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Committee Meeting: 8/10/2005

Board Meeting: 8/11/2005
U. T. Medical Branch - Galveston

*Robert B. Rowling, Chairman**
John W. Barnhill, Jr.
H. Scott Caven, Jr.
Woody L. Hunt
Cyndi Taylor Krier

	Committee Meeting	Board Meeting	Page
Convene	3:45 p.m. <i>Chairman Rowling</i>		
1. U. T. System: Approval of Docket No. 123	Not on Agenda	Action	32
2. U. T. System: Presentation of Monthly Financial Report	3:45 p.m. Report <i>Mr. Wallace</i>	Not on Agenda	32
3. U. T. System: Approval of transfer of funds between Legislative Appropriation items during the biennium beginning September 1, 2005	3:50 p.m. Action <i>Mr. Wallace</i>	Action	33
4. U. T. System: Approval to exceed the full-time equivalent limitation on employees paid from appropriated funds	3:52 p.m. Action <i>Mr. Wallace</i>	Action	34
5. U. T. System: Approval of Optional Retirement Program employer contribution rates for Fiscal Year 2006	3:55 p.m. Action <i>Mr. Wallace</i>	Action	35
6. U. T. System Board of Regents: Report on Investments for quarter ended May 31, 2005, Liquidity Profile, and Performance Report by Ennis Knupp + Associates	4:05 p.m. Report <i>Mr. Boldt</i>	Report	37
7. U. T. System: Approval of aggregate amount of equipment financing for Fiscal Year 2006 and resolution regarding parity debt	4:10 p.m. Action <i>Mr. Aldridge</i>	Action	38

* Pending approval of Item B on Page 1.

	Committee Meeting	Board Meeting	Page
8. U. T. System: Permanent University Fund quarterly update	<i>4:13 p.m.</i> Report <i>Mr. Aldridge</i>	Not on Agenda	40
9. U. T. System Board of Regents: Adoption of a Resolution authorizing the issuance, sale, and delivery of Permanent University Fund Bonds not to exceed \$300,000,000 and authorization to complete all related transactions	<i>4:20 p.m.</i> Action <i>Mr. Aldridge</i>	Action	41
10. U. T. System Board of Regents: Adoption of Fifteenth Supplemental Resolution authorizing Revenue Financing System Bonds in an amount not to exceed \$600,000,000; authorization to complete all related transactions; and resolution regarding parity debt	<i>4:25 p.m.</i> Action <i>Mr. Aldridge</i>	Action	42
Adjourn	<i>4:30 p.m.</i>		

1. **U. T. System: Approval of Docket No. 123**

RECOMMENDATION

It is recommended that *Docket No. 123*, printed on green paper at the back of the Agenda Book beginning on Page Docket - 1, be approved.

It is also recommended that the Board confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to appropriate officials of the respective institution involved.

2. **U. T. System: Presentation of Monthly Financial Report**

REPORT

Mr. Randy Wallace, Associate Vice Chancellor - Controller and Chief Budget Officer, will present the June Monthly Financial Report (MFR), representing the operating results of the U. T. System institutions, as follows on Pages 32.1 - 32.26.

The MFR, prepared since 1990 to track the financial results of the institutions, 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.



Monthly Financial Report

(Unaudited)

System Office:

*The University of Texas
System Administration*

Academic Institutions:

*The University of Texas
at Arlington*

*The University of Texas
at Austin*

*The University of Texas
at Brownsville*

*The University of Texas
at Dallas*

*The University of Texas
at El Paso*

*The University of Texas –
Pan American*

*The University of Texas
of the Permian Basin*

*The University of Texas
at San Antonio*

*The University of Texas
at Tyler*

Health Institutions:

*The University of Texas
Southwestern Medical Center
at Dallas*

*The University of Texas
Medical Branch at Galveston*

*The University of Texas Health
Science Center at Houston*

*The University of Texas Health
Science Center at San Antonio*

*The University of Texas
M.D. Anderson Cancer Center*

*The University of Texas Health
Center at Tyler*

June 2005

THE UNIVERSITY OF TEXAS SYSTEM
MONTHLY FINANCIAL REPORT
(Unaudited)
FOR THE TEN MONTHS ENDING
JUNE 30, 2005

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**The University of Texas System
Monthly Financial Report**

Foreword

The Monthly Financial Report (MFR) for 2005 compares the results of operations between the current year-to-date cumulative amounts and the prior year-to-date cumulative amounts. Explanations are provided for institutions having the largest variances in Adjusted Income (Loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. In addition, although no significant variance may exist, institutions with losses may be discussed.

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

UNAUDITED
The University of Texas System
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	June Year-to-Date <u>FY 2005</u>	June Year-to-Date <u>FY 2004</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Student Tuition and Fees	\$847,312,645	\$744,039,571	\$103,273,074	13.9%
Sponsored Programs	1,698,624,369	1,589,423,151	109,201,218	6.9%
Net Sales and Services of Educational Activities	160,503,869	124,530,484	35,973,385	28.9%
Net Sales and Services of Hospitals	1,843,248,729	1,528,971,158	314,277,571	20.6%
Net Professional Fees	652,401,026	593,540,399	58,860,627	9.9%
Net Auxiliary Enterprises	250,936,508	218,969,062	31,967,446	14.6%
Other Operating Revenues	150,168,267	135,158,672	15,009,595	11.1%
Total Operating Revenues	<u>5,603,195,413</u>	<u>4,934,632,497</u>	<u>668,562,916</u>	<u>13.5%</u>
Operating Expenses				
Salaries and Wages	3,518,607,589	3,235,685,116	282,922,473	8.7%
Payroll Related Costs	862,620,015	780,626,400	81,993,615	10.5%
Professional Fees and Contracted Services	205,831,027	183,919,157	21,911,870	11.9%
Other Contracted Services	251,128,601	231,696,829	19,431,772	8.4%
Scholarships and Fellowships	412,235,482	357,179,006	55,056,476	15.4%
Travel	78,324,356	67,785,832	10,538,524	15.5%
Materials and Supplies	776,226,092	666,581,389	109,644,703	16.4%
Utilities	154,229,343	134,773,967	19,455,376	14.4%
Telecommunications	53,408,175	51,313,771	2,094,404	4.1%
Repairs and Maintenance	106,888,734	95,917,680	10,971,054	11.4%
Rentals and Leases	73,267,558	66,052,664	7,214,894	10.9%
Printing and Reproduction	25,639,028	25,804,230	(165,202)	-0.6%
Bad Debt Expense	13,038	27,658	(14,620)	-52.9%
Claims and Losses	3,907,337	5,375,496	(1,468,159)	-27.3%
Federal Sponsored Programs Pass-Throughs	21,713,250	14,688,016	7,025,234	47.8%
Depreciation and Amortization	352,369,464	294,907,142	57,462,322	19.5%
Other Operating Expenses	341,575,846	306,263,802	35,312,044	11.5%
Total Operating Expenses	<u>7,237,984,935</u>	<u>6,518,598,155</u>	<u>719,386,780</u>	<u>11.0%</u>
Operating Loss	<u>(1,634,789,522)</u>	<u>(1,583,965,658)</u>	<u>(50,823,864)</u>	<u>-3.2%</u>
Other Nonoperating Adjustments				
State Appropriations	1,365,434,933	1,339,605,094	25,829,839	1.9%
Gift Contributions for Operations	208,590,675	156,564,334	52,026,341	33.2%
Net Investment Income	365,216,898	269,668,252	95,548,646	35.4%
Long Term Fund Distribution	142,628,185	135,029,463	7,598,722	5.6%
Interest Expense on Capital Asset Financings	(115,768,307)	(78,002,893)	(37,765,414)	-48.4%
Net Other Nonoperating Adjustments	<u>1,966,102,384</u>	<u>1,822,864,250</u>	<u>143,238,134</u>	<u>7.9%</u>
Adjusted Income (Loss)	331,312,862	238,898,592	92,414,270	38.7%
Adjusted Margin (as a percentage)	4.3%	3.5%		
Available University Fund Transfer	0	0	0	0.0%
Investment Gains (Losses)	1,503,219,691	1,497,703,520	5,516,171	0.4%
Adj. Inc. (Loss) with Investment Gains (Losses)	\$1,834,532,553	\$1,736,602,112	\$97,930,441	5.6%
Adj. Margin % with Investment Gains (Losses)	20.0%	20.8%		

The University of Texas System
Comparison of Year-to-Date FY 2005 Adjusted Income (Loss)
to Year-to-Date FY 2004 Adjusted Income (Loss)
For the Ten Months Ending June 30, 2005

	Year-to-Date FY2005 Adjusted Income (Loss)	Year-to-Date FY2004 Adjusted Income (Loss)	Variance	Fluctuation Percentage	
UT System Administration	\$ 198,365,124	\$ 117,418,634	\$ 80,946,490	68.9%	(1)
UT Arlington	11,481,979	20,468,688	(8,986,709)	-43.9%	(2)
UT Austin	96,096,646	90,608,862	5,487,784	6.1%	
UT Brownsville	7,285,147	3,372,242	3,912,905	116.0%	(3)
UT Dallas	1,904,426	(1,471,951)	3,376,377	229.4%	(4)
UT El Paso	3,844,626	3,755,834	88,792	2.4%	
UT Pan American	1,503,880	4,934,358	(3,430,478)	-69.5%	(5)
UT Permian Basin	(2,235,662) (6)	(2,477,070)	241,408	9.7%	
UT San Antonio	23,350,470	17,223,838	6,126,632	35.6%	
UT Tyler	(1,555,590)	339,633	(1,895,223)	-558.0%	(7)
UT Southwestern Medical Center - Dallas	28,329,613	18,181,275	10,148,338	55.8%	(8)
UT Medical Branch - Galveston	(22,529,209)	(15,588,034)	(6,941,175)	-44.5%	(9)
UT Health Science Center - Houston	10,658,007	13,415,353	(2,757,346)	-20.6%	
UT Health Science Center - San Antonio	1,402,104	11,499,808	(10,097,704)	-87.8%	(10)
UT M. D. Anderson Cancer Center	64,357,608	44,193,981	20,163,627	45.6%	
UT Health Center - Tyler	(2,333,807) (11)	4,156,474	(6,490,281)	-156.1%	
Elimination of AUF Transfer	(88,612,500)	(91,133,333)	2,520,833	2.8%	
Total Adjusted Income (Loss)	<u>331,312,862</u>	<u>238,898,592</u>	<u>92,414,270</u>	<u>38.7%</u>	
Investment Gains (Losses)	1,503,219,691	1,497,703,520	5,516,171	0.4%	(12)
Total Adjusted Income (Loss) with Investment Gains (Losses)	<u>\$ 1,834,532,553</u>	<u>\$ 1,736,602,112</u>	<u>\$ 97,930,441</u>	<u>5.6%</u>	

THE UNIVERSITY OF TEXAS SYSTEM
EXPLANATION OF VARIANCES ON THE MONTHLY FINANCIAL REPORT
For the Ten Months Ending June 30, 2005

Explanations are provided for institutions having the largest variances in adjusted income (loss) year-to-date as compared to the prior year, both in terms of dollars and percentages. Explanations are also provided for institutions with a current year-to-date adjusted loss.

- (1) UT System Administration – The \$80.9 million (68.9%) increase in adjusted income over the same period last year was primarily due to an increase in net investment income, including two mineral rights lease sales. Due to the elevated price of oil, the lease sales netted a higher than normal sale bonus of \$57.7 million, an increase of \$19.8 million over 2004.
 - (2) UT Arlington – The \$9 million (43.9%) decrease in adjusted income over the same period last year was primarily due to increased salaries and wages expense. The addition of 50 faculty positions, as well as a 3% merit increase contributed to the increase.
 - (3) UT Brownsville – The \$3.9 million (116%) increase in adjusted income over the same period last year was primarily due to increases in the Texas Southmost College contract and state appropriations. The contract increased by \$6.6 million in 2005 for a total contract price of \$23.5 million. State appropriations increased due to additional state paid staff benefits.
 - (4) UT Dallas – The \$3.4 million (229.4%) increase in adjusted income over the same period last year was primarily due to increased appropriations of \$3.3 million for the University Research Fund. The appropriation was eliminated in 2004, but was restored for 2005.
 - (5) UT Pan American – The \$3.4 million (69.5%) decrease in adjusted income over the same period last year was primarily due to increased salaries and wages expenses. In order to accommodate increasing enrollment, new faculty and staff positions were added. A 3% merit increase also contributed to the higher expenses.
 - (6) UT Permian Basin – The \$2.2 million year-to-date net loss was primarily due to additional faculty hired to accommodate increased student enrollment. This loss represents 7% of expenses to date. UT Permian Basin is anticipating ending the year with a \$2.5 million negative margin.
 - (7) UT Tyler – The \$1.9 million (558%) decline over the same period last year was primarily due to increased salaries and wages as well as increases in depreciation expense and interest expense related to three new capital projects. As a result of these factors, UT Tyler has a net loss of \$1.6 million. This loss represents 3% of expenses to date. UT Tyler planned to draw upon prior year net assets to transform from a two-year upper level commuter campus to a full four-year comprehensive university. Expansion is essential in all areas, including additional faculty, leasing of temporary classrooms, construction of new facilities, expanded student services and creation of athletic programs and facilities. UT Tyler is anticipating ending the year with a \$2.1 million negative margin.
 - (8) UT Southwestern Medical Center – Dallas – The \$10.1 million (55.8%) increase in adjusted income over the same period last year was primarily due to gift contributions for operations offset slightly with increased interest expense relating to new capital projects. Gifts increased \$13.2 million which includes a \$5 million cash gift for the Simmons Cancer Support Fund.
 - (9) UT Medical Branch – Galveston – The \$6.9 million (44.5%) increase in adjusted loss was primarily due to a decline in hospitals and clinics slightly offset by a \$7.1 million increase in Correctional Managed Health Care (CMHC) operations. UTMB Galveston has experienced a \$16 million decline in adjusted income in hospitals and clinics between years. UTMB Galveston received a reduction in Medicaid reimbursement rates in 2005 and nominal payment increases from Medicare, commercial and other payors. Additionally, UTMB Galveston has been facing severe inflationary pressures on nursing and other patient care provider salaries due to national shortages of these positions. Patient care supplies and other hospital expenses are also increasing.
- The decline in hospitals and clinics is offset by a \$7.1 million increase in CMHC. UTMB Galveston has experienced multiple years of CMHC funding decreases despite increasing inmate populations, aging of the inmate population, increased incidences of inmate chronic diseases and other inflationary expense factors. The legislature recently approved the university's request in emergency appropriations to cover 2005 losses. UTMB Galveston recognized \$27.2 million of revenue related to this request in June. The remaining \$3 million will be recognized in July and August financials.
- UTMB Galveston's net loss of \$22.5 million represents 1.9% of expenses to date. UTMB Galveston's management is projecting a negative margin of \$30.3 million. This projected loss

also includes \$49.5 million in noncash depreciation expense. Additionally, the projected loss does not include nonoperating revenue for capital gifts from the Sealy and Smith Foundation of \$20.7 million. *UTMB Galveston* is the sole beneficiary of the Sealy and Smith Foundation, and these gifts are integral to *UTMB Galveston's* financial success.

- (10) *UT Health Science Center – San Antonio* – The \$10.1 million (87.8%) decrease in adjusted income over the same period last year was primarily due to increased expenses associated with the South Texas programs which include the South Texas Border Initiative, the Regional Academic Health Center and the Laredo Campus. Approximately \$3.4 million of the funding received from the state in 2004 for these programs was not expended. *UTHSC-San Antonio* is expending these funds in the current year with no corresponding revenue, as the related revenue was recognized in the prior year. Additionally, interest expense and utility costs increased due to three new buildings placed into service in 2005.
- (11) *UT Health Center – Tyler* – The \$2.3 million year-to-date net loss was primarily due to decreased net sales and services of hospitals of \$5.1 million and decreased net professional fees of \$2.5 million. Both of these reductions are a result of decreases in admissions (14%), inpatient days (21%) and inpatient surgeries (22%). These decreases are region-wide and are not isolated to *UTHC – Tyler*. This loss represents 2.2% of expenses to date. *UTHC – Tyler* anticipates ending the year with a \$1 million negative margin.
- (12) *Investment Gains (Losses)* – The \$5.5 million (0.4%) improvement in investment gains over the same period last year was due to improved financial market conditions. The majority of the year-to-date gains relate to the Permanent University Fund (PUF) for \$978.6 million, the Long Term Fund (LTF) for \$422.3 million and the Permanent Health Fund (PHF) for \$99.8 million.

GLOSSARY OF TERMS

OPERATING REVENUES:

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

SPONSORED PROGRAMS – Funding received from local, state and federal governments or private agencies, organizations or individuals. 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 non profit healthcare company revenues, donated drugs, interest on student loans, etc.)

OPERATING EXPENSES:

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

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

PROFESSIONAL FEES AND CONTRACTED SERVICES – Payments for services rendered on a fee, contract, or other basis by a person, firm, corporation, or company recognized as possessing a high degree of learning and responsibility. Includes such items as services of a consultant, legal counsel, financial or audit fees, medical contracted services, guest lecturers (not employees) and expert witnesses.

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

SCHOLARSHIPS AND FELLOWSHIPS – Payments made for scholarship grants to students authorized by law.

TRAVEL – Payments for travel costs incurred during travel by employees, board or commission members and elected/appointed officials on state business.

MATERIALS AND SUPPLIES – Payments for consumable items. Includes, but is 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, thermal energy and waste disposal.

TELECOMMUNICATIONS - Electronically transmitted communications services (telephone, internet, computation center services, etc.).

REPAIRS AND MAINTENANCE – Payments for the maintenance and repair of equipment, furnishings, motor vehicles, buildings and other plant facilities. Includes, but is 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 and judgments are considered nonoperating expenses.

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

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

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

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

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

OTHER NONOPERATING ADJUSTMENTS:

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

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

NET INVESTMENT INCOME (on institutions' sheets) – Interest and dividend income on treasury balances, bank accounts, The Short Term Fund, the Short Intermediate 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, Short Intermediate Term Fund, Long Term Fund and Permanent Health Fund less Long Term Fund transfers so as not to overstate investment income. This line item also includes the Available University Fund surface income, oil and gas royalties, and mineral lease bonus sales.

LONG TERM FUND DISTRIBUTION – At the institutional level, includes Long Term Fund fixed payouts approved by the Board of Regents. Investment income for System Administration and the consolidated sheet has been reduced for the amount of any Long Term Fund distribution so as not to overstate investment income system-wide.

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) – Total operating revenues less total operating expenses plus net other nonoperating adjustments.

ADJUSTED MARGIN (as a percentage) – Percentage of Adjusted Income (Loss) 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.

UNAUDITED
The University of Texas System Administration
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	<u>June</u> <u>Year-to-Date</u> <u>FY 2005</u>	<u>June</u> <u>Year-to-Date</u> <u>FY 2004</u>	<u>Variance</u>	<u>Fluctuation</u> <u>Percentage</u>
Operating Revenues				
Sponsored Programs	\$8,117,629	\$7,054,632	\$1,062,997	15.1%
Net Sales and Services of Educational Activities	12,901,961	6,983,524	5,918,437	84.7%
Other Operating Revenues	9,972,226	5,637,988	4,334,238	76.9%
Total Operating Revenues	<u>30,991,816</u>	<u>19,676,144</u>	<u>11,315,672</u>	<u>57.5%</u>
Operating Expenses				
Salaries and Wages	19,221,669	17,972,530	1,249,139	7.0%
Employee Benefits and Related Costs	4,253,812	4,033,764	220,048	5.5%
Professional Fees and Contracted Services	1,518,128	4,572,140	(3,054,012)	-66.8%
Other Contracted Services	5,340,745	5,172,734	168,011	3.2%
Scholarships and Fellowships	102,000	63,000	39,000	61.9%
Travel	1,151,654	813,601	338,053	41.6%
Materials and Supplies	2,804,964	2,909,292	(104,328)	-3.6%
Utilities	20,374	21,991	(1,617)	-7.4%
Telecommunications	1,242,766	1,884,413	(641,647)	-34.1%
Repairs and Maintenance	835,042	693,370	141,672	20.4%
Rentals and Leases	876,085	379,864	496,221	130.6%
Printing and Reproduction	152,370	132,697	19,673	14.8%
Claims and Losses	3,907,337	5,375,496	(1,468,159)	-27.3%
Depreciation and Amortization	1,339,489	1,250,291	89,198	7.1%
Other Operating Expenses	2,185,983	5,555,326	(3,369,343)	-60.7%
Total Operating Expenses	<u>44,952,418</u>	<u>50,830,509</u>	<u>(5,878,091)</u>	<u>-11.6%</u>
Operating Loss	<u>(13,960,602)</u>	<u>(31,154,365)</u>	<u>17,193,763</u>	<u>55.2%</u>
Other Nonoperating Adjustments				
State Appropriations	832,484	832,488	(4)	0.0%
Gift Contributions for Operations	367,373	466,065	(98,692)	-21.2%
Net Investment Income	210,006,107	141,262,457	68,743,650	48.7%
Long Term Fund Distribution	6,099,108	7,280,758	(1,181,650)	-16.2%
Interest Expense on Capital Asset Financings	(28,095,529)	(24,532,701)	(3,562,828)	-14.5%
Net Other Nonoperating Adjustments	<u>189,209,543</u>	<u>125,309,067</u>	<u>63,900,476</u>	<u>51.0%</u>
Adjusted Income (Loss)	175,248,941	94,154,702	81,094,239	86.1%
Adjusted Margin (as a percentage)	70.6%	55.5%		
Available University Fund Transfer	23,116,183	23,263,932	(147,749)	-0.6%
Adjusted Income (Loss) with AUF Transfer	198,365,124	117,418,634	80,946,490	68.9%
Adjusted Margin % with AUF Transfer	73.1%	60.9%		
Investment Gains (Losses)	1,501,939,625	1,479,791,327	22,148,298	1.5%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	\$1,700,304,749	\$1,597,209,961	\$103,094,788	6.5%
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	97.1%	96.8%		

UNAUDITED
The University of Texas at Arlington
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	June Year-to-Date <u>FY 2005</u>	June Year-to-Date <u>FY 2004</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Student Tuition and Fees	\$101,487,079	\$96,949,178	\$4,537,901	4.7%
Sponsored Programs	40,938,061	35,826,715	5,111,346	14.3%
Net Sales and Services of Educational Activities	5,805,022	4,622,583	1,182,439	25.6%
Net Auxiliary Enterprises	16,791,497	15,494,937	1,296,560	8.4%
Other Operating Revenues	5,359,724	3,560,937	1,798,787	50.5%
Total Operating Revenues	<u>170,381,383</u>	<u>156,454,350</u>	<u>13,927,033</u>	<u>8.9%</u>
Operating Expenses				
Salaries and Wages	119,568,024	110,766,957	8,801,067	7.9%
Employee Benefits and Related Costs	26,434,057	24,541,640	1,892,417	7.7%
Professional Fees and Contracted Services	3,462,635	1,865,999	1,596,636	85.6%
Other Contracted Services	5,860,542	4,361,678	1,498,864	34.4%
Scholarships and Fellowships	33,353,262	27,051,937	6,301,325	23.3%
Travel	3,222,173	2,660,857	561,316	21.1%
Materials and Supplies	13,387,050	13,518,167	(131,117)	-1.0%
Utilities	7,575,154	6,269,292	1,305,862	20.8%
Telecommunications	2,337,043	1,923,023	414,020	21.5%
Repairs and Maintenance	6,251,084	5,618,762	632,322	11.3%
Rentals and Leases	2,037,951	1,529,605	508,346	33.2%
Printing and Reproduction	1,657,936	1,886,534	(228,598)	-12.1%
Federal Sponsored Programs Pass-Thrus	228,697	0	228,697	100.0%
Depreciation and Amortization	10,870,590	10,125,514	745,076	7.4%
Other Operating Expenses	6,219,076	4,569,044	1,650,032	36.1%
Total Operating Expenses	<u>242,465,274</u>	<u>216,689,009</u>	<u>25,776,265</u>	<u>11.9%</u>
Operating Loss	<u>(72,083,891)</u>	<u>(60,234,659)</u>	<u>(11,849,232)</u>	<u>-19.7%</u>
Other Nonoperating Adjustments				
State Appropriations	83,694,050	80,638,860	3,055,190	3.8%
Gift Contributions for Operations	2,238,216	1,552,860	685,356	44.1%
Net Investment Income	2,008,411	1,133,364	875,047	77.2%
Long Term Fund Distribution	1,753,121	1,530,373	222,748	14.6%
Interest Expense on Capital Asset Financings	(6,127,928)	(4,152,110)	(1,975,818)	-47.6%
Net Other Nonoperating Adjustments	<u>83,565,870</u>	<u>80,703,347</u>	<u>2,862,523</u>	<u>3.5%</u>
Adjusted Income (Loss)	11,481,979	20,468,688	(8,986,709)	-43.9%
Adjusted Margin (as a percentage)	4.4%	8.5%		
Investment Gains (Losses)	(5,872)	(88,295)	82,423	93.3%
Adjusted Income (Loss) with Investment Gains (Losses)	\$11,476,107	\$20,380,393	(\$8,904,286)	-43.7%
Adjusted Margin % with Investment Gains (Losses)	4.4%	8.4%		

UNAUDITED
The University of Texas at Austin
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	<u>June</u> <u>Year-to-Date</u> <u>FY 2005</u>	<u>June</u> <u>Year-to-Date</u> <u>FY 2004</u>	<u>Variance</u>	<u>Fluctuation</u> <u>Percentage</u>
Operating Revenues				
Student Tuition and Fees	\$354,576,035	\$320,087,753	\$34,488,282	10.8%
Sponsored Programs	329,462,820	307,007,659	22,455,161	7.3%
Net Sales and Services of Educational Activities	86,241,218	65,772,368	20,468,850	31.1%
Net Auxiliary Enterprises	131,591,611	128,772,753	2,818,858	2.2%
Other Operating Revenues	8,175,014	3,912,700	4,262,314	108.9%
Total Operating Revenues	910,046,698	825,553,233	84,493,465	10.2%
Operating Expenses				
Salaries and Wages	651,298,605	608,261,577	43,037,028	7.1%
Employee Benefits and Related Costs	144,498,638	138,384,466	6,114,172	4.4%
Professional Fees and Contracted Services	15,879,609	18,305,336	(2,425,727)	-13.3%
Other Contracted Services	48,051,210	42,964,794	5,086,416	11.8%
Scholarships and Fellowships	133,678,819	115,498,985	18,179,834	15.7%
Travel	25,506,639	21,915,939	3,590,700	16.4%
Materials and Supplies	78,285,720	70,891,328	7,394,392	10.4%
Utilities	43,909,944	37,618,890	6,291,054	16.7%
Telecommunications	11,097,594	10,511,594	586,000	5.6%
Repairs and Maintenance	17,406,412	16,972,155	434,257	2.6%
Rentals and Leases	10,804,155	10,592,457	211,698	2.0%
Printing and Reproduction	7,057,910	7,472,312	(414,402)	-5.5%
Federal Sponsored Programs Pass-Thrus	4,200,549	1,613,596	2,586,953	160.3%
Depreciation and Amortization	71,105,103	66,202,909	4,902,194	7.4%
Other Operating Expenses	41,462,753	38,964,385	2,498,368	6.4%
Total Operating Expenses	1,304,243,660	1,206,170,723	98,072,937	8.1%
Operating Loss	(394,196,962)	(380,617,490)	(13,579,472)	-3.6%
Other Nonoperating Adjustments				
State Appropriations	259,821,084	259,199,732	621,352	0.2%
Gift Contributions for Operations	67,478,851	53,135,598	14,343,253	27.0%
Net Investment Income	18,698,589	11,216,853	7,481,736	66.7%
Long Term Fund Distribution	73,636,241	70,100,704	3,535,537	5.0%
Interest Expense on Capital Asset Financings	(17,953,657)	(13,559,868)	(4,393,789)	-32.4%
Net Other Nonoperating Adjustments	401,681,108	380,093,019	21,588,089	5.7%
Adjusted Income (Loss)	7,484,146	(524,471)	8,008,617	1,527.0%
Adjusted Margin (as a percentage)	0.6%	-0.0%		
Available University Fund Transfer	88,612,500	91,133,333	(2,520,833)	-2.8%
Adjusted Income (Loss) with AUF Transfer	96,096,646	90,608,862	\$5,487,784	6.1%
Adjusted Margin % with AUF Transfer	6.8%	6.9%		
Investment Gains (Losses)	(69,370)	(224,297)	154,927	69.1%
Adj. Inc. (Loss) with AUF Transfer & Invest. Gains (Losses)	\$96,027,276	\$90,384,565	\$5,642,711	6.2%
Adj. Margin % with AUF Transfer & Invest. Gains (Losses)	7.2%	7.4%		

UNAUDITED
The University of Texas at Brownsville
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	June Year-to-Date FY 2005	June Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$8,014,214	\$5,622,366	\$2,391,848	42.5%
Sponsored Programs	87,818,735	76,103,508	11,715,227	15.4%
Net Sales and Services of Educational Activities	1,029,875	1,682,052	(652,177)	-38.8%
Net Auxiliary Enterprises	808,504	685,437	123,067	18.0%
Other Operating Revenues	19,123	8,616	10,507	121.9%
Total Operating Revenues	97,690,451	84,101,979	13,588,472	16.2%
Operating Expenses				
Salaries and Wages	37,056,313	35,184,076	1,872,237	5.3%
Employee Benefits and Related Costs	8,854,200	7,938,417	915,783	11.5%
Professional Fees and Contracted Services	1,410,975	1,369,830	41,145	3.0%
Scholarships and Fellowships	44,677,942	37,965,569	6,712,373	17.7%
Travel	718,070	565,853	152,217	26.9%
Materials and Supplies	3,172,301	2,537,548	634,753	25.0%
Utilities	2,052,411	1,820,552	231,859	12.7%
Telecommunications	973,017	882,606	90,411	10.2%
Repairs and Maintenance	644,606	505,050	139,556	27.6%
Rentals and Leases	1,757,263	1,621,429	135,834	8.4%
Printing and Reproduction	275,838	308,754	(32,916)	-10.7%
Bad Debt Expense	11,844	10,224	1,620	15.8%
Federal Sponsored Programs Pass-Thrus	45,215	0	45,215	100.0%
Depreciation and Amortization	2,375,857	2,403,921	(28,064)	-1.2%
Other Operating Expenses	7,707,670	6,214,217	1,493,453	24.0%
Total Operating Expenses	111,733,522	99,328,046	12,405,476	12.5%
Operating Loss	(14,043,071)	(15,226,067)	1,182,996	7.8%
Other Nonoperating Adjustments				
State Appropriations	21,888,425	19,640,758	2,247,667	11.4%
Gift Contributions for Operations	223,950	284,024	(60,074)	-21.2%
Net Investment Income	620,090	259,644	360,446	138.8%
Long Term Fund Distribution	169,482	182,661	(13,179)	-7.2%
Interest Expense on Capital Asset Financings	(1,573,729)	(1,768,778)	195,049	11.0%
Net Other Nonoperating Adjustments	21,328,218	18,598,309	2,729,909	14.7%
Adjusted Income (Loss)	7,285,147	3,372,242	3,912,905	116.0%
Adjusted Margin (as a percentage)	6.0%	3.2%		
Investment Gains (Losses)	26,347	106,008	(79,661)	-75.1%
Adjusted Income (Loss) with Investment Gains (Losses)	\$7,311,494	\$3,478,250	\$3,833,244	110.2%
Adjusted Margin % with Investment Gains (Losses)	6.1%	3.3%		

UNAUDITED
The University of Texas at Dallas
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	June Year-to-Date <u>FY 2005</u>	June Year-to-Date <u>FY 2004</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Student Tuition and Fees	\$81,332,692	\$70,612,915	\$10,719,777	15.2%
Sponsored Programs	33,444,143	24,596,520	8,847,623	36.0%
Net Sales and Services of Educational Activities	4,851,636	3,882,481	969,155	25.0%
Net Auxiliary Enterprises	5,025,774	4,154,491	871,283	21.0%
Other Operating Revenues	3,494,738	3,085,107	409,631	13.3%
Total Operating Revenues	<u>128,148,983</u>	<u>106,331,514</u>	<u>21,817,469</u>	<u>20.5%</u>
Operating Expenses				
Salaries and Wages	92,454,691	84,870,517	7,584,174	8.9%
Employee Benefits and Related Costs	18,421,539	16,642,038	1,779,501	10.7%
Professional Fees and Contracted Services	3,286,378	1,768,381	1,517,997	85.8%
Other Contracted Services	5,867,205	4,221,365	1,645,840	39.0%
Scholarships and Fellowships	32,144,466	27,356,616	4,787,850	17.5%
Travel	2,324,033	2,215,068	108,965	4.9%
Materials and Supplies	10,044,342	9,373,897	670,445	7.2%
Utilities	4,543,804	4,810,879	(267,075)	-5.6%
Telecommunications	1,261,481	1,149,393	112,088	9.8%
Repairs and Maintenance	4,320,375	2,834,964	1,485,411	52.4%
Rentals and Leases	561,814	538,871	22,943	4.3%
Printing and Reproduction	1,042,266	806,677	235,589	29.2%
Federal Sponsored Programs Pass-Thrus	681,941	183,789	498,152	271.0%
Depreciation and Amortization	12,198,204	9,359,729	2,838,475	30.3%
Other Operating Expenses	5,104,489	4,091,316	1,013,173	24.8%
Total Operating Expenses	<u>194,257,028</u>	<u>170,223,500</u>	<u>24,033,528</u>	<u>14.1%</u>
Operating Loss	<u>(66,108,045)</u>	<u>(63,891,986)</u>	<u>(2,216,059)</u>	<u>-3.5%</u>
Other Nonoperating Adjustments				
State Appropriations	58,491,750	54,214,659	4,277,091	7.9%
Gift Contributions for Operations	3,972,725	3,939,689	33,036	0.8%
Net Investment Income	2,594,454	1,499,799	1,094,655	73.0%
Long Term Fund Distribution	5,581,222	5,347,678	233,544	4.4%
Interest Expense on Capital Asset Financings	(2,627,680)	(2,581,790)	(45,890)	-1.8%
Net Other Nonoperating Adjustments	<u>68,012,471</u>	<u>62,420,035</u>	<u>5,592,436</u>	<u>9.0%</u>
Adjusted Income (Loss)	1,904,426	(1,471,951)	3,376,377	229.4%
Adjusted Margin (as a percentage)	1.0%	-0.9%		
Investment Gains (Losses)	35,383	(378,422)	413,805	109.4%
Adjusted Income (Loss) with Investment Gains (Losses)	\$1,939,809	(\$1,850,373)	\$3,790,182	204.8%
Adjusted Margin % with Investment Gains (Losses)	1.0%	-1.1%		

UNAUDITED
The University of Texas at El Paso
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	June Year-to-Date <u>FY 2005</u>	June Year-to-Date <u>FY 2004</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Student Tuition and Fees	\$61,036,392	\$51,152,930	\$9,883,462	19.3%
Sponsored Programs	62,658,609	62,546,046	112,563	0.2%
Net Sales and Services of Educational Activities	2,954,710	3,028,265	(73,555)	-2.4%
Net Auxiliary Enterprises	19,522,265	16,020,305	3,501,960	21.9%
Other Operating Revenues	34,264	105,434	(71,170)	-67.5%
Total Operating Revenues	<u>146,206,240</u>	<u>132,852,980</u>	<u>13,353,260</u>	<u>10.1%</u>
Operating Expenses				
Salaries and Wages	92,803,500	85,482,363	7,321,137	8.6%
Employee Benefits and Related Costs	20,618,761	19,068,099	1,550,662	8.1%
Professional Fees and Contracted Services	3,824,899	3,687,807	137,092	3.7%
Other Contracted Services	8,507,940	9,025,288	(517,348)	-5.7%
Scholarships and Fellowships	42,577,997	40,368,549	2,209,448	5.5%
Travel	4,772,990	3,784,612	988,378	26.1%
Materials and Supplies	16,779,991	12,820,067	3,959,924	30.9%
Utilities	5,002,981	4,486,025	516,956	11.5%
Telecommunications	852,488	739,054	113,434	15.3%
Repairs and Maintenance	2,513,670	2,226,154	287,516	12.9%
Rentals and Leases	1,282,537	1,031,708	250,829	24.3%
Printing and Reproduction	921,638	615,244	306,394	49.8%
Federal Sponsored Programs Pass-Thrus	408,001	364,151	43,850	12.0%
Depreciation and Amortization	8,151,202	7,739,168	412,034	5.3%
Other Operating Expenses	3,700,407	4,178,838	(478,431)	-11.4%
Total Operating Expenses	<u>212,719,002</u>	<u>195,617,127</u>	<u>17,101,875</u>	<u>8.7%</u>
Operating Loss	<u>(66,512,762)</u>	<u>(62,764,147)</u>	<u>(3,748,615)</u>	<u>-6.0%</u>
Other Nonoperating Adjustments				
State Appropriations	62,833,892	60,202,455	2,631,437	4.4%
Gift Contributions for Operations	4,522,166	4,218,350	303,816	7.2%
Net Investment Income	2,576,276	1,917,333	658,943	34.4%
Long Term Fund Distribution	3,615,244	3,352,627	262,617	7.8%
Interest Expense on Capital Asset Financings	(3,190,190)	(3,170,784)	(19,406)	-0.6%
Net Other Nonoperating Adjustments	<u>70,357,388</u>	<u>66,519,981</u>	<u>3,837,407</u>	<u>5.8%</u>
Adjusted Income (Loss)	3,844,626	3,755,834	88,792	2.4%
Adjusted Margin (as a percentage)	1.7%	1.9%		
Investment Gains (Losses)	1,909	(117,997)	119,906	101.6%
Adjusted Income (Loss) with Investment Gains (Losses)	\$3,846,535	\$3,637,837	\$208,698	5.7%
Adjusted Margin % with Investment Gains (Losses)	1.8%	1.8%		

UNAUDITED
The University of Texas-Pan American
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	June Year-to-Date <u>FY 2005</u>	June Year-to-Date <u>FY 2004</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Student Tuition and Fees	\$46,640,959	\$40,516,345	\$6,124,614	15.1%
Sponsored Programs	56,516,753	51,549,328	4,967,425	9.6%
Net Sales and Services of Educational Activities	4,086,895	4,460,140	(373,245)	-8.4%
Net Auxiliary Enterprises	6,263,800	6,262,160	1,640	0.0%
Other Operating Revenues	687,878	1,294,778	(606,900)	-46.9%
Total Operating Revenues	<u>114,196,285</u>	<u>104,082,751</u>	<u>10,113,534</u>	<u>9.7%</u>
Operating Expenses				
Salaries and Wages	64,881,437	60,453,031	4,428,406	7.3%
Employee Benefits and Related Costs	15,046,787	13,875,964	1,170,823	8.4%
Professional Fees and Contracted Services	514,177	523,147	(8,970)	-1.7%
Other Contracted Services	3,737,577	3,853,825	(116,248)	-3.0%
Scholarships and Fellowships	50,161,483	42,254,772	7,906,711	18.7%
Travel	2,372,693	2,191,466	181,227	8.3%
Materials and Supplies	9,968,437	8,857,615	1,110,822	12.5%
Utilities	4,494,963	3,931,249	563,714	14.3%
Telecommunications	757,762	675,936	81,826	12.1%
Repairs and Maintenance	1,145,287	983,733	161,554	16.4%
Rentals and Leases	498,710	390,415	108,295	27.7%
Printing and Reproduction	608,199	636,324	(28,125)	-4.4%
Federal Sponsored Programs Pass-Thrus	8,755	60,146	(51,391)	-85.4%
Depreciation and Amortization	5,784,020	6,426,680	(642,660)	-10.0%
Other Operating Expenses	3,745,916	2,674,583	1,071,333	40.1%
Total Operating Expenses	<u>163,726,203</u>	<u>147,788,886</u>	<u>15,937,317</u>	<u>10.8%</u>
Operating Loss	<u>(49,529,918)</u>	<u>(43,706,135)</u>	<u>(5,823,783)</u>	<u>-13.3%</u>
Other Nonoperating Adjustments				
State Appropriations	49,669,039	47,872,367	1,796,672	3.8%
Gift Contributions for Operations	1,300,217	1,195,950	104,267	8.7%
Net Investment Income	1,188,481	1,208,794	(20,313)	-1.7%
Long Term Fund Distribution	869,776	796,362	73,414	9.2%
Interest Expense on Capital Asset Financings	(1,993,715)	(2,432,980)	439,265	18.1%
Net Other Nonoperating Adjustments	<u>51,033,798</u>	<u>48,640,493</u>	<u>2,393,305</u>	<u>4.9%</u>
Adjusted Income (Loss)	1,503,880	4,934,358	(3,430,478)	-69.5%
Adjusted Margin (as a percentage)	0.9%	3.2%		
Investment Gains (Losses)	197,593	57,982	139,611	240.8%
Adjusted Income (Loss) with Investment Gains (Losses)	\$1,701,473	\$4,992,340	(\$3,290,867)	-65.9%
Adjusted Margin % with Investment Gains (Losses)	1.0%	3.2%		

UNAUDITED
The University of Texas of the Permian Basin
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	June Year-to-Date FY 2005	June Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$8,787,327	\$6,623,719	\$2,163,608	32.7%
Sponsored Programs	4,357,724	4,261,589	96,135	2.3%
Net Sales and Services of Educational Activities	220,904	183,208	37,696	20.6%
Net Auxiliary Enterprises	1,206,340	750,948	455,392	60.6%
Other Operating Revenues	195,502	187,917	7,585	4.0%
Total Operating Revenues	14,767,797	12,007,381	2,760,416	23.0%
Operating Expenses				
Salaries and Wages	12,497,119	11,260,526	1,236,593	11.0%
Employee Benefits and Related Costs	2,862,132	2,420,036	442,096	18.3%
Professional Fees and Contracted Services	837,833	718,414	119,419	16.6%
Other Contracted Services	667,871	804,584	(136,713)	-17.0%
Scholarships and Fellowships	5,842,131	5,324,359	517,772	9.7%
Travel	561,357	616,006	(54,649)	-8.9%
Materials and Supplies	1,711,263	1,844,880	(133,617)	-7.2%
Utilities	1,430,742	1,324,794	105,948	8.0%
Telecommunications	357,330	373,435	(16,105)	-4.3%
Repairs and Maintenance	587,400	270,805	316,595	116.9%
Rentals and Leases	226,919	273,196	(46,277)	-16.9%
Printing and Reproduction	213,559	279,637	(66,078)	-23.6%
Depreciation and Amortization	2,046,440	1,822,050	224,390	12.3%
Other Operating Expenses	696,533	696,996	(463)	-0.1%
Total Operating Expenses	30,538,629	28,029,718	2,508,911	9.0%
Operating Loss	(15,770,832)	(16,022,337)	251,505	1.6%
Other Nonoperating Adjustments				
State Appropriations	13,055,470	13,014,610	40,860	0.3%
Gift Contributions for Operations	1,221,454	964,996	256,458	26.6%
Net Investment Income	117,329	65,801	51,528	78.3%
Long Term Fund Distribution	489,267	467,850	21,417	4.6%
Interest Expense on Capital Asset Financings	(1,348,350)	(967,990)	(380,360)	-39.3%
Net Other Nonoperating Adjustments	13,535,170	13,545,267	(10,097)	-0.1%
Adjusted Income (Loss)	(2,235,662)	(2,477,070)	241,408	9.7%
Adjusted Margin (as a percentage)	-7.5%	-9.3%		
Investment Gains (Losses)	40,464	50,722	(10,258)	-20.2%
Adjusted Income (Loss) with Investment Gains (Losses)	(\$2,195,198)	(\$2,426,348)	\$231,150	9.5%
Adjusted Margin % with Investment Gains (Losses)	-7.4%	-9.1%		

UNAUDITED
The University of Texas at San Antonio
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	June Year-to-Date FY 2005	June Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$118,634,408	\$93,323,393	\$25,311,015	27.1%
Sponsored Programs	55,725,830	49,547,165	6,178,665	12.5%
Net Sales and Services of Educational Activities	4,969,160	4,694,254	274,906	5.9%
Net Auxiliary Enterprises	12,708,856	4,091,482	8,617,374	210.6%
Other Operating Revenues	813,676	752,173	61,503	8.2%
Total Operating Revenues	192,851,930	152,408,467	40,443,463	26.5%
Operating Expenses				
Salaries and Wages	107,454,324	95,389,520	12,064,804	12.6%
Employee Benefits and Related Costs	25,019,045	21,476,634	3,542,411	16.5%
Professional Fees and Contracted Services	2,739,424	2,081,807	657,617	31.6%
Other Contracted Services	2,469,516	1,836,764	632,752	34.4%
Scholarships and Fellowships	46,774,154	41,113,969	5,660,185	13.8%
Travel	3,358,904	2,700,395	658,509	24.4%
Materials and Supplies	15,666,263	10,658,393	5,007,870	47.0%
Utilities	4,597,154	4,766,667	(169,513)	-3.6%
Telecommunications	2,076,937	1,581,250	495,687	31.3%
Repairs and Maintenance	4,458,654	3,520,494	938,160	26.6%
Rentals and Leases	2,143,910	1,869,336	274,574	14.7%
Printing and Reproduction	1,049,870	1,099,409	(49,539)	-4.5%
Federal Sponsored Programs Pass-Thrus	3,105,861	2,896,624	209,237	7.2%
Depreciation and Amortization	11,476,063	9,492,302	1,983,761	20.9%
Other Operating Expenses	3,529,974	3,282,881	247,093	7.5%
Total Operating Expenses	235,920,053	203,766,445	32,153,608	15.8%
Operating Loss	(43,068,123)	(51,357,978)	8,289,855	16.1%
Other Nonoperating Adjustments				
State Appropriations	67,876,930	68,508,378	(631,448)	-0.9%
Gift Contributions for Operations	2,192,423	1,870,383	322,040	17.2%
Net Investment Income	2,336,637	1,376,344	960,293	69.8%
Long Term Fund Distribution	1,267,051	1,129,771	137,280	12.2%
Interest Expense on Capital Asset Financings	(7,254,448)	(4,303,060)	(2,951,388)	-68.6%
Net Other Nonoperating Adjustments	66,418,593	68,581,816	(2,163,223)	-3.2%
Adjusted Income (Loss)	23,350,470	17,223,838	6,126,632	35.6%
Adjusted Margin (as a percentage)	8.8%	7.6%		
Investment Gains (Losses)	2,092	(217,517)	219,609	101.0%
Adjusted Income (Loss) with Investment Gains (Losses)	\$23,352,562	\$17,006,321	\$6,346,241	37.3%
Adjusted Margin % with Investment Gains (Losses)	8.8%	7.6%		

UNAUDITED
The University of Texas at Tyler
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	June Year-to-Date FY 2005	June Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$16,019,790	\$12,601,931	\$3,417,859	27.1%
Sponsored Programs	6,681,995	6,399,932	282,063	4.4%
Net Sales and Services of Educational Activities	509,557	339,693	169,864	50.0%
Net Auxiliary Enterprises	1,987,730	952,763	1,034,967	108.6%
Other Operating Revenues	170,534	416,318	(245,784)	-59.0%
Total Operating Revenues	25,369,606	20,710,637	4,658,969	22.5%
Operating Expenses				
Salaries and Wages	21,675,241	18,797,198	2,878,043	15.3%
Employee Benefits and Related Costs	5,032,578	4,423,536	609,042	13.8%
Professional Fees and Contracted Services	794,305	929,636	(135,331)	-14.6%
Other Contracted Services	2,216,558	1,815,369	401,189	22.1%
Scholarships and Fellowships	9,207,012	7,358,813	1,848,199	25.1%
Travel	787,494	697,243	90,251	12.9%
Materials and Supplies	3,183,046	3,277,012	(93,966)	-2.9%
Utilities	852,677	779,476	73,201	9.4%
Telecommunications	365,968	318,972	46,996	14.7%
Repairs and Maintenance	829,096	1,245,683	(416,587)	-33.4%
Rentals and Leases	318,729	103,730	214,999	207.3%
Printing and Reproduction	425,205	429,403	(4,198)	-1.0%
Bad Debt Expense	0	9	(9)	-100.0%
Depreciation and Amortization	3,794,614	3,250,000	544,614	16.8%
Other Operating Expenses	824,696	729,385	95,311	13.1%
Total Operating Expenses	50,307,219	44,155,465	6,151,754	13.9%
Operating Loss	(24,937,613)	(23,444,828)	(1,492,785)	-6.4%
Other Nonoperating Adjustments				
State Appropriations	21,553,172	21,718,839	(165,667)	-0.8%
Gift Contributions for Operations	812,252	850,740	(38,488)	-4.5%
Net Investment Income	524,555	307,057	217,498	70.8%
Long Term Fund Distribution	1,889,600	1,765,176	124,424	7.0%
Interest Expense on Capital Asset Financings	(1,397,556)	(857,351)	(540,205)	-63.0%
Net Other Nonoperating Adjustments	23,382,023	23,784,461	(402,438)	-1.7%
Adjusted Income (Loss)	(1,555,590)	339,633	(1,895,223)	-558.0%
Adjusted Margin (as a percentage)	-3.1%	0.7%		
Investment Gains (Losses)	31	(1,982)	2,013	101.6%
Adjusted Income (Loss) with Investment Gains (Losses)	(\$1,555,559)	\$337,651	(\$1,893,210)	-560.7%
Adjusted Margin % with Investment Gains (Losses)	-3.1%	0.7%		

UNAUDITED
The University of Texas Southwestern Medical Center at Dallas
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	June Year-to-Date <u>FY 2005</u>	June Year-to-Date <u>FY 2004</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Student Tuition and Fees	\$12,858,298	\$12,414,359	\$443,939	3.6%
Sponsored Programs	316,564,585	307,211,952	9,352,633	3.0%
Net Sales and Services of Educational Activities	12,586,172	17,282,214	(4,696,042)	-27.2%
Net Sales and Services of Hospitals	133,311,279	0	133,311,279	100.0%
Net Professional Fees	202,159,443	170,238,616	31,920,827	18.8%
Net Auxiliary Enterprises	12,667,348	9,890,938	2,776,410	28.1%
Other Operating Revenues	11,275,803	8,718,283	2,557,520	29.3%
Total Operating Revenues	<u>701,422,928</u>	<u>525,756,362</u>	<u>175,666,566</u>	<u>33.4%</u>
Operating Expenses				
Salaries and Wages	420,240,180	343,941,479	76,298,701	22.2%
Employee Benefits and Related Costs	111,991,188	96,128,964	15,862,224	16.5%
Professional Fees and Contracted Services	10,649,131	11,662,402	(1,013,271)	-8.7%
Other Contracted Services	51,582,599	48,887,598	2,695,001	5.5%
Scholarships and Fellowships	5,735,335	5,043,036	692,299	13.7%
Travel	6,636,709	6,268,167	368,542	5.9%
Materials and Supplies	115,352,121	71,804,175	43,547,946	60.6%
Utilities	15,593,675	15,445,483	148,192	1.0%
Telecommunications	5,645,174	5,273,778	371,396	7.0%
Repairs and Maintenance	9,224,966	6,637,455	2,587,511	39.0%
Rentals and Leases	8,242,458	5,000,927	3,241,531	64.8%
Printing and Reproduction	2,086,004	1,998,500	87,504	4.4%
Federal Sponsored Programs Pass-Thrus	1,628,689	1,397,343	231,346	16.6%
Depreciation and Amortization	36,871,755	27,736,523	9,135,232	32.9%
Other Operating Expenses	42,244,516	22,956,244	19,288,272	84.0%
Total Operating Expenses	<u>843,724,500</u>	<u>670,182,074</u>	<u>173,542,426</u>	<u>25.9%</u>
Operating Loss	<u>(142,301,572)</u>	<u>(144,425,712)</u>	<u>2,124,140</u>	<u>1.5%</u>
Other Nonoperating Adjustments				
State Appropriations	97,108,898	96,808,298	300,600	0.3%
Gift Contributions for Operations	41,515,802	28,336,741	13,179,061	46.5%
Net Investment Income	24,502,902	24,884,585	(381,683)	-1.5%
Long Term Fund Distribution	20,428,835	19,071,566	1,357,269	7.1%
Interest Expense on Capital Asset Financings	(12,925,252)	(6,494,203)	(6,431,049)	-99.0%
Net Other Nonoperating Adjustments	<u>170,631,185</u>	<u>162,606,987</u>	<u>8,024,198</u>	<u>4.9%</u>
Adjusted Income (Loss)	28,329,613	18,181,275	10,148,338	55.8%
Adjusted Margin (as a percentage)	3.2%	2.6%		
Investment Gains (Losses)	4,037,089	6,228,843	(2,191,754)	-35.2%
Adjusted Income (Loss) with Investment Gains (Losses)	\$32,366,702	\$24,410,118	\$7,956,584	32.6%
Adjusted Margin % with Investment Gains (Losses)	3.6%	3.5%		

UNAUDITED
The University of Texas Medical Branch at Galveston
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	June Year-to-Date FY 2005	June Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$10,621,173	\$9,487,852	\$1,133,321	11.9%
Sponsored Programs	167,319,593	149,067,086	18,252,507	12.2%
Net Sales and Services of Hospitals	585,094,595	556,316,369	28,778,226	5.2%
Net Professional Fees	88,121,639	81,656,079	6,465,560	7.9%
Net Auxiliary Enterprises	7,060,212	6,149,008	911,204	14.8%
Other Operating Revenues	16,807,764	18,064,402	(1,256,638)	-7.0%
Total Operating Revenues	875,024,976	820,740,796	54,284,180	6.6%
Operating Expenses				
Salaries and Wages	581,051,225	568,401,080	12,650,145	2.2%
Employee Benefits and Related Costs	155,577,366	131,245,978	24,331,388	18.5%
Professional Fees and Contracted Services	38,393,018	25,364,114	13,028,904	51.4%
Other Contracted Services	51,841,057	52,265,559	(424,502)	-0.8%
Scholarships and Fellowships	4,231,976	3,528,390	703,586	19.9%
Travel	5,388,553	4,571,092	817,461	17.9%
Materials and Supplies	143,711,896	130,525,690	13,186,206	10.1%
Utilities	19,220,839	17,674,143	1,546,696	8.8%
Telecommunications	11,108,534	10,537,952	570,582	5.4%
Repairs and Maintenance	24,340,179	23,877,162	463,017	1.9%
Rentals and Leases	9,312,570	10,507,745	(1,195,175)	-11.4%
Printing and Reproduction	1,620,537	1,832,777	(212,240)	-11.6%
Federal Sponsored Programs Pass-Thrus	5,542,243	1,850,134	3,692,109	199.6%
Depreciation and Amortization	41,085,610	39,273,297	1,812,313	4.6%
Other Operating Expenses	68,228,755	64,250,028	3,978,727	6.2%
Total Operating Expenses	1,160,654,358	1,085,705,141	74,949,217	6.9%
Operating Loss	(285,629,382)	(264,964,345)	(20,665,037)	-7.8%
Other Nonoperating Adjustments				
State Appropriations	233,800,343	228,373,902	5,426,441	2.4%
Gift Contributions for Operations	8,232,826	3,848,948	4,383,878	113.9%
Net Investment Income	13,854,844	9,738,593	4,116,251	42.3%
Long Term Fund Distribution	10,399,099	9,601,140	797,959	8.3%
Interest Expense on Capital Asset Financings	(3,186,939)	(2,186,272)	(1,000,667)	-45.8%
Net Other Nonoperating Adjustments	263,100,173	249,376,311	13,723,862	5.5%
Adjusted Income (Loss)	(22,529,209)	(15,588,034)	(6,941,175)	-44.5%
Adjusted Margin (as a percentage)	-2.0%	-1.5%		
Investment Gains (Losses)	6,318	(329,036)	335,354	101.9%
Adjusted Income (Loss) with Investment Gains (Losses)	(\$22,522,891)	(\$15,917,070)	(\$6,605,821)	-41.5%
Adjusted Margin % with Investment Gains (Losses)	-2.0%	-1.5%		

UNAUDITED
The University of Texas Health Science Center at Houston
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	June Year-to-Date <u>FY 2005</u>	June Year-to-Date <u>FY 2004</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Student Tuition and Fees	\$12,458,065	\$12,095,209	\$362,856	3.0%
Sponsored Programs	194,902,018	193,297,945	1,604,073	0.8%
Net Sales and Services of Educational Activities	19,902,841	7,476,357	12,426,484	166.2%
Net Sales and Services of Hospitals	25,344,537	25,488,406	(143,869)	-0.6%
Net Professional Fees	90,469,182	85,153,862	5,315,320	6.2%
Net Auxiliary Enterprises	17,048,020	10,189,670	6,858,350	67.3%
Other Operating Revenues	27,861,335	27,417,587	443,748	1.6%
Total Operating Revenues	<u>387,985,998</u>	<u>361,119,036</u>	<u>26,866,962</u>	<u>7.4%</u>
Operating Expenses				
Salaries and Wages	257,062,584	253,241,047	3,821,537	1.5%
Employee Benefits and Related Costs	58,774,666	54,722,306	4,052,360	7.4%
Professional Fees and Contracted Services	44,872,879	43,764,798	1,108,081	2.5%
Other Contracted Services	26,317,356	23,004,898	3,312,458	14.4%
Scholarships and Fellowships	1,611,852	1,668,312	(56,460)	-3.4%
Travel	4,204,167	3,877,415	326,752	8.4%
Materials and Supplies	36,825,365	20,424,395	16,400,970	80.3%
Utilities	7,475,451	5,986,563	1,488,888	24.9%
Telecommunications	2,577,511	2,448,737	128,774	5.3%
Repairs and Maintenance	2,098,345	2,578,035	(479,690)	-18.6%
Rentals and Leases	8,896,626	8,760,609	136,017	1.6%
Printing and Reproduction	3,912,156	3,533,249	378,907	10.7%
Bad Debt Expense	1,194	17,425	(16,231)	-93.1%
Federal Sponsored Programs Pass-Thrus	3,829,465	3,592,368	237,097	6.6%
Depreciation and Amortization	14,739,810	13,813,740	926,070	6.7%
Other Operating Expenses	39,543,093	33,915,969	5,627,124	16.6%
Total Operating Expenses	<u>512,742,520</u>	<u>475,349,866</u>	<u>37,392,654</u>	<u>7.9%</u>
Operating Loss	<u>(124,756,522)</u>	<u>(114,230,830)</u>	<u>(10,525,692)</u>	<u>-9.2%</u>
Other Nonoperating Adjustments				
State Appropriations	120,858,418	114,794,617	6,063,801	5.3%
Gift Contributions for Operations	10,452,324	5,788,363	4,663,961	80.6%
Net Investment Income	8,874,883	7,251,220	1,623,663	22.4%
Long Term Fund Distribution	3,073,579	2,817,348	256,231	9.1%
Interest Expense on Capital Asset Financings	(7,844,675)	(3,005,365)	(4,839,310)	-161.0%
Net Other Nonoperating Adjustments	<u>135,414,529</u>	<u>127,646,183</u>	<u>7,768,346</u>	<u>6.1%</u>
Adjusted Income (Loss)	10,658,007	13,415,353	(2,757,346)	-20.6%
Adjusted Margin (as a percentage)	2.0%	2.7%		
Investment Gains (Losses)	(45,764)	(627,662)	581,898	92.7%
Adjusted Income (Loss) with Investment Gains (Losses)	\$10,612,243	\$12,787,691	(\$2,175,448)	-17.0%
Adjusted Margin % with Investment Gains (Losses)	2.0%	2.6%		

UNAUDITED
The University of Texas Health Science Center at San Antonio
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	June Year-to-Date FY 2005	June Year-to-Date FY 2004	Variance	Fluctuation Percentage
Operating Revenues				
Student Tuition and Fees	\$14,687,500	\$12,358,333	\$2,329,167	18.8%
Sponsored Programs	152,260,808	149,203,538	3,057,270	2.0%
Net Sales and Services of Educational Activities	2,382,723	2,198,336	184,387	8.4%
Net Professional Fees	69,455,886	66,624,793	2,831,093	4.2%
Net Auxiliary Enterprises	1,985,778	1,745,770	240,008	13.7%
Other Operating Revenues	38,951,987	42,617,510	(3,665,523)	-8.6%
Total Operating Revenues	279,724,682	274,748,280	4,976,402	1.8%
Operating Expenses				
Salaries and Wages	212,505,528	198,100,055	14,405,473	7.3%
Employee Benefits and Related Costs	50,983,908	50,600,417	383,491	0.8%
Professional Fees and Contracted Services	10,829,824	10,625,310	204,514	1.9%
Other Contracted Services	12,310,712	11,709,960	600,752	5.1%
Scholarships and Fellowships	2,137,053	2,582,699	(445,646)	-17.3%
Travel	3,737,363	3,405,244	332,119	9.8%
Materials and Supplies	21,236,888	19,649,100	1,587,788	8.1%
Utilities	6,566,053	5,150,441	1,415,612	27.5%
Telecommunications	6,906,088	7,213,260	(307,172)	-4.3%
Repairs and Maintenance	1,482,673	1,058,343	424,330	40.1%
Rentals and Leases	1,597,812	1,725,142	(127,330)	-7.4%
Printing and Reproduction	1,331,615	1,403,248	(71,633)	-5.1%
Federal Sponsored Programs Pass-Thrus	335,228	636,439	(301,211)	-47.3%
Depreciation and Amortization	16,250,000	15,833,333	416,667	2.6%
Other Operating Expenses	79,245,518	81,306,152	(2,060,634)	-2.5%
Total Operating Expenses	427,456,263	410,999,143	16,457,120	4.0%
Operating Loss	(147,731,581)	(136,250,863)	(11,480,718)	-8.4%
Other Nonoperating Adjustments				
State Appropriations	121,707,212	118,586,389	3,120,823	2.6%
Gift Contributions for Operations	13,928,967	12,086,745	1,842,222	15.2%
Net Investment Income	16,155,756	16,007,658	148,098	0.9%
Long Term Fund Distribution	3,050,730	2,834,083	216,647	7.6%
Interest Expense on Capital Asset Financings	(5,708,980)	(1,764,204)	(3,944,776)	-223.6%
Net Other Nonoperating Adjustments	149,133,685	147,750,671	1,383,014	0.9%
Adjusted Income (Loss)	1,402,104	11,499,808	(10,097,704)	-87.8%
Adjusted Margin (as a percentage)	0.3%	2.7%		
Investment Gains (Losses)	403,291	32,504	370,787	1,140.7%
Adjusted Income (Loss) with Investment Gains (Losses)	\$1,805,395	\$11,532,312	(\$9,726,917)	-84.3%
Adjusted Margin % with Investment Gains (Losses)	0.4%	2.7%		

UNAUDITED
The University of Texas M. D. Anderson Cancer Center
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	June Year-to-Date <u>FY 2005</u>	June Year-to-Date <u>FY 2004</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Student Tuition and Fees	\$158,713	\$193,288	(\$34,575)	-17.9%
Sponsored Programs	173,227,164	159,153,353	14,073,811	8.8%
Net Sales and Services of Educational Activities	1,270,087	1,087,141	182,946	16.8%
Net Sales and Services of Hospitals	1,058,866,717	901,469,680	157,397,037	17.5%
Net Professional Fees	192,683,773	177,816,672	14,867,101	8.4%
Net Auxiliary Enterprises	15,742,061	13,027,592	2,714,469	20.8%
Other Operating Revenues	22,136,752	15,601,747	6,535,005	41.9%
Total Operating Revenues	<u>1,464,085,267</u>	<u>1,268,349,473</u>	<u>195,735,794</u>	<u>15.4%</u>
Operating Expenses				
Salaries and Wages	778,253,000	693,853,912	84,399,088	12.2%
Employee Benefits and Related Costs	201,284,043	182,050,985	19,233,058	10.6%
Professional Fees and Contracted Services	61,050,048	50,580,853	10,469,195	20.7%
Other Contracted Services	19,989,408	17,139,949	2,849,459	16.6%
Travel	13,021,994	11,000,459	2,021,535	18.4%
Materials and Supplies	291,343,739	273,700,050	17,643,689	6.4%
Utilities	29,017,412	23,019,201	5,998,211	26.1%
Telecommunications	5,421,983	5,332,574	89,409	1.7%
Repairs and Maintenance	28,814,956	25,404,684	3,410,272	13.4%
Rentals and Leases	23,764,776	20,278,456	3,486,320	17.2%
Printing and Reproduction	2,629,068	2,617,813	11,255	0.4%
Federal Sponsored Programs Pass-Thrus	1,177,230	1,564,314	(387,084)	-24.7%
Depreciation and Amortization	108,242,430	75,179,832	33,062,598	44.0%
Other Operating Expenses	34,454,889	30,810,418	3,644,471	11.8%
Total Operating Expenses	<u>1,598,464,976</u>	<u>1,412,533,500</u>	<u>185,931,476</u>	<u>13.2%</u>
Operating Loss	<u>(134,379,709)</u>	<u>(144,184,027)</u>	<u>9,804,318</u>	<u>6.8%</u>
Other Nonoperating Adjustments				
State Appropriations	121,784,965	124,017,105	(2,232,140)	-1.8%
Gift Contributions for Operations	45,528,283	36,147,323	9,380,960	26.0%
Net Investment Income	35,511,106	25,922,630	9,588,476	37.0%
Long Term Fund Distribution	10,196,831	8,516,387	1,680,444	19.7%
Interest Expense on Capital Asset Financings	(14,283,868)	(6,225,437)	(8,058,431)	-129.4%
Net Other Nonoperating Adjustments	<u>198,737,317</u>	<u>188,378,008</u>	<u>10,359,309</u>	<u>5.5%</u>
Adjusted Income (Loss)	64,357,608	44,193,981	20,163,627	45.6%
Adjusted Margin (as a percentage)	3.8%	3.0%		
Investment Gains (Losses)	(3,497,423)	13,466,561	(16,963,984)	-126.0%
Adjusted Income (Loss) with Investment Gains (Losses)	\$60,860,185	\$57,660,542	\$3,199,643	5.5%
Adjusted Margin % with Investment Gains (Losses)	3.6%	3.9%		

UNAUDITED
The University of Texas Health Center at Tyler
Comparison of Operating Results and Margin
For the Ten Months Ending June 30, 2005

	June Year-to-Date <u>FY 2005</u>	June Year-to-Date <u>FY 2004</u>	<u>Variance</u>	<u>Fluctuation Percentage</u>
Operating Revenues				
Sponsored Programs	\$8,627,902	\$6,596,183	\$2,031,719	30.8%
Net Sales and Services of Educational Activities	791,108	837,868	(46,760)	-5.6%
Net Sales and Services of Hospitals	40,631,601	45,696,703	(5,065,102)	-11.1%
Net Professional Fees	9,511,103	12,050,377	(2,539,274)	-21.1%
Net Auxiliary Enterprises	526,712	780,808	(254,096)	-32.5%
Other Operating Revenues	4,211,947	3,777,175	434,772	11.5%
Total Operating Revenues	<u>64,300,373</u>	<u>69,739,114</u>	<u>(5,438,741)</u>	<u>-7.8%</u>
Operating Expenses				
Salaries and Wages	50,584,149	49,709,248	874,901	1.8%
Employee Benefits and Related Costs	12,967,295	13,073,156	(105,861)	-0.8%
Professional Fees and Contracted Services	5,767,764	6,099,183	(331,419)	-5.4%
Other Contracted Services	6,368,305	4,632,464	1,735,841	37.5%
Travel	559,563	502,415	57,148	11.4%
Materials and Supplies	12,752,706	13,789,780	(1,037,074)	-7.5%
Utilities	1,875,709	1,668,321	207,388	12.4%
Telecommunications	426,499	467,794	(41,295)	-8.8%
Repairs and Maintenance	1,935,989	1,490,831	445,158	29.9%
Rentals and Leases	945,243	1,449,174	(503,931)	-34.8%
Printing and Reproduction	654,857	751,652	(96,795)	-12.9%
Federal Sponsored Programs Pass-Thrus	521,376	529,112	(7,736)	-1.5%
Depreciation and Amortization	6,038,277	4,997,853	1,040,424	20.8%
Other Operating Expenses	2,681,578	2,068,020	613,558	29.7%
Total Operating Expenses	<u>104,079,310</u>	<u>101,229,003</u>	<u>2,850,307</u>	<u>2.8%</u>
Operating Loss	<u>(39,778,937)</u>	<u>(31,489,889)</u>	<u>(8,289,048)</u>	<u>-26.3%</u>
Other Nonoperating Adjustments				
State Appropriations	30,458,801	31,181,637	(722,836)	-2.3%
Gift Contributions for Operations	4,602,846	1,877,559	2,725,287	145.2%
Net Investment Income	2,530,295	2,352,188	178,107	7.6%
Long Term Fund Distribution	108,999	234,979	(125,980)	-53.6%
Interest Expense on Capital Asset Financings	(255,811)	0	(255,811)	-100.0%
Net Other Nonoperating Adjustments	<u>37,445,130</u>	<u>35,646,363</u>	<u>1,798,767</u>	<u>5.0%</u>
Adjusted Income (Loss)	(2,333,807)	4,156,474	(6,490,281)	-156.1%
Adjusted Margin (as a percentage)	-2.3%	3.9%		
Investment Gains (Losses)	147,978	(45,219)	193,197	427.2%
Adjusted Income (Loss) with Investment Gains (Losses)	(\$2,185,829)	\$4,111,255	(\$6,297,084)	-153.2%
Adjusted Margin % with Investment Gains (Losses)	-2.1%	3.9%		

3. **U. T. System: Approval of transfer of funds between Legislative Appropriation items during the biennium beginning September 1, 2005**

RECOMMENDATION

The Chancellor, with the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and presidents of the U. T. System institutions recommends that the U. T. System Board of Regents adopt the resolution that follows to provide for the most effective utilization of the General Revenue Appropriations during the biennium beginning September 1, 2005.

RESOLUTION

Pursuant to the appropriate transfer provisions of the General Appropriations Act of the 79th Legislature, it is hereby resolved that the State Comptroller be requested to make necessary transfers within the Legislative Appropriations (and/or Informational Items of Appropriation) from the General Revenue Fund as authorized by the Chief Financial Officer of each entity as follows:

The University of Texas at Arlington
The University of Texas at Austin
The University of Texas at Brownsville
The University of Texas at Dallas
The University of Texas at El Paso
The University of Texas - Pan American
The University of Texas of the Permian Basin
The University of Texas at San Antonio
The University of Texas at Tyler
The University of Texas Southwestern Medical Center at Dallas
The University of Texas Medical Branch at Galveston
The University of Texas Health Science Center at Houston
The University of Texas Health Science Center at San Antonio
The University of Texas M. D. Anderson Cancer Center
The University of Texas Health Center at Tyler
The University of Texas System Administration

BACKGROUND INFORMATION

This resolution is a standard action by the U. T. System Board of Regents at the beginning of each biennium and is pursuant to provisions of the General Appropriations Act, Article III, Section 4, enacted by the 79th Texas Legislature.

4. **U. T. System: Approval to exceed the full-time equivalent limitation on employees paid from appropriated funds**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the presidents of the affected U. T. System institutions that the U. T. System Board of Regents approve allowing those institutions, as set forth in the table on Page 34.1, to exceed the number of full-time equivalent (FTE) employees paid from appropriated funds for Fiscal Year 2006 that are authorized in Article III of the General Appropriations Act. Also, as required by Article IX, Section 6.14 of the General Appropriations Act, it is recommended that the U. T. System Board of Regents submit a request to the Governor's Office and the Legislative Budget Board to grant approval for these institutions to exceed the authorized number of FTE employees paid from appropriated funds.

BACKGROUND INFORMATION

The General Appropriations Act places a limit on the number of FTE employees paid from appropriated funds that an institution may employ without written approval of the Governor and the Legislative Budget Board. To exceed the FTE limitation, a request must be submitted by the governing board and must include the date on which the board approved the request, a statement justifying the need to exceed the limitation, the source of funds to be used to pay the salaries, and an explanation as to why the functions of the proposed additional FTEs cannot be performed within current staffing levels.

U. T. Austin, U. T. Dallas, U. T. Health Science Center - Houston, and U. T. System Administration will be under the FTE cap and are not requesting to exceed the FTE limitation.

The University of Texas System
Request to Exceed Full-time Equivalent Limitation on Employees Paid From Appropriated Funds

Request to Exceed Cap - by Function

	<u>Faculty</u>	<u>Staff</u>	<u>Total</u>
Instruction	520.35	234.86	755.21
Academic Support	-	15.35	15.35
Research	20.30	63.77	84.07
Public Service	-	0.70	0.70
Hospitals and Clinics	70.30	764.12	834.42
Institutional Support	-	455.33	455.33
Student Support	-	58.62	58.62
Operations and Maintenance of Plant	-	345.00	345.00
Scholarships and Fellowships	-	0.37	0.37
Total	<u>610.95</u>	<u>1,938.12</u>	<u>2,549.07</u>

Request to Exceed Cap - by Institution

	<u>FY 2006 Cap</u>	<u>Request to Exceed Cap</u>		
		<u>Faculty</u>	<u>Staff</u>	<u>Total</u>
U. T. Arlington	2,104.80	74.00	12.00	86.00
U. T. Austin	6,641.00	-	-	-
U. T. Brownsville	429.90	156.33	98.35	254.68
U. T. Dallas	1,354.80	-	-	-
U. T. El Paso	1,724.60	26.74	39.16	65.90
U. T. Pan American	1,445.70	36.00	98.84	134.84
U. T. Permian Basin	268.30	5.50	10.00	15.50
U. T. San Antonio	1,834.00	65.00	77.00	142.00
U. T. Tyler	419.00	24.50	24.25	48.75
Total Academic Institutions	<u>16,222.10</u>	<u>388.07</u>	<u>359.60</u>	<u>747.67</u>
U. T. Southwestern Medical Center	1,773.20	81.85	57.30	139.15
U. T. Medical Branch - Galveston	5,729.80	9.13	379.42	388.55
U. T. Health Science Center - Houston	1,858.10	-	-	-
U. T. Health Science Center - San Antonio	2,208.60	25.70	79.00	104.70
U. T. M. D. Anderson Cancer Center	10,452.39	106.20	987.80	1,094.00
U. T. Health Center - Tyler	919.70	0.00	75.00	75.00
Total Health Institutions	<u>22,941.79</u>	<u>222.88</u>	<u>1,578.52</u>	<u>1,801.40</u>
U. T. System Administration	<u>249.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
U. T. System Total	<u>39,412.89</u>	<u>610.95</u>	<u>1,938.12</u>	<u>2,549.07</u>

*U. T. Austin, U. T. Dallas, U. T. HSC Houston, and U. T. System Administration will not exceed their cap.

5. **U. T. System: Approval of Optional Retirement Program employer contribution rates for Fiscal Year 2006**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor for Administration that the U. T. System Board of Regents approve the Optional Retirement Program (ORP) employer contribution rates for Fiscal Year 2006 as follows:

- a. 8.5% for all institutions and System Administration with respect to employees who participated in the ORP prior to September 1, 1995; and
- b. for all other employees, an employer contribution rate as recommended by each institution and set forth on Page 36.1.

BACKGROUND INFORMATION

Prior to September 1, 1995, the ORP employer contribution rate was 8.5% for all ORP participants. An enactment by the 74th Texas Legislature reduced ORP employer contributions to participants from 8.5% to 6.0%, effective September 1, 1995. However, U. T. System was permitted to "grandfather" those employees participating in the ORP during the 1994-95 biennium. This resulted in a two-tiered ORP employer contribution rate for U. T. System employees: those who participated in ORP during the 1994-95 biennium continued to receive 8.5%, while those who did not participate during the 1994-95 biennium received 6.0%.

The 78th Texas Legislature enacted *Texas Government Code* Section 830.2015, which expanded the definition of a grandfathered employee from one who had participated during the 1994-95 biennium to one who had participated in ORP prior to September 1, 1995. The legislation also granted permissive authority for institutions of higher education to set the ORP employer contribution rate for grandfathered and nongrandfathered participants at any percentage level between 6.0% and 8.5%. It is not required that the rate be the same for grandfathered employees, nor that the rate be the same for all U. T. System institutions.

Given the diversity of the U. T. System institutions and the differential budget impact for each institution, each institutional president was asked to propose its ORP employer contribution rates for grandfathered and nongrandfathered participants. For Fiscal Year 2006, with respect to grandfathered employees hired prior to September 1, 1995, all U. T. System institutions elected to continue the current 8.5% employer contribution rate. For nongrandfathered participants hired after September 1, 1995, five institutions have elected to increase the ORP employer contribution rate from the rate established

by the Board for Fiscal Year 2005. Four institutions (U. T. Austin, U. T. Dallas, U. T. Pan American, and U. T. Southwestern Medical Center - Dallas) have elected to increase the contribution rate from 6.0% to 6.5%. U. T. Tyler has elected to increase the contribution rate from 6.0% to 8.5%. For nongrandfathered participants hired after September 1, 1995, the remaining institutions have elected to adopt the same rate adopted in the prior year.

The governing board of an institution of higher education has the authority to set the ORP employer contribution rates in accordance with rules issued by the Texas Higher Education Coordinating Board. Under those rules, the governing board is to determine the employer contribution rates once per fiscal year, to be effective for the entire fiscal year. All institutions plan to implement the employer contribution rates effective September 1, 2005, with the exception of U. T. Austin. Because of the number of employees this will impact and the required analysis of each individual's tax deferrals to ensure compliance with the *Internal Revenue Code*, U. T. Austin proposes implementation of the new employer contribution rate change beginning with paychecks issued on or after January 1, 2006. The staff at the Coordinating Board was contacted and this proposal would not be consistent with their current rule. However, as discussed with Coordinating Board staff, the intent of the rule was to prohibit changes more than once per fiscal year and the Coordinating Board had not contemplated implementation of the employer contribution rate on any date other than the first day of the fiscal year. The Coordinating Board staff has no opposition to implementation of the employer contribution rate on another date as long as the employer contribution rate applies for the entire year for which it is selected. The Coordinating Board will consider a rule change subject to final adoption at its October 27, 2005, board meeting. If the proposed rule change is adopted, the rule would be effective in 20 days thereafter, which would allow U. T. Austin to implement beginning with paychecks issued on or after January 1, 2006. Approval of this Agenda Item will authorize all U. T. System institutions with the exception of U. T. Austin to implement on September 1, 2005, and authorize U. T. Austin to implement beginning with paychecks issued on or after January 1, 2006, contingent upon the Coordinating Board adopting the proposed rule change.

**The University of Texas System
Proposed Optional Retirement Plan Contribution Rates**

	Fiscal Year 2005		Fiscal Year 2006	
	Grandfathered	Nongrandfathered	Grandfathered	Nongrandfathered
U. T. Arlington	8.5%	6.0%	8.5%	6.0%
U. T. Austin	8.5%	6.0%	8.5%	6.5%
U. T. Brownsville	8.5%	6.0%	8.5%	6.0%
U. T. Dallas	8.5%	6.0%	8.5%	6.5%
U. T. El Paso	8.5%	6.0%	8.5%	6.0%
U. T. Pan American	8.5%	6.0%	8.5%	6.5%
U. T. Permian Basin	8.5%	8.5%	8.5%	8.5%
U. T. San Antonio	8.5%	8.5%	8.5%	8.5%
U. T. Tyler	8.5%	6.0%	8.5%	8.5%
U. T. Southwestern Medical Center - Dallas	8.5%	6.0%	8.5%	6.5%
U. T. Medical Branch - Galveston	8.5%	8.5%	8.5%	8.5%
U. T. HSC - Houston	8.5%	6.0%	8.5%	6.0%
U. T. HSC - San Antonio	8.5%	6.0%	8.5%	6.0%
U. T. M. D. Anderson Center	8.5%	8.5%	8.5%	8.5%
U. T. Health Center - Tyler	8.5%	8.5%	8.5%	8.5%
U. T. System Administration	8.5%	8.5%	8.5%	8.5%

6. **U. T. System Board of Regents: Report on Investments for quarter ended May 31, 2005, Liquidity Profile, and Performance Report by Ennis Knupp + Associates**

REPORTS

Pages 37.1 - 37.7 contain the Summary Reports on Investments for the three months ended May 31, 2005.

Item I on Pages 37.1 - 37.2 reports summary activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the three months was .14% versus its composite benchmark return of 1.89%. The PUF's net asset value increased by \$67.6 million since the beginning of the quarter to \$8,899.8 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return.

Item II on Pages 37.3 - 37.5 reports summary activity for the General Endowment Fund (GEF), the Permanent Health Fund (PHF), and the Long Term Fund (LTF). The GEF's net investment return for the three months was .09% versus its composite benchmark return of 1.89%. The GEF's net asset value decreased \$12.2 million since the beginning of the quarter to \$4,679.5 million.

Item III on Page 37.6 reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was .98% for the three months versus the SITF's performance benchmark of .95%. The SITF's net asset value decreased by \$4.4 million since the beginning of the quarter to \$1,202.0 million. This decrease in net asset value was due to net withdrawals and distributions to the SITF.

Item IV on Page 37.7 presents book and market value of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus money market fund, decreased by \$60.8 million to \$2,406.3 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$47.3 million versus \$51.1 million at the beginning of the period; equities: \$346.2 million versus \$296.4 million at the beginning of the period; and other investments: \$2.2 million versus \$2.0 million at the beginning of the period.

The May 31, 2005, PUF and GEF Combined Liquidity Profile is attached on Page 37.8.

An Executive Summary of the Performance Report on investments for the quarter ended May 31, 2005, as prepared by Ennis Knupp + Associates is attached on Pages 37.9 - 37.16.

I. PERMANENT UNIVERSITY FUND (1)a.) Summary Investment Report at May 31, 2005

(\$ millions)

	FY03-04	FY04-05			
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	Year-to-Date
Beginning Net Assets	7,244.8	8,087.9	8,648.2	8,832.2	8,087.9
PUF Lands Receipts (3)	146.7	67.7	31.1	59.0	157.8
Investment Return	1,070.2	583.9	420.7	26.9	1,031.5
Expenses	(25.8)	(6.0)	(11.9)	(18.3)	(36.2)
Distributions to AUF	(348.0)	(85.3)	(255.9)	-	(341.2)
Ending Net Assets	8,087.9	8,648.2	8,832.2	8,899.8	8,899.8
AUF Distribution:					
From PUF Investments	348.0	85.3	255.9	-	341.2
From Surface Income	7.6	1.0	2.5	2.0	5.5
Total	355.6	86.3	258.4	2.0	346.7
Total Net Investment Return	14.73%	7.23%	4.83%	0.14%	12.56%

-
- (1) Report prepared in accordance with *Texas Education Code* Sec. 51.0032.
 - (2) General - The Investment Summary Report excludes PUF Lands mineral and surface interests with estimated August 31, 2004 values of \$752.1 million and \$164.0 million, respectively.
 - (3) PUF Lands Receipts - As of May 31, 2005: 1,220,843 acres under lease; 510,284 producing acres; 3,282 active leases; and 2,058 producing leases.

I. PERMANENT UNIVERSITY FUND (continued)

b.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolioand Net Investment Return for the three months ended May 31, 2005

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash and Cash Equivalents	2.0%	0.0%	0.70%	0.73%	90 Day T-Bills Average Yield
U.S. Equities	26.9%	25.0%	1.59%	1.29%	80% Russell 3000 Index plus 20% Dow Jones Wilshire Real Estate Securities Index
Global Equities	16.4%	17.0%	-4.12%	-4.74%	Morgan Stanley Capital International - All Country World Free ex U.S., net
Equity Hedge Funds	10.0%	10.0%	-0.15%	1.74%	90 Day T-Bills Average Yield plus 4%
Absolute Return Hedge Funds	14.4%	15.0%	0.19%	1.48%	90 Day T-Bills Average Yield plus 3%
Commodities	4.7%	3.0%	-1.70%	-3.22%	Goldman Sachs Commodity Index minus 100 basis points
Fixed Income	15.7%	15.0%	1.79%	2.18%	66.7% Lehman Brothers Aggregate Bond Index plus 33.3% Lehman Brothers US Index Treasury Inflation Protected Securities
Total Marketable Securities	90.1%	85.0%	-0.32%	0.19%	
Private Capital	9.9%	15.0%	4.51%	11.90%	Venture Economics' Periodic IRR Index
Total	100.0%	100.0%	0.14%	1.89%	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.

II. GENERAL ENDOWMENT FUND (1) (2)

a.) Summary Investment Report at May 31, 2005

(\$ millions)

	FY03-04		FY04-05							
	Full Year		1st Qtr	2nd Qtr	3rd Qtr	Year-to-Date				
Beginning Net Assets	3,584.8		4,207.6	4,503.7	4,691.7	4,207.6				
Net Contributions	559.5		95.5	118.6	108.0	322.1				
Investment Return	559.0		315.0	223.2	11.4	549.6				
Expenses	(9.6)		(1.8)	(6.5)	(8.5)	(16.8)				
Allocations (3)	(486.1)		(112.6)	(147.3)	(123.1)	(383.0)				
Ending Net Assets	4,207.6		4,503.7	4,691.7	4,679.5	4,679.5				
Net Asset Value per Unit	117.595		126.278	132.324	132.403	132.403				
Units and Percentage Ownership (End of Period):										
PHF	6,923,785	19.4%	6,846,092	19.2%	6,773,278	19.1%	6,699,254	19.0%	6,699,254	19.0%
LTF	28,857,142	80.6%	28,818,941	80.8%	28,683,029	80.9%	28,643,980	81.0%	28,643,980	81.0%
Total	35,780,927	100.0%	35,665,033	100.0%	35,456,307	100.0%	35,343,234	100.0%	35,343,234	100.0%
Total Net Investment Return	14.77%		7.39%	4.79%	0.09%	12.65%				

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

(2) On March 1, 2001, the Permanent Health Fund (PHF) and Long Term Fund (LTF) purchased units in the newly created General Endowment Fund (GEF). The initial number of units was based on the PHF's and LTF's contribution of its net values as of February 28, 2001.

(3) The GEF allocates its net investment income and realized gain (loss) to its unit holders based on their ownership of GEF units at month end. The allocated amounts are reinvested as GEF contributions. The allocation is proportional to the percentage of ownership by the unit holders, and therefore, no additional units are purchased.

II. GENERAL ENDOWMENT FUND (continued)

b.) Unit Holders' Summary Investment Report at May 31, 2005 (1)

(\$ millions)

	FY03-04	FY04-05			Year-to-Date
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	
<u>PERMANENT HEALTH FUND</u>					
Beginning Net Assets	745.0	814.4	864.7	896.5	814.4
Investment Return	108.6	60.1	41.4	0.6	102.1
Expenses	(0.7)	(0.2)	-	(0.2)	(0.4)
Distributions (Payout)	(38.5)	(9.6)	(9.6)	(9.7)	(28.9)
Ending Net Assets	814.4	864.7	896.5	887.2	887.2
Net Asset Value per Unit (2)	0.993200	1.054513	1.093241	1.081939	1.081939
No. of Units (End of Period)	820,000,000	820,000,000	820,000,000	820,000,000	820,000,000
Distribution Rate per Unit	0.04700	0.01175	0.01175	0.01175	0.035250
Total Net Investment Return	14.60%	7.36%	4.79%	0.04%	12.55%
<u>LONG TERM FUND</u>					
Beginning Net Assets	2,839.8	3,393.3	3,639.0	3,795.3	3,393.3
Net Contributions	276.5	37.7	22.5	38.0	98.2
Investment Return	441.1	253.1	175.4	2.3	430.8
Expenses	(6.1)	(3.7)	0.1	(1.1)	(4.7)
Distributions (Payout)	(158.0)	(41.4)	(41.7)	(42.1)	(125.2)
Ending Net Assets	3,393.3	3,639.0	3,795.3	3,792.4	3,792.4
Net Asset Value per Unit (2)	5.585	5.923	6.139	6.074	6.074
No. of Units (End of Period)	607,622,749	614,379,162	618,174,345	624,354,307	624,354,307
Distribution Rate per Unit	0.264500	0.067425	0.067425	0.067425	0.202275
Total Net Investment Return	14.59%	7.36%	4.80%	0.04%	12.55%

(1) The Permanent Health Fund (PHF) and Long Term Fund (LTF) are internal mutual funds for the pooled investment of endowment funds. The PHF is comprised of endowments for health-related institutions of higher education and the LTF is comprised of privately raised endowments and other long-term funds of U. T. System institutions.

(2) The asset allocation of the PHF and LTF is representative of the asset allocation for the GEF. A nominal amount of cash is held in PHF and LTF to pay expenses incurred separately by these funds.

II. GENERAL ENDOWMENT FUND (continued)

c.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended May 31, 2005

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash and Cash Equivalents	0.7%	0.0%	0.70%	0.73%	90 Day T-Bills Average Yield
U.S. Equities	26.4%	25.0%	1.60%	1.29%	80% Russell 3000 Index plus 20% Dow Jones Wilshire Real Estate Securities Index
Global Equities	16.7%	17.0%	-4.15%	-4.74%	Morgan Stanley Capital International - All Country World Free ex U.S., net
Equity Hedge Funds	10.0%	10.0%	-0.09%	1.74%	90 Day T-Bills Average Yield plus 4%
Absolute Return Hedge Funds	14.8%	15.0%	0.20%	1.48%	90 Day T-Bills Average Yield plus 3%
Commodities	4.8%	3.0%	-1.71%	-3.22%	Goldman Sachs Commodity Index minus 100 basis points
Fixed Income	16.0%	15.0%	1.72%	2.18%	66.7% Lehman Brothers Aggregate Bond Index plus 33.3% Lehman Brothers US Index Treasury Inflation Protected Securities
Total Marketable Securities	89.4%	85.0%	-0.34%	0.19%	
Private Capital	10.6%	15.0%	3.97%	11.90%	Venture Economics' Periodic IRR Index
Total	100.0%	100.0%	0.09%	1.89%	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.

III. SHORT INTERMEDIATE TERM FUND (1)Summary Investment Report at May 31, 2005

(\$ millions)

	FY03-04	FY04-05			
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	Year-to-Date
Beginning Net Assets	1,435.3	1,178.0	1,199.0	1,206.4	1,178.0
Net Contributions (Withdrawals)	(261.3)	22.8	9.5	(7.8)	24.5
Investment Return	33.2	4.3	4.9	11.8	21.0
Expenses	(0.6)	(0.2)	-	(0.1)	(0.3)
Distributions of Income	(28.6)	(5.9)	(7.0)	(8.3)	(21.2)
Ending Net Assets	1,178.0	1,199.0	1,206.4	1,202.0	1,202.0
Net Asset Value per Unit	9.927	9.911	9.894	9.923	9.923
No. of Units (End of Period)	118,671,708	120,971,065	121,930,268	121,136,214	121,136,214
Total Net Investment Return	2.49%	0.34%	0.40%	0.98%	1.73%

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

IV. SEPARATELY INVESTED ASSETS

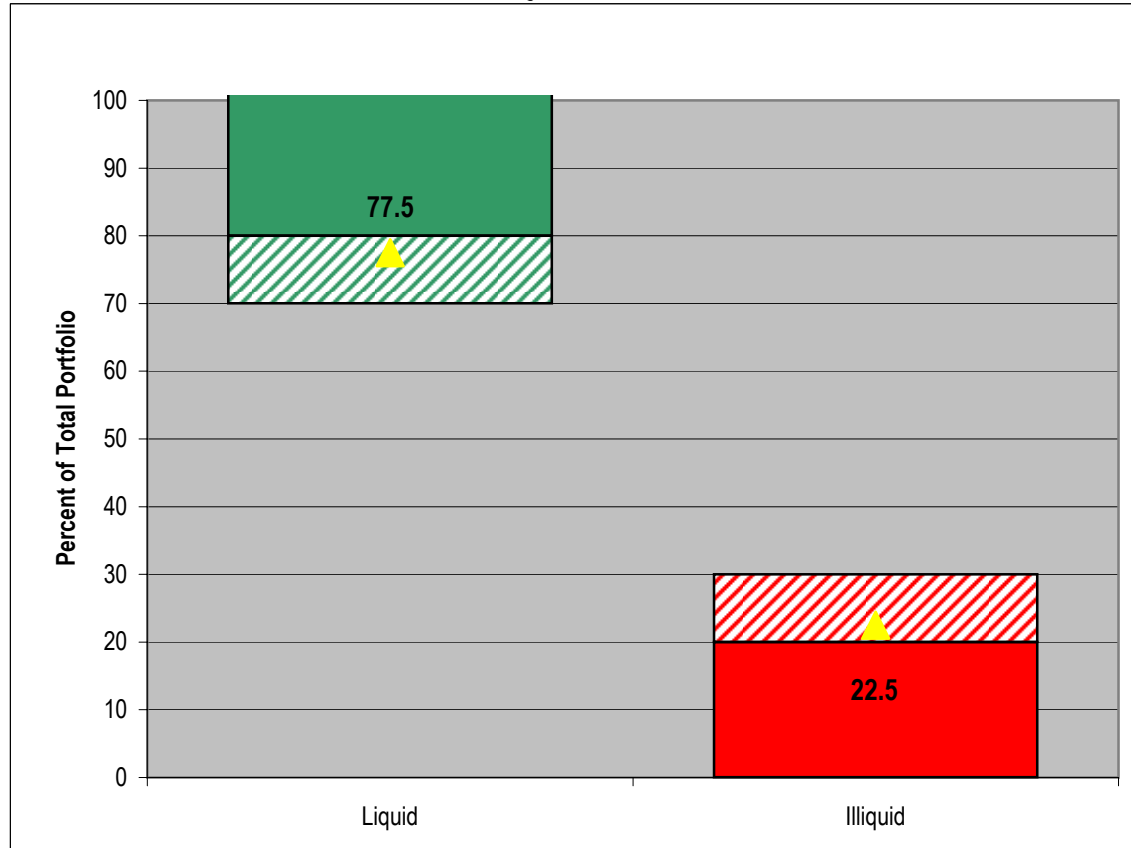
Summary Investment Report at May 31, 2005

(\$ thousands)

ASSET TYPES	FUND TYPE													
	CURRENT PURPOSE				ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		OPERATING FUNDS		TOTAL	
	DESIGNATED		RESTRICTED		BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Cash & Equivalents:														
Beginning value 02/28/05	2,721	2,721	2,227	2,227	71,408	71,408	2,546	2,546	2	2	2,388,230	2,388,230	2,467,134	2,467,134
Increase/(Decrease)	59	59	4,108	4,108	(3,206)	(3,206)	(1,922)	(1,922)	(2)	(2)	(59,853)	(59,853)	(60,816)	(60,816)
Ending value 05/31/05	2,780	2,780	6,335	6,335	68,202	68,202	624	624	-	-	2,328,377	2,328,377	2,406,318	2,406,318
Debt Securities:														
Beginning value 02/28/05	-	-	263	207	34,729	34,989	15,565	15,916	-	-	-	-	50,557	51,112
Increase/(Decrease)	-	-	-	7	(5,351)	(5,047)	932	1,190	-	-	-	-	(4,419)	(3,850)
Ending value 05/31/05	-	-	263	214	29,378	29,942	16,497	17,106	-	-	-	-	46,138	47,262
Equity Securities:														
Beginning value 02/28/05	34	9,473	1,875	1,477	41,000	46,203	20,904	23,837	-	-	248,472	215,446	312,285	296,436
Increase/(Decrease)	2	(272)	189	279	97	(201)	671	85	-	-	58,414	49,862	59,373	49,753
Ending value 05/31/05	36	9,201	2,064	1,756	41,097	46,002	21,575	23,922	-	-	306,886	265,308	371,658	346,189
Other:														
Beginning value 02/28/05	-	-	1,917	1,917	3	3	206	86	-	-	-	-	2,126	2,006
Increase/(Decrease)	2,000	2,000	(1,806)	(1,806)	(3)	(3)	12	-	-	-	-	-	203	191
Ending value 05/31/05	2,000	2,000	111	111	-	-	218	86	-	-	-	-	2,329	2,197

Report prepared in accordance with *Texas Education Code* Sec. 51.0032.
 Details of individual assets by account furnished upon request.

PUF and GEF Combined Liquidity Profile May 31, 2005



The solid bar on the left indicates the Policy range for investments categorized as "liquid". The solid bar on the right indicates the Policy range for investments categorized as "illiquid". The shaded sections of the bars indicate trigger zones requiring special action by the UTIMCO Board or the Risk Committee. For example, the allowable range for illiquid investments is 0% to 30% of the total portfolio. However, any illiquid investments made in the 20% to 30% trigger zone requires prior approval by the Risk Committee or the UTIMCO Board.

U.T. System Board of Regents
Report on Investments

Quarter Ending
May 31, 2005



As of May 31, 2005

CHANGE IN MARKET VALUE
(\$ in millions)

	PUF	GEF	Total Endowments (PUF + GEF)	Operating Funds	Total
Beginning Market Value (2/28/05)	\$8,832	\$4,692	\$13,524	\$3,810	\$17,334
Contributions	+59	+39	+98	+69	+167
Distributions & Withdrawals	-11	-59	-70	-95	-165
Changes due to Transfers:	+48	-20	+28	-26	+2
Income	+47	+24	+71	+10	+81
Appreciation/Depreciation	-27	-16	-43	+2	-41
Changes from Investment Activities:	+20	+8	+28	+12	+40
Ending Market Value (5/31/05)	\$8,900	\$4,680	\$13,580	\$3,796	\$17,376
Change in Market Value	\$68	-\$12	\$56	-\$14	\$42

- As illustrated above, the total market value of the PUF experienced an increase of \$68 million during the quarter, while the market value of the GEF declined by \$12 million. The Operating Funds saw a decrease of \$14 million.

RETURN SUMMARY

ENDING 5/31/05¹

	Quarter Ending 5/31/2005	1 Year Ending 5/31/2005	3 Years Ending 5/31/2005	5 Years Ending 5/31/2005
Permanent University Fund	0.1%	13.4%	10.0%	5.5%
Endowment Performance Benchmark(PUF) ²	1.9	12.0	7.8	3.9
Long Term Fund	0.0	13.3	10.1	5.6
Endowment Performance Benchmark(GEF) ²	1.9	12.0	7.8	3.8
Permanent Health Fund	0.0	13.3	10.1	5.5
Endowment Performance Benchmark(GEF) ²	1.9	12.0	7.8	3.8
Short Term Fund	0.7	2.0	1.5	2.7
ML 90-day T-Bill	0.7	2.0	1.5	2.7
Short Intermediate Term Fund	1.0	2.9	2.2	4.3
Performance Benchmark	1.0	1.8	2.7	4.8
BGI U.S. Debt Index Fund	1.9	6.8	5.9	7.8
LB Aggregate Bond Index	1.9	6.8	5.9	7.7
BGI Equity Index Fund	-0.5	8.3	5.6	-1.9
S&P 500 Index	-0.6	8.2	5.6	-1.9

- Each of the endowment portfolios underperformed the performance benchmark during the fiscal third quarter, but have outperformed over all longer periods shown. The Short Term Fund has approximated the returns of its benchmark over all periods shown, while the Short Intermediate Term Fund has outperformed over the trailing year, but underperformed over the longer-term periods shown.

¹ Rates of return greater than one year are annualized. UTIMCO reports its performance data net of all costs.

² The Endowment Policy Portfolio reflects the U.T. System Board of Regents approved asset allocation policy targets and benchmarks beginning January 1, 2004. The return is the weighted sum of the benchmark returns for each asset category as described in the Investment Policy Statements approved by the Board of Regents on December 19, 2003. Performance prior to January 1, 2004, represents historical policy portfolio data provided by UTIMCO. On July 8, 2005 the Board of Regents approved a restatement of the Endowment Performance Benchmark returns prior to January 1, 2004. This restatement is reflected in this report.

As of May 31, 2005

PUF POLICY COMPLIANCE
 ASSET ALLOCATION AS OF 5/31/05
 (\$ in millions)

	Total	Percent Of Total	Policy	Policy Ranges	In Compliance?
Traditional US Equities	\$1,924	21.6%	20%	15-45%	Yes
REITs	475	5.3	5%	0-10	Yes
U.S. Equity	\$2,399	27.0%	25%	15-45%	Yes
Non-U.S. Developed Equity	\$1,245	14.0%	10%	5-15%	Yes
Emerging Markets Equity	216	2.4	7%	0-10	Yes
Global ex-U.S. Equity	\$1,461	16.4%	17%	5-25%	Yes
Total Traditional Equity	\$3,860	43.4%	42%	20-60%	Yes
Equity Hedge Funds	\$885	9.9%	10%	5-15%	Yes
Absolute Return Hedge Funds	1,284	14.4	15%	10-20	Yes
Total Hedge Funds	\$2,169	24.4%	25%	15-25%	Yes
Venture Capital	\$137	1.5%	6%	0-10%	Yes
Private Equity	744	8.4	9%	5-15	Yes
Total Private Capital	\$881	9.9%	15%	5-15%	Yes
Commodities	\$422	4.7%	3%	0-5%	Yes
Traditional Fixed Income	\$987	11.1%	10%	10-30%	Yes
TIPS	406	4.6	5%	0-10	Yes
Total Fixed Income	\$1,393	15.6%	15%	10-30%	Yes
Cash	\$175	2.0%	--	0-5%	Yes
Total Permanent University Fund	\$8,900	100.0%	100%		
Liquidity Requirement					Yes

- During the third fiscal quarter, allocations to non-U.S. developed equity and commodities were reduced while the allocation to traditional fixed income was increased. These moves brought the PUF's asset class allocations within policy ranges.
- The asset allocation figures shown above include the impact of UTIMCO internal derivative investment exposures, such as positions in futures contracts.

As of May 31, 2005

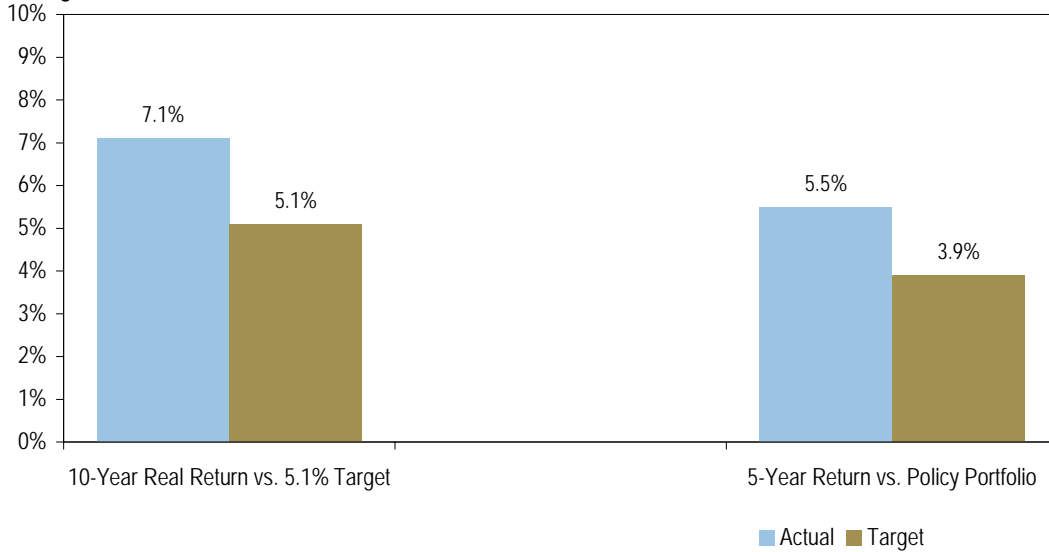
GEF POLICY COMPLIANCE
 ASSET ALLOCATION AS OF 5/31/05
 (\$ in millions)

	Total	Percent Of Total	Policy	Policy Ranges	In Compliance?
Traditional US Equities	\$993	21.2%	20%	15-45%	Yes
REITs	246	5.3	5%	0-10	Yes
U.S. Equity	\$1,239	26.5%	25%	15-45%	Yes
Non-U.S. Developed Equity	\$656	14.0%	10%	5-15%	Yes
Emerging Markets Equity	124	2.7	7%	0-10	Yes
Global ex-U.S. Equity	\$781	16.7%	17%	5-25%	Yes
Total Traditional Equity	\$2,020	43.2%	42%	20-60%	Yes
Equity Hedge Funds	\$470	10.0%	10%	5-15%	Yes
Absolute Return Hedge Funds	691	14.8	15%	10-20	Yes
Total Hedge Funds	\$1,161	24.8%	25%	15-25%	Yes
Venture Capital	\$94	2.0%	6%	0-10%	Yes
Private Equity	403	8.6	9%	5-15	Yes
Total Private Capital	\$497	10.6%	15%	5-15%	Yes
Commodities	\$224	4.8%	3%	0-5%	Yes
Traditional Fixed Income	\$531	11.3%	10%	10-30%	Yes
TIPS	216	4.6	5%	0-10	Yes
Total Fixed Income	\$747	16.0%	15%	10-30%	Yes
Cash	\$31	0.7%	--	0-5%	Yes
Total General Endowment Fund	\$4,680	100.0%	100%		
Liquidity Requirement					Yes

- During the third fiscal quarter, allocations to non-U.S. developed equity and commodities were reduced while the allocations to traditional fixed income and cash were increased. These moves brought the GEF asset class allocations within policy ranges.
- The asset allocation figures shown above include the impact of UTIMCO internal derivative investment exposures, such as positions in futures contracts.

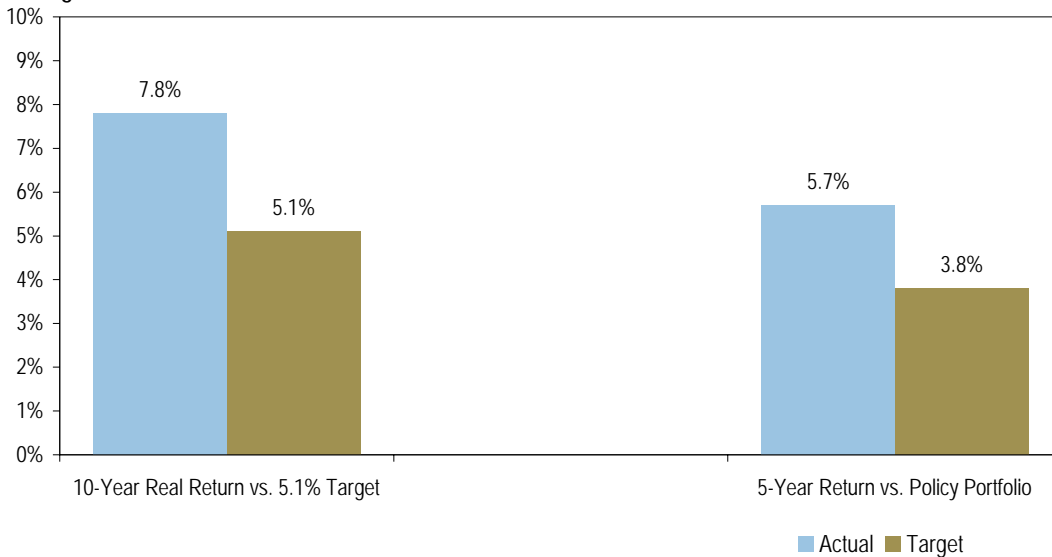
As of May 31, 2005

**Permanent University Fund
Analysis of Investment Objectives
Ending 5/31/05**



The primary investment objective of the PUF and GEF is to preserve the purchasing power of their respective assets and annual distributions by earning an average annual real return of 5.1% over rolling ten-year periods or longer. The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark over rolling five-year periods or longer. These objectives have been met over the periods analyzed above.

**General Endowment Fund
Analysis of Investment Objectives
Ending 5/31/05**



An additional objective of the PUF and the GEF is to outperform the median fund in a universe¹ of similar endowments over rolling five-year periods or longer. Over the five years ending 3/31/2005 (the most recent date for which peer data is available), both the PUF and the GEF have failed to meet this objective.

¹ Universe consists of 35 colleges and universities. Data provided by Cambridge Associates, Inc.

As of May 31, 2005

Permanent University Fund

RETURN SUMMARY

ENDING 5/31/05

	Quarter Ending 5/31/2005	1 Year Ending 5/31/2005	3 Years Ending 5/31/2005	5 Years Ending 5/31/2005	Since Inception	Inception Date
Permanent University Fund	0.1%	13.4%	10.0%	5.5%	9.6%	5/31/1993
Endowment Performance Benchmark(PUF)	1.9	12.0	7.8	3.9	10.3	
U.S. Equity	1.6	14.5	7.8	3.8	11.2	5/31/1993
U.S. Equity Performance Benchmark (PUF)	1.3	13.7	8.0	0.9	11.4	
Global Ex U.S. Equity	-4.1	16.4	11.7	0.5	6.2	5/31/1993
Global Ex U.S. Equity Benchmark (PUF)	-4.7	16.8	11.3	1.4	7.5	
Equity Hedge Funds	-0.1	9.0	--	--	9.0	12/31/2003
90-Day T-Bill + 4%	1.7	6.1	--	--	5.8	
Absolute Return Hedge Funds	0.2	10.7	10.6	11.9	12.3	2/29/2000
Absolute Return Benchmark (PUF)	1.5	5.1	5.4	7.9	8.2	
Private Capital	4.5	22.3	7.3	-0.2	13.7	5/31/1993
Venture Economics Index	11.9	18.4	5.2	1.2	17.8	
Commodities	-1.7	8.1	--	--	16.0	12/31/2003
Goldman Sachs Commodity Index - 1%	-3.1	8.1	--	--	18.6	
Total Fixed Income	1.8	8.6	8.2	8.8	7.3	5/31/1993
Fixed Income Benchmark (PUF)	2.2	7.5	6.4	7.2	6.8	

- The Permanent University Fund underperformed the Endowment Performance Benchmark by 1.8 percentage points during the fiscal quarter ending May 31, 2005. Relative underperformance from the private capital and hedge fund asset classes was primarily responsible for the below benchmark result. U.S. equities, global ex U.S. equities, and commodities were able to add modest value versus their respective benchmarks, while total fixed income moderately lagged.
- Over the one-year period, the Permanent University Fund added 1.4 percentage points of value over its benchmark. Asset class results were generally positive, with only global ex U.S. equity lagging its benchmark. Strong relative returns from the private capital and hedge fund components accounted for the bulk of the outperformance.
- Benchmarks for each of the total fund's asset class components (e.g. U.S. Equity and Absolute Return Hedge Funds, etc.) have been modified to reflect the components of the Board of Regents approved historical total fund benchmarks.

As of May 31, 2005

General Endowment Fund

RETURN SUMMARY

ENDING 5/31/05

	Quarter Ending 5/31/2005	1 Year Ending 5/31/2005	3 Years Ending 5/31/2005	5 Years Ending 5/31/2005	Since Inception	Inception Date
General Endowment Fund	0.1%	13.4%	10.2%	5.7%	10.3%	5/31/1993
Endowment Performance Benchmark(GEF)	1.9	12.0	7.8	3.8	10.2	
U.S. Equity	1.6	14.4	7.8	3.0	11.2	5/31/1993
U.S. Equity Performance Benchmark (GEF)	1.3	13.7	8.0	1.1	11.2	
Global Ex U.S. Equity	-4.1	16.8	11.9	0.7	5.6	5/31/1993
Global Ex U.S. Equity Benchmark (GEF)	-4.7	16.8	11.3	1.4	5.8	
Equity Hedge Funds	-0.1	9.0	--	--	9.0	12/31/2003
90-Day T-Bill + 4%	1.7	6.1	--	--	5.8	
Absolute Return Hedge Funds	0.2	10.9	10.6	12.2	11.1	7/31/1998
Absolute Return Benchmark (GEF)	1.5	5.1	5.4	7.9	8.8	
Private Capital	4.0	21.4	6.6	-0.3	14.8	5/31/1993
Private Capital Benchmark (GEF)	11.9	18.4	5.2	1.2	17.8	
Commodities	-1.7	8.2	--	--	16.1	12/31/2003
Goldman Sachs Commodity Index - 1%	-3.1	8.1	--	--	18.6	
Total Fixed Income	1.7	8.4	8.3	8.8	7.6	5/31/1993
Fixed Income Benchmark (GEF)	2.2	7.5	6.4	7.2	6.7	

- The General Endowment Fund underperformed the Endowment Performance Benchmark by 1.8 percentage points during the fiscal quarter ending May 31, 2005. Relative underperformance from private capital and the hedge fund asst classes was primarily responsible for the below benchmark result. U.S. equities, global ex U.S. equities, and commodities were able to add modest value versus their respective benchmarks, while total fixed income moderately lagged.
- Over the one-year period, the General Endowment Fund added 1.4 percentage points of value over its benchmark. Asset class results were generally positive, with only global ex U.S. equities failing to add value versus its benchmark over the period. Strong relative returns from the private capital and hedge fund components accounted for the bulk of the outperformance.
- Benchmarks for each of the total fund's asset class components (e.g. U.S. Equity and Absolute Return Hedge Funds, etc.) have been modified to reflect the components of the Board of Regents approved historical total fund benchmarks.

As of May 31, 2005

Operating Funds

RETURN SUMMARY

ENDING 5/31/05

	Quarter Ending 5/31/2005	1 Year Ending 5/31/2005	3 Years Ending 5/31/2005	5 Years Ending 5/31/2005	Since Inception	Inception Date
Short Term Fund	0.7%	2.0%	1.5%	2.7%	4.1%	8/31/1992
ML 90-day T-Bill	0.7	2.0	1.5	2.7	4.0	
Short Intermediate Term Fund	1.0	2.9	2.2	4.3	4.9	2/28/1993
Performance Benchmark ¹	1.0	1.8	2.7	4.8	5.1	
BGI U.S. Debt Index Fund	1.9	6.8	5.9	7.8	6.8	5/31/1999
LB Aggregate Bond Index	1.9	6.8	5.9	7.7	6.8	
BGI Equity Index Fund	-0.5	8.3	5.6	-1.9	0.1	5/31/1999
S&P 500 Index	-0.6	8.2	5.6	-1.9	0.0	

- The Short Term Fund approximated the performance of the benchmark during the periods shown above.
- The Short Intermediate Term Fund approximated the return of the Index during the fiscal quarter and outperformed over the trailing year. Longer term performance is below-benchmark
- The BGI U.S. Debt Index approximated the performance of the benchmark during the periods shown above. Participants investing in the BGI U.S. Debt Index liquidated their positions during April of 2004.
- The BGI Equity Index Fund approximated the performance of its benchmark during the periods shown above.

¹ Returns for this benchmark from inception through July 31, 2004 have been supplied by UTIMCO. The composition of the benchmark is understood as including six government bond components obtained from Bloomberg in a weighted average composite. Beginning August 1, 2004 returns are those of the Merrill Lynch 1-3 Year Treasury Index.

7. **U. T. System: Approval of aggregate amount of equipment financing for Fiscal Year 2006 and resolution regarding parity debt**

RECOMMENDATION

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

- a. approve an aggregate amount of \$95,511,000 of Revenue Financing System Equipment Financing as allocated to those U. T. System institutions set out on Page 39.1; and
- b. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the cost of equipment including costs incurred prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
 - the institutions and U. T. System Administration, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$95,511,000 for the purchase of equipment; and
 - this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

BACKGROUND INFORMATION

At the April 14, 1994 meeting, the U. T. System Board of Regents approved the use of Revenue Financing System debt for equipment purchases in accordance with the Guidelines Governing Administration of the Revenue Financing System. The guidelines specify that the equipment to be financed must have a useful life of at least three years. The debt is amortized twice a year with full amortization not to exceed 10 years.

This Agenda Item requests approval of an aggregate amount of \$95,511,000 for equipment financing for Fiscal Year 2006.

The U. T. System Board of Regents approved \$109,760,000 of equipment financing in Fiscal Year 2005, of which \$62,113,000 has been issued through June 30, 2005.

Further details on the equipment to be financed and debt coverage ratios for individual institutions can be found on Page 39.1.

APPROVAL OF U. T. SYSTEM EQUIPMENT FINANCING
FY 2006

Institution	\$ Amount of Request	Description of Expected Equipment Purchases	DSC*	
			Min	Max
U. T. Austin	\$1,500,000	Classroom and research equipment, and technology infrastructure	3.30	4.26
U. T. Brownsville	435,000	Various mechanized equipment and vehicles	2.46	2.92
U. T. Dallas	5,000,000	SCT Banner Enterprise Resource Planning (ERP) hardware, software, and services	(0.15)	3.42
U. T. El Paso	926,000	Technology infrastructure, and vehicle replacement	1.54	2.31
U. T. San Antonio	5,200,000	Scientific and lab equipment	2.03	2.69
U. T. Southwestern Medical Center - Dallas	35,000,000	Clinical & hospital equipment, technology infrastructure	2.35	3.05
U. T. Medical Branch - Galveston	20,000,000	Clinical & information technology equipment	1.43	1.79
U. T. Health Science Center - San Antonio	4,000,000	Research & clinical equipment	2.05	2.75
U. T. M. D. Anderson Cancer Center	20,000,000	Research & clinical equipment	3.34	5.07
U. T. Health Center - Tyler	3,450,000	Clinical equipment	2.12	8.57
Total				
	\$95,511,000			

* Debt Service Coverage ("DSC") is net revenue divided by debt service.

U. T. System Office of Finance, June 23, 2005

8. U. T. System: Permanent University Fund quarterly update

Mr. Philip R. Aldridge, Associate Vice Chancellor for Finance, will update the Committee on changes in the forecasted distributions from the Permanent University Fund (PUF) to the Available University Fund (AUF) and the resulting impact on remaining PUF debt capacity, U. T. Austin Excellence Funds, and the AUF balance.

REPORT

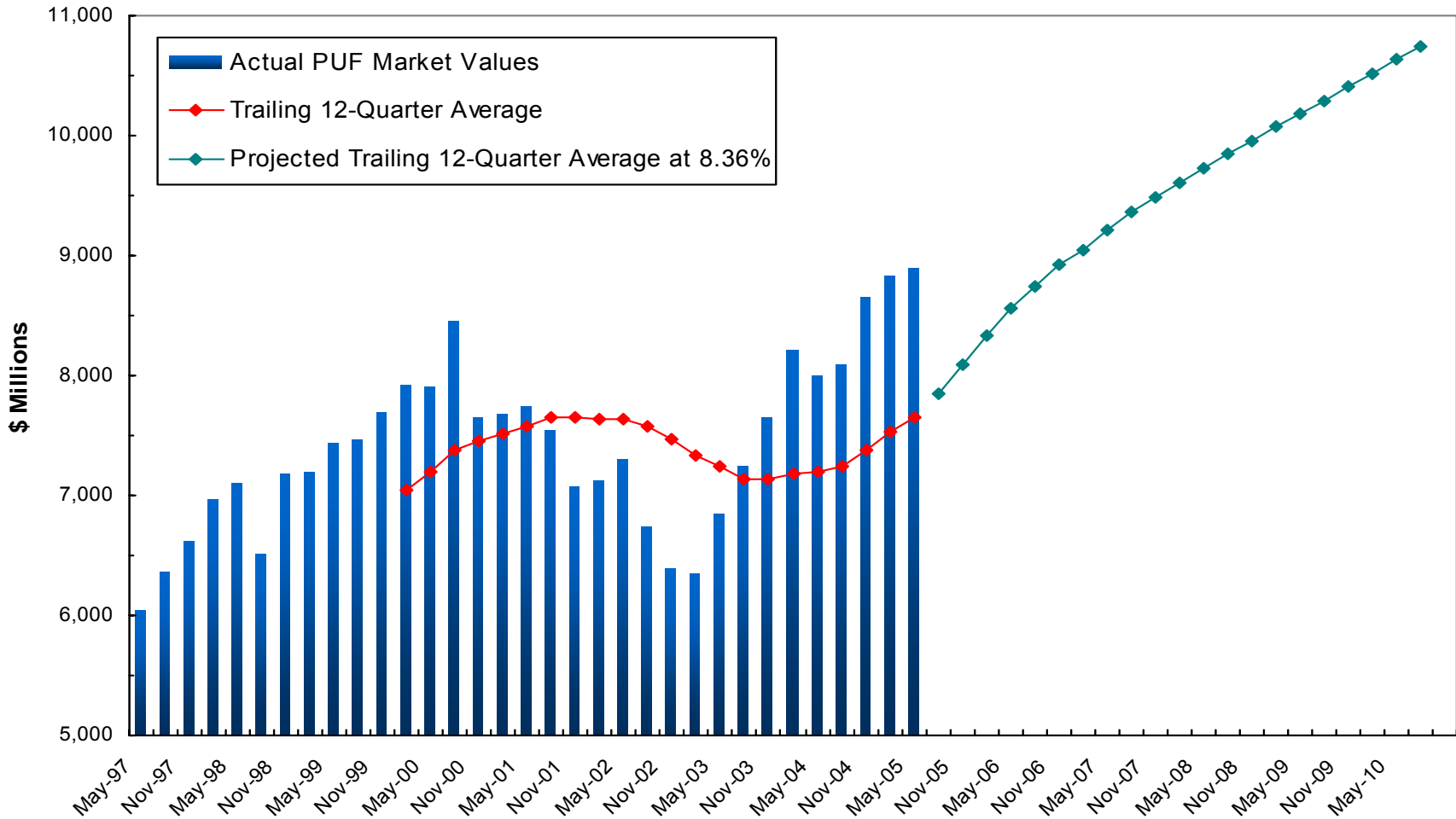
A summary of the assumptions used in calculating the PUF debt capacity is provided on Page 40.1. As of May 31, 2005, the market value of the PUF was \$8.9 billion compared to \$8.8 billion as of February 28, 2005 (Figure A on Page 40.2). During Fiscal Year 2006, \$357.3 million will be distributed to the AUF, compared to \$341.2 million in Fiscal Year 2005 (Figure B on Page 40.3). PUF distributions to the AUF are projected to steadily increase and are not projected to be capped due to constitutional purchasing power restrictions.

There is an estimated \$384 million of additional debt capacity through Fiscal Year 2010 beyond the PUF projects currently approved, assuming a 8.36% investment return (Figure C on Page 40.4). PUF debt capacity is affected by various factors, some of which are determined by the Board while others are dependent on future market conditions (Figure D on Page 40.5).

PUF Debt Capacity Base Case Assumptions

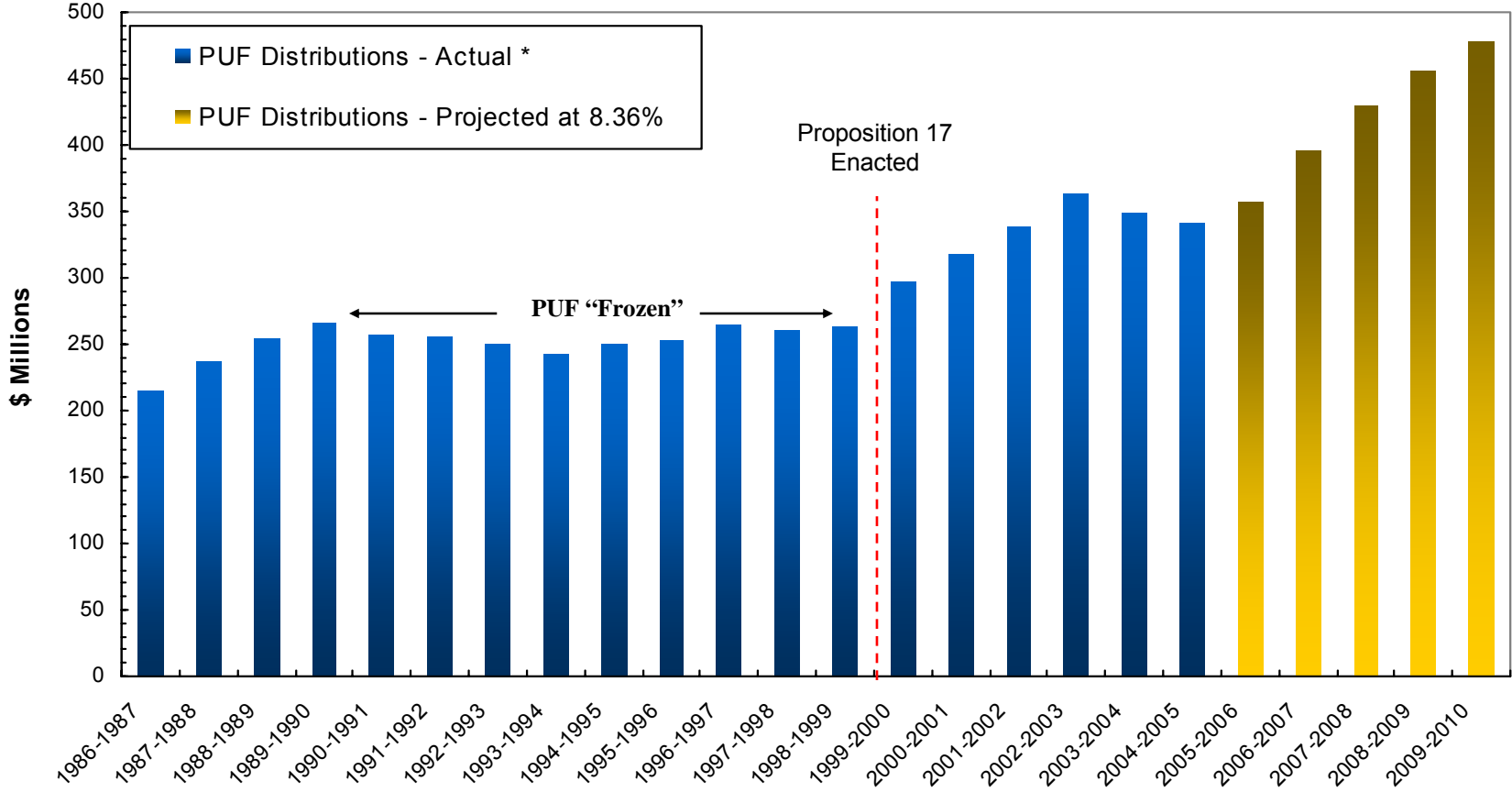
- PUF Distribution equals 4.75% of the average PUF net asset value for the trailing 12 quarters, unless restricted by Constitutional purchasing power requirements.
- U. T. Austin Excellence Funds equal 45% of the income available to U. T. System.
- Includes all PUF projects approved through May 2005.
- Forecasted PUF distribution amounts provided by UTIMCO based on long-term expected average annual rate of return of 8.36% starting from the PUF market value as of May 31, 2005.
- Annual Library, Equipment, Repair and Rehabilitation (“LERR”) appropriations of \$30 million are projected to continue from FY 2007 through FY 2010. For FY 2006, LERR appropriations are projected at \$60 million along with an additional \$10 million LERR appropriation to U. T. Dallas associated with Project Emmitt.
- PUF debt service on additional capacity structured as 20-year, tax-exempt debt with level debt service.

Projected Trailing 12-Quarter PUF Market Value Average



40.2

Permanent University Fund Distributions



* Effective September 1, 1997, a statutory amendment changed the distribution of income from cash to an accrual basis, resulting in a one-time distribution adjustment to the AUF of \$47.3 million that is not reflected.

PUF Debt Capacity-Base Case at 8.36%

Additional PUF Debt Capacity (\$384 Million)		\$0.0	\$294.4	\$0.0	\$0.0	\$35.8	\$53.8
Cumulative Additional PUF Debt Capacity		\$0.0	\$294.4	\$294.4	\$294.4	\$330.2	\$384.0
Available University Fund Operating Statement Forecast Data (\$ Millions)	Actual	Projected					
	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FYE 10
PUF Distribution Amount	\$348.0	\$341.2	\$357.3	\$396.1	\$429.8	\$456.4	\$478.2
Surface & Other Income	7.6	7.2	7.0	7.0	7.0	7.1	7.1
Divisible Income	355.6	348.4	364.4	403.2	436.8	463.4	485.3
UT System Share (2/3)	237.1	232.3	242.9	268.8	291.2	308.9	323.5
AUF Interest Income	3.0	4.8	4.7	5.0	4.9	5.0	5.3
Income Available to U.T.	240.1	237.1	247.6	273.7	296.1	314.0	328.8
TRANSFERS:							
UT Austin Excellence Funds (45%)	(108.3)	(105.3)	(111.4)	(123.2)	(133.2)	(141.3)	(148.0)
PUF Debt Service on Approved Projects	(71.6)	(79.6)	(90.7)	(108.0)	(110.6)	(112.9)	(115.7)
PUF Cash Defeasance	(60.0)	-	-	-	-	-	-
PUF Debt Service on Add. Debt Capacity	-	-	(23.3)	(23.3)	(23.3)	(26.3)	(30.7)
System Administration	(27.9)	(27.7)	(29.7)	(30.6)	(31.5)	(32.4)	(33.4)
Other	(4.5)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Debt Service (Bldg Rev)	(3.4)	-	-	-	-	-	-
Net Surplus/(Deficit)	(35.7)	23.4	(8.6)	(12.4)	(3.7)	0.0	0.0
Ending AUF Balance - System	46.3	69.7	61.1	48.7	45.0	45.0	45.0
PUF Debt Service Coverage	3.35:1	2.98:1	2.17:1	2.08:1	2.21:1	2.26:1	2.25:1
Assumed Annual LERR Appropriations	40.0	100.0	70.0	30.0	30.0	30.0	30.0

40.4

PUF Debt Capacity Sensitivities at 8.36%

40.5

	Board-Determined	Board-Determined	Board-Determined	Market-Dependent	Market-Dependent	Additional Debt Capacity (\$ Millions)						TOTAL	Projected PUF
	Annual LERR	U.T. Austin Excellence	PUF Distribution Rate	PUF Investment Return	Change in Tax-Exempt Rates	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY 2005-FY 2010	Market Value in FY 2030
	\$30 Million	45.0%	4.75%	8.36%	NA	0.0	294.4	0.0	0.0	35.8	53.8	384.0	23,367,518,747
	\$30 Million	45.0%	4.75%	8.36%	NA	0.0	294.4	0.0	0.0	35.8	53.8	384.0	23,367,518,747
	\$20 Million	45.0%	4.75%	8.36%	NA	0.0	304.4	10.0	10.0	45.8	63.8	434.0	23,367,518,747
	\$10 Million	45.0%	4.75%	8.36%	NA	0.0	314.4	20.0	20.0	55.8	73.8	484.0	23,367,518,747
	None	45.0%	4.75%	8.36%	NA	0.0	324.4	30.0	30.0	65.8	83.8	534.0	23,367,518,747
	\$30 Million	40.0%	4.75%	8.36%	NA	0.0	401.4	0.0	31.9	92.2	62.8	588.3	23,367,518,747
	\$30 Million	45.0%	4.75%	8.36%	NA	0.0	294.4	0.0	0.0	35.8	53.8	384.0	23,367,518,747
	\$30 Million	50.0%	4.75%	8.36%	NA	0.0	166.1	0.0	0.0	0.0	13.4	179.6	23,367,518,747
	\$30 Million	45.0%	4.50%	8.36%	NA	0.0	226.1	0.0	0.0	0.0	47.5	273.6	24,783,201,972
	\$30 Million	45.0%	4.75%	8.36%	NA	0.0	294.4	0.0	0.0	35.8	53.8	384.0	23,367,518,747
	\$30 Million	45.0%	5.00%	8.36%	NA	0.0	361.3	0.0	0.0	77.4	55.1	493.8	22,018,913,423
	\$30 Million	45.0%	4.75%	7.36%	NA	0.0	291.2	0.0	0.0	15.9	32.7	339.8	18,257,771,595
	\$30 Million	45.0%	4.75%	8.36%	NA	0.0	294.4	0.0	0.0	35.8	53.8	384.0	23,367,518,747
	\$30 Million	45.0%	4.75%	9.36%	NA	0.0	297.7	0.0	0.0	55.6	75.1	428.4	29,779,734,437
	\$30 Million	45.0%	4.75%	8.36%	+ 50 bps	0.0	275.9	0.0	0.0	30.2	50.6	356.7	23,367,518,747
	\$30 Million	45.0%	4.75%	8.36%	NA	0.0	294.4	0.0	0.0	35.8	53.8	384.0	23,367,518,747
	\$30 Million	45.0%	4.75%	8.36%	-50 bps	0.0	314.3	0.0	0.0	41.7	57.2	413.2	23,367,518,747

9. **U. T. System Board of Regents: Adoption of a Resolution authorizing the issuance, sale, and delivery of Permanent University Fund Bonds not to exceed \$300,000,000 and authorization to complete all related transactions**

RECOMMENDATION

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

- a. adopt a Resolution, substantially in the form previously approved by the Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Permanent University Fund Bonds in one or more installments in an aggregate principal amount not to exceed \$300,000,000 to be used to refund certain outstanding Permanent University Fund Bonds, to refund all or a portion of the then outstanding Permanent University Fund Flexible Rate Notes, Series A, and to pay the costs of issuance; and
- b. authorize appropriate officers and employees of U. T. System as set forth in the Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such bonds.

BACKGROUND INFORMATION

Adoption of the Resolution would authorize the advance refunding of a portion of certain outstanding Permanent University Fund (PUF) Bonds provided the refunding exceeds a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds in advance of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. Adoption of this Resolution will provide the flexibility to select the particular bonds to be refunded depending on market conditions at the time of pricing.

As provided in the Resolution, the potential bonds to be refunded include up to

- \$97,395,000 of PUF Bonds, Series 1996, maturing 2007-2010
- \$85,545,000 of PUF Bonds, Series 2002B, maturing 2020-2022
- \$17,240,000 of PUF Bonds, Series 2004A, maturing 2015-2016
- \$396,520,000 of PUF Bonds, Series 2004B, maturing 2023-2033

The Resolution would also authorize the refunding of the PUF Flexible Rate Notes, Series A. The PUF Flexible Rate Note program is used to provide interim financing for

PUF projects approved by the Board. Adoption of the Resolution will permit the interim financing provided through the Notes to be replaced with long-term financing provided through the issuance of the Series 2006 Bonds.

Proceeds from the Series 2006 Bonds will be used to purchase U.S. government or other eligible securities to be placed in one or more escrow accounts. Proceeds from the escrowed securities will be used to redeem the refunded bonds and the refunded Flexible Rate Notes.

The proposed Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

Note: The proposed Resolution is available on-line at <http://www.utsystem.edu/bor/AgendaBook/Aug05/8-10&11-05Meetingpage.htm>.

10. U. T. System Board of Regents: Adoption of Fifteenth Supplemental Resolution authorizing Revenue Financing System Bonds in an amount not to exceed \$600,000,000; authorization to complete all related transactions; and resolution regarding parity debt

RECOMMENDATION

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

- a. adopt the Fifteenth Supplemental Resolution to the Master Resolution, substantially in the standard form approved by the Board of Regents on November 13, 2003, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Bonds in one or more installments in an aggregate principal amount not to exceed \$600,000,000 with a final maturity not to exceed the Year 2037 for the purpose of refunding a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A; to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program; to advance refund certain outstanding Revenue Financing System Bonds to produce present value debt service savings; and to pay the costs of issuance and any original issue discount;
- b. authorize issuance of the Bonds and the execution of corresponding interest rate swap transactions for the purposes of hedging the interest rates of the Bonds consistent with the U. T. System Interest Rate Swap Policy; and
- c. authorize appropriate officers and employees of the U. T. System as set forth in the Fifteenth Supplemental Resolution to take any and all actions

necessary to carry out the intentions of the U. T. System Board of Regents, within the limitations and procedures specified therein, make certain covenants and agreements in connection therewith; and resolve other matters incident and related to the issuance, sale, security, and delivery of such Bonds.

The Chancellor also concurs with the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the U. T. System Board of Regents on February 14, 1991, amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as required by Section 5 of the Master Resolution, the U. T. System Board of Regents resolve that

- a. sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the Board relating to the Financing System; and
- b. the institutions, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt Parity Debt.

BACKGROUND INFORMATION

On February 14, 1991, the U. T. System Board of Regents adopted a Master Resolution establishing the Revenue Financing System (RFS) to create a cost-effective, System-wide financing structure for institutions of the U. T. System. Since that time, the Board has adopted 14 supplemental resolutions to provide debt financing for projects that have received the requisite U. T. System Board of Regents and Texas Higher Education Coordinating Board approvals.

Adoption of the Fifteenth Supplemental Resolution (Resolution) would authorize the advance refunding of certain outstanding RFS Bonds provided the refunding exceeds a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds in advance of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. The Resolution provides authority to execute interest rate swap agreements to effectively hedge the interest rate on the bonds. The determination to utilize an interest rate swap agreement will be made based on market conditions at the time of pricing and will be in accordance with the U. T. System Interest Rate Swap Policy approved by the Board in February 2003 using standard International Swaps and

Derivatives Association, Inc. (ISDA) documentation. The Chairman of the Board of Regents and the Chairman of the Finance and Planning Committee will be informed of any proposed transactions to be undertaken pursuant to the Resolution.

In addition, the Resolution authorizes remarketing, tender, auction and broker-dealer agreements customarily utilized in connection with the types of variable rate instruments authorized.

The Resolution also authorizes the refunding of a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A, and provides new money to fund construction and acquisition costs of projects in the Capital Improvement Program. Generally, commercial paper debt is issued to fund projects during the construction phase and the debt is not amortized. Once construction is complete, the commercial paper is refunded with bonds. Depending on the level of interest rates at the time of pricing, outstanding commercial paper and new money for construction may be financed with long-term debt.

As provided in the Resolution, the potential bonds to be refunded include up to

- \$8,985,000 of RFS Bonds, Series 1995A, maturing 2006-2017
- \$24,485,000 of RFS Bonds, Series 1996A, maturing 2007-2016
- \$3,605,000 of RFS Bonds, Series 1998A, maturing 2014-2018
- \$56,185,000 of RFS Bonds, Series 1998B, maturing 2008 and 2012-2018
- \$3,365,000 of RFS Bonds, Series 1998C, maturing 2019
- \$39,725,000 of RFS Bonds, Series 2001B, maturing 2020-2022
- \$18,770,000 of RFS Bonds, Series 2001C, maturing 2020-2022
- \$69,765,000 of RFS Bonds, Series 2003A, maturing 2014-2023
- \$362,505,000 of RFS Bonds, Series 2003B, maturing 2014-2033.

Adoption of this Resolution will provide the flexibility to select the particular bonds to be refunded depending on market conditions at the time of pricing provided the refunding achieves the minimum 3% savings target. The particular bonds to be refunded will be called for redemption, at par plus accrued interest, on the first practical optional redemption date for each series of refunded bonds occurring after the delivery of the refunding bonds.

The proposed Fifteenth Supplemental Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

Note: The Fifteenth Supplemental Resolution and forms of auction agreement and broker-dealer agreement are in substantially the same form as the Thirteenth Supplemental Resolution, Fourteenth Supplemental Resolution, and forms of auction agreement and broker-dealer agreement previously approved by the Board on November 13, 2003 for use as standard agreements. These documents have not been included as part of the agenda materials, but are available upon request.