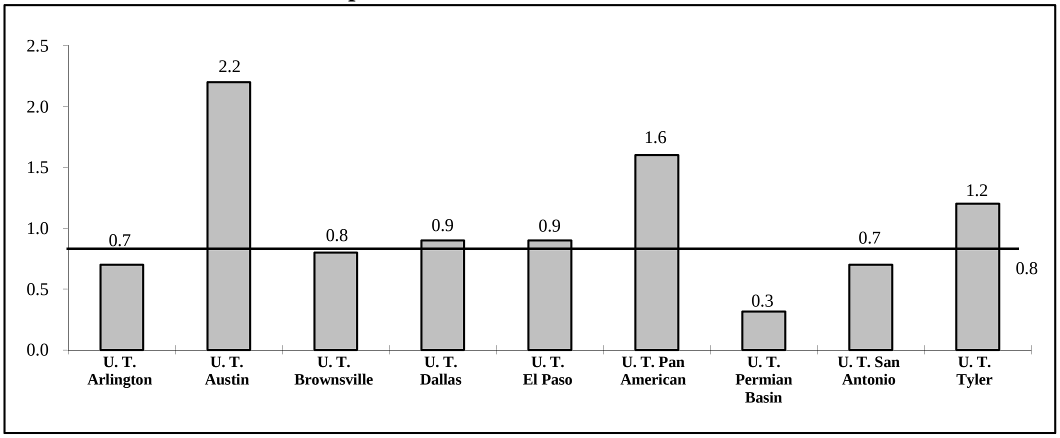


Annual Operating Margin Ratio

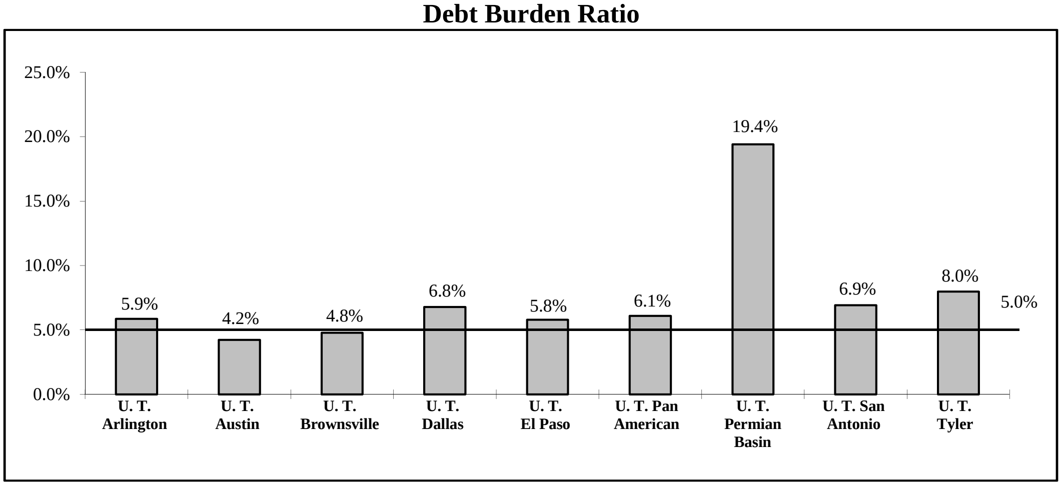


Appendix E - Academic Institutions' Evaluation Factors
2012 Analysis of Financial Condition

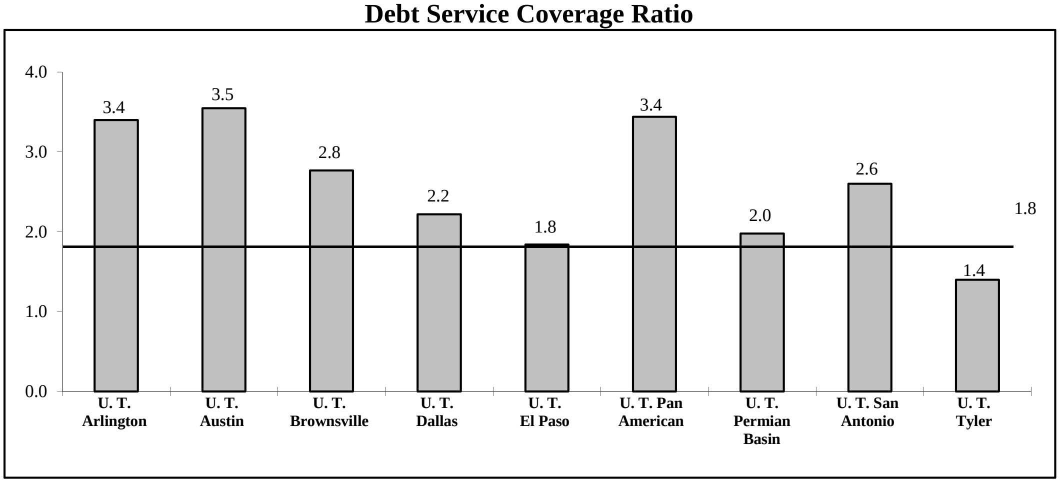
Expendable Resources to Debt Ratio



Debt Burden Ratio

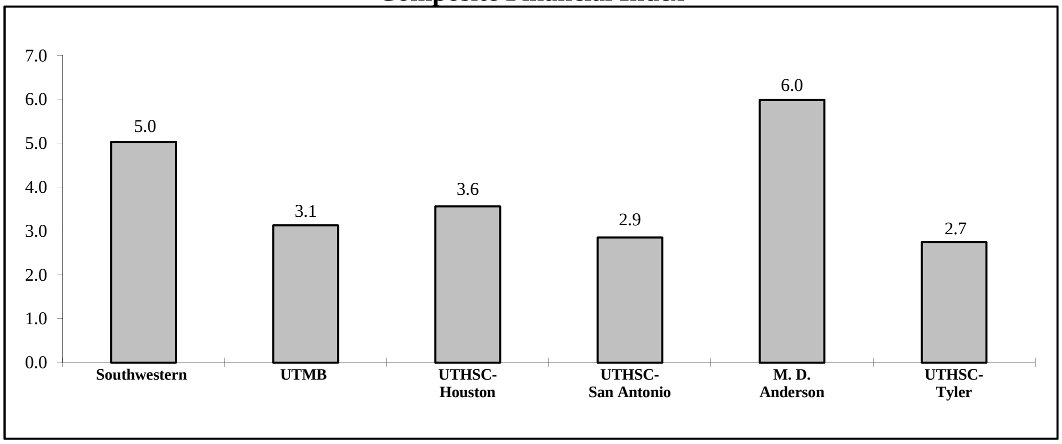


Debt Service Coverage Ratio

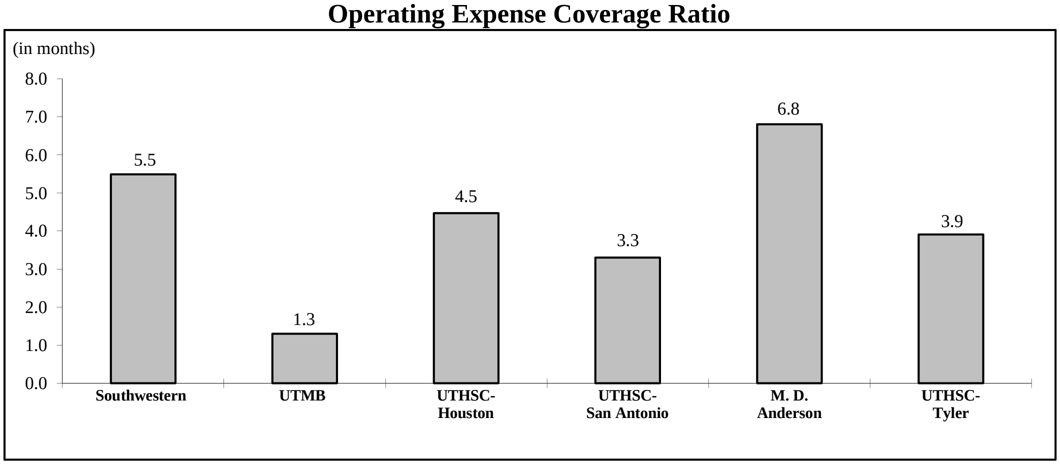


Appendix E - Health Institutions' Evaluation Factors
2012 Analysis of Financial Condition

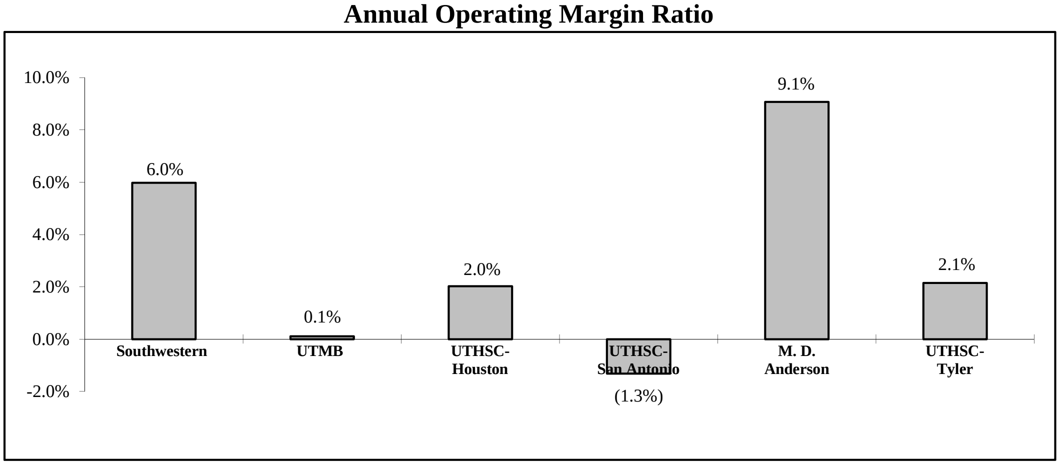
Composite Financial Index



Operating Expense Coverage Ratio

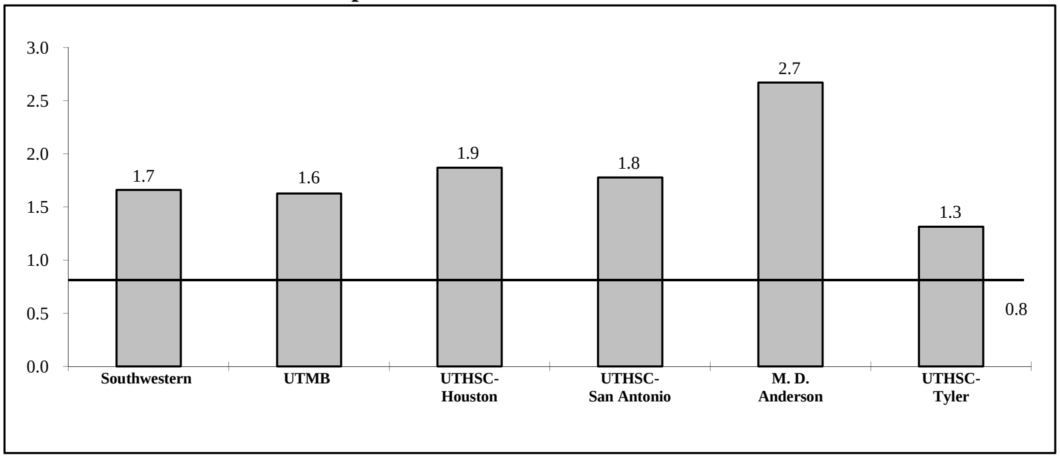


Annual Operating Margin Ratio

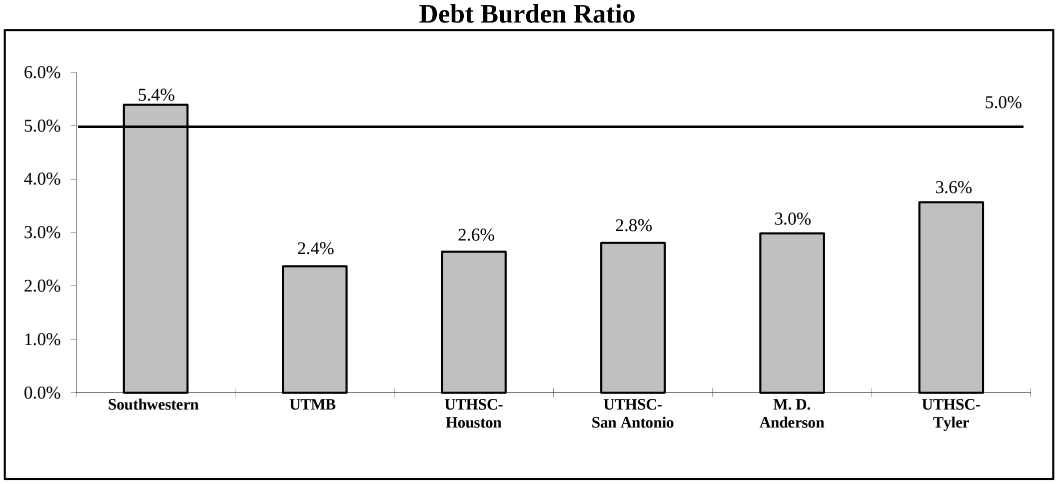


Appendix E - Health Institutions' Evaluation Factors
2012 Analysis of Financial Condition

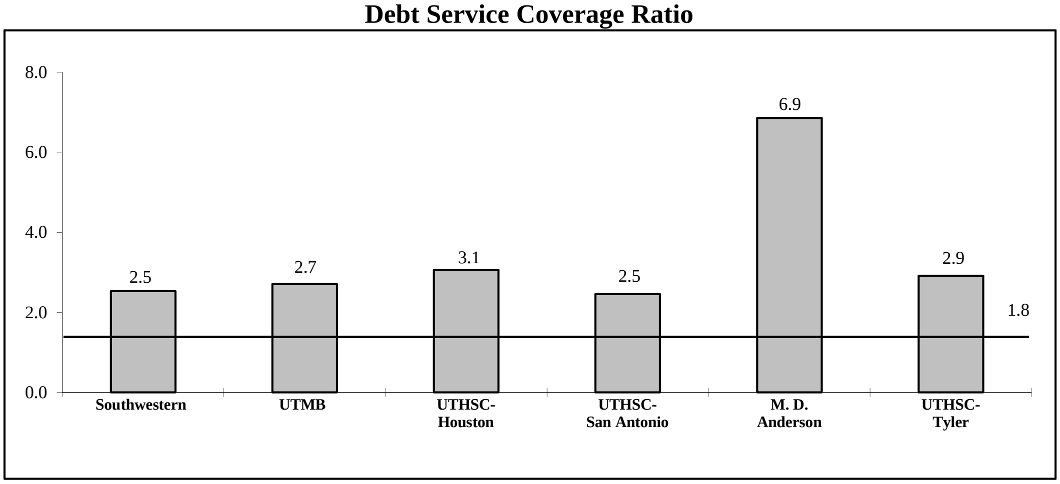
Expendable Resources to Debt Ratio



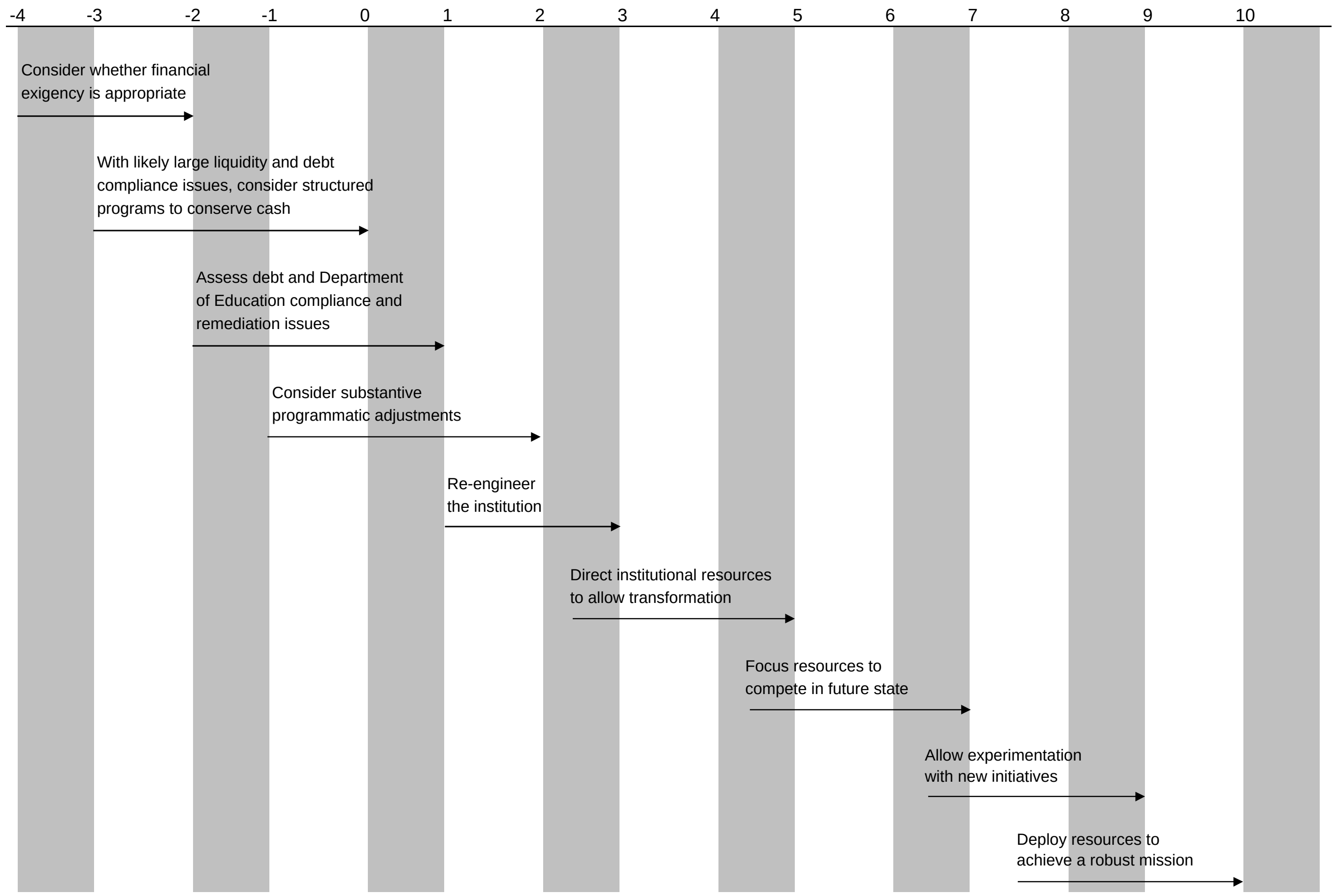
Debt Burden Ratio



Debt Service Coverage Ratio



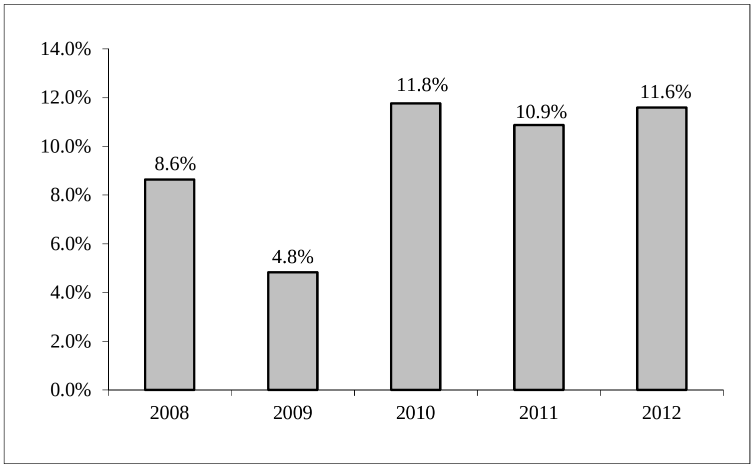
Appendix F - Scale for Charting CFI Performance



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

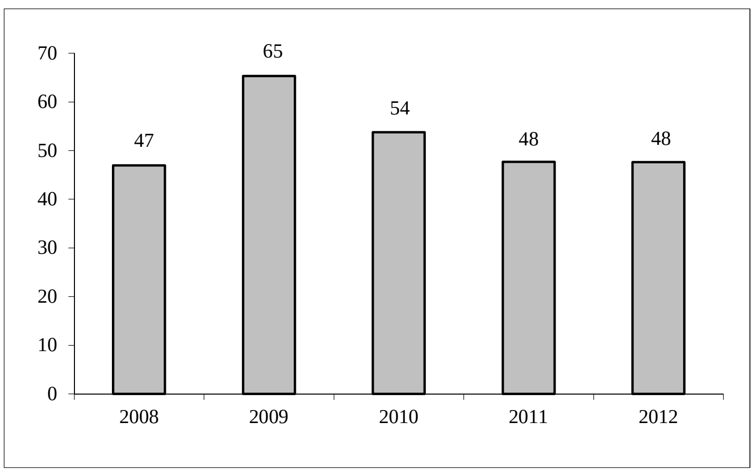
Appendix G - Key Hospital Operating Factors
The University of Texas Southwestern Medical Center

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.

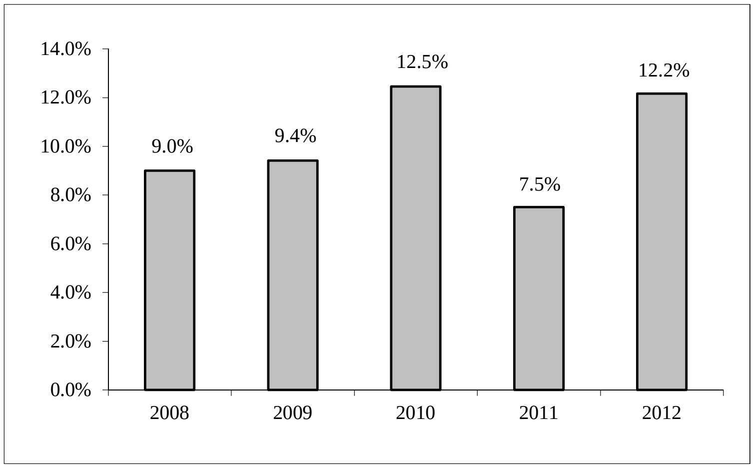
Net Accounts Receivable (in days)



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%.

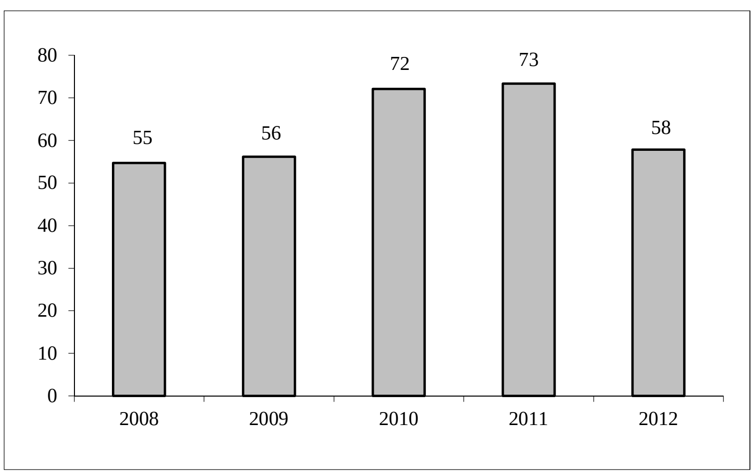
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Southwestern Medical Center

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.

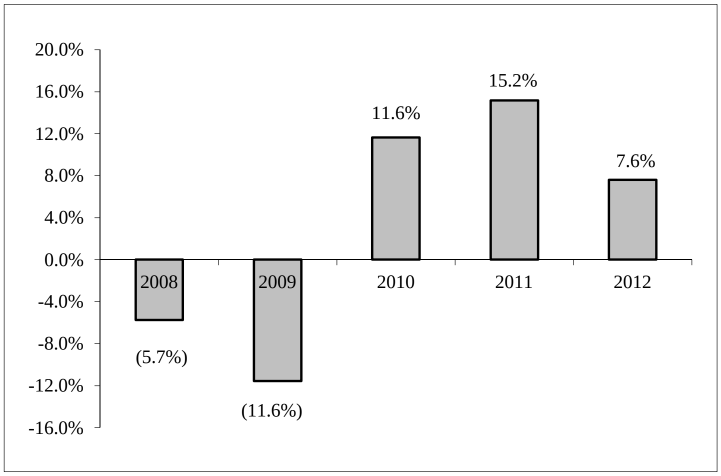
Net Accounts Receivable (in days)



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.

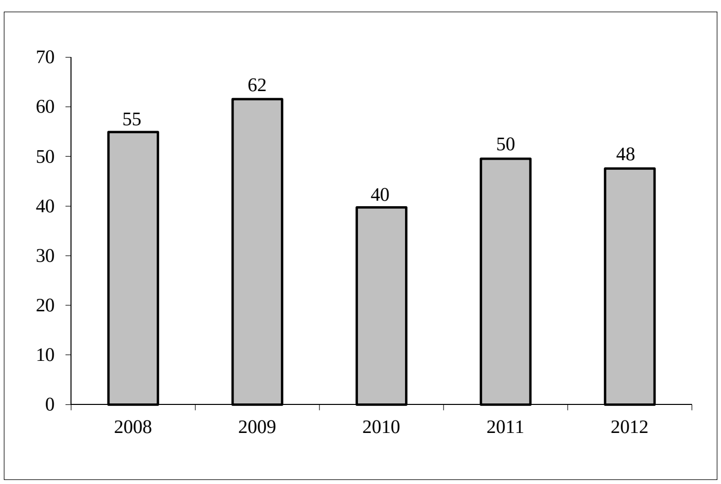
Appendix G - Key Hospital Operating Factors
The University of Texas Medical Branch at Galveston

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.

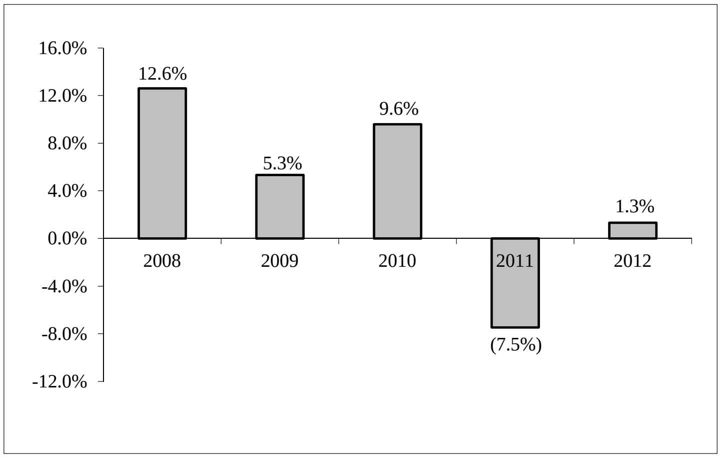
Net Accounts Receivable (in days)



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.

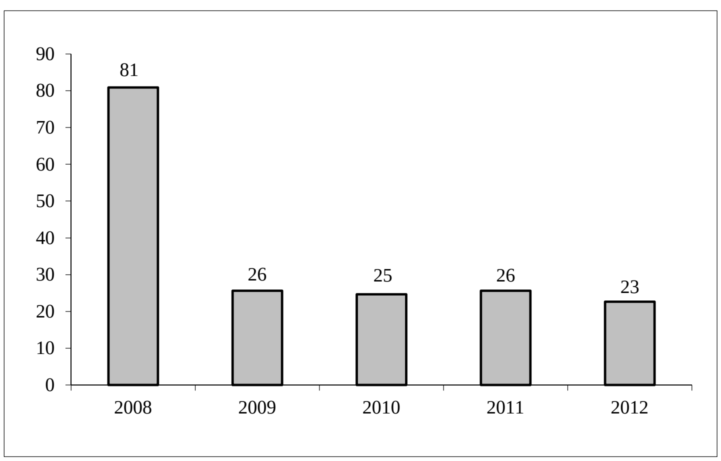
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Medical Branch at Galveston

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.

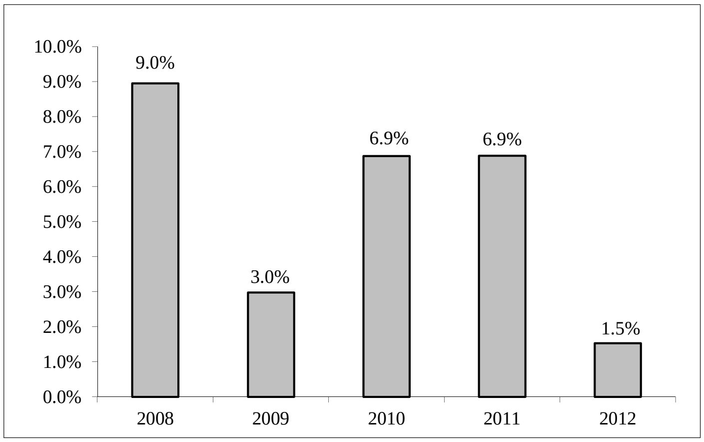
Net Accounts Receivable (in days)



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.

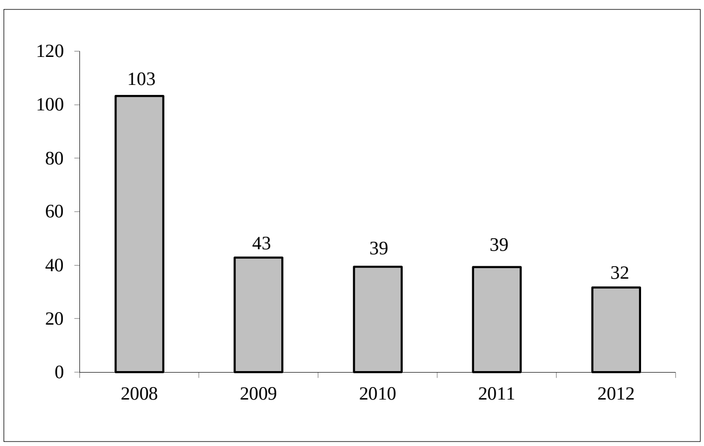
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Houston

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.

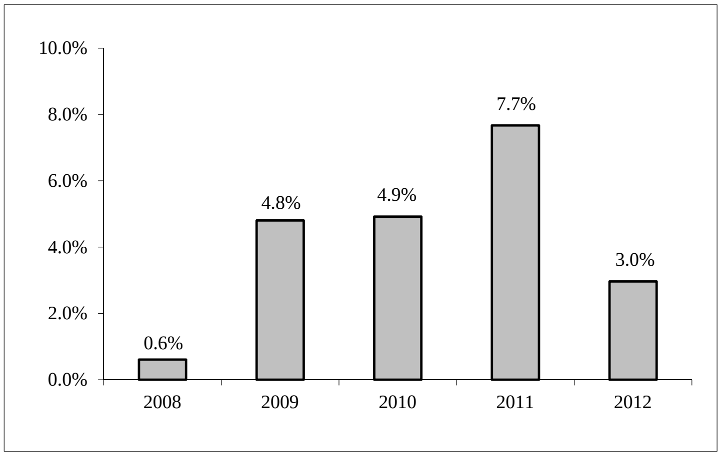
Net Accounts Receivable (in days)



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

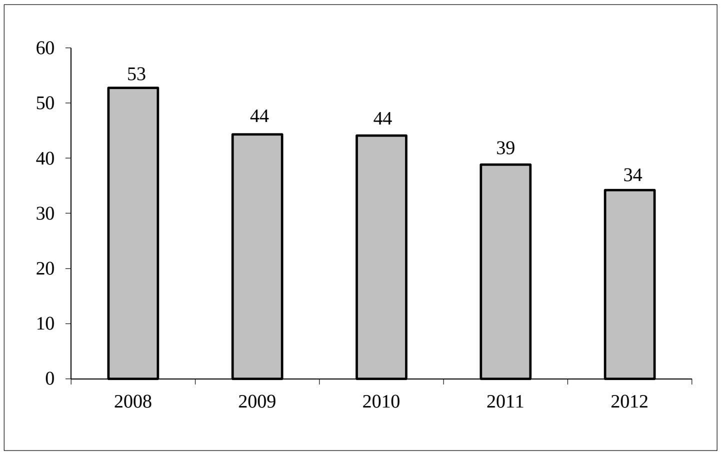
Annual Operating Margin Ratio



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.

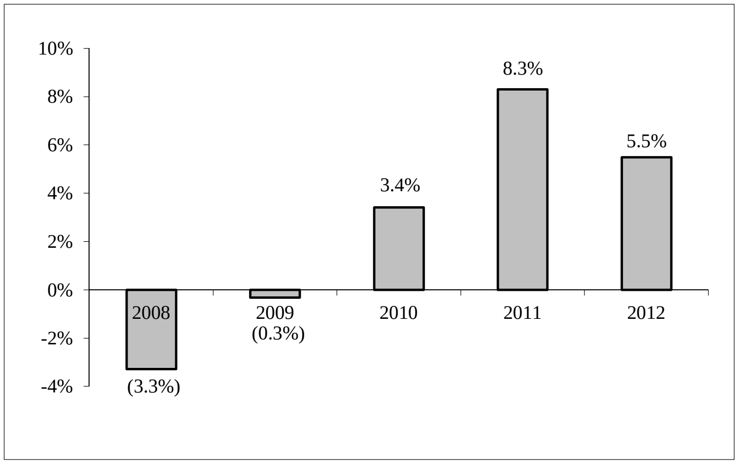
Net Accounts Receivable (in days)



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.

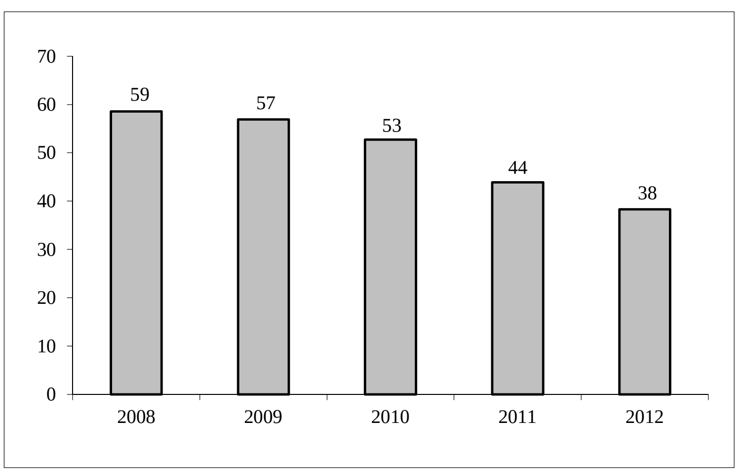
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at San Antonio

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.

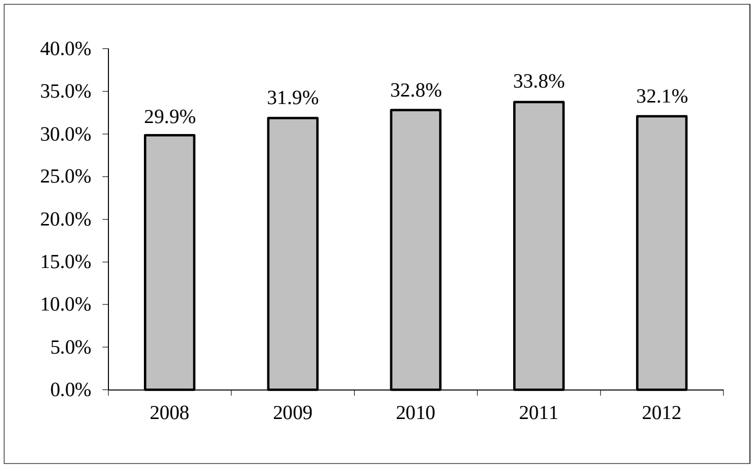
Net Accounts Receivable (in days)



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.

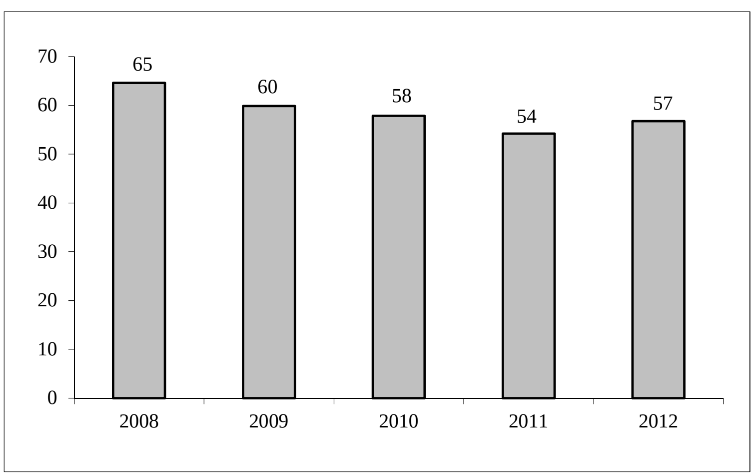
Appendix G - Key Hospital Operating Factors
The University of Texas M. D. Anderson Cancer Center

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.

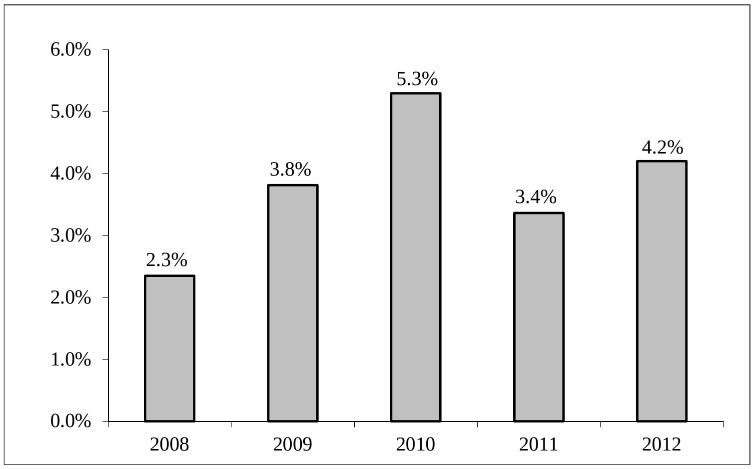
Net Accounts Receivable (in days)



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.

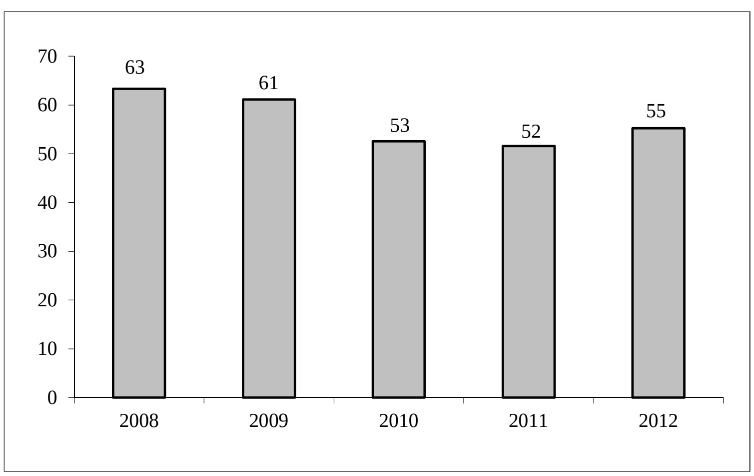
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas M. D. Anderson Cancer Center

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.

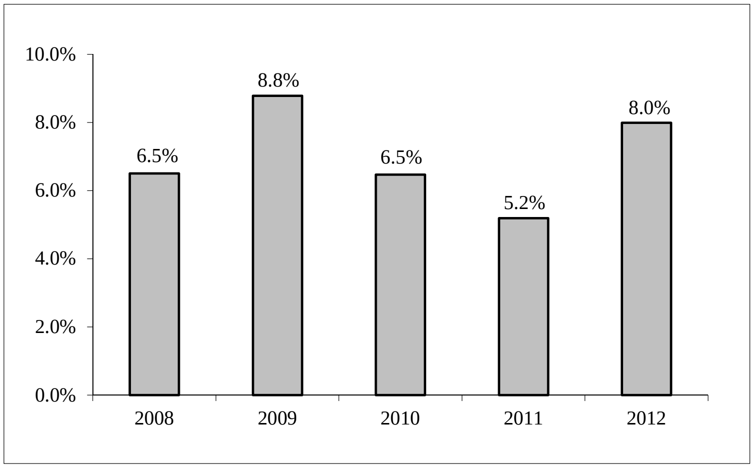
Net Accounts Receivable (in days)



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.

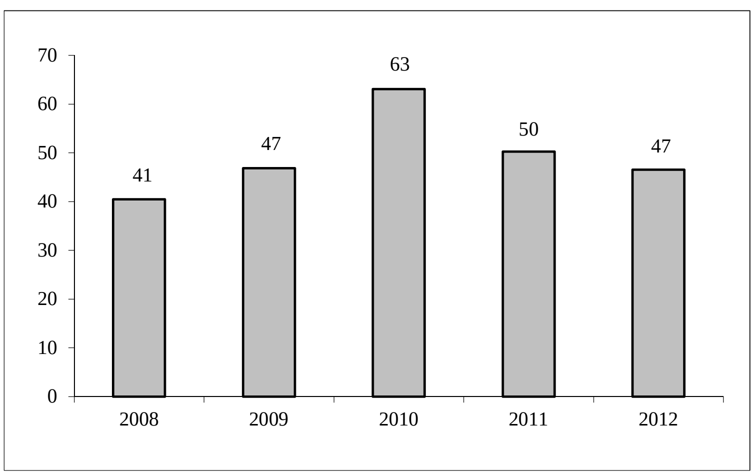
Appendix G - Key Hospital Operating Factors
The University of Texas Health Science Center at Tyler

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.

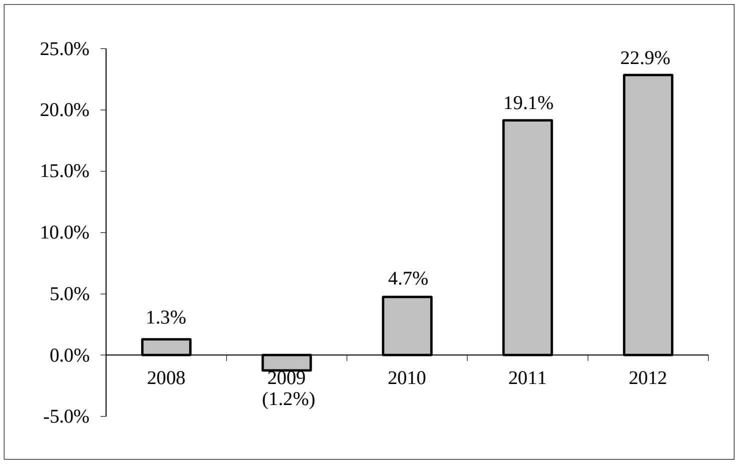
Net Accounts Receivable (in days)



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.

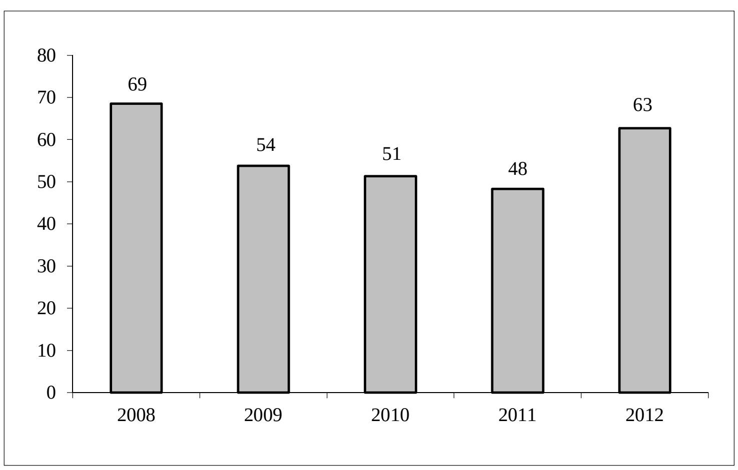
Appendix G - Key MSRDP & NPHC Operating Factors
The University of Texas Health Science Center at Tyler

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

	Net Asset Value 11/30/2012 (in Millions)	Periods Ended November 30, 2012 (Returns for Periods Longer Than One Year are Annualized)							
		Short Term		Year to Date		Historic Returns			
ENDOWMENT FUNDS		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs
Permanent University Fund	$ 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

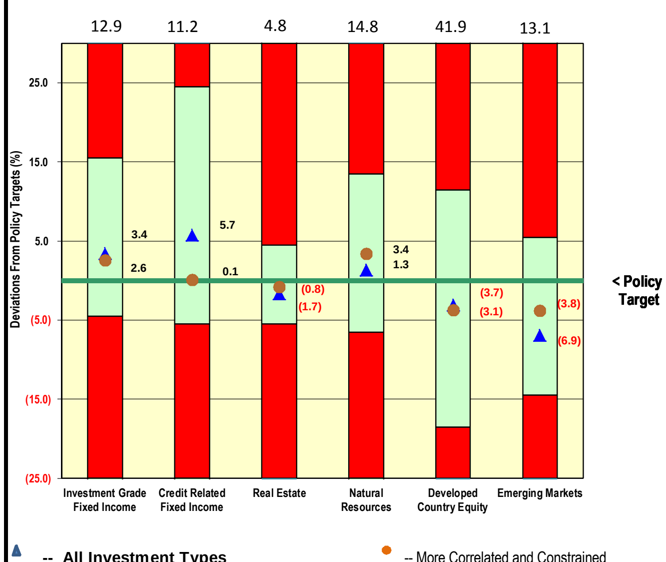
Prepared in accordance with *Texas Education Code* Sec. 51.0032

Summary of Capital Flows

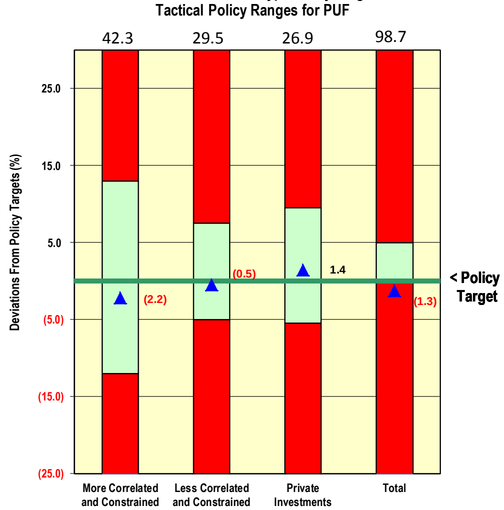
($ millions)	Fiscal Year Ended August 31, 2012	Quarter Ended November 30, 2012	Fiscal Year to Date August 31, 2013
Beginning Net Assets	$ 12,688	$ 13,470	$ 13,470
PUF Lands Receipts	955	202	202
Investment Return (Net of Expenses)	403	345	345
Distributions to AUF	(576)	(330)	(330)
Ending Net Assets	$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

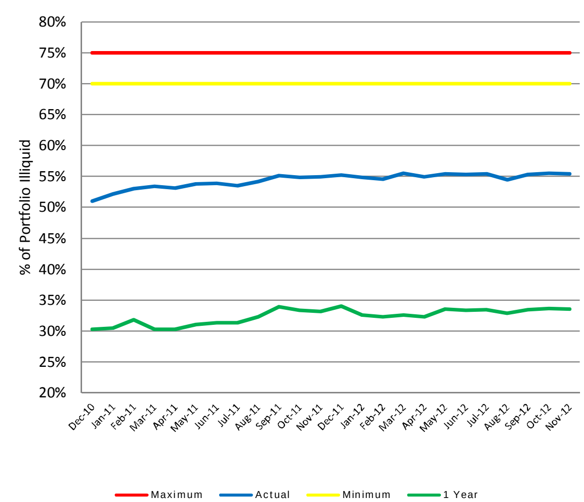
Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for PUF



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



Permanent University Fund
Actual Illiquidity vs. Trigger Zones



II. GENERAL ENDOWMENT FUND

Investment Reports for Periods Ended November 30, 2012

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

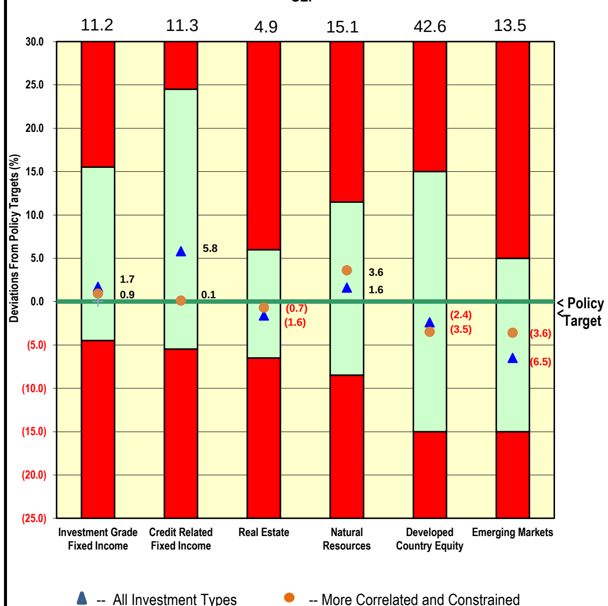
Summary of Capital Flows

($ 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

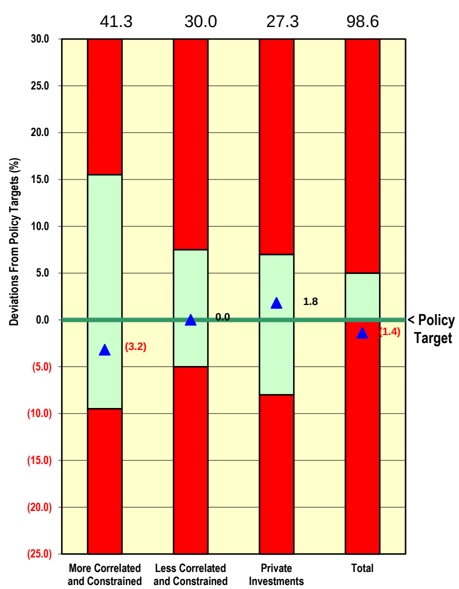
Fiscal Year to Date

	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%**

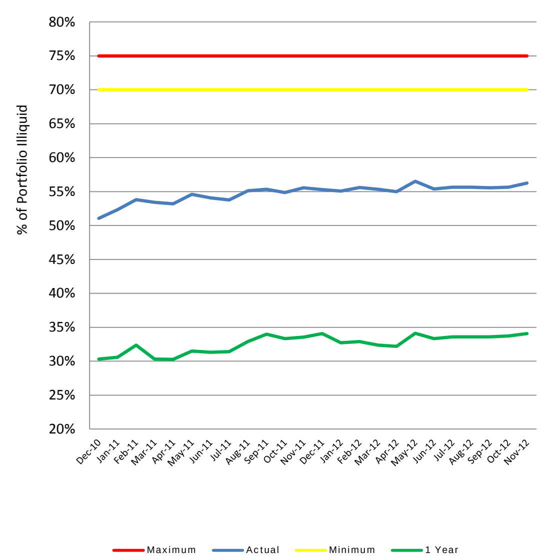
Deviations From Asset Class Policy Targets Within Tactical Policy Ranges for GEF



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



General Endowment Fund
Actual Illiquidity vs. Trigger Zones



III. INTERMEDIATE TERM FUND

Investment Reports for Periods Ended November 30, 2012

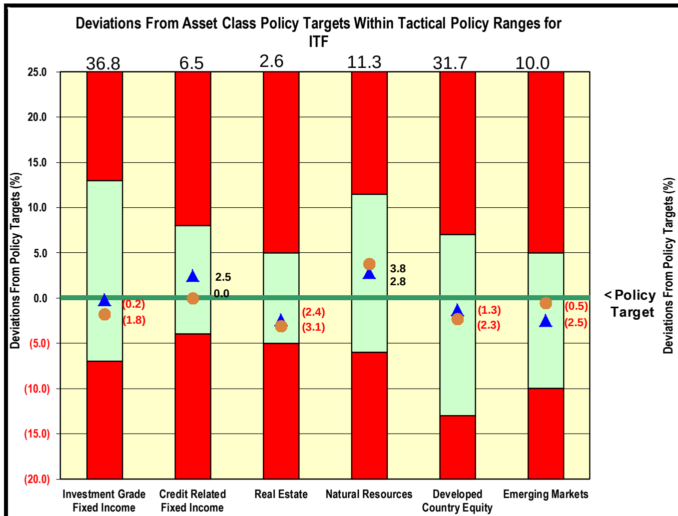
Prepared in accordance with *Texas Education Code* Sec. 51.0032

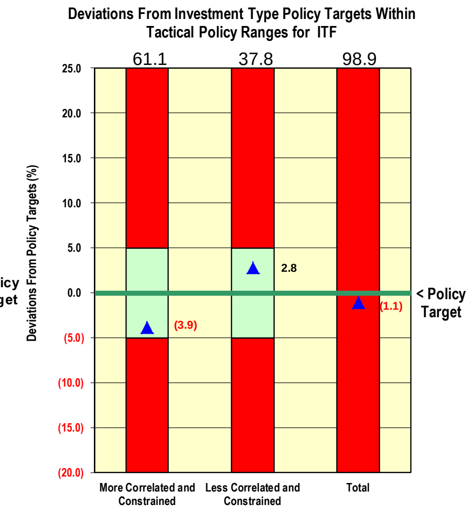
Summary of Capital Flows

($ 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

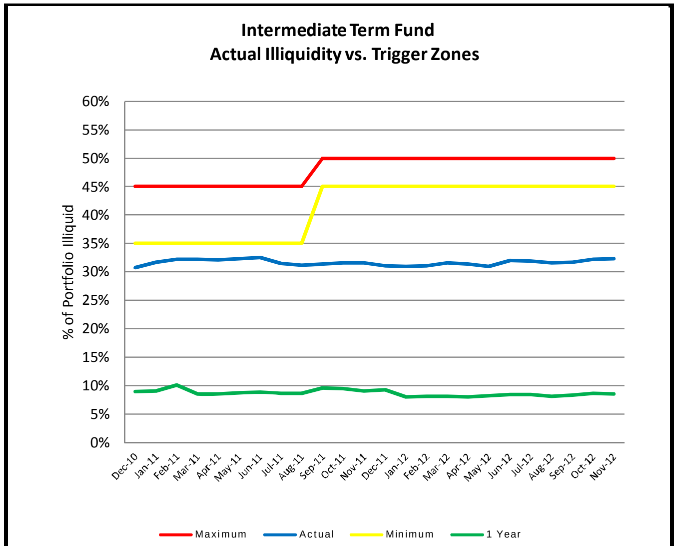
Fiscal Year to Date

	Returns: Portfolio	Returns: Policy Benchmark	Value Added: From Asset Allocation	Value Added: From Security Selection	Value Added: 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%**





▲ -- All Investment Types ● -- More Correlated and Constrained



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		CURRENT PURPOSE 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.

5. <u>U. T. System: Report on Cost Efficiencies and Savings</u>

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.

<u>REPORT</u>

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

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**

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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.